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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

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**FORM 8-K**

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**CURRENT REPORT**

**PURSUANT TO SECTION 13 OR 15(D) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported): **May 6, 2021**

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**FOCUS FINANCIAL PARTNERS INC.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction  
of incorporation)

**001-38604**  
(Commission  
File Number)

**47-4780811**  
(IRS Employer  
Identification No.)

**875 Third Avenue, 28<sup>th</sup> Floor**  
**New York, NY 10022**  
(Address of principal executive offices)  
(Zip Code)

**(646) 519-2456**  
Registrant's Telephone Number, Including Area Code

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

<b>Title of each class</b>	<b>Trading Symbol(s)</b>	<b>Name of each exchange on which registered</b>
Class A common stock, par value \$0.01 per share	FOCS	Nasdaq Global Select Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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**Item 2.02 Results of Operations and Financial Condition.**

On May 6, 2021, Focus Financial Partners Inc. (the “Company”) issued a press release reporting results for its first quarter ended March 31, 2021. A copy of the press release is furnished with this Current Report on Form 8-K (this “Current Report”) as Exhibit 99.1.

**Item 7.01 Regulation FD Disclosure.**

The information set forth under Item 2.02 is incorporated by reference as if fully set forth herein.

On May 6, 2021, the Company also posted a slide presentation entitled “First Quarter 2021 Earnings Release Supplement” dated May 6, 2021 to the “Events” section of the “Investor Relations” section of its website ([www.focusfinancialpartners.com](http://www.focusfinancialpartners.com)). A copy of the slide presentation is furnished with this Current Report as Exhibit 99.2.

The information in this Current Report, being furnished pursuant to Items 2.02, 7.01 and 9.01, shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section, and is not incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such filing.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits.

<b>Exhibit No.</b>	<b>Description</b>
<a href="#"><u>99.1</u></a>	<a href="#"><u>Focus Financial Partners Inc. Press Release, dated May 6, 2021.</u></a>
<a href="#"><u>99.2</u></a>	<a href="#"><u>Focus Financial Partners Inc. Slide Presentation, dated May 6, 2021.</u></a>
104	Cover Page Interactive Data File - the cover page iXBRL tags are embedded within the inline XBRL document.

## **SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

### **FOCUS FINANCIAL PARTNERS INC.**

By: /s/ J. Russell McGranahan

J. Russell McGranahan

General Counsel

Dated: May 6, 2021



**Focus Financial Partners Reports First Quarter Results**  
*Performance Exceeds Expectations, Reinforcing Strong Momentum*

**New York, New York** – May 6, 2021 – Focus Financial Partners Inc. (Nasdaq: FOCS) (“Focus Inc.”, “Focus”, the “Company”, “we”, “us” or “our”), a leading partnership of independent, fiduciary wealth management firms, today reported results for its first quarter ended March 31, 2021.

**First Quarter 2021 Highlights**

- Total revenues of \$394.2 million, 16.9% growth year over year
- Organic revenue growth<sup>(1)</sup> rate of 12.2% year over year
- GAAP net income of \$2.5 million
- GAAP basic and diluted net income per share attributable to common shareholders of \$0.00 on a rounded basis
- Adjusted Net Income Excluding Tax Adjustments<sup>(2)</sup> of \$63.4 million and Tax Adjustments of \$10.5 million
- Adjusted Net Income Excluding Tax Adjustments Per Share<sup>(2)</sup> of \$0.80 and Tax Adjustments Per Share<sup>(2)</sup> of \$0.13
- Net Leverage Ratio<sup>(3)</sup> of 3.79x
- Net cash provided by operating activities for the trailing 4-quarters ended March 31, 2021 of \$242.1 million, 32.8% higher than the prior year period
- LTM Cash Flow Available for Capital Allocation<sup>(2)</sup> for the trailing 4-quarters ended March 31, 2021 of \$219.9 million, 51.8% higher than the prior year period
- Raised \$500 million under First Lien Term Loan at LIBOR + 200 and repaid borrowings under First Lien Revolver
- Formed a joint venture with Orion Advisor Solutions that will add cash and credit solutions and related services developed by Focus Client Solutions to Orion’s WealthTech platform
- Launched Beryllus Capital, a global multi-family office, in a joint venture with the Hinduja Group

(1) Please see footnote 2 under “How We Evaluate Our Business” later in this press release.

(2) Non-GAAP financial measures. Please see “Reconciliation of Non-GAAP Financial Measures” later in this press release for a reconciliation and more information on these measures.

(3) Please see footnote 8 under “How We Evaluate Our Business” later in this press release.

“This morning we announced another quarter of excellent performance and year-over-year growth, reflecting a continued acceleration of our overall business momentum,” said Rudy Adolf, Founder, CEO and Chairman. “Our partner firms generated outstanding results, delivering exceptional service to their clients and growing their businesses despite the unsettled macro backdrop. We had another strong quarter for M&A, following the most active quarter in our history, and our pipeline is building. The Focus model continues to resonate, creating an enduring source of competitive differentiation. We further expanded our presence in the ultra-high net worth market during the quarter, which is an important strategic focus for us, and grew our international footprint. We also substantially increased the range of value-added services that we can offer our partner firms, in areas that are integral to addressing their clients’ most complex wealth management and planning needs.”

“We delivered strong results in the 2021 first quarter, above the upper end of our guidance on all measures, and we are very pleased with the overall performance and growth of our business. We also reported our first quarter of Adjusted EBITDA<sup>(2)</sup> in excess of \$100 million, which is a substantial milestone and reinforces the operating leverage that results from our scale,” said Jim Shanahan, Chief Financial Officer. “Our net leverage ratio was 3.79x as of March 31<sup>st</sup>, and we remain committed to our net leverage ratio range of 3.5x to 4.5x. The excellent performance of our partner firms, together with our sustained M&A momentum and further build-out our value-added offerings all create levers of future growth for our partnership. We firmly believe that the uniqueness of our value proposition will continue to make us the partner of choice and enhance our already strong leadership position.”

### **First Quarter 2021 Financial Highlights**

Total revenues were \$394.2 million, 16.9%, or \$57.1 million higher than the 2020 first quarter. The primary driver of this increase was revenue growth from our existing partner firms of approximately \$42.4 million. The majority of this growth was driven by higher wealth management fees, which includes the effect of mergers completed by our partner firms. The balance of the increase of \$14.7 million was due to revenues from new partner firms acquired during the last twelve months. Our year-over-year organic revenue growth rate<sup>(1)</sup> was 12.2%, slightly above our expected 7% to 10% range for the quarter.

An estimated 77.7%, or \$306.4 million, of total revenues in the quarter were correlated to the financial markets. Of this amount, 67.2%, or \$206.0 million, were generated from advance billings generally based on market levels in the 2020 fourth quarter. The remaining 22.3%, or \$87.8 million, were not correlated to the markets. These revenues typically consist of family office type services, tax advice and fixed fees for investment advice, primarily for high and ultra-high net worth clients.

GAAP net income was \$2.5 million compared to \$34.0 million in the prior year quarter. GAAP basic and diluted net income per share attributable to common shareholders were both \$0.00, as compared to \$0.43 for both basic and diluted net income per share in the prior year quarter.

Adjusted EBITDA<sup>(2)</sup> was \$101.0 million, 29.4%, or \$23.0 million, higher than the prior year period, and our Adjusted EBITDA margin<sup>(3)</sup> was 25.6%, well ahead of our outlook of 24.5% for the quarter due to the higher organic revenue growth and lower operating costs relative to revenue.

Adjusted Net Income Excluding Tax Adjustments<sup>(2)</sup> was \$63.4 million and Tax Adjustments were \$10.5 million. Adjusted Net Income Excluding Tax Adjustments Per Share<sup>(2)</sup> was \$0.80, up 29.0% compared to the prior year period, and Tax Adjustments Per Share<sup>(2)</sup> were \$0.13, up 8.3% compared to the prior year period.

(1) Please see footnote 2 under “How We Evaluate Our Business” later in this press release.

(2) Non-GAAP financial measures. Please see “Reconciliation of Non-GAAP Financial Measures” later in this press release for a reconciliation and more information on these measures.

(3) Calculated as Adjusted EBITDA divided by Revenues.



## **Balance Sheet and Liquidity**

As of March 31, 2021, cash and cash equivalents were \$169.7 million and debt outstanding under the Company's credit facilities was approximately \$1.6 billion, all of which were borrowings under our First Lien Term Loan. There were no outstanding borrowings under our First Lien Revolver. Our Net Leverage Ratio<sup>(1)</sup> at March 31, 2021 was 3.79x. We remain committed to maintaining our Net Leverage Ratio<sup>(1)</sup> between 3.5x to 4.5x and believe this is the appropriate range for our business given our highly acquisitive nature.

Our net cash provided by operating activities for the trailing four quarters ended March 31, 2021 increased 32.8% to \$242.1 million from \$182.2 million for the comparable period ended March 31, 2020. Our Cash Flow Available for Capital Allocation<sup>(2)</sup> for the trailing four quarters ended March 31, 2021 increased 51.8% to \$219.9 million from \$144.8 million for the comparable period ended March 31, 2020. These increases reflect the earnings growth of our partner firms, the addition of new partner firms and the increase in our Adjusted EBITDA margin. In the 2021 first quarter, we paid \$10.0 million of earn-out obligations and \$4.2 million of required amortization under our Term Loan.

As of March 31, 2021, \$850 million, or approximately 52%, of our Term Loan had been swapped from a floating rate to a weighted average fixed rate of 2.62%. The residual amount of approximately \$773.4 million under the Term Loan remain at floating rates.

(1) Please see footnote 8 under "How We Evaluate Our Business" later in this press release.

(2) Non-GAAP financial measure. See "Reconciliation of Non-GAAP Financial Measures—Cash Flow Available for Capital Allocation" later in this press release.

## **Teleconference, Webcast and Presentation Information**

Founder, CEO and Chairman, Rudy Adolf, and Chief Financial Officer, Jim Shanahan, will host a conference call today, May 6, 2021 at 8:30 a.m. Eastern Time to discuss the Company's 2021 first quarter results and outlook. The call can be accessed by dialing +1-877-407-0989 (inside the U.S.) or +1-201-389-0921 (outside the U.S.).

A live, listen-only webcast, together with a slide presentation titled "First Quarter 2021 Earnings Release Supplement" dated May 6, 2021 will be available under "Events" in the "Investor Relations" section of the Company's website, [www.focusfinancialpartners.com](http://www.focusfinancialpartners.com). A webcast replay of the call will be available shortly after the event at the same address. Registration for the call will begin 20 minutes prior to the start of the call, using the following [link](#).

## **About Focus Financial Partners Inc.**

Focus Financial Partners is a leading partnership of independent, fiduciary wealth management firms. Focus provides access to best practices, resources, and continuity planning for its partner firms who serve individuals, families, employers and institutions with comprehensive wealth management services. Focus partner firms maintain their operational independence, while they benefit from the synergies, scale, economics and best practices offered by Focus to achieve their business objectives.



### **Cautionary Note Concerning Forward-Looking Statements**

The foregoing information contains certain forward-looking statements that reflect the Company's current views with respect to certain current and future events and financial performance. These forward-looking statements are and will be, as the case may be, subject to many risks, uncertainties and factors relating to the Company's operations and business environment, including the impact and duration of the outbreak of Covid-19, which may cause the Company's actual results to be materially different from any future results, expressed or implied, in these forward-looking statements. Any forward-looking statements in this release are based upon information available to the Company on the date of this release. The Company does not undertake to publicly update or revise its forward-looking statements even if experience or future changes make it clear that any statements expressed or implied therein will not be realized. Additional information on risk factors that could potentially affect the Company's financial results may be found in the Company's annual report on Form 10-K for the year ended December 31, 2020 filed and our other filings with the Securities and Exchange Commission.

### **Investor and Media Contact**

Tina Madon  
Head of Investor Relations & Corporate Communications  
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[tmadon@focuspartners.com](mailto:tmadon@focuspartners.com)



## How We Evaluate Our Business

We focus on several key financial metrics in evaluating the success of our business, the success of our partner firms and our resulting financial position and operating performance. Key metrics for the three months ended March 31, 2020 and 2021 include the following:

	Three Months Ended March 31,	
	2020	2021
(dollars in thousands, except per share data)		
<b>Revenue Metrics:</b>		
Revenues	\$ 337,054	\$ 394,175
Revenue growth (1) from prior period	29.7%	16.9%
Organic revenue growth (2) from prior period	21.2%	12.2%
<b>Management Fees Metrics (operating expense):</b>		
Management fees	\$ 83,693	\$ 102,072
Management fees growth (3) from prior period	46.8%	22.0%
Organic management fees growth (4) from prior period	33.7%	15.7%
<b>Net Income Metrics:</b>		
Net income	\$ 34,019	\$ 2,482
Net income growth from prior period	*	*
Income per share of Class A common stock:		
Basic	\$ 0.43	\$ 0.00
Diluted	\$ 0.43	\$ 0.00
Income per share of Class A common stock growth from prior period:		
Basic	*	*
Diluted	*	*
<b>Adjusted EBITDA Metrics:</b>		
Adjusted EBITDA (6)	\$ 78,020	\$ 100,995
Adjusted EBITDA growth (6) from prior period	43.1%	29.4%
<b>Adjusted Net Income Excluding Tax Adjustments Metrics:</b>		
Adjusted Net Income Excluding Tax Adjustments (5)(6)	\$ 45,515	\$ 63,449
Adjusted Net Income Excluding Tax Adjustments growth (5)(6) from prior period	58.6%	39.4%
<b>Tax Adjustments</b>		
Tax Adjustments (5)(6)(7)	\$ 8,935	\$ 10,492
Tax Adjustments growth from prior period (5)(6)(7)	27.2%	17.4%





**Three Months Ended  
March 31,**

	<b>2020</b>	<b>2021</b>
<b>(dollars in thousands, except per share data)</b>		
<b>Adjusted Net Income Excluding Tax Adjustments Per Share and Tax Adjustments Per Share Metrics:</b>		
Adjusted Net Income Excluding Tax Adjustments Per Share (5)(6)	\$ 0.62	\$ 0.80
Tax Adjustments Per Share (5)(6)(7)	\$ 0.12	\$ 0.13
Adjusted Net Income Excluding Tax Adjustments Per Share growth (5)(6) from prior period	63.2%	29.0%
Tax Adjustments Per Share growth from prior period (5)(6)(7)	33.3%	8.3%
<b>Adjusted Shares Outstanding</b>		
Adjusted Shares Outstanding (6)	73,132,756	79,606,295
<b>Other Metrics:</b>		
Net Leverage Ratio (8) at period end	4.00x	3.79x
Acquired Base Earnings (9)	\$ 3,190	\$ 663
Number of partner firms at period end (10)	64	72

\* Not meaningful

- (1) Represents period-over-period growth in our GAAP revenue.
- (2) Organic revenue growth represents the period-over-period growth in revenue related to partner firms, including growth related to acquisitions of wealth management practices and customer relationships by our partner firms, including Connectus, and partner firms that have merged, that for the entire periods presented, are included in our consolidated statements of operations for each of the entire periods presented. We believe these growth statistics are useful in that they present full-period revenue growth of partner firms on a “same store” basis exclusive of the effect of the partial period results of partner firms that are acquired during the comparable periods.
- (3) The terms of our management agreements entitle the management companies to management fees typically consisting of all Earnings Before Partner Compensation (“EBPC”) in excess of Base Earnings up to Target Earnings, plus a percentage of any EBPC in excess of Target Earnings. Management fees growth represents the period-over-period growth in GAAP management fees earned by management companies. While an expense, we believe that growth in management fees reflect the strength of the partnership.
- (4) Organic management fees growth represents the period-over-period growth in management fees earned by management companies related to partner firms, including growth related to acquisitions of wealth management practices and customer relationships by our partner firms and partner firms that have merged, that for the entire periods presented, are included in our consolidated statements of operations for each of the entire periods presented. We believe that these growth statistics are useful in that they present full-period growth of management fees on a “same store” basis exclusive of the effect of the partial period results of partner firms that are acquired during the comparable periods.
- (5) In disclosures, including filings with the SEC, made prior to the quarter ended September 30, 2020, “Adjusted Net Income Excluding Tax Adjustments” and “Tax Adjustments” were presented together as “Adjusted Net Income.” Additionally, “Adjusted Net Income Excluding Tax Adjustments Per Share” and “Tax Adjustments Per Share” were presented together as “Adjusted Net Income Per Share.”

- (6) For additional information regarding Adjusted EBITDA, Adjusted Net Income Excluding Tax Adjustments, Adjusted Net Income Excluding Tax Adjustments Per Share, Tax Adjustments, Tax Adjustments Per Share and Adjusted Shares Outstanding, including a reconciliation of Adjusted EBITDA, Adjusted Net Income Excluding Tax Adjustments and Adjusted Net Income Excluding Tax Adjustments Per Share to the most directly comparable GAAP financial measure, please read “—Adjusted EBITDA” and “—Adjusted Net Income Excluding Tax Adjustments and Adjusted Net Income Excluding Tax Adjustments Per Share.”
- (7) Tax Adjustments represent the tax benefits of intangible assets, including goodwill, associated with deductions allowed for tax amortization of intangible assets in the respective periods based on a pro forma 27% income tax rate. Such amounts were generated from acquisitions completed where we received a step-up in basis for tax purposes. Acquired intangible assets may be amortized for tax purposes, generally over a 15-year period. Due to our acquisitive nature, tax deductions allowed on acquired intangible assets provide additional significant supplemental economic benefit. The tax benefit from amortization is included to show the full economic benefit of deductions for acquired intangible assets with the step-up in tax basis. As of March 31, 2021, estimated Tax Adjustments from intangible asset related income tax benefits from closed acquisitions based on a pro forma 27% income tax rate for the next 12 months is \$41,907.
- (8) Net Leverage Ratio represents the First Lien Leverage Ratio (as defined in the Credit Facility), and means the ratio of amounts outstanding under the First Lien Term Loan and First Lien Revolver plus other outstanding debt obligations secured by a lien on the assets of Focus LLC (excluding letters of credit other than unpaid drawings thereunder) minus unrestricted cash and cash equivalents to Consolidated EBITDA (as defined in the Credit Facility).
- (9) The terms of our management agreements entitle the management companies to management fees typically consisting of all future EBPC of the acquired wealth management firm in excess of Base Earnings up to Target Earnings, plus a percentage of any EBPC in excess of Target Earnings. Acquired Base Earnings is equal to our retained cumulative preferred position in Base Earnings. We are entitled to receive these earnings notwithstanding any earnings that we are entitled to receive in excess of Target Earnings. Base Earnings may change in future periods for various business or contractual matters. For example, from time to time when a partner firm consummates an acquisition, the management agreement among the partner firm, the management company and the principals is amended to adjust Base Earnings and Target Earnings to reflect the projected post acquisition earnings of the partner firm.
- (10) Represents the number of partner firms on the last day of the period presented.



**Unaudited Condensed Consolidated Financial Statements**

**FOCUS FINANCIAL PARTNERS INC.**  
**Unaudited condensed consolidated statements of operations**  
(in thousands, except share and per share amounts)

	<b>For the three months ended March 31,</b>	
	<b>2020</b>	<b>2021</b>
<b>REVENUES:</b>		
Wealth management fees	\$ 318,603	\$ 374,845
Other	18,451	19,330
Total revenues	<u>337,054</u>	<u>394,175</u>
<b>OPERATING EXPENSES:</b>		
Compensation and related expenses	117,844	141,043
Management fees	83,693	102,072
Selling, general and administrative	62,595	63,826
Intangible amortization	35,723	42,983
Non-cash changes in fair value of estimated contingent consideration	(31,373)	25,936
Depreciation and other amortization	2,982	3,607
Total operating expenses	<u>271,464</u>	<u>379,467</u>
<b>INCOME FROM OPERATIONS</b>	<u>65,590</u>	<u>14,708</u>
<b>OTHER INCOME (EXPENSE):</b>		
Interest income	285	47
Interest expense	(13,586)	(10,521)
Amortization of debt financing costs	(782)	(852)
Loss on extinguishment of borrowings	(6,094)	—
Other income—net	612	3
Income from equity method investments	64	283
Total other expense—net	<u>(19,501)</u>	<u>(11,040)</u>
<b>INCOME BEFORE INCOME TAX</b>	46,089	3,668
<b>INCOME TAX EXPENSE</b>	<u>12,070</u>	<u>1,186</u>
<b>NET INCOME</b>	<u>34,019</u>	<u>2,482</u>
Non-controlling interest	<u>(13,623)</u>	<u>(2,226)</u>
<b>NET INCOME ATTRIBUTABLE TO COMMON SHAREHOLDERS</b>	<u>\$ 20,396</u>	<u>\$ 256</u>
<b>Income per share of Class A common stock:</b>		
Basic	\$ 0.43	\$ 0.00
Diluted	<u>\$ 0.43</u>	<u>\$ 0.00</u>
<b>Weighted average shares of Class A common stock outstanding:</b>		
Basic	47,436,555	52,200,029
Diluted	<u>47,441,172</u>	<u>52,654,822</u>



**FOCUS FINANCIAL PARTNERS INC.**  
**Unaudited condensed consolidated balance sheets**  
**(in thousands, except share and per share amounts)**

	December 31, 2020	March 31, 2021
<b>ASSETS</b>		
Cash and cash equivalents	\$ 65,858	\$ 169,715
Accounts receivable less allowances of \$2,178 at 2020 and \$2,135 at 2021	169,220	176,558
Prepaid expenses and other assets	65,581	87,594
Fixed assets—net	49,209	48,711
Operating lease assets	229,748	229,132
Debt financing costs—net	6,950	6,276
Deferred tax assets—net	107,289	160,247
Goodwill	1,255,559	1,253,976
Other intangible assets—net	1,113,467	1,082,254
<b>TOTAL ASSETS</b>	<b>\$ 3,062,881</b>	<b>\$ 3,214,463</b>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 9,634	\$ 7,809
Accrued expenses	53,862	55,626
Due to affiliates	66,428	26,638
Deferred revenue	9,190	9,783
Other liabilities	222,911	238,089
Operating lease liabilities	253,295	255,145
Borrowings under credit facilities (stated value of \$1,507,622 and \$1,623,449 at December 31, 2020 and March 31, 2021, respectively)	1,507,119	1,619,831
Tax receivable agreements obligations	81,563	123,895
<b>TOTAL LIABILITIES</b>	<b>2,204,002</b>	<b>2,336,816</b>
<b>EQUITY</b>		
Class A common stock, par value \$0.01, 500,000,000 shares authorized; 51,158,712 and 55,114,842 shares issued and outstanding at December 31, 2020 and March 31, 2021, respectively	512	551
Class B common stock, par value \$0.01, 500,000,000 shares authorized; 20,661,595 and 17,019,104 shares issued and outstanding at December 31, 2020 and March 31, 2021, respectively	207	170
Additional paid-in capital	526,664	590,022
Retained earnings	14,583	14,839
Accumulated other comprehensive income (loss)	(2,167)	917
Total shareholders' equity	539,799	606,499
Non-controlling interest	319,080	271,148
Total equity	858,879	877,647
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 3,062,881</b>	<b>\$ 3,214,463</b>



**FOCUS FINANCIAL PARTNERS INC.**  
**Unaudited condensed consolidated statements of cash flows**  
**(in thousands)**

	<b>For the three months ended March 31,</b>	
	<b>2020</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 34,019	\$ 2,482
Adjustments to reconcile net income to net cash provided by operating activities—net of effect of acquisitions:		
Intangible amortization	35,723	42,983
Depreciation and other amortization	2,982	3,607
Amortization of debt financing costs	782	852
Non-cash equity compensation expense	5,034	12,356
Non-cash changes in fair value of estimated contingent consideration	(31,373)	25,936
Income from equity method investments	(64)	(283)
Distributions received from equity method investments	25	176
Deferred taxes and other non-cash items	4,104	436
Loss on extinguishment of borrowings	6,094	—
Changes in cash resulting from changes in operating assets and liabilities:		
Accounts receivable	(9,047)	(7,393)
Prepaid expenses and other assets	(1,705)	(5,098)
Accounts payable	1,281	(1,637)
Accrued expenses	(1,612)	2,169
Due to affiliates	(41,785)	(39,818)
Other liabilities	(2,815)	(3,023)
Deferred revenue	1,739	383
Net cash provided by operating activities	<u>3,382</u>	<u>34,128</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Cash paid for acquisitions and contingent consideration—net of cash acquired	(52,188)	(7,925)
Purchase of fixed assets	(3,188)	(2,835)
Investment and other, net	—	(17,500)
Net cash used in investing activities	<u>(55,376)</u>	<u>(28,260)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Borrowings under credit facilities	285,000	524,375
Repayments of borrowings under credit facilities	(37,892)	(409,173)
Proceeds from issuance of common stock, net	—	12,119
Payments in connection with unit redemption, net	—	(12,119)
Payments in connection with tax receivable agreements	—	(4,112)
Contingent consideration paid	(21,428)	(4,172)
Payments of debt financing costs	(634)	(2,700)
Proceeds from exercise of stock options	77	2,863
Payments on finance lease obligations	(34)	(33)
Distributions for unitholders	(4,567)	(9,055)
Net cash provided by financing activities	<u>220,522</u>	<u>97,993</u>
<b>EFFECT OF EXCHANGE RATES ON CASH AND CASH EQUIVALENTS</b>	<u>(667)</u>	<u>(4)</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<u>167,861</u>	<u>103,857</u>
<b>CASH AND CASH EQUIVALENTS:</b>		
Beginning of period	65,178	65,858
End of period	<u>\$ 233,039</u>	<u>\$ 169,715</u>

## Reconciliation of Non-GAAP Financial Measures

### Adjusted EBITDA

Adjusted EBITDA is a non-GAAP measure. Adjusted EBITDA is defined as net income (loss) excluding interest income, interest expense, income tax expense (benefit), amortization of debt financing costs, intangible amortization and impairments, if any, depreciation and other amortization, non-cash equity compensation expense, non-cash changes in fair value of estimated contingent consideration, loss on extinguishment of borrowings, other expense/income, net, and secondary offering expenses, if any. We believe that Adjusted EBITDA, viewed in addition to and not in lieu of, our reported GAAP results, provides additional useful information to investors regarding our performance and overall results of operations for various reasons, including the following:

- non-cash equity grants made to employees or non-employees at a certain price and point in time do not necessarily reflect how our business is performing at any particular time; stock-based compensation expense is not a key measure of our operating performance;
- contingent consideration or earn outs can vary substantially from company to company and depending upon each company's growth metrics and accounting assumption methods; the non-cash changes in fair value of estimated contingent consideration is not considered a key measure in comparing our operating performance; and
- amortization expenses can vary substantially from company to company and from period to period depending upon each company's financing and accounting methods, the fair value and average expected life of acquired intangible assets and the method by which assets were acquired; the amortization of intangible assets obtained in acquisitions are not considered a key measure in comparing our operating performance.

We use Adjusted EBITDA:

- as a measure of operating performance;
- for planning purposes, including the preparation of budgets and forecasts;
- to allocate resources to enhance the financial performance of our business; and
- to evaluate the effectiveness of our business strategies.

Adjusted EBITDA does not purport to be an alternative to net income (loss) or cash flows from operating activities. The term Adjusted EBITDA is not defined under GAAP, and Adjusted EBITDA is not a measure of net income (loss), operating income or any other performance or liquidity measure derived in accordance with GAAP. Therefore, Adjusted EBITDA has limitations as an analytical tool and should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- Adjusted EBITDA does not reflect all cash expenditures, future requirements for capital expenditures or contractual commitments;



- Adjusted EBITDA does not reflect changes in, or cash requirements for, working capital needs; and
- Adjusted EBITDA does not reflect the interest expense on our debt or the cash requirements necessary to service interest or principal payments.

In addition, Adjusted EBITDA can differ significantly from company to company depending on strategic decisions regarding capital structure, the tax jurisdictions in which companies operate and capital investments. We compensate for these limitations by also relying on the GAAP results and using Adjusted EBITDA as supplemental information.

Set forth below is a reconciliation of net income to Adjusted EBITDA for the three months ended March 31, 2020 and 2021:

	Three Months Ended March 31,	
	2020	2021
	(in thousands)	
Net income	\$ 34,019	\$ 2,482
Interest income	(285)	(47)
Interest expense	13,586	10,521
Income tax expense	12,070	1,186
Amortization of debt financing costs	782	852
Intangible amortization	35,723	42,983
Depreciation and other amortization	2,982	3,607
Non-cash equity compensation expense	5,034	12,356
Non-cash changes in fair value of estimated contingent consideration	(31,373)	25,936
Loss on extinguishment of borrowings	6,094	—
Other income, net	(612)	(3)
Secondary offering expenses	—	1,122
<b>Adjusted EBITDA</b>	<b>\$ 78,020</b>	<b>\$ 100,995</b>

***Adjusted Net Income Excluding Tax Adjustments and Adjusted Net Income Excluding Tax Adjustments Per Share***

We analyze our performance using Adjusted Net Income Excluding Tax Adjustments and Adjusted Net Income Excluding Tax Adjustments Per Share. Adjusted Net Income Excluding Tax Adjustments and Adjusted Net Income Excluding Tax Adjustments Per Share are non-GAAP measures. We define Adjusted Net Income Excluding Tax Adjustments as net income (loss) excluding income tax expense (benefit), amortization of debt financing costs, intangible amortization and impairments, if any, non-cash equity compensation expense, non-cash changes in fair value of estimated contingent consideration, loss on extinguishment of borrowings and secondary offering expenses, if any. The calculation of Adjusted Net Income Excluding Tax Adjustments also includes adjustments to reflect a pro forma 27% income tax rate reflecting the estimated U.S. Federal, state, local and foreign income tax rates applicable to corporations in the jurisdictions we conduct business.

Adjusted Net Income Excluding Tax Adjustments Per Share is calculated by dividing Adjusted Net Income Excluding Tax Adjustments by the Adjusted Shares Outstanding. Adjusted Shares Outstanding includes: (i) the weighted average shares of Class A common stock outstanding during the periods, (ii) the weighted average incremental shares of Class A common stock related to stock options outstanding during the periods, (iii) the weighted average incremental shares of Class A common stock related to unvested Class A common stock outstanding during the periods, (iv) the weighted average incremental shares of Class A common stock related to restricted stock units outstanding during the periods, (v) the weighted average number of Focus LLC common units outstanding during the periods (assuming that 100% of such Focus LLC common units have been exchanged for Class A common stock), (vi) the weighted average number of Focus LLC restricted common units outstanding during the periods (assuming that 100% of such Focus LLC restricted common units have been exchanged for Class A common stock) and (vii) the weighted average number of common unit equivalents of Focus LLC vested and unvested incentive units outstanding during the periods based on the closing price of our Class A common stock on the last trading day of the periods (assuming that 100% of such Focus LLC common units have been exchanged for Class A common stock).

We believe that Adjusted Net Income Excluding Tax Adjustments and Adjusted Net Income Excluding Tax Adjustments Per Share, viewed in addition to and not in lieu of, our reported GAAP results, provide additional useful information to investors regarding our performance and overall results of operations for various reasons, including the following:

- non-cash equity grants made to employees or non-employees at a certain price and point in time do not necessarily reflect how our business is performing at any particular time; stock-based compensation expense is not a key measure of our operating performance;
- contingent consideration or earn outs can vary substantially from company to company and depending upon each company's growth metrics and accounting assumption methods; the non-cash changes in fair value of estimated contingent consideration is not considered a key measure in comparing our operating performance; and
- amortization expenses can vary substantially from company to company and from period to period depending upon each company's financing and accounting methods, the fair value and average expected life of acquired intangible assets and the method by which assets were acquired; the amortization of intangible assets obtained in acquisitions are not considered a key measure in comparing our operating performance.





Adjusted Net Income Excluding Tax Adjustments and Adjusted Net Income Excluding Tax Adjustments Per Share do not purport to be an alternative to net income (loss) or cash flows from operating activities. The terms Adjusted Net Income Excluding Tax Adjustments and Adjusted Net Income Excluding Tax Adjustments Per Share are not defined under GAAP, and Adjusted Net Income Excluding Tax Adjustments and Adjusted Net Income Excluding Tax Adjustments Per Share are not a measure of net income (loss), operating income or any other performance or liquidity measure derived in accordance with GAAP. Therefore, Adjusted Net Income Excluding Tax Adjustments and Adjusted Net Income Excluding Tax Adjustments Per Share have limitations as an analytical tool and should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- Adjusted Net Income Excluding Tax Adjustments and Adjusted Net Income Excluding Tax Adjustments Per Share do not reflect all cash expenditures, future requirements for capital expenditures or contractual commitments;
- Adjusted Net Income Excluding Tax Adjustments and Adjusted Net Income Excluding Tax Adjustments Per Share do not reflect changes in, or cash requirements for, working capital needs; and
- Other companies in the financial services industry may calculate Adjusted Net Income Excluding Tax Adjustments and Adjusted Net Income Excluding Tax Adjustments Per Share differently than we do, limiting its usefulness as a comparative measure.

In addition, Adjusted Net Income Excluding Tax Adjustments and Adjusted Net Income Excluding Tax Adjustments Per Share can differ significantly from company to company depending on strategic decisions regarding capital structure, the tax jurisdictions in which companies operate and capital investments. We compensate for these limitations by relying also on the GAAP results and use Adjusted Net Income Excluding Tax Adjustments and Adjusted Net Income Excluding Tax Adjustments Per Share as supplemental information.

***Tax Adjustments and Tax Adjustments Per Share***

Tax Adjustments represent the tax benefits of intangible assets, including goodwill, associated with deductions allowed for tax amortization of intangible assets in the respective periods based on a pro forma 27% income tax rate. Such amounts were generated from acquisitions completed where we received a step-up in basis for tax purposes. Acquired intangible assets may be amortized for tax purposes, generally over a 15-year period. Due to our acquisitive nature, tax deductions allowed on acquired intangible assets provide additional significant supplemental economic benefit. The tax benefit from amortization is included to show the full economic benefit of deductions for acquired intangible assets with the step-up in tax basis.

Tax Adjustments Per Share is calculated by dividing Tax Adjustments by the Adjusted Shares Outstanding.

Set forth below is a reconciliation of net income to Adjusted Net Income Excluding Tax Adjustments and Adjusted Net Income Excluding Tax Adjustments Per Share for the three months ended March 31, 2020 and 2021:



	<b>Three Months Ended March 31,</b>	
	<b>2020</b>	<b>2021</b>
	<b>(dollars in thousands, except per share data)</b>	
Net income	\$ 34,019	\$ 2,482
Income tax expense	12,070	1,186
Amortization of debt financing costs	782	852
Intangible amortization	35,723	42,983
Non-cash equity compensation expense	5,034	12,356
Non-cash changes in fair value of estimated contingent consideration	(31,373)	25,936
Loss on extinguishment of borrowings	6,094	—
Secondary offering expenses (1)	—	1,122
Subtotal	62,349	86,917
Pro forma income tax expense (27%) (2)	(16,834)	(23,468)
Adjusted Net Income Excluding Tax Adjustments	\$ 45,515	\$ 63,449
Tax Adjustments (3)	\$ 8,935	\$ 10,492
Adjusted Net Income Excluding Tax Adjustments Per Share	\$ 0.62	\$ 0.80
Tax Adjustments Per Share (3)	\$ 0.12	\$ 0.13
Adjusted Shares Outstanding	73,132,756	79,606,295
Calculation of Adjusted Shares Outstanding: Weighted average shares of Class A common stock outstanding— basic (4)	47,436,555	52,200,029
Adjustments:		
Weighted average incremental shares of Class A common stock related to stock options, unvested Class A common stock and restricted stock units	4,617	454,793
Weighted average Focus LLC common units outstanding (5)	22,020,124	19,723,223
Weighted average Focus LLC restricted common units outstanding (6)	—	71,374
Weighted average common unit equivalent of Focus LLC incentive units outstanding (7)	3,671,460	7,156,876
Adjusted Shares Outstanding	73,132,756	79,606,295

(1) Relates to offering expenses associated with the March 2021 secondary equity offering.

(2) The pro forma income tax rate of 27% reflects the estimated U.S. Federal, state, local and foreign income tax rates applicable to corporations in the jurisdictions we conduct business.

- (3) Tax Adjustments represent the tax benefits of intangible assets, including goodwill, associated with deductions allowed for tax amortization of intangible assets in the respective periods based on a pro forma 27% income tax rate. Such amounts were generated from acquisitions completed where we received a step-up in basis for tax purposes. Acquired intangible assets may be amortized for tax purposes, generally over a 15-year period. Due to our acquisitive nature, tax deductions allowed on acquired intangible assets provide additional significant supplemental economic benefit. The tax benefit from amortization is included to show the full economic benefit of deductions for acquired intangible assets with the step-up in tax basis. As of March 31, 2021, estimated Tax Adjustments from intangible asset related income tax benefits from closed acquisitions based on a pro forma 27% income tax rate for the next 12 months is \$41,907.
- (4) Represents our GAAP weighted average Class A common stock outstanding—basic.
- (5) Assumes that 100% of the Focus LLC common units were exchanged for Class A common stock.
- (6) Assumes that 100% of Focus LLC restricted common units were exchanged for Class A common stock.
- (7) Assumes that 100% of the vested and unvested Focus LLC incentive units were converted into Focus LLC common units based on the closing price of our Class A common stock at the end of the respective period and such Focus LLC common units were exchanged for Class A common stock.

#### **Adjusted Free Cash Flow and Cash Flow Available for Capital Allocation**

To supplement our statements of cash flows presented on a GAAP basis, we use non-GAAP liquidity measures on a trailing 4-quarter basis to analyze cash flows generated from our operations. We consider Adjusted Free Cash Flow and Cash Flow Available for Capital Allocation to be liquidity measures that provide useful information to investors about the amount of cash generated by the business and are two factors in evaluating the amount of cash available to pay contingent consideration, make strategic acquisitions and repay outstanding borrowings. Adjusted Free Cash Flow and Cash Flow Available for Capital Allocation do not represent our residual cash flow available for discretionary expenditures as they do not deduct our mandatory debt service requirements and other non-discretionary expenditures. We define Adjusted Free Cash Flow as net cash provided by operating activities, less purchase of fixed assets, distributions for Focus LLC unitholders and payments under tax receivable agreements (if any). We define Cash Flow Available for Capital Allocation as Adjusted Free Cash Flow plus the portion of contingent consideration paid which is classified as operating cash flows under GAAP. The balance of such contingent consideration is classified as investing and financing cash flows under GAAP; therefore, we add back the amount included in operating cash flows so that the full amount of contingent consideration payments is treated consistently. Adjusted Free Cash Flow and Cash Flow Available for Capital Allocation are not defined under GAAP and should not be considered as alternatives to net cash from operating, investing or financing activities. In addition, Adjusted Free Cash Flow and Cash Flow Available for Capital Allocation can differ significantly from company to company.



Set forth below is a reconciliation of net cash provided by operating activities to Adjusted Free Cash Flow and Cash Flow Available for Capital Allocation for the trailing 4-quarters ended March 31, 2020 and 2021:

	Trailing 4-Quarters Ended March 31,	
	2020	2021
	(in thousands)	
Net cash provided by operating activities	\$ 182,243	\$ 242,107
Purchase of fixed assets	(26,785)	(18,996)
Distributions for unitholders	(24,612)	(26,945)
Payments under tax receivable agreements	—	(4,112)
<b>Adjusted Free Cash Flow</b>	<b>\$ 130,846</b>	<b>\$ 192,054</b>
Portion of contingent consideration paid included in operating activities (1)	13,996	27,845
<b>Cash Flow Available for Capital Allocation (2)</b>	<b>\$ 144,842</b>	<b>\$ 219,899</b>

- (1) A portion of contingent consideration paid is classified as operating cash outflows in accordance with GAAP, with the balance reflected in investing and financing cash outflows. Contingent consideration paid classified as operating cash outflows for each of the trailing 4-quarters ended March 31, 2020 was \$4.0 million, \$0.8 million \$0.8 million and \$8.4 million, respectively, totaling \$14.0 million for the trailing 4-quarters ended March 31, 2020. Contingent consideration paid classified as operating cash outflows for each of the trailing 4-quarters ended March 31, 2021 was \$16.4 million, \$3.8 million, \$2.4 million and \$5.2 million, respectively, totaling \$27.8 million for the trailing 4-quarters ended March 31, 2021.
- (2) Cash Flow Available for Capital Allocation excludes all contingent consideration that was included in either operating, investing or financing activities of our consolidated statements of cash flows.



## Supplemental Information

### Economic Ownership

The following table provides supplemental information regarding the economic ownership of Focus Financial Partners, LLC as of March 31, 2021:

Economic Ownership of Focus Financial Partners, LLC Interests:	March 31, 2021	
	Interest	%
Focus Financial Partners Inc. (1)	55,114,842	69.6%
Non-Controlling Interests (2)	24,097,103	30.4%
<b>Total</b>	<b>79,211,945</b>	<b>100.0%</b>

(1) Includes 7,006,625 Focus LLC common units issuable upon conversion of the outstanding 16,728,882 vested and unvested incentive units (assuming vesting of the unvested incentive units and a March 31, 2021 period end value of the Focus LLC common units equal to \$41.62) and includes 71,374 Focus LLC restricted common units.

### Class A and Class B Common Stock Outstanding

The following table provides supplemental information regarding the Company's Class A and Class B common stock:

	Q1 2021 Weighted Average Outstanding	Number of Shares Outstanding at March 31, 2021	Number of Shares Outstanding at May 3, 2021
Class A	52,200,029	55,114,842	55,114,842
Class B	19,723,223	17,019,104	17,025,646

### Incentive Units

The following table provides supplemental information regarding the outstanding Focus LLC vested and unvested Incentive Units (“IUs”) at March 31, 2021. The vested IUs in future periods can be exchanged into shares of Class A common stock (after conversion into a number of Focus LLC common units that takes into account the then-current value of common units and such IUs aggregate hurdle amount), and therefore, the Company calculates the Class A common stock equivalent of such IUs for purposes of calculating per share data. The period-end share price of the Company’s Class A common stock is used to calculate the intrinsic value of the outstanding Focus LLC IUs in order to calculate a Focus LLC common unit equivalent of the Focus LLC IUs.

Hurdle Rates	Number Outstanding
\$ 1.42	421
\$ 5.50	798
\$ 6.00	386
\$ 7.00	1,081
\$ 9.00	1,323,708
\$ 11.00	841,706
\$ 12.00	520,000
\$ 13.00	548,750
\$ 14.00	17,848
\$ 16.00	45,191
\$ 17.00	20,000
\$ 19.00	549,643
\$ 21.00	3,440,620
\$ 22.00	888,417
\$ 23.00	524,828
\$ 26.26	18,750
\$ 27.00	29,484
\$ 27.90	1,951,339
\$ 28.50	1,492,088
\$ 30.48	30,000
\$ 33.00	3,617,500
\$ 36.64	30,000
\$ 43.50	30,000
\$ 44.71	806,324
	<u>16,728,882</u>



**FOCUS**  
FINANCIAL PARTNERS

# Focus Financial Partners Inc.

## First Quarter 2021 Earnings Release Supplement

May 6, 2021

**VISION** *for*  
**VISIONARIES.**



# Disclaimer



## Special Note Regarding Forward-Looking Statements

Some of the information in this presentation may contain forward-looking statements. Forward-looking statements give our current expectations, contain projections of results of operations or of financial condition, or forecasts of future events. Words such as "may," "assume," "forecast," "position," "predict," "strategy," "expect," "intend," "plan," "estimate," "anticipate," "believe," "project," "budget," "potential," "continue," "will" and similar expressions are used to identify forward-looking statements. They can be affected by assumptions used or by known or unknown risks or uncertainties. Consequently, no forward-looking statements can be guaranteed. When considering these forward-looking statements, you should keep in mind the risk factors and other cautionary statements in this presentation. Actual results may vary materially. You are cautioned not to place undue reliance on any forward-looking statements. You should also understand that it is not possible to predict or identify all such factors and should not consider the following list to be a complete statement of all potential risks and uncertainties. Factors that could cause our actual results to differ materially from the results contemplated by such forward-looking statements include the impact and duration of the outbreak of the novel coronavirus, fluctuations in wealth management fees, our reliance on our partner firms and the principals who manage their businesses, our ability to make successful acquisitions, unknown liabilities of or poor performance by acquired businesses, harm to our reputation, our inability to facilitate smooth succession planning at our partner firms, our inability to compete, our reliance on key personnel, our inability to attract, develop and retain talented wealth management professionals, our inability to retain clients following an acquisition, write down of goodwill and other intangible assets, our failure to maintain and properly safeguard an adequate technology infrastructure, cyber-attacks, our inability to recover from business continuity problems, inadequate insurance coverage, the termination of management agreements by management companies, our inability to generate sufficient cash to service all of our indebtedness, the failure of our partner firms to comply with applicable U.S. and non-U.S. regulatory requirements, legal proceedings and governmental inquiries and certain other factors. All forward-looking statements are expressly qualified in their entirety by the foregoing cautionary statements. Our forward-looking statements speak only as of the date of this presentation or as of the date as of which they are made. Except as required by applicable law, including federal securities laws, we do not intend to update or revise any forward-looking statements.

## Non-GAAP Financial Measures

Adjusted EBITDA is a non-GAAP measure. Adjusted EBITDA is defined as net income (loss) excluding interest income, interest expense, income tax expense (benefit), amortization of debt financing costs, intangible amortization and impairments, if any, depreciation and other amortization, non-cash equity compensation expense, non-cash changes in fair value of estimated contingent consideration, gain on sale of investment, loss on extinguishment of borrowings, other expense/income, net, impairment of equity method investment, management contract buyout, delayed offering cost expense, secondary offering expenses and other one time transaction expenses. We believe that Adjusted EBITDA, viewed in addition to and not in lieu of, our reported GAAP results, provides additional useful information to investors regarding our performance and overall results of operations for various reasons, including the following: (i) non-cash equity grants made to employees or non-employees at a certain price and point in time do not necessarily reflect how our business is performing at any particular time; stock-based compensation expense is not a key measure of our operating performance, (ii) contingent consideration or earn outs can vary substantially from company to company and depending upon each company's growth metrics and accounting assumption methods; the non-cash changes in fair value of estimated contingent consideration is not considered a key measure in comparing our operating performance, and (iii) amortization expenses can vary substantially from company to company and from period to period depending upon each company's financing and accounting methods, the fair value and average expected life of acquired intangible assets and the method by which assets were acquired; the amortization of intangible assets obtained in acquisitions are not considered a key measure in comparing our operating performance. We use Adjusted EBITDA (i) as a measure of operating performance, (ii) for planning purposes, including the preparation of budgets and forecasts, (iii) to allocate resources to enhance the financial performance of our business, and (iv) to evaluate the effectiveness of our business strategies. Adjusted EBITDA does not purport to be an alternative to net income (loss) or cash flows from operating activities. The term Adjusted EBITDA is not defined under GAAP, and Adjusted EBITDA is not a measure of net income (loss), operating income or any other performance or liquidity measure derived in accordance with GAAP. Therefore, Adjusted EBITDA has limitations as an analytical tool and should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are: (i) Adjusted EBITDA does not reflect all cash expenditures, future requirements for capital expenditures or contractual commitments, (ii) Adjusted EBITDA does not reflect changes in, or cash requirements for, working capital needs, and (iii) Adjusted EBITDA does not reflect the interest expense on our debt or the cash requirements necessary to service interest or principal payments. In addition, Adjusted EBITDA can differ significantly from company to company depending on strategic decisions regarding capital structure, the tax jurisdictions in which companies operate and capital investments. We compensate for these limitations by relying also on the GAAP results and using Adjusted EBITDA as supplemental information.

We analyze our performance using Adjusted Net Income Excluding Tax Adjustments and Adjusted Net Income Excluding Tax Adjustments Per Share. Adjusted Net Income Excluding Tax Adjustments and Adjusted Net Income Excluding Tax Adjustments Per Share are non-GAAP measures. We define Adjusted Net Income Excluding Tax Adjustments as net income (loss) excluding income tax expense (benefit), amortization of debt financing costs, intangible amortization and impairments, if any, non-cash equity compensation expense, non-cash changes in fair value of estimated contingent consideration, gain on sale of investment, loss on extinguishment of borrowings, management contract buyout, if any, delayed offering cost expense, secondary offering expenses and other one time transaction expenses. The calculation of Adjusted Net Income Excluding Tax Adjustments also includes adjustments to reflect a pro forma 27% income tax rate reflecting the estimated U.S. Federal, state, local and foreign income tax rates applicable to corporations in the jurisdictions we conduct business.

We believe that Adjusted Net Income Excluding Tax Adjustments and Adjusted Net Income Excluding Tax Adjustments Per Share, viewed in addition to and not in lieu of, our reported GAAP results, provide additional useful information to investors regarding our performance and overall results of operations for various reasons, including the following: (i) non-cash equity grants made to employees or non-employees at a certain price and point in time do not necessarily reflect how our business is performing at any particular time; stock-based compensation expense is not a key measure of our operating performance, (ii) contingent consideration or earn outs can vary substantially from company to company and depending upon each company's growth metrics and accounting assumption methods; the non-cash changes in fair value of estimated contingent consideration is not considered a key measure in comparing our operating performance, and (iii) amortization expenses can vary substantially from company to company and from period to period depending upon each company's financing and accounting methods, the fair value and average expected life of acquired intangible assets and the method by which assets were acquired; the amortization of intangible assets obtained in acquisitions are not considered a key measure in comparing our operating performance.

Adjusted Net Income Excluding Tax Adjustments and Adjusted Net Income Excluding Tax Adjustments Per Share do not purport to be an alternative to net income (loss) or cash flows from operating activities. The terms Adjusted Net Income Excluding Tax Adjustments and Adjusted Net Income Excluding Tax Adjustments Per Share are not defined under GAAP, and Adjusted Net Income Excluding Tax Adjustments and Adjusted Net Income Excluding Tax Adjustments Per Share are not a measure of net income (loss), operating income or any other performance or liquidity measure derived in accordance with GAAP. Therefore, Adjusted Net Income Excluding Tax Adjustments and Adjusted Net Income Excluding Tax Adjustments Per Share have limitations as an analytical tool and should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are: (i) Adjusted Net Income Excluding Tax Adjustments and Adjusted Net Income Excluding Tax Adjustments Per Share do not reflect all cash expenditures, future requirements for capital expenditures or contractual commitments, (ii) Adjusted Net Income Excluding Tax Adjustments and Adjusted Net Income Excluding Tax Adjustments Per Share do not reflect changes in, or cash requirements for, working capital needs, and (iii) Other companies in the financial services industry may calculate Adjusted Net Income Excluding Tax Adjustments and Adjusted Net Income Excluding Tax Adjustments Per Share differently than we do, limiting its usefulness as a comparative measure. In addition, Adjusted Net Income Excluding Tax Adjustments and Adjusted Net Income Excluding Tax Adjustments Per Share can differ significantly from company to company depending on strategic decisions regarding capital structure, the tax jurisdictions in which companies operate and capital investments. We compensate for these limitations by relying also on the GAAP results and use Adjusted Net Income Excluding Tax Adjustments and Adjusted Net Income Excluding Tax Adjustments Per Share as supplemental information.

To supplement our statements of cash flows presented on a GAAP basis, we use non-GAAP liquidity measures on a trailing 4-quarter basis to analyze cash flows generated from our operations. We consider Adjusted Free Cash Flow and Cash Flow Available for Capital Allocation to be liquidity measures that provide useful information to investors about the amount of cash generated by the business and are two factors in evaluating the amount of cash available to pay contingent consideration, make strategic acquisitions and repay outstanding borrowings. Adjusted Free Cash Flow and Cash Flow Available for Capital Allocation do not represent our residual cash flow available for discretionary expenditures as they do not deduct our mandatory debt service requirements and other non-discretionary expenditures. We define Adjusted Free Cash Flow as net cash provided by operating activities, less purchase of fixed assets, distributions for unitholders and payments under tax receivable agreements (if any). We define Cash Flow Available for Capital Allocation as Adjusted Free Cash Flow plus the portion of contingent consideration paid which is classified as operating cash flows under GAAP. Adjusted Free Cash Flow and Cash Flow Available for Capital Allocation are not defined under GAAP and should not be considered as alternatives to net cash from operating, investing or financing activities. In addition, Adjusted Free Cash Flow and Cash Flow Available for Capital Allocation can differ significantly from company to company.

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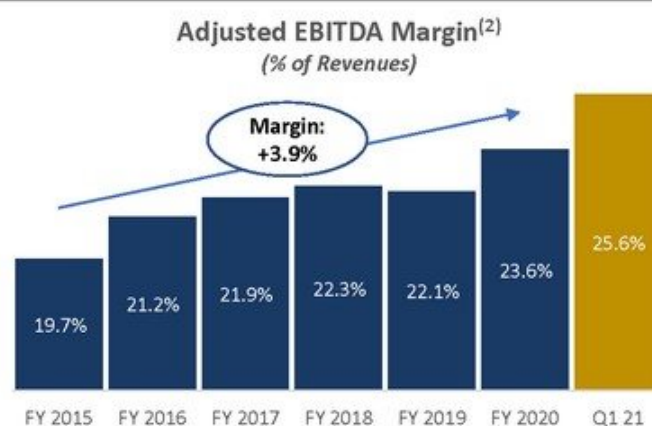
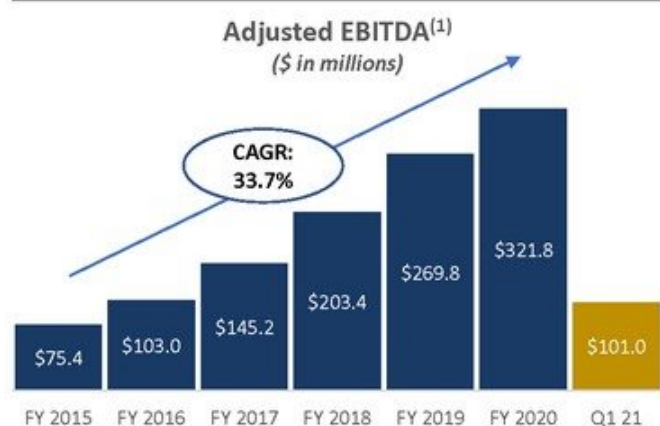


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# Long-Term Growth Trends

# Strong and Sustained Revenue and Adjusted EBITDA Growth...



1. Non-GAAP financial measure. See Appendix for reconciliations.

2. Calculated as Adjusted EBITDA divided by revenues.

3. The sum of wealth management fees and other revenues as presented in this chart may not agree to total revenues as presented due to rounding.



## ... Drives Strong Bottom-Line Performance Enhanced by a Tax Efficient Structure



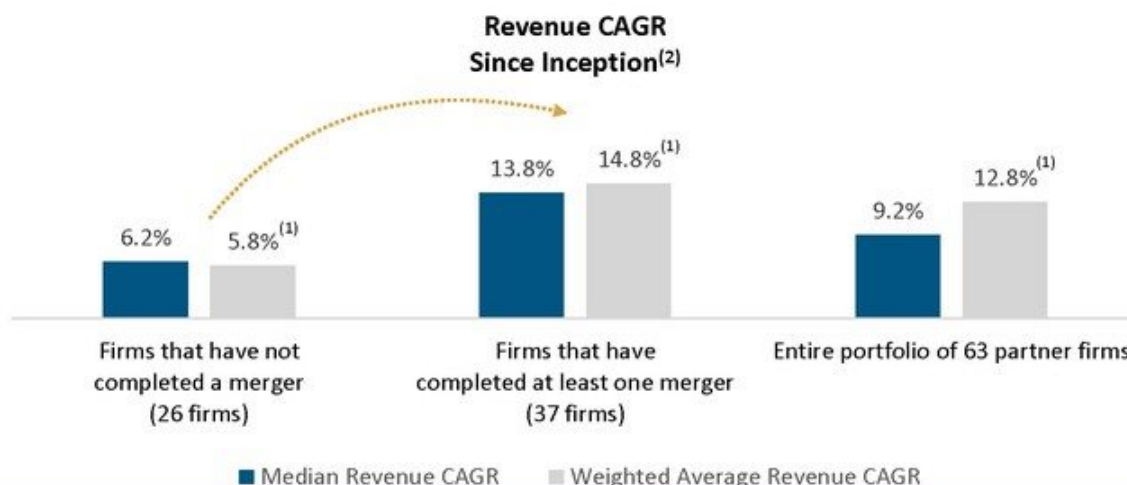
1. Non-GAAP financial measure. See Appendix for reconciliations.

2. Tax Adjustments represent the tax benefits of intangible assets, including goodwill, associated with deductions allowed for tax amortization of intangible assets in the respective periods based on a pro forma 27% income tax rate. Such amounts were generated from acquisitions completed where the Company received a step-up in basis for tax purposes. Acquired intangible assets may be amortized for tax purposes, generally over a 15-year period. Due to the Company's acquisitive nature, tax deductions allowed on acquired intangible assets provide additional significant supplemental economic benefit. The tax benefit from amortization is identified to show the full economic benefit of deductions for acquired intangible assets with the step-up in tax basis.

# Mergers Substantially Accelerate Our Partner Firms' Revenue Growth



- Partner firms who grow through mergers in addition to traditional client acquisition strategies have transformed their businesses through accelerated growth.
- Mergers enable efficient access to large pools of client assets, new spheres of influence, distribution channels and exceptional advisor talent.



**63 partner firms<sup>(3)</sup> represented ~94% of our Q1 2021 LTM revenues**

1. The weightings are based on the March 31, 2021 LTM revenues of the respective partner firms.
2. Inception means first full four quarters as a Focus partner firm and reflects activity through all market cycles during that time. The analysis includes the 63 firms since inception (out of the 72 firms) that have been with us for at least 2 years as of March 31, 2021 in order to determine a baseline revenue growth rate. If Focus partner firms merged together, their financials have been combined.
3. The 63 partner firms have been with Focus for a weighted average of ~6 years and a median period of ~5 years.

# Organic Revenue Trend Demonstrates Strong Partner Firm Revenue Growth and Resilience



- Organic growth has been consistently strong, with an average of 13.4% over the last 16 quarters

Quarterly Organic Revenue Growth<sup>(1)</sup> Percentage

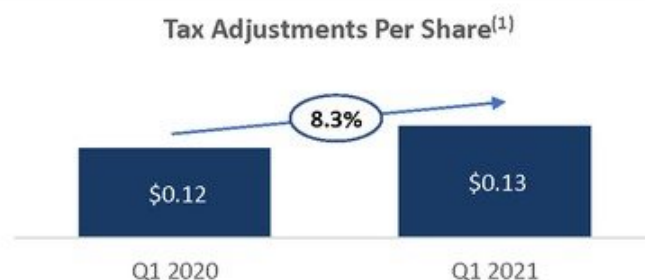
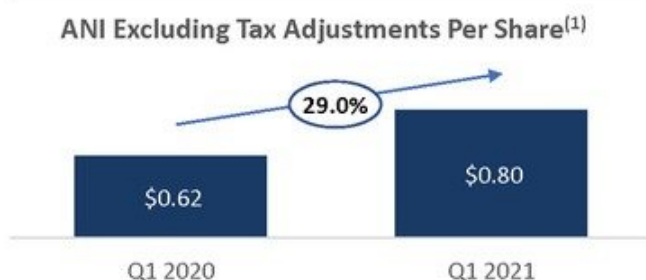
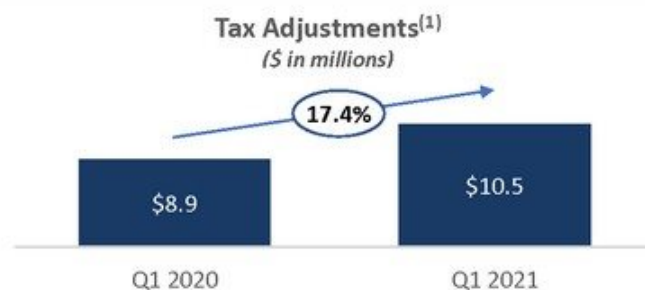
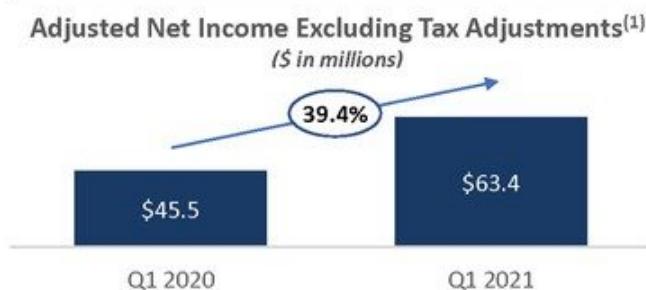
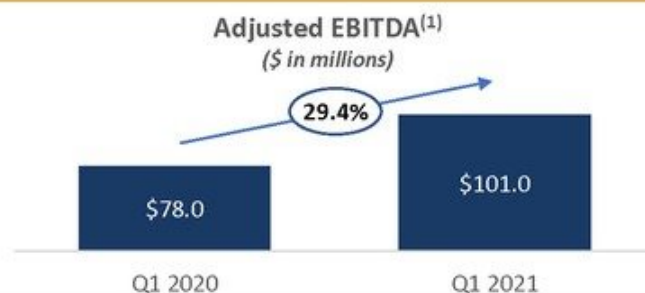


- Organic revenue growth represents the period-over-period growth in revenue related to partner firms, including growth related to acquisitions of wealth management practices and customer relationships by Focus's partner firms, including Connectus, and partner firms that have merged, that for the entire periods presented are included in Focus's consolidated statements of operations for the entire periods presented. Focus believes these growth statistics are useful in that they present full-period revenue growth of partner firms on a "same store" basis exclusive of the effect of the partial period results of partner firms that are acquired during the comparable periods.

# First Quarter 2021 Recap



# Robust Year-Over-Year Financial Performance Despite Pandemic Uncertainties



1. Non-GAAP financial measure. See Appendix for reconciliations.

# Q1 2021 Financial Snapshot



<b>Revenues</b>	<ul style="list-style-type: none"> <li>Revenues: \$394.2 million, +16.9% year-over-year growth</li> <li>Organic revenue growth rate:<sup>(1)</sup> +12.2% year-over-year growth</li> <li>No significant revenue contribution from partner firm closing in late Q1</li> </ul>
<b>Adjusted EBITDA</b>	<ul style="list-style-type: none"> <li>Adjusted EBITDA:<sup>(2)</sup> \$101.0 million, +29.4% year-over-year growth</li> <li>Adjusted EBITDA margin:<sup>(3)</sup> 25.6%</li> <li>No significant Adjusted EBITDA<sup>(2)</sup> attributable to new partner firm closing in late Q1</li> <li>Acquired Base Earnings:<sup>(4)</sup> \$0.7 million</li> </ul>
<b>Net Income and Per Share Amounts</b>	<ul style="list-style-type: none"> <li>GAAP Net Income: \$2.5 million, compared to net income of \$34.0 million in Q1 2020</li> <li>GAAP basic and diluted net income per share attributable to common shareholders: \$0.00 and \$0.00</li> <li>Adjusted Net Income Excluding Tax Adjustments:<sup>(2)</sup> \$63.4 million, +39.4% year-over-year growth</li> <li>Tax Adjustments:<sup>(5)</sup> \$10.5 million, +17.4% year-over-year growth</li> <li>Adjusted Net Income Excluding Tax Adjustments Per Share:<sup>(2)</sup> \$0.80, +29.0% year-over-year growth</li> <li>Tax Adjustments Per Share:<sup>(2)</sup> \$0.13, +8.3% year-over-year</li> </ul>
<b>Net Leverage &amp; Cash Flow</b>	<ul style="list-style-type: none"> <li>Q4 Net Leverage Ratio:<sup>(6)</sup> 3.79x</li> <li>Net cash provided by operating activities: \$242.1 million (LTM Q1 2021), +32.8% year-over-year</li> <li>Cash Flow Available for Capital Allocation:<sup>(2)</sup> \$219.9 million (LTM Q1 2021), +51.8% year-over-year</li> <li>Unamortized Gross Tax Shield at March 31, 2021 of \$1.7+ billion</li> <li>Tax receivable agreement payments: \$4.1 million</li> </ul>

- Organic revenue growth represents the period-over-period growth in revenues related to partner firms, including growth related to acquisitions of wealth management practices and customer relationships by our partner firms, including Connectus, and partner firms that have merged, that for the entire periods presented, are included in our consolidated statements of operations for each of the entire periods presented. We believe these growth statistics are useful in that they present full period revenue growth of partner firms on a "same store" basis exclusive of the effect of the partial period results of partner firms that are acquired during the comparable periods.
- Non-GAAP financial measure. See Appendix for reconciliations.
- Calculated as Adjusted EBITDA divided by revenues.
- The terms of our management agreements entitle the management companies to management fees typically consisting of all future EBPC of the acquired wealth management firm in excess of Base Earnings up to Target Earnings, plus a percentage of any EBPC in excess of Target Earnings. Acquired Base Earnings is equal to our retained cumulative preferred position in Base Earnings. We are entitled to receive these earnings notwithstanding any earnings that we are entitled to receive in excess of Target Earnings. Base Earnings may change in future periods for various business or contractual matters.
- Tax Adjustments represent the tax benefits of intangible assets, including goodwill, associated with deductions allowed for tax amortization of intangible assets in the respective periods based on a pro forma 27% income tax rate. Such amounts were generated from acquisitions completed where the Company received a step-up in basis for tax purposes. Acquired intangible assets may be amortized for tax purposes, generally over a 15-year period. Due to the Company's acquisitive nature, tax deductions allowed on acquired intangible assets provide additional significant supplemental economic benefit. The tax benefit from amortization is identified to show the full economic benefit of deductions for acquired intangible assets with the step-up in tax basis.
- Net leverage ratio represents the First Lien Leverage Ratio (as defined in the Credit Facility) and means the ratio of amounts outstanding under the First Lien Term Loan and First Lien Revolver plus other outstanding debt obligations secured by a lien on the assets of Focus LLC (excluding letters of credit other than unpaid drawings thereunder) minus unrestricted cash and cash equivalents to Consolidated EBITDA (as defined in the Credit Facility).

# We Have Multiple Sources of Revenue Diversification

## Q1 2021 Revenues by Source



## Q1 2021 Revenues by Region



## Q1 2021 Revenues Correlated to Markets



## Billing Structure of Market-Correlated Revenues





# Q1 Performance Reflected Continued Strong Execution and Acceleration of Business Momentum



## *Q1 2021 results exceeded our expectations and demonstrated strong year-over-year growth*

- Q1 revenues of \$394.2 million, above the top of the \$375 - \$385 million Q1 outlook.
- Adjusted EBITDA margin<sup>(1)</sup> was 25.6%, compared to 24.5% Q1 outlook; embedded operating leverage another benefit of our growing scale.
- Net Leverage Ratio<sup>(2)</sup> of 3.79x as of March 31, 2021, at the low end of our Q1 outlook of 3.75x to 4.00x.
- Cash Flow Available for Capital Allocation<sup>(3)</sup> of \$219.9 million (LTM Q1 2021), up 51.8% year-over-year.

## *Our year-to-date M&A momentum has been strong*

- Closed 3 new partner firms and mergers for SCS Financial and LaFleur & Godfrey.
- Expanded partner firm Connectus globally through mergers in the UK and Australia.
- Our pipeline is excellent and building as our value proposition continues to resonate in the market.

## *We expanded our presence in the UHNW market, an increasing strategic focus*

- Launched Beryllus Capital, a global multi-family office, in a joint-venture with the Hinduja Group.

## *We evolved our value-added services in areas integral to holistic wealth management services*

- We are adding capabilities in insurance, trust and fiduciary solutions, valuation services, business development and alternative investments, and we continue to enhance our cash management and credit capabilities.

1. Calculated as Adjusted EBITDA divided by revenues.

2. Net leverage ratio represents the First Lien Leverage Ratio (as defined in the Credit Facility) and means the ratio of amounts outstanding under the First Lien Term Loan and First Lien Revolver plus other outstanding debt obligations secured by a lien on the assets of Focus LLC (excluding letters of credit other than unpaid drawings thereunder) minus unrestricted cash and cash equivalents to Consolidated EBITDA (as defined in the Credit Facility).

3. Non-GAAP financial measure. See appendix for reconciliations.

# Added High-Quality New Partner Firms and Mergers in the U.S. and Internationally



## 2021 YTD Highlights:

- 8 closed or pending transactions to date:
  - 3 new partner firms
  - 3 mergers
  - 2 Connectus mergers

	Type	Firm Name	Acquiring Partner Firm	Closing Date	Primary Office Location
Q2 2021	Partner Firm Acquisitions	1. Prairie Capital Management		4/1/2021	Kansas City, MO
		2. Rollins Financial		4/1/2021	Atlanta, GA
	Mergers	1. Matheys Lane Capital Management	SCS Financial	4/1/2021	Providence, RI
		2. Investment Counsel	LaFleur & Godfrey	5/1/2021	Petoskey, MI
		3. Aspiri Financial Services	Connectus	5/1/2021	Brisbane, Australia
		4. Carolina Capital Consulting	Buckingham Strategic Wealth	*	Charlotte, NC
Q1 2021	Partner Firm Acquisitions	1. Hill Investment Group		3/1/2021	St. Louis, MO
	Mergers	1. Watterson Financial Planning	Connectus	2/1/2021	Cheshire, UK

\* Signed and pending deal.

## Our Business Model Has Multiple Elements Which Contribute to its Strength and Resiliency



~95%<sup>(1)</sup> of  
Revenues are  
Fee-Based and  
Recurring with  
No Interest  
Income  
Dependency

UHNW-HNW  
Client Base is  
Sticky

Client  
Portfolios are  
Balanced and  
Allocated  
Across Asset  
Classes

~70 Partner  
Firms Have  
Their Own  
Investment  
Philosophies

22%<sup>(1)</sup> of  
Revenues Not  
Correlated to  
the Markets

Highly  
Variable and  
Cap-Ex Light  
Cost Structure

Preference  
Creates  
Downside  
Earnings  
Protection

Management  
Fees are Tied  
to Partner  
Firm  
Profitability

1. For Q1 2021.

## We are Well Positioned for Strong Growth Over the Long Term Due to Our...

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- 
- 1 Industry-Leading Scale
  - 2 Leading Partnership of 70+ Independent Fiduciary Firms
  - 3 16-Year Track Record
  - 4 High Growth, Resilient Business Model
  - 5 Strong Financial Fundamentals
  - 6 Ample Growth Capital

## Second Quarter 2021 Outlook



<b>Revenues</b>	<ul style="list-style-type: none"> <li>Estimated revenues of ~\$405 to \$415 million</li> <li>Estimated Q2 organic revenue growth of ~23 to 26%<sup>(1)</sup>; Q2 2020 prior year revenues reflected Covid related decline in market levels on advance billings</li> <li>Estimated revenue attributable to new partner firms closing: \$7 million*</li> </ul> <p>* Relates to closing of Hill Investment Group on 3/1/21, Prairie Capital Management and Rollins Financial on 4/1/21.</p>
<b>Adjusted EBITDA</b>	<ul style="list-style-type: none"> <li>Estimated Adjusted EBITDA<sup>(2)</sup> margin<sup>(3)</sup> of approximately ~25.5%</li> <li>Estimated Adjusted EBITDA<sup>(2)</sup> attributable to new partner firms closing: \$2.6 million*</li> <li>Estimated Acquired Base Earnings<sup>(4)</sup>: \$10 million**</li> </ul> <p>** Relates to closing of Prairie Capital Management and Rollins Financial on 4/1/21.</p>
<b>Tax Adjustments</b>	<ul style="list-style-type: none"> <li>Next twelve months Tax Adjustments<sup>(5)</sup> of ~\$41.9 million</li> </ul>
<b>Net Leverage and Cash Flow</b>	<ul style="list-style-type: none"> <li>Q2 2021 Net Leverage Ratio<sup>(6)</sup> ~3.5-3.75x</li> <li>Estimated cash earnout payments in Q2 2021 of ~\$55 million</li> </ul>

- Organic revenue growth represents the period-over-period growth in revenue related to partner firms, including growth related to acquisitions of wealth management practices and customer relationships by our partner firms, including Connectus, and partner firms that have merged, that for the entire periods presented, are included in our consolidated statements of operations for each of the entire periods presented. We believe these growth statistics are useful in that they present full period revenue growth of partner firms on a "same store" basis exclusive of the effect of the partial period results of partner firms that are acquired during the comparable periods.
- Non-GAAP financial measure. The Company is not providing a quantitative reconciliation of its forward-looking estimate of Adjusted EBITDA or Adjusted EBITDA margin to its most directly comparable GAAP financial measure because such GAAP measure, which is not included in the Company's outlook, is difficult to reliably predict or estimate without unreasonable effort due to its dependency on future uncertainties such as the items noted under the heading "Special Note Regarding Forward-Looking Statements." In addition, we believe such a reconciliation could imply a degree of precision that might be confusing or misleading to investors.
- Calculated as Adjusted EBITDA divided by revenues.
- The terms of our management agreements entitle the management companies to management fees typically consisting of all future EBPC of the acquired wealth management firm in excess of Base Earnings up to Target Earnings, plus a percentage of any EBPC in excess of Target Earnings. Acquired Base Earnings is equal to our retained cumulative preferred position in Base Earnings. We are entitled to receive these earnings notwithstanding any earnings that we are entitled to receive in excess of Target Earnings. Base Earnings may change in future periods for various business or contractual matters.
- See note 5 on page 11 for additional information regarding Tax Adjustments. Based on a 27.0% tax rate.
- Net Leverage Ratio represents the First Lien Leverage Ratio (as defined in the Credit Facility), and means the ratio of amounts outstanding under the First Lien Term Loan and First Lien Revolver plus other outstanding debt obligations secured by a lien on the assets of Focus LLC (excluding letters of credit other than unpaid drawings thereunder) minus unrestricted cash and cash equivalents to Consolidated EBITDA (as defined in the Credit Facility).

# **A Diversified Portfolio of Complementary Businesses**

# Our Diverse Mix of Partner Firms Drives Outstanding Long-Term Growth



## 2015 – 2020 CAGR

Revenues	+28.9%
Adjusted EBITDA <sup>(1)</sup>	+33.7%
Adjusted Net Income Excl Tax Adjustments <sup>(1)</sup>	+34.6%
Tax Adjustments <sup>(2)</sup>	+35.8%

1. Non-GAAP financial measure. See Appendix for reconciliations.
2. See note 5 on page 11 for additional information regarding Tax Adjustments. Based on a 27.0% tax rate.

# Evolution in our Value-Added Services

# Value-Added Services: Supporting Partner Firm Growth & Value Creation



## BUSINESS SOLUTIONS

Supports strategic vision and accelerates growth through the extension of resources, capital and scale

- ✓ Mergers & Acquisitions
- ✓ Strategy
- ✓ Marketing & Organic Growth
- ✓ Operations & Technology
- ✓ Portfolio Analytics
- ✓ Talent Management & Leadership
- ✓ Finance, Legal & Regulatory
- ✓ Best Practices & Knowledge Sharing



## CLIENT SOLUTIONS

Enhances client outcomes by expanding services & capabilities through the power of the Focus partnership

- ✓ Cash & Credit Solutions
- ✓ Trust Solutions
- ✓ Portfolio Optimization
- ✓ Valuation Services
- ✓ Insurance Solutions
- ✓ Family Office Services



# Expanded Value-Added Services to our Partner Firms and their Clients



*Providing our partner firms with sophisticated client service capabilities by leveraging our scale and relationships with premier service providers*



## Insurance

Comprehensive portfolio of offerings

- ✓ Property & casualty
- ✓ Life & disability
- ✓ Executive benefits
- ✓ Individual & business health
- ✓ Curated concierge services



## Trust Solutions

Dedicated trust solutions

- ✓ Trust jurisdictions: SD, DE & TN
- ✓ Independent trustees with scale and deep expertise
- ✓ Competitive pricing and service requirements
- ✓ Focus Trust & Estate Officer



## Alternative Investments

Access to high-quality alternative investments

- ✓ Industry-leading private equity strategies through Focus partner firm
- ✓ Specially negotiated pricing
- ✓ Central theme for sophisticated client portfolios



## Valuation Services

Broad range of valuation services

- ✓ Estate planning
- ✓ Shareholder buyouts
- ✓ Fairness & solvency opinions
- ✓ Trademarks & copyrights
- ✓ Royalty agreements
- ✓ Publishing libraries & rights



## Business Development

Catalyst for organic growth

- ✓ Client referrals
- ✓ Lead generation capabilities
- ✓ PR & marketing programs
- ✓ Coaching and best practices
- ✓ Proprietary COI network



## Cash and Credit

Traditional & specialized banking services

- ✓ Cash management
- ✓ Bespoke credit solutions
- ✓ Mortgage lending
- ✓ Commercial / business lending
- ✓ Hybrid security lines
- ✓ Debit card / mobile banking

# Leverage

# Strong Credit and Liquidity Profile<sup>(1)</sup> Creates an Important Margin of Safety



**Low debt cost**

~2.4% weighted average interest rate on funded borrowings

**Limited duration risk**

~3.25 years remaining to maturity for Term Loan (July 2024)  
~2.25 years remaining to maturity for Revolver (July 2023)

**Ample liquidity**

~\$0.6 billion undrawn revolver + ~\$170 million cash

**Interest rates**

Beneficiary of favorable rate environment

**Downside protection**

95%+ fee-based and recurring revenues, variable management fees and earnings preference protect cash flows

1. As of March 31, 2021.



# Earnings Preference Provides Strong Downside Earnings Protection



- Reflects one-quarter impact to revenues and Covenant EBITDA<sup>(1)(2)</sup>
- Assumes all other revenue sources and expenses remain unchanged except for management fees
- In the event of a multi-quarter downturn
  - Partner firms would further reduce their cost structure
  - M&A activity would moderate
  - Cash flow would be available for debt repayment
- Significant headroom on covenant
  - Q1 Covenant EBITDA-LTM<sup>(2)</sup> would need to drop to \$150.7 million, or decline by 39%, to reach 6.25x net leverage ratio covenant

## Equity market decline

Assumed Client Portfolio Allocation to Equities

## Decline in market-correlated revenues<sup>(1)</sup>

(\$ in millions)

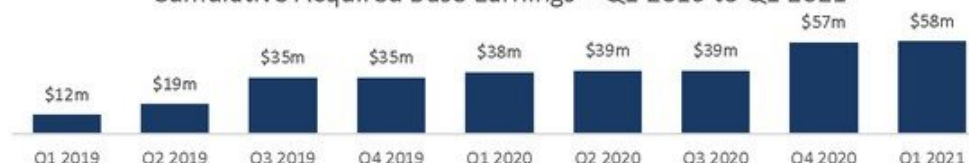
	Reported
Q1'21 Market-Correlated Revenues	\$ 306.4
Q1'21 Non-Correlated Revenues	\$ 87.8
Total Revenue - Q1	\$ 394.2
Covenant EBITDA <sup>(2)</sup> - LTM	\$ 383.4
Net Debt <sup>(3)</sup>	\$ 1,454.0
Net Leverage Ratio <sup>(2)</sup>	3.79x

## Change from Q1 Reported

## Sensitivity Analysis (Illustrative Only)

	(20)%	(40)%
Assumed Client Portfolio Allocation to Equities	50%	50%
Decline in market-correlated revenues <sup>(1)</sup>	(10)%	(20)%
Q1'21 Market-Correlated Revenues	\$ 275.8	\$ 245.1
Q1'21 Non-Correlated Revenues	\$ 87.8	\$ 87.8
Total Revenue - Q1	\$ 363.6	\$ 332.9
Covenant EBITDA <sup>(2)</sup> - LTM	\$ 369.0	\$ 358.3
Net Debt <sup>(3)</sup>	\$ 1,454.0	\$ 1,454.0
Net Leverage Ratio <sup>(2)</sup>	3.94x	4.06x
Change from Q1 Reported	0.15x	0.27x

## Cumulative Acquired Base Earnings<sup>(4)</sup> Q1 2019 to Q1 2021



- The analysis depicts the impact on our Net Leverage Ratio (as defined in the Credit Facility) resulting from a hypothetical change in Q1 market correlated revenues only. All other revenues/expenses were kept constant except management fees, which are tied to the profitability of our partner firms.
- Net leverage ratio represents the First Lien Leverage Ratio (as defined in the Credit Facility), and means the ratio of amounts outstanding under the First Lien Term Loan and First Lien Revolver plus other outstanding debt obligations secured by a lien on the assets of Focus LLC (excluding letters of credit other than unpaid drawings thereunder) minus unrestricted cash and cash equivalents to Consolidated EBITDA (as defined in the Credit Facility), which in the above table is referred to as "Covenant EBITDA."
- Net Debt represents amounts outstanding under the First Lien Term Loan and First Lien Revolver plus other outstanding debt obligations secured by a lien on the assets of Focus LLC (excluding letters of credit other than unpaid drawings thereunder) minus unrestricted cash and cash equivalents.
- The terms of our management agreements entitle the management companies to management fees typically consisting of all future EBPC of the acquired wealth management firm in excess of Base Earnings up to Target Earnings, plus a percentage of any EBPC in excess of Target Earnings. Acquired Base Earnings is equal to our retained cumulative preferred position in Base Earnings. We are entitled to receive these earnings notwithstanding any earnings that we are entitled to receive in excess of Target Earnings. Base Earnings may change in future periods for various business or contractual matters.

# Cash Flows

# Sustained Strong Growth in Cash Flow



## Cash Flows



### Q2 2021 Capital Allocation Priorities

- Strategic M&A to continue capitalizing on industry consolidation
- Fund earnout payments

## Q2 2021 Primary Uses, Excluding Future M&A Activities

- Q2 2021 estimated cash earnouts of ~\$55 million<sup>(2)</sup>
- Tax Receivable Agreements ("TRA") payments:
  - No significant TRA payments expected in Q2 or the remainder of the year
  - TRA liability will be paid out over 15+ years, subject to utilization of tax deductions
- Q2 2021 required term loan amortization of ~\$4.2 million (\$16.7 million per year)
- Based on the terms of the Credit Facility, no excess cash flow payments required in 2021

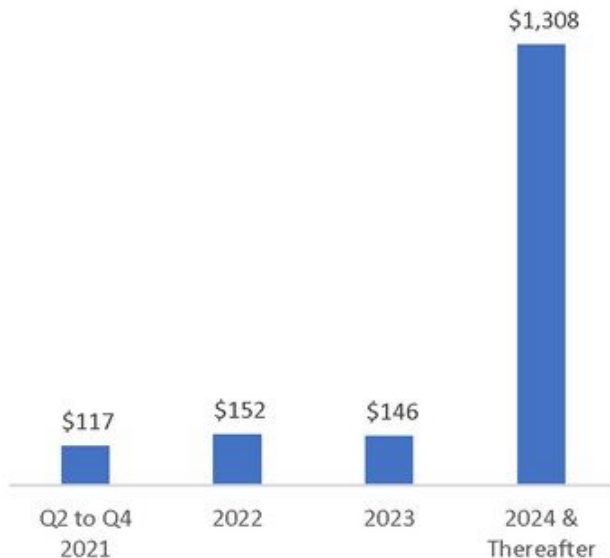
1. Non-GAAP financial measure. See Appendix for reconciliations.

2. Based on certain assumptions that could change materially.

# Over \$1.7 Billion Tax Shield Created by Tax Efficient Transaction Structure



Gross Unamortized Intangible Tax Asset Shield<sup>(1)</sup>  
(\$ in millions)



1. As of March 31, 2021. Assumes sufficient future taxable income.
2. 15 year life required under Internal Revenue Code Section 197.

- Focus generally acquires intangible assets
  - Wealth management firms typically have limited tangible assets
  - Focus purchases customer lists + management contracts + goodwill
  - Consideration is typically paid in cash
- Each incremental M&A transaction creates an additional tax shield which generates substantial value for shareholders and enhances our cash flows
- Each tax shield is amortized over 15 years<sup>(2)</sup>
- As of March 31, 2021, \$1.7+bn estimated gross tax shield to be utilized over next 14+ years, resulting in over \$450m benefit based on 27% income tax rate
- Example:

Purchase Price	\$15 million
Tax Shield Created	\$15 million (assumes no tangible assets)
Annual Tax Deduction	\$1 million annually (for 15 years)
Annual Benefit for Shareholders	\$270,000 annually (for 15 years)

# Appendix

# Net Income (Loss) to Adjusted EBITDA Reconciliation



(\$ in thousands)							Three months ended	
	2015	2016	2017	2018	2019	2020	March 31, 2020	March 31, 2021
Net income (loss)	\$ 9,321	\$ 15,722	\$ (48,359)	\$ (41,087)	\$ (12,025)	\$ 48,965	\$ 34,019	\$ 2,482
Interest income	(90)	(88)	(222)	(1,266)	(1,164)	(453)	(285)	(47)
Interest expense	9,977	21,327	41,861	56,448	58,291	41,658	13,586	10,521
Income tax expense (benefit)	649	981	(1,501)	9,450	7,049	20,660	12,070	1,186
Amortization of debt financing costs	1,770	2,482	4,084	3,498	3,452	2,909	782	852
Intangible amortization	35,421	50,942	64,367	90,381	130,718	147,783	35,723	42,983
Depreciation and other amortization	5,327	5,680	6,686	8,370	10,675	12,451	2,982	3,607
Non-cash equity compensation expense	13,537	8,520	34,879	44,468	18,329	22,285	5,034	12,356
Non-cash changes in fair value of estimated contingent consideration	(160)	(1,143)	22,294	6,638	38,797	19,197	(31,373)	25,936
Gain on sale of investment	—	—	—	(5,509)	—	—	—	—
Loss on extinguishment of borrowings	—	—	8,106	21,071	—	6,094	6,094	—
Other expense (income), net	(310)	(1,385)	3,191	2,350	1,049	214	(612)	(3)
Impairment of equity method investment	—	—	—	—	11,749	—	—	—
Management contract buyout	—	—	—	—	1,428	—	—	—
Delayed offering cost expense	—	—	9,840	—	—	—	—	—
Secondary offering expenses	—	—	—	—	—	—	—	1,122
Other one-time transaction expenses (1)	—	—	—	8,590	1,486	—	—	—
<b>Adjusted EBITDA</b>	<b>\$ 75,442</b>	<b>\$ 103,038</b>	<b>\$ 145,226</b>	<b>\$ 203,402</b>	<b>\$ 269,834</b>	<b>\$ 321,763</b>	<b>\$ 78,020</b>	<b>\$ 100,995</b>

1. Represents one-time expenses primarily related to an acquisition and our IPO and Reorganization Transactions. Refer to our 10-Q and 10-K filings for additional details.



# Net Income (Loss) to Adjusted Net Income Excluding Tax Adjustments and Adjusted Net Income Excluding Tax Adjustments Per Share Reconciliation



							Three months ended	
	2015	2016	2017	2018	2019	2020	March 31, 2020	March 31, 2021
(\$ in thousands, except share and per share data)								
Net income (loss)	\$ 9,321	\$ 15,722	\$ (48,359)	\$ (41,087)	\$ (12,025)	\$ 48,965	\$ 34,019	\$ 2,482
Income tax expense (benefit)	649	981	(1,501)	9,450	7,049	20,660	12,070	1,186
Amortization of debt financing costs	1,770	2,482	4,084	3,498	3,452	2,909	782	852
Intangible amortization	35,421	50,942	64,367	90,381	130,718	147,783	35,723	42,983
Non-cash equity compensation expense	13,537	8,520	34,879	44,468	18,329	22,285	5,034	12,356
Non-cash changes in fair value of estimated contingent consideration	(160)	(1,143)	22,294	6,638	38,797	19,197	(31,373)	25,936
Gain on sale of investment	—	—	—	(5,509)	—	—	—	—
Loss on extinguishment of borrowings	—	—	8,106	21,071	—	6,094	—	—
Impairment of equity method investment	—	—	—	—	11,749	—	6,094	—
Delayed offering cost expense	—	—	9,840	—	—	—	—	—
Management contract buyout	—	—	—	—	1,428	—	—	—
Secondary offering expenses	—	—	—	—	—	—	—	1,122
Other one-time transaction expenses (1)	—	—	2,843	11,529	1,486	—	—	—
Subtotal	60,538	77,504	96,553	140,439	200,983	267,893	62,349	86,917
Pro forma income tax (27%) (2)	(16,345)	(20,926)	(26,069)	(37,919)	(54,265)	(72,331)	(16,834)	(23,468)
Adjusted Net Income Excluding Tax Adjustments	\$ 44,193	\$ 56,578	\$ 70,484	\$ 102,520	\$ 146,718	\$ 195,562	\$ 45,515	\$ 63,449
Tax Adjustments (3)	\$ 8,080	\$ 11,991	\$ 16,217	\$ 22,828	\$ 31,860	\$ 37,254	\$ 8,935	\$ 10,492
Adjusted Net Income Excluding Tax Adjustments Per Share	\$ 0.62	\$ 0.78	\$ 0.98	\$ 1.42	\$ 1.96	\$ 2.46	\$ 0.62	\$ 0.80
Tax Adjustments Per Share (3)	\$ 0.11	\$ 0.17	\$ 0.23	\$ 0.32	\$ 0.42	\$ 0.47	\$ 0.12	\$ 0.13
Adjusted Shares Outstanding (4)	71,843,916	71,843,916	71,843,916	71,960,540	75,039,357	79,397,568	73,132,756	79,606,295
Calculation of Adjusted Shares Outstanding:								
Weighted average shares of Class A common stock outstanding—basic (5)	—	—	—	43,122,782	46,792,389	48,678,584	47,436,555	52,200,029
Adjustments:								
Shares of Class A common stock issued in connection with the IPO and Reorganization Transactions (6)	42,529,651	42,529,651	42,529,651	—	—	—	—	—
Weighted average incremental shares of Class A common stock related to stock options, unvested Class A common stock and restricted stock units (7)	—	—	—	102,549	20,428	118,029	4,617	454,793
Weighted average Focus LLC common units outstanding (8)	22,499,665	22,499,665	22,499,665	22,630,668	22,424,378	21,461,080	22,020,124	19,723,223
Weighted average Focus LLC restricted common units outstanding (9)	—	—	—	—	—	5,005	—	71,374
Weighted average common unit equivalent of Focus LLC incentive units outstanding (10)	6,814,600	6,814,600	6,814,600	6,104,541	5,802,162	9,134,870	3,671,460	7,156,876
Adjusted Shares Outstanding	71,843,916	71,843,916	71,843,916	71,960,540	75,039,357	79,397,568	73,132,756	79,606,295

\* Refer to the following pages for footnotes



## Net Income (Loss) to Adjusted Net Income Excluding Tax Adjustments and Adjusted Net Income Excluding Tax Adjustments Per Share Reconciliation



*\* These footnotes refer to the tables on the previous pages.*

1. In 2017, related to insurance fees associated with the investment by our private equity investors. In 2018 and 2019, represents one-time expenses primarily related to an acquisition and our IPO and Reorganization Transactions. Refer to our 10-Q and 10-K filings for additional details.
2. The pro forma income tax rate of 27% reflects the estimated U.S. Federal, state, local and foreign income tax rates applicable to corporations in the jurisdictions we conduct business.
3. Tax Adjustments represent the tax benefits of intangible assets, including goodwill, associated with deductions allowed for tax amortization of intangible assets in the respective periods based on a pro forma 27% income tax rate. Such amounts were generated from acquisitions completed where we received a step-up in basis for tax purposes. Acquired intangible assets may be amortized for tax purposes, generally over a 15-year period. Due to our acquisitive nature, tax deductions allowed on acquired intangible assets provide additional significant supplemental economic benefit. The tax benefit from amortization is included to show the full economic benefit of deductions for acquired intangible assets with the step-up in tax basis. As of March 31, 2021, estimated Tax Adjustments from intangible asset related income tax benefits from closed acquisitions based on a pro forma 27% income tax rate for the next 12 months is \$41.9 million.
4. For periods ended prior to the closing of the IPO and the consummation of the Reorganization Transactions on July 30, 2018, the Adjusted Shares Outstanding are deemed to be outstanding for comparative purposes only.
5. Represents our GAAP weighted average Class A common stock outstanding – basic.
6. The issuance of Class A common stock that occurred upon closing of the IPO and the consummation of the Reorganization Transactions on July 30, 2018 is assumed to have occurred as of January 1, 2015 for comparative purposes.
7. Represents the incremental shares related to stock options, unvested Class A common stock and restricted stock units as calculated under the treasury stock method.
8. Assumes that 100% of the Focus LLC common units were exchanged for Class A common stock.
9. Assumes that 100% of the Focus LLC restricted common units were exchanged for Class A common stock.
10. Assumes that 100% of the vested and unvested Focus LLC incentive units were converted into Focus LLC common units based on the closing price of our Class A common stock at the end of the respective period and such Focus LLC common units were exchanged for Class A common stock. For the periods ending prior to July 30, 2018, the conversion to Focus LLC common units was based on the \$33.00 IPO price.

# Reconciliation of Cash Flow Available for Capital Allocation



(\$ in thousands)	Three months ended								Trailing 4-Quarters ended	
	June 30, 2019	Sept. 30, 2019	Dec. 31, 2019	March 31, 2020 <sup>(3)</sup>	June 30, 2020	Sept. 30, 2020	Dec. 31, 2020	Mar. 31, 2021 <sup>(3)</sup>	Mar. 31, 2020	Mar. 31, 2021
Net cash provided by operating activities	\$ 39,305	\$ 74,702	\$ 64,854	\$ 3,382	\$ 60,996	\$ 74,089	\$ 72,894	\$ 34,128	\$ 182,243	\$ 242,107
Purchase of fixed assets	(8,185)	(10,698)	(4,714)	(3,188)	(2,759)	(6,744)	(6,658)	(2,835)	(26,785)	(18,996)
Distributions for unitholders	(11,138)	(3,491)	(5,416)	(4,567)	(3,076)	(8,122)	(6,692)	(9,055)	(24,612)	(26,945)
Payments under tax receivable agreements	—	—	—	—	—	—	—	(4,112)	—	(4,112)
<b>Adjusted Free Cash Flow</b>	<b>\$ 19,982</b>	<b>\$ 60,513</b>	<b>\$ 54,724</b>	<b>\$ (4,373)</b>	<b>\$ 55,161</b>	<b>\$ 59,223</b>	<b>\$ 59,544</b>	<b>\$ 18,126</b>	<b>\$ 130,846</b>	<b>\$ 192,054</b>
Portion of contingent consideration paid included in operating activities (1)	4,012	825	815	8,344	16,369	3,806	2,394	5,276	13,996	27,845
<b>Cash Flow Available for Capital Allocation (2)</b>	<b>\$ 23,994</b>	<b>\$ 61,338</b>	<b>\$ 55,539</b>	<b>\$ 3,971</b>	<b>\$ 71,530</b>	<b>\$ 63,029</b>	<b>\$ 61,938</b>	<b>\$ 23,402</b>	<b>\$ 144,842</b>	<b>\$ 219,899</b>

1. A portion of contingent consideration paid is classified as operating cash outflows in accordance with GAAP, and therefore is a reconciling item to arrive at Cash Flow Available for Capital Allocation.
2. Cash Flow Available for Capital Allocation excludes all contingent consideration that was included in either operating, investing or financing activities of our consolidated statements of cash flows.
3. Net cash provided by operating activities for the three months ended March 31, 2020 and 2021, respectively, include cash outflows related to due to affiliates (i.e. management fees). A portion of management fees were paid in Q1 post the issuance of the respective annual audit included in our Form 10-K.