



**FOCUS**<sup>®</sup>  
FINANCIAL PARTNERS

# Focus Financial Partners Inc.

## 2019 First Quarter Earnings Release Supplement

May 9, 2019

**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 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, other one-time transaction expenses, and management contract buyout, 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: (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 and Adjusted Net Income Per Share. Adjusted Net Income and Adjusted Net Income Per Share are non-GAAP measures. We define Adjusted Net Income 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, delayed offering cost expense, management contract buyout, if any, and other one-time transaction expenses. The calculation of Adjusted Net Income also includes adjustments to reflect (i) a pro forma 27% income tax rate assuming all earnings of Focus LLC were recognized by Focus Inc. and no earnings were attributable to non-controlling interests and (ii) tax adjustments from intangible asset related income tax benefits from acquisitions based on a pro forma 27% tax rate.

We believe that Adjusted Net Income and Adjusted Net Income 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 and Adjusted Net Income Per Share do not purport to be an alternative to net income (loss) or cash flows from operating activities. The terms Adjusted Net Income and Adjusted Net Income Per Share are not defined under GAAP, and Adjusted Net Income and Adjusted Net Income 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 and Adjusted Net Income 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 and Adjusted Net Income Per Share do not reflect all cash expenditures, future requirements for capital expenditures or contractual commitments, (ii) Adjusted Net Income and Adjusted Net Income 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 and Adjusted Net Income Per Share differently than we do, limiting its usefulness as a comparative measure. In addition, Adjusted Net Income and Adjusted Net Income 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 and Adjusted Net Income Per Share as supplemental information.

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# 2019 First Quarter Financial Snapshot



## Revenues

- **Revenues:** \$259.9 million, +32.5% year-over-year growth
- **Organic revenue growth:**<sup>1</sup> +7.7%
- **Fee-based and recurring revenues:** 95+%
- **Split between market correlated and non-correlated revenues:** 72% / 28%
- **Market-correlated revenues billed in advance:** 71%
- **Revenue attributable to new partner firm closings:** \$8.8 million\*

\*\$11.0 million on a full-quarter basis

## Adjusted EBITDA

- **Adjusted EBITDA:**<sup>2</sup> \$54.5 million, +23.3% year-over-year growth
- **Adjusted EBITDA Margin:**<sup>3</sup> 21.0%
- **Adjusted EBITDA attributable to new partner firm closings:** \$2.2 million\*

\* \$3.0 million on a full-quarter basis

## Adjusted Net Income and ANI per Share

- **Adjusted Net Income:**<sup>2</sup> \$35.7 million, +40.3% year-over-year growth
- **Adjusted Net Income Per Share:**<sup>2</sup> \$0.47
- **Adjusted Shares Outstanding For Purposes of Calculating ANI:**<sup>2</sup> 76.8 million

<sup>1</sup> 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 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.

<sup>2</sup> Non-GAAP financial measure. See Appendix for reconciliations.

<sup>3</sup> Calculated as Adjusted EBITDA divided by revenues.

# 2019 Growth Strategy



**1**

Grow portfolio of partner firms in the **ultra-high and high net worth sectors**

**2**

Capitalize on **merger opportunities** to accelerate partner firm growth

**3**

Expand **international footprint** to increase partner firm diversity

**4**

Increase **value-added services** to enable partner firms to scale their businesses

**5**

Leverage **scale and network benefits** of Focus partnership to expand growth

## TARGETS

**20% Annual Revenue Growth On Average and Over Time**

**20% Annual Adjusted Net Income per Share<sup>1</sup> Growth On Average and Over Time<sup>2</sup>**

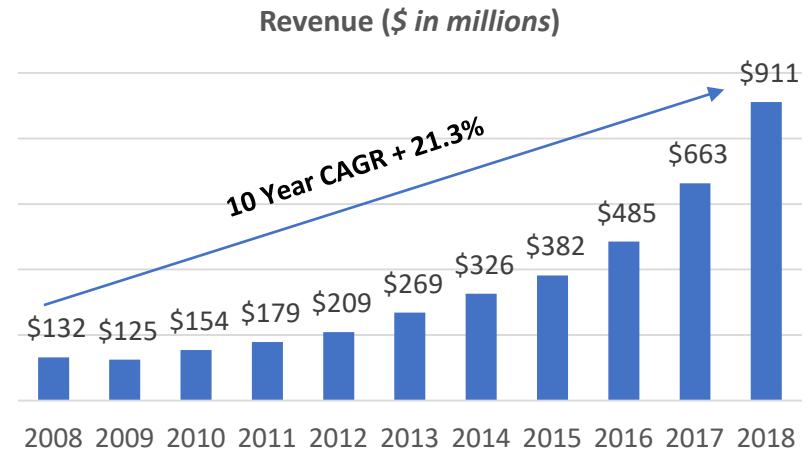
<sup>1</sup> Non-GAAP financial measure. See Appendix for reconciliations.

<sup>2</sup> Our long-term objectives may also be considered forward-looking statements. Please see Disclaimer for discussion of forward-looking statements.

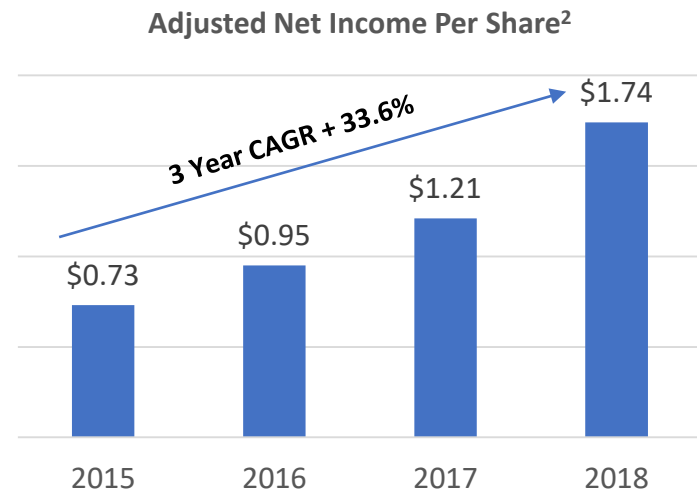
# Long-Term Growth Targets



- **20% average annual revenue growth target<sup>3</sup>**
  - Driven by historical results
  - Outperformed target over last 10 years
  - Significant growth opportunity given market dynamics
  - Well positioned to increase market share
  - Annual organic revenue growth rate for 2014-2018 has averaged 10.3%<sup>1</sup>



- **20% average annual Adjusted Net Income Per Share<sup>2</sup> target<sup>3</sup>**
  - Driven by historical results for Adjusted Net Income<sup>2</sup>
  - Over last 3 years, outperformed our current long-term target



<sup>1</sup> Organic revenue growth represents the year-over-year growth in revenue related to partner firms, including growth related to acquisitions of wealth management practices and customer relationships by Focus's partner firms and partner firms that have merged, that for the annual periods presented are included in Focus's consolidated statements of operations for the annual-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.

<sup>2</sup> Non-GAAP financial measure. See Appendix for reconciliations.

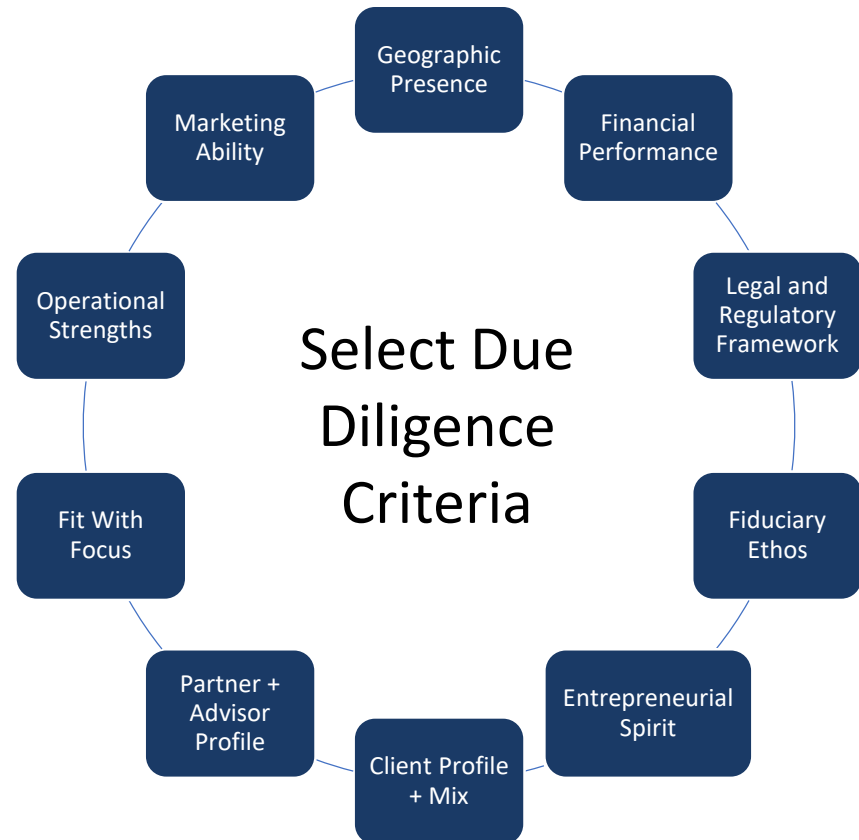
<sup>3</sup> Our long-term objectives may also be considered forward-looking statements. Please see Disclaimer for discussion of forward-looking statements.

# Partner Acquisition Overview

- Primary focus is on RIAs with owners who are committed to the long-term management and growth of their businesses
- Prospective partner firms must have a proven track record of growth that will be further enhanced by their partnership with Focus

## Investment Rationale

1. Wealth management services are not subject to commoditization
2. Majority of revenues are fee-based and recurring
3. Highly profitable business and not capital intensive
4. Entrepreneurial mindset drives nimbleness in adapting to market and client demands
5. Open architecture enables advisors to put clients' needs first



# Value-Added Services

## Overview



- Consult and advise without compromising partner firm autonomy, client service or culture
- Access to top-tier consulting, technology, marketing, legal, regulatory, M&A, operations and HR professionals
- 70+ Focus professionals dedicated to value-added support
- Dedicated relationship management team for each partner firm

### Strategy

- Business development
- M&A strategy
- Pricing strategy
- Succession planning
- Best practices

### Technology

- Cyber Security
- System architecture and implementation
- Cloud migration
- Business intelligence and analytics
- Project management

### Marketing

- Business development
- Branding
- Digital content development
- Marketing collateral creation
- Client lead generation
- Event planning

### Legal

- Legal advice and consulting
- M&A negotiation and execution
- Litigation consultation

### Regulatory

- SEC advice
- Other regulatory issues
- Compliance framework development
- Examination consultation

### M&A

- Sourcing
- Deal process and support
- Due diligence
- Transaction structuring and negotiation
- Regulatory review
- Document negotiation

### Operations

- Custodian and vendor management
- Enterprise pricing
- Operation assessment
- M&A integration
- Automation

### HR

- Advisor coaching and development
- Compensation structuring
- Incentive model development
- Talent sourcing
- Organizational design

Position Partner Firms For Accelerated Growth

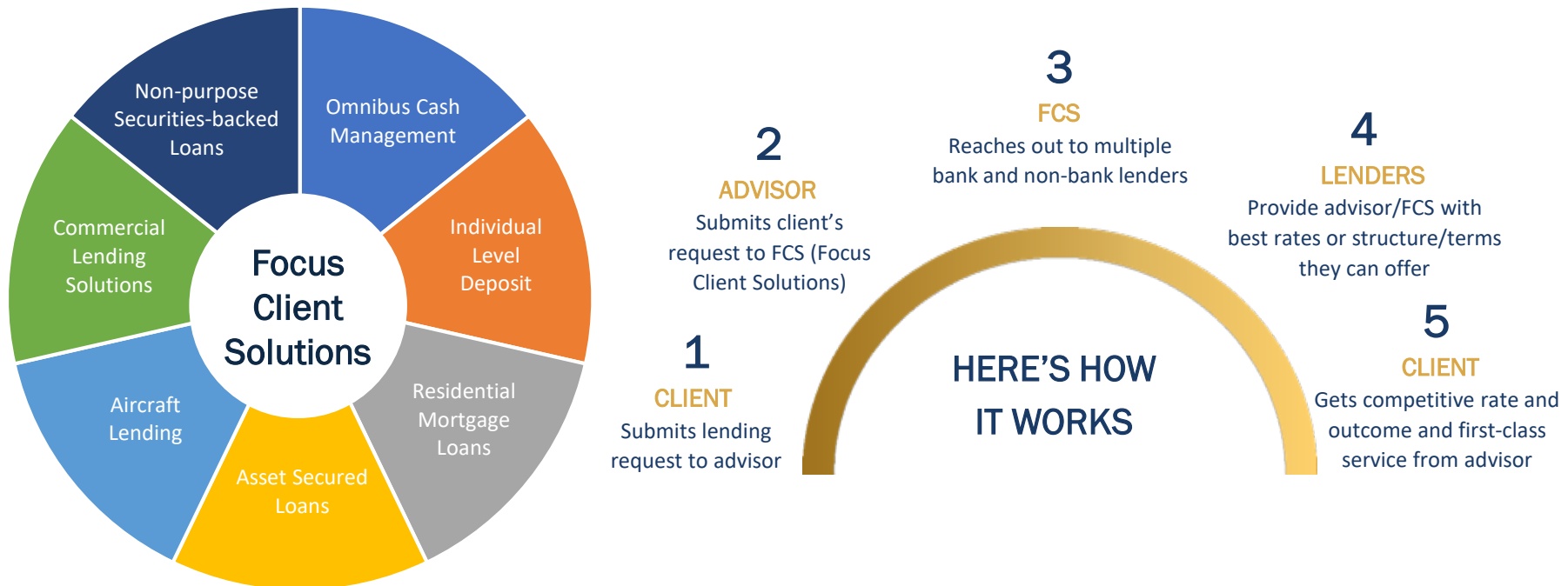


# Value-Added Services

## New Value Add Service: Focus Client Solutions



- Third party network of banks and non-bank lenders
- Enables Focus partner firms to provide their clients with competitive array of cash and credit solutions
- Strengthens partner firm relationships with existing clients
- Helps clients achieve higher yields on cash, as well as unlock home equity and business opportunities through refinancing, commercial lending and other options



# Value-Added Services

## Case Study: The Colony Group<sup>1</sup>



### The Colony Group Overview

- Provides comprehensive wealth management services for individuals, families and institutions, with a focus on high net worth and ultra-high net worth clients
- Led by CEO Michael Nathanson; nationally ranked by Barron's, Financial Times, and Financial Advisor
- Headquartered in Boston, MA with over 175 partners and employees
- Has grown rapidly through both organic and inorganic initiatives since joining the Focus partnership in 2011

### Completed 8 Mergers Since Joining Focus



<sup>1</sup> We have over 60 partner firms located across the United States as well as the United Kingdom, Canada and Australia. Colony's results may not be representative of our other partner firms and are not necessarily indicative of Colony's future performance.

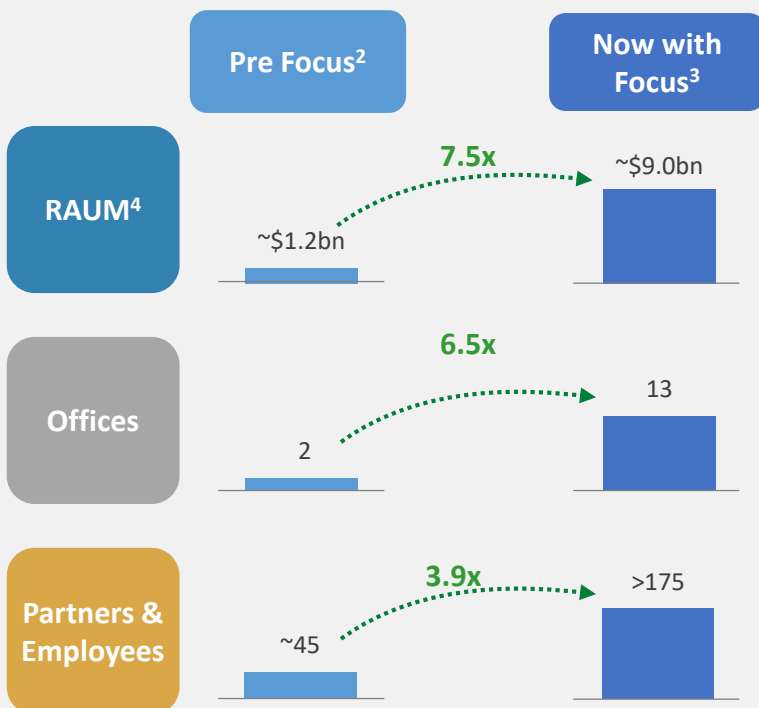
<sup>2</sup> Intra-partner firm merger.

# Value-Added Services

## Case Study: The Colony Group (Continued)<sup>1</sup>



### Growth Since Joining Focus (Then & Now)



### Key Changes Since Joining Focus

#### Technology & Services (Strategy, Technology, Operations)

- ▶ Technology systems upgraded to suppliers such as eMoney and Tamarac, adding value to the clients as well as accuracy and efficiency to Colony
- ▶ Client experience enhanced to include wider selection of investment options and broader range of services, including family office

#### Geographic Footprint (Operations, Marketing, Legal)

- ▶ From 2 office locations to a 13-office presence on the East Coast and Colorado in highly affluent geographies

#### Enterprise Capabilities for Succession Planning (Strategy, M&A, HR)

- ▶ From ~20 partners to over 50 partners
- ▶ From ~25 employees to over 125 employees
- ▶ Enhanced management structure through a larger, cross-sectional executive team
- ▶ More objective compensation plans in line with goals and market
- ▶ Improved cost control and operating leverage

<sup>1</sup> We have over 60 partner firms located across the United States as well as the United Kingdom, Canada and Australia. Colony's results may not be representative of our other partner firms and are not necessarily indicative of Colony's future performance.

<sup>2</sup> September 30, 2011.

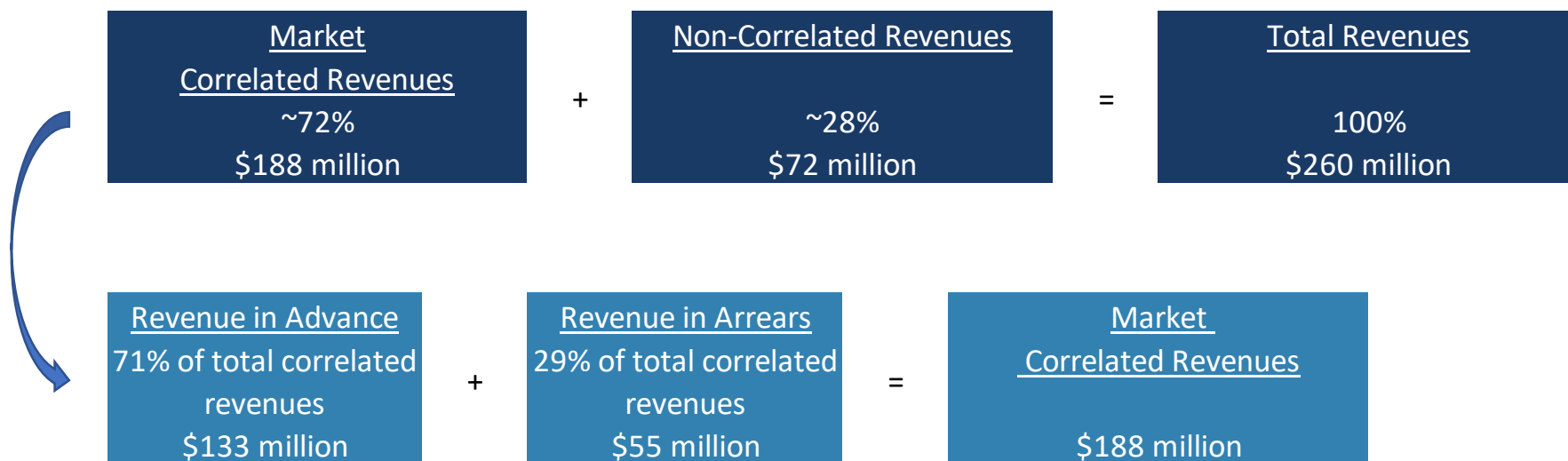
<sup>3</sup> As of May 2019.

<sup>4</sup> Regulatory Assets Under Management ("RAUM") is based on Form ADVs filed with the Securities and Exchange Commission ("SEC") for the respective period. We do not use RAUM to evaluate our business or our partner firms. RAUM may include amounts for which partner firms do not bill fees and partner firms may charge asset based fees on amounts that do not constitute RAUM under the SEC's definition. Our partner firms also charge flat fees, hourly rates or a combination of fees that are not based on the amount of the clients' assets.

# 2019 First Quarter Revenue Composition



- The majority of our revenues are correlated to the equity and fixed income markets
  - The amount of market-correlated revenues can fluctuate quarter to quarter based on the revenue composition of the RIAs we acquire
- Our partner firms generally bill quarterly in advance for correlated revenues, which impacts how market movements are reflected in quarterly revenues





# Hypothetical Example: Market Impact on Revenues

- Cerulli represents that for moderate risk clients, approximately 56% of investable assets are in equities and 44% are in fixed income and other asset classes<sup>1</sup>

## Example of Impact on Revenues of Market Change<sup>2</sup>

Equity Markets change	-10.0%
Fixed Income/Other Markets change	0.0%
Typical Equity Allocation of Client Assets per Cerulli	56.0%
Impact of Equity Market Change	-5.6%

	Revenues Billed in Arrears	Revenues Billed in Advance	Total Revenue Impact
Percentage of Revenues Billed in Advance/Arrears	29.0%	71.0%	100.0%
Pro Rata Change in Revenues for Market Change	-1.6%	-4.0%	-5.6%
Percentage of Revenues Correlated to the Market	72.0%	72.0%	
Pro Rata Change in Revenues for Market Change	-1.2%	-2.9%	-4.0%
<b>Impact on Revenues</b>	<b>-1.2%</b>	<b>-2.9%</b>	<b>-4.0%</b>
			
	<b>Current Quarter Impact to Revenues</b>	<b>Subsequent Quarter Impact to Revenues</b>	

<sup>1</sup> Cerulli Advisor Metrics 2017

<sup>2</sup> Hypothetical example provided for illustrative purposes and assuming no other changes

# 2019 Year-to-Date M&A Activity



## As of May 9, 2019

- 62 partner firms
- 25 transactions pending/closed YTD, 100% of 2018 full year closed transaction activity
- \$18.6 million in Acquired Base Earnings<sup>1</sup> for 5 partner firms acquired YTD

	Firm Name	Closing Date	Type	Primary Office Location	
Q1 2019	1. Altman, Greenfield & Selvaggi	1/1/19	Partner Firm Acquisitions	New York, NY	
	2. Prime Quadrant	2/15/19		Toronto, Canada	
	3. Foster Dykema Cabot	3/1/19		Boston, MA	
	Q1 2019	1. Griffon Financial Planning	1/1/19	Mergers	Bend, OR
		2. Northern Capital Management	1/1/19		Madison, WI
		3. Alpern Wealth Management	1/1/19		Pittsburgh, PA
		4. David Weise & Associates	1/1/19		Encino, CA
		5. WG&S, LLP	1/1/19		Los Angeles, CA
		6. Aurora Financial Advisors	2/1/19		Wellesley, MA
7. Dan Goldie Financial Services		2/1/19	Palo Alto, CA		
8. Insero Wealth Strategies		3/1/19	Buffalo, NY		
9. Neuman + Associates		3/1/19	Encino, CA		
Q2 2019 (to date)	1. Escala Partners	4/1/19	Partner Firm Acquisitions	Melbourne, Australia	
	2. Sound View Wealth Advisors	4/1/19		Savannah, GA	
	Q2 2019 (to date)	1. MacGuire, Cheswick & Tuttle	4/1/19	Mergers	Darien, CT
		2. Weatherstone Capital Management	4/1/19		Denver, CO
		3. Bullard, McLeod and Associates	4/1/19		Albany, NY
		4. Anthony Smith Advisors	4/1/19		Atlanta, GA
		5. Skeet Kaye Hopkins	4/2/19		London, United Kingdom
		6. Massingale	5/1/19		Ruston, LA
		7. Steinberg Global Asset Management	5/1/19		Boca Raton, FL
		8. Lake Mary Wealth Management	*		Maitland, FL
9. Stevens First Principles Investment Advisors	*	Newport Beach, CA			
10. Catamount Management Group	*	Westport, CT			

*\* Signed and pending close. Additionally, the transaction for new partner firm Lanham O'Dell & Company is signed and closing date is to be determined.*

<sup>1</sup> 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.

# Balance Sheet Metrics



	12/31/18	3/31/19
<i>(\$ in millions)</i>		
Cash and cash equivalents	\$33.2	\$83.8
Borrowings outstanding	\$839.0	\$1,087.0
Net leverage ratio <sup>1</sup>	3.33x	3.88x

*We remain committed to our long-term leverage target of 3-4x. We expect any leverage above 4x to be temporary.*

## Borrowing Capacity

- \$650 Million Revolver: \$354.6 million available at March 31, 2019

## Borrowing Rates *(as of March 31, 2019)*

- Term Loan (\$797.0 million outstanding): LIBOR + 250 bps
- Revolver (\$290.0 million outstanding) and grid pricing:

Net Leverage Ratio	Drawn Spread	Undrawn Fee
>4.00x	LIBOR + 200 bps	50 bps
>3.50x & ≤4.00x	LIBOR + 175 bps	50 bps
>3.00x & ≤3.50x	LIBOR + 150 bps	37.5 bps
≤3.00x	LIBOR + 125 bps	25 bps

<sup>1</sup> Net leverage ratio represents the First Lien Leverage Ratio (as defined in the Credit Agreement), 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).

# Top 10 Takeaways for Q1 2019



1

Delivered strong results with YOY growth in revenues (+32.5%) and Adjusted Net Income Per Share<sup>1</sup> (+40.3%) well in excess of 20% annual growth targets for each

2

7.7% quarterly organic revenue growth rate<sup>2</sup> was impacted by lagged effect of Q4 2018 market downturn due to advance billing structure utilized at many of our partner firms

3

Expect second quarter organic revenue growth rate<sup>2</sup> will be above 10%, demonstrating the resiliency of our business model

4

Adjusted EBITDA margin<sup>1</sup> was 21%; estimate Q2 2019 margin will remain at approximately 21%

5

Year-to-date<sup>3</sup>, \$18.6 million in acquired base earnings for 5 closed new partner firms; supplemented by 16 mergers completed for partners

<sup>1</sup> Calculated as Adjusted EBITDA divided by revenues.

<sup>2</sup> 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 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.

<sup>3</sup> January 1, 2019 – May 9, 2019.



# Top 10 Takeaways for Q1 2019



- 6 Client retention and advisor satisfaction remained extremely high
- 7 Record YTD M&A volume in terms of number of deals closed – 100% of 2018 full year closed transaction activity
- 8 Pipeline suggests robust M&A activity in 1<sup>st</sup> half 2019; seeing an increasing number of attractive partner acquisitions and merger opportunities for partner firms
- 9 Approximately \$1.1 billion in debt outstanding as of March 31, 2019 and net leverage ratio of 3.88x; remain committed to 3-4x net leverage over the long term
- 10 Introduced Focus Client Solutions, a new value-added service to provide cash and credit solutions to partner firms through a network of 3<sup>rd</sup> party banks and non-bank lenders

# Appendix

# Net Loss to Adjusted EBITDA Reconciliation



(\$ in thousands)	Three Months Ended March 31,	
	2018	2019
Net Loss	\$(12,054)	\$(2,828)
Interest Income	(142)	(197)
Interest Expense	14,272	12,859
Income Tax Expense (Benefit)	1,176	(1,221)
Amortization of Debt Financing Costs	959	782
Intangible Amortization	19,494	28,741
Depreciation and Other Amortization	1,882	2,313
Non-Cash Equity Compensation Expense	3,854	3,921
Non-Cash Changes in Fair Value of Estimated Contingent Consideration	6,371	7,414
Gain on Sale of Investment	(5,509)	–
Loss on Extinguishment of Borrowings	14,011	–
Other Expense (Income), Net	(93)	236
Management Contract Buyout	–	1,428
Other One-Time Transaction Expenses	–	1,066
<b>Adjusted EBITDA</b>	<b>\$44,221</b>	<b>\$54,514</b>

# Net Income (Loss) to Adjusted Net Income Reconciliation



(\$ in thousands)	For the Year Ended December 31,				Three Months Ended March 31,	
	2015	2016	2017	2018	2018	2019
Net Income (Loss)	\$9,321	\$15,722	\$(48,359)	\$(41,087)	\$(12,054)	\$(2,828)
Income Tax Expense (Benefit)	649	981	(1,501)	9,450	1,176	(1,221)
Amortization of Debt Financing Costs and Other	1,770	2,482	4,084	3,498	959	782
Intangible Amortization	35,421	50,942	64,367	90,381	19,494	28,741
Non-Cash Equity Compensation Expense	15,537	8,520	34,879	44,468	3,854	3,921
Non-Cash Changes in Fair Value of Estimated Contingent Consideration	(160)	(1,143)	22,294	6,638	6,371	7,414
Gain on Sale of Investment	–	–	–	(5,509)	(5,509)	–
Delayed Offering Expense	–	–	9,840	–	–	–
Loss on Extinguishment of Borrowings	–	–	8,106	21,071	14,011	–
Other One-Time Transaction Expenses (1)	–	–	2,843	11,529	–	1,066
Management Contract Buyout	–	–	–	–	–	1,428
<b>Subtotal</b>	<b>60,538</b>	<b>77,504</b>	<b>96,553</b>	<b>140,439</b>	<b>28,302</b>	<b>39,303</b>
Pro Forma Income Tax Expense (27%) (2)	(16,345)	(20,926)	(26,069)	(37,919)	(7,641)	(10,612)
Tax Adjustments (2) (3)	8,080	11,991	16,217	22,828	4,795	7,023
<b>Adjusted Net Income</b>	<b>\$52,273</b>	<b>\$68,569</b>	<b>\$86,701</b>	<b>\$125,348</b>	<b>\$25,456</b>	<b>\$35,714</b>

<sup>1</sup> In Q1 2019, relates to one-time expenses related to (a) Loring Ward severance cash compensation of \$280, which were recorded in compensation and related expenses and (b) transaction expenses of \$786, which were recorded in selling, general and administrative expenses, associated with the acquisition of Loring Ward. In 2018, primarily relates to one-time expenses related to (a) Loring Ward severance cash compensation of \$507 and 2018 IPO and related reorganization transaction cash compensation expenses of \$5,926, (b) transaction expenses of \$1,762 associated with the acquisition of Loring Ward and (c) other expenses, net of \$2,373, which were recorded in other (expense) income-net, primarily related to the loss on sale of a tax customer list and related receivables. In 2017, relates to one-time transaction expenses, which were recorded in other (expense) income-net, related to insurance fees associated with the investment by our private equity investors.

<sup>2</sup> For periods ended prior to the closing of the IPO and the consummation of the related reorganization transactions on July 30, 2018, these adjustments are being made for comparative purposes only.

<sup>3</sup> Represents tax adjustments from intangible asset related income tax benefits from closed acquisitions based on a pro forma 27% tax rate.

# Adjusted Net Income and Adjusted Net Income Per Share Reconciliation



	Three Months Ended March 31,	
	2018	2019
<b>Adjusted Net Income (in thousands)</b>	\$ 25,456	\$ 35,714
Adjusted Shares Outstanding (1)	71,843,916	76,793,979
<b>Adjusted Net Income Per Share</b>	\$ 0.35	\$ 0.47
Calculation of Adjusted Shares Outstanding:		
Weighted average shares of Class A common stock outstanding—basic (2)	—	46,211,599
Adjustments:		
Shares of Class A common stock issued in connection with the IPO and Reorganization Transactions (3)	42,529,651	—
Weighted average incremental shares of Class A common stock related to stock options and unvested Class A common stock (4)	—	7,855
Weighted average Focus LLC common units outstanding (5)	22,499,665	22,783,692
Weighted average common unit equivalent of Focus LLC incentive units outstanding (6)	6,814,600	7,790,833
Adjusted Shares Outstanding (1)	71,843,916	76,793,979

<sup>1</sup> For historical periods prior to the closing of the IPO and consummation of the related reorganization transactions on July 30, 2018, the Adjusted Shares Outstanding are deemed to be outstanding for comparative purposes only.

<sup>2</sup> Represents our GAAP weighted average Class A common stock outstanding—basic.

<sup>3</sup> The issuance of Class A common stock that occurred upon closing of the IPO and the consummation of related reorganization transactions on July 30, 2018 is assumed to have occurred as of January 1, 2018 for comparative purposes.

<sup>4</sup> The incremental shares for the three months ended March 31, 2019 related to stock options and unvested Class A common stock as calculated using the treasury stock method were not included in the calculation of the GAAP weighted average shares of Class A common stock—diluted as the result would have been anti-dilutive.

<sup>5</sup> Assumes that 100% of the Focus LLC common units were exchanged for Class A common stock.

<sup>6</sup> 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 exchange to Class A common stock was based on the \$33.00 IPO price.