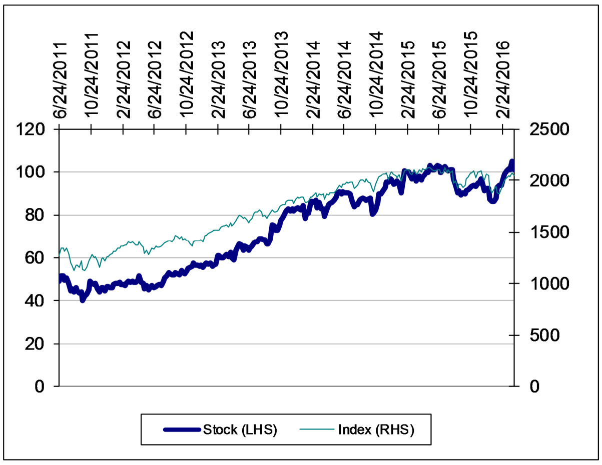
AON PLC	AON US	BRITAIN	**Rating**	**BUY**	*Foyston, Gordon & Payne Inc.*	
Price	107.73		**FGP Target**	**121.00**	Analyst	Val De Franco
S&P LT Rating	A-/Baa2		Valuation	17x F17E	Date	22-Jun-16
FGP Investment Grade	2			98.00		

Equity Review - Basic Report

5 YR PRICE CHART



Security Information

Market Capitalization	36,514	m (CAD)
Shares Outstanding	264.9	m
Float Outstanding	262.3	m
Daily Average Volume	163.1	m (CAD)
52wk High (6/7/2016)	110.04	USD
52wk Low (1/20/2016)	83.83	USD
Return on Equity (5 year)	16.8%	
Return on Equity (TTM)	24.6%	
Book Value / Share	**19.94**	5.4 x
Dividend	1.32	1.2%
Net Debt to Equity	81%	

Ex Date
8/1/2016
0.33

	Street EPS	Street P/E	FGP EPS	FGP P/E	Reg DPS	Yield
LFY	5.10	21.1 x				
LTM	5.07	21.3 x			1.20	
2016	6.57	16.4 x	6.41	16.8 x	1.32	1.2%
2017	7.31	14.7 x	7.10	15.2 x		

Company Description

Aon PLC is a professional services provider. The Company is comprised of risk and insurance brokerage consulting. Aon's services include helping manage risk for clients, negotiating and placing insurance risk with other carriers, and advising clients related to health and benefits, retirement,compensation, strategic human capital, and human resource outsourcing.

Relative Market Value

	Price	TRR 1yr	12M Fwd P/E	Next Year P/E	Yld (%)
SPX	2,087	1.2	17.8	15.7	2.2
AON US	107.73	6.0	16.4	14.7	1.2
		Delta	Relative	Relative	Relative
		-4.8%	93%	94%	56%

Thesis:

- AON is well entrenched in two good businesses.
- First is the insurance brokerage business. Insurance brokerage revenues are highly recurring – customers can shop around for pricing, and trim some of their insurance needs but they never completely cut back.
- The brokerage business is highly fragmented and precise market shares are hard to come by. However AON is the #1 primary insurance brokerage and the #1 reinsurance brokerage globally. Tuck in acquisitions definitely play a role in growth.
- The status of risk management within businesses has been elevated ever since 9-11 → ultimately the CEO is also the Chief Risk Officer. Globalization has also increased the complexity of risks. These two trends have played into the hands of AON. AON has global reach, expertise in many product lines, and their large databases have increased their value proposition. Referencing the bullet point immediately above, market share in the large corporate is very concentrated – a duopoly between AON and MMC.
- Long term growth can, come from increased penetration in emerging markets, new insurance products (i.e. cyber insurance, "cat" bonds), increased penetration within accounts, and even certain products that extract value from insurance companies.
- Second is consulting. Globalization and regulatory changes related to compensation and retirement benefits has increased complexity which in turn has increased the skills requirements for employees. Corporates need to balance employing locally skilled employees with some overlay of consistent HR policies and cost control.
- Like the brokerage business, penetration of the consulting services is low in emerging markets. Also like the brokerage business AON is very well positioned – it offers geographic reach, has better datasets, and has longevity which means they have longer relationships with clients. Each variable is self-reinforcing.

- A longer term opportunity is the health care exchanges where AON has a leading exchange. Right now it is barely profitable but it has a lot of potential as US employers grapple with rising employee health care costs.
- Outside of the two businesses, AON has had very high cash flows, and they've used these cash flows aggressively to repurchase stock.
- **FAIR VALUE = $121.** See Page 41.

Risks:

- The consulting business has some modest cyclicality to it, so a slowdown in GDP would adversely affect the earnings of this business.
- There has been some alternative (capital markets) capital that has been displacing the use of reinsurance. Right now this hasn't had any meaningful impact.   The lower margins attached to these products is offset by incremental new revenue streams (i.e. US mortgage reinsurance for Fannie/Freddie).   Also this increased complexity which further entrenched AON with its clients.   Finally clients like diversified insurance coverage, so there is likely a ceiling to alternative capital (which right now is only on well modelled risks).
- Employees have to behave ethically and always on behalf of the client.   Ultimately the foundation of the well-entrenched client relationships is the strength of the brand which in turn relies on employees.
- **DOWNSIDE = $98.** See Page 41.

Recommendation: BUY

- While the upside potential is only modestly above the downside potential, the business is very attractive for the longer term and the stock should be able to exceed the FV target in the intermediate term.

AON INVESTMENT GRADE CHECKLIST - FOREIGN EQUITIES						
	1	3	5	Rating	Trend	Comments
BUSINESS FUNDAMENTALS:						
Market Position	Leader	2nd-Tier	Marginal	1	Neutral	Largest insurance broker globally.
Barriers to Entry /Exit (sustainability of competit	High	Medium	Low	4	Positive	Low entry barriers, although barriers are increasing for larger customers.
Pricing Power (vs competition)	High	Moderate	Low	4	Neutral	Always looking to improve price/terms for their clients.
Capital Intensity (includes working capital require	Low	Moderate	High	2	Neutral	Low capex, low working capital.
Cyclicality (GDP-sensitivity)	Defensive/Stable	Cyclical	Deep Cyclical	3	Neutral	Insurance should be recession resistant, HR is moderately cyclical.
Product/Customer/Supplier concentration (incl. p	Low	Medium	High	1	Neutral	Diversified clients and suppliers.
Regulatory Environment (tight or lax)	Favorable	Stable	Restrictive	1	Positive	Regulatory is pushing change for customers & suppliers to the benefit of AON.
Geo-Political Risk (rule of law, country risk prem	Low	Moderate	High	1	Negative	Slowly expanding into Emerging Markets.
PER SHARE GROWTH (Past 10 Years):						
Revenue Per Share (organic vs M&A)	10%+	5% to 7%	Less than 3%	2	Negative	9% CAGR over 9 years → organic, M&A & share count reduction.
Operating Profit Per Share (EBIT)	10%+	5% to 7%	Less than 3%	1	Negative	13% CAGR over 9 years → organic, M&A & share count reduction.
Earnings Per Share (Basic EPS before XO)	10%+	5% to 7%	Less than 3%	1	Negative	16% CAGR over 9 years → organic, M&A & share count reduction.
Book Value Per Share (BVPS)	10%+	5% to 7%	Less than 3%	4	Neutral	3% CAGR over 9 years → aggressive share count reduction.
Dividend Per Share (DPS)	10%+	5% to 7%	Less than 3%	3	Neutral	7% CAGR over 9 years.
Secular & other factors (technology, biz profile, r	Positive	Neutral	Negative	1	Neutral	Globalization, complexity, low economic growth are positive for AON (relative basis).
PROFITABILITY:						
Return on Assets (ROA)	> 8%	5% ~ 6%	< 4%	3	positive	3.8% avg. over 10 years, but Assets inflated by Fiduciary Assets. Now higher eps & more efficient BS.
Return on Equity (ROE)	> 20%	14% ~ 16%	< 8%	2	positive	17.6% avg. over 10 years, but now higher eps & more efficient BS.
Return on Invested Capital (ROIC vs WACC)	> 20%	14% ~ 16%	< 8%	4	positive	12.0% avg. over 10 years, but now higher eps & less equity.
Retained Earnings (vs Paid-in-Capital)	High	Moderate	Low	3	Neutral	Pre-share repurchase, retained earnings has been growing faster than paid in capital (growing due to stock comp. & employee tax benefits).
Operating Leverage (fixed vs. variable cost)	Low	Medium	High	3	positive	Modest operating leverage on Comp; solid operating leverage on Other.
OPERATIONAL IGR				2		
FINANCIAL STRENGTH:						
Credit Rating (incorporating ND/eq & ND/EBITD	A+	BBB	B	2	Neutral	S&P rated A-/ Moody's Baa2
Off-Balance Sheet Items (leases, pension deficit/	Low	Average	High	2	Neutral	Lease & Purchase Obligation total $3.5B
Pension Liabilities (gross obligation/mkt cap)	< 30%	~ 50%	> 70%	5	Neutral	Gross obligation $9.3B; net $450M.
Working Capital Commitments (relative to peers)	Low	Moderate	High	2	Neutral	Working capital has been trending down.
Quality of Assets (intangibles, non-core investme	High	Medium	Low	5	Neutral	Excl. Fiduciary, intangibles are 61% of assets.
CAPEX Burden (ratio to depreciation)	Favorable	Acceptable	High/Extreme	3	Neutral	Capex/Dep ≈ 110%
Free Cash Flow (consistency as related to NI)	High/Consistent	Moderate	Low/Inconsistent	2	Positive	Has improved post Hewitt acquisition in 2010.
Fixed Charge Coverage (interest, leases, rent etc.)	High	Adequate	Low	2	Neutral	EBITDAR/(Interest+Lease) ≈ 5x
Dividend Coverage	High	Adequate	Low	1	Neutral	payout ratio ≈ 22%
FINANCIAL IGR				3		
CORPORATE GOVERNANCE:						
Ownership Structure (insider control)	Appropriate	Apportioned	Low	4	Neutral	Insiders own 1%.
Share Structure (complexity)	Single Share	--	Multi/vote	1	Neutral	Single
Government Influence (moral suasion, civil servic	Low	Normal	High	1	Neutral	limited
Board Composition (depth, independence, sycoph	Outstanding	Acceptable	Poor	1	Neutral	Experienced Board.
Accountability to Shareholders/Minority Rights	Respected	Average	Ignored	2	Neutral	
Accounting / Disclosures	Excellent	Fair	Wanting	3	Neutral	Relatively high amortization and stock compensation.
Compensation Policy (share options, grants, incen	Aligned	Normal	Misaligned	3	Neutral	Comp plan is relatively simple focused on operating income (annual) and (3 year) adjusted eps growth. No stock options.
Capital Allocation History (B/S efficiency)	Optimal	Conservative	Inefficient	1	Positive	Despite being initially dilutive, Hewitt has worked out well, very good with share repurchases.
Social Responsibility (environmental/labor/ethics	Respected	Manageable	Problematic	2	Neutral	
GOVERNANCE IGR				2		
SHARE LIQUIDITY	1 Day	3 Days	5 Days +	1	Neutral	ADV of ~ $US 136M
OVERALL INVESTMENT GRADE:				**2**		**Well positioned company in both brokerage and HR services.**

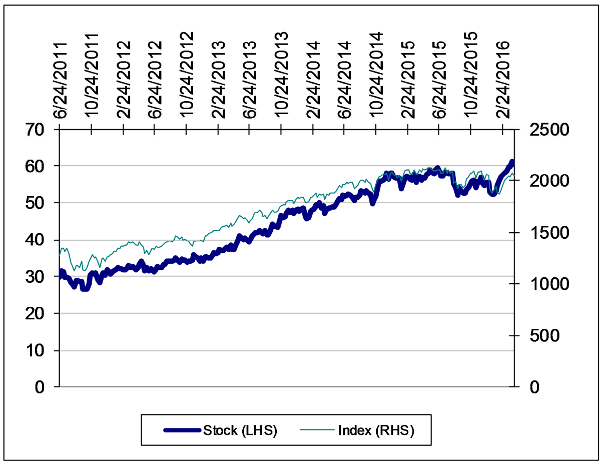
MARSH & MCLENNAN COS	MMC US	UNITED STATES	**Rating**	**Buy < $62**
Price	66.88		**FGP Target**	**69.00**
S&P LT Rating	A-/Baa1		Valuation	19X F17E
FGP Investment Grade	2		Downside	**58.00**

Foyston, Gordon & Payne Inc.

Analyst	Val De Franco
Date	22-Jun-16

Equity Review - Basic Report

5 YR PRICE CHART



Security Information

Market Capitalization	44,600	m (CAD)	
Shares Outstanding	521.2	m	
Float Outstanding	520.0	m	
Daily Average Volume	150.7	m (CAD)	
52wk High (6/22/2016)	67.26	USD	
52wk Low (1/20/2016)	50.81	USD	
Return on Equity (5 year)	20.1%		
Return on Equity (TTM)	24.0%		
Book Value / Share	**12.81**	5.2 x	**Ex Date**
Dividend	1.36	2.0% →	**10/12/2016**
Net Debt to Equity	46%		**0.34**

	Street EPS	Street P/E	FGP EPS	FGP P/E	Reg DPS	Yield
LFY	3.03	22.1 x				
LTM	3.03	22.1 x			1.24	
2016	3.40	19.7 x	3.30	20.3 x	1.36	2.0%
2017	3.78	17.7 x	3.64	18.4 x		

Company Description

Marsh & McLennan Companies, Inc. is a global professional services firm providing advice and solutions in the areas of risk, strategy and human capital. Marsh & McLennan offers analysis, advice, and transactional capabilities to clients worldwide

Relative Market Value

	Price	TRR 1yr	12M Fwd P/E	Next Year P/E	Yld (%)
SPX	2,087	1.2	17.8	15.7	2.2
MMC US	66.88	14.8	19.7	17.7	2.0
		Delta	Relative	Relative	Relative
		-13.6%	111%	113%	93%

Thesis:

- MMC is well entrenched in two good businesses.
- First is the insurance brokerage business. Insurance brokerage revenues are highly recurring – customers can shop around for pricing, and trim some of their insurance needs but they never completely cut back.
- The brokerage business is highly fragmented and precise market shares are hard to come by. However MMC is a close #2 primary insurance brokerage and the #2 reinsurance brokerage globally. Tuck in acquisitions definitely play a role in growth.
- The status of risk management within businesses has been elevated ever since 9-11 → ultimately the CEO is also the Chief Risk Officer. Globalization has also increased the complexity of risks. These two trends have played into the hands of MMC. MMC has global reach, expertise in many product lines, and their large databases have increased their value proposition. Referencing the bullet point immediately above, market share in the large corporate is very concentrated – a duopoly between MMC and AON.
- Long term growth can, come from increased penetration in emerging markets, new insurance products (i.e. cyber insurance, "cat" bonds), increased penetration within accounts, and even certain products that extract value from insurance companies.
- Second is consulting. Globalization and regulatory changes related to compensation and retirement benefits has increased complexity which in turn has increased the skills requirements for employees. Corporates need to balance employing locally skilled employees with some overlay of consistent HR policies and cost control.
- Through Mercer, MMC is very well positioned → it is the #1 player in investment consulting which is a very fast growing and high margin sub-segment.

- Like the brokerage business, penetration of the consulting services is low in emerging markets. Also like the brokerage business MMC is very well positioned – it offers geographic reach, has better datasets, and has longevity which means they have longer relationships with clients. Each variable is self-reinforcing.
- A longer term opportunity is the health care exchanges where MMC has a leading exchange. Right now it is barely profitable but it has a lot of potential as US employers grapple with rising employee health care costs.
- Outside of the two businesses, MMC has had very high cash flows, and they've recently become more aggressive with these cash flows to increase the dividend and repurchase stock.
- **FAIR VALUE = $69.** See Page 42.

Risks:

- The consulting business has some modest cyclicality to it, so a slowdown in GDP would adversely affect the earnings of this business.
- There has been some alternative (capital markets) capital that has been displacing the use of reinsurance. Right now this hasn't had any meaningful impact. The lower margins attached to these products is offset by incremental new revenue streams (i.e. US mortgage reinsurance for Fannie/Freddie). Also this increased complexity which further entrenched MMC with its clients. Finally clients like diversified insurance coverage, so there is likely a ceiling to alternative capital (which right now is only on well modelled risks).
- Employees have to behave ethically and always on behalf of the client. Ultimately the foundation of well-entrenched client relationships is the strength of the brand which in turn relies on employees.
- **DOWNSIDE = $58.** See Page 42.

Recommendation: Buy < $62

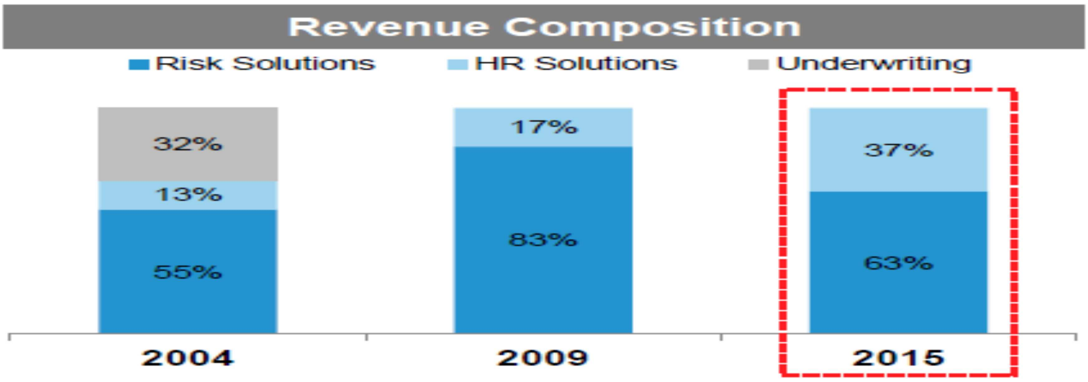
- Right now, the downside > the FV upside. While MMC seems to have slightly better fundamentals vs. AON, the relative valuation is just too rich.
- **A better entry price would < $62 which would offer better balance between FV & downside.**

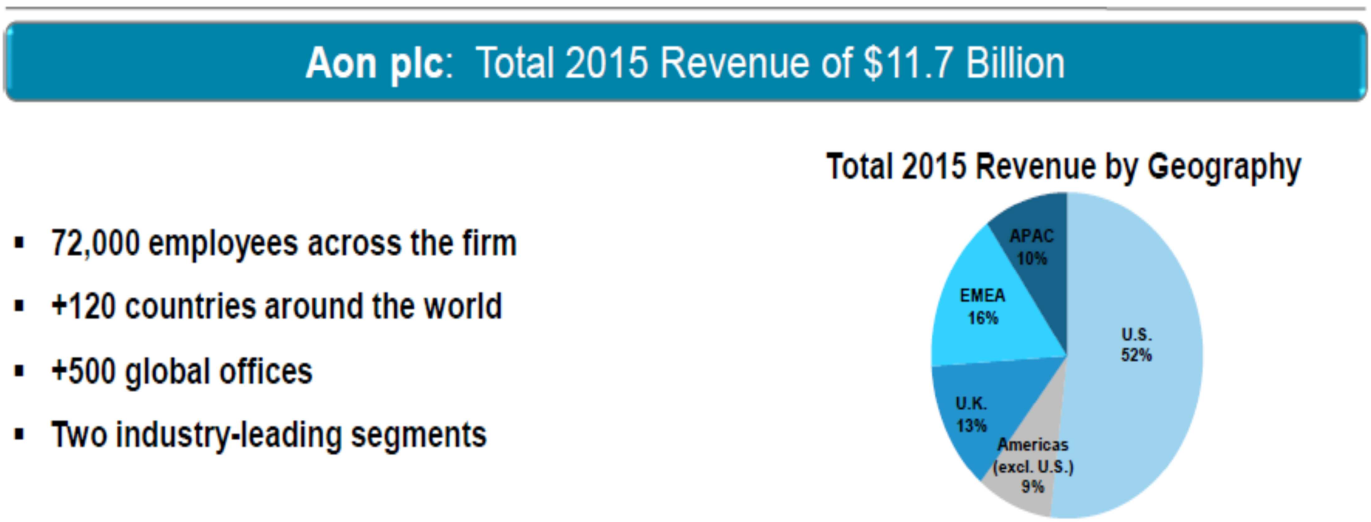
MMC INVESTMENT GRADE CHECKLIST - FOREIGN EQUITIES						
	1	3	5	Rating	Trend	Comments
BUSINESS FUNDAMENTALS:						
Market Position	Leader	2nd-Tier	Marginal	1	Neutral	2nd largest insurance broker globally, largest investment consultant.
Barriers to Entry /Exit (sustainability of competit	High	Medium	Low	4	Positive	Low entry barriers, although barriers are increasing for larger customers.
Pricing Power (vs competition)	High	Moderate	Low	4	Neutral	Always looking to improve price/terms for their clients.
Capital Intensity (includes working capital require	Low	Moderate	High	2	Neutral	Low capex, low working capital.
Cyclicality (GDP-sensitivity)	Defensive/Stable	Cyclical	Deep Cyclical	3	Neutral	Insurance should be recession resistant, Mercer & OW are moderately cyclical.
Product/Customer/Supplier concentration (incl. p	Low	Medium	High	1	Neutral	Diversified clients and suppliers.
Regulatory Environment (tight or lax)	Favorable	Stable	Restrictive	1	Positive	Regulatory is pushing change for customers & suppliers to the benefit of MMC.
Geo-Political Risk (rule of law, country risk prem	Low	Moderate	High	1	Negative	Slowly expanding into Emerging Markets.
PER SHARE GROWTH (Past 10 Years):						
Revenue Per Share (organic vs M&A)	10%+	5% to 7%	Less than 3%	4	Positive	3% CAGR over 9 years → organic, share count reduction offset by divestitures in early years. More recent years have seen
Operating Profit Per Share (EBIT)	10%+	5% to 7%	Less than 3%	3	Neutral	7% CAGR over 9 years → organic, share count reduction, divestitures.
Earnings Per Share (Basic EPS before XO)	10%+	5% to 7%	Less than 3%	2	Neutral	9% CAGR over 9 years → organic, share count reduction, divestitures.
Book Value Per Share (BVPS)	10%+	5% to 7%	Less than 3%	4	Neutral	3% CAGR over 9 years → organic, share count reduction, divestitures.
Dividend Per Share (DPS)	10%+	5% to 7%	Less than 3%	3	Neutral	6% CAGR over 9 years.
Secular & other factors (technology, biz profile, r	Positive	Neutral	Negative	1	Neutral	Globalization, complexity, low economic growth are positive for MMC (relative basis).
PROFITABILITY:						
Return on Assets (ROA)	> 8%	5% ~ 6%	< 4%	3	positive	5% avg. over 10 years. Now higher eps & more efficient BS.
Return on Equity (ROE)	> 20%	14% ~ 16%	< 8%	2	positive	16.2% avg. over 10 years, but now higher eps & more efficient BS.
Return on Invested Capital (ROIC vs WACC)	> 20%	14% ~ 16%	< 8%	3	positive	15.1% avg. over 10 years, but now higher eps & less equity.
Retained Earnings (vs Paid-in-Capital)	High	Moderate	Low	2	Neutral	retained earnings has been growing while paid in capital has been flat.
Operating Leverage (fixed vs. variable cost)	Low	Medium	High	2	positive	Solid operating leverage on both Comp and Other.
OPERATIONAL IGR				2		
FINANCIAL STRENGTH:						
Credit Rating (incorporating ND/eq & ND/EBITD	A+	BBB	B	2	Neutral	S&P rated A-/ Moody's Baa1
Off-Balance Sheet Items (leases, pension deficit/s	Low	Average	High	2	Neutral	Lease & Purchase Obligation total $3.0B
Pension Liabilities (gross obligation/mkt cap)	< 30%	~ 50%	> 70%	5	Neutral	Gross obligation $14.7B; net $1.8B.
Working Capital Commitments (relative to peers)	Low	Moderate	High	2	Neutral	Working capital has been trending down.
Quality of Assets (intangibles, non-core investme	High	Medium	Low	4	Neutral	Intangibles are 49% of assets.
CAPEX Burden (ratio to depreciation)	Favorable	Acceptable	High/Extreme	4	Neutral	Capex/Dep ≈ 117%
Free Cash Flow (consistency as related to NI)	High/Consistent	Moderate	Low/Inconsistent	1	Positive	Last five years > 100%
Fixed Charge Coverage (interest, leases, rent etc.)	High	Adequate	Low	3	Neutral	EBITDAR/(Interest+Lease) ≈ 4x
Dividend Coverage	High	Adequate	Low	2	Neutral	payout ratio ≈ 38%
FINANCIAL IGR				3		
CORPORATE GOVERNANCE:						
Ownership Structure (insider control)	Appropriate	Apportioned	Low	4	Neutral	Insiders own 1.5%.
Share Structure (complexity)	Single Share	--	Multi/vote	1	Neutral	Single
Government Influence (moral suasion, civil servic	Low	Normal	High	1	Neutral	limited
Board Composition (depth, independence, sycoph	Outstanding	Acceptable	Poor	1	Neutral	Experienced Board.
Accountability to Shareholders/Minority Rights	Respected	Average	Ignored	2	Neutral	
Accounting / Disclosures	Excellent	Fair	Wanting	2	Neutral	Reasonable disclosure
Compensation Policy (share options, grants, incen	Aligned	Normal	Misaligned	3	Neutral	Annual plan is based on relative to peers operating income growth. LTIP is based 3 year adjusted eps growth. However LTIP incorporates 50% stock options which just time vest. No description of RSUs (25%).
Capital Allocation History (B/S efficiency)	Optimal	Conservative	Inefficient	2	Positive	Have delivered solid eps growth, higher dividends and share repurchases
Social Responsibility (environmental/labor/ethics	Respected	Manageable	Problematic	2	Neutral	
GOVERNANCE IGR				2		
SHARE LIQUIDITY	1 Day	3 Days	5 Days +	1	Neutral	ADV of ~ $US 139M
OVERALL INVESTMENT GRADE:				**2**		**Well positioned company in both brokerage and HR services.**

1. General Overview

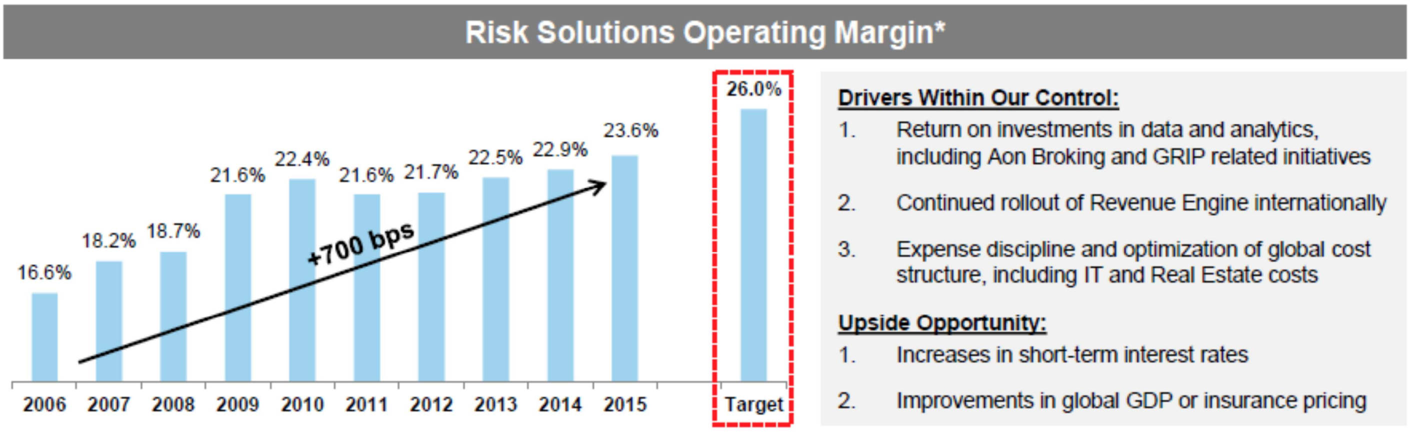
- Both companies offer insurance brokerage (primary and reinsurance) and consulting/administration around corporate human resource issues.
- MMC also offers strategic/management consulting through Oliver Wyman (OW) which is ≈ 12% of total revenues. Margins for OW are not disclosed although we know that they are less than MMC's consulting segment as a whole. The trade-off has been better revenue growth out of OW.
- The two companies are established leaders in the two broad services that they offer. Importantly, these services have become more important for clients and this trend of increased importance looks to continue driven by globalization, increased regulation and low economic growth.
- Both companies have performed well in terms of revenue growth, margin expansion, eps growth, and capital distributions to shareholders.
- The advantages vs. other financial service sector stocks are that both companies are capital light, since they do not underwrite risks. Both companies also seem to be good at adapting to business change by adding ancillary revenues.
- This report compares/contrasts the two main business units detailing revenue growth and margins. The report also has a BS/Cash Flow Section that details historic cash flows and capital returns to shareholders.

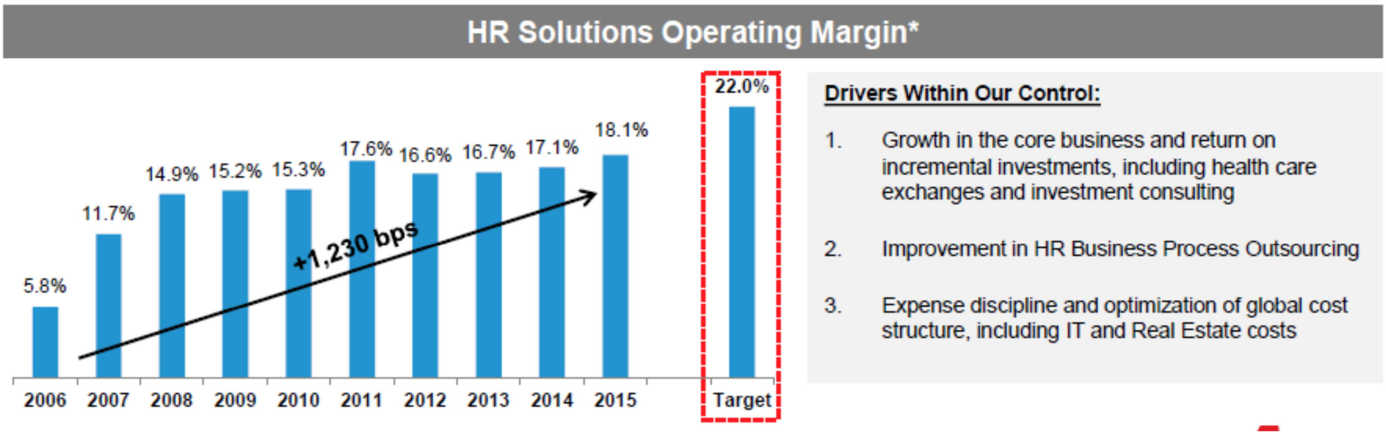
AON Revenue Composition



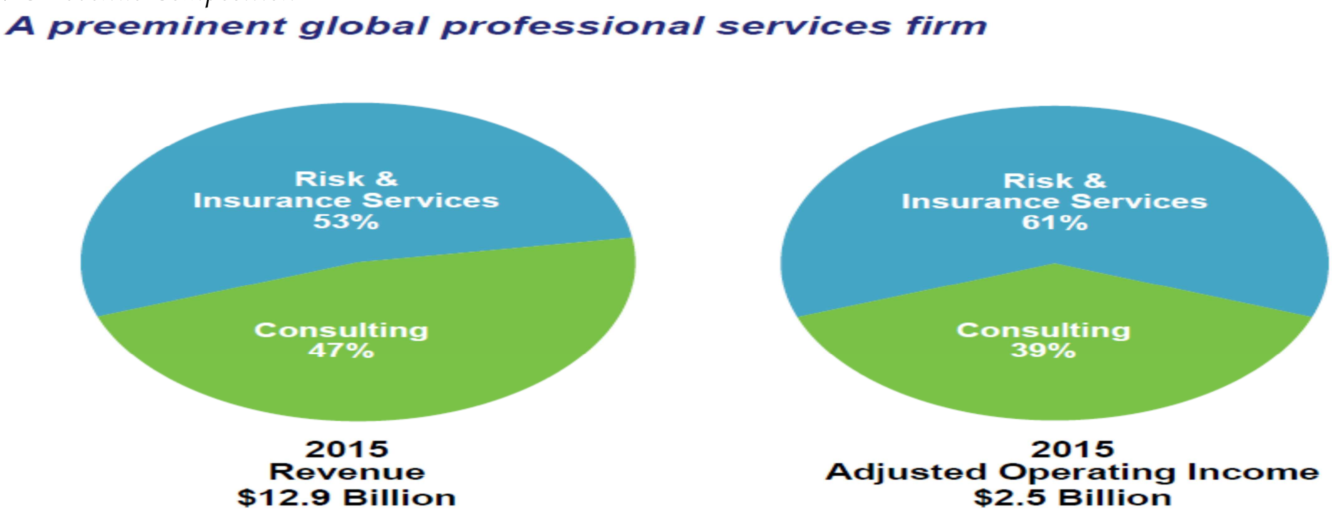


AON Segment Margins





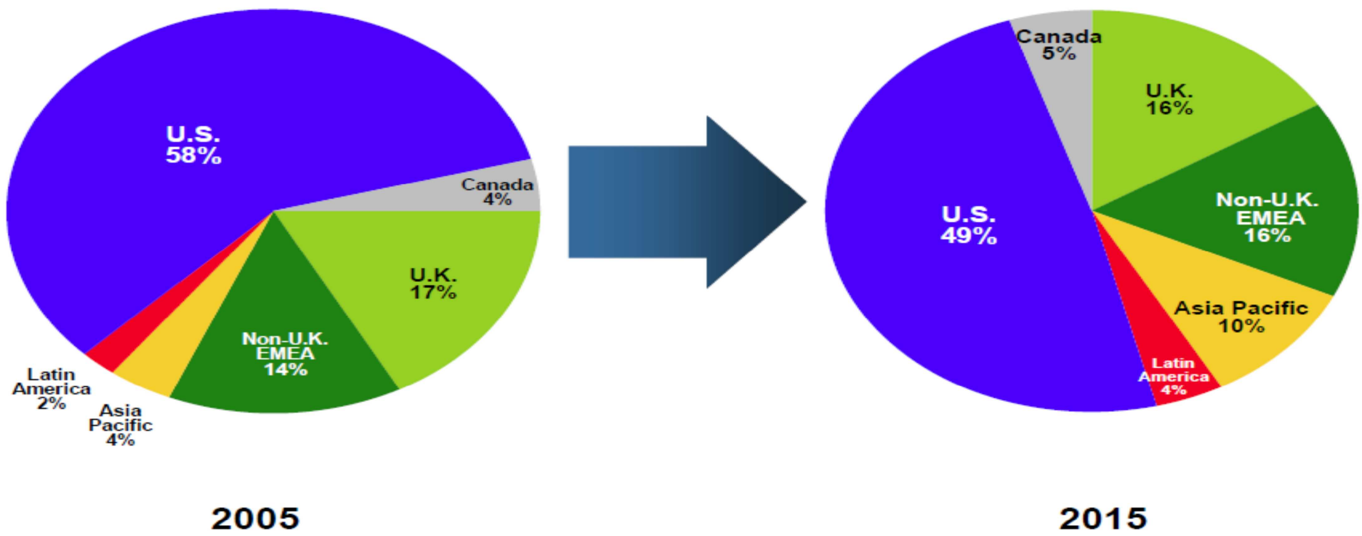
MMC Revenue Composition



Reconciliation of Non-GAAP measures included in Appendix

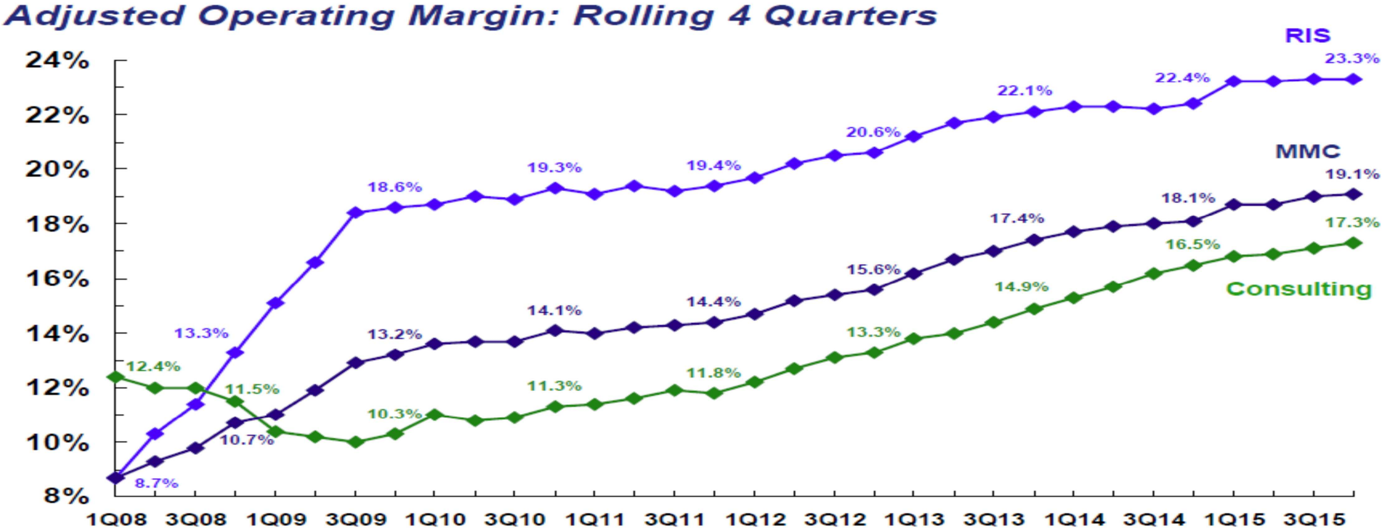
MARSH & McLENNAN COMPANIES

Expanding Global Presence Over Past 10 Years



Revenue

Adjusted Operating Margin: Rolling 4 Quarters



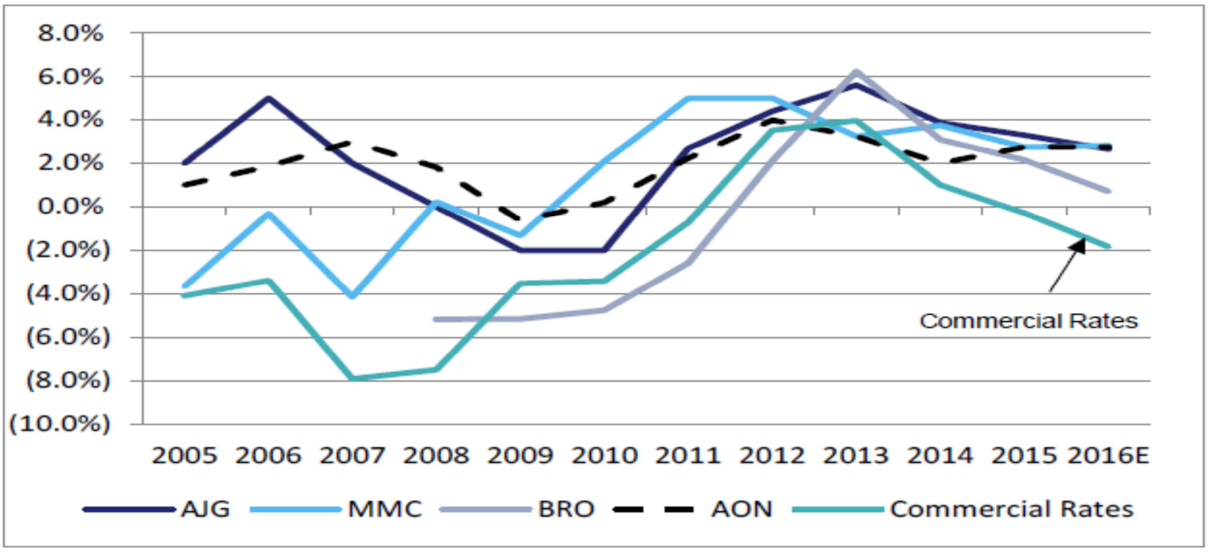
2. Risk Services

- Both companies operate as brokers between insurance companies and business clients (Primary) and between insurance companies and reinsurance companies (Reinsurance).
- Revenues are based on fees (generally primary) and commissions (generally reinsurance). Brokers do not take underwriting risk, thus their earnings are much less volatile than insurers. Accordingly, their BSs are more efficient because they do not need to hold capital for covering possible severe losses.
- **Whether its fees or commissions, most of the revenues are recurring – clients may cut some insurance but never all of it.**
- Brokers benefit when insurance prices go up, but they don't lose as much either when insurance prices go down, since the clients tend to buy more insurance (vs. an insurer is very cognizant of the pricing, the broker doesn't care (at least in the short term) if the pricing is not sufficient to cover risks). The higher proportion of fees also lessens the amplitude of revenues (vs. historical where commissions were more dominant).
- Both companies have a float income although this has decreased in size as interest rates (particularly safe short term investment vehicles) have come down. The float is based on a timing delay between collecting the premium from the client and submitting it to the insurance company and also a delay between collecting claim payments from the insurance companies and submitting it to clients.

Positive Long Term Underlying Drivers

- Since the unfortunate events of 911, the status of corporate risk management has been elevated to the Boardroom – where implicitly the Chief Risk Officer (CRO) is the CEO. Large corporations have always had a risk management function but it was usually at least one layer removed from senior executive management.
- On top of the elevated status or risk management, globalization has added to the complexity of understanding risks.
- **Both of these trends have played to the advantage of the large brokers. The large brokers have global reach, have expertise in many insurance product lines, and more recently their large databases have increased their value propositions for clients.**
- Organic growth has been able to outpace insurance pricing due to exposure growth (the value of the underlying insured coverage is going up), new business within existing accounts, new products, and organic in various emerging markets (as insurance penetration is lower). A recent meeting with Munich Re (MUV2) corroborates low brokerage penetration. MUV2 indicated only 35% of their business is placed through brokers (specifically this is reinsurance). Without quantifying, penetration is high in Anglo Saxon countries → US, Canada, UK, and Australia; and high in Japan. However in continental Europe, the penetration is lower, along with Asia.
- M&A has also added to growth as there are many small insurance brokers globally.

Broker Organic Growth Rates vs. Commercial Rate Changes



Source: FactSet, SNL Financial, CIAB, MarketScout via Bloomberg, Advisen, Citi Research

Head to Head: Slight Edge to MMC

- The industry is very fragmented. While AON and MMC are the largest two global brokers, it is difficult to pinpoint market shares.
- Exhibit 2.2 shows the relative revenue rankings but it is not really accurate as it shows total revenues for both companies, which includes the consulting revenues of both MMC & AON. Still referencing the revenues from Exhibit 2.1, we still see that both AON & MMC are #1 and #2 respectively.
- The reinsurance brokerage market is even more consolidated with the top 3 ≈ 80% share. While not quantified, margins are higher.
- While the market is fragmented, it is very concentrated at the large corporate end. "90 plus percent of the time, when we compete, … we're fighting somebody who's smaller than we are. And we think that we should win more than we lose." *CEO of Arthur J Gallagher, the #4 broker.* This is relevant because Gallagher doesn't compete in the large corporate space which means it's really just AON, MMC and perhaps a little bit of WLTW.

- Despite AON being slightly bigger than MMC in both insurance and reinsurance brokerage in terms of revenues, MMC has demonstrated better organic growth with equivalent margins. It is difficult to precisely pinpoint why that is the case but it likely due multiple reasons.
- First, AON apparently has higher Florida property reinsurance exposure which has been a hard hit (pricing wise) reinsurance sub-segment.
- Second, MMC does have some exposure to middle market business under the Marsh McLennan Associates (MMA) brand which does $900M of revenues, and has been growing nicely. In the MMA business MMC operates a hub and spoke system. The hubs are particular agents that know their areas really well, and wish to grow their business. MMC relies on them to recruit agents under the MMC banner, and it relies on them to do M&A if necessary. This way, the agent uses MMC for capital and MMC uses them for local client expertise. Operations wise, MMA is mostly independent, and only uses MMC on occasion for special polices (more complicated risks).
- Third, MMC also has a high net worth business which again likely derives a relatively smaller premium but is higher margin and also demonstrated high growth.

- As seen in Exhibit 2.4, MMC had a rough patch from 2006 to 2007. Former NY AG Eliot Spitzer had a crusade against contingent commissions in 2004 and MMC was the biggest user (≈ $845M of revenues). A contingent commission was received by the broker for hitting certain volume thresholds with an insurer. Apparently brokers would steer business to certain insurers based upon hitting those thresholds. Related to this, the brokers would "ask" other certain insurers to submit false (high) bids so that the broker could show the client that they were receiving good bids. So basically there was collusion between brokers and a pool of insurers each taking turns winning certain business and placing high bids on other business.
- All the brokers eventually settled their suits – MMC in early 2005. As part of the settlement, contingent commissions were banned until 2010. So they're back in use, but they are a very modest part of revenue, and they are fully disclosed to clients.
- However Marsh was very slow to adopt post contingent commissions. MMC tried to cut costs to compensate for the lost revenue, but this resulted in the loss of key many key producers. The Head of Marsh was replaced and then the CEO was replaced shortly thereafter. MMC then successfully re-recruited some of their lost personnel, but they had to pay up for them. While these producers started to boost the revenue expenses were elevated in training, advertising, and systems development. Eventually they got back to a path where revenue growth > cost growth.

Exhibit 2.1

Risk Services Head to Head	**AON**	**MMC**
Primary Insurance Brokerage		
2015 Revenues	$6,044	$5,727
% of Total Revenues	52%	44%
Last 5 year Revenue Growth (CAGR)	1.9%	4.8%
Last 5 year Organic Revenue Growth	3.4%	3.8%
Geography	Globally Diverse	Globally Diverse
	55/45% Americas/Intl	50/50% US & Cda/Intl
Business Lines	Broad	Broad
Customers	Large Corporates Upper Middle Market	Large Corporates Upper Middle Market Middle Market
Reinsurance Brokerage		
2015 Revenues	$1,361	$1,121
% of Total Revenues	12%	9%
Last 5 year Revenue Growth (CAGR)	-1.2%	2.8%
Last 5 year Organic Revenue Growth	1.0%	4.0%
Total Brokerage		
2015 Revenues	$7,405	$6,848
% of Total Revenues	63%	53%
Last 5 year Revenue Growth (CAGR)	1.3%	4.4%
Last 5 year Organic Revenue Growth	2.8%	4.2%
2015 EBIT (Adjusted)	$1,752	$1,603
% of Total EBIT	69%	61%
Last 5 year (adj) operating margins	22.4%	21.6%
Last 5 year operating margins	19.9%	21.3%

Exhibit 2.2

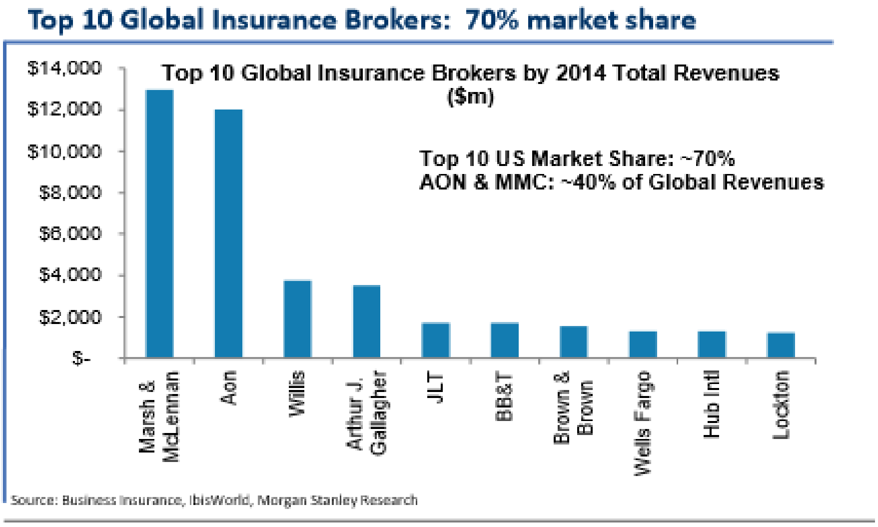


Exhibit 2.3

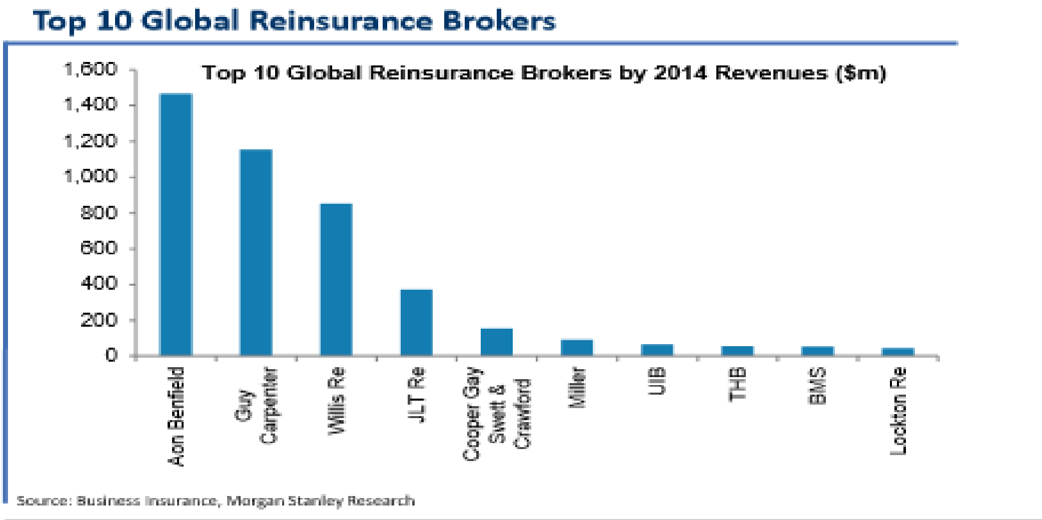


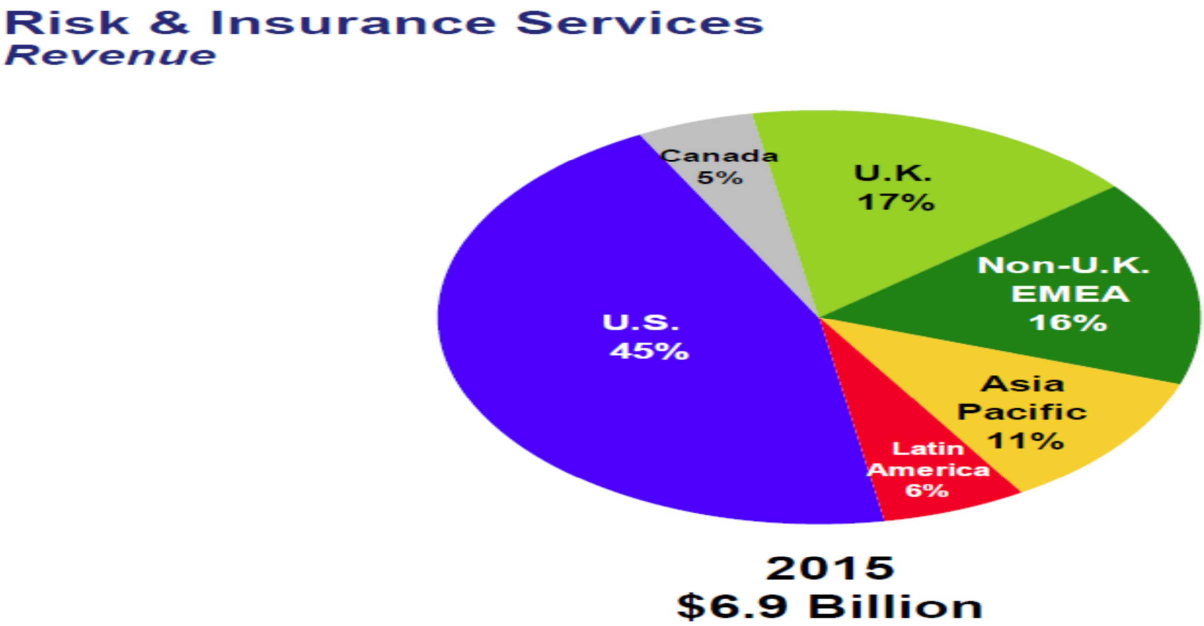
Exhibit 2.4

Organic Growth	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	10 Year Average	5 Year Average
Insurance												
AON	2.1%	3.7%	1.7%	-1.0%	1.0%	3.0%	3.0%	4.0%	3.0%	4.0%	2.5%	3.4%
MMC	-2.0%	-1.0%	2.0%	-1.0%	2.0%	4.0%	5.0%	3.0%	4.0%	3.0%	1.9%	3.8%
Re-insurance												
AON	3.0%	2.0%	1.0%	0.0%	-3.0%	0.0%	5.0%	2.0%	-1.0%	-1.0%	0.8%	1.0%
MMC	5.0%	1.0%	-7.0%	8.0%	2.0%	5.0%	6.0%	5.0%	2.0%	2.0%	2.9%	4.0%
Total Risk												
AON	2.0%	3.0%	2.0%	-1.0%	0.0%	2.0%	4.0%	3.0%	2.0%	3.0%	2.0%	2.8%
MMC	-0.9%	-0.7%	0.5%	0.0%	2.0%	5.0%	5.0%	4.0%	4.0%	3.0%	2.2%	4.2%

Margins	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	10 Year Average	5 Year Average
Adjusted												
AON	16.5%	18.4%	19.3%	21.6%	22.4%	21.6%	21.7%	22.4%	22.9%	23.6%	21.0%	22.4%
MMC	15.5%	8.6%	13.3%	18.6%	19.3%	19.4%	20.6%	22.1%	22.4%	23.3%	18.3%	21.6%
Unadjusted												
AON	13.8%	16.4%	14.1%	15.1%	19.0%	18.7%	19.6%	19.8%	21.0%	20.3%	17.8%	19.9%
MMC	12.4%	6.3%	8.4%	15.1%	17.2%	19.7%	21.0%	21.5%	21.8%	22.4%	16.6%	21.3%

Exhibit 2.5

Exhibit 2.6



Low Disintermediation risk

- It is difficult for insurance companies to bypass the brokers. The brokers' mandate is to work for the client's best interest which is not necessarily the case for an insurance company directly dealing with a client.
- Moreover, the brokers have now accumulated more information than the insurance companies. This is due to the administrative relationship of the three parties involved in a transaction. When insurance companies bid on a client's business, the brokers accumulate the pricing information from multiple carriers, not just one. When the clients submit claims, the brokers accumulate the loss information from multiple clients, thus they have a larger dataset than an insurer would regarding accumulating losses.
- The brokers have been using their data sets wisely. Not only can they segment information to potentially sell new products to clients, but now they are using the information to sell to insurance companies.
- Even on the reinsurance brokerage side, the same arguments apply. The broker is working on the behalf of the reinsurance buyer, and the brokers have an information advantage over the insurance companies.
- Now there has been a trend of alternative capital (Capital Markets) entering the reinsurance space which has to a certain extent disintermediated reinsurers (usually for well modelled risks).
- However, for the brokers this is not necessarily a bad thing. **Alternative capital increases complexity which means that there is more reliance on the broker.** In most cases, clients don't want to just rely on one source of reinsurance risk, so they will mix in alternative capital with other traditional sources of reinsurance risk.
- **Finally in some cases, it creates new demand.** For instance AON brought alternative capital to Fannie/Freddie reinsuring a small portion of default risk for mortgages. **Again, AON is not on the hook, but this is a new revenue stream for them.**

Extracting Value

- **Both companies have created new offerings (although AON is more vocal about it than MMC is) through their data sets and extracted value from insurers.**
- One example is AON's GRIP system. In this system, insurers pay AON for access to historical pricing information. For instance using the GRIP system an insurance company can drill down or drill up by type of business line, or geography (drill down to city blocks), etc., and see how successful placements

compare to the insurer's pricing/contract terms, etc. In most cases price dictates the winning bid but not always. Insurers value the non-price winning bids more as these are more profitable. MMC has a similar product but they do not trumpet this as AON does.

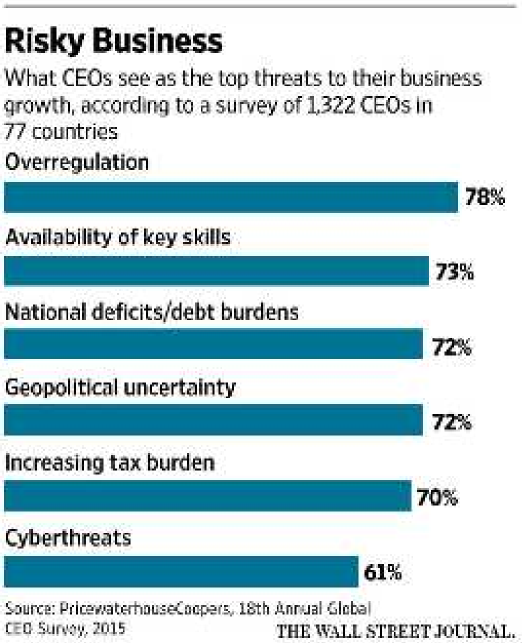
- Another example from AON is the new AON Client Treaty system for Lloyds' players. Here through the system smaller Lloyds' players get a 20% piece of a syndicate (where risk is shared amongst several players) without having to do any underwriting – they piggy back on AON's historical data on the underlying nature of the risks. The small underwriters pay a higher commission to AON in exchange for bypassing the underwriting expense. AON's client also benefits because normally the last 20% of specialized risks are hard to fill and some insurers will game it, waiting for prices to rise before they bid. So Aon clients get their policy faster and less gaming means lower prices.
- So in both examples, AON has squeezed out more value from the insurers while at the same time benefitting their clients.

3. CONSULTING

Long Term Drivers

- Globalization and regulatory changes related to compensation and retirement benefits has increased complexity which in turn has increased the skills requirements for employees.
- The need to attract skilled employees while at the same time balancing out the costs has become increasingly critical for organizations. In general corporates are faced with balancing local needs with global consistency.
- Like insurance brokerage, penetration is low in emerging markets.
- Both companies are involved in health care exchanges which have a lot of potential but are barely profitable for AON, and MMC is still losing money.

Exhibit 3.1



Head to Head: Edge to MMC

- In terms of mix, AON provides more administrative services while Mercer is more consulting services.
- Market share data is hard to come by, but it looks like that AON is # 1 in benefits administration, HR BPO outsourcing, and in Health Care Exchanges.
- MMC does not disclose Mercer market share data, but given that its revenue is equivalent to AON, and does not do any outsourcing, it is likely bigger in the "consulting" side of these businesses.
- MMC has been able to deliver better organic growth for the last little while. Within Mercer, the biggest drivers have been investment consulting, and health consulting. A driver of investment consulting has been all of the regulatory changes with regards to pensions. Many corporations have been transitioning away from defined benefits due to earnings volatility and the distractions away from the core business that pension plans cause. This has been a boon for investment consultants.
- Both companies admit to investment consulting have higher growth and higher margins (although neither quantifies the metrics). MMC is the largest player in this with over $T7.0 AUA.[1]
- On the margin side, AON has higher adjusted margins but MMC has higher reported margins. AON excludes amortization which is still being impacted by the large acquisition of Hewitt in 2H10.

[1] Source: MMC Investor Day Transcript March 2014; AUA = Assets under Advisement.

- We also know that AON has the outsourcing business which includes benefit administration and BPO which was part of Hewitt. When Hewitt closed, the benefits administration business had mid-twenties margins, while BPO was near 0% margins. Through cost cuts and revenue growth, AON has been able to improve the BPO margins but nowhere close to the levels that they promised.

Exhibit 3.2

Consulting Head to Head	**AON**	**MMC**
Aon Hewitt/Mercer		
2015 Revenues	$1,686	$4,313
% of Total Revenues	14%	33%
Last 5 year Revenue Growth (CAGR)	15.1%	3.2%
Last 5 year Organic Revenue Growth	3.2%	3.8%
Geography	Globally Diverse	Globally Diverse
Business Lines	Retirement (Actuarial Consulting) Compensation Consulting HR Consulting Investment Consulting	Employee Health Care Management Retirement Plans - Consulting Investments Consulting Benefits Administration Talent Consulting
Aon Hewitt HR Outsourcing		
2015 Revenues	$2,658	
% of Total Revenues	23%	
Last 5 year Revenue Growth (CAGR)	30.0%	
Last 5 year Organic Revenue Growth	3.6%	
Business Lines	Benefits Administration Exchanges HR BPO Outsourcing	
Oliver Wyman		
2015 Revenues		$1,751
% of Total Revenues		14%
Last 5 year Revenue Growth (CAGR)		5.2%
Last 5 year Organic Revenue Growth		6.2%
		#4 Mgmt Consultant
Business Lines		Services = Actuarial, Business Transformation, Corporate Finance & Restructuring, Digital
Industries		46% Financial Services, leader in aviation & retail
Total Consulting		
2015 Revenues	$4,344	$6,064
% of Total Revenues	37%	47%
Last 5 year Revenue Growth (CAGR)	22.8%	3.8%
Last 5 year Organic Revenue Growth	3.4%	4.4%
2015 EBIT (Adjusted)	$780	$1,041
% of Total EBIT	31%	39%
Last 5 year (adj) operating margins	17.2%	14.7%
Last 5 year operating margins	9.6%	14.5%

Exhibit 3.3

Organic Growth	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	10 Year Average	5 Year Average
AON												
Consulting	4.0%	5.0%	5.0%	-5.0%	1.0%	1.0%	4.0%	3.0%	5.0%	3.0%	2.6%	3.2%
Outsourcing	5.0%	-22.0%	-7.0%	-4.0%	-2.0%	0.0%	5.0%	3.0%	6.0%	4.0%	-1.2%	3.6%
Total	4.0%	-1.0%	3.0%	-5.0%	0.0%	1.0%	4.0%	3.0%	5.0%	4.0%	1.8%	3.4%
MMC												
Mercer	7.0%	7.0%	7.0%	-4.0%	2.0%	4.0%	4.0%	4.0%	3.0%	4.0%	3.8%	3.8%
Oliver Wyman	16.0%	18.0%	-2.0%	-15.0%	7.0%	7.0%	3.0%	-1.0%	15.0%	7.0%	5.5%	6.2%
Total	9.0%	10.0%	4.0%	-7.0%	3.0%	5.0%	4.0%	2.0%	6.0%	5.0%	4.1%	4.4%

Margins	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	10 Year Average	5 Year Average
Adjusted												
AON	5.9%	11.4%	15.2%	15.2%	15.3%	17.6%	16.6%	16.7%	17.1%	18.1%	14.9%	17.2%
MMC	11.7%	12.6%	11.5%	10.3%	11.3%	11.8%	13.3%	14.9%	16.5%	17.2%	13.1%	14.7%
Unadjusted												
AON	4.0%	10.1%	13.0%	13.7%	7.8%	8.9%	7.4%	7.8%	11.4%	12.5%	9.7%	9.6%
MMC	11.0%	12.4%	10.7%	8.8%	2.9%	11.2%	12.3%	14.8%	16.4%	17.7%	11.8%	14.5%

Exhibit 3.4

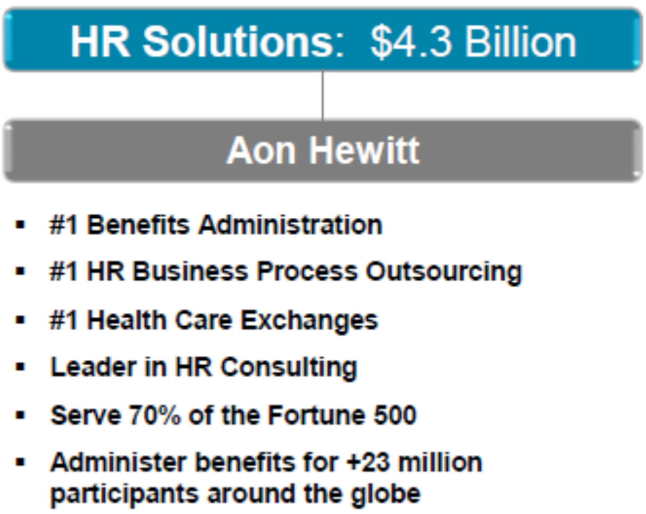
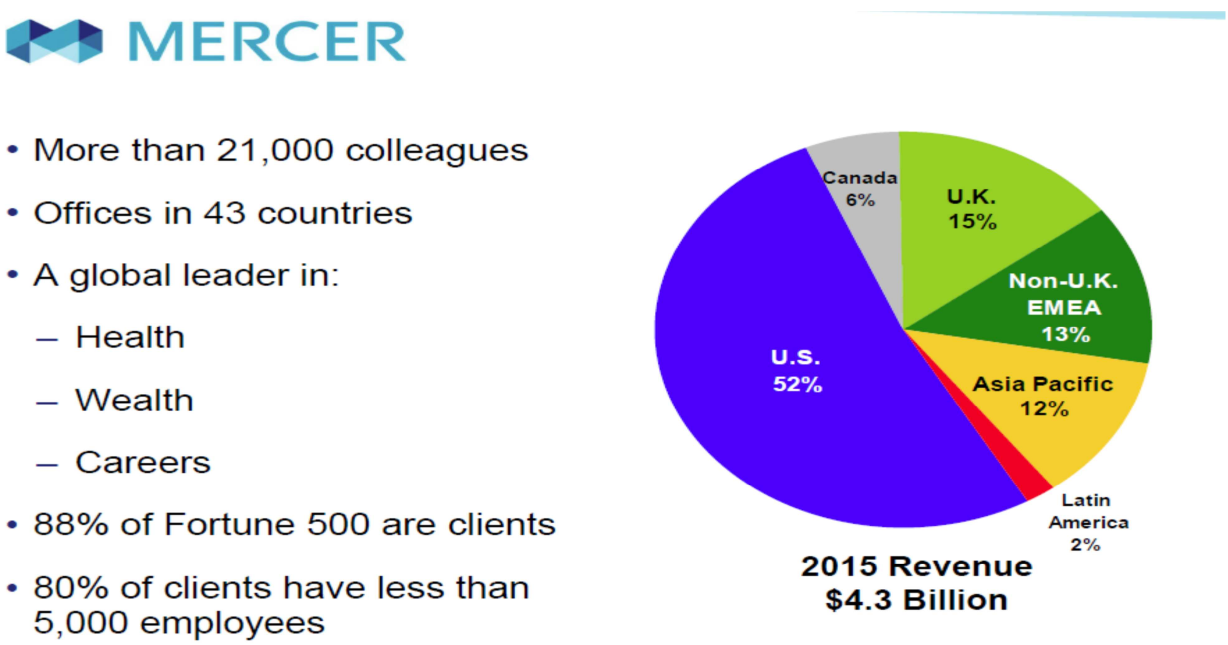


Exhibit 3.5



Competitive Advantages

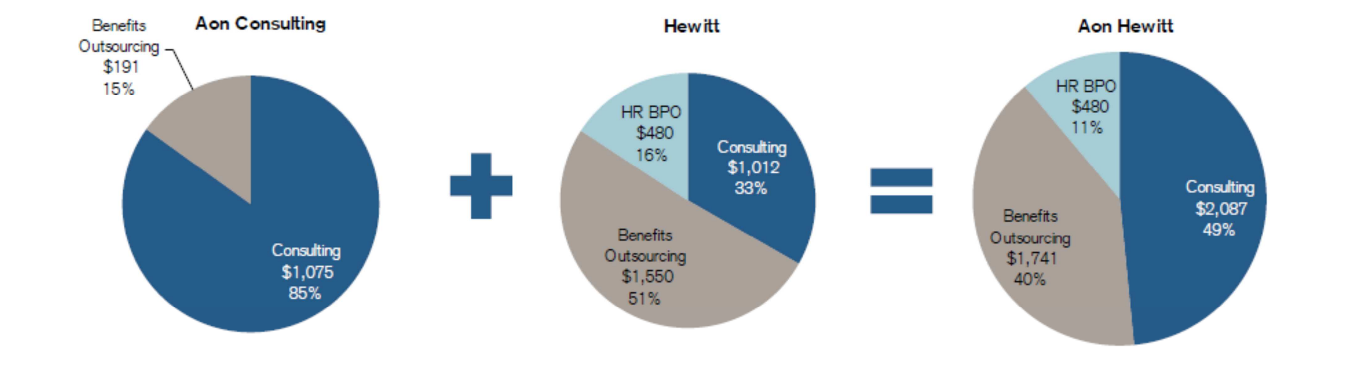
- **Similar to the insurance brokerage business, both offer geographic reach, and both have longevity which means they have longer relationships with clients, a reputation, and of course better datasets. Each variable is self-reinforcing.**
- Interestingly, neither company admits to real synergies across the businesses. While theoretically both businesses sell to client CFOs, the cultures of the two units are different.

AON- Hewitt Deal

- When AON purchased Hewitt, Hewitt's margins were ≈ 14%. Hewitt's benefits outsourcing business had 25% margins, and their HR consulting was about 14% margins. The weakness was in Business Process Outsourcing (BPO) which had near zero margins.
- Through Hewitt, AON became the #1 Business Process Outsourcing (BPO) player. Note that AON has combined the two businesses in its sub-segmenting.
- As part of AON's goal to get HR business to 22% margins, the BPO margins was to get towards mid-teens. As of now, it is at low single digit margins. But there does seem to be clear path towards even higher margins. AON has been able to take advantage of the migration towards SAAS (Cloud). SAAS is cheaper for clients and higher margins for AON. AON is now the largest distributor of Workday. Given new contracts are typically > 3 years, and many new contracts are still in their early stages, this bodes well for future margin expansion.
- Despite the BPO business, AON has still improved its adjusted margins post Hewitt, which in turn has allowed for increased eps and cash flow. **Ultimately, the purchase was positive for shareholders.**

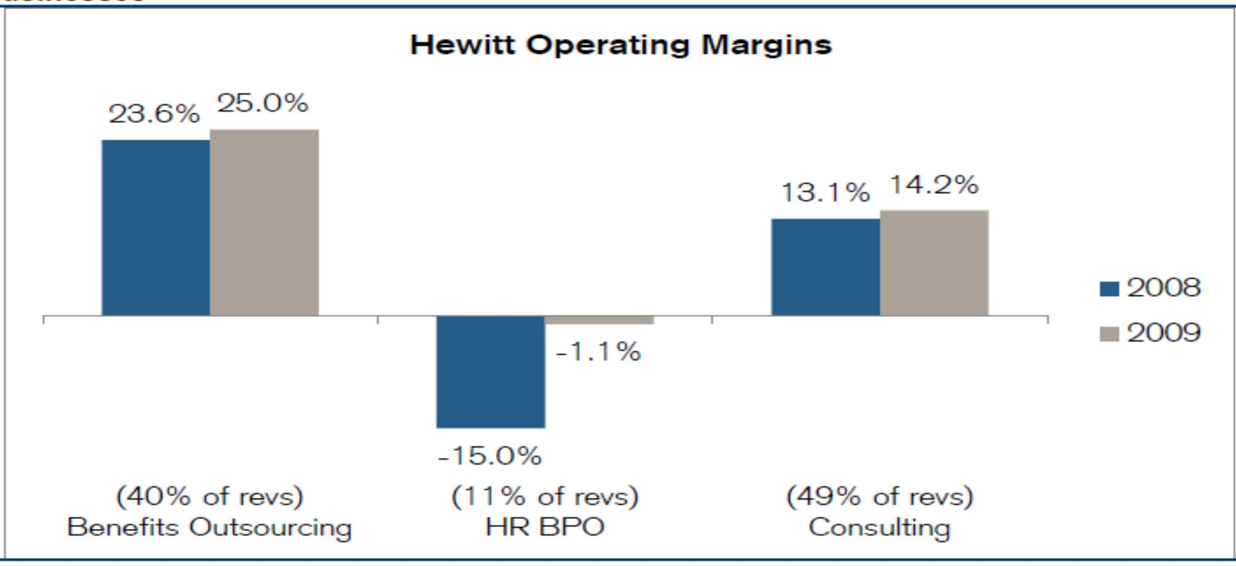
Exhibit 3.6

Exhibit 43: Hewitt Deal Grew Exposure to HR BPO and Consulting



Source: Company data, Credit Suisse estimates.

Exhibit 47: Hewitt's Mid-Teens Margins at AON Acquisition—A Product of These Businesses



Source: Company data, Credit Suisse estimates.

MMC- Oliver Wyman

- Oliver Wyman (OW) is the #4 management consultant in the world.
- While it is reasonably diversified, OW has expertise in financial services, airlines and transportation. OW tends to like industries that have regulation.
- In financial services, it punches above its weight where it is ranked #1[2]. No industry has seen more new regulation than financial services, and the work that it has received has elevated OW's status. OW has done a lot of work for European banks, including the stress tests for Spanish banks, and for the ECB.
- The regulatory environment for financial services has been very dynamic (Basel III, Solvency II) and while the pace of regulatory change may be slowing down, the players need to adapt their business models to the new regulatory dynamics as well as the new competitive dynamics (low growth and low rates), so there is plenty of business for OW.
- As a whole, management consulting should grow at nominal GDP + 2-3% given the complexity brought upon by globalization.

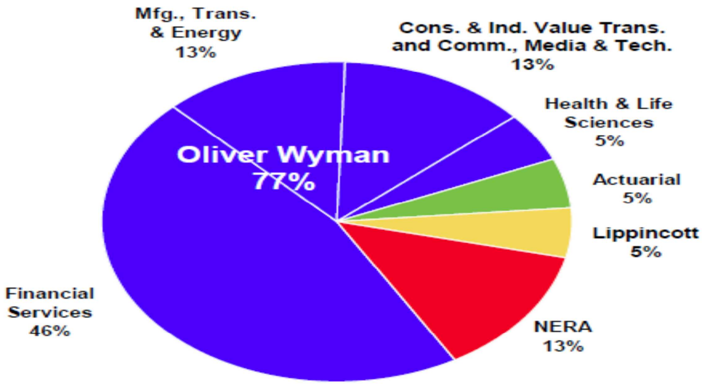
[2] Transcript from MMC Investor Day March 2014.

- OW has gained market share from smaller players and from Bain consulting. Also post the financial crisis, Monitor declared chapter 11 and was eventually purchased by Deloitte. Booz Allen was purchased by PWC and Parthenon Group was purchased by E&Y.
- OW has recently modified its partner compensation. Prior, a partner had 85% of his/her bonus tied to the business s/he brought in and 15% for OW in total. Now those ratios are 50/50, so this has likely helped the organic growth at OW.
- MMC does not disclose the margins at OW but they are less than consulting segment as a whole. However the offset is that OW has generated better organic growth than Mercer.

Exhibit 3.7

OLIVER WYMAN

- Ranked #4 among global strategy and management consultants
- More than 1,300 clients
- Over 4,000 colleagues in more than 50 offices in 26 countries
- Leading market positions in
  – Financial Services
  – Aviation
  – Retail
- Build of Health & Life Sciences, Energy, Insurance, and Cross-Industry Capabilities



2015 Revenue $1.8 Billion

Exhibit 3.8

- **Client demand for consulting will continue to grow driven by increasing complexity:**
  – **Internationalization**
  – **Increased regulation**
  – **Disruptive technologies and innovation**
  – **Growing importance of big data**
- **The leaders in consulting will take share**

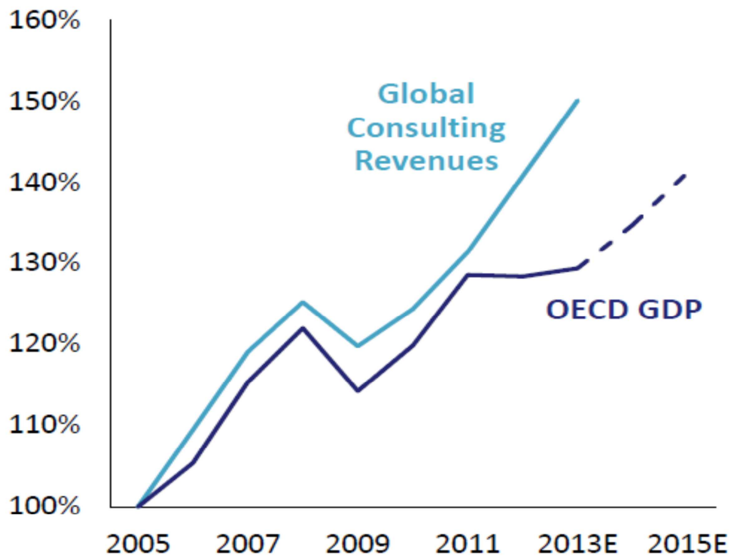


Exhibit 3.9

Oliver Wyman Makes MMC More Valuable	MMC Creates a Competitive Advantage for Oliver Wyman
• Intellectual capital/thought leadership for use across MMC	• In key industries (Energy, Health)
• Access to C-suite and deep understanding of key strategic and risk issues	• In key developing markets
• Approach to talent and talent cross-fertilization	• Financial stability and investment support

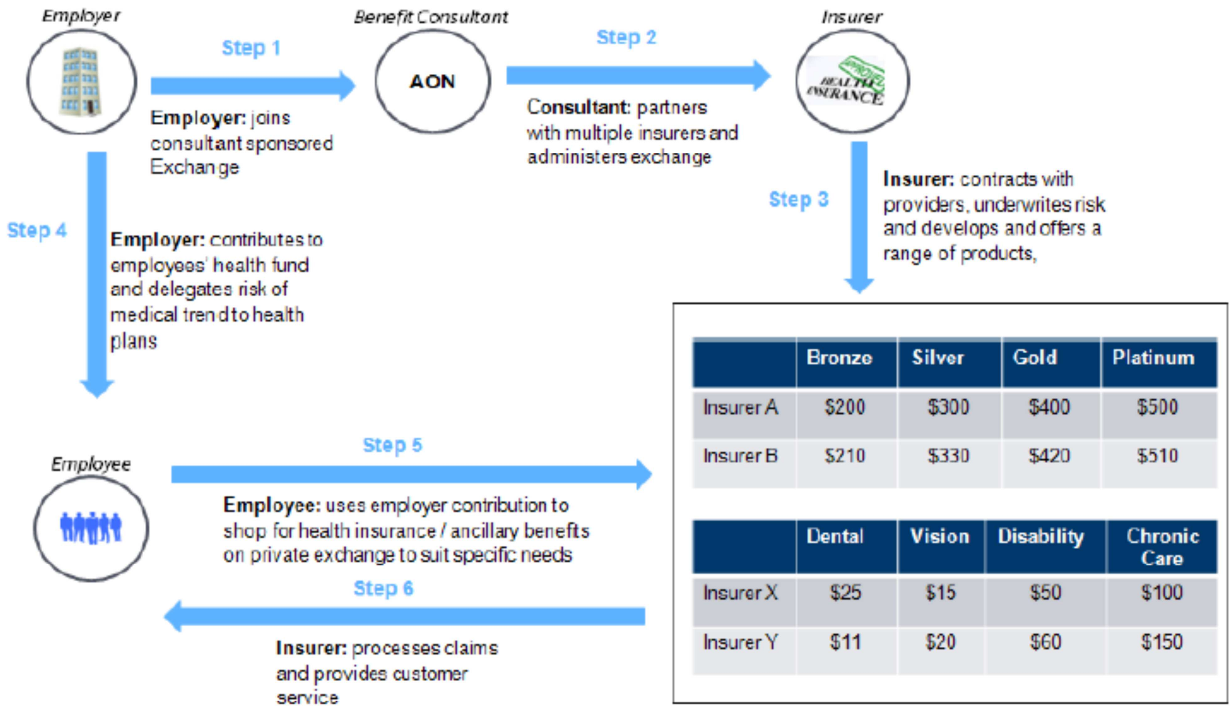
Exchange Opportunities

- Private Health Care Exchanges (PHCE) were one of the outcomes of the Affordable Care Act (ACA).
- The theory was that PHCE would address 2 issues for employer self-funded plans. 1) Health care costs are very volatile health care costs year to year; 2) the underlying medical cost inflation was much greater than general economic inflation.
- PHCE allow employees to take an employer funded insurance credit and independently purchase their services through one or more insurer that is attached to the exchange. The health service requirements are generally standardized, so each insurer competes on price and perhaps on the actual health service network that provides the ultimate health service.
- Generally there are 4 "metals" that correspond with different service levels and different price points.
- Over a period of time the employer has the option of increasing their employees credits by < medical cost inflation. Thus, the cost burden will shift more towards employees, particularly the ones who have real medical issues (whereas in the past this cohort was subsidized by healthier employees).
- The benefits brokers AON/MMC get paid a commission on the premium spent/member. The commission is not disclosed.

Exhibit 3.10

FIGURE 3

How a Private Exchange Works



	Bronze	Silver	Gold	Platinum
Insurer A	$200	$300	$400	$500
Insurer B	$210	$330	$420	$510

	Dental	Vision	Disability	Chronic Care
Insurer X	$25	$15	$50	$100
Insurer Y	$11	$20	$60	$150

Source: Barclays Research

- When introduced there was a lot of enthusiasm for PHCE in terms of enrollment. Accenture had estimated 40M enrollees by 2018 but the market is currently under-achieving these numbers.
- One of the reasons for the slow enrollment has been a push of the "Cadillac Tax" which was a 40%% tax on health plans deemed to be above "high cost limits". The Cadillac Tax was initially due in 2018 but it was pushed out to 2020 by which time the US will have a new president, so the implementation of this tax is not a certainty.
- Other reasons are that some companies are skeptical of the perceived benefits since they were under the impression that self-administered plans were cheaper, and also due to internal HR issues.
- In 2015 both AON & MMC were slightly profitable on these exchanges. While PHCE implementation has been slower than expected, the model has a lot of potential as it is subject to # members and spend/member which itself is subject to medical cost inflation. Once scaled there should be a lot of operating leverage.
- In terms of comparison, AON had a head start but MMC actually managed to surpass (slightly) AON's enrollment #s. It appears that smaller and middle market clients are more willing to make the switch vs. large corporates (which AON is more skewed to).

Exhibit 3.11

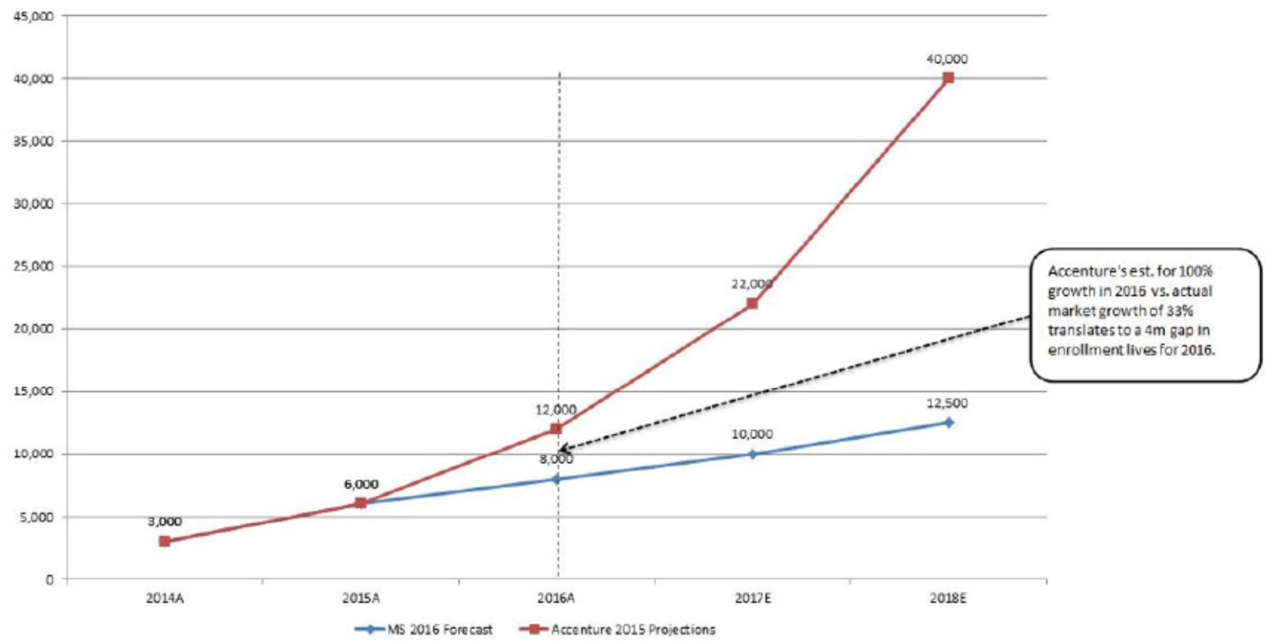
Exhibit 1: Private Exchange Enrollment Lives in Thousands

Private Exchange Enrollment Lives (in thousands)	2014A	2015A	2016A	2017E	2018E
AON	**700**	**1,200**	**1,400**		
growth y/y		*71%*	*17%*		
market share	*23%*	*20%*	*18%*		
Marsh & McLennan	**200**	**1,035**	**1,470**		
growth y/y		*418%*	*42%*		
market share	*7%*	*17%*	*18%*		
Willis Towers Watson	**150**	**800**	**1,200**		
growth y/y		*433%*	*50%*		
market share	*5%*	*13%*	*15%*		
Market	**3,000**	**6,000**	**8,000**	**10,000**	**12,500**
growth y/y		*100%*	*33%*	*25%*	*25%*

Cadillac tax now pushed out to 2020. As deadline approaches there is potential for incremental interest in exchange products

Exhibit 3.12

Exhibit 3: Updated MS 2016 Private Enrollment Forecasts vs. Latest (2015) Accenture Predictions



4.0 Taxes: *Advantage AON*

- AON re-domiciled to the UK in 2012. Accordingly it has a lower tax rate. It is worth re-emphasizing that AON re-domiciled and did not conduct an inversion. It received an approval letter from the IRS in 2013.
- It is not just the lower statutory rate of the UK 20% vs. the US at 35%. The UK runs a territorial tax system which means it only taxes UK income at the statutory rate and lets companies pay the local tax rates of the other jurisdictions that it operates in. This means that it is easier for AON to optimize its tax planning and take advantage of lower tax jurisdictions. The tax rate that AON pays is ≈ 18% and this is down from the last five year average of 27% prior to re-domiciling.
- However, the recently introduced tax policies regarding earnings stripping from the US Treasury will have an impact on AON, although not until 2023. Right now, AON stuffs a lot of (inter-company) debt into its US operations to the point that interest expense pushes US pre-tax profits into negative earnings. This is no different than many foreign corporations operating in the US.
- Under the new policy, importantly, the existing debt is grandfathered. Thus there shouldn't be any impact until 2023.
- Post 2023, the key is that AON will have to be viewed as investing in the US. Interest deductions will only be allowed to a threshold where total US debt levels = US EBIT.
- Unfortunately for MMC, they never re-domiciled. Now that so much attention has been paid to the issue of low taxes paid by US public corporations, the window is closed for MMC. While MMC has lowered their tax rate moderately, they are disadvantaged vs. AON.

5.0 Balance Sheet & Cash Flow

- Broadly speaking MMC and AON have taken slightly different approaches to the long term management of their businesses. AON has been more acquisitive, more aggressive in total capital distributions, and has an explicit FCF goal.
- Integration of acquisitions eats up management time and perhaps takes away from organic improvement (revenues and costs). Moreover, relatively less capex is aligned with higher FCF.
- On the other hand, more capex and less integration time suggests that MMC has been more focussed on organically growing the business and more focused on efficiency driving up margins.
- This is not to say that AON's model has not produced returns for its shareholders, quite the opposite in fact. It just seems that MMC is perhaps a little more balanced in managing both customers and shareholders, leaving it in a slightly better shape to produce better shareholder returns for the near future.

Capital Distributions & Debt

- Both companies have returned substantial capital back to shareholders in the form of dividends and share-buybacks. Post the Hewitt acquisition, AON has been particularly aggressive with share buy backs → the share reduction has been ≈ 4% over the last five years (Note they did issue ____ shares on top of the cash contribution to fund Hewitt in 2010).
- AON has spent twice as much as MMC on share repurchases. However, now they are above their target for leverage which is based on Moody's (assigned a lower credit rating) 3.5X Debt:EBITDA. On a GAAP basis Moody's ratios are converted to 2.5X and AON is at 2.7X.
- The last five years, MMC has been more conservative in its distributions. Generally it has been a little bit more balanced between share repurchases and dividends although it really picked up its share repurchase in 2015.
- AON has a specific free cash flow goal by 2017. "Perhaps" related to this goal, AON uses a higher % of stock compensation than MMC. By definition FCF includes the add-back of share compensation, while the cost of the eventual shares that are issued are excluded from the calculation. **If we were to equalize MMC to AON's level, MMC's FCF would be ≈ 15%+ higher.**

- Both companies have had to borrow money to fund these distributions but as MMC has been less aggressive on capital distributions it now has a better balance sheet.
- The Net Debt/EBITDA for AON/MMC is 2.2X/1.4X. The Net Debt/Equity for AON/MMC is 104%/61%. Including leases, the Net Debt/EBITDAR for AON/MMC is 2.7X/2.0X.
- While AON is relatively more levered, their balance sheet is still in reasonable shape given that its businesses are cash generative.
- AON has more efficiently used working capital. The last five years as a % of sales it has been ≈ 9% of sales after peaking ≈ 20% post Hewitt. MMC has been more conservative staying near the 20% mark and the majority of the WC has been cash. In 2015 however, MMC cuts its cash holding significantly and the WC dropped to ≈ 10%.

Acquisitions

- Both companies have made many tuck-in acquisitions. In the table below the difference between the five year and six year averages (as % of sales) is due the Hewitt acquisition in 2010. AON has about $4.5B of "gross" intangibles on its balance sheet, while MMC has about $1.5B. MMC has made 92 acquisitions in the period of 2009 – 2015.
- The relatively larger amortization is the single largest explanation for AON's larger gap between reported operating margins and adjusted operating margins.

Capex

- MMC has put more $ into capex than AON. On average it has put about 50bps (as % of sales) more. However the last two years AON has put more into capex while MMC has decreased its capex.
- The relatively higher level of capex may be one reason why MMC has been more successful in generating better organic growth and better reported margins (although there are specific business mix reasons as well).

Exhibit 5.1

	AON Averages		MMC Averages	
	5 Yrs	**6 Yrs**	**5 Yrs**	**6 Yrs**
FCF	1,287	1,173	1,336	1,189
FCF% Net Income	81.7%	77.9%	101.4%	92.9%
FCF (Incl Net Acq)	1,124	696	916	957
FCF% Net Income	71.4%	36.0%	71.7%	81.4%
Stock Comp% Net Income	18.0%	18.6%	3.4%	3.2%
Amortization% Net Income	24.1%	22.6%	6.0%	6.3%
Capex% Sales	2.2%	2.2%	2.7%	2.7%
WC% Sales	9.3%	10.8%	17.0%	17.6%
Non Cash WC% Sales	6.2%	7.6%	0.6%	0.9%
Acquisitions% Sales	1.4%	5.2%	3.5%	3.7%
Net Acquisitions% Sales	0.9%	4.8%	3.3%	1.7%
Dividends	242	231	545	529
$Gross Share Buybacks	1,371	1,184	668	571
Net Share Reduction	4.1%	-0.4%	0.3%	-0.4%
FCF - Capital Returns	(490)	(720)	(297)	(144)

6.0 Earnings Expectations

AON

- AON does not give official guidance but each segment for 2016 should deliver higher revenue and margin expansion towards its longer term operating goals of 26% for Risk and 22% for HR.

Risk Services

- On the revenue side, FX is expected to improve for the remainder of F16 and in F17. (Note ½ of Q16 FX impact was from Venezuelan operations). Organic revenue remains steady for retail brokerage but improves for reinsurance. Acquisitions in most years are positive so the assumption that they will have a very modest positive impact on revenue growth.
- For expenses, I have a very moderate improvement in Compensation expense, and a moderate improvement in Other expense which is a continuation of trend for the last few years.

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	1Q15	1Q16
Assumptions Risk Services														
Revenue Growth														
Retail Brokerage Revenue	4,849	5,324	5,556	5,277	5,491	6,022	6,089	6,256	6,334	6,044	6,135	6,257	1,513	1,495
Organic	2.1%	3.7%	1.7%	-1.0%	1.0%	3.0%	3.0%	4.0%	3.0%	4.0%			4.0%	4.0%
FX	1.0%	1.0%	0.0%	-2.0%	2.0%	1.0%	-1.0%	-1.0%	-2.0%	-4.0%			-3.0%	-4.0%
Acquisitions/Divestitures, other	0.0%	0.0%	0.0%	1.0%	2.1%	3.7%	1.1%	-0.3%	0.2%	-0.6%			1.0%	0.0%
Yr/Yr. growth	*6.9%*	*9.8%*	*4.4%*	*-5.0%*	*4.1%*	*9.7%*	*1.1%*	*2.7%*	*1.2%*	*-4.6%*	*1.5%*	*2.0%*	*-4.2%*	*-1.2%*
Reinsurance Revenue	865	900	1,001	1,485	1,444	1,463	1,505	1,505	1,474	1,361	1,375	1,402	377	372
Organic	3.0%	2.0%	1.0%	0.0%	-3.0%	0.0%	5.0%	2.0%	-1.0%	-1.0%			-1.0%	1.0%
FX	-1.0%	2.0%	3.0%	-4.0%	1.0%	2.0%	-2.0%	-1.0%	-1.0%	-6.0%			-6.0%	-2.0%
Acquisitions/Divestitures, other	7.0%	0.0%	7.0%	52.0%	-1.0%	-1.0%	0.0%	-1.0%	0.0%	-1.0%			-1.0%	0.0%
Yr/Yr. growth	*9.0%*	*4.0%*	*11.0%*	*48.0%*	*-3.0%*	*1.3%*	*2.9%*	*0.0%*	*-2.1%*	*-7.7%*	*1.0%*	*2.0%*	*-7.8%*	*-1.3%*
Compensation and benefits	3,521	3,704	3,969	4,038	3,939	4,179	4,260	4,385	4,396	4,180	4,205	4,266	1,053	1,044
Comp% Service Revenue	*61.6%*	*59.5%*	*60.5%*	*59.7%*	*56.8%*	*55.8%*	*56.1%*	*56.5%*	*56.3%*	*56.4%*	*56.0%*	*55.7%*	*55.7%*	*55.9%*
Other general expenses	1,528	1,666	1,850	1,764	1,722	1,945	1,879	1,864	1,790	1,740	1,577	1,532	430	399
Other Exp% Service Revenue	*26.7%*	*26.8%*	*28.2%*	*26.1%*	*24.8%*	*26.0%*	*24.7%*	*24.0%*	*22.9%*	*23.5%*	*21.0%*	*20.0%*	*22.8%*	*21.4%*

HR Services

- On the revenue side, FX is expected to improve for the remainder of F16 and in F17. Organic revenue remains steady for consulting but improves for outsourcing (Q115 had a tough comparable due to a very large client adding significant retirees to AON's exchange. Q114 and Q113 had similar 1% organic growth rates. Their BPO business has a strong pipeline). Also on M&A, there was the sale of a recruitment outsourcing business in Q1 but also another sale in Q415. These specific comparables should get easier in F17.
- For expenses, I have moderate improvement in Compensation and Other expense. Q116 had a $20M charge related to the referenced sale above. This charge was "unadjusted" and had a 220bps impact on margins.

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	1Q15	1Q16
Assumptions HR Services														
Revenue Growth														
Consulting services Revenues	609	636	624	559	836	1,546	1,585	1,626	1,700	1,686	1,737	1,789	371	374
Organic	4.0%	5.0%	5.0%	-5.0%	1.0%	1.0%	4.0%	3.0%	5.0%	3.0%			2.0%	3.0%
FX	1.0%	4.0%	0.0%	-5.0%	1.0%	2.0%	-1.0%	-1.0%	0.0%	-5.0%			-6.0%	-3.0%
Acquisitions/Divestitures, other	-4.0%	4.0%	-2.0%	-0.4%	47.6%	81.9%	-0.5%	0.6%	-0.4%	1.2%			1.0%	1.0%
Yr/Yr. growth	*1.0%*	*13.0%*	*3.0%*	*-10.4%*	*49.6%*	*84.9%*	*2.5%*	*2.6%*	*4.6%*	*-0.8%*	*3.0%*	*3.0%*	*-3.4%*	*0.8%*
Outsourcing Revenues	282	223	201	177	716	2,258	2,372	2,469	2,607	2,658	2,658	2,711	604	560
Organic	5.0%	-22.0%	-7.0%	-4.0%	-2.0%	0.0%	5.0%	3.0%	6.0%	4.0%			4.0%	1.0%
FX	1.0%	3.0%	-2.0%	-7.0%	2.0%	0.0%	-1.0%	0.0%	0.0%	-1.0%			-1.0%	-1.0%
Acquisitions/Divestitures, other	1.0%	-1.0%	0.0%	-0.9%	304.5%	215.4%	1.0%	1.1%	-0.4%	-1.0%			0.0%	-7.0%
Yr/Yr. growth	*7.0%*	*-20.0%*	*-9.0%*	*-11.9%*	*304.5%*	*215.4%*	*5.0%*	*4.1%*	*5.6%*	*2.0%*	*0.0%*	*2.0%*	*2.5%*	*-7.3%*
Compensation and benefits	610	576	553	493	1,041	2,286	2,360	2,455	2,518	2,547	2,551	2,586	609	579
Comp% Service Revenue	*68.5%*	*67.1%*	*67.0%*	*67.0%*	*67.4%*	*60.5%*	*60.1%*	*60.5%*	*59.1%*	*59.2%*	*58.6%*	*58.0%*	*62.8%*	*62.3%*
Other general expenses	247	194	167	143	383	1,159	1,276	1,284	1,261	1,220	1,219	1,226	285	284
Other Exp% Service Revenue	*27.7%*	*22.6%*	*20.2%*	*19.4%*	*24.8%*	*30.7%*	*32.5%*	*31.6%*	*29.6%*	*28.4%*	*28.0%*	*27.5%*	*29.4%*	*30.5%*

EPS Calculation

- The model generates eps of $6.41 and $7.10. This compares to $6.55 and $7.31 for Consensus. FGP estimates are slightly light on revenues but more importantly assumes less share buy backs, given the historically higher leverage that AON now has.
- An eps sensitivity table is attached.

EPS Sensitivity Table	**F16**	**F17**
Risk Solutions		
1% Revenue Growth Retail	$ 0.04	$ 0.05
1% Revenue Growth Reinsurance	$ 0.01	$ 0.01
1% Expense% Revenue	$ 0.21	$ 0.34
HR Solutions		
1% Revenue Growth Consulting	$ 0.01	$ 0.01
1% Revenue Growth Outsourcing	$ 0.01	$ 0.01
1% Expense% Revenue	$ 0.13	$ 0.14

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	1Q15	1Q16
Risk Solutions														
Revenue														
Retail Brokerage	4,849	5,324	5,556	5,277	5,491	6,022	6,089	6,256	6,334	6,044	6,135	6,257	1,513	1,495
Reinsurance	865	900	1,001	1,485	1,444	1,463	1,505	1,505	1,474	1,361	1,375	1,402	377	372
	5,714	6,224	6,557	6,762	6,935	7,485	7,594	7,761	7,808	7,405	7,509	7,659	1,890	1,867
Fiduciary Income	141	179	171	73	54	52	38	28	26	21	21	22	5	5
Total Revenue	5,855	6,403	6,728	6,835	6,989	7,537	7,632	7,789	7,834	7,426	7,530	7,681	1,895	1,872
Compensation and benefits	3,521	3,704	3,969	4,038	3,939	4,179	4,260	4,385	4,396	4,180	4,205	4,266	1,053	1,044
Other general expenses	1,528	1,666	1,850	1,764	1,722	1,945	1,879	1,864	1,790	1,740	1,577	1,532	430	399
	5,049	5,370	5,819	5,802	5,661	6,124	6,139	6,249	6,186	5,920	5,782	5,798	1,483	1,443
Restructuring charges	139	75	239	381	115	65	35	94	-	-	-	-	-	-
Other one time charges	(15)	21	50	(32)	9	18	-	-	35	137	-	-	-	-
Intangible Asset Amortization	38	38	63	93	114	129	126	114	109	109	103	97	28	24
	162	134	352	442	238	212	161	208	144	246	103	97	28	24
Adjusted Expenses	4,887	5,236	5,467	5,360	5,423	5,912	5,978	6,041	6,042	5,674	5,679	5,701	1,455	1,419
Operating Income	**968**	**1,167**	**1,261**	**1,475**	**1,566**	**1,625**	**1,654**	**1,748**	**1,792**	**1,752**	**1,851**	**1,980**	**440**	**453**
HR Solutions														
Revenue														
Consulting services	609	636	624	559	836	1,546	1,585	1,626	1,700	1,686	1,737	1,789	371	374
Outsourcing	282	223	201	177	716	2,258	2,372	2,469	2,607	2,658	2,658	2,711	604	560
Intrasegment	-	-	-	-	(8)	(23)	(32)	(38)	(43)	(41)	(41)	(41)	(5)	(4)
	891	859	825	736	1,544	3,781	3,925	4,057	4,264	4,303	4,354	4,459	970	930
Fiduciary investment income	1	1	-	1	1	-	-	-	-	-	-	-	-	-
Total Revenue	892	860	825	737	1,545	3,781	3,925	4,057	4,264	4,303	4,354	4,459	970	930
Compensation and benefits	610	576	553	493	1,041	2,286	2,360	2,455	2,518	2,547	2,551	2,586	609	579
Other general expenses	247	194	167	143	383	1,159	1,276	1,284	1,261	1,220	1,219	1,226	285	284
	857	770	720	636	1,424	3,445	3,636	3,739	3,779	3,767	3,770	3,812	894	863
Restructuring costs	17	10	15	31	57	48	66	80	-	-			-	-
Other one time charges	-	-	1	(20)	19	47	-	-	-	39			-	-
Intangible Asset Amortization	-	1	2	-	40	233	297	280	243	205	175	145	52	43
	17	11	18	11	116	328	363	360	243	244	175	145	52	43
Adjusted Expenses	840	759	702	625	1,308	3,117	3,273	3,379	3,536	3,523	3,595	3,667	842	820
Operating Income	**52**	**101**	**123**	**112**	**237**	**664**	**652**	**678**	**728**	**780**	**758**	**792**	**128**	**110**
Unallocated														
Revenue:	(59)	(29)	(25)	(26)	(22)	(31)	(43)	(31)	(53)	(47)	(46)	(48)	(18)	(10)
Adjusted Expenses	21	106	50	106	253	125	167	162	114	147	147	147	29	36
Operating Income	**(80)**	**(135)**	**(75)**	**(132)**	**(275)**	**(156)**	**(210)**	**(193)**	**(167)**	**(194)**	**(193)**	**(195)**	**(47)**	**(46)**
TOTAL ADJUSTED EBIT	**940**	**1,133**	**1,309**	**1,455**	**1,528**	**2,133**	**2,096**	**2,233**	**2,353**	**2,338**	**2,417**	**2,577**	**521**	**517**
Interest income	69	100	64	16	15	18	10	9	10	14	11	12	3	2
Interest expense	(129)	(138)	(126)	(122)	(182)	(245)	(228)	(210)	(255)	(273)	(275)	(275)	(65)	(69)
Other income	(13)	22	46	8	(18)	34	5	68	44	100	40	40	42	18
Pre-tax Income Cont. operations	867	1,147	1,295	1,398	1,483	1,946	1,931	2,112	2,152	2,179	2,193	2,354	501	468
Income tax	283	361	358	380	433	531	504	536	407	389	406	435	96	86
Income from continuing operations	584	786	937	1,018	1,050	1,415	1,427	1,576	1,745	1,790	1,787	1,918	405	382
Noncontrolling interests	10	13	16	45	26	31	27	35	34	37	37	37	13	12
Adjusted net income (AON)	574	773	921	973	1,024	1,384	1,400	1,541	1,711	1,753	1,750	1,881	392	370
Adjusted EPS	**$ 1.66**	**$ 2.36**	**$ 3.02**	**$ 3.34**	**$ 3.44**	**$ 4.06**	**$ 4.21**	**$ 4.89**	**$ 5.71**	**$ 6.17**	**6.41**	**7.10**	**$ 1.37**	**$ 1.35**
Weighted average common shares- D	345.8	326.9	304.5	291.1	298.1	340.9	332.6	315.4	299.6	284.2	273.0	265.0	287.1	273.7
EPS	$ 2.07	$ 2.64	$ 4.80	$ 2.57	$ 2.37	$ 2.87	$ 2.99	$ 3.53	$ 4.66	$ 4.87	5.89	6.65	$ 1.14	$ 1.15
Tax Rate	32.6%	31.5%	27.6%	27.2%	29.2%	27.3%	26.1%	25.4%	18.9%	17.9%	*18.5%*	*18.5%*	19.2%	18.4%

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
BALANCE SHEET										
Assets	133.8	144.7	150.6	151.9	170.2	225.7	230.3	236.3	240.9	233.6
Cash and equivalents	281.0	584.0	582.0	217.0	346.0	272.0	291.0	477.0	374.0	384.0
Short-term investments	1,324.0	1,120.0	684.0	422.0	785.0	785.0	346.0	523.0	394.0	356.0
Receivables, net	1,893.0	1,993.0	1,990.0	2,052.0	2,701.0	3,183.0	3,101.0	2,896.0	2,815.0	2,734.0
Fiduciary assets		9,498.0	10,678.0	10,835.0	10,063.0	10,838.0	12,214.0	11,871.0	11,638.0	9,932.0
Other current assets		4,873.0	592.0	463.0	624.0	427.0	430.0	563.0	602.0	562.0
Total currrent assets		18,068.0	14,526.0	13,989.0	14,519.0	15,505.0	16,382.0	16,330.0	15,823.0	13,968.0
Goodwill	4,501.0	4,915.0	5,637.0	6,078.0	8,647.0	8,770.0	8,943.0	8,997.0	8,860.0	8,448.0
Intangible assets, net	145.0	204.0	779.0	791.0	3,611.0	3,276.0	2,975.0	2,578.0	2,520.0	2,180.0
Fixed assets, net	454.0	497.0	451.0	461.0	781.0	783.0	820.0	791.0	765.0	765.0
Investments	401.0	332.0	332.0	319.0	312.0	239.0	165.0	132.0	-	-
Other non-current assets	1,056.0	913.0	1,215.0	1,320.0	1,112.0	979.0	1,201.0	1,423.0	1,804.0	1,766.0
Total Assets	24,384.0	24,929.0	22,940.0	22,958.0	28,982.0	29,552.0	30,486.0	30,251.0	29,772.0	27,127.0
Liabilities										
Fiduciary Liabilities	9,704.0	9,498.0	10,678.0	10,835.0	10,063.0	10,838.0	12,214.0	11,871.0	11,638.0	9,932.0
ST debt and current portion LT debt	42.0	252.0	105.0	10.0	492.0	337.0	452.0	703.0	783.0	562.0
Accounts payable and accrued liabilities	1,470.0	1,413.0	1,560.0	1,535.0	1,810.0	1,832.0	1,853.0	1,931.0	1,805.0	1,772.0
Other current liabilities	3,266.0	3,414.0	460.0	260.0	584.0	753.0	831.0	906.0	788.0	820.0
Total current liabilities	14,482.0	14,577.0	12,803.0	12,640.0	12,949.0	13,760.0	15,350.0	15,411.0	15,014.0	13,086.0
										-
Long term debt	2,243.0	1,893.0	1,872.0	1,998.0	4,014.0	4,155.0	3,713.0	3,686.0	4,799.0	5,138.0
Pension and other	1,441.0	1,251.0	1,694.0	1,889.0	1,896.0	2,192.0	2,276.0	1,607.0	2,141.0	1,971.0
Other non-current liabilities	1,000.0	947.0	1,156.0	1,000.0	1,817.0	1,325.0	1,342.0	1,352.0	1,187.0	769.0
Total Liabilities	19,166.0	18,668.0	17,525.0	17,527.0	20,676.0	21,432.0	22,681.0	22,056.0	23,141.0	20,964.0
Equity										
Common Stock	347.0	361.0	362.0	363.0	386.0	386.0	3.0	3.0	3.0	3.0
Additional Paid-In Capital	2,583.0	3,064.0	3,220.0	3,215.0	4,000.0	4,021.0	4,436.0	4,785.0	5,097.0	5,409.0
Retained Earnings	4,992.0	5,607.0	6,816.0	7,335.0	7,861.0	8,594.0	5,933.0	5,731.0	4,605.0	4,117.0
Treasury Stock at Cost	(1,694.0)	(2,085.0)	(3,626.0)	(3,859.0)	(2,079.0)	(2,370.0)	-	-	-	-
Accumulated Other Comprehensive Loss	(1,010.0)	(726.0)	(1,462.0)	(1,675.0)	(1,917.0)	(2,553.0)	(2,610.0)	(2,374.0)	(3,134.0)	(3,423.0)
Total AON Stockholder Equity	5,218.0	6,221.0	5,310.0	5,379.0	8,251.0	8,078.0	7,762.0	8,145.0	6,571.0	6,106.0
Noncontrolling interests	-	40.0	105.0	52.0	55.0	42.0	43.0	50.0	60.0	57.0
Total Equity	5,218.0	6,261.0	5,415.0	5,431.0	8,306.0	8,120.0	7,805.0	8,195.0	6,631.0	6,163.0
Total Liabilities and Equity	24,384.0	24,929.0	22,940.0	22,958.0	28,982.0	29,552.0	30,486.0	30,251.0	29,772.0	27,127.0

	_fy06	_fy07	_fy08	_fy09	_fy10	_fy11	_fy12	_fy13	_fy14	_fy15
CASH FLOW										
							39.3%	15.1%	0.6%	22.4%
Net Income	720	877	1,478	792	732	1,010	1,020	1,148	1,431	1,422
Loss (Gain) from sales of businesses, net	(46)	(30)	(1,208)	(91)	43	(6)	-	(65)	(44)	(81)
Depreciation	201	163	157	149	151	220	232	240	242	229
Amortization	43	42	65	93	154	362	423	395	352	314
Stock compensation expense	153	204	248	209	221	235	212	300	328	340
Deferred income taxes	-	110	(139)	138	76	146	(95)	(14)	(135)	(256)
Short Term investments - held on behalf of clients	(150)	50		90	(19)	(713)	239	156	(403)	350
Fiduciary receivables				358	816	(14)	(1,402)	(4)	(19)	599
Fiduciarty payables			525	(448)	(797)	727	1,163	(152)	422	(949)
Receivables, net	(289)	53	(151)	(63)	(69)	(494)	106	141	(25)	(83)
AP and accrued liabilities	169	(116)	(11)	(54)	(280)	-	(37)	48	(81)	87
Restructuring reserves	14	(47)	62	67	(64)	(73)	(46)	15	(83)	(31)
Current income taxes	(173)	131	55	(105)	-	120	185	(116)	42	148
Pension and other post employment liabilities	55	(107)	(105)	(404)	(130)	(399)	(585)	(502)	(340)	(230)
Other assets and liabilities	167	(67)	(8)	(231)	(51)	(103)	4	43	(45)	150
Cash from Operating Activities	968	1,263	968	500	783	1,018	1,419	1,633	1,642	2,009
	(262)	*114*	*333*	*(248)*	*(388)*	*(404)*	*117*	*117*	*(327)*	*15*
Sales of long-term investments	1,907	1,030	254	73	90	190	178	93	52	220
Purchase of long-term investments	(2,019)	(1,011)	(338)	(158)	(34)	(30)	(12)	(15)	(20)	(266)
Net (purchases) sales of short-term investments - nc	-	(64)	392	259	(337)	(8)	440	(174)	110	9
Net sales (purchases) of short-term investments- fur	(470)	(50)				-	-	-	-	-
Acquisition of businesses, net of cash acquired	(138)	(251)	(1,096)	(274)	(2,048)	(106)	(162)	(54)	(479)	(16)
Proceeds from sale of businesses	682	53	2,820	11	(30)	9	2	40	48	205
Capital Expenditures	(152)	(170)	(103)	(140)	(180)	(241)	(269)	(229)	(256)	(290)
Cash from Investing	(190)	(463)	1,929	(229)	(2,539)	(186)	177	(339)	(545)	(138)
only net of treasury stock reported in cash flow <---|										
Repurchase of treasury stock	(1,048)	(751)	(1,924)	(590)	(250)	(828)	(1,125)	(1,102)	(2,250)	(1,550)
Issuance of stock for employee benefit plans	50	28	246	163	194	201	118	98	65	(30)
Issuance of debt	601	806	477	1,093	2,905	1,673	733	4,906	5,239	5,351
Repayment of debt	(460)	(714)	(863)	(1,118)	(816)	(1,688)	(1,077)	(4,679)	(3,918)	(5,098)
Cash dividends to stockholders	(189)	(176)	(171)	(165)	(175)	(200)	(204)	(212)	(273)	(323)
Purchase of shares from non-controlling interests				(3)	(15)	(24)	(4)	(8)	3	(17)
Deposit with Trustee										
Dividends paid to non controlling interests			(9)	(32)	(20)	(30)	(27)	(19)	(24)	(22)
Cash from Financing	(964)	(553)	(2,244)	(652)	1,823	(896)	(1,586)	(1,016)	(1,133)	(1,689)

Calculated Free Cash Flow										
										24%
Cash from Ops	968.0	1,263.0	968.0	500.0	783.0	1,018.4	1,419.0	1,633.0	1,642.0	2,009.0
CAPEX	(152.0)	(170.0)	(103.0)	(140.0)	(180.0)	(241.0)	(269.0)	(229.0)	(256.0)	(290.0)

MMC

- MMC had communicated for 2016 3-5% organic growth, meaningful margin expansion in both segments and eps approaching its +13% long term goal.

Risk Services

- On the revenue side, FX is expected to improve for the remainder of F16 and in F17. Organic revenue remains steady for both Marsh and Guy Carpenter but improves for reinsurance. Acquisitions in most years are positive so the assumption that they will have a modest positive impact on revenue growth for Marsh.
- For expenses, I have a continuation of improving Compensation Expense (Q115 had a favourable 1T US pension expense credit of $125M mostly attributable to Risk Segment. The remainder of 2016 should see $45M savings in pension). I have modelled an improvement for Other given the Q116 results.

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Q115	Q116
Assumptions Risk Services														
Revenue Growth														
Marsh	4,390	4,369	4,524	4,319	4,537	4,991	5,232	5,438	5,753	5,727	5,985	6,194	1,430	1,488
Organic Growth	-2.0%	-1.0%	2.0%	-1.0%	2.0%	4.0%	5.0%	3.0%	4.0%	3.0%			3.0%	2.0%
FX	0.0%	4.0%	1.0%	-4.0%	1.0%	2.0%	-2.0%	-1.0%	-1.0%	-7.0%			-7.0%	-4.0%
M&A	-2.0%	0.0%	0.0%	0.0%	6.0%	4.0%	2.0%	2.0%	3.0%	3.0%			3.0%	6.0%
Yr/Yr. Growth	*-4.0%*	*3.0%*	*4.0%*	*-5.0%*	*10.0%*	*10.0%*	*5.0%*	*4.0%*	*6.0%*	*0.0%*	*4.5%*	*3.5%*	*-2.0%*	*4.0%*
Guy Carpenter	880	854	803	911	975	1,041	1,079	1,131	1,154	1,121	1,143	1,166	368	374
Organic Growth	5.0%	1.0%	-7.0%	8.0%	2.0%	5.0%	6.0%	5.0%	2.0%	2.0%			2.0%	3.0%
FX	0.0%	1.0%	1.0%	-4.0%	1.0%	1.0%	-1.0%	-1.0%	0.0%	-4.0%			-4.0%	-1.0%
M&A	0.0%	0.0%	0.0%	9.0%	4.0%	1.0%	-1.0%	1.0%	1.0%	-1.0%			-2.0%	0.0%
Yr/Yr. Growth	*5.0%*	*2.0%*	*-6.0%*	*13.0%*	*7.0%*	*7.0%*	*4.0%*	*5.0%*	*2.0%*	*-3.0%*	*2.0%*	*2.0%*	*-4.0%*	*2.0%*
Compensation and Benefits	3,207	3,318	3,299	3,023	3,129	3,348	3,476	3,618	3,774	3,629	3,749	3,834	862	921
as % of revenue	*60.9%*	*63.5%*	*61.9%*	*57.8%*	*56.8%*	*55.5%*	*55.1%*	*55.1%*	*54.6%*	*53.0%*	*52.6%*	*52.1%*	*47.9%*	*49.5%*
Other Expenses	1,579	1,740	1,707	1,465	1,471	1,531	1,540	1,557	1,648	1,701	1,735	1,769	408	412
as % of revenue	*30.0%*	*33.3%*	*32.0%*	*28.0%*	*26.7%*	*25.4%*	*24.4%*	*23.7%*	*23.9%*	*24.8%*	*24.3%*	*24.0%*	*22.7%*	*22.1%*

Consulting Services

- On the revenue side, FX is expected to improve for the remainder of F16 and in F17. Organic revenue remains steady for Mercer and but shows better improvement for OW given its recent momentum. Acquisitions should play modestly positive roles for both sub-segments.
- For expenses, I have a very moderate improvement in Compensation expense, and a moderate improvement in Other expense which is a continuation of trend for the last few years.

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Q115	Q116
Revenue Growth														
Mercer	3,021	3,368	3,642	3,327	3,685	4,004	4,147	4,241	4,350	4,313	4,442	4,576	1,037	1,039
Organic Growth	7.0%	7.0%	7.0%	-4.0%	2.0%	4.0%	4.0%	4.0%	3.0%	4.0%			4.0%	3.0%
FX	1.0%	4.0%	0.0%	-5.0%	2.0%	3.0%	-2.0%	-1.0%	-1.0%	-7.0%			-6.0%	-3.0%
M&A	0.0%	0.0%	1.0%	0.0%	1.0%	2.0%	1.0%	0.0%	0.0%	2.0%			0.0%	1.0%
Yr/Yr. Growth	*8.0%*	*11.0%*	*8.0%*	*-9.0%*	*5.0%*	*9.0%*	*4.0%*	*2.0%*	*3.0%*	*-1.0%*	*3.0%*	*3.0%*	*-2.0%*	*0.0%*
Oliver Wyman Group	1,204	1,516	1,554	1,282	1,357	1,483	1,466	1,460	1,709	1,751	1,909	2,023	384	439
Organic Growth	16.0%	18.0%	-2.0%	-15.0%	7.0%	7.0%	3.0%	-1.0%	15.0%	7.0%			8.0%	15.0%
FX	1.0%	5.0%	1.0%	-4.0%	-1.0%	2.0%	-2.0%	1.0%	0.0%	-6.0%			-6.0%	-2.0%
M&A	2.0%	3.0%	3.0%	1.0%	0.0%	0.0%	-2.0%	0.0%	2.0%	2.0%			2.0%	1.0%
Yr/Yr. Growth	*19.0%*	*26.0%*	*2.0%*	*-17.0%*	*6.0%*	*9.0%*	*-1.0%*	*0.0%*	*17.0%*	*3.0%*	*9.0%*	*6.0%*	*4.0%*	*14.0%*
Compensation and Benefits	2,651	2,953	3,204	2,917	3,106	3,367	3,324	3,269	3,388	3,354	3,500	3,617	783	847
as % of revenue	*62.7%*	*60.5%*	*61.7%*	*63.3%*	*61.6%*	*61.4%*	*59.2%*	*57.3%*	*55.9%*	*55.3%*	*55.1%*	*54.8%*	*55.1%*	*57.3%*
Other Expenses	1,108	1,325	1,437	1,287	1,792	1,503	1,597	1,587	1,675	1,635	1,696	1,735	390	386
as % of revenue	*26.2%*	*27.1%*	*27.7%*	*27.9%*	*35.5%*	*27.4%*	*28.5%*	*27.8%*	*27.6%*	*27.0%*	*26.7%*	*26.3%*	*27.4%*	*26.1%*

EPS Calculation

- The model generates eps of $3.30 and $3.64. This compares to $3.40 and $3.78 for Consensus. FGP estimates are slightly light on revenues and slightly light on margins.
- An eps sensitivity table is attached.

EPS Sensitivity Table	**F16**	**F17**
Risk Services		
1% Revenue Growth Marsh	$ 0.02	$ 0.02
1% Revenue Growth Guy Carpenter	$ 0.01	$ 0.01
1% Expense% Revenue	$ 0.09	$ 0.10
HR Solutions		
1% Revenue Growth Mercer	$ 0.01	$ 0.02
1% Revenue Growth OW	$ 0.01	$ 0.01
1% Expense% Revenue	$ 0.08	$ 0.09

MMC P&L

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Q115	Q116
Risk and Insurance Services														
Marsh	4,390	4,369	4,524	4,319	4,537	4,991	5,232	5,438	5,753	5,727	5,985	6,194	1,430	1,488
Guy Carpenter	880	854	803	911	975	1,041	1,079	1,131	1,154	1,121	1,143	1,166	368	374
	5,270	5,223	5,327	5,230	5,512	6,032	6,311	6,569	6,907	6,848	7,128	7,360	1,798	1,862
Fiduciary Interest Income	193	177	139	54	45	47	39	27	24	21	21	22	5	6
Total Risk and Insurance Services	5,463	5,400	5,466	5,284	5,557	6,079	6,350	6,596	6,931	6,869	7,149	7,382	1,803	1,868
Compensation and Benefits	3,207	3,318	3,299	3,023	3,129	3,348	3,476	3,618	3,774	3,629	3,749	3,835	862	921
Other Expenses	1,579	1,740	1,707	1,465	1,471	1,531	1,540	1,557	1,648	1,701	1,735	1,767	408	412
	4,786	5,058	5,006	4,488	4,600	4,879	5,016	5,175	5,422	5,330	5,484	5,601	1,270	1,333
Restructuring Charges	100	60	193	169	107	(3)	13	7	5	8	1	-	-	1
Other	71	60	76	20	10	(18)	(39)	30	37	56	7	-	13	7
	171	120	269	189	117	(21)	(26)	37	42	64	8	-	13	8
Adjusted Expenses	4,615	4,938	4,737	4,299	4,483	4,900	5,042	5,138	5,380	5,266	5,476	5,601	1,257	1,325
EBIT	**848**	**462**	**729**	**985**	**1,074**	**1,179**	**1,308**	**1,458**	**1,551**	**1,603**	**1,673**	**1,781**	**546**	**543**
Consulting														
Mercer:	3,021	3,368	3,642	3,327	3,685	4,004	4,147	4,241	4,350	4,313	4,442	4,576	1,037	1,039
Oliver Wyman Group	1,204	1,516	1,554	1,282	1,357	1,483	1,466	1,460	1,709	1,751	1,909	2,023	384	439
Total Revenue	4,225	4,884	5,196	4,609	5,042	5,487	5,613	5,701	6,059	6,064	6,351	6,599	1,421	1,478
Compensation and Benefits	2,651	2,953	3,204	2,917	3,106	3,367	3,324	3,269	3,388	3,354	3,499	3,616	783	847
Other Expenses	1,108	1,325	1,437	1,287	1,792	1,503	1,597	1,587	1,675	1,635	1,696	1,735	390	386
	3,759	4,278	4,641	4,204	4,898	4,870	4,921	4,856	5,063	4,989	5,195	5,352	1,173	1,233
Restructuring Charges	27	2	40	42	24	31	56	2	1	8	-	-	-	-
Other	-	6	-	30	400	-	(1)	1	-	(42)	(7)	-	(1)	(7)
	27	8	40	72	424	31	55	3	1	(34)	(7)	-	(1)	(7)
Adjusted Expenses	3,732	4,270	4,601	4,132	4,474	4,839	4,866	4,853	5,062	5,023	5,202	5,352	1,174	1,240
EBIT	**493**	**614**	**595**	**477**	**568**	**648**	**747**	**848**	**997**	**1,041**	**1,149**	**1,247**	**247**	**238**
Total Risk Consulting and Technology														
Revenues	979	989	939	668	381	-	-	-	-	-			-	-
Adjusted Expenses	829	889	864	620	346	-	-	-	-	-			-	-
EBIT	**150**	**100**	**75**	**48**	**35**	**-**	**-**	**-**	**-**	**-**			**-**	**-**
Corporate/Eliminations														
Revenues	(120)	(94)	(68)	(62)	(49)	(40)	(39)	(36)	(39)	(40)	(42)	(44)	(9)	(10)
Adjusted Expenses	(24)	78	102	99	110	127	152	141	160	144	153	155	35	35
EBIT	**(96)**	**(172)**	**(170)**	**(161)**	**(159)**	**(167)**	**(191)**	**(177)**	**(199)**	**(184)**	**(195)**	**(199)**	**(44)**	**(45)**
TOTAL ADJUSTED EBIT	**1,395**	**1,053**	**1,229**	**1,301**	**1,483**	**1,660**	**1,864**	**2,129**	**2,486**	**2,460**	**2,627**	**2,829**	**749**	**736**
Interest income	60	95	48	17	20	28	24	18	21	13	11	16	3	2
Interest expense	(303)	(267)	(220)	(241)	(233)	(199)	(181)	(167)	(165)	(163)	(186)	(188)	(36)	(46)
Investment Income	-	122	(12)	(2)	43	9	24	69	37	38	30	30	2	(3)
Other	-	-	-	-	-	(72)	-	(24)	(137)	-	-	-	-	-
Income before Income Taxes	1,152	1,003	1,045	1,075	1,313	1,426	1,731	2,025	2,242	2,348	2,482	2,687	718	689
Income Tax Expense	(356)	(347)	(289)	(226)	(405)	(426)	(515)	(612)	(651)	(676)	(720)	(779)	(211)	(196)
	796	656	756	849	908	1,000	1,216	1,413	1,591	1,672	1,762	1,908	507	493
Non-controlling interests	(8)	(14)	(11)	(14)	(16)	(22)	(25)	(28)	(32)	(37)	(34)	(34)	(13)	(9)
Participating securities	(3)	-	6	(4)	(7)	(6)	(2)	-	-	-	-	-	-	-
Kroll adjusted operating income, net of	-	90	-	22	19	-	-	-	-	-	-	-	-	-
Adjusted Net Income MMC Common	785	732	751	853	904	972	1,189	1,385	1,559	1,635	1,728	1,874	494	484
Avg. shares outstanding- Diluted	557.0	546.0	514.0	524.0	544.0	551.0	552.5	558.0	553.0	536.5	523.2	514.2	545.0	526.0
Adjusted EPS MMC Common	**$ 1.41**	**$ 1.34**	**$ 1.46**	**$ 1.63**	**$ 1.66**	**$ 1.76**	**$ 2.15**	**$ 2.48**	**$ 2.82**	**$ 3.05**	**$ 3.30**	**$ 3.64**	**$ 0.91**	**$ 0.92**
Reported EPS	$ 1.78	$ 4.53	$ (0.14)	$ 0.43	$ 1.57	$ 1.80	$ 2.13	$ 2.43	$ 2.65	$ 2.98	$ 3.30	$ 3.64	$ 0.88	$ 0.91
Discontinued Operations	$ 0.64	$ 3.55	$ 0.01	$ (0.55)	$ 0.56	$ 0.06	$ (0.01)	$ 0.01	$ 0.05	$ -	$ -	$ -	$ (0.01)	$ -
Reported "Continuing" EPS	$ 1.13	$ 0.99	$ (0.15)	$ 0.99	$ 1.01	$ 1.74	$ 2.13	$ 2.42	$ 2.60	$ 2.98	$ 3.30	$ 3.64	$ 0.89	$ 0.91
Income Tax Expense	*-30.9%*	*-34.6%*	*-27.7%*	*-21.0%*	*-30.8%*	*-29.9%*	*-29.8%*	*-30.2%*	*-29.0%*	*-28.8%*	*-29.0%*	*-29.0%*	*-29.4%*	*-28.4%*

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Consolidated Statement of Income											
Balance Sheet											
Assets:											
Cash and equivalents	2,020.0	2,015.0	2,133.0	1,685.0	1,777.0	1,894.0	2,113.0	2,301.0	2,303.0	1,958.0	1,374.0
Net receivables	2,730.0	2,718.0	2,874.0	2,755.0	2,855.0	3,035.0	2,906.0	3,058.0	3,310.0	3,377.0	3,471.0
Other current assets	512.0	2,243.0	447.0	344.0	299.0	347.0	629.0	604.0	687.0	686.0	199.0
Total current assets	5,262.0	6,976.0	5,454.0	4,784.0	4,931.0	5,276.0	5,648.0	5,963.0	6,300.0	6,021.0	5,044.0
Goodwill and intangibles	7,773.0	7,595.0	7,759.0	7,163.0	7,173.0	6,823.0	6,963.0	7,261.0	7,365.0	7,933.0	8,925.0
Fixed assets, net	1,178.0	990.0	992.0	969.0	952.0	822.0	804.0	809.0	828.0	809.0	773.0
Pension related assets	1,596.0	613.0	1,411.0	150.0	94.0	265.0	39.0	260.0	979.0	967.0	1,159.0
Deferred tax assets	-	-	-	1,146.0	1,242.0	1,205.0	1,205.0	1,223.0	626.0	910.0	1,138.0
Other	2,083.0	1,963.0	1,743.0	994.0	945.0	919.0	795.0	772.0	882.0	1,200.0	1,177.0
Total Assets	17,892.0	18,137.0	17,359.0	15,206.0	15,337.0	15,310.0	15,454.0	16,288.0	16,980.0	17,840.0	18,216.0
Liabilities:											
Short-term debt	498.0	1,111.0	260.0	408.0	558.0	8.0	260.0	260.0	334.0	11.0	12.0
Accounts payable and accrued	1,733.0	2,486.0	1,670.0	1,688.0	1,826.0	1,741.0	2,016.0	1,721.0	1,861.0	1,883.0	1,886.0
Accrued compensation and em	1,413.0	1,230.0	1,290.0	1,224.0	1,319.0	1,294.0	1,400.0	1,473.0	1,466.0	1,633.0	1,656.0
Accrued income taxes	192.0	131.0	96.0	66.0	-	62.0	63.0	110.0	148.0	178.0	154.0
Dividend payable	93.0	-	-	-	-	-	-	-	-	-	-
Total current liabilities	3,929.0	4,958.0	3,316.0	3,386.0	3,703.0	3,105.0	3,739.0	3,564.0	3,809.0	3,705.0	3,708.0
Fiduciary liabilities	3,795.0	3,587.0	3,612.0	3,297.0	3,559.0	3,824.0	4,082.0	3,992.0	4,234.0	4,552.0	4,146.0
Cash and investments in fiduci	(3,795.0)	(3,587.0)	(3,612.0)	(3,297.0)	(3,559.0)	(3,824.0)	(4,082.0)	(3,992.0)	(4,234.0)	(4,552.0)	(4,146.0)
Net Fiduciary liabilities	-	-	-	-	-	-	-	-	-	-	-
Long-term debt	5,044.0	3,860.0	3,604.0	3,194.0	3,034.0	3,026.0	2,668.0	2,658.0	2,621.0	3,376.0	4,402.0
Pension, post-employment ber	1,180.0	1,085.0	709.0	1,217.0	1,184.0	1,211.0	1,655.0	2,094.0	1,150.0	2,244.0	2,058.0
Liabilities for errors and omissi	-	624.0	596.0	512.0	518.0	430.0	468.0	460.0	373.0	341.0	318.0
Other liabilities	2,379.0	1,791.0	1,312.0	1,137.0	1,035.0	1,123.0	984.0	925.0	1,052.0	1,041.0	1,128.0
Total Liabilities	12,532.0	12,318.0	9,537.0	9,446.0	9,474.0	8,895.0	9,514.0	9,701.0	9,005.0	10,707.0	11,614.0
Equity:											
Preferred stock, $6m authorize	-	-	-	-	-	-	-	-	-	-	-
Common stock	561.0	561.0	561.0	561.0	561.0	561.0	561.0	561.0	561.0	561.0	561.0
Additional paid-in capital	1,143.0	1,138.0	1,242.0	1,245.0	1,211.0	1,185.0	1,156.0	1,107.0	1,028.0	930.0	861.0
Retained earnings	4,989.0	5,691.0	7,732.0	7,237.0	7,033.0	7,436.0	7,949.0	8,628.0	9,452.0	10,335.0	11,302.0
Accumulated other comprehen	(756.0)	(1,272.0)	(351.0)	(2,098.0)	(2,171.0)	(2,300.0)	(3,188.0)	(3,307.0)	(2,621.0)	(3,847.0)	(4,220.0)
Non-controlling interests	-	-	-	38.0	35.0	47.0	57.0	64.0	70.0	79.0	89.0
Treasury shares, at cost	(577.0)	(299.0)	(1,362.0)	(1,223.0)	(806.0)	(514.0)	(595.0)	(447.0)	(515.0)	(925.0)	(1,991.0)
Total Equity	5,360.0	5,819.0	7,822.0	5,760.0	5,863.0	6,415.0	5,940.0	6,606.0	7,975.0	7,133.0	6,602.0
Total Liabilities and Equity	17,892.0	18,137.0	17,359.0	15,206.0	15,337.0	15,310.0	15,454.0	16,307.0	16,980.0	17,840.0	18,216.0

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Statement of Cash Flows											
Net Income	404.0	998.0	2,489.0	(62.0)	241.0	871.0	1,015.0	1,201.0	1,385.0	1,497.0	1,636.0
Depreciation and Amortizatic	391.0	391.0	366.0	332.0	307.0	291.0	267.0	277.0	286.0	302.0	314.0
Amortization of intangible as	99.0	97.0	76.0	72.0	58.0	66.0	65.0	72.0	72.0	86.0	109.0
Stock option expense	64.0	116.0	71.0	49.0	11.0	18.0	21.0	26.0	18.0	93.0	88.0
Pension Contributions	(287.0)	(157.0)	(209.0)	(270.0)	(422.0)	(458.0)	(344.0)	(513.0)	(646.0)	(152.0)	(231.0)
Other	(272.0)	(567.0)	(3,024.0)	404.0	445.0	(66.0)	681.0	259.0	226.0	293.0	(28.0)
From Operations	399.0	878.0	(231.0)	525.0	640.0	722.0	1,705.0	1,322.0	1,341.0	2,119.0	1,888.0
Purchase of treasury shares	-	-	(1,300.0)	-	(33.0)	(86.0)	(361.0)	(230.0)	(550.0)	(800.0)	(1,400.0)
Proceeds from issuance of c	2,341.0	322.0	3.0	-	398.0	-	496.0	248.0	547.0	1,386.0	1,091.0
Repayment of debt	(1,990.0)	(888.0)	(1,120.0)	(260.0)	(408.0)	(559.0)	(683.0)	(259.0)	(260.0)	(331.0)	(61.0)
Issuance of common stock	269.0	181.0	186.0	41.0	34.0	41.0	162.0	248.0	352.0	263.0	224.0
Dividends paid	(363.0)	(374.0)	(413.0)	(412.0)	(431.0)	(452.0)	(480.0)	(497.0)	(533.0)	(582.0)	(632.0)
Other	(129.0)	-	-	(12.0)	(24.0)	(74.0)	(141.0)	(143.0)	(390.0)	(904.0)	(128.0)
From Financing	128.0	(759.0)	(2,644.0)	(643.0)	(464.0)	(1,130.0)	(1,007.0)	(633.0)	(834.0)	(968.0)	(906.0)
Capital Expenditures	(345.0)	(307.0)	(378.0)	(386.0)	(305.0)	(271.0)	(280.0)	(320.0)	(401.0)	(368.0)	(325.0)
Dispositions	156.0	375.0	3,357.0	56.0	75.0	1,202.0	-	-	5.0	-	71.0
Acquisitions	(74.0)	(221.0)	(206.0)	(126.0)	(73.0)	(492.0)	(237.0)	(292.0)	(142.0)	(554.0)	(952.0)
Other	416.0	17.0	69.0	108.0	(161.0)	96.0	103.0	52.0	92.0	(300.0)	(59.0)
From Investing	153.0	(136.0)	2,842.0	(348.0)	(464.0)	535.0	(414.0)	(560.0)	(446.0)	(1,222.0)	(1,265.0)
Effect of exchange rate changes											
Change in cash and cash eq	637.0	56.0	44.0	(448.0)	(288.0)	127.0	284.0	129.0	61.0	(71.0)	(283.0)
Cash BOP	1,396.0	2,033.0	2,089.0	2,133.0	1,685.0	1,397.0	1,524.0	1,808.0	1,937.0	1,998.0	1,927.0
Cash EOP	2,033.0	2,089.0	2,133.0	1,685.0	1,397.0	1,524.0	1,808.0	1,937.0	1,998.0	1,927.0	1,644.0
Free Cash Flow											
Cash from Operating Activiti	399.0	878.0	(231.0)	525.0	640.0	722.0	1,705.0	1,322.0	1,341.0	2,119.0	1,888.0
CAPEX	(345.0)	(307.0)	(378.0)	(386.0)	(305.0)	(271.0)	(280.0)	(320.0)	(401.0)	(368.0)	(325.0)
FCF	54.0	571.0	(609.0)	139.0	335.0	451.0	1,425.0	1,002.0	940.0	1,751.0	1,563.0
FCF per diluted share	**$ 0.10**	**$ 1.03**	**$ (1.12)**	**$ 0.27**	**$ 0.64**	**$ 0.83**	**$ 2.59**	**$ 1.81**	**$ 1.68**	**$ 3.17**	**$ 2.91**
M&A	(74.0)	(221.0)	(206.0)	(126.0)	(73.0)	(492.0)	(237.0)	(292.0)	(142.0)	(554.0)	(952.0)
Adjusted FCF	(20.0)	350.0	(815.0)	13.0	262.0	(41.0)	1,188.0	710.0	798.0	1,197.0	611.0
Adjusted FCF per diluted	**$ (0.04)**	**$ 0.63**	**$ (1.49)**	**$ 0.03**	**$ 0.50**	**$ (0.08)**	**$ 2.16**	**$ 1.29**	**$ 1.43**	**$ 2.16**	**$ 1.14**

7.0 Valuation and Fair Value

- AON is trading above its historical 5 year average PER. However, it still trades below its 5 year average PER relative to S&P, despite demonstrating its structural advantages in its businesses, and the available growth profile given the drivers of both of its businesses.
- Interestingly, it is the cheapest on a PER basis vs. the other brokers which is undeserved (except perhaps vs. MMC). Note that on an EV/EBIT basis, AON has a low tax rate, thus it is at a premium to MMC, but not so the other brokers.
- AON does trade at a premium to insurance companies because it has structural advantages given where it sits within the insurance purchasing decision process, and that it is capital light. However note that PGR and ACGL which have superior track records trade at a premium to AON despite those two companies engaging in underwriting risk.
- Finally against the consultants, AON also trades at a discount. Now admittedly each of the consultants listed in the table are quite different from each other but Neilsen, Accenture, and Booz Allan are not that different than AON's consulting stream.
- The brokers excluding AON trade at 16.6X F17 PER. As AON deserve at least a small premium, we'll use 17X F17 eps. **Using FGP estimate of $7.10 for F17, FV = $121.00.**
- On the **downside**, using 0.88X relative PER, with F17E of $7.10 equates to **$98.00**.

16.1X vs. 14.4X

0.94X vs. 0.97X

- MMC is trading above its historical 5 year average PER. Relative to the S&P it is slightly below its 5 year relative average, despite demonstrating its structural advantages in its businesses, and the available growth profile given the drivers of both of its businesses.
- MMC trades at a premium to other brokers although it is deserved given its strong competitive position in both of its businesses. On an EV/EBIT basis, MMC trades at a discount although AON & WLTW have lower tax rates given their domicile.
- MMC does trade at a premium to insurance companies because it has structural advantages given where it sits within the insurance purchasing decision process, and that it is capital light.
- Finally against the consultants, MMC trades in-line with average. Now admittedly each of the consultants listed in the table are quite different from each other but Neilsen, Accenture, and Booz Allan are not that different than MMC's consulting stream, particularly OW vs. BAH.
- The brokers excluding MMC trade at 15.8X F17 PER and MMC deserves a premium. MMC also typically trades at 1.1X – 1.15X AON. Interpolating, we'll use 19X F17 eps. **Using FGP estimate of $3.64 for F17, FV = $69.00.**
- On the **downside**, using 1.02X relative PER, with F17E of $3.64 equates to **$58.00**.

19.2X vs. 16.7X

1.12X vs. 1.13X

INSURANCE BROKERS			2016	P/E			EV/EBIT						ND TO	ND TO	2YR	3YR
Ticker	**Name**	**DVD**	**FCF %**	**2016**	**2017**	**2018**	**2016**	**2017**	**GM**	**OPM**	**ROIC**	**ROE**	**EBITDA**	**EQUITY**	**EPS CAGR**	**EPS CAGR**
MMC	Marsh & McLennan Companies, Inc.	2.04	5.7%	19.7x	17.6x	15.7x	14.5x	13.3x	42.69	18.57	19.9%	23.9%	1.4x	0.6x	11.4%	11.7%
AON	Aon plc	1.11	8.2%	16.5x	14.8x	13.2x	15.7x	14.3x	41.38	17.34	16.6%	23.9%	2.2x	1.2x	10.4%	10.8%
AJG	Arthur J Gallagher & Co.	3.25	7.1%	16.6x	15.0x	13.1x	21.1x	18.3x	29.79	9.32	#VALUE!	12.1%	2.5x	0.6x	10.6%	12.1%
BRO	Brown & Brown Inc.	1.35	7.7%	20.5x	19.0x	17.0x	13.0x	12.3x	49.04	26.51	12.8%	11.7%	1.3x	0.3x	7.4%	8.9%
NASDAQGS:	Willis Towers Watson Public Limite	1.51	5.8%	16.2x	14.6x	12.5x	23.8x	16.6x	40.73	17.30	#VALUE!	6.0%	2.6x	0.3x	12.7%	14.2%

CONSULTANTS			2016	P/E			EV/EBIT						ND TO	ND TO	2YR	3YR
Ticker	**Name**	**DVD**	**FCF %**	**2016**	**2017**	**2018**	**2016**	**2017**	**GM**	**OPM**	**ROIC**	**ROE**	**EBITDA**	**EQUITY**	**EPS CAGR**	**EPS CAGR**
IT	Gartner Inc.	-	4.6%	35.1x	30.4x	25.4x	26.1x	21.2x	61.17	14.81	40.5%	#VALUE!	1.3x	-4.5x	17.7%	18.3%
BAH	Booz Allen Hamilton Holding Corp	2.08	6.1%	16.8x	15.6x	14.4x	11.6x	10.9x	24.28	8.22	21.7%	98.9%	2.8x	3.5x	6.0%	6.8%
NLSN	Nielsen Holdings plc	2.32	5.6%	18.5x	16.8x	15.4x	21.8x	18.4x	58.75	18.79	9.0%	12.8%	4.7x	1.5x	10.5%	10.1%
NYSE:ACN	Accenture plc	1.84	5.5%	22.5x	20.5x	18.8x	15.1x	13.9x	31.51	14.55	60.7%	56.1%	NM	-0.4x	10.2%	9.9%

P&C INSURERS			2016	P/E			EV/EBIT						ND TO	ND TO	2YR	3YR
Ticker	**Name**	**DVD**	**FCF %**	**2016**	**2017**	**2018**	**2016**	**2017**	**GM**	**OPM**	**ROIC**	**ROE**	**EBITDA**	**EQUITY**	**EPS CAGR**	**EPS CAGR**
PGR	Progressive Corp.	2.77	0.0%	17.9x	15.1x	14.2x	13.2x	11.0x	9.67	9.28		16.6%		0.3x	4.2%	4.8%
ALL	The Allstate Corporation	1.98	0.0%	14.9x	10.8x	9.9x	13.5x	8.0x	19.27	8.10		8.2%		0.2x	12.2%	11.0%
TRV	The Travelers Companies, Inc.	2.38	0.0%	11.9x	11.4x	11.2x	9.7x	9.4x	33.36	18.17		13.5%		0.2x	-3.7%	-1.8%
CB	Chubb Limited	2.20	0.0%	12.7x	11.9x	11.0x	13.9x	12.4x	29.43	16.60		6.9%		0.3x	4.8%	6.0%
ALL	The Allstate Corporation	1.98	0.0%	14.9x	10.8x	9.9x	13.5x	8.0x	19.27	8.10		8.2%		0.2x	12.2%	11.0%
AIG	American International Group, Inc.	2.38	0.0%	13.3x	9.7x	8.0x	13.2x	11.8x	25.85	2.27		-0.4%		0.3x	54.7%	42.3%
ACGL	Arch Capital Group Ltd.	-	0.0%	16.7x	16.3x	15.0x	21.7x	21.9x	29.74	12.96		5.4%		0.2x	-1.0%	2.0%
XL	XL Group plc	2.46	0.0%	14.9x	9.4x	8.2x	17.1x	11.9x	33.44	14.06		10.5%		0.0x	21.0%	18.9%

AON Checklist

1. ESG principles defined?

Corporate Policy?	Yes	No
Global Reporting Initiative (GR	Yes	No
United Nations Global Compac	Yes	No
C-Level head?	Yes	No

2. Current Disclosure documents?

1 Corporate Citizenship 2012 & 2014
2
3

3. ESG Policy & Disclosure

		Policy	KPI	Target
Environm	Green house gas	Yes	No	No
	Scope Level	1	2	3
		2013	2014	2015
	Tonnes CO2e			
	Water	No	No	No
	Energy	Yes	No	No
	Land management	No	No	No
	Waste management	Yes	No	No
Social	Employee engagement	Yes	No	No
	Community involvement	Yes	No	No
	Labour, human rights, ethics	No	No	No
	Health and safety	Yes	No	No
	Diversity	Yes	No	Board 25%
	Integrity (e.g., corruption)	Yes	No	No

Governan	CEO & Chair separation	Separate	Combined	
	Members	# of Ind: 10	# of Non: 1	11
	Quality?	High	Average	Low
	Shareholder engagement?	Annually	Sometime	Never
	Accounting Integrity?	High	Average	Low
Governan	Easy to understand?	Yes	No	
	Annual perf. clearly explained?	Yes	No	
	Actual realized pay?	Yes	No	
	Shareholder say on pay?	Yes	No	
	FGP view on pay	High	Average	Low
	PHDC3 (%)	1.0		
	Options as % of total shares	0.003		

Aon plc
Condensed Consolidated Statements of Income (Unaudited)

	Three Months Ended		
(millions, except per share data)	**Mar 31, 2016**	**Mar 31, 2015**	**Percent Change**
Revenue			
Commissions, fees and other	$ 2,787	$ 2,842	(2)%
Fiduciary investment income	5	5	—
Total revenue	2,792	2,847	(2)
Expenses			
Compensation and benefits	1,649	1,683	(2)
Other general expenses	693	723	(4)
Total operating expenses	2,342	2,406	(3)
Operating income	450	441	2
Interest income	2	3	(33)
Interest expense	(69)	(65)	6
Other income	18	42	(57)
Income before income taxes	401	421	(5)
Income taxes (1)	74	80	(8)
Net income	327	341	(4)
Less: Net income attributable to noncontrolling interests	12	13	(8)
Net income attributable to Aon shareholders	$ 315	$ 328	(4)%
Basic net income per share attributable to Aon shareholders	$ 1.16	$ 1.15	1 %
Diluted net income per share attributable to Aon shareholders	$ 1.15	$ 1.14	1
Weighted average ordinary shares outstanding - diluted	273.7	287.1	(5)%

(1) The effective tax rate was 18.4% and 19.1% for the three months ended March 31, 2016 and 2015, respectively.

Aon plc

Reconciliation of Non-GAAP Measures - Operating Income and Diluted Earnings Per Share (Unaudited) (1)

	Three Months Ended March 31, 2016			
(millions)	**Risk Solutions**	**HR Solutions**	**Unallocated Income & Expense**	**Total**
Revenue	$ 1,872	$ 930	$ (10)	$ 2,792
Operating income (loss) - as reported	$ 429	$ 67	$ (46)	$ 450
Intangible asset amortization	24	43	—	67
Operating income (loss) - as adjusted	$ 453	$ 110	$ (46)	$ 517
Operating margins - as adjusted	24.2%	11.8%	N/A	18.5%

	Three Months Ended March 31, 2015			
(millions)	**Risk Solutions**	**HR Solutions**	**Unallocated Income & Expense**	**Total**
Revenue	$ 1,895	$ 970	$ (18)	$ 2,847
Operating income (loss) - as reported	$ 412	$ 76	$ (47)	$ 441
Intangible asset amortization	28	52	—	80
Operating income (loss) - as adjusted	$ 440	$ 128	$ (47)	$ 521
Operating margins - as adjusted	23.2%	13.2%	N/A	18.3%

	Three Months Ended March 31,	
(millions except per share data)	**2016**	**2015**
Operating income - as adjusted	$ 517	$ 521
Interest income	2	3
Interest expense	(69)	(65)
Other income	18	42
Income before income taxes - as adjusted	468	501
Income taxes (2)	86	96
Net income - as adjusted	382	405
Less: Net income attributable to noncontrolling interests	12	13
Net income attributable to Aon shareholders - as adjusted	$ 370	$ 392
Diluted earnings per share - as adjusted	$ 1.35	$ 1.37
Weighted average ordinary shares outstanding - diluted	273.7	287.1

(1) Certain noteworthy items impacting operating income in 2016 and 2015 are described in this schedule. The items shown with the caption "as adjusted" are non-GAAP measures.

(2) The effective tax rates was 18.4% and 19.1% for the three months ended March 31, 2016 and 2015.

Aon plc
Condensed Consolidated Statements of Financial Position (Unaudited)

(millions)	As of Mar 31, 2016 (Unaudited)	As of Dec 31, 2015
ASSETS		
Current Assets		
Cash and cash equivalents	$ 465	$ 384
Short-term investments	587	356
Receivables, net	2,591	2,734
Fiduciary assets (1)	9,776	9,932
Other current assets	622	562
Total Current Assets	14,041	13,968
Goodwill	8,411	8,448
Intangible assets, net	2,108	2,180
Fixed assets, net	766	765
Non-current deferred tax assets	171	141
Prepaid pension	737	1,033
Other non-current assets	579	592
Total Assets	$ 26,813	$ 27,127
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	$ 1,420	$ 1,772
Short-term debt and current portion of long-term debt	695	562
Fiduciary liabilities	9,776	9,932
Other current liabilities	902	820
Total Current Liabilities	12,793	13,086
Long-term debt	5,902	5,138
Non-current deferred tax liabilities	177	176
Pension, other post-retirement and post-employment liabilities	1,756	1,795
Other non-current liabilities	838	769
Total Liabilities	21,466	20,964
EQUITY		
Shareholders' Equity		
Ordinary shares ($0.01 nominal value)	3	3
Additional paid-in capital	5,388	5,409
Retained earnings	3,600	4,117
Accumulated other comprehensive loss	(3,710)	(3,423)
Total Aon Shareholders' Equity	5,281	6,106
Noncontrolling interests	66	57
Total Equity	5,347	6,163
Total Liabilities and Equity	$ 26,813	$ 27,127

(1) Includes cash and short-term investments: 2016 - $3,659 million, 2015 - $3,394 million

Aon plc
Condensed Consolidated Statements of Cash Flows (Unaudited)

	Three Months Ended	
(millions)	Mar 31, 2016	Mar 31, 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 327	$ 341
Adjustments to reconcile net income to cash provided by operating activities:		
Gain from sales of businesses and investments, net	(35)	(19)
Depreciation of fixed assets	56	56
Amortization of intangible assets	67	80
Share-based compensation expense	85	90
Deferred income taxes	23	7
Change in assets and liabilities:		
Fiduciary receivables	399	173
Short-term investments — funds held on behalf of clients	(285)	63
Fiduciary liabilities	(114)	(236)
Receivables, net	110	49
Accounts payable and accrued liabilities	(348)	(348)
Current income taxes	(31)	27
Pension, other post-retirement and other post-employment liabilities	(50)	(66)
Other assets and liabilities	69	81
CASH PROVIDED BY OPERATING ACTIVITIES	273	298
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from investments	13	3
Purchases of investments	(14)	(1)
Net (purchases) sales of short-term investments — non-fiduciary	(227)	42
Acquisition of businesses, net of cash acquired	(16)	(21)
Proceeds from sale of businesses	97	41
Capital expenditures	(52)	(62)
CASH (USED FOR) PROVIDED BY INVESTING ACTIVITIES	(199)	2
CASH FLOWS FROM FINANCING ACTIVITIES		
Share repurchase	(685)	(250)
Issuance of shares for employee benefit plans	(65)	(114)
Issuance of debt	1,045	870
Repayment of debt	(175)	(686)
Cash dividends to shareholders	(82)	(71)
Noncontrolling interests and other financing activities	(42)	(6)
CASH USED FOR FINANCING ACTIVITIES	(4)	(257)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	11	(39)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	81	4
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	384	374
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 465	$ 378

ESG Checklist Marsh McLennan

1. ESG principles defined?

Corporate Policy?	Yes	No
Global Reporting Initiative (GRI)?	Yes	No
United Nations Global Compact (	Yes	No
C-Level head?	Yes	No

2. Current Disclosure documents?

1 Corporate Citizenship 2010, 2012 & 2014
2 Annual Report
3 Management Information Circular

3. ESG Policy & Disclosure

		Policy	KPI	Target
Environm	Green house gas	Yes	No	No
	Scope Level	1	2	3
		2013	2014	2015
	Tonnes CO2e	0.001	0.090	
	Water	Yes	No	No
	Energy	Yes	No	No
	Land management	No	No	No
	Waste management	Yes	No	No
Social	Employee engagement	Yes	No	No
	Community involvement	Yes	No	No
	Labour, human rights, ethics	No	No	No
	Health and safety	Yes	No	No
	Diversity	Yes	No	Board 17%
	Integrity (e.g., corruption)	Yes	No	No
Governan	CEO & Chair separation	Separate	Combined	
	Members	# of Ind: 11	# of Non: 1	12
	Quality?	High	Average	Low
	Shareholder engagement?	Annually	Sometime	Never
	Accounting Integrity?	High	Average	Low
Governan	Easy to understand?	Yes	No	
	Annual perf. clearly explained?	Yes	No	
	Actual realized pay?	Yes	No	
	Shareholder say on pay?	Yes	No	
	FGP view on pay	High	Average	Low
	PHDC3 (%)	1.5		
	Options as % of total shares	2.8		

Marsh & McLennan Companies, Inc.
Consolidated Statements of Income
(In millions, except per share figures)
(Unaudited)

	Three Months Ended March 31,			
		2016		2015
Revenue	$	3,336	$	3,215
Expense:				
Compensation and Benefits		1,854		1,730
Other Operating Expenses		749		750
Operating Expenses		2,603		2,480
Operating Income		733		735
Interest Income		2		3
Interest Expense		(46)		(36)
Investment (Loss) Income		(3)		2
Income Before Income Taxes		686		704
Income Tax Expense		196		206
Income from Continuing Operations		490		498
Discontinued Operations, Net of Tax		—		(3)
Net Income Before Non-Controlling Interests		490		495
Less: Net Income Attributable to Non-Controlling Interests		9		13
Net Income Attributable to the Company	$	481	$	482
Basic Net Income Per Share				
- Continuing Operations	$	0.92	$	0.90
- Net Income Attributable to the Company	$	0.92	$	0.89
Diluted Net Income Per Share				
- Continuing Operations	$	0.91	$	0.89
- Net Income Attributable to the Company	$	0.91	$	0.88
Average Number of Shares Outstanding				
- Basic		521		539
- Diluted		526		545
Shares Outstanding at 3/31		521		538

	Risk & Insurance Services	Consulting	Corporate/ Eliminations	Total
Three Months Ended March 31, 2016				
Operating income (loss)	$ 535	$ 245	$ (47)	$ 733
Add (Deduct) impact of Noteworthy Items:				
Restructuring charges (a)	1	—	2	3
Adjustments to acquisition related accounts (b)	7	(1)	—	6
Disposal of business (c)	—	(6)	—	(6)
Operating income adjustments	8	(7)	2	3
Adjusted operating income (loss)	$ 543	$ 238	$ (45)	$ 736
Operating margin	28.6%	16.6%	N/A	22.0%
Adjusted operating margin	29.1%	16.2%	N/A	22.1%
Three Months Ended March 31, 2015				
Operating income (loss)	$ 533	$ 248	$ (46)	$ 735
Add (Deduct) impact of Noteworthy Items:				
Restructuring charges (a)	—	—	2	2
Adjustments to acquisition related accounts (b)	13	(1)	—	12
Operating income adjustments	13	(1)	2	14
Adjusted operating income (loss)	$ 546	$ 247	$ (44)	$ 749
Operating margin	29.6%	17.4%	N/A	22.9%
Adjusted operating margin	30.3%	17.4%	N/A	23.3%

(a) Primarily severance for center led initiatives, future rent under non-cancellable leases, and integration costs related to recent acquisitions.

(b) Primarily includes the change in fair value as measured each quarter of contingent consideration related to acquisitions.

(c) Reflects contingent proceeds related to the disposal of Mercer's U.S. defined contribution recordkeeping business in 2015. This $6 million is also removed from GAAP revenue in the calculation of adjusted operating margin.

Marsh & McLennan Companies, Inc.
Consolidated Balance Sheets
(Millions)

	(Unaudited) March 31, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 918	$ 1,374
Net receivables	3,647	3,471
Other current assets	233	199
Total current assets	4,798	5,044
Goodwill and intangible assets	8,985	8,925
Fixed assets, net	757	773
Pension related assets	1,181	1,159
Deferred tax assets	1,117	1,138
Other assets	1,290	1,177
TOTAL ASSETS	$ 18,128	$ 18,216
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term debt	$ 265	$ 12
Accounts payable and accrued liabilities	1,879	1,886
Accrued compensation and employee benefits	724	1,656
Accrued income taxes	128	154
Dividends payable	163	—
Total current liabilities	3,159	3,708
Fiduciary liabilities	4,501	4,146
Less - cash and investments held in a fiduciary capacity	(4,501)	(4,146)
	—	—
Long-term debt	4,748	4,402
Pension, post-retirement and post-employment benefits	2,042	2,058
Liabilities for errors and omissions	319	318
Other liabilities	1,089	1,128
Total equity	6,771	6,602
TOTAL LIABILITIES AND EQUITY	$ 18,128	$ 18,216