Gregory C. Case  
Chief Executive Officer & Executive Director, Aon Plc  

Thanks very much and good morning, everyone. Welcome to our third quarter 2019 conference call. Joining me today is CFO, Christa Davies. In addition, we have our two Co-Presidents, Eric Andersen and Mike O'Connor, joining the discussion to help lead our Q&A session with their frontline perspective of client impact that illustrates the result we’re achieving with clients through our Aon United growth strategy.

Like previous quarters, we posted a detailed financial presentation on our website so that we can focus our time on these quarterly calls to provide you more insight and a longer-term view for the firm.

First, let me start by recognizing the remarkable dedication of my Aon colleagues around the world. Their collective efforts continue to strengthen the firm and create long term momentum, reflected through strong performance in the third quarter. We delivered positive results across each of our key financial metrics, including 5% organic revenue growth, and I’d highlight organic revenue growth on the year-to-date and trailing 12 months basis of 6%, reflecting continued acceleration of our historical trend; substantial operating margin expansion of 350 basis points; and 11% EPS growth, overcoming FX headwinds in the quarter. We’re driving the continued progress of this year with momentum headed in the last quarter of 2019. And this is a direct reflection of the strategic investments and actions we continue to take to achieve our potential operating as one united, global professional special services firm.

Last quarter, we touched on valuable insights from our Global Risk Management Survey, highlighting how clients face growing volatility and complexity in today’s evolving world. Nearly every organization, industry, and economy are confronting greater challenges than ever before. And most of these risks are underserved, if addressed at all, because they’re not well-understood, with less historical experience and use of available data to predict, measure, or manage these challenges. More concerning is that these challenges are very likely to grow in intensity over the next few years as emerging risks become even more prominent, threatening the ability of our clients to continue driving growth, protecting their assets, and developing talent.

Against that backdrop, we are responding with actions that bring the full force of our firm to clients by developing innovative solutions and applying data and analytics to better inform and advise them for their future. This
Beginning in 2017 with the divestiture of our outsourcing business, we have taken a series of important steps designed to remix our portfolio to achieve a faster-growing, higher-margin set of offerings that better reflect the expanding needs of our clients. This approach is best evidenced by the $4.8 billion disposition of our outsourcing business and the subsequent $1.5 billion reinvestment over the last two years, and middle market and back office service innovation. That reinvestment included the creation of Aon Business Services, an important step toward modernizing infrastructure and creating a common technology platform that simplifies repeatable elements of client service and allows colleagues to spend more time on the highest value aspects of their client relationships, while supporting sustainable margin expansion for the firm.

In parallel, we took steps to reduce structural barriers that prevented colleagues from delivering the best of the firm to clients which, in 2018, included the shift to a single global brand and the creation of a single global operating committee, creating a forum for Aon United decision making that has accelerated growth in our core business. Last year, we also created the New Ventures Group, which is driven by a team of global leaders that command the capital and supporting infrastructure necessary to function as a growth stage development platform. This group is developing a portfolio of cutting edge client solutions on topics like Intellectual Property and Public Sector Partnerships, which further accelerate net new innovation on behalf of clients and expands our addressable market.

The Aon United actions we have taken at the global level, have unified our firm and further strengthened our capabilities, which is proven out by our performance through 2019. With this momentum, we announced the next phase of Aon United growth strategy earlier this month, outlining two key components that translate our progress at the global level and the how we go-to-market locally, allowing us to more effectively bring the full force of our global firm to clients. We described the first component as delivering Aon United because it includes a series of steps that will improve sales effectiveness, strengthen our segmentation strategy, and further increase collaboration across solution lines. All of which means more value creation for clients and further acceleration of organic growth.

The second component is about the expansion of our industry-leading Aon Business Services platform. Aon Business Services has already proven that it helps capitalize on the benefits of our global scale to deliver world-class client service and provide colleagues additional capacity to deliver more value to clients, which is why we're expanding our Aon Business Services footprint and establishing client service hubs, leveraging technology platforms and new capabilities to accelerate our ability to deliver the best of the firm to clients while driving further operational excellence in our back and middle office services, which will drive greater productivity in our operations and contribute to sustainable margin expansion.

These moves create a common baseline for Aon United and the experience of Aon United in our local geographies, including how the firm articulates our value proposition to clients, delivers repeatable elements of client service, develops our colleagues, and measures return on invested capital. At the end of the day, all of these steps come back to how we can most effectively bring the best of our firm to clients so that we can help them improve their operational performance, reduce volatility, or strengthen their capital position, which is why we will continue to take steps to connect our firm, leverage our global scale, and strategically invest in industry-defining content to amplify the value we can provide on their behalf and increase our relevance in today's evolving landscape.
For your reference, I'd like to highlight one example of how our colleagues came together with a real business partner approach to address a client's unique need, to give you an idea of how our Aon United efforts translate into value at the frontline. A global agricultural firm was facing operational losses due to cash flow volatility throughout the year based on seasonal crop yield that could be impacted at any given time by weather-related events or other variables outside their control. We believed we could help this climate with insight gained through data and analytics that would guide a strategic choice. Our team brought together Commercial Risk, Reinsurance, and Data & Analytics capabilities, then we analyzed satellite-gathered weather data, applied our proprietary catastrophic Impact Forecasting model, and overlaid trends with the clients revenue. Our team was able to correlate patterns that enabled a design of a parametric trigger solution unique to this client's operational risk.

The result was an innovative, tailor-made, crop risk management program that pays out automatically once a predetermined trigger is reached. This is a more efficient and timely approach, supporting our client's competitive advantage and maintaining their prices regardless of harvest quality. They also benefit from cash flow reliability, operational and capital stability, and improved long-term business planning. And that's just one recent success story of how we are responding to unique client demand with action, truly made possible by greater colleague collaboration and through commercializing our proprietary content and data into an opportunity to deliver client value. But the application is happening across the portfolio as we scale our Aon United efforts, translated into improved growth profile for the firm as we drive new business generation and create greater retention and share of existing clients.

Our trend of organic growth has already improved from 3% in 2014 and 2015, to 4% in 2016 and 2017, to 5% in 2018. And now, in 2019, we've delivered 6% year-to-date. Further, we expect strong performance in the fourth quarter resulting in continued progress for the whole year against our goal of mid-single-digit organic revenue growth or greater over the long term.

In summary, our clients are demanding that they be better informed and better advised to navigate and address the complex and evolving challenges they face. We continue to build momentum as we strengthen our ability to create value on behalf of clients through investments in industry-defining content and capability combined with greater alignment across our firm, while also achieving strong financial results and increased value to our shareholders.

With that overview, I'd like to turn the call over Christa for her thoughts on our financial progress year-to-date and long-term outlook for continued shareholder value creation. Christa?

Christa Davies
Executive Vice President-Global Finance & Chief Financial Officer, Aon Plc

Thanks so much, Greg, and good morning, everyone. As Greg highlighted, we continue to take steps to deliver Aon United, which is amplifying our ability to serve clients distinctively and deliver improved financial performance. We delivered positive performance across each of our key metrics, for both the quarter and the year-to-date. Through the first nine months of the year, strong organic revenue growth and increased operating leverage have contributed to substantial operational improvement which is translating into double-digit free cash flow growth. We're delivering on restructuring initiatives and funding significant investments across the firm that will deliver improved financial performance long term.

As I further reflect on our performance year-to-date, first, the growth profile of our firm is improving, with 6% organic revenue growth year-to-date and for the trailing 12 months. I would highlight, year-to-date organic revenue growth accelerated 200 basis points, from 4% in 2018 to 6% in 2019 as we deliver on our goal of mid-single-digit or greater organic revenue growth over the long term.
Reported revenue has been pressured throughout 2019 by an unfavorable impact from changes in FX. Our disciplined focus on maximizing return on invested capital continues to help shape the portfolio towards our highest growth in return opportunities, as highlighted by the divestiture of certain businesses in Retirement Solutions at the end of the second quarter.

Second, we continued another quarter of substantial operational improvement, which has contributed to strong year-to-date performance of 12% operating income growth, and operating margin expansion of 250 basis points. Both operating income growth and operating margin expansion have improved on a nine-month basis compared to results of six-month, while the impact from restructuring savings has remained similar, reflecting increased operating leverage across our portfolio.

We are translating strong operational performance into double-digit EPS growth of 10% year-to-date, overcoming continued headwinds from FX translation. FX rates continued to have an unfavorable impact in results in the third quarter due primarily to a stronger US dollar, resulting in a significant net unfavorable impact of approximately $0.20 year-to-date or a $58 million impact on operating income. If currencies remain stable at today’s rates, we anticipate an unfavorable impact of $0.04 or approximately $12 million reduction of operating income in the fourth quarter.

We continue to successfully execute against our restructuring initiatives with $32 million incremental savings in the third quarter. Our ongoing restructuring initiatives are driving expense savings near term, but more importantly, they’re enabling growth of the firm as we unlock additional operating leverage through our Aon Business Services operating model.

Aon Business Services is helping us modernize our infrastructure and create common technology platform. When we simplify and standardize repeatable elements of back and middle office processes, we’re finding that our colleagues have more time to spend with clients, strengthening our relationships and identifying expanded opportunities for our firm.

Looking beyond near-term restructuring savings, we expect to drive sustainable operating performance and long-term core margin expansion annually, similar to the 70 to 80 basis points of operating margin improvement achieved annually over the last decade, net of continued reinvestment in growth opportunity. This is driven by organic growth, portfolio mix shift, and ongoing productivity improvements.

Lastly, free cash flow increased by $200 million or 25% to $996 million, substantial growth through the first nine months primarily reflects operational performance. I would note, both the prior and current periods include impacts that largely offset each other in total for a neutral impact to year-over-year growth. As we think about cash flow generation going forward, we’re focused on maximizing the translation of accelerating revenue growth into the highest level of free cash flow in three ways: operating income growth, continued progress on working capital initiatives, and structural uses of cash winding down. 2018 was the peak year for cash usage as shown in our presentation on slide 26. Declining uses of cash restructuring, CapEx, and pension continue and are expected to free up over a $585 million of free cash flow by the end of 2020.

We continue to have significant upside to a base of more than $1.45 billion of free cash flow in 2018, prior to any operating income growth or working capital improvement. Together, these inputs give us confidence in our ability to deliver on our goal of double-digit growth in free cash flow over the long-term. Further, we have the opportunity for incremental debt while maintaining current investment grade ratings as EBITDA grows, restructuring costs wind down, and pension liability improves, providing significant financial flexibility over the next few years to
further invest in value creation or return of capital to shareholders. We're diligent about maximizing return on capital and make capital allocation decisions through this discipline. Share repurchase remains the highest return on capital investment today, given our free cash flow valuation and outlook, highlighted by the $1.5 billion of share repurchase year-to-date.

In summary, strong top and bottom line performance for both the quarter and year-to-date continues to reinforce our Aon United initiatives and strategic decisions, building momentum as we enter the last quarter of the year, but more importantly, strengthen the long-term growth profile for our firm. In addition, our disciplined approach to return on capital, combined with our expected significant free cash flow growth and increased debt opportunity over the next few years provides financial flexibility to unlock significant shareholder value creation over the long term.

With that, I'll turn the call back over to the operator. And we'd be happy to take your questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now begin the question-and-answer session. [Operator Instructions] We have nine questions in queue on – for Q&A. Our first question comes from David Styblo from Jefferies. Your line is now open.

Gregory C. Case  
Chief Executive Officer & Executive Director, Aon Plc

David, are you there? Operator, why don't we go to the next question, and we'll pick David up when he is ready.

Operator: Okay. One moment, please. Sorry. One moment, please [indiscernible] (00:17:12). Sorry for that. David – that is Mike Zaremski, Credit Suisse. Your line is now open.

Michael Zaremski  
Analyst, Credit Suisse Securities (USA) LLC

Oh, great. Thanks. Good morning.

Gregory C. Case  
Chief Executive Officer & Executive Director, Aon Plc

Hey, Mike.

Michael Zaremski  
Analyst, Credit Suisse Securities (USA) LLC

First question's on the commercial insurance pricing environment. A number of large corporations have been talking about fairly significant increases in pricing and [ph] are (00:17:55) changes in capacities kind of starting in April, May and persisting into 4Q. Maybe you can comment on what you guys are seeing and if it's helping drive revenues and margins for Aon?

Gregory C. Case  
Chief Executive Officer & Executive Director, Aon Plc

A
Yeah. Mike, from our standpoint, we talk about this on the call frequently. So, I really appreciate the question. Again, for us, remember, pricing really translates into market impact, so that's encompassing both rate and insured values. And as we've highlighted, market impact for us, I would say, it had a modestly positive impact to our results.

Just maybe three observations. When you think about Aon overall, something around half of our world is – operates completely independent of any insurance pricing cycle. And even within our Risk business, a third of it is fee-based. And when you think about our overall approach and what we do, our world is really centered around using data and analytics capability to really help clients at an individual level focus on their circumstances, and they get the best results. So, you’ll see us modify programs, individual covers based on market conditions. They will fundamentally – we will help them change behavior based on market reaction or our market position. So, for us, overall, modestly positive impact to results. And our view is the highly client-centric approach is one of the reasons we've got new business generation and retention levels at an all-time high.

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Q

Michael Zaremski
Analyst, Credit Suisse Securities (USA) LLC

And a follow-up to that is, just the – for the one-third that's fee-based, historically, has that grown at a low-single-digit pace or how should investors think about how the fee-based business – or revenues sensitivity?

A

Gregory C. Case
Chief Executive Officer & Executive Director, Aon Plc

So, Mike, we don't break out literally sort of growth at that level. Our view, as we come back, there's really not a difference. This is about how we add value to clients and consistent with what – as we described – what we mean by Aon United behavior, this is – how we bring global capability to our clients in our backyard. And when we do it, how we describe the value. So, literally, the work we’re doing includes how we describe the value to our clients. If we create value, we should get paid for the value. And if we don't, we should highlight that as well. So, we’re incredibly transparent; and our view is, we are increasing our capability to both deliver value, articulate value, and get paid for value.

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Q

Michael Zaremski
Analyst, Credit Suisse Securities (USA) LLC

Okay. Great. And lastly, probably for Christa, interest rates have declined fairly measurably year-to-date and stock market in the US has done well. Any early views on if things don't change much from here, will any of the pension expenses or free cash flows be materially impacted for next year?

A

Christa Davies
Executive Vice President-Global Finance & Chief Financial Officer, Aon Plc

Yeah. I mean, it's a great question, Mike. What I would say is, as we think about our pension unfunded liability, we do an annual measurement at 12/31 each year. The balance sheet in terms of unfunded pension liability at Q3 doesn't reflect changes in interest rates or asset valuation. And we've certainly done a lot of work on our pensions over the last 10 years to [ph] freeze (21:00) the plans and close them and de-risk them to massively reduce volatility. So, our result in pension cash contributions in 2020, you can see as shown on the chart on page 26, it shows it decreasing substantially, and we feel really good about that outlook.

In terms of other impact from interest rates, our debt is fixed, and so we don't see material impact from interest rates.
Michael Zaremski  
Analyst, Credit Suisse Securities (USA) LLC  
Thank you.

**Operator:** Thank you. Our next question comes from David Styblo from Jefferies. Your line is now open.

David Styblo  
Analyst, Jefferies LLC  
Hi there. Can you guys hear me this time?

Gregory C. Case  
Chief Executive Officer & Executive Director, Aon Plc  
We can.

Christa Davies  
Executive Vice President-Global Finance & Chief Financial Officer, Aon Plc  
Yes, we can, Dave.

Gregory C. Case  
Chief Executive Officer & Executive Director, Aon Plc  
We can, David. Welcome back. What's on your mind?

David Styblo  
Analyst, Jefferies LLC  
Good. Like I'm whole again. Okay. I'll give – maybe I'll give Mike and Eric a chance to chime on this, but I'm curious as you guys are going to market with your clients, and it sounds like you're increasingly doing more customized solutions to help them with their specific set of risks. I'd imagine that probably takes more effort, human capital resources, and so forth. I'm wondering to what extent or how do you get compensated for that? Does that wind up being a higher margin sell for you guys ultimately because you are providing a customized solution set for that client that they could maybe not otherwise find in the market? Maybe just what does that look like going through the sales cycle?

Gregory C. Case  
Chief Executive Officer & Executive Director, Aon Plc  
Yeah, when you step back, David, and you think about sort of what really happens when we bring the best of our firm, in essence, we’ve got – the beauty of this is we have the capability, we have the capacity, our colleagues have the expertise, and our clients have increasing need. The question is, how do you connect the dots and actually make that happen?

And so we have more and more found situations where we're spending time with the client understanding broad-based needs. Our colleagues have greater awareness of Aon and what they're trying to get accomplished and what we're trying to get accomplished, and so they actually then bring these other colleagues in. They address these issues in ways we haven't addressed before. And the beauty of this is, it not only creates net new areas, but it also very much sort of addresses retention on existing business and what we're doing from an existing client
standpoint. So, the approach we’re taking very much sort of leverages assets and capabilities that we’ve got and clients respond very, very positively to it.

Michael O’Connor  
Co-President, Aon Plc

Dave, it's Mike. Maybe I'd give you an example of how we helped decrease the perception of volatility from climate change that was impacting our client's real estate portfolio. It's a really, really I find very interesting example of how we're growing and expanding relationships with clients.

So, in this situation, we have a large real estate client who is an investor, and the team is doing a terrific job around commercial risk. But the team, in this case, just stepped back and said, what is the real issue challenging this client's business? And one of the issues they were facing was an overhang of how climate change and other catastrophic risk over the long term would impact the real estate portfolio. And our team wouldn't have done this in the past.

They brought together colleagues from around the world. They brought together colleagues from Commercial Risk, Reinsurance, our Data & Analytics team and said, could we actually come together with the experiences, the capabilities we have, the data analytics, and could we actually put together a risk portfolio diagnostic to basically identify and quantify the impact that climate change and other risks would have on this portfolio of real estate over the long term?

We were able to share that insight with the client. They were able to take it back to their investors and actually show facts and scenarios, and thereby reduce the perception of risk. And for us, this was a whole new relationship with the client. It grew our relationship with them and also solidified us as a real partner to help their business for the long term. So, that's just an example for us that we get really excited about in terms of what we can do for clients.

Eric Andersen  
Co-President, Aon Plc

And, Mike, maybe – Dave, it's Eric. Maybe I'll just pick up on another one, because you asked about how we bring the teams together, and we use an integrated client planning process that maybe I'll just use another example to run through. We had a financial institution client that had been a long-term client, but during that process, uncovered that they were dissatisfied with the product that they were selling through their own distribution agents and were looking to find ways to either revamp either the pricing, the underwriting, the distribution, the claims process, the whole sort of process of offering the product.

And they asked us for our thoughts, and we were able to bring our insurance consulting capability, our data and analytics, as well as our experience and knowledge of the marketplace. They had also asked some other advisory firms for their opinion, but our ability to tie all of it together sort of enabled us to proceed with the client.

And ultimately, for the client, the outcome is pretty straightforward, right? They end up with a revamped process that drives more revenue for them, reduces the volatility of the product itself. But for us, it actually gives us a much deeper insight into the client. It was already a great client. So, really, it was bringing a new capability into an existing market as opposed to going out to cyber or government de-risking or others that we’ve talked about. This is about expanding capabilities within an existing relationship using that integrated client planning process that I referred to earlier.
And, David, one really important point here too. This is—your point—your question about the sales cycle. This doesn't [ph] elongate (26:17) the sales cycle at all. In fact, it's very different than that. We're bringing an existing capability and matching it to client need. We're in fact—we're creating new sales cycles. So, it's the same sales cycle on the traditional products—traditional areas, and then new sales cycles that we serve on other clients but not that client.

So, the example Eric described sort of was literally an expansion. So, the sales cycle and what we expanded into was no longer than ever before, and it just creates frankly a tremendous effort. Even if a client says in the end, I don't really think we need you on it, we've engaged in a conversation which changes their perception of who we are and how we think about them. That actually impacts retention in what we're currently doing with them, in addition to sort of open up new business and new opportunities.

Got it. Thanks for the color on that. Two quick questions for Christa. Heard your FX comments about the fourth quarter. I'm wondering, can you provide us some perspective to help out with modeling for how the FX looks to impact the P&L in 2020? And then free cash flow obviously rebounded really nicely, up 25% year-to-date. Was there anything unusual in the third quarter that helps provide maybe a onetime benefit or pull-forward? And then looking to the fourth quarter, do you expect free cash flow to be up year-over-year? Are there any other factors there, timing or whatnot that might cause it to decline?

Right. Okay. So, on FX, I guess what I would say is, we did give guidance for Q4 that it's minus $0.04. It's really due to a stronger US dollar. In general, we prefer a weaker US dollar across our global portfolio because we're translating local revenue and local expenses into US dollars. And so if the stronger US dollar continues, we would expect some FX headwind in 2020, but we haven't given data.

And then on your free cash flow question, so free cash flow is very strong year-to-date, 25% up year-to-date over last year. We have given guidance on free cash flow that we expect double digits for the foreseeable future. And so we would expect very strong free cash flow growth for the full-year 2019. There were some restructuring cash charges that timed out of Q3 into Q4. If you think about the whole program, we'll finish restructuring in 2019, and so you'll see those cash charges come through in the fourth quarter. But we're really excited about free cash flow for the full-year 2019, and I'm most excited about free cash flow to 2020 in terms of double-digit free cash flow growth, plus the declining use of cash. So I hope that answers your question.

Yeah. Thanks so much.
Elyse Greenspan  
Analyst, Wells Fargo Securities LLC

[ph] Thank you (29:15). Good morning. My first question, earlier this week, you guys announced a regional insurer group initiative. Just trying to get a little bit of additional color there just in terms of how you will kind of size your business in that regional kind of space today and kind of long-term growth aspirations there and if that is expanding on that type of regional-sized account offering depending upon any M&A activity within the US?

Gregory C. Case  
Chief Executive Officer & Executive Director, Aon Plc

Elyse, that's just another example as we look across sort of the global portfolio, and it's back to kind of as we connect the dots on opportunities. We saw this as a great opportunity to help a sector that we know very, very well; and it really isn't about the size, it's really about what we can bring to the table. So, if you think about walking into this client and helping them with their – a lot of the things on protecting their balance sheet, which we know very, very well. Think about how we can help them on retirement, on health, on the broader-based sort of things to candidly help them improve their operating performance, strengthen their balance sheet, reduce volatility, and we bring all Aon to bear on that mission.

We just love that approach in that sector; and frankly, we've seen it happen around the world. This is another example of, we've seen the movie before, how do we translate what we've seen sort of in the client impact in an effective way, and this is just another example of that. We're very excited about it. Our leaders are rallied around the world to do it, and it really is a set of leaders across solution lines who are going to sort of bring the full force of Aon to this sector, and we're really excited about it.

Elyse Greenspan  
Analyst, Wells Fargo Securities LLC

Okay, thanks. And then my second question, just in terms of margin. So, 350 basis points this quarter, you still get around 210 basis points or so if we assume kind of adjust for the savings in the quarter. I guess what I'm trying to get a sense of is what's kind of the sustainable level of margin improvement here.

And I know you guys kind of continuously point about 70 to 80 basis points that you've historically seen, but it seems that what you're doing with Aon Business Services should lead to greater operating leverage. So, should we think about the third quarter level being more sustainable relative to the margin improvement you've seen in the past?

Christa Davies  
Executive Vice President-Global Finance & Chief Financial Officer, Aon Plc

It's a great question, Elyse. And what we would say is year-to-date, margin expansion is 350 basis points, of which 110 basis points is core margin expansion if you take out the restructuring savings. You're absolutely right that Aon Business Services that's providing us with incremental operating leverage is driving sustained productivity improvements well beyond the restructuring savings into 2020 and beyond.

And one simple example of that is the fact that we've actually automated over 500,000 hours this year through automation which drives ongoing productivity. So you can kind of see the improved operating leverage before we reinvest in additional growth opportunities. We do think the right guidance going forward in terms of our margin expansion is the 70 to 80 basis points. That is in line with our 10-year historical average. So, we feel really good about that.
Okay. Thanks. And then, my last question, in terms of reinsurance, growth is still pretty good, but we did see a little bit of a slowdown sequentially. Was there anything in terms of maybe the new business flow? I guess, did you see any kind of change in trends within your reinsurance [ph] both (32:47) from the second to the third quarter in either new business or retention that might have impacted the sequential slowdown in organic?

Hi, Elyse, it's Eric, and maybe I'll take a stab at it. The reality is no, we have not seen a slowdown on it. The composition of the book is different in the second half of the year. The first half is pretty heavily loaded towards the Treaty business. The second half is much more facultative and capital markets. And that business is a little bit – a little lumpy based on how and when the clients need [ph] to cover (33:19). And so, I would say we are continuing to be pretty strong in that space. It's a double-digit growth business for us, especially the [ph] back (33:27) business, and we continue to see that going forward.

And like everything, Elyse, we look at these things year-over-year. When you think about year-to-date progress against year-to-date last year, continued momentum on building the business is absolutely fantastic, 9% year-to-date. So, continued progress and momentum.

Okay. Thank you.

The one thing I had was – I was wondering about the divestitures that you’ve been doing and how we should think about the impact on revenue and margins prospectively in the fourth quarter and maybe 2020 from the divestiture piece that you're doing.

Yeah. It's a great question, Paul. And what I would say is, as we think about managing the portfolio, we're doing it on a return on capital basis and maximizing our investment in high revenue growth, high margin businesses, and then obviously divesting lower revenue growth, lower margin businesses. As we think about modeling going forward, you should see a similar impact in retirement due to the divestiture of that business in Q2 for the next three quarters. So, that'll sort of flow through over the course of the year similar to what you saw in Retirement this quarter.
Great. That's all [ph] I have (34:45). Thank you very much.

**Operator:** Thank you. Our next question comes John Heagerty of Atlantic Equities. Your line is now open.

**John Heagerty**  
**Analyst, Atlantic Equities LLP**

Thanks. A couple of questions if I could. Firstly, on the Data & Analytics division. It looks a little bit like the organic revenue growth is decelerating over the past four quarters. So I was wondering if we should really like that or whether it's just that there has much more of a skew towards Q4 and that's likely to come through again this year?

**Gregory C. Case**  
**Chief Executive Officer & Executive Director, Aon Plc**

Yeah, I'd step back, John. As you think about sort of growth overall, just a lesson for all the solution lines really. It really isn't about any single quarter or even in solution line. We really look at growth across the board, so we're really looking at sort of Aon results overall and the perspective of how that progresses year to year. So, there's lots of things happened within individual solution lines.

And if you sort of look at that perspective, that bucket together, you see really tremendous progress, 5% in 2018, 6% year-to-date in 2019. By the way, that's versus 4% year-to-date in 2018, so up 200 basis points. And really, across the portfolio, all solution lines including Data & Analytics are sort of up year-to-date, including Data & Analytics, I may say, when you think about year-to-date. So, for us, we wouldn't focus on any one or particular quarter or the other, it really is about year-to-date progress or year-over-year progress, and we feel very good about where we are against that.

**John Heagerty**  
**Analyst, Atlantic Equities LLP**

Okay. Thanks. And then just on the divested revenues following up on Paul's question, just – it looks like the amount in terms of revenue divested so far this year is just under $100 million. In terms of the cash flow generated from the divestments, it looks like it's only about $43 million. So, what do we – can you give a bit more detail on what those businesses were and what sort of margin they were generating?

**Christa Davies**  
**Executive Vice President-Global Finance & Chief Financial Officer, Aon Plc**

Yeah. I mean, what we can say, John, is that the lower revenue growth, lower margin businesses, so it fits with our focus on improving gross and improving margins and focus on return on capital. We haven't given specifics on the amount of cash we receive. We feel really good about the overall management of the portfolio including those divestments.

**Gregory C. Case**  
**Chief Executive Officer & Executive Director, Aon Plc**

And just bear in mind, as you think about sort of where we are, this is probably one that's not even year-over-year. It really is over multiple years as you think about where we are, and think about our acquisition and divestiture strategy over the last number of years. We are absolutely maniacally focused on improving return on invested capital, so it's not surprising. The cash flow characteristics of the business we divest aren't nearly as good as the ones we have, nor the ones we buy.
And so, we’re going to be lumpy year-over-year as we think about the right acquisitions. We’re going to bring in content and capability we can scale, and that will drive top line growth over time. But it really in this case, is – even more over a period of years, it will drive top line growth as you’ve seen you know over the last decade.

So, hopefully that’s helpful. We’ll continue to think about the divestitures when they are helpful to the ROIC and the overall portfolio, and we’ll continue to make acquisitions with great capacity to do so when they make sense as well.

John Heagerty
Analyst, Atlantic Equities LLP

Okay. Thanks.

Operator: Thank you. Our next question comes from Yaron Kinar of Goldman Sachs. Your line is now open.

Yaron Kinar
Analyst, Goldman Sachs & Co. LLC

Good morning. First question, I guess just following up on Elyse’s margin question. So, kind of the – just over 200 basis points of core margin improvement in the quarter, 100 or so basis points of improvement year-to-date, is the above run rate improvement also a function of timing and magnitude of investments in the platform?

Christa Davies
Executive Vice President-Global Finance & Chief Financial Officer, Aon Plc

It's really about the operating leverage we're getting through Aon Business Services which is accelerating our overall margin expansion year-to-date because if we look at the nine-month operating margin expansion versus the six months we've accelerated, and the restructuring savings has remained about the same proportion of that, and the core margin expansion has expanded. And so we're getting real operating leverage in the platform from growth, from – yeah, from leverage in ABS, and we expect that to continue through calendar year 2019 and into 2020. One of the other things I'd say is, this operating leverage is allowing us to fund greater investment in some whole new markets and capacity. Greg, you might want to talk a bit about that.

Gregory C. Case
Chief Executive Officer & Executive Director, Aon Plc

Well, I just – Yaron, as Christa described very, very well, this is – as you think about our margin – expanding margin and our capability to do so, you've seen us over a 10-year period do the 70 to 80 basis points as been described already. You ask yourself the question, what's the probability we can continue to do that? We would suggest that this quarter and this year-to-date's performance says that probability is going up, not going down; and that's because of the operational leverage Christa described.

In addition to that, it's really important for us to convey how much we are investing in future growth for our business. And this is a number of areas; you think about what we've done in intellectual property, what we've done in the entire area of kind of public partnerships, what we've done in small client, what we've done in the Retirement business, in the Health business. All these things are sort of net new things we've never done before. You've seen examples; we talk about the World Bank cat bond last time and there's a whole series of things we've done that create net new. Truly not just expanding share of what's already out there but net new, things that have never been looked at before, Siemens-Sibur.
So there's a level of investment that is quite high. We're very excited about it in terms of future long term growth. But we're also very committed in making sure we can continue to improve margins year-over-year. And as Christa described, Aon Business Services is a way to do that, but it also have lots of different attributes in terms of what we're doing. The muscle is really, really powerful and we're going to keep working on it.

Michael O'Connor
Co-President, Aon Plc

Hey, Greg, maybe I'd share – it's Mike. Maybe I'd share an example of how Aon Business Services change in what we do. And I'd use our healthcare center of excellence that's delivering better outcomes, as well as getting efficiency and productivity gains. And the short description to this is we've basically moved our 600 actuaries into a center of excellence model. We're leveraging best practices, we're bringing common tools to bear, and we're driving productivity gains. And we mentioned in the past, we've built an analytical suite of tools and architect, and this group of actuaries is using that as well. We've talked about how our colleagues in the field are using our actuaries are using as well, where we're going from manual calculations using assumptions to AI-driven suite of tools where we can do hundreds of assumptions simultaneously and generate 0.5 million scenarios for our client so we can actually work with the client to pick the best outcome. In addition, you bring the group together in center of excellence and we've improved peer reviews through automated workflows. So we get all the productivity gains you'd expect in a center of excellence, but we're most excited about the impact we're having with clients.

Gregory C. Case
Chief Executive Officer & Executive Director, Aon Plc

I really appreciate that example, Mike. So, again, [indiscernible] sort of here this is you take a step back to your question fundamentally, our ability to improve margin, the reason we're so excited about Aon Business Services is it creates operating leverage in the business, it's meaningful and real. But no kidding, Mike said 600 actuaries, we had them all around the firm. We now bringing them together. They're doing things we didn't – hadn't done before. And instead of giving a client three or four options on their side, we're giving them a continuum of 500 sort of iterations – 500,000, I'm sorry, I'm being corrected by my colleagues. 500,000 iterations of what we can do, all better than three, by the way. And it changes fundamentally our ability to serve clients. So, it builds operating leverage and improves service. And that's the equation we're pulling together when we described Aon United. That's one big aspect of it.

Yaron Kinar
Analyst, Goldman Sachs & Co. LLC

Yeah. That's very helpful. I appreciate that. My second question is around intellectual property. So, Greg, you've talked in the past, even just mentioned it now, that there's an underserved potential or underserved client needs that have created significant potential for the market. Can you and the team maybe help us try and size this market opportunity in IP? And then, also discuss the specific actions, particularly year-to-date that Aon has taken to position itself to capitalize on this opportunity?

Gregory C. Case
Chief Executive Officer & Executive Director, Aon Plc

So, you start with literally the fundamental opportunity, the potential demand. And it's – any way you look at it, it's incredibly compelling. Just step back, pick the estimate, [ph] 2018 (00:43:04), how much of the value of the S&P 500 was attributable to intangible assets? And it's 80% to 85%. Think about what that means, $20 trillion plus. It's an amazingly huge number sort of attributable to intangible assets that was probably in the low-20s in the 1970s. It's now on the 80s, mid-80s, and so you essentially say, if that's where the value is coming from, this is back to
the idea of net new. What are we doing that makes a difference for clients net new that doesn't exist and the protection of intellectual property is something we have never done before. And it's why again we brought in tremendous amount of capability, some with Stroz Friedberg and 601West, tremendous capability which we've added to over time. And we've got 100-plus colleagues who were too focused on how you think about value in intellectual property and how you provide cover on it, how you protect clients from the liabilities that come with it or the IP theft.

And so, you ask yourself, how big could that market be? Candidly, this is a market that should be much bigger than Sibur. This is $100 billion plus market over time. If we help clients understand how to address and protect intellectual property, trade secrets, all the things that come with that, our view is this is a tremendous opportunity for the industry, and candidly, a tremendous opportunity for our clients. And the other piece and, I'm sorry to get off on the IP, but I can't help it.

One of the things about IP that's so cool is a lot of what we do is protecting the house. And as in Sibur, something bad happens, how do you protect, something happens in a plant or equipment or something happens in the portfolio on the Retirement side? These are protecting downside.

Intellectual property is about creating upside. You can actually help clients create net new value that they already have but didn't really know it. When you can actually help a client value a portfolio – by the way, the valuation comes from the fact that the insurance markets actually back it, so that creates the implicit value. All of a sudden, you're creating opportunities.

So, we're pretty bullish on this as you can tell. And really, in terms of sort of the idea of net new high margin, high margin because it's high value to clients, we're providing this kind of value to clients. We're doing things that no one else has been able to do and the opportunity we think is substantial, and you see us investing heavily behind it.

Back to the question around maintaining 70 to 80 basis point improvement and investing this heavily, how do you do it. Again, the 100-plus colleagues, how do you do it? You do it with Aon Business Services and other means to sort of create operating leverage in the business. And that's the equation we've got.

Yaron Kinar
Analyst, Goldman Sachs & Co. LLC

Thank you for the comprehensive answers.

Operator: Thank you. Our next question comes from Meyer Shields of Keefe, Bruyette & Woods. Your line is now open.

Meyer Shields
Analyst, Keefe, Bruyette & Woods, Inc.

Great. Thanks. Good morning. Greg, I was hoping you can walk us through the opportunities and challenges of Lloyd's Blueprint One on I guess revenues and margins there?

Gregory C. Case
Chief Executive Officer & Executive Director, Aon Plc

Yeah. Listen, we've spent a lot of time with our partner in Lloyd's, John Neal and Bruce and team trying to offer thoughts and views and perspectives. We are absolutely focused and delighted to be supportive when we can
because it’s important to our clients. And our guidance has largely been around sort of the following types of things; whatever Blueprint comes out to be, whatever incarnation it comes out to be, you ask yourself the question, has it helped our clients? Has it done things for our clients that they don’t get elsewhere in the world? Is there more innovation in a way that sort of benefits our clients?

So for us, it's all about that and that's the test of relevance for all of us and it's a test of relevance for Lloyd's as well. And so everything we've done around it is sort of how do we help them, see what has to be true from the add-value in a distinctive way. And then we come back to if you're adding value in a distinctive way that has real beneficial aspects for margin. If you're adding value in a way that's much more commoditized, then it should have much less attractive margin characteristics.

So for us, this isn't about us. It's really about our clients and sort of how we can help Lloyd's understand sort of what has to be true to help our clients and we're very hopeful. John and Bruce and team have worked very hard to sort of – to take some steps to sort of really drive this market forward and we're excited about the possibilities and want to support in any way we can to support our clients.

Meyer Shields
Analyst, Keefe, Bruyette & Woods, Inc.

Okay. That's very helpful. Is there any validity to the idea that this could be sort of a revenue headwind but improved the bottom line by even more?

Gregory C. Case
Chief Executive Officer & Executive Director, Aon Plc

No. I don't think there – really, at the end of the day, we haven't really thought about it in that way at all really. This is – Lloyd's is a source of capital and capability for our clients. We want to apply any way we can. John and Bruce are very well aware there are other options out there as well and we have access to all of them. So we're in essence essentially saying, we still always come back, Meyer, to the question is, what's the client need and how are we supporting and serving it. If we do that distinctively, our margins and growth take care of themselves and we love that knife-edge by the way that means we have to continue to improve. And if we don't, we suffer the consequences as does everyone else.

Our view is the opportunity is great, there's lots of capital choices out there to support our clients to the extent that's helpful and necessary and that's how we're going to pursue it. So we don't really see – we're really not sort of seeing sort of any short-term, long-term sort of implications that would be driven by the Lloyd's Blueprint.

Meyer Shields
Analyst, Keefe, Bruyette & Woods, Inc.

Okay, fantastic. And then one small question for Christa, the press release notes that geographic distribution of earnings impacted the tax rate, does FX itself had a tax rate impact?

Christa Davies
Executive Vice President-Global Finance & Chief Financial Officer, Aon Plc

No, it doesn't.

Meyer Shields
Analyst, Keefe, Bruyette & Woods, Inc.

Okay.
Christa Davies  
Executive Vice President-Global Finance & Chief Financial Officer, Aon Plc  

No, it doesn't.

Meyer Shields  
Analyst, Keefe, Bruyette & Woods, Inc.

Sorry, go ahead.

Christa Davies  
Executive Vice President-Global Finance & Chief Financial Officer, Aon Plc  

No, it doesn't Meyer.

Meyer Shields  
Analyst, Keefe, Bruyette & Woods, Inc.

Okay, great. Thanks so much.

Operator: Thank you. Our next question comes from Brian Meredith of UBS. Your line is now open.

Brian Meredith  
Analyst, UBS Securities LLC

Yes, thanks. Most have been answered but just one here, Greg, I noticed in your survey the number one challenge that I think corporations talk about is economic slowdown/slow recovery. Could you give us some insight as to kind of what you're seeing right now and also is that at all a concern for you guys as far as your organic revenue growth going forward here if we do get some economic slowdown?

Gregory C. Case  
Chief Executive Officer & Executive Director, Aon Plc

Yeah. Brian, first I would say I appreciate you referencing the risk survey. We find a lot of insight into that as we're asking clients around the world what's most important to you, what's on your mind. Most salient of which is when you look at sort of the top 10 risks, most of them are – don't actually have an insurance-related answer. Actually, five have none, a few have partial, and then a few have something.

So, our view is that's massive opportunity to sort of help clients, and to the extent slowdown becomes number one, how do we help clients do that. By the way, Eric and Mike both gave examples that would sort of lean into the headwinds of what would be a recession.

As it relates to Aon, listen, we'll just say we feel fairly fortunate. If you think about sort of what's happened to us, so you go back to the recession of 2008 and 2009 and what happened in essence, you know the story well, we were largely flat in terms of sort of where that was. What you'd seen us do in the first nine months of this year, as everyone has talked about sort of issues and concerns, is grow 6% year-to-date versus 4% last year. So, we're up 200 basis points versus – year-to-date versus last year, incredibly positive.

Remember, a lot of the revenue is nondiscretionary. So, 85% is renewed business and retention rate is 90% plus on average. And so, it's a very unique kind of demand characteristic. By the way, that demand characteristic is true in Commercial Risk. It's true in Reinsurance. It's true in Retirement. It's true in Health, incredibly powerful in terms of where we are.
And then if you think about where we were in 2008 and 2009, which is basically flat to the world and improved margins at the same time during the last recession, we're a very, very different and stronger firm now than we were then. Now, you actually have all the things that we had back then plus all the net new. So, we didn't have IP, we didn't have Sibur, we didn't have some of the Health advancements that Mike's talked about, some of the things we've done on the Retirement side. So, it's a much stronger firm in which we're creating new addressable demand that didn't exist before. And in many respects, we hope creating markets in which Aon will benefit and certainly others will, too, competitors, everyone will.

We open up $100 billion IP market that will benefit everyone. Same on Sibur. We all know Sibur is anemic, it's small as compared to what it should be on behalf of clients, huge opportunity against that. So, for us, we're always going to be vigilant, but we feel very good about our ability to support clients. And in many respects, the demand grows in times of volatility or in times of stress for them. And to the extent we help them improve performance or strengthen their balance sheet or reduce their volatility, that in and of itself is actually going to create an interesting play. And then, the final thing I would say is sort of in recession, there's a bit of a flight to quality in terms of sort of making sure you can deliver on behalf of clients. And we would – we believe we'd benefit from that.

Brian Meredith
Analyst, UBS Securities LLC

Great. And then, one other quick one. Looking at the survey response is ones political risk. And I think you may have commented about this quarters ago, but just maybe remind us if indeed we do see Medicare for All, what impact would that have on your Health Solutions business?

Gregory C. Case
Chief Executive Officer & Executive Director, Aon Plc

Well, as we described, by the way, this is – again, you kind of come back to fundamental what we're talking about here on sort of the health world overall. This is an incredibly dysfunctional part of the global economy as we all know. And the population around the world is becoming less healthy and [ph] putting the cost of healthcare is going up. So net-net, we think there's going to be massive demand in the context of this. Remember, if you look at – half our Health business is in the US, half outside the US. And that outside the US is actually more akin to the single payer world. And we've done exceptionally well. We're growing faster and margins are going up. There's a lot of opportunity on just beyond the core but also on what you do from an elective standpoint on top of it.

So as we look at economies around the world, we would say the demand is real. Our ability to address it is real and we like that opportunity. The following I would say is without any political commentary on whether that's a good solution or not. Let's assume you actually went to that solution, the transition to that solution will create huge turmoil with our clients and our ability to sort of support them in the transition but also be a source of opportunity.

But net-net, long term, we love the health space. I think there's tremendous opportunity to help clients in what is a really stressful world. And one of the things you look about it, it's not just the Health side, it's the Health and Retirement because our clients, employees are overspending on Health on average and under-spending on Retirement. And imagine, Brian, if we can actually help them tweak that 1% or 2% for their employees, our companies sort of done a huge service to the families of the employees who work for them. So we're pretty bullish on sort of what's out there and the stresses for our clients and our ability to address it.
Operator: Thank you. Our last question comes from Josh Shanker of Deutsche Bank. Your line is now open.

Joshua Shanker
Analyst, Deutsche Bank Research

Good morning. Just with a couple of numbers questions, really. The first one — and then Dave Stylbo kind of asked some questions about it. I'm wondering if you can talk to a little bit what the normalized free cash flow would have been in the first nine months of 2018. Or maybe how you think about what is the normalized growth that you've enjoyed here in the first nine months of 2019 or maybe the first year? I know you're thinking about 2020, but can you talk about where normalized free cash flow growth has gone over the past 12 months?

Christa Davies
Executive Vice President-Global Finance & Chief Financial Officer, Aon Plc

So the way we think about it, Josh, is really free cash flow growth for the first nine months of the year of 25%. We are on track for strong free cash flow growth for full year 2019. We've given long term guidance of double-digit free cash flow growth for the foreseeable future and we feel like we are on track for that and we're particularly excited about 2020 where we'll have underlying free cash flow growth of double-digits plus a declining use of cash as you see on page 26 of the materials through decreased cash usage on pension CapEx and restructuring.

Joshua Shanker
Analyst, Deutsche Bank Research

But you can't say normalizing for restructuring spend and what not what the 2019 versus 2018 free cash flow trend has been?

Christa Davies
Executive Vice President-Global Finance & Chief Financial Officer, Aon Plc

I mean you can see the restructuring cash yourself but we're getting double-digit free cash growth.

Joshua Shanker
Analyst, Deutsche Bank Research

Normalized, you think that's normalized?

Christa Davies
Executive Vice President-Global Finance & Chief Financial Officer, Aon Plc

Josh, I mean what we would say is we feel like we have double-digit free cash flow growth year-to-date and long-term.

Joshua Shanker
Analyst, Deutsche Bank Research

Okay. Okay. And the other question also numbers-based in the healthcare (sic) [Health] (00:56:14) Solutions sector, can you talk about the dollar value of nonrecurring headwinds you had in the quarter on revenues and how much revenue has been moved from 3Q into for 4Q?
Christa Davies  
*Executive Vice President-Global Finance & Chief Financial Officer, Aon Plc*

Here’s what we’d say on Health Solutions, we feel really good about where we are in terms of Health Solutions. We’ve delivered 5% growth year-to-date. It’s accelerated from 4% year-to-date in 2018 and we have all lines contributing, all solution lines contributing to a mid-single digit growth or greater for the full year 2019 and we’re looking forward to a strong Q4.

Joshua Shanker  
*Analyst, Deutsche Bank Research*

And – but there’s no guidance around those two items you cited in the press release?

Christa Davies  
*Executive Vice President-Global Finance & Chief Financial Officer, Aon Plc*

No.

Joshua Shanker  
*Analyst, Deutsche Bank Research*

Okay. Thank you very much.

Christa Davies  
*Executive Vice President-Global Finance & Chief Financial Officer, Aon Plc*

Thanks, Josh.

**Operator:** Thank you. I would now like to turn the call back over to Greg Case for closing remarks.

Gregory C. Case  
*Chief Executive Officer & Executive Director, Aon Plc*

I just want to say to everyone, thank you very much for joining and we look forward to the conversation next quarter. Thanks so much.

**Operator:** That concludes today's conference. Thank you for your participation. You may now disconnect.