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MANAGEMENT DISCUSSION SECTION

Operator: Good morning and thank you for holding. Welcome to Aon plc's Second Quarter 2020 Conference Call. At this time, all parties will be in listen-only mode until the question-and-answer portion of today's call. I would also like to [audio gap] (00:00:15) parties that this call is being recorded. If anyone has an objection, you may disconnect your line at this time.

It is important to note that some of the comments in today's call may constitute certain statements that are forward-looking in nature as defined by the Private Securities Reform Act of 1995. Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical results or those anticipated. Information concerning risk factors that could cause such differences are described in the press release covering our second quarter [ph] 2020 (00:00:51) results, as well as having been posted on our website.

Now, it is my pleasure to turn the call over to Greg Case, CEO of Aon plc.

Gregory C. Case  
Chief Executive Officer & Executive Director, Aon Plc (United Kingdom)

Thanks very much and good morning, everyone. Welcome to our second quarter conference call. I'm joined virtually by Christa Davies, our CFO; and Eric Andersen, our President. As in previous quarters, we posted a detailed financial presentation on our website.

To begin, I want to thank our global team for their extraordinary leadership and responding to the ongoing challenges presented by COVID-19. Even as the vast majority of our workforce continue to work remotely, their innovation, connectivity and engagement in support of our clients and each other is truly exceptional. And we see
that engagement in colleague feedback, most recently, in the near 90% approval rating of our response to the pandemic. Consistent with that sentiment, colleague retention is up across the organization.

Further, our firm’s response to more recent and fundamental issues of social injustice and inclusion has been resolute and inspiring. Our global team is committed to structural change that is meaningful and lasting, change that will make us a better and more inclusive firm. We view progress on this front as central to our future and are taking action further reflecting this priority.

Turning to our second quarter results. For Aon overall, organic revenue declined 1%, an outcome that demonstrates great work by our team and resilience of our business in the face of unprecedented challenges in the global economy. In particular, I’d like to highlight 9% organic revenue growth in Reinsurance Solutions, driven by net new business generation in treaty and double-digit growth in facultative placements. These results demonstrate the team’s seamless transition to the new working environment and their focus on meeting evolving client needs.

Within Commercial Risk, 1% organic revenue growth was driven by strong retention across most major geographies and particular strength in core property and casualty, partially offset by impact in more discretionary areas of the portfolio which is transaction liability, construction, and project work.

Retirement Solutions declined 1% in organic revenue, reflecting solid growth in Investments, the ability in Retirement, and pressure in the more discretionary aspects of our business, especially Human Capital.

Two areas of particular challenge for the quarter were Health Solutions and Data & Analytic Services. We expect the short-term headwinds impacting results in both areas will reverse over time. In Health Solutions which declined 18% in the quarter, two issues were evident. First, pressure in both core and more discretionary areas of our business, primarily driven by a decline in employment levels related to COVID-19 and the timing of certain revenue. And second, a one-time adjustment representing approximately 5% of the decline which was identified with the implementation of a new system. This will not repeat in future periods.

Overall, our performance in Health Solutions reflects the pressure of the COVID-19 challenge but also highlights the long-term importance and priority of this solution line for our clients.

In Data & Analytic Services which declined 8%, results were driven primarily by an expected decline in our travel and events practice. We expect this to bounce back strongly when the economy returns to a more normal performance level.

In terms of overall organic revenue expectations for Q3 and Q4, the outlook is obviously uncertain. If macroeconomic conditions persist, we expect to see ongoing firm-wide revenues pressures similar to what we observed in Q2.

From an operating standpoint, we delivered strong results, including 240 basis points of operating margin expansion, 5% EPS growth, an exceptionally strong free cash flow of $1.1 billion through June, up $875 million from the first half of last year. It's important to highlight that while this performance reinforces confidence in our Aon United strategy in any economic environment, we do see ongoing macroeconomic pressures from trends in GDP growth, asset values and employment, among others.
We continue to prepare for a broad range of economic scenarios, but we believe the probabilities of the absolute worst-case scenarios assessed in early March have diminished. This reduced probability is what gave us the confidence to restore and repay our temporary salary reductions for colleagues with a bonus on withheld amount.

In this time of adversity on so many fronts, our colleagues are continuing to find innovative ways to bring Aon United solutions to pressing client needs. For example, one client, a facilities management and energy services company, has been facing substantial challenge related to the current economic conditions. Colleagues from Commercial Risk, data and analytics, and Human Capital came together to collectively help this company navigate short-term headwinds while also strengthening their operational efficiency and overall resilience.

One of their biggest challenges was the cost of operating and maintaining their fleet. Our team designed a new solution for risk management and talent assessment, designed to reduce fuel and insurance costs, while enhancing driver safety, an outcome that’s also our clients’ top priorities.

The issues faced by clients today demonstrate that our economy is unprepared for complex and interconnected challenges fully demonstrated by the COVID-19 pandemic. Looking forward, there are other long-tail risks on the horizon. As climate changes, population ages and the wealth gap continues to widen, volatility will increase.

Our global risk survey highlights that of the top 10 risks our clients face, only 1 is fully insured, 4 are partially insured, and 5 are not insured at all. The mandate is clear. We must innovate faster to provide answers to these growing areas of client demand. For Aon, our path forward to increase innovation and support clients is clear.

Our Aon United Blueprint provides a proven road map, and the combination with Willis Towers Watson will substantially accelerate progress. Together, we’ll be better for our clients on day one, driven by the complementary nature of our core businesses across solution lines and geographies; and we’ll be better in the future, driven by a shared commitment to analytics and increased ability to unlock new sources of value for our clients.

We’ve been saying for some time that the world is becoming more volatile; economically, demographically, geopolitically, and the events of the last 100 days only underscore that reality. They also raise the stakes for our Aon United mission and the goal of bringing the best of our firm to clients. At a time when our clients need us most, the combination with Willis Towers Watson further strengthens our client-serving capability, and puts us in a position to best address their unmet needs, those that they turn to us for today, and the emerging needs best met by the next-generation professional services firm that we’re bringing together.

In summary, we delivered strong operational results in the quarter and remain well positioned to manage through and accelerate out of these challenging times. Despite the pandemic, we’re becoming a more capable organization and one that will be further advanced in combination with Willis Towers Watson.

With that, I’ll turn the call over to Christa for further financial review. Christa?

Christa Davies  
Chief Financial Officer & EVP-Global Finance, Aon Plc (United Kingdom)

Thanks so much, Greg, and good morning, everyone. As Greg mentioned, we delivered a solid operational performance in both the quarter and year-to-date, despite significant macroeconomic challenges, demonstrating the resiliency of our business and the strength of our Aon United strategy in any economic environment.
The steps we've taken to proactively and conservatively manage discretionary expenses and liquidity have enabled us to maintain financial stability and flexibility. This conservatism makes us resilient through these challenging times, and positions us to come out stronger. We remain committed to deliver significant shareholder value over the long term, which we believe will be accelerated by our combination with Willis Towers Watson.

As I discuss our results today, I would note that while we manage our business on a full-year basis and typically focus on year-to-date numbers, my commentary today is somewhat more focused on the quarter, especially given differences in the external environment in Q1 and Q2, and how that impacted our decisions, results and outlook.

Our second quarter results reflected strong performance in challenging economic conditions. Organic revenue declined by 1%, with 9% organic revenue growth in Reinsurance and 1% organic revenue growth in Commercial Risk Solutions. As I described last quarter, our business has strong fundamentals with roughly 80% being core and 20% relatively more discretionary. As expected, we did see larger and more immediate impact from the more discretionary portions of our business, which contributed to organic revenue declines in Retirement Solutions, Health Solutions, and Data & Analytic Services.

I would also note the reported revenue was pressured by FX, as well as lower fiduciary investment income as a result of lower interest rates globally. As I look towards the rest of the year, as Greg mentioned, we remain confident in the underlying resilience of our business. However, given continued macroeconomic uncertainty, we are not providing specific financial guidance at this time.

In terms of organic revenue expectations for Q3 and Q4, the outlook is obviously uncertain. If current macroeconomic conditions persist, we would expect to see ongoing firm-wide revenue pressures, similar to what we observed in Q2.

Moving to operational performance. For the first half of 2020, we delivered solid operating improvement with 7% OI growth, operating margin expansion of 230 basis points, and EPS growth of 9%. I would note that while operational improvement in the first quarter includes strong organic revenue growth, improvement in the second quarter includes the temporary reduction of discretionary expenses, including reduced travel and events which does not reflect sustainable core operating margin expansion.

As Greg mentioned, we're still preparing for a broad range of outcomes. However, we do see a decreased likelihood of worst-case scenarios. While operating margins have improved 230 basis points for the first half of the year, due in part to the preemptive and temporary expense actions we took to decrease underlying expenses as compared to the prior year, we expect operating expenses for the second half of 2020 to be more consistent with underlying expenses in the second half of 2019, excluding restructuring charges.

This represents a difference from Q2, as we return to more normalized levels of spend in the face of reduced likelihood of worst-case macroeconomic scenarios. We expect the second half of the year will include very targeted investment in priority areas while maintaining strong operational discipline.

Finally, as noted in our earnings materials, FX was an unfavorable impact of approximately $0.01 in the second quarter and $0.05 year-to-date. At today's rates, we would expect a $0.02 per share unfavorable impact in each of Q3 and Q4.

Overall, we're confident the investments we've made in our Aon Business Services operating platform enable us to continue to manage costs in the near term and to unlock significant operational leverage over the long term.
Aon Business Services enables our ability to distribute content and capabilities across the firm to drive long-term growth and free cash flow.

Turning to cash and capital allocation. Free cash flow increased $875 million to $1.1 billion, driven by strong operational improvement, the impact of temporary salary reductions, near-term actions we've taken to improve working capital, and a decrease in restructuring cash outlays. I would note that the impact of temporary salary reductions were reflected in the income statement in Q2, but the withheld amount will be paid and impact cash flow in Q3.

As the world moved to working remotely, our ability to centrally manage invoicing, cash collections and vendor payments has been essential, and this environment has served to accelerate the transition to digital which then helped ensure we're able to focus on driving free cash flow growth. We remained very confident in the strength of our balance sheet and manage liquidity risk through a well-laddered debt maturity profile. We further improved liquidity in the second quarter issuing $1 billion of debt, of which $600 million was used to pay down term debt coming due in September 2020.

We ended Q2 with $100 million lower total debt compared to the end of Q1. Historically, we've looked to increase debt as EBITDA grows, while maintaining leverage ratios. However, due to current macroeconomic conditions, we expect to continue to manage our leverage ratios conservatively in the near future. We are diligent about maximizing return on invested capital and make capital allocation decisions through this framework.

While we paused certain discretionary uses of cash in the first quarter, we are considering resuming limited share buyback in the second half of the year, subject to macroeconomic conditions, business performance and the timing restrictions related to our combination with Willis Towers Watson. We are likely to maintain higher-than-normal levels of cash for the near future given macroeconomic uncertainty.

As we've said before, we are committed to maintaining our investment grade credit ratings following the combination with Willis Towers Watson, and continue to make progress against our key milestones. We filed our joint definitive proxy earlier this month and look forward to the vote for both companies’ shareholders on August 26. We expect the deal to close in the first half of 2021, as we've previously communicated.

In summary, our business is stable and resilient in the face of macroeconomic challenges. The historic steps we've taken to drive our Aon United strategy and especially our Aon Business Services operational platform are more important now than ever. Our disciplined approach to return on invested capital 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 delighted to take your questions.
QUESTION AND ANSWER SECTION

Operator: Thank you. We will now begin the question-and-answer session. [Operator Instructions] Our first question is from the line of Suneet Kamath of Citigroup. Your line is now open.

Suneet Kamath
Analyst, Citigroup Global Markets, Inc.

Thanks. Good morning. I want to start with the merger. In the past, you guys were confident that you wouldn't need to divest any businesses. I just want to first confirm, is that still your view?

Gregory C. Case
Chief Executive Officer & Executive Director, Aon Plc (United Kingdom)

That is, in fact.

Christa Davies
Chief Financial Officer & EVP-Global Finance, Aon Plc (United Kingdom)

Yes, it is.

Suneet Kamath
Analyst, Citigroup Global Markets, Inc.

Okay. Great. And then...

Christa Davies
Chief Financial Officer & EVP-Global Finance, Aon Plc (United Kingdom)

Yeah, I mean...

Suneet Kamath
Analyst, Citigroup Global Markets, Inc.

Go ahead, Christa. Sorry.

Christa Davies
Chief Financial Officer & EVP-Global Finance, Aon Plc (United Kingdom)

Sorry. So, yes, that's exactly our view. We remain exactly on track to the overall merger. We're very excited about it. I'm frankly more excited today than when we announced it on March 9. And we expect to close in 2021 with no divestitures.

Suneet Kamath
Analyst, Citigroup Global Markets, Inc.

And so, relatively, I just – I'm trying to reconcile your confidence with some industry commentary we're getting and some investor concerns, particularly on the Reinsurance business. So, if you could provide just some color on why you're so confident with respect to that business in particular.
Christa Davies  
*Chief Financial Officer & EVP-Global Finance, Aon Plc (United Kingdom)*

Sure. So, we have had excellent antitrust council globally for quite some period of time, as you can see from the proxy detail about the background to the merger. And therefore, we feel very confident about our antitrust approval. In Reinsurance, in particular, those businesses are highly complementary. If I took the US as an example, we're very strong on property, Willis Towers Watson, they're very strong in other areas. For example in— we're very strong in large market, they are very strong in middle market. So, it's actually a highly complementary business. And so, we feel really good about our ability to close the transaction with no divestitures, including Reinsurance.

Suneet Kamath  
*Analyst, Citigroup Global Markets, Inc.*

And then...

Eric Andersen  
*President, Aon Plc (United Kingdom)*

Thanks, Christa. Maybe if I could just add a couple of comments as well about the reinsurance market and the way clients access capital. Brokers have only one way with which they do it. There is a very large direct to market especially in Europe, as well as in the US where the insurers actually go to many reinsurers directly. They also raise money through sidecars. So, their access to capital is actually largely done outside the brokerage business, as opposed to within the brokerage business. So, when we actually look at the entire marketplace, it's actually the way people tend to look at it within the industry, I think, really is not the correct way to do it.

Suneet Kamath  
*Analyst, Citigroup Global Markets, Inc.*

Got it. And then my last related question is just, what kind of feedback have you gotten from your customers since the merger announcement? Obviously, it's been several months now, particularly on the brokerage side but also on the reinsurance side?

Gregory C. Case  
*Chief Executive Officer & Executive Director, Aon Plc (United Kingdom)*

Loved your question, Suneet. Listen, we would suggest, by the way, any discussion of the combination with Willis Towers Watson got to begin and end with the only topic that really matters, and that's the one you're raising, which is clients. It's really all about value for clients.

I will take you from the orientation. From the start, John Haley and I talk all the time about a guiding aspiration that is very clear and straightforward. We view this combination as a once-in-a-generation opportunity to change the innovation trajectory for clients. And it's really, Suneet, set a new standard for client leadership and impact. Naturally, our focus is how do we get better faster, how do we address unmet client needs.

And I'll tell you, since the announcement in March, I have talked to literally hundreds of clients about their needs and how they've evolved and how they're shifting over time. And I'll tell you, I've heard from many of them, by the way, this pandemic has fundamentally reordered client priorities in a way never really seen in history. They realized they need to solve not only for what's going on today, the operator challenges today, but also the long-tail challenges that could shut them down in the future, tomorrow. And they're literally turning to us and asking the question, how do we partner with them prepare for the next pandemic; how do we best protect and value their intangible assets and IP which, by the way, is 80-plus percent of their value, and we really haven't...
addressed as an industry over time; how do we mitigate this systemic impact on climate change, model the impact of widespread cyber outages or address things like the health-wealth gap.

So, point is, our clients are asking for more choice. They don't have a choice on these. Now, there's a meaningful choice for them. And this integrated client-driven approach that we're describing really defines our Aon United strategy. And I will tell you, it reflects very similar aspirations John Haley has for the Willis Towers Watson team. It's been remarkable to see.

And our combination with Willis Towers Watson is the catalyst that advances our ability to meet client need. And last thing I would say on this one, Suneet, is it's such an important question, and the way you asked is exactly right, which is client focused. And just reflecting on one of the hundreds of conversations, Suneet, I had with one client, and they've summarized it best back for me because we went through all the things they were facing, and they said straight up, when I look at what I need, this is the client talking to me, what I need from all of you and what's out there now in your industry, fundamentally, this combination is about more choice, more relevant and essential choice for me. I don't have it now, and this gives me the opportunity to have that. So, our response has been exceptionally positive.

Suneet Kamath
Analyst, Citigroup Global Markets, Inc.

Okay. Thank you.

Operator: The next question is from Elyse Greenspan from Wells Fargo. Your line is now open.

Elyse Greenspan
Analyst, Wells Fargo Securities LLC

Hi. Thanks. Good morning.

Suneet Kamath

Hi, Elyse.

Elyse Greenspan
Analyst, Wells Fargo Securities LLC

My first question, if I look at the slide that you guys provided on the merger, the accretion-related bullets are missing from what you had last quarter. I did see that it was in the most recent proxy. So, I just want to confirm that your goals related to accretion, related to EPS and free cash flow that you laid out at the merger still stands today?

Christa Davies
Chief Financial Officer & EVP-Global Finance, Aon Plc (United Kingdom)

Elyse, thanks so much for the question. So, we did commit to $800 million of synergies and we still expect to deliver those synergies and the costs to achieve them, and the timing of those synergies. The accretion dilution was based on underlying EPS estimates. And since then, we have obviously withdrawn guidance given the macroeconomic environment has changed. So, we withdrew our financial guidance of mid-single-digit organic growth and double-digit free cash flow growth. But the recent macroeconomic events do not impact the $800 million of cost synergies and we continue to be incredibly excited about the combination's potential for clients.
As we talked about at the beginning, the strategic rationale for the deal is really around innovation and growth; and as Greg talked about earlier, meeting unmet needs for clients, which we believe is substantial. But, Greg, you may want to elaborate on that.

Gregory C. Case  
Chief Executive Officer & Executive Director, Aon Plc (United Kingdom)

No, I'll just underscore, Elyse, as we came into this set of perspectives in March, as Christa highlighted, and Eric's talked at some point around the integration we're working on now, those high expectations have been exceeded, I mean, the opportunities that we see for innovation on behalf of clients are greater than ever before. Obviously, all the economic pieces Christa highlighted are still fully in place. But that opportunity is, we think, very compelling for our clients as they understand it, and also very compelling for our colleagues.

And again, this is the conversation I have all the time with John Haley. This is two organizations coming together both on a similar journey and see the opportunity now to accelerate that journey dramatically on behalf of clients. So, that really is the momentum we feel as we've spent time with colleagues of Willis Towers Watson just continues to grow.

Elyse Greenspan  
Analyst, Wells Fargo Securities LLC

Okay. That's helpful. And from the regulatory side of things, are you guys kind of on track with where you thought you would be at this point in time? And does it feel like you might — in terms of deal closing, half year one is obviously a big timeframe, do you have a sense of when you finally think you might close the deal? Sorry. Thank you.

Christa Davies  
Chief Financial Officer & EVP-Global Finance, Aon Plc (United Kingdom)

Yeah. So, Elyse, we are exactly on track with our original time period. We filed our joint definitive proxy on Wednesday, July 8. We are on track to hold both shareholder votes on August 26, and we're very excited about that. And we expect to provide updates on the process when we have something to report. But we are on track, as you said, to close the deal in the first half of 2021 exactly as we communicated at the beginning.

And I think really, since March 9 when we announced the deal, we've been spending a lot of time on the Willis Towers Watson integration, and we're even more excited about the combination and the potential to meet unmet client needs. But maybe, Eric, you want to talk a little bit about that?

Eric Andersen  
President, Aon Plc (United Kingdom)

Sure, Christa. And I'm really excited about the early progress that we've had and the integration. Both Aon and Willis Towers Watson are excited about really what it means for our colleagues, in particular. We've been focused on the colleague mission for quite some time about what each individual colleague can actually accomplish for themselves professionally, but also on behalf of the firm and their clients. And we're really excited to see that WTW has been doing a very similar mission.

My integration partner in this, Julie Gebauer, and I, both share a really growing excitement about what the possibilities are as we serve clients better, as we actually help our colleagues see themselves in the combined company. We've been working a lot on the culture part, recognizing that getting the people issues right and
building that vision and that opportunity for them to build their careers here, we'll end up with a team I think that will be the strongest in the industry and one that will draw and retain and attract talent that we need to solve the problems that Greg, you were talking about before.

**Gregory C. Case**  
*Chief Executive Officer & Executive Director, Aon Plc (United Kingdom)*

One last thing I'd just add on that, Elyse, if I could, is just the piece around – we've asked multiple times around what about COVID-19, has that slowed you down, and I will tell you in many respects two things have happened on COVID-19, one, with our colleagues that Eric can talk to a little bit, too, and Christa. And one, with our clients, and the client one – our clients actually see the world changing around them and it really does reinforce everything we've talked about in terms of meeting unmet needs, not just in kind of the pandemic but what comes after the pandemic.

So in many respects, who would have known, but COVID-19 for all of its challenges has completely reinforced everything we've tried to do or talked about doing. And that's really showing up in the integration planning that Eric was describing.

**Elyse Greenspan**  
*Analyst, Wells Fargo Securities LLC*

In terms of buybacks, you guys said limited buybacks for the second half of the year, could you just kind of further define that? And then, what would you need see, it sounds like maybe a bounce-back to pre-COVID economic conditions for you to more fully return to buying back your shares?

**Christa Davies**  
*Chief Financial Officer & EVP-Global Finance, Aon Plc (United Kingdom)*

Thanks so much for the question, Elyse. As you know, we value the firm on free cash flow and allocate capital based on return on capital, cash-on-cash return, and buyback remains the highest return on capital opportunity across Aon. We don't give specific guidance on buyback, but as I did mention, we are considering limited share repurchase in the second half of the year, subject to macroeconomic conditions, business performance and timing restrictions related to our combination with Willis Towers Watson.

In 2020, we've managed the balance sheet conservatively. And we do not expect to add further debt at this time given macroeconomic conditions. We remain committed to our current investment grade ratings, including in combination with Willis Towers Watson. We issued $1 billion of debt, and we've already used $600 million of that to prepay the $600 million of term debt that is coming due in September 2020. And so, you should expect us to continue to manage our balance sheet conservatively given the outlook and uncertainty around the macroeconomic environment. So, you may see more elevated levels of cash and short-term investments through the end of the year.

When you think about our available cash and uses of cash in 2020, we've spent or committed about $1.4 billion in cash on about $460 million of buyback which we completed in Q1, $400 million of M&A, largely completed in Q1, $400 million of dividends, and almost $500 million in restructuring, pension and CapEx, as we've shown in prior investor materials.

And we've also communicated $200 million of expected deal costs, $36 million of which we've incurred year-to-date, with the majority to be incurred when we close the transaction with Willis Towers Watson. And we have
$400 million of term debt coming due in March next year. So, we will likely run elevated levels of cash and short-term balances in the near future given macroeconomic uncertainty.

So, while there's the potential for limited share buyback through the remainder of the year, it will be dependent on macroeconomic conditions like what we see in the capital markets, business performance, including working capital and the timing restrictions around Willis Towers Watson.

Elyse Greenspan  
Analyst, Wells Fargo Securities LLC

Thank you. And then one last numbers question on the free cash flow, pretty strong increase this quarter. You highlighted strong operational improvement, temporary salary reduction, actions to improve working capital, and lower restructuring costs. So, obviously, the temporary salary reductions come back in the third quarter. So as a component of the four buckets, is there any way you could tell us how big of a driver and tailwind that was to free cash flow in Q2 as we think about it reversing into Q3?

Christa Davies  
Chief Financial Officer & EVP-Global Finance, Aon Plc (United Kingdom)

Yeah. So thanks for the question, Elyse. Free cash flow for the first half of 2020 is exceptionally strong, up $875 million or 343%, is a very impressive performance, and a result of the focus of all of our leaders across Aon as we drive revenue and translate each dollar of revenue into the maximum amount of free cash flow. Also, there were three big components, Elyse, to the free cash flow growth. The largest single component was improvements in operating income. And so, we had a substantial growth in operating income.

And then the second big driver was improvements in working capital, specifically improved receivables and improved payables. There was no meaningful change in free cash flow in Q2 from not repaying this reduction in temporary salary, so it really doesn't change the odds of.

Elyse Greenspan  
Analyst, Wells Fargo Securities LLC

Okay. Thanks for the color.

Operator: Next, we have Dave Styblo from Jefferies. Your line is now open.

David Styblo  
Analyst, Jefferies LLC

Hi there. Good morning. Thanks for the questions. I just want to come back to Elyse's question and just clarify. I know consensus has changed a lot for Aon stand-alone, and that was sort of the benchmark you guys used for EPS accretion. I guess, when I run the math, I realized we're not going to probably get to that same peak in terms of an EPS dollar, but is it still fair to think that the 10% to 15% accretion by year three still holds?

Christa Davies  
Chief Financial Officer & EVP-Global Finance, Aon Plc (United Kingdom)

So, the accretion analysis was provided in connection with the combination. It was based on $800 million of expected annual pre-tax cost synergies, which we still expect to achieve. However, the macroeconomic outlook has changed and we withdrew the financial guidance of mid-single-digit organic revenue growth and double-digit free cash flow growth. We have not reinstated any kind of guidance going forward. And so, we can't actually
update that guidance at this point. Recent macroeconomic events do not impact the $800 million of cost synergies, and we continue to be really excited about the combination's potential for clients and revenue opportunities as well.

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**David Styblo**  
*Analyst, Jefferies LLC*

Yeah. I guess, my point is, if you were to recast it from the outside and recast in Aon stand-alone, it's still accretive to that new base, so by 10% to 15% is how I was trying to frame it, if I didn't make it clear that way.

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**Christa Davies**  
*Chief Financial Officer & EVP-Global Finance, Aon Plc (United Kingdom)*

Yeah. So, look, we think the opportunity economically still remains exceptionally strong. And I would note that the accretion dilution we originally provided only included the cost synergies because that was the only thing under the Irish Takeover Code we were able to report on externally. So, it doesn't include as an example, Dave, any kind of improvements in working capital, any kind of improvements in CapEx, any kind of improvements in any other things that actually drove free cash flow. Equally, it doesn't include any kind of revenue upside. And so, we do believe the opportunity of the combination remains exceptionally strong. And as Greg highlighted earlier on the call, we're more excited today about the combination than we were when we announced it on March 9.

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**David Styblo**  
*Analyst, Jefferies LLC*

Yes. Okay. That's great. And then, on your comments for second half, obviously, it's still an uncertain macro environment. I think you had commented that if conditions are very similar to where we're at right now, we might expect similar organic pressure. I guess, I'm curious why that pressure might not worsen as we go forward. Some of the feedback from other companies and channel checks suggest that sometimes there's a bit of a delay on the revenue side, especially on the broking side. So, curious just to reconcile those comments with some other things that we've heard in the industry in terms of why things don't get down even further in the second half from an organic standpoint.

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**Gregory C. Case**  
*Chief Executive Officer & Executive Director, Aon Plc (United Kingdom)*

No, I think, Dave, overall, I think you're at the macro point I want to start with, which is, literally, in terms of overall organic revenue expectations for Q3 and Q4. As you highlight, obviously, uncertain as I mentioned in my comments, look, if the current macroeconomic conditions persist, and what we essentially highlighted is, we expect to see firm-wide revenue pressures similar to what we observed in Q2. Remember, things do ebb and flow, they do lag, but we're reacting all the time. I mean, Christa highlighted it before.

When you think about what we have in Aon Business Services and what it means and enabled us to do to connect with clients, how we're innovating on frankly new client development, all these things sort of create opportunities for us that are going to also evolve as the current situation evolves. So, our view is it is uncertain. But if you step back and think about it based on that uncertainty, similar to Q2 is probably a good basis to start with.

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**David Styblo**  
*Analyst, Jefferies LLC*

Okay. Last one real quick, I know last call you guys had talked about Retirement and data and analytics probably having more exposure to organic revenue pressure because of higher discretionary spend in those businesses.
Retirement actually held up fairly well. I'm curious to hear why that might have outperformed some of the comments relative to what we would have thought and is there any sort of delayed impact there that we might need to watch out for in the back half?

Gregory C. Case  
Chief Executive Officer & Executive Director, Aon Plc (United Kingdom)

There really isn't. The Retirement colleagues like our colleagues across the firm. Again, just want to highlight again how much we appreciate all they do to lead on behalf of clients. It's been extraordinary. Very strong continued performance on the Investments side. Retirement piece continue – it just is an incredible strong franchise the team has built over time, and that continues to be a foundation.

Obviously, some pressure on the Human Capital side that was more than offset by the progress on the former two. So, that's really how we held position and we expect to continue to do so. We don't see a lag in that over time. Again, no prediction, things are unclear, but that's really what drove the performance in Q2.

David Styblo  
Analyst, Jefferies LLC

Got it. Thanks much.

Operator: Next, we have Jimmy Bhullar from JP Morgan. Your line is now open.

Jimmy S. Bhullar  
Analyst, JPMorgan Securities LLC

Hi. Good morning. I had a couple of questions both related on expenses. I just wanted to clarify that you're implying that assuming sort of a stable-type environment with what you're expecting right now, discretionary spending will increase in the second half versus where it's been, so that. And then, secondly, as you think about your expenses in the long run, is there anything that you're doing differently now that might have some sustainable benefits even beyond the COVID pandemic, whether it's sort of less travel or a smaller real estate footprint or something else?

Christa Davies  
Chief Financial Officer & EVP-Global Finance, Aon Plc (United Kingdom)

Thanks so much for the question, Jimmy. We do, as you said, continue to see macroeconomic uncertainty through the second half of the year. However, we do see a decreased likelihood of worst-case scenarios. And in the first half, we did take preemptive and temporary expense reductions. And in the second half of 2020, we expect operating expenses to be more consistent with underlying expenses in the second half of 2019, excluding restructuring charges due to spending on some very targeted investments in priority areas; due to some of the deferred expenses being spent on projects and necessary operations, for example, IT and cyber, but maintaining strong operational expense discipline.

And then, I guess, in answering the question on sort of T&E, I guess what we would say is we expect small increases in T&E in the second half, but the margin expansion we saw in the first half of 2020 includes substantial reductions to the T&E that isn't sustainable in the long term. But maybe, Eric, you want to talk about sort of T&E and how this actually applies to clients.
Eric Andersen  
President, Aon Plc (United Kingdom)

Sure. Thanks, Christa. And I think if you step back and think about the reason for T&E, probably which is really to get closer to our clients and our partners to develop that personal relationship, with the investments that we've been making in technology, we're using that video capability to actually get closer to clients and get closer to market partners.

Just an example, I'll just try and bring it home, I participated in a pretty significant global placement for a new client literally last week, and we were talking about the insurance capital available. We had people on the screen from New York, London, Singapore, and Bermuda. And instead of flying everybody in for the meeting, kind of burning four days and tens of thousands of dollars, we were actually able to create a session for the client where they could actually see our global experts, talk about our capabilities, talk about what was available. And literally other than a couple-of-hour sleep for our guys in Asia, who had to work through the time zones, the client walked away actually seeing the entirety of the firm and what it could do for them on the topic, as well as see the banter, see the relationships that were there, see our ability to interact with global markets pretty much anywhere to help them.

And so, while there will be some interaction with clients in person obviously down the road, we really want to make sure that we take the best of what we've been learning over the last four months and embed it into the firm because we actually think it drives a better outcome for the client, and it showcases our talent in a way that historically they would not have been in the room. So, it really is – I think we're really excited about what it can do for us when we interact with clients, especially when you need the global team together.

Christa Davies  
Chief Financial Officer & EVP-Global Finance, Aon Plc (United Kingdom)

And so, Jimmy, just in answer to your question, we do see opportunities, as Eric described, in potentially reimagining the way we work with our colleagues. And whether that's from T&E or whether that's from real estate, it's really around the goal of actually maximizing client impact, as Eric described, with a more flexible inclusive and productive environment for colleagues.

And, Greg, maybe you just want to talk a little bit about sort of the partnership that we formed to actually reimagine the future work because it's pretty exciting.

Gregory C. Case  
Chief Executive Officer & Executive Director, Aon Plc (United Kingdom)

Yeah, it really is. Terrific, Christa, and Eric's piece, too. Remember, if you think about the Aon United strategy, in order to actually operationalize that client to kind of see everybody connected together and that actually meant before more travel because everybody had to come. Now, they actually can show up, they can show up through the technology. It actually is a way to accelerate Aon United.

And I think Eric's point was really a terrific one. What Christa's highlighting is, look, we step back and ask the question, how can we help clients accelerate through and create economic recovery faster and faster coming out of this current environment. And we ask clients, is there a basis, is there a benefit to comparing notes with each other around what we're doing. And we raised our hand first in Chicago, and I will tell you, the response was unbelievable. So, we literally have the who's who of Chicago. These are the most significant companies in Chicago getting together, talking about work, travel [ph] and convene (00:38:22).
By the way, we started with back to work. We all realized that was a joke. Everybody is already working. So, this is really not about work. By the way, it was really around how you connect with clients and do what you do. And in essence, we went for Chicago, now launched or beginning to launch in New York, London, Singapore. We have Madrid on line as well. So, we have cities around the world comparing notes, Jimmy, on how we accelerate economic recovery. And this, again, reinforces sort of what we're all about in terms of helping clients succeed in difficult environments and leveraging Aon United capability in order to do that.

**Jimmy S. Bhullar**  
*Analyst, JPMorgan Securities LLC*

Thank you.

**Operator:** Next, we have Sean Reitenbach from KBW. Your line is now open.

**Sean Reitenbach**  
*Analyst, Keefe, Bruyette & Woods, Inc.*

Hi. I was hoping you could talk about maybe the trajectory in consultative and project-related work and how that – if that started to kind of return late in 2Q into July. And do you expect, like, as the economy normalizes, is it going to be a more steady return of that business or do you expect it to be a little lumpier?

**Gregory C. Case**  
*Chief Executive Officer & Executive Director, Aon Plc (United Kingdom)*

Sean, we actually see, it really varies. And I'll offer some thoughts and get Eric to jump into some color commentary as well, as you go across solution lines. This is really back to kind of, we call it, the discretionary parts of our business in general. And obviously, they dropped off substantially in Q2. But we see them coming back as clients have had a chance to take a breath, understand where they are begin to get some stability.

They're happening in a different way. It's, again, advantage for us because we can connect with them with Aon Business Services and actually offer new thoughts and views and perspectives on how to improve what they're doing, but it really does vary. So, we're seeing it in elements of commercial risk. The example I gave in my opening comments really was about colleagues coming together across solution lines to create an innovative solution that didn't exist. And in some respects, that was discretionary work for a bit and it became a real solution, and ended up being a series of products.

So a whole series of things are happening across the firm in different ways, and I think it's going to be in fits and starts. You're going to see real opportunities pop up. There is no kind of steady-state return, it's going to be us doing what we do, finding opportunities and supporting clients.

But, Eric, thoughts as you're seeing this across solution lines?

**Eric Andersen**  
*President, Aon Plc (United Kingdom)*

Yeah. Look, I think clients all over the world are trying to reposition themselves into this new economic scenario. So whether it's our retirement clients who are looking at the volatility in the marketplace using our investment consulting capability, whether it's the risk management clients who are trying to figure out how to navigate new risks, how to navigate the existing environment that they are trading in, even on the reinsurance side where the carriers are also looking at how do they reposition themselves to take advantage of growth and opportunities, ultimately, I think that type of work is going to continue. It is, as Greg said, coming in fits and starts as they sort of...
engage outside providers after they’ve done their internal strategy sessions. But I think the need is certainly there, and we’ll engage the clients as they get ready.

**Gregory C. Case**  
Chief Executive Officer & Executive Director, Aon Plc (United Kingdom)

And coming out of the coalition work, the entire effort around talent management and how that's evolved over time and what's different about it in the current environment, with everyone working from home, sleeping at work as it were, all these things sort of have created a level of project work that wasn't there before. We don't want to imply this offsets everything, but it's evolving as client need shifts and evolves.

**Sean Reitenbach**  
Analyst, Keefe, Bruyette & Woods, Inc.

Thank you. That's very helpful. Obviously, Reinsurance Solutions had a strong organic quarter, and I was just hoping if we could get some commentary in terms of the reinsurance market, what's going on with some supply and demand dynamics. And based on kind of what we know now coming out of midyear renewals, thoughts on persistency for those trends to carry into 1/1. Obviously, there's still a hurricane season to come but based on what we know now kind of.

**Eric Andersen**  
President, Aon Plc (United Kingdom)

Yeah, there is certainly a hurricane season to come. Listen, I am really excited about the work that our Reinsurance team has been doing in the first half of the year, certainly working closely with the insurance company clients as they reposition themselves. And I would say, listen, the market very similar to what you see on the Commercial Risk side, the insurers will pick their spots with which to trade risk as – or find other ways to deal with it, either through what they underwrite on the front end or raise capital or sidecar. So, there's a multiple way with which the insurers will manage their risks. So, I wouldn't get too caught up in the pricing conversations that are happening in the marketplace because like Commercial Risk clients, they will either trade or hold or mitigate as best they can.

So I would say that we continue to be optimistic about sort of the Reinsurance business in general, the work they're doing. Most of the treaty revenue was done already. As you said, nobody really sells property catastrophe in the middle of hurricane season. So, it will be more of a fact business and a ILS business going into the second half and it's 25% of the revenue left to do for the year. But I would say the insurance company clients are working hard at figuring out how they want to position themselves in this new market, and we’re there to help them.

**Sean Reitenbach**  
Analyst, Keefe, Bruyette & Woods, Inc.

Thank you very much. Be well.

**Operator:** Next, we have Phil Stefano from Deutsche Bank. Your line is now open.

**Phil Stefano**  
Analyst, Deutsche Bank Securities, Inc.

Yeah. Thanks. I wanted to ask a quick question about the $16 million adjustment in Health Solutions. We've seen some peers talking about ASC 606 revenue adjustments because of things like exposure were down or
something along those lines. And in my mind, this reads like a little bit of a different story, but I guess I was just hoping you can provide some color into what exactly is underlying these adjustments.

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**Gregory C. Case**
*Chief Executive Officer & Executive Director, Aon Plc (United Kingdom)*

Yeah. And, Phil, maybe just to indulge for a second. I want to give you some background on sort of our Health results for the quarter, and Christa will talk very specifically about your question. And by the way, it is apples and oranges, it's not – doesn't apply what she'll describe.

Look, in terms of organic revenue for us in Q2, in Health, it was really and I would describe it as kind of the perfect storm. By the way, the good news is the result has absolutely no bearing on our long-term outlook on what we believe is an incredible, immense opportunity in this solution line. The context for us, just for referenced, Q2 is relatively small quarter for us. The changes are magnified. We, obviously, break out the Health business, a lot of others embedded; in the other solution lines, we don't.

We highlighted that we completed implementation of a new system, which resulted in a onetime adjustment. It was approximately 5% of the decline. And the performance pressure was really around discretionary areas and core on reduction in employment, as I described, but I will say, the work we did on the client has been exceptional. And Health Solutions for us can be just an exceptionally strong, positive area, an opportunity area. And COVID-19 ironically, again, did nothing but underscore the long-term importance of this priority area.

Although you might have noticed, our last acquisition announcement, Farmington, welcome them into Aon April 7, earlier this year, absolutely a tremendous capability that we're going to be able to scale across our firm. And the last thing I wanted to say on this is, there's just opportunities everywhere in the world. And while this isn't the result we wanted, we're disappointed in the result, I do want to call up my colleagues in Health here. They've done a remarkable, remarkable job supporting clients that have been under tremendous stress. That's reflected, sort of when you see a [ph] new client every day and they've just done an incredible job in that. And I think that bodes very well to our business going forward.

But to your specific question, on to Christa.

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**Christa Davies**
*Chief Financial Officer & EVP-Global Finance, Aon Plc (United Kingdom)*

Yeah. So, Phil, just on the $16 million adjustment. It is identified with the new system implementation, it will not repeat in future periods. What this specifically is, we adopted – when we adopted the new revenue recognition standard on the 1st of January 2018, we had a temporary system in place for Health. And we've now adopted our long-term technological solution much more granular, much more robust. It's not uncommon to have adjustments like this when you switch systems. And as Greg outlined, we feel really good about the growth of our business long term in Health, and exceptional opportunity to deliver value for clients.

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**Phil Stefano**
*Analyst, Deutsche Bank Securities, Inc.*

No, got it – sorry, I wasn't trying to be critical in any way, just wanting to get a flavor for these oranges because it felt like it was different. Just a quick procedural question for you, to the extent there was a change in the outlook for the merger benefits or the need to divest of something and that happened after the shareholder vote, what would this look like and how would the next month or two unfold as we move towards merger completion? I
understand everything is on pace and that's not going to be the case, but just in some crazy other scenario kind of world, what would this look like procedurally?

Gregory C. Case
Chief Executive Officer & Executive Director, Aon Plc (United Kingdom)

So, from our standpoint, it's really not something we could speculate on because we don't see that in any way, shape or form, Phil. Our view is, as Eric described, this has built momentum from the get-go with our colleagues as they've come together and talked about the possibilities on integration planning; with our clients who, as I described before, see this as the potential for something new, for something they need, so a lot of potential there.

We talked about the shareholder vote on the 26, a lot of momentum into that. And then, we're working through all the normal antitrust processes, as Christa described, fully on track to close in Q1. So that's kind of how we see it. That's what's going forward. And, again, all the original expectations certainly about the expense opportunities, sure, they're absolutely there. This was never about expense, it was about growth of the combined firm. And we described mid-single digit or greater, that's still in place. So, we pulled that for now for all the reasons that are obvious. But as you think about long term, everything we see points to momentum and that's what we're talking about.

Phil Stefano
Analyst, Deutsche Bank Securities, Inc.

Great. Thanks. Looking forward to seeing it and best of luck.

Gregory C. Case
Chief Executive Officer & Executive Director, Aon Plc (United Kingdom)

Thank you.

Operator: There are no further questions on queue. I would now like to turn the call over back to Greg Case for closing remarks.

Gregory C. Case
Chief Executive Officer & Executive Director, Aon Plc (United Kingdom)

Just want to say thanks to everybody for joining the call. We appreciate it. And one last shout-out to colleagues today around the world. Thanks for all you've done on behalf of the firm, each other, and our clients. It's been exceptional. Thanks and talk next quarter.

Operator: That concludes the conference. Thank you all for participating. You may now disconnect.