CORPORATE PARTICIPANTS

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

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

Eric Andersen  
President, Aon Plc (United Kingdom)

OTHER PARTICIPANTS

David Styblo  
Analyst, Jefferies LLC

Elyse Greenspan  
Analyst, Wells Fargo Securities LLC

Jimmy S. Bhullar  
Analyst, JPMorgan Securities LLC

C. Gregory Peters  
Analyst, Raymond James & Associates, Inc.

Suneet Kamath  
Analyst, Citigroup Global Markets, Inc.

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

Phil Stefano  
Analyst, Deutsche Bank Securities, Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Good morning and thank you for holding. Welcome to Aon Plc Fourth Quarter and Full Year 2020 Conference Call. At this time, all parties are in a listen-only mode until the question-and-answer portion of today's call. I would also like to remind all parties the call is being recorded. If anyone has an objections, you may disconnect at our 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 fourth quarter and full year 2020 results, as well as being posted on our website.

Now, it is my pleasure to turn the call over to Mr. Greg Case, CEO of Aon plc. Sir, you may begin.

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

Thank you, Catherine, and good morning, everyone. Welcome to our fourth quarter and full year 2020 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.

There are very few firms who can say they ended 2020 stronger than they began, and I want to thank our colleagues for making Aon one of those firms. Our team delivered a tremendous year, set against the public
health and economic impact of COVID-19 and an overall unprecedented level of global volatility, punctuated by social unrest around the world. During the year, our colleagues came together to deliver results for clients, devote time and energy to getting to know the Willis Towers Watson team and the integration planning for our pending combination, and to support each other through personal and professional challenges. One silver lining that we heard over and over from colleagues was that 2020 was a year of increased connection across our firm. We saw our colleagues respond to the virtual environment by replacing in-person connections with introducing experts and sharing thought leadership with clients. We felt the impact of that connectivity as our COVID-19 task force ramped up to share insights and best practices. And we saw it translate into client success as local teams won new business by seamlessly bringing together colleagues from across the globe.

By all accounts, 2020 tested our firm. Looking back, it’s clear that our colleagues not only past, but that this adversity actually accelerated our One Firm strategy. Seeing our colleagues come together and forge stronger connections in new ways was inspirational. And we’ll build on these positive learnings and practices through 2020 as we continue to reject the constraints of the so-called new normal and instead look forward to defining a new better on our terms as we begin 2021.

Turning to financial performance. In the fourth quarter, we delivered a great finish to the year with 2% organic revenue growth across the firm, including 12% growth in Reinsurance Solutions and 4% growth in Commercial Risk Solutions. As in recent quarters, organic revenue growth in the fourth quarter was driven by strength in the core areas of our business, reflecting the resilience of our firm in a challenging economic environment, overcoming ongoing and expected pressure in the more discretionary areas.

In particular, we would highlight growth in the core driven by on-going strong retention and net new business generation, as we continue to deliver innovative solutions to our clients in a challenging environment. We saw increased organic revenue growth as compared to the third quarter despite the somewhat larger portion of more discretionary revenues in the fourth quarter. The strong results stem partially from improvements in economic factors and sentiment around the virus and vaccine, which drives client buying behavior and investment. For example, we saw positive impacts to our revenue from construction starts and M&A activity in the US, as well as from employment levels. I would also note that in more discretionary areas, we’re seeing meaningful variation in revenue growth across our businesses, with some recovering more quickly and some more slowly, largely driven by external factors tied to economic reopening and recovery.

For example, I would highlight strength in voluntary benefits in Health Solutions, and construction in Commercial Risk. I would also note that more discretionary areas like travel and events within Data & Analytic, and human capital within Retirement Solutions continue to be impacted by economic and pandemic-related conditions. Our strong finish in Q4 contributed to full year financial results that demonstrate the strength and resilience of our business in this uncertain economic environment. For the year, we delivered organic revenue growth of 1%, operating income growth of 4%, with full year operating margins of 28.5%, an increase of 100 basis points from 2019. And free cash flow growth of 64% to $2.6 billion, the highest free cash flow in the history of our firm. This outstanding progress against each of our key financial metrics is a direct result of Our Firm strategy, which guides everything we do in supporting colleagues, delivering value to clients, and driving shareholder value. We are well-positioned to continue to build on this momentum.

And while we see many positive signs for the economy, significant uncertainty remains. And we expect the recovery will remain inconsistent. We continue to monitor several key factors including GDP, asset values, corporate revenues and employment. As we look to 2021, though significant uncertainty remains, we expect – as economic conditions continue to stabilize and improve, we anticipate modest growth in Q1, with growth increasing toward mid-single digits as we continue through the year.
Looking back, the challenges we faced in 2020 underscore the importance of our colleagues, our culture and our commitment to inclusion and diversity. We’ve long observed that leaders who embody One Firm are our most successful leaders, both in delivering business results and driving colleague engagement. And this year, we’ve seen that in such a leadership trait results in even stronger engagement and confidence in the combination that’s measured in a January poll survey reflecting high engagement and consistently lower voluntary attrition which decreased by 35% year-over-year from 2020 with strength in every major region and [indiscernible] (00:06:45).

Further, we know the diverse talent, expertise and insights of our colleagues are vital to the success of our firm and our clients, and we continue to invest to attract, grow and retain the best talent. In support of this priority, we announced the expansion of our partnership program, including an investment of $30 million over the next five years and development of a nationwide network of employers to create 10,000 apprenticeships by 2030. With this expansion, we’re building on our already successful program, which bridges the gap from education to employment by bringing high school graduates into the workforce while they complete their college education. This program provides a fantastic pipeline of diverse talent and embodies our commitment to inclusion and diversity.

In addition to emphasizing the importance of our colleagues and our culture, the events of 2020 expose the interconnected nature of risk and vulnerabilities in many companies. Our recently published 2020 Risk Report highlights the increasing likelihood of connected extremes and reinforces that leading organizations in the future will be defined by their ability to manage the global implications of long tail risks. In this survey of over 500 organizations across geographies and industries, 82% did not have pandemic in their top 10 risks before COVID-19 struck and only 30% had a pandemic plan in place. Looking forward, respondents overwhelmingly agreed on the need for an enterprise-wide approach to risk.

We know that existing and emerging long tail risks will continue to challenge organizations across all the industries and geographies. Organizations must prioritize strategies to address risk and resilience. We also know our strategy enables us to support clients in this changing landscape because it enables us to understand their biggest challenges and bring world-class content capability and innovative solutions to bear. And while we didn’t architect our pending combination with Willis Towers Watson with the pandemic in mind, we see that the pandemic and its associated economic impacts have increased our conviction and the need to accelerate innovation to address client demand.

On the topic of Willis Towers Watson, our excitement about the combination as well as the leadership and talent from both sides continues to grow. Last week, we reached another important milestone with the announcement of the combined executive committee that will be in place once the combination is closed. This team embraces the commitment to a One Firm mindset and brings together the best expertise, talent and leadership from both organizations. This team also brings to the table an exceptional set of experiences and capability, reinforcing the power of inclusion. As we said before, our culture is built to bring the best of our firm to clients. It’s an essential part of how we operate our firm and drive results. At Willis Towers Watson, it’s clear that their culture is equally focused on putting clients first. This newly announced team will bring the best of both cultures and that client-focused mindset will guide everything we do.

In summary, 2020 was a momentous year. Our performance and actions throughout the year reflect exceptional resilience and as a result of structural steps and investments we’ve made to ensure we’re ready to not only take on, but grow stronger in the face of these challenges. Further, we’ve demonstrated momentum that will accelerate in combination with Willis Towers Watson. We begin 2021 in a position of strength, to continue executing our strategy and making progress on our key financial metrics, both as standalone Aon and in our pending
combination with Willis Towers Watson, creating a significant growth opportunity for clients, for colleagues and for shareholders.

Now, I'd like to turn the call over to Christa for her thoughts on our financial progress this year and long-term outlook. Christa?

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

Thanks so much, Greg, and good morning, everyone. As Greg highlighted, we delivered a strong operational and financial performance in Q4 to finish the year despite continuing macroeconomic challenges, demonstrating the resiliency and strength of our business in any economic environment.

Turning to our results. We delivered organic revenue growth of 2% in the fourth quarter and 1% for the full year, driven by ongoing strength in our core business, offset by pressure in our more discretionary areas. I would note total reported revenue was up slightly, overcoming a nearly $100 million headwind from the unfavorable impact of changes in FX as well as lower fiduciary investment income to the low interest rates globally. We also delivered operational improvement for the full year, with operating income growth of 4% and operating margin expansion of 100 basis points to 28.5%, continuing our trajectory of long-term sustainable margin expansion.

For the full year, adjusted operating expense declined 1% due to expense discipline and a reduction in travel and entertainment, offset by increased compensation costs. Adjusted operating expenses increased 4% in the fourth quarter. Putting Q4 in context, due to the significant uncertainty we saw during the year, we tightly controlled our expense base and level of long-term investment in the business. During 2020, our organic revenue growth improved sequentially in the second quarter through the fourth quarter, as internal and external factors contribute to a strong finish to the year. This led to a year-over-year increase in compensation and benefits expense in the fourth quarter, a portion of which was variable compensation. This resulted in a full year increase in adjusted compensation and benefits expense of 1%. I would also note that compensation expense increased in part because of our commitment during 2020 to retain all 50,000 colleagues, as well as lower voluntary attrition, which Greg describes. As we said before, we make decisions on expenses and margins in the context of each full year and expect to continue to drive margin expansion in 2021.

For the full year, we translated strong operational performance into EPS growth of 7%, overcoming a headwind from FX translation. If currency is to remain stable at today's rate, we would expect a favorable impact of approximately $0.20 per share or approximately $60 million of operating income in the first quarter of 2021 due to a weaker dollar versus the euro. A key driver of our operational success has been the history of investment in our Aon Business Services platform, which has undergone a significant transformation over the last several years. The journey began with an initial group of 4,000 colleagues after the divested of our outsourcing business in 2017. By centralizing activities, eliminating inefficiencies, and promoting [ph] standardization (00:13:24), we delivered higher quality service levels and cost savings with better scalability, flexibility, and enhanced colleague experience.

Today, approximately 13,000 of Aon's 50,000 colleagues are part of Aon Business Services, focused on driving operational improvement and enhancing how we serve clients. In 2020, for instance, we completed our data center consolidation program in the Americas, closing an additional 10 data centers and achieving $23 million of annual savings. We increased the usage of our [ph] digital figures (00:13:58) tool by over 110%, saving more than 65,000 hours annually. We renewed 90% of the nearly 9,000 US Commercial Risk licenses paperlessly. And we improved our global operations and shared capabilities by delivering over 1 million hours of automation, freeing colleague capacity for higher value activities with clients.
Looking forward, we expect to leverage our Aon Business Services platform to continue to drive sustainable margin expansion. In addition, we see opportunities to embed best practices around agility and connectivity into how and where we operate, ultimately reducing our overall real estate footprint over the long-term.

Turning to cash and capital allocation. Free cash flow increased 64% to $2.6 billion, primarily driven by working capital improvements, including improved collections, a decrease in restructuring cash outlays and strong operational improvements. We remain focused on maximizing the translation of revenue into the highest level of free cash flow as highlighted by our free cash flow margin of 23.9%, up substantially from last year.

We allocate capital based on return on invested capital, cash on cash returns. We continue to maximize shareholder value creation highlighted by the $800 million of share repurchases in the quarter and nearly $1.8 billion in 2020. In 2021, we expect to continue to allocate capital according to this framework and we expect share repurchases will continue to be our highest return on capital investment given our free cash flow evaluation and outlook. We expect to remain highly focused on closing, and then successfully integrating our combination with Willis Towers Watson. Following that, we expect to continue to invest organically and inorganically in innovative content and capabilities in our priority areas.

We remain very confident in the strength of our balance sheet and manage liquidity risk through a well-laddered debt maturity profile. Historically, we've looked to increase debt as EBITDA grows while maintaining leverage ratios. However, due to uncertain macroeconomic conditions, we expect to continue to manage our leverage ratios conservatively in the near future and return to our past practice of growing debt as EBITDA grows over the long-term.

As I look towards 2021 and our pending combination with Willis Towers Watson, I'd like to reiterate how excited we are about the newly announced leadership team, and the significant shareholder value creation potential we see in bringing together our two complementary businesses both from a top-line growth driven by accelerated innovation for clients and from the bottom line impact of $800 million in cost synergies. We continue to work collaboratively with the appropriate regulators to gain approval and are focused on achieving a result that optimizes shareholder value. We remain committed to our expected close in the first half of 2021.

In summary, our business has shown resiliency through the challenges of 2020. Our Aon United strategy underpinned by our Aon Business Services operational platform has enabled historically high free cash flow of $2.6 billion and enabled us to return nearly $2.2 billion of capital to shareholders in 2020. As we head into 2021 through our pending combination with Willis Towers Watson, this momentum will continue to enable long-term shareholder value creation.

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: We will now begin our formal question-and-answer session. [Operator Instructions] The first question is coming from Dave Styblo of Jefferies. Your line is open.

David Styblo
Analyst, Jefferies LLC

Hi there. Good morning. Thanks for the question. I want to just circle back on your 2021 comments and appreciate the color there on the organic revenue cadence, which seems to make sense. I did want to ask a little bit more about the margin expansion opportunity. I know you talked about they're still having an ability to expand margins this year of course. And in that context, is it still going to be tough to achieve 70 basis points to 80 basis points of margin expansion towards your long-term target given that you still might not have fully returned to the normalized cost base? Or are there other efficiencies that you've been able to realize through COVID, more work-from-home or other efficiencies, lower travel and expenses, that still might make that range feasible this year?

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

Thanks so much for the question, Dave. So we are certainly committed to margin expansion in 2021. And we don't give specific margin guidance in terms of how much we would grow each year. But as you noted, Dave, we've driven long-term margins of 880 basis points over the last 11 years, so 88 basis points a year on average. And we – that is really driven by accelerating organic revenue growth, the portfolio mix shift to higher revenue growth, higher margin areas, and, obviously, as you know, should the Aon Business Services platform continuing to drive productivity and efficiency for us. And that will continue to occur, Dave, in 2021. We're really excited as Greg highlighted about accelerating growth year-over-year, trending towards mid-single-digits in the second half of the year. And the margin expansion will be a result of that growth, the portfolio mix shift, and the productivity from Aon Business Services.

David Styblo
Analyst, Jefferies LLC

Okay. Thanks. And then, just on the free cash flow, stepping off-point from the $2.6 billion, have some easier tailwinds of things that weren't going to recur in 2020. As you jump off from that though, is there anything to note that's unusual in the 2020, basically a clean number to go from there? And then, a related question to that, I know you've been continuing to make progress towards your $500 million working capital improvement over time, how far into that – how much of that have you achieved so far?

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

Yeah. So, Dave, first of all, the $2.6 billion is a clean number. And so, there's nothing unusual about that number. And then, in terms of the working capital, we obviously made some progress on working capital as you saw in 2020. But we'd actually say that the $500 million is still the right long-term target for Aon on working capital. And Dave, the thing I think I've said before on that $500 million is that's just the number that gets you to working capital neutral. There are several countries in which we operate, where we're working capital positive. We think that is entirely reasonable [ph] from a threshold services front (00:20:44). And so, we think that the $500 million is a conservative number. And we're definitely targeting underlying free cash flow growth over the long-term in the double-digit range.
Okay. Great. And then, maybe a question for Greg and Eric, just about client engagement and retention, how bad is it looking as you go forward into the year and new opportunities that continue to emerge just from COVID? Maybe any changes in client demand or services that Aon could bring to the table better than peers that you would highlight.

I think I’ll start with that, David, and I think Eric has had a number of examples we could draw from. Listen, as client need and pressure continues to increase, it really does give us a great opportunity to connect with them. And for all of its challenges and issues that COVID has brought to us, and there have been many, one of the things that’s also done [indiscernible] (00:21:37) with Aon Business Services platform is allowed us to connect to clients even more effectively. Even yesterday I was on a call. That would have been a client meeting a year ago with 100 clients plus, we had 1,000 clients on yesterday. And so our ability to actually connect with clients and actually demonstrate the full capability of the firm at a time of high need is actually going up. So you’re seeing more and more examples of our ability to drive new business, but as well as do more with existing clients given the capabilities we’ve got. It really is happening all across the firm. But maybe, Eric, a couple of examples from your standpoint to bring it forward.

Sure. Sure, Greg. And I think it’s really based on the Aon United model that we’ve been working on, where you certainly have to be excellent in each of our subject matter capabilities and topics. But you have to work together to manage the client in a more holistic way. And so, topics like health, retirement, talent are all really in front of mind when you think about the COVID angle of the question. And these topics aren’t going away, how we deal with voluntary benefits, pooled employer plans, comp insights, all critical as our clients are looking to manage their colleagues through this pandemic, not to mention sort of the return to workplace. So as we look out in 2021, we see a lot of opportunity to really help our clients during the challenging time.

Thanks, guys. Appreciate it.

Hi. Thanks. Good morning. My first question, you guys have pointed to the larger discretionary piece of your business in the fourth quarter as serving to pressure organic. You guys came in at positive 2%. So it seems like there was much better strength across many of your businesses probably than you expected three months ago. So maybe if you could help us understand that. And then with that same discretionary piece, given that Reinsurance is a bigger component of the Q1. I’m assuming so that would serve as a tailwind to Q1 organic just given that more of the Reinsurance business comes on in the first quarter, is that factored in to your guide?
Well, look, Elyse, I really appreciate the question. As Eric has highlighted, there were so many opportunities that continue to emerge to help clients at times of need, and they just continue to emerge around the world. And some of them are happening faster than you thought they would. If you think about the momentum into the fourth quarter, it really was in the core. And we continue to perform well there. And then the discretionary pieces, as there were some promise on the recovery front, the vaccine front, et cetera, we saw some of those discretionary areas like TL, transaction liability, construction and employment levels beginning to come up. But by the way, other areas, we still saw the pressure. I mentioned travel and events as an example and some others. So it still remains mixed but the trend is positive. And what you're really seeing is us enable to kind of interact in a very positive way with clients. And you're seeing that sort of build into Q4. You're also seeing it as we think about our opportunities in 2021. On the Reinsurance front, again, team is fantastic. Eric, can you talk about that, sort of which we — as we end Q4, the implications and also the thoughts for the first quarter in 2021 on the Reinsurance side with the great work by the team?

Yeah, for sure. Certainly, Q4 has always been our smallest quarter at Reinsurance, that's been dominated by – historically by fac and investment banking. There was some good treaty wins that happened. Certainly, there's a lot of action going on in that space in the third and fourth quarter in terms of new clients, new company creation and the like. And so we were there to be able to help those new clients and existing clients really reposition their portfolios as they went into 2021. But I would say that continued into the first quarter as the market dynamics being what they are, the insurers are certainly looking to position and get support where they are needed as they look to grow their own portfolios. So a great quarter certainly on the back of a fantastic quarter a year ago. So to see that kind of growth this year off the back of a [ph] 70% (00:25:42) comparable was a special quarter for the team and I think that momentum is carrying into the first quarter of this year.

The only other thing I'd add is, Elyse, that Q1 2020 was a very strong comparable for us because it largely was completed before COVID hit. And so while we've had terrific momentum coming into 2021, as Eric and Greg described, that [ph] difficult (00:26:08) comparable means that Q1 is likely to be a lower growth quarter than the balance of the year.

Okay, that's helpful. And then in terms of expenses, right, I think you guys alluded to, right, higher expenses in the fourth quarter. Just obviously the year came in better than you expected and just tying [ph] that to (00:26:28) comp and then obviously less employee turnover, I think you said. But looking at the quarter, right, I think Q1, your expenses were close to flat last year. Like is there anything seasonally that you could point out with the expenses as think to 2021? And obviously recognizing that you don't really guide to margin for the quarter, but anything within the expense base that we should be thinking about?

No, there certainly isn't — we would encourage, Elyse, you step back and think about it. 2020 was truly exceptional [indiscernible] (00:27:00) you think about COVID-19 and we grow organically 1% versus last year at 6%, which
was one of our all-time highs, expanded margin 100 basis points with 28.5% and good cash, as Christa described, to the highest level in our history growth, 60-plus-percent. And this momentum that we built throughout the year in 2020 we believe is going to carry over into 2021. So there really isn't anything we would focus on in Q4 that you would really over rotate on. But it does reflect really the great work of our colleagues and improving external factors which impacted client buying behaviors I described. But we wanted to really recognize the performance of our colleagues in the year and that certainly shows up. But we'd encourage you to sort of think about the overall year and the overall momentum that was built and how it's going to carry into 2021.

Elyse Greenspan  
Analyst, Wells Fargo Securities LLC

Great. And then one last one. You guys laid out, right, the mid-single digit of greater organic later in the year. I'm assuming that factors in, right, that you will close this merger at some point in the first half of the year, obviously undergoing some regulatory review. So can you just give us an update? I think you said close this year. Just update timing wise and things where you expect on the regulatory front. And I'm assuming you still expect this deal to close at some point in the first half of 2021.

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

So, thanks so much for the question, Elyse. What I would start with is saying the guidance we gave on revenue was we're moving towards mid-single digit over the course of the year, so not greater. The second thing I'd say is the guidance is Aon only. We certainly wouldn't give guidance of the combine until we close. And then third, we are on track to close in the first half of the year, as we've outlined, [indiscernible] (00:28:41).

Elyse Greenspan  
Analyst, Wells Fargo Securities LLC

Okay. That's helpful. Thanks for the color.

Operator: The next question is coming from Jimmy Bhullar of JPMorgan. Your line is open.

Jimmy S. Bhullar  
Analyst, JPMorgan Securities LLC

Hi. Good morning. So first, I just had a question on the transaction, the Willis deal. You've already obviously put together a management team. So it seems like you're confident that the deal will go through, but what are your views on potential dispositions as you go through the regulatory approval process? And I think you've said in the past you wouldn't have to do much, but has that changed now as you've had more time?

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

Thanks for the question, Jimmy. We remain incredibly committed to our combination with Willis Towers Watson and thrilled about the newly announced leadership team, as you described, who will lead us in accelerating innovation on behalf of clients and create shareholder value. The businesses are complementary and operate in competitive areas of the economy. And we believe we've got the arguments and evidence to ensure positive outcome. We continue to work collaboratively with the appropriate regulators to gain approvals in a timely manner. And as we've said since we announced the deal, we expect to close in the first half of 2021 and we're on track to do that.
However, that's -- Jimmy, I want to come back to the [ph] ordinance (00:29:49) for a second if I could. Obviously, we're going to operate completely separately until we close. There's no question about that, and we have in any way, shape, or form. But we have had a chance to sort of get this group together and begin the planning process. And it's just been incredibly extraordinary, very gratifying to see this kind of talent come together to think about what the possibilities are in the future of the firm, both in helping clients and to hear them out, but also on thinking about how we can help them on some of the most important issues as they come forward. And certainly pandemic, at a year of pandemic has certainly highlighted a number of those, but if you think about climate on the horizon, things like intellectual property, cyber, all these things that are out there, and this team really begin to come together thinking about a One Firm approach to how we deliver in the best of our capabilities. I mean it's really been -- it's been extraordinary, very invigorating for all of us as we've come together.

Jimmy S. Bhullar
Analyst, JPMorgan Securities LLC

Okay. I guess we'll find out when the approvals come through. But on the -- and then relatedly on the cost savings, as you've looked more into the business and -- have you -- do you -- like it seems like the $800 million target you'd outlined versus historical deals is somewhat conservative. Have your views on that changed at all?

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

So Jimmy, we would say we remain at the place where we've been, which is the $800 million we feel really confident in achieving. It is 5.5% of the combined cost base. That compares to 11% of the combined cost base we achieved in Aon Hewitt and 18% of the combined cost base we achieved in Aon Benfield. And the components of that are our people in IT and real estate. And as we've got into the integration planning, we feel extremely confident about achieving the $800 million. And as we've said this year, we're very sort of confident about achieving that through based on the strength of our Aon Business Services platform which is allowing us to bring together the operations of Aon and drive improved quality, consistency and then efficiencies over time.

Jimmy S. Bhullar
Analyst, JPMorgan Securities LLC

Thank you.

Operator: The next question is coming from Greg Peters of Raymond James. Your line is open.

C. Gregory Peters
Analyst, Raymond James & Associates, Inc.

Good morning. Thank you for taking my questions. My first question is you've had a lot of time obviously to study the Willis Tower operations. And one of the areas where I feel like the company has been -- hasn't delivered the full benefit of margin improvement would be in their corporate risk and broking business. As you've looked at that business, can you walk us through how your views are on how you can -- when it's combined with Aon how you can deliver the margin improvement that you're thinking about?
Greg, let me just offer a couple of thoughts on that. First, I would step back and say we have had a lot of time in the planning process over the course since we announced in March. And I will tell you as we continue to compare notes on the possibilities – again, we can't operate together until we close in any way, shape or form. Our excitement on the possibilities continues to build. And it really is in multiple areas. Just core content and capability that exists across both organizations, we had very high expectations when we announced March 9. They've been exceeded substantially in multiple categories. And when we think about the opportunity to drive growth, organic growth on behalf of clients, we see it in multiple categories.

All of these things come together to reinforce opportunities to both drive topline and also drive margin improvement, which by the way we see for Aon front and center before we get any place else. So we just want to highlight we see tremendous opportunity both on the topline side and on the margin side for the combined firm for all the reasons Christa has outlined, and everything we've seen since March 9 has only reinforced that. It's just been terrific.

C. Gregory Peters  
**Analyst, Raymond James & Associates, Inc.**

Great. And the second question, and I'll pivot back to the organic revenue growth. I mean we're watching and listening to all the carriers that have reported talk about how the strong pricing environment has helped, not only improve their margins, but improve their revenue growth. And it seems like for Aon that there's been a tailwind benefit on the pricing side. And I'm wondering if you can sort of reconcile the difference between the benefit from pricing and the actual benefit to organic for you guys from unit count growth, if that makes sense.

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

Well, it certainly does, Greg. We would come back and say, listen, from an overall pricing standpoint, we really look at market impact, which is really a function of how we describe [ph] prices and then ensure (00:34:30) values and all the things that come with that. And then it really is client behavior. And so from our standpoint, we would say all the pricing impacts have really had modest impact on our performance. It really is around what we're doing fundamentally with clients. Maybe I'll ask Eric for a couple of examples of where this is. But really, Greg, if we step back, it really is about – this is when Aon can really show up and help clients succeed in times of need. And they do a lot of reconfiguring as we think about it, sort of as the environment changes. But maybe, Eric, a couple examples if it that makes sense.

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

Sure, Greg. It's never really a straight line between what the carrier points out as what they say is the unit price versus what a client actually does. Maybe to put in a little bit of context, when we sit with a client, we first do the risk identification [ph] product test (00:35:13) by trying to help them understand exactly what risk they're trying to protect, can they mitigate it themselves in a way that either through contracts or different changes of behavior, and can they finance it themselves, right, either through a captive or just using their balance sheet. So, a lot happens with a client before they even risk transfer, so just always good to keep that in mind. But when they do decide to risk transfer, they certainly go into a market and we help them with insight with regard to options and structures and whether it's retentions or deductibles, coinsurance, limits, a variety of things that clients will look at in terms of what their budget is able to do and they'll make their trade-off.

So it's never really a straight line as to the unit cost as to what the client behavior actually sort of manifests itself in. And you see that in a couple of distressed products that are out there today. Certainly, [ph] D&O (00:36:02) is
one that's gotten a lot of attention, how we work with clients to help them make those choices in terms of the
protection that they provide to cybers and other property and catastrophe-exposed areas.

So there's a lot that goes into before they go to market as opposed to what they buy inside the marketplace. And
so, it is frankly an area where our teams have been focused on now for the last 24 months as the market has
gotten firmer to help clients make those trade-offs because they're dealing with the marketplace now at a time
where many of them are feeling stressed in general on their own businesses. And so how they make those trade-
offs become more acute in the last – certainly in the last 12 months, and we'd expect that that behavior and that
process would continue going into this year.

C. Gregory Peters
Analyst, Raymond James & Associates, Inc.

Got it. Thank you for the answers.

Operator: The next question is coming from Suneet Kamath of Citi. Your line is open.

Suneet Kamath
Analyst, Citigroup Global Markets, Inc.

Thanks. Good morning. So one question we get a lot from investors is that when you think about the combination
with Willis that some of your clients may want to sort of limit their concentration to one broker or one advisor. Can
you just provide some color on how you're thinking about that maybe influenced by the conversations that you're
having with your clients?

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

Yeah. Suneet, I'll start with the following. We have – it's always been our practice we step back and sort of we get
tremendous amounts of client feedback. We call it voice of the client. And we've done it really for the last decade
and continue to sort of probe into that. Obviously, since the March 9 announcement, we've done a tremendous
amount of work, voice of the client, getting their insight, guidance, perspective, views on how we can better – best
support them and serve them. And I would say it's been overwhelming.

As we begin with clients and they understand that we're all about bringing them the best of the now, all things they
could do in the current environment, Eric just described a number of different challenges are out there, and how
we're going to help them help serve them better but also the challenges that are used to be on the horizon are
now on their doorstep.

And they're asking questions around what about the next pandemic, what do we do, how do I think about cyber,
right, the market's still relatively small, $6 billion, $7 billion against a connected client impact of closer to $1 trillion,
what do we do about that? By the way, they know climate is going to be front and center, already is, but really
going to be front and center. This pandemic is beside us or behind us. So they're asking questions to me around
how do I address these long-tail risks that are being asked of me by my CFOs and CEOs and boards of directors.
So what I'm trying to highlight is need has never been higher, and the solutions that we must bring to bear have
got to evolve. We have to be better in supporting them.

And as we start with Aon, with the entire industry, and they see this combination as a chance to reverse the trend
in which our overall relevance has actually declined as a percent – risk as a percent of GDP over the last 30
years. And they see real promise in that. So our feedback has been overwhelmingly positive across the globe of
how much this combination can mean for them. And we’re very excited to work hard to meet those needs on their behalf.

Sunet Kamath  
Analyst, Citigroup Global Markets, Inc.

Got it. And then just on the regulatory approval front, yesterday, there was a bill that was introduced around potential changes to anti-trust reform. I know your deal was announced a while ago, but do you see anything from the new administration concerning yesterday's bill that could impact the timing of the approvals that you get from the regulators?

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

Look, we appreciate the question, Sunet, but what we would say is as we've said since we announced the deal, we expect to close in the first half of 2021 and we are on track to do that. And so we are really excited about the combination with Willis Towers Watson and our newly announced leadership team, who will help us in accelerating our innovation for clients.

Sunet Kamath  
Analyst, Citigroup Global Markets, Inc.

Okay, thanks.

Operator: The next question is coming from Meyer Shields of KBW. Your line is open.

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

Thanks. Two questions, I guess. I understand that the outlook for organic growth is for Aon alone. I was hoping you could help us at least think about directionally whether the combination with Willis and the associated innovation, would that outpace the sort of necessary distractions of integration or should we expect maybe some slowdown in organic growth in the earliest parts of the combination post-close?

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

So, Meyer, one way to answer this is if you recall on the 9th of March when we announced the combination, we actually gave guidance for the combined firm of mid-single digit or greater. And I would note that that is higher than what Willis Towers Watson had produced historically. And the reason — and we did mid-single digit growth or greater from year one. And so that gives you a sense of how confident we are in the new areas of unmet client need in our existing business and in brand new areas of demand where there are no products and solutions today, areas like intellectual property, climate and cyber. So we’re really excited, Meyer, about the growth potential of the combined firm.

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

No. That's very helpful. Second question, Christa, in your opening comments, you talked about inorganic growth after closing on Willis Towers Watson, and I was hoping you could flesh that out in terms of whether we should think about that in your current business lines or maybe new opportunities for Business Services?
Christa Davies  
*Chief Financial Officer & EVP-Global Finance, Aon Plc (United Kingdom)*

So, Meyer, I would say, we’re really excited about the potential to invest organically and inorganically in content and capabilities, in areas like digital where we obviously acquired CoverWallet earlier in 2020, in areas like intellectual property, in areas like climate, in areas – so, in lots of areas across our business. And so, there are many priority areas, Meyer, I would say where they are higher revenue growth, higher margin, higher return on capital businesses and we’re really excited about investing in these areas to develop new solutions for clients to meet their unmet needs.

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

Okay. Thank you.

Operator: And our last question is coming from Phil Stefano of Deutsche Bank. Your line is open.

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

Yeah. Thanks. In discussing debt leverage, it feels like the plan is to keep it low versus historical leverage at this point, and then re-continue to grow debt with EBITDA. Was this a structural shift downwards in what you think the appropriate debt leverage is at this point or is there some kind of debt issuance catch-up coming in the outyears as the uncertainties of the current environment abates?

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

Yes. Thanks for the question, Phil. What I want to say is it's really about the fact that we're managing conservatively our cash levels given the macroeconomic uncertainty, which still remains. And we're obviously heading into Q1 which is our seasonally lowest free cash flow quarter of the year. But I'd say we’re fully committed to maintaining our current credit ratings. And longer term, we’ll look to increase debt as the EBITDA grows while maintaining leverage ratios.

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

Okay. For the FX impact, you had highlighted $0.20 impact in the first quarter of 2021. Can you frame for us what this could look like at current exchange rates for the full year or even looking past first quarter?

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

We haven't given that guidance, Phil, but what I would say is Q1 is the majority of the impact for the year. It's primarily driven by a higher euro versus US dollar. And Q1 is our Eurocentric quarter.

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

Okay. All right. And the last one for you, and it's a very philosophical so I apologize for that, but thank you for the comment on the expanded apprenticeships program and how it impacts diversity and inclusion. I guess, I was hoping you could talk a little bit about ESG and the strategy there. And part of to me what is underlying this
question as we see some carriers step away from certain products like coal and that they're not going to ensure projects like that anymore. I mean, look, when I think of Aon, I think of a solution for unmet needs and being strategic in how you help clients place that risk. But if carriers are stepping away from things like that, to me there could be competing efforts of you being a solution for unmet needs but also having your own ESG policies that maybe coal is in – isn't within your wheelhouse anymore. So, as you know, coal is just an example, but you can talk more broadly than that. But just to help you clarify how I'm thinking about this.

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

Well, it isn't philosophical at all. It's a terrific question. I really appreciate it, Phil. Listen, we are absolutely committed in every way to implementing ESG best practices internally for sure and to promote resiliency. But [indiscernible] (00:45:34) is so important, the role of the industry can play relating to climate isn't just a pressing problem. It's one of the greatest opportunities for us. Again, if you think about where we are, everyone's focused on pandemic in many respects now, but this is just – gets beside us or behind us. Climate change in our view is going to be front and center. And it's going to be a challenge when you think about matching capital with risk, not to solve what energy source it is, but literally the transition risk, the client's transition pressure. They're getting – transition volatility that the clients encounter as they think about going from point A to point B, that should be our wheelhouse. That is how do we identify capability, wow do we identify capital and help them do that.

And the combination with Willis Towers Watson we believe will be formidable. There's tremendous capability in Willis Towers Watson that John Haley and the team has done a great job developing over time, that combined with what we have – we think we have a shot to really make a difference helping clients make better decisions as they think about this transition volatility that everyone is going to encounter as they think about addressing the climate challenges. So this is a high priority for us inside of Aon, in our own world, for sure. And you'll see that – by the way, we got an upcoming 2020 Impact Report that's going to detail our commitment around carbon neutrality and all pieces around that. But really the opportunity here is what we can do on behalf of clients. And it is in our view again another – it's just not been addressed in a way that's meaningful and it's a real opportunity for the industry to make a difference and we look forward to doing that.

Phil Stefano  
Analyst, Deutsche Bank Securities, Inc.

Thanks. And just one quick follow-up on that. I guess part of the question is, is there a conflict – am I thinking about this right that some of the clients who have unmet needs, you may not be able to meet those needs simply because of your own ESG framework and certain pieces of environmentally risky business that you might want to get away from?

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

Yeah. At the individual level, there's always different circumstances that are going to come up. But if you take a step back and think about the implication of the climate change overall, this is the global economy. This is largely massive, massive challenge around increased volatility that's going to be absorbed by companies as they address this challenge. Our ability to help reduce that over time is, we think, substantial. And that is why – and, again, this is a massive opportunity.

It's going to require though new insights, new innovation, evolution, beyond what our industry has done, beyond what we had done, and that's why back to why the combination, what's it all about, it's about being able to address some of these types of – these issues, climate is one, cyber is another one that's still underdeveloped
substantially, intellectual property. So, all these fit in this category still around massive unmet client need that is growing over time that we've got to bring solutions toward. And so, all these categories to us point to substantial opportunity.

Phil Stefano  
Analyst, Deutsche Bank Securities, Inc.

All right. Perfect. Thank you so much.

Operator: Thank you. I will now turn the call back to Mr. Greg Case for closing remarks.

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

I just wanted to say to everyone, thanks so much for joining us this quarter. We look forward to our discussion in the next quarter. Have a great day.

Operator: This will conclude today’s conference. All parties may disconnect at this time.

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