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Aon Plc (AON)

Q3 2021 Earnings Call
MANAGEMENT DISCUSSION SECTION

Operator: Good morning, and thank you for holding. Welcome to Aon plc’s Third Quarter 2021 Conference Call. At this time, all parties will be in a listen-only mode until the question-and-answer session portion of today’s call. I would also like to remind all parties that this call is being recorded. If anyone has an objection, you may disconnect 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 (sic) [Litigation Reform] (00:00:31) 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 third quarter 2021 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

Thank you and good morning, everyone. Welcome to our third quarter conference call. I'm joined by Christa Davies, our CFO; and Eric Andersen, our President. As in previous quarters, for your reference, we posted a detailed financial presentation on our website.

We want to begin by thanking our 50,000 colleagues. 2021 continues to be a remarkable year and; as a result of our colleagues' hard work, dedication, and perseverance, we've delivered outstanding results in Q3 and year-to-
date. This performance is an extraordinary accomplishment and a direct result of their efforts, working together as one firm to bring the best of Aon to clients.

We're also proud to report that our client feedback continues to be outstanding. Our Net Promoter Scores are at a five-year high. Additionally, Aon's public engagement is at the highest levels we've seen over the past decade, consistent with top quartile employers. This client feedback and colleague engagement are directly reflected in our firm's sustained momentum and financial performance.

In deep appreciation for all that our colleagues do for our clients and our firm, we were excited to establish in Q3 the Aon United Growth Ownership Plan. This unique program rewards every colleague with a stock-based award to share in the current and future success of our firm, and we're thrilled to recognize and support our colleagues in this way.

Overall, as we reflect on Q3 and the first nine months of 2021, our momentum – defined by client delivery, colleague engagement, and financial results – is exceptional. Even more promising is what we see in the opportunity ahead. Our conversations with clients reinforce substantial and growing unmet demand to support them in making better decision to protect and grow their businesses in an increasingly volatile world. This opportunity to create new markets to serve our clients is the catalyst for our innovation agenda and the source of greater momentum in our business.

Focusing on financial performance in Q3, our global team delivered outstanding results across each of our key financial metrics, including 12% organic revenue growth. Notably, our strongest growth in over a decade for two quarters in a row, driven by mid-single-digit or greater organic revenue growth from every solution line, highlighted by particular strength in Health and Commercial Risk, up 16% and 13%, respectively; and adjusted EPS growth of 14%.

Year-to-date, our 9% organic revenue growth reflects mid-single-digit or greater organic growth from three of our four solution lines. Our Aon United strategy is delivering significant momentum in every solution line, with net new business generation and ongoing strong retention. We also saw double-digit growth for the second consecutive quarter in the more discretionary portions of our business, such as transaction liability, human capital, and project-related work within Commercial Risk Solutions and Health Solutions.

We continue to expect mid-single-digit or greater organic revenue growth and margin expansion in the full year 2021, 2022, and over the long-term, as we continue to win share in our core business and execute to further expand our total addressable market. As we move forward, we continue to be guided by our own Aon United Blueprint to ensure we're operating as a fully integrated global team, capable of delivering the best of our firm in every local market.

Today, we'd like to highlight that the core tenets of our blueprint drive momentum and deliver greater future opportunities; specifically how delivering Aon United is enabling core new business generation and fueling stronger retention; how Aon Business Services is building capability for colleagues and translate into better service for clients; how our ongoing focus on innovation at scale is accelerating the development of new solutions to serve unmet demand; and how our commitment to inclusive people leadership has resulted in the highest levels of engagement and retention in over a decade.

First, executing Aon United is delivering net new business generation and ongoing strong retention by continuing to engage clients across all their needs with the entirety of our firm. This strategy has been built over many years...
and enables extraordinary solutions for clients, resulting in Aon winning more, growing our book of business with new and existing clients, and in turn delivering exceptional results for shareholders.

Second, we've invested heavily in Aon Business Services, or ABS, over the past five years, which now represents the core operating platform that spans the entirety of the firm. ABS centers of excellence have and will continue to grow margins by driving efficiencies across all solution lines. Equally important, ABS capability enables us to improve client service delivery and scale innovation globally much faster, driving higher organic growth. The ABS model is redefining what we're capable of delivering to clients and improving the way we work.

Third, we continue to accelerate innovation at scale. Aon is delivering innovative solutions to our clients by helping them navigate new forms of volatility, build resilient workforces, access new forms of capital, and address the underserved in digital solutions; all of which substantially grow our total addressable market. This has been demonstrated, for example, in intellectual property rights financing, a first-of-its-kind option created and enabled by Aon's IP Solutions team.

Given that intellectual property represents 80-plus-percent of the value of the S&P 500, we believe the entire IP category has the potential to be $100 billion market over time. Other categories that represent new addressable markets in the tens of billions include cyber, climate, supply chain, and digital client solutions, led by our exceptional team at CoverWallet.

Fundamentally, this opportunity to serve substantial new addressable market is driven by client demand. At Aon, we're relentlessly focused on the voice of the client. We're hearing consistent client feedback about the need to make better decisions around long tail risks. For example, we're currently getting this guidance from the almost 3,500 clients that are currently participating in our regional Aon Insights Series. And it's also be reinforced by two pieces of proprietary research that we recently released.

Every two years, Aon conducts our Global Risk Management Survey, and the latest report released three days ago was informed by insights from more than 2,300 clients across 16 industries, spanning public and private organizations in 60 countries around the world. With more emphasis in reliance on technology, cyber risk topped the list as the number one current and predicted future risk globally; its highest rank since the inception of the survey.

The top 10 risks also reflect the impact COVID has had on organizations as they needed to navigate volatility with better and faster decisions. We're seeing organizations shift focus from event-based to impact-based risk assessments, reflecting a shift in mind-set following the systemic impact of the pandemic.

Aon also recently released results of a survey focused on 800 C-suite leaders and senior executives in the US, EU, UK, and Canada to understand how organizations are preparing for and responding to the current environment. We found that, today, senior leaders are more astutely risk aware than ever before but remain confident to take on calculative risks and investments that build resiliency of their companies.

As we stated before, the approach to risk strategy has shifted from being generally defensive and risk averse to more opportunistic, taking a holistic integrated view as they seek solutions to address these challenges. There's great respect for the need to defend their businesses, but that's accompanied by desire to find solutions that help them win, as the IP financing example highlights. In this environment, we're uniquely positioned to deliver data-driven insights, talk to our clients make better decisions to grow their businesses.
Fourth and finally, we continue to see tremendous impact of our commitment to inclusive people leadership. Voluntary attrition is down substantially versus our 2019 baseline, and our quarterly polls of colleagues shows that we continue to enjoy all-time high engagement levels. Many examples highlight our talent, focus, and priority, including our commitment to Aon Apprenticeship Program and a $30 million investment to create 10,000 new roles in the apprenticeship community; our investment in talent development, with over 14,000 Aon colleagues around the world have participated in training programs in the last nine months alone; and the announcement of the Aon United Growth Ownership Plan.

In summary, our global Aon team delivered the best third quarter results in over a decade. Our Aon United Blueprint powered by our capability in Aon Business Services, combined with significant investment in new and growing categories of addressable client demand reinforces the momentum we have today and offer even greater potential over the next few years. The result is clients that are better informed, better advised, and equipped to make better decisions.

Now, I'd like to turn the call over to Christa for her thoughts on our financial results, and our long-term outlook for continued shareholder value accretion. Christa?

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

Thanks so much, Greg, and good morning, everyone. As Greg highlighted, we delivered continued progress for both the quarter and year-to-date. Through the first nine months of the year, we translated strong organic revenue growth into double-digit adjusted operating income and adjusted earnings per share growth, building on our momentum as we head into the last quarter of the year.

As I further reflect on our performance year-to-date, as Greg noted, organic revenue growth was 12% in the third quarter and 9% year-to-date, our strongest organic revenue growth in over a decade. We saw strong global macroeconomic conditions in the quarter, where we continue to effect three factors as we have since the beginning of the pandemic. Those factors are: the virus and vaccine rollout, including the potential impacts from new variants; government stimulus; and overall GDP growth.

These macroeconomic conditions do impact our clients and various areas of our business. Considering the current outlook for these factors, we continue to expect mid-single-digit or greater organic revenue growth for the full year 2021, 2022, and over the long-term. I would also note that total reported revenue was up 13% in Q3 and 12% year-to-date, including the favorable impact from changes in FX rates driven by a weaker US dollar versus most currencies.

Moving to operating performance; first, I want to speak to the impact of our previously communicated repatterning of expenses as compared to COVID-impacted expense in 2020, which I'll describe before any 2021 growth. As we've described, the timing of expenses is changing year-over-year, such that $65 million of expenses moved into Q3 from Q4.

This impact is due to the actions we took and highlighted in 2020 as we reduced discretionary expenses to be prepared for the impact of COVID-19 and potential macroeconomic distress. In Q3, this repatterning negatively impacted margins by approximately 240 basis points, resulting in Q3 operating margin contraction of 30 basis points. Excluding this impact, margins would've expanded by 210 basis points in Q3 and 240 basis points year-to-date.
A second key factor impacting adjusted margins has been the relative speed of revenue growth and investments. In Q3, excluding the impact of the repatterning, our strong organic revenue growth significantly outpaced expense growth, similar to Q2. We continue to evaluate investments using our return on invested capital framework in the areas of talent and business services and innovation to enable long-term growth. We expect that these areas of investment will continue to ramp up significantly during Q4.

In addition, we anticipate continued resumption of T&E and modest increases in real estate as more colleagues return to the office. Collectively, the headwind from expense repatterning and tailwind from slower investment as compared to revenue growth was the main factors driving 30 basis points of margin contraction in Q3 and 20 basis points of margin expansion year-to-date. Looking forward as we’ve said historically, we expect to deliver full year margin expansion for 2021 and over the long-term.

Turning back to the results in the quarter; we translated strong adjusted operating income growth into adjusted EPS growth of 14% in Q3 and 16% year-to-date. As noted in our earnings materials, FX translation was a favorable impact of approximately $0.02 per share in Q3 and $0.24 per share year-to-date. If currency were to remain stable at today's rates, we would expect an insignificant impact in Q4. Excluding the costs associated with the termination of the combination with Willis Towers Watson and related costs, our performance and outlook for free cash flow in 2021 and going forward remains strong.

Free cash flow decreased 40% year-to-date to $1.1 billion, as strong revenue growth was offset by the $1 billion termination fee payment and other related costs. Of the total $1.363 billion of termination fee and other related costs, a pre-tax amount, the $1 billion termination fee was paid in Q3, and approximately two-thirds of the remaining charges will be paid in 2021 with the majority of the balance paid in 2022.

We continue to expect to drive free cash flow over the long-term, building on our long-term track record of 14% CAGR over the last 10 years based on operating income growth, working capital improvements, and reduced structural uses of cash enabled by Aon Business Services.

As Greg highlighted, Aon Business Services will not only drives efficiencies, but also enables revenue opportunities and innovation at scale. As an example, through our integrated vendor management system in the US last year, we were able to ensure that 5% of addressable vendor spend was with diverse suppliers, which is 2 times higher than the Fortune 500 average. In addition to being a key initiative for Aon as part of our overall ESG strategy, this is also a way we can have an even bigger impact on what we deliver for clients in an Aon United way.

In the third quarter, we had an opportunity to engage with a biopharmaceutical client looking to establish a supplier diversity program as part of their broader inclusion and diversity strategy. Given our demonstrated supplier diversity expertise, our global spend management team and human capital colleagues came together to forge a new innovative solution based on this client's emerging need, which included establishing governance structure and conducting research on peer and industry norms.

Given our outlook for long-term free cash flow growth, we expect share repurchase to continue to remain our highest return on capital opportunity for capital allocation. In the third quarter, we repurchased approximately 4.4 million shares for approximately $1.3 billion. We also expect to continue to invest organically and inorganically in innovative content and capabilities to address unmet client needs.

Our M&A pipeline, centered around the four areas that Greg described, is focused on bringing innovative solutions to our clients’ biggest challenges, delivered by the connectivity of Aon United. I would also note that on
October 1st, we closed the previously announced sale of our Retiree Exchange (sic) [Retiree Health Exchange] business to Alight. In 2020, the Retiree Exchange (sic) [Retiree Health Exchange] generated $176 million of revenue, and it is a predominantly Q4 business.

Turning now to our balance sheet and debt capacity; we remain confident in the strength of our balance sheet and managed liquidity risk through a well-laddered debt maturity profile. In Q3, we issued $1 billion of senior note as we return closer to historical leverage ratios while maintaining our current investment-grade credit ratings. Interest expense in the fourth quarter is expected to be approximately $85 million, reflecting our increased debt levels.

Over the long-term, we expect to return to our past practice of growing debt as EBITDA grows. Further, I'd note that fourth quarter is our seasonally strongest quarter for free cash flow generation, and we intend to allocate this cash to our highest and best uses based on return on capital, which remains share repurchase.

In summary, strong top and bottom line performance for both the quarter and year-to-date reflect continued progress and momentum as we enter the last quarter of the year. We believe our disciplined approach to return on invested capital, combined with expected long-term free cash flow growth, will unlock substantial shareholder value creation over the long-term.

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

**QUESTION AND ANSWER SECTION**

**Operator:** Thank you very much. Now, we'll begin the question-and-answer session. [Operator Instructions] Our first question now is from Elyse Greenspan with Wells Fargo. Ma'am, you may ask your question.

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

Thank you. Good morning.

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

Good morning.

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

My first question is on the ramp-up that you were talking about expenses in the fourth quarter, Christa. I think you use the word significantly when talking about that. Just trying to get – if you could expand on the ramp-up you’re expecting from investments, T&E and real estate? And tying into that, should we expect your full year margin expansion to be at or better than your 10-year average which I believe is around 90 basis points?

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

Thanks so much for the question, Elyse. And as you mentioned over the last 10 years, we've delivered 890 basis points of margin expansion, so approximately 90 basis points a year for 10 years; and we will deliver full year margin expansion for the full year 2021. As I mentioned in Q4, we will continue to invest meaningfully in talent, in
Aon Business Services, and in innovation to enable long-term growth, and we expect the expenses associated with these investments will ramp up during Q4 [ph] due to terrific opportunity we see ahead.

And so as I mentioned, Elyse, we expect full year margin expansion. We don't give specific end-year guidance for that, but we have delivered margin expansion for the last 10 years of 90 basis points a year.

Elyse Greenspan  
Analyst, Wells Fargo Securities LLC

Okay. And how – any other color you can say just in terms of the – like, were you guys investing in the third quarter [indiscernible] (00:20:05)? Was there some going on in the third quarter, just in terms of sizing the ramp up that maybe we could see sequentially.

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

Yeah. So what I did say about Q3 is, our strong revenue growth significantly outpaced our expense growth. And so these investments are really going to increase more in Q4 than Q3.

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

And, Elyse, just to reinforce when you think about margin over time, [indiscernible] (00:20:32) exactly right. You think about sort of our historical performance, it's been what it's been and, we fully expect that continues in the future on margin improvement, as we said, next year and the following years and over time.

I would just highlight though, there has been a continued increase in the ability to invest in growth and build momentum in the business in very specific areas that we believe are really reacting to client need. And what they're essentially saying, they really got a – they really need to see new solutions on. So, I do want to reflect that level of increased investment.

Maybe, Eric, there are a couple of specific areas you might just want to highlight just so Elyse get a sense on sort of the kinds of things where to invest in and still maintain margin improvement.

Eric Andersen  
President, Aon Plc

Sure, Greg. Maybe a couple ways to answer [indiscernible] (00:21:15) the comment. One is going back to the question around T&E; we've been doing these Client Insights Series events over the last couple of quarters and drawn thousands of clients, right. And we've been able to do it virtually, which allows us to bring global capability, global speakers, global insight to any region and share best practices on what our clients are thinking about around the world has been really helpful and really one of the benefits of using the technology in a way that we're going to keep use going forward.

So, the historical model of doing a road show, putting people in conference rooms around city to city to city, right, our ability to do it in two hours and talk to 4,000 clients at the same time is material. So, that's just one area. [indiscernible] (00:21:55) didn't want to lose that point because it has been such a great impact for us.

And the second, Greg, is we continue to see real growth opportunities in the business really on a couple of different areas, right. First on the data and analytic area, continuing to invest in our digital space, our modeling and analytic capability to help clients see what's coming and understand better. You mentioned in your opening
comments around C-suite people are now risk aware. And by risk aware, that means they want more information, right. And so, we need to have more analytic capability, more modeling capability. So, we're investing there.

And then, you've got your traditional areas where we're seeing great growth, right, whether it's M&A services, construction, health benefits; those areas where we really do see that need underneath the Aon United platform of integrating those teams is really is – it's something. So, there's a lot out there. We could talk for days on it, but just to make those comments off the question.

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

Thank you. And then, one last one; the tax rate was, on an adjusted basis, was just under 24% this quarter. So, a little bit higher than where it's been trending. If you can provide any color there. And then, any implications that you can share from the global minimum tax?

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

Yeah. So, Elyse, thank you so much for the question. We're not going to give guidance on tax rate going forward. But if we look back historically, exclusive the impact of discrete, which can be positive or negative any one quarter, our historical underlying rate of the last four years was 18%. And what you saw in Q3 was a tax rate slightly higher with an unfavorable discrete item. And in terms of the global minimum tax, obviously, we're tracking this very closely and monitoring, et cetera. And the implementation of that has not been worked out yet. And as we learn more, we look forward to sharing with you, Elyse.

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

Okay. Thank you.

**Operator:** Thank you. Our next question is from Charlie Lederer with Wolfe Research. Sir, your line is open.

**Charles Lederer**  
*Analyst, Wolfe Research LLC*

Hey, good morning. I'm dialing in for Mike Zaremski this morning. A couple questions on cash flows. Should we expect the net loss on a GAAP basis to help reduce cash tax payments over the next 12 months or so? And also you noted in the slide deck that the – about the $363 million that will be paid in 2021. Have you disclosed how much of that has been paid to-date?

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

So, maybe I'll take those in reverse order, Charlie. Thanks so much for the question. So, we had $1.3 billion of expenses that were adjusted out of Q3, a $1 billion in termination fee and $363 million of charges, which is the lower end of the range we provided. We provided a $350 million to $400 million range. We paid the $1 billion termination fee in Q3, and two-thirds of the $363 million in charges will be paid by the end of 2021, and the remaining third will be paid in 2022.

And then, I think your first question was around sort of the free cash flow; we do expect to generate strong free cash flow this year, and we expect free cash flow over the long-term to be growing double-digits. One of the
things I'd, Charlie, is if you start with the $2.6 billion of free cash flow straight off the cash flow statement in 2020 – that's cash flow from operations less CapEx that equals $2.6 billion – and you can grow that double-digits, Charlie, and get yourself to a good starting point for 2022 free cash flow.

And then I think you're also really asking about the tax deductibility of the $1 billion – the $1.363 billion, in fact. We have said that's a pre-tax number. We have not disclosed the details of tax deductibility of it.

Charles Lederer
Analyst, Wolfe Research LLC

Okay. Thank you. And then some of your peers talked this quarter about significant rate increases in cyber insurance. Is this helping your organic growth, and can you talk about what you're seeing there and whether there's more of a supply/demand imbalance going on now?

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

Maybe, Charlie, I'll start with that, but love to get, Eric, your comments on this. [indiscernible] (00:26:18) when we're asked about rate, we always come back to market impact. That's more important than anything else. Literally, how clients really endure kind of what's going on in the broader marketplace. And, remember, our role in life is to help them actually model, understand analytics, and all the pieces and sort of create the best set of solutions for them in the face of market impact. And we reflect prices modestly – a modest impact on us over the course of the quarter and the first nine months. But generally, you can pick the one-off pieces, but overall we're looking at how to help clients manage that.

But, Eric, on the day to day, how would you reflect this?

Eric Andersen
President, Aon Plc

Yeah, Greg, I think I would say it in that, maybe a little bit of what you said to pick up on it. The clients make decisions based on their risk appetite, budget capacity, insurance options in the marketplace, et cetera. And each product essentially has its own dynamics, right. It has its own claim transit, it has terms to conditions, retention, deductible, supply/demand, which markets are competing, et cetera.

So, we're coming out of probably a 24- to 36-month price increase environment, right. We're seeing a deceleration across the globe on the major products. You mentioned cyber in particular, it's important to put that in scale, in terms of the size and reach of the entirety of the insurance marketplace. So, it gets a lot of attention over the last couple of days I've heard as well, but the reality is it's one product in an entire risk management portfolio that clients are managing against.

And a lot of the energy that's going into cyber today is actually going into the consulting aspect of it; the risk management part or the post-event part as opposed to just the risk transfer, as the market is trying to get its right balance as to what's the right trading price, if you will, for risk transfer and what's covered in it and alike based on all the activity we've seen in ransomware and other things over the last couple of years.

But keep it in context, because overall, the size and scale of what our clients are doing around the world, they're trying to make trade-offs and choices based on market conditions that have been more favorable to insurers than clients over the last couple of years. But, ultimately, our role in that is to help them, using our expertise, our
analytics, our modeling capability, help them make those choices. But I would just say I would keep cyber in context relative to the entirety of the marketplace.

Charles Lederer  
Analyst, Wolfe Research LLC

Great. Thank you, guys.

Operator: Thank you. Our next question now is from Jimmy Bhullar with JPMorgan. Sir, you may ask your question.

Jimmy S. Bhullar  
Analyst, JPMorgan Securities LLC

Hi. Good morning. So, first, I just had a question on employee retention. You've lost a number of high profile employees during the Willis process. It doesn't seem like it's impacted your results though. So, wondering if you could just talk about employee retention overall, and whether you expect a little bit of a slowdown in results, just haven't seen that yet but you might be expecting that over the next few quarters because of it?

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

Jimmy, I’ll start with the perspective. Listen, as you've heard in my opening, quite the reverse in terms of what we look at and what we see every day. Obviously, I mentioned in my opening comments, our voluntary attrition [indiscernible] against 2019, and we're way ahead of that baseline. So, actually, we've gotten stronger over time; very, very positive. And then most important, our engagement – and we do a full survey very frequently, quarterly and sometimes even monthly – around where we are and we literally have the highest engagement we've had in the last decade.

And you have to understand, we're looking at, as we think about our colleagues, better ways to help them serve clients, which means it's much more focused on their expertise and their development, their insights. And as clients achieve their goals and what they're trying to do, our colleagues grow alongside them, and that creates a very unique environment and that's what Aon is. And as a result, we're much more, as I said, focused on talent development. Some of the things I talked about in my comments referenced that.

And so, we feel tremendous momentum with our colleagues around the world, and that's borne out in our performance, both our top line performance and our bottom line performance; and as I said before, in our NPS score, the Net Promoter Scores. So, from our standpoint, we are in a very privileged position. We feel terrific about where we are, what our colleagues are able to deliver around the world. And as both Eric and Christa and I have all highlighted, feel even more optimistic about what the potential holds in terms of where we are.

But, listen, talent is literally what we do every day, what we're focused on every day. I want to get Eric's and Christa's input on this as well. Eric?

Eric Andersen  
President, Aon Plc

Yeah. Yeah, thanks, Greg. And look, I would just say from your direct question of are we losing senior people, the answer is you can't track it based on the snippets of the insurance industry rags that print. As Greg said, we feel great about our team and feel like where we are investing for the future is critical to how we are positioning our assets. We also have something, as you think about our Aon Business Services platform, it's an opportunity for us
to provide professional service, consistent standards around the world, and actually to leverage our innovation in a way that I don't think anyone else in our industry can do.

And so, as we focus our investment on talent, we're focusing on where we can grow, where we see growth opportunities. We're also focusing it to make sure we've got the depth of service teams as we do, and have been building our bench over many years to make sure we can do that. So, I feel really great about where we are. But having that ABS platform is a game changer for us because it actually allows us to scale our innovation, provide the level of service that our clients need, and really target our investments in growth and talent into areas where we can make an outsized client impact.

Jimmy S. Bhullar
Analyst, JPMorgan Securities LLC

Okay. And then, on the timing of expenses, you did mention and you, I think, mentioned before about the shift in expenses towards 2Q and 3Q this year. As we think about expenses and margins in 2022, should that be consistent with the 2021 or would it be more consistent with pre-pandemic levels?

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

Great question. For 2021, it's the right patterning of expenses for each go-forward year, Jimmy. So, you should use 2021 as your right patterning.

Jimmy S. Bhullar
Analyst, JPMorgan Securities LLC

Okay. And then, just lastly, I think, you've obviously benefited from lower T&E spending in the near-term. And I think at some point, that comes back. But as you think about your expenses longer-term, are there sort of long-term benefits from the pandemic, whether it's lower real estate footprint or less travel going forward, at least for the next few years? How do you think about sort of how the pandemic affects your margin trajectory and expenses?

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

Thanks so much for asking the question, Jimmy. It's a great question. We're really focused on learning the best lessons in how we've been serving clients well over the last 18 months, bringing global expertise and teams to serve their most important issues via video globally, as Eric described, with our Client Insights Series, over 4,000 clients virtually. And it's creating more opportunity to colleagues to be included globally, and we're utilizing this to bring the best talent and best expertise to clients.

And so for us, this is really about the future of work and how we position Aon in a new, better scenario. So, serving clients with the best talent expertise, providing employees with flexibility and ensuring that they're productive, and having a diverse and inclusive workforce.

But, Eric, you're at the front and center of this with clients every day, what was your idea?

Eric Andersen
President, Aon Plc

Yeah, Christa, not much other than to say it has really provided an opportunity for us to unlock our global talent in a way that we can bring it to a client that historically was just more challenging because of logistics. When a client
is – if it’s a US-based client, and they want to talk about something that's happening in France, you just pop up
the French team and they can go direct to it and have that conversation. Though historically that would have
come from the team in France to the account exec in the US and would have been talked about in the third
person, as opposed to just unlocking the global team. And it does a couple of things for us.

One, it shows the power of the global company to a client. It also makes connections among our teams in a way
where they’re learning firsthand as well, and so can repeat that learning. So you’re absolutely right on everything
you said, Christa, before; but it is – there's a ability for us to really see and use the global connectivity in a way
that historically had just been harder to do and do it on a more frequent basis.

And we have found over the last 18 months that the clients have really valued that access, being able to get right
to the point of the expertise and be able to bring it and deliver it in a really easy way for the client to digest it and
really build those relationships as well. So we definitely are going to take those forward. That has been a real
value part for us and something that we’re going to bake into the model going forward.

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

Okay. Thank you.

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

Thanks. First, [indiscernible] (00:35:43) if I can. What are you telling your clients about the persistence of current
inflation in the US?

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

So overall, Meyer, in terms of – I just want to make sure I – so, just, what we're [indiscernible] (00:35:59) our
clients about it or – so that's the question?

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

Yeah, pretty much. Just because I think [indiscernible] (00:36:08). I'm just wondering what the actual viewpoint is?

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

Go ahead, Christa.

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

Yeah. I mean, Meyer, this is such a great question because wage inflation is certainly real and our human capital
business is hearing directly from clients about it and seeing in our compensation surveys and data [indiscernible] (00:36:25)
compensation increases and compensation is averaging, increases in the 2% to 12% range,
depending on the role. And as a result, our teams are spending a lot of time with clients on strategies to deal with
this; areas like total rewards, resource allocation, organizational benchmarking and readiness, and the
development of long-term talent strategies are really topical right now. Not surprisingly, we’re seeing a lot of demand in our human capital business, and it’s reflected in the double-digit growth of that business we’ve seen over the course of this year.

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

Okay. That makes sense. Does it go beyond compensations-related inflation?

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

That's the main area we're seeing it in the labor area. Are there other areas you're all thinking about there?

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

I just – that's a general, people are calling it financial inflation sort of [indiscernible] (00:37:16).

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

Yeah. I mean, we're certainly – I mean, one of the things we would say more broadly, Meyer, is inflation is a positive thing for Aon's business overall. If you think about, you are ensuring assets; and whether the assets of corporate revenues or employment levels or commercial property assets, inflation is generally a tailwind for our business.

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

Okay, perfect. And then if I can follow up, with regard to the stock ownership plan for colleagues, are we going to see any associated stock issuance associated with that? Would that offset the share repurchases?

[indiscernible] (00:38:02) the overall plan, and then Christa [indiscernible] (00:38:05) the mechanics of this. I do want to just highlight, this is about – this has been amazing. And this has been a wonderful opportunity for all of our colleagues around the world to participate and take part in the success of the firm. But, Meyer, it actually goes well beyond that.

When you talk about financial wellness and understanding, every colleague at Aon [indiscernible] (00:38:27) every colleague at Aon actually has a piece of the firm, can watch and see what happens, engage in the discussion around how this works, the mechanics of it, all the nuances of it. It's really – it's been fantastic. And in essence and many respects, they're getting a chance to see the firm in a way they haven't seen it before. So, beyond kind of the aspect of the sort of the wealth creation aspect of it, really, is the financial wellness aspect of it has been absolutely fantastic.

And then obviously in the context of what we're doing, we looked at this investment in our colleagues, if you look at all investments from a return standpoint, and we thought this was a phenomenal one. And by the way, our high expectations have been exceeded. The reaction has just been spectacular.
And then, Meyer, maybe just from a share point of view, we obviously are issuing options as part of this. But as we think about utilizing our cash, you know we run the firm based on return on capital, cash on cash returns; and our highest return on capital opportunity across Aon remain share repurchase because we value the firm on a [ph] discounted (00:39:36) cash flow basis. Its values are substantially above what we’re trading today and, therefore, the return on capital of share repurchase continues to be the highest investment opportunity across Aon. And so, we’re investing in share repurchase because of the return not to offset any dilution.

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

Okay. Understood. Thank you so much.

Operator: Thank you, all. [Operator Instructions] Our next question now is from Weston Bloomer from UBS. And, sir, your line is open.

Weston Bloomer
Analyst, UBS Group AG

Hi. Good morning. My first question is on the investment in talent and what that could potentially mean for organic growth? More specifically just in the second half of the year because it looks like you’ll probably come off a difficult comp in second half of 2022? So, more curious as you bring on new talent historically what have you seen in terms of a ramp-up in terms of getting to full efficiency, or what are your broad expectations there?

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

Well, Weston, maybe I’ll start just a broad view and, again, all three of us can comment on this. (indiscernible) (00:40:39) essentially we’ve talked about mid-single-digit or greater organic revenue growth across all of our solution lines. And that’s where we are and that’s where we have achieved and continue to achieve, and that’s what we’re anticipating for next year, the year after, and in the coming years.

So, look for that. That’s the benchmark in terms of where we are. We really don’t look at it in the same way as maybe others describe it, this idea of quarter-to-quarter, how the person get a return. Now, we really look at overall how we support our colleagues, the talent strategy of our firm. How we both bring them in and develop with them, but also how we develop our current set of colleagues who come in and are part of Aon over time. And that’s sort of – new hires but it’s also I think about our Apprenticeship Program.

Our Apprenticeship Program has been amazing investment and opportunity over the last number of years. We started in 2017. As an example, in Chicago, we now have 50 employers engaged in this apprenticeship network with 1,000 apprentices in Chicago. We made this investment across North America. We’ve copied what’s been done across Europe, we’ve been recognized; even Fortune recognized sort of what we’ve done in terms of sort of the impact this is going to have.

And all I’m trying to highlight based on this topic of talent it’s simple to Aon, and we develop it in a very specific way. I talked about 14,000 Aon colleagues in the last nine months alone really going through training programs that help our colleagues continue to evolve as professionals to help serve clients in an environment which
becomes more complex. That is the way we approach the market and all angles in all aspects with full expectation, we're going to achieve results, mid-single digit or greater.

So, it's not kind of up/down or different, it's just that's what it's going to be, mid-single-digit or greater; and then we see opportunity to continue to expand with these new addressable markets we talked about. So, that's philosophically how we think about it. It isn't kind of the ramp up, ramp down, ramp up, ramp down that others often talk about. Ours is really mid-single-digit or greater over time.

But, Eric, thoughts on your standpoint as you think about this from a talent...

**Eric Andersen**  
President, Aon Plc

Yeah, maybe a different angle on it, too, is that when you think about our Aon United model and how we actually interact with clients, essentially having a client leader who can bring all of the capability of the firm to a client, whether it's on the Risk side, whether it's on the Wealth side or the Health side, et cetera, that model is a team based model, right.

So, it's less about hiring a person and then getting an immediate return; it's really around investing in the capability so that as we interact with clients, we can bring to them either existing solutions that we have today or as the teams work together and create new solutions together where you're matching human capital and risk or reinsurance and health to try and create new ways to unlock value.

That's less about I need five new people to get five new things; it's more around how do you invest consistently over time so that you have the expertise and you have the team-based culture that allows you to deliver that capability to a client in a way that nobody else can.

That's what we're after, and that's what we've been building on over the last couple of years. So as Greg said, it's less about head count up, head count down; it's around, do you have the right culture, do you have the right expertise, and the right planning process so that we're able to interact with a client in a way where we can deliver something no one else can. That's the play.

And, Christa, anything you'd add?

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

Yeah. Look, just to build on Eric's point about investments, we've invested in Aon Business Services and specialized teams, and we've engineered a firm that's capable of sustained long-term organic growth and margin expansion at any point in the cycle, as we've demonstrated over the last decade.

**Weston Bloomer**  
Analyst, UBS Group AG

Got it. That makes sense. And just as a follow-up – and I may have missed this – did you provide a CoverWallet growth in the quarter? I think it was, you provided double-digit last quarter. I'm curious how that's trended?

**Gregory C. Case**  
Chief Executive Officer & Executive Director, Aon Plc
We didn’t provide a specific growth call out. I just want to highlight sort of the team has been exceptional. It really is the perfect example of what Eric and Christa just talked about. It is looking at opportunities in digital and what we can to do help serve clients more effectively. CoverWallet was just an amazing, amazing firm. And we brought them into Aon family and, together, they’ve met our global firm better. And hopefully, as we’ve invested in that capability, they become stronger over time.

And so, we’re seeing substantial impact, not just in what would have been defined as the core business they came in with, but really how they’ve helped us grow businesses around the world. And we see this as really the tip of the iceberg on what the opportunity could be driven by this team and our broader team around the world.

Weston Bloomer
Analyst, UBS Group AG

Great. Thank you for the answers.

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

Uh-huh.

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

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

Thanks very much. Appreciate it. Thanks, everyone, for joining the call. We always appreciate it and look forward to our next discussion. Thanks very much.

Operator: Conference is now concluded. Thank you for your participation. You may please go ahead and disconnect.