REFINITIV STREETEVENTS

# EDITED TRANSCRIPT

WTW.OQ - Willis Towers Watson PLC Investor Day

EVENT DATE/TIME: DECEMBER 03, 2024 / 2:30PM GMT

**OVERVIEW:**

Company Summary





REFINITIV

## CORPORATE PARTICIPANTS

**Claudia La Hoz** *Willis Towers Watson PLC - Head of Investor Relations*

**Carl Hess** *Willis Towers Watson PLC - President, Chief Executive Officer, Director*

**Julie Gebauer** *Willis Towers Watson PLC - Head of Health, Wealth and Career*

**Lucy Clark** *Willis Towers Watson PLC - President of Health, Wealth & Career*

**Andrew Krasner** *Willis Towers Watson PLC - Chief Financial Officer*

## CONFERENCE CALL PARTICIPANTS

**David Motemaden** *Evercore ISI - Analyst*

**Elyse Greenspan** *Wells Fargo - Analyst*

**Ryan Tunis** *Autonomous Research US LP - Analyst*

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

**Josh Shanker** *BofA Securities - Analyst*

**Mark Marcon** *Robert W. Baird & Co. Incorporated - Analyst*

**Yaron Kinar** *Jefferies - Analyst*

**Brian Meredith** *UBS Investment Bank - Analyst*

**Mark Hughes** *Truist Securities, Inc. - Analyst*

**Rob Cox** *Goldman Sachs Group, Inc. - Analyst*

**Adrian Meli** *Eagle Capital Management - Analyst*

**Michael Zaremski** *BMO Capital Markets - Analyst*

**Brett Lisle** *Atalan Capital - Analyst*

## PRESENTATION

**Claudia La Hoz** - *Willis Towers Watson PLC - Head of Investor Relations*

Good morning, everyone. So good to see you all. My name is Claudia De La Hoz, I'm the Head of Investor Relations for WTW, and it is my great pleasure to welcome you to our 2024 Investor Day.

Today, you're going to hear about our businesses, our growth strategies. We have some product demonstrations on site for those of you who are participating in person today, I definitely encourage you to explore those. All of the materials that we are sharing with you today have been posted on our website at wtwco.com.

No investor day would be complete without legal disclaimers. So I'm here to share those with you now. Some of the comments in today's presentation may constitute forward-looking statements within the meaning of the Private Securities Reform Act of 1995. These forward-looking statements are subject to risks and uncertainties.

Actual results may differ materially from those discussed today, and the company undertakes no obligation to update these statements unless required by law.

For a more detailed discussion of these and other risk factors, investors should review forward-looking statements section of our investor day materials available on the company's website as well as other disclosures in the company's most recent Form 10-K and in other filings the company has made with the SEC.

During the presentation, certain non-GAAP financial measures will be discussed. For reconciliations of the non-GAAP measures as well as other information regarding these measures, please refer to the appendix of today's investor day materials available on the company's website.

I'm excited about the lineup of presenters we have for you today and the material that they prepared for you. First up, we'll start with our Chief Executive Officer, Carl Hess. He'll be followed by our President of Health, Wealth & Career, Julie Gebauer. And then our new President of Risk & Broking, Lucy Clarke. We'll take a 15-minute break. We'll resume with Andrew Krasner, our Financial Officer. And then we're going to open it up to Q&A.

The plan is to conclude the Q&A around 12:30, preferably at 12:30 if all goes according to plan. At that point, we invite you to join us for an informal luncheon where you can mingle with the presenters. You can also check out those product demonstrations if you haven't had a chance to do so at that point.

So with that, I'm going to turn your attention to the screens both for those of you who tuned in virtually and with us in person for a short video.

I thank you for joining us today, and thank you for your continued interest in our story.

(video playing)

---

**Carl Hess** - *Willis Towers Watson PLC - President, Chief Executive Officer, Director*

Welcome to WTW's 2024 Investor Day. I'm Carl Hess, Chief Executive Officer of WTW, and we are excited to provide an update on our business and outlined our refreshed strategy to capture the many opportunities that create value we see across the portfolio.

Let's start with where we are today. WTW is a truly global company, operating in very attractive and dynamic markets. We have a rich history and bring nearly 200 years of knowledge and experience to our clients across more than 140 countries. These clients include some of the most sophisticated and largest companies in the world as demonstrated by our relationships with more than 90% of the Fortune Global 500.

We're comprised of 2 business segments focused on the needs of our clients. Our Health, Wealth & Career business provides advice, broking solutions and technology focused on employee benefits, retirement and investment plans, compensation and career programs and the overall employee experience.

Our Risk & Broking business provides a broad range of risk solutions, insurance brokerage technology and tools and consulting services. And these businesses are supported by 48,000 colleagues whose intense focus, extensive experience and dedication to our clients continue to make WTW a leader in its markets.

Before we get to our refreshed strategy, I'd like to provide some color around what we've accomplished over the past 3 years. Since 2021, WTW has undergone a remarkable transformation to rebuild and strengthen our company through our strategy to grow, simplify and transform. We set out to grow the business by making strategic investments in talent and innovation, to simplify our business to become more efficient and agile and transform the business to modernize and enhance how we operate. That was all to set a solid foundation for our business to excel in the years to come.

Now it hasn't been an easy journey and progress is not linear, but 3 years later, we can proudly say that we have successfully executed on our strategy delivering strong financial results that reflect our renewed strength across all our businesses.

And over this time, WTW has grown considerably at or above market in our key businesses with an organic revenue CAGR of more than 5%. And we've simplified and transformed to arrive at a leaner business model with 300 to 360 basis points of margin expansion, and that's leading to an 11% to 14% EPS CAGR. We've also prioritized capital return to our shareholders, executing approximately $6 billion in share repurchases. And I'm pleased to report that, as discussed in our 2024 outlook at our Q3 earnings commentary, we're on track to deliver a solid 2024 and have a strong momentum to deliver another year of healthy results in 2025.

Digging into how our businesses have evolved over the past 3 years, we see attractive growth and margin profiles that have been amplified by our actions. In HWC, our Health and Benefits and our Retirement and Investment businesses continue to be some of our highest margin areas. Our innovation to meet evolving market needs, such as our global benefits management program and our creative new solutions for retirement plans, will drive sustainable growth for years to come.

In career, we've utilized innovation to improve our revenue mix and decouple our revenues from the economic cycle. And we're simplifying our Benefits Delivery & Outsourcing subsegment by divesting TRANZACT, which will result in a more focused and higher-margin business. This sale is expected to close by the end of this month.

In R&B, our specialized Broking & Risk solutions have fueled growth above market rates. We've continued to stoke that fire by investing in talent, technology and data that will differentiate our solutions in the marketplace and they'll strengthen our client retention and our new business pipeline.

Our ICT or Insurance Consulting and Technology business has also invested in software data tools backed by our specialized consulting expertise that support strong growth and margin expansion.

Put simply, our businesses are primed to perform.

Now after tackling the hard work of rebuilding our business, we're now focused on extending and amplifying our strengths. To that end, we're launching our new strategy to accelerate performance, enhance efficiency and optimize our portfolio at WTW.

We'll accelerate performance by building on our recent momentum to continue to delivering top line growth that supports further improvements in operating leverage. And we'll do this by strengthening our core, continuing to innovate, leveraging and expanding our global footprint and advancing connections across our business.

We'll also enhance efficiency using our continuous improvement capabilities and our WTW enterprise delivery organization, WE DO for short, to drive both margin and free cash flow improvement.

And we'll optimize our portfolio, strategically investing organically and inorganically to improve our business mix in terms of both growth and margins.

These objectives are enabled by a focused investment framework and a rebalanced capital allocation strategy.

Let me take you into how each of these objectives in a bit more detail will accelerate our performance. To deliver on our accelerate objective, we'll focus on improving our business fundamentals by strengthening the core. In HWC, this means growing our presence and market share and by emphasizing economically resilient offerings driven by innovation. We'll also continue to advance our smart connections approach given the client demand we've observed to date.

In R&B, the specialization strategy will continue to be our focus, especially in those global lines where we've had success and those specialty areas with high growth and high margin potential. We'll also focus on opportunities provided through strong data analytical capabilities.

Now additionally, we're going to continue innovating and scaling our products and services that can be offered in parts of the market that can generate high returns and high margins.

We'll also look to strategically expand our presence in high-growth geographies and markets where there's demand and where we can win.

Having the right talent is key to our business and accelerating our performance, and we will continue to invest in talent opportunistically in areas we see fit. We expect this to lead to enhanced client retention rates, a deeper new business pipeline and improved win rate and increased cross-selling with existing clients. All of these support strong organic growth and greater operating leverage.

Sticking with accelerating performance, I'd like to go deeper into our segment strategies where we intend to build on the progress we've made to date. You'll hear more from Julie and Lucy later today about the many opportunities in each business to drive profitable growth, but let me preview what they're going to share with you.

Starting with HWC, we'll continue to focus on our core businesses that have sustained mid-single-digit growth since 2016. Innovation has been a driving force for HWC as we develop new software and platforms based on our expertise, improving the quality of our revenues. As we go forward, HWC is bringing together its relentless focus on client service and innovation around AI, automation and owned data to enhance our growth portfolio, increase our mix of recurring revenue and serve our clients more efficiently.

In R&B, our specialization strategy has driven growth in our global lines of business at more than 150% of the CRB average. And we'll continue to invest in specialization, deepening our expertise and leveraging it in new geographies for our existing lines and building the talent and tools to support new specialized lines.

Like HWC, innovation will also be integral to R&B's growth. Through focused investments, we developed a new Broking Platform in data, risk and advisory tools. Going forward, we'll build on this by accelerating commercialization of our key products and integrating these new tools into our risk solutions.

Given our emphasis on innovation, I'd like to spend a moment to highlight how WTW approaches innovation and how our clients and business benefit from it. We have a long-standing reputation for bringing innovation to the market, and we continue to use innovation as a competitive differentiator. The same insight that drove our specialization strategy, the value of leveraging our deep collective expertise across the global footprint also underlies our approach to innovation, which is to apply new perspectives to how to use our strength to solve client needs.

Our tools bring together data, expertise and analytics in ways that help our clients make more informed decisions that save them money or reduce their risk exposures. For example, take our proprietary Connected Risk Intelligence tool. You can see the demo down the hall and our cyber risk and ICT capabilities. And our ICT software, including radar on display today, is used by more than 75% of the world's leading insurers.

Another part of our innovation focus is delivering breakthroughs that matter, new products that address unmet needs. These include our LifeSight products, which offer a more flexible defined contribution pension solution that lowers costs, reduces fiduciary risk and increases efficiencies. In the U.K., LifeSight covers nearly 1.5 million people with GBP 24 billion in assets under management.

Lastly, we continue to see opportunities in AI and automation, Expert and Embark are 2 tools that we've developed that incorporate AI to bring WTW's experience to clients more efficiently. Again, we encourage you to visit the demo area during the break or during lunch to see our Connected Risk Intelligence, Expert, Embark and Radar tools in action. These innovations, amongst others, will enable us to serve clients more efficiently and effectively while improving our product mix to drive continued growth and margin expansion.

An important ingredient of our growth strategy is taking advantage of global reach, our ability to scale our expertise across geographies yet while still operating locally to deliver solutions each market demands. We've identified opportunities in our geographies where we believe we can accelerate our growth by bringing together capabilities across markets to deliver a better solution.

For instance, in the Middle East, we recently secured licensing to act as an insurance broker in Saudi Arabia. This license further strengthens our global network, and we continue to expand and evolve our HWC capabilities into solutions that meet the needs in the region. For example, we recently built a range of Shariah-compliant funds, investment funds, across 7 asset classes. These actions enable WTW to bring our global insights, expertise and innovative solutions to this region in support of the Saudi Vision 2030 goals and objectives.

Now in Europe, we continue to strengthen our specialist approach by broking through new industry verticals. These verticals come our global lines of business specialization and bring tailored expertise to the region.

Moving on to how we're enhancing efficiency across the company. We're committed to driving margin expansion through both operating leverage and greater efficiency. We're keenly focused on identifying ways to reduce complexity and streamline costs wherever possible. As a result, we expect our WTW business to become more productive, more automated and more efficient over time.

The key enabler for further efficiency gains is WE DO, the WTW Enterprise Delivery Organization. Now WE DO is both an organizational construct and a set of principles that we established as part of the transformation program. It's to help embed a culture of efficiency across the organization. WE DO is designed to drive continued margin expansion across both of our segments. And it consists of 4 ideas: right work, right place, right real estate and right technology.

Right work is a focus on optimizing our processes. Under WE DO, we're implementing a client planning hub and servicing model and an end-to-end GBM operating model.

Right place is ensuring our talent is located appropriately to the task at hand. We're right-shoring roles that require local presence for competitive positioning and right-shoring where we can deploy talent globally to maximize efficiency.

Right technology drives the modernization and deployment of our key technology platforms and helps extract the benefits we expect to receive from our investments in tech, tools and data.

And lastly, we continue to identify areas where we can optimize our real estate.

Now based on what WE Do is already achieved, we're confident it will continue to help the business drive margin expansion.

And moving to the third objective of our strategy, optimizing our portfolio. Now with the stabilization of our business complete, we're now able to focus on improving our business mix. And while we've taken some initial steps by announcing the divestiture of TRANZACT and investing organically in businesses like Verita, our recently formed MGU, our intent is to accelerate this process over the coming years.

That said, we're going to be disciplined and thoughtful about how we approach opportunities to improve our portfolio, carefully weighing our organic and inorganic opportunities and ensuring we don't disturb the momentum in our existing businesses. To do this, we're rebalancing how we approach capital allocation. I know there's a lot to consider on this slide, so I'm going to take you through a few of the points in more detail.

First, I want to take you through our thoughtful approach. When we think about optimizing our business mix, we're considering both organic and inorganic actions to drive higher growth and higher margins using this framework. You can see our focus is in areas that can achieve high mid-single-digit or higher growth and our target margin or higher. And for areas of the portfolio that don't meet the hurdle rates for margin to growth, we'll augment that if the business is appealing to us or we'll remove it from the portfolio. You'll see some examples listed here.

I'd also like to talk in more detail about organic and inorganic investments. A key goal of our inorganic -- our key goal of our organic investments is to evolve our portfolio towards scalable, recurring solutions that meet our hurdle rates for margin and growth.

So what does that mean? Well, in career and ICT, we're continuing to invest in software solutions that supplement our consulting offerings. In Wealth, we're likewise pursuing opportunities such as our recent investment in atomos, the U.K. wealth manager, that take our mix toward investment management and away from investment consulting. And in R&B, we're continuing to invest in MGAs and MGUs as well as Affinity where the growth and margin profile enhance that of the segment.

We're also investing in data and analytics and developing innovative products and services with strategic partners that facilitate the transition from transactional broking to risk solutions.

So going forward, we're rebalancing our capital allocation strategy to take a similar approach to inorganic opportunities to optimize our portfolio.

As I've said before, inorganic activity has been a key component of comprehensive growth strategies in our industry for decades. But over the past 3 years, we didn't pursue these opportunities because we had to get our own house in order first. But the successful execution of our grow, simplify and transform strategy has done just that and it's prepared us to integrate without disrupting our progress.

So therefore, we intend to deploy more capital towards inorganic opportunities than we have over the past 3 years and with clear priorities to drive those investments. Andrew is going to provide more detail on those priorities later, but our M&A strategy is intensely focused on improving our business mix, expanding our reach across the insurance value chain and enhancing our margins to free cash flow.

A great example of an opportunity that illustrates our focus on these 3 areas is our reentry into the reinsurance market, which I'm thrilled to announce today. While we'll communicate more details in the coming weeks, we wanted to share a high-level overview of our reentry into the treaty reinsurance broking space through a joint venture with Bain Capital, one of the world's leading private investment firms. This new company will combine WTW's rich history, leading global network and expertise in insurance broking, consulting and technology with Bain Capital's scaled team of insurance industry experts and proven track record of building and growing innovative insurance businesses across the value chain.

WTW will hold a significant minority interest, and over time, we may obtain control and acquire complete ownership. But under this strategy, we'll balance strategic flexibility and capital efficiency allowing us to pursue growth in a disciplined and sustainable manner. This approach ensures we align our investment levels with the business' performance trajectory while retaining the potential for long-term value creation.

In summary, our 3 objectives are designed to amplify the best of our business and to extend the progress and momentum we have built over the last 3 years. Like you, we recognize that we must continue pushing ahead to realize our full potential. So we'll aim to accelerate performance, to strengthen our business fundamentals, execute on our segment strategies through innovation and strategically hire the right people to drive growth.

We'll continue to identify ways to enhance efficiency across the entire company by implementing new AI tools, leveraging benefits from the transformation program and applying our WE DO principles throughout the organization.

And we'll work to optimize our portfolio for profitable growth, focusing on organic and inorganic opportunities that will aim to create value.

Now while I've spent my time talking to you about the WTW specific opportunities we have to drive performance, I also want to remind you that WTW is a business built to perform in any macro environment. Risk, uncertainty change, they all tend to drive demand for our solutions and services. Whether it's a new regulatory regime or a technological transformation, our clients seek advice on how to manage their risks and their workforces.

For example, economic challenges, legislative changes can intensify our HWC clients' need for sound advice and for risk management solutions. Many of our clients look to us for help in navigating these obstacles, creating opportunities that drive demand for our services surrounding benefits, pension plans and workforce management.

Over in R&B, as complexity increases, so does the demand for our solutions. We have the ability to address challenging risks, including natural disasters, social inflation and geopolitical conflicts. And we continue to see increased demand for our customized tools and specialized solutions, which ensures clients receive a strong return across their portfolio of risks. All this is to underscore the resilience of our business and our ability to deliver for our shareholders come what may.

As I said in the beginning, in 2021, we took on a true challenge and we've come out on the other side much stronger. And I can say confidently I've never been more optimistic about WTW's future. Today, we're more focused, more connected and more efficient than we have ever been and more aligned as a company on what we have to do to realize our potential and create value for our shareholders.

WTW is focused on creating long-term value for shareholders. We've set ourselves up to accelerate performance and deliver profitable growth through innovation and expansion into attractive markets. We're continuing to enhance efficiencies across the enterprise for continued margin expansion and free cash flow improvement. Through strong execution, we're now in a position to optimize our business mix and elevate our financial performance and strategic position. And lastly, we expect for our rebalanced capital allocation approach to deliver attractive returns for our shareholders as we focus on maximizing value.

Thank you again for joining us today. I look forward to taking your questions later on. But for now, I'll pass it off to Julie Gebauer, President of our Health, Wealth & Career segment.

---

**Julie Gebauer** - *Willis Towers Watson PLC - Head of Health, Wealth and Career*

Thank you, Carl. It's a great privilege to represent the Health, Wealth & Career segment, HWC, to share some insights about our consistently strong performance and bright future.

We have 7 leading businesses spanning Health, Wealth, Career and Benefits Delivery & Outsourcing, BD&O, with 25,000 colleagues providing services to more than 30,000 clients. Clients that stick with us as evidenced by our retention rates that average 95% across our businesses. Our average client tenure is also notable. For example, over 25 years in Retirement, over 15 years in Outsourcing.

We've collected valuable data that powers our leading benchmarking capability including pay benchmarks for more than 8,000 jobs based on information from more than 12,000 organization and benefits experience data from more than 25 million people.

HWC is a segment of businesses that stand on their own and neatly connect to one another through integration and cross-selling as validated by the more than 6,600 clients that work with us in more than one business.

Our track record is one of strength, consistency and continuous improvement. We've delivered revenue growth in line with our competitors while distinguishing ourselves with attractive and expanding margins. Our Health business, 24% of the segment, is our fastest growing. It grew 8% last year without gain on sale activity.

Our Wealth businesses are 30% of the total. While others claim this market is mature, we delivered 5% growth in 2023.

Our Career businesses, which comprise 12%, saw 6% growth in '23.

The remainder of the segment is BD&O, which grew 6% last year, 5% without TRANZACT.

I think it bears repeating that alongside this growth, growth that has been consistent with the industry, we've delivered what we believe are industry-leading margins all the while we're doing important work. HWC makes a real difference to people's health, their financial strength and their work.

We do this for millions of people every day by effectively designing and managing our clients' health, wealth and career programs, programs that support productivity, drive engagement and underpin performance. We sort through complexity and challenge the status quo to deliver breakthroughs that matter.

Confidently, without big fanfare, we've been changing what's possible in this market. We've delivered strong business results, including double-digit operating income growth in '23 and year-to-date '24 and 360 basis points margin expansion in less than 3 years. We've done this by seeing potential, not barriers, by being comfortably different in what we do, where we focus and how we work.

Think about what we do. Consider that we've invested in the fastest-growing parts of HWC like Health, of course, we have. And we've invested in areas that others had called mature like defined benefit services to create meaningful growth opportunities. Of course, we're focusing on businesses where pricing and levers generate naturally high margins. And we're doubling down in areas that others exited due to margin challenges because our operating model and market focus allow us to deliver consistently high margins.

Our performance isn't accidental, it's the product of where we focus. Our orientation is to profitable revenue growth. Not just profits, not just growth, profitable revenue growth. This performance is also the product of how we work because our culture demands teamwork, because our productive paranoia prepares us for even the worst of storms because we are fanatic about sticking to our principles and because we nurture a sense of curiosity and a growth mindset. We're comfortably different in what we do, where we focus and how we work.

Our foundation is rock solid, and we're ready for our next phase of growth, which is great because as we look to the next 3 to 5, years, we see HWC demand growing due to macro trends like consumption rates that will push spending up by tens of trillions of dollars, employment needs outpacing efficiency gains, health care cost increases on top of basic wage inflation, demographic shifts straining the workforce, a fluctuating balance of power between employers and employees and governments and regulatory bodies implementing change.

Organizations from local SME to the largest global companies will hire us to address their HWC needs because we can go to the core of the earth and back on any technical issue. We have global solutions that land locally, a treasure trove of data, leading technology and solutions that work.

Now let me tell you more about that because it is the bedrock of our future strategy. Starting with Health. In this business, we help organizations of all sizes provide health and other group benefits to their employees with plan design, vendor selection, insurance placement and financial management. There's more on this page, which I'm not going to cover now, it's here for your later reference. You'll see similar pages for the other businesses that I'll also cover quickly as we go.

Now the Health space. It is significant and growing as employment rises and health care costs escalate. As you can see on the right side of this page, health care inflation is projected to remain high. Over 10% in Latin America near 9% in North America and Europe, over 12% in other regions.

In this environment, clients turn to us for core plan management and specialty solutions. With actuarial underwriting and clinical expertise, in-depth data and predictive analytics, we help them access better care at lower cost. For example, our pharmacy solutions optimize spending of more than $15 billion of annual prescription drug costs in the US And our stop-loss collaborative helps clients manage exposure to large claims covering over $750 million in annual premiums. With strong growth prospects in specialty solutions, it's a strategic priority for us.

So does Global Benefits Management or GBM. GBM provides health plan oversight and financial management for multinationals. Global consistency, local adaptability, predictive analytics and member engagement set us apart here. It's why we're winning a lot, adding about 40% to our GBM revenue in the last 3 years, half are clients that are new to GBM.

The impact of a GBM sale extends for years. Once a deal is signed, our teams move into action to convert local brokerage appointments typically across 35 countries. In the first year, we lock in about 50%. And over the next 2 years, we move over another 35%, which is to say, a GBM win is just the start of our revenue stream and our pipeline for more is strong.

On the carrier side, as you see on the right side of this slide, we turn our deep understanding of their strategies and capabilities into vendor search support and then into insight to help carriers adapt to client needs. We've also set up panels and facilities with prenegotiated terms. And this comprehensive approach positions us for above-average market-derived revenue growth.

Now let's turn to our Wealth businesses, Retirement and investments. These businesses provide actuarial compliance, derisking and investment services for defined benefit or DB and defined contribution or DC programs.

We like this set of businesses. Why? Well, relationships are expansive and sticky and the market is attractive and growing, not just for DC, but also for DB. And this is where we see things differently than some of our competitors because every time we bring on a new DB client, and we've added many this year, we kick off a high-value cycle. It starts with the core actuarial work on the bottom right. In short order, our teams moved to the upper right blocks, helping with special projects like client compliance or data cleanup. And our revenue typically jumps about 40%.

For many clients, we then extend to the upper left. We do pension administration work for 37% of our US DB clients and look after plan assets for nearly 40% of our GB DB clients.

In the end, we're positioned to support [plan] transitions, work that generates revenue that is multiples of our ongoing DB revenue. Particularly exciting among the examples shown in this page is the potential for restarting DB plans as we did with IBM and Emerson Electric this year. Rather than letting their surplus sit inert, we advised them to set up cash balance accounts for their employees simultaneously addressing fiduciary concerns, enhancing their free cash flow and reintroducing pensions to their employees. With hundreds of sponsors now in surplus, we expect others will follow.

Now short of a full plant wind up, which we expect for less than 5% of our clients over the next 5 years, there is still core work to be done and the cycle continues, leaving room for good growth.

Our Wealth story doesn't end there. We are, in parallel, doing important work in the DC space because we need to be ready for the eventual flattening of DB growth around 2030. As you can see on this page, the DC areas where we're focused, master trust and outsourced chief investment officer appointments are large and growing. We're making terrific progress in several ways, including getting a new plan approved by the IRS, advancing our LifeSight products and extending our reach through the minority stake in U.K. wealth manager, atomos. After partnering with them for a few years, we understood the power of a distribution channel to their customers for our investment funds. It's another way that we see opportunity in this space of growing needs and growing assets.

Let me shift now to our Career businesses, Work & Rewards and Employee Experience, another area where we carefully defined our services. They include executive compensation and broad-based pay design, benchmarking data, communication and HR digital tools. An important takeaway here is that while these businesses have historically been susceptible to changes in the economy, we've repositioned them to deliver consistent profitable revenue growth. We've deliberately chosen our spots rather than stretch ourselves across a huge set of highly discretionary services.

We focused on the areas we believe are strategically important to clients and are required every year, and we've concentrated on standardized and productized solutions for repeatable, efficient delivery, which is to say we are not overly dependent on discretionary advisory work. Today, only 32% of our work falls in this category. Most of our work is required every year like pay benchmarking and annual benefits enrollment communications, and we're well positioned to grow these services.

For example, we're building up recurring work with our digital employee engagement tools like Embark+. Serving up personalized information, this Software as a Service platform helps employees navigate their careers and access benefits, which you can see demoed at the break. We now have 530 clients with 40 million people on this platform. And because employee experience is a hot topic, we fully expect adoption to be greater. And with that, continued migration of our revenue base to products that are needed year in and year out.

Our final set of businesses is BD&O. Now putting aside TRANZACT, which you know we're divesting, this grouping includes our individual Health marketplace and our Outsourcing business. There are 2 important distinctions about these businesses relative to competitors: one, we have a platform for growth even without TRANZACT; two, our client focus and operating model drive good margins.

Our individual marketplace is actually a platform for employers to replace their DB-style group plans. We now have 1.2 million retirees from over 500 clients on our exchange. And while some view the demand for exchanges as having peaked, we once again see things differently because 10,000-plus new eligible retirees come through our queue monthly and we convert them to customers at a 45% rate with no incremental sales effort. Once in the door, retirees can review their plans every year, which leads to more revenue as more than 50,000 customers switch to a better match and 25,000 by ancillary products like vision, dental and life insurance.

Over the past few years, we started serving the now stable pre-Medicare health care marketplace serving 20 million employees and growing. And there are also 15 million retirees with corporate and public sector sponsors that aren't yet on our platform. And that's why we're energized about our individual marketplace.

Alongside this is our Outsourcing business that administers benefit programs. It's a business that we've built carefully, having recognized and experienced some of its challenges early on. We made deliberate choices, investing sensibly and playing where we can win and earn a good profit. We do this for pensions in select markets and for health and risk benefits in North America.

We built this business with larger and more complex plans where there was room to absorb the fixed costs. We didn't chase revenue. We weren't distracted by less profitable clients. Without mounting any significant technology debt, we've kept our technology fresh and we've evolved it to be readily configurable, allowing us to extend our reach.

We're now competing well in the upper end of the middle market. Over the last 2 years, we've added many clients in the large market and we've closed sales with 3x as many mid-market clients, clients that wouldn't have been on our radar a few years ago.

So that's it, Health, Wealth, Career, BD&O. Each one has a good story. Each one is connected to the rest of the segment.

So repeating what I said, our foundation is rock solid and we're ready for our next phase of growth where we'll do what Carl said, accelerate performance, enhance efficiency and optimize our portfolio, which means building on our strong track record, aiming to deliver mid-single-digit growth, ranging from high single-digit growth in Health to mid-single-digit growth in career and BD&O to low single-digit growth in Wealth. And of course, we'll continue to expand our margin.

And here's how. We'll accelerate performance through 3 pillars; one, core growth from growing market share, adding economy-resilient solutions, building adjacent high-growth areas and leveraging our position with carriers; two, smart connections through cross-selling and integrating; three, expansion and innovation.

We're not starting from scratch in any of these areas. We're building on what I've just described. So let's look at the components of core growth. To deliver strong growth, we need to do 4 things. First, in the top left to grow market share. There's obvious value in keeping clients and adding new ones. And with our value proposition that combines technical expertise, benchmarking data, analytics and software and our top talent, we have this in hand. And we'll put extra focus on building sales capacity because that will bring us the biggest differential advantage.

The second part of the core growth equation in the bottom left is to maximize recurring and product revenue. The majority of our revenue already fits into these categories and we aim to increase that over the next 3 years by adding recurring features to otherwise one-off projects.

For example, a onetime reward design project that will include our employee survey technology, Engage, will allow clients to test the design's effectiveness periodically after it's implemented and a recurring revenue stream emerges from a onetime project.

The third aspect of our core growth in the top right is to use our existing capabilities to move into fast-growing adjacent markets. Importantly, we need to do this in the DC area next to our DB business. We've established our LifeSight brands to tackle this market. There are 2 types of solutions here. First is our DC master trust, a fully outsourced DC plan with no governance burdens for sponsors.

Clients have validated LifeSight by selecting us. We now have GBP 24 billion of assets under management in the U.K. and EUR 4 billion of assets under management in Ireland. We're among the leading new entrants to the emerging pooled employer plan market in the US with about $1 billion in assets under management committed in the first year of operation. The market momentum here is strong and so is our position.

Now markets where master trust are prevalent like Germany, Hong Kong and Brazil, we're focused on our Life Sight insured solutions. This includes broking solutions services to help select the outsource provider, ongoing performance monitoring and a member interface. We're already overseeing $10 billion in pension assets here. And across these 2 solutions, we're aiming for double-digit growth for the foreseeable future.

Our final growth opportunity involves providing services to carriers. Now given that a big part of our business has a consulting legacy, we didn't always manage our role as a distribution partner and service provider to carriers, that started to change in 2016 for Health with the WTW combination. But we believe our competitors are doing more in this area. So we're focused on doing the basics better and bringing insights to carriers based on our expertise, our experience and the data we accumulate.

The second pillar of our strategy is all about smart connections, connections that add value to our clients and our business. Experience proves there are two ways to do this. First, through buyer hub cross-selling with a single buyer who has authority across several of our businesses. When that buyer knows us as a trusted partner, they're often open to working with us in another area, as you can see in the example on this page. The opportunity here is real and meaningful as we've added at least one business to our relationship for over 5,600 clients in the last 2 years.

Smart connections also include the combinations of services to address multifaceted topics. Clients want packaged solutions for global retirement governance, global benefits management, total rewards, well-being, M&A, and we've grown revenue in these areas significantly over the past 2 years and we're adding resources so that we can amplify that trend.

Our last pillar is expansion and innovation, expanding in areas that are underserved by us and innovating with new solutions. The 3 priority areas for expansion are the middle market, the Middle East and the public sector. We spent the last 12 months enhancing our health care offering to the middle market, which we just launched as Imagine Benefits Plus. It blends our brokerage capabilities with the extended HWC capabilities and new technology. And it showcases our ability to deliver better value, better insights, better results.

We're also increasing our presence in the Middle East as we see a large and vibrant market there, and the environment is favorable for broking and consulting. We've been developing new products like the Shariah-compliant funds described on this page that support our appointment across several areas. We have growing teams in the region who are ready to take on the challenge.

Our teams are innovating every day with clients. We also have formal processes, including our efforts to harness AI. We've just completed the beta version of our new gen AI, Expert, a source of WTW intelligence for HR compensation and benefits professionals. I really hope you'll see this tool when you're on break.

And that's how we're going to accelerate performance: core growth, smart connections, expansion and innovation.

We'll also build on the efficiencies we've gained through transformation: streamlining processes, automating and right-shoring. We've made a good start here opening up capacity and teams, enhancing speed and quality, and this has contributed to the margin improvement we've achieved in less than 3 years.

And we're not done. In each business, we see better ways to do things. We're also introducing AI to augment the more traditional efficiency levers we've used. We're very good at this and are committed to taking the momentum of transformation forward and finding even more ways to enhance efficiency.

At the same time, we'll be optimizing our portfolio. Now to be clear, we like our existing mix of businesses. Each business independent yet connected, driving good performance. We actively manage this to ensure that no business or part of a business drops below our margin threshold and revenue growth target into that bottom left of the 2 by 2 here. With this portfolio view, we can fix or divest businesses that don't fit, like TRANZACT, and invest where we can generate the best outcome for our stakeholders. We intend to invest most heavily in Health and the fast-growing parts of Wealth where we can most accelerate profitable revenue growth.

So bringing it all together, we've never been more confident. We're building on a great track record and doubling down on a growth strategy that is paying off. We see continued demand for HWC services, and we're expecting double-digit -- excuse me, we're expecting to deliver mid-single-digit growth with expanding margins. Our distinctive approach and culture, our top talent, our ability to see opportunities will continue to set us apart.

Thank you. I now turn the stage over to Lucy Clarke, our President of Risk & Broking.

---

**Lucy Clark** - *Willis Towers Watson PLC - President of Health, Wealth & Career*

Good morning, everybody. My name is Lucy Clarke and I head up Risk & Broking. I'm new here, I joined WTW in the third quarter this year. I am originally from Houston, Texas. I've spent most of my career in London. And I most recently worked at Marsh and JLT.

I guess there were 3 main reasons that I was really interested in working at WTW. The first is its reputation, one of the finest and most enduring in the industry. For my whole career, it has meant integrity and the highest standards of quality.

The second is it's one of the few global brokers that can really actually claim to be global. Operating successfully around the world, a long history of that.

And finally, for me, it was what happened here in the aftermath of the termination of the merger with Aon in 2021. I really admired in such tough circumstances how the whole company just went about the hard work of reshaping the business, ignoring the noise, concentrating on what was important, looking after clients, keeping good people, hiring new people, implementing a specialization strategy and rolling out a market-leading digital strategy, all while delivering improving financial performance.

I really respected that determination and single-mindedness. I could see the results, and it was something that I really wanted to be part of. So I'm really glad to be here this morning.

In my comments this morning, I'm going to remind you who we are and what we do in Risk & Broking and take you over -- give you an overview of the last 3 years and then highlight what some of our future priorities are.

As you probably know, Risk & Broking is made up of 2 distinct, but complementary businesses generating about $4 billion in revenue. About 90% of that revenue comes from CRB or Corporate Risk & Broking, where we offer risk and insurance broking services to clients in over 140 countries. The remaining 10% comes from ICT, Insurance Consulting and Technology, where we provide leading technology solutions and trusted consulting services to insurance carriers.

It is our aspiration that, together, these products and solutions help our clients navigate an increasingly complex world.

And just turning to CRB specifically, we provide corporate clients with database insights into their risks, a range of strategies to mitigate those risks and insurance broking services in every major market in the world.

There are a few attributes that really make this business distinctive. First, we are one of just a few brokers with global capabilities. We have access to and understand the dynamics in every major insurance market in the world. Secondly, we provide our clients with fresh perspectives on their risks through proprietary models and data sets and service excellence as we roll our digital Broking Platform out around the world, one of the most advanced in the industry.

We are focused on specialization. We are organized and managed by specialty lines, both product and industry. We have a simple client-centric structure. Our expertise is connected globally and easy to access. If you are a client in Texas and you have energy exposures around the world, you have access to energy expertise around the world and you can transfer your risks into global markets from a single point in Houston.

ICT provides services to the underwriting community: capital modeling, price modeling, claims reserving. And ICT is particularly special because of the combination of technology and consulting. Our consultants' long and trusted history and deep understanding of the insurance industry provides important information that helps guide our technologists as they make their product development priorities. In turn, our consultants become a valuable sales force for the technologies that we develop in ICT.

ICT is a best of both worlds InsurTech, combining the innovative spirit of a tech company with the market profile and trust that comes from over a century of consulting experience. ICT has doubled the percentage of revenue that comes from technology over the last 10 years to 50%, reflecting increased demand for technology in the sector. That shift to technology has also improved our margin profile, increased our recurring revenue streams and helps insulate our business from the volatility and seasonality that is inherent in consulting businesses.

Together, CRB and ICT form the powerful Risk & Broking segment.

Four themes define our segment. We specialize. We are transforming our clients' experience using data, technology and analytics. We are global. And we have a valuable macro view on the trends shaping both our industry and our clients' industries.

Specialization is the foundation of our strategy. We have listened to our clients, whether they are insurance buyers considering their risks or insurance carriers assessing their portfolio. And they want specialists in the industry, the product or the geography that they're in. They want clear, tailored advice and a team that is centered around their needs.

Our approach to data is foundational to our most important initiatives here. The development of the technologies we have in ICT, our risk and analytics tools, the adoption of the Broking Platform or the use of Neuron,, our digital marketplace. Neuron is a really excellent example of how the complementary skills of CRB and ICT can really create exceptional value. Neuron was conceived in CRB using the brokers knowledge of what the market needed, but it was run and executed in ICT using their broker focus -- their carrier-focused knowledge and their technological expertise. Neuron enables markets and brokers to trade globally via programming interfaces and supports algorithmic underwriting, automatic follow and digital placement.

The global reach is important for both businesses. We provide service and expertise to global carriers and clients with worldwide exposures. Providing both these services means we have a universal perspective of the insurance market and what is important to both buyers and to sellers. Both ICT and CRB have valuable attributes, but the disproportionate advantage comes from the collective impact of having them together in Risk & Broking.

So this is who we are. Now let's look at how we have repositioned the business over the last 3 years. In 2021, WTW set out its strategy to reshape the business. focusing on client service to reinvigorate revenue growth and improve margins. Critical elements of that strategy were a sharpened focus on specialty, including a targeted hiring campaign to attract some of the top talent in the market and the development of high-quality digital and analytical tools. Our teams have done a lot of hard work to implement our client-centric specialty-led structure. We've invested in key talent and key technology.

And those investments are paying off. We have had 10% organic revenue growth in 2023 and 2024 on a trailing 12-month basis, following low to mid-single-digit growth in the prior periods. New business generation increased at double digits in the same period. Our specialty lines have 1.5 to 2x higher growth than the rest of our business. And we now, today, have a client retention rate of 94%.

Just turning to margin. When adjusted for some nonrecurring items and currency changes, we have increased our operating margin by 330 basis points since 2021. This was a major focus area for the teams. This was driven by strong organic revenue growth, coupled with the establishment of the WTW Enterprise Delivery Organization or WE DO, as Carl mentioned. WE DO really enabled us to transform how we use our resources and realize permanent efficiencies in the system.

Our margin expansion has primarily come from 2 areas: one, restructuring our client service delivery model means we clarified and segregated roles. So the right work would be done in the right place. We were able then to shift the appropriate work and roles to our lower-cost global service centers in Mumbai, Manila, Lisbon and Medellin.

Secondly, we've benefited from multiple projects to optimize workflow through digitization and automation. The best example of that is our Broking Platform. That has been rolled out in our 17 largest locations, notably in the US and GB. The Broking Platform brings dramatic efficiencies by streamlining our process right from the access and preparation of data through the submission right to closing, which also improves our working capital performance. Approximately 20% of our gross premium is now flowing through the Broking Platform with a clear road map to increase that number over the next 3 years.

The improvement in both margin and growth of revenue are the result of thoughtful, targeted and highly impactful investments. We have invested significantly over the period in specialty talent. We have retained exceptional people and we have become a destination for top talent in this industry. Our digitalization projects are market-leading. Broking Platform is transforming our placement process and our client service capabilities. And the work we've done on Neuron will allow brokers and carriers to trade on a single platform through a set of program interfaces.

Our Risk & Analytics teams have developed some of the most sophisticated tools in the market, helping our clients form new perspectives on their risk. They continue to develop core models that can be operated across the business. And they have also embedded automatic modeling capabilities into the Broking Platform.

Finally, the investments that we have made in ICT to deliver next-generation Software as a Service will not only meet increasing demand in the sector, but will continue to shift our business to a higher-margin technology mix.

The importance of all of these investments is twofold. First, the success of one increases the success of another. A specialty structure attracts high-quality talent as well as new clients. Our Broking Platform makes it easier to service those clients, gives them better information about their risks and efficient placement strategies as well as improving our risk and analytics tools resulting in better client insights, better market outcomes and greater efficiencies for us.

Second, these investments are both transformational and foundational. They will continue to compound and increase our momentum far into the future.

As I mentioned, the strategy here is one of the things that I found so compelling about WTW. So we will continue to build on the hard work of the last 3 years. We'll prioritize specialization; transforming our clients' experience through the use of data, technology and analytics and on the natural advantages we have as a global broker. We'll use these strong foundations to accelerate our performance, to enhance our efficiency across the business and optimize our business mix in favor of high-growth and high-margin products and solutions.

The investments we've made in people and the investments we've made in technology have set us up well in what will continue to be a challenging and volatile market. Although our clients will continue to value the fundamental skills we have in commercial risk transfer, they also expect us to help them identify their risks, existing and emerging. They want us to help them assess the risk across their portfolio and provide them with a range of strategies to deal with that risk. They expect specialized advice and knowledge and a modern, efficient data- and technology-based service.

We're ready. We're focused on specialization. Our Broking Platform is available globally. It binds us closer together and every single day improves the standard of our data. We're developing tools in both Risk & Analytics and ICT to meet the demands of our clients and our carriers. We have demonstrated our ability to execute and will continue to deliver. We will build on our areas of strength to accelerate our performance.

Just talking about the specialty model. A recent example of the attractiveness of the model and the interconnectedness of our strategies was demonstrated in our aviation group. We had a client who operated nearly 300 airports in over 40 countries and had 60,000 employees. So for us, we only touched 2 lines of business. For the majority of their needs, they were a long-time client of one of our competitors. But in one of the meetings that our guys had with them, they had an opportunity to run one of the core analytical tools over their risk portfolio. When they did that, they gave the client some fresh insights into their risk. That was the catalyst for an all-lines tender. Our guys put together a global team, including colleagues from HWC and won all lines, including global benefits management. According to the client, our key differentiators were our analytics, our global approach and our specialty focus. Obviously, I chose that example.

In terms of proprietary data and analytics, our priorities will be to meet the expectations of our clients and carriers with the products we are developing. From my perspective, coming to WTW from a competitor, I found the ongoing work in ICT and Risk & Analytics to be market-leading. For example, our Connected Risk Intelligence tool, I'm about to play you a video, helps our clients understand their whole portfolio of risk where they have natural hedging and what the correlation dynamics are in their portfolio. It helps them decide where to spend their premium.

Vicki, can you play the video?

(video playing)

Great. Thank you, Vicki. That's one of the tools we're modeling -- we're showing in the demos outside. So please go look at it if you have a chance.

We expect continued focus on technology, both to satisfy the demands of our carrier clients in ICT and to support our global placement and claim strategies, ensuring we position ourselves in the most impactful way with our markets.

Within the context of global placement strategies, we'll continue to develop MGA and MGU capabilities following the success of Verita in the US

We learn a lot about efficiency during transformation. We will continue to apply those principles and seek efficiencies. Our leaders across the business have set clear expectations for continued discipline. We also see specific opportunities for efficiencies as we roll out the global Broking Platform. This will allow us to rationalize the many different service platforms that we have around the world. We will continue to shift the right work to the right place and to improve and refine our processes and workflows through ongoing digitization and automation.

We've made significant progress, and we'll continue to execute on the many remaining opportunities over the coming years. These initiatives will not only improve our margin, but their success will mean a smoother, more efficient client experience and more rewarding careers for our colleagues.

Finally, we will be optimizing our business mix, focusing on high-growth, high-margin opportunities. Carl has already mentioned that we plan to reenter the reinsurance market in 2025, which will offer high-growth potential and a very attractive margin profile.

Inorganic growth is an important part of the strategy at enterprise level, and we're very excited about the opportunities and potential for M&A in Risk & Broking, particularly in high-growth markets, North America, Europe, GB, Asia and where there is potential to enhance our specialty strategy.

Optimizing our business mix helps us scale in areas of markets where we are underrepresented or not represented at all.

We expect the cumulative impact of these initiatives to result in mid- to high single-digit organic growth and average annual margin improvement of 100 basis points over the next 3 years.

We are well positioned to capitalize on the hard work of the last 3 years. We have a strong, motivated group of colleagues eager to build on the momentum that they have created.

Our specialty strategy will be our leading client proposition. We will continue our groundbreaking work in the data, digital and technology arenas and maximize the natural advantages we have as a global player. This focus coupled with the investments we've made in the past 3 years and will continue to make in the next 3 will accelerate our performance and deliver profitable growth. These initiatives will require relentless focus on execution. Our teams have proven they can deliver.

At Risk & Broking, we are incredibly excited about the next 3 years. For me, it is an absolute privilege to be part of this team. So energized by what I've seen and by what is yet to come. So thank you, everybody. Appreciate it.

Now we are mercifully going to take a break now. And so 15 minutes, yes. So if you could come back in 15 minutes, that would be great. Thank you.

(break)

---

**Andrew Krasner** - *Willis Towers Watson PLC - Chief Financial Officer*

Welcome back from the break, and thank you all again for joining us. I'm Andrew Krasner, Chief Financial Officer. It's great to be here to share with you what we're doing to create significant shareholder value.

As you've heard from the team, our successful journey has positioned WTW for continued momentum and strong financial performance. We are focused on accelerating performance to deliver profitable growth through innovation and expansion in attractive markets.

We're continuing to generate operational efficiencies for ongoing margin expansion and free cash flow improvement.

Importantly, we're optimizing our business mix to strengthen our growth and margin profile and improve our strategic positioning.

And lastly, our rebalanced capital allocation strategy will enable us to maximize value for our shareholders.

As you've heard us discuss today, we have strengthened the business over the past 3 years to our grow, simplify and transform initiatives. We've grown the business through strategic investments in talent and our platforms. Our initiatives have returned WTW to growth rates at or above the market in our core businesses, enabling us to generate a 5% organic CAGR since 2021.

We've also simplified the business by streamlining our structure and transformed by modernizing how we operate, leading to 310 to 360 basis points of margin improvement since 2021, resulting in a double-digit EPS CAGR since that time.

And we continue to improve our free cash flow margin with further improvement expected this year.

Taken together, the focused execution of our strategy delivered solid financial results and has put us in a strong position to continue our momentum.

Before discussing what we expect in the future, I'd like to unpack how we achieve these results and why those actions have given us great confidence in our trajectory. First, on the initiatives that have meaningfully contributed to our growth. In R&B, we delivered strong high single-digit organic growth with our specialization strategy as a significant driver. Specifically, our global lines of business have performed very well, growing at an average of 150% above the CRB average.

In HWC, we delivered sustainable mid-single-digit organic growth bolstered by the strong combination of innovative products and our smart connection strategy.

Together, they helped drive the success of offerings like Global Benefits Management, which has experienced tremendous growth of more than 40%.

The foundation for all of these growth initiatives was the successful rebuild of our talent base. What's exciting is that we are still seeing modest tailwinds from productivity growth, and more importantly, an influx of new ideas and excitement. We expect opportunistic strategic hiring will remain a focus going forward. We're proud of the growth we have generated and are confident we'll deliver on our $9.9 billion target for 2024.

Our transformation program was a resounding success. We have streamlined our operations, modernized our technology assets and rationalized our real estate. The diligence of our team and their focus on efficiency has enabled us to exceed our initial run rate savings target by $150 million, bringing our total savings target to $450 million. While this program has already delivered meaningful margin benefits, it has created a platform that will drive further efficiencies well into the future.

The transformation program and our focus on simplifying and streamlining our operating model delivered cost savings that, together with improving operating leverage, drove significant margin expansion. As we've discussed, we remain on track to deliver at least another 100 to 150 basis points of adjusted operating margin expansion this year, resulting in adjusted operating margin of 23% to 23.5% for 2024, a target we are reiterating today.

We have also focused intently on improving our free cash flow margin by beginning to evolve our business mix, improve our working capital management and enhance our operating margins. It's also worth noting that we've incorporated a free cash flow metric in the executive compensation program to drive greater accountability for free cash flow across the enterprise. These result -- sorry, the results of our progress on this front have been obscured by the impact of cash spending on the transformation program and TRANZACT, which we do expect to divest by the end of this year.

So normalizing our 2023 free cash flow margin for those factors, we delivered a 17.5% free cash flow margin in 2023. While our 2024 free cash flow margin will also be impacted by TRANZACT and transformation, we expect improvement over 2023 on both a reported and normalized basis. Recall, our long-term target for free cash flow margin was 16%-plus, so a really strong result.

Finally, from a capital allocation projective, over the past few years, we have focused on capital return as we transformed and strengthened our business. We returned cash to shareholders through approximately $6.7 billion of repurchases and around $1.4 billion of dividends. We also invested $1.1 billion in transforming our cost structure and modernizing our operations.

During this time, our inorganic approach has been less of a priority as we focused on bolstering our foundation, though we did make incremental tuck-in acquisitions.

Now I'd like to shift to how we will move WTW forward by accelerating performance, enhancing efficiency and optimizing our portfolio. As you've heard earlier, our specialized expertise and innovative solutions will continue to be central to our growth strategy. In HWC, that means continuing to deliver innovative new solutions that decouple our revenues from the economic cycle and to extend our offerings in high-growth adjacencies in portions of our core. For R&B, we are investing further in our specialization strategy and expanding across the insurance value chain to strengthen our market position and our growth profile.

Across the enterprise, innovation, cross-selling and geographic expansion are key priorities. Everywhere we go in the market, we will leverage our data and analytical capabilities, the depth and breadth of our client relationships and our strong global footprint.

Pulling together what you've heard throughout today's presentations, we continue to see solid growth momentum across all our businesses. And with the pending divestiture of TRANZACT, the broking businesses in R&B and HWC, which are among our fastest-growing businesses, represent more than 50% of our revenues. Thus, our strong collection of businesses, coupled with our focus on further optimizing the portfolio, position us well to generate sustainable mid-single-digit organic growth over the long term.

Double-clicking into our segment level outlook in R&B, our emphasis on our specialization strategy, expansion across the value chain and innovative risk solutions, all which will help deliver mid- to high single-digit growth in CRB and ICT over the long term.

In HWC, our focus on core growth, smart connections, expansion and innovation will continue to deliver sustainable mid-single-digit growth. In Health, we expect high single digits; for Wealth, low single-digit growth; Career mid-single digits; and BD&O mid-single-digit growth.

Across the enterprise, we have clear line of sight to deliver long-term mid-single-digit growth.

Moving to margins. Over the last several years, we've executed aggressively on our transformation program. We've modernized our tech stack, streamlined our processes and platforms, reduced our real estate footprint and right-shored resources to drive efficiencies. All of these initiatives yielded significant benefits to our structure and created a platform for us to generate continued operating leverage into the future.

Looking forward, we see the most significant opportunities in right-shoring and off-shoring and process optimization accelerated by the application of automation and AI, all crucial elements of our WE DO initiative.

As Carl mentioned, WE DO enhances how WTW does business every day. By bringing together capabilities that help our business leaders identify and implement the right work, right place, right technology, right real estate, WE DO has embedded the value drivers that enable margin expansion in every business we have.

One of our most significant opportunities for margin expansion is right-shoring. While WTW had previously taken steps in this direction, we have meaningfully invested in expanding our capabilities as part of transformation. So for example, historically, our Mumbai office focused on business processes, so renewal support, invoicing, claims management and other similar tasks. Over the past 3 years, we have expanded our footprint in India and transformed it into a global delivery center or GDC with far greater capabilities.

When I visited the GDC in Mumbai, I met with teams working on actuarial services, catastrophe modeling, project management and information security in addition to business processes. They were working across all of our geographies in both segments and delivering service levels that help drive our recent improvement in client retention rates.

The GDCs' work also extends to our corporate functions. So as part of our finance transformation strategy, the Mumbai GDC established a global finance analytics center of expertise, which has streamlined our approach to financial analytics by centralizing and standardizing our recording and core FP&A activities. As a result, our finance and business leaders now have access to real-time insights and data, which has already significantly enhanced our decision-making process and fostered a culture of data-driven excellence across our organization.

Concentrating resources in our 2 GDCs in 3 regional hubs across disciplines such as sales, risk and analytics and other functions allows us to create economies of scale and improve knowledge sharing across geographies and businesses. This contributes directly to better experiences for our clients and stronger margins for our businesses. We have further to go with our GDCs in right-shoring and WE DO has made this easier for our business leaders to accomplish.

So bringing it all together, we are committed to delivering annual margin expansion by enhancing efficiency and realizing operating leverage. We expect the investments we made in the transformation program and establishing WE DO to drive further efficiencies and help us to continue to remake our cost structure. Automation and AI will contribute to both improving our processes and supporting productivity.

As Lucy shared with you earlier, we also expect to deliver 100 basis points of average annual margin expansion over the next 3 years in R&B driven by operating leverage and additional efficiencies in R&B, such as the deployment of a global Broking Platform and workflow optimization.

And in HWC, we'll continue to build on our track record of consistent margin expansion going back nearly a decade.

As I touched on earlier, we have made meaningful progress enhancing our free cash flow margin performance over the past 2 years. Going forward, we expect our free cash flow margin to continue to improve, driven by 3 pillars. First, through enhanced operating margin expansion. We expect this to be the most impactful driver of free cash flow margin expansion over the long run.

Second, an evolving business mix as we strengthen our offerings in high-growth, high-margin opportunities and complete the divestiture of TRANZACT. While the benefit from the sale of TRANZACT will come immediately, our focus on further optimizing business mix should provide a steady tailwind as we execute on those opportunities.

And third, through continued working capital management efforts. There are further possibilities for automation and standardization to enhance efficiencies and facilitate timely collections. Similarly, maintaining rigorous control over expenses present opportunities to enhance cash conversion. Critically, we will continue to embed free cash flow metrics in comp plans and KPIs for all leaders who manage the levers available to influence free cash flow and free cash flow margin.

Our focus on these 3 pillars will support continual improvement in our reported free cash flow margin.

Shifting to capital allocation. As we discussed earlier, over the past several years we've prioritized capital return as we transform the business. Due to the success of our grow, simplify and transform priorities, we're now in a position to rebalance our capital allocation approach focusing on driving growth, margins and returns to maximize long-term shareholder value. While share repurchases will remain the primary form of capital return and a central component of our capital allocation strategy, we plan to continue to invest in talent and our platform to drive sustainable growth and expand margins.

We will also emphasize our disciplined approach to M&A aligned with our priorities of strengthening our core to accelerate performance, expand operating margins and enhance our free cash flow profile.

Now that we have strengthened our foundation, we're in a position to actively pursue M&A as a growth and value-creation lever. As we think about deploying capital into acquisitions, it's important to highlight that we have debt capacity today to fund M&A at attractive borrowing rates.

Over the long run and as EBITDA expands, we would expect debt levels to increase in line with our target leverage ratio of 2x to 2.5x.

As you've seen, we haven't been very active inorganically over the past 3 years. So let me explain why now is the right time for us to pursue this in a more meaningful way. Through the execution of our grow, simplify, transform strategy, we have solidified our infrastructure to give ourselves the right tools to seamlessly integrate targets. As you've heard throughout the day, we've invested in our technology assets and simplified our processes and systems. We also launched WE DO to drive enterprise efficiencies. And we've strategically reduced our portfolio complexity with divestitures like TRANZACT, sharpening the focus on our core businesses.

These actions gave us the right capabilities to support M&A integration and prioritize inorganic value creation. Our strong execution of grow, simplify, transform has resulted in a solid platform to accelerate our performance, enhance our efficiency and optimize our portfolio and we are excited about how our rebalanced capital allocation strategy will support these endeavors. Therefore, we believe it is important to provide some additional color on how we're thinking about our approach to inorganic growth.

Our M&A strategy aims to achieve 3 key objectives: first, improve our business mix to enhance our broking and wealth presence in key markets while strengthening our offerings in high-growth, high-margin areas of our core businesses; second, expand the reach across the insurance value chain to further accelerate our growth while filling gaps in our capabilities and footprint; and third, target businesses that would help enhance our margin and free cash flow profile.

And as we've said in the past, we are sensitive to the risks that M&A poses and are prioritizing clear cultural alignment and minimal business disruption as part of this approach. So let's talk more about what this means in terms of where we want to deploy our capital inorganically.

In Broking, a good example of our inorganic and vest framework in action is our re-entry into the reinsurance market. There's a clear strategic fit, attractive financial profile and a thoughtful approach to being efficient with our capital. We will also selectively pursue bolt-on opportunities to accelerate our specialization strategy in selected verticals to expand our capabilities and reach. And we'll use this inorganic framework to evaluate how we deepen our capabilities in the middle market through bolt-on acquisitions given some of the opportunities we see.

We also see opportunities to expand our presence in Wealth, especially in profitable, faster-growing areas, such as endowments and foundations, OCIO solutions and the defined contribution market globally.

So I hope you now have a better understanding of the inorganic criteria and integration priorities that are going to guide our approach. But to recap, our focus will continue to be firmly on our core businesses. Any opportunities we evaluate must have a clear cultural fit, enabling us to retain and empower talent. We will minimize business disruption. We will focus on sustaining and strengthening our competitive advantages, which includes delivering efficiencies at pace. And of course, we will ensure any inorganic opportunity will deliver an attractive return profile supporting long-term value creation.

Now turning to our financial framework. Our 3 strategic priorities, accelerate performance, enhancing efficiency and optimizing our portfolio, support our long-term financial framework. By accelerating and optimizing, our goal is to deliver sustainable mid-single-digit organic growth and opportunistic inorganic growth. Together with operating leverage, greater efficiency and improved business mix support continued annual adjusted operating margin expansion. And adding in continued capital return via share repurchases, we expect annual growth in adjusted EPS. We will also continue to focus on earnings quality as demonstrated by expectation that we will continue to improve free cash flow margin and grow free cash flow generally in line with earnings.

So in closing, over the last 3 years, we have made tremendous progress overcoming the challenges we faced in 2021. We acted decisively to implement the grow, simplify, transform strategy to address those challenges. We stabilized and rebuilt our talent base, which has suffered an unprecedented spike in attrition. We streamlined our processes and executed our transformation program to improve efficiency and capture the margin expansion opportunities as we saw. And we invested in technology, data and analytics to support innovation and growth.

As a result, revenue growth rebounded to peer levels and the pace of margin expansion accelerated. We have emerged a stronger, more agile and more focused business. We are poised to continue delivering profitable growth in our attractive core businesses. We're leveraging the investments we've made to further enhance our efficiency, supporting greater operating leverage, expanding margins and improving cash flow. We are optimizing our business mix organically and inorganically to elevate financial performance and strengthen our competitive positioning. And we've rebalanced our capital allocation strategy to generate strong shareholder returns.

We're confident WTW is a compelling long-term investment with an immense amount of value-creation potential.

Thank you all again for joining us today. Please give us a moment as we set things up for the Q&A session.

**Claudia La Hoz** - *Willis Towers Watson PLC - Head of Investor Relations*

I'm going to run through just a few quick guidelines before we dive in. So number one, we have a full house today, so we kindly ask you to limit yourself to one question per turn and then we will circle around and do another round of Q&A and allow for additional questions as time permits.

For those of you who are in the room today, if you have a question, please raise your hand and someone will hand you a mic. And then if you could give that mic back immediately afterwards, that would be great.

For those of you who are tuned in virtually, please use the Q&A function to submit your questions online. I think there's a box in the upper right-hand corner for you to do that.

And last but not least, please remember to identify yourself before you ask your question. Give your name, your organization.

So with that, on your marks, ready, set, go. Okay. So many firsts. Why don't we -- I'll start this way and do a round. So David, why don't we have David go first.

## QUESTIONS AND ANSWERS

**David Motemaden** - *Evercore ISI - Analyst*

David Motemaden from Evercore ISI. Just a bigger picture question. You showed the mix of business, 45% R&B. It sounds like if we include Health Broking as well, it's a little over half. What's the optimal business mix for you guys long term between those two businesses from a high-level standpoint? And how will you get there just given where the stock is trading and wanting to be disciplined, but also acknowledging that shifting your mix of business to R&B and Health Broking could result in multiple expansion for Willis Towers?

**Carl Hess** - *Willis Towers Watson PLC - President, Chief Executive Officer, Director*

Yes. Thanks for that question, David. I mean, I don't think there's an exact number, but we know looking at our mix that we'd like to have more Broking in the mix and how we think about getting there really is a combination of organic and inorganic activity. We're showing good success with what we're doing organically in both segments and we very much want to keep that up. The specialty strategy is helping a lot, right? The intellectual capital we built up in our Health business, which we think we can translate to a greater share of the market, all these can help.

But we see smart inorganic expansion as being part of this as well. It's got to be done. Andrew, I think, did a great job of laying out the criteria and that does include financial benefits, too, as well. So we recognize that valuations in the sector right now look a bit rich. But there are going to be assets that I think we could be a very effective an owner and operator of that can help drive this forward, right? You've got to weigh the strategic benefits as well.

So we're trying to be smart about it and think we adopt a balanced approach that will tilt that portfolio mix over time, which with its concomitant benefits of a higher growth potential as well.

**Elyse Greenspan** - *Wells Fargo - Analyst*

Elyse Greenspan with Wells Fargo. My question is on free cash flow. So you guys provided a slide that showed 2023 was 17.5% ex TRANZACT and transformation. So is it safe to assume that the target is obviously something in excess of that because you said '24 would be better and then there was no guidance provided for '25.

And as you think about that, is it fair to assume that there's line of sight to a free cash flow conversion in the range of 20%?

**Andrew Krasner** - *Willis Towers Watson PLC - Chief Financial Officer*

Yes. So here's how we think about that, right? So you're exactly right that the headwinds from TRANZACT will fall off next year. We will have some headwinds from the transformation spend for expenses related to what we incur in 2024, as invoices, et cetera, are paid. We'll also have a headwind next year from the tax payment on the earn-out that we expect related to the divestiture of Willis Re. But over the long term, we do expect continual improvement at both a normalized and reported basis over the next several years.

**Claudia La Hoz** - *Willis Towers Watson PLC - Head of Investor Relations*

Ryan?

**Ryan Tunis** - *Autonomous Research US LP - Analyst*

Ryan Tunis, Autonomous Research. So Carl, I guess just thinking about M&A and I wrote down a few of the brokerage deals you've done over the past, I don't know, 5 or 10 years, Miller, Gras Savoye, the deals that didn't work out. A lot of it, came down to culture, a lot of bureaucracy. Willis Re wasn't an acquisition, but felt like that divestiture also had something to do with culture and bureaucracy. So maybe you could give us some comfort in where you sit today? Why are you convinced that you can do those type of specialty deals and actually be a place where people want to work?

**Carl Hess** - *Willis Towers Watson PLC - President, Chief Executive Officer, Director*

Yes. So I'm not going to accept the premise in whole, Ryan. Gras Savoye, which is now our French business enlarged our third biggest country and a business we like a lot, right? It's very much part of the fold.

But it does illustrate what you have to think about in these things. We didn't really do anything to integrate Gras Savoye until the transformation program. So from 2016, and we bought them just when we became Willis Towers Watson in 2016 until transformation, right, they just sort of operated as a largely unintegrated business and we didn't get the benefits of what we could have, right, which was a significant French trading partner. There are plenty of French multinationals doing things like global benefits management as an example. But they were cut off, right? They didn't have the insights we could provide in the system.

So as we look to bring companies to the fold, absolutely culture needs to fit. And I don't think culture was the issue with Miller, right? Miller was a wholesaler, and here we are, the retail business. It's a bit of chalk and cheese at the same time. But as we bring in like-for-like and you're having people work side-by-side, culture needs to be the first thing you think about. The values need to be the first thing you think about.

We think we have a great place to work and the culture we offer. I know Lucy has come in and said, actually, wow, it's different here and mentioned in a very good and positive way. We have a welcome culture. People like to help out.

So we have developed a set of capabilities that can be hugely value additive for firms coming in the door. Now that we've built an infrastructure that actually means that we can share with people coming in the door, I think there is a real potential here that perhaps an under-integrated firm 7 years ago wasn't prepared to address.

**Unidentified Participant**

My name is Greg Peters, I'm with Raymond James. Thank you for your presentations. I'm going to focus my question on Lucy's comments and Andrew's comments about expanding the margin in the Risk & Broking business by 100 basis points for each of the next three years. Maybe you can unpack that comment and tell us what the drivers are going to be? I kind of sense that maybe the global Broking Platform is part of that and maybe right-shoring is part of that, but maybe help put those pieces together on how it's going to drive the improvement there?

**Lucy Clark** - *Willis Towers Watson PLC - President of Health, Wealth & Career*

Thanks. Yes. So you've correctly identified the 2 components other than, of course, strong revenue growth. The client service delivery model that we talked about, right-shoring, right work and right place, that will be part of it. And part of it is optimizing our processes using digitalization and automation.

I'm so glad you mentioned the Broking Platform because that's a kind of perfect example. And in its most sophisticated point -- so the first thing to think about is every time the Broking Platform comes on in a new country, it's in our 17 largest today. Every time it comes on, we're taking off-line unconnected systems and rationalizing systems. So that's good.

But at its most sophisticated point, it receives data from clients in however they choose to send it. It organizes that data. It creates a submission. It runs automatic models that are embedded in the Broking Platform. And then it identifies markets that would like to write that type of business. It identifies WTW facilities that could accept that type of business.

And then the client executive is deciding whether to send it and direct it to those markets. It can receive quotes back. It can store the quotes. It can store the loss information. And in the end, when it's fully complete, it can issue the debit notes. So will really also improve working capital performance.

Today where we are, only 20% of our GWP is going through it. So just -- our premium is going through it. So just that opportunity to increase the premium through it will be a real chance to improve efficiency. But it has functionality already that can accept 90% of the business we have. So that's a good example. Thanks, Greg.

**Claudia La Hoz** - *Willis Towers Watson PLC - Head of Investor Relations*

Meyer, let's go next.

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

Meyer Shields, KBW. Thanks so much for the presentations today. I guess, I want to focus the question on Julie. There was clearly no specific margin expansion guidance given for HWC over the next 3 years. I was hoping you could concretize what we should expect either qualitatively or quantitatively?

**Julie Gebauer** - *Willis Towers Watson PLC - Head of Health, Wealth and Career*

So I hope what you'll do is think about our track record, which is one of consistently delivering what we believe are industry-leading margins and expanding that as we -- I mentioned, 360 basis points expansion in less than 3 years. And on top of that, we've introduced a strategy that will continue to deliver growth and enable us to expand margins through efficiency gains and optimizing our portfolio. So we're not providing a specific guidance level, but we think our track record speaks well.

**Claudia La Hoz** - *Willis Towers Watson PLC - Head of Investor Relations*

Josh Shanker.

**Josh Shanker** - *BofA Securities - Analyst*

Josh Shanker, Bank of America. If I go look at the public competitors and Business Insurance and Insurance Journal Magazine print out a bunch of lists of the best growth among insurance brokers over the past year -- every year it comes out, the broking industry has grown phenomenally over the past few years. And it's difficult for us to discern there's a lot of M&A in there, how much is organic growth. We obviously know that for WTW how much is organic growth.

But is there a unit share take from the rest of the industry? Is the pie getting larger? Or is WTW a business that is actually winning share away from competitors, given that a lot of competitors have grown faster the past few years? Obviously, things are accelerating right now. Can you talk about whether there's a -- recently Willis has been taking share and whether it will be a share taker in the future?

---

**Carl Hess** - *Willis Towers Watson PLC - President, Chief Executive Officer, Director*

So I think at the broad level, right, getting to your fundamental question, the answer is yes to both. I think the pie is growing for everybody. The amount of assets that are actually insured is much less than 100% right? The vast insurance gap in the world, and collectively, we and our competitors are trying to address that by explaining to clients the benefits of risk mitigation as approach.

More specifically to us, though, the benefit of what we've been doing over the past few years with both the specialty approach and the attraction of talent, I think, has led to client needs. So we've been not just eating from a bigger pie, but eating more of that pie.

---

**Josh Shanker** - *BofA Securities - Analyst*

And can we talk about the ability for -- I mean, risk and broking is obviously a very fragmented industry, but the rest of the industries that WTW competes in are obviously much less fragmented. Is there ability for share moves to happen throughout the entire organization?

---

**Carl Hess** - *Willis Towers Watson PLC - President, Chief Executive Officer, Director*

So I'll maybe let Julie and then Lucy address that because, I mean, Julie was talking about some market share gains within HWC, which is a less fragmented business.

---

**Julie Gebauer** - *Willis Towers Watson PLC - Head of Health, Wealth and Career*

Yes, we believe there is opportunity for more share gains. It has been a focus of ours. It's one of the reasons in defined benefit area, which a lot of other competitors view as mature, we have been able to gain growth even without new defined benefit plans being set up generally and some of the revenue shrinking with derisking we're delivering growth and we think that is consistent across.

There are components of HWC that are a bit more fragmented like our Career businesses. But within Health and Wealth and BD&O, we are strongly positioned and focused on gaining share.

---

**Lucy Clark** - *Willis Towers Watson PLC - President of Health, Wealth & Career*

Yes. I mean just for us I would say -- sorry, there is not a market in the world where we can't gain market share. Yes. So I think there's a lot of opportunity for us in Broking.

---

**Claudia La Hoz** - *Willis Towers Watson PLC - Head of Investor Relations*

Mark Marcon.

---

**Mark Marcon** - *Robert W. Baird & Co. Incorporated - Analyst*

Thanks for the presentation. Mark Marcon from Baird. Going back to Page 86, just on the margin expansion question. Lucy was very specific about her goals. Julie pointed to the track record. What I'm wondering is beyond those elements when we think about the corporate initiatives, both in terms of reshoring and right-shoring, when we think about divestitures as well as acquisitions, those are elements, along with digitization and automation, that can certainly lead to significant improvements.

I'm wondering, is there any way at all to dimensionalize, not necessarily over the next two years and it certainly won't be linear, but is there a way to think about a three- to five-year aspiration or what an upper limit could be? And it wouldn't be guidance, but just how should we think about that?

---

**Andrew Krasner** - *Willis Towers Watson PLC - Chief Financial Officer*

Yes. So here's how we think about it, right? We absolutely think there's more leverage within the corporate cost infrastructure as we continue to grow revenue. If we add more revenue inorganically as part of that, that provides incremental opportunities, incremental leverage as well, just trying to take advantage of cost efficiencies. So we do think there's a lot more room to run over the next couple of years within the corporate cost infrastructure and that would provide incremental tailwinds to the 100 basis points within R&B that Lucy had mentioned as well as what Julie had mentioned about building on the track record within HWC.

---

**Claudia La Hoz** - *Willis Towers Watson PLC - Head of Investor Relations*

Yaron, we'll take one from the middle here.

---

**Yaron Kinar** - *Jefferies - Analyst*

Yaron Kinar with Jefferies. Lucy, I see you smiling. I do have a question for you.

---

**Lucy Clark** - *Willis Towers Watson PLC - President of Health, Wealth & Career*

I am always smiling.

---

**Yaron Kinar** - *Jefferies - Analyst*

I want to go back to the proprietary data and analytics comments. Just thinking about scale when it comes to data and analytics, we have quality, we have quantity. Do you think that given the scale that the company currently has, it is able to compete while it has a competitive advantage or differentiation on the data and analytics? Or is it more of a challenge?

---

**Lucy Clark** - *Willis Towers Watson PLC - President of Health, Wealth & Career*

I do not think it's an issue whatsoever. The quality of data, the risk and analytics that I've seen is outstanding. Please go see a demo. But that's not a scale-related issue. It's an incredibly helpful tool. I gave you the airports example. When our clients see that, the reaction is usually very interested in having further conversations with WTW.

---

**Carl Hess** - *Willis Towers Watson PLC - President, Chief Executive Officer, Director*

Brian Meredith.

**Brian Meredith** - *UBS Investment Bank - Analyst*

Brian Meredith, UBS. I'm just curious, we've been through a period of really good nominal GDP as well as a hard market for commercial insurance. Obviously, a lot of health care inflation. When you think about your mid- to high single-digit organic revenue growth outlook, what are you kind of assuming as far as market environment and kind of the macro outlook over the next several years, I think it's 3 years.

**Carl Hess** - *Willis Towers Watson PLC - President, Chief Executive Officer, Director*

So I'll broaden that to the whole company. We didn't provide mid- to high single digits for the whole company, right? We said mid-single for the company, right? We have a portfolio of business that's tremendously resilient, right, and it's showing a track record of being able to produce growth under all sorts of conditions, right?

And looking forward, right, we're in an era of a bit of volatility, whether it's geopolitical or other. That creates demand for our services, clients trying to evaluate, how to deal with risks of all sorts in both segments, right, whether it's trying to determine what the best risk management strategy is for their balance sheet or how to deal with human capital and how to best allocate that around the world in incredibly volatile conditions. So the future may be a bit uncertain, but I don't think we worry about our position at the least.

**Claudia La Hoz** - *Willis Towers Watson PLC - Head of Investor Relations*

Mark Hughes.

**Mark Hughes** - *Truist Securities, Inc. - Analyst*

I wonder on the -- Mark Hughes of Truist, on the reinsurance operation, how much expertise do you still have in-house? What should we expect in terms of investment in that business? Will it be notable? And then when can it make a contribution such that we'll be talking about in the conference calls in terms of overall growth?

**Carl Hess** - *Willis Towers Watson PLC - President, Chief Executive Officer, Director*

So a couple of things to think of here, Mark. One is we divested our treaty reinsurance business. We retained 2 really important components, right? One is our facultative business. And as the insurance companies look to manage their book of the risk, facultative and treaty have complementary roles, right, in terms of trying to fashion a remaining book that you want.

And the second part is, of course, ICT, right, who powers the models that the insurance industry uses. So in terms of sort of what the insurance companies are using to model their own book, right, we start with those capabilities to begin with.

Now with respect to implementation that you're talking about, we've chosen an approach that we think lets us scale as we see demand. And so demand for what we can offer in the JV is stronger. We were able to scale up quickly. It will be off balance sheet, as Andrew identified, until we take a controlling interest. And that way, we can sort of keep this going as a capital allocation opportunity to balance out across all our other opportunities.

**Claudia La Hoz** - *Willis Towers Watson PLC - Head of Investor Relations*

Rob.

**Rob Cox** - *Goldman Sachs Group, Inc. - Analyst*

Rob Cox, Goldman Sachs. So in the presentation, the middle market was noted several times. I was just hoping you could give us a sense of how that -- how big that middle market piece is within each of the segments and the primary opportunities you see there?

---

**Carl Hess** - *Willis Towers Watson PLC - President, Chief Executive Officer, Director*

Yes. So let me start with the big picture and then I'll ask Julie and Lucy to comment a bit about their segments. We already have a mid-market business in both segments, right? We see, however, the opportunity to expand beyond where we are today and I talked a little bit earlier about bringing some of, in other words, our specializations or intellectual capital that we've built for the large market to the benefit of mid-market clients.

The revolution of AI where we can now convert some of what we might have offered -- delivered in the past as a consulting service to a solution or product can be very helpful here. But we think the strong brand proposition we have is one where we can attack a large and growing market in both segments.

---

**Julie Gebauer** - *Willis Towers Watson PLC - Head of Health, Wealth and Career*

Within HWC, the answer is a little bit different across the different businesses. In particular, our strength in the mid-market is in our Health business, where we have very strong position in the US with close to half of our revenue coming from the mid-market and much of our non-US business coming from the mid-market.

And so I mentioned we spent the last 12 months making sure that we are well positioned in that market, enhancing our offering so that it doesn't reflect just our H&B capabilities, but also broader.

And I would be remiss if I didn't mention that we've just introduced an incredibly strong wealth solution in the US for the mid-market related to our pooled employer plan master trust type solution.

---

**Lucy Clark** - *Willis Towers Watson PLC - President of Health, Wealth & Career*

So for -- it's a 3-parter. So for Risk & Broking, I would say that roughly our business is half large business, half middle market and below. We see opportunities to grow in both. In that large and complex business, that type of business is very responsive to the specialty strategy. And in the mid-market and below, we're bringing some of our placement strategies to drive efficiencies and we're dropping in some of those -- that specialty knowledge to make a difference there. So really great opportunities in both for us, I think.

---

**Claudia La Hoz** - *Willis Towers Watson PLC - Head of Investor Relations*

Gentleman in the back here.

---

**Adrian Meli** - *Eagle Capital Management - Analyst*

Adrian Meli with Eagle Capital. I just want to make sure I understood the free cash flow answer, free cash flow margin. So if you said 17.5% and '23, higher in '24 and then you have some one-off in '25 that you're growing, is there any reason to expect that it wouldn't be 18% or above in '26? Or I just wanted to make sure I understood exactly what you said.

---

**Andrew Krasner** - *Willis Towers Watson PLC - Chief Financial Officer*

Yes. I think you've got the trajectory, right? So we haven't given any specific guidance out that far. But I think you're thinking about it correctly in terms of trajectory of the free cash flow margin.

---

**Claudia La Hoz** - *Willis Towers Watson PLC - Head of Investor Relations*

Mike Zaremski.

---

**Michael Zaremski** - *BMO Capital Markets - Analyst*

Mike Zaremski from Bank of Montreal. A lot of good color on the inorganic strategy. I just want to be crystal clear because there's different jargon that folks use in the industry. Would you be looking at doing a kind of a roll-up, small, medium-size roll-up strategy that a lot of your competitors are employing? Or are you saying your definition of middle market is kind of higher up, not SME?

---

**Carl Hess** - *Willis Towers Watson PLC - President, Chief Executive Officer, Director*

Yes. I don't think we're trying to box ourselves in, right? I mean, if we find a small specialist broking operation that will fit really well into one of our global lines of business, that's great. If we find something that's medium-sized that covers a market that we -- whether it's a geography or a particular sector, where we don't see that we've got the right coverage today or we can deepen that coverage, that's great, too.

The sort of many, many, many tiny ones, I think, is a pretty well poured over market in the US today. And so I think we start with the theory that we'd like to find the right strategy for WTW rather than necessary a strategy that worked for somebody else. We're built a little bit differently as you've been hearing.

---

**Claudia La Hoz** - *Willis Towers Watson PLC - Head of Investor Relations*

Gentleman next to Ryan who does not have a nametag on.

---

**Unidentified Participant**

Sorry. It's Alex Scott from Barclays. The question I had is on sort of a hypothetical actually on the environment. If we were to see M&A transaction activity pickup in the economy, what are the ways that impacts your business as we think through the different segments?

---

**Carl Hess** - *Willis Towers Watson PLC - President, Chief Executive Officer, Director*

So yes, it is in both segments, right? So we do due diligence work in HWC as well as R&B looking at the portfolios. We have a target position with respect to either its human capital or its assets in terms of what those represent. We do post-deal integration work, a lot of it in HWC, helping integrate compensation and benefit plans, even the way -- all the way through executive compensation. And of course, we have a decent-sized reps and warranty business in R&B that actually helps mergers go through.

So there's a lot of activity that goes on in both businesses. That's one of the reasons we pointed out in prior earnings calls regarding sort of the natural hedge we have in the business with regard to fiduciary income and M&A, right? They tend to -- when one is up, the other is down a bit and vice versa.

---

**Claudia La Hoz** - *Willis Towers Watson PLC - Head of Investor Relations*

Before I get to the second, I just want to take one from the virtual attendees. So we've got one question about, it's really about reinsurance. How will you compete in reinsurance versus the largest brokers out there? What percentage of Risk & Broking do you see this getting to?

---

**Lucy Clark** - *Willis Towers Watson PLC - President of Health, Wealth & Career*

What was the second question?

---

**Carl Hess** - *Willis Towers Watson PLC - President, Chief Executive Officer, Director*

What percentage of R&B might you see getting to, the second part.

---

**Claudia La Hoz** - *Willis Towers Watson PLC - Head of Investor Relations*

What proportion of --

---

**Lucy Clark** - *Willis Towers Watson PLC - President of Health, Wealth & Career*

Reinsurance? Well, it's not part of Risk & Broking. It's a joint venture. But my personal opinion is it's an incredibly exciting opportunity. It is one of the finest businesses in the world to be in. We have incredible advantage by what we already have in ICT to support a reinsurance business. It's very much a people business. So it's about getting the right people. But definitely, the reinsurance market wants competition. So there's definitely a place for us in that market.

---

**Unidentified Participant**

Julie, I think in your presentation -- sorry about that. It's Greg Peters from Raymond James again. Julie, in your presentation, I think you said 23% of your workforce is right-shored or off-shored or maybe I -- or onshored or -- and I was struck by some of the comments about the operations in Mumbai. I think you mentioned pension and all that. So it's one of the opportunities you see going forward for improving your margins, increasing the percentage of employees that go into these low-cost jurisdictions?

---

**Julie Gebauer** - *Willis Towers Watson PLC - Head of Health, Wealth and Career*

I think the simple answer to your question is yes. It's about 20% we currently have in one of our offshore locations in Manila, Mumbai, Mexico City or a regional center in Lisbon. And as I said, we see ways to enhance our processes and finding the right shore for the right work, as Lucy said in her presentation, is something that we're doing in HWC as well.

---

**Carl Hess** - *Willis Towers Watson PLC - President, Chief Executive Officer, Director*

And Greg those opportunities exist across the enterprise, right? Lucy highlighted them. They also exist in our corporate functions.

---

**Unidentified Participant**

Just in the context of your margin improvement, do you have the established targets on how you're going to offshore like 1 point per year of employees or something like that?

**Carl Hess** - *Willis Towers Watson PLC - President, Chief Executive Officer, Director*

We take more granularity than that, Greg. I mean, this is a business-by-business opportunity. It really depends on the skill set and talent mix you may have in a particular area of our operation and what we find -- what we could find offshore as well.

**Elyse Greenspan** - *Wells Fargo - Analyst*

Elyse Greenspan, Wells Fargo. So my question comes back to the M&A discussion, Carl, because you guys have made the point that you're at the point where you can consider inorganic opportunities. But there's obviously a size, right? There's smaller deals.

And then when you go larger in size, we've seen a couple other brokers do larger deals over the past year. There's just more digestion, more potential for cultural issues. And after you guys have kind of worked through a lot of the turnover post Aon, do you want to start with smaller things and then go to your things? Is anything on the table right now? How do you broadly think about that strategy in context of what you guys went through over the last few years?

**Carl Hess** - *Willis Towers Watson PLC - President, Chief Executive Officer, Director*

It's a great question, Elyse. We are acutely sensitive to cultural issues for these things. And a somewhat bigger deal with fewer cultural issues is going to be less disruptive than a small deal with significant culture issues and you just need to weigh that in the balance, right? I mean, small deals, we want to move the dial with the portfolio mix with M&A over time. We want to do that thoughtfully and carefully. But you can't underestimate the effect of culture here.

And so we just need to make sure we're choosing targets very carefully. And being a people-oriented business, if you don't get that right, you're destroying value, you're not adding value with M&A. And so if we could find organizations that, yes, are a little bit bigger, but we know that fit is going to be there from day 1, that's great. And if we find something that it looks like it's easy from a financial perspective, make Andrew happy, but on the other hand we just think that the cost of integration, a people tool or financial tools are going to be very high, that's a no go. So that's the balance we're just going to strike.

**Claudia La Hoz** - *Willis Towers Watson PLC - Head of Investor Relations*

David.

**David Motemaden** - *Evercore ISI - Analyst*

David Motemaden from Evercore ISI. Lucy, you mentioned that 20% of your gross premium in R&B is on the new Broking Platform. Have you noticed any uplift in producer productivity, revenue per producer when you get on the new Broking Platform versus the legacy platforms? And when do you think you'll be 100% on the new platform? And is that a tailwind to organic revenue growth over the next few years that we should be thinking about?

**Lucy Clark** - *Willis Towers Watson PLC - President of Health, Wealth & Career*

Yes. So can we tell from single producer productivity gains? Probably not yet, but we'll be able to do that in the fullness of time. And is it something that you should think about as a tailwind as we get more premium on the platform? Yes, it will make us more efficient.

And I didn't answer the third part of your one-part question, which is when will it all be on there, and I don't know the answer to that question. We have a road map to get most of it on there, but that only takes us over the next three years.

**Claudia La Hoz** - *Willis Towers Watson PLC - Head of Investor Relations*

Rob.

**Rob Cox** - *Goldman Sachs Group, Inc. - Analyst*

Rob Cox, Goldman Sachs. So I think within the 100 basis points average margin expansion in Risk & Broking, you probably have sized some impacts from good guys like inorganic growth, maybe with higher margins and then some headwinds like fiduciary investment income. Could you help us size some of those impacts?

**Carl Hess** - *Willis Towers Watson PLC - President, Chief Executive Officer, Director*

Andrew?

**Andrew Krasner** - *Willis Towers Watson PLC - Chief Financial Officer*

Yes, sure. I think we talked about the interplay earlier between interest rate-sensitive businesses. So there's sort of a natural sort of balance there between fiduciary income and things like M&A-related activity across the various segments. So I think that's one piece of it.

The margin expansion that Lucy referenced is isolated from the impact of any inorganic activity. But of course, we continue healthy organic revenue growth that generates operating leverage. So we think that's going to be the main contributor going forward to the margin expansion there.

**Claudia La Hoz** - *Willis Towers Watson PLC - Head of Investor Relations*

Go with Alex.

**Unidentified Participant**

It's Alex Scott from Barclays. I had a follow-up on free cash flow. As I listen to some of the things that you've invested in like the digital platform, some of the global business centers and so forth, I mean, it sounds like some of this is still midway through the types of implementation.

But I just want to understand like how -- the transformation spend, I think it was part of like what was invested to get behind that. How much is there still to spend as you're still going through an implementation process because it just -- it doesn't sound like all of those things are necessarily already at their final point?

**Andrew Krasner** - *Willis Towers Watson PLC - Chief Financial Officer*

Yes. So I want to be clear, right, the transformation program ends at the end of 2024. And over the past 3 years, all of that infrastructure has been built out which enables us to continue to leverage those things going forward. So if we've already built out the, as an example, the Mumbai global delivery center. Moving more work or more people there is not incremental cost in terms of something like additional transformation spend that ends up being a net benefit and enhances the margin profile.

**Claudia La Hoz** - *Willis Towers Watson PLC - Head of Investor Relations*

Mark Marcon.

**Mark Marcon** - *Robert W. Baird & Co. Incorporated - Analyst*

Mark Marcon from Baird. Really appreciated the discussion about optimizing the business mix and the thoughtful way that you laid things out in terms of how you're looking at the businesses. One thing I was wondering about is, is there any way to dimensionalize the percentage of the revenue base that might be in that augment-remove category? Because that's something that if we go back to when John was running the company, always did a great job in terms of pruning areas on a fairly consistent basis that were suboptimal. I'm just trying to get a sense for that. And then how does that impact the revenue growth trajectory?

**Carl Hess** - *Willis Towers Watson PLC - President, Chief Executive Officer, Director*

I mean with respect to the augment quadrant, right? And there, I'm channeling my inner John talking about quadrants right there. By definition, there's always going to be businesses there. But TRANZACT was the obvious one that was not just there, but was an obvious outlier to we didn't have overlap with the rest of the company in terms of what it did, right? It's our only substantial direct-to-consumer business. So the synergy benefits weren't there. And it was a relatively easy thing to say, okay, that's a disposition.

With respect to the portfolio of business we run, right, there are usually substantial synergies with what we do either geographically or within a segment or across segments to those. And so you're going to start with more of a how can we get this business up to a better margin and-or a better growth rate and fix them. So it helps the results, right? And we can do, I think, a lot with our numbers by continuing to augment, right, areas where the performance isn't where we like it to be rather than just sort of throw up our hands and say, somebody else do this.

**Claudia La Hoz** - *Willis Towers Watson PLC - Head of Investor Relations*

Okay. We've got another virtual question. Do you anticipate Specialty continuing to grow faster than the rest of CRB?

**Lucy Clark** - *Willis Towers Watson PLC - President of Health, Wealth & Career*

Yes. I think that's a reasonably safe assumption at the same sort of ratio as it's been growing. There's still a bunch of opportunities to grow specialty lines in all of our geographies and in our most -- even our most evolved geographies. So I think there's a lot of opportunity there, Claudia, and online person.

**Claudia La Hoz** - *Willis Towers Watson PLC - Head of Investor Relations*

Okay. Ryan?

**Ryan Tunis** - *Autonomous Research US LP - Analyst*

Ryan Tunis, Autonomous. A question for Julie. I've got this mental model in my head about thinking about the organic you can do over the next 2 or 3 years. You laid out what you think you can do. But when I think about the risks to achieving that, I wanted to run this by you and you can tell me if this is accurate or not. I think the 2 biggest risks would either be the macro slows down or we've been in a pretty good super cycle for things like wealth, things like health.

As an analyst, I don't have a ton of visibility into how long that cycle extends. So I guess, first of all, are those kind of the 2 things to think about that could be the biggest risks? And if that's anywhere close to correct, I guess, in your mind, like where do you think you have the most visibility, that you can survive the macro or that kind of super cycle and these things can continue to extend?

**Julie Gebauer** - *Willis Towers Watson PLC - Head of Health, Wealth and Career*

So because I think the percentage of the work that we do that is purely discretionary advisory work is only 32% of our Career business, which is only 12% of the segment, I think you have the major factors right on what the big drivers of growth are. And I think the -- at the same time, there will be that -- I mentioned that opportunity to continue to grow share, so all of that playing together. And I think I'm not going to speculate on how long health care inflation is going to remain at the levels that we're projecting for '25. But -- and the capital markets, I won't also project what that might be over the next three years.

---

**Claudia La Hoz** - *Willis Towers Watson PLC - Head of Investor Relations*

Mike Z.?

---

**Michael Zaremski** - *BMO Capital Markets - Analyst*

Mike Zaremski from BMO. Julie, you did a good job unpacking why there's a lot of growth still on the Wealth DB side. Thanks for that, it's a comment. So my question is on Career. You showed us a stat showing that 68% is more recurring. Could you share what that -- approximate what that level was in the past? And do you expect, if it is increasing, do you expect that to continue to increase, the percentage?

---

**Julie Gebauer** - *Willis Towers Watson PLC - Head of Health, Wealth and Career*

While I don't have a specific number for you, it was less in the past, and we expect it to be more in the future. It is a distinct part of our strategy to build out these recurring products and focus on things that are needed year in and year out. As I mentioned, we are disciplined in making sure that every one-off project that we have that has a component of something that can be turned into recurring work, so the intent is to continue to grow that.

---

**Claudia La Hoz** - *Willis Towers Watson PLC - Head of Investor Relations*

Meyer?

---

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

Meyer Shields, KBW. So this is a question for Lucy. One of the issues that people talk about in our world is the difference in brokerage margins between WTW and other leading competitors. And you've given us, I think, solid and impressive guidance for margin expansion. But fundamentally, how do you see the difference between margins here and at least conceptually elsewhere? And how much of that can close over time?

---

**Lucy Clark** - *Willis Towers Watson PLC - President of Health, Wealth & Career*

Are you happy for me to answer that?

---

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

Please.

---

**Lucy Clark** - *Willis Towers Watson PLC - President of Health, Wealth & Career*

Okay. So I think it's -- you could think a little bit about the business mix. We don't have a reinsurance business. And I think we have a largely retail business. And so those account for most of the differences. And by the time we've achieved our margin targets at the end of this period, I think we'll stack up very well against who you're looking at.

---

**Claudia La Hoz** - *Willis Towers Watson PLC - Head of Investor Relations*

Adrian?

---

**Adrian Meli** - *Eagle Capital Management - Analyst*

I thought I'd sneak one more in here. Adrian Meli with Eagle. Can you walk me through just when you talk about the M&A, it seems obvious from your organic growth chart that if you have more in the faster-growing CRB that your total growth would grow faster. But do you view M&A in the CRB would make the CRB grow faster than mid-single digits plus? Because when I look back at the data, it's not obvious that any scale platform grows that much faster than that. So I'm just curious if the growth is solely mix shift or within the CRB, that would also grow fast.

---

**Carl Hess** - *Willis Towers Watson PLC - President, Chief Executive Officer, Director*

Well, I think it's largely the former, right? Just --

---

**Lucy Clark** - *Willis Towers Watson PLC - President of Health, Wealth & Career*

I'm not, like, sure of the question.

---

**Carl Hess** - *Willis Towers Watson PLC - President, Chief Executive Officer, Director*

Sorry. So I'll rephrase and see if we get the question. Does M&A just shift us to more R&B, right, which we think is a faster growth potential than HWC? Or does inherently what businesses you might acquire have a higher growth rate than CRB as we have it, which then further [reduces] it?

---

**Lucy Clark** - *Willis Towers Watson PLC - President of Health, Wealth & Career*

I mean I guess I would say that it depends. You can look at the organic growth rates of all the businesses out there, and our R&B growth rate compares pretty favorably to just about anyone, I guess, but probably a little of both.

---

**Claudia La Hoz** - *Willis Towers Watson PLC - Head of Investor Relations*

Greg.

---

**Unidentified Participant**

It's Greg again. And so, Andrew, during your presentation, towards the end, you gave us the outlook, organic revenue growth, margin expansion and then you said EPS growth. So one of the -- 2 variables inside EPS growth through the years that have been noise, one would be pension adjustments and then secondly would be tax. So do you have a view on the next couple of years on those 2 variables as we think about EPS growth for Willis Towers Watson?

**Andrew Krasner** - *Willis Towers Watson PLC - Chief Financial Officer*

Yes, sure. One of the things we do continuously think about is the impact of the pension income, right, and the volatility that creates within our EPS. It's noncash. So that's something that we think about how to reframe, right, over time.

Taxes, there's a lot of global change going on in the tax landscape. At the moment, we've been very effective in managing our tax exposure just given some of our domicile and how we manage our business. So that's a moving target at the moment. I wish I could do something about that within our EPS figure, but that's not something that we can adjust out, unfortunately, but it is something that we actively think about and manage and expect to do so effectively over the next couple of years.

**Elyse Greenspan** - *Wells Fargo - Analyst*

Elyse Greenspan. So I have a follow-up on the R&B margin. So 100 basis points of margin. I think when we think back over the past couple of years and years when the margin improvement has not been as strong, right, there was hiring, there is some elevated hiring post Aon. It doesn't sound like you guys are calling out anything one-off in this three-year plan relative to the 100 basis points of target annual margin. So you're just trying to put forward something that's perhaps conservative embedded within that guidance?

**Carl Hess** - *Willis Towers Watson PLC - President, Chief Executive Officer, Director*

Well, I will say, Elyse, if you're going to put out targets, it's really good if you meet them. So if that leads to inherent conservatism, we're -- we wouldn't be the only one there ever to have done that. However, right, when it comes to targets, right, we kind of feel pretty good about where we are in terms of that business and in terms of the talent we brought on and the continued productivity we can get from them, the technology enhancements we've made at the enterprise and at the segment and our WE DO efforts, right? All these give us very strong foundation to deliver those margin improvements that Lucy and Andrew were talking about.

**Elyse Greenspan** - *Wells Fargo - Analyst*

And then assuming, right, we have 1 quarter left, but let's say you end the year, the R&B margin is around 24% based on where you are year-to-date and some assumption for the fourth quarter. You laid out, right, 300 basis points. So you put that on top, that would put the segment at a 27%. I know Lucy was making the point, right, there's no direct compare given there's reinsurance and retail mixes out there. But you're still probably -- there's probably still some shortfall there relative to peers. Is there a long-term target? Do you guys aspire to be like the high 20s? Where do you see the margin ultimately settling out for R&B?

**Carl Hess** - *Willis Towers Watson PLC - President, Chief Executive Officer, Director*

I think I'll make a very high-level comment, which is we're competing for your capital with our peers, right? And as a result, we better deliver margins at the end of the day that aspire to those of our peers. Now it's not just about inefficiencies in our business, right? It is about portfolio mix differences that we've highlighted. You brought in reinsurance, but at a more granular level, there are things like wholesale. We've talked about our programs, MGAs, MTUs. We talked about Affinity business. All these sort of things make up some of the differences between us.

What I can tell you is as the management team, right, we are committed not just to looking at like-for-like changes and making operational improvement, but looking at the portfolio and how can we improve that as well. That is not a 3-month activity. That's an activity you take year after year after year to drive those positive changes that will get us to where we'd like to be, ahead of the position.

**Claudia La Hoz** - *Willis Towers Watson PLC - Head of Investor Relations*

Sorry, I know we're out -- you're from Atalan?

---

**Brett Lisle** - *Atalan Capital - Analyst*

Brett Lisle from Atalan Capital. I think one of the primary investor takeaways from this Analyst Day is after a several-year period of disruption following the Aon break and employee turnover, you have righted the ship, organic growth is now back to roughly in line with peers. We're expanding margins in line or faster than peers, but perhaps more important takeaway is on free cash flow margin conversion. We are now in a place where after significantly trailing peers, prospectively, we should be able to significantly improve and really drive a lot of improvement in the overall free cash flow.

I had a question for Andrew. Curious, you mentioned, of course, we have the closing of the TRANZACT sale at the end of this year. Of course, that is an improvement. When we talk about the transformation savings program ending, that's also an improvement. But when it comes to ongoing restructuring expenses in the normal course of business, headcount coming on and off, what should we anticipate for the cash flow drag in '25 and onwards related to those activities?

---

**Andrew Krasner** - *Willis Towers Watson PLC - Chief Financial Officer*

Yes. So we're not going to give any specific guidance on that because it tends to be episodic and situational. But we don't expect it to be anything that would create a significant headwind on a free cash flow perspective going forward.

---

**Carl Hess** - *Willis Towers Watson PLC - President, Chief Executive Officer, Director*

And Brett, if you want a job as a scriptwriter, come see me afterwards.

---

**Claudia La Hoz** - *Willis Towers Watson PLC - Head of Investor Relations*

Hughes?

---

**Mark Hughes** - *Truist Securities, Inc. - Analyst*

Mark Hughes, Truist. On the HWC business, anything on the derisking or lump sum business for next year versus this year with interest rates and funding of plans and all that? Is that going to make a difference?

---

**Julie Gebauer** - *Willis Towers Watson PLC - Head of Health, Wealth and Career*

Yes. Like right now, where we sit with the current interest rate environment, we're probably a little bit favorable to where we were last year given that where various rates sit relative to one another. What we found, though, is that while that continues to be a driver of activity for derisking, that the level of surplus available in plans is becoming a more important factor. And with more than 40% of our client base in the US in significant surplus, even more than that in GB, we think that there will be good appetite for derisking.

---

**Claudia La Hoz** - *Willis Towers Watson PLC - Head of Investor Relations*

I think we have room for one more question. Going, going?

**Brett Lisle** - *Atalan Capital - Analyst*

Brett Lisle from Atalan Capital again. Curious on the net leverage targets. What would you anticipate to be, Andrew, a lower bound range of how low you would let net leverage go before allocating capital -- excess capital to buybacks if M&A opportunities are not immediately available?

**Andrew Krasner** - *Willis Towers Watson PLC - Chief Financial Officer*

Yes, sure. So we tend to think about it on a gross leverage basis. So that's the 2 to 2.5 range. And we try to not fall below 2, make sure we have appropriate financial flexibility in case there was something opportunistic we wanted to take advantage of. And as you've seen over the past couple of years, when we have refi debt, we have taken on incremental leverage to ensure we stay roughly within that band.

**Claudia La Hoz** - *Willis Towers Watson PLC - Head of Investor Relations*

Okay. That concludes our Q&A. I'm going to hand it back to Carl for some closing remarks.

**Carl Hess** - *Willis Towers Watson PLC - President, Chief Executive Officer, Director*

So thank you, everybody. We do appreciate you taking the time to be here with us. What I'm going to close with is a recap of what you've heard from us today. Apologies, Brett did it better than I ever could.

First, our Grow, Simplify and Transform strategy was successful, right? We are now more focused, more connected and more efficient than we have ever been. And we're more aligned as a company on what we have to do to realize our potential and create long-term value for our shareholders.

The next leg of our journey is going to focus on creating that long-term value by accelerating performance and delivering profitable growth through innovation and expansion into attractive markets. We're going to continue to enhance efficiencies across the enterprise for continued margin expansion and free cash flow improvement. And we're going to optimize our business mix to elevate our financial performance and our strategic position. And lastly, rebalancing our capital allocation approach to deliver attractive returns for our shareholders as we focus on maximizing value.

Thank you again for joining us today, both in person and virtually, and for your thoughtful questions. We look forward to sharing WTW's bright and exciting future with all of you. I would like to invite the in-person attendees to join us for lunch in the space just outside this room, where we'll have the opportunity to informally continue these discussions. Again, thank you very much for your time today.