



## Willis Towers Watson Reports Strong Second Quarter 2019 Earnings

July 31, 2019

- **Total revenue<sup>1</sup> increased 3% to \$2.05 billion, with organic revenue growth of 6%**
- **Diluted Earnings per Share for the quarter were \$1.06, up 141% over prior year**
- **Adjusted Diluted Earnings per Share for the quarter were \$1.78, up 5% over prior year**
- **Income from Operations for the quarter was \$176 million or 8.6% of revenue, up 540 basis points over prior year**
- **Adjusted Operating Income for the quarter was \$299 million or 14.6% of revenue, up 160 basis points over prior year**

ARLINGTON, Va. and LONDON, July 31, 2019 (GLOBE NEWSWIRE) -- Willis Towers Watson (NASDAQ: WLTW) (the "Company"), a leading global advisory, broking and solutions company, today announced financial results for the second quarter ended June 30, 2019.

"We are pleased with our financial results for the second quarter and first half of fiscal 2019. For the second quarter, we delivered 6 percent organic revenue growth, and each of our business segments demonstrated healthy growth in revenue and operating income margin, contributing to a double-digit increase in adjusted operating income growth for the overall Company," said John Haley, Willis Towers Watson's chief executive officer. "We are also excited to announce the successful completion of the TRANZACT acquisition, which will rapidly accelerate Willis Towers Watson's direct-to-consumer U.S. healthcare strategy and significantly strengthen Willis Towers Watson's growth profile in the healthcare space. This acquisition coupled with our highly differentiated capabilities and disciplined management of the business, leaves us confident in our ability to continue to drive sustainable, profitable growth and deliver value for our clients and shareholders."

### Company Highlights

Revenue was \$2.05 billion for the second quarter of 2019, an increase of 3% (6% increase constant currency and organic) as compared to \$1.99 billion for the same period in the prior year.

For the first half of 2019, revenue was \$4.36 billion, an increase of 2% (5% increase in constant currency and organic) as compared to \$4.28 billion for the same period in the prior year.

Net income attributable to Willis Towers Watson for the second quarter of 2019 was \$138 million, an increase of 138% from \$58 million for the prior-year second quarter. For the quarter, diluted earnings per share were \$1.06 and adjusted diluted earnings per share were \$1.78. The U.S. GAAP tax rate for the quarter was 19.7%, and the adjusted income tax rate for the quarter used in calculating adjusted diluted earnings per share was 21.4%.

For the first half of 2019, net income attributable to Willis Towers Watson was \$425 million, a 56% increase from \$273 million for the same period in the prior year. Diluted earnings per share for the first half of 2019 were \$3.26, and adjusted diluted earnings per share were \$4.76. Net income attributable to Willis Towers Watson and diluted earnings per share for the first half of 2019 included pre-tax \$6 million of transaction and integration expenses related to the TRANZACT acquisition. For the first half of 2019, the U.S. GAAP tax rate was 19.1%, and the adjusted income tax rate used in calculating adjusted diluted earnings per share was 20.6%.

Net income for the second quarter of 2019 was \$149 million, or 7.3% of revenue, an increase from net income of \$65 million, or 3.3% of revenue for the prior-year second quarter. Adjusted EBITDA for the second quarter of 2019 was \$425 million, or 20.8% of revenue, an increase from adjusted EBITDA of \$392 million, or 19.7% of revenue for the prior-year second quarter.

For the first half of 2019, net income was \$442 million, or 10.1% of revenue, an increase from net income of \$286 million, or 6.7% of revenue for the same period in the prior year. Adjusted EBITDA for the first half of 2019 was \$1 billion, or 23.5% of revenue, an increase from adjusted EBITDA of \$949 million, or 22.2% of revenue.

---

<sup>1</sup> The revenue amounts included in this release are presented on a U.S. GAAP basis except where stated otherwise. The segment discussion is on an organic basis.

Operating income margin improved by 540 basis points compared to the second quarter of the prior year. Adjusted operating income margin improved by 160 basis points to 14.6% from 13.0% in the prior-year second quarter. Margin improvement was driven by enhanced margin performance across all segments.

For the first half of 2019, operating income margin improved by 480 basis points compared to the same period in the prior year. Adjusted operating income margin improved by 170 basis points to 18.1% from 16.4% for the first half of 2019.

Cash flows from operating activities for the six months ended June 30, 2019 was \$303 million compared to \$395 million for the prior-year first half. Free cash flow for the six months ended June 30, 2019 and 2018 was \$183 million and \$254 million, respectively. During the six months ended June 30, 2019, the Company repurchased approximately \$51 million of Willis Towers Watson stock.

## **Segment Highlights**

### **Human Capital & Benefits**

The Human Capital & Benefits (HCB) segment had revenue of \$797 million, an increase of 2% (5% increase constant currency and 5% increase organic) from \$780 million in the prior-year second quarter. On an organic basis, Health and Benefits delivered significant revenue growth, driven by increased consulting and brokerage services, growth in specialty products, and expansion of our client portfolio for both local and global appointments. Health and Benefits' revenue growth was aided by a lower revenue comparable in the prior-year second quarter. The prior year results reflect the impact of adopting the new revenue standard (ASC 606), which resulted in certain revenue not being recognized. Our Talent and Rewards business revenue grew primarily as a result of increased product revenue and advisory work in Great Britain and North America. Technology and Administration Solutions revenue also increased in connection with greater project demand primarily in Western Europe. Retirement revenue declined slightly compared to the prior-year second quarter primarily as a result of non-recurring project work in the comparable period. The HCB segment had an operating margin of 21% as compared to 19% for the prior-year second quarter.

### **Corporate Risk & Broking**

The Corporate Risk & Broking (CRB) segment had revenue of \$690 million, an increase of 2% (5% increase constant currency and 5% increase organic) from \$674 million in the prior-year second quarter. The segment had solid growth across all geographies. On an organic basis, North America continued to lead the segment with new business generation. International, Western Europe and Great Britain also contributed meaningful growth for the segment, related to strong management of the renewal book portfolio alongside new business wins. The CRB segment had an operating margin of 15%, as compared to 14% for the prior-year second quarter.

### **Investment, Risk & Reinsurance**

The Investment, Risk & Reinsurance (IRR) segment had revenue of \$409 million, an increase of 6% (9% increase constant currency and 8% increase organic) from \$385 million in the prior-year second quarter. On an organic basis, all lines of business contributed to the segment's strong performance. Reinsurance and Underwriting and Capital Management growth was driven by net new business growth and favorable renewal factors while Insurance Consulting and Technology revenue grew from strong technology sales. Max Matthiessen revenue increased as a result of overall growth in net commissions. Both the Wholesale and Investment businesses returned to revenue growth in the second quarter as a result of increased net new business and improved asset-based fees. The IRR segment had an operating margin of 27% as compared to 23% for the prior-year second quarter.

### **Benefits Delivery & Administration**

The Benefits Delivery & Administration (BDA) segment had revenue of \$126 million, an increase of 6% (6% increase constant currency and 6% increase organic) from \$119 million in the prior-year second quarter. BDA's growth was primarily led by the continued expansion of its client base and increased demand for project work in the mid-market and large-market spaces. The BDA segment had an operating margin of negative 20%, as compared to negative 26% for the prior-year second quarter.

## **2019 Guidance Update**

Willis Towers Watson is raising its 2019 earnings guidance primarily to reflect the acquisition of TRANZACT. For 2019, with TRANZACT, the Company expects constant currency revenue growth of 7% to 8%. On an organic constant currency growth basis the Company expects 4% to 5% revenue growth. The Company is raising its Adjusted Diluted Earnings Per Share guidance to a new range of \$10.75 to \$11.10 for the full year 2019, versus its previous guidance of \$10.60 to \$10.85. See supplemental slides for additional details on guidance.

## **Conference Call**

The Company will host a live webcast and conference call to discuss the financial results for the second quarter. It will be held on Wednesday, July 31, 2019, beginning at 9:00 a.m. Eastern Time, and can be accessed via the Internet at [www.willistowerswatson.com](http://www.willistowerswatson.com). The replay of the call will be available shortly after the live call for a period of three months. A telephonic replay of the call will also be available for 24 hours at 404-537-3406, conference ID 1779096.

## **About Willis Towers Watson**

Willis Towers Watson (NASDAQ: WLTW) is a leading global advisory, broking and solutions company that helps clients around the world turn risk into a path for growth. With roots dating to 1828, Willis Towers Watson has more than 45,000 employees serving more than 140 countries. We design and deliver solutions that manage risk, optimize benefits, cultivate talent, and expand the

power of capital to protect and strengthen institutions and individuals. Our unique perspective allows us to see the critical intersections between talent, assets and ideas — the dynamic formula that drives business performance. Together, we unlock potential. Learn more at [willistowerswatson.com](http://willistowerswatson.com).

## Select Questions and Answers

### Q1: What were the financial terms of the TRANZACT deal?

As part of the TRANZACT acquisition closing, we amended the earn-out provision portion of the acquisition agreement to lower the potential earn-out from \$200 million to approximately \$17 million, agreeing to pay an additional \$117.5 million in up-front purchase price as part of the closing on July 30, 2019. As a result, the purchase price payable by the Company at closing was increased from \$1.2 billion to \$1.3175 billion, subject to certain adjustments, and the potential earn-out payment due upon the achievement of certain financial targets in 2019 and 2020 was decreased from \$200 million to approximately \$17 million based upon the achievement of certain 2020 financial targets, payable in cash. This amendment allows the Company to reduce its earn-out exposure and lower the potential overall consideration paid for TRANZACT by approximately \$65.5 million if the full earn-out objectives were to be achieved.

### Q2: What was the impact of foreign currency movements for the second quarter and year to date?

For the quarter ended June 30, 2019, currency translation caused a decrease in our consolidated revenue of \$51 million, and was immaterial to adjusted diluted earnings per share. For the six months ended June 30, 2019, currency translation caused a decrease in our consolidated revenue of \$135 million, resulting in a decrease of \$0.12 to adjusted diluted earnings per share.

### Q3: What was the impact of the Company's adoption of the new lease accounting standard (ASC 842, Leases)?

ASC 842 became effective, and was adopted by the Company, on January 1, 2019. The adoption of this new guidance had no material impact to the amounts and classifications of the balances within our condensed consolidated statements of income. On our condensed consolidated balance sheets we recognized an additional \$1.2 billion of lease liabilities; \$1.0 billion of right-of-use assets; additional deferred tax assets of \$252 million and deferred tax liabilities of \$252 million on the gross lease-related liabilities and gross right-of-use assets, respectively. See Note 12 – Leases, within the Company's Form 10-Q for the quarter ended June 30, 2019 for a full description of the impact on the Company from adoption, adoption elections made and the newly-required disclosures.

### Q4: What is your view of insurance pricing in the market?

We have seen a modest but definite improvement with pricing in the market. For a comprehensive look at overall market pricing in the primary and reinsurance markets, please view the "Insurance Marketplace Realities: Spring 2019 Update", and the "Willis Re: 1<sup>st</sup> View" which can both be found on the Willis Towers Watson website. Please note that such reports are current as of the date of their publication.

## Willis Towers Watson Non-GAAP Measures

In order to assist readers of our consolidated financial statements in understanding the core operating results that Willis Towers Watson's management uses to evaluate the business and for financial planning, we present the following non-GAAP measures: (1) Constant Currency Change, (2) Organic Change, (3) Adjusted Operating Income, (4) Adjusted EBITDA, (5) Adjusted Net Income, (6) Adjusted Diluted Earnings Per Share, (7) Adjusted Income Before Taxes, (8) Adjusted Income Taxes/Tax Rate and (9) Free Cash Flow.

The Company believes that these measures are relevant and provide useful information widely used by analysts, investors and other interested parties in our industry to provide a baseline for evaluating and comparing our operating performance, and in the case of free cash flow, our liquidity results.

Within these measures referred to as 'adjusted', we adjust for significant items which will not be settled in cash, or which we believe to be items that are not core to our current or future operations. Some of these items may not be applicable for the current quarter, however they are expected to be part of our full-year results. These items include the following:

- Transaction and integration expenses - Management believes it is appropriate to adjust for transaction and integration expenses when they relate to a specific significant program with a defined set of activities and costs that are not expected to continue beyond a defined period of time, or significant acquisition-related transaction expenses. We believe the adjustment is necessary to present how the Company is performing, both now and in the future when the incurrence of these costs will have concluded.
- Gains and losses on disposals of operations - Adjustment to remove the gain or loss resulting from disposed operations.
- Pension settlement and curtailment gains and losses - Adjustment to remove significant pension settlement and curtailment gains and losses to better present how the Company is performing.
- Provisions for significant litigation - We will include provisions for litigation matters which we believe are not representative of our core business operations.

- Tax effects of internal reorganization - Relates to the U.S. income tax expense resulting from the completion of internal reorganizations of the ownership of certain businesses that reduced the investments held by our U.S.-controlled subsidiaries.

We evaluate our revenue on an as reported (U.S. GAAP), constant currency and organic basis. We believe presenting constant currency and organic information provides valuable supplemental information regarding our comparable results, consistent with how we evaluate our performance internally.

Willis Towers Watson considers Constant Currency Change, Organic Change, Adjusted Operating Income, Adjusted EBITDA, Adjusted Net Income, Adjusted Diluted Earnings Per Share, Adjusted Income Before Taxes, Adjusted Income Taxes/Rate and Free Cash Flow to be important financial measures, which are used to internally evaluate and assess our core operations and to benchmark our operating and liquidity results against our competitors. These non-GAAP measures are important in illustrating what Willis Towers Watson's comparable operating and liquidity results would have been had the Company not incurred transaction-related and non-recurring items. Willis Towers Watson's non-GAAP measures and their accompanying definitions are presented as follows:

Constant Currency Change – represents the year-over-year change in revenue excluding the impact of foreign currency fluctuations. To calculate this impact, the prior year local currency results are first translated using the current year monthly average exchange rates. The change is calculated by comparing the prior year revenue, translated at the current year monthly average exchange rates, to the current year as reported revenue, for the same period. We believe constant currency measures provide useful information to investors because they provide transparency to performance by excluding the effects that foreign currency exchange rate fluctuations have on period-over-period comparability given volatility in foreign currency exchange markets.

Organic Change – excludes the impact of fluctuations in foreign currency exchange rates, as described above and the period-over-period impact of acquisitions and divestitures on current-year revenue. We believe that excluding transaction-related items from our U.S. GAAP financial measures provides useful supplemental information to our investors, and it is important in illustrating what our core operating results would have been had we not included these transaction-related items, since the nature, size and number of these translation-related items can vary from period to period.

Adjusted Operating Income/Margin – Income from Operations adjusted for amortization, transaction and integration expenses and non-recurring items that, in management's judgment, significantly affect the period-over-period assessment of operating results. Adjusted Operating Income Margin is calculated by dividing adjusted operating income by revenue.

Adjusted EBITDA/Margin – Net Income adjusted for provision for income taxes, interest expense, depreciation and amortization, transaction and integration expenses, (gain)/loss on disposal of operations and non-recurring items that, in management's judgment, significantly affect the period-over-period assessment of operating results. Adjusted EBITDA Margin is calculated by dividing adjusted EBITDA by revenue.

Adjusted Net Income – Net Income Attributable to Willis Towers Watson adjusted for amortization, transaction and integration expenses, (gain)/loss on disposal of operations and non-recurring items that, in management's judgment, significantly affect the period-over-period assessment of operating results, the related tax effect of those adjustments and the tax effects of internal reorganizations. This measure is used solely for the purpose of calculating adjusted diluted earnings per share.

Adjusted Diluted Earnings Per Share – Adjusted Net Income divided by the weighted-average number of shares of common stock, diluted.

Adjusted Income Before Taxes – Income from operations before income taxes adjusted for amortization, transaction and integration expenses, (gain)/loss on disposal of operations and non-recurring items that, in management's judgment, significantly affect the period-over-period assessment of operating results. Adjusted income before taxes is used solely for the purpose of calculating the adjusted income tax rate.

Adjusted Income Taxes/Tax Rate – Provision for income taxes adjusted for taxes on certain items of amortization, transaction and integration expenses, (gain)/loss on disposal of operations, the tax effects of internal reorganizations, and non-recurring items that, in management's judgment, significantly affect the period-over-period assessment of operating results, divided by adjusted income before taxes. Adjusted income taxes is used solely for the purpose of calculating the adjusted income tax rate.

Free Cash Flow – Cash flows from operating activities less cash used to purchase fixed assets and software for internal use. Free Cash Flow is a liquidity measure and is not meant to represent residual cash flow available for discretionary expenditures.

These non-GAAP measures are not defined in the same manner by all companies and may not be comparable to other similarly titled measures of other companies. Non-GAAP measures should be considered in addition to, and not as a substitute for, the information contained within our condensed consolidated financial statements.

Reconciliations of these measures are included in the accompanying tables with the following exception.

The Company does not reconcile its forward looking non-GAAP financial measures to the corresponding U.S. GAAP measures, due to variability and difficulty in making accurate forecasts and projections and/or certain information not being ascertainable or accessible; and because not all of the information, such as foreign currency impacts necessary for a quantitative reconciliation of

these forward-looking non-GAAP financial measures to the most directly comparable U.S. GAAP financial measure, is available to the Company without unreasonable efforts. For the same reasons, the Company is unable to address the probable significance of the unavailable information. The Company provides non-GAAP financial measures that it believes will be achieved, however it cannot accurately predict all of the components of the adjusted calculations and the U.S. GAAP measures may be materially different than the non-GAAP measures.

### **Willis Towers Watson Forward-Looking Statements**

This document contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. You can identify these statements and other forward-looking statements in this document by words such as “may”, “will”, “would”, “expect”, “anticipate”, “believe”, “estimate”, “plan”, “intend”, “continue”, or similar words, expressions or the negative of such terms or other comparable terminology. These statements include, but are not limited to, such things as our outlook, future capital expenditures, future share repurchases, growth in revenue, the impact of changes to tax laws on our financial results, business strategies and planned acquisitions (including the acquisition of TRANZACT), competitive strengths, goals, the benefits of new initiatives, growth of our business and operations, plans and references to future successes, including our future financial and operating results, plans, objectives, expectations and intentions and other statements that are not historical facts. Such statements are based upon the current beliefs and expectations of Willis Towers Watson’s management and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements. All forward-looking disclosure is speculative by its nature.

There are important risks, uncertainties, events and factors that could cause our actual results or performance to differ materially from those in the forward-looking statements contained herein, including the following: the ability of the company to successfully establish, execute and achieve its global business strategy as it evolves; changes in demand for our services, including any decline in defined benefit pension plans or the purchasing of insurance; changes in general economic, business and political conditions, including changes in the financial markets; significant competition that the company faces and the potential for loss of market share and/or profitability; the impact of seasonality and differences in timing of renewals; the risk of increased liability or new legal claims arising from our new and existing products and services, and expectations, intentions and outcomes relating to outstanding litigation; the risk the Stanford litigation settlement approval will be overturned on appeal, the risk that the Stanford bar order may be challenged in other jurisdictions, and the risk that the charge related to the Stanford settlement may not be deductible; the risk of material adverse outcomes on existing litigation or investigation matters; changes in the regulatory environment in which the company operates, including, among other risks, the impact of pending competition law and regulatory investigations; various claims, government inquiries or investigations or the potential for regulatory action; the company’s ability to make divestitures or acquisitions and its ability to integrate or manage such acquired businesses (including the recently completed acquisition of TRANZACT); failure to protect client data or breaches of information systems; the ability to comply with complex and evolving regulations related to data privacy and cyber security; the potential impact of Brexit; our ability to successfully enhance our billing, collection and other working capital efforts, and thereby increase our free cash flow; the potential impact of the change in the method for determining LIBOR; the ability of the company to properly identify and manage conflicts of interest; reputational damage; reliance on third-party services; the loss of key employees; the ability to successfully manage ongoing organizational changes; disasters or business continuity problems; doing business internationally, including the impact of exchange rates; compliance with extensive government regulation; the risk of sanctions imposed by governments, or changes to associated sanction regulations; technological change; changes and developments in the insurance industry or the United States healthcare system; the risk that the company may not be able to repurchase the intended number of outstanding shares due to M&A activity or investment opportunities, market or business conditions, or other factors; the inability to protect the company’s intellectual property rights, or the potential infringement upon the intellectual property rights of others; fluctuations in the company’s pension liabilities; the ability of the company to meet its financial guidance, the company’s capital structure, including indebtedness amounts, the limitations imposed by the covenants in the documents governing such indebtedness and the maintenance of the financial and disclosure controls and procedures of each; the ability of the company to obtain financing on favorable terms or at all; adverse changes in the credit ratings of the company; the impact of recent changes to U.S. tax laws, including on our effective tax rate, and the enactment of additional, or the revision of existing, state, federal, and/or foreign regulatory and tax laws and regulations; U.S. federal income tax consequences to U.S. persons owning at least 10% of the company’s shares; changes in accounting principles, estimates or assumptions; fluctuation in revenue against the company’s relatively fixed expenses; the laws of Ireland being different from the laws of the United States and potentially affording less protections to the holders of our securities; and the company’s holding company structure potentially preventing it from being able to receive dividends or other distributions in needed amounts from our subsidiaries. These factors also include those described under “Risk Factors” in the company’s most recent 10-K filing and subsequent filings filed with the SEC.

Although we believe that the assumptions underlying our forward-looking statements are reasonable, any of these assumptions, and therefore also the forward-looking statements based on these assumptions, could themselves prove to be inaccurate. In light of the significant uncertainties inherent in the forward-looking statements included in this document, our inclusion of this information is not a representation or guarantee by us that our objectives and plans will be achieved.

Our forward-looking statements speak only as of the date made and we will not update these forward-looking statements unless the securities laws require us to do so. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this document may not occur, and we caution you against relying on these forward-looking statements.

### **Contact**

**INVESTORS**

 Rich Keefe | +1 215 246 3961 | [Rich.Keefe@willistowerswatson.com](mailto:Rich.Keefe@willistowerswatson.com)

**WILLIS TOWERS WATSON**  
**Supplemental Segment Information**  
 (In millions of U.S. dollars)  
 (Unaudited)

**REVENUE**

	Three Months Ended June 30,		As Reported	Components of Revenue Change <sup>(i)</sup>			
				2019	2018	Currency	Constant
			% Change	Impact	Currency	Divestitures	Change
Human Capital & Benefits	\$ 797	\$ 780	2%	(3)%	5%	0%	5%
Corporate Risk & Broking	690	674	2%	(3)%	5%	0%	5%
Investment, Risk & Reinsurance	409	385	6%	(3)%	9%	1%	8%
Benefits Delivery & Administration	126	119	6%	0%	6%	0%	6%
<b>Segment Revenue</b>	<u>2,022</u>	<u>1,958</u>	3%	(3)%	6%	0%	6%
Reimbursable expenses and other	26	32					
<b>Revenue</b>	<u>\$ 2,048</u>	<u>\$ 1,990</u>	3%	(3)%	6%	0%	6%

	Six Months Ended June 30,		As Reported	Components of Revenue Change <sup>(i)</sup>			
				2019	2018	Currency	Constant
			% Change	Impact	Currency	Divestitures	Change
Human Capital & Benefits	\$ 1,626	\$ 1,612	1%	(3)%	4%	0%	4%
Corporate Risk & Broking	1,418	1,414	0%	(4)%	4%	0%	5%
Investment, Risk & Reinsurance	998	959	4%	(3)%	8%	1%	6%
Benefits Delivery & Administration	261	241	8%	0%	8%	0%	8%
<b>Segment Revenue</b>	<u>4,303</u>	<u>4,226</u>	2%	(3)%	5%	0%	5%
Reimbursable expenses and other	57	56					
<b>Revenue</b>	<u>\$ 4,360</u>	<u>\$ 4,282</u>	2%	(3)%	5%	0%	5%

<sup>(i)</sup> Components of revenue change may not add due to rounding

**SEGMENT OPERATING INCOME <sup>(i)</sup>**

	Three Months Ended June 30,	
	2019	2018
Human Capital & Benefits	\$ 169	\$ 149

Corporate Risk & Broking	104	97
Investment, Risk & Reinsurance	109	89
Benefits Delivery & Administration	(25)	(31)
<b>Segment Operating Income</b>	<b>\$ 357</b>	<b>\$ 304</b>

	Six Months Ended June 30,	
	2019	2018
Human Capital & Benefits	\$ 373	\$ 342
Corporate Risk & Broking	231	222
Investment, Risk & Reinsurance	361	350
Benefits Delivery & Administration	(46)	(63)
<b>Segment Operating Income</b>	<b>\$ 919</b>	<b>\$ 851</b>

(i) Segment operating income excludes certain costs, including amortization of intangibles, transaction and integration expenses, certain litigation provisions, and to the extent that the actual expense based upon which allocations are made differs from the forecast/budget amount, a reconciling item will be created between internally allocated expenses and the actual expenses reported for U.S. GAAP purposes.

#### RECONCILIATIONS OF SEGMENT OPERATING INCOME TO INCOME FROM OPERATIONS BEFORE INCOME TAXES

	Three Months Ended June 30,	
	2019	2018
Segment Operating Income	\$ 357	\$ 304
Amortization	(123)	(140)
Transaction and integration expenses	—	(55)
Unallocated, net <sup>(i)</sup>	(58)	(46)
Income from Operations	176	63
Interest expense	(56)	(52)
Other income, net	67	63
Income from operations before income taxes	<b>\$ 187</b>	<b>\$ 74</b>

	Six Months Ended June 30,	
	2019	2018
Segment Operating Income	\$ 919	\$ 851
Amortization	(250)	(281)
Transaction and integration expenses	(6)	(98)
Unallocated, net <sup>(i)</sup>	(128)	(150)
Income from Operations	535	322
Interest expense	(110)	(103)
Other income, net	122	119
Income from operations before income taxes	<b>\$ 547</b>	<b>\$ 338</b>

(i) Includes certain costs, primarily related to corporate functions which are not directly related to the segments, and certain differences between budgeted expenses determined at the beginning of the year and actual expenses that we report for U.S. GAAP purposes.

**WILLIS TOWERS WATSON**  
**Reconciliations of Non-GAAP Measures**  
(In millions of U.S. dollars, except per share data)  
(Unaudited)

**RECONCILIATIONS OF NET INCOME ATTRIBUTABLE TO WILLIS TOWERS WATSON TO ADJUSTED DILUTED EARNINGS PER SHARE**

	Three Months Ended June 30,	
	2019	2018
<b>Net income attributable to Willis Towers Watson</b>	\$ 138	\$ 58
Adjusted for certain items:		
Amortization	123	140
Transaction and integration expenses	—	55
Pension settlement and curtailment gains and losses	—	20
Tax effect on certain items listed above <sup>(i)</sup>	(29)	(48)
<b>Adjusted net income</b>	\$ 232	\$ 225
Weighted-average shares of common stock — diluted	130	133
<b>Diluted earnings per share</b>	\$ 1.06	\$ 0.44
Adjusted for certain items: <sup>(ii)</sup>		
Amortization	0.94	1.06
Transaction and integration expenses	—	0.41
Pension settlement and curtailment gains and losses	—	0.15
Tax effect on certain items listed above <sup>(i)</sup>	(0.22)	(0.36)
<b>Adjusted diluted earnings per share</b>	\$ 1.78	\$ 1.7

	Six Months Ended June 30,	
	2019	2018
<b>Net income attributable to Willis Towers Watson</b>	\$ 425	\$ 273
Adjusted for certain items:		
Amortization	250	281
Transaction and integration expenses	6	98
Pension settlement and curtailment gains and losses	—	20
Loss on disposal of operations	—	9
Tax effect on certain items listed above <sup>(i)</sup>	(61)	(95)
<b>Adjusted net income</b>	\$ 620	\$ 586
Weighted-average shares of common stock — diluted	130	133
<b>Diluted earnings per share</b>	\$ 3.26	\$ 2.05
Adjusted for certain items: <sup>(ii)</sup>		
Amortization	1.92	2.11
Transaction and integration expenses	0.05	0.74
Pension settlement and curtailment gains and losses	—	0.15
Loss on disposal of operations	—	0.07
Tax effect on certain items listed above <sup>(i)</sup>	(0.47)	(0.71)
<b>Adjusted diluted earnings per share</b>	\$ 4.76	\$ 4.41

<sup>(i)</sup> The tax effect was calculated using an effective tax rate for each item.

<sup>(ii)</sup> Per share values and totals may differ due to rounding.

## RECONCILIATIONS OF NET INCOME TO ADJUSTED EBITDA

	Three Months Ended June 30,			
	2019		2018	
<b>Net income</b>	\$ 149	7.3 %	\$ 65	3.3 %
Provision for income taxes	38		9	
Interest expense	56		52	
Depreciation	59		51	
Amortization	123		140	
Transaction and integration expenses	—		55	
Pension settlement and curtailment gains and losses	—		20	
<b>Adjusted EBITDA and adjusted EBITDA margin</b>	<u>\$ 425</u>	20.8 %	<u>\$ 392</u>	19.7 %

	Six Months Ended June 30,			
	2019		2018	
<b>Net income</b>	\$ 442	10.1 %	\$ 286	6.7 %
Provision for income taxes	105		52	
Interest expense	110		103	
Depreciation	113		100	
Amortization	250		281	
Transaction and integration expenses	6		98	
Pension settlement and curtailment gains and losses	—		20	
Loss on disposal of operations	—		9	
<b>Adjusted EBITDA and adjusted EBITDA margin</b>	<u>\$ 1,026</u>	23.5 %	<u>\$ 949</u>	22.2 %

## RECONCILIATIONS OF INCOME FROM OPERATIONS TO ADJUSTED OPERATING INCOME

	Three Months Ended June 30,			
	2019		2018	
<b>Income from operations</b>	\$ 176	8.6 %	\$ 63	3.2 %
Adjusted for certain items:				
Amortization	123		140	
Transaction and integration expenses	—		55	
<b>Adjusted operating income and adjusted operating income margin</b>	<u>\$ 299</u>	14.6 %	<u>\$ 258</u>	13 %

	Six Months Ended June 30,			
	2019		2018	
<b>Income from operations</b>	\$ 535	12.3 %	\$ 322	7.5 %
Adjusted for certain items:				
Amortization	250		281	
Transaction and integration expenses	6		98	
<b>Adjusted operating income and adjusted operating income margin</b>	<u>\$ 791</u>	18.1 %	<u>\$ 701</u>	16.4 %

## RECONCILIATIONS OF GAAP INCOME TAXES/TAX RATE TO ADJUSTED INCOME TAXES/TAX RATE

Three Months Ended June 30,

	2019	2018
<b>Income from operations before income taxes</b>	\$ 187	\$ 74
Adjusted for certain items:		
Amortization	123	140
Transaction and integration expenses	—	55
Pension settlement and curtailment gains and losses	—	20
<b>Adjusted income before taxes</b>	<u>\$ 310</u>	<u>\$ 289</u>
<b>Provision for income taxes</b>	\$ 38	\$ 9
Tax effect on certain items listed above <sup>(i)</sup>	29	48
<b>Adjusted income taxes</b>	<u>\$ 67</u>	<u>\$ 57</u>
<b>U.S. GAAP tax rate</b>	<b>19.7 %</b>	<b>12.7 %</b>
<b>Adjusted income tax rate</b>	<b>21.4 %</b>	<b>19.7 %</b>

	Six Months Ended June 30,	
	2019	2018
<b>Income from operations before income taxes</b>	\$ 547	\$ 338
Adjusted for certain items:		
Amortization	250	281
Transaction and integration expenses	6	98
Pension settlement and curtailment gains and losses	—	20
Loss on disposal of operations	—	9
<b>Adjusted income before taxes</b>	<u>\$ 803</u>	<u>\$ 746</u>
<b>Provision for income taxes</b>	\$ 105	\$ 52
Tax effect on certain items listed above <sup>(i)</sup>	61	95
<b>Adjusted income taxes</b>	<u>\$ 166</u>	<u>\$ 147</u>
<b>U.S. GAAP tax rate</b>	<b>19.1 %</b>	<b>15.5 %</b>
<b>Adjusted income tax rate</b>	<b>20.6 %</b>	<b>19.7 %</b>

<sup>(i)</sup> The tax effect was calculated using an effective tax rate for each item.

#### RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO FREE CASH FLOW

	Six Months Ended June 30,	
	2019	2018
<b>Cash flows from operating activities</b>	\$ 303	\$ 395
Less: Additions to fixed assets and software for internal use	(120)	(141)
<b>Free cash flow</b>	<u>\$ 183</u>	<u>\$ 254</u>

**WILLIS TOWERS WATSON**  
**Condensed Consolidated Statements of Income**  
(In millions of U.S. dollars, except per share data)  
(Unaudited)

Three Months Ended June 30,		Six Months Ended June 30,	
2019	2018	2019	2018

Revenue	\$ 2,048	\$ 1,990	\$ 4,360	\$ 4,282
Costs of providing services				
Salaries and benefits	1,278	1,275	2,626	2,652
Other operating expenses	412	406	830	829
Depreciation	59	51	113	100
Amortization	123	140	250	281
Transaction and integration expenses	—	55	6	98
Total costs of providing services	1,872	1,927	3,825	3,960
Income from operations	176	63	535	322
Interest expense	(56)	(52)	(110)	(103)
Other income, net	67	63	122	119
INCOME FROM OPERATIONS BEFORE INCOME TAXES	187	74	547	338
Provision for income taxes	(38)	(9)	(105)	(52)
NET INCOME	149	65	442	286
Income attributable to non-controlling interests	(11)	(7)	(17)	(13)
NET INCOME ATTRIBUTABLE TO WILLIS TOWERS WATSON	\$ 138	\$ 58	\$ 425	\$ 273
EARNINGS PER SHARE				
Basic earnings per share	\$ 1.06	\$ 0.44	\$ 3.27	\$ 2.06
Diluted earnings per share	\$ 1.06	\$ 0.44	\$ 3.26	\$ 2.05
Weighted-average shares of common stock, basic	130	132	130	132
Weighted-average shares of common stock, diluted	130	133	130	133

**WILLIS TOWERS WATSON**  
**Condensed Consolidated Balance Sheets**  
(In millions of U.S. dollars, except share data)  
(Unaudited)

	June 30, 2019	December 31, 2018
<b>ASSETS</b>		
Cash and cash equivalents	\$ 812	\$ 1,033
Fiduciary assets	14,609	12,604
Accounts receivable, net	2,461	2,379
Prepaid and other current assets	451	404
Total current assets	18,333	16,420
Fixed assets, net	967	942
Goodwill	10,454	10,465
Other intangible assets, net	3,055	3,318
Right-of-use assets	930	—
Pension benefits assets	886	773
Other non-current assets	541	467

Total non-current assets	16,833	15,965
<b>TOTAL ASSETS</b>	<b>\$ 35,166</b>	<b>\$ 32,385</b>
<b>LIABILITIES AND EQUITY</b>		
Fiduciary liabilities	\$ 14,609	\$ 12,604
Deferred revenue and accrued expenses	1,444	1,647
Current debt	187	186
Current lease liabilities	154	—
Other current liabilities	810	864
Total current liabilities	17,204	15,301
Long-term debt	4,284	4,389
Liability for pension benefits	1,125	1,170
Deferred tax liabilities	532	559
Provision for liabilities	549	540
Long-term lease liabilities	941	—
Other non-current liabilities	299	429
Total non-current liabilities	7,730	7,087
<b>TOTAL LIABILITIES</b>	<b>24,934</b>	<b>22,388</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>REDEEMABLE NON-CONTROLLING INTEREST EQUITY<sup>(i)</sup></b>	<b>28</b>	<b>26</b>
Additional paid-in capital	10,644	10,615
Retained earnings	1,442	1,201
Accumulated other comprehensive loss, net of tax	(1,993)	(1,961)
Treasury shares, at cost, 17,519 shares in 2019 and 2018, and 40,000 shares, €1 nominal value, in 2019 and 2018	(3)	(3)
<b>Total Willis Towers Watson shareholders' equity</b>	<b>10,090</b>	<b>9,852</b>
Non-controlling interests	114	119
<b>Total Equity</b>	<b>10,204</b>	<b>9,971</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 35,166</b>	<b>\$ 32,385</b>

(i) Equity includes (a) Ordinary shares \$0.000304635 nominal value; Authorized 1,510,003,775; Issued 128,982,802 (2019) and 128,921,530 (2018); Outstanding 128,982,802 (2019) and 128,921,530 (2018); (b) Ordinary shares, €1 nominal value; Authorized and Issued 40,000 shares in 2019 and 2018; and (c) Preference shares, \$0.000115 nominal value; Authorized 1,000,000,000 and Issued none in 2019 and 2018.

**WILLIS TOWERS WATSON**  
**Condensed Consolidated Statements of Cash Flows**  
(In millions of U.S. dollars)  
(Unaudited)

	Six Months Ended June 30,	
	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>NET INCOME</b>	<b>\$ 442</b>	<b>\$ 286</b>
Adjustments to reconcile net income to total net cash from operating activities:		
Depreciation	113	104
Amortization	250	281
Non-cash lease expense	72	—
Net periodic benefit of defined benefit pension plans	(64)	(78)
Provision for doubtful receivables from clients	10	10
Benefit from deferred income taxes	(41)	(48)
Share-based compensation	27	4
Net loss on disposal of operations	—	9
Non-cash foreign exchange loss	13	15

Other, net	(6)	3
Changes in operating assets and liabilities, net of effects from purchase of subsidiaries:		
Accounts receivable	(82)	81
Fiduciary assets	(1,961)	(2,193)
Fiduciary liabilities	1,961	2,193
Other assets	(164)	70
Other liabilities	(285)	(325)
Provisions	18	(17)
Net cash from operating activities	<u>303</u>	<u>395</u>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Additions to fixed assets and software for internal use	(120)	(141)
Capitalized software costs	(34)	(25)
Acquisitions of operations, net of cash acquired	(1)	(8)
Net proceeds from sale of operations	13	4
Other, net	(6)	17
Net cash used in investing activities	<u>(148)</u>	<u>(153)</u>
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>		
Net (repayments)/borrowings on revolving credit facility	(106)	197
Repayments of debt	(3)	(43)
Repurchase of shares	(51)	(269)
Proceeds from issuance of shares	27	18
Payments of deferred and contingent consideration related to acquisitions	(47)	(41)
Cash paid for employee taxes on withholding shares	(12)	(30)
Dividends paid	(161)	(149)
Acquisitions of and dividends paid to non-controlling interests	(21)	(18)
Net cash used in financing activities	<u>(374)</u>	<u>(335)</u>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	(219)	(93)
Effect of exchange rate changes on cash and cash equivalents	(2)	(26)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<u>1,033</u>	<u>1,030</u>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<u>\$ 812</u>	<u>\$ 911</u>

WillisTowersWatson 

Source: Willis Towers Watson Public Limited Company