

# Willis Towers Watson

## 2019 Second Quarter Financial Results Supplemental Materials

July 31, 2019





# 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.

# 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.

Reconciliations of these measures are included in the accompanying appendix of these earning release supplemental materials.

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.

## Q2 2019 GAAP Financial Results, Key Figures

\$USD million, except EPS and %	Three months ending June 30,		Six months ending June 30,	
	2018	2019	2018	2019
<b>Revenue</b> <i>as reported % change</i>	\$1,990	<b>\$2,048</b> +3%	\$4,282	<b>\$4,360</b> +2%
<b>Income from Operations</b> <i>as reported % change</i>	\$63	<b>\$176</b> +179%	\$322	<b>\$535</b> +66%
<b>Operating Margin %</b> <i>as reported change, basis points</i>	3.2%	<b>8.6%</b> +540 bps	7.5%	<b>12.3%</b> +480 bps
<b>Net Income</b> attributable to Willis Towers Watson <i>as reported % change</i>	\$58	<b>\$138</b> +138%	\$273	<b>\$425</b> +56%
<b>Diluted EPS</b> <i>as reported % change</i>	\$0.44	<b>\$1.06</b> +141%	\$2.05	<b>\$3.26</b> +59%
<b>Operating Cash Flow</b> <i>as reported % change</i>			\$395	<b>\$303</b> -23%

# Q2 2019 Key Figures, Includes Non-GAAP Financial Results

Willis Towers Watson reports strong results for Q2 2019

## Total Revenue

**\$2.0B**

Q2 2019 Revenue

### Strong Growth Momentum

Achieved another strong quarter with 6% organic revenue growth after 6% organic revenue growth in Q1 2019 driven by new business wins and client retention

Delivering a client winning experience across 140 countries with the combined strength of Willis Towers Watson

**+6%**

Q2 2019  
Organic %

**+3%**

Q2 2018  
Organic %

## Adj. Operating Margin

**14.6%**

Q2 2019  
Adj. Operating Margin

### Robust Margin Expansion

Strong organic growth coupled with disciplined expense management is driving core margin expansion despite modest headwind from long-term incentive compensation

On track to deliver 2019 adjusted operating margin of around 20%

**+160<sub>bps</sub>**

Q2 2019

**13.0%**

Q2 2018

## Adj. Diluted EPS

**\$1.78**

Q2 2019 Adj. Diluted EPS

### Maintained Solid Growth Despite Headwind

Delivered solid earnings growth of approximately 5% despite modest year-over-year headwinds related to long-term incentive compensation, foreign currency, pension income, and income taxes

**+5%**

Q2 2019

**\$1.70**

Q2 2018

## Free Cash Flow

**\$183M**

Free Cash Flow for  
Six Months Ended June 30,  
2019

### Solid Cash Generation

Free cash flow was solid for the first half of 2019, and our focus continues to be on improving working capital management and thereby free cash flow generation for the remainder of 2019

**-\$71M**

YTD 2019 vs.  
YTD 2018

**\$254M**

YTD 2018

# Broad-Based Organic Growth Across All Segments

Our unwavering focus to deliver a client winning experience to drive growth

## Organic Revenue Growth %\*

	Q2 2018	Q2 2019
Human Capital & Benefits	3%	5%
Corporate Risk & Broking	2%	5%
Investment, Risk & Reinsurance	1%	8%
Benefits Delivery & Administration	9%	6%
Willis Towers Watson	3%	6%

**HCB** organic revenue growth was led by Health and Benefits driven by growth in specialty products and new local and global appointments. Other Businesses in HCB experienced modest growth, and Retirement experienced a slight decline as a result of non-recurring work in the comparable period.

**CRB** delivered solid organic revenue growth across all geographies led by North America. New business wins and high client retention continues to drive core organic growth for the CRB Segment.

**IRR** posted strong organic revenue growth across all Businesses, including Wholesale and Investment, which rebounded nicely in Q2. The growth was driven by favorable renewal factors, client retention, and strong new business wins.

**BDA** delivered strong organic growth driven by the continued expansion of its client base with predictable recurring revenue and increased demand for project work.

\* Organic revenue growth for 2018 compared to 2017 excludes the impact of ASC 606 from both years. Organic revenue growth for 2019 compared to 2018 includes the adoption of ASC 606 for both years

# Summary of Segment Financial Results

Q2 2019 Segment results compared to Q2 2018

As reported, \$USD million, except %					
	Q2 2018		Q2 2019		
	Revenue	Operating Margin %	Revenue	Operating Margin %	Margin Year-over-year
<b>Human Capital &amp; Benefits</b>	780	19%	<b>797</b>	<b>21%</b>	<b>+200 bps</b>
<b>Corporate Risk &amp; Broking</b>	674	14%	<b>690</b>	<b>15%</b>	<b>+100 bps</b>
<b>Investment, Risk &amp; Reinsurance</b>	385	23%	<b>409</b>	<b>27%</b>	<b>+350 bps</b>
<b>Benefits Delivery &amp; Administration</b>	119	-26%	<b>126</b>	<b>-20%</b>	<b>+570 bps</b>

• Revenue and Operating Margin with the adoption of ASC 606 accounting standards for both 2018 and 2019. The Operating Margin percentage is rounded

# Maintaining a Strong and Flexible Balance Sheet Position

Significant financial flexibility to drive long-term shareholder value

<i>\$USD million</i>	June 30, 2018	Dec 31, 2018	June 30, 2019
<b>Cash and Cash Equivalents</b>	911	1,033	<b>812</b>
<b>Total Debt<sup>1</sup></b>	4,674	4,575	<b>4,471</b>
<b>Total Equity</b>	10,347	9,971	<b>10,204</b>
<b>Debt to Adj. EBITDA</b> <i>TTM basis</i>	<i>n/a<sup>2</sup></i>	2.3x	<b>2.1x</b>

A disciplined capital management strategy provides Willis Towers Watson with **ample financial flexibility** to reinvest in our Businesses, capitalize on market growth opportunities, and drive significant value for shareholders

Our capital structure enabled by **robust cash generation and a strong balance sheet** paves the way for significant shareholder value creation over the long-term

History of effectively managing our leverage with the commitment to **maintain investment grade credit rating** and return leverage ratio to historical level after the acquisition of TRANZACT

<sup>1</sup> Total Debt equals sum of current debt and long-term debt as shown on the Consolidated Balance Sheets

<sup>2</sup> Q2 2018 Debt to trailing twelve months Adj. EBITDA has been excluded due to 1/1/18 cutover adoption of ASC 606 revenue accounting standards



# A Capital Strategy Fit For Creating Long-Term Shareholder Value

## Disciplined approach to capital allocation

A capital light business model and capital structure allow us to shift capital between growth and value creation based on changes in the Businesses and/or the macro environment

A strong focus on return on investment to optimize the use of cash

A robust pipeline of investment opportunities

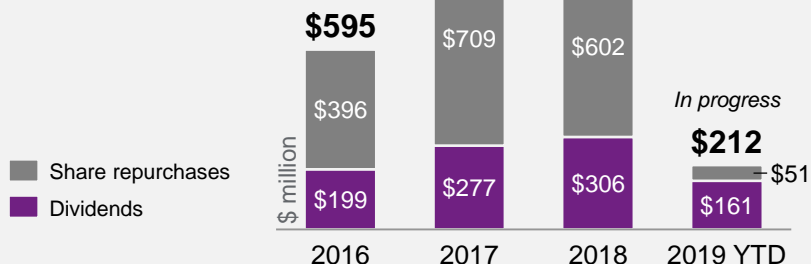
## Focus areas to prioritize use of cash

- 1) Reinvesting in our Businesses
- 2) Investing in innovation and new business opportunities
- 3) Opportunistic mergers, acquisitions, and divestitures
- 4) Enhance Balance Sheet and strengthen liquidity
- 5) Return excess cash to shareholders through share repurchase
- 6) Sustain dividends and payout ratio

## CASH RETURNED TO SHAREHOLDERS

# \$2.7B

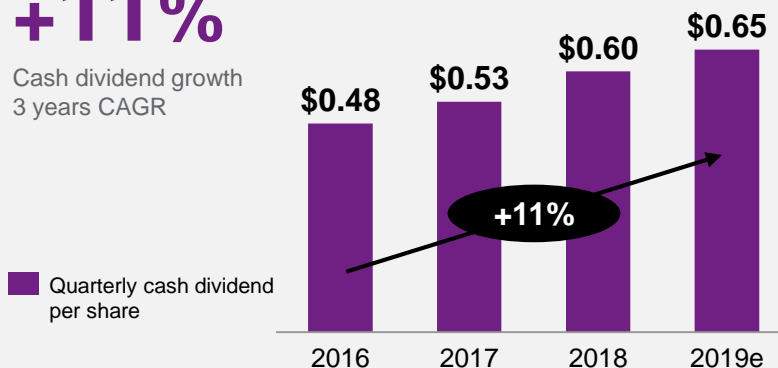
FY2016 to Q2 FY2019



## SUSTAINABLE DIVIDEND GROWTH

# +11%

Cash dividend growth  
3 years CAGR



# Willis Towers Watson Successfully Completed the Acquisition of TRANZACT

## ACQUISITION OF TRANZACT

Rapidly accelerates Willis Towers Watson's direct-to-consumer U.S. healthcare strategy

Strengthens Willis Towers Watson's position as the leader in the growing Medicare market space

Delivers the next generation of benefits and healthcare technology to consumers

### Purchase Price

#### \$1.3B Total Purchase Price

- \$1,317.5 million of total cash consideration
- Approximately \$17 million of potential earnout payable by 2021 if certain financial targets are achieved

### Financing

#### Credit Rating: Expect No Change

- Expect Baa3 and BBB credit rating from Moody's and S&P, respectively. Stable outlook
- Secured term loan from Bank of America Merrill Lynch

### Governance

#### Robust Growth Strategy & Integration Roadmap

- CD&R (Clayton, Dubilier & Rice) will advise on integration and help the management team maintain growth momentum
- TRANZACT CEO and other senior management to remain with company

### WTW Earnings

#### Immediate and Meaningful Accretion Expected

- TRANZACT is expected to be meaningfully accretive on an adjusted EPS basis, excluding one-time transaction and integration cost of approximately \$20 to \$25 million

# History of Delivering on Results. A Solid Foundation for 2019\*

Q2 2019 management guidance update



**FY2019  
Revenue Growth**

**7% to 8% constant currency**

*4% to 5% organic revenue growth*



**FY2019 Adjusted  
Operating Margin**

**around 20% Adj. operating margin**



**FY2019  
Adjusted Diluted EPS**

**\$10.75 to \$11.10 Adj. diluted EPS**

*excluding \$20 million to \$25 million of transaction and integration cost*



**FY2019 Adjusted  
Income Tax Rate**

**around 22% Adj. income tax rate**

*Excluding discrete items*



**Free Cash Flow**

**Annual growth of 15% or greater**

*(over the next 3 years)*



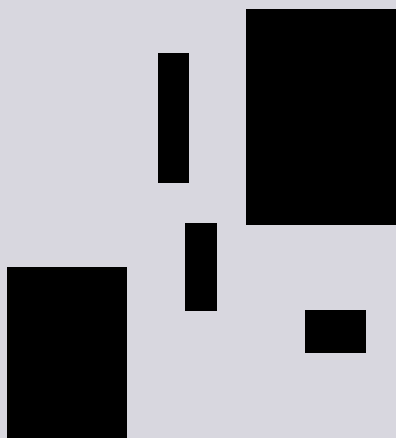
**FY2019 Foreign  
Currency Assumptions**

**Around \$0.15 currency headwind on Adj. EPS**

*Assumes average rates £1.00 = \$1.28, €1.00 = \$1.13*

\*Guidance is for 2019, except where specified otherwise and is based on ASC 606 accounting standard

## Appendix: Reconciliation of Non-GAAP Measures



# Appendix 1: Constant currency and organic revenue change

	Three Months Ended June 30,		As Reported % Change	Components of Revenue Change <sup>(i)</sup>			
	2019	2018		Currency Impact	Constant Currency Change	Acquisitions/ Divestitures	Organic 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>	<b>2,022</b>	<b>1,958</b>	<b>3%</b>	<b>(3)%</b>	<b>6%</b>	<b>0%</b>	<b>6%</b>
Reimbursable expenses and other	26	32					
<b>Revenue</b>	<b>\$ 2,048</b>	<b>\$ 1,990</b>	<b>3%</b>	<b>(3)%</b>	<b>6%</b>	<b>0%</b>	<b>6%</b>

	Six Months Ended June 30,		As Reported % Change	Components of Revenue Change <sup>(i)</sup>			
	2019	2018		Currency Impact	Constant Currency Change	Acquisitions/ Divestitures	Organic 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>	<b>4,303</b>	<b>4,226</b>	<b>2%</b>	<b>(3)%</b>	<b>5%</b>	<b>0%</b>	<b>5%</b>
Reimbursable expenses and other	57	56					
<b>Revenue</b>	<b>\$ 4,360</b>	<b>\$ 4,282</b>	<b>2%</b>	<b>(3)%</b>	<b>5%</b>	<b>0%</b>	<b>5%</b>



## Appendix 2: Adjusted operating income and margin, adjusted EBITDA and margin, free cash flow

	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</b>	\$	299	14.6%	\$ 258 13.0%

	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</b>	\$	791	18.1%	\$ 701 16.4%

	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>	\$	425	20.8%	\$ 392 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>	\$	1,026	23.5%	\$ 949 22.2%

	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>	\$ 183	\$ 254

## Appendix 3: Adjusted net income, adjusted diluted earnings per share, adjusted income before taxes, adjusted income tax rate

	Three Months Ended June 30,	
	2019	2018
<b>Net Income attributable to Willis Towers Watson</b>	<b>\$ 138</b>	<b>\$ 58</b>
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>	<b>\$ 232</b>	<b>\$ 225</b>
Weighted-average shares of common stock — diluted	130	133
<b>Diluted Earnings Per Share</b>	<b>\$ 1.06</b>	<b>\$ 0.44</b>
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>	<b>\$ 1.78</b>	<b>\$ 1.70</b>

	Six Months Ended June 30,	
	2019	2018
<b>Net Income attributable to Willis Towers Watson</b>	<b>\$ 425</b>	<b>\$ 273</b>
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>	<b>\$ 620</b>	<b>\$ 586</b>
Weighted-average shares of common stock — diluted	130	133
<b>Diluted Earnings Per Share</b>	<b>\$ 3.26</b>	<b>\$ 2.05</b>
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>	<b>\$ 4.76</b>	<b>\$ 4.41</b>

	Three Months Ended June 30,	
	2019	2018
<b>Income from operations before income taxes</b>	<b>\$ 187</b>	<b>\$ 74</b>
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>	<b>\$ 310</b>	<b>\$ 289</b>
<b>Provision for income taxes</b>	<b>\$ 38</b>	<b>\$ 9</b>
Tax effect on certain items listed above <sup>(i)</sup>	29	48
<b>Adjusted income taxes</b>	<b>\$ 67</b>	<b>\$ 57</b>
<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>	<b>\$ 547</b>	<b>\$ 338</b>
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>	<b>\$ 803</b>	<b>\$ 746</b>
<b>Provision for income taxes</b>	<b>\$ 105</b>	<b>\$ 52</b>
Tax effect on certain items listed above <sup>(i)</sup>	61	95
<b>Adjusted income taxes</b>	<b>\$ 166</b>	<b>\$ 147</b>
<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>

## 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 over 43,000 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](https://willistowerswatson.com).

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