LSEG STREETEVENTS

EDITED TRANSCRIPT

WTW.OQ - Q2 2026 Willis Towers Watson PLC Earnings Call

EVENT DATE/TIME: JULY 30, 2026 / 1:00PM GMT

OVERVIEW:

Company Summary

CORPORATE PARTICIPANTS

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

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

Lucy Clarke *Willis Towers Watson PLC - President of Risk & Broking*

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

CONFERENCE CALL PARTICIPANTS

Michael Zaremski *Bank of Montreal - Analyst*

Elyse Greenspan *Wells Fargo Securities LLC - Analyst*

C. Gregory Peters *Hill River Capital Inc - Analyst*

Andrew Kligerman *Cowen and Company LLC - Analyst*

Robert Cox *Goldman Sachs Group Inc - Analyst*

PRESENTATION

Operator

Good morning. Welcome to the WTW earnings conference call. Please refer to wtwco.com for the press release and supplemental information that were issued earlier today. Today's call is being recorded and will be available for the next three months on WTW's website.

Some of the comments in today's call 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 the Forward-Looking Statements section of the earnings press release issued this morning as well as in the most recent Form 10-K and other subsequent WTW SEC filings.

During the call, certain non-GAAP financial measures may be discussed. To provide direct comparability with prior periods, all commentary regarding the company's revenue growth results will be on a non-GAAP organic basis unless specifically stated otherwise. For reconciliations of the non-GAAP measures as well as other information regarding these measures, please refer to the most recent earnings release and other materials in the Investor Relations section of the company's website.

I will now turn the call over to Carl Hess, WTW's Chief Executive Officer. Please go ahead.

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

Good morning, everyone. Thank you for joining us for WTW's second-quarter 2026 earnings call. Joining me today is Andrew Krasner, our Chief Financial Officer. Julie Gebauer, our President of Health, Wealth & Career; and Lucy Clarke, our President of Risk & Broking, are also joining us for our Q&A session. In the second quarter, we delivered strong results with 5% organic growth, 100 basis points of adjusted operating margin expansion and $3.35 of adjusted diluted earnings per share, up 17% over the prior year.

It was a quarter defined by both marketplace success and cost discipline with strong enterprise adjusted operating margin expansion despite persistent global market volatility. R&B organic growth of 7% led the quarter with broad-based strength across geographies and lines of business, underscoring the durability of our global specialty model. Health, Wealth & Career delivered 4% organic growth this quarter, in line with our expectations, powered by continued strength in Health. We expanded adjusted operating margins, delivered double-digit earnings growth and continued to return capital to shareholders, demonstrating the strategy we've been executing is delivering. Our strong top and bottom line performance this quarter demonstrates the continued progress we've made in embedding AI and automation across the business to help us deliver more effective and efficient solutions for our clients.

While we're encouraged by these early benefits, we see an even greater opportunity to deepen the value of our offerings, accelerate performance and enhance efficiency. As a result, I'm excited to announce Propel, our AI Acceleration Plan, which we expect to be completed by the end of 2028.

Before I dive into the details, let me explain how we got here and why we are announcing this now. Over the past 1.5 years, building on our modernized technology and data foundation, we've invested extensively in creating and bringing in new AI tools, including through the acquisition of Newfront, to enable us to capture the next wave of productivity and growth. With the latest significant AI advancements, we intend to create a step change in performance. We expect to capture efficiencies and generate approximately $400 million in run rate savings through an investment of approximately $625 million, reflecting a disciplined cash-cost-to-achieve ratio of about 1.6 times.

We plan to reinvest a portion of the savings generated to support growth, ultimately delivering $350 million in net run rate savings. Together with our continued gains from operating leverage, this puts us on a clear path to an adjusted operating margin of approximately 30% in 2028. These gains are not just financial outcomes, they provide the resources to accelerate innovation across our business. We believe Propel represents one of the most compelling investment opportunities available to us. The combination of growth, productivity gains and margin expansion we expect to generate offers attractive long-term returns while further strengthening our position with clients. That's why we're choosing to accelerate these investments now.

The efficiencies we previously captured have helped to fund investment in growth, and this plan is designed to amplify that. On recent calls, we've shared some of the benefits of these investments. In HWC, our compensation intelligence tool, Rewards AI, now serves more than 5,000 client users, roughly double the number we cited last quarter, demonstrating the rapid adoption of our AI solutions and the value they're delivering for clients.

We've also realized efficiencies in our core retirement actuarial work where standardization, process improvement and automation are allowing us to backfill roles globally at a rate of 9 for every 10 leavers. In North America, for example, we reduced the time required for core valuations by 7% in 2025.

Artificial intelligence is already delivering value across BD&O with more than 20 AI capabilities now in production and additional solutions being deployed across service centers, member interactions and administration operations. These technologies, which we package together as our Violet Suite are helping to improve service delivery, automate routine work and enhance productivity. With Violet, we've served more than 12 million plan participants while increasing use of benefit decision support by 52%, resolving more questions at the point of decision and reducing participant follow-ups by 60%.

In R&B, we've been leveraging the capabilities of our AI-powered operating platform, Neuron, which combines our existing technology with Newfront's Navigator system. Willis Navigator enables us to deploy agents that work across multiple legacy systems, handling the retrieval and task execution that used to consume hours of manual work. The results are tangible. Scheduled insurance that once took 4 hours are now generated in about five minutes.

Real estate premium allocations that used to take two to four weeks are completed in minutes upon receipt of binders and final premiums. And contract reviews that once required lengthy manual redlining are now available on demand with the tool getting smarter over time. And these aren't pilots, they're live and in daily use. One of the key insights from our experience to date in both segments is the power of bringing together business and technology expertise. By forward deploying engineers alongside our client teams to ensure there's both technical and business oversight of the tools we develop, we've been able to not just preserve but enhance client experience and service quality. This model lets us move faster and have more impact than we believe is possible with a siloed approach. Propel represents an acceleration of technology adoption already underway across the company.

Building on our technology deployment model and our successful experience to date, we plan to more extensively leverage our proprietary data, our process automation experience and our AI capabilities to roll out new tools and solutions across our businesses. We expect these efforts to drive WTW's strategy forward to accelerate performance and to enhance efficiency while delivering innovations that improve client outcomes and reinforce WTW's differentiated strengths. Beyond these internal efficiencies, let me highlight how we're applying AI in the work we do for clients across our businesses.

In Health, Wealth & Career, we're further embedding AI in our workflows for improved data ingestion and analysis, delivering enhanced insights that will allow our teams to provide solutions more quickly while maintaining the high standards our clients expect. We're also automating high-volume workflows from benefits calculations to claims processing while deploying AI agents to support both internal and external administrative processes and benefit communication delivery. Together, these initiatives will enhance our value proposition as we reduce clients' administrative burden, provide faster service and enable our colleagues to spend more time providing high-value advice to clients.

We're already putting this strategy into action as demonstrated by the launch of our AI Workforce Transformation solution in June. This solution helps clients pinpoint where AI can drive the greatest productivity, accelerate change adoption, address workforce management needs, adapt total rewards programs and reflect new workforce skills and expectations. AI Workforce Transformation is built on our proprietary data, expertise across HWC and tools, including WorkVue and ChangeView and provides precise actionable advice.

And we're excited about our recently executed partnerships with TechWolf and SoftTech that will help clients move to action faster than their competition. Just as importantly, we're applying the solution within our own organization to identify similar opportunities to improve how we operate across WTW.

In Risk & Broking, we'll continue to enhance and implement Neuron, our AI-powered operating platform across the entire placement life cycle from client engagement and broker assistance through carrier submission and claims. Neuron is enabling us to build auditable agent-assisted workflows that simplify complex processes, automate manual work and equip brokers with intelligent tools that improve speed, accuracy and client service.

CRB has a number of digital placement propositions already live in select countries and lines, including cyber in North America and international property in the United Kingdom, enabling carrier submissions and binding with minimal manual intervention. Digital placement has been operational for over a year, and we plan to quickly expand to more countries and product lines. In ICT, we see an opportunity to leverage our deep domain expertise, combined with our leading insurance technology to deliver AI-enabled solutions that help insurers enhance underwriting, pricing, portfolio management and claims, creating new avenues for technology-driven growth.

We're also developing agents to operate our tools within our clients' environments. And we're also enhancing how WTW operates internally by embedding AI across our enterprise functions. Through investments in AI solutions for finance, legal, HR, sales and marketing and IT, we expect to improve speed and decision-making, improve front-office support and create a more scalable and efficient company that can deliver better outcomes for our clients, colleagues and shareholders.

As you can tell, I'm excited about the impact we anticipate Propel will have on our business. Let me steal a page from Andrew and share some of the financial highlights. We expect to deliver adjusted operating margin of approximately 30% in 2028 with meaningful benefits in both segments. And we expect a meaningful step-up in our free cash flow margin commensurate with our operating margin expansion after the conclusion of the plan.

Importantly, as we execute on this plan and realize savings, we'll continue to invest in attractive opportunities over the long term with approximately $50 million in the savings earmarked for growth investments. Altogether, we anticipate the successful execution of Propel will result in significant improvements in productivity, efficiency and long-term growth.

Andrew will provide more detail on these numbers shortly. Finally, I want to emphasize this is not a change in strategy. We're moving faster using technology, automation, data and AI in pursuit of two key objectives of our existing strategy, accelerate performance and enhance efficiency. These are mutually beneficial. What we've seen so far is that when we use technology to work more efficiently, it allows us to operate more effectively for our clients.

Part of why I'm excited about this plan is that it frees our colleagues to focus on the work that delivers the most value, the analysis, judgment and solutions clients count on us to provide. And we see the proof of that in our own performance. Times invested in building and expanding client relationships pays dividends.

Let me provide you with a few examples from the quarter. In Health, Wealth & Career, our Work and Rewards team was selected by a Fortune 5 health solutions leader to anchor a multiyear enterprise transformation. What began as executive advisory work on leveling and compensation expanded into a broader mandate to implement our AI-enabled Global Grading System, build a career framework and design incentive compensation.

In another HWC win, one of the largest banks in the United States selected us through a competitive open RFP to lead an end-to-end assessment of its pension administration model and define a future state road map. We won this engagement against traditional competitors and strategy consulting firms on the strength of our long-standing trusted partnership, our fluency of advising large financial institutions and our proven track record supporting hundreds of pension administration clients and millions of participants.

These wins reflect the strength of our trusted client relationships, differentiated technology and deep expertise tailored to our clients' requirements. In Risk & Broking, our specialization strategy continues to be a key differentiator in the marketplace as we deliver value through our technical expertise, global collaboration and client-centric solutions. This quarter, we displaced the incumbent broker at a leading global asset manager who selected us for a three year engagement built on our Connected Risk Intelligence Platform, which evaluates thousands of unique insurance program options and identifies trade-offs to maximize program efficiency.

The win followed years of sustained senior-level relationship building and a tailored demonstration for the client's treasury and risk management teams. We're also seeing strong momentum in two high-growth sectors, digital infrastructure and power and renewable energy, where our recent investments in specialized talent and placement capacity are converting directly into wins.

In power and renewables, we were appointed to build a multi-asset global insurance program for a major infrastructure investor, developing a worldwide renewable energy portfolio. A win drawing on close collaboration among our private equity and power and renewables team across the UK, Italy and France and on a long-standing client relationship in a highly specialized sector. And in digital infrastructure, that same advisory-led relationship-first approach won us a large-scale semiconductor fabrication project and a contractor side placement on a multibillion-dollar data center construction project for one of our largest clients. These wins demonstrate the depth of our relationships and the importance of our specialty focus.

Lastly, I want to reiterate our focus on the third objective of our strategy, portfolio optimization. We recently completed our acquisition of SMB Scala & Mansutti, a prominent regional Italian insurance broker, strengthening our footprint and specialist broking position in Italy, one of Europe's largest yet least penetrated insurance markets. Additionally, our Newfront integration remains on track with cost synergies pacing modestly ahead of plan. Our disciplined and phased approach is already leading to tangible benefits across our business.

For example, as you may have surmised from my earlier comments, we've integrated Newfront's Navigator, rebranded as Willis Navigator, now operating as part of our end-to-end Neuron platform, allowing us to streamline more than a dozen legacy systems into one.

As part of Propel, we'll continue to evaluate ways to implement this technology in our other areas of our business as we build the intelligence layer for insurance, risk and human capital solutions, just as we described when we announced the Newfront acquisition. To be clear, the synergies from integrating Newfront are separate from and additive to the savings we expect from Propel.

Let me conclude by providing some observations on market conditions. Some of the near-term headwinds we called out previously have persisted with conditions in the Middle East and a softer labor market leading certain clients to defer discretionary projects, particularly in career, where we absorbed a nearly 50% decline in project work in the Middle East.

That said, we continue to see high health care inflation, regulatory change, rapid technological advancements, elevated geopolitical tension, economic uncertainty and market volatility driving robust demand for our advice and solutions. Our emphasis on specialization, data and analytics and connected advice continues to resonate, especially in a risk environment that's moving faster than ever.

For example, our latest Directors and Officers survey found that geopolitical risk now ranks among the top seven concerns for boards, up from 15 a year ago. And AI is now cited as a very or extremely important risk by well over half of respondents. As clients seek to adapt their businesses to these rapidly evolving challenges, they're increasingly leaning on WTW as a trusted adviser who can bring data, expertise and technology to the table quickly and efficiently.

Thanks to our team's strong strategic execution over the past five years, WTW is already well positioned for today's market, leveraging our proprietary data, specialist expertise and trusted client relationships to deliver better outcomes. Propel will help us seize the opportunities we see to improve client outcomes, enhance our colleague experience and create value for shareholders. We remain confident in our ability to deliver mid-single-digit organic growth, continued annual adjusted operating margin expansion and improving free cash flow for 2026.

And with that, I will turn the call over to Andrew.

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

Thanks, Carl. Good morning, and thanks, everyone, for joining us today. I'll first discuss our Q2 financials before I discuss Propel and how that strengthens our financial outlook. In the second quarter, we delivered organic revenue growth of 5%. Our growth figures throughout are on an organic basis, but I'll note that our recent acquisitions are performing well, contributing approximately 3 points to reported revenue growth this quarter at both the enterprise and segment levels.

Adjusted operating margin was 19.5%, expanding 100 basis points over the prior year. Adjusted diluted earnings per share were $3.35, representing a 17% increase compared to Q2 2025. These results reflect the great client work being performed by our colleagues, our continued commitment to strong operational execution and the benefits of our investments in talent and technology.

Turning to our segment results, starting with Health, Wealth & Career. Organic revenue increased 4% in the second quarter, with growth driven primarily by continued strength in Health and a steady performance from Wealth. We remain confident in HWC's full year outlook for mid-single-digit growth and continued margin expansion.

Health grew 8% organically, driven by solid performance across all regions, supported by new business wins and project work on top of our healthy recurring revenue base. Notably, this builds on the 8% organic growth achieved in the prior year second quarter. We continue to expect high single-digit organic growth in Health for 2026, supported by demand driven by high health care inflation and the important role of our specialty solutions in helping clients manage rising health-related costs. Wealth grew 2% organically, reflecting higher levels of retirement-related activity across geographies.

Wealth has delivered 3% organic growth for the first half of the year, and we continue to expect growth at the high end of the low single-digit range for the full year 2026 as we anticipate recent trends will persist across the business. Career revenue was flat as higher levels of communications, change and broad-based pay work were offset by constrained revenue in the Middle East due to the ongoing conflict. It is notable that outside of the Middle East, our Career business grew 3% in the quarter with high single-digit growth outside North America.

We expect momentum in Career to improve in the second half of 2026, supported by our expanding pipeline of opportunities, including regulatory-driven activity, a positive outlook for our compensation benchmarking practice and our AI Workforce Transformation offering that Carl discussed. We continue to expect low to mid-single-digit growth for the full year for Career.

Benefits Delivery & Outsourcing grew 1% organically as expanded Outsourcing engagements and administration contracts were partially offset by lower individual marketplace commissions outside of the annual enrollment period, which falls in the fourth quarter. This is consistent with our expected pacing for the year. We continue to expect low single-digit growth for BD&O for the full year, driven by fourth quarter activity based on our current pipeline for individual marketplace annual enrollment, client implementations and regulatory-driven project work in our Outsourcing business.

HWC's operating margin in the second quarter was 24.1%, an increase of 30 basis points compared to the prior year, primarily driven by improved operating leverage and expense discipline. We expect to deliver continued margin expansion in 2026.

Moving on to our Risk & Broking segment. Organic revenue growth was 7% for the quarter. Corporate Risk & Broking delivered organic growth of 7% compared to 6% in the second quarter of last year, driven by new business activity, double-digit growth in almost all of our specialty businesses as well as strong client retention globally. North America led growth from a geography perspective, with particular strength in construction, natural resources, surety and M&A. This quarter's results reflected the sequential acceleration we signaled last quarter as some of the activity that had been delayed early in the year moved forward broadly as we expected.

The pricing environment remains competitive. In the second quarter, insurance rates continued to decline across most lines with US casualty a notable exception, where rates continued to rise. Despite the softer market, our specialization strategy and the breadth of our specialty offerings position us to keep growing through the cycle.

For the first half of the year, CRB generated 4% organic growth, consistent with our full year expectation for mid-single-digit growth. In the second quarter, Insurance Consulting and Technology grew 6% organically, following 5% growth in Q1, primarily reflecting strong software sales and new business wins, including multiyear deals in our Technology practice. We continue to expect low to mid-single-digit growth for ICT for the full year.

Turning back to R&B's results overall, we remain confident in our full year growth outlook of mid-single digits and 100 basis points of margin expansion. R&B's operating margin was 22.2% in the second quarter, an increase of 100 basis points over the prior year, driven primarily by operating leverage on strong revenue growth and continued expense discipline with no meaningful benefit from foreign exchange.

Now let me turn to our enterprise level results. For the second quarter, adjusted operating margin was 19.5%, representing 100 basis points of expansion versus the prior year, reflecting strong operating discipline and expense management. A growing share of this expansion is structural, driven by AI and automation embedded across our operating model.

We expect these efficiencies to compound as adoption scales, supporting the margin trajectory we have laid out. Just as important, the capacity these tools free up is being reinvested into higher-value client-facing work and growth. So the benefit shows up in both our margins and in the solutions we deliver. Foreign currency was a $0.06 tailwind to adjusted diluted EPS for the quarter. Based on our current outlook and spot rates, we expect foreign exchange will create an incremental tailwind of approximately $0.05 in the second half of the year, resulting in a tailwind of approximately $0.35 for the full year.

Our US GAAP tax rate for the quarter was 19.8% compared to negative 6.8% in the prior year, and our adjusted tax rate was 19.6% compared to 18% for the second quarter of 2025. We continue to expect our adjusted tax rate to be relatively consistent with the prior year. Free cash flow for the 6 months ended June 30 was $360 million, up $143 million from $217 million in the prior year first half. The year-over-year increase was primarily driven by operating margin expansion.

As a reminder, our free cash flow is seasonally weighted toward the second half of the year, and we expect a significant majority of full year free cash flow to be generated in the second half. For the full year, we continue to expect to expand our free cash flow margin even while we begin funding Propel. This improvement reflects operating margin expansion, which preserves our capacity for continued capital return to shareholders.

During the quarter, we repurchased $450 million of WTW shares, taking advantage of an attractive opportunity to deploy capital at prevailing market prices. We also paid quarterly cash dividends of $90 million or $0.96 per share. Our current capital allocation priorities remain unchanged. We continue to expect share repurchases of at least $1 billion for the full year, subject to market conditions and potential capital allocation to organic and inorganic investment opportunities. We continue to view share repurchases as an attractive and disciplined use of capital, and we retain significant flexibility to return capital to shareholders as our free cash flow builds through the year.

Before turning to Q&A, I want to expand on Propel, which Carl outlined. As he noted, given the benefits we've seen from our technology investments to date, we are accelerating our focus in these areas to drive growth and productivity across the business. We expect to generate approximately $400 million in run rate savings and reinvest a portion of the savings generated to support growth, ultimately delivering $350 million in net run rate savings by the end of 2028.

The cash-cost-to-achieve these savings is approximately $625 million, and we expect to incur approximately $25 million in noncash charges. The roughly $400 million in savings will be driven primarily by process automation and by redeploying capacity from administrative work to client-facing work.

As we scale AI and automation across the enterprise, we expect to streamline high-volume work, improve productivity, better align our workforce with strategic priorities and enable our colleagues to focus on delivering greater value for clients. We also expect to benefit from a simpler operating model, better use of shared capabilities, lower third-party spend and over time, the retirement of duplicative tools and legacy technology.

Importantly, we view Propel as a highly attractive capital allocation opportunity. Based on the benefits we expect to generate, the returns on these investments compare favorably with other uses of capital available to us. While the costs are recognized through the income statement as incurred, we believe investing in capabilities that enhance growth, improve productivity and expand margins is the right long-term decision for WTW and its shareholders.

While our fiscal 2026 guidance remains unchanged, we're updating our medium-term margin target through 2028 to reflect the benefits of these initiatives. Let me walk you through those changes. We expect the benefits of Propel to begin contributing meaningfully in 2027 and to compound through 2028, resulting in an adjusted operating margin of approximately 30% in 2028. The pacing of the margin improvement will depend on when we take certain cost actions and make reinvestments to drive growth.

As we realize these efficiencies, we expect to reinvest in businesses that we've previously called out as investment priorities, where we see durable accretive growth in attractive markets as well as additional analytics and scalable digital solutions that strengthen our client value proposition.

Turning to the segments. Let me first level set against our prior outlook. Our prior outlook ran through 2027 and was framed as annual margin expansion of roughly 100 basis points per year in Risk & Broking and continued incremental margin expansion in Health, Wealth & Career. Propel gives us the visibility to extend that horizon and target specific adjusted operating margins of approximately 30% at the enterprise level, approximately 35% in Health, Wealth & Career and approximately 30% in Risk & Broking, all in 2028.

I want to be clear, these targets reflect more margin improvement than our prior guidance implied, and they build on the goals we laid out previously. While we are already confident in our ability to generate operating leverage, the implementation of Propel introduces an incremental margin expansion opportunity that we are well positioned to capture.

Lastly, a word on free cash flow. As we've said previously, we expect our free cash flow margin to improve in line with our adjusted operating margin. Consistent with that, once the plan is complete and the related cash costs subside in 2029, we expect a significant improvement in free cash flow margin, reflecting the stepped-up adjusted operating margin we'll be generating at that point. Importantly, we do not expect Propel to have a meaningful impact on our near-term capital return plans, including share repurchases. Over time, we expect it to enhance our ability to return capital to shareholders.

We believe Propel creates a clear path to a more efficient technology-enabled operating model while preserving the expertise and client relationships that differentiate WTW. We will remain disciplined on execution, benefit realization and reinvestment as the program scales.

Our second quarter results reflect that same discipline across the business and continued progress against our strategic and financial objectives, reinforcing our confidence in delivering on our commitments.

With that, let's open it up for Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Michael Zaremski, BMO.

Michael Zaremski - *Bank of Montreal - Analyst*

I'll stick with the R&B segment for my question and follow-up. Just thinking about the very healthy acceleration in organic and R&B, maybe you can add more texture on what drove that? And just sticking with that acceleration relative to 1Q, I guess, should we ultimately think about the new business model, the global specialization model being a bit more maybe volatile or chunky revenue base versus kind of the previous Willis model?

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

Yes. Thanks for the question, Mike. And we were very pleased with the 7% organic growth in R&B for the quarter. That's on top of the 6% we delivered in the same quarter last year. CRB also grew 7% organically against a 6% comparable a year ago as well. And we do think our specialization strategy and our investments in talent and technology innovation are driving the business forward with new business wins and strong client retention.

The investments I just mentioned are those that will continue to benefit from Propel, adding to the roughly 100 basis point average annual margin expansion we've talked about in the past in R&B and underpinning our new path to about a 30% adjusted operating margin in R&B by 2028. So R&B's growth and margin trajectory are both strong. And I'd also like to cite the momentum ICT carried into the quarter as well with 6% organic in the quarter.

Lucy, can you elaborate?

Lucy Clarke - *Willis Towers Watson PLC - President of Risk & Broking*

Sure. Thanks, Mike. As Carl and Andrew mentioned in their opening remarks, we did have a good high-quality quarter, which reflected that sequential acceleration we signaled last quarter. It did include a small amount of delayed activity from Q1 in CRB, which moved forward as we expected. In CRB, we generated strong new business across all global markets and had double-digit growth in almost every specialty business. We also had strong client retention globally as that specialization strategy you called out continues to resonate. By geography, CRB's growth was led by North America, in particular, in North America, construction, natural resources, surety and M&A.

Great Britain grew really well even against significant rate headwinds and Latin America and EMEA were standouts on new business. Globally, we saw meaningful contributions from natural resources, construction, marine, [E&S] and crisis management. Another really good quarter in ICT, driven by strong software sales and new multiyear deals in our tech practice.

Just in terms of the outlook for the remainder of the year, we continue to expect softening pricing conditions in all markets with the exception of North American casualty and just a few specialty pockets. We have monitored our new business pipeline carefully going into Q3, considering the one-off project revenue we called out in Q3 '25 and our pipeline for the rest of the year is strong.

Just reminding everyone that one-off revenue itself is not unusual. It's always an important part of our business. So I don't think that you should think of it any differently than you have before. We have excellent energy in the business, market share to grow into in every geography and every specialty, great momentum from Newfront people and tech, outstanding talent, contributing investment hires and an ongoing pipeline of new talent joining plus the excitement of what we expect to achieve during the execution of Propel, our AI acceleration work. And just '26, we remain confident in our full year growth outlook of mid-single digits and the 100 basis points of margin expansion. Thanks.

Michael Zaremski - *Bank of Montreal - Analyst*

Got it. Maybe just quickly if I could follow up on the -- sticking to R&B's organic outlook, maybe nitpicking, but would you be willing to discuss whether lower end or higher end of mid-single-digit growth since that's kind of a wider definition, what mid-single-digit means? And I know there's -- Q3 could be a tough comp because of the project work called out last year.

Lucy Clarke - *Willis Towers Watson PLC - President of Risk & Broking*

Yes. Thanks, Mike. I think we'll just stick with mid-single digits, if that's okay. Thanks.

Operator

Elyse Greenspan, Wells Fargo.

Elyse Greenspan - *Wells Fargo Securities LLC - Analyst*

I wanted to go back. My first question is also on R&B. So the organic was 7% in the quarter. I think there was -- I think you guys, Lucy, you just said that there was a small impact of timing. So maybe that's like 1%, correct me if I'm wrong. So then the core, I guess, would be like 6%. Is that like the right way to think about it? Or is there anything else -- I mean, I understand recognizing last year's comp might be a little bit tough in the third quarter. But is there anything else in relation to thinking about that type of core number that you saw in the business in the quarter?

Lucy Clarke - *Willis Towers Watson PLC - President of Risk & Broking*

Yes. Thanks, Elyse. I'm not going to call out exact percentages. But just to say that the -- it was just a small amount of timing. You will remember in Q1 because I think you are the person that asked me this question, that we were off of our own plan just a little bit, although we were further off your expectations. So from our perspective, we are on a good trajectory for the year and happy with where we are at the end of the first half.

Elyse Greenspan - *Wells Fargo Securities LLC - Analyst*

And then my second question is on Propel. I guess I was hoping to just get a little bit more color on what drove the decision to do this plan now and how would you characterize it as being different than some of the past programs at the company? And is it possible, you guys both spoke on it during your prepared remarks, but of the $400 million, can you break it down by like contribution in dollars from people and systems, et cetera, just so we could get a greater sense of the ultimate drivers of that $400 million savings?

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

Yes. Thanks, Elyse. I guess I'd put it this way. Propel is an acceleration of what's already working for WTW. Our second quarter shows our strategy is working and Propel is designed to capitalize on that momentum. As you may be able to tell, I'm pretty excited to be telling you about it today. It's been a while in making. And it's about creating capacity to invest in growth, right? We're putting proven capabilities in AI directly in the hands of our client-facing teams. And we're investing $625 million of cash to fund capacity to take routine manual work out of the day. And that's going to give our brokers, our advisers, our consultants more time on the advice, the relationships, the new business that drives growth.

In our business, the constraint on growth is the capacity to do high-value client work and Propel frees up exactly that. And we're going to reinvest more into talent, into high-growth businesses and geographies where we see the greatest opportunity. The time is right, and we're moving at speed as we laid out today. AI has advanced quickly and additive to the value we bring to clients and Propel is going to build on that. Propel sharpens our advice that makes us faster and it's going to create a durable advantage for WTW.

We're proud of the progress we're making. We are definitely excited to be bringing better advice and service to clients. I'll let Andrew kind of address the other thing.

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

Yes. Thanks, Carl. I want to build on where you ended, which is about creating capacity to invest in growth because the financial case for Propel is just as much about growth as it is about margin. And the growth comes from how we redeploy that capacity that gets generated over time. And what I can put hard numbers on today, though, is around the margin.

So let me take a minute to do that. We expect Propel's investments to generate about $400 million of run rate savings by the end of 2028. And we view that as a disciplined cash-cost-to-achieve ratio of about 1.6 times. We're deliberately holding back about $50 million of that to reinvest in growth. So that's about $350 million in net run rate savings that fall to the bottom line.

And that's what underpins the 2028 adjusted operating margin targets of 30% at the enterprise, 35% in HWC and 30% in R&B. And this is additive, right? It builds on the roughly 100 basis points of annual margin expansion we've talked about in R&B and the continued expansion in HWC. So Propel really accelerates that trajectory. It's not necessarily replacing it.

Two other things I would just point out about the targets. First, they were developed from bottoms-up plans built by the teams who are going to end up delivering them on capabilities that are already live and already producing results across the business. And second, as it relates to capital, Propel has an attractive ROI. It doesn't change our free cash flow margin outlook for 2026, and it doesn't change our capital return plans. We continue to expect at least $1 billion of share repurchases this year alongside our usual discipline on strategic M&A.

And over time, we expect that this will enhance our ability to return capital to shareholders. So we think Propel makes a lot of sense for us. In terms of just the categories of where we expect the expenses to come from, it's about automating more routine and repetitive work, a simplified operating model, lower third-party spend and also retiring duplicative and legacy technology over time.

Operator

Gregory Peters, Raymond James.

C. Gregory Peters - *Hill River Capital Inc - Analyst*

Thanks for the additional detail on Propel. Clearly, the quick payback period looks really attractive. And you spoke about growth in margins. Can we focus for a second on the expense side of the program? And as we are listening to you talk about the opportunity, we're trying to update our models and trying to understand how the expenses are going to flow through the income statement over the next couple of years?

And related to that, do you anticipate reporting adjusted earnings, excluding the restructuring investments? Or will adjusted earnings include the restructuring investments, et cetera?

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

Yes, sure. It's Andrew. Just on the timing of expenses, there'll be some of it in 2026. I think a big majority of it will come in '27 and '28 and the cost savings will follow that spend. The cost will run through the GAAP income statement, but would be adjusted out in our adjusted non-GAAP measures.

So you'll be able to see it both ways. We want to try and be as transparent as possible here. And then also on a quarterly basis, we'll report out on progress of the program, both from a cost incurred and a benefit basis, so everybody can keep track as we move along through the program.

C. Gregory Peters - *Hill River Capital Inc - Analyst*

And then I just want to keep on the expense side because that ripples through free cash flow. I think you said in your comments that the free cash flow conversion rate and growth will still be positive in '26 despite the headwinds from the investment in this Propel restructuring plan. Would I -- should we assume that when we get to '26 and '28 when the bulk of the expense is flowing through your financials on this program that we'll see some headwinds to free cash flow before it resumes? I think you said in your comments, maybe it was in the answer that in '29, a big step change with the margin improvement and the ending of the expenses?

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

Yes. I think you're thinking about that correctly, Greg. I think the margin will step up once the headwinds from the free cash flow expenses -- sorry, the expenses related to Propel subside after the program. We would expect that to step up pretty much commensurate with the amount of margin expansion that we would get the benefit of over the course of that period.

Operator

Andrew Kligerman, TD Cowen.

Andrew Kligerman - *Cowen and Company LLC - Analyst*

It sounds from Lucy's comments that there's a real confidence in the pipeline and that clear vision for the mid-single-digit growth. But I'm kind of wondering about the broker facilities piece. I hear a lot about Gemini. I hear about differentiated broking solutions and just the broker facility in general at WTW. Could you share a little bit on the proportion of business that comes out of broker facilities at WTW? And if there's an ability to grow that or you kind of touched every area of WTW CRB business?

Lucy Clarke - *Willis Towers Watson PLC - President of Risk & Broking*

Yes, sure, Andrew. Thanks for the question. So just to remind you, Gemini isn't even a year old quite yet but it's a solution for all of our middle market and upwards business. So all qualifying classes go into it. It's a full follow facility, and it can take up to 16% of our risk. The facility is almost completely digital. So it gets a very good selection of business, although clients can still opt out if they wish to.

The advantage of Gemini is it means that we always have a block of capacity available. Should the market change, we want to make sure that our clients have dependable capacity available. We could increase that. But right now, we're happy with where it is. We're also developing a facility for our SME business, so middle market and down called Aquarius, which is also digital and is a panel solution for our global SME business. So yes, room to grow.

Andrew Kligerman - *Cowen and Company LLC - Analyst*

That's great. And my follow-up is also on Propel. Just curious when you think -- I mean, just based on Carl's prepared remarks, it sounds amazing. Is Propel differentiated from what you're seeing at some of your larger competitors, and how does that play out from a staffing standpoint? Will you be materially able to reduce staffing as we look to 2029 or ' 30 or wherever?

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

So I look at it this way. In terms of differentiation, Andrew, Propel is a deliberate and timely choice to step up our investment across the enterprise in places where we're seeing growth. It scales what we're already doing across both segments today. And it's an investment in talent and product solution that we know is going to serve clients better. Andrew laid out some of the areas where we thought we were going to see some margin efficiencies out of this.

And it's true that we'll probably, as we automate less complex and high-volume work, see some headcount reductions that go along with that. But we view a central element of Propel as reskilling and redeployment. In other words, moving capacity towards the client-facing and judgment-based work that's going to drive our growth, right? And that's why we're so excited about the revenue-enhancing potential here.

But maybe, Julie, Lucy, you can give some examples in your business of how you see this differentiating for us.

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

Yes. Sure, Carl. In Health, Wealth & Career, we already have a lot underway. I think I'll just focus on threee areas where we've generated some very strong results. And I'll start with BD&O, which I think you know involves routine tasks like summarizing calls and a lot of time-consuming activities like reviewing complex plan documents.

As Carl mentioned in his prepared remarks, we have more than 20 AI capabilities in production already in this business. And the initial productivity enhancements are quite promising. Our Outsourcing service center representatives who are using these tools are spending a-third less time on call wrap-up work. And where we're using these tools for automated document reviews for new clients, system configuration time has gone down 60%.

Turning to retirement. Our actuarial evaluations involve a number of complex processes that we've historically connected with manual effort. And in several countries in Europe, we've automated much of the work required to connect these processes, and that has compressed the total time expended on evaluation by about 10%. Turning to a little bit of a different example. Across businesses, we're generating efficiencies with our client-facing AI solutions.

So when our clients get the information that they need through an easy-to-use tool, our colleagues don't have to spend time answering routine questions. And you heard Carl say 5,000 client users are accessing compensation benchmarking information through Rewards AI. So our Work & Rewards colleagues can now direct their focus to different, perhaps more complex work for clients. So with Propel, we'll be able to build on and scale these and a lot of other initiatives that we have underway, then move faster to the next set of opportunities that's going to reduce our costs and allow us to grow faster.

Lucy, over to you for R&B.

Lucy Clarke - *Willis Towers Watson PLC - President of Risk & Broking*

Yes, sure. Thanks, Julie. So I'll just give you a few examples from CRB by talking about three fundamental pieces of the job we do for almost every client. So first of all, something like compiling a scheduled insurance is important, it's cumbersome, it's a time-consuming job. The teams that are using the new tools have seen what was at least a four-hour project get done in about five minutes at a consistently high accuracy rate.

Second, comparing policies, binders and quotes now happens in a fraction of the time when the new tools are used. It even catches critical items that a trained eye can miss and the combination of our team's verification and the high accuracy rates result in extremely high quality at a much faster pace. Third, our clients require millions of certificates of insurance per year, and our certificate agent is now running at accuracy scores even higher than we expected, turning client turnaround from hours into minutes. Every one of these examples gives capacity back to our people to do the work that's more valuable for clients and more rewarding for them. It takes out that manual grind and the guys can put that time back into advice, relationships and winning new business.

Thanks.

Operator

Rob Cox, Goldman Sachs.

Robert Cox - *Goldman Sachs Group Inc - Analyst*

Maybe I'd just ask on Propel. It sounds like the -- you can quantify the expense saves today and the much more exciting piece perhaps, it sounds like to you all is the ramp-up in revenue and market share gains potential over time. When do you expect we could really start to see that in your results?

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

Yes, sure. Why don't I take that one on the -- giving some thought on the revenue side there. But first, Propel makes us more confident, right, in our guidance of the mid-single-digit organic growth. This is as much a growth plan as a margin plan, as I said earlier. And by taking the routine manual work out of the day-to-day, it gives our colleagues much more time on the advice, the relationships and the new business that drives growth.

And it lets us reinvest in the areas where we see the most opportunity. Some of that is about adding talent. Some of it is about delivering sharper insights and better client experience, which strengthens client retention via the tools that we're building. Together with reinvesting in talent and our highest opportunity businesses and geographies, that's what compounds into durable growth over time. As it relates to timing, we're not going to pin this to a single inflection point or tie a specific growth number to a specific dollar of investment.

The revenue benefits will build over time and the phasing of that depends on the deployment of the $50 million that we're reinvesting, the productivity ramp of the colleagues that we add, which take time to reach full contribution and the client retention gains that follow as clients feel the difference through our insight and service.

So as Propel takes hold and the benefits show up more meaningfully in the top and bottom line, we will update our guidance appropriately. What matters is that this growth is sustainable, and we'd rather demonstrate that over time than put a fine point on an incremental amount of basis points today, for now, for 2026, we continue to feel good about our mid-single-digit guidance for the enterprise in the segments.

Robert Cox - *Goldman Sachs Group Inc - Analyst*

And I had a follow-up on talent. I think last quarter, you all mentioned expectations to increase -- for increased contributions from new hires as we progress through the year. Can you talk about some of those recent talent investments and how that impacted growth in the quarter and what your expectations are going forward?

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

So let me start and then maybe I'll ask Lucy to add some color. I mean, talent is one of our most important growth engines, if not the most important engine. Our ability to specialize and deliver a better client experience is what sets us apart for clients and for talent alike. And the returns on investment hires have been strong. They've been consistent.

They've shown up as top and bottom line growth over the past few years. And the hires we're making this year are doing the same. It's a proven playbook. And one of the, again, reasons we're excited about Propel is to let us do more of it from an economic standpoint and as an employer of choice. We're building on something that already works.

Lucy Clarke - *Willis Towers Watson PLC - President of Risk & Broking*

Shall I comment?

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

Please do.

Lucy Clarke - *Willis Towers Watson PLC - President of Risk & Broking*

Okay. Yes. Thanks, Rob. So the investment hiring strategy, as you know, has been a key driver of our organic growth over the last few years in CRB, and if I can speak for Julie, also in Health within HWC. It's been a highly successful strategy, which we're continuing to execute.

We plan to keep adding strategic hires in the geographies and specialties where they have the most impact. So those hires are performing at or above our expectations, consistent with prior years. We had a strong class start in the first half of '26 within CRB. They are already contributing, and we've continued hiring plans throughout the rest of the year a rich exciting pipeline of talented people that we expect to join us.

The investments we've talked about in AI, Propel, makes our proposition for people even stronger. People have always been attracted to our brand, reputation, the people and the specialty model, but particularly our client-centric positioning. And we're confident that by delivering on the AI-enabled tools and tech to really differentiate for clients, we send a very strong message, which will continue to attract and retain the very best talent in our industry, and we're real excited to have dedicated reinvestments as part of this plan. Thanks.

Operator

This concludes the question-and-answer session. I would now like to turn it back to Carl Hess for closing remarks.

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

So thanks, everybody, for jozzining us this morning. And as usual, I'd like to thank all our WTW colleagues for their hard work, their dedication and their commitment to innovation, which all really showed up this quarter. And thank you to our shareholders as well for their continued support of our efforts. Have a great day, everyone.

Operator

This concludes today's conference call. Thank you for participating. You may now disconnect.
