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WTW.OQ - Q4 2025 Willis Towers Watson PLC Earnings Call

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OVERVIEW:

Company Summary

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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 fourth quarter and full year earnings call. Joining me today is Andrew Krasner, our Chief Financial Officer; Julie Gabauer, our President of Health, Wealth & Career; and Lucy Clarke, our President of Risk and Broking, are also joining us for our Q&A session.

We closed the year with another strong quarter, driven by our focused strategy and a steady execution by all our WTW colleagues. Throughout the year, our strategic efforts to accelerate performance, enhance efficiency and optimize our portfolio has strengthened our business, enabling us to achieve our financial objectives for 2025 and positioning us for continued success in 2026.

Our strategic investments in talent and innovation in 2025 have accelerated performance. In Risk & Broking, our specialization strategy continues to fuel new business momentum. In Health, Wealth & Career, our focus on smart connections and innovative recurring solutions has translated into steady growth. And across the entire business, our digital platforms and advanced data and analytics continue to differentiate WTW. We do our enterprise delivery organization and our relentless focus on right work, right place, right tools and right space continue to enhance our efficiency, help us modernize how we operate and drive further margin expansion.

And finally, in 2025, we strengthened our business portfolio, starting the year without TRANZACT and ending it with acquisition announcements, including Newfront, Cushon and Flowstone Partners. These transactions demonstrate our commitment to optimizing WTW's portfolio for growth and profitability in a disciplined and thoughtful way.

Let me share more details about our strong financial performance. In the fourth quarter, we generated 6% organic growth, 80 basis points of adjusted operating margin expansion and adjusted EPS of \$8.12. As a reminder, TRANZACT contributed \$0.80 to adjusted EPS in Q4 of 2024. Excluding this contribution, adjusted EPS increased 13% year-over-year.

For the full year, we had organic growth of 5%, in line with our mid-single-digit target. We expanded adjusted operating margin by 130 basis points year-over-year to 25.2% and delivered adjusted diluted earnings per share of \$17.08.

In the fourth quarter, Health, Wealth & Career organic growth accelerated from earlier in the year to 6%, and the segment delivered 30 basis points of operating margin expansion, excluding TRANZACT. In Risk & Broking, we generated 7% organic growth in the quarter and expanded adjusted operating margin by 120 basis points. The 8% organic growth in our Corporate Risk & Broking business marks the 12th consecutive quarter that the business has recorded high single-digit growth, excluding the impacts of book of business activity and interest income despite a more challenging pricing environment. I'm particularly pleased with the strong results in our CRB North America business, which grew by high single digits, driven by increased M&A activity and new business across several specialty lines, including construction and surety.

As evidenced by our fourth quarter performance and new business wins, we saw attractive returns on our investments in talent and innovation in 2025, and we'll continue to prioritize investment opportunities that further accelerate our performance. A good example of this is our strong and growing presence in the digital infrastructure space, where we're proud to support 5 of the 10 largest data center developers globally.

We recently added 1 of those 5 in a competitive RFP process for their master builders' risk placement. The client chose us for the breadth and depth of our expertise in construction, energy, technology and other specialties as well as our global capabilities in connectivity. As that win shows, our specialization strategy underpins our ability to support clients across the full data center life cycle from planning to operation.

We have a track record of supporting the largest developers with our industry-leading analytics. This, along with our deep subject matter expertise across cyber, contracts, environmental and property risks, allows us to deliver comprehensive risk management solutions for every aspect of data center development and operation.

Our Construction Specialty business is seeing strong results in CRB North America. Recently, WTW was selected as the commercial insurance broker for two major US bank headquarter renovation projects collectively valued at well over \$1 billion. These high-profile wins underscore our team's strong expertise in technical proficiency and construction and our unified and highly analytical approach to helping solve our clients' challenges.

I also want to mention a large win across both RMB and HWC from a leading Nordic industrial company, supporting insurance, benefits and pension programs the company had previously handled in-house. This success reflects our ability to make smart connections across segments and leverage our relationships and expertise to devise solutions that clients cannot achieve on their own.

In HWC, our commitment to smart connections, technical depth and product innovation continues to drive growth across our businesses. For example, our health and benefits and retirement teams connected to (inaudible) of a UK-headquartered global engineering company to win a comprehensive benefits project to ensure competitive and cost-effective coverage for private medical insurance and other employee benefits and pensions.

In another example, a leading financial services company with employees in all the EU member states chose us to procure them for the EU Pay transparency directive. Our sophisticated pay equity analysis that incorporates the value of benefits, our proven career framework and our communication and change management approach were the differentiators that helped us secure the business.

Finally, our new products and solutions like LifeSight continue to gain market share. In a notable example, a Fortune 50 technology company chose LifeSight as its Master Trust pension program in the UK due to their confidence in our investment proposition and our differentiated member experience. This appointment added GBP400 billion of assets under management to LifeSight.

As you see in our fourth quarter and full year results, we delivered margin expansion along with our growth. We do continue to be a major driver of our growing profitability. In particular, we do enable AI and automation are central to enhancing our efficiency across the company, maintaining operational discipline and creating lasting cost savings. These capabilities are already embedded in our enterprise operating model and global delivery centers, enabling teams to solve real business challenges, accelerate priority initiatives and unlock new sources of value.

Building on this momentum, we're advancing smarter, more efficient solutions that enhance client service, including partnerships with leading Agentic AI innovators to explore high-impact use cases. Our approach is focused on solutions that complement human expertise, boost productivity and simplify operations, all while maintaining robust governance and alignment with WTW standards. We do was a critical driver of our operating margin expansion in 2025, and we expect to see continued benefits as we scale automation, expand our delivery centers and further embed these capabilities across WTW.

Finally, I'd like to highlight our progress in optimizing our portfolio. We've shared our inorganic priorities, improving our business mix, expanding our reach across the value chain and enhancing our growth, margin and free cash flow profile. We advanced these priorities in 2025, which was highlighted by our recent acquisition announcements and the divestiture of TRANZACT. Going forward, we'll continue to evaluate potential opportunities to optimize our portfolio.

As we announced last week, we closed the Newfront acquisition on January 27, and the business is now operating as part of WTW. Newfront brings a modern technology-enabled approach to middle market broking, combining deep specialty expertise with a proprietary digital and AI-driven platform. Their approach aligns closely with our focus on specialization, innovation and efficiency, and we're proud to welcome the Newfront team to WTW.

During 2026, we'll be laser-focused on seamlessly integrating Newfront's team and technology into WTW, retaining and empowering talent, bringing our resources, scale and global footprint to Newfront clients and combining our highly complementary technology and capabilities to deliver an integrated end-to-end technology platform that will drive growth, enhance efficiency and better serve our clients. Spike Lipkin, Newfront's CEO and Co-Founder, will be focused on integration, client development, talent acquisition and technology.

We're taking a deliberate and thoughtful approach to ensure we maintain continuity for Newfront clients and minimize disruption. We've established a dedicated integration management office to oversee the transition and to carry out a disciplined and phased approach to integration. We continue to see meaningful opportunities to generate synergies over the next three years.

I also want to highlight other transactions that will further optimize our portfolio and reinforce our capabilities in high-growth markets. During the fourth quarter, we announced the acquisition of Cushon, a cutting-edge UK fintech pensions and savings provider, which will strengthen our position in the fast-growing UK defined contribution master trust market. Cushon's innovative technology-led solutions complement LifeSight and enhance our Master Trust offerings. We expect to complete the acquisition of Cushon in the first half of 2026.

We also agreed to acquire FlowStone Partners, a private equity secondary specialist that will expand access to private markets for individual and institutional investors. We expect to complete the FlowStone acquisition later this quarter. Taken together, these transactions reflect a disciplined and deliberate approach to portfolio optimization, aligned with the strategic priorities and financial framework we laid out at our 2024 Investor Day.

As I look at the year ahead, I feel confident in our position and our positive outlook for 2026. This outlook aligns with our long-term guidance of mid-single-digit organic growth, adjusted operating margin expansion and free cash flow margin expansion and is supported by the same core tailwinds that contributed to our success in 2025.

We have strong momentum in the market. We continue to make steady progress executing our strategy and the political and regulatory environment worldwide remains highly dynamic, driving clients to seek our advice and solutions to protect and strengthen their businesses.

While we remain positive about current macroeconomic and market conditions, of course, we're closely monitoring potential headwinds to our business in the year ahead so that we can respond appropriately. That said, given our competitive advantages and momentum across the business, I'm confident in our ability to deliver on our goals.

With that, I'll pass it to Andrew for a more detailed discussion of the financials and 2026 outlook.

Andrew Krasner - *Willis Towers Watson PLC - Chief Financial Officer, Co-head of Corporate Development*

Thanks, Carl. Good morning, and thanks, everyone, for joining us today. In the fourth quarter, we delivered solid organic revenue growth of 6% and expanded adjusted operating margin by 80 basis points year-over-year to 36.9% or 30 basis points of year-over-year improvement when excluding TRANZACT. Adjusted diluted earnings per share were \$8.12, which is an increase of 13% over the prior year when excluding TRANZACT.

For the full year, our strong results were in line with our long-term financial framework. We delivered organic revenue growth of 5%. Adjusted operating margin expanded 130 basis points to 25.2%, reflecting 80 basis points of year-over-year improvement, excluding TRANZACT. Adjusted diluted earnings per share were \$17.08, up 13% over the prior year when excluding TRANZACT.

Our fourth quarter results reflect the benefits of our investments in talent and technology as well as the commitment and diligence of our colleagues. Our strategy continues to resonate despite ongoing macro uncertainty, and we remain focused on executing our strategic objectives and creating long-term shareholder value.

Turning to our segment results. Health, Wealth & Career revenue grew 6% compared to the fourth quarter of last year. For the full year, HWC revenue grew 4%, in line with our outlook of mid-single-digit organic growth.

Our Health business achieved solid growth of 4% this quarter. This was on top of the 18% growth rate achieved in the prior year quarter. Excluding book of business settlement activity and interest income headwinds, growth was 6% for the quarter and 7% for the full year, primarily driven by double-digit increases in international and strong performance in Europe.

Results in International were driven by new business acquisition, successful renewals, health care inflation and market expansion. In Europe, the strength of new business and renewals generated growth. In North America, growth was offset by a book of business sale in the prior year fourth quarter.

We continue to expect strong demand across the global business, driven by health care inflation and employers' continued focus on managing costs while maintaining competitive employee benefits. As a result, we expect Health to deliver high single-digit growth in 2026.

Wealth had strong growth of 5% in the fourth quarter, primarily from increased levels of retirement work globally. Demand for our core defined benefit work, including new client appointments and support for regulatory changes and data projects remains strong. We also saw growth from project work to support pension surplus utilization and workforce management. New solutions in Europe, including an innovative pension risk transfer solution in Germany and early retirement services in Spain also contributed to growth.

Our investments business grew due to new products alongside enhanced capital market conditions and client wins. With good momentum in the wealth business, we expect growth at the high end of the low single-digit range in 2026.

Career growth was 10% in the fourth quarter, primarily driven by robust demand for broad-based advisory services, compensation benchmarking survey work and the impact of a change in survey delivery patterns, which we highlighted on the Q3 call. This dynamic shifted some revenue from last quarter into this quarter. In addition, a book of business sale contributed to Career's revenue growth this quarter.

For 2026, we expect mid-single-digit growth for career based on our continued focus on product and technology offerings, recurring services and increased demand for a wide range of advisory services, including those related to implementation of the EU Pay Transparency Directive.

Benefits Delivery and Outsourcing, or BD&O, grew 5% versus last year's fourth quarter, primarily driven by increased commission revenue in our Individual Marketplace business. As we had indicated on our prior calls, this was expected as BD&O generates almost half its revenue during the fourth quarter, primarily due to the timing of commissions and onboarding of new clients. Global Outsourcing also grew revenue this quarter from core administration engagements and expanded project work.

While we expect BD&O to achieve mid-single-digit growth over the long term, we are projecting low single-digit growth in 2026 as we absorb the impact of changes in the Medicare market. In line with the revenue pattern I mentioned, growth will be concentrated in the fourth quarter and rates in the first three quarters could fluctuate considerably.

HWC's operating margin in the fourth quarter was 44.3%, an increase of 240 basis points compared to the prior year or an increase of 30 basis points, excluding the impact of the TRANZACT divestiture. For the full year, HWC's operating margin grew 230 basis points or 60 basis points, excluding the impact of the TRANZACT divestiture compared to the prior year. This result demonstrates our ability to consistently deliver incremental margin expansion regardless of cyclical macro conditions and supports our expectation of continued margin expansion in HWC in 2026.

Moving to Risk & Broking. The strong revenue growth of 7% in the fourth quarter reflects the continued momentum in the business. Our specialization strategy and investments in talent, data and technology continue to drive sustainable growth. For the full year, R&D revenue grew 6% -- excluding the impact of book of business settlement activity and interest income, growth was 7% for the full year.

Corporate Risk & Broking grew 8% for the quarter. For the full year, CRB revenue grew 7%. Excluding the impact of book of business settlement activity and interest income, growth was 8% for the full year. This was on top of the 9% growth rate CRB achieved in the prior year.

CRB's growth this quarter was primarily driven by our global specialization strategy, which continued to support new business wins and client renewals despite more challenging rate environment. We recorded significant new business activity across all regions this quarter with notable contributions from construction, surety, marine and credit risk solutions.

As expected, we continue to see a challenging growth environment with rates softening across various lines. Nonetheless, our specialization strategy is resonating in the market, and we are pleased by the results. We continue to expect mid- to high single-digit growth in CRB for 2026.

In our Insurance Consulting and Technology business, revenue declined 1% versus last year's fourth quarter when ICT delivered 11% growth. Full year growth was 1% compared to 4% last year. Our combined approach of consulting and technology continues to add value. However, the trends we've highlighted in the last three quarters still persist with continued weakness as expected in the consulting environment and clients remaining cautious about making large multiyear technology implementation decisions.

We continue to shift the balance of our business from consulting to technology over time. We are encouraged by our pipeline on the technology sales side and do not expect to see a meaningful pickup in consulting activity in the short term. For 2026, we continue to expect low to mid-single-digit growth in the business.

Turning back to RMB's results overall. We are pleased with our momentum entering 2026, which gives us confidence in our ability to deliver mid- to high single-digit growth for the full year. R&B's operating margin was 34.7% for the fourth quarter, a 120-basis point improvement over the prior year. This was primarily driven by operating leverage from strong organic revenue growth, coupled with continued expense discipline. Foreign exchange rates were a tailwind of 10 basis points to operating margin in the fourth quarter due to the weakening US dollar.

For the full year 2025, we achieved 100 basis points of operating margin improvement in RMB or 120 basis points, excluding the impact of foreign currency. We remain committed to delivering 100 basis points of average annual adjusted operating margin expansion over the next two years. As Carl highlighted earlier, the investments we've made in our technology and our WE DO capabilities continue to create value and provide a strong platform for us to deliver ongoing operating leverage and efficiencies across the business.

Lastly, let me provide some additional color on our enterprise level results. Adjusted operating margin for the fourth quarter was 36.9%, an 80-basis point improvement over the prior year, reflecting strong margin expansion in the segment. This result includes a 50-basis point tailwind from the TRANZACT divestiture.

As we enter the first quarter of the full year, all our businesses will continue operating with discipline and rigor, giving us confidence in our ability to continue to expand margins. Foreign exchange was a tailwind to adjusted EPS of \$0.18 for the quarter. Based on our current outlook and at current spot rates, we expect foreign exchange to be a tailwind of approximately \$0.30 to adjusted EPS for 2026. The impact is primarily expected to occur in the first quarter due to the seasonality of our euro-denominated revenue.

Our US GAAP tax rate for the quarter was 20.8% versus 26% in the prior year. Our adjusted tax rate for the quarter was 20.8% compared to 21.1% for the fourth quarter of 2024. For 2026, we expect the full year adjusted tax rate to be relatively consistent with 2025.

We generated free cash flow of \$1.5 billion for the 12 months ending December 31, 2025, an increase of \$279 million from the prior year, bringing our free cash flow margin to 15.9% compared to 12.8% in the prior year. This was driven primarily by reduced transformation program cash costs and operating margin expansion. We expect to continue expanding our free cash flow margin in 2026 from operating margin expansion and the absence of transformation program cash costs with partial offsets from transaction and integration expense related to our recently announced acquisitions.

During the quarter, we returned \$439 million to our shareholders via share repurchases of \$350 million and dividends of \$89 million. For the full year, we returned \$2 billion in capital to shareholders. We continue to view share repurchases as one of our primary methods of capital return and an attractive use of capital to efficiently deliver value to WTW shareholders.

Looking ahead, we expect to allocate at least \$1 billion to share repurchases in 2026, subject to market conditions and potential capital allocation to organic and inorganic investment opportunities. We're confident our balanced and disciplined capital allocation approach will generate long-term shareholder value. We'll continue to be selective as we invest in talent and in our platform to ensure we're driving sustainable growth and margin expansion.

As part of our investment program, we will continue to make investments in our reinsurance JV as it scales its newly launched commercial operations. We expect this to be a headwind of about \$0.30 to adjusted EPS this year.

In closing, we are pleased by our strong performance in 2025. We are increasingly seeing the execution of our strategy yielding tangible results and generating strong momentum as we enter 2026.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Elyse Greenspan, Wells Fargo.

Elyse Greenspan - Wells Fargo Securities LLC - Analyst

Thanks. Good morning. I was hoping to spend more time on the drivers of organic growth within R&D in the quarter and just to get more sense of the revenue growth by line and geography. And in particular, I'm looking for a broad-based answer, but also just in particular, some color on North America, right, which I believe went from something around 1% in the Q3, right, to high single digits in the fourth quarter.

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

Yes, sure. Good morning, Elyse. It's Carl, and thanks for the question. Let me begin with that broad-based answer and then let Lucy zoom in. R&D delivered strong 7% organic growth in the quarter. That's on top of a 7% in the prior year, and that reflects continued momentum we see in the business.

CRB delivered 8% organic revenue growth and 8% when excluding both book of business activity and interest income this quarter. Our specialization strategy, our investments in talent, data and technology continue to drive sustainable growth.

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

Yes, sure. Thanks, Carl. Thanks, Elyse. Yes, we were really happy with another good quarter overall. In CRB, we generated significant new business in every global market, notable contributions from Construction and surety, credit, marine and natural resources. In CRB North America, specifically, like you mentioned, we were really happy with the high single-digit organic growth. And I would call out growth in several specialty lines there, including M&A.

And just if we look at the full year, I do want to say how proud we all are of the 2025 performance with 6% organic growth or 7% excluding book of business and interest income, which reflects the ongoing success of our specialization strategy and in particular, the commitment of our people. Particularly CRB, good year with full growth of 7% or 8%, excluding both book of business activity and interest income. And for the full year, I would call out significant contributions from D&S. So that's our Specialty Property and Casualty and fact team, construction and surety, credit and natural resources.

We're really happy with the performance in the quarter, the performance in the full year and the momentum we have coming into this year. Our specialization strategy continues to resonate, positioning us to help clients manage persistent trade and geopolitical volatility, while disciplined investments in revenue-producing talent continues to support sustainable organic growth. We are well positioned for the current environment and are confident we can continue to deliver mid- to high single-digit organic growth in R&D during 2026.

Elyse Greenspan - *Wells Fargo Securities LLC - Analyst*

Thanks. And I guess I'm going to keep my follow-up, sticking with the topic of organic and maybe, Lucy, where you ended, right, the mid- to high single-digit guide for R&D in '26. Last quarter, you guys sounded a little bit more cautious saying if the competitive pricing environment persisted, it might make the high single digit harder. But then it sounds like your pricing commentary this quarter is the same as last quarter, but some new growth opportunities, be it on the specialty side with M&A, et cetera, is offsetting that, which enables you to keep the guidance for '26 of mid- to high single digits. But can you just expand on that a little bit more? Thank you.

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

Yeah, sure. Of course, we do expect pricing to continue to improve for our clients. that could be a factor in our ability to reach high single digits. But like you mentioned, our growth is driven by high retention rates, new business, the impact of all of those hiring investments and the success of the specialty strategy.

Carl talked a little bit about the opportunity in digital infrastructure, including the build-out of data centers, which is a big opportunity for us. But I think really that concentration on specialty allows us to focus on a number of opportunities. And I would call out electrification, which is one of our big strategies. And we've highlighted that where there's a real need for global specialty capabilities is where we can really perform.

And we have been investing meaningfully in our capabilities across the power sector. This is a significant area of growth for us, and we've already demonstrated our commitment by combining some of our specialist capabilities and announcing a single unified proposition covering both construction and operational needs as our clients increasingly require coordinated support across development, construction, financing, operations and resilience.

This is already having an impact. We recently completed one of the largest insurance placements to date for a significant electrification initiative that was testament to the collaboration of our teams across Australia, Spain and London. The team was able to secure comprehensive coverage under exceptionally demanding market conditions, reinforcing our reputation for outstanding client service in large-scale infrastructure projects and just one example of the opportunity we see ahead. So yeah, absolutely, we expect pricing to continue to improve for clients, but we think the opportunity outweighs that.

Operator

David Motemaden, Evercore ISI.

David Motemaden - *Evercore Inc - Analyst*

Thanks. Good morning. I wanted to stick with the RMB organic growth outlook. And maybe actually just zooming in a little bit on this quarter. Just seeing if you guys could size the benefit of some of those tailwinds that you called out, including the digital infrastructure and M&A activity? And then maybe if you guys have a rough sense for your market share within the digital infrastructure market.

Andrew Krasner - *Willis Towers Watson PLC - Chief Financial Officer, Co-head of Corporate Development*

I mean -- Andrew, thanks for the question. Again, we're seeing the business firing on a lot of cylinders, including some of those you enable. But as we pointed out during our response to Elyse, right, we're seeing good growth across the portfolio, including North America. And so this isn't just a data center story.

While we're very happy with our profile in that sector and some other places that Lucy has been talking about, we think that the hiring strategy and the specialization strategy in general is what's been paying off for us. So I think we look forward to seeing that momentum continuing into 2026.

David Motemaden - *Evercore Inc - Analyst*

Got it. Thanks. And then maybe just a question for Andrew. On the 80 basis points of margin improvement in 2025, excluding TRANZACT. Just wondering if you could walk us through some of the puts and takes that you think about heading into 2026, I guess, not only for margin, but also as we think about for adjusted EPS because I think there are a few puts and takes there, too.

Andrew Krasner - *Willis Towers Watson PLC - Chief Financial Officer, Co-head of Corporate Development*

Why don't I just start with the margin at a high level. That was primarily driven by strong margin expansion within the segment, coupled with prudent expense management across the enterprise, really enabling us to drive greater operating leverage.

I think as Carl mentioned in his prepared remarks, we do continue to be a significant contributor to that margin expansion as we leverage generative analytical technologies to drive efficiencies and things of that nature. As we look ahead as it relates to margin, we've talked about the 100 basis points within Broking, the incremental margin for HWC translating into margin expansion at the enterprise level.

In terms of the sort of puts and takes related to EPS, first, we expect to deliver mid-single-digit organic growth at the enterprise level. That's mid-single-digit organic growth in HWC, mid- to high within R&D, plus we'll have the revenue from Newfront. In terms of the operating margin, it is consistent with what I just said between the segment's contributions.

And then interest expense, that's going to increase compared to 2025 due to the recent financing activities, which primarily relate to the Newfront acquisition. With that additional debt, we expect annual interest expense to be roughly \$320 million in 2026.

The tax rate for 2026 should be relatively consistent with 2025. That's about 21.1%. The Willis Re joint venture is projected to be a headwind of about \$0.30 as results appear in the interest and earnings of associate's line. We expect no significant impact from the other activity reported in this line.

Share repurchases of \$1 billion or greater will factor into that. And of course, we'll have some foreign exchange tailwinds there, approximately \$0.30 on adjusted EPS in 2026, most of that coming in Q1. So when we look through all of that and put all that together, we expect some healthy year-over-year EPS in 2026.

Operator

Robert Cox, Goldman Sachs.

Robert Cox - *Goldman Sachs Group Inc - Analyst*

Thanks. You guys mentioned talent or hiring has been a contributor to the success this year. I'm curious, if we look at 2026, how do you expect talent benefits to materialize in organic growth versus 2025? And then also, how do you expect the level of talent investment in 2026 to trend compared to 2025?

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

Thanks for the question, Rob. We remain focused on executing our strategy, and that means ensuring we have the right talent across our businesses, and it's key in supporting that. So, so far, we've been really pleased by the attractive returns on our prior talent investments. So we're going to continue to look for opportunities to invest strategically in talent. Alongside our investments in innovation, talent has remained a key driver of our ability to drive sustainable and profitable growth and create value for the business.

Lucy, do you care to add any color on what you might see from our talent investments in the segment?

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

Yeah, sure. Thanks, Carl. Yeah, Rob, I mean, as you know, our business is really all about the people. And this focus for us has been a real key driver of our organic growth and particularly new business over the last few years. Those strategic hires that we've made continue to perform at or above expectations. And of course, they're now important embedded members of our existing team.

We're planning to continue to complement our existing talent by making strategic hires in the areas where we think they'll be most impactful within both geography and specialty, proven to be a successful strategy for us, and so we're going to continue to execute on that.

Robert Cox - *Goldman Sachs Group Inc - Analyst*

Thank you. And just a follow-up on the reinsurance business. I just wanted to ask if there's any insights learned from the progress on the reinsurance JV at 1/1. And just as a follow-up to that, I'm just curious if a fully operational reinsurance business would make you incrementally competitive in winning some of this digital infrastructure business or at least allow Willis to capture more of the economics over time?

Andrew Krasner - *Willis Towers Watson PLC - Chief Financial Officer, Co-head of Corporate Development*

Yeah, sure. It's Andrew. Why don't I start with the first part? So we're very happy with the trajectory of the build-out of Willis Re. It is going according to plan. And the business was able to participate in the 1/1 renewal cycle, and we're very happy with how that went from a business and operational perspective.

I'll hand it over to Lucy to maybe address the second part of your question.

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

Yeah, sure. I'm just going to touch on the digital infrastructure part of the question. And in terms of will the reinsurance business be supportive? Sure. But I mean, we already have a ton of work in that segment and really using the work that we've done with some of our largest global owners and developers plus many of the top data center construction companies the guys have just announced that they've developed an integrated global risk framework to respond to this sector's risk profile, one that is increasingly systemic, interconnected and difficult to address through traditional insurance solutions by themselves.

Their framework is designed to address the full spectrum of risk facing data center owners, operators and investors across the entire life cycle of the project from development and construction through steady-state operations. The framework really gives a holistic view of both current and emerging risks, including those that are systemic, difficult to model or still evolving. So we continue to see high demand for our offering from new business, of course, but also from the strong pipelines that are developed by our existing clients.

Operator

Mark Hughes, Truist Securities.

Mark Hughes - Truist Securities - Analyst

Thank you very much. Good morning. In BDO, you talked about changes in Medicare influencing the organic growth outlook, low single digits because of the changes. Is that just a 1-year phenomenon? Do you think that will extend into 2027? Could you maybe just give a little more detail on that?

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

Yeah, sure. It's Julie, Mark. I'll take that up. As we said, BD&O grew 5% in the fourth quarter, and that was primarily due to increased commission revenue in our individual marketplace business, the Medicare business, but also new clients and expanded work in benefits outsourcing. We also had a modest uplift from our ICRA solution, which is an individual marketplace solution for active employees.

Growth was somewhat lower than expected due to changes in Medicare, but also due to lower headcount for some clients. For the full year, it was -- growth was 3%. That just missed our mid-single-digit long-term organic growth range. For 2026, we expect these headwinds to be modest, but we expect it to carry over just for the short term.

Counterbalancing that, we see strong and growing demand for our retiree marketplace. We see an opportunity to gain share in what is currently a dynamic outsourcing market, and that's because of our strong financial position and our leading AI technology.

So overall, as we said, we're expecting BD&O to grow low single digit in 2026. Beyond '26, we expect the challenges to dissipate and the momentum from the new Medicare marketplace and IPRA clients to pick up and support mid-single-digit growth.

Mark Hughes - Truist Securities - Analyst

Thank you for that, Julie. And then the Newfront acquisition, you talked about their AI capabilities. Anything you can call out in terms of how they're doing things differently on the expense side and how you might be able to leverage that across your broader platform?

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

Yeah, sure. I think at a very high level, there's two ways we think about that. One, the technology can enhance the productivity of people in the front office, so they're able to focus on the right activities. And the second piece is the ability because of the technology to get more flow-through on operating leverage because you may require less people for volumes of business, et cetera. So that helps with process and operating efficiencies.

Operator

Andrew Anderson, Jefferies.

Andrew Andersen - Jefferies LLC - Analyst

Good morning. Within Health, you did 6% organic for the full year, and you're talking about high single digit next year. Can we kind of break apart how much you're expecting to come from health care inflation versus new business wins or improving retention?

Andrew Krasner - *Willis Towers Watson PLC - Chief Financial Officer, Co-head of Corporate Development*

Yeah, thanks. Correct. Our health business continued to achieve solid growth. When you exclude book settlement activity, interest income, 6% for the quarter, 7% for the year, and that's on top of some strong comps, especially for Q4.

Overall, our strategy is yielding meaningful results. We see strong new business and client renewals, and we expect to see strong demand across the global business driven by an existing strong pipeline and support of external trends, which Julie is going to elaborate a bit. We delivered high single-digit underlying growth in '25. We expect to do the same for 2026.

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

Yes. Just to pick up on your point about new business and strong client retention, we grew our market share for global benefits management. We had a very high win rate in the middle market with some recently enhanced solutions for that market segment. We expanded work for existing clients with new specialty solutions and additional forecasting and analytical work.

And then to build on some of the comments about the external environment, we've got high health care inflation basically everywhere around the world, and that's projected to continue. We're projecting a global average of over 10% for 2026.

And as I mentioned on our call last quarter, we don't expect that to drop quickly because of the high cost of new technology, new prescription drugs, gene therapies, plus the fact that people are using health care systems a lot more. So that means planning for managing those cost increases is a top priority for employers virtually everywhere. And we are very well positioned to help with that given our core consulting and brokerage offerings.

We've also introduced new solutions like an Rx direct access offering that helps employers reduce prescription drug costs without shifting cost to their employees. So for 2026, we're expecting more of what we saw in '25, commission increases, more revenue with existing clients, new client appointments and that makes us confident in delivering high single-digit growth for '26.

Andrew Andersen - *Jefferies LLC - Analyst*

Thanks. And then just on career, it's bounced around a little bit, and it has been a little bit lighter. But how are you thinking about the macro and the demand for project work in the first half of '26 against some easier first half '25 comps for career?

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

Thanks. I mean, Career's 10% growth this quarter was principally driven by robust demand for broad-based projects. That demand has been building throughout the year as well as compensation benchmarking survey work. Growth also reflected the favorable impact of a change in survey delivery patterns as we called out on the third quarter call as well as the book of business sale.

Excluding that book of business sale, Career's growth was still a strong 8% in the quarter. In 2026, we expect our continuous focus on our product and technology offerings, recurring services and in-demand advisory services like an M&A to drive mid-single-digit growth for Career.

Julie, can you dive into what you're seeing a bit more there?

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

Yeah, sure. I first want to start out by pointing out that our career businesses grew every quarter of 2025. And that mid-single-digit growth that we achieved for the year is consistent with what we have done for the last five years, and that's been across a range of macroeconomic environment. And these results are due to the focus that we have in this business. It's a focus on digital solutions, recurring revenue and project work that's strategically important to organizations.

Our core work was solid. We had a net increase in compensation committee appointments, EMBARK portal implementation and comp survey participation. We did a lot of work to help with EU pay transparency requirements and M&A activity. And these are the primary factors that drove our strong growth, though we did have that benefit that Carl mentioned from the change in survey delivery timing and the book of business sales.

Looking forward, we are focused on all of these and other areas where we see emerging demand, like there's a lot of interest right now in work redesign to related to AI implementation. With all of these, we've got strong pipelines across our geographies and expect that mid-single-digit growth again in '26.

Operator

Brian Meredith, UBS.

Brian Meredith - *UBS AG - Analyst*

Thank you. First question, I guess, for Julie. Can you maybe talk a little bit about what the impact of any PRT work was in the fourth quarter? And what your outlook is for 2026, particularly in light of some of these lawsuits have been going on, on fiduciaries?

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

Yeah, sure. Look, our wealth businesses did well in the fourth quarter. Overall, we -- from a pension risk transfer perspective, we saw an increase in activity. And in the US, based on published information, we placed about 35% of the transactions. We're also seeing an increase in derisking readiness work like data cleanup, also workforce management projects and work to support adoption of new legislation, and we expect these trends to continue for wealth overall.

And I just might take the opportunity to mention that in the defined contribution area, which is also under the wealth area, we are now live with LifeSight solutions in 12 countries. We're continuing to add clients there and assets under management.

Over 2025, our assets under management across our Master Trust arrangements increased from \$36 billion at the beginning of the year to over \$46 billion at the end of the year. And we've got another \$3 billion lined up to be added in the coming quarters with clients that we've already contracted. And Carl mentioned in his opening remarks, we've announced the acquisition of Cushon, and that sets us up to grow even more in the GP market because it's perfect for the fast-growing mid-market where we don't yet have a big presence.

Brian Meredith - *UBS AG - Analyst*

Great. Thanks. And a follow-up question. I'm just curious, there's been a lot of talk about the impact of AI on kind of routine type consulting services. I know you've talked about the benefits you're seeing just as far as productivity and stuff. But I'm curious, do you anticipate any headwinds in any of your businesses as a result of AI?

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

No, I think we see AI as an opportunity for the organization. Some of the well-publicized headlines around consulting, I think, have been on the more management consulting type activities. And if you look across what we do, a lot of it is driven by regulatory requirements and results of recurring services that are extremely robust and there's demand for them. And we've taken steps over prior years to make sure we focus activity in our businesses around the places we see the most long-term demand growing. So I feel like this is an opportunity for (inaudible)

Operator

Yaron Kinar, Mizuho.

Yaron Kinar - *Mizuho Securities USA LLC - Analyst*

Thank you. Good morning. First question, just looking at the capital deployment guide for '26 with \$1 billion plus in repurchases expected. I think that would suggest that the lion's share of generated free cash flow in '26 will be deployed towards buybacks. And I'm just curious as to your thoughts on M&A and why that would not be a greater priority.

Andrew Krasner - *Willis Towers Watson PLC - Chief Financial Officer, Co-head of Corporate Development*

Yeah, hi, Andrew, I'll start and then maybe if Carl wants to add anything. So we've been, I think, very clear that the capital allocation approach that we're looking to take is balanced. So we are targeting \$1 billion of share repurchases throughout the year. That could change, as we've noted, depending on inorganic opportunities that we might decide to pursue. In addition to that, we also have additional financial flexibility, right, on top of just free cash flow that we can deploy into inorganic opportunities from where we sit from a leverage perspective.

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

Let me -- thanks, Andrew. Let me talk a little bit about appetite. The store has not closed. Our M&A strategy has not changed. We're continuing to evaluate opportunities. We are going to remain thoughtful and patient in our approach. And let me drill a little bit down, right?

We're interested in bolt-on acquisitions that nicely fit our specialty strategy in CRB. In the wealth space, we see the market being fast. It's expanding. So we're particularly interested in wealth management and defined contribution capabilities in growing markets. And we're going to continue to evaluate larger opportunities to enhance our presence in select geographies or market segments. I mean, ultimately, right, we have leading data and technology. Our platform is bolstered by our acquisition of Newfront, and we have a unique culture that those assets should make sense for any business that's looking to join us.

So to be a little more specific, we're aiming to increase our business mix in broking and wealth through M&A. We see it as a key opportunity expanding into high-growth, high-margin areas of our core business. Secondly, we see opportunities to play across the insurance value chain like the reinsurance JV with [Bain] to accelerate growth. And third, a combination with WTW needs to have a compelling financial story enhancing our margins and our free cash flow profile, making Andrew (inaudible).

Yaron Kinar - *Mizuho Securities USA LLC - Analyst*

Thank you. That's helpful. And then for my follow-up, I just wanted to dig a little bit deeper into talent, just given the headlines we're seeing for the industry. Can you talk about retention rates that you're seeing for your own workforce on the one hand? And then maybe also touch on new hires, are those picking up or steady state? And maybe you could also quantify the impact to organic growth coming from new hires?

Andrew Krasner - *Willis Towers Watson PLC - Chief Financial Officer, Co-head of Corporate Development*

So with regard to retention, it remains towards the low end of the range we're aiming for. So we're very happy with our ability to keep in the organization. We continue to hire strategically with a focus on bringing in accretive talent and specifically with our specialty lines and geographies. And more broadly, we continue to invest in the fastest growing areas of business that have the most growth potential. And so that is helping us realize significant opportunities to accelerate profitable growth and enhance margin.

Operator

Katie Sakys, Autonomous Research.

Katie Sakys - *Autonomous Research - Analyst*

Thanks. A quick one for me. I was wondering if you guys could give us a little bit more color on how much of the new business that your specialty operations saw in the quarter came from recurring revenues versus like onetime revenues?

I think last quarter, you had talked about shifting into more recurring new business contributions in CRB. And I'm curious how that dynamic played out this quarter? And then more broadly, how you guys are expecting that to continue in 2026 and ultimately support the mid- to high single-digit organic growth guide?

Andrew Krasner - *Willis Towers Watson PLC - Chief Financial Officer, Co-head of Corporate Development*

Andrew, why don't I start and then maybe you can add some more color? With regard to recurring versus nonrecurring, as we said last quarter, the nature of our work is always a combination of recurring and one-off work. One-off project work is not a key driver of organic growth in the fourth quarter.

Maybe, Lucy, want to comment on some other trends there?

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

I think just picking up on Andrew's comment, we called it out last quarter because we had a significant amount. There's nothing to call out this quarter. All across our business, we have one-off and recurring revenues. So nothing particular to call out this quarter, Katie.

Operator

Meyer Shields, Keefe, Bruyette, & Woods.

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

Great. Thanks. Two quick questions, hopefully. First, if you go back to like the Medicare concerns, obviously, we've seen a lot of, I guess, we would call bad news recently. I was hoping you could frame sort of the uncertainty in the low single-digit forecast. Are there things that you still need to find out in terms of which products carry commissions, commission rates and so on?

Unidentified Company Representative

I'm going to start with just a comment on some of the announcements we've heard recently, just highlighting that the final Medicare terms that we end up living with are often more favorable than the advanced proposals that are released. So for example, last year, when the final increase landed at 5% and the advanced proposal was 2%. And I think probably more importantly, the level of reimbursement doesn't have a direct impact on our revenue. So overall, we expect the latest proposal to be relatively neutral for us.

The modest drag is from underlying changes in coverage and cost. The reason for the neutrality of the proposal is, first of all, the majority of our existing customers on our retiree marketplace are covered by what we call Medicare supplement policies, and those are not impacted by the recent announcement at all.

Secondly, while there were prices for Medicare Advantage policies that are likely to go up because of that announcement, our marketplace has dozens of options for retirees so they can find the right policy at the price they can afford. And that switching of policies is actually helpful to us in terms of being able to place new insurance. And then we expect this position to drive significant price increases for group Medicare plans. So employers that are still offering the group plans will likely want to consider an individual marketplace as what we think is a more affordable alternative that doesn't just shift cost to their retirees. And we expect this last point to be a positive impact for us beyond 2026.

Meyer Shields - Keefe Bruyette & Woods Inc - Analyst

Okay. Thank you. That was very helpful. And then just final question, I guess, for Andrew. I was hoping we could get sort of annual revenues for Cushon and FlowStone for modeling purposes.

Andrew Krasner - Willis Towers Watson PLC - Chief Financial Officer, Co-head of Corporate Development

Yes. So we expect those to depend for the year depending on when the closing dates are. So that's something that we can share, I think, on the next update. But in aggregate, somewhere around 300 for those.

Operator

Thank you. 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 thank you, everybody, for joining us this morning. I once again want to extend my thanks and appreciation to all our WTW colleagues globally. Their dedication and commitment made '25 such a success. I look forward to their maintaining that momentum into 2026 with that same focus on execution and discipline that's guided us to date. In the meantime, have a great day, everyone.

Operator

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

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