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WTW.OQ - Q1 2026 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 first quarter 2026 earnings call. Joining me today is Andrew Krasner, our Chief Financial Officer; and Spike Lipkin, our Chief AI Officer, who will share his perspective and touch on our integration efforts following our acquisition of Newfront. Julie Gebauer, our President of Health, Wealth & Career and Lucy Clarke, our President of Risk and Broking, are also joining us for our Q&A session.

As a first order of business, I want to note my deep appreciation for our colleagues in the Middle East, who've remained available to address client needs even as their lives have been disrupted by conflict. I also want to express our ongoing commitment to supporting our colleagues and clients as they manage this stressful environment. Now I'll turn to our results.

In the first quarter, we delivered 3% organic growth with adjusted operating margin of 22.3% and $3.72 of adjusted diluted earnings per share. Revenue came in at the low end of our plan as we saw the effects of a more challenging and volatile global market environment during the quarter, particularly considering our meaningful presence in the Middle East region. Despite the slower-than-expected growth, our ongoing efforts to enhance efficiency helped us generate operating leverage and 70 basis points of year-over-year margin expansion.

External conditions in the first quarter were mixed. We saw high health care inflation, regulatory changes and a higher volume of corporate transactions, along with elevated geopolitical risk, economic uncertainty, market volatility and rapid technological change. These conditions created both opportunities and challenges for our business.

Throughout the quarter, clients sought our counsel to better manage cost and risk, asking for advice, contextual judgment and specialized expertise to weather dynamic markets. At the same time, we saw short-term headwinds as conditions in the Middle East caused clients in the region to postpone advisory projects. Unfavorable market movements and uncertainty also weighed in on economically sensitive businesses and led some clients to pause more discretionary spending and delay some decisions.

Nonetheless, we continue to see solid traction in the market for our solutions with our strategic focus on specialization, data and analytics and smart connections resonating with clients. We remain confident in our long-term outlook and our ability to accelerate performance and drive growth through our investments in our solutions, talent, technology and data.

Notably, our AI-enabled solutions are gaining scale and generating growth as they deliver better outcomes for clients. For example, in HWC, Rewards AI, which applies generative AI to WTW's proprietary data for compensation benchmarking, now serves over 2,500 client users.

Our HR AI Assistant Expert was named a 2026 Lighthouse Tech Award winner in the category of practical AI, recognized for delivering measurable efficiency gains and value for HR and Benefits teams. And we expect many clients to undertake AI workforce transformation projects that we will deliver with our newly developed WorkVue agent, which evaluates the automation potential of all roles across an organization.

In Risk & Broking, following two successful pilots in the second half of 2025, we're implementing an AI-powered operating system across the business. This accelerates the core technology that we've developed in our broking platform and integrates our risk and analytics modeling tools into our service platforms. The result is radically improved insight on risk and an expedited placement process.

During the first quarter, we also introduced some elements of Newfront's proven technology to enhance the front end and add more agentic capabilities, substantially reducing the administrative burden on our people and transforming our ability to serve our clients. In claims, we're rolling out our digital global claims platform that builds on our broader CRB strategy.

The platform uses AI and advanced analytics to reduce process complexity, shorten claims life cycles and improve outcomes for our clients. It also gives us better insight into claims performance standards across carriers and geographies. These investments use technology to strengthen and scale our human-led judgment, advocacy and accountability. The same applied innovation mindset also extends to how we're helping clients manage complex and fast-moving risk environments.

Recently, our physical risk climate team was recognized for its work with a large semiconductor client for whom we developed new solutions to help manage climate and infrastructure-related vulnerabilities across multiple geographies. These capabilities enable clients across the technology industry to quantify and prepare for risks that fall outside traditional frameworks. Against that backdrop, we saw several notable client engagements this quarter that demonstrate how WTW is helping clients navigate complexity by combining data and analytics insight and technology.

In Health, Wealth & Career, a large global employer in the consumer cyclical sector selected WTW for support on a quick burn project to prepare for a divestiture. The client valued our Divestiture in a Box offering that incorporates prepackaged solutions with technology-enabled delivery.

In another HWC win, the CHRO of a global technology company recognized that HR needed a trusted partner, a partner with deep expertise on work design, jobs and skills to help them develop an AI strategy they could execute. Our work and rewards and employee experience teams were engaged to build an end-to-end solution, including a talent and skills framework, a transformation road map, a process to build newly needed skills, and an overall change management strategy. Our subject matter expertise and our AI tools differentiate us.

In Risk & Broking, we're particularly proud of the team who recently won all lines for a global Fortune 100 company in the US following a multistage process that highlighted our analytics expertise and strong global coordination across our specialties. Starting with a comprehensive property and casualty review in the summer of 2025, we delivered actionable insights that established credibility and set us apart in the RFP with our advanced analytics, global connectivity and technology-enabled service platform. This win underscores the strength of our globally integrated specialty model and our ability to translate analytics into measurable client value and will result in strong revenue growth for us this year.

Another recent win by our surety team highlighted our global reach and ability to solve complex specialty placements. We were selected by a leading global supplier of nuclear technology to address the consolidation of a fragmented surety program previously managed by two global brokers.

Additionally, we were tasked with structuring and executing a major syndicated surety facility designed to support the client's ambitious $80 billion project pipeline over the next three years, one of the largest nonconstruction surety syndications currently in the market. Securing this mandate positions CRB surety as a key strategic partner and provides a robust platform for our continued growth within the nuclear energy sector, where we expect strong growth over the course of 2026.

Finally, we secured a significant win in the rapidly growing AI and digital infrastructure industry with one of the leading companies in the construction and operation of advanced data centers. Our team won the entire program from a broker relationship that spanned over 15 years, covering both construction and operations by showcasing our construction specialty and analytics expertise as well as our ability to advise on complex construction risks in almost every country in the world.

Our support for the client extends beyond core services. For instance, we just assisted with a bond required for a project closure in Europe, filling a gap left by their previous surety broker. The client has appointed us on their next three data center projects without a competitive process, and we'll see that work come through in 2026.

Innovation also remains a significant driver of our efforts to enhance the efficiency. WE DO, our enterprise delivery organization continues to support our businesses in deploying automation and AI and optimizing utilization of our global delivery centers. As AI adoption rises across the company, we're seeing increasing benefits to efficiency and productivity. For example, last July, we introduced our [Call Note Assist] tool. Since then, it's been used to summarize over 1.6 million calls in our outsourcing contact center, enabling a 33% reduction in post-call wrap-up time.

DocLLM, our proprietary AI document ingestion tool, extracts and organizes key terms such as exposures and insurance clauses, significantly streamlining compliance and portfolio oversight. And our CRB affinity team has used AI to achieve a 90% reduction in endorsement processing time.

With that, I want to step back and underline what we're seeing and expect to see in our business regarding AI. Clients are not choosing between human expertise or technology. They expect both. They want trusted advice and a trusted partner to help them navigate the complex environment, adding analytical rigor and sound judgment to the decisions they're facing. And they want applications and platforms that give them real-time access to data and insights regardless of how difficult it might have been to attain the information or how much effort it would have taken to analyze it previously.

This is why I believe WTW will lead and benefit from AI solutions in the long term. Our position in the industry and our structural advantages give us the opportunity to use AI to drive growth and efficiencies in ways that newcomers, carriers and clients cannot or do not have the incentive to pursue.

Let me explain. First, -- our services are complex, highly specialized and mission-critical for nearly all companies. Clients value working with trusted advisers like WTW because our guidance comes with real accountability. In making complex or important decisions, expert judgment matters and the potential upside of bypassing experienced accountable advice is not worth the downside of getting it wrong and dealing with the repercussions.

Second, AI enhances efficiency but does not enhance trust and alignment. AI streamlines workflows and lowers cost to serve, but it does not deliver the judgment, adequacy and accountability that both clients and carriers expect. AI can inform decisions, but it does not negotiate with carriers, advocate on behalf of insurers in the claims process or provide bespoke advice to help navigate through complexity. For buyers of our offerings, the risk of foregoing that value proposition getting it wrong is considerable.

Third, our structural advantages are hard to replicate. Our aggregated proprietary data, deep relationships and global scale, which have been developed over time, create meaningful benefits for clients and carriers. In HWC, we have decades of longitudinal workforce data, actuarial IP and deeply embedded outsourcing platforms. In R&B, we have proprietary data, which encompasses risk and placement insights across carriers and geographies.

Finally, AI itself is increasing demand. In addition to growing client interest in more sophisticated analytics and advice, including guidance about AI workforce transformation, AI is creating new AI-related risks and amplifying existing risks in cyber and other markets, fueling demand for novel insurance solutions that we believe we are well positioned to create and implement.

To give you deeper insight into this, I'd like our new Chief AI Officer, Spike Lipkin, to share some of his thoughts. As you know, with our focus on portfolio optimization, WTW recently acquired Newfront, a San Francisco-based startup, which grew at the leading AI-powered broking platform. Spike co-founded Newfront and led its efforts to disrupt insurance broking, and as WTW's Chief AI Officer, he'll help shape how AI advances WTW's long-term strategy and integrate Newfront's technology with WTW to create a true end-to-end digital ecosystem. His experience building Newfront and planning and executing this integration gives him a unique and valuable perspective.

With that, I'll turn it over to Spike.

Spike Lipkin - *Willis Towers Watson PLC - Chief AI Officer*

Thanks, Carl. I'm excited to be here because AI is clearly central to WTW's strategy, and it will become a key driver of value for both our clients and our business. Gordon Wintrob and I started Newfront in 2017 because we believe that advances in technology would create new risks around cyber, IP liability, property, which would expand broker revenues and at the same time, reduce the cost of delivering services. While all of this has happened, there's even more opportunity ahead, and we still believe that insurance brokers, especially those with scale and data like us at WTW, will be massive beneficiaries of AI advances.

At Newfront, we built infrastructure to take advantage of these developments to provide better client and colleague experiences. The results are clear. Colleagues who use our technology sell about 50% more than those who do not. And our client attrition rate drops by half when clients use our tools compared to those who do not. However, over eight years, we found that this highly advanced technology, global reach, expertise and access to proprietary data are still tremendously important.

AI is no substitute for WTW's meaningful influence with carriers to drive better client outcomes. Moreover, AI is most effective when supplied with a vast amount of proprietary data, which WTW has. Our conclusion was obvious. Lasting advantage would accrue to scaled platforms that combine data and specialized expertise with AI to supercharge the entire system. After evaluating a range of options, we made a deliberate decision to move to WTW where we saw the foundation for that advantage in two ways.

First, its position as an industry leader in data and analytics; and second, its operational agility that comes from being a genuinely integrated enterprise rather than a collection of siloed businesses. This level of integration is uncommon in the industry and critical for success. As models become widely available, much of the business impact will depend on employee adoption and reskilling. This is much more straightforward in an organization with shared processes, consistent standards and aligned incentives than one fragmented across independent business units.

Moreover, the data lives in one place rather than across a series of disconnected platforms. We believe this gives WTW a significant competitive advantage, which is why we chose to join them and build an end-to-end AI-powered broking platform together.

We're now working at pace to integrate Newfront's technology into WTW's environment to create this intelligence platform that unlocks significant growth and efficiency opportunities for the entire enterprise. Our goal is to allow colleagues to spend more time on client-facing work and less time on administrative tasks. We also believe having the leading technology will attract talent to WTW, especially those in search of novel digital tools to deliver better client outcomes. An AI fluent workforce is a massive competitive advantage in this industry, which has historically lagged in technology adoption.

Our detailed road map to integrate Newfront's existing tech into WTW's business starts with North America. Several tools are implementation ready, and we are embedding engineers with professional teams and seeing early successes.

For example, several AI tools are being utilized by client-facing teams, like Coverage Gap Analysis, our AI-powered coverage review tool. We are also quickly rolling out Navigator, which centralizes clients' insurance programs in one platform, and Partner Management, our AI-driven third-party insurance compliance tool. And our Newfront professional teams are already benefiting from the WTW platform with several large notable wins that combine Newfront Tech with WTW resources to bring on clients we never could have won on a stand-alone basis.

For example, a multistate midsized health care provider selected us as their health and benefits broker because of WTW's deep health care expertise and cost management approach combined with Newfront's technology capabilities. In another case, a rapidly growing energy client selected us because of Newfront's technology combined with WTW's energy expertise. Additionally, in CRB, the combined expertise of Newfront and the WTW team enabled us to retain the P&C placement for a high-profile AI developer.

As we shared when the acquisition was announced, we expect momentum to build over time as we build the intelligence layer for insurance. We are keenly focused on implementation as addressing this component is more than half the challenge. This is the most exciting moment our tech team has ever experienced, and we are committed to preserving our early lead. We expect the next few years to be some of the most exciting and impactful in our business, and we're thrilled to be advancing our work at WTW.

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

Thank you, Spike. We're excited to have you on board as part of the leadership team, and we look forward to sharing more on AI development and our integration progress on future calls.

Before I hand it off to Andrew, I want to reiterate our confidence in our strategy and the investments we're making in AI, talent, innovation and data to both protect and expand our competitive position over time and deliver value to clients and shareholders. Despite the short-term headwinds that impacted the first quarter, we remain confident in our ability to deliver on our near-term goals of mid-single-digit growth, continued margin expansion and free cash flow margin improvement.

With that, I'll turn the call over to Andrew.

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

Thanks, Carl. Good morning, and thanks for joining us today. In the first quarter, we delivered organic revenue growth of 3%. Adjusted operating margin was 22.3%, expanding 70 basis points over the prior year. Adjusted diluted earnings per share were $3.72, representing a 19% increase compared to Q1 2025.

While revenue came in toward the low end of our plan, our first quarter results reflect our commitment to strong operational execution and the benefits of our investments in talent and technology. Our strategy is resonating despite ongoing macro uncertainty, and we remain focused on executing our strategic objectives and creating long-term shareholder value.

Turning to our segment results and starting with Health, Wealth & Career. Organic revenue increased 3% in the first quarter, with growth driven primarily by continued strength in Health and Wealth, partially offset by softer results in Career and Benefits Delivery & Outsourcing. We remain confident in HWC's full year outlook for mid-single-digit growth and continued margin expansion even with the headwinds from economic uncertainty and geopolitical pressure impacting parts of Career.

Health was our strongest performer this quarter with revenue up 6%. All geographies delivered growth led by strong performances across international and Europe, supported by solid client retention and the strength of new business wins. Overall, Health continues to demonstrate the strength of its recurring revenue base. We continue to expect high single-digit growth in Health for 2026 based on demand driven by high health care costs and the important role of specialty solutions.

Wealth revenue grew 4% in the first quarter, driven by higher levels of retirement work across all regions alongside growth in our investments business. In retirement, growth was supported by continued demand for project work, recurring actuarial services and the expansion of our global Life site offerings. Investments grew with solid new business wins and increased OCIO activity.

Overall, Wealth performance continues to reflect the durability of its recurring and regulation-driven revenue base. Wealth is off to a good start this year, and we continue to expect growth at the high end of the low single-digit range in 2026.

Our Career business declined 3% this quarter, primarily due to geopolitical disruption in the Middle East causing a significant pullback on projects. This change in activity did not impact our other HWC businesses, so regional exposure is very modest at the overall HWC level.

The Career business also experienced strong growth in Europe and Asia, while seeing somewhat slower pipeline conversion in North America. We expect momentum to improve later in the year based on our expanding pipeline and outlook for our compensation benchmarking practice. We also expect to gain traction with our new AI workforce transformation offering, which is resonating well with clients as they focus on redesigning work and jobs to reflect the transformative impact of AI.

As Carl mentioned, this offering features our WorkVue agent to support business leaders in thinking about the automation potential for different roles. Even so, with the ongoing uncertainty related to the Middle East conflict, we believe it is prudent to expand our guidance range to low to mid-single-digit growth for the full year for Career.

Benefits Delivery & Outsourcing declined 1% this quarter. The results reflected an expected contraction in the Individual Marketplace business, partially offset by continued growth in outsourcing. Individual Marketplace performance was impacted by lower commissions in the first quarter, consistent with our expected pacing for the year. Outsourcing delivered modest growth, supported by expanded projects and administration engagements. Overall, BD&O performance tracked in line with our expectations.

As a reminder, our Individual Marketplace business generates about 80% of its revenue in the fourth quarter due to the timing of the Medicare enrollment period. Given that seasonality and our expectations for 2026, we anticipate that the full year growth from Individual Marketplace will be driven by fourth quarter activity. We continue to expect low single-digit growth for BD&O for the full year based on our unchanged expectations for Individual Marketplace and our pipeline of new client implementations in our Outsourcing business.

HWC's operating margin in the first quarter was 27.3%, an increase of 60 basis points compared to the prior year or 40 basis points, excluding the tailwind from foreign currency, adding to our track record of consistently delivering margin expansion, which we will continue to build on in 2026.

Moving on to our Risk & Broking segment. First quarter revenue growth was 2% compared to 7% growth achieved in Q1 of last year. As anticipated, Q1 was a softer growth quarter for CRB, reflecting an exceptionally strong prior year comparable and the timing of new business activity. Against that backdrop, CRB delivered organic growth of 2% for the quarter or 1% excluding the impact of book of business settlement activity and interest income against the strong 9% growth CRB achieved in the prior year quarter.

While we had expected a slower start to the year, Q1 actuals tracked toward the lower end of our planning range. This was primarily driven by a miss in our new business target, some of which timed into future quarters. To a lesser extent, we also saw a more competitive pricing environment. We had strong client retention and solid growth across specialty lines with notable contributions from our surety, credit risk solutions and M&A specialties.

Construction also delivered a solid quarter, supported by continued momentum in data center programs. It's worth emphasizing that one quarter, particularly Q1, does not define the trajectory of the year for CRB. Given the strength and visibility of our pipeline, we remain confident in our ability to drive profitable growth for the full year. However, reflecting the slower start to the year, we are narrowing our full year outlook for CRB organic growth to mid-single digits. This does not change our long-term expectations for this business.

The specialization strategy continues to resonate, positioning us to help clients manage geopolitical volatility while disciplined investments in revenue-producing talent continues to support sustainable organic growth.

Moving on to our Insurance Consulting and Technology business. Revenue was up 5%, marking its strongest performance in several quarters, driven by increased technology sales. Demand for ICT software solutions remains healthy, particularly for Radar, our leading decision engine, where AI-enabled capabilities are increasingly being used to deliver sharper pricing, underwriting and claims insights. Consulting activity remains subdued in some areas, and we do not expect a material pickup in the near term. This was a great start to the year from our ICT team, and we continue to expect low to mid-single-digit growth for ICT for the full year.

Turning back to R&B's results overall. Again, given the slower start to the year, we are narrowing our full year 2026 growth outlook for R&B to mid-single digits. R&B's operating margin was 22.6% in the first quarter compared to 22% in Q1 2025, an improvement of 60 basis points on a reported basis. Excluding the net tailwind from foreign currency, book of business activity and acquisitions, margin improved approximately 10 basis points. We remain committed to delivering 100 basis points of average annual adjusted operating margin expansion over the next two years.

Now let me turn to our enterprise level results. For the first quarter, adjusted operating margin was 22.3%, representing approximately 70 basis points of expansion versus the prior year or 30 basis points, excluding the tailwind from foreign currency. This performance reflects strong operating discipline and expense management and the continued benefits from actions we've taken to simplify and streamline the organization.

As we flagged on last quarter's call, we saw a meaningful impact from foreign exchange this quarter, resulting in a tailwind to adjusted EPS of $0.25 for the first quarter. Based on our current outlook and spot rates, we expect foreign exchange will create an incremental $0.10 tailwind in the remaining three quarters, resulting in a $0.35 tailwind for the full year.

Our US GAAP tax rate for the quarter was 18.6% versus 21.5% in the prior year. Our adjusted tax rate for the quarter was 20.3% compared to 22.7% for the first quarter of 2025. We continue to expect our '26 tax rate to be relatively consistent with that of 2025.

Free cash flow was negative $65 million for the first quarter of 2026, an improvement of $21 million from the prior year. The year-over-year increase was primarily driven by operating margin expansion and the abatement of transformation program cash outflows, partially offset by increased transaction and integration expenses. For the full year, we continue to expect to expand our free cash flow margin.

During the quarter, we returned $388 million to our shareholders via share repurchases of $300 million and dividends of $88 million. From a capital allocation standpoint, our priorities remain unchanged. We continue to expect share repurchases of at least $1 billion, subject to market conditions and potential capital allocation to organic and inorganic investment opportunities. Share repurchases continue to be our primary form of capital return alongside dividends as we maintain flexibility to invest in the business and pursue disciplined strategic M&A aligned with our long-term priorities.

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*

My first question is on R&B and the organic revenue slowdown you saw in the quarter. I think you guys said new business was below plan. Can you just expand on that? And was that the full driver of, I guess, the organic deceleration? And within new business, did you see -- was it more pronounced the slowdown in the US and Europe?

And I guess, is your expectation, why are you convinced, I guess, that this is just a one quarter slowdown and growth will get better over the balance of the year?

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

Elyse, thanks for the question. So just to put the context here, right, R&B had 2% organic growth in the quarter. That was on top of 7% we delivered in the prior year quarter. As we anticipated, Q1 was a softer growth quarter for CRB, delivering 2% organic growth, 1%, excluding both book of business and interest income. That does reflect an exceptionally strong comparable of 9% with the same exclusion in Q1 of '25 as well as the timing of new business activity.

As we indicated, the current quarter results tracked to the low end of our planning range. However, we do think our specialization strategy and the investments we're making in talent, data and technology are continuing to resonate in the marketplace and driving sustainable growth. And of course, ICT's 5%, we think was a strong result as the technology pipeline conversion improved.

Lucy, anything to comment in terms of this quarter and the outlook?

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

Yes, sure. And thanks, Elyse. Why don't I start by giving you a little bit of context then give some detail about the results itself and make some comments about the rest of the year. Our expectation for CRB was that Q1 would be our lowest growth quarter of the year. This expectation was largely due to the strength of the comparable, which Carl mentioned.

In Q1 last year, CRB had 9% growth ex interest income book of business activity with particularly strong new business generation. We did, though, come in at the low end of our own planning range.

The majority of the below-plan results is due to a miss in our new business target, some of which will time into future quarters. And our early view is that we returned to normalized growth in April. While we don't disclose organic growth rates at the geography level, I can say that

North America had the best performance and international trailed the other geographies in the quarter for a couple of reasons: First, international had the toughest comparable because of an outstanding performance in Q1 '25. And second, it's the region that has the most new business exposure to geopolitical headwinds.

To a lesser extent, our growth was also impacted by an even more competitive pricing environment than we expected, particularly in the large and complex segment. Although we have returned to normalized growth in April, given the slower start to the year and those ongoing price headwinds, we are taking a prudent approach and narrowing our full year outlook to mid-single digits.

In terms of the rest of the year, we continue to see healthy client activity, deliverable pipelines in all of our specialties. And of course, we expect increased contributions from our new hires as we progress through the year. We have exciting momentum coming out of the integration of the Newfront team in North America. Newfront brings not only exciting tech developments, which will benefit the production capacity of all the WTW people, but I should also mention the incredibly talented people with important specialist capabilities who we feel very privileged to welcome to WTW.

In terms of strategic hiring, we're continuing with this successful strategy with our strategic hires from previous years continuing to make healthy contributions, and we had a significant cohort of new investment hires start in Q1, giving them the full year to ramp.

And finally, we've returned to normalized growth patterns in April. I would call out, I guess, a specific area of uncertainty, not unique to us, of course, being the Middle East, where we expect decision-making to be slower and projects to be delayed.

As I mentioned, we did see continued deterioration in pricing during Q1. So considering the performance and the rating environment, which we did call out as a potential risk to our path to high single digit in Q4, we think the narrowed outlook of mid-single-digit for CRB is prudent given the evolving macro backdrop, and we continue to expect low to mid-single-digit growth for ICT for the full year.

Overall, we remain well positioned despite the volatile environment, and we're confident we can deliver mid-single-digit organic growth in R&B in '26, along with 100 basis points of average annual margin expansion over the next two years. Thankfully.

Elyse Greenspan - *Wells Fargo Securities LLC - Analyst*

And then my follow-up question maybe is just picking up where you ended on the margin, right? So I think in the prepared remarks, you guys said ex currency book of business activity and acquisitions that the margin within R&B expanded by 10 basis points. So obviously, right, that is below the 100 basis point average. Can you just help us think through, I guess, what drove that in the quarter and why you would expect the drivers of margin improvement picking up throughout the course of '26?

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

Yes, sure. Sure, Elyse. We did expand margin by 60 basis points on a reported basis. And as you noted, excluding the net tailwind from foreign currency book of business activity and acquisitions, margin improved about 10 basis points.

Looking ahead, we expect our continued investments in technology to provide a strong platform for ongoing operating leverage and efficiency across the business to help achieve the 100 basis points of margin expansion on average over the next two years within the segment.

Maybe, Lucy, do you want to provide a little bit more color there?

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

Yes, sure. Thanks. Elyse, I think our Q1 margin result reflects our ability to lower our operating margin to meet our margin expansion commitments even in a low growth quarter. We are maintaining focus on disciplined expense management and continuing investments in enhancing efficiency while also taking into account a cost base that includes staffing and capabilities built for the stronger growth expected throughout the remainder of the year.

As Carl highlighted in his remarks, we do and our investments in AI and automation continue to be key drivers of that margin expansion across the whole business. One of the specific examples he mentioned was that our Affinity team has achieved a 90% reduction in endorsement processing time using AI enhancements. Advancements like these really improve the client experience and make work more efficient for our people.

And more meaningfully, we are doing some very important work on our own operating system. During the last half of 2025, we launched two pilots, one in North America and in the UK. During Q1, we added some significant new front enhancements and have now started the global launch of our AI-powered operating system, Neuron.

As Carl mentioned, this accelerates the core technology that we developed in our broking platform and integrates our risk and analytics modeling tools into our service platform. This enables our users to do all their work from a single screen with no data entry.

Just one small example to put it into perspective a little bit. Today, in our existing systems, each single piece of data is entered between 3 and 12 times. And of course, each single client transaction will have many hundreds of data points, most entered manually. This will have a sizable impact on speed and accuracy. Neuron has been launched in Cyber North America and property in the UK, and we have launches in other geographies and other lines planned over the next few quarters.

This will radically improve the service we give to our clients as well as be a meaningful driver in our ability to deliver operating leverage in our mid-single-digit revenue growth.

Operating leverage and efficiency gains will remain the primary drivers of our expected 100 basis points of average annual margin expansion, and we remain confident in our ability to deliver on this plan. Thankfully.

Operator

Rob Cox, Goldman Sachs.

Robert Cox - *Goldman Sachs Group Inc - Analyst*

First question, just staying with the focus on R&B for a moment. Is it fair to characterize the R&B growth as a situation where you're expecting some level of this Middle East uncertainty to persist in growth rates in coming quarters? And to follow up on your question or on your comment on pricing for large and complex business, I was thinking your revenue model would be less susceptible to pricing changes in that segment, but maybe that's not the case in international. Any comments would be helpful.

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

Yes, sure. Thanks. Just in terms of the first part of the question about the Middle East. To date, in Risk & Broking, we've seen puts and takes with an overall neutral impact, some delays to projects, but offset by some higher activity in some of our impacted specialty lines. But just calling it out as a developing situation that we're monitoring.

In terms of the pricing question, yes, we do have -- in our specialty businesses, we do have some that are susceptible to large and complex pricing, and that's been reflected in what we saw during the first quarter.

Robert Cox - *Goldman Sachs Group Inc - Analyst*

Okay. And then I'll just pivot to HWC. I wanted to ask on the outlook there, given the headwinds that you guys called out in that business. What makes you confident that you can deliver the mid-single-digit growth given the uncertainty there? Is it just that the Middle East disruption is focused on the career business and you don't think that will blend or bleed into other businesses?

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

Yes. Thanks, Rob. So I mean, at the segment level, HWC delivered 3% organic revenue growth for the quarter, and that was driven by primarily strength in health and wealth, and that's despite headwinds from economic uncertainty and geopolitical pressure. Career, as you cited, right, declined 3%. That was lower levels of project activity.

Clients deferred some discretionary work and the situation in the Middle East and some broader economic caution we did see an effect. Demand for advisory services slowed in North America, partially offset by some regulatory-driven work and strength in some select international markets. We do expect momentum to improve in career as pipeline conversion increases and regional headwinds moderate later in the year.

Julie, do you want to talk a little bit more about what you're seeing in career and in this segment?

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

Yes. Sure, Carl. And thanks for the question, Rob. Look, we did face these headwinds in career, the Middle East geopolitical situation and the caution around discretionary spending. And we do view those as temporary.

We know they're not going to go away immediately, but we expect them to have less of an impact later in the year.

Then I think it's important to highlight a few things that did not impact Q1 that we expect to impact the rest of the year positively. And there are three of them. First, results don't yet incorporate the strength that we expect to see in product revenues. We've got good participation in our compensation surveys, and that's a leading indicator for benchmark revenue growth later in the year. We also have a positive outlook for Embark portal implementations.

The second thing is that we've built healthy pipelines, especially in Europe and Asia, healthy pipelines for technical advisory support on things like EU Pay Transparency, M&A transactions and total rewards. And as we think about timing of that pipeline, those pipeline conversions, we expect revenue in these areas to contribute to growth over the rest of the year.

And then third, our teams are also focused on a new area of emerging demand, and it's related to the impact of AI on an organization's work in workforce and total rewards. We're building a really strong pipeline for new offerings in this area. This AI workforce transformation solution, which you heard both Carl and Andrew mentioned in their prepared remarks, is a terrific solution. It features our WorkVue agent, which evaluates the automation potential for all roles across an organization, and we expect to see meaningful growth in this area in the latter part of the year.

So when we combine those positive developments with a tougher start to the year, our outlook for career is to reach low to mid-single-digit growth for the year. And as Carl said, this does not change our mid-single-digit guidance for the segment overall.

We've got Health, which we had 6% organic growth, that was driven by solid client retention, wins in global benefits management and local brokerage appointments along with double-digit health care inflation. We've got a very healthy pipeline there, and momentum is building for specialty solutions and cost management projects. So we expect growth to accelerate throughout the year, and that will lead to high single-digit organic growth for the full year. And then we've got the positive impact of Newfront on top of that when we look at total growth.

And then in Wealth, we had strong performance in our retirement businesses in all regions. We have new actuarial clients, new LifeSight clients. We're doing more technical support for things like data cleanup, derisking, workforce management activity. And alongside that, our investments business also grew this quarter, and that came on the strength of new funds that we introduced last year, new business wins and OCIO activity.

And these trends in Wealth, we expect to continue across the businesses, and we think that will result in organic growth at the high end of the low single-digit range. And again, here, we've got total growth where we'll benefit from the close of our Flowstone deal in early April and the expected close of our Cushon acquisition this quarter.

And then in BD&O, we performed as we expected in the first quarter. And just an important reminder, as Andrew pointed out earlier, that individual marketplace in this business generates approximately 80% of its revenue in the fourth quarter, and that's what's going to drive annual growth. So for the year, in BD&O, we're holding to our guidance of low single-digit growth. And overall, put this all together, we're very confident in our outlook for HWC to deliver mid-single-digit growth and will add to increase margins again this year.

Operator

Andrew Andersen, Jefferies.

Andrew Andersen - *Jefferies LLC - Analyst*

I wanted to go back to HWC, and you had called out stronger international health growth. Are you seeing any regional divergence in demand trends more broadly or pricing or even any changes in client practices around compensation approaches?

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

No. I mean we're seeing strong demand for our services for health across the globe, particularly strong in international markets. Do recognize that our North America business is a mix of consulting and brokerage and the consulting arrangements are typically less sensitive to health care inflation. So there is that nuance.

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

Yes. And Carl, I just might add that we do see health care inflation projected to increase across all regions at an average of more than 10%, and that's due to higher volume and higher cost. And we don't expect to see that decelerating in the near term. And as you said, the cost increases are going to most directly impact the revenue for fully insured clients. And for other clients, it is driving greater demand for our technical advisory services.

Andrew Andersen - *Jefferies LLC - Analyst*

And then maybe Spike, how should we think about some of the tangible impacts of AI? Where do you expect it to show up first, whether it be margin expansion or revenue growth? And maybe what are some milestones we can look out for as you scale into this new role and strategy?

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

Yes. So let me describe Spike's new role for everybody, and then I'll let him gladly comment on that. So after leading key pieces of the ongoing integration of Newfront WTW, Spike is going to serve as our Chief AI Officer, reporting to me and working to set our overall enterprise AI strategy. Spike's Co-Founder, Gordon Wintrob, is going to be our Head of AI Acceleration, and he'll focus on accelerating enterprise-wide adoption of AI capabilities.

The track record here speaks for itself. Spike and Gordon helped build the industry's largest AI broking platform and delivering a smart, fast and efficient client experience through the combination of deep specialty expertise and cutting-edge technology. And Spike's new role will help define our enterprise ambition for AI and further embed it into WTW's overall strategy, operating model and culture. He'll also help shape how we use AI to advance our competitive positioning and create long-term value for our clients and shareholders. And now he'll tell you how.

Spike Lipkin - *Willis Towers Watson PLC - Chief AI Officer*

Great. So maybe I'll -- thank you. And maybe I'll start just talking a bit about the vision and then some of the near-term integration focus. So the vision is very straightforward. WTW becomes the intelligence layer for insurance, risk and human capital solutions.

Every client interaction will be backed by a large proprietary comprehensive data set surfaced by AI and delivered through an expert who is aligned with client outcomes.

This strategy is durable for WTW for three reasons: first, AI compounds with proprietary data and our HWC and R&B assets built on almost 200 years of client work are very hard to replicate. Second, firms that win with AI will be those whose data workflows and incentives are aligned across the enterprise rather than siloed across business units. WTW's integrated operating model is a real advantage here. And third, through Newfront, we now have a working playbook and engineers who have built it for what an AI-native broking actually looks like in production.

Our strategy at WTW has as much to do with how we work as it does with what we build. A key skill we've developed over eight years in business is how to successfully embed engineers with professional teams to build useful technology. The tools we built at Newfront were heavily used by our team and also used by 1/4 of our clients on a monthly basis.

Tactically, we're running two tracks in parallel. We're scaling purpose-built agentic products like Coverage Gap analysis, Navigator and Partner Management, and we're driving AI adoption across the workforce. Those reinforce each other and AI fluent workforce is what compounds the value of each new model release.

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

And it's Andrew. Maybe I'll just comment on the margin part of the question. So we're already capturing AI-driven efficiencies. They contributed to the margin expansion we delivered in 2025 and the forward trajectory that we've committed to across both of our segments.

Qualitatively, here's how I think about the time horizons for the continued impact. In the near term, the upside is what we do and similar programs are already producing, workflow automation, delivery center productivity, contact center efficiency, things of that nature. That's in the run rate.

In the medium term, the larger opportunity is scaling Newfront's agentic products and driving AI adoption across the workforce. We expect that to compound as adoption deepens. Long term, the most durable benefit isn't really cost reduction at all, right? It's the advantage of combining proprietary data and integrated operating model and an AI-fluent workforce, which we believe is hard to replicate. The last point

I'd note is that we are reinvesting a portion of these savings in growth, talent, technology and capability so not every dollar of efficiency will immediately drop to the bottom line and to the margin.

Operator

David Motemaden, Evercore ISI.

David Motemaden - *Evercore Inc - Analyst*

I wanted to stick with the organic growth in R&B, the 1% growth this quarter on a core basis. Could you just talk about some of that new business that, Lucy, I think you said it was timing related. Could you just size how much of a drag that was in the quarter? And is that conversion of those -- of some of those deals? Is that what's coming back a little bit here in April?

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

Thanks, David. Well, I'm not going to size it for you exactly, but I will reiterate that the -- there was a particularly strong performance in international in Q1 '25. And that was where we saw some of our challenges. But that -- what we're seeing in April gives us confidence that we're good for mid-single digits for the full year.

David Motemaden - *Evercore Inc - Analyst*

Got it. And I'm assuming that means I think you had said April is normalized growth. So sorry to be super short term here, but I was a little surprised at just how much it decelerated this quarter. I mean is normalized growth, is that -- is it back at 5% this quarter? I mean -- or in April, I guess -- and what gives you the confidence that, that's going to continue?

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

Understand your surprise, and it is mid-single digit or better in April. And I'm sorry to be short term.

Operator

Andrew Kligerman, TD Cowen.

Andrew Kligerman - *Cowen and Company LLC - Analyst*

I guess -- do I have one or two questions? I don't know, it seems like we're getting to the end here, but I'll ask, number one, an executive at one of the very largest carriers suggested that broker commissions are excessive and that they will come down in time. And I'm very curious as to what you think about that and how it will play out for Willis Towers?

And then just in case I don't get to squeak it in. You've given great detail on HWC and R&B and why you think things are going to get better. When you say mid-single digit for both, it feels like it might be skewed toward the lower end of mid-single digit. Am I thinking about that wrong?

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

So thanks for the question or questions, Andrew. Let me address the first one. Carriers talking about broker commissions is not a new thing. And I guess the way we look at it is brokerage pricing has historically reflected risk transfer complexity and advisory value and not just cost plus economics. In fact, if you look at commission levels over time, you'll see steady levels in spite of significant technology advances as it's based on the value intermediaries bring to both clients and carriers.

And so I look at it this way, while AI can reduce manual effort, it doesn't reduce the compliance burden of distribution, doesn't change the incentive structure between carriers, brokers and clients, and it doesn't diminish the value of brokers scale and relationships. And this dynamic is not new to our industry. Technology has consistently driven efficiency gains in insurance broking and advisory services over many decades.

And through each successive innovation, WTW successfully adapted and continue to deliver organic growth and margin expansion over time. And AI represents just the next phase of this evolution. It enables productivity improvements while reinforcing the value we bring of human judgment, advice and client relationships.

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

And just on the growth question, we're not going to sort of pinpoint an exact sort of spot within mid-single digits going forward, but the mid-single-digit guide is across the enterprise and across both of the segments.

Operator

Brian Meredith, UBS.

Brian Meredith - *UBS AG - Analyst*

Two ones here. First, just on R&B growth one more time here. I'm wondering if you maybe you can frame how much of your business is actually exposed to this Middle East conflict? And if it continues here going forward for the remainder of the year, what does that mean for your organic growth? Could you have to guide down here again?

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

Yes. Thanks. In terms of how much we could be exposed, I would just say it's one of our smallest geographies. And so while we think it's important to call it out, we don't expect it to have a major impact on our results.

Brian Meredith - *UBS AG - Analyst*

Very helpful. Thanks, Lucy. And then second one, maybe for Andrew. Given your stock is down about 26%, 27% year-to-date now, maybe you can frame kind of your capacity for share buyback this year? I know you said it's going to be greater than $1 billion, but maybe frame kind of how big could it potentially be given obviously your stock has been hit pretty hard.

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

Yes. So we've said $1 billion or greater for the year. That guidance hasn't changed. We looked at our cash position regularly, lean in from an absolute dollar perspective and also from a timing perspective when it's appropriate.

Operator

Mark Marcon, Baird.

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

My question was answered. I was curious as well about just the size of the Middle East since you ended up talking about that quite a bit upfront. So interesting that it's relatively small. Can you talk a little bit about how you're thinking about longer term, just the impact of AI on the margin improvement, particularly on the R&B side. Like you've already been talking about the 100 basis points of improvement.

But how -- longer term, how much more efficient could we end up becoming? And how significant could that be?

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

Yes, sure. We're not necessarily going to quantify the impact over the longer term. I called out earlier a couple of places where we think it helps both from the cost side and the revenue side as it relates to the 100 basis points of margin expansion within R&B, technology advances and process efficiencies have always been a core part of that. I think AI is just playing a larger part in that than maybe we had anticipated when we sort of frame that at the end of 2024 at our Investor Day.

Operator

And that is all the time we have for our Q&A session. I will now turn the call back over to Mr. Carl Hess for final remarks.

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

So thank you all again for joining us. I appreciate the hard work of our WTW colleagues globally who helped us navigate the start of the year. And thank you to our shareholders as well for their continued support of our efforts. Have a great day.

Operator

This concludes today's conference call. Thank you for your participation, and you may now disconnect.