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WLTW.OQ - Q2 2021 Willis Towers Watson PLC Earnings Call

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OVERVIEW:

Co. reported 2Q21 reported revenue of $2.3b, net income of $186m and diluted EPS of $1.41.

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PRESENTATION

Operator

Good morning. Welcome to the Willis Towers Watson Second Quarter 2021 Earnings Conference Call. Please refer to willistowerswatson.com for the press release and supplemental information that was issued earlier today. Today's call is being recorded and will be available for the next 3 months on Willis Towers Watson'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 on the earnings press release issued this morning as well as other disclosures in the most recent Form 10-K and in other Willis Towers Watson's SEC filings.

During the call, certain non-GAAP financial measures may be discussed. 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'll now turn the call over to John Haley, Willis Towers Watson's Chief Executive Officer. Please go ahead, sir.

John J. Haley - *Willis Towers Watson Public Limited Company - CEO & Executive Director*

Thank you. Good morning, everyone, and thank you for joining us on our second quarter 2021 earnings call. Joining me today is Mike Burwell, our Chief Financial Officer. Today, we'll review our results for the second quarter of 2021.

Let me start by thanking our 45,000-plus colleagues for their resilience, their commitment and their focus on serving clients with excellence. At Willis Towers Watson, our colleagues have persisted through an unprecedented global pandemic while simultaneously preparing for a proposed integration and for potential divestitures. What our teams have accomplished is nothing short of extraordinary. We're now moving forward with clarity. Today, I'm going to share some observations on the termination of our proposed combination -- business combination agreement with Aon. But I really want to focus on our strong second quarter results and excellent return to shareholders.

In Q2, our team delivered outstanding results, with organic revenue increasing by 8% compared to the second quarter of 2020. All our business segments contributed meaningfully to this result. Our adjusted operating margin improved by 390 basis points. This translates into 48% adjusted EPS growth rate in Q2 and 30% free cash flow improvement when normalized for onetime items. Our 6% organic revenue growth for the first half reflects mid-single-digit or greater organic growth in 3 of our 4 segments.

Turning now to the termination of our proposed business combination with Aon. We recently announced our mutual agreement to move forward independently. On behalf of Willis Towers Watson, I'd like to thank our counterparts at Aon for their professionalism over the past 16-plus months since we announced the transaction. I again would also like to thank our Willis Towers Watson colleagues for all of their efforts as well as our clients for their continued support throughout this process.

The proposed combination had significant regulatory momentum. A notable exception was the United States, where the parties reached an impasse with the Department of Justice. In the end, working closely with Aon, we decided to terminate our agreement. We're confident this is the right decision for Willis Towers Watson, for our colleagues, for our clients and for all of our stakeholders, including our shareholders. Aon has already paid the $1 billion termination fee.

We now move forward with confidence and from a position of strength. As we look to the future, we will build on our successes, which have been significant, as evidenced by our performance over the last several quarters. We will also leverage our formidable resources, including our durable client relationships, our talented colleagues and our healthy financial position. It's worth noting that our client retention rates have remained at the same level as prior years. Regarding colleagues, while we're disappointed that we've lost some valued colleagues in what has become a hot talent market, our top leadership ranks remain intact, and our ability to compete continues unabated.

We were pleased to announce last week that we would be reinstating our share buyback program, which had been suspended to comply with the terms of the agreement with Aon. Our announcement noted that we would be increasing the share repurchase program by $1 billion. This will include $500 million in accelerated share repurchases and $500 million in our normal program. Subject to market conditions and other factors, we believe we should be able to execute a majority, if not all, of the repurchases by the end of 2021.

Our Board of Directors has authorized a 13% increase in our quarterly dividend payment given our continued improvement in free cash flow. We've been paying down debt, and we expect to have retired almost $1 billion in total by the end of the year. This, together with the significant capacity we've generated, provides us with plenty of capacity to invest in both organic and inorganic growth going forward. We intend to use this capacity to make investments in our businesses so that we're well positioned to address evolving client needs. We're excited about the significant opportunities across our whole portfolio of businesses, both brokerage and consulting.

As a result, we've asked each of our business segment leaders to look at potential areas of growth for investment. We look forward to providing you with more details about this as well as an update on the overall company at our upcoming Investor Day on September 9, 2021.

I'd also like to announce today that we're conducting a review of strategic alternatives for Willis Re, our reinsurance operations. The Board has authorized us and our advisers to initiate such a process. While we highly value the Willis Re platform and our colleagues who contribute to its success, we believe now is an appropriate time to explore strategic alternatives for this business. There can be no assurance the strategic alternatives review process will result in a sale of Willis Re or other strategic change or outcome.

One other question that has been raised about how we will move forward independently is what is my transition plan. As part of our ongoing planning process, the Board of Directors has been working with me on CEO succession. I still intend to retire, and I will continue to work with the

Board to ensure a smooth transition of the CEO role. This will require an announcement of my replacement in an adequate time frame to ensure this is accomplished.

Now let's move on to our second quarter results. Reported revenue for the second quarter was $2.3 billion, up 8% as compared to the prior year second quarter, up 4% on a constant currency basis and up 8% on an organic basis. In Q2, we experienced clear improvement in areas where revenue is tied to discretionary project spending as the economy continued to recover.

Net income was $186 million. That's up 82% for the second quarter as compared to $102 million of net income in the prior year second quarter. Adjusted EBITDA was $557 million or 24.4% of revenue for the second quarter as compared to $441 million or 20.9% of revenue for the same period last year. That represents a 26% increase on an adjusted EBITDA dollar basis and 350 basis points of margin improvement.

For the quarter, diluted earnings per share were $1.41, an increase of 96% as compared to the prior year. Adjusted diluted earnings per share were $2.66 for the second quarter, reflecting an increase of 48% compared to the prior year. Overall, it was a very strong quarter. We grew revenue, we enhanced margin performance, and we increased earnings per share.

So now we'll look at each of the segments in more detail. To provide clear comparability with prior periods, all commentary regarding the results of our segments will be on an organic basis, unless specifically stated otherwise. Segment margins are calculated using segment revenue and exclude unallocated corporate costs such as amortization of intangibles, certain transaction and integration expenses resulting from mergers and acquisitions as well as other items which we consider noncore to our operating results. The segment results do include discretionary compensation.

The Human Capital & Benefits, or HCB, segment revenue was up 5% on an organic basis and 4% on a constant currency basis compared to the second quarter of the prior year. This result represents a strong return to revenue growth, which was driven by increased demand for advisory services across various lines of business.

Talent and Rewards revenue increased 22%, with a major uptick in executive compensation and reward strategy work. We anticipate continued strong demand for broad-based rewards and transaction projects in the second half of the year, with demand evident across all geographies. We are also experiencing strong participation rates across various data survey products in the midst of the tight labor markets and companies looking to attract and retain talent, which should fuel growth in the second half of the year.

Our Health and Benefits revenue increased 1% for the quarter on top of similar growth in the second quarter of 2021. We continue to grow revenue from our advisory work in North America and global benefits management and local brokerage appointments outside of North America. However, this growth was partially offset by lower commission-based revenue, which was tied to prior year book sales. In this business, we anticipate a stronger second half performance driven by U.S. legislative changes alongside pent-up demand for strategic benefits reviews.

Retirement revenue was up 3% compared to the prior year driven primarily by funding and Guaranteed Minimum Pension equalization, or GMP, work in Great Britain. We expect high demand for GMP work to continue through the remainder of 2021 and into 2022 and 2023.

Technology and Administration Solutions revenue grew 2% primarily due to increased project work and new business activity in Great Britain. We're optimistic about growth opportunities for this business as clients are engaging with us to deliver more high-touch solutions with higher-end service levels to support their employee base.

HCB's operating margin increased by 210 basis points compared to the prior year second quarter as a result of continued expense reduction efforts. We're very pleased with HCB's sequential improvement and margin growth. Our long-term outlook on HCB remains positive.

Now let's look at Corporate Risk & Broking, or CRB, which had a revenue increase of 8% on an organic and constant currency basis as compared to the prior year second quarter. North America's revenue was up 13% in the second quarter, driven by gains on book of business sales alongside new business across all regions, particularly in the FINEX and marine lines. Revenue for Western Europe increased 3% due to new business and renewal expansion, particularly in retail and FINEX.

Great Britain and International's revenue increased 2% and 9%, respectively, for the second quarter. The revenue increases were primarily driven by new business wins across multiple lines, including FINEX, aerospace, construction, marine and retail insurance lines.

CRB revenue was $788 million for the quarter with an operating margin of 22.9% compared to $701 million of revenue with an operating margin of 19.2% in the prior year second quarter. That's up 15% from 2019. The 370 basis point margin improvement contributes to a 2-year increase of 770 basis points and reflects the continuation of effective cost containment.

Consistent with last quarter, CRB once again delivered strong top line growth and improved profitability. CRB's second quarter performance is encouraging as we look toward the future. As the economic outlook improves, we believe our Corporate Risk & Broking segment will see the demand for mitigating asset exposures and other insurance and risk mitigation strategies increase, set against the backdrop of a firm market. We expect to see investment in large-scale infrastructure projects building volumes in transportation and increasing deal volume in M&A.

Our CRB segment is focused on delivering industry and product expertise and has a mature strategy in place across all its global lines of business. We believe that the depth of our talent in these global communities, coupled with our connected broking and risk and analytics strategies, continue to enable us to deliver innovative solutions to both existing and prospective clients.

Turning to Investment, Risk & Reinsurance, or IRR. Revenue for the second quarter was $400 million, an increase of 15% on an organic basis and a decrease of 7% on a constant currency basis as compared to the prior year second quarter. This organic growth is on top of 3% revenue growth in the 2020 second quarter. The constant currency change reflects the divestitures of our wholesale subsidiary, Miller, and our Max Matthiessen business.

The Investment business, with revenue growth of 44%, led the segment's growth with new business and higher fees. Investment's growth was aided further by increased performance fees. Insurance Consulting and Technology revenue was up 13% compared to the second quarter of the prior year when revenue growth was modest. This business benefited from increased demand for advisory work.

Reinsurance revenue grew 4% through a combination of net new business and favorable renewal factors. Revenue growth was partially offset by a decline in investment income due to lower interest rates. IRR had an operating margin of 33.3%, up 460 basis points as compared to 28.7% for the prior year second quarter. The strong margin expansion was a result of careful cost containment efforts, coupled with solid top line growth. Our Investment Risk & Reinsurance segment is seeing strong demand from insurers for technology, advice and analytics, driving new business across our Insurance Consulting and Technology and Reinsurance businesses. We believe we're well positioned to provide leading advice and innovative solutions to our clients in the transition to a low-carbon future.

IRR's powerful combination of advisory services, technology solutions and analytical capabilities continues to create value for companies as they reevaluate risk and reinforce resilience post pandemic. We believe this unique combination enables us to deliver industry-leading expertise and innovative solutions to help our clients navigate challenges and leverage opportunities as the socioeconomic legacy of the pandemic continues to evolve and the world adapts to meet the increasing challenge of climate change events.

Revenue for the Benefits Delivery & Administration, or BDA, segment increased by 14% on an organic basis and 16% on a constant currency basis from the prior year second quarter. The growth in revenue was largely driven by Individual Marketplace, primarily by TRANZACT, which contributed $160 million to BDA's top line this quarter, with its growth in Medicare Advantage products. The Benefit Outsourcing business also contributed to the increase of revenue, which was largely driven by its expanded client base.

The BDA segment had revenue of $242 million with a negative 4.3% operating margin as compared to revenue of $209 million and a negative operating margin of 4.2% in the prior year second quarter. This nominal margin decline was largely due to our increasing sales capacity ahead of the 2022 annual enrollment period, which will usher in expansion opportunities for both our Individual Marketplace and our Benefits Outsourcing lines of business. We continue to feel positive about the momentum of our BDA segment for the remainder of 2021.

So overall, I'm very pleased with our results this quarter. Thanks to our colleagues' outstanding efforts and our clients' commitment, we delivered strong broad-based overall financial performance across all of our business segments. We saw good top line growth, we saw meaningful margin expansion, and we saw EPS growth on top of a solid second quarter in 2020. Now I'll turn the call over to Mike.

Michael J. Burwell - *Willis Towers Watson Public Limited Company - CFO*

Thanks, John, and good morning to everyone. Thanks to all of you for joining us. First, I'd like to extend my appreciation to all our colleagues. We've asked a lot of our teams and our colleagues over the past 16 months, and they have continued to deliver. They remain committed to our vision and upheld our values. They went above and beyond to support our company, our clients and one another. I'm extremely grateful for their patience, commitment and resilience.

We delivered continued progress for both the quarter and year-to-date period, including 8% revenue growth in Q2. Through the first half of the year, we translated strong organic revenue growth into excellent operating income growth and almost doubled earnings per share, demonstrating the resilience of the Willis Towers Watson business model. We continue to expect mid-single-digit revenue growth for the full year 2021.

I would note that our reported revenue included the favorable impact from changes in FX rates driven by a weaker U.S. dollar versus most currencies. Our strong revenue growth and ongoing operational discipline as well as sound cost management contributed to an adjusted operating income margin growth of 390 basis points in Q2 and 240 basis points through the first half of the year. It should be noted the growth in our margins was driven by the speed of revenue growth, which outpaced our expense growth.

While we made investments in people, operations and technology to enable long-term growth over the first half, we expect to increase these investments during the second half of the year. We also anticipate some resumption of T&E cost over the second half of the year as well, though we anticipate continued leverage of technology to conduct much of our business remotely, enabling us to sustain our improved efficiency and reduce carbon footprint. Looking forward, we expect to deliver margin expansion for the full year 2021 and over the long term.

Moving back to the results for the second quarter. We've translated strong operating income into adjusted EPS growth of 48% in Q2 and 23% year-to-date. Foreign currency changes had a favorable impact to revenue of $87 million or 4% in Q2 versus the prior year and no impact to diluted earnings per share. If currency was to remain stable at today's rates, we'd expect a modest tailwind to adjusted diluted earnings per share for the full year.

As John mentioned, Aon and WTW mutually agreed to terminate our business combination agreement and move forward independently. In accordance with the business combination agreement, Aon has paid the $1 billion termination fee.

Free cash flow increased 30% year-to-date when adjusted for the $185 million for the previously announced Stanford and Willis Towers Watson merger settlements and higher incentive comp and benefit related items of $249 million. We expect -- or we continue to expect to drive free cash flow growth over the long term, building on our efforts over the past couple of years. We expect our CapEx expenditures to increase in the second half of the year as we invest in technology to grow our business.

Given our outlook for the long-term free cash flow growth, we see share repurchases as the highest return on capital opportunity for capital allocation. As John noted, we plan to implement an accelerated share repurchase strategy of $500 million in addition to our normal share repurchase plans. We look to execute as much as practical in fiscal year 2021, and we also raised our dividend by 13%.

Now turning to our balance sheet and debt capacity. We had $2.2 billion of cash on our balance sheet at the end of the quarter. We plan to pay off $450 million of debt outstanding in August 2021. We have no borrowings outstanding under our $1.25 billion credit facility. We remain confident in the strength of our balance sheet and manage liquidity risk through a well-laddered debt maturity profile. And considering our June 30 balance sheet, we have plenty of additional debt capacity for discretionary use in the second half of the year.

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Over the long term, we expect to return to our past practice of growing debt as EBITDA grows. It should be noted that free cash flow generation in the second half of the year is seasonally strong, stronger than in the first half of the year, and we will look to allocate cash for our best use based on return on capital.

In summary, we ended the second quarter in a very strong position as we delivered strong top line and bottom line results. While the termination of our Aon -- or combination with Aon was not the outcome we originally intended, the opportunity for WTW as a stand-alone business is strong and exciting. We believe our disciplined approach to return on capital, combined with our continued improved cash flow delivery and increased debt capacity, provides flexibility to improve shareholder value creation over the long term.

It should be noted, our U.S. GAAP tax rate for the second quarter was 33.8% versus 42.2% in the prior year. Our adjusted tax rate for the second quarter was 19.3% versus 22.2% rate in the prior year. The current year quarter effective tax rate includes a $40 million deferred tax expense related to the enacted U.K. statutory tax rate change, while the prior year effective tax rate was higher due to additional expense recognized in connection with the temporary provisions of the CARES Act. We anticipate our annual effective adjusted tax rate will be between 20% and 21% for the full year.

We're very pleased with the second quarter results, and they are a direct reflection of our incredibly talented colleagues and unwavering commitment to client service. Our second quarter results were very encouraging. We have momentum, we have solid financial results, a strong balance sheet and an excellent team, which gives me confidence in our ability to continue driving value for all our stakeholders. I'll now turn the call back to you, John.

John J. Haley - *Willis Towers Watson Public Limited Company - CEO & Executive Director*

Thanks very much, Mike. And now we'll take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And your first question is from Greg Peters of Raymond James.

Charles Gregory Peters - *Raymond James & Associates, Inc., Research Division - Equity Analyst*

The first question will focus on retention. And John, I know you said that your client retention remained strong through the second quarter. But you also did highlight that there were some departures on the employee side. And I was wondering if you could give us some more color behind that.

In the past, you've talked about retention as a percentage of the total employee base. Obviously, I think most of your investors are concerned about these departures and its impact on future organic revenue results. So any color you can add here will be helpful.

John J. Haley - *Willis Towers Watson Public Limited Company - CEO & Executive Director*

Yes. So thanks very much for that question, Greg. I think we -- when we look at our overall attrition over the last 16 months or so, that attrition is within the normal historical balance we have. Now we've seen our attrition go up a little bit more in the second quarter than we did before then. But that's actually something that I think has been seen by companies across the board there.

And -- but the biggest issue we've had is not so much the attrition, although we have lost some valuable colleagues, let me be clear about that. But the issue is we -- while we were in the process of the merger, it was harder to hire new people, to bring them on because of the uncertainty of exactly how they would fit into the new organization. And I think what we're going to be doing now is going out aggressively recruiting and looking to replace some of the talent we've lost.

Charles Gregory Peters - *Raymond James & Associates, Inc., Research Division - Equity Analyst*

Can you -- just as a follow-up to that, John, can you give us a sense within HCB -- if you lost some health care brokers? Can you give us a sense within CRB, where the losses have been, whether it's Western Europe or North America, IRR? Just some additional color there so we can sort of use it to help build out our projections going forward.

Michael J. Burwell - *Willis Towers Watson Public Limited Company - CFO*

Greg, it's Mike. I would just comment. So one is, as you might imagine, when you think about a merger, we've lost -- one of the biggest places we've lost, frankly, has been our corporate and some of our corporate areas overall in the business with the anticipation of the business combination.

As John mentioned, we had lost some teams. But when you compare -- when you look at HCB or CRB or IRR, we've lost some teams. When we compare it, our turnover isn't different than what we saw back in 2019.

So we have had a reinsurance team that's been lost, let's say, in Australia or things. But those -- we're highlighting it because it's in the window of looking at an M&A deal. But that's a normal process that has been happening and maybe slightly accelerated here recently, as John mentioned. But when I look at the numbers, and just in terms of pure overall turnover numbers, they're not that different from where we were in 2019.

John J. Haley - *Willis Towers Watson Public Limited Company - CEO & Executive Director*

I mean to give you -- the turnover is generally in the 10%, maybe 11% range. I think BDA, because of the nature of that business, is the one outlier where we have relatively high turnover rates.

Michael J. Burwell - *Willis Towers Watson Public Limited Company - CFO*

But -- we hire the people up for the seasonal fourth quarter and then they go away.

Charles Gregory Peters - *Raymond James & Associates, Inc., Research Division - Equity Analyst*

Yes. Makes sense. And then the other related area, your retention bonuses. I think Aon came out on their call, and they expressed their intent to pay the retention bonuses to their employees. What's your view on retention bonuses for your producers going forward?

John J. Haley - *Willis Towers Watson Public Limited Company - CEO & Executive Director*

So our view is that employee retention is something that we are managing constantly, not just during deals. And so we have various incentives that are embedded within our employees' compensation structure. The retention awards for the business combination, they were communicated in connection with the proposed combination to address specific risks and contingencies that could arise from that transaction.

And since the transaction is no longer pending, we don't think those incentives are necessarily the ones we should have in place. That doesn't mean we won't put other ones in place and we won't make sure we manage retention on an ongoing basis. We will.

Charles Gregory Peters - *Raymond James & Associates, Inc., Research Division - Equity Analyst*

Yes. I would expect that. I guess my last question, I'm sorry, but I had to hammer the retention thing, would just be, Mike, I think in your comments, you called out the benefit of T&E and certainly, in your response, reduced corporate expenses. When I think about just the overall expense structure going forward, is it fair to say that you're going to be making investments in this business, so the expense side of the house may start to increase relative to what we saw in the second quarter?

Michael J. Burwell - *Willis Towers Watson Public Limited Company - CFO*

Yes. I think that's a fair statement, Greg. But I would also point to the comment that I made, which is that we're focused on continued annual improvement, and we anticipate margin improvement for the year.

So we'll look at those in terms of what the run rate of the company is. If we're making specific investments, we'll call them out. But our intent is to drive -- continue to drive margin improvement and margin expansion.

John J. Haley - *Willis Towers Watson Public Limited Company - CEO & Executive Director*

And maybe just as a quick addition to that, Greg. I think as I referenced, and I think as Mike referenced in his comments, we're very excited about the growth prospects. And so we will be making investments in the business, but those are investments that we expect to be generating revenue, too. And so we're looking at both organic and inorganic. We have a lot of enthusiasm around some of the prospects we see.

Operator

Your next question is from Elyse Greenspan of Wells Fargo.

Elyse Beth Greenspan - *Wells Fargo Securities, LLC, Research Division - Director & Senior Analyst*

My first question, John, in your prepared remarks, you addressed that you're planning to retire, which we know was kind of planned in conjunction with the Aon merger as well. I understand that your contract runs through the end of this year. So is the desire to put someone in place in advance of the time frame? Is there the potential to extend your contract? And can you just tell us, will both internal and external candidates be considered for your role.

John J. Haley - *Willis Towers Watson Public Limited Company - CEO & Executive Director*

Yes. I think that -- thanks very much, Elyse. Yes, my contract runs through the end of the year, and I think the intention would be not to extend that but to identify a successor and have that successor named before that time.

And I'll be working with the Board on that. The Board has a very thorough process and considers everything. Of course, we -- this is not new. We've been doing this for a lot of years, and so we're not just starting at square one here.

Elyse Beth Greenspan - *Wells Fargo Securities, LLC, Research Division - Director & Senior Analyst*

Okay. Great. And then on the leverage side, your leverage is now below 2x EBITDA, and you have some debt that's coming due shortly. So I guess I'm trying to get a sense -- you guys mentioned that you would look to add to your debt capacity over the long term, if you could just define that.

And I'm assuming you'd be willing to go up to 2.5x EBITDA, I think that's historically where you have gone. And if you do add to debt, could additional share repurchases be considered for that additional capital in addition to looking to pursue growth?

Michael J. Burwell - *Willis Towers Watson Public Limited Company - CFO*

So Elyse, thanks for the question. So when we think about leverage, at times, we have gone up that high in leverage, but with always a commitment to get it down more in that kind of 2.2, 2.3 range, is kind of where we have been. So that gives us plenty of capacity to think about investments that we can make, both organically and inorganically in the business, which we're very excited about. And we have lots of opportunities, it's just making sure we deploy that in the best return thought process.

But as we think about that, obviously, we will look -- continue to look at share repurchases. That's an important element, to look at that return, as we look at all 3 components in terms of thinking about allocation of capital. We talked about the dividend increase that we had this quarter. We'll continue to look at dividends. We will look at share repurchases. And obviously, we're looking at inorganic and organic growth and thinking about all 3 of those in a balanced way, going forward.

Elyse Beth Greenspan - *Wells Fargo Securities, LLC, Research Division - Director & Senior Analyst*

Okay. Great. And then on the revenue guidance, I think you said for the full year, you guys would be at mid-single digits. Was that total revenue or organic? Or was that meant to be both?

Michael J. Burwell - *Willis Towers Watson Public Limited Company - CFO*

It's meant to be organic, full year.

Elyse Beth Greenspan - *Wells Fargo Securities, LLC, Research Division - Director & Senior Analyst*

And then so, I guess, you guys were at 8% for the Q2, 6% for the half year under certain businesses. I mean I know you guys addressed some of the retention and employee attrition issues in previous questions. But is -- are you expecting a slowdown in the second half given some of the retention stuff? Or is it more to conservatism given just economic uncertainty as you think about going from 8% to, I guess, kind of what seems to be maybe 6% in the back half of the year?

Michael J. Burwell - *Willis Towers Watson Public Limited Company - CFO*

Yes. I mean, as you know, you know the quarters, the Q1 and Q4 tend to be our largest quarters in particular, Q4 being the largest quarter, Q3 being less of a quarter. I think you may have used the word conservative in there. We don't know if it's conservative, it's our best estimate in terms of where we are right now, and we thought that guidance would be helpful.

Operator

Your next question is from Paul Newsome of Piper Sandler.

Paul Newsome - *Piper Sandler & Co., Research Division - MD & Senior Research Analyst*

I'm curious if there's a lot of difference between the organic growth that you saw by account size as opposed to segment, basically across the broking as well as the health care businesses. Was there more improvement in the larger account stuff or middle market or about the same?

Michael J. Burwell - *Willis Towers Watson Public Limited Company - CFO*

It was about the same. We really saw it's about the same. Yes.

Paul Newsome - *Piper Sandler & Co., Research Division - MD & Senior Research Analyst*

And perhaps you could talk a little bit about the pricing environment and what sort of windfall that helped you within the broking side a little bit more.

Michael J. Burwell - *Willis Towers Watson Public Limited Company - CFO*

Yes. I mean we publish twice a year our Marketplace Realities, which we publish in April and October as a general rule. And we include in there what our view of the marketplace is in terms of pricing. It continues to be a hard market. We continue to see a pricing tailwind.

We've seen continued increases, and most recently, cyber being up almost 50%. And -- but obviously, those are what you're seeing in terms of quoted prices. Our role is to do the best thing that we can for our clients. And obviously, we look to manage those risks, help them understand those risks and price those risks appropriately.

And so we think about that, we look at properties still being up, general liability has been up, casualty has been up. And we've seen some moderation on workers' comp and D&O. But again, in aggregate, across the board, we're seeing pricing tailwinds overall. So yes, we are seeing that reflected in the business.

Paul Newsome - *Piper Sandler & Co., Research Division - MD & Senior Research Analyst*

Were there any notable geographic concentrations with -- for the organic growth?

Michael J. Burwell - *Willis Towers Watson Public Limited Company - CFO*

It was pretty balanced across the board when you look at our geographies. I mean we didn't see any particular one that I would call out. Otherwise, we would have and specifically said that. We really saw it across all 4 of our segments in comparison to where they should be in the prior year. And equally, we saw it across all our geographies. Frankly, the business is running very strong. We're very proud of the second quarter results.

John J. Haley - *Willis Towers Watson Public Limited Company - CEO & Executive Director*

And I think where there were some differences across the geographies, I did call them out when I went through the segment review.

Paul Newsome - *Piper Sandler & Co., Research Division - MD & Senior Research Analyst*

Congrats in the quarter.

Operator

Your next question is from Shlomo Rosenbaum of Stifel.

Shlomo H. Rosenbaum - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD*

John, so just to ask you a little bit about -- when you have a merger like this that you're anticipating, a lot of times, a company will go ahead and delay certain initiatives with the anticipation of a certain joint strategy post the deal close. And with the Willis Towers Watson going out on their own more, what items might have been placed on ice before that will now be revisited? Or what are some strategies that you're going to be pursuing that you might not have been pursuing beforehand now that the company is in on its own? And I don't know if there are specific areas you can talk about, more -- an acceleration of investments into specific areas or specific verticals? Any color you could provide there would be helpful.

John J. Haley - *Willis Towers Watson Public Limited Company - CEO & Executive Director*

Yes. So thanks very much for that question, Shlomo. We clearly had some initiatives that we were delaying in anticipation of the combination. And our leaders are going through and doing a review of those right now, but they're in all of our businesses. We see that in CRB. We see it in IRR, we see it in HCB. So all of these -- all the different businesses.

We're looking at them. We're prioritizing them. And at Investor Day, we're going to be presenting you a comprehensive plan about how we're attacking them and taking them forward. So I think there clearly were ones.

There are some other initiatives that we've continued to pursue even during these 16 months. For example, our leadership on climate change, which we think is important from just the perspective of the good work we're doing there, but also we think that will be a very nice business for us going forward.

Shlomo H. Rosenbaum - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD*

Okay. And then just the company posted very strong growth, 8%, clearly off of a weaker 2Q comp. If we're going ahead and just looking at what the momentum, underlying momentum in the business feels like, would you say it feels more like mid-single digits like what you guided to for the year? Or maybe just some kind of color around what it would be if you're looking at this on more of a normalized year-over-year number?

John J. Haley - *Willis Towers Watson Public Limited Company - CEO & Executive Director*

Yes. I mean I think we've been talking for a couple of years now about the overall market growing at about mid-single digits and us growing with at least as fast as the overall market. I would say if we look at it today, we feel slightly more bullish than that. So it would be at least mid-single digits is what we see for the longer run.

Operator

(Operator Instructions) And your next question is from Suneet Kamath of Citi.

Suneet Laxman L. Kamath - *Citigroup Inc., Research Division - MD*

So just back on retention, just a quick one. Are there any agreements in place between you and Aon regarding recruiting and hiring each other's talent?

John J. Haley - *Willis Towers Watson Public Limited Company - CEO & Executive Director*

There are not. I mean I think there are limitations on the use of confidential information that we've exchanged, but that's basically it.

Suneet Laxman L. Kamath - *Citigroup Inc., Research Division - MD*

Okay. And then in the CRB business, I think in the press release, you talked about growth tied to settlements and book of business sales. So I just was hoping you could give us a sense of how much did that contribute to the growth in the quarter. And are these normal course things? Or should be -- we be viewing this as -- some of this as onetime in nature?

John J. Haley - *Willis Towers Watson Public Limited Company - CEO & Executive Director*

Yes. I mean I think we -- as we referenced, like we've had booked business sales, that's an ongoing feature of the business that we're in. And so we had some last year, we had some this year. We probably had a little more this year than in prior years, but it's not something that we really break out.

Operator

Your next question is from Mark Hughes of Truist.

Mark Douglas Hughes - *Truist Securities, Inc., Research Division - MD*

Mike, what would be a good way to approach other income? It was $74 million this quarter. What's a good proxy in the future quarters?

Michael J. Burwell - *Willis Towers Watson Public Limited Company - CFO*

Yes. I mean I think this quarter is probably a reasonable representation of what we -- what you should expect or think about. I mean there obviously are going to be some slight ups and downs, but I think it's a reasonable proxy to think about.

Mark Douglas Hughes - *Truist Securities, Inc., Research Division - MD*

Okay. And then John, the Willis Re decision at this time, could you expand a little bit more on what your thinking is about maybe divesting that, and why? And anything else that might fall into that category?

John J. Haley - *Willis Towers Watson Public Limited Company - CEO & Executive Director*

No. As I said in the call, we have great appreciation for the Willis Re business, for our colleagues and the work they've been doing. We just thought that coming off the termination of the deal with Aon was an appropriate time to consider strategic alternatives. That's the only business we're looking at thus far.

Operator

Your next question is from Ryan Tunis of Autonomous Research.

Ryan James Tunis - *Autonomous Research LLP - Partner of Property & Casualty Insurance*

Quick one for Mike. On free cash flow, what are you thinking you'll be able to do for the full year of 2021 after we got through the second quarter?

Michael J. Burwell - *Willis Towers Watson Public Limited Company - CFO*

Yes. Ryan, I mean we have not given guidance, and we're not intending to do it. I mean just given the marketplaces of COVID variants, et cetera, in terms of giving specific free cash flow guidance, I believe that we will continue to improve from what we've delivered previously.

As you've seen, we're up on -- 30%, 31% year-to-date on an -- if you look at it on a run rate basis for the first half, which I think is consistent with where we've been over -- now over the last couple of years. And I think that's accentuated in terms of our increased dividend that we -- that our Board and we announced here as of today.

I think we continue to work on free cash flow. I mean there's continued view inside the organization on how important that is for us to have that cash so we can reinvest in the business and buy back shares and do a variety of different things that we can do with that cash. And so I can just tell you that there's a lot of focus on it. We're very proud of what we continue to do there, and we'll look to continue to improve it.

Ryan James Tunis - *Autonomous Research LLP - Partner of Property & Casualty Insurance*

And then it seems like there's a little bit of a mixed message on investing versus buyback. You're saying that you want to invest organically and inorganically. But -- and yet you're divesting Willis Re. On the other hand, the buyback could clearly be bigger than it is.

So I guess thinking about the decision to sell Willis Re, what are you thinking about in terms of revenue replacement type options? Or is there any opportunity we could just see a larger share repurchase program?

John J. Haley - *Willis Towers Watson Public Limited Company - CEO & Executive Director*

I think we -- we have that Investor Day coming up September 9, and we intend to talk in somewhat more specifics about our growth plans. But as we said in our remarks, we see a lot of growth opportunities in all of our businesses, whether it's broking or consulting or our BDA businesses. And we're going to be going through and thinking about them and prioritizing what we're looking at.

But we think that's probably -- there are opportunities there that are going to be the best use of capital. To the extent we don't find ones that are as attractive as we like, we will probably do more share repurchase. But we're going to be guided by what's best for shareholders there in terms of financing growth.

Operator

Our next question is from Mark Marcon of Baird.

Mark Steven Marcon - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Just wondering, with regards to this kind of the margin outlook for the second half of the year, how should we think about that vis-a-vis some replacement hiring? And related to replacement hiring, generally speaking, when we take a look at the top leadership team within Willis Towers Watson and then perhaps the layer or 2 below, how should we think about the retention on a go-forward basis?

Obviously, there were some agreements that were put in place to basically hold things together through the merger, and some of those obviously are no longer relevant. So how should we think about that as we look through until the successor is named?

John J. Haley - *Willis Towers Watson Public Limited Company - CEO & Executive Director*

Yes. So I think we -- one of the things we learned, we've had really incredible performance during the 16 months that we've been in this combination period where we were looking forward to that. And the reason we've had that is because of the performance of our colleagues overall, but especially because of the performance of our leaders.

And the broad leadership group within Willis Towers Watson has been nothing short of outstanding. And we have incredibly deep talent in this organization. And I think we recognize that. We're going to make sure we do the appropriate things to retain them and to motivate them. But we're moving forward with a lot of confidence there, Mark.

Mark Steven Marcon - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Great. And what -- will you highlight that to a greater extent on September 9? And again, what's -- how should we think about the margin outlook over the over the next 6 months, to any extent that you can illuminate that?

John J. Haley - *Willis Towers Watson Public Limited Company - CEO & Executive Director*

Yes. I think we will highlight some of that in -- on September 9. I think for the margins, we have 2 things that we say. We were -- we're proud of the margin expansion we've seen over the last couple of years here. We think we can continue that. We're recognizing that there are some features, like some travel and entertainment expenses are probably artificially low.

However, as we continue to do more of that, we're going to be looking to make sure that we increase T&E to the extent it drives revenue, and that's what we're going to be trying to make sure we do. So we feel pretty good about continuing to drive margin expansion over the longer time frame.

Operator

Your next question comes from Meyer Shields of KBW.

Meyer Shields - *Keefe, Bruyette, & Woods, Inc., Research Division - MD*

I guess first question, probably for John. Can you talk about how you came up with $1 billion as the share repurchase? And I'm asking that because of how much cash there is on the balance sheet.

John J. Haley - *Willis Towers Watson Public Limited Company - CEO & Executive Director*

Well, if you think about -- the share repurchases we've had in the past have bounced around somewhat from year-to-year. But if you look at what we would have been expected to have done during the 16 months, that's about $1 billion.

Meyer Shields - *Keefe, Bruyette, & Woods, Inc., Research Division - MD*

Okay. No, that's fair. [That's the point we catch up]. Second question, and I know we've been talking about retention a lot, but it really does seem to be top of mind for investors. Is there any way of guiding or ballparking the impact on revenue growth either in the second quarter or maybe over the next 12 months from the people that you lost?

John J. Haley - *Willis Towers Watson Public Limited Company - CEO & Executive Director*

No. I mean I think probably if you look at the -- what Mike said about we're expecting a mid-single-digit growth, I mean, I think that gives you the net of everything. So we don't -- we haven't broken things down any finer than that.

Operator

Your next question is from Brian Meredith of UBS.

Brian Robert Meredith - *UBS Investment Bank, Research Division - MD, Financials Research Sector Head & Global Insurance Strategist*

Two questions here. First one, Mike, I think I recall a couple of years ago, you're talking about the need to integrate systems to really drive meaningful margin improvement in the CRB business. Where are you in that process? And did the Aon merger agreement kind of put a halt on some of that integration?

Michael J. Burwell - *Willis Towers Watson Public Limited Company - CFO*

No. I mean the teams continue to invest in systems and technology as appropriate. And we've continued to do that. We're obviously -- we're mindful of thinking about what that could mean. But we've continued to -- most of CRB is just -- it's supported really by 2 systems, and that's really the way we've continued to invest in those systems. They're core to our brokering capabilities and operations. And so Adam and the team are very focused on it and continue to drive efficiency and effectiveness. And I see you're seeing that being reflected in their results.

Brian Robert Meredith - *UBS Investment Bank, Research Division - MD, Financials Research Sector Head & Global Insurance Strategist*

Great. And my second question, I'm just curious, John, the sale of Max Matthiessen and the sale of Miller, was that all driven by this merger? And are there certain things that maybe happened that you may not have done as a result of the merger agreement that maybe you want to kind of rebuild in that area?

John J. Haley - *Willis Towers Watson Public Limited Company - CEO & Executive Director*

No. Actually, both Miller and Max Matthiessen were started before we announced the merger.

Brian Robert Meredith - *UBS Investment Bank, Research Division - MD, Financials Research Sector Head & Global Insurance Strategist*

Were there anything that you probably did during the course of the merger that maybe you're doing in anticipation of it that you'd want to do some reinvestment in that area?

John J. Haley - *Willis Towers Watson Public Limited Company - CEO & Executive Director*

I don't think there's anything specific like that. As we did say, we expected that we would -- there are some things that we were going slower on, and we'll address them on September 9, that we're going to reinvigorate some initiatives we had. But nothing major like business -- whole businesses or anything like that.

Operator

Your next question is from Phil Stefano of Deutsche Bank.

Philip Michael Stefano - *Deutsche Bank AG, Research Division - Research Associate*

On the margin conversation, it feels like, at least for most of the investors we talked to, there's a focus on the adjusted EBITDA margin. I think when you most recently gave guidance, it was on the adjusted operating margin. Maybe you could talk about which of these is more important, if there is one, and where you want us to be focused on our margin thoughts looking forward.

Michael J. Burwell - *Willis Towers Watson Public Limited Company - CFO*

Yes. I mean I think we tend to focus on operating margin overall in the business. And so I think that, that's an appropriate spot for you to focus on as well. I mean that -- I mean, you have depreciation and amortization that are in there as well. But I think that's really the focal point.

Philip Michael Stefano - *Deutsche Bank AG, Research Division - Research Associate*

Okay. And so my follow-up, so I -- there's always strategic actions that could be happening and announced over the next couple of months. There's the potential for share repurchases, do or don't we lever up the debt, the strategic review for Willis Re. How should we think about the time line for all these things with the understanding that we don't have a new CEO in place?

And presumably, this will be part of the job appeal to someone externally to be -- have this strategic footprint and flexibility around them. So maybe you could talk about the time line for these strategic decisions with the idea that we don't have a CEO, looking forward.

John J. Haley - *Willis Towers Watson Public Limited Company - CEO & Executive Director*

Yes. I mean I think we're working, as I said, on a review of what opportunities we have across all the businesses, both ones we have deferred, both new ones we've identified during the last 16 months and what we should be doing. It's an effort that is a broad-based effort across our leadership. And so it will have the buy-in of the whole leadership of the company. And we think it will be something that will be in the works, oven-ready for the new CEO to execute on.

Operator

Thank you. We have no further questions at this time. I will hand the call back over for any additional or closing remarks.

John J. Haley - *Willis Towers Watson Public Limited Company - CEO & Executive Director*

Okay. Thanks very much, everyone, for joining us on today's call, and we look forward to seeing you on September 9 when we'll be discussing the company's growth plans at our Investor Day in New York City.

Operator

Thank you. This does conclude today's conference call. You may now disconnect.