29-Apr-2022

Aon Plc (AON)

Q1 2022 Earnings Call

CORPORATE PARTICIPANTS

Gregory C. Case
Chief Executive Officer & Executive Director, Aon Plc

Christa Davies
Chief Financial Officer & Executive Vice President-Global Finance, Aon Plc

Eric Andersen
President, Aon Plc

OTHER PARTICIPANTS

Elyse Greenspan
Analyst, Wells Fargo Securities LLC

Jimmy S. Bhullar
Analyst, JPMorgan Securities LLC

Meyer Shields
Analyst, Keefe, Bruyette & Woods, Inc.

David Motemaden
Analyst, Evercore Group LLC

MANAGEMENT DISCUSSION SECTION

Operator: Good morning and thank you for holding. Welcome to Aon Plc's first quarter 2022 conference call. At this time, all parties will be in a listen-only mode until the question-and-answer portion of today's call. I would also like to remind all parties that this call is being recorded. If anyone has an objection, you may disconnect at this time.

It is important to note that some of the comments in today's call may constitute certain statements that are forward looking in nature, as defined by the Private Securities Reform Act of 1995. Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical results or those anticipated. Information concerning risk factors that could cause such differences are described in the press release covering our first quarter 2022 results, as well as having been posted on our website.

Now it is my pleasure to turn the call over to Greg Case, CEO of Aon Plc.

Gregory C. Case
Chief Executive Officer & Executive Director, Aon Plc

Thank you, and good morning, everyone. Welcome to our first quarter conference call. I'm joined by Christa Davies, our CFO; and Eric Anderson, our President. As in previous quarters, we posted a detailed financial presentation on our website. We'd like to start by acknowledging the tremendous work of our colleagues across the firm. They continue to exhibit remarkable leadership, supporting clients in a challenging environment.

We also want to thank our colleagues for their inspiring support of our team, their families, and others who've been impacted by the Russian war in Ukraine. This is a tragic example of increasing global volatility, adding to the challenges of facing organizations and individuals every day, including continued effects of COVID-19, especially in Asia, inflation, climate change, capital availability and supply chains, intellectual property, workforce resilience and retirement readiness. In this environment, helping our clients protect and grow their businesses, support their employees, their communities and their stakeholders has never been more important.

Turning to financial performance, our team delivered an excellent first quarter and start to the year with 8% organic revenue growth, an increase from a strong prior year performance of 6% in Q1 2021. This top line strength translated to a 38% adjusted operating margin, an increase of 60 basis points and 13% adjusted EPS growth, demonstrating the power of our Aon Business Services platform to drive sustainable margin expansion, as well as support growth. Within our solution lines, we would highlight in Commercial Risk, we delivered 9% organic revenue growth with growth in every major geography, and particular strength across renewals and retention. Our teams are working incredibly hard to make sure our clients have the right coverage that fully considers the impact of inflation and other economic factors. Reinsurance Solutions' organic revenue grew by 7%, driven by continued strength in retention and new business generation around the world, as we help clients navigate a complicated and challenging risk environment.

In Health Solutions, organic revenue grew 8%, reflecting global strength in core health and benefits and advisory work, especially around well-being and resilience. We also saw double-digit growth in Consumer Benefit Solutions and Human Capital, and we would note particular strength in our rewards and corporate governance and ESG practices as we see our clients increasingly focused on talent, compensation and risk and opportunities related to ESG.

And finally Wealth Solutions' organic revenue growth was flat in the quarter. Our retirement investments team continues to do excellent work, helping our clients address ongoing opportunities as well as regulatory changes and challenges. Priority development areas like delegating investment management and growth in pooled employer plans were a highlight in the quarter.

Looking ahead, and fully recognizing increasing uncertainty in global complexity, for the full year 2022 and over the long term, we continue to expect mid-single-digit or greater organic revenue growth. We also continue to expect margin improvement and double-digit free cash flow growth for the full year 2022 and over the long term. As we reflect on the strong combination of organic revenue growth and margin expansion in the quarter and our expectations for the year, we would highlight that our Aon Business Services platform is becoming an increasingly powerful tool for client service and growth in addition to driving ongoing efficiency gains. For example, in recent discussions with a multinational chemical company, our Aon Business Services client dashboard changed the game on how we interacted with them on their M&A growth strategy. Comprehensive datasets easily accessible to our team enabled them to bring insights around the value of a client's intellectual property as a driver of their priority M&A activity. This created great value for them and opened up substantial opportunities for us in many areas, including transaction liability and intellectual property solutions. More simply, these analytics help us identify innovative opportunities and where we might be underpenetrated today by geography or by solution line.

In another example, Aon Business Services is equally powerful, supporting our work with clients in ESG, an increasingly wide ranging topic for our clients. Our ESG practices and Human Capital Solutions specializes in assessing and prioritizing risks and opportunities for our clients across their stakeholder base and their business. Our ESG risk assessment tool allows clients to monitor key risks in real time, and is focused on specific client priorities given their business, geography, industry and competitive landscape. The tool links those risks to Aon insight experts and commissions to drive sustainability, model their climate risk, better navigate the D&O, or cyber landscape, and reinforce their culture to strengthen their people strategy. And specifically on environmental risk, we're using our proprietary climate analytics to quantify the impacts of climate change on our clients' physical assets, which then helps inform risk mitigation and improve resilience.

The power of this capability is not just in developing innovative solutions or the ways in which it helps colleagues better inform and advise our clients. It's also in our ability to connect and scale distribution of these solutions across the firm, including in our acquisitions, where we bring an expertise with express intent to scale new capabilities. In the latest example, we recently announced the acquisition of a UK based technology company, Tyche, and we're delighted to welcome our new colleagues to Aon. The actuarial software platform they've built enhances our balance sheet modeling capability, especially in reserving and pricing, and allows us to enhance our analytics offering to a broad base of reinsurance clients and commercial risk clients with complex balance sheet. Tyche's differentiator is the strength and speed of simulations, enabling our teams to model complex risk transparently, to help our clients better understand global risk, and meet evolving regulatory requirements. Scaling the formidable capability that Tyche brings reinforces our broader strategy by enhancing our analytical tools and actuarial modeling capabilities. This will enable us to advise and execute across the insurance industry with clients and help them meet their goals of ongoing growth, capital management and ultimately economic returns.

In summary, our strong first quarter results reinforce continued momentum and position us well to deliver on our key metrics over the full year. While we continue to anticipate the volatility of all kinds and its impact on organizations will continue to grow, in this environment, our Aon United strategy and Business Services platform both become more relevant. The capability track record that we've built gives us confidence in our ability to drive further value for our clients, colleagues, society and shareholders. Now I'd like to turn the call over to Christa for her thoughts on our performance and long-term outlook.

Christa Davies

Chief Financial Officer & Executive Vice President-Global Finance, Aon Plc

Thanks so much, Greg, and good morning, everyone. As Greg highlighted, we delivered a strong operational and financial performance in the first quarter to start the year, highlighted by 8% revenue growth that translated into 60 basis points of margin expansion and double-digit growth in earnings per share. We look forward to building on this momentum through the rest of 2022. As I reflect on the quarter, first, organic revenue growth was 8%, driven by strong ongoing retention and net new business generation. I would note that total revenue growth of 4% includes an unfavorable impact from changes in FX, driven primarily by a weaker euro versus the dollar, as Q1 is our seasonally largest quarter for euro denominated revenues. As we look to the rest of 2022, we're continuing to monitor various macroeconomic factors, including the underlying drivers of GDP: inflation and interest rates, which all impact our clients and our business. In particular I would note a few interrelated impacts. On GDP, we've noted that there's a correlation between our revenue and GDP growth, particularly the underlying drivers of GDP, such as asset values, corporate revenues and employment levels. We've recently seen decreases in global GDP growth forecasts for the year driven by the factors such as ongoing impacts of COVID related restrictions, the war in Ukraine, rising inflation, and expected increases in interest rates.

As we've communicated previously, our revenue base is very resilient. An impact from GDP tends to show up in the more discretionary portions of our business, such as project related work across the portfolio. These portions of our business were strong in Q1. Those Greg mentioned were seeing increased uncertainty in overall trends. I would also note there are many ways in which we can help clients in times of challenging economic circumstances or increased volatility. On inflation, we see impacts to our revenue and expense base. On revenue, inflation increases underlying exposures across our business, for instance, in property values and healthcare costs. As Greg mentioned, we're working with our clients to ensure they're appropriately protected against these increasing values and optimizing their total cost of risk.

On expenses, we're continuing to invest in our colleagues and are hiring to support growth, especially in priority areas. This does increase overall compensation costs, although Aon Business Services strategy continues to drive efficiency in operations and support our goal of ongoing margin expansion.

And on interest rates, there are puts and takes at play, but generally we are very well positioned for higher interest rates. While revenue in some areas of our business, like construction and transaction liability, is often dependent on client investment behavior, which may be impacted by rising interest rates, I would highlight three main points of how we benefit from higher interest rates. First, we see investment income increases as short-term interest rates rise. Over the course of a year, a 100-basis-point increase in short-term interest rates, such as the US federal funds rate and ECB deposit facility rate, translates to an impact of about $60 million in total revenue and operating income. Second, our pension liability improves as increases in interest rates result in higher discount rates used to value our pension obligations. Third, our term debt is all fixed rate with an average rate of 3.8%. So the interest expense associated with our existing term debt does not increase.

Overall, our business is resilient and our Aon United strategy gives us confidence in our ability to deliver results in any economic scenario. As Greg said, we do see increased external volatility. However, we continue to expect mid-single-digit or greater organic revenue growth for 2022 and over the long-term.

Moving to operating performance. We delivered strong operational improvement with adjusted operating margins of 38%, an increase of 60 basis points driven by organic revenue growth and efficiencies from our Aon Business Services platform overcoming a negative impact of FX and expense growth, which includes investment in colleagues and technology to drive long-term growth and some resumption of T&E.

As we previously communicated, we think about margins over the course of a full year. We expect continued investment in colleagues and ongoing resumption of T&E throughout the year. We expect to deliver margin expansion in 2022 as we continue our track record of cost discipline and managing investments in long-term growth on an ROIC basis.

We translated strong adjusted operating income growth into double-digit adjusted EPS growth of 13% for the quarter. As noted in our earnings material, FX translation was an unfavorable impact of approximately $0.19 per share on the quarter. If currency to remain stable at today's rates, we would expect an unfavorable impact of approximately $0.08 per share or approximately $24 million decrease in operating income in the second quarter of 2022.

Turning to free cash flow and capital allocation; free cash flow decreased 17% to $440 million, primarily driven by higher incentive compensation payouts given our strong 2021 financial results. I would note that we had strong growth in the prior-year period, and that Q1 has historically been our seasonally smallest quarter from a cash flow standpoint, due primarily to incentive compensation payments. As we've communicated before, free cash flow can be lumpy from quarter to quarter. We continue to expect to deliver double-digit free cash flow growth for the full year 2022.

Looking forward, we expect to drive free cash flow growth over the long term, driven by operating income growth, working capital improvements, and reduced structural uses of cash enabled by Aon Business Services. Given our strong outlook for free cash flow growth in 2022 and beyond, we expect share repurchase to continue to remain our highest return on capital opportunity for capital allocation. We believe we're significantly undervalued in the market today, even at all-time highs, highlighted by approximately $800 million of share repurchase in the first quarter. We also expect to continue to invest organically and inorganically in content and capabilities to address unmet client need as we've done with Tyche. Our M&A pipeline is focused on our high priority areas that will bring scalable solutions to our clients' growing and evolving challenges. As we've said in the past, we continue to assess all capital allocation decisions and manage our portfolio on a return-on-capital basis.

Now turning to our balance sheet and debt capacity. We remain confident in the strength of our balance sheet and manage liquidity risk through a well-laddered debt maturity profile. In Q1, we issued $1.5 billion of senior notes. We estimate our leverage ratios to be within the ranges expected for our current investment grade credit ratings. As we said before, we'll continue to evaluate the opportunity to add debt as EBITDA grows while maintaining our current investment grade credit ratings. In summary, our first quarter results reflect strong top and bottom line performance driven by our Aon United strategy. We start the year in a position of strength and expect to continue to make progress on our key financial metrics and drive shareholder value creation.

With that, I'll turn the call back over to the operator, and we'd be delighted to take your questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question today comes from Elyse Greenspan with Wells Fargo. Your line is now open.

Elyse Greenspan
Analyst, Wells Fargo Securities LLC
Q

Hi. Thanks. Good morning. My first question is on the reinsurance business. You guys saw 7% organic growth. That is a deceleration where you guys have been over the past few quarters. Was just hoping to get a little bit more color, just was this impacted by something during the January 1 renewals? Is there just some timing, just kind of what you saw within that segment and how we should think about growth within that business for the rest of the year.

Gregory C. Case
Chief Executive Officer & Executive Director, Aon Plc
A

Well, first of all, Elyse, thanks for the question. Let's go back and think about what our colleagues have accomplished over the last number of years in reinsurance. And it's really been extraordinary. And we just see so much opportunity in this space. By the way, Tyche that I described on the call that Christa followed up on is a real direct sort of investment in content capability. They'll even enhance. So we're doubling down on the opportunity in this category. And really, the quarter doesn't reflect the continued momentum. By the way, 7%, a strong first quarter, great capability, but we see tremendous momentum in this business and just great opportunity.

But Eric, specifics around this you think?

Eric Andersen
President, Aon Plc
A

Sure, Greg. And I would say, listen, it was a very strong quarter for the team. We had fantastic growth in the ILS business with the cat bond issuance very strong. In fact, lot of great work with clients as they look to reposition their portfolio going into the January 1 renewal cycle. So I would say it was very strong start for the year. I have high expectations for them as they continue to work through the existing insurance cycles. But really strong start for them.

Elyse Greenspan
Analyst, Wells Fargo Securities LLC

Q

And then on the margin side, last year T&E started to see that pick up in the back half of the year. So given that kind of comps related to T&E get a little bit easier in the back half of this year, do you think that we're positioned to see stronger margin improvement in the back half than perhaps you guys see in the first half, or is there anything else that we need to think about with the cadence of expenses this year?

Christa Davies
Chief Financial Officer & Executive Vice President-Global Finance, Aon Plc

A

Thanks for the question, Elyse. So I would say we think about margins over the course of a full year and don't really give specific guidance by quarter, Elyse. But what I would say is we've delivered 1,100 basis points of margin expansion over the last 10 years, so approximately 100 basis points a year. And we'll continue to grow margins in 2022, driven by three key things: strong revenue growth; a portfolio mix shift to higher revenue growth, higher margin areas; and leverage from Aon Business Services, where we're getting productivity each and every year. Those sort of drivers of margin expansion will be offset by a continued investment in colleagues, increased T&E and investments to grow the business long term. And I would note that we did deliver 160 basis points of margin expansion in 2021, so it's a very strong comparable. And we do expect to deliver margin expansion for the full year 2022. So we're very excited about that.

Elyse Greenspan
Analyst, Wells Fargo Securities LLC

Q

Thanks for the color.

Operator: Our next question comes from Jimmy Bhullar. Your line is now open.

Jimmy S. Bhullar
Analyst, JPMorgan Securities LLC

Q

Hi. Good morning. Greg, I just wanted to see if you could comment on how you think the operating environment for your business has changed in the past few months. I think obviously pricing's still a tailwind, but it seems like it's slowing. The economic outlook is less clear than it was maybe a few months ago, but how have your views changed on how business trends are?

Gregory C. Case
Chief Executive Officer & Executive Director, Aon Plc

A

Well, there's no doubt – appreciate the question. There's no doubt there's obviously a lot going on out there in terms of [indiscernible] (00:19:06) complexity and volatility, which is showing up all the things you describe. I do want to start with we're very confident, when you look across that and take all that into consideration, both Christa and I emphasize mid-single-digit growth or greater in 2022 and over the long term. So we'd start with that. But we've just got great momentum. And the uncertainty, in many respects, means clients are asking us and talking to us about how they manage the volatility in their business.

But if you think about the momentum coming out of 2021, highest annual growth in a couple of decades, and we just delivered a Q1 2022 that was higher than the Q1 2021 in that comparable quarter in the highest year ever. So we feel very, very good about where we are in the context of a very uncertain world. But it really shows up with clients sitting across the table day to day. Maybe, Eric, you can provide a couple of examples because I think it's really where it comes to life.

Eric Andersen
President, Aon Plc

A

Yeah, sure, Greg. And I would say that the results in the core have been very strong and just the work that we're doing each day across all of our solution lines. But I would also say there's a couple of key risks that the teams are engaged in that are very much on the clients' mind today. Topics like supply chain with what's going on in the world, colleague resilience, climate, cyber, pandemic, things that honestly three years ago, four years ago were not a big deal for them, but today are very much on their focus. So we feel good about the growth prospects and our ability to help clients work on those emerging issues as we go forward.

And I would also maybe add one other comment; that the issues that people are talking about today really do merge for a specific client. So whether it's inflation or GDP or political risk or what have you. We just came out of our RIMS conference where we had dozens of client meetings. And the themes across them were very much, as clients were thinking about investing in their business, whether it was building a plant, making an acquisition, expanding into new areas, they were thinking about GDP growth; they were thinking about inflation. But they were also thinking about labor costs and colleague impact and resilience. And so having that ability to have a holistic conversation with them as they strategically plan for their future, recognizing all the sense that risk today is more heightened than it has been historically I think really does play well to us and let us have real impact for those clients.

Jimmy S. Bhullar
Analyst, JPMorgan Securities LLC

Q

Okay. And relatedly, there were concerns around disruption in your business, given the merger and the fallout from that last year. And I think you had some high profile departures as well, but doesn't seem like we're seeing that in your results. But if you could just talk about employee retention and how it's trended over the past several months, and do you expect any sort of slowdown in your business because of people you might have lost?

Gregory C. Case
Chief Executive Officer & Executive Director, Aon Plc

A

Really quite the opposite of it I think. We've been fortunate this quarter, as we've reported for the last number of quarters; we have exceptionally high retention. And, in fact, voluntary attrition is at levels better than they were pre-COVID and engagement levels, 80% plus. So this is about as strong as you get in terms of sort of where we are from a talent standpoint. And again, you know the momentum coming out of 2021 and now the momentum going into 2022. So those all I think are exceptionally positive.

Here's a point here that's important in terms of how we support our colleagues so they can support our clients. And yes, it means we're investing in new types of talent, for sure. But it also means, and Eric talked about this earlier, we're investing in developing our colleagues; the talent we have now, and supporting them. And we've got to do it not just with talk. It's really supporting them with content capability, enabling technology, real evolving advanced analytics with accelerated innovation and what we do for clients. So this is critically important, and that's where we come back and say the Aon Business Services platform is really essential. This is something as you know been underway for four years. It really has driven – helped drive the margin improvement. But as Christa described it, more, more than that, it's created surplus to invest in innovation; things like IT, et cetera. And we've got 200 colleagues in IT right now that we're working through very, very positively. So a lot going on there and that combination puts us in a very, very good spot.

Eric Andersen
President, Aon Plc

A

Yeah, Greg, maybe if I could just add as well, because I do think you raise a great point about attrition and engagement and the like. But where we're investing in talent is really where we see the business going over the next couple years. And like I mentioned to the previous question, climate, ESG colleague resilience, cyber, these are areas that require deep expertise. And so when we're making investments either in capability or in talent, we're focusing it there. But once you get them in the firm, the key through this delivering Aon United strategy that we've been employing is, how do you bring them together so that they understand the client need, working with our other experts to be able to deliver to the client the solution that they need or the advice that they want? And so there is a great opportunity for us to continue to invest.

By the way, also investing substantially in the core to making sure that what we do for clients today have the right amount of expertise, the right service teams and the like. So I think we feel pretty good about our talent strategy and where we are and are optimistic about the future with them.

Jimmy S. Bhullar
Analyst, JPMorgan Securities LLC

Q

Thank you.

Operator: [Operator Instructions] Our next question comes from Meyer Shields with KBW. Your line is now open.

Meyer Shields
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Thanks. Good morning. One technical question. As I understand it, the language you used for stopping operations in Russia is suspending rather than, I guess, terminating them. Does that mean that there's an offset to organic growth in – from discontinued Russian services right now?

Gregory C. Case
Chief Executive Officer & Executive Director, Aon Plc

A

[indiscernible] (00:24:54)

Christa Davies
Chief Financial Officer & Executive Vice President-Global Finance, Aon Plc

A

No, there is not.

Gregory C. Case
Chief Executive Officer & Executive Director, Aon Plc

A

I think Christa covered it perfectly. There is not. It's really, in the end, very, very minimal impact overall in terms of our core business. Obviously a lot going on as we support clients and are in the process of suspending operations, but minimal impact.

Meyer Shields
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Okay. No. Thanks for helping. The second question, and related to what's been asked already, but right now there seems to be, I don't know what the right word is; a frenzy of newly formed or newly strengthened reinsurance brokers that want to rapidly become, I guess, the number four in the marketplace. And I'm wondering whether that's actually impacting the competitive environment for reinsurance brokerage.

Gregory C. Case
Chief Executive Officer & Executive Director, Aon Plc

A

Listen, as you step back, we see opportunity on the reinsurance side, as we said before. We love this opportunity. And it isn't just with our insurance clients. And, by the way, it's one level there. And what we're doing with Tyche and our team is really [indiscernible] (00:25:53) together, is a capability that really addresses client need. It's exactly what Eric talked about before. That's what we're about. And we see tremendous opportunity there.

Also, some of the capabilities on the reinsurance side, what we do for insurers is becoming more and more applicable in the commercial marketplace. The most sophisticated companies in the world are – require the kind of analytics that a decade ago, only insurers really looked at [indiscernible] (00:26:15). And so for us, we see a tremendous, tremendous opportunity. And a lot of what you see us doing is not just competing in the existing market as it stands today, but it is truly creating net new markets. And what we're doing across the board in climate, net new market; some of the work we're doing in IP is core market, but also net new market. And so what we're essentially saying is we're going to increase the size of the pie with the content and the analytics we have and the capability and the colleagues we have in place, and we see tremendous, tremendous opportunity over time. It's a big contributor as we think about mid-single-digit or greater over time. Eric, anything else you'd add to that to give detail?

Eric Andersen
President, Aon Plc

A

You know, maybe, Greg, the only thing I would add, because I think you said it well, is having global capability, having deep analytical insight, being able to deal with clients' needs using the global marketplace, all critical to the core of what we do today for our reinsurance clients and will continue to do. But I do think you hit it well. A lot of the issues that the insurance company clients have today are these future risks; trying to handle cyber as a product; trying to think through climate if you're a homeowners' insurer, if you're a P&C insurer; how you deal with life from a mortality risk if it's pandemic. So the opportunities for us there are very strong. And so I'm not surprised that it's driving competition. That's okay. The reality is we feel good that our franchise and the team very closely aligned and we continue to make investments to make sure they have cutting edge capabilities.

Meyer Shields
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Okay, great. Thank you very much.

Operator: Our final question comes from David Motemaden. Your line is now open.

David Motemaden
Analyst, Evercore Group LLC

Q

Hi. Thanks. Good morning. I had a question. So Greg, you spoke about voluntary attrition continuing to be at favorable levels to pre-COVID levels. But I guess I'm wondering if you could just talk about how new head count adds have trended over the last few quarters, over the last year or two compared to pre-2019 or pre-COVID levels.

Gregory C. Case
Chief Executive Officer & Executive Director, Aon Plc

A

I'll give an observation, but we don't talk about head count per se. For us, it's just not how we think about talent. We're investing, as we described before, really in content capability so that our colleagues get better. They see opportunity differently; they grow professionally. And literally just adding someone is very different than developing organic capability and helping a colleague get better.

So for example, the analytics, Eric just talked about reinsurance, are all forward analytics. They're no longer looking in the rearview mirror and thinking about what was there. You're thinking about how you model what's going to happen. You put that in the hands of your colleagues it's extremely, extremely powerful. And it really is a new way to, an evolving way to compete. And we've been adding capability in the form of colleagues to do that, absolutely. And we've been adding organically in terms of investment in more analytics to support our colleagues. So it has been trending very, very positively. It's led to, as you've seen us report, top line growth, which is record for us; operating performance, record for us and trends in free cash flow, record for us.

And that's Aon Business Services platform in the context of that is really unique. It's the next chapter, because it's not just about efficiency. It really is about how we work more effectively with our clients on behalf of our – with our colleagues.

David Motemaden
Analyst, Evercore Group LLC

Q

Got it. Okay. That's helpful. Thanks for that color. And then just a follow-up question in Commercial Risk Solutions. In the press release I saw mentioned double-digit growth in the US, Canada, Asia-Pac. I didn't see a comment on EMEA and the UK. So I guess I'm wondering if you could just elaborate on how growth trended there throughout the quarter and also how expectations are there, given what looks like a potential severe slowdown in the economy in that region.

Eric Andersen
President, Aon Plc

A

Sure. Greg, maybe I'll take this one. This is Eric. From a Commercial Risk standpoint, our UK and EMEA business actually had very solid quarters, both from a client retention, new business development and the like. I would say certainly the war in Ukraine is closer to home for them and it's certainly a topic of their clients' discussion. How topics like supply chain, political risk, credit are all front of mind for a number of those clients. It is an opportunity in the end for us to provide real value for those clients on those topics. And so I would say we're focused very much on the well-being of the colleagues that were affected that are often familiar personally to a lot of our immediate colleagues, and are doing all the right things there, which I think ultimately helps build the culture. But certainly the work and the need from the clients on our European clients and UK clients is almost more heightened than it is in other parts of the world because they're so close to it. But they had very strong first quarter; is expected to have a very solid year as we go through 2022.

David Motemaden
Analyst, Evercore Group LLC

Q

Okay, great. Thanks. And maybe if I could just sneak one more in. A line item I look at when I when I look through the results of Aon that I'm not totally sure how to think about is the other income line item which is bounced around a lot. It was $25 million this quarter. Is there a way I should think about that, going forward? Is there any help you can provide me as I think about the earnings power of Aon going forward?

Christa Davies
Chief Financial Officer & Executive Vice President-Global Finance, Aon Plc

A

Sure. So what happened there that quarter was just continued portfolio management. So you should think about our business. We continue to manage the portfolio on an ROIC basis and we divested some lower growth, low return businesses. And we model that other income line as zero ourselves. But what we would say is, as you continue to think about Aon, we will continue to improve performance driving revenue growth, higher revenue growth, higher margin investments organically and inorganically, and continue to divest low revenue growth, lower margin portions of our portfolios. And that's what you saw again in this quarter.

David Motemaden
Analyst, Evercore Group LLC

Q

Got it. Okay. That's helpful. Thanks for the color.

Operator: There are no further questions in queue. Now back to Greg Case for closing remarks.

Gregory C. Case
Chief Executive Officer & Executive Director, Aon Plc

Just want to say thanks very much, everyone, for joining the call. We appreciate it and look forward to talking to you next quarter.

Operator: That concludes today's conference. Thank you all for participating. You may disconnect at this time.