

03-Feb-2023

Aon Plc (AON)

Q4 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 Pic

Eric J. Andersen

President, Aon Plc

# OTHER PARTICIPANTS

**Elyse Greenspan** 

Analyst, Wells Fargo Securities LLC

Andrew Kligerman

Analyst, Credit Suisse Securities (USA) LLC

Jamminder Singh Bhullar

Analyst, JPMorgan Securities LLC

Robert Cox

Analyst, Goldman Sachs & Co. LLC

**Weston Bloomer** 

Analyst, UBS Securities LLC

David Motemaden

Analyst, Evercore ISI

**Derek Han** 

Analyst, Keefe, Bruyette & Woods, Inc.

Mike Zaremski

Analyst, BMO Capital Markets Corp.

# MANAGEMENT DISCUSSION SECTION

**Operator**: Good morning, and thank you for holding. Welcome to Aon plc's Fourth Quarter and Full Year 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 like to also remind parties that this call is being recorded. [Operator Instructions]

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 historic results or those anticipated. Information concerning risk factors that could cause such differences are described in the press release covering our fourth quarter and full year 2022 results, as well as having been posted on our website.

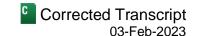
It is now my pleasure to turn the call over to Greg Case, CEO of Aon Plc.

## Gregory C. Case

Chief Executive Officer & Executive Director, Aon Plc

Thank you and good morning, everyone. Welcome to our fourth quarter conference call. I'm joined by Christa Davies, our CFO; and Eric Andersen, our President. As in previous quarters, for your reference, we posted a detailed financial presentation on our website.

We begin the day by thanking Aon colleagues around the world. A strong performance in the fourth quarter through 2022 and our strong momentum as we start 2023 continues to reflect tremendous dedication by our



colleagues and the power of our Aon United strategy to support clients, both in their demands of today and as they plan to address their needs of tomorrow.

2022 was a year in which we continue to see clients focus on both the challenges and opportunities from increasing global risk, and the opportunities to engage clients continues to grow. In Commercial Risk, our latest Weather, Climate and Catastrophe Insight Report cites global economic losses from natural catastrophes at \$313 billion, 4% over the 21st century average, with only 42% covered by insurance, \$190 billion protection gap.

In Wealth Solutions, equity and fixed income market volatility in the back half of the year created demand for our Wealth Solutions colleagues to help organizations reassess retirement readiness and financial well-being. And in Health Solutions, which includes our Human Capital business, the continuation of broad trends around a changing workforce encompassing health, culture, wellness, engagement and inclusion are growing in focus and importance across the C-suite, and the stakes have never been higher.

In this environment of increasing risk and complexity across so many fronts, our colleagues are increasingly relying on Aon United. This would enable them to bring the full force of our firm, including core offerings and innovative solutions at scale to address evolving client demand.

Turning to financial performance, in the fourth quarter, we delivered organic revenue growth of 5%, highlighted by 9% growth in Reinsurance, 7% growth in Health Solutions, and 6% growth in Wealth Solutions.

In Reinsurance, our teams were able to deliver strategic advice and data-driven analytics very early on in the renewal process to help clients navigate difficult market dynamics. This market leadership benefited our clients greatly in a challenging 1/1 renewal and reflects our strong performance.

In Health Solutions, we saw strength in our core H&B and in Human Capital, both of which benefited from enhancements to our offerings, tools and platforms and increased client focus on employee health, rewards, engagement and wellbeing.

In Wealth Solutions, our team delivered the strongest quarterly organic revenue growth in over five years as our teams worked tirelessly to respond to client demand resulting from market and interest rate volatility, particularly in the UK, and continue to help clients execute on pension risk transfer, strategic pension management and respond to regulatory changes.

And finally, Commercial Risk grew 4% in the quarter and 6% for the year. We delivered double-digit organic revenue growth in Canada and Latin America and strong growth in Europe, the UK and Asia Pacific. In the US, otherwise strong results continued to reflect the impact of the external M&A and IPO environment on M&A services. This impact reduced quarterly organic growth by 5%, and annual growth by 2.5%. And while the short-term pressure may continue into Q1, over the long term, we are very well positioned in this highly attractive business that has significant opportunity to contribute to long-term top and bottom line growth.

For the full year, our organic revenue growth of 6% is a direct result of our Aon United strategy, and is a key driver of strong top and bottom line results for the full year. Noting, adjusted operating margins expanded 70 basis points to 30.8%; adjusted earnings per share grew 12% to \$13.39, overcoming a 3% or \$0.44 FX headwind; free cash flow exceeded \$3 billion, with free cash flow margins of 24.2%, both our highest ever; and we completed \$3.2 billion of share buyback, demonstrating our confidence in the long-term value of the firm.



Our team's performance positions us exceptionally well to deliver in 2023 and over the long term. Looking back, since 2010, we've reported 4% average organic revenue growth, over 1,100 basis points of margin expansion, or about 90 basis points per year, while adjusted EPS and free cash flow increased at a compound annual growth rates of 12% and 13% respectively.

More important, we view the go-forward opportunity and momentum higher now than any time in our history. Looking ahead, we continue to expect mid-single-digit or greater organic revenue growth for the firm, margin improvement and double-digit free cash flow growth for the full year 2023 and over the long term.

Reflecting on the year, we would offer a few observations on how Aon United continues to deliver for clients. The steps we've taken over the past decade, including our single brand and single P&L, put us in an exceptionally strong position to deliver for clients and have significant impact on some of the greatest opportunities and challenges they face. These ideas are not new. They're a continuation of over a decade of progress on the areas highlighted in our Aon United blueprint, clients, colleague, innovation at scale and Aon Business Services, that are increasingly interconnected and mutually reinforcing.

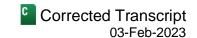
On delivering innovation at scale, the platform we built not only enables innovation of new concepts, as we've demonstrated in areas like intellectual property solutions and climate, but increasingly enables us to bring together our analytics and expertise for new solution development, both from within solution lines and connected across our business.

For example, our Health Solutions team has developed an Aon Health Analytics platform supported by hundreds of data scientists and credentialed health actuaries, as well as experts from Human Capital and Aon Business Services. It's designed to help clients assess and improve their employees' health, which in turn helps deliver wellbeing, productivity and lower cost. Within this offering, driven by proprietary analytics, we can assess data around employee health information, insurance and claims, workplace safety, absence and engagement data and external data on health trends and solutions, which together, form a robust view of employee physical wellbeing.

With this insight, our teams can recommend individualized solutions, including better insurance offerings and targeted program. As an example, one manufacturing client wanted to improve employee physical wellbeing and reduce costs. Together, we designed a comprehensive, long-term wellbeing strategy and a customized health program that included 12 vendors, and targeted specific health and wellbeing programs for employees based on individual factors [ph] correlated (00:07:54) success. The results were impressive. In our target group, as compared to non-participants, we saw meaningful improvement in selected health metrics at 24% lower cost per person. Further, the platform allows for rapid scale and distribution of the solution that help our clients drive workforce health, wealth and productivity.

Equally important, our colleagues love having this kind of impact, which is an important driver of our very high Aon colleague engagement. And we see examples like this across the firm every day as we help our clients manage risk and support their people. And this demonstrates the opportunity to continue delivering innovative solutions at scale to address our client's biggest challenges across the backdrop of rapid change and ongoing volatility.

To summarize, we began 2023 in a position of strength. Our firm is more connected than ever before, enabling us to deliver better solutions for clients and to better support our colleagues. An United will continue to deliver results now and over the long term for our clients, colleagues and shareholders, and is reflected in our progress to achieve key financial objectives.



Now, I'd like to turn the call over to Christa for her thoughts on our financial progress in Q4 and 2022 and our long-term outlook. Christa?

ong term outlook. Onlista:

## **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 another strong quarter of performance across our key metrics to finish the year. In the quarter, we translated 5% organic revenue growth into 40 basis points of adjusted margin expansion and strong growth in adjusted earnings per share. For the full year 2022, organic revenue growth was 6%, adjusted operating margins increased 70 basis points to 30.8%, and we generated over \$3 billion in free cash flow, an all-time high. We look forward to building on this momentum as we head into 2023.

As are reflected in results, as Greg noted, organic revenue growth was 5% in the fourth quarter and 6% for the full year. We continue to expect mid-single digit or greater organic revenue growth for the full year 2023 and over the long term.

I would also note that reported revenue growth of 2% in both Q4 and the full year includes an unfavorable impact from changes in FX of 4% in both periods, primarily driven by a stronger US dollar versus most currencies. I'd also highlight that fiduciary investment income, which is not included in our organic revenue growth, was \$41 million in Q4 and \$76 million for the full year, or 1% in both periods.

Moving to operating performance, we delivered strong operational improvement in Q4 with adjusted operating margins of 33.2%, an increase of 40 basis points, driven by organic revenue growth and efficiencies from Aon Business Services, overcoming expense growth, including investments in colleagues and technology to drive long-term growth and some ongoing resumption of T&E. For the full year, adjusted operating margins of 30.8% reflect margin expansion of 70 basis points year-over-year. And I note, over the past 12 years, we've delivered 90 basis points of margin expansion a year.

Looking forward, we expect to deliver margin expansion in 2023 and over the long term, as we continue our track record of cost discipline and managing investments in long-term growth on an ROIC basis.

As we previously communicated, we think about margins over the course of a full year, driven by three areas. The first is top line revenue growth. The second is portfolio mix shift to higher-margin businesses as we invest disproportionately in areas of increasing client demand, supported by data-driven solutions to deliver the insights and advice that help our clients protect and grow their organizations. And the third area is increased operating leverage from ongoing productivity improvements from our Aon Business Services platform.

I'd highlight that Aon Business Services continues to be a key contributor to margin expansion and represents a competitive advantage, especially in a high inflationary market. Our Aon Business Services platform continues to drive efficiency gains, improved quality and service, and increased innovation at scale.

During 2022, we continued to make progress on Aon Business Services and driving efficiencies and enhanced services, particularly through process improvements, automation, and the use of artificial intelligence. For instance, our captive business helps clients with hundreds of legal entities, who each require multiple policies. Previously, the process of checking policies was manual and inefficient. We've now moved to a digital solution that can identify differences quickly and accurately, and deliver these to clients much more quickly.



Similarly, the use of AI is increasingly enabling us to deliver better solutions to clients. For example, we delivered a new solution for our Human Capital clients using an AI-powered search engine that provides them with insights on technology, talent globally, including geography-based pay differentials. This is essential for finding the best technology talent and optimizing within the client's existing workforce, a key area of growth for many firms.

As we've said before, these improvements not only improve accuracy and client service delivery, they also help free up our colleagues' time for more valuable client activities and drive better outcomes for our clients.

Organic growth and margin expansion translated into adjusted EPS of 5% in Q4 and double-digit growth of 12% for the full year. As noted in our earnings materials, FX translation was an unfavorable impact of approximately \$0.09 per share in Q4 and \$0.44 per share for the full-year 2022. If currency remains stable at today's rates, we'd expect an unfavorable impact of approximately \$0.13 per share in the first quarter of 2023 and \$0.12 per share for the full year 2023.

Turning to free cash flow and capital allocation, we generated over \$3 billion in free cash flow in 2022, contributing to our long-term track record of growing free cash flow at 13% CAGR since 2010. Our outlook for free cash flow in 2023 and beyond remains strong. And we continue to expect to deliver double-digit free cash flow growth for the full year and over the long term, driven by operating income growth and working capital improvements.

I'd note CapEx returned to a more normalized level in 2022 as we made ongoing investments in ABS-enabled platforms and technology to drive long-term growth. As we've said before, we manage CapEx like all of our investments on a disciplined return on capital basis. Given our strong outlook for free cash flow growth in 2023 and beyond, we expect share repurchase to continue to remain our highest ROIC opportunity for capital allocation. We believe we're significantly undervalued in the market today, highlighted by the approximately \$675 million of share repurchases in the quarter and \$3.2 billion of share repurchase for the full year.

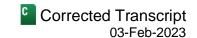
We also expect to continue to invest organically and inorganically in content and capabilities that we can scale to address unmet client needs. We've invested in expertise and content to help meet our clients' needs, such as our Q4 acquisition of ERN, a Mexico-based leader in risk assessment modeling, which expands our catastrophe modeling and consulting capabilities in Reinsurance. Our M&A pipeline continues to be focused on our highest priority areas that will bring scalable solutions to our clients' growing and evolving challenges.

We'll continue to actively manage the portfolio and assess all capital allocation decisions on an ROIC basis. We ended 2022 with an ROIC of 30.6%, an increase of nearly 1,900 basis points over the last 12 years.

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. We expect to add incremental debt as EBITDA grows over the long term, while maintaining our current investment grade credit ratings.

With respect to interest rates, I'd note our term debt is all fixed rate with a weighted average interest rate of approximately 4% and a weighted average maturity of approximately 12 years. I'd note our pension liability improves as interest rates increase.

As a continuation of our pension de-risking efforts, I'd highlight that we completed an annuity settlement transaction in the fourth quarter, resulting in approximately \$300 million reduction in our pension benefit obligation. This continues to be an incredibly attractive environment for our clients to do pension risk transfers,



and we continue to see very strong demand from clients. We've done substantial numbers of pension risk transfers in the US and the UK, and are a leader in this space.

In summary, 2022 was another year of strong top and bottom line performance, driven by the strength of our Aon United strategy and Aon Business Services. We returned over \$3.6 billion to shareholders through share repurchase and dividends. The success we achieved this year continues to provide momentum as we head into 2023. While we're seeing signs of economic uncertainty, we remain confident in the strength of our firm and our financial guidance for 2023. Overall, our business is resilient and our Aon United strategy gives us confidence in our ability to deliver results in any economic scenario.

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. At this time, I'll be conducting a question-and-answer session. [Operator Instructions] In the interest of time, we ask that you each keep to one question and one follow-up. Thank you. Our first question comes from the line of Elyse Greenspan with Wells Fargo. Please proceed with your question.

## **Elyse Greenspan**

Analyst, Wells Fargo Securities LLC

Hi. Thanks. Good morning. My first question is on your margins. So, if we look in the quarter, it seems like your margin declined, excluding the benefit of fiduciary investment income. So, I'm just trying to get a sense of the drivers and outlook you see for your margin excluding the NII benefit in 2023.

## **Christa Davies**

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

Yeah. Thanks so much for the question, Elyse. That is correct. We saw 40 basis points of margin expansion and 90 basis points of impact from fiduciary investment income. And I would note, we really think about margins over the course of a full year. So, 70 basis points of margin expansion in the full year, of which 40 basis points came from the fiduciary investment income.

And we really think about margin expansion over the long term. Our margin growth has been 1,120 basis points over the last 12 years, or 90 basis points a year for 12 years. And it's really driven by revenue growth, the portfolio mix shift, the higher margin areas and the productivity benefit we're getting from Aon Business Services. And so, we're extremely confident with that track record, Elyse, for our financial guidance, which is mid-single digit or greater organic revenue growth, margin expansion for the full year 2023 and double-digit free cash flow growth for the full year 2023.

## Elyse Greenspan

Analyst, Wells Fargo Securities LLC

So, assuming we continue to get a tailwind from fiduciary investment income, I guess, in 2023, you'll probably balance letting that all fall to the bottom line and making some of the investments similar to what you did in the fourth quarter?



#### **Christa Davies**

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

I think that's fair. We are continuing to drive margin expansion each and every year, overcoming investments we're making in the business. Because you saw in Q4, we substantially invested in IT. So, our IT expense is up. We're investing in platforms and technology to drive innovative solutions for clients. And we'll continue to invest in our colleagues, and we'll continue to invest in M&A and we'll continue to invest in a lot of areas to drive long-term growth. But we really think about this over the course of a full year, which is really what matters to us.

**Elyse Greenspan** 

Analyst, Wells Fargo Securities LLC

Thanks. And then my second question. We've heard a lot – about a lot of strong pricing coming out of the January 1 reinsurance renewals. Can you give us a sense of the outlook for your Reinsurance business? I'm not sure if you've highlighted in the past what the concentration is in to property lines, but can you give us a sense of just how you think that business should perform in an environment, where we're seeing as robust catastrophe, reinsurance price increases that we saw at January 1.

Eric J. Andersen

President, Aon Plc

Thanks, Elyse. This is Eric Andersen. Why don't I take that one to kick this off. It's great to be with you this morning. Listen, the Reinsurance business continues to be a very strong performer for us as we go through the year. And I would say, certainly a lot of attention spent on property cat for good reason, certainly the losses, the interest rate moves, the restructurings of the programs that were happening throughout the season.

I would say property cat continues to be a dominant part of the business, but it's not the whole business. Certainly casualty, specialty, and others continue to be a big part of it. But – so, I would say, as I think through the future of what's going to happen over the next 12 months, we continue to see a very robust opportunity for the team. They're spending a lot of time with data analytics, better insight to help our primary clients figure out their positioning.

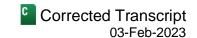
But the endgame, I think when you think through the 1/1 renewals, it's that there's more risk, more volatility has been pushed to the primary insurers. And the outcome of that for them will be either risk appetite, they're going to have to be very disciplined on the risk that they assume in the property space in particular.

They'll use other methods like facultative reinsurance. They'll probably do selective buying throughout the year. And so, I would say the 1/1 season, a little different than years past, which I think is what you're alluding to. And ultimately, they're going to continue to manage their portfolio as the year progresses.

Gregory C. Case

Chief Executive Officer & Executive Director, Aon Plc

And I might just add to that, Elyse, the team was exceptional. I'll tell you the 1/1 renewables had a unique market dynamic and taking the analytics and capability we have in place and what we're able to do and how we delivered to the market well before anyone else was truly, truly unique. And it helped our clients tremendously as they navigated through the marketplace. And as Eric highlighted, more risk is really more opportunity to demonstrate value added.



## Elyse Greenspan

Analyst, Wells Fargo Securities LLC

Thank you.

**Operator**: Thank you. Our next question comes from the line of Andrew Kligerman with Credit Suisse. Please proceed with your question.

## Andrew Kligerman

Analyst, Credit Suisse Securities (USA) LLC

Hey. Thank you. In your slides, you described the impact on organic revenues from the market as modest, positive impact in both Commercial Risk and Reinsurance. Can you give a little more color on that market impact and maybe discuss the issue of commissions versus fees and whether your fees were kind of level year-over-year or whether commissions were driven down in each of those two segments.

## **Gregory C. Case**

Chief Executive Officer & Executive Director, Aon Plc

Happy to, Andrew. Maybe, I'll start and Eric, you can chime in as well here. First, Andrew, we always come back to the idea when we talk about market impact, this is a function of prices you're highlighting, but also insured values over time. Obviously a lot is happening on the insured value front and this is really broadly [indiscernible] (00:23:40) this property, but really if you think about on the employee side in all aspects, sort of what's driven by changes in those values and that's – that actually has much more impact than just price per se.

As we've highlighted, you step back, it really is a modest impact over time. We saw that in this quarter. We think we'll see that throughout the year. And it really for us is about value. We deliver value for clients and we could benefit from that because they get benefit. And we're very, very clear about that. And as Eric highlighted on Elyse's question, in an environment with greater risk, the opportunity to provide greater value is real and meaningful, and we're doing it and we're benefiting from it. So, that's what you're seeing overall. But, Eric, maybe you want to dive a bit more into the specific pricing piece?

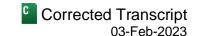
## Eric J. Andersen

President, Aon Plc

Sure, Greg. Sure, Greg. Listen, I think on a property – on the market perspective, certainly, property is getting a lot of attention and you continue to see that market be challenging for our primary clients. It is worth noting, though, that clients use a lot of different tools to manage that market dynamic. They use captives. They use retention. They limit purchase. So, it's not a direct line from what a carrier would say about a property market rate versus what a client actually assumes.

So, there's a lot of tools that they have and we spend an awful lot of time, as Greg was saying, trying to add additional value for them, using financial modeling and techniques to try and limit that exposure. The other products, casualty, cyber, financial products, et cetera, around the globe, I would say are more stable. We're a good three-and-a-half, four years into a market cycle, and I think those products are coming more to an equilibrium.

And the last thing I would say about your question on commission fees and it ties back to what Greg said, one of the benefits of being a fully transparent broker, where we engage our clients and what we get paid for the value that we provide, we don't really care whether it's a commission or whether it's a fee. What we really are driven by



is are we providing value to clients and are we being paid fairly for that value. And so, whether the cycle is up or down, it doesn't really matter to us. We engage in those conversations in a fully transparent way, and I think we have great relationships with our clients because of it.

**Andrew Kligerman** 

Analyst, Credit Suisse Securities (USA) LLC

Okay. So, maybe just so I can interpret it that the 4%-plus revenue growth in Commercial Risk, the 9%-plus in Reinsurance, both of them were more a function of what Aon was delivering as opposed to inflationary impacts on exposures and kind of a very firm pricing environment. I should think about it is more Aon [indiscernible] (00:26:15) and very little of these market issues played through. Is that the right...

[indiscernible] (00:26:19)

Eric J. Andersen

President, Aon Plc

If you think about it — I'll just use Reinsurance as an example, it's historically our smallest quarter, and it's not treaty-driven. It's driven around facultative placements, banking or technology consulting group, so not really market-driven issues but more value issues in terms of usage of those tools to help clients manage their exposures.

**Andrew Kligerman** 

Analyst, Credit Suisse Securities (USA) LLC

Okay. And then just a quick one on the tax rate at 9%, is that a sustainable tax rate or should we be thinking about it kind of drifting up a little bit toward, say, 12% last year in the quarter?

Christa Davies

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

So, what we would say is we don't give forward guidance on tax. But as I look back historically, exclusive of the impact of discrete items, which could be positive and negative in any one quarter, our historical underlying rate for the last five years was 18%, and that's a result of us being a global company domiciled in Ireland with a global cash management structure and a global capital structure. And so, we're really confident about where we are.

Andrew Kligerman

Analyst, Credit Suisse Securities (USA) LLC

Confident – oh. So, should I be thinking more towards the 18%?

Christa Davies

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

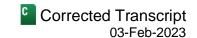
Again, we don't give guidance going forward on tax rate but I can tell you that as we look back historically, our historical underlying rate for the last five years was 18%.

Andrew Kligerman

Analyst, Credit Suisse Securities (USA) LLC

Okay. All right. Thanks a lot.

FACTSET: callstreet
1-877-FACTSET www.callstreet.com



**Operator**: Thank you. Our next question comes from the line of Jimmy Bhullar with JPMorgan. Please proceed with your question.

Jamminder Singh Bhullar

Analyst, JPMorgan Securities LLC

Hey, good morning. So, first, just had a question on your – some of your comments on the reinsurance market. You mentioned a challenging environment for your clients, especially in property reinsurance. Are you expecting a similar trend for midyear renewals as well or do you expect any sort of shifts in capacity entering the market?

Eric J. Andersen

President, Aon Plc

So, Jimmy, right now we have not seen a lot of new capacity enter the marketplace, although there is certainly a lot of whispers and discussion about whether there is opportunity for additional capital to enter. So, I would say as we go into the April 1 property renewals, which are dominated by Japan and then June, which is dominated by Florida, I think as we sit here today, you would have to think that those market dynamics would continue.

Jamminder Singh Bhullar

Analyst, JPMorgan Securities LLC

Okay. And then just similarly on commercial lines, obviously, pricing has been pretty good for a while. It seems like it's softening a little bit given the results that some of the carriers have reported. Are you seeing something similar in the market, too?

Eric J. Andersen

President, Aon Plc

Yeah. I would say it depends where you are and it depends on the segment. It depends on the industry. I think we like to say there's a million little markets out there depending on each individual client and the business they're in and the type of exposures that are being covered. But I'd say on a macro basis, certainly property, I think, continues to be the firmest as the primary carriers now deal with the effects of higher-retained risk that they were traditionally passing on to reinsurers. But whether it's the casualty lines, general liability, cyber, financial lines, D&O, professional, that type of thing. We're definitely seeing a stabilizing of that market as more capital has come into those areas and clients are being given more choices in what they're doing.

And I would also say that the insurers are four years into remediating their portfolios. And so, they're much more specific as to the areas that they choose to compete in and the kind of business that they want to write, which does give clients sort of a more targeted choice of potential insurer partners.

[indiscernible] (00:30:04)

Gregory C. Case

Chief Executive Officer & Executive Director, Aon Plc

Jimmy, in the context of this, if you step back and think about the implications for insurers, Eric's highlighted very well, kind of on a product by product basis. As I talked – described in my comments and Christa amplified very well, this is really about a client leadership approach for us and fundamental demand is going up. The opportunity to talk to clients about risk out there in the world and how it's connected, it's going up. So, irrespective of sort of the individual pricing environment, which Eric described well, the opportunity for us to engage clients and help them how to protect their business and grow is actually continuing to increase.

## Jamminder Singh Bhullar

Analyst, JPMorgan Securities LLC

Okay. Thanks. And just lastly for Christa, on taxes, do you see anything in terms of like a minimum global tax or something that based on what's out there right now and how – do you have any views on how it would impact your financials?

#### **Christa Davies**

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

Jimmy, we don't comment on any future legislation. We run a global tax structure and we've had an underlying rate of 18% for the last five years. And we feel really good about where we are.

## Jamminder Singh Bhullar

Analyst, JPMorgan Securities LLC

Okay. Thank you.

**Operator**: Thank you. Our next question comes from the line of Rob Cox with Goldman Sachs. Please proceed with your question.

#### Robert Cox

Analyst, Goldman Sachs & Co. LLC

Hey, thanks. And first, maybe just a longer-term question. I think in the past, you've talked about getting margins up into the 40%-plus area. I know you don't disclose margins by segment but curious if you can give us some color on which of your businesses have some of the most opportunity there and if Commercial Risk could ever get to that level?

## Gregory C. Case

Chief Executive Officer & Executive Director, Aon Plc

Well, I'll just take a step back for a second. As we've talked about, it really is about mid-single digit or greater organic growth, improving margins over time, and really driving double-digit free cash flow growth for the firm and all aspects contribute. And as you're hearing in our commentary, more and more are connected. The solutions we're providing, some of the most innovative solutions we're providing really are a function of how our Commercial Risk business, our Reinsurance business, Health, Wealth and Talent businesses come together.

And so, we're confident about continuing to drive margin improvement, as we described organic revenue growth, mid-single-digit or greater, and free cash flow growth double digit. That's how we want you to think about it. That engine is, really, what's coming together. And we're confident we can achieve that on your — on our clients behalf.

#### Robert Cox

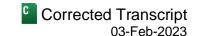
Analyst, Goldman Sachs & Co. LLC

Okay. Got it. And maybe just switching to the Wealth segment. Obviously, strong growth in the quarter. I was wondering if that was more driven by the pension risk transfers or some of the regulatory changes we're seeing, particularly in Europe? And if your outlook considers a continued tailwind from these areas.

## Gregory C. Case

Chief Executive Officer & Executive Director, Aon Plc

Д



I just would start overall and, Eric, love to have you add some additional color here. Look, the team has done a phenomenal job. There's a lot going on out there for our clients in this arena. A lot of complexity as we've described before. And whether it's on the interest rate side or the overall – general state of the overall economy and what's happening with pension risk transfers we've described.

So, the team's just done an exceptional job, really on a global basis helping our clients sort of navigate across very, very challenging marketplaces. And you saw it show up in the year. You certainly saw it show up in the quarter. Eric, what else would you add to that?

Eric J. Andersen

President, Aon Plc

Listen, I think the regulatory changes with the global minimum pensions is such a big part of the business in the retirement side. So, we saw a lot of growth there, especially out of the UK, but also a decent growth in the US as well. There were some headwinds with the investment business because of AUM being down with the market. But overall, I think we're really well positioned. And I think, Christa, you mentioned in your opening comments about the pension risk transfer piece. Also, I think we're an industry leader in that space and really have a great team to do it.

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

Look, I'd just finish with what we're doing on the Aon side. We're following our – the same advice we give clients. And over the last 15 years, we've reduced the risk on our pension substantially through steps to close the plans, new entrants, freeze benefit accrual, match up for liabilities and purchase annuities to settle a portion of the pension liabilities. And that's resulted in much less economic risk and much reduced cash contributions.

And so, our remaining plans are well funded and hedged, and we're really managing this on a cash basis. And you can see that our cash contributions have come down substantially over time, with only \$65 million were contributing in 2023 in cash, a continued downward trend in cash. And so, we're really excited about the progress we continue to make on our own plans in de-risking, as you saw in Q4, with the \$300 million of pension benefit obligation coming off the balance sheet, and in the decreased cash contributions.

Robert Cox

Analyst, Goldman Sachs & Co. LLC

Great. Thanks for the color.

**Operator**: Thank you. Our next question comes from the line of Weston Bloomer with UBS. Please proceed with your question. Mr. Bloomer, your line is live.

Weston Bloomer

Analyst, UBS Securities LLC

Sorry about that. I was on mute. My first question is on the margin. I was hoping you could kind of expand on your margin outlook away from fiduciary income? I guess, would you be able to still expand margins in the core business away from the fiduciary income benefit in 2023? And then where could we potentially see that margin improvement? I would assume lower real estate would be a component of that.

#### **Christa Davies**

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

So, Weston, thanks so much for the question. As we think about margin expansion, we think about it holistically over the course of the year at the Aon levels. And we've grown margins, as I mentioned, 1,120 basis points over the last 12 years or 90 basis points a year for 12 years. And it's driven by revenue growth, a portfolio mix shift as we disproportionately invest in higher revenue growth, higher-margin businesses organically and inorganically, and productivity benefits from ABS. So, we don't look at it separately from investment income or frankly, the underlying investments we're making in the business each and every year to drive long-term growth and innovation for our clients.

#### Weston Bloomer

Analyst, UBS Securities LLC

Great. Thank you. My second question, I know you highlighted that you're seeing some signs of economic uncertainty in your prepared remarks. Can you just expand on kind of where you're seeing those signs of weakness, and then what economic backdrop does your guidance assume?

## **Gregory C. Case**

Chief Executive Officer & Executive Director, Aon Plc

Excellent, Weston, I appreciate the question. We are seeing uncertainty or complexity or interconnectivity, however you want to describe it, really everywhere around the world. We do want to emphasize, though, this is not just risk, it's opportunity. And it's an opportunity to engage clients in ways to help them understand these risks more effectively. And candidly, our clients want to get on the offensive. They want to understand that risk and then actually deal with how they can actually grow their businesses in the context of it.

So, for us, this is about more connectivity around a changing environment, but we're seeing it really everywhere around the globe, the impacts of interest rate changes, inflation, geopolitical challenges, really the fundamental issues I described in the opening comments around things like health and wealth and talent. The evolution from just engagement to now wellness, all things that come with that, all aspects that, how you think about managing that sort of using Reinsurance analytics and Commercial Risk analytics in the context of people. All of these things are coming together. It's a great opportunity for us and we're really seeing it everywhere in addition to the challenges you described.

#### Weston Bloomer

Analyst, UBS Securities LLC

Great. Thank you. And then my last one follow-up on tax. I believe you had a tax holiday in Singapore that ran through September of 2022. Was that extended going forward?

## Christa Davies

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

Look, our operations in Singapore, including our investment center and local business are an essential part of our operations today. And we expect they'll remain important part of our global strategy going forward. We did finalize our negotiations with the Economic Development Board in Singapore and we've provided updated disclosure on our 10-year arrangement in our 10-K.

#### Weston Bloomer

Analyst, UBS Securities LLC



Great. Thank you for taking my questions.

**Operator:** Thank you. Our next question comes from the line of David Motemaden with Evercore ISI. Please proceed with your question.

## **David Motemaden**

Analyst, Evercore ISI

Hi. Thanks. Good morning. I had a question on Commercial Risk. Greg, you mentioned there was a 5-point drag from the lower transaction volume in the quarter's organic growth. I guess, I'm wondering, is that going to be a similar size drag as we think about first quarter or is it going to be lower, higher? I guess how should we think about that as we progress through the – through 2023?

## Gregory C. Case

Chief Executive Officer & Executive Director, Aon Plc

Yeah. David, thanks for the question. Really, we were underlying. Look, our commercial risk colleagues working across the firm has done a tremendous job and drove growth, as I described, everywhere around the world, including in the US with the exception of the external M&A and IPO environment, which created a headwind that we described. But even in the context of that, we've just done a magnificent job. As you know, that's an amazing business. And we are incredibly well positioned in the context of it.

And we'll see how it plays out. We highlighted maybe it drags into the first quarter. We'll see too what happens on the M&A services front. But overall, it's an exceptionally strong performance in terms of what we've done overall. And this is just one piece. And as we described before, this is really about overall global Aon and what we can do to grow the firm. And we're very excited and confident about how that's going to proceed in 2023.

#### **David Motemaden**

Analyst, Evercore ISI

Got it. Okay. Thank you. And then I think you guys usually give an update on the colleague count at the end of every year. So, I think it was 50,000 at the end of 2021. Where did that stand at the end of 2022? Did that grow at all?

## **Gregory C. Case**

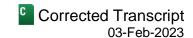
Chief Executive Officer & Executive Director, Aon Plc

Listen, I'm not sure how much we disclosed on the specific people because it isn't about the individuals for us from the standpoint, it's how we help them become more effective, more capable, greater ability to deliver the firm. And I would tell you, as we look at that, we've been incredibly pleased with the progress when you think about overall Aon United and all the aspects around it and great progress. But I would say we continue to invest tremendously in our colleagues and bring in colleagues on and you saw that in 2022. You'll see it again in 2023 and 2024.

### **David Motemaden**

Analyst, Evercore ISI

Got it. Thanks. And I guess just to follow up on that, Greg. You mentioned, I guess it sounded like just productivity enhancement of your existing employee base. Is – are there any metrics that you guys track that you can help us think about that?



## Gregory C. Case

Chief Executive Officer & Executive Director, Aon Plc

David, there are lots of metrics. We have them. We don't disclose them. I do think it's worth, on this point in particular, understanding and maybe taking a minute to step back and say, listen, when you think about our ability to drive organic growth, to drive margin improvement, to drive free cash flow improvement, fundamentally, Christa and I both highlighted the role that Aon United strategy plays in that, and it is fundamental. And I think it's worth a couple of minutes here, David, to your question.

Look, if you think about it, we've been at this for 10 years plus. We saw back then client need was changing. We saw that we need to help them make better decisions to protect and grow their business. We saw, frankly, [indiscernible] (00:41:45) across all aspects of risk, not just commercial risk, all aspects of what we're doing, workforce, health, talent, et cetera. We also saw we had great capability. But like everyone around the world, it wasn't joined up and it wasn't driving innovation at scale. And we saw that loud and clear, David, in terms of where we are.

We also saw, however, there were pieces and pockets when our colleagues worked together. We win more clients, we do more with them, we retain them longer, and we also deliver better and faster innovation at scale across the firm. And this fundamental truth, 10 years ago for us created a great deal of excitement, but it also created a real challenge which was, okay, that sounds great, everybody talks about this, how do you do it? How do you accomplish that? And that's the Aon United strategy.

And this is back to your critical question, how do we maintain performance and drive it over time? It is Aon United. The challenge has been, as we've evolved it and the opportunity is this required a fundamental design of organization around serving clients, [indiscernible] (00:42:43) training, learning, how we think about leadership development, Aon Business Services is fundamental to that and some real, frankly, price of admission to really do this, single brand, single P&L, single leadership team, et cetera.

And we are really bringing that online. And what you heard from both Christa and I and in Eric's comments as well is what we've done with Aon United is fundamentally to put us in a position to not just serve clients by solution line, but really cutting across solution lines to bring better capability to them. And in the current environment, the more difficult it becomes for clients, the more opportunity we have to bring value. And that's frankly what you're seeing, which is why we are confident in our ability to frankly not just make progress over the last decade, as Christa highlighted, but why we are so excited about the go forward.

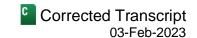
## Eric J. Andersen

President, Aon Plc

Hey, Greg, maybe I can give you a little bit of color with regard to a client example just to bring it to life, because I can't stress how important this is for us and what we do for our clients. We were recently engaged by a global firm in a specialized industry who was looking for just better risk advisory services around the world for their risk strategy, both globally and as well as locally. And to do this, we use resources from all of our solution lines in multiple spots. And on the surface, I would say this is the kind of work that we love to do for clients. But just thinking about what you were just saying, Greg, when I think back to what we used to do, right, when we were operating under these sub-brands of Aon Risk Services, Aon Benfield, Aon Hewitt, and the others, it would have been a pretty disjointed process for us.

There would have been all sorts of internal barriers within the firm that would have distracted us from the focus on the client, we'd have had internal P&L issues like resource allocation, revenue sharing, incentive discussions. I





think you all get the point. But today with the Aon United structure, we have five regional leaders, four global solution line leaders who are focused solely on delivering for that client under the Aon brand with one P&L operating under the world – around the world. And it is powered by the Aon Business Services model, which allows us to actually deliver that capability in a uniform way globally.

**Christa Davies** 

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

A

And, Eric, I would just say that Aon United sets the stage for Aon Business Services to be successful. I agree with everything you both said. And I would add three things. The first is innovation at scale is an essential part of our ability to deliver results for clients as we continue to find applications and solutions developed in one area and then scale it to clients globally. We can't do that without Aon Business Services enabling seamless connectivity across the globe.

Second, Aon United is not a feel-good story. It's designed to enable our colleagues in every way to deliver better results for clients, which translates into stronger top and bottom line performance. And ultimately, that translates into free cash flow growth as evidenced by our \$3 billion in free cash flow and 24% free cash flow margin as we put our highest and best use of the capital, which we believe will continue to drive long-term value creation for shareholders.

Translating revenue into free cash flow is a scaled operational outcome. And it's done at scale globally in over 100 countries tracking by day, by country with great accuracy. This is not possible without Aon United and the detailed operating model we've got powered by Aon Business Services. It makes us all really excited about the 2023 go forward momentum and how we scale its operations to deliver innovation for our clients.

**Gregory C. Case** 

Α

Chief Executive Officer & Executive Director, Aon Plc

So, David, that was way more than you asked for on the initial piece that you asked a very important specific question. What we're trying to convey is that the answer to that is key but it really is fundamental to sort of how the integrated approach happens and how it drives performance and how we're not full – we're not complete with the journey. There's a lot more opportunity ahead of us. And it also connects with our colleagues because they love driving the solutions Eric described. It creates engagement. It creates excitement around.

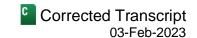
If you can wow a client, you've done something that is truly kind of makes – that makes the week in the month. So, it's a huge opportunity. And we stress it here because it's so fundamental to our success with our clients and obviously with all of our investors as partners as well. So, hopefully, that's helpful.

**David Motemaden** 

Analyst, Evercore ISI

No. That is. Thanks so much for the thorough answer. I really appreciate it.

**Operator:** Thank you. Our next question comes from the line of Michael Ward with Citi. Please proceed with your question.



Hey. Hey, guys, this is [ph] Charlie (00:47:06) on for Mike. I guess, first, in Human Capital, organic growth has been really strong for many quarters now. Wondering what the pipeline looks there amid macro uncertainty and comps being challenging. And you mentioned tech talent in your opening remarks. Is that business benefiting from some of the job market dislocation in tech?

Eric J. Andersen

President, Aon Plc

So, why don't I take the first one? Certainly Human Capital has been a very robust business for us over the last 24 months. And it's still – we still see it. The data sales, the information around comp, the competitive talent engagement, assessment, all still very critical to the agendas of our clients. So, we feel really good about that business and what it's done over the last 24 months and are confident about it literally over the next 12 to 24 months as well.

And on the tech talent side – go ahead, Christa. Please, go ahead.

**Christa Davies** 

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

Sorry. On the tech talent, we've got one of the most fabulous brands in the tech space, Radford. And that was the example I gave on the opening remarks around using AI to actually be able to match and find the optimal tech talents at the right price anywhere around the world. And then to be able to also figure out where your tech talent is within your existing organization to be able to optimize your workforce. And so, we do see the tech dislocations being a fabulous time to utilize this AI technology to get – to make sure that our clients get access to the best talent and optimize it in the right way.

Got it. Thank you. And then, you mentioned cyber pricing kind of being more an equilibrium now, wondering how Aon's role in the marketplace has evolved over time as that market has grown a lot over the last several years.

Eric J. Andersen

President, Aon Plc

Listen, I think the cyber market is continuing to evolve and will continue to do so as the threat actors change over time. I would say we're a leading provider of both risk management when you think about data security and the strategy to prevent cyberattacks certainly with our Stroz Friedberg brand. Very strong in terms of its work with clients. And then obviously the risk transfer aspect.

I would say when you think about the cyber market today and where it's going, I would say the insurers have actually gone back to basics. The way, the quality of the underwriting, the in-depth understanding of what the real cyber exposures are have allowed them to price it better to understand the real risks. And frankly, it's allowed us to distinguish and differentiate our clients and the work that they're doing around cyber protection to be able to bring them to market in a way that gives them individual views. But it's become quite a market in terms of size, probably approaching about \$10 billion of premium. And both from an insurance and a reinsurance side, I consider Aon a market leader in the space.

Corrected Transcript
03-Feb-2023

Thanks for the color.

**Operator**: Thank you. Our next question comes from the line of Derek Han with KBW. Please proceed with your question.

## **Derek Han**

Analyst, Keefe, Bruyette & Woods, Inc.

Good morning. Thanks. So, my first question is on buybacks. It looks like buybacks slowed a little bit in the fourth quarter. Was there anything unusual driving that? I was a little surprised just given the strong operating cash flows.

## **Christa Davies**

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

No. We would just say that we continue to see across the firm that we deploy cash based on the highest return on capital opportunity. Buyback is top of the list even at today's prices, Derek. And so we – that's why we bought \$3.2 billion back in calendar year 2022 and we expect buyback to remain the highest return on capital opportunity going forward.

#### **Derek Han**

Analyst, Keefe, Bruyette & Woods, Inc.

Got it. That's helpful. And then my second question is on M&A. We've heard chatter about the M&A market kind of cooling a little bit. Are you kind of seeing that in the market? And how does that impact your M&A appetite for this?

### **Gregory C. Case**

Chief Executive Officer & Executive Director, Aon Plc

Now, from our standpoint, we see tremendous opportunity around the marketplace overall and as there's been some market stress that even creates more opportunity. As Christa described, our decisions are made around literally with the cash pool. It's return on capital, cash on cash return. And we see lots of opportunity out there. We also see lots of opportunity to invest organically in our business. And we've been doing that with great success. And the pipeline we see is as strong as ever before as Christa described, it's got to really add value. For us, it's about content. We can scale effectively and that really drives sort of outcomes that are very powerful. We see a lot of opportunity there. Christa, anything else you'd add to that?

## **Christa Davies**

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

Yeah, look, I would just add, we found some terrific companies and invested in those this year. I mean, Tyche, fantastic capability in the capital modeling and analytics space and ERN in the modeling space in Mexico. And so, we continue to invest in areas of high growth and client need, which we're really excited about.

## **Derek Han**

Analyst, Keefe, Bruyette & Woods, Inc.

Okay. Thank you.

**Operator**: Thank you. Our final question this morning comes from the line of Mike Zaremski with BMO Capital Markets. Please proceed with your question.

#### Mike Zaremski

Analyst, BMO Capital Markets Corp.

Hey. Good morning. Great. Just a follow-up on the M&A landscape, can you remind us – we know that Aon has moved in some of the M&A with CoverWallet into the small commercial marketplace. Any ambitions to get into kind of the main street US retail marketplace? I know you just mentioned there were some market stresses. I believe there's some market stresses for some of the private equity rollups there. Just curious if there's any ambitions to get into kind of main street retail, small, mid commercial.

Gregory C. Case

Chief Executive Officer & Executive Director, Aon Plc

Listen, as we step back, I want to make sure I understand the market segments that you're thinking about. We love the segments we operate in, which is really the large market, the middle-sized marketplace and the small commercial market. And you're absolutely right, the – bringing in CoverWallet has been phenomenal, it is a capability, much like [ph] Mini (00:53:15) that we can scale. Scale not just in the small commercial market, but if you think about B2B2C, in large companies with bringing that capability in the context of that, if you think about kind of distributed businesses, franchises, things like that, phenomenal sort of opportunities.

So, we love the space. We've got great capability in it. We're going to continue to grow it and we've seen great success with it. So, that's how we think about overall small commercial. But I wanted to make sure does that answer your question?

Mike Zaremski

Analyst, BMO Capital Markets Corp.

Yeah. I just wanted to confirm that there is no strategic initiative that kind of operates more kind of in the – where – I guess, where [indiscernible] (00:53:51) kind of agency or Barnum Brown [indiscernible] (00:53:54) the sandbox that they're competing in, the smaller size businesses versus the kind of Fortune 5000.

Gregory C. Case

Chief Executive Officer & Executive Director, Aon Plc

No. Listen...

Mike Zaremski

Analyst, BMO Capital Markets Corp.

Little bigger than CoverWallet. Thanks.

**Gregory C. Case** 

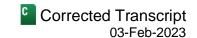
Chief Executive Officer & Executive Director, Aon Plc

Yeah. We're absolutely active across the board. The question is how and how with content capability that lets us scale in those agreements. And we've been very successful across all of those segment pieces, not necessarily in [ph] the rollout (00:54:22) because of that size as opposed to more capability. But it really has been – we love the segments, see great opportunity in the segments and CoverWallet was a great addition to the Aon world. Eric, anything else you'd add to that?

Eric J. Andersen

President, Aon Plc

Д



Yeah. Greg, I would say, our Affinity businesses, we serve specialized groups of small. So, we're very active in the small space, but really where we can bring distinct value, whether it's in the travel space or museums, that type of thing, where we actually have a product or capability where we're able to provide distinct value to the client.

I would also say with our office – our 500 offices around the world, we engage with clients across all segments. I mean, there are only 500 Fortune 500 clients. We do an awful lot in the middle market and the small commercial. Our strategy is to bring product solutions using the expertise that we have across all of our capabilities and package them and deliver them in a way where we're providing the real value of using Aon as your advisor. So, you get that product expertise, but delivered in a way where it's efficient and cost effective for them to be able to use our capabilities.

## Mike Zaremski

Analyst, BMO Capital Markets Corp.

Okay. That's interesting and helpful. My last follow up was on fiduciary investment income. Now, I know there are some nuances that make it not – it's tough for us to model exactly. But should we be expecting a quarterly stepup, a material step-up into 2023 based on where the interest rates are now across the globe?

#### **Christa Davies**

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

Yes. So, what I would tell you is what we saw in 2022 was that interest rates stepped up in Q3 and Q4 of 2022. And so, if interest rates stay where they are today, you'll see a similar impact to Q4 in Q1 and Q2. And so, we would expect that increase of interest rate stay where they are. And then for modeling going forward, every 100-basis-point increase in interest rates is approximately \$65 million in fiduciary investment income, and there's no delay between interest rate increases and it impacting our fiduciary investment income.

## Mike Zaremski

Analyst, BMO Capital Markets Corp.

Thank you.

**Operator**: Thank you. Ladies and gentlemen, this concludes our question-and-answer session. I'll turn the floor back to Mr. Case for any final comments.

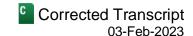
## **Gregory C. Case**

Chief Executive Officer & Executive Director, Aon Plc

I just want to say thanks, everybody, for joining us today. We appreciate it and look forward to the next call.

**Operator**: Thank you. This concludes today's conference. You may disconnect your lines at this time. Thank you for your participation.





#### Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet Calistreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2023 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.