

Marsh & McLennan (MMC)

November 17, 2022

Financial Services – Insurance Brokerage & Consulting

Stock Rating

Hold

Investment Thesis

Marsh & McLennan is an *insurance broker* that benefits from the stability of the underlying insurance they broker. We have a 11% upside potential with them likely benefiting from strong growth in acquisitions, cybersecurity insurance, healthcare consulting, and the continued strength of their core brokerage operations.

Drivers of Thesis

- Strong financial performance year-to-date due to a resilient industry during economic uncertainty. This allows us to have confidence in our total revenue forecast growth of 6% in 2022 and 8% in 2023.
- Insurance companies have had strong financial performance year-to-date. Indicating the premiums market has not been hurt by the uncertainty of the economic direction, and that the insurance cycle is still strong.
- Cybersecurity market is forecasted to grow from \$4.8 billion U.S. to about \$20 billion by 2025, which is a huge commission opportunity for Marsh & McLennan.

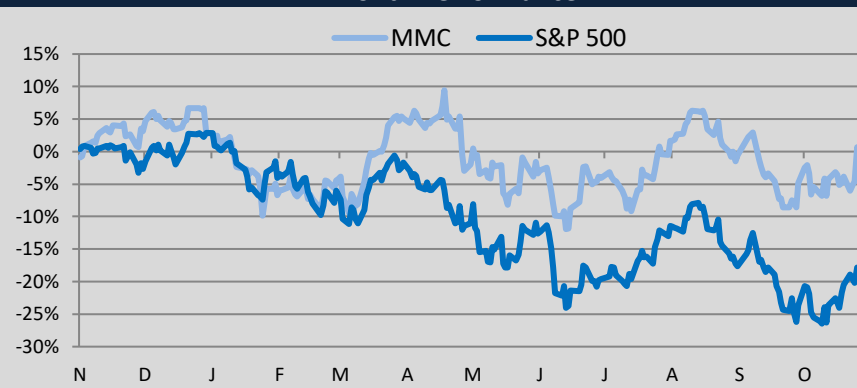
Risks to Thesis

- Dollar continues to appreciate compared to the other major currencies around the world. MMC has about 52% of their revenue in foreign currencies, and it is estimated about a \$70 million year-over-year loss on FX exchanges will occur if the dollar stays strong.
- The industry does appear to be mature which limits the upside potential. Our forecast horizon does not assume any single year with double-digit growth.

Earnings Estimates

Year	2019	2020	2021	2022E	2023E	2024E
EPS	\$3.44	\$3.98	\$6.22	\$6.48	\$7.38	\$8.21
HF est. growth				.2%	20%	13%

12 Month Performance



Target Price

\$ 174 - 184

Henry Fund DCF	\$184
Henry Fund DDM	\$161
Relative Multiple	\$131

Price Data

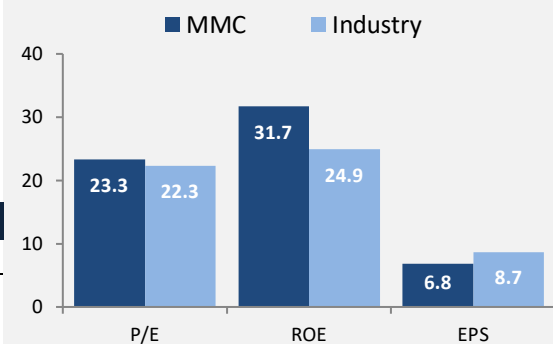
Current Price	\$166
52wk Range	\$143 - 183
Consensus 1yr Target	\$175

Key Statistics

Market Cap (B)	\$80,101
Shares Outstanding (M)	\$505
Institutional Ownership	89.9%
Beta	.89
Dividend Yield	1.5%
Est. 5yr CAGR Growth	5%
Price/Earnings (Current)	23.9
Price/Earnings (FY1)	21.8
Price/Sales (Current)	3.99
Price/Book (mrg)	8.0

Profitability

Operating Margin	20.6%
Profit Margin	14.4%
Return on Assets (TTM)	9.3%
Return on Equity (TTM)	24.1%



Company Description

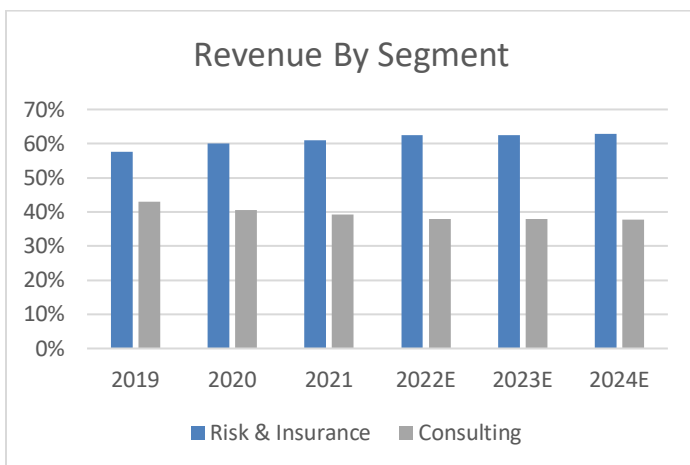
Marsh & McLennan is a global leader in providing superior risk management services. Including *insurance brokerage and consultation*. Offering insurance and reinsurance brokerage. While their top consulting services include vital health, wealth, and brand services. Operating in over 130 countries around the world. With the modern importance of understanding data. They harvest and use data to make informed data-driven decisions for all their clientele. They understand the economic impact they play on society and take this very seriously.

COMPANY DESCRIPTION

Marsh & McLennan is a leading risk management professional services company that serves clients throughout the world. With strong brand recognition and relationship management. They are expected to maintain a strong position in this space. With operating revenue of \$19.8 billion in 2021. This number is expected to grow with the global economy. As insurance advisory and consultation are at the forefront of necessary services around the world. They operate in two primary segments. First, risk and insurance services and then consultation which will be explained in further detail next. ¹

Revenue By Segment

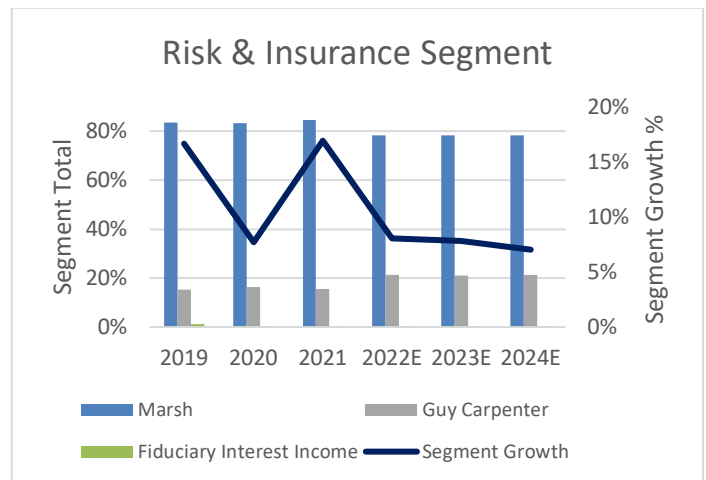
Marsh & McLennan has two main reporting segments. Risk and insurance make up a simple majority of their revenue. These services are the insurance brokerage activities like advising clients on insurance products/prices and collecting commissions on the underlying premiums. Over the last five years, their risk and insurance business has grown faster than their consulting segment. This is believed to be partly due to increasing premiums and the expansion of new insurance lines like cyber-security insurance. The next chart will illustrate their segment decomposition from 2019-2024. We expect their risk and insurance segment to make up about 63% of their revenue while consulting makes up about 38%. This is consistent with our extrapolated 2022 estimate based on their latest Q2 results. We are forecasting a CAGR of just below 5% throughout the forecast horizon between 2021-2031. ¹



(Source: 10: Ks & HF Model)

Risk & Insurance Segment

As we have previously discussed their risk and insurance segment made up just over 61% in 2021. This segment can further be broken down into the following three categories. Marsh, Guy Carpenter, and Fiduciary interests. Their Marsh segment made up about 84% of their total risk& insurance revenue in 2021 followed by Guy Carpenter at about 15%. The following chart displays the total revenue generated by each segment as well as the annually combined growth rate. Next, we will elaborate further on the specific activities in each segment and the growth estimates we have for each. ¹



(Source: 10-k & HF Model)

Marsh

Marsh is the world's leading *insurance broker* and risk advisor. They offer these services to a wide range of clients. Including companies, institutions, and individuals. In operation since 1871, they provide insurance brokerage, risk management/consulting, and other risk transfer support services. This segment excludes the money earned on their reinsurance activities as those are in the next segment we will discuss. We have this segment growing by a CAGR of 4.9% out to 2024, and a CAGR of 5% over the total forecast horizon. Although this is a mature market, we do think they will continue to compete for growth by increasing commissions on underlying premiums, new insurances like cyber-security, and the continued acquisition of smaller businesses that have a good reputation. They compete pretty heavily against AON and Arthur J Gallagher for brokerage commissions. While the commissions earned on such premiums are normally between 5% to 25% but are normally somewhere in

between depending on the type of insurance to name one of the various determining factors. According to the summary of commissions page displayed on Marsh.com. ^{1, 23}

Guy Carpenter

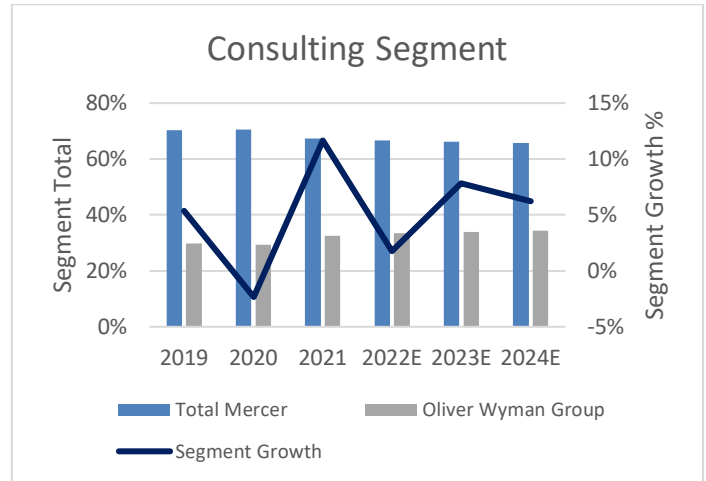
Guy Carpenter acts as their reinsurance intermediary. This segment generated about 9% of the company’s total revenue in 2021. About 3,400 colleagues provide reinsurance brokerage expertise, strategic advisory services, and analytics solutions. ¹

We are forecasting this segment to grow by a CAGR of 14% from 2019-2024. While we have the segment growing by a CAGR of 10% for our whole forecast horizon. We think they will continue to experience growth in their reinsurance segment due to the underlying push for reinsurers to negotiate higher reinsurers rates with insurers by 10% to 30%. Due to the number of catastrophe losses over the last five years, and the worries over climatic changes to come. ^{1, 19}

Consulting

As we can see from the next chart. Their consulting revenue consists of two primary segments. This segment has averaged about 43% of their total revenue between 2016 and 2021, and only made up about 39% of total revenue in 2021. They conduct business through Mercer and Oliver Wyman Group. Mercer consists of things like their wealth, health, and career consulting services. We can see from the segment growth trendline below that we are expecting their consulting segment to pick up some growth over the next couple of years. Driven by a

continued expansion in healthcare consulting and company’s advancement in big data. ¹



(Source: 10K & HF Model)

Mercer

Mercer provides wealth, health, and career-consulting services to clients in 48 countries around the world. Most of their clients are in the Fortune 1000 and FTSE 100. Although they also operate in medium/smaller markets. We are expecting their Mercer segment to grow by an average of 4% from 2019 to 2024. We are expecting this growth to continue led by a continuous level of strong growth in their healthcare consulting. ¹

Below is a chart displaying several of the consulting services in addition to the previously mentioned ones. Including employee programs, governance, and skills assessment services. ¹

Consulting Services		
<u>Health</u>	<u>Wealth</u>	<u>Career</u>
Employee Programs	Design	Engagement
Welfare Programs	Governance	Skill Assessment
Health Benefits	Retirement Plans	Management
Digital Experience	Actuarial Consulting	Human Resources

(Source: 10-k)

Oliver Wyman Group

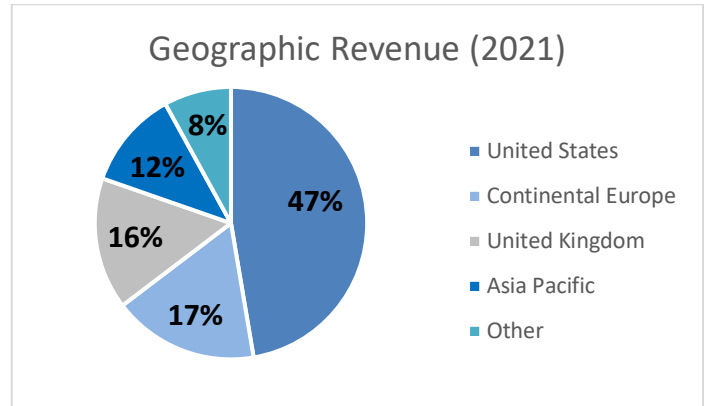
Oliver Wyman made up about 13% of the company’s total revenue in 2021. This segment comprises largely of things such as management consulting. They have a diversified array of consulting services each of which is a leader in the industry or one of the top players in the space amongst their peers. We have forecasted this segment to grow by a

CAGR of 7% from 2021 to 2024. While growth will slow down from there. In a complex, data-driven world. We think companies like Marsh that have a countless amount of data will be set up to continue to flourish in the future. As management will adapt even more data-driven decisions moving forward. ¹

highlight just the revenue sources by country in the following chart.

Industry Groups		
Automotive	Wholesale	Industrial
Aviation	Education	Public Sector
Business Services	Energy	Retail
Communications	Financial Services	Transportation
Distribution	Health	Travel

(Source: 10-k)



(Source: 2021 MMC HF-Report)

Geographic Revenue

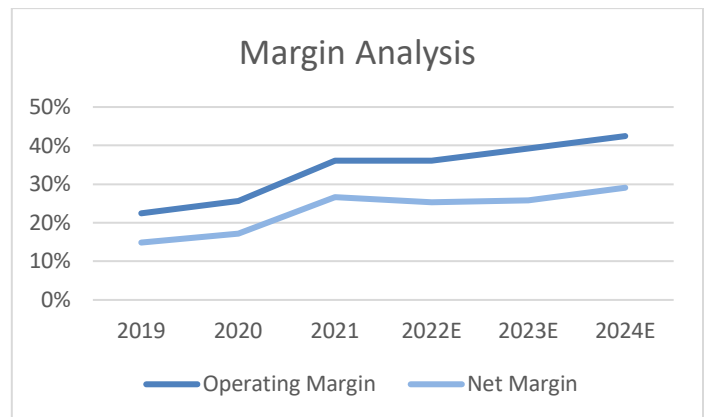
The company does generate a good source of revenue from international operations. They have been increasing their foreign revenue on both an underlying basis and through acquisition. This is important to highlight right now given the current foreign-currency risks that are prevalent in the international market. The next chart displays the percentage of revenue that is derived from certain geographic regions around the world.

Cost Structure Analysis

Marsh & McLennan has been experiencing cost synergies and expanding margins ever since 2012. That year they had respective operating and net margins of 15% and 10%. These grew to 22% and 15% in 2019. This expansion has been stated to be not just from cost synergies, but also through the position they have in financial leverage. We are expecting this trend to continue, and we have both their operating and net margins exhibiting an expansionary path in the forecast horizon.

Although it is not a perfect correlation this is a very good proxy for the percentage of revenue, they have in each respective currency compared to their total revenue. They do state their goal is to match up revenue and costs to be a similar percentage per currency. We will elaborate on this further in an upcoming section, but first we wanted to

Technology will allow them to perform brokerage activities with more efficiency than in the current operating environment. The level of these margins at year-end 2021 was at 36% and 27%, and we are forecasting them to expand profitability and have an operating margin of 42% and a net margin of 29% in our forecasted 2024. ¹



(Source: 10-k & HF Model)

Debt Maturity Analysis

Marsh & McLennan has a considerable amount of debt in their capital structure, but nothing out of the ordinary. Their senior-debt rating is currently rated A- by S&P and Baa1 by Moody's. While their short-term debt is rated respectively at A-2, and P-2, and both rating agencies have a stable outlook on the company. This is the same as the debt rating of AON which is rated A- with a stable outlook from S&P. From 2012-2021 Marsh & McLennan has had an average times-interest coverage of 11. This was calculated by taking their operating income divided by interest expense. We expect them to remain solvent according to this metric. Their long-term debt to EBITDA was at 1.76x for the last twelve months. We think they are in a good cash position and will likely refinance some of their debt as it matures to maintain a target capital structure. However, with the rising rate environment, they might opt to not roll over as much of their debt and finance more projects through internal sources of cash and retained earnings which will be cheaper.

Five-Year Debt Maturity Schedule

Fiscal Year	Payment (\$mil)
2022	\$389
2023	350
2024	307
2025	276
2026	253
Thereafter	924
Total	\$2,212

Source

ESG Analysis

Sustainalytics has given MMC a total ESG risk score in the 24th percentile. With an overall score of 19. The overall and specific scores we discuss are all out of 0-100 with a lower score meaning less unmanaged risk. The following list is the specifics of each respective ESG category.

- Environmental-Risk Score (.1)
- Social-Risk Score (7.9)
- Governance-Risk Score (11.5)

Marsh is doing a pretty good job managing ESG risk according to Sustainalytics. Which is a positive sign for the company moving forward as this is one of the bigger ESG rating methods. There have been a number of recent ESG initiatives for the company as well. The next chart

illustrates some of their companywide goals and expectations for the course of this year. ¹³

2022 ESG Initiatives

Commitment to Net-Zero by 2050
 Selected as "A World's Most Ethical Companies"
 Elimination of Single-Use Plastics in 100% of Offices
 Reach 31% Female Board Representation
 Marsh Introduces ESG Rating

(Source: 10-k)

Their overall ESG score compares to the 22 that Arthur J. Gallagher which is slightly worse than them and Willis Towe Watson which has an overall ESG score of 18 according to Sustainalytic metrics as well.

RECENT DEVELOPMENTS

Recent Earnings Announcement

Marsh & McLennan recently reported their Q3 2022 earnings on October 20, 2022. Consolidated revenue in Q3 increased by 4% compared to the previous year. Underlying revenue grew by 8%, and adjusted earnings per share rose by 9% to \$1.18 compared to a year ago.

Risk & Insurance Services was up about 6% in the quarter to \$2.8 billion. With the highest percentage of growth occurring in Latin America and the Asian Pacific Market. Respectively, at 15% and 14% growth in the quarter. Consulting had an increase in revenue by 1% or 8% on the underlying basis. These quarterly results were well taken by the street as they also increased both GAAP and adjusted EPS for Q3. This is another sign that the company has been resilient over 2022 year-to-date. ¹²

Foreign Exchange Impacts

With the historically strong dollar companies doing business internationally have had operational challenges regarding repatriating money in foreign currencies. Marsh & McLennan said their non-U.S.-based revenue that is exposed to foreign exchange fluctuations is approximately 52% of total revenue. They estimate that foreign exchange rates of major currencies like the Euro, Sterling, Australian dollar, and Canadian dollar moved about 10% in the same direction against the U.S. dollar being held constant. Full-year net operating income would increase or decrease by approximately \$65 million. This is about 15% of their total operating income estimate for 2022. Overall, they have

exposure to about 85 foreign currencies globally, and if exchange rates hold constant for the rest of the year they estimated their year-over-year impact will decrease net operating income by roughly \$70 million. ¹

This is a tough time for international financial operations. Marsh & McLennan is exposed more than a lot of companies given their global presents. They do utilize a number of forward contracts and options to hedge some of this risk, but that still carries the risk of financial loss. Given the dollar's natural tendency to be the safe haven of currencies and the global interest rate environment. We think they will take a hit on FX year-end.

Recent Acquisitions

Marsh & McLennan has been known for making small acquisitions. Through the nine months ended September 30, 2022. They had a total of 11 completed acquisitions. The two most recent ones included the acquisitions of Steinberg & Associates which is a South Carolina-based insurance broker that provides employee health and benefits business insurance and other risk management services. Oliver Wyman also acquired Booz Allen Hamilton's strategy consulting business. Who serves clients in the Middle East and North Africa. Some of their other most recent acquisitions are listed in the next chart. In 2022 total purchase considerations for the first nine months was \$227 million. Which consisted of about 93% cash (\$210 mln), and the other 7% (\$17 mln) being financed through deferred purchase consideration and estimated contingent consideration. Historically they have been known to acquire businesses with a high percentage of cash and this is expected to continue. ¹

Acquisitions	
<u>Risk & Insurance</u>	<u>Consulting</u>
Heil & Kay Insurance	Azure Consulting
Regional Treaty Services	GeFi Assurances
Clark Insurance	Huron Consulting
CS Insurance Strategies	Booz Allen Hamilton

(Source 10-k)

INDUSTRY TRENDS

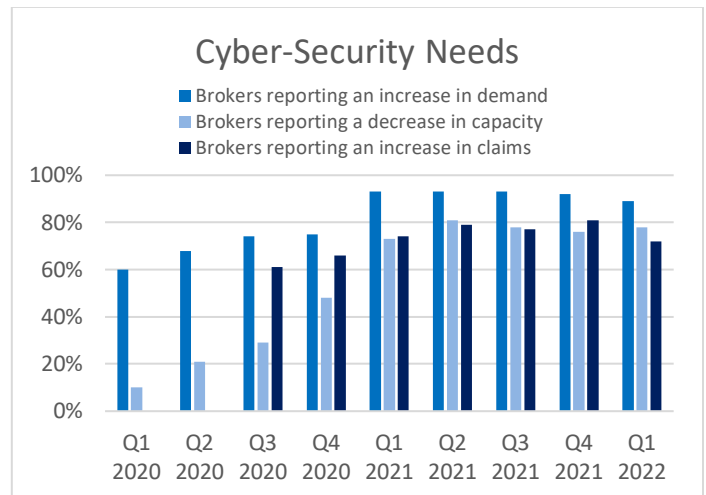
Cyber Security Insurance

The cyber security business has been booming, and this is a large commission opportunity for insurance brokers.

Ransomware attacks surges more than 50% from 2020 to 2021 with the average ransomware payment reaching a staggering \$812,000 in 2021. Companies have reportedly paid tens of millions of dollars in major hacks last year.

Cyber insurance has become the fastest-growing segment of the U.S. P&C market. Fitch estimated the \$4.8 billion cyber insurance market grew 74% in 2021 and GlobalData forecasts the market to be worth more than \$20 billion by 2025. According to Marsh & McLennan cyber-insurance prices increased 79% in the second quarter of 2022 compared to the year earlier. This is an indication that carriers have previously missed on pricing such insurance but as more data is analyzed we think this insurance product will continue to expand.

This has drastically increased the demand for cyber insurance. The next depiction shows the increased demands reported by insurance brokers for cyber security insurance and the lack of capacity that there currently is in the market. We think over time as insurers can properly underwrite the risk. This market will naturally expand providing more commission for Marsh & McLennan. ¹⁸



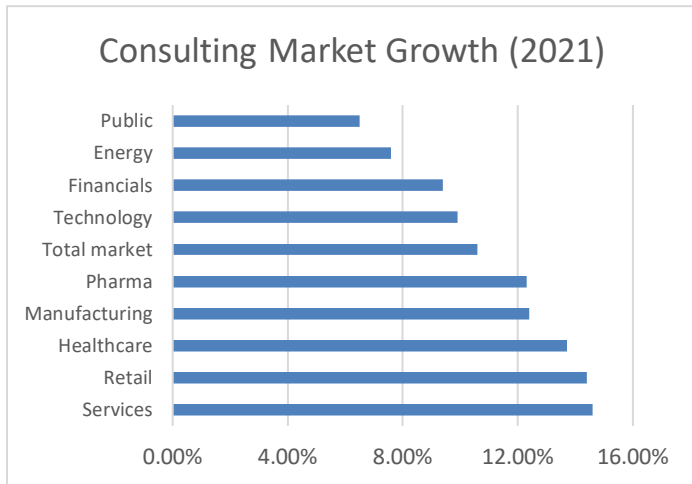
(Source: Statista)

Digital/Data Landscape

The expansion of data analysis and adoption of data processes in everyday operations will only continue. Insurance brokers will have to continue to adapt to technology as the underwriters are, otherwise, they will present a systematic bottleneck. Forcing those that do not adopt to lose market share and hurt their relative profitability. According to one report by McKinsey,

automation could in fact reduce the cost of a claims journey by as much as 30%.¹⁵

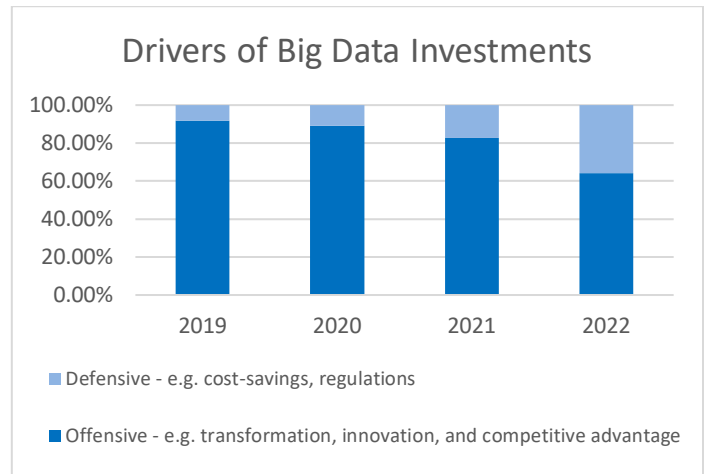
Not only will the importance of data impact insurance brokerage operations over time, but it will most definitely impact their consulting segment too, if not more. The next chart ties into our assumption of Marsh & McLennan’s consulting business growth being led by their healthcare segment. The data displays the year-over-year global growth in various verticals within consulting revenue between 2020-2021. Healthcare was the third highest at 14% only behind services and retail.



(Source: Statista)

The following chart displays the reported reasons behind what’s driving the investment in AI and BIG data. The primary driver has historically been more of an offensive approach. Trying to transform business processes and gain a competitive advantage. So far, in 2022 it has shifted to more of a defensive play which is believed to be largely from the uncertainty in the economy. It will be interesting to see if this trend continues, or if it will shift back to more of an offensive strategy when consumer confidence increases. We think it will likely shift back. Either way, all of the following drivers for investing in big data are areas

of expertise that Marsh & McLennan can provide, and are set up to succeed within the space.



(Source: Statista)

Competition in Brokerage Commissions

There has been a push for more transparency in the commissions that insurance brokers are receiving. This has been a hot topic in the insurance industry and recently as of December 27, 2021, federal law started requiring health insurance agents/brokers to disclose all commissions to current and prospective clients. This is in hopes of insuring clients are getting the best treatment from brokers with increased competition in the market. The health insurance market tends to be covered more stringently and was naturally one of the first insurance products to require this transparency, but it would not be surprising if this trend continued to migrate into other types of insurance.

There has been some concern about whether the expansion of insurtech operations will squeeze the margins that brokers could receive on the underwritten premiums. Online competition has already hindered the commissions of real estate brokers through additional market information and transparency. This is a potential concern with insurtech competition striving to do the same thing. However, large brokers like Marsh & McLennan are well positioned to compete over smaller margins if needed. We think their space would be harder to penetrate compared to the average residential real estate market for the following reason.

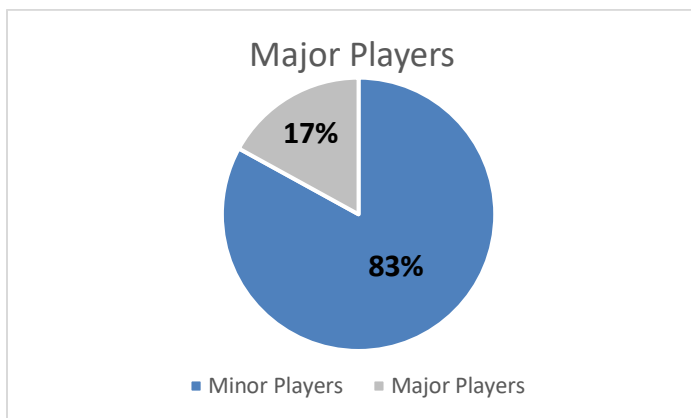
We think that residential real estate brokerage transactions will tend to be more transactional compared to many of the underwritten insurance that MMC offers. Relationships are going to be a much bigger driver for

insurance brokers, especially for commercial insurance. ^{16, 17, 21}

MARKETS AND COMPETITION

Market Share Concentration

Market share concentration is relatively low. According to IBISWorld 83% of the insurance broker and agencies market in the United States is considered minor players. While 17% is considered major players which would be Marsh & McLennan, Aon, Arthur J. Gallagher, and Brown & Brown. This means that the market to expand through acquisition is still feasible for Marsh & McLennan moving forward. The biggest possible concern would be if government intervention stepped in to stop this M&A activity. We think that is very likely if the major players in the industry started acquiring each other, but unlikely anytime soon when they are just targeting very small companies. ²



(Source: IBISWorld)

Brokerage Relationships

Consumer Representation

Many consumers perceive insurance as a commodity business and therefore the relationships brokers have with prospective insureds is vital for the long-term success of their business. There are instances when the broker is required to find the lowest-priced insurance product for their client. While this might not always be the case if they do not approach the competition in this type of way they will probably lose out on business in the long run.

Insurer Representation

Although many people think the broker will always represent the consumer to the best of their abilities this is not always the case. According to the National Association of Insurance Commissioners (NAIC). Many states require appointed brokers as an agent to transact with the insurer. This creates a dual-agency situation that can create conflicts and burdens. Insurance brokers are supposed to be independent. However, when laws require insurers to appoint a broker this is a problem. ¹⁴

This is clearly one way that impacts the industry, and they must compete for business through this channel when required by law. This specific government oversight is not required in every state, but there are variations of it that force brokers to understand the differences. This is a great example of some of the regulatory pressures insurance brokers have to be aware of to legally compete. The NAIC is advocating this law be abolished under most circumstances to better suit the insured relationship. However, currently the relationship they have with insurers who appoint such relationships is important for successful competition in the market.

Policy Price & Process

The insurance industry is perceived as a homogenous product by many. This forces the industry to compete heavily on the prices they offer their clients, and the processes they implement to ensure efficiency. Many times they are also the middleman for regular premiums and claim cash flows. That way each party must meet their obligation before a claim can be settled. They then will normally take a certain percentage of the premiums as their cut. Due to the nature of heavy price competition, this forces them to keep track of their operating costs at a level that way be even more escalated compared to companies that have other competing drivers. This plays right into our cost assumptions mentioned earlier and that they will continue to expand margins with technological advancements.

Peer Comparisons

Marsh & McLennan is the largest peer in the industry. Not just by the amount of revenue they generate but also by market capitalization. The next metrics show the strong positions they have in the industry, and they will continue to be competitive.

<i>Peer Comparison (Millions)</i>				
Ticker	Market Cap.	Profit Margin	ROE	Revenue
MMC	76,996	15.9%	31.7%	19,802
AON	53,446	10.3%	50.2%	12,194
AJG	31,381	11.3%	12.3%	8,055
WLTW	21,621	23.7%	15.8%	9,024
BRO	15,102	18.8%	14.6%	3,051

(Source: FactSet)

Marsh & McLennan (MMC)

Marsh and McLennan is the largest insurance broker amongst their peers having a market cap that is about 44% larger than Aon which is the next largest insurance broker. They employ 83,000 employees globally and advise clients in 130 countries around the world. Their peers cannot compete internationally on quite the same level. They also have a significant presence in reinsurance brokerage under Guy Carpenter, who is a leading management consulting company in the world. They provide services through their subsidiary Oliver Wyman.

Aon PLC A (AON)

Aon is the second-largest insurance broker in the space and provides many of the same services that Marsh & McLennan does. Their strategic focus is to grow through higher-margin, capital-light professional services businesses that have a high recurring revenue stream. One noticeable statistic is that they had the highest ROE. When using the Dupont formula to analyze the likely cause of this strong ROE. They had previously had a very low debt-to-capital ratio. Averaging 131% between 2016 and 2018 before increasing over the last four years. We think they have been able to continue a strong ROE given their historically low debt level which increased lately. They have been using this recent cash to buy back billions in share repurchases. Including the announcement of \$7.5 billion this year. While increasing their dividend yields by 10%. It will be interesting to see if they'll be able to continue this strong ROE.²²

Arthur J Gallagher (AJG)

Arthur J Gallagher provides insurance brokerage, consulting, and third-party insurance claim settlement and administration services to businesses and organizations around the world. Their brokerage segment makes up most of their revenue. Coming in at 73% which was the

equivalence of \$6 billion. Their brokerage segment is made up of about 18% wholesale insurance brokerage operations. This is when they will work with retail brokerages to help find specialized and hard-to-place insurance. Wholesale brokerage is something neither MCC nor AON directly talks about in their 10-ks which is an indicator they do not focus on this niche as much as Gallagher.¹

Willis Tower Watson (WTW)

Willis Tower Watson once again has a very similar business model compared to the previously mentioned companies. They offer advisory, broking, and solution services through four main channels. Human Capital Benefits, Corporate Risk Solutions, Investment risk reinsurance and Benefits, and delivery administration. Interestingly WTW and Aon were trying to merge in 2021. The shareholders of both AON and WTW approved the transactions. However, on July 26, 2021, they announced the termination of the deal. Due to a lawsuit filed by the U.S. Department of Justice against the two companies. This is a good sign that further consolidation amongst the peers is limited, and some of these companies will have a harder time acquiring each other.¹

Brown & Brown (BRO)

Brown & Brown break their business into four main segments. The retail segment which provides insurance products to commercial, public, professional, and individual insured customers. Which include many variations of property & casualty, employee benefits, and personal insurances. They are clearly the smallest peer and if any company could be bought out by the rest the likelihood would be with Brown and Brown. They also operate in wholesale brokerage like Gallagher. They by far generate the highest percentage of their revenue from their domestic operation. With a rounded 97% of revenue coming from the United States. This should help some of their financial metrics in the short run as they will not be impacted by the strong dollar like the rest.¹

Additional Peer Comparison

From the next charts there are a few noticeable things to point out. Marsh & McLennan has seen the second-highest sales CAGR over the last year at 8.4% right behind Brown & Brown which is a much smaller company. Their dividend

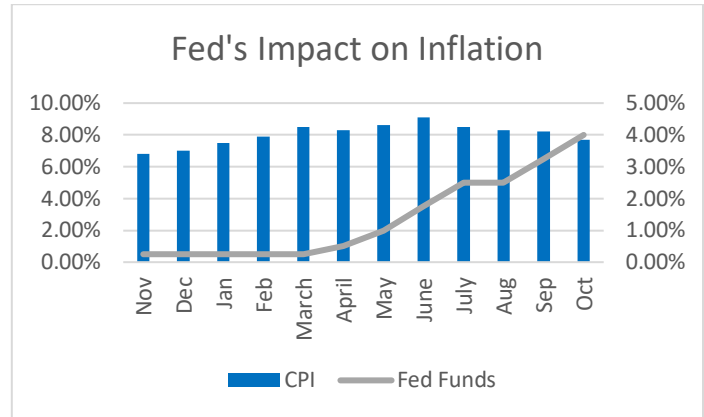
yield is also the second highest amongst their peers as they continue to support shareholders' returns.

relationship over the last year of the fed's actions and how it corresponds with the CPI.

Peer Comparison (Millions)					
Ticker	P/E	EPS	Div. Yield	5-Year Sales	CAGR
MMC	23.30	6.79	1.4%		8.4%
AON	21.70	13.16	0.8%		1.0%
AIG	24.00	7.78	1.1%		7.6%
WLTW	16.40	13.47	1.5%		2.8%
BRO	25.90	2.26	0.8%		11.6%

(Source: FactSet)

All the peers generate their highest percentage of revenue domestically and within the Americas. When it comes to the region with the next highest percentage of revenue for each of these companies it is by far Europe. Although the amount of revenue each peer derives from the European Region Varies. We do know Marsh & McLennan has the highest percentage of revenue generated overseas while Brown and Brown has the least.



(Source: BLA & FRED)

Federal Funds Rate

Although the latest inflation data has shown some signs of slowing down it is still running historically higher than normal, and persistently above the Fed's objective target of 2%. The Fed will almost be forced to push the economy into some varying degree of a recession to slow us down. Jerome Powell recently said the Fed must continue to raise rates and keep them elevated to bring inflation down. Arguing that if left uncontrolled it would place the United States in worse shape.

The current Fed Funds target rate is 3.75%-4%, and the Wall Street Prime rate is around 7%. These rates will continue to climb. Our Henry Fund team is forecasting the rate to be between 4.75-5.25% over the short term even with the recent inflation data.¹²

Employment

Over the recent years there has not been many times like this from a macroeconomic perspective. We always hear about theoretical stagflation. However, we have been able to witness empirical evidence of it or at least very similar economic conditions over the most recent six months. As well as see historically high increases in the Fed Fund's rate. With the unemployment rate now around 3.7%. Which has been consistently falling since coming out of the COVID-19 pandemic. According to our historical measures of unemployment, we must be hovering around full employment. Combined with the fact that the Fed is likely to push our economy to a point where a softer labor market is inevitable. We do not think the unemployment

Geographic Revenue			
Ticker	Domestic	International	2nd Highest Region
MMC	47%	53%	Europe
AON	45%	55%	Europe
AIG	71%	29%	Europe
WTW	51%	49%	Europe
BRO	97%	3%	Europe

(Source: FactSet)

ECONOMIC OUTLOOK

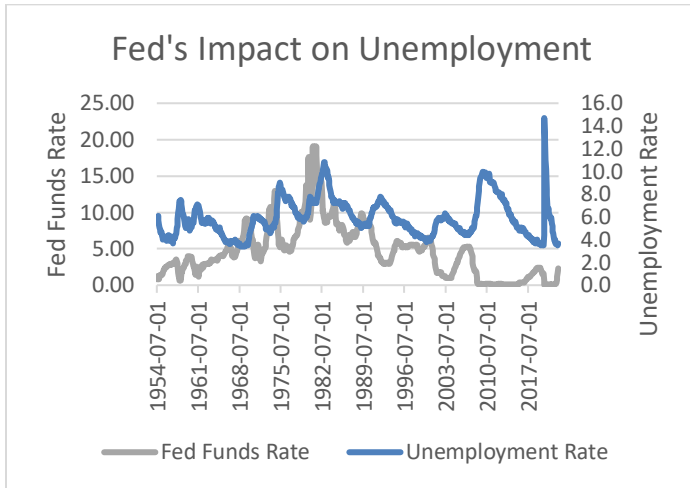
Inflation

With inflation data being around 7.75% for the 12 months ending in October. This was a small but hopefully positive sign for the economy.⁶ With the CPI being a lagging indicator and with fuel prices coming down over the past two months. Headline inflation will most likely cool even more when the next CPI data is released.

From a microeconomic perspective. Interest rates do not have much direct material impact on insurance brokers. As we have mentioned already. We think Marsh & McLennan will be able to continue to operate efficiently even in an environment of rising rates and inflation. Their insurance brokerage and consultation business should not be drastically impacted. The next chart displays the

rate will continue to fall and will likely hit an inflection point. If it has not already.

Below is a great depiction of the fed-funds rate compared to historical unemployment rates. The fed funds rate represented in grey has historically risen before the unemployment rate rises. There are at least six visible scenarios like this on the chart below. The fed has been raising rates, but we have not seen the unemployment rate tick up much yet. According to the precedent, it is only a matter of time before this occurs to some degree. ^{8, 16}



(Source: U.S. Bureau of Labor Statistics)

When unemployment rises this could impact Marsh & McLennan in the following ways. We think they would be financially impacted more on the demand side for their products than any significant labor constraint. We believe the underlying premiums would have less ability to rise. However, we do believe they are still well positioned compared to many companies.

VALUATION

Revenue Decomposition

Risk & Insurance Services

Revenue was already discussed in more detail at the beginning of the report, but we will reiterate the key points here. We think over the next four years they will continue to experience growth, but it will slow down from the 2018-2021 growth trend. Between 2021-2024 we have Marsh growing at a CAGR of 4.9%. This should be reached with a continued expansion in foreign markets, smaller acquisitions domestically, and the expansion of new markets such as cyber-security insurance. Guy Carpenter

is forecasted to grow by a CAGR of 14% from 2019-2024. Which is largely believed to be from reinsurers negotiating higher rates from climatic risks and catastrophe losses increasing. We forecasted this growth to fall off at our terminal value year of 2031. Where the total segment was growing by about 2% to resemble the long-run economic growth rate.

Consulting

Mercer is expected to grow by a CAGR of 4% from 2019-2024. This continued growth is largely expected to be from a strong outlook in healthcare consulting as we highlighted previously, and the continued adoption of data-driven decisions. As Mercer is set up well in this space with a significant amount of data.

Cost Assumptions

They have appeared to be expanding both their operating and net margins since 2012. We are expecting this to continue throughout our forecast period. Year end in 2021 they had an operating margin of 36% and a net margin of 27%. We expect them to capture some synergies as well as adopted more efficient technological standards to compete as the industry continues to adopt advanced underwriting and brokerage processes to decrease the amount of human capital. This will lead to a further expansion of operating and net margins respectively at 42% and 29% which we have in 2024.

Valuation

Discounted Cash Flow

Our DCF and EP models have the company valued at \$184 per share with an incorporated WACC of 7.83%

- Risk-Free Rate of 4.10% based on 30-year Treasury
- Beta of .89 based on a 5-year Monthly Calculation
- Henry Fund Equity Risk Premium of 5.15%

Our DCF model is believed to be a good estimate of where the market should be trading. We think this because of forecasted acquisition growth which is more likely to be forecasted in a DCF model compared to a DDM.

Dividend Discount Model

Our dividend discount model is valuing the company at \$161 per share. We incorporated an annual dividend

growth rate of about 9% into our model which happened to be the 10-year growth rate in their annual dividends per share from 2012-2021. We did not consider a constant annual growth because they do not have a history of growing their dividends like that. We think this growth rate was a reasonable assumption.

Relative Value

Our relative price-to-earnings estimates for 2022 had an implied value of \$131 per share. All the companies taken into consideration have a P/E value between 21-25 except WTC which has a multiple of 16. This company seems to be pulling the relative value down a bit but by no significant amount.

Street Comparison

There are 20 analysts covering this stock according to FactSet. Which is reporting the target price to be \$175 compared to the current upper bound of our range at \$184 per share. Our revenue forecast for year-end 2023 was \$22.5 billion which is just above the street's estimate of \$22.1 billion. We think we are factoring in a slightly smaller market shock in the short term compared to much of the market. When it comes down to it our target range is comparable to the street by several statistics.

KEYS TO MONITOR

Bull Case

- Insurable values increase due to inflation which increases the amount they collect on underwritten premiums.
- Cyber insurance commission growth exceeds the market expectations.

Bear Case

- Department of Justice stops future acquisitions given the precedent of the WTC and AON deal being terminated.
- Dollar remains strong past the current year which will incur more repatriation losses.

Conclusion

We feel that Marsh & McLennan is a good company to hold in the Henry Fund. They have had a history of growing in multiple ways and their market position gives them the

best opportunity to acquire additional companies in the industry with a higher percentage of cash. Although nothing is certain. We feel very comfortable holding this position during much of the economic uncertainty moving into 2023. That is why we recommend a *hold* rating on Marsh & McLennan.

REFERENCES

1. SEC.gov - <https://www.sec.gov>
2. IBISWorld - <https://my-ibisworld.com>
3. Factset.com - <https://my.apps.factset.com>
4. Business Wire - <https://www.businesswire.com>
5. Digital Journal - <https://www.digitaljournal.com>
6. Forbes.com - <https://www.forbes.com>
7. Harvard Business Review - <https://hbr.org>
8. FactSet - <https://insight.factset.com>
9. WNS.com - <https://www.wns.com>
10. William-Russell.com - www.william-russell.com
11. Globenewswire - www.globenewswire.com
12. Investors.mmc - <https://news-investors.mmc.com>
13. MMC.Com - <https://www.marshmclennan.com>
14. NAIC.org - <https://content.naic.org>
15. Mckinsey.com - <https://www.mckinsey.com>
16. Insurancebusiness - insurancebusinessmag.com
17. Insurancenewsnet.com - insurancenewsnet.com
18. Forbes - <https://www.forbes.com>
19. WallStreetJournal.com - WallStreetJournal.com
20. Statista.com - <https://www-statista-com>
21. NPR.org - <https://www.npr.org>
22. Yahoo.com - <https://www.yahoo.com>
23. Marsh.com - <https://www.marsh.com>

DISCLAIMER

Henry Fund reports are created by graduate students in the Applied Securities Management program at the University of Iowa's Tippie College of Business. These reports provide potential employers and other interested parties an example of the analytical skills, investment knowledge, and communication abilities of our students. Henry Fund analysts are not registered investment advisors, brokers or licensed financial professionals. The investment opinion contained in this report does not represent an offer or solicitation to buy or sell any of the aforementioned securities. Unless otherwise noted, facts and figures included in this report are from publicly available sources. This report is not a complete compilation of data, and its accuracy is not guaranteed. From time to time, the University of Iowa, its faculty, staff, students, or the Henry Fund may hold an investment position in the companies mentioned in this report.

Marsh & McLennan
Revenue Decomposition

Fiscal Years Ending Dec. 31	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2020	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2021	2022 Q1E	2022 Q2E	2022 Q3E	2022 Q4E	2022E	2023 Q1E	2023 Q2E	2023 Q3E	2023 Q4E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Risk and Insurance Services																												
Marsh																												
U.S./Canada	978	1167	1126	1266	4537	1124	1404	1366	1124	5342	1279	1533	1451	1180	5443	1471	1763	1524	1239	5997	6414	6816	7245	7512	7789	8242	8669	9187
Growth	13.59%	6.38%	11.05%	10.37%	10.15%	14.93%	20.31%	21.31%	-11.22%	17.74%	13.79%	9.19%	6.22%	5.00%	1.89%	15.00%	15.00%	5.00%	5.00%	10.17%	6.96%	6.26%	6.31%	3.68%	3.70%	5.81%	5.18%	5.97%
EMEA	754	597	536	688	2575	837	796	600	837	2946	842	745	589	837	3013	884	782	601	854	3121	3277	3441	3567	3695	3829	3990	4195	4438
Growth	19.12%	-8.44%	0.00%	4.08%	3.75%	11.01%	33.33%	11.94%	21.66%	14.41%	0.60%	-6.41%	-1.83%	0.00%	2.27%	5.00%	5.00%	2.00%	2.00%	3.58%	5.00%	5.00%	3.67%	3.60%	3.62%	4.19%	5.14%	5.79%
ASIA Pacific	238	298	254	269	1059	274	347	281	274	1462	321	382	312	295	1310	369	411	343	309	1432	1570	1692	1790	1879	1973	2061	2167	2297
Growth	44.24%	2.41%	4.96%	5.49%	11.12%	15.13%	16.44%	10.63%	1.86%	38.05%	17.15%	10.09%	11.03%	7.50%	-10.43%	15.00%	7.50%	10.00%	5.00%	9.37%	9.61%	7.79%	5.78%	5.00%	5.00%	4.42%	5.19%	5.96%
Latin America	91	99	93	141	424	90	103	105	90	453	104	118	118	99	439	114	130	130	109	483	526	565	597	619	657	686	711	753
Growth	16.67%	-14.66%	-15.45%	-9.62%	-7.83%	-1.10%	4.04%	12.90%	-36.17%	6.84%	15.56%	14.56%	12.38%	10.00%	-3.09%	10.00%	10.00%	10.00%	10.00%	10.00%	8.87%	7.55%	5.59%	3.59%	6.29%	4.40%	3.64%	5.79%
Total International	1083	994	883	1098	4058	1201	1246	986	1201	4861	1267	1245	1019	1231	4762	1368	1323	1074	1272	5036	5373	5698	5954	6193	6460	6737	7074	7487
Growth	23.63%	-6.14%	-0.56%	2.43%	4.18%	10.90%	25.35%	11.66%	9.38%	19.79%	5.50%	-0.08%	3.35%	2.46%	-2.05%	7.94%	6.24%	5.38%	3.36%	5.76%	6.68%	6.07%	4.49%	4.02%	4.31%	4.28%	5.00%	5.84%
Total Marsh	2061	2161	2009	2364	8595	2325	2650	2352	2325	10203	2546	2778	2470	2411	10205	2839	3086	2597	2511	11033	11787	12514	13199	13705	14250	14979	15743	16674
Growth	18.65%	0.23%	5.63%	6.53%	7.25%	12.81%	22.63%	17.07%	-1.65%	18.71%	9.51%	4.83%	5.02%	3.69%	0.02%	11.49%	11.07%	5.16%	4.16%	8.11%	6.83%	6.17%	5.48%	3.83%	3.97%	5.12%	5.10%	5.91%
Guy Carpenter	827	433	274	162	1696	895	488	314	895	1867	999	522	328	940	2789	1099	548	344	987	2978	3209	3378	3614	3828	3972	4136	4378	4561
Growth	24.74%	10.46%	0.37%	6.58%	14.59%	8.22%	12.70%	14.60%	452.47%	10.08%	11.62%	6.97%	4.46%	5.00%	49.37%	10.00%	5.00%	5.00%	5.00%	6.79%	7.77%	5.27%	6.97%	5.92%	3.78%	4.12%	5.86%	4.17%
Fiduciary Interest Income	23	9	8	6	46	5	3	4	5	15	4	13	40	5	62	4	14	42	6	65	69	71	73	76	80	82	85	86
Growth	0.00%	-65.38%	-74.19%	-76.00%	-56.19%	-78.26%	-66.67%	-50.00%	-16.67%	-67.39%	-20.00%	333.33%	900.00%	5.00%	315.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	2.82%	2.84%	5.00%	5.00%	2.85%	2.87%	2.00%
Total Risk and Insurance Services																												
Services	2911	2603	2291	2532	10337	3225	3141	2670	3225	12085	3549	3313	2838	3356	13056	3942	3647	2984	3503	14076	15065	15963	16886	17609	18302	19197	20206	21321
Growth	20.14%	1.13%	3.85%	5.68%	7.69%	10.79%	20.67%	16.54%	27.37%	16.91%	10.05%	5.48%	6.29%	4.05%	8.03%	11.06%	10.09%	5.13%	4.40%	7.82%	7.02%	5.96%	5.78%	4.28%	3.93%	4.89%	5.26%	5.52%
Consulting																												
Mercer																												
Wealth	592	561	566	629	2348	623	625	613	623	2348	617	597	561	592	2367	679	627	561	621	2488	2522	2589	2720	2891	3041	3172	3341	3541
Growth	9.02%	-8.48%	-4.39%	1.29%	-0.89%	5.24%	11.41%	8.30%	-0.95%	0.00%	-0.96%	-4.48%	-8.48%	-5.00%	0.80%	10.00%	5.00%	0.00%	5.00%	5.12%	1.36%	2.66%	5.07%	6.27%	5.18%	4.33%	5.31%	6.01%
Health	486	432	430	445	1793	487	462	449	487	1793	524	587	451	487	2049	576	675	474	511	2236	2444	2642	2801	2988	3229	3372	3569	3780
Growth	9.95%	-5.68%	-2.49%	-2.20%	-0.17%	0.21%	6.94%	4.42%	9.44%	0.00%	7.60%	27.06%	0.45%	0.00%	14.28%	10.00%	15.00%	5.00%	5.00%	9.14%	9.31%	8.08%	6.01%	6.68%	8.07%	4.44%	5.83%	5.90%
Career	173	156	220	238	787	178	187	253	178	787	202	205	272	187	866	222	226	286	196	930	998	1054	1121	1160	1218	1261	1324	1401
Growth	1.76%	-17.46%	-10.93%	-4.80%	-8.06%	2.89%	19.87%	15.00%	-25.21%	0.00%	13.48%	9.63%	7.51%	5.00%	10.03%	10.00%	10.00%	5.00%	5.00%	7.35%	7.41%	5.60%	6.27%	3.52%	5.00%	3.55%	5.00%	5.78%
Total Mercer	1251	1149	1216	1312	4928	1288	1274	1315	1288	5254	1343	1389	1284	1266	5282	1477	1527	1320	1329	5654	5965	6285	6642	7039	7488	7806	8234	8722
Growth	8.31%	-8.81%	-5.00%	-1.06%	-1.85%	2.96%	10.88%	8.14%	-1.83%	6.62%	4.27%	9.03%	-2.36%	-1.73%	0.53%	10.00%	9.96%	2.82%	5.00%	7.05%	5.50%	5.37%	5.67%	5.98%	6.38%	4.25%	5.48%	5.93%
Oliver Wyman Group	511	467	480	590	2048	585	618	610	585	2535	667	695	667	614	2643	734	765	734	660	2892	3112	3308	3451	3717	3954	4127	4333	4586
Growth	-1.35%	-13.52%	-4.95%	5.55%	-3.49%	14.48%	32.33%	27.08%	-0.85%	23.78%	14.02%	12.46%	9.34%	5.00%	4.27%	10.00%	10.00%	10.00%	7.50%	9.42%	7.59%	6.30%	4.34%	7.69%	6.38%	4.38%	5.00%	5.83%
Total Consulting Segment	1762	1616	1696	1902	6976	1873	1892	1925	1873	7789	2010	2084	1951	1880	7925	2211	2292	2054	1989	8546	9077	9593	10093	10755	11442	11933	12567	13308
Growth	5.32%	-10.22%	-4.99%	0.90%	-2.34%	6.30%	17.08%	13.50%	-1.52%	11.65%	7.31%	10.15%	1.35%	0.00%	1.75%	5.00%	7.50%	5.00%	5.00%	7.84%	6.21%	5.69%	5.21%	6.56%	6.38%	4.29%	5.32%	5.89%
Corporate Eliminations	-22	-30	-19	-18	-89	-15	-16	-12	-15	-54	-10	-16	-17	-13	-55	-55	-10	-16	-17	-98	-139	-226	-361	-539	-858	-1316	-2064	-3199
Growth	-12.00%	20.00%	-17.39%	5.88%	-1.11%	-31.82%	-46.67%	-36.84%	-16.67%	-39.33%	-33.33%	5.00%	5.00%	5.00%	2.13%	2.00%	2.00%	2.00%	2.00%	78.57%	41.37%	62.14%	60.11%	49.21%	59.07%	53.45%	56.79%	54.98%
Total Revenue	4651	4189	3968	4416	17224	5083	5017	4583	5083	19820	5549	5381	4772	5223	20926	6098	5929	5022	5476	22524	24002	25330	26617	27825	28886	29814	30710	31430
Growth	14.25%	-3.68%	0.00%	3.56%	3.44%	9.29%	19.77%	15.50%	15.10%	15.07%	9.17%	7.26%	4.13%	2.76%	5.58%	9.89%	10.18%	5.22%	4.83%	7.64%	6.56%	5.53%	5.08%	4.54%	3.81%	3.21%	3.00%	2.35%

Marsh & McLennan
Income Statement

	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Revenue	16652	17224	19820	20926	22524	24002	25330	26617	27825	28886	29814	30710	31430
Compensation & benefits expense	9734	10129	11425	11958	12613	13441	14185	14906	15582	16176	16696	17197	17601
Depreciation	333	390	382	319	355	377	391	400	405	408	411	412	413
Amortization	314	351	365	350	327	307	271	252	195	166	141	120	102
Other operating expenses	4241	4029	4083	4031	4167	4440	4686	4924	5148	5344	5516	5681	5815
Operating expenses	13975	14158	15508	16544	17504	18578	19536	20463	21330	22094	22763	23411	23930
Operating income (loss)	2677	3066	4312	4381	5020	5424	5795	6155	6495	6791	7051	7299	7500
Other net benefits credits	265	257	277	248	252	256	259	263	267	271	275	279	283
Interest income	39	7	2	7	761	895	956	1101	1230	1370	1518	1678	1846
Interest expense	524	515	444	492	1106	1110	1112	1114	1118	1124	1133	1143	1156
Investment income (loss)	22	-22	61	63	65	67	68	71	73	75	77	79	82
Income (loss) before income taxes	2439	2793	4208	4234	4992	5532	5967	6475	6946	7383	7788	8192	8555
Income Tax Expense	666	747	1034	1126	1290	1394	1489	1582	1669	1745	1812	1876	1927
Net Income Attributable to the Company	1773	2046	3174	3108	3702	4138	4478	4893	5277	5637	5976	6316	6627
Less: net loss (income) attributable to non-controlling interests	-31	-30	-31	-5	-5	-5	-5	-5	-5	-5	-5	-5	-5
Net income (loss) before non-controlling interests	1804	2076	3205	3203	3697	4133	4473	4888	5272	5632	5971	6311	6622
Dividends declared per share	1.74	1.84	2	2.19	2.39	2.61	2.85	3.12	3.41	3.73	4.07	4.45	4.86
Total Shares Outstanding Year End	503.6	507.7	503.5	499.2	495.3	491.6	488.3	485.3	482.4	479.1	476.0	473.1	470.4
Weighted Average Shares Outstanding	506	506	507	501.35	497.23	493.44	489.96	486.78	483.82	480.73	477.52	474.53	471.74
EPS - basic	3.44	3.98	6.2	6.23	7.45	8.39	9.14	10.05	10.91	11.73	12.51	13.31	14.05

Marsh & McLennan
Income Statement

Fiscal Years Ending Dec. 31	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2020	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2021	2022 Q1	2022 Q2E	2022 Q3E	2022 Q4E	2022E	2023 Q1E	2023 Q2E	2023 Q3E	2023 Q4E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Revenue	4651	4189	3968	-12719	17224	5083	5017	4583	-14325	19820	5549	5381	4772	5223	20926	6098	5929	5022	5476	22524	24002	25330	26617	27825	28886	29814	30710	31430
Compensation & benefits	2555	2429	2495	2650	10129	2807	2860	2853	-7804	11425	3100	3010	2923	2925	11958	3415	3320	2812	3066	12613	13441	14185	14906	15582	16176	16696	17197	17601
Depreciation	186	186	186	186	745	177	177	177	177	709	80	80	80	80	319	89	89	89	89	355	377	391	400	405	408	411	412	413
Amortization	88	88	88	88	351	91	91	91	91	365	105	105	105	105	421	92	92	92	92	369	320	274	233	195	166	141	120	102
Other operating expenses	752	601	659	-2012	2933	650	661	722	-2032	3009	1004	1005	1056	966	4031	1128	1097	929	1013	4167	4440	4686	4924	5148	5344	5516	5681	5815
Operating expenses	3581	3304	3428	3845	14158	3725	3789	3843	4151	15508	4104	4200	4164	4076	16544	4723	4598	3922	4260	17504	18578	19536	20463	21330	22094	22763	23411	23930
Operating income (loss)	1070	885	540	-2495	3066	1358	1228	740	-3326	4312	1445	1181	608	1147	4381	1374	1331	1100	1215	5020	5424	5795	6155	6495	6791	7051	7299	7500
Other net benefit credits	64	63	60	-187	257	69	69	69	69	277	62	59	57	70	248	63	60	58	71	252	256	259	263	267	271	275	279	283
Interest income	2	2	1	-5	7	-	1	1	1	2	1	1	4	1	7	190	190	190	190	761	895	956	1101	1230	1370	1518	1678	1846
Interest expense	127	132	128	-387	515	118	110	107	-335	444	110	114	118	123	492	276	276	276	276	1106	1110	1112	1114	1118	1124	1133	1143	1156
Gain (cost) of extinguishment of debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0	-	-	-	-	0	0	0	0	0	0	0	0	0
Investment income (loss)	-2	-31	-14	47	-22	15	15	15	15	61	26	2	-1	36	63	16	16	16	16	65	67	68	71	73	75	77	79	82
Acquisition related derivative contracts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0	-	-	-	-	0	0	0	0	0	0	0	0	0
Income (loss) before income taxes	1007	787	459	-2253	2793	1322	1209	716	-3247	4208	1424	1129	550	1131	4234	1367	1321	1087	1217	4992	5532	5967	6475	6946	7383	7788	8192	8555
Income tax expense	253	215	143	-611	747	339	389	179	-907	1034	282	282	282	282	1126	323	323	323	323	1290	1394	1489	1582	1669	1745	1812	1876	1927
Net income (loss) attributable to the company	754	572	316	-1642	2046	983	820	537	-2340	3174	1071	848	269	849	3108	1044	998	765	894	3702	4138	4478	4893	5277	5637	5976	6316	6627
Less: net income attributable to non-controlling interests	-13	-8	-4	25	-30	-15	-7	-5	27	-31	-15	-11	-6	27	-5	-15	-11	-6	27	-5	-5	-5	-5	-5	-5	-5	-5	-5
Net income (loss) before non-controlling interests	767	580	320	-1667	2076	998	827	542	-2367	3205	1086	978	263	876	3203	1029	987	759	921	3697	4133	4473	4888	5272	5632	5971	6311	6622
Year end share change	508	508	508	508	508	504	504	504	504	504	499	499	499	499	499	495	495	495	495	495	492	488	485	482	479	476	473	470
Dividends declared per share	0.91	0.00	0.93	0.00	1.84	0.93	0.00	1.07	0.00	2.00	1.07	0.37	0.37	0.37	2.19	0.60	0.60	0.60	0.60	2.39	2.61	2.85	3.12	3.41	3.73	4.07	4.45	4.86
EPS	0.46	0.46	0.46	0.46	1.84	0.50	0.50	0.50	0.50	2.00	2.0	2.0	0.54	1.70	6.23	2.11	2.02	1.54	1.81	7.47	8.42	9.17	10.08	10.94	11.77	12.56	13.35	14.09

Marsh & McLennan
Balance Sheet

<i>Fiscal Years Ending Dec. 31</i>	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Assets													
Current Assets:													
Cash & cash equivalents	1155	2089	1752	17913	21066	22494	25900	28932	32227	35716	39474	43443	47582
Commissions & fees receivables	4608	4679	5093	5392	5803	6184	6527	6858	7169	7443	7682	7913	8098
Advanced premiums & claims receivables	123	112	136	115	124	132	139	146	153	159	164	169	173
Other receivables	645	677	523	561	604	644	679	714	746	775	800	824	843
Total receivables	5376	5468	5752	6068	6531	6960	7345	7718	8068	8376	8645	8905	9114
Less-allowance for credit losses	140	142	166	164	177	189	199	209	219	227	234	241	247
Net receivables	5236	5326	5586	5903	6354	6771	7146	7509	7850	8149	8411	8664	8867
Other current assets	677	740	926	965	1006	1049	1094	1140	1189	1239	1292	1347	1404
Total current assets	7068	8155	8264	24782	28426	30314	34140	37581	41265	45104	49177	53453	57853
Goodwill	14671	15517	16317	15576	15576	15576	15576	15576	15576	15576	15576	15576	15576
Other intangible assets	2774	2699	2810	2460	2133	1826	1555	1303	1108	942	800	680	578
Fixed assets, net Depr. & Amortization	858	856	847	942	1002	1039	1062	1077	1086	1091	1095	1097	1099
Pension related assets	1632	1768	2270	2468	2684	2919	3174	3451	3752	4080	4437	4824	5246
Right of use assets	1921	1894	1868	2091	2223	2306	2357	2389	2409	2422	2430	2435	2438
Deferred tax assets	676	702	551	528	505	484	463	444	425	407	389	373	357
Other assets	1757	1458	1461	1523	1588	1655	1726	1799	1875	1955	2038	2125	2215
Total Assets	31357	33049	34388	50371	54138	56119	60053	63620	67497	71577	75942	80564	85362
Liabilities & Equity													
Current Liabilities:													
Short-term debt	1215	517	17	616	1600	518	1200	1200	1200	1200	1200	1200	1200
Accounts payable & accrued liabilities	2746	3050	3165	3215	3461	3688	3892	4090	4275	4438	4581	4718	4829
Accrued compensation & employee benefits	2197	2400	2942	2653	2799	2983	3148	3308	3458	3589	3705	3816	3906
Current lease liabilities	342	342	332	374	398	412	421	427	431	433	434	435	436
Accrued income taxes	179	247	198	268	316	350	377	409	439	467	492	518	541
Total current liabilities	6679	6556	6654	7126	8573	7950	9038	9434	9803	10127	10412	10687	10911
Long-term debt	10741	10796	10933	24576	24656	24704	24766	24842	24984	25173	25410	25697	26036
Pension, postretirement & postemployment benefits	2336	2662	1632	1775	1930	2098	2282	2481	2698	2934	3190	3469	3772
Long-term lease liabilities	1926	1924	1880	2109	2242	2325	2377	2409	2429	2442	2450	2455	2458
Liabilities for errors & omissions	335	366	355	355	355	355	355	355	355	355	355	355	355
Other liabilities	1397	1485	1712	1856	2013	2183	2367	2566	2783	3017	3272	3547	3846
Total Liabilities	23414	23789	23166	37797	39768	39615	41184	42087	43052	44048	45089	46211	47378
Equity													
Common stock & APIC	1423	1504	1673	1732	1732	1732	1732	1732	1726	1673	1673	1673	1673
Retained earnings	15199	16272	18389	20397	22906	25751	28826	32196	35819	39659	43685	47882	52209
Accumulated other comprehensive income (loss)	-5055	-5110	-4575	-4575	-4575	-4575	-4575	-4575	-4575	-4575	-4575	-4575	-4575
Non-controlling interests	150	156	213	276	340	407	475	546	619	693	770	849	931
Equity Without Treasury Stock	12579	13765	16812	17829	20404	23315	26458	29899	33589	37451	41553	45830	50238
Less - treasury shares, at cost	3774	3562	4478	5256	6033	6811	7589	8366	9144	9922	10699	11477	12255
Total Equity	7943	9260	11222	12574	14370	16504	18869	21532	24445	27529	30854	34353	37983
Total Equity & Liabilities	31357	33049	34388	50371	54138	56119	60053	63620	67497	71577	75942	80564	85362

Marsh & McLennan
Historical Cash Flow Statement

Fiscal Years Ending Dec. 31	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Operating Cash Flow:										
Net income (loss) before non-controlling interests	1201	1385	1497	1512	1636	1670	1773	1795	2046	3174
Adjustments to Reconcile Operating Cash										
Depreciation & amortization of fixed assets & capitalized software	277	286	302	312	314	311	333	308	390	382
Amortization of intangible assets	72	72	86	169	109	183	314	130	351	365
Non cash lease expense	-	-	-	-	-	-	315	-	355	327
Intangible asset impairment	8	5	-	-	-	-	-	-	-	-
Adjustments & payments related to contingent consideration assets	-44	24	19	-24	11	-4	27	-33	-22	27
Loss (gain) on consolidation of entity	-	-	-	-	-	11	-	-11	-	-267
Charge for early extinguishment of debt	-	24	137	-	-	-	32	-	-	-
Provision (benefit) for deferred income taxes	96	184	127	396	178	-39	84	68	40	-63
Net loss (gain) on investments	-24	-69	-37	-15	-38	12	-22	-	22	-61
Net loss (gain) on disposition of assets	23	1	-38	10	-13	-48	56	6	24	-33
Stock option expense	26	18	-	-	-	-	-	-	-	-
Share-based compensation expense	-	-	93	149	88	193	252	109	290	348
Change in fair value of acquisition-related derivative contracts	-	-	-	-	-	441	8	-	-	-
Changes in Assets & Liabilities										
Net receivables	-144	-245	-58	-454	-52	-78	-130	-154	-75	-252
Other current assets	-37	-70	-32	-3	3	26	-13	-9	-66	-166
Other assets	-177	-766	25	-199	-10	-37	-1	34	86	-215
Accounts payable & accrued liabilities	-210	106	45	87	-125	23	120	55	241	225
Accrued compensation & employee benefits	72	-8	167	63	23	68	154	2	207	527
Accrued income taxes	44	43	43	37	-15	-40	42	-21	60	-45
Contributions to pension & other benefit plans in excess of current	-	-	-152	-457	-231	-291	-369	-279	-356	-372
Other liabilities	174	383	-185	406	-60	9	-172	-97	108	2
Operating lease liabilities	-	-	-	-	-	-	-327	-	-351	-349
Effect of exchange rate changes	-35	-32	73	-96	70	18	-115	104	32	-38
Net cash flows from operating activities	1322	1341	2112	1893	1888	2428	2361	2007	3382	3516
Financing Cash Flows:										
Purchase of treasury shares	-230	-550	-800	-900	-1400	-675	-485	-800	-	-1159
Net increase in short term borrowings	-	-	-	-	-	-	300	-	1000	-
Net increase (decrease) in commercial paper	-	-	-	-	-	-	-	50	-	-
Proceeds from issuance of debt	248	547	1393	987	1091	591	6459	347	737	743
Repayments of debt	-	-	-	-	-	-263	-1064	-	-2515	-1016
Repayments of debt	-259	-260	-331	-315	-61	-	-	-12	-	-
Payment of bridge loan fees	-	-	-	-	-	-35	-	-	-	-
Payments for early extinguishment of debt	-	-274	-765	-	-	-	-585	-	-	-
Purchase of non-controlling interests	-	-	-	-	-	-	-80	-	-3	-
Acquisition-related derivative payments	-	-	-	-	-	-	-337	-	-	-
Shares withheld for taxes on vested units - treasury shares	-97	-79	-64	-49	-49	-67	-89	-39	-132	-101
Issuance of common stock from treasury shares	248	352	263	166	224	93	158	188	132	161
Payments of contingent consideration for acquisitions	-30	-9	-55	-	-49	-	-	-	-	-
Payments of deferred & contingent consideration for acquisitions	-	-	-	-136	-	-117	-65	-98	-122	-117
Receipts of contingent consideration for dispositions	-	-	-	-	-	-	-	-	-	71
Distributions of non-controlling interests	-16	-28	-20	-22	-30	-30	-16	-21	-34	-36
Dividends paid	-497	-533	-582	-740	-632	-807	-890	-682	-943	-1026
Change in fiduciary liabilities	-	-	-	-	-	-	-	-	-	1183
Net cash flows from financing activities	-633	-834	-961	-1009	-906	-1310	3306	-1067	-1880	-1297
Investing Cash Flows:										
Capital expenditures	-320	-401	-368	-302	-325	-314	-421	-253	-348	-406
Net sales (purchases) of long-term investments	20	93	6	-13	-65	4	183	2	107	18
Purchase of equity investment	-	-	-304	-	-	-	-91	-	-	-5
Proceeds from sales of fixed assets	6	5	3	8	2	3	10	4	6	-
Dispositions	-	5	-	-	71	110	229	-	98	84
Acquisitions, net held in a fiduciary capacity acquired	-292	-142	-554	-655	-952	-884	-5505	-813	-668	-859
Other investing activities, net	3	-6	-5	6	4	-8	-76	4	-9	4
Net cash flows from investing activities	-583	-446	-1222	-956	-1265	-1089	-5671	-1056	-814	-1164
Effect of exchange rate changes on cash	-	-	-	-	-	-	-	-	-	-355
Increase (decrease) in cash held in a fiduciary capacity	-	-	-	-	-	-	-	-	-	700
Cash held in a fiduciary capacity at beginning of year	-	-	-	-	-	-	-	-	-	10674
Cash held in a fiduciary capacity at end of year	-	-	-	-	-	-	-	-	-	11374
Effect of exchange rate changes on cash & cash equivalents	82	-59	-274	251	-301	-168	93	-232	246	-
Increase (decrease) in cash & cash equivalents	188	2	-345	179	-584	-139	89	-348	934	-
Cash & cash equivalents at beginning of year	2113	2301	2303	1026	1958	1205	1066	1374	1155	-
Cash & cash equivalents at end of year	2301	2303	1958	1205	1374	1066	1155	1026	2089	-
Interest paid	183	170	172	199	146	264	427	178	481	-
Income taxes paid, net of refunds	350	360	426	583	433	632	661	642	673	-

Marsh & McLennan
Forecasted Cash Flow Statement

<i>Fiscal Years Ending Dec. 31</i>	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Cash From Operating Activities										
Net Income	3108	3702	4138	4478	4893	5277	5637	5976	6316	6627
Depreciation	319	355	377	391	400	405	408	411	412	413
Amortization	350	327	307	271	252	195	166	141	120	102
Net receivables	-317	-451	-417	-375	-363	-341	-299	-262	-253	-203
Other current assets	-39	-41	-43	-45	-46	-48	-51	-53	-55	-57
Accounts payable & accrued liabilities	50	246	227	204	198	186	163	143	138	111
Accrued compensation & employee benefits	-289	145	184	165	160	150	132	115	111	90
Current lease liabilities	42	24	15	9	6	4	2	1	1	1
Accrued income taxes	70	48	34	27	32	30	28	26	26	23
Deferred tax assets	23	22	21	21	20	19	18	17	17	16
Net Cash From Operations	3317	4377	4843	5147	5550	5876	6205	6515	6832	7121
Cash From Investing Activities										
Goodwill	741	0	0	0	0	0	0	0	0	0
Other intangible assets	350	327	307	271	252	195	166	141	120	102
Gross Fixed assets	-764	-741	-721	-685	-666	-609	-580	-555	-534	-516
Pension related assets	-198	-216	-235	-255	-277	-302	-328	-357	-388	-422
Right of use assets	-223	-132	-82	-51	-32	-20	-12	-8	-5	-3
Other assets	-62	-65	-67	-70	-73	-76	-80	-83	-87	-90
Net Cash From Investing	-157	-827	-799	-791	-797	-812	-834	-862	-893	-929
Cash From Financing Activities										
Short-term debt	599	984	-1082	682	0	0	0	0	0	0
Long-term debt	13643	80	48	62	77	142	189	237	287	338
Pension, postretirement & postemplo	143	155	169	183	199	217	236	256	279	303
Long-term lease liabilities	229	133	83	52	32	20	13	8	5	3
Liabilities for errors & omissions	0	0	0	0	0	0	0	0	0	0
Other liabilities	144	157	170	184	200	216	235	254	276	299
Common stock	59	0	0	0	0	-6	-53	0	0	0
Additional paid-in capital	0	0	0	0	0	0	0	0	0	0
Accumulated other comprehensive in	0	0	0	0	0	0	0	0	0	0
Non-controlling interests	63	65	67	68	71	73	75	77	79	82
Less - treasury shares, at cost	-778	-778	-778	-778	-778	-778	-778	-778	-778	-778
Dividends	-1100.58	-1192.58	-1293.09	-1402.90	-1522.89	-1654.02	-1797.05	-1950.51	-2117.98	-2300.76
Net Cash From Financing	13001	-397	-2616	-949	-1722	-1770	-1881	-1895	-1970	-2053
Net Change In Cash	16161	3153	1428	3407	3031	3295	3489	3759	3969	4139
Cash at the Beginning Year	1752	17913	21066	22494	25900	28932	32227	35716	39474	43443
Year-End Cash	17913	21066	22494	25900	28932	32227	35716	39474	43443	47582

Marsh & McLennan

Common Size Balance Sheet

% of Revenue

Fiscal Years Ending Dec. 31	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Cash & cash equivalents	6.94%	12.13%	8.84%	85.60%	93.53%	93.72%	102.25%	108.70%	115.82%	123.64%	132.40%	141.46%	151.39%
Commissions & fees receivables	27.67%	27.17%	25.70%	25.77%	25.77%	25.77%	25.77%	25.77%	25.77%	25.77%	25.77%	25.77%	25.77%
Advanced premiums & claims receivables	0.74%	0.65%	0.69%	0.55%	0.55%	0.55%	0.55%	0.55%	0.55%	0.55%	0.55%	0.55%	0.55%
Other receivables	3.87%	3.93%	2.64%	2.68%	2.68%	2.68%	2.68%	2.68%	2.68%	2.68%	2.68%	2.68%	2.68%
Total receivables	32.28%	31.75%	29.02%	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%
Less-allowance for credit losses	0.84%	0.82%	0.84%	0.79%	0.79%	0.79%	0.79%	0.79%	0.79%	0.79%	0.79%	0.79%	0.79%
Net receivables	31.44%	30.92%	28.18%	28.21%	28.21%	28.21%	28.21%	28.21%	28.21%	28.21%	28.21%	28.21%	28.21%
Other current assets	4.07%	4.30%	4.67%	4.61%	4.47%	4.37%	4.32%	4.28%	4.27%	4.29%	4.33%	4.39%	4.47%
Total current assets	42.45%	47.35%	41.70%	118.43%	126.21%	126.30%	134.78%	141.19%	148.30%	156.15%	164.95%	174.06%	184.07%
Goodwill	88.10%	90.09%	82.33%	74.44%	69.15%	64.89%	61.49%	58.52%	55.98%	53.92%	52.24%	50.72%	49.56%
Other intangible assets	16.66%	15.67%	14.18%	11.76%	9.47%	7.61%	6.14%	4.90%	3.98%	3.26%	2.68%	2.22%	1.84%
Fixed assets, net	5.15%	4.97%	4.27%	4.50%	4.45%	4.33%	4.19%	4.05%	3.90%	3.78%	3.67%	3.57%	3.50%
Pension related assets	9.80%	10.26%	11.45%	11.80%	11.92%	12.16%	12.53%	12.96%	13.49%	14.13%	14.88%	15.71%	16.69%
Right of use assets	11.54%	11.00%	9.42%	9.99%	9.87%	9.61%	9.31%	8.98%	8.66%	8.38%	8.15%	7.93%	7.76%
Deferred tax assets	4.06%	4.08%	2.78%	2.52%	2.24%	2.02%	1.83%	1.67%	1.53%	1.41%	1.31%	1.21%	1.14%
Other assets	10.55%	8.46%	7.37%	7.28%	7.05%	6.90%	6.81%	6.76%	6.74%	6.77%	6.84%	6.92%	7.05%
Total Assets	188.31%	191.88%	173.50%	240.71%	240.36%	233.81%	237.08%	239.02%	242.57%	247.79%	254.72%	262.34%	271.59%
Liabilities & Equity													
Current Liabilities:													
Short-term debt	7.30%	3.00%	0.09%	2.94%	7.10%	2.16%	4.74%	4.51%	4.31%	4.15%	4.02%	3.91%	3.82%
Accounts payable & accrued liabilities	16.49%	17.71%	15.97%	15.36%	15.36%	15.36%	15.36%	15.36%	15.36%	15.36%	15.36%	15.36%	15.36%
Accrued compensation & employee benefits	13.19%	13.93%	14.84%	12.68%	12.43%	12.43%	12.43%	12.43%	12.43%	12.43%	12.43%	12.43%	12.43%
Current lease liabilities	2.05%	1.99%	1.68%	1.79%	1.76%	1.72%	1.66%	1.60%	1.55%	1.50%	1.46%	1.42%	1.39%
Accrued income taxes	1.07%	1.43%	1.00%	1.28%	1.40%	1.46%	1.49%	1.54%	1.58%	1.62%	1.65%	1.69%	1.72%
Total current liabilities	40.11%	38.06%	33.57%	34.05%	38.06%	33.12%	35.68%	35.44%	35.23%	35.06%	34.92%	34.80%	34.72%
Long-term debt	64.50%	62.68%	55.16%	117.44%	109.47%	102.92%	97.77%	93.33%	89.79%	87.15%	85.23%	83.68%	82.84%
Pension, postretirement & postemployment benefits	14.03%	15.46%	8.23%	8.48%	8.57%	8.74%	9.01%	9.32%	9.70%	10.16%	10.70%	11.30%	12.00%
Long-term lease liabilities	11.57%	11.17%	9.49%	10.08%	9.95%	9.69%	9.38%	9.05%	8.73%	8.45%	8.22%	7.99%	7.82%
Liabilities for errors & omissions	2.01%	2.12%	1.79%	1.70%	1.58%	1.48%	1.40%	1.33%	1.28%	1.23%	1.19%	1.16%	1.13%
Other liabilities	8.39%	8.62%	8.64%	8.87%	8.94%	9.09%	9.34%	9.64%	10.00%	10.45%	10.97%	11.55%	12.24%
Total Long-Term Liabilities	140.61%	138.12%	116.88%	180.62%	176.56%	165.05%	162.59%	158.12%	154.72%	152.49%	151.24%	150.48%	150.74%
Equity													
Common stock	8.55%	8.73%	8.44%	8.28%	7.69%	7.22%	6.84%	6.51%	6.20%	5.79%	5.61%	5.45%	5.32%
Additional paid-in capital	5.18%	5.47%	5.61%	5.31%	4.94%	4.63%	4.39%	4.18%	4.00%	3.85%	3.73%	3.62%	3.54%
Retained earnings	91.27%	94.47%	92.78%	97.47%	101.70%	107.29%	113.80%	120.96%	128.73%	137.30%	146.53%	155.92%	166.11%
Accumulated other comprehensive income (loss)	-30.36%	-29.67%	-23.08%	-21.86%	-20.31%	-19.06%	-18.06%	-17.19%	-16.44%	-15.84%	-15.35%	-14.90%	-14.56%
Non-controlling interests	0.90%	0.91%	1.07%	1.32%	1.51%	1.70%	1.88%	2.05%	2.22%	2.40%	2.58%	2.77%	2.96%
Equity Without Treasury Stock	75.54%	79.92%	84.82%	85.20%	90.59%	97.14%	104.45%	112.33%	120.71%	129.65%	139.37%	149.24%	159.84%
Less - treasury shares, at cost	22.66%	20.68%	22.59%	25.12%	26.79%	28.38%	29.96%	31.43%	32.86%	34.35%	35.89%	37.37%	38.99%
Total Equity	47.70%	53.76%	56.62%	60.09%	63.80%	68.76%	74.49%	80.90%	87.85%	95.30%	103.49%	111.86%	120.85%
Total Equity & Liabilities	188.31%	191.88%	173.50%	240.71%	240.36%	233.81%	237.08%	239.02%	242.57%	247.79%	254.72%	262.34%	271.59%

Marsh & McLennan
Value Driver Estimation

Fiscal Years Ending Dec. 31	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
NOPLAT:													
Revenue	16652	17224	19820	20926	22524	24002	25330	26617	27825	28886	29814	30710	31430
Compensation & benefits	9734	10129	11425	11958	12613	13441	14185	14906	15582	16176	16696	17197	17601
Other operating expenses	4241	4029	4083	4031	4167	4440	4686	4924	5148	5344	5516	5681	5815
Depreciation	333	390	382	319	355	377	391	400	405	408	411	412	413
Amortization	314	351	365	350	327	307	271	252	195	166	141	120	102
Plus: Implied Interest on Operating Leases	82	97	96	110	117	122	125	126	127	128	128	129	129
EBITA	2112	2422	3661	4378	5179	5558	5922	6262	6622	6919	7179	7428	7629

Adjusted Taxes													
Provision for Income Taxes	666	747	1034	1088	1283	1422	1533	1664	1785	1897	2002	2105	2199
Less: Interest Income	11	2	0	2	196	230	246	283	316	352	390	431	475
Plus: Interest Expense	141	133	104	126	284	285	286	286	287	289	291	294	297
Less: other net benefit credits	72	66	65	64	65	66	67	68	69	70	71	72	73
Plus: Cost of extinguishment of debt	-9	0	0	0	0	0	0	0	0	0	0	0	0
Investment income (loss)	6	-6	14	16	17	17	18	18	19	19	20	20	21
Plus: Acquisition related derivative contracts	-2	0	0	0	0	0	0	0	0	0	0	0	0
Total Adjusted Taxes	721	806	1087	1165	1323	1428	1524	1618	1707	1784	1852	1917	1969
Current Deferred Taxes Assets	676	702	551	528	505	484	463	444	425	407	389	373	357
Previous Deferred Tax Assets	680	676	702	551	528	505	484	463	444	425	407	389	373
Plus: Change in Deferred Taxes Assets	-4	26	-151	-23	-22	-21	-21	-20	-19	-18	-17	-17	-16
NOPLAT	1388	1642	2423	3190	3834	4109	4377	4624	4897	5117	5310	5495	5644

Invested Capital (IC):													
Net Operating Working Capital													
Cash & cash equivalents	1155	1195	1375	1451	1562	1665	1757	1846	1930	2004	2068	2130	2180
Net receivables	5236	5326	5586	5903	6354	6771	7146	7509	7850	8149	8411	8664	8867
Other current assets	677	740	926	965	1006	1049	1094	1140	1189	1239	1292	1347	1404
Accounts payable & accrued liabilities	2746	3050	3165	3215	3461	3688	3892	4090	4275	4438	4581	4718	4829
Accrued compensation & employee benefits	2197	2400	2942	2653	2799	2983	3148	3308	3458	3589	3705	3816	3906
NOWC	2125	1811	1780	2452	2663	2815	2957	3098	3236	3364	3485	3606	3716
Other intangible assets	2774	2699	2810	2460	2133	1826	1555	1303	1107.6604	941.605184	800.444184	680.445374	578.436218
Fixed assets, net	858	856	847	942	1002	1039	1062	1077	1086	1091	1095	1097	1099
Right of use assets	1921	1894	1868	2091	2223	2306	2357	2389	2409	2422	2430	2435	2438
Accrued Taxes	179	247	198	268	316	350	377	409	439	467	492	518	541
Other assets	1757	1458	1461	1523	1588	1655	1726	1799	1875	1955	2038	2125	2215
Invested Capital	9614	8965	8964	9736	9925	9991	10035	10076	10153	10241	10341	10461	10587

Free Cash Flow (FCF):													
NOPLAT	1388	1642	2423	3190	3834	4109	4377	4624	4897	5117	5310	5495	5644
Change in IC	3887	-649	-1	772	189	66	44	41	77	88	100	120	126
FCF	-2499	2291	2424	2417	3645	4043	4333	4583	4820	5030	5210	5375	5518

Return on Invested Capital (ROIC):													
NOPLAT	1388	1642	2423	3190	3834	4109	4377	4624	4897	5117	5310	5495	5644
Beginning IC	5,727	9,614	8,965	8,964	9,736	9,925	9,991	10,035	10,076	10,153	10,241	10,341	10,461
ROIC	24.23%	17.08%	27.03%	35.58%	39.38%	41.40%	43.81%	46.08%	48.60%	50.40%	51.85%	53.14%	53.95%

Economic Profit (EP):													
Beginning IC	5727	9614	8965	8964	9736	9925	9991	10035	10076	10153	10241	10341	10461
x (ROIC - WACC)	16.40%	9.25%	19.20%	27.75%	31.54%	33.57%	35.98%	38.25%	40.77%	42.57%	44.02%	45.30%	46.12%
EP	939	889	1721	2488	3071	3331	3594	3838	4108	4322	4508	4685	4824

Marsh & McLennan

Weighted Average Cost of Capital (WACC) Estimation

Cost of Equity:

Risk-Free Rate	4.10%
Beta	0.89
Equity Risk Premium	5.15%
Cost of Equity	8.68%

ASSUMPTIONS:

10-year Treasury Yield
5-year Monthly Beta
Henry Fund Equity-Risk Premium

0.89

Cost of Debt:

Risk-Free Rate	4.10%
Implied Default Premium	0.42%
Pre-Tax Cost of Debt	4.52%
Marginal Tax Rate	25.70%
After-Tax Cost of Debt	3.36%

30-Year Treasury Yield

4.52% True Yield 2052 maturing security on Bloomberg

Market Value of Common Equity:

Total Shares Outstanding	496,000,000
Current Stock Price	\$153.11
MV of Equity	75,942,560,000.00

MV Weights

84.00%

Market Value of Debt:

Short-Term Debt	17,000,000
Long-Term Debt	10,933,000,000
Pension Debt	1,632,000,000
Long-Term Lease Liabilities	188,000,000
MV of Total Debt	14,462,000,000.00

16.00%

MV of Preferred -

0.00%

Market Value of the Firm

90,404,560,000.00

100.00%

Estimated WACC

7.83%

Marsh & McLennan

Discounted Cash Flow (DCF) and Economic Profit (EP) Valuation Models

Key Inputs:

CV Growth of NOPLAT	3.00%
CV Year ROIC	54%
WACC	7.83%
Cost of Equity	8.68%

Fiscal Years Ending Dec. 31	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
-----------------------------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------

DCF Model:

Free Cash Flow (FCF)	2417.2	3644.6	4043.1	4333.1	4583.2	4819.7	5029.6	5210.5	5374.6	5517.6
Continuing Value (CV)										110308.1
PV of FCF	2241.7	3134.4	3224.6	3204.9	3143.7	3065.8	2967.0	2850.4	2726.6	55961.8

Value of Operating Assets:	82520.8
Non-Operating Adjustments	
Plus: Excess Cash	16461.6
Plus: Non-Controlling Interests	213
Plus: Pension related assets	2270
Less: Short-term debt	-17.0
Less: Long-term debt	-10933
Less: Pension Debt	-1632
Less: Long-term Lease Liabilities	-1880
Less PV of ESOP	-299.9

Value of Equity	86703.5
Shares Outstanding	499.2
Intrinsic Value of Last FYE	\$ 173.68
Implied Price as of Today	\$ 184.00

EP Model:

Economic Profit (EP)	2487.6	3071.2	3331.5	3594.5	3838.5	4107.8	4322.3	4508.2	4684.7	4824.3
Continuing Value (CV)										99847.5
PV of EP	2306.9	2641.2	2657.1	2658.6	2632.8	2613.0	2549.7	2466.2	2376.7	50654.9

Total PV of EP	73557.1
Invested Capital (last FYE)	8963.7
Value of Operating Assets:	82520.8
Non-Operating Adjustments	
Plus: Excess Cash	16461.6
Plus: Non-Controlling Interests	213.0
Plus: Pension related assets	2270
Less: Short-term debt	-17
Less: Long-term debt	-10933
Less: Pension Debt	-1632
Less: Long-term Lease Liabilities	-1880
Less: PV of ESOP	-299.9
	169224.3

Value of Equity	86703.5
Shares Outstanding	499.2
Intrinsic Value of Last FYE	\$ 173.68
Implied Price as of Today	\$ 184.00

Marsh & McLennan*Dividend Discount Model (DDM) or Fundamental P/E Valuation Model*

Fiscal Years Ending Dec. 31	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
------------------------------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------

EPS	\$ 6.23	\$ 7.45	\$ 8.39	\$ 9.14	\$ 10.05	\$ 10.91	\$ 11.73	\$ 12.51	\$ 13.31	\$ 14.05
-----	---------	---------	---------	---------	----------	----------	----------	----------	----------	----------

Key Assumptions

CV growth of EPS	5.00%
CV Year ROE	19.29%
Cost of Equity	8.68%

Future Cash Flows

P/E Multiple (CV Year)										20.11
EPS (CV Year)										\$ 14.05
Future Stock Price										\$ 282.54
Dividends Per Share	2.19	2.39	2.61	2.85	3.12	3.41	3.73	4.07	4.45	
Discounted Cash Flows	2.01	2.02	2.03	2.05	2.06	2.07	2.08	2.09	2.10	\$ 133.54

Intrinsic Value as of Last FYE	\$ 152.05
--------------------------------	-----------

Implied Price as of Today	\$ 161.08
----------------------------------	------------------

Marsh & McLennan*Relative Valuation Models*

Ticker	Company	Price	EPS		P/E 22	P/E 23	EV/EBITDA	P/B
			2022E	2023E				
AON	Aon PLC A	\$280.00	\$13.16	\$14.50	21.30	19.30	27.56	86.88
AJG	Arthur J Gallagher	\$175.42	\$7.74	\$8.69	22.70	20.20	20.92	4.22
WLTW	Willis Tower Watson	\$211.47	\$13.51	\$15.43	15.70	13.70	14.56	2.88
BRO	Brown & Brown	\$55.10	\$2.28	\$2.50	24.20	22.00	17.18	3.69
			Average		20.98	18.80	20.06	3.60
MMC	Marsh & McLennan	\$153.11	\$6.23	\$7.45	24.6	20.6	15.96	8.01

Implied Relative Value:

P/E (EPS22)	\$ 130.61
P/E (EPS23)	\$ 139.97
EV/EBITDA	\$ 320.08
P/B	\$ 28.81

Marsh & McLennan*Effects of ESOP Exercise and Share Repurchases on Common Stock Account and Number of Shares Outstanding*

Number of Options Outstanding (shares):	4
Average Time to Maturity (years):	<u>5.10</u>
Expected Annual Number of Options Exercised:	0.78

Current Average Strike Price:	\$ 75.19
Cost of Equity:	8.68%
Current Stock Price:	\$153.11

Fiscal Years Ending Dec. 31	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Increase in Shares Outstanding:	0.78	0.78	0.78	0.78	0.78	0.70				
Average Strike Price:	\$ 75.19	\$ 75.19	\$ 75.19	\$ 75.19	\$ 75.19	\$ 75.19				
Increase in Common Stock Account:	59	59	59	59	59	53	-	-	-	-
Share Repurchases (\$)	778	778	778	778	778	778	778	778	778	778
Expected Price of Repurchased Shares:	\$ 153.11	\$ 164.32	\$ 176.36	\$ 189.27	\$ 203.13	\$ 218.01	\$ 233.98	\$ 251.11	\$ 269.50	\$ 289.24
Number of Shares Repurchased:	5	5	4	4	4	4	3	3	3	3
Shares Outstanding (beginning of the year)	503.5	499.2	495.3	491.6	488.3	485.3	482.4	479.1	476.0	473.1
Plus: Shares Issued Through ESOP	0.8	0.8	0.8	0.8	0.8	0.7	0.0	0.0	0.0	0.0
Less: Shares Repurchased in Treasury	5.1	4.7	4.4	4.1	3.8	3.6	3.3	3.1	2.9	2.7
Shares Outstanding (end of the year)	499.2	495.3	491.6	488.3	485.3	482.4	479.1	476.0	473.1	470.4

Marsh & McLennan*Valuation of Options Granted under ESOP*

Current Stock Price	\$153.11
Risk Free Rate	4.25%
Current Dividend Yield	1.36%
Annualized St. Dev. of Stock Returns	25.23%

Range of Outstanding Options	Number of Shares	Average Exercise Price	Average Remaining Life (yrs)	B-S Option Price	Value of Options Granted
Range 1	4.0	75.19	5.10	\$ 75.19	\$ 300
Range 2					
Range 3					
Range 4					
Range 5					
Range 6					
Range 7					
Range 8					
Range 9					
Total	4	\$ 75.19	5.10	\$ 93.68	\$ 300

Marsh & McLennan
Present Value of Operating Lease Obligations

Fiscal Years Ending Dec. 31	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Year 1	300.0	310.0	398.0	365.0	372.0	372.0	355.0	361.0	413.0	410.0	389.0
Year 2	250.0	260.0	357.0	334.0	341.0	345.0	316.0	340.0	359.0	380.0	350.0
Year 3	225.0	230.0	318.0	293.0	311.0	297.0	291.0	277.0	335.0	331.0	307.0
Year 4	175.0	180.0	273.0	258.0	259.0	262.0	226.0	252.0	288.0	288.0	276.0
Year 5	100.0	104.0	244.0	212.0	224.0	198.0	207.0	214.0	241.0	256.0	253.0
Thereafter	290.0	300.0	1101.0	1010.0	847.0	862.0	773.0	753.0	974.0	905.0	924.0
Total Minimum Payments	1340.0	1384.0	2691.0	2472.0	2354.0	2336.0	2168.0	2197.0	2610.0	2570.0	2499.0
Less: Cumulative Interest	186.1	192.2	496.1	458.5	403.8	409.5	368.8	366.9	457.2	434.8	432.8
PV of Minimum Payments	1153.9	1191.8	2194.9	2013.5	1950.2	1926.5	1799.2	1830.1	2152.8	2135.2	2066.2
Implied Interest in Year 1 Payment		51.9	53.6	98.8	90.6	87.8	86.7	81.0	82.4	96.9	96.1
Pre-Tax Cost of Debt	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
Years Implied by Year 6 Payment	2.9	2.9	4.5	4.8	3.8	4.4	3.7	3.5	4.0	3.5	3.7
Expected Obligation in Year 6 & Beyond	100	104	244	212	224	198	207	214	241	256	253
Present Value of Lease Payments											
PV of Year 1	287.1	296.7	380.9	349.3	356.0	356.0	339.7	345.5	395.2	392.3	372.2
PV of Year 2	228.9	238.1	326.9	305.9	312.3	315.9	289.4	311.3	328.7	348.0	320.5
PV of Year 3	197.2	201.5	278.7	256.8	272.5	260.3	255.0	242.7	293.6	290.1	269.0
PV of Year 4	146.7	150.9	228.9	216.3	217.2	219.7	189.5	211.3	241.5	241.5	231.4
PV of Year 5	80.2	83.5	195.8	170.1	179.7	158.9	166.1	171.7	193.4	205.4	203.0
PV of 6 & beyond	213.7	221.1	783.8	715.2	612.4	615.7	559.5	547.5	700.4	657.8	670.0
Capitalized PV of Payments	1153.9	1191.8	2194.9	2013.5	1950.2	1926.5	1799.2	1830.1	2152.8	2135.2	2066.2

Marsh & McLennan

Key Management Ratios

<i>Fiscal Years Ending Dec. 31</i>	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Liquidity Ratios:													
Cash Ratio (Cash/Current Liabilites)	17.29%	31.86%	26.33%	251.37%	245.74%	282.94%	286.57%	306.69%	328.75%	352.67%	379.12%	406.49%	436.09%
Quick Ratio (Cash & Receivables/Current Liabilites)	100.85%	119.33%	116.07%	352.72%	335.41%	388.24%	383.52%	404.61%	427.62%	452.49%	479.92%	508.25%	538.87%
Current Ratio (Current Assets/Current Liabilites)	105.82%	124.39%	124.20%	347.76%	331.60%	381.30%	377.74%	398.38%	420.96%	445.38%	472.31%	500.15%	530.22%
Asset-Management Ratios:													
Receivables Turnover (Sales/Net Receivables)	3.18	3.23	3.55	3.54	3.54	3.54	3.54	3.54	3.54	3.54	3.54	3.54	3.54
Average Collection Period (365/(Sales/Net Receivables))	114.77	112.87	102.87	102.97	102.97	102.97	102.97	102.97	102.97	102.97	102.97	102.97	102.97
Total Asset Turnover (Sales/Total Assets)	0.53	0.52	0.58	0.42	0.42	0.43	0.42	0.42	0.41	0.40	0.39	0.38	0.37
Financial Leverage Ratios:													
Debt to Assets (Total Debt/Total Assets)	0.75	0.72	0.67	0.75	0.73	0.71	0.69	0.66	0.64	0.62	0.59	0.57	0.56
Debt to Capital (Total Debt/Total Liabilities & Equity)	0.75	0.72	0.67	0.75	0.73	0.71	0.69	0.66	0.64	0.62	0.59	0.57	0.56
Debt to EBIT (Total Debt/Earnings Before Interest & Taxes)	11.08	9.82	6.33	8.63	7.68	7.13	6.95	6.72	6.50	6.37	6.28	6.22	6.21
Profitability Ratios:													
Return on Equity (NI/Beg TSE)	23.38%	25.76%	34.28%	27.70%	29.44%	28.79%	27.13%	25.93%	24.51%	23.06%	21.71%	20.47%	19.29%
Profit Margin (Net Income/Revenue)	10.65%	11.88%	16.01%	14.85%	16.44%	17.24%	17.68%	18.38%	18.97%	19.52%	20.04%	20.57%	21.09%
Return on Assets (Net Income/Total Assets)	5.65%	6.19%	9.23%	6.17%	6.84%	7.37%	7.46%	7.69%	7.82%	7.88%	7.87%	7.84%	7.76%
Payout Policy Ratios:													
Dividend Payout Ratio (Dividend/EPS)	50.58%	46.23%	32.26%	35.10%	32.09%	31.14%	31.23%	31.03%	31.25%	31.77%	32.53%	33.43%	34.62%
Total Payout Ratio ((Divs. + Repurchases)/NI)	83.59%	-	56.83%	60.42%	53.22%	50.04%	48.70%	47.02%	46.08%	45.67%	45.65%	45.85%	34.72%
Dividends to Net Income Ratio (Dividends/NI)	38.47%	46.09%	32.33%	35.41%	32.21%	31.25%	31.33%	31.12%	31.34%	31.88%	32.64%	33.53%	34.72%

Marsh & McLennan
Sensitivity Tables

DCF		Marginal-Tax Rate						
184.00		24.00%	25.00%	25.70%	26.00%	27.00%	28.00%	29.00%
Risk-Free Rate	3.75%	188.36	186.01	184.36	183.65	181.29	178.92	176.55
	4.00%	188.18	185.83	184.18	183.48	181.11	178.74	176.37
	4.25%	188.00	185.65	184.00	183.29	180.93	178.56	176.18
	4.50%	187.82	185.47	183.82	183.11	180.74	178.37	176.00
	4.75%	187.63	185.28	183.63	182.92	180.56	178.18	175.81
	5.00%	187.44	185.09	183.44	182.73	180.36	177.99	175.61
	5.25%	187.25	184.89	183.24	182.53	180.17	177.80	175.42

DCF		Pension Benefits (Liabilities)						
184.00		7.25%	7.75%	8.25%	8.74%	9.00%	9.50%	10.00%
Long-Term Debt %	30.00%	183.88	183.89	183.89	183.89	183.89	183.89	183.89
	32.50%	183.97	183.97	183.97	183.97	183.97	183.97	183.97
	33.50%	184.00	184.00	184.00	184.00	184.00	184.00	184.00
	35.00%	184.05	184.05	184.05	184.05	184.05	184.05	184.05
	37.50%	184.13	184.13	184.13	184.13	184.13	184.13	184.13
	40.00%	184.21	184.21	184.21	184.21	184.21	184.21	184.21
	42.50%	184.29	184.29	184.29	184.29	184.29	184.29	184.29

DCF		Equity-Risk Premium						
184.00		4.75%	5.00%	5.15%	5.25%	5.50%	5.75%	6.00%
Beta	0.80	211.02	203.34	199.01	196.24	189.65	183.51	177.79
	0.85	201.97	194.54	190.36	187.68	181.32	175.40	169.89
	0.89	195.30	188.07	184.00	181.39	175.20	169.45	164.10
	0.95	186.14	179.18	175.27	172.76	166.82	161.30	156.17
	1.00	179.18	172.44	168.65	166.22	160.47	155.13	150.17
	1.10	166.82	160.47	156.90	154.62	149.22	144.22	139.57
	1.20	156.17	150.17	146.81	144.66	139.57	134.86	130.49

DCF		Annual Capital Expenditures						
184.00		380.00	390.00	400.00	406.00	410.00	420.00	430.00
Compensation & Benefits	53.00%	207.04	206.76	206.49	206.32	206.22	205.94	205.67
	54.00%	199.67	199.40	199.12	198.96	198.85	198.57	198.30
	55.00%	192.30	192.03	191.76	191.59	191.48	191.21	190.93
	56.00%	184.94	184.66	184.39	184.22	184.11	183.84	183.57
	57.00%	177.57	177.30	177.02	176.86	176.75	176.47	176.20
	58.00%	170.20	169.93	169.65	169.49	169.38	169.11	168.83
	59.00%	162.84	162.56	162.29	162.12	162.01	161.74	161.46

DCF		2031E CV Growth of NOPLAT						
184.00		2.50%	2.75%	3.00%	3.25%	3.50%	3.75%	4.00%
WACC	7.50%	185.27	190.93	197.22	204.25	212.16	221.12	231.37
	7.75%	176.58	181.57	187.08	193.21	200.06	207.76	216.49
	7.83%	173.97	178.77	184.06	189.93	196.48	203.83	212.14
	8.00%	168.68	173.10	177.96	183.33	189.30	195.97	203.48
	8.25%	161.48	165.41	169.71	174.45	179.68	185.49	191.99
	8.50%	154.88	158.38	162.21	166.40	171.01	176.11	181.77
	8.75%	148.80	151.95	155.36	159.09	163.18	167.67	172.63

DCF		2022E Other Operating Expenses						
184.00		17.00%	18.00%	19.00%	20.00%	21.00%	22.00%	23.00%
Commissions & Fees Receivables	23.00%	198.66	191.10	183.55	175.99	168.44	160.88	153.33
	24.00%	197.46	189.90	182.35	174.79	167.24	159.68	152.13
	25.00%	196.25	188.70	181.14	173.59	166.03	158.48	150.92
	25.77%	195.33	187.77	180.22	172.66	165.11	157.55	150.00
	26.00%	195.05	187.50	179.94	172.39	164.83	157.28	149.72
	27.00%	193.85	186.29	178.74	171.18	163.63	156.07	148.52
	28.00%	192.65	185.09	177.54	169.98	162.43	154.87	147.32