

Marsh and McLennan Companies (MMC)

Insurance Brokerage & Consulting- Financial Services

October 16, 2023

Investment Thesis

We recommend a HOLD rating on Marsh and McLennan (MMC) with a price target range of \$172-229 with a potential upside of 14.5%. MMC is a key player in the global insurance brokerage and consulting and has a strong positioning in the market, along with a diversified portfolio of services.

Drivers of Thesis

- MMC has consistently achieved high-single-digit revenue growth and margin expansion, demonstrating resilience across economic cycles.
- The company effectively manages costs and has implemented a cost restructuring program. In Q2 FY23, they anticipate achieving total savings of approximately \$300 million by FY24, having already realized approximately \$200 million in FY23.
- We expect MMC to deliver growth despite economic factors as the company's business is dealing with risk, which is an extremely sticky business and gives it a moat. We forecast revenues to grow at a CAGR of 9.15% over the forecast horizon.
- MMC has an asset light and cash heavy operating model, which translates into robust ROIC. The demand for risk-related services is expected to grow and the industry is under consolidation, all of which are positive factors for the company.

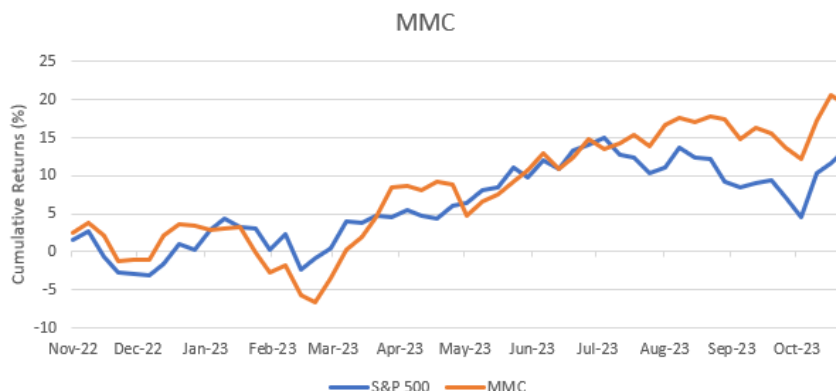
Risks to Thesis

- The primary risk to MMC is the competitive environment. Pricing, vendor relations, customer concentration risk are all potential risk areas. Economic slowdown affects growth prospects.
- MMC has nearly \$12 billion of debt outstanding on its balance sheet. This is required for its business operations and the need to be on the lookout for strategic acquisitions. Holding this much debt brings with it solvency risks in an adverse scenario.

Earnings Estimates

Year	2020	2021	2022	2023E	2024E	2025E
EPS	\$3.98	\$6.20	\$6.11	\$7.93	\$8.71	\$9.55
HF est.				\$6.37	\$7.27	\$8.27
Growth	15.20%	55.60%	-1.40%	4.16%	14.26%	13.68%

12 Month Performance



Stock Rating

HOLD

Target Price

\$172-229

Henry Fund DCF	\$229
Henry Fund DDM	\$172
Relative Multiple (PE)	\$170

Price Data

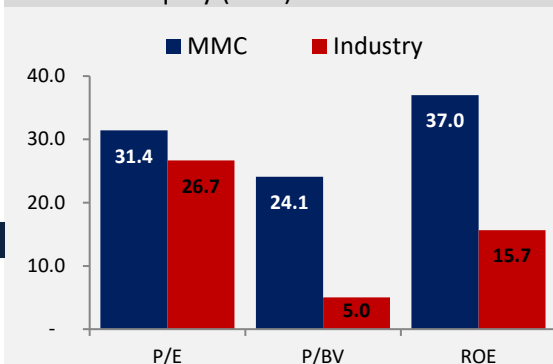
Current Price	\$200
52wk Range	\$151-201
Consensus 1yr Target	\$206

Key Statistics

Market Cap (B)	\$97.5
Shares Outstanding (M)	493.1
Institutional Ownership	89.18%
Beta	0.89
Dividend Yield	1.18%
Est. Growth (5yr)	7.00%
Price/Earnings (TTM)	32.7
Price/Earnings (FY1)	31.4
Price/Book Value (TTM)	24.1
Price/Book Value (FY1)	24.2

Profitability (FY22)

Operating Margin	20.66%
Profit Margin	14.72%
Return on Assets (TTM)	9.12%
Return on Equity (TTM)	27.18%



Company Description

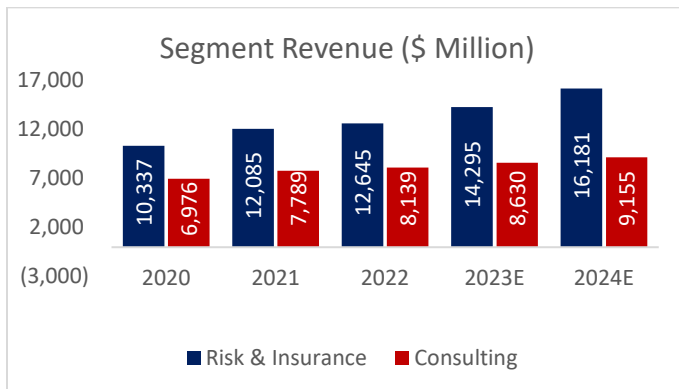
Marsh and McLennan is a professional services company, which engages in offering clients advice and solutions in risk, strategy, and people. It operates through the Risk and Insurance Services and Consulting segments. The company reported revenue of \$20,619 million in 2022, growing 4.5% over 2021. EPS for 2022 was \$6.11 and the company delivered a ROIC of 20.5%. Marsh and McLennan paid a dividend of \$2.31 to its shareholders in 2022.

COMPANY DESCRIPTION

Marsh & McLennan Companies, Inc. is a global professional services firm that specializes in risk, strategy, and people. The company operates through two main business segments: Risk and Insurance Services, and Consulting, employing 85,000 people globally.

The Risk and Insurance Services segment provides risk management solutions, including risk advice, risk transfer, and risk control and mitigation, as well as insurance and reinsurance broking and services. This segment operates through Marsh and Guy Carpenter. Marsh offers data-driven risk advisory services and insurance solutions to commercial and consumer clients. Guy Carpenter, on the other hand, develops advanced risk, reinsurance, and capital strategies that help clients grow profitably and identify and capitalize on emerging opportunities.

The Consulting segment offers health, wealth, and career services and products, and specialized management, economic, and brand consulting services. This segment operates through Mercer and Oliver Wyman Group. Mercer delivers advice and technology-driven solutions that help organizations redefine the world of work, reshape retirement and investment outcomes, and unlock health and well-being for a changing workforce. Oliver Wyman serves as a critical strategic, economic, and brand advisor to private sector and governmental clients.

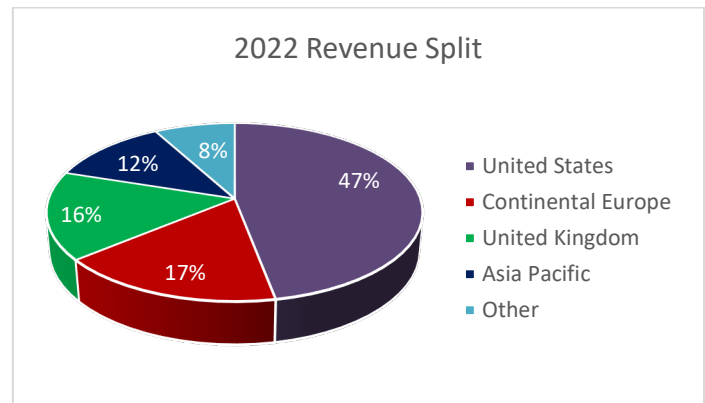


Source: MMC's 10-K

Marsh & McLennan's business is robust because it thrives on risk in the economy and markets. In the past few years, companies have seen supply chain disruptions, inventory buildups, labor shortages, cyber-attacks, and a shift toward greener energy. Marsh & McLennan's job is to help companies navigate these disruptions while protecting them from the risks they pose. We expect this business to

thrive in the current economic environment and have forecasted this segment to grow at a CAGR of 10.88% over the forecast horizon.

Geographical Breakdown



Source: Company 10-K

The United States contributes the bulk of the company's business at 47%. The rest of the business is almost equally distributed across Europe, United Kingdom, and the rest of the world. It helps to mitigate risks associated with regional economic downturns or disruptions. By generating revenue from multiple geographic areas, MMC can reduce its dependence on any single market and ensure a more stable and resilient financial performance.

In 2022, approximately 53% of MMC's total revenue was generated from operations outside the United States, indicating a significant international presence. This geographical diversification exposes MMC to various legal, economic, operational, market, compliance, and reputational risks. However, it also provides opportunities for growth and resilience in the face of economic and political conditions in the countries where they operate.

MMC's diversified revenue stream also allows it to navigate the challenges and risks associated with its global operations. For instance, the company faces significant competition in all its businesses from providers of similar products and services, including competition in identifying and pursuing acquisition candidates. A diversified revenue stream can help MMC maintain its competitive edge in these various markets.

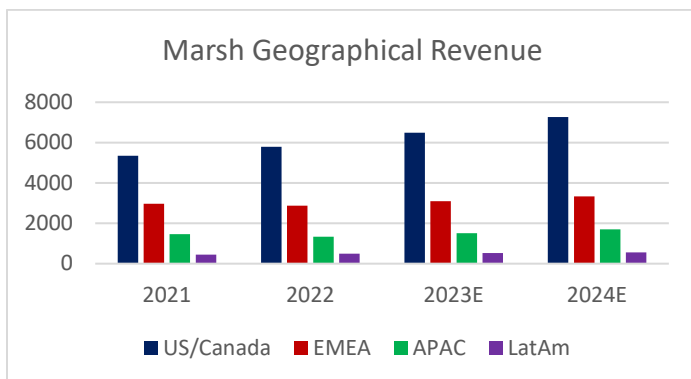
Moreover, MMC's focus on growth areas such as digital, climate, sustainability, and cybersecurity has contributed to accelerated organic revenue growth. The company has been actively attracting talent to these new operations and strategically leveraging acquisitions to broaden their

service offerings. This strategic shift towards higher-growth areas has enabled MMC to accelerate their organic revenue growth, further underscoring the importance of a geographically diversified revenue stream.

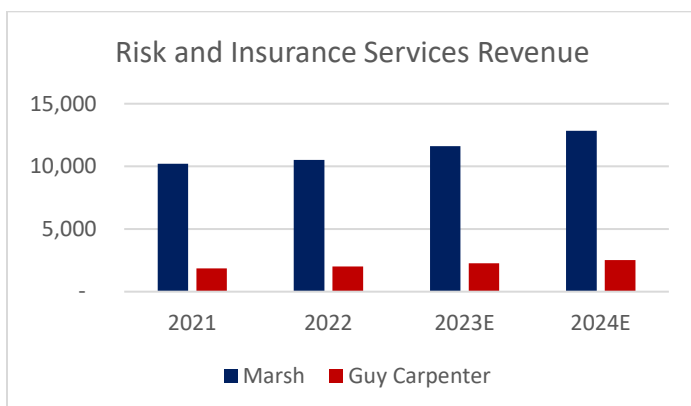
We forecast total revenues to grow at a CAGR of 9.15% over the forecast period, which is from 2022 to 2032E. We have considered the company's market position in the business services industry and the prospects of the two business segments over the forecast horizon. Let's take a deeper look at the two business segments of MMC:

Risk and Insurance Services

The Risk and Insurance Services segment of the company is a global operation that competes based on the sophistication, range, quality, and cost of the services and products it offers to clients. It offers its services under the Marsh and Guy Carpenter brands. It faces competition from other insurance and reinsurance brokerage firms, insurance and reinsurance companies that market their products directly to clients, and other businesses that provide risk-related services and products.



Source: MMC 10-K



Source: MMC 10-K

The segment's revenue is derived from compensation for brokerage and consulting services through commissions and fees. These rates and fees can vary depending on several factors, including the type of insurance or reinsurance coverage provided, the particular insurer or reinsurer selected, and the capacity in which the broker acts and negotiates with clients.

The Risk and Insurance Services segment is subject to licensing requirements in every state of the United States and most foreign jurisdictions. These licenses are required for insurance market intermediaries and related service providers such as insurance brokers, agents, consultants, reinsurance brokers, and managing general agents.

The segment operates in a variety of markets and faces different competitive landscapes. It competes against other insurance and reinsurance brokerage and risk advisory firms, insurance and reinsurance companies that market their products directly to consumers, and various other companies that provide risk-related services or alternatives to traditional brokerage services.

The Risk and Insurance Services segment generated approximately 61% of the company's total revenue in 2022 and employs approximately 48,800 colleagues worldwide. The company conducts business in this segment through Marsh and Guy Carpenter. Marsh, which is the world's leading insurance broker and risk advisor, generated approximately 52% of the company's total revenue in 2022 and employs 45,400 people in more than 130 countries.

The company's business is robust because it thrives on risk in the economy and markets. In recent years, the company has intentionally redirected its focus towards growth areas. They have identified several emerging growth sectors, including digital, climate, sustainability, and cybersecurity, among others. The company has been actively attracting talent to these new operations and strategically leveraging acquisitions to broaden their service offerings.

Marsh & McLennan Companies (MMC) has a history of making acquisitions and investments, with a total of 84 from 2016 to 2021. In 2021, the Risk and Insurance

Services segment of MMC completed eight acquisitions. One of the notable acquisitions was of PayneWest Insurance, Inc., a Montana-based full-service broker providing business insurance, surety, employee benefits, and personal insurance services to companies and individuals, and The Pryor Group, LLC, a Texas-based full-service broker providing business insurance with a specialty in quick service restaurants and the personal lines of franchise owners.

In 2020, the Risk and Insurance Services segment completed seven acquisitions. Some of the acquisitions included Momentous Insurance Brokerage Inc., a California-based full-service risk management and employee benefits firm specializing in high-net-worth private client services and insurance solutions for the entertainment industry, and Ironwood Insurance Services, LLC, an Atlanta-based broker that provides commercial property/casualty insurance, employee benefits, and private client solutions to mid-size businesses and individuals across the U.S.

However, it's important to note that acquisitions come with risks. MMC may face challenges in successfully integrating the businesses that they acquire into their own business or achieving any expected cost savings or synergies from the integration of such businesses. For example, upon the consummation of the acquisition of JLT, the Company assumed the legal liabilities and became responsible for JLT's litigation and regulatory exposures as of April 1, 2019.

Despite these challenges, MMC expects that acquisitions will continue to be a key part of their business strategy. Their success in this regard will depend on their ability to identify and compete for appropriate acquisition candidates and to finance and complete the transactions they decide to pursue on favorable terms with positive results.

Competitive Environment

In terms of competition, MMC encounters strong competition from other insurance and reinsurance brokerage firms that operate on a global, regional,

national, or local scale in every geography in which it operates. This competition is intensified by an often "syndicated" or "distributed" approach to the purchase of insurance and reinsurance brokerage services, where a client engages multiple brokers to service different portions of the client's account.

In recent years, private equity sponsors have invested tens of billions of dollars into the insurance brokerage sector, transforming existing players and creating new ones to compete with large brokers. This has led to some concerns from the carrier side that the brokers are becoming too powerful with all this consolidation.

The risk and insurance business has been experiencing significant changes and advancements recently. One of the key developments is the increasing threat of digital disruption and technological change. Traditional players such as insurers are facing competition from new entrants like technology companies and Insurtech start-ups. These new players are leveraging technology and innovation, including artificial intelligence (AI), digital platforms, data analytics, robotics, and blockchain, to improve the client experience, increase efficiencies, and alter business models.

In addition to this, there has been a growing trend of corporations opting for self-insurance, the use of captive insurers, and capital markets-based solutions for traditional insurance and reinsurance needs. This has challenged the ability of companies like MMC to generate premium-based commission revenue.

The risk and insurance industry are also grappling with legal and regulatory risks. Companies in this sector are subject to significant uninsured exposures arising from errors and omissions, breach of fiduciary duty, and other claims.

In terms of market conditions, property insurance rates have increased by 10%, and casualty pricing was up in the low single-digit range. The insurance rate increases here align with the inflation rate as well as vehicle shortage and home construction worker shortage, which have raised the cost of replacing damaged property for insurance

companies. Cyber insurance saw the highest increase, although the rate of increase continued to moderate.

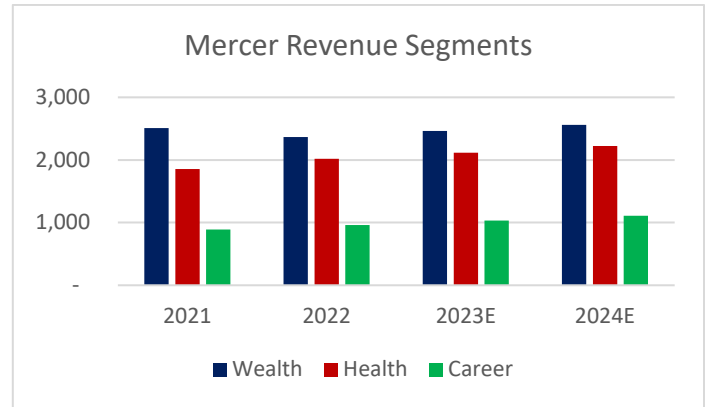
The industry is also witnessing a shift towards growth areas such as digital, climate, sustainability, and cybersecurity. Companies like Marsh & McLennan have been expanding their service offerings to address the increasing types of risks associated with these areas.

Furthermore, companies are also focusing on enhancing collaboration and reducing complexity to drive client impact and improve the client and colleague experience. For instance, Marsh & McLennan expects roughly \$300 million of total savings by 2024 through their go-to-market collaboration and restructuring actions.

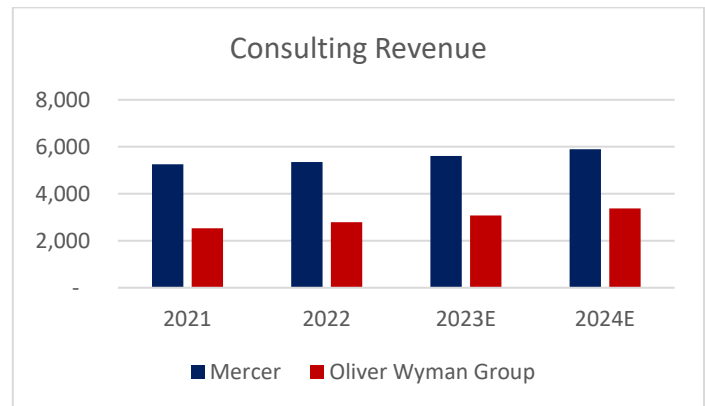
We expect the Risk and Insurance Services segment to grow at a CAGR of 10.88% over the forecast horizon (2023E to 2032E) with most of the growth coming from Marsh's US/Canada and APAC business. We expect total Marsh revenue to grow at a CAGR of 10.71% over the forecast horizon and Guy Carpenter to grow at a CAGR of 10.20% over the forecast horizon. The drivers of this forecast are expansion opportunities in foreign markets, consolidation through acquisitions and the creation of new insurance categories as was seen with cyber security and climate related products. The growth will primarily come from a combination of price and volume increases as insurance becomes expensive, but volumes also increase due to the risks involved with self-insurance.

Consulting

The consulting business is a significant part of Marsh & McLennan Companies (MMC), representing approximately 40% of their total revenue. The company offers health, wealth, and career solutions to their clients through Mercer and Oliver Wyman Group. The consulting business tends to be more volatile and sensitive to economic conditions due to its project-based nature. Clients may delay or reduce projects in response to budget constraints, leading to a higher level of risk compared to MMC's other segments.



Source: MMC 10-K



Source: MMC 10-K

MMC's consulting segment faces competition from numerous consulting firms and similar organizations, many of which also provide, or are affiliated with, accounting, information systems, technology, and financial services. Such competitors may be able to offer more comprehensive products and services to potential clients, which may give them a competitive advantage.

MMC's consulting business includes NERA Economic Consulting, which provides economic analysis and advice to public and private entities to achieve practical solutions to highly complex business and legal issues arising from competition, regulation, public policy, strategy, finance, and litigation.

In terms of compensation, Oliver Wyman Group is compensated for advice and services primarily through fees paid by clients. Mercer is compensated for advice and services through fees paid by clients, commissions, and fees based on assets or members.

In the Q1 2023 earnings call, the company mentioned that they were very busy helping through the volatility in the market. They also mentioned that their Outsourced CIO (OCIO) business, which is directly related to the consulting side, had net flows into the business despite the decline in equity.

The consulting industry has been experiencing several changes and developments recently. Economic conditions, particularly the impact of COVID-19, have led to a decline in revenues for consulting services as many clients have reduced expenses and used internal resources instead of consultants during difficult economic periods. The evolving needs and financial circumstances of clients may reduce demand for consulting services and could adversely affect revenues and profitability.

The competitive landscape of the consulting industry continues to evolve, with significant competitive pressures from disintermediation. The ability to compete successfully depends on a variety of factors, including the quality and expertise of colleagues, geographic reach, the sophistication and quality of services, pricing relative to competitors, and the ability to respond to changes in client demand and industry conditions.

The consulting industry is also facing challenges due to economic uncertainty and growth. The market is fragmented and has been falling back from the peaks of the last couple of years. There has been a slowing in sales as clients and consulting firms have taken stock of the current situation.

Despite these challenges, there are also opportunities for growth in the consulting industry. For instance, there has been a 10% YoY growth in 2022 in the Oliver Wyman Group business segment, and the firm's consulting & research practice in the realm of artificial intelligence & risk management is expected to continue driving its client relationships and revenue.

Moreover, Marsh & McLennan has been expanding its service offerings to address the increasing types of risks associated with financial institutions. They have identified

several emerging growth sectors, including digital, climate, sustainability, and cybersecurity, among others.

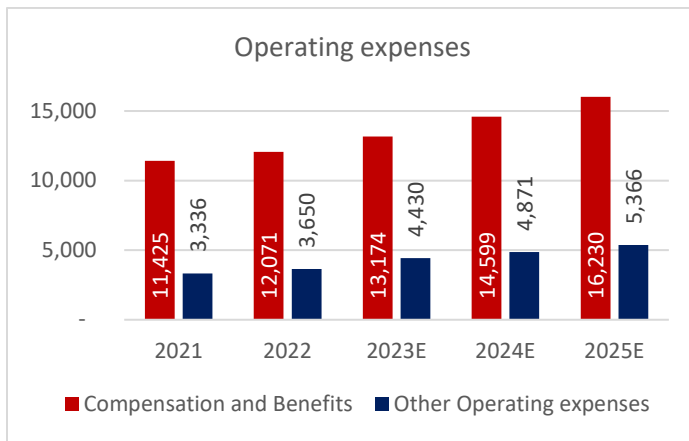
The Consulting segment completed one acquisition during 2021. In November, Oliver Wyman Group acquired Huron Consulting Group's life sciences strategy consulting practice in the U.S. and the U.K through a combination of cash and debt. This acquisition assists clients in addressing their most important commercial strategy, marketing, pricing, market access, and research and development challenges. The total purchase consideration for acquisitions made during 2021 was approximately \$1.4 billion.

In addition, during the earnings call for Q2 2023, it was mentioned that the previous year, the company acquired the Avascent business, which is an aerospace and defense specialist. Furthermore, in a Q1 2023 earnings call, it was stated that the company had added some size through excellent acquisitions.

We expect this business to grow at a CAGR of 5.84% over the forecast horizon. Here, we have projected Mercer to grow at a CAGR of 4.68% and Oliver Wyman Group to grow at a CAGR of 7.78%, considering the aggressive growth that the group has shown in the recent past. The drivers of this forecast are a proven track record of the two brands and their ability to add synergies and expertise through acquisitions.

Expenses and Profit Margins

Like any service company, the biggest expense for MMC is its compensation and benefits expense. This has remained stable over the last 7 years at 56% to 58%. We have forecasted this to remain stable at under 58% over the forecast horizon. The other expense that the company classifies is operating expenses. These have ranged from 21% to 17% over the last 7 years. Since 2018, acquisition driven synergies have helped MMC reduce its operating costs, thus bumping up the operating margin.



Source: Henry Fund estimates

We expect this declining trend to continue to stay under 20% as synergies are achieved through integration of acquired companies as well as recovery in the economy. We are projecting operating expenses to remain between 18% and 19% for the forecast horizon.

Operating income increased from 16.1% in 2018 to 21.7% in 2021 and 20.7% in 2022. We expect this to marginally decline in 2023E to 19.7% and 2024E to 19.8% considering the economic challenges. From 2025E, we expect the operating margin to pick up and remain over 20% for the remainder of the forecast period.

At the net level, the company has maintained a double-digit net margin over the last 7 years. For 2022, the net margin was 14.7%. We expect this to dip slightly to 13.8% in 2023E and then remain steady between 14.5 and 15.8% over the forecast period.

Debt Maturity Analysis

Marsh and McLennan has a considerable amount of debt on the books. As of December 31, 2022, the consolidated debt stood at \$11.5 billion.

Currently, the Company's senior debt is rated A- by S&P and Fitch and Baa1 by Moody's. The Company carries a Stable outlook with both S&P and Fitch and Positive outlook with Moody's.

In October 2022, the Company issued \$ 500 million of 5.75% senior notes due 2032 and \$ 500 million of 6.25% senior notes due 2052. The Company used the net proceeds from these issuances for general corporate purposes, and repaid \$350 million of 3.30% senior notes in

November 2022, with an original maturity date of March 2023.

In October 2022, the Company increased its short-term commercial paper financing program to \$2.8 billion from \$2 billion. The Company had no commercial paper outstanding on December 31, 2022. In December 2021, the Company issued \$400 million of 2.375% senior notes due 2031 and \$350 million of 2.90% senior notes due 2051.

The Company used the net proceeds from these issuances for general corporate purposes and repaid \$500 million of 2.75% senior notes with an original maturity date of January 2022, in December 2021. On April 15, 2021, the Company repaid \$500 million of senior notes maturing in July 2021. The Company's senior debt is currently rated A- by Standard & Poor's ("S&P"), Baa1 by Moody's and A by Fitch. The Company's short-term debt is currently rated A-2 by S&P, P-2 by Moody's and F2 by Fitch. The Company carries a Positive outlook with Moody's and a Stable outlook with S&P and Fitch.

RECENT DEVELOPMENTS

Recent Earnings Announcement

On October 19, MMC reported its Q3 2023 earnings. They reported a revenue of \$5.38 billion, with a gross profit of \$2.09 billion. The company's operating income was \$996 million, and its net income was \$730 million.

The Risk and Insurance Services (RIS) segment reported revenue growth of 10% in the quarter and made up for 60% of total revenue. The segment is expected to continue providing stability and cash flow in any economic environment.

Marsh & McLennan's capital deployment plan for FY23 includes allocating \$4 billion across dividends, share buybacks, and acquisitions. Over the past five years combined, they have generated over \$15 billion in cash from operations. During this period, they allocated \$4.8 billion for dividends, \$4.2 billion for share buybacks, and \$8.5 billion for acquisitions.

Russia- Ukraine War Exposure

The ongoing conflict between Russia and Ukraine presents both risks and opportunities for Marsh & McLennan Companies (MMC).

On the risk side, the geopolitical instability and volatility can create uncertainty for MMC's business operations. This is particularly relevant for their consulting business, which tends to be more volatile and sensitive to economic conditions. The project-based nature of the consulting business means that clients may delay or reduce projects in response to budget constraints, which could impact MMC's revenue. Furthermore, the company's SEC filing highlights that MMC and its subsidiaries face several risks and uncertainties, and if any of these risks occur, their business, results of operations, or financial condition could be materially adversely affected.

On the opportunity side, MMC has been actively involved in aiding Ukraine's economy. They have proposed the creation of a war risk insurance pool to the Ukrainian government and the G7, which would ensure commercial insurance is available for reconstruction projects. MMC also announced a partnership with the Ukrainian government and insurers to create a data platform for the assessment of war risks. This project leverages MMC's expertise and the data provided by the Ukrainians, enabling effective and targeted risk modeling. This represents a critical first step for the industry to offer commercial insurance and unlock capital.

In addition, MMC's colleagues at Oliver Wyman partnered with the Ukrainian government to develop a post-war transformation strategy. This strategy aims to reposition Ukraine's economy in a way that leverages national strengths to move beyond resilience to opportunity.

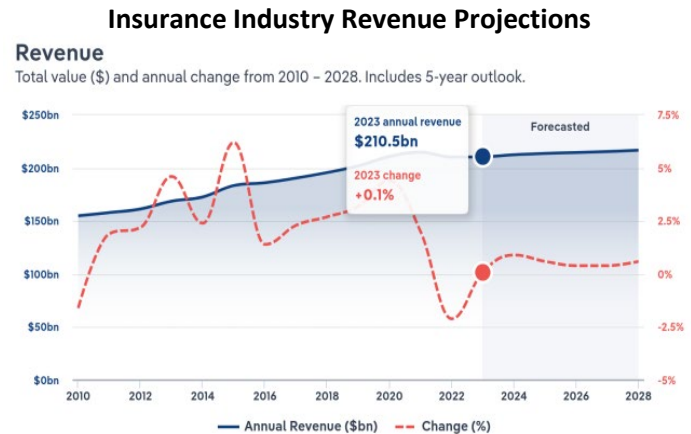
Overall, while the Russia-Ukraine conflict presents risks to MMC, the company is also leveraging its expertise in risk management to create opportunities and deliver value to its clients in this challenging environment.

INDUSTRY TRENDS

Industry Overview

The Insurance Brokers and Agencies industry has grown since 2018, benefiting from economic growth during most of this period, in addition to favorable legislation and overall positive trends in the insurance sector. The industry includes insurance brokers representing the buyer instead of the insurance company and agencies representing various insurance companies during the purchasing process. The industry is vital to the larger insurance sector as operators act as intermediaries

between insurance providers and downstream clients. Operators generate income via commissions earned on policies sold. As a result, industry revenue grows as policy prices and volumes increase.



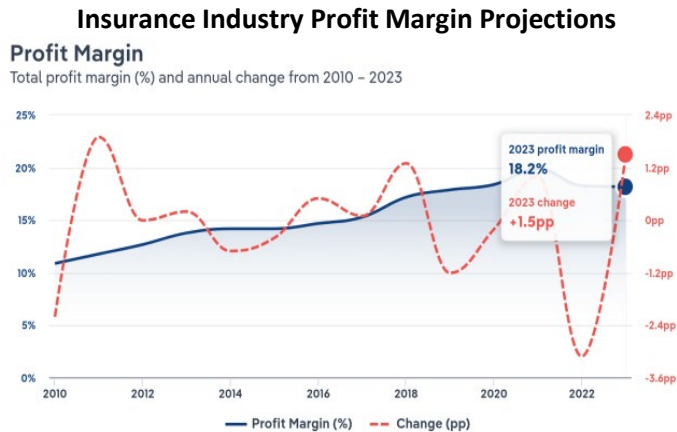
Source: IBISWorld

Over the past five years, the industry has grown for several reasons. One such reason was rising premium prices on policies sold to consumers. Despite rising premium prices, consumers have not decreased their consumption of insurance products due to rising disposable income levels and favorable legislative trends. Moreover, despite the adverse economic effects of COVID-19 in 2020 and 2021, which resulted in high unemployment levels and business closures, the federal government's adoption of aggressive countercyclical policies led industry revenue to grow in 2020. As seen in the chart above, overall, revenue grew at a CAGR of 1.5% to an estimated \$210.5 billion over the past five years, including an expected boost of 0.1% in 2023. Industry profit has also increased since operating cost inflation has kept pace with the rise in premiums, with an anticipated 18.2% profit margin in 2023.

Over the next five years, the industry is expected to continue its steady growth rate as the overall economy improves following COVID-19. Macroeconomic growth will likely lead to per capita disposable income growth during the outlook period, enabling households to afford goods that require insurance policies like automobiles and personal policies like private health and life insurance. Furthermore, the business sentiment index is expected to rebound following COVID-19, leading to higher demand for brokerage of commercial lines of insurance. However, rising inflationary pressures are expected to dampen industry growth as consumers cut back on spending and demand shifts toward specific insurance niches. Overall,

revenue is expected to increase at a CAGR of 0.6% to an estimated \$216.8 billion over the next five years.

Good Growth Prospects



Source: IBISWorld

Performance

Growing premiums, increased consumer demand enabled the industry to grow. With strong consumer demand and increased interest in personal insurance policies, insurance brokers and agencies wound up benefiting from high premium prices. Continued impact of climate change will affect premiums and policy availability. As the rate of climate disasters, such as wildfires and floods, continues to pick up pace, it will heighten premiums for insurance policies and create scarcity in certain regions.

External Environment

Hardening insurance cycle is poised to continue, which will likely benefit future industry growth. As consumers' incomes recover following the COVID-19 pandemic and the economy continues to recover, many insurance policies will become reinvigorated again, particularly within health insurance. Maintenance of accreditation and regulatory compliance will be crucial for industry brokers to continue future growth. A lot of insurance brokers and agencies must maintain valid accreditation with certain organizations and continue to service their policies in accordance with federal and state laws.

Sustainability and Social Responsibility

Environmental, Social, and Governance (ESG) refers to the three central factors in measuring the sustainability and societal impact of an investment in a company or business.

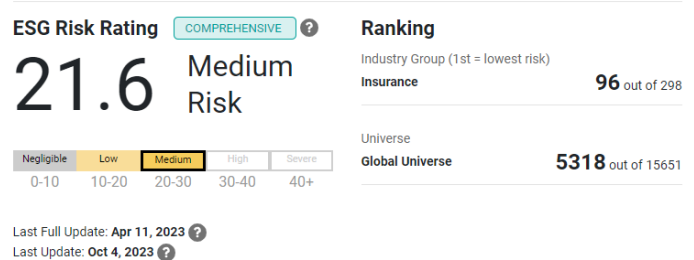
These criteria help to better determine the future financial performance of companies (return and risk).

Marsh and McLennan is actively engaged in various ESG initiatives, recognizing their importance for the company's long-term sustainability and value creation.

Some specific actions and examples of their ESG initiatives include:

1. Achieving carbon neutral certification in 2021 and setting a goal of being net-zero by 2050, with a target of reducing carbon emissions by 50% by 2030.
2. Developing ESG solutions for clients, examples include Marsh's new directors and officers liability insurance initiative that recognizes U.S. based clients with superior ESG frameworks, and Guy Carpenter arranging FloodSmart Re catastrophe bonds.
3. Helping clients navigate an evolving climate landscape and addressing gender and racial pay equity to ensure fairness in rewards.
4. Focusing on growth areas such as digital, climate, sustainability, and cybersecurity, which contribute to accelerated organic revenue growth and margin expansion.

These ESG initiatives are significant in the context of Marsh and McLennan's commitment to environmental, social, and governance practices, as they demonstrate the company's dedication to being a good employer, a good global citizen, and bringing their best to their clients. By actively addressing ESG challenges and developing innovative solutions, Marsh and McLennan contribute to a more sustainable future for both the company and its clients.



Source: Morningstar Sustainability

Company	ESG Score	Risk Rating
Marsh and McLennan	21.6	Medium
Arthur J Gallagher	21.2	Medium
Willis Towers Watson	18.7	Low
Brown & Brown Inc	20.5	Medium
Erie Indemnity Company	27.7	Medium
AON Plc	15.2	Low

Source: Morningstar Sustainalytics.

As we can see, most of the companies from our peer set have a medium to low ESG rating given the nature of their business. Marsh and McLennan has a Medium ESG risk rating and as seen above is working hard to bring its ESG risk score down with various initiatives.

PEER COMPARISON

Return Ratio Comparison

Company	ROE	ROA
Marsh and McLennan	28.33	8.99
Arthur J Gallagher	12.62	3.08
Willis Towers Watson	8.67	3.02
Brown & Brown Inc	14.97	5.65
Erie Indemnity Company	21.4	13.32
AON Plc	26.16	8.01

Source: Bloomberg

Margin Comparison

Company	EBITDA Margin	Net Margin
Marsh and McLennan	25.7	14.72
Arthur J Gallagher	27.16	13.03
Willis Towers Watson	21.49	11.38
Brown & Brown Inc	35.18	18.8
Erie Indemnity Company	14.87	10.51
AON Plc	32.92	20.75

Source: Bloomberg

Relative Valuation

Company	EV/EBITDA	Forward P/E
Marsh and McLennan	17.6	24.94
Arthur J Gallagher	19.3	28.26
Willis Towers Watson	12.32	17.23
Brown & Brown Inc	16.67	26.47
Erie Indemnity Company	29.63	32.19
AON Plc	17.55	23.01

Source: Bloomberg

The above tables compare the peer set across 3 metrics, Return Ratios, Profitability Margins and Relative Valuation. MMC has the highest ROE among the peers, and while its EBITDA margin is lower than some peers, its net margin is the highest in the peer set too. In Relative valuation terms, MMC is trading at the peer set average.

Arthur J Gallagher (AJG)

Arthur J. Gallagher & Co. is a company that provides insurance brokerage, consulting, and third-party claims settlement and administration services to entities in the U.S. and abroad. The company operates in three reportable segments: brokerage, risk management, and corporate. The brokerage segment provides brokerage and consulting services to various types of companies and entities, including commercial, not-for-profit, and public entities. The risk management segment provides contract claim settlement, claim administration, loss control services, and risk management consulting for commercial, not-for-profit, captive, and public entities, and various other organizations. The corporate segment reports the financial information related to the company's debt and other corporate costs, legacy clean energy investments, external acquisition-related expenses, and the impact of foreign currency translation.

Willis Towers Watson (WTW)

Willis Towers Watson Public Limited Company is a leading global advisory, broking, and solutions company that provides data-driven, insight-led solutions in the areas of people, risk, and capital. The company operates in two segments: Health, Wealth and Career & Risk and Broking. It has more than 46,000 colleagues serving more than 140 countries and markets. The company designs and delivers solutions that manage risk, optimize benefits, cultivate talent, and expand the power of capital to protect and strengthen institutions and individuals. As an insurance broker, it acts as an intermediary between clients and insurance carriers by advising on risk management requirements, helping them determine the best means of managing risk, and negotiating and placing insurance with insurance carriers through a global distribution network.

Brown & Brown Inc. (BRO)

Brown & Brown, Inc. is a diversified insurance agency, wholesale brokerage, insurance programs, and service organization. The company operates primarily in the

insurance brokers industry. It markets and sells insurance products and services, mainly in the property, casualty, and employee benefits areas. The business is divided into four reportable segments: Retail, National Programs, Wholesale Brokerage, and Services. Brown & Brown, Inc. has also been expanding its operations through acquisitions. For example, it recently closed on its acquisition of Highcourt Breckles Group (HBG), a Toronto-based insurance brokerage and risk consulting firm. This acquisition is expected to expand the company's presence in the Canadian market.

Erie Indemnity Company (ERIE)

Erie Indemnity Company, based in Erie, Pennsylvania, operates as an insurance broker in the United States. The company acts as the attorney-in-fact for the Erie Insurance Exchange, owned by the policyholders and subscribers. It engages in property and casualty (P&C) insurance, providing underwriting, renewal services, and policy issuance for the policyholders. Its primary revenue stream is the management fee from policy issuance and renewal, and reimbursements. The company also plays a crucial role in managing policy issuance and renewals for the subscribers at the Exchange, claims processing, and investment management, and offers administrative services to all claim holders.

AON Plc. (AON)

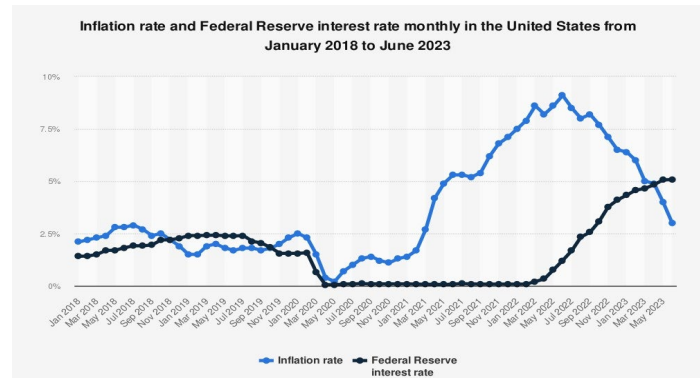
Aon plc is a leading global professional services firm providing a broad range of risk, health, and wealth solutions to clients in over 120 countries and sovereignties. The company operates as one segment, Aon United, which includes four principal products and services: Commercial Risk Solutions, Reinsurance Solutions, Health Solutions, and Wealth Solutions. Aon focuses on higher-margin, capital-light professional services businesses with high recurring revenue streams and strong cash flow generation.

ECONOMIC OUTLOOK

Interest Rates

Interest rates are key macroeconomic indicators affecting businesses. Currently, the 10-year U.S. Treasury is at 4.58%. The Henry Fund analysts expect this to inch higher towards 5.3% in the near term (6-months).

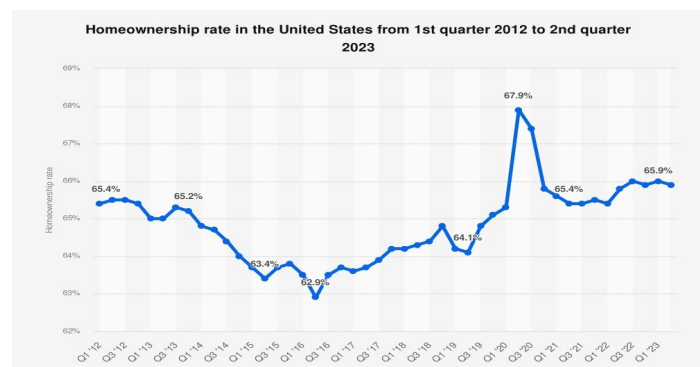
Higher interest rates usually negatively impact revenues. However, for MMC, this could provide a natural hedge as higher interest rates would cause insurance premiums to increase as well.



Source: Statista

MMC's consulting business will suffer with rising interest rates as activity slows down and demand for its services reduces. However, these segments will be quick to bounce back once interest rates come down and economic activity resumes.

Homeownership Rate



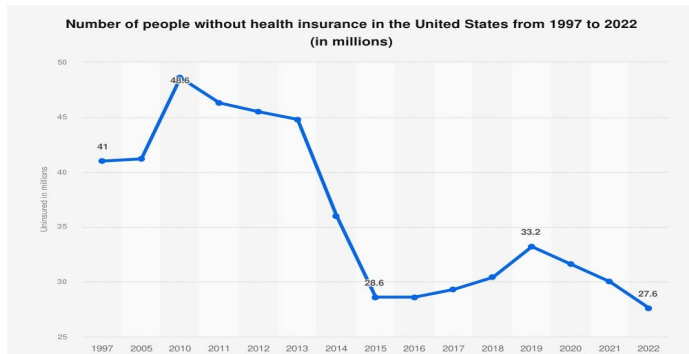
Source: Statista

Homeownership is an important economic metric to monitor as it is linked to the number of P&C policies that are sold. As homes get more expensive, the insured amount and by extension, the premiums get more expensive. Homeownership is currently at just under 66% and has seen a decline from 68% at the start of 2020. The covid-19 pandemic and the current economic turmoil are primary causes for the decline.

We expect homeownership to be on an upward trend over the medium term as the economy recovers and interest rates decline. MMC does not report the detailed classification of what portion of its insurance and

reinsurance brokerage business is tied to home insurance, but it is an important indicator to consider given the size of this market.

Number of people with Health Insurance

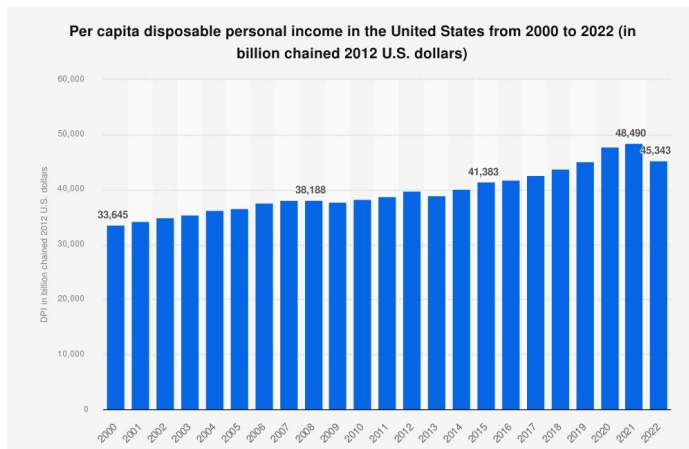


Source: Statista

This again is a useful indicator of the business potential. Insurance is a necessity in today's world as self-insurance is just not possible for most things due to the high costs involved. With healthcare being so expensive, it is not surprising to see the decline in the number of people without health insurance over the years. We expect this number to further decrease over the next few years.

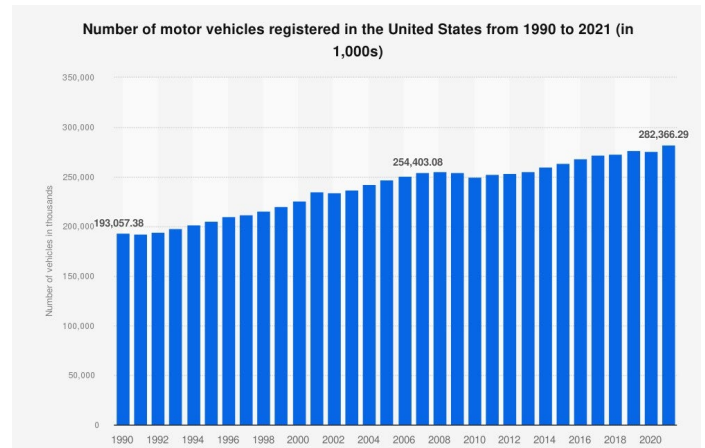
Per capita disposable Income

This metric shows the increasing trend in people's disposable income over time. This is important as it links to the need for more and more insurance as consumption increases.



Source: Statista

Number of motor vehicles registered



Source: Statista

This data can be viewed along with the increasing disposable income data. This tells us that more people are buying cars, or more cars are being bought by people (multiple cars per household). Car Insurance is a mandatory requirement, making this metric a positive signal for the insurance industry.

VALUATION

Revenue and Cost Assumptions are discussed in detail earlier in the report. To summarize, we are forecasting revenues to grow at a CAGR of 9.15% over 2022-2032E, which is our forecast horizon. Majority of the growth here is projected to come from the Risk and Insurance Business as this business does well in any economic cycle. For our cost assumptions, we kept them in line while adding a small degree of economies of scale to the mix since these costs have been consistent historically.

WACC

For our WACC assumption we used the Henry Fund's equity risk premium, which we base off Dr. Ashwath Damodaran's forward looking ERP estimates. We used an equity risk premium of 5%. We use the 5-year historical stock beta which is 0.89 and the 10-year U.S. Treasury rate of 4.84%. Using these inputs, we calculated a cost of equity of 9.29%. for our cost of debt calculation, we used the YTM on the long-term bonds of the company. Our calculated after-tax cost of debt is 4.43%. We assigned

market weights of 88.11% to cost of equity and 11.89% to cost of debt to arrive at a WACC of 8.71%.

Payout Policy

Over the last 7 years, Marsh and McLennan has paid a dividend in the range of 40% to 50% dividend payout. For our forecasts, we split the difference and have assumed a dividend payout ratio of 45% for the entire forecast horizon. Additionally, we have also factored in share repurchases of \$430 million annually for the next 10 years.

DCF Valuation

We utilized the Discounted Cash Flow and Economic Profit Model as the first of our two valuation models. Our discounted cash flow model derived an intrinsic value of \$229. The key assumptions that we made for this model are (a) the continuous value for Return on Invested Capital (ROIC) which is 51.19%, (b) the continuous value of the Free Cash Flow, which according to our model is projected as \$189.05 billion. We are confident that Marsh and McLennan can achieve these figures.

DDM Valuation

Our Dividend Discount Model (DDM) is based on our assumption that the company continues paying a dividend like the historical trend. We computed this model given our EPS estimate in the terminal year of 2032 and discounted the terminal value back to time zero given our cost of equity at 9.29%. We assumed ROE growth of 23%. With a consistent continuous value growth of EPS as our other model. This model gave us an intrinsic value of \$172.

Relative Valuation

We utilized the relative valuation method using the peer set discussed above. We believe this is a good representation of peers as the companies all compete in a global environment offering credit rating services. We used Relative PE, Price to Sales and EV/ EBITDA multiples to arrive at a price range of \$121 to \$170. The \$121 price is calculated using the Price to Book Value Ratio which is not the best suited metric for this business. Therefore, we chose to go with the 1-year forward P/E ratio metric, which gives us a price target of \$170.

KEYS TO MONITOR

Drivers

1. **Revenue Growth and Margin Expansion:** MMC has consistently achieved high-single-digit revenue growth and margin expansion, demonstrating resilience across economic cycles. Their focus on growth areas such as digital, climate, sustainability, and cybersecurity has contributed to accelerated organic revenue growth.
2. **Cost Management:** The company effectively manages costs and has implemented a cost restructuring program. In Q2 FY23, they anticipate achieving total savings of approximately \$300 million by FY24, having already realized approximately \$200 million in FY23.
3. **Strategic Shift to High-Growth Areas:** MMC has been actively attracting talent to new operations and strategically leveraging acquisitions to broaden their service offerings. These efforts have the potential to significantly boost their revenue growth in the coming years. These new services are likely to carry higher profit margins compared to traditional services, which can further contribute to margin expansion.
4. **Strong Capital Position:** MMC's strong capital position allows it to reward investors handsomely. Last year, it repurchased \$1.9 billion in shares, while paying out another \$1.1 billion in dividends.
5. **Resilience Across Different Cycles:** MMC's business growth demonstrates remarkable resilience across various economic cycles. Risk and Insurance Services account for more than 60% of MMC's total revenue. These services are indispensable for MMC's customers, regardless of the economic environment.
6. **Product Innovation:** MMC has been expanding its service offerings to address the increasing types of risks associated with financial institutions. For instance, there is a growing demand for services related to ESG, cybersecurity, and retirement planning in recent years.
7. **Macroeconomic Environment:** The current macroeconomic environment is supportive of the services that MMC brings to market. Factors such as inflation and interest rates, volatile capital market, well-funded defined benefit plans, tight labor markets, demand for digital health services, and new ways of working are conducive to MMC's growth.

Risks

1. **Economic and Political Conditions:** The business operates in various countries, and thus, changes in economic and political conditions in these countries could pose a risk. This includes client concentration in certain high-growth countries, which could be affected by economic downturns or political instability.
2. **Tax Changes:** Unexpected increases in taxes or changes in U.S. or foreign tax laws could impact the business. This includes upcoming changes to the U.K. statutory rate and international initiatives to require multinational enterprises to calculate and report profitability on a country-by-country basis.
3. **Competitive Pressures:** The business faces significant competitive pressures in each of its operations. This includes risks from disintermediation as the competitive landscape continues to evolve.
4. **Vendor and Third-Party Risks:** The business relies on many vendors and other third parties to perform key functions. These vendors and third parties may act or fail to act in ways that could harm the business.
5. **Data Security:** The business could incur significant liability or damage to its reputation if its information systems are breached or if it fails to protect client or company data.
6. **Talent Management:** The loss of members of the senior management team or other key colleagues, or the business's efforts to attract and retain talent, could have a material adverse effect on the business.
7. **Cybersecurity:** The business faces risks related to cybersecurity, including ransom attacks, which have been increasing in recent times.

CONCLUSION

Marsh and McLennan is a strong player in the insurance broking industry. The company possesses a natural hedge against economic downturns as its business is that of dealing with risk. Therefore, 60% of the business is risk neutral i.e., does well in any economy. The remaining 40% is the consulting business, which is susceptible to economic downturns, but will typically bounce back quickly as the economy recovers.

The stability of the business is reflected in the share price performance, which moves steadily with the market. We are recommending a HOLD rating on Marsh and McLennan as we like the Insurance Business and the company's

position in the industry. Our hold rating comes with a price range of \$ 172 to \$229, representing an upside of 14.5%.

REFERENCES

- 1) MMC Investor Relations.
- 2) FactSet.
- 3) Bloomberg.
- 4) FRED.
- 5) Statista.
- 6) BLS.gov
- 7) Conference Board.
- 8) Wall Street Journal
- 9) Morningstar Sustainalytics
- 10) SEC.
- 11) Yahoo Finance.
- 12) FDIC.
- 13) Investopedia.
- 14) Reuters.
- 15) Arthur J Gallagher
- 16) Willis Towers Watson
- 17) Brown & Brown Inc
- 18) Erie Indemnity Company
- 19) AON Plc

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	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Risk and Insurance Services													
Marsh													
US/Canada	4,537	5,342	5,791	6,660	7,659	8,807	10,128	11,648	13,395	15,404	16,174	16,983	17,832
growth	10.15%	17.74%	8.41%	15%	15%	15%	15%	15%	15%	15%	5%	5%	5%
% of revenue	26.34%	26.95%	27.95%	29.13%	30.32%	31.49%	32.63%	33.75%	34.83%	35.86%	35.86%	35.86%	35.86%
EMEA	2,575	2,946	2,879	3,109	3,358	3,627	3,917	4,230	4,569	4,934	5,181	5,440	5,712
growth	3.75%	14.41%	-2.27%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	5%	5%	5%
% of revenue	14.95%	14.86%	13.89%	13.60%	13.29%	12.97%	12.62%	12.26%	11.88%	11.49%	11.49%	11.49%	11.49%
APAC	1,059	1,462	1,333	1,560	1,825	2,135	2,498	2,923	3,419	4,001	4,201	4,411	4,631
growth	11.12%	38.05%	-8.82%	17.00%	17.00%	17.00%	17.00%	17.00%	17.00%	17.00%	5%	5%	5%
% of revenue	6.15%	7.38%	6.43%	6.82%	7.22%	7.63%	8.05%	8.47%	8.89%	9.31%	9.31%	9.31%	9.31%
LatAm	424	453	502	532	564	598	634	672	712	755	793	832	874
growth	-7.83%	6.84%	10.82%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	5%	5%	5%
% of revenue	2.46%	2.29%	2.42%	2.33%	2.33%	2.14%	2.04%	1.95%	1.85%	1.76%	1.76%	1.76%	1.76%
Total International	4,058	4,861	4,714	5,201	5,747	6,360	7,049	7,825	8,700	9,690	10,174	10,683	11,217
growth	4.18%	19.79%	-3.02%	10.33%	10.49%	10.66%	10.83%	11.01%	11.19%	11.37%	5.00%	5.00%	5.00%
% of revenue	23.56%	24.53%	22.75%	22.75%	22.75%	22.73%	22.71%	22.67%	22.62%	22.56%	22.56%	22.56%	22.56%
Total Marsh	8,595	10,203	10,505	11,861	13,405	15,167	17,177	19,472	22,095	25,094	26,348	27,666	29,049
growth	7.25%	18.71%	2.96%	12.91%	13.02%	13.14%	13.25%	13.36%	13.47%	13.57%	5.00%	5.00%	5.00%
% of revenue	49.90%	51.48%	50.70%	51.89%	53.07%	54.22%	55.34%	56.42%	57.45%	58.42%	58.42%	58.42%	58.42%
Guy Carpenter	1,696	1,867	2,020	2,273	2,557	2,876	3,236	3,640	4,095	4,607	4,837	5,079	5,333
growth	14.59%	10.08%	8.19%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	5%	5%	5%
% of revenue	9.85%	9.42%	9.75%	9.94%	10.12%	10.28%	10.42%	10.55%	10.65%	10.73%	10.73%	10.73%	10.73%
Fiduciary Interest Income	46	15	120	162	219	295	399	538	726	981	1,030	1,081	1,135
growth	-56.19%	-67.39%	700.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	5%	5%	5%
% of revenue	0.27%	0.08%	0.58%	0.71%	0.87%	1.06%	1.28%	1.56%	1.89%	2.28%	2.28%	2.28%	2.28%
Total Risk and Insurance Services	10,337	12,085	12,645	14,295	16,181	18,338	20,811	23,650	26,917	30,681	32,215	33,826	35,518
growth	7.69%	16.91%	4.63%	13.05%	13.19%	13.33%	13.48%	13.64%	13.81%	13.99%	5.00%	5.00%	5.00%
% of revenue	60.02%	60.97%	61.03%	62.54%	64.06%	65.56%	67.05%	68.53%	69.99%	71.43%	71.43%	71.43%	71.43%
Consulting													
Mercer													
Wealth	2,348	2,509	2,366	2,437	2,510	2,585	2,663	2,743	2,825	2,910	3,055	3,208	3,369
growth	-0.89%	6.86%	-5.70%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	5%	5%	5%
% of revenue	13.63%	12.66%	11.42%	10.66%	9.94%	9.24%	8.58%	7.95%	7.35%	6.77%	6.77%	6.77%	6.77%
Health	1,793	1,855	2,017	2,118	2,224	2,335	2,452	2,574	2,703	2,838	2,980	3,129	3,285
growth	-0.17%	3.46%	8.73%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5%	5%	5%
% of revenue	10.41%	9.36%	9.73%	9.27%	8.80%	8.35%	7.90%	7.46%	7.03%	6.61%	6.61%	6.61%	6.61%
Career	787	890	962	1,029	1,101	1,178	1,261	1,349	1,444	1,545	1,622	1,703	1,788
growth	-8.06%	13.09%	8.09%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	5%	5%	5%
% of revenue	4.57%	4.49%	4.64%	4.50%	4.36%	4.21%	4.06%	3.91%	3.75%	3.60%	3.60%	3.60%	3.60%
Total Mercer	4,928	5,254	5,345	5,584	5,835	6,099	6,376	6,666	6,972	7,293	7,657	8,040	8,442
growth	-1.85%	6.62%	1.73%	4.47%	4.50%	4.52%	4.54%	4.56%	4.58%	4.60%	5.00%	5.00%	5.00%
% of revenue	28.61%	26.51%	25.80%	24.43%	23.10%	21.80%	20.54%	19.32%	18.13%	16.98%	16.98%	16.98%	16.98%
Oliver Wyman Group	2,048	2,535	2,794	3,045	3,320	3,618	3,944	4,299	4,686	5,108	5,363	5,631	5,913
growth	-3.49%	23.78%	10.22%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	5%	5%	5%
% of revenue	11.89%	12.79%	13.48%	13.32%	13.14%	12.94%	12.71%	12.46%	12.18%	11.89%	11.89%	11.89%	11.89%
Total Consulting Segment	6,976	7,789	8,139	8,630	9,155	9,717	10,320	10,965	11,658	12,400	13,020	13,671	14,355
growth	-2.34%	11.65%	4.49%	6.03%	6.09%	6.14%	6.20%	6.26%	6.31%	6.37%	5.00%	5.00%	5.00%
% of revenue	40.50%	39.30%	39.28%	37.75%	36.24%	34.74%	33.25%	31.77%	30.31%	28.87%	28.87%	28.87%	28.87%
Total Revenue before corporate eliminations	17,313	19,874	20,784	22,925	25,335	28,055	31,131	34,616	38,574	43,082	45,236	47,498	49,872
Corporate eliminations	(89)	(54)	(64)	(66)	(76)	(83)	(92)	(102)	(114)	(127)	(134)	(141)	(148)
% of revenue before eliminations	-0.51%	-0.27%	-0.31%	-0.29%	-0.30%	-0.29%	-0.30%	-0.30%	-0.30%	-0.30%	-0.30%	-0.30%	-0.30%
Total Revenue	17,224	19,820	20,720	22,858	25,260	27,973	31,038	34,513	38,460	42,954	45,102	47,357	49,725
growth	3.44%	15.07%	4.54%	10.32%	10.51%	10.74%	10.96%	11.20%	11.43%	11.69%	5.00%	5.00%	5.00%
% of revenue	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Marsh & McLennan Income Statement

[illegible]

Marsh & McLennan
Balance Sheet

Fiscal Years Ending Dec. 31	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
ASSETS													
Current Assets													
Cash and cash equivalents	2,089	1,752	1,442	3,251	4,826	6,614	8,846	11,612	14,519	17,853	21,411	25,134	29,092
Commissions and fees	4,679	5,093	5,293	5,871	6,492	7,187	7,938	8,749	9,818	10,996	11,543	12,106	12,697
Advanced premiums and claims	112	136	103	133	145	166	187	202	225	247	264	277	292
Other receivables	677	523	616	657	753	843	961	1,036	1,127	1,282	1,346	1,420	1,491
Allowance for credit losses	(142)	(166)	(160)	(175)	(195)	(217)	(242)	(267)	(300)	(333)	(350)	(368)	(386)
Other current assets	740	926	1,005	810	964	1,156	1,302	1,455	1,617	1,777	1,820	1,944	2,062
Total Current Assets	8,155	8,264	8,299	10,546	12,984	15,748	18,992	22,786	27,006	31,821	36,033	40,513	45,247
Non-Current Assets													
Intangible assets	18,216	19,127	18,788	18,438	18,111	17,804	17,533	17,281	17,020	16,760	16,499	16,239	15,978
Fixed assets, net	856	847	871	983	1,098	1,217	1,348	1,500	1,671	1,864	2,016	2,149	2,274
Pension related assets	1,768	2,270	2,127	2,240	2,359	2,484	2,616	2,755	2,901	3,055	3,218	3,388	3,568
Right of use assets	1,894	1,868	1,562	1,763	1,968	2,183	2,418	2,690	2,997	3,342	3,616	3,855	4,078
Deferred tax assets	702	551	358	385	439	498	568	652	741	826	864	913	965
Other assets	1,458	1,461	1,449	1,739	1,850	2,045	2,301	2,537	2,830	3,167	3,320	3,487	3,663
Total Non-Current Assets	24,894	26,124	25,155	25,548	25,825	26,232	26,785	27,415	28,161	29,014	29,533	30,032	30,526
Total Assets	33,049	34,388	33,454	36,094	38,809	41,980	45,777	50,202	55,167	60,835	65,566	70,545	75,774
Liabilities and Equity													
Liabilities													
Current Liabilities													
Short term debt	517	17	268	292	327	366	406	447	500	559	585	616	647
Accounts payable and accrued liabilities	3,050	3,165	3,278	3,724	4,044	4,496	5,028	5,561	6,189	6,924	7,259	7,629	8,015
Accrued compensation and employee benefits	2,400	2,942	3,095	3,331	3,734	4,130	4,565	5,091	5,669	6,329	6,649	6,980	7,328
Current Lease liabilities	342	332	310	350	391	433	480	534	595	663	718	765	809
Accrued income taxes	247	198	221	221	262	292	336	384	437	486	509	538	568
Total Current Liabilities	6,556	6,654	7,172	7,918	8,758	9,717	10,814	12,017	13,390	14,962	15,720	16,528	17,368
Non-Current Liabilities													
Fiduciary liabilities	8,585	9,622	10,660	11,429	12,812	14,087	15,687	17,412	19,421	21,680	22,770	23,905	25,102
Cash held in a fiduciary capacity	(8,585)	(9,622)	(10,660)	(11,429)	(12,812)	(14,087)	(15,687)	(17,412)	(19,421)	(21,680)	(22,770)	(23,905)	(25,102)
Long term debt	10,796	10,933	11,227	11,028	10,816	10,697	10,688	10,608	10,544	10,510	10,458	10,381	10,302
Pension, postretirement and postemployment benefits	2,662	1,632	921	857	797	741	689	641	596	554	515	479	446
Long term lease liabilities	1,924	1,880	1,667	1,828	2,071	2,280	2,534	2,815	3,139	3,498	3,786	4,035	4,270
Liability for errors and omissions	366	355	355	437	483	529	572	640	724	806	843	883	930
Other liabilities	1,485	1,712	1,363	1,842	2,014	2,185	2,360	2,713	3,005	3,339	3,501	3,695	3,873
Total Non-current liabilities	17,233	16,512	15,533	15,991	16,180	16,432	16,844	17,417	18,008	18,707	19,104	19,474	19,820
Total Liabilities	23,789	23,166	22,705	23,909	24,938	26,148	27,659	29,434	31,398	33,669	34,824	36,001	37,188
Equity													
Common Equity	1,504	1,673	1,740	1,821	1,903	1,984	2,065	2,122	2,122	2,122	2,122	2,122	2,122
Retained earnings	16,272	18,389	20,301	22,044	24,032	26,288	28,861	31,814	35,170	38,910	42,823	46,958	51,328
Accumulated Other Comprehensive Income	(5,110)	(4,575)	(5,314)	(5,314)	(5,314)	(5,314)	(5,314)	(5,314)	(5,314)	(5,314)	(5,314)	(5,314)	(5,314)
Non-controlling interest	156	213	229	271	318	371	433	502	578	665	757	854	957
Treasury Shares	(3,562)	(4,478)	(6,207)	(6,637)	(7,067)	(7,497)	(7,927)	(8,357)	(8,787)	(9,217)	(9,647)	(10,077)	(10,507)
Total equity	9,260	11,222	10,749	12,186	13,872	15,832	18,118	20,767	23,769	27,166	30,742	34,544	38,586
Total Liabilities and Equity	33,049	34,388	33,454	36,094	38,809	41,980	45,777	50,202	55,167	60,835	65,566	70,545	75,774

Marsh & McLennan
Historical Cash Flow Statement

Fiscal Years Ending Dec. 31	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Operating Activities										
Funds from Operations	1,930	2,186	2,285	2,372	2,509	2,730	3,172	3,496	4,199	4,477
Changes in Working Capital	(589)	(74)	(397)	(365)	(616)	(302)	(811)	(114)	(683)	(1,012)
Receivables	(245)	(58)	(52)	-	-	-	-	-	-	-
Accounts Payable	106	45	(125)	-	-	-	-	-	-	-
Income Taxes Payable	43	43	(15)	-	-	-	-	-	-	-
Other Accruals	(8)	167	23	-	-	-	-	-	-	-
Other Assets/Liabilities	(485)	(271)	(228)	-	-	-	-	-	-	-
Net Operating Cash Flow	1,341	2,112	1,888	2,007	1,893	2,428	2,361	3,382	3,516	3,465
Investing Activities										
Capital Expenditures	(401)	(368)	(325)	(253)	(302)	(314)	(421)	(348)	(406)	(470)
Capital Expenditures (Fixed Assets)	(401)	(368)	(325)	(253)	(302)	(314)	(421)	(348)	(406)	(470)
Net Assets from Acquisitions	(142)	(554)	(952)	(813)	(655)	(884)	(5,585)	(671)	(859)	(572)
Sale of Fixed Assets & Businesses	10	3	73	4	8	113	239	104	84	119
Purchase/Sale of Investments	93	(298)	(65)	2	(13)	4	92	107	13	64
Purchase of Investments	-	304	65	-	13	-	91	-	5	22
Sale/Maturity of Investments	93	6	-	2	-	4	183	107	18	86
Other Funds	(6)	(5)	4	4	6	(8)	(76)	(9)	4	9
Other Uses	(6)	(5)	-	-	-	(8)	(76)	(9)	-	-
Other Sources	-	-	4	4	6	-	-	-	4	9
Net Investing Cash Flow	(446)	(1,222)	(1,265)	(1,056)	(956)	(1,089)	(5,751)	(817)	(1,164)	(850)
Financing Activities										
Cash Dividends Paid	(533)	(582)	(632)	(682)	(740)	(807)	(890)	(943)	(1,026)	(1,138)
Common Dividends	(533)	(582)	(632)	(682)	(740)	(807)	(890)	(943)	(1,026)	(1,138)
Change in Capital Stock	(198)	(537)	(1,176)	(651)	(783)	(649)	(416)	-	(1,099)	(2,022)
Repurchase of Common & Preferred Stk.	(550)	(800)	(1,400)	(839)	(949)	(742)	(574)	(132)	(1,260)	(2,148)
Sale of Common & Preferred Stock	352	263	224	188	166	93	158	132	161	126
Proceeds from Sale of Stock	352	263	224	188	166	93	158	132	161	126
Issuance/Reduction of Debt, Net	287	1,062	1,030	385	672	293	5,110	(778)	(273)	619
Change in Current Debt	-	-	-	50	-	-	300	1,000	-	-
Change in Long-Term Debt	287	1,062	1,030	335	672	293	4,810	(1,778)	(273)	619
Issuance of Long-Term Debt	547	1,393	1,091	347	987	591	5,874	737	743	984
Reduction in Long-Term Debt	(260)	(331)	(61)	(12)	(315)	(298)	(1,064)	(2,515)	(1,016)	(365)
Other Funds	(390)	(904)	(128)	(119)	(158)	(147)	(418)	(156)	1,101	1,495
Other Uses	(390)	(904)	(128)	(119)	(158)	(147)	(418)	(156)	(153)	(192)
Other Sources	-	-	-	-	-	-	-	-	1,254	1,687
Net Financing Cash Flow	(834)	(961)	(906)	(1,067)	(1,009)	(1,310)	3,386	(1,877)	(1,297)	(1,046)
All Activities										
Exchange Rate Effect	(59)	(274)	(301)	(232)	251	(168)	93	246	(355)	(841)
Miscellaneous Funds	-	-	-	-	-	-	-	-	-	-
Net Change in Cash	2	(345)	(584)	(348)	179	(139)	89	934	700	728

Marsh & McLennan
Forecasted Cash Flow Statement

Fiscal Years Ending Dec. 31	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Cash from Operating Activities										
Net Income	3,169	3,614	4,102	4,677	5,371	6,101	6,799	7,116	7,518	7,945
Depreciation	391	441	495	552	607	675	753	840	909	969
Changes in commissions and fees	(578)	(622)	(694)	(752)	(810)	(1,069)	(1,178)	(546)	(563)	(591)
Changes in Advanced premiums and claims	(30)	(12)	(21)	(21)	(15)	(24)	(21)	(17)	(13)	(15)
Changes in other receivables	(41)	(95)	(91)	(118)	(75)	(91)	(154)	(64)	(74)	(72)
Changes in allowance for credit losses	15	20	22	25	25	33	33	17	18	18
Changes in other current assets	195	(154)	(192)	(147)	(152)	(162)	(160)	(43)	(124)	(118)
Changes in short term debt	24	35	39	41	41	53	59	26	30	31
Changes in accounts payable and accrued liabilities	446	320	452	532	533	629	735	334	371	386
Changes in accrued compensation and employee benefits	236	404	396	435	527	578	659	320	331	349
Changes in current lease liabilities	40	41	43	47	54	61	68	54	47	44
Changes in accrued income taxes	0	40	30	44	48	53	50	23	29	31
Net Cash from Operations	3,868	4,032	4,580	5,315	6,152	6,837	7,642	8,060	8,477	8,978
Cash from Investing Activities										
Capital Expenditures	(503)	(556)	(615)	(683)	(759)	(846)	(945)	(992)	(1,042)	(1,094)
Changes in intangible assets	350	327	307	271	252	261	261	261	261	261
Changes in pension related assets	(113)	(119)	(125)	(132)	(139)	(146)	(154)	(162)	(171)	(180)
Changes in ROU assets	(201)	(205)	(215)	(234)	(273)	(307)	(345)	(274)	(239)	(223)
Changes in deferred tax assets	(27)	(54)	(59)	(70)	(84)	(88)	(85)	(39)	(49)	(52)
Changes in other assets	(290)	(111)	(194)	(257)	(235)	(293)	(338)	(152)	(168)	(175)
Net cash from Investing	(784)	(718)	(902)	(1,105)	(1,238)	(1,421)	(1,606)	(1,359)	(1,407)	(1,464)
Cash flow from Financing Activities										
Changes in Fiduciary liabilities	769	1,384	1,275	1,600	1,725	2,008	2,260	1,089	1,136	1,197
changes in cash held as fiduciary liabilities	(769)	(1,384)	(1,275)	(1,600)	(1,725)	(2,008)	(2,260)	(1,089)	(1,136)	(1,197)
Changes in long term debt	(199)	(212)	(119)	(8)	(80)	(64)	(34)	(52)	(78)	(78)
Changes in pension, postretirement and postemployment benefits	(64)	(60)	(56)	(52)	(48)	(45)	(42)	(39)	(36)	(34)
Changes in long term lease liabilities	161	243	210	254	281	324	359	288	249	234
Changes in liability for errors and omissions	82	46	46	43	68	84	82	37	40	46
Changes in other liabilities	479	172	171	175	353	292	334	163	194	177
Changes in non-controlling interest	42	47	53	63	69	76	87	92	97	102
Dividends paid	(1,426)	(1,626)	(1,846)	(2,105)	(2,417)	(2,745)	(3,060)	(3,202)	(3,383)	(3,575)
New issues	81	81	81	81	57	-	-	-	-	-
Repurchases	(430)	(430)	(430)	(430)	(430)	(430)	(430)	(430)	(430)	(430)
Net cash flow form financing	(1,275)	(1,739)	(1,890)	(1,978)	(2,148)	(2,509)	(2,703)	(3,143)	(3,347)	(3,557)
Net Cash	1,809	1,575	1,788	2,232	2,766	2,907	3,334	3,558	3,724	3,957
Cash at the beginning of the year	1,442	3,251	4,826	6,614	8,846	11,612	14,519	17,853	21,411	25,134
Cash at the end of the year	3,251	4,826	6,614	8,846	11,612	14,519	17,853	21,411	25,134	29,092

Marsh & McLennan
Common Size Income Statement

Fiscal Years Ending Dec. 31	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Revenue	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Compensation and Benefits	58.81%	57.64%	58.26%	57.63%	57.80%	58.02%	58.09%	58.03%	57.92%	57.96%	57.92%	57.96%	57.99%
Depreciation	2.26%	1.93%	1.84%	1.71%	1.75%	1.77%	1.78%	1.76%	1.75%	1.75%	1.86%	1.92%	1.95%
Amortization	2.04%	1.84%	1.63%	1.53%	1.29%	1.10%	0.87%	0.73%	0.68%	0.61%	0.58%	0.55%	0.52%
Other Operating expenses	19.09%	16.83%	17.62%	19.38%	19.28%	19.18%	18.97%	18.62%	18.56%	18.80%	18.97%	18.91%	18.86%
Total Operating Expenses	82.20%	78.24%	79.34%	80.25%	80.12%	80.07%	79.71%	79.15%	78.91%	79.13%	79.33%	79.35%	79.32%
Operating Income	17.80%	21.76%	20.66%	19.75%	19.88%	19.93%	20.29%	20.85%	21.09%	20.87%	20.67%	20.65%	20.68%
Other net benefits credits	1.49%	1.40%	1.13%	1.08%	1.25%	1.43%	1.37%	1.32%	1.28%	1.27%	1.29%	1.31%	1.32%
Interest Income	0.04%	0.01%	0.07%	0.07%	0.15%	0.21%	0.26%	0.23%	0.28%	0.35%	0.42%	0.49%	0.54%
Interest Expense	2.99%	2.24%	2.26%	2.16%	1.95%	1.76%	1.56%	1.39%	1.23%	1.12%	1.07%	1.01%	0.96%
Investment Income (loss)	-0.13%	0.31%	0.10%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Pre-tax Income	16.22%	21.23%	19.70%	18.73%	19.32%	19.80%	20.36%	21.01%	21.41%	21.38%	21.31%	21.44%	21.58%
Income Tax expense	4.34%	5.22%	4.80%	4.68%	4.83%	4.95%	5.09%	5.25%	5.35%	5.34%	5.33%	5.36%	5.39%
Net income before non-controlling interest	11.88%	16.01%	14.90%	14.05%	14.49%	14.85%	15.27%	15.76%	16.06%	16.03%	15.98%	16.08%	16.18%
Less: net loss (income) attributable to non-controlling interests	0.17%	0.16%	0.18%	0.18%	0.19%	0.19%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	0.21%
Net income attributable to the company	11.70%	15.86%	14.72%	13.87%	14.31%	14.66%	15.07%	15.56%	15.86%	15.83%	15.78%	15.87%	15.98%

Marsh & McLennan
Common Size Balance Sheet

Fiscal Years Ending Dec. 31	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
ASSETS													
Current Assets													
Cash and cash equivalents	6.32%	5.09%	4.31%	9.01%	12.43%	15.75%	19.32%	23.13%	26.32%	29.35%	32.66%	35.63%	38.39%
Commissions and fees	14.16%	14.81%	15.82%	16.26%	16.73%	17.12%	17.34%	17.43%	17.80%	18.08%	17.60%	17.16%	16.76%
Advanced premiums and claims	0.34%	0.40%	0.31%	0.37%	0.37%	0.39%	0.41%	0.40%	0.41%	0.41%	0.40%	0.39%	0.38%
Other receivables	2.05%	1.52%	1.84%	1.82%	1.94%	2.01%	2.10%	2.06%	2.04%	2.11%	2.05%	2.01%	1.97%
Allowance for credit losses	-0.43%	-0.48%	-0.48%	-0.49%	-0.50%	-0.52%	-0.53%	-0.53%	-0.54%	-0.55%	-0.53%	-0.52%	-0.51%
Other current assets	2.24%	2.69%	3.00%	2.24%	2.48%	2.75%	2.85%	2.90%	2.93%	2.92%	2.78%	2.76%	2.72%
Total Current Assets	24.68%	24.03%	24.81%	29.22%	33.46%	37.51%	41.49%	45.39%	48.95%	52.31%	54.96%	57.43%	59.71%
Non-Current Assets													
Intangible assets	55.12%	55.62%	56.16%	51.08%	46.67%	42.41%	38.30%	34.42%	30.85%	27.55%	25.16%	23.02%	21.09%
Fixed assets, net	2.59%	2.46%	2.60%	2.72%	2.83%	2.90%	2.95%	2.99%	3.03%	3.06%	3.08%	3.05%	3.00%
Pension related assets	5.35%	6.60%	6.36%	6.21%	6.08%	5.92%	5.71%	5.49%	5.26%	5.02%	4.91%	4.80%	4.71%
Right of use assets	5.73%	5.43%	4.67%	4.88%	5.07%	5.20%	5.28%	5.36%	5.43%	5.49%	5.52%	5.46%	5.38%
Deferred tax assets	2.12%	1.60%	1.07%	1.07%	1.13%	1.19%	1.24%	1.30%	1.34%	1.36%	1.32%	1.29%	1.27%
Other assets	4.41%	4.25%	4.33%	4.82%	4.77%	4.87%	5.03%	5.05%	5.13%	5.21%	5.06%	4.94%	4.83%
Total Non-Current Assets	75.32%	75.97%	75.19%	70.78%	66.54%	62.49%	58.51%	54.61%	51.05%	47.69%	45.04%	42.57%	40.29%
Total Assets	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Liabilities and Equity													
Liabilities													
Current Liabilities													
Short term debt	1.56%	0.05%	0.80%	0.81%	0.84%	0.87%	0.89%	0.89%	0.91%	0.92%	0.89%	0.87%	0.85%
Accounts payable and accrued liabilities	9.23%	9.20%	9.80%	10.32%	10.42%	10.71%	10.98%	11.08%	11.22%	11.38%	11.07%	10.81%	10.58%
Accrued compensation and employee benefits	7.26%	8.56%	9.25%	9.23%	9.62%	9.84%	9.97%	10.14%	10.28%	10.40%	10.14%	9.89%	9.67%
Current Lease liabilities	1.03%	0.97%	0.93%	0.97%	1.01%	1.03%	1.05%	1.06%	1.08%	1.09%	1.09%	1.08%	1.07%
Accrued income taxes	0.75%	0.58%	0.66%	0.61%	0.67%	0.69%	0.73%	0.76%	0.79%	0.80%	0.78%	0.76%	0.75%
Total Current Liabilities	19.84%	19.35%	21.44%	21.94%	22.57%	23.15%	23.62%	23.94%	24.27%	24.59%	23.98%	23.43%	22.92%
Non-Current Liabilities													
Fiduciary liabilities	25.98%	27.98%	31.86%	31.66%	33.01%	33.56%	34.27%	34.68%	35.20%	35.64%	34.73%	33.89%	33.13%
Cash held in a fiduciary capacity	-25.98%	-27.98%	-31.86%	-31.66%	-33.01%	-33.56%	-34.27%	-34.68%	-35.20%	-35.64%	-34.73%	-33.89%	-33.13%
Long term debt	32.67%	31.79%	33.56%	30.55%	27.87%	25.48%	23.35%	21.13%	19.11%	17.28%	15.95%	14.71%	13.60%
Pension, postretirement and postemployment benefits	8.05%	4.75%	2.75%	2.37%	2.05%	1.76%	1.51%	1.28%	1.08%	0.91%	0.79%	0.68%	0.59%
Long term lease liabilities	5.82%	5.47%	4.98%	5.06%	5.34%	5.43%	5.54%	5.61%	5.69%	5.75%	5.77%	5.72%	5.63%
Liability for errors and omissions	1.11%	1.03%	1.06%	1.21%	1.24%	1.26%	1.25%	1.27%	1.31%	1.32%	1.29%	1.25%	1.23%
Other liabilities	4.49%	4.98%	4.07%	5.10%	5.19%	5.21%	5.16%	5.40%	5.45%	5.49%	5.34%	5.24%	5.11%
Total Non-current liabilities	52.14%	48.02%	46.43%	44.30%	41.69%	39.14%	36.80%	34.69%	32.64%	30.75%	29.14%	27.60%	26.16%
Total Liabilities	71.98%	67.37%	67.87%	66.24%	64.26%	62.29%	60.42%	58.63%	56.91%	55.34%	53.11%	51.03%	49.08%
Equity													
Common Equity	4.55%	4.87%	5.20%	5.05%	4.90%	4.73%	4.51%	4.23%	3.85%	3.49%	3.24%	3.01%	2.80%
Retained earnings	49.24%	53.48%	60.68%	61.07%	61.92%	62.62%	63.05%	63.37%	63.75%	63.96%	65.31%	66.56%	67.74%
Accumulated Other Comprehensive Income	-15.46%	-13.30%	-15.88%	-14.72%	-13.69%	-12.66%	-11.61%	-10.59%	-9.63%	-8.74%	-8.10%	-7.53%	-7.01%
Non-controlling interest	0.47%	0.62%	0.68%	0.75%	0.82%	0.88%	0.95%	1.00%	1.05%	1.09%	1.16%	1.21%	1.26%
Treasury Shares	-10.78%	-13.02%	-18.55%	-18.39%	-18.21%	-17.86%	-17.32%	-16.65%	-15.93%	-15.15%	-14.71%	-14.28%	-13.87%
Total equity	28.02%	32.63%	32.13%	33.76%	35.74%	37.71%	39.58%	41.37%	43.09%	44.66%	46.89%	48.97%	50.92%
Total Liabilities and Equity	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Marsh & McLennan
Value Driver Estimation

Fiscal Years Ending Dec. 31	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
NOPLAT:													
Revenue	17,224	19,820	20,720	22,858	25,260	27,973	31,038	34,513	38,460	42,954	45,102	47,357	49,725
Compensation and Benefits	(10,129)	(11,425)	(12,071)	(13,174)	(14,599)	(16,230)	(18,029)	(20,030)	(22,278)	(24,898)	(26,124)	(27,450)	(28,835)
Depreciation	(390)	(382)	(381)	(391)	(441)	(495)	(552)	(607)	(675)	(753)	(840)	(909)	(969)
Amortization	(351)	(365)	(338)	(350)	(327)	(307)	(271)	(252)	(261)	(261)	(261)	(261)	(261)
Other Operating expenses	(3,288)	(3,336)	(3,650)	(4,430)	(4,871)	(5,366)	(5,889)	(6,427)	(7,137)	(8,076)	(8,557)	(8,957)	(9,378)
Plus: Implied Interest on Operating Leases	90	90	87	78	-	-	-	-	-	-	-	-	-
EBIT	3,156	4,402	4,367	4,592	5,021	5,574	6,297	7,197	8,110	8,966	9,321	9,781	10,282
Adjusted Taxes:													
Provision for Income Taxes	747	1,034	995	1,071	1,220	1,385	1,580	1,813	2,059	2,296	2,403	2,538	2,683
Less: Interest Income	(2)	(1)	(4)	(4)	(10)	(15)	(21)	(20)	(28)	(39)	(49)	(59)	(69)
Less: Investment Income	6	(16)	(5)	-	-	-	-	-	-	-	-	-	-
Less: Other net benefits credits	(66)	(71)	(60)	(63)	(81)	(103)	(110)	(117)	(127)	(140)	(149)	(160)	(169)
Plus: Interest Expense	132	114	121	127	127	126	125	123	122	123	124	123	123
Plus: Interest on Operating Leases	4	4	4	3	-	-	-	-	-	-	-	-	-
Total Adjusted Taxes:	821	1,065	1,050	1,134	1,256	1,394	1,574	1,799	2,027	2,240	2,328	2,442	2,567
Deferred Tax Assets,net	702	551	358	385	439	498	568	652	741	826	864	913	965
Change in net deferred Taxes	26	(151)	(193)	27	54	59	70	84	88	85	39	49	52
NOPLAT:	2,361	3,186	3,124	3,486	3,819	4,239	4,793	5,482	6,172	6,811	7,031	7,387	7,767
Invested Capital(IC):													
Normal Cash	1,195	1,375	1,437	1,585	1,752	1,940	2,153	2,394	2,668	2,979	3,128	3,285	3,449
Plus: Commissions and fees	4,679	5,093	5,293	5,871	6,492	7,187	7,938	8,749	9,818	10,996	11,543	12,106	12,697
Plus: Advanced premiums and claims	112	136	103	133	145	166	187	202	225	247	264	277	292
Plus: Other receivables	677	523	616	657	753	843	961	1,036	1,127	1,282	1,346	1,420	1,491
Plus: Allowance for credit losses	(142)	(166)	(160)	(175)	(195)	(217)	(242)	(267)	(300)	(333)	(350)	(368)	(386)
Plus: Other current assets	740	926	1,005	810	964	1,156	1,302	1,455	1,617	1,777	1,820	1,944	2,062
Less: Accounts payable and accrued liabilities	(3,050)	(3,165)	(3,278)	(3,724)	(4,044)	(4,496)	(5,028)	(5,561)	(6,189)	(6,924)	(7,259)	(7,629)	(8,015)
Less: Accrued compensation and employee benefits	(2,400)	(2,942)	(3,095)	(3,331)	(3,734)	(4,130)	(4,565)	(5,091)	(5,669)	(6,329)	(6,649)	(6,980)	(7,328)
Less: Accrued income taxes	(247)	(198)	(221)	(221)	(262)	(292)	(336)	(384)	(437)	(486)	(509)	(538)	(568)
NOWC	1,564	1,582	1,700	1,605	1,870	2,157	2,371	2,533	2,859	3,208	3,333	3,517	3,692
Plus: PPE(net)	856	847	871	983	1,098	1,217	1,348	1,500	1,671	1,864	2,016	2,149	2,274
Plus: Intangible Assets	18,216	19,127	18,788	18,438	18,111	17,804	17,533	17,281	17,020	16,760	16,499	16,239	15,978
Plus: Right of use assets	1,894	1,868	1,562	1,763	1,968	2,183	2,418	2,690	2,997	3,342	3,616	3,855	4,078
Plus: Other Assets	1,458	1,461	1,449	1,739	1,850	2,045	2,301	2,537	2,830	3,167	3,320	3,487	3,663
Totals:	22,424	23,303	22,670	22,923	23,027	23,249	23,600	24,008	24,519	25,133	25,451	25,730	25,993
Less: Long term debt	(10,796)	(10,933)	(11,227)	(11,028)	(10,816)	(10,697)	(10,688)	(10,608)	(10,544)	(10,510)	(10,458)	(10,381)	(10,302)
Less: Other liabilities	(1,485)	(1,712)	(1,363)	(1,842)	(2,014)	(2,185)	(2,360)	(2,713)	(3,005)	(3,339)	(3,501)	(3,695)	(3,873)
Totals:	(12,281)	(12,645)	(12,590)	(12,870)	(12,830)	(12,882)	(13,049)	(13,322)	(13,549)	(13,849)	(13,960)	(14,076)	(14,175)
Invested Capital (IC):	11,707	12,240	11,780	11,658	12,067	12,525	12,922	13,219	13,830	14,493	14,825	15,171	15,511
Free Cash Flow (FCF):													
NOPLAT	2,361	3,186	3,124	3,486	3,819	4,239	4,793	5,482	6,172	6,811	7,031	7,387	7,767
Change in IC	(82)	533	(460)	(122)	409	458	398	297	610	663	332	346	340
FCF	2,443	2,653	3,583	3,608	3,410	3,782	4,396	5,185	5,561	6,148	6,699	7,041	7,427
Return on Invested Capital (ROIC):													
NOPLAT	2,361	3,186	3,124	3,486	3,819	4,239	4,793	5,482	6,172	6,811	7,031	7,387	7,767
Beginning IC	11,789	11,707	12,240	11,780	11,658	12,067	12,525	12,922	13,219	13,830	14,493	14,825	15,171
ROIC	20.03%	27.21%	25.52%	29.59%	32.76%	35.13%	38.27%	42.42%	46.69%	49.25%	48.52%	49.83%	51.19%
Economic Profit (EP):													
Beginning IC	11,789	11,707	12,240	11,780	11,658	12,067	12,525	12,922	13,219	13,830	14,493	14,825	15,171
x (ROIC - WACC)	11.32%	18.51%	16.81%	20.88%	24.05%	26.42%	29.56%	33.72%	37.98%	40.54%	39.81%	41.12%	42.49%
EP	1,334	2,167	2,058	2,460	2,804	3,189	3,703	4,357	5,021	5,607	5,769	6,096	6,446

Marsh & McLennan

Weighted Average Cost of Capital (WACC) Estimation

Cost of Equity:

Risk-Free Rate	4.84%
Beta	0.89
Equity Risk Premium	5.00%
Cost of Equity	9.29%

ASSUMPTIONS:

10 year U.S. Treasury
5 years adjusted beta from Bloomberg
Henry Fund Equity Risk Premium

Cost of Debt:

Risk-Free Rate	4.84%
Implied Default Premium	1.06%
Pre-Tax Cost of Debt	5.90%
Marginal Tax Rate	25%
After-Tax Cost of Debt	4.43%

10 year U.S. Treasury

YTM on MMC's long term corporate bond

Market Value of Common Equity:

Total Shares Outstanding	499
Current Stock Price	\$200.00
MV of Equity	99,800.00

MV Weights

88.11%

Market Value of Debt:

Short term debt	268.00
Long-Term Debt	11,227.00
PV of Operating Leases	1,977.00
MV of Total Debt	13,472.00

11.89%

Market Value of the Firm

113,272

100.00%

Estimated WACC

8.71%

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

Fiscal Years Ending Dec. 31	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
------------------------------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------

EPS	\$ 6.37	\$ 7.27	\$ 8.27	\$ 9.44	\$ 10.86	\$ 12.38	\$ 13.83	\$ 14.51	\$ 15.37	\$ 16.28
-----	---------	---------	---------	---------	----------	----------	----------	----------	----------	----------

Key Assumptions

CV growth of EPS	5.00%
CV Year ROE	23.00%
Cost of Equity	9.29%

Future Cash Flows

P/E Multiple (CV Year)										18.26
EPS (CV Year)										\$ 16.28
Future Stock Price										\$ 297.29
Dividends Per Share	2.86	3.27	3.72	4.25	4.89	5.57	6.22	6.53	6.92	
Discounted Cash Flows	2.62	2.74	2.85	2.98	3.14	3.27	3.34	3.21	3.11	133.70

Intrinsic Value as of Last FYE	\$ 160.96
--------------------------------	-----------

Implied Price as of Today	\$ 172.12
----------------------------------	------------------

Marsh & McLennan*Relative Valuation Models*

Ticker	Company	Price	EPS	EPS	P/E 23	P/E 24	P/BV
			2023E	2024E			
AJG	Arthur J Gallagher & Co.	\$248	\$8.76	\$10.03	28.31	24.73	5.11
WTW	Willis Towers Watson	\$240	\$13.83	\$15.85	17.35	15.14	2.57
BRO	Brown & Brown Inc.	\$73	\$2.65	\$2.92	27.55	25.00	4.08
ERIE	Erie Indemnity Company	\$278	\$7.59	\$8.86	36.63	31.38	8.38
AON	Aon plc	\$334	\$14.18	\$16.04	23.55	20.82	1,043.75
Average					26.68	23.41	5.04

MMC	Marsh & McLennan	\$200.00	6.37	7.27	31.4	27.5
-----	------------------	----------	------	------	------	------

Implied Relative Value:

P/E (EPS23) \$ 169.85

P/E (EPS24) \$ 170.32

P/BV \$ 121.90

Marsh & McLennan

Key Management Ratios

[illegible]

Marsh & McLennan*Present Value of Operating Lease Obligations*

Fiscal Years Ending Dec. 31	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Year 1	346.0	317.0	325.0	326.0	314.0	329.0	413.0	410.0	389.0	362.0
Year 2	311.0	286.0	297.0	303.0	282.0	309.0	359.0	380.0	350.0	324.0
Year 3	273.0	248.0	269.0	261.0	260.0	265.0	335.0	331.0	307.0	291.0
Year 4	231.0	216.0	224.0	230.0	223.0	242.0	288.0	288.0	276.0	268.0
Year 5	204.0	177.0	192.0	194.0	206.0	205.0	241.0	256.0	253.0	232.0
Thereafter	1015.0	974.0	842.0	859.0	772.0	721.0	974.0	905.0	924.0	751.0
Total Minimum Payments	2380.0	2218.0	2149.0	2173.0	2057.0	2071.0	2610.0	2570.0	2499.0	2228.0
Less: Cumulative Interest	565.1	540.8	485.4	493.3	451.4	439.0	573.7	546.5	543.5	465.0
PV of Minimum Payments	1814.9	1677.2	1663.6	1679.7	1605.6	1632.0	2036.3	2023.5	1955.5	1763.0
Implied Interest in Year 1 Payment		107.1	99.0	98.2	99.1	94.7	96.3	120.1	119.4	115.4
Pre-Tax Cost of Debt	5.90%	5.90%	5.90%	5.90%	5.90%	5.90%	5.90%	5.90%	5.90%	5.90%
Years Implied by Year 6 Payment	5.0	5.5	4.4	4.4	3.7	3.5	4.0	3.5	3.7	3.2
Expected Obligation in Year 6 & Beyond	204	177	192	194	206	205	241	256	253	232
Present Value of Lease Payments										
PV of Year 1	326.7	299.3	306.9	307.8	296.5	310.7	390.0	387.2	367.3	341.8
PV of Year 2	277.3	255.0	264.8	270.2	251.5	275.5	320.1	338.8	312.1	288.9
PV of Year 3	229.9	208.8	226.5	219.8	218.9	223.1	282.1	278.7	258.5	245.0
PV of Year 4	183.7	171.7	178.1	182.9	177.3	192.4	229.0	229.0	219.4	213.1
PV of Year 5	153.2	132.9	144.2	145.7	154.7	153.9	180.9	192.2	190.0	174.2
PV of 6 & beyond	644.2	609.4	543.1	553.4	506.8	476.3	634.2	597.6	608.2	500.0
Capitalized PV of Payments	1814.9	1677.2	1663.6	1679.7	1605.6	1632.0	2036.3	2023.5	1955.5	1763.0

Marsh & McLennan*Valuation of Options Granted under ESOP*

Current Stock Price	\$200.00
Risk Free Rate	4.84%
Current Dividend Yield	1.18%
Annualized St. Dev. of Stock Returns	15.07% Do this on bloomberg

(in millions)

Range of Outstanding Options	Number of Shares	Average Exercise Price	Average Remaining Life (yrs)	B-S Option Price	Value of Options Granted
Options outstanding as of December 2022	5	82.46	4.70	\$ 123.53	\$ 572
Total	5	\$ 82.46	4.70	\$ 134.32	\$ 572

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

Number of Options Outstanding (shares):	4.63
Average Time to Maturity (years):	4.70
Expected Annual Number of Options Exercised:	0.986

Current Average Strike Price:	\$ 82.46
Cost of Equity:	9.29%
Current Stock Price:	\$200.00

Fiscal Years Ending Dec. 31	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Increase in Shares Outstanding:	0.986	0.986	0.986	0.986	0.690	-	-	-	-	-
Average Strike Price:	\$ 82.46	\$ 82.46	\$ 82.46	\$ 82.46	\$ 82.46	\$ 82.46	\$ 82.46	\$ 82.46	\$ 82.46	\$ 82.46
Increase in Common Stock Account:	81	81	81	81	57	-	-	-	-	-
Share Repurchases (\$)	430	430	430	430	430	430	430	430	430	430
Expected Price of Repurchased Shares:	\$ 200.00	\$ 216.21	\$ 233.73	\$ 252.68	\$ 273.16	\$ 295.30	\$ 319.23	\$ 345.10	\$ 373.08	\$ 403.31
Number of Shares Repurchased:	2.15	1.99	1.84	1.70	1.57	1.46	1.35	1.25	1.15	1.07
Shares Outstanding (beginning of the year)	499	498	497	496	495	494	493	492	490	489
Plus: Shares Issued Through ESOP	0.986	0.986	0.986	0.986	0.690	0.000	0.000	0.000	0.000	0.000
Less: Shares Repurchased in Treasury	2.15	1.99	1.84	1.70	1.57	1.46	1.35	1.25	1.15	1.07
Shares Outstanding (end of the year)	498	497	496	495	494	493	492	490	489	488

Marsh & McLennan

Sensitivity Tables

Risk free Rate	Beta							
	229.06	0.70	0.75	0.80	0.89	1.00	1.20	1.40
	5.50%	247.87	231.21	216.44	193.89	170.94	139.57	116.61
	5.25%	266.79	247.87	231.22	206.03	180.68	146.47	121.76
	5.00%	288.47	266.80	247.88	219.56	191.40	153.95	127.28
	4.84%	304.09	280.32	259.70	229.06	198.85	159.08	131.03
	4.75%	313.57	288.48	266.81	234.73	203.27	162.09	133.21
	4.50%	342.95	313.57	288.49	251.85	216.47	170.97	139.60
	4.25%	377.82	342.95	313.58	271.33	231.25	180.71	146.50

		Marginal Tax Rate						
Cost of Debt	229.06	18%	20%	22.50%	25%	27%	30%	32%
	6.50%	221.58	222.63	223.95	225.29	226.37	228.00	229.10
	6.25%	223.24	224.26	225.55	226.85	227.90	229.48	230.55
	6.00%	224.92	225.91	227.16	228.42	229.44	230.99	232.02
	5.90%	225.60	226.58	227.81	229.06	230.07	231.59	232.62
	5.75%	226.62	227.58	228.80	230.02	231.01	232.51	233.51
	5.60%	227.65	228.60	229.79	230.99	231.96	233.42	234.41
	5.50%	228.34	229.28	230.45	231.64	232.59	234.04	235.02

CV NOPLAT Growth								
WACC	229.06	3.50%	4%	4.50%	5%	5.50%	6%	6.50%
	10.50%	121.05	127.08	134.13	142.45	152.44	164.65	179.92
	9.50%	148.28	157.54	168.64	182.22	199.19	221.01	250.10
	9.00%	165.66	177.37	191.69	209.59	232.59	263.27	306.23
	8.71%	177.41	190.97	207.75	229.06	257.01	295.29	350.92
	8.60%	182.04	196.37	214.19	236.96	267.08	308.78	370.35
	8.50%	186.55	201.65	220.52	244.79	277.14	322.44	390.38
	8.40%	191.24	207.17	227.18	253.07	287.89	337.23	412.52

Equity Risk Premium	Beta							
	229.06	0.70	0.75	0.80	0.89	1.00	1.20	1.40
	5.75%	257.79	237.49	219.85	193.60	167.67	133.45	109.26
	5.50%	271.73	250.39	231.86	204.29	177.08	141.19	115.84
	5.25%	287.09	264.60	245.08	216.06	187.43	149.69	123.06
	5.00%	304.09	280.32	259.70	229.06	198.85	159.08	131.03
	4.75%	323.02	297.81	275.97	243.51	211.54	169.49	139.85
	4.50%	344.22	317.39	294.16	259.67	225.72	181.10	149.69
	4.25%	368.12	339.46	314.65	277.84	241.65	194.14	160.74

		Marginal Tax Rate						
	229.06	18%	20%	22.50%	25%	27%	30%	32%
WACC	10.50%	142.47	142.46	142.46	142.45	142.45	142.44	142.44
	9.50%	182.23	182.23	182.23	182.22	182.22	182.21	182.21
	9.00%	209.60	209.59	209.59	209.59	209.58	209.58	209.57
	8.71%	229.07	229.07	229.06	229.06	229.06	229.05	229.05
	8.60%	236.98	236.97	236.97	236.96	236.96	236.95	236.95
	8.50%	244.80	244.80	244.79	244.79	244.78	244.78	244.77
	8.40%	253.08	253.08	253.08	253.07	253.07	253.06	253.06

		Dividend Yield						
Cost of Debt	229.06	0.80%	0.90%	1%	1.18%	1.26%	1.40%	1.50%
	6.50%	225.85	225.70	225.56	225.29	225.17	224.96	224.81
	6.25%	227.42	227.27	227.12	226.85	226.73	226.52	226.37
	6.00%	229.00	228.85	228.70	228.42	228.30	228.09	227.94
	5.90%	229.64	229.48	229.33	229.06	228.94	228.73	228.58
	5.75%	230.60	230.45	230.29	230.02	229.90	229.69	229.53
	5.60%	231.57	231.42	231.26	230.99	230.87	230.65	230.50
	5.50%	232.22	232.07	231.91	231.64	231.51	231.30	231.15