MARSHBERRY

CounterPoint

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Growth via Acquisition

Stay Disciplined and Avoid the "Upward Spiral"

The competition is fierce — don't get frustrated with the process and feel the need to stretch beyond your comfort zone in negotiating a deal.

- **WHERE ARE YOU GOING?** Answering the Question With Analytics
- **BALANCING ACT**
- Impact of Owner Age on **EBITDA MARGIN**
- Broker **TEAR SHEET**

September | 2016

35TH ANNIVERSARY *helping clients learn, improve and realize their value*

September **Spotlight**

Get Involved: IICF Week of Giving October 8-15

Formed in 1994, the Insurance Industry Charitable Foundation (IICF) helps communities and enriches lives by combining the collective strengths of the insurance industry to provide grants, volunteer service and leadership.

IICF's Week of Giving is an eight-day, industry-wide volunteer event during which insurance industry volunteers provide service with neighborhood and community nonprofit organizations. Since 2001, the insurance industry, working together, has generated more than 218,000 hours of volunteer service.

MarshBerry is a proud supporter of the IICF and we're excited to once again participate in the IICF's Week of Giving being held October 8-15, 2016.

To learn more about how you can participate in this initiative, log on to **www.IICF.org/Week-of-Giving.**

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Let's talk.

Engage *with MarshBerry*

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The competition is fierce — don't get frustrated with the process and feel the need to stretch beyond your comfort zone in negotiating a deal.

Growth via Acquisition

Stay Disciplined and Avoid the "Upward Spiral"

by ***Christopher Darst,***
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We believe that the number of buyers looking for quality agencies ***is at an all-time high.***

Based on our experience, the industry has never witnessed a time when pricing, terms and structures have been more favorable for a selling agency. It is easy to see how an independent agency with a strategy to grow via acquisition could get frustrated with the process and feel the need to stretch beyond its comfort zone in negotiating a deal. An acquisition strategy requires a delicate balance between both flexibility and discipline to be successful.

Agencies that are inexperienced in acquisitions are at a clear disadvantage in today's marketplace. They are competing against acquisition teams formed by extremely sophisticated buyers with deep pockets and a proven track record. Furthermore, many of the agencies they encounter as acquisition prospects were formerly buying agencies themselves. For some of these selling agencies, failing to retain a high percentage of an acquired agency's accounts or paying too much for an agency contributed to their inability to perpetuate and to the decision to sell their own businesses.

They have learned a lot from the school of hard knocks and have acquired invaluable experience and fine-tuned their negotiation skills. Having often been on the buying side of the table, such a seller easily can read an inexperienced deal-maker's strategy and respond with tactics that can potentially lead a buyer to pay the kind of inflated price and structure that contributed to the seller not being able to internally perpetuate.

One of the most important concepts a buyer should understand is termed the ***"upward spiral."***

An "upward spiral" refers to the tendency of an inexperienced buyer to inadvertently allow deal terms to be slowly ratcheted upward as negotiations proceed toward a closing. The upward spiral is principally fueled by a seller's tendency to shop a buyer's offer and by a buyer's failure to set a formal tone for negotiations.

Here is how a buyer can attempt to manage these two tendencies, thereby avoiding the upward spiral...

1 Stop the seller from shopping.

A seller may often say it is not about price. In reality, with some exceptions, it is almost always about price and the overwhelming desire to maximize the deal.

Consequently, many sellers repeatedly express a commitment to completing a transaction with a buyer while still talking with other buyers and making the same commitment to them. Such testing of the market is often the only way some sellers can feel assured that the divestiture price is appropriate. But make no mistake, in our experience, if a contemplated acquisition turns into an open or disguised bidding war, the larger institutional buyers are likely to win every time.

2 Secure a letter of exclusivity.

To keep an offer from being shopped, a buyer may want to attempt to secure a letter of exclusivity from the seller.

Executing this agreement could be a challenge as they are not customary in insurance industry, but it is worth a shot. Your chances of closing on a transaction could go up significantly if an exclusivity agreement is implemented. In this document, written by the buyer and signed by both parties, the buyer and seller agree that their negotiations will be exclusive and not turned into a bidding situation. The buyer commits to making an offer to purchase the selling agency. The seller agrees to not disclose any part of the transaction or engage in discussion with any other potential buyers during a specified time period. At the core of the letter, the seller agrees to review the buyer's offer during the exclusivity period and to accept or reject it based on its own merit, or to continue negotiations. The letter also should contain the seller's commitment to extend the exclusivity period, should the parties still be involved in discussions at the period's termination.

By assuring the seller that the offer will be aggressive and limiting the length of the exclusivity period the buyer may be able to persuade a seller to enter into such an agreement. If the seller refuses, the buyer shouldn't be alarmed as letters of exclusivity are very rare in the insurance industry, but it also may be a signal that the seller is talking with other potential buyers. Without a letter of exclusivity from the seller, a buyer may want to proceed cautiously. Based on our experience, in today's marketplace, it is often challenging for an independent agency to win a deal if it is being shopped.

Components of a Letter of Intent

Minimum Requirements

PURCHASE PRICE

- *Intent regarding the nature of the purchase (e.g., asset purchase, tax-free merger*, stock purchase).*
- *Tentative total purchase price broken out between the down payment and the earnout payment.*
- *Deferred payment (earnout payment) described in detail.*
- *Working capital to be delivered at closing should be stated (i.e. 30 days working capital)*
- *If stock is being used as currency, the number of shares and price per share should be detailed.*

EMPLOYEE MATTERS

- *Outline terms of any employment agreements to which the parties consent.*
- *Outline terms of any agreed-upon compensation levels or incentive compensation plans.*
- *Non-competition, non-solicitation and/or non-acceptance covenants should be described and duration of each should be disclosed.*

ADDITIONAL CONSIDERATIONS

- *Include a statement enforcing joint confidentiality. The letter should prohibit a publicity release or announcement concerning the proposed transaction without the approval of both parties.*
- *Require signatures of all appropriate parties by a certain date. Otherwise, the letter should state, the offer becomes null and void.*
- *Require that the seller make available to the buyer and its legal and accounting representatives such books and records as may be necessary to verify data previously submitted orally or in writing.*

Source: MarshBerry Opinion & Experience. List is not all inclusive.
**Marsh, Berry & Co., Inc. and MarshBerry Capital, Inc. do not provide tax or legal advice. These professionals should be consulted before implementing changes to your tax or legal matters.*

3 Set the right tone.

Conducting negotiations in an informal tone may also lead to an upward spiral.

An inexperienced buyer may not be confident that his or her offer will be attractive enough to the seller and therefore is reluctant to present a formal letter of intent. Instead, in our experience, the buyer often opts to meet informally with a seller to discuss terms and conditions, and to test the seller's reaction.

But such informality gives the seller an opportunity to comment on each part of the offer without giving any firm indication of whether any part is critical to the completion of the transaction. Remember, a seller wants to get the best deal possible. Even if all terms of the offer are acceptable, an informal setting leaves the window open for a seller to prompt a buyer to sweeten the deal. When negotiations proceed informally, we have seen that many inexperienced buyers eventually are manipulated to make continuous concessions, and the price goes up.

To avoid the upward spiral, we believe a buyer should attempt at the outset to get the seller to give some indication of an acceptable price and terms. Many sellers refuse to provide such guidance, however, and instead ask the buyer to prepare an offer. With or without direction from the seller, a buyer should conduct a proper valuation of the acquisition target as a starting point. A buyer then should determine the offer price and maximum acceptable price, as well as the transaction's terms and how flexible the buyer can be with each one.

Once a buyer is comfortable with the offers' components, he or she should draft a letter of intent. This document should be reviewed by legal counsel and formally presented to the seller in a face-to-face meeting. The purpose of the formal presentation is to demonstrate a commitment to a closing, to build trust between the two parties, and to communicate and explain the main components of the offer's details. The purpose of the meeting, however, is ***not*** to negotiate. The seller should be asked to review the letter of intent and to respond within its designated time period.

Under this framework, a seller will be forced to look at every term of the offer and determine its reasonableness and acceptability. Once the seller has prepared a response, another meeting should be held. At this meeting, the seller should be asked to respond to each item in the letter of intent. This is a learning opportunity for the buyer; he or she should note the seller's concerns but should not respond to them or engage in negotiations.

If a seller says that a particular provision is unacceptable, he or she should be asked to explain why, to state what exact change would be required to make it acceptable and to indicate to what extent the provision is a deal-breaker. Once the buyer has had a chance to carefully review the seller's responses, he or she should revise the letter of intent and present it to the seller again.

By following these procedures, the buyer can revise the letter of intent with full knowledge of all seller desires and proceed in a give-and-take manner to the realization of both parties' goals. The buyer will be prepared to address any terms that were not agreed to and emphasize ones that were accepted.

Once the letter of intent is signed, the buyer can begin the due diligence process to confirm everything that has been represented is actually true and ensure there are no deal killing skeletons in the closet.

METRIC OF THE **MONTH**

Impact of Owner Age on EBITDA Margin

Weighted Average Owner Age (WAOA) calculates the average shareholders' age weighted by the percentage of stock each shareholder owns. EBITDA margin is a company's earnings before interest, taxes, depreciation, and amortization as a percentage of total revenue. As business owners face the inevitable truth of aging, it's important to recognize that obtaining young, motivated leaders is critical for agency perpetuation.

The impact of owner age on profit is significant as top performers in the industry are broadening their ownership base with young talent.

Based on our proprietary financial management system Perspectives for High Performance (PHP), companies with younger ownership are more profitable than those with an older ownership base. The younger quartile, where the weighted average owner age is around 46, is producing EBITDA margins 5.7 points higher than the older quartile where the weighted average owner age is around 62. Top performance creates cash flow which creates value and the option to perpetuate a company. The additional cash flows are being used to service debt and invest in the growth of the company. While age might just be a number, it is an important factor in the long term success of a company.

MarshBerry 360: Mark Your Calendars!

In May we conducted our 3rd Annual 360 Seminar Series in Chicago, New York, Orlando and Las Vegas. The events were the most successful yet with over 400 attendees and 70% of them being C-Suite level.

Our MarshBerry 360 Seminars enable insurance distribution professionals to understand the various strategies to help lead their firm to growth and profitability, and the maximization of shareholder value.

Topics for 2016 included:

- State of the Industry (Economic & Industry Overview)
- Transaction Pricing, Earn Outs & Deal Structure
- Industry Panel Discussion
- Taking Technology Beyond Your Management System
- Sales Culture Development
- Human Capital Management
- Driving Transformational Change in Your Firm

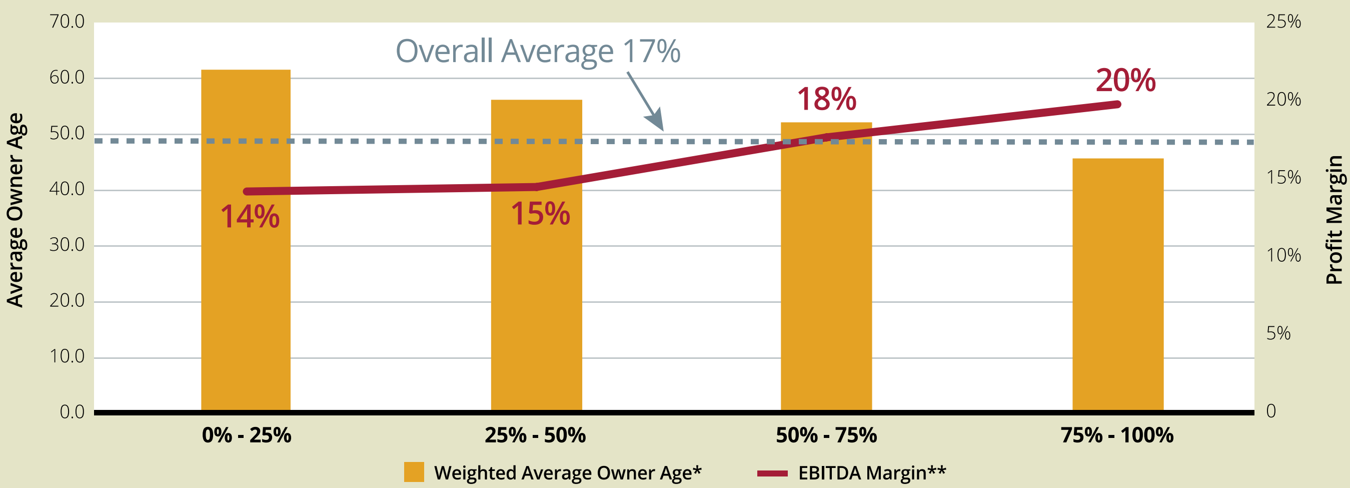
Thank you to everyone who attended these events, we are looking forward to another great seminar series next year with all new content!

With 99% of attendees stating the seminars met or exceeded their expectations, we believe you won't want to miss out on next year's events. Be sure to mark your calendars for our 2017 Seminars:

Registration opens this fall!

May 9, 2017 • New Orleans, Harrah's New Orleans
May 11, 2017 • New York, Convene at 237 Park Ave
May 23, 2017 • Chicago, Swissotel Chicago
May 25, 2017 • Las Vegas, The Cosmopolitan Las Vegas

IMPACT OF AVERAGE OWNER AGE ON PROFIT



Data as of December 31, 2015
Source: MarshBerry proprietary financial management system Perspectives for High Performance (PHP)
** WEIGHTED AVERAGE OWNER AGE = The Sum of Each Owners' Age times Their Ownership Percentage*
*** EBITDA margin = a company's earnings before interest, taxes, depreciation, and amortization as a percentage of its total revenue. EBITDA/Total Revenue*

Where Are You Going?

Answering the Question With Analytics

by ***Tommy McDonald,***
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Different consultants take different approaches to planning, financial forecasting and working with clients to think strategically about how to grow their companies.

MarshBerry is a firm believer in setting realistic targets driven by historical performance and metrics. These targets should be supported by open and honest conversations about what type of investment the business will need to make to get to where they want to go. One of the hardest metrics to predict when you are doing strategic planning is leakage (see definition below).

The historical approach to predicting commission or revenue into the future is to throw a 5% growth rate on the top line and just assume that the firm will achieve these results. In my opinion, a 5% growth year in 2008 when the economy was in peril and the soft market had reached its peak is much different than growing 5% in 2016 where the market is more stable and the average firm can produce similar results. Because of how firms grow within this industry, two important metrics need to be at the forefront of strategic planning: **NEW BUSINESS PRODUCTION** and **LEAKAGE.**

New Business Production is a relatively routine conversation. What are your new business expectations? What are your historical production results? How many sales people are you going to hire? How much business will you generate from cross-sell? How does marketing generate business? Are your producers capable enough of growing this company relative to your goals? Do you think that compensation may need to be adjusted if you want to hit margin expectations?

Leakage [lee-kij] /noun/
1 MarshBerry term used to measure agency retention which includes the market's impact on the current book, lost revenue, reduction in risk exposures, or any other one time revenue that would not recur into the future.

Antonym/ **Lift:** In harder market years, some firms may experience growth on their renewal book through large increases on accounts, growing risk exposures, and significantly high account retention.

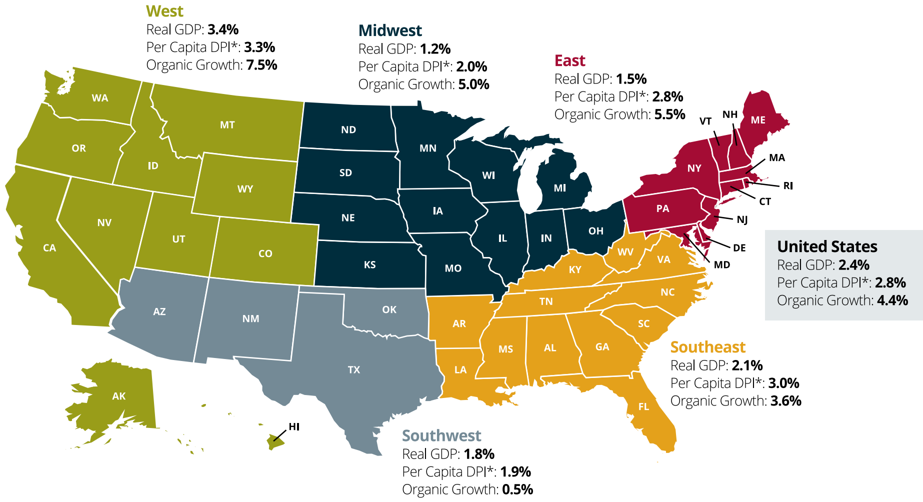
On the flipside, the Leakage conversation ***rarely goes deep enough to have any validity.***

MarshBerry would recommend integrating the following considerations into the financial forecasting discussion during strategic planning:

1. Large lost revenue accounts that have not fully flushed through the renewal cycle
2. Large carrier compensation changes impacting renewals
3. Large one-time fees or commissions that inflated the baseline
4. Local economic projections, specifically around Gross Domestic Product (GDP), number of new home starts, and unemployment rates

Remember that insurance agency performance usually follows economic and industry performance. This means that current economic and industry metrics will likely impact your business in the next 6-12 months.

2015 CRITICAL ECONOMIC INDICATORS



TIMEHOP

Unemployment	
May 2012	May 2016
8.2M	4.7M

New Housing Starts	
YTD April 2012	YTD April 2016
28,750,000	46,120,000

** DPI: Disposable Personal Income*
Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional GDP data through 3Q 2015; Organic Growth data from MarshBerry proprietary financial management system Perspectives for High Performance (PHP).

We believe that discussions about the future of your revenue stream and how you are going to grow your company need to happen once a year [at a minimum] and having accurate analytics and information around what is going to happen to your leakage can help amplify your planning and provide a better picture for what it is going to take to produce 15-20% growth annually. ■

Peer Exchange Network News

MARK YOUR CALENDARS! *The 2016 Fall Network Summits are right around the corner!*

2016 Fall BANK/TASC

Talent, Culture, & Technology

September 11–13

The Brown Palace Hotel • Denver, CO

What to watch for:

- **Prosperity in the Age of Decline,** *presented by Brian Beaulieu, CEO, ITR Economics*
- **Best Practices for Finding, Compensating and Onboarding New Producers,** *presented by Curt Vondrasek, Vice President – Producer Recruiting, MarshBerry*
- **The State of the Industry,** *presented by John Wepler, Chairman & CEO, MarshBerry*

REGISTER NOW AT
www.MarshBerry.com/FA16BANKTASC

2016 Fall APPEX

Culture: The Art of Performance

October 18–21

Hilton Nashville Downtown • Nashville, TN

When was the last time you took the pulse of your organization's culture?

The MarshBerry Employee Engagement Survey is an online survey given to employees to provide a holistic portrait of how well an organization is functioning internally. It gives employees a forum to voice their opinions honestly and confidentially in order to spark change. APPEX Partners are encouraged to initiate their Employee Engagement Survey so that results can be incorporated into SIG discussion at the fall summit.

REGISTER NOW AT
www.MarshBerry.com/FA16APPEX

Interested in learning more about our Peer Exchange Networks?
Contact Tommy McDonald today at Tommy.McDonald@MarshBerry.com

Balancing Act

by ***Dan Skowronski,*** Senior Vice President
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Two of the more important components of purchase price are the amount paid at closing (up-front purchase price) and the amount paid at some point after the deal closes based upon a seller's performance (earnout).

Many sellers are motivated based on industry published multiples of EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization), and as expected want to maximize the multiple paid at closing. We have seen that what is often lost in the discussion about transaction price is how much is put at risk in an earnout and why. Our experience is that many agency leaders misunderstand and even discount the idea of an earnout.

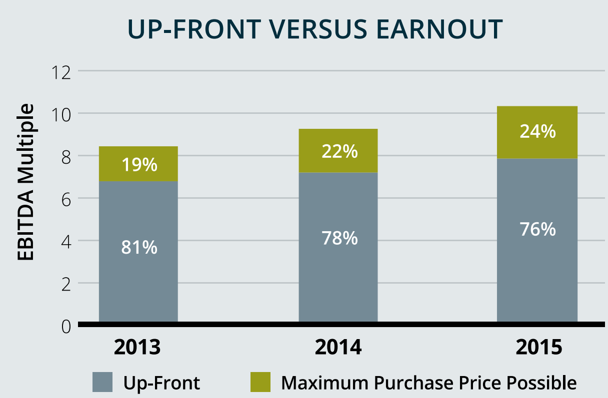
It is easy to understand why a seller would like as much up-front as possible, but why do buyers push back and focus on an earnout? It essentially comes down to addressing a buyer's perceived risk with a particular transaction. Buyers often address the risk profile of the agency by lowering the up-front purchase price, but balance this by providing the seller with an opportunity for a higher purchase price if certain growth targets are met post-closing. Shifting risk back to the seller via an earnout allows the buyer to potentially pay much more in total purchase price if the seller performs well. The magnitude of the shift of purchase price to an earnout is simple: the greater the perceived risk, the more a buyer will endeavor to move purchase price to an earnout calculation.

Some examples of the more common reasons why a buyer may shift purchase price to an earnout:

- Large accounts that may be at risk
- Older selling shareholders
- Strength/existence of the next generation
- Questions on the sustainability of pro forma earnings

Remember, a buyer is putting up significant capital (purchase price), but in most cases ***is not taking over day-to-day control of the agency.***

In most deals they are trusting the selling shareholders and existing management to continue to run the firm on their behalf. Yes, buyers put in relevant controls, budgets and processes; but with so much of the insurance brokerage business based on client relationships, the return on their investment is at risk if performance declines. It is only natural that they would want to enhance the potential for success by linking a portion of the purchase price to a seller's performance over time.



Source: MarshBerry proprietary database. Data compiled from transactions in which we were directly involved, those from which we have detailed information, and transactions in the public record. Past performance is not necessarily indicative of future results. Individual results may vary.

We work with our clients to understand the risk profile of their firm and attempt to mitigate or address such risks as part of the deal process. An experienced deal negotiator will work to ensure that the shift of risk back to the seller is fairly balanced by a "risk-relevant" increase in the earnout dollars available.

The firms that most often get the highest total purchase price not only deliver a great business at closing, but they put some risk into the deal and achieve earnout success by delivering strong performance post transaction.

The 10th Annual Insurance Brokerage Summit, in partnership with MarshBerry, brings together top industry executives, advisors and analysts for an open and informed discussion of strategic planning, growth, and the outlook for M&A in the insurance distribution marketplace.

The conference, being held November 9 - 10, 2016 at the Willard InterContinental in Washington D.C. will include panel topics such as:

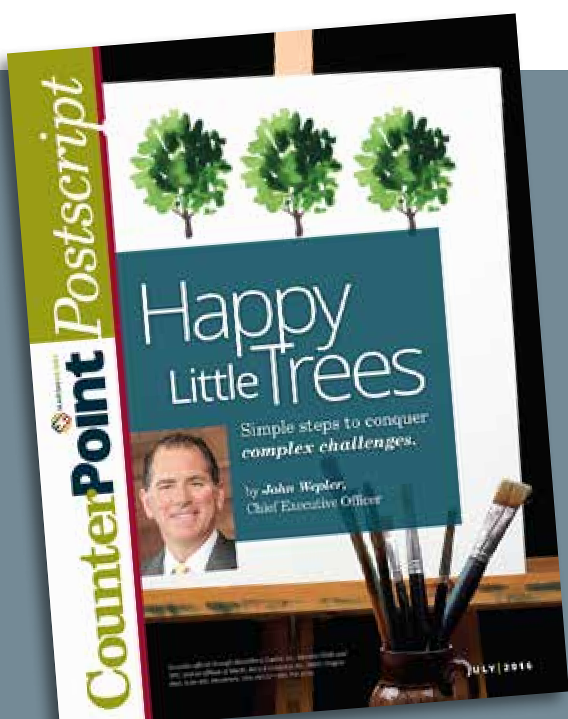
- The economic factors currently impacting the industry's performance, as well as those most likely to affect future performance
- Growth strategies, organic or acquisition-based, and how to determine which are best suited to your company
- Tactics used by successful acquirers
- Financial metrics and models needed to construct a viable internal succession plan
- How to implement an acquisition strategy that maximizes shareholder value.

Register today at
www.MarshBerry.com/SNL

Use discount code MB2016 and receive $200 off your conference registration.

10th Annual Insurance Brokerage Summit

November 9-10



Happy Little Trees
A CounterPoint Supplement

Organic growth will continue to be a challenge in the near future. To combat the headwind, transform your differentiation strategy by embracing value creation.

This supplement retraces and expands on a concept we have published previously, which is based on MarshBerry opinion and experience. The concept outlined in this white paper for some agencies might be too far out of reach. For others, it may inspire value-enhancing change. It is up to you to determine if you want to strive for excellence and plant the seeds to grow your value proposition to the next level.

Download the supplement today at
www.MarshBerry.com/Trees

Quarter in Review Q&A

with **John Wepler**

1 What are the anticipated ramifications on revenue and growth forecasts given Great Britain's decision to leave the European Union?

It was only this past June when the aptly titled "Brexit" event created immediate uncertainty and volatility in most capital markets. It is too soon to predict the ultimate effect the decision may have on long-term revenue and growth forecasts. However, I believe it will have an impact on specific clients moving forward and it will likely lead to a multi-year period of uncertainty for most brokers who maintain a large presence in Europe. The biggest impact may come in the form of foreign currency translation as the British Pound responds to the decision as compared to other currencies. London is the epicenter for global insurance and those with a diverse geographical footprint should have an advantage in navigating any short-term interest rate and exposure hurdles. The brokers that show an ability to successfully adapt to the changing European insurance landscape by proactively managing their risk and exposure base through quality underwriting and expansive risk management coverages should mitigate much of the long-term uncertainty related to organic revenue growth.

2 What segments are brokers focusing on to achieve their organic growth goals given the marginal economic conditions in the U.S.?

Domestically, economic conditions appear consistent with first quarter trends with continued price declines and modest profitability as a result of the low interest rate environment, lower than anticipated new business generation, and decreased yields across most U.S. segments. Brokers continue to generate modest new business in both retail and clean energy segments with a strong focus on retention to maintain margin despite U.S. property markets continuing a downward trend in terms of pricing. There is also a strong demand for benefits administration, human resource, and value-added centers of influence (e.g. ERISA attorney and claims advocacy consultant) in the employee benefits space. Brokers are also showing increased interest in pursuing the development and placement of program business at competitive prices. Program business relies heavily on data analytics as a differentiator. We believe that effective collection, analysis, and warehousing of data is a key component to effectively managing a client's total risk portfolio. Marsh & McLennan Companies, Inc. (MMC) and AON Corporation (AON) are making significant investments in innovative technology and data analytics to become more competitive and operationally efficient in their product offerings. Overall, many brokers continue to deliver between 3%-5% growth in and out of cycle which is mainly driven by domestic retail and employee benefit focused growth initiatives with reinsurance and wholesale growth continuing to lag behind.

3 What role do acquisitions play in assisting brokers to achieve total growth goals?

As brokers continue to grow, it gets increasingly difficult to rely solely on organic growth to meet overall growth benchmarks. Available capital remains abundant across most major global markets and brokers continue to identify and acquire quality agencies at a rapid clip, albeit at a slower rate than in 2015. There appears to be a strategic focus on the acquisition of employee benefit only agencies as many brokers clamor for established benefit infrastructures that they can utilize to augment or supplement existing platform operations. Also, with the continued healthcare consolidation, there is an increasing demand to differentiate the product offering in this space. Based on 10-Q's and Earnings Release Briefs from MMC, AON, Arthur J. Gallagher & Co., Brown & Brown, Inc. and Willis Towers Watson, we can estimate that acquisition activity makes up approximately 50%-60% of total revenue growth across most brokers not accounting for divestitures and foreign currency translation, a trend we would expect to continue in an effort to achieve total growth targets.

The *Broker Tear Sheet* is a proprietary quarterly report from MarshBerry that highlights critical ratios and statistics on the performance and market value of the five publicly traded insurance brokers. The information is compiled from a number of credible sources including: *SNL Financial, Yahoo! Finance, Morningstar* and *Reuters* reports along with company websites.

The one and five year Financial Performance Indicators are updated after each broker's year end filing (Q4), while the remaining metrics are updated on a quarterly basis.

Q2 2016 Snapshot (as of 06.30.16)

BROKER	Aon Corporation	Arthur J. Gallagher & Co.	Brown & Brown, Inc.	Marsh & McLennan Companies, Inc.	Willis Towers Watson
Ticker	AON	AJG	BRO	MMC	WLTW
Total Revenue LTM (in $ mil)	11,610	4,152	1,707	13,207	6,029
Number of Employees (FTEs)[1]	68,790	22,228	7,807	60,000	39,000
Number of Offices[1]	500	650	240	600	400
Revenue per Employee ($)	168,775	186,809	218,708	220,117	154,590
Revenue per Office ($)	$23,220,000	$6,388,308	$7,114,396	$22,011,667	$15,072,500
ENTERPRISE VALUE[2]					
Common Stock Price ($)	109.23	47.60	37.47	68.46	124.31
Number of Shares Outstanding (in 000s)	265,800	177,031	139,900	519,048	138,370
Market Capitalization (in $ mil)	29,033	8,427	5,242	35,534	17,201
Plus: Total Debt (in $ mil)	6,158	2,731	1,125	4,757	3,809
Plus: Preferred Stock & Minority Interest in Subsidiaries (in $ mil)	62	56	0	81	190
Less: Cash & Short Term Investments (in $ mil)	438	411	454	974	949
Equals: Enterprise Value (in $ mil)	$34,815	$10,802	$5,914	$39,398	$20,251
BOOK OF BUSINESS VALUE					
Market Capitalization (in $ mil)	29,033	8,427	5,242	35,534	17,201
Less: Tangible Net Worth (in $ mil)	-5,019	-1,720	-1,158	-2,195	-4,052
Equals: Book of Business Value (in $ mil)	$34,052	$10,147	$6,401	$37,729	$21,253
ORGANIC GROWTH					
Organic Growth[3]	3.0%	1.8%	2.6%	3.0%	3.0%
Total Growth[4]	-1.5%	3.5%	6.5%	4.6%	106.9%

[1]Number of employees and number of offices are estimates based on data provided in annual reports, SNL Financial and on corporate websites by each company.

[2]Numbers may not add up due to rounding.

[3]Both Organic Growth and Total Growth represent the most recent quarter (MRQ) in comparison to the same period for the prior year for all reported segments. As such, the difference is comprised of growth by acquisition and disposition of applicable business units for the MRQ. It could include items such as contingent revenue, acquisition revenue and disposed revenue from those that would exclude it from their organic growth calculation. Organic Growth calculations vary by broker (see reverse side).

[4]Total growth for Willis Towers Watson includes merger effective January 4, 2016

Q2 2016 Financial Performance Indicators (as of 06.30.16)

GROWTH

Total Revenue LTM (in $ mil)	
Marsh McLennan	13,207
Aon	11,610
Willis Towers Watson	6,029
AJ Gallagher	4,152
Brown & Brown	1,707
Median	6,029

Organic Growth Quarter End 2Q16[5]	
Marsh McLennan	3.0%
Aon	3.0%
Willis Towers Watson	3.0%
Brown & Brown	2.6%
AJ Gallagher	1.8%
Median	3.0%

Organic Growth Year to Date as of 06.30.16[5]	
Marsh McLennan	4.0%
Aon	3.0%
AJ Gallagher	2.7%
Brown & Brown	2.0%
Willis Towers Watson	2.0%
Median	2.7%

Revenue YOY Growth as of 12.31.15	
AJ Gallagher	13.3%
Brown & Brown	5.4%
Willis Towers Watson	2.0%
Marsh McLennan	-0.5%
Aon	-3.0%
Median	2.0%

Revenue Growth 5 Year CAGR	
AJ Gallagher	17.6%
Brown & Brown	11.3%
Aon	6.5%
Marsh McLennan	4.1%
Willis Towers Watson	3.1%
Median	6.5%

PROFIT

EBITDA[6] LTM (in $ mil)	
Marsh McLennan	2,996
Aon	2,592
Willis Towers Watson	986
AJ Gallagher	780
Brown & Brown	567
Median	986

EBITDA Margin LTM	
Brown & Brown	33.2%
Marsh McLennan	22.7%
Aon	22.3%
AJ Gallagher	18.8%
Willis Towers Watson	16.4%
Median	22.3%

EBITDA Margin 5 Year Average	
Brown & Brown	32.8%
Aon	20.8%
Marsh McLennan	19.7%
AJ Gallagher	17.9%
Willis Towers Watson	14.7%
Median	19.7%

EBITDA YOY Growth as of 12.31.15	
Brown & Brown	16.6%
AJ Gallagher	14.3%
Marsh McLennan	10.8%
Aon	2.6%
Willis Towers Watson	-18.3%
Median	10.8%

EBITDA Growth 5 Year CAGR	
AJ Gallagher	17.2%
Marsh McLennan	16.3%
Aon	11.6%
Brown & Brown	9.8%
Willis Towers Watson	-6.2%
Median	11.6%

BALANCE SHEET

Tangible Net Worth (in $ mil)	
Brown & Brown	(1,158)
AJ Gallagher	(1,720)
Marsh McLennan	(2,195)
Willis Towers Watson	(4,052)
Aon	(5,019)
Median	-2,195

Tangible Net Worth as % of Revenue	
Marsh McLennan	-16.6%
AJ Gallagher	-41.4%
Aon	-43.2%
Willis Towers Watson	-67.2%
Brown & Brown	-67.8%
Median	-43.2%

Debt to LTM EBITDA (Lower performance is usually best)	
Marsh McLennan	1.6
Brown & Brown	2.0
Aon	2.4
AJ Gallagher	3.5
Willis Towers Watson	3.9
Median	2.4

Working Capital/ LTM Revenue	
Willis Towers Watson	13.5%
Brown & Brown	11.1%
Marsh McLennan	10.8%
Aon	9.5%
AJ Gallagher	2.5%
Median	10.8%

Days of Working Capital	
Brown & Brown	53.7
Willis Towers Watson	52.3
Marsh McLennan	48.1
Aon	41.0
AJ Gallagher	9.7
Median	48.1

VALUE

Market Cap (in $ mil)	
Marsh McLennan	35,534
Aon	29,033
Willis Towers Watson	17,201
AJ Gallagher	8,427
Brown & Brown	5,242
Median	17,201

Price-Earnings Multiple	
Willis Towers Watson	34.4
Marsh McLennan	21.9
AJ Gallagher	21.6
Brown & Brown	20.9
Aon	20.6
Median	21.6

Book of Biz Value as Multiple of LTM Revenue	
Brown & Brown	3.7
Willis Towers Watson	3.5
Aon	2.9
Marsh McLennan	2.9
AJ Gallagher	2.4
Median	2.9

Book of Biz Value as Multiple of LTM EBITDA	
Willis Towers Watson	21.6
Aon	13.1
AJ Gallagher	13.0
Marsh McLennan	12.6
Brown & Brown	11.3
Median	13.0

Enterprise Value as Multiple of LTM EBITDA	
Willis Towers Watson	20.5
AJ Gallagher	13.8
Aon	13.4
Marsh McLennan	13.2
Brown & Brown	10.4
Median	13.4

RETURN

Dividend Yield Quarter End 2Q16	
AJ Gallagher	3.2%
Willis Towers Watson	2.1%
Marsh McLennan	2.0%
Brown & Brown	1.3%
Aon	1.1%
Median	2.0%

Earnings Yield Quarter End 2Q16	
AJ Gallagher	1.8%
Marsh McLennan	1.3%
Brown & Brown	1.3%
Aon	0.9%
Willis Towers Watson	0.4%
Median	1.3%

Price Per Share Growth LTM	
Marsh McLennan	20.7%
Brown & Brown	14.0%
Aon	9.6%
AJ Gallagher	0.6%
Willis Towers Watson	0.1%
Median	9.6%

Price Per Share Growth 5 Year CAGR	
Marsh McLennan	15.2%
Aon	14.9%
AJ Gallagher	7.1%
Willis Towers Watson	7.0%
Brown & Brown	6.0%
Median	7.1%

Total Return LTM	
Marsh McLennan	22.4%
Brown & Brown	14.4%
Aon	11.0%
AJ Gallagher	3.1%
Willis Towers Watson	2.4%
Median	11.0%

[5]As reported in the MD&A published by each company; and calculated and reported slightly differently by each. AON: Includes all revenue except business unit transfers, unusual items and reimbursable expenses. AJG: Includes base organic commission & fee revenue and excludes supplemental and contingent commission revenue, impact of prior year large account wins, run-off related to the New South Wales Workers' Compensation Scheme, South Australia ramp up fees and New Zealand claims administration. BRO: Includes total commissions excludes profit sharing and guaranteed supplemental commissions. MMC: Includes all segments of revenue, using consistent currency translation (excluding divestitures, transfers among business units, acquisitions, and deconsolidation of Marsh India). WLTW: Includes total commissions & fees (excludes goodwill impairment charges, debt extinguishment, investment income, and other income). All broker organic growth calculations exclude the impact of foreign currency translation, divestitures, transfers, disposed operations, and the first twelve months of acquisition commission & fee revenue.

[6]EBITDA is not adjusted to include the add-back of non-recurring expenses written off throughout the year.

TERMINOLOGY KEY: **LTM:** LAST 12 MONTHS (06.30.16); **CAGR:** COMPOUND ANNUAL GROWTH RATE (06.30.16); **EBITDA:** EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION & AMORTIZATION; **NM:** NON-MEASURABLE; **YOY:** YEAR OVER YEAR

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