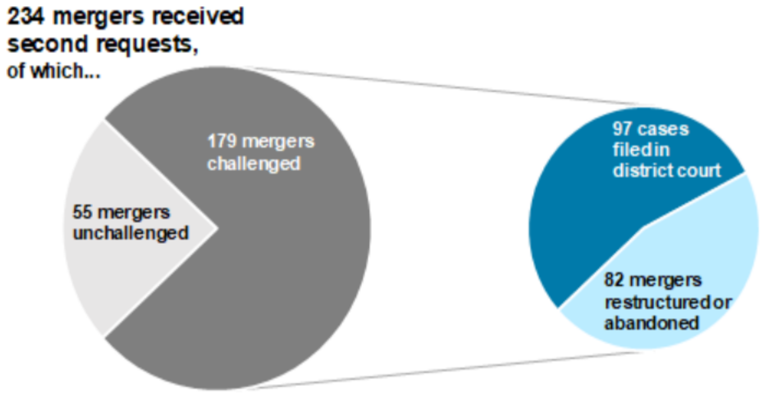
inside P&C

Company Analysis
September 3 2020

Aon-Willis: The path to closing

Statistics on mergers following the DOJ second request (data covers period from 2009 to 2018)

Source: Department of Justice



Last week, Aon and Willis Towers Watson passed a key milestone on the way to the consummation of their $75bn combination, as shareholders overwhelmingly approved the deal.

With that hurdle cleared, the path to closing now runs through a complex series of regulatory approvals in which the likes of the DOJ and EC will have to judge whether the deal (which brings together the second- and third-biggest industry players) falls foul of anti-trust rules, requiring divestitures.

There is scope for a period of messiness as management guides the businesses through the long grind to close, while it makes the case to regulators that the deal is pro-customer and fights to retain key talent that is being aggressively solicited by competitors.

But the prize in terms of value creation is huge. This is true both strategically via broader capabilities, additional data and by securing a hard-to-challenge position as the world's biggest broker, and financially given the massive available synergies and the chance to close the estimated ~770 bps Willis margin gap.

The biggest threat to the value creation from the deal is a forced disposal or disposals required by regulators concerned about adverse outcomes for customers.

The DOJ has already taken the deal to a second-stage review, a step which has presaged a challenge – often a request for disposals – in 76% of cases in the last 10 years, down somewhat to 62% for 2019 only.

It is difficult to identify the points of concentrated market share based on publicly available information, but reinsurance broking is likely to be an area scrutinized closely by regulators given that Aon has $1.7bn of an estimated $5bn market and Willis Re ~$750mn.

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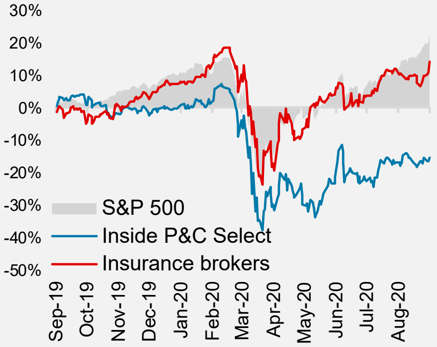
Composite	YTD px chg.	P/B
Large comm.	(25.8)%	0.8x
Regional	(22.4)%	1.3x
Specialty	(12.1)%	1.5x
Personal	8.2%	1.9x
Bermuda	(19.4)%	1.1x
Florida	(23.5)%	1.0x
Brokers	6.5%	-
IPC Select	(15.6)%	1.1x
S&P 500 Fin.	(17.3)%	-
S&P 500	10.8%	-

1YR Price Peformance



Sources have pointed to Japan, Australasia, France, Germany and Canada as areas where the Aon-Willis market share of the traditional intermediated reinsurance market comfortably exceeds 50%, with significantly higher shares in some. But the question here is likely to turn on regulators' willingness to accept a broader view around the combined market share, which stresses the full range of options open to cedants assessing risk transfer – including direct reinsurance, cat bonds and sidecars.

The outcome of the anti-trust reviews is difficult to predict – and we leave it as an open question – but even if a major disposal were required, it seems unlikely it would break up the merger.

Just as the deal will test the regulatory constraints on broking consolidation, the combination will test the willingness of broking talent to commit to a mega broker.

The war for broking talent touched off by the MMC-JLT deal looks to be intensifying again as rivals seek to lure talent away that is unsettled by the transaction. However, this time the biggest beneficiary of the fallout could be MMC, which offers a large company environment and capabilities without the short-term discomfort of a major integration.

Aon's strategy on talent seems to be built around an attempt to win hearts and minds, with retention bonuses taking a secondary role, as management stresses a vision of the role it can play in transforming the sector by expanding available risk-transfer solutions.

A significant number of staff defections are likely from both Aon and Willis ahead of closing, and afterwards. However, revenue breakage – particularly outside of areas like reinsurance and specialty – seems likely to be manageable given the breadth of Aon's capabilities and the depth of its bench.

Nevertheless, the high number of departures means the press coverage will automatically skew negative by volume, which could create a de facto narrative that things are going against Aon (as it did with MMC-JLT), even if the integration is proceeding well in less conspicuous ways.

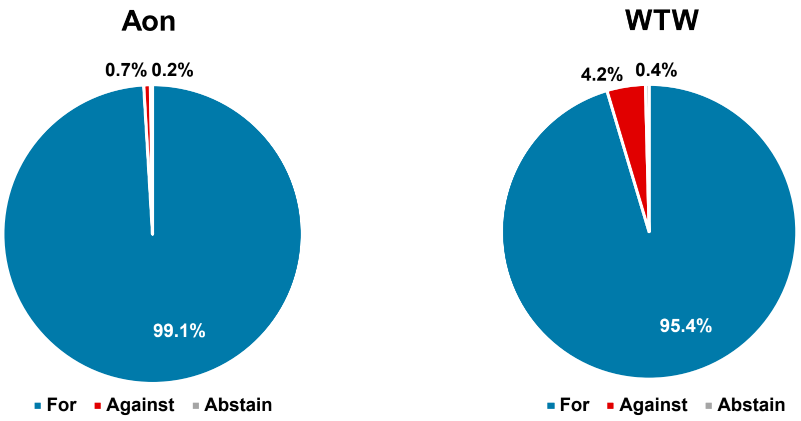
1. Arbitrage gap and shareholder votes

Following the merger announcement in March, we noted that the Aon and Willis stock prices implied investors' expectation for deal complications comparable to those of Charles Schwab-TD Ameritrade and Sprint-T-Mobile following their own announcements (note: both transactions were eventually backed by DOJ).

Now, after almost six months, during which the merging parties obtained the backing from ISS and Glass Lewis along with nearly absolute shareholder support, the stock movements still imply a degree of uncertainty around the deal closure.

Aon and Willis shareholder votes on their first resolutions to support the merger

Source: Company reports



Willis shares are currently priced at 3.1% premium to Aon shares, compared with an 8% premium implied by the deal structure. The derived 4.6% gap is an improvement from the ~7% observed in March but is still a meaningful divergence.

Merger arbitrage spreads are a normal phenomenon. Generally, they are made of (a) an arbitrage transaction cost (typically 0.3% per year but varies depending on stock's supply), (b) the difference in dividends expected to be paid out till the deal close (estimated at 0.1% between Aon and Willis), (c) the magnitude of downside potential from deal failure, (d) any market inefficiencies and, most importantly, (e) likelihood of no deal.

In practice, a 5% merger arbitrage spread for deals with secured shareholder approval typically means some degree of anti-trust challenges ahead.

For example, Raytheon United and United Technologies traded at a 4.9% average daily gap between their deal announcement and the DOJ approval. The combination had to divest certain businesses to close.

Charles Schwab and TD Ameritrade traded at 4.2% average gap prior to the DOJ's nod, as the largest discount broker merger in history raised anti-trust concerns in the registered investment advisors' space. The spread narrowed down to almost 0% after the DOJ approved the deal with no conditions.

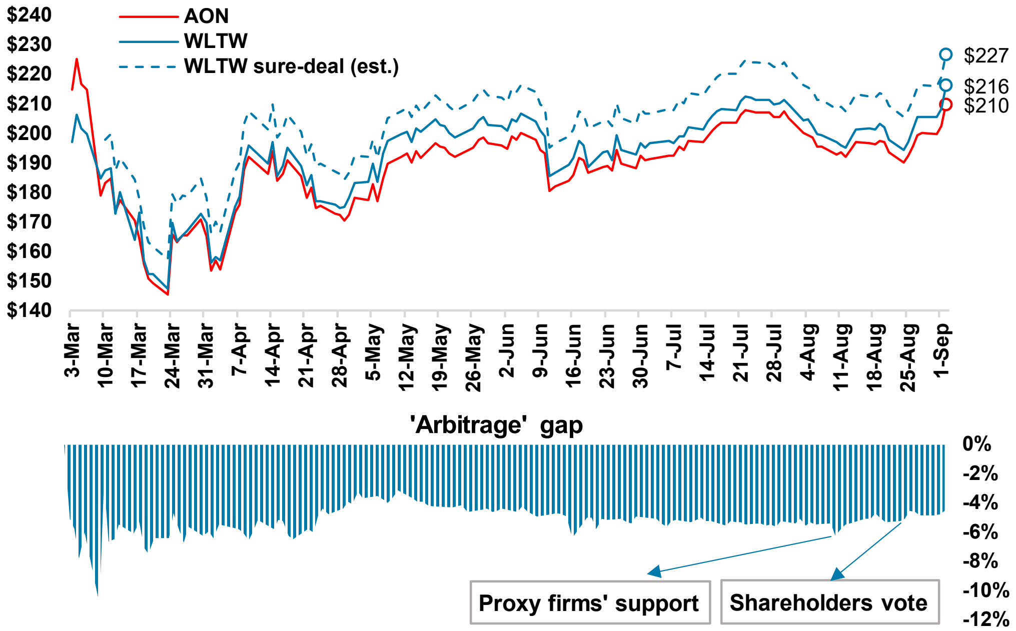
In a more extreme example, a blockbuster merger between Sprint and T-Mobile had a 12% gap prior to the DOJ's approval. The deal was actively challenged by various regulators and a federal district court before declaring a win earlier this year.

Aon-Willis' merger spread of 4.6% is significantly higher than the 1.7% average for the sample of 25 all-in stock deals over the last three years involving parties of comparable size and market capitalization of more than $1bn each, most of which went on unchallenged.

Although the deal remains highly likely to close, the stocks' price behavior points to market concerns of anti-trust complications ahead.

Aon-Willis 'arbitrage' gap

Source: FactSet, Inside P&C



2. Anti-trust question

The most powerful regulators – and those being most carefully watched – are the US Department of Justice and the European Commission.

The DOJ has moved Aon to the second stage of its process, with a request for additional information made. These requests tend to be incredibly demanding, with huge amounts of often highly granular information required.

The track record of DOJ investigations after second requests for information does not favor a smooth Aon-Willis deal (although it also not guarantee divestitures). Transactions that receive second requests are typically sizable horizontal mergers and, in most cases, scan as a tangible reduction in competition.

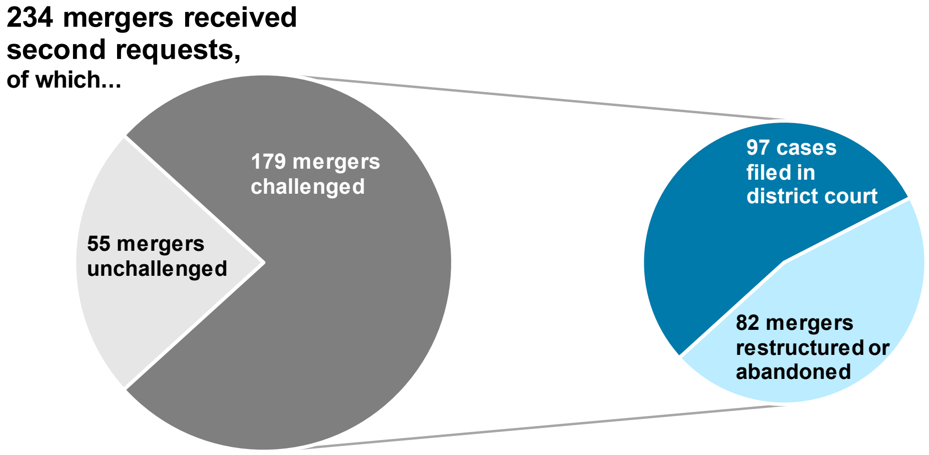
Commonly, these transactions end up being challenged in one way or another by the DOJ, typically warranting the need for divestiture of businesses that weaken the competitive economics of the markets where they operate.

Per DOJ official statistics, in the period from 2009 to 2018, the regulator issued 234 second requests, of which 179 or 76% were challenged.

In most DOJ-challenged mergers, the regulator pushes for certain conditions to be met – typically divestures – for the deal to close. If it cannot reach a settlement with the companies involved by agreeing steps to alleviate concerns that prices will rise or service will suffer, it can sue to block the deal.

Statistics on mergers following the DOJ second request (data covers period from 2009 to 2018)

Source: Department of Justice



More recently, large cap merger approval practice was mixed, with some securing unconditional approvals and the others that required divestiture of assets, with the last year more favorable to combining companies than the 10-year data set.

In 2019, the DOJ cleared the merger between regional banks SunTrust and BB&T, conditional on a disposal of 28 branches with approximately $2.3bn deposits (less than 1% of combined deposits).

The same year, Raytheon and United Technologies were allowed to form a $125bn aerospace and defense giant on the condition that it divested certain businesses with approximate market value of $2bn.

On the brighter side, the regulator approved a business combination between two biggest discount brokers – Charles Schwab and TD Ameritrade – without any conditions.

The process around the EU approvals is different, with detailed pre-notification talks required ahead of filing for approval. As of yesterday, Aon was yet to file for approval.

Once the application is filed, Brussels regulators have an initial 25 working days for a Phase One review, extendable for 10 days. At that point, the deal can be cleared unconditionally or subject to remedies.

Phase Two reviews can take 135 days or more, and if clearance is eventually granted, it will generally be accompanied by hefty demands.

The EC surprised MMC by insisting on the sale of JLT's aerospace broking division, which was sold to AJ Gallagher for a cut-price £190mn ($241.3mn), as a condition of Phase One approval – although it did wave the rest of the deal through despite significant concentration in other London market specialty lines and reinsurance.

With transitional arrangements between the UK and the EU set to end on December 31, there is scope for a fresh examination from the UK's Competition and Markets Authority, although the CMA is believed to be feeding into the EC process now.

In total, the deal will be vetted by close to 100 regulators. Other "required antitrust" clearances specified as a condition of the deal include approvals in Canada, China, Mexico, Russia, South Africa, Australia, New Zealand, Singapore and Turkey.

Aon has publicly expressed a high degree of confidence on the closing of the deal without any disposals, most recently on its last conference call, but obviously there is an element of trying to make the weather here.

Christa Davis CFO of Aon	*"We remain exactly on track to the overall merger."* *"And we expect to close in 2021 with no divestitures."* ***- Q2 earnings call commentary***

3. Willis Re under the spotlight

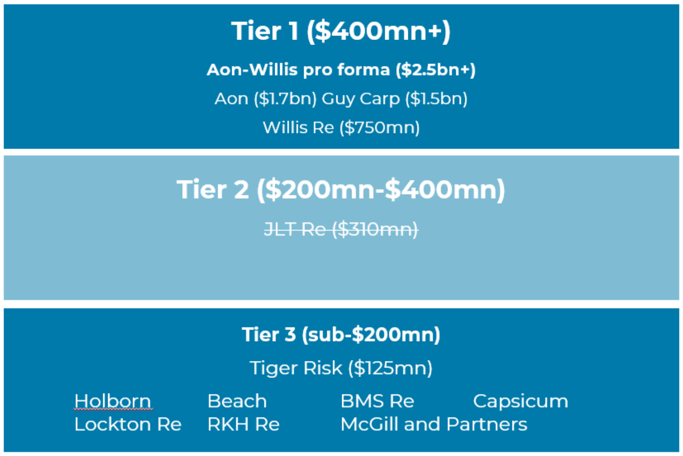
The granularity of disclosure from Aon and Willis makes it difficult to identify areas with particular market concentration. And even if this can be identified based solely based on product or geography, it is complicated still further by client segment with – for example – Aon strong in the large account space in US P&C insurance and Willis' customers concentrated in the middle market.

However, reinsurance broking is likely to be among the biggest areas for scrutiny.

The market is highly consolidated, with an estimated $5bn of broking revenues, and ~80% controlled by the Big Three: Aon ($1.7bn revenue, ~35%), Guy Carpenter ($1.5bn revenue, ~30%) and Willis Re ($750mn, ~15%).

These numbers are a little rough, with no hard data available on the market size, and the effective reinsurance revenues are understated at Willis Re as it excludes Willis' facultative business (which reports into insurance). The Willis Re number is also based on sourcing as it is non-public. Nevertheless, these figures point to a very highly consolidated marketplace.

Reinsurance broking: Highly consolidated



Tier 1 ($400mn+)

Aon-Willis pro forma ($2.5bn+)

Aon ($1.7bn) Guy Carp ($1.5bn)

Willis Re ($750mn)

Tier 2 ($200mn-$400mn)

~~JLT Re ($310mn)~~

Tier 3 (sub-$200mn)

Tiger Risk ($125mn)

Holborn Beach BMS Re Capsicum

Lockton Re RKH Re McGill and Partners

Source: Inside P&C
Based on 2019 revenue figures, includes estimates

In addition, the market has already passed through significant consolidation, with the number-four player JLT Re (revenue ~$300mn) taken out as part of MMC's acquisition of JLT last year. Towers Re, another rival with ~$100mn of revenues, had already been acquired by JLT Re in 2013, while Benfield, the biggest challenger historically outside the Big Three with ~$500mn revenues, was taken out by Aon for $1.8bn in 2008.

After the closing of Aon's acquisition of Willis, the second-largest reinsurance broker, Guy Carpenter, will be roughly 10x the size of its nearest rival, TigerRisk ($125mn last year, but growing fast), creating a near duopoly.

The challenger space is vibrant with others besides Tiger, including BMS Re and Beach posting rapid growth, and Lockton Re has made a big statement of intent through the hire of ex-Guy Carpenter North America CEO Tim Gardner. However, these businesses are a different order of magnitude to a combined Aon-Willis Re and Guy Carpenter, and offer a very different value proposition to cedants.

The international side of the reinsurance broking business will be a particular challenge from an anti-trust perspective, with sources identifying Japan, Australasia, France, Germany and Canada as areas of particular concentration that comfortably exceeds 50% of the traditional intermediated market, with significantly higher shares in some.

Regulators' perspective on the deal is likely to turn upon their willingness to accept a broader view around the combined market share, which stresses the full range of options open to cedants looking to access risk transfer.

There are a number of ways which Aon could make the case for a smaller effective market share.

- **Direct** – Particularly in markets (including Europe) where Swiss Re, Munich Re, Hannover Re and Scor have major relationships, a very meaningful share of reinsurance is placed without the use of intermediaries.

- **Life/health** – Treaty P&C reinsurance is likely to be the biggest issue, with life and health less heavily dominated by the big players.

- **Alternative risk transfer** – Cedants have access to a range of alternative forms of risk transfer including cat bonds and sidecars, some of them structured without intermediaries, and some structured by investment banks.

Calculated in this way, effective market share advising on reinsurance is much lower, and may fall short of the kind of thresholds that can trouble regulators.

However, this does not represent the common understanding of the market, which regulators are likely to hear about in their discussions with reinsurance buyers – some of whom dislike the reduction in choice.

It is unclear if Aon would be allowed to dispose of specific portfolios of Willis Re business if a regulator were unhappy with the concentration, although it should be noted that MMC was required to sell the whole JLT Aerospace business by the EC despite concerns being confined to the aviation all-risks book.

The EC also insisted that it was sold to an established strategic player, something which might make a sale to AJ Gallagher – or potentially Lockton at a stretch – a more likely outcome for Willis Re than an MBO.

If Aon were ultimately obliged to sell Willis Re, particularly given the likely discount to fair value given the circumstances of sale, it would remove one of the more attractive elements of the group, given its 30s margins, growth record and respected management team. However, the broader strategic rationale for the transaction would remain in place, and such a move still does not look like a dealbreaker.

Given the huge complexity of the deal, Aon and Willis set up a long timeframe to shepherd the deal to close, with a transaction announced in March of this year forecast to close only by H1 2021. Uncertainty around the timeline was also reflected in the decision to provide a half-year for projected close, not a specific quarter.

Early in lockdown, sources suggested there was a likelihood of delays in regulatory approvals as a result of the disruption, and although some sources suggest regulators remain distracted, the slow-down has not emerged as an acute problem elsewhere.

As such, the bigger risk to the projected timeline looks to be delays caused by any forced divestitures.

4. War for broking talent

Competition for talent is always fierce in broking, but the market has passed through a period of intensifying warfare for key staff over the last 18 months.

This was set in train by a combination of dislocation resulting from major M&A (MMC-JLT) and the formation or revivification of challenger brokers (eg McGill, Lockton Re).

Aon-Willis will lead to a further acceleration of this trend, with significant fall-out and staff movement expected on the path to closing, and following completion.

Much of this movement (which will come from both firms) will be voluntary as staff opt to escape the awkward pre-closing period, the messiness of the integration, fears of losing out on their preferred role, the potential for compensation-sapping dis-synergies in certain areas, and the culture of the Aon behemoth.

Other staff departures will be forced as Aon looks to realize the target $800mn of synergies. Aon will have to suffer through a lot of negative headlines, with legal risk on all sides tending to make even departures driven by synergies or poor fit look like defections.

As such, automatically press coverage on the deal will skew negative by volume (sorry in advance, Aon), which may create a de facto narrative that things are going against the mega broker, even if the integration is proceeding well in less conspicuous ways.

Early source work suggests Aon has a challenge on its hands convincing Willis staff to buy into the combined business. Talking about the cultural affinity between combining businesses is *de rigueur* when deals are announced, but many within Willis perceive a cultural gap between the two firms, even if both are members of the Big Three.

As previously noted, Aon's quickly reversed decision to cut many staff's remuneration (or to ask for consent in jurisdictions where it was required) brought into focus the order in which stakeholders were asked to take sacrifices during the height of the Covid-19 crisis. We think this has done some damage in certain quarters – particularly outside the company – to Aon's reputation as an employer of choice.

Aon group CEO Greg Case and president Eric Andersen, who is leading on the integration, have been working hard to win the hearts of minds of Willis staff following the announcement of the deal.

Besides pitches that are specific to career paths for individuals (where there is no clarity yet), the pitch seems to be based upon the vision Case has set out for the development of the sector, which he has argued Aon can lead.

This is based around elements including the expansion of risk transfer into new areas to address unmet need, the elevation of insurance buying from the risk manager level to the C-suite, and the commercialization of data-driven, content solutions.

Aon's management has also repeatedly stressed that the deal is driven by the need to add additional capabilities and super-charge innovation, rather than by either an attempt to reach for scale or a desire for financial engineering.

Greg Case **CEO of Aon**	*"Whilst we will be bigger, yes, that is not what this transaction is about. This is about better. We will fundamentally be more innovative, more capable, more relevant, more responsive upon close and we will combine diverse experience from our 95,000 colleagues, and shared values from both of our organizations."* ***- M&A call commentary***

Management also has a long track record of successful growth, organizational transformation and margin expansion that it can point to, which has been a major engine of wealth creation for senior staff that hold Aon stock.

Alongside these appeals, the implicit cautionary argument is that departing staff will have to find a way to compete with a $20bn-revenue sector giant to move the revenues they currently handle.

After an early suggestion that it would announce a leadership team by the end of June, Aon sensibly pivoted and our understanding is that the top team will be unveiled three to four months before closing – providing less time for disappointed staff to depart ahead of closing.

A deft choice of top team will be crucial and will represent a watershed moment in the run-in to closing.

Mood music has suggested that Aon will look to find places around the table for senior Willis leadership, but the ultimate disposition of roles will be the key, and the longevity of involvement from Willis senior leaders.

Retention bonuses have been put in place for Willis staff, with $75mn of a $125mn pot agreed with Aon assigned, and staff awarded 20%-60% of salary, averaging around 40%. The cash payout is structured 25% on close and 75% and 12 or 18 months after completion.

To date, it is understood that Aon has not rolled out a staff retention program, although work around creating one has now been initiated. Aon can also allocate $125mn in retention bonuses as part of the deal agreement.

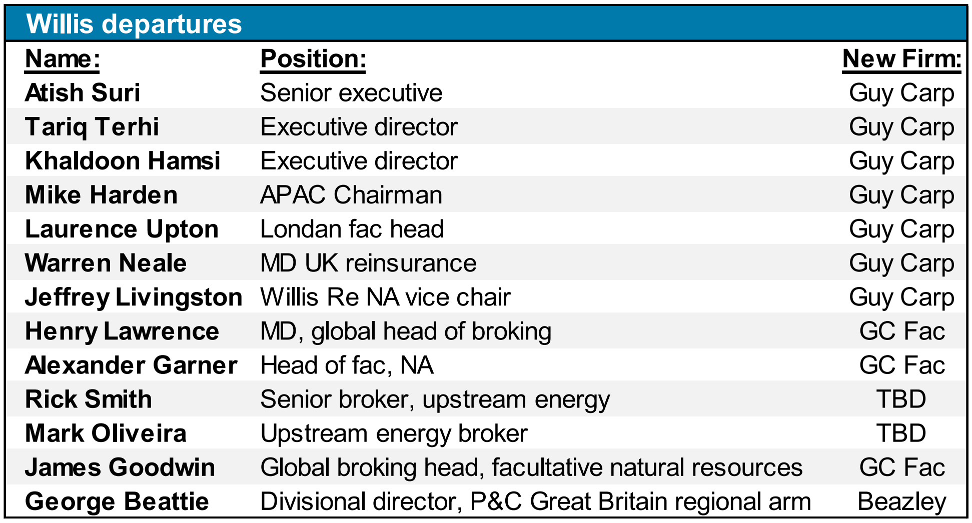
As sister publication ***Insurance Insider*** said, it is hard to buy commitment to the cause and retention bonuses can represent problem deferral, with the main benefits resulting from a) the chance to corporatize business and b) the opportunity to convince a doubter that the acquirer is a good place to work. The expectation that bonuses will be put in place probably makes them a necessity, but the returns they offer are unclear.

We think it is possible that Willis lost some goodwill with staff by pointing to a rapid roll-out of retention bonuses, and then taking multiple months to put them in place.

But overall, the relatively low levels of retention bonuses seems like something of a bull signal, potentially pointing to confidence on Aon's side that a) it can retain the staff it wants without simply buying them, and/or that b) it can retain revenues despite any talent drain.

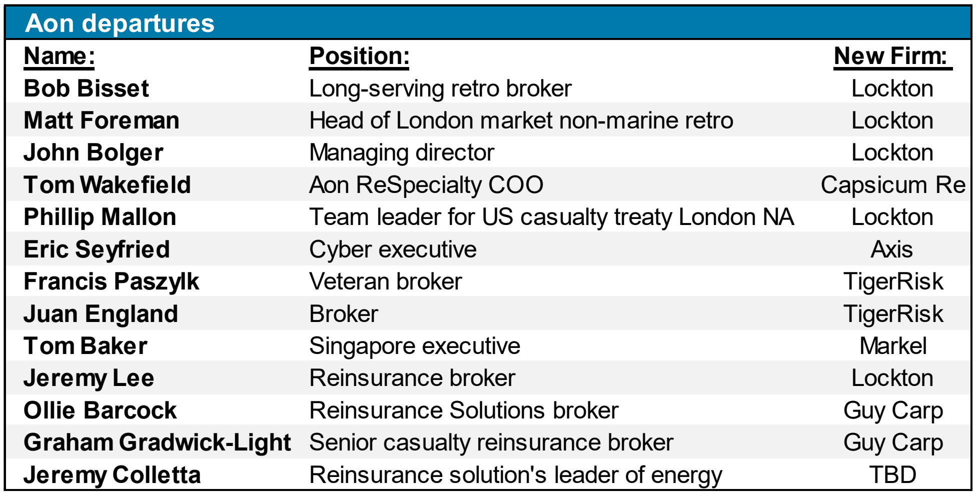
Given the degree of hiring activity that is going on both above (see tables) and beneath the surface, it seems likely that the crucial aspect of that equation is (b). And this reflects the reality that, to truly damage the deal, departing staff will need to find a way to successfully compete with the enlarged Aon to prise away meaningful amounts of business.

Although there have been notable departures, an important corrective to this is the significant degree of typical churn within these businesses (around 10% typically), with personnel moving the other way also sometimes garnering less attention.



Willis departures

Name:	Position:	New Firm:
Atish Suri	Senior executive	Guy Carp
Tariq Terhi	Executive director	Guy Carp
Khaldoon Hamsi	Executive director	Guy Carp
Mike Harden	APAC Chairman	Guy Carp
Laurence Upton	Londan fac head	Guy Carp
Warren Neale	MD UK reinsurance	Guy Carp
Jeffrey Livingston	Willis Re NA vice chair	Guy Carp
Henry Lawrence	MD, global head of broking	GC Fac
Alexander Garner	Head of fac, NA	GC Fac
Rick Smith	Senior broker, upstream energy	TBD
Mark Oliveira	Upstream energy broker	TBD
James Goodwin	Global broking head, facultative natural resources	GC Fac
George Beattie	Divisional director, P&C Great Britain regional arm	Beazley



Aon departures

Name:	Position:	New Firm:
Bob Bisset	Long-serving retro broker	Lockton
Matt Foreman	Head of London market non-marine retro	Lockton
John Bolger	Managing director	Lockton
Tom Wakefield	Aon ReSpecialty COO	Capsicum Re
Phillip Mallon	Team leader for US casualty treaty London NA	Lockton
Eric Seyfried	Cyber executive	Axis
Francis Paszylk	Veteran broker	TigerRisk
Juan England	Broker	TigerRisk
Tom Baker	Singapore executive	Markel
Jeremy Lee	Reinsurance broker	Lockton
Ollie Barcock	Reinsurance Solutions broker	Guy Carp
Graham Gradwick-Light	Senior casualty reinsurance broker	Guy Carp
Jeremy Colletta	Reinsurance solution's leader of energy	TBD

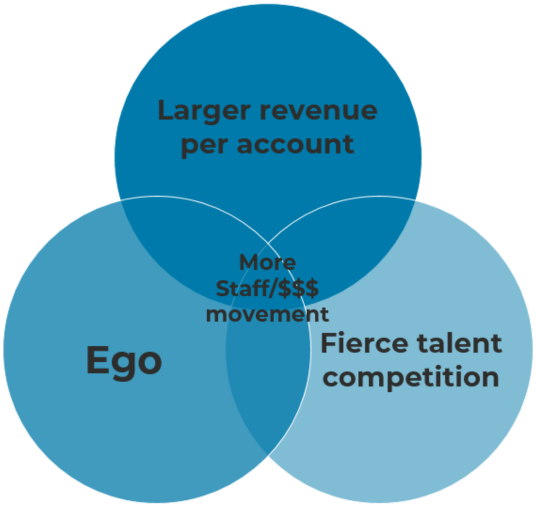
To move business, departing staff will have to find a way to counter Aon's significant advantages, which include its depth of bench, analytic heft ($400mn annual spend), growing amounts of data, market power and brand power (no one was ever fired for choosing Microsoft).

There are parts of the business where Aon will be more vulnerable to revenue breakage, with reinsurance and specialty lines potentially more challenging.

These parts of the business – particularly reinsurance – have characteristics that could mean both more talent dislocation and more revenue moving than in other areas.

The dollar spend per account tends to be larger, the hiring efforts from others are likely to be more aggressive and the egos involved are bigger (which can make integrations challenging).

Reinsurance/specialty characteristics



Source: Inside P&C

The clearest example of this phenomenon so far is Guy Carpenter's success in luring managing director for UK reinsurance Warren Neale away from Willis Re. He has handled Aviva's catastrophe account for many years, and even with the broker out of the market, the business was almost immediately moved to Guy Carpenter – costing Willis Re roughly $3mn-$4mn of brokerage.

This has come alongside a range of other departures from Willis Re, including senior Middle East broker Atish Suri (who is expected to move business), Asia Pacific chairman Mike Harden and North American broker Will Cheney who has worked on another of the firm's big clients FM Global.

However, to date the firm has avoided a "John Lloyd" moment, and the broking executives in that business that control really large amounts of revenue remain in place – despite presumed overtures from peers.

The destinations of a range of senior Willis staff also reveal a different dynamic which will emerge through this transaction.

Winners from the MMC-JLT deal in hiring terms included Hyperion, Lockton, BMS, TigerRisk, Ed, Beach and Ardonagh.

This time the likeliest home for unhappy talent is MMC, which can offer a safe haven for staff that lacks deal disruption, but which offers scale, leverage and capabilities that would be absent at a challenger broker.

Talent will also move elsewhere in the market, but JLT staff who saw their business as a kind of "boutique" were looking for entrepreneurial rivals to join. That is a less likely path for unhappy Aon/Willis staff.

5. Synergies in focus

There are some headwinds facing the Aon-Willis merger in at least the short term but, as it is common in horizontal mergers, economies of scale are likely to be a significant offsetting factor to pressure on the combined business' topline.

Clearly, there will be a significant amount of duplicate resources between Aon and Willis, particularly on the administration and support functions, that will be addressed post-deal.

Aon reported that its cost synergy targets remain intact despite the crisis. Back in March, it announced $800mn annual run-rate cost synergies with $267mn realized in year one, $600mn in year two and the full amount of savings in year three and thereafter. The associated one-off integration costs are estimated at $1.4bn, with one-half incurred in year one and the remainder in the two years that follow.

In addition, the retention costs of $400 million will be incurred evenly over the three years. The present value of expected synergies is estimated at $10bn, implying a 6.5% return on Aon shares using the price of the last close prior to the announcement.

The comparison to both peers' and Aon's own past deals points to a healthy conservativism in these assumptions (see chart below). In addition, Aon has a track record of beating its own guidance, including costs savings from the recent restructuring initiatives. However, we would warn that no two deals are same, particularly when juxtaposing against the deal of this size.

Cost synergy targets versus selected M&A deals

Source: Company reports, Inside P&C

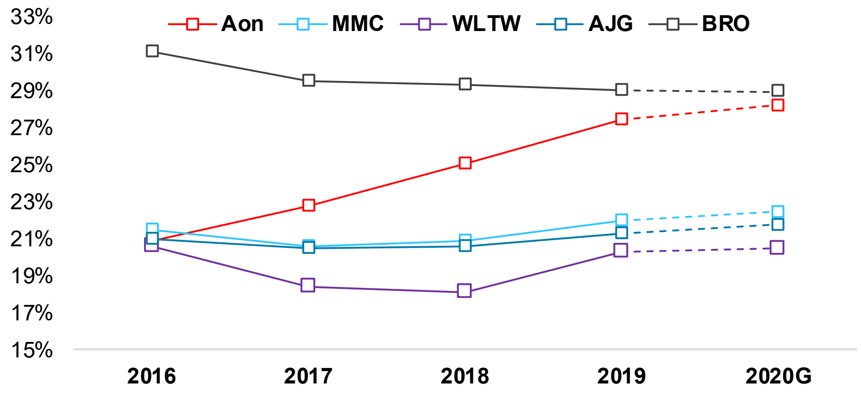
	Aon WTW	MMC JLT	MMC JLT (upd. Q4-19)	WTW MoE	Aon Hewitt	Aon Benfield
Date of announcement	Mar-20	Sep-18	Sep-18	Jun-15	Jul-10	Nov-08
Cost synergies	$800mn	$250mn	$350mn	$125mn	$355mn	$122mn
As a % of target's expense base	**11.5%**	**17.2%**	**24.1%**	**4.1%**	**13.5%**	**27.6%**
One-off costs	$1,800mn	$375mn	$625mn	NA	$325mn	$185mn
Per dollar of cost synergies	**2.25x**	**1.50x**	**1.79x**	**NA**	**0.92x**	**1.52x**
Revenue synergies	Undisclosed	Dis-synergy	Dis-synergy	$375-675mn	None	None

An additional potential lever for value creation for Aon comes from fixing Willis' margins beyond mere deal synergies.

Willis has struggled to bring its margins to the industry standard since its formation following the merger of equals between Willis Group and Towers Watson in January 2016. The combined firm trailed its public peers by at least 200bps in 2017 and 2018 before catching up in 2019 to a 100bps gap (albeit with a much bigger gap to Aon). However, its initial 2020 guidance fell short of peers (note, most brokers withdrew margin guidance in response to the Covid-19 crisis but are likely to report higher margins due to forced savings from T&E expenses and other cost-containment efforts).

Exhibit: Broker adjusted operating margins

Source: Company reports, Inside P&C



As such, there appears to be a substantial opportunity for Aon to drive efficiencies at Willis in line with its own corporate best practice, whether from back-office efficiencies, better technology and systems through economies of scale, or more efficiently capturing more dollars in revenue for every dollar of premium that passes through the organization.

Using the initial 2020 margin projections and a 5% organic growth assumption, it takes ~$750mn in operating expense cuts on Willis' income statement to eliminate the 770bps estimated margin gap between the firms.

In this light, the projection of $800mn annual run-rate cost synergies indicates that, after three years, the combined company could have higher margin than the standalone Aon would have in 2020, absent accompanying revenue dis-synergies.

This research report was written by Insider Publishing's Research team which includes Gavin Davis, Gianluca Casapietra and Dan Lukpanov, and Editor-in-Chief of Insider Publishing Group Adam McNestrie.

The content of this report includes opinions based on publicly disclosed financials and management commentary.

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