When Playing "The Price Is Right", The First is Always The Worst

	2020 outlook: organic rev.	2020 outlook: op. margin
MARSH & McLENNAN COMPANIES	**Q4**: Up 3-5% **Q1**: Modest decline	**Q4**: Expand **Q1**: Likely stable
Willis Towers Watson	**Q4**: Up 4-5% **Q1**: Withdrew	**Q4**: Up 20bps **Q1**: Withdrew
AON	**Q4**: Expansion **Q1**: NA	**Q4**: Up 70bps+ **Q1**: NA
Gallagher	**Q4**: Up 5.5-6% **Q1**: NA, but flat to negative in Q2 and Q3	**Q4**: Up 50bps+ **Q1**: Flat to slightly up
Brown & Brown INSURANCE	**Q4**: NA **Q1**: Mid single-digit contraction to low single-digit growth	**Q4**: "No headwinds" **Q1**: Likely down

Thursday saw broker earnings galore, potentially marking the last quarter for a while with positive organic growth for an industry that has enjoyed mid-single-digit organic growth for over 2 years driven by countless tailwinds.

Perhaps the most negative report came in from AJ Gallagher, which reported organic growth that saw a 3% downward pressure from Covid-19 through the re-estimation of contract revenues. The associated margin pressure was 2.8%. However, the pressure on the earnings was almost completely offset by the decrease in earn-out payables, similar to how the revenue and expense accounting adjustments were offset in Brown & Brown's Q1.

Marsh & McLennan and Willis Towers Watson earnings included more positive Q1 figures with mid single-digit organic growth, as well as a 75bp margin expansion at MMC and flat margins at WTW.

But with backwards looking earnings numbers less meaningful following the paradigm shift in operating conditions, perhaps the most important takeaway from broker earnings continues to be the messaging around (a) the depth of expected cash flow strain emerging from the Covid-19 crisis and (b) the tactical responses companies are making in response to manage these, and the implicit decisions management is making on stakeholder trade-offs.

Recall, we have been arguing for some time that intermediaries would likely to see a cash flow strain well beyond what consensus seems to expect, with most external analysts relying on historical analogs on recessions and focused more on revenue and margins than cash flow. And just this week, this has become front and center for intermediaries after the shock announcement that Aon was taking drastic action to preserve cash through pay cuts, reduction in discretionary spending and halting share buybacks. Similarly, Brown & Brown disclosed plans to draw $250mn from its revolver credit facility.

In many ways, messaging around cash flow crisis mirrors the stakeholder management dynamics from the auto premium rebates we discussed at length a few weeks ago. Going first allows you to control the message and posture as showing decisive leadership; while going second (or later) shows you are the benchmark to out-bid depending on what stakeholders you are trying to pacify.

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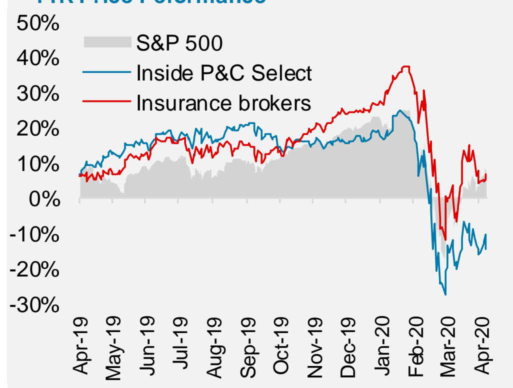
Composite	YTD px chg.	P/B
Large comm.	(35.3)%	0.7x
Regional	(32.1)%	1.3x
Specialty	(26.6)%	1.4x
Personal	(2.3)%	1.9x
Bermuda	(37.8)%	0.9x
Florida	(26.5)%	0.9x
Brokers	(14.1)%	-
IPC Select	(27.0)%	1.0x
S&P 500 Fin.	(26.0)%	-
S&P 500	(9.9)%	-

Top performer on the day	BRK.A -1.1%
Bottom performer on the day	TPRE -8.0%

1YR Price Peformance



The advantage of going last is a bit like bidding the last bid plus a penny on "The Price is Right". It doesn't make you popular, but it sure can help you win.

In that sense, Aon going in so early and so hard with broad-based reductions to staff salaries actually makes the move riskier than it might have been had the sequencing of announcements been different. By going first, it allows other brokers to position to make the move seem draconian and not talent friendly.

Of course, we have argued that every lever available to management at intermediaries has trade-offs and long-run costs. Cutting compensation risks staff motivation, retention and long-run talent leakage, while cutting dividends, buybacks or increasing borrowings (including revolver) increases the cost of capital. There's no easy way out.

That said, tactical moves don't happen in a vacuum, and the cost of these actions are dynamic depending on competitor response. It's game theory, pure and simple. The cost will be defined by the extent to which competitors leverage this as a moment to prove themselves a "better home" for talent and/or decide the long term NPV of talent recruitment is worth absorbing the margin compression today. We'd note Aon's chief rival MMC made no qualms about twisting the knife hard on its conference call, talking about salary reductions as "battering" trust with employees, and as action that should be preserved for "survival mode".

Exhibit: Changes to outlook and cashflow actions

Source: Company reports

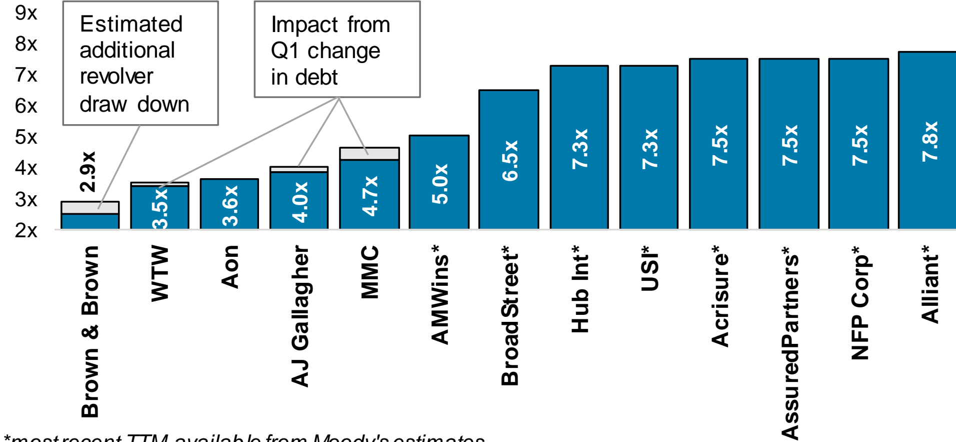
	2020 outlook: organic rev.	2020 outlook: op. margin	Cashflow actions
MARSH & McLENNAN COMPANIES	**Q4**: Up 3-5% ↓ **Q1**: Modest decline	**Q4**: Expand ↓ **Q1**: Likely stable	- Increased revolver capacity by $1 billion on top of existing $1.8bn with $0.8 unused capacity - Cut "nonessential" expenses, but pay cuts are "unnecessary" - Reduced capex - Suspended buyback program - Slower dividend growth
Willis Towers Watson	**Q4**: Up 4-5% ↓ **Q1**: Withdrew	**Q4**: Up 20bps ↓ **Q1**: Withdrew	- Restrictions on discretionary spending, T&E - Hiring freeze - Reduced capex - Still no buybacks due to pending combination with Aon
AON	**Q4**: Expansion ↓ **Q1**: NA	**Q4**: Up 70bps+ ↓ **Q1**: NA	- Cut base salaries for management by 50%, for most other employees by 20% - Reduced spending on contractor and third-party vendors - Reduced all discretionary expense unrelated to client service - Suspended buyback program
Gallagher	**Q4**: Up 5.5-6% ↓ **Q1**: NA, but flat to negative in Q2 and Q3	**Q4**: Up 50bps+ ↓ **Q1**: Flat to slightly up	- Restrictions on discretionary spending, T&E - Limited use of consultants - Freeze pay raises - Planning furloughs on less than 4% of workforce - Total quarterly expense cut capacity - $50-75mn
Brown & Brown INSURANCE	**Q4**: NA ↓ **Q1**: Mid single-digit contraction to low single-digit growth	**Q4**: "No headwinds" ↓ **Q1**: Likely down	- Plans drawing down $250mn from revolver out of $700mn available - Stuff and salary decisions remain in discretion of individual business units

On the other hand, all brokers have been forced to take some significant liquidity management actions. Per the table above, all brokers cut discretionary expenses and implemented other actions including freezes on hiring or pay raise, as well as telegraphed a commitment to carry out further expense cuts should the cashflow situation worsen.

Similarly, most brokers took actions to make sure there is an access to short-term debt financing enough to avoid liquidity shortages. MMC and Brown & Brown expanded their revolver facilities by $1bn and $250mn, respectively. Both firms grew their implied debt funding by approximately 14%.

Exhibit: Debt-to-EBTIDA by brokers (using most recent financials)

Source: Company reports, Moody's estimates, Inside P&C



**most recent TTM available from Moody's estimates*

We'd note that all brokers commented on potential liquidity issues due to the decline in exposure units, premiums rebates implemented by carriers or mandated by states, slower cash conversion of delayed payments, etc. (more details below).

Despite the opportunity for both (a) improved competitive positioning vis-a-vis its staff, and (b) a good opportunity to tweak a rival's nose, these types of moves are not without costs. Increasing revolvers should increase cost of capital and generally increases risk - particularly should a prolonged crisis emerge with stressed access to debt markets down the line. Additionally, most brokers have acquisitions to integrate and base case financial projections that would be dependent on headcount reductions and "operating synergies" (particularly MMC/JLT). Taking the long-term bet on talent will likely also come at the near-term cost of margins and may test investors willingness to look past the near-term. This is a leadership challenge in particular for MMC CEO Dan Glaser to manage his stakeholders in the investment community, who will also be facing challenges, and will have their own benchmarks to beat and stakeholders to manage.

Recall, we have been arguing for some time that intermediaries are going to see a liquidity strain unlike anything in historical analogs, and that analysts have been too focused on revenue growth and margins and not enough about cash flow. As we outlined in Covid-19 - A Black Swan For Levered Roll-ups a few weeks back, we expect the combination of premium rebates and policy endorsements, lower premium renewal exposure bases, and payment grace periods will present a stress test on liquidity that will represent an "out of sample" economic challenge.

Though we have argued this will fall harder on the more levered private brokers with high cash use from financing costs adding to fixed costs, the actions of even high quality companies ranging from significant to drastic show the depth of the potential emerging challenge, depending on the duration of the crisis. Indeed, we think it may be prolonged beyond the 60-90 day "grace period" windows assumed by many as insureds aggressively manage down exposure bases on the way down but are slow to rebase them on the way up. This is neutral to revenue and margins but adds to the cash flow strain.

Ultimately, we view the actions announced in Q1 as potentially manifesting not the beginning of the end for cash flow management but the end of the beginning. We expect there could be a building pressure over the next couple of quarters, with multiple scenarios possible depending on the course of the virus, economic consequences, and policy response. And as we have said, each of these actions will have consequences that will be measured in years not months. As such, it will be quite some time until we are able to adequately assess the ultimate success or failure of each companies' response.

Long before then, Aon is taking the second spin on "The Price is Right" today.

Read more on MMC, WTW and AJ Gallagher Q1 earnings below.

MMC: “We won't give that one up so easily”

- ***Q1 all-in-all organic growth was 5%, expects 2020 contraction***
- ***Operating margin expanded by 75bps reflecting organic growth, 2020 outlook – stable margins***
- ***Debt grew by 14% as the revolver facility expanded by an additional $1bn***

Marsh & McLennan reported solid Q1 with the Covid-19 outlook that included an organic revenue contraction in 2020 and a potential for cash flow strain but stable margins as management suggested it would not “give up” on the 12-year track record of margin expansion.

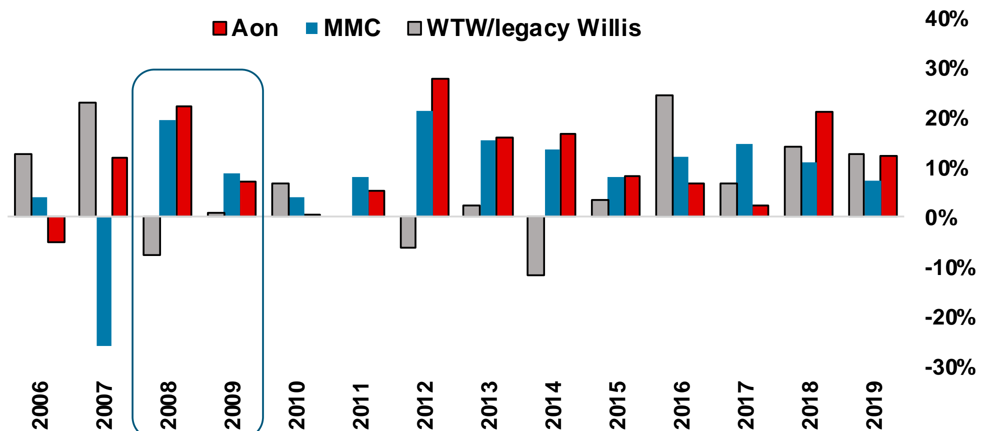
The firm views the crisis as posing significant challenges to the industry likening it to a “slow-developing catastrophe”.

MMC	*"Covid is really unique because it is a slow-developing catastrophe. So, we all know it's going to be big, but it's in real-time right now.”* *"The range of insured loss outcomes from the pandemic is wide and evolving. The loss is unique because it is ongoing. It will take a long time for it to be fully understood."* *"There will be significant losses in lines such as event cancellations, travel, D&O, workers' compensation, credit lines and political risk."* *“For us, the impact is going to manifest itself as reduced demand for consulting services and lower premium growth due to the exposure decline, and the exposure decline may be more significant than they were in the global financial crisis. But on the other hand, at that point in time, rates were generally going down, and now rates are generally going up.”* ***- CEO Dan Glaser***

However, the firm highlighted its ability to limit the impact on the bottom line. The broker expects flat or higher EPS for 2020 reflecting the stable margin outlook. On the conference call, management communicated it has enough levers on the expense side to maintain the bottom line stability and importantly that it benefits from the higher premiums rates as they continued to accelerate in Q1 and are expected to pick up further according to most carrier and broker comments so far in the earnings season.

Of note, most of the big public brokers managed to grow adjusted earnings during the 2008-2009 recession years.

Exhibit: Adjusted EPS growth history for “Big-3” public brokers
Source: FactSet



Notably, the broker does not currently plan to cut salaries, following the move earlier in the week by Aon.

MMC	*"Solving that issue by reducing pay is an awfully blunt instrument, and it can have lasting implications. Starting with the notion of battering trust with your colleague base by challenging them when they're in this difficult period. And the snap back that all recurring cost, once pay is lifted back again, it's just a couple of things that make it really problematic."* ***- CEO Dan Glaser***

On growth, the broker's outlook was less optimistic. Under an assumption of a V-shaped recovery with the economy bottoming in Q2 with a subsequent quick rebound in Q3 and Q4, the broker expects low single-digit consolidated organic contraction in 2020. The detailed breakdown of the company's growth guidance included:

- **Marsh**'s to show "modest" organic growth with "challenging" Q2 and Q3.
- **Guy Carpenter** to grow at mid single-digit.
- **Mercer** to be down "modestly".
- **Oliver Wyman** to see a "meaningful pullback" that could result in a bigger drop than during the financial crisis. Note, Oliver Wyman saw an organic revenue drop of 2% in 2008 and a negative 15% in 2009.

Importantly, the broker secured an extra $1bn capacity on its revolver on top of the existing $1.8bn as an "additional firepower" for the crisis period. The move follows the earlier report by Brown & Brown that announced a $250mn draw down from its own revolver credit facility.

In Q1, Marsh & McLennan reported $1.64 EPS, a beat against analyst consensus of $1.57 and a YoY growth of 7.9%.

The results were driven by the 5% organic growth, an increase from 4% in Q1:19 and 3% in Q4:19. The growth was primarily driven by the solid expansion in the firm's insurance brokerage house Marsh at 5%, in line with the recent quarters' trend of strong P&C brokerage results at all public brokers that's been partly fueled by the higher premium rates. Guy Carpenter printed another strong quarter at 7%, Mercer grew by 5% and Oliver Wyman's revenue was flat organically.

Exhibit: Marsh & McLennan earnings summary

Source: Company reports

Marsh & McLennan						
	Q1-19	Q2-19	Q3-19	Q4-19	Q1-20	YoY var.
Revenue ($mn)						
Consolidated	4,071	4,349	3,968	4,264	4,651	14.2%
Marsh	1,737	2,156	1,902	2,219	2,061	18.7%
Guy Carpenter	663	392	273	152	827	24.7%
Mercer	1,155	1,260	1,280	1,326	1,251	8.3%
Oliver Wyman	518	540	505	559	511	-1.4%
Organic growth						
Consolidated	4.0%	4.0%	5.0%	3.0%	5.0%	100bps
Marsh	5.0%	4.0%	5.0%	3.0%	5.0%	0bps
Guy Carpenter	6.0%	-3.0%	11.0%	10.0%	7.0%	100bps
Mercer	0.0%	2.0%	3.0%	4.0%	5.0%	500bps
Oliver Wyman	7.0%	13.0%	7.0%	-2.0%	0.0%	(700bps)
Adjusted operating margin						
Consolidated	26.2%	22.8%	16.9%	21.9%	27.0%	75bps
Risk & Insurance	33.6%	27.8%	17.4%	25.7%	34.5%	90bps
Consulting	18.0%	18.0%	18.7%	19.7%	17.2%	(80bps)
Adj. EPS analyst estimate	1.45	1.13	0.70	1.18	1.57	3.3%
Adj. EPS actual	1.52	1.18	0.77	1.19	1.64	7.9%
Surprise	4.8%	4.4%	10.0%	0.8%	4.5%	-

On operating margins, the broker expanded the consolidated margins by 75bps on the adjusted basis, driven by the stronger profitability in the risk and insurance operations

(+90bps) versus weaker margins in consulting (-80bps) that were impacted by JLT's benefits operations in line with the guidance.

Elsewhere, the firm expects the dividend growth to slow from double-digits and the buyback program is not expected to recommence in 2020. Recall, in Q4 MMC reported that it was not planning to buyback shares in 1H:2020 due to deleveraging initiatives and recent acquisitions.

The JLT synergy guidelines are unchanged. The cost synergy guidance is still $350mn (upgraded in Q4 from the initially estimated $250mn) with total associated costs of $625mn plus $75mn noncash charges (from initially estimated $375mn). In Q4, MMC incurred $80mn integration costs brining the total to $415mn.

Willis: "We want to really cut that to the bone"

- ***Q1 all-in-all organic growth was 4%, driven by 4-5% growth across segments outside Benefits Delivery & Administration***
- ***Operating margin was flat YoY with brokerage margins slightly down***
- ***All guidance was withdrawn due to elevated uncertainty***
- ***Q1 FCF was up due to improvement in receivables collection***
- ***No meaningful increase in debt***

Willis Towers Watson reported Q1 results that included the organic growth of 4%, the slowest quarterly underlying expansion since Q2:18, and a flat all-in-all adjusted operating margin, as well as an improved free cashflow and cash conversion. Recall, WTW's results last quarter included disappointing free cashflow, reinforcing the broker's long-drawn-out issue of slow cash collection.

The firm's Q1:20 free cashflow came in at a negative $43mn versus negative $104mn in Q1:19. Note, Q1 is typically the lowest operating cash flow quarter for brokers due to the bonus payments that mostly happen at the beginning of each year.

Although the single quarter report is not a perfect proxy for the sustained trend, this is a significant and timely improvement given the amount of stress around brokers' cash position heading into the crisis and Willis's reputation between peers as the slowest cash collector.

On Covid-19 impact, WTW implemented freezes on hiring and business discretionary spending, as well as reductions in capital expenditures, in line with similar measures taken by the peers. Though the company reported it's not planning to implement firm-wide pay cuts to reflect the recent measures at its merger partner Aon, management telegraphed it takes whatever actions it needs to warrant sustainability of operations expressing their willingness to cut the expenses "to the bone".

However, it was least vocal in terms of the more quantified impact across its financials.

WTW scrapped the guidance completely and provided no updates on where the company's financials may be headed in 2020.

WLTW	*"We believe that it's impractical to provide detailed financial guidance at this time. The company will reassess this position once we have a clear understanding of the depth, duration and geographic reach of the pandemic."* *"Could we see our revenue decline from what it would have been maybe even at a double-digit rate for the remainder of this year? That's not impossible. We think that's on the more extreme scenarios."* *"There are just so many variables."* *"But I think the good news is we're not in some of these really distressed industries where they're going to see enormous hits to their revenue."* ***- CEO John Haley***

On the business combination with Aon, the merging parties still expect to complete the transaction in 1H:21 despite the elevated speculations that it may take longer for some pending M&A's to adhere to planned timelines due to the extensive quarantine measures that may result in slower regulatory processing.

WLTW	*"The regulators are working virtually. And I think they are, like a lot of other people... some of this is new to them, but I think they've become pretty good and reasonably efficient at that. At the margin, will that mean that things will be a little bit slower, perhaps, but I think we don't see this as being an enormous impact."* ***- CEO John Haley***

Recall, over a month ago we listed obstacles hindering the biggest-ever brokers merger as market continues to pricing in a likelihood of no-deal. WTW and Aon shares currently continue to price at a sizeable divergence from the transaction-implied price.

More substantively on the Q1 results, WTW reported EPS of $3.34, beating consensus estimate by 6.7% and a YoY earnings growth of 12.1%.

The organic growth was 4% with 4-5% growth recorded across all segments excluding Benefits Delivery & Administration.

On margins, the broker's Corporate Risk & Broking segment logged 20bps margin compression and 200bps improvement in Investment Risk & Reinsurance. Recall, last quarter the broker announced it expects flat to slightly higher margins in 2020.

Exhibit: WTW earnings summary

Source: Company reports

Willis Towers Watson	Q1-19	Q2-19	Q3-19	Q4-19	Q1-20	YoY var.
Revenue ($mn)						
Consolidated	2,312	2,048	1,989	2,690	2,466	6.7%
Human Capital & Benefits	829	797	807	865	850	2.5%
Corporate Risk & Broking	728	690	651	877	739	1.5%
Investment, Risk & Reinsurance	589	409	325	314	615	4.4%
Benefits Delivery & Administration	135	126	179	595	231	71.1%
Organic growth						
Consolidated	5%	6%	6%	6%	4%	(100bps)
Human Capital & Benefits	3%	5%	6%	4%	4%	100bps
Corporate Risk & Broking	4%	5%	7%	9%	4%	0bps
Investment, Risk & Reinsurance	5%	8%	3%	12%	5%	0bps
Benefits Delivery & Administration	10%	6%	2%	3%	1%	(900bps)
Adjusted operating margin						
Consolidated	21.3%	14.6%	11.6%	30.1%	21.3%	1bps
Human Capital & Benefits	25.0%	21.0%	27.0%	30.1%	25.0%	0bps
Corporate Risk & Broking	17.4%	15.0%	12.0%	30.3%	17.2%	(20bps)
Investment, Risk & Reinsurance	43.0%	27.0%	9.3%	9.1%	45.1%	210bps
Benefits Delivery & Administration	-15.0%	-20.0%	-12.0%	52.4%	-4.7%	1030bps
Adj. EPS analyst estimate	3.02	1.75	1.31	4.86	3.13	5.0%
Adj. EPS actual	2.98	1.78	1.31	4.90	3.34	12.1%
Surprise	-1.3%	1.7%	0.0%	0.8%	6.7%	-

Notably, the company's debt increased only slightly, versus bigger increases on MMC and Brown & Brown.

AJ Gallagher: Rates > Decline in exposure units

- ***Q1 all-in-all organic growth was 3.3%, including 3% negative impact from Covid-19 revenue "true-down" on existing contracts***
- ***EBITDAC margin down 100bps with 280bps negative impact from Covid-19***
- ***Flat to negative organic in Q2 and Q3 and flat to slightly higher margins expected***
- ***No meaningful increase in debt***

AJ Gallagher's Q1 included a significant Covid-19 impact on key performance metrics, with a sizable downward pressure on both organic growth and EBITDAC margin. Although the firm did not see a meaningful drop in exposure units yet in Q1, it had to "true-down" revenue expectations on some contracts as prescribed by the GAAP revenue recognition standard (ASC 606 introduced in 2018). Recall, Brown & Brown reported adjustments of the same kind in its Q1 revenue.

The organic revenue rose by 3.3% including the negative Covid-19 impact of 3% arising from P&C policies, group medical insurance coverages and volume and loss ratio sensitive contracts.

Management expects an imminent drop in exposure units but currently anticipates substantial offsets from premium rates. The broker's conference call included an interesting detail on how management sees rates vs exposure unit declines across three revenue buckets grouped by the severity of Covid-19 impact. It also separately disclosed the revenues from workers' comp and property businesses within those buckets (see table below).

Exhibit: AJ Gallagher premium rates vs change in exposure units for revenues grouped by severity of the Covid-19 impact
Source: Company conference call

	% of rev.	Premium rates versus exposure units		Workers' comp	Property
High impact	20%	Rates = Decline in exposure units	➔	Net negative at 6%	Net positive at 10%
Moderate impact	20%	Rates > Decline in exposure units	↑	Net negative at 3%	Net positive at 10%
Lower impact	60%	Rates > Decline in exposure units	↑	Net negative at 4%	Net positive at 10%

In the bucket with the highest impacted revenues, the firm sees declines in exposure units to be completely offset by the rate increases across most businesses, excluding workers comp, where decreases in exposure units exceed rates by 3-6%. In the moderate and lower impacted revenue buckets, the rates may actually exceed the exposure declines.

However, management warned this exercise is based upon the data they had seen through the early days of April.

Going forward, management expects a flat to slightly negative growth in Q2 and Q3.

AJG	"If we have a dip next quarter, and we might have a little dip in the third quarter, our assumptions are by the fourth quarter that we would be back to a decent organic level. And if that pushes into 2021, what I'm saying is I don't see us being negative for, at the most, a couple of quarters. Even then, I think I'd be a little bit surprised." **- CFO Doug Howell**

On margins, AJ Gallagher reported EBITDAC margin compression of 100bps, driven by a 280bp negative impact from the Covid-19 impact that included the revenue "true-downs", as well as some expense adjustments. Excluding this impact, the margin expanded by 180 bps in Q1.

Like other reporters in the quarter, management believes in its ability to maintain margins through extensive expense cuts. On top of the existing measures that include pay raise freezes and reductions on discretionary spending, it expects to contract or furlough some staff members involving less than 4% of the total workforce. AJ Gallagher estimates its expense reduction capacity at $50mn to $75mn in quarterly cuts, representing some 3% to 5% of 2019 through Q1:20 quarterly operating expenses.

Going forward, AJ Gallagher expects flat or slightly positive margin changes given the availability of these expense levers and assuming flat or slightly down organic revenue.

On the bottom line, the Q1 adjusted EPS of $1.83 was in line with consensus estimate and up 12% YoY, as the revenue "true downs" and some upward expense adjustments were almost completely offset by the decrease in estimated acquisitions earn-out payables.

Exhibit: AJ Gallagher earnings summary

Source: Company reports

AJ Gallagher						
	Q1-19	Q2-19	Q3-19	Q4-19	Q1-20	YoY var.
Revenue ($mn)						
Consolidated	1,958	1,625	1,791	1,684	1,829	-6.6%
Brokerage	1,382	1,131	1,196	1,193	1,436	3.9%
Risk management	203	209	212	215	212	4.2%
Corporate	372	285	383	277	182	-51.2%
Organic growth						
Consolidated	5.5%	5.3%	5.8%	5.8%	3.3%	(224bps)
Brokerage	5.7%	5.8%	5.8%	6.1%	3.1%	(258bps)
Risk management	4.1%	3.0%	5.7%	4.7%	4.1%	4bps
Adjusted EBITDAC margin						
Consolidated	33.3%	25.0%	25.8%	23.0%	32.2%	(104bps)
Brokerage	35.7%	26.4%	27.2%	24.1%	34.5%	(120bps)
Risk management	17.1%	17.5%	18.0%	17.1%	16.7%	(40bps)
Adj. operating income ($mn)	416.8	261.0	285.4	255.7	474.3	13.8%
Adj. operating margin	26.3%	19.5%	20.3%	18.2%	28.8%	250bps
Adj. EPS analyst estimate	1.61	0.61	0.79	0.53	1.83	12.3%
Adj. EPS actual	1.63	0.65	0.80	0.58	1.83	12.3%
Surprise	1.2%	6.6%	1.3%	9.4%	0.0%	-

Elsewhere, on M&A the company is looking at standstill in the market and calls for more justified multiples and deal terms.

AJG	"It's a bit tough to get through due diligence in this environment, so I'd call it a bit of a lull." "We've also seen competition slow down a bit which might rationalize valuation multiples. Regardless, at a minimum, more consideration will need to be put on an earnout." **- CFO Douglas Howell**

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