

# Aon Corporation

## Consulting Strength Outweighs Brokerage Stagnation

### Summary

First quarter 2011 was not great, but it showed the potential profitability of the combined consulting businesses. Operating EPS of \$0.80 was in line with consensus and above our estimate of \$0.75, but the number was helped by several cents of investment gains and a modestly lower tax rate. On balance, emerging consulting profitability should outweigh what appears to be a stagnating brokerage margin.

### Estimate Revisions

We are moderately increasing our overall EPS estimates in 2011 from \$3.26 to \$3.35 and 2012 from \$3.90 to \$3.95 to reflect that consulting should more than compensate for moderately weaker-than-expected performance in the brokerage segment.

### Factors to Watch

- Core consulting profitability.** Consulting should drive most of the operating earnings growth over the next two years. This quarter showed that the segment is running ahead of schedule in more ways than one. Consulting produced almost a 20% pretax margin (excluding goodwill expense) with only minimal cost savings. The \$24 million of cost savings account for only 2% of the margin. Bottom line: This business appears to be more profitable than we expected. We are raising our segment income (excluding goodwill) for 2012 from \$1.05 billion to \$1.11 billion, and upside is possible.
- Brokerage margin.** The margin appears to be stagnant in the current range. It was essentially flat in first quarter 2011 at 19% (excluding the lease termination). After unique quarterly items (restructuring and lease charges), expense growth was close to 4%, which is roughly in line with revenue growth. We are moderately reducing our 2011 and 2012 margin estimates to 20% and 21%, respectively.
- Share buybacks.** Our forecast assumes 30 million of share repurchases over the next two years. This number could be conservative, as cash flow from the merger accelerates at the end of 2011 and into 2012.

### Bottom Line

The quarter gave an indication of the potential earnings power of the consulting division. Further emergence of consulting profits will drive one of the higher earnings growth rates in the sector. Given that the stock is trading at only 11 times 2012 cash earnings, we believe it is one of the best buying opportunities in the sector.

## Financial | Insurance Brokers

April 29, 2011

Stock Rating: **Outperform**  
Company Profile: **Established Growth**

Symbol: AON (NYSE)  
Price: \$52.17 (52-Wk.: \$35-\$55)  
Market Value (mil.): \$17,421  
Fiscal Year End: December  
Long-Term EPS Growth Rate: 12%  
Dividend/Yield: \$0.60/1.2%

	2010A	2011E	2012E
<b>Estimates</b>			
EPS Q1	\$0.83	A\$0.80	\$0.93
Q2	\$0.81	\$0.79	\$0.95
Q3	\$0.61	\$0.72	\$0.85
Q4	\$0.84	\$1.04	\$1.22
FY	\$3.07	\$3.35	\$3.95
CY		\$3.35	\$3.95

### Valuation

FY P/E	17.0x	15.6x	13.2x
CY P/E		15.6x	13.2x

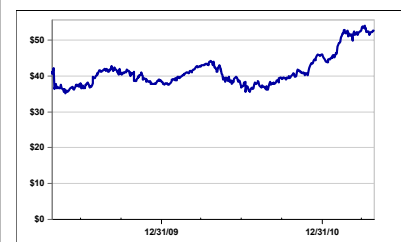
### Trading Data (Thomson Financial)

Shares Outstanding (mil.)	333
Float (mil.)	NA
Average Daily Volume	2,215,665

### Financial Data (Thomson Financial)

Long-Term Debt/Total Capital (MRQ)	25.0
Book Value Per Share (MRQ)	21.2
Enterprise Value (mil.)	21,906.9
EBITDA (TTM)	1,811.0
Enterprise Value/EBITDA (TTM)	12.1x
Return on Equity (TTM)	8.6

### Two-Year Price Performance Chart



Source: Thomson Financial, William Blair & Company estimates

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Please consult the last page of this report for all disclosures.

## Earnings Forecast

**Aon Corporation (AON)**  
**Incremental Consulting Earnings With Hewitt Acquisition**  
 (Amounts in millions, except per share figures)

Line Item	Amount
<b>2012 Consulting Pre-Tax Operating Income (Ex-Goodwill)</b>	<b>\$1,115</b>
<b>Deal Costs:</b>	
2012 Amortization	\$312
Incremental Interest Expense	\$104
<b>Total Deal Costs</b>	<b>\$416</b>
Pre tax earnings	\$699
After tax earnings	\$489
2012 Average Diluted Shares Outstanding	328.9
Consulting EPS with deal (2012)	\$1.49
Consulting EPS pre deal (2010)	\$0.60
<b>Hewitt Differential</b>	<b>\$0.89</b>

Sources: Company reports and William Blair & Company, L.L.C.

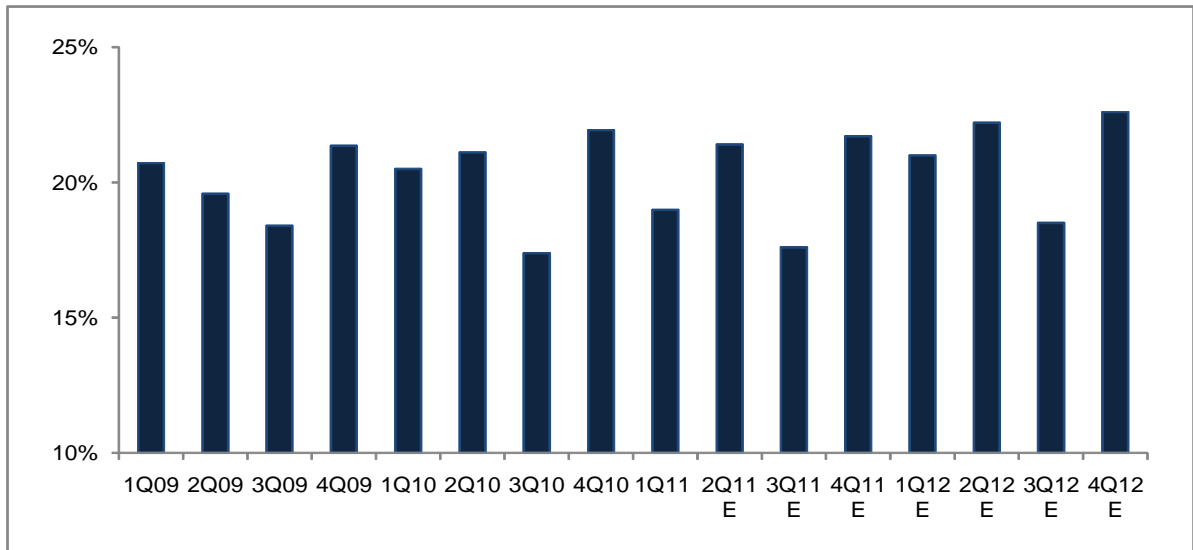
Consulting should drive most of the operating earnings growth over the next two years. We expect consulting earnings to increase from roughly \$0.60 pre-deal (2010) to \$1.49 by 2012. This quarter showed that the segment is running ahead of schedule in more ways than one. We are moderately increasing our overall EPS estimates in 2011 from \$3.26 to \$3.35 and 2012 from \$3.90 to \$3.95 to reflect that consulting should more than compensate for moderately weaker-than-expected performance in the brokerage segment.

Consulting produced almost a 20% pretax margin (excluding goodwill expense), with only minimal cost savings. The \$24 million of cost savings account for only 2% of the margin. Assuming that Aon can achieve the \$320 million target by the end of 2012, the consulting margin (excluding goodwill) should run closer to 23%. Bottom line: This business appears to be more profitable than we expected. We are raising our segment income (excluding goodwill) for 2012 from \$1.05 billion to \$1.11 billion.

The major swing factor is revenue growth. Our current forecast assumes flat growth for 2011 and 3.5% growth for 2012. This first quarter of 2011 was essentially flat, as solid healthcare consulting increases were negated by organic declines in the outsource segment. We expect the healthcare segment growth to remain strong and possibly increase. This segment is being helped by pent-up demand as corporations begin to ease spending mandates. The outsourcing business is to some extent levered to employment trends. An improvement in the jobs outlook would be a definite plus for this segment of Aon's consulting business.

The brokerage business is being affected by lack of margin expansion. Management impressively brought the margin from below 15% to 20% in the last five years. However, it appears to be stagnant in the current range. It was essentially flat in first quarter 2011 at 19% (excluding the lease termination) and actually decreased slightly in 2010. It is unclear if the company is "hitting the wall" on margin expansion, as the business could be closer to its core profitability, or if given the competitive nature of the business, margin expansion will be limited until revenue growth moves to a higher level. After unique quarterly items (restructuring and lease charges), expense growth was close to 4%, which is roughly in line with revenue growth.

**Aon Corporation (AON)  
Risk Solutions Pre-Tax Margin**



Sources: Company reports and William Blair & Company, L.L.C.

We are moderately reducing our 2011 and 2012 margin estimate to 20% and 21%, respectively. The estimates still suggest expansion of 200 basis points over the next two years, as we believe Aon will be helped by an improving revenue environment. We have raised our organic estimate by 100 basis points for each of the next two years—we expect 3% in 2011 and 4% in 2012. The lower margins have the effect of reducing our 2011 segment income estimate from \$1.38 billion to \$1.33 billion, and our 2012 segment income estimate from \$1.53 billion to \$1.49 billion.

## First Quarter 2011 Review

**AON Corporation (AON)**  
**Variance Analysis**  
(\$ in millions, except per share data)

	1Q10	4Q10	1Q11	% Change		1Q11	Variance	
	Actual	Actual	Actual	Y/Y	Q/Q	WB est	%	\$
<b>RISK AND INSURANCE SEGMENT</b>								
Total Revenue	\$1,587.0	\$1,765.0	\$1,649.0	4%	-7%	\$1,605.7	3%	\$43.3
<i>Organic Growth</i>	-3.0%	3.0%	2.0%			1.0%		
Total Expenses	\$1,330.0	\$1,378.0	\$1,336.0	0%	-3%	\$1,260.5	6%	\$75.5
<b>Operating Income</b>	<b>\$257.0</b>	<b>\$387.0</b>	<b>\$313.0</b>	<b>22%</b>	<b>-19%</b>	<b>\$345.2</b>	<b>-9%</b>	<b>(\$32.2)</b>
<i>Pre Tax Margin</i>	16.2%	21.9%	19.0%			21.5%		
<b>CONSULTING SEGMENT</b>								
Total Revenue	\$322.0	\$1,151.0	\$1,117.0	247%	-3%	\$1,115.0	0%	\$2.0
Total Expenses	\$266.0	\$929.0	\$895.0	236%	-4%	\$943.3	-5%	(\$48.3)
<b>Operating Income</b>	<b>\$56.0</b>	<b>\$222.0</b>	<b>\$222.0</b>	<b>296%</b>	<b>0%</b>	<b>\$171.7</b>	<b>29%</b>	<b>\$50.3</b>
<i>Margin with cost savings</i>	17.4%	19.3%	19.9%			18.1%		
<i>Margin after amortization</i>	-	13.6%	14.4%			12.7%		
<b>CONSOLIDATED</b>								
<b>Adjusted Operating Income Per Share</b>	<b>\$0.83</b>	<b>\$0.84</b>	<b>\$0.80</b>			<b>\$0.75</b>		<b>\$0.05</b>
<b>Cash Earnings Per Share</b>	<b>\$0.89</b>	<b>\$0.87</b>	<b>\$0.89</b>			<b>\$0.52</b>		<b>\$0.37</b>
Average diluted shares	283.4	346.4	345.4			345.0		

Source: Company reports and William Blair & Company, L.L.C. estimates

### Summary

Aon had a solid quarter that was mainly in line with expectations. Core operating EPS was \$0.80 for the quarter (in line with consensus), excluding certain items, and above our \$0.75 estimate mainly due to investment gains and a modestly lower tax rate. The bright spot was stronger-than-expected performance from Hewitt, although the brokerage operation was somewhat lighter due to several expense items. Total company revenues were up 43% year-over-year, but down 5% sequentially, to \$2.77 billion, 1% above our estimate. The annual increase is primarily attributable to the acquisitions Aon has completed over the last 12 months, namely the acquisition of Hewitt in fourth quarter 2010.

### Risk and Insurance Brokerage

Total revenue and organic growth were down sequentially in the risk and insurance business, though organic growth remained positive at 2%, above our estimate of 1%. Total revenue was up 4% year-over-year, to \$1.6 billion, but down 7% sequentially due to seasonal weaknesses. The positive growth versus the year-ago period can be attributed to strong organic growth in the brokerage segment (+4% United States, +3% international), favorable currency impact, and additional revenue from acquisition. The one disappointment for the quarter is lack of progress on the brokerage profitability. The adjusted brokerage margin was 19.0% compared with 20.5% a year ago. Even excluding lease termination costs and foreign exchange differential, the margin would have been relatively flat—we had expected roughly 50 to 100 basis points of improvement.

### Consulting

Total revenue for the consulting and outsourcing business grew 247% versus the year-ago period, and in line with our estimates, to \$1.1 billion, driven primarily by the Hewitt acquisition. Organic revenue was 4% during the quarter in consulting services due to strength in the healthcare sector, particularly internationally, and in benefits and human capital consulting. Organic revenue in the outsourcing business was -3% for the quarter, essentially flat versus the year-ago period, due to price compression and the continued weakness of the job recovery domestically. Importantly, these numbers reflect the early part of a rising trend. We expect organic revenue to accelerate throughout the year and into 2012 for both businesses. The pretax margin (including cost savings related to the Hewitt acquisition) was a strong 19.9% compared with our estimate of 18.1%. As expected, the unit was helped by \$24 million in costs savings. While that amount was essentially in line with our forecast, it is a positive sign

that management is on track with the acquisition goals set forth previously. The \$350 million in expected cost savings over the next two to three years will be one of the biggest drivers of earnings.

***Recommendation***

While not a great quarter, the results show that Aon is on track, particularly with the Hewitt merger. The potential for higher levels of organic growth suggest the potential for earnings upside in 2012. Given that the stock is trading at only 11 times 2012 cash earnings, we believe it is one of the best buying opportunities in the sector.

**Insurance Brokers  
Valuation Comparison**

Ticker	Rating	Price	GAAP EPS			GAAP P/E			Cash P/E			EV / EBITDA		
			2010	2011E	2012E	2010	2011E	2012E	2010	2011E	2012E	2010	2011E	2012E
AON	O	\$53.28	\$3.07	\$3.35	\$3.95	17.4x	15.9x	13.5x	16.1x	14.4x	10.9x	11.5x	8.5x	7.7x
AJG	M	\$30.13	\$1.36	\$1.35	\$1.60	22.1x	22.4x	18.8x	16.2x	17.3x	14.9x	11.3x	9.6x	8.4x
BRO	M	\$25.72	\$1.13	\$1.17	\$1.32	22.8x	22.0x	19.5x	17.3x	16.7x	15.0x	10.6x	10.1x	9.2x
MMC	M	\$30.39	\$1.66	\$1.83	\$2.04	18.3x	16.6x	14.9x	17.6x	15.9x	14.4x	9.5x	9.2x	8.7x
WSH	O	\$41.58	\$2.69	\$2.79	\$3.55	15.5x	14.9x	11.7x	13.7x	19.7x	10.9x	10.0x	9.8x	8.5x
Average						19.2x	18.4x	15.7x	16.2x	16.8x	13.2x	10.6x	9.4x	8.5x
Median						18.3x	16.6x	14.9x	16.2x	16.7x	14.4x	10.6x	9.6x	8.5x

Source: Company reports, Thomson One, and William Blair & Company L.L.C.

**Aon Corporation (AON)**

4/29/2011

*William Blair & Company*

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	2009	Q1'10	Q2'10	Q3'10	Q4'10	2010	Q1'11	Q2'11E	Q3'11E	Q4'11E	2011E	2012E
<b>INCOME STATEMENT</b>												
Brokerage comm. & fees	\$7,503.0	\$1,922.2	\$1,883.0	\$1,784.0	\$2,904.0	\$8,493.2	\$2,755.0	\$2,766.2	\$2,694.3	\$3,016.4	\$11,231.9	\$11,710.9
% Change	0.8%	5.1%	1.3%	0.3%	42.6%	13.2%	43.3%	46.9%	51.0%	3.9%	32.2%	4.3%
Net investment income	\$142.0	\$13.0	\$18.0	\$15.0	\$12.0	\$58.0	\$34.0	\$14.0	\$15.0	\$15.0	\$78.0	\$71.0
% Change	(46.2%)	11.0%	11.0%	11.0%	11.0%	(59.2%)	11.0%	11.0%	11.0%	11.0%	34.5%	(9.0%)
Total Revenue	\$7,645.0	\$1,935.2	\$1,901.0	\$1,799.0	\$2,916.0	\$8,551.2	\$2,789.0	\$2,780.2	\$2,709.3	\$3,031.4	\$11,309.9	\$11,781.9
% Change	(0.9%)	4.1%	0.5%	(0.9%)	40.3%	11.9%	44.1%	46.2%	50.6%	4.0%	32.3%	4.2%
Compensation Benefits & G&A	\$5,975.0	\$1,539.0	\$1,495.0	\$1,417.0	\$2,282.0	\$6,733.0	\$2,202.0	\$2,253.2	\$2,222.0	\$2,388.6	\$9,065.8	\$9,093.7
% Change	(5.5%)	5.6%	0.1%	(2.1%)	44.7%	12.7%	43.1%	50.7%	56.8%	4.7%	34.6%	0.3%
Benefits to Policyholders												
Interest expense	\$124.0	\$34.0	\$33.0	\$50.0	\$65.0	\$182.0	\$63.0	\$63.0	\$63.0	\$62.0	\$251.0	\$236.0
AON Amortization & Depreciation	\$242.0	\$58.0	\$60.0	\$60.0	\$60.0	\$238.0	\$62.0	\$61.0	\$62.0	\$62.0	\$247.0	\$248.0
Deal Amortization					\$65.0	65	\$61.0	\$60.0	\$60.0	\$60.0	\$241.0	\$310.0
Hewitt Depreciation					\$40.0	40	\$21.0	\$22.0	\$21.5	\$21.0	\$85.5	\$79.0
Total Amortization & Depreciation					\$165.0	\$343.0	\$144.0	\$143.0	\$143.5	\$143.0	\$573.5	\$637.0
Total Operating Expenses	\$6,341.0	\$1,631.0	\$1,588.0	\$1,542.0	\$2,472.0	\$7,233.0	\$2,388.0	\$2,376.2	\$2,345.0	\$2,510.6	\$9,619.8	\$9,887.7
% Change	(2.3%)	5.5%	0.6%	0.3%	47.1%	14.1%	46.4%	49.6%	52.1%	1.6%	33.0%	2.8%
<b>Pretax Operating Income</b>	<b>\$1,304.0</b>	<b>\$304.2</b>	<b>\$313.0</b>	<b>\$257.0</b>	<b>\$444.0</b>	<b>\$1,318.2</b>	<b>\$401.0</b>	<b>\$404.0</b>	<b>\$364.3</b>	<b>\$520.8</b>	<b>\$1,690.1</b>	<b>\$1,894.2</b>
% Change	7.1%	-2.8%	0.0%	-7.9%	11.3%	1.1%	31.8%	29.1%	41.8%	17.3%	28.2%	12.1%
<b>Pretax Operating Margin</b>	<b>17.1%</b>	<b>15.7%</b>	<b>16.5%</b>	<b>14.3%</b>	<b>15.2%</b>	<b>15.4%</b>	<b>14.4%</b>	<b>14.5%</b>	<b>13.4%</b>	<b>17.2%</b>	<b>14.9%</b>	<b>16.1%</b>
Special Charges	\$0.0	\$0.0	\$50.0	\$50.0	\$87.0	\$187.0	\$45.0	\$30.0	\$0.0	\$75.0	\$150.0	\$0.0
Adj. P-T Income	\$1,304.0	\$304.2	\$263.0	\$207.0	\$357.0	\$1,131.2	\$356.0	\$374.0	\$364.3	\$445.8	\$1,540.1	\$1,894.2
Income Taxes	\$354.0	\$61.0	\$60.0	\$61.0	\$144.3	\$326.3	\$103.0	\$121.2	\$109.3	\$156.2	\$489.7	\$558.8
Tax rate	27%	20%	23%	29%	33%	25%	29%	30%	30%	30%	29%	30%
Adj. A-T Income from cont. ops.	\$950.0	\$243.2	\$203.0	\$146.0	\$212.7	\$804.9	\$253.0	\$252.8	\$255.0	\$289.5	\$1,050.4	\$1,335.4
A-T Income from disc. ops./charges												
A-T Net Income	\$950.0	\$243.2	\$203.0	\$146.0	\$212.7	\$804.9	\$253.0	\$252.8	\$255.0	\$289.5	\$1,050.4	\$1,335.4
% Change												
Minority Interest	(\$45.0)	(\$8.0)	(\$5.0)	(\$3.0)	(\$10.0)	(\$26.0)	(\$9.0)	(\$9.0)	(\$9.0)	(\$9.0)	(\$36.0)	(\$36.0)
Preferred dividends	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Adjusted Income	\$905.0	\$235.2	\$198.0	\$143.0	\$202.7	\$778.9	\$244.0	\$243.8	\$246.0	\$280.5	\$1,014.4	\$1,299.4
Net Income Per Share	\$3.12	\$0.83	\$0.70	\$0.51	\$0.59	\$2.61	\$0.71	\$0.71	\$0.72	\$0.82	\$2.95	\$3.95
Extraordinary Items Per Share, Net	\$0.00	\$0.00	\$0.11	\$0.10	\$0.25	\$0.46	\$0.09	\$0.09	\$0.00	\$0.22	\$0.40	\$0.00
Capital Gains (losses) Per Share	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Operating Income Per Share</b>	<b>\$3.12</b>	<b>\$0.83</b>	<b>\$0.81</b>	<b>\$0.61</b>	<b>\$0.84</b>	<b>\$3.07</b>	<b>\$0.80</b>	<b>\$0.79</b>	<b>\$0.72</b>	<b>\$1.04</b>	<b>\$3.35</b>	<b>\$3.95</b>
% Change	10.3%	9.9%	6.0%	(6.7%)	(11.8%)	(1.6%)	(4.0%)	(1.9%)	18.2%	24.9%	9.2%	17.8%
<b>Cash Earnings Per Share</b>	<b>\$3.32</b>	<b>\$0.89</b>	<b>\$0.87</b>	<b>\$0.67</b>	<b>\$0.87</b>	<b>\$3.30</b>	<b>\$0.89</b>	<b>\$0.89</b>	<b>\$0.90</b>	<b>\$1.01</b>	<b>\$3.69</b>	<b>\$4.87</b>
% Change	13.5%	10.5%	7.7%	(4.1%)	(13.5%)	(0.5%)	0.1%	1.8%	33.7%	16.6%	11.7%	31.9%
Currency Impact	(\$0.03)	\$0.04	\$0.02	\$0.02			(0.02)			3.35		
Avg. shares outstanding	290.3	283.4	282.6	282.2	346.4	298.7	345.4	344.5	343.0	340.5	343.3	328.9
Dividends Per Share	\$0.60	\$0.15	\$0.15	\$0.15	\$0.15	\$0.60	\$0.17	\$0.17	\$0.17	\$0.17	\$1.22	\$1.24
Dividend Payout Ratio	19.2%	18.1%	18.5%	24.7%	17.9%	19.5%	21.3%	21.4%	23.7%	16.3%	36.4%	31.4%
Adjusted Operating Income	905.3	235.2	229.0	171.2	289.7	916.8	275.1	273.8	246.0	355.5	1,151.2	1,299.4
EBIT Non Recurring		0.0	31.0	28.2	87.0		31.1	30.0	0.0	75.0		
Common Shares Outstanding		275.9	278.4	278.4	346.0		345.0	344.5	343.0	340.5		
EOP Shares	291.1	283.4	282.6	282.6	346.0	346.0	345.0	344.5	343.0	340.5	\$340.5	\$322.0
Aggregate Share Repurchase (\$mm)	\$590.0	50.0	50.0	50.0	5.0	\$155.0	50.0	50.0	100.0	150.0	\$350.0	\$1,175.0
Average Share Price	\$40.38	41.7	42.0	42.0	42.0	\$41.93	48.0	50.0	50.0	50.0	\$49.5	\$53.5
Total Shares Repurchased	14.7	1.2	1.2	1.2	0.1	3.7	1.0	1.0	2.0	3.0	7.0	21.9
Estimated Free Cash/ST	\$639.0	734	734	750	917	\$917.5	1,011	1,105	1,150	1,181	\$1,181.1	\$962.8
Cash Operating Earnings	\$963.6	\$252.2	\$247.3	\$190.4	\$299.4	\$989.2	\$307.3	\$306.8	\$309.0	\$343.5	\$1,266.7	\$1,600.4
Dividends	\$174.2	\$42.5	\$42.4	\$42.4	\$51.9	\$179.2	\$58.6	\$58.6	\$58.3	\$57.9	\$233.4	\$223.7
Estimated Acquisitions	\$0.0		10.0	10.0	10.0	\$30.0	25.0	25.0	25.0	25.0	\$100.0	\$100.0
Other Cash Adjustments	\$0.0		0.0	0.0	0.0	\$0.0	0.0	0.0	0.0	0.0	\$0.0	\$0.0
pension contribution					75.0		75.0	75.0	75.0	75.0	\$300.0	\$300.0
working capital					60.0		75.0	75.0	75.0	75.0	\$300.0	\$300.0
Hewitt & Aon depreciation					(70.0)		(70.0)	(70.0)	(70.0)	(70.0)	(\$280.0)	(\$280.0)
Total other adjustments					75.0		105.0	105.0	105.0	105.0	\$420.0	\$420.0
Net cash Generated					172.5		143.7	143.3	145.7	180.7	\$613.3	\$956.7
Est Nil on Free Cash	\$40.4	6.0	6.4	6.5	7.3	\$26.2	8.4	9.3	9.9	10.2	\$37.8	\$37.8
Amort. of intangibles	\$93.0	\$27.0	\$29.0	\$30.0	\$32.0	\$118.0	\$91.0	\$90.0	\$90.0	\$90.0	\$361.0	\$430.0
EBITDA	\$1,625.0	\$388.2	\$401.0	\$364.0	\$674.0	\$1,817.2	\$608.0	\$610.0	\$570.8	\$725.8	\$2,478.6	\$2,731.2
EBITDA Margin	21.3%	20.1%	21.1%	20.2%	23.1%	21.3%	21.8%	21.9%	21.1%	23.9%	21.9%	23.2%
EBITDA/Share	\$5.60	\$1.37	\$1.42	\$1.29	\$1.95	\$6.08	\$1.76	\$1.77	\$1.66	\$2.13	\$7.22	\$8.30
<b>BALANCE SHEET DATA</b>												
Cash	\$217.0	\$422.0	\$260.0	\$260.0	\$346.0	\$3,375.0	\$682.0	\$710.0	\$723.7	\$732.9	\$732.9	\$667.4
Short Term Investments	\$422.0	\$312.0	\$474.0	\$474.0	\$785.0	\$785.0	\$589.0	\$654.3	\$686.3	\$707.8	\$707.8	\$555.0
Funds withheld from Clients	\$3,100.0	\$3,100.0	\$3,100.0	\$3,100.0	\$3,100.0	\$3,100.0	\$3,100.0	\$3,100.0	\$3,100.0	\$3,100.0	\$3,100.0	\$3,100.0
Goodwill & Other Intangibles	\$6,869.0	\$6,657.0	\$6,463.0	\$6,463.0	\$12,258.0	\$12,258.0	\$12,442.0	\$12,442.0	\$12,442.0	\$12,442.0	\$12,442.0	\$12,442.0
Short Term Debt	\$10.0	\$84.0	\$370.0	\$370.0	\$492.0	\$492.0	\$502.0	\$502.0	\$502.0	\$502.0	\$502.0	\$502.0
Long Term Debt	\$1,998.0	\$2,103.0	\$1,601.0	\$1,601.0	\$4,014.0	\$4,014.0	\$4,409.0	\$4,409.0	\$4,409.0	\$4,409.0	\$4,409.0	\$3,600.0
Total Debt	\$2,008.0	\$2,187.0	\$1,971.0	\$1,971.0	\$4,506.0	\$4,506.0	\$4,911.0	\$4,911.0	\$4,911.0	\$4,911.0	\$4,911.0	\$4,102.0
Shareholders Equity	\$5,379.0	\$5,402.0	\$5,428.0	\$5,428.0	\$8,251.0	\$8,251.0	\$8,423.0	\$8,558.3	\$8,646.0	\$8,718.7	\$8,718.7	\$8,619.4
Tangible Equity	(\$1,490.0)	(\$1,255.0)	(\$1,035.0)	(\$1,035.0)	(\$4,007.0)	(\$4,007.0)	(\$4,019.0)	(\$3,883.7)	(\$3,796.0)	(\$3,723.3)	(\$3,723.3)	(\$3,822.6)
Net Debt	\$1,369.0	\$1,453.0	\$1,237.0	\$1,221.0	\$3,588.5	\$3,588.5	\$3,899.6	\$3,806.3	\$3,760.6	\$3,729.9	\$3,729.9	\$3,139.2
Debt/Capital	27.2%	28.8%	26.6%	26.6%	35.3%	35.3%	36.8%	36.5%	36.2%	36.0%	36.0%	32.2%
Net Debt/Capital	20.3%	21.2%	18.6%	18.4%	30.3%	30.3%	31.6%	30.8%	30.3%	30.0%	30.0%	26.7%
Debt/EBITDA trailing	1.2	1.3	1.2	1.2	2.5	2.5	2.4	2.2	2.0	2.0	2.0	1.5
Debt/EBITDA forward	1.1	1.1	0.9	0.8	1.8	1.8	1.9	1.9	1.8	1.8	1.8	1.1
Net Debt/EBITDA trailing	0.8	0.9	0.8	0.7	2.0	2.0	1.9	1.7	1.5	1.5	1.5	1.1
Net Debt/EBITDA forward	0.8	0.7	0.5	0.5	1.4	1.4	1.5	1.4	1.3	1.3	1.4	1.1
EBITDA/Interest	13.1	12.6	12.0	10.8	10.0	10.0	9.7	9.4	9.7	10.0	9.9	11.6
EBITDA/Interest FWD	10.0	9.7	9.4	9.7	10.0	9.9	10.5	10.9	11.3	11.7	11.6	11.6
Goodwill/Common Equity	127.7%	123.2%	119.1%	119.1%	148.6%	148.6%	147.7%	145.4%	143.9%	142.7%	142.7%	144.3%

**Aon Corporation (AON)**

	2009	Q1'10	Q2'10	Q3'10	Q4'10	2010	Q1'11	Q2'11E	Q3'11E	Q4'11E	2011E	2012E
<b>RISK &amp; INSURANCE BROKERAGE</b>												
Americas	\$2,249.0	\$487.0	\$616.0	\$574.0	\$700.0	\$2,377.0	\$532.0	\$639.5	\$596.2	\$729.5	\$2,497.2	\$2,626.1
% change	(1.4%)	2.1%	7.3%	6.1%	6.5%	5.7%	9.2%	3.8%	3.9%	4.2%	5.1%	5.2%
UK	\$650.0	\$121.0	\$167.0	\$148.0	\$193.0	\$629.0	\$173.2	\$155.9	\$202.7	\$202.7	\$531.8	\$564.7
% change	(12.4%)	4.3%	(7.7%)	(11.4%)	3.8%	(3.2%)	3.7%	5.4%	5.0%	5.0%	(15.5%)	6.2%
EMEA	\$1,396.0	\$477.0	\$291.0	\$265.0	\$367.0	\$1,400.0	\$300.3	\$277.6	\$380.0	\$380.0	\$957.9	\$1,033.3
% change	(8.2%)	6.5%	(5.8%)	(2.9%)	0.3%	0.3%	3.2%	4.8%	3.5%	3.5%	(31.6%)	7.9%
APAC	\$456.0	\$101.0	\$140.0	\$121.0	\$157.0	\$519.0	\$147.6	\$129.1	\$166.9	\$166.9	\$1,162.5	\$1,218.3
% change	(7.3%)	20.2%	13.8%	9.0%	13.8%	13.8%	nm	5.4%	6.7%	6.3%	124.0%	4.8%
Total Retail	\$4,751.0	\$1,186.0	\$1,214.0	\$1,108.0	\$1,417.0	\$4,925.0	\$1,251.0	\$1,260.5	\$1,158.8	\$1,479.1	\$5,149.4	\$5,442.4
% change	(5.6%)	5.4%	2.3%	1.5%	5.2%	3.7%	5.5%	3.8%	4.6%	4.4%	4.6%	5.7%
Reinsurance Brokerage	\$1,485.0	\$388.0	\$359.0	\$361.0	\$336.0	\$1,444.0	\$387.0	\$366.2	\$368.2	\$346.1	\$1,467.5	\$1,506.1
% change	47.6%	(1.8%)	(3.5%)	(4.7%)	(0.9%)	(2.8%)	(0.3%)	2.0%	2.0%	3.0%	1.6%	2.6%
Total commissions & Fees	\$6,236.0	\$1,574.0	\$1,573.0	\$1,469.0	\$1,753.0	\$6,369.0	\$1,638.0	\$1,626.7	\$1,527.0	\$1,825.2	\$6,616.9	\$6,948.4
% change	3.2%	3.6%	0.9%	(0.1%)	4.0%	2.1%	4.1%	3.4%	3.9%	4.1%	3.9%	5.0%
Net Investment Income	\$81.0	\$13.0	\$14.0	\$15.0	\$12.0	\$54.0	\$11.0	\$14.0	\$15.0	\$15.0	\$55.0	\$71.0
% change	(57.1%)	(56.7%)	(26.3%)	(16.7%)	(14.3%)	(33.3%)	(15.4%)	0.0%	0.0%	25.0%	1.9%	29.1%
Total Revenue - cont. ops	\$6,317.0	\$1,587.0	\$1,587.0	\$1,484.0	\$1,765.0	\$6,423.0	\$1,649.0	\$1,640.7	\$1,542.0	\$1,840.2	\$6,671.9	\$7,019.4
% change	1.4%	2.4%	0.6%	(0.3%)	3.8%	1.9%	3.9%	3.4%	3.9%	4.3%	3.9%	5.2%
Discontinued - ops	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Revenues	\$6,317.0	\$1,587.0	\$1,587.0	\$1,484.0	\$1,765.0	\$6,423.0	\$1,649.0	\$1,640.7	\$1,542.0	\$1,840.2	\$6,671.9	\$7,019.4
% change	0.6%	2.4%	0.6%	(0.3%)	3.8%	1.7%	3.9%	3.4%	3.9%	4.3%	3.9%	5.2%
Expenses	\$5,050.0	\$1,330.0	\$1,252.0	\$1,226.0	\$1,378.0	\$5,186.0	\$1,336.0	\$1,289.6	\$1,270.6	\$1,440.8	\$5,337.1	\$5,534.2
% Change	(1.2%)	8.2%	(1.3%)	0.9%	3.1%	2.7%	0.5%	3.0%	3.6%	4.6%	2.9%	3.7%
Operating Income	\$1,267.0	\$257.0	\$335.0	\$258.0	\$387.0	\$1,237.0	\$313.0	\$351.1	\$271.4	\$399.3	\$1,334.8	\$1,485.2
% Change	8.7%	(19.9%)	8.4%	(5.8%)	6.6%	(2.4%)	21.8%	4.8%	5.2%	3.2%	7.9%	11.3%
P-T margin	20.1%	16.2%	21.1%	17.4%	21.9%	19.3%	19.0%	21.4%	17.6%	21.7%	20.0%	21.2%
margin ex inv income	19.0%	15.5%	20.4%	16.5%	21.4%	19.6%	18.4%	20.7%	19.6%	21.1%	19.3%	20.4%
<b>Organic Growth</b>												
Americas	1.0%	-5.0%	2.0%	1.0%	3.0%	0.0%	4.0%	3.0%	3.0%	3.5%	3.4%	4.0%
UK	-6.0%	-2.0%	-6.0%	-8.0%	6.0%	-2.0%	3.0%	2.5%	4.0%	4.0%	3.4%	4.5%
EMEA	-1.0%	-2.0%	-3.0%	4.0%	5.0%	0.0%	3.0%	2.5%	4.0%	3.0%	3.1%	3.5%
APAC	-1.0%	1.0%	3.0%	2.0%	7.0%	3.0%	3.0%	4.0%	5.0%	5.0%	4.3%	4.3%
Reinsurance	0.0%	-4.0%	-3.0%	-4.0%	-1.0%	-3.0%	0.0%	2.0%	2.0%	3.0%	1.8%	2.6%
Total	-1.0%	-3.0%	-0.8%	-0.5%	3.0%	0.0%	2.0%	2.7%	3.2%	3.5%	2.9%	3.7%
International blended	-2.3%	-1.6%	-2.7%	0.0%	5.7%	0.0%	3.0%	2.9%	4.2%	3.7%	3.4%	4.0%
<b>CONSULTING</b>												
Benefits, Compensation and Other	\$1,075.0	\$275.0	\$265.0	\$268.0	\$579.0	\$1,387.0	\$561.0	\$570.5	\$584.4	\$596.4	\$2,312.2	\$2,402.0
% Change	(5.8%)	4.6%	5.6%	2.3%	93.6%	29.0%	nm	nm	nm	3.0%	66.7%	3.9%
Human Resources Consulting	\$191.0	\$47.0	\$51.0	\$53.0	\$572.0	\$723.0	\$556.0	\$569.0	\$582.9	\$594.9	\$2,302.8	\$2,360.4
% Change	(10.7%)	4.4%	4.1%	15.2%	0.0%	278.5%	nm	nm	nm	4.0%	218.5%	2.5%
Total Revenues	\$1,267.0	\$322.0	\$316.0	\$321.0	\$1,151.0	\$2,110.0	\$1,117.0	\$1,139.5	\$1,167.3	\$1,191.3	\$4,615.1	\$4,762.4
% Change	(6.7%)	4.2%	5.3%	4.2%	228.9%	66.5%	246.9%	260.6%	263.6%	3.5%	118.7%	3.2%
Expenses	\$1,047.0	\$266.0	\$269.0	\$267.0	\$929.0	\$1,731.0	\$919.0	\$968.6	\$986.4	\$982.8	\$3,856.7	\$3,967.5
% Change	(7.1%)	3.5%	5.5%	2.7%	237.8%	65.3%	245.5%	260.1%	269.4%	5.8%	122.8%	2.9%
Hewitt Cost Savings							\$24.0	45.00	75.00	75.00	\$219.0	\$320.0
Total Expenses							\$895.0	\$923.6	\$911.4	\$907.8	\$3,637.7	\$3,647.5
Operating Income	\$220.0	\$56.0	\$47.0	\$54.0	\$222.0	\$379.0	\$222.0	\$215.9	\$255.9	\$283.5	\$977.3	\$1,114.9
% Change	(4.8%)	7.7%	4.4%	12.5%	196.0%	72.3%	296.4%	359.4%	373.9%	27.7%	157.9%	14.1%
Pre-Tax Margin (ex cost savings)	17.4%	17.4%	14.9%	16.8%	19.3%	18.0%	17.7%	15.0%	15.5%	17.5%	16.4%	16.7%
Pre-tax Margin (with costs savings)							19.9%	18.9%	21.9%	23.8%	21.2%	23.4%
Deal amortization					65		61	61	61	61	\$244.0	\$310.0
Income after amortization					157		161	155	195	222	\$733.3	\$804.9
Pre tax margin				1,309.00	14%		14.4%	13.6%	16.7%	18.7%	15.9%	16.9%
<b>Organic Growth</b>												
Services	-2.0%	-1.0%	2.0%	1.0%	2.0%	1.0%	4.00					
Outsourcing	-4.0%	-4.0%	-1.0%	19.0%	-2.0%	-1.0%	-3.0%					
Total Consulting	-2.0%	-1.0%	2.0%	4.0%	0.0%	1.0%	0.0%					
<b>Total Operating Segments</b>	<b>-1.0%</b>	<b>-3.0%</b>	<b>-1.0%</b>	<b>0.0%</b>	<b>2.0%</b>	<b>0.0%</b>	<b>1.0%</b>					
<b>Revenue Mix</b>												
Services												
Outsourcing												
<b>Year Ago Revenue Mix</b>												
Insurance Brokerage - Americas												
Insurance Brokerage - International												
Reinsurance Brokerage												
<b>CORPORATE &amp; UNALLOCATED</b>												
P&C runoff operations	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Unallocated investment income	\$61.0	\$1.0	\$4.0	\$0.0	\$0.0	\$5.0	\$23.0	\$0.0	\$0.0	\$0.0	\$23.0	\$0.0
Unallocated expenses	(\$120.0)	(\$33.0)	(\$82.0)	(\$49.0)	(\$35.0)	(\$199.0)	(\$33.0)	(\$40.0)	(\$40.0)	(\$40.0)	(\$153.0)	(\$160.0)
Interest expense	(\$122.0)	(\$34.0)	(\$33.0)	(\$50.0)	(\$65.0)	(\$182.0)	(\$63.0)	\$963.0	(\$63.0)	(\$63.0)	\$774.0	(\$236.0)
Operating Income	(\$181.0)	(\$66.0)	(\$111.0)	(\$99.0)	(\$100.0)	(\$376.0)	(\$73.0)	\$923.0	(\$103.0)	(\$103.0)	\$644.0	(\$396.0)
Estimated NII on Free Cash	\$59.7	\$10.5	\$9.9	\$9.9	\$8.8	\$39.1	\$10.5	\$9.9	\$9.3	\$8.8	\$38.4	\$38.4

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**Current Rating Distribution (as of 03/31/11)**

Coverage Universe	Percent	Inv. Banking Relationships*	Percent
Outperform (Buy)	58	Outperform (Buy)	9
Market Perform (Hold)	31	Market Perform (Hold)	2
Underperform (Sell)	1	Underperform (Sell)	0

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