

# Marsh & McLennan Companies, Inc.

## Assuming Coverage With a Market Perform Rating

**Marsh & McLennan is on the right path.** Marsh has marquee franchises in the insurance brokerage and consulting industries. After a challenging beginning to the decade, a new management team has Marsh on an upward trajectory. In the past several years, the company has cleaned up litigation, solidified the balance sheet, and divested noncore businesses. The focus over the last two years has been building up the core brokerage and consulting businesses. We expect results to improve gradually over the next two years as a result of these changes. Growth, however, remains a question mark because the company already has large market positions in each of its core markets.

**Solid earnings growth expected.** We expect better underlying market fundamentals in the brokerage and consulting segment to pave the way for an average earnings growth rate of 11%. A larger acquisition could result in upside to our forecasts.

### Key factors to watch include acquisitions and consulting demand.

Acquisition activity has picked up in the last two years given Marsh's active desire to build up its middle market presence. Marsh has significant capability to continue to complete small and midsize deals, or it could do a large deal. Consulting demand has the potential to improve gradually after several depressed years.

**Near-term valuation likely to remain below historical average.** The forward P/E multiple of 16.9 times is below the historical average of 19.0 times and the current group average of 18.2 times. Recent moves by management are helping solidify industry leadership positions. Given the company's large critical mass in both segments, however, we believe above-average growth will be a challenge. In addition, operating margins will likely remain below historical averages.

**Risks.** Major risks include litigation, heavy exposure to weaker economies in Europe, and potential pressure on fee revenue.

## Financial | Insurance Brokers

February 22, 2011

Stock Rating: **Market Perform**  
Company Profile: **Established Growth**

Symbol: MMC (NYSE)  
Price: \$30.20 (52-Wk.: \$20-\$31)  
Market Value (mil.): \$16,727  
Fiscal Year End: December  
Long-Term EPS Growth Rate: 10%  
Dividend/Yield: None

	2010A	2011E	2012E
<b>Estimates</b>			
EPS Q1	\$0.50	\$0.53	\$0.60
Q2	\$0.46	\$0.49	\$0.55
Q3	\$0.28	\$0.34	\$0.39
Q4	\$0.41	\$0.46	\$0.51
FY	\$1.66	\$1.82	\$2.04
CY		\$1.82	\$2.04
<b>Valuation</b>			
FY P/E	18.2x	16.6x	14.8x
CY P/E		16.6x	14.8x

### Trading Data (Thomson Financial)

Shares Outstanding (mil.)	541
Float (mil.)	536
Average Daily Volume	2,595,747

### Financial Data (Thomson Financial)

Long-Term Debt/Total Capital (MRQ)	32.5
Book Value Per Share (MRQ)	14.7
Enterprise Value (mil.)	17,994.0
EBITDA (TTM)	1,066.0
Enterprise Value/EBITDA (TTM)	16.9x
Return on Equity (TTM)	10.7

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Marsh & McLennan Companies, Inc. is a leading global insurance broker; it is the parent company of insurance broker and risk advisor Marsh, risk and reinsurance specialist Guy Carpenter, HR and related financial advice and service provider Mercer, and management consultant specialist Oliver Wyman.

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## Corporate Profile

Marsh & McLennan, based in New York City, is the largest global insurance broker and one of the largest human resource and benefits consulting firms. Total 2010 revenues equaled \$10.8 billion. The company has been in existence since 1871 and ultimately took the name Marsh & McLennan in 1906. After building up the brokerage and reinsurance brokerage divisions (Guy Carpenter), the company went public in 1962. Over the next several decades, Marsh built up the largest global brokerage business and became a financial conglomerate. Its nonbrokerage business included asset management, private equity, and risk management.

The company's course changed in October 2004, when New York's attorney general, Elliot Spitzer, launched an investigation into conflicts of interest in the brokerage sector; Marsh was the major target. The company settled with the New York State Insurance Department in 2005 for \$850 million and agreed to forsake contingent commission revenues.

Since the settlement, the company has streamlined its focus to insurance and reinsurance brokerage and consulting. Post-2005 divestitures have included Sedgwick Claims Management (a claims subsidiary), Crump Group (an insurance wholesaler), and MMC Capital (its private-equity business). In recent years, the company has continued to sell noncore divisions including Putnam (an asset manager) and Kroll (a risk manager).

A key to the refocusing has been a shift in management. Brian Duperreault became CEO in 2008; he had previously built ACE Limited (ACE \$65.74; Outperform) into an underwriting powerhouse in the property-and-casualty sector, by completing several major acquisitions. Under his direction, Marsh has gotten back to basics. While divesting noncore assets, Marsh has also completed a number of acquisitions to help solidify its market-leading positions in brokerage and consulting.

## Key Factors

### Acquisitions

Marsh has picked its deal activity carefully in the last two years, focusing on middle-market brokerage and building out consulting capabilities. Marsh has been looking for acquisitions to increase regional strength, with recent regional acquisitions including Insurance Alliance, NIA Group, Haake Companies, and Thomas Rutherford. In addition, Marsh has added growth to Guy Carpenter with its recent purchases of Rattner Mackenzie and John B. Collins. Consulting deals have included Nielsen-Wurster, ChapterHouse, IPA, and ORC Worldwide.

Marsh has significant capability to continue to complete small and midsize deals, or it could do a large deal. Our buying analysis shows that Marsh could deploy about \$6.3 billion for acquisitions through a combination of cash, debt, and equity. The "buying power" benchmark provides an absolute and relative measure of the public brokers' ability to fund acquisitions. We calculate the relative buying power of the respective brokers by looking at cash generation, leverage potential, and equity dilution levels. Factors can vary, but we have established base lines to provide a relative comparison.

- **Cash generation:** The calculation sums existing cash on hand with 12-month cash generation—operating cash flow less capital expenditures, dividends, pension contributions, and debt.
- **Leverage capability:** We assume that brokers can leverage debt-to-EBITDA up to a 3:1 ratio. This is mainly driven by current rating agency constraints.
- **Equity component:** The equity component assumes maximum additional shares of 15%. This component is the most variable and is to a great extent dependent on the accretion or dilution of specific deals. However, we considered the 15% level a basic threshold for investors, who typically are averse to high levels of equity dilution.

Our forecast for 2011 and 2012 assumes that acquisitions add 4% to earnings growth. This could be conservative if Marsh completes a large deal.

**Insurance Brokers**  
**Buying Power Analysis**  
(dollars in millions, except per share data)

Buying Power Summary	AJG	AON	BRO	MMC	WSH
Total Cash Available	\$385	\$873	\$438	\$1,375	\$316
Available Debt (Lesser of Debt/Cap or Debt/EBITDA)	\$438	\$946	\$782	\$2,579	\$460
Available Equity Capacity	\$483	\$2,557	\$456	\$2,337	\$983
<b>Total Buying Power</b>	<b>\$1,306</b>	<b>\$4,376</b>	<b>\$1,675</b>	<b>\$6,291</b>	<b>\$1,758</b>

Relative Buying Power	AJG	AON	BRO	MMC	WSH	Average
<b>EBITDA Multiples</b>						
Potential Acquisition EBITDA – Assuming 6x EBITDA Multiple	\$218	\$729	\$279	\$1,049	\$293	
Potential Acquisition EBITDA – Assuming 8x EBITDA Multiple	\$163	\$547	\$209	\$786	\$220	
2010 Expected EBITDA	\$329	\$1,817	\$345	\$1,871	\$909	
Potential Acquisition EBITDA % of 2010E EBITDA – Assuming 6x EBITDA Multiple	66%	40%	81%	56%	32%	55%
Potential Acquisition EBITDA % of 2010E EBITDA – Assuming 8x EBITDA Multiple	50%	30%	61%	42%	24%	41%
<b>Revenue Multiples</b>						
Potential Acquisition Revenue – Assuming 1.25x Revenue Multiple	\$1,045	\$3,501	\$1,340	\$5,033	\$1,407	
Potential Acquisition Revenue – Assuming 1.75x Revenue Multiple	\$597	\$2,001	\$766	\$2,876	\$804	
2010 Revenue	\$1,864	\$8,551	\$965	\$10,773	\$3,339	
Potential Acquisition Revenue % of Current Revenue – Assuming 1.25x Revenue Deal Multiple	56%	41%	139%	47%	42%	65%
Potential Acquisition Revenue % of Current Revenue – Assuming 1.75x Revenue Deal Multiple	32%	23%	79%	27%	24%	37%

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

### Consulting Demand

Mercer has been affected by weak industry demand over the last several years, but industry momentum has the potential to pick up. According to International Data Corporation (IDC), the global human resources market is expected to expand by an average of 4.6% over the next four years. This would bring the total market to more than \$125 billion. The firm expects both business process outsourcing (BPO) and consulting services to grow at a healthy rate, although BPO should be the faster of the two, particularly with new healthcare legislation. Our forecast assumes that Mercer's revenue increases gradually from \$4.8 billion in 2010 to \$5.3 billion in 2012, or 5% annual organic growth.

**Marsh & McLennan Companies, Inc.**  
**Worldwide HR Management Services Spending by Service Type, 2009-2014**  
(dollars in millions)

	2009	2010E	2011E	2012E	2013E	2014E	2009-2014E CAGR
Processing Services	\$48,621.9	\$50,216.8	\$52,335.5	\$54,810.7	\$57,479.3	\$60,277.2	4.4%
BPO Services	\$17,576.2	\$18,335.1	\$19,343.6	\$20,550.4	\$22,017.9	\$23,705.9	6.2%
Subtotal	\$66,198.1	\$68,551.9	\$71,679.1	\$75,361.1	\$79,497.2	\$83,983.1	4.9%
Consulting Services	\$36,098.8	\$37,073.1	\$38,380.5	\$40,239.1	\$42,182.1	\$44,158.2	4.1%
Total	\$102,296.9	\$105,625.0	\$110,059.6	\$115,600.2	\$121,679.3	\$128,141.3	4.6%

Source: IDC Market Report

### Expense Control

Management impressively controlled costs in the economic downturn. Excluding Kroll (sold in 2010), operating expenses declined by 3.5% in 2010. Maintaining expense discipline will be more of a challenge as growth begins to rise. The company continues to look for opportunities to make its global organization more efficient. We forecast that the EBITDA margin will increase from 17.4% to 17.6% in the next two years. This assumes expenses (excluding Kroll) grow at an annual average rate of 2.5% for the next two years. Higher expense growth is possible, however, particularly if compensation costs need to rise. We estimate an extra 2% growth in compensation costs would reduce the EBITDA margin by more than 100 basis points, or \$0.06 per share after tax.

### Risks

#### Litigation

Marsh has litigation risk in both its brokerage and consulting businesses. In June 2010, Mercer settled litigation brought by the Alaska Retirement Management Board to end a dispute over pension consulting. At one point, Alaska was claiming \$2.8 billion in damages; Marsh settled for \$500 million. There are no current pension lawsuits of this magnitude, but considering the pressure on municipalities, we cannot rule out the possibility of additional lawsuits. As discussed in the "Corporate Profile" section, Marsh also had a major settlement with the New York State Insurance Department over a perceived conflict of interest in the brokerage business. This issue appears to be well behind the company. But insurance is a litigious business, and given Marsh's size as a broker, the company has the potential to be involved in future legal actions. In particular, Mercer's sizable pension consulting business creates higher than average exposure.

#### Pressure on Risk Management Fees

Marsh has the largest *Fortune* 1000 client base of the brokers. The majority of these clients pay for brokerage services on a fee basis. In contrast, most middle-market accounts pay via commissions. Increased competition in the large-client sector has resulted in an element of price competition. Because the fees are quite sizable, brokers at times will bid for the account by discounting fees by 20% or more. This has also forced the incumbent broker to either match the fee or risk losing the account. While this practice is still sporadic, it is a risk to Marsh given its sizable position in this market.

#### Significant European Exposure

Marsh has significant exposure to European currencies. The company derives roughly one-third of its revenues from Europe (including the United Kingdom). Currency fluctuations should have only a modest impact on near-term earnings. A strong dollar and weak euro is typically a negative for brokers. Even with extreme currency fluctuations in 2008-2010, foreign-exchange-related earnings swings have rarely been more than 10% and typically are less than 5%. The second and third quarters tend to be relatively light international quarters, further lessening the potential for near-term foreign-exchange swings. The potential for more currency instability to slow the economic recovery could slow growth in key territories for Marsh. If the euro is weak, the European economies could remain a drag on earnings in the near term relative to other U.S.-centric brokers.

**Business Overview**

**Marsh & McLennan Companies, Inc.**  
**Business Mix**  
(dollars in millions)

		2006	2007	2008	2009	2010
<b>Brokerage</b>	Revenue	\$5,463	\$5,565	\$5,472	\$5,284	\$5,764
	% of Total	56%	53%	51%	53%	54%
	Income	\$848	\$627	\$735	\$985	\$1,083
	% of Total	63%	51%	55%	69%	66%
<b>Consulting</b>	Revenue	\$4,225	\$4,884	\$5,196	\$4,609	\$4,835
	% of Total	44%	47%	49%	47%	46%
	Income	\$493	\$614	\$595	\$447	\$553
	% of Total	37%	49%	45%	31%	34%
<b>Brokerage + Consulting</b>	Revenue	\$9,688	\$10,449	\$10,668	\$9,893	\$10,599
	Income	\$1,341	\$1,241	\$1,330	\$1,432	\$1,636

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

**Risk and Insurance Services**

This segment is the core brokerage and reinsurance brokerage businesses. Marsh serves an array of clients on a global basis. Similar to most brokers, this unit provides risk management and placement services. Marsh, however, offers enhanced services, including program support and administration, claims advocacy, and a wide variety of risk analysis and risk management consulting services. These service offerings distinguish Marsh from some of its larger competitors and most, if not all, of its regional competitors. Several of these are listed below.

- **Multinational Client Service:** This segment services large global clients and operates on an international basis.
- **Marsh Risk Consulting:** This segment is focused on providing restructuring, product safety, patient safety, business interruption, supply, and workforce consulting.
- **Claims and Litigation Support:** This unit provides support in managing claim portfolios.
- **Human Capital:** This unit advises clients on operational processes and the health and safety of their employees.

Major client practices include:

- **Risk, specialty, and industry practices:** Include more than 20 different verticals, such as aerospace or captives, that focus on a set industry segment.
- **Bowring Marsh:** A placement specialist that guides risk to international markets including Bermuda, Brazil, Dublin, London, Miami, Singapore, Tokyo, and Zurich.
- **Consumer operations:** Focused on high-net-worth individual insurance sales and Affinity/Program products.
- **Marsh & McLennan Agency:** Focused on U.S.-based middle-market clients.
- **Captive Solutions:** An advisory-oriented unit, as it performs captive feasibility studies and helps structure and implement captive solutions. Captive management services are also provided.
- **Schinnerer Group:** A sizable underwriting manager of professional liability and specialty insurance programs.
- **Guy Carpenter:** The second-largest reinsurer on a global basis. It provides risk assessment analytics and actuarial services, mainly to insurance carriers.

## Consulting

The consulting segment comprises Mercer and Oliver Wyman Group.

**Mercer**  is a leading global provider of human resources consulting and related services. The company operates on a global basis in 41 countries. The focus is mainly large corporations, although it also competes in the middle-market arena.

Key Mercer segments include:

- *Health & Benefits*: This unit assists clients in setting up and servicing employee healthcare programs. It also provides advice on compliance with local benefits-related regulations and health and welfare benefits coverage programs.
- *Rewards, Talent & Communications*: This unit is focused on compensation programs and other ways to attract and maintain talent.
- *Outsourcing*: This unit allows clients to outsource all or part of the employee benefit administrative function to Mercer.
- *Investment Consulting & Management*: This unit advises pension funds, foundations, endowments, and other investors in more than 35 countries.

**Oliver Wyman Group** segments include:

- *Business Transformation*: This unit's focus is corporate strategy consulting.
- *Delta*: This unit's focus is organizational design and transformation consulting.
- *Finance and Risk*: This unit specializes in risk management consulting with a focus on the finance function.

## Earnings and Balance Sheet Factors

### Earnings Summary

Earnings growth should be solid over the next two years. We expect better underlying market fundamentals in the brokerage and consulting segment to pave the way for an average earnings growth rate of 11%. We forecast EPS to improve from \$1.66 in 2010 to \$2.04 in 2012. A large acquisition could result in upside to our forecasts.

### Risk and Insurance Services

Risk and Insurance Services income should be driven by solid revenue growth and modest expected margin expansion. We expect segment earnings to increase from \$1.08 billion in 2010 to \$1.21 billion in 2012, for an average growth rate of 6%. We expect revenue growth to average 5% for the next two years. This assumes organic growth of 2% to 3% and acquisition-related increases of 3%.

The pretax margin should continue to rise. We expect the margin (excluding investment income) to expand by 30 basis points and forecast it will reach 19.1% in 2012. This should be supported by better organic revenue and management's continued focus on cost management.

**Marsh & McLennan Companies, Inc.**  
**Brokerage Earnings Summary**  
(dollars in millions)

	2010	2011E	2012E
Revenue	\$5,764	\$6,017	\$6,339
Pretax Earnings	\$1,083	\$1,123	\$1,213
Margin	18.8%	18.7%	19.1%

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

## Consulting

We expect the consulting division to continue to rebound from a challenging 2008 and 2009. During the recession, pretax income declined by 25% from peak to trough, as lower demand for consulting services resulted in lower revenues. Despite a tough revenue environment in 2010, the division increased earnings by reducing its cost structure. The pretax margin improved to 11.4% in 2010 from 9.7% in 2009. Going forward, earnings growth will be more dependent on revenue momentum. We forecast consulting earnings will grow from \$553 million in 2010 to \$645 million in 2012. The underlying assumptions are an average of 5.5% revenue growth and the pretax margin expanding from 11.4% to 12.1%. Revenue growth should be driven by the potential for a gradual increase in demand for consulting services, particularly in the healthcare area. Oliver Wyman, which is more cyclical, could add to the revenue growth rate if the economy continues to pick up.

**Marsh & McLennan Companies, Inc.**  
**Consulting Earnings Summary**  
(dollars in millions)

	2010	2011E	2012E
Revenue	\$4,835	\$5,065	\$5,326
Pretax Earnings	\$553	\$602	\$645
Margin	11.4%	11.9%	12.1%

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

## Cash Flow and Balance Sheet Factors

**Cash flow.** Free cash flow should increase from roughly \$900 million in 2010 to \$1.1 billion by 2012. Combined with the \$1.9 billion of cash currently available, this should give Marsh significant flexibility over the next two years. Management has highlighted acquisitions and share buybacks as two priorities. Debt reductions are also a possibility. Our estimates assume \$730 million of cash will be used to repurchase shares over the next two years. Assuming Marsh does not do a larger acquisition, share repurchases will likely be accelerated.

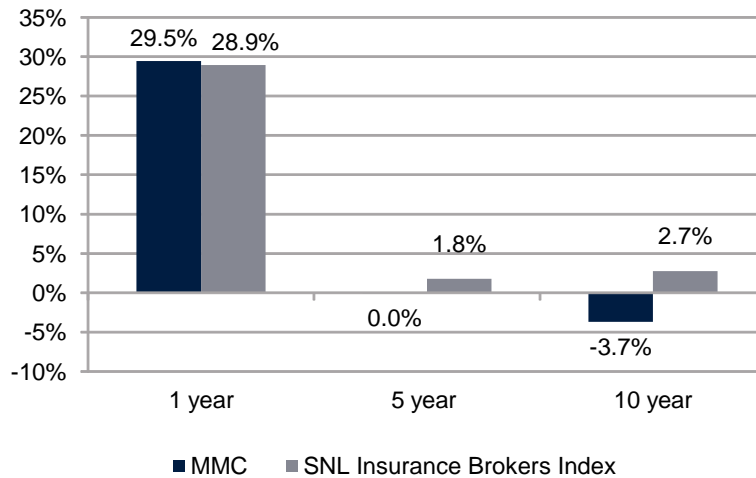
**Balance sheet.** Balance sheet strength has improved materially in the last few years. The sales of Kroll and Putnam provided ample cash to improve leverage. The result is that total debt has come down from \$4.9 billion in 2006 to just over \$3 billion at the end of 2010. The net-debt-to-EBITDA ratio, at 0.6 times, is at one of the lowest levels in the insurance broker sector.

## Stock Performance and Valuation

### Price

Marsh's stock has rebounded along with the group in the last year, but has yet to recover to pre-Spitzer levels. The stock was trading in a range of \$45 to \$55 from 2003 to mid-2004, when New York's attorney general launched an investigation into perceived conflicts of interest in the brokerage sector. Marsh was one of the major targets. Subsequently, the stock declined to the \$20 to \$30 range as the company needed to rebuild its earning power. Solid results and a renewed sense of confidence in management have pushed the stock close to the higher end of the range.

**Marsh McLennan & Companies, Inc.  
Average Annual Total Return**

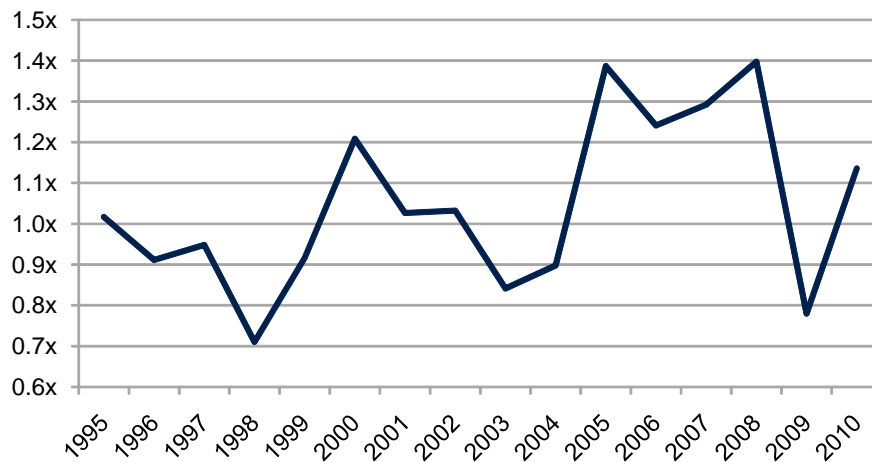


Sources: SNL and William Blair & Company, L.L.C. estimates

**Valuation**

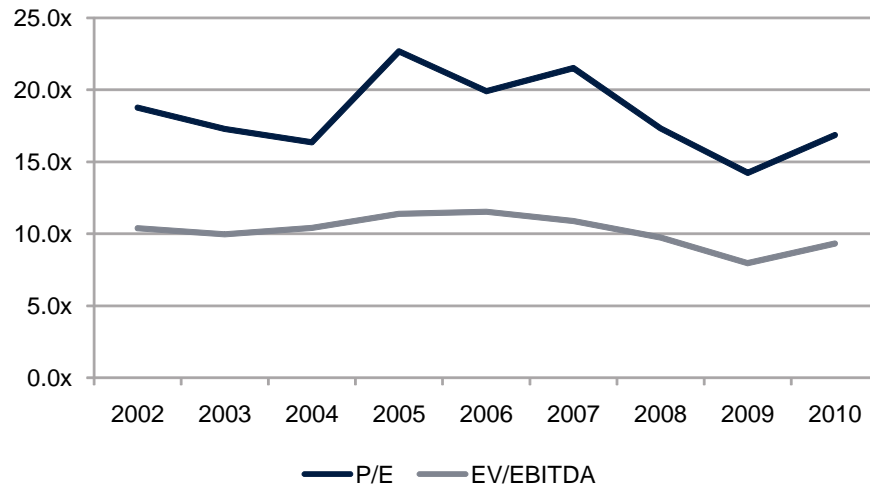
Marsh has historically traded at premium to the group. Marsh has averaged a 19-times forward P/E multiple over the last 10 years, compared with 18 times for the group. On a trailing-EV-to-EBITDA basis, Marsh averaged 10 times, versus 9 times for the group. Despite the company’s issues in recent years, the stock has maintained a valuation close to its historical average. The forward P/E average multiple over the last five years dipped to 18 times. The stock’s historical premium has been based on Marsh’s leadership positions in the brokerage and consulting sectors and a historically diversified earnings stream. On a relative basis (versus the S&P 500), the stock has averaged a 1.0-times multiple over the last 15 years.

**Marsh McLennan & Companies, Inc.  
MMC Relative P/E to S&P 500**



Sources: Thomson One, FactSet, and William Blair & Company, L.L.C. estimates

**Marsh McLennan & Companies, Inc.  
Historical P/E and EV/EBITDA Multiples**



Sources: Thomson One and FactSet

The valuation is currently at a discount to the group, even with the stock up by 25% in 2010. The forward P/E multiple of 16.9 times compares with the current group average of 18.2 times. It is at the median of the group, however, as the middle-market brokers (A.J. Gallagher and Brown & Brown) have an average P/E multiple of 21.8 times, and the two other large brokers (Aon and Willis) are averaging a P/E multiple of 15.3 times. We expect Marsh to stay in the middle for the near term. Recent moves by management are helping solidify the company's industry leadership positions. Given Marsh's large critical mass in both segments, however, we believe above-average growth will be a challenge and margins will likely be below historical averages.

**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	\$52.93	\$3.07	\$3.25	\$3.84	17.2x	16.3x	13.8x	16.0x	14.6x	10.1x	10.4x	7.6x	7.0x
AJG	M	\$31.62	\$1.41	\$1.50	\$1.75	22.4x	21.0x	18.1x	16.4x	16.7x	14.7x	11.8x	10.3x	9.1x
BRO	M	\$26.51	\$1.13	\$1.17	\$1.32	23.5x	22.6x	20.1x	17.8x	17.1x	15.5x	11.7x	11.2x	10.1x
MMC	M	\$30.78	\$1.66	\$1.82	\$2.04	18.6x	16.9x	15.1x	17.9x	16.2x	14.5x	10.6x	10.2x	9.6x
WSH	O	\$39.68	\$2.69	\$2.80	\$3.55	14.8x	14.2x	11.2x	13.0x	12.9x	10.4x	10.0x	9.7x	8.3x
Average						19.3x	18.2x	15.6x	16.2x	15.5x	13.1x	10.9x	9.8x	8.8x
Median						18.6x	16.9x	15.1x	16.4x	16.2x	14.5x	10.6x	10.2x	9.1x

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

**Marsh & McLennan Companies, Inc.**  
**Earnings Model**  
(dollars in millions)

	2009	Q1'10	Q2'10	Q3'10	Q4'10	2010	Q1'11E	Q2'11E	Q3'11E	Q4'11E	2011E	2012E
<b>INCOME STATEMENT</b>												
Insurance Services Revenues	\$5,284.0	\$1,492.0	\$1,459.0	\$1,327.0	\$1,486.0	\$5,764.0	\$1,552.2	\$1,529.2	\$1,388.0	\$1,547.5	\$6,016.8	\$6,338.5
% Change	-3%	9%	9%	8%	11%	9%	4%	5%	5%	4%	4%	5%
Risk Consulting and Technology	\$687.0	\$162.0	\$0.0	\$0.0	\$0.0	\$162.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
% Change	-31%	-13%	-100%	-100%	-100%	-76%	-100%	NM	NM	NM	-100%	0%
Consulting Services Revenues	\$4,609.0	\$1,155.0	\$1,168.0	\$1,203.0	\$1,309.0	\$4,835.0	\$1,198.1	\$1,219.8	\$1,263.2	\$1,383.6	\$5,064.6	\$5,326.2
% Change	-11%	7%	2%	5%	6%	5%	4%	4%	5%	6%	5%	5%
Interest Income	\$17.0	\$4.0	\$3.0	\$6.0	\$7.0	\$20.0	\$6.0	\$6.0	\$6.0	\$6.0	\$24.0	\$24.0
Investment Income	(\$2.0)	\$8.0	\$18.0	(\$2.0)	\$19.0	\$43.0	\$12.0	\$12.0	\$12.0	\$12.0	\$48.0	\$48.0
Corporate Eliminations	(\$68.0)	(\$14.0)	(\$21.0)	(\$6.0)	(\$10.0)	(\$51.0)	(\$15.0)	(\$15.0)	(\$15.0)	(\$15.0)	(\$60.0)	(\$60.0)
Corporate Eliminations % Revenue	-0.6%	-0.5%	-0.8%	-0.2%	-0.4%	-0.5%	-0.5%	-0.5%	-0.6%	-0.5%	-0.5%	-0.5%
<b>Total Revenues</b>	<b>\$10,527.0</b>	<b>\$2,807.0</b>	<b>\$2,627.0</b>	<b>\$2,528.0</b>	<b>\$2,811.0</b>	<b>\$10,773.0</b>	<b>\$2,753.3</b>	<b>\$2,752.0</b>	<b>\$2,654.1</b>	<b>\$2,934.0</b>	<b>\$11,093.5</b>	<b>\$11,676.7</b>
% Change	-9%	7%	-1%	2%	2%	2%	-2%	5%	5%	4%	3%	5%
Salaries and Benefits	\$6,240.0	\$1,650.0	\$1,614.0	\$1,586.0	\$1,690.0	\$6,540.0	\$1,631.8	\$1,657.3	\$1,668.4	\$1,797.9	\$6,755.4	\$7,060.8
% Change	-10%	7%	5%	2%	5%	5%	-1%	3%	5%	6%	3%	5%
Amortization of Intangibles	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
% Change												
Operating Expenses	\$2,941.0	\$706.0	\$1,042.0	\$699.0	\$770.0	\$3,217.0	\$757.5	\$769.4	\$774.6	\$834.7	\$3,136.1	\$3,277.9
% Change	-14%	1%	38%	0%	-2%	9%	7%	-26%	11%	8%	-3%	5%
Interest Expense	\$241.0	\$60.0	\$60.0	\$60.0	\$53.0	\$233.0	\$53.0	\$53.0	\$52.0	\$52.0	\$210.0	\$204.0
<b>Total Operating Expenses</b>	<b>\$9,422.0</b>	<b>\$2,416.0</b>	<b>\$2,273.0</b>	<b>\$2,315.0</b>	<b>\$2,459.0</b>	<b>\$9,463.0</b>	<b>\$2,336.3</b>	<b>\$2,373.6</b>	<b>\$2,391.0</b>	<b>\$2,580.6</b>	<b>\$9,681.6</b>	<b>\$10,134.7</b>
% Change	-11%	5%	-3%	0%	0%	0%	-3%	4%	3%	5%	3%	5%
<b>Pretax Operating Income</b>	<b>\$1,105.0</b>	<b>\$391.0</b>	<b>\$354.0</b>	<b>\$213.0</b>	<b>\$352.0</b>	<b>\$1,310.0</b>	<b>\$417.0</b>	<b>\$378.4</b>	<b>\$263.1</b>	<b>\$353.5</b>	<b>\$1,411.9</b>	<b>\$1,542.0</b>
<b>Pretax Operating Margin</b>	<b>10.5%</b>	<b>13.9%</b>	<b>13.5%</b>	<b>8.4%</b>	<b>12.5%</b>	<b>12.2%</b>	<b>15.1%</b>	<b>13.7%</b>	<b>9.9%</b>	<b>12.0%</b>	<b>12.7%</b>	<b>13.2%</b>
Special Items	(\$791.0)	\$0.0	\$443.0	\$0.0	\$0.0	\$443.0	\$0.0	\$0.0	\$0.0	\$0.0	\$886.0	\$886.0
Other Income	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Pretax Income	\$314.0	\$391.0	\$797.0	\$213.0	\$352.0	\$1,753.0	\$417.0	\$378.4	\$263.1	\$353.5	\$1,411.9	\$1,542.0
% Change	297%	47%	-805%	18%	-1860%	458%	7%	-53%	24%	0%	-19%	9%
Taxes	\$53.0	\$117.0	(\$60.0)	\$55.0	\$106.0	\$218.0	\$125.1	\$113.5	\$78.9	\$106.0	\$444.1	\$462.6
Tax Rate	16.9%	29.9%	-7.5%	25.8%	30.1%	12.4%	30.0%	30.0%	30.0%	30.0%	31.5%	30.0%
Taxes, Adjusted	\$241.0	\$117.0	\$95.1	\$55.0	\$122.0	\$389.1	\$125.1	\$113.5	\$78.9	\$106.0	\$423.6	\$462.6
Tax Rate, Adjusted	21.8%	29.9%	26.9%	26.9%	34.7%	29.7%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
Minority Interest (Net of Tax)	\$15.0	\$4.0	\$6.0	\$3.0	\$3.0	\$16.0	\$3.0	\$3.0	\$3.0	\$3.0	\$12.0	\$12.0
After-Tax Adjusted Income	\$830.0	\$270.0	\$250.0	\$155.0	\$227.0	\$902.0	\$288.9	\$261.8	\$181.2	\$244.4	\$976.3	\$1,067.4
% Change	10%	31%	45%	-38%	13%	9%	7%	5%	17%	8%	8%	9%
Adjustments Net	(\$444.0)	(\$22.0)	\$271.0	\$43.0	\$0.0	\$292.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
After-Tax Net Income Con. Ops.	\$386.0	\$248.0	\$521.0	\$198.0	\$227.0	\$1,194.0	\$288.9	\$261.8	\$181.2	\$244.4	\$976.3	\$1,067.4
After-Tax Net Income Without Minority	\$252.0	\$252.0	\$527.0	\$201.0	\$230.0	\$291.9	\$291.9	\$264.8	\$184.2	\$247.4	\$976.3	\$1,067.4
Operating Earnings	\$830.0	\$270.0	\$241.8	\$146.1	\$243.4	\$901.3	\$288.9	\$261.8	\$181.2	\$244.4	\$976.3	\$1,067.4
Net EPS - Continuing Operations	\$0.74	\$0.46	\$0.96	\$0.36	\$0.41	\$2.19	\$0.53	\$0.49	\$0.34	\$0.46	\$1.82	\$2.04
% Change	-656%	36%	-406%	-10%	36%	197%	16%	-49%	-6%	11%	-17%	12%
<b>Adjusted Operating EPS</b>	<b>\$1.59</b>	<b>\$0.50</b>	<b>\$0.46</b>	<b>\$0.28</b>	<b>\$0.41</b>	<b>\$1.66</b>	<b>\$0.53</b>	<b>\$0.49</b>	<b>\$0.34</b>	<b>\$0.46</b>	<b>\$1.82</b>	<b>\$2.04</b>
% Change	9%	26%	39%	-41%	9%	4%	6%	6%	20%	11%	10%	12%
<b>Adjusted Cash EPS</b>	<b>\$1.49</b>	<b>\$0.48</b>	<b>\$0.97</b>	<b>\$0.38</b>	<b>\$0.43</b>	<b>\$1.72</b>	<b>\$0.55</b>	<b>\$0.51</b>	<b>\$0.36</b>	<b>\$0.48</b>	<b>\$1.90</b>	<b>\$2.12</b>
% Change	0%	9%	192%	19%	9%	15%	15%	-48%	-6%	11%	10%	12%
Average Shares	523.5	536.0	545.0	548.0	549.0	544.5	540.5	537.5	534.5	531.5	536.0	523.0
Dividend/Share	\$0.81	\$0.22	\$0.22	\$0.22	\$0.22	\$0.88	\$0.23	\$0.23	\$0.23	\$0.23	\$0.92	\$0.96
EBITDA	\$1,717.0	\$548.0	\$491.0	\$350.0	\$482.0	\$1,871.0	\$547.0	\$508.4	\$392.1	\$482.5	\$1,929.9	\$2,054.0
EBITDA/Share	3.28	1.02	0.90	0.64	0.88	3.44	1.01	0.95	0.73	0.91	3.60	3.93
EBITDA Margin	16.3%	19.5%	18.7%	13.8%	17.1%	17.4%	19.9%	18.5%	14.8%	16.4%	17.4%	17.6%

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

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<b>Coverage Universe</b>	<b>Percent</b>	<b>Inv. Banking Relationships*</b>	<b>Percent</b>
Outperform (Buy)	65	Outperform (Buy)	9
Market Perform (Hold)	34	Market Perform (Hold)	1
Underperform (Sell)	1	Underperform (Sell)	0

\*Percentage of companies in each rating category that are investment banking clients, defined as companies for which William Blair has received compensation for investment banking services within the past 12 months.

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