Marsh & McLennan (MMC)

Updated January 31st, 2025 by Quinn Mohammed

Key Metrics

Current Price:	$225	**5 Year CAGR Estimate:**	8.9%	**Market Cap:**	$108 B
Fair Value Price:	$220	**5 Year Growth Estimate:**	8.0%	**Ex-Dividend Date[1]:**	01/30/2025
% Fair Value:	102%	**5 Year Valuation Multiple Estimate:**	-0.4%	**Dividend Payment Date[1]:**	02/14/2025
Dividend Yield:	1.5%	**5 Year Price Target**	$323	**Years of Dividend Growth:**	14
Dividend Risk Score:	C	**Retirement Suitability Score:**	D	**Rating:**	Hold

Overview & Current Events

Marsh McLennan is a global professional services holding company that specializes in risk, strategy, and people. The four main global businesses of the corporation are Marsh (insurance broker and risk management), Guy Carpenter (reinsurance and capital strategies), Mercer (human resources and consulting) and Oliver Wyman (strategy, economic and brand consulting). The company's roots trace back to 1871 as the Dan H. Bomar Company, giving it a 150+ year history of leadership and innovation. It has clients in 130 countries and over 90,000 colleagues across the globe. Marsh McLennan trades under the ticker symbol MMC on the NYSE. It is headquartered in New York, New York and trades with a market capitalization of $108 billion. The corporation generates $24 billion in annual revenues.

On July 10th, 2024, Marsh McLennan declared a 15% quarterly dividend increase to $0.815 per share.

In March 2024, Marsh McLennan acquired Querbers & Nelson, and Louisiana Companies, which are both middle-market agencies. In the same month, Mercer acquired Vanguard's U.S. OCIO business. Furthermore, MMC acquired Fisher Brown Bottrell Insurance, a large bank-affiliated U.S. insurance agency, in June.

On September 29th, 2024, MMC announced it is acquiring McGriff Insurance Services, a provider of insurance broking and risk management services, for $7.75 billion. McGriff produced $1.3 billion of revenue in the trailing twelve months.

Marsh McLennan reported fourth quarter 2024 results on January 30th, 2025. Consolidated revenue for the quarter increased 9% year-over-year to $6.1 billion. Adjusted operating income grew 9% year-over-year to $1.3 billion, and adjusted EPS rose 11% to $1.87 for the quarter, compared to $168 in Q4 2023.

The company did not repurchase any of its shares in the fourth quarter of 2024, but for the full year it repurchased 4.3 million shares for $900 million. Marsh ended the year with $2.4 billion in cash and cash equivalents.

For 2025, leadership expects Marsh to generate mid-single-digit underlying revenue growth, and adjusted EPS growth.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$2.98	$3.38	$3.88	$4.33	$3.41	$3.94	$6.17	$6.85	$7.99	$8.80	***$9.56***	***$14.05***
DPS	$1.18	$1.30	$1.43	$1.58	$1.74	$1.84	$2.00	$2.25	$2.84	$3.05	***$3.26***	***$4.79***
Shares[2]	522	515	509	504	504	504	503	495	492	491	***490***	***480***

Marsh McLennan, with only one or two earnings bumps in the past decade, has produced a consistent and positive record of earnings-per-share growth. In the past nine and five years, MMC has grown diluted EPS at 12.8% and 20.9% annually, on average. The dividend has grown at a 12% CAGR in the last five years. The corporation has successfully raised its dividend for fourteen consecutive years, and we see it growing in-line with earnings going forward.

As MMC continues to acquire new bolt-on businesses (as with Honan Insurance Group, PayneWest, Compass Financial Partners, Heritage Insurance, INSPRO, etc.), increase revenues, gain clients, expand operating margins, and repurchase shares, we expect the company to grow EPS at an 8.0% average annual rate into 2030 to earn $14.05.

---

[1] Estimate based on last year's date

[2] in millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

Marsh & McLennan (MMC)

Updated January 31st, 2025 by Quinn Mohammed

The payout ratio has been range-bound between 35% and 50% in the last decade. For 2025 and over the intermediate term, we expect the payout ratio to be at the bottom of this range, which leaves ample space for continued growth in the dividend. As a result, we also expect the dividend to grow by 8% per annum to reach $4.79 in 2030.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	18.9	18.8	19.9	19.2	28.6	27.7	30.7	25.3	28.2	26.8	***23.5***	***23.0***
Avg. Yld.	2.1%	2.0%	1.9%	1.9%	1.8%	1.7%	1.3%	1.3%	1.3%	1.4%	***1.5%***	***1.5%***

Marsh McLennan trades at 23.5 times this year's expected net earnings. This is below both the 10-year average PE of 24.4 and 5-year average PE of 27.7. We find that shares are trading above our estimate of fair value, resulting in an expected negative impact on total returns from the valuation. The dividend yield is slightly higher than the current yield of the S&P 500, as a result, MMC may not be attractive to yield-seeking income investors.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	40%	38%	37%	36%	51%	47%	32%	33%	36%	35%	***34%***	***34%***

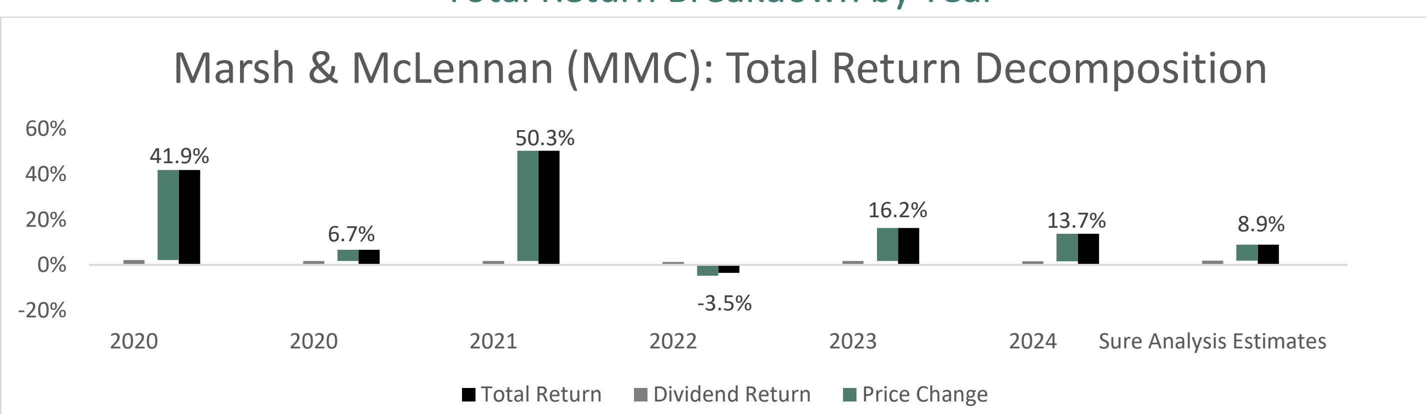
The payout ratio has generally remained below 50% of earnings, thus we see the dividend as being very safe. During the great financial crisis, MMC kept the dividend steady at $0.80 rather than increasing it which is why the dividend streak is 14 years, but we would like to point out that the dividend was not cut, and the corporation remained financially prudent. While earnings took a dive in 2007 – 2008, by 2009 they were again quite healthy (78% payout ratio showed the dividend as solvent), and surpassed previous records by 2011.

Marsh McLennan has a broad competitive advantage in that it has unparalleled geographic reach with clients in 130 countries, with about 23 of these countries contributing over $100 million in revenue. Additionally, Marsh McLennan lists its talent pool as an advantage considering it has 90,000 experienced, diverse, and dynamic colleagues, approximately one third of which have over 10 years of tenure. Its scale is massive, and it is in leading positions across insurance brokerages and consulting, and possess one of the largest capex spend among insurance brokers.

Final Thoughts & Recommendation

Marsh McLennan is a leading global professional services firm, with a wide range of businesses. We are forecasting annualized total returns of 8.9% into 2030, and the stock trades 2% above our estimate of fair value. While we expect the company to continue growing, it appears to be trading with no margin of safety. MMC continues to earn a hold rating.

Total Return Breakdown by Year



Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

Marsh & McLennan (MMC)

Updated January 31st, 2025 by Quinn Mohammed

Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	12,893	13,211	14,024	14,950	16,652	17,224	19,820	20,720	22,740	24460
Gross Profit	5,559	5,517	5,939	6,345	6,918	7,095	8,395	8,649	9,637	10460
Gross Margin	43.1%	41.8%	42.3%	42.4%	41.5%	41.2%	42.4%	41.7%	42.4%	42.8%
D&A Exp.	423	438	481	494	647	741	747	719	713	746
Operating Profit	2,419	2,431	2,655	2,761	2,677	3,066	4,312	4,280	5,282	5817
Operating Margin	18.8%	18.4%	18.9%	18.5%	16.1%	17.8%	21.8%	20.7%	23.2%	23.8%
Net Profit	1,599	1,768	1,492	1,650	1,742	2,016	3,143	3,050	3,756	4060
Net Margin	12.4%	13.4%	10.6%	11.0%	10.5%	11.7%	15.9%	14.7%	16.5%	16.6%
Free Cash Flow	1,563	1,754	1,591	2,114	1,940	3,034	3,110	2,995	3,842	3986
Income Tax	671	685	1,133	574	666	747	1,034	995	1,224	1363

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	18,216	18,190	20,429	21,578	31,357	33,049	34,388	33,454	48,030	56480
Cash & Equivalents	1,374	1,026	1,205	1,066	1,155	2,089	1,752	1,442	3,358	2398
Accounts Receivable	3,198	3,370	3,777	3,984	4,608	4,679	5,586	5,852	6,418	7156
Goodwill & Int. Ass.	8,925	9,495	10,363	11,036	17,445	18,216	19,127	18,788	19,860	28130
Total Liabilities	11,614	11,918	12,987	13,994	23,414	23,789	23,166	22,705	35,660	42950
Accounts Payable	1,886	1,969	2,083	2,234	2,746	3,050	3,165	3,278	3,403	3402
Long-Term Debt	4,414	4,807	5,487	5,824	11,956	11,313	10,950	11,495	13,460	19950
Shareholder's Equity	6,513	6,192	7,359	7,511	7,793	9,104	11,222	10,749	12,370	13540
LTD/E Ratio	0.68	0.78	0.75	0.78	1.53	1.24	0.98	1.07	1.09	1.47

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	8.9%	9.7%	7.7%	7.9%	6.6%	6.3%	9.3%	9.0%	9.2%	7.8%
Return on Equity	23.6%	27.8%	22.0%	22.2%	22.8%	23.9%	30.9%	28.0%	32.8%	31.4%
ROIC	14.9%	16.0%	12.4%	12.5%	10.5%	10.0%	14.7%	13.7%	15.6%	13.7%
Shares Out.	522	515	509	504	503.6	503.6	503.0	505	499	496
Revenue/Share	24.05	25.21	27.02	29.26	32.59	33.64	38.64	41.03	45.56	49.31
FCF/Share	2.92	3.35	3.07	4.14	3.80	5.93	6.06	5.93	7.70	8.04

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.