



Aon Plc (AON)

Updated May 4th, 2025, by Josh Arnold

Key Metrics

Current Price:	\$356	5 Year CAGR Estimate:	13.0%	Market Cap:	\$77 B
Fair Value Price:	\$360	5 Year Growth Estimate:	12.0%	Ex-Dividend Date:	08/01/25 ¹
% Fair Value:	99%	5 Year Valuation Multiple Estimate:	0.2%	Dividend Payment Date:	08/15/25
Dividend Yield:	0.8%	5 Year Price Target	\$635	Years Of Dividend Growth:	14
Dividend Risk Score:	A	Sector:	Financials	Rating:	Buy

Overview & Current Events

Aon is a professional services firm headquartered in London, United Kingdom. The company provides a variety of services including consulting, risk management, and health plan management. Aon has approximately 500 offices worldwide that serve 120 countries through a workforce that numbers about 60,000. U.S. investors can initiate an ownership stake in Aon through American Depositary Receipts that trade with a market capitalization of \$77 billion on the New York Stock Exchange, under the ticker AON. Aon should generate just over \$17 billion in revenue this year.

Aon posted first quarter earnings on April 25th, 2025, and results were worse than expected on both the top and bottom lines. Adjusted earnings-per-share came to \$5.67, which was a staggering 36 cents light of estimates. Revenue soared 16% higher year-on-year to \$4.73 billion, but missed estimates by \$130 million. Organic revenue was up 5% year-over-year, with the balance accruing from acquisitions.

Operating expenses were \$3.27 billion, up from \$3.06 billion in Q4, and much higher from \$2.61 billion in the year-ago period. Free cash flow was \$84 million, down enormously from Q4's \$1.15 billion. We note Aon's free cash flow is hugely volatile from quarter to quarter.

Operating margin was 38.4% of revenue, up from Q4's 33.3%, but off from 39.7% a year ago.

Guidance was reaffirmed for the year, including organic revenue growth of mid-single digits or better, and double-digit free cash flow, as well as adjusted operating margin expansion. We now see \$17.15 in adjusted earnings-per-share for this year after Q1's relatively rough start.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$4.88	\$5.16	\$6.52	\$8.16	\$9.17	\$9.81	\$12.00	\$13.39	\$14.14	\$15.60	\$17.15	\$30.22
DPS	\$1.15	\$1.29	\$1.41	\$1.56	\$1.72	\$1.78	\$1.99	\$2.19	\$2.41	\$2.64	\$2.98	\$5.25
Shares²	270	262	254	245	237	230	215	205	198	216	220.0	220.0

Between 2011 and 2020, Aon compounded its adjusted earnings-per-share at a rate of nearly 15% per year. Looking ahead, we believe that the company's growth is likely to continue to be quite strong, albeit a bit slower than its historical pace. More specifically, we are forecasting 12% annualized earnings growth over a full economic cycle.

Management continues to be bullish, and rightfully so, as Aon's businesses are posting very strong rates of growth, for the most part. We see expense savings as a driver of earnings growth along with the buyback, and organic revenue growth should continue to move the top line higher as well. On the contrary, Q1 results showed a lack of progress on expense savings. Given the broad assortment of professional services the company offers as well as its global footprint, we are bullish on Aon's future. We note forex translation has been a sizable headwind in the past, but Aon has thus far been able to overcome that, and then some. There is upside potential so long as the company can continue to grow expenses at a slower rate than the top line. We note the NFP acquisition as a driver as well in the years to come, with Q4 results highlighting the potential of the acquisition with extremely strong revenue growth, with cost savings coming.

¹ Estimated date

² Share count in millions

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



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The dividend should continue to rise at roughly the rate of earnings, and we forecast the payout to be at \$5.25 in 2030, up from the current \$2.98. Aon is not a high-yield stock by any means, but its dividend growth potential is robust given the very low payout ratio, and strong earnings growth outlook.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	19.8	20.4	20.1	17.9	17.7	20.3	21.6	22.4	20.6	23.0	20.8	21.0
Avg. Yld.	1.2%	1.2%	1.1%	1.1%	0.9%	0.9%	0.8%	0.7%	0.8%	0.7%	0.8%	0.8%

Aon has traded at an average price-to-earnings ratio of ~19 over the last decade, and we are using 21 for a fair value estimate as more recent years have seen higher valuations. The company is trading for a price-to-earnings ratio of 20.8 using our 2025 earnings-per-share estimate. That implies a fractional tailwind to total returns from the valuation, as Aon is trading very close to our estimate of fair value. We see the yield staying about where it is for the foreseeable future, noting Aon is not – and likely will not be for some time – a pure income stock.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	24%	25%	22%	19%	19%	18%	17%	16%	17%	17%	17%	17%

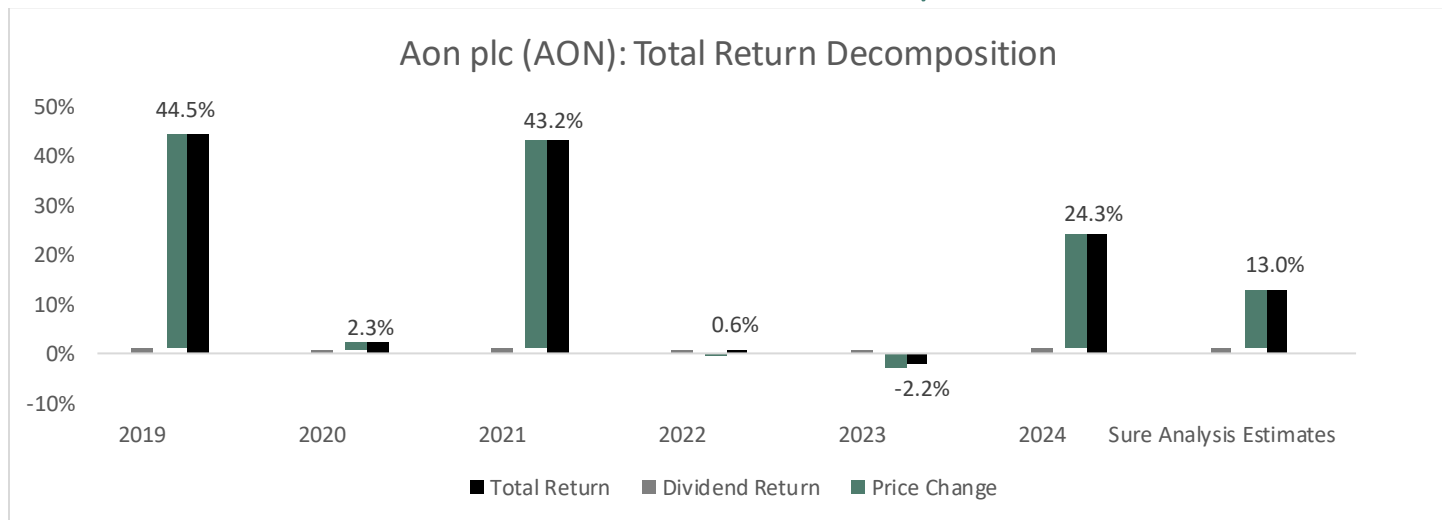
Aon's payout ratio is still very low, consistent with the company's historical practices, and we do not believe that will change. We see the dividend remaining around one-sixth of total earnings, so the payout is extremely safe. However, this means Aon is highly unlikely to have a meaningful yield anytime soon. Management has stated that it plans to protect the dividend during periods of uncertainty, and we see no reasonable scenario where Aon's dividend would be at risk.

Aon was resilient during the Great Recession, and that was certainly the case again during the COVID crisis, the product of its very diversified revenue streams. This is also a competitive advantage for the firm, along with its world-class client list and reputation.

Final Thoughts & Recommendation

We are forecasting 13% total annual returns, consisting of the 0.8% yield, 12% EPS growth, and basically no impact from the valuation. We're reiterating the stock at a buy rating after Q1 results. Aon offers dividend growth potential, but also a long runway for earnings-per-share growth.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	9,480	9,409	9,998	10,770	11,013	11,066	12,193	12,479	13,376	15,698
SG&A Exp.	3,875	3,895	3,995	4,667	4,959	5,161	5,455	2,069	1,862	1,966
D&A Exp.	40.9%	41.4%	40.0%	43.3%	45.0%	46.6%	44.7%	264	256	686
Operating Profit	1,951	1,765	2,039	2,354	2,226	1,967	3,039	3,669	3,822	4,224
Operating Margin	338	319	891	769	564	413	326	29.4%	28.6%	26.9%
Net Profit	1,587	1,811	1,065	1,544	2,169	2,781	2,090	2,589	2,564	2,654
Net Margin	16.7%	19.2%	10.7%	14.3%	19.7%	25.1%	17.1%	20.7%	19.2%	16.9%
Free Cash Flow	1,385	1,396	1,226	1,134	1,532	1,969	1,255	3,023	3,183	2,817
Income Tax	14.6%	14.8%	12.3%	10.5%	13.9%	17.8%	10.3%	510	541	742

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	26,883	26,615	26,088	26,422	29,405	32,114	31,928	32,704	33,959	48,965
Cash & Equivalents	384	426	756	656	790	884	544	690	778	1,085
Acc. Receivable	2,564	2,106	2,478	2,760	3,112	3,070	3,094	3,035	3,254	3,803
Goodwill & Int.	10,628	9,300	10,091	9,320	8,948	9,306	8,926	8,739	8,648	21,942
Total Liabilities	20,824	21,083	21,440	22,203	25,956	28,531	30,770	33,133	34,701	42,535
Accounts Payable	1,772	1,604	1,961	1,943	1,939	2,016	2,192	18,014	2,262	2,905
Long-Term Debt	5,700	6,205	5,966	6,244	7,339	7,729	9,392	10,770	11,199	17,016
Total Equity	6,002	5,475	4,583	4,151	3,375	3,495	1,061	-529	-826	6,121
LTD/E Ratio	0.95	1.13	1.30	1.50	2.17	2.21	8.85	-20.36	-13.56	2.78

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	4.9%	5.2%	4.7%	4.3%	5.5%	6.4%	3.9%	8.0%	7.7%	6.4%
Return on Equity	22.0%	24.3%	24.4%	26.0%	40.7%	57.3%	55.1%	710%	---	93.3%
ROIC	11.6%	11.9%	11.0%	10.8%	14.4%	17.8%	11.5%	24.8%	24.7%	15.7%
Shares Out.	270	262	254	245	237	230	215	213	205	213
Revenue/Share	33.40	34.81	38.35	43.60	45.77	47.47	53.93	58.53	65.25	73.87
FCF/Share	6.37	8.03	2.11	5.85	6.69	11.33	9.04	14.18	15.53	13.26

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

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