

ARTHUR J. GALLAGHER & CO. ANNOUNCES FIRST QUARTER 2023 FINANCIAL RESULTS

ROLLING MEADOWS, IL, April 27, 2023 — Arthur J. Gallagher & Co. (NYSE: AJG) today reported its financial results for the quarter ended March 31, 2023. Management will host a webcast conference call to discuss these results on Thursday, April 27, 2023 at 5:15 p.m. ET/4:15 p.m. CT. To listen to the call, and for printer-friendly formats of this release and the “CFO Commentary” and “Supplemental Quarterly Data,” which may also be referenced during the call, please visit ajg.com/IR. These documents contain both GAAP and non-GAAP measures. Investors and other users of this information should read carefully the section entitled “Information Regarding Non-GAAP Measures” beginning on page 8.

Summary of Financial Results - First Quarter

Segment	Revenues Before Reimbursements		Net Earnings (Loss)		EBITDAC		Diluted Net Earnings (Loss) Per Share	
	1st Q 23	1st Q 22	1st Q 23	1st Q 22	1st Q 23	1st Q 22	1st Q 23	1st Q 22
	(in millions)		(in millions)		(in millions)			
Brokerage, as reported	\$ 2,375.2	\$ 2,122.6	\$ 515.3	\$ 464.3	\$ 880.6	\$ 786.4	\$ 2.37	\$ 2.17
Net gains on divestitures	(0.2)	(1.4)	(0.2)	(1.1)	(0.2)	(1.4)	-	(0.01)
Acquisition integration	-	-	39.7	35.0	51.2	43.8	0.18	0.17
Workforce and lease termination	-	-	11.8	5.0	15.4	6.2	0.06	0.02
Acquisition related adjustments	-	-	25.6	16.4	11.4	9.0	0.12	0.08
Amortization of intangible assets	-	-	89.1	93.7	-	-	0.41	0.44
Effective income tax rate impact	-	-	-	(7.7)	-	-	-	(0.03)
Levelized foreign currency translation	-	(40.4)	-	(4.8)	-	(7.4)	-	(0.02)
Brokerage, as adjusted *	2,375.0	2,080.8	681.3	600.8	958.4	836.6	3.14	2.82
Risk Management, as reported	297.6	259.1	33.5	23.9	55.9	44.1	0.15	0.11
Net gains on divestitures	(0.1)	-	(0.1)	-	(0.1)	-	-	-
Workforce and lease termination	-	-	0.5	0.5	0.6	0.7	-	-
Acquisition related adjustments	-	-	0.1	-	0.1	0.1	-	-
Acquisition integration	-	-	0.4	-	0.6	-	-	-
Amortization of intangible assets	-	-	1.1	1.2	-	-	0.01	0.01
Levelized foreign currency translation	-	(3.0)	-	(0.1)	-	(0.3)	-	-
Risk Management, as adjusted *	297.5	256.1	35.5	25.5	57.1	44.6	0.16	0.12
Corporate, as reported	0.1	22.8	(62.2)	(49.1)	(61.6)	(48.2)	(0.28)	(0.23)
Transaction-related costs	-	-	3.3	14.6	4.4	15.8	0.01	0.07
Legal and tax related	-	-	-	(5.0)	-	-	-	(0.02)
Corporate, as adjusted *	0.1	22.8	(58.9)	(39.5)	(57.2)	(32.4)	(0.27)	(0.18)
Total Company, as reported	\$ 2,672.9	\$ 2,404.5	\$ 486.6	\$ 439.1	\$ 874.9	\$ 782.3	\$ 2.24	\$ 2.05
Total Company, as adjusted *	\$ 2,672.6	\$ 2,359.7	\$ 657.9	\$ 586.8	\$ 958.3	\$ 848.8	\$ 3.03	\$ 2.76
Total Brokerage & Risk Management, as reported	\$ 2,672.8	\$ 2,381.7	\$ 548.8	\$ 488.2	\$ 936.5	\$ 830.5	\$ 2.52	\$ 2.28
Total Brokerage & Risk Management, as adjusted *	\$ 2,672.5	\$ 2,336.9	\$ 716.8	\$ 626.3	\$ 1,015.5	\$ 881.2	\$ 3.30	\$ 2.94

* For first quarter 2023, the pretax impact of the Brokerage segment adjustments totals \$220.1 million, with a corresponding adjustment to the provision for income taxes of \$54.1 million relating to these items. For first quarter 2023, the pretax impact of the Risk Management segment adjustments totals \$2.7 million, with a corresponding adjustment to the provision for income taxes of \$0.7 million relating to these items. For first quarter 2023, the pretax impact of the Corporate segment adjustments totals \$4.4 million, with a corresponding adjustment to the benefit for income taxes of \$1.1 million relating to these items and the other tax items noted on page 6. A detailed reconciliation of the 2023 and 2022 provision (benefit) for income taxes is shown on pages 12 and 13.

“We had an excellent start to 2023,” said J. Patrick Gallagher, Jr., Chairman, President and CEO. “Our core brokerage and risk management segments combined to post 12% reported revenue growth, 9.7% organic revenue growth, 12% growth in reported net earnings, 15% growth in adjusted EBITDAC, and we improved our adjusted EBITDAC margin 29 basis points.

“First quarter primary insurance market conditions are overall consistent with 2022 with renewal premiums up more than 9%. The property reinsurance market is very hard and we are seeing tighter terms and conditions across a broader range of territories - even into casualty reinsurance lines. And, we continue to see growth in our customers’ exposure units and payrolls.

“We expect insurance and reinsurance pricing increases to continue throughout 2023 and beyond. Our talented team will leverage our expertise, data and insights to help clients with these challenging insurance market conditions. I believe we are very well positioned for the remainder of 2023!”

Brokerage Segment Reported GAAP to Adjusted Non-GAAP Reconciliations (dollars in millions):

<u>Organic Revenues (Non-GAAP)</u>	<u>1st Q 2023</u>	<u>1st Q 2022</u>
<u>Base Commissions and Fees</u>		
Commissions and fees, as reported	\$ 2,160.1	\$ 1,957.2
Less commissions and fees from acquisitions	(57.4)	-
Levelized foreign currency translation	-	(36.6)
Organic base commissions and fees	<u>\$ 2,102.7</u>	<u>\$ 1,920.6</u>
Organic change in base commissions and fees	<u>9.5%</u>	
<u>Supplemental Revenues</u>		
Supplemental revenues, as reported	\$ 81.6	\$ 74.3
Less supplemental revenues from acquisitions	(0.6)	-
Levelized foreign currency translation	-	(1.6)
Organic supplemental revenues	<u>\$ 81.0</u>	<u>\$ 72.7</u>
Organic change in supplemental revenues	<u>11.4%</u>	
<u>Contingent Revenues</u>		
Contingent revenues, as reported	\$ 71.8	\$ 71.6
Less contingent revenues from acquisitions	(3.2)	-
Levelized foreign currency translation	-	(0.9)
Organic contingent revenues	<u>\$ 68.6</u>	<u>\$ 70.7</u>
Organic change in contingent revenues	<u>-3.0%</u>	
Total reported commissions, fees, supplemental revenues and contingent revenues	\$ 2,313.5	\$ 2,103.1
Less commissions, fees, supplemental revenues and contingent revenues from acquisitions	(61.2)	-
Levelized foreign currency translation	-	(39.1)
Total organic commissions, fees, supplemental revenues and contingent revenues	<u>\$ 2,252.3</u>	<u>\$ 2,064.0</u>
Total organic change	<u>9.1%</u>	
<u>Acquisition Activity</u>	<u>1st Q 2023</u>	<u>1st Q 2022</u>
Number of acquisitions closed *	10	5
Estimated annualized revenues acquired (in millions)	<u>\$ 69.0</u>	<u>\$ 32.2</u>

* In the first quarter of 2023, Gallagher issued 131,000 shares of its common stock directly to sellers in connection with acquisitions.

Brokerage Segment Reported GAAP to Adjusted Non-GAAP Reconciliations (continued) (dollars in millions):

Compensation Expense and Ratios

	<u>1st Q 2023</u>	<u>1st Q 2022</u>
Compensation expense, as reported	\$ 1,206.1	\$ 1,096.4
Acquisition integration	(34.1)	(30.3)
Workforce and lease termination related charges	(13.4)	(5.5)
Acquisition related adjustments	(11.4)	(9.0)
Levelized foreign currency translation	-	(27.5)
Compensation expense, as adjusted	<u>\$ 1,147.2</u>	<u>\$ 1,024.1</u>
Reported compensation expense ratios using reported revenues on page 1	* <u>50.8%</u>	<u>51.7%</u>
Adjusted compensation expense ratios using adjusted revenues on page 1	** <u>48.3%</u>	<u>49.2%</u>

* Reported first quarter 2023 compensation ratio was 0.9 lower than first quarter 2022. This ratio was primarily impacted by savings related to back office headcount controls and movements in foreign exchange rates, partially offset by increased workforce related charges, as well as the hiring of producers and other roles to service and support organic growth.

** Adjusted first quarter 2023 compensation ratio was 0.9 pts lower than first quarter 2022. This ratio was primarily impacted by savings related to back office headcount controls, partially offset by the hiring of producers and other roles to service and support organic growth.

Operating Expense and Ratios

	<u>1st Q 2023</u>	<u>1st Q 2022</u>
Operating expense, as reported	\$ 288.5	\$ 239.8
Acquisition integration	(17.1)	(13.5)
Workforce and lease termination related charges	(2.0)	(0.7)
Levelized foreign currency translation	-	(5.5)
Operating expense, as adjusted	<u>\$ 269.4</u>	<u>\$ 220.1</u>
Reported operating expense ratios using reported revenues on page 1	* <u>12.2%</u>	<u>11.3%</u>
Adjusted operating expense ratios using adjusted revenues on page 1	** <u>11.3%</u>	<u>10.6%</u>

* Reported first quarter operating expense ratio was 0.9 pts higher than first quarter 2022. This ratio was primarily impacted by the return of, and underlying inflation of, advertising, travel, entertainment and other client-related expenses, additional investments in technology, and higher integration and lease termination related charges. These expenses were partially offset by savings from office consolidations.

** Adjusted first quarter operating expense ratio was 0.7 pts higher than first quarter 2022. This ratio was primarily impacted by the return of, and underlying inflation of, advertising, travel, entertainment and other client-related expenses, as well as additional investments in technology. These expenses were partially offset by savings from office consolidations.

Brokerage Segment Reported GAAP to Adjusted Non-GAAP Reconciliations (continued) (dollars in millions):

<u>Net Earnings to Adjusted EBITDAC (Non-GAAP)</u>	<u>1st Q 2023</u>	<u>1st Q 2022</u>
Net earnings, as reported	\$ 515.3	\$ 464.3
Provision for income taxes	175.6	154.1
Depreciation	27.9	24.2
Amortization	120.2	123.0
Change in estimated acquisition earnout payables	41.6	20.8
EBITDAC	880.6	786.4
Net gains on divestitures	(0.2)	(1.4)
Acquisition integration	51.2	43.8
Workforce and lease termination related charges	15.4	6.2
Acquisition related adjustments	11.4	9.0
Levelized foreign currency translation	-	(7.4)
EBITDAC, as adjusted	\$ 958.4	\$ 836.6
Net earnings margin, as reported using reported revenues on page 1	21.7%	21.9%
EBITDAC margin, as adjusted using adjusted revenues on page 1	40.4%	40.2%

Risk Management Segment Reported GAAP to Adjusted Non-GAAP Reconciliations (dollars in millions):

<u>Organic Revenues (Non-GAAP)</u>	<u>1st Q 2023</u>	<u>1st Q 2022</u>
Fees	\$ 288.8	\$ 255.3
International performance bonus fees	4.2	3.7
Fees as reported	293.0	259.0
Less fees from acquisitions	(1.4)	-
Less divested operations	-	(0.9)
Levelized foreign currency translation	-	(2.9)
Organic fees	\$ 291.6	\$ 255.2
Organic change in fees	14.3%	

Risk Management Segment Reported GAAP to Adjusted Non-GAAP Reconciliations (continued) (dollars in millions):

Compensation Expense and Ratios

	<u>1st Q 2023</u>	<u>1st Q 2022</u>
Compensation expense, as reported	\$ 179.8	\$ 158.7
Acquisition integration	(0.6)	-
Workforce and lease termination related charges	(0.4)	(0.3)
Acquisition related adjustments	(0.1)	(0.1)
Levelized foreign currency translation	-	(2.2)
Compensation expense, as adjusted	<u>\$ 178.7</u>	<u>\$ 156.1</u>
Reported compensation expense ratios using reported revenues (before reimbursements) on page 1	* <u>60.4%</u>	<u>61.3%</u>
Adjusted compensation expense ratios using adjusted revenues (before reimbursements) on page 1	** <u>60.1%</u>	<u>61.0%</u>

* Reported first quarter 2023 compensation ratio was 0.9 pts lower than first quarter 2022. This ratio was primarily impacted by savings in temporary help, savings in compensation expense related to headcount controls and movements in foreign exchange rates, partially offset by higher integration expenses.

** Adjusted first quarter 2023 compensation ratio was 0.9 pts lower than first quarter 2022. This ratio was primarily impacted by savings in temporary help and savings in compensation expense related to headcount controls.

Operating Expense and Ratios

	<u>1st Q 2023</u>	<u>1st Q 2022</u>
Operating expense, as reported	\$ 61.9	\$ 56.3
Workforce and lease termination related charges	(0.2)	(0.4)
Levelized foreign currency translation	-	(0.5)
Operating expense, as adjusted	<u>\$ 61.7</u>	<u>\$ 55.4</u>
Reported operating expense ratios using reported revenues (before reimbursements) on page 1	* <u>20.8%</u>	<u>21.7%</u>
Adjusted operating expense ratios using reported revenues (before reimbursements) on page 1	* <u>20.7%</u>	<u>21.6%</u>

* Reported first quarter 2023 operating expense ratio was 0.9 pts lower than first quarter 2022. Adjusted first quarter 2023 operating expense ratio was 0.9 pts lower than first quarter 2022. Both ratios were impacted by savings across multiple categories, including professional fees, business insurance and real estate savings related to office consolidations. These expenses were partially offset by the return of, and underlying inflation of, advertising, travel, entertainment and other client-related expenses.

Net Earnings to Adjusted EBITDAC (Non-GAAP)

	<u>1st Q 2023</u>	<u>1st Q 2022</u>
Net earnings, as reported	\$ 33.5	\$ 23.9
Provision for income taxes	12.0	8.4
Depreciation	8.7	10.1
Amortization	1.5	1.6
Change in estimated acquisition earnout payables	0.2	0.1
EBITDAC	<u>55.9</u>	<u>44.1</u>
Net gains on divestitures	(0.1)	-
Workforce and lease termination related charges	0.6	0.7
Acquisition related adjustments	0.1	0.1
Acquisition integration	0.6	-
Levelized foreign currency translation	-	(0.3)
EBITDAC, as adjusted	<u>\$ 57.1</u>	<u>\$ 44.6</u>
Net earnings margin, as reported using reported revenues (before reimbursements) on page 1	<u>11.3%</u>	<u>9.2%</u>
EBITDAC margin, as adjusted using adjusted revenues (before reimbursements) on page 1	<u>19.2%</u>	<u>17.4%</u>

Corporate Segment Reported GAAP Information (dollars in millions):

	2023			2022		
	Pretax Loss	Income Tax Benefit	Net Earnings (Loss) Attributable to Controlling Interests	Pretax Loss	Income Tax Benefit	Net Earnings (Loss) Attributable to Controlling Interests
1st Quarter						
Components of Corporate Segment, as reported						
Interest and banking costs	\$ (68.7)	\$ 17.9	\$ (50.8)	\$ (64.5)	\$ 16.8	\$ (47.7)
Clean energy related (1)	(2.2)	0.6	(1.6)	(2.7)	0.7	(2.0)
Acquisition costs (2)	(9.5)	1.5	(8.0)	(18.4)	1.4	(17.0)
Corporate (3) (4)	(49.5)	48.4	(1.1)	(27.1)	45.0	17.9
Reported 1st Quarter	(129.9)	68.4	(61.5)	(112.7)	63.9	(48.8)
Adjustments						
Transaction-related costs (2)	4.4	(1.1)	3.3	15.8	(1.2)	14.6
Income tax related (3)	-	-	-	-	(5.0)	(5.0)
Components of Corporate Segment, as adjusted						
Interest and banking costs	(68.7)	17.9	(50.8)	(64.5)	16.8	(47.7)
Clean energy related (1)	(2.2)	0.6	(1.6)	(2.7)	0.7	(2.0)
Acquisition costs	(5.1)	0.4	(4.7)	(2.6)	0.2	(2.4)
Corporate (4)	(49.5)	48.4	(1.1)	(27.1)	40.0	12.9
Adjusted 1st Quarter	\$ (125.5)	\$ 67.3	\$ (58.2)	\$ (96.9)	\$ 57.7	\$ (39.2)

- (1) Pretax loss for the first quarter is presented net of amounts attributable to noncontrolling interests of \$(0.7) million in 2023 and \$(0.3) million in 2022.
- (2) Gallagher incurred transaction-related costs, which include legal, consulting, employee compensation and other professional fees primarily associated with our acquisition of the Willis Towers Watson treaty reinsurance brokerage operations (primarily related to deferred closings in certain jurisdictions in 2022) and the acquisition of Buck, which was signed on December 20, 2022 and closed on April 3, 2023.
- (3) In first quarter 2022, Gallagher increased its state effective income tax rate, which resulted in the overall U.S. effective income tax rate increasing from 25% to 26%, and caused Gallagher to have additional income tax benefit during the quarter and recognized a one-time benefit related to the revaluation of certain deferred income tax assets.
- (4) Corporate pretax loss includes a net unrealized foreign exchange remeasurement loss of \$0.1 million in first quarter 2023 and a net unrealized foreign exchange remeasurement gain of \$3.1 million in first quarter 2022.

Interest and banking costs and debt - At March 31, 2023, Gallagher had \$2,550.0 million of borrowings from public debt, \$4,198.0 million of borrowings from private placements and no short-term borrowings under its line of credit facility. In addition, Gallagher had \$159.8 million outstanding under a revolving loan facility that provides funding for premium finance receivables, which are fully collateralized by the underlying premiums held by insurance carriers, and as such are excluded from our debt covenant computations. On March 2, 2023, we closed and funded an offering of \$950.0 million of unsecured senior notes in two tranches. The \$350.0 million aggregate principal amount of 5.50% Senior Notes are due 2033 and \$600.0 million aggregate principal amount of 5.75% Senior Notes are due 2053. The weighted average interest rate is 5.05% per annum after giving effect to underwriting costs and a related realized interest rate hedge gain.

Clean energy – For 2023, this consists of operating results related to our investments in new clean energy projects and the wind up of our investments in clean coal production plants. The production of IRC Section 45 clean energy tax credits ceased in December 2021, which reduced the royalty income received by Chem-Mod LLC and net earnings generated by our investments in clean coal production plants in 2022. Even though the law governing IRC Section 45 tax credits expired as of December 31, 2021, we did have some production at our clean coal production plants in the three-month period ended March 31, 2022 to run-off existing chemical supplies. Additional information regarding these results is available in the “CFO Commentary” at ajg.com/IR.

Acquisition costs - Consists mostly of external professional fees and other due diligence costs related to acquisitions. On occasion, Gallagher enters into forward currency hedges for the purchase price of committed, but not yet funded, acquisitions with funding requirements in currencies other than the U.S. dollar. The gains or losses, if any, associated with these hedge transactions are also included in acquisition costs.

Corporate - Consists of overhead allocations mostly related to corporate staff compensation, other corporate level activities, and net unrealized foreign exchange remeasurement. In addition, it includes the tax expense related to the partial taxation of foreign earnings, nondeductible executive compensation and entertainment expenses, the tax benefit from the vesting of employee equity awards, as well as other permanent or discrete tax items not reflected in the provision for income taxes in the Brokerage and Risk Management segments.

Income Taxes - Gallagher allocates the provision for income taxes to its Brokerage and Risk Management segments using the local country statutory rates. Gallagher's consolidated effective tax rate for the quarters ended March 31, 2023 and 2022 were 19.7% and 18.3%, respectively. In first quarter 2022, Gallagher increased its state effective income tax rate, which resulted in the overall U.S. effective income tax rate increasing from 25% to 26% and caused Gallagher to incur additional income tax expense during the quarter and recognized a one-time benefit related to the revaluation of certain deferred income tax assets to the higher income tax rate. In addition, in 2021, the U.K. government enacted tax legislation that increases the corporate income tax rate from 19% to 25% effective in April 2023.

Webcast Conference Call - Gallagher will host a webcast conference call on Thursday, April 27, 2023 at 5:15 p.m. ET/4:15 p.m. CT. To listen to this call, please go to ajg.com/IR. The call will be available for replay at such website for at least 90 days.

About Arthur J. Gallagher & Co.

Arthur J. Gallagher & Co., a global insurance brokerage, risk management and consulting services firm, is headquartered in Rolling Meadows, Illinois. Gallagher provides these services in approximately 130 countries around the world through its owned operations and a network of correspondent brokers and consultants.

Change in Presentation of Fiduciary Assets and Liabilities in First Quarter 2023

In first quarter 2023, we changed the presentation of certain amounts and classifications in our consolidated balance sheet and statement of cash flows to identify and present fiduciary assets and liabilities and respective changes of these accounts in the balance sheet and statement of cash flows. These revisions also better reflect the cash flows associated with our operations. Lines for accounts receivable, fiduciary assets and fiduciary liabilities were added and lines for restricted cash, premiums and fees receivable and premiums payable to underwriting enterprises were removed. We made the applicable revisions and reclassifications to the December 31, 2022 balance sheet amounts included herein to conform to the current period presentation. These changes had no impact on the 2022 consolidated statement of earnings or December 31, 2022 stockholders' equity.

Information Concerning Forward-Looking Statements

This press release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. When used in this press release, the words "anticipates," "believes," "contemplates," "see," "should," "could," "will," "estimates," "expects," "intends," "plans" and variations thereof and similar expressions, are intended to identify forward-looking statements. Examples of forward-looking statements include, but are not limited to, anticipated future results or performance of any segment or Gallagher as a whole; statements regarding changes in our expenses in the next several quarters; the impact of foreign currency on our results; integration costs; workforce and lease termination costs; amortization of intangibles; depreciation; change in estimated earnout payables; effective tax rate; earnings from continuing operations attributable to noncontrolling interests; the premium rate environment and the state of insurance markets; and the economic environment.

Gallagher's actual results may differ materially from those contemplated by the forward-looking statements. Readers are therefore cautioned against relying on any of the forward-looking statements, which are neither statements of historical fact nor guarantees or assurances of future performance.

Important factors that could cause actual results to differ materially from those in the forward-looking statements include changes in worldwide and national economic conditions, including the onset of a recession or economic downturn; inflation and related monetary policy responses, and failures of financial institutions and other counterparties; disasters or other business interruptions, including with respect to our service center in India; our actual acquisition opportunities; integration risks in our reinsurance brokerage and benefit consulting services businesses; political volatility, such as the war in Ukraine, trade wars or tariffs, political unrest in the U.S. or other countries around the world; damage to our reputation due to negative perceptions or publicity, including those related to our ESG-related activities; our ability to apply technology, data analytics and artificial intelligence effectively and potential increased costs resulting from such activities; heightened competition for talent and increased compensation costs; risks related to our international operations, such as those related to regulatory, tax, ESG and anti-corruption compliance; foreign exchange rates; cybersecurity-related risks; changes to data privacy and protection laws and regulations; changes in premium rates and in insurance markets generally; tax, environmental or other compliance risks related to our legacy clean energy investments; our inability to receive dividends or other distributions from subsidiaries; and changes in the insurance brokerage industry's competitive landscape.

Please refer to Gallagher's filings with the Securities and Exchange Commission, including Item 1A, "Risk Factors," of its Annual Report on Form 10-K for the fiscal year ended December 31, 2022, its subsequently filed Quarterly Reports on Form 10-Q for a more detailed discussion of these and other factors that could impact its forward-looking statements. Any forward-looking statement made by Gallagher in this press release speaks only as of the date on which it is made. Except as required by applicable law, Gallagher does not undertake to update the information included herein or the corresponding earnings release posted on Gallagher's website.

Information Regarding Non-GAAP Measures

In addition to reporting financial results in accordance with GAAP, this press release provides information regarding EBITDAC, EBITDAC margin, adjusted EBITDAC, adjusted EBITDAC margin, diluted net earnings per share, as adjusted (adjusted EPS), adjusted revenue, adjusted compensation and operating expenses, adjusted compensation expense ratio, adjusted operating expense ratio and organic revenue. These measures are not in accordance with, or an alternative to, the GAAP information provided in this press release. Gallagher's management believes that these presentations provide useful information to management, analysts and investors regarding financial and business trends relating to Gallagher's results of operations and financial condition or because they provide investors with measures that our chief operating decision maker uses when reviewing Gallagher's performance. See further below for definitions and additional reasons each of these measures is useful to investors. Gallagher's industry peers may provide similar supplemental non-GAAP information with respect to one or more of these measures, although they may not use the same or comparable terminology and may not make identical adjustments. The non-GAAP information provided by Gallagher should be used in addition to, but not as a substitute for, the GAAP information provided. As disclosed in its most recent Proxy Statement, Gallagher makes determinations regarding certain elements of executive officer incentive compensation, performance share awards and annual cash incentive awards, partly on the basis of measures related to adjusted EBITDAC.

Adjusted Non-GAAP presentation - Gallagher believes that the adjusted non-GAAP presentations of the current and prior period information presented in this earnings release provide stockholders and other interested persons with useful information regarding certain financial metrics of Gallagher that may assist such persons in analyzing Gallagher's operating results as they develop a future earnings outlook for Gallagher. The after-tax amounts related to the adjustments were computed using the normalized effective tax rate for each respective period. See page 12 and 13 for a reconciliation of the adjustments made to income taxes.

- **Adjusted measures** - Revenues (for the Brokerage segment), revenues before reimbursements (for the Risk Management segment), net earnings, compensation expense and operating expense, respectively, each adjusted to exclude the following, as applicable:
 - Net gains on divestitures, which are primarily net proceeds received related to sales of books of business and other divestiture transactions, such as the disposal of a business through sale or closure.
 - Acquisition integration costs, which include costs related to certain large acquisitions (including our acquisition of the Willis Towers Watson treaty reinsurance brokerage operations), outside the scope of the usual tuck-in strategy, not expected to occur on an ongoing basis in the future once Gallagher fully assimilates the applicable acquisition. These costs are typically associated with redundant workforce, compensation expense related to amortization of certain retention bonus arrangements, extra lease space, duplicate services and external costs incurred to assimilate the acquisition into our IT related systems.
 - Transaction-related costs, which primarily are associated with our acquisition of the Willis Towers Watson treaty reinsurance brokerage operations (primarily related to deferred closings in certain jurisdictions in 2022) and the acquisition of Buck. These include costs related to regulatory filings, legal, accounting services, insurance and incentive compensation.
 - Workforce related charges, which primarily include severance costs (either accrued or paid) related to employee terminations and other costs associated with redundant workforce.
 - Lease termination related charges, which primarily include costs related to terminations of real estate leases and abandonment of leased space.
 - Acquisition related adjustments, which include the change in estimated acquisition earnout payables adjustments and acquisition related compensation charges.
 - Amortization of intangible assets, which reflects the amortization of customer/expiration lists, non-compete agreements, trade names and other intangible assets acquired through Gallagher's merger and acquisition strategy, the impact to amortization expense of acquisition valuation adjustments to these assets as well as non-cash impairment charges.
 - The impact of foreign currency translation, as applicable. The amounts excluded with respect to foreign currency translation are calculated by applying current year foreign exchange rates to the same period in the prior year.
 - Effective income tax rate impact, which levelizes the prior year for the change in current year tax rates.
- **Adjusted ratios** - Adjusted compensation expense and adjusted operating expense, respectively, each divided by adjusted revenues.

Non-GAAP Earnings Measures

- **EBITDAC and EBITDAC margin** - EBITDAC is net earnings before interest, income taxes, depreciation, amortization and the change in estimated acquisition earnout payables and EBITDAC margin is EBITDAC divided by total revenues (for the Brokerage segment) and revenues before reimbursements (for the Risk Management segment). These measures for the Brokerage and Risk Management segments provide a meaningful representation of Gallagher's operating performance for the overall business and provide a meaningful way to measure our financial performance on an ongoing basis.
- **EBITDAC, as Adjusted and EBITDAC Margin, as Adjusted** - Adjusted EBITDAC is EBITDAC adjusted to exclude net gains on divestitures, acquisition integration costs, workforce related charges, lease termination related charges, acquisition related adjustments, transaction related costs, legal and income tax related costs, and the period-over-period impact of foreign currency translation, as applicable, and Adjusted EBITDAC margin is Adjusted EBITDAC divided by total adjusted revenues (defined above). These measures for the Brokerage and Risk Management segments provide a meaningful representation of Gallagher's operating performance, and are also presented to improve the comparability of our results between periods by eliminating the impact of the items that have a high degree of variability.
- **EPS, as Adjusted and Net Earnings, as Adjusted** - Adjusted net earnings have been adjusted to exclude the after-tax impact of net gains on divestitures, acquisition integration costs, the impact of foreign currency translation, workforce related charges, lease termination related charges, acquisition related adjustments, transaction related costs, amortization of intangible assets, legal and income tax related costs and effective income tax rate impact, as applicable. Adjusted EPS is Adjusted Net Earnings divided by diluted weighted average shares outstanding. This measure provides a meaningful representation of Gallagher's operating performance (and as such should not be used as a measure of Gallagher's liquidity), and for the overall business is also presented to improve the comparability of our results between periods by eliminating the impact of the items that have a high degree of variability.

Organic Revenues (a non-GAAP measure) - For the Brokerage segment, organic change in base commission and fee revenues, supplemental revenues and contingent revenues exclude the first twelve months of such revenues generated from acquisitions and such revenues related to divested operations in each year presented. These revenues are excluded from organic revenues in order to help interested persons analyze the revenue growth associated with the operations that were a part of Gallagher in both the current and prior period. In addition, organic change in base commission and fee revenues, supplemental revenues and contingent revenues excludes the period-over-period impact of foreign currency translation to improve the comparability of our results between periods by eliminating the impact of the items that have a high degree of variability. For the Risk Management segment, organic change in fee revenues excludes the first twelve months of fee revenues generated from acquisitions in each year presented.

In addition, change in organic growth excludes the period-over-period impact of foreign currency translation to improve the comparability of our results between periods by eliminating the impact of the items that have a high degree of variability.

These revenue items are excluded from organic revenues in order to determine a comparable, but non-GAAP, measurement of revenue growth that is associated with the revenue sources that are expected to continue in the current year and beyond. Gallagher has historically viewed organic revenue growth as an important indicator when assessing and evaluating the performance of its Brokerage and Risk Management segments. Gallagher also believes that using this non-GAAP measure allows readers of our financial statements to measure, analyze and compare the growth from our Brokerage and Risk Management segments in a meaningful and consistent manner.

Reconciliation of Non-GAAP Information Presented to GAAP Measures - This press release includes tabular reconciliations to the most comparable GAAP measures, as follows: for EBITDAC (on pages 10 and 11), for adjusted revenues, adjusted EBITDAC and adjusted diluted net earnings per share (on page 1), for organic revenue measures (on pages 2 and 4, respectively, for the Brokerage and Risk Management segments), for adjusted compensation and operating expenses and adjusted EBITDAC margin (on pages 4, and 5, respectively, for the Brokerage and Risk Management segments).

Arthur J. Gallagher & Co.
Reported Statement of Earnings and EBITDAC - 1st Quarter March 31,
(Unaudited - in millions except per share, percentage and workforce data)

	1st Q Ended Mar 31, 2023	1st Q Ended Mar 31, 2022
Brokerage Segment		
Commissions	\$ 1,747.4	\$ 1,565.3
Fees	412.7	391.9
Supplemental revenues	81.6	74.3
Contingent revenues	71.8	71.6
Investment income and net gains on divestitures	61.7	19.5
Total revenues	<u>2,375.2</u>	<u>2,122.6</u>
Compensation	1,206.1	1,096.4
Operating	288.5	239.8
Depreciation	27.9	24.2
Amortization	120.2	123.0
Change in estimated acquisition earnout payables	41.6	20.8
Expenses	<u>1,684.3</u>	<u>1,504.2</u>
Earnings before income taxes	690.9	618.4
Provision for income taxes	175.6	154.1
Net earnings	515.3	464.3
Net earnings attributable to noncontrolling interests	0.8	0.7
Net earnings attributable to controlling interests	<u>\$ 514.5</u>	<u>\$ 463.6</u>
EBITDAC		
Net earnings	\$ 515.3	\$ 464.3
Provision for income taxes	175.6	154.1
Depreciation	27.9	24.2
Amortization	120.2	123.0
Change in estimated acquisition earnout payables	41.6	20.8
EBITDAC	<u>\$ 880.6</u>	<u>\$ 786.4</u>
Risk Management Segment		
Fees	\$ 293.0	\$ 259.0
Investment income and net gains on divestitures	4.6	0.1
Revenues before reimbursements	297.6	259.1
Reimbursements	33.2	30.8
Total revenues	<u>330.8</u>	<u>289.9</u>
Compensation	179.8	158.7
Operating	61.9	56.3
Reimbursements	33.2	30.8
Depreciation	8.7	10.1
Amortization	1.5	1.6
Change in estimated acquisition earnout payables	0.2	0.1
Expenses	<u>285.3</u>	<u>257.6</u>
Earnings before income taxes	45.5	32.3
Provision for income taxes	12.0	8.4
Net earnings	33.5	23.9
Net earnings attributable to noncontrolling interests	-	-
Net earnings attributable to controlling interests	<u>\$ 33.5</u>	<u>\$ 23.9</u>
EBITDAC		
Net earnings	\$ 33.5	\$ 23.9
Provision for income taxes	12.0	8.4
Depreciation	8.7	10.1
Amortization	1.5	1.6
Change in estimated acquisition earnout payables	0.2	0.1
EBITDAC	<u>\$ 55.9</u>	<u>\$ 44.1</u>

See "Information Regarding Non-GAAP Measures" beginning on page 9 of 13.

Arthur J. Gallagher & Co.
Reported Statement of Earnings and EBITDAC - 1st Quarter Ended March 31,
(Unaudited - in millions except share and per share data)

Corporate Segment	1st Q Ended Mar 31, 2023	1st Q Ended Mar 31, 2022
Revenues from consolidated clean coal facilities	\$ -	\$ 22.3
Royalty income from clean coal licenses	-	0.4
Loss from unconsolidated clean coal facilities	-	-
Other income	0.1	0.1
Total revenues	<u>0.1</u>	<u>22.8</u>
Cost of revenues from consolidated clean coal facilities	-	22.9
Compensation	29.6	26.9
Operating	32.1	21.2
Interest	67.9	63.9
Depreciation	1.1	0.9
Expenses	<u>130.7</u>	<u>135.8</u>
Loss before income taxes	(130.6)	(113.0)
Benefit for income taxes	(68.4)	(63.9)
Net loss	(62.2)	(49.1)
Net loss attributable to noncontrolling interests	(0.7)	(0.3)
Net loss attributable to controlling interests	<u>\$ (61.5)</u>	<u>\$ (48.8)</u>
EBITDAC		
Net loss	\$ (62.2)	\$ (49.1)
Benefit for income taxes	(68.4)	(63.9)
Interest	67.9	63.9
Depreciation	1.1	0.9
EBITDAC	<u>\$ (61.6)</u>	<u>\$ (48.2)</u>
Total Company	1st Q Ended Mar 31, 2023	1st Q Ended Mar 31, 2022
Commissions	\$ 1,747.4	\$ 1,565.3
Fees	705.7	650.9
Supplemental revenues	81.6	74.3
Contingent revenues	71.8	71.6
Investment income and net gains on divestitures	66.3	19.6
Revenues from clean coal activities	-	22.7
Other income - Corporate	0.1	0.1
Revenues before reimbursements	2,672.9	2,404.5
Reimbursements	33.2	30.8
Total revenues	<u>2,706.1</u>	<u>2,435.3</u>
Compensation	1,415.5	1,282.0
Operating	382.5	317.3
Reimbursements	33.2	30.8
Cost of revenues from clean coal activities	-	22.9
Interest	67.9	63.9
Depreciation	37.7	35.2
Amortization	121.7	124.6
Change in estimated acquisition earnout payables	41.8	20.9
Expenses	<u>2,100.3</u>	<u>1,897.6</u>
Earnings before income taxes	605.8	537.7
Provision for income taxes	119.2	98.6
Net earnings	486.6	439.1
Net earnings attributable to noncontrolling interests	0.1	0.4
Net earnings attributable to controlling interests	<u>\$ 486.5</u>	<u>\$ 438.7</u>
Diluted net earnings per share	<u>\$ 2.24</u>	<u>\$ 2.05</u>
Dividends declared per share	<u>\$ 0.55</u>	<u>\$ 0.51</u>
EBITDAC		
Net earnings	\$ 486.6	\$ 439.1
Provision for income taxes	119.2	98.6
Interest	67.9	63.9
Depreciation	37.7	35.2
Amortization	121.7	124.6
Change in estimated acquisition earnout payables	41.8	20.9
EBITDAC	<u>\$ 874.9</u>	<u>\$ 782.3</u>

See "Information Regarding Non-GAAP Measures" beginning on page 9 of 13.

Arthur J. Gallagher & Co.
Consolidated Balance Sheet
(Unaudited - in millions except per share data)

	Mar 31, 2023	* Revised Dec 31, 2022
Cash and cash equivalents	\$ 1,549.9	\$ 842.3
Fiduciary assets	23,403.4	18,236.7
Accounts receivable, net	3,526.5	2,807.2
Other current assets	298.2	399.0
Total current assets	28,778.0	22,285.2
Fixed assets - net	581.2	576.2
Deferred income taxes (includes tax credit carryforwards of \$723.1 in 2023 and \$772.7 in 2022)	1,244.1	1,299.0
Other noncurrent assets	1,028.6	989.8
Right-of-use assets	355.2	346.7
Goodwill	9,703.2	9,489.4
Amortizable intangible assets - net	3,404.1	3,372.1
Total assets	\$ 45,094.4	\$ 38,358.4
Fiduciary liabilities	\$ 23,403.4	\$ 18,236.7
Accrued compensation and other current liabilities	2,231.3	2,003.3
Deferred revenue - current	626.2	546.7
Premium financing debt	159.8	241.9
Corporate related borrowings - current	675.0	310.0
Total current liabilities	27,095.7	21,338.6
Corporate related borrowings - noncurrent	6,022.1	5,562.8
Deferred revenue - noncurrent	62.0	62.6
Lease liabilities - noncurrent	311.4	300.4
Other noncurrent liabilities	1,744.9	1,903.8
Total liabilities	35,236.1	29,168.2
Stockholders' equity:		
Common stock - issued and outstanding	214.2	211.9
Capital in excess of par value	6,774.8	6,509.9
Retained earnings	3,930.2	3,562.2
Accumulated other comprehensive loss	(1,101.4)	(1,140.4)
Total controlling interests stockholders' equity	9,817.8	9,143.6
Noncontrolling interests	40.5	46.6
Total stockholders' equity	9,858.3	9,190.2
Total liabilities and stockholders' equity	\$ 45,094.4	\$ 38,358.4

* The December 31, 2022 balance sheet was revised for a change in presentation made in first quarter 2023 related to the reclassification of fiduciary assets and liabilities.
See page 7 of 13 for additional information.

Arthur J. Gallagher & Co.
Other Information
(Unaudited - data is rounded where indicated)

	1st Q Ended Mar 31, 2023	4th Q Ended Dec 31, 2022	1st Q Ended Mar 31, 2022
OTHER INFORMATION			
Basic weighted average shares outstanding (000s)	212,778	211,411	208,991
Diluted weighted average shares outstanding (000s)	216,951	215,831	213,519
Number of common shares outstanding at end of period (000s)	214,246	211,914	210,068
Workforce at end of period (includes acquisitions):			
Brokerage	33,623	32,679	30,337
Risk Management	8,804	8,430	7,392
Total Company	45,112	43,640	39,876

Reconciliation of Non-GAAP Measures - Pre-tax Earnings and Diluted Net Earnings per Share (Unaudited)

(Unaudited - in millions except share and per share data)

	Earnings (Loss) Before Income Taxes	Provision (Benefit) for Income Taxes	Net Earnings (Loss)	Net Earnings (Loss) Attributable to Noncontrolling Interests	Net Earnings (Loss) Attributable to Controlling Interests	Diluted Net Earnings (Loss) per Share
1st Q Ended March 31, 2023						
Brokerage, as reported	\$ 690.9	\$ 175.6	\$ 515.3	\$ 0.8	\$ 514.5	\$ 2.37
Net gains on divestitures	(0.2)	-	(0.2)	-	(0.2)	-
Acquisition integration	51.2	11.5	39.7	-	39.7	0.18
Workforce and lease termination	15.5	3.7	11.8	-	11.8	0.06
Acquisition related adjustments	33.4	7.8	25.6	-	25.6	0.12
Amortization of intangible assets	120.2	31.1	89.1	-	89.1	0.41
Brokerage, as adjusted	\$ 911.0	\$ 229.7	\$ 681.3	\$ 0.8	\$ 680.5	\$ 3.14
Risk Management, as reported	\$ 45.5	\$ 12.0	\$ 33.5	\$ -	\$ 33.5	\$ 0.15
Net gains on divestitures	(0.1)	-	(0.1)	-	(0.1)	-
Workforce and lease termination	0.6	0.1	0.5	-	0.5	-
Acquisition related adjustments	0.1	-	0.1	-	0.1	-
Acquisition integration	0.6	0.2	0.4	-	0.4	-
Amortization of intangible assets	1.5	0.4	1.1	-	1.1	0.01
Risk Management, as adjusted	\$ 48.2	\$ 12.7	\$ 35.5	\$ -	\$ 35.5	\$ 0.16
Corporate, as reported	\$ (130.6)	\$ (68.4)	\$ (62.2)	\$ (0.7)	\$ (61.5)	\$ (0.28)
Transaction-related costs	4.4	1.1	3.3	-	3.3	0.01
Corporate, as adjusted	\$ (126.2)	\$ (67.3)	\$ (58.9)	\$ (0.7)	\$ (58.2)	\$ (0.27)

See "Information Regarding Non-GAAP Measures" beginning on page 9 of 13.

Reconciliation of Non-GAAP Measures - Pre-tax Earnings and Diluted Net Earnings per Share (Unaudited) - Continued

(Unaudited - in millions except share and per share data)

	Earnings (Loss) Before Income Taxes	Provision (Benefit) for Income Taxes	Net Earnings (Loss)	Net Earnings (Loss) Attributable to Noncontrolling Interests	Net Earnings (Loss) Attributable to Controlling Interests	Diluted Net Earnings (Loss) per Share
1st Q Ended March 31, 2022						
Brokerage, as reported	\$ 618.4	\$ 154.1	\$ 464.3	\$ 0.7	\$ 463.6	\$ 2.17
Net gains on divestitures	(1.4)	(0.3)	(1.1)	-	(1.1)	(0.01)
Acquisition integration	43.8	8.8	35.0	-	35.0	0.17
Workforce and lease termination	6.3	1.3	5.0	-	5.0	0.02
Acquisition related adjustments	20.6	4.2	16.4	-	16.4	0.08
Amortization of intangible assets	123.0	29.3	93.7	-	93.7	0.44
Effective income tax rate impact	-	7.7	(7.7)	-	(7.7)	(0.03)
Levelized foreign currency translation	(6.1)	(1.3)	(4.8)	-	(4.8)	(0.02)
Brokerage, as adjusted	<u>\$ 804.6</u>	<u>\$ 203.8</u>	<u>\$ 600.8</u>	<u>\$ 0.7</u>	<u>\$ 600.1</u>	<u>\$ 2.82</u>
Risk Management, as reported	\$ 32.3	\$ 8.4	\$ 23.9	\$ -	\$ 23.9	\$ 0.11
Workforce and lease termination	0.8	0.3	0.5	-	0.5	-
Amortization of intangible assets	1.6	0.4	1.2	-	1.2	0.01
Levelized foreign currency translation	(0.2)	(0.1)	(0.1)	-	(0.1)	-
Risk Management, as adjusted	<u>\$ 34.5</u>	<u>\$ 9.0</u>	<u>\$ 25.5</u>	<u>\$ -</u>	<u>\$ 25.5</u>	<u>\$ 0.12</u>
Corporate, as reported	\$ (113.0)	\$ (63.9)	\$ (49.1)	\$ (0.3)	\$ (48.8)	\$ (0.23)
Transaction-related costs	15.8	1.2	14.6	-	14.6	0.07
Income tax related	-	5.0	(5.0)	-	(5.0)	(0.02)
Corporate, as adjusted	<u>\$ (97.2)</u>	<u>\$ (57.7)</u>	<u>\$ (39.5)</u>	<u>\$ (0.3)</u>	<u>\$ (39.2)</u>	<u>\$ (0.18)</u>

See "Information Regarding Non-GAAP Measures" on page 9 of 13.

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