Arthur J. Gallagher & Co.

CFO Commentary

July 25, 2024

Arthur J. Gallagher & Co.
Forward-Looking Statements and Non-GAAP Measures

Information Concerning Forward-Looking Statements

This CFO Commentary contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. When used in this CFO Commentary, 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. These forward-looking statements include, but are not limited to, anticipated future results or performance of any segment or Arthur J. Gallagher & Co. ("Gallagher") as a whole; including for our brokerage and risk management segments, 2024 estimates, as applicable, of the impact of foreign currency on EPS and revenues; integration costs; workforce and lease termination costs; EBITDAC Margin, as adjusted; amortization of intangibles; depreciation; change in estimated earnout payables; interest income, premium finance revenue and other income; acquisition rollover revenues, including estimated rollover revenues particularly of our acquisitions larger than our usual tuck-in acquisitions, such as our acquisition of the Willis Towers Watson plc ("WTW") treaty reinsurance brokerage operations, BCHR Holdings, L.P. ("Buck"), Cadence Insurance, Inc. ("Cadence"), Eastern Insurance Group, LLC ("Eastern") and My Plan Manager Group Pty Ltd ("My Plan Manager"); the adjusted effective tax rate; earnings from continuing operations attributable to noncontrolling interests and the weighted average multiple paid for tuck-in acquisitions. These forward-looking statements may also include, for our corporate segment, 2024 estimates, as applicable, of the net earnings attributable to controlling interests impact of various items, including interest and banking costs, clean energy investments, acquisition costs, loss on extinguishment of debt, transaction-related costs, legal and income tax related expense, and corporate expenses. We also make forward-looking statements relating to our clean energy investments, including the low and high ranges of expenses, Chem-Mod royalty income, net of noncontrolling interests, and net after-tax cash flows from our clean energy investments, including the low and high ranges for 2024 and annual ranges for 2025 and beyond.

Actual results may differ materially from the estimates set forth herein, both as described in footnotes throughout this document as well as set forth generally below. Readers are cautioned against relying on any of the forward-looking statements, which are neither statements of historical fact nor guarantees or assurances of future performance. The forward-looking statements referred herein could be materially impacted by various risks and uncertainties including global economic and geopolitical events, including, among others, fluctuations in interest and inflation rates, failures of financial institutions and other counterparties, potential U.S. government shutdowns, and political violence and instability, such as the wars in Ukraine and the Middle East; our actual acquisition opportunities, including closing risks related to pending acquisitions; risks with respect to acquisitions larger than our usual tuck-in acquisitions, such as WTW's treaty reinsurance brokerage operations, Buck, Cadence, Eastern and My Plan Manager, including risks related to our ability to successfully integrate operations, the possibility that our assumptions may be inaccurate resulting in unforeseen obligations or liabilities and failure to realize the expected benefits of these acquisitions; damage to our reputation due to negative perceptions or publicity, including the potential for the Internet and social media to magnify the effects of such perceptions and reputational issues related to our ESG-related activities and compliance with increasingly complex climate-related regulations, such as risks related to “greenwashing”; cybersecurity-related risks; our ability to apply technology, data analytics and artificial intelligence effectively and potential increased costs resulting from such activities; risks associated with the use of artificial intelligence in our business operations, including regulatory, data privacy, cybersecurity, E&O and competition risks; heightened competition for talent and increased compensation costs; disasters or other business interruptions, including with respect to our operations in India; risks related to our international operations, such as those related to regulatory, tax, ESG , sanctions and anti-corruption compliance; changes to data privacy and protection laws and regulations; foreign exchange rates; changes in accounting standards; changes in premium rates and in insurance markets generally, including developments in the reinsurance and insurance-linked securities markets and litigation as a result of such developments; our inability to receive dividends or other distributions from subsidiaries; and changes in our industry’s competitive landscape. Statements regarding our net after-tax cash flows from our clean energy investments could be materially impacted by various risks and uncertainties, including uncertainties related to political, regulatory and taxation developments, such as the ongoing implementation of Pillar 2 in the U.S. and around the world, and challenges by the IRS eliminating or reducing the availability of tax credits under IRC Section 45 retroactively; sustainability concerns of shareholders or other stakeholder groups; and environmental risks. The after-tax cash flows from our clean energy investments also depend upon us generating sufficient taxable income in the U.S., which could be materially affected by the factors described above for our other forward looking statements.

Please refer to Gallagher’s filings with the Securities and Exchange Commission, including Item 1A, “Risk Factors,” of its most recently filed Annual Report on Form 10-K and subsequent Quarterly Reports on Form 10-Q, for a detailed discussion of these and other factors that could impact its forward-looking statements. Any forward-looking statement made by Gallagher in this presentation 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.

Information Regarding Non-GAAP Measures

In this CFO Commentary, we have provided information regarding EBITDAC Margin, as adjusted (for the brokerage and risk management segments) and Adjusted Net Earnings Attributable to Controlling Interests (for the corporate segment) presented on a forward-looking and historical basis. EBITDAC Margin, as adjusted, is EBITDAC, as adjusted divided by Adjusted Revenue (EBITDAC, Revenue (for the brokerage segment), and Revenue before Reimbursements (for the risk management segment), respectively, adjusted to exclude the impact of net gains realized on divestitures and costs relating to exiting businesses, acquisition integration costs, workforce related charges, lease termination related charges, acquisition related adjustments, the period-over-period impact of foreign currency translation, and, for the corporate segment, transaction-related costs are related to certain of our larger acquisitions outside the scope of our usual tuck-in strategy (including WTW's treaty reinsurance brokerage operations, Buck, Cadence, Eastern and My Plan Manager), and legal and tax related adjustments, as defined on page 4, note 4). EBITDAC is net earnings before interest, income taxes, depreciation, amortization and the change in estimated acquisition earnout payables. Adjusted Net Earnings Attributable to Controlling Interests is net earnings attributable to controlling interests adjusted to exclude transaction-related costs, and legal and tax related adjustments, as defined on page 4, note 4. Management believes that both EBITDAC Margin, as adjusted and Adjusted Net Earnings Attributable to Controlling Interests are meaningful indicators of our operating performance. The adjustments made to each measure are intended to improve the comparability of our results between periods by eliminating the impact of items that have a high degree of variability.

We have not reconciled the forward-looking EBITDAC Margin, as adjusted, information to the most directly comparable GAAP measure because certain material items that impact this measure, including the timing and exact amount of highly variable elements of revenue (such as acquired revenue), gains from the sales of books of business and divestitures and acquisition related adjustments, have not yet occurred or are out of management’s control or cannot be reasonably predicted. Accordingly, a reconciliation of forward-looking EBITDAC Margin, as adjusted to the corresponding GAAP measure is not available without unreasonable effort. Please see pages 7 and 8 of this CFO Commentary for reconciliations of historical non-GAAP information to the closest GAAP information for our brokerage and risk management segments and please see page 4 of this CFO Commentary for reconciliations of historical non-GAAP information to the closest GAAP information for our corporate segment. The non-GAAP information provided in this CFO Commentary should be used in addition to, but not as a substitute for, GAAP information.

ARTHUR J. GALLAGHER & CO. - CFO COMMENTARY - JULY 25, 2024

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	ACTUAL		ESTIMATES ON JUNE 25, 2024		ESTIMATES ON JULY 25, 2024	
BROKERAGE SEGMENT	**Q1 2024**	**Q2 2024**	**2024 Quarterly**	**Full Year 2024**	**2024 Quarterly**	**Full Year 2024**
Foreign Currency Impact on Earnings Per Share *(shown as an adjustment to prior year numbers)*	$0.00	($0.01)	Q2: ($0.02) Q3: ($0.01) Q4: very little impact	Approx. ($0.03)	Q3: ($0.01) Q4: very little impact	Approx. ($0.02)
Foreign Currency Impact on Revenues *(shown as an adjustment to prior year numbers)*	$5.2 million	($8.2 million)	Q2: ($10 million) Q3: ($5 million) Q4: $5 million	Approx. ($5 million)	Q3 & Q4: $5 million	Approx. $7 million
Integration Costs Per Share	$0.16	$0.18	*nep*	*nep*	*nep*	*nep*
Workforce & Lease Termination Costs Per Share	$0.04	$0.10	*nep*	*nep*	*nep*	*nep*
EBITDAC Margin, as adjusted	39.9% (1)	33.1%	*See Note (1)*	+60 bpts at full year organic of approx. 8%	*See Note (1)*	+60 bpts at full year organic of approx. 8%
Amortization of intangibles	$156 million pretax	$162 million pretax (2)	$161 million pretax (3)	$639 million pretax (3)	$155 million pretax (3)	$628 million pretax (2), (3)
Depreciation - Recurring	$33 million pretax	$32 million pretax	$32 million pretax	$129 million pretax	$32 million pretax	$129 million pretax
Change in Estimated Earnout Payable - Recurring	$19 million pretax	$15 million pretax	$14 million pretax	$61 million pretax	$15 million pretax	$64 million pretax
Rollover Revenues from Acquisitions			---------- See table on page 6 ----------			
Adjusted Effective Tax Rate	25.5%	25.4%	---------- 24.5% to 26.5% ----------		---------- 24.5% to 26.5% ----------	
Earnings from continuing operations attributable to noncontrolling interests	$1.3 million (4)	$2.0 million	Approx. $2 million	Approx. $7 million (3)	Q3: $2 million Q4: $1 million	Approx. $6 million (3)
RISK MANAGEMENT SEGMENT						
Foreign Currency Impact on Earnings Per Share *(shown as an adjustment to prior year numbers)*	$0.00	$0.00	very little impact	very little impact	very little impact	very little impact
Foreign Currency Impact on Revenues *(shown as an adjustment to prior year numbers)*	($1.1 million)	($0.7 million)	Q2: ($1 million) Q3: $1 million Q4: very little impact	Approx. ($1 million)	Q3: $1 million Q4: very little impact	Approx. ($1 million)
Workforce & Lease Termination Costs Per Share	$0.00	$0.01	*nep*	*nep*	*nep*	*nep*
EBITDAC Margin (before reimbursements), as adjusted	20.6%	20.6%	Approx. 20.5%	Approx. 20.5%	Approx. 20.5%	Approx. 20.5%
Amortization of intangibles	$6 million pretax	$6 million pretax (5)	$6 million pretax	$24 million pretax	$4 million pretax	$20 million pretax (5)
Depreciation - Recurring	$11 million pretax	$12 million pretax (5)	$12 million pretax	$47 million pretax	$10 million pretax	$43 million pretax (5)
Rollover Revenues from Acquisitions			---------- See page 6 ----------			
Adjusted Effective Tax Rate	26.4%	26.7%	---------- 25% to 27% ----------		---------- 25% to 27% ----------	
OTHER						
Weighted Average Multiple of EBITDAC for Tuck-in Acquisition Pricing	11.1x	11.0x	---------- 10.0x to 11.0x ----------		---------- 10.0x to 11.0x ----------	

Notes

Yellow highlighted rows will be presented as adjustments to GAAP earnings.

All estimates related to foreign currency are based on July 24, 2024 exchange rates.

(1) First quarter 2024 brokerage segment EBITDAC margin was impacted by a 90 basis point headwind from the roll-in of Buck and other M&A. Assuming full year organic of approximately 8%, third and fourth quarter 2024 brokerage segment EBITDAC margin expansion is forecast to be approximately 90 to 100 basis points per quarter, bringing full year brokerage segment EBITDAC margin expansion to approximately 60 basis points.

(2) Second quarter 2024 GAAP amortization expense of $171 million includes $9 million associated with updated amortizable intangibles from external M&A valuations and other balance sheet adjustments.

(3) As we complete more acquisitions, for every dollar we spend, increase amortization by about 1% of the purchase price per quarter. In addition, interest expense will increase if the acquisition was financed, in whole or part, with debt.

(4) Earnings from continuing operations attributable to noncontrolling interests excludes $3.0 million related to changes in opening balance sheet estimates.

(5) Second quarter 2024 GAAP amortization and depreciation expense of $0 and $7 million include credits of approximately $6 million and $5 million, respectively, related to an updated external M&A valuation on one acquisition.

nep = no estimate provided

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CORPORATE SEGMENT

	2023 RECONCILIATION OF REPORTED TO ADJUSTED			2024 RECONCILIATION OF REPORTED TO ADJUSTED			2024 ESTIMATES ON JUNE 25, 2024		2024 ESTIMATES ON JULY 25, 2024	
	Pretax Earnings (Loss)	Income Tax Benefit (Expense)	Net Earnings (Loss) Attributable to Controlling Interests	Pretax Earnings (Loss)	Income Tax Benefit (Expense)	Net Earnings (Loss) Attributable to Controlling Interests	Net Earnings (Loss) Attributable to Controlling Interests Range Low to High		Net Earnings (Loss) Attributable to Controlling Interests Range Low to High	
1st Quarter										
Interest and banking costs	$ (68.7)	$ 17.9	$ (50.8)	$ (93.1)	$ 24.2	$ (68.9)				
Clean-energy related (1)	(2.2)	0.6	(1.6)	(1.9)	0.5	(1.4)				
Acquisition costs	(9.5)	1.5	(8.0)	(4.7)	0.8	(3.9)				
Corporate (2)	(49.5)	48.4	(1.1)	(56.9)	51.9	(5.0)				
Reported 1st quarter	**(129.9)**	**68.4**	**(61.5)**	**(156.6)**	**77.4**	**(79.2)**				
Transaction-related costs (3)	4.4	(1.1)	3.3	3.2	(0.5)	2.7				
Total Adjustments	**4.4**	**(1.1)**	**3.3**	**3.2**	**(0.5)**	**2.7**				
Interest and banking costs	(68.7)	17.9	(50.8)	(93.1)	24.2	(68.9)				
Clean-energy related (1)	(2.2)	0.6	(1.6)	(1.9)	0.5	(1.4)				
Acquisition costs	(5.1)	0.4	(4.7)	(1.5)	0.3	(1.2)				
Corporate (2)	(49.5)	48.4	(1.1)	(56.9)	51.9	(5.0)				
Adjusted 1st quarter	**$ (125.5)**	**$ 67.3**	**$ (58.2)**	**$ (153.4)**	**$ 76.9**	**$ (76.5)**				
2nd Quarter										
Interest and banking costs	$ (78.5)	$ 20.4	$ (58.1)	$ (95.0)	$ 24.7	$ (70.3)	$ (71.0)	$ (69.0)		
Clean-energy related (1)	(3.2)	0.8	(2.4)	(2.2)	0.4	(1.8)	(2.0)	(1.3)		
Acquisition costs	(6.9)	1.0	(5.9)	(7.3)	1.2	(6.1)	(5.0)	(4.0)		
Corporate (2)	(53.7)	29.6	(24.1)	(41.6)	24.6	(17.0)	(22.0)	(20.0)		
Reported 2nd quarter	**(142.3)**	**51.8**	**(90.5)**	**(146.1)**	**50.9**	**(95.2)**	**(100.0)**	**(94.3)**		
Transaction-related costs (3)	3.2	(0.8)	2.4	2.8	(0.5)	2.3				
Legal and tax related (4)	5.5	(0.5)	5.0	-	-	-				
Total Adjustments	**8.7**	**(1.3)**	**7.4**	**2.8**	**(0.5)**	**2.3**				
Interest and banking costs	(78.5)	20.4	(58.1)	(95.0)	24.7	(70.3)	(71.0)	(69.0)		
Clean-energy related (1)	(3.2)	0.8	(2.4)	(2.2)	0.4	(1.8)	(2.0)	(1.3)		
Acquisition costs	(3.7)	0.2	(3.5)	(4.5)	0.7	(3.8)	(5.0)	(4.0)		
Corporate (2)	(48.2)	29.1	(19.1)	(41.6)	24.6	(17.0)	(22.0)	(20.0)		
Adjusted 2nd quarter	**$ (133.6)**	**$ 50.5**	**$ (83.1)**	**$ (143.3)**	**$ 50.4**	**$ (92.9)**	**$ (100.0)**	**$ (94.3)**		
3rd Quarter										
Interest and banking costs	$ (73.4)	$ 19.1	$ (54.3)				$ (75.0)	$ (73.0)	$ (75.0)	$ (73.0)
Clean-energy related (1)	(3.4)	0.9	(2.5)				(2.0)	(1.3)	(2.0)	(1.3)
Acquisition costs	(7.2)	1.1	(6.1)				(5.0)	(4.0)	(5.0)	(4.0)
Corporate (2)	(61.7)	27.9	(33.8)				(18.0)	(15.0)	(18.0)	(15.0)
Reported 3rd quarter	**(145.7)**	**49.0**	**(96.7)**				**(100.0)**	**(93.3)**	**(100.0)**	**(93.3)**
Transaction-related costs (3)	2.6	(0.7)	1.9							
Legal and tax related (4)	20.5	(2.7)	17.8							
Total Adjustments	**23.1**	**(3.4)**	**19.7**							
Interest and banking costs	(73.4)	19.1	(54.3)				(75.0)	(73.0)	(75.0)	(73.0)
Clean-energy related (1)	(3.4)	0.9	(2.5)				(2.0)	(1.3)	(2.0)	(1.3)
Acquisition costs	(4.6)	0.4	(4.2)				(5.0)	(4.0)	(5.0)	(4.0)
Corporate (2)	(41.2)	25.2	(16.0)				(18.0)	(15.0)	(18.0)	(15.0)
Adjusted 3rd quarter	**$ (122.6)**	**$ 45.6**	**$ (77.0)**				**$ (100.0)**	**$ (93.3)**	**$ (100.0)**	**$ (93.3)**
4th Quarter										
Interest and banking costs	$ (79.2)	$ 20.6	$ (58.6)				$ (75.0)	$ (73.0)	$ (75.0)	$ (73.0)
Clean-energy related (1)	(6.7)	1.7	(5.0)				(2.0)	(1.3)	(2.0)	(1.3)
Acquisition costs	(18.5)	2.8	(15.7)				(5.0)	(4.0)	(5.0)	(4.0)
Corporate (2)	(63.1)	43.5	(19.6)				(18.0)	(15.0)	(18.0)	(15.0)
Reported 4th quarter	**(167.5)**	**68.6**	**(98.9)**				**(100.0)**	**(93.3)**	**(100.0)**	**(93.3)**
Clean-energy related (1)	4.4	(1.1)	3.3							
Transaction-related costs (3)	12.4	(2.3)	10.1							
Legal and tax related (4)	22.0	(18.6)	3.4							
Total Adjustments	**38.8**	**(22.0)**	**16.8**							
Interest and banking costs	(79.2)	20.6	(58.6)				(75.0)	(73.0)	(75.0)	(73.0)
Clean-energy related (1)	(2.3)	0.6	(1.7)				(2.0)	(1.3)	(2.0)	(1.3)
Acquisition costs	(6.1)	0.5	(5.6)				(5.0)	(4.0)	(5.0)	(4.0)
Corporate (2)	(41.1)	24.9	(16.2)				(18.0)	(15.0)	(18.0)	(15.0)
Adjusted 4th quarter	**$ (128.7)**	**$ 46.6**	**$ (82.1)**				**$ (100.0)**	**$ (93.3)**	**$ (100.0)**	**$ (93.3)**
Full Year										
Interest and banking costs	$ (299.8)	$ 78.0	$ (221.8)				$ (289.9)	$ (283.9)	$ (289.2)	$ (285.2)
Clean-energy related (1)	(15.5)	4.0	(11.5)				(7.4)	(5.2)	(7.2)	(5.7)
Acquisition costs	(42.1)	6.4	(35.7)				(18.9)	(15.9)	(20.0)	(18.0)
Corporate (2)	(228.0)	149.4	(78.6)				(63.0)	(55.0)	(58.0)	(52.0)
Reported Full Year	**(585.4)**	**237.8**	**(347.6)**				**(379.2)**	**(360.0)**	**(374.4)**	**(360.9)**
Corporate legal entity restructuring										
Clean-energy related (1)	4.4	(1.1)	3.3							
Transaction-related costs (3)	22.6	(4.9)	17.7				2.7	2.7	5.0	5.0
Legal and tax related (4)	48.0	(21.8)	26.2							
Total Adjustments	**75.0**	**(27.8)**	**47.2**				**2.7**	**2.7**	**5.0**	**5.0**
Interest and banking costs	(299.8)	78.0	(221.8)				(289.9)	(283.9)	(289.2)	(285.2)
Clean-energy related (1)	(11.1)	2.9	(8.2)				(7.4)	(5.2)	(7.2)	(5.7)
Acquisition costs	(19.5)	1.5	(18.0)				(16.2)	(13.2)	(15.0)	(13.0)
Corporate (2)	(180.0)	127.6	(52.4)				(63.0)	(55.0)	(58.0)	(52.0)
Adjusted Full Year	**$ (510.4)**	**$ 210.0**	**$ (300.4)**				**$ (376.5)**	**$ (357.3)**	**$ (369.4)**	**$ (355.9)**

Notes:

(1) 2023 consists of operating results related to Gallagher's investments in new clean energy projects and includes costs related to the resolution of various partnership matters related to our clean energy investments. 2024 estimates include the operating results of new clean energy investments. Pretax earnings are presented net of amounts attributable to noncontrolling interests.

(2) The quarterly impact related to unrealized foreign exchange remeasurement gains (loss) is the following:

Unrealized FX		
Period	2023	2024
1Q	$ (0.1)	$ 0.6
2Q	(9.6)	(2.2)
3Q	1.4	
4Q	(1.5)	
Total	$ (9.8)	

(3) Transaction-related costs, which include legal, consulting, employee compensation, and other professional fees primarily associated with the acquisition of WTW's treaty reinsurance brokerage operations (primarily related to deferred closings in certain jurisdictions in 2022) and the acquisitions of Buck, which closed in second quarter 2023, and Cadence, Eastern, and My Plan Manager, all of which closed in fourth quarter 2023.

(4) Adjustments in fourth quarter 2023 include costs associated with legal and tax matters as well as the impact of tax planning items associated with 2022 tax returns filed in fourth quarter 2023. In second quarter 2023 Gallagher recognized additional U.K. income tax expense related to the non-deductibility of acquisition related adjustments made in the quarter. In second and third quarter 2023 Gallagher recognized costs associated with legal and tax matters.

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Clean Energy Investments

The following provides certain information related to Gallagher's investments in limited liability companies that own or owned 35 clean coal production plants, which produced refined coal using proprietary technologies owned by Chem-Mod. We believe that the production and sale of refined coal at these plants qualified to receive refined coal tax credits under IRC Section 45 through 2019 for the fourteen 2009 Era Plants and through 2021 for the twenty one 2011 Era Plants. The underlying operations of those investments where Gallagher has a controlling ownership interest are consolidated. Gallagher plans to utilize tax credit carryforwards that should favorably impact operating cash flows.

($ in millions)		Actual 2023	2024 Estimates	2025 & Beyond Estimates
Investments that own 2009 Era Plants - 2019 Sunset				
12	2009 Under long-term production contracts during 2019 and prior periods	Sunset in 2019	Sunset in 2019	Sunset in 2019
2	2009 Not in active negotiations for long-term production contracts during 2019	Sunset in 2019	Sunset in 2019	Sunset in 2019
Investments that own 2011 Era Plants - 2021 Sunset				
21	2011 Under long-term production contracts during 2021 and prior periods	Sunset in 2021	Sunset in 2021	Sunset in 2021
Chem-Mod royalty income, net of noncontrolling interests		$ (2.2)	-	-
	Total as adjusted after-tax earnings*	$ (8.2)	*($7m) to ($6m)*	*minimal*
		Actual 2023	**Estimated Annual**	**Estimated Annual**
	Net after-tax cash flow from clean energy investments**	$ 89.2	Greater than $150m	Greater than $180m
		June 30, 2024		
	Tax credit carryforward balance at	$ 805.1		

* 2023 consists of operating results related to Gallagher's investments in new clean energy projects and also includes costs related to the resolution of various partnership matters. 2024 and 2025 & beyond estimates include the operating results of new clean energy investments.

** Future estimated net after-tax cash flows, including 2024, and 2025 & beyond are dependent upon the magnitude of U.S. taxable income generated in the future and may vary materially, higher or lower, from the estimates provided. Potential future changes in domestic and international tax policy have not been contemplated in these estimates.

All estimates set forth above regarding the potential future earnings and after-tax cash flow impact of our clean energy investments are subject to significant risks. Please refer to the cautionary statement on page 2 of this communication and Gallagher's filings with the SEC, including Item 1A, "Risk Factors" in its most recently filed Annual Report on Form 10-K and any subsequently filed Quarterly Reports on Form 10-Q for a more detailed discussion of these and other factors that could impact the information above.

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Interest Income, Premium Finance Revenues, and Other Income

The following table provides the components of brokerage segment interest income, premium finance revenue, and other income, as reported in our quarterly and full year GAAP financial statements.

Brokerage Segment	Actual		2024 Estimates (1)		
(in millions)	1st Quarter 2024	2nd Quarter 2024	3rd Quarter 2024	4th Quarter 2024	Full Year 2024
Interest income from cash, cash equivalents, and fiduciary cash	$ 62.7	$ 62.3	$ 66.0	$ 59.0	$ 250.0
Net gains (losses) on divestitures	0.5	2.0	*nep*	*nep*	*nep*
Premium financing revenues & net earnings from equity interests*	21.5	24.1	$ 31.0	$ 37.0	$ 113.6
Interest income, premium finance revenues, and other income	$ 84.7	$ 88.4			

*Gross premium finance revenues have associated compensation and operating expenses reported in the expense section of our GAAP financial statements. These operations generate EBITDAC margins similar to our overall brokerage segment.

Acquisition Rollover Revenues

Brokerage Segment	Actual		2024 Estimates (2)		2025 Estimates (2)			
(in millions)	1st Quarter 2024	2nd Quarter 2024	3rd Quarter 2024	4th Quarter 2024	1st Quarter 2025	2nd Quarter 2025	3rd Quarter 2025	4th Quarter 2025
1st Quarter 2023 Acquisition Activity	$ 5.2	NA	NA	NA	NA	NA	NA	NA
2nd Quarter 2023 Acquisition Activity	98.7	4.4	NA	NA	NA	NA	NA	NA
3rd Quarter 2023 Acquisition Activity	16.7	16.4	8.0	NA	NA	NA	NA	NA
4th Quarter 2023 Acquisition Activity	95.0	91.3	95.0	38.0	NA	NA	NA	NA
1st Quarter 2024 Acquisition Activity	12.1	21.9	17.0	16.0	1.0	NA	NA	NA
2nd Quarter 2024 Acquisition Activity	NA	8.0	17.0	18.0	18.0	9.0	NA	NA
3rd Quarter 2024 Acquisition Activity	NA	NA	1.0	1.0	1.0	1.0	-	NA
Less: Divestitures	-	(13.2)	nep	nep	nep	nep	nep	nep
	$ 227.7	$ 128.8	$ 138.0	$ 73.0	$ 20.0	$ 10.0	$ -	NA
Acquisition related adjustments (3)	26.0	$ -	*nep*	*nep*	*nep*	*nep*	*nep*	*nep*
Total - Acquisitions	$ 253.7	$ 128.8	$ 138.0	$ 73.0	$ 20.0	$ 10.0	$ -	NA

Risk Management Segment (2)

Within the Risk Management Segment, we completed the acquisition of My Plan Manager in fourth quarter 2023 and NetClaim in July 2024. Acquisition rollover revenue (before reimbursements) during the first and second quarters of 2024 were $13.7 million and $14.4 million, respectively. We expect approximately $20 million of rollover revenue (before reimbursements) during the third quarter of 2024 and approximately $15 million during the fourth quarter of 2024 related to these acquisitions.

Notes

Yellow highlighted rows will be presented as adjustments to GAAP earnings.

(1) Values for 2024 represent the mid-point of our forecasted range for interest income from cash, cash equivalents, and fiduciary cash and premium financing revenues & net earnings from equity interests assuming two 25 basis point rate cuts in second half of 2024. Additionally, forecasted interest income, premium finance revenue and net earnings from equity interests is presented in U.S. dollars at foreign exchange rates as of July 24, 2024. Any future strengthening or weakening of the U.S. dollar will impact the amounts forecasted above.

(2) Values for 2024 & 2025 represent forecasted revenue for acquisitions completed by July 24, 2024. No other future acquisitions are reflected in these forecasts. Actual revenues may be different than forecasted and could potentially vary materially. Also, forecasted acquisition rollover revenues are shown in U.S. dollars at foreign exchange rates as of July 24, 2024. Any future strengthening or weakening of the U.S. dollar will impact the amounts forecasted above.

(3) Acquisition related adjustments represent changes in balance sheet estimates arising primarily from conforming accounting principles, purchase-related true-ups, other balance sheet adjustments made after the closing date; the net impact of these on first quarter 2024 results was approximately $26 million of revenues and approximately $28 million of compensation expense, and have been removed from adjusted, Non-GAAP earnings.

nep = no estimate provided

ARTHUR J. GALLAGHER & CO. - CFO COMMENTARY - JULY 25, 2024

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

	Brokerage Segment	
Net Earnings to EBITDAC as Adjusted (Non-GAAP)	**1st Q 2024**	**2nd Q 2024**
Net earnings, as reported	$ 652.6	$ 332.8
Provision for income taxes	223.5	113.5
Depreciation	32.8	32.3
Amortization	156.0	170.8
Change in estimated acquisition earnout payables	(16.2)	18.7
EBITDAC	1,048.7	668.1
Net (gains) losses on divestitures	(0.5)	(2.0)
Acquisition integration	48.7	53.6
Workforce and lease termination related charges	11.6	27.9
Acquisition related adjustments	23.8	37.2
EBITDAC, as adjusted	$ 1,132.3	$ 784.8
Revenue to Adjusted Revenue (Non-GAAP)		
Revenues, as reported	$ 2,864.9	$ 2,376.3
Net (gains) losses on divestitures	(0.5)	(2.0)
Acquisition related adjustments	(26.0)	0.0
Revenues, as adjusted	$ 2,838.4	$ 2,374.3
Reported & Adjusted Margins		
Net earnings margin, as reported	22.8%	14.0%
EBITDAC margin, as adjusted	39.9%	33.1%

	Risk Management Segment	
Net Earnings to EBITDAC as Adjusted (Non-GAAP)	**1st Q 2024**	**2nd Q 2024**
Net earnings, as reported	$ 39.3	$ 47.8
Provision for income taxes	13.9	17.6
Depreciation	10.9	6.8
Amortization	6.3	-
Change in estimated acquisition earnout payables	0.1	0.1
EBITDAC	70.5	72.3
Net (gains) losses on divestitures	0.2	(0.1)
Acquisition integration	0.7	0.2
Workforce and lease termination related charges	1.2	1.4
Acquisition related adjustments	0.1	0.1
EBITDAC, as adjusted	$ 72.7	$ 73.9
Revenue to Adjusted Revenue (Non-GAAP)		
Revenues (before reimbursements), as reported	$ 352.8	$ 358.6
Net (gains) losses on divestitures	0.2	(0.1)
Acquisition related adjustments	0.0	0.0
Revenues (before reimbursements), as adjusted	$ 353.0	$ 358.5
Reported & Adjusted Margins		
Net earnings margin, as reported	11.1%	13.3%
EBITDAC margin, as adjusted	20.6%	20.6%

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

1st Q Ended March 31, 2024	Earnings (Loss) Before Income Taxes	Provision (Benefit) for Income Taxes	Net Earnings (Loss)	Tax Rate
Brokerage, as reported	**$ 876.1**	**$ 223.5**	**$ 652.6**	**25.5%**
Net (gains) losses on divestitures	(0.5)	(0.1)	(0.4)	
Acquisition integration	48.7	12.3	36.4	
Workforce and lease termination	11.6	2.9	8.7	
Acquisition related adjustments	(11.1)	(2.8)	(8.3)	
Amortization of intangible assets	156.0	39.3	116.7	
Brokerage, as adjusted	$ 1,080.8	$ 275.1	$ 805.7	25.5%
Risk Management, as reported	**$ 53.2**	**$ 13.9**	**$ 39.3**	**26.1%**
Net (gains) losses on divestitures	0.2	0.1	0.1	
Acquisition integration	0.7	0.2	0.5	
Workforce and lease termination	1.2	0.3	0.9	
Acquisition related adjustments	0.1	-	0.1	
Amortization of intangible assets	6.3	1.8	4.5	
Risk Management, as adjusted	$ 61.7	$ 16.3	$ 45.4	26.4%

2nd Q Ended June 30, 2024	Earnings (Loss) Before Income Taxes	Provision (Benefit) for Income Taxes	Net Earnings (Loss)	Tax Rate
Brokerage, as reported	**$ 446.3**	**$ 113.5**	**$ 332.8**	**25.4%**
Net (gains) losses on divestitures	(2.0)	(0.5)	(1.5)	
Acquisition integration	53.6	13.6	40.0	
Workforce and lease termination	27.9	7.1	20.8	
Acquisition related adjustments	41.0	10.2	30.8	
Amortization of intangible assets	170.8	43.3	127.5	
Brokerage, as adjusted	$ 737.6	$ 187.2	$ 550.4	25.4%
Risk Management, as reported	**$ 65.4**	**$ 17.6**	**$ 47.8**	**26.9%**
Net (gains) losses on divestitures	(0.1)	-	(0.1)	
Acquisition integration	0.2	-	0.2	
Workforce and lease termination	1.4	0.3	1.1	
Acquisition related adjustments	0.1	-	0.1	
Amortization of intangible assets	-	-	-	
Risk Management, as adjusted	$ 67.0	$ 17.9	$ 49.1	26.7%