

ARTHUR J. GALLAGHER & CO. ANNOUNCES THIRD QUARTER 2019 FINANCIAL RESULTS

ROLLING MEADOWS, IL, October 24, 2019 — Arthur J. Gallagher & Co. (NYSE: AJG) today reported its financial results for the quarter ended September 30, 2019. Management will host a webcast conference call to discuss these results on Thursday, October 24, 2019 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 “Supplemental Quarterly Data” and “CFO Commentary,” 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 9.

“We delivered an outstanding quarter of operating performance, and we are well positioned for a strong finish to 2019,” said J. Patrick Gallagher, Jr., Chairman, President and CEO. “During the third quarter, our core brokerage and risk management segments combined to post 16% growth in earnings per share; 13% growth in revenues, of which 5.8% was organic revenue growth; net earnings margin improved by 78 basis points; and adjusted EBITDAC margins expanded by 66 basis points. During the quarter, we also completed 14 tuck-in mergers with approximately \$85 million of annualized revenues, bringing our first nine months total to 38 mergers with approximately \$351 million of annualized revenues.”

“Recent meetings with insurance carriers, as well as with our business leaders around the globe, confirm what our internal data is showing; global P&C rates are increasing at a higher rate than earlier this year – about 5% in the aggregate; which is even a bit better than what we saw in our mid-year internal insurance rate survey.”

“In early October, we also surveyed our producers and consultants regarding their clients’ exposure units. Over 75% said their customers continued to grow their payrolls and exposure units during the third quarter and more than 95% of these respondents said they were seeing similar or stronger client exposure growth as they begin working on 2020 renewals. An environment of increasing rates and increasing exposure units is one in which our clients rely on our talented production staff to deliver the best insurance, risk management and benefits consulting advice as they leverage our vast array of resources and capabilities.”

Summary of Financial Results – Third Quarter Reconciliations of non-GAAP measures begin on page 2

(Dollars in millions, except per share data)

	3rd Q 2019		3rd Q 2018		Change	
	Reported GAAP	Adjusted Non-GAAP	Reported GAAP	Adjusted Non-GAAP	Reported GAAP	Adjusted Non-GAAP
Brokerage Segment						
Revenues	\$ 1,195.9	\$ 1,192.6	\$ 1,049.4	\$ 1,035.3	14%	15%
Organic revenues		\$ 1,072.4		\$ 1,014.1		5.8%
Net earnings	\$ 151.1		\$ 122.2		24%	
Net earnings margin	12.6%		11.6%		+99 bpts	
Adjusted EBITDAC		\$ 324.3		\$ 274.5		18%
Adjusted EBITDAC margin		27.2%		26.5%		+68 bpts
Diluted net earnings per share	\$ 0.77	\$ 0.85	\$ 0.65	\$ 0.73	18%	16%
Risk Management Segment						
Revenues before reimbursements	\$ 211.6	\$ 211.6	\$ 199.1	\$ 196.9	6%	7%
Organic revenues		\$ 208.1		\$ 196.8		5.7%
Net earnings	\$ 16.2		\$ 16.5		-2%	
Net earnings margin (before reimbursements)	7.7%		8.3%		-63 bpts	
Adjusted EBITDAC		\$ 38.0		\$ 35.3		8%
Adjusted EBITDAC margin (before reimbursements)		18.0%		17.9%		+3 bpts
Diluted net earnings per share	\$ 0.09	\$ 0.10	\$ 0.09	\$ 0.10	-%	-%
Corporate Segment						
Diluted net loss per share	\$ (0.20)	\$ (0.15)	\$ (0.06)	\$ (0.06)		
Total Company						
Diluted net earnings per share	\$ 0.66	\$ 0.80	\$ 0.68	\$ 0.77	-3%	4%
Total Brokerage and Risk Management Segment						
Diluted net earnings per share	\$ 0.86	\$ 0.95	\$ 0.74	\$ 0.83	16%	14%

**Summary of Financial Results – Nine-Months Ended September 30,
Reconciliations of non-GAAP measures begin on page 3**

(Dollars in millions, except per share data)

	9 Mths 2019		9 Mths 2018		Change	
	Reported GAAP	Adjusted Non-GAAP	Reported GAAP	Adjusted Non-GAAP	Reported GAAP	Adjusted Non-GAAP
Brokerage Segment						
Revenues	\$ 3,709.0	\$ 3,646.7	\$ 3,245.1	\$ 3,185.0	14%	15%
Organic revenues		\$ 3,302.9		\$ 3,123.4		5.8%
Net earnings	\$ 598.6		\$ 488.9		22%	
Net earnings margin	16.1%		15.1%		+107 bpts	
Adjusted EBITDAC		\$ 1,094.2		\$ 938.1		17%
Adjusted EBITDAC margin		30.0%		29.5%		+56 bpts
Diluted net earnings per share	\$ 3.06	\$ 3.05	\$ 2.58	\$ 2.70	19%	13%
Risk Management Segment						
Revenues before reimbursements	\$ 624.0	\$ 624.0	\$ 596.1	\$ 588.0	5%	6%
Organic revenues		\$ 612.7		\$ 587.6		4.3%
Net earnings	\$ 47.9		\$ 50.0		-4%	
Net earnings margin (before reimbursements)	7.7%		8.4%		-71 bpts	
Adjusted EBITDAC		\$ 109.1		\$ 101.8		7%
Adjusted EBITDAC margin (before reimbursements)		17.5%		17.3%		+17 bpts
Diluted net earnings per share	\$ 0.25	\$ 0.28	\$ 0.27	\$ 0.27	-7%	4%
Corporate Segment						
Diluted net loss per share	\$ (0.30)	\$ (0.26)	\$ (0.07)	\$ (0.07)		
Total Company						
Diluted net earnings per share	\$ 3.01	\$ 3.07	\$ 2.78	\$ 2.90	8%	6%
Total Brokerage and Risk Management Segment						
Diluted net earnings per share	\$ 3.31	\$ 3.33	\$ 2.85	\$ 2.97	16%	12%

Quarter Ended September 30 Reported GAAP to Adjusted Non-GAAP Reconciliation:

Segment	Revenues Before Reimbursements		Net Earnings		EBITDAC		Diluted Net Earnings Per Share		
	3rd Q 19	3rd Q 18	3rd Q 19	3rd Q 18	3rd Q 19	3rd Q 18	3rd Q 19	3rd Q 18	Chg
	(in millions)		(in millions)		(in millions)				
Brokerage, as reported	\$ 1,195.9	\$ 1,049.4	\$ 151.1	\$ 122.2	\$ 304.6	\$ 256.8	\$ 0.77	\$ 0.65	18%
Net gains on divestitures	(3.3)	(0.6)	(2.7)	(0.5)	(3.3)	(0.6)	(0.01)	-	
Acquisition integration	-	-	5.8	1.7	7.1	2.2	0.03	0.01	
Workforce & lease termination	-	-	10.9	11.7	13.4	15.6	0.06	0.06	
Acquisition related adjustments	-	-	0.8	4.3	2.5	3.3	-	0.02	
Levelized foreign currency translation	-	(13.5)	-	(1.1)	-	(2.8)	-	(0.01)	
Brokerage, as adjusted *	<u>1,192.6</u>	<u>1,035.3</u>	<u>165.9</u>	<u>138.3</u>	<u>324.3</u>	<u>274.5</u>	<u>0.85</u>	<u>0.73</u>	16%
Risk Management, as reported	211.6	199.1	16.2	16.5	35.0	33.6	0.09	0.09	-%
Workforce & lease termination	-	-	2.1	1.7	3.0	2.3	0.01	0.01	
Acquisition related adjustments	-	-	0.1	-	-	-	-	-	
Levelized foreign currency translation	-	(2.2)	-	(0.4)	-	(0.6)	-	-	
Risk Management, as adjusted *	<u>211.6</u>	<u>196.9</u>	<u>18.4</u>	<u>17.8</u>	<u>38.0</u>	<u>35.3</u>	<u>0.10</u>	<u>0.10</u>	-%
Corporate, as reported	383.0	492.7	(30.2)	(0.3)	(53.2)	(51.4)	(0.20)	(0.06)	
Clean energy related	3.0	-	11.7	-	14.9	-	0.05	-	
Corporate, as adjusted *	<u>386.0</u>	<u>492.7</u>	<u>(18.5)</u>	<u>(0.3)</u>	<u>(38.3)</u>	<u>(51.4)</u>	<u>(0.15)</u>	<u>(0.06)</u>	
Total Company, as reported	<u>\$ 1,790.5</u>	<u>\$ 1,741.2</u>	<u>\$ 137.1</u>	<u>\$ 138.4</u>	<u>\$ 286.4</u>	<u>\$ 239.0</u>	<u>\$ 0.66</u>	<u>\$ 0.68</u>	-3%
Total Company, as adjusted *	<u>\$ 1,790.2</u>	<u>\$ 1,724.9</u>	<u>\$ 165.8</u>	<u>\$ 155.8</u>	<u>\$ 324.0</u>	<u>\$ 258.4</u>	<u>\$ 0.80</u>	<u>\$ 0.77</u>	4%
Total Brokerage & Risk Management, as reported	<u>\$ 1,407.5</u>	<u>\$ 1,248.5</u>	<u>\$ 167.3</u>	<u>\$ 138.7</u>	<u>\$ 339.6</u>	<u>\$ 290.4</u>	<u>\$ 0.86</u>	<u>\$ 0.74</u>	16%
Total Brokerage & Risk Management, as adjusted *	<u>\$ 1,404.2</u>	<u>\$ 1,232.2</u>	<u>\$ 184.3</u>	<u>\$ 156.1</u>	<u>\$ 362.3</u>	<u>\$ 309.8</u>	<u>\$ 0.95</u>	<u>\$ 0.83</u>	14%

* For third quarter 2019, the pretax impact of the Brokerage segment adjustments totals \$18.2 million, with a corresponding adjustment to the provision for income taxes of \$3.4 million relating to these items. The pretax impact of the Risk Management segment adjustments totals \$3.1 million, with a corresponding adjustment to the provision for income taxes of \$0.9 million relating to these items. The pretax impact of the Corporate segment adjustments totals \$14.9 million, with a corresponding adjustment to the provision for income taxes of \$3.2 million relating to these items. A detailed reconciliation of the 2019 and 2018 provision (benefit) for income taxes is shown on pages 13 and 14.

Nine Months Ended September 30 Reported GAAP to Adjusted Non-GAAP Reconciliation:

Segment	Revenues Before Reimbursements		Net Earnings		EBITDAC		Diluted Net Earnings Per Share		
	9 Mths 19	9 Mths 18	9 Mths 19	9 Mths 18	9 Mths 19	9 Mths 18	9 Mths 19	9 Mths 18	Chg
	(in millions)		(in millions)		(in millions)				
Brokerage, as reported	\$3,709.0	\$3,245.1	\$ 598.6	\$ 488.9	\$1,092.2	\$ 915.7	\$ 3.06	\$ 2.58	19%
Net gains on divestitures	(62.3)	(9.6)	(37.2)	(7.4)	(49.3)	(9.6)	(0.20)	(0.04)	
Acquisition integration	-	-	8.6	1.7	10.9	2.2	0.05	0.01	
Workforce & lease termination	-	-	22.8	20.1	29.2	26.7	0.12	0.11	
Acquisition related adjustments	-	-	3.7	8.6	11.2	11.8	0.02	0.05	
Levelized foreign currency translation	-	(50.5)	-	(2.7)	-	(8.7)	-	(0.01)	
Brokerage, as adjusted *	3,646.7	3,185.0	596.5	509.2	1,094.2	938.1	3.05	2.70	13%
Risk Management, as reported	624.0	596.1	47.9	50.0	102.9	100.2	0.25	0.27	-7%
Workforce & lease termination	-	-	4.5	2.7	6.2	3.6	0.03	0.01	
Acquisition related adjustments	-	-	(0.1)	(0.1)	-	-	-	-	
Levelized foreign currency translation	-	(8.1)	-	(1.3)	-	(2.0)	-	(0.01)	
Risk Management, as adjusted *	624.0	588.0	52.3	51.3	109.1	101.8	0.28	0.27	4%
Corporate, as reported	1,039.8	1,327.9	(36.3)	9.2	(164.5)	(161.4)	(0.30)	(0.07)	
Clean energy related	3.0	-	11.7	-	14.9	-	0.04	-	
Corporate, as adjusted *	1,042.8	1,327.9	(24.6)	9.2	(149.6)	(161.4)	(0.26)	(0.07)	
Total Company, as reported	\$5,372.8	\$5,169.1	\$ 610.2	\$ 548.1	\$1,030.6	\$ 854.5	\$ 3.01	\$ 2.78	8%
Total Company, as adjusted *	\$5,313.5	\$5,100.9	\$ 624.2	\$ 569.7	\$1,053.7	\$ 878.5	\$ 3.07	\$ 2.90	6%
Total Brokerage & Risk Management, as reported	\$4,333.0	\$3,841.2	\$ 646.5	\$ 538.9	\$1,195.1	\$ 1,015.9	\$ 3.31	\$ 2.85	16%
Total Brokerage & Risk Management, as adjusted *	\$4,270.7	\$3,773.0	\$ 648.8	\$ 560.5	\$1,203.3	\$ 1,039.9	\$ 3.33	\$ 2.97	12%

* For the nine-month period ended September 30, 2019, the pretax impact of the Brokerage segment adjustments totals \$(4.3) million, with a corresponding adjustment to the benefit for income taxes of \$(2.2) million relating to these items. The pretax impact of the Risk Management segment adjustments totals \$6.0 million, with a corresponding adjustment to the provision for income taxes of \$1.6 million relating to these items. The pretax impact of the Corporate segment adjustments totals \$14.9 million, with a corresponding adjustment to the provision for income taxes of \$3.2 million relating to these items. A detailed reconciliation of the 2019 and 2018 provision (benefit) for income taxes is shown on pages 13 and 14.

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

Organic Revenues (Non-GAAP)	3rd Q 19	3rd Q 18	Change	9 Mths 19	9 Mths 18	Change
Base Commissions and Fees						
Commissions and fees, as reported	\$ 1,088.8	\$ 961.3	13.3%	\$ 3,324.8	\$ 2,962.3	12.2%
Less commissions and fees from acquisitions	(89.9)	-		(265.4)	-	
Less divested operations	-	(4.0)		-	(17.5)	
Levelized foreign currency translation	-	(12.0)		-	(45.0)	
Organic base commissions and fees	\$ 998.9	\$ 945.3	5.7%	\$ 3,059.4	\$ 2,899.8	5.5%
Supplemental Revenues						
Supplemental revenues, as reported	\$ 49.8	\$ 43.9	13.4%	\$ 153.4	\$ 144.0	6.5%
Less supplemental revenues from acquisitions	(2.8)	-		(5.1)	-	
Levelized foreign currency translation	-	(0.6)		-	(2.4)	
Organic supplemental revenues	\$ 47.0	\$ 43.3	8.6%	\$ 148.3	\$ 141.6	4.7%
Contingent Revenues						
Contingent revenues, as reported	\$ 30.4	\$ 25.7	18.3%	\$ 107.9	\$ 82.4	31.0%
Less contingent revenues from acquisitions	(3.9)	-		(12.7)	-	
Levelized foreign currency translation	-	(0.2)		-	(0.4)	
Organic contingent revenues	\$ 26.5	\$ 25.5	3.9%	\$ 95.2	\$ 82.0	16.1%
Total reported commissions, fees, supplemental revenues and contingent revenues	\$ 1,169.0	\$ 1,030.9	13.4%	\$ 3,586.1	\$ 3,188.7	12.5%
Less commissions, fees, supplemental revenues and contingent revenues from acquisitions	(96.6)	-		(283.2)	-	
Less divested operations	-	(4.0)		-	(17.5)	
Levelized foreign currency translation	-	(12.8)		-	(47.8)	
Total organic commissions, fees, supplemental revenues and contingent revenues	\$ 1,072.4	\$ 1,014.1	5.8%	\$ 3,302.9	\$ 3,123.4	5.8%

Acquisition Activity	3rd Q 19	3rd Q 18	9 Mths 19	9 Mths 18
Number of acquisitions closed *	11	9	35	27
Estimated annualized revenues acquired (in millions)	\$ 69.2	\$ 61.7	\$ 334.9	\$ 233.6

* In the third quarter of 2019, Gallagher issued 100,000 shares at the request of sellers and/or in connection with tax-free exchange acquisitions.

Compensation Expense and Ratios	3rd Q 19	3rd Q 18	9 Mths 19	9 Mths 18
Compensation expense, as reported	\$ 694.1	\$ 622.1	\$2,030.6	\$1,831.8
Acquisition integration	(3.7)	(1.8)	(5.8)	(1.8)
Workforce and lease termination related charges	(11.2)	(14.5)	(21.9)	(21.3)
Acquisition related adjustments	(2.5)	(3.3)	(11.2)	(11.8)
Levelized foreign currency translation	-	(8.5)	-	(33.0)
Compensation expense, as adjusted	\$ 676.7	\$ 594.0	\$1,991.7	\$1,763.9
Reported compensation expense ratios using reported revenues on pages 2 and 3	* 58.0%	59.3%	54.8%	56.5%
Adjusted compensation expense ratios using adjusted revenues on pages 2 and 3	** 56.7%	57.4%	54.6%	55.4%

* Reported third quarter compensation ratio was 1.3 pts lower than the same period in 2018. This ratio was impacted by savings in base compensation due to headcount controls, reduced severance, and savings in employee benefits, partially offset by an increase in incentive compensation.

** Adjusted third quarter compensation ratio was 0.7 pts lower than the same period in 2018. This ratio was primarily impacted by savings in base compensation due to headcount controls, and savings in employee benefits, partially offset by an increase in incentive compensation.

Operating Expense and Ratios	3rd Q 2019	3rd Q 2018	9 Mths 2019	9 Mths 2018
Operating expense, as reported	\$ 197.2	\$ 170.5	\$ 586.2	\$ 497.6
Acquisition integration	(3.4)	(0.4)	(5.1)	(0.4)
Workforce and lease termination related charges	(2.2)	(1.1)	(7.3)	(5.4)
Costs related to divestitures	-	-	(13.0)	-
Levelized foreign currency translation	-	(2.2)	-	(8.8)
Operating expense, as adjusted	\$ 191.6	\$ 166.8	\$ 560.8	\$ 483.0
Reported operating expense ratios using reported revenues on pages 2 and 3	* 16.5%	16.3%	15.8%	15.3%
Adjusted operating expense ratios using adjusted revenues on pages 2 and 3	* 16.1%	16.1%	15.4%	15.2%

* Reported third quarter operating expense ratio was 0.2 pts higher than the same period in 2018. Adjusted third quarter operating expense ratio was flat to the same period in 2018. All other items were essentially consistent with the prior period.

Net Earnings to Adjusted EBITDAC (Non-GAAP)	3rd Q 2019	3rd Q 2018	Change	9 Mths 2019	9 Mths 2018	Change
Net earnings, as reported	\$ 151.1	\$ 122.2	23.7%	\$ 598.6	\$ 488.9	22.4%
Provision for income taxes	48.8	41.0		196.0	163.8	
Depreciation	16.4	16.3		49.0	45.4	
Amortization	82.8	71.8		237.0	211.2	
Change in estimated acquisition earnout payables	5.5	5.5		11.6	6.4	
EBITDAC	304.6	256.8	18.6%	1,092.2	915.7	19.3%
Net gains on divestitures	(3.3)	(0.6)		(49.3)	(9.6)	
Acquisition integration	7.1	2.2		10.9	2.2	
Workforce and lease termination related charges	13.4	15.6		29.2	26.7	
Acquisition related adjustments	2.5	3.3		11.2	11.8	
Levelized foreign currency translation	-	(2.8)		-	(8.7)	
EBITDAC, as adjusted	\$ 324.3	\$ 274.5	18.1%	\$ 1,094.2	\$ 938.1	16.6%
Net earnings margin, as reported using reported revenues on pages 2 and 3	12.6%	11.6%	+99 bpts	16.1%	15.1%	+107 bpts
EBITDAC margin, as adjusted using adjusted revenues on pages 2 and 3	27.2%	26.5%	+68 bpts	30.0%	29.5%	+56 bpts

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

Organic Revenues (Non-GAAP)	3rd Q 2019	3rd Q 2018	Change	9 Mths 2019	9 Mths 2018	Change
Fees	\$ 209.9	\$ 197.9	6.1%	\$ 619.7	\$ 589.7	5.1%
International performance bonus fees	1.3	1.1		3.0	6.0	
Fees as reported	211.2	199.0	6.1%	622.7	595.7	4.5%
Less fees from acquisitions	(3.1)	-		(10.0)	-	
Levelized foreign currency translation	-	(2.2)		-	(8.1)	
Organic fees	\$ 208.1	\$ 196.8	5.7%	\$ 612.7	\$ 587.6	4.3%

Acquisition Activity	3rd Q 19	3rd Q 18	9 Mths 19	9 Mths 18
Number of acquisitions closed	3	1	3	2
Estimated annualized revenues acquired (in millions)	\$ 15.9	\$ 13.0	\$ 15.9	\$ 16.2

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

<u>Compensation Expense and Ratios</u>	<u>3rd Q 2019</u>	<u>3rd Q 2018</u>	<u>9 Mths 2019</u>	<u>9 Mths 2018</u>
Compensation expense, as reported	\$ 129.1	\$ 122.4	\$ 382.7	\$ 362.7
Workforce and lease termination related charges	(1.1)	(2.3)	(4.3)	(3.2)
Levelized foreign currency translation	-	(1.2)	-	(4.6)
Compensation expense, as adjusted	\$ 128.0	\$ 118.9	\$ 378.4	\$ 354.9
Reported compensation expense ratios using reported revenues (before reimbursements) on pages 2 and 3	* <u>61.0%</u>	<u>61.5%</u>	<u>61.3%</u>	<u>60.9%</u>
Adjusted compensation expense ratios using adjusted revenues (before reimbursements) on pages 2 and 3	** <u>60.5%</u>	<u>60.4%</u>	<u>60.6%</u>	<u>60.4%</u>

* Reported third quarter compensation ratio was 0.5 pts lower than the same period in 2018. This ratio was primarily impacted by a savings in base compensation, reduced temporary help, and reduced severance, partially offset by an increase in incentive compensation.

** Adjusted third quarter compensation ratio was 0.1 pts higher than the same period in 2018. This ratio was primarily impacted an increase in incentive compensation, offset by savings in base compensation and temporary help.

<u>Operating Expense and Ratios</u>	<u>3rd Q 2019</u>	<u>3rd Q 2018</u>	<u>9 Mths 2019</u>	<u>9 Mths 2018</u>
Operating expense, as reported	\$ 47.5	\$ 43.1	\$ 138.4	\$ 133.2
Workforce and lease termination related charges	(1.9)	-	(1.9)	(0.4)
Levelized foreign currency translation	-	(0.4)	-	(1.5)
Operating expense, as adjusted	\$ 45.6	\$ 42.7	\$ 136.5	\$ 131.3
Reported operating expense ratios using reported revenues (before reimbursements) on pages 2 and 3	* <u>22.5%</u>	<u>21.7%</u>	<u>22.2%</u>	<u>22.4%</u>
Adjusted operating expense ratios using adjusted revenues (before reimbursements) on pages 2 and 3	** <u>21.6%</u>	<u>21.7%</u>	<u>21.9%</u>	<u>22.3%</u>

* Reported third quarter operating expense ratio was 0.8 pts higher than the same period in 2018. This ratio was impacted by higher workforce and lease termination charges and higher technology expenses, partially offset by savings in professional fees and employee expenses.

** Adjusted third quarter operating expense ratio was 0.1 pts lower than the same period in 2018. This ratio was primarily impacted by savings in professional fees and employee expenses, partially offset by higher technology expenses.

<u>Net Earnings to Adjusted EBITDAC (Non-GAAP)</u>	<u>3rd Q 2019</u>	<u>3rd Q 2018</u>	<u>Change</u>	<u>9 Mths 2019</u>	<u>9 Mths 2018</u>	<u>Change</u>
Net earnings, as reported	\$ 16.2	\$ 16.5	-1.8%	\$ 47.9	\$ 50.0	-4.2%
Provision for income taxes	5.5	5.8		16.8	17.9	
Depreciation	11.7	10.0		34.4	28.3	
Amortization	1.4	1.0		3.4	3.2	
Change in estimated acquisition earnout payables	0.2	0.3		0.4	0.8	
EBITDAC	35.0	33.6	4.2%	102.9	100.2	2.7%
Workforce and lease termination related charges	3.0	2.3		6.2	3.6	
Levelized foreign currency translation	-	(0.6)		-	(2.0)	
EBITDAC, as adjusted	\$ 38.0	\$ 35.3	7.7%	\$ 109.1	\$ 101.8	7.2%
Net earnings margin, as reported using reported revenues (before reimbursements) on pages 2 and 3	<u>7.7%</u>	<u>8.3%</u>	-63 bpts	<u>7.7%</u>	<u>8.4%</u>	-71 bpts
EBITDAC margin, as adjusted using adjusted revenues (before reimbursements) on pages 2 and 3	<u>18.0%</u>	<u>17.9%</u>	+3 bpts	<u>17.5%</u>	<u>17.3%</u>	+17 bpts

Corporate Segment Reported GAAP Information (dollars in millions):

	2019			2018		
	Pretax Loss	Income Tax (Provision) Benefit	Net Earnings (Loss) Attributable to Controlling Interests	Pretax Loss	Income Tax (Provision) Benefit	Net Earnings (Loss) Attributable to Controlling Interests
3rd Quarter						
Components of Corporate Segment, as reported						
Interest and banking costs	\$ (47.8)	\$ 12.4	\$ (35.4)	\$ (37.6)	\$ 9.8	\$ (27.8)
Clean energy related (1)	(42.0)	50.6	8.6	(46.1)	75.8	29.7
Acquisition costs	(3.5)	0.4	(3.1)	(2.5)	0.1	(2.4)
Corporate (includes impact of U.S. Tax Reform)	(21.1)	13.2	(7.9)	(18.2)	9.2	(9.0)
Reported 3rd quarter	(114.4)	76.6	(37.8)	(104.4)	94.9	(9.5)
Adjustments						
Clean energy related (2)	12.4	(3.2)	9.2	-	-	-
Components of Corporate Segment, as adjusted						
Interest and banking costs	(47.8)	12.4	(35.4)	(37.6)	9.8	(27.8)
Clean energy related (1)	(29.6)	47.4	17.8	(46.1)	75.8	29.7
Acquisition costs	(3.5)	0.4	(3.1)	(2.5)	0.1	(2.4)
Corporate (includes impact of U.S. Tax Reform)	(21.1)	13.2	(7.9)	(18.2)	9.2	(9.0)
Adjusted 3rd quarter	\$ (102.0)	\$ 73.4	\$ (28.6)	\$ (104.4)	\$ 94.9	\$ (9.5)
Nine Months						
Components of Corporate Segment, as reported						
Interest and banking costs	\$ (134.9)	\$ 35.1	\$ (99.8)	\$ (104.5)	\$ 27.2	\$ (77.3)
Clean energy related (1)	(132.1)	210.4	78.3	(147.8)	244.4	96.6
Acquisition costs	(15.2)	2.3	(12.9)	(7.5)	0.8	(6.7)
Corporate (includes impact of U.S. Tax Reform)	(56.6)	33.1	(23.5)	(47.8)	21.2	(26.6)
Reported nine months	(338.8)	280.9	(57.9)	(307.6)	293.6	(14.0)
Adjustments						
Clean energy related (2)	12.4	(3.2)	9.2	-	-	-
Components of Corporate Segment, as adjusted						
Interest and banking costs	(134.9)	35.1	(99.8)	(104.5)	27.2	(77.3)
Clean energy related (1)	(119.7)	207.2	87.5	(147.8)	244.4	96.6
Acquisition costs	(15.2)	2.3	(12.9)	(7.5)	0.8	(6.7)
Corporate	(56.6)	33.1	(23.5)	(47.8)	21.2	(26.6)
Adjusted nine months	\$ (326.4)	\$ 277.7	\$ (48.7)	\$ (307.6)	\$ 293.6	\$ (14.0)

- (1) Pretax loss for the third quarter is presented net of amounts attributable to noncontrolling interests of \$7.6 million in 2019 and \$9.2 million in 2018. Pretax loss for the nine-months ended September 30, 2019, is presented net of amounts attributable to noncontrolling interests of \$21.6 million in 2019 and \$23.2 million in 2018.
- (2) Clean Energy Related Adjustments – During third quarter of 2019, Gallagher and/or our 46.5% owned affiliate, Chem-Mod LLC, incurred costs related to (a) settling certain patent infringement litigation, (b) prevailing in a tax court matter, (c) defending a new patent matter, and (d) moving three 2011 Era plants into different locations that could generate more after-tax earnings in 2020 than in 2019.

Interest and banking costs and debt - At September 30, 2019, Gallagher had \$3,923.0 million of borrowings from private placements, \$390.0 million of short-term borrowings under its line of credit facility and \$170.1 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.

Clean energy - Consists of the operating results related to our investments in 34 clean coal production plants and royalty income from clean coal licenses related to Chem-Mod LLC. 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.

Corporate (includes impact of U.S. Tax Reform) - Consists of overhead allocations mostly related to corporate staff compensation and other corporate level activities. In addition, this includes the tax expense related to the impact of the U.S. tax legislation passed in December 2017 - principally the partial taxation of foreign earnings, nondeductible executive compensation and entertainment expenses.

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 September 30, 2019 and 2018 was (19.4)% and (53.3)%, respectively, which was lower than the statutory rate due to the amount of IRC Section 45 tax credits.

Webcast Conference Call

Gallagher will host a webcast conference call on Thursday, October 24, 2019 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., an international insurance brokerage and risk management services firm, is headquartered in Rolling Meadows, Illinois, has operations in 48 countries and offers client-service capabilities in more than 150 countries around the world through a network of correspondent brokers and consultants.

Impact of a New Lease Accounting Standard in First Quarter 2019

A new lease accounting standard was adopted as of January 1, 2019, using the modified retrospective approach allowing Gallagher to initially apply the new lease standard at the adoption date and recognize a cumulative effect adjustment to the opening balance of retained earnings in the first quarter 2019. Consequently, the reporting for the comparative prior year periods presented in 2019 will continue to be in accordance with the previous lease guidance, including comparative disclosure requirements. The new lease accounting standard requires us to recognize lease right-of-use assets and lease liabilities on our balance sheet, which are established at the inception of a lease by computing a net present value of the future lease payments. Right-of-use assets are amortized to expense, and the discount amount related to lease liabilities is accreted to expense, over the lease term. The amortization of the right-of-use asset is calculated as the difference between the straight-line lease expense and the interest calculated on the lease liability. Rent payments are applied against the lease liabilities. Adoption of the new lease standard resulted in the recording of net right-of-use assets and lease liabilities of approximately \$379.6 million and \$420.3 million, respectively, and the reclassification of net rent related asset and liabilities of \$38.3 million as of January 1, 2019. The cumulative effect of the adoption was recognized as a decrease to retained earnings of \$2.4 million on January 1, 2019. There were de minimis impacts on the third quarter 2019 and nine months 2019 statement of earnings related to the adoption of this new lease standard.

Cautionary Information

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, statements regarding (i) anticipated future results or performance of any segment or the Company as a whole; (ii) the premium rate environment and the state of insurance markets; and (iii) 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 as a result of Brexit, trade wars or tariffs; changes in premium rates and in insurance markets generally; and changes in the insurance brokerage industry's competitive landscape.

Please refer to Gallagher's filings with the SEC, including Item 1A, "Risk Factors," of its Annual Report on Form 10-K for the fiscal year ended December 31, 2018 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 the company'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 compensation, performance share awards and annual cash incentive awards, partly on the basis of measures related to adjusted EBITDAC. Certain reclassifications have been made to the prior year amounts reported in this press release in order to conform them to the current year presentation.

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 pages 13 and 14 for a reconciliation of the adjustments made to income taxes.

- **Adjusted revenues and expenses** - Revenues (for the Brokerage segment), revenues before reimbursements (for the Risk Management segment), 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.
 - Costs related to divestitures, which include legal and other costs related to certain operations that are being exited by Gallagher.
 - Acquisition integration costs, which include costs related to certain large acquisitions, 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, extra lease space, duplicate services and external costs incurred to assimilate the acquisition with our IT related systems.
 - 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 change in estimated acquisition earnout payables adjustments, impacts of acquisition valuation true-ups, impairment charges and acquisition related compensation 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 periods in the prior year.
- **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 and, for the overall business, provide a meaningful way to measure its financial performance on an ongoing basis.
- **Adjusted EBITDAC and Adjusted EBITDAC Margin** - Adjusted EBITDAC is EBITDAC adjusted to exclude net gains on divestitures, acquisition integration costs, workforce related charges, lease termination related charges, acquisition related adjustments and the period-over-period impact of foreign currency translation, as applicable (and for the Corporate segment, the clean energy related adjustments described on page 7) 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 for the overall business 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.
- **Adjusted EPS and Adjusted Net Earnings**- Net earnings 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 and acquisition related adjustments (and for the Corporate segment, the clean energy related adjustments described on page 7) 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 exclude the period-over-period impact of foreign currency translation. For the Risk Management segment, organic change in fee revenues excludes the first twelve months of fee revenues generated from acquisitions and the fee revenues related to operations disposed of 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 or are due to the limited-time nature of these revenue sources.

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 its 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 11 and 12), for adjusted revenues, adjusted EBITDAC and adjusted diluted net earnings per share (on pages 2 and 3), for organic revenue measures (on pages 4 and 6, respectively, for the Brokerage and Risk Management segments), for adjusted compensation and operating expenses and adjusted EBITDAC margin (on pages 5, 6 and 7, respectively, for the Brokerage and Risk Management segments).

Arthur J. Gallagher & Co.
Reported Statement of Earnings and EBITDAC - 3rd Qtr Ended September 30,
(Unaudited - in millions except per share, percentage and workforce data)

	3rd Q Ended Sept 30, 2019	3rd Q Ended Sept 30, 2018	9 Mths Ended Sept 30, 2019	9 Mths Ended Sept 30, 2018
Brokerage Segment				
Commissions	\$ 809.9	\$ 707.6	\$ 2,528.0	\$ 2,235.0
Fees	278.9	253.7	796.8	727.3
Supplemental revenues	49.8	43.9	153.4	144.0
Contingent revenues	30.4	25.7	107.9	82.4
Investment income and net gains on divestitures	26.9	18.5	122.9	56.4
Total revenues	<u>1,195.9</u>	<u>1,049.4</u>	<u>3,709.0</u>	<u>3,245.1</u>
Compensation	694.1	622.1	2,030.6	1,831.8
Operating	197.2	170.5	586.2	497.6
Depreciation	16.4	16.3	49.0	45.4
Amortization	82.8	71.8	237.0	211.2
Change in estimated acquisition earnout payables	5.5	5.5	11.6	6.4
Expenses	<u>996.0</u>	<u>886.2</u>	<u>2,914.4</u>	<u>2,592.4</u>
Earnings before income taxes	199.9	163.2	794.6	652.7
Provision for income taxes	48.8	41.0	196.0	163.8
Net earnings	151.1	122.2	598.6	488.9
Net earnings attributable to noncontrolling interests	3.4	1.6	18.3	8.7
Net earnings attributable to controlling interests	<u>\$ 147.7</u>	<u>\$ 120.6</u>	<u>\$ 580.3</u>	<u>\$ 480.2</u>
EBITDAC				
Net earnings	\$ 151.1	\$ 122.2	\$ 598.6	\$ 488.9
Provision for income taxes	48.8	41.0	196.0	163.8
Depreciation	16.4	16.3	49.0	45.4
Amortization	82.8	71.8	237.0	211.2
Change in estimated acquisition earnout payables	5.5	5.5	11.6	6.4
EBITDAC	<u>\$ 304.6</u>	<u>\$ 256.8</u>	<u>\$ 1,092.2</u>	<u>\$ 915.7</u>
Risk Management Segment				
	3rd Q Ended Sept 30, 2019	3rd Q Ended Sept 30, 2018	9 Mths Ended Sept 30, 2019	9 Mths Ended Sept 30, 2018
Fees	\$ 211.2	\$ 199.0	\$ 622.7	\$ 595.7
Investment income	0.4	0.1	1.3	0.4
Revenues before reimbursements	211.6	199.1	624.0	596.1
Reimbursements	34.7	37.3	100.8	107.5
Total revenues	<u>246.3</u>	<u>236.4</u>	<u>724.8</u>	<u>703.6</u>
Compensation	129.1	122.4	382.7	362.7
Operating	47.5	43.1	138.4	133.2
Reimbursements	34.7	37.3	100.8	107.5
Depreciation	11.7	10.0	34.4	28.3
Amortization	1.4	1.0	3.4	3.2
Change in estimated acquisition earnout payables	0.2	0.3	0.4	0.8
Expenses	<u>224.6</u>	<u>214.1</u>	<u>660.1</u>	<u>635.7</u>
Earnings before income taxes	21.7	22.3	64.7	67.9
Provision for income taxes	5.5	5.8	16.8	17.9
Net earnings	16.2	16.5	47.9	50.0
Net earnings attributable to noncontrolling interests	-	-	-	-
Net earnings attributable to controlling interests	<u>\$ 16.2</u>	<u>\$ 16.5</u>	<u>\$ 47.9</u>	<u>\$ 50.0</u>
EBITDAC				
Net earnings	\$ 16.2	\$ 16.5	\$ 47.9	\$ 50.0
Provision for income taxes	5.5	5.8	16.8	17.9
Depreciation	11.7	10.0	34.4	28.3
Amortization	1.4	1.0	3.4	3.2
Change in estimated acquisition earnout payables	0.2	0.3	0.4	0.8
EBITDAC	<u>\$ 35.0</u>	<u>\$ 33.6</u>	<u>\$ 102.9</u>	<u>\$ 100.2</u>

See "Information Regarding Non-GAAP Measures" on page 9 of 14.

Arthur J. Gallagher & Co.
Reported Statement of Earnings and EBITDAC - 3rd Qtr Ended September 30,
(Unaudited - in millions except share and per share data)

	3rd Q Ended Sept 30, 2019	3rd Q Ended Sept 30, 2018	9 Mths Ended Sept 30, 2019	9 Mths Ended Sept 30, 2018
Corporate Segment				
Revenues from consolidated clean coal facilities	\$ 368.2	\$ 478.1	\$ 994.6	\$ 1,290.4
Royalty income from clean coal licenses	18.3	14.8	50.2	38.3
Loss from unconsolidated clean coal facilities	(0.5)	(0.5)	(2.1)	(1.7)
Other net revenues	(3.0)	0.3	(2.9)	0.9
Total revenues	<u>383.0</u>	<u>492.7</u>	<u>1,039.8</u>	<u>1,327.9</u>
Cost of revenues from consolidated clean coal facilities	397.4	508.8	1,071.9	1,381.8
Compensation	15.5	21.2	68.8	71.7
Operating	23.3	14.1	63.6	35.8
Interest	46.6	36.7	131.7	101.9
Depreciation	7.0	7.1	21.0	21.1
Expenses	<u>489.8</u>	<u>587.9</u>	<u>1,357.0</u>	<u>1,612.3</u>
Loss before income taxes	(106.8)	(95.2)	(317.2)	(284.4)
Benefit for income taxes	(76.6)	(94.9)	(280.9)	(293.6)
Net earnings (loss)	(30.2)	(0.3)	(36.3)	9.2
Net earnings attributable to noncontrolling interests	7.6	9.2	21.6	23.2
Net loss attributable to controlling interests	\$ (37.8)	\$ (9.5)	\$ (57.9)	\$ (14.0)
EBITDAC				
Net earnings (loss)	\$ (30.2)	\$ (0.3)	\$ (36.3)	\$ 9.2
Benefit for income taxes	(76.6)	(94.9)	(280.9)	(293.6)
Interest	46.6	36.7	131.7	101.9
Depreciation	7.0	7.1	21.0	21.1
EBITDAC	\$ (53.2)	\$ (51.4)	\$ (164.5)	\$ (161.4)
Total Company				
Commissions	\$ 809.9	\$ 707.6	\$ 2,528.0	\$ 2,235.0
Fees	490.1	452.7	1,419.5	1,323.0
Supplemental revenues	49.8	43.9	153.4	144.0
Contingent revenues	30.4	25.7	107.9	82.4
Investment income and net gains on divestitures	27.3	18.6	124.2	56.8
Revenues from clean coal activities	386.0	492.4	1,042.7	1,327.0
Other net revenues - Corporate	(3.0)	0.3	(2.9)	0.9
Revenues before reimbursements	1,790.5	1,741.2	5,372.8	5,169.1
Reimbursements	34.7	37.3	100.8	107.5
Total revenues	<u>1,825.2</u>	<u>1,778.5</u>	<u>5,473.6</u>	<u>5,276.6</u>
Compensation	838.7	765.7	2,482.1	2,266.2
Operating	268.0	227.7	788.2	666.6
Reimbursements	34.7	37.3	100.8	107.5
Cost of revenues from clean coal activities	397.4	508.8	1,071.9	1,381.8
Interest	46.6	36.7	131.7	101.9
Depreciation	35.1	33.4	104.4	94.8
Amortization	84.2	72.8	240.4	214.4
Change in estimated acquisition earnout payables	5.7	5.8	12.0	7.2
Expenses	<u>1,710.4</u>	<u>1,688.2</u>	<u>4,931.5</u>	<u>4,840.4</u>
Earnings before income taxes	114.8	90.3	542.1	436.2
Benefit for income taxes	(22.3)	(48.1)	(68.1)	(111.9)
Net earnings	137.1	138.4	610.2	548.1
Net earnings attributable to noncontrolling interests	11.0	10.8	39.9	31.9
Net earnings attributable to controlling interests	\$ 126.1	\$ 127.6	\$ 570.3	\$ 516.2
Diluted net earnings per share	<u>\$ 0.66</u>	<u>\$ 0.68</u>	<u>\$ 3.01</u>	<u>\$ 2.78</u>
Dividends declared per share	<u>\$ 0.43</u>	<u>\$ 0.41</u>	<u>\$ 1.29</u>	<u>\$ 1.23</u>
EBITDAC				
Net earnings	\$ 137.1	\$ 138.4	\$ 610.2	\$ 548.1
Benefit for income taxes	(22.3)	(48.1)	(68.1)	(111.9)
Interest	46.6	36.7	131.7	101.9
Depreciation	35.1	33.4	104.4	94.8
Amortization	84.2	72.8	240.4	214.4
Change in estimated acquisition earnout payables	5.7	5.8	12.0	7.2
EBITDAC	\$ 286.4	\$ 239.0	\$ 1,030.6	\$ 854.5

See "Information Regarding Non-GAAP Measures" on page 9 of 14.

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

	Sept 30, 2019	Dec 31, 2018
Cash and cash equivalents	\$ 578.9	\$ 607.2
Restricted cash	2,028.4	1,629.6
Premiums and fees receivable	5,684.7	4,857.5
Other current assets	1,036.6	1,024.4
Total current assets	9,328.6	8,118.7
Fixed assets - net	458.8	436.9
Deferred income taxes (includes tax credit carryforwards of \$951.2 in 2019 and \$856.9 in 2018)	952.8	806.2
Other noncurrent assets	660.8	573.6
Right-of-use assets	* 384.5	-
Goodwill	5,314.8	4,625.6
Amortizable intangible assets - net	2,073.5	1,773.0
Total assets	\$ 19,173.8	\$ 16,334.0
Premiums payable to underwriting enterprises	\$ 6,573.9	\$ 5,740.2
Accrued compensation and other current liabilities	1,255.7	1,055.1
Deferred revenue - current	421.2	379.3
Premium financing debt	170.1	154.0
Corporate related borrowings - current	490.0	365.0
Total current liabilities	8,910.9	7,693.6
Corporate related borrowings - noncurrent	3,815.8	3,091.4
Deferred revenue - noncurrent	72.7	78.4
Lease liabilities - noncurrent	* 335.3	-
Other noncurrent liabilities	1,127.1	900.9
Total liabilities	14,261.8	11,764.3
Stockholders' equity:		
Common stock - issued and outstanding	186.5	184.0
Capital in excess of par value	3,697.7	3,541.9
Retained earnings	1,884.2	1,558.6
Accumulated other comprehensive loss	(925.1)	(785.6)
Total controlling interests stockholders' equity	4,843.3	4,498.9
Noncontrolling interests	68.7	70.8
Total stockholders' equity	4,912.0	4,569.7
Total liabilities and stockholders' equity	\$ 19,173.8	\$ 16,334.0

* Right-of-use assets and Lease liabilities - noncurrent relate to the adoption of a new lease accounting standard in first quarter 2019. See page 8 of 14 for additional information.

Arthur J. Gallagher & Co.
Other Information

(Unaudited - data is rounded where indicated)

OTHER INFORMATION	3rd Q Ended Sept 30, 2019	3rd Q Ended Sept 30, 2018	9 Mths Ended Sept 30, 2019	9 Mths Ended Sept 30, 2018
Basic weighted average shares outstanding (000s)	186,330	183,288	185,540	182,375
Diluted weighted average shares outstanding (000s)	190,674	186,766	189,615	185,719
Number of common shares outstanding at end of period (000s)			186,523	183,652
Workforce at end of period (includes acquisitions):				
Brokerage			24,722	22,345
Risk Management			6,616	6,163
Total Company			32,728	29,542

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 Attributable to Noncontrolling Interests	Net Earnings (Loss) Attributable to Controlling Interests	Diluted Net Earnings (Loss) per Share
3rd Q Ended September 30, 2019						
Brokerage, as reported	\$ 199.9	\$ 48.8	\$ 151.1	\$ 3.4	\$ 147.7	\$ 0.77
Net gains on divestitures	(3.3)	(0.6)	(2.7)	-	(2.7)	(0.01)
Acquisition integration	7.1	1.3	5.8	-	5.8	0.03
Workforce & lease termination	13.4	2.5	10.9	-	10.9	0.06
Acquisition related adjustments	1.0	0.2	0.8	-	0.8	-
Brokerage, as adjusted	\$ 218.1	\$ 52.2	\$ 165.9	\$ 3.4	\$ 162.5	\$ 0.85
Risk Management, as reported	\$ 21.7	\$ 5.5	\$ 16.2	\$ -	\$ 16.2	\$ 0.09
Workforce & lease termination	3.0	0.9	2.1	-	2.1	0.01
Acquisition related adjustments	0.1	-	0.1	-	0.1	-
Risk Management, as adjusted	\$ 24.8	\$ 6.4	\$ 18.4	\$ -	\$ 18.4	\$ 0.10
Corporate, as reported	\$ (106.8)	\$ (76.6)	\$ (30.2)	\$ 7.6	\$ (37.8)	\$ (0.20)
Clean energy related	14.9	3.2	11.7	2.5	9.2	0.05
Corporate, as adjusted	\$ (91.9)	\$ (73.4)	\$ (18.5)	\$ 10.1	\$ (28.6)	\$ (0.15)

See "Information Regarding Non-GAAP Measures" on page 9 of 14.

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 Before Income Taxes	Provision (Benefit) for Income Taxes	Net Earnings	Net Earnings Attributable to Noncontrolling Interests	Net Earnings Attributable to Controlling Interests	Diluted Net Earnings per Share
3rd Q Ended September 30, 2018						
Brokerage, as reported	\$ 163.2	\$ 41.0	\$ 122.2	\$ 1.6	\$ 120.6	\$ 0.65
Net gains on divestitures	(0.6)	(0.1)	(0.5)	-	(0.5)	-
Acquisition integration	2.2	0.5	1.7	-	1.7	0.01
Workforce & lease termination	15.6	3.9	11.7	-	11.7	0.06
Acquisition related adjustments	5.7	1.4	4.3	-	4.3	0.02
Levelized foreign currency translation	(1.4)	(0.3)	(1.1)	-	(1.1)	(0.01)
Brokerage, as adjusted	<u>\$ 184.7</u>	<u>\$ 46.4</u>	<u>\$ 138.3</u>	<u>\$ 1.6</u>	<u>\$ 136.7</u>	<u>\$ 0.73</u>
Risk Management, as reported	\$ 22.3	\$ 5.8	\$ 16.5	\$ -	\$ 16.5	\$ 0.09
Workforce & lease termination	2.3	0.6	1.7	-	1.7	0.01
Levelized foreign currency translation	(0.5)	(0.1)	(0.4)	-	(0.4)	-
Risk Management, as adjusted	<u>\$ 24.1</u>	<u>\$ 6.3</u>	<u>\$ 17.8</u>	<u>\$ -</u>	<u>\$ 17.8</u>	<u>\$ 0.10</u>
	Earnings (Loss) Before Income Taxes	Provision (Benefit) for Income Taxes	Net Earnings (Loss)	Net Earnings Attributable to Noncontrolling Interests	Net Earnings (Loss) Attributable to Controlling Interests	Diluted Net Earnings (Loss) per Share
9 Mths Ended September 30, 2019						
Brokerage, as reported	\$ 794.6	\$ 196.0	\$ 598.6	\$ 18.3	\$ 580.3	\$ 3.06
Net gains on divestitures	(49.3)	(12.1)	(37.2)	-	(37.2)	(0.20)
Acquisition integration	10.9	2.3	8.6	-	8.6	0.05
Workforce & lease termination	29.2	6.4	22.8	-	22.8	0.12
Acquisition related adjustments	4.9	1.2	3.7	-	3.7	0.02
Brokerage, as adjusted	<u>\$ 790.3</u>	<u>\$ 193.8</u>	<u>\$ 596.5</u>	<u>\$ 18.3</u>	<u>\$ 578.2</u>	<u>\$ 3.05</u>
Risk Management, as reported	\$ 64.7	\$ 16.8	\$ 47.9	\$ -	\$ 47.9	\$ 0.25
Workforce & lease termination	6.2	1.7	4.5	-	4.5	0.03
Acquisition related adjustments	(0.2)	(0.1)	(0.1)	-	(0.1)	-
Risk Management, as adjusted	<u>\$ 70.7</u>	<u>\$ 18.4</u>	<u>\$ 52.3</u>	<u>\$ -</u>	<u>\$ 52.3</u>	<u>\$ 0.28</u>
Corporate, as reported	\$ (317.2)	\$ (280.9)	\$ (36.3)	\$ 21.6	\$ (57.9)	\$ (0.30)
Clean energy related	14.9	3.2	11.7	2.5	9.2	0.04
Corporate, as adjusted	<u>\$ (302.3)</u>	<u>\$ (277.7)</u>	<u>\$ (24.6)</u>	<u>\$ 24.1</u>	<u>\$ (48.7)</u>	<u>\$ (0.26)</u>
	Earnings Before Income Taxes	Provision (Benefit) for Income Taxes	Net Earnings	Net Earnings Attributable to Noncontrolling Interests	Net Earnings Attributable to Controlling Interests	Diluted Net Earnings per Share
9 Mths Ended September 30, 2018						
Brokerage, as reported	\$ 652.7	\$ 163.8	\$ 488.9	\$ 8.7	\$ 480.2	\$ 2.58
Net gains on divestitures	(9.6)	(2.2)	(7.4)	-	(7.4)	(0.04)
Acquisition integration	2.2	0.5	1.7	-	1.7	0.01
Workforce & lease termination	26.7	6.6	20.1	-	20.1	0.11
Acquisition related adjustments	11.3	2.7	8.6	-	8.6	0.05
Levelized foreign currency translation	(3.5)	(0.8)	(2.7)	-	(2.7)	(0.01)
Brokerage, as adjusted	<u>\$ 679.8</u>	<u>\$ 170.6</u>	<u>\$ 509.2</u>	<u>\$ 8.7</u>	<u>\$ 500.5</u>	<u>\$ 2.70</u>
Risk Management, as reported	\$ 67.9	\$ 17.9	\$ 50.0	\$ -	\$ 50.0	\$ 0.27
Workforce & lease termination	3.6	0.9	2.7	-	2.7	0.01
Acquisition related adjustments	(0.1)	-	(0.1)	-	(0.1)	-
Levelized foreign currency translation	(1.7)	(0.4)	(1.3)	-	(1.3)	(0.01)
Risk Management, as adjusted	<u>\$ 69.7</u>	<u>\$ 18.4</u>	<u>\$ 51.3</u>	<u>\$ -</u>	<u>\$ 51.3</u>	<u>\$ 0.27</u>

See "Information Regarding Non-GAAP Measures" on page 9 of 14.

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