

WTW - Where Should the TRANZACT Proceeds Go?

Internal ID: S&F-STR-595

Topic: Capital Allocation, Corporate Strategy, Pricing Strategy

Industry: Insurance Brokers

Source: Strategy & Finance

Publication date: 5 October 2026

License: Not specified

Decision date and information cutoff: 31 October 2024

Decision scope: Use of net proceeds if the TRANZACT sale closes

Case convention: This is an author-created board decision exercise based on information available by the cutoff. The sale remained pending; no later closing or operating outcome is included.

The decision

Willis Towers Watson plc (WTW) had agreed to sell TRANZACT, its direct-to-consumer insurance distribution business. The definitive agreement was dated 30 September 2024; the 1 October announcement stated gross consideration of \$632.4 million, subject to adjustments, and expected a close by year-end pending regulatory and customary conditions. At the end of October, the sale had not closed. WTW expected to provide transition services after closing. [P1], Note 3, pp. 13-14; [P3], lines 30-35.

Management said the divestiture would sharpen WTW's focus on core B2B and B2B2C offerings, simplify the portfolio and accelerate long-term free-cash-flow-margin goals. Those are management's rationale and expected benefits, not demonstrated results. [P3], lines 30-34.

Assignment: Assume the sale closes on terms broadly consistent with the announcement. As a hypothetical WTW board member, recommend how to allocate the resulting *net* cash among investment in Health, Wealth and Career (HWC) and Risk & Broking (R&B), debt reduction or liquidity, and shareholder returns. Specify an order of use and measurable gates for investment. Also recommend when the board should redirect capital after WTW's transformation program. The decision is not whether to sell TRANZACT.

A focus thesis with a profitable business leaving

The sale fits a focus thesis: concentrate management attention and investment on WTW's remaining business lines. But TRANZACT was not a disclosed loss-maker. For the nine months ended 30 September 2024, it reported revenue of \$463 million and operating income of \$45 million. These are period results, not standalone cash flow, and they do not include a bridge for allocated corporate costs, retained costs or foregone contribution after close. [P1], Note 3, p. 14.

WTW had recorded a \$920 million pre-tax loss on expected disposal and a \$1.0 billion pre-tax goodwill impairment by Q3. The October announcement estimated total expected noncash pre-tax losses and impairments of \$1.6-\$2.1 billion. These are accounting charges related to held-for-sale valuation, goodwill and estimated disposal costs-not cash proceeds paid to the buyer, not the transaction price, and not a direct measure of value forgone. [P1], Note 3, p. 13;

[P3], line 35.

The gross consideration also is not net distributable cash. Closing adjustments, taxes, transaction expenses, settlement items and transition-service costs or revenues could affect available cash. WTW expected to provide transition services after closing, but public disclosures did not specify their duration, pricing, costs or profitability. [P1], Note 3, pp. 13-14.

Remaining businesses and investment alternatives

WTW's Q3 results showed different momentum in its remaining segments. Organic revenue grew 4% in HWC and 10% in R&B. Within R&B, CRB grew 10% and ICT grew 7%. Management attributed ICT growth primarily to strong software sales in Technology, partly offset by tempered demand for discretionary services in Consulting. The presentation also said WTW continued investing cash in product development in HWC and R&B. One quarter of segment results and management explanations do not establish the return on incremental investment. [P2], lines 75-87, 170-178.

WTW's three-year transformation program was approaching its end-2024 target. It expected more than \$450 million of annual savings against estimated total investment of \$1.175 billion: \$1.045 billion of program costs plus \$130 million of capital expenditure. The Q3 deck reported \$446 million of annualized savings identified since inception. This run-rate savings figure is not the same as cash realized net of implementation costs, and it does not show how much will continue after the program ends. [P1], Item 2, p. 31; [P2], lines 93-106.

WTW had returned capital while investing. During the first nine months of 2024, it repurchased \$506 million of shares and paid \$265 million in dividends. At 30 September, \$837 million remained under its repurchase authorization. Total debt was \$5.308 billion, cash and cash equivalents were \$1.372 billion, no mandatory repayment was due in the next 12 months, and the company reported compliance with its financial covenants. Fiduciary funds are client property and are not available for corporate capital allocation. [P1], statements of cash flows, p. 9; Item 2, pp. 39-40.

For the same nine-month period, WTW reported \$913 million of GAAP operating cash flow; the Q3 presentation separately reported \$807 million of non-GAAP free cash flow, compared with \$707 million a year earlier. These are different measures. Do not equate reported non-GAAP FCF to gross sale proceeds or subtract capital items again without reconciling the company's definition. [P1], cash-flow statement, p. 9; [P2], lines 60-61.

Exhibit 1. Q3 facts for the allocation discussion

Item	Reported amount/status	Scope and limitation
TRANZACT consideration	\$632.4m gross, subject to adjustments	Sale pending at cutoff; net cash after taxes, costs and other items not disclosed. [P3]
TRANZACT performance	\$463m revenue; \$45m operating income	Nine months ended 30 Sep. 2024; operating income is not standalone cash contribution. [P1]
Accounting charges	\$920m disposal loss and \$1.0bn goodwill impairment recorded by Q3	Pre-tax accounting charges, not cash proceeds/outflow or sale price. [P1]
Estimated expected charge range	\$1.6bn-\$2.1bn noncash pre-tax losses/impairments	October announcement estimate; not a cash loss. [P3]
Organic revenue growth	HWC 4%; R&B 10%; CRB 10%; ICT 7%	Q3 2024; management-defined organic growth. [P2]
ICT explanation	Technology software sales strong; Consulting discretionary-services demand tempered	Management attribution; do not reverse the two business attributions. [P2]
Transformation	\$446m annualized savings identified; \$1.175bn estimated total investment; >\$450m annual savings target by end-2024	Run-rate/targets, not realized net cash. [P1], [P2]
Capital and liquidity	\$5.308bn debt; \$1.372bn cash; \$837m repurchase authorization remaining	30 Sep. 2024; fiduciary funds excluded. [P1]
Cash flow	\$913m GAAP operating cash flow; \$807m non-GAAP FCF	Nine months through 30 Sep. 2024; separate company-reported definitions. [P1], [P2]

No project-level investment return or net-proceeds calculation is provided in this packet.

Exhibit 2. Uses of net proceeds to consider

Use	Potential rationale	Main question
Invest in HWC/R&B	Support product development, technology, data and client service in the remaining businesses	Which specific projects have incremental client demand, accountable owners and measurable returns?
Debt reduction / liquidity	Improve resilience and preserve flexibility through the transition	What leverage, rating or liquidity guardrail should the board use, and what is the opportunity cost of retaining cash?
Shareholder returns	Continue dividends and repurchases under existing policies and authorization	How should repurchase price compare with an explicit intrinsic-value hurdle and competing investment returns?
Transformation and productivity	Harvest, extend or selectively reinvest in tools and processes	Which savings are actually realized, what costs remain, and which capabilities support growth rather than simply reduce expense?

The board can choose a staged blend. Gross sale consideration, current FCF, expected savings and accounting charges are not interchangeable capital pools.

Questions for discussion

1. Does the sale strengthen WTW's focus enough to justify giving up TRANZACT's reported nine-month operating income? What additional information would change your view?
2. How should the board allocate net proceeds among HWC/R&B investment, debt/liquidity and shareholder returns?
3. What projects should qualify for new investment, and what milestones should trigger more capital, a pause or a stop?
4. How should WTW account for foregone TRANZACT contribution, transition-service economics and transformation savings in its post-sale operating plan?
5. What observable results would show that the focus strategy is working, and when should the board revisit its capital rule?

Sources and conventions

P1. WTW, [Form 10-Q for the quarter ended 30 September 2024](#), filed 31 October 2024. Note 3, pp. 13-14; cash-flow statement, p. 9; Item 2, debt and repurchases, pp. 39-40; transformation program, p. 31.

P2. WTW, [Q3 2024 Earnings Presentation](#), filed 31 October 2024. Segment results, lines 75-87; FCF and non-GAAP caveat, lines 35-39, 60-61; transformation, lines 93-106; outlook and continued investment, lines 170-178.

P3. WTW, ["WTW Announces Agreement to Sell TRANZACT"](#), 1 October 2024, lines 30-35 and 43-48.

All figures retain source scope and period. Gross consideration is not net cash; impairments/disposal charges are accounting entries, not cash proceeds; run-rate transformation savings are not realized cash; TSA economics and lost stand-alone contribution are unknown. No closing or post-cutoff outcome is included.