

GALLAGHER ARTHUR J & CO
Form 10-Q
July 28, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

**Quarterly report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2017**

or

**Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____**

Commission File Number: 1-09761

ARTHUR J. GALLAGHER & CO.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

36-2151613
(I.R.S. Employer
Identification No.)

2850 W. Golf Road, Rolling Meadows, Illinois 60008-4050

(Address of principal executive offices) (Zip code)

(630) 773-3800

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of large accelerated filer, accelerated filer, smaller reporting company and emerging growth company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of outstanding shares of the registrant's common stock, \$1.00 par value, as of June 30, 2017 was approximately 180,164,000.

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	Three-month period ended		Six-month period ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Commissions	\$ 690.2	\$ 663.4	\$ 1,280.7	\$ 1,229.4
Fees	410.9	374.6	781.4	712.8
Supplemental commissions	41.5	38.6	76.0	71.5
Contingent commissions	29.5	25.1	82.9	80.3
Investment income	13.6	12.5	24.4	22.8
Gains on books of business sales	1.1	1.4	2.5	3.6
Revenues from clean coal activities	376.4	311.9	728.2	606.7
Other net (losses) revenues	0.2	(0.4)		0.4
Total revenues	1,563.4	1,427.1	2,976.1	2,727.5
Compensation	675.7	631.0	1,333.3	1,253.1
Operating	211.6	204.6	412.0	409.1
Cost of revenues from clean coal activities	397.1	325.0	764.0	629.4
Interest	31.6	27.2	61.5	53.0
Depreciation	30.2	26.0	59.7	50.7
Amortization	65.1	62.6	129.4	121.9
Change in estimated acquisition earnout payables	5.1	13.2	16.9	17.1
Total expenses	1,416.4	1,289.6	2,776.8	2,534.3
Earnings before income taxes	147.0	137.5	199.3	193.2
Benefit for income taxes	(33.4)	(18.2)	(48.9)	(20.4)
Net earnings	180.4	155.7	248.2	213.6
Net earnings attributable to noncontrolling interests	8.5	5.7	20.6	17.1
Net earnings attributable to controlling interests	\$ 171.9	\$ 150.0	\$ 227.6	\$ 196.5

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Basic net earnings per share	\$	0.96	\$	0.85	\$	1.27	\$	1.11
Diluted net earnings per share		0.95		0.84		1.26		1.10
Dividends declared per common share		0.39		0.38		0.78		0.76

See notes to consolidated financial statements.

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Arthur J. Gallagher & Co.

Consolidated Statement of Comprehensive Earnings

(Unaudited - in millions)

	Three-month period ended	June 30,	2017	Three-month period ended	June 30,	2017	Six-month period ended	June 30,	2017
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