Towers Watson & Co.
Form 424B1
September 17, 2010
Table of Contents

Filed pursuant to Rule 424(b)(1)
Registration No. 333-168201

PROSPECTUS

4,279,233 Shares

Towers Watson & Co.

Class A Common Stock

The selling stockholders are selling 4,279,233 shares of our Class A Common Stock. We will not receive any of the proceeds from the sale of shares of Class A Common Stock by the selling stockholders.

Our shares trade on the New York Stock Exchange and on the NASDAQ Stock Market under the symbol TW. On September 16, 2010, the last sale price of the shares on the New York Stock Exchange and the NASDAQ Stock Market was $46.46 per share.

Investing in the Class A Common Stock involves risks that are described in the Risk Factors section beginning on page 11 of this prospectus.

	Per Share	Total
Price to the public	$46.00	$196,844,718
Underwriting discount	$2.07	$8,858,012
Proceeds to selling stockholders	$43.93	$187,986,706

The underwriters may also purchase up to an additional 641,768 shares from the selling stockholders, at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus to cover overallotments, if any.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The shares will be ready for delivery on or about September 22, 2010.

BofA Merrill Lynch **Goldman, Sachs & Co.**

J.P. Morgan

Baird **Citi** **Stifel Nicolaus Weisel** **SunTrust Robinson Humphrey**

The date of this prospectus is September 16, 2010.

Table of Contents

TABLE OF CONTENTS

	Page
PROSPECTUS SUMMARY	1
RISK FACTORS	11
SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS	27
USE OF PROCEEDS	28
PRICE RANGE OF CLASS A COMMON STOCK	28
DIVIDEND POLICY	28
CAPITALIZATION	29
SELECTED CONSOLIDATED FINANCIAL DATA	30
UNAUDITED SUPPLEMENTAL PRO FORMA CONDENSED COMBINED STATEMENTS OF OPERATIONS	31
MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	41
QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	72
BUSINESS	73
MANAGEMENT	89
EXECUTIVE AND DIRECTOR COMPENSATION	97
CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS	126
PRINCIPAL AND SELLING STOCKHOLDERS	127
DESCRIPTION OF CAPITAL STOCK, CERTIFICATE OF INCORPORATION AND BYLAWS	135
MATERIAL UNITED STATES FEDERAL INCOME AND ESTATE TAX CONSEQUENCES FOR NON-U.S. STOCKHOLDERS	141
SHARES ELIGIBLE FOR FUTURE SALE	144
UNDERWRITING	146
VALIDITY OF CLASS A COMMON STOCK	151
EXPERTS	151
WHERE YOU CAN FIND MORE INFORMATION	151
INDEX TO FINANCIAL STATEMENTS	F-1

We are responsible for the information contained or incorporated by reference in this prospectus and any free writing prospectus prepared by or on behalf of us that we have referred to you. We have not, the selling stockholders have not and the underwriters have not authorized anyone to provide you with additional or different information from that contained or incorporated by reference in this prospectus, and we take no responsibility for any other information that others may give you. The selling stockholders are offering to sell, and seeking offers to buy, shares of our Class A Common Stock only in jurisdictions where offers and sales are permitted. The information in this document may only be accurate on the date of this prospectus, regardless of its time of delivery or of any sales of shares of our Class A Common Stock. Our business, financial condition, results of operations or cash flows may have changed since such date.

Table of Contents

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary does not contain all of the information that you should consider before deciding to invest in shares of our Class A Common Stock. You should read the following summary together with the more detailed information appearing in this prospectus, including Selected Consolidated Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations, Risk Factors, Business and our consolidated financial statements and related notes before deciding whether to invest in shares of our Class A Common Stock. Unless the context otherwise requires, the terms Towers Watson, the Company, we, us and our in this prospectus refer to Towers Watson & Co. and its subsidiaries. On January 1, 2010, pursuant to the Agreement and Plan of Merger, as amended by Amendment No. 1 (the Merger Agreement), Watson Wyatt Worldwide, Inc. (Watson Wyatt) and Towers, Perrin, Forster & Crosby, Inc. (Towers Perrin) combined their businesses through two simultaneous mergers (the Merger) and became wholly owned subsidiaries of Jupiter Saturn Holding Company, which subsequently changed its name to Towers Watson & Co. Since the consummation of the Merger, Towers Perrin changed its name to Towers Watson Pennsylvania Inc., and Watson Wyatt changed its name to Towers Watson Delaware Holdings Inc. However, for ease of reference, we continue to use the legacy Towers Perrin and Watson Wyatt names throughout this prospectus.

Our Company

Towers Watson is a leading global professional services firm focused on providing consulting and other professional services related to employee benefits, human capital and risk and financial management. We provide advisory services on critical human capital management issues to help our clients effectively manage their costs, talent and risk. We offer our clients comprehensive services across three business segments, Benefits, Risk and Financial Services and Talent and Rewards, through a strong talent pool of approximately 12,750 full-time associates across 34 countries. Our professional staff are trusted advisors and experts in their fields and include over 2,480 fully accredited actuaries. Towers Watson was formed on January 1, 2010, from the merger of Towers Perrin and Watson Wyatt, two leading professional services firms that trace their roots back more than 100 years.

We help our clients enhance business performance by improving their ability to attract, retain, and motivate employees and to manage and mitigate risk. We focus on delivering consulting services and technology solutions to help organizations anticipate, identify and capitalize on emerging opportunities in benefits and human capital management. We also provide independent advice and risk management solutions to insurance companies and corporate clients, as well as investment advice to help our clients develop disciplined and efficient strategies to manage risk and meet their investment goals.

Our target market is generally large, multi-national and domestic companies, with additional focus on the insurance industry. Our clients include many of the world s leading corporations, including approximately 85 percent of the Fortune Global 500 companies, 84 percent of the Fortune 1000, 76 percent of the FTSE and 100 percent of the Dax 30. We also advise more than three-quarters of the world s leading insurance companies. We work with major corporations, emerging growth companies, governmental agencies and not-for-profit institutions in a wide variety of industries. Our client base is broad and geographically diverse. For the year ended June 30, 2010, no individual client represented more than one percent of our consolidated revenue.

The Benefits segment is our largest segment. This segment provides benefits consulting and administration services through four primary lines of business. Retirement supports organizations worldwide in designing, managing, administering and communicating all types of retirement plans. Health and Group Benefits provides advice on the strategy, design, financing, delivery, ongoing plan management and communication of health and group benefit programs. Through our Technology and Administration Solutions line of business, we

Table of Contents

deliver cost-effective benefit outsourcing solutions. The International Consulting Group provides expertise in dealing with international human capital management and related benefits and compensation issues for our clients and their subsidiaries. A significant portion of the revenue in this segment is from recurring work, driven in large part by the heavily regulated nature of employee benefits plans and our clients annual needs for these services. The Benefits segment contributed approximately 59 percent of revenue during the six months ended June 30, 2010.

The Risk and Financial Services segment, our second largest segment, has three primary lines of business. Risk Consulting and Software provides the insurance industry with consulting and industry-specific software solutions that range from asset-liability modeling and product development to economic capital aggregation and allocation. Reinsurance and Insurance Brokerage principally provides reinsurance brokerage services. Investment Consulting and Solutions provides investment strategy consulting and solutions for institutional investors, primarily to defined benefit and defined contribution pension plans. A significant portion of the revenue in this segment is from recurring work, driven in large part by the heavily regulated nature of the insurance industry and industry demands for these services, such as reinsurance brokerage. The Risk and Financial Services segment contributed approximately 23 percent of revenue during the six months ended June 30, 2010.

The Talent and Rewards segment has three primary lines of business. Executive Compensation advises our clients management and boards of directors on executive pay and incentive programs. Rewards, Talent and Communication provides consulting on a number of issues facing employers including employee rewards (pay and incentives), talent management, employee communication and change management. Data, Surveys and Technology provides data, analytics, consulting and technology solutions, such as compensation and human capital benchmarking data, employee opinion surveys, and reward administration and talent management technology, to help employers more effectively manage their employees and human resources programs. The revenues in this segment are largely comprised of project-based work from a stable client base. The Talent and Rewards segment contributed approximately 16 percent of revenue during the six months ended June 30, 2010.

Our Industry and Market Opportunities

As leading economies worldwide become more service-oriented and interconnected, effective human resources, financial and risk management are increasingly becoming a source of competitive advantage for companies and other organizations. Employers, regardless of geography or industry, are facing unprecedented challenges involving the management of their people. Changing technology, expectations for innovation and quality enhancements, skill shortages in selected areas, and an aging population in many developed countries have increased employers focus on attracting and retaining talented employees. Further, employers are focused on achieving productivity improvements and effectively managing the overall size and volatility of their labor costs. The growing demand for employee benefits and human capital management services is directly related to the size, complexity and rapid changes associated with the effective design, financial management and administration of human resources programs.

Kennedy Information defines the human resources consulting industry as services aimed at managing the employee lifecycle, consulting around the people component of change management and improving the effectiveness of the human resources function. These services include, but are not limited to, advising on human capital strategy; providing human resources financial guidance; consulting on benefits, compensation, and talent management; and providing human resources technology and transformation advisory services. According to Kennedy s HR Consulting Marketplace 2009-2011: Key Trends, Profiles and Forecasts, the size of the global human resources consulting industry was $21 billion in 2009 and is forecasted to grow to approximately $23 billion in 2011, representing a compound annual growth rate of 4.1 percent. (Source: Kennedy Consulting Research & Advisory: HR Consulting Marketplace 2009-2011; ©2009 BNA Subsidiaries, LLC. Provided under license.)

Table of Contents

Our clients continue to face increasingly complex risk management and investment decisions that we believe will drive demand for consulting services and solutions, as clients look for assistance to better manage these complexities. Our risk management and insurance clients look to us to help them better identify, measure and manage key risks to help them avoid major losses, enhance risk-adjusted returns and improve business performance. As mergers and acquisitions activity picks up within the insurance industry, clients also look to us as actuarial advisors on these transactions. Additionally, growth of insurance markets and regulatory change in emerging economies such as China and India will also provide an opportunity for us to provide insurance consulting services to these growing markets.

We believe the key drivers of demand for our services include:

Complex and Changing Regulatory Environment. Employee benefits programs in most industrialized countries are subject to complex government regulations. These regulations change as governments address social and economic policy issues and as private employers implement changes in plan designs. Employers throughout the world are increasingly seeking human capital management consultants to assist them with plan design, compliance and regulatory advice. Legislative and regulatory changes also affect the insurance industry, which is one of the most heavily regulated industries in the world.

Importance of Employer-Sponsored Benefits Programs. According to the U.S. Census Bureau, currently less than eight percent of the world s population is 65 and older, but this number is expected to increase significantly to reach 12 percent by 2030 and 16 percent by 2050. Additionally, health care costs in the United States are continuing to climb at rates well above the general Consumer Price Index. As these numbers increase over the long term, private employers may be required to provide more benefits and stretch benefit dollars further to attract and retain talent by, for example, providing health and wealth accumulation vehicles for retirement.

Strategic Importance of Effective Human Capital Management. The focus on increased productivity, risks related to attrition of key employees, competition for skilled employees and unprecedented changes in workforce demographics, along with rising employee-related costs, have increased the importance of effective human capital management, particularly as many developed economies shift from manufacturing to services.

Increasing Complexity and Importance of Insurance and Risk Management Decision-Making. The global insurance industry is large and becoming increasingly complex, driven by changing economies, new legislation and regulation, and dynamic financial markets. Our risk management clients look to us to help them better identify, measure and manage key risks to help them avoid major losses, enhance risk-adjusted returns and improve business performance.

Our Competitive Strengths

As a leading global professional services firm focused on providing consulting and professional services related to employee benefits, human capital and risk and financial management, we believe we are well positioned for continued growth due to our leadership and expertise in each of our respective lines of business along with the breadth and depth of our offerings. Our recently completed merger greatly enhanced our global footprint and our portfolio of products and services to better serve our clients. We believe the following strengths distinguish us from our competitors:

Deep, Longstanding Relationships with Many of the World s Largest Corporations. We work closely with senior management at many of the world s largest corporations. In fiscal year 2010, we provided services to approximately 85 percent of the Fortune Global 500 companies, 84 percent of the Fortune 1000 companies, 76 percent of the FTSE and 100 percent of the Dax 30. We provide services across more than one line of business for 99 of our top 100 largest clients. A number of these client relationships span several decades.

Table of Contents

Of our 100 largest clients in fiscal year 2010, ranked in terms of revenue, 97 were clients in each of the last three years. We believe our focus on delivering consistent and high-quality services to our clients has allowed us to maintain client relationships and gives us an ongoing opportunity to present existing clients with new and innovative services.

Global Reach and Scale. We have an extensive global presence, with offices in more than 100 cities and 34 countries. We have a strong presence in major markets across North America and Europe, as well as offices in Latin America and the Asia-Pacific region. As examples of our global reach, we are a leading provider of global actuarial coordination services for retirement benefits, we are the largest employer of actuaries focused on the insurance industry, we have one of the world s largest databases of manager performance research on unaffiliated investment managers, and we are a leader in global employee attitudinal and compensation data.

Reputation for In-depth Industry Knowledge, Client Service and Quality. Our professional staff are consistently recognized by their peers, clients and the media for their in-depth knowledge of employee benefits and human capital management issues across a wide variety of industries, including financial services, pharmaceuticals, oil and gas and utilities. We also have deep, specialized expertise within the insurance industry. Our professional staff are known for their innovative and leading-edge services and solutions, particularly in the areas of pension cost and risk management, design and management of health and group benefits, risk and capital management within the insurance industry, investment consulting and manager research, and design of total rewards programs.

Highly Educated and Accredited Professional Staff. Our professional staff are trusted advisors and experts in their fields. They include over 2,480 fully accredited actuaries, and a significant number of our associates have advanced degrees including MBAs, PhDs, medical degrees and law degrees. Because of our deep expertise, our associates frequently speak at major industry conferences, are regularly quoted in the business press and frequently contribute articles to human capital, financial and insurance publications.

Depth and Breadth of Research and Data. We have extensive and detailed data about all aspects of the workforce across the globe. The combination of data about compensation levels, benefit programs, typical employment practices, employee opinions, attrition and promotion patterns and the human resources function enables us to provide insights about the workforce in almost any part of the world.

Highly Recognized Global Brand. We believe we have one of the most highly recognized brand names in both the human capital and risk management businesses. We trace our roots back more than 130 years, when Rueben Watson formed R. Watson & Sons, the world s oldest actuarial firm, and Henry W. Brown formed Henry W. Brown & Co. Through the recent merger of Watson Wyatt and Towers Perrin in January 2010, two of the leading professional services firms with two of the most respected global brands joined together. Both companies have had a long history of success and strong reputation for their client service, trusted advice and thought leadership.

Attractive Business Model with Significant Recurring and Diversified Revenues. We derive our revenue through a diversified service offering across Benefits, Risk and Financial Services and Talent and Rewards. Through each of these business segments, we provide a variety of services to a highly diversified client base. The nature of our business, our in-depth knowledge of our clients and our client relationships provide opportunities for significant recurring revenues. We have a large number of recurring assignments because of our clients annual needs for certain of our services, many of which are driven by compliance with regulatory requirements, particularly for retirement and insurance services.

Experienced Management Team Focused on Professional Excellence, Integrity and Business Performance. The eight members of our executive committee have been with us for an average of 27.5 years. Several of our senior leaders have been named top professionals by influential industry publications, and many are widely regarded as leaders in their respective fields.

Table of Contents

Our Business Strategy

To achieve our mission and vision, we are aggressively pursuing the following strategic initiatives:

Strengthen Our Relationships and Expand Our Services with Our Existing Clients. Our client base consists of over 18,000 companies and their subsidiaries worldwide. As a result of the merger of Towers Perrin and Watson Wyatt and our enhanced service portfolio, we believe we have significant cross-selling opportunities to expand our existing client relationships across lines of business. With our focus on clients first, we will evaluate their needs and introduce our expanded services that would effectively address those needs. Additionally, we have designated account directors and business development associates who are responsible for developing our most significant client relationships into long-term partnerships and deepening the integration of our services with our clients overall business strategies. These account directors and business development associates work with client teams of subject matter experts to anticipate broad client business issues and understand how they may affect the human capital and risk management concerns of the organization.

Expand Our Service Offerings Through Innovative Solutions. One of our critical priorities is to expand our intellectual capital, tools and methodologies to effectively serve our clients with the best solutions available in the market, leveraging the depth of our data and analytics. We continue to focus on developing new intellectual capital and new service offerings as we look to meet our clients emerging needs across both the human capital and risk and financial management areas.

Expand our Market Share. We believe our well-recognized brand name, global reputation for quality service and extensive and widely cited research enable us to promote our services effectively to new clients and expand our market share. We also believe there are significant opportunities to develop new client relationships, and our account directors and business development associates actively seek opportunities to engage new buyers through existing clients and re-engage with decision makers at former clients and prospective clients. Our plans to increase market share also include expanding our presence in emerging markets for our services, including Asia-Pacific as well as the Middle East.

Improve Operating Margins. An important element of our growth strategy is to continue to improve the efficiency with which we deliver our services and to capture cost synergies from the merger of Towers Perrin and Watson Wyatt. We expect our margins to improve as our revenues grow and we leverage our existing investments. We have plans in place to improve operating margins through a number of initiatives, including: completion of integration of our legacy firms technology, tools and methodologies following the Merger; increased pursuit of product solutions and implementation services where pricing is value-driven rather than based on hourly rates; a greater focus on revenue-generating activities with lower variable costs (such as subscription or bundled services); efficiency improvements through better staff leverage and standardization of repeatable processes; and reduction of our selling, general and administrative costs.

Pursue Strategic Acquisitions and Alliances. Through strategic acquisitions and alliances, we will seek to build scale, capitalize on industry consolidation and expand the range of our service offerings. Through our Strategy and Corporate Development group, we follow a disciplined approach to pursuing acquisitions, focusing on selective best-in-class acquisitions of niche providers that are consistent with our growth strategy. Moreover, we also selectively pursue alliances to fill key product, service or geographic gaps and complement our existing portfolio of services in areas where acquiring or building those capabilities internally does not fit with our strategic goals.

Table of Contents

Risk Factors

Our business and an investment in our Class A Common Stock are subject to numerous risks and uncertainties, including those highlighted in the section entitled Risk Factors immediately following this prospectus summary. Such risk factors include, among others:

- If we are not able to successfully integrate the operations of Towers Perrin and Watson Wyatt, we may fail to realize the anticipated growth opportunities and other anticipated benefits of the Merger.

- The effects of the Merger may be dilutive to our earnings per share in the short term, and our estimates of the operational cost savings we expect to result from the Merger and of the costs we expect will be required to achieve such savings are inherently uncertain and may not be accurate, and we may not be able to achieve the operational cost savings in the expected time frame or at all.

- The loss of key associates could damage or result in the loss of client relationships and could result in such associates competing against Towers Watson.

- The trend of employers shifting from defined benefit plans to defined contribution plans could materially adversely affect our business and results of operations.

- We could be subject to claims arising from our work, as well as government inquiries and investigations, which could materially adversely affect our reputation and business.

- Our clients could terminate or reduce our services at any time, which could decrease associate utilization, adversely impacting our profitability and results of operations.

- Our business will be negatively affected if we are not able to anticipate and keep pace with rapid changes in government regulations or if government regulations decrease the need for our services or increase our costs.

- We are subject to risks of doing business internationally.

- Shares of Towers Watson common stock eligible for public sale could adversely affect the stock price.

Additional Information

Towers Watson & Co. was incorporated in Delaware in 2009 as Jupiter Saturn Holding Company. Our principal executive offices are located at 875 Third Avenue, New York, NY 10022, and our telephone number at that address is (212) 725-7550. Our website address is www.towerswatson.com. The information on our website is not part of this prospectus, and you should not rely on any such information in deciding to invest in shares of our Class A Common Stock.

Table of Contents

THE OFFERING

Class A Common Stock offered by the selling stockholders[1]	4,279,233 shares
Overallotment option	The selling stockholders have granted the underwriters a 30-day overallotment option to purchase up to 641,768 additional shares of our Class A Common Stock.
Class A Common Stock outstanding immediately after this offering	51,487,919 shares (52,129,687 shares if the underwriters exercise their overallotment option in full)
Class B Common Stock outstanding immediately after this offering	22,748,696.86 shares (22,106,928.86 shares if the underwriters exercise their overallotment option in full)
Use of proceeds	The selling stockholders will receive all of the net proceeds from the offering and we will not receive any proceeds from the sale of shares in this offering. See Use of Proceeds.
Dividends	Our Board of Directors recently determined to establish and pay regular quarterly cash dividends in the amount of $0.075 per share (at an annual rate of $0.30 per share) on all of our outstanding Class A Common Stock and Class B Common Stock, with such dividend payments having begun at the end of the third quarter of fiscal year 2010. See Dividend Policy.
NYSE and NASDAQ symbol	TW
Risk factors	See Risk Factors beginning on page 11 for a discussion of certain material risks that prospective purchasers should consider before deciding to invest in our Class A Common Stock.

Unless otherwise indicated, references in this prospectus to the number of shares of Class A Common Stock outstanding are calculated as of September 7, 2010 and:

- do not give effect to the anticipated conversion of 4,279,233 shares of Class B-1 Common Stock into shares of Class A Common Stock offered hereby;
- exclude 291,857 shares of Class A Common Stock reserved for future issuance in connection with the exercise of equity awards; and
- assume no exercise of the underwriters overallotment option to purchase up to 641,768 additional shares of Class A Common Stock.

(1) As described in a proxy statement filed with the Securities and Exchange Commission (SEC) on July 30, 2010, at a special meeting held on September 9, 2010, our stockholders approved a proposal to eliminate the restriction on the number of shares of restricted Class B Common Stock that the Board of Directors can convert into shares of Class A Common Stock. Accordingly, the Company will convert, on a one-for-one basis, shares of Class B-1 Common Stock into the shares of Class A Common Stock being offered hereby.

Table of Contents

Summary Selected Consolidated Financial and Operating Data

The following selected historical financial information for the three fiscal years ended June 30, 2010, 2009 and 2008 is presented in accordance with U.S. generally accepted accounting principles (U.S. GAAP). Watson Wyatt is the accounting predecessor in the Merger and as such, the historical results of Watson Wyatt through December 31, 2009 have become those of Towers Watson. Towers Watson s condensed consolidated financial statements as of and for the fiscal year ended June 30, 2010 include the results of Towers Perrin s operations beginning January 1, 2010. We derived the summary historical statement of operations data for the fiscal years ended June 30, 2010, 2009 and 2008 and the balance sheet data as of June 30, 2010 and 2009 from our historical audited consolidated financial statements included elsewhere in this prospectus. The historical balance sheet data as of June 30, 2008 is derived from our historical audited consolidated financial statements not included in this prospectus. This historical data is only a summary. You should read this information in conjunction with our and our predecessor s historical audited and unaudited financial statements and related notes in this prospectus and the section in this prospectus entitled Management s Discussion and Analysis of Financial Condition and Results of Operations.

The following selected unaudited pro forma combined statement of operations data for Towers Watson gives effect to the Merger as if it occurred as of July 1, 2009 and as of July 1, 2008. The pro forma combined statement of operations data for the fiscal year ended June 30, 2009 combines Watson Wyatt s historical audited consolidated statement of operations data for the fiscal year ended June 30, 2009 with Towers Perrin s historical unaudited consolidated statement of operations data for the twelve months ended June 30, 2009. The unaudited pro forma combined statement of operations data for the fiscal year ended June 30, 2010 combines Towers Watson s historical unaudited consolidated statement of operations data for the six months ended June 30, 2010 with Watson Wyatt s and Towers Perrin s historical unaudited consolidated statement of operations data for the six months ended December 31, 2009. Watson Wyatt s fiscal year ended on June 30 while Towers Perrin s fiscal year ended on December 31. Towers Perrin s financial information has been recast to conform with Watson Wyatt s fiscal year end. The unaudited pro forma combined statement of operations data should be read together with the respective historical financial statements and related notes and the section entitled Management s Discussion and Analysis of Financial Condition and Results of Operations. For more information, including a description of the assumptions on which this pro forma financial information is based, and other details, see the section entitled Unaudited Supplemental Pro Forma Condensed Combined Statements of Operations.

	As of and for the Year Ended June 30,			Pro Forma Year Ended June 30,	
	2010	2009	2008	2010	2009
	(In thousands, except share and per share amounts)				
Consolidated Statement of Operations Data:					
Revenue	$ 2,387,829	$ 1,676,029	$ 1,760,055	$ 3,180,916	$ 3,251,323
Income from operations	164,445	209,383	226,773	243,851	88,554
Net income attributable to controlling interests	$ 120,597	$ 146,458	$ 155,441	$ 186,319	$ 40,034
Per Share Data:					
Earnings per share:					
Basic	$ 2.04	$ 3.43	$ 3.65	$ 3.14	$ 0.68
Diluted	$ 2.03	$ 3.42	$ 3.50	$ 3.14	$ 0.67
Dividends declared per share	$ 0.30	$ 0.30	$ 0.30	$ 0.30	$ 0.30
Weighted average shares of common stock:					
Basic (000)	59,257	42,690	42,577	59,257	59,257
Diluted (000)	59,372	42,861	44,381	59,372	59,372

Table of Contents

	As of and for the Year Ended June 30,		
	2010	2009	2008
	(In thousands, except share and per share amounts)		
Balance Sheet Data:			
Cash and cash equivalents	$ 600,466	$ 209,832	$ 124,632
Working capital	479,688	231,938	172,241
Goodwill and intangible assets	2,410,652	728,987	870,943
Total assets	$ 4,573,450	$ 1,626,319	$ 1,715,976
Revolving credit facility			
Other long-term obligations (1)	1,643,165	438,021	346,335
Total stockholders equity	$ 1,955,607	$ 853,638	$ 984,395
Other Operating Data:			
EBITDA (2)	$ 275,559	$ 296,107	$ 301,990
Adjusted EBITDA (2)	$ 401,179	$ 282,831	$ 229,201
Adjusted Net Income Attributable to Controlling Interests (2)	$ 219,292		
Adjusted Diluted Earnings Per Share (2)	$ 3.69		

(1) Other long-term obligations includes accrued retirement benefits, deferred rent and accrued lease losses, deferred income taxes and other long-term tax liabilities, professional liability claims reserve, contingency stock payable and other non-current liabilities.

(2) We use EBITDA, Adjusted EBITDA, Adjusted Net Income Attributable to Controlling Interests and Adjusted Diluted Earnings Per Share, non-U.S. GAAP measures, to evaluate our financial performance and separately evaluate our performance of the transaction and integration activities as well as changes in tax law. We believe these measures are useful in evaluating our results of operations and in providing a baseline for the evaluation of future operating results. We define EBITDA as net income before non-controlling interests adjusted for provision for income taxes, interest, net and depreciation and amortization. Reconciliation of EBITDA and Adjusted EBITDA to net income before non-controlling interests, Adjusted Net Income Attributable to Controlling Interests to net income attributable to controlling interests and Adjusted Diluted Earnings Per Share to diluted earnings per share are included in the tables below. These non-U.S. GAAP measures are not defined in the same manner by all companies and may not be comparable to other similarly titled measures of other companies.

Non-U.S. GAAP measures should be considered in addition to, and not as a substitute for, the information contained within our financial statements.

	Year Ended June 30,		
	2010	2009	2008
	(In thousands)		
Reconciliation of EBITDA and Adjusted EBITDA to net income before non-controlling interests:			
Net income before non-controlling interests	$ 119,010	$ 146,627	$ 155,699
Provision for income taxes	50,907	75,276	73,470
Interest, net	4,558	756	393
Depreciation and amortization	101,084	73,448	72,428
EBITDA	275,559	296,107	301,990
Transaction and integration expenses	87,644		
Stock-based compensation (a)	48,006		
Other non-operating income (b)	(10,030)	(13,276)	(2,789)

Adjusted EBITDA	$ 401,179	$ 282,831	$ 299,201

(a) Stock-based compensation awarded to former Towers Perrin employees in connection with the Merger is included in salaries and employee benefits expense.

Table of Contents

(b) Other non-operating income includes (income)/loss from affiliates, and other non-operating income.

A reconciliation of net income attributable to controlling interests, as reported under U.S. GAAP, to adjusted net income attributable to controlling interests, and of diluted earnings per share as reported under U.S. GAAP to adjusted diluted earnings per share is as follows:

	Year Ended June 30, 2010 (In thousands, except share and per share amounts)	
Net Income Attributable to Controlling Interests	$	120,597
Adjusted for expenses as a result of the Merger (c):		
Amortization of intangible assets		21,020
Transaction and integration expenses including severance		58,214
Gain on sale of investment		(5,760)
Stock-based compensation from Restricted Class A Shares		31,636
Other Merger-related tax items		(17,013)
Loss of Medicare Part D subsidy		10,598
Adjusted Net Income Attributable to Controlling Interests	$	219,292
Weighted Average Shares of Common Stock - Diluted (000)		59,372
Earnings Per Share - Diluted, As Reported	$	2.03
Adjusted for expenses as a result of the Merger (c):		
Amortization of intangible assets		0.36
Transaction and integration expenses including severance		0.98
Gain on sale of investment		(0.10)
Stock-based compensation from Restricted Class A Shares		0.53
Other Merger-related tax items		(0.29)
Loss of Medicare Part D subsidy		0.18
Adjusted Earnings Per Share - Diluted	$	3.69

(c) The expenses that are adjusted as a result of the Merger for the year ended June 30, 2010 are net of tax. In calculating the net of tax amounts, the effective tax rate for amortization of intangible assets is 32.8 percent, transaction and integration expenses including severance is 35.1 percent and stock-based compensation from Restricted Class A shares is 34.1 percent. The $10.6 million related to the loss of Medicare Part D subsidy and $17.0 million of other Merger-related tax items are items included in the consolidated statement of operations under provision for income taxes.

10

Table of Contents

RISK FACTORS

Investing in our Class A Common Stock involves a high degree of risk. You should carefully consider the risks described below before making a decision to buy our Class A Common Stock. If any of the following risks actually occurs, our business, results of operations, financial condition or cash flows could be adversely affected. In that case, the trading price of our Class A Common Stock could decline, and you might lose all or part of your investment in our Class A Common Stock. Additional risks and uncertainties not currently known to us or that we currently deem immaterial may also impair our business, results of operations, financial condition or cash flows. In deciding whether to invest in our Class A Common Stock, you should also refer to the other information set forth in this prospectus, including Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the related notes.

Risks Relating to Our Business

If we are not able to successfully integrate the operations of Towers Perrin and Watson Wyatt, we may fail to realize the anticipated growth opportunities and other anticipated benefits of the Merger.

We face significant challenges in integrating Towers Perrin s and Watson Wyatt s technologies, organizations, procedures, policies and operations, as well as in addressing differences in the business cultures of the two companies, and retaining key Towers Perrin and Watson Wyatt personnel. The integration process is complex and time consuming and requires substantial resources and effort. These efforts could divert management s focus and resources from other strategic opportunities and from business operations during the integration process. Difficulties may occur during the integration process, including:

- Loss of key officers and employees;
- Loss of key clients;
- Loss of revenues; and
- Increases in operating, tax or other costs.

The success of the Merger will depend in part on our ability to realize the anticipated growth opportunities and cost savings from integrating the businesses of Towers Perrin and Watson Wyatt, while minimizing or eliminating any difficulties that may occur. Even if the integration of the businesses of Towers Perrin and Watson Wyatt is successful, it may not result in the realization of the full benefits of the growth opportunities that we currently expect or these benefits may not be achieved within the anticipated time frame. Any failure to timely realize these anticipated benefits could have a material adverse effect on our revenues, expenses and results of operations.

The effects of the Merger may be dilutive to our earnings per share in the short term, and our estimates of the operational cost savings we expect to result from the Merger and of the costs we expect will be required to achieve such savings are inherently uncertain and may not be accurate, and we may not be able to achieve the operational cost savings in the expected time frame or at all.

While we expect to realize significant savings during the first two years following completion of the Merger, it is uncertain if we will achieve these savings, and the effects of the Merger may be dilutive to our earnings per share in the short term. We anticipate that full realization of pretax annual operational cost savings will take at least three years to achieve. Our operational cost savings estimates are based on a number of assumptions, including the assumption that we will be able to implement cost saving programs such as personnel reductions and consolidation of operations, technologies, and administrative functions. In addition, our estimated expenses required to achieve operational cost savings do not include certain other costs we expect to incur, including those relating to rebranding, lease termination costs and facilities consolidation, among others. We may not be able to achieve the operational cost savings that we anticipate in the expected time frame, based on the

Table of Contents

expected costs or at all. Failure to successfully implement cost savings programs on a timely basis, or the need to spend more than anticipated to implement such programs, will result in lower than expected cost savings in connection with the Merger and could have a material adverse effect on our operating results.

Changes in Towers Watson s compensation structure relative to each of Towers Perrin s and Watson Wyatt s current compensation structures could impair Towers Watson s ability to retain certain current associates of each of Towers Perrin and Watson Wyatt.

In order to meet our operating margin goals and increase our level of retained earnings, we will change Towers Perrin s and Watson Wyatt s respective compensation structures. In particular, Towers Perrin, as a private company, had not retained a significant amount of annual earnings, resulting in significant flexibility to vary its levels of cash compensation. Our compensation practices will be different from Towers Perrin s pre-merger practices, because a larger proportion of earnings will be retained compared to Towers Perrin s historical practice, which may affect, in particular, Towers Watson s ability to retain current associates formerly of Towers Perrin accustomed to the historical compensation structure of Towers Perrin as a private company. The changes in compensation structure could materially adversely affect Towers Watson s ability to retain current former Towers Perrin and Watson Wyatt associates if they do not perceive Towers Watson s total compensation program to be competitive with that of other firms.

The loss of key associates could damage or result in the loss of client relationships and could result in such associates competing against Towers Watson.

Our success depends on our ability to attract, retain and motivate qualified personnel, including key managers and associates. In addition, our success largely depends upon our associates abilities to generate business and provide quality services. In particular, our associates business relationships with our clients are a critical element of obtaining and maintaining client engagements. If we lose associates who manage substantial client relationships or possess substantial experience or expertise or if we are unable to successfully attract new talent, it could materially adversely affect our ability to secure and complete engagements, which would materially adversely affect our results of operations and prospects. In addition, if any of our key associates were to join a competitor or form a competing company, existing and potential clients could choose to use the services of that competitor instead of Towers Watson s services.

There can be no assurance that confidentiality and non-solicitation/non-competition agreements signed by senior associates who were former Towers Perrin or Watson Wyatt associates before the merger of equals between the two entities, or agreements signed by Towers Watson associates in the future, will be effective in preventing a loss of business.

Our clients could terminate or reduce our services at any time, which could decrease associate utilization, adversely impacting our profitability and results of operations.

Our clients generally are able to terminate or reduce our engagements at any time. If a client reduces the scope of, or terminates the use of, our services with little or no notice, our associate utilization will decline. In such cases, we will need to rapidly re-deploy our associates to other engagements (if possible) in order to minimize the potential negative impact on our financial performance. In addition, because a sizeable portion of our work is project-based rather than recurring in nature, our associate utilization will depend on our ability to continually secure additional engagements.

Our quarterly revenues could fluctuate while our expenses are relatively fixed.

Quarterly variations in our revenues and results of operations have occurred in the past and could occur as a result of a number of factors, such as:

- The significance of client engagements commenced and completed during a quarter;

Table of Contents

The seasonality of certain types of services. For example, our retirement revenues typically are more heavily weighted toward the first and fourth quarters of the calendar year, when annual actuarial valuations are required to be completed for calendar year-end companies and the related services are performed;

The number of business days in a quarter;

Associate hiring and utilization rates;

Clients ability to terminate engagements without penalty;

The size and scope of assignments; and

General economic conditions.

A sizeable portion of our total operating expenses is relatively fixed, encompassing the majority of administrative, occupancy, communications and other expenses, depreciation and amortization, and salaries and employee benefits excluding fiscal year-end incentive bonuses. Therefore, a variation in the number of client assignments or in the timing of the initiation or the completion of client assignments or our inability to forecast demand can cause significant variations in quarterly operating results and could result in losses and volatility in our stock price.

Improper management of our engagements could hurt our financial results.

Most of our contracts are structured on a fixed-fee basis or a time and expense basis. The profitability of our fixed-fee engagements depends on our ability to correctly estimate the costs and timing required for completion of the engagements and our ability to control our costs and improve our efficiency. The profitability of the engagements that are priced on a time-and-expense basis depends on our ability to maintain competitive billing rates, as well as our ability to control our costs. If we do not correctly estimate the costs and manage the performance of our engagements, we may incur losses on individual engagements and experience lower profit margins and, as a result, our overall financial results could be materially adversely affected.

The trend of employers shifting from defined benefit plans to defined contribution plans could materially adversely affect our business and results of operations.

Our retirement consulting and actuarial business comprises a substantial portion of our revenue and profit. We provide clients with actuarial and consulting services relating to both defined benefit and defined contribution pension plans. Defined benefit pension plans generally require more actuarial services than defined contribution plans because defined benefit plans typically involve large asset pools, complex calculations to determine employer costs, funding requirements and sophisticated analysis to match liabilities and assets over long periods of time. If organizations shift to defined contribution plans more rapidly than we anticipate, or if we are unable to otherwise compensate for the decline in our business that results from employers moving away from defined benefit plans, our business operations and related results of operations will be materially adversely affected.

Our business will be negatively affected if we are not able to anticipate and keep pace with rapid changes in government regulations or if government regulations decrease the need for our services or increase our costs.

A material portion of our revenue is affected by statutory changes. Many areas in which we provide services are the subject of government regulation, which is constantly evolving. Changes in government and accounting regulations in the United States and the United Kingdom, two of our principal geographic markets, affecting the value, use or delivery of benefits and human capital programs, including recent changes in regulations relating to health care (such as medical plans), defined contribution plans (such as 401(k) plans), defined benefit plans (such as pension plans) or executive compensation, may materially adversely affect the

Table of Contents

demand for, or the profitability of, our services. Changes to insurance regulatory schemes, or our failure to keep pace with such changes, could negatively affect demand for services in our Risk and Financial Services business segment. For example, our continuing ability to provide investment advisory services or reinsurance brokerage services depends on compliance with the rules and regulations in each of these jurisdictions. Any failure to comply with these regulations could lead to disciplinary action, including compensating clients for loss, the imposition of fines or the revocation of the authorization to operate as well as damage to our reputation.

In addition, we have significant operations throughout the world, which further subject us to applicable laws and regulations of countries outside the United States and the United Kingdom. Changes in legislation or regulations and actions by regulators in particular countries, including changes in administration and enforcement policies, could require operational improvements or modifications, which may result in higher costs or hinder our ability to operate our business in those countries.

If we are unable to adapt our services to applicable laws and regulations, our ability to provide effective services in these areas will be substantially diminished.

Our business could be negatively affected by recent or future legislative or regulatory activity concerning compensation consultants.

Recent legislative and regulatory activity in the United States has focused on the independence of compensation consultants retained to provide advice to compensation committees of publicly traded companies. For example, on June 30, 2010, the U.S. President signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act, which requires any compensation consultant or other similar advisor to the compensation committee of a listed company to meet standards for independence to be established by SEC regulation. Companies that violate this requirement will be prohibited from listing any class of equity security with the national securities exchanges and associations.

On December 16, 2009, the SEC published final rules, which became effective in February 2010, with respect to issuer disclosures on compensation consultants. Among other requirements, the rules require disclosure of fees paid to compensation consultants as well as a description of any additional services provided to the issuer by the compensation consultant and its affiliates and the aggregate fees paid for such services. Due in part to this regulation and continued legislative activity, some clients of Towers Perrin and Watson Wyatt decided to terminate their relationships with the respective company (either with respect to compensation consulting services or with respect to other consulting services) to avoid perceived or potential conflicts of interest. Additional clients of Towers Watson may decide to terminate their relationships with Towers Watson and, as a result, our business, financial condition and results of operations could be materially adversely impacted.

In addition, due in part to such regulation and continued legislative activity, some former Towers Perrin and Watson Wyatt consultants terminated their relationships with us, and some have indicated that they intend to compete with us. Such talent migration, and any future such talent migration, could have a material adverse effect on our business, financial condition and results of operations.

Competition could result in loss of our market share and reduced profitability.

The markets for our principal services are highly competitive. Our competitors include other human capital and risk management consulting and actuarial firms, as well as the human capital and risk management divisions of diversified professional services, insurance, brokerage and accounting firms. Some of our competitors have greater financial, technical and marketing resources than us, which could enhance their ability to finance acquisitions, fund internal growth and respond more quickly to professional and technological changes. Some competitors have or may develop a lower cost structure. New competitors or alliances among competitors could emerge, creating additional competition and gaining significant market share, resulting in a

Table of Contents

loss of business for us and a corresponding decline in revenues and profit margin. In order to respond to increased competition and pricing pressure, we may have to lower our prices, which would also have an adverse effect on our revenues and profit margin.

Consolidation in the industries that we serve could materially adversely affect our business.

Companies in the industries that we serve may seek to achieve economies of scale and other synergies by combining with or acquiring other companies. If two or more of our clients merge or consolidate and combine their operations, we may experience a decrease in the amount of services we perform for these clients. If one of our clients merges or consolidates with a company that relies on another provider for its services, we may lose work from that client or lose the opportunity to gain additional work. The increased market power of larger companies could also increase pricing and competitive pressures on us. Any of these possible results of industry consolidation could materially adversely affect our revenues and profits. Our reinsurance brokerage business is especially susceptible to this risk given the limited number of insurance companies seeking reinsurance and reinsurance providers in the marketplace.

We are subject to risks of doing business internationally.

For the six months ended June 30, 2010, 48 percent of our revenue related to business located outside the United States. As a result, a significant portion of our business operations is subject to foreign financial, tax and business risks, which could arise in the event of:

- Currency exchange rate fluctuations;
- Unexpected increases in taxes or changes in U.S. or foreign tax laws;
- Compliance with a variety of international laws and regulations, such as data privacy, employment regulations, trade barriers and restrictions on the import and export of technologies, as well as U.S. laws affecting the activities of U.S. companies abroad, including the Foreign Corrupt Practices Act of 1977 and sanctions programs administered by the U.S. Department of the Treasury Office of Foreign Assets Control;
- Absence in some jurisdictions of effective laws to protect our intellectual property rights;
- New regulatory requirements or changes in policies and local laws that materially affect the demand for our services or directly affect our foreign operations;
- Local economic and political conditions, including unusual, severe, or protracted recessions in foreign economies and inflation risk;
- The length of payment cycles and potential difficulties in collecting accounts receivable, particularly in light of the number of insolvencies in the current economic environment and the numerous bankruptcy laws to which they are subject;
- Unusual and unexpected monetary exchange controls, price controls or restrictions on transfers of cash; or
- Civil disturbance, terrorism or other catastrophic events that reduce business activity in other parts of the world.

These factors may lead to decreased revenues or profits and therefore may have a material adverse effect on our business, financial condition and results of operations.

15

Our inability to successfully recover should we experience a disaster or other business continuity problem could cause material financial loss, loss of human capital, regulatory actions, reputational harm or legal liability.

Should we experience a disaster or other business continuity problem, such as an earthquake, hurricane, terrorist attack, pandemic, security breach, power loss, telecommunications failure or other natural or man-made disaster, our continued success will depend, in part, on the availability of our personnel, our office facilities, and the proper functioning of our computer, telecommunication and other related systems and operations. In such an event, we could experience near-term operational challenges with regard to particular areas of our operations.

In particular, our ability to recover from any disaster or other business continuity problem will depend on our ability to protect our technology infrastructure against damage from business continuity events that could have a significant disruptive effect on our operations. We could potentially lose client data or experience material adverse interruptions to our operations or delivery of services to our clients in a disaster.

We will continue to regularly assess and take steps to improve upon our business continuity plans. However, a disaster on a significant scale or affecting certain of our key operating areas within or across regions, or our inability to successfully recover should we experience a disaster or other business continuity problem, could materially interrupt our business operations and cause material financial loss, loss of human capital, regulatory actions, reputational harm, damaged client relationships or legal liability.

Demand for our services could decrease for various reasons, including a continued general economic downturn, a decline in a client s or an industry s financial condition or prospects, or a decline in defined benefit pension plans that could materially adversely affect our results of operations.

We can give no assurance that the demand for our services will grow or that we will compete successfully with our existing competitors, new competitors or our clients internal capabilities. Client demand for our services may change based on the clients needs and financial conditions.

Our results of operations are affected directly by the level of business activity of our clients, which in turn are affected by the level of economic activity in the industries and markets that they serve. Economic slowdowns in some markets, particularly in the United States, have caused and may continue to cause reduction in discretionary spending by our clients, result in longer client payment terms, an increase in late payments by clients and an increase in uncollectible accounts receivable, each of which may reduce the demand for our services, increase price competition and adversely impact our growth, profit margins and liquidity. If our clients enter bankruptcy or liquidate their operations (which has already occurred with respect to some of our current clients), our revenues could be materially adversely affected.

In addition, the demand for many of our core benefit services, including compliance-related services, is affected by government regulation and taxation of employee benefit plans. Significant changes in tax or social welfare policy or other regulations could lead some employers to discontinue their employee benefit plans, including defined benefit pension plans, thereby reducing the demand for our services. A simplification of regulations or tax policy also could reduce the need for our services.

The unaudited pro forma financial data included in this prospectus are illustrative and the actual financial condition and results of operations of Towers Watson may differ materially from the historical financial statements of Watson Wyatt and the unaudited pro forma financial data included in this prospectus.

The unaudited pro forma financial data included in this prospectus are presented solely for illustrative purposes and are not necessarily indicative of what our results of operations would have been had the Merger been completed on the date indicated. The pro forma financial data reflect adjustments that were developed using preliminary estimates based on currently available information and certain assumptions, and may be revised as additional information becomes available. Accordingly, the unaudited pro forma financial data included in this

Table of Contents

prospectus are illustrative only. The results of operations of Towers Watson will differ materially from the historical financial statements of Watson Wyatt and may also differ materially from the unaudited pro forma financial data included in this prospectus.

Our growth strategy depends, in part, on our ability to make acquisitions, and if we have difficulty in acquiring, overpay for, or are unable to acquire other businesses, our business may be materially adversely affected.

Our growth depends in part on our ability to make acquisitions. We may not be successful in identifying appropriate acquisition candidates or consummating acquisitions on terms acceptable or favorable to us, on the proposed timetables, or at all. We also face additional risks related to acquisitions, including that we could overpay for acquired businesses and that any acquired business could significantly underperform relative to our expectations. If we are unable to identify and successfully make acquisitions, our business could be materially adversely affected.

We face risks when we acquire businesses, and may have difficulty integrating or managing acquired businesses, which may harm our business, financial condition, results of operations or reputation.

We may acquire other companies in the future. We cannot be certain that our acquisitions will be accretive to earnings or otherwise meet our operational or strategic expectations. Acquisitions involve special risks, including the potential assumption of unanticipated liabilities and contingencies and difficulties in integrating acquired businesses, and acquired businesses may not achieve the levels of revenue, profit or productivity we anticipate or otherwise perform as we expect. In addition, if the operating performance of an acquired business deteriorates significantly, we may need to write down the value of the goodwill and other acquisition-related intangible assets recorded on our balance sheet.

We may be unable to effectively integrate an acquired business into our organization, and may not succeed in managing such acquired businesses or the larger company that results from such acquisitions. The process of integration of an acquired business may subject us to a number of risks, including:

- Diversion of management attention;
- Amortization of intangible assets, adversely affecting our reported results of operations;
- Inability to retain the management, key personnel and other employees of the acquired business;
- Inability to establish uniform standards, controls, systems, procedures and policies;
- Inability to retain the acquired company s clients;
- Exposure to legal claims for activities of the acquired business prior to acquisition; and
- Incurrence of additional expenses in connection with the integration process.

If acquisitions are not successfully integrated, our business, financial condition and results of operations could be materially adversely affected, as well as our professional reputation.

Damage to our reputation could damage our businesses.

Maintaining a positive reputation is critical to our ability to attract and maintain relationships with clients and associates. Damage to our reputation could therefore cause significant harm to our business and prospects. Harm to our reputation can arise from numerous sources, including, among others, employee misconduct, litigation or regulatory action, failure to deliver minimum standards of service and quality,

17

compliance failures and unethical behavior. Negative publicity regarding us, whether or not true, may also result in harm to our prospects.

We could also suffer significant reputational harm if we fail to properly identify and manage potential conflicts of interest. The failure or perceived failure to adequately address conflicts of interest could affect the willingness of clients to deal with us, or give rise to litigation or enforcement actions. There can be no assurance that conflicts of interest will not arise in the future that could cause material harm to us.

We could be subject to claims arising from our work, as well as government inquiries and investigations, which could materially adversely affect our reputation, business and financial condition.

Professional services providers, including those in the human capital and risk management sectors such as Towers Watson, depend in large part on their relationships with clients and their reputation for high-quality services. Clients that may become dissatisfied with our services may terminate their business relationships with us and clients and third parties that claim they suffered damages caused by our services may bring lawsuits against us. The nature of our work, particularly our actuarial services, necessarily involves the use of assumptions and the preparation of estimates relating to future and contingent events, the actual outcome of which we cannot know in advance. Our actuarial services also rely on substantial amounts of data provided by clients, the accuracy and quality of which we cannot ensure. In addition, we could make computational, software programming or data management errors in connection with the services we provide to clients.

Clients may seek to hold us responsible for the financial consequences of variances between assumptions and estimates and actual outcomes or for errors. For example, clients may make:

- Claims that actuarial assumptions were unreasonable or that there were computational errors leading to pension plan underfunding or under-reserving for insurance claim liabilities;

- Claims of failure to review adequately or detect deficiencies in data, which could lead to an underestimation of pension plan or insurance claim liabilities; and

- Claims that employee benefit plan documents were misinterpreted or plan amendments were faulty, leading to unintended plan benefits or overpayments to beneficiaries.

Given that we frequently work with large pension funds and insurance companies, relatively small percentage errors or variances can create significant financial variances and result in significant claims for unintended or unfunded liabilities. The risks from such variances or errors could be aggravated in an environment of declining pension fund asset values and insurance company capital levels. In almost all cases, our exposure to liability with respect to a particular engagement is substantially greater than the revenue opportunity that the engagement generates for us.

In the case of liability for pension plan actuarial errors, a client s claims might focus on the client s alleged reliance that actuarial assumptions were reasonable and, based on such reliance, the client made benefit commitments the client may later claim are not affordable or funding decisions that result in plan underfunding if and when actual outcomes vary from actuarial assumptions.

Claims may also arise as a result of an alleged misinterpretation or misunderstanding of the benefits conferred under defined benefit plan documentation by us or our failure to detect inconsistencies between plan documentation and the administration of plan benefits and valuation of plan liabilities leading to the accrual by plan participants of unintended benefits and undervaluation of plan liabilities. The current ExxonMobil superannuation plan litigation pending in Australia, described in Note 11, Debt, Commitments and Contingent Liabilities, of the Notes to our Consolidated Financial Statements contained herein, is an example of a claim arising from an inconsistency between the benefits the plan sponsor intended to confer and the actual language in the plan documents.

Table of Contents

Lawsuits arising out of any of our services could adversely affect our financial performance and financial condition and could result in increased insurance costs or a reduction in the amount of available insurance coverage. In addition to defense costs and liability exposure, which may be significant, claims may produce negative publicity that could hurt our reputation and business and could require substantial amounts of management attention, which could affect management s focus on operations.

Finally, we may be subject to inquiries and investigations by federal, state or other governmental agencies regarding aspects of our clients businesses or our own businesses, especially regulated businesses such as our broker-dealer and investment advisory services. Such inquiries or investigations may consume significant management time and result in regulatory sanctions, fines or other actions as well as significant legal fees, which could have a material adverse impact on our business, results of operations and liquidity.

We advise or act on behalf of clients regarding investments whose results are not guaranteed, and clients that experience investment return shortfalls may assert claims against us.

We provide advice on both asset allocation and selection of investment managers. For some clients, we are responsible for making decisions on both these matters, or we may serve in a fiduciary capacity. Asset classes may experience poor absolute performance, and investment managers may underperform their benchmarks; in both cases the investment return shortfall can be significant. Clients experiencing this underperformance may assert claims against us, and such claims may be for significant amounts. Defending against these claims can involve potentially significant costs, including legal defense costs. Our ability to limit our potential liability may be limited in certain jurisdictions or in connection with claims involving breaches of fiduciary duties or other alleged errors or omissions.

Our investment activities may require specialized operational competencies, and if we fail to properly execute our role in cash and investment management, our clients or third parties may assert claims against us.

For certain clients, we are responsible for some portions of cash and investment management, including rebalancing of investment portfolios and guidance to third parties on structure of derivatives and securities transactions. Our failure to properly execute our role can cause monetary damage to our clients or such third parties for which we might be found liable, and such claims may be for significant amounts. Defending against these claims can involve potentially significant costs, including legal defense costs. Our ability to limit our potential liability may be constrained in certain jurisdictions.

Towers Watson may be engaged in providing services outside the core human capital and risk management business currently conducted by Towers Perrin and Watson Wyatt, which may carry greater risk of liability.

We continue to grow the business of providing professional services to institutional investors and financial services companies. The risk of claims from these lines of business may be greater than from our core human capital and risk management business, and such claims may be for significant amounts. For example, we may assist a pension plan to hedge its exposure to changes in interest rates. If the hedge does not perform as expected, we could be exposed to claims. Contractual provisions intended to mitigate risk may not be enforceable.

Our business faces rapid technological change, and our failure to respond to this change quickly could materially adversely affect our business.

To remain competitive in the business lines in which we engage, we have to identify and offer the most current technologies and methodologies. In some cases, significant technology choices and investments are required. If we do not respond correctly, quickly or in a cost-effective manner, our business and results of operations might be harmed.

Table of Contents

The effort to gain technological expertise and develop new technologies in our business may require us to incur significant expenses and, in some cases, to implement these new technologies globally. If we cannot offer new technologies as quickly or effectively as our competitors, we could lose market share. We also could lose market share if our competitors develop more cost-effective technologies than we will offer or develop.

Limited protection of our intellectual property could harm our business, and we face the risk that our services or products may infringe upon the intellectual property rights of others.

We cannot guarantee that trade secret, trademark and copyright law protections are adequate to deter misappropriation of our intellectual property (including our software, which may become an increasingly important part of our business). Existing laws of some countries in which we provide services or products may offer only limited protection of our intellectual property rights. Redressing infringements may consume significant management time and financial resources. Also, we may be unable to detect the unauthorized use of our intellectual property and take the necessary steps to enforce our rights, which may have a material adverse impact on our business, financial condition or results of operations. We cannot be sure that our services and products, or the products of others that we offer to our clients, do not infringe on the intellectual property rights of third parties, and we may have infringement claims asserted against us or our clients. These claims may harm our reputation, result in financial liability and prevent us from offering some services or products.

We could have liability or our reputation could be damaged if we do not protect client data or information systems or if our information systems are breached.

We depend on information technology networks and systems to process, transmit and store electronic information and to communicate among our locations around the world and with our alliance partners and clients. Security breaches could lead to shutdowns or disruptions of our systems and potential unauthorized disclosure of confidential information. We also are required at times to manage, utilize and store sensitive or confidential client or employee data. As a result, we are subject to numerous U.S. and foreign jurisdiction laws and regulations designed to protect this information, such as the European Union Directive on Data Protection and various U.S. federal and state laws governing the protection of health or other individually identifiable information. If any person, including any of our associates, fails to comply with, disregards or intentionally breaches our established controls with respect to such data or otherwise mismanages or misappropriates that data, we could be subject to monetary damages, fines or criminal prosecution. Unauthorized disclosure of sensitive or confidential client or employee data, whether through systems failure, accident, employee negligence, fraud or misappropriation, could damage our reputation and cause us to lose clients. Similarly, unauthorized access to or through our information systems or those we develop for our clients, whether by our associates or third parties, could result in significant additional expenses (including expenses relating to notification of data security breaches and costs of credit monitoring services), negative publicity, legal liability and damage to our reputation, as well as require substantial resources and effort of management, thereby diverting management s focus and resources from business operations.

Insurance may become more difficult or expensive to obtain.

The availability, terms and price of insurance are subject to many variables, including general insurance market conditions, loss experience in related industries and in the actuarial and benefits consulting industry, and the specific claims experience of an individual firm. We are subject to various regulatory requirements relating to insurance as well as client requirements. There can be no assurance that we will be able to obtain insurance at cost-effective rates or with reasonable retentions. Increases in the cost of insurance could affect our profitability and the unavailability of insurance to cover certain risks could have a material adverse effect on our financial condition or our ability to transact business in certain geographic areas, particularly in any specific period.

Table of Contents

Towers Watson and its subsidiaries could encounter significant obstacles in securing adequate insurance coverage for errors and omissions liability risks on favorable or acceptable terms.

Towers Perrin and Watson Wyatt each obtained primary insurance for errors and omissions liability risks from a Vermont-regulated group captive insurance company known as Professional Consultants Insurance Company, Inc. (which we refer to as PCIC). The stockholders and insureds of PCIC were legacy Towers Perrin, legacy Watson Wyatt and Milliman, Inc. (Milliman). On January 1, 2010, the effective date of the Merger of Towers Perrin and Watson Wyatt, Towers Watson became the owner of 72.86 percent of the stock of PCIC.

Towers Perrin and Watson Wyatt provided PCIC with notice of non-renewal of the respective PCIC policies of insurance that expired at 12:01 a.m. on July 1, 2010. PCIC provided a notice of non-renewal to Milliman and will not issue a policy of insurance to Milliman for the policy period starting July 1, 2010 or thereafter. PCIC will continue to operate in order to pay losses arising from claims reported by its insureds during the periods covered by previously issued policies of insurance.

Since July 1, 2010, we have obtained our primary insurance for errors and omissions liability risks from a Vermont-regulated wholly owned captive insurance company known as Stone Mountain Insurance Company (Stone Mountain). Stone Mountain has secured reinsurance for a portion of the Towers Watson risks it underwrites. Towers Watson has secured excess errors and omissions liability coverage above the coverage provided by Stone Mountain in amounts we consider to be prudent. Stone Mountain has issued a policy of insurance to us that is substantially similar in form to the policy of insurance issued by PCIC.

The combination of the formation of Stone Mountain, which essentially results in self-insurance by us of our primary errors and omissions risk, and our controlling ownership interest in PCIC and the accompanying requirement that we consolidate PCIC s financial results into our financial results is likely to result in increased earnings volatility for us. In addition, the inability of Stone Mountain to secure reinsurance or our inability to secure excess errors and omissions professional liability coverage could have a material adverse impact on our financial condition or our ability to transact business in certain geographic areas, particularly in any specific period.

We have material pension liabilities that can fluctuate significantly.

Towers Perrin and Watson Wyatt have material pension liabilities, which were assumed by us on January 1, 2010. The combined projected benefit obligation for legacy Towers Perrin and legacy Watson Wyatt pension and other postretirement benefit plans at June 30, 2010 was $3.5 billion, of which $1.1 billion was unfunded. Movements in the interest rate environment, inflation or changes in other assumptions that are used for the estimates of our benefit obligations and other factors could have a material effect on the level of liabilities in these plans at any given time. These pension plans have minimum funding requirements that may require material amounts of periodic additional funding. Cash required to fund pension plans may have to be diverted from other corporate initiatives.

Towers Perrin and Towers Watson are defendants in several lawsuits commenced by former Towers Perrin shareholders.

On November 5, 2009, certain former Towers Perrin shareholders commenced a legal proceeding in the United States District Court for the Eastern District of Pennsylvania (the Dugan Action) against Towers Perrin, members of its board of directors, and certain members of senior management. Plaintiffs are former members of Towers Perrin s senior management who left Towers Perrin at various times between 1995 and 2000. They seek to represent a class of former Towers Perrin shareholders who separated from service on or after January 1, 1971, and who meet certain other specified criteria. Although the complaint in the Dugan Action does not contain a quantification of the damages sought, on December 9, 2009, plaintiffs made a settlement demand on Towers Perrin of $800 million to settle the action on behalf of the proposed class.

Table of Contents

On December 17, 2009, four other former Towers Perrin shareholders, all of whom voluntarily left Towers Perrin in May or June 2005 and all of whom are excluded from the proposed class in the Dugan Action, commenced a separate legal proceeding (the Allen Action) in the United States District Court for the Eastern District of Pennsylvania alleging the same claims in a form similar to those alleged in the Dugan Action. These plaintiffs are proceeding in their individual capacities and do not seek to represent a proposed class.

On January 15, 2010, another former Towers Perrin shareholder who separated from service in March 2005 when Towers Perrin and Electronic Data Systems, Inc. launched a joint venture that led to the creation of a corporate entity known as ExcellerateHRO (eHRO), commenced a separate legal proceeding (the Pao Action) in the United States District Court for the Eastern District of Pennsylvania, also alleging the same claims in a form similar to those alleged in the Dugan Action. The plaintiff in this action, in which Towers Watson also is named as a defendant, seeks to represent a class of former Towers Perrin shareholders who separated from service in connection with the formation of eHRO and who are excluded from the proposed class in the Dugan Action.

The complaints assert claims for breach of contract, breach of express trust, breach of fiduciary duty, promissory estoppel, quasi-contract/unjust enrichment, and constructive trust, and seek equitable relief including an accounting, disgorgement, rescission and/or restitution, and the imposition of a constructive trust. On January 20, 2010, the United States District Court for the Eastern District of Pennsylvania consolidated the three actions for all purposes. We believe the claims are without merit, have filed a motion to dismiss the complaints in their entireties, and intend to continue to vigorously defend against the actions. We could incur significant costs defending against these claims. The outcome of this legal proceeding is inherently uncertain and could be unfavorable to us.

Our reinsurance brokerage business could be subject to claims arising from its work, which could materially adversely affect our reputation and business.

Our reinsurance brokerage business may be subject to claims brought against it by clients or third parties. Clients are likely to assert claims if they fail to make full recoveries in respect of their own claims. If reinsurers with whom we place business for our clients become insolvent or otherwise fail to make claims payments, this may also result in claims against us.

Our reinsurance business assists its clients in placing reinsurance and handling related claims, which could involve substantial amounts of money. If our work results in claims, claimants may seek large damage awards and defending these claims can involve potentially significant costs and may not be successful. Claims could, by way of example, arise as a result of our reinsurance brokers failing to:

- Place the reinsurance coverage requested by the client;
- Report claims on a timely basis or as required by the reinsurance contract or program;
- Communicate complete and accurate information to reinsurers relating to the risks being reinsured; or
- Appropriately model or advise our clients in relation to the extent and scope of reinsurance coverage that is advisable for a client s needs.

Moreover, Towers Perrin s reinsurance brokerage contracts generally do not limit the maximum liability to which Towers Perrin, as a subsidiary of Towers Watson, may be exposed for claims involving alleged errors or omissions.

Table of Contents

Reinsurance brokerage revenue is influenced by factors that are beyond our control, and volatility or declines in premiums or other trends in the insurance and reinsurance markets could significantly undermine the profitability of our reinsurance brokerage business.

For the six months ended June 30, 2010, we derived approximately five percent of our consolidated revenue from our reinsurance brokerage business, which in turn derives a majority of its revenue from commissions. Revenue earned in our capacity as a reinsurance broker is based in large part on the rates that the global reinsurance marketplace prices for risks. For example, we do not determine reinsurance premiums on which commissions are generally based.

Premiums are cyclical in nature and may vary widely based on market conditions. When premium rates decline, the commissions and fees earned for placing certain reinsurance contracts and programs also tend to decrease. When premium rates rise, we may not be able to earn increased revenue from providing brokerage services because clients may purchase less reinsurance, there may be less reinsurance capacity available, or clients may negotiate a reduction to the compensation rate or a reduced fee for our services.

To the extent our clients are or become materially adversely affected by declining business conditions in the current economic environment, they may choose to limit their purchases of insurance and reinsurance coverage, as applicable, which would limit our ability to generate commission revenue. Clients also may decide not to utilize our risk management services, which would limit our ability to generate fee revenue.

We may not be able to obtain financing on favorable terms or at all.

The maintenance and growth of our business depends on our access to capital, which will depend in large part on cash flow generated by our business and the availability of equity and debt financing. There can be no assurance that our operations will generate sufficient positive cash flow to finance all of our capital needs or that we will be able to obtain equity or debt financing on favorable terms or at all.

Our revolving credit facility contains a number of restrictive covenants that restrict our operations.

The Towers Watson $500 million revolving credit facility contains a number of customary restrictive covenants imposing operating and financial restrictions on Towers Watson, including restrictions that limit our ability to engage in acts that may be in our long-term best interests. These covenants include, among others, limitations (and in some cases, prohibitions) that, directly or indirectly, restrict our ability to:

- Incur liens or additional indebtedness (including guarantees or contingent obligations);
- Engage in mergers and other fundamental changes;
- Sell or otherwise dispose of property or assets;
- Pay dividends and other distributions; and
- Change the nature of our business.

The credit agreement also contains financial covenants that limit our interest expense and total debt relative to EBITDA.

The operating restrictions and financial covenants in our credit agreement do, and any future financing agreements may, limit our ability to finance future operations or capital needs or to engage in other business activities. Our ability to comply with any financial covenants could be materially affected by events beyond our control, and there can be no assurance that we will satisfy any such requirements. If we fail to comply with these

Table of Contents

covenants, we may need to seek waivers or amendments of such covenants, seek alternative or additional sources of financing or reduce our expenditures. We may be unable to obtain such waivers, amendments or alternative or additional financing at all, or on terms favorable to us.

The credit agreement specifies several events of default, including non-payment, certain cross-defaults, certain bankruptcy events, covenant or representation breaches and certain changes in control. If an event of default occurs, the lenders under the credit agreement are expected to be able to elect to declare all outstanding borrowings, together with accrued interest and other fees, to be immediately due and payable. We may not be able to repay all amounts due under the credit agreement in the event these amounts are declared due upon an event of default.

We rely on third parties to provide services and their failure to perform the services could harm our business.

As part of providing services to clients and managing our business, we rely on a number of third-party service providers. Our ability to perform effectively depends in part on the ability of these service providers to meet their obligations, as well as on our effective oversight of their performance. The quality of our services could suffer or we could be required to incur unanticipated costs if our third-party service providers do not perform as expected or their services are disrupted. This could have a material adverse effect on our business and results of operations.

If we are not able to implement any recommended improvements in our internal control over financial reporting or favorably assess the effectiveness of our internal control over financial reporting, or if our independent registered public accounting firm is not able to provide an unqualified attestation report on the effectiveness of our internal control over financial reporting, our business, financial condition or results of operations could be materially adversely affected.

If our internal control over financial reporting is not effective, the reliability of our financial statements could be impaired. Since January 1, 2010, the effective time of the Merger, we have devoted and continue to devote considerable resources, including management s time and other internal resources, to a continuing effort to comply with regulatory requirements relating to internal control and the preparation of financial statements, including implementing any changes recommended by our independent registered public accounting firm. In particular, these efforts have and will continue to focus on Towers Perrin and its subsidiaries, which prior to January 1, 2010 had not been subject to the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, as amended, and the rules promulgated thereunder by the SEC. We are required to certify to and report on, and our independent registered public accounting firm will be required to attest to, the effectiveness of our internal control over financial reporting of Towers Watson and its subsidiaries on an annual basis. If we cannot favorably assess the effectiveness of our internal control over financial reporting, or if our independent registered public accounting firm is unable to provide an unqualified attestation report on the effectiveness of our internal control over financial reporting, investor confidence and, in turn, the market price of our common stock could be materially adversely affected.

There can be no assurance that we will be able to implement and maintain any recommended improvements in our internal control over financial reporting. Any failure to do so could cause the reliability of our financial statements to be impaired and could also cause us to fail to meet our reporting obligations under applicable law, either of which could cause our business, financial condition or results of operations to be materially adversely affected.

Risks Relating to an Investment in Our Class A Common Stock

The stock price of Class A Common Stock may be volatile.

The stock price of the Class A Common Stock may in the future be volatile and subject to wide fluctuations. In addition, the trading volume of the Class A Common Stock may in the future fluctuate and cause

Table of Contents

significant price variations to occur. Some of the factors that could cause fluctuations in the stock price or trading volume of the Class A Common Stock include:

- General market and economic conditions, including market conditions in the human capital and risk and financial management consulting industries and regulatory developments in the United States, foreign countries or both;
- Actual or expected variations in our quarterly results of operations and in the quarterly results of operations of companies perceived to be similar to us;
- Differences between actual results of operations and those expected by investors and analysts;
- Changes in recommendations by securities analysts;
- Operations and stock performance of competitors;
- Accounting charges, including charges relating to the impairment of goodwill or other intangible assets;
- Significant acquisitions, dispositions or strategic alliances by us or by competitors;
- Sales of the Class A Common Stock, including sales by our directors and officers or significant investors;
- Incurrence of additional debt;
- Dilutive issuance of equity;
- Recruitment or departure of key personnel;
- Loss or gain of key clients;
- Litigation involving us, our general industry or both; and
- Changes in reserves for professional liability claims.

There can be no assurance that the stock price of the Class A Common Stock will not fluctuate or decline significantly in the future. In addition, the stock market in general can experience considerable price and volume fluctuations that may be unrelated to our performance.

Shares of Towers Watson common stock eligible for public sale could adversely affect the stock price.

On January 1, 2010, the then-former Towers Perrin security holders received, in the aggregate, 44 percent of Towers Watson s voting common stock then outstanding. Those shares are subject to various restrictions. For example, shares of Class B Common Stock automatically convert into freely tradable Class A Common Stock in equal annual installments over four years beginning on January 1, 2011. In addition, transfer restrictions on restricted shares of Class A Common Stock received by a holder of Towers Perrin restricted stock units lapse over the course of a three-year vesting schedule (or such other vesting schedule as may be set forth in the holder s Towers Perrin restricted stock unit award agreement) beginning on January 1, 2011. As of September 7, 2010, we had the following shares outstanding: (i) 47,208,686 shares of Class A Common Stock (including 4,029,911.506 shares of restricted Class A Common Stock), (ii) 10,535,627.16 shares of Class B-1 Common Stock, (iii) 5,561,630.05 shares of Class B-2 Common Stock, (iv) 5,561,630.05 shares of Class B-3 Common Stock, and (v) 5,369,042.60 shares of Class B-4 Common Stock.

Table of Contents

Pursuant to our certificate of incorporation, our Board of Directors had the discretion to accelerate the conversion of any shares of Class B Common Stock into shares of freely tradable Class A Common Stock, provided that the total number of shares so converted did not exceed, in the aggregate, five percent of the total shares of Class B Common Stock. On July 30, 2010, we filed a proxy statement with the SEC regarding a special meeting of stockholders held on September 9, 2010. At the special meeting, stockholders approved a proposal to amend our certificate of incorporation to eliminate the restriction on the number of shares of Class B Common Stock that the Board of Directors can convert into shares of Class A Common Stock. The amendment to our certificate of incorporation provides us with the flexibility to release converted shares of Class B Common Stock into the public market, if our Board of Directors determined that such action were advisable.

The sales or potential sales of a substantial number of shares of Class A Common Stock in the public market after the Class B Common Stock converts or shares of restricted Class A Common Stock vest could depress the market price of Class A Common Stock at such time and could then impair our ability to raise capital through the sale of additional securities.

We will only pay dividends if and when declared by our Board of Directors.

Any determination to pay dividends in the future is at the discretion of our Board of Directors and will depend upon our results of operations, financial condition, contractual restrictions, restrictions imposed by applicable law, rule or regulation, business and investment strategy, and other factors that our Board of Directors deems relevant. If we do not pay dividends, then the return on an investment in our common stock will depend entirely upon any future appreciation in its stock price. There is no guarantee that our common stock will appreciate in value or maintain its value.

We have various mechanisms in place that could prevent a change in control that a stockholder might favor.

Our certificate of incorporation and bylaws contain provisions that might discourage, delay or prevent a change in control that a stockholder might favor. Our certificate of incorporation or bylaws:

- Authorize the issuance of preferred stock without fixed characteristics, which could be issued by our Board of Directors pursuant to a stockholder rights plan and deter a takeover attempt;
- Provide that only the Chief Executive Officer, President or our Board of Directors may call a special meeting of stockholders;
- Limit business at special stockholder meetings to such business as is brought before the meeting by or at the direction of our Board of Directors;
- Prohibit stockholder action by written consent, and require all stockholder actions to be taken at an annual or special meeting of the stockholders;
- Provide our Board of Directors with exclusive power to change the number of directors;
- Provide that all vacancies on our Board of Directors, including new directorships, may only be filled by a resolution adopted by a majority of the directors then in office;
- Do not opt out of Section 203 of the Delaware General Corporation Law, which prohibits business combinations between a corporation and any interested stockholder for a period of three years following the time that such stockholder became an interested stockholder;

Require a supermajority vote for the stockholders to amend the bylaws; and

Prohibit any stockholder from presenting a proposal or director nomination at an annual stockholders meeting unless such stockholder provides us with sufficient advance notice.

Table of Contents

SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS

This prospectus, including the section entitled Management s Discussion and Analysis of Financial Condition and Results of Operations, contains forward-looking statements. You can identify these statements and other forward-looking statements in this filing by words such as may, will, expect, anticipate, believe, estimate, plan, intend, continue, or similar words, expressions or the negative of such terms or other compa terminology. You should read these statements carefully because they contain projections of our future results of operations or financial condition, or state other forward-looking information. A number of risks and uncertainties exist which could cause actual results to differ materially from the results reflected in these forward-looking statements. The factors discussed in the section in this prospectus entitled Risk Factors, among others, could cause actual results to differ from those set forth in the forward-looking statements.

These statements are based on assumptions that may not come true. All forward-looking disclosure is speculative by its nature. We undertake no obligation to update any of the forward-looking information included in this prospectus, whether as a result of new information, future events, changed expectations or otherwise, except as required by law. You should review this prospectus carefully, including the section entitled Risk Factors, for a more complete discussion of the risks of an investment in our Class A Common Stock.

Table of Contents

USE OF PROCEEDS

The selling stockholders are selling all of the shares of Class A Common Stock being sold in the offering, including any shares sold on exercise of the underwriters overallotment option, and therefore will receive all of the proceeds from the offering. We will not receive any proceeds from the offering.

PRICE RANGE OF CLASS A COMMON STOCK

Our Class A Common Stock is quoted on the New York Stock Exchange LLC (the NYSE) and the NASDAQ Stock Market LLC (NASDAQ) under the symbol TW. There is no trading market for our shares of Class B Common Stock.

The following table sets forth, for the periods indicated, the high and low sales prices per share of our Class A Common Stock since January 4, 2010, the first trading day of the Class A Common Stock following consummation of the Merger between Towers Perrin and Watson Wyatt.

	High	Low
Fiscal Year 2010		
Third quarter (January 4, 2010 March 31, 2010)	$ 51.48	$ 42.72
Fourth quarter (April 1, 2010 June 30, 2010)	$ 50.05	$ 38.65
Fiscal Year 2011		
First quarter (July 1, 2010 September 7, 2010)	$ 48.29	$ 38.04

On September 7, 2010, the closing price per share of our Class A Common Stock on the NYSE and NASDAQ was $47.67. As of September 7, 2010, there were 133 stockholders of record of our Class A Common Stock, and there were 631 stockholders of record of our Class B Common Stock.

DIVIDEND POLICY

Our Board of Directors recently determined to declare and pay regular quarterly cash dividends in the amount of $0.075 per share (at an annual rate of $0.30 per share) on all of our outstanding Class A Common Stock and Class B Common Stock, with such dividend payments having begun at the end of the third quarter of fiscal year 2010. Since we began material operations on January 1, 2010, our Board of Directors has declared a regular quarterly cash dividend of $0.075 per share for the quarters ending March 31, 2010, June 30, 2010 and September 30, 2010.

Notwithstanding the foregoing, any determination to declare and pay dividends is at the discretion of our Board of Directors and will depend upon Towers Watson s results of operations, financial condition, contractual restrictions, restrictions imposed by applicable law, rule or regulation, business and investment strategy, and other factors that our Board of Directors deems relevant at such time.

On January 1, 2010, in connection with the Merger, Towers Watson entered into a credit agreement with a syndicate of banks for a three-year, $500 million revolving credit facility. The credit agreement contains restrictions on the ability of Towers Watson to pay dividends.

Table of Contents

CAPITALIZATION

The following table sets forth our cash, cash equivalents and short-term investments and capitalization as of June 30, 2010. You should read this table in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and notes thereto included elsewhere in this prospectus.

		As of June 30, 2010 (in thousands)
Cash, cash equivalents and short-term investments	$	651,475
Debt		
Notes Payable, short-term	$	201,967
Revolving Credit Facility		
Brazil Credit Facility		3,076
Note Payable, long-term	$	98,467
Total Debt	$	303,510
Stockholders equity		
Class A Common Stock $0.01 par value:		
300,000,000 shares authorized; 47,160,497 issued and 47,160,497 outstanding	$	472
Class B Common Stock $0.01 par value:		
93,500,000 shares authorized; 27,043,196 issued and 27,043,196 outstanding		270
Additional paid-in capital		1,679,624
Treasury stock, at cost, 0 shares		
Retained earnings		711,570
Accumulated other comprehensive loss		(436,329)
Non-controlling interest		9,065
Total equity		1,964,672
Total capitalization	$	2,268,182

Unless otherwise indicated, references in this prospectus to the number of shares of Class A Common Stock outstanding are calculated as of September 7, 2010 and:

- do not give effect to the anticipated conversion of 4,279,233 shares of Class B-1 Common Stock into shares of Class A Common Stock offered hereby;

- exclude 291,857 shares of Class A Common Stock reserved for future issuance in connection with the exercise of equity awards; and

- assume no exercise of the underwriters overallotment option to purchase up to 641,768 additional shares of Class A Common Stock.

Table of Contents

SELECTED CONSOLIDATED FINANCIAL DATA

The following selected historical financial data for the five fiscal years ended June 30, 2010, 2009, 2008, 2007 and 2006 is presented in accordance with U.S. generally accepted accounting principles (U.S. GAAP). Watson Wyatt is the accounting predecessor in the Merger and as such, the historical results of Watson Wyatt through December 31, 2009 have become those of Towers Watson. Towers Watson s condensed consolidated financial statements as of and for the fiscal year ended June 30, 2010 include the results of Towers Perrin s operations beginning January 1, 2010. We derived the selected statement of operations data for the fiscal years ended June 30, 2010, 2009 and 2008 and the selected balance sheet data as of June 30, 2010 and 2009 from our historical audited consolidated financial statements included elsewhere in this prospectus. We derived the summary historical statement of operations data for the fiscal years ended June 30, 2007 and 2006 and the balance sheet data as of June 30, 2008, 2007 and 2006 from our audited consolidated financial statements not included in this prospectus. This historical data is only a summary. You should read this information in conjunction with our and our predecessor s historical audited and unaudited financial statements and related notes in this prospectus and the section in this prospectus entitled Management s Discussion and Analysis of Financial Condition and Results of Operations.

	Year Ended June 30,				
	2010	2009	2008	2007	2006
Consolidated Statement of Operations Data:					
(amounts are in thousands, except per share data)					
Revenue	$ 2,387,829	$ 1,676,029	$ 1,760,055	$ 1,486,523	$ 1,271,811
Income from operations	164,445	209,383	226,773	179,305	132,417
Net income attributable to controlling interests	$ 120,597	$ 146,458	$ 155,441	$ 116,275	$ 87,191
Per Share Data:					
Earnings Per Share:					
Basic	$ 2.04	$ 3.43	$ 3.65	$ 2.74	$ 2.11
Diluted	$ 2.03	$ 3.42	$ 3.50	$ 2.60	$ 2.01
Dividends declared per share	$ 0.30	$ 0.30	$ 0.30	$ 0.30	$ 0.30
Weighted average shares of common stock:					
Basic (000)	59,257	42,690	42,577	42,413	41,393
Diluted (000)	59,372	42,861	44,381	44,684	43,297
Balance Sheet Data:					
Cash and cash equivalents	$ 600,466	$ 209,832	$ 124,632	$ 248,186	$ 165,345
Working capital	479,688	231,938	172,241	326,354	197,312
Goodwill and intangible assets	2,410,652	728,987	870,943	594,651	511,116
Total assets	$ 4,573,450	$ 1,626,319	$ 1,715,976	$ 1,529,709	$ 1,240,359
Revolving credit facility				105,000	30,000
Other long-term obligations (1)	1,643,165	438,021	346,335	326,782	265,263
Total stockholders equity	$ 1,955,607	$ 853,638	$ 984,395	$ 787,519	$ 648,761

(1) Other long-term obligations includes accrued retirement benefits, deferred rent and accrued lease losses, deferred income taxes and other long-term tax liabilities, professional liability claims reserve, contingency stock payable and other non-current liabilities.

Table of Contents

UNAUDITED SUPPLEMENTAL PRO FORMA CONDENSED COMBINED STATEMENTS OF OPERATIONS

The following unaudited supplemental pro forma combined statements of operations have been provided to present illustrative combined unaudited statements of operations for the fiscal years ended June 30, 2010 and 2009, giving effect to the business combination as if it had been completed on July 1, 2009 and 2008, respectively. The pro forma condensed combined statement of operations for the fiscal year ended June 30, 2009 combines Watson Wyatt s historical audited consolidated statement of operations for the fiscal year ended June 30, 2009 with Towers Perrin s historical unaudited consolidated statement of operations for the twelve months ended June 30, 2009. The pro forma condensed consolidated statement of operations for the fiscal year ended June 30, 2010 combines Towers Watson s historical unaudited consolidated statement of operations for the six months ended June 30, 2010 with Watson Wyatt s and Towers Perrin s historical unaudited consolidated statements of operations for the six months ended December 31, 2009. Watson Wyatt s fiscal year ended on June 30 while Towers Perrin s fiscal year ended on December 31. Towers Perrin s financial information has been recast to conform to Watson Wyatt s fiscal year end. Towers Perrin s historical statement of operations for the twelve months ended June 30, 2009 was derived by subtracting (1) Towers Perrin s unaudited consolidated statement of operations for the six months ended June 30, 2008 from (2) Towers Perrin s audited consolidated statement of operations for the twelve months ended December 31, 2008, and adding (3) Towers Perrin s unaudited consolidated statement of operations for the six months ended June 30, 2009. Towers Perrin s historical unaudited consolidated statement of operations for the six months ended December 31, 2009 was derived by subtracting Towers Perrin s unaudited consolidated statement of operations for the six months ended June 30, 2009 from Towers Perrin s audited consolidated statement of operations for the year ended December 31, 2009. The unaudited pro forma condensed combined financial statements should be read together with the respective historical financial statements and related notes of Towers Perrin and Watson Wyatt.

The unaudited pro forma condensed combined statements of operations give effect to the Merger including:

- related Merger consideration;
- adjustments made to record the assets and liabilities of Towers Perrin at their estimated fair values;
- reclassifications made to conform Towers Perrin s and Watson Wyatt s historical financial statement presentation to Towers Watson s; and
- the consolidation of Professional Consultants Insurance Company, Inc., which we refer to as PCIC.

Towers Perrin was a private, employee-owned corporation. As a result, Towers Perrin s historical unaudited consolidated statement of operations for the twelve months ended June 30, 2009 does not reflect the level of net income that Towers Perrin is expected to contribute to Towers Watson, as a public company. Further, the revenue growth that we expect Towers Watson to achieve from strengthening core services and expanding the existing portfolio of services is not reflected in the unaudited pro forma condensed combined financial statements.

The unaudited pro forma condensed combined statements of operations do not reflect certain financial targets relating to the Merger, such as our targeted synergy cost savings, reductions in compensation and benefits expense resulting from the retirement of Class R participants, and a further targeted reduction in compensation expense resulting from the elimination of the principal bonus payments historically paid to legacy Towers Perrin Principals.

Pro forma earnings per share reflect the impact of significant non-cash and non-recurring expenses resulting from the Merger, including compensation expense incurred as a result of the issuance of Towers Watson Restricted Class A Common Stock to Towers Perrin restricted stock unit (RSU) holders and the incremental amortization of acquired intangible assets.

Table of Contents

For purposes of these unaudited pro forma condensed combined statements of operations, we have provided the fair value of the consideration and the allocation to Towers Perrin s tangible and intangible assets acquired and liabilities assumed.

As of the date of this prospectus, the initial accounting for this business combination is not yet complete. In particular, we are currently performing an assessment of the key internally developed and developed technology software for internal use and for sale acquired from Towers Perrin. The assessment will involve decisions regarding duplicate, overlapping systems or preferred technology of the two legacy companies, which could lead to a decision to cease use of a system. In addition, the fair value of fixed assets is currently being evaluated. Although we do not anticipate any significant adjustments, to the extent that the estimates used need to be refined, we will do so upon making that determination but not later than one year from the business combination date.

The following unaudited pro forma condensed combined statements of operations are provided for informational purposes only. They do not purport to represent what Towers Watson s results of operations would have been had the Merger been completed as of the date indicated and do not purport to be indicative of the results of operations that Towers Watson may achieve in the future.

Table of Contents

Unaudited Supplemental Pro Forma Combined Statement of Operations

Year Ended June 30, 2010

	Year Ended June 30, 2010 As Reported	Six Months Ended December 31, 2009 Historical		Year Ended June 30, 2010		
	Towers Watson	Towers Perrin	PCIC	Pro Forma Adjustments		As Adjusted
	(In thousands, except share and per share data)					
Revenue	$ 2,387,829	$ 798,131	$ 12,750	$ (9,404)	H	$ 3,180,916
				(8,390)	K	
Costs of providing services:						
Salaries and employee benefits	1,540,417	558,855	107	46,832	B	2,146,211
Professional and subcontracted services	163,848	79,421	483			243,752
Occupancy	109,454	35,406		1,835	A	146,695
General and administrative expenses	220,937	40,351	16,924	(9,404)	H	268,808
Depreciation and amortization	101,084	19,007		11,508	A	131,599
Transaction and integration expenses	87,644	15,734		(103,378)	E	
	2,223,384	748,774	17,514	(52,607)		2,937,065
Income from operations	164,445	49,357	(4,764)	34,813		243,851
Loss from affiliates	(1,274)	(164)		353	J	(1,085)
Interest income	2,950	530	1,517	(266)	C	4,731
Interest expense	(7,508)	(1,536)		(2,000)	D	(11,991)
				(947)	G	
Other non-operating income	11,304	5,281				16,585
Income before income taxes	169,917	53,468	(3,247)	31,953		252,091
Provision for income taxes	50,907	9,779	(1,187)	8,419	F	67,918
Net income (loss) before non-controlling interest	$ 119,010	$ 43,689	$ (2,060)	$ 23,534		$ 184,173
Net loss attributable to non-controlling interests	$ (1,587)	$	$	$ (559)	I	$ (2,146)
Net income attributable to controlling interests	$ 120,597	$ 43,689	$ (2,060)	$ 24,093		$ 186,319
Earnings per share:						
Net income attributable to controlling interests basic	$ 2.04				L	$ 3.14
Net income attributable to controlling interests diluted	$ 2.03				L	$ 3.14
Weighted average shares of common stock, basic (000)	59,257				L	59,257
Weighted average shares of common stock, diluted (000)	59,372				L	59,372

Table of Contents

Unaudited Supplemental Pro Forma Combined Statement of Operations

Year Ended June 30, 2009

	Historical					
	Watson Wyatt	Towers Perrin	PCIC	Pro Forma Adjustments		As Adjusted
	(In thousands, except share and per share data)					
Revenue	$ 1,676,029	$ 1,586,299	$ 39,873	$ (27,804)	H	$ 3,251,323
				(23,074)	K	
Costs of providing services:						
Salaries and employee benefits	1,029,299	1,107,619	147	99,397	B	2,236,462
Professional and subcontracted services	119,323	172,825	1,144			293,292
Occupancy	72,566	68,157		3,669	A	144,392
General and administrative expenses	172,010	200,047	19,226	(27,804)	H	352,109
				(11,370)	E	
Depreciation and amortization	73,448	38,758		24,308	A	136,514
Transaction and integration expenses					E	
	1,466,646	1,587,406	20,517	88,200		3,162,769
Income (loss) from operations	209,383	(1,107)	19,356	(139,078)		88,554
Income from affiliates	8,350	5,257		(13,313)	J	294
Interest income	2,022	4,708	4,924	(3,087)	C	8,567
Interest expense	(2,778)	(3,489)		(4,000)	D	(12,160)
				(1,893)	G	
Other non-operating income	4,926	14,884				19,810
Income before income taxes	221,903	20,253	24,280	(161,371)		105,065
Provision for income taxes	75,276	40,223	8,268	(63,251)	F	60,516
Net income (loss) before non-controlling interests	$ 146,627	$ (19,970)	$ 16,012	$ (98,120)		$ 44,549
Net income attributable to non-controlling interests	$ 169	$	$	$ 4,346	I	$ 4,515
Net income (loss) attributable to controlling interests	$ 146,458	$ (19,970)	$ 16,012	$ (102,466)		$ 40,034
Earnings per share:						
Net income attributable to controlling interests basic	$ 3.43				L	$ 0.68
Net income attributable to controlling interests diluted	$ 3.42				L	$ 0.67
Weighted average shares of common stock, basic (000)	42,690				L	59,257
Weighted average shares of common stock, diluted (000)	42,861				L	59,372

Table of Contents

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

1. Professional Consultants Insurance Company, Inc.

PCIC provided professional liability insurance on a claims-made basis to Towers Perrin, Watson Wyatt and a third member firm; each of Towers Perrin and Watson Wyatt owned a 36.43% equity investment in PCIC. As of January 1, 2010, Towers Watson owns 72.86% of PCIC and, as the primary beneficiary of PCIC, is required to consolidate PCIC into its consolidated financial statements.

As a result of the consolidation of PCIC into Towers Watson s financial statements, all transactions between PCIC and each of Towers Perrin and Watson Wyatt have been eliminated, including all transactions involving premium revenue, insurance expense, prepaid premium, unearned premium, equity and gain/loss on earnings of the equity method investee. The minority interest attributable to the third member firm of PCIC is reflected as a separate line in total equity on the unaudited pro forma condensed combined balance sheet and the net income attributed to the non-controlling interest held by the third member firm is included in the unaudited pro forma condensed combined statement of operations.

Towers Watson s fiscal year ends on June 30. Historically, PCIC s fiscal year ended on December 31, which was changed to a fiscal year ending on June 30 post-Merger. PCIC s financial information has been recast for the twelve months ended June 30, 2010 and 2009. PCIC s unaudited historical statement of operations for the 12 months ended June 30, 2010 and 2009 was derived from PCIC s historical audited consolidated statement of operations for the twelve months ended December 31, 2009 and 2008 less PCIC s unaudited historical statement of operations for the six months ended June 30, 2009 and 2008 plus PCIC s unaudited historical statement of operations for the six months ended June 30, 2010 and 2009.

2. Conforming Year End

Towers Perrin s financial information has been recast to conform with Watson Wyatt s June 30 fiscal year end as follows:

	Twelve Months Ended December 31, 2008 (i)	Six Months Ended June 30, 2008 (ii)	Six Months Ended December 31, 2008 (iii)=(i)-(ii)	Six Months Ended June 30, 2009 (iv)	Twelve Months Ended June 30, 2009 (iii) + (iv)
			(In thousands)		
Revenue	$ 1,719,769	$ 892,131	$ 827,638	$ 758,661	$ 1,586,299
Costs of providing services:					
Salaries and employee benefits	1,206,637	636,612	570,025	537,594	1,107,619
Professional and subcontracted services	122,379	59,361	63,018	109,807	172,825
Occupancy, communications and other	68,561	34,872	33,689	34,468	68,157
General and administrative expenses	255,983	123,810	132,173	67,874	200,047
Depreciation and amortization	36,986	16,592	20,394	18,364	38,758
	1,690,546	871,247	819,299	768,107	1,587,406
Income (loss) from operations	29,223	20,884	8,339	(9,446)	(1,107)
Other non-operating income	10,167	4,227	5,940	15,420	21,360
Income before income taxes	39,390	25,111	14,279	5,974	20,253
Provision for income taxes	34,450	6,107	28,343	11,880	40,223
Net income (loss)	$ 4,940	$ 19,004	$ (14,064)	$ (5,906)	$ (19,970)

35

Table of Contents

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

3. Fair Value of Consideration and of Net Assets Acquired and Intangibles

Fair Value of Consideration

The business combination has been accounted for using the acquisition method of accounting as prescribed in Accounting Standards Codification (ASC) 805, *Business Combinations*. The total consideration of $1.8 billion is comprised of $200 million of cash and $200 million of notes payable to Class R shareholders and of stock consideration for the following: Class A shares for certain foreign shareholders of $9.9 million, Restricted Class B-1, B-2, B-3 and B-4 shares of $1.3 billion and Restricted Class A shares of $43.7 million.

The consideration given in the form of cash and notes payable was measured in the amount of cash paid and notes payable issued. According to ASC 805, the fair value of the securities traded in the market the day before the Merger is consummated is used to determine the fair value of the equity consideration. As accounting predecessor, Watson Wyatt s closing share price on the NYSE on December 31, 2009 of $47.52 was used to determine the fair value of equity consideration. The equity consideration for the Class A shares issued to certain foreign shareholders of $9.9 million is valued at $47.52 multiplied by 209,013, the number of shares issued. The estimated fair value of the restricted Class B1 B4 shares of $1.3 billion was calculated at $47.52 multiplied by 29,483,008, the number of shares issued and using a discount to approximate the fair value of the one-, two-, three- and four-year period of restriction lapse until the shares are converted into freely tradable Towers Watson Class A common stock. The estimated fair value of the Restricted Class A shares of $43.7 million includes (i) the vested portion of the Towers Perrin restricted stock units which was earned by employees related to the service condition from grant date in October 2009 until the Merger date January 1, 2010 valued at $47.52 per share and (ii) 10 percent of the unvested portion of the Towers Perrin restricted stock units which is the estimate of forfeitures that will result from employees not fulfilling the service condition during the three-year vesting post-Merger which will be proportionately distributed to Class F shareholders, the Towers Perrin shareholders as of the Merger date.

As a result of closing of the Merger, all outstanding Towers Perrin and Watson Wyatt common stock, restricted stock units and derivative securities were converted into the right to receive the following forms of consideration:

- 46,911,275 shares of Towers Watson Class A Common Stock (less a number of shares that were withheld for tax purposes in respect of Watson Wyatt deferred stock units and deferred shares), including 4,248,984 shares of Restricted Towers Watson Class A Common Stock;

- 29,483,008 shares of Towers Watson Class B Common Stock, including:

  - 12,798,118 shares of Class B-1 Common Stock;

  - 5,561,630 shares of Class B-2 Common Stock;

  - 5,561,630 shares of Class B-3 Common Stock; and

  - 5,561,630 shares of Class B-4 Common Stock;

- 8,548,835 shares of Towers Watson Class R Common Stock, which subsequently were redeemed automatically in exchange for the right to receive:

$200 million in cash (subject to applicable tax withholding and gross-up adjustments); and

Towers Watson Notes in an aggregate principal amount of $200 million.

36

Table of Contents

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

In addition, on January 1, 2010, Towers Watson issued shares of Class F stock, no par value, pro rata to all holders of Towers Perrin common stock, which shares represent only the contingent right to receive, three years after the Merger, a pro rata portion of a number of shares of Towers Watson Class A common stock equal to the number of shares of Restricted Towers Watson Class A common stock forfeited by former Towers Perrin employees plus a number of shares of Towers Watson Class A common stock with a value equivalent to the amount of dividends attributed to such forfeited shares.

Fair value of net assets acquired and intangibles

According to ASC 805, the assets acquired and liabilities of Towers Perrin assumed by Towers Watson were recorded at their respective fair values as of the combination date, January 1, 2010. The valuation and determination of estimated fair value include significant estimates and assumptions. Management also evaluated the methodology and valuation models to determine the estimated useful lives and amortization method.

Customer relationships

Customer relationship intangible was identified separately from goodwill based on determination of the length, strength and contractual nature of the relationship that Towers Perrin shared with its clients. This customer relationship information was analyzed via the application of the multi-period excess earnings method, an income approach. Several assumptions used in the income approach are revenue growth, retention rate, operating expenses, charge for contributory assets and trade name and the discount rate used to calculate the present value of the cash flows. The customer relationship intangible, valued at $140.8 million, is amortized on an accelerated amortization basis over the estimated useful life of 12 years, which correlated to the years of material results included in the income approach model.

Trademarks and trade names

The Towers Perrin trade name was identified separately from goodwill based on evaluation of the importance of the Towers Perrin trade name to the Towers Perrin business through understanding the brand recognition in the market, importance of the trade name to the customer, and the amount of revenue associated with the trade name. In developing the estimated fair value, the trade name was valued utilizing the relief from royalty method, an income approach. Significant assumptions used in the relief from royalty method were revenue growth, royalty rate, and discount rate used to calculate the present value of cash flows. The Towers Perrin trade name, valued at $275.5 million, has an estimated indefinite-lived asset and is not amortized but tested annually for impairment or more frequently if factors exist to indicate impairment.

Developed technology

Developed technology identified separately from goodwill consists of intellectual property such as proprietary software used internally for revenue-producing activities or by clients. Developed technology can provide significant advantages to the owner in terms of product differentiation, cost advantages and other competitive advantages. Three external-use technologies of Towers Perrin: Moses, EVALUE and the Global Compensation technology are offered for sale or subscription and have associated revenue streams. In addition, 22 internally developed technology applications were identified as primary applications used in Towers Perrin s business but did not have associated revenue streams. The external-use technologies, for which revenue sources were directly identified, were valued by applying the multi-period excess earnings method, an income approach. The internal-use technologies were valued by applying the cost to replicate method, a cost approach. Significant assumptions used in the multi-period excess earnings method were revenue growth, decay rate, cost of revenue, operating expenses, charge for use of contributory assets and trade name and discount rate used to calculate the present value of the cash flows. The external-use technology, valued at $58.2 million, is amortized on an accelerated basis over a weighted-average useful life of 3.6 years. Significant assumptions used in the cost to replicate method were cost to replace including the number and skill level of man hours and cost per hour based on fully burdened salary of staff; profit margin if the work were performed by a third party; and obsolescence factor. The internal-use technology, valued at $67.2 million, is amortized on a straight-line basis over the weighted-average estimated useful life of 4.2 years.

Table of Contents

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

Favorable and unfavorable lease contracts

Assets and liabilities for favorable and unfavorable lease contracts were identified separately from goodwill related to 39 of Towers Perrin s real estate lease agreements. The assets and liabilities were valued by comparing cash obligations for each material lease agreement to the estimated market rent at the time of the transaction. The resulting favorable or unfavorable positions are recorded gross as assets or liabilities on the balance sheet. Significant assumptions used in the valuation were market rent, annual escalation percentages based on current inflation rates and a discount rate used to calculate the present value of the cash flows. Both the assets for favorable lease agreements, valued at $11.1 million, and the liabilities for unfavorable lease agreements, valued at $28.6 million, are amortized on a straight-line basis over the life of the respective lease to occupancy costs. The weighted-average estimated useful life for the leases is 7.3 years.

The table below sets forth a preliminary estimate of the Merger consideration transferred to Towers Perrin shareholders and the preliminary estimate of tangible and intangible net assets received in the Merger:

		January 1, 2010 (In thousands, except share and per share data)	
Calculation of Consideration Transferred			
Cash paid			$ 200,000
Notes payable issued to Towers Perrin shareholders			200,000
Towers Perrin shares converted to Towers Watson shares	42,489,840		
Less Class R shares	(8,548,835)		
Less 10% of consideration in RSU s	(4,248,984)		
Shares of Towers Watson stock issued		29,692,021	
Closing price of Watson Wyatt stock, December 31, 2009		$ 47.52	
Average discount for restricted stock		7%	
Aggregate fair value of the Towers Watson common stock issued			1,313,650
Fair value of RSU s assumed in the Merger			43,729
Total consideration transferred			$ 1,757,379
Estimated Tangible and Intangible Net Assets:			
Current assets		$ 1,002,567	
Other non-current assets		221,131	
Identifiable intangible assets		552,785	
Deferred tax asset, net		138,850	
Current liabilities		(671,866)	
Other long-term liabilities		(760,708)	
Goodwill		1,274,620	
Total estimated tangible and intangible net assets			$ 1,757,379

38

Table of Contents

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

4. Pro Forma Adjustments

The pro forma adjustments reflected in the unaudited supplemental pro forma condensed combined financial information are as follows:

A) Reflects estimated amortization of Towers Perrin s acquired intangible assets on an accelerated amortization basis over their estimated useful lives. Customer-related intangible assets are amortized over a 12-year estimated life and developed technology intangible assets are amortized over a weighted-average four-year estimated life. The trademark and trade names intangible asset has an indefinite life. Also reflects one year of an adjustment to rent expense to approximate fair value.

B) Reflects non-cash compensation expense in connection with the issuance of Towers Watson Restricted Class A Common Stock to Towers Perrin RSU holders in the Merger and $4.6 million of Class A Common Stock issued pursuant to the acceleration of vesting of Watson Wyatt s outstanding stock options and RSU awards due to change-in-control provisions. The graded method of expense methodology assumes that the restricted shares are issued to Towers Perrin RSU holders in equal amounts of shares that vest over one year, two years and three years. The current estimate of total non-cash compensation expense relating to Towers Watson Restricted Class A Common Stock for the three-year period is $158.2 million. This estimate was determined assuming a 10 percent annual forfeiture rate based on actual and expected attrition.

C) Reflects interest income forgone as a result of the cash consideration of $200 million paid to Towers Perrin Class R Participants in conjunction with the redemption of Towers Watson Class R Common Stock.

D) Reflects interest accrued on $200 million principal amount of Towers Watson Notes issued to Towers Perri