Bring predictive analytics to your incentive design and goal calibration

Predictive Performance Model — diagnostic simulations

Do you know how likely it is that your company will meet its threshold, target and maximum incentive plan goals? Do you understand the range of potential payouts and how likely they are?
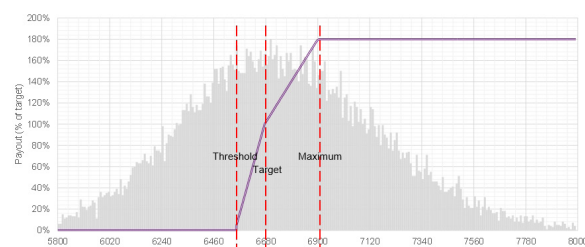
Find out with Willis Towers Watson's advanced diagnostics tool, Predictive Performance Model (PPM).

With PPM, you can:

- Create a five-year financial forecast based on a consensus of analysts' estimates or on internal budgets
- Simulate future stock prices — up to 25,000 simulations
- Model the financial statements associated with simulated stock prices
- Determine the probability of meeting financial and market-based incentive plan goals
- Evaluate the range of probable incentive plan payouts, including the impact of stock prices
- Consider whether the ranges around your target goals are optimal
- Determine whether the program design's upside and downside leverage are appropriate
- Assess short- and long-term incentives, and prioritize the case for change

- Recalibrate your incentive plan goals and payouts
- Construct a strong pay-for-performance narrative
- Refine the full range of pay opportunities across all of your incentive plans

Annual incentive plan revenue goals are narrowly set

Achievement level	Annual goals ($mm)	Probability %
Below threshold	<$6,550	33%
Threshold – target	$6,550 - $6,675	12%
Target – maximum	$6,675 - $6,900	21%
Maximum	$6,900+	35%

For more than 50 years, Willis Towers Watson has helped leading organizations design effective pay-for-performance programs. We've studied — and in some cases, led — myriad changes to executive compensation as it has endured increasing scrutiny and evolved. Again, we're blazing new trails: bringing predictive analytics to incentive plan design.

PPM simulations incorporate:

- Well-known theories on capital asset pricing and discounted cash-flow analysis
- A consensus of investment analysts' forecasts
- Your historical financial statements
- Capital market observations, e.g., stock price volatility, dividend yield and more

About Willis Towers Watson

Willis Towers Watson (NASDAQ: WLTW) is a leading global advisory, broking and solutions company that helps clients around the world turn risk into a path for growth. With roots dating to 1828, Willis Towers Watson has 40,000 employees serving more than 140 countries. We design and deliver solutions that manage risk, optimize benefits, cultivate talent, and expand the power of capital to protect and strengthen institutions and individuals. Our unique perspective allows us to see the critical intersections between talent, assets and ideas — the dynamic formula that drives business performance. Together, we unlock potential. Learn more at willistowerswatson.com.

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