

GREAT-WEST
LIFECO INC.

Empower's Acquisition of the Retirement Services Business of MassMutual

September 2020

Note: All figures in U.S. Dollars, unless stated otherwise

canada  TM



Irish Life


EMPOWER
RETIREMENTTM

 **Putnam**
INVESTMENTS

CAUTIONARY NOTES

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This document may contain forward-looking information. Forward-looking information includes statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as “will”, “may”, “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates”, “objective”, “target”, “potential” and other similar expressions or negative versions thereof. These statements include, without limitation, statements about: the U.S. retirement industry; the timing (for completion and integration), cost (including estimated price to earnings (“P/E”) multiples represented thereby) and expected benefits and performance (including targeted revenue synergies, internal rate of return (“IRR”), expected earnings per share (“EPS”) accretion, expected impact on consensus earnings and “run rate” gross revenue, as well as the timing thereof in each case) of the acquisition of the retirement services business of MassMutual and sources, amounts and timing of funding therefor; future expenses and revenues made on the slide entitled “Meaningful Synergy Opportunities”; and otherwise concerning Great-West Lifeco (“Lifeco”, or the “Company”), Empower’s and the retirement services business of MassMutual operations, business, financial condition, expected financial performance, ongoing business strategies or prospects and possible future actions.

Forward-looking statements are based on expectations, forecasts, estimates, predictions, projections and conclusions about future events that were current at the time of the statements and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company, economic factors and the financial services industry generally, including the insurance and retirement solutions industries. This information has been provided to the reader to give an indication of the Company’s current expectations concerning the impact of the retirement services business of MassMutual acquisition and such statements may not be suitable for other purposes. They are not guarantees of future performance, and the reader is cautioned that actual events and results could differ materially from those expressed or implied by forward-looking statements. Whether or not actual results differ from forward-looking information may depend on numerous factors, developments and assumptions, including, without limitation, achievement or waiver of conditions to closing of the acquisition of the retirement services business of MassMutual, assumptions around sales, fee rates, asset breakdowns, lapses, plan contributions, redemptions and market returns as well as actual Company earnings being in line with analyst consensus estimates, the ability to integrate the retirement services business of MassMutual acquisition, leverage Empower’s and the retirement services business of MassMutual and achieve anticipated synergies, and customer behaviour (including customer adoption levels), Lifeco’s, Empower’s and the retirement services business of MassMutual reputation, market prices for products provided, sales levels, premium income, fee income, expense levels, mortality experience, morbidity experience, policy and plan lapse rates, participant net contribution rates, reinsurance arrangements, liquidity requirements, capital requirements, credit ratings, taxes, inflation, interest and foreign exchange rates, investment values, hedging activities, global equity and capital markets (including continued access to equity and debt markets), industry sector and individual debt issuers’ financial conditions (including developments and volatility arising from the COVID-19 pandemic, particularly in certain industries that may comprise part of the Company’s investment portfolio), business competition and other general economic, political and market factors in North America and internationally, as well as further assumptions noted within this document. Many of these assumptions are based on factors and events that are not within the control of the Company and there is no assurance that they will prove to be correct. Important factors that could cause actual results to differ materially from those contained in forward-looking statements include customer responses to new products, impairments of goodwill and other intangible assets, the Company’s ability to execute strategic plans and changes to strategic plans, technological changes, breaches or failure of information systems and security (including cyber attacks), payments required under investment products, changes in local and international laws and regulations, changes in accounting policies and the effect of applying future accounting policy changes, unexpected judicial or regulatory proceedings, catastrophic events, continuity and availability of personnel and third party service providers, the Company’s ability to complete strategic transactions and integrate acquisitions, unplanned material changes to the Company’s facilities, customer and employee relations or credit arrangements, levels of administrative and operational efficiencies, changes in trade organizations, and the severity, magnitude and impact of the COVID-19 pandemic (including the effects of the COVID-19 pandemic, and the effects of the governments’ and other businesses’ responses to the COVID-19 pandemic, on the economy and the Company’s financial results, financial condition and operations). The reader is cautioned that the foregoing list of assumptions and factors is not exhaustive, and there may be other factors listed in filings with securities regulators, including factors set out in the Company’s management’s discussion and analysis (“MD&A”) for the year ended December 31, 2019 under “Risk Management and Control Practices”, in the Company’s Q2 2020 MD&A and in the Company’s annual information form dated February 12, 2020 under “Risk Factors”, which, along with other filings, are available for review at www.sedar.com. The reader is also cautioned to consider these and other factors, uncertainties and potential events carefully and not to place undue reliance on forward-looking information. Other than as specifically required by applicable law, the Company does not intend to update any forward-looking information whether as a result of new information, future events or otherwise.

CAUTIONARY NOTE REGARDING NON-IFRS FINANCIAL MEASURES

This document contains some non-IFRS financial measures. Terms by which non-IFRS financial measures are identified include, but are not limited to, “assets under administration” and “assets under management”. Non-IFRS financial measures are used to provide management and investors with additional measures of performance to help assess results, including where no comparable IFRS measure exists. However, non-IFRS financial measures do not have standard meanings prescribed by IFRS and are not directly comparable to similar measures used by other companies. Refer to the “Non-IFRS Financial Measures” section in the Company’s Q2 2020 MD&A for the appropriate reconciliations of the Company’s non-IFRS financial measures to measures prescribed by IFRS, where applicable, as well as additional details on each such measure.

EMPOWER TO ACQUIRE MASSMUTUAL'S RETIREMENT SERVICES BUSINESS

Attractive Acquisition

- Empower will acquire the retirement services business of MassMutual in a reinsurance transaction for a ceding commission of \$2.35 billion. The total transaction value is approximately \$3.35 billion (C\$4.4 billion) including \$1.0 billion of required capital to support the business
- The business has attractive margins and earnings profile with high cash generation
- MassMutual's retirement services business comprises 26,000 plans with 2.5 million participants and \$167 billion in client assets
- Diversified capabilities across all relevant plan types with significant presence in the highly attractive small-medium corporate market segment

Excellent Strategic Fit

- Transaction strengthens Empower's #2 position in the growing U.S. retirement industry
- Increases Empower's participant base to over 12.2 million and assets to \$834 billion on behalf of 67,000 plans
- Increases scale advantages and capitalizes on expertise, technology excellence and deep product capabilities to the benefit of retirement plan sponsors and plan participants
- Increases the synergy impact of Personal Capital on the Empower recordkeeping and retail / rollover business
- Positions Empower and the U.S segment as a significant contributor to Great-West Lifeco's earnings profile and growth

Compelling Financial Impact

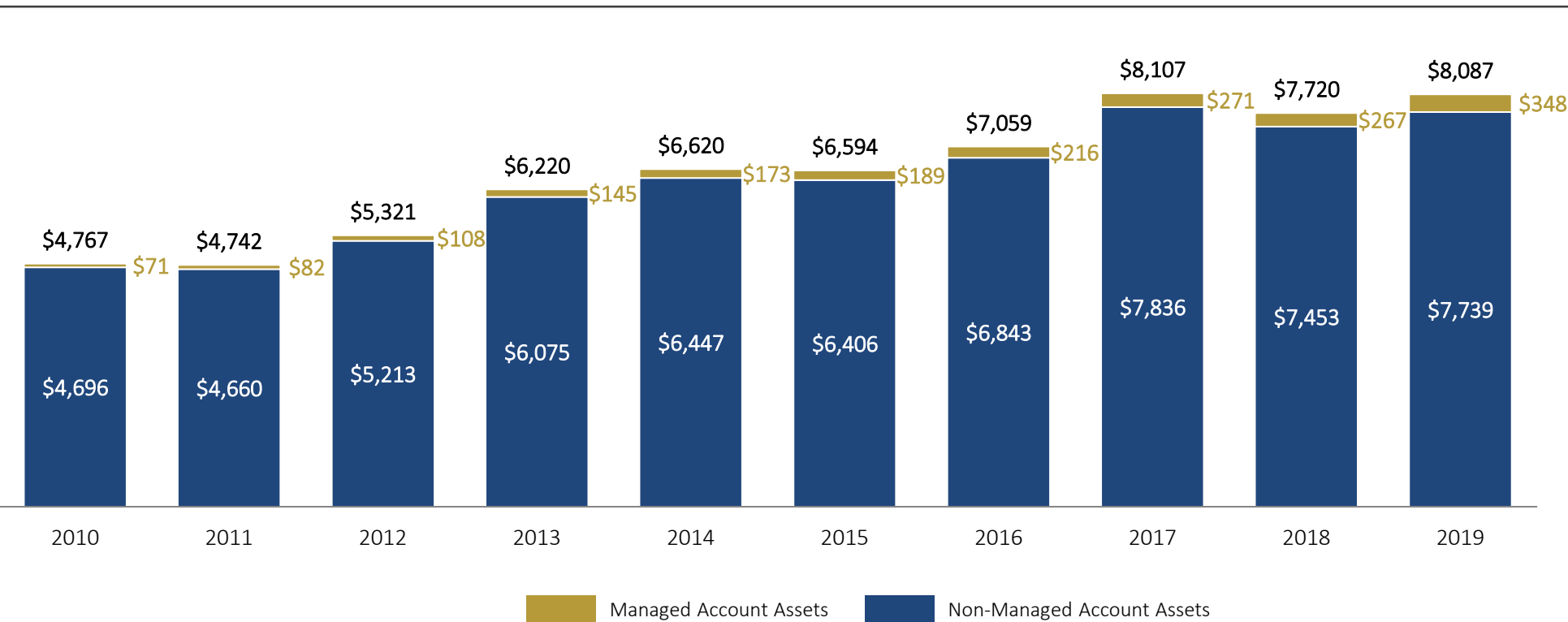
- Highly accretive transaction driven by large synergy opportunities and effective deployment of Great-West Lifeco balance sheet strength
- Expected to be immediately accretive to Great-West Lifeco earnings based on consensus estimates¹ and before integration costs. Accretion to earnings per share is expected to be 5% in 2021 and 8% in 2022. On a fully synergized basis following integration in 2022, accretion is expected to be 10%
- Run-rate expense synergies are expected to be \$160 million at the end of integration in 2022. Revenue synergies in 2022 are expected to be \$30 million and continue to grow beyond 2022

¹ Based on Institutional Brokers Estimate System (IBES) consensus earnings estimates for Great-West Lifeco.

U.S. RETIREMENT MARKET REMAINS A COMPELLING GROWTH OPPORTUNITY

Workplace Advisory Services are growing quickly and may be further accelerated by current economic disruption

Total DC Plan Assets (\$ in billions)



2010-2019 CAGR %

Total DC Assets

6.0%

Managed Accounts

19.3%

Non-Managed

5.7%

Share in Fee-Based Managed Accounts

1.5%

1.7%

2.0%

2.3%

2.6%

2.9%

3.1%

3.3%

3.5%

4.3%

Source: Cerulli Associates; Investment Company Institute.

MASSMUTUAL'S RETIREMENT SERVICES BUSINESS TODAY

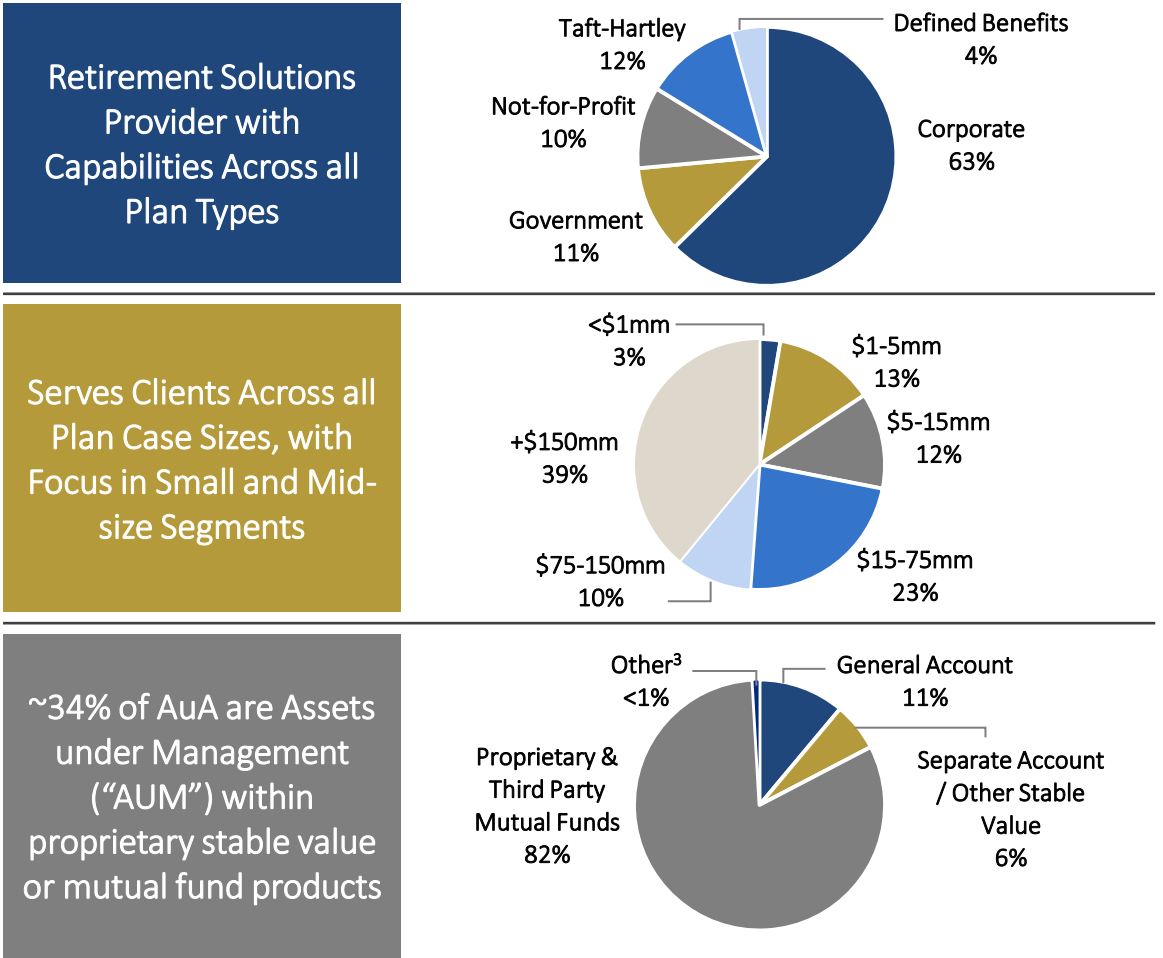
Business at a Glance

- Full-service retirement solutions provider offering record-keeping, investments, administrative and other services
- Serves Corporate, Government, Not-for-Profit, Taft-Hartley and Professional Employer Organization (“PEO”) markets
- Headquartered in Enfield, CT (near Hartford) with operations in Phoenix, AZ
- National presence with sales and service personnel in various locations throughout the U.S.

Key Statistics¹

> 26,000 <i>Plans</i>	\$167 billion <i>Assets under Administration (“AuA”)</i>
~2,000 <i>Dedicated Employees</i>	> 2.5 million <i>Participants</i>

Composition of Client Assets^{1,2}



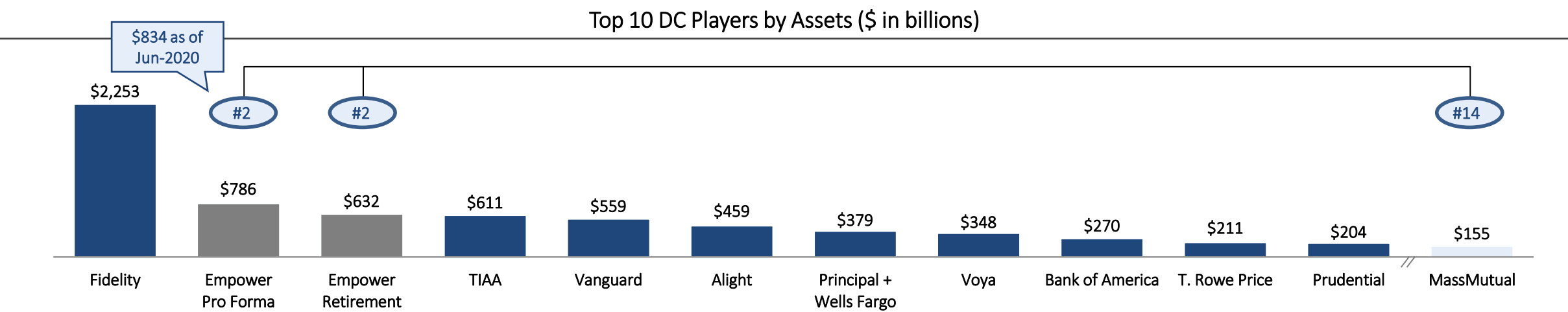
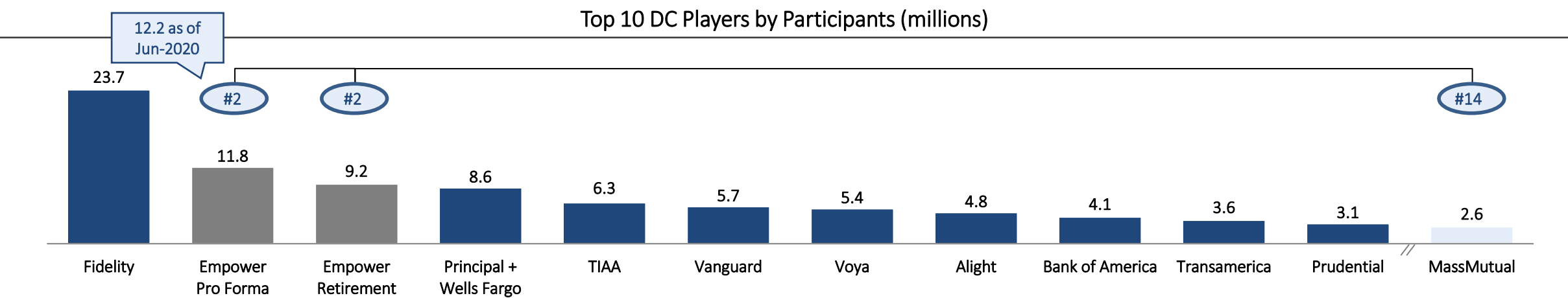
¹ Key statistics and composition of client assets as of Jun-2020.

² Detailed breakdown in the charts exclude IRA (\$0.7bn), Payout Annuities (\$0.4bn), other Investment Only assets on the CAS platform and other Defined Benefits client assets (\$1.3bn), and some client assets invested in GIA through mutual funds (\$0.7bn), which are all included in the total client asset figure of \$167 billion.

³ Other includes Lifetime Income, stock compensation and self-directed brokerage accounts products.

EMPOWER BECOMES THE CLEAR #2 IN THE U.S. RETIREMENT SPACE

The transaction consolidates Empower as the second largest player in terms of participants and assets



Source: P&I DC Rekordkeeper Survey 2020. Rankings based on data as of September 2019.

ACQUISITION CONSOLIDATES EMPOWER'S LEADERSHIP IN THE U.S. RETIREMENT INDUSTRY



Solidifies Empower's leadership position in the U.S. retirement Industry and creates meaningful value



- ✓ **Strengthens Empower's #2 position in the growing U.S. retirement industry, with combined assets of \$834 billion and 12.2 million participants**
- ✓ **Establishes a clear #1 leadership position in highly attractive small-medium corporate market segment**
- ✓ **Increases synergy potential of the Personal Capital acquisition across a larger combined business**
- ✓ **Increases scale advantages and capitalizes on expertise, technology excellence and deep product capabilities within the Empower platform**
- ✓ **Highly cash generative transaction that positions Empower as a significant contributor to Great-West Lifeco's earnings profile and growth**

MEANINGFUL SYNERGY OPPORTUNITIES

Acquisition presents meaningful expense and revenue synergy opportunities, following a proven track record over many years, including the similar integration of JP Morgan’s RPS business and Putnam to form Empower

Opportunities	
Expenses	<ul style="list-style-type: none">• MassMutual business is currently managed across 3 different recordkeeping platforms• Empower has a proven proprietary & highly efficient recordkeeping platform that currently administers 9.7 million participants at a lower unit cost• Empower expects to migrate the MassMutual business to its platform over the following 18 months after close• One-time integration costs of \$125 million and deal costs of \$55 million
Revenues	<ul style="list-style-type: none">• Enhancing the business’s sales platform offers meaningful revenue synergies• Ability to leverage recently completed acquisition of Personal Capital to grow the IRA rollover business and expand retail-cross sell capabilities• Potential to increase penetration of managed account products across MassMutual’s existing book of business of 2.5 million participants

Expected Run-Rate Synergies

\$160 million

Tangible expense synergies expected to be phased in over 18 months

\$30 million

Targeted revenue synergies by 2022, with further synergy growth expected beyond 2022

TRANSACTION DETAILS

Transaction Value	<ul style="list-style-type: none">• Empower will acquire the retirement services business of MassMutual for a total transaction value of approximately \$3.35 billion<ul style="list-style-type: none">– Reinsurance ceding commission of \$2.35 billion, including a transaction tax benefit payment of approximately \$300 million– Transferred business will be supported by \$1.0 billion of required capital
Transaction Financing	<ul style="list-style-type: none">• Committed bridge financing in place at transaction announcement• Transaction expected to be funded by approximately \$1.5 billion of new long-term debt, \$0.5 billion of short-term financing in addition to existing cash• Great-West Lifeco plans to refinance the bridge in the near term through permanent financing in the bond market• Short-term financing facilitates leverage ratio reduction as the business generates meaningful earnings and cash
Transaction Economics	<ul style="list-style-type: none">• Highly attractive anticipated financial returns• Transaction presents meaningful expense and revenue synergy opportunities<ul style="list-style-type: none">– Run-rate annual expense synergies of \$160 million, expected to be phased in over 18 months– Revenue synergies of \$30 million targeted in 2022. Revenue synergies are expected to continue to grow beyond 2022• Expected to be immediately accretive to Great-West Lifeco earnings based on consensus estimates¹ and before integration costs. Accretion to earnings per share is expected to be 5% in 2021 and 8% in 2022. On a fully synergized basis following integration in 2022, accretion is expected to be 10%• On this basis, the U.S. segment is expected to be 20%+ of Great-West Lifeco's earnings²• One-time integration costs of \$125 million and deal costs of \$55 million; integration is expected to be completed in 18 months
Timing / Regulatory Approvals	<ul style="list-style-type: none">• Subject to regulatory approvals, the transaction is expected to close in the fourth quarter of 2020

¹ Based on Institutional Brokers Estimate System (IBES) consensus earnings estimates for Great-West Lifeco.

² Based on the US segment as a percentage of base earnings in 2019.

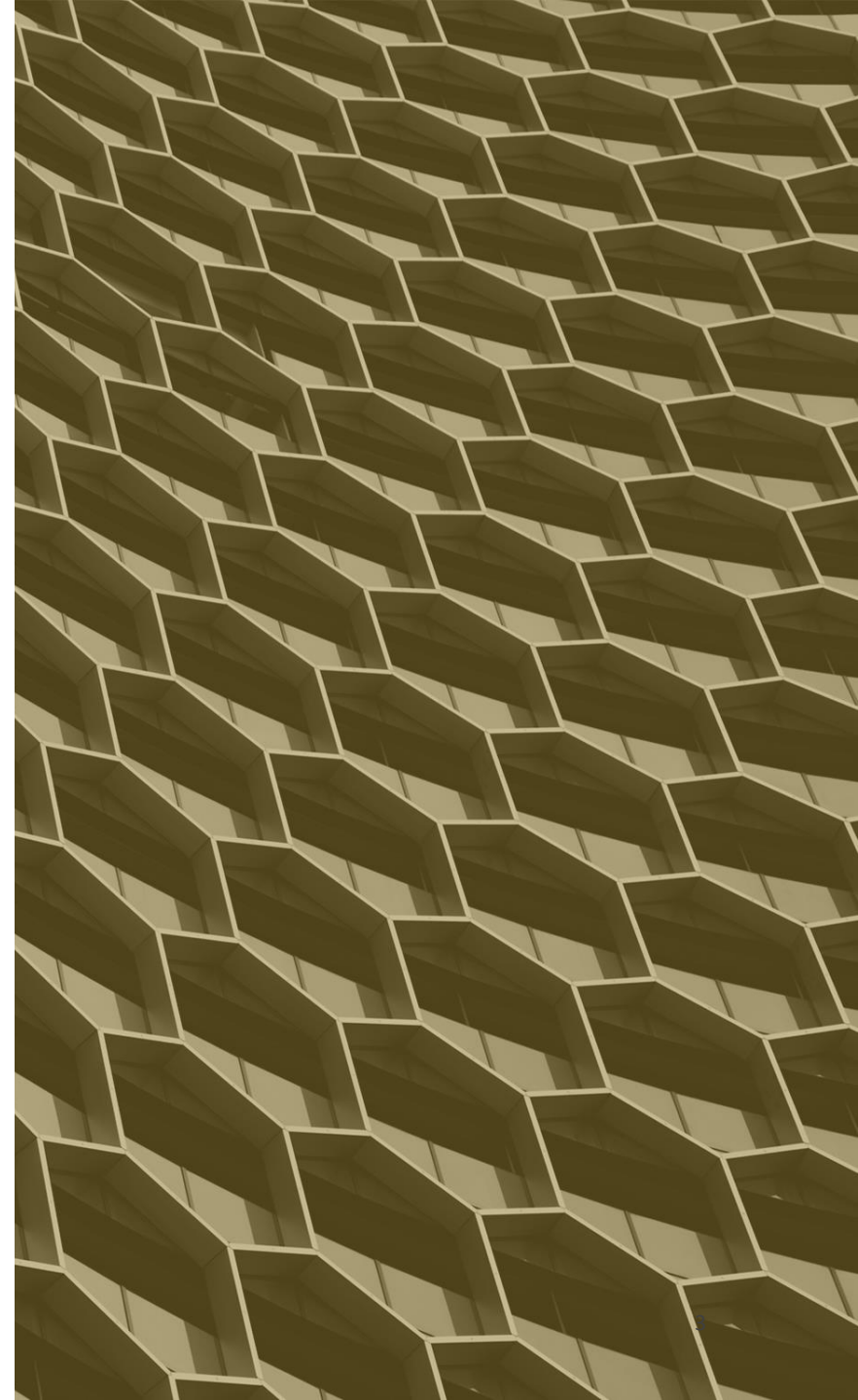
KEY TAKEAWAYS



- 1 Strengthens Empower's leadership position in a growing U.S. Retirement Industry
- 2 Presents meaningful expense and revenue synergy opportunities leveraging Empower's proven track record of platform integrations
- 3 Enhances retail opportunity and increases the synergy potential of Personal Capital across a larger combined business
- 4 Adds business with highly attractive margins, strong earnings profile and high cash flow conversion to Great-West Lifeco
- 5 Positions Empower as a significant contributor to Great-West Lifeco's earnings profile and growth



APPENDIX



ILLUSTRATIVE EARNINGS PER SHARE (EPS) IMPACT

C\$ in millions, except per share metrics

2022E

Great-West Lifeco Forecast Standalone EPS (IBES Consensus ¹)	\$3.01
Great-West Lifeco Forecast Standalone Net Income (IBES Consensus ¹)	\$2,789
After-Tax Forecast Pro Forma Adjustments²:	
Incremental Earnings Forecast of MassMutual's Retirement Services Business (Fully Synergized, excluding Integration Costs)	\$361
Incremental Financing Costs ³	\$(71)
Great-West Lifeco Forecast Pro Forma Net Income⁴	\$3,079
Great-West Lifeco Shares Outstanding (millions)	928
Great-West Lifeco Forecast Pro Forma EPS⁴	\$3.32
EPS Accretion to Great-West Lifeco Shareholders	10%

¹ Based on Institutional Brokers Estimate System (IBES) consensus earnings estimates for Great-West Lifeco.

² Converted at a USD-CAD exchange rate of 1.31.

³ Includes financing costs for incremental debt issued and opportunity cost of cash used to fund transaction.

⁴ Based on Institutional Brokers Estimate System (IBES) consensus earnings estimates for Great-West Lifeco and internal forecast earnings of MassMutual's retirement services business after fully reflecting expense synergies and excluding integration costs for 2022.