



# Great-West Lifeco Sale of Putnam Investments to Franklin Templeton

May 31, 2023

*All figures in US Dollars unless otherwise specified*



# Cautionary Notes

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This document contains 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. Forward-looking information includes, without limitation, statements about the timing and completion of the proposed sale of Putnam Investments ("Putnam"), the timing and payment of contingent consideration under the proposed sale, expected benefits to Great-West Lifeco Inc. ("Great-West Lifeco" "Great-West" or the "Company"), Putnam and Franklin Resources ("Franklin" or "Franklin Templeton") resulting from the proposed transaction and strategic partnership (including but not limited to statements about the economic value of Putnam, value creation and realization, tax benefits, growth opportunities, investment and distribution capabilities, and equity participation in Franklin Templeton), statements about the financial impact to the Company of the proposed sale (including earnings accretion and book value impact), statements about future distributions/allocations under the proposed strategic partnership, and other statements concerning the Company and the operations, business, financial condition, expected financial performance, ongoing business strategies or prospects, and possible future actions of the Company, Putnam and Franklin Templeton.

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, asset management, personal wealth and retirement industries. This information has been provided to the reader to give an indication of the Company's current expectations concerning the impact of the proposed sale of Putnam 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. 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. In all cases, 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 proposed sale of Putnam, assumptions around sales, fee rates, asset breakdowns, lapses, plan contributions, redemptions and market returns, customer behaviour (including customer response to new products), the Company's 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, 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 (particularly in certain industries that may comprise part of the Company's investment portfolio), business competition, 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, changes in actuarial standards, 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 other general economic, political and market factors in North America and internationally. The reader is cautioned that the foregoing list of assumptions and factors is not exhaustive, and there may be other factors listed in the Company's filings with securities regulators, including factors set out in the Company's 2022 Annual MD&A under "Risk Management and Control Practices" and "Summary of Critical Accounting Estimates" and in the Company's annual information form dated February 8, 2023 under "Risk Factors", which, along with other filings, is available for review at [www.sedar.com](http://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-GAAP FINANCIAL MEASURES

This document contains some non-Generally Accepted Accounting Principles (GAAP) financial measures as defined in National Instrument 52-112 "Non-GAAP and Other Financial Measures Disclosure". Terms by which non-GAAP financial measures are identified include, but are not limited to, "assets under management (AUM)" and "assets under administration (AUA)". Non-GAAP financial measures are used to provide management and investors with additional measures of performance to help assess results where no comparable GAAP (IFRS) measure exists. However, non-GAAP financial measures do not have standard meanings prescribed by GAAP (IFRS) and are not directly comparable to similar measures used by other companies. Refer to the "Non-GAAP Financial Measures and Ratios" section in the Company's MD&A for the three months ended March 31, 2023 (the "Q1 2023 MD&A") for the appropriate reconciliations of these non-GAAP financial measures to measures prescribed by GAAP as well as additional details on each measure.

Note: \$USD unless otherwise noted.

## Key Highlights



**Great-West Lifeco has agreed to sell Putnam Investments to Franklin Templeton, a leading at-scale and diversified global asset manager with a broad range of investment and distribution capabilities**



**The transaction unlocks the value of Putnam, and facilitates the continued focus of Great-West Lifeco's U.S. growth strategy on retirement and personal wealth**



**Great-West Lifeco, The Power Corporation of Canada ("Power") and Franklin Templeton have entered into a strategic partnership to drive value for all stakeholders**

**Great-West will retain its controlling interest in PanAgora Asset Management ("PanAgora")<sup>1</sup>, realize the value of Putnam's seed capital and retain certain tax benefits**

1. PanAgora Asset Management is a quantitative asset manager subsidiary of Putnam with US\$33 billion of AUM as of March 31, 2023. Assets Under Management (AUM) is a non-GAAP financial measure. Additional information regarding this measure is incorporated by reference and can be found in the Non-GAAP Financial Measures and Ratios section of Great-West Lifeco's Q1 2023 MD&A, which can be accessed at [www.sedar.com](http://www.sedar.com).

# Great-West Lifeco Has Agreed to Sell Putnam Investments to Franklin Templeton

***Putnam's complementary and differentiated capabilities will add to Franklin's breadth and scale.***

- Great-West Lifeco has agreed to sell Putnam Investments to Franklin Templeton, a leading global asset management firm with US\$1.4 trillion of AUM<sup>1</sup> and a broad range of investment and distribution capabilities
  - Total potential transaction consideration and retained value of US\$1.7 - \$1.8 billion includes upfront and potential contingent transaction consideration received from Franklin Templeton, plus value retained by Great-West including PanAgora, a quantitative asset manager controlled by Putnam
- Franklin Templeton's scale is enhanced by Putnam's complementary strengths, creating a highly attractive partner
  - Brings Putnam's outstanding investment performance (greater than 80% of mutual fund assets in 4-star and 5-star rated funds<sup>2</sup>) to Franklin Templeton, and helps it accelerate its growth across insurance and retirement markets
  - Adds Putnam's expertise in the retirement / DCIO market, with approximately 30% of Putnam's AUM in the retirement distribution channel, increasing Franklin Templeton's Defined Contribution ("DC") AUM to ~US\$90 billion<sup>1</sup>
- The transaction positions Franklin Templeton to build upon Putnam's investment and distribution capabilities as part of Franklin Templeton's broad suite of specialist investment managers

1. AUM as of March 31, 2023. 2. Morningstar data as of February 28, 2023; represents Y share performance and all share class assets; only funds with Class Y star ratings included.

# The Transaction Unlocks Putnam's Economic Value for Great-West Lifeco

**Franklin Templeton will pay upfront consideration of US\$950 million - \$1.0 billion and future contingent consideration of up to US\$375 million. Great-West will retain PanAgora, realize the value of Putnam's seed capital and retain certain deferred tax benefits**

## Components of Value

US\$ in millions

|  |                          |
|--|--------------------------|
| Upfront Consideration from Franklin in Stock & Cash <sup>1</sup> | \$950 - \$1,000          |
| Estimated Seed Capital <sup>2</sup> and Closing Adjustments      | \$195 - \$245            |
| PanAgora Value <sup>3</sup>                                      | \$180                    |
| <b>Total Upfront Consideration &amp; Value Retained</b>          | <b>\$1,325 - \$1,425</b> |
| Contingent Consideration from Franklin in Cash <sup>4</sup>      | \$375                    |
| <b>Total Consideration &amp; Value Retained</b>                  | <b>\$1,700 - \$1,800</b> |
| <b>Other Value Considerations</b>                                |                          |
| Putnam-Related Tax Benefits Retained by Great-West Lifeco        | \$345                    |

## Other Transaction Terms

- **Putnam Employee Interest:** Putnam employees own 12.2% of Putnam Investments. Great-West Lifeco will purchase their shares at closing, and share any future contingent payments, as and when received
- **Upfront Consideration:** US\$850-\$900 million in Franklin Templeton stock at closing (33.33 million shares, based on 30-75 day VWAPs) and US\$100 million in cash 180 days after closing
- **Contingent Consideration:** Up to US\$375 million payable in cash in years 3-7 following closing, tied to the growth of the partnership
- **Post-transaction ownership of Franklin Templeton:** Five-year lock-up on Franklin Templeton stock received by Great-West equal to 4.9% of total Franklin Templeton shares outstanding
- **Structure:** The sale will be treated as an asset acquisition for U.S. tax purposes; enables Great-West Lifeco to retain its NOL tax benefit (US\$345 million value)
- **Financial Impact:** Transaction is expected to be modestly accretive to Great-West Lifeco's EPS and broadly neutral to book value
- **Timing:** Transaction is expected to close in the fourth quarter of 2023, subject to regulatory approvals and other customary conditions

Note: Excludes one-time and transaction related costs. 1. Includes US\$100 million of cash consideration to be paid 180-days post-closing. 2. Includes portion of seed capital to be purchased by Franklin Templeton and portion retained by Great-West Lifeco; seed capital data as of March 31, 2023. 3. As of December 31, 2022; represents Putnam's 86% fully diluted interest, including seed capital. 4. Payable in years 3-7 following closing, tied to growth of the strategic partnership; US\$375 million represents full amount of potential contingent consideration, including a portion that would be attributable to employee shareholders.

## The Transaction Unlocks the Economic Value of Putnam and Facilitates the Continued Focus of Great-West's U.S. Growth Strategy on Retirement and Personal Wealth

- Generates immediate value for Great-West Lifeco shareholders, including participation in Franklin Templeton dividends and future potential share price appreciation, consistent with Great-West Lifeco's stated objective of unlocking value and creating scale at Putnam via a business combination
- Transaction supports Great-West's strategy of building and extending market leadership positions in the highly attractive U.S. retirement and personal wealth markets
- Great-West has built Empower into a market leader in the U.S. with an attractive profile:
  - Leading position in retirement market, serving approximately 18 million individuals<sup>1</sup>
    - US\$1.4 trillion of total AUA<sup>1</sup>
    - Rapidly growing technology-enabled wealth management platform with US\$60 billion of AUA<sup>1</sup>
    - Continued relationship with Franklin Templeton-Putnam organization will provide Great-West and affiliates access to a scaled and diversified asset manager for its wealth, retirement and insurance product solutions
- Great-West will continue to build on its strength in asset management through its diverse general account capabilities, its ownership of investment managers such as PanAgora, Irish Life Investment Management, GWL Realty Advisors and Setanta, and through its growing number of strategic partnerships, including Franklin Templeton, Mackenzie, Northleaf and Sagard

1. As of March 31, 2023. Assets Under Administration (AUA) is a non-GAAP financial measure. Additional information regarding this measure is incorporated by reference and can be found in the Non-GAAP Financial Measures and Ratios section of Great-West Lifeco's Q1 2023 MD&A, which can be accessed at [www.sedar.com](http://www.sedar.com).

## Great-West Lifeco, Power and Franklin Templeton Have Entered into a Strategic Partnership to Drive Value for Stakeholders

- Great-West Lifeco, Power and Franklin Templeton have entered into a strategic partnership to distribute Franklin Templeton products for the benefit of clients, distribution partners and shareholders
- Franklin Templeton's diverse specialist investment managers are complementary to Great-West / Power's capabilities, with numerous opportunities to cooperate on a global scale
- Great-West Lifeco will provide initial long-term asset allocation of US\$25 billion to Franklin Templeton specialist investment managers within 12 months of closing
- Additional AUM allocations are expected over the next several years

# Franklin Templeton is a Leading Global Asset Manager with a Strong Presence in Traditional and Alternative Investments



Leading global investment management firm with \$1.4 trillion of AUM<sup>1</sup>, operating in 30+ countries and serving clients in over 155 countries



Offers strategies across a broad range of investment products to retail, institutional and high-net-worth clients



Strong track record of M&A execution and integration, including several recent high-profile acquisitions



Long-term oriented investor and client centric culture

## Franklin Templeton includes a diverse range of traditional and alternative specialist investment managers

### Traditional:



### Alternatives:



1. As of March 31, 2023.



# Great-West has Repositioned its U.S. Business Over the Past Several Years to Focus on Retirement & Wealth Segments, Successfully Deploying Capital to Build a Leadership Position

Great-West has repositioned its U.S. business through a series of transactions



2019 Sale - of individual life and annuity business to Protective Life Insurance Company



2020 Purchase - added retail solutions in financial wellness and digital wealth management



2020 Purchase - added scale in small-medium D.C. corporate market segment and added Taft-Hartley customer base



2022 Purchase - added scale and enhanced Empower's position in D.C. with large corporate customers



2023 Sale - Putnam to be sold to Franklin Templeton and establishment of strategic partnership



Empower is a leading financial services franchise focused on U.S. retirement solutions and wealth management, achieving a consistent history of growth, and ambitious financial targets

**2<sup>nd</sup>** Largest U.S. retirement services provider<sup>1</sup>

**18.1M** Plan Participants<sup>2</sup>

**\$1.4T** Assets Under Administration<sup>3</sup>

**23** Best-in-class awards

1. Based on Pensions & Investments DC Recordkeeper Survey 2021 (data as of April 2021) 2. As of March 31, 2023. 3. As of March 31, 2023; in \$USD. Assets Under Administration (AUA) is a non-GAAP financial measure. Additional information regarding this measure is incorporated by reference and can be found in the Non-GAAP Financial Measures and Ratios section of Great-West Lifeco's Q1 2023 MD&A, which can be accessed at [www.sedar.com](http://www.sedar.com).

## Key Takeaways

***Great-West has found the right partner in Franklin Templeton. This transaction unlocks value and creates additional opportunities for Great-West Lifeco's shareholders and clients, while positioning Franklin Templeton to build upon Putnam's complementary capabilities***



Transaction unlocks value for Great-West Lifeco while focusing its U.S. operations on the highly attractive retirement and wealth management market



Great-West Lifeco shareholders will continue to benefit from equity participation in a leading scaled and diversified global asset management platform



Long-term strategic partnership expected to generate meaningful growth opportunities for Great-West, Power and Franklin Templeton