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EDITED TRANSCRIPT

Voya Financial Inc at Credit Suisse Virtual Financial Services Forum (Virtual)

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CORPORATE PARTICIPANTS

Christine Lynn Hurtsellers *Voya Financial, Inc. - CEO of Voya Investment Management*
Mike Katz *Voya Financial, Inc. - Senior VP & Head of IR and Enterprise FP&A*
Rod Martin *Voya Financial, Inc. - Chairman & CEO*

CONFERENCE CALL PARTICIPANTS

Andrew Kligerman *Crédit Suisse AG, Research Division - MD & Senior Life Insurance Analyst*

PRESENTATION

Andrew Kligerman ***Crédit Suisse AG, Research Division - MD & Senior Life Insurance Analyst***

Okay. I think we're in the room. We've got our listeners on the line. So let me kick it off. We have here Rod Martin, CEO of Voya; and Christine Hurtsellers, CEO of Investment Management; Mike Katz, the Chief Strategy Officer; and the Investor Relations team as well. And really excited to have you here and a lot of good questions for you. So I'll just jump in, Rod. Thanks.

Oh, you may have a few words to touch on first, right?

Rod Martin ***Voya Financial, Inc. - Chairman & CEO***

Well, first, it's great to be with you again. We were just commenting, it was just a year ago that we had the opportunity to be with you in person at your conference. It was the last physical conference that we were with, so it's -- oh, what a year it was.

And then just a couple of quick comments, and I'm sure this will be woven in, in the context of your questions. But we're very proud of what we accomplished in 2020 and have come out of that, as you and I'm sure the listeners are aware, with a great deal of confidence on our 4Q call going into 2021.

We closed the Life transaction. We are in a privileged position now to have $1.8 billion of excess capital. We've announced $1 billion share buyback, which is 15% of our market cap. We have really finished the from-to piece from ING Group to what we've chosen to be around our workplace focus with health and wealth solutions, very much a capital-light, high free cash flow company. And we're one of the few companies that have given 2021 full year guidance, EPS guidance of 8% to 12%. We feel good about that.

And the last point I'd make very quickly, because I know you have a lot you want to get to, is Christine and we and Charlie communicated on our 4Q call -- and I'll let Christine speak to it in the context of the flow of questions. But we have the highest unfunded wins going into the year that we've ever had in Investment Management and an equally impressive list of unfunded wins from our Retirement business.

So we go into 2021 with momentum that we feel really good about. And with that, let me throw it back to you and we'll jump in.

QUESTIONS AND ANSWERS

Andrew Kligerman ***Crédit Suisse AG, Research Division - MD & Senior Life Insurance Analyst***

Awesome. Yes. So Rod, maybe just kicking it off big picture. With regard to that 8% to 12% growth, how do you see the company growing longer term?

Rod Martin ***Voya Financial, Inc. - Chairman & CEO***

Well, we -- what was the (inaudible) number?

Andrew Kligerman ***Crédit Suisse AG, Research Division - MD & Senior Life Insurance Analyst***

I'm sorry, 12 -- yes, 8% to 12%. Is that the right number?

Rod Martin ***Voya Financial, Inc. - Chairman & CEO***

Yes. No, the EPS is 8% to 12% and the ROE is in the 12% to 14% range, and we feel very comfortable about that. And the point I'd emphasize, Andrew, is this is fully based on our organic growth. So this is not -- we are not anticipating or have built in, if you will, an

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expectation that we need to do something inorganically to accomplish those objectives. As you know and I think the listeners know, we will be having an investor conference in the latter part of 2021, which we will introduce, yet, our next 3-year plan. And we fully intend to introduce longer-term guidance at that time.

But again, coming through the pandemic here to give full year guidance both on an EPS basis and an ROE basis that we've talked about, we feel very good about it, and it's good old-fashioned execution and a consequence of an outcome of all of the derisking that we've done.

So as you know, we've completed the VA and the FA transaction. We completed the Life transaction. We just announced in the first week of January really the last piece of the exiting of our retail business, and that was the VFA transaction that will free up an additional $300 million of capital in the sale we announced to Cetera. And so what I'm pleased about, Andrew, is those were all, I think, very appropriate steps to take in our derisking and our becoming a capital-light company.

But as you and your listeners well know, there's a high amount of both ideation and an execution and management time and attention that it takes to get those done. That is behind us. And all of our energy, my Board's energy and our management team's energy is about growing the company prospectively. And that's a big theme that we're excited about and anxious to talk about.

Andrew Kligerman ***Crédit Suisse AG, Research Division - MD & Senior Life Insurance Analyst***

Got it. And so yes -- getting past your investor, I would call, coming up in a few months. But -- so could you comment on that 8% to 12%? Is that a long-term kind of aspirational goal is...

Rod Martin ***Voya Financial, Inc. - Chairman & CEO***

That's our '21 guidance. And we will be, Andrew, in the latter part of this year updating a longer-term guidance. But for now, it's 8% to 12% EPS growth. And we feel very good about our line of sight and being able to accomplish that this year.

Andrew Kligerman ***Crédit Suisse AG, Research Division - MD & Senior Life Insurance Analyst***

And same thing on the 12% to 14% ROE?

Rod Martin ***Voya Financial, Inc. - Chairman & CEO***

Correct. Yes.

Andrew Kligerman ***Crédit Suisse AG, Research Division - MD & Senior Life Insurance Analyst***

I think back in 2019, you were even thinking 14% to 16%.

Mike Katz ***Voya Financial, Inc. - Senior VP & Head of IR and Enterprise FP&A***

Yes. And Andrew, it is 14% to 16% is the target there, so just to adjust that. But yes, that's absolutely still the goal and to continue to grow these businesses at that ROE level. I mean that's unchanged.

Andrew Kligerman ***Crédit Suisse AG, Research Division - MD & Senior Life Insurance Analyst***

Okay. Great. And then we'll stay tuned on the long-term EPS outlook, right? And then just last thing on earnings. So it looks like from a cost structural standpoint, you're kind of entering the first quarter at a stranded cost run rate of about $34 million, $35 million per quarter. And by year-end 2022, that all goes away. Is that kind of the game plan?

Rod Martin ***Voya Financial, Inc. - Chairman & CEO***

Yes, Andrew. The -- we completed 4 months early the stranded cost takeout of the variable annuity and fixed annuity piece. And we use the same team, the same methodology and, frankly, the same approach in porting that team from that assignment to this assignment. So you can't start taking out the cost until you close the transaction. We closed the transaction January 4, but we were fully ready with our plan to implement. We're not spending any amount of time having to go through the ideation component of that. So we -- it is going to be a similar 18- to 24-month period.

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There is TSA and ASA revenue to offset that during that period of time, but we fully anticipate and have a plan that Mike Smith and I have a lot of confidence in accomplishing over that period of time, and it will be fully complete by the end of '22.

Andrew Kligerman ***Crédit Suisse AG, Research Division - MD & Senior Life Insurance Analyst***

Is there any margin from any slack or potentially could even do better?

Rod Martin ***Voya Financial, Inc. - Chairman & CEO***

Well, we exceeded the target the last time. And look, I think as these things unfold -- look, there are always things that you think will produce a number and you have a -- there's an upside surprise. You think will produce a number, and it may fall a little short. But we are confident in the number, and I certainly would hope that we will do that or modestly better.

Andrew Kligerman ***Crédit Suisse AG, Research Division - MD & Senior Life Insurance Analyst***

Awesome. And Rod, I'm kind of thinking back to the company going public in 2013. It's amazing. You've really distilled it now down to the 3 corporate businesses: Retirement, Investment Management, Employee Benefits. They're hovering around, I guess, 60%, 20% and 20% of adjusted earnings, respectively. Have you modeled Voya into the company that you envisioned? Are you happy with this mix now? Or do you see it changing over time?

Rod Martin ***Voya Financial, Inc. - Chairman & CEO***

Yes. Great question. We're very -- this has been very intentional. It's an intentional kind of 8-year outcome, right? These things don't happen overnight. But it's been very intentional to focus on the workplace in providing health and wealth solutions to the workplace. And Andrew, we see that as a growing opportunity. More and more employees are looking to their employer for help in a range of solutions.

In my mind, the pandemic has really shined the light on that in a way that, first, employers are needing and wanting to be more adaptive to enabling people to be virtual, enabling people to move to a hybrid environment where they may be in the office part of the time and working virtual part of the time. There's certainly some that -- either the nature of their work or the nature of just their own, how they're wired, they can't wait to get back in the office. And we're leaning into that heavily, and we're trying to be responsive to the employers in that way.

So I feel -- I mean this has been a deliberate choice. I feel very good about our focus and energy around the workplace and providing health and wealth solutions. And I think there's a simplicity in the clarity of that outcome and our full energy focused on finding ways to further enhance those kinds of solutions. Like there's just this growing amount of business that's being done this way, and we're excited about trying to meet that expectation.

Andrew Kligerman ***Crédit Suisse AG, Research Division - MD & Senior Life Insurance Analyst***

Okay. Awesome. And maybe now I'll just kind of touch on the 3 core businesses, starting with Christine, just from a top line perspective, so people kind of get a feel for what's going on in these businesses. So Christine, how should we think about the timing and magnitude of Voya's net flow outlook for '21. And just for the investors by way of background, consolidated net flows were $5.9 billion in '20, up versus $2.8 billion in 2019, and that was despite a $3-plus billion [outflow] in the fourth quarter.

And it looks like you're guiding to modestly negative net flows in the first quarter, but for the full year still able to do 2% to 4% as a percent of AUM in the full year. So it sounds like an acceleration. But maybe you could give us a little color on how that's playing out and if those numbers make sense or continue on.

Christine Lynn Hurtsellers ***Voya Financial, Inc. - CEO of Voya Investment Management***

Absolutely, Andrew. And as you know, within Investment Management, you can see quarter-to-quarter volatility around flows. And so we like to think about them more on a longer-term basis, so the full year. And we are guiding to 2% to 4% organic growth, which is quite strong.

So how to think about that? So we are -- as Rod mentioned in his opening comments, we're entering the year of COVID with the largest

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amount of unfunded won but unfunded wins that we've ever had. And so we have a nice scale wind into our back already as well as quite a strong pipeline where we are in finals and semi-finals.

And so the first quarter is a bit of when is this investment-grade credit mandate going to fund. Is it going to fund the last week of March or the first week in April? We'd love to be able to control and make that really smooth. But as you know, again, it can be lumpy. So the key message really is, as we think about the pipeline, the demand for specialized assets, private credit, private assets generally is quite strong. We see the CLO market recovering as well. There's a component of that when we think about flows going into 2021 as well as when you think about commercial real estate.

COVID really impacted our ability. We have a very strong client interest. And it just impacted our ability to actually invest in commercial real estate. I would say due to travel, underwriting, forbearance that market got off to a slow start. So we're very excited about that potential with the vaccine rolling out. And so again, overall, very optimistic about organic growth.

And forgive me for pitching this to you, but I'm very proud of it. We've had 5 consecutive years, 5 straight years of Investment Management-sourced positive cash flows and 20 straight quarters. Fourth quarter was our first not. So I think that's pretty remarkable and speaks to the strength of what we manufacture as well as the investment performance we deliver.

Andrew Kligerman ***Crédit Suisse AG, Research Division - MD & Senior Life Insurance Analyst***

Yes. That is outstanding in this environment. And I guess, Christine, while we're just touching on Investment Management, one other question, and I'll get back to the other segments. But margin guidance for '21 is 27% to 30%, Christine. And that's versus the long-term target of 30% to 32%. And last year, you did 29%. So I'm kind of curious, is the guided margin (inaudible) by lost earnings from individual life divesture, fee compression or something different?

And you -- I guess there's going to be steady institutional fee rates in '21 for guidance as the drag from the individual life should largely be offset by private asset classes and other products. But I'm kind of curious how you kind of bridge out to that longer-term 30% to 32% margin.

Christine Lynn Hurtsellers ***Voya Financial, Inc. - CEO of Voya Investment Management***

Sure. And just to -- kind of just a quick tactical thing on the fourth quarter and the margin there of the full year of 29%. Part of our earnings, Andrew, are performance fees. We have some -- going back to specialty, right? We have a very successful hedge fund, certain private equity investments with Pomona. And so we did have very strong performance fees.

And when we guide forward, we don't aggressively forecast performance fees when we tell you what are our projections. So just wanted to clarify a little bit of that as you think about that margin glide path from here to there.

Now touching upon the individual life business and what is going to happen. It is going to impact -- it is going to drag the margins out a bit. We are the preferred provider for resolution life. And in fact, some of the assets -- again, really valued assets like private credit or real estate up to 7 years in terms of the contract that we have with them to be a strategic partner. So -- but because of that, we're not going to be managing 100% of the assets upon sale. And so naturally, the revenue is going to go down, and it's going to shape about 1 point to 1.5 points of our operating margin as we see it. So that is a headwind.

And then we did have -- when you think about 2019 -- or '20 rather and relative to our Investor Day targets that we had set, we didn't know the Life business is going to be sold, and we certainly didn't know COVID was going to happen. And COVID did impact our flows a bit, right? When you think about what happened in retail in the industry, all of the outflows, we weren't immune. And a lot of the retail flows went into safety -- more safe options, and we're starting to see a nice recovery there. And so far this year, our retail negative -- our retail cash flows are positive.

So again, Andrew, how to think about it? Headwinds of Life, some impact of COVID and asset shifts. But looking forward, just the

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strength of the private asset classes that we have, the institutional demand both within the U.S. as well as increasing interest offshore, we're quite confident we're going to hit that 2% to 4% organic range, which is something we're very excited about, just given the broader challenges in the industry.

Andrew Kligerman ***Crédit Suisse AG, Research Division - MD & Senior Life Insurance Analyst***

And you think the margin is, at some point, attainable at the longer term 30% to 32%?

Christine Lynn Hurtsellers ***Voya Financial, Inc. - CEO of Voya Investment Management***

Yes. So we have not backed down from that guidance. And so when you just see the combination of investment performance and the client demand as well as the ability to continue to manage expenses well, so think even if we land, say, lower basis point mandates such as investment-grade credit, that's highly scalable and accretive. So we're excited because we have this nice combination of more specialized higher fee as well as a very leverageable platform that is in demand from clients offshore as well, as well as expense management.

And as we've gone through -- as a company, when you hear about the Life stranded costs, there's a little bit of a big of a python or when you think about the annuity sales that we've gone through as a company, we've delivered on executing on those efficiency gains and we're excited about focusing on growth.

Andrew Kligerman ***Crédit Suisse AG, Research Division - MD & Senior Life Insurance Analyst***

Awesome. And then maybe I'll shift over to the Retirement segment. The company has guidance for 6% to 8% recurring deposit growth in '21. How -- what makes you comfortable with that? I mean it's still a tough economy. So really kind of intrigued by that type of a growth rate. It's pretty nice.

Rod Martin ***Voya Financial, Inc. - Chairman & CEO***

Let me start, Andrew, and then, Mike, I'll have you jump in. But again, similar to Christine, Charlie signaled on the 4Q call, we have a very tight, a very healthy pipeline, Andrew, of mandates that we've been notified on. And again, the line of sight of that is typically 3 to 6 months, but it's higher than it was going into '20, which was pre-pandemic, by the way. And again, I think, a reflection of the flight to quality and our focus, particularly in the second half of last year as we kind of lifted all of our heads coming through COVID and realized there was an alternative way to work in this environment. And the teams were very agile and very fast all in doing so. But Mike, I'll let you add some dimension.

Mike Katz ***Voya Financial, Inc. - Senior VP & Head of IR and Enterprise FP&A***

I mean it's amazing, too, looking back. I mean Christine talked about the successes in '20. But putting up $1 billion to $2 billion, $1.5 billion of full service flows over $25 billion of recordkeeping flows in a COVID year. And by the way, if you reflect just back on how many companies were dealing with a pandemic and had different priorities, then let's change who's doing the retirement recordkeeping for us.

And retention was great. But we think a lot of those at-bats are going to reveal themselves from '21. We think the diversification of the markets that we play in give us confidence in the recurring deposit number that you just threw out there. So I think there's a lot of things, and Rod touched on it earlier, just the pipeline, the RFPs that we see going into '21. So we've got a lot of confidence in hitting these numbers despite what is kind of a tricky start to the year with the pandemic still is a bit of a headwind.

Andrew Kligerman ***Crédit Suisse AG, Research Division - MD & Senior Life Insurance Analyst***

And Mike, you were touching on these full-service net flows. They were a solid $1.6 billion last year and then $2.1 billion in 2019. And then I'm thinking about the recordkeeping was a massive $24.5 billion in last year, $14.5 billion the year before. And so with this commentary around recurring deposits in the full service area, do you think we could see similar type flows in retirement full service and recordkeeping, respectively?

Mike Katz ***Voya Financial, Inc. - Senior VP & Head of IR and Enterprise FP&A***

Well, look, I mean, last year was a massive year in the record-keeping side. I think expecting kind of the flows coming in year-over-year -- I mean we take it every day to Sunday, but that's not something I think we want to signal as something that's going to happen every year.

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Incredibly proud of it.

I think the full service piece that you just called out, it has been a consistent grower for us. So we expect that to continue. We haven't given specific guidance on exactly what we anticipate for '21. But if you look at the earnings growth in Retirement, that 8% to 12%, I mean that's just -- I mean there's an inertia, there's a momentum that we expect that will help to drive that. And we think the recurring deposit piece, I mean, that's going to build over the back half of the year as we start to get on the other side, hopefully, of the pandemic.

Rod Martin ***Voya Financial, Inc. - Chairman & CEO***

Mike, could you also speak to the number of participants that we've added in 2019, 2020, which, Andrew, is a reflection again of good deposit numbers, full service or record keeping that you just spoke on?

Mike Katz ***Voya Financial, Inc. - Senior VP & Head of IR and Enterprise FP&A***

Sure. It's 0.5 million of additional participants. And if you link that back to what Rod was talking about earlier, I mean just -- that's just a large swath of individuals that we can get better engaged with, we can offer further health and wealth solutions. And so we see a big opportunity there. So it's not just about the revenue that comes in for record-keeping for those 0.5 million participants, but it's also we see additional opportunities over time as we become more and more a provider of choice to really help individuals, participants and employers do the right thing for their employees.

Andrew Kligerman ***Crédit Suisse AG, Research Division - MD & Senior Life Insurance Analyst***

And maybe now thoughts going back up to the corporate level. Rod, you probably get this question in every meeting, thoughts on remaining an independent company?

Rod Martin ***Voya Financial, Inc. - Chairman & CEO***

Andrew, we've -- if you go all the way back to the comment you made earlier, this has been an 8-plus year journey as a public company. And you well and most of your listeners are aware, we fought like heck to be an independent company. We are proud -- as proud as we can be in being one, and we have every intention of continuing to grow this company in the manner and the way that we have been.

So there's no change in our thinking around that at all. I think we've come through a very thoughtful and deliberate derisking of the company, choosing what to be in and what to exit to enable 90% to 95% free cash flow to become capital-light to exit the tail liabilities that we've done. We've done that well. We've executed well.

And again, the point I'd make is all of our energies are now built around these 3 businesses and delivering those solutions at the workplace, both from a wealth and health perspective. And so we feel good about it, and we're going to continue to grow well organically and find opportunities to deploy our excess capital in the form of share buyback and further investment in the business as we deem appropriate. But no change in our philosophy around that.

Andrew Kligerman ***Crédit Suisse AG, Research Division - MD & Senior Life Insurance Analyst***

Maybe just to follow up on that, Rod. Do you get a lot of inquiries? Or is there (inaudible) interest? And if the right situation arose, would that be something you'd be willing to consider?

Rod Martin ***Voya Financial, Inc. - Chairman & CEO***

Andrew, I think if you look at -- we've always commented, and I feel particularly proud of this that -- first of all, I'm exceedingly proud of our Board and how our Board has provided just fantastic guidance and support in being, in my view, one of the most shareholder-responsive companies in our industry.

And I think you see that in -- as Mike Katz would say, we've got 6.5 billion reasons to point to that answer in the amount of share buyback. We're buying back 15% of our market share, and we've got -- we're in a very enviable position.

So I have a lot of confidence that our Board will act in shareholders' best interest, period. Just period. And that said, there's a huge amount of encouragement and support in continuing to execute, focus on growth and invest in our businesses at attractive returns that

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are in, again, the 16% -- 14% to 16% ROE range, which will produce this year an 8% to 12% EPS growth rate and leading to what I think will be a fantastic Investor Day the latter part of this year going -- laying out the next 3-year plan.

Andrew Kligerman ***Crédit Suisse AG, Research Division - MD & Senior Life Insurance Analyst***

Got it. That makes perfect sense. It's been a great run. I hope -- I suspect it will continue. Rod, you've been the CEO that I always tell my clients that you've been the best steward for the shareholders. So it's synced up with what they're saying. So every time I hear about some -- you've got a plan, a glide path, I think, as you've said, for the first quarter of '21, I kind of winced a little bit. I'm like, "Oh, let's keep Rod there." So -- and I know your contract extends through '21 for an option for '22. So could you give us a little color, Rod, on how long you...

Rod Martin ***Voya Financial, Inc. - Chairman & CEO***

You bet. What -- I'll give you some color on what I answered on the fourth quarter call and what you should expect to hear. What I said was in the normal course that was generally reviewed in the late fall, as a result of both COVID, the Life sale, our focus on getting the momentum that you're hearing Christine and I talk about, we simply pushed that to the end of the year.

And what I spoke about on the earnings call in there was by the end of the first quarter of 2021, I will give an update on my employment agreement. And you summarized the thesis perfectly. So it's not going to be today, but it will be on or before the end of the first quarter.

And I can remember -- actually, you're asking this question explicitly at this meeting a year ago and at the dinner that evening, which was perfectly logical and sensible. And in relation to succession, and importantly what I wanted to say there -- what I said there, what I'm saying now is our Board has been actively engaged in that. So the first piece will be, you'll all get an update on my plans by the end of Q1. And the second piece is we have been as thoughtful as we are on share repurchase. We are equally thoughtful on succession. And there's going to be a logical, sensible, no surprise plan that will reveal itself over time, and we will go from there. But that's the sequence of the event.

Andrew Kligerman ***Crédit Suisse AG, Research Division - MD & Senior Life Insurance Analyst***

Rod, do you think that you'll remain with the company in some form or fashion?

Rod Martin ***Voya Financial, Inc. - Chairman & CEO***

I will answer that when we answer the question of by the end of the first quarter. I am unbelievably excited about where we are. And none of my enthusiasm or, frankly, energy around that has changed.

And I'm equally excited about the team. And look, you've had a chance and most of your participants to get to see Christine and Charlie and Rob. And we're equally committed. We've got a whole another generation of leaders that will be very intentional in 2021 and 2022 to -- they are running increasingly larger parts of our business that we want to make the investment community aware of who they are, the talent they have and the contribution they're making.

Andrew Kligerman ***Crédit Suisse AG, Research Division - MD & Senior Life Insurance Analyst***

Yes. No, definitely, an impressive management team. Christine, I even hear great things from some of my equity-based clients at Voya about you. So I think it's even reflected in the -- in that environment.

So maybe moving on to the repurchases and the $1 billion authorization in the quarter. By our estimates, if you kind of work in the Cetera $300 million and the retirement of debt, which we kind of roughly subtracted 700 -- anyway, we kind of come to a pro forma $1.4 billion. And then if you had done -- if you were to do nothing, you're probably closer to $2.1 billion at the end of the year.

So I guess as -- and like you said, Rod, that's a big chunk. It's like 1/7 of your market cap. It's huge. But investors, for some reason, seem to want more. And I think that's a pretty big number. But is there a possibility that Voya does more than $1 billion in repurchases in 2021?

Rod Martin ***Voya Financial, Inc. - Chairman & CEO***

We said -- it's a very fair question. And I think your numbers are broadly accurate in terms of the summary of the numbers. We said we'd buy back at least $1 billion ratably through the year. And I'll point out, last year, in the pandemic here, we bought back a little over $0.5

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billion. And all of that cumulatively led to the $6.5 billion so far.

We are -- I'd point to a couple of things, Andrew. We're still in a pandemic. I am encouraged about the vaccines that are emerging. We're going to have to see the pace of that. Mike Katz, Mike Smith and I talked about on the 4Q call what we -- what the impact of the very tragic loss of Life is going to -- how that's going to impact our Q1 and Q2 results. But we are paying attention to that.

That said, we've got, as you pointed out, very healthy free cash flow conversion. We are going to return ratably 15% of our market cap. So whether you just call it $1 billion, that's a big number all by itself compared to most others. 15% is more than, I think, almost anyone else.

And we have the capacity to flex, and we will be paying attention to the market but also looking for opportunities to further invest in our existing businesses to enhance our growth prospectively in '22, '23 and '24. And we've been doing that pieces and parts at a time. And Christine has done an incredible job on lifting some teams out and adding some capabilities that we talked about last year, and those things are very much in our line of sight as potential opportunities prospectively.

Andrew Kligerman ***Crédit Suisse AG, Research Division - MD & Senior Life Insurance Analyst***

Maybe touch on that, Rod, M&A as a compelling opportunity.

Rod Martin ***Voya Financial, Inc. - Chairman & CEO***

Sure. So maybe, Christine -- I mean,we get the C2 piece, and you've added a number of other capabilities in EMEA. So please jump in.

Christine Lynn Hurtsellers ***Voya Financial, Inc. - CEO of Voya Investment Management***

Sure. Yes. In terms of where we're focusing a lot of our organic or strategic spend, Andrew, is -- includes organically extending into global distribution. So we added a couple of resources and sales, including a Head of EMEA last year and seeing some exciting momentum there.

And we want to continue to grow. And so we're expecting that we're going to start adding some folks in Asia towards the fourth quarter, end of this year. So a lot of opportunities. Because we are already -- not including our CLO investors, Andrew, when you think about our CLO investors inside there, our Asia client base is much larger. But just purely, it's a little less than 10% of our overall assets but growing.

And we don't have a salesperson there. So these have been coming in through reverse inquiry where they see our investment results or capabilities on an eVestment database or something and actually call us. So we're very bullish on that.

And then on team lift-outs as well still has a place inorganic for Investment Management. I would say we want -- we aren't expecting -- we wouldn't want to do anything bold or disruptive. We want to stick with our specialty capabilities. So think about capability step-outs. And some of those can come with offshore funds platforms or international distribution. But again, we're thinking long and hard about it. And we're so excited about our private credit franchise as an example, both organically and potentially inorganically continuing to try to broaden our reach in illiquid credit or less easy to source credit that is a very high demand in the industry right now.

Andrew Kligerman ***Crédit Suisse AG, Research Division - MD & Senior Life Insurance Analyst***

Christine, you mentioned bold and disruptive, that you probably wouldn't want to do that. Would -- and so maybe I'm just asking a question that you already answered. But would you want to merge with a large -- another large investment manager? Would that make Voya Investment Management better? Is that something you would consider?

Christine Lynn Hurtsellers ***Voya Financial, Inc. - CEO of Voya Investment Management***

Well, as we think about strategic partnerships and different things, Andrew, certainly within the industry, I think that consultants and clients understand more within the industry. They are open-minded to strategic partnerships.

And so we partnered with NNIP. We used to be one -- way back in the day, we were all part of one global asset manager. And so just the level of trust in the partnership with them has been very important for us. And that's -- so we do have a strategic partner in our eyes.

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And we're looking -- and including in Asia, we have a pretty narrow -- so a couple of developments there. We have a pretty narrow product set that we have them distribute on our behalf. So we're in conversations with them. They'd like to sell more of what we manufacture.

And secondly, we're working with them to distribute a couple of their key benchmark products in North America starting this year. So again, for us, the partnership is key. I think doing something much beyond that is much more complicated, and we're really excited about the opportunity that we have as we stand today.

Rod Martin ***Voya Financial, Inc. - Chairman & CEO***

Christine, could you briefly just talk about the insurance capabilities and how that's grown from nascent 5 or 6 years ago to over 40 different insurance companies we're now doing business with?

Christine Lynn Hurtsellers ***Voya Financial, Inc. - CEO of Voya Investment Management***

Certainly. Thank you, Rod. Yes. When you see, Andrew, going back to how are we going to compete in this environment, right, with consolidation and all of the headlines, we're super excited about the -- both some of our natural culture or DNA that came from our insurance routes. And while we're leaving that space behind as an industry, when you think about all the great decisions we have made -- and I think just from my perspective, I believe that our multiple is undervalued and the expansion is going to result over time as that.

So kind of going back to, yes, we're less of an insurance company today, but we sure do know we have the DNA and the roots and the understanding around reg capital and complexities and things that we do such as commercial real estate. And so insurance outsourcing is, I think, the fastest institutional business in North America and expected to be for time to come.

So as Rod said, we've really harnessed our culture, our DNA, our special capabilities and have seen it's very fast CAGR in terms of both revenue and AUM growth there. And Andrew, our view in going and putting distribution boots on the ground out of London is that EMEA, like Solvency II, they can't deal with. They've had a negative rates in Europe for years. And I think they're essentially throwing in the towel and they're coming our way.

And so we're really excited. I would think about the next -- think about -- we're still making progress in the U.S. on insurance asset management, continuing to develop products. But think about expanding that reach offshore in the next 3 years is an important component of our growth story.

Andrew Kligerman ***Crédit Suisse AG, Research Division - MD & Senior Life Insurance Analyst***

That's exciting. And maybe -- and Rod, maybe just to round it out, you talked about a bunch of areas on the 4Q call in terms of potential M&A enhancements. The one that stuck out to me was Retirement blocks of business. Is that a big possibility out there? I mean are you thinking that you may put a lot of money to work in M&As and specifically this retirement opportunity by one-off blocks? Is that something...

Rod Martin ***Voya Financial, Inc. - Chairman & CEO***

It's certainly an area that we would consider, Andrew. And again, we've come at that with a very capital-disciplined focus, the same philosophy that we've had.

So look, as Mike shared with you and the listeners a moment ago, we added over 0.5 million new participants. We've got over 6 million participants right now. Adding participants is useful, but we would only do it if it met our financial thresholds. So we've got scale.

Adding to the size would be -- we would be open to that, but that's not the only way that we believe we can grow. And so would we be open to it? Yes.

And Andrew, we've talked about the statistic previously. But 10 years ago with the 401(k) space, the top 10 players had 50% of the AUM. Today, it's 75%. We were fifth or sixth 10 years ago. We're about that same position today. So the market has organically consolidated by the consultants and, frankly, the institutions making those choices. And I see that continuing to happen. I believe there's a flight to

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quality, and there's 4 or 5 of us that are getting a pretty proportionate amount of that growth.

But there's also another 50 companies, to your point, Andrew, that are in this business. And I think at some point, both from a data security, what the cost of that and the cost of just maintaining this book of business, they likely could conclude. Maybe that's not core to me, and they'll perhaps decide that, that business is not key to them and they'll put it for sale.

We would look at a block of business but only through the lens of the disciplined approach. We don't have to grow that way. We would be open to it. But we're equally open to investing in the business to improve the participant engagement, which we talked about on the fourth quarter to improve the data integration and through technology.

But the way you and I just individually have enrolled in benefits hasn't substantially changed in decades. Once a year, you sit down, and we all make decisions. And I've kidded about this on many calls, but most people spend less time on that decision than they do on their Netflix selection for the week. And we can improve that with technology. We can make that experience richer. And what we're hearing from employers is they want that, and employees want better choices and options. And in and through this COVID environment, I think their -- employees are looking increasingly to employers for those choices and options.

Andrew Kligerman ***Crédit Suisse AG, Research Division - MD & Senior Life Insurance Analyst***

I guess we're coming towards the end, so I'm going to ask you one question and actually was kind of looking for some Netflix recommendations, too. So that -- but I just think you've got such a great story at Voya. And I look at the stock trading at about 9x 2022 earnings. The Life group trades at 7x. You're not -- we're touching on this earlier before the live call. It's not really a life company anymore. And so what's it going to take for Voya to kind of re-rate and get perceived as what you really are?

Rod Martin ***Voya Financial, Inc. - Chairman & CEO***

Well, first of all, we fully agree with your thesis. And frankly, it takes time and repetition. I mean in many ways and fairness, Andrew, we just completed the Life Transaction January 4. We've just completed a lot of this lifting. And I think it takes time. Many of the investors that are listening to this and listening to you have many, many companies to follow. And I think it just takes time for them to fully kind of embed in their models the from-to journey, what we were and what we are.

And if I could leave you with a couple of headlines. I mean we've talked about 8% to 12% EPS growth rate, 14% to 16% ROE, 90% to 95% free cash flow. We don't have the tail liabilities that were associated with those businesses, and they're fully executed. We don't have the tail liability with the long-term care business. We never did. We've fully reinsured that. We've got a DTA with a value of $8.5 a share or more. And I think with corporate taxes likely increasing, that will come increasing focus and we're not going to be a tax payer for the next 5 to 8 years. When you factor all those things in, I think it warrants further multiple expansion. I believe that will happen. We're doing our best to tell the story confidently, calmly but in a very excited way. And I think the market, over time, will experience it.

One other piece that came up on an earlier call that I call out, in the fog of the COVID piece, each year, Andrew, as you know, every company does their annual assumption review. And that's generally done in the third quarter. Well, think about all that we were all engaged into the third quarter, election, the market environment, COVID, et cetera, et cetera. We lowered our long-term interest rate to 2%. And that was material. And I'm not sure if that's been factored in, in terms of the impact of that overall.

So all of these pieces, we're going to continue to with a fantastic Investor Relations team to tell a story and help people with their thinking and models. And I do believe, over time, and I hope it's sooner than later, there's going to be a further appreciation of where we are. And of course, we understand our responsibility to communicate that, and we understand our responsibility to continue to execute.

Andrew Kligerman ***Crédit Suisse AG, Research Division - MD & Senior Life Insurance Analyst***

All right. Christine, Mike, Josh, great to hear from you, and thanks so much for the time. Look forward to talking soon.

Rod Martin ***Voya Financial, Inc. - Chairman & CEO***

It's great to be with you. Thank you.

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Mike Katz ***Voya Financial, Inc. - Senior VP & Head of IR and Enterprise FP&A***

Thanks, Andrew. Appreciate it.

Christine Lynn Hurtsellers ***Voya Financial, Inc. - CEO of Voya Investment Management***

Thanks, Andrew. Take care.

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