Voya Financial 2021 Investor Day Transcript

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PRESENTATION

Announcer (01:46):

Please welcome Mike Katz, Executive Vice President, Finance, Strategy and Investor Relations.

Mike Katz (01:56):

Good afternoon and welcome to Voya's 2021 Investor Day. I'm Mike Katz and lead the Investor Relation team here at Voya. While we can't be together in person this year, we believe we've put together a session that you will find informative and compelling.

Three years ago, when we welcomed you in person in New York, we set out ambitious goals that would lead to value creation for all our shareholders. And I'm happy to report that we've met those targets. And we're now ready to tell the next chapter of our story, a journey of profitable growth that promises to be equally rewarding for our stakeholders.

The team here at Voya have taken a number of actions over the years to de-risk and simplify our company. It wasn't simple, but our company now is, and that's why we added new disclosures in the third quarter that illuminate operating margin for all our businesses. We believe this will make Voya easier to analyze for those close to our story and also for those investors who are new to us. But it's not just the financial metrics. Our culture matters too. And there are ways we have to measure that. I'm here with my teammate, Mei Ni Chu, who will help me kick off the day. Mei Ni?

Mei Ni Chu (03:07):

Thanks Mike. Good afternoon, everyone. Let me echo Mike's welcome. And since we are a purpose-driven company, passionate about our culture, we've been working to enhance our ESG communications to investors.

We believe it's essential for you to have ways to measure our progress relative to peers in how we're doing on environmental, social, and governance matters. These are the metrics that define us beyond just the bottom line.

So just last week we introduced a disclosure filled with metrics which we are calling the Voya ESG fact sheet. It's available on our IO website, investors.voya.com, as well as on this Investor Day event site, under our content library. To us, it's a scorecard on the strength of the franchise that goes beyond our reported financials. We hope you find it useful. With that, let's begin today's presentations.

Let me just start with a reminder that some of the comments made today may contain forward looking statements within the meaning of federal securities law. I refer you to this slide for more information. We'll also be referring today to certain non-gap financial measures. Gap reconciliations are available on our website, along with materials for today's call. Mike?

Mike Katz (04:28):

Thanks, Mei Ni. I share your enthusiasm on our new ESG disclosure. Let's turn to the agenda. We have an amazing team here at Voya, and I'm excited for you all to get to spend some time hearing from each of them. We will be begin today with Rod Martin, our Chairman and Chief Executive Officer moving through each of our business units and closing with Mike Smith, our Chief Financial Officer. Charlie will cover the growth office, and Heather, Rob, and Christine will cover the respective businesses and the confidence in our revenue and margin targets. This along with discipline capital management is the foundation for double digit EPS growth for our company.

After our prepared remarks, we'll have ample time to answer your questions. Before I turn it over to Rod, we'd like to share a brief video.

Video Available for replay at investors.voya.com *(05:17 – 8:33)*

Rod Martin (08:34):

Good afternoon and welcome. Today we'll share the next chapter of our story. It's a growth story driven by a strategy that will create better health, wealth, and investment outcomes for all of our customers. And just as important, it's a growth story that will deliver further value for our shareholders. There are three takeaways for this afternoon.

First, Voya is a leading health, wealth, and investment company. We're well positioned to deliver products, solutions, and technology that address the growing needs of our customers in the workplace and institutions.

Second, Voya has scale, a strong brand, and an award-winning culture. We're purpose-driven, and we've built a company with a culture, a brand, and an operating discipline that has established Voya as

a leader in our industry. These attributes are enabling us to win and retain business. The management team that you'll hear from this afternoon has a strong and proven track record of successful execution. This team and our board are fully committed to our strategy and the plans that we'll share with you here today.

Third, we have a clear path to further EPS growth and shareholder value. This will be driven by net revenue growth across our businesses, margin expansion, and a disciplined approach to capital management. Specifically, our plans will enable us to deliver annual EPS growth of 12% to 17% through 2024.

How? First, we have strong revenue growth opportunities. Across our businesses, we have what our clients want, and this will lead to further profitable growth from the products and services that we provide today. But growth will also come from new revenue streams as we offer greater technology and analytic capabilities to meet our clients' needs.

Second, we're focused on driving margin expansion. We have a proven track record of removing cost and diligently managing expenses. And we're on track to remove the stranded cost from past transactions by the end of 2022. As we advance our strategy and drive margin expansion, we'll also continue to invest in our business.

And finally, we'll take a disciplined approach to capital management. Voya has a strong eight-plus year track record when it comes to capital management and deployment, and we will continue to generate excess capital from our high free cash flow businesses. We will remain committed to deploying capital in ways that increase shareholder value such as investments in our business to enhance growth, dividends and share repurchases, as well as inorganic opportunities that present a compelling strategic fit and meet financial hurdles.

With respect to inorganic opportunities, we will continue to be disciplined and balanced with our use of capital. We have been responsible with our capital as evidenced by the almost $8 billion that we've returned to our shareholders since our IPO. We will continue to be responsible as we assess opportunities to further accelerate Voya's growth outlook.

However, I want to be crystal clear that our organic growth plans that we're sharing with you today are fully achievable without acquisitions. Later today, Michael shared details on our financial targets and why we're confident that we can achieve them. Those of you that have followed us from the beginning know that Voya has executed a significant transformation. This transformation has been financial, operational, and cultural. It has benefited all of our stakeholders. It's become a guide for some others in the industry, and it's been driven by the team that you'll hear from today.

Already we're one of the most profitable retirement franchises in the industry, and we're now poised to drive greater success by providing valuable guidance and solutions that are centered around the growing needs of the workplace and institutions. In short, we're well positioned to deliver what our clients want and need.

As you'll hear today, client and customer needs are growing. There's a greater demand for guidance and solutions at the workplace. And this has only become more acute over the last two years since the pandemic.

Americans have reset their priorities at home and at work. In doing so, they're looking to their employers for both work-life balance and for help with their finances. At the same time, employers are looking for ways to maximize their benefit spend, attract and retain top talent, and help their employees with everything from rising healthcare expenses, to both short and long term savings. Likewise, investors need to generate better risk adjusted returns that go beyond traditional investment strategies.

All of this will lead to greater outcomes for our clients, our customers, and Voya. As a top five retirement plan and supplemental health provider, we have significant reach in the workplace with one of the largest distribution networks in the industry. We're also a top 25 institutionally focused asset manager. We have diverse capabilities that support our health and wealth focus and meet the needs of institutional investors, such as insurance companies. All of this is enabled by our customer-centric strategy, our distribution relationships, and our growing technology capabilities.

Our distribution relationships and our growing technology capabilities. In a moment, Charlie, who is overseeing our workplace growth strategy will share more details on how we are leveraging our strong distribution partnerships and relationships. Likewise, Heather, Rob, and Christine will expand on our plans to drive further profitable growth in each of our businesses. As I mentioned, Voya is one of the leading top five firms in our industry. We have significant scale, strong technology, and great products, but I'm often asked how does Voya stand apart? And you can get a sense of this from this slide.

Eight years ago, we started with a fresh piece of paper. It would've been blank. These achievements have been made with purpose and a desire to demonstrate how Voya is a different kind of company. It starts with our people. As I mentioned, we're purpose driven with continuous improvement being part of our DNA. For example, the changes at the workplace are not just about our clients, but about our employees too. And as such, Voya is evolving into a hybrid workplace model to meet the changing expectations of our employees. We are reducing our real estate footprint substantially over the next three years, but also increasing our geographic reach to source new talent.

Our actions are resonating, and will a further distinguished Voya as an employer of choice. Our people are the ones that carry forward our culture. And this is a differentiator. We are among a select few companies that have earned multiple honors for our outstanding culture. Not just once, but several times. We've been named a world's most ethical company for eight years. Every year we've been eligible. We've been named to the Bloomberg Gender Equality Index and Barren's 100 most sustainable companies every year since their creation.

Our establishment of Voya Cares, which focuses on supporting the special needs community is driving good social and business outcomes. By way of example, in 2020, Voya Cares contributed to retirement plan sales totaling almost $13 billion of assets under management. And as we look forward, particularly in advancing our focus on purpose, diversity, equity, inclusion, and ESG, we will advocate for these important differentiators as they benefit our people, our communities, and our business. And all of this is supported by Voya continuing to be the number one brand associated with retirement.

Our brand reflects our unique capabilities and our scale. Most important, the character of the Voya brand is one that our people have helped to create and define. And our people are incredibly proud of what they've helped us build. All of us plays an important role in the conversations with clients. And on many occasions during the final steps, in an RFP process, Voya's people, culture, and brand matter. These unique attributes truly enable Voya to stand apart.

This is an incredibly exciting time at Voya. Our significant transformation has allowed us to fully focus on our go forward strategy. Our scale and customer-centric approach will enable us to drive further profitable growth. Our people, our leading brand, our award-winning culture are key differentiators, and we have a clear path to generating EPS growth and further shareholder value. Over the next three years, you'll see this leadership team continue to execute our playbook and the plans that we're outlining for you today. And it's a playbook that everyone is stacked hands on, and that has been enthusiastically endorsed by our board.

We're excited about the opportunities before us, and we look forward to building upon our proven track record to deliver greater value for all of our stakeholders. With that, let me introduce Charlie Nelson, who will highlight our expanded focus on profitable growth.

Charlie Nelson (18:16):

Good afternoon. As Rod just outlined, we are a newly streamlined company poised for continued growth. We created our growth office earlier this year for one simple reason, it was clear to us that COVID has changed the world forever. Amplifying the importance of workplace benefits and accelerating consumers' digital technology usage. Our growth office was established to execute on our growth strategy, as we further connect health and wealth workplace benefits. Our growth office will harness the competitive strength of our distribution capabilities and our unique solutions through a more unified workplace team, with an enhanced strategic focus to continue to power profitable revenue growth. Additionally, our growth office will help customers, both employers and employees, realize value by enabling a focus on the interdependent needs of the whole customer, instead of solving for discrete needs with individual independent products. This is a meaningful strategic shift that further defines our customer-centric approach.

By increasingly connecting health and well solutions, we will create opportunity to expand and deepen our distribution relationships, while offering new solutions to meet our customers evolving needs in a post COVID benefit workplace. This is where the greater value and growth opportunity resides. This focus will help drive new revenue streams. Heather, Rob, and Christine will speak about these shortly. I want to first set the stage for them by discussing the larger workplace environment and the levers we see driving our growth.

With medical expenses a leading cause of bankruptcies and unreimbursed medical expenses driving nearly a third of retirement plan hardship withdrawals, consumers are challenged also with healthcare costs rising twice as fast as incomes. It's no wonder people are undersaved for their healthcare expenses and retirement and consequently feel financial stress is impacting their health. In considering one in three employees do not fully understand the benefits they enrolled in and the direct connection of medical expenses to one's financial wealth, it is understandable that employees are looking to their employers for answers in how to best choose and use their workplace benefits.

Let me tell you a brief story to further enlighten what we hear so often. I recently had a conversation with the head of benefits for a multinational shipping and receiving company. She spoke of the challenge of the competition for labor, the difficulty in attracting new employees, and the heightened focus on the role of benefits in attracting and retaining employees. Her desire to get more out of her benefit spend by increasingly connecting health and wealth benefits to drive improved overall employee outcomes is something we hear very often in the fight to attract and retain employees. These connections bring value to the employer by reducing administrative burden, along with increasing the value of benefits offered. To bring this to life, I want to share one individual's journey to show the complexity that employees often face with benefit decisions. While this is just one story, we hear and see many similar stories and believe there are millions of Maria's out there. In fact, you may see parts of yourself, your friends, or your family in Maria's journey.

Video Available for replay at investors.voya.com *(21:56 – 24:53)*

Charlie Nelson (24:54):

As you just saw in the video, the interdependencies of what benefits to choose and how to use them spotlights, how increasingly connecting benefits creates an opportunity to harmonize benefits, savings, and spending to drive improved financial outcomes for employees. This is the foundation of our growth strategy. The growth office is focused on three strategic law to drive revenue growth, deepening existing relationships, growing the customer base, and expanding our offerings. I'm going to touch on each one of these categories, so you can see how growth will be realized in each pathway. The first key revenue growth driver we see has two enabling components, deepen employee adoption of existing solutions and broadening employer utilization of solutions.

Let's explore these a little bit more. An important dimension of our distribution is our privileged access to an expansive client base of workplace benefit relationships, where we have a significant opportunity to broaden our solution set as they seek to integrate health and wealth benefits while deepening employee participation. We see additional opportunity to cross serve these customers, to increase the number of health and or wealth solutions they receive from Voya.

By 2024, we will expand the number of health and wealth employer customers who utilize three or more solutions from 30% to 40%. And we're going to double the number of health customers who are also wealth customers. Beyond broadening, we can also go deeper with adoption of solutions with the eligible employees, by adding over 1 million new employee solutions per year through 2024.

Let's look at the second lever, which is centered on growing our customer base by expanding distribution partnerships and capturing new customers. We will leverage our leading retirement brand to broaden workplace benefit access. This is a natural extension as often the same individuals use health and wealth benefits in the workplace. Our experienced and tenured Voya salesforce has long standing and trusted relationships with our distribution network.

How does this differentiate us? It's a key distribution strength evidenced by the high percentage of repeat recommendations from intermediaries to place more business with us in multidimensional ways. Additionally, the breadth and depth of our workplace distribution network is differentiating. We have over 72, 000 licensed distributors as well as over 1,100 be solution partners. Because of our leading health, wealth, and investment businesses, we also have longstanding multidimensional relationships with the nation's leading workplace distribution firms as seen in the table. Few workplace benefit providers can match our ability to touch multiple distribution channels in so many different ways. Why is

this important? It's important because intermediaries are increasingly focusing on building greater health and wealth.

Increasingly focusing on building greater health and wealth capabilities to serve their client base. They prefer providers who can serve them and their customers with multiple solutions reducing their costs to manage services to their customers. The breadth and depth of our solutions and distribution relationships is a strength and uniquely positions us to grow our customer base. Our final growth driver is about expansion. We have simplified and modernized our core systems and continue to evolve our technology capabilities around data, digital and analytics with a mobile first cloud first approach, allowing us to deliver new solutions to the market faster.

Let's look at natural solution extensions to drive growth. We will expand and build upon our health, wealth and investment solutions into adjacencies to grow revenue streams. For example, we have a demonstrated ability to expand our offerings into adjacencies to enhance customer experiences and grow new revenue streams with solutions such as HSA my health and wealth, and even Voya Cares. We plan to continue to purposely expand our offerings where additional solutions may advance our customers' overall experience or enable more improved financial outcomes.

The growth and importance of workplace benefits is undeniable and provides numerous opportunities to drive revenue growth. To wrap up, our growth office brings together and harnesses the competitive strength of our distribution capabilities and our unique solutions through a more unified workplace team with an enhanced strategic focus. Our growth will be fueled by a differentiated go to market strategy, which will help customers realize value from the interdependence of health and wealth benefits, enabling their employees to improve their financial outcomes. I am excited for our future and believe we have the right workplace strategy with the right solutions at the right time to deliver on our next phase of profitable growth. Now, let's hear more about the strength of our Wealth Solutions from Heather.

Heather Lavallee (30:24):

Thanks, Charlie, and good afternoon. I'm excited to be here with all of you to share the next chapter in Voya's Wealth Solutions organic growth story. As you heard from Rod and Charlie, our workplace strategy will serve as the catalyst for our financial growth over the next three years. Today, I will leave you with three key takeaways for our Wealth Solutions business. First, Voya Wealth Solutions is a top five at scale retirement solutions provider with more than six million participants and a track record for delivering results. Second, we are uniquely positioned to accelerate revenue growth while improving customer outcomes at the workplace and beyond. Third, Voya is changing the way customers engage with our health and wealth solutions by purposely integrating in connecting workplace benefits through a different kind of experience. Wealth Solutions has delivered strong financial performance since 2018 during an unprecedented period of uncertainty and volatility created by the pandemic. Excluding notable items, earnings average 3% growth and revenue growth of 5% on a compound annual growth basis.

Including notable items, we grew earnings by 14% and revenue 9%. We have sustained trailing 12 month operating margins over 33% consistently over this period. Looking ahead, Wealth Solutions will continue to generate strong financial performance. We are an industry leader at scale and have outpaced our peers in organic growth. Among top providers who did not rely on acquisitions for growth, Voya has posted the highest average participant count growth at 9% annually, adding close to one million participants since 2018.

Our participant growth is three times that of other top providers and we have further upside for growth. Our breadth of markets provides diversity across different industries, and consequently will generate different types of revenue. We generate revenue that is fee, spread and transaction-based. The diversity of our revenue base helps us to deliver strong financial results through various economic cycles. Our leadership position across different market segments has also allowed us to deepen our intermediary partner relationships who value our specialty market expertise to serve our mutual clients.

So let's talk about why we win in the market. We are an established brand ranking number one in brand association with retirement. We are the first retirement provider to achieve five star rating in ESG Retirement Plan Certification and are the industry leader in disability advocacy. Our unique culture and purpose driven mindset continues to be a deciding factor with clients over our peer companies. We are easy to do business with and are a trusted partner to thousands of TPAs, advisors and consultants.

Our customer satisfaction is measured by our net promoter score at 96% in overall satisfaction. Our modern administration platform and award-winning digital planning tools are built with the customer in mind. This includes science-based engagement tools that have led to a measurable increase in customer savings rates and financial outcomes. We are focused on three main drivers to profitably grow earnings while maintaining our focus on improving outcomes for customers like Maria. The first two are revenue drivers and align with what you heard from Charlie earlier today.

Our three drivers are accelerate commercial momentum, deepen our existing client relationships, drive operational efficiency to lower unit a cost. Now let me take you through each lever in a bit more detail. In partnership with growth office, we will accelerate commercial momentum and revenue growth in our defined contribution business by growing partnerships, expanding into key markets and cross-serve with health solutions. We plan to grow our sales team and bring focus to those consultant and advisor firms with the greatest potential for new business.

We will leverage our leadership position across markets and expand our reach into strategic segments like corporate mid-market, multiple and pooled employer plans, as well as the healthcare market where we have both stood our capabilities and built dedicated teams. We'll expand our cross-serve reach with our clients across health and wealth. Our current integrated defined contribution non-qualified and HSA customer experience, which puts all accounts in one view for the customer is resonating with clients.

Today, over half our HSA sales are also wealth clients. We will deepen existing relationships by supporting participants through critical decisions while maintaining our focus on the workplace. Our participant transition service and advisory solutions will create new opportunities for our us to grow revenue from the consolidation of assets, increased adoption of managed account solutions and growing asset recapture while doing what is right for our customers. We will meet each customer's unique need as they move through different life stages throughout their career.

For example, the average employee will have 12 jobs in her career and needs help consolidating various retirement accounts from previous employers. Many of our existing participants need advisory assistance with complex asset allocation strategies across multiple accounts beyond what a basic target date fund option can offer. Finally, for employees looking to retire, they need unbiased distribution, education and guidance when deciding whether to keep their money in plan or roll out of plan. We are targeting a 10 to 15% compound annual asset growth over the next three years.

Looking ahead, we will also deepen existing relationships and create new sources of revenue by delivering best-of-breed investments and increasing proprietary solution adoption. Specifically, we have recently launched enhancements to our target date funds, which now include Voya's general account. Today, 70% of our new plans include Voya's target date funds. We have also expanded partnerships with third party asset managers that leverage Voya's fixed income expertise, coupled with a strong target date fund performance and brand recognition of a third party partner.

We are including Voya's alternative investments as options for non-qualified plans. We are creating lifetime income solutions through partnerships with Voya Investment Management, as well as other leading asset managers. Our open architecture approach offers flexibility to partner with best in class outside asset managers, while leveraging our strong partnership and the expertise of Voya Investment Management. Now to our third earning driver. We are continuing to improve operational efficiency by leveraging our modern technology environment and continuous process improvement to reduce unit cost while also delighting our customers. Voya has had a deliberate long term approach to evolve its operating module from the digitizing, the onboarding of new plans to enhancing data management in the cloud. You've heard from Charlie how we are changing the way customers engage with our health and wealth benefits through the workplace. Our Wealth Solutions business plays a critical role in making this different kind of experience come to life. Looking ahead, Voya's customers will benefit from the harmonization of savings accounts to better manage what they have and what they need.

We have designed easy to use digital tools that simplify complex and competing financial needs. We offer a breadth of guidance solutions, including our newly introduced my health and wealth guidance tool, which help employees optimize benefits enrollment decision making, so they can deploy more of their benefit dollars to other needs like retirement. Lastly, our north star is aimed at improving financial outcomes for customers across health and wealth at the workplace and beyond. We will continue to evolve our engagement platforms and personalized experience, which will continue to differentiate Voya in the market.

Our strategic plan will help us to achieve Wealth Solutions revenue growth targets. Building on our strong track record, we will profitably grow revenue while maintaining margins. We expect full service fee pressure to slow. Revenue growth will be driven by accelerating our commercial momentum and deepening existing relationships, which will drive two to 4% organic growth. We are confident we can achieve our business objectives and continue to generate attractive results. We expect to achieve full service recurring deposit growth of 10 to 12%, net revenue growth of two to 4% per year and operating margin of 34 to 36%.

Wealth Solutions will also continue to be a large contributor to Voya's strong free cash flow, which Mike will discuss later. So I will conclude with the three key messages I started with today. First, Voya's Wealth Solutions is a leading at scale retirement provider with a track record for delivering results. Second, we are uniquely positioned to accelerate revenue growth while improving customer outcomes at the workplace and beyond. Third, Voya is integrating and connecting health and wealth solutions at the workplace through a different and kind of experience. Now I will turn it over to Rob.

Rob Grubka (41:33):

Thanks, Heather. Welcome. It's a pleasure to share the Voya Health Solutions story and how we are helping connect health and wealth. We have a clear focus and we are positioned to deliver technology

enabled solutions to customers that will drive growth and better outcomes. Let's start with the takeaways for today. First, our focus strategy will lead to seven to 10% top line growth and continued strong margins supported by our-

And continued strong margins, supported by our targeted expansion into the smaller employer market.

Second, we will build on our track record of delivering growth. We have established an advantage from our ability to improve employer and employee cost challenges across health and wealth. At the workplace, a key problem to help solve is healthcare spend.

Finally, our technology enabled innovation is core to bringing together health and wealth businesses to drive growth. As we capitalize on the need we see for more holistic, customer-centric employer and employee experience, we will achieve more with our businesses together in partnership with our growth office. We're focused on employers with 500 plus lives in the mid to large market. We made deliberate decisions to position our solutions where demand is driving above average growth. Stop loss growth benefits from the tail end of medical inflation, which runs at mid-single digits. And we see increasing adoption by small and mid-size employers. Supplemental health and health account solutions are meeting growing customer need as medical plans have moved to higher deductibles. Group, life, and disability, while more modest growth is a critical foundation of security and only more appreciated by employees given the renewed awareness driven by the pandemic. We fully reinsure our group disability risk.

What is focus delivered? Strong top and bottom line growth. It took disciplined execution and service excellence, combined a solution innovation. While maintaining strong returns, we have driven growth and enforce premium and fees by 9% annually. Three years ago, we were focused on balancing growth while improving loss ratios and stop loss. And accelerating growth in our supplemental health products. We exceeded on both.

In supplemental health, we've successfully grown our book by close to 80% with strong earnings. In stop loss, which is annually renewable, we balance sales and renewal pricing to improve margins. In total, health earnings have grown beyond our guidance range. All of this was done while improving our operating margins, differentiated market and solutions focus on a foundation of disciplined underwriting and service excellence will continue to support future growth.

We have made deliberate decisions to remain focused in solutions that provides strong growth. With three fourths of our enforce premium and stop loss and supplemental health, we're focused on the faster growing segments. We expect continued success across all our product lines, including double digit enforce premium growth in our supplemental health and stop loss businesses, and a new revenue stream emerging with health accounts.

The graph shows US spend on healthcare has outpaced GDP. Cost exceeding business growth, that's a challenge. With hiring and retaining employees more competitive than ever, healthcare benefits are a significant way employers compete for talent, and it's only gotten greater visibility through the pandemic. To balance cost and quality, employers have increasingly turned to self-funding their health plans, while purchasing stop loss coverage to limit their exposure to the most severe claims.

The data shows the small employers, particularly in firms with fewer than 1,000 employees have accelerated the move to sell funding. And we have an opportunity to help address this market. Leveraging our brand strength in the smaller employer, we expect to exceed 10% premium growth while staying disciplined on pricing. Currently 27% of our stop loss book is comprised of employers with fewer than 1,000 employees. So it's not unfamiliar territory, but we believe we can do more. You heard both Charlie and Heather discuss our focus on helping employers optimize their total spend on health and wealth benefits. This will include health benefit plan design opportunities, leveraging supplemental health, and HSA contributions. We see an opportunity to bring data insights to improve health benefit design, which can further deepen relationships and support growth.

When I stood in front of you in 2018, we had less than 1 billion in annual enforce premium and work to do on underwriting margin. Today we're close to 1.2 billion with improved loss ratios and expect to have 1.6 billion by 2024. We've demonstrated the ability to manage this business with underwriting discipline as we grow. To manage overall healthcare cost employers have also asked employees to share in more the expense, both premiums and deductibles.

On the left the data shows how employee premium contributions have increased relative to wages. These healthcare cost increases are outpacing wages by two to one. At the same time, employers have offered more employee paid solutions to help employees manage their lives better. Most employees like Maria cannot afford to choose all or maximize all of these choices. We have complicated trade-offs to make among health and well solutions. Voya is uniquely positioned to do more to help. Employee need for protection against the financial exposure of higher deductibles combined with the simplicity of employer administration has led to our industry leading growth story in supplemental health and our strong go forward expectation on a much larger base of business. We've had excellent growth, built on the foundation of execution with key intermediaries, HR technology providers, and enrollment platforms. We're also seeing increased demand from employers to procure supplemental health and group, life, and disability from the same provider. 30% of our supplemental health sales have been sold with or added to group clients. We believe this trend will continue, increasing the importance of our focused and disciplined approach to grow our group business.

To accelerate bringing together health and wealth, our newest offering is our health account solutions, which is comprised of health savings, flexible spending, COBRA, and health reimbursement accounts. We prioritize entering this market for a few reasons. First, this gives us a strong position in another growth market. The chart shows growth in the HSA market. We expect the total market to continue to grow double digits as it has the last few years. Second, this gives us the opportunity to engage with employees across our solutions, gathering data and analytics while expanding brand affinity with employees and their families.

Finally, this solution has helped advance the way our distribution teams collaborate across wealth, wealth, and investment management to deliver Voya more fully and create a more connected experience for our customers. As an example, over 50% of our sales in this solution are with wealth clients. In June, we closed our acquisition of benefit strategies who bring servicing expertise and distribution capabilities, which will help us accelerate executing on our strategy, enabling faster down market growth, where wealth has a strong foothold. We've established ourselves in another higher growth workplace solution where all of Voya brings together a powerful opportunity to impact outcomes.

Turning to how we are innovating health solutions, bringing to life the convergence of health and wealth and better outcomes for customers is employees are facing more cost and more choice when making

benefits enrollment decisions. There are any number of tools that help make individual product decisions versus holistic decisions. For most, the challenge is not that simple, nor about an individual product. They need to optimize their total selection of benefits. It is with this in mind that we have developed myHealthandWealth. This app allows employees to simplify complex trade off decisions in a simple and guided way to help participants optimize their financial wellness by recommending solutions based on their needs across both health and wealth. This is the first of its kind in market, and we are optimistic by the early interests from employers and HR technology partners.

Another example of innovation is our medical claim integration process. As we have grown our supplemental health business, we have seen customers who have enrolled in coverage and have an eligible claim, yet neglect filing a claim. So product to product integration was developed. We have developed a process to intake medical claim data to find claims for our policy holders to ensure they are receiving benefits for their qualified conditions by proactively notifying them. We continuously improve our ability to map medical data to cover conditions to the benefit of our customers. And we are also anticipating the follow up visits that are likely to occur with our intuitive claim model. Both myHealthandWealth and medical claim integration demonstrate how we are holding ourselves accountable to improved outcomes for customers. To deliver seven to 10% net revenue growth, we will continue to be focused and disciplined in our core market, smartly drive solutions down market in stop loss, while continuing to expand our offerings to improve customer outcomes like health account solutions.

As we execute on our plan, we expect 7% to 10% net revenue growth while maintaining operating margins in the range of 27% to 33%. I'm confident our focus, the ability to solve challenges across health and wealth with supporting innovation will deliver these targets.

To close, we look forward from a position of strength. We have an established brand in high growth areas, including the supplemental health and health account markets. We have strengthened our capabilities to deliver service excellence, underwriting discipline, and innovation at the intersection of health and wealth to drive better outcomes. All of this creates an exciting growth story.

With that, let's take a short break before we return with Christine who will share the investment management story.

Speaker 1 (01:07:19):

Please welcome Christine Hurtsellers, chief executive officer, Investment Management.

Christine Hurtsellers (01:07:30):

Welcome back. I'm excited to have the opportunity to talk about Voya Investment Management, our strong results and evolution since our last investor day. Today, I'd like to leave you with three key takeaways. We are a leading institutional asset manager with breadth and scale in key industry categories. We are focused on driving profitable growth through scaling our robust private market and alternatives platform, expanding our leading fixed income franchise, and further integrating ESG into our offerings. We are evolving our operating model to support our fast-growing, more complex solutions, and doing so while developing a data ecosystem to enhance client engagement and drive operating efficiency.

Let's start with a look at our leading diversified investment platform today. Voya Investment Management has 253 billion in assets under management, and is among the 25 largest US institutional managers. We rank in the top 10 for core plus, bank loans, private debt, and private equity. As you can see, we are well-diversified by both asset class and client channel.

Our diversification helped us generate strong financial results over time and is driving continued interest from institutions and insurers both domestically and internationally. We have driven strong asset and earnings growth since 2018. Assets under management have grown at a CAGR of nine percent, powered by a track record of positive organic net inflows.

We expect 2021 adjusted operating earnings, excluding notables, to be 181 million, up from 166 million in 2018. The 2021 estimated operating margin of 25.3% is in line with 2018 due in part to the sale of Voya's life business. Now, more to come on how we plan to expand this margin.

Turning to flows. We have a strong track record of generating significant value for our clients across a differentiated investment platform. We are on track for six consecutive years of positive net inflows totaling over $24 billion. This has been driven by our institutional business where the annual growth rate has been close to seven percent. Of course, strong client relationships and business momentum are built on investment results. Let's turn their now.

Our investment performance has been strong, particularly in fixed income where 98% of our strategies have outperformed their peers or benchmarks on a 10 year basis. Regarding our equity platform, we announced several enhancements to better position us for success in the future. These changes include promotions, new talent, and aligning our fundamental and artificial intelligence teams.

Not captured in the chart to the left is the performance of our private and alternative investment capabilities, which have been consistently strong and outperforming public markets. A couple of examples. Over the past decade, Pomona, our private equity secondaries business, has generated strong results and is a top performer relative to peers and industry benchmarks.

Our investment grade private credit team has outperformed like indices over the last 10 years by more than 100 basis points per annum. Performance remains a hallmark of our platform and is critical to our success in the areas of growth we have identified.

As we look forward, we see the three key strategic pillars driving future profitable growth. First is expanding our private markets and alternatives franchise where we see great opportunity. Globally, private and alternative categories represent an attractive and large addressable market in which we can accelerate growth. This market is expected to grow at a 10% CAGR to over $17 trillion globally by 2025. The expected asset growth projections within this market cut across areas that play to our particular asset class strengths.

Looking ahead, we expect to accelerate our expansion further in the private and alternative investment markets by continually innovating and expanding on our pipeline of new products and solutions. By developing new investment vehicles for our private and alternative strategies to allow easier adoption by new clients, including in the insurance channel, and by leveraging our general account to seed new strategies and accelerate speed to market.

Private and alternatives comprise roughly a third of our assets under management at over 75 billion, and an even higher proportion of our revenues as these assets typically command higher management fees. In fact, these offerings represent nearly half of our revenues today. We expect this to be even higher over the next several years driven by demand from within the US and internationally. We have been actively exploring strategic partnerships globally to distribute our solutions to compliment our global partners and NIP. In addition, over the last three years, we have been building out our direct global distribution capabilities. This includes a strong distribution team based in London, and relationships we continue to cultivate including several of the top pension and sovereign wealth funds in APAC and EMEA.

Now, let's turn to our second strategic pillar, leveraging our global fixed income franchise, where we see great opportunity to continue growing our insurance channel. This channel has seen significant structural growth and now sits at a three trillion dollar opportunity globally. Voya has grown this business at a rapid clip over the last three years. Our great success in this space is due to our heritage of managing assets and liabilities for our general account. We have doubled the number of insurance partners from nearly 20 to over 40 in just the past three years.

A notable opportunity to leverage our global fixed income franchise is with our partners in health and wealth. We are a leading manager of stable value assets, which is a key component of Voya's wealth solutions. In addition, we collaborate on product development, ensuring our core strategies meet evolving client needs such as our leading top quartile performing target date suite and our 529 college savings plans. We see growing opportunities in retirement income, where we are focused on developing both guaranteed and non-guaranteed solutions. As you heard from Heather, we are increasingly leveraging our private market capabilities as well, from including our fixed account in target date funds to placing our Pomona investment fund as an investment option in non-qualified plans.

Now, let's turn to our third strategic pillar, ESG. We believe that companies with a strong sense of values and purpose that positively impact society are more likely to succeed, and as a result, deliver better investment results for clients. To that end, we incorporate proprietary, quantitative ESG scores combined with fundamental research throughout the investment process. We are seeing increasing client demand for our ESG solutions, such as a recently funded over one billion dollar investment grade credit mandate by a leading technology company.

We have seen growing public market offerings and client demand in the ESG space, and now we are seeing private markets take off. This is an area where we've had a jump-start and we see great opportunity. For example, in the private market space, our infrastructure debt team focused on renewable energy has seen great success in a short amount of time.

Our ESG story is just beginning with an exciting runway ahead. As our business evolves and clients become more complex in their portfolio construction, service and support needs, our operating model is evolving as well, from strategies that are easily scalable to more bespoke strategies and also higher margin.

We have made great progress towards our goal of creating a complete data environment. For instance, we have completed the rollout of a world class distribution data ecosystem with sophisticated client and prospect insights and full mobile capabilities to support hybrid selling. Preparing for a client

engagement now takes minutes instead of hours. This is one example of data driving meaningful economic efficiency and raising sales productivity.

AI tools will continue to help us provide customized client solutions. At the same time, we will continue to maintain discipline with our expenses as we grow to help facilitate margin expansion and improve operating leverage going forward.

With that, let's now turn to our forward projections. Over the next three years, we expect to grow revenues between five and seven percent per year, driven by the growth from our privates and alternatives franchise. As you know, these private assets command higher fee rates and the retention is longer term. In addition, we expect further benefit from our strong organic flows and markets. Then, for our overall annual financial targets for 2022 through 2024, we will continue to grow net flows two to four percent supported by our growth pillars. We expect to grow net revenue 5 to 7%, and we expect margin expansion of 1% per year growing to 29% over the next three years.

In closing, we have exceptional core strengths, highly targeted growth opportunities, and a clear path to increase revenues and expand margins in the years ahead. Now, let me turn it over to Mike Smith to cover our financials.

Mike Smith (01:19:55):

Thank you, Christine. I would like to also thank everyone for joining us today and taking the time to understand the next chapter of profitable growth at Voya. I will leave you with three key messages. First, Voya has a clear path to continued EPS growth by growing revenue, expanding margin, and returning capital to shareholders. Second, we will continue to be balanced and disciplined as we deploy excess capital. That will include our consideration of M&A opportunities where long-term value creation compares favorably to share buybacks. And third, our investment proposition centers on a strong belief that Voya's capital light business mix, attractive risk profile with strong EPS growth and high free cash flow generation support a higher valuation.

Let's start by looking at our track record of delivering strong financial performance. At our investor day in 2018, we laid out a simple framework for shareholder value creation. We shared with you our ambition to grow our earnings per share by at least 10% per year. Standing here today, I am proud to say that we have executed very well within this framework and significantly exceeded the EPS growth targets we laid out for you in 2018.

Our year end 2021 adjusted operating earnings per share, ex-notables, is expected to be approximately $6.00, representing growth of 74% from full year 2018 results, or 20% growth on a compound annual basis. We have done this by growing revenue, driving cost saves to eliminate stranded costs, and returning capital to shareholders. Net revenue and cost saves contributed approximately nine percent. Highlights included 28% growth in recurring deposits and wealth solutions, more than 17 billion of net inflows in investment management, and nearly 30% growth in health solutions enforced premiums. We generated saves over and above the stranded costs associated with our annuities transaction and are on track to do the same with the individual life transaction. Share repurchases contributed the remaining 11%. By year end, we expect to have returned nearly three billion dollars to shareholders through dividends and buybacks since 2018.

Looking ahead, continued execution will drive 12 to 17% annual EPS growth over the three year plan. These EPS goals are achievable based strictly on our organic plans and do not assume any M&A. We will do this by, first, net revenue growth. You heard our business leaders all share their path to profitable growth and why we are confident in achieving it. Second, margin expansion. This will be driven by our focus on diligently managing expenses, which we have consistently demonstrated since becoming a public company. And third, capital management. We will continue to take a disciplined approach to share repurchases, balance with dividends, and other value creation opportunities. With these levers, we have significant flexibility to respond to changes in the macro environment and still deliver strong returns for our shareholders.

One of our distinguishing characteristics is our diverse revenue mix. The reshaping of this picture over the past few years exemplifies the discipline and execution focus that will power our performance. Nearly half of our operating revenue comes from fee income, which requires minimal risk capital. This fee income is further diversified across three sources. Approximately 45% of fees are generated from equity funds, while fixed income funds contribute 30%. The remaining 25% is derived from participant driven revenues, which are not dependent on market forces.

Investment spread contributes approximately 30% of revenue and could provide some upside if interest rates increase relative to the forward curve during the three year plan. Our underwriting income provides revenue diversification with no correlation to capital markets. Looking ahead, we expect the proportion of overall revenue that comes from both participant driven revenues and underwriting income to grow as our business mix evolves.

We generate significant free cash from our capital light businesses. In wealth solutions, given our growing fee-based business, we are increasing our projected free cash flow conversion to 90 to 100%, up from 75 to 85%. Investment management converts virtually all of its earnings to free cash flow. Health solution's rapid growth requires some incremental capital, but the conversion rate is still very strong. In total, including our valuable deferred tax assets, we expect to realize 90 to 100% free cash flow conversion.

We have a strong track record of deploying capital in ways that increase shareholder value, and we are committed to building on that track record. By year end, we'll have repurchased over $1.1 billion of shares and retired nearly 500 million of debt in 2021. Looking ahead, we will continue to take a balanced approach to capital management while maintaining discipline around the assessment of inorganic opportunities.

First, we intend to keep our dividend yield above one percent. Over time, as we grow earnings and generate high levels of free cash flow, we expect to increase the dividend to meet or exceed this target yield. Second, we will take a measured approach to share repurchases, which will remain a core part of achieving our EPS goals. Debt extinguishment will parallel share repurchases to maintain our leverage target of 30%. Third, we will invest in our business. Charlie, Heather, Rob, and Christine have all shared with you today exciting opportunities to drive profitable, organic growth. And finally, we will consider strategically compelling M&A opportunities where we determine that long-term value creation compares favorably to share buybacks.

In the past, we've adhered to a guideline that would require that any acquisition be accretive as compared to share buybacks within 24 months. Going forward, EPS accretion will remain a primary

factor in our assessment of any acquisition opportunity. We intend, however, to apply more flexibility to the timeframe over which accretion emerges, especially for smaller opportunities where the full benefit of an acquisition may take longer to develop.

By broadening the scope of opportunities we might consider, we can ensure that our principle focus remains on long-term value creation for shareholders. As rod said, though, our EPS growth plans are achievable organically. Our deferred tax assets have been and remain a key source of value, which we believe is not fully appreciated by the market.

On this slide we provide some additional details to help close this gap. Specifically, we project one billion of net present value at year end 2021. The DTA allows Voya to pay essentially no net cash taxes for at least the next five years, and we expect to fully use our DTAs before statutory expiration. Even under significantly stressed taxable income scenarios, we expect only modest expirations. Adjusting the value of our deferred tax assets into our stock price, Voya trades at approximately nine times 2022 consensus earnings.

We have leading and complementary businesses with attractive growth prospects that generate high free cash flow with limited tail risk. Combined, our businesses will drive double digit annual EPS growth. Looking at our stock price adjusted for the value of our deferred tax asset at nine times 2022 earnings, we currently trade below the average of the life insurance group, many of which have less attractive growth prospects and significant legacy and long-term liabilities.

We will continue to present ourselves in a more simple way, focused on revenue and margins, which we believe compare favorably to many of the companies on the page. As we execute on our strategy and continue to generate above peer EPS growth, we believe our valuation will rerate higher.

We've come a very long way since our IPO in 2013. Our leadership team and all the employees at Voya are excited about our next phase. We are a leading health, wealth, and investment company with a clear strategy and path to generating attractive EPS growth at strong returns with high quality earnings. We have demonstrated our ability to drive long-term value for our shareholders, and that will remain a guiding principle. We have a diversified business mix with strong free cash flow characteristics that merit a much higher valuation. All of these factors make Voya a compelling investment proposition, and I could not be more excited to be a part of it. With that, I will join my colleagues to open the floor for your questions.

Mike Katz (01:29:51):

(music). Welcome Mike, and welcome all of you to our question and answer session, which will last about 45 minutes. We would ask that those on the line limit their question to one initial and one follow up. We're joined first by Elyse Greenspan at Wells Fargo. Hi Elyse. How are you?

Elyse Greenspan (01:30:12):

Can you hear me?

Mike Katz (01:30:14):

We can. We can. How are you?

Elyse Greenspan (01:30:17):

Great, thanks. So my first question was following up on the capital discussion. Throughout the presentation, you guys mentioned measured buyback as we think about the three year financial plan. So can you just define what you mean by measured buyback and how you would compare that to what we've become accustomed to with Voya over the past few years?

Mike Katz (01:30:39):

Mike?

Mike Smith (01:30:40):

Thank you. Thank you, Elyse. Good to hear from you. I think maybe to just frame it up in the way you talked about in the question, not really expecting much of a change in terms of the way we've approached buyback. I mean, you look back over the time since we became a public company, the nearly 8 billion dollars that we've returned to shareholders through share repurchase. We will continue to take the same balanced approach, the same kind of ratable, I guess you could think of it that way.

And we've also talked about leaning in when the share price seems to present an opportunity and you should think of that as trading lower than it has over a recent period of time and when it starts to trade high, we may lean back, but no real changes intended to be signaled here. We continue to believe that we've demonstrated a strong track record being responsible with shareholder capital and we have every intention of continuing to build on that track record.

Elyse Greenspan (01:31:35):

Thanks. And then my follow up would be on M&A, which you also referenced throughout the presentation. So as you put together this plan, can you just help us think through how M&A comes in? It sounds like you don't need it, but would consider as deals come along and then at a certain point, if transactions do not materialize, when would you then consider looking to ramp up the level of buybacks maybe above what you just defined as kind of more measured?

Rod Martin (01:32:06):

Elyse, hi. It's Rod. First, as you just stated, these plans are fully achievable organically. We have talked about the consideration of M&A as a way to add additional growth to all of our businesses or either of our businesses as we move forward. You heard from Rob, Christine, Heather in areas that would be of particular interest, and the answer to your question about if we don't find something that meets the expectations that we've outlined, that Mike and I have done consistently, we will return that capital as we have and I think the best proof point of that is the 8 billion that we've returned at this point.

Mike Katz (01:32:48):

Thanks Elyse. Next up, Ryan Krueger from KBW. How's it going, Ryan?

Ryan Krueger (01:32:53):

Hey Mike, how are you?

Mike Katz (01:32:54):

Good. Good.

Ryan Krueger (01:32:56):

My first question was Heather, you talked about an expectation for some level of moderation in retirement fee pressure. Can you talk a little bit about I guess why you think that's going to happen because we've all probably become accustomed to fee pressure at a pretty consistent level that really hasn't abated for a long, long time?

Heather Lavallee (01:33:19):

Yeah. Ryan, thank you. First, thank you for the question. So there's really three main drivers to the fee moderation going forward. The first is the fact that we're very focused on profitable growth and we've been disciplined in pricing new business. The second, Ryan, is the fact that as you look at our existing book of business, we've done a lot of repricing in our existing book, which has already reflected in the fee margins that we've seen historically, and the third, as much of what we've all talked about today is the ability for us to drive alternative sources of revenue. Much of that is going to come from partnership with the growth office and a lot of it is going to come from partnership with investment management and health. So while we do expect fees to still have some pressure going forward, we feel very good with our revenue growth targets going forward.

Ryan Krueger (01:34:07):

Thank you. And then my follow up, which I guess is somewhat, is unrelated, but you seem to expect a pretty big pickup in stop loss growth, at least relative to what Voya has done in the last few years. Can you expand a little bit about why you're expecting that?

Rob Grubka (01:34:23):

Sure. Ryan, thanks. So if we flashback three years ago, the story was around growth, but also correcting the margin within that block of business. And so we were disciplined over the last three years about striking that right balance of the growth and the top line, which we still achieved, but also making sure that we corrected and redirected the growth of the margin within that business. So as we sit here today, I think again, a couple hundred million more in that book of business, stronger margin loss ratio profile in that book of business, and so we feel like it's a lean in. It's not a jump step, but it's a lean in to driving and balancing the margin and growth and we think the time is right.

Ryan Krueger (01:35:09):

Thank you.

Mike Katz (01:35:09):

Thanks Ryan. Erik Bass, Autonomous. Hey Erik, how's it going?

Erik Bass (01:35:13):

Good. How are you, Mike?

Mike Katz (01:35:14):

I'm well.

Erik Bass (01:35:16):

Perfect. Well, I want to dig a little bit more into your growth opportunity and wealth. It sounds like you're already well penetrated in the broker channel and are seeing a large portion of the RFPs that come to

market. So is there much opportunity to get more looks at new business going forward, or is the growth plan more predicated on winning a higher percentage of new business?

Heather Lavallee (01:35:36):

Yeah. Erik, happy to take the question, and I will say that I'm super excited about our opportunities for growth in the wealth solutions business. So as you heard us talk about, we've got a track record of execution. We've led the industry in terms of organic growth over the last three years, coming in three times the industry. So as we think about going forward, there's also tremendous opportunity with some of the industry consolidation taking place today, and for companies like Voya, who are well positioned as an at-scale leader provider in the marketplace, the opportunities for us to win more than our fair share are certainly presentable. So to get more specific to your question, we're absolutely continue to focus in on those segments that we've had tremendous track record of success.

Our small, mid corporate business, our tax exempt, full service business, our large market business, but as I said today, I see there's tremendous opportunities for us to expand in the mid-market space, which we're defining as really 25 million to 500 million. We've built out capabilities, we've driven automation. We've also expanded our distribution teams. We've been very focused on certain consultant and advisor firms where frankly, our story resonates very well and what we offer is very complimentary to what they're trying to do with our clients. So all in all, we feel like we've got a really competitive value proposition that's resonating in the market and creates a lot of opportunities for upside and both increased RFPs as well as increased close ratios going forward.

Erik Bass (01:37:08):

Thank you. And then for follow up, what is your strategy around the IRA rollover opportunity? There's several of your large record keeping competitors have made capturing rollovers a key pillar of their strategy and it seems to be contributing to some of the deflationary pressures on the record keeping and full service businesses. So does not having a retail wealth management or annuity product offering puts you at any competitive disadvantage or how do you think about participating in that growth area?

Heather Lavallee (01:37:34):

Yeah. Thank you, Erik, and what I would say, we do have rollover. We still have wealth solutions products, but I think what really differentiates Voya in the marketplace to today is we are focused on the workplace front and center. We think, as Charlie mentioned in his presentation, that's where employees are looking to their employers for guidance. We think very often, it can often drive some of the most cost effective solutions for customers. So the real primary difference between our strategy and many of our competitors is that rollover is not one that's going to drive our financial success.

The plans that I laid out today in terms of driving the revenue growth, as well as the operating margin are predicated on us growing our defined contribution through accelerating that momentum, building out the strategy we talked about within our growth strategy with the growth office and our sales organization, and really deepening our client relationships, and at the end of the day, what's driving it is helping clients drive the right outcomes and being objective. So we certainly have the types of solutions that can compete. We have IRA rollover. It's just not fundamental to our strategy going forward.

Erik Bass (01:38:47):

Thanks.

Mike Katz (01:38:49):

Thanks Erik. Tom Gallagher, Evercore. How's it going, Tom?

Tom Gallagher (01:38:53):

Hey Mike, how are you?

Mike Katz (01:38:54):

I'm well. I'm well.

Tom Gallagher (01:38:56):

Thanks. Question on health. Can you talk about the competitive situation from medical stop loss into year end or January 1 renewals, what that situation looks like, and also, do you expect any rate firming on the group life side, just considering what's happening to COVID losses?

Rob Grubka (01:39:20):

Yeah, I'll start with the first. Stop loss, we're in the heart of it all as we referred a couple weeks ago around what was going on and we've got a lot more to come as we work through that. What I would say is it's been a competitive market, it will remain a competitive market. I don't think it's any different than any other year at this stage of the game is I like to say, if I walk down the hall or I'm on a Zoom and hear from underwriters, they're going to talk about how competitive it is based on the last case, but I think we've got a history in this space of being disciplined around it and if people get it wrong, they pretty quick work hard to get it right and so you've got this annual dynamic of rerating the business and seeing the experience and how that evolves.

And so it's a great governor, and as we think about Voya and what we're trying to do, the balance of risk versus reward and growth in this business, we like the dynamics and long term, it'll remain disciplined for us and I think the market, and then you asked about the life insurance side of things. I would just say the story's new and to be written further. I think at this point, people still think about the environment we're in as being episodic. Now, as we get into the third year of this conversation, at some point, are people going to think differently about that? Possibly.

Are people going to think differently about that? Possibly. I think people have taken a longer term view. And just keep in mind, the other dynamic here is you're not seeing in the marketplace a lot of standalone life insurance business written. So, there's, even within life insurance, while the pricing there could get pressured or be thought of as being weak, people start to think about the totality of what are the other solutions that are in play. As I talked about in my comments, 30% of the time, we're seeing life insurance along with voluntary supplemental health products. So, that's a piece that I think may slow down what you're referring to as a re-rate of life products in and of themselves on their own. Will it be considered, will it be evaluated? But I think it's going to be done in totality of the environment and what's going on again at that customer as a broader customer, not just a product customer.

Tom Gallagher (01:41:41):

Okay. Thanks. And just Mike, for a follow up for Mike Smith, I just want to confirm that we have expectations for Q4 level set here. We were calculating a $1.36 Of headline EPS with 14 cents of COVID notables plus 7 cents of the incentive comp accrual notables, is that right? Or are there some parts we're missing there?

Mike Smith (01:42:11):

Well, I think the parts are there. I'm not going to comment on the numbers, Tom. I think I'll leave that to you and others. But the other thing that I think to keep in mind is just what's going to happen to loss ratios in the fourth quarter. I think embedded in some of our numbers is some thinking that voluntary

will has been really good. It will return to something closer to a normal run rate, but I think that that remains to be seen. There are reasons to think that fourth quarter can sometimes be a little bit heavier in the voluntary space than others, but that's a a weak trend. You can see it, but it's not strong. So, that's what we've built into our expectations. But you've got the pieces and the magnitudes sound like they're in the ballpark.

Tom Gallagher (01:42:57):

Okay, thanks.

Mike Katz (01:42:58):

Thanks, Tom. I'm happy to take that offline with you. Next up, John Barnidge, Piper Sandler. Hey, John.

John Barnidge (01:43:05):

Thanks Mike, for having us this afternoon. My first question with the attractiveness of that 10% projected CAGR for alternatives, along with fees for those products, can you talk about inorganic as well as organic interest in driving greater scale within private equity and alternative broadly?

Mike Smith (01:43:24):

Christine?

Christine Hurtsellers (01:43:27):

Yeah, John, certainly. So, going back to what we projected again, that's all based on organic growth. And so, as you heard, we have 75 billion, so, notable assets in those categories that are, as you say, in really high demand. So, pivoting to your question about how to think about inorganic, are there opportunities to get capability expansion both organically and inorganically? Absolutely. When you think about competing in that space, and certainly there have been notable transactions recently, what Voya Investment Management brings to the table is a really experienced distribution force as well as an ecosystem, or think our infrastructure, that it can actually create pretty complex funds, such as A/B note structures for insurance companies or interval funds to bring private equity to the high net worth environment.

So, when you think about that, distribution knowhow and product development, we're a very attractive partner for some of those businesses that might be looking for the distribution reach to really compete. So, again, excited about all kinds of opportunities in product development organically today, but certainly as, if a good opportunity comes aligned with our organic growth in our organic strategy, that's certainly something that we could take a look at.

John Barnidge (01:44:48):

And then my follow up, sticking with investment management, ESG, clearly a focus across the firm. Can you talk about how ESG is going to be impacting product construction within investment management more going forward? Are there going to be asset classes that are increasingly completely off limits? Thank you.

Christine Hurtsellers (01:45:07):

Certainly, as you said, ESG really is an exciting enterprise-wide strategy. And what I love about it, just when you think about how to compete even within the traditional investment space, really the authenticity of the Voya culture in terms of the standards that we hold ourselves to and accountable to as a company, really more and more are resonating that DNA and that authenticity with clients when

we're discussing business opportunities. But within private markets specifically and ESG product development, a lot of exciting things going on. So, you heard me reference in the discussion today, our renewable infrastructure team, right? Private credit with a focus on green, which is obviously very topical on the global scale. But also we have some things like a commercial real estate impact fund that we are developing.

And so, think about just the possibilities to bring ESG to real estate in our securitized market. Whether it's from an energy standpoint, but also very important to Voya's ESG is the S. So, really thinking about products that are targeting development in real estate for multifamily underserved markets, we think that's another really great example as far as how we're going to bring our ESG DNA and authenticity in to really differentiated private markets.

Mike Katz (01:46:33):

Thanks, John.

John Barnidge (01:46:34):

Thank you for the answer.

Mike Katz (01:46:35):

Thanks John. We have Humphrey Lee, Dowling, next.

Humphrey Lee (01:46:39):

Hey Mike, thanks. My first question is related to the point about broadening employee utilization of Voya products. My understanding is that it is easier in the smaller end of the market than the upper end since the larger employees have more resources to handle the administration burden. Given Voya being more prominent in the larger end of the market, how do you plan to achieve that?

Mike Smith (01:47:04):

Charlie? You want to start?

Charlie Nelson (01:47:04):

Oh, great. And thank you, Humphrey. Actually, I would say it's at all ends of the spectrum. Certainly COVID has changed the workplace benefits with putting an amplified focus on workplace benefits, I should say, regardless of the size. From small mega. When you look at it across the sizes you go, "Wow," there's a tremendous opportunity, as Rob spoken his comments about the growth of high deductible healthcare plans and things of that sort. We're seeing some great opportunities to land and expand with our strategy. Land by focusing at the right employers and the right intermediaries that are really focusing on getting more out of their benefits, both health and wealth, because we've got that unique differentiated experience to bring those together. So, that doesn't matter whether you're small or you're mega. We see a lot of employers interested in that.

Secondly, on the expand part, which you're referring to, we can do that both in that holistic conversation with employers, because they're looking for ways to manage their benefits cost as well, to look at ways to connect up both the health and the wealth to get more out of their benefits spend, because they're also hearing from their employees like, "Help me, help me, guide me in terms of how much I should put into my HSA or my 401(k) as Rob and Heather spoke about in their presentations as well. So, we've got a lot of connection. And I think we've got the right strategy, the right set of solutions, our distribution capabilities, to really bring this land and expand strategy and grow.

Humphrey Lee (01:48:46):

Got it. That's helpful. My second question is related to the HSA opportunities. You've talked about it for a number of years now since your entry into the market. How big is it now as we think about that 25% plus growth opportunities and how should we think about the underlying economics?

Rob Grubka (01:49:05):

Yeah, thanks, Humphrey. I'll start and others may want to chime in a little bit. So, as you think about that business, obviously we made a big move and consummated an acquisition July one. So, benefit strategies obviously accelerates what we've been doing. If you think about the time period in which we started talking about HSA, and then COVID shows up at our doorstep, and then the next 18 months from there, starting a new business from scratch wasn't necessarily the easiest thing to do or the most ideal time to do it. But we saw things, we learned things, and it really gave the conviction to do the acquisition and what we did there. So, as we think about just I'll focus on the top line, 4 to 5 million of quarterly revenue from that acquisition, we've got a couple quarters of it.

And so, you can work from there forward. But what it really taught us about is the partnership, the alignment, the opportunity, and even to the question that Charlie was answering, when you think about employers and what they've been willing to do, versus what they're going to be willing to do, where's the value? And some of it can be about them, it can be about the number of the people that they utilize to administer their benefit program. But a big part of it is like, well, what's the value to the customer? It's great to have a bunch of Voya products, but it feels like a bunch of disconnected and discreet products. What's the difference? How does it really help people in the long run? And so, I think that's why we're so excited about what we've learned. And I think it's got us excited about what we're going to continue to do and do differently moving forward. But Heather or Charlie?

Heather Lavallee (01:50:41):

One thing if I could build on to Rob's point, and Charlie and I are probably going to say a little bit of the same thing, is the fact that when you look at within our wealth solutions business, I mentioned that half of the HSA sales are coming from the wealth solutions, in-force clients. So, you think about our 6 million plus participants, our 50,000 plus plan sponsors, to Rob's point, we've actually integrated the client experience, the account experience. So, participants can see their 401(k), their HSA, their non qual, all together. And that really resonates with employers, because they've got this holistic view of benefits. So, it's not just around the cross sell it's really around the cross serve and that experience, and that differentiates us, and I creates a tremendous opportunity for us to activate the health wealth strategy that Charlie spoke about today.

Rod Martin (01:51:31):

The other thing I want to quickly point to is if you think back to what the team has done with the supplemental benefits that we started fundamentally de novo, eight or nine years ago, and now we're a top four or five player in the marketplace. This is a muscle that this team has built and executed. And this is muscle that this team has built and executed, and this is simply an extension of that. And that's what gives me a lot of optimism and confidence about the next step that we're taking.

Humphrey Lee (01:51:56):

Okay. We kind of think about the economics, so if they were to put it into investment products, clearly there would be fees associated with that. If they would have this as cash sitting in the account, should we think about that as more a cash sweep that you can earn on those cash balances?

Rob Grubka (01:52:14):

That's a piece of the story, but it's not the whole story. Think about transaction-oriented fees, more of a fee-based business. And it's been well documented. These are probably under-utilized today as an investment growth vehicle. I think with the right guidance and understanding, that will shift over time. Not necessarily flip quickly, but we think the trend will be to increase savings. So you've got the savings element, you've got what gets invested in Voya- related funds a lot of the time, and then you've got, as you said, that cash aspect of the business. And those are pieces that we capture all across.

Charlie Nelson (01:52:58):

And one other dimension, Humphrey, as you think about that, is this harmonized savings across the HSA and your retirement plan. We spoke about a third of hardship withdraws being due to medical expenses and things, and the loans that come out of it. By helping people save appropriately through their HSA, we believe also, it'll create the right long term retention on retirement assets. So it's harmonize the savings across to help employees be well-planned, well-invested and well-protected.

Humphrey Lee (01:53:30):

Got it. Just how big is it right now for Voya, in terms of the balances? If you can share.

Rob Grubka (01:53:36):

I don't have all the stats off the top of my head. I gave you sort of the top-line story. As you think about the quarterly run rate, it's a million to 2 million of earnings. So today, it's a small piece of a big puzzle here. But again, it's starting to be a focal point and a leverage point as we think about the strategy moving forward, and how do we accelerate that growth and make it more meaningful from here?

Humphrey Lee (01:54:02):

Got it. Thank you.

Mike Katz (01:54:03):

Thanks, Humphrey. Next up, Josh Shanker at Bank of America.

Josh Shanker (01:54:07):

Hi there. Rob, I thought it was really good answer he said. So what that Voya has a lot of products. It only matters if you're able to make some of those products. When you look at the growth rate, obviously, life and disability has very different growth rate than the other products in the health division. Why is Voya the best owner of that business? Even some of the conversations, I think, between stop loss and health savings accounts, they're not the same kind of conversation you have with the employer when it comes to life and disability. Where does this slow growth business fit, and what you guys sort of position as a growing Voya business?

Rob Grubka (01:54:45):

Yeah. The easy part of this answer, I think is, it's great that it's not all the same conversation. It allows us to interact and engage, not only with the employer, but the broker consultant that may be supporting them. And so, think stop loss. Every year we're going to be showing up knocking at the door, talking about what's going on, where are they going, what are we seeing? And the dynamic of that is extremely helpful when you think about then, oh, wait, what are you doing with supplement health? What are you

doing with life and disability, to your question. And as those things play out over time, we've gotten really good at figuring how to expand the relationship.

So when you think about stop loss, in our book of business, just to put some numbers to it, we may get crossover other products at that employer 10, 15% of the time. But if we've been in that client for three years with stop loss, that jumps to 25% of the time. So something that you may think is very transactional has us showing up every year, engaging and understanding that employer a little bit better. And then how do we continue to help serve them as we move forward?

Specifically to life and DI, as I said in my comments, 30% of the time we're seeing supplemental health come into play and be additive to the relationship. That's great. And then how do we start to think about, again, changing the service story? As I alluded to around medical claim integration, the first place we started was our disability business, and then a supplemental health business. And what's going on within disability, and seeing that people aren't always filing claims for supplemental health, that dramatically changes the type of conversation, ultimately, that we're going to have with that employer broker consultant in really positive ways.

So I think those are the things that start to bring together, stitch together, an experience that is differentiated, and therefore why life and DI is important to me.

Josh Shanker (01:56:45):

Let me frame another way. If I look get two to 4% growth, I feel that's like GDP growth.

Rob Grubka (01:56:51):

Sure.

Josh Shanker (01:56:52):

And that means as many new customers are coming into the funnel as are going out of the funnel. Would you argue with that answer, that the growth rate on the other lines would be lower if you didn't have the life and disability piece to also offer them?

Rob Grubka (01:57:06):

Yeah. The trend around supplemental health that I alluded to, where 30% of the time, those are conversations happening together. So when I say that, differentiate from expanding in a relationship and very disjointed conversations. Not that it doesn't happen that way as well. It is, hey, we're going to market for life disability or supplemental health, and we're going to go to market in totality.

And so they'll think about, okay, well, if you can't do this piece, but you can do that piece, that's not our priority. We want to try to get these things together and be with the same provider. So I think that's a dynamic that has evolved, I would say, over the last couple years, probably accelerated a bit by COVID, but I think that's a really important reason why we think it's a really important business to have, along with our other businesses.

Rod Martin (01:57:57):

And Josh, we've long said that the life and DI piece is fundamentally a GDP grower. And that's been our experience. And then the expanding part is what Rob and Charlie have talked about. And that's served us well, and it's been one of our most high performing businesses in aggregate.

Josh Shanker (01:58:15):

Thank you for the answers.

Mike Katz (01:58:17):

Thanks, Josh. It looks like we got a few coming in via the IR inbox from the team. And this one's from Eric Bass as well, and to you, Christine. Can you remind us, what's driving the decline in the adjusted margin over the past three years in asset management? And can you talk about why you have confidence in why that'll improve 1% a year going forward?

Christine Hurtsellers (01:58:39):

Certainly. Starting with the past, and looking back as far as what happened that impacted the margin. First and foremost, one of the things that we hadn't anticipated at the last investor day was the sale of Voya's life business, which was obviously a very great transaction. However, it did have an impact on Voya investment management, because we do earn revenue by managing the assets of those. So that would be one thing that contributed to the margin headwind.

And then another thing was our active equity performance, where, based on certain amount of style or high quality bias affected the investment performance, but it really wasn't as competitive as it needed to be. And so when you looked at the overall flows, that's a higher margin business. And we did have outflows. And so what are we doing about it, pivoting to that's what happened in the past, now where are we going forward, and why do we have the confidence that we do around our projections?

Starting with equity, we've announced some things to the market to really fortify and strengthen that business we're very excited about. First, we acquired a machine-learning, our artificial intelligence team, to really modernize our product set. And we have great momentum. We've seeded several strategies with them, including some, their ESG. They have ESG track records. And they're handily outperforming public benchmarks. As well as, we just won our first large strategy with that team, that's going to be funding in the first quarter.

So we have that, they're informing fundamental insights, we've promoted talent from within that we're very excited about. As well as, we've added some talent from the outside. So overall, we feel very confident about that platform. As well as again, when you look at just the formidable performance of our fixed income franchise, that we referenced. 98% outperforming over 10 years, as we see great demand there.

And then finally, but perhaps most importantly, would be what I talked about in terms of our alternatives and private strategy. So again, when you think about those asset classes, they're in high demand and they tend to be stickier. Really, when you have a commercial real estate, oftentimes that client's going to be with you as long as that property. So think eight to 10 years. So higher fees, longer retention. And so with all those things combined, that is where we have our confidence as far as the earnings growth that we put forward today.

Mike Katz (02:01:05):

Thanks, Christine. It looks like we got one coming in from Sanita Jeffries. What's causing the fee pressure and well solutions to moderate from one basis point to half basis point? And as we think about that versus AUM growth, are there interest rate pressures or other things that are bringing you down to the two to 4% net revenue growth?

Heather Lavallee (02:01:22):

Yeah. Thank you. I'll start with the fee pressure. And as I said a little bit earlier, around the fee pressure, we do expect it to moderate. And I talked about, we have continued to focus in on pricing discipline for new business. Very focused in on the profitable growth. I also talked about the fact that we've done some re-pricing of our existing business. And then lastly, is the focus on driving alternative sources of revenue. So hopefully that addresses the first half of your question.

Now, if you think about going forward and the question around, well, why aren't revenue margins growing at the same rate as assets? I think it's really important to look at the industry. There's a couple factors that are going on here. So if you look at 2021, we're talking record equity, market growth, and our wealth solutions business is on pace to deliver record revenue and earnings growth in 2021.

And I think that's really important when you think about, our forward projections are based off of a really terrific year. The other thing I would caution is, when you look at asset growth, assets and earnings and revenue in the retirement business, don't necessarily always correlate. What I would really focus in on is the underlying fundamentals of that business, as well as operating margins, because then you're really getting that combination of both revenue growth, as well as expense management.

And on the underlying business fundamentals, as I mentioned today, we've got a track record of execution, we've outpaced the industry in terms of organic growth, and we're a top five in the industry in terms of organic growth, and we're a top five industry leader, and as we think about the consolidation that's taking place, that's creating enhanced opportunities for us to grow. Today, about 75% of the assets in the industry are really controlled by the top 10% of providers. You compare that with 10 years ago and it was about 50% of the assets, so really those organizations like Voya that are investing in the business and have a competitive value proposition, will win going forward.

And then the final piece I'll mention is around the operating margin. We feel really good with the growth we've laid out today, and you look at our operating margin going forward of 34% to 36%, that's also based on a strong track record of execution. Since our IPO, we've delivered an operating margin between 33% and 36%, which is really, really strong, so when you think about our story going forward, to be able to maintain that operating margin, grow revenue, continue to invest in the business while managing expenses, and then finally delivering 90% to 100% in free cashflow, I feel really good about the Wells solution and our contribution to Voya at large.

Mike Katz (02:03:59):

Thanks, Heather. We got another one coming in from Suneet. What percentage of your clients are both wealth and health clients today, and how do you see that evolving between now and 2024?

Charlie Nelson (02:04:08):

So, 10% of our health clients are also wealth clients, and we see that growing to 20% by 2024. But in addition to that, one of the things I talked about in my part of the presentation was taking the number of solutions that we offer our existing clients ... 30% of our clients have three or more solutions across health, wealth, and investments, and in particular with investments on the Wells side, some opportunity there. We see that opportunity to grow those with three or more from 30% to 40% by 2024 as well.

Mike Katz (02:04:49):

Thanks, Charlie. I got another one coming in from Tom, Tom Gallagher at Evercore. After you're done taking out the stranded costs by the end of '22, do you see meaningful cost save opportunities, or do you need to reinvest back into the business, which limits cost opportunities going forward?

Rod Martin (02:05:03):

Mike, do you want to start?

Mike Smith (02:05:05):

Sure. Thanks, Tom, and thanks for just sort of assuming that we'll eliminate the stranded costs. I'm very confident we will, but still some work to do, but we are absolutely on track to do that. As we look back over the last several years and the amount of knowledge and experience we've gained in removing stranded costs, a lot of it is just by stopping activities; finding activities that no longer need to be done or could be done differently in a more cost-effective way. That muscle that we've built through that shared experience across the entire company, I think, is one that we think will serve us well going forward, and will allow us to continue to find opportunities to stop or slow down or redirect.

In terms of what we do with the savings that we generate, that'll depend on the quality and attractiveness of the investment opportunities that are in front of us, so we'll certainly make conscious decisions at that point. It's very difficult to sit here now and say for sure we'll do one or the other. I do think just given the exciting opportunities that we've talked about today, I don't think we'll be short of investment opportunities to use to redeploy and drive even more revenue growth. That's really going to be the focus of those decisions.

Mike Katz (02:06:21):

Thanks, Mike. We got another one coming in from Eric and talking about the 7% to 9% guide on capital management. Is that assume any reinvestment in the business, or will reinvestment in the business take away from that 7% to 9%? How should we think about that?

Mike Smith (02:06:37):

Sure, that's a good question. And just to be clear, the growth from capital management is all about the share count. We've parsed it out that way, and so the benefit of the investment versus revenue trade-off is showing up in margin and revenue growth. Those are sometimes difficult to kind of put together in a way, and oftentimes the investment and the revenue growth are not connected in the same time period, so we've chosen not to try to do that. Think of capital management as entirely about managing the share count.

Mike Katz (02:07:10):

Thanks, Mike. And maybe one more here. It looks like On Target's coming in. What's driving your confidence in being able to deliver on the 12% to 17% annual EPS growth, and how should we think about the range of those outcomes?

Mike Smith (02:07:23):

Well, I mean, first I look back at our track record. We've grown 20% over the last three years and we face some pretty interesting challenges that we certainly couldn't have expected when we stood on the stage in 2018 in November and set out that path. I think we've got a team that's focused on execution, we're in market that we're excited about, that we've got great growth opportunities, and as you think about just looking at the revenue and the margins, the revenue growth and the margins that we've generated historically, I think there's a real reason to look at those with a fair amount of confidence. The revenue growth ... The one thing we probably don't control much on revenue growth is really the impact of equity markets moving up and down. Everything else is within our grasp, and I think we've got great prospects there, and everybody talked about that, in the balance of the program today.

Mike Smith (02:08:17):

And then with margin, if you just look back historically, we've been consistently in that range for the wealth business, which is the majority of the profit. On the investment management team, I think we've got a path to get to the improvement in margin that we talked about, and the same with employee benefits, is a very consistent historical pattern. It's a little bumpy within the range, but it always comes back to about the center, and so I think those things, when you bring them all together, give us, I think, a really strong sense of our ability to drive EPS growth combined with our cashflow conversion and our ability to turn that excess capital into capital management actions.

Rod Martin (02:09:02):

Mike, the other thing I'd add is focus. We have completed all the activities that we're talked to you about in terms of de-risking of the business and the balance sheet, executed that, and the stranded costs will be done by the end of 2022. So, 100% of our energy is about the plan that we introduced to you today. And again, that's an organic plan that's going to produce 12% to 17% EPS growth rate. And we've got a team that has a track record now over eight years that's delivered, and it gives me an enormous amount of confidence to be able to sit here ... very proud of the team, but to be able to share with you the confidence that we have, and the board and I have, in our ability to execute this over the next three years.

Mike Katz (02:09:45):

Thanks Rod, thanks Mike, and thank you, team. I would like to introduce Rod Martin one last time to take us home and give us a few closing remarks.

Rod Martin (02:09:59):

On behalf of our financial team and our employees. I want to thank you very much for joining us today. As I mentioned earlier, this is an incredibly exciting time here at Voya. Our strategy, our business mix, and our growth opportunities are both clear and fully aligned. We have tremendous confidence in achieving our double-digit EPS growth by executing on the plans that we shared with you today. We'll build upon our track record of growing revenue profitably and being disciplined on capital management, and we'll do so with an experienced management team, a strong culture, and a leading brand. We're excited about the opportunities to deliver greater value to all of our stakeholders.

Thank you again for joining us today, and we look forward to updating with you soon.