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# EDITED TRANSCRIPT

Voya Financial Inc at Credit Suisse Financial Services Forum

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## CORPORATE PARTICIPANTS

**Heather Lavallee** *Voya Financial, Inc. - CEO of Wealth Solutions*
**Rod Martin** *Voya Financial, Inc. - Chairman & CEO*

## CONFERENCE CALL PARTICIPANTS

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

## PRESENTATION

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

Okay. So it's a pleasure to be here with Chairman and CEO, Rod Martin; and CEO of Wealth Solutions; Heather Lavallee.

I'm going to kick off with a few questions to Rod and then touch on Heather's business, Wealth Solutions, which is about 60% of earnings and great to have you both here.

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

Good to see you.

## QUESTIONS AND ANSWERS

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

So maybe, Rod, you can talk about your 3 core businesses: Retirement, Investment Management, Employee Benefits. They're both kind of in the -- they're in the ballpark of 60%, 20% and 20%, respectively. Is that the right mix going forward over the next 3 to 5 years?

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

Andrew, we've been really quite intentional over the 10-plus years I've now been at Voya in transforming Voya for the businesses that we inherited when we took the company public from ING Group. And so if you think about, we've really completed the -- from (inaudible) journey. We've chosen to exit the capital-intensive businesses, the Life Insurance business, the Annuity business, the Variable Annuity business, and we've moved to and toward the capital-light businesses, As you just pointed out, our wealth business, 60% of our earnings are health business, about 20%, and again, our asset management business. And you'll hear from the course of the dialogue, we're very much focused, as we discussed and outlined at Investor Day, the intersection of wealth and health with employers and employees and the intermediaries, and we feel very good about the choices we've made and the businesses that we've got and what we think we can do with them over the near and longer-term period.

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

Okay. And then as you sort of think about the growth target, which is a pretty impressive 12% to 17% compounded through 2024. And I think what you've written in your Investor Day, 4% to 6% on revenue growth, 1% to 2% on margin expansion and 7% to 9% on capital management. So I look at those impressive numbers, and I wonder, are there any potential pitfalls or what makes you so confident you can get there?

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

Well, I'll start with 2 things. One is, we just finished our most recent 3-year plan, and we actually had a 20% EPS growth rate over that 3-year period of time, while we were divesting those other businesses and growing and leaning into and investing in our wealth, our health and our asset management business. We've talked at previous times about the fact that those are behind us and all of our energy is focused on forward looking and built around these things. And we've talked about the multiple levers that we've got at our disposal. I mean look, none of us can control the uncontrollables. Equity markets will be what they'll be. Interest rates will be macro environment, but what are the levers we've talked about. So Andrew, we've talked about margin, revenue, capital management, and frankly, good old-fashioned expense management and running the business [day to day]. And we think the levers that we've got in those 3 pieces, the numbers that you just outlined, give us more than enough capacity to use those to accomplish the North star and that north star is 12% to 17% EPS growth over that period of time.



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And it's my view that if we can be in the middle to higher end of that range, and produce a 14% to 16% ROE, it will be well recognized and well rewarded for our shareholders as we implement this over the next 3-year period.

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

How would mergers and acquisitions play into it? And if you do an acquisition, where would you want to do so?

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

Sure. First, really key point to just reremind the audience is, the plan that we introduced at Investor Day that has this objective that you just talked about, the 12% to 16% -- 12% to 17% EPS growth rate was built assuming full organic growth. It is not dependent on any acquisition at all. We've talked about, Andrew, thinking about some capabilities that could enhance and potentially accelerate this, and we've done a couple of recent things that I would point, as by way of example, last year, within our Health business, we did -- we added an HSA capability that we think is adding some both technology and some skill and some experience that's going to help grow that even faster. We added a year plus ago within our investment management business some artificial intelligence capabilities, a group that we lifted out of London. We just added most recently, as a final example of this, a small-cap equity team and lift out as well as their track record. And these are pieces that are enhancing what we need and wanted to, again, further stimulate that growth.

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

So the acquisitions don't sound like would be overly large then? Is that the way to think about it?

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

Those examples I've given you have been on the smaller end of the scale. And look, we've been asked the question, would we consider a large acquisition? And the answer we've given is, the bar that we're going to measure that against where we to ever consider one is compared to our share buyback and capital return over a 2-year period, is it enhancing? Is it greater than what we've been doing in returning the now $8 billion of capital that we've turned to shareholders over this period of time in the form of buyback and/or dividends? And so we set a very high bar and that's the measure of which is going to be. We can't affect or control people's speculation about something like that. I would simply point to our track record. The track record of this management team, the track record of this Board. I think it's among the very best in what we've said we were going to do and what we've done over this 8-year period of time.

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

And so then whatever you do, I'm going to -- I should keep an eye toward that 12% to 17%?

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

That's the north star that I think you and I hope all of your -- the listeners do because that is, in fact, what we're focused on. And all those other factors, the revenue growth, the margin expansion, the capital management piece are tools at our disposal as they've always been as well as our excess capital to enable and affect that outcome.

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

Rod, you mentioned the track record. It's been nothing short of outstanding. At least, this target, 12% to 17%. That's a strong EPS growth number. You've been pretty clear with investors about your plan to retire. It could get people a little bit nervous just given these numbers that we've talked about. Could you share with us your thoughts on whether you might consider being Chairman of the Board?

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

Sure. And first, I am Chairman today.

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

Staying as Chairman, I wanted to ask.

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

And look, let me take a step back and then try to answer this in the most complete way I can. One of the really needy outcomes of what we've done with the pandemic and our Board over the last 2 years is, we spent not in-person, but by Zoom, an enormous amount of time with leaders like Heather and Rob and Christine and others, building the strategy and the plan that we introduced at Investor Day. And it



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really afforded our Board and management almost an unprecedented period of time because we -- it just -- we took full advantage of that opportunity. And so what we introduced at Investor Day wasn't Rod Martin's plan that is going to be changed when Rod Martin retires. I am retiring at year-end as the CEO of the company.

Andrew, you've asked and others have asked, could there be a possibility that I might continue as Chairman or potentially for a period of time in terms of transitioning to Executive Chairman, there is. That's a -- stay tuned on that. But we have -- I have an enormous amount of pride and interest in having this company continue the path it's on and executing this plan and working with the Board to do so, and I'm very aligned with the Board to have the best outcome we can. And all of that is going to be revealed in a, we think, a logical way in the context in the course of this year.

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

Okay. should we think about timing towards the end of the year? Or...

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

I think midyear to early second half of the year is probably a logical thing to be thinking about.

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

Got it. Maybe what I'll do is, I'll pivot over to Heather. I ask some questions about Wealth Solutions, and then come back to Rod on more of the overall company. So you're running Wealth Solutions, and you've got a pretty good target of 10% to 12%. Annual recurring deposit growth, 22% to 24%. Maybe Heather, you could talk about some of the trends you're seeing, and how Wealth Solutions could achieve that growth rate?

**Heather Lavallee** ***Voya Financial, Inc. - CEO of Wealth Solutions***

Happy to, Andrew. Thank you for the question. So when we think about our recurring deposit growth, the first thing I would point to is our results in 2021. We gave guidance of 6% to 8% in 2021. We exceeded that coming in at 9% recurring deposit growth, and really, much of that is coming from some of the growth we're seeing primarily in our corporate segment. So just to give a couple of examples, we've seen increases in employer contribution. So those are certainly on the rise. Absolutely makes sense as we're seeing kind of a competitiveness around employment and recruiting. So employer contributions are up. We've also seen an increase in employee contributions. People are saving more. So that's contributing to that 10% to 12% recurring deposit.

And the final factor I'd point to is, we have grown our participant count. So we knew a couple employer contributions increase in employee contributions as well as growth of the participant base. All of those gives us confidence in the targets we've set in achieving the 10% to 12% recurring deposit growth.

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

Makes perfect sense. Let's talk a little bit about net flows, 2 key areas: Full Service and Recordkeeping. We saw $600 million in inflows in 2021, down versus [1.6] in 2020. Recordkeeping, [$6.7 billion] negative in '21, down from an amazing $24.5 billion the year before. So could you talk about these changes year-over-year, and where we can see the trend?

**Heather Lavallee** ***Voya Financial, Inc. - CEO of Wealth Solutions***

Sure. Happy to, Andrew. So maybe I'll start -- before I get to the net flows of what are we laser-focused on within Wealth Solutions. And it's really in addition to the recurring deposits we just talked about of, 10% to 12%. It's the revenue growth of 2% to 4% per year and maintaining our operating margin of 34% to 36%. Now certainly, net flows matter and they can be an important metric, but those 2 margins, the revenue growth and operating margin, are most important. But to specifically answer your question, when we think about our flows, I'll kind of break it down between Full Service and Recordkeeping because you've got slightly different dynamics. Within our Full Service business, as you mentioned, we finished the year close to $600 million. We have got -- so why am I confident about flows growing forward in Full Service; #1, on our earnings call, we guided to $300 million to $600 million of positive flows in the first quarter of 2022. We're seeing double-digit growth in our RFP volume. We have expanded our sales organization. We're penetrating and growing with new intermediaries, and we just feel very good about the positive momentum. We also saw headwinds in '21 just because of the higher account balances. So participant surrenders were higher in 2021 because of higher account balances, not because of an increase



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in surrenders. So that is something that put a bit of headwind on 2021, but it certainly contributed to our record earnings of over $1 billion in the Wealth Solutions business. So there's a balancing act there.

So again, we feel very, very good, and we're seeing some favorable plan surrenders in the first quarter in Full Service. So great momentum. We've got a really strong sales story and great opportunity for growth in full service. As I pivot to Recordkeeping, we did see similar trends on the participants surrenders, right? That same phenomenon of higher equity market growth contributing to higher participant surrenders. But as you mentioned, we have come off record years of Recordkeeping flows, and in the Recordkeeping business, you see a smaller number of plans move, but much larger size plan with longer sales cycles. So it's really important to take a longer-term horizon on Recordkeeping flows. For example, if you look back at our 2-year flows of 2020 and '21 combined, we had $18 billion in positive net flows and Recordkeeping and growth of participants of 500,000, all done organically. And I think that's an important metric.

As we look into 2022, we've got a number of uncommitted wins in Recordkeeping that are in the middle of their committed wins that in the middle of implementation. And the final thing I'll mention between Full Service and Recordkeeping is really strong revenue diversification. So we've got a combination of spread income, transactional fee-based. In Recordkeeping, we see more revenue that is participant driven, which is going to have a nature of recurring deposit. I think more subscription based that is very, very steady. So it's that balance of the Full Service and the Recordkeeping business. Again, we feel very good about the momentum in 2022 and beyond.

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

Excellent. And as I think about fees and you seem very committed to this 34% to 36% margin. So I guess it would have to -- it would require scale to kind of manage through that. But maybe, Heather, you could talk a little bit about this guidance of 0.5 basis point a year of fee income out -- not a year, a quarter, I'm sorry. How long do you think that will persist? When could we see a leveling out in that area?

**Heather Lavallee** ***Voya Financial, Inc. - CEO of Wealth Solutions***

Sure. Yes. So as we talked about at Investor Day and our guidance remains the same that our fee pressure is down from a basis point -- compression of basis point per quarter down to 0.5 basis point per quarter. And really, we have 3 primary levers that we're pulling to manage the fees: #1 is, we continue to be disciplined on pricing of new business, which is an important lever; second is, we have continued to be disciplined about repricing of existing business, and we've talked about we have done much of that repricing on the existing business, which is one of the reasons you're seeing the slowdown of the fee compression; and third is, we are -- we have very specific plans about how we're going to grow alternative sources of revenue, and there are things within our proprietary solution, things like our own Target Date fund where we've included our general account, our expansion of advisory services as well as expansion of what we're calling our participant transition services. And all of those components coupled together create additional sources revenue.

And the final thing I'll go back to is, Andrew, while we do focus a lot about fees as an indicator of health of a business. I'll bring us back to the operating margin. And one of the reasons we're so confident in the 34% to 36% operating margin is not just around the topline [lever] of revenue, but it's our disciplined expense management. And that is one of the things of continuing to look for ways that we are managing expenses while improving the client experience, driving automation, and so that's a really important lever as well.

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

And Andrew, that 33% to 36% margin that Heather is speaking about isn't just last year or last quarter, that's the margin that we've had for the entire time Voya has been a public company.

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

So since 2013? Correct?

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

And again, a very important metric of how Heather and we look at the business, which is if you bring that full circle in the discussion, which is why Mike Smith, Mike Katz and I and Heather, we talk about the revenue contribution, the margin contribution, the capital management contribution that produces the 12% to 17% EPS growth rate.



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

Yes. And then maybe just staying on this topic, Heather, you used the word discipline twice on new business and renewal business, you're really optimistic about generating strong revenues. You talked about 2% to 4%. Discipline means you walk away?

**Heather Lavallee** ***Voya Financial, Inc. - CEO of Wealth Solutions***

So there's -- you've got different market dynamics that I'll speak to around that. And so when we think about discipline, there is discipline from the way we're pricing business, both new and existing. There is discipline around the types of businesses we're pursuing. And so one of the things we've talked about is, if you look at where we've traditionally been very, very strong and where we have significant opportunities for growth, so we talked about it at Investor Day, the opportunity to expand growth and accelerate growth in the mid-market, in health care and as well as what's very specific intermediary partners.

And why we're bullish around that is, we also are some of the very same segments that our Health business plays and has been very, very strong, and there also with the same clientele that our health and wealth story is resonating with them. When we can help employers to really optimize their overall benefit spend and then help families and their households improve outcomes, not only just around retirement savings, but across health and wealth. Those are where things are really resonating. So when I talk about the combination of being disciplined as well as being confident in our ability to achieve 2% to 4% revenue growth. It's disciplined in our pricing, but also knowing where we're focusing in on our capabilities that are creating differentiators for Voya in the marketplace.

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

I see. And how is the competition? Could you talk about the landscape? Is there pressure on you from a pricing standpoint?

**Heather Lavallee** ***Voya Financial, Inc. - CEO of Wealth Solutions***

Yes. So from a competitive perspective, we really like our position in the marketplace. We're a top 5 leading provider at scale. We've talked about the fact that if you look back historically, we've outpaced the industry in terms of organic growth, and our path forward is all predicated based on organic growth. It's not reliant on inorganic growth to achieve the targets we've set. So that puts us in a good position. The other thing I would say from our competitors is because we have scale and the leadership position across the different markets we serve from corporate to tax exempt, we have been able to invest and modernizing our technology, improving our participant experiences or data or cyber, all of those capabilities are really important to the marketplace. We've also scaled up our sales teams, our operations teams to be able to support the growth and meet the client demand. So those are elements within the market dynamics that are within our control. When we think about kind of how we look at competitors across the landscape, we do see opportunity because of the M&A and some of the disruption taking place in the space. We're expecting roughly 50,000 smaller employer plans to go out to bid in the next, call it, 6 to 12 to 24 months, and we're well positioned to be able to grow and win our fair share of that business going to bid because our story is resonating with the market, demonstrated by our organic growth and again, able to maintain margin in the context of this landscape.

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

And just on this M&A topic, some of your lead competitors, whether it's Great-West or Principal, they've done some big deals, and I assume that's created an opportunity for Voya. But are we going to see more M&A? Or is it kind of steadied out? Or is there some equilibrium for a while?

**Heather Lavallee** ***Voya Financial, Inc. - CEO of Wealth Solutions***

Well, certainly, I don't have my crystal ball of exactly what's going to happen. But I think when you look -- if you take a longer-term horizon and look at the industry, and over the last 10 years, you see the level of consolidation that is taking place in the retirement industry. I think it's very logical to assume that there will continue to be further consolidation. Now the question is, when you see this consolidation, we need to be good partners to the intermediaries that we're working with, and at the end of the day, delivering solutions and capabilities that are meeting our target market, which is the workplace and supporting these clients. So while I certainly think there is going to continue to be M&A, there still is a large number of players in the space. There may be some of the smaller end who may not be able to continue to scale to compete. Again, we really feel like the position that Voya is in puts us in a tremendous position to continue to be a top player in the space and achieve the organic growth we've set forth.



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

Andrew, let me just build on what Heather said, and you've heard us talk about this statistic. This is an industry statistic, not just Voya. 10 years ago, approximately, in the 401(k) space, 50% of the AUM were in the top 10 players. Today, that's 75%. There is another 50 plus or minus players in the space. So to emphasize Heather's point, I think it's logical that at what point might they decide they simply can't compete. From a scale, data, security, cyber, et cetera. Now there's 2 ways that emerges, and one is, one could block -- buy a block of business; and the other one is, those businesses go out to bid, and you can pick that up organically. We've been growing at a rate 3x the industry organically through what Heather and the team has done without acquiring the company, but acquiring the customer. And can one envision that continuing over the next period of time and in 5 years, is it going to be 85% versus 75%, not sure, but is it likely to continue to consolidate, quite certain of that.

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

And that's impressive. And you could -- and you've got scale. You don't need to acquire, right?

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

We wouldn't be having a record year or accomplishing the objectives that we just outlined -- that Heather just outlined, if we weren't competing in the marketplace in the way we are. So again, buying a platform is a way to grow, and there's nothing wrong with that as long as it meets whatever that company's financial expectations are. Acquiring the customer through the value proposition we have organically is another way to grow, and that's clearly been happening over the last 5 years, and I think it will continue to happen at an accelerating pace over the next 5 years.

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

Maybe just rounding out the Wealth Solutions then. What industry-wide gets you most excited? Is it a tight labor market? Is it these multiple employer plans? What trend-wide gets you most excited?

**Heather Lavallee** ***Voya Financial, Inc. - CEO of Wealth Solutions***

I think there's a couple of trends that I would point to is, at Voya, we talk a lot about the convergence of health and wealth is the fact that we're seeing more and more employers that want to make sure their benefit program are being optimized. And that as their employees are needing to make trade-off decisions between where do they put their dollars. Do they enroll more in a health plan? Do they save more? Those decisions. That's a trend that we think Voya is very well positioned, is culturally aligned, and we -- we've had -- I've had large employers ask me, for 4 or 5 years, how can somebody come together and figure this out for me, this is complicated. So that's the first trend, is being able to be well positioned to meet that convergence of health and wealth.

I would also say, as we're seeing more technical advances in terms of how we think about leveraging data, connecting with other organizations to be able to bring together kind of connected solution for employers, kind of goes to the convergence of health and wealth is one we're excited about. And given the strength of our health position, health business and wealth position as well as asset management business, we're well positioned to come together to serve that. The second trend that I would point to, and you talked a little bit about (inaudible), but we continue to see coming out of the pandemic, there is an increased focus on savings. There's an increased focus on household finances and a continued reliance and a growing reliance of the workforce on their employer. And so just focusing on the workplace versus just the retail is important, again, well positioned there. And as we see more state and federal legislation increasing the importance of savings rates, we are seeing a growth in start-up employers. So thinking about employers who may have never had a 401(k) plan. Starting one, whether it's a smaller mom-and-pop organization, a tech company, that is a trend that continues to have us excited.

And the last thing you mentioned is reps and sets. That's an emerging trend, but if you think in the '90s, Target Date funds were emerging in the '90s, and now they are the default. So there are plenty of these newer trends in the market, reps and sets and Lifetime Income that we think Voya is very well positioned. And in the reps and sets, we've already been a leadership position in that space with several of the large employers we already serve. So those are going to be newer opportunities for us for growth. Our plan isn't necessarily contingent upon them, but we think we're well positioned to meet some of these newer and emerging trends in the market.



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

Andrew, I might just ask Heather to just add one other dimension and that's the multiple markets we serve. I think it's a huge competitive differential and advantage and just at the highlights...

**Heather Lavallee** ***Voya Financial, Inc. - CEO of Wealth Solutions***

Yes. Happy to speak to it, Rod, because when you think about it, we are one of the few retirement providers that can play in every single tax code and all size plans, and that puts us in a really unique position. So I talked about from start-up plans, we've got the strength. We've got the ability to bring on a large number of plans in a very cost-effective way, but employers up to the mega end, whether it's a for-profit organization or a large governmental, we have the ability to support large clients and tailored solutions and really everything in between. And that market and market approach, I'm going to go back to, it gives us diversity of revenue and earnings. It also gives us diversity as we see different trends in the macro environment, different trends in the workforce. So all of those that balance is something that we're very, very pleased with. And we're in a leadership position in every market we play in and still have opportunity for growth. So that's one, as we're investing in capabilities, we can scale those very effectively across our client base.

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

That's particularly compelling, giving you, it's 60% of your earnings in this segment. Rod, you've got $50 million left in stranded costs in 2022. Could you talk about the likelihood that, that will be attained? And what's the game plan afterwards? Now there are no more divestitures, are you going to go after expense? What are the thoughts there?

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

Sure. So we've got an absolutely explicit plan to remove the balance of those stranded costs by the end of '22. And some of these, if you think about as you transition these things, there's transition service agreements and technology things that just simply take a little bit longer, which is why it takes to the end of '22. But we are highly confident that completing that will be just like the prior 2 transactions we completed and 100% of the stranded costs will be done by that point in time. I think the bigger picture or a point that you're pivoting to is, this muscle that we've built in terms of a philosophy, if you will, there's always a better way, and it's every one of our colleagues' job to find it and to just -- if you just think about a company's operating budget, we don't view that as a static item. We view that as a dynamic item that can -- our people find better ways in doing something we've been doing that's more cost effective, that can reduce the costs, allow us to be more competitive and frankly, contribute to that 12% to 17% north star of EPS growth rate. And we could give you many examples of how, this has simply been part of what good looks like, and it's driven deeply in the organization at this point. It's not something that happened overnight. This has been a 6- or 7- or 8-year process that it's how we work. It's how we interact with each other. It is an expectation that we find better ways in listening to ourselves, our intermediaries or frankly, our customers on what can be done differently. And because of that, I've got a lot of confidence that, that will be one of the additional levers that will help us contribute to the confidence in that 12% to 17% EPS growth rate.

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

And that's probably where the 1% to 2% of margin comes through.

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

Right.

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

Maybe, Rod, real quickly, touching on the other segments, not clearly in the detail we did with Heather. But in Investment Management, you had net flows last year of a little shy of $8 billion. It was interesting, too, because institutional net flows were $9.5 billion. Retail was negative $520 million. Maybe a road map? Or what are you seeing in flows in general and institution versus retail?

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

Sure. Well, again, we're fundamentally an institutionally focused company. If you think about it, we're a B2B kind of company, and I'm really proud of what the team did. And I would just underscore your point of $7 billion to $9 billion of flows in that market in that environment is impressive, but what I'm particularly excited about is, modestly, over half of our revenue is now coming from the alternative space, the private equity space, the fixed income space, and we are a top quartile to adopt decile performer. And one of the



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things that we've talked about historically is another example of something we started de novo half a dozen years ago. We're starting to market some of these capabilities to other insurance companies. Fast forward to today, we're doing business with over 60 different insurance companies, and they often start off with both our understanding of managing, both sides of the balance sheet, the asset and liability piece, and it starts off with a mandate. And we provide a solution, and that solution grows to another idea and another idea, and it's just gained great moment.

So we've got a lot of confidence in the team in doing that. Our ESG progress is material in how that's being received by external customers. We just -- part of that the large outcome that we had last year was one very large technology company was doing a mandate, and the mandate was to -- the who's who in the marketplace, and we were awarded this piece of business. And among other things, culture, DEI and ESG, were the reasons. This wasn't our widget costs $0.20 or $0.20 or $0.02 less than somebody else. It was the culture and candidly, the comments were made as it seems as if we are talking to ourselves. And increasingly, those kinds of conversations matter. You have to be obviously competitive. And so we feel very good about where we are and the momentum. And the other piece that we conveyed is, we are going to improve the margin in that business by [5%] a year over the next 3 years. And part of that is, as we've done 3 large transactions in divesting the capital-intensive businesses that put a large debit in our general account, and Christine and the team are very committed to improving that outcome and frankly, getting back to where we were prior to doing that. And I think that will be a fantastic outcome for our shareholders, and they've got a distinct plan to do so.

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

That's exciting. All right. We're coming towards the end, but I want to ask you also very briefly about health benefits, and then I want to come back with kind of a wrap-up about the corporation. So thinking about health benefits, you're targeting 7% to 10% annual premium growth compounded over the next 3 years. That's a pretty big number. I think at the Investor Day, you cited 10% to 13% in Stop Loss, 2% to 4% in life and disability, and then 10% to 14% in the supplemental health area. What gives you the confidence? Those are robust numbers.

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

They're very robust numbers, and I would point out, there were robust numbers on an ever large increasing size of business. So by way of example, we started the Voluntary benefit business. Heather -- 8, 9 years ago at this point in time. We were really pretty much de novo. We were maybe 17th or 18th or 20th on the lead tables. We're now in top 5 player, and that's been growing at a very robust rate. In fact, if you look at the rate of growth that we've had through the pandemic, it's been substantially faster than most of the peers.

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

It's not over.

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

It's not over by any stretch of imagination. And part of it, again, is listening to the customers on what they want. We have found a better way to take the data in, as you might imagine, from a range of employers that comes in from data in a shoebox to something that's quite sophisticated and be able to take that data in and turn that supplemental benefit around in a way that's actionable is important. And we found a way to service that business technology-wise and pay claims when they -- we help people identify if they've had a medical action that a claim has existed and to affect that outcome, and that's being very well received in the marketplace. So it's the diversity of it. Group Life and LTD, Andrew, is a GDP-plus grower. We've been saying that for the entire time we've been a public company. You add the supplemental benefits to that, it adds for a great value proposition. And we've been a significant player, a top 5 player in the Stop Loss business. And I think we've demonstrated the ability to manage that well within the loss ratios that we've communicated over the decade that I've been here at this point. The combination of those attributes produce a very healthy outcome for that business, and I think it's a wonderful connectivity on this wealth and health outcome that Heather and I, Mike Smith, Mike Katz, Rob, Christine are talking about.

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

So you're clicking on all 3 cylinders. And I look at the stock and it's trading at under 11x 2022 earnings. It's not a very demanding multiple for the quality of the 3 businesses that Voya has as its core. What gets it to an appropriate multiple? And personally, I think there's material upside north of 25%, but how do you get there?



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

First of all, I agree with you.

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

It's good to hear.

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

And secondly, look, when you've gone through a transition, it takes a while for those things to , I think, for people that follow the stock and particularly, they follow stock maybe not as long as others to get your arms around where we were and where we are today, and for all of that to work through your balance sheet and your outcome. What we're saying now is 90% to 100% free cash flow conversion. We generated $1 billion of excess capital last year. We deployed $1.700 billion of excess capital last year in the form of share buyback, dividend and debt reduction. We're a much simpler story. And I think as this plays out this year and we consistently deliver on a quarter-to-quarter basis, there's going to be a far greater understanding, acceptance and I think embracing of this outcome. And I think there's a huge opportunity. I mean so we are bullish, but I think we're bullish starting from a very sound foundation, and we just need to continue to execute, and we're going to be as active as we've ever been in forums like this. So again, thank you for the opportunity for that to tell the story. And we're among the most aggressive, I think, in having our teams. So the men and women that are running the businesses day-to-day, spend time with you and investors to -- so you can see who they are. And you can see what they're doing because it is a team effort, it is not singularly a person or two and that's critically important.

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

And maybe just to wrap it up, the new accounting that's coming next year, what will that -- what will people think about Voya after they see the new accounting?

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

We've -- look, there's much to be played out over this year, but we have clearly signaled we are going to be among impacted among the least, and I think the clarity of our earnings coming through that pipe that everyone's going to go through. If you think about it, it's just a very high level, revenue, margin, capital management, free cash flow produces an outcome. And I think people will be looking for the simplicity of that outcome, and I think Voya will be shining in that moment.

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

That's a great way to end it. Thanks so much for the excellent insights and it's great.

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

Thank you, all.

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