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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*
Mike Katz *Voya Financial, Inc. - EVP Finance*
Rod Martin *Voya Financial, Inc. - Executive Chairman*

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. Well, it is a pleasured -- I didn't want that part to get caught online, but my catch over there, EVP of Finance is also a Varsity ping pong player. So you heard it here. I also have with me here CEO, Heather Lavallee; and Executive Chairman, Rod Martin. It's a pleasure to have you all here. I'm going to kick off with a few questions and then open it up to our listeners.

QUESTIONS AND ANSWERS

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

So Heather, you've officially been CEO for a long 2 months. Maybe you can specify your near-term priorities, including any potential reviews, changes to the current strategy? What do you envision the earnings mix to be looking like in 5 or 10 years?

Heather Lavallee ***Voya Financial, Inc. - CEO***

Yes. So thank you for the question. Good day to be here with everyone. So our priority is -- and I'll take a step back and talk a little bit about why our priorities are unchanged -- while I may be the new CEO, I'm not new to Voya. This is my 15th year with the firm, and used to lead our Retirement Business. I led our Employee Benefit business. So I've got a lot of tenure working with this team.

And as we think about our priorities going into '23 to really focus on 3 things. The first is around execution of our organic growth goals that aligns with what we talked about at Investor Day of driving revenue growth, operating margin improvement and capital management. Second is focus on integrations of the acquisitions that we announced last year, specifically AllianzGI and Benefitfocus.

And third is around capital management, and we announced last week on our earnings call, our intention to resume share repurchases in the second quarter, and we believe capital management is going to continue to be an important lever for us to be able to drive EPS growth into the future. So that's really the focus, execution, integration and capital management.

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

Great. And Rod, you -- over a number of years dating -- when did you join 2011? Was it...

Rod Martin ***Voya Financial, Inc. - Executive Chairman***

April 11.

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

April 11. The company went public in 2013. And -- and I mean the derisking, the transforming of the company over the past decade, maybe you could talk about now your new role moving forward and maybe what you envision for the company's future?

Rod Martin ***Voya Financial, Inc. - Executive Chairman***

My continued role with the company will be as a strategic adviser to Heather, which is probably the biggest single part of the role, and I continue as Chairman of the Board through fundamentally the end of this year. And in visioning company, we laid out in the most recent Investor Day, what Heather just talked about. We delivered results in excess of those targets in 2022.

And I think after the derisking the ROE improvement and the growth initiatives that we laid out last year, it really is just about, as Heather says, execution and focus on the integrations of these things. The intersection of Health and Wealth is a big part of that growth

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initiative. Our ability to expand through the Allianz piece is a huge piece of Heather speak about. And I think Voya is just beginning on what can be.

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

And maybe kind of shifting over a little bit to the Benefitfocus acquisition. Definitely a key area of focus among investors. Maybe you could talk about the reaction from distribution partners, both Health and Wealth clients, clients in general? And just what the product manufacturers are saying about the platform?

Heather Lavallee ***Voya Financial, Inc. - CEO***

Yes. So the reaction from the marketplace has been very, very positive. And one of the reasons why we think it's been so positive is we have been clearly communicating our intention to be open architecture, product agnostic and intermediary centric. And so let me just break down what do we mean by that. So if you take our Health business today, we currently sell our Voluntary products to up to 100 different Benefit Administrative partners. And we're going to continue to work with all of those different Benefit Administrative partners. So that kind of gets to the open architecture component.

The product agnostic benefit focus today works with a variety of number of Voluntary providers, including Voya. And so we think that product agnostic approach is important because at the end of the day, we realize that it's the benefit brokers and consultants who are going to make the recommendations, they're driving the RFPs and the employer clients at the end of the day are the ones who are going to make the decisions. And so the market has really liked that approach that we're taking.

We also are seeing really positive reactions from the employer clients who are excited about the ability over time for us to be able to reduce their administrative burden by really helping to simplify both kind of that health ecosystem as well as the Retirement ecosystem. And then we think that as we continue to evolve Benefitfocus' capabilities, we're going to help brokers and consultants bring even new innovation to the market, which, at the end of the day, makes them look good to their clients and creates a differentiated value proposition. So all in all, it's been quite favorably received in the marketplace.

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

That's good to hear. And with respect to capital real briefly, maybe Heather talk about the philosophy moving forward. I guess you've cited that you can resume buybacks starting in the second quarter. As of year-end pro forma, you were sitting on about $300 million of liquidity there. Do you think you could get back on the 90% to 100% trajectory of payout ratio? How did dividends factor in? That's been a big question.

Heather Lavallee ***Voya Financial, Inc. - CEO***

Yes. So specifics to capital management, again, our philosophy has remained unchanged. And you go back to since Rod started when we became public as we've returned over $8.7 billion to shareholders during that time period. And that's something we're proud of, and it's something -- again, it's continued to be a very important lever for us. But specifically, when you think about the businesses, so first, let me talk about the free cash flow nature of the business.

You think about in 2022, we generated $600 million of excess capital for the organization and achieved our 90% to 100% free cash flow conversion that we've talked about. We today, with our business mix, including the addition of Benefitfocus, we have very capital-light businesses, high free cash flow generating. I think it makes us a bit unique in the marketplace and real strong diversification of revenue.

So we feel first very, very good with our ability to continue that 90% to 100% free cash flow conversion. And as we talked about resuming share repurchases in the second quarter, when you think about our ability to access -- to generate excess capital, we think that's a very logical place for us to use that capital as in the form of share buybacks.

I talked about my priorities with integration, that's really going to be our theme. So we do expect to have excess capital to be able to deploy a back to shareholders this year. You can also think about the dividend as we see us currently sitting at about a 1% dividend. We have been doing a lot of work and having discussions around the ability to increase that dividend thoughtfully. So that's one of the things that we have -- as we've been doing or listening with shareholders over the last, call it, 8 to 9 months, we have heard that loud and clear.

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And so that's something, again, we are -- it is our intention to be able to do that. And the other thing you would expect is as we think about debt, we have continued to think about paying down debt as we have done share repurchases. And you can expect us to also be leaning into a bit of debt extinguishment as we think move into '23.

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

Got it. And I guess with that, you did some really good fits in terms of M&A this year -- last year. Do you need to do more M&A? And if so, how big would that be?

Heather Lavallee ***Voya Financial, Inc. - CEO***

Yes. So great question. As we talk about M&A, and this is something that we've gotten the question a lot as we've kind of leaned in, in the middle of CEO succession doing these transactions, how do we think about that? Well, first, we feel as though our approach to M&A, our philosophy around M&A is it's got to be strategic. It's got to be accretive or makes sense for the long term for shareholders and make sense for customers.

And we have been very, very selective in our approach of M&A. And so at Investor Day last year, we talked about really needing 4 different capabilities from an inorganic perspective that we think would accelerate our growth strategy. We talked about capabilities that would lean in on the customer experience and improve outcomes with the intersection of Health and Wealth. We talked about technology and data capabilities.

And then in our asset management business, we talked about growth in private alternatives as well as global distribution. And so when you think about the transactions we announced last year with Allianz Global Investors, we have added 500 relationship managers in 19 geographies through AllianzGI, so tremendous global reach. So that's kind of a check the box.

We did our acquisition of Czech Asset Management, which is a smaller lift and shift, which is expanding our privates and alternatives capabilities. And then Benefitfocus fits squarely in that intersect around the customer experience and technology and data. So at this point, we feel as though we've got all the right capabilities we need to be able to now drive our growth organically.

So while we'll always have an eye on are there different things we need to be thinking about over the long term, we're going to be doing it from a lens of, is it in the best interest of shareholders and is it in the best interest of customers? But again, think of us in '23 as execution on the organic growth and the integrations of these properties.

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

Got it. And now I'm just talking about consolidated EPS outlook. At the 2021 Investor Day, you outlined 12% to 17% annual EPS growth through 2024. You blew right by that with 24% growth last year. And yet this year, you've guided to 10% plus EPS growth. And that's before factoring in any benefit from Benefitfocus. So maybe you could talk about this 10-plus why it's achievable? And then whether you can get back on the 12% to 17% run rate?

Heather Lavallee ***Voya Financial, Inc. - CEO***

Yes. So -- and if you go back to our Investor Day last year, when we laid out 12% to 17% EPS growth at our Investor Day, that was on the high end of many of our peer companies. And we think a lot of people looked at us and said, that doesn't seem quite realistic. So we want you to prove it. And I think we did that in '22 with a 24% EPS growth rate -- and that was even navigating the macro markets that we all had to operate through.

So we believe that we've got really strong resiliency of the mix of businesses. We've got a leadership team that knows how to navigate and deliver and has managed through a different macro environment. So what gives us confidence going forward is you look at how we finished the year, we've got very strong commercial momentum. Revenue is up in our core businesses. We've improved operating margins, which are 2 of the important levers and contributors to EPS growth.

And then we also talk about capital management, which is the third lever and the fact that we're intending to resume share buybacks in

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the second quarter. All of those combined give us confidence. And the way to think about it is, with Benefitfocus, that probably adds about 2% of EPS growth is the way we sort of were thinking about it, which brings us in the low end of the range. But to have -- even 10% to 12%, on top of 24%, we think is quite an impressive accomplishment.

Mike Katz ***Voya Financial, Inc. - EVP Finance***

Maybe to add a little bit here, Andrew, too. If you think about some of the themes that we talked about in '22 that continue to reveal themselves in '23 across our businesses. So on the Wealth side, we talk a lot about diversity of revenue. Certainly, the equity markets were a headwind to that business, but we still performed very well. Why is that? Because of the interest rate environment. That will continue to be a tailwind as we move into '23.

In the Health business, and it seems like a long time ago because we were all sitting outside last year at this conference, COVID was a headwind. Not a headwind for our Health business as we head into '23. So that's a foundation that we're growing off of. And then finally, for Investment Management, we had the AllianzGI business for 5 months in 2022. We're going to get that for a full year.

So when you look at the revenue growth that we expect out of the Investment Management business, we get the full benefit of AllianzGI next year. So the themes that we talked about in 2022, just that piece also gives us a lot of confidence about where we're going in '23 on top of just the piece that we talked about at the top our ability to generate cash in these businesses, which gives us further confidence as capital management being a balance to make sure that we grow EPS as we suggested we could.

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

That makes a lot of sense. And maybe drilling into the operating entities a little bit, the Wealth Solutions segment, how do you think about the long-term growth of wealth solutions and maybe touch on how SECURE Act 2.0 plays into it?

Heather Lavallee ***Voya Financial, Inc. - CEO***

Sure. Well, I'll maybe piggyback a little bit off Mike's comment is, within Wealth, we talk about the revenue diversification is something that's been a tailwind. So exactly to Mike's point, where -- in a year where we're seeing rising interest rates and we saw pressures on equities, we were able to manage through that quite effectively, and we've also had strong discipline around how we've managed expenses.

But as we think about the growth of the Wealth Solutions business and the benefits of Secure Act, we have -- at Investor Day, we talked about leaning in on the mid-market space, which is a space we have not been in historically, which creates some nice growth opportunities for us. We've been able to leverage our leadership business within the tax exempt space, #1 in the government market, leadership position in corporate markets in the small end or the large end to be able to create commercial momentum in those market segments.

And Secure 2.0 is going to create tailwinds for us because we're seeing changes with auto features. So I think auto escalate, auto enroll, which is going to have some favorability on recurring deposits, we also see benefits of SECURE Act of really mandating that people need to have access to coverage. So we're seeing a lot of start-up plans, which is an area you think about very small employers, which has grown for us between 20% and 30% in the last couple of years of just a rapid rise in new plan growth.

And then some emerging places in wealth are things like multiple employer plans and pooled employer plans, we have been one of the early adopters in that space for a number of years. We actually, with some of our clients, have already been well established. So we feel very, very good. And the last piece that gives me, frankly, a lot of excitement goes to something Rod talked about of the Benefitfocus acquisition.

Our value proposition for our Wealth clients is quite different from our peers. The fact that we're leaning in holistically at the workplace across Health and Wealth is serving clients in a very differentiated way. It's not just around the rollover retail. And that value proposition, combined with our culture and our ability to deliver on our promises, is one that we think is going to continue some strong commercial momentum in that business.

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

And then maybe shifting gears to the Health benefits segment. Again, you outperformed your guided target of 7% to 10% annual revenue. And in-force premium growth, it was up 11% last year. Thoughts going forward?

Heather Lavallee ***Voya Financial, Inc. - CEO***

Yes. So we feel confident in our ability to hit the targets that we set out the 7% to 10%. And I'll point to a few different elements of that business. So number one, about half the business is in the Stop Loss space. And you think about what are the drivers of Stop Loss, it's annually renewable and is able to take advantage of medical trends. So you think about levered trend that there is always an increase in the health cost. So we don't need to aggressively grow our Stop Loss book of business to drive revenue growth, right? We know we're going to renew it. We're going to be disciplined with our underwriting margin, and that's going to continue to be a tailwind for revenues.

We have expanded our Stop Loss down into the mid-market space, which we think is [going to] (added by the company after the call) create some growth opportunities for us. But just think about Stop Losses, there's kind of a natural growth trajectory. In our Voluntary business, this has been one of the fastest-growing sectors for us, and we continue to innovate around a product perspective as well as around our claims and some of our client experiences. We have been 1 of the top 5 growers in the Voluntary space and for a number of years, and we see that trajectory continuing.

The other pieces that I would point to in our Health are there are some new adjacent revenue areas that we're growing that are more kind of show up over a number of years, but think about our health account savings, leave management. These are really important capabilities for clients that are going to begin to contribute over time into that book of business. Lastly is we've got a really strong distribution footprint that the team is extremely well respected. So we feel confident.

Mike Katz ***Voya Financial, Inc. - EVP Finance***

And just maybe the piece I would add, Andrew, is that, as we think about growing that business, to your point, we grew at 11% top line last year. We continue to believe that we'll grow at 7% to 10% in '23 and beyond. It's really the discipline around underwriting, like we fully understand that earnings can move meaningfully. If you don't get that right, we're not trying to get over our skis and going out and winning new business for all the reasons Heather just called out.

And so it's really underwriting, underwriting, underwriting. And we talked about it on the call, Jan 1 is an important time. 75% of the business gets written off a Jan 1, and we feel really good about what we got done at the beginning of this year. So I think it's just -- it's a continuation of a story that we've been telling for a long time. But the big takeaway is it's not just about the top line. 7% to 10%, it's the bottom line, 7% to 10%.

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

Maybe shifting gears again to Investment Management, and then I'd like to open it up to everybody to ask questions. The AGI acquisition, we had written about it. It was -- it just seemed like an obvious home run. Maybe you could share with us your views around the impact of how material international distribution will be to your top line outlook? And then also what are some of the expense and revenue synergies of that business? .

Heather Lavallee ***Voya Financial, Inc. - CEO***

Sure. So when we think about our asset management business, there are a number of reasons of why we're quite excited to be able to grow that business and improve margins. So if we start with AGI, and I'll go back to the comment around global distribution, 500 relationship managers, 19 countries, that access to distribution -- I've been kind of using the analogy, it's like a 4-lane highway. It just creates a huge opportunity for distribution of our products into those countries.

We think about the ability for us to leverage the strong performing income and growth product that's manufactured out of our San Diego team, which was part of the acquisition, generating $1.4 billion in flows in the first 5 months of the year. We've got a lot of excitement there. We are going to be launching 4 new UCITS later this year. 2 of them are on the traditional Voya IM platform, 2 on Allianz. So it's the ability to broaden the product set and expand the distribution that have us significantly excited for growth.

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A couple of other areas in Investment Management, we're excited about is our insurance business. You think about in 2018, we had about 20 insurance partners. Now if you look at 2022, we have over 60 partners. We're able to leverage our expertise in fixed income and managing the general account to be able to bring those to insurance partners. And then finally is some of the capabilities we've invested in privates and alternatives, we've expanded some of our equity capabilities. So again, that just goes to the breadth of the products.

And we have committed to expanding margin by 1% in '23. We think that Allianz gives us that opportunity with some of the higher-margin products. And then lastly, your question around expense synergies, we certainly had some as part of the deal, which we are on track to be able to take out. But we also think there's additional things we can do to drive expenses. And we really focus in on is aligning expenses with the revenue so that we really achieve that margin expansion that we have been targeting.

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

And just remind us, what percent of the Investment Management business is Allianz own now?

Heather Lavallee ***Voya Financial, Inc. - CEO***

So Allianz owns 24% of the Investment Management business.

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

And it's the definite vested interest in your success.

Heather Lavallee ***Voya Financial, Inc. - CEO***

Yes. And it's a really important piece because of that ownership and we've talked about the fact that we've done a lot of joint meetings with them. They are absolutely aligned with us on driving the revenue growth, being able to really prioritize some of the products we're going to be able to bring to market or expand the distribution, take full advantage of their global capabilities also with an eye towards expense management. So our priorities as a combined team are completely aligned.

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

Excellent. Maybe -- any questions from the audience? I can't see with all these bright lights going in my eyes, but anyone want to jump in? Okay. I'll hold off. And if you do have a question, don't hesitate. I won't call on you. No, I'm kidding. Anyway, maybe talk about the fit for the Investment Management? And is that a critical component of what makes up Voya? Or is it -- where will that be in the long term?

Heather Lavallee ***Voya Financial, Inc. - CEO***

Yes. So we really like the Investment Management business. And the question we've had is, well, how does it fit in with the workplace strategy. And so there is the strategic fit of the Investment Management business and then there's the economic fit. And from a strategic fit, one of the things we talk about as being a purpose-driven company. And our purpose is, together, we fight for everyone's opportunity for a better financial future.

And we truly believe that it influences the decisions we make day in, day out. And the ability for people to generate an appropriate return on their investments to accumulate and to then create income into Retirement is critical. So for the Investment Management business, it squarely fits in from that perspective. Strategically, we talk about investing, protecting, [and planning] (added by the company after the call) -- and then thinking about being able to accumulate those components all go together.

So I think the Investment Management business really fits in from a strategic perspective. From an economic perspective, it absolutely aligns with our capital light and high free cash flow conversion business. So we really like the asset management business. Hopefully, that is demonstrated by the fact that we have leaned in on the acquisition with Allianz Global Investors. We like our scale at this point. We like the capabilities and the distribution, and we think it's going to be a great place for us to continue to drive growth.

Mike Katz ***Voya Financial, Inc. - EVP Finance***

And to put some numbers around it, Andrew, you think about outside the general account, our asset management business is managing 20% of our assets. Including the general account, it's 40%. So it's a sizable footprint of our Wealth Solutions franchise. And I think the other piece that's interesting here, too, is that this has been a capability that we've been able to grow since we've been a public company

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in managing assets for other insurance companies.

We now do business with over 60 insurance companies across the globe that are looking for the talent that our asset management franchise brings to the table. And so I think it's not just the fit that Heather just called out. Financially, it makes a lot of sense given the contributions that they bring to the table for our Wealth franchise.

Rod Martin ***Voya Financial, Inc. - Executive Chairman***

Including now Allianz's rather substantial general account. A piece of, I should say. .

Mike Katz ***Voya Financial, Inc. - EVP Finance***

Add 1 to the 60 plus.

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

Interesting. One topic that's come up a lot at Voya, and maybe people need to get a little more clarity around that is the intersection of Health and Wealth. And your 2 key -- 2 big segments there. I mean, maybe you could provide an update on how this strategy is going? And are you seeing revenue synergies emerge with these 2 businesses?

Heather Lavallee ***Voya Financial, Inc. - CEO***

Yes. So the simplest way that we talk about our workplace strategy and the intersection of Health and Wealth is that at the end of the day, are we helping employers to ease the administrative burden and optimize their spend and are we helping employees and their families be able to make better decisions and ultimately improve their outcomes. So that's kind of the North Star that we look at.

And with the acquisition of Benefitfocus that absolutely squarely puts us right in the center of that overall health and welfare benefits decision. It's -- we talk about it as a sister capability to the Retirement recordkeeping, which you think about what does Retirement recordkeeping do? It puts you squarely at the center of investment allocation decisions, enrollment decisions, contributions, Benefitfocus does the exact same on the health.

And so that absolutely is paying dividends. Also announced in December that we have combined our Health and Wealth businesses under 1 leader. So Rob Grubka, who has a proven track record of leading our Health businesses very successfully. And our intention of aligning those are still operating separately from a P&L, so we have visibility, but it's really thinking about those intersection points and thinking about the customer experience [especially] (added by the company after the call), when we're onboarding them, the customer experience when they're calling in with an issue, when they have claims, when they're coming in and they're navigating some of those complex decisions around how much should I put in my health plan? How much should I contribute to my savings? How do I think about those decisions?

And the teams have done some really fantastic work to be able to design tools that are frankly agnostic of which business side you come from because, at the end of the day, these are all workplace solutions offered through the employer that have one thing in common. They help to recruit, retain and drive better outcomes for our clients. And so, we are starting to see really nice signs of what we're calling cross-serving.

So we bring on a new client. We have the ability for them to add additional Voya products and solutions over time. And so that's something you're going to continue to hear a little bit more from us as this idea of we lend the client, we expand the relationship, and we deepen it from expanding the participation in those solutions.

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

Maybe shifting to the investment portfolio overall. You did some repositioning. Could you talk about what the incremental benefit was there? And if there's any more to come in '23 and beyond?

Heather Lavallee ***Voya Financial, Inc. - CEO***

Do you want to take this, Mike?

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Mike Katz ***Voya Financial, Inc. - EVP Finance***

Yes. Look, we did not do anything drastic coming out of 2022. And when we think about the general account, it's built for through-the-cycle returns. And we've demonstrated that through a variety of different cycles. That said, the higher rate environment did give us an opportunity to do some things on the margins, to bring down our risk scores while still maintaining yields that, frankly, are better than where the portfolio is returning historically.

And so where is that revealing itself? It's fundamentally revealing itself in the Wealth business. And we talked about the fact that if you look at Q1 versus Q4 that we expect the spread income to stay relatively consistent. Why does that matter? It matters because we're actually able to -- and we just did this on January 1, pass on a meaningful amount of credited interest to our customers, but yet still maintain the same spread income that we delivered in the fourth quarter.

And so stepping back, we feel really good about the makeup of our general account things were relatively benign from a credit perspective for the majority of 2022 from everything that we can see heading into '23 seems relatively constructive at this point. We'll see what happens in the second half. I think what we do know is if there is any turbulence that we will perform on a relative basis, better than most. And that's something that we've been able to demonstrate since we've been a public company, and we expect that to continue.

And frankly, that links back to the point that Rod and I were referring to before. There's a reason why 60-plus insurance companies use us to help manage assets. And I think there will be events that happen in the future, and we feel confident with our ability to navigate through those.

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

Mike, that was -- you mentioned that you're going to keep the spreads consistent with the fourth quarter into the first. That was, I think, close to $250 million of spread income, and that's versus a fourth quarter of '21 that was a little bit over $200 million. So we should feel good that you've got a sustainable number there, barring any crazy moves in the macro environment. Maybe with an up bias?

Mike Katz ***Voya Financial, Inc. - EVP Finance***

Look, I think you should feel really good. And certainly, there are contracts within the book where higher rates will continue to build from a benefit perspective, as you're alluding to. Well, look, we've talked a lot about margins in our Wealth Solutions business being very, very competitive, 33% to 36% since we've been a public company. Frankly, given the rate environment, we're now at the higher end or even above that range at this point.

And so what that business is delivering? I think it gets back to what Heather was talking about the diversity of revenue. I mean there are going to be things that go different than what we expect in our long-term assumptions. But right now, we've got a tailwind of a meaningful amount coming out of the spread income side of that business, and we feel good about that heading into '23.

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

Right. You even have up equity markets this year as opposed to down.

Mike Katz ***Voya Financial, Inc. - EVP Finance***

I hope that continues.

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

Yes, hopefully. Any questions from the audience just to make sure I'm not enjoying all the questions myself, which I am. Okay. Maybe Talking a little bit about warrants. There's been some buzz about that. I think the warrants expire in May of 2023. Could you talk about how you plan to manage any volatility there from these warrants as they near the expiration? I think it's about 26 million of them. And how does that play out? What does that mean for the stock when they do expire one way or another?

Mike Katz ***Voya Financial, Inc. - EVP Finance***

Yes. So the warrants were put on when we went public 10 years ago, they were actually issued to ING who later sold them to a number of banks who restructured them, some into structured notes. And those banks did not want to have a point of view on Voya. And so what

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they did is went out and short the stock to make sure that they were essentially neutral on how we move from an equity perspective.

And those warrants, as you just referenced, Andrew, they come to term in May of this year. So it's been 10 years that we've been a public company. And we have publicly said that we were open to extinguishing those warrants ahead of that date. Last year was one of the first time we talked about that, given volatility levels, it just didn't make sense to do that. We continue to look at that as an opportunity heading into May to the extent that, that makes sense.

We look at it the same way we look at all actions with capital management. We want to make sure it's in the best interest of shareholders. What exactly happens heading into that, Andrew, I think that will reveal itself over time. But to your point, there is a high short interest in the stock. We actually view that this event getting past this event as a potential catalyst for us because there's a lot of individuals, especially those new to the Voya story, that like the capital-light nature of our business, they like the EPS growth, they like the diversity of revenue, and then they see a high short interest.

And they ask themselves the question, what am I missing? And so we actually are looking forward one way or another whether we do something to mitigate that sooner or we just get past that May date, and those go away is just yet another reason why there can be more demand for our equity.

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

The stock had a great move when you reported results on the fourth quarter. I think it was up some 9% or so that day. But the stock still remains, in our view, very compelling from a valuation standpoint, maybe it's 8 to 9x next year's earnings. What is it that you think the investor is not getting in the Voya story? What are they kind of missing? Because we're very excited about it from where we sit.

Heather Lavallee ***Voya Financial, Inc. - CEO***

well. Maybe we'll tag team this one, and I'll start a bit. I think that, number one, with our earnings last week, hopefully, we've given clarity around the strategy is unchanged. We're executing on the organic growth, and we're resuming share buybacks and that the capital management strategy is unchanged. And so, I think those were some very important questions we need to answer.

We also obviously worked through a CEO succession, which we believe has gone smoothly. Again, it's the continuity of the leadership team that has delivered. And if you go back since 2018, same team, for the most part, that has delivered over 20% annual EPS growth since that time period. So we feel like we've got a track record.

I think one thing that's interesting is with the divestitures of life and annuity, there may be some confusion around who is a good peer set because we're not a traditional life insurance company. We have the high free cash flow generating -- we're not a capital-intensive business with long-tail liabilities. And so I think that element is a bit confusing.

And as we continue to tell the story, we've talked about the importance of being able to increase the dividend. That's one of the things that we've heard is the important with our kind of free cash flow generation to be able to continue to return that capital back to shareholders in form of growth. But let me toss it over and see if there's some other thoughts.

Mike Katz ***Voya Financial, Inc. - EVP Finance***

I think you nailed it, Heather. The only piece I would add is that we have a proven-type mindset here at Voya. And Rod, you were saying earlier today that when we talked about 12% to 17% EPS growth at the Investor Day in '21, people liked it, but they didn't necessarily believe it. And in 2022, we had double-digit headwinds to EPS growth, yet we still put up a 24% EPS growth number in 2022. And so we just came back and said double digit with the path to the low end of the 12% to 17% despite putting up the 24%.

I think what Heather and Rod and I and the full team just basically -- where we're fully focused on is just printing and printing and printing. And so I think this is an opportunity for many of the people in the room and listening in. And so we just are going to control what we can control, try to tell the story in a more compelling way. But at the end of the day, if we keep printing what we're printing, we think it will be there for our shareholders.

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Rod Martin ***Voya Financial, Inc. - Executive Chairman***

Andrew, let me just add one piece. If you think about the decade that we've been, nearly the decade, we've been a public company. I don't know that there are many other examples of companies that have been through in a 10-year period as much change deliberately as we have been. And we've largely delivered on those outcomes, in my view. No company is perfect. We're certainly not, but we've largely delivered on those.

When you tell a story of 12% to 17% EPS and it's above where most people are, it's going to be a natural pushback on, really. And can you do it? Year 1, we've more than accomplished that. And again, we weren't the only one that had a 10% EPS headwind. All the other peers did too, and we did that. Heather has talked about the mindset the team has is we know we need to prove it, and we're going to continue to do so.

I think if you think about the heavy lifting that we've done through that period of time, all of that energy by both the management team and the Board is focused on forward-looking. It's focused on the execution. And that's what gives me a lot of confidence that the team that has substantially been together over that period of time. We've executed the CEO succession piece. Stay tune, but I'm very, very comfortable personally that we're going to continue to execute well.

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

Great story. Great having you. Thank you.

Heather Lavallee ***Voya Financial, Inc. - CEO***

Thank you very much.

Rod Martin ***Voya Financial, Inc. - Executive Chairman***

Thank you, Andrew.

Mike Katz ***Voya Financial, Inc. - EVP Finance***

Thank you, Andrew.

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