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# EDITED TRANSCRIPT

Voya Financial Inc at Bank of America Financial Services Conference

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## CORPORATE PARTICIPANTS

**Don Templin** *Voya Financial, Inc. - Chief Financial Officer*
**Heather Lavallee** *Voya Financial, Inc. - Chief Executive Officer*
**Mike Katz** *Voya Financial, Inc. - EVP Finance*

## CONFERENCE CALL PARTICIPANTS

**Joshua Shanker** *BofA Securities, Research Division - MD*

## PRESENTATION

**Joshua Shanker** ***BofA Securities, Research Division - MD***

We're live again. This is the 2024 Financial Services Conference of Bank of America. We're in the Voya session right now. We have a great panel. We have Heather Lavallee, the CEO; Donald Templin, the CFO; and Executive Vice President for financing the portfolio, Mike Katz.

(Operator Instructions) I'll probably break in a couple of times to say do you want questions, but we have them all. And don't be shy. And we'll just get started, and thank you all for being here.

## QUESTIONS AND ANSWERS

**Joshua Shanker** ***BofA Securities, Research Division - MD***

So I want to talk about 3-year plans. The last 3-year plan was a 2021 announcement, and then we've just completed the 3-year plan. Where was the company in terms of the goals that it announced? As you sort of think about the next 3-year plan, what are the lessons learned in setting your plans and the confidence intervals around looking that far into the future and telling investors what's going to be delivered?

**Heather Lavallee** ***Voya Financial, Inc. - Chief Executive Officer***

Yes. Maybe I'll start. If you go back and you think about our 3-year plan in November of 2021 and you think about where we are today, our business mix has changed quite a bit with some of the acquisitions we've done. And the macro environment is dramatically different from some of the assumptions we made at the time. But yet, we're still on track to achieve our 12% to 17% EPS CAGR that we had set out during that time.

And if you go back to Investor Day, we had 3 levers of EPS growth. We had 4% to 6% of revenue growth, we had 1% to 2% of margin expansion, and we had 7% to 9% of capital management. And so if we kind of score ourselves of how are we progressing against that, we're on track with the revenue growth.

If you actually look at our forecast, we're at about 8%, and that includes the revenue from AGI and Benefitfocus. Ex notables, if you take that out, it's about 5% growth, so right in that range. We're a bit behind on the margin expansion, and much of that is due to some of the headwinds that we've experienced in the whole asset management industry. And then capital management, we're right on track with that.

So we feel good. In spite of some of the macro movements, we feel very, very good at what we've executed. And when I kind of look at how we've executed, I'd point to 4 primary drivers. It's really looking at organic growth, our strategic execution, some of the benefits of the strategic acquisitions, and then finally, expense discipline.

So if I just kind of peel those back a little bit, in terms of the organic growth across our 3 businesses, we delivered across all of those. And what I would point to is within our Wealth business, from '22 to '23, we've generated $8 billion in flows combined across our full service and our recordkeeping business. You heard on our last call, we talked about $15 billion of sold plans in implementation for '24, so we've got nice commercial growth. We talked about 10% growth in recurring deposits in full service, and that's tracking nicely, also on track towards that $15 billion. So good commercial momentum in Wealth.

In Health, 15% premium growth, and that was above the guide that we had of 7% to 10%, so we really think we're executing very, very well in Health. Very low -- we came in and delivered solidly with lower loss ratios than expected. And within Asset Management, we talked about growth in privates and alternatives and the strength of our insurance channel. And we find ourselves with almost $100 billion private and alt business, and we're top 3 in North America in the insurance channel. So we feel good about the organic growth.

When I look at the second lever of strategic execution, we talked about a few different things. We talked about this convergence of Health and Wealth, the workplace strategy. We combine those businesses. We have a very unique value proposition that's resonating in the market.

Within Wealth, we talked about mid-market expansion. And if I look at a proof point, our sales in 2024 in mid-market are double what they were in '23, so we're executing against that strategic priority. Within Health, we talked about expansion of stop-loss down market. And that's going very, very well for us, leading to some record sales in stop-loss for 1/1. And Investment Management, I'd point to the investment performance. 3/4 of our AUM is at/or above the peer benchmarks and on a 5- to 10-year average, so we feel good about that performance.

The third is the strategic acquisitions, AGI, specifically and Benefitfocus. So at Investor Day 2021 when asked, "Geez, what would you be looking for that are capabilities that you would need to add inorganically?" We talked about international distribution within our Asset Management business. And we talked about capabilities that put us at the center of the workplace and kind of Health and Wealth.

So what AGI brought for us with that acquisition was strength of international distribution. We have access to over 500 relationship managers, 18 countries, 18 different locations, and we generated $4 billion in retail flows from that last year. So it's really a transformative move for our Asset Management business. And Benefitfocus is squarely bringing us capabilities that have put us at the center of the Health and Wealth. So we feel very, very good, and I'm sure we'll talk about that a little bit more.

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**Joshua Shanker** ***BofA Securities, Research Division - MD***

Oh, we will.

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**Heather Lavallee** ***Voya Financial, Inc. - Chief Executive Officer***

And then the final bit is the expense management. That's something -- it's a lever we've continued to pull. We took out a meaningful amount of expenses in '23 heading into '24 to be able to -- our focus has always been on maintaining the margins of our businesses. So all of that, we feel good.

And I think maybe to your piece around, long-term, what lessons learned, the market dynamics were quite different. I think at that point, none of us anticipated that the inflation, the interest rate environment would be what it is today nor some of the movement we saw in equity markets. So that certainly put some pressure on the asset management business, for example, of money sitting on the sidelines.

But what I would sort of pivot to is our path to '25 forward. And I think the lesson learned for us is, as we look to 2025, we've guided to 10-plus percent EPS growth. And that's really coming from those 3 solid businesses that we talked about, great commercial momentum, real solid performance, continued expense discipline, and then capital generation. So again, a little hard to predict long term, but we feel like we're on track with that plan.

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**Joshua Shanker** ***BofA Securities, Research Division - MD***

Well, some of my questions are a little planned, but we'll give it a try anyway.

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**Heather Lavallee** ***Voya Financial, Inc. - Chief Executive Officer***

Sure.

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**Joshua Shanker** ***BofA Securities, Research Division - MD***

So Heather, I think that you, at one point, managed a majority of the different businesses within Voya. And Don, you are new to the financial service industry, coming from Marathon Petroleum earlier. It's year 1 of your tenure as a C suite. What are the takeaways of year 1? I mean obviously, it's not year 1 for you, but it's a different vantage point.

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**Heather Lavallee** ***Voya Financial, Inc. - Chief Executive Officer***

Maybe I'll start really quickly because I gave a lot in the first one, and then I'll toss it to Don quickly. For me, it is the strength of our management team. We've been able to bring in new talent, but we also have folks who have been around for a long period of time. As you said, I've managed 2 of our 3 businesses and feel confident in the track record. But the second piece is our team knows how to execute. We've got a focus on execution, on delivering on our results. And so I think to me, that's the big focus. But Don?

**Don Templin** ***Voya Financial, Inc. - Chief Financial Officer***

Yes, Josh, I would say in my year so far at Voya, I came from a prior life where results were impacted by the macro, and results are impacted by the macro here as well. So if I think about the things that surprised me or that I learned when I came to Voya, one was Heather talked about expense discipline, lots of costs have been taken out over a transitional period, but they still find ways to take incremental cost out of the business. And that's not easy as you start after a long duration of taking cost out. So expense management, I think, has really been -- for me, it has been a very nice surprise. I think the -- or it's a skill set that is really driving the business.

The second thing that I think has been really eye-opening is the performance of the diverse businesses that Voya owns. So they've performed really well, and they tend to offset each other a little bit. So we have Investment Management, we have the Wealth business. We have the Health business. But inside of those businesses, there's also real diversity. So there's fee revenue, spread income, stop-loss, voluntary. So those businesses have been very complementary during a time period where there's been a little bit of macro challenges.

And then the third, I would say, is just the ability to generate cash. So I went back -- I wanted to prove to myself this 90% cash generation, the capability the company has, and I went back over a 5- or 6-year period of time. And other than 1 year, and that was a year where there's a lot of transition going on and a big transaction, the company has been able to deliver 90%-plus cash conversion. And I think that's a super important distinguisher for our company, and it's something that is allowing us to make some of the commitments and make some of the looking-forward around the capital deployment, talking about share repurchase, talking about dividends. It gives us an ability to make those statements confidently because we know we can do it. We've done it historically, we've done it under different economic environments, and we're continuing to do it. We did it in '23, and we feel very confident about the ability to do it in '24.

**Joshua Shanker** ***BofA Securities, Research Division - MD***

Mike, do you have any observations on the change in leadership and how it's impacted what's going on here?

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

Yes, I do, Josh. And for those who don't know me, I've been at the firm since before we went public. And when you think about Voya going public, we were a company that had a variety of businesses that came over from ING, and they were capital intensive. And so the question wasn't really around growth, it was around how do we protect the capital that we got from our investors, how are we going to return that capital, and led to a transaction for the variable annuity business, life insurance business. But over that period of time, we demonstrated the ability to return cash. And as Don just talked about, that capability exists today.

And so what's different now versus then is we're in the businesses that we want to be in. So when you think about our Wealth business, our Health Business, our Investment Management business, there's a reason why we're in all 3 of these businesses because it's around how do we help people in the workplace, whether it's around Retirement or what medical benefits to elect or how to invest. And so we, as a management team, are fully focused on profitably growing these 3 businesses. I think that's what's different. And we don't have the overhang of what do we do with these capital-intensive businesses. Everybody on the management team is fully focused on the customer. And by the way, we feel that if we do what's in the best interest of the customer, we think that that's going to be in the best interest of the shareholder.

**Joshua Shanker** ***BofA Securities, Research Division - MD***

Let's talk about some of the individual businesses. Let's go into the Retirement Business, whether we call it 401(k), 457, 403(b). First of all, what are some of the different skills that you need to be good at those very similar products but are very different? And what does Voya have that's unique in the market that picks the plan that makes it successful?

**Heather Lavallee** ***Voya Financial, Inc. - Chief Executive Officer***

Yes. So when you break down -- and I think that one of the things that makes us quite unique is the fact that we play in all those different markets. So if you think about in the 403(b) business, for example, you really need to have an adviser field force because the expectation in 403(b), and even in the 457 market, is you've got advisers that can meet with clients one-on-one. And if you don't have that, it makes it very, very difficult to be able to support those clients.

Within the 457, within the government market space, you actually have to have market leadership position to be able to earn the business. Very often, when you're bidding, you have to provide references who have been with you for a long period of time, references who have left you. And if you don't have enough scale in this, you're not even considered from an RFP perspective.

And then in the larger end of the market, probably the mid to large, there are certain technology capabilities, the ability to invest in cyber, some of the digital tools. And there are -- so that can be a barrier to entry for providers. And then finally, in the small end of the market, you've got to have the scale to be able to implement a vast number of plans and do it very cost effectively. And for us, because we have all of those across all markets, that has given us the ability to not only earn a leadership position but maintain it.

And I think when you think about -- we define scale a little bit differently in Retirement. It isn't just a number of participants or lives or plans. We believe scale in Retirement is the ability to continue to invest in the business to serve our clients, invest in technology, invest in service, invest in products and capabilities to evolve and meet the market needs. If you can't do that, it really makes it very difficult to grow. And are you -- I think in Retirement, you're kind of either shrinking or you're growing.

And as there continues to be more consolidation in the market, players like Voya, who are in the top position in the different markets we serve, we're winning business from some of those weaker competitors who just, frankly, can't keep up with their service model. So it's one of those where we've got the leadership position. We're investing and we're winning the business. And clients want to go and stay with a company that is continuing to invest to be able to meet their needs.

**Joshua Shanker** ***BofA Securities, Research Division - MD***

And it's less fragmented market than it used to be, but it's still fragmented. I remember there seemed to be a time it felt like Empower was doing like a deal every year, gobbling, except the deals have slowed a little bit. It's less -- how many players are there that have what you would call the appropriate scale to compete in? And is that a situation where there can be 6, 8 players in the market who are all viable and all successful?

**Heather Lavallee** ***Voya Financial, Inc. - Chief Executive Officer***

I think it depends on the market segments. What I would say is within the government market today, there are probably only 3 or 4 who maintain a viable position, and we're the #1 in that market segment. Within the large end of the 401(k), there's probably 3 or 4. Again, when you go down market, maybe there's a little bit more, 5 or 6. But it is no more than a handful or 2 who really have the viability to be able to continue to grow. So again, I go back to we really like our position in each of those segments. Consolidation has slowed, but we think we're in a very good position, which is one of the reasons why we've been so loud about the $15 billion of pipeline of plans in implementation that we're winning, and our client retention is very high.

**Joshua Shanker** ***BofA Securities, Research Division - MD***

I think maybe let's switch over to group benefits for a little while. I mean the result has been very good. Mortality seems remarkably good. And you have obviously -- coming back to the beginning, you have some ambitious guidance coming for the years to come. Can we rely on that very good mortality? Is that going to revert to a mean? Or is this the new normal?

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

Yes, Josh, I would think of what we're guiding in '24 as a bit of a reversion to the mean. So to your point, we typically think about our aggregate loss ratio for all our Health business as in the 69% to 72% range. It was 2, 3 points below that in 2023. And so when we've been getting questions around just year-over-year growth, within Health, that is really a key driver. Said differently, there was an overperformance in 2023 with respect to Health because of the favorable loss ratios. And if you put it into some perspective, we typically talk about our Health business growing both top line and bottom line 7% to 10%. Over '22 and '23, it was more mid-teens, which we grew that business. So we feel really good about the dynamics of the Health business.

We got -- when we talked about this coming out of '23, Josh, like we were getting past this COVID piece. That was a bit of the hang-up coming out of '21 and '22. Stop-loss, we expect that to be in that 77% to 80% range. But the thing about the Health Business is you're always going to have some volatility within product lines. And Don, you mentioned this earlier, the diversity of the products we sell in the Health Business, our confidence is around being in that 69% to 72%. Again, what does that translate to? It translates to both top line and bottom line, 7% to 10%. So said differently, Josh, we feel confident in the long-term trends of our Health Business for this year and beyond, and so we continue to see that being a big part of the growth coming out of Voya.

**Joshua Shanker** ***BofA Securities, Research Division - MD***

There are some parts of the business that are growing faster than others, and I think even a smaller -- one of the interesting areas that you're pushing is HSAs. And I'm trying to understand how receptive is the marketplace to HSAs, how well penetrated in general, and where is the awareness of customers that they may be oddly buying these products. And how is the receptivity of Voya's product into customers who are buying other things from you already and saying have you thought about putting this on your shelves?

**Heather Lavallee** ***Voya Financial, Inc. - Chief Executive Officer***

Yes. Maybe I'll start on that one. So the way we think about HSA, and when we combined our workplace business, this is a perfect crossover. We have health clients that are adding HSA. We have Retirement clients that are adding HSA. And when you think about our newly acquired benefits administration capabilities, this is where it can be a bit of a kind of a fuel to help to drive some of that HSA growth, and I'll really explain why.

So HSA, why is this a fast-growing area? And it's just one, right, there are other areas where we see growth. But HSA is a triple tax benefit for the client, so it makes a lot of sense for them to be able to put those dollars in. It accrues tax-free. It comes out tax-free. So there's real benefits to the customer.

When we think about the benefits enrollment capability, when more employers are moving to high-deductible health plans, HSA is a great vehicle for them to make sure that they're covering some of those out-of-pocket medical expenses, if they have an unforeseen medical event, but also a great savings and investment vehicle. But it also can help to drive and lead to higher supplemental participation rates.

So one of the things we've done is we just went through our first open enrollment with Benefitfocus. And we're tracking the HSA adoption of clients who go through the open enrollment with our guidance tool where it's helping them to decide their next best dollar. And the HSA uptake of those clients who have enrolled in a high deductible plan are then putting money in the HSA and increasing the enrollment in supplemental is up significantly.

And that's really the key piece, Josh, is it goes back to what Mike said. We believe that if we're doing this, it is the best outcome for the clients because they've increased their savings, they're increasing the appropriate coverages. If they have something, if they have an event, they're freeing up dollars to then invest and save more in the Retirement. So it puts them in a -- drives better outcomes for their clients. And it actually drives more participation in different types of products for Voya Supplemental Health as well as HSA.

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

And the only thing I would add is it's early days, Josh. So we don't want to leave the audience what this is going to be. The biggest thing we're talking about coming out of our Health business, it's exactly what Heather said, we believe this is a product that is in the best interest of customers. We're involved in guidance and helping them make those best choices. It just makes all the sense in the world for Voya to have that as a part of their solution set.

**Joshua Shanker** ***BofA Securities, Research Division - MD***

So you mentioned benefits administration. And if I go back in, I guess, 2017 or so, the new toy was a health care exchange. And everyone was developing one. And Benefitfocus was in the market. It existed. I think we're now almost a decade through that. And the new toy no one seemed to be interested, the amount of hype around medical exchanges, it didn't play out as people thought it was going to. And

Benefitfocus sort of disappeared in the forefront of insurance investors' minds. And you bought it. What did you buy? How does it -- what does it already do in terms of producing cash flow and ability for Voya? Anyone can join to the Voya business, what is it going to supercharge with in the future?

**Heather Lavallee** ***Voya Financial, Inc. - Chief Executive Officer***

Yes. So what we -- first, we'll start with what we bought. We bought a benefits administration company. So it was really helping mid- and large-size employers, do all of the administration of all of their health plans. So you think about it as not just a medical plan, it's all of the supplemental plans, life and disability as well as all of the kind of care navigation and other services.

So most often, employers are offering somewhere between 18 to 20-plus different benefit programs to manage as part of their benefit offering. And benefits administration is the capability that is helping people enroll. It is then taking those elections and putting them back to the different providers, but it's also the experience that the employee goes to determine whether or not they're going to enroll in different products. It's kind of where you -- think about it this way, it's how you consume your benefits insurance. And so that's a key capability.

When you think about from an employer standpoint, employers spend anywhere from between $12,000 to $15,000 per employee on their overall benefits program. So it's a significant spend. And that spend is continuing to go up as the cost of health insurance is going up. So what benefits administration does is if we can help employers do different services to be able to understand were they overpaying, how do they best utilize some of these additional services that bring claims cost down, it can be a real value-add for the employer overall.

Benefitfocus also works with small regional health plan providers. So there's another element of the business that we acquired. So part of it is the employer piece of it. Another part of it is the health plan piece of it. And what we really believe, when we can unlock this capability, is benefits administration can take -- it's complicated for a plan sponsor or an employer to implement. So you think about there's a high bar to be able to move that service. But it squarely puts us at the center of health and wealth, and we think it's going to lead to the ability to expand our relationship with that client and add more solutions, whether it's higher-margin things like the supplemental benefits, thinking about life insurance, being able to expand the relationship with Retirement, advisory services. So that's really the crux of this is that we win the client through each of our businesses and we, over time, expand that relationship, and it generates that much more fee revenue for us over time.

**Joshua Shanker** ***BofA Securities, Research Division - MD***

Are we going to be able to see that immediately in the '24 numbers? Or is there a ramp that it's going to require?

**Heather Lavallee** ***Voya Financial, Inc. - Chief Executive Officer***

Yes. There's a ramp that it's going to require. And really, it's because it has a longer cycle to the benefits administration business. So when you think about benefits administration, the first 6 months of the year is the selling season. That's when you're responding to RFPs. The second half of the year, you're actually implementing that system to be prepared for the open enrollment, which is where you're going to go through and do all of the elections, much like all of us enrolling our benefits in probably the October and November time frame. And then you begin to see that revenue emerge in the coming years.

So think about it as kind of a 12- to 18-month cycle. Where you're going to see it emerge is in the fee revenue line of the Health business. And we see an opportunity to definitely scale up that business, improve the margins. But it's not just how it's going to show up there, but it's, if we do this effectively, we should be able to see supplemental participation rates increase because you're helping people make better decisions. And oftentimes, people are underinsured. So it's a great vehicle through the guidance tools to be able to improve that experience over time, which we think will increase revenues in the coming years.

**Joshua Shanker** ***BofA Securities, Research Division - MD***

So while it's in the Health business, the medical stop-loss business is very, very different from the other businesses. And how competitive is that market? Where are severe medical loss trends? And what should we think is the growth potential for that type of product?

**Heather Lavallee** ***Voya Financial, Inc. - Chief Executive Officer***

Sure. Maybe I'll start, and then I'll toss it to you. So the way that I would think about the stop-loss market is there's 2 different real kind of writers of stop-loss. You have kind of your fully insured, your Blue Cross, your United, your Aetna companies, often referred to as the BUCAs. And then you've got the direct writers, of which we are one of really 3. So think about we're kind of in the midst of a -- Sun Life, for example, that's going to be a direct writer of stop-loss. And there are new entrants that come in.

But one of the reasons we really like the position we're in is what matters to employers and consultants that are making recommendation is consistency over time of pricing and underwriting; is not having shocks where you're aggressive and then you're kind of jacking up the rates; expertise, you think we've had a decade-plus more track record in growing this business; the ability to have relationships at the top of the house. So this is a business where trust matters with those firms.

We've been growing our stop-loss business at a rate of 9% over the last several years. We've seen a really nice uptick in expanding our stop-loss very thoughtfully down market into kind of mid-market deductibles of $50,000 above where we can leverage that expertise. So we see this as ability to still grow. And the final piece is the leverage trend, right? You think about every year, there is a kind of a guaranteed increase in the premium growth from the leverage trend of this business, so you don't have to get overly aggressive to continue to grow it, have this be a profitable business and manage it quite effectively.

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

Yes. And that's what we really like about it, Heather, right, is that we can be very, very disciplined around the pricing, like we get, more than anyone, that you missed there. That's where you really get hurt on the earnings side. And so we can kind of maintain market share. And because of that levered trend, we're talking about 10% earnings growth, 10% revenue growth right off the bat. And we've been able to do even better. Heather was talking about this at the top. Because we've built out a capability of going down market, and we've been generally playing with employers, with employees of more than 500 people, we now have the capability to go down market. And so we're excited about what we were able to price going to 2024, which we're expecting the growth in that particular line of business to be above that 10% level.

**Joshua Shanker** ***BofA Securities, Research Division - MD***

And do the buyers of that product know they're with Voya as a provider? Or is the relationship through the broker helps them make that decision?

**Heather Lavallee** ***Voya Financial, Inc. - Chief Executive Officer***

The CFO and the benefits folks certainly know. The end consumer does not. But it matters to the benefits decision-maker and the CFO because it's one of the most significant forms of spend. And it certainly matters to the consultants where I go back to, very often, we're working with the centers of excellence where there's somebody who's leading a stop-loss practice, and a supplemental health practice and a life and disability practice. So for those folks, that does matter. And we've had a very good track record within our Health business where roughly 40% of our health clients have 3 or more lines of coverage with us. So we've had a great track record of being able to expand an existing Health business and add more lines to that client.

**Joshua Shanker** ***BofA Securities, Research Division - MD***

I want to just note, anyone can ask a question. There's plenty more of the questions I'll ask, but no one should be shy. And we'll go into more questions. So let's rotate into Investment Management. Where are we in terms of the expense rationalization from the AGI acquisition? Inherently, one-on-one is never two, and there's going to be some lost assets under management in the combination. Are we through that transition fully at this point in time? And are the benefits of the combination being realized in a way that's easy to parse?

**Heather Lavallee** ***Voya Financial, Inc. - Chief Executive Officer***

Yes. So a couple of things I would mention. When you look back to the retention of the book of business, we've retained roughly 95% of the asset, so very pleased with that. We immediately got scale in Retirement -- or excuse me, in our retail. So in '23, we had $4 billion of positive net flows coming into our retail channel through AGI, through the income and growth. So we were really able to not only bring some great international distribution but some new capabilities in our retail business. And we see significant upside for growth. So you mentioned on the expenses. We did take some meaningful expenses out in '23 and '24. There was a little less crossover with the businesses given the fact we have different footprints, but we saw opportunity to take out expenses.

And the final piece I would look to is the ownership structure of this deal. AGI owns 24% of our Investment Management business. And why that matters is our interests are very much aligned to profitably grow the business, to continue to improve the margins and, frankly, leverage the best of both franchises to be able to continue to grow that business. And so we think, at this point, the off-ramp of the prior international partner is now behind us. And so we have, at this point, pivoted and really transformed our asset management business from the U.S. -- primarily U.S.-only fixed income institutional business to now a diverse international asset manager with institutional and retail capabilities.

**Joshua Shanker** ***BofA Securities, Research Division - MD***

And have you been able to market some multiyear fund performance under the Voya name that had not before attracted some new institutional flows into some of those former AGI accounts?

**Heather Lavallee** ***Voya Financial, Inc. - Chief Executive Officer***

Well, what I would point to is more of the -- within AGI, it's really the retail, it's the income and growth franchise, which has been very unique capabilities, really strong investment performance. But what we're starting to see more of is, you look at 76% -- as I mentioned earlier, 76% of our assets are above the benchmark across the book of business on a 5- and 10-year basis. So we've got strong investment performance. What we're now seeing is some of our U.S.-manufactured fixed income products where we see growth in the international institutional market, where there's strong demand for U.S. dollar-denominated products, so that's where we're going to continue to see that kind of growth on the institutional side of it. And we do have opportunities with AGI. We got thematic equities, we got some other unique capabilities we didn't have before, and we see those as growth levers, too.

**Joshua Shanker** ***BofA Securities, Research Division - MD***

So the AGI deal was a very unique thing that came along for unique reasons, and I don't think that you were thinking about buying a benefits administrator 3 years ago when you said the 3-year plan. Here, we are in a new 3-year plan. Should we expect -- I mean, not that you're hunting new ideas, but inherently -- there's going to be opportunities and you're going to probably buy things over the next 3 years? Is that the right way to think of things, that you're in the market if the right thing comes along?

**Heather Lavallee** ***Voya Financial, Inc. - Chief Executive Officer***

Well, what I would say is that 3 years ago, we were very clear on what capabilities we thought we needed to acquire inorganically. So we did that with the international distribution and the Benefitfocus capabilities. We feel like we've got the capabilities to compete in the 3 businesses effectively. So our focus is on execution, on hitting the targets that we set out and taking full advantage of those strategic acquisitions. What I would say, Josh, is we're paying attention to inorganic, but we've got a very, very high bar. And right now, our bias has been to take this exceptionally strong free cash flow conversion and to be able to return that back to shareholders through share buybacks and dividends. So it's really high bar for inorganic. We're going to pay attention, but there isn't anything we feel like we need right now.

**Joshua Shanker** ***BofA Securities, Research Division - MD***

So let's get to that capital return. I think that the excess capital is about $400 million in the firm right now. Obviously, you're generating a lot of capital. And the conversion of earnings is about 100%. How should we think about the decisions to raise the dividend, to buy back your own stock and to retire debt as, I guess, the three uses of capital return and in the order of primacy?

**Don Templin** ***Voya Financial, Inc. - Chief Financial Officer***

Sure. So as you mentioned, we generated $800 million of capital last year. We deployed that. We're going to generate -- we expect to generate $800 million in 2024. And we've signaled to the market that our bias in 2024 is going to be to dividends and share repurchases. As Heather mentioned, we are focused on execution. The bar for M&A is very high. And we took some actions intentionally in 2023 to make sure that we are well positioned. Our balance sheet was prudently positioned.

We have a range that we're trying to kind of operate in on a leverage metric between 25% and 30%. We are right in the middle of that range after some action we took in 2023, so right around 27% to 28% on our leverage metric, which gives us a ton of flexibility to then deploy capital to shareholders. So our bias right now is going to do that.

With respect to the dividend, we doubled the dividend last year, but that's because the yield was a relatively low yield, about 1%. We felt like, if we doubled the dividend, we had the opportunity to attract and be of interest to a broader set of investors. And so we doubled the dividend.

I wouldn't expect that our dividend increases going forward will be that as incremental. I would expect that our dividend increases going forward will primarily be funded by growth or keep pace with growth. So let's just say, if we're growing at 5% organically or 10% organically, that's how we would think about the dividend increase. Some of it will be funded by the growth in the business. And some of it will be funded by the removal of shares from the market through our share repurchase program. So we don't want to put undue stress on the organization of the firm. Right now, our payout ratio on the dividend is about 20%. We feel super comfortable with that. But we would expect to grow the dividend, but I'm thinking the dividend would grow more in line with business growth and share reduction from the share repurchase program.

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**Joshua Shanker** ***BofA Securities, Research Division - MD***

And currently, where is the program? And should we expect that the program will be exhausted and then another one will be launched in its place? Or will it be restored on a regular basis such that it's always fully optional to do?

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**Don Templin** ***Voya Financial, Inc. - Chief Financial Officer***

Yes. I would say right now, I think we have $300-something million left on our existing program. But we've had an experience over time with our Board, I mean obviously, that's a discussion around capital deployment with the Board. I don't want to presuppose what they were going to agree to, but we've historically always had the ability to do that. They've typically increased the authorization in sort of $500 million increments, Josh. So I'm not concerned, the Board is fully supportive of what we're doing this year, the share repurchase, the dividend, and I think they would be very supportive of that going forward.

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**Joshua Shanker** ***BofA Securities, Research Division - MD***

And given where the stock is right now, you're agnostic about price, it's right in the valuation that you'll be in the market at how much you want to buy. You're not going to time it at all. It's just a study type thing. Is that the view? Or is there a reason to say it's cheaper today, let's buy more?

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**Don Templin** ***Voya Financial, Inc. - Chief Financial Officer***

Yes. I think that we want to make sure that we are consistently in the market buying our shares. So there may be opportunistic opportunities from time to time, but we think sort of a steady program of being very consistent, meeting shareholders' expectations so that you can anticipate what we're doing, delivering on the commitment that we made. So as an example, in the end of the third quarter, we said we'd buy -- we'd deploy $200 million to our shareholders through share repurchase and dividend. And we did that. At our year-end earnings call, we said we're going to deploy $800 million. We expect to generate and deploy $800 million to our shareholders in dividends and share repurchases in 2024. So we're really around execution at this point in time.

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**Joshua Shanker** ***BofA Securities, Research Division - MD***

And you have a couple of maturities coming up in the next couple of years, I think.

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**Don Templin** ***Voya Financial, Inc. - Chief Financial Officer***

Debt maturities.

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**Joshua Shanker** ***BofA Securities, Research Division - MD***

Yes. Given where you could issue debt right now, is that an attractive thing to reissue on top of that debt? Might there be some gap between waiting for the markets to comply? Or how do you expect to deal with debt maturities as they grow?

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**Don Templin** ***Voya Financial, Inc. - Chief Financial Officer***

Yes. So we haven't made a decision yet what we're going to do with that. Our maturities in the first part of 2025, we have a lot of optionality. I'd say, for us, we're in the middle of the range that we wanted to be at for leverage. So we don't have to take an action. We have flexibility. You mentioned at the beginning, I think, of the comments on capital. We have about $400 million of excess capital. So that gives us some flexibility to be able to do something with debt if we wanted to and still not impact what we're doing around share repurchase and dividend. So we'll continue to monitor that throughout the year. I'd say the nice thing is we have flexibility and the ability to react to how the market matures or develops during the year. And I think that puts us in a very good position.

**Joshua Shanker** ***BofA Securities, Research Division - MD***

Great. I think you are in a good position, and we're very pleased you gave your time today. I hope that you had great meetings. And there might be some more before the day is done. Thank you very much. Let's give a hand to Mike, Don and Heather.

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

Thank you, Josh.

**Joshua Shanker** ***BofA Securities, Research Division - MD***

Thank you, and have a great afternoon.

**Heather Lavallee** ***Voya Financial, Inc. - Chief Executive Officer***

Thank you.

**Don Templin** ***Voya Financial, Inc. - Chief Financial Officer***

Thank you, Josh.