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Voya Financial Inc to Sell Individual Life Business Conference Call

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PRESENTATION

Operator

Good morning, and welcome to the Voya Financial sale of Individual Life conference. (Operator Instructions) Please note, this event is being recorded. I will now turn the conference over to Michael Katz, Senior Vice President of Investor Relations. Please go ahead.

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

Thank you, and good morning. Welcome to Voya Financial's Sale of Individual Life conference call. We appreciate all of you who have joined us for this call. As a reminder, materials for today's call are available on our website at investors.voya.com or via the webcast.

Turning to Slide 2. Some of the comments made during this conference call may contain forward-looking statements within the meaning of federal securities law. I refer you to the slide for more information. We will also be referring today to certain non-GAAP financial measures. GAAP reconciliations are available in our press release and financial supplement found on our website, investors.voya.com.

Joining me on the call are Rod Martin, Voya Financial's Chairman and Chief Executive Officer; as well as Mike Smith, Voya's Chief Financial Officer. After their prepared remarks, we will take your questions.

With that, let's turn to Slide 3 as I would like to turn the call over to Rod.

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

Good morning. Let's begin on Slide 3. This morning, we announced a value-enhancing transaction that will position Voya for higher long-term earnings growth. Our transaction with Resolution Life to divest our non-core Individual Life and Legacy Annuity businesses will provide several benefits to all of our stakeholders. Most notably, it accelerates our free cash flow generation. Specifically, we will realize $1.7 billion in expected value for our Individual Life and other legacy businesses. This is both sooner and higher than our Investor Day target of at least $1 billion of free cash flow over 5 to 6 years.

The transaction also improves our risk profile with reduced interest rate, credit and mortality exposures. It will also further streamline Voya by removing 5 regulated insurance companies, a broker-dealer and 15 administrative systems, creating significant opportunities to become even more efficient.

Going forward, our exclusive focus will be to drive growth in our high-return, capital-light businesses, creating value for our customers through the workplace and with institutions.

In addition, this transaction will enhance several of our key financial metrics. First, we remain committed to growing our normalized adjusted operating EPS by at least 10% through 2021. Beyond 2021, we believe that selling Voya's Individual Life business will improve the long-term earnings growth profile. Second, we now expect to be at the high end of the 85% to 95% free cash flow conversion. And third, our long-term return on equity target will increase to 14% to 16% ex-AOCI, even as we include the value of our deferred tax assets.

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The new company being established will be staffed almost entirely by the employees who currently run the business for Voya. This gives us confidence in both the ability to execute the transaction and the future of Resolution Life US. The transaction completes the restructuring efforts that began with our initial public offering in 2013. It will improve Voya's path to future growth and further distinguish Voya from its peers.

I will now ask Mike to walk through some more details on the transaction.

Mike Smith ***Voya Financial, Inc. - CFO***

Thank you, Rod. Slide 4 provides more details on the transaction. The transaction results in the sale of Voya's Security Life of Denver, Security Life of Denver International and its subsidiaries to a new holding company, Resolution Life US. Voya will also take a $225 million interest in Resolution Life Holdings, which will own the business we are selling and other life insurance companies.

Additionally, we will reinsure certain life insurance policies, pension risk transfer business and non-Retirement annuities to Security Life of Denver. Voya will receive approximately $1.5 billion of net proceeds, of which $600 million to $800 million will be used to retire existing debt to maintain our debt-to-capital ratio below 30%. We expect the remaining capital to be used for share repurchases unless more value-enhancing investment opportunities present themselves.

As you know, we have proven to be good stewards of capital by returning roughly $6 billion of capital to shareholders since our IPO, and we'll continue to maintain the same discipline with this excess capital. We're also establishing a long-term relationship between Resolution Life and Voya Investment Management, with Voya Investment Management being a preferred investment provider. We will retain a significant portion of assets, which speaks to our strong investment performance and expertise in managing assets for institutional investors, particularly insurance companies.

Today's announced transaction has been unanimously approved by our Board and will be subject to customary regulatory approval. We have a successful track record of working with regulators to complete transactions and expect to close the transaction by the third quarter of 2020. Last, but importantly, we believe that our policyholders will continue to be served well, as we and Resolution Life have a rich history of fulfilling our policyholder obligations.

Turning to Slide 5. This transaction delivers shareholder value by accelerating cash flows from the Individual Life segment. At Investor Day, we expected to generate at least $1 billion of free cash flow from the segment over 5 to 6 years through 2024. This transaction, along with the $200 million reserve financing transaction completed early in the fourth quarter, brings the total value to $1.7 billion realized from the segment on an accelerated timeline. The Board and our management team are confident this is the best outcome for our shareholders.

On Slide 6, we illustrate a path to earnings per share growth. We are targeting a quarterly operating EPS of $1.80 to $1.90 by the end of 2021, just over 12 months post-transaction closing. Let's begin on the left with the previously shared fourth quarter 2019 EPS of $1.57 per share. Moving left to right, the first bar shows the impact of the Individual Life and non-Retirement annuities earnings sold.

Second, we will incur stranded costs, which will be reported in our Corporate segment.

Third, we expect to address our stranded costs, in part by leveraging some cost savings in excess of our existing $250 million target and from further simplification this transaction brings to Voya. We have a strong track record of addressing stranded costs.

Fourth, reducing debt and deploying proceeds into share repurchases at an even quarterly pace following the close of this transaction will increase earnings per share. As we have noted, we continue to view share repurchases as the most value-enhancing use of proceeds today.

Finally, the other drivers of earnings per share growth will include normal course share repurchase activity assumed through 2021 and continued organic growth in our businesses. In addition, our earnings per share beyond 2021 will grow at an even higher rate, given the divestiture of Individual Life earnings.

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We also remain committed to the 2019 to 2021 earnings growth targets for Retirement, Investment Management and Employee Benefits, including Investment Management's targeted operating margin of 30% to 32%. Our commitment to these targets reinforces our value proposition, our ability to attract and retain clients and our confidence in executing the plans we shared at Investor Day.

With that, I'll pass it back to Rod.

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

Thank you, Mike. Let's turn to Slide 7. Since the IPO, we've made deliberate choices to streamline our business and focus on 3 complementary, high-growth, high-return, capital-light businesses. We expect to generate at least 10% normalized adjusted operating EPS growth through 2021. Across our businesses, we have generated significant growth and profitability, supported by our investments. We've done this while being disciplined with our expenses. We are well positioned to continue serving the workplace and institutional customers, helped by our Voya brand, which continues to be the most recognized name in Retirement.

Finally, we intend to build upon the capital management track record that we've demonstrated by having returned $6 billion of capital to shareholders since our IPO. With the Individual Life business sold, we now expect to be on the higher end of our 85% to 95% free cash flow guidance.

Turning to Slide 8. We're very excited about the opportunities ahead for Voya. This transaction allows us to exclusively focus on investing in our leading Retirement, Investment Management and Employee Benefits franchises, and we see significant future opportunities to grow these attractive, high cash flow-generating businesses.

As we've demonstrated already in 2019, our clear strategy, market-leading positions and our commitment to providing the solutions designed to improve client outcomes gives us confidence we can continue to grow. Equally important is our investment in our people and culture, which has been and will continue to be a major driver of our performance going forward. We are excited about the future as a company with high-growth, high-return, capital-light businesses that are well positioned to help us achieve our vision to be America's Retirement Company.

With that, I will turn the call back over to the operator so we can take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question is coming from Andrew Kligerman of Crédit Suisse.

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

Congrats, it looks great. Wanted to ask about the $225 million interest in the parent investment fund and the $123 million surplus note. Are you required to hold those 2, I guess, I'll call them investments, over the long term? Or at some point could you divest them?

Mike Smith ***Voya Financial, Inc. - CFO***

Andrew, thanks for the question. This is Mike. We're not required to hold them. I think it's safe to say we have no plans to divest ourselves of them. But over time, if that opportunity availed itself and it made economic sense to do so, I presume we would. But I think we're pretty comfortable with the investment.

We have great confidence in the team. It wasn't -- to be clear, certainly, the equity interest was not part of the -- not a requirement of the deal. We had a choice to make and we think that there's value in the life block, confidence in and not just our team, but the Resolution team broadly. So we decided it made a lot of sense for us to take a position there.

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

And Andrew, I'd build on what Mike said, this is Rod. That is also capped at that level. So there's no further capital call on top of the $225 million.

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

Got it. And then just in terms -- I mean, I see that the buyback has been enhanced very nicely. Any thoughts on deploying that capital potentially from the proceeds potentially for acquisitions? And if so, what might be of interest?

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

Andrew, it's Rod. So we've signaled on this call we're going to be on the higher end of the range of free cash flow, the 85% to 95%, continuing to grow normalized earnings 10+% over the period and a $1 billion-plus in share repurchase in '20. We're going to update our thinking, as we indicated in the last call, at the fourth quarter and give a little more clarity around that evolving picture.

But I look at the $6 billion of share repurchase that we've done as a firm, $3 billion -- $1 billion in '18, $1 billion-ish in '19, and we're signaling here $1 billion-plus in '20. We continue to say repeatedly for the entire time we've been a public company, we're going to be good stewards of capital. When we introduced this plan at Investor Day, it was with the anticipation of investing in our businesses. Nothing has changed on that front, and we'll continue to be good stewards of that capital go forward. So stay tuned.

Mike Smith ***Voya Financial, Inc. - CFO***

Andrew, I'd only add, just to reinforce the point we've made, which is we're going to compare the opportunities in the M&A space to alternative uses of capital, namely share buyback. And so as those opportunities reveal themselves, as our stock price journey unfolds and as our ongoing prospects change, then we'll continue to evaluate that. But I think we've consistently said the things that we're looking for in the M&A space are in the retirement world, a bolt-on, potentially investment management with some distribution enhancement for international. Nothing changes as a consequence of this transaction.

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

I think the one piece it does is complete the transformation and really puts us on a path for accelerated growth.

Operator

Our next question is coming from Ryan Krueger of KBW.

Ryan Krueger ***Keefe, Bruyette, & Woods, Inc., Research Division - MD of Equity Research***

Congrats. My first question was, can you provide some additional detail on your -- the preferred asset manager, I guess, relationships you have going forward with Resolution? Would that include non-U.S. assets as well as U.S. assets? And I guess, just looking for like, when they do deals, how should we think about your potential slice of that? Or like how many asset managers would you be among that could be gathering new assets there?

Mike Smith ***Voya Financial, Inc. - CFO***

Ryan, I think the way to think about it for now is that we're going to be the manager of over 80% of the assets that transfer for the next 2 years. It'll grade off over the following 5 for a total of 7 years. In terms of future acquisitions that Resolution does, there's no guarantees in the deal. However, we think we've got, particularly as they get to know us and they see the performance, I think we've got a fighting chance to go in and win that business from Resolution. So I think we've got a preferred position simply being -- building those relationships, demonstrating the value we can add in our expertise in managing fixed income portfolios, especially for insurance companies.

Ryan Krueger ***Keefe, Bruyette, & Woods, Inc., Research Division - MD of Equity Research***

Got it. And then this is probably less important than the long-term EPS, certainly. But can you help us think about how this will impact your, I guess, nearer term EPS just from -- in the next few quarters?

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Mike Smith ***Voya Financial, Inc. - CFO***

Yes. I can give you a start, and then I think we'll give more color in the fourth quarter because it's fairly difficult to talk about it in a hypothetical framework. But if you look at the slide that has the waterfall chart, if you take the guidance for 4Q and then you subtract those first 2 bars, that's pretty much what, on a run rate basis, you should think about as the fourth quarter result after the adjustments.

Now obviously, there'll be the underlying effects of the fourth quarter results, we'll be driving that. And we don't include share buyback, we don't include equity markets. But I think that gets you most of what you need for 4Q. How it will unfold after that, I think we'll try to give some more clarity in the fourth quarter call. But it will be incumbent on us to help you all understand what we would look like sort of on an apples-to-apples basis ex the transaction. So we'll do some level of normalization just to give you a clear sense of the trend because the stranded costs will come through above the line. The earnings for the blocks, even though we will still be owning them, they'll be in discontinued ops below the line.

Operator

Our next question is coming from Suneet Kamath with Citi.

Suneet Kamath ***Citigroup Inc, Research Division - MD***

My first question's on the $0.20 roughly of cost savings in the same waterfall. Can you give us a sense of how much of that is kind of within the $250 million-plus number that you've talked about versus how much of that could be incremental cost savings associated with this transaction?

Mike Smith ***Voya Financial, Inc. - CFO***

Yes. Look, I think the first thing I'd say is, our track record supports our ability to address these stranded costs and I think we're very confident in our ability to do so. We'll give more color on the fourth quarter call on exactly how that's going to play out. I think we do have excess cost savings that we can use to apply this. It's applied to this stranded cost issue.

I'd also remind everybody, and I think this will be important for us, is the simplification of Voya eliminating those legal entities, the broker-dealer, the 15 complicated administrative environment we operate in on the Life side and all the downstream effects that, that creates, I think, gives us ample opportunity to make additional headway. But we'll give you more color as we go forward, both in the fourth quarter and as we go on down this journey.

Suneet Kamath ***Citigroup Inc, Research Division - MD***

Yes. That was my thought is that there would be some more cost savings, given all of the simplification, but yes. I guess we'll wait to...

Mike Smith ***Voya Financial, Inc. - CFO***

Yes. I think we're not quite ready to give you a number there yet. But it will reveal itself, I think, fairly quickly for us as we go -- as we enter into the untangling that we're going to have to do over the next 6 to 9 months.

Suneet Kamath ***Citigroup Inc, Research Division - MD***

Got it. And then my follow-up is just on the timing of the close. So if macro is very volatile, interest rates could move around, credit spreads could widen out, is what you've negotiated at this point sort of locked in? Are there any potential contingencies based on year-end finalization of stat results or anything like that could impact the proceeds?

Mike Smith ***Voya Financial, Inc. - CFO***

Yes. Look, I think there's nothing that I would say that will prevent us from closing the deal. I think the terms will evolve a little bit as the macro environment -- if the macro environment changes a lot. But I would say that has to be pretty significant. And we've got alternative ways to get to close. So we're feeling pretty good about our ability to get this done.

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

And we've got a very experienced partner with Resolution. So this has been a very thoughtful series of conversations over a considerable period of time. We feel very good about the partners that we've got. And again, much like what we did in the creation of Venerable, this is

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creating a similar opportunity for our employees and how our customers, present customers will be served now from them, which is why we were happy to take a position with the company. And frankly, very happy to retain, back to a prior question, the asset management piece. And again, now 2 years into that relationship with Venerable, we see that positioning only strengthening in terms of their understanding of where our unique capabilities are and how that may serve them prospectively. And on a like-mannered way as it relates to Resolution in this way, too.

Operator

Our next question is coming from Tom Gallagher of Evercore ISI.

Tom Gallagher ***Evercore ISI Institutional Equities, Research Division - Senior MD***

A few questions. So Rod, when you decided to retain the Individual Life insurance business about a year ago, was this kind of offer available in terms of the quantity of how much you're getting for it? Or is this something that recently emerged? And I ask that simply because if you just look at what's happened to macro, obviously, equity markets are strong, but interest rates, I think, are down about 100 basis points since you announced that and your mortality results have been a bit mixed. So just curious if this is something that more recently emerged and if you can comment on it.

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

Really good question. And I would point to, it's similar and different from the discussions, Mike Smith and team and I had on the VA book, which were probably 50 to 100 different conversations over multiple years. We've had many, many conversations over a period of time here. And when one's making a decision to do this, candidly, the aperture of how you look at interest rates is well beyond a year's period of time. And mortality, as we've talked about, is viewed in a much broader context than a few quarters. And I'm not in any way diminishing that issue, but really over, again, a 5- or 10-year period of time. So there were -- ample parties then come, there have been ample parties now. And part of what we've been looking for is really the outcome we found. And that's a transaction that advances something north of $1 billion to the $1.7 billion from a financial perspective. We're delighted and happy to take an interest in that. I'm really pleased for our employees. This is an excellent outcome. They are assuming our employee base, which has served this customer base and Voya capably, and I'm very happy to be partnered with them.

So part of it is just getting those things lined up, Tom, and that just takes time. And we were happy to take the time. And if you recall back to a year ago, we felt we could be better managers of that asset, and frankly, find ways to return capital faster. And I think that's exactly what we've done.

Tom Gallagher ***Evercore ISI Institutional Equities, Research Division - Senior MD***

Yes, I guess, patience was a virtue in this sense.

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

Well, we've got a very virtuous Board and a great team that's been supporting this. And look, I really do think it puts an exclamation point on the transformation piece. And so the "from-to"part - the "to"-part with the capital-light businesses, the 10-plus percent normalized EPS growth rate, higher free cash flow and all that is just, I mean, you've heard us tell the story a lot, but that's really what we're so excited about moving into '20.

Tom Gallagher ***Evercore ISI Institutional Equities, Research Division - Senior MD***

Got you. And then my follow-up is just the $1 billion buyback expected in 2020. Since the deal won't close until the end of 3Q 2020, is the plan to front-load some of the buybacks with the planned proceeds here? Or should we expect that this could actually be a bigger impact for buybacks into 2021?

Mike Smith ***Voya Financial, Inc. - CFO***

Tom, I think our approach is that we've demonstrated across the years now is one of a more of a steady, deliberate pace. We'll generate a significant amount of excess capital through the balance of this year and into next year, and then we'll have the proceeds available

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sometime in no later than the third quarter. So the $1 billion, I think, is representative of the ongoing excess capital generation and a first installment of the use of the proceeds. And then I think you should think of it after that as, and we certainly modeled it that way so the numbers on the slide represents a level usage of the proceeds over the remaining quarters.

Tom Gallagher ***Evercore ISI Institutional Equities, Research Division - Senior MD***

Got you. And then if I could just sneak one more in. The Resolution Life Holding, the $225 million investment, that's going to be a relatively large single position versus what will be, what, a $38 billion general account? Have you thought about kind of concentration risk charge, et cetera, related to that?

Mike Smith ***Voya Financial, Inc. - CFO***

Yes. Absolutely. And we factored that into the proceed calculations. So the way to think about this is it'll replace some of our existing alternative exposure that cash ultimately becomes available for us to use, but without that, amount was decremented for the additional capital we'll have to hold because of that new position.

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

And so, the thing I'd add is that's also part of the HoldCo fund, it's a diversified set of investments. And I think if you look at their press release on their capital raise and look at the investors that are part of that, it's a very sophisticated group and well-diversified by geography and experience that we're partnering with.

Operator

Our next question is coming from Humphrey Lee of Dowling & Partners.

Humphrey Lee ***Dowling & Partners Securities, LLC - Research Analyst***

Also congratulations on getting to the transaction. Just thinking about the DTA. So clearly, the transaction would have an impact on that, but it seems like you still anticipate to be a non-cash taxpayer. But can you kind of maybe help us think about what is the DTA left and how should we think about that?

Mike Smith ***Voya Financial, Inc. - CFO***

Humphrey, in terms of the specific question of what the DTA is, I think we'll give you more color when we complete the final accounting for this in the fourth quarter. But -- and we'll also update you on the net present value of DTA, but -- and I think you said it, right? This doesn't change the real part of the story that -- the part of the story that really matters, I should say, in that we don't expect to be a cash taxpayer for the next 5 to 7 years.

I don't think there's going to be meaningful loss of value. I think you've got to think about this, not only in terms of a smaller DTA, but also smaller earnings and a lower share count. And so when you put all that together, I think the value's still going to be pretty meaningful for Voya overall and especially in distinguishing us from a cash flow conversion perspective.

Humphrey Lee ***Dowling & Partners Securities, LLC - Research Analyst***

That makes sense. So taking a bigger picture question. So with this transaction and the CBVA transaction a couple of years back, I think it appears that you've already executed the obvious strategic alternatives. Are there anything else on the table that you could contemplate? I guess, like looking at the -- another announcement today, there's a big transaction -- like how committed are you to the Employee Benefits business that you have?

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

Very. It's a terrific business. I think the transaction you're referring to is -- it really underscores that. We have, I think, a unique position in the marketplace. We like the combination of our Stop Loss, our Voluntary and our Group Life mix. You are well familiar with the attributes and the return characteristics of that, it's a substantial cash generator for us and a very important part of the 3 businesses that we're intending to grow. So we are very excited about being able to put all of our attention on and with the investments we're making in these businesses to grow as fast as we can.

And frankly, that's just not a trivial point. Anytime any company has a legacy business, it requires time and attention from management

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and Board. This really completes, which is why I've said this probably twice or three times on the call, the transformation process. And I think it does it with a great statement of execution and certainty and outcome and with a great partner in Resolution. So we're excited about it. We're not interested in any way changing our course with that business.

Operator

Our next question is coming from Alex Scott of Goldman Sachs.

Alex Scott ***Goldman Sachs Group Inc., Research Division - Equity Analyst***

The first one I had is on risk-based capital. I saw that you're retaining the 400% target. This transaction, I think, does reduce a pretty significant amount of risk. I think SGOL was probably the one riskier area that you still had, and so shutting that I would think would cause you to assess these RBC targets. Is that something you've done already and you kind of concluded that $400 million is the right level? Or is that something that you'll still be working on?

Mike Smith ***Voya Financial, Inc. - CFO***

Look, Alex, thanks for the question. We would expect to continue to evaluate our target RBC level over time, all the time. And we'll continue to monitor that, see where our peers are, see where rating agency expectations are, get a sense for our own level of comfort. For the short term, I think we felt like this was a large transaction. We've got to successfully navigate it. We've got a fair amount of debt to retire, so there's a number of moving pieces. I think from my perspective, it would be prudent not to introduce yet another moving piece. So as the, for lack of a better term, as the dust settles on the transaction and we get to a point near the end of '21 where we've addressed the stranded costs, where we're growing, as I expect, in our remaining 3 businesses and as we lay out our vision going forward into '22 and beyond, that'll be a time that would be a natural point to consider that, but I'm not predicting a change. I'm just saying that, that would be one place to evaluate that.

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

And as we've discussed, and Mike, I think, nicely summarized it, that is a lever available. And I think the bigger, broader picture is the consideration and outcome, once complete, that dramatically improves our risk profile with reduced interest rate risk, credit risk and mortality exposure. And that's what we're particularly excited about.

Alex Scott ***Goldman Sachs Group Inc., Research Division - Equity Analyst***

And I guess one follow-up I had was on the rate exposure. You guys have quantified, I think, changes to interest rates and how that impact your EPS. I mean do you have any update to that? I think it was a relatively benign impact you were already calling out. Does this even more meaningfully reduce that?

Mike Smith ***Voya Financial, Inc. - CFO***

Yes, Alex, over the short run, the exposure that we've given in terms of -- from here, think of it as if rates stay where they are, it's another 1% headwind in '20 and another 1% after that in '21, if they stay at that level through '20 -- at this level through '21. That, on a percentage basis, that guidance isn't going to change. It's not materially affected by this. However, you should think of our longer-term interest rate exposure very differently. The life business is longer tailed and longer duration assets. And so I think we've taken a significant bite out of the interest rate risk that we'd have otherwise had.

Alex Scott ***Goldman Sachs Group Inc., Research Division - Equity Analyst***

Got it. And if I could sneak one last one in. On excess capital, I think you gave us most of the building blocks to be able to sort of calculate where it would be pro forma the transaction. But is there anything else in terms of friction costs we should be considering there or diversification benefit or anything like that?

Mike Smith ***Voya Financial, Inc. - CFO***

The number we gave is all in. So it is what we expect, given all we know right now, for us to be able to deploy at the time of close. And maybe the way to think about this is just out of the $1.7 billion, $200 million is available at the end of the fourth quarter. There is an earnings that we will accrue on the block while we continue to own it. So between now and close, there are earnings that will also generate additional capital. And then the balance becomes available at close.

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Operator

Our next question is coming from Ian Ryave of Bank of America Merrill Lynch.

Ian Ryave ***BofA Merrill Lynch, Research Division - Research Analyst***

Just real quick on the debt retirement. Is that just right-sizing your debt-to-equity after the transaction and you take kind of the hits to equity? And basically, after this, when you think about your earnings mix, how would you view your cost of debt going forward?

Mike Smith ***Voya Financial, Inc. - CFO***

I don't think it's going to be meaningfully different on the other side. I think it'll depend on where we see the opportunities in the market as we seek to retire. But I don't think it's going to change in terms -- on a percentage basis, it won't be any different. Obviously, the debt load will be meaningfully reduced and so the overall interest cost will be also meaningfully reduced, which is built into some of the pro-formas.

Ian Ryave ***BofA Merrill Lynch, Research Division - Research Analyst***

Got it. So basically, the debt retire is just a function of the equity market hits you're going to take and potential loss on the sale of the subsidiaries, right?

Mike Smith ***Voya Financial, Inc. - CFO***

Yes. The book -- there's a GAAP book value loss that we identified in the press release. That'll reduce our overall GAAP equity and so we simply pro-rata, reducing our debt load.

Operator

At this time, this concludes our question-and-answer session. I'd like to turn the conference back over to Rod Martin for closing comments.

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

Thank you. We appreciate your participation this morning. We're excited about our future. We believe there's a -- there are tremendous opportunities to expand and grow our market-leading positions. We will have more to share with you on the fourth quarter earnings call in February. Thank you and very happy holidays to all. Good day.

Operator

Thank you. This concludes today's conference. You may disconnect your lines at this time. Thank you for attending today's presentation. Have a wonderful day.

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