

# A reorganization that benefits all shareholders



POWER CORPORATION OF CANADA

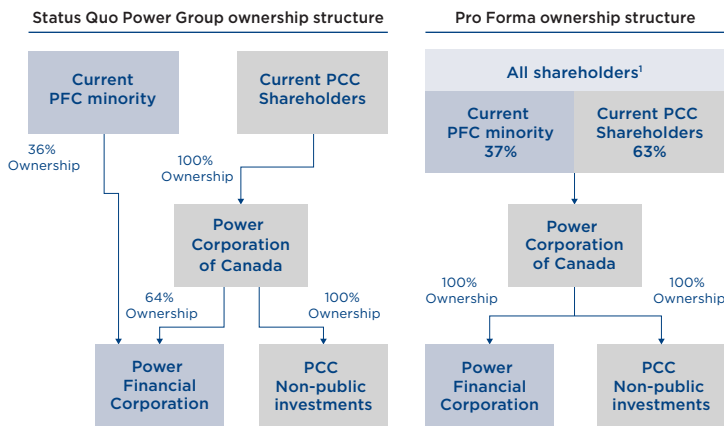


POWER FINANCIAL CORPORATION

PCC and PFC have agreed to a Reorganization in which each of the ~36% of common shares of PFC held by shareholders other than PCC will be exchanged for 1.05 shares of PCC and \$0.01

## Simplified structure

Consolidate ownership of PCC and PFC and ultimate ownership of the group's industry-leading financial services operating companies



## New leadership at PCC

Paul Desmarais, Jr. and André Desmarais to retire as Co-Chief Executive Officers after 24 years, continuing to play an active role in the governance as Chairman and Deputy Chairman

R. Jeffrey Orr to become President and Chief Executive Officer

## Strategy emphasizing financial services

Continued focus on PFC's OpCos



Development of PCC's investment platforms



## Meaningful reduction of operating expenses and financing charges

Reduction in operating expenses

**\$50M**

per year expense reduction within two years

Reduction in financing charges

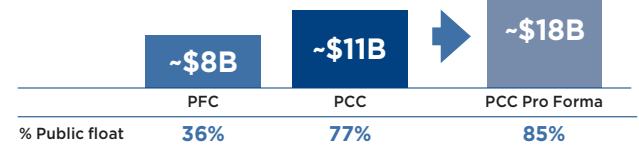
**\$15M**

per year reduction in financing charges

## Increased public float and liquidity

Public float

Source: Bloomberg

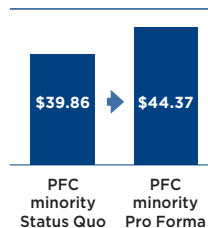


Note: Based on ownership of shares outstanding, i.e. economic ownership. Market data as of Dec. 12, 2019

PCC and PFC expect the Reorganization to be completed in February 2020, subject to receipt of all required approvals

## Financial benefits for all shareholders

PFC NAV per share<sup>2</sup>



Note: Market data as of Dec. 12, 2019

**11%** NAVPS accretive for PFC

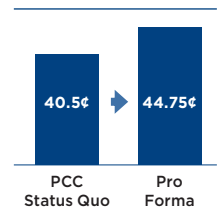
PFC shareholders increase exposure to PFC's assets and gain additional exposure to PCC's alternative investment platforms

Reorganization is expected to be EPS accretive to both PCC and PFC shareholders (after applying the 1.05 exchange ratio), driven by reductions in operating expenses and financing charges<sup>3</sup>

**10%** Growth in PCC DPS

PCC intends to raise the quarterly dividend which will increase the dividend to all shareholders<sup>4</sup>

PCC Dividends



1 PFC will still have publicly traded preferred shares and debt securities.

2 Based on the exchange ratio of 1.05x. Excludes any potential impact from transaction costs, and without accounting for any issuance of Participating Preferred Shares ("PPS") under the Pre-emptive Right. Assuming 6.0 million PPS are issued at a price of \$31.44 per share (based on the 5-day volume weighted average price of PFC and PCC as of 12-Dec-19), Net Asset Value per share is \$44.27 (+11% accretion to PFC shareholders). The Fairness Opinion of RBC Capital Markets indicates that PFC shareholders will receive Subordinate Voting Shares with a NAV which is \$3.12 per Common Share higher than the NAV of the Common Shares as at December 11, 2019. The amounts disclosed herein indicate that PFC shareholders will receive Subordinate Voting Shares with a NAV that is \$4.50 per Common Share higher than the NAV of the Common Shares. The \$4.50 figure, which was calculated in a manner consistent with the approach used by equity research analysts and the public reporting practices of PCC and PFC, differs from the \$3.12 figure used by RBC primarily because RBC included a deduction for the capitalization of corporate general and administrative expenses of PCC. This difference also results in a difference in the

calculation of the increase in NAV per share on a percentage basis. For further information on the RBC calculation of the increase in NAV of the Subordinate Voting Shares, see the Fairness Opinion and Formal Valuations attached as Appendix "C" to the accompanying circular.

3 Based on research analyst consensus for 2020 and 2021 as of 12-Dec-19 and includes \$50 million of run-rate operating expense reductions and \$15 million of run-rate financing charge reductions. No tax impact assumed for expense reductions.

4 The decision to declare any dividends, including the amounts and dates of such dividends, is subject to approval by the Board of Directors of PCC and contingent upon financial and other conditions that exist at the time.

Certain statements in this document, other than statements of historical fact, are forward-looking statements based on certain assumptions and reflect PCC's and PFC's current expectations with respect to disclosure regarding PCC and PFC, respectively. Readers are referred to the section "Forward-Looking Statements" in the accompanying circular.