



POWER CORPORATION
OF CANADA

Annual Meeting of Shareholders

Address to the Shareholders by
R. Jeffrey Orr
President and Chief Executive Officer
May 15, 2020

www.PowerCorporation.com



Forward-Looking Statements

In the course of today's meeting, representatives of the Corporation may make, in their remarks or in response to questions, and the accompanying materials may include, statements containing forward-looking information.

Certain statements, other than statements of historical fact, are forward-looking statements based on certain assumptions and reflect the Corporation's current expectations, or with respect to disclosure regarding the Corporation's public subsidiaries, reflect such subsidiaries' disclosed current expectations. Forward-looking statements are provided for the purposes of assisting the listener/reader in understanding the Corporation's financial performance, financial position and cash flows as at and for the periods ended on certain dates and to present information about management's current expectations and plans relating to the future and the listener/reader is cautioned that such statements may not be appropriate for other purposes. These statements may include, without limitation, statements regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of the Corporation and its subsidiaries, including the fintech strategy, the expected impact of the COVID-19 pandemic on the Corporation and its subsidiaries' operations, results and dividends, as well as the outlook for North American and international economies for the current fiscal year and subsequent periods, the intended effects of the Reorganization, the Normal Course Issuer Bid (NCIB) and the proposed redemption by the Corporation and Power Financial of certain classes of their First Preferred Shares. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "plans", "believes", "estimates", "seeks", "intends", "targets", "projects", "forecasts" or negative versions thereof and other similar expressions, or future or conditional verbs such as "may", "will", "should", "would" and "could".

By its nature, this information is subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved. A variety of factors, many of which are beyond the Corporation's and its subsidiaries' control, affect the operations, performance and results of the Corporation and its subsidiaries and their businesses, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. These factors include, but are not limited to: the impact or unanticipated impact of general economic, political and market factors in North America and internationally, fluctuations in interest rates, inflation and foreign exchange rates, monetary policies, business investment and the health of local and global equity and capital markets, management of market liquidity and funding risks, risks related to investments in private companies and illiquid securities, risks associated with financial instruments, changes in accounting policies and methods used to report financial condition (including uncertainties associated with significant judgments, estimates and assumptions), the effect of applying future accounting changes, business competition, operational and reputational risks, technological changes, cybersecurity risks, changes in government regulation and legislation, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events, man-made disasters, terrorist attacks, wars and other conflicts, or an outbreak of a public health pandemic or other public health crises (such as COVID-19), the Corporation's and its subsidiaries' ability to complete strategic transactions, integrate acquisitions and implement other growth strategies, and the Corporation's and its subsidiaries' success in anticipating and managing the foregoing factors.

The listener/reader is cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements. Information contained in forward-looking statements is based upon certain material assumptions that were applied in drawing a conclusion or making a forecast or projection, including management's perceptions of historical trends, current conditions and expected future developments, as well as other considerations that are believed to be appropriate in the circumstances, including the availability of cash to complete purchases under the NCIB and to redeem First Preferred Shares of the Corporation and Power Financial and that the list of factors in the previous paragraph, collectively, are not expected to have a material impact on the Corporation and its subsidiaries. While the Corporation considers these assumptions to be reasonable based on information currently available to management, they may prove to be incorrect.

Other than as specifically required by applicable Canadian law, the Corporation undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise.

Additional information about the risks and uncertainties of the Corporation's business and material factors or assumptions on which information contained in forward-looking statements is based is provided in its disclosure materials, including its most recent Management's Discussion and Analysis and Annual Information Form, filed with the securities regulatory authorities in Canada and available at www.sedar.com.

Non-IFRS Financial Measures and Presentation

Effective the first quarter of 2020, the Corporation introduced an enhanced definition of its non-IFRS earnings measure, Adjusted net earnings. This change is consistent with the introduction of base earnings (loss) by Lifeco which was introduced in the first quarter of 2020 to reflect management's view of the operating performance of Lifeco. Lifeco defines base earnings (loss) as net earnings excluding the impact of actuarial assumption changes and management actions, direct equity and interest rate market impacts on insurance contract liabilities net of hedging, and items that management believes are not indicative of the company's underlying business results. The definition of Adjustments includes what the Corporation previously presented as other items and also includes Lifeco's impact of actuarial assumption changes and management actions, and direct equity and interest rate market impacts on insurance contract liabilities net of hedging. The definition of Adjustments used in Adjusted net earnings is being adopted to enhance comparability of results between reporting periods and in anticipation of Lifeco's implementation of accounting changes related to IFRS 17, *Insurance Contracts*, on January 1, 2023. The comparative periods have been restated to reflect the introduction of this enhanced measure.

Certain financial terms which may be included in statements today or in the accompanying materials, such as adjusted net earnings, other items/adjustments, adjusted net earnings per share, net asset value, net asset value per share and assets under administration, are non-IFRS financial measures that do not have a standard meaning and may not be comparable to similar measures used by other entities. The Corporation also uses a non-consolidated basis of presentation to present and analyze its results whereby its interests in its subsidiaries are accounted for using the equity method. Presentation on a non-consolidated basis is a non-IFRS presentation. Please refer to the Corporation's annual and most recent interim Management's Discussion and Analysis for more information, including how such measures are defined, an explanation of their purpose and a reconciliation of these non-IFRS measures to results reported in accordance with IFRS, where comparable IFRS measures exist.



Address to the Shareholders by
R. Jeffrey Orr
President and Chief Executive Officer

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May 15, 2020

I am pleased to be able to speak to you today, Ladies and Gentlemen, albeit remotely, and report on the significant recent developments at Power Corporation and describe to you our plans for the future.

Before I do, I would like to say a few words about the difficult situation we all find ourselves in as a result of COVID-19. I want to recognize the extraordinary efforts of our employees across our companies, as a result of whose work we have been able to continue to serve the needs of our clients while operating on a remote basis. I also want to salute the heroic and selfless behaviour of front-line workers across Canada and around the world, often putting themselves at risk in order to help those afflicted. Finally, we all extend our sympathies to the thousands of people who have loved ones directly impacted by the disease.

Like so many organizations, much of our efforts have been diverted lately to managing the challenges posed by COVID-19. We are also very conscious of the fact that it is critical to continue to look forward to a brighter future, and to continue to plan and prepare for the opportunities that lie ahead of us.

It is in this spirit that I will describe to you our recent changes, and the plans we have going forward.

Simplifying our corporate structure

The past year has seen significant change at Power. In December, the Corporation announced a significant Reorganization, which closed in February of this year, whereby all Power Financial common shares held by the public were exchanged for Power Corporation shares, eliminating the dual-holding-company structure that was created in 1984.

The simplified corporate structure reduces organizational complexity and makes Power Corporation easier to understand and value. The Corporation will pursue a more focused strategy emphasizing financial services. Shareholders will also benefit from an increased public float and trading liquidity. Power Corporation announced that it will undertake a reduction in operating expenses of \$50 million per year within two years and a reduction in financing expenses. The Corporation also announced a 10.5 per cent increase in its dividend commencing with the payment in the second quarter of 2020.

The structure with Power Financial as a public company served shareholders very well for many years, as Mr. Desmarais will address in his remarks.

With the Reorganization, Paul Desmarais, Jr. and André Desmarais retired as Co-Chief Executive Officers of Power, positions they had held since 1996. They will continue to be active in the Corporation's governance, retaining their roles of Chairman and Deputy Chairman, respectively. I will have more to say about them in a few minutes.



Ongoing value creation strategy

The Reorganization was part of Power's ongoing efforts to create shareholder value.

Earlier in 2019, for example, Great-West Lifeco announced the sale of its U.S. individual life insurance and annuity business in order to focus on the retirement and asset management markets in the United States. Great-West Lifeco decided to mitigate the resulting earnings dilution by buying back \$2 billion of its common shares, which provided the opportunity to launch simultaneous substantial share buybacks at each of Power Corporation and Power Financial.

The simultaneous three-level share buybacks were a first in the capital markets, returned capital to shareholders and increased the net asset values per share of each of Power Corporation and Power Financial.

The large share buybacks and the Reorganization and de-listing of Power Financial common shares announced in December contributed to strong shareholder returns for Power Corporation shareholders.

While our primary focus remains on long-term shareholder value creation, the one-year and three-year total shareholder returns for the periods ended December 31, 2019, were 44.0 per cent and 9.1 per cent, respectively, as compared to 22.8 per cent and 6.9 per cent for the TSX Index and 21.4 per cent and 7.6 per cent for the TSX financial services sub-index.

In March of 2020, an additional initiative was announced with the goal of simplifying the corporate structure at Pargesa Holding and Groupe Bruxelles Lambert. The proposal would result in Pargesa becoming a private company controlled jointly by Power and the Frère family, eliminating the dual-holding-company structure and leaving GBL as the sole public holding company. The transaction is subject to various shareholder approvals at Pargesa and GBL.

Assuming the Pargesa/GBL reorganization receives the necessary shareholder and other approvals, together with the Power/Power Financial Reorganization, Power Corporation's corporate structure will have been simplified significantly over the last few quarters.

The Power group will continue to pursue initiatives that create and surface value for shareholders.

Value creation focused on three levers

Power's value creation strategy is focused upon three levers.

The first lever is the pursuit of clearly articulated organic growth strategies at each of our public operating companies. Across the businesses that make up Great-West Lifeco, IGM Financial and GBL, the management teams are transforming their business models to meet the changing needs of their customers.

The second lever is the deployment of capital to add to growth inorganically, such as via acquisition, and the redeployment of capital from businesses not expected to meet our return aspirations, such as the sale of Great-West Lifeco's U.S. insurance business I referred to a moment ago. Our public operating companies are continually reviewing opportunities to add to their competitive position and earnings potential through engaging in potential acquisition activity.



The third lever is the focus on actions we can take either at the Power level, between Power and its operating companies, or between our group companies. The recent collapse of Power's dual-holding-company structure, the simultaneous share buybacks and the proposed simplification of Pargesa and GBL's structure, all referred to above, are examples of utilizing this third lever.

It is expected that the organic and inorganic strategies at our public operating companies will continue to be the primary drivers of Power's value creation going forward, given that these companies represent over 80 per cent of our total current value.

Building alternative asset management businesses

Power Corporation will continue to build upon its very successful investment platforms to create growing and profitable alternative asset management businesses through Sagard Holdings and Power Sustainable Capital. We have highly skilled teams operating in different investment asset classes, including private equity in Europe, fintech, private credit, healthcare royalties, public equities in China and North American renewable energy.

A number of these teams have been in place for many years, while other teams are made up of experienced professionals who have joined our group more recently.

The plan for our alternative asset management businesses is based upon the following:

- operate in asset classes where we can create competitive advantage;
- raise and manage third-party capital, with Power acting as a provider of seed capital;
- demonstrate the ability to be profitable as an asset manager within a reasonable time period;
- realize synergies with our various operating companies, by creating mutually beneficial distribution arrangements to help them serve their clients, or by meeting their own balance sheet needs.

Third-party capital is already the primary source of funds for many of our investment strategies, while others are currently funded by Power's own balance sheet.

Our expectation is that as this new strategy is implemented, we will, at the Power Corporation level, migrate to a model which requires a lighter commitment of capital, produces a higher return on the capital which is deployed, and permits the return of excess capital to shareholders.

The guiding principles underlying Power's value creation strategy remain unchanged, and have underpinned the success of the Corporation over many decades:

- We have a long-term investment perspective
- We try to build leading franchises with attractive growth profiles
- We provide strong governance oversight
- And we take a prudent approach to risk



Communicating with our stakeholders

We have also been on a journey to enhance communications to our various stakeholders, be they our shareholders, employees, clients or the communities where we operate.

As part of this effort, we have expanded our investor outreach during the past few years. Our goal is to have the investment community understand our strategies, how we measure value creation, our objectives, and our performance against those objectives. We still have work to do in meeting this goal, which we are pursuing in tandem with our public operating companies. We are committed to continuing to make meaningful progress.

Our corporate social responsibility commitment

While we take very seriously our responsibility to our shareholders and our duty to build a strong, profitable and sustainable business, we also believe that businesses have a responsibility towards their communities, fellow citizens and the environment.

Our responsible management philosophy is fundamental to our business success, enabling us to mitigate risk, create long-term value and earn the confidence of our various stakeholders. This philosophy aligns with our support of the United Nations Global Compact.

We are proud that, over the past few years, our group's efforts to strengthen our corporate social responsibility programs, initiatives and disclosure have been recognized by well-regarded external organizations. We invite you to learn more on our website dedicated to CSR.

Our group companies

Each of Great-West Lifeco, IGM Financial and GBL have well-articulated value creation strategies and have been positioning their businesses to prosper in a rapidly changing environment. They made substantial progress in 2019.

Highlights included the combination of Great-West Lifeco's three Canadian insurance companies—Great-West Life, London Life and Canada Life—into a single company under one brand. It now serves the needs of over 13 million Canadians as Canada Life!

IGM continued to build on its strong momentum, both as a wealth manager serving the needs of Canadians through IG Wealth Management, Investment Planning Counsel and its major stake in Wealthsimple, and as an asset manager through Mackenzie Investments and its stake in China Asset Management.

And, as mentioned earlier, Pargesa has announced its own reorganization, whereby Pargesa will become private and GBL will continue as the sole public company.

I would invite you to learn more about these great companies by visiting their websites. They each have extensive investor material available. And if you are not already a client of Canada Life, IG Wealth Management, Investment Planning Counsel, Wealthsimple, or Mackenzie Investments, you should try it. You'll like it!



Financial results

Let me now address our financial results.

Power Corporation reported net earnings of \$2.53 per share and adjusted net earnings of \$3.00 per share in 2019. Net earnings were \$1,108 million and adjusted net earnings were \$1,313 million.

Dividends declared on the Corporation's participating shares, excluding the dividend declared on December 12, 2019 as part of the Reorganization, were \$1.5970 per share in 2019, an increase of 6 per cent compared to 2018.

First quarter 2020 earnings

For the first quarter of 2020, net earnings were \$0.36 per share and adjusted net earnings were \$0.62 per share. Net earnings were \$200 million and adjusted net earnings were \$345 million.

The higher adjusted net earnings in the first quarter of 2020 were as a result of realized gains at Pargesa in the GBL portfolio and realized gains in our investment platforms.

Quarterly dividend

At the meeting of the Board which was held yesterday, the Directors declared a quarterly dividend of 44.75 cents per share on the participating shares of Power Corporation.

This is the same rate paid last quarter and announced as part of the Reorganization, and represents a 10.5% increase from the previous year. Note that the Power dividend payment dates have also been moved forward this year by 2 months from their previous dates, also as a result of the Reorganization.

Tribute to Paul Desmarais, Jr. and André Desmarais

As I said earlier, in February 2020, after 24 years as Co-Chief Executive Officers of Power Corporation, Paul Desmarais, Jr. and André Desmarais retired from these roles. Paul Jr. and André have devoted most of their professional and personal lives to the success of Power Corporation and its group companies and have overseen a period of dramatic growth and value creation. They have led Power with uncommon intellect and initiative, an exceptional sense of personal responsibility, an abiding respect for others and with the interests of their shareholders and other stakeholders always top of mind.

Their collective contributions to the financial performance of our group companies have been outstanding.

Between May 1, 1996, when Paul Jr. and André assumed their roles as Co-Chief Executive Officers, and February 12, 2020, Power Corporation produced an annualized total shareholder return of 12.1 per cent, compared to the S&P/TSX Composite return of 7.9 per cent, meaning \$100 invested in Power Corporation would have been worth \$1,504 compared to \$609 if invested in the S&P/TSX Composite Index.



Under their leadership, Power built one of the leading insurance and investment companies in Canada, completing a series of successful acquisitions against highly capable and often significantly larger industry competitors. The vision and the courage to attempt such a feat and succeed is remarkable. Internationally, Power and its group companies also launched strategic, targeted initiatives in the United States, Europe and China, and innovative, effective investment vehicles such as Pargesa and Power's alternative asset management businesses.

Through their stewardship, Power has also established itself as a responsible corporate citizen, conducting business with integrity and transparency, and fulfilling its responsibilities towards the community. Paul Jr. and André have led by example, and together, have built a company with leading brands and businesses in its various markets, while being steadfast in its long-term investment approach and adherence to prudent risk management.

On behalf of the shareholders, Directors, management and employees of Power Corporation and its group companies, I extend a heartfelt thank you to Paul Desmarais, Jr. and André Desmarais. From this foundation, the people of Power will emulate the example set by them as we continue their work to further build and strengthen the Corporation.

The Power Group

As I conclude, I would like to call out again the efforts of our thousands of employees. The changes we have undertaken at Power Corporation and at our operating companies have placed additional demands on our employees around the world. They are now also tasked with managing the challenges of COVID-19. They have risen to the challenges set before them and continue to work diligently to ensure the success of the Corporation and its various stakeholders. To all of them, we say "thank you."

With our employees and our management teams, we are building the future of the Corporation with optimism and enthusiasm. We have a clear vision, we know what needs to be done, and we are confident we will accomplish the tasks ahead. Finally, to the over 30 million customers of our companies, thank you for your trust and the confidence you place in us.