



POWER CORPORATION  
OF CANADA

ADDRESS

BY

**PAUL DESMARAIS, JR.**

CHAIRMAN  
AND CO-CHIEF EXECUTIVE OFFICER

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**ANNUAL MEETING OF SHAREHOLDERS**

FRIDAY, MAY 13, 2016

## Forward-Looking Statements

In the course of today's meeting, officers 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, as well as the outlook for North American and international economies for the current fiscal year and subsequent periods. 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, interest and foreign exchange rates, global equity and capital markets, management of market liquidity and funding risks, changes in accounting policies and methods used to report financial condition (including uncertainties associated with critical accounting assumptions and estimates), the effect of applying future accounting changes, business

competition, operational and reputational risks, technological change, changes in government regulation and legislation, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events, 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 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 its most recent Annual Information Form, filed with the securities regulatory authorities in Canada and available at [www.sedar.com](http://www.sedar.com).

Certain financial terms which may be included in statements today or in the accompanying materials, such as operating earnings, are non-IFRS financial measures that do not have a standard meaning and may not be comparable to similar measures used by other entities. 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 the non-IFRS measures to the corresponding IFRS measures, where comparable IFRS measures exist.

# **CHAIRMAN'S ADDRESS TO THE ANNUAL MEETING OF SHAREHOLDERS**

POWER CORPORATION OF CANADA

May 13, 2016

Good morning and thank you for joining us at our annual meeting here in Montréal, and also on the Web.

Traditionally, I take this opportunity to share with you our views on a topic of importance to Power Corporation and its stakeholders.

Today, I will tell you how Power Corporation is ideally positioned to take advantage of new business opportunities, even in these uncertain and sometimes challenging times.

## **LOOKING BEYOND THE DAILY HEADLINES**

When we look at the world, we try to look beyond the daily headlines to identify major socio-economic trends as they develop. We look for fundamental shifts that – while taking place slowly – can shape the world profoundly. More importantly for us, such shifts can transform our business environment.

Today, we see three fundamental trends affecting our businesses:

### 1. First, demographic change:

More people than ever before are living longer, here in Canada and in other countries. At the same time, the birth rate is falling, meaning that the age distribution of the population is shifting.

This well-known phenomenon has important impacts on our businesses – particularly in asset management, as well as in life and health insurance.

### 2. Second, the technological revolution:

Think beyond robots and self-driving vehicles to artificial intelligence, big data and medical discoveries. The list is impressive; the potential of what may come is exciting.

We continuously fight the temptation to overestimate the impact of technology on our businesses in the short term, but we do ready ourselves for the changes that will occur in the next decade.

### 3. The third trend we see is the energy revolution:

Here, I refer to the technological developments in both fossil fuel extraction and in the generation of renewable sources of energy such as solar, wind, or water. I am also thinking of the historic agreement that was reached in Paris at the end of last year and signed in New York last April 22. That agreement heralds a major transition in energy production and use in the decades to come.

As I said at the outset, I feel that we are very well positioned to seize new business opportunities. Let me tell you about some of our recent achievements that improve our position:

1. First, we have emerged from the global financial crisis with a strong franchise;
2. Second, we have strengthened the core businesses of Power Financial and of Power Corporation; and
3. Third, we have built a very interesting portfolio of options.

Let me elaborate.

## **HOW WE MANAGED THE GLOBAL FINANCIAL CRISIS**

When the global financial crisis hit in 2008, our group of companies made a priority of strengthening our financial position. We increased our liquidity. We raised equity. We extended the term of our financing facilities. We went beyond fulfilling regulatory requirements for financial solidity and capital, we surpassed them.

In addition, we strengthened our management teams and attracted top talent, both at Power Corporation and at our group companies.

As a result of all these efforts, for every quarter during the financial crisis we reported positive results. Our reputation as a solid group of companies was confirmed and our franchise was strengthened.

We also came out of the crisis with strong convictions:

1. First, we do not want to change our core businesses, which consist in providing advice, security and protection to our customers; and
2. Second, we are utterly convinced that financial advice has substantial value and that it is important for all Canadians to have access to it.

## **STRENGTHENING THE CORE BUSINESSES OF POWER FINANCIAL**

Since then, we have continued to reinforce and sharpen the focus of our Power Financial subsidiary. Consider our three main businesses in financial services:

- In life insurance, we improved our European activities. Great-West Lifeco acquired Irish Life, which already contributes significantly to the group's profits. In Canada, Great-West Life has introduced *HelloLife*, a new product that seeks to cater to the needs of people nearing retirement who need a holistic financial solution to access their savings. Worldwide, our group now serves 28 million clients in the insurance business and every day we deepen our relationship with our client base.
- We have made great progress in our retirement services business where our group has eight million clients. In the United States, Great-West Lifeco has created the second-largest platform for the record management of pension plans, called Empower Retirement, by merging its relevant Great-West Financial and Putnam units with the J.P. Morgan business that it acquired. In Québec, Great-West Life launched a Voluntary Retirement Savings Plan under its London Life banner, thereby making a contribution to improving the Canadian retirement system.

- Finally, Power Financial's asset management businesses are also progressing well. Irish Life is adding capacity in Europe with its Irish Life Investment Managers and Setenta units. In the United States, Putnam's PanAgora unit has become a key player in the area of quantitative investing, while Putnam's asset management and distribution capacities have been brought to competitive levels.

In Canada, Investors Group has taken advantage of regulatory requirements for increased transparency on mutual fund fees and performance to sharpen its client focus, having a greater number of customers going through a comprehensive financial planning exercise with the guidance of our financial advisors. In addition, our collaboration with Wealthsimple, a digital asset management platform, is off to a promising start.

Power Financial also holds investments in other sectors through Pargesa, a Swiss holding company which we control through our partnership with the Frère Group. Here also, we didn't remain idle.

As recently as 2011, 53 per cent of Pargesa's portfolio was invested in companies exposed to energy prices or regulated businesses. And while they had done well, Pargesa concluded that it should gradually reduce its exposure. It therefore sold part of its participation in Total and Engie (formerly GDF Suez). It reinvested the proceeds in companies that are leaders in their fields and offer growth prospects in line with the trends that have been identified. This includes companies such as SGS, adidas and Umicore.

At the same time, Pargesa continued to support the strategic moves of companies in which it has significant holdings. Examples include Imerys' acquisition of S&B, a major player in industrial minerals, and the merger of Lafarge and Holcim to form the world leader in building materials.

## **REFOCUSING POWER CORPORATION'S OTHER INVESTMENTS**

Meanwhile, at the level of Power Corporation, we have likewise refocused our other investments.

We reduced our exposure to third-party funds. We disposed of some of our investments in biotech and in other properties, such as ByTheOwner.

In China, we sold our remaining participation in CITIC, focusing instead on our investment in China Asset Management Corporation.

And in the media sector, our Gesca subsidiary has focused its activities on a new technological platform, LaPresse+, and therefore disposed of its ownership in regional newspapers as well as in other non-core assets.

Our Sagard funds, in Europe, China and the United States, are an effective way of generating new business opportunities while remaining faithful to our management framework, which calls for a cautious approach to risk management. These platforms have allowed us to assess new industry sectors as active owners, while diversifying risk and generating good returns for the Corporation.

The overall result of these efforts is a better-focused group of companies with improved competitive capacity. We have considerable resources in terms of financial strength: a solid balance sheet, very favourable financing conditions, and good returns on capital. We have excellent management capabilities, both at the level of Power Corporation and at our subsidiaries.

Therefore, we are equipped and ready to consider and seize new business opportunities that are consistent with the trends we have identified.

## **BUILDING A PORTFOLIO OF OPTIONS TO TAKE ADVANTAGE OF BUSINESS OPPORTUNITIES**

Not merely ready, we have already begun to take action. To spur the growth of the Corporation, we have set up a portfolio of options, each aligned with the trends discussed earlier. To elaborate briefly:

1. Our first and most obvious option is a further reinforcement of our core businesses at the Power Financial level. As we have consistently said, we are focusing on organic growth. However, we also consider business opportunities that play to our strengths in life insurance, retirement services and asset management.
2. A second option consistent with the technological revolution that we have identified is La Presse+, Gesca's digital media platform. Progress has been good and we remain diligent in converting the platform into a sustainable business proposition.
3. A third option taking shape is Power Energy, our platform in the field of renewable energy. As will be obvious, Power Energy plays to the energy revolution trends that we see. It is nearing critical mass in North America. We are committed to supporting the development and growth of Power Energy, which is already showing good returns and encouraging prospects.
4. Finally, when thinking about the combination of technological revolution and demographic change, we have made a number of additional investments, of which two are noteworthy:
  - a. Wealthsimple, in the asset management business, is a digital platform that caters mainly to the needs of the younger generation; and
  - b. IntegraMed, a health services company, offers couples fertility solutions.

While at various stages of development, all of these initiatives show promising results. They validate our belief that our resources are well aligned with the growth trends we have identified.

## CONCLUSION

For all these reasons, we believe Power Corporation is in a solid position to take advantage of new business opportunities, even in this uncertain and challenging world.

We believe this because of our strong financial position, our business focus and our portfolio of options. This is augmented by Power's ability to attract talent and to open itself to a younger generation of tech-minded executives. We now see ourselves able to multiply connection points with entrepreneurs, blending our own mature entrepreneurial roots with those of up-and-coming generations.

Our entrepreneurial culture is integral to our Corporation's DNA, and it is enhanced by professional management skills. This combination allows us to embrace the world we live in and to seize business opportunities.

We're poised to forge more progress in the years to come.

I thank you for your attention. We appreciate your support and are very pleased to have you as our guests on the occasion of this annual meeting.



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