



POWER CORPORATION  
OF CANADA

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## Annual Meeting of Shareholders

Address to the Shareholders by  
**André Desmarais**, O.C., O.Q.  
Deputy Chairman, President and  
Co-Chief Executive Officer

Toronto, May 14, 2019

[www.PowerCorporation.com](http://www.PowerCorporation.com)

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### 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, fluctuations in interest, 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, 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).

### Non-IFRS Financial Measures and Presentation

Certain financial terms which may be included in statements today or in the accompanying materials, such as adjusted net earnings, other items, adjusted net earnings per share, and adjusted return on equity, are non-IFRS financial measures that do not have a standard meaning and may not be comparable to similar measures used by other entities. Statements may also contain other non-IFRS financial measures which are publicly disclosed by the Corporation's subsidiaries such as, but not limited to, sales, assets under management, assets under administration and net asset value. 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.



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Address to the Shareholders by

**André Desmarais**, O.C., O.Q.

Deputy Chairman, President and Co-Chief Executive Officer

## Annual Meeting of Shareholders

**May 14, 2019**

Thank you, Mr. Chairman.

And thank you all for joining us this morning. We are delighted to be back in Toronto for this year's Annual General Meeting.

It is a pleasure for me to report to you on developments at Power Corporation during the past year.

### Financial Results for 2018

Amidst a challenging market, Power Corporation remained focused on its key objective to create long-term shareholder value. Anchored by our core investment in Power Financial, the Corporation delivered consistent earnings despite the impact of equity market declines in the third and fourth quarters of 2018. We continued to invest in and develop our diversified investment platforms as part of our focus to deliver sustainable long-term value.

Power Corporation continued during the year to reallocate capital and resources to further our value creation objectives. Today we will talk about some of these developments.

In April 2019, Power Corporation repurchased \$1.35 billion of its Subordinate Voting Shares through a substantial issuer bid conducted as a modified Dutch auction. We bought back our shares at the maximum price we offered, that is \$33.00 per share, because there were not enough shareholders willing to sell at less than the maximum price offered. We take this as a very positive sign.

Great-West Lifeco and Power Financial also completed substantial issuer bids to purchase up to \$2 billion and \$1.65 billion of their common shares, respectively. We believe that the offer to repurchase shares in the current market environment at attractive market valuations was an opportune use of our capital resources. The Corporation and its subsidiaries continue to maintain their strong capital positions and have the financial resources required to pursue their long-term strategies.

Power Corporation reported net earnings of \$1.3 billion in 2018, which is comparable to the 2017 results. Contributions from investments including the Sagard Investment Funds, China AMC and other investments were lower in 2018, reflecting the impact of the decline in the global equity markets in the third and fourth quarters of 2018.

Adjusted net earnings were \$1.4 billion in 2018, compared with \$1.6 billion in 2017.



## Group Companies' Results

I will now turn to the financial results and highlights of the companies in our group.

### Power Financial

Power Corporation currently holds 64.1 per cent of the common equity of Power Financial, down from 65.5 per cent at the end of 2018, as a result of Power Financial's buyback of shares in April.

Power Financial's net earnings were \$2.2 billion and adjusted net earnings were \$2.3 billion in 2018.

The adjusted net earnings were the highest in the company's history.

Dividends declared by Power Financial totalled \$1.73 per share in 2018, up from \$1.65 in 2017.

### Great-West Lifeco

Power Financial currently holds a 70.8 per cent interest in Great-West Lifeco, down one per cent due to the share buyback.

Great-West Lifeco's net and adjusted net earnings were \$3.0 billion in 2018. Adjusted net earnings increased by 14 per cent compared to 2017.

The year was marked by the following initiatives:

#### Canada

Great-West Lifeco recently announced that it is combining the strengths and proud histories of Great-West Life, London Life and Canada Life under one Canadian brand - Canada Life.

Under the Canada Life brand, the company will build on its solid presence in the market, with a clear goal of helping Canadians to reach their potential, every day.

A single brand will also help simplify how the company works, eliminate duplication, and allow it to focus its resources on innovative products and services for its customers and advisors.

#### United States

In the U.S., Great-West Life & Annuity Insurance Company is selling substantially all of its individual life insurance and annuity business to Protective Life Insurance Company via reinsurance, in order to focus on the U.S. retirement and asset management markets - two areas where it sees higher growth potential.

Empower Retirement is building upon its strong position in the United States as the second-largest provider of defined contribution plans, such as 401(k) plans. Empower Retirement serves 8.8 million participants in the United States, up 6 per cent from 2017. Sales grew 29 per cent in 2018.

Putnam Investments continued to produce strong investment results for its clients, with its investment funds outperforming industry peer medians across multiple time periods and asset classes. Great-West Lifeco remains focused on identifying opportunities to scale up Putnam to drive profitable growth in the asset management industry.



## Europe

In the U.K., Canada Life acquired the financial services provider Retirement Advantage, which offers innovative home finance options.

In Ireland, Irish Life launched “Benefit Plan”, which rewards customers who are committed to staying healthy, a first for the local health insurance market.

In Germany, Canada Life invested in a contemporary administration system which enables it to access the growing German retirement market and better positions the company for acquisition opportunities.

## IGM Financial

Power Financial currently holds a 65.8 per cent interest in IGM Financial. IGM’s operating units are IG Wealth Management, Mackenzie Investments and Investment Planning Counsel, with assets under management of \$149 billion.

2018 was a strong year for IGM Financial, one that included increased net earnings and market share gains in a challenging environment. The industry experienced net fund redemptions in 2018. Against this backdrop, IGM’s investment fund net sales were \$1.4 billion, its second-best level of the last decade. Mutual fund gross sales of \$20 billion were the highest in the history of the company. Average investment fund assets under management of \$150.5 billion were up 5 per cent relative to the prior year, the highest level in the company’s history.

IGM Financial’s net earnings were \$767 million in 2018, an increase of 27 per cent from 2017. Adjusted net earnings were \$792 million in 2018.

Perhaps what was most exciting about 2018 for IG Wealth Management and Mackenzie were their market share gains. They measure market share by comparing their net sales rate – expressed as a percent of assets under management – to industry peers. IG Wealth Management and Mackenzie Investments have both been gaining market share relative to advice channel peers.

## IG Wealth Management

In 2018, IG Wealth Management’s net sales were \$485 million, compared to net redemptions for the industry, and its gross sales of \$9.1 billion were the second best in its history.

Investors Group changed its brand last year to IG Wealth Management. The new brand better reflects its central focus on helping clients to grow their wealth. As part of its rebrand, it launched the IG Living Plan™, which provides a single, integrated view of all aspects of a client’s finances and adapts to their changing lives.

Also in 2018, it launched IG Private Wealth Management for the distinct needs of the high net worth market. The company is well positioned to build its presence in this attractive market segment.

## Mackenzie Investments

Mackenzie made strong market share gains in 2018 – driven by retail sales – and recorded both its best retail mutual fund net sales in 20 years at \$1.0 billion and the best total mutual fund gross sales in its history at \$10 billion.

Mackenzie’s team was once again recognized for the stellar performance of its funds and the IG Wealth Management funds they sub-advise. It won numerous Lipper and Fundata awards for investment excellence, and Philip Taller – the head of Mackenzie’s growth team – was named Mutual Fund Manager of the Year in Canada by *Investment Executive*.



## **Fintech**

Through a number of recent initiatives, Power Financial, in partnership with Great-West Lifeco and IGM Financial, has been actively participating in the emerging fintech industry. Our fintech strategy has two objectives: to provide an attractive return on the capital invested and to help our existing financial services businesses transform their models. Active engagement with the fintech companies in our portfolio enables our incumbent businesses to learn from, adopt and integrate new technologies, and understand how these disruptive business models will affect their current businesses.

Wealthsimple is one of our group's fintech investments. It is also one of Canada's largest and fastest growing fintechs. Wealthsimple has attracted over 100,000 customers and had more than \$3.4 billion in assets under administration at December 31.

## **Pargesa Group**

I will now turn to the Pargesa/Groupe Bruxelles Lambert (GBL) group. Power Financial holds a 27.8 per cent interest in Pargesa Holding.

Pargesa's net earnings were SF361 million in 2018.

Pargesa holds a 50 per cent interest in GBL, one of the largest listed holding companies in Europe with a net asset value of €16.2 billion and a market capitalization of €12.3 billion at year-end.

GBL seeks to invest in companies with leading positions in their sector and robust business models. It believes in the importance of its influence and role as a creative, challenging and supportive shareholder.

In December 2018, GBL announced changes to its governance which became effective immediately after its shareholders' meeting in April 2019. My brother became Chairman of the Board of Directors, succeeding Gérald Frère who was appointed Vice-Chairman of the Board of Directors and Chairman of the Standing Committee. Ian Gallienne assumed sole operational management of the company as CEO.

## **Investment Activities**

I will now turn to our investments other than Power Financial and its group companies.

As part of the Corporation's diversification strategy, significant investments have been made in non-financial sector investment platforms.

### **Sagard Investment Funds**

Since the early 2000s, Power Corporation has been investing and developing its own investment platforms. Currently, the Corporation operates three equity investment funds –Sagard Holdings, Sagard Europe and Sagard China.

The Sagard investment platforms offer investment funds in which third-party investors, the Corporation and associated companies can participate. Sagard Europe has had third-party investors since its inception, while the funds managed by Sagard Holdings have recently opened up to external capital as well.



### **Sagard Holdings**

Sagard Holdings was founded in 2005 as a complement to the Corporation's global investment holdings. Today, Sagard Holdings is a multi-strategy alternative asset manager which invests across four asset classes: equity, private credit, royalties and venture capital.

In 2017, Sagard Holdings launched Sagard Credit Partners LP, a fund which provides credit capital directly to public and private middle-market companies across the U.S. and Canada. In 2018, the fund held its final closing with committed capital of US\$557 million, of which Sagard Holdings has committed US\$100 million.

In January 2019, Sagard Holdings announced the launch of Sagard Healthcare Royalty Partners which will invest in the life sciences sector with a focus on investments protected by strong intellectual property.

Sagard Holdings also manages various equity investments. However, results in this area have been mixed. At the beginning of 2019, Sagard Holdings exited its U.S. mid-cap public equity strategy. We are confident that the new strategy being deployed augurs well for Sagard Holdings' future.

At December 31, 2018, Power Corporation had invested \$616 million in Sagard Holdings since inception. The fair value of the Sagard Holdings portfolio was \$579 million and Power Corporation has received distributions of \$64 million. Going forward, we anticipate that value will be created through capital appreciation of proprietary capital, and through management fees and carried interest from external capital.

### **Sagard Europe**

The Sagard Europe funds invest in mid-sized private companies. Pargesa, GBL and third parties have also invested in Sagard Europe. By year end, Power had invested a total of \$776 million in the Sagard Europe funds since inception. The Corporation has received distributions from these funds totaling \$929 million and the fair value of our share of these funds was \$391 million at 2018 year end.

### **Sagard China**

Sagard China, based in Shanghai, holds a selective portfolio of minority positions in publicly listed Chinese companies. It began participating in Chinese equities through the Chinese stock market in 2005 and in the Hong Kong stock market in 2010.

Since its inception in 2005, Power Corporation has invested \$316 million in Sagard China and has received distributions of \$19 million. At year end 2018, the fair value of Sagard China's investment portfolio was \$669 million and has since increased to \$820 million at March 31, 2019.

The Corporation has invested \$1.7 billion in the Sagard Investment Funds since inception and received distributions in cash of \$1 billion. During this period, the fair value of these investments in the funds has grown to \$1.6 billion. Gains on these investments were \$943 million. The internal rate of return during this period was 10 per cent. The Sagard Investment Funds are diversified by geography, industry and investment style.



### China Asset Management

Power Corporation and IGM Financial each hold a 13.9 per cent interest in China AMC, for a combined 27.8 per cent interest.

China AMC is the premier asset management firm in the world's second-largest economy, with its retail clients outnumbering Canada's entire population.

China has the world's largest population that is fast aging and high saving, and a middle class the size of the entire U.S. population. China will account for nearly 50 per cent of all global flows over the next decade and is expected to represent the second largest retirement market in the world, behind the U.S., in only a few more years. And the Chinese stock market is already the second largest next to the U.S.

The investment in China AMC provides Power Corporation with an opportunity to leverage the Power group's extensive experience in wealth management and distribution as it works with China AMC. Companies within the group will continue to benefit from the strategic relationship by identifying opportunities to work together on product development and future sub-advisory relationships.

### Power Energy

Power Energy was established based upon the Corporation's principles of collaboration and has built trusted relationships in industries that benefit from the global energy transformation. Since 2012, Power Energy has been actively managing investments in the sustainable and renewable energy sector with the goal of building and owning, over the long term, companies that can generate growing and stable cash flows.

The companies in which Power Energy has invested are:

- Potentia Renewables, a company that owns and operates rooftop solar generation facilities based in Ontario and manages a pipeline of solar and wind development projects in Western Canada,
- Lumenpulse, a leading manufacturer of high-performance, specification-grade LED lighting solutions, and
- Lion Electric, an innovative company manufacturing zero-emission vehicles sold throughout North America.

In the second half of 2018, Potentia announced that it was selected in four large energy procurement processes in Western Canada to supply a total of 506 megawatts of wind electricity over 20-25 year contracts, thus becoming one of the largest solar and wind operators in Canada.

In November 2018, Power Energy sold its interest in Eagle Creek Renewable Energy, a U.S.-based owner and operator of hydroelectric facilities, and recognized a pre-tax gain of \$62 million on disposal.

Power Energy remains focused on its objective of seeking an annual return of 12 per cent.



### Communications and Media

In July of 2018, La Presse, then a subsidiary of Power Corporation, transferred its net assets to a new not-for-profit structure. The change in structure required the repeal of a provision of a Private Act adopted in 1967 regarding the ownership of La Presse.

Power Corporation retained responsibility for the funding, on a going-concern basis, of the retirement obligations accrued at the transaction date, which will notably reduce La Presse's future financial burden while benefiting employees and retirees who have accumulated pensions. We also decided to contribute \$50 million to the new structure to assist La Presse in continuing its vital role in our society.

### Value Creation

Power Corporation's value creation strategy is designed to capitalize on its long-term relationships to achieve superior investment returns and stable cash flows.

As I mentioned earlier, the Corporation has diversified its activities and a significant portion of its gross asset value is made up of our non-Power Financial investments. These investments now represent 21 per cent of the Corporation's assets based on fair value, almost double what it was five years ago. During this five-year period, Power has invested \$1.9 billion in the Sagard Investment Funds, China AMC, Power Energy and other investments. The value of these investments increased from \$2.1 billion to \$3.4 billion, while generating distributions of \$1.8 billion and value created of \$1.4 billion.

In the past four years the dividend on our stock has increased at an average of over 7 per cent annually. The dividend yield today is approximately 5 per cent. While the stock has an attractive yield, it also offers shareholders the potential for capital appreciation.

This increase in dividends is due to the quality of earnings of the underlying companies which has fueled dividend increases at Power Financial. Since 2013, our earnings have grown at a compound rate of 8 per cent per year.

I mentioned last year that we remain optimistic and that stock prices almost always manage to catch up with quality earnings. Judging from the way our stock has recently performed, I believe that this process is under way.



## Corporate Social Responsibility

Our commitment to be a responsible company underpins everything we do. We firmly believe that for our business to prosper, the societies within which we live and work must also prosper.

Over the past years, our efforts to strengthen our corporate social responsibility programs have been recognized by well-regarded external organizations. Allow me to mention some of the recent recognitions we were honoured to receive:

- Both Power Corporation and Power Financial are among an elite group of 127 companies worldwide that received the top score of “A” from the Carbon Disclosure Project. Together with IGM Financial and Great-West Lifeco, four of the five top ranked Canadian financial services companies are members of the Power Corporation group.
- For the third consecutive year, we have maintained our listing status on the FTSE4Good Global Index – one of the most important indices that measures the performance of companies demonstrating strong environmental, social and governance (ESG) practices.
- Power Corporation has also been added to the Euronext Vigeo Eiris World 120 Index, which distinguishes 120 companies from Europe, North America and the Asia-Pacific region having achieved the most advanced ESG performances.

Finally, I'd like to highlight that in 2018, our group contributions to the communities where we operate totalled \$47.7 million, to approximately 2,000 community organizations in Canada alone. This impact is multiplied through the active involvement of our employees, whom we encourage to volunteer for causes that they care about.

## In Memoriam

The last months have also marked the passing of two men who have brought a historical contribution to our group. Earlier in 2019, we were saddened by the death of Jim Burns. Jim began his career at Great-West Life in 1953, was named President of Power Corporation in 1979 and was the founding President and Chief Executive Officer of Power Financial. An icon of Canadian business and a key architect of the modern insurance business, Jim laid the groundwork that allowed Power Financial to become the financial services leader it is today.

In December 2018, we were also saddened by the news of the passing of Albert Frère. Together with my father, Albert established back in 1990 the partnership between our family and the Frère family. He played an instrumental role in the development of GBL and Pargesa. He was Honorary Chairman and co-controlling shareholder of GBL and former Vice-Chairman of Pargesa, and also served on the Board of Directors of Power Corporation from 1985 to 1995.

We are forever grateful to both these men for their invaluable contribution to the group.



## Results for the First Quarter of 2019

I will now briefly report on Power Corporation's results for the first quarter of 2019.

Net earnings were \$292 million.

As we have said many times, our earnings from the Sagard investment funds and our other investments are volatile in nature as they depend on many factors including the timing of realizations. This explains the decrease in investment income in the first quarter of 2019, as there were large distributions during the same period last year.

As a measure of our confidence, I am pleased to announce that at its meeting this morning, your Board of Directors declared a quarterly dividend on the Participating Preferred and Subordinate Voting Shares of 40.50 cents per share, thus increasing Power Corporation's previous dividend by 6 per cent.

The increase in dividend of Power Financial announced in March contributed to the Board's decision to increase the Corporation's dividend again this year.

## Conclusion

To conclude, as our family marks 50 years at the helm of Power Corporation, we wanted to formally thank those who have contributed to the success of Power and its group companies.

For half a century, we have been fortunate to find generations of like-minded women and men who have shared our values, vision and passion. Our company's success depends upon the talent it attracts. It has been our privilege to work with our employees to shape Power Corporation and its subsidiaries into a group of solid and sustainable companies. We are humbled by and grateful for our employees' efforts in pursuit of Power's success.

In particular, I want to thank John Rae, one of Power's longest serving officers, who retired last year from our group companies. He joined Power Corporation in 1971 as Executive Assistant to my father. John became Vice-President in 1978 and Executive Vice-President in 1991. He served as a director of Power Corporation for 24 years. During his 47 years with the company, John has worked with all three generations of the Desmarais family, and was an integral part of the team that guided Power through numerous transformations. He was also instrumental in developing and implementing our community investment initiatives. I want to thank John for his tremendous contribution to our company. John, it has been a real privilege to work with you all these years.

Finally, I also thank the clients of our group of companies for the trust and support they have shown us, and thank you, our shareholders, for your continuing support.