

# KKR & Co. Inc. Acquisition of Global Atlantic Financial Group

July 2020

# KKR



## The alternative asset management industry is growing

- Limited Partners' need for return in a low rate world
- New and expanding distribution channels (e.g. Retail / HNW, Insurance)
- KKR has been growing faster than the industry



## Our business model is differentiated

- \$207 billion of Assets Under Management
- Significant book value with a focus on compounding – \$16.52 per adjusted share
- Capital markets business that allows us to maintain ball control
- 44 years of investment excellence



## Identifiable growth avenues

- Scaling
  - LP Expansion
  - Retail / HNW and Insurance
  - Fund 1 → 2 → 3+
  - Geographic Expansion
  - Adjacent Strategies



## Significant employee ownership and collaborative culture

# Global Atlantic Financial Group (“Global Atlantic” or “GA”) – A Unique and Compelling Transaction

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## **Significantly accelerates KKR’s presence within the insurance industry**

- Substantial end market; invested assets estimated at over \$30 trillion
- Low rate environment helping drive continued insurance commitments to alternative strategies
- Acquisition meaningfully increases our footprint and ability to provide solutions to the insurance industry

## **Global Atlantic is an exceptional company**

- High quality business in areas of insurance that we find attractive
- Experienced, talented, like-minded management team
- Proven ability to grow through opportunistic block reinsurance and strategic M&A

## **KKR to bring asset management and asset origination capabilities to GA**

- At closing, KKR plans to become GA’s investment manager, subject to regulatory approval
- After closing, GA will have access to our asset management and origination capabilities across strategies and products
- Opportunity for KKR’s differentiated expertise and market presence to meaningfully enhance risk-adjusted returns to the benefit of GA’s policyholders
- Transaction creates a platform for product innovation in a growing space

## **Financially compelling**

- In the first year post closing, the transaction is expected to be accretive to KKR shareholders on an AUM, FPAUM, Book Value, Fee Related Earnings and After-tax Distributable Earnings per Adjusted Share basis
- On a pro forma basis, permanent capital as a percentage of our AUM increases from 9% to 33%
- We expect the transaction to increase our growth trajectory and to meaningfully increase equity value over the long-term

# Global Atlantic – A Diversified Retirement & Life Insurance Business

- Founded at Goldman Sachs in 2004, Global Atlantic has built a diversified retirement and life insurance business in the U.S. over the past 16 years

## Key Highlights

### Targeted & Scaled Business

- Retirement → fixed-rate & fixed-indexed annuities
- Life → indexed universal life & preneed life

### Leader in Target Markets<sup>(1)</sup>

- Top 5 in fixed annuities
- Top 5 block reinsurer

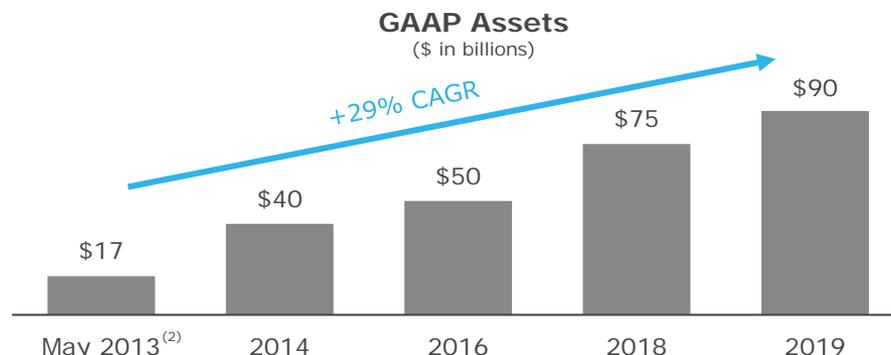
### Disciplined Growth

- Two complementary origination channels
  - Individual – Established long-term relationships; sales primarily through 200+ banks and broker-dealers
  - Institutional – Respected leader in block reinsurance of both Retirement and Life products, pension risk transfer reinsurance and flow reinsurance
- Strategic M&A – \$56+ billion total GAAP assets acquired since inception

### Compelling Financial Model

- Over last 3 years delivered an average 16% Adjusted Operating ROE while growing earnings and compounding book value

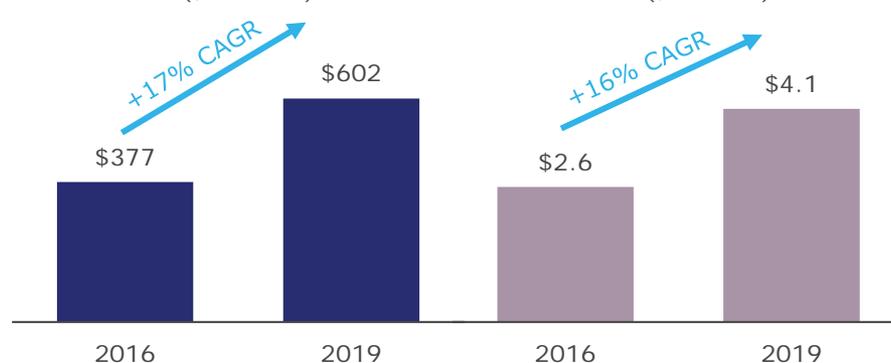
## Strong Asset Growth



## Significant Earnings and Book Value Growth

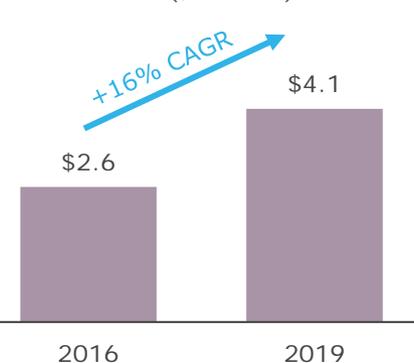
### Adjusted Operating Earnings

(\$ in millions)



### Book Value<sup>(3)</sup>

(\$ in billions)



Note: See Appendix for a reconciliation of Adjusted Operating Earnings to GAAP figures.

(1) Based on 2019 LIMRA data. Block Reinsurer based on statutory reserve credit taken by U.S. retirement and life insurance cedants to reinsurance transactions entered into from January 1, 2018 to December 31, 2019.

(2) Separation from Goldman Sachs.

(3) Global Atlantic Book Value definition used throughout the presentation represents Shareholders' Equity excluding Accumulated Other Comprehensive Income (AOCI).

# Global Atlantic's Presence in the Retirement Market

## Insurance Company Fixed Annuity Sales<sup>(1)</sup>

(\$ in thousands)

| Rank | Company Name    | Total Sales  |
|------|-----------------|--------------|
| 1    | AIG             | \$13,264,328 |
| 2    | New York Life   | 9,863,105    |
| 3    | Allianz         | 8,368,418    |
| 4    | Global Atlantic | 8,292,011    |
| 5    | Athene          | 6,766,852    |



**Top 5 provider of fixed annuities**

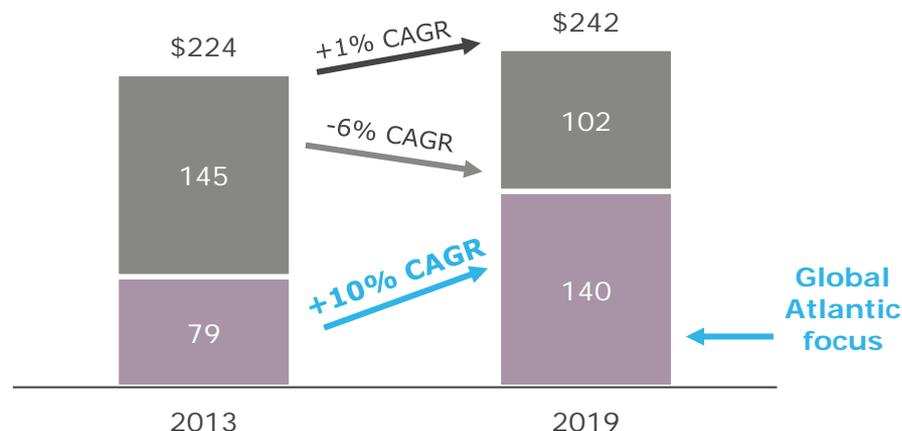


**Business focused on the fastest growing markets and channels**

## Industry Annuity Sales by Product<sup>(2)</sup>

(\$ in billions)

■ Fixed ■ Variable



## Industry Fixed Annuity Sales by Channel<sup>(2)</sup>

(\$ in billions)

■ Banks & Broker-Dealers ■ Independent Agents & Other



(1) Source: 2019 LIMRA annuity sales data published in March 2020.

(2) Source: LIMRA sales reports.

# Transaction Overview

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## Key Transaction Terms

KKR to acquire 100% of Global Atlantic for 1.0x Shareholders' Equity excluding Accumulated Other Comprehensive Income ("Book Value") at closing

- Book Value was approximately \$4.4 billion at March 31, 2020
- GA shareholders will have opportunity to roll their investment

Post-syndication, KKR expects initial economic ownership to be ~60%

KKR remains committed to maintaining a strong credit profile with ample liquidity and financial flexibility

## Management

GA executives and senior management to continue in current roles

## Timing

Closing subject to regulatory approvals and certain other customary conditions

Expected to close in Q1 2021

# KKR Objectives & Transaction Benefits

| Consideration   | Transaction Benefits   |
|---|--|
|  <b>Assets Under Management</b>                    | <ul style="list-style-type: none"><li>• AUM: \$207 billion → \$279 billion</li><li>• Insurance AUM: \$26 billion → \$97 billion</li><li>• Permanent Capital as a percentage of total AUM: 9% → 33%</li><li>• Pro forma: 85% of AUM will have a duration of 8+ years at inception</li></ul> |
|  <b>Business Building</b>                          | <ul style="list-style-type: none"><li>• Accelerates presence in insurance industry, a key industry vertical</li><li>• Adds scale across several existing asset management businesses</li><li>• Creates platform for future innovation</li><li>• Broadens future opportunity set</li></ul>  |
|  <b>Management Fees &amp; Fee Related Earnings</b> | <ul style="list-style-type: none"><li>• Accretive per share</li><li>• Increases quality, stability and visibility of Fee Related Earnings</li></ul>  |
|  <b>After-tax Distributable Earnings</b>          | <ul style="list-style-type: none"><li>• Accretive per share</li><li>• Increases quality, stability and visibility</li></ul>  |
|  <b>Book Value</b>                               | <ul style="list-style-type: none"><li>• Accretive per share</li><li>• Increases compounding opportunity</li><li>• Using balance sheet to drive growth</li></ul>  |

# Appendix

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## Reconciliation of Net income attributable to Global Atlantic Financial Limited shareholders to Adjusted operating earnings, net of tax

|   | Year Ended December 31, |               |
|---|-------------------------|---------------|
|   | 2016                    | 2019          |
| <b>Net income attributable to Global Atlantic Financial Limited shareholders</b>  | <b>\$ 421</b>           | <b>\$ 633</b> |
| Realized (gains) losses on the sale of AFS securities, net of offsets   | (35)                    | (83)          |
| Change in assumed and ceded modified coinsurance and funds withheld at interest embedded derivatives and related trading securities, net of offsets                   | (151)                   | (31)          |
| Unrealized (gains) losses, impairments and other investment, derivative and hedging (gains) losses, net of offsets  | 65                      | 13            |
| Renewable energy income (loss), net of offsets and non-controlling interest   | -                       | 12            |
| Equity-method (income) loss attributable to strategic equity investments  | -                       | (60)          |
| <b>Total investment (gains) losses, net of offsets</b>  | <b>(121)</b>            | <b>(149)</b>  |
| Change in the fair value of derivatives and embedded derivatives for fixed-indexed annuities, indexed universal life contracts and variable annuities, net of offsets | 89                      | 32            |
| Transaction, conversion and integration expenses  | 20                      | 77            |
| Income tax adjustments  | (32)                    | 9             |
| <b>Total adjustments</b>  | <b>(44)</b>             | <b>(31)</b>   |
| <b>Adjusted operating earnings, net of tax</b>  | <b>\$ 377</b>           | <b>\$ 602</b> |

Note: Amounts in millions.

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## Reconciliation of KKR & Co. Inc. Stockholders' Equity – Common Stock (GAAP Basis) to Book Value per Adjusted Share

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|  | As of             |                   |
|--|-------------------|-------------------|
|  | March 31,<br>2020 |                   |
| <b>KKR &amp; Co. Inc. Stockholders' Equity – Common Stockholders</b> | \$                | <b>8,843,408</b>  |
| (+) Impact of Consolidation of Funds and Other Entities              |                   | 270,815           |
| (+) Noncontrolling Interests held by KKR Holdings L.P.               |                   | 4,785,151         |
| (-) Other Reclassifications  |                   | 17,446            |
| <b>Book Value</b>  | \$                | <b>13,881,928</b> |
| Adjusted Shares  |                   | 840,179,251       |
| <b>Book Value per Adjusted Share</b>                                 | \$                | <b>16.52</b>      |

Note: Amounts in thousands, except Adjusted Shares and Book Value per Adjusted Share amounts.

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