



POWER CORPORATION
OF CANADA



POWER FINANCIAL
CORPORATION

Power Corporation of Canada and Power Financial Corporation announce Reorganization

***Simplified corporate structure
and refocused strategy***

December 13th, 2019

Forward looking statements and non-IFRS measures

In the course of today's meeting, officers of Power Corporation of Canada ("PCC") and Power Financial Corporation ("PFC") 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 PCC's and PFC's current expectations, or with respect to disclosure regarding PCC's and PFC's public subsidiaries, reflect such subsidiaries' disclosed current expectations. Forward looking statements are provided for the purposes of assisting the listener/reader in understanding PCC's and PFC'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 include, without limitation, statements regarding the anticipated benefits of the reorganization transaction (the "Reorganization"), the delisting of PFC's common shares, PCC's and PFC's intention to redeem First Preferred Shares and the source of funds for such redemptions and the associated reduction in annual financing costs, the intention regarding First Preferred Shares not redeemed, expectations with respect to PCC's and PFC's ratings, PFC's status as a reporting issuer, the timing and amount of dividend payments, the interest of shareholders in PCC following the Reorganization and the Pre-Emptive Right exercise, the effect of the Reorganization on PCC's and PFC's future operations, financial conditions and share price performance, the composition of PCC's board of directors and management team following closing of the Reorganization, the timing of the completion of the Reorganization, the timing for the receipt of the required regulatory, court and shareholder approvals, the Desmarais Family Residuary Trust's interest in PCC following the Reorganization and the Pre-Emptive Right exercise, the expected timing and size of the NCIB, the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of PCC and PFC and their respective 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 PCC's, PFC's and their respective subsidiaries' control, affect the operations, performance and results of PCC, PFC and their respective 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, PCC's, PFC's and their respective subsidiaries' ability to complete strategic transactions, integrate acquisitions and implement other growth strategies, the Reorganization not occurring as expected, including failure of any condition to the Reorganization or failure to achieve the anticipated benefits of the Reorganization, PCC's inability to issue Subordinate Voting Shares in the intended manner, the inability to redeem First Preferred Shares in the intended manner, failure to receive an affirmation of current ratings for PCC or PFC, the market for Subordinate Voting Shares and the Participating Preferred Shares at the completion of the Reorganization, the ability for PCC to increase dividend payments based on financial and other conditions, the ability of PCC to effect purchases under the NCIB, and PCC's, PFC's and their respective 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 PCC, PFC and their respective subsidiaries. While PCC and PFC each consider these assumptions to be reasonable based on information currently available to their respective management, they may prove to be incorrect. Other than as specifically required by applicable Canadian law, each of PCC and PFC 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 PCC's and PFC's business and material factors or assumptions on which information contained in forward-looking statements is based is provided in its disclosure materials, including each of PCC's and PFC's most recent Management's Discussion and Analysis and most recent Annual Information Form, filed with the securities regulatory authorities in Canada and available at www.sedar.com.

Certain financial terms which may be included in statements today or in the accompanying materials, such as adjusted net earnings, net asset value ("NAV") and net asset value per share ("NAVPS"), 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 each of PCC's and PFC'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.

What has been announced today

- PCC and PFC have agreed to a Reorganization to eliminate the dual-holding company structure
 - PFC minority shareholders to receive 1.05 PCC Subordinate Voting Shares and nominal cash for each PFC share
- PCC's strategy will focus on financial services going forward
- PCC will undertake a meaningful reduction in operating costs of \$50 million per year within two years and reduce financing expenses by \$15 million per year
- The Desmarais family will invest new capital in PCC in connection with the Reorganization and will maintain voting control
- Paul Desmarais, Jr. and André Desmarais will retire as Co-Chief Executive Officers after 23 years in their roles and will continue to play active roles in the governance of PCC as Chairman and Deputy Chairman of the PCC Board of Directors
- R. Jeffrey Orr, President and Chief Executive Officer of PFC, will become the President and Chief Executive Officer of PCC
- PCC has announced its intention to increase its dividend from 40.50 to 44.75 cents per share, commencing with the Q2 dividend and advance the payment date by 2 months
- PCC has also declared the Q1 2020 dividend at 40.50 cents per share, to be paid to shareholders of record prior to the closing of the Reorganization
- PCC intends to commence a new Normal Course Issuer Bid (NCIB) upon closing of the Reorganization to purchase up to 10% of the public float over the course of twelve months

Impacts and benefits of the Reorganization and related announcements

- **Simplified corporate structure that reduces organizational complexity**
- **More focused strategy emphasizing financial services**
- **11% NAV¹ accretion for PFC shareholders**
- **Increase in public float and trading liquidity for all shareholders**
- **EPS accretion for all shareholders**
- **PCC dividend increase in Q2**
- **PCC becomes easier to understand and value**

¹ NAV is a non-IFRS measure prepared by each of PFC and PCC that is used to assist in assessing value, representing an estimate of the total assets less the total liabilities of each respective company, expressed on a per share basis.

Today's announcements are part of the Power group's ongoing value creation strategy, which is focused on 3 key levers

1 OpCo Organic Levers

Clearly articulated growth strategies at each of the business units of the OpCos¹

2 OpCo M&A Levers

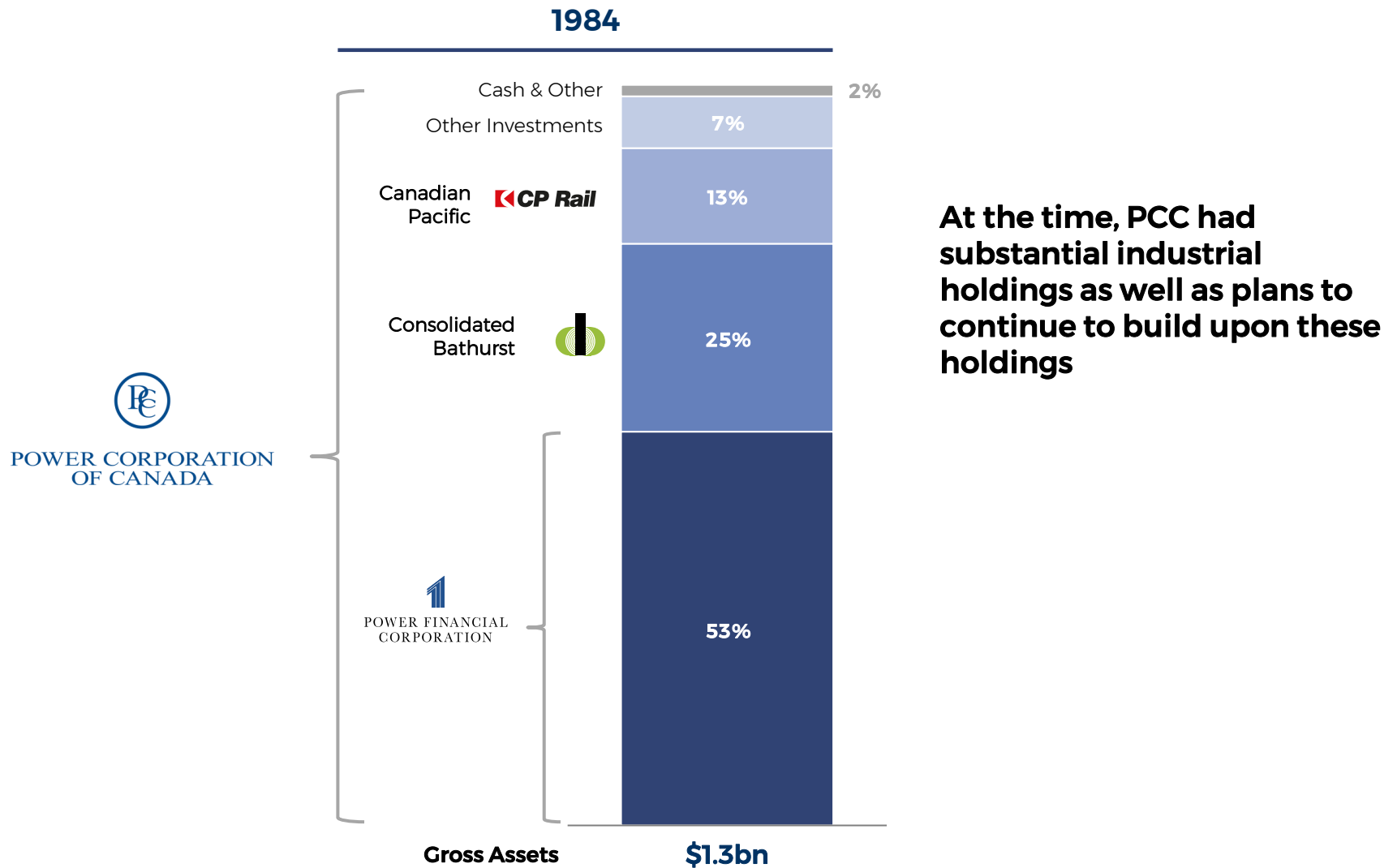
Active capital deployment and redeployment strategies at the OpCos¹

3 Holding Company Levers

Capital and structural actions at the holding company level designed to create and surface value

¹ Refers to PCC and PFC operating companies such as Great-West Lifeco, IGM Financial and Pargesa Holding / GBL.

PFC was created as a separate company in the 1980s to focus on financial services

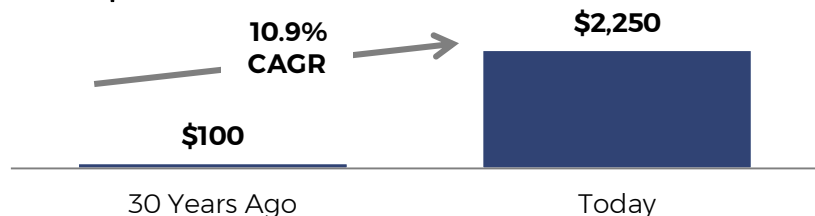


Note: Chart illustrates breakdown of Gross Asset Value (GAV).

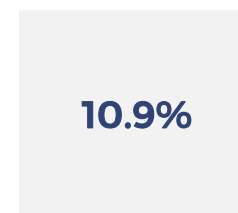
The dual holding company structure served shareholders well and contributed to creating outstanding returns over three decades

Power Corporation of Canada

Value of \$100 Invested¹

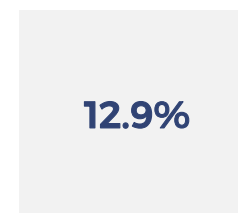
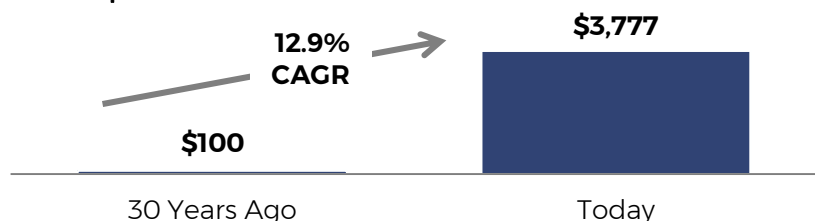


30-Year annualized Total Shareholder Return¹



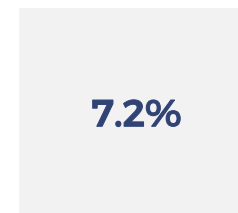
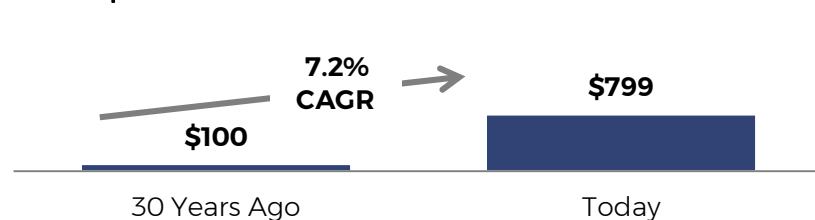
Power Financial Corporation

Value of \$100 Invested¹



S&P TSX

Value of \$100 Invested¹



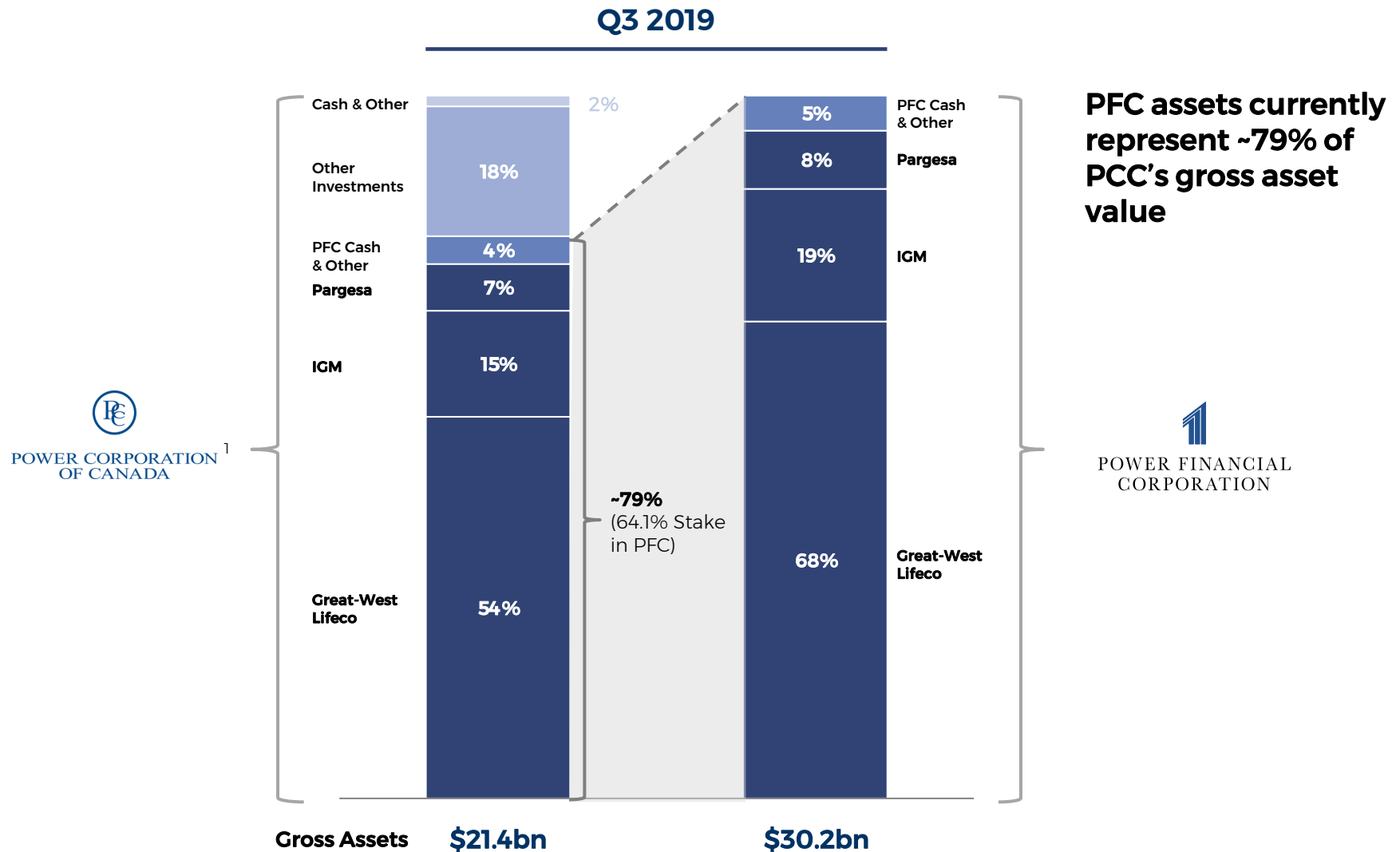
S&P TSX

Source: Bloomberg

Note: 30-year TSR as of 12-Dec-19

¹ Assumes dividends are reinvested.

Over time, PFC has become a larger component of PCC, and the current asset profiles of the two companies are substantially similar



Source: Bloomberg

Note: Charts illustrate breakdown of GAV. Market data as of 12-Dec-19

¹ Asset value on a "Look-Through" basis.

Overview of proposed Reorganization

Reorganization overview

- Reorganization of Power group of companies to simplify corporate structure and streamline ownership
- Each PFC common share (other than shares held by PCC) to be exchanged for 1.05 newly issued PCC Subordinate Voting Shares and one cent per share in cash
- PFC common shares to be delisted from TSX, while preferred shares to remain outstanding and listed on TSX, and PFC debentures to remain obligations of PFC
- PFC will remain a reporting and rated issuer

Transaction structure

- Reorganization by way of a Plan of Arrangement under the *Canada Business Corporations Act*
- Business combination pursuant to MI 61-101 *Protection of Minority Security Holders in Special Transactions*

Pre-Emptive Right

- Pursuant to PCC's articles, holders of PCC Participating Preferred Shares have a right to acquire, on a pro rata basis, such number of Participating Preferred Shares that is equal to 12.0% of the number of PCC Subordinate Voting Shares issued pursuant to the Reorganization
- The subscription price per Participating Preferred Share is equal to the stated capital amount per share, effectively the issue price, at which the PCC Subordinate Voting Shares are issued pursuant to the Reorganization

Approvals and timing

- At PFC, 2/3rd majority of all PFC shares voted, and in accordance with the minority approval requirement of MI 61-101, a simple majority of the PFC minority shares voted
- Approvals expected to be obtained in the first quarter of 2020
- Closing of Reorganization shortly thereafter

Desmarais family to retain control

Investment of new capital in PCC in support of the Reorganization

- Pansolo Holding Inc., a holding company controlled by the Desmarais Family Residuary Trust, will retain voting control of PCC, owning shares with 50.2% to 50.6% of the votes following completion of the Reorganization
- Pansolo Holding Inc. intends to purchase 5 to 6 million of the approximately 30 million Participating Preferred Shares of PCC it is entitled to purchase pursuant to the Pre-Emptive Right included in PCC's articles

Management announcements

- Paul Desmarais, Jr. and André Desmarais have decided to retire as PCC’s Co-Chief Executive Officers after 23 years in their roles
- During this time, they have overseen a period of dramatic growth and value creation for PCC, PFC and the companies in the group

Annualized Total Shareholder Return¹		
PCC	PFC	S&P TSX Composite
11.7%	13.1%	7.7%

- They will continue to play active roles in the governance of PCC as Chairman and Deputy Chairman, respectively, of PCC’s Board of Directors
- R. Jeffrey Orr, President and Chief Executive Officer of PFC, will become President and Chief Executive Officer of PCC

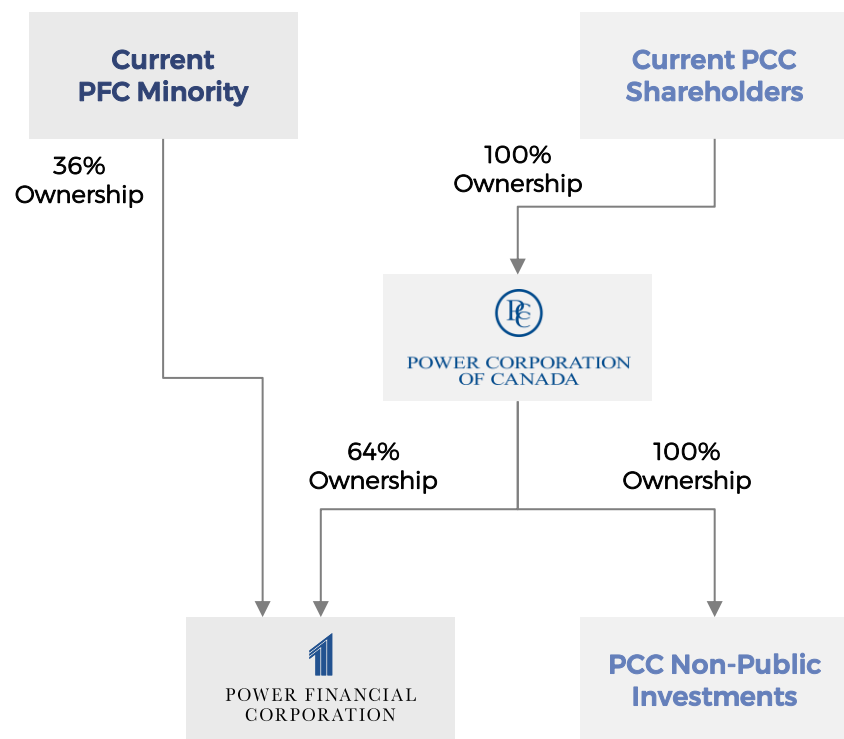
Source: Bloomberg

¹ TSR from 1-May-96 to 12-Dec-19. Assumes dividends are reinvested.

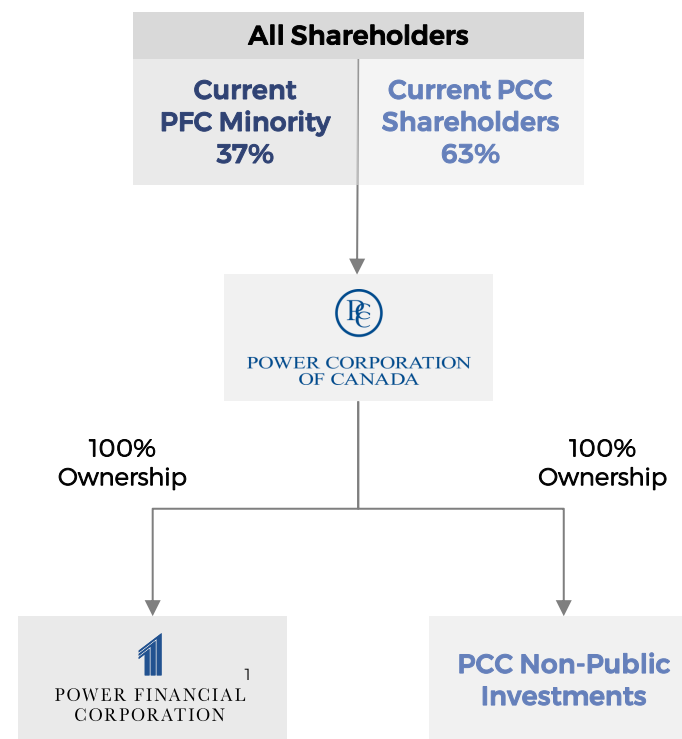
Simplified corporate structure

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

Current



Pro forma



¹ PFC will still have publicly traded preferred shares as well as outstanding debt securities.

A more focused corporate strategy emphasizing financial services

Focus on PFC's operating companies

Commitment to value creation at PFC's leading insurance, retirement, wealth management and investment franchises

GREAT-WEST
LIFECO INC.

IGM
Financial

Pargesa
Holding SA

Build-out of FinTech platforms

PORTAGE **Wealthsimple**

Development of PCC's investment platforms

Accelerate development of alternative asset management businesses where PCC has a competitive advantage

Manage portfolios on behalf of PCC and 3rd party investors and for the benefit of our operating companies and their clients

 Sagard Holdings


SAGARD

 SAGARD CHINA

 **POWER ENERGY**

Multi-strategy alternative asset manager

European mid-cap private equity

Chinese public equity manager

Renewable energy infrastructure

Realize value of standalone businesses over time

Peak Achievement Athletics

lumenpulse



The guiding principles underlying PCC's value creation strategy remain unchanged

- **Long-term perspective & investment horizon**
- **Build industry leaders with attractive growth profiles**
- **Provide active & strong governance oversight of our companies**
- **Strong financial position & prudent approach to risk management**

Meaningful reduction of operating and financing expenses

Operating expense reduction

- Significant cost reductions of approximately \$50 million per year within two years
 - Driven by the elimination of duplicative public company related expenses and rationalization of other general and administrative expenses
 - Expense reductions represent approximately 27%¹ of combined holding company operating expenses

Financing expense reduction

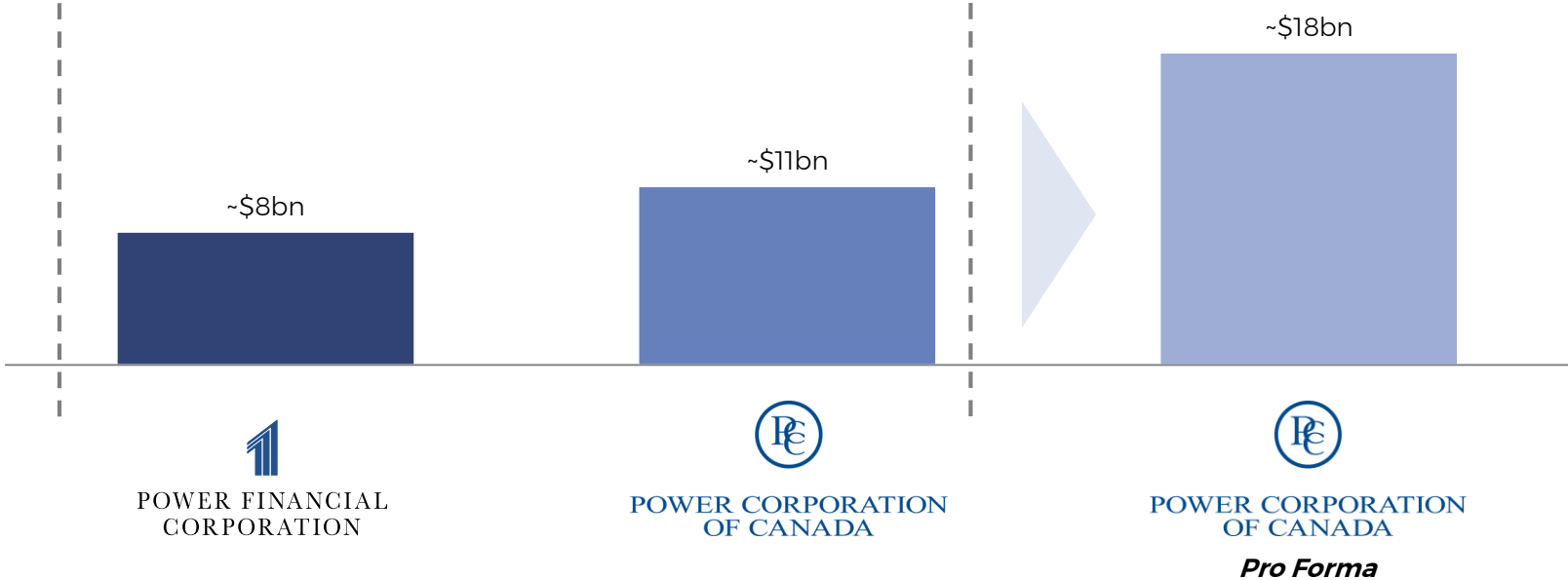
- Following completion of the Reorganization, PCC and PFC intend to redeem an aggregate \$350 million of PCC's and PFC's First Preferred Shares with available cash
 - The remaining outstanding First Preferred Shares will be considered a permanent component of the pro forma capital structure
- Expected to reduce annual financing costs by approximately \$15 million per year

¹ 2018 holding company operating expenses and depreciation of ~\$100mm for PCC and ~\$87mm for PFC.

Increased public float and liquidity

PFC minority shareholders and PCC shareholders will benefit from a significantly increased public float following the Reorganization

Public Float



% Public Float

36%

77%

85%

Source: Bloomberg

Note: Market data as of 12-Dec-19. % public float based on ownership of PCC Subordinate Voting Shares and Participating Preferred Shares, and PFC common shares outstanding.

Dividend announcements

PCC intends to increase its quarterly dividend in Q2 2020 following the Reorganization

- PCC has announced that it intends to increase its quarterly dividend per share from 40.50¢ to 44.75¢ commencing in Q2 2020, an increase of 10%, assuming completion of the Reorganization
- In conjunction with the dividend per share increase, PCC also intends to move forward the regular quarterly payment dates by approximately two months, commencing with dividends to be paid in Q2 2020
- PCC has also declared its Q1 2020 dividend per share of 40.50¢, with a record date of February 5, 2020, prior to the closing of the Reorganization

Note: 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.

Further enhancement of investor communications

Build upon more active engagement of last few years

Content

Greater transparency regarding strategy, objectives and results

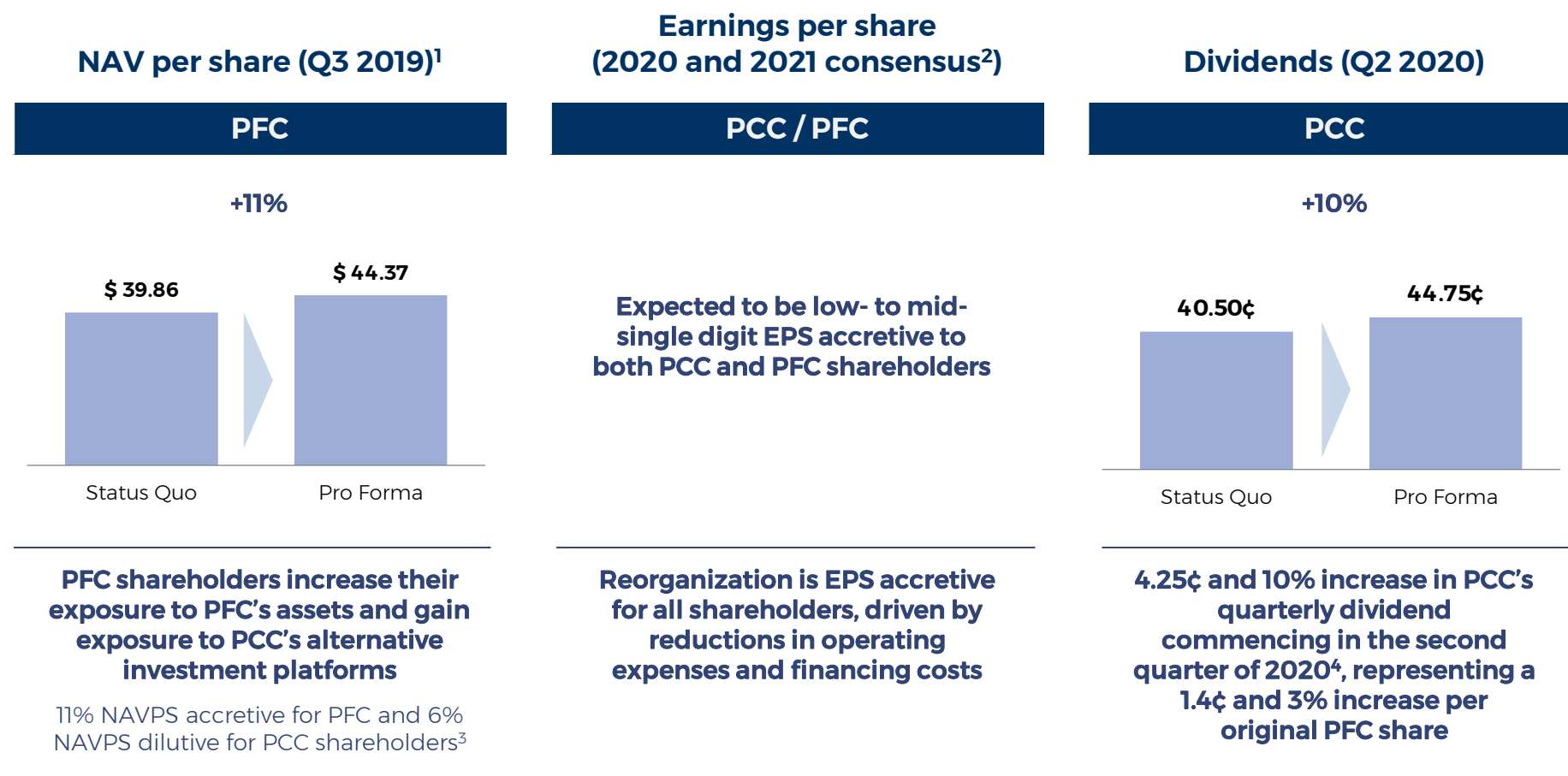
Engagement

Higher frequency and additional forms of engagement

Focus

Further communication of overall strategic perspectives on the group and its operating companies

Reorganization and related announcements delivering financial benefits for all shareholders



Source: Bloomberg

Note: Market data as of 12-Dec-19

¹ Based on the exchange ratio of 1.05x. Excludes impact of transaction costs, and without accounting for any issuance of Participating Preferred Shares under the Pre-Emptive Right. PCC standalone NAV is adjusted for ~\$173 million in dividends payable to existing PCC shareholders based on record date prior to close of the Reorganization. Pro forma PCC NAV is adjusted for ~\$2 million cash payable to PFC minority shareholders as part of the consideration.

² 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 expense reductions. No tax impact assumed for expense reductions.

³ Calculated without accounting for any issuance of Participating Preferred Shares under the Pre-Emptive Right. Net Asset Value per share is \$44.28 (+11% accretion to PFC shareholders) assuming 5.0 million or \$44.27 (+11% accretion to PFC shareholders) assuming 6.0 million Participating Preferred Shares 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).

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.

Reorganization and related announcements deliver value to all shareholders

- Simplified corporate structure that reduces organizational complexity
- More focused strategy emphasizing financial services
- NAV accretion for PFC shareholders
- Increase in public float and trading liquidity for all shareholders
- EPS accretion for all shareholders
- PCC dividend increase in Q2
- PCC becomes easier to understand and value



Value creation for PCC and PFC shareholders

Appendix

Net asset value

As reported in the respective Q3 2019 interim reports with publicly listed company values as of December 12, 2019



	Current
Great-West Lifeco	\$ 20,561
IGM Financial	\$ 5,620
Pargesa	\$ 2,496
Portag3 & Wealthsimple	\$ 223
Other Assets and Investments ¹	\$ 234
Cash & Cash Equivalents	\$ 1,042
Gross Asset Value	\$ 30,176
Debtures	\$(250)
Other Liabilities ²	\$(623)
Preferred Shares	\$(2,830)
Net Asset Value	\$ 26,473
Net Asset Value per Share	\$ 39.86
Current Share Price	\$ 32.77
<i>Discount to Net Asset Value</i>	<i>(17.8)%</i>



	Current	Pro Forma
Power Financial Corporation	\$ 16,958 ³	\$ 30,176 ³
Sagard Europe	\$ 413	\$ 413
Sagard Holdings	\$ 540	\$ 540
Sagard China	\$ 701	\$ 701
China AMC ⁴	\$ 647	\$ 647
Power Energy and Other	\$ 984	\$ 984
Other Assets and Investments	\$ 634 ⁵	\$ 440 ⁶
Cash & Cash Equivalents	\$ 495	\$ 493 ⁷
Gross Asset Value	\$ 21,372	\$ 34,394
Debtures	\$(646)	\$(896)
Other Liabilities	\$(500)	\$(1,102) ^{6,8}
Preferred Shares	\$(961)	\$(3,791)
Net Asset Value	\$ 19,265	\$ 28,605
Net Asset Value per Share	\$ 45.18	\$ 42.25
Current Share Price	\$ 31.90	
<i>Discount to Net Asset Value (Look-Through)</i>	<i>(29.4)%</i>	
Exchange Ratio		1.05 x
Pro Forma Net Asset Value per Share for PFC		\$ 44.37

Source: Bloomberg

Note: Net asset value is a non-IFRS measure.

¹ Includes \$83 million of dividends declared in the third quarter by IGM and received by PCC on October 31, 2019.

² Includes \$337 million of dividends declared in the third quarter by PFC and paid on November 1, 2019.

³ Current represents PFC's net asset value multiplied by PCC's economic interest in PFC of 64.1%. Pro forma represents the gross asset value of PFC.

⁴ Valued at carrying value in accordance with IFRS.

⁵ Includes \$194 million of dividends declared in the third quarter by PFC and received by PCC on November 1, 2019.

⁶ Excludes intercompany dividends of \$194 million declared by PFC, as referenced above.

⁷ Pro forma PCC cash is adjusted for -\$2 million cash payable to PFC minority shareholders as part of the consideration.

⁸ Adjusted for -\$173 million in dividends payable to existing PCC shareholders based on record date prior to close of the Reorganization.