

KKR



**2020**  
**ANNUAL LETTER**

Unlocking our Potential While  
Embracing Change and Challenge



## THEN AND NOW

At the time of the GFC, KKR was a smaller, more narrowly focused firm. We had a private equity business alongside a young, U.S.-centric credit business. Our capital markets business was nascent and our balance sheet was smaller, limiting our ability to support companies in need and invest in opportunities we found attractive. Since then, we adapted, we evolved our businesses and we enhanced our capabilities. We meaningfully expanded and diversified our business – from two investing businesses to 25, 10 offices to 21 and \$45 billion of AUM to \$252 billion or \$349 billion in assets, including those that we added with the Global Atlantic relationship. We’ve gone from a few hundred million of balance sheet assets to \$28 billion, and have dramatically increased our capital markets capabilities.

All of this has made us a stronger and more dynamic firm today. One that we believe was well prepared to face 2020 head on. And so we did.

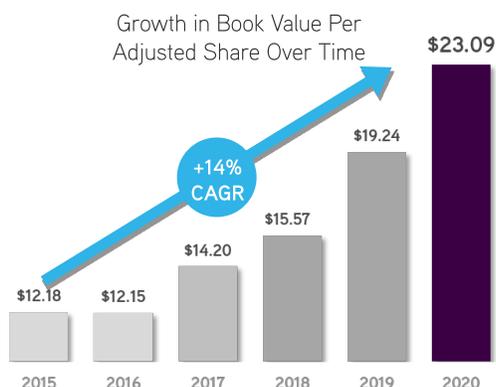
Over the past year, we challenged our investment teams – on the shoulders of the rest of the KKR corpus – to find places to lean in, offensively and defensively. The result: we deployed a record \$48 billion of capital across carry funds and traded credit. We cross-pollinated across many strategies to capture excess return and contribute alpha through public market dislocation. We dove in head-first when others stood on the sidelines, and we capitalized on opportunities to invest in strong balance sheets at compelling discounts. We managed our mark-to-market liquidity and exposure across the globe, while, most importantly, taking every possible step to protect the people in our companies, whether by investing more capital or by creating an employee support program. We salute our companies and their teams for weathering a really challenging time. Many companies had to hit pause on growth plans and some had to enact measures that impacted employees. Today, we are pleased to note that the majority of our companies and management teams that implemented necessary furloughs during COVID have now reversed them. Our companies and their employees include many frontline workers who were essential to keeping the world running. Those individuals are true examples of perseverance and resilience.

In terms of where we invested new capital, our deployment activity was heightened across the globe. We invested a record \$19 billion in Private Markets, up 36% from 2019. Our traditional Private Equity funds deployed \$10 billion of capital, split evenly across Americas, Europe and Asia. Our younger Private Markets strategies, Infrastructure, Growth, Core and Real Estate similarly saw increased investment activity, up 44% from 2019, as these platforms continued to scale. In the Public Markets business, we also found success. We saw record deployment, driven by activity in our Direct Lending, Private Credit and Dislocation funds. As markets rebounded quite strongly over the second half of 2020, we still found interesting pockets of investment. We generated strong investment returns on behalf of our fund investors and clients across many strategies, while KKR’s book value per share also increased 20%.

### GLOBAL ATLANTIC – PRO FORMA IMPACT ON OUR ASSET BASE



### CONTINUED BALANCE SHEET COMPOUNDING



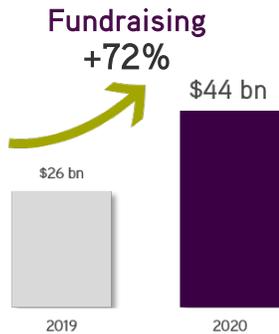
**\$48 BILLION**  
 deployed across carry funds and traded credit in 2020

Note: The transaction to acquire Global Atlantic closed on February 1, 2021.  
 1 Capital of indefinite duration, which may be withdrawn under certain conditions.  
 2 Pro forma December 31, 2020 AUM.

## FUNDRAISING MOMENTUM

Despite being somewhat grounded from travel, this past year still saw very strong fundraising – thanks in no small part to KKR’s relationship-based culture and the Limited Partners we are proud to call family.

In 2020, we raised a record \$44 billion to put to work for our Limited Partners in the coming months and years. Notably, we raised \$17 billion for our Asia strategies in 2020, representing almost 40% of new capital raised. In the fourth quarter, Asia Real Estate and Asia Infrastructure both held their final closes, wrapping up two very successful first-time fundraises. Adding to our success in Asia, we were able to grow our Core platform this year, with capital raised in Core PE and Core Infrastructure. We were also able to continue scaling our Real Estate platform, with capital raised in our Asia and Americas opportunistic strategies as well as Core+ Real Estate.



In the earlier days of the pandemic, we also raised \$4 billion – in a short eight week time period – to specifically invest in significant market dislocation in the non-investment grade credit markets. We didn’t set out to create a basic distressed fund, but rather a flexible pool of capital that enabled us to utilize our integrated global platform and network to access a unique pipeline of opportunities. We invested \$1.4 billion of capital by year-end and we remain pleased with the many high-quality companies we were able to invest in. Following the strong market rebound in the second half of 2020, this strategy saw an unannualized IRR in excess of 50% at December 31, 2020. This was one example in a year where we raised approximately \$16 billion in credit overall and, as of the close of the Global Atlantic transaction, grew our total assets under management in credit to approximately \$164 billion.

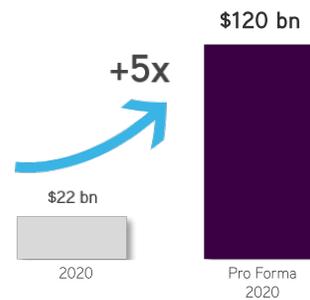
Looking ahead, we see this momentum continuing with four flagship strategies already in market or expected to come to market in the next two years, alongside over 20 additional strategies.

## GLOBAL ATLANTIC: A NEW CHAPTER

Last year was also transformational for us as a firm with the addition of a new important strategic partner, Global Atlantic (“GA”) – a partner we know will have a profound and positive impact on KKR over the long term.

GA is a scaled player in the retirement and life insurance

## Perpetual Capital<sup>1</sup>



and scaled our business, improved the visibility of our earnings and significantly grown our position within the insurance industry. We see a number of growth opportunities working with our new partners at GA. As their investment manager, we are acutely focused on bringing our asset management and origination expertise to bear on behalf of Global Atlantic and its policyholders.

## COVID-19 & KKR’S CITIZENSHIP

While we are proud of the new partnership with GA, as well as our performance on behalf of our companies and investors this past year, one of the things we are most proud of has been our focus on helping those outside of KKR. We try never to lose sight of how fortunate we are to have what we have and to work where we work. With that in mind, we launched the KKR COVID Relief Effort, a \$50 million commitment, to support the people and places most impacted by the pandemic and resulting economic dislocation.



In addition to providing support to our portfolio company employees in need, we focused on two key initiatives through our relief effort: KKR Grants and KKR Small Business Builders. To date, KKR Grants has committed more than \$12 million that has directly impacted the lives of 2.6 million people and KKR Small Business Builders has issued \$1 million in grants to diverse small business owners.

It has been a privilege to see how our colleagues have stepped up, individually, and come together as an organization to support our communities in these most challenging times. This is truly one of our greatest achievements of the year.

**LEARN MORE** about KKR Grants and KKR Small Business Builders in a blog post by Ali Hartman, KKR’s Head of Global Citizenship



<sup>1</sup> For the purpose of this presentation perpetual capital is defined as capital of indefinite duration, which may be withdrawn under certain conditions.

## DIVERSITY, EQUALITY AND INCLUSION

Another critical priority has been our pursuit of racial equality, reaffirming KKR's commitment to diversity and inclusion within our organization. We have kept – and continue to keep – our hearts and minds open while learning from each other and friends of the firm on tough topics like racism and discrimination. As such, we started an internal conversation series to take on important issues in a way that we have never done in 44 years.

Outside of KKR but within our “family,” we also recognized that we could make an equally positive impact at our portfolio companies, in particular on the Boards of Directors and on how our companies think about D&I. On the first point, we set a goal of having at least two directors with diverse backgrounds on the board of every company we control. We have now met this goal on every Board of Directors for the

companies we control in our Americas PE business. In aggregate, 30% of the directors serving on those companies are diverse and we have added over 100 diverse Directors to our Boards since 2018.

We have been examining every single aspect of our business and evaluating how we can be doing more. This has included focusing on inclusivity when it comes to our public equity offerings and debt underwritings. Starting with the \$1 billion Mandatory Convertible Preferred offering we did in August, our capital markets team activities now regularly have significant participation from high caliber minority-owned, female-owned, or veterans-owned brokerage firms, a practice we remain firmly committed to going forward.

While this journey is far from over, we are well ahead of where we were a year ago.

**We have kept – and continue to keep – our hearts and minds open while learning from each other and friends of the firm on tough topics like racism and discrimination.**

As we reflect on the year, one thing is certain: 2020 demonstrated the resilience of our business model, culture, and people, and the KKR collective is strong. This is the foundation that makes KKR a special place. We virtually came together as a firm and demonstrated the impact of connecting dots — with each other, across platforms, geographies, capital structures, investing themes, and opportunity sets. We supported each other, we showed up for each other, and we worked hard to deliver all of KKR to our companies and our clients. We adhered to our culture and values and that commitment to integrity and accountability and teamwork held us together in an extraordinary time. Looking ahead, we will bring those same values to keep unlocking our potential and raising the bar on ourselves — for you, our companies, and our Limited Partners in the year ahead.

As always, thank you for your partnership.

Stay safe and healthy.

**Henry R. Kravis**  
Co-Chairman and Co-Chief  
Executive Officer

**George R. Roberts**  
Co-Chairman and Co-Chief  
Executive Officer

## IMPORTANT INFORMATION

### Non-GAAP Measures

This letter contains non-GAAP measures. GAAP Net Income (Loss) Attributable to KKR & Co. Inc. Common Stockholders was \$1,946.0 million in 2020 and KKR & Co. Inc. Stockholders' Equity Per Outstanding Share of Common Stock was \$21.15 as of December 31, 2020.

[NTD: Include reconciliation of non-gaap measures used in the annual letter – I think the only I saw was book value per adjusted share from 2015-2020]

For a full reconciliation of GAAP to non-GAAP measures, please see KKR's Annual Report on Form 10-K for the year-ended December 31, 2020 available at

<https://www.sec.gov/ix?doc=/Archives/edgar/data/1404912/000140491221000008/kkr-20201231.htm>.

### Forward-Looking Statements

This letter may contain forward-looking statements. Forward-looking statements relate to expectations, estimates, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. The forward-looking statements are based on KKR's beliefs, assumptions and expectations, taking into account all information currently available to it. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to KKR or are within its control. If a change occurs, KKR's business, financial condition, liquidity and results of operations, including but not limited to dividends, tax assets, tax liabilities, AUM, FPAUM, after-tax distributable earnings, capital invested, syndicated capital, uncalled commitments, cash and short-term investments, fee related earnings, adjusted EBITDA, core interest expense and book value, debt levels, outstanding shares of common stock and capital structure may vary materially from those expressed in the forward-looking statements. The following factors, among others, could cause actual results to vary from the forward-looking statements: failure to realize the anticipated benefits within the expected timeframes from the acquisition of Global Atlantic; unforeseen liabilities or integration and other costs of the Global Atlantic acquisition and timing related thereto; changes in Global Atlantic's business; distraction of KKR's or Global Atlantic's management or other diversion of resources within each company caused by the Global Atlantic acquisition; retention of key Global Atlantic employees; Global Atlantic's ability to maintain business relationships following the acquisition; the severity and duration of the COVID-19 pandemic; the pandemic's impact on the U.S. and global economies; foreign, federal, state and local governmental responses to the pandemic; whether KKR realizes all or any of the anticipated benefits from converting to a corporation and the timing of realizing such benefits; whether there are increased or unforeseen costs associated with the conversion, including any adverse change in tax law; the volatility of the capital markets; failure to realize the benefits of or changes in KKR's or Global Atlantic's business strategies including the ability to realize the anticipated synergies from acquisitions, including the Global Atlantic acquisition, strategic partnerships or other transactions; availability, terms and deployment of capital; availability of qualified personnel and expense of recruiting and retaining such personnel; changes in the asset management or insurance industry, interest rates, credit spreads, currency exchange rates or the general economy; underperformance of KKR's or Global Atlantic's investments and decreased ability to raise funds; KKR's and Global Atlantic's compliance with laws applicable to their respective businesses; changes to Global Atlantic as a consolidated subsidiary of KKR; ability of KKR to manage Global Atlantic's investments; KKR's control of Global Atlantic; changes in Global Atlantic policyholders' behaviors; any disruption in servicing Global Atlantic's insurance policies; the use of estimates and risk management in Global Atlantic's business; outcome of Global Atlantic's litigation and regulatory matters; and the degree and nature of KKR's and Global Atlantic's competition. All forward-looking statements speak only as of the date hereof. KKR does not undertake any obligation to update any forward-looking statements to reflect circumstances or events that occur after the date on which such statements were made except as required by law. In addition, KKR's business strategy is focused on the long term and financial results are subject to significant volatility. Additional information about factors affecting KKR is available in KKR & Co. Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2020, filed with the SEC on February 19, 2021, quarterly reports on Form 10-Q for subsequent quarters and other filings with the SEC, which are available at [www.sec.gov](http://www.sec.gov).

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