

# KKR & CO. INC.

## **FORM 8-K** (Current report filing)

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Address	9 WEST 57TH STREET, SUITE 4200 NEW YORK, NY, 10019
Telephone	212-750-8300
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Industry	Investment Management & Fund Operators
Sector	Financials
Fiscal Year	12/31

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549**

**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): **November 9, 2018**

**KKR & CO. INC.**

*(Exact name of registrant as specified in its charter)*

**Delaware**

*(State or other jurisdiction of incorporation)*

**001-34820**

*(Commission File Number)*

**26-0426107**

*(IRS Employer Identification No.)*

**9 West 57th Street, Suite 4200**

**New York, New York**

*(Address of principal executive offices)*

**10019**

*(Zip Code)*

**(212) 750-8300**

*(Registrant's telephone number, including area code)*

**NOT APPLICABLE**

*(Former name or former address, if changed since last report)*

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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**Item 8.01 Other Events.**

On July 1, 2018, KKR & Co. Inc. (the “Company”) converted from a Delaware limited partnership named KKR & Co. L.P. into a Delaware corporation named KKR & Co. Inc. (the “Conversion”). The unaudited pro forma financial information of the Company set forth in Exhibit 99.1 presents the impact of the Conversion on the Company’s statements of operations for the year ended December 31, 2017 and for the nine months ended September 30, 2018. In addition, as previously disclosed in connection with the Conversion and in the Company’s Quarterly Reports on Form 10-Q for the quarters ended June 30, 2018 and September 30, 2018, the Company has modified the presentation of certain segment financial information effective as of and for the three and six months ended June 30, 2018, which is reflected in Exhibit 99.2.

**Item 9.01 Financial Statements and Exhibits.****(b) Exhibits.**

<b>Exhibit No.</b>	<b>Description</b>
<a href="#">Exhibit 99.1</a>	KKR & Co. Inc. Unaudited Pro Forma Financial Information
<a href="#">Exhibit 99.2</a>	KKR & Co. Inc. Segment Financial Information

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

KKR & CO. INC.

Date: November 9, 2018

By: /s/ William J. Janetschek

Name: William J. Janetschek

Title: Chief Financial Officer

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**KKR & CO. INC.**  
**UNAUDITED PRO FORMA FINANCIAL INFORMATION**

On July 1, 2018, KKR & Co. Inc. (the “Company”) completed its conversion (the “Conversion”) from a Delaware limited partnership named KKR & Co. L.P. into a Delaware corporation named KKR & Co. Inc.

The following unaudited pro forma financial information is based on the historical consolidated financial statements of the Company and is intended to provide information about how the Conversion may have affected the Company’s historical consolidated financial statements if it had occurred as of January 1, 2017, in the case of the unaudited pro forma statements of operations for the year ended December 31, 2017 and for the nine months ended September 30, 2018. An unaudited pro forma statement of financial condition as of September 30, 2018 is not presented because the Conversion is already reflected in the Company’s statement of financial condition as of such date. The unaudited pro forma statement of operations for the year ended December 31, 2017 does not reflect the one-time tax benefit to record the initial deferred tax asset that was realized upon Conversion. Additionally, the unaudited pro forma statement of operations for the year ended December 31, 2017 has been adjusted to exclude the impact of the Tax Cuts and Jobs Act, which was enacted in December 2017 (the “2017 Tax Act”), in order to present the pro forma tax expense based on the statutory rate in effect for 2017, which included the U.S. federal corporate tax rate of 35%.

The unaudited pro forma financial information and the pro forma adjustments described in the footnotes should be read in conjunction with the Company’s historical financial statements and the accompanying notes contained in the Company’s annual report on Form 10-K for the year ended December 31, 2017 and its quarterly report on Form 10-Q for the quarter ended September 30, 2018. The unaudited pro forma financial information is based on available information and assumptions that the Company believes are reasonable. The unaudited pro forma financial information is for illustrative and informational purposes only and is not intended to represent or be indicative of what the Company’s financial condition or results of operations would have been had the Conversion occurred on the dates indicated. The unaudited pro forma financial information also should not be considered indicative of the Company’s future financial condition or results of operations.

**KKR & CO. INC.**  
**UNAUDITED PRO FORMA STATEMENT OF OPERATIONS**  
(Amounts in Thousands, Except Share and Per Share Data)

	For the Year Ended December 31, 2017				
	As Reported	Adjustment relating to the Conversion		Adjustments relating to the Change in Statutory Tax Rate	Pro Forma
<b>Statement of Operations Data:</b>					
Total Revenues	\$ 3,282,265				\$ 3,282,265
Total Expenses	2,336,692				2,336,692
Total Investment Income (Loss)	1,838,795			(67,221) (3)	1,771,574
Income (Loss) Before Taxes	2,784,368			(67,221)	2,717,147
Income Tax Expense (Benefit)	224,326	366,347	(1)	(97,915) (4)	492,758
Net Income (Loss)	2,560,042	(366,347)	(1)	30,694	2,224,389
Net Income (Loss) Attributable to Redeemable Noncontrolling Interests	73,972				73,972
Net Income (Loss) Attributable to Noncontrolling Interests	1,467,765				1,467,765
Net Income (Loss) Attributable to KKR & Co. Inc.	1,018,305	(366,347)	(1)	30,694	682,652
Series A Preferred Stock Dividends	23,288				23,288
Series B Preferred Stock Dividends	10,076				10,076
Net Income (Loss) Attributable to KKR & Co. Inc. Class A Common Stockholders	\$ 984,941	(366,347)	(1)(2)	30,694 (3)(4)	\$ 649,288
<b>Net Income (Loss) Attributable to KKR &amp; Co. Inc. Per Share of Class A Common Stock</b>					
Basic	\$ 2.10	\$ (0.78)	(1)	\$ 0.07	\$ 1.39
Diluted	\$ 1.95	\$ (0.73)	(1)	\$ 0.06	\$ 1.28
<b>Weighted Average Shares of Class A Common Stock Outstanding</b>					
Basic	468,282,642				468,282,642
Diluted	506,288,971				506,288,971

(1) This adjustment represents the incremental tax expense that would have been incurred had the Company been classified as a corporation for U.S. federal tax purposes as of January 1, 2017. This amount includes only the incremental tax expense using the U.S. federal corporate tax rate of 35% prior to the 2017 Tax Act, and excludes the impact of the 2017 Tax Act as well as the one-time tax benefit to record the initial deferred tax asset that was recognized upon the Conversion.

(2) The one-time tax benefit and one-time tax expense that were recognized upon the Conversion and the impact of the 2017 Tax Act are not included in the pro forma adjustments. The one-time tax benefit that was recognized upon the Conversion has been excluded because, due to the 2017 Tax Act and the change in the U.S. federal corporate tax rate from 35% to 21% effective January 1, 2018, the amount of deferred taxes that would have been recorded had the Conversion occurred as of January 1, 2017 would not be representative of the deferred tax asset that was recorded as of the Conversion date of July 1, 2018. Similarly, including the one-time tax expense that would have been realized in order to reflect the reduction of the deferred tax asset due to the change in the U.S. federal corporate tax rate would also not be representative of the incremental tax expense the Company may incur as a result of the Conversion.

(3) As a result of the 2017 Tax Act, the as-reported Total Investment Income included approximately \$67 million of income to reflect lower expected tax benefit payments under the tax receivable agreement resulting from the change in the U.S. federal corporate tax rate from 35% to 21%. In order to present the pro forma net income based on the statutory tax rate in effect for 2017, this amount is reversed.

(4) As a result of the 2017 Tax Act, the as-reported Income Taxes included additional tax expense of approximately \$98 million related to the reduction of the deferred tax asset resulting from the change in the U.S. federal corporate tax rate from 35% to 21% and the estimated one-time tax on previously unremitted foreign earnings. In order to present the pro forma tax expense based on the statutory tax rate in effect for 2017, this amount is reversed.

**KKR & CO. INC.**  
**UNAUDITED PRO FORMA STATEMENT OF OPERATIONS**  
(Amounts in Thousands, Except Share and Per Share Data)

For the Nine Months Ended September 30, 2018

	<u>As Reported</u>	<u>Adjustments relating to the</u> <u>Conversion</u>				<u>Pro Forma</u>
<b>Statement of Operations Data:</b>						
Total Revenues	\$ 2,573,892					\$ 2,573,892
Total Expenses	1,851,741					1,851,741
Total Investment Income (Loss)	2,748,604					2,748,604
Income (Loss) Before Taxes	3,470,755					3,470,755
Income Tax Expense (Benefit)	(50,804)	159,301	(1)	257,070	(2)	365,567
Net Income (Loss)	3,521,559	(159,301)	(1)	(257,070)		3,105,188
Net Income (Loss) Attributable to Redeemable Noncontrolling Interests	19,894					19,894
Net Income (Loss) Attributable to Noncontrolling Interests	1,985,961					1,985,961
Net Income (Loss) Attributable to KKR & Co. Inc.	1,515,704	(159,301)	(1)	(257,070)		1,099,333
Series A Preferred Stock Dividends	17,466					17,466
Series B Preferred Stock Dividends	7,557					7,557
Net Income (Loss) Attributable to KKR & Co. Inc. Class A Common Stockholders	<u>\$ 1,490,681</u>	<u>(159,301)</u>	<u>(1)</u>	<u>(257,070)</u>	<u>(2)</u>	<u>\$ 1,074,310</u>
<b>Net Income (Loss) Attributable to KKR &amp; Co. Inc. Per Share of Class A Common Stock</b>						
Basic	\$ 2.94	\$ (0.31)	(1)	\$ (0.51)		\$ 2.12
Diluted	\$ 2.83	\$ (0.30)	(1)	\$ (0.49)		\$ 2.04
<b>Weighted Average Shares of Class A Common Stock Outstanding</b>						
Basic	507,981,387					507,981,387
Diluted	528,466,390					528,466,390

(1) This adjustment represents the incremental tax expense that would have been incurred had the Company been classified as a corporation for U.S. federal tax purposes for the period January 1, 2018 through June 30, 2018. The pro forma tax expense for this period reflects the tax rates enacted under the 2017 Tax Act.

(2) This adjustment represents the removal of the one-time \$257.1 million net tax benefit recognized on the date of the Conversion resulting from the step up in tax basis of certain assets.

**KKR & CO. INC.**  
**SEGMENT RESULTS (UNAUDITED)**  
(Amounts in thousands)

	<b>For the Years Ended December 31,</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>Segment Revenues</b>			
<b>Fees and Other, Net</b>			
Management Fees	\$ 732,033	\$ 797,862	\$ 905,188
Transaction Fees	364,994	344,274	777,247
Monitoring Fees	264,643	64,354	81,021
Fee Credits	(219,620)	(131,628)	(261,429)
<b>Total Fees and Other, Net</b>	<b>1,142,050</b>	<b>1,074,862</b>	<b>1,502,027</b>
<b>Realized Performance Income (Loss)</b>			
Carried Interest	1,027,154	1,256,208	1,198,981
Incentive Fees	19,647	33,346	73,395
<b>Total Realized Performance Income (Loss)</b>	<b>1,046,801</b>	<b>1,289,554</b>	<b>1,272,376</b>
<b>Realized Investment Income (Loss)</b>			
Net Realized Gains (Losses)	337,023	371,563	194,020
Interest Income and Dividends	411,536	322,857	285,696
<b>Total Realized Investment Income (Loss)</b>	<b>748,559</b>	<b>694,420</b>	<b>479,716</b>
<b>Total Segment Revenues</b>	<b>2,937,410</b>	<b>3,058,836</b>	<b>3,254,119</b>
<b>Segment Expenses</b>			
Compensation and Benefits (1)	1,015,056	1,119,564	1,282,745
Occupancy and Related Charges	62,657	62,400	56,410
Other Operating Expenses	233,618	234,348	243,772
<b>Total Segment Expenses</b>	<b>1,311,331</b>	<b>1,416,312</b>	<b>1,582,927</b>
<b>Segment Operating Earnings</b>	<b>1,626,079</b>	<b>1,642,524</b>	<b>1,671,192</b>
Interest Expense	203,085	188,761	181,612
Preferred Dividends	-	22,235	33,364
Income (Loss) Attributable to Noncontrolling Interests	16,007	2,336	6,551
Income Taxes Paid	140,677	87,723	94,065
<b>After-tax Distributable Earnings</b>	<b>\$ 1,266,310</b>	<b>\$ 1,341,469</b>	<b>\$ 1,355,600</b>

(1) Includes equity-based compensation of \$186,346, \$186,227 and \$204,308 for the years ended December 31, 2015, 2016 and 2017, respectively.



**RECONCILIATION OF NET INCOME (LOSS) ATTRIBUTABLE TO KKR & CO. INC. CLASS A COMMON STOCKHOLDERS (GAAP BASIS)  
TO AFTER-TAX DISTRIBUTABLE EARNINGS (UNAUDITED)  
(Amounts in thousands)**

	For the Years Ended December 31,		
	2015	2016	2017
<b>Net Income (Loss) Attributable to KKR &amp; Co. Inc. Class A Common Stockholders</b>	<b>\$ 488,482</b>	<b>\$ 287,072</b>	<b>\$ 984,941</b>
Add: Net Income (Loss) Attributable to Noncontrolling Interests held by KKR Holdings L.P.	433,693	212,878	791,021
Add: Equity-based and Other Compensation - KKR Holdings L.P. and Other	75,233	78,663	141,727
Add: Amortization of Intangibles and Other, net	47,599	(17,267)	122,870
Deduct: Unrealized Carried Interest	163,545	(420,372)	600,242
Deduct: Net Unrealized Gains (Losses)	(391,962)	(584,423)	395,358
Add: Unrealized Performance Income Compensation	66,927	(161,510)	247,601
Deduct: Gain from remeasurement of tax receivable agreement liability	-	-	67,221
Add: Income tax provision	66,636	24,561	224,326
Deduct: Income Taxes Paid	140,677	87,723	94,065
<b>After-tax Distributable Earnings</b>	<b>\$ 1,266,310</b>	<b>\$ 1,341,469</b>	<b>\$ 1,355,600</b>

**RECONCILIATION OF TOTAL GAAP REVENUES AND TOTAL GAAP EXPENSES TO TOTAL SEGMENT REVENUES AND TOTAL SEGMENT EXPENSES (UNAUDITED)**

(Amounts in thousands)

	For the Years Ended December 31,		
	2015	2016	2017
<b>Total GAAP Revenues</b>	<b>\$ 1,043,768</b>	<b>\$ 1,908,093</b>	<b>\$ 3,282,265</b>
Add: Management Fees - Consolidated Funds and Other	538,986	196,375	267,032
Deduct: Fee Credits - Consolidated Funds	202,269	2,921	4,028
Deduct: Capital Allocation-Based Income (GAAP)	-	803,185	1,740,661
Add: Segment Realized Carried Interest	1,027,154	1,256,208	1,198,981
Add: Segment Realized Investment Income (Loss)	748,559	694,420	479,716
Deduct: Revenue Earned by Other Consolidated Entities	152,644	108,605	106,042
Deduct: Expense Reimbursements	66,144	81,549	123,144
<b>Total Segment Revenues</b>	<b>\$ 2,937,410</b>	<b>\$ 3,058,836</b>	<b>\$ 3,254,119</b>
<b>Total GAAP Expenses</b>	<b>\$ 1,871,225</b>	<b>\$ 1,695,474</b>	<b>\$ 2,336,692</b>
Deduct: Equity-based and Other Compensation - KKR Holdings L.P. and Other	75,233	78,663	141,727
Deduct: Segment Unrealized Performance Income Compensation	66,927	(161,510)	247,601
Deduct: Amortization of Intangibles	46,362	41,803	17,821
Deduct: Reimbursable Expenses	80,712	111,016	155,173
Deduct: Operating Expenses relating to Other Consolidated Entities	264,661	216,958	172,920
Add: Other	(25,999)	7,768	(18,523)
<b>Total Segment Expenses</b>	<b>\$ 1,311,331</b>	<b>\$ 1,416,312</b>	<b>\$ 1,582,927</b>