



# First Quarter 2024 Earnings Call Presentation

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**PRINCIPAL FINANCIAL GROUP**

April 25, 2024

RETIREMENT

ASSET MANAGEMENT

BENEFITS & PROTECTION

# Key takeaways

## Earnings

- 1Q24 non-GAAP EPS<sup>1</sup> excluding significant variances<sup>2</sup> of \$1.75 increased 9% from 1Q23; non-GAAP operating earnings<sup>1</sup> excluding significant variances<sup>2</sup> increased 6%
- Well-positioned to deliver on 9-12% long-term enterprise non-GAAP EPS<sup>1</sup> growth in 2024

## Growth

- Strong top-line growth of 5% across the enterprise
- Retirement: RIS generated strong net revenue excluding significant variances<sup>2</sup> growth of 7% driven by growth in the business, market performance, and higher net investment income
- Asset management: +\$1.0B Brazil NCF; +\$0.8B real estate and fixed income institutional NCF; rebound in US mutual fund sales
- Benefits and protection: strength and resilience of our small to mid-sized customer segments contributed to growth; Specialty Benefits premium and fees +8%, and Life Insurance business market premium and fees +23%

## Capital

- Continued strong and flexible capital position to support 2024 capital deployment target of \$1.5B - \$1.8B
  - Returned more than \$360M of capital to shareholders in 1Q24
  - Increased 2Q24 common stock dividend 2 cents to \$0.71 per share
  - Full year target: \$0.8 - \$1.1B of share repurchases and a 40% dividend payout ratio<sup>3</sup>
- Continue to expect to generate 75-85% free capital flow for the full year, increasing throughout the year
- Disciplined capital allocation strategy: target 15-25% of net income<sup>3</sup> to organic growth, 40% dividends, 35-45% share repurchases, and up to 10% strategic M&A

<sup>1</sup> This is a non-GAAP financial measure; see reconciliation in appendix. <sup>2</sup> See slide 12 for details. <sup>3</sup> Based on net income attributable to PFG excluding income or loss from exited business.

# 1Q 2024 financial highlights

## 1Q 2024 OPERATING EARNINGS AND EPS

Reported non-GAAP operating earnings<sup>1</sup>

**\$394M**

(+7% vs. 1Q 2023)

Impact of significant variances to non-GAAP operating earnings<sup>2</sup>

**\$(25)M after-tax**

(\$34)M pre-tax)

Non-GAAP operating earnings, excluding significant variances (xSV)

**\$419M**

(+6% vs. 1Q 2023)

Reported non-GAAP operating earnings per diluted share<sup>1</sup> (EPS)

**\$1.65**

(+11% vs. 1Q 2023)

Impact of significant variances to non-GAAP EPS<sup>2</sup>

**\$(0.10)**

Non-GAAP EPS, xSV

**\$1.75**

(+9% vs. 1Q 2023)

RETURN ON EQUITY<sup>4</sup>

**12.9%**

(13.6% xSV)

## CAPITAL & LIQUIDITY

Excess and available capital

**\$1.4B** with approximately:

\$1.1B at Hold Co

\$0.3B excess subsidiary capital

Debt to capital ratio<sup>3</sup>

**21.8%**

Estimated PLIC RBC ratio

**~400%**

## CAPITAL RETURNED

**\$362M**

\$162M of common stock dividends

\$200M of share repurchases

Announced 2Q 2024 common stock dividend

**\$0.71**

+11% from 2Q 2023

## AUM & NCF

Total company AUM managed by PFG

**\$709B**

Total company net cash flow

**-\$0.6B**

1 This is a non-GAAP financial measure; see reconciliation in appendix. 2 See slide 12 for details. 3 This is a non-GAAP financial measure. Debt to capital ratio excludes cumulative change in fair value of funds withheld embedded derivative and AOCI. 4 Non-GAAP return on equity, excluding cumulative change in fair value of funds withheld embedded derivative and AOCI, other than foreign currency translation adjustment.

# Investment performance

## % of funds outperforming Morningstar median<sup>1,2</sup>

As of 3/31/2024	1-Year	3-Year	5-Year	10-Year
<b>Equity</b>	50%	43%	56%	95%
<b>Fixed Income</b>	63%	56%	67%	73%
<b>Asset Allocation</b>	94%	70%	91%	77%
<b>Total</b>	71%	57%	73%	82%

## % of composites outperforming benchmarks<sup>1,3</sup>

As of 3/31/2024	1-Year	3-Year	5-Year	10-Year
<b>Equity</b>	68%	53%	80%	86%
<b>Fixed Income</b>	68%	76%	92%	98%
<b>Asset Allocation<sup>4</sup></b>	NA	NA	NA	NA
<b>Total</b>	69%	62%	81%	87%

1 Equal weighted.

2 Percentage of Principal actively managed mutual funds, exchange traded funds (ETFs), insurance separate accounts, and collective investment trusts (CITs) in the top two Morningstar quartiles. Excludes Money Market, Stable Value, Liability Driven Investment (Short, Intermediate and Extended Duration), Hedge Fund Separate Account, & U.S. Property Separate Account.

3 Composite returns are calculated on a gross basis. All composites compared to official Global Investment Performance Standards (GIPS) composite benchmark. Excludes passive composites and doesn't include certain strategies or mandates for which GIPS composites are not calculated (e.g., Lifetime/Target Date strategies). Lifetime/Target Date funds are covered under separate peer-relative calculations. "Total" percentages include equities, fixed income and other asset classes and mandates with GIPS composites (e.g., asset allocation).

4 Coverage of asset allocation strategies in benchmark-relative composites is minimal and non-informative. Please see peer rankings above for informative asset allocation performance.

5 Includes only funds with ratings assigned by Morningstar; non-rated funds excluded (85 total, 80 are ranked).

ASSET WEIGHTED<sup>5</sup>

# 58%

of rated fund AUM  
has a 4 or 5 star rating  
from Morningstar

# Retirement and Income Solutions

## HIGHLIGHTS

- Pre-tax operating earnings excluding significant variances<sup>1</sup> increased primarily due to growth in the business, higher net investment income, and favorable market performance
- Total sales of \$9.4B, including \$0.8B of PRT sales, increased 6%
- Excluding significant variances<sup>1</sup>, strong 1Q24 net revenue growth of 7% and operating margin of 40%

	Reported pre-tax operating earnings (\$M)	Significant variances <sup>1</sup> (\$M)	Pre-tax operating earnings ex significant variances (\$M)
1Q24	\$262.2	+\$20.0	\$282.2
1Q23	\$249.8	+\$13.0	\$262.8
Change	<b>+\$12.4 (+5%)</b>		<b>+\$19.4 (+7%)</b>

1 Impact of VII in 1Q24; impact of VII and mortality experience true-ups in 1Q23.  
 2 Excludes impacts of actuarial assumption reviews and other significant variances.  
 3 Pre-tax operating earnings divided by net revenue.

## KEY METRICS

### Trailing twelve month basis<sup>2</sup>

**+6%**

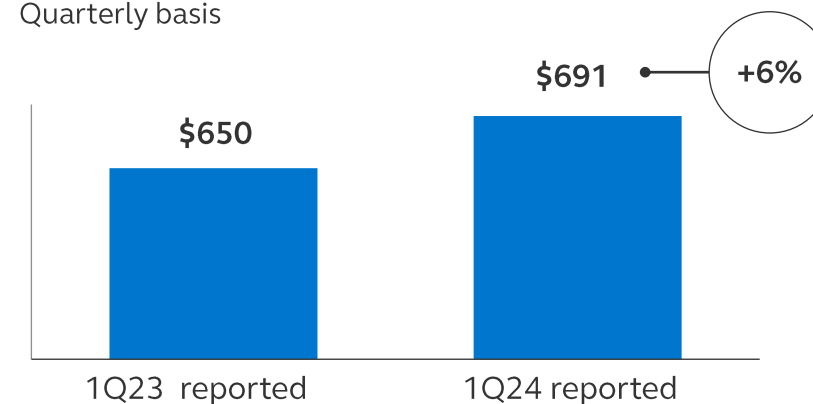
change in net revenue

**39%**

operating margin<sup>3</sup>

### Net revenue (\$M)

Quarterly basis



# Principal Global Investors (PGI)

## HIGHLIGHTS

- Pre-tax operating earnings increased primarily due to higher management fees from higher average AUM
- PGI Managed AUM of \$514B increased 7% over 1Q23

## OTHER CONSIDERATIONS

- ~\$25M of seasonally higher expenses<sup>1</sup>
- Equity AUM exposure: 40% S&P 500, 30% small and mid-cap, 20% international, and 10% REITs

	Reported pre-tax operating earnings (\$M)
1Q24	\$113.9
1Q23	\$109.1
Change	<b>+\$4.8 (+4%)</b>

<sup>1</sup> Includes deferred compensation and elevated payroll taxes.

<sup>2</sup> This is a non-GAAP financial measure; see reconciliation in appendix.

<sup>3</sup> Pre-tax operating earnings, adjusted for noncontrolling interest, divided by operating revenues less pass-through expenses.

## KEY METRICS

### Trailing twelve month basis

**-3%**

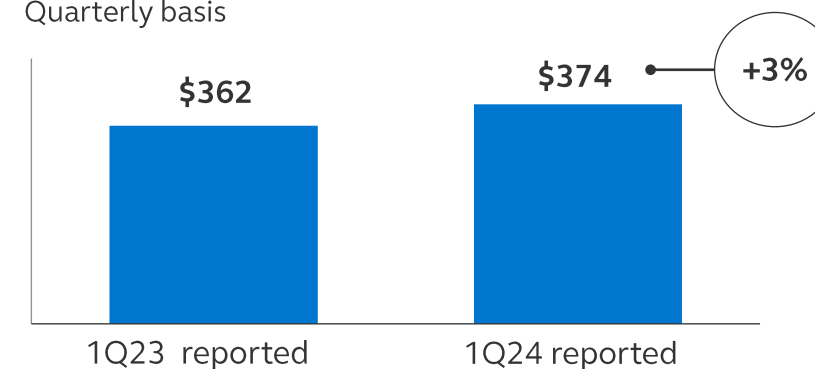
change in operating  
revenues less  
pass-through expenses<sup>2</sup>

**35%**

operating margin<sup>3</sup>

### Operating revenues less pass-through expenses (\$M)

Quarterly basis



# Principal International

## HIGHLIGHTS

- Pre-tax operating earnings excluding significant variances<sup>1</sup> decreased primarily due to macroeconomic headwinds in Asia; FX impacts of \$(1)M vs 1Q23 and \$(4)M vs 4Q23
- Reported AUM of \$179B, increased 7% from 1Q23
- Net cash flow of +\$1B driven by Brazil

	Reported pre-tax operating earnings (\$M)	Significant variances <sup>1</sup> (\$M)	Pre-tax operating earnings ex significant variances (\$M)
1Q24	\$73.2	+\$2.9	\$76.1
1Q23	\$78.7	\$0.0	\$78.7
Change	<b>-\$5.5 (-7%)</b>		<b>-\$2.6 (-3%)</b>

1 Impact of VII and higher than expected encaje performance 1Q24.

2 Excludes impacts of significant variances.

3 Combined basis includes all Principal International companies at 100%.

4 Pre-tax operating earnings divided by combined net revenue (at PFG share).

5 This is a non-GAAP financial measure; see reconciliation in appendix.

## KEY METRICS

### Trailing twelve month basis (at PFG share)<sup>2</sup>

**+6%**

change in combined<sup>3</sup>  
net revenue

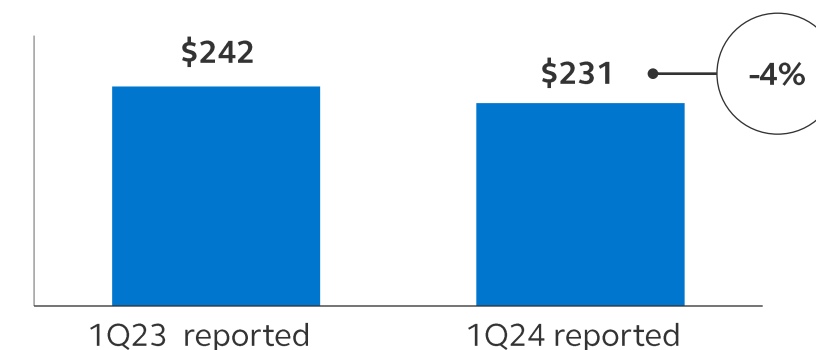
**32%**

operating margin<sup>4</sup>

### Combined net revenue

(at PFG share)<sup>5</sup> (\$M)

Quarterly basis



# Specialty Benefits

## HIGHLIGHTS

- Pre-tax operating earnings excluding significant variances<sup>1</sup> increased due to growth in the business and more favorable underwriting experience
- Premium and fees increased 8% driven by record 1Q24 sales along with employment and wage growth

	Reported pre-tax operating earnings (\$M)	Significant variances <sup>1</sup> (\$M)	Pre-tax operating earnings ex significant variances (\$M)
1Q24	\$102.0	+\$4.0	\$106.0
1Q23	\$81.8	+\$13.2	\$95.0
Change	<b>+\$20.2 (+25%)</b>		<b>+\$11.0 (+12%)</b>

<sup>1</sup> Impact of VII in 1Q24; impact of LDTI model refinement and VII in 1Q23.

<sup>2</sup> Excludes impacts of actuarial assumption reviews and other significant variances.

<sup>3</sup> Pre-tax operating earnings divided by premium and fees.

## KEY METRICS

### Trailing twelve month basis

**+8%**

change in premium and fees

**15%**

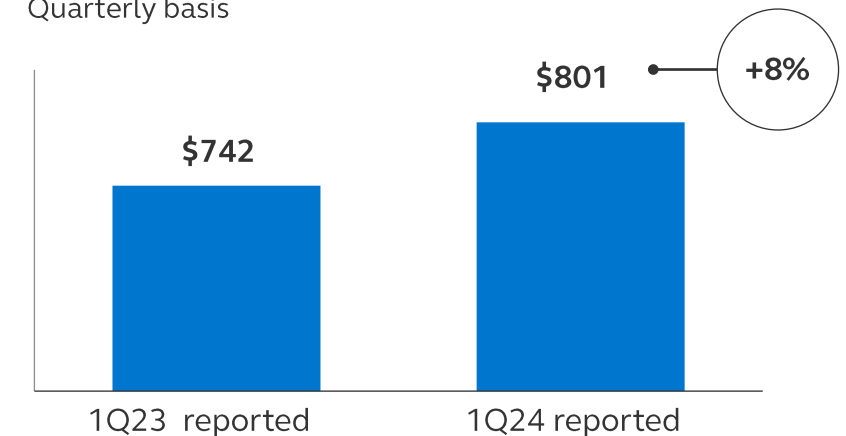
operating margin<sup>2,3</sup>

**61%**

incurred loss ratio<sup>2</sup>

### Premium and fees (\$M)

Quarterly basis





# Life Insurance

## HIGHLIGHTS

- Pre-tax operating earnings excluding significant variances<sup>1</sup> decreased slightly as growth in premium and fees and improved mortality experience was offset by lower interest margin
- Premium and fees increased 4% led by strong business market growth of 23%, outpacing runoff of the legacy business

## OTHER CONSIDERATIONS

- Reported earnings impacted by \$(8)M of a GAAP-only regulatory closed block dividend adjustment

	Reported pre-tax operating earnings (\$M)	Significant variances <sup>1</sup> (\$M)	Pre-tax operating earnings ex significant variances (\$M)
1Q24	\$9.8	+\$14.0	\$23.8
1Q23	\$17.5	+\$7.0	\$24.5
Change	<b>-\$7.7 (-44%)</b>		<b>-\$0.7 (-3%)</b>

1 Impact of GAAP-only regulatory closed block dividend adjustment and VII in 1Q24.

2 Excludes impacts of actuarial assumption reviews.

3 Excludes impacts of actuarial assumption reviews and other significant variances.

4 Pre-tax operating earnings divided by premium and fees.

## KEY METRICS

### Trailing twelve month basis

**+3%**

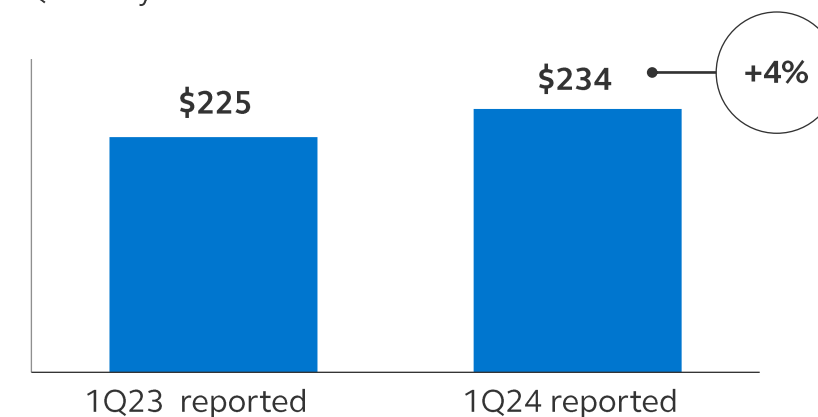
change in premium and fees<sup>2</sup>

**13%**

operating margin<sup>3,4</sup>

### Premium and fees (\$M)

Quarterly basis



# Appendix

# Principal achieved sustainability goals

Access to our 2023 sustainability report:  
[principal.com/sustainability](https://principal.com/sustainability)

## We doubled the number of diverse small and mid-sized businesses (SMB) we serve

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In 2021, together with Principal® Foundation, Principal committed to a goal of doubling the number of diverse SMBs we support by 2025. We exceeded this goal in 2023 and have now set a new goal to triple the number of diverse SMBs we support by 2025.

## We achieved our annual Global People Inclusion Index<sup>1</sup> (GPII) goal with a score of 82%

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Our proprietary Inclusion Index measures sentiments of our nearly 20,000 global employees<sup>2</sup> related to culture and empowerment. In 2023, the goal was 80% and we are increasing that to 82% in 2024 based on past performance and a desire for continuous improvement.

## Principal Foundation invested \$18 million in 2023

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Over the past three years, Principal Foundation has invested \$51 million into programming to help ensure access to essential needs, develop pathways toward economic mobility and support financial enablement and development, with a focus on diverse populations and small businesses.

## We continue to meet greenhouse gas (GHG) emission goals, averaging an 11.5% reduction each year since 2019<sup>3</sup>

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We're on track to reach our long-term goal of achieving a 65% reduction in global scope 1 and scope 2 market-based GHG emissions by 2034. The goal averages to a 4.3% reduction per year, which we achieved in 2023 through meaningful decreases in our emissions both in the U.S. and globally.

<sup>1</sup> The Global People Inclusion Index is a proprietary survey tool measuring employee inclusion at Principal.

<sup>2</sup> As of December 31, 2023.

<sup>3</sup> 2023 GHG emissions and energy consumption values will be verified in Q2 2024 and final figures will be disclosed in the 2024 CDP Climate Change Questionnaire.

# 1Q 2024 significant variances

Business unit impacts of significant variances (in millions)

	Variable investment income	Encaje	Other	Total significant variances
Retirement and Income Solutions	\$(20.0)	-	-	\$(20.0)
Principal International	\$(13.0)	\$10.1	-	\$(2.9)
Specialty Benefits	\$(4.0)	-	-	\$(4.0)
Life Insurance	\$(6.0)	-	\$(8.0)	\$(14.0)
Corporate	\$7.0	-	-	\$7.0
<b>Total pre-tax impact</b>	<b>\$(36.0)</b>	<b>\$10.1</b>	<b>\$(8.0)</b>	<b>\$(33.9)</b>
<b>Total after-tax impact</b>	<b>\$(26.2)</b>	<b>\$7.4</b>	<b>\$(6.3)</b>	<b>\$(25.1)</b>
<b>EPS impact</b>				<b>\$(0.10)</b>

# Non-GAAP financial measure reconciliations

	Three months ended (in millions)	
	3/31/24	3/31/23
<b>Principal Global Investors operating revenues less pass-through expenses</b>		
Principal Global Investors operating revenues	\$404.8	\$392.7
Principal Global Investors commissions and other expenses	(31.0)	(31.2)
<b>Principal Global Investors operating revenues less pass-through expenses</b>	<b>\$373.8</b>	<b>\$361.5</b>

	Three months ended (in millions)	
	3/31/24	3/31/23
<b>Principal International combined net revenue (at PFG Share)</b>		
Principal International pre-tax operating earnings	\$73.2	\$78.7
Principal International combined operating expenses other than pass-through commissions (at PFG share)	158.1	162.8
<b>Principal International combined net revenue (at PFG share)</b>	<b>\$231.3</b>	<b>\$241.5</b>

	Three months ended (in millions)	
	3/31/24	3/31/23
<b>Non-GAAP operating earnings (losses)</b>		
Net income attributable to PFG	\$532.5	\$(140.1)
Net realized capital (gains) losses, as adjusted	17.9	19.9
(Income) loss from exited business	(156.1)	487.0
<b>Non-GAAP operating earnings</b>	<b>\$394.3</b>	<b>\$366.8</b>

	Three months ended	
	3/31/24	3/31/23
<b>Diluted earnings per common share</b>		
Net income	\$2.22	\$(0.58)
Net realized capital (gains) losses, as adjusted	0.07	0.08
(Income) loss from exited business	(0.64)	1.97
Impact of dilutive shares	-	0.01
<b>Non-GAAP operating earnings</b>	<b>\$1.65</b>	<b>\$1.48</b>
<b>Weighted-average diluted common shares outstanding (in millions)</b>	<b>239.4</b>	<b>247.3</b>

	Three months ended (in millions)	
	3/31/24	3/31/23
<b>Income taxes</b>		
Total GAAP income taxes	\$95.1	\$(78.0)
Net realized capital gains (losses) tax adjustments	11.1	8.2
Income taxes attributable to noncontrolling interest	(0.2)	(0.1)
Income taxes related to equity method investments	13.4	22.6
Income taxes related to exited business	(41.5)	121.3
<b>Income taxes</b>	<b>\$77.9</b>	<b>\$74.0</b>

# Non-GAAP financial measure reconciliations

	Period ended (in millions)
<b>Stockholders' equity x- cumulative change in fair value of funds withheld embedded derivative and AOCI other than foreign currency translation adjustment, available to common stockholders</b>	<b>3/31/24</b>
Stockholders' equity	\$11,230.4
AOCI, other than foreign currency translation adjustment	3,638.9
Cumulative change in fair value of funds withheld embedded derivative	(2,183.5)
Noncontrolling interest	(44.9)
<b>Stockholders' equity x- cumulative change in fair value of funds withheld embedded derivative and AOCI other than foreign currency translation adjustment, available to common stockholders</b>	<b>\$12,640.9</b>

	Period ended
<b>Non-GAAP operating earnings ROE (x- cumulative change in fair value of funds withheld embedded derivative and AOCI, other than foreign currency translation adjustment) available to common stockholders</b>	<b>3/31/24</b>
Net Income ROE available to common stockholders (including AOCI)	12.1%
Cumulative change in fair value of funds withheld embedded derivative and AOCI, other than foreign currency translation adjustment	(1.8)%
Net realized capital (gains) losses	0.7%
(Income) loss from exited business	1.9%
<b>Non-GAAP operating earnings ROE (x- cumulative change in fair value of funds withheld embedded derivative and AOCI, other than foreign currency translation adjustment) available to common stockholders</b>	<b>12.9%</b>

# Additional Disclosures

## Use of non-GAAP financial measures

A non-GAAP financial measure is a numerical measure of performance, financial position, or cash flow that includes adjustments from a comparable financial measure presented in accordance with U.S. GAAP.

The company uses a number of non-GAAP financial measures management believes are useful to investors because they illustrate the performance of the company's normal, ongoing operations which is important in understanding and evaluating the company's financial condition and results of operations. While such measures are also consistent with measures utilized by investors to evaluate performance, they are not, however, a substitute for U.S. GAAP financial measures. Therefore, the company has provided reconciliations of the non-GAAP financial measures to the most directly comparable U.S. GAAP financial measure within the slides. The company adjusts U.S. GAAP financial measures for items not directly related to ongoing operations. However, it is possible these adjusting items have occurred in the past and could recur in future reporting periods. Management also uses non-GAAP financial measures for goal setting, as a basis for determining employee and senior management awards and compensation and evaluating performance on a basis comparable to that used by investors and securities analysts.

The company also uses a variety of other operational measures that do not have U.S. GAAP counterparts, and therefore do not fit the definition of non-GAAP financial measures. Assets under management is an example of an operational measure that is not considered a non-GAAP financial measure.

## Forward looking statements

This presentation contains statements that constitute forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements relating to share repurchases and planned dividends, the realization of our growth and business strategies and results from ongoing operations. Forward looking statements are made based upon our current expectations and beliefs concerning future developments and their potential effects on us. Such forward looking statements are not guarantees of future performance and actual results may differ materially from the results anticipated in the forward-looking statements. We describe risks, uncertainties and factors that could cause or contribute to such material differences in our filings with the Securities and Exchange Commission, including in the "Risk Factors" and "Note Concerning Forward-Looking Statements" sections in our annual report on Form 10-K for the year ended Dec. 31, 2023, as updated or supplemented from time to time in subsequent filings. We assume no obligation to update any forward-looking statement for any reason, which speaks as of its date.