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Principal Financial Group, Inc. (PFG)

Q4 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning and welcome to the Principal Financial Group Fourth Quarter 2025 Financial Results and 2026 Outlook Conference Call. There will be a question-and-answer period after the speakers have completed their prepared remarks. [Operator Instructions]

I would now like to turn the conference call over to Humphrey Lee, Vice President of Investor Relations.

Humphrey Lee

Vice President-Investor Relations, Principal Financial Group, Inc.

Thank you and good morning. Welcome to Principal Financial Group's fourth quarter and full year 2025 earnings and 2026 outlook conference call. As always, materials related to today's call are available on our website at investors.principal.com. Following a reading of the Safe Harbor provision, CEO, Deanna Strable; and CFO, Joel Pitz, will deliver prepared remarks. We will then open the call for questions. Members of senior management are also available for Q&A.

Some of the comments made during this conference call may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act. The company does not revise or update them to reflect new information, subsequent events or changes in strategy. Risks and uncertainties that could cause actual results to differ materially from those expressed or implied are discussed in the company's most recent Annual Report on Form 10-K filed by the company with the US Securities and Exchange Commission.

Additionally, some of the comments made during this conference call may refer to non-GAAP financial measures. Reconciliations of the non-GAAP financial measures to the most directly comparable US GAAP financial measures may be found in our earnings release, financial supplement, and slide presentation.

Deanna?

Deanna D. Strable-Soethout

Chair, President & Chief Executive Officer, Principal Financial Group, Inc.

Thanks, Humphrey, and welcome to everyone on the call. This morning, I'll walk through our strong full year 2025 performance. Then, Joel will follow with more details about our financial results, business unit performance, and our 2026 outlook.

Our results in 2025 follows strong results in 2024, where we delivered our enterprise financial targets in both years, demonstrating the strength and quality of our execution. This momentum and our strong diversified business mix positions us well for 2026. We expect to deliver another year of performance within our target ranges for EPS growth, free capital flow conversion, and ROE.

Turning to our results, which can be found on slide 2. Our adjusted non-GAAP earnings per share growth for full year 2025 was 12% and at the high end of our target range. Reported results were even stronger with EPS growth of nearly 20%. This growth was driven by favorable market conditions, strong underwriting performance in Specialty Benefits and margin expansion with disciplined expense management across the enterprise, all while continuing to invest in the business.

Our performance showcases the power of our diversified and resilient business mix. Strong, high quality earnings and continued margin expansion reflects disciplined execution across all areas of the company. This momentum translates directly into robust capital generation, enabling us to invest in growth, while continuing to deliver attractive returns to shareholders. We returned over \$1.5 billion in 2025, including approximately \$850 million of share repurchases and \$685 million of common stock dividends, all within our targets. Our continued focus and execution against our strategic priorities is driving results.

As shown on slide 3, we remain focused on three attractive profit pools: retirement ecosystem, small and midsized businesses, and global asset management, where growth is stronger, returns are higher, and our integrated business model creates differentiated advantages. Let me share some key highlights of our progress in each area for full year 2025. Starting with the retirement ecosystem, in which we offer a comprehensive suite of capabilities across record keeping, asset management, wealth management, and income solutions.

Our momentum is broad-based, where total retirement transfer deposits of \$35 billion grew 9% year-over-year, and Workplace Savings and Retirement Solutions, or WSRS, recurring deposits increased 5%. This growth reflects our ability to win new business and retain existing clients in a competitive marketplace. What really excites me is the engagement we're seeing from participants on our platform.

WSRS deferring participants grew over 3%, and those who are saving are saving more, with average deferrals per member increasing over 2%. Participant roll-ins reached \$6.5 billion in 2025, up 15% over 2024 as we make it easy for participants to consolidate retirement savings from previous employers on to our platform. These engagement metrics demonstrate the strength of our platform in serving participants retirement needs.

Turning to sales. We continue to see momentum across key channels. Pension risk transfer sales for the year totaled \$3 billion across 70 cases at attractive returns. Importantly, nearly a quarter of PRT premiums came from existing clients, highlighting the power of our integrated retirement solutions. Our retirement investment expertise continues to gain traction.

DCIO sales were nearly \$8 billion in 2025, demonstrating that our investment capabilities resonate with third-party retirement platforms. Additionally, this year, we expanded and enhanced our retirement investment solutions, addressing a broader spectrum of plan sponsor needs. These connections within and across our businesses demonstrate a distinct competitive advantage as we deliver comprehensive retirement solutions.

Turning to our small and midsized business market, our longstanding focus and differentiated capabilities in this attractive market continues to deliver results. In Retirement, growth in our SMB market remains strong. WSRS recurring deposits grew 8% in 2025 and transfer deposits increased 32%. This, along with strong new business activity and retention, resulted in account value net cash flow of positive \$1.5 billion.

In Benefits and Protection, we continue to deepen customer relationships. On average, our group benefits customers now have 3.13 products with us, up nearly 3% compared to 2024. Employment growth for our block was nearly 2% on a trailing 12-month basis. This reflects both the resilience of the small business market and the value we deliver to help employers attract and retain talent. Additionally, life business market premium and fees grew 15% in 2025, demonstrating strong demand for specialized solutions which help business owners protect their key assets.

In global asset management, we're generating strong new business momentum with continued focus on our competitive differentiators. Investment Management gross sales reached \$127 billion in 2025, up 16% over full year 2024, with particular strong momentum in private markets where sales increased 50%. Net cash flow in 2025

was strong in key growth areas. Our private markets capabilities generated positive net cash flow of \$3.5 billion across real estate, infrastructure, and private credit.

Our ETF platform added nearly \$2 billion in positive net cash flow, reflecting increased momentum in delivering solutions that meet evolving investor needs. This contributed to strong AUM growth across our platform. Private markets AUM grew 12% year-over-year and our ETF platform reached record AUM of \$9 billion. In International Pension, AUM grew 24% to record levels, demonstrating the strength of our diversified global platform.

Looking across our three strategic growth areas, our execution in 2025 and the momentum we're seeing position us well for another strong year in 2026. Several early indicators stand out. Elevated quote volumes are materializing across distribution channels and we're making strategic investments that are driving meaningful engagement and competitive advantage.

Managed account adoption is accelerating with participant enrollment up 51% in 2025 with account values over \$9 billion. In our SMB segment, group benefits quote activity is strengthening following our disciplined underwriting approach in dental. Additionally, new paid family medical leave markets in 2026 will contribute to growth as more states adopt mandated requirements similar to past years.

In global asset management, demand for private market solutions continues to be demonstrated through increased RFP volume, up 16% over the average of the last three years. Our growth expectations in this space are driven by focused new product development and strengthened through recent mandate takeovers, which further demonstrate client confidence in our capabilities.

We're also continuing to innovate in the ways we interact with customers across the enterprise, leveraging data and emerging technologies, including AI, to deepen engagement and improve customer experience. The momentum and strength we are seeing across our businesses continues to build our confidence in delivering our financial goals as we expand our customer base to over 75 million worldwide.

Lastly, as part of our ongoing business portfolio optimization, we recently announced the sale of our runoff annuities business in Chile. This action reflects the continued discipline we've applied over the last several years to strategically focus on higher growth, higher return, and more capital efficient businesses. We are confident in the strength of our current portfolio and the way it positions us for future growth.

Before I turn this over to Joel, I want to share some of the important recognitions we've received. For the 14th consecutive year, Principal Asset Management was named a Best Place to Work in Money Management by Pensions & Investments, earning this recognition every year since the inception of the award.

We are also recognized as a 2026 Military Friendly Employer, receiving this recognition since 2017. In addition, we earned the Equality 100 Award for 2026 by the Corporate Equality Index. These recognitions reinforce our culture and competitive advantages, help us attract and retain top talent, and differentiate us in the marketplace.

We closed 2025 with momentum across our diverse portfolio of businesses. I'm incredibly proud of our results, and our success is a testament to the focus and hard work of our nearly 20,000 global employees. Their ongoing commitment to excellence and our customers enabled us to capitalize on opportunities throughout the year and has set the stage for continued growth in 2026.

Joel?

Joel Pitz

Executive Vice President & Chief Financial Officer, Principal Financial Group, Inc.

Thanks, Deanna. Good morning to everyone on the call. I'll walk through our financial performance for the fourth quarter and full year, provide updates on our capital position, and share details of our outlook for 2026.

Our full year and fourth quarter results can be found on slides 4 and 5. We delivered strong full year results, meeting or exceeding our 2025 financial targets. Full year non-GAAP operating earnings, excluding significant variances, were \$1.9 billion, or \$8.55 per diluted share. This represents a 12% increase in EPS over 2024 at the high end of our 9% to 12% EPS target. Results for the quarter were also strong, with non-GAAP operating earnings of \$499 million, or \$2.24 per diluted share, a 7% increase over a very strong fourth quarter in 2024. Variable investment income improved from the third quarter, with quarterly and full year returns better than 2024 and in line with the assumptions provided during our 2025 outlook call.

In addition to the OE improvement, similar to last quarter, we had a gain on a real estate transaction reflected below the line of approximately \$40 million pre-tax. Non-GAAP operating ROE for 2025 was 15.7%, an improvement of 120 basis points compared to the year ago period and at the high end of our 14% to 16% target range. Margins also strengthened, expanding 80 basis points to 31% for full year 2025. This improvement was driven by top line growth and disciplined expense management, with compensation and other operating expenses increasing 2%. These results reflect strong business fundamentals across the enterprise, disciplined expense management while investing in the business, and favorable market conditions.

Turning to capital and liquidity, we ended the year in a strong position with \$1.6 billion of excess and available capital. This includes \$800 million at the holding company at our targeted level, \$300 million in our subsidiaries, and \$480 million in excess of our targeted 375% risk-based capital ratio, which is 406% at year end. We returned \$1.5 billion to shareholders in 2025, comfortably within our target. This includes \$851 million of share repurchases and \$684 million of common stock dividends. In the fourth quarter alone, we returned \$448 million of capital to shareholders, including \$275 million in share repurchases and \$172 million in dividends.

Last night, we announced a \$0.80 common stock dividend payable in the first quarter of 2026. This is a \$0.01 increase in the dividend paid in the fourth quarter, and a 7% increase over the first quarter of 2025. This aligns with our targeted 40% dividend payout ratio and demonstrates our confidence in continued growth and strong capital generation. Moving to AUM and net cash flow, total company managed AUM was \$781 billion at year end, down \$3 billion sequentially. Compared to the fourth quarter of 2024, AUM increased 10%. The modest sequential decline was primarily driven by \$13 billion of disposed operations, which has no impact on our future earnings outlook.

Net cash flow was negative \$2 billion for the quarter, with positive private flows of \$1 billion. As a reminder, our net cash flow definition excludes the \$2.4 billion of dividends reinvested within our mutual fund franchise. Moving to the businesses, the following commentary excludes significant variances, which can be found on slide 17 and 18. Starting with RIS and as shown on slide 6, we delivered strong results. Full year net revenue grew 4%, comfortably within our target range, driven by growth in the business and favorable markets.

Operating margin of 41% expanded 90 basis points over 2024. It was at the top end of our target range, reflecting our disciplined focus on profitable revenue growth. Pre-tax operating earnings grew 6% over 2025 and 3% over the prior year quarter, driven by higher net revenue and disciplined expense management. Fundamentals across retirement business remained strong. WSRS recurring deposits grew 5% for both the full year and from the year ago quarter. Transfer deposits totaled \$35 billion for the year, up 9%, including \$3 billion in pension risk transfer sales. The fourth quarter was particularly strong, with transfer deposits of \$12 billion, up 35% year-over-year.

Turning to slide 7, Principal Asset Management delivered strong earnings on revenue growth and margin expansion. Within Investment Management, full year adjusted revenue growth of 4% was at the low end of our 4% to 7% target range. The divested businesses had a 150-basis point impact on net revenue growth in 2025, with no corresponding impact to earnings. Pre-tax operating earnings for the year were strong, increasing 5% to \$610 million, driven by growth in net revenue and margin expansion. Full year operating margin of 36% expanded 60 basis points from a year ago and is within our target range.

Within International Pension, we delivered strong AUM of \$154 billion, an increase of 24% year-over-year. For the full year, while we had strong fee revenue growth in Latin America, net revenue declined 2% due to foreign currency and the Hong Kong business which we are exiting. Operating margin of 46% for the full year expanded 170 basis points from 2024 and was within our 45% to 49% target range. Fourth quarter results reflect typical seasonality and one-time expenses, and we expect improved earnings in the first quarter.

Turning to slide 8, Benefits and Protection delivered pre-tax operating earnings of \$177 million in the quarter, up 7% compared to the prior year quarter, driven by Life Insurance, which was up 29%. Full year pre-tax operating earnings increased 7%, driven by 11% growth in Specialty Benefits. Starting with Specialty Benefits, full year premium fee growth of 3% was below our target range, driven by lower net new business. Operating margin of 16% for the full year expanded 120 basis points compared to 2024. It was at the high end of our target range of 13% to 16%. The adjusted loss ratio of 59% for the year was the best in our history, improving 130 basis points from 2024 and below our 60% to 64% target range.

These results were driven by favorable experience across group life and group disability. Dental underwriting results showed meaningful improvement with another quarter of year-over-year gains. These strong underwriting results underscore the effectiveness of our management actions to drive profitable growth. In Life Insurance, full year premium and fees increased 3%, within our 1% to 4% target range, a strong business market growth of 15% more than offset the run off of our legacy block. Operating margin of 10% for the year was below our 12% to 16% target range, impacted by higher claim severity during the first half of the year. Long term mortality remains within our expectations.

As we close out 2025, our results reflect strong execution across the enterprise. We delivered earnings per share growth of 12% and ROE of 16%, both at the high end of our target, expanded margins in every segment, and generated strong free capital flow conversion of 92%. We maintained our disciplined approach to capital deployment, returning \$1.5 billion to shareholders. This momentum, combined with our strategic focus on the retirement ecosystem, small and mid-sized businesses and global asset management, positions us well as we entered 2026. Before turning to outlook, we want to acknowledge that, consistent with past practice, supplemental investment slides have been made available on our website.

Now, turning to our outlook for 2026. As shown on slides 10 and 11, we are well positioned to once again deliver on our enterprise financial targets in 2026, with 9% to 12% growth in earnings per share, 75% to 85% free capital flow conversion and 15% to 17% return on equity. The ROE target has increased, reflecting our strong 2025 results, competitive positioning and the capital efficiency of our diversified business mix. These targets assume normal market conditions throughout 2026, and reinforce our confidence in the sustained delivery of our financial targets.

We remain committed to returning excess capital to shareholders, and are targeting \$1.5 billion to \$1.8 billion of capital deployments in 2026. This includes \$800 million to \$1.1 billion of share repurchases and an increase in common stock dividend, aligned with our targeted dividend payout ratio. Our EPS target is on an excluding

significant variances basis, and therefore assumes run rate variable investment income, or VII. In 2026, we once again expect our reported VII results to improve year-over-year. We will continue to quantify the impacts on reported results from higher or lower than expected VII as a significant variance in our earnings calls throughout the year.

Turning to our business units. Slide 11 outlines our financial targets and 2026 outlook considerations. Notably, our strong execution and profitable growth gives us confidence through by several of our margin targets upward. In RIS, building on the strong results in 2025, we are increasing our margin target to 38% to 41%, and expect to be at the upper end of the margin range in 2026. Net revenue target of 2% to 5% remains intact. The following outlook commentary for Investment Management and International Pension accounts for our previously announced divestitures, with the related impacts detailed on slide 10.

In Investment Management, we are increasing our margin target to 35% to 39%, and we remain confident in our ability to deliver on our 4% to 7% adjusted revenue growth target consistent with 2025. In International Pension, our margin target is increasing to 46% to 50%, with 2026 expected in the upper half of that range due to growth in higher margin businesses. We expect to be at the low end of our 4% to 7% net revenue growth target in 2026. In Specialty Benefits, we have updated our premium and fees target to 5% to 9% to better reflect our growth expectations, which remain above industry levels. In 2026, we expect higher growth at the low end of the revised range, with growth improving throughout the year.

Our margin target is increasing to 14% to 17%, with 2026 expected in the upper half of the range. Our loss ratio target of 60% to 64% remains intact, with 2026 expected to be strong and at the low end of the range. In Life, we are moving a subsidiary supporting enterprise distribution to corporate. This completes the alignment of our affiliated distribution functions within the same segment. As a result, we expect 2026 overall premium and fee growth of negative 2% to negative 4%, while business owner market continues to grow at over 10%. Our margin target of 12% to 16% remains intact, with 2026 expected at the low end of the range. Notably, the realignment of fee revenue will have no impact on Life or total company earnings.

Before opening for questions, I want to remind you of a few seasonality impacts. In Investment Management, the first quarter is typically our lowest quarter for earnings due to seasonality of deferred compensation and elevated payroll taxes. We expect \$30 million to \$35 million in seasonal expenses in the first quarter of 2026. In Specialty Benefits, dental claims are typically higher in the first half of the year. Similar to the pattern in 2025, these factors will contribute to higher total company earnings in the second half of 2026 compared to the first half. Additionally, they drive the seasonal pattern of free capital flow, which increases throughout the year. As we look to 2026, we have positive momentum, and are well positioned to deliver on our financial targets for a third consecutive year.

This concludes our prepared remarks. Operator, please open the call for questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] The first question we have comes from Wes Carmichael with Wells Fargo. Your line is open.

Wes Carmichael

Analyst, Wells Fargo Securities LLC

Q

Hey. Thank you. Good morning. The first question, I had a question on Investment Management, but I just wanted to ask how you're thinking about the outlook for performance fees in 2026. I know they were a bit more muted in 2025, but curious if the outlook has changed at all.

Deanna D. Strable-Soethout

Chair, President & Chief Executive Officer, Principal Financial Group, Inc.

A

Yeah. I'll have Kamal address that.

Kamal Bhatia

President & Chief Executive Officer-Principal Asset Management, Principal Financial Group, Inc.

A

Good morning, Wes. I think, performance fee is, as we've always highlighted, typically in that \$30 million to \$40 million in an average year. At this stage, I would still expect 2026 to be very similar to the trend we saw in 2025. So there are no significant changes on that front.

Deanna D. Strable-Soethout

Chair, President & Chief Executive Officer, Principal Financial Group, Inc.

A

Thanks, Wes. Did you have a follow up?

Wes Carmichael

Analyst, Wells Fargo Securities LLC

Q

I do. Thank you. A question on earnings and maybe related to real estate. But one of your peers this quarter mentioned that they were redefining operating earnings related to real estate. And I know you at Principal have a bit of a higher allocation to real estate compared to some peers. So curious if that's something that you may be looked at as well.

Deanna D. Strable-Soethout

Chair, President & Chief Executive Officer, Principal Financial Group, Inc.

A

Yeah. I'll actually ask Joel to address that one. Thank you.

Joel Pitz

Executive Vice President & Chief Financial Officer, Principal Financial Group, Inc.

A

Yeah. Wes, first and foremost, congrats on the new role. I hope it's going well. As it relates to definition, we do reflect our operating earnings within our real estate properties within operating earnings, the depreciation is reflected there. But what's important is, for our outlook purposes we always do in an excess fee basis. And so we're going to compare run rate to run rate when we do our guidance. We do expect improvements in our VII for 2026 throughout to 2025, just so we have in recent history. So we are expecting some upside on that front. But if you look at what we do from a guidance perspective, it doesn't contemplate that improvement within our VII. We

do think that there is some merit to doing that is what they're doing, because we do think it better reflects the total return, and we are contemplating doing that for first quarter 2026. But again, it was not contemplated in our outlook because our outlook is based on an excess fee basis. Hope that helps, Wes.

Wes Carmichael*Analyst, Wells Fargo Securities LLC*

Q

Yeah. Fully understand. Thank you so much.

Deanna D. Strable-Soethout*Chair, President & Chief Executive Officer, Principal Financial Group, Inc.*

A

Thank you. Next question?

Operator: Thank you. Our next question comes from Suneet Kamath with Jefferies. Your line is open.

Suneet Kamath*Analyst, Jefferies LLC*

Q

Great. Thanks. I wanted to start with some of the job headlines that we're seeing. I mean, they continue to point to challenges in the market. I appreciate the slide with the SMB employment growth of, I think, 1.8%. So it didn't look like it hit you in 2025. Just wondering maybe what you're seeing and what are your expectations for employment growth for 2026. Thanks.

Deanna D. Strable-Soethout*Chair, President & Chief Executive Officer, Principal Financial Group, Inc.*

A

Yeah. Thanks, Suneet, for that question. And since that does impact a couple of our businesses, I'll take a stab at answering that, and if you have a follow up, we can go deeper. So obviously, we're early in the understanding of the impact of AI on job levels. And it will likely take some time to play out and will likely also vary by client and industry. There is a few things, I think, that are worth mentioning that we do know. First, when you look across both RIS and Specialty Benefits, we are not seeing any meaningful impact, employment growth remains positive. It remains stable from a growth perspective. And even if you go over and look at wage growth, that remains strong as well.

The other thing I'd point to is, we periodically field a well-being index relative to SMB employers, and we just fielded that in the last month, and our customers really aren't expecting a near-term impact. In fact, we actually asked with respect to how they expect AI to impact staffing levels, and 85% expected levels to either stay the same or increase. And then when we ask them about impact of AI on salary levels, 95% expected wages to stay stable or increase. And the last thing I'll mention is, given that we do have a 180,000 employer customers across the enterprise, I think we will benefit from the diversity of our block of business and how that plays out. We'll obviously continue to watch this closely, communicate any changes in what we're seeing. But sitting here today, we aren't seeing signs of impact.

Suneet Kamath*Analyst, Jefferies LLC*

Q

Okay. And then I guess, just as we think about the institutional retirement business, we are hearing more companies talk about expanding into wealth management, and there are some costs associated with that. I know you have your own approach, but I'm just curious, how are you sort of differentiating, and how do you avoid channel conflict with perhaps the FAAs that sell your 401(k) plans? Thanks.

Deanna D. Strable-Soethout

Chair, President & Chief Executive Officer, Principal Financial Group, Inc.

A

Yeah. I'll actually ask Chris to spend a little time on that. If you go back to our November 2024 Investor Day, we did talk about that being an area that we were leaning into to continue to, one, deliver outcomes to our customers, but also drive growth as we go forward. And we're on that journey. And I'll ask Chris to answer your specific questions.

Christopher J. Littlefield

President-Retirement & Income Solutions, Principal Financial Group, Inc.

A

Yeah. Thanks. Thanks, Deanna. Thanks for the question, Suneet. So again, we've talked about rolling out our advice model and being able to provide more advice to our participants. Our approach is different. We are just focused on those people that are already customers of Principal in their 401(k) plans. And so we're very much focused there. And we're also focused on people with less than \$1 million or \$1.5 million of assets. And so we really are focused on a segment that we believe we have a right to win with that need our help and services. And we're seeing nice momentum in that.

I think, we mentioned on the prepared remarks, we saw nice increases in roll-ins as a result of being able to provide advice. We've added more than 100,000 new customers as a result of these services in the last year, and we're just seeing nice momentum. So we do think we have a differentiation. We do believe we're focused on a segment of the customers that, while advisors may be interested, they're much more interested in people with a lot more investable assets. And so we're working closely in partnership with a lot of our close advisors to make sure that we partner together and get the people the advice that they need, and then figure out how to share the economics of that going forward. I hope that answers the question, Suneet.

Suneet Kamath

Analyst, Jefferies LLC

Q

That's helpful. Thanks.

Deanna D. Strable-Soethout

Chair, President & Chief Executive Officer, Principal Financial Group, Inc.

A

Thanks, Suneet. Next question?

Operator: Thank you. Our next question comes from Wilma Burdis with Raymond James. Your line is open.

Wilma Burdis

Analyst, Raymond James & Associates, Inc.

Q

Hey. Good morning.

Deanna D. Strable-Soethout

Chair, President & Chief Executive Officer, Principal Financial Group, Inc.

A

[indiscernible] (00:33:34), Wilma.

Wilma Burdis

Analyst, Raymond James & Associates, Inc.

Q

Hey, can you guys hear me? Deanna, maybe you could give us some color on the strategy for some of the small divestitures in international. Thanks.

Deanna D. Strable-Soethout

Chair, President & Chief Executive Officer, Principal Financial Group, Inc.

A

Yeah. Thanks, Wilma, for that question. I'll maybe step back a little bit. As you know, we've had several meaningful changes to our business portfolio over the last few years. These changes were all risk reducing, and more importantly, put us in a great position to deliver on our strategic and financial objectives as demonstrated in our strong performance since then. As I think you proven and you mentioned it more particularly in a few of our businesses, we will continuously assess our portfolio and make any changes as needed. And the recently announced divestitures are really just an ongoing continuation of our portfolio optimization, ensuring alignment with our growth priorities and a focus on higher growth, higher return businesses.

As Joel talked about relative to the outlook and you saw on those slides, those divestitures will have some impact on some of the financial metrics, whether that be revenue, net cash flow, AUM, capital. But I am confident that all of them will enhance our strategic focus and ultimately be accretive to EPS and ROE. As I sit here today, I feel strongly we have the portfolio we need to deliver consistently on our financial aspirations. And going forward, I feel we're also in a position where we can be much more focused on growth, rather than the ongoing optimization of our portfolio.

Wilma Burdis

Analyst, Raymond James & Associates, Inc.

Q

Thank you. And could you talk a little bit about what...

Deanna D. Strable-Soethout

Chair, President & Chief Executive Officer, Principal Financial Group, Inc.

A

Thanks, Wilma.

Wilma Burdis

Analyst, Raymond James & Associates, Inc.

Q

Thank you. Could you talk a little bit about what gives you the confidence to raise the ROE target to 15% to 17%? I think the results have been pretty consistent, but maybe just going a little bit more detail. And are there any dynamics that might support ROE even higher or at least in this pretty solid range longer term? Thanks.

Deanna D. Strable-Soethout

Chair, President & Chief Executive Officer, Principal Financial Group, Inc.

A

Yeah. I'll have Joel reach into that. As we came into the year, we hadn't actually moved into the range that we had been targeting previously, which was 14% to 16%. Obviously, sitting here today, we're really proud of the increase we saw. And as we looked forward, we felt confident that that higher range made sense for the trajectory of our businesses and also contemplate some of the divestitures that I just talked to you about as well. But I'll turn it over to Joel for more input.

Joel Pitz

Executive Vice President & Chief Financial Officer, Principal Financial Group, Inc.

A

Yeah. Wilma, just to complement that, it's a sign of our conviction and ability to continue to increase our ROE. As you saw that the nice improvement that we have year-over-year, if you look at the 14% to 16% guidance, we're

sitting here today at the very high end of that and we expect additional improvements going forward. And again, that's just a product of our competitive positioning, our differentiated business model and our capital light businesses that not only allow us to invest in organic growth, but also make sure we provide plenty of capital to shareholders through share buyback and dividends, which again, are both ROE accretive. So again, it's a product of our conviction and our ability to continue to drive top line growth, deliver profitable growth, and [indiscernible] (00:36:40) the ROE expansion that we're committing to.

Deanna D. Strable-Soethout

Chair, President & Chief Executive Officer, Principal Financial Group, Inc.

A

The other thing, Wilma, I'd add on that is, we also want to continue to organically grow our businesses. And so ultimately, it's the combination of our metrics that we have a lot of conviction in and also feel are attractive to our shareholders, but feel that that new range more reflects what we can expect to see over the near term.

Wilma Burdis

Analyst, Raymond James & Associates, Inc.

Q

Thank you.

Deanna D. Strable-Soethout

Chair, President & Chief Executive Officer, Principal Financial Group, Inc.

A

Next question?

Operator: Thank you. Our next question comes from Joel Hurwitz with Dowling & Partners. Your line is open.

Joel Robert Hurwitz

Analyst, Dowling & Partners Securities LLC

Q

Hey, good morning. First, following up on Wilma's question on shutting the non-core businesses, I appreciate the financial impacts to revenue and margins. But what were the, or are the capital benefits to those sales? And then when I think about your overall businesses – sorry Deanna, when I think about your overall businesses, you still have the legacy life block. Any potential to divest that?

Deanna D. Strable-Soethout

Chair, President & Chief Executive Officer, Principal Financial Group, Inc.

A

Yeah. The first thing I would say on your second question is, we like our portfolio of businesses that we have today. We'll obviously explore if anything makes both strategic and financial sense, but that's not on our top priority as we think about our portfolio of businesses today. And then I'll ask Joel to respond to the capital implications on our announced divestitures.

Joel Pitz

Executive Vice President & Chief Financial Officer, Principal Financial Group, Inc.

A

Yeah. Joel, thanks for the question. So as it relates to the announced divestitures, we had a couple of asset management businesses in 2025. We had the runoff Chile annuity business in early 2026. All those impacts were fully contemplated within our outlook. And so we have both the earnings impact which is de minimis. We had the revenue impact, which I communicated in my opening remarks, and quantified the year-over-year impact that those revenue headwinds are going to create. Again, no meaningful impact to profitability, but does impact year-over-year revenues.

And from a capital perspective, those are fully reflected within our outlook guidance. And therefore, it's within the \$1.5 billion to \$1.8 billion capital deployment that we have there. From a quantification perspective, the question we are getting as a Chile annuity runoff business, just to frame a reference, in 2025 the revenue was about \$65 million of revenue and the earnings were about \$30 million pre-tax, just to give you a sense as far as what the magnitude of that business was. And as it relates to the timing of the transaction we're contemplating, we think from a regulatory approval perspective, it'll likely be third quarter 2026 when that transaction closes.

Deanna D. Strable-Soethout

Chair, President & Chief Executive Officer, Principal Financial Group, Inc.

Joel, I hope that helps. Do you have a follow-up question?

A

Joel Robert Hurwitz

Analyst, Dowling & Partners Securities LLC

Yeah. I guess, I would just follow up on that. If it's \$30 million pre-tax, that's all 10-ish percent of international, and you said it would be EPS accretive. So just trying to think about the actual capital benefits and how that becomes EPS accretive. Is that in the 2026 buyback or if it's closing in the back half, should we expect some accelerated buyback in 2027?

Q

Joel Pitz

Executive Vice President & Chief Financial Officer, Principal Financial Group, Inc.

Yes. So it'll be accretive once the transaction closes. And with the capital it's freed up because of the transaction, we are expecting elevated share buybacks in 2026 that takes that into account. And so again, we do expect to deploy the capital pretty [indiscernible] (00:40:00) thereafter not only for share buybacks but also to fund organic priorities as well. They are going to be the higher return than what our Chile annuity business was.

A

Deanna D. Strable-Soethout

Chair, President & Chief Executive Officer, Principal Financial Group, Inc.

Thanks, Joel. Next question.

A

Operator: Thank you. Our next question comes from Tom Gallagher with Evercore ISI. Your line is open.

Thomas Gallagher

Analyst, Evercore ISI

Hey, good morning. First question is on Spec Benefits. You had a strong dental underwriting quarter. I know it's your biggest business at least by premium. And I know it's seasonal. You would have certainly pointed that out. But when we think about – I know you've also been getting [ph] retail (00:40:41). And I just want to understand what we should expect from a loss ratio standpoint as we head into the first half of 2026. Did you get more rate in that business in 2026, or what you got in 2025 was enough? And so I guess, the punch line on that is, should we still expect a low to mid-70s loss ratio in the first half of this year, or do you think it'll be improved over that, driven by pricing?

Q

Deanna D. Strable-Soethout

Chair, President & Chief Executive Officer, Principal Financial Group, Inc.

Yeah. I think, that's a great question. I'll have Amy address that.

A

Amy C. Friedrich

President-Benefits & Protection, Principal Financial Group, Inc.

A

Yeah. Thanks. I appreciate the question, Tom. So I do want to start back. You are absolutely right that dental is a large product for us in terms of what it takes up in terms of our total premium. But keep in mind that, we really go to market with a bundled set of solutions. So we sell, we renew, we service, we price with that bundled product in mind. So we always have multiple products, usually three or more kind of at play at the same time. So when I answer for dental, that's usually just part of the picture we have going on with that customer. But you noted the dental pricing changes. I do want to add one other dimension to that is that, we have a nicely competitive owned dental network as well. So we have great relationships with our providers. We have that dental network. That is something that we can work to continue to optimize.

So I would say, the dental pricing as well as the dental network optimization efforts are the two things that are really going to pull through into the loss ratio that we see in 2026. I would say, the dental pricing efforts are what we saw come through in late 2025 in terms of that improved loss ratio. More of the dental network optimization will show up in 2026. So they have been historically running at that rate that you quoted, which would be kind of in that low-70s. What I would assume is that, we will continue to see that loss ratio move down in 2026. Likely, we'll actually see more improvement in 2026 than we saw in full year 2025. Again, that's going to be driven by not just pricing but by that network optimization. So something in the very high-60s is something that feels a little bit more like what I would think of is the longer term performance for that dental block.

Thomas Gallagher

Analyst, Evercore ISI

Q

That is helpful. Thank you. And for my follow up, just I guess, a broader question on free cash flow. You did 92% in 2025. That's a certainly top quartile in terms of the peers. Curious, if you kind of zoom out and say, how are you able to produce such a strong level of free cash flow and what gives you confidence in the 80%, I don't even think that at least and I'm aware of you using a big Bermuda strategy that a lot of your peers use. But what is it about your strategy, and if I just compare Principal to peers that produces such a better free cash flow outcome? And I also say that through the lens of, I know you're pivoting within RIS toward more general account, which is usually associated with more capital intensity, not less, yet your free cash flow is still quite strong. So sorry for the long winded question, but curious any comments on that.

Deanna D. Strable-Soethout

Chair, President & Chief Executive Officer, Principal Financial Group, Inc.

A

Yeah. I'll make a few comments and then add Joel to add on. I think, with the actual calculation, there are some nuances that makes 92% a little bit higher than actual kind of what you would think on a run rate basis. But I think, I come back to, when we came out of the strategic review, we really refocused on places where we could drive, again, capital efficient businesses aligned with our strategic imperatives. And the company is very, very focused on ensuring that organic capital deployed is going to places that are accretive to our ROE, but also carry very strong value of new business as well. And so, I think we've really transformed the company to figuring out how to optimize EPS growth, free cash flow, and ROE. But the nature of our businesses are inherently lower capital intensive, which allows us a lot of flexibility to strategically think about how we deploy the capital to the most strategic and financially accretive opportunities.

But with that, I'll turn it over to Joel.

Joel Pitz

Executive Vice President & Chief Financial Officer, Principal Financial Group, Inc.

A

Yeah, Tom. As Deanna said, we really like our mix of business, and it gives us a lot of flexibility and optionality to make sure we can deploy organic capital in the highest impact way. Just like we talked about with inorganic opportunities, we have a high bar with organic as well, and we place a lot of scrutiny on how those finite dollars are being spent and making sure that they're optimized. And so, really good mix of business and we feel really good about our ability to deploy capital for organic purposes, and also free up plenty for share buybacks and dividends, et cetera.

And so, as it relates to that 92% that you quoted, just a technicality, and Deanna mentioned this a little bit, as it relates to some of the nuances within the calculation. I'd say more of a run rate was high end like 85%, when you take into account things in the denominator, such as actuarial assumption review and other noncash activities, but still high end, still have a lot of conviction in our 75% to 85% free capital flow conversion, and again, that affords us a lot of optionality and ability to drive shareholder value.

Thomas Gallagher

Analyst, Evercore ISI

Q

Okay. Thanks.

Deanna D. Strable-Soethout

Chair, President & Chief Executive Officer, Principal Financial Group, Inc.

A

Next question?

Operator: Thank you. Our next question comes from Jack Matten with BMO Capital Markets. Your line is open.

Jack Matten

Analyst, BMO Capital Markets Corp.

Q

Hey. Good morning. Just a question on Investment Management. Can you talk about your outlook for [indiscernible] (00:46:42) this year? Any leading indicators around RFP volumes or anything else that you can share regarding that outlook?

Deanna D. Strable-Soethout

Chair, President & Chief Executive Officer, Principal Financial Group, Inc.

A

Yeah. Thanks, Jack, for the question. I'll ask Kamal to address that.

Kamal Bhatia

President & Chief Executive Officer-Principal Asset Management, Principal Financial Group, Inc.

A

Good morning, Jack. So, I think your question is around what I see in terms of future outlook from our clients. So, I'll point to you couple of data points. One, as the industry is maturing, we are continuing to pursue new avenues of growth in asset management. First, I would highlight for you a new pipeline of committed transaction and new diligence activity we are seeing in our European real estate business after a while, particularly in partnership with a lot of Asia based institutional investors, particularly family office.

One of the things that's benefiting us is we have a lot of experience in this space, but we also have an ability to structure these transactions depending on their preferences, and we see a growing pipeline of activity in that space. And I'm quite excited about these relationships, because these are incrementally new clients that will come into Principal that we have not had before and we can increase our cross-sell opportunity with them over time as well.

The second piece I would point out to you is we also continue to grow our international wealth platform. In fact, just recently we launched a wealth product, a private wealth product in France that exceeded expectations in January with respect to its initial fundraising, where we are targeting the independent financial network in France that will help us grow that business. Particularly, a lot of that market is covered by bank and insurance products and we certainly think we have an opportunity there, and it also elevates the brand of Principal Asset Management in Europe.

And then, the last thing, there has been a lot of interest around strategic partnership. We have a very high bar of selectivity around fit. But I would point you to recently we signed an exclusive partnership with a leading Islamic bank in Saudi Arabia to design a market leading private market solution that they seeded with significant capital. We're also working with the asset management arm of that entity to grow into the wealth market. As you would imagine, Saudi Arabia is one of the fastest growing markets over the next decades. And a highlight I would point to you is, in 2025, we've also grown our private market platform substantially. Over \$16 billion of our AUM now in private markets comes from outside real estate. So, it gives me great confidence that the pipeline is building, both around clients and newer avenues of growth.

Hope that answers your question, Jack.

Jack Matten

Analyst, BMO Capital Markets Corp.

It does. Thank you.

Q

Deanna D. Strable-Soethout

Chair, President & Chief Executive Officer, Principal Financial Group, Inc.

Jack, you have a follow-up?

A

Jack Matten

Analyst, BMO Capital Markets Corp.

Yes. Maybe sticking with IM, the management fee rate in the quarter was [ph] 28.4%, (00:49:32) a bit lower than where you had been running. I know that there can be kind of some noise or volatility on a quarterly basis, but just any color on what drove the movement this quarter and anything on your outlook there.

Q

Kamal Bhatia

President & Chief Executive Officer-Principal Asset Management, Principal Financial Group, Inc.

Sure.

A

Deanna D. Strable-Soethout

Chair, President & Chief Executive Officer, Principal Financial Group, Inc.

Kamal, go ahead.

A

Kamal Bhatia

President & Chief Executive Officer-Principal Asset Management, Principal Financial Group, Inc.

Yeah. So, this quarter, there is some noise related to almost \$13 billion of divestitures that impacted that revenue growth comparison all time periods, but I would point out that it didn't have any impact on earnings. If you include the divestitures, they had roughly 2% revenue growth impact, reducing our 2025 growth rate in IM around 4%.

A

There's also an underlying mix of public market strategies and associated performance variability that had some small impact on AUM based fee rates that you're quoting.

The way I would ask you to think about this is, as we continue to grow in private markets around the globe, client demand has shifted to higher return strategies, particularly development-oriented strategies that do use some level of leverage. Because these strategies are anchored around committed or invested capital other than reported AUM, you could see the mix create some temporary mismatch on average fee rates when you compare it on a traditional basis points over AUM basis. Importantly, these strategies will incrementally generate more transaction fee and more performance fees for us, so they support stronger revenue growth and earnings over time.

Also, in many of the stabilized asset mandates, particularly the takeovers we see in US, given where we are in the real estate cycle, a lot of those mandates are anchored on net operating income, NOI growth, which is good for clients, and that creates opportunities for us to create value for our clients as well. I think, you heard in our comments earlier that we delivered 9% growth in private market revenue this year. So, what I would say is the dynamics would create higher variability in the fee rate that you are observing, but we are focused on delivering the revenue growth as we talked about in our targets.

Deanna D. Strable-Soethout

Chair, President & Chief Executive Officer, Principal Financial Group, Inc.

Hope that helps, Jack.

A

Jack Matten

Analyst, BMO Capital Markets Corp.

Yes. Thank you.

A

Deanna D. Strable-Soethout

Chair, President & Chief Executive Officer, Principal Financial Group, Inc.

Next question?

A

Operator: Thank you. Our next question comes from John Barnidge with Piper Sandler. Your line is open.

John Barnidge

Analyst, Piper Sandler & Co.

Good morning and appreciate the opportunity. My first question on the investment portfolio. How do you think about exposure to software within that? And how do you think about the AI impacts to the pricing dynamic from a knock-on perspective to Benefits and Protection? Thank you.

Q

Deanna D. Strable-Soethout

Chair, President & Chief Executive Officer, Principal Financial Group, Inc.

Yeah. I'll have Joel talk about the investment portfolio, and then maybe can – Amy can add some questions regarding if any impact she expects within her business as well.

A

Joel Pitz

Executive Vice President & Chief Financial Officer, Principal Financial Group, Inc.

Yeah. Good morning, John. As it relates to investment portfolio, we continue to feel very good about our overall portfolio. Well positioned, high quality, well matched with our liabilities. As it relates to your specific question on

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software exposure, we are underweight, at less than 1% of our GA. And importantly, our deals are underwritten in a cash flow basis and not just on recurring revenue basis, and that reflects our conservative nature of underwriting. Given our quality, well-diversified portfolio, credit risk and drift remain very manageable. It remains in line with long-term expectations, both in the current year 2025 as well as the outlook for the future, and certainly is factored into all capital and deployment expectations.

Deanna D. Strable-Soethout

Chair, President & Chief Executive Officer, Principal Financial Group, Inc.

Amy?

A

Amy C. Friedrich

President-Benefits & Protection, Principal Financial Group, Inc.

Yeah. So, thanks, John. Here's how we think about it in terms of AI adoption, and we don't love to do a lot of guesswork. So, we actually go out there and do some primary research on this. Deanna mentioned the Well-Being Index. It actually gave us some really good insight the last couple rounds, late-October, late – October last year and then the rounds that we did this year. We definitely see small and midsized businesses are saying they want to adopt more technology. They're actually seeing, though, that AI adoption as more of a growth driver for them.

A

So, again, as you turn into larger companies, they might cite more of the efficiency play, some of the efficiency and workforce dynamics they need to get out of AI. Smaller businesses gather up a little of that, but they're actually seeing it as an ability to know their customers better, to design journeys better for them, and to democratize some of the pieces of technology that haven't been affordable for them in the past. So, they see it as a growth driver.

The data within our own block does not indicate that we're seeing impacts on this. We're seeing a pretty stable set of expectations around what happens with job growth. I will say Deanna mentioned this before, there is an interesting dynamic on wage. Almost every single SMB that we have talked to and surveyed indicates that they think the likelihood that wages go up is very high. So, wages going up tends to not only help Benefits and Protection, but be something that can transfer over into Chris's businesses as well in the Retirement business.

Deanna D. Strable-Soethout

Chair, President & Chief Executive Officer, Principal Financial Group, Inc.

Thanks, John. Do you have a follow-up?

A

John Barnidge

Analyst, Piper Sandler & Co.

Yeah. Thanks a lot for that opportunity. Principal Asset Management was unifying Investment Management and International Pension, and we're now couple years into that structure of the business. I think there was a comment earlier about continuously evaluating the portfolio. Should we think about businesses within that International Pension business, where there isn't a natural synergy for Investment Management within the Principal Asset Management umbrella being kind of the focus area for that? I'd love to hear more. Thank you.

Q

Deanna D. Strable-Soethout

Chair, President & Chief Executive Officer, Principal Financial Group, Inc.

Yeah. I think there's a couple of things there, and I think some of Kamal's examples show that by separating and recalibrating our asset management business into Investment Management and International Pension is allowing

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the Investment Management arm around the globe to really focus on where we can drive growth and traction with our assets or our capabilities around the globe.

Specifically, if you look at some of the recent International Pension divestitures, they have been focused there. But I come back to that the remaining entities and assets within our International Pension, we feel are strategic and can continue to drive value and growth. And in some situations also can contribute to the international – or the IM growth picture as well by leveraging that customer base and our relationships. So, hopefully that helps.

John Barnidge

Analyst, Piper Sandler & Co.

Thank you.

Q

Deanna D. Strable-Soethout

Chair, President & Chief Executive Officer, Principal Financial Group, Inc.

Next question?

A

Operator: Thank you. Our final question comes from Alex Scott with Barclays. Your line is open.

Alex Scott

Analyst, Barclays Capital, Inc.

Hi. Thanks for taking it. First one is on the International Pension business. I just wanted to dig into the outlook a little bit. If I take the revenue guide at the lower end and I think you mentioned the margins at the higher end, it points to over \$300 million. And it is a business where it's been more flattish in terms of earnings growth for the last few years, and I think I heard you mentioned you're losing \$30 million from the divested business. So, I just wanted to see what's driving this optimism around being able to grow it this year in a more meaningful way.

Q

Deanna D. Strable-Soethout

Chair, President & Chief Executive Officer, Principal Financial Group, Inc.

Yeah. I'll maybe have Joel dig into that and see if we can respond to that.

A

Joel Pitz

Executive Vice President & Chief Financial Officer, Principal Financial Group, Inc.

Yeah. So, Alex, if you look at where we are in 2025, about \$279 million after-tax – or I'm sorry, pre-tax on an ex-SV basis. And so, that's the basis that we're building on and going into 2026, and we feel certainly that we can deliver on that \$300 million target in 2026. A couple things, couple data points. You look at our assets under management, record levels, \$154 billion as we sit here today, 24% increase year-over-year. And importantly, from the macro perspective, there is some – finally some FX tailwinds emerging within these businesses, where those local business have been dealing with FX headwinds for a period of time.

A

So, even in 2025, there was FX headwinds impacting the business that mitigated the growth a little bit, but that is turning the corner not only as of yearend 2025 with our strike price, but also you see some of those FX tailwinds emerging in January and thereafter as well. So, it's going to be nice that the underlying profitability of the business is going to show through, not just on a local currency basis, but also on a US denominated basis when you translate those earnings back to US dollars.

Deanna D. Strable-Soethout

Chair, President & Chief Executive Officer, Principal Financial Group, Inc.

Kamal, is there anything you'd like to add?

A

Kamal Bhatia

President & Chief Executive Officer-Principal Asset Management, Principal Financial Group, Inc.

Alex, I'd just point you to two data points that should help you. One, we do see a lot of value in many of our pension businesses. I'll point to Mexico as an example. Just in 2025, we actually delivered \$300 million of positive NCF in Mexico, and the Mexico pension business for six consecutive quarters has shown positive NCF and growth. So, some of these businesses are small and in turnaround mode, and they will add earnings growth.

The other piece I would point to you is that geography may not show up in pensions, but we are creating value. Chile is a perfect example where we have a strong moat and brand in the pension business, and we have really leaned into our talent and cross-selling around that brand to grow the IM business, and Chile continues to produce for the first time positive net cash flow for us in IM. So, you want to think about the turnaround businesses as well as the businesses where we are cross-selling and growing our IM platform.

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Deanna D. Strable-Soethout

Chair, President & Chief Executive Officer, Principal Financial Group, Inc.

Thanks, Alex. Do you have a follow-up?

A

Alex Scott

Analyst, Barclays Capital, Inc.

Yeah. For a follow-up, I wanted to ask you about industry consolidation. I know you've gotten this question over time. I think it's maybe becoming more interesting just because of some of the advances in technology and Principal Financial Group has, I think, been well above average in terms of implementing some of this new tech. So, is that an opportunity to potentially participate in consolidation and leverage your advantages, maybe with somebody else's business as well? And I guess, the flip side is, is it a risk from the standpoint of, if the industry is consolidating and some your peers are getting bigger, do you need to think harder about it from that standpoint, too?

Q

Deanna D. Strable-Soethout

Chair, President & Chief Executive Officer, Principal Financial Group, Inc.

Yeah. I'll make a few opening comments, and then maybe ask Chris to talk specifically within the Retirement business. So, the first thing I would say is that we feel good that we don't need inorganic to deliver on the near-term objectives that we've laid out. I'd also say that, within all of our businesses, we participate and look at any opportunities that are coming to market. But there is a unique aspect of both the Benefits and Protection business and the Retirement business, and that there are multiple ways to play in that consolidation.

A

Obviously, you can strike a check and get a block of business, or because those two businesses have a feature where those employers constantly check the market and decide where they want to move that, you can also still participate in inorganic opportunity on a case by case basis in the open market. So, we are obviously very focused on that, but I think a lot of the industry discussion has been around retirement. So, I'll maybe see if Chris has anything else to add.

Christopher J. Littlefield

President-Retirement & Income Solutions, Principal Financial Group, Inc.

A

Yeah. Thanks, Alex. Thanks, Deanna. Yeah. Again, I think, in Retirement, it's been consolidating for quite some time. We're still at, I think, north of 40 overall record keepers in, and I do expect that to consolidate pretty significantly over the next decade. I think the great position that we're in is we're already at scale. We feel really good about the scale that we have, and we continue to grow our overall block of business and book of block of participants that we continue to serve. You heard that we continue to grow that amount.

And so, there's two ways to do the consolidation: one is to go pay a premium for a book of business, and the other is to compete it and win it in the marketplace. And our current focus is really about competing in the marketplace and winning it, winning it as smaller subscale providers are having a more and more difficult time to meet the needs and demands of employers, of participants, and of the vast and significant regulatory changes that continue to come.

So, we like our position. We're going to continue to look for those opportunities, but we're actually able to win in the market and feel good about our overall position as it exists today with the focus more on organic growth than any sort of premium that we'd pay to acquire a book of business.

Deanna D. Strable-Soethout

Chair, President & Chief Executive Officer, Principal Financial Group, Inc.

A

Thanks, Alex, for those questions.

Alex Scott

Analyst, Barclays Capital, Inc.

Q

Thanks.

Deanna D. Strable-Soethout

Chair, President & Chief Executive Officer, Principal Financial Group, Inc.

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Are there any more questions in the queue?

Operator: Thank you. I'm showing no further questions at this time. We have reached the end of our Q&A. Ms. Strable, your closing comments, please.

Deanna D. Strable-Soethout

Chair, President & Chief Executive Officer, Principal Financial Group, Inc.

Thank you. As we close today's call, I want to thank all of you for joining us today and for your questions. As we tried to iterate, we ended 2025 with very strong momentum, earnings growth and ROE at the top end of our targets, expanding margins and robust free capital flow and capital deployment. Our performance reflects disciplined execution and the strength of our strategy. As we move into 2026, we're well-positioned to deliver against our targets and continue creating sustained, long-term shareholder value.

Thank you again for your support and we look forward to connecting with many of you soon. Have a great day.

Operator: Thank you. This concludes today's conference call. You may disconnect your lines at this time and we thank you for your participation.

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