Principal Financial Group (PFG)

Updated February 11th, 2025 by Jonathan Weber

Key Metrics

Current Price:	$86	**5 Year CAGR Estimate:**	9.6%	**Market Cap:**	$19B
Fair Value Price:	$92	**5 Year Growth Estimate:**	5.0%	**Ex-Dividend Date:**	03/12/25
% Fair Value:	93%	**5 Year Valuation Multiple Estimate:**	1.4%	**Dividend Payment Date:**	03/28/25
Dividend Yield:	3.5%	**5 Year Price Target**	$118	**Years Of Dividend Growth:**	22
Dividend Risk Score:	C	**Retirement Suitability Score:**	B	**Rating:**	Hold

Overview & Current Events

Principal Financial Group is a financial corporation that operates several businesses including insurance, primarily life insurance, and investment management, retirement solutions and asset management. Principal Financial Group was founded in 1879, and is headquartered in Des Moines, IA.

Principal Financial Group reported its fourth quarter earnings results on February 6. Principal Financial Group saw its assets under management increase to $712 billion, which does not include additional assets that are solely under administration. AuM increased year-over-year thanks in part due to healthy equity market gains. In the asset management business unit, Principal Financial Group saw its margin expand, which allowed it to grow its profit significantly faster than its revenue. In the retirement and income solutions business unit, Principal Financial saw higher revenues and benefitted from higher net investment income.

Principal Financial Group generated earnings-per-share of $2.10 during the fourth quarter, which beat the consensus estimate by $0.17. Earnings-per-share were up 16% compared to the previous year's quarter on an adjusted basis. While 2022 and 2023 were slightly weaker than record year 2021, 2024 was a new record year for the company, as Principal Financial Group saw its earnings-per-share expand by a nice 11% versus the previous year. For 2025, analysts are forecasting that Principal Financial Group will see its earnings-per-share grow nicely as well.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$4.26	$4.55	$5.04	$5.53	$5.58	$4.94	$6.77	$6.66	$6.55	$7.65	***$8.40***	***$10.72***
DPS	$1.50	$1.61	$1.87	$2.13	$2.18	$2.24	$2.44	$2.56	$2.68	$2.85	***$3.00***	***$4.01***
Shares[1]	298	288	289	285	281	277	269	249	241	235	***230***	***210***

Principal Financial Group recorded a solid average annual earnings-per-share growth rate of 6% to 7% between 2015 and 2024. Growth was a bit uneven, though, as there were some years where the company's profits declined.

The company's asset management business, where Principal Global Investors and Retirement & Income Solutions are the main components, has benefitted from solid assets under management (AuM) growth in the past. A rising number of new customers also helps drive AuM, in addition to market appreciation in normal times. While market downturns can result in temporary assets under management declines, we believe that assets under management should continue to grow in the long term, even with some ups and downs in between. The company's asset management business is attractive for investors, as Principal's actively-managed funds, ETFs, and other vehicles performed better than the median of their asset class in most cases in the past. As Principal has produced above-average returns for its customers, new customers are attracted to letting Principal manage their wealth, which serves as a competitive advantage versus other asset management companies with a weaker track record. With its insurance business, Principal Financial Group has been able to grow its premiums and fees in the past, and a growing float that can be invested should result in rising investment income going forward. Principal Financial Group has also boosts its earnings-per-share growth by repurchasing shares. Between these factors, we believe a mid-single-digit earnings-per-share growth rate is realistic.

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[1] In Millions

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	11.9	10.1	12.8	8.0	10.0	9.7	10.6	12.6	12.1	10.1	***10.2***	***11.0***
Avg. Yld.	3.0%	3.5%	2.9%	4.9%	3.9%	4.7%	3.4%	3.0%	3.4%	3.7%	***3.5%***	***3.4%***

Principal Financial Group trades at around 10 times 2025's earnings-per-share estimate right now, which is on the lower end compared to how the company's shares were valued over the last decade. We believe that this is slightly below fair value and that Principal Financial Group's shares have some upside potential from the current level. The dividend yield of 3.5% provides solid income for investors.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	35.2%	35.4%	37.1%	38.5%	39.1%	45.3%	36.0%	38.4%	40.9%	37.3%	***35.7%***	***37.4%***

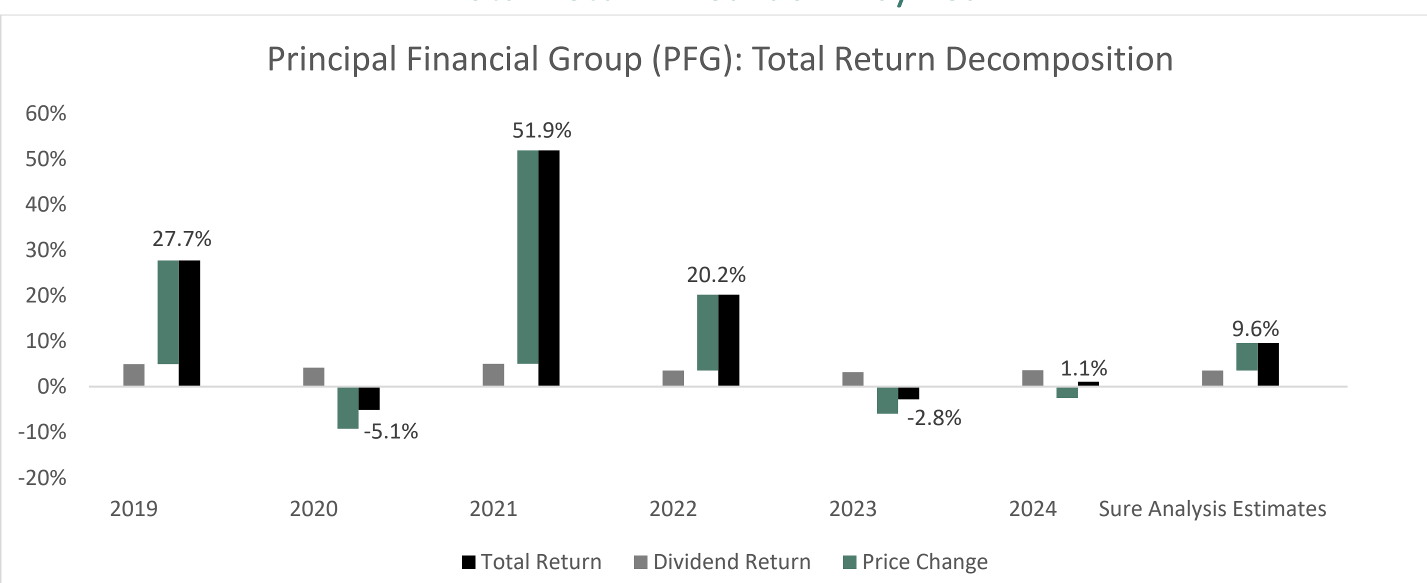
Principal Financial Group has grown its dividend considerably over the last decade, which was partially possible due to earnings-per-share growth, but which was also due to an increase in the company's dividend payout ratio. The dividend payout ratio of around 40% makes us believe that the dividend is reasonably safe.

The strong performance and ratings of Principal Financial Group's actively managed funds, ETFs, and other products is a competitive advantage, as this increases the likelihood of customers choosing Principal to manage their assets. Principal Financial Group's stock was extremely volatile during the Great Recession, but its actual underlying performance was not impacted much. Operating earnings declined by just 10% from 2007 to 2008 and started to rise again soon. This compares very favorably to the much weaker performance of many other financial companies during that time.

Final Thoughts & Recommendation

Principal Financial Group has generated solid earnings-per-share growth and dividend growth throughout the last decade. Relative to its peers from the financial industry, Principal Financial Group has been reasonably resilient to recessions and market downturns, although the company is not immune to such macro problems. Based on current estimates, the total return outlook over the coming years is good but not great, which is why we rate Principal Financial Group a hold at current prices.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	10,478	11,964	12,394	14,093	14,237	16,222	14,742	14,428	17,536	13,666
D&A Exp.	170	193	187	196	205	227	252	275	296	273
Net Profit	1,144	1,234	1,317	2,310	1,547	1,394	1,396	1,580	4,757	623
Net Margin	10.9%	10.3%	10.6%	16.4%	10.9%	8.6%	9.5%	11.0%	27.1%	4.6%
Free Cash Flow	2,967	4,241	3,703	4,023	5,064	5,361	3,601	3,125	3,057	3,690
Income Tax	319	178	230	(72)	231	249	265	284	1,190	69

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets ($B)	219	219	228	254	243	276	297	305	292	305
Cash & Equivalents	1,864	2,565	2,720	2,471	2,978	2,516	2,850	2,332	4,848	4,708
Accounts Receivable	1,213	1,429	1,362	1,470	1,413	1,740	1,724	1,842	26,313	24,611
Goodwill & Int. Ass.	2,331	2,368	2,346	2,384	2,415	3,481	3,434	3,228	3,132	3,078
Total Liab. ($B)	209	209	218	241	232	261	280	289	281	293
Long-Term Debt	2,559	3,446	3,177	3,218	3,303	3,828	4,364	4,360	4,078	3,992
Shareholder's Equity	10,184	9,312	10,227	12,849	11,390	14,618	16,559	16,069	10,002	10,916
LTD/E Ratio	0.25	0.37	0.31	0.25	0.29	0.26	0.26	0.27	0.41	0.37

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	0.5%	0.6%	0.6%	1.0%	0.6%	0.5%	0.5%	0.5%	1.6%	0.2%
Return on Equity	11.3%	12.5%	13.3%	19.7%	12.4%	10.4%	8.8%	9.5%	35.6%	5.8%
ROIC	8.9%	9.6%	9.9%	15.5%	9.9%	8.2%	7.0%	7.5%	27.0%	4.2%
Shares Out.	299	298	288	289	285	281	277	269	249	241
Revenue/Share	35.08	40.15	42.34	48.08	49.30	57.73	53.30	52.87	68.69	55.87
FCF/Share	9.93	14.23	12.65	13.73	17.54	19.08	13.02	11.45	11.97	15.09

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.