



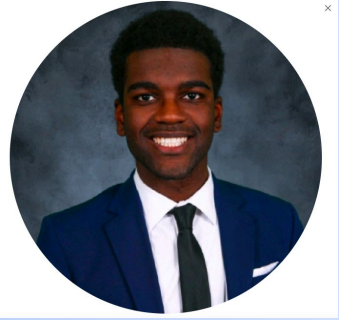
**ESG**

# Principal Acquisition

Jordan Abrams, Francisco Dominguez, Cesar Martinez, Sophia Preys



# Our Team



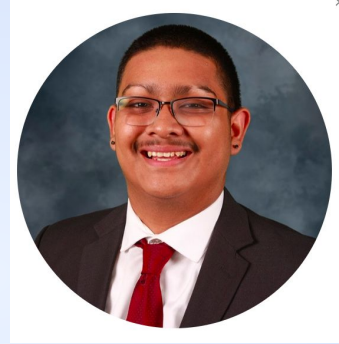
**Jordan Abrams**

Business Law and  
Finance



**Francisco  
Dominguez**

Accounting and  
Finance



**Cesar Martinez**

Finance and  
Information Systems



**Sophia Preys**

Accounting and  
Finance

# Agenda

**01 ESG Strategy**

**02 Cultural Fit**

**03 Financials**

**04 Recommendation**





Our Stance:

**Principal Financial Group should  
acquire Quant Impact Partners**

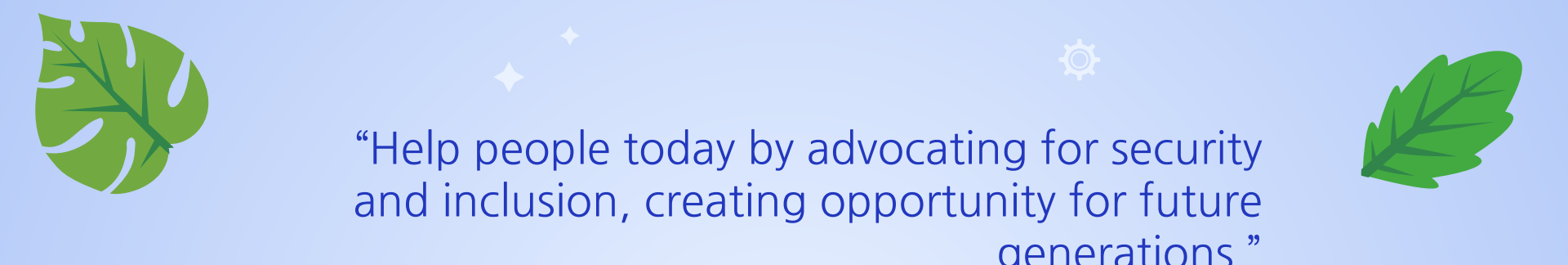


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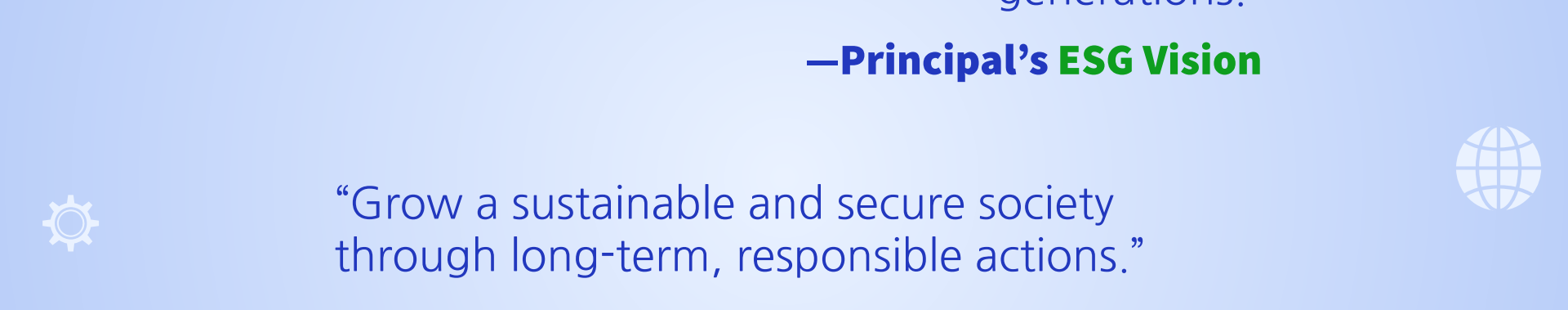
## ESG Strategy





“Help people today by advocating for security and inclusion, creating opportunity for future generations.”

—Principal’s **ESG Vision**



“Grow a sustainable and secure society through long-term, responsible actions.”

—Principal’s **ESG Approach**



# ESG Practices in Investment Management

## Pros

- Lower long-term risk
- Sustainable operations
- Ethical
- Boosts company morale

## Cons

- Less standardization
- Reduced investment opportunities



# Current ESG Scores

	PFG	Quant	Footprint
<b>Environmental</b>	0.20	0.78	3.56
<b>Social</b>	2.24	2.53	4.41
<b>Governance</b>	7.20	6.29	5.05
<b>Shareholder Rights</b>	4.29	6.30	6.07
<b>Audit</b>	8.32	8.71	4.78
<b>Composite Score</b>	3.18	3.17	4.30





**Based on ESG metrics, we believe  
Quant Impact Partners is more  
compatible to PFG's ESG strategy  
than Footprint Asset Management.**



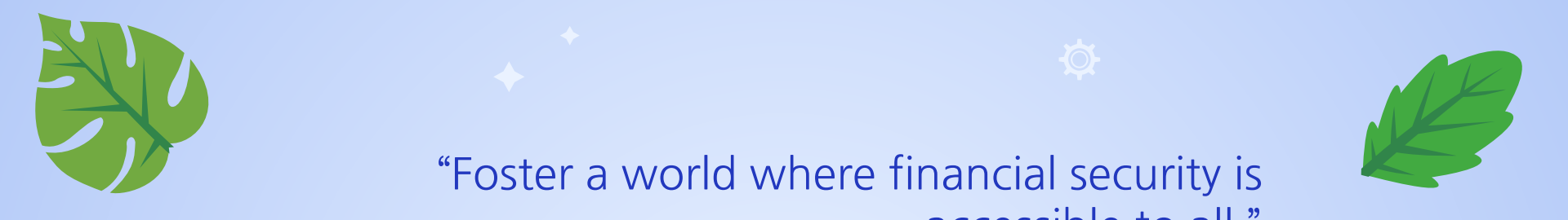


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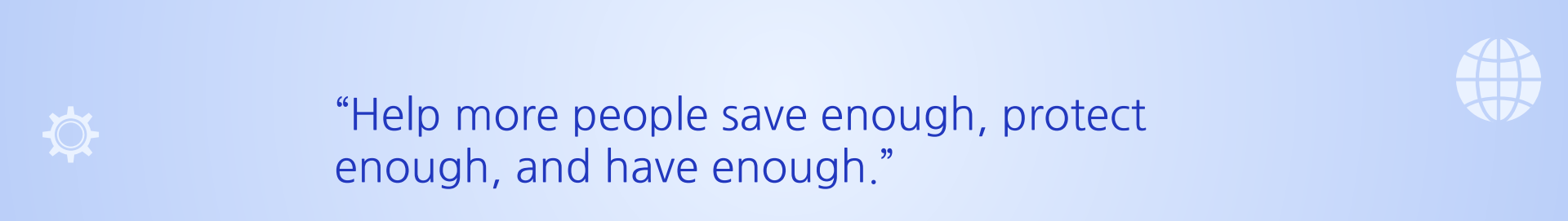
**Cultural Fit**





“Foster a world where financial security is accessible to all.”

—Principal’s Purpose



“Help more people save enough, protect enough, and have enough.”

—Principal’s Mission

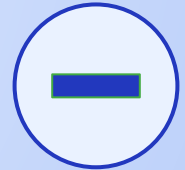


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# Quant Impact Partners

- ESG mutual funds leveraging quantitative investment strategy
- ESG data points utilized in investment decisions
- Fossil Fuel Free investment policy
- Wants to expand and diversify customer base

- High turnover rate of top employees

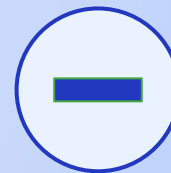


# Footprint Asset Management



- Five mutual funds with ESG research process
- Wants to partner with asset manager to meet scale efficiencies
- ESG analysis utilized in valuation process

- Large net outflows
- Fee rate schedule - no new customers



**We believe Footprint Asset Management is a better cultural fit, however both companies align well with PFG's culture.**

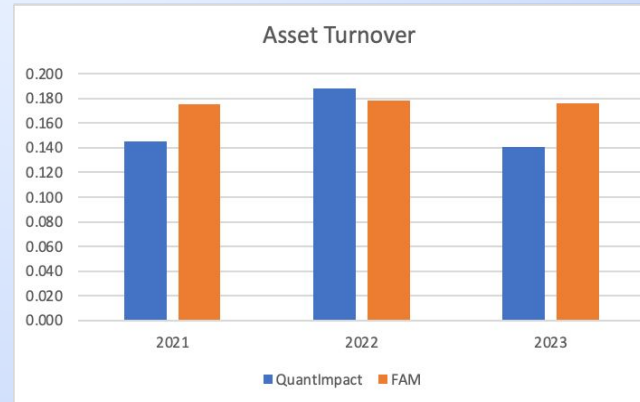
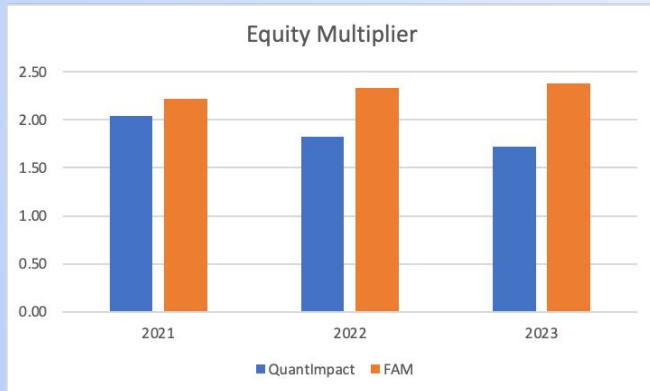
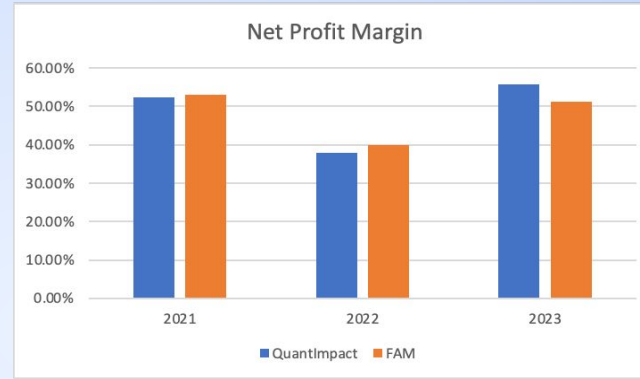
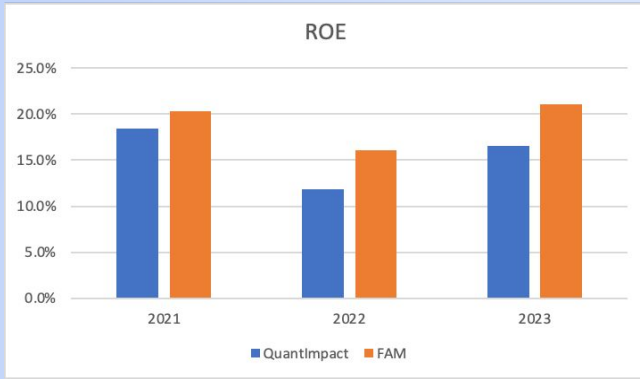




# 03 Financial Valuations



# QI vs. FAM Financial Analysis





# QI WACC

**Beta: 1.13**

**Risk-free rate: 4.5%**

**Market risk premium: 4.5%**

**Expected market return: 9%** ( $R_{rf} + \text{MRP}$ )

**Spread Indicator: 3.25%**

**Pre-tax cost of debt: 7.75%** ( $R_{rf} + \text{spread indicator}$ )

**Tax rate: 13.7%**

**Return on Equity: 9.61%** ( $R_{rf} * \text{beta} + (\text{market return} - R_{rf})$ )

**D/E Ratio: 0.861**

**D/V: 0.46**

**E/V: 0.54**

**WACC: 8.26%**

\$

# FAM WACC

**Beta: .78**

**Risk-free rate: 4.5%**

**Market risk premium: 5.5%**

**Expected market return: 10%** ( $R_{rf} + \text{MRP}$ )

**Spread Indicator: 3.25%**

**Pre-tax cost of debt: 7.75%** ( $R_{rf} + \text{spread indicator}$ )

**Tax rate: 13.7%**

**Return on Equity: 8.79%** ( $R_{rf} * \text{beta} + (\text{market return} - R_{rf})$ )

**D/E Ratio: 1.31**

**D/V: 0.57**

**E/V: 0.43**

**WACC: 7.61%**

\$

# QI Valuation

	2021	2022	2023	TV	
FCF	52.49	23.36	50.51		
DCF	48.16	19.93	39.81		
TV				823.28	
PV					931.53
Value (100 shares)					\$9.31/share

# FAM Valuation

	2021	2022	2023	TV	
FCF	75.54	35.72	58.90		
DCF	70.19	30.84	47.26		
TV				1069.67	
PV					1239.83
Value (100 shares)					\$12.39/share

**We believe Quant Impact Partners is  
a better financial fit for PFG.**





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# Recommendation



**PFG should acquire Quant Impact Partners.**



# ESG Scores: Pre-Merger

Upper target	
Leading	
Above median	
Below median	
Lagging	

	PFG
<b>Environmental</b>	0.20
<b>Social</b>	2.24
<b>Governance</b>	7.20
<b>Shareholder Rights</b>	4.29
<b>Audit</b>	8.32
<b>Composite Score</b>	3.18



# ESG Scores: Post-Merger

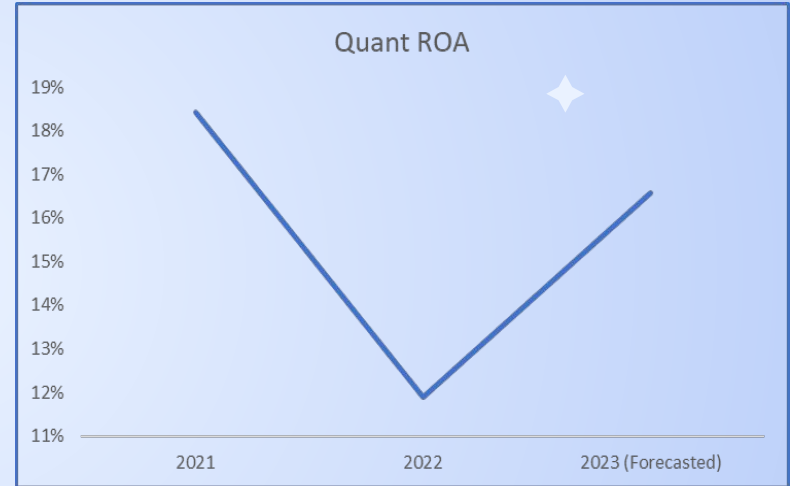
Upper target	
Leading	
Above median	
Below median	
Lagging	

	New PFG	Former PFG
<b>Environmental</b>	0.78	0.20
<b>Social</b>	2.29	2.24
<b>Governance</b>	7.33	7.20
<b>Shareholder Rights</b>	4.42	4.29
<b>Audit</b>	8.51	8.32
<b>Composite Score</b>	3.23	3.18

# Bid Price

## Factors:

- **Minimum Bid Accepted: \$416M USD**
- **Minimum Bid W/ Synergies Included:**
- **Value Add of \$10.193 B in Assets w/**
- **ROA of Quant: 17\*%**
- **Forecasted Performance loss of 13.71%**



**Recommended Bid Price: \$534M**



\*projection





# Purchasing Options



How Should Principal Purchase Quant?



# Valuation Options

<b>Payment Option</b>	<b>Pros</b>	<b>Cons</b>
<b>Debt</b>	PFG has Capital Market Division and Fixed Income Markets to generate funds	Potential inconsistent cash flows in the future due to inflation affecting interest borrowed
<b>Cash On Hand</b>	PFG currently is liquid with high Current & Cash Ratios	Cash is not often held, usually invested
<b>Equity Financing via Shares</b>	Keeps Debt Levels Low	Share Dilution Decreasing Equity Year-Over-Year

**Questions?**

