

## *Anticipated business development*

In the old-age provision business, MLP expects the reservations displayed when it comes to signing long-term provision contracts to continue throughout the market, primarily due to the ongoing period of low interest rates. The product landscape in the old-age provision market is continuing to undergo change as a result of this. Alternative guarantee concepts are enjoying ever increasing demand and gaining further ground throughout the market. MLP has already assumed a pioneering role in the brokerage of these concepts and we are increasingly benefiting from this. The ongoing discussion on the planned capping of commission (Life Insurance Reform Act (LVRG)) is generating uncertainty in the life insurance sector. For the time being, we can only wait and see whether and how things progress with the present draft bill in the political process. However, no direct effects of any commission cap in the life insurance sector should be expected until the planned introduction date in 2021 at the earliest.

The strengthening of our university segment, on the other hand, is likely to provide positive stimulus. Alongside insurance cover, our consultants are also starting to broker initial provision modules here. The legislation to strengthen occupational pension provision in Germany (BRSG), which already came into force in 2018, is likely to continue providing positive impetus in this area. To accompany and support this, MLP implemented its digital occupational pension provision portal for small and medium-sized enterprises in 2019 and will use it even more intensively for sales in 2020. This portal makes it easier for employers to manage their occupational pension provision contracts, while providing employees with clearly structured and compact information on their company's occupational pension provision offers. We are anticipating overall new business and revenue in the old-age provision business field to be slightly above the previous year's level in the financial year 2020.

Over the course of the next few years, we generally expect to see an increased need for consulting services in the field of professional wealth management among all of the Group's target client groups. More and more clients of MLP Banking AG are approaching the age at which financial investments become significantly more important to them, not least due to their increasing personal wealth. Above all, we see significant growth opportunities through the massive potential of this consulting field among our client base at MLP. At FERI, we are continuing to also benefit from the comprehensive expertise in alternative forms of investment. However, in light of low interest rates and moderate economic growth, the capital market environment is likely to be dominated by pronounced volatility and remain challenging in the financial year 2020. It is therefore safe to assume that both private and institutional investors will continue to display risk-averse behaviour. Volume-based and performance-based compensation could also decline. The MLP Group anticipates a slight overall increase in revenue in this consulting field.

In the non-life insurance consulting field, we continue to see growth potential both on the concept side (DOMCURA) and from a sales perspective (MLP Finanzberatung). Following the successful introduction of package products for private clients by DOMCURA and the introduction of luggage insurance in the previous years, further improved offers for building insurance were introduced. There is also further growth potential in MLP's client base in terms of catering even more comprehensively to existing requirements in the non-life insurance consulting field. To this end, special products were most recently developed for the MLP target groups of students and physicians. Overall, we are therefore expecting a slight increase in revenue in the non-life insurance consulting field for 2020.

Market conditions in the field of health insurance are unlikely to display any significant improvement in the short-term. The Statutory Health Insurance Contribution Relief Act (GKV-VEG), which came into force on January 1, 2019, weakened the competitive position of comprehensive private insurance providers. Nevertheless, it was still possible to stop those holding private health insurance from making the switch to the statutory health insurance system throughout the market. According to the latest figures of the Association of Private Health Insurers, the positive balance was around 12,000 persons in 2019, which is still a long way behind the figures recorded in previous years. The supplementary insurance consulting field continues to hold growth potential. We also believe that occupational health care has a promising future. Overall, we expect revenue in the field of health insurance in 2019 to be on the previous year's level.

Within the scope of the holistic investment strategy and in light of the low interest rates, we currently see real estate as one of the most popular investment opportunities for our target group. Indeed, we see particularly great growth potential in the brokerage of new buildings and concept-driven properties. This applies in particular to nursing care and senior citizen housing. With the acquisition of the DEUTSCHLAND.Immobiliengruppe (DI), which will be reflected in full in our revenue figures for the first time for the financial year 2020, we were able to add specialist expertise and the existing business of DEUTSCHLAND.Immobiliengruppe with affiliated brokers in this field. We are also benefiting from an extended product range for our consultants. We are therefore expecting to broker a significantly higher real estate volume in 2020 than in the previous year and anticipate sales revenue to increase quite sharply here. In addition we are expecting a slight increase in revenue in the loans and mortgages consulting field.

However, a degree of uncertainty remains in all consulting fields due to the overall challenging market environment.

#### Analysis of revenue performance 2020 (compared to the previous year)

2020	
Revenue from old-age provision	Slight increase
Revenue from wealth management	Slight increase
Revenue from non-life insurance	Slight increase
Revenue from health insurance	Unchanged
Revenue from real estate	Sharp increase
Revenue from loans and mortgages	Slight increase

MLP will continue to drive forward the strategic further development of the previous years. Initiated and successful growth activities will be continued to this end.

Continuation of the growth initiatives

For 2020, we are planning to focus our activities even more keenly on the physician market, among other things by further developing the target group segment of entrepreneurial physicians, the diversification of activities in the field of classic practices, expansion of association work and cooperations, as well as intensification of the qualification measures for MLP consultants. Appointment of a dedicated Division Director on February 1, 2020 supports this objective.

Focus still on physicians

Consolidation is taking place in the market of MLP Finanzberatung SE's line of business. Regulation and margin pressures are motivating many market members to rethink their strategic positioning. MLP sees itself as a proactive participant in the market consolidation in this area. However, horizontal acquisitions are to be reviewed in detail, as the structure and culture of these companies must suit MLP. There are also opportunities for vertical acquisitions, i.e. for extending or strengthening the added value chain, in MLP Finanzberatung SE's line of business. There are also opportunities for acquisitions and joint ventures in the markets of FERI and DOMCURA, facilitating profitable inorganic growth and strengthening of the respective business models.

Further acquisitions possible

MLP strives to be an even more important dialogue partner for all financial matters on the web and on social media. We are keen to further embed and expand these principles in order to promote digital workflows throughout the entire MLP Group and further establish a digital culture. To this end, we launched a Digital Board with a Digital Officer and a Digital Task Force in 2018. This committee covers key digital topics in all areas and promotes digital work methods in the Group.

Consistently advancing digitalisation

Future digital projects of the MLP Group will continue to be broken down into three different clusters: digital offers for existing and potential clients (e.g. mlp.de, mlp-financify.de, MLP client portal), digital offers for consultants (e.g. lead management system, MLP PolicyScan) and internal process improvements within the MLP Group.

The digitalisation strategy is closely linked to the new IT strategy and the IT mission which was launched in 2018. This will lead to numerous measures over the course of the next few years, which in turn will lead to closer cooperation in cross-functional teams and be promoted through agile working models and project methodologies. For example, we are planning to supplement our current IT world, which is based on operating our own data centres, with a cloud-based IT infrastructure and generally optimise our IT structures and processes. We employed various approaches to achieve this in 2019, including gradual introduction of a new IT architecture, as well as new working models. We have also started work on adapting existing consultant applications to the new requirements.

IT strategy as the basis for innovations

The MLP online client portal is to be extended in 2020, among other things to include an overview of all insurance policies. In addition to this, there are plans for a post box that offers secure communication between clients and consultants. Both solutions were previously already available to our clients via a separate module but will now be integrated into the client portal.

Online client portal being extended

Other focuses for MLP in 2020 include continuous further development of its online presence and e-mail marketing, as well as expansion of the lead management system. By taking these steps, we are keen to further improve the conversion rate of leads to actual clients. We already established an app for policy scans in 2018 which, above all, makes portfolio transfers easier in the non-life insurance business. This app will also be further optimised in 2020.

Recruitments of new consultants therefore remains a focus topic in 2020 and beyond. By pooling all of MLP's cross-location activities in the university segment we have established the necessary prerequisites to be successful here. The young consultants have successful and experienced consultants at their side in the form of regional managers and "university team leaders". In addition to this, we have optimised the training and qualification offers for this group of consultants. The process for joining MLP has also been significantly optimised for consultants with professional experience, making it even easier to make the switch to MLP. With these greater investments, we will create the basis for future growth in terms of consultants, revenue and income.

Recruiting remains in focus

To this end, we will strengthen our recruiting activities via our online presences (including expansion of active sourcing activities). We once again anticipate a net increase in the number of our consultants for 2020. Our overall assessment is based on the fact that annual employee turnover will not exceed the maximum target limit of around 10%.

We believe that the high quality of our basic and further training programme will continue to be the key to success. Indeed, we offer our consultants a programme that far surpasses the legally stipulated level. Modularising and expanding our training offer should help us slightly increase the number of central training days (including online seminars) at our Corporate University compared with the last financial year. This also applies to the total budget for qualifications and further training. We are anticipating expenses of around € 11.0 million for this in 2020.

We will apply a system of consistent cost and process management over the next few years to support our operational growth. Expenses will primarily be accrued within the scope of investments in the future, such as recruitment of young consultants in the course of strengthening the university segment, as well as in IT for ongoing implementation of our digitalisation strategy.

Consistent efficiency management programme supports growth strategy

## Forecast

A consistent cost management approach is one of the pillars for continuously growing profitability. Despite additional investments in our own future, above all in the university segment, administration costs were only slightly above the previous year's level in 2019. The efficiency measures implemented in the past are showing their effects here.

Slight increase in administration costs

We will continue to develop and optimise MLP in 2020. The forecast administration costs therefore still include expenses for investments in the future, in particular for recruiting young consultants within the scope of strengthening the University segment. The expenses associated with this were around € 6.7 million in 2018 and then € around 8.0 million in 2019. On the basis of the successes already achieved in the two previous years, we will continue along this path and further intensify our investments in strengthening the university segment in 2020. We are also anticipating additional expenses of around € 11.0 million for this in the financial year 2020. Although this may limit our growth in earnings in the short term, it will significantly increase our future profit potential in the long term (see also our medium-term forecast). Added to this are further investments, in particular in IT, which are largely necessary for further implementation of our digitalisation strategy. We expect administration costs to increase slightly overall, also taking into account typical salary developments as a result of the completed acquisition.

Alongside administration expenses, the cost of sales (primarily commission expenses) are also relevant for our cost structure. Since 2015, MLP has been offering a training allowance for new consultants to support them in their start to self-employment. These costs are also recognised under commissions paid. In 2020, we expect to record a comparable overall ratio of commission income to commissions paid as in the reporting year.

Alongside commissions paid, expenses for purchased services from the project business will also play a part in the future due to expansion of the real estate business. Set against the background of the expected revenue development, we are also anticipating significant increases in expenses from the project business.

We expect loan loss provisions to remain largely unchanged in the coming year.

Based on our estimates regarding revenue and costs, we are expecting a slight increase in EBIT for the financial year 2020 – despite continuing substantial investments mainly in our university segment as well as in the ongoing implementation of the digitalisation strategy. This forecast is based on the assumption that the framework conditions in our core markets will not become significantly worse.

Forecast 2020: Slight increase in EBIT anticipated

In the mid-term – until 2022 – we expect to record a significant increase in EBIT and will primarily benefit from the strengthening of the university business and significant expansion of the real estate business here.

Mid-term plan: Significant increase in EBIT expected

As was already the case in the previous year, we expect the finance cost to decline further in 2020. The tax rate was 17.5% in 2019. We are anticipating a tax rate of between 28% and 30% for 2020.

MLP's objective is to enable our shareholders to participate fairly in the company's success, as well as to pay an attractive and reliable dividend corresponding to our dividend policy, whereby the company's financial and earnings position, as well as its future liquidity requirements, are determining factors for our dividend policy. Since MLP employs a comparatively low capital-intensive business model, we intend to maintain an attractive and consistent dividend policy for the future. At the same time, we will retain a portion of profit to further strengthen the business model. Set against this background, we have been paying out between 50% and 70% of Group net profit as dividends since the financial year 2014.

Dividends of € 0.21 per share

On this basis, the Executive Board and Supervisory Board will propose a dividend of € 0.21 per share to the Annual General Meeting on June 25, 2020. The payout ratio is around 62% of Group net profit. We are keen to continue paying out between 50% and 70% of Group net profit in the future.

## Planned financing activities and investments

The MLP Group held sufficient shareholders' equity and cash holdings as of the balance sheet date. Our business model is not very capital intensive and generates high cash flows. From today's perspective, this provides sufficient internal financing capacity for the forecast period. This therefore makes us largely non-reliant on developments in the capital markets. Even increasing interest rates or more restrictive issuing of loans by banks would not have a negative effect on our financing options or liquidity. We will use our cash flow to allow shareholders to participate in the company's success, to strengthen the Group's financial power and for investments.

Our investment volume in the last financial year was € 22.3 million and was therefore in line with the forecast. IT remained the primary focus of investments. You can find more detailed information on this in the chapter entitled "Economic report – Business performance". We will continue to make investments in future, above all in our IT systems. This essentially focuses on continued implementation of our digitalisation strategy, for which we invested around € 10.5 million in the last financial year – € 5.6 million thereof as capital expenditure and € 4.9 million as financial resources. These funds will be recorded directly in our income statement as expenses. We have projected for this purpose a total volume of around € 15 million in 2020. We expect to be able to finance all investments from the cash flow.

Return on equity increased from 8.5% to 8.7% in the financial year 2019. Assuming that shareholders' equity is unchanged, we are anticipating a slight increase in return on equity for 2020.

Slight increase in return on equity anticipated

The Group's liquidity rose from € 436 million to around € 556 million in the financial year 2019. However, the overall liquidity situation remains good. Liquidity will be reduced by the intended dividend payment of € 23.0 million for the financial year 2019. It will increase again in the second half of 2020 thanks to the typical year-end business. Acquisitions which we finance with cash holdings would also have a negative effect on the Group's liquidity and capital adequacy. We are not anticipating any liquidity squeezes for the coming financial year.

## General statement by the Executive Board on the expected development of the Group

MLP anticipates that the challenging market conditions will continue throughout the financial year 2020. Based on the successful further development, especially in the university segment and in real estate brokerage, we nevertheless expect a slight increase in EBIT. We anticipate positive overall development within the Group. We enjoy a sound financial standing, which we are keen to use to further extend our strong market position.

Most recently, the spread of the Coronavirus had put the capital markets under considerable pressure. If it spreads worldwide, far-reaching economic distortions can be assumed. MLP is keeping an eye on possible effects and is continually assessing the potential influence on our business. A negative impact on the development of results cannot generally be ruled out.

## Prognoses

This documentation includes certain prognoses and information on future developments founded on the conviction of MLP SE's Executive Board, as well as on assumptions and information currently available to MLP SE. Terms such as "expect", "anticipate", "estimate", "assume", "intend", "plan", "should", "could", "might", "project" and any other phrases used in reference to the company describe prognoses based on certain factors subject to uncertainty.

Many factors can contribute to the actual results of the MLP Group differing significantly from the prognoses made in such statements.

MLP SE accepts no liability to the general public for updating or correcting prognoses. All prognoses and predictions are subject to different kinds of risks and uncertainties, which can lead to the actual results differing from expectations. The prognoses reflect the points of view at the time when they were made.