

Anticipated business development

Worldwide economic performance in 2020 was marked by the global corona pandemic. Overcoming the pandemic and its consequences will continue to have an impact in the coming year. In terms of its own business development, MLP does not expect things to normalise again until the second half of 2021.

There is still a strong demand for value-maintaining, broadly diversified investment opportunities, especially among clients that already have assets. The current market environment with very low prime rates and negative real interest rates is playing a key part here. We are not anticipating a general change in this environment in the foreseeable future. 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 the Group's target clients. 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 considerable 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 a moderate economic growth, the capital market environment is likely to be dominated by pronounced volatility and remain challenging in the financial year 2021. Moreover, we also expect performance-linked compensation to be significantly lower again in 2021 following its pronounced increase in 2020. The MLP Group therefore anticipates revenue development in this consulting field to remain stable overall.

Despite all uncertainties, demographic developments still hold massive long-term potential for MLP. For example, in Germany we are generally still expecting to see an increase in demand for both private and occupational pension provision policies. In the old-age provision field of consulting, 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. As a result of the corona pandemic, we are still anticipating a negative influence on this consulting field, especially in the first half of 2021. The strengthening of our young segment, on the other hand, is likely to provide major positive stimulus. Alongside insurance cover, our consultants are also starting to broker initial provision modules here. We are also anticipating a general recovery in new business for occupational pension provision in 2021 in comparison with 2020, which was a relatively weak year and dominated by the coronavirus pandemic. We are expecting support from our digital occupational pension provision portal for small and medium-sized companies too. 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. Following the decline observed in 2020 due to the corona pandemic, we are anticipating overall new business and old-age provision revenue to be slightly above the previous year's level in the financial year 2021.

We also see further growth potential in non-life insurance, both on the concept side (DOMCURA) and from a sales perspective (MLP Financial Consulting), as well as in cooperation with our sales partners. Following the successful introduction of package products by DOMCURA in the private client arena in previous years, further improved offers were also introduced for residential building insurance. We see potential here, especially in the context of the "Lebenswelt Wohnen" residential living environment, which DOMCURA specifically caters to. There is also great growth potential in the client base at MLP, with, among other things, portfolio acquisitions. Overall, we therefore expect a significant increase in revenue in the non-life insurance consulting field for 2021.

Market conditions in the field of health insurance are unlikely to display any significant improvement in the short-term. The supplementary insurance consulting field continues to hold growth potential. We also

believe that the occupational health insurance consulting field has a promising future. As a whole, we expect revenue in the field of health insurance to remain stable in 2021.

As part of a diversified investment strategy and due to the low interest rates, we continue to view investment properties as a good investment option for our target group. Indeed, we see particularly great growth potential in the brokerage of new buildings and concept-driven properties. This applies especially to nursing care and senior citizen housing. With DEUTSCHLAND.Immobilien, we have acquired special expertise in this field, as well as existing business through the affiliated brokers. We are also benefiting from an extended product range for our consultants. Following restrictions due to the corona pandemic, particularly in the project business, we are anticipating catch-up effects and further upwards movement in terms of revenue development for 2021 as result of the consistently high demand for real estate. In concrete terms, we expect the brokered volume and sales revenue to increase significantly in 2021.

Owing to the ongoing high demand for home ownership, we expect largely unchanged development in the loans and mortgages field of consulting for the year 2021 with revenue remaining at the same high level as recorded in the previous year.

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

Analysis of revenue performance 2021 (compared to the previous year)

2021	
Revenue from old-age provision	Slight increase
Revenue from wealth management	Unchanged
Revenue from non-life insurance	Sharp increase
Revenue from health insurance	Unchanged
Revenue from real estate	Sharp increase
Revenue from loans and mortgages	Unchanged

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

In 2020, we have started to focus our activities more 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. We will continue along this path in 2021.

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. We focus our acquisition interest on companies that will help us further diversify our service offering, yet also on those that can contribute to expanding our proportion of recurring revenue. 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. Acquisitions and joint ventures are also conceivable in the markets of FERi and DOMCURA, facilitating profitable inorganic growth and strengthening of the respective business models.

Further acquisitions possible

Further wealth management functionalities are to be integrated and gradually expanded in MLP's online client portal in 2021. Alongside a modern appearance and intuitive operation, clients are also to be offered lots of options for analysing and optimising their investments.

Consistently pushing ahead with digitalisation – online client portal being extended

Recruitments of new consultants therefore remains a focus topic in 2021 and beyond. The young consultants have successful and experienced consultants at their side in the form of regional managers and "university team leaders". Moreover, 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, which will essentially take effect from 2022 onwards.

Recruiting remains in focus

To this end, we aim to strengthen our recruiting activities via our online presence (including expansion of active sourcing activities). We are also anticipating a net increase in our number of consultants for 2021. However, it is important to note that our overall estimate is based on annual employee turnover of around 10%.

We believe that the high quality of our qualification and training measures for our consultants will continue to be the key to success. Indeed, we offer our consultants a programme that far surpasses the legally stipulated level. Despite the restrictions associated with the effects of the corona pandemic in 2020, we are still expecting to achieve a slight increase in the number of central training days (including online seminars) at our Corporate University compared to the last financial year. This also applies to the total budget for qualifications and further training. We are anticipating expenses of around € 14 million for this in 2021.

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 2020. The efficiency measures implemented in the past are showing their effects here.

Slight increase in admin costs

We will continue to develop and optimise MLP in 2021. The forecast administration costs therefore still include expenses for investments in the future, in particular for recruiting young consultants within the scope of expanding the young segment. We have spent around € 30.0 million on this since 2018. We have quite consciously sacrificed short-term earnings growth here so as to strengthen our future earnings potential. As planned, we are anticipating additional expenses of around € 14.0 million for this in the financial year 2021. At the same time, we are expecting to reach the break-even point for the first time in this field in 2021 through an increase in sales revenue. Added to this are further investments, in particular in IT, which are largely necessary for the further implementation of our digitalisation strategy. Overall, we expect a constant development of administrative costs.

Against the background of our anticipation of the significant increase in project business in the field of real estate, we are also anticipating a considerable rise in expenses for purchased services from the project business. Overall, we expect to record a slight increase in expenses for the commission business. We forecast a strong increase in expenses for the project business due to the expansion of the business.

We are once again anticipating a significant decrease in the item "Valuation result/loan loss provisions" in the coming year.

Forecast 2021: EBIT expected to remain stable after very strong development

Based on our expectations for revenue and costs, and against the backdrop of the very strong increase in earnings in 2020, we expect EBIT to remain stable overall in the 2021 financial year – despite continued extensive investments, especially in our young segment, but also in the further 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 and that the altered business conditions resulting from the corona pandemic will normalise in the second half of 2021.

Mid-term planning: significant increase in EBIT still anticipated

We expect to record a further marked increase in EBIT in the mid-term – up to 2022 – and will primarily benefit from the strengthening of the young segment and significant expansion of the real estate business.

As was already the case in the previous year, we expect the finance cost to decline further in 2021. The tax rate was 23.2% in 2020. We are anticipating a tax rate of between approximately 28% and approximately 30% for 2021.

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.

Dividend of € 0.23 per share

On this basis, the Executive Board and Supervisory Board will propose a dividend of € 0.23 per share to the Annual General Meeting on 24 June 2021. The payout ratio is around 58% 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, sufficient internal financing capacity is therefore in place for the forecast period. However, we can also supplement this by borrowing adequate funds should suitable opportunities present themselves. 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.

We will continue to make investments in the future, above all in our IT systems. We expect to be able to finance all investments from cash flow.

Slight increase in return on equity anticipated

The return on equity increased to 9.5% (8.7%) in 2020. Assuming unchanged shareholders' equity, we are anticipating the return on equity to decline again to the level of 2019 (8.7%).

The overall liquidity situation remains good. Liquidity will be reduced by the intended dividend payment of € 25.1 million for the financial year 2020. It will increase again in the second half of 2021 thanks to the typical year-end business. Acquisitions which are largely financed through our 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 corporate management on the expected development of the Group

MLP anticipates that the challenging market conditions will continue throughout the financial year 2021. At the same time, we will increasingly benefit from the future-oriented strategic alignment of the Group, which we have expedited in the last few years. Thanks to the successful further development, above all in the young segment and the real estate business, we expect EBIT to remain stable in 2021 against the backdrop of the significantly stronger than expected increase in earnings in 2020. We therefore expect to see a 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.

Our expectations are based on the conviction that the changed circumstances due to the corona pandemic, will largely normalise again in the second half of 2021. However, MLP is keeping its eye on potential effects and continuously assesses their potential influence on business.

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.