

Financial position

Aims of financial management

The financial management of the MLP Group is performed by the central Treasury department in cooperation with the Controlling and Risk Management departments. Our primary objective here is to secure the liquidity of the Group at all times, control the risks involved using the various financial instruments and optimise Group-wide cash management. To this end, we employ a system of rolling liquidity planning with a time frame of 15 to 18 months.

There were no significant liabilities or receivables in foreign currencies during the reporting period, as we generate almost 100% of total income in the eurozone. It is therefore not necessary for us to hedge net items in foreign currencies by means of hedging instruments. You can find details on the financial risks in the notes to the consolidated financial statements in the → [“Financial risk management”](#) chapter.

No liabilities or receivables
in foreign currencies

Financing analysis

The Group's equity capital backing and liquidity remain good. As of the balance sheet date, shareholders' equity amounted to € 454.0 million and was therefore above the previous year's level (€ 437.4 million). The Group net profit of € 43.2 million for the financial year 2020 had a significant effect on this. However, this was counteracted by the dividend payment of € 23.0 million for the financial year 2019. Due to the higher balance sheet total, the equity ratio declined from 15.6% to 14.0%. The regulatory core capital ratio was 21.3% (19.2%) on the balance sheet date. Even with today's group structure, MLP still expects increased capital requirements for the next few years so as to meet the revised definition of equity and stricter requirements of Basel IV.

Equity ratio at 14.0%

We did not use any borrowed funds to finance the Group in the last financial year. Our non-current assets are financed in part by non-current liabilities. Current liabilities due to clients and banks in the banking business represent further refinancing funds that are generally available to us in the long term. Total liabilities due to clients and financial institutions in the banking business of € 2,379.4 million (€ 1,993.3 million) essentially comprise client deposits, which have no financing function for the Group. These liabilities are offset on the assets side of the balance sheet by € 1,632.1 million (€ 1,600.3 million) in receivables from clients and financial institutions in the banking business.

Since provisions only account for 3.6% (3.6 %) of the balance sheet total, they have no significant financing function for the Group. Other liabilities increased to € 265.7 million (€ 250.6 million) on the balance sheet date. Due to our typically strong year-end business, they increase markedly up to the balance sheet date of 31 December and then decline again in the subsequent quarters. Current liabilities increased to € 180.8 million (€ 165.6 million). These are essentially liabilities from operating activities. Current liabilities are offset on the assets side by cash and cash equivalents of € 859.0 million (€ 510.8 million), which are attributable to higher deposits at the Deutsche Bundesbank, and financial investments of € 197.6 million (€ 178.6 million), as well as other current assets of € 158.0 million (€ 130.4 million).

Liquidity analysis

Cash flow from operating activities increased to € 408.1 from € 191.6 million in the same period of the previous year. Here, significant cash flows result from the deposit business with our clients and from the investment of these funds.

Cash flow from investing activities changed from € –33.3 million to € –28.3 million.

Condensed cash flow statement

All figures in € million	2020	2019
Cash and cash equivalents at beginning of period	510.8	385.9
Cash flow from operating activities	408.1	191.6
Cash flow from investing activities	–28.3	–33.3
Cash flow from financing activities	–31.5	–33.5
Change in cash and cash equivalents	348.3	124.9
Daily due liabilities to credit institutions	–3.2	—
Cash and cash equivalents at end of period	855.8	510.8

As of the balance sheet date, 31 December 2020, the MLP Group has access to cash holdings of around € 929 million. A good level of liquid funds therefore remains available. There are sufficient cash reserves available to the MLP Group. Alongside cash holdings, free lines of credit are also in place.

Capital expenditure analysis

MLP generally finances capital expenditures from cash flow. The total investment volume in intangible assets and property, plant and equipment was € 9.3 million (€ 22.3 million) in the last financial year.

Capital expenditure

All figures in € million	2020	2019	2018	2017	2016
Intangible assets	5.8	3.9	4.4	3.4	13.7
Goodwill	—	—	—	—	—
Software (developed in house)	—	0.2	0.2	0.2	0.3
Software (purchased)	1.9	1.5	0.9	1.0	2.5
Other intangible assets	0	0	—	—	—
Payments on account and assets under construction	3.9	2.2	3.3	2.1	11.0
Property, plant and equipment	3.5	5.4	22.2	3.9	4.7
Land, leasehold rights and buildings	0.4	0.9	16.2	0.3	0.5
Other fixtures, fittings and office equipment	2.9	3.8	3.4	2.6	3.0
Payments on account and assets under construction	0.2	0.7	2.6	1.0	1.2
Purchase price DEUTSCHLAND.Immobilien	—	13.0	—	—	—
Total capital expenditures	9.3	22.3	26.6	7.3	18.4

At € 3.4 million, the vast majority of investments were made in the Financial Consulting segment. The main focus of these investments was in operating & office equipment and IT systems to support sales. These contribute to the continuous improvement of consulting support and client service. Alongside these capitalisable investments, we also use other intensive resources for these projects which are recognised as expenses in the income statement. The investment volume in the FERI segment was € 2.6 million. The investment volume in the Banking segment was € 0.3 million. Software and IT were the primary focuses of investment here. Investments in the DOMCURA segment totalled € 2.5 million. Operating and office equipment, as well as acquired software represented one focus for investment here.

Capital expenditures by segment

	Total capital expenditures		Change in %
All figures in € million	2020	2019	
Financial consulting	3.4	17.6*	-80.7%
Banking	0.3	0.7	-57.1%
FERI	2.6	1.5	73.3%
DOMCURA	2.5	1.3	92.3%
Holding and Others	0.6	1.2	-50.0%
Total	9.4	22.3	-58.3%

*This includes a cash price payment of € 13.0 million for DEUTSCHLAND.Immobilien