ECONOMIC REPORT

Business performance

We have expanded the wealth management area into a key revenue pillar of the MLP Group over the last few years. FERI continued its successful course of the last few years in the reporting period and reinforced its position as a leading independent investment company. Despite operating in volatile markets, FERI recorded generic growth in all core business segments for the sixth year in succession. FERI was able to win new mandates and expand existing business relations among both private and institutional clients. The consulting and service portfolio was consistently expanded, above all in the areas of investment management, alternative assets and real assets (for example private equity and real estate). We recorded positive development in particular in MLP's private client business in wealth management, in which net inflows of funds and assets under management were further increased. Both wealth management revenue and assets under management throughout the Group are above the previous year's level overall.

There were still many reservations in terms of signing long-term old-age provision contracts, in particular due to the ongoing period of low interest rates, as well as critical reporting on life insurance products. Yet, MLP was quick to adapt to the growing importance of new guarantee products, which in the meantime clients have been requesting more frequently as alternatives to conventional concepts. Indeed, these guarantee products already represented 74.0% of all newly concluded contracts at MLP in the past financial year.

As a result of the legislation to strengthen occupational pension provision in Germany (BRSG) and, in particular, the increase in the tax subsidy framework that is anchored in this legislation, occupational pension provision provided the greatest positive stimulus here in the reporting year. You can also find further information on the legal amendments in the chapter entitled "Regulation". The increase in the number of consultants working for MLP in the university segment also made a positive contribution to revenue development in old-age provision. These consultants support their clients in various ways, including when signing up for their first insurance policies and old-age provision modules. Total revenue from old-age provision products in the financial year 2019 was up by 6.4% over the previous year.

We also recorded positive development in the non-life insurance field at DOMCURA in 2019. Our package products that are already established, which we further optimised and adapted to market conditions in the reporting year, continued to make a key contribution to this, alongside a new building insurance policy for single-family homes offered by DOMCURA. DOMCURA continued to enjoy a great deal of attention, in particular at trade conferences, for its "digital luggage insurance", an insurance product that is based on blockchain technology. The company was also honoured as a national winner of the European Business Awards for this innovative solution. We further expedited the integration of DOMCURA with MLP in 2019, for example through joint development of special products for MLP's target groups of students and physicians. At the same time, the business of DOMCURA with other market players continued to display positive development. Non-life insurance also enjoyed positive development in MLP’s private client business. As anticipated, total revenue in the non-life insurance business was 5.2% above the previous year.

In the health insurance area, we continued to encounter reservations throughout the market in terms of signing new comprehensive private insurance policies. Factors such as premium increases in the segment and critical media coverage contributed to this development. Despite the difficult framework conditions, our revenue in the health insurance area was slightly over the level of the previous year with an increase of 1.3%.
As anticipated, we were able to increase our revenue in the real estate brokerage area significantly (+17.9%) in 2019 over the previous year. The main reasons for this positive development were the systematic expansion and ongoing diversification of our real estate portfolio, which we were already stepping up in 2018. Alongside the listed buildings sector, we also significantly extended our portfolio of new buildings, as well as existing and concept-driven properties (microliving, properties with nursing care).

With the acquisition of DEUTSCHLAND.Immobilien, a leading online marketplace for investment property, we once again significantly extended our offering in 2019 and also tapped into further business potential for the next few years with the network of approximately 6,000 affiliated brokers. The process for integrating DEUTSCHLAND.Immobilien into the MLP Group got under way in the last financial year after the transaction was completed on September 2, 2019.

In brokering real estate financing, we were able to increase our revenue significantly once again (+16.9%) – primarily as a result of the low interest rate environment.

In the course of diversifying our business model, we have been able to expand the wealth management and the non-life insurance business into key revenue pillars in the last few years. With the successful acquisition of the DEUTSCHLAND.Immobilien Group in 2019 and the potential that this offers, we also took a major step towards further diversification of our revenue basis in real estate brokerage in the last financial year. You can find further information on this in the section entitled "Anticipated business development".

New client acquisition developed very positively in the reporting year. MLP was able to acquire 19,300 new family clients in 2019 (18,266). Around 25% (29%) of these initiated new clients were acquired online. As of December 31, 2019, the MLP Group served a total of 549,600 family clients (541,150) and 21,850 corporate and institutional clients (20,900).

Digitalisation of all divisions in the MLP Group is making good progress and will also play a significant strategic role over the course of the next few years. The needs of clients, as well as consultants and employees, are crucial for the development of our digital offering. To promote digital workflows throughout the entire MLP Group and gradually establish a digital culture, in 2018 we launched a Digital Board with a Digital Officer and a Digital Task Force, whose duties were then extended in 2019. The Digital Board reviewed a range of proposals in detail and then had those that were deemed relevant either further refined or implemented, including online client support by MLP consultants. In parallel to this, some initial aspects of the IT Target Vision for the year 2022, which was drawn up in 2018, were already successfully launched in the last financial year. These included introduction of new work methods and establishment of a runtime environment for microservices in the public cloud. You can find further information on this in the section entitled "Anticipated business development".

Within the scope of its digitalisation strategy, MLP continued to expand and intensify its presence on social media platforms such as Facebook, YouTube and Twitter in the financial year 2019. For online acquisition, MLP in particular collaborated with Uniwunder GmbH in the reporting year, having already intensified the partnership in the previous financial year. To this end MLP increased its holding in the start-up to 49%. Uniwunder has a great deal of expertise in the field of performance marketing and, in addition to other partners and advertising activities, helps ensure that our seminar programmes reach the right target group.
In terms of digital client acquisition, consultants receive comprehensive support from a lead management tool that we launched in 2018 and were able to further develop in the reporting year. This is used to record seminars and contacts directly and organise the scheduling of further appointments. Central and partially automated management of contacts helps lighten the load on consultants.

A powerful tool that offers consultants support when planning and setting up investment portfolios was introduced in the last financial year in the shape of the "VEM Guide" wealth management tool from MLP Banking AG. This software solution facilitates a seamless consultancy process – from a full financial review and target/performance comparison all the way up to legally compliant documentation – and thereby grants clients even greater transparency regarding their own wealth structure, as well as regular flows of funds.

We continued to gradually extend our online client portal, which was redesigned in April 2017, throughout the last financial year. The portal offers clients all financial information at a glance and provides them with a clearly structured overview of their income and expenditure in a personal budget book. One key feature that was added in the financial year 2019 is the new overview of all insurance policies. A further step-by-step expansion of the functionality is planned for the next few years. You can find further information on this in the section entitled “Anticipated business development”.

As was the case in 2018 the recruitment of new consultants continued to be a key topic in the past financial year. The university segment, which was realigned in 2017, and the university team leaders provided a significant increase in consultant numbers. The total net year-on-year rise was 53 consultants, which corresponds to a gain of 2.7% and again represents a more dynamic increase over the previous year. This also reflects the intensification of the recruiting process that has been performed at MLP. The repertoire includes both job fairs and “getting-to-know” events, such as Experience MLP or Active Sourcing. We have also further increased the attractiveness of working as an MLP consultant in the last few years, for example through further development of the training programme at our Corporate University.

MLP is not only expanding its activities in the university segment, but also among consultants with experience in the sector as a way of stimulating interest in working at MLP. A special compensation model, targeted specifically at industry experts, makes it easier for suitable candidates to make the switch. You can find further information on this in the section entitled “Employees and freelance client consultants”.

Since 2016, MLP has implemented comprehensive efficiency measures to reduce the cost base significantly. A consistent cost management approach was also applied in the last financial year to flank our growth strategy.

With the coming into force of the new International Accounting Standard 16 (IFRS 16, International Financial Reporting Standard), the treatment of leasing transactions has changed. Among other things, IFRS 16 no longer requires the lessee to classify leases as operating leases or finance leases. Instead, the lessee must recognize both a right of use on the asset side and a corresponding lease liability on the liabilities side for each leased asset. This change in treatment also has an impact on the income statement and results in shifts within the income statement. Firstly, lease payments are no longer recorded as operating expenses. Secondly, depreciation and interest expenses are charged. Information on the respective effects can be found below in the income and asset situation as well as detailed information in Note 3 (Adjustment of accounting policies).