ECONOMIC REPORT

Net assets

The balance sheet total of the MLP Group increased to € 2,799.6 million as of December 31, 2019 due to further increases in client deposits (€ 2,421.0 million).

Intangible assets – essentially including the client base, brand and goodwill – increased to € 183.1 million (€ 155.9 million) as of the balance sheet date. This increase can essentially be attributed to the acquisition of the majority holding of DEUTSCHLAND.Immobilien. Property, plant and equipment increased considerably to € 130.9 million (€ 78.3 million). This increase is mainly due to the change in the accounting of leasing liabilities as a result of the new IFRS 16 accounting standard, to be applied from January 1, 2019 onwards. According to the new standard, usage rights from leasing transactions must be disclosed under this item. As of December 31, 2019, these usage rights were € 53.3 million.

Receivables from clients in the banking business increased to € 872.2 million (€ 761.0 million). This can essentially be attributed to the increase in promissory note bonds and own-resource loans, as well as a higher investment volume in promotional loans directly passed on to our clients. Receivables from banks in the banking business also increased to € 728.1 million (€ 694.2 million) as a result of higher investments in fixed-term deposits, as well as higher promissory note bonds. Around 47% of receivables from banks and clients have a remaining term of less than one year.

We are reporting the item “Inventories” in the balance sheet for the first time. The recognition of this item became necessary with the conclusion of the acquisition of a majority holding in the DI Group and essentially represents the assets of the project entities. As of December 31, this item stood at € 10.5 million.

Financial assets increased slightly to € 178.6 million (€ 165.3 million). The tax refund claims declined to € 4.5 million (€ 12.8 million). The downturn is essentially due to the assessment for corporation and business tax for 2017 and the associated reimbursement by the tax authorities and local authorities as well as a subsequent adjustment (decrease) in advance payments for 2018. The allocation of refund claims has an opposite effect for the 2019 financial year.

Other receivables and assets increased to € 168.6 million (€ 158.1 million). This item essentially comprises commission receivables from insurers resulting from the brokerage of insurance products. Due to the typically strong year-end business, these increase considerably at the end of the year and then decline again during the course of the following financial year.
Cash and cash equivalents rose to € 510.8 million (€ 385.9 million). This increase can be attributed to a greater deposit volume at Deutsche Bundesbank. Among other factors, the dividend payment to our shareholders had the opposite effect. You can find detailed information on the change in cash and cash equivalents in the chapter entitled “Financial position.”

The equity capital backing of the MLP Group remains good. Shareholders’ equity increased to € 437.4 million as of December 31, 2019 (€ 424.8 million). Minority interests are also disclosed in the balance sheet due to the acquisition of a majority holding in the DI Group. These stood at € 0.8 million as of the reporting date. Due to the higher balance sheet total, the equity ratio was 15.6% (17.5%). Based on Group net profit of € 36.9 million (€ 34.5 million) we therefore achieved a return on equity of 8.7% (8.5%).

Provisions of € 101.6 million (€ 94.5 million) were slightly above the previous year’s level. This slight rise is essentially due to increased pension provisions.

The deposits of our clients, which are recorded under “Liabilities due to clients in the banking business”, increased to € 1,894.8 million (€ 1,638.9 million) at the end of the reporting period. This increase is primarily attributable to short-term deposits held in bank accounts and instant access savings accounts. Liabilities due to banks in the banking business rose to € 98.4 million (€ 81.6 million). This increase can mainly be attributed to a higher volume of promotional loans being passed on to our clients. This item includes the refinancing funds from funding institutions.

Tax liabilities rose to € 6.1 million (€ 5.2 million). At € 250.6 million (€ 165.8 million), other liabilities were significantly above the previous year’s level. The rise was essentially due to the application of IFRS 16 and leasing liabilities of € 54.2 million capitalised in this item. This item further comprises purchase price liabilities and increased liabilities from the underwriting business of DOMCURA and current liabilities due to our consultants and branch office managers in connection with open commission claims (please refer to the section entitled “Financial position”).

General statement on the economic situation
The corporate management still considers the Group’s economic situation to be positive, both at the end of the reporting period and at the time of preparing the Group management report. This also applies to our financial position. Liquidity remains at a good level. The equity capital backing also remains good.

Comparison of actual vs. forecast business performance
At the start of the financial year we expected a slight increase in the EBIT compared to the previous year despite the still challenging markets and extensive investments, especially in our university segment, yet also in the further implementation of the digitalisation strategy.

At the start of the year, we also issued a qualitative estimate regarding revenue development, which we then defined more closely in the report for the first nine months in 2019.
We expected revenue to remain stable in the old-age provision consulting field at the start of the year. With a slight rise of 6.4% we are within our specified expectations. With slightly increased revenue, the wealth management business developed as anticipated. The non-life insurance consulting field also enjoyed a minor increase and was therefore in line with our expectations. As anticipated, revenue in the health insurance consulting field remained stable. Real estate brokerage developed as forecast with significantly increasing revenue. Revenue in the loans and mortgages business climbed significantly and was therefore within our forecast at the start of the year. However, it was somewhat stronger than anticipated back in November.

We expected administration costs to remain relatively constant. Including ongoing investments in the future – in particular for recruiting young consultants within the scope of strengthening the university segment, on which we spent around € 8.0 million in the last financial year – developments were within the scope of our expectations with an increase of 2.6%.

With an EBIT of € 47.1 million we are slightly above the EBIT of the previous year. We therefore reached our targets for the year.

ECONOMIC REPORT

Segment report

The MLP Group is broken down into the following segments:

- Financial Consulting
- Banking
- FERI
- DOMCURA
- Holding and Other

The Financial Consulting segment includes revenue from all fields of consulting – i.e. old-age provision, health and non-life insurance, as well as loans and mortgages and real estate brokerage. Since the acquisition of a majority holding in the Di Group on September 2, 2019, this also includes the proceeds from real estate brokerage by the Di Group. The Banking segment brings together all banking services for both private and corporate clients – from wealth management, accounts and cards, through to the interest rate business. The FERI segment primarily generates revenue from the wealth management field of consulting, while the DOMCURA segment generates most of its revenue from the non-life insurance business.

The Holding segment was renamed “Holding and Other” and includes the project entities of the Di Group since the acquisition of a majority holding in the Di Group on September 2, 2019. Expenses from real estate development are disclosed under “Commission expenses”. The “Inventory changes” item also results from real estate development and represents the changes in assets generated in the current phase of the projects within the reporting period. This item will increase in future as the respective projects progress and then decline again with the gradual sale of project units.