

# The MLP Group – The partner for all financial matters

Reinhard Loose,  
CFO

Munich, September 23, 2015



**Berenberg & Goldman Sachs German Corporate Conference**



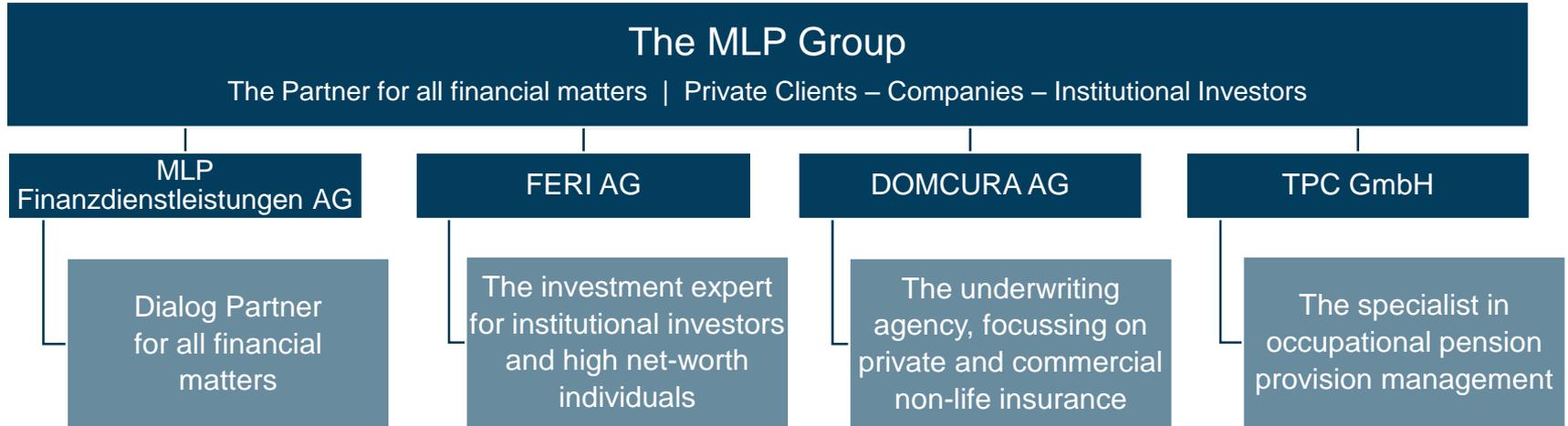
Finanzberatung, so individuell wie Sie.

# Agenda

- MLP at a glance 3
- Benefits for shareholders 7
- Key Financials 14
- Impact of regulation 20
- Outlook MLP 25

# The MLP Group at a glance

## MLP Group



- The **views and expectations of our clients** always represent the starting point in each of these fields
- We examine the **offers of all relevant product providers in the market**
- We then present our clients with suitable options in a comprehensible way so that they can make the right financial decisions themselves

Our product ratings are based on **scientifically substantiated market and product analyses.**

# Consulting services throughout Germany for private, corporate and institutional clients

## MLP Group

### MLP:

- Approximately 1,950 client consultants
- Approximately 160 offices – at least one at every university location
- Approximately 1,300 employees at company HQ and at local offices

### FERI:

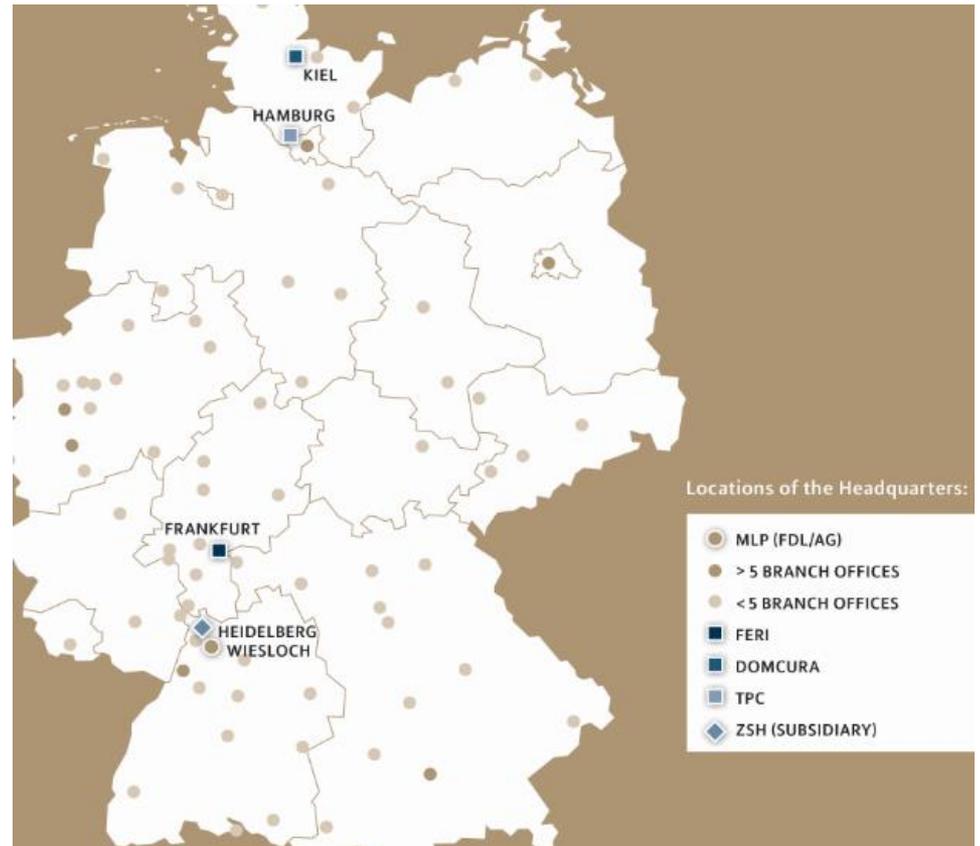
- Approximately 220 employees
- International locations: Vienna, Zurich and Luxembourg

### DOMCURA:

- Approximately 290 employees
- Around 5.000 market participants as business partners (insurance brokers, pools, sales offices)

### TPC:

- Approximately 25 employees
- Client consulting together with MLP client consultants



# MLP Group – An Overview

Clients		<ul style="list-style-type: none"> <li>• More than 845,000 private clients in the mass affluent segment of the market target groups: graduates (i.e. physicians, solicitors, engineers and economists)</li> <li>• Over 200 private clients in the HNWI market &amp; over 5,000 corporate clients, employers and institutional clients</li> </ul>		
Main business areas	Old-age provision	Brokered premium sum for new business totalled € 4.1 billion in 2014. Occupational pension provision accounted for around 12% of this figure.		Share of revenue '14 49%
	Wealth Management	€ 27.5 billion in assets under management as at December 31, 2014 in business with mass affluent clients, HNWI and institutional investors.		30%
	Health insurance	Private health insurance, supplementary private health insurance, long-term care, occupational health insurance, statutory health insurance.		9%
Top Financials		<b>FY 2014:</b> Total revenue: € 531.1 million EBIT: € 39.0 million Net profit: € 29.0 million	Equity Ratio: 23.2% Core Capital Ratio: 13.6%	Dividend per share: € 0.17 Return on Equity: 7.8%
MLP Share		Shares outstanding: 109,334,686 Free Float: 48.74% (Definition on the German stock exchange) Average daily trading volume: 70,800 (Xetra, 12-month average as at August 31st, 2015)		

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# MLP – Benefits for shareholders

More diversified revenue mix and cost control

1

Stability

Attractive dividend policy

2

Attractive ROI

Stable shareholder structure

3

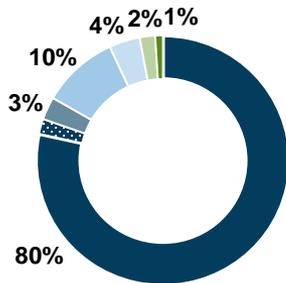
Consistency in strategy

# Significant strengthening of the revenue base through strategic further development



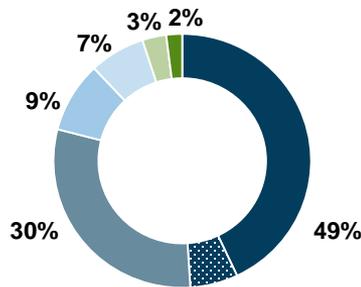
## FY 2005

Revenue from commissions and fees: € 467.9 million



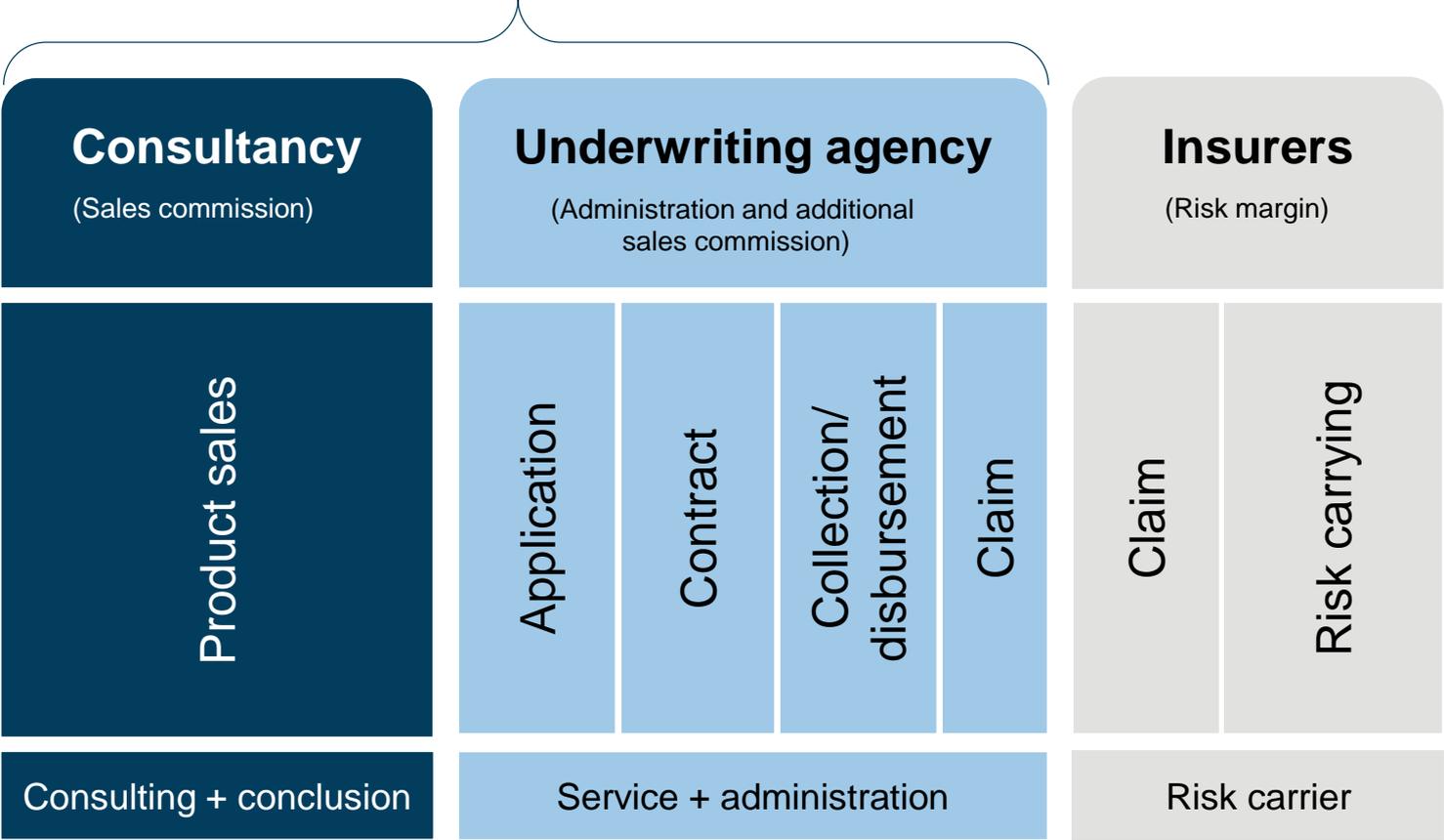
## FY 2014

Revenue from commissions and fees: € 486.9 million



- Old-age provision
- incl. occupational pension business
- Wealth management
- Non-life insurance
- Health insurance
- Loans and mortgages
- Other commissions and fees (i.e. real estate)

# Underwriting agency selects the appropriate insurer from the marketplace

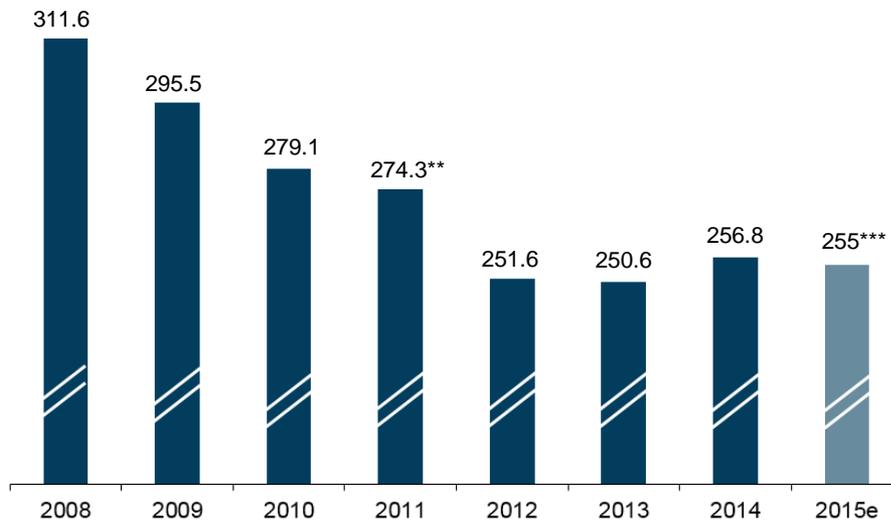


# Administration costs reduced by more than € 50 million – solid foundation for the future

1

## Administrative costs\*

in € million



\* Definition: Personnel expenses, depreciation and amortisation and other operating expenses

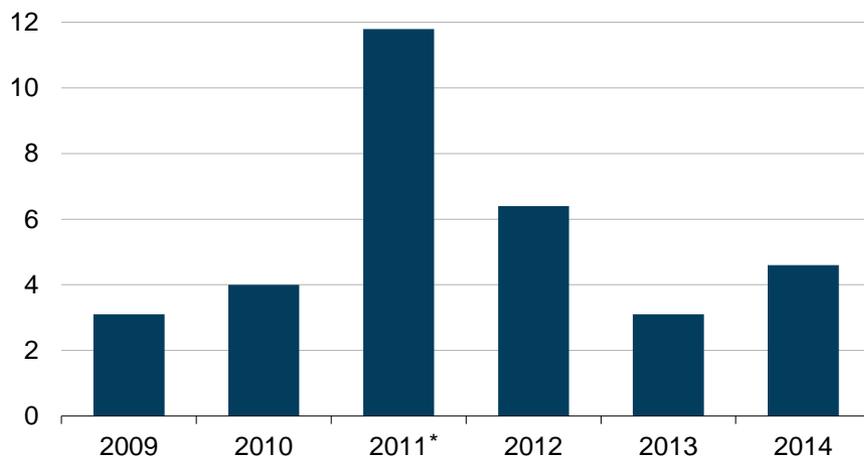
\*\* Adjusted to include one-off expenses

\*\*\* Excluding Domcura

# Attractive dividend policy: pay-out ratio of 50% to 70%

## Return on dividend

in %



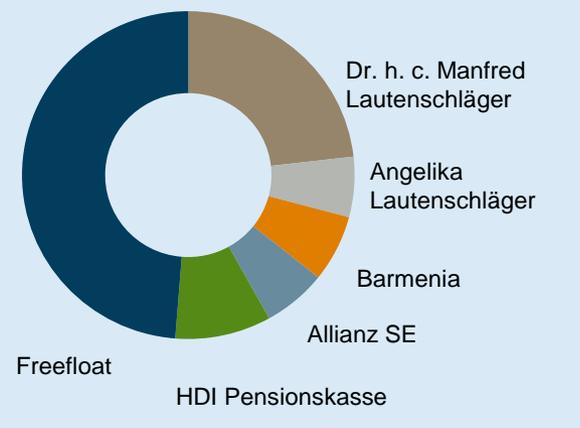
\* Including special dividend

- In the future, pay-out ratio of 50% to 70% of Group net profit
- At the same time capital is required for:

- Acquisitions
- Investments
- Capital management (Basel III)

# Stable shareholder structure

3

<h2>Share details</h2>	<p>WKN: 656 990          ISIN: DE0006569908          Börsen: XETRA, Frankfurt, other regional exchanges</p>																				
<h2>Shareholder structure</h2>	<table border="1"> <tr> <td>Dr. h. c. Manfred Lautenschläger</td> <td>23.22%</td> </tr> <tr> <td>HDI</td> <td>9.36%</td> </tr> <tr> <td>Barmenia</td> <td>5.49%</td> </tr> <tr> <td>Allianz SE</td> <td>6.18%</td> </tr> <tr> <td>Angelika Lautenschläger</td> <td>5.94%</td> </tr> <tr> <td>Freefloat (Def. Deutsche Börse)</td> <td>49.81%</td> </tr> <tr> <td><i>Harris Associates</i></td> <td>9.69%</td> </tr> <tr> <td><i>FMR LLC</i></td> <td>7.00%</td> </tr> <tr> <td><i>Joh. Berenberg Gossler &amp; Co KG</i></td> <td>4.78%</td> </tr> <tr> <td><i>Schroders PLC</i></td> <td>3.03%</td> </tr> </table> 	Dr. h. c. Manfred Lautenschläger	23.22%	HDI	9.36%	Barmenia	5.49%	Allianz SE	6.18%	Angelika Lautenschläger	5.94%	Freefloat (Def. Deutsche Börse)	49.81%	<i>Harris Associates</i>	9.69%	<i>FMR LLC</i>	7.00%	<i>Joh. Berenberg Gossler &amp; Co KG</i>	4.78%	<i>Schroders PLC</i>	3.03%
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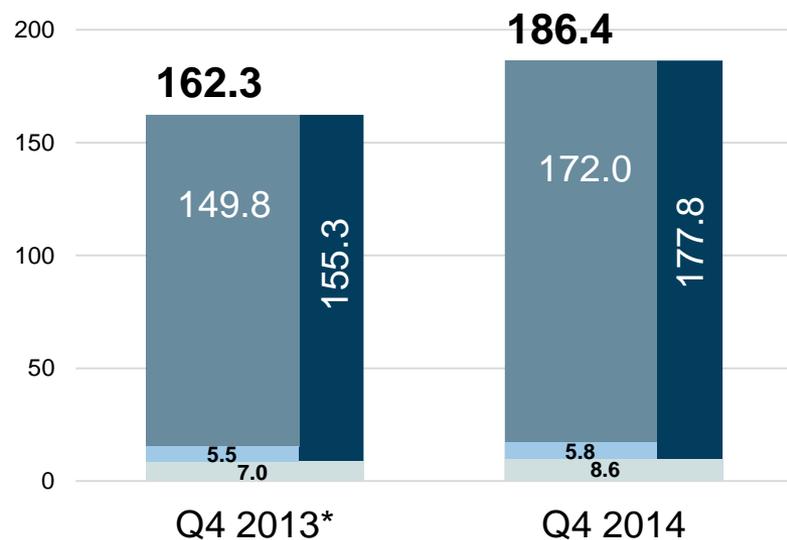
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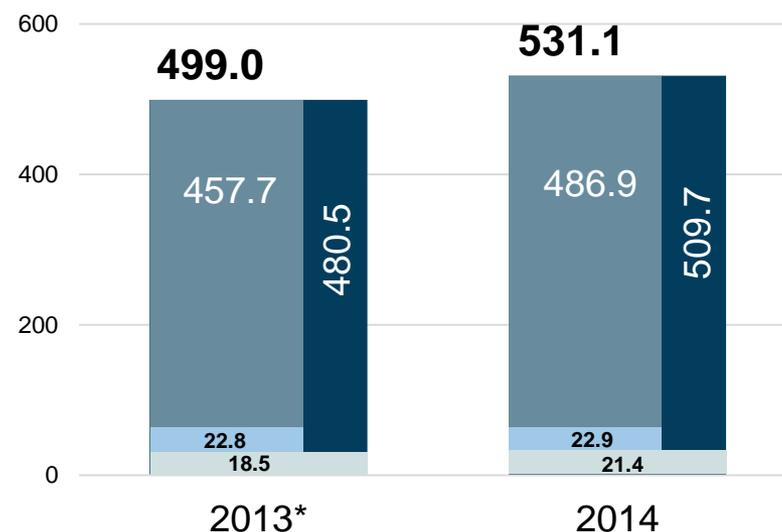
# FY 2014: Total revenue rises to € 531.1 million

## Total revenue in Q4

[in € million]



## Total revenue in FY



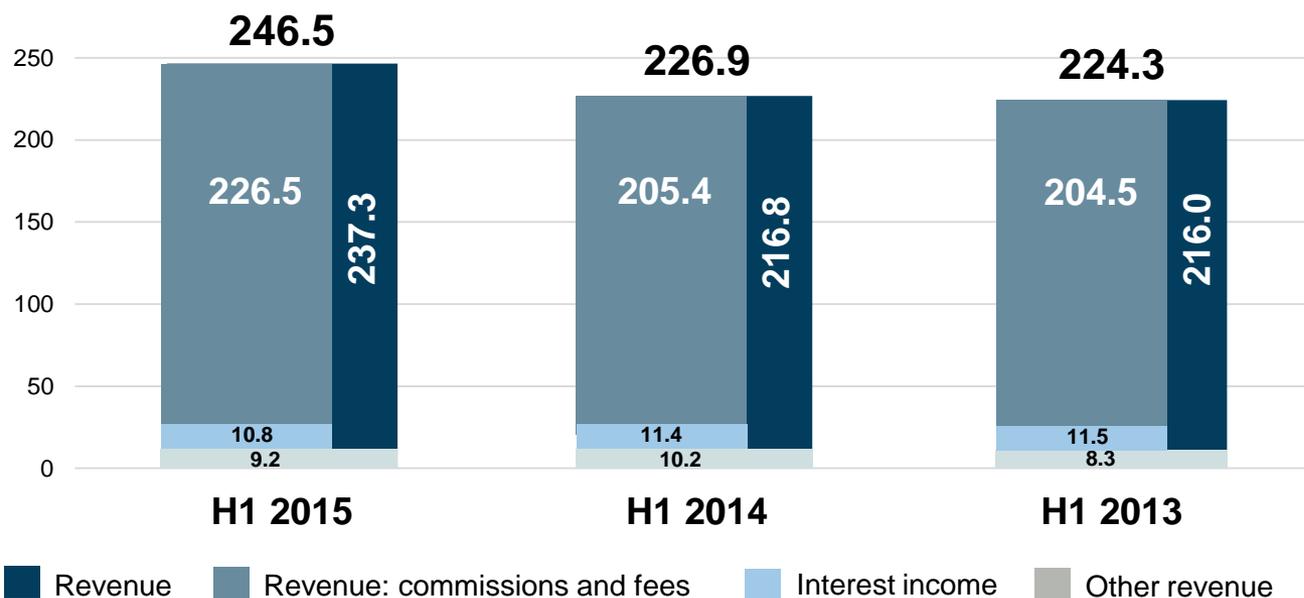
Revenue
  Revenue: commissions and fees
  Interest income
  Other revenue

\* Previous year's values adjusted

# H1 2015: Total revenue rises to € 246.5 million

## Total revenue H1

[in € million]



# H1 2015: Strong growth in wealth management

## Revenue

[in € million]

	Q2 2015	Q2 2014*	Δ in %	H1 2015	H1 2014*	Δ in %
Old-age provision	41.1	44.1	-7	83.1	84.3	-2
Wealth management	41.9	34.4	22	82.6	67.0	23
Health insurance	10.4	9.7	7	22.2	21.1	5
Non-life insurance	5.1	5.3	-4	25.2	24.1	5
Loans and mortgages*	3.8	3.0	27	6.9	5.9	17
Other commissions and fees	4.0	1.8	>100	6.4	3.1	>100
Interest income	5.3	5.6	-5	10.8	11.4	-5

\* excluding MLP Hyp

# H1 2015: EBIT increases to € 8.1 million

## Income statement

[in € million]

	Q2 2015	Q2 2014	H1 2015	H1 2014*	
Total revenue	115.7	108.1	246.5	226.9	<ul style="list-style-type: none"> <li>• Q2: Depreciation Property (€ 1.1 million)</li> <li>• Q2: Incidental acquisition costs DOMCURA (around € 0.6 million)</li> <li>• Q3: One-off retrospective tax payments expected – related to operations abroad ceased a few years ago</li> </ul>
EBIT	1.1	1.1	8.1	4.5	
Finance cost	-0.1	-0.1	-0.3	-0.1	
EBT	0.9	1.0	7.8	4.4	
Taxes	0.4	0.2	-1.3	-0.6	
Group net profit	1.3	1.1	6.6	3.8	
EPS in € (diluted/undiluted)	0.01	0.01	0.06	0.04	

\* Previous year's figures adjusted

# H1 2015: Balance sheet details

## MLP Group

[in € million]

	30/06/2015	31/12/2014
Intangible assets	154.1	156.2
Financial investments	137.0	145.3
Cash and cash equivalents	73.1	49.1
Other receivables and other assets	91.5	117.7
<hr/>		
Shareholders' equity	364.9	376.8
Equity ratio	22.3%	23.2%
Other liabilities	84.1	117.8
Total	1,636.3	1,624.7

- Equity ratio: 22.3%
- Core capital ratio: 14.3%

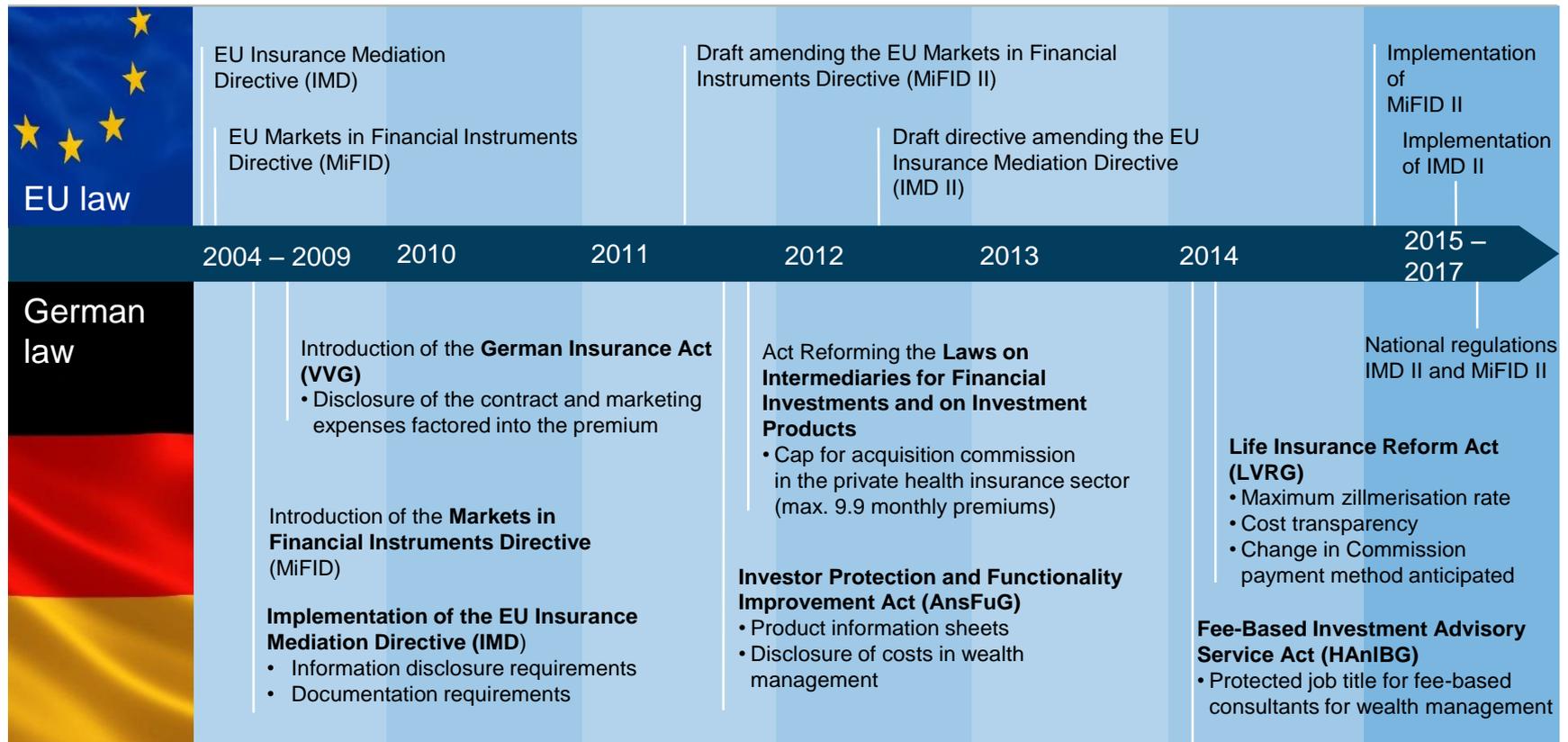
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# Fundamental changes in the market

Trend	Effects
<p><b>Client behaviour</b></p> <ul style="list-style-type: none"><li>→ Fundamental <u>scepticism</u> on the part of clients towards the financial industry since the outbreak of the financial crisis</li><li>→ Quick and inexpensive <u>information possibilities</u> for clients via the internet</li><li>→ Distinct desire to make <u>their own</u> financial decisions</li></ul>	<ul style="list-style-type: none"><li>• Intense competition</li><li>• Quality of consulting services and differentiation from the competition continue to gain in significance</li><li>• Contract conclusion for simple products sometimes takes place without consultation</li></ul>
<p><b>Demographics</b></p> <ul style="list-style-type: none"><li>→ Rising life expectancy and low birth rate lead to a significantly ageing society</li><li>→ Increasing pressure on state social welfare systems</li><li>→ Number of people in work constantly falling</li></ul>	<ul style="list-style-type: none"><li>• Great need for private and occupational old-age provision as well as private health insurance</li><li>• Recruiting: Good labour market perspectives leads to a “war of talents” for well-educated/trained individuals</li></ul>
<p><b>Regulation</b></p> <ul style="list-style-type: none"><li>→ Since 2004 and especially since 2008 <u>intensive regulation</u></li><li>→ In addition to impacting at the product level, regulation also particularly applies to the <u>training of consultants</u>, <u>documentation</u> and <u>transparency</u></li></ul>	<ul style="list-style-type: none"><li>• Significant rise in administrative activities burdens productivity</li><li>• Increase in fixed costs for training, IT systems and administration</li><li>• Quality becoming an increasingly important aspect</li></ul>

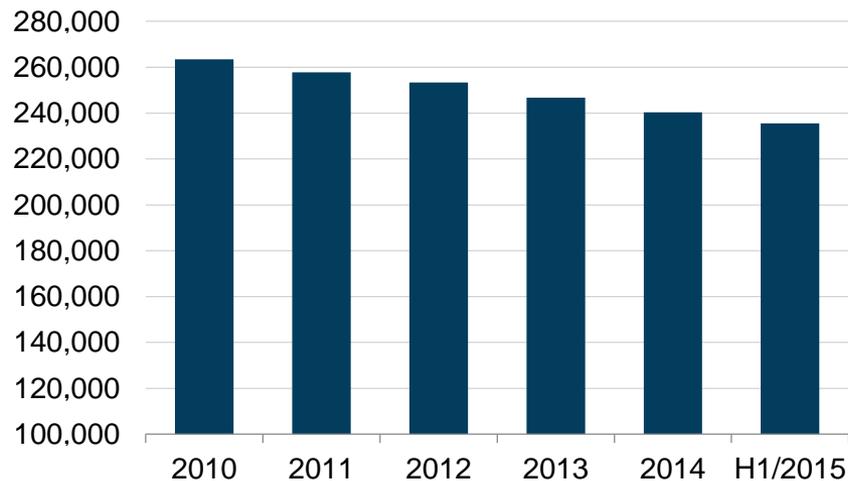
# Regulation strongly increased since 2004



# Significant increase in consolidation within the market due to LVRG

Number of insurance intermediaries in Germany

Effects of the Life Insurance Reform Act (LVRG)



- Quality of consultancy and portfolio will become even more important
- Sale organisations with a high cancellation rate will lose trail commissions
- Major challenges for pyramid sales organisations

Source: DIHK, entries in the Insurance Intermediary Register

# MLP's business model is well aligned for the altered market conditions

Success factors	MLP
Client-centred business model	<ul style="list-style-type: none"><li>• No own products – MLP selects from the ranges offered by relevant providers</li><li>• Leading training and further training, high quality consulting</li><li>• Fulfilment of the highest regulatory requirements (Insurance broker, banking license, AIFM license)</li></ul>
Size & financial strength	<ul style="list-style-type: none"><li>• Germany's largest insurance broker / IFA</li><li>• 1,931 consultants</li><li>• AuM of € 29.0 billion</li></ul>
IT support & back office	<ul style="list-style-type: none"><li>• Extensive investments in IT</li><li>• Specific support for consultants through service centres</li><li>• Preparation of online contract conclusion process for simple products</li></ul>
Cost control	<ul style="list-style-type: none"><li>• Significant reduction in administration costs since 2008</li><li>• Continuous cost control implemented</li><li>• Revenue costs are largely variable</li></ul>

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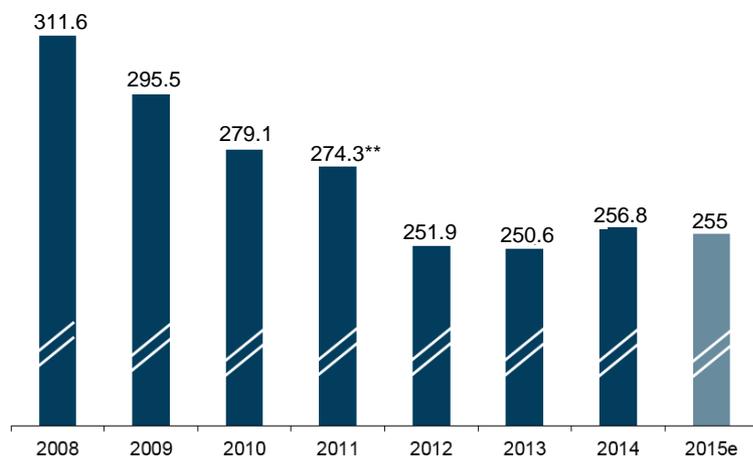
# Implemented growth initiatives begin to bear fruit

Focus	Measures implemented in the first half-year	Make MLP more independent of short-term market influences
<b>1. Online strategy</b>	<ul style="list-style-type: none"><li>• Expansion of the Internet presence in order to serve as a significant channel for attracting interested parties and new clients</li><li>• Start of the new Internet presence “MLP financify” in April 2015 to address the needs of young adults</li><li>• Re-launch of the mlp.de website in July 2015 – creates basis for online contract conclusion for simple products by the end of the year</li></ul>	
<b>2. Recruiting</b>	<ul style="list-style-type: none"><li>• New further training bonus introduced for new client consultants</li><li>• Combination of high quality initial and further training with an easier start into self-employment</li><li>• Opening of additional branches planned for the university segment</li></ul>	
<b>3. Broadening of the revenue base</b>	<ul style="list-style-type: none"><li>• Development of a further, strategically relevant business segment in the area of non-life insurance through the acquisition of the DOMCURA Group – at the same time, considerable revenue synergy potential with the classical MLP business</li><li>• Continued expansion of wealth management</li><li>• Ongoing expansion of real estate brokerage</li></ul>	

# Outlook: MLP anticipates EBIT above previous year's level

Administrative costs\* (excl. DOMCURA)

[in € million]



\* Definition: Personnel expenses, depreciation and amortisation and other operating expenses

\*\* Adjusted to include one-off expenses

Sales revenue

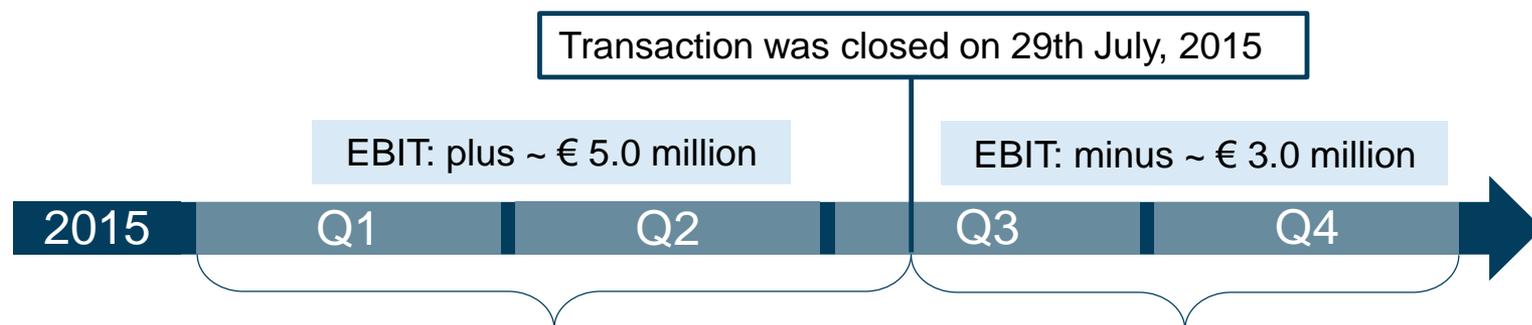
In each case compared to the previous year

2015	
Revenue from old-age provision	Slight decrease
Revenue from health insurance	Slight increase
Revenue from wealth management	Significant increase
Other commissions and fees (real estate)	Significant increase

→ Despite continuingly difficult markets and extensive investments, MLP anticipates a **slight increase in EBIT for 2015 (excl. DOMCURA)**

# Anticipated pro-forma EBIT for DOMCURA in 2015: around € 2 million

As of 1st January, 2015, MLP is entitled to a share in profits for 100 percent of the shares.



- **EBIT booked to equity capital of DOMCURA**
  - Most of the annual revenue is generated in Q1 due to seasonality of the non-life insurance business
  - Q1 also dominates the earnings of the financial year
- **Earnings booked to the P&L account of the MLP Group:**
  - Negative effect on Group EBIT in Q3 and Q4 due to seasonality of the non-life insurance business
  - Reporting of a pro-forma EBIT figure at 31st December, 2015

**Expected pro-forma EBIT 2015: around € 2 million**

# Summary

- MLP has targetedly **further developed its business** model in the past few years.
- Despite operating in difficult markets, MLP ended 2014 on a high note and was able to **increase its market shares**.
- Consolidation is now starting to gather momentum in Germany.
- MLP is **optimally positioned** for the new requirements – and will benefit over-proportionally from a recovery in the market.
- MLP will **continue its process of modernisation**: Recruiting – Online-Strategy – Diversification of revenue.
- **Market environment** remains **difficult** – especially in old-age provision
- Q3: One-off retrospective tax payments expected – Performance Fees possibly effected by capital markets development.
- As is customary in the MLP business model, **the second half-year and especially the fourth quarter plays a decisive role** for the full-year results.

# Contact

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