

MLP SE

Financial Services - Germany



Buy (old: Buy)

13.05.2024

EUR 12.00 (old: EUR 12.00)

Q1 preview: performance fees and banking to drive EBIT

Topic: MLP's Q1 results are due on Wednesday, May 15th and we expect a solid EBIT expansion driven by a contribution of performance fees (first time since Q4'21) as well as continuous support from the banking business. In detail:

Solid top-line: For Q1, we expect **sales to grow by 7% to € 280m** driven by **Wealth Management** (eNuW: € 81m, +10% yoy, thereof € 7m performance fees) as well as **Interest Income** (eNuW: € 20m, +70% yoy) while **Non-Life Insurance** (NuW: € 97m, +6% yoy) and **Old-Age Provision** (eNuW: € 46m, +7%) should also continue to develop favourably. On the other hand, we expect **Real-Estate** to remain muted (eNuW: € 6m, -49% yoy) due to the absence of new development projects (vs. larger projects in Q1' and Q4'23). Accordingly, **Loans and Mortgages** should also have remained muted (eNuW: € 3.7m).

Disproportionate EBIT expansion: Thanks to the strong profit drivers Wealth Management and Interest Income, we expect **EBIT to grow disproportionately by 14% yoy to € 37m** (vs. Q1'23: € 32.4m) thanks to an ongoing **strong interest result** (eNuW: € 12.7m, + 24% yoy) as well as an **EBIT contribution from performance fees** (eNuW: € 5m). Both profit drivers should offset increased personnel expenses (eNuW: € 55m, +6% yoy) and expenses of the interest business (eNuW: € 6.4m)

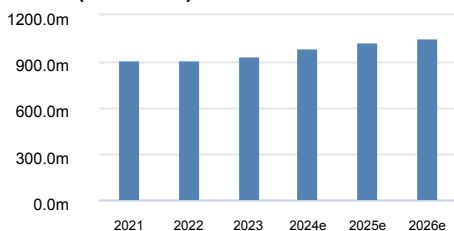
Guidance seems conservative: MLP's FY'24e EBIT guidance of € 75-85m is well below our (eNuW: € 92m) and in line with market (eCons: € 85m) expectations and thus seems conservative already. For the remainder of the year, we expect the interest results to remain strong, even in the even of slight rate cuts. Additionally, capital markets also develop favourably so far, which should continue to drive AuM growth (and thus sales growth) next to continuous capital inflows from MLP's mass affluent customer base. On top of that, another opportunity for performance fees in the coming quarters could also arise, which we do not reflect in our estimates. On a side note, the negative effect of € 8m in one-off expenses (€ 5m goodwill impairment in Q4 and € 3m merger related costs in Q2) on last years EBIT should not occur again and thus also support an elevated EBIT for FY'24e.

- continued -

Y/E 31.12 (EUR m)	2021	2022	2023	2024e	2025e	2026e
Sales	907.3	913.8	941.1	995.0	1,027.9	1,058.7
Sales growth	21.7%	0.7%	3.0%	5.7%	3.3%	3.0%
EBITDA	124.0	110.6	106.5	130.0	134.2	143.4
Net debt (if net cash=0)	-104.3	-76.0	-94.8	-125.7	-148.2	-177.8
FCF	536.3	-314.7	100.0	63.9	65.6	69.8
Net Debt/EBITDA	0.0	0.0	0.0	0.0	0.0	0.0
EPS pro forma	0.57	0.47	0.44	0.60	0.62	0.67
EBITDA margin	13.7%	12.1%	11.3%	13.1%	13.1%	13.5%
ROCE	13.4%	9.9%	9.2%	11.7%	11.8%	12.4%
EV/sales	0.8	0.7	0.5	0.5	0.5	0.4
EV/EBITDA	5.8	5.4	4.3	3.8	3.5	3.1
PER	12.6	12.0	12.7	9.4	9.1	8.4
Adjusted FCF yield	11.1%	12.6%	15.7%	18.8%	20.3%	23.2%

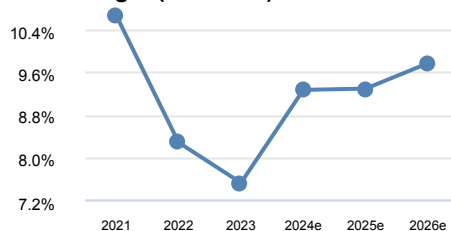
Source: Company data, NuWays, Close price as of 08.05.2024

Sales (2021-26e)



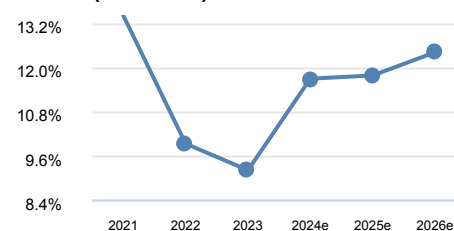
Source: NuWays Research

EBIT margin (2021-26e)



Source: NuWays Research

ROCE (2021-26e)



Source: NuWays Research



Market data

Share price (in €)	5.63
Market cap (in € m)	614.8
Number of shares (in m pcs)	109.2
Enterprise value (in € m)	489.2
Ø trading volume (6 months)	47,158

Identifier

Bloomberg	MLP GR
Reuters	MLPG
WKN	656990
ISIN	DE0006569908

Key shareholders

Lautenschläger Family	29.2%
HanseMerkur	10.0%
Barmenia	9.4%
LAIQON	9.2%
Allianz SE	6.2%
Free Float	36.0%

Estimates changes

	2024e	2025e	2026e
Sales	0%	0%	0%
EBIT	0%	0%	0%
EPS	0%	0%	0%

Comment on changes

Company description

MLP is a leading financial services provider in Europe with a strong focus on Germany. MLP offers financial services in the fields of old-age provision, wealth management, non-life insurance, banking and real estate. The target group are students, wealthy private and institutional clients.

Guidance

- FY'24e: € 75-85m EBIT
- FY'25e: € 100-110m EBIT
- FY'25e: € 62-68bn AuM

MLP SE

Preview / Review - 13.05.2024

Against this backdrop, MLP's shares are not priced adequately, in our view. The outstanding AuM of € 57bn already explain 90% of MLP's current valuation, while the strong net liquidity of € 190m makes up 30% of MLP's market cap. (see *SOTP below*). This implies, that the remaining business (ex AuM) is not at all reflected in MLP's current valuation, which we regard as highly unjustified for a well diversified business with a 68% recurring revenue share.

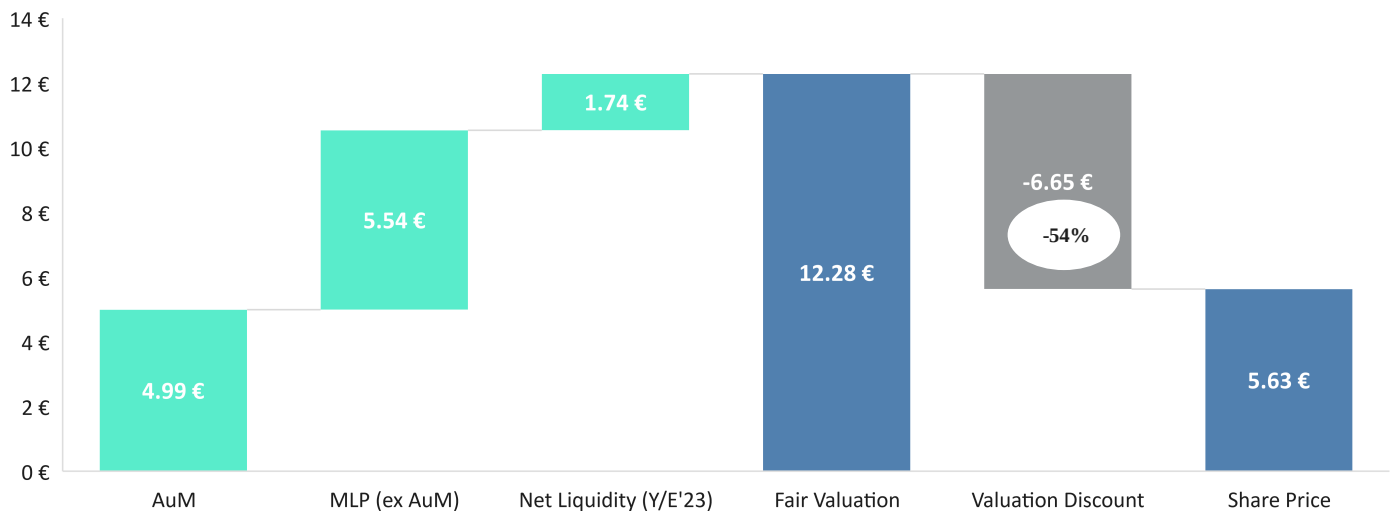
Hence, we reiterate our **BUY recommendation** with an unchanged **PT of € 12.00**, based on FCFY'24e and SOTP.

SOTP Overview

	Fair value (EUR m)	Fair value per share (EUR)
Net Liquidity (Y/E'23)	190.5	1.74
AuM (valued at 1% of AuM)	545.1	4.99
MLP (ex AuM), based on FCFY'24e	606.1	5.54
MLP SE	1,341.7	12.28

Source: Company data; NuWays

SOTP valuation bridge



Source: NuWays; all numbers per share

Financials

Profit and loss (EUR m)	2021	2022	2023	2024e	2025e	2026e
Net sales	907.3	913.8	941.1	995.0	1,027.9	1,058.7
<i>Sales growth</i>	21.7%	0.7%	3.0%	5.7%	3.3%	3.0%
Increase/decrease in finished goods and work-in-process	0.0	0.0	0.0	0.0	0.0	0.0
Total sales	907.3	913.8	941.1	995.0	1,027.9	1,058.7
Other operating income	44.1	35.4	32.4	33.0	30.0	30.0
Material expenses	482.5	477.9	456.6	482.0	504.0	518.6
Personnel expenses	180.5	187.9	209.1	220.0	221.7	226.7
Other operating expenses	164.4	172.7	201.2	196.0	198.0	200.0
Total operating expenses	783.3	803.2	834.6	865.0	893.7	915.3
EBITDA	124.0	110.6	106.5	130.0	134.2	143.4
Depreciation	27.2	35.0	35.8	37.8	38.7	40.0
EBITA	96.8	75.6	70.7	92.2	95.5	103.4
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	0.0	0.0	0.0	0.0	0.0	0.0
Impairment charges	0.0	0.0	0.0	0.0	0.0	0.0
EBIT (inc revaluation net)	96.8	75.6	70.7	92.2	95.5	103.4
Interest income	0.7	2.8	8.4	8.4	8.4	8.4
Interest expenses	4.9	5.4	10.2	10.4	10.7	10.9
Investment income	0.6	0.1	0.0	0.0	0.0	0.0
Financial result	-3.6	-2.5	-1.7	-2.0	-2.2	-2.5
Recurring pretax income from continuing operations	93.2	73.1	69.0	90.2	93.2	100.9
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before taxes	93.2	73.1	69.0	90.2	93.2	100.9
Income tax expense	30.4	24.4	24.9	28.9	29.8	32.3
Net income from continuing operations	62.8	48.6	44.1	61.3	63.4	68.6
Income from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0
Net income	62.8	48.6	44.1	61.3	63.4	68.6
Minority interest	0.2	-2.8	-4.5	-4.5	-4.5	-4.5
Net profit (reported)	62.6	51.5	48.6	65.8	67.9	73.1
Average number of shares	109.3	109.2	109.2	109.2	109.2	109.2
EPS reported	0.57	0.47	0.44	0.60	0.62	0.67

Profit and loss (common size)	2021	2022	2023	2024e	2025e	2026e
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<i>Sales growth</i>	21.7%	0.7%	3.0%	5.7%	3.3%	3.0%
Increase/decrease in finished goods and work-in-process	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Other operating income	4.9%	3.9%	3.4%	3.3%	2.9%	2.8%
Material expenses	53.2%	52.3%	48.5%	48.4%	49.0%	49.0%
Personnel expenses	19.9%	20.6%	22.2%	22.1%	21.6%	21.4%
Other operating expenses	18.1%	18.9%	21.4%	19.7%	19.3%	18.9%
Total operating expenses	86.3%	87.9%	88.7%	86.9%	86.9%	86.5%
EBITDA	13.7%	12.1%	11.3%	13.1%	13.1%	13.5%
Depreciation	3.0%	3.8%	3.8%	3.8%	3.8%	3.8%
EBITA	10.7%	8.3%	7.5%	9.3%	9.3%	9.8%
Amortisation of goodwill	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Amortisation of intangible assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Impairment charges	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBIT (inc revaluation net)	10.7%	8.3%	7.5%	9.3%	9.3%	9.8%
Interest income	0.1%	0.3%	0.9%	0.8%	0.8%	0.8%
Interest expenses	0.5%	0.6%	1.1%	1.0%	1.0%	1.0%
Investment income	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Financial result	neg.	neg.	neg.	neg.	neg.	neg.
Recurring pretax income from continuing operations	10.3%	8.0%	7.3%	9.1%	9.1%	9.5%
Extraordinary income/loss	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Earnings before taxes	10.3%	8.0%	7.3%	9.1%	9.1%	9.5%
Tax rate	32.6%	33.4%	36.0%	32.0%	32.0%	32.0%
Net income from continuing operations	6.9%	5.3%	4.7%	6.2%	6.2%	6.5%
Income from discontinued operations (net of tax)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net income	6.9%	5.3%	4.7%	6.2%	6.2%	6.5%
Minority interest	0.0%	-0.3%	-0.5%	-0.4%	-0.4%	-0.4%
Net profit (reported)	6.9%	5.6%	5.2%	6.6%	6.6%	6.9%

Source: Company data, NuWays

Balance sheet (EUR m)	2021	2022	2023	2024e	2025e	2026e
Intangible assets	226.8	234.5	225.5	228.5	231.5	234.5
Property, plant and equipment	128.1	136.6	142.3	142.0	146.4	146.4
Financial assets	206.4	247.1	186.3	188.3	190.3	192.3
FIXED ASSETS	561.2	618.2	554.1	558.8	568.2	573.2
Inventories	34.6	51.9	39.6	39.6	39.6	39.6
Accounts receivable	1,439.7	1,902.5	2,010.1	2,010.1	2,010.1	2,010.1
Other assets and short-term financial assets	268.0	242.4	248.7	248.7	248.7	248.7
Liquid assets	1,377.8	961.2	1,053.9	1,070.0	1,083.8	1,100.6
Deferred taxes	12.1	8.4	11.1	11.1	11.1	11.1
Deferred charges and prepaid expenses	0.0	0.0	0.0	0.0	0.0	0.0
CURRENT ASSETS	3,132.1	3,166.4	3,363.3	3,379.4	3,393.2	3,410.0
TOTAL ASSETS	3,693.4	3,784.6	3,917.5	3,938.2	3,961.4	3,983.2
SHAREHOLDERS EQUITY	495.2	527.4	538.3	572.7	601.9	632.2
MINORITY INTEREST	1.0	-1.9	-6.3	-5.0	-5.0	-3.5
Provisions for pensions and similar obligations	27.0	0.0	0.0	0.0	2.0	4.0
Other provisions and accrued liabilities	110.0	97.6	104.2	104.2	107.2	110.2
Short-term liabilities to banks	0.0	0.0	0.0	0.0	0.0	0.0
Accounts payable	28.7	37.5	36.2	38.4	39.7	40.9
Advance payments received on orders	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities (incl. from lease and rental contracts)	403.4	371.7	358.5	358.5	358.5	358.5
Deferred taxes	11.3	19.3	17.3	17.3	17.3	17.3
Deferred income	0.0	0.0	0.2	0.2	0.2	0.2
CURRENT LIABILITIES	403.4	371.7	358.5	358.5	358.5	358.5
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	3,693.4	3,784.6	3,917.5	3,938.2	3,961.4	3,983.2
Balance sheet (common size)	2021	2022	2023	2024e	2025e	2026e
Intangible assets	6.1%	6.2%	5.8%	5.8%	5.8%	5.9%
Property, plant and equipment	3.5%	3.6%	3.6%	3.6%	3.7%	3.7%
Financial assets	5.6%	6.5%	4.8%	4.8%	4.8%	4.8%
FIXED ASSETS	15.2%	16.3%	14.1%	14.2%	14.3%	14.4%
Inventories	0.9%	1.4%	1.0%	1.0%	1.0%	1.0%
Accounts receivable	39.0%	50.3%	51.3%	51.0%	50.7%	50.5%
Other assets and short-term financial assets	7.3%	6.4%	6.3%	6.3%	6.3%	6.2%
Liquid assets	37.3%	25.4%	26.9%	27.2%	27.4%	27.6%
Deferred taxes	0.3%	0.2%	0.3%	0.3%	0.3%	0.3%
Deferred charges and prepaid expenses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
CURRENT ASSETS	84.8%	83.7%	85.9%	85.8%	85.7%	85.6%
TOTAL ASSETS	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
SHAREHOLDERS EQUITY	13.4%	13.9%	13.7%	14.5%	15.2%	15.9%
MINORITY INTEREST	0.0%	-0.0%	-0.2%	-0.1%	-0.1%	-0.1%
Provisions for pensions and similar obligations	0.7%	0.0%	0.0%	0.0%	0.1%	0.1%
Other provisions and accrued liabilities	3.0%	2.6%	2.7%	2.6%	2.7%	2.8%
Short-term liabilities to banks	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Accounts payable	0.8%	1.0%	0.9%	1.0%	1.0%	1.0%
Advance payments received on orders	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other liabilities (incl. from lease and rental contracts)	10.9%	9.8%	9.2%	9.1%	9.1%	9.0%
Deferred taxes	0.3%	0.5%	0.4%	0.4%	0.4%	0.4%
Deferred income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
CURRENT LIABILITIES	10.9%	9.8%	9.2%	9.1%	9.1%	9.0%
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Company data, NuWays

Cash flow statement (EUR m)	2021	2022	2023	2024e	2025e	2026e
Net profit/loss	62.8	48.6	44.1	61.3	63.4	68.6
Depreciation of fixed assets (incl. leases)	27.2	35.0	35.8	37.8	38.7	40.0
Amortisation of goodwill & intangible assets	0.0	0.0	0.0	0.0	0.0	0.0
Other costs affecting income / expenses	-400.1	4.9	2.0	0.0	0.0	0.0
Cash flow from operating activities	529.4	-310.5	97.6	81.3	84.4	89.8
Increase/decrease in inventory	-16.8	-17.3	12.3	0.0	0.0	0.0
Increase/decrease in accounts receivable	192.4	-462.9	-107.5	0.0	0.0	0.0
Increase/decrease in accounts payable	0.0	8.8	-1.3	2.2	1.3	1.2
Increase/decrease in other working capital positions	244.2	117.4	131.1	0.0	0.0	0.0
Increase/decrease in working capital	419.8	-354.0	34.7	2.2	1.3	1.2
Cash flow from operating activities	546.4	-292.5	116.6	101.3	105.4	111.8
CAPEX	10.1	22.3	16.6	37.5	39.7	42.0
Payments for acquisitions	39.9	13.9	0.0	0.0	0.0	0.0
Financial investments	4.6	48.3	63.2	0.0	0.0	0.0
Income from asset disposals	0.0	0.1	-18.0	0.0	0.0	0.0
Cash flow from investing activities	-45.4	-84.4	28.6	-37.5	-39.7	-42.0
Cash flow before financing	466.7	-409.7	-14.0	31.1	28.8	31.8
Increase/decrease in debt position	54.6	-5.0	-20.4	-15.0	-15.0	-15.0
Purchase of own shares	0.0	0.4	0.0	0.0	0.0	0.0
Capital measures	0.0	0.0	0.0	0.0	0.0	0.0
Dividends paid	25.1	32.8	32.8	32.8	36.8	38.0
Others	-15.5	-1.3	0.0	0.0	0.0	0.0
Effects of exchange rate changes on cash	0.0	0.0	4.3	0.0	0.0	0.0
Cash flow from financing activities	14.0	-39.5	-53.2	-47.8	-51.8	-53.0
Increase/decrease in liquid assets	505.8	-416.4	-30.1	16.1	13.8	16.8
Liquid assets at end of period	1,374.1	957.6	1,053.9	1,070.0	1,083.8	1,100.6
Key ratios (EUR m)	2021	2022	2023	2024e	2025e	2026e
P&L growth analysis						
Sales growth	21.7%	0.7%	3.0%	5.7%	3.3%	3.0%
EBITDA growth	42.5%	-10.8%	-3.7%	22.0%	3.2%	6.9%
EBIT growth	63.1%	-21.9%	-6.5%	30.4%	3.6%	8.3%
EPS growth	44.8%	-17.7%	-5.6%	35.4%	3.1%	7.7%
Efficiency						
Sales per employee	507.0	500.6	505.5	523.9	530.6	535.8
EBITDA per employee	69.3	60.6	57.2	68.5	69.3	72.6
No. employees (average)	1,790	1,825	1,862	1,899	1,937	1,976
Balance sheet analysis						
Avg. working capital / sales	-51.8%	-50.1%	-69.3%	-49.2%	-49.1%	-47.8%
Inventory turnover (sales/inventory)	26.2	17.6	23.8	25.2	26.0	26.0
Accounts receivable turnover	579.2	759.9	779.6	737.4	713.8	693.0
Accounts payable turnover	11.5	15.0	14.1	14.1	14.1	14.1
Cash flow analysis						
Free cash flow	536.3	-314.7	100.0	63.9	65.6	69.8
Free cash flow/sales	59.1%	-34.4%	10.6%	6.4%	6.4%	6.6%
FCF / net profit	853.8%	neg.	226.7%	104.1%	103.5%	101.8%
Capex / sales	1.6%	7.7%	8.5%	3.8%	3.9%	4.0%
Solvency						
Net debt	-104.3	-76.0	-94.8	-125.7	-148.2	-177.8
Net Debt/EBITDA	0.0	0.0	0.0	0.0	0.0	0.0
Dividend payout ratio	52.2%	67.4%	74.3%	60.0%	60.0%	55.0%
Interest paid / avg. debt	4.1%	4.1%	7.3%	7.8%	9.0%	10.6%
Returns						
ROCE	13.4%	9.9%	9.2%	11.7%	11.8%	12.4%
ROE	12.6%	9.8%	9.0%	11.5%	11.3%	11.6%
Adjusted FCF yield	11.1%	12.6%	15.7%	18.8%	20.3%	23.2%
Dividend yield	4.1%	5.3%	5.3%	6.0%	6.2%	6.1%
DPS	0.3	0.3	0.3	0.3	0.3	0.3
EPS reported	0.57	0.47	0.44	0.60	0.62	0.67
Average number of shares	109.3	109.2	109.2	109.2	109.2	109.2
Valuation ratios						
P/BV	1.6	1.2	1.1	1.1	1.0	1.0
EV/sales	0.8	0.7	0.5	0.5	0.5	0.4
EV/EBITDA	5.8	5.4	4.3	3.8	3.5	3.1
EV/EBIT	7.4	7.9	6.5	5.3	4.9	4.3

Source: Company data, NuWays

Disclosures

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Indication of conflict of interest

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Company	Disclosures
MLP SE	2

Historical target price and rating changes for MLP SE

Company	Date	Analyst	Rating	Target Price	Close
MLP SE	04.04.2024	Wendisch, Henry	Buy	EUR 12.00	EUR 5.56
	23.08.2023	Wendisch, Henry	Buy	EUR 11.00	EUR 4.92
	15.08.2023	Wendisch, Henry	Buy	EUR 11.00	EUR 5.14
	10.08.2023	Wendisch, Henry	Buy	EUR 9.50	EUR 5.11

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The adj. FCF method is based on the assumption that investors purchase assets only at a price (enterprise value) at which the operating cash flow return after taxes on this investment exceeds their opportunity costs in the form of a hurdle rate of 7.5%. The operating cash flow is calculated as EBITDA less maintenance capex and taxes.

Within the framework of the DCF approach, the future free cash flows are calculated initially on the basis of a fictitious capital structure of 100% equity, i.e. interest and repayments on debt capital are not factored in initially. The adjust-

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8. Miscellaneous

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