

# MLP SE

Financial Services - Germany



**Buy** (old: Buy)

15.12.2023

**EUR 11.00** (old: EUR 11.00)

## Prepared for the future - Analyst meeting feedback

**Topic:** MLP recently hosted its annual analyst meeting and gave insights into strategic developments:

**Advanced digitalization:** On group level as well as for all MLP consultants, the company has invested heavily into its digitalization. For example, AI enabled robotic process automations significantly reduced the time spent on daily and repetitive tasks for MLP consultants, **increasing operating efficiency** and giving the consultants **more time for valuable sales activities**. On the customer side, the newly launched **web- and mobile app "Financial Home"** gives customers a full overview of all their assets, including third party insurance contracts, brokerage- and bank accounts. This should **mitigate potential churn** to insurtechs as well as **create lock in effects and a better user experience** for MLP customers.

**Managing demography:** MLP's new "trainee program" started in July '23 and aims to attract the new generation of MLP consultants. With a meaningful part of consultants aged above 55 years, the **constant and reliable inflow of new consultants is a major priority** in the coming years in order to find well-suited successors if old consultants retire. This is especially important, as clients are more prone to churn if their consultant retires without a suitable successor due to the personal relationship. Hence, **MLP plans to attract more than 500 new consultants in the mid-term**, which seems achievable given c. 100 new hires in FY' 23e and c. 200 planned for FY '24e.

**M&A strategy:** With RVM already in the group, MLP aims to expand its reach into industrial insurance brokerage segment. with the goal to lift notable synergies across the group. However, this is a highly fragmented but strongly consolidating market which is why valuations are still too high to acquire targets at reasonable prices.

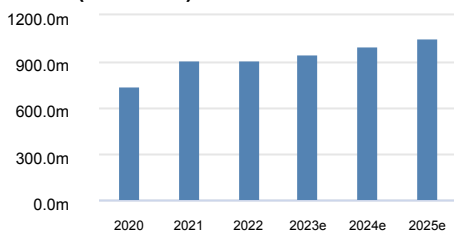
**Regulatory environment:** MLP feels very comfortable with the current regulations and looks optimistically into the future: (1) the proposed **comission ban** (on EU level) **has been removed** in May, (2) Germany aims to reform the **tax-privileged private old-age provision** which should create **demand for consultancy** and (3) the **proposed tax incentives for real estate** investments by changing the depreciation method should **foster demand** for real estate brokerage as well as development, where MLP focuses on retirement homes.

All in all, MLP seems to well prepared for the future. **BUY with unchanged PT of € 11.00** (FCFY' 24e).

Y/E 31.12 (EUR m)	2020	2021	2022	2023e	2024e	2025e
Sales	745.5	907.3	913.8	950.3	1,007.4	1,057.7
Sales growth	8.1%	21.7%	0.7%	4.0%	6.0%	5.0%
EBITDA	87.1	124.0	110.6	115.9	128.5	136.1
Net debt (if net cash=0)	-130.0	-104.3	-76.0	-165.8	-205.0	-246.0
FCF	398.8	536.3	-314.7	49.5	167.3	175.6
Net Debt/EBITDA	0.0	0.0	0.0	0.0	0.0	0.0
EPS pro forma	0.40	0.57	0.47	0.51	0.59	0.63
EBITDA margin	11.7%	13.7%	12.1%	12.2%	12.8%	12.9%
ROCE	9.0%	13.4%	9.9%	9.9%	10.3%	10.4%
EV/sales	0.6	0.8	0.7	0.4	0.3	0.3
EV/EBITDA	5.4	5.8	5.4	3.1	2.5	2.1
PER	13.3	12.6	10.2	9.5	8.2	7.7
Adjusted FCF yield	12.0%	10.4%	11.7%	21.5%	25.9%	31.7%

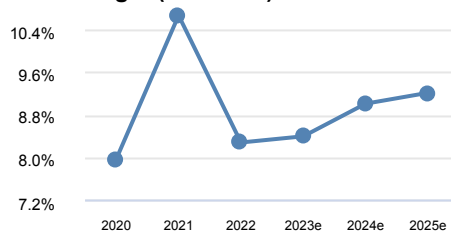
Source: Company data, NuWays, Close price as of 13.12.2023

### Sales (2020-25e)



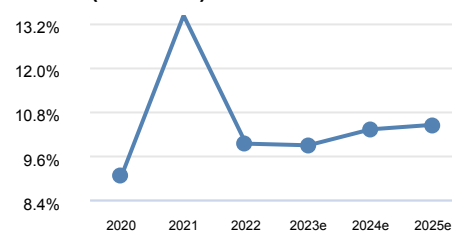
Source: NuWays Research

### EBIT margin (2020-25e)



Source: NuWays Research

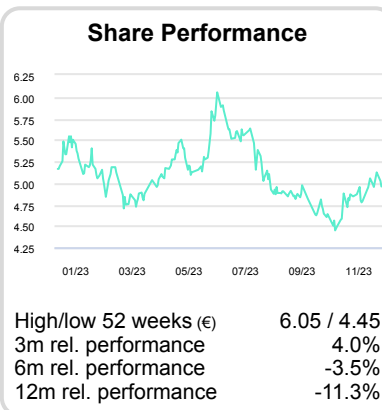
### ROCE (2020-25e)



Source: NuWays Research

### 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.



### Market data

Share price (in €)	4.96
Market cap (in € m)	526.4
Number of shares (in m pcs)	109.2
Enterprise value (in € m)	362.6
Ø trading volume (6 months)	29,787

### 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

	2023e	2024e	2025e
Sales	0%	0%	0%
EBIT	0%	0%	0%
EPS	0%	0%	0%

### Comment on changes

### Guidance

- FY 23e EBIT: € 75-85m

## Financials

Profit and loss (EUR m)	2020	2021	2022	2023e	2024e	2025e
<b>Net sales</b>	<b>745.5</b>	<b>907.3</b>	<b>913.8</b>	<b>950.3</b>	<b>1,007.4</b>	<b>1,057.7</b>
<i>Sales growth</i>	8.1%	21.7%	0.7%	4.0%	6.0%	5.0%
Increase/decrease in finished goods and work-in-process	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total sales</b>	<b>745.5</b>	<b>907.3</b>	<b>913.8</b>	<b>950.3</b>	<b>1,007.4</b>	<b>1,057.7</b>
Other operating income	29.1	44.1	35.4	33.2	35.2	35.9
Material expenses	397.0	482.5	477.9	463.7	512.0	542.3
Personnel expenses	148.0	180.5	187.9	208.1	215.5	221.7
Other operating expenses	142.5	164.4	172.7	195.8	186.5	193.5
<b>Total operating expenses</b>	<b>658.5</b>	<b>783.3</b>	<b>803.2</b>	<b>834.5</b>	<b>878.8</b>	<b>921.6</b>
<b>EBITDA</b>	<b>87.1</b>	<b>124.0</b>	<b>110.6</b>	<b>115.9</b>	<b>128.5</b>	<b>136.1</b>
Depreciation	27.7	27.2	35.0	36.1	37.8	38.7
<b>EBITA</b>	<b>59.4</b>	<b>96.8</b>	<b>75.6</b>	<b>79.7</b>	<b>90.7</b>	<b>97.4</b>
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
<b>EBIT (inc revaluation net)</b>	<b>59.4</b>	<b>96.8</b>	<b>75.6</b>	<b>79.7</b>	<b>90.7</b>	<b>97.4</b>
Interest income	1.3	0.7	2.8	5.6	5.6	5.6
Interest expenses	4.1	4.9	5.4	10.2	10.4	10.7
Investment income	-0.2	0.6	0.1	0.0	0.0	0.0
Financial result	-3.0	-3.6	-2.5	-4.6	-4.8	-5.1
<b>Recurring pretax income from continuing operations</b>	<b>56.3</b>	<b>93.2</b>	<b>73.1</b>	<b>75.1</b>	<b>85.9</b>	<b>92.3</b>
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0
<b>Earnings before taxes</b>	<b>56.3</b>	<b>93.2</b>	<b>73.1</b>	<b>75.1</b>	<b>85.9</b>	<b>92.3</b>
Income tax expense	13.1	30.4	24.4	22.5	24.9	26.8
<b>Net income from continuing operations</b>	<b>43.2</b>	<b>62.8</b>	<b>48.6</b>	<b>52.6</b>	<b>61.0</b>	<b>65.6</b>
Income from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net income</b>	<b>43.2</b>	<b>62.8</b>	<b>48.6</b>	<b>52.6</b>	<b>61.0</b>	<b>65.6</b>
Minority interest	-0.0	0.2	-2.8	-3.0	-3.0	-3.0
<b>Net profit (reported)</b>	<b>43.3</b>	<b>62.6</b>	<b>51.5</b>	<b>55.6</b>	<b>64.0</b>	<b>68.6</b>
Average number of shares	109.3	109.3	109.2	109.2	109.2	109.2
<b>EPS reported</b>	<b>0.40</b>	<b>0.57</b>	<b>0.47</b>	<b>0.51</b>	<b>0.59</b>	<b>0.63</b>

Profit and loss (common size)	2020	2021	2022	2023e	2024e	2025e
<b>Net sales</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<i>Sales growth</i>	8.1%	21.7%	0.7%	4.0%	6.0%	5.0%
Increase/decrease in finished goods and work-in-process	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Total sales</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Other operating income	3.9%	4.9%	3.9%	3.5%	3.5%	3.4%
Material expenses	53.3%	53.2%	52.3%	48.8%	50.8%	51.3%
Personnel expenses	19.8%	19.9%	20.6%	21.9%	21.4%	21.0%
Other operating expenses	19.1%	18.1%	18.9%	20.6%	18.5%	18.3%
<b>Total operating expenses</b>	<b>88.3%</b>	<b>86.3%</b>	<b>87.9%</b>	<b>87.8%</b>	<b>87.2%</b>	<b>87.1%</b>
<b>EBITDA</b>	<b>11.7%</b>	<b>13.7%</b>	<b>12.1%</b>	<b>12.2%</b>	<b>12.8%</b>	<b>12.9%</b>
Depreciation	3.7%	3.0%	3.8%	3.8%	3.8%	3.7%
<b>EBITA</b>	<b>8.0%</b>	<b>10.7%</b>	<b>8.3%</b>	<b>8.4%</b>	<b>9.0%</b>	<b>9.2%</b>
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%
<b>EBIT (inc revaluation net)</b>	<b>8.0%</b>	<b>10.7%</b>	<b>8.3%</b>	<b>8.4%</b>	<b>9.0%</b>	<b>9.2%</b>
Interest income	0.2%	0.1%	0.3%	0.6%	0.6%	0.5%
Interest expenses	0.6%	0.5%	0.6%	1.1%	1.0%	1.0%
Investment income	-0.0%	0.1%	0.0%	0.0%	0.0%	0.0%
Financial result	neg.	neg.	neg.	neg.	neg.	neg.
<b>Recurring pretax income from continuing operations</b>	<b>7.6%</b>	<b>10.3%</b>	<b>8.0%</b>	<b>7.9%</b>	<b>8.5%</b>	<b>8.7%</b>
Extraordinary income/loss	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Earnings before taxes</b>	<b>7.6%</b>	<b>10.3%</b>	<b>8.0%</b>	<b>7.9%</b>	<b>8.5%</b>	<b>8.7%</b>
Tax rate	23.2%	32.6%	33.4%	30.0%	29.0%	29.0%
<b>Net income from continuing operations</b>	<b>5.8%</b>	<b>6.9%</b>	<b>5.3%</b>	<b>5.5%</b>	<b>6.1%</b>	<b>6.2%</b>
Income from discontinued operations (net of tax)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Net income</b>	<b>5.8%</b>	<b>6.9%</b>	<b>5.3%</b>	<b>5.5%</b>	<b>6.1%</b>	<b>6.2%</b>
Minority interest	-0.0%	0.0%	-0.3%	-0.3%	-0.3%	-0.3%
<b>Net profit (reported)</b>	<b>5.8%</b>	<b>6.9%</b>	<b>5.6%</b>	<b>5.9%</b>	<b>6.4%</b>	<b>6.5%</b>

Source: Company data, NuWays

Balance sheet (EUR m)	2020	2021	2022	2023e	2024e	2025e
Intangible assets	178.9	226.8	234.5	237.5	240.5	243.5
Property, plant and equipment	125.1	128.1	136.6	138.9	142.0	146.4
Financial assets	207.2	206.4	247.1	187.6	189.6	191.6
<b>FIXED ASSETS</b>	<b>511.1</b>	<b>561.2</b>	<b>618.2</b>	<b>564.0</b>	<b>572.1</b>	<b>581.5</b>
Inventories	17.8	34.6	51.9	51.9	51.9	51.9
Accounts receivable	1,632.1	1,439.7	1,902.5	1,952.5	2,002.5	2,052.5
Other assets and short-term financial assets	209.5	268.0	242.4	242.4	257.4	272.4
Liquid assets	859.0	1,377.8	961.2	1,035.6	1,176.8	1,321.7
Deferred taxes	9.7	12.1	8.4	8.4	8.4	8.4
Deferred charges and prepaid expenses	0.0	0.0	0.0	0.0	0.0	0.0
<b>CURRENT ASSETS</b>	<b>2,728.2</b>	<b>3,132.1</b>	<b>3,166.4</b>	<b>3,290.8</b>	<b>3,497.0</b>	<b>3,706.9</b>
<b>TOTAL ASSETS</b>	<b>3,239.3</b>	<b>3,693.4</b>	<b>3,784.6</b>	<b>3,854.8</b>	<b>4,069.1</b>	<b>4,288.4</b>
<b>SHAREHOLDERS EQUITY</b>	<b>453.2</b>	<b>495.2</b>	<b>527.4</b>	<b>627.4</b>	<b>667.0</b>	<b>715.0</b>
MINORITY INTEREST	0.8	1.0	-1.9	-1.9	-1.9	-1.9
Provisions for pensions and similar obligations	27.0	27.0	0.0	2.0	4.0	6.0
Other provisions and accrued liabilities	88.8	110.0	97.6	85.6	88.6	91.6
Short-term liabilities to banks	0.0	0.0	0.0	0.0	0.0	0.0
Accounts payable	28.7	28.7	37.5	36.6	32.9	34.6
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)	280.9	403.4	371.7	321.7	334.5	347.9
Deferred taxes	9.2	11.3	19.3	11.3	11.3	11.3
Deferred income	0.0	0.0	0.0	0.2	0.2	0.2
<b>CURRENT LIABILITIES</b>	<b>280.9</b>	<b>403.4</b>	<b>371.7</b>	<b>321.7</b>	<b>334.5</b>	<b>347.9</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>3,239.3</b>	<b>3,693.4</b>	<b>3,784.6</b>	<b>3,854.8</b>	<b>4,069.1</b>	<b>4,288.4</b>
<b>Balance sheet (common size)</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023e</b>	<b>2024e</b>	<b>2025e</b>
Intangible assets	5.5%	6.1%	6.2%	6.2%	5.9%	5.7%
Property, plant and equipment	3.9%	3.5%	3.6%	3.6%	3.5%	3.4%
Financial assets	6.4%	5.6%	6.5%	4.9%	4.7%	4.5%
<b>FIXED ASSETS</b>	<b>15.8%</b>	<b>15.2%</b>	<b>16.3%</b>	<b>14.6%</b>	<b>14.1%</b>	<b>13.6%</b>
Inventories	0.6%	0.9%	1.4%	1.3%	1.3%	1.2%
Accounts receivable	50.4%	39.0%	50.3%	50.7%	49.2%	47.9%
Other assets and short-term financial assets	6.5%	7.3%	6.4%	6.3%	6.3%	6.4%
Liquid assets	26.5%	37.3%	25.4%	26.9%	28.9%	30.8%
Deferred taxes	0.3%	0.3%	0.2%	0.2%	0.2%	0.2%
Deferred charges and prepaid expenses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>CURRENT ASSETS</b>	<b>84.2%</b>	<b>84.8%</b>	<b>83.7%</b>	<b>85.4%</b>	<b>85.9%</b>	<b>86.4%</b>
<b>TOTAL ASSETS</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>SHAREHOLDERS EQUITY</b>	<b>14.0%</b>	<b>13.4%</b>	<b>13.9%</b>	<b>16.3%</b>	<b>16.4%</b>	<b>16.7%</b>
MINORITY INTEREST	0.0%	0.0%	-0.0%	-0.0%	-0.0%	-0.0%
Provisions for pensions and similar obligations	0.8%	0.7%	0.0%	0.1%	0.1%	0.1%
Other provisions and accrued liabilities	2.7%	3.0%	2.6%	2.2%	2.2%	2.1%
Short-term liabilities to banks	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Accounts payable	0.9%	0.8%	1.0%	0.9%	0.8%	0.8%
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)	8.7%	10.9%	9.8%	8.3%	8.2%	8.1%
Deferred taxes	0.3%	0.3%	0.5%	0.3%	0.3%	0.3%
Deferred income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>CURRENT LIABILITIES</b>	<b>8.7%</b>	<b>10.9%</b>	<b>9.8%</b>	<b>8.3%</b>	<b>8.2%</b>	<b>8.1%</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Company data, NuWays

Cash flow statement (EUR m)	2020	2021	2022	2023e	2024e	2025e
Net profit/loss	43.2	62.8	48.6	52.6	61.0	65.6
Depreciation of fixed assets (incl. leases)	27.7	27.2	35.0	36.1	37.8	38.7
Amortisation of goodwill & intangible assets	0.0	0.0	0.0	0.0	0.0	0.0
Others	-12.0	-15.5	0.0	0.0	0.0	0.0
Cash flow from operating activities	392.1	529.4	-307.5	59.8	182.1	192.9
Increase/decrease in inventory	-7.3	-16.8	-17.3	0.0	0.0	0.0
Increase/decrease in accounts receivable	-31.8	192.4	-462.9	-50.0	-50.0	-50.0
Increase/decrease in accounts payable	2.2	0.0	8.8	-0.9	-3.7	1.6
Increase/decrease in other working capital positions	377.1	244.2	117.4	35.0	150.0	150.0
Increase/decrease in working capital	340.2	419.8	-354.0	-15.9	96.3	101.6
<b>Cash flow from operating activities</b>	<b>408.1</b>	<b>546.4</b>	<b>-292.5</b>	<b>74.8</b>	<b>197.1</b>	<b>207.9</b>
CAPEX	9.3	10.1	22.3	25.3	29.8	32.3
Payments for acquisitions	0.0	39.9	13.9	0.0	0.0	0.0
Financial investments	-19.0	4.6	48.3	0.0	0.0	0.0
Income from asset disposals	0.0	0.0	0.1	56.0	0.0	0.0
<b>Cash flow from investing activities</b>	<b>-28.3</b>	<b>-45.4</b>	<b>-84.4</b>	<b>30.7</b>	<b>-29.8</b>	<b>-32.3</b>
Cash flow before financing	394.9	466.7	-409.7	72.7	138.4	142.0
Increase/decrease in debt position	3.5	54.6	-5.0	3.0	2.8	2.9
Purchase of own shares	0.0	0.0	0.4	0.0	0.0	0.0
Capital measures	0.0	0.0	0.0	0.0	0.0	0.0
Dividends paid	23.0	25.1	32.8	32.8	28.9	33.5
Others	-12.0	-15.5	0.0	0.0	0.0	0.0
Effects of exchange rate changes on cash	0.1	0.0	1.0	0.0	0.0	0.0
<b>Cash flow from financing activities</b>	<b>-31.4</b>	<b>14.0</b>	<b>-38.2</b>	<b>-29.8</b>	<b>-26.1</b>	<b>-30.7</b>
Increase/decrease in liquid assets	386.4	505.8	-414.2	75.7	141.2	144.9
<b>Liquid assets at end of period</b>	<b>859.1</b>	<b>1,374.1</b>	<b>959.9</b>	<b>1,035.6</b>	<b>1,176.8</b>	<b>1,321.7</b>
<b>Key ratios (EUR m)</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023e</b>	<b>2024e</b>	<b>2025e</b>
<b>P&amp;L growth analysis</b>						
Sales growth	8.1%	21.7%	0.7%	4.0%	6.0%	5.0%
EBITDA growth	18.5%	42.5%	-10.8%	4.7%	10.9%	5.9%
EBIT growth	26.0%	63.1%	-21.9%	5.5%	13.8%	7.4%
EPS growth	15.9%	44.8%	-17.7%	8.0%	15.1%	7.2%
<b>Efficiency</b>						
Sales per employee	424.9	507.0	500.6	510.4	530.4	546.0
EBITDA per employee	49.6	69.3	60.6	62.2	67.7	70.3
No. employees (average)	1,754	1,790	1,825	1,862	1,899	1,937
<b>Balance sheet analysis</b>						
Avg. working capital / sales	-32.2%	-51.8%	-50.1%	-66.3%	-50.3%	-51.3%
Inventory turnover (sales/inventory)	41.8	26.2	17.6	18.3	19.4	20.4
Accounts receivable turnover	799.1	579.2	759.9	749.9	725.6	708.3
Accounts payable turnover	14.0	11.5	15.0	14.1	11.9	11.9
<b>Cash flow analysis</b>						
Free cash flow	398.8	536.3	-314.7	49.5	167.3	175.6
Free cash flow/sales	53.5%	59.1%	-34.4%	5.2%	16.6%	16.6%
FCF / net profit	922.2%	853.8%	neg.	94.2%	274.4%	267.8%
Capex / sales	-1.3%	1.6%	7.7%	2.7%	3.0%	3.1%
<b>Solvency</b>						
Net debt	-130.0	-104.3	-76.0	-165.8	-205.0	-246.0
Net Debt/EBITDA	0.0	0.0	0.0	0.0	0.0	0.0
Dividend payout ratio	58.2%	52.2%	67.4%	55.0%	55.0%	50.0%
Interest paid / avg. debt	4.0%	4.1%	4.1%	7.4%	7.4%	7.4%
<b>Returns</b>						
ROCE	9.0%	13.4%	9.9%	9.9%	10.3%	10.4%
ROE	9.5%	12.6%	9.8%	8.9%	9.6%	9.6%
Adjusted FCF yield	12.0%	10.4%	11.7%	21.5%	25.9%	31.7%
Dividend yield	4.4%	4.1%	6.2%	5.5%	6.4%	6.2%
DPS	0.2	0.3	0.3	0.3	0.3	0.3
EPS reported	0.40	0.57	0.47	0.51	0.59	0.63
Average number of shares	109.3	109.3	109.2	109.2	109.2	109.2
<b>Valuation ratios</b>						
P/BV	1.3	1.6	1.0	0.8	0.8	0.7
EV/sales	0.6	0.8	0.7	0.4	0.3	0.3
EV/EBITDA	5.4	5.8	5.4	3.1	2.5	2.1
EV/EBIT	7.9	7.4	7.9	4.5	3.6	2.9

Source: Company data, NuWays

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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	23.08.2023	Wendisch, Henry	n.a.	EUR 11.00	EUR 4.92
	15.08.2023	Wendisch, Henry	n.a.	EUR 11.00	EUR 5.14
	10.08.2023	Wendisch, Henry	n.a.	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.

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