

OVB Holding

“PERSONAL ADVICE HAS BECOME EVEN MORE IMPORTANT”

Founded in Cologne in 1970, the OVB Group is now one of Europe's leading Allfinanz service providers. 2023 is the first full financial year since the pandemic ended and also one of strategic realignment: The previous strategy period came to a close at the end of 2022, and now the new one is being enacted. Time for a review and a look ahead.

NJ: Last year, you concluded your “OVB Evolution 2022” strategy period. What is your take? To what extent did the pandemic influence, hinder or even accelerate the implementation of the strategy?

Freis: In the last five years, we have made significant progress in terms of the four elements of our strategy: exploiting potential, digitalisation, modernisation and expansion. The pandemic was a major challenge but definitely sped up the digital transformation.

Our figures have improved considerably since the start of the strategy period: Our client numbers have increased by more than 900,000 to 4.27 million, the number of our financial advisors is up from 4,702 to 5,772, and brokerage income has grown by almost 50% from €225.3 million to €331.9 million since 2017.

NJ: In the current financial year, you intend to enact the follow-up strategy “OVB Excellence 2027”. What will this focus on?

Freis: With “OVB Excellence 2027”, we want to follow on from the successful predecessor strategy. Our clients remain at the centre. We have also identified four focus topics that we are going to work on to drive future growth.

In “Sales and Career Excellence”, we will continue to strengthen and optimise our core sales activities. Under the focus topic “Expansion and Innovation”, we plan to forge ahead with continued expansion across Europe. Not only this, but we will also identify and pursue innovative approaches for our clients, financial advisors and employees. For us, “Operational Excellence” means consistently implementing innovative and fully automated digital processes. In “People and Organisation”, we want to train and develop our employees at the Group in an even more targeted manner and bolster international cooperation between sales, back office and the holding company.

NJ: With more than four million clients throughout the Group, you must have a good view of trends and client preferences with regard to advisory in this era of digitalisation and disruption. Is personal communication obsolete?

Freis: On the contrary, personal advice has actually become even more important. We assume that online sales of simple insurance products such as car and travel insurance will become increasingly established, but in times of war, inflation and rising interest rates, our clients value trust-based communication, especially when it comes to more complex issues such as pensions, protection against risk and property finance. This is corroborated by the results of our client survey, which we conducted across Europe in 2022. In day-to-day business, our clients decide together with our financial advisors whether their personal consulting will take place face-to-face or online, such as via a video call, depending on the situation.

NJ: Regional expansion can be leveraged for growth. You most recently established a national subsidiary in Slovenia in 2022. You cite Portugal, Luxembourg and the Baltics as your target regions. What progress have you made there? Are you planning to establish new companies or acquire existing organisations? How long does it take on average for new national subsidiaries to become profitable?

Freis: Our expansion efforts are currently focused on Portugal. This is a large and exciting market for us with strong growth rates. We have also already taken initial steps to sound out the market in Luxembourg. The Baltics are on our agenda for the future.

In principle, we prefer organic growth. In individual cases, however, it can make sense to enter a new market via an acquisition. When we look at potential targets, the companies must be a very precise fit with us and our corporate culture. There is no blanket answer as to when new national subsidiaries become profitable, which is influenced by company- and market-specific circumstances. However, OVB has extensive experience in the efficient establishment and expansion of financial service providers thanks to its long-standing commitment in very different national markets.

NJ: Your dividend policy is close to full distribution. Do you intend to stick to this? **Freis:** We indeed allow our shareholders to share in our success with a high distribution ratio compared to the market as well as continuous dividends. At a year-end share price of €22, the dividend for the 2022 financial year was €0.90 per share, which equates to a dividend yield of 4.1%. We intend to stick to our distribution policy in the future.



Mario Freis has spent his entire career in the OVB Group. He has been a member of the Executive Board of OVB Holding AG since January 2010, its CEO since 2016.

NJ: The EU has been discussing a ban on commissions for financial services and advisory for a long time. It is off the table for now, but is to be re-evaluated in three years' time. So, the sword of Damocles remains. Would a ban on commissions be the end of OVB? **Freis:** The discussion about compensation systems in financial advisory re-emerges at national and European level every few years. We are watching this development very closely and welcome the fact that a general ban on commissions is no longer included in the current drafts of the EU strategy for retail investors. A ban on commissions would result in a substantial advisory gap, especially for less wealthy households.

This would of course be a heavy blow for our business, but our service would still be required. Internally, we have analysed various scenarios for how to respond to such a ban. OVB has proven in the past that we can adapt well to legal regulations. This will remain the case in future.

NJ: The free float is just 3%. Is an increase a possibility – with major shareholders selling shares or you enabling new shareholders to invest by way of a capital increase?

Freis: An increase in the free float has already been addressed by shareholder representatives at several Annual General Meetings. A capital increase without economic need, solely to increase the free float, is not on the cards. Major shareholders could sell, but we are not aware of any concrete plans.

NJ: Mr. Freis, thank you for talking to us.

Interview conducted by Oliver Vollbrecht