

Risks and Opportunities

The operations and activities of the M+M group are subject to various risks.

In our risk management system, sources of uncertainty are systematically identified, documented, evaluated and as far as possible controlled.

In all business units there are so called risk owners, responsible for the description, evaluation and control of risks in their fields. All units' risks are documented in a risk inventory together with the initiated counteractions, and the remaining risk is evaluated. The evaluation takes into account the likelihood of occurrence and the impact on the group.

The risk inventory with its documentation of counteractions, together with the monitoring of various early indicators, allows control of the development of a risk. The reduced risk impacts and likelihoods of occurrence after successful counteractions, are duly monitored and reported to the Managing Directors.

The remaining risks, particularly, are taken into account in business planning.

The accounting is integrated into the risk management, which allows identification and evaluation of risks which are in conflict with the compliance of the group financial statements. At this stage, we cannot see any such risks.

The whole accounting is subject to efficient control mechanisms. These particularly include extensive monthly reporting and liquidity planning, which are controlled in detail. Additionally, there is a regular review concerning specific items.

In addition, the financial transactions are supervised continuously. Within finance and accounting, there is additional protection by the principle of dual control. Systematic limit controls (e.g. for open sales orders or for capital expenditure invoices) supplement the control mechanisms.

In detail, the following risk categories exist:

Credit risks:

Bad debt risks are counteracted with customer credit insurance, individual bad debt provisions, and streamlined receivables management. Also favourable in this respect, is the fact that sales are divided among many individual customers each of which carries less than 1% of the total group revenue.

Warehouse and transport risks:

The risk of loss in value during warehousing can be considered low due to very low stock level and fast turnover. Transport risks are generally covered by corresponding insurance contracts.

Sales and market risks:

As with every other supplier of standard software, M+M is subject to software market and product cycles, especially those of the CAD/CAM/BIM market. Such risks are generally counteracted, as far as possible, by the vertical and regional division of the M+M Group and by the spread across several product lines, but risk may not always be fully compensated by these actions.

Personnel risks:

As an enterprise in the soft ware industry, M+M is, in principle, dependent on individuals with special skills. M+M's distinctive corporate culture, so far, has been instrumental in keeping employee turnover exceptionally low. The risk of dependence upon key top management people has been counteracted by appointing several Managing Directors and by strengthening the secondary management level.

Supplier risks:

Concentration on the main supplier Autodesk represents a certain risk through dependency on this supplier's product development, market competence and operational policy.

Losses at subsidiaries and shareholdings:

In all shareholding or subsidiary relationships, it is recognised that there is a risk that, contrary to positive expectations, a negative development may occur possibly proceeding to total loss. This would cause an appropriate impairment of goodwill or investment value.

Financing and liquidity risk:

As in any business model not exclusively financed by equity, there is a dependency risk for the debt financed part due to the refinancing capabilities of the financial market. This risk is counteracted by distribution of credit lines at several banks inside and outside Germany. It cannot be excluded, however, that the refinancing interest rate payable by M+M may develop negatively or the refinancing by debt may fail in parts or in total. Due to the positive balance sheet development in recent years, M+M now has a net liquidity surplus, so this risk has become less important.

Cyber risks:

Like any other company, M+M is exposed to various cyber risks, which are countered with a bundle of measures. This includes, in particular, securing critical data sets, ongoing training and raising awareness of all employees about the topic of cybercrime and much more. M+M is certified according to ISO 27001 and TISAX regarding information security.

Opportunities result from the successful execution of our general strategic concept. These are detailed in the 'Outlook' section.