Spotlight Research
MCI Capital

October 13, 2022 Others/Poland

Price 13.10.22*	15.95
Year high/low	25.90/14.55
Currency	PLN
PLN/EUR	4.85
GDR rate	n.a.
Shares outstanding eoy in mn	52.46
Market capitalisation (total shares) in EUR mn	172.6
Free float	21.7%
Free float in EUR mn	37.5
Index	sWIG 80
ISIN code	PLMCIMG00012
Bloomberg	MCI PW
Reuters	MCI.WA
www.mci.pl	

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* The indicated price is the last price as available at 6.30 AM on 13.10.22, Source: Reuters/Bloomberg

#1 listed disruptive tech-focused private equity fund in CEE

Company Highlights & Investment Case

- **MCI Capital is the only listed private equity company and the largest digital PE firm in CEE with ca. PLN 2.8 bn (EUR 601 mn) gross AUM** (i.e. total AUM + financial commitments available) in its two primary funds MCI.TechVentures 1.0 and MCI.EuroVentures 1.0 as of 30.6.2022. Its regional focus clearly lies on CEE and Poland; however, SEE and the DACH region are also markets of interest. **The company is not dependent on regular cyclical fundraising. MCI has completed +100 investments and has real ownership of its assets (balance sheet fund/model) whereas some of its CEE peers operate as commitment funds.**
- The group targets companies which show promising business models, such as providing digital infrastructure to support the transition towards a more data driven economy. Those include investments in e-commerce, fintechs, insurtechs, payment processing, medtech, edtech and software as a service companies. This is reflected in the **strong track record with an IRR of 27% and a 2.5x multiple on invested capital** on exits since 2012, with an average holding period of just 3.5 years on the buyout and expansion portfolio. Most prominent were recent partial exits from Netrisk and Pigu.lt and the 2020 exit of Atman.
- **The investment focus is on participations which generate positive EBITDA and have an equity ticket size of ca. EUR 25-100 mn.** The expected organic growth rate is 20-50% p.a. at the time of investment, while the target company should hold at least a top-3 market position.
- The **valuation of MCI seems rather undemanding** relative to comparable firms in Europe **with a discount of 48% to its NAV**, especially in the light of planned exits over the course of the coming years. **MCI has historically paid out PLN 268 mn** to its shareholders (203 mn in buybacks; 65 mn in dividends). The 2021 dividend was paid out on 7.10.2022.

What's hot: recent developments and financial performance

- In FY 21 MCI Capital benefited from pandemic tailwinds and exits, realising significant positive valuation effects on its investment certificates resulting in a record profit. The dividend for 2021 was set at 2% of NAV (PLN 37 mn), corresponding to a **dividend yield of ca. 4.2%.**
- **MCI has a substantial liquidity position of ca. PLN 777 mn** (H1 22) which is to be reinvested in the growing portfolio and that may increase above PLN 1 bn thanks to new fundraising and exits in 2022/2023. **New investments of around EUR 500 mn are targeted until 2025.**
- **H1 22 global decline in tech companies' valuations presents an opportunity to carry out attractive investments**. MCI recently completed the acquisition of eSky which already increased in value for PLN 164 mn during the H1 22.

Key Financials

Income statement (PLN mn)	*2020*	*2021*	*H1 22*	*Per share data (PLN, 12m)*	*2019*	*2020*	*2021*
Gain on. certificates	164	374	4	EPS	2.2	2.7	9.3
Other gains/losses	52	34	-10	Book value	24.6	27.6	35.2
Investment profit	216	408	-7	Dividend	0.00	0.54	0.70
EBT	168	347	-31	Payout ratio	0.0%	19.7%	7.8%
Net profit after min.	134	466	-1	Dividend, % of Equity	0.0%	2.0%	2.0%

Balance sheet				**Valuation (x, 12m)**	**2019**	**2020**	**2021**
Gross AUM*	2,634	2,961	2,816	PE	4.3	6.1	2.3
Investments	1,662	2,009	1,983	Price book value	0.37	0.57	0.60
Shareholders' equity	1,356	1,808	1,771	Dividend yield	0.0%	3.5%	3.4%
NIBD	227	202	162	EV/EBIT	4.0	5.5	3.6

*Source: MCI Capital, RBI/Raiffeisen Research; * Gross AUM defined as total AUM + financial commitments*

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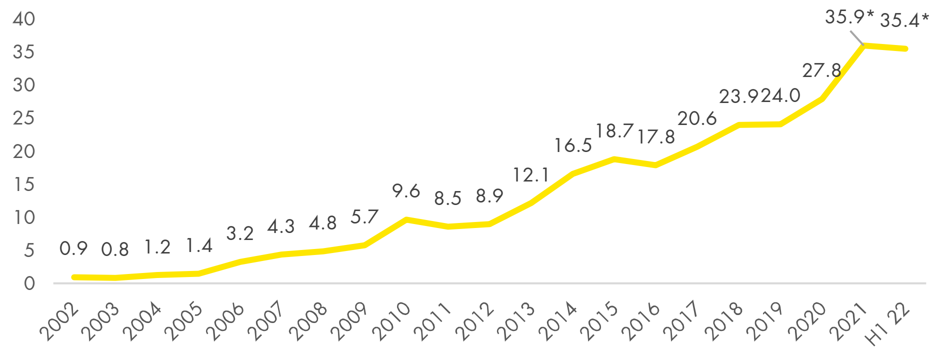
MCI: the number 1 tech/digital investment company in CEE

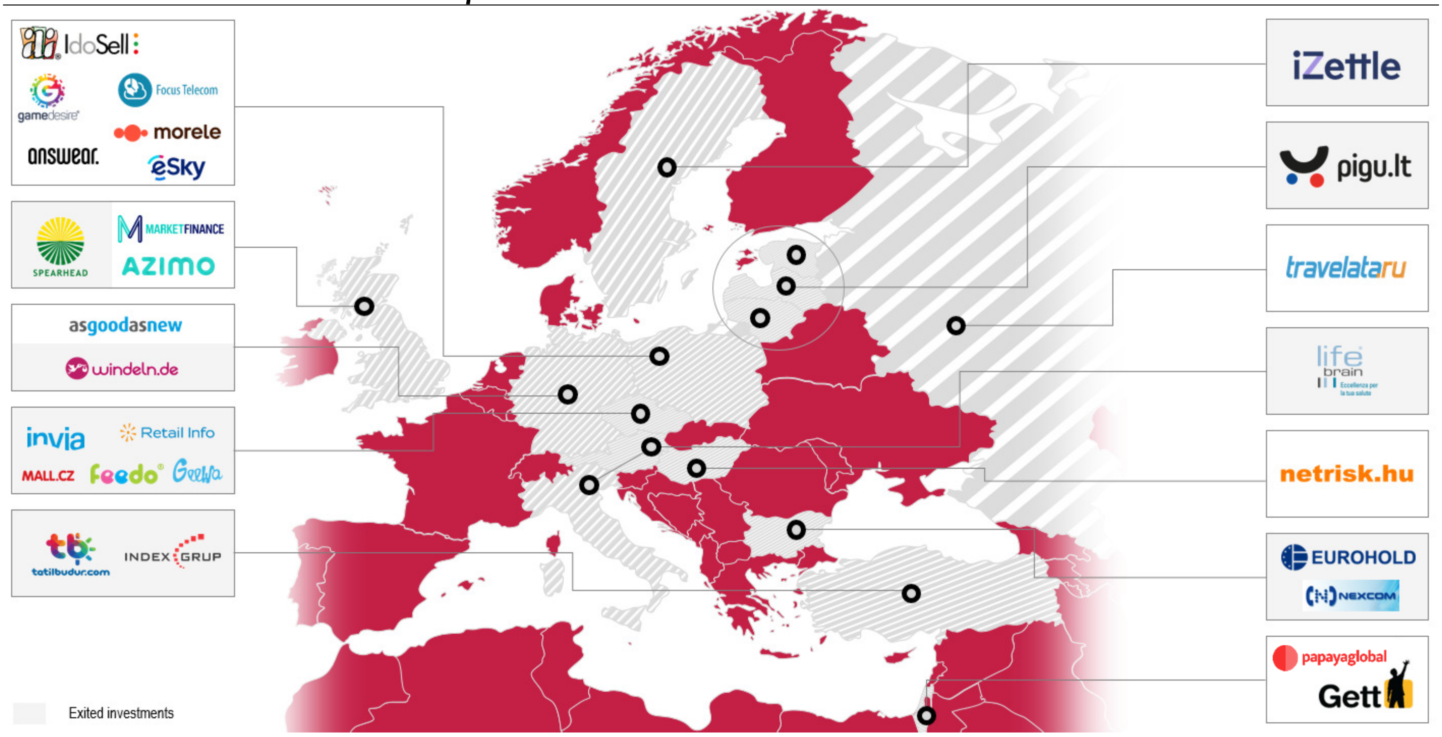
MCI is a Warsaw listed private equity company with a clear focus on digital business models and associated enablers. With total assets under management of about EUR 536 mn (as of H1 22), MCI is the number 1 tech/digital investment company in the CEE region. Founded in 1999 MCI can leverage its long-standing expertise in the fields of technology and digitalisation having an impressive CoC (cash on cash return) of 2.5x and a realised IRR of 27% since 2012 on the buyout and expansion strategy (past exits as well as returns to be executed in the future). MCI has successfully implemented IPOs (e.g. Answear) and public to private transactions (e.g. IAI, ABC Data) and the company realised some impressive growth over the past 22 years, with NAV growing with a CAGR of 17.1%. MCI currently has a market cap of ca. PLN 837 mn (EUR 173 mn) and the free float amounts to approximately 22%. The company is managed by CEO Tomasz Czechowicz, a well-known Polish entrepreneur and PE investor.

Historical NAV/S development (2002-H1 22)



*Source: MCI Capital, * NAV/S value plus the dividends per share declared/paid*

Focus on CEE and selected Western European investments



Source: MCI Capital

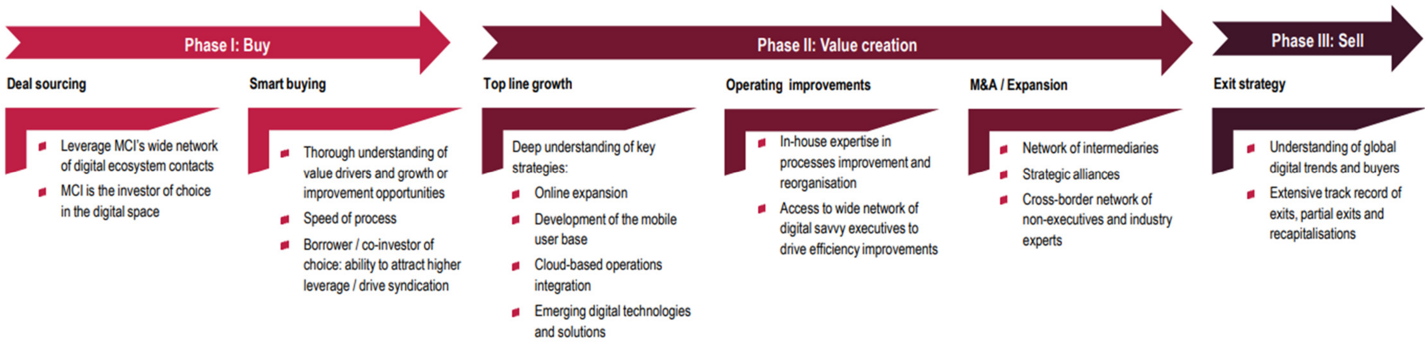
Clear focus on digital business models and enablers in CEE, SEE and DACH

MCI Capital targets investments in digital business models like e-commerce and marketplaces, fintechs, insurtechs, payments, gaming, media, medtech, edtech and SaaS (software as a service) as well as enablers like telcos, data collectors, processing centres and logistics infrastructure for e-commerce. The regional focus is clearly on CEE, SEE and DACH incl. Italy. The equity ticket size in the expansion or a buyout of a single project usually ranges between EUR 25 – 100 mn, acting as a lead investor or participating in syndicates with other PE firms, looking for up to three deals per year, according to company information. Target KPIs for investments are an EV of EUR 50 – 250 mn, positive EBITDA of roughly EUR 3 – 30 mn and an organic growth rate of approx. 20-50% p.a. Companies should hold a top-3 market position with the potential to become the market leader via organic or inorganic growth. In the past MCI was also investing in private debt and venture capital but is not conducting any new investments in these areas and rather focusing on divestments.

In-house expertise and a strong network of advisors as key characteristics

One of the key characteristics of MCI is its concept of providing comprehensive support to the management teams of its portfolio companies. MCI acts as an industry partner based on its in-house industry know-how and expertise in process improvement and reorganisation as well as its access to a network of digital and sector experts.

MCI Group value chain



Source: MCI Capital

Investments of EUR 500 mn by 2025

For the next five years MCI plans to invest roughly EUR 500 mn in digital technology targeting EUR 1 bn assets under management by 2025, thus being the leading PE company in CEE with an envisaged share of Western European assets of at least 33% of total assets.

SWOT Analysis

Strengths/Opportunities	***Weaknesses/Threats***
▪ Leading PE firm focusing on attractive CEE market	▪ Portfolio valuation mostly done internally (but audited by EY)
▪ Focus on sizeable, established companies with positive EBITDA limits risks compared to e.g. venture capital companies	▪ Weakening macro dynamics burdening business and consumer confidence in short- to mid-term
▪ Ability to assist portfolio companies in scaling business models without any significant additional outlays from the fund	▪ Large and relatively complex portfolio, time-intensive process to scrutinise all holdings
▪ Well prepared to implement new investments at current attractive market moment thanks to record-high liquidity position (YE 21)	▪ PE companies face exit risks regarding timing and pricing
▪ Track record of solid returns above industry average (27% IRR)	▪ Relatively limited free float of c. 22%
▪ Opportunity to gain exposure to attractive PE asset with more liquidity, no minimum investment size requirements & capital calls	▪ Financial statements published regularly only in Polish

Focus on two funds

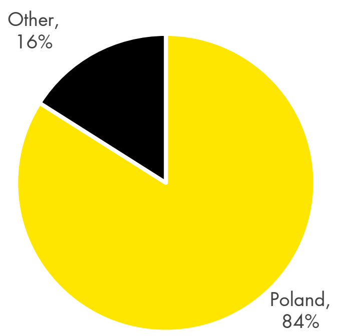
Two main funds: MCI.EuroVentures 1.0, MCI.TechVentures 1.0

MCI holds its investments through investment certificates in funds which are managed by the company. Not all of the investment certificates are held by MCI, as external investors are also invested. MCI's portfolio is focused on two primary funds, MCI.EuroVentures 1.0 and MCI.TechVentures 1.0, which account for 91% and 9% of the total investment certificates, respectively (H1 22). Other funds of the company such as InternetVentures FIZ, Helix Venutres, MCI.CreditVentures 2.0 FIZ are currently in the process of being liquidated. MCI owns 99% of the total outstanding certificates of MCI.EuroVentures 1.0 and in MCI.TechVentures 1.0 the stake amounts to 49%. Plans of the company also include MCI.TechVentures 1.0 to be gradually sold by 2024 (or if extended by 2026), thus anticipating exits of portfolio companies in the coming years. Investment certificates in the funds are accounted for at fair value. For more information regarding the valuation of portfolio companies please refer to the section "Valuation of portfolio companies" on p. 6.

MCI.EuroVentures 1.0

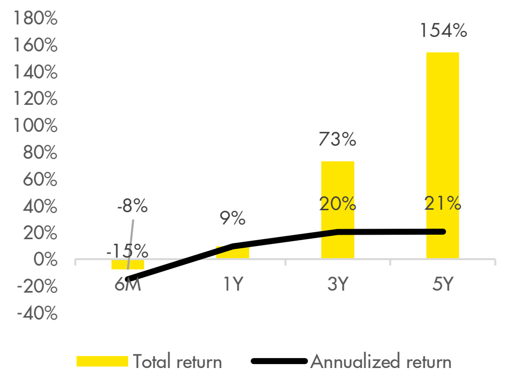
MCI.EuroVentures 1.0 is a fund that focuses on buyouts of medium sized companies that are leaders in the digital market and digital ecosystem. Those include eSky, IAI, Netrisk Group and Pigu Hobby Hall Group, among others. MCI holds a 99% stake in the fund, which includes participations in fields like software as a service, e-commerce, fintech/insurtech companies and other digital firms with EBITDA in a target range of EUR 3-30 mn. The fund has had a very strong performance history with a return of 154.2% (20.5% p.a.) over the past five years, broadly in line with the recent past (3-year return 20.0%, 1-year 9.4%, Series A). The 10-year IRR equals 29.6%.

Geographical breakdown (H1 22)



Source: MCI, RBI/Raiffeisen Research

Rates of return (in %, H1 22)*

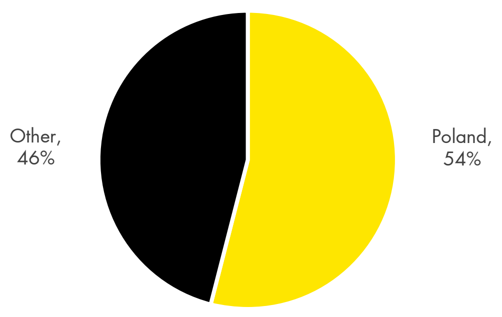


*Source: MCI, RBI/Raiffeisen Research, *certificate series A*

MCI.TechVentures 1.0

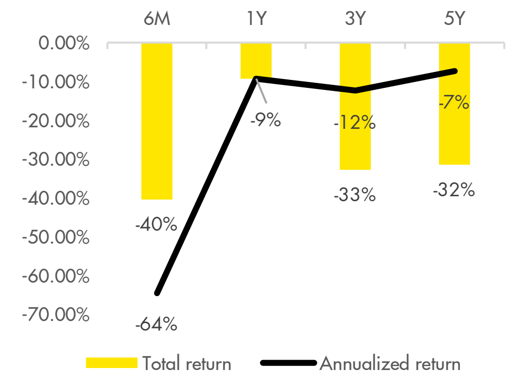
MCI.TechVentures 1.0's strategy is more focused on venture capital. It also includes a higher proportion of companies outside of Poland (2/3 Poland, 1/3 other). The fund targets a cash-on-cash return of 3-5x and, similarly to MCI.EuroVentures 1.0, focuses on e-commerce, fintech, software as a service and AI. MCI holds a 49% stake in TechVentures with the remaining 51% being owned by external investors. Although the operating performance of the portfolio companies remained resilient, the book values of TechVentures portfolio companies (based on comparables) have been directly impacted by the market sell-off and decline in global e-commerce and tech companies valuations. This impact is thus visible in performance of the TechVenture fund that recorded past 5-years return of -31.5% (or -7.3% p.a.), 3-year return of -32.8% (-12.4% p.a.), and last 12 months return of -9.3%. As of 30.6.2022, the IRR of the fund over the past ten years was 4.9%. MCI guarantees a return of 5% to certain investors in the TechVentures fund, which can however only become effective in the case of redemption or sale. MCI.TechVentures 1.0 is scheduled to be gradually sold by 2024 (or if extended by 2026), thus anticipating exits of portfolio companies in the coming years (i.e. distribution phase).

Geographical breakdown (H1 22)



Source: MCI, RBI/Raiffeisen Research

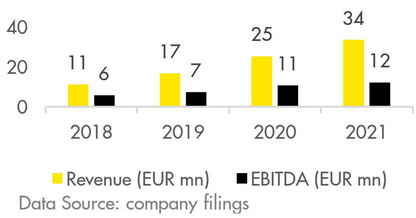
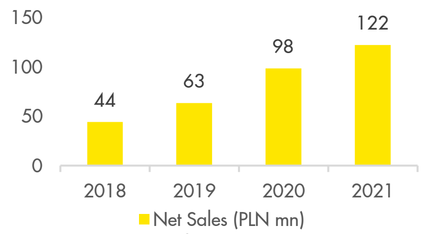
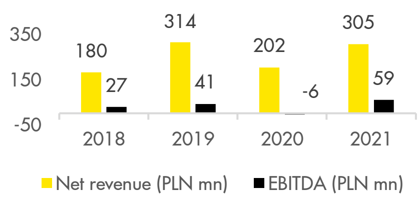
Rates of return (in %, H1 22)*



*Source: MCI, RBI/Raiffeisen Research, *certificate series O*

Portfolio

Selected Portfolio Companies

Company name	*Description*	*Financial highlights (in EUR mn)*
netrisk.hu (MCI stake: 22.4%)	Netrisk Group is **a leading Central European on-line insurance broker**, which operates **online platforms** across Central and Eastern Europe **for comparing and distributing motor and other insurance policies, as well as certain non-insurance products**, including retail loans, energy contracts and telecommunication contracts. The acquisitions of Lithuanian Edrauda and the Austrian platform Durchblicker.at were completed in 2021 and Q1 22, respectively. MCI completed a partial exit in January 2020. Netrisk is part of MCI.EuroVentures 1.0 portfolio and an exit of the remaining stake is planned for FY 24.	 Data Source: company filings
IdoSell (MCI stake: 51.0%)	IAI (platform brand Idosell) provides comprehensive **software as a service** based solutions for professionals interested in opening an online shop. The company offers a wide range of services for creating a functional digital store, from developing an integration or marketing strategy to modifying the available website design template to training employees. At the moment over 6,500 online shops are actively using the services provided. The company has grown GMV by 44% p.a. over the past two years. Additionally, in July 2021 it successfully acquired Shoprenter, a leading e-commerce platform in Hungary. The exit is planned for 2025. The company is part of MCI.EuroVentures 1.0 portfolio. As of 30 June 2022, it accounts for around 25% of its NAV.	 Data Source: EMIS, Puls Biznesu
eSky (MCI stake: 55.0%)	eSky is the **leading Polish flight Online Travel Agency** (OTA) with global presence, also in complementary services such as hotel booking and insurance. The company's services include travel services to individuals, centered around the sales of airline tickets, for both traditional as well as low-cost carrier flights, hotel booking, car rental and other packages. Its services are offered via an online web portal and a mobile application platform. The company is a leader in Poland with strong CEE foothold along with global outreach (market nibbler strategy). In LATAM region operates under eDestinos brand. The company is part of MCI.EuroVentures 1.0 portfolio. The exit is planned in 2025.	 Data Source: company filings

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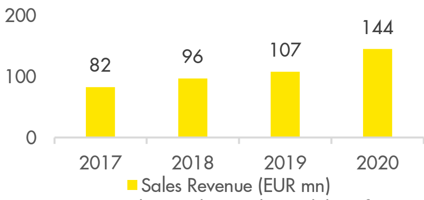
(MCI stake: 23.0%)

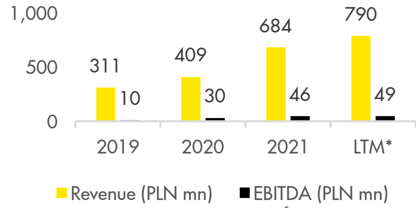
Pigu.lt is an **e-commerce platform** primarily focused on the Baltics, where it is the leader in the segment. It has over 2,000 merchants on the platform. The investment case is based on the belief that the Baltic states are less saturated in terms of online shopping compared to Western Europe and as penetration increases pigu.lt will be able to achieve strong growth dynamics. Pigu.lt experiences a growth of 28% p.a. on average in gross merchandise value (GMV). MCI exited part of their stake in 2021 as Pigu.lt merged with Hobby Hall Group in which MCI still holds a ca. 20% stake. The company is part of MCI.EuroVentures 1.0 portfolio with an exit planned for 2026.



Data Source: rekvizitai.lt; pigu.lt standalone figures

(MCI stake: 21.1%)

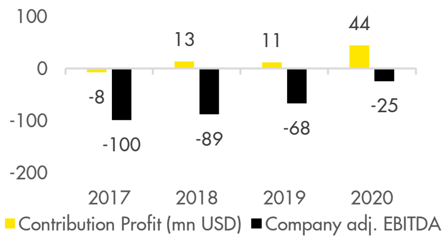
Answear is an **online shopping platform** for fashion products and is based in the CEE region, similar to Zalando. It currently is among the biggest CEE multi-brand clothing retailers. Their offer includes over 300 global brands and 80,000 products, additionally the company is rolling out its own, in-house label. Answear experienced staggering growth of 43% p.a. over the past four years with gross margins around 40%. In 2019 and 2020 it also reached positive EBITDA levels before the company was IPOed in January 2021 with a partial exit of MCI. The exit is currently planned for 2023. The company is part of MCI.TechVentures 1.0 portfolio.



Data Source: Answear.com, * as of 30.6.2022

(MCI stake: 5.0%)

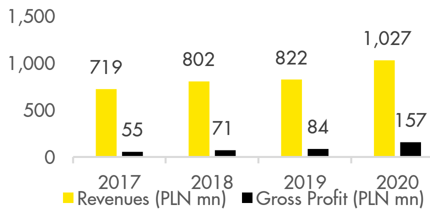
Gett, previously known as GetTaxi, is an Israeli developed **technology platform focused on corporate car services**, by aggregating existing transportation services onto a single platform. Gett allows corporate customers to manage all their transportation needs by connecting them to a global grid of thousands of ground transportation providers. The company was founded in 2010 and is headquartered in London. Since then it has raised more than USD 750 mn of capital from various private equity companies and also ca. EUR 300 mn from the VW group. In March it was also announced that Gett has suspended its plans to go public (via SPAC vehicle). They also announced withdrawal from Russia, where <14% of Q4 21 direct gross profit was generated. The company is part of MCI.TechVentures 1.0 portfolio with exit planned for FY23.



Data Source: sec.gov

(MCI stake: 51.6%)

Morele.net is a leading **multicategory e-commerce** platform in Poland combining the best of first party and third-party models. Established in 2004, the company is successfully managed by its two founders. Currently, Morele.net follows the strategy of extending the Group´s range to include new categories in their e-commerce portfolio and to build out the marketplace offering. The group benefits from the relatively low penetration of the Polish market by global players such as Amazon and eBay. The company reached average growth levels of 25% over the past four years. The company is part of MCI.TechVentures 1.0 portfolio and the exit is planned for 2024.



Data Source: company filings

Source: MCI Capital, RBI/Raiffeisen Research

Valuation of portfolio companies

Companies value internally but audited semi-annually

Portfolio companies are valued internally by MCI and valuations are audited semi-annually by EY. Following an acquisition, the investment is initially recognised at cost for up to one to two years. For subsequent periods MCI uses multiples-based valuation methods to adjust the value of their investments. Multiples are based on comparable companies in terms of business model and firms from various jurisdictions (also US, etc.) are considered for inclusion in the respective peer group. Generally, MCI applies a liquidity discount (ca. 15%) to its valuations and in certain cases sometimes due to specific (country/regional/internal) risk factors impacting valuation MCI uses additional discounts. For companies in the MCI.EuroVentures 1.0 fund, most of which are profitable on EBITDA, an EV/EBITDA multiple is applied. As many MCI.TechVentures 1.0 investments still have negative EBITDA, due to the fund being more focused on earlier-stage investments, P/BV, EV/Sales and EV/gross margin multiples are the predominant valuation multiples used. By using this valuation approach the book values of portfolio companies are generally lower in comparison to the historically realized multiples upon investment exits.

Track record and planned exits

In terms of exits MCI Group shows a strong track record. Since 2012 the company has done 13 larger exits of its buyout and expansion portfolio – most of the companies were under the control of MCI or held as a joint venture. The median exit value amounted to EUR 36.2 mn, while the total volume realised over the period is equivalent to somewhat more than EUR 600 mn. Current portfolio includes a mix of companies with healthy financial position that does not require significant additional outlays from the fund.

Selected historical exists

Company	Country	Control	Entry Date	Exit Date	Years held	MCI value (in EUR mn) **	Gross MoIC	Gross IRR
invia	CZ	Control	Apr-08	Mar-16	7.92	60.1	5.0x	41%
MALL.CZ	CZ	JV	Sep-10	Oct-12	2.08	35.9	4.1x	174%
WP	PL	JV	Jan-14	Dec-16	2.92	36.2	2.7x	54%
NETIA	PL	JV	May-14	Apr-15	0.92	37.4	1.1x	18%
life brain	AT	JV	Jun-15	May-18	2.92	32.4	1.7x	21%
iZettle	SWE	Minority	Oct-15	Sep-18	2.92	36.2	3.7x	62%
dotpay eCard	PL	Control	Jul-15	Jan-19	3.51	58.1	3.1x	38%
ABCDATA	PL	Control	Nov-07	Jun-19	11.59	58.2	2.1x	11%
netrisk.hu	HU	Control	Dec-17	Jan-20	2.08	71.8	4.1x	104%
INDEX GRUP	TR	Minority	May-13	Apr-20	6.92	29.6	1.3x	7%
tatilbudur.com	TR	Control	Nov-15	Jul-20	4.67	1.5	n.m.	n.m.
atman	PL	Control	Mar-16	Dec-20	4.76	113.1	2.8x	30%
pigu.lt	Baltics	Control	Jul-15	Mar-21	5.67	32.0	2.8x	20%
Total realized					**3.5***	**602.5**	**2.5x**	**27.2%**

*Source: MCI Capital, RBI/Raiffeisen Research, *Median, ** Converted with EUR/PLN FX rate of 4.5*

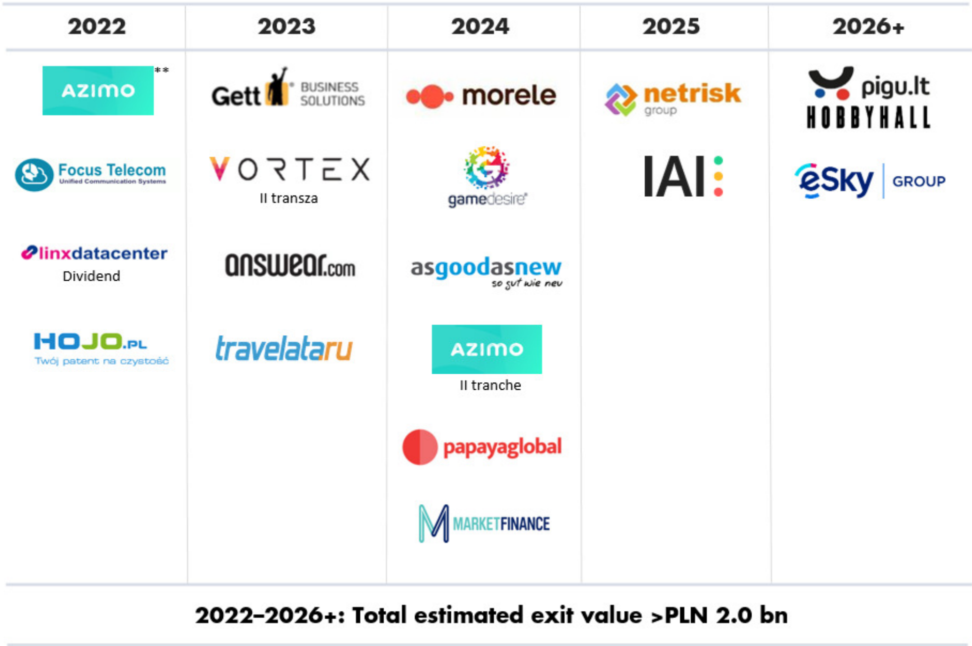
The realised return of the selected historical exits in the table above is slightly higher than the benchmark that private equity firms are currently targeting. According to a survey done by Paul Gompers at al. (Private Equity and Covid, 9/2020), the median PE fund targets a 25% IRR and 2.5x MoIC (Multiple on Invested Capital), which compares to MCI Group's historical 27.2% IRR and 2.5x MoIC. The 2.5x MoIC is also similar to what a report from eFront finds for holding periods of more than five years. According to the report, holding periods below five years result in less than a 2x gross multiple on invested capital, while this increases and then stabilises at more than 2.5x beyond five years, reaching a maximum of 2.6x with a holding period of nine to ten years. MCI's median holding period of 3.5 years fares relatively well against this comparison.

Portfolio with exit value of over PLN 2.0 bn

MCI has an exit pipeline until 2026 which encompasses an estimated exit value of over PLN 2.0 bn, most of which (EUR 500 mn) is to be reinvested into the funds through one to three investments per year with a ticket size of EUR 25-100 mn. The table below shows the planned exit pipeline. In

March 2022 MCI completed the exit from British payment solutions provider Azimo which MCI entered in 2015. The exit was partially settled in cash and partially in Papaya Global shares.

Planned exits



*Source: MCI Capital, ** Transaction finalised in July 2022*

Market outlook

Supported by new technologies, industries and business models are constantly changing and replacing traditional businesses. With regard to the accelerating speed of disruption, responsible managers are forced to respond with an adequate digital solution in order to stay competitive. Truly transformed companies have digital infrastructure, digital processes as well as digital customers at their disposal. In the last few years, digital transformation has taken place across all industries, revealing how the future development of society and the economy can be expected to unfold. With regard to funding issues in early stages, private equity facilitates to overcome this first hurdle.

While the valuations of e-commerce and tech companies have significantly reduced in 2022 due to a mix of weakening in macro conditions, rising interest rates and geo-political tensions, fundamentally strong companies with sound operations do provide an upside once the macro and capital markets situation normalize. This presents PE specialists with opportunity for new investments at attractive prices with ultimate goal to drive high results in the forthcoming years.

CEE market attractive for PE firms

Compared to the EU-27 average, the GDP growth rate observed in the CEE was higher in the last ten years and overall increasing annually. Growing markets, centred in Europe, in combination with a large share of the EU population, create an environment in which long-term investment decisions should be made. Over the years a few investments and value creation strategies were identified, aiming for maximised returns based on the attractiveness of the CEE area. Especially upcoming and mature companies in the digital industry that are quickly developing, where MCI is positioned as a leading private equity company with a compelling track record successful purchases and sales. The mix of available human resources, need for technical/digital developments, numerous government support programs as well as dynamic local environments all together lead to technological investment and innovation. Another topic highlighting the attractiveness of CEE for investors is the implementation of ESG related topics in the company's strategic orientation.

MCI only listed and largest digital PE player

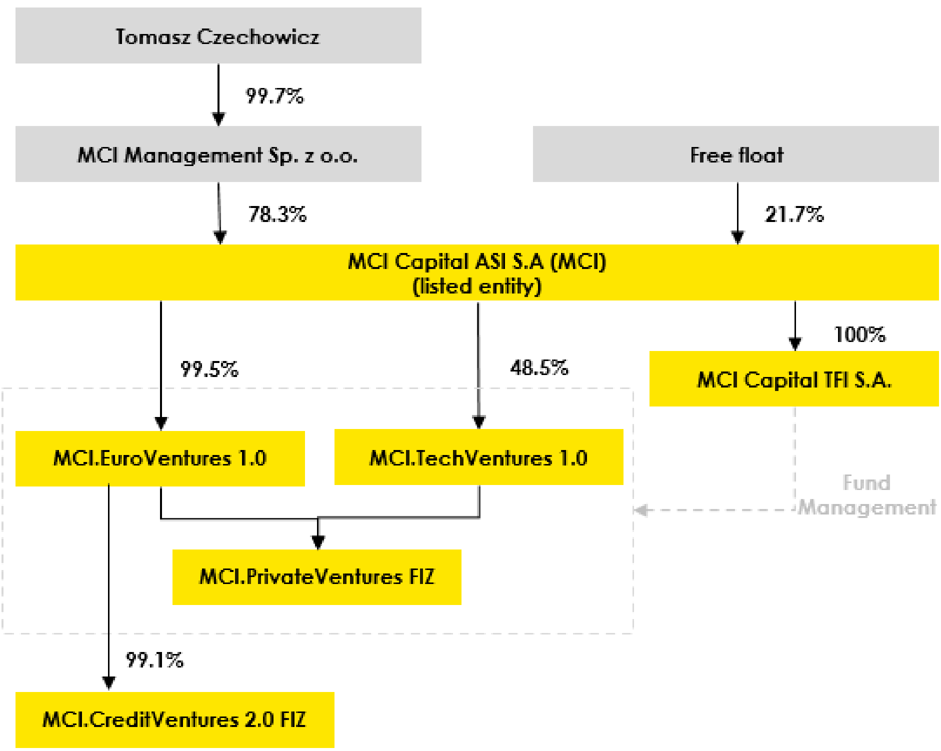
MCI Capital has several non-listed peers focusing on CEE, such as MidEuropa partners (ca. EUR 5.3 bn funds raised and managed since inception, active in various industries), Enterprise investors (EUR 2.5 bn raised since inception, various industries), Innova (EUR 1.1 bn funds raised since inception, various industries), Abris (EUR 1.2 bn funds raised, various industries) and Rockaway (smaller than MCI, focus on digital/IT). What sets MCI Capital apart in this peer group is that it is the only listed Private Equity firm in the region and the largest player in the digital segment.

Corporate governance

Founded by current managing partner Tomasz Czechowicz in 1999

MCI Capital was founded by Tomasz Czechowicz in 1999. He still remains on board as managing partner and owns 78% of the group through MCI Management Sp. z o.o, and the remaining 22% are free float. Previously MCI Capital's funds were managed externally through the associated public company Private Equity Managers S.A (PEM) in which MCI held a 29% stake before PEM was merged into MCI Capital ASI in 2021. PEM specialised in private equity funds, including venture capital funds and private debt, and was earlier established as a spin-off of the asset management business of MCI Group in 2010 to 2012. Following the merger, the company's funds are being managed internally through its 100% subsidiary MCI Capital TFI S.A. Investment into the funds is done through investment certificates. MCI owns 99.5% of the investment certificates in MCI.EuroVentures 1.0 and 48.5% of the certificates in MCI.TechVentures 1.0, the remaining being attributed to external investors. For MCI.CreditVentures liquidation started on 18.8.2022.

Organisational structure



*Source: MCI, *pooled holdings*

Dividend policy

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In Q4 20 MCI group adopted a dividend policy for the years 2021-2023, which foresees the management recommending a distribution of approximately 1-2% of the company's equity as reported in the most recent annual financial statements. As MCI Group is currently trading at a 48% discount to its book value with upcoming dividend yielding approximately 4.2%.

Internal financing and liquidity management

The internal debt/internal financing is an element of liquidity management within the MCI Group. This allows MCI.EV to invest its free cash flows, as MCI.EV receives interests for it. As of 30.06.2022 the internal financing amounted to PLN 310 mn. The financial terms of the internal financing are in line with market conditions, which means that MCI.EV receives interest for providing this financing (MCI Capital ASI SA and MCI Management Sp. z.o.o. incur financial costs). Such investments are each time preceded by an investment decision approved by the Investment Committee of MCI Capital TFI SA (fund manager), as the fund/subfund cannot act to the detriment of participants. This internal financing is planned to be refinanced with bank debt within the next 2 years.

Merger with Private Equity Managers

Private Equity Managers S.A. (PEM) was separated from MCI Capital ASI in 2014 and acted as the parent company in the Group with the focus on asset management of private equity investment funds. At that time PEM entered into an agreement with MCI under which PEM, through its subsidiary MCI Capital TFI managed the assets of the MCI Group. PEM Group was to separate from MCI in order to also raise funds in private banking channels and in the end become independent from the MCI Group, which would only be one investor in the funds. As those objectives were not fully achieved and certificates are not offered to private banking clients anymore the decision was made to merge the two companies again, which was completed in June 2021.

Management and investment team

Tomasz Czechowicz is the founder and majority shareholder of MCI Captal and has remained managing partner of the private equity company until today. He has an IT and entrepreneurial background, co-founding JTT Computer in the 90s, which he turned into one of the leading CEE PC assembly and distribution centres. In 1999 he founded MCI Group, where he is responsible for the development strategy and business plans as well as the group management.

MCI.TV and MCI.EV funds are managed by the founder and majority shareholder Tomasz Czechowicz. Ewa Ogryczak, who is a certified auditor and former Partner at PKF Consult and Manager at KPMG, is a vice president and COO of MCI Capital.

The investment team is comprised of eight additional members. Greg Dębicki is Investment Partner and Head of Syndication. In April 2022 Stefan Krueger joined as Investment Partner/Head of E-commerce and market place practice. Filip Berkowski and Michał Górecki are Investment Partners at MCI. Additionally, the team is supported by Senior Investment Manager Hubert Wichrowski and 3 Senior Analysts.

Zbigniew Jagiełło, former head of PKO Bank Polski, became new head of the supervisory board in June 2022

In February 2022 it was announced that Zbigniew Jagiełło, the former head of PKO Bank Polski and member of the council of the Polish Bank Association, will become the new head of the supervisory board. Mr Jagiełło, who has been working in capital market institutions since 1995 and was the president of PKO Bank Polski between 2009-2021, was effectively appointed in June 2022. In total the supervisory board has six members, including Jaroslaw Dubinski, Mariusz Grendowicz, Andrzej Jacaszek, Grzegorz Warzocha, Marcin Kasiński.

Vast network of advisers

Additionally, management is being supported by several senior advisors and non-executive directors. Those include partners at renowned consulting firms (Piotr Czapski, ex EQT Partners; Franek Hutten-Czapski, BCG), law firms and CEOs, Vice Presidents and executive directors from other firms, mostly focusing on financial services, technology or strategic planning (e.g. Mariusz Grendowicz).

Sustainability

Over the course of the pandemic MCI Capital has developed an ESG strategy, taking into account the UN Sustainable Development Goals and the standards developed by IFC on environmental and social issues. All investment decisions by MCI will be assessed in terms of their impact on ESG issues and MCI wants to promote activities aimed at reducing GHG emissions, increasing energy and natural resources efficiency. Especially companies such as AsGoodAsNew, which is active in the area of refurbished high-tech consumer electronics, contribute to this goal, in our view.

Financials

MCI Capital merged with PEM S.A., the former parent of the fund management company MCI Capital TFI, in FY 21, which limits the comparability of financial statements on a historical basis as the fund management was integrated and thus the costs internalised instead of outsourced. The primary driver of MCI's P&L is the valuation of investment certificates in the MCI.EuroVentures 1.0 and MCI.TechVentures 1.0 subfunds, which are generally valued internally, as described in the "Portfolio" section above.

On the back of the merger, the expenses for fund management have been integrated into MCI as operating expenses, while being largely compensated for by revenues from fund management which are being charged to the individual funds of MCI. The funds are not consolidated and recognised at fair value as investment certificates.

It's fair to say that e-commerce and tech companies did not have their best performance in the first six months of 2022, nonetheless MCI recorded a positive overall result on investment certificates of PLN 3.5 mn which can be mainly attributed to the revaluation of the MCI.EV investment certificates (PLN 131 mn) that was driven by the positive revaluation of eSky (PLN 163 mn). However, this was largely offset by the revaluation of the MCI.TV investment certificates (PLN -128 mn) with declines in valuations of several portfolio companies: Morele (PLN -109 mn), Gett (PLN -79 mn), Answear (PLN -55 mn), Travelata (PLN -49 mn). The average rate of return of the MCI.EV and MCI.TV in H1 22 was 7.9% and -40.7% respectively. Due to MCI's obligation to compensate the participant (MCI.CV) for the minimum return on investment in MCI.TV certificates of up to 5% p.a., there was a negative effect of revaluation of other financial instruments of PLN -17.0 mn because of this guarantee mechanism. Revenues from fund management amounted to PLN 6.7 mn, out of which PLN 4.2 mn is attributed to MCI.EV fund and PLN 2.3 mn is attributed to MCI.TV. The management fee was charged only on series of investment certificates belonging mainly to MCI Group as the MCI.TV rate of return in H1 22 was negative. The management fees on investment certificates held by external participants were not charged as there was no basis for it – in line with the fund's statute when there is a negative rate of return (which was the case for MCI.TV investment certificates), these fees are not charged. Operating expenses in H1 22 included costs of remuneration and social security contributions which were PLN 9.4 mn, costs of external services amounted to PLN 3.9 mn, depreciation to PLN 0.3 mn and other costs were PLN 0.3 mn. Net financial costs were up by 77% yoy and were mainly driven by the interest on bonds (PLN 9.3 mn; up yoy from PLN 5.0 mn), bills of exchange & loans (PLN 1.7 mn) and were partially offset (by PLN 0.8 mn) due to remuneration for the provision of investment certificates against credit facility for MCI.EV and MCI.TV (at sub-funds' level). Income tax in H1 22 was positively impacted by the recognition of deferred tax assets in the amount of PLN 32.8 mn due to the revaluation of investment certificates (i.e. MCI.TV portfolio valuation decline), while the income tax paid was PLN 2.8 mn.

Income Statement (in PLN k)	2020*	2021*	H1 21	H1 22	comments
Profit/loss on investment certificates	**164,095**	**374,078**	**348,630**	**3,503**	Revaluation effect of MCI.EV (+131mn) and MCI.TV (-128mn); positive revaluation of eSky
Revaluation of shares	2,149	440	445	0	
Revaluation of other financial instruments	-4,080	5,736	6,496	-16,966	MCI.TV min. rate of return guarantee (5% p.a.)
Revenues from fund management	54,268	31,320	19,822	6,724	o/w MCI.EV PLN 4.2mn; MCI.TV PLN 2.3mn
Dividend income	0	0	0	0	
Costs of core activities	-173	-3,896	-2,588	-128	Distribut. fees were fully not charged (neg. return)
Investment profit	**216,259**	**407,678**	**372,805**	**-6,867**	
Operating expenses	-36,389	-50,059	-20,084	-13,795	Remuneration (PLN 9 mn) and ext. services (4 mn)
Other operating income/costs	453	646	284	-168	
Net financial costs	-11,894	-11,442	-5,805	-10,273	Interest on bonds (PLN 9 mn), bills of exch., loans
Profit before tax	**168,429**	**346,823**	**347,200**	**-31,103**	
Income tax	-34,076	118,967	119,722	30,026	Deferred income tax of PLN +33mn; tax paid 3mn
Net profit	**134,353**	**465,790**	**466,922**	**-1,077**	

*Source: MCI Capital RBI/Raiffeisen Research. * Merger with PEM in June 2021, changes due to consolidation only reflected in FY 20 & 21 data*

Despite a difficult environment MCI Group achieved a net profit of PLN 80 mn in Q2 22. This bottom-line result offset almost the entire loss incurred in Q1 22 (i.e. PLN 81 mn) and generated a cumulative loss of PLN 1 mn in H1 22. The valuations of companies within the funds' portfolios were directly impacted by the unstable environment (mix of macro uncertainty, rising interest rates, geopolitical tensions) that had a negative revaluation effect on technology companies' valuations globally (especially when using comparative models) and was particularly visible in the Q1 22. Nonetheless, the operating results of the fund's portfolio companies seem to remain resilient.

In Q2 22 the MCI.EV fund achieved a result of PLN 148 mn, mainly due to the new investment in eSky (whose investment value in Q2 22 increased by PLN 164 mn). In addition, the restructuring of Gett, strong eSky results, surprisingly good financial situation of Travelata, exit from Azimo, are all events that provide an optimistic outlook for Q3 22. The distribution to MCI.TV investors in September 2022 has been completed and indicates expectations of better results in H2 22.

Balance sheet (in PLN k)	2020*	2021*	H1 21	H1 22	
Investments certificates	1,662,022	2,008,606	2,026,987	1,982,916	Decline due to decrease in portfolio valuation
Other Investments	54,218	1,007	7	1,007	
Receivables	35,603	28,561	66,779	5,672	
Other assets	2,056	5,089	1,174	26,970	
Cash and cash equivalents	38,918	20,970	23,681	48,702	
Total assets	**1,792,817**	**2,064,233**	**2,118,628**	**2,065,267**	
Equity	**1,355,872**	**1,808,247**	1,784,887	**1,771,483**	
Liabilities due to bonds	198,418	126,764	200,069	196,298	
Other debt (bank, promissory notes, bills of exchange)	67,887	95,842	61,910	14,242	
Dividend liabilities	0	0	27,773	36,723	
Deferred tax liabilities	131,313	10,613	11,684	0	
Provisions	17,047	13,699	18,624	17,303	
Other liabilities	22,280	9,068	13,681	29,218	
Total liabilities	**436,945**	**255,986**	**333,741**	**293,784**	
Liabilities and Equity	**1,792,817**	**2,064,233**	**2,118,628**	**2,065,267**	

*Source: MCI Capital RBI/Raiffeisen Research. * Merger with PEM in June 2021, changes due to consolidation, not reflected in historical data*

Peer Group

Peer Group Overview (YE 21)

Company Name	Description	Portfolio size	Country focus
3i Group	3i Group plc is a British private equity and infrastructure investment company based in London and listed on the LSE. The company has a portfolio of almost GBP 13 bn (> EUR 15 bn). There is no particular sector focus as sectors which the company invests in include infrastructure, consumer, industrials, energy and health care. The average gross investment return amounted to 24% over the past five years with 26% in FY 21 (2020 4%).	EUR 15.2 bn	Global
Gimv	Gimv is a European private equity company listed on Euronext Brussels. Investments focus on Western Europe, mostly the Benelux region and Germany. The portfolio includes companies from various industries. The company realised an average portfolio return of 14% p.a. since FY 16/17 with a decline in portfolio valuation of 10% in FY 19/20 on the back of the corona pandemic. FY 21/22 saw a recovery of 27% and H1 21/22 a return of 14.3%.	EUR 1.1 bn	Western Europe
Eurazeo	Eurazeo is a French investment company focusing on private equity (ca. 70%), private debt (20%) and real assets (10%). The company is active across four continents with the focus on fast growing market segments in Europe and North America. Over the past five years Eurazeo's horizon fund achieved an IRR of 17% with 23% realised in 2020.	EUR 8 bn (EUR 27 bn AuM)	Global
Deutsche Beteiligungs AG	Deutsche Beteiligungs AG is a listed private equity company from Germany that manages closed-end private equity funds. The focus is on German mid-market companies, particularly in the industrial sector.	EUR 570 mn (EUR 2.5 bn)	Germany
Molten Ventures	Molten Ventures is a venture capital firm investing in high-growth technology companies. The company is based in London and listed on the London Stock Exchange. They invest in innovative Deeptech, Consumer Tech, Healthtech and SaaS and Enterprise software. The target return of Molten Ventures is ca. 20% through the cycle, with a 15% return target for 2022. In 2021 portfolio value increased by 51%.	EUR 1.6 bn	UK, USA, EU, CEE
Altamir	Altamir is a listed (Euronext Paris) private equity company which invests through and alongside of the funds managed by Apax Partners. The company is managed by Maurice Tchenio, one of the founders of Apax Partners. He owns a 65% stake in the company. Altamir pays a dividend of 2-3% of year-end NAV.	EUR 1.1 bn	Global (Europe 82%, USA 12%, other 6%)
IDI Emerging Markets	IDI EM is financing SMEs in emerging markets by pure co-investments alongside local private equity funds or direct investments. IDI EM has a partnership with idi Group, a leading European private equity institution, listed on the NYSE Euronext Paris.	EUR 1 bn	China, India, South-East Asia, Latin America, Middle-East and Africa
Ratos	Ratos, a Swedish private equity institution, is targeting companies headquartered in the Nordics to contribute to the long-term and sustainable operational development. The three focused business areas are Construction & Services, Consumer as well as Industry. Financial goals include EBITA growth to at least SEK 3 bn by 2025 or a dividend payout ratio of 30-50% of profit after tax.		Nordics

Source: Company financials

Peer Valuation

MCI Capital's peers are generally valued at a median 0.69x book value (which should reflect the fair value of portfolio companies) for FY 22e and FY 23e and have a median dividend yield of 4.9% in FY 22e and FY 23e. In comparison, MCI Capital's valuation seems quite attractive relative to its peers, as the company is currently trading at a ca. 48% discount to its latest trailing NAV and at a 35% P/B discount to other listed private equity and venture capital companies which trade at a trailing P/BV of ca. 0.7x on average. We acknowledge that a slight discount to peers might be justified on the back of a lower free float.

Peer Group trailing P/B multiples

	Trailing P/B
3I GROUP PLC	0.82
GIMV NV	0.82
EURAZEO SE	0.67
DEUTSCHE BET. AG	0.71
MOLTEN VENTURES PLC	0.28
ALTAMIR	0.63
IDI	0.57
RATOS AB-B SHS	1.01
MCI Capital	0.45
MEDIAN*	**0.69**

*Source: Bloomberg, RBI/Raiffeisen Research, *excl. MCI Capital*

Peer Group Forward Multiples*

	Last close	Currency	Mkt.Cap	P/E (est.)			P/BV (est.)			Div. yield (est)		
				2022e	2023e	2024e	2022e	2023e	2024e	2022e	2023e	2024e
3I GROUP PLC	1,115.0	GBp	10,580	3.2	5.7	4.9	0.8	0.7	0.7	3.8%	4.6%	4.9%
GIMV NV	44.3	EUR	1,179	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	5.8%	6.0%	6.0%
EURAZEO SE	53.8	EUR	4,286	7.5	5.8	4.9	0.6	0.6	0.5	3.4%	3.5%	3.2%
DEUTSCHE BET. AG	22.7	EUR	420	-5.3	5.8	4.3	0.7	0.7	0.6	5.2%	7.0%	7.3%
MOLTEN VENTURES PLC	271.8	GBp	401	1.2	3.7	1.9	0.3	0.3	0.2	n.a.	0.0%	0.0%
ALTAMIR	23.6	EUR	876	40.0	36.2	32.9	1.2	1.2	1.3	4.9%	5.2%	5.4%
IDI	48.7	EUR	352	17.6	16.8	15.3	0.6	0.5	0.5	4.9%	5.1%	5.7%
RATOS AB-B SHS	37.5	SEK	12,779	12.4	10.6	9.4	1.4	1.3	1.2	2.5%	3.4%	3.8%
MEDIAN				**7.5**	**5.8**	**4.9**	**0.7**	**0.7**	**0.6**	**4.9%**	**4.9%**	**5.2%**

Source: Bloomberg, RBI/Raiffeisen Research

Peer Group ROE

NAME	5Y hist. average	2021	2022e	2023e	2024e
3I GROUP PLC	20.1%	21.9%	26.6%	13.0%	13.5%
GIMV NV	7.0%	17.3%	n.a.	n.a.	n.a.
EURAZEO SE	8.7%	29.1%	8.5%	9.9%	10.6%
DEUTSCHE BETEILIGUNGS AG	13.5%	33.0%	-13.5%	11.6%	14.4%
MOLTEN VENTURES PLC	22.2%	31.6%	22.6%	6.9%	11.8%
ALTAMIR	14.0%	13.0%	3.0%	3.4%	3.9%
IDI	17.3%	6.3%	3.4%	3.2%	3.4%
RATOS AB-B SHS	7.5%	24.8%	11.4%	12.5%	13.2%
MCI CAPITAL SA	6.6%	29.4%	n.a.	n.a.	n.a.
PEERS MEDIAN*	**13.7%**	**25.5%**	**8.5%**	**9.9%**	**11.8%**

*Source: Bloomberg, RBI/Raiffeisen Research, *excl. MCI Capital*

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