

MCI Capital SA – plenty of cash

There is a plenty of cash piling up in the MCI funds after the recent exits. This applies especially to the MCI.EV FIZ fund. The key news flow in recent months was the planned transformation of Pigu into a regional market leader through the merger with Hobby Hall Group. Despite the recent decline in the discount of MCI Capital's share price to book value, it still stands at just over 30%. After updating our forecasts, we adjust our valuation of MCI Capital shares from PLN 30.4 to PLN 30.9.

Results for FY2020 and 1Q21 - good year and a strong start to 2021

In 2020, the company generated PLN 167m in profit on investments, EBIT amounted to PLN 164m and net profit PLN 127m. Most of the profit was generated in 4Q20, thanks to the settlement of the ATM exit transaction. The company also started the year 2021 very well, with investment profits of PLN 46m, EBIT of PLN 45m and net profit of PLN 35m. Book value per share at the end of 1Q21 rose to PLN 28.5 (to PLN 29 if treasury shares are included).

More and more cash in funds and big investments on the horizon

Recent finalized exits (Netrisk, ATM, Frisco.pl, Answer.com) and the planned exit from Pigu to be settled in the coming months, significantly increased the level of cash in funds managed by MCI. The Group has liquidity at the level of about PLN 750m and, according to the management, the company is analyzing two large investments in market leaders in CEE region.

Dividend in 2021?

Exit from Pigu will mean ca. PLN 145m inflow to the MCI.TechVentures 1.0. FIZ. The company's management expects that this exit should trigger the process of automatic and proportional payouts (redemptions) to all investors in the subfund, including MCI. MCI holds about 44% of certificates of this fund, which implies the amount of about PLN 64m. It can be used to pay out dividends and repay MCI's debt. The Management Board has announced a dividend policy from 2021. We assume that the dividend will amount to 1% of NAV, which is ca. PLN 0.27 per share.

Risks for our forecasts and valuation

Main risk factors for our valuation are limited portfolio liquidity, high concentration of portfolio investments and the adopted valuation method for certain portfolio companies.

Our valuation is equally based on NAV (PLN27.9/share) and peers valuation to the other PE funds (PLN33.9/share) and indicates present fair price at PLN30.9/share.

PLN m*	2019	2020	2021F	2022F
Investment profits	156	167	100	85
Net profit	113	127	64	42
NAV/share	24,0	27,8	27,9	28,5
P/E (x)	8,5	7,6	15,1	22,7
P/NAV (%)	80%	69%	69%	67%

Source: MCI Capital ASI (2019-20), Noble Securities (2021F-2022F), *forecasts include merger with PManager the end of 1H21

The preparation of report was finalized on 14/05/2021 at 10:15 a.m.. The first publication took place on 14/05/2021 at 10:19 a.m.



Current price	19.2 zł
Valuation	30.9 zł
Upside/downside	61%
Market cap.	959 mln zł
Free float	19%
Avg. Vol. 6M	8 997



Source: Bloomberg, Noble Securities

COMPANY PROFILE

MCI Capital is a one of the leading private equity fund in Central-Eastern Europe. Since 1999 group realised over 100 investment projects and finished over 58 exits. Assets under management are estimated over PLN 2B.

SHAREHOLDERS

Tomasz Czechowicz	79,2%
Others	20,8%

Krzysztof Radojewski

Senior Analyst

krzysztof.radojewski@noblesecurities.pl

+48 22 213 22 35

VALUATION

We calculated the value of one share of MCI Capital using Net Asset Value (NAV) method on the basis of book value of investment portfolio at the end of 2021 and peers valuation to the other few European PE companies. We give both methods equal weights.

In table below we present valuation summary:

Valuation summary	Weight (x)	Per share (PLN)	Previously (PLN)	change %
Net asset value (NAV)*	0.50	27.9	29.3	-5%
Peers	0.50	33.9	31.5	8%
Average valuation		30.9	30.4	2%
Current price		19.2	15.0	28%
Upside/downside		61%	103%	

Source: Noble Securities, * assumed NAV/share after merger with PManager

PEER VALUATION

Valuation of MCI Capital's assets is based on book value, which shall reflect fair value. **We do not find any arguments for the necessity of book value adjustment in calculations, especially that a considerable part of assets is in the form of cash. The recent exits, as well as systematic downward adjustment of the value of unprofitable investments prove that the valuation is realistic.** Market price of MCI Capital shares was with premium to book value during years 2006-2007. In subsequent years, the stock has traded at a discount to book value, and recently the discount has begun to narrow slightly, which we attribute to profitable exits at valuations near or above book value. Below we present P/BV of selected European PE companies – valuations are either close or above book value. Main difference between these companies and MCI Capital is higher market cap. of peers and dividend payments. Basing on European PE companies valuation multiples, **we value company using peers valuation method at PLN33.9/share (previously PLN31.5/share).**

Peers valuation summary of MCI Capital

Company	Currency	Market cap (PLN m)	P/BV (x) 2021	Div. yield
3I GROUP PLC	PLN	63 826	1.3	3.1%
GIMV NV	PLN	6 183	1.2	4.8%
EURAZEO	PLN	25 411	1.2	2.1%
DEUTSCHE BETEILIGUNGS AG	PLN	2 894	1.2	2.2%
Mean			1.22	
MCI Capital	PLN	959	0.69	
Premium/discount to mean (%)			-43%	
Implied fair value of MCI Capital	PLN		33.9	
Implied fair value of MCI Capital	PLN		33.9	

Source: Bloomberg, Noble Securities, data on 14/05/2021 at 9:45 a.m.

P&L (PLN m)	2019	2020	2021F	2022F
Investment management fees	nd	nd	3	5
Investment profits	156	167	100	85
Operating expenses	5	5	18	32
Other operating revenues and expenses	0	1	0	0
EBIT	151	164	84	58
Net financial income and expenses	-8	-8	-6	-6
Profit before taxation	143	156	78	52
Income tax	-29	-29	-15	-10
Net profit	113	127	64	42

Source: MCI Capital ASI (2019, 2020), Noble Securities (forecasts, 2021F-2022F)

Balance sheet (PLN m)	2019	2020	2021F	2022F
Assets	1 527	1 695	1 746	1 774
Non-current assets	1 517	1 669	1 703	1 748
Investment certificates	1 511	1 662	1 698	1 743
Other non-current assets	6	7	6	6
Current assets	10	26	43	26
Cash and cash equivalents	8	23	41	24
Other current assets	2	2	2	2
Liabilities	1 527	1 695	1 746	1 774
Equity and liabilities	1 271	1 387	1 437	1 465
Equity	183	229	231	231
Non-current liabilities	77	96	96	96
Liabilities on bonds	105	133	133	133
Current liabilities	1	0	1	1
Liabilities on bonds	73	78	78	78
Liabilities on bills of exchange	25	49	49	49
Provisions	41	19	19	19
Other	7	10	10	10

Source: MCI Capital ASI (2019, 2020), Noble Securities (forecasts, 2021F-2022F)

Cash flow (PLN m)	2019	2020	2021F	2022F
CF from operating activities	138	15	38	4
CF from investment activities	0	0	0	0
CF from financial activities	-138	1	-20	-21
CF	1	15	17	-17
Cash at the beginning of the period	7	8	23	41
Cash at the end of the period	8	23	41	24

Source: MCI Capital ASI (2019, 2020), Noble Securities (forecasts, 2021F-2022F)

Selected indicators	2019	2020	2021F	2022F
Book value per share	24.01	27.77	27.94	28.48
Dividend per share	0.00	0.00	0.27	0.28
Net debt	135	141	124	141
Net debt/BV	11%	10%	9%	10%
Number of shares issued	53.0	50.0	51.4	51.4
P/BV	0.80	0.69	0.69	0.67

Source: MCI Capital ASI (2019, 2020), Noble Securities (forecasts, 2021F-2022F)

LEGAL DISCLAIMER

FUNDAMENTAL RULES FOR ISSUING ANALYTICAL REPORT

This analytical report, hereinafter referred to as the "Report", was prepared by Noble Securities S.A. ("NS") based in Warsaw.

The basis for the preparation of the Report were publicly available information known to the Analyst as at the date of preparing the Report, in particular information provided by the Issuer in current and periodic reports prepared as part of its disclosure obligations.

The Report only expresses the analyst's knowledge and views as at the date of its preparation.

The forecasts and evaluation elements presented in the Report are based solely on the analysis performed by the Analyst, without arrangements with the Issuer or with other entities, and are based on a number of assumptions that may turn out to be irrelevant in the future.

NS or the Analyst do not give any assurance that the forecasts will work.

The report issued by NS is valid for a period of 24 months, unless it is previously updated. The frequency of updates results from the date of publication by the Issuer of financial results for a given reporting period, the market situation or subjective assessment of the Analyst.

STRONG AND WEAKNESSES OF VALUATION METHODS APPLIED BY NS IN THE REPORT

The DCF (eng. *discounted cash flow*) method - is considered the methodologically most appropriate valuation technique and consists in discounting financial flows generated by the rated entity. Strengths of this method include taking into account all cash flows that flow in and out of the company and the cost of money over time. The disadvantages of the DCF valuation method are: a large number of assumptions and parameters that need to be estimated and the sensitivity of valuation to changes in these factors. A variation of this method is the discounted dividend method.

Peers valuation - is based on a comparison of valuation multipliers of companies in the industry in which the rated entity operates. This method very well reflects the current state of the market, requires fewer assumptions and is simpler to apply (relatively high availability of indicators for compared entities). Its disadvantages include high volatility related to price fluctuations and stock exchange indices (in the case of comparison to listed companies), subjectivism in the selection of a group of comparable companies and simplification of the company image leading to the omission of some important parameters (eg growth rate, corporate governance, non-operational assets, differences in accounting standards).

INTERESTS OR CONFLICTS OF INTERESTS THAT MAY AFFECT THE REPORTING OBJECTIVITY OF THE REPORT

The report was prepared by NS for consideration, on behalf of the Warsaw Stock Exchange S.A.

The Analyst is not a party to any contract concluded with the Issuer and does not receive remuneration from the Issuer. The Analyst's remuneration for preparing the Report due from NS is not directly related to transactions in brokerage services provided by NS or other types of transactions carried out by NS or any other legal entity that is part of the group to which NS belongs or with transaction fees that they receive NS or these people. It can not be ruled out that the remuneration that may be due in future to a NS Analyst by another title may be indirectly dependent on NS financial results, including those obtained as part of investment banking transactions related to the Issuer's financial instruments. The Analyst is not a party to any contract concluded with the Issuer and does not receive remuneration from the Issuer. The Analyst's remuneration for preparing the Report due from NS is not directly related to transactions in brokerage services provided by NS or other types of transactions carried out by NS or any other legal entity that is part of the group to which NS belongs or with transaction fees that they receive NS or these people. It can not be ruled out that the remuneration that may be due in future to a NS Analyst by another title may be indirectly dependent on NS financial results, including those obtained as part of investment banking transactions related to the Issuer's financial instruments.

It is possible that NS has or will have the intention to submit an offer to provide services to the Issuer.

NS is or has been in the past 12 months a party to agreements with the Issuer concerning provision of brokerage services.

NS is or has been within 12 months a party to agreements with the Issuer's Parent Company concerning provision of brokerage services.

NS is or has been within 12 months a party to agreements with an Affiliate of the Issuer relating to the provision of brokerage services.

ORGANIZATIONAL AND ADMINISTRATIVE SOLUTIONS AND INFORMATION BARRIERS ESTABLISHED TO PREVENT CONFLICT OF INTERESTS AND TO AVOID THEMSELVES

Detailed rules of conduct in the event of conflicts of interest are set out in the "Regulations of Conflicts of Interest Management at Noble Securities SA" available at the website www.noblesecurities.pl in the tab: "About us" / "Regulations" / "Information policy".

The internal structure of NS ensures organizational separation of analysts from individuals (teams) performing activities that involve the risk of a conflict of interest and prevents conflicts of interest, and in the event of such conflict enables protection of the Client's interests against the harmful effects of this conflict. In particular, Analysts do not have access to information about transactions concluded on the NS's own account and to Client orders. NS ensures that there is no possibility for third parties to exert any adverse influence on the performance of the work by Analysts. NS ensures that there are no links between the amount of remuneration of employees of one organizational unit and the amount of remuneration of employees of another organizational unit, or the amount of income earned by that other organizational unit, if these units perform activities that involve the risk of a conflict of interests

NS has implemented internal regulations regarding the flow of confidential and professional information, which is aimed at securing confidential information or professional secrecy and preventing its unjustified flow or misuse. NS limits to a minimum the circle of people who have access to confidential information or professional secrecy. In order to control access to relevant non-public information, within NS there are internal limitations and barriers in the transfer of information, so-called *Chinese walls*, i.e. rules, procedures and physical solutions to prevent the flow and use of confidential information and constitute professional secrecy. NS uses restrictions in physical access (separate rooms, lockable filing cabinets) and in access to information systems.

NS has implemented regulations in the scope of performing activities consisting in preparing investment analyzes, financial analyzes and other general recommendations regarding transactions in financial instruments, as well as the internal procedure regulating the subject scope. NS discloses in the content of Reports prepared by itself all connections and circumstances that could affect the objectivity of the Reports being prepared. It is forbidden to accept material or non-material benefits by NS or the Analyst from entities having a significant interest in the content of the Report, suggesting to the Issuer by NS or Analyst content favorable to that Issuer. It is forbidden to make available to the Issuer or other persons than Analysts, the Report, containing the content of the recommendation or the target price, before commencing its distribution for purposes other than verification of the NS's compliance with its legal obligations.

NS has implemented internal regulations regarding the rules of concluding personal transactions by involved persons, including prohibits the use of information obtained in connection with business activities for personal transactions. In addition, Analysts may not enter into personal transactions regarding the Issuer's financial instruments or related financial instruments prior to the dissemination of the Report, as well as personal transactions that conflict with the content of the Report and when NS starts or works on issuing Issuer's financial instruments since the Issuer's information in this respect until the prospectus is published - in the case of a public offer or for launching an offer.

OTHER INFORMATION AND RESERVATIONS

NS ensures that the Report has been prepared with due diligence and integrity based on generally available facts and information recognized by the Analyst as reliable, reliable and objective, however NS nor the Analyst does not guarantee that they are fully accurate and complete. If the Report indicates the addresses of the websites used in the preparation of the Report, neither the Analyst nor NS takes responsibility for the content of these websites.

Investing can involve high investment risk. The analytical report cannot be treated as an assurance or guarantee of avoiding losses, or achieving potential or expected results, in particular profits or other benefits from transactions carried out on its basis, or in connection with refraining from such transactions. A general description of financial instruments and the risk related to investing in individual financial instruments is presented at www.noblesecurities.pl in the tab Brokerage House / Brokerage Account/ Documents. NS points out that although the above information has been prepared with due diligence, in particular in a reliable manner and in accordance with NS's best knowledge, it may not be exhaustive and may exist or be updated in the specific situation in which an investor is or will be located other risk factors than those indicated in the above information by NS. The investor should bear in mind that investments in individual financial instruments may result in the loss of some or all of the funds invested, and even involve the additional costs.

Investors using the Report may not resign from independent assessment and take into account other circumstances than indicated by the Analyst or by NS.

The Report has been prepared in accordance with legal requirements ensuring independence, in particular from the Commission Delegated Regulation (EU) 2016/958 of 9 March 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards concerning technical means for the purpose of presenting investment recommendations or other information recommending or suggesting an investment strategy and disclosing

particular interests or indications of conflicts of interest. The report is an investment study referred to in art. 36 par. 1 Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65 / EU of the European Parliament and of the Council with regard to organizational requirements and operating conditions for investment firms and concepts defined for the purposes of this directive.

The Report or any of its entries do not state:

- offer within the meaning of art. 66 of the Act of 23 April 1964 - the Civil Code,
- grounds for concluding a contract or creating a liability,
- public offering of financial instruments within the meaning of art. 3 of the Act of July 29, 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies,
- invitations to subscribe for or purchase securities of the Issuer,
- investment advisory services or portfolio management services referred to in the Act of 29 July 2005 on Trading in Financial Instruments,
- investment, legal, accounting or other types of advice.

The Report

- is published on the NS website: <https://noblesecurities.pl/dom-maklerski/analizy2/program-wsparcia-pokrycia-analitycznego-gpw/1794-mci-capital-s-a>,
- is intended for distribution only on the territory of the Republic of Poland, and is not intended for distribution or transmission, directly or indirectly, in the United States of America, Canada, Japan or Australia, or any other jurisdiction, where such distribution would violate relevant provisions of the given jurisdiction or required registration in that jurisdiction,
- does not contain all information about the Issuer and does not allow full assessment of the Issuer, in particular as regards the Issuer's financial situation, because only certain data regarding the Issuer were selected for the Report,
- is for information purposes only, so it is not possible to comprehensively evaluate the Issuer based on the Report.

FINAL REMARKS

Analyst preparing the Report: Krzysztof Radojewski

Date and time of completion of the Report: 14/05/2021 at 10.15 a.m.. Date and time of the first dissemination of the Report: 14/05/2021 at 10.19 a.m..

The proprietary copyrights to the Report are held by the Stock Exchange in Warsaw S.A. Dissemination or reproduction of the Report (in whole or in any part) without the written consent of the Warsaw Stock Exchange S.A. is forbidden.

NS is subject to the supervision of the Polish Financial Supervision Authority.

Recent research concerning MCI Capital S.A.				
Direction	na.	na.	na.	na.
Date	11/12/2019 at 11:50 a.m.	30/06/2020 at 5:20 p.m.	12/03/2020 at 4:08 p.m.	28.06.2019 at 2:55 p.m.
Stock price at the date of report	15.0	12.1	8.3	7.3
Valuation per share	30.4	24.9	21.9	26.5
WIG Index at the date of report	56 230.40	49 569.17	37 164.02	60187.43

All recommendations distributed by NS in last 12 months:

Company	Direction	Target price	Price at publication	Current price	Difference to price target	Date of publication (1)	Validity date (2)	Prepared by (3)
Krynicky Recykling	na	25.1	19.8	19.6	28%	10.05.2021	24M	Dariusz Dadej
Eurocash	Accumulate	16.6	14.4	14.37	16%	06.05.2021	9M	Dariusz Dadej
OncoArendi	Hold	50.0	49.1	46.8	7%	06.05.2021	9M	Krzysztof Radojewski
TIM	na	39.6	28.4	30.25	31%	05.05.2021	24M	Michał Sztabler
Artifex Mundi	Buy	23.1	17	17	36%	04.05.2021	9M	Maciej Kietliński
Bioton	na	8.0	5.6	5.33	50%	20.04.2021	24M	Krzysztof Radojewski
LW Bogdanka	Hold	23.2	23.9	23.5	-1%	19.04.2021	9M	Michał Sztabler
CD Projekt	Reduce	172.2	183.0	176.76	-3%	08.04.2021	9M	Maciej Kietliński
Forte	Accumulate	55.0	52.0	52.60	5%	31.03.2021	9M	Dariusz Dadej
Amica	Buy	219.3	144.2	146.00	50%	29.03.2021	9M	Michał Sztabler
Ryvu Therapeutics	Buy	66.2	53.0	52.50	26%	26.03.2021	9M	Krzysztof Radojewski
Artifex Mundi	Hold	12.8	12.5	18.40	-30%	01.03.2021	9M	Maciej Kietliński
Celon Pharma	Buy	59.6	45.8	51.90	15%	17.02.2021	9M	Krzysztof Radojewski
Ten Square Games	Buy	687.9	529.0	493.00	40%	11.02.2021	9M	Maciej Kietliński
Wielton	Buy	10.6	8.1	9.10	16%	05.02.2021	9M	Michał Sztabler
11 bit studios	Reduce	422.5	476.0	542.00	-22%	11.01.2021	9M	Maciej Kietliński
CD Projekt	Buy	388.5	296.0			16.12.2020	9M	Maciej Kietliński
LW Bogdanka	Reduce	16.4	18.8	23.85	-31%	11.12.2020	9M	Michał Sztabler
Krynicky Recykling	na	15.2	8.1	15.70	-3%	11.12.2020	24M	Dariusz Dadej
MCI Capital	na	30.4	15.0	18.90	61%	11.12.2020	24M	Krzysztof Radojewski
Aplisens	na	18.0	11.2	11.20	61%	11.12.2020	9M	Michał Sztabler
Tauron PE	Buy	2.9	2.1	3.14	-8%	03.12.2020	9M	Michał Sztabler
TIM	Buy	27.3	16.2	25.80	6%	04.12.2020	24M	Michał Sztabler
Eurocash	Buy	18.0	13.8	15.33	17%	02.12.2020	9M	Dariusz Dadej
Dino Polska	Sell	211.1	253.6	262.10	-19%	02.12.2020	9M	Dariusz Dadej
Aparator	Buy	28.9	22.3	24.30	19%	27.11.2020	9M	Michał Sztabler
Bioton	Buy	7.3	4.4	5.67	29%	06.11.2020	24M	Krzysztof Radojewski
Forte	Buy	48.3	34.5			05.11.2020	9M	Dariusz Dadej
CD Projekt	Buy	415.0	346.0			03.11.2020	9M	Maciej Kietliński
PKP Cargo	Sell	7.9	9.9	19.20	-59%	22.10.2020	9M	Michał Sztabler
Amica	Buy	177.1	133.4			14.10.2020	9M	Michał Sztabler
Ten Square Games	Sell	477.1	535.0			04.09.2020	9M	Maciej Kietliński
Krynicky Recykling	na	11.8	7.8			31.08.2020	24M	Dariusz Dadej
Wielton	Buy	5.5	4.5			29.07.2020	9M	Michał Sztabler
Eurocash	Buy	21.5	16.1			24.07.2020	9M	Dariusz Dadej
Bioton	na	6.8	4.6			24.07.2020	24M	Krzysztof Radojewski

MCI Capital	na	24.9	12.1	31.06.2020	24M	Krzysztof Radojewski
TIM	na	17.1	10.9	26.06.2020	24M	Michał Sztabler
Aplisens	na	15.8	9.8	02.06.2020	9M	Michał Sztabler

(1) Date of publication is simultaneously date of first publication, (2) recommendation is valid for a period of 9 months, unless it is previously updated

(3) Job position: Krzysztof Radojewski – Senior Analyst, Michał Sztabler – Equity Analyst, Dariusz Dadej - Equity Analyst, Maciej Kietliński - Junior Equity Analyst

MARKET RESEARCH DEPARTMENT

Sobiesław Kozłowski, MPW

sobieslaw.kozlowski@noblesecurities.pl
 tel: +48 22 213 22 39
 model portfolios

Michał Sztabler

michal.sztabler@noblesecurities.pl
 tel: +48 22 213 22 36
 industrials, utilities, mining

Dariusz Dadej

dariusz.dadej@noblesecurities.pl
 tel: +48 22 660 24 83
 retail, industrials

Krzysztof Ojczyk, MPW

krzysztof.ojczyk@noblesecurities.pl
 tel: +48 12 422 31 00
 technical analysis

Maciej Kietliński, MPW

maciej.kietlinski@noblesecurities.pl
 gaming

Krzysztof Radojewski

krzysztof.radojewski@noblesecurities.pl
 biotechnology

