25 business lessons

for the 25th anniversary of MCI Capital

A collection of practical case studies developed by the editorial team of "MIT Sloan Management Review Poland" based on interviews with MCI managers, portfolio company CEOs, and business leaders

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"25 Business Lessons for the 25th Anniversary of MCI Capital. A collection of practical case studies and interviews with experts developed by the editorial team of *MIT Sloan Management Review Polska* based on conversations with MCI partners and managers, as well as business leaders."

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INTRODUCTION

Entering the decade of innovation development

The 25th anniversary of MCI Capital marks the opening of another chapter in the digital transformation, driven by the dynamic development of new technologies and artificial intelligence. This digital leap is causing significant shifts on the European innovation map, dealing cards to new players. In this game, the Central and Eastern European (CEE) region is emerging as a European leader in the development of technology companies, thanks to the integration of technological genius, entrepreneurship and the dynamic pace of economic growth in this area. Does this mean that we are standing on the threshold of a decade that will belong to technological unicorns?

Companies from the CEE region, inspired by the success of Estonia, a European technological leader, are beginning to gain recognition in the European market. Following the pioneering spirit, Romania's UiPath revolutionized process automation, proving that technological genius knows no boundaries. Meanwhile, Poland's Allegro has become a trading powerhouse in Central and Eastern Europe. Its influence extends far beyond borders, setting standards for a new dimension of e-commerce and customer experience. Equally influential in the development of e-commerce is InPost, which delivered innovative, top-notch logistic solutions, breaking the previously unsolvable last-mile problem. These companies are evidence that a new generation of entrepreneurs, leaders and managers has entered the business world, thinking globally and not afraid to cross borders. This is also confirmed by the annual ranking of the 100 most valuable companies in the CEE region, compiled by the Digital Poland Foundation, presenting a list of European champions boldly crossing borders and shaping the face of European business.

For the past quarter-century, the MCI team has proudly supported the development of technological companies in Central and Eastern Europe. During this time, we have made over 100 strategic investments, creating global leaders and implementing innovative solutions that accelerate digital transformation in this region. Crossing the impressive threshold of EUR 1 billion in the value of realized exits from the portfolio obliges us to an even greater commitment to creating digital ventures. This milestone inspires us to further invest in the future and to create new innovative projects aimed at the development of technological, digital and climate tech companies in the coming decade. Therefore, by the end of the decade, we plan to invest an additional PLN 5-10 billion in emerging companies from Central and Eastern Europe that can contribute to the economic development of this region.

In the coming years, full of promising perspectives, innovative leaders will have the opportunity not only to catch up but also to surpass rivals in the race to create new solutions. The inspiring stories written in the pages of this book are full of valuable advice and warnings from founders, entrepreneurs, leaders and managers closely connected to the ecosystem we have built around MCI Capital over the past 25 years. Sharing their experiences with us are, among others: Luis Amaral (owner and creator of Eurocash and Frisco), Wiesław Rozłucki (co-founder and first president of Warsaw Stock Exchange), Paweł Fornalski (founder of IAI), Zbigniew Jagiełło (long-time president of PKO BP and chairman of the supervisory board of MCI), Jacek Poświata (head of Bain for Central and Eastern Europe) and Franz Hoerhager (founder of ACP-Mezzanine Management). These are just some of the outstanding business people who participated in the creation of this book. All the stories presented here share one thing: the future belongs to those who boldly reach for innovations, while courage, work and consistency are the key conditions for victory on the business battlefield. We hope that this publication will inspire and prepare the next generation of entrepreneurs for digital transformation and encourage them to create innovative businesses.

MCI Team

We grow through hyperspecialization

Tomasz Czechowicz, Founder and Managing Partner of MCI Capital, shares insights on 25 years of the fund's development, its sustainable growth model and a focus on digital technologies. An interview by Paweł Kubisiak and Joanna Koprowska of "MIT Sloan Management Review."

In the second half of 2023, as we are talking, the value of net assets managed by MCI exceeds PLN 2.8 billion, and the net profit in the first half of the year amounted to PLN 108 million. Throughout 2022, the company posted a net profit of PLN 143.26 million, so there is potential for significant progress. What is your recipe for building sustainable growth?
For years, we have been focusing on digital private equity, thanks to which we have achieved a high level of specialization and deep knowledge of the market. We have been developing along with the progress of digitalization, we were able to adapt to the transformation taking place in this market and, as a result, we moved smoothly from venture capital to growth buyout. We are well prepared to invest in technology companies precisely owing to our experience and specialization in this field.

Next year, MCI Group will celebrate its 25th anniversary, so its experience spans almost the entire period of development of the capital market in Poland. How did your adventure with venture capital and private equity begin?
In fact, my experience covers not almost the entire period but the entire period of the free market economy in Poland because I started

my adventure with entrepreneurship and technology as a teenager in 1985. At first, I produced computer accessories, which I then sold on the computer exchange, and then I started importing computers to Poland – mainly Commodore 64. In 1991, I was the largest Commodore distributor in Europe.

My adventure with big business began in 1990, when, together with two partners, I set up JTT Computer, a company that first continued importing Commodore devices, and then, in 1997, launched the production of its own ADAX PCs. I led this business until 1998, when it became a leader in our part of Europe, with revenues exceeding USD 100 million and employing over 600 people. Our main competitor was Roman Kluska's Optimus. I believe that these experiences perfectly prepared me for my next business ventures.

After leaving JTT Computer in 1999, you founded MCI Group and you have also been its managing partner from the beginning. How do your experiences from that period help you with your investments today?
The conditions for doing business are completely different than 25 years ago. Back then, our company and that of our competitor, Roman Kluska, were finished off by the tax office and even the fact that we were awarded huge damages from the Polish state does not change much.

However, some things remain constant. It was already in the years of JTT that I realized the importance of good managerial staff for business success and how difficult it is to build such a team. At that time, I got to know first-hand the challenges related to creating efficient controlling and IT systems, taking over and merging companies as well as pursuing international expansion. We learned all this organically in much more difficult conditions, with a high cost of capital.

On the other hand, we faced much less competition and we could forgive ourselves more slips and learn from our mistakes. Today, the margin of error is minimal, which is why experience is so valuable in business.

And thanks to this experience, MCI Group has grown into a private equity investor. Where and how do you look for companies to invest in?
Private equity, as a rule, strives to build value in the companies it invests in not only with cash but also through joint control over these companies

and portfolio management. We are not looking for small start-ups; we focus on mature companies that offer the potential for further growth. Our investments are well-thought-out, our portfolio is carefully planned and we focus on the quality and uniqueness of the companies we invest in.

We have various channels for acquiring investment targets. One of them is the stock market. A good example here is IAI, a Polish e-commerce leader, which we delisted from the Warsaw Stock Exchange by making a tender offer. Another example is eCard, an online payment operator, whose shares we withdrew from the market and, after merging with Dotpay, sold to an industry investor. It was quite similar with ATM, a Polish data center market leader, which, following our investment, fell into the hands of a foreign investor. We have also carried out PIPE (Private Investment in Public Equity) investments in companies such as Netia or Turkey's Index with clear transformational investment guidelines.

This is an example of a public market-private investor transaction. But we also do the other way round willingly: we acquire shares from private owners or venture capital funds and float them so that the public market can value them. Examples of such transactions include Wirtualna Polska, ABC Data and Answer.com. Then we can sell part or the whole of our shareholding in an IPO. Sometimes we also buy blocks of shares from smaller private equity funds and founders or successors whom we help in the transformation and expansion of their companies.

You said that you focus on technology companies, or more precisely, digitally-oriented companies. How do you make investment decisions?

Our investment decision-making is quite complex. We do not act on impulse; decisions are preceded by in-depth analyses and sometimes long-term observations. One example is Wirtualna Polska: we first approached the company in 2000, and we finally invested in 2016, or after 16 years over which we had been in dialogue on and off. Another example is ABC Data: the investment was first considered in 1995, not yet by MCI but by JTT, and we finally bought it in 2008. Of course, these are quite extreme cases, as usually decisions are made much faster. But these examples clearly illustrate the fact that we invest in companies or business models that we know well.

We also put a lot of effort into ensuring that we do not miss out on investment opportunities. That is why we analyze from 500 to even 1,000 companies on an ongoing basis, something that allows us to co-author the Digital Champions CEE ranking, created in cooperation with the Digital Poland Foundation.

What makes you invest in some companies and reject others?
First of all, we are wary of the companies that show no problems at all. This makes us believe that we have failed to notice something or that problems are being hidden. We have made venture capital investments that looked great but ended in failure. Expertia, which created an innovative platform for selling insurance online, seemed to be such an investment. Unfortunately, it quickly turned out that 2002 was not a good moment for such investments. The company was simply ahead of its time, and PZU's dominance in the insurance market did not support the development of the digital channel. It was a quick investment and a quick exit. We did not make any money on it, but we gained something that is priceless in business – lessons learned from our own mistakes. The experience with Expertia helped us a dozen or so years later when purchasing shares in the Hungarian insurtech Netrisk. We achieved excellent results on this investment, and the company is now a leader in seven CEE markets, with a good chance of becoming a unicorn in these difficult times.

What do you regard as your greatest success?
In my opinion, MCI's major achievement is the fact that it has built a highly diversified investment portfolio, a very stable business model and Poland's unique incentive system for partners and investment managers. This is key because it ensures our constant growth. A fund that is known for one good investment is not a good fund. The secret lies in repeating so that subsequent investments deliver stable growth.

Apart from the leader, these repeatable results are possible thanks to partners and investment managers but also entrepreneurs-founders and CEOs of the companies you invest in. What characteristics should a potential business partner have to make you think: "I want to cooperate with this guy"?

In the case of private equity, assessing the quality of the entrepreneur is not as important as for venture capital. When we were at that stage, we tried to make a sort of ideology out of the founders' assessment, but practice showed that it was often just guesswork. Today, we have it much more systematized, and in order to assess the management, we conduct an audit aided by large executive search companies. In simpler projects, we conduct such an audit on our own and, based on certain standardized steps, we assess the competencies of the management team. An entrepreneur certainly scores points with us if their profile and competencies match the investment guidelines. But as a rule, we rely on data, not intuition.

What areas do you find most attractive today from the point of view of a potential investor? What areas will see the most development in the coming months and years?
We are looking for investments that will bring us several times the return on investment. I cannot answer what sectors or technologies these will be because I am here to observe, not predict. Obviously, we need to analyze the investments of other funds in Western Europe or the United States and draw appropriate conclusions, and this is certainly one of our methods.

We are looking for companies that we can help become if not a unicorn, then at least a regional champion. Here, I can mention four areas. The first two are about building a national and then a regional champion. The examples include companies that were number 1 in their countries and then in the CEE region. I mean Allegro, Mall.cz, or, in our portfolio, Answear and Netrisk, as well as ABC Data in the past.

The third area involves building European champions, taking advantage of effective labor costs as well as high technological and managerial quality, which are specific to Poland. Here, I would mention the example of eSky Group, an online tourism platform that is growing dynamically thanks to its technological edge and unique expansion model.

The fourth area – the global champion – is still ahead of us. From among Polish companies, one that immediately springs to my mind is CD Projekt, but there are many more Polish gaming companies that rank high among global players. We were not lucky with the gaming sector.

But at the beginning of our activity, we successfully invested in Bankier, a financial website, and LiveChat, a supplier of tools for online customer service and marketing. We sold both companies over 20 years ago with a solid profit, although LiveChat for PLN 1 million only. Today, the company is listed on the Warsaw Stock Exchange and valued at almost PLN 3 billion. We were in a bit of a hurry. That is why we are now trying to sell our investments above PLN 1 billion.

You mentioned that you had no success in the gaming sector, but Polish companies are a tasty morsel for investors. For example, the Chinese giant Tencent took over a majority stake in the Polish company Techland, which is responsible for the creation of globally popular games such as Dead Island. Can Chinese capital disrupt the Central European market?
The situation is a bit different here. Tencent is a holding that consolidates the gaming sector, with a very wide portfolio and access to the largest gaming markets in the world, which gives it diversification. In the case of private equity, there are not many examples of successful investments in the gaming business, which is due to the lack of the above-mentioned repeatability. Unfortunately, it is typical of games that one may turn out to be a hit and another a failure, dragging the company down. A game producer is a bit like a film studio: to be reasonably sure of sustainable growth in this business, you need to have the entire portfolio of film studios to generate stable cash flows. That is why it is not a good market for private equity.

What are your goals for the coming years?
Despite weak macroeconomic indicators, I believe that the M&A market is regaining momentum and – what is particularly important for us – sellers' expectations have decreased. That is why we plan to invest more: by 2025, we want to spend approx. PLN 2 billion on the purchase of new portfolio companies. And by 2025, we would like the amount to exceed PLN 5 billion, which would place us among the three largest private equity funds in Central and Eastern Europe. The long-term goal for our 30th anniversary is to become the first private equity group to successfully expand beyond the CEE region.

We are looking for a European champion

In the years 2023-2025, MCI plans to make PLN 2 billion worth of investments, and by the end of the decade, it expects the amount to exceed PLN 5 billion to break into the top league of private equity funds in CEE. What are the determining factors when selecting an investment target?

Filip Berkowski, Tomasz Mrozowski, Paweł Sikorski and Hubert Wichrowski, *Partners and Investment Managers at MCI Capital, share their experiences.*

In its day-to-day work, the MCI investment team deals with the task of searching for companies that harbor the potential for dynamic growth in Poland and the entire CEE region. We focus on picking the companies that can become regional champions in their segments or industries. The experience and knowledge of MCI Capital, which itself evolved from venture capital to private equity, are extremely helpful when looking for investment targets because we draw invaluable know-how from 108 investments we have made since 1998.

Currently, MCI is interested in digital companies, with special consideration for the so-called **digital disruptors** operating in the e-commerce, marketplace, fintech and SaaS sectors. We are closely watching B2B companies whose growth potential is driven by artificial intelligence.

In entrepreneurs' hands

For a company to be interesting to investment funds, it must be of appropriate scale, operate in an attractive market and constantly develop. Its leaders should pay particular attention to the following issues:

- **empowering the managerial staff** and ensuring the distribution of organizational knowledge so that it is not accumulated in the entrepreneur's head only;
- **business diversification** and elimination of basic types of risk, such as dependence on one large customer or supplier of semi-finished products;
- **organizing processes** and operating in a transparent manner, e.g., professional handling of taxes and legal issues related to the company, increases the credibility of an entrepreneur and the company itself in the eyes of every investor.

Additionally, we have recently been attracted by **climatech**: companies dealing with the circular economy and the technological transformation that stems from the need to take greater care of the environment and counteract climate change. It is a fledgling market, but it was pretty much the same with digital players when MCI decided to go down that path. Historically, innovative companies popped up north and south of Poland, but then we made up for lost years. In our opinion, the same may be true for climatech, hence our interest in this new market. We cannot afford to miss out on emerging opportunities, even if they were to arise outside Poland or CEE. Our experience shows that sometimes it is worth looking beyond the usual patterns and reaching for opportunities as we did in the cases of the UK's Azimo and Israel's Gett.

The investment criteria are widely known and apply to all investment targets, regardless of their location. **We focus on two areas, i.e., buyout and growth, which means that we not only provide capital for the company's development, but we also build its value through the transfer of knowledge.** As a rule, MCI looks at companies generating EBITDA of EUR 5-25 million and reporting a double-digit growth in revenues. But you can take a more flexible look at a specific company if you notice a tempting opportunity. Indeed, our criteria are not carved in stone, and flexibility and the ability to spot opportunities should always go hand in hand. The common denominator for our investments is the occurrence of one of three conditions:

1. **Digital breakthrough:** a solution or technology that disrupts the existing rules of the market game and poses a threat to the business models of the so-called old economy.
2. **Digital transformation:** technological reorganization within traditional business models that makes it possible to meet the challenges of the digital economy and address competition from cutting-edge business ideas. Digital transformation allows such companies to survive and find their bearings in a new economic reality.
3. **Digital ecosystem:** all business models that support mainstream models, e.g., online payments (they grow with the growth of e-commerce but also vice versa on a feedback basis), logistics or courier companies, data centers, etc.

We invest in companies of appropriate size that have already demonstrated their profitability and proven that they can operate effectively and generate cash for their owners. In other words, **we are interested in companies that have successfully tested their business models, products and processes in the market battle.** Yet, it is not enough. Apart from the obvious financial parameters, which all investment funds pay attention to, there are some other factors that matter in the decision-making process. Taking a look at them can be **a valuable lesson when building a winning company** and a road map for entrepreneurs who would like to benefit from the support of funds in the future.

Growth potential sought

The key to success in the investment industry is to bet on the right horse, i.e., a company that will generate a return. For this to happen, such a company must operate in a promising industry, have solid competitive advantages and a development potential that the fund will be able to unlock putting into practice its own ideas. Each transaction is preceded by the partners getting to know each other. Both parties must be confident that they are talking to the right person, especially if there is a transaction at stake, as a result of which the company's owners will remain its shareholders, either minority or majority ones. In such a case, they not only get money here and now but also a partner to build the company's value together for at least the next couple of years.

As we mentioned above, MCI only considers companies that have already achieved success but have not managed to seize all the opportunities to fully blossom. In fact, the search for new investment targets involves discovering new development opportunities for companies. However, unlike venture capitalists who rely on sort of fortune telling when making investment decisions for lack of simple and clear information, in private equity, we have it much easier in this respect. We can verify the profitability of the business model, its strengths and weaknesses, and we see how a given management team performs in the market battle. Yet, **in addition to quantitative arguments, we are also looking for qualitative ones.** We focus on the following three things.

1. The product

If the company fits the investment criteria, we first look at the product. We try to find answers to questions such as: **Does the product meet a fundamental market need that is important enough for the customer to be willing to pay for it?** Is it a nice-to-have product or a must-have product? What purpose does it serve for the customer? How is it assessed both from the organizational perspective and by the people who work on it on a daily basis? What other products in the same category can customers choose from? How do alternative solutions fare on the market? How does the product rank relative to these potential other customer choices? Is the product easy to replace or substitute with another one available on the market? For example, in the cloud industry, we pay attention to the cost that the customer must incur when they want to substitute a given solution with another one, and we look for businesses where such a cost would be very high because it makes a business model safer.

We also look at the product through the lens of the so-called unit economics, checking whether a given business is simply profitable. **What does its distribution look like? How effective is marketing?** How much does it cost to reach the customer? How much does it cost to acquire the customer? How does it relate to the value created by the relationship with the customer (lifetime value)? How often do customers stop buying this product and why? These questions could be multiplied. However, what we want to achieve is that the product's economics are cost-effective already at the stage of product distribution.

At MCI, we welcome companies offering products that can be compared to aspirin. That is because the customer would make every effort to get aspirin to kill a headache fast. If you forget to take vitamins before going to work, you will probably not come back to take them, and you will only notice the effects of irregular dosing after some time. But if you have a headache, you will go to great lengths to take aspirin as soon as possible because you know it will relieve the pain. You know you need it immediately. That is why we are looking for products that can change the status quo for a much better one from the customers' perspective.

2. The market

Another factor to be considered when evaluating potential investment targets is the market. While in the real estate industry there is the "location wins" belief, in the investment environment the focus is on the market size.

When assessing a potential investment target, a series of questions arise: What is the potential and scale of the market? What can be done to increase the company's revenues? How have revenues changed over time? What is the total addressable market (TAM), also called the completely available market, i.e., what is the overall revenue opportunity available to a product or a service? Of course, we privilege companies operating in large markets, even if they are not dominant at the moment. What matters is the potential for growth.

Market size is extremely important! Andy Rachleff, founder of Benchmark Capital, once said that **in a large market, a company can succeed even with a mediocre team, but in a small market, even outstanding teams will fail.** Therefore, we carefully estimate the size of markets and creatively approach the impact of new technologies on shaping new markets.

3. The people and the team

Our transactions do not determine a future success or failure. Ultimately, the crucial thing is execution, and execution is the job of team members who must work hand-in-hand to make the growth plan a reality. Therefore, when looking for new investment targets, we check how the company is managed. Is it supervised by a single person, often the founder, who knows all the ins and outs? Or has it a management board and managerial staff, and thus the knowledge is distributed among several key people? What is the team's experience and attitude towards the company's development? Where are the competence gaps that may hinder or delay the implementation of ambitious growth plans? Is the team willing to fill the gaps?

When the sole depositary of organizational knowledge is the company's founder or CEO, this creates potentially big risks, although it does not rule out investment altogether. If, as a result of a transaction, such a person receives, say, PLN 100 million, they have 100 million reasons not to come to work on time, and their motivation to further develop their business naturally decreases. In such a case, on the one hand, you need to ensure that the owner-founder is motivated to carry on and actively support the development of the organization, and on the other hand, you need to start building an independent management team around them. Ultimately, it takes over the management function, relieving the owner-founder who, as the scale increases, may not be able to cope with the amount of information.

Leadership plays a key role in the process of selecting an investment target. As a fund, we like working with ambitious CEOs and founders who have a vision of how to propel the company into a leading position and, above all, are able to inspire people. This is extremely important because the fund is not operationally involved in the company's activities. Therefore, the responsibility falls on the CEO and the key members of the management board to lay down a vision of development and chart a course that the whole team should follow to make this vision come true. It is no secret that companies supported by private equity grow faster and more dynamically, and teams are usually supposed to meet much higher expectations. Hence the paramount role of a leader, the industry's insider, who will bring out these challenges, encourage hard work but also make people realize the potential benefits, including financial ones, related to the company's success. We are looking for people who have a natural ability to argue that making large-scale changes is within the reach of both the company and the team. As trivial as it sounds, people really are of utmost importance here.

How we make decisions

We do not have a crystal ball whose predictions guarantee infallibility, but drawing on our extensive market knowledge, the experience of our portfolio companies and a reliable assessment of facts, the choice of our investment targets is far from reading the tea leaves. We can estimate our success with a high degree of confidence. The above-mentioned factors provide the background for assessing the profitability of the entire project. We look at these individual points through the lens of risk and potential reward, and then we apply a number of standard quantitative methods to predict potential investment returns. If the estimates are in line with our expectations, the project gets the green light. If we do not see this potential in it, we give up and look for another target.

We do not hide the fact that our searches are best when conducted quietly because we operate in a quite competitive market. The scope of these searches is limited, we have a fairly precise investment framework, and there are not many investable companies with a specific profile in the range of EUR 20-100 million that are growing very quickly and meet our other investment criteria. There are 5-7 such transactions in the market per year, and if a year happens to be extremely fruitful, up to 10 at most.

It is worth mentioning that **searching for an investment target involves not only discovering its strengths but also identifying its weaknesses.** Skillful delving into these areas helps make an informed decision and better prepare for the next stages of building the company's value. Conducive to exploring the weaknesses of potential companies are the meetings of MCI investment managers, during which we discuss the potential targets' advantages and disadvantages, focusing on the latter. Perfect companies with no problems are suspect. This very likely results from sweeping problems under the carpet and the owners' insincerity or low awareness. Such a potential target immediately arouses greater vigilance.

An even more important issue for discussion is the one regarding real, very concrete and pragmatic business development ideas specific to a particular company. There is a variety of possibilities here: from the reorganization of financing sources or the company's capital structure through market consolidation to additional investments, for example in technological facilities. We sketch many future scenarios to anticipate the development of the situation and prepare for it. Sometimes it happens that we see the company's potential and come up with ideas on how to speed up its growth, and at the same time, we know that at this stage it does not need the fund's support. We share these observations transparently, suggesting organic development or another type of partnership that will allow the company to grow to a level that both parties will find more beneficial when discussing private equity investments.

We are constantly looking for new investments and we have repeatedly found out that the journey from identification to completion of the transaction is very long and interspersed with extremely intense moments, like due diligence or agreeing on a contract. And this is just the beginning because after investing, we have to roll up our sleeves even more. From that moment on, the future of the company is in our hands. There comes a time to create value and work with the company. The team responsible for a given investment crafts the so-called value creation plan and implements it together with the company's management. But that is a topic for another occasion.

We scale businesses

The private equity sector specializes in building value for a wide range of companies and business models, ensuring the development of enterprises of various structures and sizes, from local technology start-ups to global corporations. MCI, which is operating in this segment, supports companies with high digital competencies, helping them scale up – state its Partners and Investment Managers: Filip Berkowski, Tomasz Mrozowski, Paweł Sikorski and Hubert Wichrowski.

Private equity is a source of investment capital from outside the public market, which comes from private investors and is collected with a view to investing and acquiring enterprises. According to data from Preqin, an analytical firm providing data to financial market participants, the total global private capital generated by PE firms reached USD 1.3 trillion in 2022. When we add this amount to the value of capital generated by PE firms in 2018-2021, we get an impressive result of USD 6.4 trillion invested over five years. In 2022, private equity managed assets worth an estimated USD 11.7 trillion. Assets under management represent the total value of assets managed by PE firms, including assets in which PE firms have invested and assets acquired from investors. In the coming years, we expect private equity to remain on the upswing. MCI is an active participant in this market and a leading player not only in Poland but also in our region of Europe.

How private equity works

To fully grasp private equity's approach to creating growth in companies, it is important to first understand what private equity is and how it cooperates with companies and creates value. Depending on the investment philosophy, PE investors can bring values that go beyond capital itself to the companies they invest in and acquire. These values can be strategic and operational experience, knowledge of the industry and markets, contacts with potential partners and clients, proficiency in financial management or competencies in acquiring and developing talent.

MCI Capital, like other companies from the PE sector, has an investment horizon of 4-7 years, which means that we focus on the companies that provide us with significant returns in the long term. That is why we usually only invest in businesses in which we see great potential. We are driven by the prospect of an above-average return on investment (ROI) and look for companies whose owners have the same goal.

Our investment process is no different from the standards developed over many years in Western developed markets. It typically involves four key stages:

1. **Search** - when we identify companies for investment. We focus on companies that have already tested their business models and products in the market but still have great growth potential they can harness with our help.
2. **Acquisition** - when we buy shares from the owners in exchange for partial control over the company and/or we increase its capital, providing the company with funds for development. At this stage, we act in compliance with the terms set out in the non-disclosure agreement (NDA) and conduct due diligence, following which we submit an investment proposal.
3. **Building growth** - we get involved in managing the company to increase its value, using the capital invested, our knowledge, leverage, financial strategies and relationships.
4. **Exit** - depending on the rate of return achieved and the agreed investment period, we sell our shares. The exit process is carried out in various ways: the sale to other funds, the sale to an industry investor, or the flotation of the company on the stock exchange.

Areas of growth

For an investment to be successful, each of these four points must be implemented in accordance with the highest standards. Observing a company and making an investment decision can sometimes take several or even a dozen or so years. What requires the greatest commitment in terms of time is point 3, i.e., value creation. We focus on three areas here:

1. **Operational efficiency** – we leverage our knowledge and experience to increase profitability by optimizing costs and resources.
2. **Strategic growth** – knowing the specificities of the sectors that we follow closely and those of the neighboring markets, we actively look for development opportunities through territorial expansion, developing products as well as making strategic acquisitions and searching for synergies between sectors and companies.
3. **Financial engineering** – we increase shareholder value by optimizing the capital structure, making financial management more effective and driving growth with operational and financial leverage. In doing so, we are aided by our strong relationships with M&A intermediaries, investment banks and industry investors.

In principle, private equity primarily deals with helping businesses achieve greater efficiency and a much larger scale of operation. We often invest in companies that were managed by one or several owners and reported revenues of usually several hundred million zlotys. The day becomes at least half too short for such a typical micromanager to think about further scaling the business. Therefore, as a PE fund, the first area we focus on in many, but not all, companies is the professionalization of senior and middle managerial staff. This means that it is necessary to organize the scope of responsibilities in individual positions and to ensure that the top two management roles are held by people with appropriate competencies. If the company is to operate on a greater scale, decision-making must be distributed among a larger number of people.

Once we have secured professional staff, the next natural step is to introduce the process and cost discipline that will guarantee the predictability and repeatability of the results. At this stage, we often go beyond the owner's business intuition to reach the level of hard financial and operational data that is understandable to both the broader managerial staff and current and future investors. Only the transparency and predictability of results allow us to shape our strategy for the future and set new, attractive directions the owners may not have thought of. Chief among these directions are acquisitions and consolidation, paving the way to leadership roles in the country or the region.

Last but not least, there is the capital and the whole area of financial optimization, which is supposed to provide us with funds for the company's development and help generate the expected rate of return. Activities in this area, in addition to financial management, include streamlining operations by removing process inefficiencies and overstaffing, optimizing marketing expenses and achieving savings through process automation.

Individual approach

It is worth emphasizing that no two companies are the same, therefore each investment follows its own rules and is approached individually. It all depends on the specific nature of the company, as some things may already be very well organized in one company, while in another, we have to develop the same elements from scratch. Unfortunately, there is no universal recipe for building value that we can apply in the same way in each of our portfolio companies. Of course, we do our best to achieve transparency, professionalization of managerial staff, operational efficiency and a structured approach to growth, but the path to these four goals usually varies.

Let us take a look at examples from MCI's portfolio. The standard area of cooperation between MCI and its portfolio companies is optimizing the business model to make it scalable. In the case of Morele.net, the product portfolio became an essential area of changes initiated by MCI. Morele Group had advantages such as a well-functioning technological and technical base and successful commercial and marketing teams. Such assets almost beg to be leveraged to have sales increased radically. At the time of the investment in 2011, Morele Group, in the market since 2000, planned to scale its business model to double its turnover to PLN 2 billion, achieve a modest margin (5-6% on electronic products) and maintain financial liquidity. This level of margin did not guarantee the high degree of efficiency that a scalable business provides. Therefore, MCI suggested to the company's management board that the platform should sell new product categories that generate a double-digit margin and are bought by customers more regularly than electronics. In addition to computers and smartphones, the offer was extended to include cosmetics and perfumes, toys and children's items, as well as animal food and accessories. This simple change boosted the margin dramatically and only slightly increased the costs.

Another move that accelerated the development of Morele Group was establishing cooperation with another MCI's portfolio company from the logistics sector: owing to the scale of its operations, ABC Data, a distribution company, was able to offer cheaper services, which improved business scalability. At that time, ABC Data generated PLN 5 billion in revenues and had its processes optimized, so the unit cost of the logistics operation was lower than in the case of a smaller scale of operations. Therefore, the cooperation was beneficial for both our portfolio companies.

A completely different example of building value is Israel's Gett, a B2B ground transportation management platform and a B2C passenger transportation application. Initially, the company was focused on global expansion and trying to compete in the B2B segment with ride-sharing giants such as Uber and Lyft. For this purpose, it obtained solid financing and pursued development in large markets, including the United States and Russia. However, this did not translate into the expected cash flows. The situation was further complicated by Russia's attack on Ukraine, as Gett had a large part of the back-office team located in Russia. The company found itself at a crossroads. Then, together with Gett's owners, we decided to transfer its critical resources to European markets and shut down operations in Russia and the United States. Gett focused entirely on its key markets in the UK and Israel and simplified the structure, which allowed us to better manage liquidity and repay debt. With a clean slate, the company could focus on the development of these two key markets and has been doing so since the third quarter of 2022 with great effectiveness. In this case, the recipe for success turned out to be a total simplification and reduction of the scale of operations, something that we describe in more detail in the article entitled "From big to small, or a non-obvious success story."

A different story of growth involves investing in the company IAI, where we placed a strong emphasis on management succession and the professionalization of the managerial staff. IAI has been operating since 2000, offering a platform for creating and managing online stores in the SaaS model. In Poland, it serves nearly 7,000 stores, and through the acquisition of Shoprenter, it has also embarked on international expansion, becoming a market leader in Hungary. For years, the company was led by its founder, Paweł Fornalski. However, over time, together with the company's founders, we made the decision to undergo managerial succession at IAI. We agreed with the president that he would transition to the position of chairman of the supervisory board, overseeing the company from an ownership perspective, while professional managers were appointed to executive positions.

Currently, Michał Paschalis-Jakubowicz holds the position of CEO, tasked with leading IAI's further market expansion. We chose him due to his extensive experience in managing technological businesses in the B2B sector. As the second member of the board, we appointed Michał Tykarski, entrusting him with the responsibility for product development and business development. In assigning him this role, we appreciated his experience gained in the e-commerce industry while building the Shopee sales platform, as well as his previous work as a consultant at the Boston Consulting Group. The third member of the board, recruited with the support of MCI, is the company's CFO, Kamila Łozowska. Her professionalism is best evidenced by the fact that the financial community awarded her the title of CFO of the Year 2023. We are working hard to strengthen the team of managers reporting directly to the board. This is the kind of composition we mean when talking about the professionalization of managerial staff.

From big to small, or a non-obvious success story

Gett's experience shows that sometimes it is worth taking a non-obvious step back to spread the company's wings and break a business impasse. Here is a story about giving up a large-scale vision in favor of a smaller-scale but higher-profit business.

Matteo De Renzi, CEO of Gett

If you travel to the UK or Israel on business, you have probably heard about the Gett app, which allows you to move around the city efficiently. With just a few clicks, you can book a taxi or a private car, track the driver's location and pay seamlessly through the application. Our goal has always been to minimize stress, as well as to ensure comfort and hassle-free transport, especially for business travelers. That is how Gett's story began: Dave Waiser, the company's co-founder, needed to get to the airport, but the taxi wouldn't arrive. Upset by having to wait for half an hour, he came up with the idea for his new venture. Two years later, in 2011, Gett started operations in Tel Aviv, and shortly thereafter, launched its ride-sharing application in various cities in the UK and Russia. We then expanded to the United States, with the acquisition of Juno, a New York ride-sharing company.

Gett's on-demand ride-sharing model is straightforward: connect customers and businesses with a licensed carrier. Passengers order a taxi either through the company's website or by using the GPS-based smartphone application. At its most intense, Gett operated in more than 100 cities across the United States, the UK, Russia and Israel, with a headcount of over 1,000. In Israel, we are still a brand no less known than Coca-Cola.

However, the crowded global ride-sharing market was not easy and friendly. We used the capital obtained from venture capital and then private equity investors to expand the scale of operations and conquer new markets. We struggled to achieve profitability as we competed with other brands for customer attention. For many years, we imitated the business models of large players involved in passenger transport, believing that a presence in as many countries and cities as possible would bring us greater recognition, more customers and... higher profits. We thought that this was the only valuable direction of development, even though it was temporarily more capital-intensive than profitable. As time went on, we came to notice flaws in our approach and began to struggle with scale pains. An over a thousand-strong workforce, the dispersion of teams, the diversity of the markets where we operated, as well as the extremely complicated and unique working conditions of taxi drivers – all this caused us more and more problems.

Awareness of advantages

From the very beginning, we have positioned ourselves as a technology player, providing higher-quality services than others at a reasonable price, striving to have the best drivers and the best customers on our platform. Together with our unique technology, this was a point of differentiation from other larger players. But in the race for growth, **the industry matured rapidly and became overly subsidized. There was a lot of capital, so riding became artificially cheap for customers,** making it increasingly difficult to remain competitive and financially effective. And then we came to realize that our position was not strong enough for us to think about developing in all the markets where we had already established a presence.

In addition, the pandemic left a mark on the industry, limiting people's mobility. We started to consider changing our strategy to generate satisfactory business profitability. The most difficult moment in the history of Gett occurred at the beginning of 2022. We intended to go public and launch a variety of new products in the United States and around the world. However, due to the war in Ukraine and the subsequent crash of the technology stock market, we had to change our plans. As a matter of fact, we went from having very high aspirations to fighting for survival. Unfortunately, this led to many people being laid off, our strategy thoroughly reshaped and our dreams put on hold for a while. I am proud because we have since come back from the dead, stronger than before. The company became profitable just a few months later, and then we started growing and growing. We are now number one in Israel and among leaders in the UK, with a profitable and growing business and – just as importantly – an exciting pipeline of initiatives set to further speed up our growth.

Keys to success

Many entrepreneurs believe that the larger the scale of operation, the greater the success. However, Gett's experience points to something completely different. External circumstances, such as the pandemic and the war in Ukraine, accelerated our decision-making and prompted us to make quick amendments to our strategy. Knowing what we are really good at helped us make difficult decisions to withdraw from the markets where we could not achieve a leading position.

Our success stems from focusing on the customer, playing by the rules, ensuring reliability and the highest quality at a fair price, reaching deep instead of wide, and finally, from knowing the fabric of the city, the community of drivers and their needs. One of our business mantras is to create seamless products. We want products that are extremely efficient, automated, easy to manage, quick to scale and, above all, child's play to use. We are currently working on solutions that will allow us to better manage taxi traffic in places where there is a high demand for transport services, such as airports. Additionally, we are looking at ways to provide **a truly seamless car-sharing experience.** To this end, we are working on a technology to share a car with someone else traveling in the same direction. Our customers get much better fares and can reach their destination in a reasonable time. At the same time, we have a positive impact on the environment because we minimize traffic and carbon footprint. That is why we based our business on four principles.

1. **Genuine customer obsession.** Our mission is to provide the fastest, safest and highest-quality journey. We subordinated all our activities to this. We have developed a technology designed for markets where official taxis operate. Therefore, we have very strong operational resources to make sure that the ordered ride will take place, and in case of any problems, we are able to react immediately and correct the situation here and now. We always choose the most professional drivers available. The combination of these things ensures that our services are of higher quality.
2. **Playing by the rules.** Our goal is to provide reliability and the highest quality at a fair price. To be sure, pricing is extremely important in such a highly competitive market, but the cheapest options are not always the best ones in terms of safety, destination reaching guarantee or professionalism. Especially when traveling for business, customers need to be sure that they will arrive on time for their meetings. We give them this comfort.
3. **Reaching deep instead of wide.** We focus on increasing the scale of operations in local markets, instead of going into many markets with a low share in each of them. We see great potential in finding new ways to leverage our resources to create other services on the British and Israeli markets, such as parcel transport within cities.
4. **Knowledge of the driving community and drivers' needs.** Thanks to relationships with professional drivers, we have access to unique knowledge about driving around cities, possible shortcuts and less popular routes. This guarantees arrival on time, which makes us reliable partners for business travelers and allows us to stand out from the competition. Customers can count on us 365 days a year, 24/7. We are also able to benefit from taxi driver privileges. In London, for example, cabs can drive in lanes inaccessible to regular vehicles, helping you reach your destination much faster.

Three lessons

Our main mistake was developing too quickly. The result of a rapid expansion was blurring the management's focus and reaching a point where you no longer have a strong connection with what is happening around you because you are too distracted. And that doesn't lead to good business results. Expansion is only a good idea if you know you have a strong and sustainable business model where you already are. Otherwise, you will end up with a lot of unfinished initiatives that sort of pile up on top of each other. Ultimately, such a tower collapses. Therefore, it is worth doing things in series. Only once you are sure about something, move on to the next thing. If I were to summarize the lessons from our crisis, which involved a lot of stress and risk and, at the same time, turned out to be our salvation, I would mention three ones.

1. The crucial thing for any company is **the ability to focus on what is really important as opposed to getting distracted by many different issues.** If you clearly set a goal, it is easier to direct all initiatives that will help achieve it. Gett followed this path, choosing to reduce the scope of operations and focus on two key markets, i.e., Israel and the UK, looking for opportunities to scale our business there. You can have small shares in ten markets or huge shares in two markets, and the latter option will ultimately allow you to generate more profit. This is what happened in our case. Evidently, you must be aware of the limitations of such a strategy, because it is not an action plan for decades. Every market will become saturated at some point, so it is worth looking for new directions of development, while not spreading yourself too thin.
2. Gett operates in a highly competitive industry, so **capital allocation is the most important decision I always make together with my management team and my shareholders.** We constantly ask each other: "What initiatives should we spend money on and how will it affect our situation in the long run?" Very often, we say "no", we are selective. If you get these decisions right, you buy time and you can stay in business longer than your competitors, and eventually you can find yourself leading a country or a particular segment and then you become profitable and continue to grow.

Currently, we are more mature in assessing business decisions. If you want to cross the desert because you know that at the end of the road, you will find a fantastic place with amazing food, you need to prepare for it and make sure you have enough water in your backpack. Companies sometimes just head out into the desert, optimistically assuming that they will somehow get there. They do not verify that they have everything they need to get there. The lucky ones will reach their destination, mount a camel along the way and be given a ride, but most will be stuck in the middle of the desert with no means of survival. That is why at Gett we do not let our dreams and aspirations obscure our views. We are no longer blinded by our dreams. We calculate, we consult with our investors, we listen to our stakeholders.

3. Talented and committed employees are key and need to be appreciated. **Our company is just people and lines of code**. We do not have factories, we do not produce anything material, we operate a system that allows people to move, we act as intermediaries between them and taxi drivers. We have no stock. We have nothing but two offices. If you want to be successful in this type of endeavor, you should create an environment with a very, very high talent density and a very, very high level of commitment. If your team is 20% faster than your competition and you can keep them 20% more engaged, then you have a team that can do things others cannot. Interestingly, even though we are an innovative technological company, from the early days of our existence, we had a rather traditional approach to cooperation. Before the pandemic, we did not practice home office (with a few exceptions), and in the post-pandemic reality, we focused on a hybrid work model: three days from the office, two days from home. We believe that working together, solving problems face to face and building relationships are the pillars of our efficient operation. Also, people with less experience but high potential can get promoted quickly at Gett, which gives wings to many employees, motivating them to take action and put forward ideas.

Reaching for the impossible

The driving force behind the changes in Gett's strategy was necessity. We had to survive with what we had and then focus more on what we were good at. We realized that we had a lot of good people on board, but that we could run the company with much less staff. So our history is not a bed of roses: we have gone through many difficult moments, we have made an unusual pivot and we have minimized our scale of operations, but we have always been persistent. Our employee community has a can-do attitude: we do not look for obstacles that prevent us from completing our tasks; we look for ways to achieve the impossible. I think this attitude is the backbone of success. We do not give up. This is the promise we made to our customers, drivers and business partners. Even though there were difficult moments in our history, as we struggled for a long time for profitability, we always looked for ways out and did not slow down. To this day, we have an unwritten rule: **"We don't go home when we're tired. We go home when we're done."**

In the future, we will look for new markets where taxi services harbor potential. But for now, we think we have enough work in Israel and in the UK. There is still a lot to do in the taxi market, but also in terms of extending our value proposition to other services that we can create based on the resources we already have. For example, in Israel and the UK, we currently have almost one million active customers. They only use Gett to get from point A to point B by taxi. What about other situations, like sending small parcels or delivering groceries? We still have a variety of opportunities in our business niche and we will not hesitate to take advantage of them.

Travel with changeovers to new markets

The eSky travel platform has developed a unique foreign expansion model that allows you to shorten the time from the decision to enter a new country to the launch of sales to just two weeks. The key to success is proprietary technological solutions developed while conquering new markets.

Łukasz Neska, *Vice President of eSky Group*

At the beginning of 2022, MCI Group acquired 55% of the shares of eSky Group. The transaction amount was approximately PLN 158 million and included the recapitalization of the company. The aim of the investment was to support eSky in strengthening its position in the global market and building a technological advantage over the competition. 45% of the company's shares remained in the hands of the founders. The shareholders welcomed the investor's offer because they carefully observed the effects of the fund's involvement in the e-commerce and IT sectors and estimated that it was able to build the value of its investments.

For MCI Group, it was not the first investment in the digital travel and transport industry, as it provided funding to companies such as Travel Planet, Invia, Travelata, Tatilbudur and Gett previously. MCI's

Results of eSky in 2015-2022

Year	Revenues (in PLN millions)	EBITDA (in PLN millions)	Number of bookings (in thousands)
2015	92	8	794
2016	123	14,5	1025
2017	135	23	1179
2018	180	14,8	1360
2019	314	30,3	2053
2020	202	-18,3	1265
2021	305	63	1439
2022	489	90,2	1917

investments in these rival platforms encouraged eSky's managers to build a competitive advantage even before establishing direct cooperation.

The core business of eSky Group is the sale of airline tickets on the Internet, currently accounting for 90% of its revenues. In 2017, the company expanded its offer to include accommodation reservations and additional services related to its existing operations, such as travel insurance, which allowed for a significant improvement in operational and financial results. In the following years, the platform made it possible for customers from all over the world to rent cars, yachts and kayaks, as well as to purchase tickets for tourist attractions such as museums or even tickets for sports matches. Last year, the company was the first in the CEE region to launch a unique offer known in Western Europe – dynamic packaging – that combines a flight and a hotel in one reservation. This offer is in direct competition with tour operators because it is not only covered by the Tourist Guarantee Fund but also gives greater flexibility in terms of dates, destinations and journey length. But our offer is not the only distinguishing feature of eSky Group. Indeed, we successfully combine proprietary technological solutions with the ability to effectively enter new markets. The mix of these competencies brings very good results visible in the company's increasingly better financial performance and its growing number of customers.

During almost 20 years of activity, eSky Group has entered the markets of 50, where we have acquired a total of 5.5 million users and have established a long-term cooperation with over 30 international partners. Today, we offer flight tickets from 860 airlines and accommodation in 1.1 million hotels. The total value of transactions concluded via our websites exceeded PLN 2 billion in 2023. eSky's customers come from over 250 countries and dependent territories, including even one from North Korea.

Our key market remains Central and Eastern Europe where, in line with the adopted strategy, we want to become the first-choice travel platform. We want to achieve this goal in two ways, with the priority given to organic growth. We are developing flights as a product, but we also focus on dynamic packaging, a product that combines travel with accommodation in one package, something that is very attractive both for customers and for us. In fact, this solution dominates in many Western European countries, including the UK and Germany, and we strive to convince CEE customers that it is better than that offered by traditional tour operators. We are glad that our competitors in Poland recognize the potential of this product and are progressively incorporating it into their offers. Our advantage is that we are several years ahead in this area. We are pushing our way in the market, as evidenced by the sales increase we posted in 2022: up by 134% compared to 77% in 2021.

We believe that acquisitions may be a prospective growth engine for eSky Group. When making acquisitions, we consider it crucial to achieve full synergy with the acquired entity so that the process brings us measurable benefits. Currently, we are looking at several companies, conducting talks and analyzing their activities in order to move on to specifics in due time.

Our largest market is Europe (see the box: Main sales markets of eSky Group). Our first conquests were Bulgaria and Romania, through which we reached as far as Turkey. As for other markets, we started from Portuguese-speaking Brazil, and more recently, we have entered as many

Main sales markets of eSky Group in 2022

Region	Share in total sales
Central and Eastern Europe	31%
Western Europe	37%
Latin America	20%
USA	9%
Africa, APAC, CIS	2%

as 13 South American countries where Spanish is the predominant language. And this is the direction we consider the most promising this year.

After years of presence in foreign markets, we have learned that you do not need to open a representative office or register a company in every country to start selling. This is what we actually did when we entered Romania, Bulgaria and Brazil. In some countries, company formation is still necessary to gain access to local payment and settlement systems. But this is not a rule. In most cases, we limit ourselves to creating local domains, as many clients prefer national websites. Interestingly, we acquire some customers even without setting up local websites because English-speaking people willingly use our global domains eSky.com and eDestinos.com.

However, we keep in mind that although we live in a globalized world, each market has its own specificity. Therefore, outside the global domain, we translate websites and conduct marketing campaigns in local languages, taking into account local conditions. But technology is universal. Thanks to this, we can manage individual national domains from the headquarters in Poland or from operational hubs located in Sofia, Bucharest and Porto Alegre. This approach translates into the employment structure. Half of eSky Group's over 800 staff members are employed in Poland, including nearly 170 engineers and IT specialists at the headquarters in Katowice.

Owing to the centralization and unification of IT solutions, our entry into a new market is largely automated: we have created universal modular segments that can be connected by administrators without programming knowledge. This has shortened the time from the decision to enter a given market to the launch of sales to just two weeks. With modular and repeatable solutions in place, all we need to start selling is to translate the website, integrate payment systems and launch activities that generate website traffic such as SEM. Everything beyond that is done automatically. Even mapping new offers requires virtually no human intervention.

Lessons learned from failure

Technology, including the ability to manage huge data sets, is our first and basic differentiator from rival online travel companies selling airline tickets and accommodation. Every hour, we receive millions of customer inquiries that we have to handle within 3-4 seconds. If we do not provide the potential buyer with a specific answer regarding flights or hotels within this time, they will go to the competition. That is why we focus on cutting-edge solutions and consider ourselves a technology company that uses data to help individual and business clients organize travel. We deliver technology that makes it easier for customers to organize their travel, and this is what distinguishes us from airlines or tour operators that focus on selling and organizing their own services or package products.

In 2008, when I joined the eSky team as a person responsible for marketing, the company had technological resources that allowed it to compete internationally. The first market where we started selling airline tickets in that same year was Bulgaria. We chose this market because the new application that our website was based on originated in Bulgaria, and we were convinced that it would work in its home market as efficiently as in Poland. A year later, we launched sales in Romania. In both of these markets, we registered local companies as required to process online payments and copied the domestic business model based on collecting commissions on airline tickets sold via computer. We immediately encountered huge demand, which was confirmed by the first effects of an extensive marketing campaign conducted mainly on the Internet. In Romania, there was even a “curse of abundance”. Indeed, we launched a website in the morning, and at noon, we had to limit our marketing activity because the call center staff was overwhelmed and unable to handle customer inquiries on an ongoing basis. Today, drawing on knowledge gained in ten years of experience, we are able to forecast demand much more precisely and adapt the necessary resources to it, but at that time, we were surprised by the success of our offer.

Perhaps this underestimated demand led us to wrong conclusions, resulting in a change in strategy. Instead of continuing the territorial conquest, we decided to reinforce our foothold and expand our offer. We had an ambition to become an aggregator of tourist services in Poland and started integrating tourist and travel packages. In this way, we began to evolve from a technology company into a tourist one, and our business model became more and more similar to that of Travel Planet or Wakacje.pl, where the share of technology is negligible. We received the first warning signals just a few days after launching the new offer and reshaping the business model, but we remained hopeful and firmly followed that path.

We decided to expand our product offer on the domestic market to include tourist packages in order to strengthen our position. However, at the time of integration and after the implementation itself, we realized that processing tourist reservations is something completely different from handling airline bookings. Most transactions are handled manually, so the chances of scaling to new markets were practically zero.

In trying to transform ourselves into a tourist intermediary, we lost several months and a lot of money that we could have spent on conquering new markets. But this waste of time was also a valuable lesson for us, which directed our thinking towards flexible project management. Today, the concepts of “agile”, “scrum” and “sprint” are extremely popular, but ten years ago, they were abstract. For us, these then-fledgling project management methods became a way to test new solutions and markets, protecting us against wasting time and money. Therefore, in subsequent activities, we adopted the agile methodology in line with which we create a new solution or a new website with the minimum functionality required to get the first customers, and we immediately do a launch, targeting it to a specific group of users. When a solution is well received, we develop it, improve it and address it to a wide customer base. In this way, we use an iterative method to arrive at fully functional solutions. This operating model means that projects are never fully finished because customer expectations change with the development of technology. The agile method allows you to keep up with these expectations and stay ahead of the competition.

With such a flexible approach to project management, it is extremely important to quickly collect feedback, analyze the data and draw the right conclusions. Unfortunately, the applications available in the market were not tailored to the specifics of our business. Once we came to terms with the fact that we would not become a tour operator, we returned to our roots, becoming a travel e-commerce company that sells products online but does not create its own ones. So we decided to perfect our sales process and look for advantages over our competitors here, but to achieve this, we had to get to know our customers better. For this purpose, our programmers have developed their own tools for collecting quantitative and qualitative data. We focused not on the product evaluation itself but on the customer's behavior while browsing the offer and during the purchasing process itself. Therefore, in addition to quantitative data, we use an application that records user interactions while navigating the website. Thanks to this knowledge, we were able to correct any inconveniences that hindered sales. Among the barriers, we identified sometimes surprising details, such as the appearance of the website, a misplaced button or – in the case of foreign-language websites – a poorly translated description or even a bad color combination.

Analyzing customer behavior, we have often observed that copywriting in local languages is vitally important. We definitely needed the support of native speakers. Things look different in different countries. For example, in the Spanish-speaking world, it is easy to get a "gringo" label that will ruin any business. Therefore, you need to be very careful – especially when communicating on social media – not to offend and, as a result, lose potential customers. Sometimes one word used in a bad context is enough for a customer to close the website, believing that someone is insulting or ridiculing them. We had an interesting case in Brazil, where many people dropped out in the gender field. Why do not people want to select the “Mr/Ms” title? It turned out that in Brazil gender is associated with marital status. Unmarried women did not want to tick the “Ms” field and looked for “Miss”. Having not found it, they left the website annoyed. When we corrected this completely surprising inaccuracy, sales immediately surged by several dozen percent. It also happened that changing two sentences resulted in an increase in positive reactions to our offer from 2% to 40%. There are definitely more such local specificities.

Lessons learned from success

Armed with the experience from the unsuccessful transformation into a tourist company, we returned to the path of territorial expansion. But this time, we were richer in knowledge about flexible project management methodologies and in the skills of collecting and analyzing large data sets. We started to reflect on determining further lines of development and, initially, we considered entering other European countries step by step. But when we looked at the bigger picture, it turned out that instead of doing the same thing ten times, we could conquer an area similar to Europe in one go. Our attention was drawn to Brazil, where there are over 200 million potential customers who speak one language – Portuguese. It is a country very unlike Europe, a country where everything is different, from time zones through cultural aspects and consumer behavior to technological aspects. The potential was so great that we decided to focus on this market.

Entering the Brazilian market required our full organizational commitment because it is a country not only completely different from Europe but also full of cultural and technological surprises. The key to success was adapting our solutions to the shopping habits of Brazilians. In Poland and throughout Europe, people willingly shop online, but in 2010, when we were preparing to conquer a new market, shopping via computer reigned supreme. Meanwhile, in Brazil, mobile shopping was commonplace, a sort of technological leap resulting from the poor level of cable infrastructure in this country. Many Brazilians had no contact with desktop computers, laptops or cable networks. They started their adventure with the Internet with mobile phones and took it as something natural. That is why we decided to comprehensively expand the mobile functionalities of our platform. For the needs of European markets, there was no point in making such upgrades, but in the case of Brazil, we would have no chance of acquiring customers without an application for smartphones. We added a mobile version of the website, innovative at that time, and as a result, today we are the only major reservation service from outside Brazil that entered and remained in this country. Much bigger players from Western Europe and the United States tried it before us, but no one managed to repeat our success.

Entering the Brazilian market perfectly prepared us for the mobile revolution. Today, our websites around the world receive more visits from mobile devices than from traditional computers. Even in Europe, there are markets where more transactions are made via smartphones than via traditional computers. This is the case, among others, in Romania, where practically everything happens via smartphone. Brazil forced us to develop a mobile application that is now used by almost three million people around the world and has won many prestigious technology awards. Thanks to our expansion, we were 2-3 years ahead of the European market, and while our direct competition was launching smartphone solutions, we were already getting involved in new areas that will be key in the coming years.

Further directions of our research and development work are largely derived from the Brazilian experience. It was there that we encountered various types of online fraud and extortion on a scale unknown in Europe. The amount and variety of such abuses prompted us to develop strong protective mechanisms that effectively safeguard us and our customers against cyber abuses. Internet crime was one of the reasons for the failure of many foreign services that went bankrupt after it turned out that most of the transactions concluded through their systems were simple frauds and that customers' money went to the accounts of fraudsters rather than to carriers or hotels. This perfectly motivated us to create advanced payment and customer verification systems that, in addition to interactions with people, covered social media analysis, too. This advanced and multi-layered process of protection against unfair transactions allowed us to continue stable development in South American markets and today keeps us safe all over the world.

After entering the Brazilian market, we decided to take another break, not in order to change the business model, but to establish ourselves there and refine our technological solutions. The process of entry, stabilization and adaptation to the local market, including creating a mobile system and a security system, meant that, in Europe and Brazil, we operated with two completely different technologies, and moreover, our application grew so large that it became unstable. That is why we decided to build everything from scratch, using cutting-edge solutions and our previous experience. We then decided on the modular nature of our system so that entering new markets in the future would resemble building a house of blocks, where each time we would be able to select the functionalities needed in a new market, instead of reshaping proven solutions. Thanks to this approach, we were able to shorten the time of entering a new market, and in 2015, we managed to launch sales in ten countries: the Czech Republic, Slovakia, Hungary, Turkey, as well as in the Spanish-speaking countries of South America, i.a., Peru, Panama, the Dominican Republic; currently we are kicking off operations in other markets in the region. In each of these countries, we widely use new mobile solutions and apply security systems developed in Brazil. The high level of our technological assets and security systems allows us to manage services in individual countries remotely, without opening representative offices. For example, in Peru, we are number two in the market, but we do not have an office there. We serve Peru from three places in the world: Poland, Brazil and Romania.

Today, we are present in 50 markets, of which 14 are Spanish-speaking countries. We perceive them as very promising and we see even greater potential in them than in Brazil. Therefore, our priority directions for the coming years are the Spanish-speaking markets of South and North America that we have not reached so far. These include primarily Argentina, Uruguay, Chile and Ecuador, as well as Mexico and the United States. In the latter case, our target group is the Latino minority, which represents over 15% of the country's population, and in southern states such as California, Texas and Arizona, it even exceeds 30%. Entering the English-speaking American market, where competition is fierce, would be extremely difficult and expensive for us, so we decided not to compete directly with the world's leading players. Instead of fighting bloody battles, we prefer to gradually acquire new users from promising and somewhat niche regions, focusing on the minority that is attractive to us. We have successfully built the Spanish-language website eDestinos.com in South American markets, so we have an excellent tool and competencies that we can easily leverage in Mexico and the United States.

The second direction of our expansion is Europe. So far, we have been heading southeast of Poland: from the Czech Republic, Slovakia and Hungary through Romania, Moldova and Bulgaria to as far as Turkey. Now, we are going to go north and west. The Polish market generates approximately one-third of our revenues in Europe. In Western European countries, a significant part of transactions is concluded via our global domain eSky.com. Apart from Poland, most of our customers come from Germany, the UK and Ireland. We want to further bolster our standing in these markets, but we also intend to focus on Spain, given that we are expanding massively in American Spanish-speaking countries and working on a marketing campaign in this language.

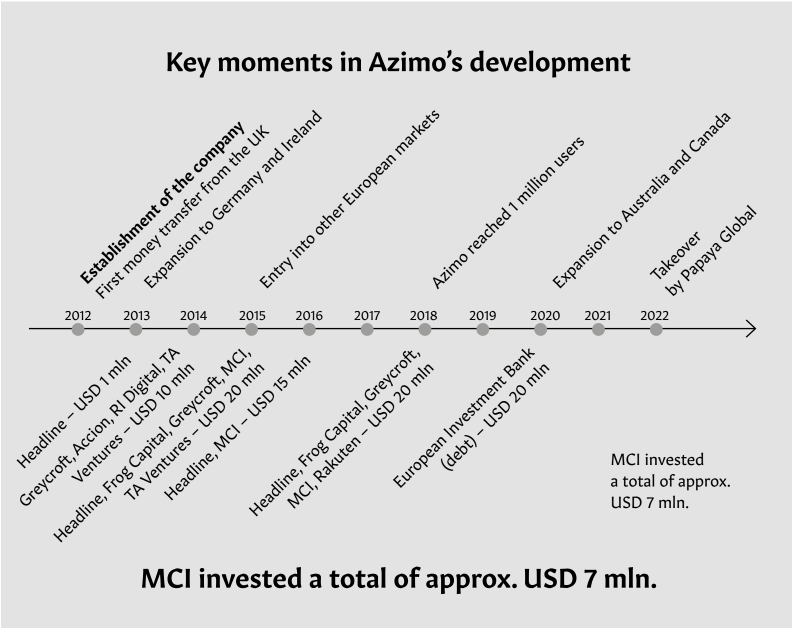
An active presence on other continents gives us an additional advantage in Europe and in Poland. That is because South America is a popular tourist destination, and by operating in that region, we have direct access to quite unique airline offers that we can freely put together and present to our European customers. As a result, our users from, say, the Sub-Carpathian region of Poland can pay for a multiple-airline journey in one place and at a fair price, flying, for example, from Rzeszów to Machu Picchu, and be sure that their money will go to the right account and they will reach their destination.

We turned around the fate of a threatened investment

In the new technologies sector, even very promising investments may quickly lose their potential. In such a scenario, investors must demonstrate flexibility and look for alternative solutions: from changing the strategy through modifying the business model to selling the company altogether. A decision by MCI Capital shows how investment funds scale businesses and build the value of portfolio companies through transactions in the M&A market.

Tomasz Czechowicz, *Founder and Managing Partner of MCI Capital*
Michał Górecki, *Senior Investment Partner at MCI Capital*

MCI Capital is an investment fund that has been active in the Polish market for 25 years. Over time, we have moved from typical venture capital to tech-oriented grow capital that invests in start-ups and backs them by nurturing organic growth and making M&A transactions. With the progress of digitalization and its overarching impact on various areas of business, we have become particularly

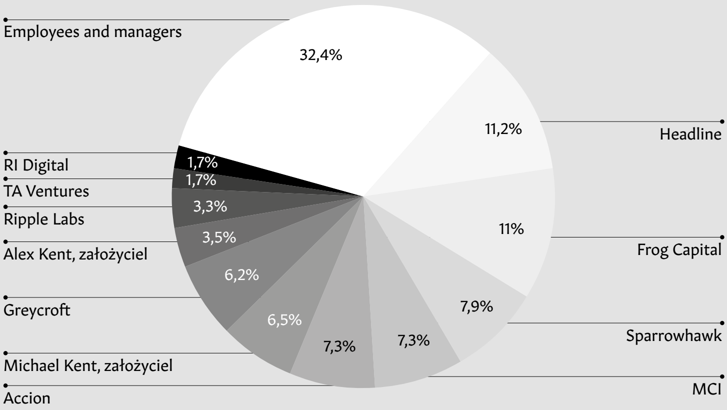


interested in the fintech sector, i.e., innovative financial services provided in online and mobile channels. What especially drew our attention was e-commerce and digital payments, both of which began to develop dynamically with the expansion of Internet and mobile infrastructure provided by ICT operators. Unfortunately, in the years 2010-2012, when the fintech boom occurred, there were not many such start-ups in Poland. The fledgling industry focused chiefly on business in the UK, Estonia and Sweden. We could not miss the opportunities opening up in this rapidly growing sector, and since we had already invested in Internet companies, such as Bankier.pl, we possessed the know-how to go a step further and look around in Europe.

The potential of online payments

We started talking with some Western start-ups, one of our first choices being London-based Azimo. It was an innovative fintech that entered the international transfers segment, formerly reserved for banks and

Azimo's shareholding structure before the company's sale to Papaya Global



old-timers, such as Western Union and MoneyGram. However, the size of the market, valued by the World Bank at USD 580 billion in 2015, left room for new players as well. Unlike their competitors, fintechs focused exclusively on money transfers in online and mobile channels. Thanks to their technological clout, companies such as Paypal, Wise and Azimo challenged their rivals with convenience, speed and prices. The margins of traditional payment service providers were as high as 7-8%, while digital operators charged only 0.5-2% of the transaction value.

What made us pick Azimo? It stood out largely because of its founder. Michael Kent was a strong and innovative leader, with impressive experience in the finance sector. Small World, a firm he created in 2005, has become Europe's largest independent operator of traditional transfers. We found it also an advantage that the other two founders were Polish (Marta Krupińska - General Manager, and Marek Wawro - CTO), and the company's technological and back-office facilities were located in Krakow. A young company combining a proven business model, a competent international team and a strong, seasoned leader, Azimo was therefore an attractive investment target from our perspective. As an investor, we were able to bring in the experience and knowledge of the financial services market in Central and Eastern Europe, where online and mobile solutions outclass those in Western Europe.

Another factor that weighed in favour of this investment was the market successes of the then leaders in the electronic payments sector, such as Estonian Wise or American PayPal. What particularly appealed to us was the story of Wise, founded by two Estonians, which was dynamically gaining customers thanks to the low costs of converting money transfers. Interestingly, Wise's early investors were Richard Branson of Virgin, Niklas Zennström of Skype and Peter Thiel, co-founder of PayPal. We were not the only ones who considered investing in fintechs to be very promising, and the example of Wise only confirmed this. The company was valued at GBP 8 billion when it was floated on the London Stock Exchange in July 2021.

Growth at all costs

When Azimo planned to issue Series B shares in the amount of USD 20 million, we decided to join the existing shareholders, alongside among others the British private equity firm Frog Capital. The funds raised were spent on the implementation of a strategy aimed at maintaining a high growth rate in Europe and venturing into new markets in North America and Asia. However, plans to upkeep the growth rate seemed very ambitious because in 2014 the company saw a 400% boost in the scale of operations. This surge reflected essential changes taking place in the global market of international transfers that involved switching from physical branches to online and mobile channels. In contrast to traditional solutions offered by banks, European residents could cheaply, easily and quickly send money directly to their families using mobile phones. Customer service points have therefore become sort of obsolete, and the benefits in terms of time, cost and convenience translated into an increasingly dynamic conversion to online solutions.

However, money transfers were subject to increasing competition, and main rivals such as Wise had first-mover advantages, as they started off a little earlier, were financially better off and had strong partners.

Therefore, instead of competing for customers, reach or price, Azimo managers decided to focus on high-quality service and excellent customer experience. This strategy worked quite well until the company lost one of its milk cows, which was money transfers to Nigeria, a country where Azimo achieved high profits on exchange rate differences, allowing it to invest in development. Unfortunately, at the beginning of 2020, the Central Bank of Nigeria banned exchanging money via electronic platforms. The decision had an immediate impact on the company. The loss of part of the profits meant that it was no longer profitable. It was a difficult moment in Azimo's history when the company's growth rate and profitability were declining despite the growing market: according to the World Bank, global remittance volumes were approaching USD 700 billion. In addition, its main rivals, Wise and WorldRemit, obtained capital for development through an initial public offering, which further undermined the chances of the Polish-British company to catch up with them.

But a few months later, the COVID-19 pandemic broke out and the markets froze. The financial markets were affected as well. Capital grew more expensive and less available, while the overvaluation of technology companies came to an end on stock markets. We then concluded that growth at all costs was not a healthy scenario. You cannot increase market share no matter the expenses. You must not forget about profit and margin. And that's what we did when racing against WorldRemit and Wise, which – as publicly traded companies – were spending huge amounts of money on marketing and accelerating growth. Without access to as much funding as our rivals secured, we were unable to achieve similar growth. As a result, in the eyes of customers, partners and potential investors, our situation seemed worse. It was a valuable lesson for us. On the one hand, we had a great company in our portfolio, but on the other hand, we became hostages to the pressure to grow at all costs.

The second trap we fell into was the divergence of our interests from those of the founder. The company was unable to pursue development within its existing business model; it needed a fundamental overhaul. Meanwhile, the leader sought to maximize shareholder value, with his own interest in mind. The situation was complicated: the main owners had 5-10% each; for some, it was a large investment, for others – a small

Smart money

MCI, in the market since 1999, belongs to private equity firms which, unlike funds investing on stock exchanges, are active investors operating in accordance with the buy-and-build strategy. By purchasing a block of shares in a company, the fund provides it with capital for development. However, this is only the beginning of the investment. It builds value in portfolio companies by transferring know-how and improving management skills. It gets actively involved in the activities of the acquired companies, most frequently with the help of a professional supervisory board, much less often by interfering in the composition of the management board and delegating a fund partner there. All of this adds up to the approach known as smart money.

MCI's investment strategies, from buyouts through growth to debt transactions, assume the occurrence of at least one of three conditions.

First, a digital breakthrough, meaning a solution or a technology that disrupts the existing rules of the market game and poses a threat to the business models of the old economy.

Second, a digital transformation, i.e., technological reorganization within traditional business models, which helps meet the challenges of the digital economy and tackle competition from sharp business ideas. Digital transformation allows such companies to survive and find their way in the new economic reality.

Third, a digital ecosystem, covering all business models that support mainstream models, e.g., online payments (they grow with the growth of e-commerce, but also support its growth on a feedback basis) or logistics and courier companies, data centers, etc.

one; some wanted to exit, the others did not. Finding a consensus was extremely challenging, and as investors, we had to respect the founder's expectations. It was clear that having a majority and strong shareholder would remedy the problem, as it would probably allow us to focus on healthy business development rather than on following what the market expects. That is partly why we came to consider acquiring a majority investor as the most reasonable solution.

Investment with the synergy effect

Once it became clear that Azimo was unable to sustain its growth rate and that it was impossible to achieve profitability with the existing costs and the lack of scale, the issue of the company's further development seemed increasingly pressing. The actions of competitors questioned the potential of the cross-border transfers market – so what should the company be like in the future? What should it do? What place should it find for itself, given that its current direction of development turned out to be a red ocean?

The company strived for growth by investing funds, obtained for example from the European Investment Bank, in the development of an original, automated payment platform. It was supposed to provide us an additional advantage over competitors by making money transfers even faster, safer and cheaper. We held a number of strategic sessions where many ideas for changing the development strategy were put forward, including interesting ones, such as transfers using Facebook accounts, via Twitter or between Google Wallet users.

Essentially, however, our thinking was going in two directions. First, we contemplated the sale of shares. The reason for looking for an investor was that several years have passed since MCI's investment. The second option was a resolute entry into the B2B sector. Azimo serviced individual customers only, i.e., workers and economic immigrants who sent money to their families. We decided that based on the existing infrastructure, we could provide the same e-service to companies and various types of institutions so they could make payments outside the banking system through which transfers take longer and sometimes you have to wait up to 2-3 days. We meant to offer organizations to transfer funds between branches, to their contractors and employees. It was a very promising direction but required essential technological upgrades.

The situation was that we found ourselves at a crossroads, but Azimo's valuation was still attractive. At that moment, a start-up called Papaya Global appeared on the horizon, reconciling the ambitions of shareholders and giving a chance for the company to continue growth within a larger structure. This Israeli start-up specializes in payments and payroll services for international companies, such as Microsoft, Toyota, Vimeo or Shopify. Papaya Global, through its cloud platform, provides its clients with solutions enabling efficient settlement of employee benefits and staff onboarding in over 160 countries around the world. The company is a direct beneficiary of the change in approach to remote employment and building globally distributed teams following COVID-19.

The historically unprecedented development of remote work and the resulting need to support international teams led to a sudden surge in the company's valuation: from USD 400 million in 2020 to USD 3.7 billion in 2021.

However, the Israeli start-up competed with a couple of similar global players (Gusto, Rippling, Deel and Zenefits), so it was looking for opportunities to build lasting competitive advantages. Such an opportunity was afforded by the acquisition of Azimo from MCI Capital. The transaction fulfilled two strategic goals for the Israeli company. Firstly, it made it possible to expand to countries where Azimo has already operated and the Israelis have not. Secondly, Papaya gained access to advanced infrastructure for processing global money transfers that Azimo has been developing for 10 years. This technology enabled more efficient handling of international payments, while reducing the costs of processing them due to the elimination of intermediaries. This paved the way for creating new services within Papaya's cloud platform, including instant payout transfers, something that has significantly fostered the company's competitive advantage over its HR tech competitors who do not use their proprietary solutions but have to rely on suppliers instead.

Papaya provided Azimo with crucial economies of scale, while also allowing to reconcile the ambitions of the founder and investors. As for MCI Capital, it helped us to close the endangered transaction favourably. We exited the investment partially: we received 50% of the transaction value in cash and the remaining part in the form of Papaya Global shares. We have already earned a satisfactory return on the cash portion, and in addition, we can boast an impressive unicorn in our portfolio. Now, we expect further dynamic growth of our new investment.

From the perspective of a transformational leader

The former CEO of PKO BP and current head of the supervisory board of MCI went down in the history of the Polish financial market by digitalizing an old-fashioned giant of the banking market (IKO application) and initiating some breakthrough solutions such as BLIK. Paweł Kubisiak discusses the changing roles of leaders and the challenges they face with Zbigniew Jagiełło.

As we were working on the book "From the piggy bank to the cloud. The history of the transformation of PKO Bank Polski", we talked a lot about how you turned a colossus with feet of clay into a technological leader able to compete successfully not only with other banks but also with digital platforms. Achieving this goal required bold decisions and determination. So let me start by asking: How do you perceive the role of a leader of an organization today? What areas should he or she take direct responsibility for and what should he or she focus on?

The role of a leader is a social function that evolves along with changes going on around us. When you look historically at various types of leaders, you can see outstanding individuals with the gift of winning over people and engaging them around common ideas and goals. This applies as much to business organizations where people work not just for money but also expect to have a shared vision and a sense of purpose. As a matter of fact, this need for non-financial motivators in business is increasingly important nowadays. Leaders must face up to these challenges. And the major task of a leader is working with people. Each employee is different, so it is crucial to respect their individual needs and aspirations.

Recent years have demonstrated this perfectly. At the end of the last century, the undisputed authority in the business world was Jack Welch, CEO of General Electric, who rose to fame as a reformer and charismatic leader. Steve Jobs, the founder of Apple and probably the most famous innovator of our times, also became a great authority. What kind of leader is needed today?

A leader is no longer expected to be an autocratic and hierarchical chief, although these features are inherent in every person and sometimes it is easier to stamp your feet than to try to convince those around you that you are right. In their daily routine, today's employees need inspiration rather than orders, and more space for creativity and ingenuity. As well as work-life balance. This is not always possible, so clear communication and openness to feedback and dialogue are desired. Polish leaders were spoiled by the employer's market, and in some companies, this could be seen in the feudal management culture. Fortunately, these cases are rare today. A modern leader must be very empathetic, which is where the slightly humorous reformulating of CEO – Chief Execution Officer into CEO – Chief Empathy Officer comes from.

You stepped down as CEO of PKO BP in June 2021, after 12 years of managing a publicly traded company that happens to be a state-owned enterprise as well. Over these years, the bank has undergone a gigantic change, while maintaining positive profit dynamics. What is your recipe for combining the area that involves shaping the vision and the strategy with the field of operations that is exposed to pressure from stakeholders to deliver short-term results?

This is the essence of transformational leadership. The bank required a radical change: it was technologically and strategically behind its competitors, it had a degraded organizational culture and many negative features that made it unappealing to new customers. Noteworthily, it was also unattractive to potential employees, especially those thriving in other financial institutions. How to recruit the best workers from within and from outside? This challenge was successfully addressed in both areas.

It is with surprise and some sadness that I look at leaders taking over the reins of organizations and claiming that everything that has happened there so far is bad and everything from now on is going to be good. Such a person lies twice. This is quite common in companies influenced by politicians.

Therefore, when I became CEO of PKO BP, instead of mouthing platitudes, I decided to bring out the positive features of this organization and add some new ones that would attract fresh talent and retain existing employees. To this end, I tried to overhaul the organizational culture so that the company could reward good employees, welcome new hires and help them feel comfortable in a new workplace. I managed to create such a culture, which does not mean that it is still in place, though.

And what does it look like in the case of start-ups, especially companies that – to quote Jim Collins – want to make a leap from good to great?
Start-ups are businesses that want to quickly move from small to medium, and then from medium to large. At the beginning of its operations, such a company is characterized by agility, speed, creativity and entrepreneurship. Such companies are very attractive from the perspective of investors. The winners are those who manage to maintain the start-up culture as they grow. Unfortunately, over time, large organizations tend to become complex, inert and resistant to changing the status quo. For me personally, one of the biggest challenges during the bank's transformation was to tap into the creativity gene that we are all endowed with and instill it across the organization. It worked out great.

Resistance to change is a natural human instinct not to lose what you already have. The leader's task is to overcome fears, create the need to experiment, to make attempts and build a coalition for change. This also includes accepting mistakes when looking for solutions. Here our record is poor, and it applies not only to companies but also to the academic environment, where error seems to be a natural result of the experimentation process.

Openness to change is an inherent feature of the organizational culture of start-ups. How did you empower your employees to act and encourage them to embrace the changes being introduced?

I once heard this wise saying, "None of us is as smart as all of us together," and it stayed with me for years. It seems obvious, but many leaders forget about it. The wisdom of this sentence lies in understanding diversity: each of us was shaped in specific conditions and, thus, has a somewhat different point of view. Only together, looking from various perspectives, can we make the best decision.

At PKO BP, I tried to systematically switch consulting companies to learn different perspectives from them. For me, cooperation with only one consultancy meant limiting myself to one source of knowledge, one know-how.

For the same reason, it was extremely important to me to involve people in the decision-making processes and creative activities. The times of mythical CEOs who decided everything arbitrarily became a thing of the past with social and technological changes.

But here you get confronted with another challenge: how to reconcile different and sometimes clashing opinions?

True, it is not easy to find common ground in a group of people who have different opinions. Especially when the process of making decisions and charting new paths cannot be proven by a mathematical equation. Then, it seems, you simply need to reach a consensus so that you can move forward and not stand still. This is exactly the situation I found myself in when BLIK was being created and two concepts clashed regarding the shares of individual banks in the project. Both were equally good or equally bad and had the same number of supporters among the leaders of the six banks involved in the creation of this new mobile payment system. We reached an impasse because no one was persuaded to change their mind. So I proposed a random solution, i.e., a coin toss. This was accepted, and thus fate resolved the seemingly insoluble dispute. Curiously, no one questioned this, something that still puzzles me today.

In this case, I was the consensus leader. This is also the role that today's leader should play, a key one in large, complex organizations: taking care of a good atmosphere within the group, seeking mutual understanding, promoting teamwork and giving social meaning to the work done. No wonder we call him or her Chief Empathy Officer. This describes the tasks of a modern leader much better than the *divide et impera* (divide and rule) principle used by Julius Caesar.

Indeed, this term perfectly captures the changing role of the leader. But the company's goal remains profit making and growth building. Have social changes left their mark in this area, too?
The goal of every company remains growth and development. This is not possible without earnings. To survive, a company needs to make a profit in the short term, which it then invests in its long-term development. Banks still want to grow by increasing their asset and loan portfolios as well as customer base, both in the corporate and retail areas. But the path to achieving this goal is changing. Various types of additional services, often related to technology or socially desirable ecological or health issues, are becoming increasingly important. It was not without reason that I called PKO BP a technological institution with a banking license.

Similar conclusions can be drawn from the perspective of an investment fund such as MCI. Its goal is the growth of portfolio companies, and since MCI specializes in digital investments, the way to achieve this goal is through new technologies that we want to leverage in the process of transforming companies and building their value.

It was not that long ago that retail shopping was the preserve of brick-and-mortar stores. Today, more and more trade is moving online. I will venture to say that soon young people who want to shop will choose e-commerce because they will not know how to shop in real life. And, who knows, maybe people who feel uncomfortable about shopping in a supermarket are already there?

The investment fund certainly aims to scale the portfolio companies. When I was talking to Tomek Czechowicz, I heard that MCI strives to find a company that has the potential to become a European champion. What

advice could you give to company leaders who aspire to this mythical status of a unicorn?
Here we can use the example of MCI itself and its creator. The fund, which started off in the Polish market, moved from venture capital to private equity and can boast many successful investments, including several outside Poland. We are one of the leaders in our region of Europe, but this does not mean that MCI is a European fund. To achieve this, we need a team composed of some people from outside our country. Only in this way can we gain a broader, European perspective. If we want to grow bigger, we must create a team at the highest European level, with a workforce whose diversity will provide additional value to the company and support the leader in making better decisions. As I have already mentioned: together we are smarter.

Cooperation with an investor requires mutual understanding

The story of Paweł Fornalski and IAI shows that building company value can be like participating in a demanding triathlon race. Whether you triumphantly cross the finish line depends on a good strategy, the ability to draw conclusions and relentless determination.

Paweł Fornalski, *Founder of IAI and Chairman of the company's supervisory board, previously its long-time CEO*

When Sebastian Muliński and I launched Shateshop.pl, our first online store, back in 2000, little did we know that twenty years later the company would serve 7,000 online stores, be listed on the Warsaw Stock Exchange, and obtain financing from a private equity fund, thus reaching the value of almost PLN 1 billion.

The business idea came about unexpectedly. It had nothing to do with the start-up garage myth but did match market needs. When we were looking for advertisers for our music portal Hip-Hop.pl, we came across the owner of a teens' clothing and footwear store. He agreed to buy ads with us in exchange for having an online store set up for his company. When we tried to find and install a ready-made e-commerce script, we quickly realized that the existing solutions were insufficient. Their main drawback was the lack of control over warehouses organized into sizes and colors, something that is a must-have for every clothing store. That made me decide to create such a system by myself, with an in-built functionality to filter items.

We got involved operationally and brought Skateshop.pl to the forefront of Poland's e-commerce sector, both in terms of turnover and logistics solutions. From the very beginning, we realized that maintaining e-stores on our servers adds value to our offer, as it completely relieves sellers of the headache of dealing with technology they often little know about. That was the era of boxed software, as the concept of SaaS (Software as a Service) did not yet exist. We decided to create the IAI-Shop.com brand, offering an innovative business service model, providing access to the highest quality system, graphics and support, in exchange for standardized subscription fees. IAI's first clients were companies served on a commission basis, so changing the business model was very risky. Our revenues dropped dozens of times, but we rolled up our sleeves and forged ahead with a clearly defined goal to operate 1,000 e-stores. A reward we reaped at the end compensated for a dent in revenues that we had allowed for consciously.

Success on the NewConnect stock market

After two years of hard work on business development and dynamic growth of revenues, we started making ambitious plans for further expansion. We had capital reserves but not high enough to make key investment decisions. We decided to attract investors through the emergent NewConnect market on the Warsaw Stock Exchange.

Entering the stock exchange required fulfilling many formal procedures, one of them being the transformation of IAI-System.com, which was initially a general partnership, into a joint-stock company in April 2009. A day later, the General Meeting of Shareholders adopted a number of resolutions related to the debut on NewConnect, including one on issuing new shares and increasing the capital. From that moment on, IAI's area of activity was to be exclusively e-commerce, so we had to move our other projects, including Hip-Hop.pl, into a separate company.

We started the process of acquiring investors through a private placement, and the debut on NewConnect took place on December 16, 2009, turning out to be a great success.

The capital raised was allocated for further development of e-commerce products and enhancement of every aspect of the existing system. Within two years, IAI provided over 1,650 online stores in Poland with comprehensive solutions, while introducing partner services, the first payment services and courier services at the same time. Being a publicly traded company is a commitment because shareholders expect the business to grow and the share price to increase. To sustain the initial success, we had to modify our system so as to make it a high-quality solution for professionals. Inside IAI, we introduced a number of changes to helpdesk procedures and project implementations. We moved all online stores to our own server infrastructure based on the most modern enterprise solutions available on the market. In the meantime, we were silently developing the IAI IdoBooking project, an innovative tool for booking accommodation in guesthouses, apartments and hotels, which premiered in November 2013.

During the initial three years of presence on NewConnect, we paid out first dividends, and IAI shares systematically increased in value, reaching a price well above that of their trading debut and private placement. We also embarked on the path of building a holding, having acquired 49% of shares in Traffic Trends and 35% of shares in CupSell.pl. Moreover, we created IdoSell, a new brand formerly known as IAI-Shop.com, targeted at the UK – Europe's largest e-commerce market.

In subsequent years, our revenues grew 4-fold and profits as much as 8-fold. We were becoming a model to follow for other start-ups, software providers and listed companies. With high ethical standards and steady, year-by-year improvements in revenues and profits, as well as an increase in the share price from PLN 3 to PLN 36, IAI proves that it continues to be a thriving startup.

We successfully implemented the Open SaaS™ strategy. We created and marketed open standards and protocols that allow for each element of the system to be changed by the client or developer, including URL addresses, website templates and many others, with unlimited support on our side. We introduced a lot of market novelties and we massively implemented technologies unavailable to smaller stores such as Webhooks, PWA, extensive returns and complaints systems.

We established a strategic partnership with Google. We created together the Google Shopping ad sales system called IAI Ads, in which advanced IAI algorithms allow sellers to generate orders bypassing marketplaces, and IAI was the first to introduce the Google ad commission settlement model. We were market pioneers when massively generating intelligent recommendations as part of a subscription, without additional fees, and we were introducing the display of stores by SSL and offering free SSL as part of the subscription.

Despite many successes, shareholder satisfaction and the dynamic development of the company, being in the spotlight of the Warsaw Stock Exchange became something we started to feel uneasy about. It is true that we gained access to capital, but this came with certain challenges that were increasingly difficult for us to face.

Leaving the stock market undefeated

Entering the stock exchange is a strategic step, but right from the beginning, you need to be aware of both the pros and cons, and we were not. Guided by the gains in terms of prestige, and with it, the credibility and recognition of our brand, we paid not enough attention to the rigid rules governing the stock market.

A listed company is subject to constant supervision and regulation by the financial supervision authorities. This means that you need to adapt to the strict financial reporting regulations. The stock exchange is an open platform where the company's results are available and perused by investors, analysts and journalists. This leaves the company exposed to the pressure of short-term financial results and market assessment. A company's greater visibility may make it more difficult to remain competitive. Entering the stock exchange also involves the need for the company to secure the interests of its shareholders. The management board is supposed to take care of the investors by providing information, organizing general meetings of shareholders and responding to their questions and suggestions. This affects its ability to manage, make strategic decisions and pursue its own vision.

The pressure of periodic reporting, improving results and being in the spotlight prompted us to make further key decisions. We considered another issue of shares and a transfer to the WSE Main Market or a takeover of shares by a private equity (PE) fund and delisting the company. One of the offerors was MCI, which had been observing our company for a long time. MCI made an investment in IAI, taking over a majority stake of 51% of the shares. IAI was removed from the stock exchange, and the existing shareholders on NewConnect cashed in a generous bonus for their trust: as much as PLN 36.78 per share. Thus, we closed the NewConnect chapter, generating a record return on investment and increasing the share value more than 14-fold in nine years up from PLN 2.55. From then on, we embarked on a new chapter in IAI's history, with an investor who taught us valuable lessons in leadership and partnership.

Entrepreneur and investor

The entrepreneur-investor duo is compared to a well-matched married couple. Although at first glance they may seem like two different personalities, the success of this relationship depends on shared values and goals. Both partners in this transaction should strive to increase the value of the company. For an entrepreneur, this means developing a business, and for an investor, achieving a return on investment. To avoid investment failures, it is important for entrepreneurs and PE investors to be able to communicate to find common ground for action and cooperation. Well-defined investment goals, a clear strategy and flexibility of both parties can help minimize risk and boost the chances of investment success.

Explore the paths leading to your goal. Every entrepreneur expects their company to develop, bring ever greater profits and expand, and that requires capital. If the company's owners consider turning to an investor but, at the same time, want to maintain full operational and strategic control of their enterprise, private equality will not be the right choice. It is important to carefully assess your financial needs and goals so as to select appropriate forms of financing, taking into account costs, not only financial, and risks associated with a given solution.

Make sure you are on the same page in terms of expectations. Entrepreneurs often look for financial and strategic support, and PE investors seek opportunities to achieve an above-average return on investment. It happens that the two parties have diverging expectations, which may lead to investment failure. Entrepreneurs look at their companies from a long-term perspective, striving to build a stable business that will bring profits for many years. PE investors, for their part, assume a shorter investment period and expect a much faster return on capital. This may result in disagreements and disappointments.

Make sure you have a similar approach to risk. Most entrepreneurs are the so-called rational gamblers who are ready to take risks to develop the company, believing in its potential or the value of their product. PE investors may be more focused on minimizing investment risk because they are accountable to their investors. They may prefer a shorter payback period for quick profits. They attach importance to controlling potential risks that may weigh on the investment.

Consider if you are ready for cooperation. The specificity of private equity is that, in addition to capital, PE investors can bring to the companies they invest in values such as strategic and operational experience, knowledge of the industry and markets, contacts with potential partners and clients, and proficiency in financial management. Entrepreneurs may perceive this as interference in running the company, and differences of opinion in operational management may give rise to conflicts. Fruitful cooperation depends on flexibility and willingness to reach consensus.

Be open to change. You need to constantly be in perfect shape, with your equipment ready to use because you never know when the competition will start. When deciding to cooperate with private equity, you must be ready for anything. Unexpected changes in strategy are an essential element of an investment partnership. For a long-distance player who values a stable rate of growth, reducing or increasing the dynamics of development may result in frustration.

Develop a transparent strategy. A clear strategy helps chart a course, which reduces the risk of groping in the dark or making hasty decisions. It allows you to avoid taking actions that are profitable or bring long-term benefits only seemingly. A long-term growth strategy can produce similar results to short-term growth spurts, with less risk.

Learn and draw conclusions. Sometimes, when something ends, you want to put it behind you and not think about it any longer. However, it is worth analyzing it, assessing the execution of individual stages of the strategy and the results themselves. Mistakes teach you more than successes, so it is worth breaking them down into factors.

Two sides of a coin

Every business decision has its consequences, and you must accept that they will not always be positive. When you achieve success, you do not wonder what went wrong. Failures and mistakes are precious lessons that can help you avoid them in the future and develop some kind of business resilience. Every strategic decision should be analyzed in detail, both in terms of the potential benefits and the risks it carries.

During over 23 years of building a business, triumphing on the Warsaw Stock Exchange and cooperating with an investor, I have experienced many successes but also some unfortunate decisions. It is important to always be able to see both sides of the coin and leverage them in the future. The right decisions and mistakes alike can drive your business, provided that you draw valuable lessons from them. If you do so, they can actually lay the groundwork for your future success.

How to deal with no-man's-land challenges

When a company grows, sooner or later, it will enter the so-called no man's land, or the death zone. It will be too small to be big and too big to go back to being small. The proper implementation of changes at this stage of development determines the survival or extinction of the organization, as well as how dynamically it will continue to grow.

Andrzej Jacaszek, Vice President of the Management Board, co-owner of ICAN Institute, member of the Supervisory Board of MCI Capital

Investment funds are interested in companies that have already proven the effectiveness of their business models, made their mark in the industry landscape by gaining significant market shares, generated profits and demonstrated the ability to achieve them in the future. These companies, despite their successes, often face numerous problems that prevent them from spreading their wings and scaling up their operations, as they are symptomatic of being in what is known as no man's land, or in other words a death zone. This is both good and bad news. It is good because, with the right know-how, such a company can reach the top, but it is bad because ignored symptoms of no man's land can jeopardize the chances of the company's development. Being in the death zone happens only once!

The mentioned term, popularized by Doug Tatum, the author of the book *No Man's Land: Where Growing Companies Fail*, refers to a **critical stage of growth when the company has grown beyond the start-up phase, usually as a family-owned business or one run by friends but has not yet reached the maturity and stability characteristic for larger, more established corporate organizations.** It is often a difficult and transitional period characterized by rapid growth and increased complexity, requiring more advanced strategies, a more hierarchical structure and an extensive transformational organizational culture. Previous advantages become burdens, and founders who led the company to success may unknowingly delay its further development, believing that the future is a continuation of the past. Therefore, it is crucial at this stage to examine the realities of the organization's functioning, look for symptoms that may hinder its growth, and respond appropriately. As a fund, we then come in as a shareholder who provides not only an injection of money but also the knowledge and practices necessary to overcome obstacles and inefficiencies associated with being in the death zone and to move the company into a new stage of corporate development.

In line with MCI's philosophy, signing an investment agreement is just the beginning of a business journey with the fund. In practice, the fund has a significant impact on strategic issues, helping the company's founder to analyze business development priorities from the perspective of market positioning, defining a successful competitive strategy, transforming the organizational culture from a family-run, small business to a larger, better-performing one but considering the elements of the company's identity and values from the juvenile period, etc. Cooperation with the fund facilitates pulling the company out of the death zone, as it allows for making an objective, comprehensive assessment of the situation and taking actions that contribute to the long-term success of the organization. Adopting such a perspective is often impossible for founders because of their emotional relationship with the business, often constituting the "work of their life", and a lack of knowledge and experience in managing complex business structures. Therefore, the presence of an investment fund is a remedy for dealing with the challenges of the no-man's-land stage, on the condition that it is combined with actions on other fronts, such as solving financial problems, especially liquidity issues, adapting to growing market and customer requirements, hiring new qualified managers, understanding the entire business model enabling its scaling.

No man's land signifies a zone of uncertainty and potential vulnerability of the company to external and internal threats. It may encounter difficulties in maintaining the agility and innovation typical of startups or small family organizations. It may also struggle with the consequences of the lack of appropriate structures or managerial processes and the high-level leadership necessary for long-term growth. **To adapt to the changing realities and thrive in a more complex and competitive environment, its leaders must understand the mechanisms leading to a temporary impasse and take actions appropriate to the situation. What should be done?**

1. Adapt to market and customer requirements

As the company grows, it often experiences a limitation or even a disappearance of contact with customers whose needs are constantly evolving. Owner-managers are no longer able to personally coordinate all aspects of creating and delivering value and individually approach, often personally, each customer who comes to them with any suggestion or problem. As a result, customers can no longer count on the benefits of high quality and relatively low prices offered by owner-managers. The company becomes overly internally oriented due to increasingly common operational problems. Introducing new products additionally burdens the already overworked operational teams and increases the complexity of the business. The feeling of chaos begins to grow, and inefficiencies that lead to deepening ineffectiveness occur regularly.

Such a situation over time translates into severe consequences, including a slowdown in sales growth, a decline in quality, an increase in the number of customer complaints, tensions between sales, marketing and operational departments as well as a loss of competitiveness against old and new players in the industry. Employee engagement falls, leading to a spiral of managerial incompetence. Consequently, customer satisfaction decreases because cooperation with the company brings them less pleasure and benefits, as it has lost flexibility with the increase in scale, making them unable to count on an individual approach at every stage of interaction with the company.

To overcome the mismatch with market and customer requirements:

- The entire company must become proficient in what the entrepreneur-founder offered to customers, including streamlining the elements of value building, such as developing and automating the customer service department. In modern customer service, the company is moving away from an adversarial relationship with the customer in favor of cooperation that generates improvements not only in service but also in the value proposition itself. In one of our portfolio companies, we introduced a system for making changes to customer software in real time so that system malfunction resolution does not only concern the company that reported it.
- It is necessary to understand mismatches, quickly find solutions, and then replicate them through people in the company, focusing on more efficient processes. We successfully apply methods based on the concept of open strategies here.

From the fund's perspective, mastering this problem requires introducing new principles in the organization, often building non-existent processes and redistributing knowledge about this within teams. Managers must strike a balance between efficiency and quality, and as a fund, we often support them by adjusting the organizational structure, eliminating bottlenecks, and filling gaps where they are most severe. Sometimes, it is challenging for the founder-owner to reconcile with the loss of direct influence on customer service quality. However, it is necessary to streamline operations, improve information flow, and build lasting credibility based on solid values promoted by the leader.

2. Hire efficient managers

As the company develops, managerial roles and categories of challenges that leadership must deal with change. In the early stages of development, the company is mainly formed by people who witnessed its inception. Often, these are family members, and even if there is no kinship among employees, there is an atmosphere where both the employer and employees feel almost like family. This builds the identity of many teams but eventually becomes a burden. Moreover, with rapid growth, a gap arises between the competencies possessed by the original managers and the qualifications necessary to achieve further success for a larger, more mature company. Over time, the boss must surround himself with new close collaborators, and share power and knowledge about the intricacies of managing and leading the company. The founder's genius cannot be scaled.

In another scenario, the company outgrows its creator in size or complexity, meaning it effectively stops being managed by the entrepreneur-founder because he or she lacks sufficient managerial and leadership competencies. Some of the particularly alarming symptoms exposing problems at the management level include decisions taken chaotically, misunderstandings about roles and responsibilities, and sometimes frozen decision-making (not making a decision in a competitive and dynamic business environment is also a decision). Top management operates under constant pressure and stress, losing control of the situation in the company due to a lack of experience and knowledge adequate to the scale of operations. Additionally, key directors increasingly avoid making independent decisions and rely on the opinions of the entrepreneur-boss, protecting their positions and minimizing the risk of errors.

To overcome these limitations, specific steps related to creating professional management must be taken.

- The entrepreneur must start the makeover at the top of the organization, ensuring the recruitment and onboarding of a competent board. Here, we are guided by several criteria for candidates: whether they are coachable – capable of changing attitudes, behaviors and views, whether they are trainable – have the ability and willingness to learn quickly, and whether they represent values that we, as MCI, promote: honesty, diligence, a focus on continuous personal development, curiosity about the world and the ability to work in a team.
- After creating a professional board, attention must be paid to the quality of management at lower levels of the company. The role of the high middle management is crucial in guiding the company through no man's land. As MCI, we systematically train middle

management in leadership, also building a talent pool for our other portfolio companies, often with a view to diagonal promotions.

- Frequently, the entrepreneur-founder must work on themselves and change their thinking to a more corporate mindset. This often requires gaining new knowledge and skills and then changing the way they operate in the organization.
- It is worth mentioning that succession planning involves identifying and preparing the next generation of leaders who have the necessary skills and experience to continue running the company. This involves both hiring external candidates and promoting and developing internal talents. Decisions depend on the company's situation, as experienced by company portfolio managers. Our extensive, long-standing experience in this area has led us to establish a system for the development of managerial talent, combined with an attractive incentive system.

Sometimes, a change in the highest position does not occur due to the high qualifications and business experience of the CEO, which is sufficient for the company to cope with the challenges of growth. However, sometimes temporary support from the fund team or even a permanent replacement of the founder with an experienced and MCI-approved CEO is necessary. The transfer of current management to the hands of a professional board is never easy. Understandably, founders often treat the business they founded emotionally. In hindsight, once the emotions have subsided, they see the value that professional management brings and admit that they were not competent enough in many areas.

We have carried out the process of transferring control in several companies. The smoothness varied, but the entrepreneur-founder always remained in the company, holding an important position such as a president or member of the supervisory board or CFO, head of product development or innovation. It is in the interest of the company to leverage the knowledge of the founder who knows the company, its value proposition and customers like no one else. However, it is essential to **redistribute information about the intricacies of the company's functioning more broadly among key managers, so that the entrepreneur-founder is not the sole repository of knowledge on this subject, as it is too risky and inefficient with a larger business scale.**

I can share two examples from the fund's history that illustrate how diverse approaches in this area can be applied. In the case of Answear, at the beginning of its cooperation with the fund, we helped the company's founder, Krzysztof Bajołek, recruit a CFO and three managers responsible for specific markets. There was no need to transition from a start-up model to one where a hired board takes over the reins because Krzysztof had a proven operating system and an equally proven team capable of rapid learning under conditions of accelerated transformation. He also had leadership qualities that helped corporatize the company's operations jointly.

In the case of IAI, we strongly emphasized the succession of the board and professionalization of the management team. We made this decision in consultation with Paweł Fornalski who led the company as its founder for many years. We agreed with him that he would change his position to the president of the supervisory board and, from the owner's perspective, would oversee the company as an active non-executive director. On the other hand, together with the founders, we appointed professional managers, possessing corporate knowledge and experience, to management positions. For more information about Answear and IAI, you can read chapters 3, 8, and 13.

3. Understand your business model

When a company enters the no-man's-land phase, its business model prevents scaling the business and quickly responding to emerging opportunities and threats. To make matters worse, it contributes to the overload of decision-making by top managers. **The business model becomes inadequate to the scale of operations the company has already achieved; it is too complex and requires too much involvement from managers.**

To overcome the inefficiencies of the business model, the entire company must become proficient in what the entrepreneur-founder initially offered to customers in terms of value proposition and then focus on scalability. Before taking action, it is essential to answer two questions:

- Has the business model exhausted the possibilities of generating revenue and profits because it lost a competitive advantage, customers switched to another provider (even the most loyal ones), the value proposition does not resonate with customers, or maybe you have non-competitive prices? How to ensure that the business model undergoes systematic transformation in areas such as value proposition, customer segments, increasing customer loyalty, venturing into new markets, expanding and improving distribution channels, implementing intelligent pricing policies, key processes, key resources, and relationships with key suppliers?

- Is the model starting to incur excessive costs because key processes are outdated and inefficient, current distribution channels are too expensive, key resources are depleting or losing significance, and new resources are too costly?

Let us go back to 2010 when the MCI fund acquired a stake in the Morele Group, providing not only capital for development but also essential expertise. The invested funds primarily went to purchases to stock the store and expand the portfolio of products sold. Morele.net no longer had to focus on maintaining operational results. Now, it could shift attention to rebuilding the business model. MCI also helped manage finances in a way that working capital had a negative value. In theory, it looked straightforward – it was about ensuring that cost invoices for goods on the platform were not settled earlier than revenue invoices from final customers' sales. In practice, this required, among other things, negotiating new payment terms with contractors and changing collaboration rules. Thanks to the fund's know-how, the company managed to obtain much better terms for settling obligations and significantly improve cash flows. This was the first visible effect of collaboration, demonstrating that even at the initial investment stage, positive changes enhancing the business model's efficiency can be made. More details about subsequent changes and building long-term value in this aspect can be found in chapter 16.

4. Secure funding sources

Companies choosing to develop hand-in-hand with an investment fund no longer face this dilemma because they secure financing, and in the case of collaboration with MCI, they also receive invaluable support in overcoming development barriers. MCI's investment directors engage in building a strong management team, refining operational processes, constructing flexible organizational structures, and adapting the company's culture to the changing organizational landscape, following the smart money philosophy promoted by the fund.

Some investment funds, when investing in assets, allocate their capital in the form of strictly financial investments. They expect the entrepreneur, armed with a clear development plan, to implement it independently without the fund's involvement. **In contrast, MCI strives for support beyond transferring funds to the company's account. We assume that development financing is just the beginning of a collaboration with the company.** Our assistance is multidimensional and relies on the experience of the fund's management with its extensive network of contacts, and managers of dozens of portfolio companies (operating in different markets or business models).

This often allows for faster access to the necessary knowledge and supporting companies in every key aspect, starting from defining the business strategy through assessing potential acquisition targets, supporting in recruiting key personnel to aiding in securing further financing. As a result, MCI's investment directors are intimately familiar with all the symptoms of the no-man's-land stage and the tools to guide the company onto the growth path. As the MCI supervisory board, we often consult with investment directors on separate case studies, creating and expanding MCI's know-how, which we use in our company's new, exciting and different investments each time.

The key to success is simplicity

Building a strong Group in the CEE online insurance comparison market is an ambitious task, but the history of Netrisk Group shows that it is possible with the appropriate know-how. Thanks to a two-pronged development strategy, a professional management team and the ability to spot opportunities, we have become a market leader, and our collection of acquisitions is as impressive as our offer.

Robert Sokołowski, *CEO of Netrisk Group*

On Netrisk Group's online platforms, customers can make an informed choice of insurance by price and scope, as well as by reading recommendations created by other customers and experts. This means that we have the privilege of developing an extremely useful product, both socially and business-wise. Our mission is to make it easier for customers to choose insurance and free them from the tedious task of comparing offers on their own. Through the rankings, we also shape the approach of insurance agencies to creating insurance products, as they often examine, on their own initiative, the shortcomings of their offers when, for example, they notice lower scores in a given category. Moreover, our business model allows for almost cost-free scaling after reaching a certain number of customers. **There are many businesses that are socially needed, but it is impossible to make money from them, while in the case of Netrisk, we combine the market and social demand with business effectiveness.** No wonder that

Overview of Netrisk Group's strategy

- The total market of Central and Eastern Europe is large and growing
- Over 75 million people and GWP (gross written premium) in non-life insurance of over EUR 25 billion
- GDP and GWP growth in CEE are higher than in Western Europe
- OPC penetration in CEE is lower than in Western Europe but set to catch up over time
- Given the limited size of most CEE markets, the threat of new entrants is lower in markets where winners dominate, such as OPCs/online brokers.
- This translates into lower CAC (average customer acquisition cost), better customer retention and therefore better margins.
- The leading position in a country gives the Group a definite advantage over local suppliers/insurers (a wider panel of insurers, higher commissions, etc.).
- The Group's greater financial scale enables continued investment in products and innovations both at the level of the Group and across countries.
- Differences in OPC maturity between the CEE markets open significant opportunities in terms of sharing best practices in digital marketing, workflow optimization, commission structure, data analysis and call center conversions.
- Local operational risks are mitigated at the regional level (e.g., supplier concentration, regulations, currency, competition), while new opportunities have emerged for strategic cooperation with regional partners and insurers.

a few years ago our potential was noticed by investment funds, whose financial support and know-how helped us spread our wings.

Growth pathways and positive signaling

The history of Netrisk began in Hungary back in 1994 when the insurance world was much more analog. However, the company's founders quickly realized that the future would be defined by the Internet, so they started to develop digital sales channels. In 2010, Enterprise Investors, a PE fund, invested in the company, purchasing it from its owners (a founder and a financial investor) for EUR 23 million. At the end of 2017, Netrisk Group was taken over by MCI. The value of the transaction co-financed by Mezzanine Management and Bank Gospodarstwa Krajowego amounted to EUR 56.5 million.

Seeking to support Netrisk's further development, to partially divest, but also to obtain financing for new investments, MCI sold, in 2020, a majority stake in the company for EUR 55 million to the American fund TA Associates, achieving a return on investment of 3.0x CoC and 73% IRR. The new partner also acquired shares from a minority investor, becoming the owner of 75% of shares in the company. Thus, we started a new, challenging chapter in the history of Netrisk, expanding internationally and at home. We also continued to grow organically. In almost three years, we expanded from one to six countries and generated a 10-fold increase in revenues. We managed to finance the takeovers of local brokers with our own resources and the funds obtained from Goldmann Sachs and Arcmont Asset Management.

Cooperation with PE funds helped us a lot because it provided us with capital and, above all, the know-how about handling such transactions. When reputable funds invest in a company, it is a sort of promotion and expression of confidence that it will succeed and will be the best in its industry. In such a case, positive signaling comes into play and the fund's brand influences its portfolio company. For Netrisk, this cooperation brought two positive effects. First of all, I have no doubt that TA Associates gave us access to reputable financial institutions. Secondly, we have gained credibility in the M&A market, becoming an attractive, solid and reliable buyer for entrepreneurs selling their companies.

To realize our ambitious plan of switching from a local player to a regional champion, we gradually expanded our family of online comparison websites, which today includes: **Netrisk.hu** (Hungary), **Durchblicker.at** (Austria), **Klik.cz** (Czech Republic), **Netfinancie.sk** (Slovakia) and **Edrauda.lt** (Lithuania). Owing to our recent partnership with Bauer Media Group, the following platforms joined our portfolio: **Rankomat.pl** (Poland), **Epojisteni.cz**, **Srovnejto.cz** (Czech Republic) and

The history of Netrisk Group's organic and inorganic growth in CEE

- A 10-fold revenue growth between 2019A and 2023F
- 1994 – Netrisk.hu (now Netrisk Group) is established in Budapest, becoming a leading online property and personal insurance broker in Hungary
- 2019 – Netrisk embarks on regional development through acquisitions
- December 19, 2019 – the company acquires Biztositas.hu, the number 2 player in Hungary, to consolidate its share in the domestic market
- May 20, 2020 – Netrisk's first international acquisition is finalized, following which Klik.cz, the number 2 player in the Czech Republic, joins the Group's portfolio
- March 21, 2021 – the company takes over Porovnej24.cz and Netfinancie.sk, strengthening its position in the Czech Republic and entering Slovakia
- August 21, 2021 – Netrisk Group expands to the Baltic countries by acquiring Edrauda.lt
- February 22, 2022 – Netrisk Group takes over Austria's Durchblicker.at, which marks its first acquisition of a non-car insurance OPC business
- September 23, 2023 – Nerisk announces the acquisition of Srovnejto and Rankomat from Bauer Media Group, which becomes the Group's minority shareholder. The transaction strengthens its position in the Czech Republic and Slovakia and opens the door to Poland (Rankomat)

Superpoistenie.sk (Slovakia). As a result of the transaction, the combined Group will have a reach of approximately 80 million potential customers across six European countries.

Thanks to the PE funds, we were able to reach people selling their platforms and, even if they were not entirely sure about the sale, to structure the transaction in such a way that it became extremely attractive in their eyes. These entrepreneurs could invest part of the proceeds into the company at the regional level. Thus, they stopped risking their money in their home country but invested in a larger entity, becoming small co-owners of a company that is much bigger than their local businesses. This so-called rollover approach helped us in the purchase of Klik.cz, Biztositas.hu and Edrauda.lt.

The recent transaction with Bauer is also partly a rollover: it would be difficult to pay for 4 acquired companies at once, which is why Bauer also became our shareholder, believing that if we create a larger player, the whole business will be worth much more than its part. Those who joined forces with us are not only satisfied with a potentially 2- or 3-fold return on investment, but they also work hard to achieve this return on investment by getting involved in the activities of local companies. Thus, we have owners on our side who know their companies like no other and are motivated to make them work as best as possible. I have never seen such a united and determined team.

It is worth mentioning that the funds' know-how has been of great help to us. Talks regarding potential transactions can take various forms. It is often difficult to agree on a valuation because one side overstates it, and the other has limited possibilities and different calculations. In such situations, especially when the owners' emotions are involved, negotiations often break down. Meanwhile, the professionalism of fund representatives and their creative approach to such misunderstandings usually allowed us to find less standard solutions that satisfied both parties. For example, when we could not reach an agreement because the seller declared that the company would grow 100% next year and insisted on including it in the valuation whereas we were distrustful of this scenario, we proposed an earn-out mechanism that guaranteed extra money to the seller on the condition that his or her prediction comes true. In this way, we eliminated the risk of overpaying but also made a nod towards the seller.

Multidimensional trust

Our development plans are realized because we strive to be a reliable partner in M&A and take care of our image in the eyes of customers every day. To this end, we build trust in our brands not only by declaring honesty but also by acting honestly. Currently, our brands are one of our greatest assets, some of them boasting an 80% recognition countrywide, such as Netrisk in Hungary or Rankomat in Poland. We use many settlement models in our comparison websites, like for example commissions from insurers for selling insurance through our websites. This could potentially make customers suspect that we favor certain insurance products. However, we never prioritize deals including commissions.

Selling and ranking products are always strictly independent of these commissions. In addition, we list all partners on our panels, even those who do not advertise with us. Thus, we provide complete information about insurance options in a given category. We only eliminate offers from agencies that are considered unreliable by the state inspection bodies. We never deviate from these rules, giving our users a guarantee of honesty and transparency.

We provide customers with reliable information about insurance products, making them aware of potential risks and supporting them in making decisions. It pays off because 83% of our revenues come from recurring insurance commissions, 45% of which from automatic renewals, which means that customers treat us as a trusted advisor to whom they happily return. I believe that this approach gives us an advantage whether we walk about our customers or our employees. It is much easier to build teams by uniting their members around a sensible goal. People want to do work that has a meaning, that allows them to do something valuable and feel like they are helping others.

Apart from acquisitions, we continue to grow organically. We are close to the **Rule of 40**, which states that the combined revenue growth rate and profit margin of a software company should equal or exceed 40%. SaaS companies above the Rule of 40 generate profits at a rate that is sustainable, while those below the Rule of 40 may experience cash flow or liquidity issues. **Despite macroeconomic turmoil, we manage to develop in line with these assumptions.** To learn more about the history of our organic and inorganic growth, see the box.

Searching for synergy and maintaining local specificities

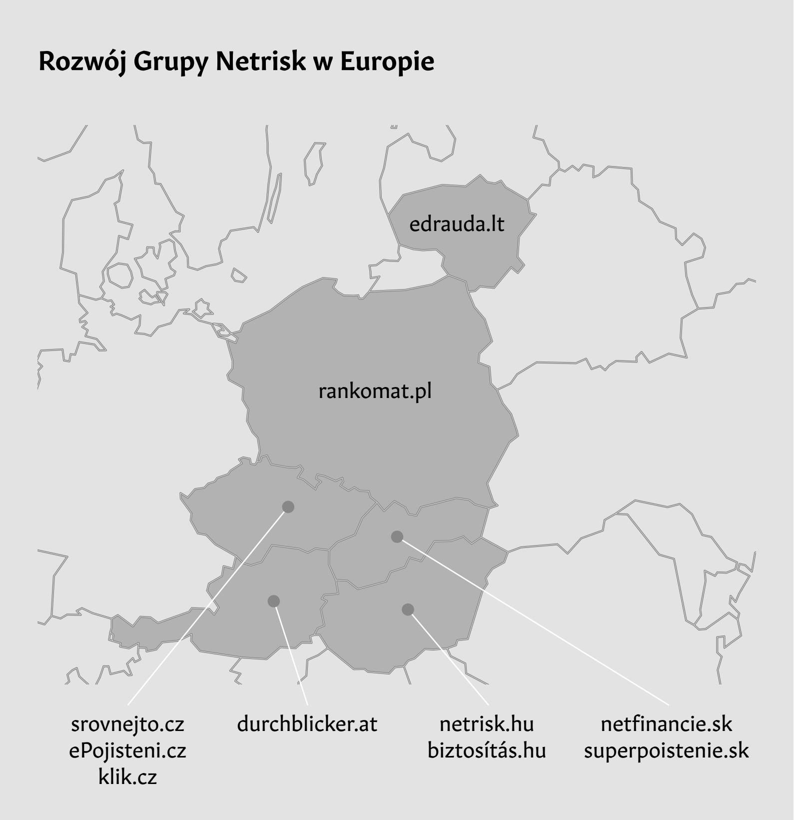
Accumulating experience from several markets allows us to diffuse ideas across the region while maintaining local flavors. We do not unify our online platforms in individual countries because they have their own specificities resulting from their digital development, the customers' digital maturity and shopping habits or popularity of online insurance.

For example, in the Czech Republic, 70% of sales are still made over the telephone, in Poland and Hungary the proportions are almost half and half, while in Lithuania 99% of orders come from online channels. By the way, when we took over Edrauda (a Lithuanian company that owns the insurance comparison site Edrauda.lt), its team consisted of only 7 people but served as many as 120,000 customers. It is an extremely effective machine, which is due to Lithuania's above-average level of digitization. Based on these examples only, you can easily come to the conclusion that unification of all platforms would not be the most reasonable solution because the markets in our portfolio differ significantly. Implementing new systems would come at the cost of local development. Meanwhile, this diversity helps us improve digital marketing, workflow optimization, commission structure, data analysis and call center conversions.

Day to day, we operate in a hub-and-spoke model, which allows us to strike a balance between flexibility and standardization, something that supports digital innovation without compromising action speed and user experience in individual countries. As a result, the entire Group is coordinated centrally, but individual platforms operate locally because their employees know the specificities of the market better. This approach guarantees agility. The only area that we fully integrate is finance. We have one financial department headed by the Group CFO because we need to control finance on an ongoing basis.

We invest in technologies prudently, which means that we do not make revolutionary changes where they are unnecessary. We bring upgrades where we can and where it is profitable, but we do not replace all possible systems because it is too capital-intensive and pointless. For example, when we choose data-collecting systems such as CRM, we tend to rely on 2-3 suppliers so as not to multiply systems but rather make them consistent whenever possible because this makes it easier to collect, analyze and compare data.

In addition, we are trying to expand vertically, so you can compare on our platforms not only insurance products but also cards, loans and mortgages. In some countries, we count almost 30 verticals and there



is still room for progress. We do everything step by step, looking before leaping, with a keen eye on effectiveness thanks to advanced measurement techniques.

International teams

When looking for new ways of cross-border cooperation, we apply the Agile methodology. We create teams, called "tribes", responsible for pursuing specific ambitious goals. The marketing tribe is currently identifying the best practices in TV campaigns in Lithuania, the Czech Republic and Slovakia and transferring them to Hungary where this channel has not been used so far. The cybersecurity tribe is running a project that aims to minimize potential risks and systematize the digital security of our customers, thereby fostering their confidence. It has already managed to reduce the number of cybersecurity problems by half in each country.

Another team deals with improving effectiveness as we have noticed major disparities in the effectiveness of our call centers. In one country, record holders sell up to 230 policies a month, while elsewhere the figure is a mere 40. These are significant differences and you cannot easily put your finger on them, but with the best sales practices duly disseminated, these differences can be smoothed out.

We do keep some original features of our comparison websites to ensure that they are best suited to their markets in terms of usability. But post-acquisition, we often manage not only to upgrade our competitive position but also to harness the unique know-how from individual markets. This is especially helpful in marketing. By exchanging information on several different European markets, we noticed some nuances related to marketing communications and customer preferences, which allowed us to manage our advertising budget more effectively.

Our five-person team builds extensive econometric models based on a large number of tests carried out in various countries. We analyze a lot of data to pinpoint marketing optimization opportunities. For example, we learned that it is not worth investing in expensive spots because the level of expenditure on marketing creation is disproportionate to its sales effects. What matters more is the broadcast time. Our experience shows that it makes no sense to have commercials aired in prime time, before or during matches. True, it does guarantee millions of viewers. But this is futile since everyone wants to continue watching the show and therefore will certainly not call us or visit our website. In our budgets, we allocate approximately 40% of our spending to television as a counterbalance to Google ads. Our econometric models often reveal that acquiring customers happens to be cheaper through television.

There is strength in simplicity

People use a lot of buzzwords to describe things they do whereas we try to do simple things that just work. If I were to name three building blocks of the success of Netrisk Group, I would point to positive paranoia, the knowledge of markets and the ability to establish good partnerships.

1. **Positive paranoia.** We never rest on our laurels. Even after a breakthrough transaction, we are not fully satisfied, we keep thinking about how to improve our offer, ecosystem and business effectiveness. We look into the future, asking ourselves: What might happen next? Will some events shake the market? How to protect ourselves against their consequences? This approach prevails among the managerial staff and has also been instilled in our employees.
2. **Knowledge of markets.** In-depth knowledge of the specificities of online business in individual countries is necessary to achieve satisfactory results. Understanding shopping habits, market opportunities, as well as good and bad practices specific to individual countries is key to success. It is impossible – especially in Europe where countries are so diverse in terms of culture and digital maturity – to copy everything 1:1. In our business, it is crucial to adapt to what is happening in a given country. That is why our teams, especially IT, always operate locally so that we can quickly respond to market needs. Extremely helpful in understanding local markets are the former platform owners who embraced our vision of building a regional champion and stayed within the Group, sharing their unique knowledge every day.
3. **Good partnerships.** The secret of our development lies in the ability to surround ourselves with good business partners and to tap into the know-how of investment funds. When expanding into a new country, you have to react quickly to situations that are difficult to anticipate. Sometimes, however, your plans fail due to unforeseen events. Having good partners on your side, who have dealt with similar crises many times, makes it much easier to manage stressful incidents and achieve the overarching goal.

The history of Netrisk proves that a strategic approach to investment, prioritizing the interests of customers and ensuring the financial sustainability of the business model can significantly accelerate the company's development. With this in mind, Netrisk is busy shaping its future, striving to entrench its leadership position in a dynamic business environment, and waiting for its private equity's moment of truth, i.e., the exit.

From a start-up to regional dominance

In 2015, as Pigu solidified its position as a leading force in the Baltic e-commerce region, a groundbreaking collaboration with MCI began. This strategic partnership was not merely a business move but a visionary step towards accelerating growth and strengthening managerial and operational capabilities.

Dainius Liulys, Co-founder of Pigu.lt

In 2008, Lithuanian Pigu embarked on its journey, driven by a vision to revolutionize the e-commerce market in the Baltic region where the concept was still in its infancy. As a 26-year-old showing reluctance for traditional shopping, I identified an opportunity to create an efficient e-commerce platform. In the early years, the market was crowded with unprofessional websites more reminiscent of online catalogs than well-managed online stores. Validating the business concept and achieving the first financial breakeven took me two years. Project profitability became crucial, not only for the planned growth but also for the lasting value for potential shareholders. We scaled fairly quickly, aiming to increase the purchasing power on the one hand and leverage technological capabilities on the other hand.

In 2010, the decision to expand regionally led Pigu to Latvia, marking successful acquisitions in 2011 and market dominance in 2012. In 2013, we embarked on conquering Estonia where, after overcoming challenges related to acquisition and cultural nuances, we became a market leader a year later. The turning point came in 2015 when Pigu decided to start cooperating with an investment fund. The need for liquidity, along with the desire for a partner with expertise in e-commerce, business scaling, and mergers and acquisitions, led us to select MCI as the ideal shareholder. The geographical proximity and a shared understanding of the business landscape in the Baltic region also proved to be significant.

Agility as a competitive advantage

In its early days, Pigu faced not only the market challenges of the time but also resistance from established brick-and-mortar retailers. However, agility and quick responses to market turbulence proved to be crucial factors in overcoming disruptions, including in the supply chain, price battles, and even legal difficulties. Our ability to adapt and act swiftly in the face of adversity became a competitive advantage against larger and more entrenched players. Interestingly, Pigu's growing significance in the retail sector turned our competitors into allies. As the company expanded, competitors began to recognize the potential for collaboration with us, realizing the influence Pigu held in the market.

In hindsight, I believe the decision to collaborate with MCI was rooted in both strategic and practical considerations. Geographical proximity, an understanding of the e-commerce landscape, financial strength and a shared mindset made MCI the ideal partner for the next stage of Pigu's growth. The partnership meant more than just a financial alliance to me; it represented a shared vision for the future of e-commerce in the region.

Strategic initiatives by MCI

Once our collaboration got underway, MCI enriched Pigu's leadership with experienced board members well-versed in the nuances of conducting business in the e-commerce sector. As a result, the company gained not only invaluable partners for discussions but also essential know-how, especially in the areas of finance and strategy. The partnership with MCI facilitated our interactions with local banks and insurance companies, helping us find easier solutions regarding business financing while providing the necessary assistance in funding our operations. It is worth noting that MCI actively participated in all these discussions, bolstering Pigu's credibility and attractiveness in the eyes of financial institutions.

Furthermore, MCI played a crucial role in introducing best practices in corporate governance. This included guidance on optimizing relationships between the management and the CEO, defining responsibilities and improving the overall organizational structure. Implementing these management principles contributed to the overall operational efficiency and strategic decision-making by Pigu. Importantly, MCI's strong financial position provided Pigu with the luxury of adopting more aggressive and innovative development strategies. This allowed us to explore risky ventures with the assurance of support from MCI. These dynamics enabled Pigu to push boundaries for accelerated growth.

MCI also facilitated establishing connections that furthered the expansion of Pigu's know-how, both at the organizational level and for individual employees. I can confidently state that interactions with other successful e-commerce entities hastened the learning curve, contributing to our dynamic growth.

The transformative journey of the CEO

Certainly, challenges arose on our path to growth, and the first of them was associated with a shift in my decision-making approach. My instinctive style of choosing solutions based on intuition hit a proverbial wall. It clashed with a more structured approach required in a collaborative environment with the supervisory board. The need for deeper analysis, presentation and validation of ideas, although initially very frustrating for me, proved to be essential.

My personal frustrations stemmed from the necessity to dedicate a significant amount of time to formulating and presenting ideas to the supervisory board. For a CEO accustomed to agile decision-making, this was cumbersome. On the other hand, transitioning towards managing stakeholders' expectations added another layer of complexity. Navigating this landscape required reconciliating entrepreneurial spirit with structured communication and engagement, meaning a shift from the initial commitment to the simultaneous balancing of multiple dimensions. This approach underscored the value of external perspectives in refining and confirming entrepreneurial visions.

Despite these challenges, the collaboration with MCI became a catalyst for my personal development and evolution in management. The board's queries, initially perceived by me as questioning the obvious, became a mechanism for double-checking ideas. Knowing how to structure thoughts and manage expectations is now a crucial skill for me in the dynamic world of collaboration and scaling.

Lessons from cash conversion cycle optimization

Collaboration with MCI also initiated a shift in thinking, prompting a deeper immersion in financial metrics that went beyond traditional considerations of profit and loss. The emphasis on precision, especially in the area of the cash conversion cycle, became another transformative lesson for me. The initial questions about the need to optimize the cash conversion cycle made me realize that it is not just about inventory management but a holistic approach that includes, among other things, commitments to suppliers and warehouse management.

Before engaging with MCI, Pigu primarily funded its operations through shareholders and a relatively small development fund. The change occurred when, under MCI's guidance, we made the decision to prioritize growth over immediate profitability. The key lesson was the ability to optimize days payable outstanding to suppliers and reduce days of inventory turnover. This seemingly complex financial management exercise made me aware of the potential for previously untapped cash flows in the company. By improving these operational aspects, Pigu not only streamlined its processes but also generated a significant cash flow from day-to-day operations.

The greatest discovery for me was that even without focusing on immediate profitability Pigu could generate substantial funds through cash conversion cycle optimization. This underscored the importance of effective working capital management in ensuring the financial health of the company, contributing to successful scaling. The newly acquired knowledge about the cash conversion cycle became a valuable asset for me – not only for current operations at Pigu but also for future ventures, investments and consultations.

Strategic advantage through in-house technology

Pigu embarked on its journey with a unique approach – building its own technology from scratch. While in the initial years this laid a solid foundation for a platform tailored to the specific needs of the business, questions arose about the benefits of using external solutions. However, we decided to remain committed to the idea of developing our own technology, which later became one of our key success factors.

One of the advantages of having our own technology was significantly lower development costs. The choice of PHP as the programming language contributed to this, and the availability of qualified PHP specialists further strengthened this advantage. Additionally, this programming language allowed us to develop additional tools more rapidly, positioning Pigu as a flexible player in the market. This flexibility was a crucial factor in maintaining competitiveness and quickly responding to evolving customer expectations.

Of course, when MCI invested in Pigu, discussions emerged about the potential transition to a more professional, external platform. However, after seven years of organic development of our own technology, we were not willing to part with it, especially since, from my perspective, it provided us with financial benefits and development flexibility. Fortunately, when considering a possible technology change, MCI chose to maintain the existing platform, recognizing it as a significant asset for Pigu.

Building an organization ready for dynamic growth

Another key success factor, alongside our in-house technology, was our exceptional team. Right from the start, I emphasized unity and collaboration, placing team cohesion above individual goals to foster a strong sense of community within the company. This approach proved effective in overcoming challenges. We achieved such a level of integration and positive work atmosphere that during holiday seasons, a time of increased gift purchases, the entire office staff willingly engaged in warehouse work to support their colleagues. The decisive factor for success in this aspect was establishing a clear mission, vision and company values. Personally, I was involved in the recruitment process by conducting informational sessions for new employees and defining acceptable and unacceptable behavior in the company.

In later stages of Pigu's development, when deciding on the right partner, I also considered commitment and alignment in achieving common goals. While MCI provided significant financial support, the close collaboration with Maciej Kowalski and Sebastian Millinder made me realize the importance of partners who fulfill their commitments.

However, during the phase of Pigu's dynamic growth, adapting employees, including myself, to the rapidly changing reality appeared to be a challenge. As the company grew faster than the workforce, the latter risked to become obstacle to achieving goals. It was essential for people to grow with the company rather than become a hindrance to progress. We began regularly changing organizational structures to adapt them to current needs and market challenges. Ending the holiday season immediately led to preparations for the next one, requiring internal structural changes. Annual growth rates exceeding 20%, according to best practices, put the company in crisis mode, and continuous modification of processes and communication kept the team constantly out of their comfort zone.

However, the necessity of putting employees in situations that required adaptation was crucial for success, and the strong company culture built earlier facilitated the acceptance of these challenges. Thanks to it, the team was not afraid of changes, and every modification was perceived as a step forward. Effective management of dynamic growth required the right people, and MCI helped us in this area. Importantly, they did so without imposing restrictions. The investors created conditions for focused work on growth, and the common goal, as always, prevailed over individual needs.

MCI supported the development process by maintaining a healthy sense of reason and logical thinking. Honest questions from investors allowed for a constructive assessment of the situation. Their support involved being direct and honest in approaching challenges. MCI's actions were in line with the company's culture, based on collaboration and shared goals.

Evolution towards a marketplace

Currently, at Pigu, our primary focus is on developing our marketplace platform, although I must admit that I was initially skeptical about adopting this strategy. We first attempted this in 2012, and the project ended in failure two years later. The mistakes made during that period were due to underinvestment in technology, insufficient knowledge about the marketplace model, and a lack of awareness of the need to educate sellers. Under the influence of MCI, however, I understood the benefits of this model. Moreover, scaling the company solely based on retail sales became insufficient and too risky. In contrast, a marketplace allows the company to transform costs into revenue streams. Shifting focused investments from an extensive retail platform to a marketplace model enables the company to relieve itself of the burden of inventory management through partnerships. The risk associated with warehousing then transitions to the sellers, facilitating business scalability.

We are also focused on educating small and medium-sized businesses on how to effectively conduct online sales. After a decade of educating consumers, we are shifting our attention to businesses, helping them succeed in the e-commerce world. A key challenge in this regard is motivating sellers to operate on the platform. It must be acknowledged that effectively managing 3,000-4,000 sellers requires appropriate motivation, both financial and strategic. Nevertheless, I believe that the marketplace strategy not only transforms cost structures but also dynamically changes the approach to sales management through a collaborative ecosystem.

Decisions made by Pigu have had an impact on the entire e-commerce market in the Baltic region. Successfully motivating people to shop online, the company rose to dominance in the region, which attests to the soundness of the actions taken. A continuous evolution, aided by learning from mistakes and MCI's support, has allowed the company to achieve a leadership position in the e-commerce market in the Baltic region.

When you pursue a goal, do not forget about empathy

Many partners and managers who worked at MCI Capital have subsequently made careers in the investment market. One of them is Małgorzata Walczak. She talks about her business path and experiences gained during her cooperation with the fund.

Małgorzata Walczak, Investment Director at PFR Ventures, managing PFR GreenHub Fund of Funds

I first met Tomasz Czechowicz back in 2005, but it was only a few years later that I joined the MCI team. It all started at a conference for computer equipment distributors in Monaco, in which I participated as the then-managing director of Optimus. I was (and I still am) a young and ambitious manager, entrusted with the task of restructuring a company disturbed by the tax office over VAT issues. It was quite a famous story at the time, which brought Optimus to the brink of bankruptcy and made its creator, Roman Kluska, leave big business. In 2002, the company was accused of tax evading taxes by sending computers to Slovakia and then importing them back to Poland without charging VAT. The owner and his associates were arrested, and the case was publicized in the media. Six months later, the prosecutor in charge of the case discontinued the investigation and withdrew the charge of alleged tax arrears.

Less than a year later, the Supreme Administrative Court issued a judgment annulling the decisions of the tax authorities that accused Optimus of tax fraud. Importantly, similar charges related to the sale of computers to the Ministry of National Education from abroad were also brought against JTT Computer, a company founded and managed by Tomasz Czechowicz. Both businesses were hit hard by this clash with the tax office. In the case of Optimus, the scandal led to a decline in the company's valuation and a change of ownership – it was taken over by Zbigniew Jakubas and BRE Bank, who entrusted me with putting the company back on track.

As I was watching the presentation of the iPhone prototype at the conference in Monaco, the CEO of NTT System, Tadeusz Kurek, approached me and said that Tomasz Czechowicz was talking about me in another room.

– Seriously? – I found it hard to believe.

– Yes. Not only did he talk about you, but he also showed how Optimus was taken out of the woods by a good CEO!

An opinion expressed in such a place by a man who had gone through similar problems with JTT was an incredible honor for me. That is why I remember this situation perfectly, even though almost 20 years have passed since then. Tomek asked me what my career plans were and offered me a job with him. He also advised me to design my career path in such a way as to gradually move from computer hardware distribution to technologically advanced software production, and ultimately to technological investments. And this is more or less the path I followed.

The wheel of time

When we met in Monaco, MCI was a venture capital fund that invested in start-ups at an early stage of development and often decided on investments by watching the founders and assessing their vision. Now it represents the private equity segment and is no longer looking for beginners but targets developed companies that can be scaled and that have the potential to grow into a regional or even European champion.

However, I did not join MCI immediately. From Optimus, I first went to Mennica Polska, whose main shareholder, Zbigniew Jakubas, entrusted me with the city card project, which allowed me to get familiar with high technologies. I also carried out restructuring there, significantly improving the profitability of the project. Then, as a result of a difficult UN competition, I was put in charge of a development project in Chisinau, after the completion of which I had some time to visit the countries of Central Europe. When I was planning a trip to the UN headquarters in New York to take up new tasks, Tomek wrote to me with an offer to manage a fund dedicated to cooperation with the National Capital Fund ("KFK"). This public institution, called a fund of funds, dealt with raising funds from, i.a., the Innovative Economy Operational Program, the Swiss-Polish Cooperation Program and the Ministry of Economy, and then allocated them to Polish teams managing venture capital funds. In the years 2007-2017, the KFK invested a total of over PLN 500 million, and these funds provided capital to such start-ups as Audioteka, Booksy, Brand24, iTaxi, Legimi, Synerise, Vivid Games or MCI-backed Frisco.pl.

In the summer of 2007, Tomek entrusted me with preparing a bid for the KFK's competition. That is how my professional adventure with investments began with the fund of funds and, interestingly, is still going on because, at the end of 2019, the KFK joined PFR Ventures where I am responsible for managing investments in VC funds. Thus, my career has come full circle: I started with the fund of funds and I have returned to it, although in a different capacity. It is cooperation with MCI that made me embark on this path.

I accepted Tomek's proposal and got involved in preparing the bid. A month later, we submitted the documents and our application was approved. Tomek put me in charge of Helix Ventures Partners FIZ, a subfund created to manage the KFK funds. The first portion of the money was invested in eBroker, which was sold to Interia.pl Group a few years later. The company was a forerunner of the online lead generation market in the efficiency marketing model and a source of knowledge about financial products. At that time, the company co-created the market, and today it remains its leader. The IRR rate of return realized on this transaction was over 60%.

Pursuing a goal

The work of a manager and investment partner involves great responsibility and great capital. Therefore, it requires a number of competencies, starting from industry, management and financial expertise through soft skills, such as the art of negotiation or motivation, to self-confidence and trust in your own abilities. I was, and I still am, a woman in a man's world, and I often found myself in a situation in which men, even paying kind attention to me or giving me a compliment, only aroused my irritation or unconsciously offended me.

This was not the case at MCI. For Tomek, the most important thing was my competencies and our relationship was based on them. He believed in my abilities and this greatly boosted my self-confidence. I knew that I had high skills in managing projects, but knowledge was one thing, and putting these skills into practice was quite another. What made the difference was the belief in my own abilities, and that was what I gained at MCI. By the way, I was not the only woman in the investment team and not the only partner, which perfectly illustrated the approach to diversity in this company. Tomek understood well that creating diverse teams allows for better decision-making. Unfortunately, in other fund management companies, the presence of women is still rare.

MCI showed respect for different points of view not only by employing women in positions dominated by men. The role of a partner and investment manager is first to sign a contract with a start-up and then to scale the business. Therefore, the investment team had to develop their business skills. Tomek also recommended that we should turn to experts and advisors to get different perspectives. Thus, we consulted business advisors as well as technology and industry experts who, owing to their knowledge of the market, were able to help us develop the product or tailor the offer to customer needs. Tomek set a good example for us, as he was interested in new trends and technological solutions – he attended conferences, read a lot and looked for fresh ideas. At the same time, he kept his feet firmly on the ground and made sure that the profit and loss account was accurate. To this day, I am reluctant to maintain fixed costs and pay subscriptions. Fixed costs are the opposite of agility and flexibility.

One of the projects in which the level of costs represented a threat was the investment in the mobile software manufacturer NaviExpert from Poznań. It was the first GPS navigation on mobile phones popular in the Polish market. When MCI invested in this application, it had only about 1,000 users. Our aim was to develop this business so as to propel it to leadership in the segment of online navigation solutions in Poland. Therefore, the funds invested were allocated to marketing and the development of the system, which was meant to stand out not only by the most accurate and up-to-date maps of Poland but also by the extensive online technology functionality. For example, it had a route planning function with automatic avoidance of traffic jams and ongoing roadworks. It does not sound like an innovation now, but we are talking about an investment from 2006.

The product was technologically perfect; its creators were scientists from the Poznań University of Technology who, despite being great experts in their field, had shortcomings business-wise. I was tasked with getting the investment back on track. Every Monday, I would take a 6 AM train to Poznań and have discussions, sometimes even disputes, with the application creators so that the business considerations and the passion of scientists would fit together. For me, these were invaluable lessons of tough negotiations on the one hand and taking a different perspective on the other hand. I learned to understand the opinions of others but also to make people see things my way.

The success of this venture was possible owing to a combination of empathy and consistency in achieving investment goals. Today, NaviExpert is considered to be the best Polish navigation application on mobile phones and tablets. In addition to the navigation function, it allows drivers to avoid traffic jams and warns of speed cameras, road checks or accidents. It operates online, which means that its maps reflect the up-to-date information about the average speed of vehicles over a given stretch of the road, repairs, blocked sections and new road investments. And myself, while pursuing my goal, I have developed excellent relationships with the application creators that continue to this day.

Role models

Projects such as NaviExpert taught me consistency in pursuing goals while respecting different points of view. I have applied these principles not only at work but also in my private life, starting a family and raising three children or taking care of my health, appearance and fitness.

In this pursuit, I am looking for role models not only in the professional environment. I was very inspired by Kobe Bryant, unfortunately the now-deceased legendary NBA basketball player for the Los Angeles Lakers. Bryant was killed in a helicopter crash in 2020, but his family is still making money off his great investment decisions. In 2013, Bryant bought 10% of Bodyarmor shares for USD 6 million, becoming the third largest shareholder in the company producing sports and energy drinks. A year after the NBA legend's death, Coca-Cola repurchased Bodyarmor shares at a price that yielded Kobe's family USD 400 million. Over the course of eight years, the shares have increased in value almost 70 times! This investment brought Bryant's family more than he earned during his 20-year career: the Lakers paid him a total of USD 323 million. Following such role models, you can conquer the highest peaks!

Kobe Bryant was an inspiration to me not only because of his financial successes, but above all because, while being a great player, he remained a good and empathetic person. He was the father of four daughters and they were dearest to him. Sadly, one of them, Gianna, who was supposed to follow in her father's footsteps, died with him in an accident. Looking at such outstanding people, you can draw a lot of inspiration from them. Therefore, as a leader, I try to convince people to follow me without boasting about my experience, competencies, education or knowledge of languages. I just do my best to be a good person, a good boss, a good mother, a good partner. I do not pigeonhole others, I am open to diversity, I try to understand the needs of others and their different points of view, and I do not want to be pigeonholed, either. I try to fulfill my professional ambitions and achieve my goals but also draw the best from people. I have met many wonderful persons in my life, from whom I really learned a lot. And all these people have one thing in common – first and foremost, they act out of a heartfelt need, and only secondly – out of the need. to earn money.

Breakthroughs are good for everything

Answear.com, an online clothing store, started its operations in 2011 and currently reaches customers in 12 European countries. In 2013, the MCI fund acquired a stake in the company. Since then, in addition to international expansion, our company has grown several times, made its mark on the Warsaw Stock Exchange and expanded its brand portfolio. Despite challenging epidemiological and geopolitical circumstances, we managed to turn real threats into opportunities, which we skillfully capitalized on. Here is the secret to our success.

Krzysztof Bajołek, Creator and Co-owner of Answear.com

When I founded Answear.com, I had a vision of building a pan-European entity in the fashion e-commerce industry. Despite numerous disruptions along the way, I was always consistent in pursuing this vision, even when it required going against the current. I was geared towards a marathon, which often gained the pace of a sprint as we step by step reached new milestones, conquering the countries of Central and Eastern Europe with our products. Today, I can proudly say that I was not mistaken. Over the course of 13 years, with a team of talented specialists and business partners, I managed to realize the vision, generate profits in a challenging business, and not run out of steam. On the contrary, we developed an appetite for more. Currently, we operate in 12 countries, namely Poland, the Czech Republic, Slovakia, Hungary, Ukraine, Bulgaria, Romania, Greece, Croatia, Slovenia, Cyprus, and Italy. We conduct geographically diversified sales and ensure that no single market constitutes more than 30% of the company's total revenues. Despite having Polish roots, sales revenue in our home country accounts for less than one-third. This is one of our ways of strengthening the resilience of our brand. Furthermore, we recently acquired two brands, SneakerStudio and PRM, venturing into a new and highly attractive segment of premium sneakers & streetwear. This is how we aim to spread our wings in a business targeting a new group of customers, especially younger generations, such as representatives of Generation Z and Alpha.

Seize breakthroughs in the company's development trajectory

I always try to start thinking about business with the question "why?" and create a strategy that answers that question. A similar mindset accompanies me when I contemplate how we succeeded. And when I think about "why?" we achieved success despite intense competition in the market, a reflection springs to my mind that the key to this accomplishment was following a clearly defined strategy, in addition to being able to fruitfully exploit breakthrough moments.

Firstly, Answear thoroughly considered each step in its market sprint. We started our operations with lessons learned from strategies, experience gained from creating major fashion brands like Mohito or House, and a strong eagerness to learn about e-commerce whose standards were not yet set in stone. We precisely developed a business model where we embedded the best possible mechanisms that paid off in the form of higher profitability, easier business scalability, or adaptation for further expansion, outperforming our competition. A brand like this can count on what every entrepreneur and investor is fighting for – a higher valuation of the company. There is one condition – sticking to the plan and not giving up on the principles that constitute the essence of your model, even in the face of temporary disruptions. We managed to demonstrate this consistency, which increased our credibility in the eyes of our partners.

Secondly, in 2013, we secured an investor – MCI Capital, which funded our development and, most importantly, supported us with its know-how in the digital world. This happened at an interesting and potentially challenging moment for the company when, together with the existing partner, we decided to part ways. The finance and knowledge injection made Answear gain another impetus for development and rapid business scaling. The fund had something more than capital – it could navigate efficiently in the realm of new technologies and the e-commerce sector. Having such a partner, with whom we could discuss matters of strategy, new technologies, market development and the best solutions for our business, was crucial at the time. Thanks to this, the option to enter foreign markets seemed easier and more realistic.

Thirdly, we successfully carried out foreign expansions in Central and Eastern Europe, allowing us to leverage the potential of our capabilities in product selection, warehousing, logistics, and customer service. This way, we diversified revenue streams and systematically increased sales, no longer being hostage to customers from a single country. In April 2014, we opened our online store in the Czech Republic, and just two months later, in Slovakia. In July 2015, we appeared in Ukraine, and in November of the same year, in Romania. The following year saw expansion into Hungary. Then there was a brief pause before we entered the Bulgarian market at the end of 2018. In the subsequent year, we were occupied with the largest logistics operation in the store's history – moving the warehouse from its previous location in Skawina to a new space in Kokotów near Krakow. The entire move took us 9 uninterrupted hours and, importantly, without disruptions in conducting online sales and processing orders in all seven then-existing markets. In 2021, online stores in additional countries joined our coverage zone, namely Greece, Croatia, and Cyprus. In 2022, the Slovenian market was added, and in November 2023, we entered Italy, the first country in Western Europe, considered the epicenter of fashion. Although e-commerce is a borderless business, it carries not only the promise of expansion but also threats arising from the need to compete globally with players surpassing local companies in capital, experience, or scale of operation. From the beginning, Answear was ready to bravely face its competitors, often choosing different paths and acting in its own way, allowing us to secure a place in the market. That is why, at the beginning of our expansion, we chose smaller countries, often with lower levels of digitalization, as there we did not have to compete with industry giants. Now, we feel strong enough to think about destinations such as the remaining Baltic or Balkan countries, and above all, Germany or Austria (due to the favorable location of our warehouses). Each expansion was a valuable lesson for us; on the one hand, we relied on well-thought-out schemes, and on the other, we always approached each venture individually, which prevented us from making major mistakes in this field.

Fourthly, despite the crisis related to the Covid-19 pandemic and a several-week sales slump, we not only did not disappear from the online space but also grew and increased our visibility. This was achieved through our bold decisions and the abandonment of some common practices at the time. We refrained from radical steps and did not cancel orders for subsequent batches of clothing, counting on becoming beneficiaries of the upcoming e-commerce boom. Subsequently, we made our debut on the stock market, seizing a favorable moment and adapting to it, even though we originally planned an IPO on the Warsaw Stock Exchange in 2-3 years' time. We acted boldly compared to other players in the fashion market, and the result convinced us that sometimes it is worth going against the tide.

To be or not to be

The Covid-19 pandemic turned out to be a catalyst for the development of Answear.com, although it was far from certain at the beginning. Let us start with the fact that the pandemic arrived when we were on the verge of achieving profitability. We were already welcoming the prospect of breaking even when there was a sales slump, and our turnover dropped by half. Many leaders in such a situation panic and make hasty decisions that cast a shadow over the further development of the company. I must admit honestly that even during our top-level meetings, there was no shortage of emotions and pessimism, which is natural in such circumstances. We knew that the stakes were very high, and our decisions would determine the company's to be or not to be. The situation could spur success or failure.

Growing uncertainty and the fact that in the first period of the pandemic our sales fell by half within 6 weeks did not create comfortable conditions for strategic initiatives. Nevertheless, after the initial reactions caused by the urgency of the situation, we managed to maintain relative calm and make good decisions, not hindering the business's development but stimulating it all the time. After considering several scenarios (from a gigantic sales slump lasting months through disruptions in supply chains and revolutions in customer habits to victory in the era of the e-commerce boom) and assessing resources, we decided to align tactical and strategic actions with the optimistic scenario.

As an ambitious organization with a realistic view of the internal and external situation, we decided to wait out the moment of horror in the hope that everything in e-commerce would not just return to normal but accelerate significantly. Thanks to our analysis and knowledge of sales trends and megatrends, we knew that such a development was highly probable. Temporary perturbations were a response to a new, unknown situation, but in the long run, everything should normalize. In times of fear, it is easy to forget about such simple arguments. Definitely, in pursuing a long-term strategy, Answear was helped by financial security. Despite a decrease in sales, we had the means to maintain business readiness and trusted supporting partners who believed in our success.

Among our best decisions that supported the rapid recovery after a temporary sales decline and helped catch up outstandingly was the continuation of all orders from suppliers. While competing platforms hesitated with decisions on this matter or even decided to reduce orders, we followed the previously established order quantities. The only precautionary action on our part was the temporary suspension of warehouse admissions. However, it is worth mentioning that orders in the fashion industry are placed months in advance. Clothes are sewn only after the deal is sealed. By not limiting volumes when the sales boom occurred, we had something to trade. We were prepared for better market conditions, which then arrived relatively quickly.

After three months, we managed to exceed pre-pandemic sales, and ultimately, we worked off the results with interest. Furthermore, we continued marketing activities and kept the company in full organizational efficiency, while also taking precautions for our employees and external partners.

Moreover, under the influence of the pandemic, we quickly implemented our plans to debut on the Warsaw Stock Exchange. We decided to strike while the iron was hot and obtain funds for further development from investors to become a major beneficiary of the e-commerce boom. Just six months after the pandemic outbreak, in September 2020, Answear.com submitted a Public Offering Prospectus for approval by the KNF (the Polish Financial Supervision Authority) and announced its plans to debut on the stock exchange. In December, we conducted a Public Offering with a total value of over PLN 80 million, and on January 8, 2021, Answear shares debuted on the main market of the Warsaw Stock Exchange. In this way, we obtained funds that significantly contributed to our further development. With this amount and subsequent share offerings, we managed to expand our product offering, strengthen awareness in the markets where we were already present, and explore new expansion directions.

In our own style

A good strategy is one that allows differentiation from the biggest competitors, especially if the competitors are indeed larger. We consciously strive to shape the strategy of Answear.com to care for our uniqueness. If the competition focuses on a very wide range, we do not necessarily follow the same path. We choose good, well-known brands that are liked by our customers, focusing not so much on the quantity of the assortment as on its quality adequate to the price. We bank on brands that customers know, which contributes to a smaller number of returns. And thanks to the fact that we are a lean organization that does not waste resources on side activities, we can offer competitive prices. Instead of creating many proprietary brands, as competitors have decided to do, we develop only one versatile brand, Answear LAB. Also, having our own logistics center and all the products sold being our property (as we do not operate on dropshipping principles), we provide fast shipments, 80% of them on the same day, and convenient returns, enabling us to ensure consistent customer experiences.

Thanks to our efforts during the pandemic, we gained momentum, and today we continue to maintain a rapid pace of development. We want nothing more than to remain in good condition. By seeking new opportunities, not slowing down, and applying the business mantras below, long-term growth becomes easier:

1. **Act boldly, not forgetting prudence.** Making unpopular decisions and staking everything on one card when the environment signals poor economic conditions is not an art. Therefore, courage and an optimistic outlook on the future must always go together with prudence and observation of weak signals of change. At the same time, it is worth remembering that leaders who act conservatively are not likely to win. The winner is the one who takes risks, but within reason, and - importantly - with a plan B in hand.
2. **Remember the strategy, especially when making difficult decisions.** Strategy is the foundation for building a company that wants to exist in the market for more than a few seasons. Awareness of where you are heading and how you want to achieve your goal enables consistent action despite many market fluctuations. If a company has a strategy and consistently implements it, investors will always appreciate it and even provide support during temporary turbulence. Answear was launched over a decade ago as a start-up, and although it was unprofitable for years, we managed to attract investors who financed the company, believing that the business would flourish. A meticulously and professionally prepared strategy, as well as a vision of development, were convincing enough for investors to believe in the future success that arrived.
3. **Think scenaristically.** Strategy cannot be an enemy of flexibility, so it is worth considering different scenarios within it. Such an approach allows you to react faster to newly emerging opportunities or threats than others do. It is worth considering positive, neutral and negative visions of the future for the company and for each of these circumstances, ponder tactical and transformational actions to avoid being surprised by the environment.

4. **Stand out from the competition.** Imitating the competition is not the best choice to establish a lasting presence in the minds of customers and build brand distinctiveness. Therefore, besides following good, established industry practices, you must take care of the brand's identity and several competitive differentiators that will bring new quality and a breath of fresh air to the market. Then, you must skillfully and consistently build communication around them.
5. **Never stop experimenting and discovering new territories.** E-commerce is a very grateful area for experimenting and verifying new ideas in practice at a relatively low cost. Seeking new solutions, improving processes, ensuring the efficiency of activities, and creating new technological solutions constitute the essence of a company's development regardless of the industry. It is worth perceiving all inefficiencies as opportunities to implement innovative solutions that can help build a competitive advantage.

Remember that if a business has value within it, the opportunities it faces are only good. In such a case, you choose between a good option and a better one. I wish myself and all the readers of this book only such choices.

Transforming companies in the changing world of payments

MCI's decision to integrate DotPay and eCard proved to be a key move in the online payments market. The visionary approach resulted in creating a leading player in Poland's online payments industry.

Krzysztof Kempiński, Managing Partner, Trigon Investment Banking

MCI's investment in eCard marked the beginning of a breakthrough in the electronic payments market and was a key element of the consolidation process in the online payments industry. When MCI got interested in eCard, it had significant competencies in the field of card payments. DotPay, in turn, had a strong background in handling pay-by-link payments, i.e., in automating the generation of transfers from bank accounts, something that was popular in Poland at that time. It is worth emphasizing that after investing in eCard, MCI showed great determination in winning the competitive sales process of DotPay and Mobiltek.

The investment in DotPay forced MCI to also take over Mobiltek, which owned the DotPay brand. Mobiltek handled micropayments via

SMS. At that time, this payment channel was in decline and extremely expensive due to the very high commissions charged by telecommunications companies. Later, MCI focused on the integration of eCard and DotPay, separating Mobiltek, a declining entity, to make it work on its own. It was a brave decision. The separation of Mobiltek allowed for concentration in the rapidly growing business and crystallized the value of DotPay, while Mobiltek itself had in practice minimal value anyway. Leaving Mobiltek within the DotPay-eCard structure would have risked disrupting the group's growth profile, distracting the management and discouraging investors from investing once MCI would be ready to exit.

At the time of the acquisition of these companies by MCI, the value of the online payments market was growing dynamically, and the development of e-payments was driven not only by the increasing popularity of online shopping but also by changes in the behavior of consumers. The latter were gradually gaining experience and confidence in online transactions and online suppliers, opting less often for cash on delivery, i.e., for payment for the goods to the courier after receiving the order. Moreover, MCI abandoned developing payment terminals maintained by eCard. The online payments business model ensured excellent business scalability, and getting new customers did not require additional outlays, as opposed to the payment terminal segment where equipment was financed for each newly acquired customer.

The combination of eCard's competencies in payment card settlements and those of DotPay in the pay-by-link area, with a full focus on online payments, resulted in creating one of the three largest payment processing entities on the Polish Internet, alongside PayU owned by Naspers (the then owner of Allegro) and Przelewy24.

The balance between passion and pragmatism

Start-uppers are usually in the process of shaping their ideas and are often very emotionally attached to them. For a fund that decides to back these start-ups early in their development, this is quite a challenge. Managing the emotions of young, ambitious entrepreneurs is extremely difficult.

In the case of eCard and DotPay, their founders had a significant influence on the development of these companies. After the transaction, MCI made minimal changes in the composition of the management board, which demonstrated confidence in the competencies of the existing teams. Although personnel adjustments sometimes occur, they are usually not radical. MCI typically banks on cooperation with existing leaders, while increasing the responsibility of the most promising units. In the context of the HR strategy, MCI assumes that if a team is smart and competent, it is worth supporting it. The fund's pragmatic approach means that if transformation is needed, it is implemented but without staffing revolutions. In practice, MCI avoids major personnel changes but rather tries to choose the right team. This is consistent with its approach not only to DotPay and eCard but also to other investments. Radical steps in the area of human resources are regarded as a risk factor, and MCI prefers dosed changes, maintaining a certain continuity in managing companies, which is strategically beneficial in the long run.[1]

Transition from venture capital to private equity

MCI has pioneered venture capital investments in the Polish market. It probably still bears the image costs associated with investments made at that time. Many entrepreneurs were disappointed with their relations with MCI, which often had to protect the interests of its investors when situations were difficult. Entrepreneurs might have repeatedly assessed MCI's behavior as extremely cynical. The investment in DotPay-eCard was one of the key steps in MCI's transition from venture capital to the private equity world where investment targets are more mature, already profitable and with a proven business model. Over time, MCI focused entirely on private equity and gave up venture capital investments.

Some of MCI's venture investments have evolved to reach the scale of private equity like for example invia.cz or answear.com. The gradual transition to private equity was natural for MCI. Its capital increased so quickly that it was necessary to invest in larger projects. Private equity

1 A note by Paulina Kostro

investing has a high barrier to entry. You need not only capital and access to debt financing but also an investment history. The investment in DotPay-eCard perfectly complemented MCI's experience and made the fund credible in the eyes of the market.

The right time to sell

MCI decided to divest DotPay-eCard at a time when the consolidation of the European payments market was already well advanced and the electronic payments sector was considered very promising. Investor interest in DotPay-eCard was exceptionally high. The choice of the Scandinavian company Nets came as a surprise. For Nets itself, the investment in DotPay-eCard was only the first step in expanding beyond Scandinavia. Shortly after that, it also invested in Przelewy24 and Polskie ePłatności, creating a very strong player in the electronic payments market, offering comprehensive multichannel services.

Over time, as the market matured, company valuations in the electronic payments sector, including online payments, have changed dramatically. MCI exited the investment in DotPay-eCard long before the valuation correction in the sector. The timing of this exit turned out to be important for the MCI's returns, enabling it to achieve an attractive valuation. Looking back, the exit moment was of course good, but it should be stressed that the choice of the right market segment and full concentration of managerial resources in one area were even more important. The investment was so successful that even if MCI had exited it after the correction in valuations of companies dealing with electronic payments, it would probably still have made a very decent return. The increase in DotPay-eCard profits would have compensated for the correction of transaction multipliers.

Minimizing sales risks

Choosing the optimal investor in a sales process involving several players is only seemingly simple and comfortable. In addition to the criterion of the offered price, you must take into account, among others, the determination of an investor to close the transaction as well as the duration and risks associated with the process of obtaining regulatory approvals (in this case from the Office of Competition and Consumer Protection and the Polish Financial Supervision Authority). The waiting time for approvals means that the closing date of the transaction and thus the payment for the sold company are postponed. While waiting for regulatory approvals, knowledge about the transaction becomes public. For the sector business players and head hunters working for them, it is an additional argument to recruit staff of the acquired company. DotPay-eCard employed only a few dozen people, but many of them were crucial for the smooth operation of the company. After all, regardless of possible price adjustment mechanisms (compensating sellers for the delay in closing the transaction), postponing the transaction usually hurts the rate of return on investment. MCI managed the exit process excellently and succeeded in limiting the risks associated with closing this transaction.

Trigon played a key role in the sales process of eCard and DotPay to Nest, providing comprehensive support. As an advisory company, it supported MCI in preparing for due diligence, identifying growth prospects, in addition to working out business models, presentations and descriptions intended to increase the attractiveness of the business in the eyes of potential investors. Moreover, it acted as a mediator, contacting investors on behalf of MCI and providing them with materials regarding the transaction once they met appropriate confidentiality obligations. It also supervised meetings with the management board, drafting materials necessary for the presentation. Trigon was also involved in negotiating the terms of the transaction, striving to maximize the value and minimize the risks that could arise in the process.

During this particular process, Trigon had to take into account various risks. For example, if the potential buyer was a large competitor present in the Polish market, there was a risk related to the decision of the Office of Competition and Consumer Protection (UOKiK), which could block the transaction. Another risk factor was the decision of the Polish Financial Supervision Authority (KNF), which could take months to obtain. Trigon also had to consider the changing regulations regarding KNF's approvals in transactions between payment companies. It also pointed to a significant risk related to the waiting time for the KNF's approval, which was *approximately 10 months for an average transaction. It is worth noting that these risks were complex and difficult to estimate precisely.*[2]

The fund invested PLN 85 million in both companies and sold them for PLN 315 million, which was a record in the Polish fintech market. However, for MCI, it was not only a story of a successful transaction but also one of strategic development, acquiring new skills, and effective adaptation to the changing business environment.

2 A note by Paulina Kostro

A masterful combination of knowledge and experience

In the dynamic world of business, investing in startups resembles a masterful game in which investors put their money into innovative ideas, without knowing whether the outcome will be profitable or not. The success story of the company Frisco illustrates that market knowledge, experience, thoughtful tactics and an understanding of trends are the cards that allow investors to win the start-up bridge game.

Luis Amaral, *Chairman of the Supervisory Board of Eurocash and its former long-time CEO*

Frisco is the largest Polish online grocery store offering home delivery in the six largest cities: Warsaw Meropolitan Area, Kraków, Katowice, Gdańsk, Poznań, Wrocław and, at the same time, one of the longest-operating players in the e-grocery commerce sector. When Eurocash Group became a shareholder of Frisco in 2014, MCI.TechVentures 1.0 and Helix Ventures ("Funds") were already majority shareholders of the company at 56%. The MCI team had excellent knowledge and experience in various types of investments, including private equity and venture capital, as well as in the development of technological start-ups. However, they needed an experienced partner familiar with the FMCG industry to support them in building Frisco as an independent market player.

As we took over the reins of Frisco, we were aware of existing competitive advantages but also identified weaknesses that needed addressing to achieve the planned growth. As a rising star in the e-grocery industry, Frisco required a new vision and objective oversight. The responsibility for management lay with MCI, whose strategic goal was to rebuild the management team, streamline the business model and establish a modern, highly automated logistics center. We focused on developing pricing strategy, supply chain and warehouse process automation. Not a week passed without discussions on improving logistical efficiency and expanding operations. These aspects required corrective actions, so together we sought solutions to automate logistics processes, raise the profitability threshold to achieve projected profits, and effectively expand beyond Warsaw to other major cities in Poland.

Overcoming challenges

Business is a dynamic environment where companies must constantly deal with various challenges. The key to lasting success is not only coping with these challenges but also skillfully leveraging them as opportunities for development. In the case of Frisco, right from the beginning, we consistently encountered obstacles, particularly in the logistics sector. Frisco's Achilles' heel was the inefficient management of the supply chain, leading to losses. The strategic goal was, therefore, to reduce logistics costs by 3% through warehouse automation. Transitioning to modern technologies and automation solutions enabled us to optimize logistics costs and achieve the targeted profitability threshold.

It also proved to be a challenging task to change consumer beliefs that e-groceries are more expensive, leading to the misconception that the service is associated with luxury. We had to launch educational initiatives to show consumers that the new way of shopping could be financially advantageous. The pandemic played a role in accomplishing this task, as it became an opportunity to test online shopping and shift attitudes. This was evident in the company's financial results for 2020, with a profit of PLN 0.6 million. Sales in March 2020 amounted to PLN 20,168 thousand, representing 133% of the budget for that month. Customers recognized the convenience, ease and comfort of online shopping, and many of them continued with this method. However, this did not mean that we did not have to make efforts to ensure their retention. Changing the perception of Frisco from a luxury service to an affordable one required time, favorable circumstances and appropriate communication.

Frisco's business model carried a certain level of risk. All other players in the e-grocery market were brick-and-mortar companies that offered online shopping in addition to their existing business. Frisco, on the other hand, stood out by focusing exclusively on online sales, which became our strength when acquiring new customers. We distinguish ourselves by how we deliver fresh products to customers because they do not sit on store shelves. Instead, they arrive at our warehouse twice a day directly from the manufacturers and are delivered to customers on the same day. This approach ensures the highest quality and freshness, setting us apart from others in the market.

A challenge for Frisco is the continuous acquisition of new customers who have never shopped for groceries online before. Changing consumer habits and convincing customers to make new purchasing decisions require effectively communicating the benefits. Sometimes, consumers resist changing their habits due to a lack of awareness of new possibilities or a lack of understanding of the benefits that come with such a change. Effective communication is crucial, and therefore, most of our marketing campaigns aim to prompt consumers to reflect and ask themselves, "Can I shop differently?" Our first campaign had the slogan "Don't go shopping." We wanted to change the consumer worldview in a slightly provocative way and show the Polish society that grocery shopping can be done efficiently and conveniently online. Thanks to this campaign, we significantly strengthened awareness of our service among the Polish population.

Pillars of success

In today's fast-paced world, where life moves swiftly and time is the most precious resource, the key factors influencing consumer decisions are speed and convenience in the shopping process. The development of Frisco has coincided with the advancement of technology and online stores, enabling consumers to have quick access to products from any location. We based the positioning of Frisco on the idea that the best shopping experience is one that allows consumers to shop how and when they want, comfortably and with the possibility to consciously choose the products they truly need, while considering their household budgets.

The online nature of the brand allows us to personalize the service to a degree that traditional stores cannot provide. We have built the development of Frisco on four fundamental pillars:

1. **Home is where the heart (and shopping) is:** Frisco enables convenient shopping in the comfort of your home and delivers orders even on the same day. Home is the place that is most conducive to shopping – it is where we have the space to carefully consider what we need and want to buy, maintaining full control over product choices and expenses. We aim to showcase stories from everyday life that resonate with our customers while emphasizing the functional and emotional benefits of Frisco, which establish a competitive edge compared to brick-and-mortar stores.
2. **Shop on your own terms:** Consumers can shop on their own terms and save on multiple fronts with hundreds of special offers, the Frisco price zone and the convenience of planning purchases, maintaining control over expenses, as well as saving time and fuel. The time spent waiting in queues and traffic can be redirected towards something more enjoyable.
3. **Punctual and on time:** We value our customers' time, which is why our rate of delays is exceptionally low. Our strength also lies in the high availability of the products we offer, a feature that sets us apart from the competition. We often receive feedback indicating that our quality is noticeably higher than that of our competitors – mainly because it is a key goal for us that translates into its top-notch implementation.
4. **Quality above all:** We prioritize the highest quality of products, collaborating only with trusted suppliers. All fresh products undergo triple checks – the first is done by the supplier, and the second and third occur in our warehouse. With us, products do not sit on shelves

for weeks or come into contact with other customers; instead, they are always delivered straight to our customers' doors directly from the supplier. We conduct all deliveries using specialized Frisco Vans, equipped with refrigeration and freezing capabilities, ensuring the proper conditions for transporting perishable goods.

Keeping up with the times

Frisco stays attuned to new trends and endeavors to listen to consumers' needs and anticipate their desires. Following the health-conscious trend, we have launched a special section simplifying the purchase of healthy food items. From this section, customers can navigate to Przepisy.pl, choose a dish, and with a single click, order the necessary ingredients for its preparation. Customers can also take advantage of a free application that significantly streamlines the shopping process and reduces time spent. It allows for personalized shopping lists and for weekly purchases to be repeated with just one click.

We are aware that the trend towards natural and locally sourced products is very strong. Consumers have increasingly come to appreciate products that are not heavily processed and are not solely associated with global production in large factories. More and more, they are turning to food produced by local, smaller suppliers. That is why, at Frisco, we continuously strive to enrich our assortment and foster partnerships with local suppliers to meet the expectations of discerning customers.

To build an engaged community, we launched the Frisco Friends loyalty program, allowing members to enjoy various discounts and save on future purchases. Additionally, we strive to ensure that our special offers and prices are closely aligned with current market trends. We monitor and analyze the market practically every day to respond to the needs of our existing and potential customers.

Simply following consumer trends will not guarantee a company's success if it is not accompanied by a well-planned strategy and a clearly defined goal. The goal is always what we see when we look into the future. We envisioned Frisco as a leading player in the Polish e-grocery market, and we have achieved this through a strategy and the synergy of knowledge and experience from Eurocash Group and MCI Capital.

The right approach to partnership

In the world of investments and start-ups, much like in a game of bridge, investors must not only consider who has better cards but also understand their partner's intentions. This requires strategic and tactical skills. Developing a growth strategy can be compared to bidding in bridge when players try to figure out how many tricks they can win, something that requires perceptiveness and the ability to predict competitors' moves, agility in reacting to changing conditions and the ability to quickly adapt to situations. However, investing is more than just about having a good strategy. It is a continuous learning process in which partners refine their collaboration, analyze situations and draw conclusions.

The harmonious collaboration between MCI Capital and Eurocash Group was the driving force behind Frisco's investment development. Each of us contributed not only capital but also valuable know-how and industry experience, which were invaluable assets for the young company aiming for success in the market. Our collaboration with MCI Capital was based on transparent and open communication. Of course, there were situations in which we had different perspectives, but they mainly stemmed from our diverse experiences. The exchange of insights and ideas, and a willingness to reach a consensus demonstrate that the partners have a high level of trust. Collaboration based on trust and commitment from both sides accelerates the company's development, making the investment a long-term success for all parties involved. Quantifying Frisco's success, I would mention the amount of PLN 127 million, for which MCI Capital sold its Frisco shares to Eurocash Group.

However, Frisco's success does not end there, as it continues to lead the Polish market with consistently strong sales growth. In the fourth quarter of 2023, it achieved a growth rate of 32%, and we anticipate adouble-digit growth moving forward. Our ambition is for Frisco to become profitable by the end of the current strategic perspective – by 2025. This is a challenge because Frisco is investing in strengthening its position and marketing to continually expand the e-grocery market and make online food shopping commonplace among Poles.

Scaling business through strategic acquisitions

Morele.net is gaining an advantage in the dynamic world of e-commerce. After an effective business lesson related to consolidation, followed by the separation from Lithuanian Pigu, the company focuses on strategic acquisitions, developing its own marketplace and improving the quality of its offerings. The partnership with MCI sets the agenda for Morele.net, enabling effective competition with global giants in the industry.

Michał Pawlik, CEO and Co-founder of Morele.net

The collaboration between MCI and Morele Group began in 2011 when MCI.Techventures, a fund within MCI Management Group, decided to invest in the online IT equipment storeMorele.net. The decision to choose MCI as a minority investor was mainly due to Jacek Murawski, the fund manager, who was temperamentally close to the organizational culture of Morele. What weighed in favor of MCI was the fact that they stood out for their flexibility, accepting the role of a minority investor, something that distinguished them from other funds interested in acquiring a majority stake in Morele at that time.

MCI.Techventures' investment in Morele.net was an important move in the e-commerce market, especially given the dynamic growth of online electronics sales. The transaction involved a significant stake while leaving full control of the company's management to the founders of Morele.net. As a result, MCI.Techventures became a partner supporting the development of one of the largest online stores in Poland, paving the way for greater involvement in the future.

Merger of Morele.net and Pigu

The process of scaling Morele.net through acquisitions began in 2018 and was a crucial element of the company's development. A key step in this regard was the consolidation of Morele.net and the Lithuanian company Pigu, initiated by MCI. The merger of both companies aimed to achieve operational synergies in an effort to build a regional e-commerce leader. As a result of the consolidation of these companies operating in three markets - Lithuania, Latvia, and Estonia, Morele.net became an international player. This process took several years, involving both merging and ultimately separating the companies. For Morele.net, it was a remarkable experience, allowing it to gain knowledge about operating in the international business environment and effectively conducting the merger and separation processes.

During the merger and subsequent separation from Pigu, Morele.net gained valuable experience, becoming a conscious participant of the merger and separation processes. Knowledge exchange between companies focused on areas such as performance marketing, e-commerce image building, as well as back office and logistics. Particularly significant was the know-how related to the warehouse management platform, which had previously been used by Pigu and later became an essential element of Morele.net's operations.

One of the key insights was that the level of complexity associated with international consolidation is considerably higher than in the case of domestic mergers. The consolidation process with Pigu required not only harmonizing different organizational structures but also dealing with language barriers, affecting the effectiveness of communication between the teams. The challenge also included the need for personal meetings, which required a significant amount of time not only in terms of preparation but also travel. Before the pandemic, online meetings were not yet as common and widely accepted. Moreover, it turned out that international-level discussions involve more attention and planning, especially when it comes to merger-related arrangements.

In the separation process, which occurred due to an attractive offer for the Lithuanian part received by MCI, new challenges arose, such as coordinating actions at the international level. It is worth emphasizing that partners from the MCI fund were greatly involved in this process, playing the role of moderators and supporting negotiations, both at the ownership and operational levels.

Partnerships with D2C brands

After separating from Pigu, Morele.net focused on further development and acquiring new partners and companies. Although not all concepts initiated by the fund materialized, the analyses associated with potential mergers provided valuable knowledge about the functioning of e-commerce in the region. Even if this did not result in actual mergers, it was a source of precious lessons, building knowledge for both individuals and the entire organization.

The next stage of the scaling strategy began a year ago. The fund identified an opportunity related to D2C (direct-to-customer) brands that wanted to reach end customers independently through e-commerce channels. This model eliminates intermediaries in the supply chain, which can be effective for both customers and brands. However, building scale in this business model poses challenges, such as the complexity of back-office processes and the need to build sales channels (including online) at the European level. At that point, entrepreneurs' attention focuses on administrative aspects of business activity, rather than its development.

Morele.net, with annual sales close to PLN 2 billion, automated back-office processes and extensive international sales channels, offered brands to take care of logistics, settlements, accounting, compliance, IT infrastructure and other administrative aspects, thereby freeing founders from duties not directly related to production and customer service, and allowing them to focus on product development. Additionally, Morele.net offers support in expanding brands to European markets, serving as a significant operational lever for partners.

Over the past year, we have analyzed several potential transactions and are planning to finalize two of them by the end of the fiscal year. Scaling through acquisitions becomes a key element of Morele.net's strategy, enabling the expansion of offerings, market reach and operational efficiency.

When it comes to choosing partners for collaboration, we are guided by several key criteria. The first is the synergy impact on the combined business, with a particular focus on D2C brands. The more a brand is focused on the relationship with the end customer, the more advantageous it is for Morele.net. The second criterion is product quality. We take into account the company's commitment to building a brand, offering high-quality products, and providing services at the highest level.

We are aware that in terms of sales channels offered, efficiency and back-office scalability, we can significantly improve the operations of our partners. Therefore, in our view, brands that want to collaborate with us should stand out by developing the product and building the brand. We aim primarily at "soft premium" brands, i.e., those that deliver high-quality products while being available at an attractive price thanks to an efficient distribution and e-commerce model. We avoid the so-called cheap Chinese products, respecting the time and money of our customers who, as e-shoppers, have a very high awareness of e-commerce.

Currently, our business model is based on maximizing customer value by offering high-quality products at attractive prices. We avoid typical omnichannel sales and focus on e-commerce where costs are lower, and pricing policies can be more flexible and adaptable to current market trends and customer reactions. We focus on serving digital consumers who prefer the convenience and simplicity of online shopping.

New brands and higher product quality

We set ourselves ambitious growth goals, focusing on several key areas. Firstly, we plan to expand our portfolio of D2C brands through acquisitions, which is a significant development channel. Another goal is to increase exposure to foreign markets, allowing for extensive growth. The third element of the strategy is the sequential improvement of the quality of offered categories, which, in our opinion, will enable Morele.

net to compete with giants like Amazon or Allegro. In terms of mergers and acquisitions, we do not plan to seek capital for financing transactions anytime soon because, at the moment, we can handle it organically and with the support of partnerships with financial institutions. Nevertheless, we leave the option open to raise capital in the future. We are ready to adjust our financial strategy if necessary in view of further expansion.

However, I want to emphasize that in terms of market dominance, we do not focus on direct competition with Allegro but prioritize customer satisfaction by improving our offerings in individual product categories. We focus on introducing new D2C brands from various industries in order to grow faster than the competition. Having acknowledged that Allegro has a wide range of products, at Morele.net, we want to provide customers with simpler and more convenient shopping experiences, using extensive sourcing, a wide range of D2C brands and a powerful loyalty program. We also do not intend to compete with other e-commerce platforms in terms of assortment range. We aim to deliver value to the customer through specialization in specific product categories.

Of course, we are aware of the challenges associated with macroeconomic and geopolitical factors, such as wars, which are already affecting the market. We also know that with the growth of scale, we will face the challenge of maintaining organizational efficiency, but I can declare now that we are ready for it.

How we combined innovation with efficiency

Building commercial efficiency and an organizational culture focused on customer needs while maintaining a steady pace of growth can be a sprinting effort on a marathon distance. Maintaining a high level of mobilization in every segment, in every area of organizational activity, becomes a challenge that a well-prepared and engaged leader can meet.

Daniel Szcześniewski, *former CEO of Atman*

Atman (formerly ATM) is the leader in the largest data center market in Central and Eastern Europe. The path to the company's current position led through triumphs on the Warsaw Stock Exchange after an intensive transformation under the wings of the MCI Capital investment fund. When I joined the ATM team in 2017, MCI Capital had been its shareholder for a year and a half with a minority stake. Despite the fund's investment, the company was not able to enter a growth phase. Even before the entry of MCI Capital, the company was not growing or growing very slowly, and from a sales perspective, it was selling roughly as much as it was losing due to the natural process of customer attrition.

The initiating moment for a breakthrough in ATM's development was MCI's decision to reshuffle the management team, which was supposed to lead the transformation. As a result, a new team was formed to steer key operational areas – sales, marketing, finance, technology and human resources. The new leaders brought not only experience in managing private equity projects but also a fresh perspective on the challenges posed by the data center and telecommunications services market. The beginnings of the transformation were not easy, but this strategic decision to change management structures inaugurated a period of rebuilding the company in commercial, operational, infrastructural and cultural areas. After a year, the first effects began to appear, and the company entered a growth phase, culminating in a successful exit of the fund from the investment.

Solid foundations for the transformation

Promising market prospects and their growth-oriented nature created opportunities and conditions for intensive value-building for Atman's shareholders. Additionally, even before the fund entered the investment, the Western European market witnessed an increasingly strong influence of wholesale customers such as Amazon Web Services (AWS), Microsoft Azure, Google Cloud Platform (GCP), providing cloud services on a massive scale and requiring data center resources on an increasingly larger scale. Analyzing the Western European market, we could predict that there would also be demand for such services from large market players in Poland. We did not know when it would happen and on what scale, but it became important to prepare Atman for such customers as a local company capable of competing with global data center service providers. At that time, we already presented ourselves as a company with outstanding infrastructure. Not only did we have excellent products on offer, but we also had an attractive customer base in the most resource-intensive, technology-driven industries such as finance, banking, insurance and media. Our driving force was also the favorable situation in the domestic data center market, which was characterized by significant dispersion. Although there were many competitors, none were on the scale of Atman.

With solid foundations in the form of a receptive market and extensive infrastructure, we began a strategic transformation of the company, focusing on improving commercial efficiency, which was considered our weakest link at the time. The key goal was to develop commercial capabilities to acquire new customers, maintain the loyalty of existing ones and generate new revenue sources. We had to strengthen, stimulate, rebuild and sometimes build commercial capabilities from scratch, ensuring stable profitability resistant to market fluctuations or increased competitiveness. We were aware that the transformation would be a lengthy process and would not favor rapid growth. Therefore, in the short term, we resorted to cost optimization, which, as an effective adaptive tool, proved necessary at this stage, considering the long-term benefits that come with a comprehensive transformation process.

The end of the transformation year opened a new stage, namely a multi-year phase of intensive action, especially in terms of both revenue and EBITDA growth. With already developed commercial capabilities and a well-functioning commercial engine, we later improved the EBITDA result by about 20% year on year, without further cost cutting but, of course, while maintaining a healthy cost discipline. It was then time focus on infrastructure investments important for the company. Seeing the market potential driven by the popularization of cloud solutions, we wanted to prepare the company operationally and infrastructurally to provide the best data center service in the region. We also believed that regular and intensive growth would make Atman an interesting asset in the investment market and increase the chance of attracting another investor, perhaps with a global reach, in the context of the planned exit. At that time, we started and completed the construction of another large data center facility, increasing the colocation space for our clients by several tens of percent.

The role of a leader

Assuming the position of CEO at Atman, I had to face the challenge of introducing and maintaining the company on a path of strong growth. The company already had its scale, but in a sense, it also faced challenges typically seen in technological start-ups: it possessed good technology and a product-oriented approach but experienced deficits in commercial, sales and operational areas. Finding a balance between innovative technology, operational efficiency and commercialization was a key task entrusted to me.

Transformation of organizational culture: The first step was to introduce changes in the organizational culture with an emphasis on customer orientation. We needed to create an environment where the customer is at the center. It was necessary to raise awareness of how significant a role the entire team plays in customer service. We aimed to motivate the whole team to contribute to a positive customer experience at every stage of the purchasing journey. We wanted to engage all employees in delivering value to customers, believing that this would result in returns in the form of gratitude, loyalty, repeat purchases and revenue, enabling the company to grow.

Focus on commercial efficiency: Instead of achieving quick profits in the short term, as a team, we opted to build solid foundations, ensuring sustainable long-term growth. This required not only the development of sales channels but also comprehensive post-sales, technological and operational support. Strong commercial backing went hand in hand with process optimization, cost control and increased efficiency, translating into competitiveness in terms of both price and quality, as well as the company's ability to continue growing and scaling.

Building interdisciplinary teams: Building a strong commercial engine required the creation of interdisciplinary teams in the areas of sales, technological support, service and implementation. Managing a group of 200 people in a customer-oriented culture involved maintaining a high level of engagement and pace across the entire team and in all areas of the organization for several years. Without this tremendous effort from the entire team, all employees and collaborators, building a success story would not have been possible.

Steady growth in a long-term investment horizon: In the business world, the initially assumed investment horizon is not always a set-in-stone rule. For projects that were supposed to be shorter but became more complex, adjusting the strategy is necessary. For Atman, maintaining a steady pace of growth was a particular challenge, especially in the context of declining trends in the telecommunications market, which was one of the business branches of the company. Therefore, flexibility in the approach allowed for adapting to changing conditions and pursuing long-term success.

Competition for talent and clients: The entry of large global data center players into the market coincided with the MCI investment horizon. Competition for customers and specialized talent intensified. The advantage of large players was their reputation and excellent recognition in European markets. This raised the bar for us in terms of competitiveness. Once again, we had to demonstrate flexibility to maintain our position and market attractiveness.

Building effective collaboration with MCI

Atman is an example of a successful investment project and effective collaboration between a private equity fund and its portfolio company. Efficient collaboration between the company and the fund is a process that requires trust, understanding and joint commitment. MCI provided freedom in implementing the strategic plan and value creation. The activation of non-executive director roles also contributed to building effective collaboration between the company and the investor. This is an important and not always utilized element that complements typical management and supervision structures in the company. Despite not being involved in daily management, individuals in such roles can provide good directional support to the management team, objective criticism and an independent perspective. They become a good link between the investor's goals and perspective and the real conditions, challenges and opportunities perceived by the management team in the course of daily business management. The presence of non-executive members made for a harmonious collaboration between the company and the investor and increased the effectiveness of actions taken by both parties.

The final but significant aspect that distinguished our collaboration with MCI was a culture of reciprocity and a kind of symmetry in relationships, for example, in terms of transparency, credibility of commitments, or delivering promises. In practice, this meant that, of course, subject to the rules and areas formally regulated, our collaboration was based on the principle of open communication, even regarding difficult topics or differences in opinions. Keeping promises became not only a standard but also the glue of the relationship between the company and the investor. When one partner committed to fulfilling a promise, it could be certain that it would be realized. This reciprocity resembled a jigsaw puzzle where each subsequent element, each step, each fulfilled commitment comes in to create a complete picture of successful collaboration. With such an approach, each decision could be made more easily and in the spirit of deeper understanding.

Commitment worthy of a founder

It is often said that no one can develop a company with the same dedication as its founder. I think that underlying such a belief is the mistaken identification of commitment with a sort of emotional bond connecting the founder with their creation. As a fund manager, I can confidently state that, in reality, regardless of whether it is a founder or an external manager, the degree of commitment to the company's development can be equally high. Intense involvement in a given project sometimes becomes a time of subordination of yourself and your life to the project. You think about it when you wake up or hastily eat another lunch, living the life of the organization because you are part of it. You form attachments to the people you work with, and to the place you create; you quickly develop a special kind of sentiment.

The realization of the Atman project provided me with several valuable business and managerial lessons. In hindsight, I can assess the course of individual stages with a certain distance, analyze mistakes made, and take a closer look at successes. If I had the opportunity to undertake this project again, knowing how its implementation would unfold step by step, I would choose battlefields more wisely. I would consider whether it is really worth fixing and improving every deficient business area of the company to the same extent, knowing how burdensome it can be for the entire team and all individuals contributing to success. Perhaps I would better identify battlefields that can contribute most to growth. This way, you can save the organization's breath, allowing the team to function well in the long term. My lesson from this investment is that sometimes it is more valuable to maintain a balance between effort and result. You cannot take care of all aspects equally. This unnecessarily burdens the entire team and organization, which can become a barrier to development, especially since private equity projects have a certain flexibility regarding their completion date. Unfortunately, maintaining a cool judgment in this aspect can be difficult when, as a fund manager, you engage wholeheartedly and with immense commitment in fulfilling your tasks. Such conclusions are reached after years when emotions have subsided.

A new horizon in private equity value creation

The last decade has been characterized by the dynamic development of the private equity sector and numerous transformations in capital markets. Disruptions, technological progress, globalization, changing demographics and the growing significance of environmental issues mean that the private capital market needs new investment models. Companies in the private equity sector must seek innovative value-building strategies to achieve long-term success.

Mounir Guen, founder and CEO of MVision

The private equity industry is a powerful player with capital reaching USD 4.4 trillion globally. It has grown from traditional forms of investment, such as buyout funds and high-risk funds, introducing innovations and financial instruments that support companies at every stage of their life cycles. Private Equity fund has achieved unprecedented success in the industry from the very beginning, maintaining a stable growth trend over the years. The factors that led private equity funds to the top are not necessarily the ones that will guarantee further growth. What will be key over the next decade is a change not only in the operational model but also in the value-building model, allowing for effective competition and simultaneous long-term success for the entire sector.

Global challenges of the private equity sector

The private equity (PE) industry faces a series of challenges that require flexibility, innovation and future-oriented strategies. One of them is the uneven distribution of investment capital, mainly concentrated in the United States, serving as a safety haven for investors worldwide. This persistent trend poses a challenge to non-US firms, such as MCI, struggling to attract capital. The disproportionate allocation of resources limits access to funding for firms outside this narrow circle, making it difficult to compete with entities benefiting from capital concentration in the US. Thus, it is necessary to change the strategic approach to raising capital from non-traditional investment centers to balance fund distribution and enable the global development of private equity firms. Investing in the development of local financial markets can create new opportunities, especially in emerging economies. Collaboration with financial institutions like banks, pension funds and insurers can support capital distribution, and forming business partnerships allows for efficient utilization of resources.

Another challenge is the imperfect assessment of investment portfolios, comparing PE investments to publicly traded companies. Investment conditions and risks in private equity can significantly differ from the public market, hindering an accurate evaluation of efficiency. The solution lies in revising portfolio assessment approaches, considering the specificities of private equity to eliminate unnecessary volatility resulting from reference to the public market.

Furthermore, sectors like PE require visionaries whose presence is imperative for firms aspiring to long-term success. Visionaries shape the future of investments, adapting to changing environments and creating strategies based on innovation, sustainable development and collaborative relationships. Without their vision and leadership, it is challenging to envision how the private equity industry would continue succeeding in a dynamic and competitive investment environment. To shape future visionaries, the education system needs modification to prioritize creativity development, encourage exploration of new areas and support innovative ideas.

The global operations of private equity firms are subject to various regulations depending on the jurisdiction, posing a challenge when it comes to ensuring compliance with a shifting regulatory environment. Significant differences in regulations regarding investments, financial reporting and taxation can cause uncertainty and operational complications. Private equity firms must track legal changes, monitor evolving standards and collaborate with legal experts in different markets to minimize the risk of regulatory violations. The variable regulatory environment can also impact decision-making processes, requiring greater flexibility and readiness to adjust investment strategies based on changing legal frameworks.

The increased focus on environmental, social and governance (ESG) responsibility challenges the private equity sector to adapt its strategies to new investor and societal expectations. As the business world increasingly highlights creating lasting value for society, socially engaged firms become attractive to both investors and employees. Enhancing social value efficiency should not just be about building an image but a constant element of the investment strategy.

Megatrends shaping the investment landscape

The private equity sector is undergoing a historic transformation driven by megatrends shaping the investment and business environment. Technological advancement, globalization, changing demographics and environmental issues are altering the current order, creating new models for building and managing investment portfolios, as well as new patterns for creating value and relationships. PE firms must adapt to changing conditions to stand out in a competitive environment. For many, this means increasing geographical and asset class diversification. Others may need to put stress on greater specialization (by region, sector or impact) and refining high-quality products. All PE companies must undergo operational validation and find new tools to create value, with a particular focus on key areas such as digital strategy and human capital management.

Collaboration with governments becomes a crucial element of the social responsibility strategy for private equity firms. By partnering with public authorities, companies can more effectively create conditions that foster sustainable development and improve the quality of life for society. Through partnerships with non-profit organizations, PE firms can support educational projects, including establishing new schools, providing educational equipment and developing curriculum programs. They can undertake healthcare initiatives such as building modern clinics, purchasing medical equipment and ensuring access to primary healthcare in underserved areas. By engaging in social projects, companies not only achieve financial benefits but also contribute to creating positive and lasting changes on a global scale, laying the foundation for a sustainable and ethical future.

Technology is changing the business models of PE firms, and artificial intelligence is increasingly entering areas that were previously considered too risky. The application of AI algorithms provides new investment opportunities by minimizing the labor required to monitor potential assets. Predictive analysis allows for the precise identification of instruments that create company value, as well as for the discovery of new segments and innovative approaches. To harness the power of digital technology and help PE firms and their portfolio companies increase efficiency, optimize risk management and stimulate development, a company must take the necessary steps:

- **Validation:** Companies must conduct a detailed assessment of the digital maturity of their assets to understand potential opportunities, identify key success factors, and recognize any obstacles that may arise during implementation.
- **Prioritization:** A solid analysis of the entire portfolio of initiatives, both completed and new, is necessary. Capital allocation should be based on the criterion of the highest return and value creation potential.
- **Implementation:** Companies should ensure that all essential components enabling the digitization process are properly implemented, and any deficiencies identified during the maturity assessment are

addressed. Continuous monitoring is necessary for a reliable analysis of investment goals based on returns.

Technological development in private equity is no longer just an effective business tool for increasing efficiency. Investments in technologies focused on addressing social needs become a catalyst for social progress. An interesting example of combining innovative solutions with social value is the robot ElliQ created by the Israeli company Intuition Robotics, serving as an AI assistant for the elderly. This project not only improves the quality of life for seniors but also fills the existing gap in the lives of older people who often experience social isolation. Investments oriented towards such initiatives build the reputation of PE firms as active participants in creating positive social changes. In this way, technological development becomes not only a tool for achieving business goals but also a means of creating a better, more sustainable society.

Towards humanizing private equity investments

The new investment landscape shaped by megatrends, disruptions and global macroeconomic challenges requires private equity firms to redefine investment goals and change the traditional model. In the pursuit of sustainable growth, it is necessary to switch from focusing solely on pure profit to building lasting investor-business relationships and humanizing investment activities. The new role of private equity is not just about capital allocation but also about actively supporting and collaborating with businesses, paying particular attention to social values and ethical aspects of business. Responsible investing becomes a key element of the strategy in which private equity firms engage in projects that benefit not only shareholders but also local communities and the environment. In this context, taking on a new role by private equity firms as partners supporting social projects becomes especially significant, with collaboration with governments and non-profit organizations being a pillar of this transformation.

Modern partnerships within private equity require deeper engagement with stakeholders and active support for the development of portfolio companies to achieve common financial and social goals. Focusing solely on maximizing profits is no longer sufficient – the new era of private equity investments requires a return to values, with humans taking a central place in the investment process. Supporting employee development, ensuring customer satisfaction and engaging with local communities become integral elements of the value-building strategy. Ultimately, relationships and people form the foundation of sustainable growth. By embracing this new era of investment PE not only redefines its role in the business world but also becomes a leader, shaping the future of the sector, where relationships and people are the driving force behind sustainable growth.

The digital power of CEE

In recent years, a storm has cut a swathe through Central and Eastern Europe, with war, inflation and economic instability. Nevertheless, technology and digital enterprises remain the pillars of the region's economic success, with the maturing private equity sector and the now booming venture capital industry forming the backbone of CEE's digital clout. Regional entrepreneurs are battle-hardened and the region's digital power is flourishing.

Piotr Mieczkowski, *Managing Director, Digital Poland Foundation*

Wise, UiPath, Bolt, Allegro, Vinted, Blik, Booksy, EMAG and InPost are just some of the digital players from Central and Eastern Europe who have demonstrated how to build strong CEE brands. Global consulting firm Arthur D. Little **sees the digital economy as a key growth factor in Central and Eastern Europe,** and it is hard to disagree. Since 2016, venture capital investments in the region have skyrocketed and outpaced most VC ecosystems in the rest of Europe. Private equity funds are also active, which points to the attractiveness of our region in the eyes of investors and represents a sort of a litmus test for digital entrepreneurship.

Investors appreciate CEE's large consumer population of more than 165 million, its stable and rapidly growing economies that generally outperform mature markets, its large pool of skilled talent that can benefit from great education systems in the field of science, and finally its proximity to Western Europe. According to Bain, a consultancy, CEE represents 19% of the EU's programming talent pool and boasts a higher rate of engineering graduates than Western Europe (14.8% compared to 14.5% in 2019). And as we know, **access to highly qualified talent is one of the pillars of a thriving technological system.** Moreover, even with the war turmoil, inflation and economic instability, as mentioned above, the GDP of Central and Eastern Europe is comparable in size to that of Scandinavia or Benelux.

Digital phoenixes, dragons and wolves

According to the Digital Champions CEE 2022 ranking, drawn up with substantive support from MCI Capital, the total value of phoenixes, dragons and wolves, i.e., the 100 largest technology companies in Central and Eastern Europe, surpassed USD 75 billion, which accounts for almost 4% of the region's GDP. We owe this impressive result mainly to digital phoenixes - companies with a valuation exceeding USD 1 billion, which made up 70% of the total capitalization of digital champions. That said, the number of digital phoenixes has decreased by almost half, from 36 to 20, in 2022 compared to a year earlier. This had a negative impact on the total capitalization of digital champions. The phenomenon can be explained by the slump in global financial markets, the appreciation of the dollar, buyouts of companies in trouble, exits by investment funds, and the fact that several companies dropped out from the ranking, including those based in Ukraine, which left Central and Eastern Europe and moved to the UK or the US.

At the same time, there are 37 newcomers on the list of digital champions, which proves that **we managed to build a turbulence-resistant market.** And despite difficult external conditions, the digital sector in Central and Eastern Europe, supported by the PE and VC firms, did avoid stagnation. **The hottest CEE sectors in the digital era include e-commerce, entertainment, SaaS and fintech. Many new players are joining the latter two categories,** demonstrating the progress in these segments and illustrating the breakthrough potential that digital champions bring to digital transformation. Above all, these facts confirm that even in such turbulent times, companies from Central and Eastern Europe can create value.

Promoting the CEE region around the world

Digital Poland Foundation strives to **position Poland as the world's leading digital innovation hub by promoting international and cross-industry initiatives and by encouraging stakeholders to join forces, connect topics and create networks of contacts and relationships.** At the same time, we endeavor to promote the CEE region and raising its profile internationally. **Central and Eastern Europe has huge business potential, which sometimes remains hidden for lack of good reporting practices in smaller countries or information on activities in the area of new technologies.** To enhance the visibility of the CEE region, Digital Poland Foundation publishes the above-mentioned Digital Champions report, connecting potential investors with the best companies from very diverse countries whose inhabitants combined speak 15 languages.

We look at the region broadly, covering 19 countries in the report: Albania, Bosnia and Herzegovina, Bulgaria, Czech Republic, Croatia, Estonia, Hungary, Latvia, Lithuania, Kosovo, Moldova, Montenegro, North Macedonia, Poland, Romania, Serbia, Slovakia, Slovenia, Ukraine. Estonia, the Czech Republic and Poland have recently been topping our ranking. Yet when talking about the CEE region, it is impossible to set aside the war in Ukraine. Many Ukrainian companies still operate in the country, but a number of them have decided to move to Western Europe and the United States. However, **even the war turmoil was not able to sweep Ukraine out of the ranking,** which is significant, especially in view of the fact that countries such as Slovenia, Albania and Moldova have failed to produce a single champion so far.

In fact, each country in Central and Eastern Europe has its own unique features. For example, it is worth paying attention to the Baltic states where financing as a percentage of GDP exceeds that in Western Europe. Since founders in this region have small home markets, many of them are ready to scale their businesses early both within Europe and globally. That is why the Baltics have always been well represented in the ranking compiled by Digital Poland, usually occupying over 20 positions.

In a region where many countries are small, investors often lack complete information about activities in the field of new technologies. Not all professional sources track the number of transactions in the region, and sometimes only fragmentary data is available. Hence the need to publish a report and a ranking of digital champions that meet transparency and reliability standards. We also want to motivate companies to be more attentive to data quality.

Another aim that we strive to achieve is to facilitate investments in businesses from the region. In fact, many global investors and funds avoid engaging financially because they only know the ten largest companies here. A broader list allows for a more comprehensive assessment of the value of companies, and our ambitious goal is to expand it every year (top 200, top 300). In addition, the report is intended to be a source of inspiration for entrepreneurs in the region, presenting success stories and challenges faced by industry leaders.

Likewise, it is important to stress the role of digitalization and new technologies in the region. Not all governments in CEE consider digitalization to be crucial for the modern economy. That is why digitalization should be put higher up on the agenda of decision-makers, and European regulations ought to be shaped in such a way as to support the development and scaling of local enterprises.

A mix of favorable regional and global trends

We are witnessing consumers and enterprises from the CEE region shift from offline to online at such a rapid pace that allows them to close the gap with Western Europe and drive the growth of e-commerce along with the entire support ecosystem. A surge in the ICT sector employment levels – both in local and international companies – supports growth and scaling. In addition, digitalization plays a key role, allowing many enterprises to achieve digital maturity earlier in certain areas. This mosaic of trends gives CEE a chance to overtake Western Europe. Let us remember that in many cases, companies from our region do not have to replace outdated solutions, which offers them a significant advantage.

A mix of favorable regional and global trends has created numerous technological opportunities for financial investors, leading to successes in both private equity (PE) and venture capital (VC). **From our**

perspective, the CEE region is already a digital powerhouse, and over the years, it will only become stronger globally. Entrepreneurs from Central and Eastern Europe do not lack determination, ideas and effectiveness. A key lesson to be learned is the international promotion of the region so as to enable investors to more easily obtain information about the best companies in the region, their achievements and the incredible potential that will attract even more funds to Europe.

One of the main beneficiaries of the post-pandemic boom was undoubtedly the technology sector, namely owing to the focus on digitalization, which resulted in an unprecedented upturn in the valuations of software/IT companies, additionally driven by record levels of liquidity in private and public markets. But the bull market has come to an end and the overvaluation of technology stocks has created opportunities for strategic buyers and private equity funds.

However, macroeconomic uncertainty influences investors' choices, making them more interested not in growth but rather in profitability. The market is becoming polarized: the best companies continue to enjoy great interest and achieve premium valuations, but **start-ups pursuing a growth-at-all-costs strategy struggle to raise capital,** often forced to rethink their business models. Indeed, investors increasingly appreciate metrics such as the "Rule of 40" (stating that for a software company to be highly efficient, the sum of its growth rate and EBITDA margin should be equal to or greater than 40%). Digital leaders from the CEE region demonstrate the solid fundamentals of their business models and attract investors, even in tough times.

When investing in Central and Eastern Europe, you should remember that the overwhelming number of the CEE countries belong to the European Union and NATO. This means that the region can be a safe haven not only for factories and service centers relocated from Asia, especially China, but also for technology companies, namely thanks to its talented programmers and extremely ambitious people. More and more countries are also adopting the euro. Among the leading economies, only Poland, Hungary and the Czech Republic stick to their own national currencies. All this makes it worth investing here and betting on the region's convergence with Western Europe, something that has been happening for a long time, i.e., for over two decades.

Building shareholder value is no longer a priority

Experienced stock market investors fondly remember the golden days when the WIG20 index exceeded the 3,000 level, with Wiesław Rozłucki, one of its co-founders, serving as the president of the Warsaw Stock Exchange. However, with his departure in 2006, the stock market gradually lost its attractiveness, opening a new chapter full of regulatory challenges and untapped potential.

***Wiesław Rozłucki,** former President of the Warsaw Stock Exchange*

You are one of the co-founders of the Warsaw Stock Exchange and served as its first president for 15 years. In 1991, when you started trading the first five companies, how did you envision the future of the Polish capital market? Are you positively surprised by what we observe today, or are you disappointed?

When I took on the task of reactivating the Warsaw Stock Exchange, I had some concerns, especially regarding the lack of sufficient capital in Poland. We had many companies that could be privatized, but there were not enough financial resources. I knew that finding willing investors would be a challenge we had to face. We started trading with just five companies, and it quickly turned out that the interest in the stock exchange exceeded our expectations. Within the first ten years, the demand for stocks was greater than the actual supply. I was positively surprised that so many companies managed to enter the stock market. At its peak, their number reached over a thousand, including smaller companies from the parallel market and later NewConnect.

However, looking at our stock market today, I am disappointed. Not so much by the state of the infrastructure of the Polish capital market, which, in my opinion, is at a decent European level, and this applies to almost all capital market institutions, but I am disappointed with stock prices or company valuations. It is concerning that for at least the past ten years, Polish stock indices have been the red lantern among European indices. In a simplified sense, the stock market exists so that both issuers and investors can make a profit. If there is no profit, and the risk still exists, many companies question whether it is worth entering the stock exchange with such high European requirements. Given that on the Warsaw Stock Exchange, the average company is four times smaller than the average Western European one, almost all our companies are considered small and medium-sized, with the same requirements as large companies.

During your tenure, the Warsaw Stock Exchange steadily grew and stood out compared to other stock markets. Today, it seems to lag behind other European exchanges. What are the reasons for the downturn?
The reason is the capital market environment, not so much the economic one but the political-regulatory one. Over the past ten years, the economy has been growing dynamically, but stock indices have not kept pace. Contributing to this were state-owned companies, whose valuation lags behind their counterparts in other countries, as well as other companies listed on the Warsaw Stock Exchange. If we look at quotations, over the last eight years, prices of state-owned companies have increased by 12%. In the same period, quotations of other companies have risen by over 30%. This shows that the sector of state-owned companies has underestimated the return on capital on the Warsaw Stock Exchange. In reality, state-owned companies do not create value for shareholders but, quoting one politician, implement the program of the party that won the elections. They are not obligated to maximize profits and stock market valuation, but it is expected that since they implement the party's

program, they must also actively participate in the election campaign of that party, as observed in recent months. Private companies perform much better, which does not mean that the market environment does not pose regulatory and political threats to them. In recent years, the stock exchange and the entire financial sector have been treated as a source of revenue for the state budget, not as a catalyst for the development of the entire economy. The very positive reaction of the stock exchange after the October 15 elections shows how important corporate governance is and how high investors' hopes are for its improvement.

One of the reasons for the negative image of the market may be the tax ideas, which affect both companies and shareholder profits. Have politicians negatively influenced the trust of market participants in the Warsaw Stock Exchange? I mean both tax policy and the management of state-owned companies, including personnel policy.
In addition to the capital gains tax, there are many other industry-specific taxes imposed on banks or large retail facilities. If a private company operates flawlessly and investors are willing to invest in it, they can never be sure that this promising industry will not be additionally taxed in a moment. This causes valuations on the Warsaw Stock Exchange to be significantly lower than in other countries, especially for state-owned companies, on which new sales or pricing policies convenient for government-party interests can easily be imposed. It is more difficult to impose new rules on private companies, but additional taxes or levies can always be introduced. As for trust in the stock exchange itself and other capital market institutions, brokerage houses, the National Depository of Securities, and the Financial Supervision Authority, it remains at a decent, often high level. In terms of the ability to generate income on the stock exchange, trust has noticeably declined, though. I often hear statements that during my tenure as president, stocks only rose. This is not true because there were also declines, but the difference was that there was a belief that after a downturn, there would be a rebound. In the short term, there was always a risk of loss, but in the long-term horizon, there was a high probability of profit. In the last ten years, there has been no such certainty, so trust in the stock exchange as a market where you can make money has been undermined.

It is said that the stock exchange is an economic barometer. Is the GPW really crucial for the Polish market and playing the right role? After all, only a few hundred thousand people invest directly there. Is it still a good place to invest savings? Is it still an attractive place from the perspective of companies seeking capital?
Whatever the stock exchange measures, it does not do so based on the current state, like a barometer does, but assesses and estimates today's expectations for the next six to nine months. When someone buys stocks today, they hope that in six months, those stocks will be worth more. I have observed how stock prices have changed over the last thirty years, and I can say that the GPW does well in predicting and is a reliable gauge. When it comes to the importance of the Warsaw Stock Exchange for the Polish economy, I am more reserved. The number of companies is still impressive, but too many of the largest ones are still outside the exchange, proving that compared to bank loans, the stock exchange is not competitive. In the last decade, there has not been compelling evidence that the stock exchange is an attractive place to invest money. However, there are companies and industries, such as the gaming sector until recently, where substantial profits can be made, but it involves significant risk. I hope that a change will come soon, leading to the depoliticization of listed companies and a shift in priorities. If building value for shareholders becomes the primary goal, favorable feedback loops will emerge, allowing companies to gain enough strength to make the stock exchange an attractive place to invest savings, depending on the risk tolerance. From the perspective of companies, focusing on creating value will enable them to debut on the stock exchange with high valuations.

A crucial market participant group that has a key impact on the development of the stock exchange is VC/PE funds, such as MCI. What role have they played in the development of the Warsaw market from your perspective, first as the president and then as an attentive observer and expert?
In the early 1990s, at the beginning of Poland's transformation, the capital market practically did not exist, and the Warsaw Stock Exchange became not only a pioneer but also a promoter of the capital market. The Warsaw Stock Exchange, compared to other global exchanges,

emerged incredibly quickly, but it took some time for investment funds and other institutional investors to appear. Initially, small companies took advantage of the good market conditions, entering the market immediately without venture capital or private equity. In the first years of operation, the stock exchange played the role of a mentor, willingly accepting all companies that had no other alternative. In the normal course, it is funds that are responsible for preparing start-ups for entering the stock exchange, not the stock exchange itself, which expects companies to be at a much higher stage of development. We eagerly awaited funds that would take care of preparing companies for a successful IPO. Transitioning from a state-owned enterprise to a public one is challenging, but transitioning from a private, family-owned company to a publicly traded one involves significant changes in every area, from changing mentality to strategic and operational management. This structural change is sometimes even painful from the point of view of a founder who must change their position and define themselves not as an operational leader but as an owner. Such a transition often becomes a death zone where, on the battlefield under the hail of bullets, one tries to move from one trench to another. Funds like MCI play the role of a guide on this path.

Are we in good times today for exiting investments through the stock exchange? Can we expect fair valuations? Or is it a good time for acquiring companies and delisting them?

When I was on the supervisory board of MCI, I closely monitored the management's considerations. Looking at the stock market sentiment from the perspective of such a fund, there is a clear temporal division between the right time to sell, i.e., divesting companies from the portfolio, and the right time to buy companies. During a bull market, when prices are high, it is challenging to buy something at a good price. But it is a good time to exit investments when the market is heated, and investors are ready to invest. Currently, the stock exchange has entered a challenging period, as evidenced by the current year when many companies have given up their debuts. I hope that the expected public offering of Murapol's shares will be a success and spell the end of a poor year on the Warsaw Stock Exchange.

Can you give some interesting examples of value-building by VC/PE funds (perhaps MCI as well) on the Warsaw Stock Exchange? Maybe some examples of spectacular IPOs or delistings?
MCI has played its role as a kind of incubator and mentor in the development of companies. Thanks to MCI, several companies debuted on the GPW, such as ABC Data or Answear. In many cases, VC and PE funds not only provide financial capital but also bring value through strategic advice, helping businesses achieve success in the market.

MCI is looking for companies that could become European champions. However, in Poland, apart from the computer gaming industry, it is challenging to find a company that could be called a European champion or a sort of mythical unicorn. What do Polish companies lack to conquer the world, following the example of Skype, which was founded in Estonia, although, it must be acknowledged, by a Swede and a Dane?
Unicorns are companies that achieve a million euros or dollars in capitalization within the first few years. Unfortunately, in our reality, such a spectacular debut is hard to come by. A significant portion of start-up investments depends on state funding. Champions are already larger companies that, from the very start, require a well-planned strategy with an international scope. Unfortunately, for many Polish businesses, international expansion poses quite a challenge. Being on the supervisory board of XTPL, a Wrocław-based company that is the most technologically advanced on the GPW, I see how challenging the commercialization of their very innovative products was in the beginning. Convincing foreign contractors of the innovative product was a challenge, and each offer required independent tests of complex printing devices that took months. After several years, the company managed to conquer the international market, but it cost a lot of effort and patience from the entire team. Perhaps the specificity of the advanced industrial sector does not facilitate this process. Maybe in the B2C sector, as in the mentioned gaming industry, it is easier, as retail customers decide on the success of the product.

LESSON 21: **NEW SOLUTIONS EMERGE AT THE INTERSECTION OF INDUSTRIES**

Why banks collaborate rather than compete with private equity

The public and private markets are places where investors trade instruments such as stocks, bonds, derivatives, currencies, warrants, etc. Both spheres are formally defined differently but often overlap due to the use of instruments or their role in the broadly defined investment process.

Piotr Żagan, Director of CEE Fund Hub at Raiffeisen Bank International AG

Ten years ago, the asset class structure in asset management was as follows: fixed-income instruments (40%), equities (35%) and alternative instruments (25%). The latter group comprises real estate (18%), hedge funds (3%), and private equity (4%). This structure evolves from year to year, but the changes are not significant.

The common denominator for trading individual asset classes in financial markets – regardless of their specificity and the end beneficiary – is the management institution. This is a dedicated entity that, being appropriately empowered, actually makes investment decisions, buying or selling assets for a predetermined price as part of the implemented strategy.

A systemic delay

While Poland remained in the Soviet bloc after World War II, Western countries successfully pursued economic and capital development. Once the Iron Curtain fell, and long-awaited capitalism finally arrived, Poland had a 50-year delay compared to the developed countries. Only the emergence and the subsequent development of the financial markets did provide the Polish economy with the capital it needed, while Western direct investments (including know-how and technology transfer) gave Poland a powerful stimulus. Foreign investors were attracted by factors such as the size of the population, market potential, infrastructure, industrialization level and education of the workforce.

In 1991, the Warsaw Stock Exchange was established, listing the shares of five companies in its early sessions. Shortly before that, the first private equity fund (or rather a corporate venture capital fund) supporting entrepreneurship appeared in the Polish market, together with foreign commercial banks. A few years later, the Universal Privatization Program and National Investment Funds started (I will refrain here from assessing the goals and effectiveness of this program). In roughly the same period, precisely 25 years ago, the first Polish technological VC/PE fund with 100% domestic capital was set up. It has been continuously developing for almost two decades and has gradually built its niche. Over this quarter-century, MCI Capital has transitioned from venture growth to private equity buyout, specializing in investments in companies with a digital profile and becoming a regional leader in its field on a pan-European scale.

True-born capitalists

In short, private equity fund managers invest their personal funds (1-3%) in non-public companies and capital raised from investors for a specified price (hurdle rate). The strategic goal of each investment is to improve the results and efficiency of a given portfolio company. During the agreed investment period, the private equity fund builds the value of the enterprise through specific business decisions and operational activities in selected areas (e.g., finance, sales, production, distribution, marketing, IT, controlling, technology, etc.), but also through restructuring or subsequent acquisitions. Ultimately, the goal is to scale results and significantly increase the value of the company to finally sell it (exit the investment) with a specified profit at the right time.

The basic measure of effectiveness for a private equity fund is IRR (internal rate of return), and the actual return on investment is measured by the cash-over-cash ratio, which is a nominal comparison of the invested capital to the sale price.

Based on the strategy implemented by a given fund, there are four main categories of private equity:

- (Leverage) Buy-Out
- Venture Capital
- Development Capital
- Distressed Investing

On the other hand, depending on the development phase/situation/scale/risk level, PE investments can be divided into three basic types:

- Venture Capital (seed, start-up, expansion, replacement)
- Private Equity (acquisition, LBO, MBO)
- Special Situations (mezzanine, distressed, one-off opportunity)

Private equity investments, in principle, are characterized by a medium to long-term time horizon and the need for financial liquidity (approximately 5-7 years for an individual company and at the fund level, a “lock-up” of capital from investors in the fund averaging 10 years), as well as high economic risk, and consequently, the potential for achieving high investment returns and the functional application of financial leverage.

Private equity funds have filled a significant niche in the economy, supporting the development and expansion of various private enterprises. Thus, private equity managers have become the architects of capitalism in its purest form.

Depending on the market, the share of direct private equity investments in a country’s GDP varies from 0.3% to 1.8%, highlighting the crucial role that PE funds and their managers play in creating growth, nurturing private entrepreneurship and fostering economic competitiveness. This coefficient (or its wide range) also underscores the enormous global development potential harbored by the private equity sector.

This allows banks to effectively diversify traditional sources of revenue, and at the same time allows them to support private equity funds in their investments and market expansion.

The cornerstone

As mentioned earlier, private equity investments involve the use of financial leverage as well as banking services and products at the operational level. However, banks do not engage capital-wise in the entities they finance. Moreover, the targeted risk profile of companies (in certain investment situations) often exceeds the specific credit policy framework. Banks provide companies with debt financing, while private equity funds provide with capital needed for further development. This simple scheme is the cornerstone underlying the coexistence of banks in the private equity world.

In the classic private equity model, banks play a dual role: financing the current operational needs of the existing portfolio companies and (in the case of new acquisitions) providing debt financing as part of leveraged buyouts (LBO) by private equity. However, as we live in a world where the only constant is change, this classic collaboration model has noticeably evolved over the last few years due to macroeconomic factors that need to be accommodated. In a complex and ever-changing environment, private equity managers began to look for solutions (products) that would enable them to improve the return on investment and, at the same time, to get a source of effective financing, adequate to the operational needs of the fund.

Leveraged investments

In simplified terms, the operational structure of private equity consists of three functionally and economically linked levels:

- GP (General Partner), Carry Vehicle and AIFM (Manager)
- Private Equity Fund (currently most often registered in Luxembourg; commitment-type)
- Holding entities (Holdco) or directly portfolio companies owned by the private equity fund

Portfolio companies or private equity holding entities usually already have a certain level of debt on their balance sheets (i.e., they are leveraged), which imposes some objective limitations or even makes it downright impossible for them to use further leverage at the operational level. A private equity fund also has a statutory framework, meaning it has a defined pool of capital declared by investors, which is the maximum it can allocate for operational activities. Investment opportunities arise as they are systematically sought by private equity managers.

As a private equity fund transitions from fundraising to investment and later to divestment, free capital resources get depleted, while ongoing operational needs remain. Additionally, investment opportunities that arise must be at least considered or taken advantage of to further build the portfolio and achieve its value growth. A natural source of liquidity for a fund during the investment stage is either dividends paid out by its portfolio companies or, opportunistically, the sale of assets.

Before managers launch a new fund, which requires a lot of bureaucratic effort, they may consider alternatives: co-investment realized with an investor or hybrid financing using the capital still available. Therefore, managers began to seek an alternative source of financing in the form of debt directly incurred by the fund. Thus, banks began to offer NAV financing, allowing for the effective use of financial leverage at the fund level (most often up to 20%).

NAV (Net Asset Value) is the net value of assets, i.e., the difference between the fund's assets and liabilities. The essence of NAV-based financing is that the fund obtains financing using its net assets as collateral. For the bank, the fund's investment portfolio (companies) is a mitigating factor that diversifies the basic credit risk. In return, the borrower receives a flexible debt instrument that does not dilute capital and retains full control of assets and potential benefits. This creates an excellent synergy between the lender and the borrower. The price is also attractive in this case, as bank debt is cheaper than the cost of equity.

In the initial phase of the fund's life cycle, an alternative form of financing may be a revolving line of credit, the so-called SCF (subscription credit facility). It is a short-term and relatively low-interest debt product (up to 6 months), used to cover (prepay) investment expenses (also supporting the fund's IRR and providing operational convenience for the manager) or to service the fund's current obligations. In this case, the loan is guaranteed by the manager's right to call investors to repay their outstanding capital obligations.

Both solutions I presented above have long been used in developed markets. They entered Poland a few years ago and immediately became a convenient and eagerly used alternative tool of financing for the entire private equity sector.

From the bank's perspective, financing collateralized against the investment portfolio or the risk of an institutional investor is an interesting form of risk diversification, providing broad possibilities for cross-selling products and services for the entire operational structure of a private equity client. The role of a modern bank is also to educate and carefully analyze the activities of the private equity segment. Therefore, we constantly listen to the evolving needs of fund managers to be able to gear our offer to the changing market conditions and build a competitive advantage within a specific product niche. The key to success here is mutual understanding and favorable business relationships based on trust. After all, it is people who work on both sides of each investment.

How to start and develop a lasting partnership with a fund

Throughout the longstanding partnership between ACP and MCI, a unique synergy has emerged, surpassing the boundaries of conventional business relationships. The beginnings of this partnership set new standards in the field of private equity in Central Europe. ACP's bold approach to investing in people rather than tangible assets aligned seamlessly with Tomasz Czechowicz's vision, creating a durable partnership built on trust, shared values and flexibility in the face of challenges.

Franz Hoerhager, *Founder and Chairman of Accession Capital Partners*

The collaboration between Accession Capital Partners (formerly known as Mezzanine Management) and MCI dates back two decades. Although we have worked with various individuals in different roles during this period, Tomasz Czechowicz has always been at the core of MCI. In our earliest interactions, he left an indelible impression on me as a creative and dynamic leader.

At that time, the private equity sector was still in its early stages of development, characterized by diverse personalities entering the scene. Among them, Tomasz Czechowicz stood out as one of the most determined figures. During our initial meeting, he immediately delved into financial matters, revealing the determination of a young fund and its manager.

Recognition of shared values

Accession Capital Partners (ACP) is a pioneer in private debt in Central Europe. We opened our first office in Vienna in 2000 and another one in Warsaw a year later. Initially focusing on EU countries to expand beyond our borders, we ultimately chose Poland due to its status as the most dynamic, active and significant market in Central and Eastern Europe. The beginning of our collaboration with MCI in 2004 coincided with Poland's accession to the EU, marking a milestone that underscored the strategic alignment of both entities.

Departing from conventional investment models, Accession Capital Partners distinguishes itself by focusing on investments in companies and teams, as opposed to tangible assets such as land or buildings, attaching greater importance to its commitment to the human aspect. This characteristic reflects the essence of private equity where trust and partnership become indispensable. Tomek emerged as a key figure in this landscape, standing out as a visionary in the field of private equity and investments. His unconventional approach, characterized by unparalleled enthusiasm and dedication, laid the groundwork for our unique collaboration.

The central element of success in private equity endeavors is the establishment of trust, extending beyond the financial sphere into personal relationships among collaborators. Therefore, we focused on investing in people and creating a cooperative environment where relationships and trust could flourish. Tomek, with his distinctive style, proved to be a partner in whom our whole senior team of Accession Capital Partners could place unwavering trust. The decision to collaborate was not solely based on financial considerations; it had equally strong foundations in the recognition of shared values and chemistry that permeated our professional relationships from the very beginning of our acquaintance. This strategic approach laid the groundwork for collaboration, encompassing a shared vision and values that have endured over the years.

The handshake man

In the intricate landscape of our industry, the collaboration between MCI and ACP unfolds through a series of joint transactions, always built on the foundation of trust. Accession Capital Partners specializes in mezzanine financing, a form of capital that occupies an intermediate position between equity and debt. The Italian word "mezzanine" means "intermediate level", much like in historical Viennese buildings. In this space, equity and debt come together. Typical private equity funds provide equity, akin to the foundation of a Viennese house in our analogy. Banks, on the other hand, handle senior debt, reflecting secured debt on the first floor. Mezzanine, symbolizing the role of Accession Capital Partners, serves as an anchor between equity and senior debt, creating a symbiotic relationship where financial components seamlessly interact. MCI, as an equity provider, lays the foundation, and Accession Capital Partners provides mezzanine capital, orchestrating a harmonious collaboration between the two financial entities. More recently, we embarked on equity co-investments with MCI as well.

Although this dynamic collaboration extends beyond purely financial aspects, it is worth noting that over the past two decades, MCI has played a leading role in numerous transactions, while Accession Capital Partners assumed the mantle of the financial and sometimes minority equity provider. This includes taking on ownership and entrepreneurial risk. It is essential to emphasize that the personal relationship and trust cultivated between the parties are integral to the success of this collaboration. Particularly in this industry, partnerships are not transient; they last for years, usually four to six, until the ultimate exit. Such long-term commitment can be likened to a marriage where choosing a partner is a crucial decision that requires careful consideration.

It is worth mentioning that Tomek is the "Handshake Man", symbolizing a commitment secured not only by signatures but also by trust.

The negotiation process may be turbulent, marked by highs and lows, but when the handshake occurs, it solidifies an unwavering commitment that transcends differences of opinion. This justifies why Tomek is so highly respected by so many in our industry.

Unwavering cohesion during storms

In the dynamic landscape of collaboration between MCI and Accession Capital Partners, challenges have occasionally arisen. While our internal cohesion remained unshaken, external factors sometimes introduced obstacles in our joint transactions. Nevertheless, the spirit of collaboration between these two entities and the demonstrated flexibility and determination shown by both sides in overcoming difficulties ultimately strengthened the partnership.

A hallmark of this collaboration is the open communication promoted by Tomek. Faced with issues, whether transactional or external, his approach involved discussing and finding mutually acceptable solutions. Recognizing individual interests, the prevailing mindset was to think about collaboration that facilitates compromises. Both parties yielded a bit to reach common ground. Moreover, the emphasis on face-to-face negotiations prevented attempts to exploit each other, fostering a culture of trust and cooperation.

For example, one of the challenges we encountered along the way was related to the ownership structure at MCI. Despite Tomek's majority shareholder position, difficulties arose with less cooperative stakeholders. The period of turmoil, lasting almost two years, tested Accession Capital Partners' loyalty. During this time, the collaboration was subject to public scrutiny, and the challenge was exacerbated by negative media coverage. Throughout this period, Accession Capital Partners consistently stood by Tomek's side, demonstrating unwavering support, consistency and commitment to resolving a difficult situation. The journey was tough, but the commitment of both parties strengthened trust and reinforced the bond.

The collaboration weathered the storm, and Tomek increased his stake in MCI, ultimately becoming the majority shareholder. This period of transformation showcased the flexibility and determination shared by both parties. The ability to navigate through difficulties and emerge stronger emphasized the shared ethic of partnership, even when the road becomes challenging.

Effective communication requires empathy

The key to the enduring collaboration between MCI and Accession Capital Partners lies in a commitment to transparent and effective communication among the owners. This relationship goes beyond formal business interactions, fostering a culture where open dialogue is the norm. This commitment to accessibility and transparency is reflected in regular phone conversations among key stakeholders, initiated by either party.

The informal nature of communication also extends to face-to-face meetings, such as those taking place in the picturesque surroundings of southern Spain. These meetings, occurring outside the typical business activities, contribute to building personal relationships, a crucial element of successful collaboration between owners, and consequently, MCI and ACP. While formalities are important in transactional matters, the core of their communication strategy relies mainly on informal exchanges. Communication unburdened by unnecessary formality contributes to a smoother and more dynamic partnership.

Reflections on formal and informal communication lead to the realization that the private equity industry is inherently less formalized, allowing for a more personal and direct approach. Our shared ownership status adds layers of understanding and mutual trust to this relationship. The transition from informal to formal communication occurs, for example, during contract negotiations, involving a specific process, established protocols, and formalities.

It is crucial to emphasize that above all, soft skills become tools for effective communication. Understanding how our message may be received by the other party is paramount. Empathizing with the other person's situation, understanding their perspective and adapting our communication to it are key. This empathetic approach facilitates not only reaching compromises but also increases effectiveness in negotiations and interactions. And I mean this not only in the context of the relationship with MCI but as a fundamental element of successful collaboration with all partners.

Strengthening market position

The collaboration between MCI and Accession Capital Partners has not only stood the test of time but has also strengthened the positions of both entities. This is attributed to a strategic approach to investments, leveraging the strengths and expertise of each partner. Another crucial element is the flexibility of collaboration, evident in the mutual initiation of transactions – sometimes MCI identifies a promising opportunity, while at other times, Accession Capital Partners identifies a venture aligning with MCI's expertise. It is precisely this mutual reliance and understanding that goes beyond individual transactions, determining the long-term benefits of joint ventures.

This is complemented by the shared ability to recognize and seize market opportunities. Each party capitalizes on complementary competencies, maintaining a flexible yet opportunistic approach. In essence, the collaboration between MCI and ACP has transformed into an alliance, and the mutual success of this approach lies in the strategic use of disruptive expertise and an unwavering determination to capture opportunities in the dynamic business landscape.

Act today, but think a few years ahead

Artificial intelligence has been in use for many years, but a breakthrough in its popularity occurred only in November 2022 when OpenAI released its revolutionary ChatGPT model online. Companies that saw this as an opportunity and are learning to leverage generative artificial intelligence in their business can gain a competitive advantage and significantly improve their performance.

Jacek Poświata, *Managing Partner at Bain & Company Poland/CEE*
Paweł Szreder, *Partner at Bain & Company*

Artificial intelligence (AI) algorithms have been an area of interest for companies from various industries, not just technological ones, for several years already. The spectrum of its applications is very broad. It includes optimization and automation of processes in many areas of company operations - from customer service through internal operations to machine maintenance, more precise analytics, simulations and forecasting. However, a significant increase in the popularity of AI occurred only in the last 12 months, fueled by interest in the ChatGPT model created by OpenAI, convincing all market participants that this technology would be crucial for the success of both individual companies and entire economies.

According to a global survey by Bain & Company conducted among 600 large companies representing a wide range of industries and regions, as many as 85% of respondents consider AI one of the top five strategic priorities in the coming years, and virtually all participants in the study have already started implementing or at least preparing for the implementation of AI initiatives. The priority assigned to generative AI solutions is explained by the scale of benefits they can offer. At Bain & Company, we estimate that access to large language models, such as ChatGPT, allows completing 15% of all professional duties much faster and without loss of quality, and the support of dedicated software using generative artificial intelligence for specific tasks will increase this share to 50%.

The Top AI-Driven Companies report, prepared jointly with MCI Capital, indicates that the patterns of AI use in Poland are similar to those observed globally. Today, leading applications include automation of customer contact (e.g., through advanced chatbots), increasing customer engagement (e.g., through hyper-personalization in loyalty programs) and improving marketing efficiency through the automation of content creation and optimization from the perspective of search engines.

Unfortunately, the implementation of AI solutions in Poland and our region in Europe seems to be less advanced than in the West. One reason is undoubtedly the lower return on investment in technology due to a smaller scale of operations and lower labor costs that can be reduced through implementations. However, we also observe that local technology companies are already paving the way, and with the right capital support, we can hope for a dynamic increase in the use of AI solutions in Poland as well.

Long-term thinking

With the growing popularity and openness to experimenting with generative artificial intelligence, we have observed some challenges that have emerged in early implementations. ChatGPT celebrated its first birthday at the end of November. After a wave of enthusiasm and increased interest from companies in applying generative AI in business, concerns about cybersecurity, legal and reputational risks, and difficulties in integrating with existing corporate technological infrastructure emerged. In parallel, the wealth of possibilities offered by generative artificial intelligence creates many dilemmas regarding the priorities of implementing initiatives and the associated allocation of resources, especially the time of employees with the appropriate skills.

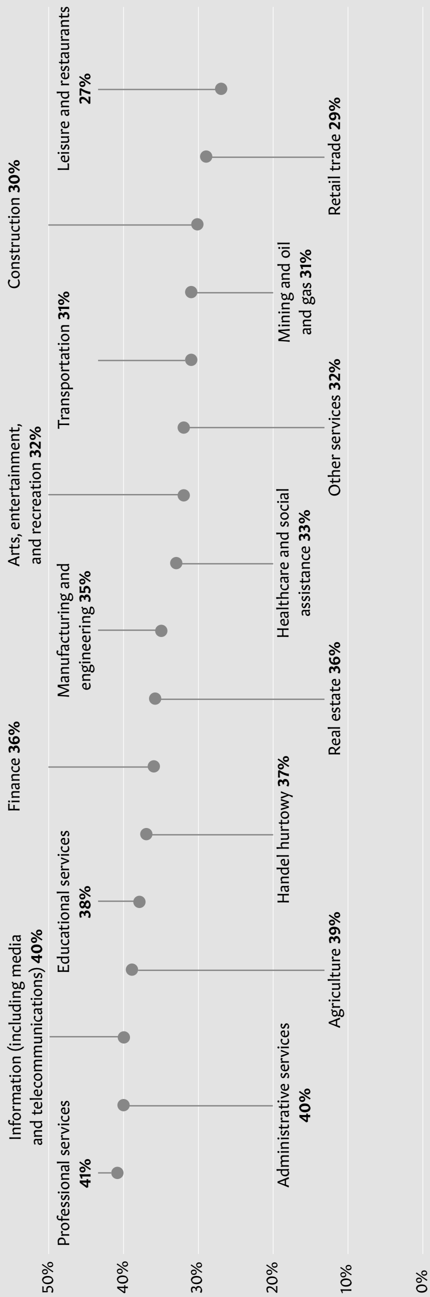
Many companies have scaled down their initial ambition and decided to focus their efforts on using AI solutions as tools to support employees by performing analyses and providing various types of guidance. This is much simpler and less risky than creating a chatbot that, directly in contact with the customer, strongly influences their brand experiences. Experiments conducted within organizations can help develop solutions over the next few years that can be used outside the company without the risk of losing customers.

Bill Gates once said, “Most people overestimate what they can do in one year and underestimate what they can do in ten years.” This quote perfectly illustrates the approach entrepreneurs and business leaders should adopt to generative artificial intelligence today. The great popularity of generative artificial intelligence has not yet brought as many breakthrough solutions in business as some expected. The widespread use of OpenAI’s innovation in business requires more time and resources than initially seemed to the biggest enthusiasts. There have been many implementations, but most are more grassroots experiments than solutions that change the strategic perspectives of entire companies. However, the coming years may bring a true revolution in the use of AI in business, and it is worth focusing on this longer horizon, which will give companies time to find breakthrough AI applications in their business processes.

Leaders and experimenters

The key to success here is a combination of top-down inspiration and coordination with bottom-up initiative. Central perspective is essential for defining overall ambition and strategy, promoting best practices, as well as appropriate prioritization, risk assessment and ensuring that the introduction of solutions has no negative impact on the company’s security, its employees and customers. Support from a sponsor at

Estimated percentage of working time that can be automated using generative artificial intelligence



Note: Percentage values based on preliminary estimates by economists and various studies.

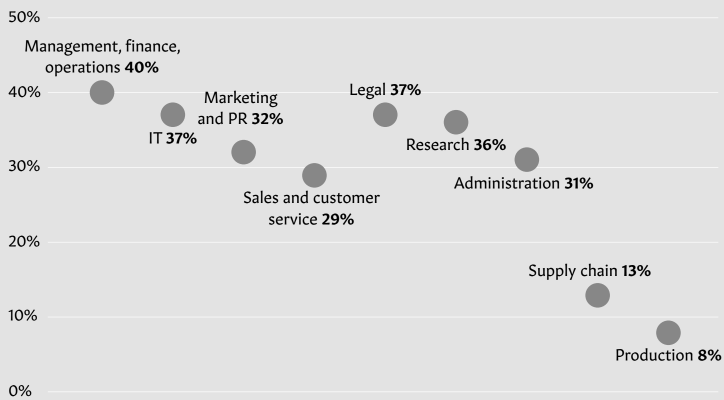
Source: Eisfeldt, Andrea et al., *Generative AI and Firm Values*, "National Bureau of Economic Research", May 2023 the management board level is important to ensure the required strategic significance for the projects and provide them with the necessary human, technological and financial resources. Bottom-up initiatives, requiring openness to experimentation and involving as many employees as possible who know best where AI can be used in their daily work, allow for the identification of a long list of potential applications that should be regularly updated.

Companies operating in this way are leaders in the field of AI implementation. They build an organizational structure that is open to innovation and enables the scaling of bottom-up initiatives to a level appropriate for the entire company's operation. Leaders who are the most advanced in this area adopt a strategic approach to generative artificial intelligence and consider its long-term potential. To achieve this, they are already building structures that support AI implementation, distinguishing them from the second group of companies – those in the earlier stages of experimentation, who may boast one or two deployments in selected areas. They could involve the application of a chatbot, the use of an algorithm for creating marketing content, or simply piloting coding and software development. These experiments allow for the substitution of human work with algorithms and are a crucial step in building competence in AI utilization. A strategic approach, however, can lead to significantly greater benefits.

One of our clients that we supported in advanced OpenAI model utilization in customer interaction is Coca-Cola. As part of the "Create Real Magic" campaign, the global conglomerate integrated ChatGPT and DALL-E with Coca-Cola's corporate archives, creating an innovative platform that allowed digital creators to produce original artworks based on archival graphics. The best works were displayed in New York's Times Square and London's Piccadilly Circus. This project combined customer activity, stakeholder engagement, PR and AI, elevating the quality of marketing and consumer experiences for the company.

Our second client, the French retailer Carrefour, launched a chatbot named Hopla on its website, based on the ChatGPT-4 model. The bot, connected to the site's search engine, assists customers in their daily shopping by collecting and analyzing their preferences to intelligent tips on choosing food products based on budget, dietary restrictions and

Estimated percentage of working time that can be automated using generative artificial intelligence



Note: Percentages based on preliminary estimates by economists and various studies.

Source: Bain & Company analysis based on aggregated sources, including GitHub, IBM, Goldman Sachs, OpenAI research, Accenture and the National Bureau of Economic Research.

ideas for meals. Additionally, Carrefour uses GPT-4 to generate product descriptions, creating a library of over 2,000 online products. The company plans to expand this number and apply generative artificial intelligence in internal processes, e.g., in procurement.

Both of these companies utilized a combination of artificial intelligence solutions with their own data resources and information gathered from customers, providing algorithms with the opportunity to learn about the company and its customers. The above implementations are examples of Coca-Cola and Carrefour's actions, but both companies are pursuing much broader programs to make AI utilization a strategic advantage.

The spectrum of AI utilization in business is incredibly broad and depends on the ingenuity of managers and company employees. The simplest solutions are already in use and allow for savings in the volume of repetitive tasks performed by researchers, analysts, programmers, or copywriters. Using AI for simpler and repetitive tasks enables employees to spend their time on more creative or complex tasks, increasing not only efficiency but also job satisfaction.

Of course, each industry exhibits a different propensity to AI utilization, as do individual professions and roles within a company, as illustrated in the accompanying graphics. However, they all share one thing – to harness generative AI in their business, one must start taking action in that direction. The first step is usually an experiment preceding implementation on a small or large scale. Assigning these actions the appropriate significance in corporate strategy and ensuring adequate organization and resources will enable achieving results in the long term that can change the prospects of the company. One just needs to think strategically.

LESSON 24: **NEVER FORGET HOW IMPORTANT EMPLOYEES ARE**

Our agility is our advantage

What lies at the core of MCI Capital's repetitive success is a team and a unique approach to employee development. Ewa Ogryczak, the firm's Senior Partner and COO, discusses the highs and lows of a career in dynamic financial markets in a conversation with Joanna Koprowska and Paweł Kubisiak of "MIT Sloan Management Review".

The MCI Group's website states that your fund is primarily a team of ambitious professionals whose goal is to support the sustainable and dynamic development of companies in the CEE region. I am very curious to know what the everyday work of this team looks like behind the scenes. Who are these ambitious professionals?

Considering that MCI Group has invested a total of over EUR 1 billion since its inception, and that a single investment in digital companies ranges between EUR 25-100 million, you may get the impression that there are dozens of people involved in it. Meanwhile, our team consists of 25 extremely committed, hard-working and determined professionals for whom the success of MCI is a priority. I believe that the relatively small size of the team, combined with a flat structure and direct relationships with Tomek Czechowicz, who founded MCI in 1998 and continues to manage it to this day, gives us a huge advantage. We are such a small and close-knit team that we can react nimbly to unexpected situations.

We operate within two complementary teams - the investment one and the operations one. The former focuses on building the value of digital companies and works on a daily basis primarily with Tomek Czechowicz. The latter develops under my wing and supports investment activities: reporting, controlling, valuations, legal and administrative issues, fundraising, liquidity management, risk management, internal audit and compliance. Of course, working patterns in these two teams differ: investment managers work rather on projects, remotely, while in operations, we work mostly in the office.

Does this help build more lasting relationships and respond better to the unexpected situations you have mentioned?
Close direct contact definitely makes things easier and faster, but lasting relationships require more effort. In my opinion, respect for other people, a recruitment strategy that seeks to find a person-organization fit and, finally, employee appreciation are key when it comes to maintaining stable cooperation and a well-coordinated team.

We have put a lot of effort into integrating the operations and investment teams. Together with Tomek, we have worked on building a coherent organization and promoted the belief that both teams form one organization and jointly strive for the success of MCI.

Please tell us more about what employee appreciation looks like at MCI.
The expectations towards our employees are certainly very high, but we do our best to ensure that the effective implementation of individual goals is appropriately rewarded financially.

At MCI, we have the PE market's unique reward system for the investment team. The so-called deal-by-deal carry is based on a premium paid out for each deal that brings profit to the organization. Under this system, partners responsible for the project they recommended invest in it together with MCI and thus gain the right to preferential participation in the profits from the sale of this investment. To put it simply, people involved in investments are entitled to a share in profits that is ten times higher than the capital they invested. On the other hand, in this way, we combine the inevitable investment risk with the risk borne individually by the person in charge of the transaction. This means that this person must be so sure about the transaction recommended to the Investment Committee that he or she is willing to put his or her own money into it.

I believe that we have also managed to develop a very attractive compensation system for employees of the operations team. Operations are considered a support system that must be extremely professional and fast to provide valuable assistance to the investment team in its daily work. The operations team not only deals with typical back-office tasks but also participates in various projects – operational, fundraising and strategic ones – aimed at ensuring the continuous development of the organization. Operational employees participate not only in attractive annual bonuses but also in bonuses that are directly related to the success of a project – the successful completion of a large fundraising project, a significant operational project or any other project that is important for MCI.

Thanks to these changes, at MCI, we can count today both on fresh blood and the old guard, i.e., loyal staff members of the operations team. Our partners and investment managers switch jobs more often due to the nature of their work. Thus, new talents keep flowing to MCI. A balanced combination of the old guard and fresh blood brings many benefits. On the one hand, it allows us to maintain the long-term consistency of what we do, and on the other hand, it enables us to cultivate an attitude typical of the beginnings among our employees. We always try to create a first-day atmosphere in our company, so that everyone starts the day with excitement and an above-average willingness to act, and that despite the abundance of tasks, they derive satisfaction from what they do and gradually realize the power they actually have in their hands.

You also have such power in many areas. In an interview with us, Tomasz Czechowicz emphasized how important a good managerial staff is for business success and how difficult it is to build such a team. What criteria did you follow when creating a team that can cope so well in a reality marked by stress, pressure and complexity?

I have always been a diversity advocate, which is why we have both analytical and relational persons onboard. Thanks to this, we can complement each other and mutually benefit from our advantages. It would not be wise to rely solely on hard skills because working in a fund is not only about numbers, analyses and financial predictions. These necessary skills must be accompanied by soft ones in areas such as communication, problem-solving, compromising, flexibility, etc.

The secret lies in selecting people in such a way that they constitute a mix of various talents working together. Such a force cannot be stopped or defeated. I appreciate different features, styles of action and thinking, but if I were to list the must-have features of a person working in a fund, I would say they need to be result-oriented, energetic, physically and mentally resilient as well as perseverant.

We work in a highly regulated environment, managing the funds entrusted to us by our investors, which is why we inevitably encounter a lot of challenges, complex issues and problems. Our daily routine abounds with difficult situations, negotiations, showdowns and complicated contracts, but this gives you a chance to learn more than elsewhere. However, this comes at a price as it requires being able to cope with stress, focus on results and accomplish tasks, usually under time pressure.

On a daily basis, you deal with precise calculations regarding ongoing investments and potential directions for further expansion. Is this the approach you take also when creating teams, or do you let intuition prevail over a cold scientific judgment?

For sure, hard skills and expertise are the basis of every recruitment, even though our expectations vary depending on the role for which we are hiring. On top of this, we make sure that a candidate is a good match with MCI's culture.

I follow my intuition in this matter. Because I have been with MCI for over 10 years, I am quite good at figuring out whether someone will be compatible with the rest of the team. The person must be strong enough to cope with a tough question or constructive criticism and be able to quickly recover and move on. I think that not everyone has an aptitude to work in such a tense environment. Still, we manage to spot real gems and make sure that they stay with us for longer.

According to renowned career experts, Timothy Butler and James Waldroop, only if a job fits deeply embedded life interests – long-lived,

emotion-driven passions – can outstanding employees stay with the company for many years. You mentioned that at MCI the inflow of fresh blood is balanced by the old guard, i.e., the operations team. What is the secret to maintaining employee engagement and loyalty, regardless of the job nature?
Recruiting good people is not easy, but as every senior executive knows, retaining them can prove even more challenging. Professionals are so well-educated and achievement-oriented that they perform in virtually any job. Therefore, we do not limit ourselves to hiring the best candidates; we cherish cooperation with them and bring out their potential. For many years, I have been advocating the concept of job modeling, which is the art of matching people to professions that resonate with the activities making them happy. This may sound like a complicated and sophisticated method, but it actually starts with the simplest thing – listening and observing carefully what individual employees like and dislike about their work.

I try to get to know the people I work with every day and understand what brings them joy and satisfaction at work because this allows us to allows us to adjust their job their job scope accordingly. In some cases, this simply means adding another task to existing responsibilities. In other cases, this may involve the need to shift an employee into a new position. You can stretch your skills in many directions, but I believe that to be successful at work, you need to be in harmony with yourself. That is why I am fond of the concept of working with employees on their strengths and nurturing their talents. The weaker sides will always be weaker. They should be brought to an acceptable level so they do not weigh on your work and negatively impact your career. Then, we can focus on honing what is best and strongest.

Can you share some examples of when MCI employees' career paths strayed off the beaten track?
The most spectacular example of job modeling is the transition of our colleague from the operations team to the investment team. From the very beginning, when we hired him as my deputy, he demonstrated the potential and competencies desired for investment team employees. We noticed this and gave him a chance to realize his ambitions in the

second team. However, I would like to stress that our approach is not about looking for the most spectacular examples of career path transformation. Rather, it is about creating an atmosphere in which everyone, without exception, feels that they can shape their role at MCI and that, by sharing their hidden talents, they can expect we will use them for the benefit of the company and themselves. We promote entrepreneurship and appreciate employee initiatives. When someone comes up with a good idea, we do not send them away empty-handed, but we even encourage them to take up the challenge. The goal is to convince team members that they can achieve whatever they want. We do not recruit into operations with the intention of training someone to be an investment manager. Instead, we bring out the potential of employees, which can be varied, sometimes even surprising.

Your potential was also actually a ticket to MCI. Can you tell us a little about your beginnings in the fund?
When I started working at MCI in 2014, I assumed the function of financial director, even though I had previously been an auditor in a consulting company. Thus, I was given a chance to develop new competencies despite having no prior experience as a CFO. Tomek noticed my potential and appreciated my multi-functionality and action-oriented approach: after identifying problems, I do not contemplate endlessly but take action and see things through to the end. After a few years, I switched from being CFO to the position of COO, which is a very broad role. For three years, I have been responsible for fundraising for all entities within MCI Group. I think that if I did the same all the time, I might get bored. The organization looks at everyone, at individual preferences, skills and initiatives, so that people can be transferred to better-suited projects and those that pose greater challenges.

And so, for almost 10 years, you have been the right hand of Tomasz Czechowicz, who is sometimes described as a man living the life of three people at the same time. Franz Hoerhager, the founder of ACP – Mezzanine Management, once admitted that he cannot figure out how it is possible that he is climbing the Matterhorn or running the Ironman, and at the same time, he is in the process of negotiations regarding, for example,

a multi-million IPO. Hoerhager also pointed to the talent for being in the very center of the action, typical not only of MCI's founder but also of his entire team. Do you confirm this?

The bar is set very high because our founder has unbridled energy and expects his people to keep up with him. Our employees can experience working on difficult, complex projects where everything happens very fast. I remember when we took onboard a person who previously worked in a large foreign bank. "What takes two months to happen in the bank, happens in one day with you", he said, commenting on his first experience at MCI. We can indeed do things quickly, without losing quality and understanding why we do it, and this is probably one of our key advantages. In such a small organization, one call, one conversation, one decision are enough to launch action. We do not have a multi-level structure that makes people wait weeks for their superiors to make decisions. We are not a hierarchical structure, we work together, we communicate rapidly, and when necessary, we can make quick decisions. We do not have a rigid operating framework, we are constantly looking for ways to work better and more effectively. This makes things much easier and allows us to maintain the agility and flexibility that are so necessary these days.

LESSON 25: **SOLVE THE PROBLEMS THAT CUSTOMERS HAVE NOT EVEN THOUGHT ABOUT YET**

Coding the future on the international horizon

Webcon is a company whose beginnings do not resemble the story of a typical garage start-up. It was not born out of its founders' idea but rather emerged in response to specific customer needs. The innovative platform based on the low-code technology is changing the approach of companies to the digitalization of their businesses.

Radosław Putek, CEO of Webcon
Łukasz Wróbel, Chief Business Development Officer of Webcon

Since 2006, we have specialized in creating low-code Digital Process Automation software for enterprises, regardless of industry or size. With our platform, business clients can automate internal processes at various levels: from accounting to human resources. The company has four owners (Radosław Putka, Łukasz Malina, Łukasz Wróbel and Marcin Kapusta), and at some point, we all agreed that electronic document circulation was becoming a lucrative field of activity. That is why we focused on it, starting with the automation of invoice circulation, which fitted in with the needs of customers at that time.

We never looked at the company from the perspective of providing a one-off solution, but we wanted to help our customers enter the digital era, making it easier for them to achieve the agility and flexibility they need today through IT solutions. Unlike our competitors, we focused on providing tools that allowed customers to solve problems here and now but also those that would arise in the future. We developed InstantChange, a technology that allows you to quickly introduce changes to once-built applications, which has become one of the main distinguishing features of the Webcon platform. We have shown that customers can appreciate our solutions not only immediately but also in the long term, which helped us build lasting relationships with companies such as LPP or PKP. Thus, Webcon did not follow the traditional start-up model but rather one based on flexibility in responding to real business needs and effective delivery of business applications resistant to future challenges.

Webcon pursued its unconventional development path, creating a platform that formed the core of the solutions offered to end customers. Initially, the company employed only its owners and a few employees. In the Kraków IT services market, where large companies dominated, recruiting new staff was quite challenging and retaining them was even more so. For this reason, we decided to create an environment where the risk of losing employees would not hinder business development or the ability to deliver value to customers. We focused on the low-code technology, an approach to software development that allows for building applications without advanced coding knowledge. Low-code solutions are based on visual components and simple tools, making the creation process accessible to a wider range of users.

Our goal was to provide customers with a solution more effectively and cheaply than traditional software houses do. It was not about coming up with a new trend but about embedding in the software code a practical view of projects that were carried out for various customers. We realized that existing common elements of many projects could be productized and reused, which resulted in the gradual building of a base that eventually became a product in its own right.

However, the key moment was when we decided to develop architectural solutions under the name InstantChange. This technology allows customers to easily and cheaply make changes to applications created on the Webcon platform. In this way, the company responded to the real needs of the market, providing solutions that were not only effective immediately but also flexible and ready for future upgrades.

This approach gained recognition from customers, and Webcon became a product ready for dynamic development.

Building an advantage based on the low-code technology

Webcon has been developing the low-code technology from the very beginning of its activity, starting in 2006, when the company had only a few employees. Back then, the idea was to provide a tool that would enable the creation of applications without the need to have deep programming skills.

Webcon's low-code technology is like Lego bricks: we create applications using ready-made modules and components, by configuring, dragging and dropping elements. One of the key assumptions of Webcon in this regard is the default equipping of each application created on the platform with standard functionalities (such as an audit trail or mobile access), regardless of whether the customer expressed a specific request and provided a budget for its implementation. This approach allows us to standardize processes and components, which contributes to faster and more effective digitalization of companies. We often refer to our platform as a "factory of applications", the core of it being common components and modules that users can adapt to their individual needs.

As a result, the Webcon platform not only removes the need for users to code but also standardizes business processes, accelerates the digitalization of companies and allows for dynamic adaptation of applications to various business contexts. This innovative low-code technology seems to fit in with the spirit of the times, where flexibility (agility) and speed of response to changing business needs are crucial.

Initially, we acquired customers not only through traditional marketing methods but primarily by providing them with real business value, resulting in subsequent referrals. The company's offer was not always cheaper for the end customer (than, for example, using the services of a software house) as it was necessary to invest in licenses. However, in the long run, this approach brought benefits to both sides. Despite transferring the cost of the license to the customer, we offer the possibility of

A common mission and vision of development

A common mission and vision of development

The beginnings of the cooperation between MCI and Webcon date back to May 2023, and the process of closing the transaction, including the due diligence stage, lasted throughout the summer. The agreement was finalized on November 22, 2023, as a result of negotiations and mutual compromise. It is worth emphasizing that either side did not advance unreasonable expectations, which contributed to a smooth agreement.

We decided to back Webcon due to the unique characteristics of the founders of this company. In the context of the transaction, it was important for the fund that all four co-founders were aware of their goals and able to specify why they were implementing a given transaction. It is rare to meet entrepreneurs with such a precise vision and awareness of both their potential and limitations. From MCI's perspective, the founders of Webcon are also distinguished by their humility and readiness for long-term cooperation. Unlike some entrepreneurs with an inflated ego, Webcon's co-founders realize where their strengths lie and where they need support.

It is worth noting that the co-founders of Webcon not only want to generate profits from their investments, but above all they want to develop their company. They count on the support of an investor who will complement their competencies and give them confidence in realizing their ambitious plans. Therefore, we decided that cooperation with Webcon is not merely a business matter, but it is also about understanding and sharing the same goals and values, something that constitutes a solid foundation for a long-term partnership. →

continuous development, adding new functions and adapting the solution to changing business needs.

The way the platform influences the development of our customers' businesses does matter as well. An interesting moment in the company's history in this respect was the organization of the first Webcon Day conference, during which our customers could share their successes and experiences with business digitalization. Its 9th edition took place in 2023. This initiative not only helped us build strong relationships with customers but also enabled the exchange of knowledge and inspirations. Customers began to use the Webcon platform to create custom solutions specific to their industries, which expanded the scope of the platform's applications. As a result, our product became not a mere tool for document circulation but a flexible platform capable of adapting to various and specialized business processes.

The second important aspect from MCI's perspective was the Webcon platform itself, which was not just a prototype or tested solution but a fully operational, proven system used by renowned companies both in Poland and abroad. This platform is sometimes better than products offered by much larger Western companies, and it is delivered at a lower cost. Moreover, it has great growth potential in markets where the use of such systems is still limited. Therefore, when it comes to Webcon, MCI acknowledges not only a competitive product but also a partnership that will bring mutual benefits in the future.

MCI plans to actively support Webcon, and the main goal of our involvement is to develop and implement a common go-to-market strategy, focused on expansion outside Poland. Although Webcon already generates approximately 25% of its revenues outside Poland, MCI intends to further systematize and intensify sales processes in foreign markets, especially in Germany. In this context, MCI wants to turn incidental revenues into permanent ones and gain a greater foothold in the German market thanks to a high-quality product, a competitive price and a positive experience of customers using the Webcon platform.

It is worth noting that MCI is ready to provide not only capital but also business experience and strategic support. We plan to be bold and flexible in our decision-making, aided by the fund's diversified structure. MCI also intends to introduce boldness into Webcon's business strategy, helping to build company value. However, our goal is not to impose changes but rather to give Webcon greater freedom to act and follow its own development path.

Michał Górecki, *Senior Investment Partner at MCI*

The next milestone was the development of the partner network. Bearing in mind that some customers prefer to use the services of external companies rather than create in-house teams, we decided to share our knowledge and enable other IT companies to use the Webcon platform. This approach allowed us to spread the product among various partners, creating an ecosystem where companies could provide business process digitalization services based on our solution. In this way, the company began to thoughtfully build its brand and develop dynamically responding to the changing needs of the digital transformation market.

We are crossing borders

After testing the product's potential domestically, we decided to expand internationally to conquer Western markets. The first target

AI will improve process optimization

Artificial intelligence (AI) has a positive impact on company development, constituting an important element in improving digitalization processes for customers. Webcon uses many AI elements to further improve digitalization processes. The Webcon platform engine itself is flexible, and the use of AI technology is an additional advantage.

The company does not perceive artificial intelligence as a threat but as an opportunity to develop and streamline processes. It believes that even advanced AI algorithms cannot replace comprehensive business thinking, especially when each company has unique features and needs. We see added value in using AI to analyze data, identify areas for business process optimization and deliver business value to customers.

The introduction of artificial intelligence elements, such as pattern recognition and recommendations, will be the next stage of development, opening new opportunities for improving business processes. The company is already using these technologies in cooperation with customers, which contributes to the delivery of even more effective and better-tailored solutions. Artificial intelligence is a significant component of Webcon's strategy, enabling the delivery of innovative solutions to customers and increasing the attractiveness of the products and services offered.

was Germany. It was a well-thought-out choice. Germany was considered the most demanding IT market in Europe, which was supposed to provide an opportunity to test Webcon's technology in a strongly competitive environment. Entering the German market had other advantages, too, such as geographical proximity, cultural compatibility and the opportunity to build and strengthen ties with large enterprises in Poland that had their headquarters in Germany.

By the way, the choice of the German market was partly dictated by the need to obtain credentials and competencies that were valued by German companies. Despite the difficulties, Webcon achieved success in this market, which allowed it to build its brand, gain credentials and attract the attention of potential customers.

It is worth noting that although the German market is difficult, Webcon took up this challenge consciously. By succeeding in a challenging market, the company has proven not only the quality of its product but also its ability to compete internationally. This experience paved the way for the company to further expansion.

The implementation of Webcon's solution had a revolutionary impact on the approach of various companies to the digitalization of their businesses. One example is a US customer who previously used a competing platform. After testing the Microsoft Power Platform, it concluded that migrating all applications from the existing platform would take too much time. Then it come across Webcon, namely thanks to a local IT systems integrator operating in the Webcon partner channel in the United States.

After 10 months of using Webcon's solution, the US customer noticed a huge difference in our approach to digitalization. With the easily available and modifiable application, the company's CFO and employees began to actively cooperate in identifying areas that could be automated and digitalized.

The customer emphasized that the biggest difference was not the technology itself but the fact that Webcon caused the organization to start thinking together about how to further improve work and which processes would be worth digitalizing. As opposed to the approach in which digitalization processes are defined in advance by one person, Webcon allows the organization to gradually implement applications, collect feedback and adapt the solution to evolving needs.

The change in organizational culture meant that digitalization became more effective and that it is engaging employees and dynamically adapting to business needs. The employees of this company began to perceive the digitalization process as something pleasant and responsive to their needs, rather than as a change imposed from above. As a result, the life of the organization was positively transformed. This is an example of how an innovative approach to digitalization can change not only the tools but also the work culture and style of application development.

With the expansion into foreign markets, we began to realize that going global requires not only powerful software but also knowledge and experience in running a business at an international level. We asked ourselves whether organic development, based only on our own experience, is sufficient to enter new markets. The decision to get a partner resulted from the belief that using its experience and knowledge would accelerate the company's development. For us, it was crucial to find a partner that would share our vision of the product and target markets. Moreover, the selection process included an assessment of the financial and substantive potential of potential partners. Ultimately, we chose MCI, as it met all the criteria. Additionally, it was professional in the process of scaling businesses and had Polish capital, which was important for a company with Polish origins.

For now, we are at the beginning of this common path, and the next steps will be decided during meetings and talks. Key elements, such as the composition of the supervisory board and the details of the strategy, will still be discussed and adjusted in line with mutual expectations. Together, we are starting stage 2.0, full of enthusiasm and ready for new challenges, both substantive and organizational.

Our authors
Nasi autorzy

Luis Amaral (15)

CHAIRMAN OF THE SUPERVISORY BOARD OF GRUPA EUROCASH
Has over 30 years of professional experience, holding managerial positions at Unilever Portugal and Jeronimo Martins. In 1995-1999, CEO of Jeronimo Martins in Poland, and in 2003-2021, President of Grupa Eurocash.

PRZEWODNICZĄCY RADY NADZORCZEJ GRUPY EUROCASH
Ma ponad 30 letnie doświadczenie zawodowe, które zdobywał, obejmując stanowiska kierownicze m.in. w Unilever Portugalia i Jeronimo Martins. W latach 1995- 1999 był dyrektorem generalnym Jeronimo Martins w Polsce, a w latach 2003 -2021 prezesem Grupy Eurocash.

Krzysztof Bajołek (13)

PRESIDENT AND FOUNDER OF ANSWEAR.COM
Creator and co-owner of Answear.com, a multibrand e-commerce platform selling branded clothing, operating in 12 European markets. Co-founder of Artman (House and Mohito brands), acquired in 2008 by LPP, valued at nearly PLN 400 million.

PREZES I ZAŁOŻYCIEL ANSWEAR.COM
Twórca i współwłaściciel Answear.com, multibrandowej platformy e-handlu sprzedającej markowe ubrania, działającej już na dwunastu europejskich rynkach. Współtwórca Artmana (marki House i Mohito) przejętego w 2008 r. przez LPP, przy wycenie sięgającej niemal 400 mln PLN.

Filip Berkowski (2, 3)

INVESTMENT PARTNER AT MCI CAPITAL
Focuses on SaaS, insurtech & payments, data centers and cybertech. Former vice president at Enterprise Investors. Previously worked at EY. Holds FCCA qualifications and a CFA certificate.

INVESTMENT PARTNER W MCI CAPITAL
Koncentruje się na obszarach SAAS, insurtech & payments, datacenters i cybertech. Przed dołączeniem do MCI był wiceprezesem w Enterprise Investors. Wcześniej pracował w EY. Posiada kwalifikacje FCCA i certyfikat CFA.

Tomasz Czechowicz (1, 6)

FOUNDER AND MANAGING PARTNER AT MCI CAPITAL
Entrepreneur since 1985, a venture capital/private equity investor for 25 years. Co-founder and President (1990-1998) of JTT Computer, a leading computer manufacturer in Central Europe, with revenues exceeding USD 100 million.

ZAŁOŻYCIEL I PARTNER ZARZĄDZAJĄCY W MCI CAPITAL
Przedsiębiorca od 1985 roku, od 25 lat inwestor Venture Capital/Private Equity. W latach 1990-1998 współzałożyciel oraz prezes JTT Computer – wiodącego producenta komputerów w Europie Środkowej z przychodami ponad 100 milionów dolarów.

Paweł Fornalski (8)

FOUNDER AND CHAIRMAN OF THE SUPERVISORY BOARD AT IAI
Pioneer of the Polish e-commerce market. Founded IAI 23 years ago, now investing and supporting companies as a Business Angel. Received prestigious awards, including the title "Godfather of Polish e-commerce."

ZAŁOŻYCIEL I PRZEWODNICZĄCY RADY NADZORCZEJ IAI
Prekursor polskiego rynku e-commerce. 23 lata temu założył firmę IAI (IdoSell, IdoBooking, IdoPay, Shoprenter). Otrzymał wiele prestiżowych wyróżnień, m.in. tytuł „ojca chrzestnego polskiego e-commerce". Obecnie inwestuje i wspiera firmy jako Business Angel.

Michał Górecki (6)

SENIOR INVESTMENT PARTNER AT MCI CAPITAL
Specializes in food, travel, fintech, proptech, omnichannel sectors, and investments in eSky, Travelata, MarketFinance, and Papaya Global. Has extensive experience M&A advisory and as CEO and CFO.

SENIOR INVESTMENT PARTNER W MCI CAPITAL
W MCI specjalizuje się w sektorach food, travel, fintech, proptech, omnichannel oraz inwestycjach w eSky, Travelata, MarketFinance i Papaya Global. Ma bogate doświadczenie przy doradztwie w zakresie fuzji i przejęć oraz praktykę w charakterze CEO i CFO.

Mounir (“Moose”) Guen (18)

CEO OF MVISION
Experienced fundraising specialist, advisor and manager. Worked with over 300 private equity funds for 30 years. His company, MVision, is among the leading capital-raising firms in the private equity market.

PREZES MVISION
Doświadczony specjalista ds. pozyskiwania funduszy, doradca i menedżer. Przez 30 lat pracował z ponad 300 funduszami partnerskimi. Jego firma MVision należy do czołówki firm zajmujących się pozyskiwaniem kapitału na rynku private equity.

Franz Hoerhager (22)

FOUNDING PARTNER AND CHAIRMAN AT ACCESSION CAPITAL PARTNERS
President and CEO of Accession Capital Partners since 2000. Formerly was the managing director of commercial banking at Bank Austria Group and held various positions in the international division of the Austrian Creditanstalt Group.

FOUNDING PARTNER & CHAIRMAN AT ACCESSION CAPITAL PARTNERSć
Jest prezesem i dyrektorem generalnym Accession Capital Partners od 2000 roku. Wcześniej był m.in. dyrektorem zarządzającym w Grupie Bank Austria ds. bankowości komercyjnej oraz piastował różne stanowiska w międzynarodowym oddziale austriackiej Grupy Creditanstalt.

Andrzej Jacaszek (9)

MEMBER OF THE SUPERVISORY BOARD AT MCI CAPITAL
Manager, lecturer, entrepreneur. Vice president of the Management Board, co-owner of ICAN Institute, publisher of Harvard Business Review Poland and MIT Sloan Management Review Poland. Served as Undersecretary of State at the Polish Ministry of Finance.

CZŁONEK RADY NADZORCZEJ MCI CAPITAL
Menedżer, wykładowca, przedsiębiorca. Wiceprezes zarządu, współwłaściciel ICAN Institute, wydawca Harvard Business Review Polska i MIT Sloan Management Review Polska. Wcześniej m.in. podsekretarz stanu w Ministerstwie Finansów.

Zbigniew Jagiełło (7)

CHAIRMAN OF THE SUPERVISORY BOARD AT MCI CAPITAL
Manager, strategist, innovator. President of PKO Bank Polski (2009-2021). Previously a manager in the investment funds industry. Co-creator of the Blik mobile payment system. Initiator of the National Cloud Operator. Recipient of numerous awards in the financial industry.

PRZEWODNICZĄCY RADY NADZORCZEJ MCI CAPITAL
Menedżer. Strateg. Innowator. W latach 2009-2021 prezes PKO Bank Polski, wcześniej menedżer w branży funduszy inwestycyjnych. Współtwórca systemu płatności mobilnych Blik. Inicjator powstania Operatora Chmury Krajowej. Laureat licznych nagród i tytułów w branży finansowej.

Krzysztof Kempiński (14)

MANAGING PARTNER AT TRIGON INVESTMENT BANKING
Has over 25 years of experience in investment banking. Specializes in M&A transactions. Before joining Trigon, worked at UniCredit CAIB, BNP Paribas and Central Europe Trust.

PARTNER ZARZĄDZAJĄCY TRIGON INVESTMENT BANKING
Posiada ponad 25 letnie doświadczenie w bankowości inwestycyjnej. Specjalizuje się w transakcjach M&A. Przed dołączeniem do zespołu Trigon, we wrześniu 2014 roku, pracował w UniCredit CAIB, wcześniej m.in. w BNP Paribas i Central Europe Trust.

Dainius Liulys (11)

CO-FOUNDER OF PIGU.LT
One of the founders of the Pigu.lt online store, which under his leadership became the largest e-commerce platform in the Baltic countries. Provides advisory services to companies and PE/VC investors in the digital economy sector.

WSPÓŁZAŁOŻYCIEL PIGU.LT
Jest jednym z założycieli sklepu internetowego Pigu.lt, który pod jego kierownictwem stał się największą platformą e-commerce w krajach bałtyckich. Świadczy usługi doradcze dla firm i inwestorów PE/VC działających w obszarze gospodarki cyfrowej.

Piotr Mieczkowski (19)

MANAGING DIRECTOR OF DIGITAL POLAND FOUNDATION
Has extensive experience in implementing projects in the new technologies sector. Currently leads the Digital Poland Foundation, promoting digitalization as a competitive advantage of Poland. Author or co-author of many reports and digital policies in the field of new technologies.

DYREKTOR ZARZĄDZAJĄCY FUNDACJI DIGITAL POLAND
Posiada bogate doświadczenie w realizacji projektów w sektorze nowych technologii. Obecnie kieruje pracami fundacji Digital Poland, która promuje cyfryzację jako element przewagi konkurencyjnej Polski. Autor lub współautor wielu raportów i polityk cyfrowych dotyczących nowych technologii.

Tomasz Mrozowski (2, 3)

INVESTMENT PARTNER AT MCI CAPITAL
Specializes in cleantech, mobility and digital infrastructure sectors. Responsible for investments in Southeast Europe. Formerly worked on M&A projects within PLAY/Iliad Group and at BCG.

INVESTMENT PARTNER W MCI CAPITAL
Specjalizuje się w sektorach cleantech, mobility i infrastruktury cyfrowej. Odpowiada za inwestycje w Europie Południowo-Wschodniej. Przed dołączeniem do MCI realizował projekty M&A w ramach grupy PLAY/Iliad, wcześniej pracował w BCG.

Łukasz Neska (5)

VICE PRESIDENT OF ESKY GROUP
Associated with eSky since 2008. Contributed to making the Group's European services leaders in their countries, while the Brazilian branch ranks in the top three. Previously gained experience at Heritage of Scotland.

WICEPREZES ESKY GROUP
Z eSky związany od 2008 r. Jego działania przyczyniły się do tego, że europejskie serwisy Grupy są liderami w swoich krajach, natomiast brazylijski znajduje się w pierwszej trójce. Doświadczenie zdobywał m.in. w Heritage Of Scotland.

Ewa Ogryczak (24)

SENIOR PARTNER AND COO AT MCI CAPITAL
In the MCI Capital team since 2014. Became a certified auditor in 2009. Gained professional experience as a partner and director at PKF Consult's Warsaw branch and as a manager at KPMG Audit.

SENIOR PARTNER I COO W MCI CAPITAL
W zespole MCI Capital od 2014 roku. W 2009 r. uzyskała uprawnienia Biegłego Rewidenta. Doświadczenie zawodowe zdobywała na stanowisku Partnera oraz Dyrektora warszawskiego oddziału PKF Consult oraz managera w firmie audytorskiej KPMG Audyt.

Michał Pawlik (16)

PRESIDENT AND CO-FOUNDER OF MORELE.NET
Co-founder of Morele.net, one of the largest Polish online stores. Since 2018, President of Morele Group operating in four markets (Poland, Lithuania, Latvia, Estonia). Has been in the e-commerce industry for over 20 years.

PREZES I WSPÓŁZAŁOŻYCIEL MORELE.NET
Współtwórca jednego z największych polskich sklepów internetowych - morele.net. Od 2018 roku prezes Morele Group, holdingu rozwijającego się na czterech rynkach (Polska, Litwa, Łotwa, Estonia). W branży e-commerce działa od ponad 20 lat.

Jacek Poświata (23)

MANAGING PARTNER AT BAIN & COMPANY POLAND/CEE
Leader in private equity and strategy practices. Has extensive knowledge in business strategy, value creation, customer strategy, marketing, performance improvement, mergers and acquisitions, and organization. Member of the Polish Business Roundtable (PRB).

PARTNER ZARZĄDZAJĄCY BAIN & COMPANY POLAND/CEE
Jest liderem w praktykach Private Equity i strategii firmy. Posiada dogłębną wiedzę w zakresie strategii biznesowej, planów tworzenia wartości, strategii klienta i marketingu, poprawy wydajności, fuzji i przejęć oraz organizacji. Jest członkiem Polskiej Rady Biznesu (PRB).

Radosław Putek (25)

CEO OF WEBCON
Co-founder of Webcon, specializing in business process automation. Together with Łukasz Malina, his fellow student at the Silesian University of Technology, created an innovative low-code technology-based platform that facilitates business digitalization.

PREZES, CHIEF EXECUTIVE OFFICER WEBCON
Wraz z Łukaszem Maliną, kolegą ze studiów na Politechnice Śląskiej jest współzałożycielem firmy Webcon, specjalizującej się w automatyzacji procesów biznesowych. Jest jednym z twórców innowacyjnej platformy, opartej na technologii low-code, która ułatwia cyfryzację firm.

Matteo de Renzi (4)

CEO OF GETT
Leader with over 20 years of experience in various industries, including automotive, supply chain and engineering. Former CEO of BP Pulse and Head of Deployments for Europe, the Middle East, and Africa at McKinsey & Company.

DYREKTOR GENERALNY GETT
Lider z ponad 20-letnim doświadczeniem w różnych branżach, takich jak motoryzacja, łańcuch dostaw i inżynieria.
Był dyrektorem generalnym w BP Pulse oraz kierownikiem ds. wdrożeń na Europę, Bliski Wschód i Afrykę w McKinsey & Company.

Wiesław Rozłucki (20)

SENIOR ADVISER, ROTHSCHILD, FORMER PRESIDENT OF GPW
Co-founder of the Warsaw Stock Exchange. In 1991-2006, served as its President. Also a member of the supervisory boards of Telekomunikacja Polska, MCI Management, TVN and Bank BPH.

SENIOR ADVISER , ROTHSCHILD, BYŁY PREZES GPW
Współzałożyciel warszawskiej Giełdy Papierów Wartościowych. Od 1991 do 2006 piastował stanowisko prezesa jej zarządu. Był m.in. członkiem rad nadzorczych Telekomunikacji Polskiej, MCI Management, TVN, Banku BPH.

Paweł Sikorski (2, 3)

INVESTMENT PARTNER AT MCI CAPITAL
Focuses on e-commerce, marketplace and consumer SaaS sectors, and supports MCI's development in selected foreign markets. Previously worked at Enterprise Investors, Citigroup and BBI Capital.

INVESTMENT PARTNER W MCI CAPITAL
Koncentruje się na sektorach e-commerce, marketplace i Consumer SaaS oraz wspiera rozwój MCI na wybranych rynkach zagranicznych. Przed dołączeniem do MCI Paweł pracował w Enterprise Investors, Citigroup i BBI Capital.

Robert Sokołowski (10)

CEO OF NETRISK GROUP
Leads a group managing online comparison platforms for insurance and financial products in 6 EU countries. Formerly General Manager of Generali Poland. Started his career at McKinsey.

CEO NETRISK GROUP
Kieruje grupą zarządzająca platformami porównywarek online produktów ubezpieczeniowych i finansowych ubezpieczeń w sześciu krajach UE. Wcześniej był m.in. dyrektorem generalnym Generali w Polsce. Swoją karierę rozpoczął w McKinsey.

Daniel Szcześniewski (17)

FORMER CEO OF ATMAN
Led Atman (formerly ATM) in 2019-2022. Previously, for two years, was the marketing director of the company. Before joining Atman, worked at T-Mobile Poland, where he was responsible for marketing and managing the corporate, large business and SME segments.

BYŁY PREZES, ATMAN
Kierował firmą Atman (dawny ATM) w latach 2019-2022. Wcześniej przez dwa lata był dyrektorem marketingu spółki. Przed dołączeniem do Atmana pracował m.in. w T-Mobile Polska, gdzie odpowiadał za marketing i zarządzanie segmentem korporacji, dużych firm i sektora MŚP.

Paweł Szreder (23)

PARTNER AT BAIN & COMPANY
Has rich experience working with private equity clients - from GP investment strategy through commercial due diligence to post-acquisition strategy and exit planning. Focuses mainly on the technology sector.

PARTNER BAIN & COMPANY
Ma bogate doświadczenie w pracy z klientami private equity - od strategii inwestycyjnej GP, poprzez komercyjne due diligence, po strategię po przejęciu i planowanie wyjścia z inwestycji. Jego praca koncentruje się głównie na sektorze technologicznym.

Małgorzata Walczak (12)

INVESTMENT DIRECTOR AT PFR VENTURES
Entrepreneur, investor, Business Angel. Manages the PFR NCBR CVC Fund of Funds at PFR Ventures since 2016, also responsible for investments in the PFR GreenHub Fund of Funds program. Formerly an investment partner at MCI Capital.

DYREKTORKA INWESTYCYJNA W PFR VENTURES
Przedsiębiorczyni, inwestorka i Anioł Biznesu, od 2016 roku zarządza Funduszem Funduszy PFR NCBR CVC w PFR Ventures, odpowiada też za inwestycje w ramach programu PFR PFR GreenHub Fund of Funds. Wcześniej była m.in. partnerką inwestycyjną w MCI Capital.

Hubert Wichrowski (2, 3)

SENIOR INVESTMENT MANAGER AT MCI CAPITAL
Experienced in private equity and public equity investments and management consulting. Previously worked a.o. in the Investment Banking Department at Trigon Brokerage House.

SENIOR INVESTMENT MANAGER W MCI CAPITAL
Posiada doświadczenie w inwestowaniu na rynku private equity i public equity oraz doradztwie zarządczym. Przed dołączeniem do MCI pracował m.in. w Dziale Bankowości Inwestycyjnej w Trigon Domu Maklerskim.

Łukasz Wróbel (25)

VICE PRESIDENT, CHIEF BUSINESS DEVELOPMENT OFFICER AT WEBCON
Responsible for the company's business development since 2010. Previously worked at Comarch, where he met Radosław Putek, co-founder of Webcon, and joined the company four years later.

WICEPREZES, CHIEF BUSINESS DEVELOPMENT OFFICER WEBCON
W firmie jest odpowiedzialny za rozwój biznesu. Ze spółka związany jest od 2010 roku. Wcześniej pracował w Comarchu, gdzie poznał się z Radosławem Putkiem, współzałożycielem Webcon, do którego dołączył cztery lata później.

Piotr Żagan (21)

DIRECTOR OF CEE FUND HUB, RAIFFEISEN BANK INTERNATIONAL AG
Responsible for institutional client relations in the CEE region and financing of Alternative and Private Equity funds within the Investment Banking division. Previously worked at Raiffeisen Bank Polska, BZ WBK and Erste Group Bank AG.

DYREKTOR CEE FUND HUB, RAIFFEISEN BANK INTERNATIONAL AG
W ramach pionu Bankowości Inwestycyjnej odpowiada za relacje z klientami instytucjonalnymi w regionie CEE i finansowanie funduszy Alternatywnych oraz Private Equity. Wcześniej pracował m.in. w Raiffeisen Bank Polska, BZ WBK i Erste Group Bank AG.