

MCI Capital – occasions favor the prepared

After a difficult first quarter of 2022 for the company, the second quarter proved equally challenging, especially for the MCI.TV FIZ subfund. In the end, the company managed to minimize its net loss to zero in the first half of the year, thanks to the upward revaluation of the bargain eSky stake acquired. The company's performance in the coming quarters in part will depend on the stock market, as the quotations of comparable companies affect the valuations of portfolio positions. After updating our forecasts, we are adjusting our valuation of MCI Capital's shares from PLN 33.1 to PLN 29.6 mainly due to the peers devaluation. The discount in the stock's valuation to NAV is ca. 53% compared to ca. 21% for peers.

1H22 results influenced by market downturn and situation in the East

In terms of the entire first half of 2022, losses on investments decreased to PLN -13.5m, EBIT decreased to PLN -20.8m, and net income amounted to PLN -1.1m. The result for the first half of the year consisted of a positive result on MCI.EuroVentures FIZ (PLN +131.2m), including upward revaluation of the investment in eSky (PLN +163m) and a negative result on MCI.TechVentures FIZ (PLN -128.5m), including revaluation of Morele Group (PLN -47m), Gett (PLN -34m), Answear (PLN -24m) and Travelata (PLN -21m). Net debt, according to our estimates, at the end of 2Q22 was around PLN 162m (PLN 218m after adjusting for the dividend liability and MCI.TV's rate of return guarantee) vs. PLN 196m at the end of 1Q22.

Liquidity at PLN 777 million creates opportunity for bargain buying

The Group's liquidity at the end of 1H2022 was about PLN 777m, of which about PLN 400 million is cash and cash equivalents placed in the MCIEV FIZ Subfund (and indirectly in MCI.CV) and available credit lines of nearly PLN 300m. Management indicates that the current stock market downturn favors buyers, and expects even more attractive valuations in 2023. The eSky stake acquired in 2022 is one of this year's successful investments.

Risks for our forecasts and valuation

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

Our valuation is equally based on NAV (PLN33.1/share) and peers valuation to the other PE funds (PLN26.0/share) and indicates present fair price at PLN29.6/share.

PLN m	2020	2021	2022P	2023P
Investment profits	162	380	0	98
Net profit	134	465	-21	77
NAV/share	27.1	35.2	33.4	34.2
P/E (x)	7.2	2.1	na	12.4
P/NAV (%)	69%	53%	56%	55%

Source: MCI Capital ASI (2020-21), Noble Securities (2022F-2023F)

The preparation of report was finalized on 07/10/2022 at 10:10 a.m.. The first publication took place on 07/10/2022 at 10:15 a.m.

**NOBLE
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Current price	16,1 zł
Valuation	29.6 zł
Upside/downside	84%
Market cap.	PLN 842m
Free float	22%
Avg. Vol. 6M	3 082



Source: Bloomberg, Noble Securities

COMPANY PROFILE

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

SHAREHOLDERS

Tomasz Czechowicz	77.85%
Others	22.15%

Krzysztof Radojewski

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VALUATION

We calculated the value of one share of MCI Capital using Net Asset Value (NAV) method on the basis of book value of investment portfolio at the end of 2022 and peers valuation to the other few European PE companies. We give both methods equal weights (methodology unchanged).

In table below we present valuation summary:

Valuation summary	Weight (x)	Per share (PLN)	Previously (PLN)	change %
Net asset value (NAV)	0.50	33.1	33.4	-1%
Peers	0.50	26.0	32.8	-21%
Average valuation		29.6	33.1	-11%
Current price		16.1	19.0	-16%
Upside/downside		84%	74%	

Source: Noble Securities

PEER VALUATION

We value the assets held by MCI Capital at book value, which should reflect fair value. It is worth noting that the discount in the company's market valuation relative to book value has narrowed in recent quarters relative to peers. In our previous report, the P/BV ratio for peers was 0.98x and for MCI 0.56x (MCI's valuation discount to the peer group at 43%), and now peers are valued at P/BV 0.79x and MCI 0.48x (MCI's valuation discount to the peer group has fallen to 38%). It seems that one of the contributing factors is the dividend policy introduced. The P/BV valuation ratios of selected European PE companies are shown below. The main difference between these companies and MCI Capital is their higher market capitalization. Based on the valuation ratios of European PE companies, we value the company using the comparative method at PLN 26.0 per share (previously PLN 32.8).

Company	Currency	Market cap (PLN m)	P/BV (x) 2021	Div. yield
3I GROUP PLC	PLN	61 203	0.85	3.6%
GIMV NV	PLN	5 970	0.85	5.6%
EURAZEO	PLN	21 804	0.70	3.2%
DEUTSCHE BETEILIGUNGS AG	PLN	2 126	0.74	5.1%
Mean			0.79	
MCI Capital	PLN	842	0.48	4.4%
Premium/discount to mean (%)			-38%	
Implied fair value of MCI Capital	PLN		26.0	
Implied fair value of MCI Capital	PLN		26.0	

Source: Bloomberg, Noble Securities, data on 07/10/2022 at 8:51 a.m.

P&L (PLN m)	2021	2022F	2023F	2024F
Investment management fees	31	15	15	15
Investment profits	380	0	98	99
Operating expenses	41	37	37	37
Other operating revenues and expenses	0	0	0	0
EBIT	358	-12	86	87
Net financial income and expenses	-11	-26	-26	-26
Profit before taxation	346	-38	60	61
Income tax	119	38	0	0
Net profit	465	0	60	61

Source: MCI Capital ASI (2021), Noble Securities (forecasts, 2022F-2024F)

Balance sheet (PLN m)	2021	2022F	2023F	2024F
Assets	2 064	2 028	2 051	2 076
Non-current assets	2 014	1 969	1 987	1 975
Investment certificates	2 009	1 964	1 982	1 970
Other non-current assets	5	5	5	5
Current assets	50	59	64	100
Cash and cash equivalents	21	52	57	94
Other current assets	29	7	7	7
Liabilities	2 064	2 028	2 052	2 076
Equity	1 808	1 772	1 796	1 820
Non-current liabilities	137	137	137	137
Liabilities on bonds	110	110	110	110
Deferred tax liabilities	11	11	11	11
Others	16	16	16	16
Current liabilities	119	119	119	119
Liabilities on bonds	17	17	17	17
Liabilities on bills of exchange	66	66	66	66
Other	36	36	36	36

Source: MCI Capital ASI (2021), Noble Securities (forecasts, 2022F-2024F)

Cash flow (PLN m)	2021	2022F	2023F	2024F
CF from operating activities	79	93	68	99
CF from investment activities	-2	0	0	0
CF from financial activities	-95	-61	-62	-62
CF	-18	32	5	36
Cash at the beginning of the period	39	21	52	57
Cash at the end of the period	21	52	57	94

Source: MCI Capital ASI (2021), Noble Securities (forecasts, 2022F-2024F)

Selected indicators	2021	2022F	2023F	2024F
Book value per share	34.47	33.14	33.57	34.03
Dividend per share	0.53	0.7	0.7	0.7
Net debt	172	141	136	99
Net debt/BV	10%	8%	8%	5%
Number of shares issued	52.5	53.5	53.5	53.5
P/BV	0.45	0.47	0.46	0.46

Source: MCI Capital ASI (2021), Noble Securities (forecasts, 2022F-2024F)

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FINAL REMARKS

Analyst preparing the Report: Krzysztof Radojewski

Date and time of completion of the Report: 07/10/2022 at 10.10 a.m.. Date and time of the first dissemination of the Report: 07/10/2022 at 10.15 a.m..

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Recent research concerning MCI Capital S.A.							
Direction	na	na.	na.	na.	na.	na.	na.
Date	02/05/2022 at 8:30 a.m.	10/07/2021 at 8:20 a.m.	05/14/2021 at 10:19 a.m.	11/12/2019 at 11:50 a.m.	30/06/2020 at 5:20 p.m.	12/03/2020 at 4:08 p.m.	28.06.2019 at 2:55 p.m.
Stock price at the date of report	19.0	22.5	19.2	15.0	12.1	8.3	7.3
Valuation per share	33.1	41.2	30.9	30.4	24.9	21.9	26.5
WIG Index at the date of report	57 754.98	71 789.34	62 004.52	56 230.40	49 569.17	37 164.02	60187.43

All recommendations distributed by NS in last 12 months:

Company	Direction	Target price	Price at publication	Current price	Difference to price target	Date of publication (1)	Validity date (2)	Prepared by (3)
Bioton	na	4,7	3,8	3,63	29%	06.09.2022	24m	Krzysztof Radojewski
Dino Polska	Reduce	286,8	351,5	310,00	-7%	10.08.2022	9M	Dariusz Dadej
Eurocash	Accumulate	13,0	12,1	11,89	9%	10.08.2022	9M	Dariusz Dadej
Amica	Hold	69,7	71,4	67,30	4%	05.08.2022	9M	Michał Sztabler
Wielton	Reduce	4,9	5,5	6,08	-19%	12.07.2022	9M	Michał Sztabler
Krynicky Recykling	na	20,9	22,6	22,70	-8%	04.07.2022	24M	Dariusz Dadej
Captor Therapeutics	Buy	163,0	116,0	138,00	18%	28.06.2022	9M	Krzysztof Radojewski
Celon Pharma	Buy	29,3	14,9	12,74	130%	28.06.2022	9M	Krzysztof Radojewski
Molecure	Buy	21,7	13,2	13,90	56%	28.06.2022	9M	Krzysztof Radojewski
Ryvu Therapeutics	Buy	51,8	23,5	35,95	44%	28.06.2022	9M	Krzysztof Radojewski
CD Projekt	Sell	74,1	94,4	110,26	-33%	24.06.2022	9M	Maciej Kietliński
Ten Square Games	Sell	98,6	117,0	104,60	-6%	24.06.2022	9M	Maciej Kietliński
Apator	Reduce	12,2	14,8	13,62	-10%	06.06.2022	9M	Michał Sztabler
Aplisens	na	16,0	14,1	13,40	19%	06.06.2022	24M	Michał Sztabler
Sonel	na	10,2	9,8	9,60	6%	06.06.2022	24M	Michał Sztabler
TIM	na	54,3	31,4	25,80	110%	06.06.2022	24M	Michał Sztabler
11 bit studios	Buy	626,0	502,0	513,00	22%	18.05.2022	9M	Maciej Kietliński
Forte	Accumulate	38,9	33,0	23,80	63%	13.05.2022	9M	Dariusz Dadej
MCI Capital	na	33,1	19,0	16,05	106%	02.05.2022	24M	Krzysztof Radojewski
Bioton	na	7,2	4,1	3,63	97%	19.04.2022	24M	Krzysztof Radojewski
Selvita	Buy	96,2	78,5	88,40	9%	08.04.2022	9M	Krzysztof Radojewski
Mobruk	Buy	500,9	398,0	300,50	67%	07.04.2022	9M	Dariusz Dadej
Artifex Mundi	Buy	13,2	10,1	6,14	115%	28.03.2022	9M	Maciej Kietliński
Celon Pharma	Buy	42,2	24,8	12,74	231%	16.03.2022	9M	Krzysztof Radojewski
Creepy Jar	Buy	812,0	700,0	600,00	35%	15.03.2022	9M	Maciej Kietliński
LW Bogdanka	Hold	57,9	55,6	33,54	72%	11.03.2022	9M	Michał Sztabler
Tauron PE	Buy	3,5	2,7	2,11	68%	10.03.2022	9M	Michał Sztabler
Ailleron	na	19,1	11,4	11,95	60%	03.03.2022	24M	Dariusz Dadej
BoomBit	Buy	22,9	18,3	9,56	140%	04.02.2022	9M	Maciej Kietliński
Krynicky Recykling	na	31,8	19,6			05.01.2022	24M	Dariusz Dadej
Sonel	na	11,8	10,6			22.12.2021	24M	Michał Sztabler
CD Projekt	Reduce	176,4	193,0			21.12.2021	9M	Maciej Kietliński
Dino Polska	Reduce	295,0	338,0			03.12.2021	9M	Dariusz Dadej
Eurocash	Accumulate	12,2	10,9			03.12.2021	9M	Dariusz Dadej
Apator	Hold	19,1	18,7			29.11.2021	9M	Michał Sztabler
OncoArendi	Buy	48,1	38,4			16.11.2021	9M	Krzysztof Radojewski
Amica	Accumulate	157,6	131,6			18.10.2021	9M	Michał Sztabler
Ten Square Games	Buy	549,3	382,6			18.10.2021	9M	Maciej Kietliński
TIM	na	62,3	42,6			14.10.2021	24M	Michał Sztabler
Forte	Hold	51,5	53,5			11.10.2021	9M	Dariusz Dadej
MCI Capital	na	41,2	22,5			07.10.2021	24M	Krzysztof Radojewski

(1) Date of publication is simultaneously date of first publication,

(2) recommendation is valid for a period of 9 months, unless it is previously updated,

(3) Job position: Krzysztof Radojewski – Deputy Head of Research and Advisory Department, Michał Sztabler – Equity Analyst, Dariusz Dadej - Equity Analyst, Maciej Kietliński - ended his work in NS on 06/30/2022

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technical analysis

