

MCI Capital - the worst is already priced in?

MCI Capital is doing very well in a difficult market environment. Good investments more than cover losses from less profitable projects. Low valuations at MCI.TV provide an opportunity to rebuild value after the market rebounds, and we feel investments such as eSky and netrisk will drive performance in the coming quarters and years. In addition, the company has cash reserves that it can use for further acquisitions. After updating our forecasts, we are adjusting our valuation of MCI Capital shares from PLN 29.6 to PLN 36.1.

Results for 2022 - MCI.EV profits more than covered MCI.TV losses

In total, throughout 2022, unrealized gains on the valuation of MCI.EV FIZ amounted to PLN 280m, and unrealized losses on the valuation of MCI.TV FIZ amounted to PLN 120m. Total investment income in 2022 amounted to PLN 141m, net income to PLN 143m, and book value per share to PLN 36.5. The results of MCI.EV FIZ were affected by the revaluation of investments in eSky (PLN +276m) and Netrisk (PLN +49m), offset by a negative result on the revaluation of IAI (PLN -51m) and Pigu (PLN -34m). The results of the entire MCI.TV FIZ were mainly affected by the revaluation of investments in Morele Group (PLN -155m), Gett (PLN -73m) and Travelata.ru (PLN -31m).

Assets at end of 1Q23 similar q/q

According to information published by the company, the gross assets of the MCI.PrivateVentures FIZ fund, in which most of the MCI Group's assets are accumulated, rose to PLN 2.54 billion at the end of March this year, compared to PLN 2.53 billion at the end of 2022. According to our estimates, this translates into several million zlotys of net profit in 1Q23. The current stock market is more favorable to acquisitions than exits and the MCI Group, with liquidity of PLN 732m, is very well positioned for further investments. We feel that the Group's performance in 2023 will be determined mainly by the results of MCI.EV FIZ, of which we expect value growth mainly in the case of eSky, generating high growth rates of earnings improvement.

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 (PLN38/share) and peers valuation to the other PE funds (PLN34.3/share) and indicates present fair price at PLN36.1/share.

PLN m	2021	2022	2023F	2024F
Investment profits	380	141	107	109
Net profit	465	143	76	77
NAV/share	35.2	36.5	38.0	39.4
P/E (x)	2.2	nd	13.5	13.2
P/NAV (%)	55%	53%	51%	49%

Source: MCI Capital ASI (2021-22), Noble Securities (2023F-2024F)

The preparation of report was finalized on 20/04/2023 at 8:15 a.m.. The first publication took place on 20/04/2023 at 8:20 a.m.

**NOBLE
SECURITIES**
DOM MAKLEWSKI

Current price	19.5 zł
Valuation	36.1 zł
Upside/downside	85%
Market cap.	PLN 1023m
Free float	22%
Avg. Vol. 6M	5 491



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 2023 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	38.0	33.1	15%
Peers	0.50	34.3	26.0	32%
Average valuation		36.1	29.6	22%
Current price		19.5	16.1	21%
Upside/downside		85%	84%	

Source: Noble Securities

PEER VALUATION

We value assets held by MCI Capital at book value, which should reflect fair value. 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. In our previous October 2022 report, the P/BV ratio for the peers was 0.79x and for MCI was 0.48x, and currently the peers are valued at P/BV of 0.94x and MCI at 0.53x (MCI's valuation discount to the peer group is about 43%). In our opinion, such a high discount to book value in the case of MCI is not justified. Based on the valuation ratios of European private equity companies, we value the company using the comparative method at PLN 34.3 per share (previously PLN 26).

Company	Currency	Market cap (PLN m)	P/BV (x) L12M	Div. yield
3I GROUP PLC	PLN	86 784	1.15	3.0%
GIMV NV	PLN	5 805	0.97	5.6%
EURAZEO	PLN	24 398	0.78	3.3%
DEUTSCHE BETEILIGUNGS AG	PLN	2 478	0.86	5.3%
Mean			0.94	
MCI Capital	PLN	842	0.53	3.6%
Premium/discount to mean (%)			-43%	
Implied fair value of MCI Capital	PLN		34.3	

Source: Bloomberg, Noble Securities, data on 19/04/2023 at 11:21 a.m.

P&L (PLN m)	2021	2022	2023F	2024F
Investment management fees	31	17	15	15
Investment profits	380	141	107	109
Operating expenses	41	0	0	0
Other operating revenues and expenses	0	0	0	0
EBIT	358	137	102	103
Net financial income and expenses	-11	-24	-26	-26
Profit before taxation	346	113	76	77
Income tax	119	30	0	0
Net profit	465	143	76	77

Source: MCI Capital ASI (2021-22), Noble Securities (forecasts, 2023F-2024F)

Balance sheet (PLN m)	2021	2022	2023F	2024F
Assets	2 064	2 225	2 301	2 378
Non-current assets	2 014	2 177	2 204	2 198
Investment certificates	2 009	2 149	2 176	2 170
Other non-current assets	5	28	28	28
Current assets	50	48	97	180
Cash and cash equivalents	21	37	86	169
Other current assets	29	11	11	11
Liabilities	2 064	2 225	2 301	2 378
Equity	1 808	1 916	1 992	2 069
Non-current liabilities	137	188	188	188
Liabilities on bonds	110	84	84	84
Deferred tax liabilities	0	90	90	90
Others	11	11	11	11
Current liabilities	16	3	3	3
Liabilities on bonds	119	121	121	121
Liabilities on bills of exchange	17	116	116	116
Other	66	0	0	0

Source: MCI Capital ASI (2021-22), Noble Securities (forecasts, 2023F-2024F)

Cash flow (PLN m)	2021	2022	2023F	2024F
CF from operating activities	79	15	75	109
CF from investment activities	-2	-5	0	0
CF from financial activities	-95	6	-26	-26
CF	-18	17	49	83
Cash at the beginning of the period	39	21	37	86
Cash at the end of the period	21	37	86	169

Source: MCI Capital ASI (2021-22), Noble Securities (forecasts, 2023F-2024F)

Selected indicators	2021	2022	2023F	2024F
Book value per share	35.2	36.5	38.0	39.4
Dividend per share	0.54	0.70	0.00	0.00
Net debt	172	252	204	120
Net debt/BV	10%	13%	10%	6%
Number of shares issued	51.4	52.5	52.5	52.5
P/BV	0.55	0.53	0.51	0.49

Source: MCI Capital ASI (2021-22), Noble Securities (forecasts, 2023F-2024F)

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FINAL REMARKS

Analyst preparing the Report: Krzysztof Radojewski

Date and time of completion of the Report: 20/04/2023 at 8.15 a.m.. Date and time of the first dissemination of the Report: 20/04/2023 at 8.20 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

Recent research concerning MCI Capital S.A.

Direction	na.
Date	07.10.2022 at 10:15 a.m
Stock price at the date of report	16.1
Valuation per share	29.6
WIG Index at the date of report	47 299.55

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)
Amica	Accumulate	84,8	79,7	78,30	8%	24.03.2023	9M	Mateusz Chrzanowski
Dino Polska	Reduce	358,6	415,5	397,10	-10%	21.03.2023	9M	Dariusz Dadej
Eurocash	Buy	18,7	13,8	17,79	5%	21.03.2023	9M	Dariusz Dadej
Pepco Group	Accumulate	50,1	43,7	39,68	26%	20.02.2023	9M	Dariusz Dadej
LW Bogdanka	Buy	72,5	52,8	41,30	76%	27.01.2023	9M	Michał Sztabler
Molecure	Buy	20,8	14,7	24,00	-13%	05.01.2023	9M	Krzysztof Radojewski
Celon Pharma	Buy	30,9	15,1	13,84	123%	05.01.2023	9M	Krzysztof Radojewski
Captor Therapeutics	Buy	192,0	164,0	160,00	20%	05.01.2023	9M	Krzysztof Radojewski
Ryvu Therapeutics	Buy	85,4	54,6	58,00	47%	05.01.2023	9M	Krzysztof Radojewski
Forte	Hold	21,3	21,0	26,20	-19%	03.01.2023	9M	Dariusz Dadej
LW Bogdanka	Buy	51,5	38,2	41,30	25%	28.12.2022	9M	Michał Sztabler
Wielton	Hold	6,6	6,7	8,70	-24%	28.12.2022	9M	Michał Sztabler
TIM	na	37,9	28,2	49,00	-23%	12.12.2022	24M	Michał Sztabler
Aplisens	na	18,3	14,4	17,40	5%	06.12.2022	24M	Michał Sztabler
Apator	Reduce	12,9	15,0	16,16	-20%	06.12.2022	9M	Michał Sztabler
Sonel	na	10,2	9,7	10,85	-6%	06.12.2022	24M	Michał Sztabler
MO-BRUK	Buy	371,7	293,0	288,00	29%	26.10.2022	24M	Dariusz Dadej
LW Bogdanka	Hold	30,5	30,6	41,30	-26%	20.10.2022	9M	Michał Sztabler
Selvita	Accumulate	97,5	86,0	77,00	27%	20.10.2022	9M	Krzysztof Radojewski
Ailleron	na	17,5	12,0	20,90	-16%	17.10.2022	24M	Dariusz Dadej
MCI Capital	na	29,6	16,1	19,50	52%	07.10.2022	24M	Krzysztof Radojewski
Bioton	na	4,7	3,8	3,58	31%	06.09.2022	24M	Krzysztof Radojewski
Dino Polska	Reduce	286,8	351,5			10.08.2022	9M	Dariusz Dadej
Eurocash	Accumulate	13,0	12,1			10.08.2022	9M	Dariusz Dadej
Amica	Hold	69,7	71,4			05.08.2022	9M	Michał Sztabler
Wielton	Reduce	4,9	5,5			12.07.2022	9M	Michał Sztabler
Krynicky Recykling (4)	na	20,9	22,6			04.07.2022	24M	Dariusz Dadej
Captor Therapeutics	Buy	163,0	116,0			28.06.2022	9M	Krzysztof Radojewski
Celon Pharma	Buy	29,3	14,9			28.06.2022	9M	Krzysztof Radojewski
Molecure	Buy	21,7	13,2			28.06.2022	9M	Krzysztof Radojewski
Ryvu Therapeutics	Buy	51,8	23,5			28.06.2022	9M	Krzysztof Radojewski
CD Projekt	Suspended	na				24.06.2022	9M	Maciej Kietliński
Ten Square Games	Suspended	na	117,0			24.06.2022	9M	Maciej Kietliński
Apator	Reduce	12,2	14,8			06.06.2022	9M	Michał Sztabler
Aplisens	na	16,0	14,1			06.06.2022	24M	Michał Sztabler
Sonel	na	10,2	9,8			06.06.2022	24M	Michał Sztabler
TIM	na	54,3	31,4			06.06.2022	24M	Michał Sztabler
11 bit studios	Suspended	na	502,0			18.05.2022	9M	Maciej Kietliński
Forte	Accumulate	38,9	33,0			13.05.2022	9M	Dariusz Dadej
MCI Capital	na	33,1	19,0			02.05.2022	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

(4) Delisted on 9/12/2022.

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