

# **MCI exits its first fintech unicorn – iZettle**

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**MCI.TechVentures Fund (Fund, MCI.TV) sold its shares in iZettle as part of one of the largest European acquisitions of technology companies in the last decade. The shares were purchased by US-based PayPal.**

- **The acquisition of iZettle by PayPal for USD 2.2 billion makes iZettle one of the European unicorns.**
- **The Fund sold its shares in iZettle for about USD 44 million to achieve 3.5x CoC return with Gross IRR above 70%.**
- **MCI.TV has been one of the investors in the company since 2015, together with such global VC/PE funds as Index Ventures, Intel Capital, 83 North, Northzone or Creandum.**
- **The management team of MCI.TV plans to use the earned money to continue their strategy of supporting regional and global leaders of digital economy.**

iZettle is a European leader in processing mobile payments for medium, small and micro businesses. The investment agreement signed between PayPal and company shareholders requires an approval from the Swedish regulator. The value of the transaction puts the acquisition of iZettle among the top 10 exits from technology companies co-financed by VC/PE funds; only exits from Supercell, Skype, King.com, Playtiki and Avito were bigger.

PayPal is the global forerunner in online payment solutions. The company was founded by Silicon Valley veterans (including Elon Musk, Max Levchin and Peter Thiel) in 1998. In 2002, the company was acquired by eBay, and in 2015, after being spun off, it returned to the stock market as an independent entity. With its current market capitalisation of USD 94 billion, it is the world's largest (by value) public fintech unicorn company.

The acquisition of iZettle is PayPal's largest M&A transaction ever. Previous transactions included Xoom (online remittances – USD 890 million) and Braintree (payment gateway for merchants – USD 800 million).

In parallel with the sales process, iZettle was examining an IPO and planned to debut on the Nasdaq market in Stockholm. However, the offer from the strategic investor turned out to be more attractive for the company founders and shareholders.

The management team of iZettle, supported by experienced investment bankers, skilfully took advantage of the favourable conditions on capital markets to prepare the company's debut on the stock market. In addition, the company sales process, designed as a selective dual-track program, was exemplary. "At first, a huge demand among public investors was built by holding a pre-IPO run and a mini roadshow before the IPO itself. Then, during the final stages, some potential strategic investors were offered the possibility to take over the control of the company at a price implying the same indices as those for the currently listed Square", explained Maciej Bogaczyk, Senior Investment Director, MCI, responsible for the investment in and exit from iZettle.

Polish MCI.TechVentures Fund has held shares in iZettle since 2015. The shares were purchased for about PLN 44 million. According to the initial calculation, MCI.TechVentures will earn more than PLN 110 million on this investment. It is the third largest exit in terms of the generated profit in the 20-year history of MCI (only sales of Invia and Mall.cz generated higher profits).

"The investment in iZettle was fully aligned with the strategy of MCI.TechVenutres – what we had here was a proven business model developed by experienced entrepreneurs. On the other hand, we needed capital for further scalable projects", added Tomasz Danis, co-manager of the MCI.TechVentures Fund.

iZettle is a European leader in the mPOS segment. In Europe, no other company

managed to build a scalable model of attracting medium, small and micro merchants. iZettle offers an integrated ecosystem – not just a card payment settlement channel. The business model is operated successfully in 12 markets (United Kingdom, Nordic countries, Germany, the Netherlands, Spain, Italy, Mexico and Brazil).

“On several occasions, we helped the company with potential acquisitions – in collaboration with the management team, we reviewed more than 10 projects complementary to iZettle. We analysed the Polish market for possible expansion – the last such project was related to the launch of the Cashless Poland programme. However, the scenario is likely to materialise after the acquisition by PayPal due to the new owner’s extensive activity in our region”, noticed Bogaczyk.

“In the relations between the company and the fund, the advancement of finance technologies in Poland was also important: the perception of the sector from the perspective of Poland – where payment technologies are more advanced as compared to the majority of Western European countries – helped to build a good working relationship with iZettle team. In this context, the exit from a company gaining a unicorn status is double rewarding”, he added.

Today, fintech investments account for 1/3 of MCI portfolio while 2/3 are e-commerce companies or providers of IT infrastructure. The companies operating in the finance area include Dotcard, Netrisk, Azimo, Marketinvoice, NaviExpert and mfind.

The MCI.TechVentures team, capitalising on their broad expertise in the area of digital economy, actively searches for other potential European unicorns to support their expansion.