

# MCI Management SA publishes the results for year 2011.

14.03.2012

In the year 2011, MCI achieved a positive financial result, despite unstable situation on the financial markets. The consolidated annual net profit amounted to PLN 18.7 million. The value of consolidated assets increased up to PLN 640.6 million, while the net assets amounted to PLN 526 million. The average net internal rate of return (IRR) from the whole portfolio managed by MCI since the beginning of its activity amounted to 19.96%. The company published its results on 14th of March 2012.

## FINANCIAL STANDING

Despite the crisis on the financial markets in year 2011 we managed to realize a consolidated net profit in the amount of almost PLN 19 million. The boom on the new technology and Internet markets and high transaction valuations achieved by the companies from these sectors are favorable for us. It is worth reminding that in the MCI portfolio there is included the leader of e-commerce in CEE (Mall.cz) and the leader of e-travel market in CEE (Invia.cz). Despite the decrease of share price of ABC Data SA at WSE from PLN 4 in year 2010 to PLN 2.35 at the end of the year 2011 and the loss on this asset, recorded by the MCI Group, at the level of PLN 114 million due to overvaluation, our companies from the new technologies sector fared very well, providing us with significant revenues and thus compensating the above mentioned loss. The fluctuating market attitudes towards ABC Data that influence negatively its price find no confirmation in its results. Once again the company exhibited very good operating results, significantly exceeding expectations and forecasts. Operating profit and net profit at the level of ca. PLN 70 million confirms its excellent financial standing, said Tomasz Czechowicz, president of the management board of MCI Management SA.

The total average rate of return on investments realized by MCI during the period from the commencement of group functioning until the end of year 2011, calculated as the sum of full and partial exits and residual values of investments, amounted to 19.96%

per year, which strengthens and confirms the position of MCI in the group of the best private equity funds in Europe.

“I consider year 2011 successful. The situation on the market and its consequences, that is, the decrease of indexes and valuation at stock exchanges, did not encourage any optimism. I think, however, that we have shown that MCI is able to react flexibly to changes in economic situation and shows stable results thanks to diversified portfolio of assets,” he adds.

The value of assets under management (AUM) of the Group at the end of year 2011 amounted to PLN 788.5 million (including the full investment commitment of the managed funds) and the net assets of the company amounted to PLN 526 million, showing an over 6% increase in comparison to year 2010.

Net assets per share – an important indicator for the quality of a private equity company’s portfolio – amounted to PLN 8.4 at the end of year 2011, that is, almost two times the current share price at the stock exchange. This shows a clear undervaluation of MCI shares at the present moment. The below graph shows changes of the value of net assets per share indicator in comparison to the average share price at the stock exchange in a given year. There is a noticeable change of tendency after the crisis of year 2008 and anxiety of investors towards investments in private equity. Investments in MCI shares are presently very profitable and that is why the Group conducted buying up of own shares, purchasing ca. 3% of shares in turnover in year 2011.

## NEW INVESTMENTS

The MCI funds invested in six companies. Three investments were performed by Helix Ventures Partners, by signing the agreements with: Serwis Prawa (web portal providing legal information and advice), AVP (program of co-ownership of airplanes) and Frisco.pl (online gourmet store; joint investment with MCI.TechVentures). Other investments were performed by Intenet Ventures (Kompan.pl – one of the largest distributors of advertisements in search engines and contextual advertisements in Poland), MCI.BioVentures (Continuum Care – care for older persons) and MCI.TechVentures (Morele.net – second largest Polish online store offering IT equipment). MCI.TechVentures conducted also two further rounds of financing of the following companies: Invia (MCI.TechVentures increased its interest in the company up to 87.44% through purchasing the total amount of 421 998 shares in the company) and Mall.cz (additional investment). The total amount of investments in year 2011 amounted to more than PLN 81 million.

## THE MOST IMPORTANT ELEMENTS OF MCI GROUP'S PORTFOLIO

1. ABC Data SA - high dynamics of increase of results of ABC Data (EBITDA: +25%, revenues: +19%, net profit: +80%; in comparison to year 2010); startup of own brand - Colorovo - and its introduction to Lithuania, Czech Republic, Slovakia and Romania; commencement of operating activity in Latvia and Estonia; for the fourth time in a row, ABC Data received the EMEA Channel Academy 2012 award for the best IT distributor (the company has been the winner of this prize continuously since year 2009); startup of the first platform in the CEE region for selling services and products created on the basis of the cloud model of the Microsoft company; ABC Data becomes the exclusive distributor of the consumer products of the Huawei company in Poland.
2. Mall.cz - leader of e-commerce in CEE, present on five markets of the region and taking advantage of the high growth potential of the e-commerce market in CEE; 1.4 million registered customers (+40% increase YOY) and 400 thousand views per day; in year 2010 it achieved EUR 110 million of revenues; the forecast for year 2011 is EUR 171 million; the company realizes the strategy of consolidation of the e-commerce market in CEE; in the current market situation the companies of this type are wanted investment objects for strategic and financial investors, achieving the market value amounting to 1-2 times the value of revenues.
3. Invia.cz - the leader of e-travel in CEE; in September 2011 Invia.cz acquired a block of shares in Travelplanet, constituting 44.44% of share capital of that company, from the MCI.TechVentures 1.0 subfund; it was a realization of the next stage of strategy of consolidation of the e-travel sector in CEE and creation of a regional leader; the company - with market share amounting to over 50% - has a dominant position on the markets of Czech Republic and Slovakia when it comes to the value of tourist trips sold online; the strategy of the company assumes further organic growth, entering onto other markets and further acquisitions in the Central and Eastern Europe region.
4. Geewa - leading producer, publisher and distributor of casual games in Central and Eastern Europe; the games of Geewa are played by over 13 million users a month (Monthly Active Users; Google Analytics, January 2012); the most successful game to date is Pool Live Tour (over 4.5 million users a month and over 1 million users a day, on Facebook only; Facebook statistics, January 2012); in the 3rd quarter of year 2011 the company launched another game - Pirates Poker; according to the report of DFC Intelligence (May 2011), the value of online games market will have achieved USD 29 billion until year 2016 (in comparison to USD 16 billion in year 2010).

## EXIT TRANSACTIONS

In the past year MCI realized exit transaction having the value of PLN 85.4 million. When it comes to that matter, it was record-breaking year for the company. MCI performed exits from eight investments, including four full exits from the investments in: One-2-One, Grupa Lew, TravelPlanet and MedCasco.

## EXCELLENT RESULTS OF MCI.TECHVENTURES AND MCI.BIOVENTURES

Two of the funds belonging to the MCI Group, MCI.TechVentures and MCI.BioVentures, recorded very good results in the last year, achieving annual return rates for the year 2011 at the level of, respectively, 28.09% and 28.20%.

“The investment strategies of the MCI Group funds are based on a selective approach to the sectors in which the companies are operating and to their development stages and they assume active cooperation with the management teams. The appropriateness of such approach is confirmed by the achieved results. In case of the MCI.TechVentures fund, the investment strategy assumes focusing on companies being in the growth stage, active in the market segments having the high growth rate and those segments, the leaders of which achieve the scale synergy and create potential for consolidation of the market,” said Sylwester Janik, manager of MCI.TechVentures, management board member and partner of MCI Management SA.

“The companies from the medical and biotechnological sector in which MCI.BioVentures has invested fared well during last year and in total they achieved 25% increase of revenues in comparison to year 2010. In May 2011, Genomed SA - a company included in the fund’s portfolio - had its debut at NewConnect, and in December 2011 we performed the first full exit from an investment by selling MedCasco to a strategic investor and achieving an attractive rate of return from the investment. By realizing these actions we commenced a phase of de-investment, which is beneficial to investor since it enables realization of profits. The above actions results in an increase in value of investment certificates of MCI.BioVentures FIZ by 28.20%, which constitutes one of the best results of investment funds in year 2011. The prospects for the sector for this year seem to be equally interesting, so we intend to continue creating excellent results,” says Grzegorz Gromada, manager of MCI.BioVentures and venture partner of MCI Management SA.

## CHANGES IN ORGANIZATION STRUCTURE AND IN THE TEAM

In December 2010 there were commenced works on structural changes and separation of fund management activity from the investment activity of MCI Management SA. In many analytic reports it was indicated that in the stock exchange valuation of MCI shares there was not included the ten-year know-how of MCI as a management company. The management results obtained by MCI distinguish this company on both Polish and European background. However, stock exchange investors perceive it only through the prism of assets distributed in particular funds. That is why MCI allocated management of assets to a separate company, MCI Partners SA, and in year 2012 there is planned the IPO of MCI Partners at New Connect.

Year 2011 was also a year of reinforcement of the potential of management teams and the whole MCI. The team of partners and managers was joined by Michał Chyczewski, former vice-minister of treasury and director of the BGK SA bank.

## PLANS AND PRIORITIES FOR YEAR 2012

1. Venture Capital: 2-3 new transactions (MCI.TechVentures); creation of regional, European and global champions; regions: CEE, DACH, Russia, Turkey; sectors: e-commerce, mobile internet, social internet, digital entertainment, cloud computing.
2. Buy-out and expansion 1-2 new transactions (MCI.EuroVentures); successions, spin-offs, expansion capital, turnaround; countries: Poland, Czech Republic; sectors: consumer Internet, consumer/SME.
3. Technology early stage, life science, Fund of Funds, mezzanine 3-5 new transactions (HVP, Internet Ventures, BioVentures).
4. Exits - big ticket exit: more than PLN 100 million.
5. Public offering of MCI Partners SA.
6. New investments: MCI intends to allocate PLN 300-500 million for new investments during years 2012-2013 (currently available funds amount to: PLN 200 million [current liquidity and KFK] and planned exits and fundraising for year 2012: PLN 200 million).