

PE Spotlight: MCI Capital outlines detailed M&A strategy

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MCI Capital [WSE:MCI], a Poland-based private equity fund, has an active pipeline of ten potential investments, Managing Partner Tomasz Czechowicz said.

Each target has an enterprise value of EUR 50m - EUR 250m and a net equity ticket of EUR 25m – EUR 75m, Czechowicz said. The investments could happen between 2023 and 2025, and two to four deals could happen “soon,” he added.

MCI will look at targets which generate EUR 5m to EUR 25m EBITDA, with double-digit growth dynamics, he said.

The company will finance the transactions using its dry powder of about PLN 1bn (EUR 220m), as well as proceeds from potential exits from some of its portfolio companies, Czechowicz added.

Within the next two years, MCI intends to exit or recapitalize its investments in contact centre software provider **Focus Telecom Polska** (FTP), online fashion retailer **Answear.com** [WSE:ANR], e-commerce software platform operator **IAI (IdoSell)**, all of them from Poland, and the Israeli transportation management technology platform **Gett**.

These deals could take place between 2024 and 2025 and generate about PLN 1bn in cash for MCI, Czechowicz said. In addition, MCI will be able to increase the share of external funding using variety of instruments, he said.

In case of exits, these could be through a sale to sector investors, and in case of recapitalization, MCI could partner with another private equity fund and stay on as a junior partner in the company, he said.

For the acquisition targets, the GP will look at all the countries in Central and Eastern Europe, as well as Austria, Greece and the Baltic countries, he said. It could also, in some cases, look at Western European players and Israel if it made sense from the portfolio or value creation standpoint, he added.

MCI particularly favours founder-transformation opportunities, Czechowicz said, referring to situations where senior founders of tech companies look for succession or a partial succession strategy. The GP could also partner with lower mid-market PE funds as well as VC funds when it comes to recapitalizing their investments, he said.

Additionally, the fund has a strong track record in the field of Public-to-Private and Strategic Sponsor Carve Outs and is monitoring the market for such opportunities as well, Czechowicz said. It prefers B2B companies due to the weakening consumer market in Europe, but remains receptive to opportunities related to B2C targets in the area of Software-as-a-Service, software, digital and tech services, AI transformation and climatetech, he added.

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The fund would like to expand its investment scope by targeting Climate Tech companies in addition to digital/tech, he said. In particular, MCI will focus on circular economy, energy transformation, and various digital and tech models for Energy, ESG and Climate sectors, he said. Climate Tech is an attractive area from the perspective of large international PE funds as well as strategic players, he said. This market will be growing, and could provide great momentum for MCI considering that interest rate growth has slowed down and the pricing of companies is easier and valuations are lower, he added.

The first half of 2023 turned out well for MCI, Czechowicz said, adding that the fund made a PLN 108m net profit. Although it has an appetite for better results, the numbers were better than in 1H22, when the war in Ukraine broke out, he said.

Overall, MCI's portfolio companies generated double-digit growth, from more than 10% to almost 50% year on year in 1H23, Czechowicz said. As an example, he mentioned IAI, which saw a 30% increase in EBITDA and Answear which generated 50% EBITDA growth year-on-year.

Additionally, MCI has participated in two significant M&A deals in 2023. The first one was [the merger](#) of the Hungarian online insurance comparison platforms **Netrisk Group**, jointly owned by **TA Associates** and MCI with those of the German multimedia conglomerate **Bauer Media Group**, he said.

The second important event was the recapitalization of e-commerce platform **PHH Group** with the support of the **European Bank of the Reconstruction and Development** (EBRD). The total value of the transaction was EUR 20m, according to an [announcement](#).

PHH Group, an e-commerce player active in Lithuania, Latvia, Estonia and Finland, generates 70% yearly sales growth, Czechowicz said. The current lead investor in PHH Group is the regional private equity group **Mid Europa Partners**, and Czechowicz hopes the funds will build a strong leader, with a Gross Merchandise Value exceeding EUR 1bn, he said. MCI does not plan exiting the company in the near future, he said.