

2019 – a successful jubilee year

In the previous newsletter, I described years 2017 and 2018 as exceptional, and there are no reasons this year that would make me change this positive approach again. 2019 is of historical importance for Genesis Capital as we are celebrating the 20th anniversary of our company. It is not a negligible deed to be able to exist and be successful on such a difficult and competitive market for an entire generation.

At the occasion of our jubilee, allow me to start with the most significant change. Genesis Capital is expanding its activities into a new investment market segment. In addition to the existing line of funds focusing primarily on acquisitions and purchases of medium-sized companies (Genesis Capital Private Equity Funds), a new line of growth capital funds is being set up (Genesis Capital Growth Equity Funds), aiming to invest into smaller companies with a strong growth potential predominantly in the Czech Republic and Slovakia. In August this year, we managed to successfully close the Genesis Growth Equity Fund I (GGEF I) with independent management and separate structure of fund advisors. Since summer 2019, Genesis Capital therefore exists as a group of private equity funds.

Along with the new structure and identity, we have a new logo and expanded brand that reflect these changes and the new development in the family of Genesis Capital funds.

In parallel with the above changes, the investment process continued with two new acquisitions into the portfolio of Genesis Private Equity Fund III and one exit from Genesis Private Equity Fund II.

In February 2019, together with the management, we managed to successfully complete the acquisition of CN Group that provides IT services in the area of software development by outsourcing in nearby countries (nearshoring), quality management, testing and computer modelling. CN Group is active on the Czech, Slovak, and Romanian market, with strong business ties to German and Scandinavian companies developed in the course of their history of 25 years.

The entry to the company 11 Entertainment Group that is operating indoor entertainment parks in Hungary represents the second investment of GPEF III in 2019. With the group's founder who remains a minority shareholder in the company, we are planning to develop family entertainment centres also in other central and eastern European countries. The acquisition of the majority share in this group represents the eighth investment of GPEF



Jan Tauber, Managing Partner of Genesis Capital

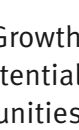
III and also the first investment of Genesis funds on the Hungarian market.

Speaking about exits from the GPEF II portfolio, we managed to successfully conclude our activities in KS Klima-Service focusing on air conditioning and filtration. TROX, a top global player in this field became the new owner. During our time in KS Klima since 2012, the management succeeded in doubling of the company's turnover and operating profit and preparing it for further growth in a new modern hall.

Our team is currently well balanced, highly qualified and with all the necessary prerequisites for searching for new investment opportunities and closing deals. Genesis Capital is entering its third decade and is perfectly positioned to take advantage of all the new investment opportunities in the region and to create value for its investors.



Jan Tauber, Managing Partner of Genesis Capital

PLAY VIDEO 

20 Years of Genesis Capital

Genesis Growth Equity Fund I launched with the first closing at EUR 31 million

Genesis Capital Growth Equity Funds represent a new line of growth equity funds of Genesis Capital. Genesis Growth Equity Fund I (GGEF I) focuses on established small and medium sized companies with a significant growth potential mainly in the Czech Republic and Slovakia, which is a market segment with a large number of exciting opportunities where the supply of private equity financing has, until now, been limited. The fund will invest equity tickets of up to EUR 4 million into high growth potential companies.

"Founding and investing a new growth fund is a great professional opportunity for us. We are convinced that there is a large pool of attractive companies active in innovative sectors with experienced management teams and the ambition of developing their business further. We also see many family businesses facing the issue of succession to the original founders and capable of using development capital efficiently," comments Jiří Beneš, Managing Partner at Genesis Capital Growth. *"As opposed to the current GPEF III size and stage, the new fund, GGEF I, will focus on investing in a different segment of firms. It will target smaller promising companies generating revenues of up to EUR 15 million and EBITDA of up to EUR 2 million,"* Jiří Beneš explains.

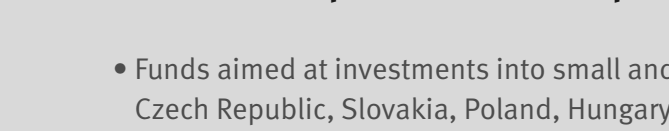
GGEF I operates independently with a separate structure and own dedicated investment team, making at the same time use of cooperation and infrastructure sharing with Genesis Capital Equity. Investment team of GGEF I consists of three experienced partners with a strong track record of successful private equity and venture capital investments: Jiří Beneš, Marek Hoščálek and Radim Jasek.

Genesis Growth Equity Fund I attracted commitments of local and international institutions and investment firms, such as the European Investment Fund (EIF), Amundi Czech Republic (member of international group Amundi), Kooperativa pojišťovna a Česká podnikatelská pojišťovna (both members of Vienna Insurance Group), financial group RSJ and a Czech family office SPM Capital. The fund's first closing size reached EUR 31 million with the second closing expected during the next 12 months.

New Corporate Identity

Genesis Capital is celebrating 20 years and takes advantage of the expansion of its activities into a new investment segment, new line of growth capital funds "Genesis Capital Growth Equity Funds", to change its corporate identity. The new structure and identity include not only the new logo, but also an expanding brand that reflects these new recent developments.

Old logo of Genesis Capital



New logo of Genesis Capital



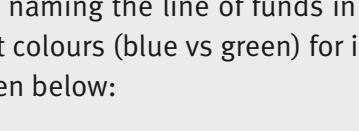
As of now, the Genesis Capital brand will serve as an umbrella uniting two different segments of funds that will be managed by two separate management teams:

I. Genesis Capital Private Equity Funds



- Funds aimed at investments into small and medium sized companies in the Czech Republic, Slovakia, Poland, Hungary and Austria
- Genesis Private Equity Fund III is currently open with the volume of EUR 80 million
- Average size of individual investments ranges between EUR 4 and 12 million

II. Genesis Capital Growth Equity Funds



- Growth capital funds aimed at investments into smaller companies with a substantial growth potential in the Czech Republic and Slovakia
- Genesis Growth Equity Fund I is currently open with the target volume of EUR 40 million
- Average size of individual investments ranges between EUR 1 and 4 million

The new concept builds on differentiating the brand not only by using a text naming the line of funds in question ("Private Equity Funds" vs "Growth Equity Funds"), but also by using different colours (blue vs green) for individual investment segments. Other possible variations of using the new logo are given below:



This approach to the new concept of Genesis Capital group and brand modularity allow for possible future expansion into other related investment segments.

The new corporate identity for Genesis Capital was prepared by the renowned agency J. Walter Thompson Prague, member of the WPP group.

Genesis Fund acquired software development company CN Group and entered the IT sector

GGPEF III together with the management team has completed the acquisition of CN Group from its Danish owners and founders. CN Group, a Prague based company with offices in Zlín, Bratislava and Romania, is an IT company providing nearshore software programming, QA management, testing and computer-aided modelling (CAD). CN Group is the seventh investment for GPEF III.

The entry of GPEF III into CN Group can be regarded as one of the possible solutions of the succession challenges, recently becoming a major topic for number of Czech SME companies. The sellers were the founders active in IT sector investing and retiring CEO of the company. As the company continues to be led by a professional management independent from its owners, the management buy-out was a logical outcome in which GPEF III together with the management team acquired 100% share in the company.

"The IT business and software development are very attractive and growing business sectors, which attract investors not only on the public markets but also in the private equity world. CN Group with its 25-year history, long term business relationships and business focus on the German speaking countries and the Nordics is an attractive platform for further business development and consolidation of the market of nearshore software programming," says Jan Tauber, Managing Partner of Genesis Capital Equity.

The funding and support from GPEF III could help the company grow not only organically but also through add-on acquisitions. *"There are numerous small and medium-sized companies in the region in areas that could suitably complement our activities, both in nearshore software programming as well as other complementary areas,"* says Michal Širca, CEO of CN Group, and adds: *"We believe that Genesis will be the right equity partner in our quest for realizing the future growth strategy."* Going forward, CN Group will focus on further expansion of the services offered, for example in mechanical design engineering. Select add-on acquisitions complementary to the company's current business model could also be part of the future strategic development.

Founded by Danish owners in 1994, over the last 25 years CN Group has developed high quality out-sourced software for its customers in Scandinavia, Germany, Austria, Switzerland and the UK. Additionally, the company offers extensive QA management, testing and training services. CN Group employs over 280 professionals and had revenues close to EUR 13 million in 2018. For details, please visit: <https://www.cngroup.dk/>.

Genesis acquired majority in 11 Entertainment Group of Hungary

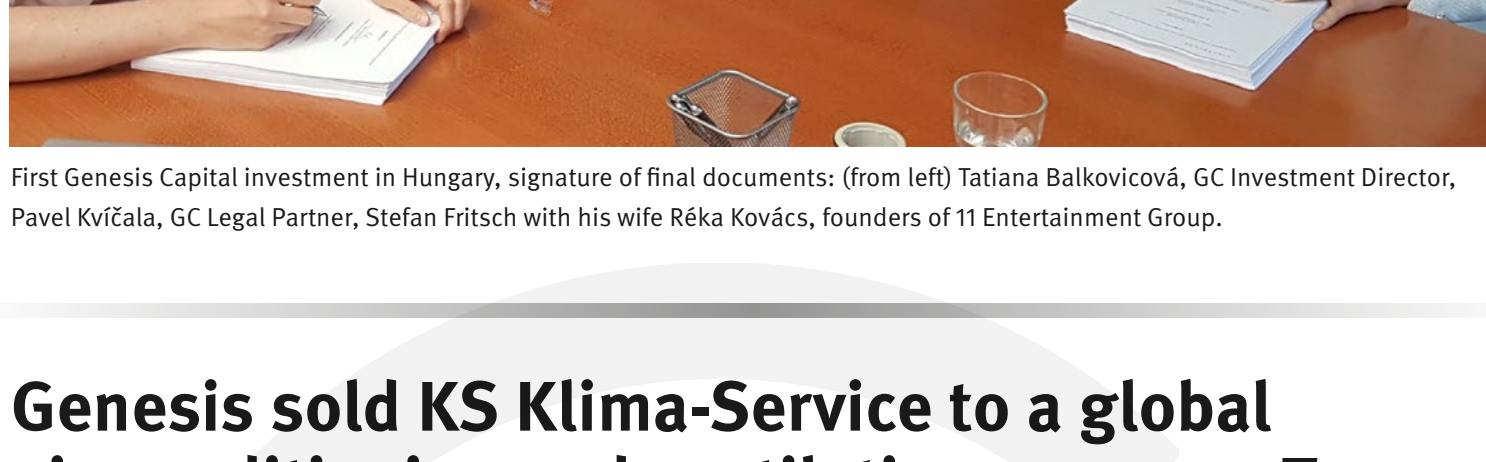
Genesis Private Equity Fund III (GPEF III) acquired 61% in 11 Entertainment Group, provider of indoor family entertainment in Hungary. GPEF III partnered with the business founder, Mr. Stefan Fritsch, to build a family entertainment specialist in the CEE region. It is the eighth investment of GPEF III and its historically first independent investment in Hungary.

11 Entertainment Group contains companies providing indoor family entertainment in trampoline parks, indoor playgrounds and laser tag arenas in Hungary.

"The capital entry of Genesis will enable us to focus on rapid expansion of our entertainment concept throughout Central Europe," says Stefan Fritsch, while adding: *"and it is a proof that our team has done an excellent job in building the business to date. By having Genesis on board with its expertise and 20 years of experience in multiple industries and branches, we will get useful input to become even more professional in developing our growth."*

"We perceive the investment into 11 Entertainment Group as an opportunity to support the strong entrepreneurial story of Stefan and realize the growth potential in currently underdeveloped family entertainment markets in Central Europe" comments Radan Hanzl, Partner at Genesis Capital, a local investment advisor to GPEF III. *"We believe that Stefan's track record in operational excellence and his approach to business expansion make 11 Entertainment Group an excellent platform for further growth"*, Radan Hanzl concludes. *"As a bonus, this transaction also fulfils our vision of GPEF III expanding its region beyond its traditional core markets of the Czech Republic and Slovakia"*, adds Tatiana Balkovicová, Investment Director at Genesis Capital.

Founded by Mr. Stefan Fritsch and his wife Réka Kovács in 2009, originally with the intention to entertain their own children while Mr. Fritsch worked in top management positions in the automotive industry. Over the last ten years 11 Entertainment Group grew to a leading indoor family entertainment provider in Hungary with 5 entertainment centres ("Cyberjump" trampoline parks, "Laserpark" laser tag arenas and "Elevenpark" indoor playgrounds) located in shopping malls in Budapest and Győr. The parks attracted more than 500,000 visitors in 2018, mainly children, teenagers and young adults. 11 Entertainment Group employs over 45 professionals. For details, please visit: <https://cyberjump.hu> <https://www.elevenpark.hu> <https://laserpark.hu> Or watch video at: <https://www.youtube.com/watch?v=iL5b2kPhfVI>



First Genesis Capital investment in Hungary, signature of final documents: (from left) Tatiana Balkovicová, GC Investment Director, Pavel Kvířala, GC Legal Partner, Stefan Fritsch with his wife Réka Kovács, founders of 11 Entertainment Group.

Genesis sold KS Klima-Service to a global air-conditioning and ventilation company Trox

Genesis Private Equity Fund II (GPEF II), Mr. Jiří Beseda, the founder of KS Klima, and top managers agreed to sell 100% of KS Klima to the Germany-based global producer of air handling equipment and filters TROX GmbH.

After 25 years of continued growth and innovation since its start as a family business, KS Klima-Service successfully completed its transition into a major regional player in the atmospheric filtration equipment. In cooperation with Genesis Capital, the company has grown its sales and product portfolio, expanded in foreign markets and managed to remain a very attractive employer in the region. The final step of this transition was a relocation from the original seat in Dobříš into new custom-built production premises in Píbram completed in 2018. The new location enables to further increase production capacity by 50% and provides new possibilities for further development and growth with the new strategic investor. In 2018, the company had revenues of EUR 10 million and had almost 100 employees.

The entry of Genesis into KS Klima-Service was an example of a successful generation succession. The original founders, Mrs. and Mr. Beseda, intended to step down from day-to-day management of the company, however, were still interested in its future. Genesis offered to purchase majority share and the Beseda family kept minority stake.

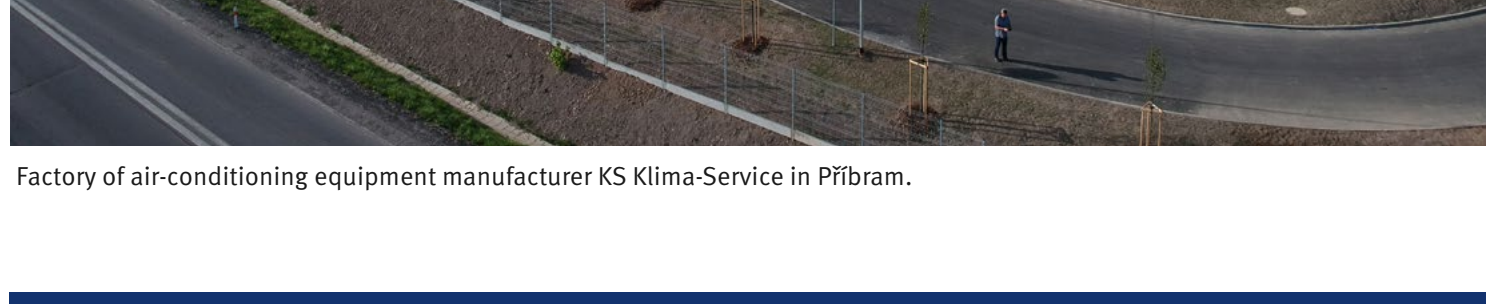
Mr. Jan Tauber, Managing Partner of Genesis Capital Equity, said: *"We are very pleased with the outcome of the investment into KS Klima. Since 2012, KS Klima transformed from a successful growing family business to an independently managed mid-size company. Over the six years, it doubled its revenues and operating profit and has further prepared for growth by moving to newly built state-of-the-art factory."*

"It was a very good decision to choose Genesis Capital as our partner in 2012. In the following years, we were able to fulfil all our goals: continued development of air filter production, the growth of employment in the company and construction of a new production plant. KS Klima acquisition by TROX GmbH was a perfect completion of our entrepreneurial journey. We believe that TROX GmbH, as one of the world's leading producers of air filters and ventilation systems, will continue to develop and manufacture filters in KS Klima and will bring new interesting developments and challenges to the firm and its team," says Jiří Beseda, the minority shareholder.

"We at Genesis Capital are pleased that KS Klima-Service will join a global player in the industry, which will be able to utilize the strong foundations and potential in the company for further development in Píbram, in the Czech Republic, and in the broader region. I wish the company and TROX all the best and believe that their common future will be as successful as the cooperation has been for us." concludes Radan Hanzl, Partner of Genesis Capital, responsible for this investment.

The company was established in 1993 and started by importing air filters from Germany. KS Klima-Service has more than 2,000 business customers in the Czech Republic, Slovakia and other European countries. Its main products include pocket and panel filters, HEPA and compact filters, reactivation of activated carbon and special filtration systems and their designs. For details, please visit: <http://www.ksklimaservice.cz/>

TROX is a global leader in the development, manufacture and sale of components, units and systems for the ventilation and air conditioning of rooms. With 28 subsidiary companies in 26 countries on 5 continents, 14 production facilities, and importers and representatives, TROX is present in over 70 countries. The TROX GROUP currently has nearly 4,000 employees and generates revenues of roughly EUR 500 million. For details, please visit: <https://www.trox.de/en>



Factory of air-conditioning equipment manufacturer KS Klima-Service in Píbram.