

# Queka Real Partners PEF 1



## Second Quarter 2022 Report

Issued in July 2022

## Table of contents

	<u>Page</u>
<b>1. Fund Data</b>	3
<b>2. Fund Executive Summary</b>	4-6
<b>3. Portfolio Report</b>	7-9
1. Portfolio Valuation	
2. Portfolio Key Data	
<b>4. Portfolio Companies</b>	
4.1 Lipotrue	11-13
4.2 MN Program	14-16
4.3 Juan Navarro	17-19
4.4 Madrid Hifi	20-22

## 1. Fund Data

<b>Fund Name</b>	Queka Real Partners PEF 1
<b>Fund Final size</b>	€151,281,250
<b>Fund Manager</b>	Quadriga Asset Managers, S.A., S.G.I.I.C.
<b>Fund Advisor</b>	Queka Real Partners, S.L.
<b>Website</b>	<a href="http://www.quekarp.es">www.quekarp.es</a> (new version just launched, you are welcome to visit it)
<b>First Closing</b>	October 23, 2018
<b>Final Closing</b>	October 31, 2020
<b>Vintage year</b>	2018
<b>Structure</b>	Two linked co-investment vehicles: Queka Real Partners PEF 1 S.C.A., SICAV-RAIF based in Luxembourg, and Queka Real Partners PEF 1 S.C.R, S.A. based in Spain
<b>Regulatory Bodies</b>	The Commission de Surveillance du Secteur Financier (CSSF) in Luxembourg and the Comisión Nacional del Mercado de Valores (CNMV) in Spain
<b>Investment Focus (Stage)</b>	Buy-Outs, Consolidation/Buy & Build, Expansion Capital, Replacement Capital
<b>Investment Focus (Geography)</b>	Spain and, opportunistically, Portugal
<b>End of Investment Period</b>	October 23, 2023
<b>Termination Date</b>	Ten years from first closing plus a maximum of two additional successive periods of one year each
<b>Management Fee</b>	2% p.a. (1% p.a. for first closers who paid a one-off 1% inception fee; 1.7% p.a. for investors with commitments of at least €20 million)
<b>Preferred Return</b>	8% IRR
<b>Carried Interest</b>	20% (15% for investors with commitments of at least €20 million)
<b>Transaction fees</b>	100% offset
<b>Clawback</b>	Yes
<b>Auditors</b>	KPMG Spain and Mazars Luxembourg
<b>Legal Advisors</b>	Cuatrecasas, Elvinger Hoss Prussen
<b>Bank</b>	Targo Bank, Banque Internationale à Luxembourg
<b>Depository and Transfer Agent</b>	Banque Internationale à Luxembourg, Zedra Fund Services, BNP Paribas

## 2. Fund Executive Summary

### Drawdown and distributions

As of June 30th, 2022, Queka Real Partners PEF 1 had called for €86.0 million, a 57% drawdown.

As of June 30th, 2022, Queka Real Partners PEF 1 has received €91.7 million proceeds from companies in the portfolio, mainly due to **Medac**<sup>(1)</sup> exit, thus a first distribution to investors was made on October 4<sup>th</sup>, 2021, amounting €91.6 million (1.2x DPI); current TVPI multiple – pre-carried interest - is 2.0x.

### Investments

Queka Real Partners PEF 1 has closed five investments since inception being **Medac**<sup>(1)</sup>, **LipoTrue**, **MN Program**, **Juan Navarro** and **Madrid Hifi**.

As of June 30th, 2022, the total investment amounted €74.2 million.

### Divestments

#### Full divestments

**Medac**<sup>(1)</sup>: Total proceeds of €91.7 million (6.1x money multiple and 87% IRR). The full sale of this investment was signed on August 25th, 2021 and closing took place on September 22<sup>nd</sup>, 2021. The company was sold at a €190 million enterprise value meaning a 29.0x exit EBITDA multiple.

The portfolio valuation as of June 30th, 2022, is included in this report.

### Management Fees, Other Fees and Expenses


As of June 30th, 2022, management fees amount €9.1 million (including €0.6m from the 1% subscription fee paid by first closers) and operating costs amount €1.9 million. The costs figure includes €0.5 million (including VAT) of inception costs, €0.8 million of expenses incurred in transaction monitoring, closing and abort costs, and finally on-going expenses amounting €0.8 million.

### Carried Interest and Clawback

As of today, the Fund has not paid any carried interest, being €10.2 million the accrued one as of June 30th, 2022.

### Fund Litigation

As of today, there are no legal proceedings or claims against the Fund.

<sup>(1)</sup> Queka has been awarded with  2022 Best Private Equity deal in Spain (Middle Market) for Medac.

## Valuation Principles

The Fund portfolio companies' valuations are produced quarterly following the International Private Equity and Venture Capital (IPEV) Reporting Guidelines. They are reviewed and approved by the Fund's Investment Committee, and reviewed, on an annual basis - as of year end - by the Fund's auditor.

This quarterly report includes the fair market valuation of the four companies (one sold company) in the portfolio as of June 30th, 2022. A separate Valuation Report is produced quarterly and is available to investors upon request.

## ESG

In accordance with Queka's ESG policies, the portfolio companies are required to complete an ESG compliance questionnaire at the time of investment and to disclose any changes of circumstances that may result in a material breach of the ESG principles.

We also request a completed quarterly questionnaire from all current portfolio companies and monitor their progress to ESG goals. All current portfolio companies have completed their ESG questionnaires for this and the findings are presented in the companies' summaries in section 4 of this report.

The Fund only divestment, Medac, has been sold to a Private Equity Impact Fund. Through the sale process, the portfolio company, and the Fund itself, underwent a thorough ESG due diligence process with satisfactory results.

## Advisory Committee

The Fund Advisory Committee was formed after the final closing and comprises seven of the most relevant investors in the Fund.

Its last meeting has taken place on June 30<sup>th</sup>, 2021.

## Investor Relations

Queka is committed to a detailed and regular investor communication, providing periodic portfolio updates to ensure transparency and strong dialogue with its Limited Partners.

## General News

We are pleased to inform that Queka has been awarded with SPAINCAP 2022 Best Private Equity deal in Spain (Middle Market) for Medac.

## 3. Portfolio Report

### 3.1 Portfolio Valuation

### 3.2 Portfolio Key Data

## Queka Real Partners PEF 1 – Key Performance Indicators

### Queka Real Partners PEF 1- Key Net Performance Indicators as of 30.06.2022

	million €
<b>Total committed QRP PEF 1</b>	<b>151.3</b>
<b>Commitment Target</b>	<b>125.0</b>
<b>Vintage year</b>	<b>2018</b>
<b>I.- Drawdown</b>	
<b>A.- Invested in companies</b>	<b>74.2</b>
Medac - initial: €15.5m less €0.4m received from coinvestment	15.1
Lipotruue - initial: €9.6m less €1.75m received from coinvestment plus €8.4m add-on investment	16.2
MN Program	11.0
Juan Navarro - initial: €18.2m less proceeds received from coinvestment: -€50k	18.1
Madrid Hi-fi	13.7
<b>B.- Fees and expenses</b>	<b>11.1</b>
Management fees (includes Inception fee)	9.1
Inception costs	0.5
Operational expenses (auditor, depositary, accounting, transfer agent, etc.)	0.8
Monitoring, abortion and closing costs	0.8
<b>C.- Less: reinvested or not distributed amounts (clauses 23.2 &amp; 25.2)</b>	<b>-0.1</b>
<b>D.- Cash drawn in advance to be applied to A.- or B.- above or to C.- on right hand side</b>	<b>0.9</b>
<b>Total drawdown (A+B-C+D)</b>	<b>86.0</b>
Invested / Committed capital	49%
Drawdown / Committed capital	57%
<b>DPI</b>	<b>1.1x</b>
<b>TVPI (pre-carried interest)</b>	<b>2.0x</b>
<b>Total Unrealised Value QRP PEF 1</b>	<b>78.1</b>
<b>Total Value QRP PEF 1</b>	<b>170.6</b>
<b>Total drawdown</b>	<b>86.0</b>
<b>Total distributed</b>	<b>91.6</b>
<b>Amounts available for further drawdowns (Commitment-drawdown+temporary distributions)</b>	<b>65.2</b>

<b>II.- Proceeds</b>	
<b>A.- Received from companies</b>	<b>91.7</b>
Medac	91.6
Lipotruue	0.0
MN Program	0.0
<b>B.- Reinvested or not distributed amounts (clauses 23.2 &amp; 25.2)</b>	<b>0.1</b>
<b>C.- Distributed</b>	<b>91.6</b>
<i>of which Temporary Distributions (clause 26)</i>	<i>0.0</i>
<b>D.- Available for distributions (A-B-C)</b>	<b>0.0</b>

<b>III.- Cash position of the Fund</b>	
Cash drawn in advance (I.- D)	0.9
<b>Total</b>	<b>0.9</b>

#### Notes

- Accrued carried interest as of June 2022 amounts €10.2 million

## 4. Portfolio Companies

### 4.1 LipoTrue

### 4.2 MN Program

### 4.3 Juan Navarro

### 4.4 Madrid Hifi



## 3.1 Portfolio Valuation as of June 30<sup>th</sup>, 2022

### PORTFOLIO VALUATION

(in €)

Company	% owned	% of Fund size	Date of Investment	Date of Divestment	Holding period (months)	Cost of Investment	Realized Value	Residual Value	Total Value	Money Multiple (x)	IRR (%)	Entry EBITDA Multiple	Current or Exit EBITDA Multiple	Exit route
<b>REALISED</b>														
Medac	52.7%	10.0%	Nov 2018	Aug 2021	33	15,114,194	91,770,664	0	91,770,664	6.1x	87%	8.9x	29.0x	Sold to a PE Impact Fund
Total Unrealised						15,114,194	91,770,664	0	91,770,664	6.1x	87%			
<b>UNREALISED</b>														
Lipotrue <sup>(1)</sup>	23.0%	10.7%	Oct 2019	n.a.	32	16,236,054	24,120	22,032,000	22,056,120	1.4x	22%	6.7x <sup>(2)</sup>	6.7x	n.a.
MN Program	20.0%	7.4%	April 2021	n.a.	14	11,047,182	42,867	24,303,800	24,346,667	2.2x	93%	13.2x	13.2x	n.a.
Juan Navarro <sup>(3)</sup>	73.7%	12.0%	November 2021	n.a.	7	18,112,420	0	18,112,420	18,112,420	1.0x	n.a.	9.2x	9.2x	n.a.
Madrid Hifi	80.0%	9.1%	November 2021	n.a.	7	13,692,787	0	13,692,787	13,692,787	1.0x	n.a.	9.6x	9.6x	n.a.
Total Unrealised						59,088,443	66,987	78,141,007	78,207,994	1.3x	32%			
<b>TOTAL QUEKA REAL PARTNERS PEF 1</b>						<b>74,202,637</b>	<b>91,837,651</b>	<b>78,141,007</b>	<b>169,978,658</b>	<b>2.3x</b>	<b>72%</b>			

<sup>(1)</sup> i) €3.5 million add-on investment in July 2020; ii) €1.75 million sold to a coinvestor in March 2021; iii) €8.4 million add-on investment in May 2022

<sup>(2)</sup> Considering €9m EBITDA Run Rate (estimated peak sales of current products portfolio)

<sup>(3)</sup> €50k sold to a coinvestor in February 2022

## 3.2 Portfolio Key Data as of June 30<sup>th</sup>, 2022

### PORTFOLIO KEY DATA

(in € thousand)

Company	Sector <sup>(1)</sup>	Address	SME / Non SME at entry <sup>(2)</sup>	Employment	Revenues	EBITDA	EBIT	Corporate Income Tax (CIT)	Intangible Assets	Total Assets	% Exports	Net Debt/EBITDA ratio
Lipotue	Biotech and healthcare - Biotechnology - Life sciences - 72.1 Research and experimental development on natural sciences and engineering	Spain	SME	37	8,942	3,033	2,158	(550)	3,511	9,954	79%	0.4x
MN Program	ICT - Software - Application software - 62.01 Computer programming activities	Spain	SME	135	9,252	4,055	3,729	(928)	5,327	7,142	0%	0.3x
Juan Navarro	Consumer goods and services - Consumer products manufacturing - 10 Manufacture of food products	Spain	SME	30	20,062	4,148	2,267	(534)	33,949	46,023	89%	3.1x
Madrid Hifi	Consumer goods and services - Consumer products retailing - 47 Retail trade	Spain	SME	46	25,278	2,833	2,773	(654)	19,789	29,163	3%	2.8x

<sup>(1)</sup> As per Invest Europe & NACE sectoral classification

<sup>(2)</sup> As per EU criteria

P&L figures are LTM ones

## 4.1 LipoTrue



(LipoTrue, S.L.)

<https://lipotrue.com/>



### Investment Summary

**Business:** Developer of Active Cosmetic Ingredients

**Sector:** Cosmetics

**Sourcing:** In-house

**Value Creation Theme:** International Growth

**Deal Type:** Controlled Minority

**QRP Team:** F. Elío, E. Martinavarro, N. Maraver and C. Álvarez

**Investment Date:** October 2019

**QRP Investment (Entry; add-ons):** €6.1m; €10.1m

**Ownership (including co-investor):** 25.7%

### The Company

LipoTrue was founded in 2015 with the mission to develop highly technological ingredients for leading cosmetics of the future.

The company has the following product lines: biotechnology (wild plants), peptides, marine ingredients, and botanical extracts, with a current portfolio of more than 30 unique products (either patented or unique formulations), seven of which are blockbusters with yearly sales above €0.5m. Lipotrue has a solid and recurrent customer base of 245 clients, including the most prestigious brands in the industry.

### Ownership post transaction



### Investment Thesis

- The company is led by the former management team of LipoTec, which was sold in 2012 to Lubrizol (Berkshire Hathaway) at an EV/EBITDA multiple of 19.8x for a total amount of €168m.
- Key roles for achieving the business plan were hired at the outset. Hence, LipoTrue will benefit from strong operating leverage throughout the business plan.
- €1.5b market growing >5% CAGR<sub>17-21</sub> per year even through economic downturns.
- 30 unique products and an additional 4-5 product launches per year (1-2 sector average), leveraging expertise, faster proprietary research process, and internal big data capability.
- Client diversification: blue chip ACI customers, cosmetics and luxury groups, and client lock-in: changing product formula is very complex and takes years.
- Growing industry in terms of valuation – average EV/EBITDA comparable companies above 21x.
- Terms: full control of the exit with drag-along rights and 8% preferred return.

### Sources & Uses

Sources	m€	Uses	m€
Equity	61.4	Purchase price	58.3
Queka Real Partners	9.6	Purchase price selling sharehol	6.5
Management Reinvestment	51.8	Remaining shareholders	51.8
		Post Aquisition cash	3.0
		Transaction costs	0.1
<b>Total sources</b>	<b>61.4</b>	<b>Total uses</b>	<b>61.4</b>

## Summary Trading

### Profit & Loss Account LipoTrue S.L. (\*)

'000	Dec 2021	June 2021 (Q2 FY21)	June 2022 (Q2 FY22)	y-o-y growth
<b>Revenues (*)</b>	<b>7,003</b>	<b>3,005</b>	<b>4,944</b>	<b>65%</b>
<b>Gross Profit</b>	<b>4,582</b>	<b>2,089</b>	<b>3,457</b>	<b>66%</b>
<i>Gross Margin</i>	<i>65%</i>	<i>69%</i>	<i>70%</i>	
<b>EBITDA (*)</b>	<b>1,683</b>	<b>456</b>	<b>1,807</b>	<b>296%</b>
<i>EBITDA Margin</i>	<i>24%</i>	<i>15%</i>	<i>37%</i>	
EBIT	883	56	1,331	2265%
<i>EBIT Margin</i>	<i>13%</i>	<i>2%</i>	<i>27%</i>	

Source: Management Information

### Balance Sheet LipoTrue S.L.

'000	Dec 31st 2021	June 30th 2022
Current Assets	3,955	4,702
(Current Liabilities)	(1,163)	(2,748)
Working Capital	2,791	1,954
Fixed Assets	5,718	5,252
Total Assets	9,673	9,954
Fixed Liabilities	11,258	9,132
Total Liabilities	12,421	11,880
Net Debt (Cash)	1,860	1,097
Equity	(2,749)	(1,926)

Source: Management Information

\*Note: The above financial statements do not include LipoTrue Inc. – American subsidiary for the commercialization of LipoTrue's active ingredients in the US, of which LipoTrue S.L. holds a 60%. **Consolidated figures for Q2 2022: €6.2m sales and €2.3m EBITDA.**

- LipoTrue S.L. closed Q2 2022, with sales of €4.9m, representing 65% y-o-y growth and an EBITDA of €1.8m (296% y-o-y growth)
  - Sales breakdown by geography: EMEA (56%), APAC (19%), USA (22%) and LATAM (2%).
  - Sales breakdown by product category: Marine Bio-Research (25%), Wild Plants (44%), Peptides (19%) and Generics (11%).
- LipoTrue continues improving gross margin by renegotiating supply agreements.
- Regarding EBITDA margin, reported 21 percentage points y-o-y increase due to operating leverage as expected upon entry when preparing the business plan.
- Regarding Capex, LipoTrue invested €0.6m in Q2 2022, 97% of which corresponds to R&D and the other 3% to IT and equipment.
- LipoTrue closed at 30 June 2022 with a financial debt of €2.1m and a cash position of €1m, resulting in a NFD of €1.1m, 0.4x NFD/EBITDA LTM.

## Company Developments & Investment

- In March 2022 Queka acquired an additional 10.2% in LipoTrue S.L. for €8.4m in the form of cash out to Jose María García (9.5%) and Raúl Jimenez (0.7%). Additionally, Queka was granted a call option to acquire, in the following 12 months, an additional 7.5% to Jose María García (5%) and Raul Jimenez (2.5%) for a ticket of 7.4m€.
- Given the high interest of one recently launched product, LipoTrue is in negotiations with certain clients to grant exclusivity under a minimum order level, which will allow the Company to make strategic agreements that guarantee recurring sales.
- During Q2 2022, the company attended various international fairs, such as the global In-Cosmetics fair held in Paris, where the company launched two products.
- The R&D team continues working on the development of new formulations. Currently there is a pipeline of 9 unique products under development of which two are expected to be launched in the second half of 2022.

## ESG Highlights

**Environmental:** A number of Lipotrue's active ingredients have already been approved by Cosmos (ECOCERT) one of the foremost certifying entities in the cosmetics industry. Lipotrue's actives have been vegan certified by The Vegan Society.

In 2021 BSB Innovation Award edition two active ingredients from Lipotrue have been awarded by the independent BSB Consulting Services Agency. In the category "Most Innovative Natural Raw Material Microbiome targeted", Aeonome has been awarded with the gold prize, whereas iPetide has been awarded with the bronze prize in the category "Most Innovative Raw Material for skin and eye appearance".

LipoTrue has received GMP certification (Good Manufacturing Practices) which ensures high quality standard.

**Social:** Women represent 51% of the total 37 employees (which represents a 37% increase since Queka Fund 1 entry). 99% of the employees have fixed contracts. Both the rate of absenteeism and occupational accidents are currently 0%.

LipoTrue has signed co-operation agreements with Gava and Viladecans city halls supporting Local Social Projects in order to assist & mentor teenagers in entrepreneurial projects.

LipoTrue also offers support to young students to develop a project and enter into the labour market and promotes tradership and job creation.

Up to 6% of the Company's shares are held by non-executive employees.

LipoTrue has been evaluated and awarded by EcoVadis with the 2021 Gold Medal after rating the company's sustainability management system and its corporate social responsibility policy. With this result Lipotrue is placed among the top 5 percent of evaluated worldwide companies assessed by Ecovadis Sustainability Rating with this recognition.

**Governmental:** LipoTrue has written policies concerning regulation compliance and ethical codes. The company has never faced any legal proceedings or claims against the business.

## Valuation

'000	Oct 19 Entry	Dec 19	Dec 20	Dec 21	June 22 Current
Investment cost	(6,108)	(6,108)	(9,623)	(7,873)	(16,236)
Realised value	-	-	-	-	-
Dividends	-	-	-	-	-
Interests	-	-	-	24	24
Loan repayment	-	-	-	-	-
Sale of shares	-	-	-	-	-
Unrealised FMV	6,108	6,108	9,623	12,240	22,032
Methodology	Cost	Cost	FMV	Third party transaction	Third party transaction
Multiple (*)	6.7x	6.7x	6.7x	6.7x	6.7x
<b>Total QRP PEF 1</b>	<b>6,108</b>	<b>6,108</b>	<b>9,623</b>	<b>12,264</b>	<b>22,056</b>
Realised Value / Cost	0.0x	0.0x	0.0x	0.0x	0.0x
Gross MoIC	1.0x	1.0x	1.0x	1.6x	1.4x
Gross IRR	N/A	N/A	N/A	23%	22%

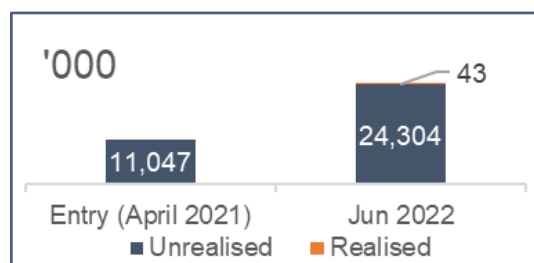
MoIC: (realized + unrealized FMV)/cost

(\*) Assuming run rate EBITDA of €9m considering the estimated peak sales of the current portfolio of products

## 4.2 MN Program **MN program**

(MN PROGRAM SOFTWARE S.L.)

[www.mnprogram.com](http://www.mnprogram.com)



### Investment Summary

**Business:** Multi-sector Management Software (SaaS)

**Sector:** Software

**Sourcing:** In-house

**Value Creation Theme:** Organic Growth

**Deal Type:** Controlling minority with 2.2x MOIC preferred return

**QRP Team:** F. Elío, N. Maraver, I. Resusta and P. Lázaro

**Investment Date:**

April 2021

**QRP Investment (Entry):**

€11.0m

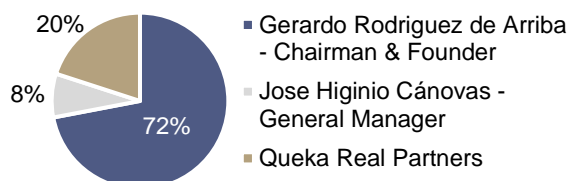
**Ownership:**

20%

### The Company

MN Program, headquartered in La Coruña, with 140 employees, is the leading management SaaS (Software as a Service) provider in the Spanish legal and healthcare SME market with over 8.3k clients.

### Ownership post-transaction



### Investment Thesis

- Strong management team and very robust sales force able to untap and develop new markets
- Diversified and broad customer base: more than 8.3k clients in the SME segment (≈10 employees or less, €10m revenue) with a market share in the legal and healthcare verticals of 18% and 6%, respectively
- Company growth driven by the following tailwinds: i) SME management: SaaS market is expected to grow 14% CAGR 22-26E; ii) low customer sensitivity to price increase due to the company's ability to launch new functionalities and the high stickiness of MN's software; iii) option to develop and grow new customer verticals: architects, engineers, advisory offices and education
- High barriers to entry due to the Company's unique product portfolio covering all SME customer needs (e.g.: case and project management, CRM, budgets, reservation, accounting, billing, taxes, electronic signature)
- The Company has a track record of steady historical growth (10% CAGR 18-21), high profitability (approx. 30% EBITDA margin), strong cash conversion, and low customer attrition rates
- Downside protection: 2.2x MOIC preferred return shares

### Sources & Uses

Sources	m€	Uses	m€
Existing debt	0.9	Purchase price	52.5
Management rollover	41.3		
Queka Ticket	11.1		
Queka Equity	10.3		
Transaction costs	0.9	Transaction costs	0.9
<b>Total Sources</b>	<b>53.4</b>	<b>Total Uses</b>	<b>53.4</b>

## Summary Trading

### Profit & Loss Account MN Program

'000	Dec 2021	Jun 2021 (Q2 YTD21)	Jun 2022 (Q2 YTD22)	YoY growth (%)
<b>ARR<sup>(1)</sup></b>	<b>8,086</b>	<b>7,166</b>	<b>9,252</b>	<b>29%</b>
Revenue	7,672	4,008	3,576	(11%)
Personnel costs	(3,660)	(1,705)	(2,085)	22%
OPEX	(1,045)	(583)	(514)	(12%)
<b>EBITDA<sup>ARR</sup></b>	<b>3,381</b>	<b>2,591</b>	<b>4,055</b>	<b>56%</b>
% over sales	42%	36%	44%	
EBITDA <sup>PF<sup>(2)</sup></sup>	2,968	1,720	977	(43%)
% over sales	39%	43%	27%	
EBIT	2,263	1,326	651	(51%)
% over sales	29%	33%	18%	

Source: Management Information

1) Note: ARR = Annual Recurring Revenue

2) Note: Pro-Forma EBITDA excluding non recurring/going-forward costs

### Balance Sheet MN Program

'000	Dec 31st 2021	Jun 30th 2022
Accounts receivables	972	668
(Accounts payable)	(1,478)	(919)
Working Capital	(506)	(251)
Fixed Assets	5,917	6,047
Total Assets	7,074	7,142
Fixed Liabilities	-	-
Payable dividends	-	1,286
Total Liabilities	2,416	3,498
Net Debt (Cash)	753	866
Equity	4,658	3,644

Source: Management Information

- MN ended Q2 YTD22 with 8.6k customers, representing 10% y-o-y growth (vs. 7.9k customers in Q2 YTD21).
- In June 2022, Annual Recurring Revenue increased 29% y-o-y growth to €9.2m (vs. €7.2m in June 2021), due to price increase, onboarding of new clients and low attrition rates.
- Accounting revenue dropped by 11% in Q2 YTD22 vs. Q2 YTD21 due to changes in the invoicing and collection model, namely, the transition from a single annual invoice to customers at the beginning of 2021, to a subscription and monthly fee business model in 2022, which results in a one-off revenue loss during 2022, but creates a more valuable business model.
- Q2 YTD21 personnel expense increase of €380k (22% y-o-y growth) is related to the reinforcement of the sales and support teams to accelerate growth. Regardless of this cost increase, EBITDA<sup>ARR</sup> Margin Q2 YTD22 was 44% (8% y-o-y growth).
- On June 30th 2022 MN Net Financial Debt was €0.9m (debt position of €1.3m and cash position of €0.4m).
- The Company approved the proposed dividend of €1.7 million for the financial year 2021, payable in cash from May 2022 to December 2022.

## Company Developments & Investment

- During the second quarter MN continued to achieve its monthly growth targets in terms of number of customers and average price increases while also improving customer churn.
- MN completed the expansion of its product portfolio with the development of new verticals and new product features. Customer product usage increase will remain critical in the coming months.
- The Company completed the rebranding strategy to update its corporate identity and enhance its digital communication as well as finishing the refurbishment of Coruña's offices to increase the workspace in order to accommodate the full headcount.

## ESG Highlights

**Environmental:** Given the type of business run by the company (SaaS) there are extremely low environmental risks in its daily development.

**Social:** Since Queka Fund entry, Full Time Employees (FTE) have increased from 105 to 130 which represents a 24% growth. Women represent approximately 95% of total employees, moreover, women represent 80% of top management positions which is quite remarkable.

Both, absenteeism and occupational accidents rates, are very low.

Equality plan implementation in progress.

**Governmental:** MN Program has written policies concerning regulation compliance and ethical codes. The company has never faced any legal proceedings or claims against the business.


## Valuation

'000	Apr 21 Entry	Dec 21	Jun 22 Current
Investment cost	(11,047)	(11,047)	(11,047)
Realised value	-	-	43
<i>Dividends</i>	-	-	43
<i>Interests</i>	-	-	-
<i>Loan repayment</i>	-	-	-
<i>Sale of shares</i>	-	-	-
Unrealised FMV	11,047	11,120	24,304
<i>Methodology</i>	<i>Cost</i>	<i>Cost</i>	<i>2.2x MoM downside protection</i>
<b>Total QRP PEF 1</b>	<b>11,047</b>	<b>11,120</b>	<b>24,347</b>
Realised Value / Cost	0.0x	0.0x	0.0x
Gross MoIC	1.0x	1.0x	2.2x
Gross IRR	N/A	N/A	93%

MoIC: (realized + unrealized FMV)/cost



## 4.3 Juan Navarro

"A world of natural  
colour, aroma and flavour"  


(JUAN NAVARRO GARCÍA S.A.U.)

[www.juannavarro.com](http://www.juannavarro.com)



### Investment Summary

<b>Business:</b> Producer of paprika, oleoresins and other spices	<b>Investment Date:</b>	November 2021
<b>Sector:</b> Food ingredients	<b>QRP Investment (Entry):</b>	€18.1m
<b>Sourcing:</b> In-house	<b>Financial Leverage:</b>	€12m
<b>Value Creation Theme:</b> Organic Growth	<b>Ownership:</b>	74%
<b>Deal Type:</b> Leveraged Management Buyout		
<b>QRP Team:</b> F. Elío, E. Martinavarro, S. Martí, C. Álvarez-Novoa and P. Lázaro		

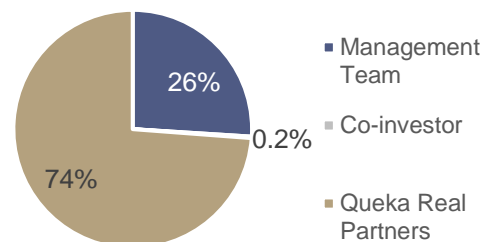
### The Company

JNG, founded in 1865 in Murcia, is a successful capsicum processor specialising in the production and distribution of paprika powder, cayenne and oleoresin.

The Company has a broad international blue chip client-base, mainly composed of top European fragrance and flavour multinationals.

JNG is a sixth generation company with an excellent management team, an outstanding reputation, and a product portfolio highly valued by its clients with relationships spanning decades.

### Ownership post transaction



### Investment Thesis

- \$600m addressable market with expected growth of 4% CAGR 20-25, driven by solid fundamentals such as ongoing advancement towards the food industry, investment in natural ingredients and clean labels, and a consumer trend favouring convenience and ethnic foods.
- Relevant presence with top clients, but with room to gain share of wallet. Ability to serve clients globally with efficient service. High barriers to exit for customers given the end-product quality risk that changing capsicum suppliers entails for them.
- Stable margins since the Company is able to pass on raw material price increases to clients.
- High and predictable profitability and cash generation (above competition).

### Sources & Uses

Sources	m€	Uses	m€
Queka Investment	18.2	Purchase price selling shareholder	29.5
Reinvestment Management	6.5	Reinvestment Management	6.5
Total Equity	24.6	Opening banking fee	0.0
New Transaction Debt	12	Transaction expenses	0.2
Existing non-refinanced debt	0.1	Existing non-refinanced debt	0.5
Cash at closing	0.8	Cash at opening	0.1
<b>Total sources</b>	<b>37.5</b>	<b>Total uses</b>	<b>37.5</b>

## Summary Trading

### Profit & Loss Account Juan Navarro

'000	Dec 2021	Jun 2021 (Q2 FY21)	Jun 2022 (Q2 FY22)	YoY Growth
<b>Revenues</b>	<b>17,474</b>	<b>8,615</b>	<b>11,204</b>	<b>30%</b>
<b>Gross Profit</b>	<b>6,859</b>	<b>3,594</b>	<b>4,398</b>	<b>22%</b>
<i>% over sales</i>	<i>39%</i>	<i>42%</i>	<i>39%</i>	
<b>EBITDA<sup>PF</sup></b>	<b>3,950</b>	<b>2,328</b>	<b>2,527</b>	<b>9%</b>
<i>% over sales</i>	<i>23%</i>	<i>27%</i>	<i>23%</i>	
<b>EBITDA</b>	<b>3,699</b>	<b>2,206</b>	<b>2,353</b>	<b>7%</b>
<i>% over sales</i>	<i>21%</i>	<i>26%</i>	<i>21%</i>	
<b>EBIT</b>	<b>2,119</b>	<b>2,199</b>	<b>2,347</b>	<b>7%</b>
<i>% over sales</i>	<i>12%</i>	<i>26%</i>	<i>21%</i>	

Source: Management Information

### Balance Sheet Juan Navarro (\*)

'000	Dec 31st 2021	Jun 30th 2022
Current Assets	8,399	11,649
(Current Liabilities)	(4,599)	(6,454)
Working Capital	3,800	5,196
Fixed Assets	33,798	34,374
Total Assets	42,197	46,023
Fixed Liabilities	10,921	10,907
Total Liabilities	15,520	17,361
Net Financial Debt	12,433	12,648
Equity	26,677	28,662

Source: Management Information

\*Note: Consolidated figures for PEF 1 JNG Holding SL and Juan Navarro García SAU

\*\*Proforma calculated excluding sellers' remuneration and adjusting recurrent costs

- Q2 2022 has been impacted by the difficult macroeconomic environment caused by the Ukrainian war and the persisting COVID-19 restrictions in Asia.
- Despite the above, JNG's managed to increase sales by 30% y-o-y growth driven by 16.4% increase in price and 13.6% increase in tonnes sold of both paprika and oleoresin.
- JNG's Gross Profit and EBITDA margins remain at last year's levels since the company has managed to pass on raw material price increases to clients.
- Management's anticipation of working capital needs has kept the inventory level steadily high impacting reported current assets and debt levels. In order to secure supply given the economic uncertainty, most 2022 purchases have been done and thus JNG is expected to considerably increase cash generation during the 2<sup>nd</sup> half of 2022.
- JNG closed at 30 June 2022 with a financial debt of €13.3m and a cash position of €0.7m, resulting in a NFD of €12.6m, 3.1x NFD/EBITDA LTM.

## Company Developments & Investment

- The new reporting system to extract analytical information developed by PwC is already installed to help JNG's strategic management and decision-making.
- Following a recruiting process carried out by Queka and the management team, a new CFO has been selected and is expected to join JNG in September.
- JNG continues capturing new clients and expanding its international network with focus in the USA, where the Company has recently held business conversations with local distributors to establish new commercial partnerships.
- Additionally, Queka continues assisting the management team in analysing potential add-ons in Spain and the USA.

## ESG Highlights

- Environmental:** One of the main drivers of Juan Navarro is the traceability of the entire production process – from the origin of the raw material – complying with all the legal requirements applicable within its activities.
- The main environmental risks for this company are the management and access to key resources such as water supply.
- The company is monitored by EcoVadis, a Business Sustainability Rating Issuer.
- Social:** Since our entry in the company, JNG employees increased from 22 to 30, representing a 36% increase. Absenteeism and occupational accident rates are zero.
- The company is member of Sedex, one of the world’s leading ethical trade membership organization that works with businesses to improve working conditions in global supply chains, with 65,000+ members and presence in 180+ countries.
- Governmental:** The company has never faced any legal proceedings or claims against the business.

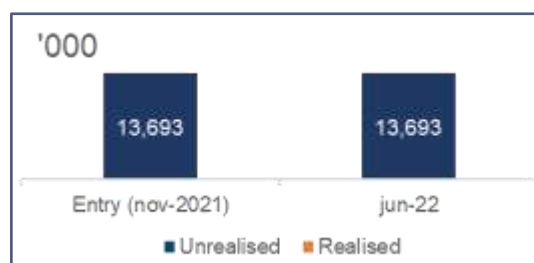
## Valuation

'000	Nov 21 Entry	Dec 21	Jun 22 Current
Investment cost (1)	18,112	18,112	18,112
Realised value	-	-	-
<i>Dividends</i>	-	-	-
<i>Interests</i>	-	-	-
<i>Loan repayment</i>	-	-	-
<i>Sale of shares</i>	-	-	-
Unrealised FMV	(18,112)	(18,112)	(18,112)
<i>Methodology</i>	<i>Cost</i>	<i>Cost</i>	<i>Cost</i>
<b>Total QRP PEF 1</b>	<b>(18,112)</b>	<b>(18,162)</b>	<b>(18,112)</b>
Realised Value / Cost	0.0x	0.0x	0.0x
Gross MoIC	1.0x	1.0x	1.0x
Gross IRR	N/A	N/A	N/A

MoIC: (realized + unrealized FMV)/cost

## 4.4 Madrid Hifi

(Digital Audimagen BQ S.L.)  
<https://www.madridhifi.com/>



### Investment Summary

**Business:** e-Commerce focused on the sale of musical instruments and consumer electronics

**Sector:** E-commerce

**Sourcing:** M&A

**Value Creation Theme:** National and International Growth

**Deal Type:** Leveraged Management Buyout

**QRP Role:** Lead

**QRP Team:** S. Martí, C. Álvarez, J. Ramos, P. Gandarias and I. Resusta

**Investment Date:** November 2021

**QRP Investment (Entry; add-ons):** €13.7m

**Financial Leverage:** €9.0m

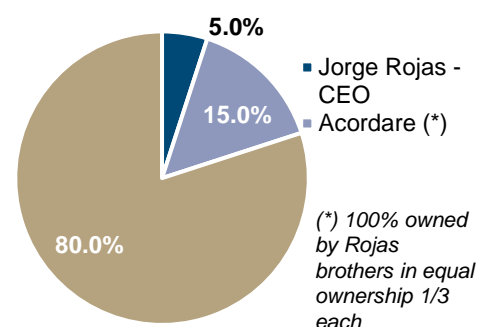
**Ownership:** 80%

### The Company

MadridHifi is a leading Spanish vertical e-commerce company focused on the sale of sound equipment, musical instruments, and accessories. Headquartered in Madrid, most of its sales come from Spain, both through their physical store and through their different online channels, such as their own website and different marketplaces (e.g. Amazon / eBay). Online sales accounted for roughly 85% of total revenues in 2021.

The Company's product portfolio can be divided into five subgroups: sound (46% of sales), instruments (27%), music production (17%), lighting (3%), and other (9%).

### Ownership post-transaction



### Investment Thesis

- MadridHifi is well positioned to benefit from favourable market trends (increasing online penetration and growth of value-added segments of the market), while its hybrid retail model fits best across all client profiles.
- Experienced and aligned management team, highly motivated to move the company into the next level.
- Significant room for growth as the company expands its catalogue of new and existing brands and increases its portfolio of proprietary brands.
- Relevant initiatives will boost the company's business plan including: i) developing a new B2B business line; ii) opening an additional experience store in Spain; and iii) online and physical expansion into another European country.
- Cash generative business model with limited capex requirements and favourable working capital.

### Sources & Uses

Sources		Uses	
Queka	13,676	Price paid	25,500
Investment CEO	855	Pre-transaction dividend	3,000
Reinvestment shareholders	2,564		
<b>Total equity</b>	<b>17,096</b>		
New Debt	9,000	Transaction expenses	596
Existing debt not refinanced	187	Existing debt not refinanced	187
Cash at closing	4,780	Cash at opening	1,780
<b>Sources</b>	<b>31,063</b>	<b>Uses</b>	<b>31,063</b>

## Summary Trading

### Profit & Loss Account Madrid Hifi

'000	Dec 2021	June 2021 (H1 FY21)	June 2022 (H1 FY22)	y-o-y growth	2022E
<b>Revenues</b>	<b>24,070</b>	<b>11,186</b>	<b>12,394</b>	<b>11%</b>	<b>29,908</b>
<b>Gross Profit</b>	<b>6,071</b>	<b>2,898</b>	<b>3,157</b>	<b>9%</b>	<b>7,770</b>
<i>Gross Margin</i>	<i>25,22%</i>	<i>25,91%</i>	<i>25,47%</i>		<i>25,98%</i>
<b>EBITDA</b>	<b>2,650</b>	<b>1,302</b>	<b>1,061</b>	<b>(19%)</b>	<b>3,057</b>
<i>EBITDA Margin</i>	<i>11,01%</i>	<i>11,64%</i>	<i>8,56%</i>		<i>10,22%</i>
<b>EBIT</b>	<b>2,582</b>	<b>1,272</b>	<b>1,031</b>	<b>-19%</b>	<b>2,997</b>
<i>EBIT Margin</i>	<i>10,73%</i>	<i>11,37%</i>	<i>8,32%</i>		<i>10,02%</i>

Source: Management Information

### Balance Sheet Madrid Hifi

'000	Dec 31st 2021A	June 30th 2022A
Current Assets	8,919	9,037
(Current Liabilities)	(4,706)	(4,928)
Working Capital	4,213	4,109
Fixed Assets	20,409	20,126
Total Assets	29,327	29,163
Fixed Liabilities	8,190	7,560
Total Liabilities	12,896	12,488
Net Debt (Cash)	8,042	7,983
Equity	16,432	16,675

Source: Management Information

- MadridHifi closed H1 FY22 with sales of €12.4m, representing 10.8% y-o-y growth. Sales have grown mainly as a result of (i) the increase in sales of the B2B segment where the company has been focusing over the previous months and that has recovered strongly from previous year; and (ii) the continuous professionalization of the sales and marketing departments resulting in better client conversion and retention metrics.
- The growth of the company contrasts with the general decrease in sales of the sector that has suffered from raising prices, reduced consumer spending and supply chain disruptions.
- Gross margin as a percentage of sales remained stable during H1 FY22 supported by the increase in sales of own brands that already represent 15% of sales that has been offset by the temporary reduction in margins of third party brands as the increase in supplier prices are gradually passed on to consumers.
- Madrid Hifi closed H1 FY22 with an EBITDA of €1.1m, below H1 FY21 EBITDA but in line with the company's budget. Reduction in EBITDA is a result of the increase in fixed costs which are supporting the numerous initiatives that will boost growth over the coming months.
- MadridHifi closed at 30 June with net financial debt of €8.0m. The debt consists mainly of the €9m in bank financing from CaixaBank at 2.25% payable interest rate, 6-year maturity, 27% bullet obtained during the acquisition.

## Company Developments & Investment

- We are continuing to implement the different initiatives in the growth plan that we aligned with the management team. By hiring new management team members, the company is accelerating its implementation and is starting to see results. The main levers under development include:
  - The company has created a new B2B-oriented business line. To ensure a distinctive proposal, the company is enriching its product catalogue, adapting its website for professional users, and reorganising its operations to allow for financing and other services valued by professional clients. With an initial team of 3 people, the company is already increasing sales from existing clients and adding value to its professional client base.
  - The company has secured the rental of a new facility for its showroom and warehouse. With more than 10,000 sqm, the new facility will allow the company to increase its product portfolio, enter into new categories (such as drums or classical instruments), enhance the in-store customer experience and reduce warehousing costs with third-party logistics partners. The relocation will take place in Q1 2023.
  - With the help of the new e-commerce manager, the company is currently implementing a number of marketing initiatives, as well as segmenting and adding value to its customer database to increase client recurrence and reduce client acquisition costs. The company has also started selling its own brands through Amazon Vendor.
- In the IT front the company is about to change its ERP to Sage X3 and is expected to change the e-commerce platform to Magento, which will support a multi-brand and multilanguage strategy, key for the internationalization of the company.

## ESG Highlights

**Environmental:** The main environmental risks for this company are supply chains and customer demands and is currently working on how to manage both risks (i.e. reducing the CO<sub>2</sub> impact of its logistics)

**Social:** Since December 2020, Madrid Hifi employees have increased from 32 to 46, representing a 44% increase, being 100% of them full time employees. While women represent only 17% of total employees, women represent 50% of top management positions. Absenteeism rate is extremely low.

**Governmental:** The company has never faced any legal proceedings or claims against the business.

## Valuation

'000	Nov 2021 Entry	Dec 2021	Jun 2022 Current
Investment cost	(13,693)	(13,693)	(13,693)
Realised value	-	-	-
<i>Dividends</i>	-	-	-
<i>Interests</i>	-	-	-
<i>Loan repayment</i>	-	-	-
<i>Sale of shares</i>	-	-	-
Unrealised FMV	13,693	13,693	13,693
<i>Methodology</i>	<i>Cost</i>	<i>Cost</i>	<i>Cost</i>
<i>Multiple</i>	9.6x	9.6x	9.6x
<b>Total QRP PEF 1</b>	<b>13,693</b>	<b>13,693</b>	<b>13,693</b>
Realised Value / Cost	0.0x	0.0x	0.0x
Gross MoIC	1,0x	1,0x	1,0x
Gross IRR	N/A	N/A	N/A

MoIC: (realized + unrealized FMV)/cost