

The Investor: Value4Capital



Fund Manager: Value4Capital

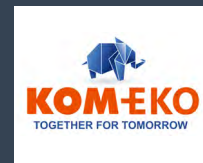
Fund Name: V4C Poland Plus Fund

Fund Size: EUR91 million

Total AUM: USD110 million

Value4Capital (V4C) is a private equity firm investing in mid-market companies across Central Europe. V4C targets growth and buyout opportunities in service-oriented businesses with a key focus on Poland, and selectively backs businesses in other EU member states in Central Europe. The firm invests between EUR10 million and EUR25million in equity per transaction. V4C has been owned by its partners since the firm gained its independence in 2011 from a global asset manager.

The Company: Kom-Eko S.A.



Company: Kom-Eko S.A.

Website: www.kom-eko.pl

Industry / Sector: Waste management

Location: Poland

Established in 1994, Kom-Eko is an integrated waste management company focused on municipal and commercial waste collection in Eastern Poland. The company, which employs approximately 460 full-time employees, owns a landfill and also manages several sorting and processing centers with an emphasis on recycling. As of September 2020, Kom-Eko provides services to over 55% of Lublin's inhabitants and has recently begun processing waste from the city of Warsaw.



Date of Investment:
October 2018

Amount:
EUR17.5 million

Participation / Stake:
100%

Opportunity

In 2018, Central Europe-focused alternative investment fund manager Royalton Partners exited its investment in waste management company Kom-Eko through an auction process. Value4Capital (V4C), which had just raised its latest fund focusing on Polish service businesses, entered the competitive bidding process. Kom-Eko was a regional market leader with a recurring revenue stream anchored by contracts with local municipalities. Because the company had previously been under private equity ownership, Kom-Eko had a well-established governance framework, consistent operations, detailed reporting, and a history of regulatory compliance.

V4C won the auction, edging out a number of bidders, including several international parties. The private equity firm purchased the business in October 2018, bringing in a number of co-investors as well, including the European Investment Fund and Alpha Associates. From the outset, V4C has worked closely with Kom-Eko to expand its waste processing capacity while simultaneously increasing the percentage of recycled material in its waste stream in line with the European Commission's goal that at least 50% of all plastic packaging waste must

be recycled by 2025, and 55% by 2030.



Execution

Kom-Eko is an integrated business—the company manages all aspects of the waste cycle from collection, sorting, and processing to recycling and disposal. V4C drives the company's growth strategy by searching for and, if necessary, funding complementary consolidation opportunities across Eastern Poland in each of these areas. For example, in July 2020, V4C supported Kom-Eko's acquisition of a majority of shares in Lubelska Agencja Ochrony Środowiska, which was offering similar services to industrial clients that Kom-Eko was providing to businesses and individuals. While V4C believes that consolidation opportunities are likely to rise over time as increased regulation and enforcement weaken some of the industry's smaller players, it is ensuring that high environmental and governance standards, including compliance with permitting and laws, are leading Kom-Eko's acquisition strategy.

While Kom-Eko is not solely focused on recycling, all of the company's activities aim to underpin the environmental objective of creating a circular economy in which the majority of waste is recycled and the residual is disposed of in a sustainable manner. Over time, the company has been able to effectively reduce the total amount of waste ending up in a landfill—in 2019 176,000 tonnes of solid waste was collected and 81% was recovered, as compared to 2011, when 70,530 tonnes was collected and 66% recovered. An even higher percentage of the materials collected by the company is expected to be recovered in the near future as Kom-Eko is slated to open a new EUR5.4 million recycling center in 2021 with V4C's strategic support.

The new facility, which will be housed in an industrial hall spanning 10,000 square meters, will not only enhance the recovery of

recycled material but also reduce the costs associated with disposing of non-recyclable waste. The recycling center will more efficiently process separated paper, plastic, and metal and perform the necessary sorting and triage of those streams to create a high-quality separated waste stream known as refuse derived fuel (RDF). One of the main costs in the waste management industry is the disposal of waste, and Kom-Eko's total expenses will reduce as RDF is of higher value to an end user, such as an incinerator or cement plant. The recycling center will process an estimated 38,000 tonnes of material per year, with roughly 50% being directly recycled and the other 50% being processed into RDF—none of the waste will end up in a landfill.

“It is easy to believe that everyone knows how important it is to recycle in order to take care of our planet but that's simply not the case—especially if you go to some of the smaller towns, for example, in southeast Poland. As a commercial business, we are doing our best to educate the community in partnership with cities, as it's the only way we will collectively meet the European Union's recycling targets.

– Marcin W. Benbenek
CEO, Kom-Eko

Outlook

In partnership with V4C, Kom-Eko has grown considerably in the last two years—revenues are forecast to reach over USD31.3 million in 2020, up from USD22.4 million in 2018, while EBITDA margins are expected to improve from 24% to 28% over the same time period. Looking forward, V4C's priorities include working closely with Kom-Eko to broaden its cleaning and sanitation services within Lublin and neighboring cities. The V4C and Kom-Eko teams are also evaluating ways to expand the

company's waste-to-energy program, thus going farther into downstream integration and providing a more secure offtake for recycled materials. The company has several projects in its pipeline valued at approximately EUR80 million. Perhaps most importantly, V4C will continue to help Kom-Eko position itself as a responsible operator in the industry, securing its reputation as a reliable partner for government, industrial clients, and residents.

Spotlight: Educating a Community on Recycling

As the largest collection and waste processing company for the city of Lublin and surrounding areas, Kom-Eko has a responsibility to promote environmental education in waste generation and management. Under the slogan “together for tomorrow,” the company is actively encouraging recycling in the local community, with efforts that include publicity campaigns, a monthly magazine, and the recent launch of a dedicated application (www.ekoapp.pl). This app, which can be downloaded to a mobile phone for free, teaches people how to properly sort waste to increase recycling from higher quality waste streams.

Kom-Eko regularly hosts groups of residents, especially students, at its plants and Education Center where people can learn about best practices in waste management—however, it is making adjustments to its strategy in light of the COVID-19 pandemic. For instance, participating in the most recent annual Clean Up the World campaign in September 2020, which aims to combat waste and plastic pollution globally via local projects, Kom-Eko utilized virtual meetings with students of the Special School Complex at the University Children's Hospital in Lublin to teach them about rational waste management, waste segregation principles, and waste processing methods.