

MCULE.COM KFT.

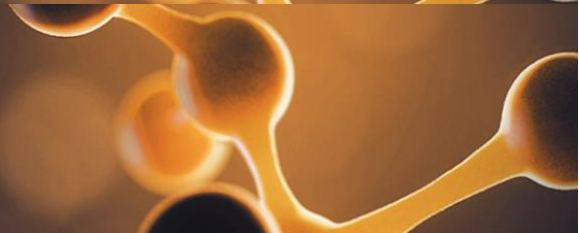
# FINANCIAL REPORT

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## SUMMARY

This report presents the performance of Mcule.com Kft. in the financial year as of December 31, 2019. The simplified financial income is stated on a consolidated basis in accordance with the Hungarian Accounting Act, which incorporates the Hungarian Accounting Standards.

This report also presents the financial information about the company's earnings and financial ratios, which do not derive directly from the financial statements and operational data. The objective of this analysis is to reconstruct the historic financial statements in order to reveal the true economic potential and earning power of the subject business. All the financial values incorporated in this report are in Hungarian Forints (HUF).

## ABOUT MCULE.COM

Mcule.com is a privately-owned international trading and distribution company, which represents itself as an online drug discovery platform. It offers a unique solution for pharma and biotech companies by providing purchasable compound database and molecular modelling tools. The basic function of the company is to source, market, and distribute chemical compounds from both the domestic and overseas markets [1].

The company was initially incorporated in Hungary in 2011 as a small start-up firm. The Current Board of Directors and Management team have many years of experience in the fields of drug discovery, focusing on molecular modelling, cheminformatics, and design of molecule databases. Mcule.com Inc is registered in the United States of America and is considered as a separate legal entity in this report. Mcule.com operational activities were moderate before 2017, thus the main focus of this report was on the last 4 years of operation [1].

## PRODUCTS

Mcule.com is a supplier of research chemicals to pharmaceutical companies, universities, biotech companies, healthcare industries, contract research organizations, and so on. The main source of revenue is the company's arbitrage activities on chemical compounds trading.

However, one of the company's main product is the ULTIMATE database. They have introduced the idea of a super-sized chemical library of 500 million compounds. Basically, it is a modeling tool that assists to predict a certain structure of the chemical compound that is synthesizable but not yet synthesized [2].

## BUISINESS PERFORMANCE

Financial Statement Reconstruction and Forecasts Accurate estimation of business value depends upon the subject of business financial performance. While historical financials are important, business value relies upon the ability of the business to continue producing desired economic benefits for its owners. To determine the business value accurately, the

company's historic financial statements such as Income Statements and Balance Sheets were analysed as well as the company's Cash Flow Statement was constructed.

## PEER ANALYSIS

To make more accurate company valuation, the performance of the peer group was analyzed. Usually, short-line wholesale companies are the private companies and there are exceptionally few cases when such companies go public. Thus, the peer group members' selection is made based on the matter of products/services a company provides. These companies primarily focus on chemical compounds/drug distribution and the development of computing platforms with an enormous database. The list consists of 2 privately held small companies which can be considered as the company's main competitors: SIA MolPort (Latvia), SIA ChemSpace (Latvia).

## FREE CASH FLOW

To establish the efficiency of the business for the cash produced, Free Cash Flow (FCF) to the firm was calculated. FCF is a crucial measurement because it informs what amount of cash a company has left after spending for all business expenses yet prior to any type of payments to either financial debt or equity holders. FCF is "cleaner" than profits since it gauges real cash and also is less sensitive to different accounting adjustments that can be misleading. Based on the FCF values, Net Cumulative financing Need, likewise known as "J-curve", was constructed (graph 10). It represents the propensity of private equity funds to post unfavourable returns in the initial years and afterwards post raising returns in later years when the investments grow up. Therefore, Mcule.com shows the exact same tendency fundamental to private firms.

## FREE CASH FLOW PROJECTION

FCFF forecast was created for the following 2 years: 2020 and 2021. The 2020 growth rate was recorded based on founders' input, as a function of the intended strategy to guarantee numbers properly mirror their strategy as well as activities.

The next year's growth rate was stemmed from 3Y avg. historical rates (Reinvestment Rate and Return on Capital) of the firm.

## COMPANY VALUATION

Basically, the value of a company is based upon its ability to produce cash flows as well as the uncertainty related to these cash flows. Extra particularly, the value of a company is the present value of expected cash flows created by it, discounted back at a composite cost of capital that shows both the resources and costs of financing used by it. This general statement uses whatever type of firm we check out, however the convenience with which cash flows and discount rates can be approximated differs commonly throughout firms.

Usually the problems related to the assessment of private companies is worsened because these are firms in markets where there are either no comparable companies, or the



comparable companies go to the very same stage in the life process as the company being valued. A lot of the methodologies made use of in finance to value firms are based upon an economical market environment. Given that the firm is private when the valuation happens, there is no such information as the CAPM needed. Thus, the Numerous of discretionary earnings method was picked in order to identify the firm value.

## MULTIPLE OF DISCRETIONARY EARNINGS METHOD

The Multiple of Discretionary Earnings technique is a variant of the direct capitalization techniques under the Income Strategy. Essentially, this technique develops the business value as a multiple of its profits adjusted for the net working capital, non- operating assets, if any type of; as well as long-term obligations [3].

## EARNINGS BASIS CALCULATION

To determine the business value using this method, the Seller's Discretionary Cash Flow (SDCF) was used as the essential measure of the business earning power. The SDCF was approximated as a weighted average of historic values gotten from the company's income statement [3].

According to with the premise of an asset business sale, company valuation result is not changed by the value of business long-term obligations. These obligations are presumed to be repaid by the seller prior to closing [3].

## BUSINESS VALUATION FACTOR

This SDCF measure is then multiplied by a necessary multiplier. The multiplier is acquired from the founders' estimate of business performance throughout 14 financial and also functional aspects. Assigned numerical value per factor is shown below in the table X:

Factor values in the 0.1 - 1.0 range show organisation efficiency is lower than average of sector standards. Values in the 1.5 - 2.5 range show ordinary service performance. Factor values in the 3.0 - 44.0 range represent above ordinary to outstanding performance [3].

Thus, based on the Multiple of Discretionary Earnings technique with all the essential inputs including the incomes multiplier of XX the business value outcome of XX was estimated.

## REFERENCE

1. Mcule.com official website, company profile <https://mcule.com>
2. Mcule.com. (2017, April 27). Ultimate Database Project. Retrieved from <http://blog.mcule.com/2017/04/ultimate-database-project.html>
3. ValuAdder.com. (2020). Business valuation Approaches and Methods. Retrieved from <https://www.valuadder.com/glossary/business-valuation-approaches.html>