

We invest in winners. That means we invest in strong companies that create value for their shareholders with sustainable business models, solid balance sheets and high margins. We keep the risks low and invest when our position is fuelled by a positive event. We refer to that as the combination of value and event.

Kabel Deutschland Holding AG

Mobile communications is the main pillar of global telecommunications group Vodafone in Germany. Vodafone has only had a very strong fixed-network business in Germany since the acquisition of Kabel Deutschland, Germany's largest cable network operator, in 2013, which at the time provided services to 8.4 million households in 13 German federal states. Since then, Vodafone has positioned itself as a full-service provider for fixed-line telephony, mobile communications, Internet and entertainment. Cable infrastructure offers much higher data transfer rates than DSL. This has made it possible for Kabel Deutschland to significantly improve its customer base, sales and earnings in recent years. Vodafone also announced the acquisition of cable network operator Unitymedia in 2018. The merger of Kabel Deutschland and Unitymedia has given rise to a quasi-monopoly in the German cable television network. The takeover was approved by the anti-trust authorities and completed on 1 August 2019. This drew our attention to the 23% of Kabel Deutschland shares outstanding. The remaining 77% of shares have been held by Vodafone since the takeover. The offer at that time amounted to EUR 84.50 plus EUR 2.50 dividend per share, valuing Kabel Deutschland at EUR 8 billion, including EUR 11 billion in debt. A control and profit and loss transfer agreement was subsequently concluded with effect from 13 March 2014. The agreement includes

an annual gross cash payment of EUR 3.77 (net: EUR 3.17) or a cash settlement of EUR 84.53. Private equity firm Elliott, which owns around 14% of the shares, complained that this arrangement was inadequate; Elliott demanded an increase in the settlement to up to EUR 225 and initiated an expedited shareholder action to contest the valuation. The takeover proceedings themselves have also been criticised. The Munich District Court ordered a special examination because the management of Kabel Deutschland may have violated its obligations by commenting on the takeover bid. There was said to be a discrepancy between the documented valuation documents and the takeover price paid.

Irrespective of this, we consider the crucial factor here to be that the District Court will announce a first instance decision in the expedited shareholder action on 27 November 2019. Based on our analysis, we expect at least a reduction in the market risk premium and beta factor, with the result that the settlement amount, plus interest accrued since 2014, should come close to the current market price of EUR 105. This would increase the guaranteed dividend and the accrued interest rate to more than 4%. The major potential lies in the possibility of a future squeeze-out. This would require a new capitalised cost to be determined on the basis of the company's current performance figures. In that case, the EUR 225 per share called for by Elliott could actually come into view. This is why we have built up a large position in recent weeks.

Sincerely yours



J. Henrik Muhle



Dr. Uwe Rathausky

Disclaimer: This document is a customer information ("CI") in the sense of the German Securities Trading Act (WpHG). Responsible as the author for the content is the tied agent listed below. This "CI" is used exclusively for information purposes and cannot replace an individual suitable investment advice. This "CI" does not constitute a contract or any other obligation or kind of contractual offer. Furthermore, the content does not constitute investment advice, an individual investment recommendation, an invitation to subscribe for securities or a declaration of consent or a solicitation of an agreement on a transaction in financial instruments. This "CI" is intended only for professional customers and eligible counterparties with a habitual residence or domicile in Germany and has not been written with the intention of giving legal or tax advice. The tax treatment of transactions is dependent on the personal circumstances of the respective customer and may be subject to future changes. Recommendations and forecasts are non-binding estimates of future events. They can therefore prove to be inaccurate regarding the future development of a product. The information contained in this document is based exclusively on the date on which this "CI" was provided. A guarantee for the actuality and correctness cannot be given. Past performance is not a reliable indicator of future performance. This information is protected by copyright, no reproduction or commercial use is permitted. Author/Issuer: GANÉ Aktiengesellschaft acting as a tied agent (§ 2 section 10 German Banking Act) in the order, in the name, for account and under the liability of the responsible liability holder BN & Partners Capital AG, Steinstraße 33, 50374 Erftstadt. BN & Partners Capital AG has a authorization from the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht) pursuant to § 32 German Banking Act for the provision of investment advisory service pursuant to § 1 section 1a no. 1a Banking Act and the investment brokerage pursuant to §1 section 1a no. 1 German Banking Act. The above content only reflects the author's opinions, which may differ from those of BN & Partners Capital AG. A change of this opinion is possible at any time, without it being published. BN & Partners Capital AG assumes no liability for the content, correctness and up-to-dateness of the information contained therein and does not accept any liability for damage resulting from the use of the "CI" or parts thereof.