

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.

McKesson Europe AG

McKesson Europe AG, based in Stuttgart, is a leading international pharmaceutical wholesaler with annual revenues of EUR 21 billion. The annual general meeting of Celesio AG resolved to rename the company McKesson Europe in 2017. This followed a successful takeover offer from the US McKesson Group, which is currently 17th on the Fortune Global 500 list and holds 77% of the shares. After completing the takeover, the parties concluded a control and profit transfer agreement which provides for an annual compensation payment of EUR 0.83 gross and a cash settlement of EUR 22.99 per McKesson Europe AG share. Its adequacy is currently being reviewed under a shareholder action (Spruchverfahren).

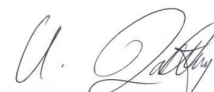
McKesson had offered EUR 23.50 per share during its second takeover attempt in 2014. However, the hedge fund Elliot was awarded EUR 30.95 for its convertible bonds. The former shareholders brought a successful lawsuit against this. In its judgement of 7 November 2017 (II ZR 37/16), the German Federal Court of Justice (BGH) ruled that the prices paid by the bidder for the derivative acquisition of convertible bonds must also be taken into account when calculating appropriate compensation for a takeover offer. Section 31 (6) of the German Securities Acquisition and Takeover Act (WpÜG), which requires prior acquisitions to be taken into account, should

be understood as a general requirement to prevent circumvention of the rules. The intention of the Act is to ensure that the bidder is held to the price it itself considered reasonable in the temporal context of the takeover offer. This temporal context is indisputably the period from the conclusion of the takeover offer (6 February 2014) to the passing of the resolution on the intercompany agreement (22 May 2014). However, on 17 September 2018, the Regional Court in Stuttgart ruling in the first instance (31 O 1/15 KfH) ignored this and raised the cash settlement to only EUR 23.50 per share. Shareholders who did not accept the takeover offer had no right to be placed as if the bidder had made a legally compliant offer. In our opinion, this legal position is wrong. We expect the BGH to rule in the final instance in favour of a right of tender for shareholders who did not accept the offer because they rightly felt it was too low. The value-setting offer has a close temporal connection with the subsequent structural measure. Therefore, when determining the lower limit of the settlement, besides the capitalised earnings value according to IDW S1 and the revenue-weighted three-month average stock market price before the announcement of the structural measure, corresponding pre-acquisition prices should also be taken into account. We are betting on such an outcome and bought McKesson Europe at EUR 26 per share. Our wait for the judgement will be rewarded with a guaranteed dividend of 3% per annum.

Sincerely yours



J. Henrik Muhle



Dr. Uwe Rathausky

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