

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.

EMMA Delta Finance plc Bond 2013 (17)

In April 2014 we introduced the EMMA Delta Finance plc bond in our investment report. In December 2016, we successfully concluded the investment that arose from the first large privatisation of Greek state-owned companies, which Greece had committed to in return for the aid packages approved by the European Union and the International Monetary Fund in 2010.

On 12 August 2013, the Greek government sold its 33% holding (105.27 million shares) in the lottery and betting provider OPAP for EUR 652 million to the Czech-Greek consortium EMMA Delta. The purchase was financed by a EUR 272 million contribution to the EMMA Delta Hellenic Holdings Limited (EDHH) transaction company. Another EUR 400 million were generated from two very creditor-friendly bonds of EMMA Delta Finance plc that were issued according to international law. We were interested in the bond that was issued with a division of only 250 shares per EUR 1 million, and a final maturity of 15 October 2017. The yield was 8.5% p.a. The bond was primarily secured (first lien) with the OPAP shares held by EDHH and the associated dividend entitlement. Creditors had the option of accelerating maturity if the loan-to-value exceeded 45% (i.e. the share price fell below EUR 5.30 per OPAP share). In fact, the price per OPAP share was EUR 11.0 (loan-to-value: 22%). Therefore it was over-secured

at a rate of 362%, i.e. our margin of safety at the time of purchase allowed for a price loss of almost 80% to EUR 2.40 per OPAP share. In this way, we were able to adopt a relaxed attitude when the share price fluctuated between EUR 5.40 and 13.60 per share during the time we held the bond. The issuer utilized his special termination right effective 9 December 2016 by moving up the bond's maturity date. The price was 100%. It related to a portion that, beginning on 15 October of each year, came with a commitment to repay 108.5% (2013), 104.5% (2014) or 100% (2015) of the nominal value.

We would have liked to stay invested until the bond's final maturity, because OPAP has a strong distribution network and with a share of 73% (EUR 1.4 billion) of annual gross gaming revenues is the dominant market leader in Greece. Approximately EUR 4.3 billion in pools and EUR 2.9 billion in profits paid out in 2015 contributed to this outcome. The ratio is stable for the long term (67%). The business lost some of its lustre following the introduction of a 30% gaming tax on gross earnings in 2013, but still remains lucrative. After taxes, the company generated a profit of EUR 210 million. In addition, the Greek government protects the earnings base. It has extended OPAP's exclusive operator status for all of its lottery and sports wagers until 2020 and 2030.

Sincerely yours



J. Henrik Muhle



Dr. Uwe Rathausky