

We invest in winners. This 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.

Activision Blizzard Inc.

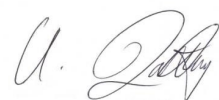
On 18 January 2022, Microsoft announced the purchase of market-leading computer and video-game company Activision Blizzard for USD 69 billion. This is the largest acquisition in the history of the software giant, and this move now makes it the No. 3 player in the global video games industry, behind the Tencent Group in China and Sony in Japan. Over the last two years, Microsoft has also announced the acquisitions of game developer Bethesda (USD 8 billion) and voice recognition specialist Nuance (USD 16 billion). These transactions underline the fact that CEO Satya Nadella sees huge growth potential in the virtual consumer market alongside cloud computing and enterprise software. "Gaming is the most dynamic and exciting category in entertainment across all platforms today and will play a key role in the development of metaverse platforms," says Nadella. He envisions game developers, people and organisations building their own metaverse worlds as the "second wave of the internet". This makes the increased level of competency afforded by the takeover of Activision Blizzard, which reaches around 400 million monthly users with its games such as Call of Duty, Candy Crush and Warcraft, correspondingly important for him. The company also generates USD 9 billion in annual revenues and is highly profitable, with a gross profit margin of 70%. Microsoft will integrate this

valuable library into its own device-independent Xbox Game Pass and continue to develop it with the aim of positioning it as a leading gaming platform. But the acquisition is not yet a done deal. The antitrust authorities will rigorously scrutinise the transaction. Microsoft expects the deal to be finalised in the 2022/2023 financial year, but the capital market has its doubts. At USD 80, the company's share price is significantly lower than the USD 95 cash compensation offered. We took advantage of the currently weak environment for technology stocks and bought in. The post-acquisition game development market share will be less than 20%, which we believe is a competitively acceptable level. Microsoft is likely to be willing to make significant concessions and, for example, make the games available to third parties as multi-platform titles (Sony PlayStation). In addition, the takeover price is not too high, because Activision Blizzard is fighting abuse and discrimination allegations that have weighed on the share price. The inclusive and strong corporate culture at Microsoft should quickly provide a new values model for Activision Blizzard's 10,000 employees. If we are proven right and the acquisition pans out, we will earn an arbitrage yield of around 17%. If the takeover fails, another buyer could target Activision Blizzard. We perceive a need for action at Apple, Amazon, Meta, Walt Disney and others to strengthen existing platforms by acquiring a game developer.

Sincerely yours



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