

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.

Kabel Deutschland Holding AG

We featured Kabel Deutschland in our investment report a few days after the competition authorities approved the merger of Kabel Deutschland and Unitymedia to create Germany's largest cable network operator on 1 August 2019. Prior to that, in 2013, Kabel Deutschland was taken over by telecommunications giant Vodafone, whose primary source of income in Germany until that point had been its mobile phone business. Vodafone was only able to position itself on the German market as a full-service provider for fixed network, mobile telephony, internet and television after the acquisition of the cable network operator based in Unterföhring, which at the time served 8.4 million households in 13 German federal states. That bid, through which Vodafone acquired 77% of the shares, was for EUR 84.50 plus a EUR 2.50 dividend per share. This valued Kabel Deutschland at EUR 8 billion, including debt of EUR 11 billion. A control and profit transfer agreement was then concluded with effect from 13 March 2014. This agreement is still in place today and provides for an annual compensation payment of EUR 3.77 gross (net EUR 3.17) and a cash settlement of EUR 84.53 per share. Activist investment fund Elliott, which held 14% of the shares, filed a suit demanding that the amount of the settlement be increased to EUR 225. Moreover, a special audit of Kabel Deutschland concluded that a company valuation prepared by board members and consult-

ing investment banks valued the company at between EUR 109.50 and EUR 150.50 per share. However, the petitions for a higher settlement and higher compensation payments were dismissed in the proceedings before the Munich Regional Court by decision of 27 November 2019. The Munich Higher Regional Court upheld this ruling on 14 December 2021. An appeal to the German Federal Supreme Court (BGH) has been pending since that date (II ZB 5/22). In December 2020, Vodafone acquired 17% of the shares from Elliott and two other shareholders at the official price of EUR 103 per share, which increased Vodafone's stake in Kabel Deutschland to 93.8%. Finally, a squeeze-out to compensate the remaining shareholders was announced on 29 March 2023. We hold 2.1% of the shares in our fund. We are now looking forward to the forthcoming cash settlement offer and the subsequent court proceedings. In the end, Kabel Deutschland has turned in an excellent operational performance since 2014 (see table).

in millions of euro	Revenues	EBIT	EBT
31/03/2022e	2,860	1,015	930
31/03/2021	2,632	855	782
31/03/2014	1,900	402	152

The debt level has also been reduced significantly. In our view, a new IDW S1 expert opinion to determine the capitalised earnings value on the basis of a current financial forecast will result in a significantly higher settlement amount than was the case in 2014.

Sincerely yours



J. Henrik Muhle



Dr. Uwe Rathausky

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