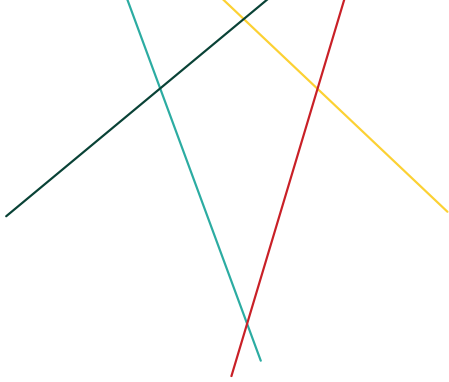




JAVIER GARCÍA TESO

GESTOR EN INTERMONEY GESTIÓN



**INTRODUCCIÓN A LA
RENTA FIJA**

**LA RENTA FIJA
TRADICIONAL**



**EL VALOR EN LA
RENTA FIJA**

RESULTADOS



LA RENTA FIJA NO ES FIJA



INTRODUCCIÓN A LA RENTA FIJA

RENTA FIJA - DEFINICIÓN

► ¿Qué es la renta fija?

Definición académica:

Clase de activos formada por instrumentos que pagan a su tenedor, previa realización de una inversión inicial, una rentabilidad determinada en forma de interés (cupones), y que a su vencimiento devuelve la inversión inicial.

Problemas de la definición:

- Compra en mercado primario (emisión) frente a compra en mercado secundario.
- Mantenimiento a vencimiento frente a venta en mercado secundario.
- Cupón fijo frente a cupones flotantes (y otros).
- Otras: bonos perpetuos, quiebras, canjes, etc.

RIESGOS EN LA RENTA FIJA

Riesgo de tipos de interés:

Relación inversa entre tipos de interés y precio.

Riesgo de crédito:

El deudor puede no atender sus compromisos.

Riesgo de inflación:

El capital puede perder poder adquisitivo.

Riesgo de prepago:

El deudor puede repagar antes de lo previsto.

Riesgo de liquidez:

Puede no haber un mercado sobre el activo.

PENSAR – ¿Por qué?

PENSAR – ¿Ese riesgo es constante?

PENSAR – ¿Puedo eliminar ese riesgo?

PENSAR – ¿Esto es realmente un riesgo?

PENSAR – Consecuencias reales.



LA RENTA FIJA TRADICIONAL

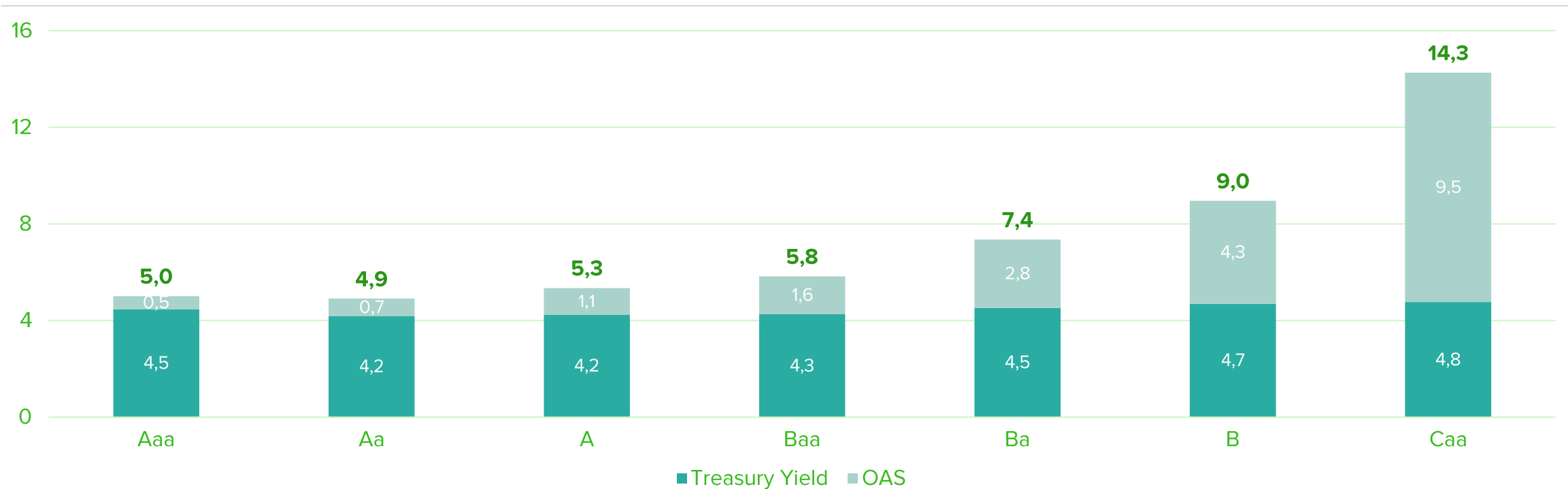
INVERSIÓN TRADICIONAL EN RENTA FIJA

- Foco casi exclusivo en **calidad crediticia y duración**.
 - No son un binomio a optimizar (rentabilidad-riesgo), sino más bien una combinación sobre la que decidir un posicionamiento.
- La gestión de la renta fija se ‘sobreespecializa’ – gestores de nichos específicos y estrechos del mercado (ej. bonos de gobiernos europeos periféricos con vencimiento entre 3 y 5 años).
- La capacidad de aportar valor del gestor es muy limitada ya que el universo invertible es muy homogéneo.
- Una vez decidido el posicionamiento la principal disyuntiva es **barbell** o **bullet**.



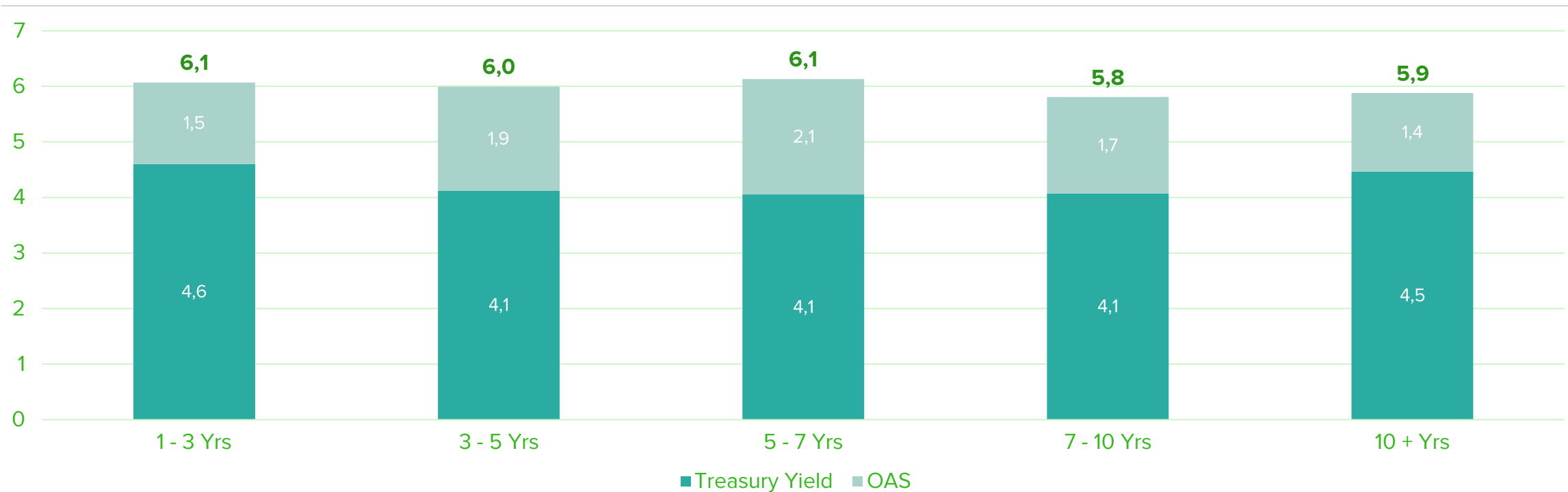
RENDA FIJA TRADICIONAL – CURVA DE CRÉDITO

Descomposición de rentabilidad a vencimiento entre rentabilidad sin riesgo y diferencial de crédito TIR (%).



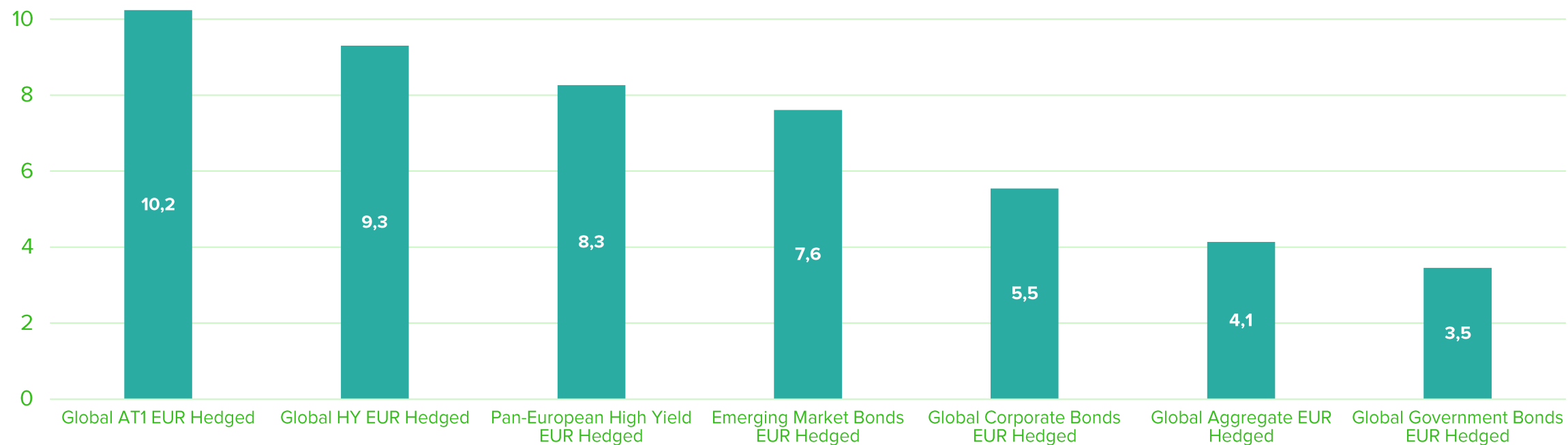
RENTA FIJA TRADICIONAL – CURVA DE DURACIÓN

Descomposición de rentabilidad a vencimiento entre rentabilidad sin riesgo y diferencial de crédito TIR (%).



POSICIONAMIENTO COMPARATIVO

Rentabilidad a vencimiento de índices de renta fija seleccionados TIR (%)

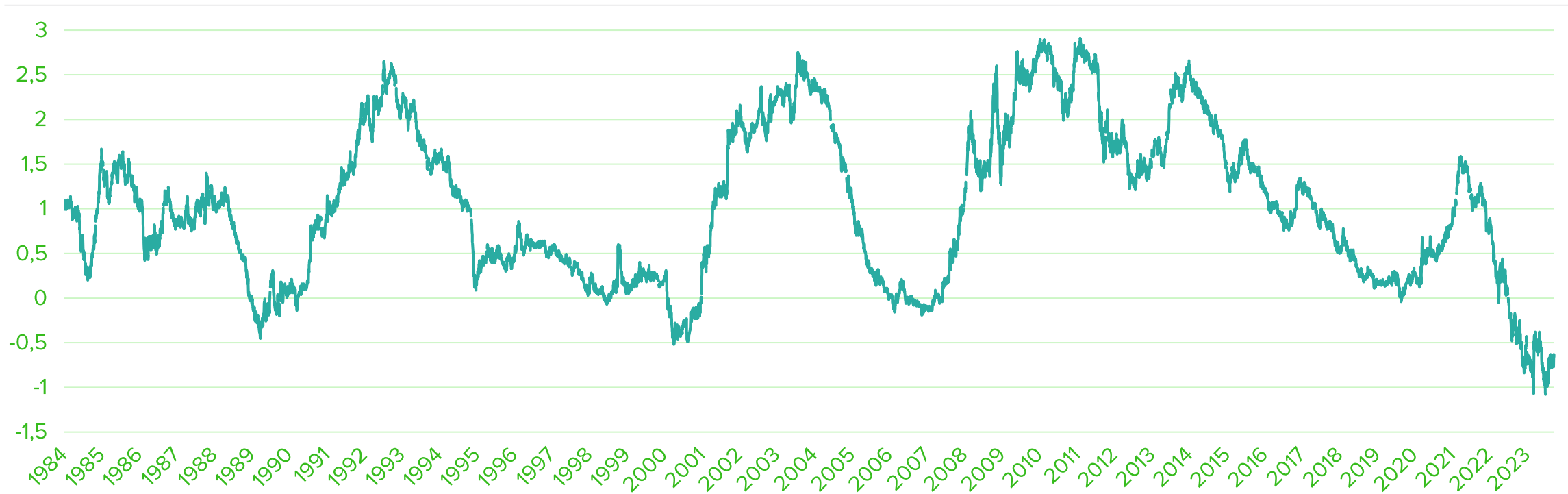


Rating	BB	B+	B+	BBB-	BBB+	A	AA-
Duration	2.9	3.8	2.9	5.9	5.9	6.6	7.3

Fuente: Bloomberg
A 25 de septiembre de 2023

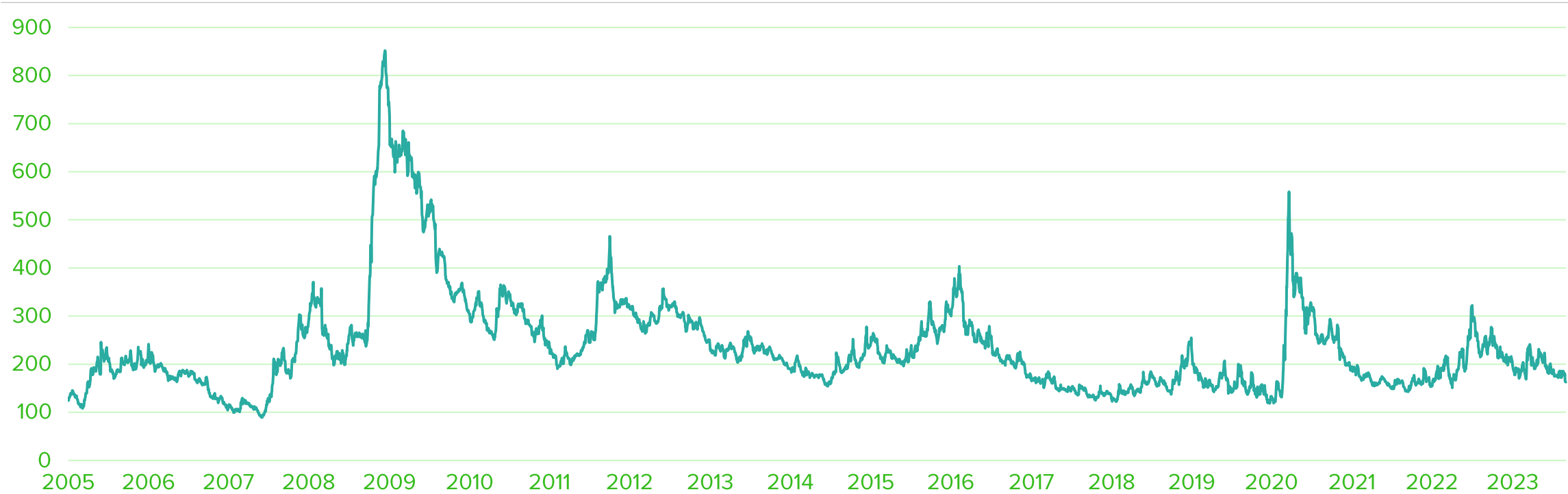
PENDIENTE DE LA CURVA DE TIPOS EEUU

Pendiente entre bono de gobierno de EE.UU. – diferencia entre 2 años y 10 años TIR (%)



COMPARATIVA ENTRE HIGH YIELD E INVESTMENT GRADE

Diferencial de crédito entre índices corporativos BB y AOAS (p. p.)



Fuente: Bloomberg
A 25 de septiembre de 2023



EL VALOR EN LA RENTA FIJA

OBJETIVO DE LA INVERSIÓN EN VALOR EN RENTA FIJA

**IDENTIFICAR Y EXPLOTAR
OPORTUNIDADES DE INVERSIÓN CON
PAY-OFFS ASIMÉTRICOS**

LA FUENTE DEL VALOR EN RENTA FIJA



**LA TOMA DE DECISIONES POR PARTE
DE INVERSORES POR MOTIVOS
AJENOS A VALORACIÓN**



EMPEZAMOS POR EL FINAL

► Procesos de reestructuración

- La regulación legal de una reestructuración tiene fuertes implicaciones en los incentivos de diferentes tipos de inversores (accionistas y bonistas) y en la determinación del valor del negocio y de cada parte de la estructura de capital.
- La implementación varía entre jurisdicciones: Chapter 11 (EE.UU.), Concurso de acreedores (España), Scheme of Arrangement (Reino Unido), Conciliation (Francia), etc.
- Principios fundamentales:
 - **Actuación por clases** – los acreedores se agrupan en función de la ‘calidad’ de su derecho (garantía real, senior, subordinado, etc.). Las decisiones se toman por clase.
 - **Prioridad absoluta** – ningún acreedor de clase inferior puede recibir valor si los de clase superior no han recibido el valor total.
 - **No discriminación injusta** – tratamiento parecido a acreedores parecidos.
 - **Plan justo** – un acreedor debe recibir el valor de su derecho.

ESTRUCTURA DE LA DEUDA

Seniority – deuda senior, deuda subordinada

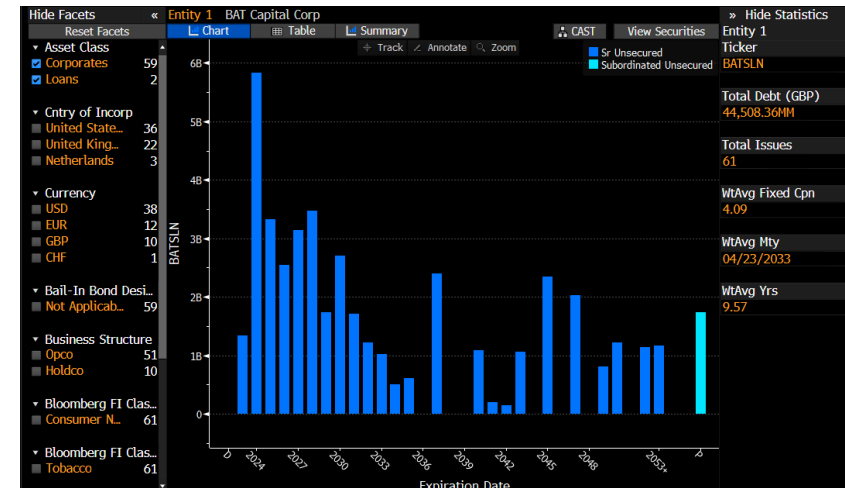
Garantías corporativas – deuda garantizada por otras entidades del grupo

Garantías reales – *secured, 1st Lien*, hipoteca, prenda

Calendario de vencimientos

Covenants

Maturity	Type	Security Description	Maturity	Principal	Amount Outstanding	Interest	Coupon	Currency	Normalized Payment Rank
0	CONV/CALL/PERP	DLTLD 7 PERP	--	228.28MM	228.28MM	--	7.00%	USD	Subordinated Unsecured
3	CALLABLE	DLTLD 8 3/4 09/30/20	09/30/2020	62.85MM	62.85MM	--	8.25%	USD	Sr Unsecured
3	CALLABLE	DLTLD 7 3/4 04/01/22	04/01/2022	21.00MM	21.00MM	--	7.125%	USD	Sr Unsecured
4	CALLABLE	DLTLD 8 3/4 09/30/22	09/30/2022	27.17MM	27.17MM	--	8.25%	USD	Sr Unsecured
9	CALLABLE	DLTLD 9 3/4 04/01/24	04/01/2024	7.90MM	7.82MM	0.36MM	9.125%	USD	Sr Unsecured
8	CALLABLE	DLTLD 8 3/4 05/25/24	05/25/2024	626.25MM	626.25MM	56.32MM	8.750%	USD	1st Lien Secured
7	CALLABLE	DLTLD 8 3/4 05/25/24	05/25/2024	600.00MM	600.00MM	53.96MM	8.750%	USD	1st Lien Secured
8	--	DLTLD TL B 1L USD	05/27/2024	999.61MM	999.61MM	75.24MM	8.884%	USD	1st Lien Secured
9	--	UMBSDB TL UNSEC MYR	10/11/2024	213.11MM	213.22MM	14.90MM	0.000%	MYR	Sr Unsecured
18	CALLABLE	DLTLD 8 04/01/25	04/01/2025	339.38MM	324.55MM	30.17MM	8.000%	USD	Sr Unsecured
10	CALLABLE	DLTLD 13 12/31/25	12/31/2025	453.80MM	380.98MM	50.99MM	13.000%	USD	Sr Unsecured
13	CALLABLE	DLTLD 8 12/31/26	12/31/2026	250.00MM	250.00MM	60.83MM	8.000%	USD	Subordinated Unsecured



ESTRUCTURA DE LA DEUDA

► Mención especial a los *covenants*

Los *covenants* son compromisos que asume el deudor con sus acreedores.

Pueden referirse a temas muy diversos: presentación de información financiera periódica, cumplimiento de obligaciones regulatorias, ausencia de conflictos de interés, etc.

Los relevantes para nosotros son los *covenants* financieros. Estos suelen reflejarse como ratios.

Covenants más importantes: Net Debt / EBITDA, DSCR, Pagos restringidos, Cambio de control, FCF / DS, Calificación crediticia, Default cruzado, etc.

Los *covenants* se dividen en:

- *Maintenance*. El deudor está obligado a cumplir con el *covenant* en todo momento. Un incumplimiento (*breach*) del *covenant* tras una presentación trimestral de resultados supone un *Event of Default*, que puede generar un vencimiento anticipado de la deuda.
- *Incurrence*. El deudor no puede realizar acciones si hay algún incumplimiento de *covenant*. El mero deterioro de mercado no supone un *Event of Default*.

La modificación de los *covenants* suele estar sujeta a supermayorías de los acreedores – en algunos casos, unanimidad.

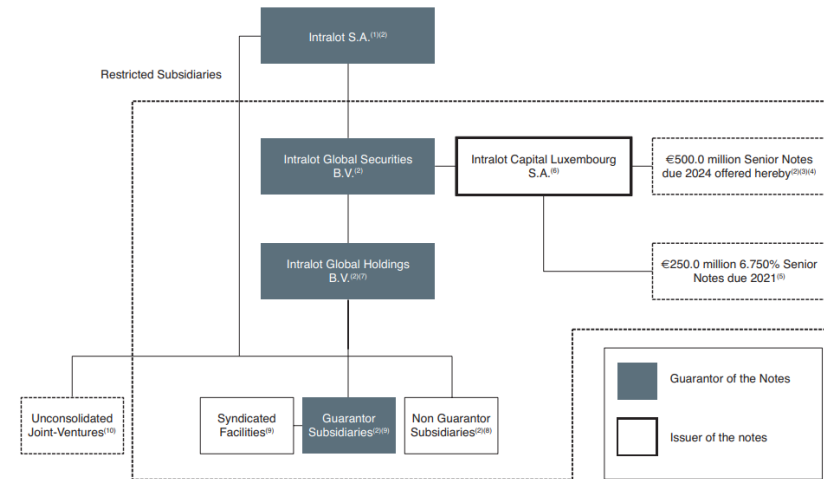
Distintos acreedores tienen distintos incentivos. Importancia de conocer la tipología de acreedores.

ESTRUCTURA CORPORATIVA

La inmensa mayoría de deudores está integrada en un grupo con numerosas filiales, matrices, holdings, etc.

Es importante determinar cuál es la composición real de derechos y de deudas de las entidades de la estructura.

Esta composición depende de qué entidades generan el negocio, si hay garantías cruzadas y cross-acceleration entre determinadas deudas o entidades (importancia del Intercreditors Agreement), quiénes son los emisores de las deudas, etc.



ANÁLISIS DE LIQUIDACIÓN

- ▶ La importancia de los activos para limitar el *downside*

Acabamos cerca de donde empezamos, en la liquidación del negocio.

Un análisis de liquidación es nuestra mejor opinión sobre la mayor pérdida que asumiremos.

Entender el balance del deudor nos ayudará a determinar la presencia de pay-off asimétrico, de valor.

Fundamento básico – estimar el valor de los activos y proceder a asignarlos “en cascada” por clases

Casuística seleccionada:

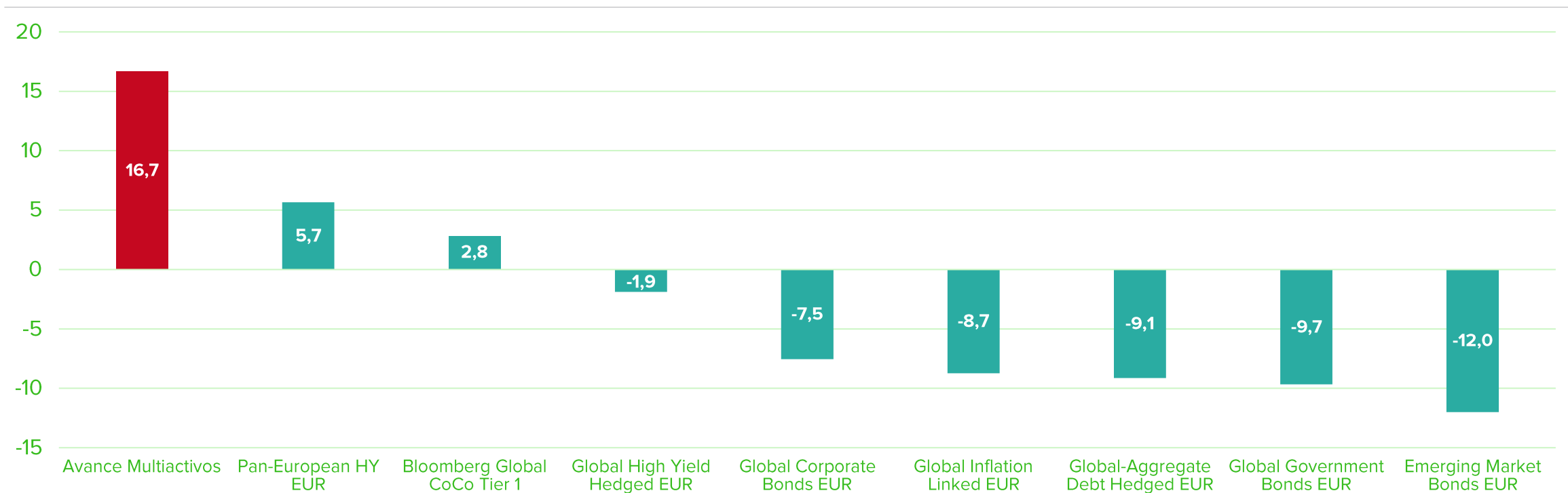
- **Activos que garantizan deudas** (garantía real) – el valor de los activos ha de asignarse a las deudas garantizadas en primer lugar, y solo el exceso, en caso de existir, se reparte entre el resto de acredores. Si hubiera un defecto de valor, ese defecto se convertiría en un crédito unsecured.
- **Sociedades holding** – el activo de la entidad es, fundamentalmente, una colección de acciones de otras. Esto influye en la determinación del valor (las participadas pueden cotizar o no) y en su distribución.
- **Realización del valor** – no todos los activos tienen la misma liquidez, ni su valor contable está igualmente cerca de su valor de mercado.



RESULTADOS

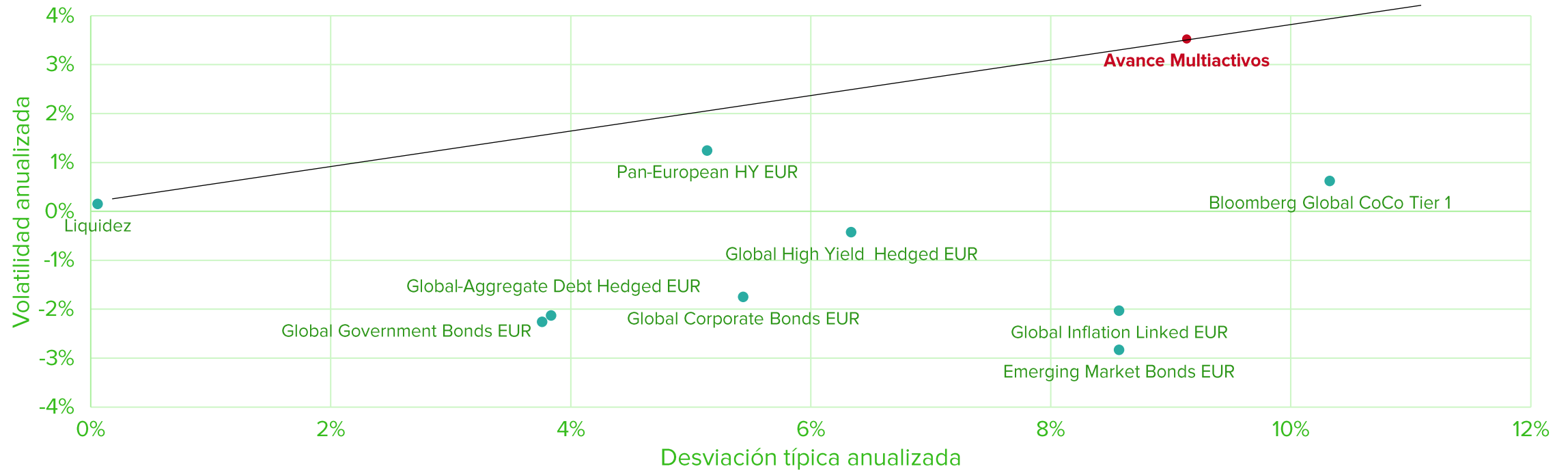
PERFIL DE RENTABILIDAD Y RIESGO

Rentabilidad total de Avance Multiactivos e índices seleccionados – Desde abril de 2019 Rentabilidad total (%)



PERFIL DE RENTABILIDAD Y RIESGO

Rentabilidad-riesgo de Avance Multiactivos e índices seleccionados – Desde abril de 2019



AVANCE MULTIACTIVOS EN NÚMEROS

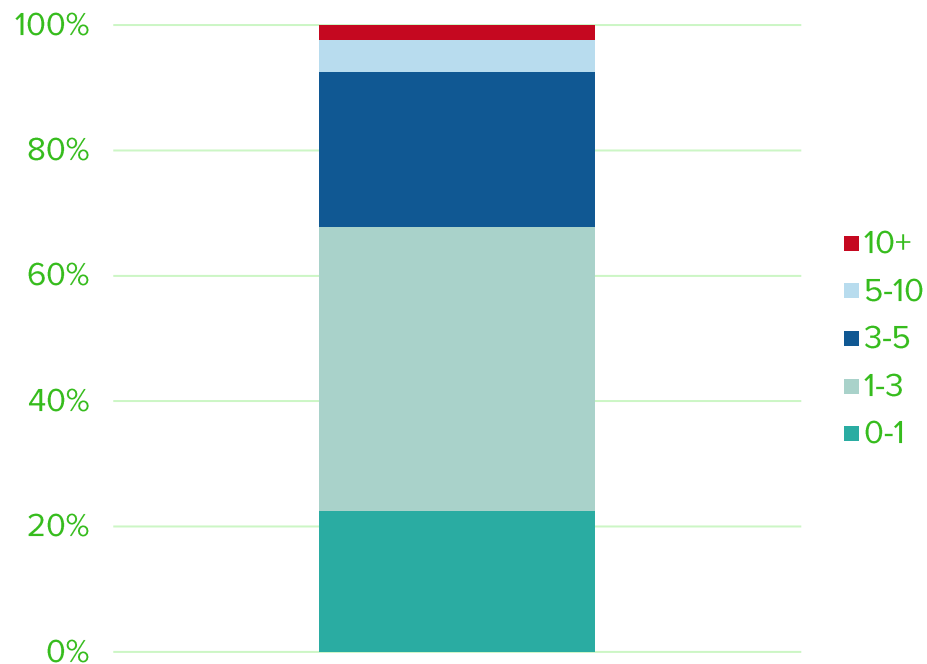
Fondo de autor centrado en la renta fija desde un enfoque de valor.

Objetivo: generar valor a lo largo del ciclo económico a través del análisis fundamental de crédito y cuidando la gestión del riesgo.



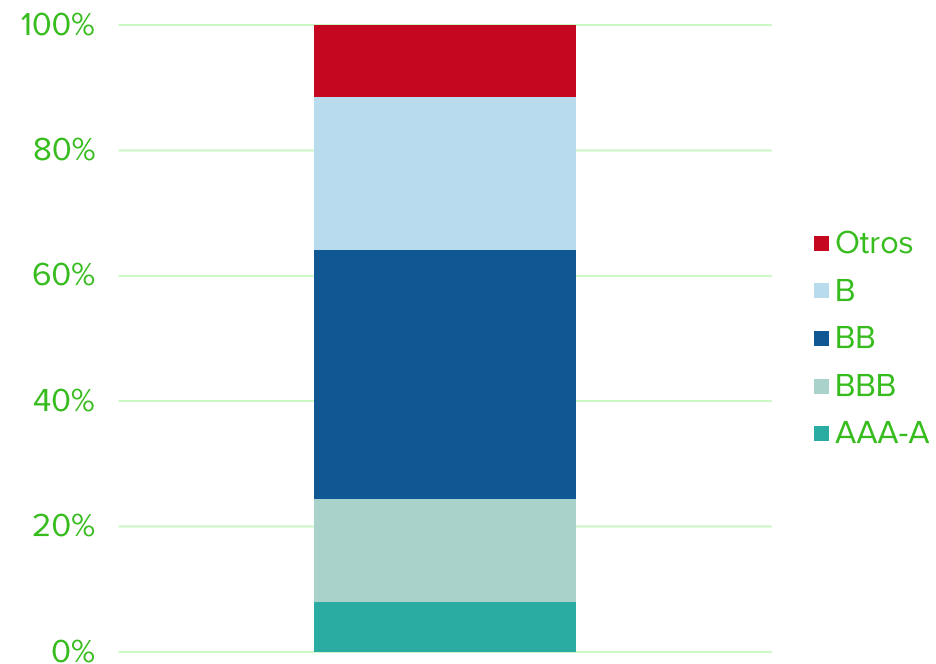
Distribución por duración

Sobre cartera de renta fija (%)



Distribución por calidad crediticia

Sobre cartera de renta fija (%)



NÚMERO DE BONOS	81
CALIFICACIÓN CREDITICIA MEDIA	BBB-
AÑOS HASTA VENCIMIENTO	4,9
DURACIÓN	2,6
CUPÓN	7,1%
TIR	9,2%

POSICIONAMIENTO COMPARATIVO

Rentabilidad a vencimiento de índices de renta fija seleccionados TIR (%)



Fuente: Bloomberg, Intermoney Gestión
A 25 de septiembre de 2023



▶

Apéndice

69% TOTAL RETURN IN 25 MONTHS, 28% IRR



- We purchased the Bonds in **June 2019**, when they were offering good carry and limited downside.
- A high 80s purchase price implied a **YTM above 10%**, very attractive in relatively short-dated paper.
- The bond took a big hit in March-April 2020 due to the **Covid-19 crisis**, when liquidity in the name dried.
- However, the bond was **well positioned for the post-pandemic recovery**, which brought fast-rising commodity prices and increased demand for its energy business.
- The bond was restructured/refinanced.** Bondholders received a new senior secured bond and common shares.

Source: Bloomberg, Company and own elaboration.
(1) Market prices as of May 28, 2019

Company and Situation Overview

Ferroglobe, headquartered in London, UK, is a **global producer of silicon metal and silicon-based alloys** used in a variety of industrial and consumer products. Key verticals include silicon chemical, aluminum, steel, automotive, concrete, solar cells, and computer chips. Notable customers include Dow DuPont, Alcoa and Rio Tinto among others.

Ferroglobe's bond and equity prices suffered for two main reasons: first, there was a **technical overhang linked to the largest shareholder** (Grupo Villar Mir) who is going through some financial troubles and a restructuring of their portfolio holdings. Second, **continued pressure on commodity prices** drove revenues lower and deteriorated the company's performance figures.

Price History



○ Entry ○ Exit

Investment Rationale

- Ferroglobe had **adequate liquidity and good cash flow generation** despite decreasing margins and concerns over top line growth prospects.
- The company had some **long-term contracts at above current market levels**, which would provide some cushion in absorbing a potential downturn in commodity prices.
- Ferroglobe had a **strong balance sheet, which included a hydro power asset portfolio in Spain**, which could be divested if needed and provided for good downside protection.
- The company could be **created at a 1.7x EBITDA multiple**, significantly below the 3.5-4.5x range of most relevant comparable companies.

Capital Structure⁽¹⁾

USD in millions	Outstan. Amount	EBITDA Multiple at Face	Price	Market Value	EBITDA Multiple at Market
Cash	(217.0)		100%	(217.0)	
RCF	133.0		100%	133.0	
Other secured financing	96.0		100%	96.0	
Net Secured Debt	12.0	0.0x		12.0	0.0x
Financial Leases	66.0		100%	66.0	
Net Senior Debt	78.0	0.3x		78.0	0.3x
2022 Bonds	350.0		87%	302.7	
Net Debt	428.0	1.7x		380.7	1.5x
Market Cap	356.0				
TEV	784.0	3.1x			

157% TOTAL RETURN IN LESS THAN THREE YEARS, 39% ANNUALIZED



- We purchased the Bonds in **February 2020** after a **price correction** due to uncertainties relating to license renewals in some jurisdictions.
- The price of 41 for the bond maturing in 2024 represented an **attractive entry point** given Intralot's asset coverage and level of downside protection.
- The bond price initially traded lower with the onset of the pandemic but started a **steady recovery following the announcement of an exchange offer** in July 1st 2020.
- More recently the bond rallied to 88 on the back of **strong financial results**.

Company and Situation Overview

Intralot, headquartered in Athens, is a global supplier of integrated gaming systems and services. The company designs, develops, operates and supports customized software and hardware for the gaming industry and provides technology and services to state and state licensed lottery and gaming organizations worldwide. It operates a diversified portfolio across 47 jurisdictions and is listed on the Athens stock exchange.

In 2020, the **Bulgarian government passed legislation to nationalize all lottery-type games putting 27% of consolidated EBITDA at risk**, with the outlook in other jurisdictions uncertain.

With a deterioration of financial performance, the company's ability to repay EUR 250 million of bonds maturing in 2021 was called into question.

Price History



○ Entry ○ Exit

Investment Rationale

- Significant **upside potential on the 2024 Sr. unsecured notes**.
- Based on a sum-of-the-parts valuation analysis, the **company's assets provide an adequate level of downside protection**.
- **The implied enterprise value sufficiently covers the market value of the debt at 4.3x**
- Intralot has **options to address the 2021 maturity** and avoid a hard debt restructuring. A voluntary tender offer for the 21s would **reprice the 24s higher**.
- **Potential equity injection by the founder and CEO** (a high net worth individual) **to help deleverage the business**.
- **The payoff is highly asymmetric**, with limited downside of 10-20 points and significant upside to par.

Capital Structure⁽¹⁾

USD in millions As of September 30, 2019	Outstanding Amount	EBITDA Multiple at Face	Price	Market Value	EBITDA Multiple at Market
Cash	(141.0)		100%	(141.0)	
RCF	12.0		100%	12.0	
Financial Leases	18.0		100%	18.0	
Other Debt	4.0		97%	3.9	
Net Secured Debt	(107.0)	-1.6x		(107.1)	-1.6x
6.75% Sr Unsecured Notes 2021	250.0		77%	192.5	
5.25% Sr Unsecured Noted 2024	474.0		41%	195.5	
Net Debt	617.0	9.5x		281.0	4.3x

Source: Bloomberg, Company and own elaboration.
 (1) Market prices as of February 19, 2020

47% TOTAL RETURN REALIZED IN 20 MONTHS, 26% ANNUALIZED



- We purchased the Bonds in **May 2019** after a **price correction** driven by uncertainties relating to antitrust investigations.
- The price of 81 for ~20% YTM represented an **attractive entry point** given Rekeep's strong fundamental and focus on deleveraging.
- The bond price started a **steady recovery** following positive news on the legal front and improving fundamentals.
- The bond **was called by the company at 104.5** in January 2021 following a successful refinancing.

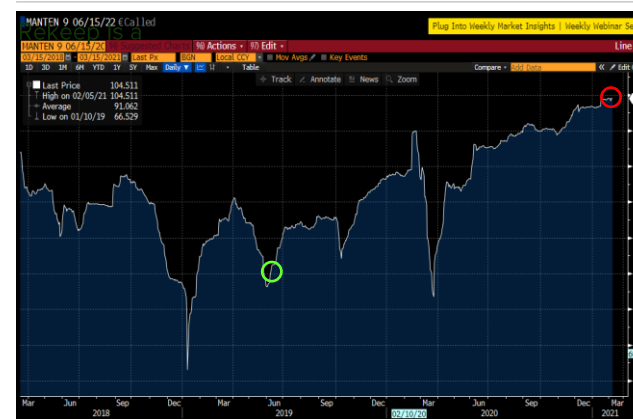
Company and Situation Overview

Rekeep is an **Italian facilities management company** that provides facility management and laundering and sterilization services to Public Sector Enterprises (PSEs), healthcare providers and private companies. Contracts with PSEs are publicly tendered by government procurement clearinghouses and awarded on basis of cost and quality.

The company has been **subject to several investigations** relating to a range of issues including the breach of European laws on public tenders or "tender rigging" for certain contracts.

The **principal legal disputes** are a EUR 91.6 million fine levied by the Italian Competition Authority and a potential 6-month exclusion from participation in public tenders.

Price History



○ Entry ○ Exit

Investment Rationale

- The potential fine was large but **unlikely to be incurred** for at least 18 months due to the appealing process initiated by Rekeep, or to be charged as a bullet payment.
- The company has **strong fundamentals** – leading market position, higher margins than peers, good free cash flow generation, low capital intensity and more than adequate liquidity of over EUR 300 million.
- Q1 2019 results demonstrated the **stability of the business**, with revenue +5.4% yoy and a higher-than-expected backlog.
- Leverage is moderate** even after accounting for the fine and only marginally worse than peers'.

Capital Structure⁽¹⁾

EUR in millions As of March 2019	Outstan. Amount	EBITDA Multiple at Face	Price	Market Value	EBITDA Multiple at Market
Cash	(54.9)		100%	(54.9)	
Senior Secured Notes 2022	349.7		81%	283.4	
Finance Leases	3.7		100%	3.7	
Other Debt	35.6		100%	35.6	
Total Net Debt	334.1	3.9x		267.8	3.1x
Potential Fine	91.6		100%	91.6	
Net Debt Adj. for Fine	425.7	4.9x		359.4	4.2x
Operating leases	52.1		100%	52.1	
Lease-Adjusted Net Debt	386.2	4.5x		319.9	3.7x

Source: Bloomberg, Company and own elaboration.

(1) Market prices as of May 28, 2019

48% TOTAL RETURN REALIZED IN 16 MONTHS, 34% ANNUALIZED



- We first purchased the Bonds in **July 2019** and **added in October**. The **average price of 69** provided for a **good entry point, below recovery value**.
- **The covid-19 crisis hit the bonds very hard** due to the plummeting natural gas and crude oil prices, which for a short period of time traded at negative prices for technical reasons.
- The company's situation deteriorated and **filed for Chapter 11 protection** in November 2020 with an equitization plan supported by most creditors.
- After the recovery in energy prices we **sold the bonds at 91.5** due to the limited upside remaining.

Company and Situation Overview

Gulfport is an **independent natural gas and oil company** that holds significant acreage positions in the Utica Shale of Eastern Ohio and the SCOOP Woodford and SCOOP Springer plays in Oklahoma. It also **has an approximately 22% equity interest in Mammoth Energy Services**.

Gulfport had initiated a \$400 million **share-buyback program** that was only **partly covered by free cash flow**. Gulfport planned to sell its Mammoth shares and monetize other non-core assets to fund the share repurchase plan.

Shares of Mammoth Energy, **the company's largest equity investment, fell by as much as 50% after reports on a government investigation** involving the company. Gulfport bonds subsequently fell to the mid-to-low 70s, reflecting **doubts about the company's shareholder-friendly financial policy**.

Price History



○ Entry

○ Exit

Investment Rationale

- Gulfport had all its 2019 and about 15% of its 2020 natural gas production hedged at good rates, providing for **earnings visibility**.
- The company announced a scale back of its capex, **improving cash flow generation**.
- Proved reserves provide for **ca. 90% coverage through the bonds** at prevailing natural gas and oil price levels, allowing for good downside protection.

Capital Structure⁽¹⁾

USD in millions As of June 2019	Outstandin g Amount	EBITDA Multiple at Face	Price	Market Value	EBITDA Multiple at Market
Cash	(58.3)		100%	(58.3)	
RBL Facility	235.0		100%	235.0	
Construction Loan	23.0		100%	23.0	
Net Secured Debt	199.7	0.2x		199.7	0.2x
2023 Sr Unsecured Bond	350.0		72%	251.9	
2024 Sr Unsecured Bond	610.0		66%	405.5	
2025 Sr Unsecured Bond	575.0		66%	380.8	
2026 Sr Unsecured Bond	410.0		65%	266.5	
Net Debt	2,144.7	2.4x		1,504.3	1.7x
Market Cap	396.9				
TEV	2,541.6	2.9x			

Source: Bloomberg, Company and own elaboration.

(1) Market prices as July 30, 2019

23% TOTAL RETURN IN 15 MONTHS, 18% ANNUALIZED

Digicel

- **Following the first covid-19 restrictions, the bonds suffered a big drop**, in line with other risk assets.
- **The entry price of 93% offered 11% YTM** in a company leader in an industry set to suffer limited impact from the pandemic and an entry multiple of 1.4x.
- The bond price saw a quick recovery following the first scarier moments. This recovery was strengthened by an **agreement with junior creditors** in the capital structure to refinance part of the debt.

Company and Situation Overview

Digicel is the **largest provider of wireless telecommunication services in the Caribbean**. The company operates in 31 markets in the Caribbean and South Pacific regions, with leading mobile shares in most. Also provides a range of business solutions, cable TV and broadband. The company also operates a wireless network in Panama through its 45% ownership interest in affiliate, Digicel Holdings (Central America) Limited. Digicel generated revenue of USD2.3 billion for the year ending March 2020.

Due to **unsustainable leverage levels the company initiated a debt restructuring plan** and cut gross debt by approximately \$1.5 billion dollars, from \$7.0 billion to \$5.4 billion. The restructuring extended Digicel's amortization profile and reduced annual interest expense.

Price History



○ Entry ○ Exit

Investment Rationale

- Digicel is a **leading operator** in the markets where is present, generally ranking #1 or #2.
- A very complex and highly levered capital structure kept **most long-only investors away** from this name.
- A recent restructuring in early May 2019 brought this bond to the market as the **most senior in the company's capital structure**, with very limited losses in the event of a default.
- At 1.5x EBITDA entry multiple the bonds provided for significant **downside protection**, given comparables trading above 6x.

Capital Structure⁽¹⁾

USD in millions As of March 2020	Outstan. Amount	EBITDA Multiple at Face	Price	Market Value	EBITDA Multiple at Market
Cash	-251		100%	-251	
Senior Debt	1,130		100%	1,130	
Senior Secured Notes 2024	600		92%	552	
DIFL, DHL Net Debt	1,479	1.5x		1,431	1.4x
DL Senior Unsecured Notes	2,225		53%	1,169	
Digicel Limited Net Debt	3,704	3.7x		2,648	2.6x
DGL Senior Sec/Unsec Notes	1,937		38%	727	
Digicel Group One Net Debt	5,641	5.6x		4,430	4.4x
DGL2 PIK Senior Unsecured Note 2024	993		5%	47	
Digicel Group Two Net Debt	6,634	6.6x		5,688	5.7x
Senior Notes	84		10%	8	
DGL Net Debt	6,718	6.7x		6,642	6.6x

Source: Bloomberg, Company and own elaboration.

(1) Market prices as of May 21, 2019

18% TOTAL RETURN REALIZED IN 9 MONTHS, 25% ANNUALIZED



- We **bought the bonds at 83 for 8.9% YTM** in May 2019 following a steady price correction following earnings disappointments combined with higher than anticipated capex in a new production plant in Europe.
- Despite those developments, the fundamentals remained strong. **The worst case for the bonds was almost fully priced in.** After few weeks the price started to recover and started to reflect the strength of the balance sheet and the value of the growth opportunities.
- We sold the bonds at 93.5 in January 2020,** just before the sharp covid-19 market correction.

Source: Bloomberg, Company and own elaboration.
(1) Market prices as of May 28, 2019

Company and Situation Overview

Fage is a **leading international dairy company** founded in Athens, Greece. It manufactures milk, yogurt and ice cream. The company has a strong presence in the United States, from where it derives more than 60% of its total sales. **Fage has the largest market share (~28%) in plain yogurt in the US** as well as a leading market share of 12.4% and 23.5% in the UK and Italy.

FAGE bond prices have traded down in line with other dairy producers amid **fears of continued subdued demand for the industry's products**. The US yogurt category is experiencing consumption declines on avoidance of sugar.

FAGE's volumes sales and average selling price declined, adding to investors negative sentiment.

Price History



○ Entry ○ Exit

Investment Rationale

- FAGE is a **market leader** in the USA and in many European countries. The quality of its brand is second to none.
- The company has been **owned by the Filippou family for five generations**. The family has been and remains committed to managing the company's operations.
- Liquidity is adequate and cash flow generation is good**, allowing for deleveraging and dividend payments at a relatively stable rate.
- Entry multiple of 4x is significantly below comparable companies**, which trade at levels above 13x given the resiliency of the industry and the stability of their revenues.

Capital Structure⁽¹⁾

USD in millions	Outstan. Amount	EBITDA Multiple at Face	Price	Market Value	EBITDA Multiple at Market
Cash	(129.8)		100%	(129.8)	
Other Liabilities	54.3		100%	54.3	
Net Secured Debt	(75.5)	-0.9x		(75.5)	-0.9x
2023 Bonds	420.0		83%	348.6	
Net Debt	344.5	4.0x		273.1	3.1x
Market Cap					
TEV	344.5	4.0x			

55% TOTAL RETURN REALIZED IN 17 MONTHS, 36% ANNUALIZED



- We purchased the Bonds in **June 2019** after the company's Chapter 11 plan had been announced.
- The price of 6 implied an acquisition multiple of ca. 4x EBITDA, which gave us ample cushion when compared to other companies in the sector.
- Post-reorg equity suffered from **very thin volume**. From a valuation perspective the situation was favorable, albeit it was taking longer than anticipated to materialize.
- The market eventually woke up to the reality of positive results. We **divested at 12** following a steep rally amidst significantly increased volume levels.

Company and Situation Overview

Monitronics International is the principal operating subsidiary of Ascent Capital Group, formerly called Ascent Media Corporation. The group is a **leading provider of alarm monitoring services** and serves over one million subscribers across and the US and Canada. The company markets its services under the BRINKS Home Security brand name.

Monitronics **entered into a Restructuring Support Agreement (RSA)** on May 21, 2019 to be implement under Chapter 11 of the US Bankruptcy Code. Under the terms of the RSA the company's debt was to be converted into equity of the reorganized entity. Monitronics senior notes were trading at a price of 6.25 on June 27, 2019, equivalent to a share price of 7.75 based on the allocation of shares.

Price History



○ Entry ○ Exit

Investment Rationale

- The bonds had been heavily sold due to **continued underperformance and overleverage**. Quarterly sales had been disappointing for some time, and the debt could not be refinanced.
- The **bonds quickly became the fulcrum security**. A capital structure without the bonds would show positive free cash flow and would be sustainable.
- At an entry multiple of ca. 4x EBITDA, our entry point provided **good downside protection vis-à-vis comparable companies**, generally trading at levels above 8x.
- Acquisition after the filing of the Chapter 11 plan combined with senior creditor support implied a **significantly reduced execution risk**.

Capital Structure⁽¹⁾

USD in millions As of March 2019	Outstan Amount	EBITDA Multiple at Face	Price	Market Value	EBITDA Multiple at Market
Cash + Cash Equivalents	(23.9)		100%	(23.9)	
Superpriority RCF	181.4		100%	181.4	
Term Loan B2	1078.0		97%	1040.3	
Net Secured Debt	1,235.5	4.2x		1,197.8	4.1x
9.125% Senior Unsecured Notes	585.0		6%	35.1	
Net Debt	1,820.5	6.2x		1,232.9	4.2x

Source: Bloomberg, Company and own elaboration.

(1) Market prices as of June 27, 2019

15% TOTAL RETURN REALIZED IN 11 MONTHS, 16% ANNUALIZED



- We invested in August 2019 and bought the bonds at 94, which provided an 11% YTM with potential upside if a change of control were to take place.
- Rumours of a transaction started developing in tandem with good quarterly numbers. This was stopped by the covid-19 crisis, but conversations on an acquisition were quickly resumed and eventually ended with the announcement of a sale and consequent change of control in August 2020.
- The bonds were called by the issuer in August 2020.

Company and Situation Overview

Global A&T Electronics is a subsidiary of **UTAC Holdings**, a leading independent provider of outsourced semiconductor assembly and test services for a broad range of semiconductor chips. Headquartered in Singapore with manufacturing facilities in Singapore, Shanghai, China and Taiwan and global sales offices.

The **trade war between China and the US** was placing a drag on the technology industry that had the potential to translate into lower sales volumes for the company. On February 2019, it was reported that UTAC Holdings had hired financial advisors to assist with a **planned sale of the company**. The indenture governing the notes provided for a **bondholder put option in the event of a “change of control”**. In August 2020, the **sale of the company to a private equity firm was completed and the notes were called at par**.

Price History



○ Entry ○ Exit

Investment Rationale

- An **entry multiple of 2.5x** was very attractive given competitors trading at an average of 6x.
- Cash flow generation was decent at the FCF level.** Cost of debt had been lowered over the previous 2 years.
- The **natural path for the company was an acquisition** by a competitor, which was being explored by the shareholders and would trigger a 101% investor put option in the bonds.

Capital Structure⁽¹⁾

USD in millions As of March 2019	Outstan. Amount	EBITDA Multiple at Face	Price	Market Value	EBITDA Multiple at Market
Cash	(232.5)		100%	(232.5)	
Sr Secured Notes	665.0		94%	625.1	
Finance Leases	0.8		100%	0.8	
Net 1st Lien Debt	433.3	2.5x		393.4	2.3x
Pension Liability	30.3		100%	30.3	
Net Debt	463.6	2.7x		423.7	2.5x
Market Cap	320.0				
TEV	783.6	4.6x			

10% TOTAL RETURN REALIZED IN LESS THAN 5 MONTHS, 28% ANNUALIZED



- We bought the bonds at 90 for 8.9% YTM in March 2022 following a significant price correction caused by inflationary pressures and interest rate hikes.
- On July 2022, a private equity firm made an offer to acquire the company whereby the bonds would be redeemed in full upon closing of the proposed transaction.
- The bonds rallied and we sold at 99.25 on the day of the announcement.

Company and Situation Overview

Atalian Global Services is a **facility management company** that provides multi-disciplinary services such as cleaning, security, landscaping, catering and technical maintenance. With a turnover of 2.9 billion euros, more than 123,000 employees in 35 countries across 4 continents, Atalian is **one of the world's largest independent services provider in facility management**.

Atalian mitigated the pandemic crisis by implementing a deleveraging plan based on controlled capex, EBITDA growth and cost savings. In 2022, inflationary uncertainties raised investors concerns regarding the sustainability of margins and the company's credit quality. Coupled with the expected rate hikes the company's bonds traded down significantly.

Price History



○ Entry ○ Exit

Investment Rationale

- Strong business model
- Attractive entry multiple significantly above comparable companies.
- Potential equity injection by the founders to help deleverage the business.

Capital Structure⁽¹⁾

EUR in millions As of December 31, 2021	Outstand. Amount	EBITDA Multiple at Face	Price	Market Value	EBITDA Multiple at Market
Cash	(153.0)		100%	(153.0)	
EUR Senior Notes 2024	625.0		100%	625.0	
EUR Senior Notes 2025	350.0		100%	350.0	
GBP Senior Notes 2025	267.8		100%	267.8	
Factoring	1.0		100%	1.0	
RCF	0.0		100%	0.0	
PGE	25.0		100%	25.0	
Other borrowings	114.0		100%	114.0	
Net Debt	1,229.8	5.9x		1,229.8	5.9x

Source: Bloomberg, Company and own elaboration.

(1) As of December 31, 2022



JAVIER GARCÍA TESO

GESTOR EN INTERMONEY GESTIÓN