

PRIVATISATION OF OPAP S.A: FINAL ACT OR REPLAY?

The flagship of the Greek privatization program, OPAP SA has only attracted one valid bid and that may not prove adequate for the conclusion of the transaction. All the big players involved in the initial phases have stayed away and Third Point fund submitted an unacceptable offer without a proper letter of credit. The reasons for the limited interest for OPAP SA were:

Country risk: Greece still struggles to keep up with the prescribed policies and reforms and the real economy continues to move on a downward spiral.

Political risk: SYRIZA the opposition party is vehemently opposing all privatisations in general but it has taken an even more hardline attitude for the privatization of OPAP SA.

Regulatory risk: In the middle of the process major regulatory and tax changes have been introduced that affect the operations and profitability of OPAP SA without permanently solving the risk of a possible overturn of the monopoly in the future.

Transaction risk: The acquisition of 33% does not automatically secure management control as there are several strong shareholdings that may through alignments form a majority in the general assembly.

Litigation risk: Domestic investors have threatened legal action against the current management and accusations of complicity regarding the signing of the technological provider contract have poisoned the climate.

The firm bid by Emma Delta was 622 million euro for the 33%. The HRADF is not prepared to sell at any price below 650 million euro (the upper end of the independent valuation) while it has set as a target 272 million euro.

Initial discussions with Emma Delta representatives failed to lead to an agreement. Some Emma Delta shareholders declined to improve on their offer as they feel that their business plan calculations do not support any top up on their offer. Other shareholders seem more flexible. However, sources close to the transaction have indicated that serious differences still exist between HRADF and Emma Delta regarding dividends for 2012. They have

been given a time limit until Wednesday (1/5) to decide on a new improved offer.

Questions about Emma Delta ownership structure have also emerged as shareholder companies are all registered in Cyprus and the real owners are hidden behind a web of companies. According to sources apart from the two main players (Mr. Melissanidis and Mr. Jiri Smejc) Mr. Copelouzos has a small interest. There is confusion as to the role of Lottomatica as there is no formal declaration of participation but sources close to the transaction have said that the Italian operator has some interest or at least an option to participate. Without Lottomatica the bidder will not have the experience in managing a complex games operator and that may lead to a decline in value of the company.

On the part of the government there is eagerness to complete the transaction. But officials in HRADF will not bend the rules and they are unlikely to sign any deal that is below the independent valuation of the shareholding. So unless an improved offer is submitted by tomorrow a cancellation of the current transaction is probable and that will lead to a new process within the next two months. The government has other options to consider such as the gradual disinvestment through sales of smaller tranches of shares throughout the year through the stock exchange without initiating any new formal process.

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