



Auctions, HAPS & Cloud (Mezza)nine

Last month, GR Supreme Court decided to prohibit NPL servicers from foreclosing loans on behalf of funds and banks that own these exposures. The final course of action and the related timing is unclear, with press reporting that the Plenary will take the final decision. This means that servicers' auctions (c. 20-40% of collections) are temporarily frozen. This could coincide with decelerating curings due to macro deterioration, and could create potential risks as it: (a) could trigger a small portion of the EUR 18.5bn HAPS guarantees, under an adverse scenario, ahead of EUROSTAT's decision on whether these should be included on GR debt, (b) makes it difficult for HAPS scheme to be renewed following its expiry, given the previous point, although the approved HAPS (Sunrise III, Frontier II) progress as intended and finally (c) weighs negatively in the fair value of the listed Mezzanine stocks, including the two new ones (ALPHA's Galaxy Cosmos and TPEIR's Sunrise) that started trading poorly this week. Our view is that: (a) EUROSTAT will look to add only a portion of the HAPS guarantees to the GR debt (AXIAe: EUR 5bn), leading to 170% FY22 debt/GDP (-10p.p. vs. initial expectations), (b) the approved HAPS securitisations should be completed as intended but in any case, the outstanding HAPS guarantee is only c. EUR 850m, and with cleaner GR banking system, HAPS is less needed for the future and (c) our sensitivity analysis shows that the FV of the listed Mezz stocks depend on the payments waterfall, the GBV recoverability and the collection rate assumptions (Exhibit 4). The results can be binary and while we do not rate the four entities, we conclude that Galaxy Cosmos offers better risk-reward under most scenarios.

Supreme court decision regarding auctions complicates things. Last month, the GR Supreme Court decided that servicers can not represent funds & banks in court for the recovery of NPL. Servicers & banks have asked the government for clarification as this was the first decision against them.

Auction delays supports EUROSTAT argument; GR debt/GDP to outperform. Separately, the Hercules Asset Protection Scheme (HAPS) expired at the end of October. The GR government has so far guaranteed c. EUR 18.5bn notes. The auctions' freeze, which are c. 20-40% of total collections, under a remote scenario, could lead to servicers' missing HAPS targets. Any such event would support EUROSTAT's argument that HAPS guarantees should be added to the GR debt, with a decision expected in the next few days. Our view is that only EUR 5.bn of the guarantees (the ones with thinner Mezz tranches) will be added to the GR debt, leading to c. 170% FY22 debt/GDP.

HAPS discontinued; existing applications are valid. If EUROSTAT decides to add part of HAPS guarantees to GR debt, HAPS continuation would be unlikely. Our understanding is that approved HAPS (NBG's Frontier II, TPEIR's Sunrise III, All Banks' Solar) will be completed as intended. Even if this is not the case, it does not pose a major threat as: (a) the approved HAPS includes only c. EUR. 0.9bn guarantees and (b) GR banking system is cleaner and does not need HAPS in the future.

Two new securitisation Mezz structures have started trading (poorly) this week... These updates coincide with the listing of two new Mezzanine (Mezz) stocks, Galaxy Cosmos (GCMEZZ GA) and Sunrise (SUNMEZZ GA), earlier this week. The initial performance has been weak (following the existing the incumbent Mezz stocks), due to: (a) major investors' inability to hold small caps and (b) the headlines on auctions freezing. Despite the short-term noise, we provide a valuation framework for Mezz stocks, on the back collection rates, GBV recoverability and payments waterfall

... our sensitivity analysis shows binary results. Whilst we do not rate the listed Mezz stocks, we build a sensitivity analysis to show their fair value under different scenarios. Under all scenarios, we assume a minor deceleration in the collection rates, on the back of the preliminary Supreme Court decision and decelerating macro growth. The results are binary, with valuations from -100% to +1200% vs. current prices. Galaxy Cosmos and Sunrise rank better on most scenarios, with the former offering higher real estate collateral, in our estimates. Under current circumstances, Cairo is not helped by the shape of its collection's waterfall and the fact that it started trading during the pandemic.

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Auctions, HAPS and Cloud (Mezza)nine?

An impasse on NPL foreclosures...

Last month, Greek Supreme Court (Areios Pagos) decided that servicers cannot represent funds & banks in court for the recovery of NPL. This will allow borrowers to gain time before foreclosures. Interestingly, this was the first decision in favor of borrowers, following 10 other (including two from the same circuit of the Supreme Court) decisions that were in favor of the servicers. As a result, servicers and banks asked the government for clarifications and how to proceed. Press reported that the final decision will be taken by the Plenary of the Supreme Court, but the timing is unclear.

...can increase debt/GDP, leave outstanding HAPS out of the system and reduce Mezzanine valuations

This decision can turn into a time-consuming process for the servicers (and of course the funds & banks that they represent). Should the auctions (c. 20-40% of the total collections) be frozen for a prolonged period of time, accompanied with a wider macro slowdown, it limits the ability of servicers to keep up with NPL collections. Under an adverse scenario, this could lead to servicers missing their respective business plans and collection targets.

If significant delays do materialise, this is important for the Hercules Asset Protection Scheme (HAPS) securitisations, as it could trigger the state guarantees for the Senior tranche of select vehicles.

Of course, this is a tail-end risk, as it assumes that: (a) there will be persistent delays for a prolonged period of time (in excess of twelve months) and (b) servicers will not be able to request an additional six-month period for delays outside their control (e.g., pandemic and court delays).

The auction delay causes a number of consequences that need to be considered:

- EUROSTAT argues that Senior notes should be added to the GR debt** | EUROSTAT has previously argued that the HAPS guarantees (c. EUR 18.5bn Senior notes as per Exhibit 1) should be added to the GR debt, given that the SPV do not pass the “market test”. GR officials counterargued that this should not be the case, unless the guarantees have been triggered. The collection delays increase this “triggering” risk, which could tip the scale in favor of EUROSTAT. In any case, EUROSTAT will announce its decision regarding the inclusion of HAPS guarantees to the GR debt in the next few days. Even if a part of HAPS guarantees is added to the GR debt, we note that: (a) the final figure could be materially lower than EUR 18.5bn, as it will only involve a small number of HAPS securitisation, likely the ones with thinner Mezz tranches (below 5% of total GBV) and/or the ones that do not meet the significant risk transfer (SRT) criteria and (b) the GR government receives EUR 250m in interest income per annum as fees. The inclusion of all HAPS guarantees could increase debt/GDP by up to 9p.p. However, this will not stop the GR debt/GDP to produce a material year-on-year decline (outperforming market’s previous targets).
- HAPS unlikely to be renewed but existing applications are still valid** | HAPS expired on the 31st October. A potential inclusion of HAPS guarantees into GR debt makes its renewal unlikely, in our view. There is the outstanding issue with the HAPS securitisation that have been filed (but not yet approved), namely NBG’s Frontier II, TPEIR’s Sunrise III and the system’s Solar. Based on our understanding, the approval process is still in place (as the filings were performed within the required deadline), and the banks have structured them with larger Mezzanine (Mezz) tranches to comfortably meet SRT criteria. No HAPS guarantee would mean that the sale price could be lower (i.e., slightly higher provisions or biggest Mezzanine chunk) and that there will not be RWA relief for the Senior notes. In any case, no HAPS guarantee would have not been an issue as the size of these securitisations is relatively small (estimated at EUR 850m total Senior notes guarantees, o/w EUR 450m NBG, EUR300m TPEIR), and banks have already allocated an above-average Mezzanine tranche (i.e., booked higher provisions). Finally, GR banks are cleaner now on single-digit NPEs and as such HAPS is not as necessary going forward.

Exhibit 1: Existing HAPS securitisations (EURm)

Bank	Name	Senior	Mezzanine	Junior
ALPHA	Galaxy	3,763	748	6,256
ALPHA	Cosmos	1,720	215	1,503
EUROB	Cairo 1	681	314	842
EUROB	Cairo 2	974	600	1386
EUROB	Cairo 3	754	550	1405
EUROB	Mexico	1,550	200	3,400
NBG	Frontier 1	3,000	500	2500
TPEIR	Phoenix	950	182	792
TPEIR	Vega	1,442	68	3,188
TPEIR	Sunrise 1	2,450	250	4,511
TPEIR	Sunrise 2	1,240	120	1,300
Total		18,524	3,747	23,898

Source: Company data, AXIA estimates

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- **Valuation of Mezzanine entities could be lower** | The collection delays pose a threat to the fair value of the Mezz notes, for the four Mezz stocks currently listed. As mentioned above, a prolonged underperformance vs. the agreed targets could lead to accelerated payments, i.e., no Mezzanine interest payment before the full redemption of the Senior note principal. This is not relevant for Cairo (that is already a laggard), but it could reduce the value for Phoenix Vega, Galaxy Cosmos and Sunrise I & II. We analyse more, in the next section. We note that the two new Mezz stocks started trading very weakly, following Cairo and Phoenix Vega, due to the recent headlines.

Mezzanine structures: A bit of background & the key variables

The basics on creating a securitisation vehicle

Before we dwell into the specifics about the different listed Mezz entities, we start by providing a bit of background to assist investors that have not looked at these instruments before.

As a starting point, the GR banks chose to securitise selected problematic portfolios (vs. outright selling them) for two reasons, as it allowed: (a) the banks to maintain some upside risk / exposure, and reduced the investment that a buyer would have to make and (b) banks are still somewhat involved in the run-down of portfolios, which is important from a reputational standpoint and not to damage client relationships.

The NPE securitisations are fairly simple, as the bank would transfer legal contracts into an SPV (special purpose vehicle – consolidated by the bank at this stage). The SPV issues notes, with different Seniority, back to the bank.

For an SPV to be deconsolidated and the bank to get the RWA / capital relief, there are a few stages involved:

- Creating a **waterfall structure** (e.g., Exhibit 2) that highlights the timing and priority that payments will be made to the various SPV owners. This also include the SPV servicer, Issuers' expense, the HAPS guarantee, the interest and principal payment on the Senior, Mezz and Junior notes.
- Creating various tranches based on historical data (used to calculate the recovery rates) and collateral valuations.

Exhibit 2: SPV waterfall structures

CAIRO	GALAXY COSMOS / PHOENIX VEGA / SUNRISE I & II
1 Servicing Fees, Issuers' expenses and other securitization expenses (i.e., legal fees, levies of L. 128/1975, etc.)	1 Servicing Fees, Issuers' expenses and other securitization expenses (i.e., legal fees, levies of L. 128/1975, etc.)
2 Issuers' Profit (fixed specified amount of c. € 3,000 per annum for all Issuers in total)	2 Issuers' Profit (fixed specified amount of c. € 3,000 per annum for all Issuers in total)
3 Commissions for Hercules Asset Protection Scheme ("HAPS") (L. 4649/2019)	3 Commissions for Hercules Asset Protection Scheme ("HAPS") (L. 4649/2019)
4 Interest Payments of Sr Notes (including current & deferred interest)	4 Interest Payments of Senior Notes (including current & deferred interest)
5 Reserves for Senior Notes' Interest and Other Expenses and Fees ("Class A Liquidity Reserve Fund Ledger)	5 Reserves for Senior Notes' Interest and Other Expenses and Fees ("Class A Liquidity Reserve Fund Ledger)
6 Principal Repayments of Sr Notes (up until their redemption in full)	6 Interest Payments of Mezzanine Notes (including deferred interest)
7 Interest Payments of Mezzanine Notes (including deferred interest)	7 Principal Repayments of Sr Notes (up until their redemption in full)
8 Principal Repayments of Mezzanine Notes (up until their redemption in full)	8 Principal Repayments of Mezzanine Notes (up until their redemption in full)
9 Interest Payments of Junior Notes (including deferred interest)	9 Interest Payments of Junior Notes (including deferred interest)
10 Principal Repayments of Jr Notes (up until their redemption in full)	10 Principal Repayments of Jr Notes (up until their redemption in full)

Source: Company data

When the SPV is ready, GR banks retain the Senior note (if under HAPS, this portion is guaranteed by the GR state) and sells or transfers the majority of the Mezzanine and Junior notes. The bank takes a hit on the Mezzanine notes, which reduces capital.

SPV is de-consolidated from an accounting perspective as long as: (a) there is transfer of ownership of the legal contracts to the SPV and the Mezzanine position has been sold / transferred to third party, (b) there is no more than 10% exposure to SPV cash flows and (c) there is no bank control over the underlying exposures.

Significant risk transfer (SRT) is the most interesting requirement as it allows the bank to free-up capital. For the Senior tranche, this is achieved through the HAPS guarantee. For the Mezzanine tranche, this is achieved with the bank's holding not exceeding 50% of the total outstanding Mezzanine notes, albeit banks retain 5% economic interest (skin in the game).

Key variables to estimate future cash flows

When looking at the valuation of Mezzanine structures / notes, the three most important elements that could help to assess the potential NPV of the Mezzanine notes:

- Quality of **underlying portfolio** (yes – it is fairly obvious), and importantly the size of the real estate collateral as proportion of notional value;
- The rank of Mezzanine interest & principal payments in the waterfall structure;
- The size and proportion of the various tranches (Senior, Mezzanine and Junio);

Other significant variables that affect the cash flows, and therefore the performance of the Mezzanine entities are:

- **Collection rates** | This is the ratio of collections to GBV. It can vary significantly per annum and portfolio. It is also the leading KPI for servicers, as it is the cash available for various distributions. Persistent underperformance could lead to: (a) change of servicer, (b) triggering of government guarantee (for HAPS) and (c) incremental liquidity needs for the SPV.
- **Servicing fees (management & performance fees)** | This is the fee that NPE servicers will receive and can vary for different SPV vehicles. Based on disclosed information, the base fees (i.e., management fee is c. 15bps of GBV on average), with a collection fees (i.e., performance fee of c. 10% of collections) on top. Note that if the collections are more than 20% lower than business plan, the servicing fee is also deferred by at least 20%. In certain structures, Mezzanine B1 holders are allowed to switch servicer if the HAPS guaranteed portion gets actioned. This happens if for two consecutive period the total realized collections are at least 30% lower than the submitted business plan. The replacement can generally only be done if the delay can be attributed to the servicers (e.g., not the pandemic that caused court delays).
- **HAPS guarantee fee (tied to the GR CDS)** | The HAPS guarantee for the Senior tranche is a fee payment to the GR government that is calculated (in a complicated fashion) using a formula based on average mid-price CDS (credit default swap) at different maturities (3, 5, 7, 10 years). Naturally, these fees are now higher due to the recent increase of rates.
- **Senior note interest rate** | This is the interest attached to the Senior notes, which is usually quite low (c. 0.7-0.75%)
- **Senior note principal repayment** | This is the repayment of the principal amount for the Senior notes.
- **Mezzanine notes interest rate** | This is the interest rate attached to the Mezzanine notes, which is always higher than the Senior note (as it is on lower GBV).
- **Mezzanine notes maturity date** | This is the maturity date for the various tranches of Mezzanine notes, and it is usually quite long.
- **Discount rate (to calculate the NPV)** | The valuation is heavily driven through the estimated cost of equity (CoE) for this project, especially as meaningful cash flows will start to materialise in the medium-term. We note that the firms responsible for the initial valuation (Deloitte, Grant Thornton) of the different securitisation tranches are using high CoE c. 20%, due to the application of “size premium risk”, which is the additional risk premium by investors for companies smaller than the weighted average of the entire equity market (estimated at c. 5%) and “illiquidity premium”, which relates to illiquid NPL investment (estimated at c. 1-2% due to the “junk” rating of the underlying investments).

Our valuation methodology & Phoenix Vega example

We calculate the different inflows & outflows for the various securitisations, and then identify the flows going to the Mezzanine entities. They key assumptions as mentioned above that investors should consider are: (a) collection rate per annum, (b) total collections (recoverability as proportion of GBV) and (c) discount rate. There are secondary variables that are also important: (a) servicing and other fees (in bps), collection fees (%) and HAPS fees (in bps).

Exhibit 3: Phoenix Vega valuation example

(EUR000s)	STARTING	2022	2023	2024	2025	2026	2027	2028	2029
INFLOWS									
Collection Rate (%)	4% ¹	271	265	257	250	243	238	233	227
Total collections (% GBV)	35%								
OUTFLOWS									
Servicer & Other Fees (bps)	30	-20	-20	-19	-19	-18	-18	-17	-17
Collection Fee (%)	10%	-27	-26	-26	-25	-24	-24	-23	-23
HAPS Fee (bps)	80	-19	-18	-16	-15	-14	-13	-12	-10
Senior Notes Interest (%)	0.75%	-18	-18	-18	-17	-17	-16	-16	-15
Mezzanine Notes Interest (%)	9.0%	-36	0	0	0	-35	-35	-35	-35
Senior Notes Principal		-55	-55	-55	-55	-56	-56	-57	-57
Senior Notes Principal (balance) ²		-96	-128	-123	-119	-79	-76	-73	-70
Mezzanine Principal		0	0	0	0	0	0	0	0
Junior Notes Interest & Principal		0	0	0	0	0	0	0	0
SPV BALANCES									
Senior Notes	2,393	2,242	2,059	1,881	1,707	1,571	1,439	1,309	1,182
Mezzanine Notes	396	396	396	396	396	396	396	396	396
Junior Notes	3,981	3,981	3,981	3,981	3,981	3,981	3,981	3,981	3,981
Gross Book Value	6,770	6,619	6,437	6,258	6,084	5,949	5,816	5,687	5,559
MEZZANINE CASH FLOWS									
Interest collected		36	0	0	0	35	35	35	35
Principal collected		0	0	0	0	0	0	0	0
NPV	20%	36	0	0	0	20	17	14	12
TOTAL NPV	104								

Source: AXIA estimates, Company data

In Exhibit 3, we provide an example of our valuation methodology for Phoenix Vega. We select Phoenix Vega, as we already have FY21 and 1H22 accounts to back-test our methodology for consistency. Note that the shadowed numbers relate to our key assumptions that we will be stressing in the next section. In this example, we also demonstrate the importance of collection rates. We assume that due to the supreme court decision, collection rates will be subdued and as such no Mezzanine notes interest will

¹ Assuming lower collections of 2% for FY22-24 to capture macroeconomic environment and auction delays

² Balance is calculated in order to repay fully the senior notes principal, prior to moving into the mezzanine section.

be paid through to FY26. Nevertheless, even under this scenario, the NPV of the Mezzanine notes of PV going forward is worth EUR 104m, i.e., significantly higher than the current market cap.

We have prepared similar models for the other three Mezzanine structures (Cairo, Galaxy Cosmos and Sunrise). Please contact your AXIA representative for a copy of the relevant model.

Performing a sensitivity analysis on various assumptions: the results are binary

We have performed a number of scenarios stressing three primary variables: (a) total collections (as % GBV), (b) collection rates (%) and cost of equity discount rate (CoE). Our scenarios take into account a collection slowdown for 2022-24 on the back of tougher macroeconomic environment and the recent issues vis-à-vis auctions. The conclusion is that the results (Exhibit 4) are not linear, and are **binary**. In simple terms, drop in collections rates (for a prolonged period of time) creates a material threat to the NPV of the Mezzanine notes.

Overall, investors should look for an above average recoverability rate (c. 40%), with above 4-5% collection rate. If:

- The collection rate is too low (we believe that anything below 4% rate is below servicers' business plans), it would lead to an accelerated event where the repayment of Senior notes principal would get priority over Mezzanine notes interest, and therefore would significantly reduce the valuation of these instruments;
- The collection rate is too high (let's say 10%) without high total collections, this is also not optimal for a combination of interest and principal on the Mezzanine notes.

Exhibit 4: Mezzanine valuation sensitivity analysis

Scenario Summary	Base ³	Optimistic					Pessimistic			Various		Discount rate	
		1	2	3	4	5	1	2	3	1	2	1	2
KPIs (%)													
Collection Rate	4%	5%	6%	6%	7%	8%	4%	3%	3%	2%	10%	4%	4%
Total Collections (of GBV)	35%	40%	45%	50%	50%	55%	30%	35%	30%	70%	25%	35%	50%
Discount Rate	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	15%	15%
VALUATION (EURm)													
Cairo	0	0	79	79	138	176	0	0	0	0	0	0	41
Phoenix Vega	104	93	170	170	162	153	104	0	0	0	274	136	136
Galaxy Cosmos	106	106	179	186	179	179	100	0	0	0	96	126	157
Sunrise	81	68	143	143	132	119	81	0	0	0	103	102	102
UPSIDE / DOWNSIDE (%)													
Cairo	-100%	-100%	123%	123%	287%	395%	-100%	-100%	-100%	-100%	-100%	-100%	14%
Phoenix Vega	47%	31%	142%	142%	130%	117%	47%	-100%	-100%	-100%	288%	93%	93%
Galaxy Cosmos	649%	649%	1162%	1208%	1162%	1162%	603%	-100%	-100%	-100%	575%	789%	1004%
Sunrise	456%	363%	875%	875%	800%	711%	456%	-100%	-100%	-100%	603%	599%	599%

Source: AXIA estimates, Company data

Overall, Cairo Mezz looks to be vulnerable under a number of scenarios due to: (a) its waterfall structure where the principal of the Senior notes has to be repaid prior to the Mezzanine notes interest, (b) the starting point, as it faces cumulative weaker collections-to-date due to the pandemic. For Phoenix Vega, we see upside under most scenarios, albeit this is limited reflecting the strong performance-to-date. We do not see meaningful differences between Galaxy Cosmos and Sunrise, with the former showing higher upside under most scenarios. However, we reiterate that these valuation would heavily depend on the ability of the servicers to meet their business plans in the next two-three years, which could be outside their control as long as servicers are not allowed to foreclose loans (an integral part for collections).

As a final point, we note that as of the time of writing, Galaxy Cosmos and Sunrise have dropped 60% and 50% respectively in less than two days of trading. In our view, this is a technical reaction as: (a) the majority of the ALPHA and TPEIR shareholders are not allowed to hold illiquid small caps under their mandates and (b) recent headlines created negative noise for all Mezz stocks, confirming our binary view.

³ This is just the first scenario that we put in our financial models, and does not constitute our target price.

Appendix

Cairo

Cairo Mezz was the first Mezzanine stocks to be given to banks' shareholders. The total GBV was EUR 7.5bn, o/w EUR 2.7bn were the Senior notes. We estimate that the portfolio was 48% backed by real estate collateral (i.e., EUR 3.6bn). Cairo consists of Cairo 1 that expires on 31-Dec-54, Cairo 2 that expires on 31-Dec-62 and Cairo 3 that expires on 31-Dec-35. The interesting thing about Cairo is that as per the waterfall structure, the principal repayment of the Senior notes is before the interest payment of the Mezzanine notes. This means that the cashflows (if any) will be back-loaded. So far, there have not been any coupons paid as expected. On the positive side, the Senior tranche is relatively small (32%), albeit the recoverability would need to exceed 45% (on a 5% collection ratio) for the NPVs to reach current valuation.

The independent valuation shows that the fair value of Cairo's Mezzanine notes is c. **EUR 70.8m**, or **4.8%** of the nominal value.

Exhibit 5: Cairo ownership & structure

EUR000s	Rank	EUROB	DOV	Cairo Mezz PLC	TOTAL	%	Rate (%)
Senior A	High	2,409,320	0	0	2,409,320	32%	
Mezzanine B1	Medium	73,212	292,847		366,060	5%	EURIBOR + 5%
Mezzanine B2	Medium			1,098,178	1,098,177	15%	EURIBOR + 5%
Junior C1	Low	181,638	1,820,016		2,001,654	27%	EURIBOR + 8%
Junior C2	Low			1,631,112	1,631,112	22%	EURIBOR + 8%
Total		2,664,170	2,112,863	2,729,290	7,506,323	100%	

Source: Company data

Phoenix Vega (PV)

Phoenix consists of residential mortgages NPEs, with GBV of EUR 1.9bn. HAPS guarantees up to EUR 1bn. Vega consists of residential mortgages, commercial and corporate NPEs, with GBV of EUR 4.9bn. HAPS guarantees EUR 1.4bn, with the sale price at 31% of GBV. The Mezzanine notes mature on different dates of: (a) Vega 1, 8-Aug-74, (b) Vega 2, 12-May-50, (c) Vega 3, 14-May-50 and (d) Phoenix, 2-Nov-63. Given that Phoenix largely consists of residential mortgage, the RE collateral would have been very high (c. 80% per AXIA estimates). However, Vega is much more diverse with a lower number of residential mortgages, and consumer finance exposures (usually accompanied with the lowest collateral values), and corporate loans. As such, we estimate a 42.5% RE collateral value. The weighted average of the PV's collateral value is estimated at 60%, or EUR 4.1bn.

PV is structured so that the interest on Mezzanine notes is above the principal of the Senior notes. This is reflected from the existing from the coupons already received by PV, since it started trading in 2021. Based on the company's disclosures, in FY21 there were EUR 9.3m coupon, in 1H22 this accelerated to EUR 13.7m. The company disclosed additionally that as of 30-Sep-22, there were another EUR 4.7m coupons received. This takes the total Mezzanine payment to EUR 27.7m. This increased the cash balances for PV to EUR 22m as of 1H22, and the entity to announce a share capital reduction and cash return of **EUR 18m** as dividend for the 4Q22. This is 26% dividend yield, following the recent slump of the stock.

As a reminder, the independent valuation shows that the fair value of PV's Mezzanine notes is c. **EUR 64.8m**, or **4.4%** of the nominal value.

Exhibit 6: Phoenix Vega ownership & structure

EUR000s	Rank	TPEIR	Intrum	Phoenix Vega Mezz PLC	TOTAL	%	Rate (%)
Senior A	High	2,392,500	0	0	2,392,500	35%	
Mezzanine B1	Medium	6,255	118,800	0	125,055	2%	9%
Mezzanine B2	Medium	13,549	0	257,396	270,945	4%	7% / 9%
Junior C1	Low	104,773	1,990,621	0	2,095,394	31%	
Junior C2	Low	94,294	0	1,791,542	1,885,836	28%	
Total		2,611,371	2,109,421	2,048,938	6,769,730	100%	

Source: Company data

Galaxy Cosmos (GC)

Galaxy Cosmos (GC) is the first ALPHA Mezzanine entity. It relates to four SPVs: Cosmos, Galaxy II, Galaxy IV and Orion X Securitisation DAC. ALPHA transferred a portfolio with gross book value (GBV) of EUR 14.2bn. GC shares were offered to ALPHA's shareholder on 1:27 basis. GC relates to retail and corporate NPEs. HAPS guarantees EUR 5.5bn (the Senior note portion) that carries 0.70% coupon

(for Cosmos) and 0.75% (for the other three SPVs), with the Mezzanine notes (7% of total GBV) carrying an interest of 4% and maturing in Oct-2060.

We estimate that the SPV is backed by EUR 7.8bn collateral, or 55%. The waterfall structure is similar to PV, ensuring that coupons for Mezzanine notes interest will be paid earlier on in the cycle. We believe that GC can achieve higher recoverability due to the quality of the portfolio (including collateral).

The independent valuation shows that the fair value of GC's Mezzanine notes is c. **EUR 21.9m**, i.e., **5%** of the nominal value

Exhibit 7: Galaxy Cosmos ownership & structure

EUR000s	Rank	ALPHA	Davidson Kempner	Galaxy Cosmos Mezz PLC	TOTAL	%	Rate (%)
Senior A	High	5,483,000	0	0	5,483,000	39%	0.70% /0.75%
Mezzanine B1	Medium	0	48,150	0	48,150	0%	4%
Mezzanine B2	Medium	48,150	442,980	423,720	914,850	6%	4%
Junior C1	Low	388,006	3,957,657	3,414,450	7,760,113	55%	-
Junior C2	Low	5,483,000	0	0	5,483,000	39%	-
Total		5,919,156	4,448,787	3,838,170	14,206,113	100%	

Source: Company data

Sunrise

Sunrise is the second TPEIR's Mezzanine entity, which was offered to TPEIR's shareholders on 1:5 basis, with a starting price EUR 0.14 (currently trading down 50%, at EUR 0.07). Sunrise I consists of retail and corporate NPEs, with c. 205k loans and GBV of EUR 7.2bn as of 3Q20. The sale price was 34.5% of GBV. HAPS guarantees were EUR 2.45bn. TPEIR sold 49% of 2% of the Mezzanine and Junior note to Intrum and Serengeti. Sunrise II consists of retail and corporate NPEs, with c. 47k loans and GBV of EUR 2.7bn as of FY20. The implied valuation is at 47.4% of GBV. HAPS guarantees were EUR 1.2bn. TPEIR sold 49% of 2% of the Mezzanine and Junior note to Intrum and Serengeti. We estimate that the real estate collateral of the Sunrise I & II securitisation is c. EUR 4.6bn or 46%. The waterfall structure is similar to PV and GC ensuring that coupons for Mezzanine notes interest will be paid earlier on in the cycle.

The independent valuation shows that the fair value of Sunrise's Mezzanine notes is c. **EUR 21.9m**, i.e., **5%** of the nominal value.

Exhibit 8: Sunrise ownership & structure

EUR000s	Rank	TPEIR	Intrum	Serengeti	SunriseMezz PLC	TOTAL	%	Rate (%)
Senior A	High	3,690,000	0	0	0	3,690,000	37%	
Mezzanine B1	Medium	9,933	175,300	13,400	0	198,633	2%	9%
Mezzanine B2	Medium	8,569	0	0	162,798	171,367	2%	9%
Junior C1	Low	156,009	2,782,781	181,235	0	3,120,025	32%	
Junior C2	Low	134,595	0	0	2,557,263	2,691,858	27%	
Total		2,611,371	2,109,421	194,635	2,720,061	9,871,883	100%	

Source: Company data

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