

# The Successful 43rd

Stockholm (HedgeNordic) – Japan-focused **Sector Zen** has confirmed its 43<sup>rd</sup> takeover bid within its long book after a consortium led by private equity firm Bain Capital agreed to buy all shares of Hitachi's metals subsidiary, Hitachi Metals. In mid-December of last year, the Sector Zen team led by Trond Hermansen (*pictured*) announced Idemitsu's attempted acquisition of its 50 percent-owned listed subsidiary, Toa Oil, as Sector Zen's 43<sup>rd</sup> takeover since inception. However, the takeover proposal was canceled after not getting sufficient acceptance among minority shareholders.

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With Sector Zen holding about two percent of its portfolio in Hitachi Metals, the takeover offer for Hitachi's listed metals subsidiary now represents Sector Zen's 43<sup>rd</sup> takeover bid since launching in 2006. "We are pleased to announce a new takeover within Sector Zen's long book," write the Sector Zen team in an update to investors. The consortium led by Bain Capital will offer 2,181 yen per share for the 47 percent of Hitachi Metals not owned by Hitachi. The consortium will spend an additional 383 billion yen to acquire Hitachi's 53 percent stake at 1,674 yen per share. The offer of 2,181 yen per share to minority shareholders represents a 15 percent premium to yesterday's closing price and an all-time-high for the share price of Hitachi Metals.

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"We first bought into Hitachi Metals in the spring of 2018, and increased the stake in the summer of 2019," the Sector Zen team writes in the update to investors. "Its share price rose sharply towards February 2020, before suffering badly in the March crash due to its cyclical nature," the update continues. "Recently we took some profits on parts of our position after the stock had doubled from its post-pandemic low to trade at around 1.7 times book value. Together with the remaining position, Hitachi Metals has contributed more than 2% to Sector Zen's return in total."

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Although the takeover offer for Hitachi Metals could have been Sector Zen's 44<sup>th</sup> successful takeover bid had Idemitsu's attempted acquisition of its 50 percent-owned listed subsidiary Toa Oil been successful, Sector Zen still holds a position in Toa Oil. After the failed takeover attempt by Idemitsu, a U.S. activist fund has acquired more than 30 percent of outstanding shares in Toa Oil, with the company's share price currently trading at a premium to Idemitsu's initial tender offer.

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Japanese companies have been under pressure to focus on creating value for shareholders in recent years following a push for better governance by the Japanese government, foreign activist investors and private equity firms. Hermansen recently told HedgeNordic that global private equity players such as KKR, Bain Capital and Carlyle have been working very closely with big Japanese

conglomerates such as Hitachi, Toshiba and Panasonic to find and acquire subsidiaries that could be more valuable with other owners. "It is a win-win situation," said Hermansen. The team at Sector Zen is looking for "situations where there is scope for change," with activist funds and private equity firms "looking for the same stuff that we are looking for."