

# Pathfinder Spotlight

For the week ending May 18<sup>th</sup>, 2018

## Softbank Group Inc: 9984 JP

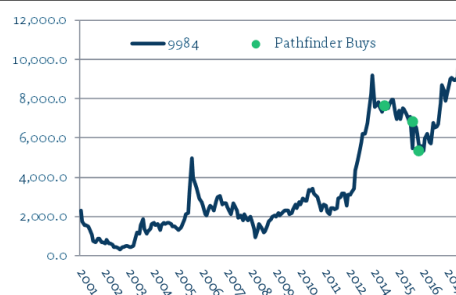
We were in Tokyo recently and took the opportunity to take meetings on one of our holdings: Softbank Group Inc (9984:JP). For those who do not know, Softbank is a Japanese company that has evolved from a domestic telephone provider to a global telecom giant and technology investor/incubator. The firm was started by its founder in 1981 as a software distributor. By the early 2000's it began to consolidate fixed wireline, high speed internet and wireless assets in Japan, culminating in the takeover of Vodafone Japan and Sprint USA. Recently they have agreed to merge with T-Mobile in the US and IPO the domestic Japanese telecom assets in Tokyo. At the same time, Softbank began a venture capital business investing in internet, ecommerce and technology companies, building what is believed to be the largest portfolio of technology companies in the world, with its prized asset of just under 30% ownership of Alibaba Group Holding Limited (BABA US).

The company has vast investments in technology, communications, energy and asset management. The most significant development is the creation of the Softbank Vision Fund which is a US\$100 billion investment portfolio focused exclusively on technology investments. Another major development was the purchase of ARM Holdings, a semiconductor and software design company whose designs featured in billions of chips in devices.

We own this company for three reasons: 1) valuation: trading at a substantial discount (Figure 2) to the right; 2) the potential synergy with existing assets and future investments in the Vision Fund (i.e. future optionality); and, 3) management, while aggressive, has made excellent capital allocation and shareholder friendly transactions. As the founder owns 21% of the company, we feel that he is aligned with the rest of the shareholders. We look forward to seeing the future of our investment thesis.

Michael Rudd, CFA | President, CEO & Portfolio Manager

**Figure 1: Softbank Group Inc (9984 JP)** May 15, 2018



Source: Bloomberg Markets LP, Pathfinder Asset Management Limited

**Figure 2: Softbank (9984 JP): Sum of the Parts Valuation** May 18, 2018

Region	¥ (Blns)
Value of Public Assets (Sprint, Yahoo Japan, Alibaba)	13,758
Value of Major Operating Companies	8,029
Sub Total	21,788
Hold Co Net Debt	6,510
Net Total Value	15,277
Shares out standing	1.1 Billion
Value per share	15,539
Current Price Market Price (9984 JP)	8,411
Discount	46%

Note: this does not include: Future value of Vision Fund economics or inter company synergy or investments in: Fortress Asset Management, Boston Dynamics, Japan Robotics, Softbank Hawks, Softbank Energy, South East Asia assets or the Venture Capital portfolio.

Source: Bloomberg Markets LP, Pathfinder Asset Management



**Pathfinder Asset Management Ltd. | Equally Invested**

1320-885 W. Georgia Street, Vancouver, BC V6C 3E8

E [info@paml.ca](mailto:info@paml.ca) | T 604 682 7312 | [www.paml.ca](http://www.paml.ca)

Sources: Bloomberg, Pathfinder Asset Management Limited

**Disclosure**

National Instrument 31-103 requires registered firms to disclose information that a reasonable investor would expect to know, including any material conflicts with the firm or its representatives. Doug Johnson and/or Pathfinder Asset Management Limited are an insider of companies periodically mentioned in this report. Please visit [www.paml.ca](http://www.paml.ca) for full disclosures.

\*All returns are time weighted and net of investment management fees. Returns from the Pathfinder Partners' Fund and Partners' Real Return Plus Fund are presented based on the masters series of each fund. The Pathfinder Core: Equity Portfolio and The Pathfinder Core: High Income Portfolio are live accounts. These are actual accounts owned by the Pathfinder Chairman (Equity) and client (High Income) which contain no legacy positions, cash flows or other Pathfinder investment mandates or products. Monthly inception dates for each fund and portfolio are as follows: Pathfinder Core: Equity Portfolio (January 2011), Pathfinder Core: High Income Portfolio (October 2012) Partners' Fund (April 2011), Partners' Real Return Plus Fund (April, 2013), and Partners' Core Plus Fund (November 2014).

Pathfinder Asset Management Limited (PAML) and its affiliates may collectively beneficially own in excess of 10% of one or more classes of the issued and outstanding equity securities mentioned in this newsletter. This publication is intended only to convey information. It is not to be construed as an investment guide or as an offer or solicitation of an offer to buy or sell any of the securities mentioned in it. The author has taken all usual and reasonable precautions to determine that the information contained in this publication has been obtained from sources believed to be reliable and that the procedures used to summarize and analyze such information are based on approved practices and principles in the investment industry. However, the market forces underlying investment value are subject to sudden and dramatic changes and data availability varies from one moment to the next. Consequently, neither the author nor PAML can make any warranty as to the accuracy or completeness of information, analysis or views contained in this publication or their usefulness or suitability in any particular circumstance. You should not undertake any investment or portfolio assessment or other transaction on the basis of this publication, but should first consult your portfolio manager, who can assess all relevant particulars of any proposed investment or transaction. PAML and the author accept no liability of any kind whatsoever or any damages or losses incurred by you as a result of reliance upon or use of this publication.