

# Stock story: SoftBank

October 2023

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SoftBank, an investment holding company of world-leading technology businesses, has evolved rapidly since its inception. Investment manager Matthew Brett explains why Softbank is emblematic of how Japanese companies could shape the future of disruptive technology.

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**Matthew Brett:** The bursting of Japan's bubble in the early 1990s created an indelible impression on financial markets. The term 'Japanification' was coined to capture the country's woes – an expression that now elicits fear of economic stagnation in other developed nations.

But Japan has since changed. Entrepreneurs are foregoing the stereotypes of 'salarymen' and directing their focus towards creating new, innovative technologies that are challenging the status quo. SoftBank is a prime example of this opportunity.

SoftBank is an investment holding company of world-leading technology businesses. The company has rapidly evolved since its first foray into internet services and software distribution. From establishing Japan's first web portal – Yahoo!Japan – in 1996; to an early investment in the ecommerce company Alibaba in 2000; to striking up sole rights with Apple to distribute the iPhone in Japan in 2008. Today it is focused on the next chapter of transformation, driven by artificial intelligence.

SoftBank's largest single holding is ARM, a leading technology provider that recently went public in the US and specialises in designing chips essential for smartphones, cars and data centres. SoftBank is also well known for its Vision Fund, the world's largest technology-focused private equity portfolio. With hundreds of companies operating across a variety of fields, the Vision Fund provides the company with significant capital to support the future of disruptive technology.

The company is run by CEO and founder Masayoshi Son, credited for his audacious and experimental approach to investing. There is strong academic evidence of the economic value of having founders at the helm, and we believe it to be critical to good corporate governance.

With shares trading at about half the value of their underlying assets, we think that SoftBank is materially undervalued. Aware of this large discount, Mr Son has conducted an aggressive buyback policy, with ¥4.5tn executed over the last five years alone – equivalent to around \$30bn. We believe this offers good evidence of entrepreneurs thinking about value for shareholders.

SoftBank is emblematic of the entrepreneurialism that is challenging Japan's traditional corporate scene. Through its visionary leadership and forward-thinking business model, SoftBank is evidencing how Japan may provide the solutions to shape the future.

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