Sujet traité : Après 7-Eleven, la scène fusions et acquisitions du Japon pourrait ne plus jamais être la même / After 7-Eleven, Japan's M&A scene may never be the same again

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Opinion **Mergers & Acquisitions**

After 7-Eleven, Japan's M&A scene may never be the same again

Lawyers, bankers and PE fund supremos say the stage is set for a wave of smaller-scale, exploratory unsolicited takeovers

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Step into any Japanese branch of 7-Eleven, and the best of corporate Japan is stacked at optimum buying level before you. An endlessly evolving array of Asahi, Kirin and Suntory drinks; prepaid cards for Nintendo games; Mitsubishi ballpoint pens; Meiji Meltykiss chocolates; Bandai toys; Shiseido moisturiser; Gunze tights; Nissin UFO instant fried noodles.

A delight for consumers and, with what feels like a big, era-shifting flick of a switch this week, a showcase for everything that suddenly feels within takeover grasp of corporates and private equity funds around the world. Games, food, clothes brands, retailers, engineers: think of a Japanese company, said one M&A banker, and there is someone, somewhere wondering whether they should pounce.

However modest the revolution turns out to be, the sense of an upended status-quo comes courtesy of Alimentation Couche-Tard (ACT) and its designs on the operator of Japan's favourite convenience store. The Canadian retailer has made an audacious, unsolicited approach to buy 7&I Holdings (current market valuation $36bn), the Tokyo-listed company that runs and has vastly expanded the 7-Eleven chain and which, through incremental improvement, defines the art of the convenience store.

If it comes off, this will be Japan's biggest foreign-led takeover; even if it does not, there is a prospect that Japan's M&A scene will never be the same again.

Key details of ACT's approach, including the offer price, remain elusive and no formal bid has yet been declared. But the known elements indicate profound change: the fact that the Canadians have been looking at this for years but acted now, that they are pushing ahead with an unsolicited move and that 7&I has felt forced to constitute a special committee to examine whatever is on offer.

For decades, would-be foreign buyers have despaired of getting anywhere with Japan, however obviously desirable (Yakult? Konami? Canon? Nintendo? Yamaha?) the list of potential targets. A market for corporate control, whether led by domestic consolidation or foreign takeover, has never properly evolved — in part because no one has forced Japanese companies to accept the primacy of shareholder interests.

Absent the forces driving valuations higher, the Tokyo Stock Exchange twinkles with heavily undervalued brands and brilliance. ACT, for example, has a market capitalisation 1.5 times larger than 7&I with about a fifth the number of stores. Japanese companies are not rated as if they are profit-hungry, because the country's long years of ultra-low interest rates means a great many are not.

But Japan has also exuded — through fierce resistance, poison pill strategies and more — the message that its treasures were off-limits. Chief executives were not historically obliged, by law, best practice or feisty shareholders, to take unsolicited offers seriously, and conventional wisdom (along with the recommendation of financial advisers) was that only a fully agreed takeover could work.

Everything underpinning that is being challenged by recent changes giving ACT its confidence. The yen has probably bottomed and is likely to rise. Governance and stewardship codes have toughened. Activists are now an accepted part of the scenery. Last year, the Ministry of Economy, Trade and Industry (Meti), in the hope of stimulating some domestic consolidation, changed takeover guidelines to encourage CEOs to take bona fide offers seriously. The stock exchange has demanded companies focus on raising capital efficiency and valuations.

All of this should, according to recent predictions by M&A lawyers, bankers and PE fund supremos, have set the stage for smaller-scale, exploratory unsolicited takeovers; that wave has yet to emerge and ACT seems to have decided it cannot wait.

For Japan, there is a great deal to be tested if ACT proceeds with a full takeover bid — targeting a company so central to Japanese life it guarantees constant, widespread scrutiny.

7&I, if it chooses to reject ACT's approach, may be forced to defend itself with a raised valuation and a promise, through gritted teeth, that it is prepared to exist primarily in the service of shareholder interests.

Japanese institutional money must decide whether it has a fiduciary duty and societal say-so to sell to the highest offer. Meti, having put in place the mechanism to encourage what it thought would be a vibrant domestic M&A market, electrified by unsolicited bids, must decide whether it tolerates that mechanism being chiefly exploited by foreign buyers itching to get their hands on the best of Japan.

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