

US hedge fund asks Seoul court to stop Samsung takeover deal

June 9 2015, by Youkyung Lee

A U.S. hedge fund is challenging a takeover deal between Samsung companies designed to ensure control of the conglomerate passes to the grandson of its founder.

Elliott Associates L.P., a U.S. hedge fund that is the third-largest [shareholder](#) in a Samsung group company Samsung C&T, said Tuesday it filed an injunction against the company and its board of directors to stop an "unlawful" [takeover deal](#).

Elliott said the proposed takeover of Samsung C&T by Samsung's de facto holding company Cheil Industries is unfair to shareholders. Since announcing its acquisition of a 7.12 percent stake in Samsung C&T last week, the [hedge fund](#) has stepped up its campaign to stop the proposed takeover, saying the [deal](#) "significantly undervalues" C&T, a construction firm.

Samsung announced the takeover deal last month, touting it as a strategic move to create a global lifestyle and biotechnology company.

Investors, however, saw it as a corporate maneuver to give Lee Jae-yong, the Samsung founder's grandson, influence over the crown jewel of the Samsung empire, Samsung Electronics Co.

Lee is the biggest shareholder in Cheil Industries and Samsung C&T owns a 4.1 stake in Samsung Electronics.

Cheil plans to complete its takeover of C&T, a much bigger company by assets and revenues, by issuing 0.35 new Cheil share for each C&T share. After the proposed deal, Lee becomes the largest shareholder in the combined entity with a 16.5 percent stake.

The deal was announced when C&T's share price was near a five-year low while Cheil's shares were close to their highest in five years.

The announcement of the deal raised eyebrows among Samsung critics but little opposition was expected at a shareholder meeting next month to approve the deal until Elliott spoke against the takeover.

C&T's largest shareholder, South Korea's National Pension Service, which has a 9.79 percent stake, rarely raises corporate governance issues at shareholder meetings. The second-largest shareholder is another Samsung affiliated company, Samsung SDI.

Elliott's funds manage about \$26 billion of assets.

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