

TECH

Does SoftBank Really Have \$108 Billion for Its Vision Fund 2?

Abu Dhabi's Mubadala sovereign-wealth fund could invest up to \$25 billion



SoftBank founder and CEO Masayoshi Son has described himself as a big talker. PHOTO: RODRIGO REYES MARIN/ZUMA PRESS

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SoftBank Group Corp. [9984 -2.55% ▼](#) appeared to have pulled off a fundraising coup last month when it announced a technology investment fund with \$108 billion in expected capital from the likes of Apple Inc. and Microsoft Corp.

That would make it the world's biggest tech fund. But the number isn't as solid as it looks.

SoftBank said in a press release that it had memorandums of understanding with 12 named entities as well as "major participants from Taiwan," and "based on these" the capital for its Vision Fund 2 "has reached approximately \$108 billion."

People familiar with the matter said that to attain the total, SoftBank is counting on contributions from potential investors not listed in its public statements. And they said the figure could include debt or debt-like securities, stretching the usual definition of "capital."

The investors not yet named by SoftBank likely account for the bulk of the \$70 billion that Vision Fund 2 anticipates receiving from companies beyond the \$38 billion that SoftBank itself has committed, a rough tally by The Wall Street Journal found.

Several potential investors said discussions for the fund announced by SoftBank were at an early stage, a contrast with the more common venture-capital practice of announcing a fund's dollar amount after getting firm commitments from investors. One MOU signer gave no potential investment amount to SoftBank, said a person with knowledge of its discussions.

The amount raised by SoftBank is of intense interest to the technology world because the first Vision Fund, by far the biggest tech-investment fund in the world with nearly \$100 billion in capital, has transformed the environment for young companies. Within two years of its start, it has poured billions of dollars into companies such as Uber Technologies Inc. and office-space provider WeWork Cos., driving up valuations and leading other venture capitalists to start their own megafunds.

Now the first Vision Fund is running out of money to invest. That puts pressure on SoftBank to amass another big war chest so it can keep up with the fast deal-making pace set by Masayoshi Son, the company's founder and the driving force behind the fund.

If SoftBank can raise \$108 billion and deploy it as quickly as it did with the first fund, it would likely bring further disruption in Silicon Valley. The company said Vision Fund 2 would stress artificial intelligence and push "the acceleration of the AI revolution through investment in market-leading, tech-enabled growth companies."

However, important questions about how the fund will be capitalized as well as the type and number of investors haven't yet been decided, people with knowledge of the negotiations say.

Some investors are planning to make the bulk of their funding commitments via some form of debt, a few of those people said. That is an unusual way of gathering money for an investment fund, although the first Vision Fund also uses a form of capital that resembles debt—preferred shares that offer a fixed return of 7%.

SoftBank rushed to collect the MOUs and announce Vision Fund 2 without waiting for the outcome of ongoing negotiations, people familiar with the process said.

One negotiation is with Abu Dhabi sovereign-wealth fund Mubadala Investment Co., a big investor in SoftBank's first Vision Fund. Mubadala could invest as much as \$25 billion, up from the \$15 billion commitment it made to Vision Fund 1, a person familiar with the negotiations said. A representative of Mubadala declined to comment.

SoftBank hurried out the announcement because the first Vision Fund was running out of money



Abu Dhabi's sovereign-wealth fund Mubadala Investment could invest as much as \$25 billion in SoftBank's Vision Fund 2.
PHOTO: HAMAD I MOHAMMED/REUTERS

to do deals, and once SoftBank's board approved its own big capital commitment, the decision had to be made public, a person with knowledge of the deliberations said.

That headlong style and aggressive optimism is typical for SoftBank and Mr. Son, who has built the company from a Japanese software distributor in the 1980s to one of the world's most influential tech investors. Mr. Son is known for prescient bets, like an early investment in Chinese e-commerce giant Alibaba, and big dreams, such as a proposal to ship wind and solar power from Mongolia to other countries in Asia. He has jokingly described himself as a big talker.

But Mr. Son has managed to realize some of his grand ambitions—including the first Vision Fund.

Potential investors for Vision Fund 2 will be watching the first fund's performance closely. Mr. Son has said the fund had returns of 29% in the fiscal year ended March. Most of that was in paper gains on private companies that are hard to value.

Of five Vision Fund portfolio companies that have gone public, four are currently trading below their initial public offering or first-day trading prices. The stock price of Uber, one of the Vision Fund's biggest investments, slid more than 3% to \$39.05 on Monday, amid a larger market fall, below its offering price of \$45.

Collectively, the companies listed by SoftBank as having signed Vision Fund 2 MOUs are unlikely to be able to contribute more than a few tens of billions of dollars, according to a rough Journal calculation. That is based on people familiar with some Vision Fund 2 discussions, analyst estimates and a report in the Nikkei newspaper that said several of the Japanese participants were investing in the millions, not billions, of dollars.

SoftBank told one potential investor that it wanted the company to sign an MOU signaling interest in Vision Fund 2 so that it could put out a press release about the new fund, one person familiar with the negotiations said. The investor was given only a week to review the memorandum and decide, the person said.

Saudi sovereign-wealth fund Public Investment Fund was the biggest investor in the first Vision Fund with a \$45 billion commitment including preferred shares. The Journal has reported that PIF isn't planning to invest as much in Vision Fund 2.

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