

SoftBank Group Corp.: FY24Q2 Investor Briefing Q&A

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Presenters:

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Q&A

Speaker 1

Q1:

Could you explain the investment amount in OpenAI? It seems relatively small compared to investments in ByteDance, etc. within the SVF. What's the rationale behind starting with this level of investment? Was it driven by financial discipline considerations, such as LTV, or are there plans to scale the investment over time?

A1:

(Goto) This amount reflects our allocation in OpenAI's recent funding round. While we're very interested in this opportunity, demand from investors was extremely high, which limited our allocation to the current amount.

Q2:

Does that mean there's still considerable financial capacity available?

A2:

(Goto) Yes, that's our perspective.

Q3:

The share price has risen since the recent share buyback, but the NAV discount hasn't significantly narrowed. It's only been three months, but how would you assess this? Should we view the buyback positively, considering the stock price increase? Also, do you have any message for the market

regarding the large NAV discount?

A3:

(Goto) The main purpose of the share buyback was to communicate to investors that we have the capability to utilize buybacks as a timely tool during significant market fluctuations to address stock or credit concerns. We want this to underscore our flexibility in financial activities and our ability to adjust priorities and make strategic decisions in response to market conditions. The NAV discount was not a direct target of the buyback; thus, its intended significance remains the same.

Speaker 2

Q1:

I'm struggling to interpret page 10 of the Finance section. This doesn't imply that large-scale investments will be avoided just because of a weaker yen, correct? You mentioned during the presentation that heavily relying on exchange rate fluctuations could be destabilizing when considering long-term strategies. Could you clarify whether exchange rates will influence future investment strategies?

A1:

(Goto) As you noted, this slide simply provides a historical look at the timing of large-scale investments alongside currency trends. For example, we wouldn't expect exchange rates at 150 or 160 yen to impact our investment decision-making in any way.

Speaker 3

Q1:

Regarding page 9 of the Arm section, using the midpoints of full-year and Q3 revenue guidance, it suggests that Q4 revenue will be more than 30% higher year-over-year. Previously, you mentioned that Q4 licensing is expected to be strong based on the pipeline. Could you elaborate? Additionally, since you indicated that licensing revenue from ATA (Arm Total Access) and CSS (Compute Subsystem) will see significant growth, does this indicate continued medium-term growth in licensing revenue?

A1:

(Thornton) You are absolutely right; we are expecting Q4 licensing revenues to be very strong, reaching record levels. This is primarily due to ATA (Arm Total Access) subscription licenses. We have two large licenses that are renewing in Q4. One of these is already signed; it was signed in Q2 and is one of the reasons why we had our second-highest bookings quarter ever. Although it was signed in Q2, the effective date of that contract is in Q4, so the revenue associated with that contract will hit

in Q4. There is another ATA deal that has not yet closed but is highly likely to close in Q4, because the previous deal expires, and the semiconductor company will then face the choice of either sending all of its engineers home or signing the deal. Therefore, we have a very high degree of confidence that they will sign the deal, so our confidence in Q4 is relatively high.

Q2:

With ATA and CSS contributing, will licensing revenue continue to increase in the coming year and beyond?

A2:

(Thornton) We will provide guidance for next year in Q4 when we release our full-year results. At the beginning of this year, we indicated that we expect our total revenue will grow at least 20% in both FYE26 and FYE27, but we'll give you more detail on that in a couple of quarters.

Q3:

On page 13 of the Finance section, it states that SBG's Q2 investment was \$1.4 billion. I believe this includes acquiring Graphcore in the UK, but is that really the full amount, or were there other investments?

A3:

(Goto) The main portion of this \$1.4 billion is indeed for Graphcore. We are also increasing our investment in SB Energy Global, with a small investment in SB Tempus. These are the largest components of this figure.

Q4:

Regarding SB Energy, I thought it was sold, and you retained only a small share.

A4:

(Goto) Apologies for the confusion. Besides Japan's SB Energy, there is SB Energy Global. While we sold Japan's SB Energy to Toyota Tsusho, we have purchased SB Energy Global's shares from a co-investor.

Q5:

Understood. In which region does SB Energy Global operate?

A5:

(Goto) The United States.

Speaker 4

Q1:

The private valuations in SVF2 were taken up by \$1 billion, but nothing for SVF1, even though you have a large portfolio there. Could you talk about at what point there may be room to look at some of the companies in SVF1 that are doing well in the private?

A1:

(Navneet) As you know, in prior quarters, we have taken markups on a number of companies in SVF1, most notably ByteDance, which has contributed over the last 12 months. I must point out that it continues to do well, so does Fanatics. Even though, in our valuation of ByteDance, we are not really valuing the U.S. business; it's mostly based on the China business. If you look at the total uplift we took in Q2, it was primarily, as you pointed out, driven by the public side. On the private side, there were a couple of pluses and minuses that essentially netted out. The other one is Fanatics. Fanatics continues to perform well across all segments, including Collectibles, Gaming, and Commerce. In Commerce, there was significant progress. Gaming has now grown to a 5% market share, surpassing Caesars and ESPN. Collectibles had record performance from marquee releases, such as Topps Bowman Baseball. Its fiscal year 2024 performance is expected to be very strong in both revenue and EBITDA. We'll continue to see how the private companies perform in SVF1 and evaluate them as we go along.

Q2:

Second question, for Ian. If you were to think about potential risks from a new president for the technology sector and for Arm, what should we be concerned about?

A2:

(Thornton) In terms of the regulatory environment, particularly global trade tensions, this is certainly something that has been discussed in media reports and in various speeches by the president-elect. I'd hesitate to speculate about what those could end up being, but certainly, the semiconductor industry is completely global in terms of supply chains, and anything that disrupts these supply chains or puts extra costs into them could have some negative effect. We have seen the U.S. put increasing numbers of regulations onto the Chinese semiconductor industry, and it does appear that both parties were intending to do a bit more in that area. However, to date, there's been very little impact on Arm's business. We've been able to continue to trade with both companies inside of China and

also around the world. But obviously, that could change in the future depending on what regulations are put forward, and we will make sure that we remain compliant with any such regulations as they come into effect.

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