SoftBank Group Corp.: FY23Q4 Investor Briefing Q&A

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Presenters:

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Q&A

Speaker 1

Q1:

Page 24 of the financial section mentions 'Asset-backed Finance: Continue to explore diversifying fundraising methods by leveraging ¥21.0T of listed shares." What financing strategies is the company currently considering as it adopts a more offensive approach?

A1:

(Goto) In terms of financing diversity, we have a picture of what kind of asset-backed financing is possible for each listed asset and evaluate the optimal methods on a case-by-case basis whenever there is a need for funds. We are not doing anything special. We could consider many different types of financing methods that utilize equities such as simple margin loans, futures trading, or derivatives. These possibilities are continuously assessed across our various financial departments.

Q2:

On page 10 of the financial section, it's noted that there is $5 billion in strategic investment commitments. Could you break down the schemes, timelines, and areas of these investments? Could you provide a rough image?

A2:

(Goto) Of the $5B, I believe the GreenBox joint venture represents the largest portion, probably about 70% of the total. The remainder consists of smaller investments, so I won't go into the details, but the investment in Wayve, for example, is included here. The JV commitments do not have a fixed payment schedule, but rather the funds will be invested in new businesses and automated warehouse projects as they are launched one by one. The payment schedule is not yet clearly defined at this stage, but commitments will be made with the other party over the next few years.

Q3:
Is it correct to understand that an investment amount could be larger than $5B in some circumstances?

A3:
(Goto) For commitments made in the past year, the cap was set at $5 billion. Now that we have entered a new fiscal year, we will be negotiating various types of new agreements. Typically, if negotiations are finalized, capital is paid on a one-time basis. Additionally, there could be scenarios where payments will be made over multiple installments, based on the terms and conditions negotiated with the other party.

Speaker 2
Q1:
Continuing on the committed investments, is this a sign that the environment is getting more constructive? If so, should we expect this number to pick up going forward? Could comment from the SBG side and also from SVF side?

A1:
(Goto) I think the $5 billion commitment reflects both an increasingly positive market environment and our decision to focus more on investment than before. In fact, we have recently sensed a lot of momentum from our investees, who are looking to expand their business more aggressively than we anticipated.

A1:
(Navneet) From the SVF standpoint, in 2023 we invested in 35 new and follow-on investments. Some of our recent investments include companies like Travel Park, Tractable, Cato Networks, and Metsera. Our pipeline is quite robust and we are definitely seeing a lot more opportunities in 2024 than we did in 2023. But as a reminder, we continue to assess new opportunities based on four factors, which are quality of the AI tech stack, product market fit and scalability, unit economics, and execution excellence.

Speaker3:

Q1:

There have been media reports about significant investments recently. Regardless of their accuracy, should such an investment occur, how would you assess the financial and investment capacities of your company independently? Given your policy of maintaining LTV ratio of less than 25% at normal times, how feasible do you think it is to increase net debt within this limit? Additionally, considering that one stock, highly sensitive to the semiconductor cycle, comprises a substantial part of the NAV, is it prudent to adhere to the 25% rule, fully leverage investment opportunities, and accumulate debt? I would appreciate your insights on this matter.

A1:

(Goto) We have not changed our stance that the scale of our investments will naturally depend on our adherence to the financial policy. How much can we invest if we follow this policy? Our financing resources extend beyond the equity assets we hold. I believe that going forward we will continue to have different styles of investment. If we were to use equity assets for financing, for example, our capacity would be constrained by a specific loan-to-value ratio using our listed shares. However, in reality our investment approach isn't limited to simple equity investments. We also explore other structures like joint ventures and project financing, as exemplified by our earlier mention of GreenBox. Additionally, different group companies may lead various investments. So, it is difficult to provide a straightforward answer about our total investment capacity. Depending on the financing method, our equity contribution might be minor. As these projects become more defined, we will provide detailed updates. What I can assure you is our commitment to our financial policy. That is the ironclad point, so I think the credit view will be very clear to everyone.

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