

[ft.com](https://www.ft.com)

SoftBank raises \$22bn in moves to sell down Alibaba stake

Ryan McMorrow in Beijing and Kana Inagaki in Tokyo

SoftBank has raised as much as \$22bn in cash from deals that would sharply reduce its stake in Alibaba over the coming years, as the Japanese investor responds to a market downturn that has ravaged its technology portfolio.

The group, led by billionaire founder Masayoshi Son, has this year carried out the sale of about one-third of its [Alibaba](#) stake through prepaid forward contracts — a type of derivative to which SoftBank has increasingly turned to raise cash immediately while retaining the possibility of holding on to the shares.

[SoftBank](#) has now sold more than half its Alibaba holdings through these forward sales. That could shrink its stake in the Chinese ecommerce giant below the threshold for retaining its board seat and prevent the Japanese group from recognising its share of Alibaba's income in its financial statements.

If SoftBank opts against buying back the Alibaba shares, it would mark the end of an era. Son built his fortune on the back of leading a \$20m funding round for Jack Ma's fledgling ecommerce start-up more than two decades ago, generating a huge return on investment.

“At one point Alibaba made Jack Ma the richest man in China and Masa the richest in Japan — it's enabled all of his subsequent investing adventures,” said Duncan Clark, chair of Beijing-based tech consultancy BDA China. “If [Son's] selling it down now, it shows his mindset toward China and the pressure he's under.”

SoftBank has scrambled to raise cash this year as dozens of its Vision Fund investments have slumped amid a broader market sell-off in tech stocks. Son promised investors he would play “defence” in May after [unveiling a \\$27bn investment loss](#) for the Vision Fund during the previous business year.

Redex Research analyst Kirk Boodry estimated that losses continued to pile up in the quarter to the end of June, adding scrutiny to SoftBank's high level of standalone debt, which he said nearly doubled over the past 18 months to ¥12.1tn (\$92bn) at the end of March. Its cash position stood at ¥2.9tn.

SoftBank stressed it retained the right to buy back the Alibaba shares, but added the

transactions allowed the group to “raise capital upfront” while “hedging against share downside”.

The Japanese group also said it had [cut back on new investments](#) and was focused on “increasing our cash position amid this uncertain market environment”. It has employed similar financing using its holdings in T-Mobile and Deutsche Telekom.

Daniel Taylor, a corporate finance expert at the Wharton School of the University of Pennsylvania said that few had noticed the sales as “the disclosures are hard to get”. But the result could be that the market will be flooded with Alibaba shares as the deals come due over the next couple of years.

The forward sales of 213mn Alibaba shares this year were struck with banks such as Goldman Sachs, Mizuho and UBS, and in most cases delayed the final handover of shares for two years, according to the filings seen by the Financial Times.

The Japanese group retains the shares’ voting rights until maturity and has the option to settle the contracts with cash instead of shares. Some of the deals set minimum or maximum share prices to settle the transactions.

Recommended

SoftBank has since October turned over 40mn Alibaba shares to settle deals struck in previous periods, reducing its stake in the company from 24.8 per cent to 23.9 per cent in mid-July.

The record pace of forward sales this year, involving more shares than in the previous three years combined, means SoftBank may have leveraged more than 80 per cent of its Alibaba holdings in the derivative deals or the pledging of shares as collateral for margin loans, according to the FT’s estimates.

“Alibaba is their only liquid asset, they don’t have any other large liquid assets,” said Atul Goyal, an analyst at Jefferies. “They’ve already sold SoftBank Corp, which is a subsidiary, [down] to 40 per cent so any further cut will remove it as a subsidiary.”

But Son is cashing out a large portion of his Alibaba stake at multiyear lows. SoftBank in April, for instance, sold 50mn shares at prices slightly higher than where the Chinese group’s shares closed on its first day of trading in 2014, according to the filings provided by data company The Washington Service.

SoftBank had separately pledged 164mn Alibaba shares as collateral for \$6bn of loans at the end of March. The group has been forced to repay billions of dollars in borrowings

collateralised by the share block as [Alibaba's share price has cratered](#) over the past two years, filings show.

The Alibaba sell-down is part of SoftBank's effort to diversify its holdings, with the Chinese group representing just 23 per cent of its total value at the end of March, down from 60 per cent in 2020. During this period SoftBank raised \$30bn from the forward sales of Alibaba, layering the expansion of its portfolio on top of complex financial engineering.

Recommended

A chunk of the harvested cash was funnelled into the group's second Vision Fund, which failed to attract outside money.

The fund had invested \$48bn into 250 companies by the end of March. Most of the companies remain private and Son has leveraged the portfolio for more than \$5bn in loans.

In June, a shareholder asked Son if any company among the 475 in SoftBank's stable would outshine Alibaba in the years to come.

"Maybe one or two. If it goes well, three," he said. "But one or two, if they become such a success, then that's going to give us a return for everything."

Antoni Slodkowski and Robert Smith contributed reporting

This story has been amended to clarify SoftBank's cash position