

Japan's SoftBank shaken by WeWork, but committing billions

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In this Nov. 4, 2014, file photo, SoftBank founder and Chief Executive Officer Masayoshi Son speaks during a news conference in Tokyo. Japanese technology giant SoftBank has committed billions of dollars to bailing out office space sharing startup WeWork. (AP Photo/Eugene Hoshiko, File)

Japanese technology giant SoftBank has committed billions of dollars to bailing out office-space sharing startup WeWork in a daring vote of confidence from its intrepid founder Masayoshi Son.

WeWork's woes are substantial enough that some analysts say they could derail the investment ambitions of SoftBank's mammoth Vision Fund.

But, as one of the most [innovative companies](#) in conservative Japan Inc., SoftBank is no stranger to risk-taking. SoftBank oversees an expanding conglomerate of businesses spanning telecommunications, energy and humanoid robots:

THE MONEY: Softbank will dish out \$5 billion in new financing for WeWork and launch a tender offer of up to \$3 billion for existing WeWork shareholders. Softbank also is accelerating its earlier promise of \$1.5 billion in funding for WeWork.

SoftBank says it has ample cash for the deal. It will own about 80% of WeWork, and it's sending SoftBank Chief Operating Office Marcelo Claure, a venture veteran, to be executive chairman of WeWork's board.

Adam Neumann, the co-founder, will become an "observer" in an expanded board that will have voting control over Neumann's shares.

WEWORK'S PLIGHT: The New York-based company, founded in 2010, set up shop just last year in Japan, where its clients include Pinterest and Slack. Globally, as of June, WeWork had 528 locations in 111 cities in 29 nations.

Earlier this month, plans for an initial-public-offering of WeWork were suspended amid doubts over its management and profitability.

Son, SoftBank Group's chairman and chief executive, has dismissed

analysts' criticism that he is backing what some fear is only a volatile real estate company, not an innovative tech startup.

"SoftBank is a firm believer that the world is undergoing a massive transformation in the way people work. WeWork is at the forefront of this revolution," Son said in announcing the rescue package.

He said new companies always face challenges, but that doesn't mean their vision is wrong.

WeWork serves a need in space-scarce Japanese cities, where office rentals are atrociously expensive and businesses need to keep up appearances. Working from home is frowned upon, and Japanese homes tend to be tiny and cluttered.

WeWork's space in Japan's glitzy Ginza district features sleek, modern décor and an entire floor of booths decked out with all the technology an ambitious startup might want. It attracts a diverse and lively crowd of people, mostly young and casually dressed.

WeWork officials have said they are making up for their expensive rental with fees for using the space for meetings and work, but haven't rented out booths.



This Sept. 30, 2019 file photo shows a WeWork sign on a building in New York. Japanese technology giant SoftBank has committed billions of dollars to bailing out office space sharing startup WeWork. (AP Photo/Mark Lennihan, File)

ANALYST'S TAKE: "Despite years of successful deal-making, this deal, more than any other, will shape Masayoshi Son's legacy as an investor," said Chris Lane, analyst at Sanford C. Bernstein.

"The IPO debacle around WeWork was a very public setback for his Vision Fund and has given ammunition to all his doubters to scream, 'told you so.' The tone of much of the media coverage is that SoftBank is throwing good money after bad," he said in a report.

But Lane rated SoftBank as an "outperform," noting the deal ensures

WeWork is an affiliate, not a subsidiary of SoftBank. He feels SoftBank is getting a sizable chunk of a company with a potential value of nearly \$36 billion in five years.

"We continue to believe that WeWork is fundamentally an attractive business with good long-term growth prospects," he said.

THE REST OF SOFTBANK: SoftBank is facing plenty of problems with its investments.

In 2013, it became a majority owner in U.S. carrier Sprint, whose financial results have improved but wobbled for years. Sprint is still awaiting regulatory approval for a merger with T Mobile.

Uber, whose share price has been sinking, is another problem investment. That's causing some investor doubts about SoftBank's other ride-hailing investments like China's Didi Chuxing and Southeast Asian ride hailing venture Grab, which haven't yet gone public.

But some of Son's most ambitious investments have paid off big time, such as Alibaba, a technology conglomerate in China, and Yahoo, which has scored success especially in Japan. Son was an early investor in solar energy, a stance that grew more popular after the 2011 Fukushima [nuclear disaster](#).

Looking ahead, SoftBank is working with Toyota Motor Corp. on mobility services in a joint venture called Monet Technologies Corp. for on-demand vehicle services, food deliveries, data analysis and hospital shuttles. Test services have started this month in Tokyo.

SoftBank is betting on other futuristic technology, such as Haps Mobile , which relies on solar-powered drone-like machines to provide telecommunications. Haps is in its testing stage, but it promises to be

more disaster resistant than ground-based satellites and telecom towers and could serve wide areas, providing connectivity in developing nations.

And then there's SoftBank's childlike Pepper robot . It may be more of an attention-getter than a source of revenue, but more than 2,000 companies, including shopping malls and other public places, have used it as a guide and receptionist.

MASAYOSHI SON: SoftBank's driving force is Son, who wields decisive clout over the company.

Son attended the University of California Berkeley and boasts high-profile friends like Bill Gates and Yusuke Maezawa, a Japanese billionaire who founded an online fashion retailer and collects expensive Jean-Michel Basquiat artwork.

His relationship with the Saudi Crown Prince became a liability after the murder of journalist Jamal Khashoggi. The second Vision Fund does not include the prince's money, according to SoftBank.

Son also funds promising entrepreneurs with his own personal money through his Masason Foundation . Among the talent it supports is Yuuki Haruyama, born in 2010, who is researching immune systems, and Kavya Kopparapu, a computer science and neuroscience student at Harvard.

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