SoftBank to sell up to $41 bn in assets to buy shares, lower debt

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SoftBank Group CEO Masayoshi Son said the massive buyback will help strengthen the firm's balance sheet and reduce debt

SoftBank Group said Monday it would sell up to $41 billion in assets to finance a stock buyback, reduce debts and increase its cash reserves after weeks of heavy losses in its shares.

The firm said it would buy back $18 billion of its stock, with the remaining money to be used on paying down debt, bond buybacks and cash reserves, setting a timetable of a year to complete the transactions.

News of the massive buyback sent SoftBank stock limit-up, soaring 18.61 percent to 3,187 yen in the last hour of trade in Tokyo.

"This programme will be the largest share buyback and will result in the largest increase in cash balance in the history of SBG, reflecting the firm and unwavering confidence we have in our business," chairman Masayoshi Son said in a statement.

"This will allow us to strengthen our balance sheet while significantly reducing debt," he added, saying the assets being sold account for "less than 20 percent of the company's current asset value".

The firm believes its shares are currently "substantially undervalued" and that the buyback would "further strengthen its balance sheet and enhance its credit rating."

SoftBank has seen its stock sink in recent weeks on worries about the liquidity of the heavily indebted company, as global financial markets are roiled by fears about the economic consequences of the pandemic.

It had already announced a massive share buyback that prompted S&P Global Ratings to cut the firm's outlook to negative, a move some analysts said misinterpreted the company's health.

Some said Monday's move should also be viewed positively.

"It's not a bad strategy to use their cash for buying back shares when the outlook of the market and the economy is very uncertain," Yoshihiro Okumura, general manager at Chibagin Asset Management, told AFP.

"The market took the surprise announcement positively at a time when it's hard to find good investment destinations."

SoftBank Group is attempting to improve its financial standing after booking massive losses related to the performance of key investments such as WeWork and Uber.

The company has used its $100 billion Vision Fund to pour enormous resources into the world's hottest start-ups.

But Son's audacious decision-making approach has faced criticism over his commitment to start-ups some say are overvalued and lack clear profit models.

The group last year announced its long-mooted Vision Fund 2, again targeting funds of around $100 billion, but investors have been slower to commit.

In the latest statement, SoftBank Group said it will appoint new independent board members to improve its governance.

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