

'Blizzard' hits SoftBank with loss on sinking investments

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SoftBank suffered its first quarterly loss since the first three months of last year.

Japan's SoftBank Group on Monday suffered its first quarterly net loss in 18 months as a China tech crackdown and other investment losses hit its Vision Fund portfolio.

The telecoms firm-turned-investment giant also announced a share buyback worth one trillion yen (\$8.8 billion), reportedly under pressure from shareholders frustrated by its sinking stock price.

SoftBank Group has poured money into some of the tech world's biggest names and hottest new ventures—including embattled Chinese e-commerce giant Alibaba and ride-hailing firm Didi Chuxing—through its \$100-billion Vision Fund.

But CEO Masayoshi Son's strategy of targeting tech firms and start-ups in search of unicorns has been controversial and led to an earnings rollercoaster in recent years.

Son said the firm was "in the middle of a blizzard" as it recorded a net loss of 397.9 billion yen (\$3.5 billion) in July-September.

It was hit particularly hard by a drop in the value of Alibaba, but also took a hit from slumps in other Chinese tech companies as well as South Korean e-commerce firm Coupang, with first-half net profit down more than 80 percent on-year.

In total, SoftBank said its loss on investments during the quarter amounted to 1.66 trillion yen including those incurred by its Vision Fund operations.

"We're not proud of that," Son said of the first-half results.

"Our most important indicator, the net asset value, has decreased by six trillion yen. Just in three months. This is a big deal."

Son said the results could be boiled down to one key factor: "In one word, Alibaba," he said.

Shares in Alibaba Group Holding, SoftBank's largest single investment, fell more than 30 percent in the three months ended September, according to Bloomberg, as authorities in China embarked on a crackdown on tech firms as part of a drive to tighten their grip on the economy.

SoftBank recorded a loss of 1.21 trillion yen from its stake in Coupang, and 321 billion yen for DiDi Global, parent of Didi Chuxing, which has also been in Beijing's crosshairs.

DiDi's share price "is dropping under the influence of the Chinese government's regulations. Most of the other Chinese shares we own are also tumbling", Son said.

Buyback

After the April-June first quarter, Son said he would be taking a careful approach to investments in China, acknowledging "tough challenges".

"We want to be cautious," he said in August. "New rules are being implemented, so until it gets settled we want to wait and see. In one year or two, it will be clearer."

SoftBank's investments in volatile tech firms and start-ups have made for unpredictable earnings.

In 2019-20, it reported a record net loss of 961.6 billion yen as the start of the pandemic compounded woes caused by its investment in troubled office-sharing start-up WeWork.

But it then reported Japan's biggest-ever annual net profit in 2020-21, driven by tech-share rallies as people moved their lives online during the coronavirus pandemic.

As usual, SoftBank did not issue an annual forecast, but Son unveiled a share buyback intended over the course of a year, though he said it could take longer if funds were needed for investments or other reasons.

"With the current share prices, it's a chance for shareholders to buy them... we believe we now have capacity to buy back shares worth one trillion yen, while keeping balanced financial discipline," he said.

The Financial Times last week reported "deep frustration" among SoftBank shareholders over the firm's sinking stock price, saying Son was under pressure to announce the buyback during this quarter's earnings.

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