



OPINION / PREMIUM CONTENT

 Terence Lee · 20d ago · 6 min read

SoftBank’s Masayoshi Son is doing just fine

If you scan the news, it would seem like the world is crashing down on Masayoshi Son. SoftBank Group, the Japanese conglomerate he founded, recorded its first quarterly loss in 14 years, the headlines hollered when it filed results last month.

The US\$6.5 billion loss stems from write-downs on losing bets in WeWork and Uber made by the SoftBank Vision Fund, whose investment decisions are signed off by Son himself.

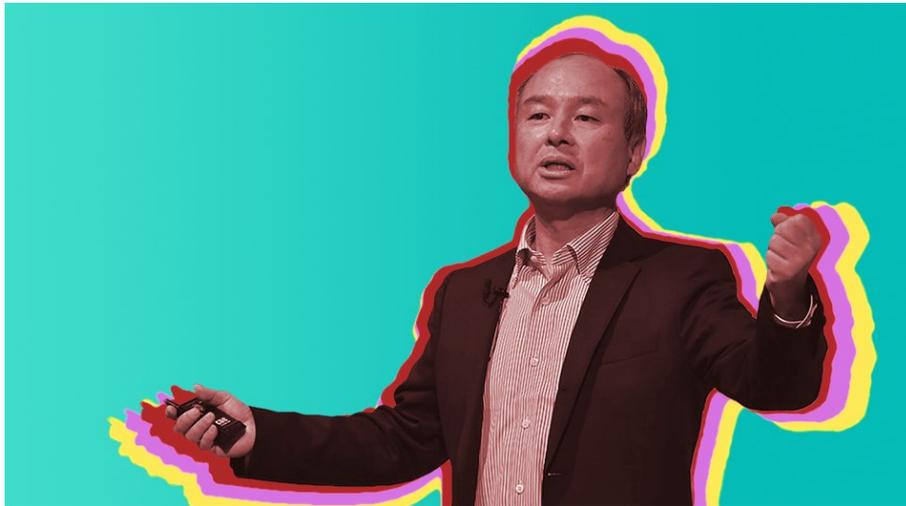


Illustration by Tech in Asia, from photo by Softbank.

The losses have made him introspective. “In the case of WeWork, I made a mistake,” he told investors. “I won’t make any excuses. It was a very harsh lesson.”

Unsurprisingly, people are latching onto those big numbers as well as Son’s comments. Succumbing to short-termism is easy if you’re a journalist facing the pressure of deadlines or if you’re a public market investor seeking quick gains.

A dig into the past, however, shows that Son is doing just fine. The massive deficits, wild bets, and gut-based investment decisions are hardly unusual for a man who built a fortune from nothing by making risky moves.

Jack Ma’s animal smell

He has been remarkably consistent in this regard. In 1998, he made a US\$400 million investment in online trading platform E-Trade after one phone call with the company’s founder.

Be the first to comment!

[COMMENT NOW](#)

Premium Content



Meet the 50 top-funded startups and tech companies in Japan



He burned through his savings to keep his SaaS startup afloat, and now it's profitable



Carsome's CEO on how the startup plans to profit from the regional car ownership boom



TradeGecko lays off a quarter of its staff



Rising startups: machine learning spreads everywhere

[Read more premium content](#)

He has made similar intuitive bets on many other entrepreneurs. “It was the look in his eye, it was an ‘animal smell,’” said Son of his decision to back Alibaba’s Jack Ma when they first met in 2000.

Likewise, he invested US\$2 million in Yahoo for a 5% stake when it was nothing, after having take-out pizza and soda with the young founders. He later doubled down with US\$355 million in subsequent years before its public listing.



Jack Ma / Photo credit: Alibaba

He has been pushing his investees to go higher and faster for as long as people can remember. David Wei, a former CEO of Alibaba, recalled an instance when he was explaining business plans to Son, only to be told, “David, can this be 10 times bigger?”

Son’s huge bets often flop. At the height of the dot-com bubble, his net worth fell from US\$76 billion in 2000 to US\$1.1 billion in 2003, partly because of his failed investments in Webvan, Kozmo, SportsBrain, and More.com. As a result, financial analysts and doomsayers had bet against SoftBank.

But Son still stands today, and that’s because he’s a high-stakes – but not reckless – gambler. His net worth is back to US\$20.4 billion. SoftBank Group is now worth US\$89 billion, and it’s forecasted to hit US\$44 billion in revenue for the financial year.

“US\$6.5 billion seems like a mild setback.”

SoftBank’s US\$20 million stake in Alibaba has ballooned to US\$180 million. Son’s early bet in Yahoo proved prescient after its blockbuster initial public offering. Yahoo Japan, a joint venture between Yahoo and SoftBank, remains the top-visited website in Japan.

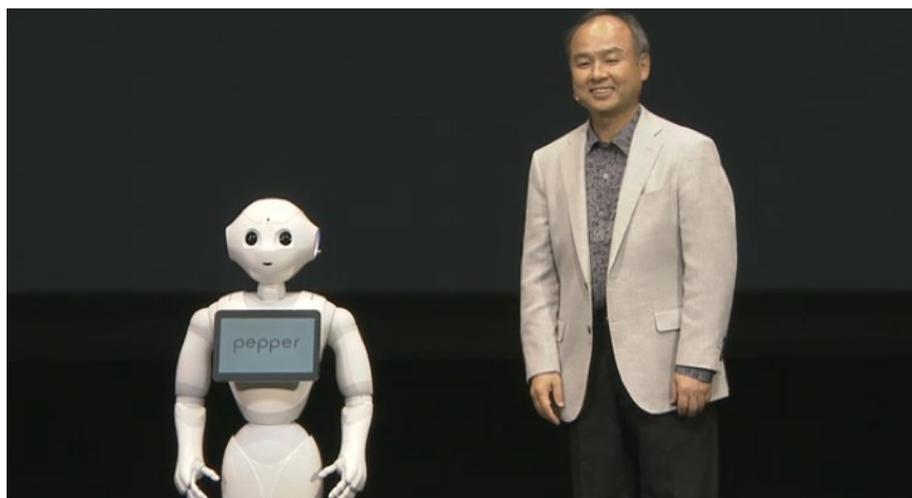
Given what he’s lost and recovered in the past, US\$6.5 billion seems like a mild setback.

The critics are persistent as well, and they’ve been singing the same tune.

Business media columnists deride the US\$7.4 billion in unrealized gains from the SoftBank Vision Fund – despite the vehicle being only in the second year of its 12-year cycle.

As venture capital fund managers know, judging a long-term fund's performance at such an early stage is foolhardy – there's no telling which of these companies might become the next Alibaba.

Son's intuitive investment style resembles that of successful angel or seed startup investors, who typically have nothing to go on when picking horses except a business plan (which is likely to change, anyway) and the founder's track record.



Softbank founder and CEO Masayoshi Son (R) with Pepper, his company's emotionally intelligent robot Pepper (L). / Photo credit: Softbank

The Vision Fund breaks all the rules, and that may ultimately backfire on Son.

Despite having a large team that conducts months of due diligence before each deal, investment decisions seem to be made at Son's whim, so you have to wonder if the number crunchers exist solely to justify his already-made decisions. He famously took 28 minutes to make an initial decision to invest in WeWork.

The Vision Fund is effectively applying a seed investing approach – which isn't known for its financial rigor – to more mature companies, which may explain Son's blind spot for corporate governance issues at Uber and WeWork.

While the Vision Fund carries some features of a VC fund – like the long time horizon – it may lack the returns to match.

“Son expects most of his investees to succeed.”

Making a 10x return from US\$100 million is far easier than making the same returns on US\$10 billion, for one simple reason: the lower the valuation, the bigger the pool of potential buyers/suckers who'd willingly snap up your shares.

And then there's the 7% interest that the fund has to return to its investors, on top of the standard management fees that it's extracting for operational costs.

All of that seems to be by design. It's worth noting that the Vision Fund is unlike other VC funds in how it spreads its risk – Son expects most of his investees to succeed by forming deep relationships with each other, echoing the Japanese business concept of keiretsu.

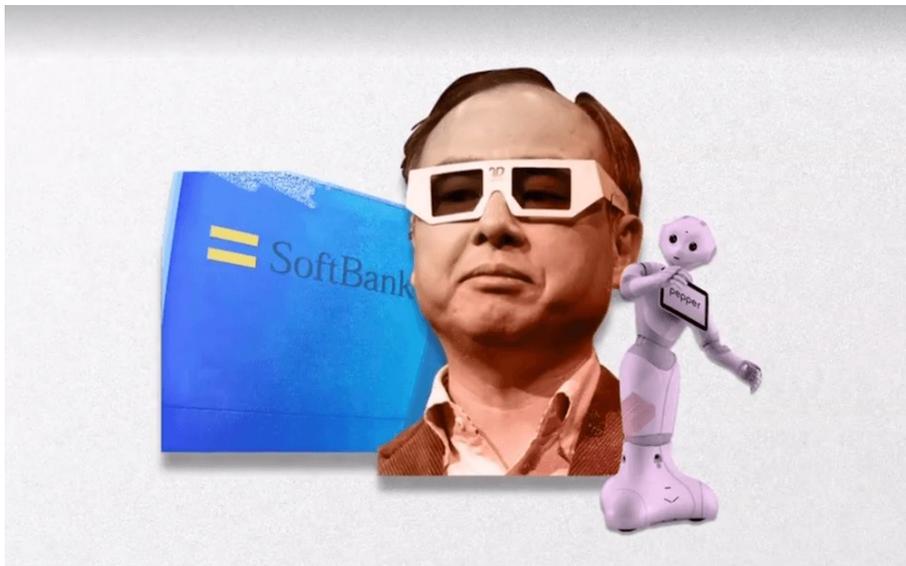


Illustration by Tech in Asia's Centaine Lim.

It's not as if Son hasn't warned us about the method to his madness. It's just that we've been suffering from collective amnesia.

When asked to compare SoftBank's shareholders with Yahoo's, Son once said that the former might have more risk tolerance. SoftBank shares, after all, "go sky-high and to hell all the time. Our shareholders in Japan are used to it."

The Vision Fund may yet succeed, assuming that it has identified the next Alibaba (its stake in the company was worth US\$116 billion after it put in US\$20 million) or several mini-Alibabas. What are the odds that it has done that? Your guess is as good as mine.

"I have no intention of making small bets."

Looking at the downsides, there'll be some reputational damage if Son fails, but the Vision Fund is not his only horse. SoftBank's exposure to the fund is "only" about US\$28 billion, plus the 7% annual interest on US\$40 billion worth of debt. The group has plenty to lose, but perhaps it's money it can afford to risk.

Regardless, Son's high-risk gambles have often short-circuited analysts and journalists who are used to business magnates being conservative, strait-laced, and incremental thinkers.

Neither are they used to his decades-long view and cartoonish slide decks, which may indicate that they're targeted at the average Japanese retail investor rather than pointing to his lack of sophistication. After all, Son is known for his

ability to quote a company's numbers from memory – even to its founders.

Of course, he could certainly succeed by continually taking tiny risks on the next big thing, but that's precisely what he doesn't want to do.

“We only live once, so I want to think big. I have no intention of making small bets,” Son once said.

We hope you enjoyed our premium content. If you'd like to get more people to read this by unlocking access of this article to non-subscribers, reach us at subscription@techinasia.com.

RECOMMENDED READS



Editing by Eileen C. Ang and Jack Ellis

(And yes, we're serious about ethics and transparency. More information [here](#).)

Share



TIA Writer

Terence Lee

I like analyzing and digging into the real goings-on at tech companies. Got a news tip? Email me at terence@techinasia.com or find me on Telegram with @tljx86.

[VIEW ALL COMMENTS](#)

LATEST JOBS



**(Remote)
Customer
Happiness Hero**
XooGuu
IDR 5M

Featured



**Mobile
Engineer**
Majoo
IDR 3M – 8M

Featured



**Aeris
Internship
Program - Graphic
De...**
Aeris Beaute
IDR 1M – 2M

Featured

[More articles ↓](#)