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DEALBOOK NEWSLETTER

SoftBank's Masa Son Nears His Next Big Bet: OpenAI

The Japanese tech billionaire is poised to back the start-up, as part of his pledge to go on offense when it comes to investing in artificial intelligence.

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Masa Son's interest in OpenAI is the latest indicator that he has moved into "offense mode" after a quiet period. Kim Kyung Hoon/Reuters

SoftBank weighs its next big A.I. bet

SoftBank's outspoken founder and C.E.O., Masa Son, has long talked about wanting to become a giant in artificial intelligence.

Now, the Japanese technology investor is poised to take a stake in OpenAI, perhaps the most prominent A.I. player around, DealBook's Michael de la Merced hears. If a deal happens, it would finally link two of the most ambitious tech companies around.

What's happening: SoftBank's Vision Fund unit plans to put about $500 million into OpenAI's latest huge fund-raising round. (Son's plans were first reported by The Information.)

That said, SoftBank isn't leading the round: Josh Kushner's Thrive Capital is, with the venture capital firm planning to commit about $750 million, as well as $450 million from a new special purpose fund raised for the investment.

SoftBank has been interested in OpenAI for some time. Last year, Son — who says he uses ChatGPT every day — is said to have met with Sam Altman, the A.I. start-up's C.E.O., about potential ties. That included talks for Son to provide up to $1 billion in funding to Altman and Jony Ive, the designer behind the iPhone, to create an A.I.-powered replacement for the smartphone. Bloomberg reported that SoftBank had hoped to be part of OpenAI's last fund-raising round, but was instead wait-listed.

It's not hard to understand SoftBank's interest. Son tends to couch his investment theses in lofty language, telling investors last year that he wanted SoftBank to be "an architect to build the future of humankind." And Altman has pushed governments and tech giants to create gigantic data centers around the world to supply A.I. companies with reservoirs of computing power.

But SoftBank has taken its time in ramping up its A.I. investments. While Son said last year that his company was shifting to "offense mode," it hasn't yet flooded the sector with the kind of huge spending that once defined its investment approach. (To be fair, that strategy eventually led to steep losses.)

It's approaching A.I. in several ways:

- Arm, the chip designer it controls, plans to introduce A.I.-focused semiconductor designs next year. SoftBank also bought Graphcore, a British maker of A.I. chips.

- Son is also trying to organize the auto industry around the use of A.I. to bolster autonomous driving initiatives. SoftBank also helped lead a $1 billion investment in Wayve, a British autonomous vehicle technology start-up

- It has also invested in companies including SambaNova, whose software and chips help companies run A.I. applications, and TravelPerk, which is incorporating A.I. into travel bookings.

The company now says it is prepared to invest about $9 billion a year into A.I. deals, an astronomical sum — if that comes to pass.

- In other A.I. news, the chip maker Cerebras filed for an I.P.O. as it seeks to challenge Nvidia as the supplier of choice for A.I. applications.

HERE'S WHAT'S HAPPENING

Port workers on the East and Gulf Coasts go on strike. Members of the International Longshoremen's Association union, which represents roughly 45,000 workers, walked off the job after midnight amid a dispute with shippers over pay, benefits and the use of automation technology. The strike poses a significant threat to the U.S. economy, with analysts estimating it could cost up to $7.5 billion a week.

CVS is exploring a breakup. The embattled health care giant is discussing moves that could include separating its retail pharmacy business from its insurance arm, according to DealBook's Lauren Hirsch. The review of strategic options comes as CVS said it saw pressure on its business, and investors including the hedge fund Glenview Capital push for changes. The news was first reported by Reuters.

X is worth less than a quarter of what Elon Musk paid for it. In a regulatory filing by Fidelity, the investment management giant wrote down its stake in the social network to about $4.19 million, down nearly 79 percent from where the firm valued its holding at the time of the 2022 deal. It's the latest sign of the pressures on X, which has lost advertising revenue amid sweeping business and policy changes by Musk.

The F.T.C.'s new deal breaker

For the second time this year, Lina Khan's F.T.C. has approved a major oil takeover — but extracted an unusual concession.

The agency on Monday cleared Chevron's $53 billion acquisition of Hess, if the combined company kept John Hess, the smaller oil producer's C.E.O., off its board.

The F.T.C. accused Hess of improper communications with OPEC. Hess's C.E.O. held private and public discussions with leaders of the oil-producing cartel that could have led to higher prices for American consumers, the agency said in a statement.

If John Hess were to join Chevron's board, he may have used his platform to "amplify" OPEC's goals to keep prices high, meaningfully increasing the chances of industry coordination, the F.T.C. added.

Chevron and Hess agreed to the condition, but denied the accusations. John Hess said that his comments to OPEC were consistent with statements he has made to the U.S. government.

John Hess will still advise Chevron on certain matters, notably the lucrative oil project in Guyana in which Hess owns a big stake.

The F.T.C. extracted a similar concession in May from Exxon, which needed approval for its $60 billion takeover of Pioneer Natural Resources. The agency cleared the purchase — if Exxon excluded Scott Sheffield, Pioneer's C.E.O., from its board over similar accusations of colluding with OPEC.

Sheffield denied the claim, but the companies agreed to the F.T.C.'s demand anyway.

Oil companies bristle at being a target of Khan's aggressive enforcement campaign, which has affected industries including technology and retail. "The F.T.C. is taking their mandate here too far," Dan Eberhart, the C.E.O. of the oil field services company Canary and an adviser and donor to Donald Trump's presidential campaign, told The Wall Street Journal.

But the Chevron deal faces a potentially bigger hurdle than the F.T.C.: an arbitration battle with Exxon Mobil, which controls the Guyana project, over who can take over Hess's stake.

The questions hanging over the DirecTV and Dish deal

DirecTV and Dish secured a deal that was years in the making. In a two-stage acquisition, TPG, the private equity giant, will pay AT&T $7.6 billion for the 70 percent of DirecTV it doesn't already own. It will then buy Charlie Ergen's Dish Network for $1 while taking on about $11.7 billion in debt.

Now that we know the structure, DealBook has a few more questions.

Why is TPG doubling down on pay-TV? AT&T bought DirecTV a decade ago, but that hasn't turned out so well, with the pay-TV industry in decline amid the rise of streaming.

Despite that slowdown, DirecTV still generates a lot of cash, and the combined company could generate $1 billion in cost savings every year.

Will regulators approve it? In 2002, the Justice Department and the Federal Communications Commission blocked a deal between the companies. This time, it may get the green light because the competitive landscape has changed so radically with the rise of streaming.

"Clearly, the pay-TV landscape is vastly different than it was in 2002, as both Dish and DirecTV have lost about half of their subscribers from peak periods in the mid-2010s," said Ric Prentiss, an analyst at Raymond James.

The timing could be tricky, given that whoever wins in the November elections will have a say on the regulatory environment. But Dish had about $2 billion of debt coming due in November, Prentiss said, so it had little choice but to act.

Will Dish's debt holders give it the go-ahead? The deal requires two-thirds of creditors to take a haircut on the value of their holdings in exchange for debt in the combined company, and it's far from certain that they'll give their approval. "Dish Network's creditors may pose a bigger risk to the deal than do regulators," wrote analysts at MoffettNathanson.

The bet by Ergen and TPG is that investors may prefer the odds of getting a stake in a larger, less indebted company and a chance to reap the rewards of cost savings rather than being stuck with a business in decline.

What will legacy admissions bans do to college donations?

California has taken a sweeping stand against legacy preferences, adopting legislation to ban even private colleges and universities in the state from giving special consideration to applicants with family or other connections.

It's perhaps the biggest move yet against legacy admissions. But the decision raises questions about how donors to top California schools — including Stanford and the University of Southern California — might react.

"The California Dream shouldn't be accessible to just a lucky few," Gov. Gavin Newsom said in a statement announcing his approval of the measure. The new law, which will come into effect in the fall of 2025, puts the same limits on private schools that the state's public schools have had since 1998.

California joins Maryland in barring both private and public institutions from considering legacy preferences. Three other states block legacy admissions only at public schools. Some private institutions, including Johns Hopkins University and Amherst College have unilaterally given up the practice.

It's part of a broader reconsideration of college admissions, brought on by the Supreme Court's ruling last summer barring race-based considerations. While that decision dealt with affirmative action, critics of legacy admissions note that students who benefit from those policies are more likely to be white and wealthy.

The anti-legacy-preferences movement gained new momentum after the Varsity Blues scandal in 2019, in which parents paid bribes and falsified their children's credentials to get their children into elite institutions.

Schools are weighing the new law's potential effects. About 15 percent of undergraduates that enrolled at Stanford last year had either family connections to the university or a family history of philanthropy. (U.S.C. and Santa Clara University have similar numbers.)

Anything that disrupts wealthy alumni donations could lead to big financial impacts for the schools: Stanford has a nearly $37 billion endowment, while U.S.C.'s is roughly $8 billion. Stanford's 2023 reunion campaign alone raised almost $192 million; the school, like other elite institutions, has also received huge gifts from deep-pocketed donors.

Stanford said it would "be continuing to review its admissions policies," while U.S.C. said that "all admitted students meet our high academic standards."

THE SPEED READ

Deals

- Adnoc, the Emirati oil producer, is said to be near a deal to buy the German chemical producer Covestro for more than $13 billion. (WSJ)
- LVMH agreed to sell Off-White, the streetwear brand founded by the late fashion designer Virgil Abloh, to the brand management company Bluestar Alliance. (Business of Fashion)

Elections, politics and policy

- "Most multimillionaire investors are voting for Harris, despite thinking Trump is better for the economy" (Fortune)

- Timothy Pearson, a close aide to Mayor Eric Adams of New York City who is also facing a separate corruption inquiry, resigned on Monday. (NYT)

Best of the rest

- Hurricane Helene most likely won't lead to outsize losses for insurers, but the storm has temporarily blocked access to a mine that produces crucial material for semiconductors. (WSJ, Business Insider)
- "They've Made Hats for McCain and Trump. And Obama and Harris." (NYT)

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