

THE OIC GROUP

HKG GROUP 5

Monthly Report

November 2025



OIC Research Group | Analyst Group Report

Director: Scott Chan Analysts: Ashley Liao, Joe Liu, Marvin Salim, Mitchell Ang

November 2025

Softbank Raises US\$2.9 billion through subordinated hybrid bonds

Issuance Summary

Announcement Date	October 29, 2025		
Issuance Size	7.625% US\$900 mn + 6.50% US\$750mn + 8.250% US\$1.1bn		
Issuance Spread	T3 ¾ + 457.92 bps DBR 0.08/31 + 489.98 T4 3/4 +446 bps		
Capital Rank	Junior Unsecured + Junior Unsecured + Junior Unsecured		
EBITDA Margin	83.4	EBITDA / Interest Expense	11.5x

Issuance Regulations

Both notes are under the combined Rule 144A/Regulation S, as defined by the Securities Act of 1933 allows an issuer to sell two tranches of securities – one within the United States and one offshore – without registration under the Securities Act.

Bond Info/Structure

	Data as of 11/14/2025		
	7.625% 04/29/2061 Corp	6.5% 10/29/2062 Corp	8.25% 10/29/2065 Corp
YTM	8.602661	7.414309	8.866096
G-Spread	487.5	498.0	476.1
I-Spread	522.2	487.2	522.5
Z-Spread	517.4	477.8	521.2
ASW	501.7	456.7	502.0
OAS	517.1	497.9	521.3
Modified Duration	4.160	5.332	6.482
Convexity	0.233	0.374	0.585
DV01	401	513	625

Tranche Analysis

	Data as of 11/14/2024		
	7.625% 04/29/2061 Corp	6.5% 10/29/2062 Corp	8.25% 10/29/2065 Corp
Yield	8.57 vs 3.53 (Avg.)	7.21 vs 3.73 (Avg.)	8.84 vs 4.16 (Avg.)
Z-Spread	515 vs 189 (Avg.)	473 vs 195 (Avg.)	520 vs 230 (Avg.)

Company

[SoftBank] [9984.T]



Softbank is a Japanese multinational investment company that primarily invests in the tech sector and provide telecommunication services through its subsidiary.

Founded Year	1981
HQ	Tokyo, Japan
Sector	Communication
Market Cap	JPY28,245bn
LTM25 Revenue	JPY7510bn
LTM25 EBITDA	JPY6267bn

Company Financials

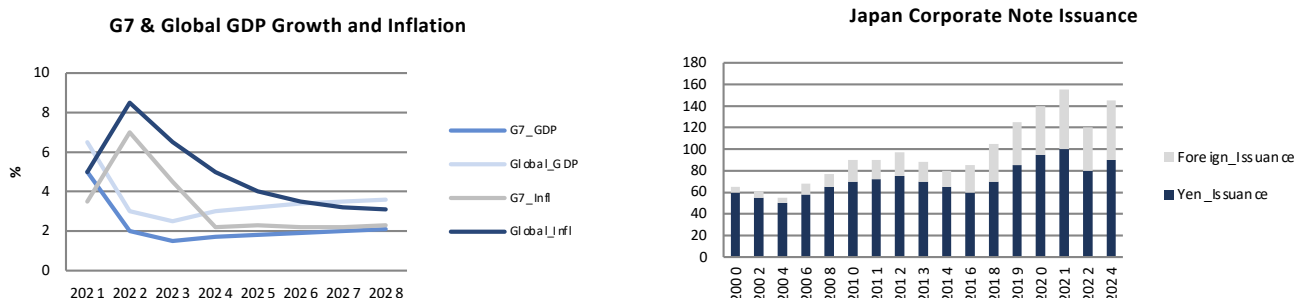
	Data as of FY 2025, in JPY billions
Total Debt	18,913
Net Debt	14,935
Enterprise Value	28,272
EV to LTM EBITDA	4.5
Long-Term Borrowing	12,376
Short-Term Borrowing	2,828
EBITDA	5329
Interest Expense	462
Net Income	2142
Cash from operations	203
Net Sales	7243
Total Debt to EBITDA	3.57
Net DEBT to EBITDA	2.82
Total assets	45,013
Total Capital	45,013
Debt to assets	0.42
Total debt to total capital	0.42
Total debt to common equity	79

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November 2025

Macro Overview: Weaker Yen Leads Japanese Firms to raise Elsewhere



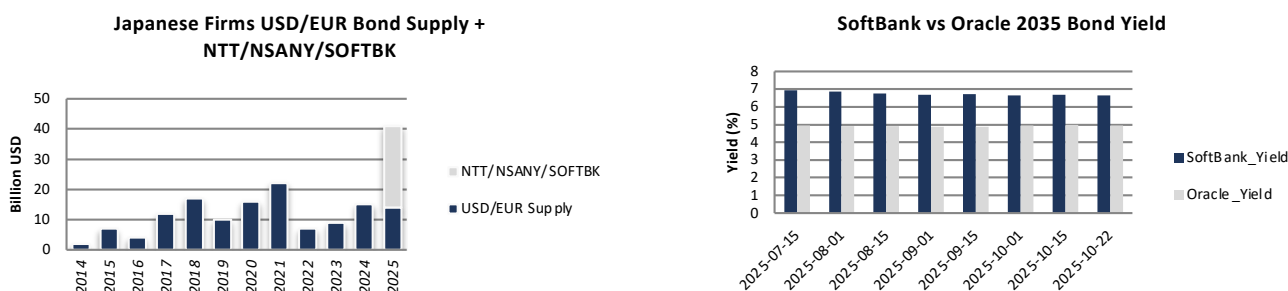
Market Rates : Stabilizing Global Rates

- **Headline inflation is trending lower globally:** the IMF now projects global inflation to ease to about 4.2% in 2025 and 3.7% in 2026; But it's still above target in some majors. UK inflation is forecast to average around 3.4–3.5% in 2025 (highest in the G7), while U.S. inflation is expected to stay near 2.7–3%, both above their 2% targets.
- **More subdued in Europe and Asia:** Euro-area headline inflation is hovering close to 2.1–2.2%, and inflation in developing Asia is projected around 1.7% in 2025, with advanced Asia near 2.5%. This cautioned major central banks about cutting rates too quickly even as markets price a gradual easing cycle.
- **Rate-cutting cycle near its peak:** The Fed delivered its first cut of 2025 in September and markets now see only limited additional easing, while analysts note the global rate-cut cycle has likely peaked. This could imply policy rates staying restrictive but less volatile

Soft JPY and Low Domestic Yields Drive Japanese Borrowers Abroad :

- **Japan's yields remain low despite gradual BoJ normalization:** The 10-year JGB yield is currently around 1.7% , compared with roughly 4.1% for the U.S. 10-year Treasury and about 2.6–2.7% for the German 10-year Bund.
- **Japanese Yen Renewed Weakness:** The yen weakened to about 154.8 per dollar on November 12, marking its lowest level in roughly nine months, after a recent slide driven in part by Sanae Takaichi rise as Japan's incoming prime minister. A weaker yen makes USD/EUR issuance more attractive for Japanese corporates. Japanese companies have raised \$132 billion in foreign-currency bond and loan deals arranged by banks so far in 2025, up 56% from a year earlier.

Industry Overview: AI Companies Racing For Partnerships



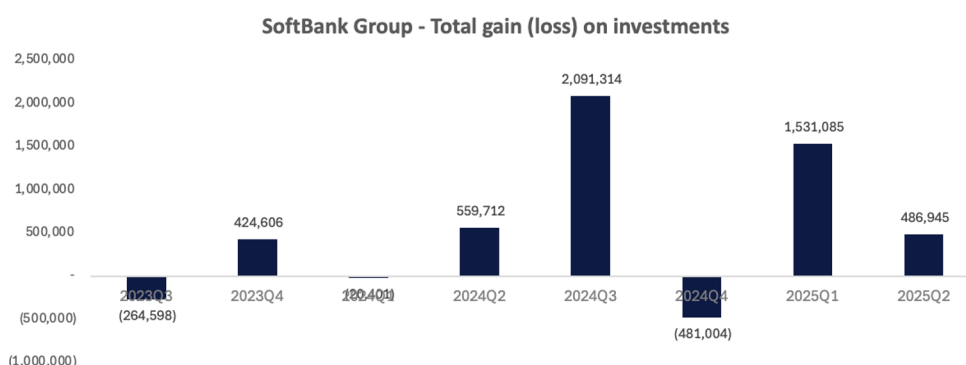
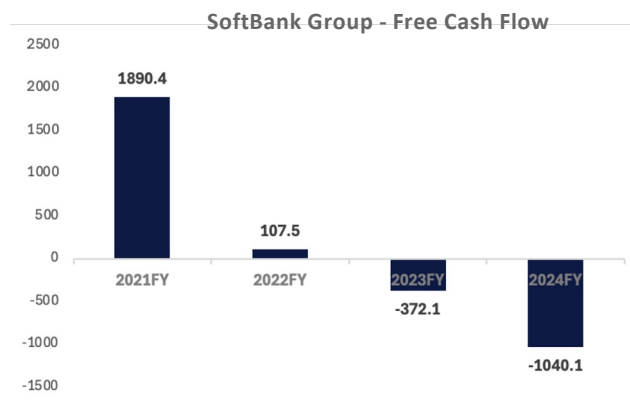
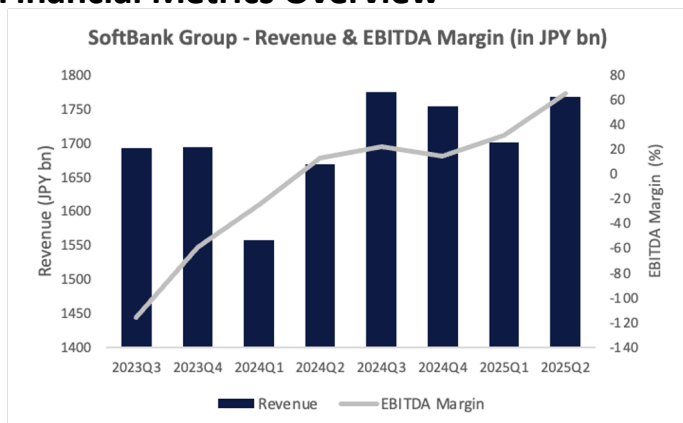
- **A Unique Business Model:** the AI industry is undergoing an aggressive wave of partnerships, with leading players racing to form alliances that span the full AI technology stack. SoftBank's conglomerate structure leaves it at disadvantage. This was underscored when Nvidia reportedly bypassed SoftBank and instead struck a \$100-billion data-center agreement with OpenAI. The \$2.9 billion offering is a milestone for the company to \$30 billion in OpenAI
- **Investors Appetite:** Meanwhile, governments in rich countries continue to spend, with the average debt-to-output ratio across the Group of Seven industrialized nations set to keep rising until the end of this decade at least. With that in hand, investors right now view the \$150 trillion corporate bond market as a safer bet relative to government bonds.
- **Comparable Debt Raising Case:** Rakuten's JPY 82bn perpetual subordinated bond; NTT's 17.7bn dollar Foreign Bonds Deal

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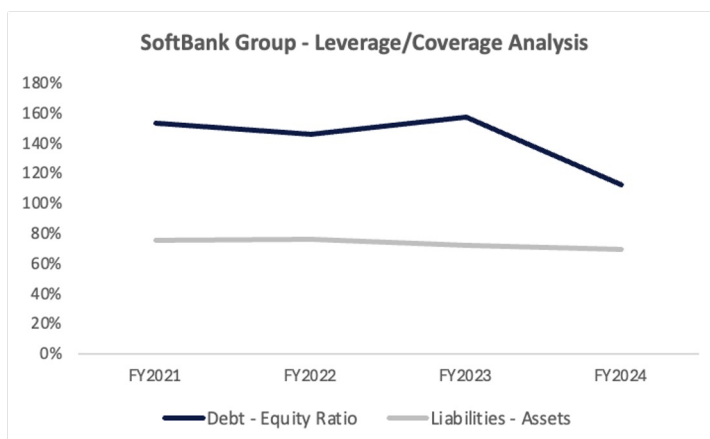
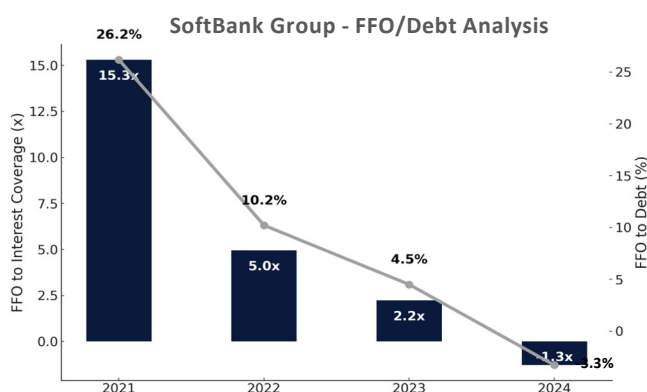
November 2025

Financial Metrics Overview



- **Stable operating scale supports credit resilience:** Revenue remains steady with **improving EBITDA margins**, reinforcing the Group’s ability to generate **recurring operating cash flow** despite market volatility.
- **Weak FCF underscores importance of capital-market access:** Two consecutive years of **negative free cash flow** highlight SoftBank’s **reliance on external funding**—making timely bond issuance critical for liquidity management.
- **Investment gains/losses remain the key swing factor:** Large **mark-to-market fluctuations** continue to drive earnings volatility, but **recent positive investment performance** strengthens the backdrop for refinancing.

Leverage & Coverage Profile



- **Coverage Weakens Sharply Across the Cycle:** **FFO-based coverage** has deteriorated from double-digit levels to **below zero**, signalling a **rapid erosion in operating cash support** for the current debt load.
- **Leverage Stands Well Above Global Peers:** Even after modest deleveraging, SoftBank’s c.120–150% debt-to-equity ratio remains **far higher than telecom and tech investment peers** (typically 40–80%), highlighting structurally **higher balance-sheet risk** and a greater **dependence on refinancing**.

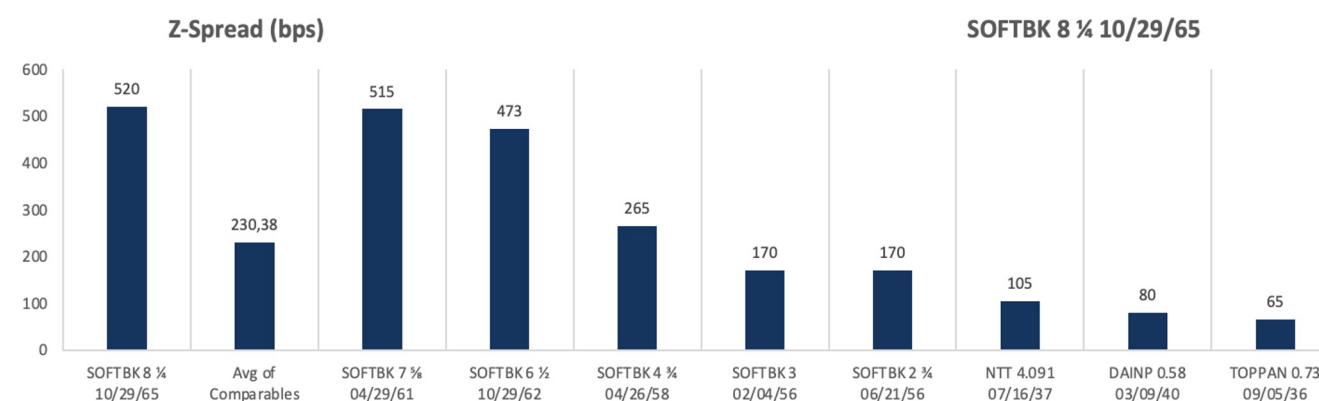
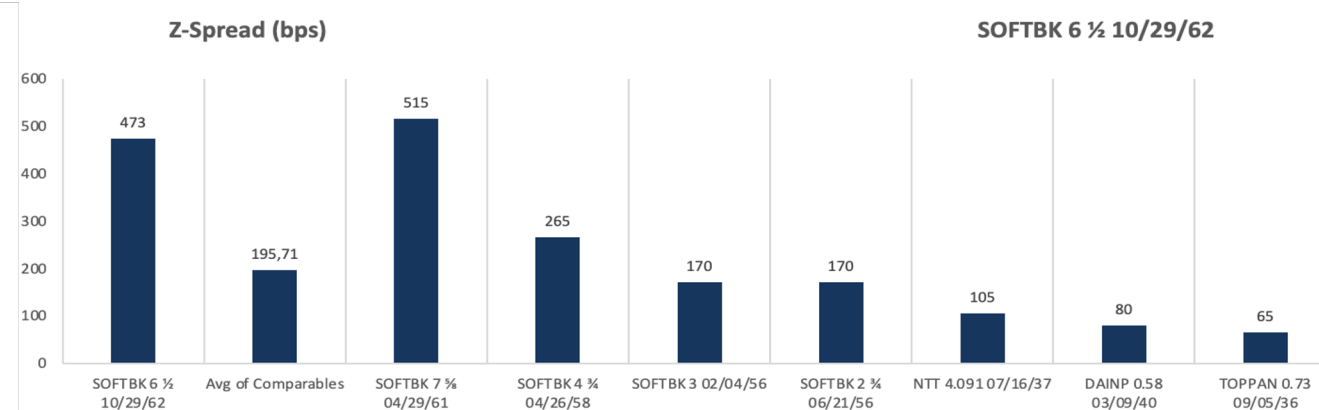
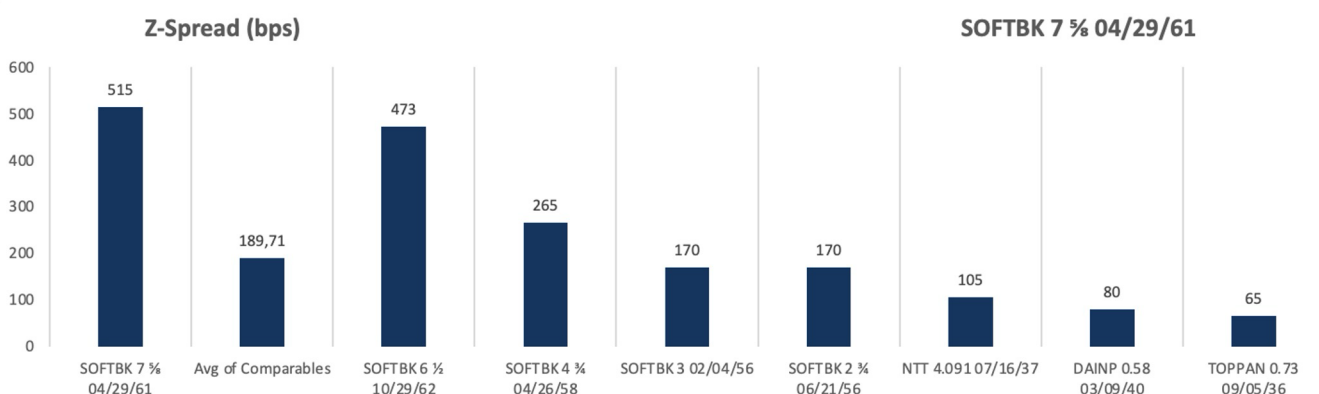
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November 2025

Bond Comparable Analysis

- **Z-spread:** Also known as **Zero-volatility Spread**, is defined as the constant spread that, when added onto the yield curve of **risk-free sovereign debt** (i.e. US Treasuries), makes the **Present Value** of a bond's cash flows **equal to its current market price**.
- **How is it useful?** The Zero-volatility Spread provides a holistic perspective, taking into consideration the shape of the yield curve, **applying a spread across all maturities on top of the yield curve** rather than a singular maturity, providing a measure of credit risk that adjusts for the term structure.



- **SoftBank trades at a substantial premium to peers:** Across all three maturities, SBG's **Z-spreads (470–520bps)** sit far **above the peer range (65–230 bps)**, underscores materially higher perceived **credit risk** and **elevated compensation demanded** by investors, this could also be attributed to its significantly higher duration.
- **Peer curve remains anchored by Japanese incumbents:** NTT, DAINP, and TOPPAN trade tightly (65–105 bps), forming the lower bound of the curve—highlighting how SoftBank's leverage-heavy capital structure and volatile investment earnings drive **a persistent spread gap versus domestic comparables**.

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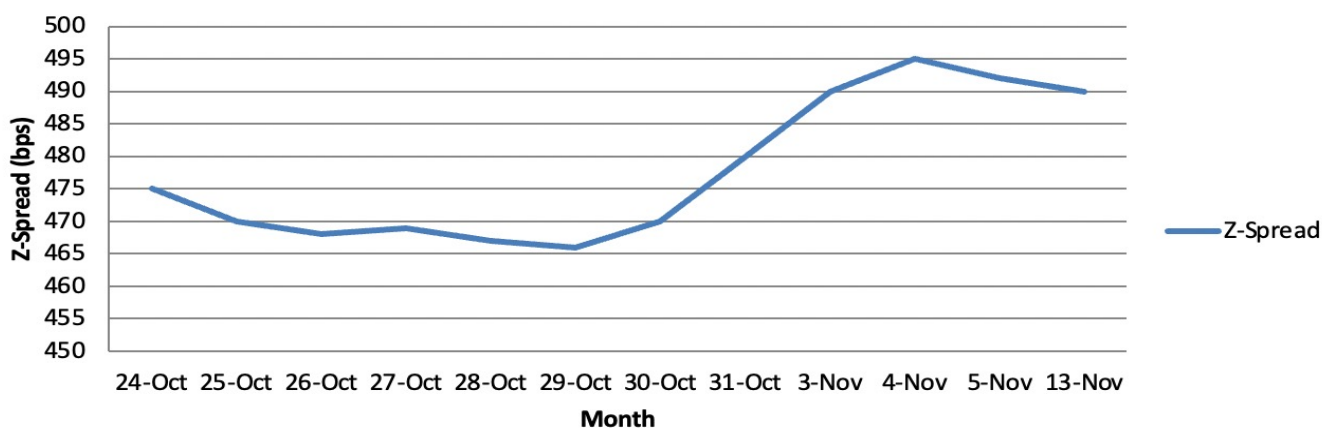
November 2025

Market Reaction

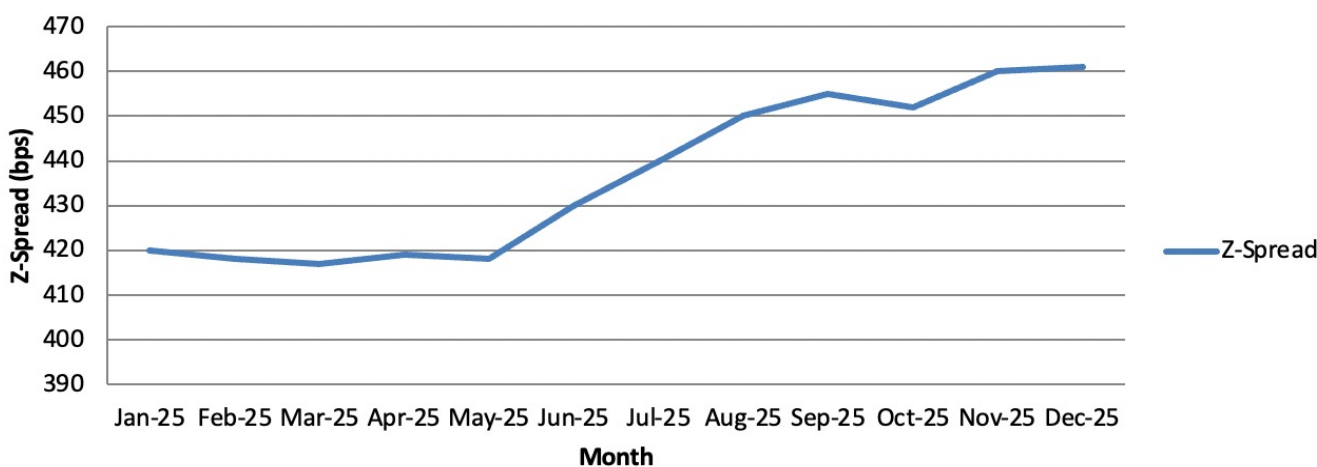
Post-Offering: Momentum Stays Despite Financial Stability Concerns

- The issuance was met with **broadly positive market reception** amid the company's aggressive AI funding drive.
- Despite **S&P's recent downgrade warnings on liquidity and high Net Debt-to-EBITDA (>13x)**, the deal faced no reported widening in pricing from initial guidance. Broader high-yield markets remained supportive, with no immediate spread widening; instead, it **reinforced SoftBank's access to cheap capital in a high-rate environment**.
- Post-issuance reactions have been subdued but affirming, with no major selloffs or volatility in SoftBank's bonds or stock, save for a minor widening in Z-Spread

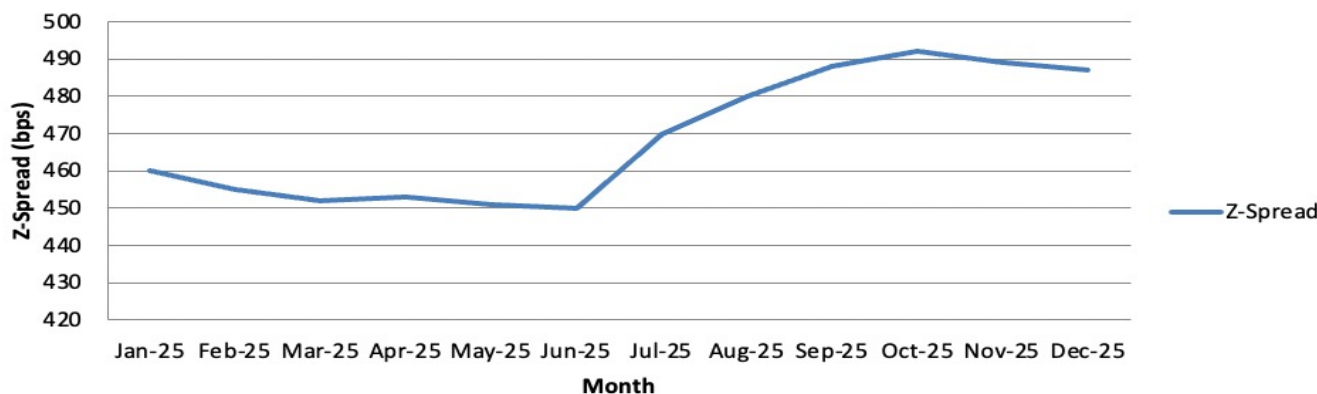
ZSpread 7 5/8 11/13/25



ZSpread 61/2 11/13/2025



ZSpread 8 1/4 11/13/2025



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Catalysts

Improvement in Credit Profile

- **Successful Asset Monetization:** If SoftBank successfully sells other assets (e.g., further T-Mobile shares, parts of its Alibaba stake) and uses the proceeds to reduce its overall debt load, its **creditworthiness improves**. This would benefit all its bonds, especially these high-yield ones.
- **Strong Portfolio Performance:** If the performance of the **Vision Fund investments improves** markedly, it strengthens SoftBank's balance sheet and its ability to service all its debts.

Successful Execution of AI Strategy

- **Positive News Flow:** Announcements of concrete progress on the **"Stargate" project**, a confirmed and successful investment in OpenAI, or new, credible AI partnerships. This would validate SoftBank's strategy and de-risk the narrative, making the bonds more attractive.
- **Early Monetization:** Any sign that these **AI investments** are generating tangible revenue or profits sooner than expected would significantly reduce perceived risk.

Potential Downside & Risks

Higher Correlation with Stocks Causing Higher Volatility

- Softbank Group's portfolio is increasingly **concentrated in AI**, with OpenAI, Arm, and other AI investments accounting for more than half of the portfolio. Meanwhile, the proportion of mature, cashflow-stable investments like T-mobile stocks is likely to **decline further** to possibly less than 10%. As a result, the bonds' movements are likely to be affected by AI (equities) investment sentiment, which weakens the capital class's role in hedging against equity market volatility.

Credit Rating Downgrade Caused by Worsened Financial Position

- Softbank faces a **financing gap** of around \$25bn in the next 2 years, given its plans to further invest \$22.5bn in OpenAI and \$10bn in the Stargate project, along with the Ampere and ABB robotics deals.
- Given the capital-intensive nature and (currently) limited monetization of these investments, investors may question Softbank Group's ability to service its **debt obligations**.

Conclusion

Solid Market Access Despite Volatility

- Despite **volatile global conditions**, a soft yen and stabilizing global rates environment supported SoftBank's ability to issue US\$2.9bn in long-dated subordinated notes. **Strong demand and limited concession** underscore that the issuer continues to enjoy **healthy access** to international capital markets.

Reliance on External Financing Shapes the Credit Narrative

- Financial metrics highlight **persistent pressure**—negative FCF, weakening FFO-based coverage, and elevated leverage relative to peers. These reinforce SoftBank's **structural dependence on external funding**, making timely refinancing and key to managing liquidity needs.

Investor Pricing Reflects Structural Risk, Yet Market Reception Shows Confidence

- Z-spreads remain significantly above domestic peers, capturing concerns around **investment-driven earnings volatility** and **long-dated subordinated structures**. However, stable post-issuance trading and improving investment performance suggest **investor confidence** in SoftBank's ability to navigate near-term funding needs.

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Appendix - Bond Comparables

Security	Price	Yield	Spread	Diff	Low	High	Avg
SOFTBK 7 ¼ 04/29/61	96.09	8.57	515	0	0	0	0
Avg of Comparables	--	3.53	189.71	325	176	325	277
SOFTBK 6 ½ 10/29/62	96.27	7.21		42	16	42	30
SOFTBK 4 ¼ 04/26/58	102.65	3.57		250	169	250	199
SOFTBK 3 02/04/56	100.15	2.31		345	281	345	303
SOFTBK 2 ¾ 06/21/56	100.24	2.33		345	268	345	297
NTT 4.091 07/16/37	102.5	3.82		410	336	410	362
DAINP 0.58 03/09/40	75.17	3.08		435	358	435	387
TOPPAN 0.73 09/05/36	85.66	2.4		450	372	450	402

Security	Price	Yield	Spread	Diff	Low	High	Avg
SOFTBK 6 ½ 10/29/62	96.27	7.21	473	0	0	0	0
Avg of Comparables	--	3.73	195.71	277	152	315	247
SOFTBK 7 ¼ 04/29/61	96.09	8.57		-42	-42	-16	-30
SOFTBK 4 ¼ 04/26/58	102.65	3.57		208	141	208	170
SOFTBK 3 02/04/56	100.15	2.31		303	254	303	274
SOFTBK 2 ¾ 06/21/56	100.24	2.33		303	240	303	268
NTT 4.091 07/16/37	102.5	3.82		368	309	368	334
DAINP 0.58 03/09/40	75.17	3.08		393	329	393	358
TOPPAN 0.73 09/05/36	85.66	2.4		408	344	408	373

Security	Price	Yield	Spread	Diff	Low	High	Avg
SOFTBK 8 ¼ 10/29/65	96.22	8.84	520	0	0	0	0
Avg of Comparables	--	4.16	230.38	290	145	290	257
SOFTBK 7 ¼ 04/29/61	96.09	8.57		5	0	33	17
SOFTBK 6 ½ 10/29/62	96.27	7.21		47	29	63	47
SOFTBK 4 ¼ 04/26/58	102.65	3.57		255	197	255	216
SOFTBK 3 02/04/56	100.15	2.31		350	309	350	320
SOFTBK 2 ¾ 06/21/56	100.24	2.33		350	296	350	314
NTT 4.091 07/16/37	102.5	3.82		415	364	415	379
DAINP 0.58 03/09/40	75.17	3.08		440	385	440	403
TOPPAN 0.73 09/05/36	85.66	2.4		455	399	455	418