

## SoftBank's Potential Investment in Uber: Outlook and Effects

By Spencer Hazan, J.D. Candidate 2020 | November 20, 2017

Uber has cleared the way for a multi-billion dollar [investment](#) by Softbank, a Japanese telecommunications company. SoftBank hopes to obtain 14% ownership by issuing a tender offer to current stockholders, and buying \$1 billion in new shares issued by Uber.

SoftBank would agree to a deal only if Uber resolved some of its [governance issues](#). Correspondingly, Uber's board agreed to adopt a traditional one vote per share policy. This policy limits the power of Uber's early investors - including its out-of-favor former CEO, Travis Kalanick - who held a ton of power in the company via "super voting rights." In addition, Uber expanded its board of directors from 11 to 17, and brokered a deal for one of its influential shareholders to suspend a lawsuit against Kalanick.

Uber believes SoftBank's investment will help it grow in [emerging markets](#). SoftBank, which unconventionally invests in companies that compete in the same industry as part of its aggressive investing strategy, owns more than 30% of Ola. Uber and Ola are rivals in South Asia, but collectively have a 95% market share in India. SoftBank's investment in Uber thus opens up the possibility of M&A activity. If permitted by India's antitrust laws, such a deal will allow Uber to thrive in a market that has previously brought Uber its fair share of headaches. SoftBank also owns significant stakes in other ride-sharing giants, including Didi Chuxing (China), Grab (Southeast Asia), and 99 (Brazil).

Perhaps the biggest winners in the deal are Uber's [employees](#). Over the last year, employees have had to endure extensive turnover to the company's C-suite, public relations crises, and increased competition from Lyft. The SoftBank deal gives employees a welcomed opportunity to cash-out their stock options at a high price.

The city of San Francisco will also benefit from SoftBank's lucrative investment. Uber employees who cash-out will have earnings taxed at .711%, the city's income tax. While employees of several tech companies in San Francisco are exempt from city income taxes, Uber employees are not eligible for the "Twitter tax break" because the company is not headquartered in the area of San Francisco where the city agreed to exempt certain companies from income taxes.

This is far from a done deal. SoftBank maintains that it has [not yet decided](#) whether it will invest in Uber. In addition, even if SoftBank does issue a tender offer, the deal can still fall through if not enough stockholders agree to sell. Nevertheless, a deal seems likely, and there are a lot of parties that stand to benefit from it.