The SoftBank Ally Pulling the Strings Behind Arm's IPO

The Information
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For more than a decade, the Raine Group has wielded its connections—especially to SoftBank CEO Masayoshi Son—to land big deals and punch above its weight on Wall Street. Next week, one of the most hotly anticipated initial public offerings in years will serve as the latest test of their partnership.

Raine holds a flagship position on SoftBank-owned Arm Holdings' blockbuster offering, which could be a coup for a bank that isn't known for dealing in IPOs. Raine itself could earn as much as 10% of the total advisory fees on the deal, or $10 million. But the stakes are high—Arm is aiming to raise about $5 billion, the most since Rivian went public in 2021. Arm's IPO is viewed as a bellwether that, if it does well, could help open the floodgates of the IPO market after more than a year of quiet.

IPOs are typically run by a Wall Street superpower, such as Goldman Sachs or Morgan Stanley, that acts as top dog on the deal and reaps the biggest fees, while many other banks participate by helping sell stock. That's not the case with Arm, where Raine is doing much of the coordination work the lead investment bank typically does—even though Raine is not actually placing the shares in the IPO, according to a person familiar with the matter.

Raine has already racked up $2.5 million in fees for Arm advisory work in the fiscal year ended March 31, according to Arm's IPO documents. The road show for the IPO is in full swing, and Arm's stock is set to begin trading Sept. 14.

Raine has longstanding ties with Son and SoftBank, which is a minority investor in the firm. Raine has advised SoftBank on at least 18 deals over the years, according to Raine's website, including SoftBank's $32 billion purchase of Arm in 2016 and its $22 billion buy of Sprint in 2013.

Raine was founded in 2009 by a group including Joe Ravitch and Jeff Sine, veteran investment bankers who defected from Goldman Sachs and UBS, respectively. Raine positions itself as the ultimate relationship bank. Jason Robins, CEO of DraftKings—one of Raine's most successful investments—said in an interview that because Raine does early investments and also advises on deals, it brings connections to startups that are typically found at big investment banks.

For example, Raine introduced Robins to high-powered attorneys David Boies and Jonathan Schiller, who personally worked with DraftKings when it was facing a potential ban in New York. Ravitch's relationship with former Disney executive Kevin Mayer also helped DraftKings close an advertising deal with ESPN and Disney.

Earlier this year, Raine invested in Firebird Music Holdings, a firm that acquires, invests in and creates music companies. Raine placed Fred Davis—a partner at the firm and the son of legendary record producer Clive Davis—on Firebird's board.

"They can get to anybody in the music industry," said Firebird co-founder Nat Zilkha. "So if there are people we don't know that we want to talk to, Raine either knows them or knows somebody that knows them."

Raine is structured as a merchant bank, meaning it both advises on deals and invests in companies, with the idea that advisory work gives Raine a better understanding of industries, while access to deal flow makes it a better investor, said Brandon Gardner, Raine's president and chief operating officer.

The firm has notched big wins in recent years—it made hundreds of millions investing in DraftKings, earned about $65.5 million in advisory fees for merging WWE and Endeavor, and bought its way into Silicon Valley deal-making with a purchase of well-connected startup deal shop Code Advisors. Raine also ran Russian oligarch Roman Abramovich's $5.2 billion sale last year of Chelsea Football Club, one of the best-known soccer teams in the English Premier League.

It has also taken some punches. Its earliest big investment, Vice Media, went bankrupt this spring, wiping out Raine's small remaining investment in the company. Raine also tried to sell music-streaming service SoundCloud for upward of $1 billion but didn't find a buyer, according to people familiar with the matter.

So far this year, Raine sits 34th among merger advisers in the U.S. when ranked by total deal value announced, according to Dealogic, up from 80th for all of last year and 68th in 2021. Raine's executives say their strong relationships with firms and their narrow focus on media, entertainment, tech and sports insulate the firm from the ups and downs of the broader investment banking industry, and the 195-person firm has increased its number of employees despite a drought in deals over the past year-plus.

"We're never going to have more than 1% of M&A, so if global M&A is down 20% in a given year, Goldman is going to fire 20% of its bankers and we can be thriving," Ravitch said, noting that Raine can also have a bad year when global M&A is up. "Typically we don't because most of our clients are repeat clients. [For] most of our clients, we're their trusted advisers."