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Raine Dealmaker Talks Arm IPO and Diversity: Bloomberg Deals

By Ryan Gould

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Hi it's Ryan Gould in New York again. In today's newsletter, I talk with a dealmaker from TMT-specialist Raine Group. Elsewhere, another tech company explores a sale while the bidding goes on for Sculptor.

Today's top stories

- Rithm wins Dan Och's support for Sculptor bid at \$720 million.
- Silver Lake, Thoma Bravo-backed SolarWinds is weighing potential sale.
- Chevron profit falls short of expectations as Hess deal looms.
- Fortress approached Whitestone REIT about a takeover.

Raine-maker

Jessica Payne is a managing director at Raine Group, the TMT-focused firm where she has worked on deals including SoftBank's sale of ARM to NVIDIA and Accel Entertainment's sale to TPG Pace. She walked us through what the firm is all about and some trends in the space.

How do you describe Raine?

Raine is a merchant bank that focuses exclusively on the TMT space. Since our founding in 2009, we've always been very global in our approach. We now have nine offices globally, including in Europe, Asia and North America. It's a collaborative platform—we have a Monday morning meeting where we all gather, share ideas and run through the latest client situations.

What makes Raine unique is that everyone at the firm works across both advisory, which includes M&A and strategic advice, as well as investing, as we have a few funds that invest in companies directly. That enables us to view situations through the lens of being both an adviser and an investor. We like to find situations where we can embed ourselves with them, where we can become an extension of their internal strategy teams.

Arm was a significant transaction that Raine recently advised on. What role did Raine play?

Raine was the financial adviser to Arm on the IPO. The firm has had a long relationship with both SoftBank and Arm, respectively. The deal was a good example of how Raine seeks out situations, particularly as it relates to how we value clients over multiple years and multiple transactions. With Arm, Raine initially advised SoftBank on the acquisition of Arm in 2016 and advised it on the proposed sale to Nvidia in 2020, which was ultimately terminated due to regulatory headwinds. Once that happened, Raine was brought in to work alongside the Arm team as they ramped up IPO prep.

I would say that in the seat of being a trusted adviser to our client, a financial adviser in a capital markets capacity, all of our workstreams are centered around assisting and executing all facets of IPO process. One of the major roles was coordinating amongst the lead underwriter group, spending time liaising with internal stakeholders within Arm and advising company leadership as they thought through key decisions.

SoftBank/Arm appeared to set the tone for other IPOs in terms of using anchors/cornerstone investors. What did the discussion around that look like?

The focus for us is on delivering the best advice and outcome for the company. Arm was a bit of a unique circumstance. It has a very unique space in semis. Because of that, it has a broad-reaching network of relationships. When thinking about cornerstones, Arm's roster was a list of strategics that the company had preexisting relationships with. The investment by this was essentially a validation of Arm's centrality in the ecosystem, an implicit signal of support of Arm's value to its customers.

While Arm was a unique situation, there is a broader trend around cornerstones. We're seeing it more as a hallmark of the IPO process but remains situation specific. Cornerstones can either be strategic like Arm had, validating partnerships and the business model, or financial, which tend to validate a company's financial profile and its characteristics.

M&A in sports franchise seems to be hot and is a sector that Raine focuses a lot of time in. Where should we be looking for the next pockets of consolidation?

One area that is interesting is around the more recent participation of institutional capital in sports. In the past, sports assets have been viewed as trophy assets, where institutional capital has historically been less able to participate due to different regulations leagues have had in place. But we've seen more institutional capital entering the sports sphere as leagues change their stance toward this class of investor.

There is also a general rising tide around women's sports as a vertical. Institutional capital is coming into the space via groundbreaking deals—the Women's Soccer League, for instance, is an example where capital has come in to really build up the profile of certain teams. WNBA has also seen excitement. What's driving this is the desire and demands of the fans behind women's sports, and investment firms recognize the potential for increased monetization. Right now, some of the men's teams are trading at extremely high valuations compared to the women's, where there are lower entry costs and tangible proof points around an energized fan base and untapped monetization potential.

What other trends are you seeing in the technology space?

I spend a lot of time thinking about the technology space. There is a lot of news around AI. That is going to continue as a major theme and major trend going forward—lots of potential in the ground level of AI technology, such as the chips, as it's the foundation upon which other apps will be built. Where from there? Many people are familiar with ChatGPT and the increased productivity for knowledge-based workers, but there are also similar opportunities to increase productivity in industrial and commercial areas through AI application. Think about AI-powered robotics in order fulfillment or last-mile delivery, for example.

What should the industry do to have more women in tech investment banking?

At Raine, having a diverse team is important for us to win. We know it's good to have diversity because where we focus our business naturally skews toward a younger demographic which is inherently more diverse. We're also seeing the expectation from clients that they want their advisers to reflect their business values, which means being more diverse among other things. Limited partners also have those expectations. People within Raine value diversity. It's heartening that diversity has shifted from a nice-to-have to a need-to-have, becoming a core business strategy, which is really great.

When I think about recruiting and retention, improvements to the retention piece will have the bigger impact. That means both men and women actively supporting the career development of female bankers. It's not just about equal opportunities, but also about men and women welcoming and encouraging their female colleagues into their informal networks. The personal and professional networks underlie much of what goes on in dealmaking. It's really important. Hopefully, as more women are staying in finance, representation of senior female bankers will become more the norm.

M&A focus

SolarWinds is exploring options including a potential sale, report *Ryan Gould and Gillian Tan*. The publicly traded software company controlled by Silver Lake and Thoma Bravo is working with financial advisers to prepare a sale process that is expected to kick off early next year.

Sculptor said major shareholder and founder Dan Och and his group agreed to a sweetened deal for the struggling hedge fund from Rithm. The bid values Sculptor at about \$720 million.

Chevron fell short of analysts' expectations amid weak returns from its overseas refineries as the oil giant moves closer to the \$53 billion purchase of storied rival Hess.

Fortress Investment Group has approached retail landlord Whitestone REIT about a takeover, *Gillian* writes.

Drugmaker Sanofi's shares plunged after disappointing earnings and a surprise forecast for lower profit next year overshadowed a plan to spin off its consumer health division.

Australia's richest woman bought a stake in another of the country's lithium miners, shortly after amassing enough shares in Liontown Resources to block a takeover deal, *Sybilla Gross and Harry Brumpton* report.

IPO watch

J&T Global Express founder Li "Jet" Jie is now worth \$1.5 billion as the online shopping boom that's expanding from China to Southeast Asia continues with Hong Kong's second-biggest trading debut of the year.

In other Hong Kong IPO news, Ant-backed Chinese rural bank Chongho is considering a Hong Kong IPO that could raise as much as \$500 million, *Pei Li* writes.

Battery maker AESC recently closed a \$1 billion funding round and is seeking to raise more money for growth from investors, a stepping stone to going public in the US, *Ed Ludlow, Kiel Porter and Linda Lew* report.

Best of the rest

- Taylor Swift-ly a billionaire.
- Charlie Javice says JPMorgan should pay her legal fees.
- Tata to become first India iPhone maker as Wistron approves sale.