



APERTURE

INSIGHTFUL AND RELEVANT RESEARCH UPDATES

Naspers FY 2024 Results

Share Price	R 3 581,82
Fair Value	R4 941,72
Date	27 June 2024

RESULTS SUMMARY

Naspers' robust full year 2024 results reflect the business' resilience and strategic focus on profitability growth, and commitment to driving shareholder value. Notably, revenue increased by 17% to US\$6.4 billion, core headline earnings increased by 110% and free cash flow doubled to US\$477 million. This was achieved as Ecommerce reached profitability six months ahead of target, with an US\$460 million improvement in profit as revenue surged by 18%. It was also supported by strong performance in Tencent and the ongoing share buyback programme. The programme, which has created US\$32 billion in value, remains a consistent performer, resulting in a 9% Net Asset Value (NAV) per share accretion in FY24. With a strong balance sheet and prudent capital allocation, Naspers continues to deliver value to shareholders while positioning itself at the forefront of technological innovation.

Looking ahead, Naspers has embraced cutting-edge AI technologies, positioning itself at the forefront of value creation. The recent appointment of Fabricio Bloisi as CEO adds further momentum as he brings significant entrepreneurial experience in scaling technology companies and a drive for innovation.

OUR LONG-TERM INVESTMENT VIEW

- Naspers offers exposure to fast-growing online markets in Chinese internet, global video games, online classifieds, food delivery, payments, eetailing, advertising and a host of smaller assets and stakes. The group's diversification as a global consumer internet group is unrivalled, certainly within the emerging market universe. While many of the group's platforms remain unprofitable, we believe that there is enough evidence to suggest that, in time, they will be profitable, as we have now seen in the accelerated turnaround in Ecommerce and overall narrowing of losses across business segments.
- Naspers trades at a discount to its underlying Net Asset Value. However, this discount should start to narrow as the group delivers operationally and continues to implement their value unlock strategy. Currently, Naspers offers a significant opportunity to embrace disruption at a discounted price.

UNPACKING THE FY 2024 RESULTS

Prosus Group

- **Ecommerce revenue** grew 19% to US\$5.5bn, driven by strong growth in excess of 20% in Classifieds and Food Delivery. While Payments and Fintech garnered impressive revenue growth of 38%, Edtech achieved a modest growth of 9%, below expectations for the group. Although still negative, the consolidated trading loss came in materially lower than last year, declining by US\$468m to US\$118m. This was driven by a significant turnaround from loss-making to profit-making in Ecommerce, tripling of profits in Classifieds, strong performance at Tencent and **overall narrowing of losses in other segments.**
- **Classifieds'** revenue grew 27% to US\$707m. Performance was strong across the European OLX, notably in the motors category and there was a recovery in OLX Ukraine. The group exited the OLX Autos businesses during the year. Coupled with streamlining of operations and optimisation of marketing spend and technology hubs, trading profit more than tripled to US\$172m and its trading margin expanded to 24%.
- Profit from equity accounted investments decreased by 46% to US\$2.8bn due to Tencent's decreased gains on disposals of US\$5.8bn, partly offset by lower impairments of US\$1.3bn and increased contributions from associates of US\$638m. This reduction was also partly offset by **Tencent's profit increase of US\$1.1bn.** An impairment loss was recognised for Delivery Hero and Swiggy of US\$297m and for other investments of US\$186m.

South African businesses

- **Takelot increased revenue by 8%** supported by GMV growing by 13% and its active seller base exceeding the 10 000 milestone. Despite challenging economic conditions, losses were reduced by 36%.
- **Media's revenue declined by 7%** with Media24 revisiting several of its print titles as it shifts towards digital platforms.

- The **Food Delivery segment continued to scale**, with growth in revenue of 22%, driven by strong performance in iFood. With GMV and orders up 20% and 18%, respectively for iFood, its trading profit almost tripled to US\$96m, achieving a trading margin of 24%. Associates, Delivery Hero and Swiggy demonstrated modest revenue growth over the period as well. Delivery Hero experienced growth of 6% in GMV, supporting revenue growth of 16%, while Swiggy's Gross Order Value increased by 26%. Food delivery attained a profit of US\$67m compared to a loss of US\$106m in the prior year.
- The **Payments and Fintech segment grew revenue by an impressive 38%** to US\$1,1bn due to strong payment activity in India and Turkey. Core payment service provider (PSP) revenue grew by 41% as volumes increased by 25%. PayU's Turkish business, Iyzico, stood out with growth in revenue of 119%. Overall trading losses narrowed by 81%. The business is poised for enhancement as the Reserve Bank of India provided an in-principle authorisation to PayU India to operate as a payment aggregator, allowing it to onboard new merchants. The sale of GPO, announced in August 2023, is expected to close by the end of 2024.
- Despite showing moderate growth in revenue and reduced trading losses of 25%, **Edtech remains to be an underwhelming segment compared to the rest of the group**. The broad adoption of AI and macroeconomic landscape has proven to be a challenge for the segment, in particular Stack Overflow. However, management has taken steps to turn the segment around including leveraging inhouse AI expertise to enhance Stack Overflow's value proposition and the launch of Overflow AI, which enables AI providers to use Stack Overflow's public dataset within their own AI capabilities. Overall, this **has yielded early signs of a turnaround**, with Stack Overflow losses reducing by 70% in the second half of the year.
- Etail grew its revenue by 8% and narrowed its trading losses from US\$61m to US\$35m, driven by growth in Romania (13%) and new initiatives (26%).
- The group's balance of platform businesses yielded encouraging operating metrics. Mr D and Superbalist benefitted from increased customer engagement and product ranges as GMV increased 16% and 7%, respectively. AutoTrader reflected a surge in online vehicle purchases since 2019 as platform growth was up by 97%, supported by 11% user traffic growth in FY24 alone. Property24 acquired a stake in property technology company, Grace Nineteen, in steps to solidify its market leading position.

Capital

- **The group remains well capitalised** with a US\$737m net debt position, including US\$14,6bn in cash and short-term investments against US\$15.4bn of interest-bearing debt. In addition, there is a US\$2.6bn undrawn revolving credit facility. The group's cash inflow of US\$375m compared to an outflow of US\$491m in the prior year, supported by growth in Food Delivery, Classifieds, better working capital management in Etail and Payments and Fintech and an increased dividend from Tencent of US\$759m. Excluding OLX Autos, which is being disposed of, free cash flow was US\$477m.

Looking ahead

The **onboarding of Fabricio Bloisi as the new CEO**, effective 1 July 2024, aims to reignite an entrepreneurial and innovative culture to drive growth and leaner operations, as he brings with a deep operational understanding and experience of scaling technology companies such as iFood.

The bottom line

The group **remains committed to driving profitability and cash flow generation** through its entrepreneurial and innovative ecosystem by leveraging levers such as cross-selling and AI. Management remains committed to its share buyback programme to unlock value for shareholders. Our fair value at R4 941,72 presents 34% upside from here.

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