

Chief executive's review



Bob van Dijk
Chief executive

“This was a standout year for Naspers – a period of continued strong growth and performance across our businesses and a year of great transformation as we achieved our aim to become a 100% global consumer internet company.”

Over recent years, we have been on a deliberate and disciplined journey to grow and excel in creating value by improving people's lives. It is a journey that has seen us pass through three key strategic phases. In 2014–2015, we reset the business – organising ourselves into global segments, establishing an excellent ecommerce team, and divesting of low-potential assets. Over 2016–2017, we accelerated ecommerce growth, consolidated for leadership, exited peak-value businesses, and executed quality growth investments. This in turn enabled us to focus over the past two years on growing ecommerce to profitability, developing core segments into US\$5–10bn+ businesses and planting seeds for longer-term growth.

Transforming to excel

This year we achieved a landmark in our transformation – listing and unbundling our Video Entertainment business and completing our evolution into a global consumer internet company. This step unlocked considerable value for shareholders and allows the new MultiChoice Group to excel as Africa's leading entertainment business. It also enables us to focus with even greater intensity on fulfilling our purpose and ambitions as a pure global consumer internet company.

This is an exciting time to be part of the Naspers family. Collectively, we are now one of the world's top 10 internet companies by market capitalisation,

with around a fifth of the people on the planet using the products and services of our companies and associates to improve their daily lives. We have now laid the foundation to take our growth and success to the next level.

Playing our part in South Africa's success

While transforming, we have stayed true to our South African roots and are committed to the continued growth and success of this amazing country. With the new MultiChoice Group, we were very pleased to be able to create further value for Phuthuma Nathi shareholders who, through MultiChoice South Africa (MCSA), have already participated in one of South Africa's most successful empowerment schemes. Phuthuma Nathi shareholders were allocated an additional 5% stake in the issued share capital of MCSA for no consideration. As a result, their indirect interest in MCSA has risen from 20% to 25%.

With Naspers Labs and Naspers Foundry, we are bringing our commitment to life through two initiatives focused on helping and investing in the next generation of South African talent and tech entrepreneurs.

Tackling youth unemployment

Naspers Labs is our flagship social impact project designed to transform and launch South Africa's unemployed youth into economic activity.

The programme has been designed to remove the unique barriers to entering the economy for impoverished South

African youth. Our ambition is to be a driving force behind increasing access to economic opportunity for millions of young people living in low income peri-urban areas of South Africa.

Backing entrepreneurial talent

Naspers Foundry is our startup funding initiative focused on helping talented and ambitious South African tech entrepreneurs develop and grow businesses that improve peoples' lives. We have allocated R1.4bn to invest in South African tech startups over three years. This complements the R3.2bn already committed to developing the group's existing South African businesses.

Growing revenues and profitability

Alongside our transformation, and indeed helping to fuel it, we delivered another strong year of growth. Group revenue from continuing operations on an economic-interest basis was US\$19bn, up 16% on last year (or 29% in local currency and adjusted for acquisitions and disposals).

Our core focus areas – Classifieds, Payments and Fintech, and Food Delivery – were key in delivering this growth. On the same basis, group trading profit from continuing operations rose 10% to US\$3.3bn (or 22% in local currency and adjusted for acquisitions and disposals).

Core headline earnings from continuing operations was up 26% on last year at US\$3bn. ☆

Key events through the year

2018

May

Naspers invests US\$35m in Honor, enabling the health innovator to grow its national network of home-care agencies.

OLX Group invests US\$89m in Frontier Car Group to continue expanding and disrupting the used-car sector in high-growth markets.

Jun

OLX Group and Properati agree to join forces in Latin America, strengthening its presence in that real estate market.

July

Naspers further commits to Indian food-delivery business Swiggy, investing US\$79m as part of a US\$210m investment round.

US\$79m

Movie announces a new round of investment, led by Naspers with participation by Brazilian investment fund, Innova Capital (Innova), with a combination of primary and secondary investment totalling US\$124m.

PayU invests US\$12m in PaySense. PaySense is a fintech startup based in Mumbai India. The company is focused on digital lending, serving short-duration microloans to Indian consumers.

Aug

PayU announces the acquisition of leading payments technology platform, Zooz, for US\$60m. The deal supports PayU's ongoing expansion into high-growth markets and addresses the significant opportunity in cross-border payments.

letgo acquires the share capital held by non-controlling shareholders of letgo USA B.V. of US\$189m.

Sept

Naspers disposes of its 12% stake in Indian ecommerce company, Flipkart, to US-based retailer Walmart for US\$2.2bn, delivering a 29% internal rate of return on investment.

29%

internal rate of return on investment in Flipkart

Naspers announces its intention to separately list and unbundle its Video Entertainment business as MultiChoice Group on the JSE, creating an empowered, standalone Africa-wide entertainment business; unlocking value for Naspers shareholders; and increasing Phuthuma Nathi shareholding in MultiChoice South Africa to 25%.

Naspers invests US\$5.6m in SoloLearn to enable the education innovator to fund product enhancement, global expansion and launch a career service for the community.

Chief executive's review *continued*

Strengthening our core

We have a range of excellent businesses in the group and we cover their performance in some detail later in this report, but I touch on a few key highlights here.

As a pure global consumer internet company, we are currently focusing on three core areas where we can work to create value by improving people's lives: Classifieds, Payments and Fintech, and Food Delivery. In all three areas, we had a strong year.

In Classifieds, OLX Group achieved its first year of profitability and annual revenues exceeded target. ☆ We continued to invest and expand, notably into car, real estate and convenience offers, while reorganising and streamlining, where necessary, to increase efficiency and customer focus.

In Payments and Fintech, the core payments business of PayU continued to grow and recorded its first profit on a standalone basis. ☆ We continued to build on core payments and moved progressively into broader fintech credit services, with additional investments in PaySense and ZestMoney.

“Across our chosen areas of focus, we want to take a much bigger space in the hearts and minds of internet consumers around the world. So we back excellent entrepreneurs building great business models with very strong local components.”

In the fast-growing sector of Food Delivery, we increased our focus and investment. ☆ Along with Innova Capital we committed to invest additional capital of US\$400m in iFood to enable iFood to accelerate growth by expanding coverage and investment in first-party delivery capabilities, speed up product development and innovation, and deliver personalised experiences to its customers. We also invested US\$716m in Indian food-delivery leader, Swiggy. We believe technology will transform the way people eat, and we are investing in that.

While concentrating on the core, we also continued to identify, explore and build the next wave of growth for Naspers. Investments ranged from adding to our education portfolio with an investment in Indian educational company BYJU'S by investing US\$383m, to taking an initial stake in healthcare innovator, Honor.

Our investments in social and internet platforms also performed well. Tencent continued to excel in China while Mail.ru consolidated its position as Russia's leading internet group.

These businesses are leaders in two of the world's most dynamic high-growth markets.

Developing and encouraging our people

Another key asset for us is, of course, our outstanding people. They are at the heart of everything we do at Naspers. The experience we give our customers, the value we deliver to our shareholders, the success of the business – all these rest on the quality and commitment of our people. So we work hard to recruit, develop and retain the best people throughout the group.

One of the ways we are developing and encouraging all our people to be their best is through MyAcademy, our global learning and development platform. It operates as an online learning hub and is supplemented by classroom training and is open to all our people, including employees in our minority investments. We offer a range of experiences that allow our people to enhance their skills in areas such as leadership, technology, cybersecurity, machine learning, business and commercial skills, and foreign languages. MyAcademy is an engine and enabler of growth and change across the group. We use it to amplify and accelerate innovation and entrepreneurship and to ensure our people have the right knowledge to support our priorities and ambitions.

Making the most of machine learning

Across all our businesses, we are increasingly investing in and making the most of machine learning (ML). ☆

From image recognition to the ability to interpret text, ML has advanced rapidly in recent years. As a data-rich business, we have the fundamental asset – the essential ingredient – to make the most of technology's strengths and potential. We are using ML to create value in different ways across the group, such as increasing the trust and safety of interactions between buyers and sellers, and making services simpler and more streamlined.

Looking ahead

Looking ahead, we have only just begun to capitalise on the added drive, focus, energy and opportunities that come from being a pure global consumer internet company.

Towards the end of our financial year, we announced the next major step in our ongoing journey – our intention to list our international internet assets on Euronext Amsterdam.

The new company, Prosus, will likely be the largest listed consumer internet group in Europe by asset value, comprising some of the world's leading and fastest-growing internet companies in some of the most interesting markets on the planet.

This is a significant step for Naspers, which will own at least 73% of Prosus. We believe that the listing will present an appealing new opportunity for global tech investors to have access to our unique portfolio of international internet assets. As well as opening up investment to a broader category of investors, the listing aims to reduce our weighting on the JSE, which we believe will help us maximise shareholder value over time.

I am pleased and proud to say that we have an even more exciting future ahead. A future in which more and more people can share – customers, investors, our teams, and our key stakeholders. I look forward to continuing to help shape this future.



Bob van Dijk
Chief executive

21 June 2019

Oct

Naspers boosts the South African technology sector with a R4.6bn commitment over the next three years: R1.4bn will be invested in startups through Naspers Foundry and R3.2bn in further developing the group's existing South African businesses.

R4.6bn

Naspers confirms it is piloting Naspers Labs – its holistic programme to address youth unemployment in South Africa.

Nov

Mobile receives a new funding commitment from Naspers and Innova to invest an additional US\$400m in iFood, to enable iFood to accelerate growth by expanding coverage and investment in first-party delivery capabilities, speed up product development and innovation and deliver personalised experiences to its customers.

US\$400m

Dec

Naspers invests in dot to transform city mobility in Europe.

Naspers invests US\$383m as part of a US\$540m investment round in BYJU'S, one of the world's largest education companies. The funds will fuel international expansion and further personalise learning.

Jan

2019

Naspers shares approved for inclusion in the list of qualifying equity securities to be traded on A2X from 27 December 2018.

Naspers invests US\$637m as part of a US\$1bn investment round in Swiggy, India's largest food-delivery platform.

Feb

OLX Group invests US\$1.16bn to acquire the share capital held by non-controlling shareholders of Avito, the leading online general classifieds and property platform in Russia, taking its effective interest to 100%.

Feb

MultiChoice Group lists on the JSE.

100%

Mar

Video Entertainment business unbundled.

Naspers announces its intention to list its international assets on Euronext Amsterdam.