

# Chief executive's review



**Bob van Dijk**  
Chief executive

### A truly transformational year

Towards the end of the past financial year, we reached a milestone in our ongoing journey. With the unbundling of MultiChoice Group, which unlocked approximately US\$4bn of value for our shareholders, we created a 100% global consumer internet company. But in many ways, this was only the beginning.

This year we continued to move forward. We have executed on highly value-accretive merger and acquisition (M&A) transactions in a disciplined manner which has allowed us to accelerate growth in our core segments. These transactions have helped to fuel continued high growth across our core segments: Classifieds, Payments and Fintech, and Food Delivery. We successfully listed our international internet assets on Euronext Amsterdam, creating our new company, Prosus, as the home for these assets. This is an exciting step opening up fresh opportunities to create long-term sustainable value.

### Creating a top 10 global consumer internet company

Prosus has firmly established itself as a top 10 global consumer internet company. Our US\$100bn valuation is on a par with some of the largest internet players in the world.

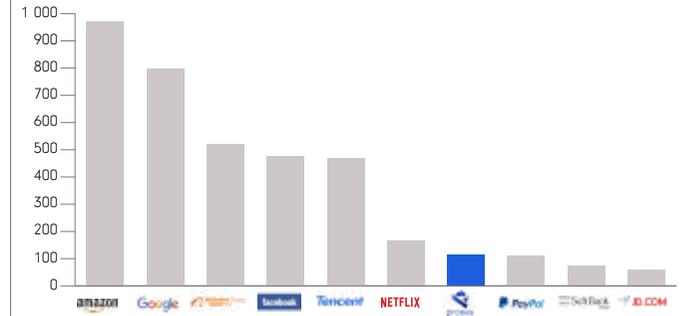
### Remaining deeply committed to South Africa

Following the listing of Prosus, Naspers remains the largest South African company listed on the JSE Limited's stock exchange (JSE), and we remain deeply committed to the country. We are one of the foremost investors in the South African technology sector. In Takealot we have the country's leading retailer and in Media24, its leading print and digital media business. In October 2018 at the inaugural South Africa Investment Conference, we undertook to inject a further R3.2bn into our existing South African businesses. Moreover, through Naspers Foundry we aim to invest R1.4bn in the next generation of outstanding South African tech start-ups in the coming years. And Naspers Labs is pioneering an innovative hyper-local programme to tackle youth unemployment across the country. You will find more on these social initiatives on pages 71 and 72 of this report.

**"The listing of Prosus presents a new opportunity for global investors to access our unique portfolio of high-growth international internet assets."**

### PROSUS IS A TOP 10 GLOBAL CONSUMER INTERNET COMPANY

Market cap (US\$'bn)



Unbundling of MultiChoice Group unlocked approximately

**US\$4bn**

of value for our shareholders

In January 2020, we sold 22 million shares in Prosus, representing approximately 1.4% of the issued Prosus N ordinary shares for gross proceeds of €1.5bn (US\$1.64bn).

The sale was effected through an accelerated bookbuild offering to institutional investors. Following the disposal, Prosus was 72.49% owned by Naspers with a free float of 27.51%.

All proceeds of the disposal received by Naspers, net of expenses and costs, were repatriated to South Africa and were used to return capital to Naspers shareholders in the form of a share repurchase programme.

## Key events through the year

Apr

OLX Group contributed Silit and cash with an aggregate value of US\$56m for an investment in Carousell, one of Asia's largest and fastest-growing classifieds marketplaces.

R1m donated in support of flood disaster relief and recovery efforts in Durban and the wider KwaZulu-Natal coastal area in South Africa.

May

Takealot launches 25 pick-up points across South Africa.

**25**

Jun

PayU acquires lyzico, a digital payment services provider in Turkey, by contributing its Turkish businesses and cash for an aggregate value of US\$199m.

Naspers Foundry invests R30m in online cleaning services company, SweepSouth.

Jul

PayU acquires digital payments company Wibmo for US\$66m.

Phuthi Mahanyele-Dabengwa appointed as CEO, South Africa.

Investment in Dott, the European micromobility company.

PayU expands into Southeast Asia through a majority stake in Red Dot for US\$48m.

Aug

Remitty, the online international money transfer service, announces US\$220m financing, accelerating international growth.

Further investment in Brainly to fund US expansion.

US\$81m investment in Meesho as part of a US\$125m fund raise. Meesho is India's largest social commerce platform, which enables individuals to start an online business with zero investment.

MakeMyTrip and Trip.com (previously Ctrip) share exchange, resulting in a gain of US\$599m.

Sep

US\$1.8m investment in DappRadar, the leading global platform for discovering and analysing blockchain-based decentralised applications.

**US\$1.8m**

Prosus lists on Euronext Amsterdam creating Europe's largest listed consumer internet company.

## Chief executive's review continued

### Leading around the world

Our companies lead in 77 markets around the world, and we are improving the daily lives of more than 1.5bn users globally. OLX Group is a global leader in online classifieds with over 300 million monthly users across 22 markets. PayU is processing more than US\$30bn in transactions annually. In just over two years, we have built a food-delivery segment that is changing the way people eat around the world. Our Ventures arm continues to explore and invest in the next wave of growth for the group. And as the largest shareholder of Tencent, we benefit significantly from its continued progress and our long-standing partnership with the team.

### Driving to profitability

Our businesses continue to scale and are well on their way to driving trading profit margins to industry levels. We will focus on maintaining this strong execution – continuing to grow revenue and increase scale, driving more sales through our platforms. We have several profitable businesses in the group and they delivered a combined US\$475m in trading profit.

### Meeting our targets

We met all our financial targets for the year, including revenues of US\$5.36bn (excluding Tencent) – organic revenue growth year on year (YoY) of 29%. Core headline earnings were US\$2.86bn (including Tencent). Excluding Tencent was negative US\$1.31bn and free cash outflow was US\$383m.

### Continuing to grow in Classifieds

In Classifieds, we continued to focus on constantly improving the customer experience and extended our leadership in the largest and most established markets while growing top and bottom line at a healthy pace. The Classifieds team moved decisively and fast to expand the classifieds ecosystem with the transaction model. Frontier Car Group exceeded volume growth plans and we are now a majority shareholder. OLX CashMyCar also grew fast in India and increased its focus on delivering a compelling end-to-end consumer proposition. Classifieds delivered strong financials with organic topline growth of 37%, excluding impact of FX and M&A (revenues of US\$1.3bn) and organic trading profit of US\$44m (excluding FX and M&A impact). Ietgo and OfferUp combined their respective US marketplaces, with OLX Group owning 40% of the combined entity. This transaction received regulatory approval and is expected to close

1 July 2020. In April 2020, Emerging Markets Property Group (EMPG), a property portal group, and OLX Group announced their merger in Pakistan, Egypt, Lebanon and the UAE. OLX Group will become EMPG's largest single shareholder, owning 39% of the company.

### Forging ahead with Food Delivery

Food Delivery had a strong year, meeting all financial goals and exceeding targets on operational metrics. The segment doubled revenues and increased orders at an even faster pace while delivering rapid first-party (1P) expansion in both iFood and Delivery Hero. Improving underlying unit economics and falling customer-acquisition costs are driving operating leverage in iFood, which doubled revenue versus last year. In the sizeable Indian market, Swiggy performed well in the face of strong competition. Our investment in food delivery increased by US\$364m during the year. We explored and were ultimately not successful in bidding for Just Eat. We emerged from the process even more convinced that there is still significant value to be unlocked globally and we plan to allocate meaningful capital to the right M&A opportunities and existing investments.

### Making strong progress in Payments and Fintech

PayU made strong progress in India, where we grew our revenue by 21% (excluding FX and M&A) and exceeded our financial and operational metrics. PayU continues to

lead and grow faster than the market in the payment service provider (PSP) segment. PayU is also expanding its ecosystem as it moves into credit. India was the standout performer where we continued to drive growth by scaling credit. PayU has accelerated its capabilities in India by acquiring PaySense. We completed the acquisition of a majority stake in Red Dot Payments to expand our presence across the Southeast Asian market and the acquisition of Iyzico to strengthen our position in Turkey's high-growth ecommerce market.

### Performing well in retail

Our retail businesses also had a good year, delivering to plan with organic revenue growth of 19%, excluding FX and M&A (US\$1.76bn revenues) and organic trading loss improvement of 31%.

### Investing in the next wave through Ventures

Through Ventures, we continue to explore and invest in the next wave of growth for the group. Our core Food Delivery segment graduated from Ventures last year and this year we focused on several key areas. We increased our participation in the sizeable Indian market with several investments in uniquely local business models, including tech-enabled logistics platform ElasticRun and app-based social selling platform Meesho. We continued to support our investees in the educational technology (edtech) space. We are also expanding our geographic footprint, for example in Southeast Asia.



### An enduring strategy

At the heart of our success, we have a differentiated strategy which is proven and remains appropriate for the future:

- We **partner** with local entrepreneurs to build global technology leaders.
- We **operate** at the intersection of high-growth markets and technology to address big societal needs at scale.
- We aim to **build** sustainable leadership positions – this simple goal is the key to reaching scale and profitability. Most of our platforms are leaders in their markets.

*“We look for the right entrepreneurs with the right plans and ambitions. And when we find them, we fund and support them. That’s what we’ve always done, and we continually look for more opportunities.”*

Oct

eMAG continues its international expansion following the approval of its merger with Extreme Digital in Hungary.

PayU invests in Fisdom, a high-growth consumer wealthtech platform in India.

Proposed initial cash offer for Just Eat.

US\$30m investment in ElasticRun, innovative tech-enabled logistics network in India utilising local kirana stores.

Manisha Girotra appointed as independent non-executive director.

Dec

Merger of LazyPay, PayU's consumer-lending business, with PaySense, one of India's fastest-growing digital credit platforms, to create a new digital-lending leader in India.

Invested US\$320m in cash and contributed a portion of its investment in subsidiaries India Used Car Group B.V. and Poland Used Car Group B.V. for an additional interest in Frontier Car Group (FCG).

Jan

Lapse of Prosus's offer for Just Eat.

Naspers announces sale of 22 million Prosus shares to increase the free float from 26.2% by 1.35%.

Feb

Swiggy raises US\$113m from existing investors led by Prosus investing US\$100m.

US\$100m

Mar

OLX Brazil acquires Grupo ZAP for US\$650m and strengthens its position in the real estate segment in the country.

Naspers commits R1.5bn to support the South African government's response to the Covid-19 pandemic.

OfferUp and Ietgo combine US marketplaces. OLX Group to own 40% of the combined entity.

## Chief executive's review continued



### Doing things differently

Across the group we have a distinctive approach:

- We are **active** participants in our investments and operations – we believe that to be successful, you have to bring much more than just money.
- We are **focused** – we invest in areas that we know and where we can make a difference based on deep industry insights.
- We are **long-term** orientated – we look to build sustainable businesses, rather than driving for short-term liquidity events or paper-value increases.
- We are **disciplined** – we play to win, but progressively grow our capital commitments as we learn and scale.
- We are **responsible** – we take responsibility for all stakeholders and our customers in particular.

*“We partner with local entrepreneurs who use technology to address big societal needs. They help people connect with each other, buy and sell with ease, quickly order their favourite food, pay for the things they need, educate themselves, and more.”*

### Scaling up artificial intelligence and machine learning 🤖

We made significant progress in scaling up our capabilities and focus around artificial intelligence (AI) and machine learning (ML) through the year. The amount of AI and ML talent and upskilling across the group has increased significantly as have the number of initiatives. We see this as a key priority and are concentrating on embedding AI and ML throughout the group's activities and culture.

### Championing diversity and inclusion 🌍

Through the year we ramped up our focus on diversity and inclusion, with particular focus on gender diversity, an issue that many consumer tech firms grapple with. We are by nature a very diverse group, with many different businesses striving to improve the lives of many millions of different people around the world. We are focusing on making sure that we provide a meaningful place to work for all kinds of people and that we truly reflect and, in turn, can best serve the diverse world we all live in.

### Responding to Covid-19

As we closed out the year, the world was brought to its knees by Covid-19, a pandemic that has touched every corner of the planet and continues to do so. Our response was fast, with our presence in Asia providing an early view of what was to come. From the start, we have prioritised the health and wellbeing of our people and their families. Our leadership teams reacted quickly to safeguard our people, to maintain our ability to safely serve our customers wherever possible, and to protect our businesses for the long term. We also take seriously our responsibility to support the communities we serve, and we have taken action at both a group level and at a local company level throughout the pandemic.

We have used our technological expertise, global networks and resources to contribute to the response to Covid-19 in many countries. More detail on this is provided on pages 7 and 8.

While there is considerable uncertainty ahead, as a group, we face the challenge from a position of relative financial strength. All of the group's businesses have continuity plans in place and while the challenges of Covid-19 will vary by sector and geography, we believe we have the teams, the resources and the experience required to navigate them successfully while also continuing to seek out new opportunities. Before Covid-19, we were coming towards the end of a truly transformative year, with strength in operations right across the group, buoyed by the increasing shift to online across our markets.

Notwithstanding the challenges of Covid-19 we are seeing signs that the pandemic is actually accelerating the move to online in many of our sectors. We believe we can emerge from this period well-placed to continue to deliver long-term growth.

### Looking forward

Building on this year's transformation and strong performance, our primary focus remains to accelerate our core segments to scale, developing each into multibillion-dollar businesses, while continuing to explore and cultivate the next wave of growth.

Strong underlying market dynamics underpin our long-term structural growth. Capitalising on these dynamics, we are focused on driving core segments to sustainable profitability while outgrowing the market, and pursuing selective M&A to lead the global consolidation of segments and find the next-generation models.

In Classifieds, we aim to deliver superior customer value by accelerating expansions from buy-and-sell platforms to transaction-centred ecosystems, with cars being a key driver. In Food Delivery, we aim to sustain strong growth by investing in 1P, virtual kitchens and private labels, and realising scale benefits through improved operating leverage. In Payments and Fintech, we aim to build and expand our ecosystem by driving growth in credit.

We will invest more in building our AI and ML capabilities for strategic advantage – accelerating the adoption of AI by design and significantly increasing the number of ML modules in production across the group. Aided by AI and ML, we will adopt and drive a data-first approach in and across segments. Refer to pages 63 and 64 for more information.

We will continue to act as a responsible corporate citizen. This includes developing a plan to reduce our carbon emissions. It also includes focusing on the wellbeing of our users and engaging with policy makers to help shape the regulatory agenda.

Looking forward, our journey remains unchanged, but we see great opportunities to do and deliver more – create more value as we continue to focus on building leading global consumer internet businesses that improve people's lives.

**Bob van Dijk**  
Chief executive

29 June 2020

## Performance highlights

- Improved performance across core segments: Classifieds, Payments and Fintech, and Food Delivery.
- Enhanced AI/ML capabilities, with deep integration across daily operations throughout the group.

*“We never sit still – we actively seek new opportunities to build for the long term. It's what keeps us moving forward.”*