

Naspers Limited
Incorporated in the Republic of South Africa
(Registration number: 1925/001431/06)
(Naspers or the group)
JSE share code: NPN ISIN: ZAE000015889

Annual results announcement for the year ended 31 March 2022

Salient features

	Year ended 31 March	
	2022	2021
	US\$'m	US\$'m
Revenue	7 940	5 934
Operating loss	(894)	(1 189)
Earnings per ordinary share (US cents)	4 218	1 243
Headline earnings per ordinary share (US cents)	559	970
Core headline earnings per ordinary share (US cents)	718	814

Commentary

In a year marked with continued global turmoil and uncertainty, which has made for a turbulent operating environment, the financial year 2022 was a year of progress for Naspers. We remained focused on executing our long-term strategy and delivering strong operational growth across our core segments. At the same time, we made strategic investments and laid the foundation for future growth across the portfolio.

Ecommerce segment revenue grew 56% (49%) to US\$10.7bn and was the key contributor to group revenue growth of 24% (24%) to US\$36.7bn (measured on an economic-interest basis). This is strong growth on a scaled base following similar growth and momentum in the prior year. Percentages in brackets represent growth in local currency, excluding mergers and acquisitions (M&A).

Group trading profit reduced 10% (6%) to US\$5bn, reflecting investment to expand the market opportunity for each segment and strengthen the customer ecosystems of our businesses. Core headline earnings were US\$2.1bn, a reduction of 40% (16%) which reflects ongoing investment in the Ecommerce portfolio and a period of slower growth at Tencent as it adapted to regulatory changes in China.

Despite a strong operational performance across the portfolio, the group, like many technology companies, faced significant macroeconomic and geopolitical headwinds, leading to highly volatile capital markets in the latter part of the financial year. The combination of the war in Ukraine, higher inflation and rising interest rates drove up the cost of capital and increased uncertainty. Valuations of global peer group companies in tech and internet sectors declined sharply in recent months as the level of risk appetite reduced significantly. These forces drove, for the first time in many years, a decline in the group's net asset value. The discount to the group's sum of the parts increased to an unacceptable level. Taking substantive action to reduce the discount is a priority. To navigate these turbulent times we will prioritise capital towards supporting our existing businesses and prudent balance sheet management, sustaining adequate financial liquidity.

We invested US\$6.2bn to increase our stakes in existing investments and in new assets where we see substantial opportunity for future value creation. This investment was weighted largely to the first half of the year, in our Food Delivery and Edtech segments. While Delivery Hero's stock has declined in value since the last investment, we remain confident in the company's future and in our continued ability to generate a return from it. In August, we also committed US\$4.7bn to acquire BillDesk, the leading bill-payment-processing company in India. The transaction is under review by the Competition Commission of India.

In the second half of the year, we invested heavily through our income statement. We focused on maintaining growth and customer engagement, while leveraging increased scale to develop opportunities in adjacent products and services. We are building ecosystems with multiple customer touchpoints to improve not only their experience but also retention. We aligned technology and data with key customer needs such as convenience and ease of use. We will need to continue to invest

organically to build on the strong progress we have made in autos in Classifieds, convenience in Food Delivery and India credit in Payments and Fintech segments. Our plans will recognise the uncertainty and volatility and the need to preserve capital.

Throughout the year, the group continued to crystallise returns and return capital to shareholders. In February 2022, we completed a second US\$5bn share buyback programme which followed the US\$5bn share buyback programme in 2021. This generated a meaningful enhancement to net asset value per share. Repurchased Prosus shares will be cancelled in the following financial year. In total, Prosus has allocated US\$50bn in capital over the past six years with approximately 57% of that capital being invested into the business and new growth opportunities; approximately 25% returned to shareholders in the form of share buybacks and dividends; and approximately 18% being held in cash.

Against the backdrop of deteriorating geopolitical and economic conditions, our ecommerce businesses were resilient, growing revenues 53% (47%) in the second half of the year, in many cases significantly outperforming global peers.

Within our Ecommerce portfolio, all segments made good progress against their financial and strategic objectives. Classifieds demonstrated healthy growth at its core, well ahead of global peers. OLX Autos experienced strong triple-digit growth this year as it creates a differentiated customer experience. Our Classifieds business has been deeply impacted by Russia's invasion of Ukraine. We are appalled by the war in Ukraine and we continue to do all we can for our Ukrainian employees and the people of Ukraine. Consequently, in March 2022, we announced the separation of the Russian classifieds business Avito from our OLX Group. Following completion of this operational separation, in May 2022, we announced our intention to exit the Russian business. We have started the search for an appropriate buyer for our shares in Avito.

Food Delivery's performance remained strong as it addresses a major consumer need that is being fundamentally transformed by technology. We are leveraging our logistics network and capabilities as well as our strong customer relationships to pursue this opportunity with a real competitive advantage. The online food and convenience industry is still in its early stages of development, and we are excited by its long-term prospects, and we believe it will ultimately yield a good return on investment.

In Payments and Fintech, our growth momentum continued globally. We increased our scale in India, one of the fastest-growing consumer internet markets, and the closing of the acquisition of BillDesk will create further opportunity to expand into credit and digital banking. Outside of India, the business continued to grow strongly.

Edtech's performance remained strong and we made substantial progress in expanding the portfolio with acquisitions of market leaders in our areas of focus. During the year, we took a substantial stake in Skillsoft, which is now public, while acquiring Stack Overflow and GoodHabitZ. This positions us well within the key enterprise education market. Our Edtech investments currently reach over 500 million users and cover the full span of the sector from kindergarten through to grade 12 (K-12) and beyond, into third- and enterprise-level education.

In April 2021, to improve our financial flexibility and reinforce our balance sheet, we sold 2% of Tencent's issued share capital, generating proceeds of US\$14.6bn and reducing our holding to 28.9%. Proceeds were used to fund our strategic ambitions and two share buyback programmes that enhanced net asset value per share. Tencent has been impacted by regulatory action and the economic impact of Covid-19, which has resulted in slower growth and a tough macroeconomic environment. We are firm believers that the company will recover from this and generate significant value for shareholders and remain committed long-term investors in Tencent.

The group remains focused on building on the strong momentum in our Ecommerce portfolio. We will continue to invest in our platforms and to grow the opportunity set within each segment. We aim to build on the underlying strength of each business through the creation of customer ecosystems, particularly in autos transactions, credit and digital banking, and food, convenience and grocery delivery. At the same time, we are driving profitability and cash generation in more mature core businesses. Our goal is to build an Ecommerce portfolio that will deliver sustainable value creation over the long term for all stakeholders. Furthermore, the group will endeavour to take further steps to crystallise the value we have created over time.

Given the wide geographical span of our operations and significant M&A activity in Ecommerce, reported earnings were materially impacted by foreign exchange movements and the effects of acquisitions and disposals. Where relevant in this short-form results announcement, we have adjusted for these effects. These adjustments (alternative performance measures)

are quoted in brackets after the equivalent metrics reported under International Financial Reporting Standards (IFRS). These growth rates represent a comparison between the year ended 31 March 2022 and the previous year ended 31 March 2021, unless otherwise stated.

Financial review

The group's financial highlights for the year ended 31 March 2022 are outlined below:

	Year ended 31 March							
	2021 A	2022 B	2022 C	2022 D	2022 E	2022 F(2)	2022 G(3)	2022 H(4)
	IFRS 8(1) US\$'m	Group composition disposal adjustment US\$'m	Group composition acquisition adjustment US\$'m	Foreign currency adjustment US\$'m	Local currency growth US\$'m	IFRS 8(1) US\$'m	Local currency growth % change	IFRS 8 % change
Revenue								
Ecommerce	6 849	(134)	806	(164)	3 299	10 656	49	56
- Classifieds	1 609	(33)	64	(118)	1 453	2 975	92	85
- Food Delivery	1 486	(9)	374	(1)	1 142	2 992	77	>100
- Payments and Fintech	577	(7)	9	(38)	255	796	45	38
- Edtech	115	14	225	-	71	425	55	>100
- Etail	2 856	(2)	10	(4)	226	3 086	8	8
- Other	206	(97)	124	(3)	152	382	>100	85
Social and Internet Platforms	22 526	(1 497)	70	1 305	3 390	25 794	16	15
- Tencent	22 155	(1 493)	-	1 302	3 297	25 261	16	14
- VK (previously Mail.ru)	371	(4)	70	3	93	533	25	44
Media	211	-	-	20	26	257	12	22
Corporate segment	-	-	-	-	-	-	-	-
Intersegmental	-	-	-	-	(1)	(1)	<(100)	<(100)
Group economic interest	29 586	(1 631)	876	1 161	6 714	36 706	24	24
Trading profit								
Ecommerce	(439)	46	(231)	3	(499)	(1 120)	<(100)	<(100)
- Classifieds	15	13	(3)	9	(9)	25	(32)	67
- Food Delivery	(355)	33	(129)	(2)	(271)	(724)	(84)	<(100)
- Payments and Fintech	(68)	6	(1)	(5)	8	(60)	13	12
- Edtech	(14)	1	(48)	(1)	(55)	(117)	<(100)	<(100)
- Etail	61	-	(3)	3	(103)	(42)	<(100)	<(100)
- Other	(78)	(7)	(47)	(1)	(69)	(202)	(81)	<(100)
Social and Internet Platforms	6 154	(413)	(5)	342	241	6 319	4	3
- Tencent	6 126	(413)	-	342	218	6 273	4	2
- VK (previously Mail.ru)	28	-	(5)	-	23	46	82	64
Media	(8)	-	-	1	24	17	>100	>100
Corporate segment	(152)	(1)	-	(1)	(63)	(217)	(41)	(43)
Group economic interest	5 555	(368)	(236)	345	(297)	4 999	(6)	(10)

(1) Figures presented on an economic-interest basis as per the segmental review.

(2) A + B + C + D + E.

(3) $[E/(A + B)] \times 100$.

(4) $[(F/A) - 1] \times 100$.

The group delivered strong progress for the year ended 31 March 2022. Group revenue, measured on an economic-interest basis, grew 24% (24%) to US\$36.7bn. This was driven by Ecommerce revenues, which rose 56% (49%). Our economic-interest share in Tencent's revenue grew 14% (16%) off a sizable prior-year base. Group trading profit reduced 10% (6%) to US\$5bn. Tencent's contribution to the group's trading profit improved by 2% (4%).

Core headline earnings were US\$2.1bn - down 40% (16%), impacted by our sale of 2% interest in Tencent and Tencent's

reduced contribution to core as a result of increased losses from its associates.

On a consolidated basis, total revenue increased by US\$2bn, or 34% (37%), from US\$5.9bn in the prior year to US\$7.9bn, with strong contributions from all the segments. As we continue to invest in organically building out customer ecosystems across our segments, trading losses expanded from US\$224m to US\$589m, mostly driven by investment in Food Delivery, our Etail segment and acquisitions in Edtech.

Equity-accounted results from our associate investments increased to US\$9.3bn, or 31%, from US\$7.1bn in the prior year, with positive contributions from Tencent and Delivery Hero. Share of equity-accounted results includes investment disposal gains of US\$6.2bn, net fair-value gains on financial instruments of US\$1.8bn, and impairment losses of US\$1.1bn recognised in Tencent and Delivery Hero reported results.

The group recognised a gain of US\$12.3bn on the income statement due to the trimming of our holding in Tencent. Furthermore, the group recognised impairment losses on goodwill and equity-accounted investments. Impairment losses of US\$246m recognised on goodwill related to Stack Overflow, primarily as a result of the current market conditions and the increase in risk-free rates which resulted in an increase in the discount rate. Equity-accounted investments were impaired by US\$589.1m, of which US\$474m related to the impairment of VK. In March 2022, the group's directors resigned with immediate effect from the VK board and discontinued equity-accounting the investment going forward on account of a loss of significant influence. The group reclassified the foreign currency translation reserve amounting to a loss of US\$1.14bn from 'Other comprehensive income' to the income statement as a result of the loss of significant influence over the investment.

Headline earnings decreased by US\$2.5bn to US\$1.6bn. This is mainly due to the decrease in contribution to headline earnings from associates of US\$2.8bn, the increase in trading losses in Ecommerce and the increase in net finance cost (US\$143m). This was partially offset by the decrease in the share-based compensation expenses of the group (US\$632m).

Investments have been funded from upstreamed dividends, asset sales and more efficient use of the group's balance sheet. During the year, we raised additional capital of US\$9.25bn in bonds at attractive interest rates, further enhancing our financial position, improving liquidity, and extending debt maturities. Some of the proceeds were used to settle US\$1.6bn 2025 and 2027 notes. The group has no debt maturities due until 2025, and 87% of our debt is due after five years and just under 60% due in the next 10 years.

We ended the year with a strong and liquid balance sheet comprising US\$13.6bn in cash and cash equivalents (including short-term cash investments) and interest-bearing debt of US\$15.7bn (excluding capitalised lease liabilities). We also hold an undrawn US\$2.7bn revolving credit facility. This sound financial position will enable us to deliver on our strategy to scale our businesses and, over time, deliver significant and sustainable profitability and cash flow generation.

Overall, we recorded a net interest expense of US\$347m for the year, elevated from the prior year, given new bond issuances and an additional US\$217m related to early settlement of the 2025 and 2027 bonds.

Consolidated free cash outflow was US\$701m, a decrease on the prior year's free cash outflow of US\$4m. We stepped up operational and working capital, and capital expenditure investment across our businesses. Working capital requirements have increased as we invest in OLX Autos and the Payments and Fintech segment. In autos, we are taking on more inventory as the business expands and moves towards a consumer-facing business. In Payments and Fintech, we accelerated the pace to scale our India credit initiatives, resulting in increased receivables outstanding at year-end. The increased capital expenditure was mainly driven by distribution centre equipment and expansions at eMAG. This was offset by increased dividends from Tencent of US\$571m (FY21: US\$458m). Tencent dividends remain a meaningful and stable contributor to our cash flow. After year-end in June 2022, we received our annual cash dividend of US\$565m from Tencent for FY23.

In addition, Tencent paid a special interim dividend in the form of a distribution in specie of JD.com shares. The group received 131 873 028 JD.com shares in March 2022, representing a 4% effective interest in JD.com valued at US\$3.9bn at 31 March 2022. Subsequently, the group disposed of its full stake in JD.com for proceeds of approximately US\$3.6bn.

There were no new or amended accounting pronouncements effective 1 April 2021 with a significant impact on the group's consolidated financial statements.

The company's external auditor has not reviewed or reported on forecasts included in this short-form results announcement.

Preparation of the short-form results announcement

The preparation of the short-form results announcement was supervised by the group's financial director, Basil Sgourdos CA(SA). These results were made public on 27 June 2022.

ADR programme

Bank of New York Mellon maintains a Global BuyDIRECT(SM) plan for Naspers Limited. For additional information, visit Bank of New York Mellon's website at www.globalbuydirect.com or call Shareholder Relations at 1-888-BNY-ADRS or 1-800-345-1612 or write to: Bank of New York Mellon, Shareholder Relations Department - Global BuyDIRECT(SM), Church Street Station, PO Box 11258, New York, NY 10286-1258, USA.

Important information

This short-form results announcement contains forward-looking statements as defined in the United States Private Securities Litigation Reform Act of 1995 concerning our financial condition, results of operations and businesses. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond our control and all of which are based on our current beliefs and expectations about future events. Forward-looking statements are typically identified by the use of forward-looking terminology such as 'believes', 'expects', 'may', 'will', 'could', 'should', 'intends', 'estimates', 'plans', 'assumes' or 'anticipates', or associated negative, or other variations or comparable terminology, or by discussions of strategy that involve risks and uncertainties. These forward-looking statements and other statements contained in this short-form results announcement on matters that are not historical facts involve predictions. No assurance can be given that such future results will be achieved. Actual events or results may differ materially as a result of risks and uncertainties implied in such forward-looking statements. A number of factors could affect our future operations and could cause those results to differ materially from those expressed in the forward-looking statements, including (without limitation): (a) changes to IFRS and associated interpretations, applications and practices as they apply to past, present and future periods; (b) ongoing and future acquisitions, changes to domestic and international business and market conditions such as exchange rate and interest rate movements; (c) changes in domestic and international regulatory and legislative environments; (d) changes to domestic and international operational, social, economic and political conditions; (e) labour disruptions and industrial action; and (f) the effects of both current and future litigation. The forward-looking statements contained in this short-form results announcement apply only as of the date of this short-form results announcement. We are not under any obligation to (and expressly disclaim any such obligation to) revise or update any forward-looking statements to reflect events or circumstances after the date of this short-form results announcement or to reflect the occurrence of unanticipated events. We cannot give any assurance that forward-looking statements will prove correct and investors are cautioned not to place undue reliance on any forward-looking statements.

Further information

This short-form results announcement is the responsibility of the directors and is only a summary of the information in the annual financial statements. The annual financial statements was released on SENS on 27 June 2022 and can be found on the company's website, www.naspers.com, and can also be viewed on the JSE link, <https://senspdf.jse.co.za/documents/2022/JSE/ISSE/NPN/YE22.pdf>. Copies of the annual financial statements may also be requested from the company's registered office, at no charge, during office hours. The annual financial statements for year ended 31 March 2022 has been audited by PricewaterhouseCoopers Inc., our independent auditor. Their unqualified report which includes key audit matters is appended to the annual financial statements and is available on www.naspers.com. Any investment decision should be based on the annual financial statements published on SENS and the company's website. The information in this short-form results announcement has been extracted from the reviewed information published on SENS, but the short-form results announcement itself was not reviewed.

On behalf of the board

Koos Bekker
Chair

Bob van Dijk
Chief executive

Cape Town
27 June 2022

Directors: JP Bekker (chair), B van Dijk (chief executive), S Dubey, HJ du Toit, CL Enenstein, M Girotra, RCC Jafta, AGZ Kemna, FLN Letele, D Meyer, R Oliveira de Lima, SJZ Pacak, V Sgourdos, MR Sorour, JDT Stofberg, Y Xu

Company secretary: L Bagwandeem

Registered office: 40 Heerengracht, Cape Town 8001 (PO Box 2271, Cape Town 8000)

Transfer secretaries: JSE Investor Services Proprietary Limited, 13th Floor Rennie House, 19 Ameshoff Street, Braamfontein 2001 (PO Box 4844, Johannesburg 2000, South Africa)

Sponsor: Investec Bank Limited

www.naspers.com