

Naspers Limited
Incorporated in the Republic of South Africa
(Registration number: 1925/001431/06)
(Naspers or the group)
JSE share code: NPN ISIN: ZAE00015889

Annual results announcement for the year ended 31 March 2023

Salient features

	Year ended 31 March	
	2023	2022
	US\$'m	US\$'m
Revenue	6 778	6 294
Operating loss	(1 384)	(985)
Earnings per ordinary share (US cents)	1 968	4 207
Headline earnings per ordinary share (US cents)	119	547
Core headline earnings per ordinary share (US cents)	507	703

Commentary

The operating environment in the fiscal year ended 31 March 2023 (FY23) was characterised by significant geopolitical and macroeconomic uncertainty. Amid that uncertainty, we acted decisively to strengthen our financial footing and deliver value for shareholders. Our focus remains on building long-term sustainable value in local marketplaces with peer-leading growth and materially improving profitability.

After years of investment and significant growth, our businesses have scaled meaningfully and each segment now demonstrates a clear path to profitability. We are committed to achieving consolidated ecommerce profitability during the first half of FY25. Our efforts to drive profits with peer-leading growth will deliver long-term value to the group's shareholders.

The growth rates discussed below represent a comparison between FY23 and FY22, unless otherwise stated. The percentages in brackets represent local currency growth, excluding impacts of acquisitions and disposals (M&A), and provide a clearer view of the underlying operating performance of our businesses.

The group's Ecommerce businesses maintained topline momentum as a result of actions taken throughout the year and improved profitability significantly in the second half of the year. This foundation will allow Prosus to deliver substantial profitability improvements in FY24 and beyond.

Consolidated revenue from continuing operations grew 8% (20%) to US\$6.8bn, with the biggest contributors being Food Delivery, and Payments and Fintech. Trading losses increased year on year to US\$844m from US\$684m in the prior year. However, trading losses reduced by 21% in the second half of the year compared to the first half, demonstrating our commitment to achieve consolidated ecommerce profitability during the first half of FY25.

Core headline earnings, our measure of after-tax operating performance, were US\$1.1bn - a decrease of 48% (14%). This was primarily due to lower contributions from associates, particularly Tencent, which was impacted by Covid-19 lockdowns and new regulations in China.

Ecommerce consolidated trading losses from continuing operations of US\$639m reflected incremental investment in the group's ecommerce growth extensions as we continued to invest in high-conviction growth areas. Market conditions deteriorated significantly for this business in the second half of the year and the group is completing an exit of OLX Autos. Across the group, we drove efficiencies throughout the year and cut back aggressively on costs, including a 30% reduction in corporate-level workforce costs. These actions supported an improvement in trading loss from US\$376m in the first half of the year to US\$263m in the second half, despite the second half historically having higher customer-acquisition investment. For the year, growth extensions accounted for US\$492m of the consolidated trading loss of US\$639m. We are committed to a significant reduction in trading losses in each reporting period.

Food Delivery's performance remained strong, with revenue growing well ahead of peers and profitability improving meaningfully. iFood continued to benefit from sustained momentum in the core restaurant food-delivery businesses and improved extensions, with targeted and disciplined investment in quick commerce and grocery marketplace. Given the group's conviction in iFood, we acquired the remaining 33.3% stake of iFood from Just Eat Takeaway in November 2022 for €1.5bn, plus a contingent consideration of up to €300m.

The core Classifieds business delivered sustained growth and improved profitability through stable operating metrics and strong performance in Europe. The autos and real-estate verticals and pay-and-ship initiatives contributed to revenue growth. Like listed peers, the OLX Autos business faced significant challenges and the group announced its intention to exit this business. This decision was driven by a major deterioration of market conditions in this industry towards the end of the second half of the year. The exit of OLX Autos will lead to a sizeable improvement in Classifieds and Ecommerce profitability.

Payments and Fintech continued to see meaningful growth in the core payment service provider (PSP) business and in its burgeoning Indian credit business. India's payments business grew on the back of increased wallet share in existing merchants and further diversification of the revenue base. Trading profit margins have also improved on the back of diversification of revenue. The credit business in India continued to scale and improved its trading loss margin, now approaching breakeven, by diversifying funding sources and enhancing cost discipline and risk management. The Global Payments Operations (GPO) showed strong revenue growth, but profitability was impacted by a once-off loss provision. Excluding this provision, the GPO business remains profitable.

In Edtech, our majority-owned enterprise platforms, Stack Overflow and GoodHabitZ, continued to grow, but investments weighed on profitability. We invested in sales, product enhancements and global footprint expansion to better position the businesses, improving their overall product offerings and bringing scale to the platforms as corporations look for alternative ways to upskill and reskill their workforces. The current focus of investment is to leverage our strong generative artificial intelligence (GenAI) in-house capabilities to deliver significant value to customers.

The group's strong balance sheet continues to provide the needed liquidity and optionality to navigate a volatile environment. During the year, the balance sheet was further strengthened by Tencent's distribution of JD.com and Meituan shares. Prosus exited the JD.com stake at the beginning of the fiscal year and received US\$3.7bn. The Meituan shares were received on 24 March 2023. In April 2023, Tencent announced a 50% increase in its dividend per share, which resulted in a dividend of US\$758m received in June 2023.

In October 2022, the group delivered on its commitment and completed the disposal of its Russian classifieds business, Avito, receiving proceeds of RUB151bn (US\$2.4bn). This was a differential outcome amid very difficult conditions. Avito and the OLX Autos operations, that have closed down or are classified as held for sale, are presented as discontinued operations and thus excluded from continuing operations. However, reported IFRS continuing operations include OLX Autos operations whose exit process had not been finalised at 31 March 2023 and is expected to be treated as discontinued operations in FY24.

Given a sharp rise in the cost of capital, deployed external investment of US\$2.5bn was considerably lower than recent years. Of this, US\$1.5bn reflects the acquisition of additional shares in iFood. We continue to explore opportunities, but remain very disciplined.

The group's resilient performance and financial footing in a difficult macroeconomic environment, combined with the open-ended share repurchase programme launched in June 2022, has delivered value for shareholders. At the start of the 2022 calendar year, the turbulent environment reduced risk appetite for many investors and depressed market valuations, particularly in the tech and internet sectors. By mid calendar year, this led to a very substantial widening in the group's discount to the sum of its net asset value (NAV). To generate value for shareholders from this dislocation, we launched an open-ended share repurchase programme funded by the daily sale of a limited number of Tencent shares and concurrent repurchase of Prosus shares. Since programme launch, the combined holding-company discount of Naspers and Prosus has reduced by approximately 17 percentage points as of 31 March 2023. Also, Prosus had repurchased 152 797 117 Prosus shares and 4 152 285 Naspers shares, with a total value of US\$10.5bn, leading to 4.5% accretion in NAV per share. Combined, the discount narrowing and the NAV per share increase have led to approximately US\$29bn in value created for the group's shareholders. We remain committed to this programme as it creates immediate value for shareholders daily while increasing the group's exposure to Tencent and its ecommerce portfolio on a per-share basis.

For Naspers to execute its open-ended share repurchase programme, it received approval from the South African Reserve Bank to continue funding its buyback with regular sales of Prosus shares. By 31 March 2023, Naspers had sold 43 356 695 Prosus shares and bought back 16 320 371 of its own shares to the value of US\$2.5bn. The Naspers buyback is facilitated by a subsidiary company. This approach, due to South African regulation, limits the buyback to 10% of the total N shares of Naspers in issue. We have received the requisite approval from the South African Reserve Bank for a proposed transaction in terms of which the crossholding between Naspers and Prosus will be removed. The implementation of the proposed transaction will enable the continuation of the share repurchase programme at the Naspers level. The proposed transaction is also intended to remove the complexity created by the crossholding between Naspers and Prosus while keeping the Naspers and Prosus free-float effective economic interests the same as they were prior to its implementation. This will be achieved through aligning the legal ownership in Prosus with the current respective free-float effective economic interests. The implementation of the proposed transaction is subject to the requisite regulatory and Naspers and Prosus shareholder and final board approvals being obtained. Please refer to the more detailed announcement on the proposed transaction issued on 27 June 2023.

In FY24, the group commits to: taking meaningful steps towards delivering on its target of consolidated Ecommerce profitability during the first half of FY25; continuing the open-ended share repurchase programme; and crystallising value for investors in the group's portfolio of assets as conditions present themselves. We believe these drivers, acting in concert, will result in meaningful value creation and shareholder return.

A reconciliation of the alternative performance measures to the equivalent IFRS metrics is provided in 'Other information - Non-IFRS financial measures and alternative performance measures' of the summary consolidated financial statements.

Financial review

The group's financial highlights for the year ended 31 March 2023 are outlined below:

	2022	2023	2023	Year ended 31 March		2023	2023	2023
	A	B	C	2023	2023	F(2)	G(3)	H(4)
		Group	Group	Foreign	Local		Local	
	IFRS 8(1)	composition	composition	currency	currency	IFRS 8(1)	currency	IFRS 8
	US\$'m	disposal	acquisition	adjustment	growth	US\$'m	growth	% change
		adjustment	adjustment	US\$'m	US\$'m		% change	% change
		US\$'m	US\$'m					
Continuing operations								
Revenue								
Ecommerce	9 005	(197)	449	(1 039)	2 536	10 754	29	19
Classifieds(5), (6)	1 324	(18)	1	(276)	544	1 575	42	19
Food Delivery	2 992	(58)	208	(238)	1 299	4 203	44	40
Payments and Fintech	796	(6)	2	(144)	404	1 052	51	32
Edtech	425	(72)	135	(6)	63	545	18	28
Etail	3 086	(1)	21	(347)	2	2 761	-	(11)
Other	382	(42)	82	(28)	224	618	66	62
Social and internet platforms	25 794	(1 638)	-	(1 649)	(238)	22 269	(1)	(14)
Tencent	25 261	(1 105)	-	(1 649)	(238)	22 269	(1)	(12)
VK(7)	533	(533)	-	-	-	-	-	(100)
Media	257	(7)	-	(32)	(1)	217	-	(16)
Corporate segment	-	-	-	-	-	-	-	-
Intersegmental	-	-	-	(1)	(2)	(3)	<(100)	<(100)
Economic interest from continuing operations	35 056	(1 842)	449	(2 721)	2 295	33 237	7	(5)
Discontinued operations(5), (6)	1 651	(279)	1	48	205	1 626	15	(2)
Group economic interest	36 707	(2 121)	450	(2 673)	2 500	34 863	7	(5)
Continuing operations								
Trading profit								
Ecommerce	(1 215)	41	(231)	52	(181)	(1 534)	(15)	(26)
Classifieds(5), (6)	(70)	(4)	-	(5)	(77)	(156)	<(100)	<(100)

Food Delivery	(724)	23	(78)	48	82	(649)	12	10
Payments and Fintech	(60)	-	(2)	(11)	(43)	(116)	(72)	(93)
Edtech	(117)	16	(106)	4	(55)	(258)	(54)	<(100)
Etail	(42)	-	(5)	8	(46)	(85)	<(100)	<(100)
Other	(202)	6	(40)	8	(42)	(270)	(21)	(34)
Social and internet platforms	6 319	(292)	-	(381)	(561)	5 085	(9)	(20)
Tencent	6 273	(246)	-	(381)	(561)	5 085	(9)	(19)
VK(7)	46	(46)	-	-	-	-	-	(100)
Media	17	-	-	(1)	(9)	7	(53)	(59)
Corporate segment	(217)	-	-	7	-	(210)	-	3
Economic interest from continuing operations	4 904	(251)	(231)	(323)	(751)	3 348	(16)	(32)
Discontinued operations(5), (6)	95	(42)	24	40	(91)	26	<(100)	(73)
Group economic interest	4 999	(293)	(207)	(283)	(842)	3 374	(18)	(33)

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

(5) From 1 April 2022, following the operational separation from OLX Group, the chief operating decision-maker reviewed the financial results of Avito separately. Subsequent to the group's decision to exit this Russian business, Avito was presented as a discontinued operation up until the date of disposal.

(6) From 1 March 2023, following the group's decision to exit the OLX Autos business unit, its operations classified as held for sale and those that have been closed by 31 March 2023 were presented as a discontinued operation. The OLX Autos business unit is a separate major line of business both in terms of the distinct nature of the business and its contribution to the operational performance of the group.

(7) During the year ended 31 March 2022, the group lost significant influence in VK and the group accounted for its investment at fair value through other comprehensive income. In November 2022, the group signed an agreement with VK to renounce all VK shares and shareholder rights for no consideration.

Group revenue, measured on an economic-interest basis, grew by 7% in local currency, excluding M&A. Revenue, in nominal terms, was impacted by a broad devaluation of emerging-market and European currencies on translation to US dollars, representing a negative foreign currency translation impact of US\$2.7bn. Ecommerce continued a strong growth trajectory, with revenue growing 19% (29%) in a challenging environment. Our economic-interest share in Tencent's revenue declined by 12% (1%). Group trading profit declined by 32% (16%) to US\$3.3bn, reflecting Tencent's lower contribution and an increase in the group's share of losses from ecommerce associates.

On a consolidated basis, total revenue from continuing operations increased by US\$500m, or 8% (20%), from US\$6.3bn in the prior year to US\$6.8bn. This was primarily due to strong revenue growth in iFood, and Payments and Fintech. Trading losses increased to US\$844m from US\$684m, representing increased organic investments to scale ecommerce extensions. However, trading losses in the second half of the year improved by 21% compared to the first half, demonstrating our commitment to achieve consolidated ecommerce profitability during the first half of FY25.

Operating losses increased by US\$399m to US\$1.4bn, primarily due to an increase in impairment losses recognised on goodwill and other assets that were offset by the reduction in share-based compensation expenses related to the remeasurement of the group's cash-settled schemes.

Profit from equity-accounted results decreased by US\$4.1bn, or 44%, from US\$9.3bn in the prior year to US\$5.2bn. This is driven primarily by a decrease in our share of associate fair value gains on financial instruments of US\$1.7bn, reduced gains on acquisitions and disposals of US\$394m and additional impairment losses of US\$827m. This was in addition to reduced year-on-year profitability in Tencent of US\$1.2bn and a decrease in Tencent's contribution to equity-accounted earnings as a result of the sale of shares to fund the open-ended share repurchase programme which delivered a gain, recorded in the income statement, of US\$7.6bn.

The trim of 2% of the group's Tencent position in FY22 resulted in a gain of US\$12.3bn in that year.

As a result of challenging macroeconomic conditions and the decline in growth expectations and valuations, we recognised

impairment losses on equity-accounted investments of US\$1.7bn. Impairments for our listed equity-accounted investments relate primarily to Delivery Hero (US\$1bn recorded in the first half of FY23) and Skillsoft (US\$301m), given a decline in market capitalisation and the increase in discount rates and country-risk premiums for these.

In addition, we recognised impairment losses on goodwill of US\$684m in the current year, of which US\$560m relate to Stack Overflow in the Edtech segment and US\$116m to the OLX Autos business unit. The impairment loss of the OLX Autos business unit is as a result of our decision to exit the business. Further impairments may be recognised for OLX Autos in FY24 as we complete the exit of this business. Stack Overflow is a recent acquisition and has seen performance challenges in the current year due to worsening macroeconomic conditions. We are confident of the long-term potential and strategic value-add of our investments, despite the short-term macroeconomic challenges that drove the impairment.

Impairments for our unlisted equity-accounted investments relate primarily to OfferUp (US\$325m) due to the increase in market interest rates and a revised business outlook.

Headline earnings decreased by US\$1.3bn to US\$249m. This was due to lower profitability across the group's associates and increased operating losses from our consolidated businesses. This was partially offset by reduced share-based compensation expenses related to remeasurement of the group's cash-settled scheme and no grants to executive directors, as well as lower net finance costs due to increased interest income from cash balances.

Core headline earnings were US\$1.1bn - a decrease of 48% (14%) or US\$1.0bn primarily due to lower contributions from the group's associates (US\$1.3bn), of which US\$1.1bn relates to Tencent.

Following the announcement in May 2022 of our intention to exit the Russian classifieds business, Avito was classified as held for sale until the date of disposal in October 2022. In addition, Avito represents a separate major line of business and is reflected as a discontinued operation.

In March 2023, we announced the decision to exit the OLX Autos business unit. We believe that significant value exists in the business in its various local markets. Based on this, and the ongoing disposal process, options for this business are being considered across its geographical footprint. The operations of this business classified as held for sale and those that were closed by 31 March 2023 are presented as discontinued operations. The results from continuing operations also include some losses from the OLX Autos business unit where the group is still finalising its exit.

The group remains well positioned to navigate the difficult macro environment due to its strong balance sheet. At a corporate level, Naspers has a net debt position of US\$0.4bn, comprising US\$15.1bn in central cash and cash equivalents (including short-term cash investments), net of US\$15.5bn in central interest-bearing debt (excluding capitalised lease liabilities). In addition, we have an undrawn US\$2.7bn revolving credit facility. During the year, we recorded a net interest expense of US\$88m.

The group's free cash outflow (excluding Avito) was US\$518m, a sizeable year-on-year improvement. This was due to improved working capital and lower withholding tax due to fewer Avito dividends being received. Excluding OLX Autos, free cash outflow was limited to just US\$138m. Tencent remains a meaningful contributor to our cash flow via a stable dividend of US\$565m.

There were no new or amended accounting pronouncements effective 1 April 2022 with a significant impact on the group's summary consolidated financial statements.

The company's external auditor has not reviewed or reported on forecasts included in this annual 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 will be made public on 27 June 2023.

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 will be released on SENS on 27 June 2023 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/2023/jse/isse/NPN/YE23.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 2023 has been audited by PricewaterhouseCoopers Inc., our independent auditor. Their unqualified report including 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 2023

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, One Exchange Square, 2 Gwen Lane, Sandown, Sandton 2196 (PO Box 4844, Johannesburg 2000, South Africa)

Sponsor: Investec Bank Limited

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