

Bob Van Dijk
Chief Executive Officer
Naspers Ltd
40 Heerengracht
Cape Town 8001
South Africa

December 13, 2017

Open letter to Mr. Bob Van Dijk, CEO

Copy to Bloomberg, Moneyweb

Dear Mr. Van Dijk,

It was exactly six months ago when I wrote to you about the value destruction going on under your helm at Naspers. At the time, you went at length to dismiss my suggestions to reduce the ever increasing discount affecting your company. At the time of my letter, the value of Naspers' unlisted participations was negative Zar300bn. It is now **negative Zar600bn**. In other words, in the space of the last six months, you managed to destroy as much value as had been destroyed since you had been appointed in April 2014 until my June letter. In the meantime, the value of Naspers' participations has grown to insignificance. Sometimes the most stubborn CEOs come to their senses, and I am elated that you did at yesterday's investor day in New York. You finally recognized that the size of the discount was too big and that there may be structural reasons for that (it's not may, there are structural reasons, and these must be addressed). I will therefore re-iterate my recommendations of June 15, 2017, which had they been implemented at that time would have saved shareholders at the very least Zar300bn, and more.

1. Your compensation should be aligned with the implicit value of Naspers' non-listed ex-Tencent businesses rather than the SARs, as this is the value ascribed by the market. This will truly compensate you for your efforts at managing Naspers' investments for which you are responsible. It would be the first signal to give the market and shareholders that you care about the discount. It is a fact that a large number of institutional shareholders are very displeased with the current compensation system. That the motion to change it at the last AGM was defeated does not give you the moral right to disregard the obvious.
2. The most effective measure to reduce the discount would be to spin-off the Tencent stake to Naspers' shareholders. I understand that this is radical, but it would certainly work and shareholders would be grateful for this. Since my June letter, you have been confusing the market saying how right you were not to have sold Tencent shares earlier. The point of the matter is that a spin-off is not a sale. Had you spun-off Tencent at any time in the past, Naspers shareholders would have been better off holding the shares in Tencent and the Naspers ex-Tencent. This is undeniable.

In any event, and assuming that spinning-off Tencent is a no-no, there are many steps that you must consider.

3. Declare clearly what level of discount is unacceptable and state that you will be buying back shares when the discount is over that level. It's 35-40% now and that is truly unacceptable. I believe anything above 20% is a disgrace to shareholders.
4. There must be some selling of Tencent shares and use of the proceeds to buy back shares as above. That stake has become just too big. Your own website states under Governance and Risk: "We operate with integrity by applying appropriate governance, risk policies, and business practices." I would like to know what risk policies are appropriate when one investment (Tencent) represents almost 90% of the total NAV of the company. This is against any investment common sense and any sensible risk management policy. I would like to remind you that the value of Tencent can also go down...
5. There are many ways to sell Tencent shares. One of them which we proposed last June is to issue a convertible bond, convertible into Tencent shares, and using the proceeds to buy back shares or make investments. This would be a much more effective and cheaper way of raising capital than the straight bond which you raised a few months ago.
6. Finally I would take a page or two from the Altaba playbook. While Naspers destroyed Zar 300bn of value in the last 6 months (that's over US\$20bn), Altaba increased shareholder value by \$5bn from an equally large discount initially (see chart below). Owning shares in a high-flying Chinese internet company is not necessarily a calamity. Altaba (ex-Yahoo) has made clear that reducing the discount was a priority. The management is incentivized specifically on the discount (as I am suggesting in my first point above). It is also aggressively buying back shares. Finally, it is moving to transform itself into a pure Alibaba tracker. Hence I would advise the following: you do not want to sell one share of Tencent? So be it. In that case, spin-out the entire investment portfolio to investors in a new company, with enough cash in it to sustain an investment strategy over the next 2-3 years. Hence Naspers will become a pure Tencent tracker. The discount on this will probably settle in the 10-20% range, possibly lower), and shareholders will also own a "Naspers VC" company which owns all your other investments, present and future. The market will be able to value this a lot more efficiently than currently. By doing so, everyone is happy. You do not sell your Tencent shares for better or for worse. And investors get to value your VC firm for what it is. I would strongly advise against any piecemeal IPOs of your various participations. This will never solve the persistent discount problem. These businesses have become way too small compared to Tencent, and putting a market price on it will not change anything. The only route to effectively reduce the discount is either to sell some Tencent shares one way or another and buy back shares and/or spin-out entirely the investment portfolio so that Tencent is separated from the rest and investors will be left with a "Naspers Tencent" and a "Naspers VC".

ALTABA VS. NASPERS STUB VALUES



I have no doubt that moving forward you will take the right decisions in order to effectively reduce the discount in Naspers. But contrary to the market reaction (which erased Zar100m of value after the New York meeting), I am encouraged by the new “body language”.

Looking forward to hear from you,

Best regards,

Albert Saporta

Director

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