

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

May 19, 2021

Open letter to Mr. Bob Van Dijk, CEO

Copy to Bloomberg, Moneyweb, FT, WSJ

Dear Mr. Van Dijk,

It was almost four years ago that I wrote to you, complaining about the poor governance at Naspers and a complete inability to get Naspers to trade at fair value. Despite a series of measures that Naspers took, all of them marginal and/or useless, the discount on Naspers has kept increasing months after months, years after years. I made my arguments public to the company, the press and shareholders. In particular, I made it clear that the 2019 listing of Prosus, ie an additional layer in a pyramidal structure was possibly the most idiotic step a holding company could take to reduce a structural discount. In my 35-year career of analyzing, investing, and restructuring in global holding companies, I have never ever seen a situation where a holding company would create another layer of complication in order to reduce a discount. It makes no sense whatsoever. Indeed, holding companies that actively want to durably reduce a discount simplify structures rather than complicate them, usually through major asset spin-offs and major share buybacks, something that Naspers has never done. Obviously, anything that Naspers would do has to be seen in the context of the enormous stake value of Tencent. In other words, all the corporate actions that you have taken have had marginal impact relative to the size of the Tencent stake. It seems that all you create is a lot of agitation going nowhere, a bit like a hamster in its spinning wheel.

However, not content of having created a 2-layer pyramidal structure into Tencent, you are now proposing an even more idiotic idea, and that is for Prosus to tender for Naspers' shares. If this tender is successful, you will create a two-headed monster of a corporate structure where Prosus owns Naspers and Naspers owns Prosus, in a cross-shareholding structure – probably the most inefficient capital structure one can think of. This one must deserve the Oscar for Worst Corporate Governance. As with the creation of the double layer of complication (read Prosus), I can guarantee that the creation of the two-headed corporate monster, ie a cross-shareholding structure, will lead to a higher discount for both Prosus and Naspers post-tender, possibly the highest ever seen. The reasons are clear: more complication, more confusion, and less governance cannot lead to a lower discount. Only simplification and transparency work. In case you doubted my views, a look at the Jardine Matheson/Jardine Strategic cross-shareholding structure would be enlightening. This was one of the most inefficient corporate structure in Hong Kong (with the shares listed in Singapore). Jardine Matheson controlled Jardine Strategic which controlled Jardine Matheson. Both sold at unusually large discounts for years, if not

decades, with a total inability by management to reduce the discounts at both companies. Eventually and over the years, Jardine Matheson increased its ownership in Jardine Strategic to eventually make a cash bid a couple months ago at an unacceptable discount. Is this the end game? Prosus tendering for Naspers' shares and over the next few years increasing its ownership until eventually it bids for the minorities at a say 30% discount? This would not only obviously rip-off Naspers' shareholders but it would in the end transfer the discount problem from South Africa to the Netherlands. What a big convoluted achievement!

The tender itself is a rip-off. On my calculation (table at the end), Naspers is trading on a 54% "look through" discount to NAV vs. Prosus trading on a 39% discount to NAV. Why would anyone want to sell out of Naspers on such a high discount differential with Prosus for ownership of basically the same assets? I can think of a two main arguments that can be easily defeated:

- A Dutch listed holdco should sell at a lower discount than a South African one. This argument is dubious for at least two reasons: 1/ the underlying assets are essentially the same and therefore there is no reason why the discounts should be widely different and 2/ prior to the Prosus listing, Naspers was selling at discounts of 30-35%, actually lower than the current discount at Prosus. The creation of the double layer of completion has resulted in higher discounts and Prosus did not achieve a lower discount than Naspers before its IPO.
- The Dutch entity would attract a larger investor base and more liquidity and would deserve a liquidity premium. Again, this argument does not stand. 1/ both shares are extremely liquid, and 2/ Since Prosus' IPO, Naspers has been actually more liquid than Prosus.

We would advise investors AGAINST tendering to this offer as it will inevitably lead to a higher discount at both companies post-tender. At the very least, and to compensate for the inevitable higher discounts coming from a complicated capital structure, we would demand for the tender offer to be made on a discount neutral basis. This is particularly fair and logical as there is no valid argument to justify the discount differential implicit with the current tender terms. A discount neutral tender offer implies 2.75 Prosus shares for 1 Naspers vs. 2.27443 currently being proposed. That is a 21% improvement. Anything else is a rip-off which eventually would disenfranchise Naspers' shareholders.

In order to durably and significantly reduce the discount, as with my letters of June and December 2017, there is no way around splitting the VC portfolio from Tencent. Marginal share buybacks or the spin-offs of marginal stakes (everything is marginal compared to the Tencent's stake value) are not going to do it. It has not done so and will not do so. Obviously, the 2-layer structure is making it more difficult for Naspers' shareholders, as I had warned. But at least, Prosus could be better valued if 1/ the VC portfolio was organized into a stand-alone investment firm and spun-off to shareholders (this investment company could be "loaded" with enough Tencent shares to be sold to continue to finance VC investments) and 2/ Prosus would become a Tencent tracker which could eventually be wound down the same way Yahoo did with Alibaba.

Looking forward to hearing from you,

Best regards,

Albert Saporta

Director

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		price	# shares	mkt cap/value	
	NASPERS	2.986,0	429	1.281.007	Prosus @ NAV
NAV	PROSUS (74%)	83,04	1202	1.711.169	2.785.019
	UNLISTED SA			14.000	
	NET CASH			3.000	
	TOTAL			1.728.169,1	2.802.019,43
			per share	4.028	6.532
			DISCOUNT	25,9%	54%
		price	# shares	mkt cap/value	
	PROSUS	83,0	1613	133.944	
NAV	TENCENT (29%)	607,50	2783	178.354	
	MAIL.RU (28%)	20,5	63,8	1.072	
	DELIVERY HERO (25%)	103,4	62,3	6.434	
	CTRIP (6%)	39,4	35,3	1.141	
	UNLISTED			20.000	
	NET CASH			11.000	
	TOTAL			218.000,3	
			per share	135,15	
			DISCOUNT	38,6%	