

# Conference call transcript

30 June 2020

## FY2020 RESULTS

### Operator

Good day ladies and gentlemen and welcome to the Naspers and Prosus full year 2020 results call. All participants will be in listen-only mode. There will be an opportunity to ask questions later during the conference. If you should need assistance during the call, please signal an operator by pressing \* and then 0. Please note that this call is being recorded. I would now like to hand the conference over to Eoin Ryan. Please go ahead.

### Eoin Ryan

Thanks Irene and hello everyone and welcome to the full year 2020 results call for Prosus and Naspers. On the call with me today we have our CEO, Bob Van Dijk, and our CFO, Basil Sgourdos, who will walk you through the financial and operational progress we made during the year. And then we'll open the call for questions. After that section of the call we'll have our broader team including Martin, Larry and Laurent, our CEOs of Classifieds, Food Delivery and Payments. As you know, Prosus is a subsidiary of Naspers and its financial accounts almost completely account for Naspers' results. So to ensure that the shareholders of Prosus and Naspers are provided the information simultaneously we're having just one results call. So with that I will turn it over to Bob.

### Bob Van Dijk

Thanks Eoin, and thanks everyone for joining the call today. On this call we will cover Prosus mainly as it represents the lion's share of Naspers too, but of course if there are any specific questions on our South African assets we would be very happy to take them as well. As the world begins to re-emerge slowly from lockdown we remain in a period of great uncertainty and change. And I wanted to start this call with my best wishes to you wherever you are in the world, and I hope that you and your loves ones are keeping safe and healthy. On the call we had in April we took you through the impact of COVID-19 on the business and our response to it. We will spend additional time on that today, but first I thought it would be helpful for Basil and I to take you through the financial and operational progress for the full year 2020, and ultimately that will serve as the basis for the group's longer term growth trajectory once we emerge fully from the pandemic, so let's start there.

FY2020 was a truly transformational year for the group in many respects and one which sets the company on a path to making a real difference for our partners, for our customers, for our employees and for the communities that we serve. And it's a path which I believe will generate significant value for shareholders going forward. So let's turn to slide four and I will walk you through the highlights. Prosus ended its inaugural year in a position of significant strength, with accelerating revenue in our e-commerce portfolio, improved profitability and substantial net cash position which provides us with ample liquidity. Now, this is an enviable position during normal times but it's really a differential one in today's climate. And I'm confident that it will serve us well.

Underpinning the results Tencent continued to grow strongly and we remain very excited about Tencent's future potential. Beneath the financial figures there is also significant strategic progress across our core

segments. As economic lights begin to switch on again across the globe it is increasingly clear that the impact of the lockdowns will be profound and will be long lasting. And every day we see data that consumers are increasing their usage and increasing their activity and their spending online. And that change is structural. As a business that is 100% online we expect Prosus to emerge from the crisis in a stronger position.

So we turn to slide five. Let's touch briefly on the financial and strategic highlights which Basil will discuss in more detail. Overall revenue grew 23% with our e-commerce revenue accelerating to 33% year on year. Trading profit and core headline earnings grew 16% and 13% respectively despite the fact that we stepped up our investment in food delivery. We saw really strong execution across our three core segments. Classifieds delivered excellent results, particularly strong results from Russia, from Europe and Brazil. In Food Delivery we're starting to see very strong results from the significant increase in investment that we've made over the last year. IFood, Swiggy and Delivery Hero all grew very strongly and in total the number of food orders increased 102% and GMV by 76% year over year from an already high base.

In Payments and Fintech transaction volumes increased 29% to \$37 billion. More than half of that comes from India which continued to gain momentum. So at the group level we took perhaps the largest structural step in the company's history by successfully listing Prosus in Amsterdam in September. We are at the beginning of our journey in Europe. Prosus is increasingly on the radar of a larger and deeper pool of international investors. And based on current data Prosus has good prospects for joining the Euro Socks 50 index in September this year. We will stay focussed on creating and unlocking more value for our investors by building more valuable businesses but also by taking sensible financial and structural steps where possible. I can assure you that the team is hard at work there too.

While the world has become increasingly volatile we actually have a lot of confidence in our operating structure which has been tested through recessions and many periods of turmoil. On slide six we set out the group's long-term strategy and priorities. And I am more convinced than ever that our approach is a real differentiator. We are very active participants in our investments and we have become increasingly close to our partners during the crisis, making sure they have our support. Being both an operator and investor helps us to prioritise and share best practises at a very concrete level. We always take a long-term view. As many peers are cutting costs to the bone our focus is on building sustainable leadership positions which is key to reaching profitability on a sustainable basis.

We continue to be disciplined in our capital allocation and we have walked away from high profile transactions where it was the right thing to do. Finally, we have a responsibility to all stakeholders. This has been at the heart of our response to COVID. Looking forward our core objectives are unchanged and longer term I believe strong market dynamics underpin our structural growth. In 2020 we made progress in driving our core segments to profitability while outgrowing the market. We build out integrated ecosystems such as transactions in Classifieds and logistics in Food. These can deliver superior consumer value. They can enhance winning positions and deepen moats around them. Finally, we pursued attractive consolidation deals in our segments.

Underlying our strategy is a long track record of deploying capital and generating high rates of return. If you turn to slide seven you can see our general philosophy. I thought it was worthwhile to spend some time on it here. Simply put, we look to invest early in quality assets in growth markets where we can make a return for our investors far in excess of our cost of capital. It drives our decision making and it applies to all investments, big or small. The strategy has already created enormous value over many years. If we can continue to do so it will unlock value over time without a problem. In FY20 we invested \$1.3 billion in Food, Classifieds, Payments and

Ventures. And behind that sum lies a very disciplined and highly selective and structured investment process. To give you some context, over the course of the year we considered over 5,000 potential deals and we executed 54. This focus and diligence has enabled the group to maintain a low impairment rate of only 10%. Going forward you should expect us to continue to follow this playbook.

So moving to our operating segments. Slide eight sets out the key highlights for the Classifieds segment which had a transformative year in 2020. OLX grew revenue 37% year over year organically, which is about three times the pace of the industry. We continue to expand OLX's ecosystem to get even closer to our industry partners and consumers as the business develops into a highly profitable global market leader. In FY20 we held leading positions in all 22 of OLX's largest markets with over 300 million active users per month, making it the leading classified group globally by usage. Pre-COVID-19 and before all the volatility began a strong engagement drove monetisation that enabled 22% average monthly paying listers growth. Of course the onset of the pandemic negatively impacted the business, but we are now seeing real signs of improvement.

In the year the team executed three strategically important deals. In Brazil you would have seen we announced a \$650 million deal to buy Grupo Zap which is the leading vertical online property classifieds site. This will accelerate innovation and enhance user experience in a key vertical which real estate is for us. We merged LetGo with OfferUp in the US, and that was a 40% stake in the combined entity, which is now a truly national, well-capitalised business which is ready to compete. In May we injected Dubizzle and our Middle Eastern assets into EMPG for a 39% stake. We are also participating in a \$150 million financing round valuing the group at over \$1 billion. We are building our ecosystem by offering fully integrated transactions with pay and ship features. We also help with the valuation of an item. We help with offline inspections, instant cash offers and much more. In December we moved to majority ownership of Frontier Car Group for \$320 million which will accelerate what we want to do on the transaction side of the business. So looking forward we are well placed to grow our footprint organically, but we are also constantly screening the market for potential acquisitions.

If we move to Food, food is a massive opportunity for us. In terms of growth our Food business led the way in 2020 as we show in slide nine. As you know we've invested heavily and early in this space, particularly in India and Brazil. And I think we are still in the early innings of what this can become. Already our investment is showing real return, and across our three properties order and GMV growth has remained very strong in 2020. That translated to more than 100% growth in revenue year over year. The growth that we see is driven by increased customer loyalty. It is also driven by higher frequency of monthly orders and also by increased restaurant loyalty. We are experimenting with several exciting growth adjacencies. Some to call out are groceries and convenience deliveries, but also new food supply and restaurant software. These will further expand the growth profile and improve the ability of the leading food platforms to compete successfully.

If I can take you to slide 10, FY2020 was also an important year of progress for our Payment platform, PayU. So payments in emerging markets are a huge opportunity and it's a data-rich business and it's core to all e-commerce. In the financial year PayU grew the total payment volume to \$38 billion, which is up 29% year on year. By now 52% of all transactions come from India and their volume grew by 32%. The business in India actually continues to gain market share, and that is driven by gains in share of check out in the enterprise segment but also across the board by increased conversion, and that's thanks to our Wibmo integration. PayU has also delivered new payment products for small merchants and the bank has focused on deepening bank relationships and it has also gone into new verticals, government and bill payments. Laurent and his team's strategy here is to broaden our fintech ecosystem in India and expand into credit by leveraging our strong PSP platform through the small use of data. In FY20 we issued more than 2 million consumer loans every month. In

the short term the current COVID-19 crises presents challenges and we are proceeding with caution in credit as you would expect.

On slide 11 we turn to our Ventures portfolio where we invest in earlier stage companies that will be the next wave of growth for the group. Everything that we are today once started small, so we've done this many times before. Once we have sufficient proof points and conviction there is the potential for a business to graduate to the core segments. So far we have invested about \$850 million in our Ventures portfolio. In the portfolio India is a key focus area and that's because the underlying market drivers represent significant potential. In the last financial year we invested in Meesho and in ElasticRun, and in the year before we invested in BYJU'S. These are all great local and new businesses. Our Edtech investment is by far the largest in the Ventures portfolio. It is clear that the pandemic has had a transformative effect on this space. We are supporting efforts to use our Edtech assets to provide remote learning for students while schools are closed and also for out of office training for businesses. Beyond the pandemic it is becoming increasingly clear to us that all areas of schooling and professional life can and will be augmented by Edtech.

Turning to slide 12 I would like to touch briefly on the efforts we are making on the sustainability programme. Over the last three years we've made good progress, but there is still more work to do. As an operator and investor we are looking for ways to best align to international frameworks from a responsible investor perspective and from a business sustainability perspective. We have identified a number of sustainable development goals which we believe most closely reflect our business matched reality and we will continue to make sure these are reflected in our strategy. We are a unique company and there is no off the shelf approach that we can follow. We will make sure to pursue an impactful and tailored approach for the group. You will see a lot more in our integrated report which we issued yesterday, which I encourage you to read. We are committed to making ESG central to our strategy and business.

Before I turn the call over to Basil I wanted to touch briefly on our overarching approach to the COVID-19 pandemic which is outlined on slide 13 to help you better understand what we're doing, but more importantly how we are positioning the business to emerge from it. Our main focus continues to be on three things. First we prioritised the health and wellbeing of our people and the communities in which we operate. I'm really proud as group CEO that this crisis has brought out the best in people across the Naspers and Prosus family. I want to take this opportunity to thank our employees once again for that. Secondly, we look to safeguard customers, partners and businesses. As two main examples, in South Africa we contributed R1.5 billion of aid to support the South African government's response to the COVID-19 crisis and in April we committed 100 crore Rupees to the Indian government's response to the crisis. Third, we have the financial flexibility and liquidity to navigate the challenging economic environment. As you can see from our numbers today the fundamentals of our business remain very strong and Prosus is well positioned to weather the storm and also emerge successfully. With that I'll stop here and I'll turn the call over to Basil. Basil, go for it.

### **Basil Sgourdos**

Thank you Bob. Hello everyone and thanks for joining us on the call today. Many of you are new to these calls, so a special welcome to you. I look forward to speaking to you in the future. And to those who have supported us over the years, welcome and thank you for your continued support. Before I run through the headlines, a few important points to note when assessing our numbers. Revenue and trading profit are on an economic interest basis. We link [?] that to our proportional share of results in our associates and joint ventures. Secondly, we report Tencent, Mail.ru, Delivery Hero and our other associates on a three month lag basis. Third, free cash flow and core headline earnings are consolidated numbers. And finally, I will focus on organic growth – that is growth

in local currency excluding the impact of M&A. Since Prosus makes up the bulk of Naspers, I will be focussing on Prosus' reported numbers in this call.

Turning now to slide 15. Overall the group ended the financial year in a position of significant strength. I am very pleased with the progress we have made during the year. Revenue grew 23% year over year with an acceleration in our e-commerce portfolio both on a year on year basis and versus the first half. Of course this is great to see. E-commerce growth was 32% year on year. Profitability improved by 16% even as we significant stepped up our investment in food delivery. This was mainly driven by Classifieds and Payments & FinTech which remained profitable at the core. We are investing further to expand our ecosystem and routes in both these segments. This bodes well for long term growth but is affecting profits in the near term. Excluding our increased investment in new initiatives in our Food core segment, e-commerce trading losses reduced by a healthy 28% or \$78 million.

Tencent continued to grow strongly and showed significant resilience in an uncertain macro environment. Our share of Tencent revenue and trading profit grew 21% and 22% respectively. Core headline earnings, our measure that reflects after-tax operating performance, increased by 13% year over year in local currency, translating to \$2.07 per share. In mid-March many of the markets in which we operate implemented lockdowns in response to COVID-19 and consequently we did see some initial effects in the last two weeks of the financial year. However, the full impact of the trends Bob mentioned will be felt most in the first half of the new financial year. I will also remind you that we report our associates, including Tencent, Mail.ru, Delivery Hero and Swiggy on a three month lag. Therefore the impact of COVID-19 on these associates has not yet been reflected in the full year 2020 results. Finally, FY20 was another year of good cash flow from our profitable businesses. We ended the year with a substantial net cash position with sufficient liquidity to fund our growth strategy.

If you turn to slide 16 you will see the healthy growth in e-commerce. E-commerce revenue grew strongly, up 33% year over year to \$4.2 billion. This was ahead of Tencent and most of our general peers. This growth represents a 7% acceleration from last year. Classifieds grew their revenues 37% year on year. Payments & Fintech continued considerable growth, particularly in India. Food delivery grew 105% as we stepped up investment to catch the increase in market opportunity. Finally, on the right-hand side of the slide you can see we had a strong second half of the year despite COVID-19 related setbacks in March. All segments accelerated growth in the second half of the year except for Classifieds where growth in the six months remained stable.

Let's move on to the financial performance of our core segments starting with Classifieds on slide 17. You can see that it's another strong year, growing revenues 37% year on year and trading profit \$40 million despite the step up in the investment to build out our transaction business. If you want to get a better view of the underlying trends we have split the business into core classifieds and transactions as they operate on different revenue and margin models. Let's take a look at core classifieds. Revenue increased 20% to \$888 million and trading profit margin improved a strong 10% compared to last year. Our large markets in Russia and Europe continued to drive growth with strength in the car and real estate verticals. Their leading market positions and operational execution drove significant improved monetisation. Avito and OLX in Poland continued to fire on all cylinders, growing revenue by 22% and 21% with exceptional trading profit margins of 51% and 58% respectively. This is particularly impressive as both continue to invest in transactions and pay and ship, thus extending their ecosystems.

OLX Brazil grew revenues by 20% year over year in a competitive market. As Bob mentioned, in March we announced the acquisition of Grupo Zap, which when closed will position us well to compete in the fast growing

Brazilian real estate market. Finishing off on LetGo, their revenue grew 60% year over year despite the tough competitive environment in the US. The LetGo and OfferUp combination will enable the business to better compete and reach breakeven more quickly. The combined LetGo and OfferUp entity will be accounted for as an associate in the new financial year.

In our transaction business you will see that revenue is growing very fast, up 164% year on year. Transactions revenue for the full year was \$393 million, so 31% of overall Classifieds revenue compared to just 12% last year. So these are really strong growth numbers. In India, Latin America and Indonesia our focus in transactions is on building and end to end ecosystem for the purchase and sale of cars. This is centred on the offline capabilities of Frontier Car Group. We will continue investing to expand our ecosystem by opening more inspection centres and offering more services such as finance and insurance to anchor our competitive advantage here. COVID-19 lockdowns in many of our markets had some impact on our Classifieds segment in March. We saw a decline in traffic on our market places and many of the inspection centres had to close. This continued for a couple of months but we are now seeing clear signs of improvement as traffic levels rebound to pre-COVID-19 levels in several markets. Revenue and profit recoveries will lag traffic as the price [unclear] for our customers are winding down. We expect that to impact on revenue and trading profit in the Classifieds business.

Let's turn to food delivery on slide 18. You can see that the business is scaling very nicely driven by strong demand and order growth. We have also seen signs of improved efficiency and customer acquisition, which is a big positive and has started to come through later in the year. This increase gives me confidence as the CFO and underpins the strong returns we target through our investment in this high potential sector. The segment saw orders increasing 102%. In June these increased 76% year on year. Revenue grew 105% to \$761 million. That's a considerable improvement off the first half growth which was 69%. Trading losses did increase to \$624 million reflecting the continued investment in growth by the respective businesses. However, encouragingly the second half trading loss margins improved by 15% year over year driven by decreased cost to order. Importantly this was achieved while still maintaining high levels of order growth.

In Brazil iFood posted revenue growth of 113% with order growing 103% as it continued to roll out its own delivery model, which now accounts for 30% of total orders. So that is significant progress. Other areas of investment included extending into new cities, adding new restaurants and investing in AI to improve efficiency. In April we announced the merger of iFood and Delivery Hero in Colombia to build on iFood's momentum in Brazil and expand its operations in Colombia. In India Swiggy's revenue grew 182% year over year driven by its rapid expansion into new cities. In February we invested a further \$100 million into Swiggy to support its continued growth. Delivery Hero reported significant segmental revenue growth. Our share of Delivery Hero's revenue increased 85%. This is due to faster delivery times, efficiencies and customer acquisition, and increased order frequency, all a result of investments in improving product and technology. It is still early days for food delivery and the sector is evolving rapidly. We continue to benefit from a very large global footprint in this space. We will invest more here, and I'm very pleased with the progress we've made in our operations and in driving efficiency.

On slide 19 we will see the highlights for the Payments & Fintech segment. PayU grew revenue 21% year over year on the back of 29% growth in payment value in the payment processing business. In India revenue grew even faster at 31% year over year, the total payment value growing by 32% year over year. India now represents 51% of total payment value. The main driver continues to be e-commerce growth, the structural shift to digital payments and our ability to increase conversion rates for enterprise merchants. And that's a key differentiator for PayU in the markets. Payments & Fintech's trading loss margins increased from 12% last year to 16% this

year. PSP profitability was offset by increased investment in our credit offering in India and expanding our geographical footprint. We acquired a controlling stake in Red Dot to expand into South East Asia and Iyzico to solidify our position in Turkey. So all in a good performance for the year from our Payments & Fintech segment.

Now let's take a deeper look at the profit make-up of our e-commerce portfolio. On slide 20 we unpack how our profitable businesses increased their contribution to central cash flows. It's important to note that more than half of our e-commerce revenues come from profitable businesses. Consolidated trading profit from these businesses increased 16% year over year and resulted in a greater contribution to overall central cash flow. Dividends to the holding company totalled a substantial \$682 million. That is up 18% year on year. In 2021 these dividends are of course expected to drop in the first half of the year due to COVID-19, but these will recover as we come through the pandemic.

Turning to cash flow on slide 21 as we walk through the ebbs and flows of our free cash flow. Free cash flow for the year was an outflow of \$338 million compared to a \$102 million outflow in the prior year. This was primarily due to our increased investment in iFood of \$360 million [?] and transactional related costs associated with the listing of Prosus of \$85 million. Working capital was impacted negatively due to a timing effect of merchant cash movements for the food delivery business. Secondly, what we did there is improve our pay-out ratios, and that strengthened our positions with the restaurants. Working capital was further impacted by the increase in the number of shares purchased on the open market for our share based payment schemes. Dividend income from Tencent increased to \$377 million, up 10% year over year. We have also received the 2021 dividend in the new financial year and that was \$450 million. If we exclude the once-off transaction cost of \$85 million and the increase in the share purchase for our share scheme of \$172 million the free cash flow outflow amounts to \$81 million. Excluding the investment in food delivery we have a free cash inflow of \$179 million reflecting the improved cash generation by Classifieds, Payments & Fintech and eTail as well as the improved dividend from Tencent.

Turning to slide 22 we see we have a strong balance sheet with a substantial net cash position and sufficient liquidity. We have cash of just over \$8 billion and a net cash position of just over \$4.5 billion. We also have an unutilised \$2.5 billion revolving credit facility. We have ample financial flexibility to fund our growth ambitions and pursue M&A. In January this year we successfully placed a \$1.25 billion ten year bond which has a coupon of 3.68%. This replaced the \$1 billion 6% coupon due in July 2020. We have no debt maturing until 2025.

Turning now to a review of our returns on slide 23 which illustrates our strong investment returns despite the impact of COVID-19 in March. We show you the IRRs both including and excluding Tencent. To remind you, these are calculated and audited using market prices for our listed assets and the average of analyst valuations for our private businesses. You can see that the IRRs remain well ahead of the market and of our cost of capital. However, you can also see that they decreased by 1% to 2% since we reported our interim results for last year. This is a direct consequence of the impact of COVID-19. The figures are locked in at the end of March at the height of the coronavirus market dip. If you update for the subsequent rally the IRRs are around 1% higher.

We are often asked what sort of IRR we target as we think about capital allocation. It's an important question so it's worth mentioning a couple of points here. First, our goal is to deliver strong IRRs at scale over a long period of time. This is important as over the last few years we've invested significantly higher amounts of capital that will take a few years to come to fruition. Risk is also a critical component. When we invest early we need higher returns and we target returns in excess of 20%. However, as our bigger businesses mature the risks are of course reduced and we can accept a somewhat lower IRR on more profitable businesses with a proven track record and

which are complementary to our segment strategy. Across the group we have a mix of growth and more mature assets. Getting the risk reward mix right is something we have spent a good deal of time on.

Now let's turn to slide 24 where we outline the change we will be making when we account for our share appreciation rights. This will happen only in the new financial year. I want to make sure you understand how we did it as well as the implications as we treat all our SARs as cash settled from FY21 onwards. First, as you know SARs play an integral role in employee compensation and the purpose is to incentive the team to create value in the core e-commerce portfolio. Historically SARs once exercised were settled in Naspers shares. To ensure we were not diluting shareholders we acquired those shares in the open market. Essentially that was a share buyback.

Now that we have two listed shares, Naspers and Prosus, the settlement of our SARs can become quite complicated. To keep things simple and to be transparent we will be amending the settlement of the SAR schemes to be directly in cash rather than using Naspers shares. All features in the schemes remain unchanged but for the settlement. Of course the cash impact under both methods remains the same. However, from an accounting perspective the cash settled approach will increase the share based expense and therefore negative impact the trading profit. This only happens of course if we continue to build value in our e-commerce portfolio.

Before I close I would like to spend some time on COVID-19 impacts, and that is laid out on slide 25. I think we have covered the key themes already, but it is good to reiterate these. First, it is increasingly clear that e-commerce will be a longer term beneficiary of the shifts in consumer consumption. Second, our strong and liquid financial position provides us with flexibility to continue growing and investing. Third, we are encouraged by the early indications of stabilisation and improvement we see across many of our businesses. And finally, the reality is like our peers we expect COVID-19 to have a significant impact on the financials in FY21. This will be more prominent in the first half of the year where revenues will be more impacted than profitability and free cash flow.

So let's move into what we're seeing across our segments. As a general point, in countries where lockdown regulations have been more flexible, predominantly Europe and Latin America, our Payments, Food and eTail businesses remain buoyant and have actually grown strongly. In Classifieds as we mentioned earlier in the year we saw an approximate 30% fall in average traffic volumes across our verticals compared to pre-COVID-19 levels. Of late we are encouraged to see a pick-up in traffic volumes and KPIs in our main markets. Activity levels are generally at or above the pre-COVID levels. Back in March, as was the case with many of our peers, we decided to support our partners with initiatives like extended listing durations and discounted or free listing fees. This was the right thing to do. For the most part with a few exceptions pricing is now returning back to pre-COVID levels. Therefore the revenue recovery lags the KPI recovery.

In the medium term classifieds typically perform well during period of economic stress. With the actions we are taking and encouraging trends we are seeing we remain confident that our business will continue to do well over the long term. In food delivery in areas where our food platforms have been able to operate, like in Brazil, growth has been strong and customer acquisition costs have naturally fallen. We are however investing meaningfully to support restaurants and delivery partners during these difficult times. In India Swiggy continues to be meaningfully impacted by the lockdown restrictions. There are signs of improvement, but it is still some way to go. A full recovery will require an improvement in the COVID-19 pandemic outlook and the return of migrant workers to the big cities so that restaurant supply can continue to increase. Meanwhile Swiggy has done a very good job building a broader ecosystem and adding new categories like groceries and dairy delivery which



are less impacted by the lockdown and areas where Swiggy is gaining meaningful traction which represents a broader opportunity for food delivery in many of our markets.

In Payments while the initial impact in India was meaningful activity levels have recovered to pre-COVID-19 levels fuelled by strong growth in e-commerce and the shift to digital payments. Europe and Latin America continued growing strongly throughout the pandemic given the large move to e-commerce merchants. In eTail eMAG is performing well with accelerated growth as e-commerce triumphs in its key markets of Romania and Hungary. Takealot was initially meaningfully negatively affected by the early stages of the lockdown in South Africa but is now growing strongly again as restrictions have been eased. And finally, in our Ventures portfolio, as Bob pointed out, we are seeing significant growth in Edtech. We are glad to have been very well invested there and we will continue to look for ways to increase our exposure to this space. So overall the short-term picture is mixed but trends are improving, and the good news is that underlying activity has picked up with trends very much in our favour for the long term. I hope you found that update helpful and I'm now going to hand back to Bob to close us off.

### **Bob van Dijk**

Thanks Basil. Before we hand to questions I would like to summarise our key priorities to navigate the uncertain times we're in, which you can see on slide 27. First the fundamentals of the group are strong and we ended the year with real momentum. And the second point is around our focus on the long term. We believe our business will benefit from a further acceleration of trends towards increased online commerce. Third, throughout the pandemic we intend to continue to invest in our businesses to position them well for future growth. Finally, we will always stay disciplined in allocating capital. So you should expect us to continue to invest in high quality assets that are operating in growth industries and we expect a return in excess of our cost of capital. Finally, we face a challenging period from a position that we see as one of financial strength. We can navigate the changing environment and at the same time find new opportunities. So with that I want to thank you for your time and let's open up the lines for questions. If the operator can help us with that I will be grateful.

### **Operator**

Thank you. Ladies and gentlemen, if anyone would like to ask a question you're welcome to press \* and then 1 on your touchtone phone. If you however wish to withdraw the question please press \* then 2 to remove yourself from the question queue. If anyone would like to ask a question you are welcome to press \* and then 1. Our first question is from Cesar Tiron of Bank of America.

### **Cesar Tiron**

Hi everyone. Thanks for the call and thanks for the opportunity to ask questions. Congrats on the numbers. I have two questions, one on Food Delivery and the second one on Classifieds. So on food delivery it's quite encouraging to see revenue growth ahead of GMV growth. Is that mainly driven by a reduction in subsidies or is it also an increase in the take rate? Do you think it's sustainable? And overall is it fair to think that losses have peaked in this cluster or are there any changes in competition? The second question on classifieds, I just wanted to dig a little into the transaction business. Could you please discuss how much investment you think this business requires over how many years, and whether you think this business can break even at some point. Thank you so much.

### **Bob van Dijk**

Thanks, Cesar, for those questions. Maybe I will give a start of the answer on the food question and then leave it to Larry to elaborate a little bit. I will ask Martin to speak to the transaction business afterwards. I think the

short answer on why we've seen revenue grow faster than GMV is twofold. Indeed it is reduced subsidies in most of our markets, actually I think in just about every market we're in. at the same time there has also been a shift towards more 1P in the mix which also makes revenue grow faster than GMV. But maybe Larry can elaborate on that a bit if you're still with us.

**Larry Illg**

Hello. Can you hear me?

**Bob van Dijk**

Yeah.

**Larry Illg**

Yeah, I think you touched on it, Bob. I think the primary driver is going to be a mix effect as the market shifts from 1P to 3P. And there is also some country mix effect in there across the portfolio, but that's going to be the primary driver, and also the management of subsidies that you've flagged.

**Bob van Dijk**

Thanks Larry. Martin, would you mind addressing Cesar's question on convenient transactions?

**Martin Scheepbouwer**

Yes, absolutely. First of all thank you for the question. Transaction business is a bit of an umbrella name for many of the activities where we facilitate and are actually part of the transaction. Bob and Basil mentioned in the numbers. They mainly referred to the cars part of the transaction business where we buy cars that we hold before we sell it again. That is indeed at this point in the investment cycle to scale the business by opening up new inspection centres and investing in marketing to get customers to use them. What makes us very enthusiastic about this investment is that there is clear customer demand for it, especially in growth markets. Buying and selling cars comes with a lot of difficulties that we can solve on the spot, and people are happy to pay for that. Secondly, there are important synergies with the OLX business where we have both sourcing and distributing cars. And thirdly, we have seen where we have been active for a somewhat longer period of time that even flipping the car on the trade margin we can make double digits, which is before we add adjacent products like financing or insurance. So we fully believe that this is a business worth investing into and long term it will drive significant cash flows off large revenues and somewhat lower profitability than in the core classifieds business, but nonetheless an important activity and instrument to monetise in growth markets.

**Cesar Tiron**

Thank you. That was very clear. If I can just ask on the food delivery, I know you guys don't really give guidance but is it fair to conceptually think that the bulk of the investment in food delivery is behind, assuming no deterioration of competition?

**Bob van Dijk**

Cesar, it's hard to answer that question because indeed we don't give guidance and I think it's unclear. We could see further opportunity in food delivery that would lead to that picture to change, but I think it is fair to say that we've seen a significant investment cycle and we're seeing the results of those come through. That is something that we can say. But the opportunity is very large and I think we can't say too much about what it will look like.

**Cesar Tiron**

Thank you so much. Very clear. Thank you again.

**Operator**

The next question is from Lisa Yang of Goldman Sachs.

**Lisa Yang**

Good afternoon. I have three questions please. The first one is on the margin incentive. I think in the remuneration report you put out today it's the first time I see that incentives are now being directly linked to the HoldCo [unclear] at both the STI and LTI level. Could you give us a bit more colour in terms of how that works? How much of that is based on the Prosus discount or Naspers discount, or Naspers discount versus Prosus. Do you guys have a target discount in mind? That was the first question. The second one is on M&A. I wondered if you could share your latest thoughts on the global consolidation opportunities in classifieds. And what do you think Prosus could bring to the table if there was to be a deal? And could you also remind us of where you think the synergies would come from. Is that from the existing platforms or more from the future opportunity investments in new business models? And last question is on classifieds. The margin continues to improve which is great to see, but I noticed that Avito and OLX Poland margins both went down, so clearly the margin improvement is coming from other assets within core classifieds. Could you talk about the moving parts there and what happened in Russia and Poland? Again I know you don't give guidance, but it would be helpful to understand how you think about in general the level of investment in those markets and the impact on margin going forward. Thank you.

**Bob van Dijk**

Lisa, I think I got your first question and I will give a brief answer to it. Maybe I will ask Aileen, our Chief People Officer, to comment further if necessary. And I will ask Martin to cover the question around margins in Eastern Europe. I didn't fully get your second question. Would you mind repeating that?

**Lisa Yang**

The second question is more your thoughts on global consolidation in classifieds. What do you think Prosus could bring to the table if you were to be involved in a deal? And what in general are the synergies that you see in global consolidation in classifieds?

**Bob van Dijk**

Okay. Thank you. Got it. I think Martin is probably best placed to answer that question as well, and I can chime in. So let me start on the dependence of the short-term incentive and long-term incentive on the discount. There are a few components to that. There is one direct component in Basil's objectives that you may have seen in the results. I think the more important one is around the value creation in e-commerce where the executive directors have a meaningful part of their long-term incentive in SARs in the e-commerce scheme. So as value gets created in that part of the business that results in an alignment with shareholders. And if the value of that part of the business will grow that should have a positive impact on the discount as well. Aileen, anything to add on that point, or did I capture that well?

**Aileen O'Toole**

Hi Bob. Thanks. It's Aileen here. Lisa, thanks for the question. As we talked about before, the long-term incentives are indeed an indirect incentive including the discount and the things that the management team can control. And bringing the e-commerce assets to scale and profitability is the best way to do that. That is incentivised through the SARs as Bob mentioned but also through the performance share units which is a

relative measure of how e-commerce performs against peer companies. So both of those are included and are the same as last year in terms of structure. What you see as new, as Bob mentioned, is the short-term incentive element for the CFO. That's specifically around proposing solutions to the board in terms of closing the discount. And that is something that you have seen the management team work on over previous years as well. It just didn't appear in the STIs explicitly.

**Bob van Dijk**

Thanks Aileen. That was very helpful. Martin, would you mind getting us started on the question around what we bring in a potential global consolidation in classifieds?

**Martin Scheepbouwer**

Yes. I will also answer the question on margins in Russia and Poland while I'm at it. So it's important to understand that our classifieds portfolio has been built from the ground up. That is what myself and my team have spent the vast majority of our time on over the last five to eight years. We consider ourselves to be the global leader in the space on many different dimensions. We are growing the fastest, as per Basil's presentation, and are also sustainably profitable now. So our returns have been excellent and our track record speaks for itself. With regards to consolidation the answer is always the same. We do not respond to speculation or specific deals, but I can give you some insight on how we think about M&A and capital allocation in general and specifically on larger deals.

So pure size is not a factor. It is about returns. We have a long history of being disciplined about returns. Our overarching strategy and our intent is to build global market leading platforms that leverage scale to drive innovation in a world of increasing customer expectations driven by excellent products from Silicon Valley and China alike. Again the main lever here is organic, and if we apply M&A we only do so if we believe we can accelerate the strategy. If there are any tangible deals we will obviously get back to you as soon as we've done with the deals that Bob covered in this prelude around Zap in Brazil, EMPG in Pakistan and OfferUp in the US. That's where we are on consolidation.

On margins in Russia and Poland I think you're right to point out that they have come down slightly. And that was very deliberate. To a degree profitability in strong platforms like Avito and Poland is a choice whether to invest or not. We decided to invest into continuous improvement of the business model especially around pay and ship solutions which were significantly demanded during the lockdown period. So we strengthened our market share and solidified our position in end to end delivery especially around goods in both Poland and Russia. That comes on top of seasonality. In the second half we usually spend more on marketing than the first half. And then there was the small effect of the COVID crisis which wiped out some of the revenues in the second half of March.

**Lisa Yang**

Can I just confirm one thing? Can I just come back to the first question? Can you just confirm whether the direct component related to closing the discount in the STI, is that closing the discount at the Naspers level or Prosus level or both? What is the split? Thank you.

**Bob van Dijk**

Sorry Lisa, I couldn't quite follow. Could you say that again?

**Lisa Yang**

Sorry. Just really to the STI element which is now directly linked to closing the discount. When you talk about closing the discount is it related to closing the Naspers discount, Prosus discount, or both? And if it is both what is the split between the two?

**Bob van Dijk**

No, so I think if I remember well – and Aileen can correct me if I'm wrong – this refers to the previous financial year. And it is about actions taken to reduce the discount. At the time that was primarily referring to Naspers. I think going forward what is clear to us is that we actually want to ensure that the discount at both levels is as low as possible, so both matter. There is no specific weighting between the two.

**Lisa Yang**

Understood. Thank you.

**Operator**

Our next question is from Ravi Jain of HSBC.

**Ravi Jain**

Hi. Thank you so much for taking the time. A couple of quick ones from my end. The first one is more on the capital allocation. You obviously have \$8 billion on the balance sheet. You mentioned your thoughts around it. when we look around the world the food delivery space is quickly consolidating, at least in the bigger markets, and you are already the classifieds leader in a lot of the markets that you operate in. as you look to deploy this money over the next three to five years how should we think about what businesses look attractive to you, what geographies look attractive to you. Three to five years from now where do you think a big chunk of this money would be invested when we look at all the opportunities that come to you? The second one is more on the food delivery business especially for Swiggy right now. It is taking a longer time for the business to come back to the pre-COVID level. I know you mentioned about them getting into groceries and dairy. What else do you think a food delivery business like Swiggy can do maybe in the short term or maybe even in the long term? Do you think of adding to the cloud kitchen investments? I know you pulled back a little bit of it, but does it make sense now to go a little bit more aggressive? Do you think there is more space in the B2B supply chain of restaurants? Just some thoughts on how we can transition this into an even stronger business in a post-COVID world. That would help. Thank you.

**Bob van Dijk**

Thanks for the questions. Maybe I will answer the first one and I can get started on the second and ask Larry to give a bit more colour. So I think when it comes to capital allocation – and indeed we have capital to allocate – the most important thing for us is around value creation. So we have the strategy of further shoring up our core verticals. What I can say is that the vast majority of our available capital will go to our core verticals and not into something new. That will be quite unlikely. Within that first of all we can't really make statements around future M&A because that typically depends on things that are not fully within our control, therefore it is not very wise to do. Again we look for opportunities where there is substantial value creation opportunity where there is real synergy with our current portfolio and where are sure that we can deliver returns that are well in excess of our cost of capital. What exactly that will be remains to be seen. But it will be within our core verticals. I think that is something you can count on.

When it comes to Swiggy I think Swiggy is doing a number of very interesting things. The lockdown in India has obviously been very severe and supply chains have been disrupted because of some of the things that Basil also

talked about. But there have been some really interesting developments particularly in grocery delivery. Grocery is obviously a segment that gets a huge demand surge in a situation like COVID. Actually if you have studied the Chinese numbers they are particularly impressive how grocery deliveries have taken a tremendous flight as a result of the crisis. And dairy is another area. Maybe Larry, there are other things you would want to comment on.

### **Larry Illg**

Yeah, getting to the root of the question around profitability, I think even in a pre-COVID environment the Swiggy team was focussed on cost savings measures including marketing spend with the objective of deploying it in some of the areas that Bob mentioned. And if you step back the company has phenomenal amount of consumer and restaurant relationships. They have a massive delivery fleet. All of those pieces are highly leveragable. And where they are deploying that cost saving is in areas as Bob flagged, really in grocery right now with COVID as a tailwind. And it is grocery in a couple of different flavours ranging from what you might consider the traditional milkman type model to a convenience store model to a more traditional grocery type model. And that grocery space is seeing a generational tailwind right now, and Swiggy has the infrastructure that it can bring to bear to address the consumer opportunity. It's a combination of cost saving and investment in high growth adjacencies that we expect will lead to greater scale and profitability improvement.

### **Ravi Jain**

That's helpful. Thank you so much.

### **Bob van Dijk**

Thanks Larry.

### **Operator**

Our next question is from Miriam Adisa of Morgan Stanley.

### **Miriam Adisa**

Good afternoon everyone. Three questions from me. Firstly just another follow-up on capital allocation and the current M&A environment. You mentioned, Bob, about having 5,000 deals that you were looking at. I am just wondering if there has been anything that has prevented you from deploying more capital. If you could just comment on what you think the current environment is like in terms of valuation and also the quality of assets that are out there. Secondly on food delivery could you talk a bit about how COVID has impacted on customer acquisition costs, if that has come down materially in Brazil, and also anything around the changes in cohort behaviour around retention and order frequency. Finally just on the investment priorities do you think that your investment priorities have changed since COVID in any of your key verticals both in terms of where you're willing to allocate budget but then also the absolute amount you're willing to spend? I'm thinking of something like eMAG where you've seen an acceleration. Does that mean we may see a bit more investment going into that business? Thanks.

### **Bob van Dijk**

Thanks a lot for those questions. I will answer the first one and the third one and I will ask Larry to cover the question around acquisition cost and cohort retention etc. for the food business. I would say in terms of the way we look at strategic investments and the availability of targets I don't think a lot has changed really as a result of COVID. We still look at things with the perspective of generating a long-term return. I think there was definitely initially some uncertainty around valuations but I would say a lot of the assets we look at have fairly stabilised in

terms of where they are priced at. The quality is always a variety obviously what ends up on your plate. So I wouldn't say anything has structurally changed. If you look at our investment horizon it's for the long term. We think ahead often for many years. So it actually also shouldn't change as a result of a short-term shock. So I hope that answers your question. I would say generally our approach to capital allocation remains very long term, very deliberate, very selective, and it needs to strategically work as well as generate a good return. That hasn't changed.

To your third question around investment priorities I would say the example you mentioned, eMAG, is a good one where I think there is a lot of momentum in that business. And we most certainly want to make sure that we don't starve businesses of the investment when there is momentum in the business. That's something we have done across the board in our business. If we see opportunity and momentum we will be the last to hold back our leaders and our entrepreneurs. We will gladly provide them with the opportunity to build on that momentum. Larry, you can comment on the food question.

### **Larry Illg**

Yeah. There are two pieces on it on the COVID impact. Obviously a big factor in that is whether the markets are open and considered a necessary service as they are in Brazil. In Brazil iFood has seen a pretty significant tailwind as a result of COVID specific to your question on [unclear] in Brazil and many other markets we have been able to take marketing down dramatically. People are finding these services organically, frankly out of necessity. So the constraint if you think about the different sides of the market place is absolutely not on the demand side but really on restaurant supply and driver supply. CAC has come down. On the last part of your question on COVID behaviour, we're seeing improvement in the cohorts on pretty much every relevant dimension, so users are more sticky. We are seeing basket size increase with a greater focus on family ordering versus more a la carte behaviour that we see in a pre-COVID environment. And then we're seeing in many markets including Brazil a slightly higher AOB with a skew away from lunchtime behaviour and even more dinner behaviour.

### **Miriam Adisa**

Great. Thank you.

### **Bob van Dijk**

Thanks Larry. More questions.

### **Eoin Ryan**

Irene, we'll take the next question please.

### **Operator**

The next question is from Will Packer of Exane.

### **Will Packer**

Hi there. It's Will Packer from Exane BNP Paribas. Thanks for taking my questions. Firstly could you give a bit more detail on the discount activity in your key classifieds markets of Poland, Russia and Brazil? You talk about winding down. How long did they last or how long will they last? Is the reduction of those discounts sustainable if COVID deteriorates as it looks possible in some of those markets? Then just in terms of the generalist portion of your classifieds business, how has that bounced back? Secondly, I'd be interested to hear a little bit more about the synergies between Frontier Car Group and the classifieds business. Which geographies are you

focussed on? What kind of upside are you seeing? Is it guaranteed parts exchange? A little bit more colour there. Just finally on M&A there's a lot of speculation on big deals. If we put that to one side you've done some really interesting deals in classifieds consolidating in market. Is there a pipeline ahead of similar deals or have you done the key ones so far? Thanks.

### **Bob van Dijk**

Well, thanks for the questions. I'll do Martin the favour of answering the last one and then I'll ask him to answer to the discounting question and the FCG question. I think fundamentally we don't speculate about forward looking M&A, so that I'm not going to do here either. I think the reality is that looking at smart consolidation deals that fit into extensions particularly in our vertical space for example or places where we can create strength. LetGo fits in that mould. EMPG fits in that mould. Grupo Zap fits in that mould. We look for those types of transactions always across the world and not just in classifieds. We do the same in other markets. If we look in fintech we've done Wibmo. We've done Red Dot. We've done Iyzico. They all fit and are highly synergistic, value creating deals that may not be that huge but actually in aggregate will create a tremendous amount of value. So we always look for those, and that is certainly not over. Martin, if you wouldn't mind addressing the first two questions.

### **Martin Scheepbouwer**

Sure. Thank you, Will, for the questions. Let me answer the discount one in the context of what we saw in the business following the COVID crisis. As Bob and Basil mentioned in the beginning the initial impact was significant globally speaking and closely related to lockdown. Quite obviously people are reluctant to meet strangers. They have other priorities. They have stress and anxiety so postpone large purchases. And many of our paying business customers simply had to close down. As restrictions were eased, key countries recovered quickly, led by the goods category in line with trends seen in Etail. Customers sitting at home are keen to buy items for the home and personal belongings. So eMAG and Takealot benefitted from that, but also the goods part of our horizontal businesses in many countries saw the same phenomenon.

In Europe they've shown positive year on year trade volumes since the end of April already. Initially there was a downward trend largely in Poland and in Russia, but back to year on year growth since the end of April. Revenue indeed lags those trends because there were still discounts in place in most of May. And specifically on discounts they vary by market and by category the type of product. But in some cases they were significant, which was the right thing to do in order to maintain the content and the relationships. I think it helped us to increase spend again with these customers when the ease of restrictions permitted that. So we are also back to year on year revenue growth again in June.

India, Brazil and the US take longer due to the continued restrictions of movement as you are well aware. But also they have a trend that is positive especially on the demand side. So I'm very confident that following the shift online that Bob talked about also our classifieds business will benefit in the medium to long term. But obviously the short term is uncertain especially in cities and states with continued lockdown measures. Then to your point of whether we will apply discounts again in the next lockdown phases, that is going to be almost speculation again. I simply have no idea if and when and to what degree and where lockdowns will be applied again. But we have seen it's a strong instrument to maintain the content and relationship with paying customers, so it's an instrument we will use again – but only selectively – if needed.

Then on to FCG. As I mentioned in one of the previous answers, there are important synergies between the inspecting and buying of cars that FCG does at its core and our OLX businesses because one of the impediments



for growth in FCG is the personal acquisition cost which has reduced considerably since we can source potential sellers on OLX. And the same thing with the cost of disposing of cars again, which is also much easier if that can be done on the leading horizontal and car site in the country. We are obviously in fairly early days of integrating these companies. It has been a couple of months which were interrupted by COVID.

That was the part of the business that was hit hardest. Our inspection centres had to close simply due to regulation. They have reopened in parts. About half are open again but they are operated at limited capacity in most cases due to inevitable health and safety measures. So it will take a while to fully materialise, but as I mentioned the customer demand is clearly there especially for end to end customer journeys. I have a car but I want to upgrade, so I first sell and then I buy and get all the services around it in terms of buying with trust and with convenience and with financing. I think it is a very strong USP that where we do trials and experiments we can see a very good traction. That's the area globally speaking that is our main organic development area that we will pursue with a vengeance over the next months and quarters.

#### **Will Packer**

Thanks Martin. Just one quick follow-up. Should we assume that FCG or FCG like services can be rolled out in all your major classifieds markets, or is it more targeted?

#### **Martin Scheepbouwer**

Well I think the customer demand for this type of service is universal. So where we don't have FCG like services, such as in Russia, we are looking for ways to get that trust into the transaction. And in Russia specifically we have a service called Autoteka which is a comprehensive car history report that is partly founded on proprietary data from a car dealer network. So nobody else has it. It is proprietary data which serves in a way as a light inspection. If you buy a car with Autoteka it's not physically inspected but it comes with a much higher level of trust than a car without it. And the question I posed to the team is can this be complemented with inspection services of sorts which would also allow us to actually go into purchasing cars ourselves. It is something we are studying. Russia is not the easiest market to do this. Other companies have failed. But it is something we are looking into.

#### **Bob van Dijk**

Thanks a lot Martin. I think we may have time for one or two more questions as we're running a little bit over.

#### **Operator**

Our next question is from Catherine O'Neill of Citi.

#### **Catherine O'Neill**

Thank you. I firstly wanted to go back to the comment on Etail or eMAG. Given the appetite for e-commerce now or the positive views of e-commerce and what COVID has done there, could value creation for your e-commerce business be back on the agenda? The other thing I wanted to ask about is I've seen some articles about delivery drivers planning to go on strike tomorrow in Brazil across the different services. Is this something that is happening across the country? How do we think about the tension between the business and delivery drivers in Brazil and perhaps some other markets? Finally just one other question on payments. It seems to have been quite resilient during the whole COVID-19 pandemic. What is the plan for credit lending in terms of how quickly you plan to ramp that up and how we should think about that impacting profitability?

**Bob van Dijk**

Thanks for the questions. I will definitely answer the first one. I think Larry can give a general answer to the second without going into the Brazil specific situation. And then I will briefly comment on the payments. Well, actually Laurent is on the line so let's let Laurent give us a brief answer on that one. So in Etail we see a good momentum driven by extraordinary circumstance. And I think what will happen as a result of it is actually not too unlike what we see in other of our segments. So I think you see a desire of customers to do more from their home, initially because they had to and later because they had either gotten used to it or they still prefer not to come outside. And particularly that first effect of people building a new habit in the pandemic is a structural one. I think we're lucky to know quite a lot about China, and it seems a number of the models in food delivery but also things like Edtech and online payments are actually habits that get accelerated. Across the board you see online models accelerate in a structural way and I believe that will even last beyond this. So I think we're in the right kind of businesses and we will see that structural shift. Maybe, Larry, you want to comment a bit more generally on delivery drivers and how we make sure that we treat them as well as we possibly can.

**Larry Illg**

Thanks. Especially in the context of the pandemic we've done a bunch of initiatives across our companies to make sure that the delivery executives are treated well, ranging from in the extreme case funds for drivers that have been affected by COVID or for high risk groups who can't work. We've offered subsidised health services and life insurance. We've created a tipping programme for drivers including bonus on top of the tips that they get. We've given masks and hand sanitisers to drivers and established driver sanitisation stations as well as accelerated initiatives towards on online payments and contactless delivery. So we've done a lot of things across our portfolio to support drivers.

**Bob van Dijk**

Thanks Larry. Laurent, would you mind giving a very brief answer on what our view is on credit given the situation we're in particularly in India?

**Laurent Le Moal**

Absolutely. Look, a lot has been said already about the shift to digital payments, online and offline, because of the lockdown. And this is true across the world with double of growth rates. And we had a very swift recovery actually in India. When it comes to credit, two things. The first one is the type of credit we do is credit at the point of sale. In Europe we just distribute the credit solutions of banking partners. What it means is we don't have increased credit risk exposure or problems of profitability there. In India though what we do is actually provide credit on our balance sheet and also with core lending agreements. And in that market specifically what we have done right now is basically just shut down the issuance of new loans to new consumers. The reason for that is just that at the moment there is limited visibility into the risk. There is a moratorium of credit in India until the end of August. So for us before September it is prudent to look at the existing portfolio, assess the risk when the moratorium will be over, and then go back to the market with the core lenders. This is the plan for the moment.

**Catherine O'Neill**

Okay. Thanks. I just quickly wanted to go back to Etail. I'm not sure if my question was clear the way I asked it. I just wanted to check whether it's an asset you still don't view as core and therefore in the short to medium term you could look at crystallising the value there and exiting in some way, which I think had been on the cards pre-COVID. I just wondered if that's back on the agenda or still on the agenda.

**Bob van Dijk**

The question was about eMAG. Is that right?

**Catherine O'Neill**

Yeah, and the plans to crystallise value there and whether that is still on the agenda as it had been since pre-COVID or appeared to be.

**Bob van Dijk**

So I think eMAG is a fantastic business performing well. I think it has a good amount of runway. So there are no active plans for that. I think the business if we ever would decide to do so is in a great position, but that's probably all we could say about it. I think we can do one more question and then I think we need to close off for today.

**Operator**

Thank you. Our last question is from Andrew Ross of Barclays.

**Andrew Ross**

Thanks very much for squeezing me in at the end of a marathon call. It has been a Eurovision song contest type event. I've got two questions if that's okay. The first one is very quick. There has been a lot of speculation around US food delivery in the last few weeks. Asked straight out, is the US market remotely interesting to you guys or should we be assuming that you're not interested at all? And then the second question is a bit longer perhaps, and that is if there is any update on the long-term ownership of Prosus by Naspers. I read a line in the report saying that Naspers is committing to not selling down more of Prosus, but it doesn't talk about more distributions and breaching 70%. So it would be helpful to understand if there is any update there. Thank you.

**Bob van Dijk**

Larry, would you mind answering the first question? Basil, do you want to take the second one?

**Larry Illg**

My line cut out there. Can you repeat the question?

**Andrew Ross**

It was just on food delivery and the US. There is obviously a lot of speculation as to consolidation going on there. It was basically a simple question. Is that a market that is at all appealing to you guys, or should we be assuming that's not at all a focus?

**Larry Illg**

It's a good question. Obviously a lot of activity in the last few weeks in the US. I think we don't really start with a geographic strategy per se. This is structurally a very local business so we assess opportunities on a case by case basis. I think as we've covered with this group before the US is certainly a highly competitive market and definitely predictable. Some consolidation makes sense. We will continue to assess opportunities, but it is one of the more hotly contested markets we see around the world.

**Basil Sgourdos**

And if I can deal with your second question, there are a couple of things to call out. First of all the sell-down was to fulfil an obligation with SARB, but it actually created value too because we did a buyback and unlocked R3.3

billion for Naspers shareholders. What we're saying is we're not planning to do anything like that going forward. That is driven by the fact that we don't want to create an [unclear] process. So we're not going to be selling more shares. We have no plans to sell more shares through the market. That doesn't mean we're not working on thinking about what other structural actions we can take to address the discount. That has been discussed earlier in the call. But we want to do it in a way, as Bob outlined, that actually is helpful for both the Naspers and the Prosus shareholders.

**Andrew Ross**

That's very helpful. Maybe just a follow-up, Basil. Are there any other obligations from the South African Reserve Bank that we need to be aware of, or is that it?

**Basil Sgourdos**

In terms of the transaction that we did with the listing we have now fulfilled all our obligations. So that's done. Of course if we wanted to do anything else going forward we would have to engage with SARB and get the relevant approvals depending on what we put together.

**Andrew Ross**

Great. Thank you.

**Operator**

Would you like to make any closing comments?

**Bob van Dijk**

I wanted to thank everybody for joining and for what I thought were very interesting and engaging questions. If you have further questions then please do reach out to Eoin and team who will be very pleased to cover anything that we haven't managed to cover today. Thanks everybody for joining and for asking great questions.

**Operator**

Ladies and gentlemen, that concludes this conference call. Thank you for joining us. You may now disconnect your lines.

END OF TRANSCRIPT