Conference call transcript

24 June 2019

FY 2019 RESULTS

Operator
Good day ladies and gentlemen and welcome to the Naspers FY 2019 results conference call. All participants are currently in listen-only mode and there will be an opportunity for you to ask questions later during the conference. If you should need any assistance during the call please signal for an operator by pressing star and then zero. Please also note that this call is being recorded. I would now like to turn the conference over to Eoin Ryan, Head of Investor Relations. Please go ahead.

Eoin Ryan
Good afternoon, and thanks Chris, and everyone for joining us for our FY 2918 results call. You can find our full year report and all accompanying documents on our investor relations website. On the call with me today is our CEO, Bob Van Dijk, and our Chief Financial Officer, Basil Sgourdos. So to kick things off I will hand it over to Bob.

Bob Van Dijk
Yes. Thanks, Eoin. Hello everyone and welcome to our 2019 results call. So on today's call I will spend some time giving context on our strategy and I'll talk about how we think about the growth in the industries in which we operate. And I'll spend some time on a business update, which is really where strategy meets execution. After that Basil will take you through our financial performance and then as always we have plenty of time to answer all the questions you have. So if I can start us off on slide five, slide five gives a nice framework for the strategy which has guided the group's progress over the last five years. I think it's a useful way to give you a proper context on how we make both our operating and our investment decisions.

So at the heart of our strategy is really to build and invest in entrepreneurial platform companies in fast growing markets that address high and significant societal needs. And that play book has worked very well for us in building scalable platforms across multiple industries. So in general we start small land we take a number of positions in promising assets. And then we learn, we add value to these businesses, and then as we build conviction we increase our exposure. When we have sufficient exposure we then work to bring the assets together to create platforms which then form our segments. So the businesses we have in classifieds and PayU are really good examples of this, and food delivery is really following on that same path.

That table is really simple, but the execution of it is challenging. I'm really proud of what the team has accomplished over the years in building up the infrastructure within Naspers to enable this model to be replicated often and will success. The next phase of growth as I see it will be in markets where there is a real opportunity for technology not only to disrupt traditional businesses by replicating them online but also enabling offline businesses through online technology. This is classifieds, this is payment and fintech, and this is food delivery at their very essence.

Now if I could move us over to slide number six, 2019 was the year of the strongest strategic progress in my tenure at Naspers. So we delivered on our key financial objectives and we generated strong growth and improved profitability across the group. We strengthened the portfolio as well and we invested about $3 billion in our core segments of the classifieds, payment and fintech and food delivery. We made a number of strategic improvements to Naspers' structure which we believe will help maximise value for shareholders now but also into the future. We have also significantly upgraded our talent base across the board, particularly in technology, and we have built more robust AI and machine learning capabilities across the group. And finally, I'm really pleased to say that the business continues to perform well so far also in this current financial year, and we will say more about that later.

So now if I can take you to the highlights for FY19 on slide seven. Over the past year we struck the right balance of scaling the business, investing for the future, but also unlocking value for our shareholders. So from a strategic or a structural perspective a number of things happened. We unbundled our MultiChoice business and we unlocked approximately $4 billion of value in the process. And this also completed Naspers' transition to a 100% online consumer internet company. We announced our intention to reduce our position on the JSE by listing a portion of the company on the Euronext Amsterdam which has been received really well. Since the announcement we have seen the discount narrow by about 10%.

We've also disposed of our ownership of Flipkart which is another good example of our ability to build and then crystallise value. So from a total investment of about $600 million we took in $2 billion in gross proceeds and we realised an IRR of 29% on that investment. So from a financial point of view our revenue continued to grow strongly and profitability also improved materially. So revenue increased 29% year on year while trading profits grew 22%. And that translated into a 26% year on year growth in core headline earnings. And we really saw strong execution by all three of our core segments. So in classifieds we see user engagement continues to grow strongly. OLX delivered its first profitable year. And it was driven by excellent results by Avito, but also in Brazil and in Europe.

In payment we saw TPV or total payment volume increase 29% to $30 billion driven by India, and India now accounts for over half of all of our transactions. As with OLX the core PSP business reached profitability for the first time, while PayU keeps reinvesting into building its fintech ecosystem by growing its data-driven fintech businesses. We also increased our investment in food. It is still very early in the growth cycle of this space, but results have been very encouraging. The GMV accelerated strongly in the second half of the year.

So core to our strategy is investing in our businesses to make sure that we have ample runway for sustained growth. And if I can take you to slide eight you can see how we deployed $3 billion across our businesses. So we entered 2019 with about $10 billion in net cash and we have so far deployed $3 billion primarily in our biggest areas of opportunity. That will be classifieds, payments and food delivery. Of that $3 billion we spent about $2.4 billion in increasing our ownership of our current businesses. And most importantly we spent $1.2 billion to gain 100% control of Avito. We also invested to build a broader consumer-centric ecosystem in classifieds by extending our present in convenience transaction models through the Frontier Car Group. And our ventures team added further to its growing role within education and invested $383 million into BYJU'S, a very exciting edtech opportunity that is rapidly revolutionising the Indian education market.

If I can turn us to slide nine you will see that in classifieds we have continued to invest and build deeper consumer relationships in our core markets. I would say financial year 2019 was a banner year for the OLX group. While the trend was in place for multiple years I'm really pleased to see that the group reached profitability for the first time. And I'm really pleased to see that this occurred as the group invested significant sums on future growth drivers as well. This is really a testament to the great work of Martin and his team, and it underlines clearly why we see classifieds as an attractive business to be in.

We continue to have the large global footprint with leadership in 38 countries and the activity across the platform actually continued to grow strongly worldwide. A key focus area for classifieds is improving the value proposition for our customers and verticals. We do that by deepening our relationships with our partners in the auto, in the real estate and in the jobs verticals. And we actually really made significant progress there during the year. In cars, as I've mentioned before, we bought a stake in Frontier Car Group. We believe this model will accelerate organic growth and also offer strong strategic synergies in our automotive category. In real estate we took a majority stake in Properati, which is a leader in the Latin market, and in jobs we took a majority stake in Aasaanjobs in India.

Further to that on slide ten you will see that the focus on our core five markets is really paying off and driving the operating metrics of the group to scale and strong growth in each of these individual markets. So the focus on monetisation helped drive an impressive 37% underlying revenue growth which is more than double the industry average. Our average monthly payments grew 33% year on year, and in our monetisation markets the average revenue per internet user grew 29% to $1.80. This still leaves plenty of room for growth. When you benchmark us against global peers you will see they typical deliver north of $5 per internet user. So on the right-hand side of the slide you can see continued strong traction in the high growth markets such as Brazil. We see 40% growth in paying listers [?], in India 36%, and in the US where LetGo continues to perform very well.

If we look at slide 11 you can see that we're now leveraging that strong core to build broader consumer-centric ecosystems. So we are leveraging the market leading positions that we have to grow monetisation by extending the business models into highly monetisable verticals and into convenient transaction formats that typically have very high ARPUs. After experiments yielded outstanding results we have accelerated investment in to convenient transaction models such as the Frontier Car Group. So at the heart of the ecosystem lies the consumer. So we are investing to ensure that our platforms are not only convenient but have to be trusted and safe, smart and personal, and finally easy and liquid. And it is this focus across the OLX group that continues to help to drive the business growth.

And now let's turn to slide 12 and focus on the progress that Laurent and his team are making in payments and fintech. So the PayU journey has really developed in a very similar way to OLX, and it is following the playbook that I outlined a few minutes ago. Early on we invested in a number of payment service providers in different markets around the world. And as we learned more we invested behind the ones that have a lot of potential, and in time we stepped up our holdings, and eventually we rolled these key assets into the 18 market platforms that PayU has today. And PayU has made strong progress on its ambition to become the largest payments and fintech business in growth markets. Across the 18 markets it is in PayU supports over 300 local payment options in 25 currencies to one single API. A good example is our acquisition of Zooz. That enables us to serve global merchants in all our markets with a single integration.

So if we look at slide 13 in payments and fintech we are doubling down on India and we are expanding beyond payments itself. The wider opportunity here is to leverage our leverage position in PSB to address the adjacent opportunities such as credit and remittances. We are making real progress here and the metrics support it. The average daily transactions are growing strongly. They are up 43% year on year. And TPV is up 29% year on year on a constant currency basis. India is PayU's largest opportunity and it increased average daily transactions by 61% to 1.6 million per day. And India now generates more than 50% of transaction value. The ambition in India is to reach leadership across all digital payments and in the alternative credit business. And our own business, [unclear] is already gaining significant traction and it is issuing about $20 million of credit each month.

So if I can move on to food delivery on slide 14, this segment is really right at the beginning of its growth cycle. And I'm quite pleased with the position we have here today. So here is how we think about food delivery. So first I believe that Naspers has the broadest global perspective on the food industry. And this perspective has been achieved through our close involvement with iFood in Brazil, with Swiggy in India, and through our involvement with Delivery Hero's 40 worldwide markets, but also indirectly through Meituan in China and Delivery Club in Russia. And this perspective is unlikely to be replicated by anyone else. I think it's important to note that the food delivery space has evolved beyond simply connecting restaurants and customers.

Today the opportunity in food is really to disrupt and transform all the aspects of the supply chain from how food is sourced, prepared and ultimately consumed. And the impact of this disruption is likely to have a major societal impact in the areas of nutrition but also wastage and employment. And this is the type of opportunity that lies at the heart of Naspers' strategy. So Naspers is really at the forefront of this platformisation of food. I would say it is still very early days and the opportunity is very large.

The chart on the right-hand side shows that food accounts for 10% of global GDP, and if you look at the total addressable market worldwide for online food delivery it is now over $150 billion. And that addressable market will continue to grow at a strong pace as technology and innovation will drive further disruption that will increase convenience and will reduce cost. And more and more meal occasions will shift from being home prepared to being outside prepared and delivered over time. And we believe that we're seeing online food at a really early stage, I think similar to where Amazon was in the early 2000s when it was mainly focussed on books and media. We started with third party market places in food and have proven the overall profitability of the model. But as a result our ambition has increased considerably and now we're investing beyond that. We're investing to transform the food industry. We want to disrupt and improve the entire process from how meals are sourced, prepared and distributed.

On page 15 you can see that the biggest opportunity in food delivery arguably lies in growth markets, and that is exactly where we are investing the most. The table on the left shows our markets and shows that they are significantly less penetrated. In India and Brazil for example less than 2% of food eaten from restaurants is actually being delivered. Rather than simply replicating the shift of online consumption our businesses can essentially create new markets for consumers. And this allows companies like Swiggy and iFood to expand their platforms, adding value to all constituents. So for our restaurant partners the opportunity is not only to increase high margin meal occasions but also to provide value-added data insights and supply side logistics. And if this is done well consumers will benefit from improved delivery times, cheaper food and greater choice.

These new models create a larger addressable market than in developed countries, and that also brings stronger economics. So the right-hand chart shows the relationship between average order values and wages, and that is a key driver for profitability and works particularly well in growth markets. As Swiggy and iFood scale we are confident that they can generate large and sustainable profits over time.

If I take you to slide 16 you can see that we've chosen to invest based on knowledge that the unit economics of the food delivery business really work. So our brands have proven that already and now we're really investing in achieving much more scale than what we previously expected. So that investment is predicated on the fundamentally attractive unit economics due to the high level of customer loyalty and the existence of network economics. So iFood as an example started as an online food delivery marketplace. At scale we know this is a very profitable business and leading players are generating more than 50% margins. We however realised the opportunity is far bigger and we are now aggressively investing in expanding the product, the technology, the logistics and the ecosystems in food.

Swiggy is a first party model which is extending into new cities with new products and marketing. In the early days it will generate losses, which is normal, but the core underlying business has excellent economics. So for example in September 2017 four of its priority seven cities were already profitable at a contribution level. And an analysis indicates very strong retention and a frequency increase. As the business matures margins will improve.

So encouragingly our investments, while they are still early, are showing both impressive size and growth. You can see that on slide 17. It is still very early days as I said, but I'm pleased with the progress so far. So across the portfolio order growth has accelerated in the second half, increasing to 100% up from 77% in the first half. In March iFood recorded a record 17.4 million orders, which is up 129% year on year. It has expanded into 500 cities and has full geographical coverage of Brazil. Swiggy at the same time has expanded its presence from seven cities in 2017 to 130, and now partners with more than 85,000 restaurants. And it is benefitting from new products such as convenience items, a VIP programme and private label food, and order growth is up more than three times year on year.

And finally on slide 18 before I hand over to Basil I will spend a moment walking you through our upcoming transaction, something that has already unlocked significant value for our shareholders. For me here are the core reasons why we've chosen to go down that path. First of all, we've had an amazing run. But the reality is that Naspers has outgrown its listing on the JSE, so we now account for roughly 25% of the value of the exchange while that was only 5% in 2013. And that has caused a number of technical issues for Naspers and our South African investors, many of whom have actually been continually forced to reduce their ownership to avoid over-exposure to any one individual stock.

So this transaction significantly reduces our size on the JSE. Second, Prosus will be the largest consumer internet company in Europe, and we believe this will significantly deepen and widen the pool of investment capital that will be attracted to our very attractive portfolio of international internet assets. And before I close I want to be very clear that the intent of this transaction is to take meaningful steps to reduce the discount in aggregate for Prosus and for Naspers. And in structuring the transaction the way we have we've created for ourselves significant optionality to do just that. And now I hand over to Basil.

Basil Sgourdos
Thanks Bob. Hi everyone and thanks for joining us today. I'm going to spend a couple of minutes walking you through the financials for the year and calling out some of the items that I think are important for you to consider. Before we kick off, a quick reminder and a few housekeeping items. First, we report revenue and trading profit on an economic interest basis. They include our proportional share of results from associates and joint ventures. I believe this is critical to take into account when understanding Naspers' portfolio and the value being generated.

Free cash flow and core headline earnings are of course consolidated numbers. All percentage increases are in local currency excluding M&A to give you visibility on the underlying operational growth. Foreign exchange impact is largely a translation impact. Revenue and expenses are mostly in local currency and they are then converted to US Dollars for reporting purposes. As I walk through the deck I'm going to focus on the organic growth.

As Bob mentioned, this was a transformational year for Naspers. First, we grew our portfolio strongly and exhibited real operating leverage in our classifieds and payments segments. Second, we invested significantly in our food segment. We are at the beginning of a big growth curve here. Our investments are both in growing the market as well as our position within it. Third, we have made significant progress in unlocking value for our shareholders. We ensure we do this without sacrificing future growth. Specifically, we crystallised our returns from Flipkart by selling to Walmart, and unlocked roughly $2 billion for shareholders, delivering a 29% IRR.

We followed this with the unbundling of MultiChoice Group, unlocking $4 billion for shareholders so far. This completed our transition to a 100% online consumer internet company. Folks, just a side note on the MultiChoice Group unbundling. Video entertainment is presented in the numbers as a discontinued operation. So all the numbers in this presentation are from the continuing operations unless I mention otherwise.

And finally, as Bob mentioned, by announcing our intention to list Prosus in Europe we are addressing significant structural issues that have negatively impacted our valuation. This has already unlocked a substantial amount of value and will continue to do so in the coming months and years. So let's turn to slide 20.

We are pleased to report firstly that classifieds is profitable including the investment in LetGo. Our core PSP business in the payments and fintech segment has also reached profitability at the operating level. So two of the three main segments are scaling very nicely and now profitable at their core, even while each continues to invest for continue growth over the long term. This leaves food delivery as the main investment area of the group. Tencent continues to perform strongly. Our share of Tencent revenues and trading profit grew 31% and 16% respectively. Core headline earnings grew 26%, faster than Tencent, which is important for us as we continue to invest to strike a better balance in our portfolio.

In food delivery, as Bob mentioned, we are still at the early stages of a significant tech-enabled shift in eating behaviour. The potential here is significant. Our food business sits at the centre of the disruption and is well positioned to benefit. As such, in the second half of the financial year we encouraged our food businesses to invest heavily in capturing in a sustainable way a sizeable portion of this opportunity. The step up is evident in the results for the year with strong operating metrics and revenue growth while losses did widen. This will continue into the new financial year.

On the right-hand side of the page you will see the strong performance all round. We grew our revenues by 29% to $19 billion. Our trading profit rose 22% as classifieds, payments and fintech, travel and Etail accelerated the profitability and Tencent delivered a good performance as well. Free cash flow improved by a sizeable 60% or $178 million year on year. The substantial improvement occurred even as we increased investment in food delivery. Core headline earnings increased 26% year on year.

Slide 21 gives you a good snapshot of revenue and profitability in e-commerce on a segmental level. Revenue growth in our e-commerce segment remained strong at 26% year on year with meaningful contributions across the portfolio totalling almost $4 billion. Profitability has improved significantly with trading losses narrowing $100 million or 15% year on year to $630 million, and this despite the step-up in our investment in food delivery. Classifieds in the aggregate contributed profits, payment and fintech reduced losses, and the core PSP business is profitable for the first time. Etail and travel also reduced losses. If we exclude food delivery trading losses narrowed 32% or $241 million. So that really is sizable.

The right-hand side of the slide highlights our progress made in improving profitability. E-commerce trading loss margins improved from 20% to 16% this year. All margins across the portfolio improved except for food delivery where we are very deliberately increasing our investment. Classifieds continued to show strong profit growth. Margins improved a sizeable 18% in the year. This includes our investment in LetGo where losses also narrowed 35% year on year. Investment to acquire new customers is always heavily skewed to the second half of the year, thus impacting first half versus second half profitability. Payments and fintech including the impact of new investments improved trading loss margins from 19% last year to 12% this year. Losses were driven by investment in the next wave of growth as Bob mentioned earlier in the presentation. Again to repeat, our core PSP business reached profitability at an operating level. And then recently we announced that we will be swapping our stake in MakeMyTrip for a stake in Ctrip. The IRR on this transaction will be about 26% with further growth to come from our Ctrip investment.

Turning to slide 22, let's look at classifieds in a closer way. Financial progress has been strong. Revenues grew 37% year on year to $875 million. In our key markets we continue to see the strength of the model at scale. Avito continued to solidify its position, growing revenues by 28% to $322 million. That's a 57% trading profit margin. OLX Poland grew revenues 40% at a 61% trading profit margin. The business growth continues to come on the back of growth in engaged users and delivering value-adding and innovative products such as instant cash for cars. OLX Brazil grew revenues 44% and improved its profit margin 13% year on year. OLX Brazil turned profitable in 2019. It is a few years behind others in terms of its marginal potential, but it is growing quickly and will become a significant and sizeable business. Improved performance in 2019 was driven by the auto and real estate verticals where we are the fastest growing operator in the market.

LetGo's performance was strong too with solid user metrics. It began building out its commercial capabilities. We've seen a solid start to monetisation and meaningfully reduced marketing spend. You have heard us say a couple of times now that classifieds including LetGo is now profitable. Clearly this is something that we are very proud of. The left-hand side of the slide shows you why. The trend is very clear. Achieving profitability is another milestone and profit improvements from here will continue to be very strong. I do want to call out some discrete items that impacted classified profitability in the second half of 2019. First, the second half has always been a seasonally higher period of investment. Second, as we increase marketing investment to support launches of our new [unclear] platform in India and Pakistan. Third, we invested significantly in our global tech backbone, [unclear]. This enables best practise sharing and product innovation across geographies. And finally, we rolled out Cash it For Me and other convenient transaction initiatives. These will expand the classified ecosystem and drive longer term revenue and profit growth.

So let's move on to the payment and fintech segment on slide 23. The business delivered revenue growth of 28% to $360 million driven by a 43% increase in transactions and a 29% increase in total payment value to over $30 billion. During the year we merged the Europe, Africa and Latin America businesses, realising significant efficiencies and cost reductions. Losses narrowed an incredible 67% to $43 million. The core PSP business delivered $12 million of profit for the financial year 2019 while overall trading margins improved 7% year on year. India is a major part of our payment strategy and a major contributor, representing more than half of the segment's total payment value. As the leading e-commerce gateway in India we have also made progress in credit, issuing over $20 million in loans monthly. It is still early days in India but we are very pleased with our positon. We believe there is lots of upside to come.

Now to slide 24 and food delivery where we are seeing very strong growth across the board on the back of the increased investment. Bob has already spoken about the opportunity and why we are optimistic about it. I want to tell you why I as the CFO have significant confidence here. First, we really are just at the beginning of what food delivery will be. Our businesses sit in leadership positions in aloof their major markets, and we thus have an unparalleled worldwide view. This gives us early insight and clarity into what works and what does not, allowing us to invest quickly and either fail fast or flourish quickly. From a unit economics perspective we have already seen in our businesses that the economics can be very attractive in market places but first party models too.

The opportunity as Bob mentioned is to build this business into a data-driven platform where the economics can achieve scale. This is where we are spending our time and directing our investments. The results are encouraging to say the least. In 2019 we more than doubled revenues in our food segment. iFood continues to execute exceptionally well, reporting GMV growth of 84% year on year and an increase in orders of 107% year on year. I will remind you that we committed $400 million of funding to invest in iFood over the next few years. In the second half of 2019 we invested approximately $79 million of this, and we will accelerate that momentum meaningfully in 2020.

In India Swiggy continues to record exceptional growth. Order growth is up three times year on year and GMV growth grew 265% year on year. So India is growing incredibly fast. During the year we invested an additional $760 million in Swiggy, bringing our effective interest to 39%. And finally, Delivery Hero continues to execute well and reported revenue growth of 93% on a constant currency basis to €267 million. Order growth was up 55% in the Q1 2019 announcement.

Now, if you will turn to slide 25 which illustrates continued momentum in the contributions to central cash flows of our profitable internet businesses. On the right-hand side of the slide we illustrate improved e-commerce profitability particularly in our classifieds segment which results in a greater contribution to overall central cash flows. This year the group reached another milestone as profitable businesses now represent more than 50% of the total e-commerce revenues. Trading profit from profitable businesses increased by a whopping 44% year on year, ahead of the e-commerce segment's 15% growth. This highlights the leverage in our businesses once they reach scale. This drives profit and free cash flows which accelerate. The aggregate of free cash flows generated by the internet unit that are free cash flow positive totalled $673 million. That's a 22% increase year on year. And if you compare it to 2016 that's a 210% or $456 million improvement.

On slide 26 is a walk of our free cash flow results. While free cash flow from continuing operations is still negative it improved significantly year on year, up 60% or $178 million. This marked improvement is the outcome of classifieds, payments and fintech, improved profitability, converting to cash generation, and dividend income from Tencent. These three drivers will continue to grow. They will come to offset the investment in food and the impact of the unbundling of MultiChoice group in the coming years.

So turning to slide 27 you will see that we've been very disciplined in our approach to allocating capital. In March 2018 we told the market that we would use a portion of the proceeds from the Tencent trim to settle PUT option liabilities and the remainder of the funds would be allocated to accelerating and building our core e-commerce segments. Since then we've invested just over $3 billion. The bulk of the investment went to classifieds where we invested $1.8 billion. We settled $1.6 billion of PUT option liability. We also increased our exposure to the Cash it For Me car opportunity in several high growth markets through the $89 million investment in Frontier Car Group. Finally, we strengthened our position in India with the $36 million investment in blue collar jobs vertical, Aasaanjobs.

The group has a healthy balance sheet with net cash of $6.3 billion. Post year end we announced the exchange of our stake in MakeMyTrip for a minority stake in Ctrip. We believe this transaction will be a win for all parties. It will result in better strategic alignment between Ctrip and MakeMyTrip. And Naspers' resulting stake in Ctrip will give us exposure to one of the global leaders in online travel. And finally, on slide 28 you will see this slide illustrates Naspers' core headline earnings growth over the last three years compared to Tencent's contribution to our core earnings. Naspers is growing at a very healthy pace of 44% year on year, and in fact growing faster than Tencent. We believe our excellent financial progress, especially e-commerce profitability, will drive the growth of our core headline earnings into the future.

So folks, in conclusion we continue to be disciplined in allocating capital. We have made excellent financial progress in FY2019. We have accelerated investments in food delivery and will spend more to address the full market opportunity. It is clear that we've made significant operational progress but have also made sound strategic moves like the successful unbundling of MultiChoice Group during the year. We will also focus on the listing of Prosus in September. I trust our excellent track record provides comfort of our commitment and our determination to deliver great value to you, our shareholders, over the long term. I am now going to hand back to Bob to go through our thoughts for the future, and look forward to your questions.

Bob Van Dijk
Thanks Basil. So to summarise let's go to slide 30. So to conclude today's presentation I would like to share some thoughts on how we look into the future. So we are looking to drive further the scale and profitability in classifieds, in payments and in B2C which all made excellent progress during the last year. We also want to use the flexibility on our balance sheet to pursue our growth ambitions in classifieds, food delivery, payments and fintech. We will continue to invest significantly into our food operations where the opportunity is considerably larger than we previously thought, particularly in Brazil and in India. We will continue to focus to embed AI and machine learning to enhance our products and service offerings as well as our operations. And we aim to unlock value for our shareholders through our listing on Euronext Amsterdam, and we continue to evaluate further steps to address the discount. I think we will just go straight into questions. Chris, if you wouldn't mind opening the lines up for questions.

Operator
Of course sir. Ladies and gentlemen, at this time if you do wish to ask a question please press star and then one on your touchtone phone. If you decide to withdraw your question please press star and then two to remove yourself from the queue. Our first question is from Cesar Tiron of Bank of America Merrill Lynch. Please go ahead.

Cesar Tiron
Hi everyone. Thanks for the call and thanks for the opportunity to ask questions. I have three questions if that's okay. The first one would be on the slight slowdown in the revenue growth in payments and food delivery. So you still have some growth, but I'm looking at the local currency growth in H2 2019 on a year on year basis. And besides the higher base can you please help us understand what drove this, especially for payments since it doesn't seem to be driven by India? The second question would be on classifieds. Can you please help quantify the additional cost you mentioned for H2 2019? I just wanted to check if those costs should be considered as once-off or recurring. And the third question would be on the cash flow improvement. Obviously there was a significant improvement from 2018 to 2019. Do you think that in 2020 you will be in a position or the Tencent dividend and the cash flow from classifieds will cover the losses from other e-commerce businesses? Thank you so much.

Bob Van Dijk
Thanks Cesar. I will ask Basil to answer your question and second. On the third point, Cesar, on the cash flow improvement, will we be able to do that, I think it's important that we don't give guidance. I think the direction of travel is positive. I think we see the classifieds business has potential to increase its profitability, as does the payments business. But we are also investing. So I think it's hard to call. We don't give guidance, but I think some of the positive trends you've seen in those core businesses are the correct ones to focus on.

Basil Sgourdos
Thanks Bob. Thanks Cesar. Just on your first question, actually the slowdown first half versus second half is due to a couple of the associates. Actually the core payment business itself actually accelerated in the second half of the year, particularly in India. You will recall that we mentioned in the first half of the year that we impaired one of the businesses. And in fact that's the one that slowed down. So that's the key driver there. And in food delivery in fact order growth has accelerated in the second half of the year. What we do from an accounting perspective is we don't record gross revenues. We also offset coupons that we use to drive adoption of the

model. So we've first got to shape behaviour, and once we shape behaviour we start to see that organic growth. So that's why it looks like it slowed down, but in fact it hasn't. In the second half of the year we've actually seen an acceleration of order growth in iFood and continued sustained growth in Swiggy.

And then on your second question in terms of the step up in classifieds in the second half of the year, we have over a staggered basis rolled out additional markets on our Panamera [?] platform. Once that completes and it settles we then tend to step up investment. Now, we've done quite a few markets but there are still a couple to come. And if those settle well we will probably step up investment thereafter. So it's very hard to predict exactly how that is. And as Bob says, I don't want to guide in much detail. Secondly, the underlying growth in convenient transaction models that we're pushing out is actually very strong and the long-term economics look very good. So we will continue to invest behind that model. It will sustain growth over a longer period but it will also sustain profit and cash generation. That all said we expect that profitability in classifieds will continue to grow strongly in the year ahead.

Cesar Tiron
Thank you very much. Very clear. Thank you.

Operator
Thank you. The next question is from David Ferguson of Renaissance Capital. Please go ahead.

David Ferguson
Good afternoon everyone. I've got two questions please, the first on food delivery. I think you've been very clear about the level of investment required by iFood over the next two to three years. Can you talk about the scale of the investment required by Swiggy over the medium term? So that's question number one. And then a similar question on LetGo. Where would you say that business is in the investment cycle? Is it reasonable to expect the losses to continue to fall at a similar rate to 2019 with breakeven in the next two to three years, or a more substantial level of investment over a longer period of time is likely to be required? That's it. Thank you.

Bob Van Dijk
Thanks David. I'm going to ask Larry, who is here as well, to answer your first question on Swiggy, and Basil to cover your second question.

Larry Illg
On Swiggy frankly it's a little bit hard to call. The market is very nascent and growing rapidly. At the same time the company is expanding its geographic reach and adding new lines of business. So it's hard to call at this stage how much incremental investment is required. But again we're betting behind solid progress and a stronger consumer experience. So again it's hard to call at this stage how much more will be required.

Basil Sgourdos
Hi David. It's Basil here just to deal with LetGo and what happens in the year ahead. So as I called out in my talk, LetGo has actually improved its profitability by 35% year on year. And our ambition is to keep driving a strong user experience which will then create the opportunity for further monetisation, which will then create the opportunity for the losses to continue to come down. And of course our ambition is to drive LetGo to profitability in some years, but I won't guide specifically when. As you know we don't give guidance.

David Ferguson
Okay great. Thanks very much.

Operator
Thank you. The next question is from JP Davids of JP Morgan., please go ahead.

JP Davids
Good afternoon. Two questions from my side please. Firstly, on the classifieds space you flagged the investment in the tech platform for the OLX group. I was hoping you could expand a little on this, and whether this signals a bit of a shift from a local marketing driven business to one that will be more tech-enabled going forward. And the switching gear, just following up on Swiggy, I wonder if you can provide some sort of estimate around its population coverage with 130 cities that you've already built out. And I guess if possible any prospects for population coverage in FY20. Thank you.

Bob Van Dijk
Thanks JP. We have Martin here in the room who will answer your first question, and Larry will answer to your coverage question for Swiggy.

Martin Scheepbouwer
Yes. Hi, it's Martin here. Thank you for your question. Yes, you are right. Classifieds as an industry has been on a journey to transform from a primarily local market driven business to a tech driven one which increasingly operates at a scale larger than an individual country. We've had it for several years now and the Panamera [?] platform that was referred to earlier is one of the manifestations where we over time centralised a number of countries on a shared tech platform which allows us to innovate faster and with higher quality than we can do locally.

Larry Illg
This is Larry here. To your question on Swiggy, for the 130 cities that you refer to our best estimate shows that that addresses about 220 million people. And the mix of cities is a mix of the largest ones as well as the smaller large cities that are showing good traction and show that the model extends much more broadly than we thought when we first invested a few years ago.

JP Davids
Okay. Thanks Martin and Larry.

Operator
Thank you. The next question is from Richard Kroner [?] of [unclear] Research. Please go ahead.

Richard Kroner
Thanks very much. Two simple questions please. First of all, it would be great if you could lay out your philosophy – since I know you're being very cagey about the guidance – on both classifieds and food where you're consolidating a minority economic interest. So on the one hand it's hard to accept the idea of you getting your operating synergies across the group unless you are planning to assume control. And likewise if you're not planning to assume control is it possible to ensure that you get those synergies? And then along those lines if you look at the scale of yourselves and other classifieds players you're now on a fairly similar footing as you improve the profitability with a more emerging market footprint. Do you see a logic there for asset swaps, or are you going to stick to your footprint which is mostly emerging markets, maybe with the exception of LetGo? How should we think about the direction in which you're going to take that classifieds business? Thanks.

Bob Van Dijk

All right. Thanks a lot for your questions. I will cover the first one and ask Martin to come back on your second question. So I think the situation in classifieds is a good illustration of the final chapter of the playbook if you will. I think we started in classifieds very much like we started in food delivery with stakes in different companies which we mainly had tremendous advantage from by learning. We learnt what works in every place. We learnt what good looks like. And it allowed us to build very quickly a portfolio of winners. And when we had those winners we actually expanded into new markets and used the insights we had to build the footprint we have today. And now you get not only knowledge synergies and strategic synergies but also very significant operating synergies.

I think in food we are in a different stage of the cycle. We are basically in the stage where we made a number of investments. And as I mentioned in my part of the discussion we've learnt a lot. We now know what good looks like. That allows us to invest in the winner. We have invested in winners in many parts of the world. We couldn't have done that without having the previous experiences. And actually whether you have a minority stake or a majority stake it doesn't matter in how much you learn strategically from that. It also doesn't matter how much knowledge synergies you're going to bear. So if we have a great innovation in our Indian business you will see it appear in Brazil a month later. So I think the question is will we also consolidate and have that last set of synergies, the operational synergies. We will see if that is possible and if that is something we can do while creating value we will do so. But I think a lot of the synergies happen actually at the strategic phase or at knowledge phase of the business. Martin maybe can cover the second question.

Martin Scheepbouwer
Absolutely. Thank you for your question. In classifieds as Bob and Basil explained the vast majority of what we do operationally is organic growth. And that is the plan that we invest behind providing it generates healthy returns. In addition you have seen how we have deployed another $3 billion of capital in honorary PUT rights and now acquisitions. So we will be very pragmatic and explore that avenue of growth as well. But then in the current environment with several global and local developments in classifieds we keep an open mind. And if we can strengthen our business with targeted investments we will do so.

Richard Kroner
Thanks guys.

Operator
Thank you. The next question is from Lisa Yang of Goldman Sachs. Please go ahead.

Lisa Yang
Hi. I have a couple of questions please. In classifieds would it be possible to have an update in terms of the markets which are not profitable and which markets are closer to reaching profitability? If there are a few unprofitable markets I'm wondering if there is scope for further exits. Secondly I'm just wondering how this move towards more convenient transactions could change the profitability of the segment or if you don't think it will be that meaningful. And thirdly, is it possible to have a bit of a call around the trading loss that you expect for [inaudible] two years where the trading losses have been reducing. I'm just wondering whether that could further reduce in 2020 given the investment in food. And finally if I may in relation to the spin-off of Prosus I think you mentioned…

Bob Van Dijk
Sorry to interrupt. The line is actually a little bit poor on your end. We could understand the previous question well, but I lost you. You asked what the profitability impact of more convenient transactions is. That I got. Everything you said after I lost, so can you repeat that?

Lisa Yang
Sorry about that. So the third question was on trading losses which have been reducing for the second consecutive years. I'm wondering with the investments in food in 2020 would you expect a further reduction in that trading loss, or should that increase? And the last question is related to the spin-off of Prosus. I think you mentioned you couldn't [inaudible] due to tax reasons. And I'm just wondering what you could do to be able to [unclear] 30% ownership threshold and what the timing of that is. Thank you.

Bob Van Dijk
Sorry, the line is really quite bad. I got your third question now but the fourth I actually still didn't full get. Can you repeat the last question on Prosus around the 30% ownership?

Lisa Yang
So you said you couldn't go below the 70% NewCo ownership in the short term due to tax reasons. I'm just wondering what the timing is and what you could do to go below that 70%.

Bob Van Dijk
Okay, now I got it. I think I now have all of your questions written down. I will cover the third and the fourth and I will ask Basil to cover the first and Martin to cover the second. So you've got lots of people taking care of your questions. So the fourth questions, there is no hard barrier around the 30%. What actually happens is if Naspers would own less than 70% when we do corporate restructurings capital gains will be taxable while they are exempt if Naspers is at 70% or above. So I think there might be structuring ways to reduce that exposure, but it does guide us to be mindful of that. So there is no tax event that is triggered but rather a taxability that would occur on future corporate restructurings. Then on the losses excluding food the direction of travel there is I think quite clear. I think Basil mentioned we expect classifieds to continue on a very positive trajectory, and payments is as well. Our Etail business is also improving quite nicely. That direction of travel is correct. Martin, we're going to go in reverse order, if you mind answering.

Martin Scheepbouwer
Absolutely. Thank you for your question on the convenient transactions. The way we look at that is anything that helps the customer solve a problem buying or selling on one of our platforms that we historically don't help out with. So they come in very different forms. It is payment and delivery in Russia and Ukraine. It is a price inspection report in Russia. It is car inspection and direct purchasing in a number of countries. What these have in common is it's deeply ingrained locally and led by local teams, and it has an offline component to it. And what we like most is it is really valued by our customers that we help them out in this way. So NPS on these products is typically is extremely high. Some of them we charge for at cost. Others are an investment cycle. I think what you will see more of is build these as part of a broader ecosystem of different product formats, especially in our most important countries. And as always, as Basil alluded to, we will push what works and we will be strict about stopping what doesn't generate the right [unclear].

Basil Sgourdos
Hi Lisa. It's Basil here. Welcome back. On your first question, as Martin outlined we're moving increasingly to this centralised product and tech platform. So then you start getting into allocating costs so we don't really look at it market by market. We look at overall profitability. I called out some key metrics, so we've seen Avito at 57%. That's a standalone business. It doesn't sit on this core platform. And then Brazil has moved to profitability and that has its own platform. But we have also seen within the core several markets display plus 50% margins. Which markets have yet to get to profitability and which ones are going to drive that longer term growth? Well, India is one for sure. Brazil has only just turned profitable so there's lot of upside there. And then there are

some less developed markets that will take a bit longer like Indonesia and a couple of Latin American markets. But overall we expect profitability to continue to grow nicely and overall profit margins to expand and get closer to the benchmarks that we've seen in some of our more mature peers.

Lisa Yang
That's very clear. Thank you.

Operator
Thank you very much. The next question is from Andrew Ross of Barclays. Please go ahead.

Andrew Ross
Hi there. Thanks for making the time. I've got four left if I can squeeze them in. the first one is for Martin on LetGo. Can you give us a sense of exactly how you're monetising LetGo and what it is that gets you most excited as you've been doing your tests, and perhaps a target of how monetised you think that can be longer term. The second question is on MakeMyTrip. Perhaps you can give us a sense as to your thinking as to why you exited that stake, and I guess alongside that what your thinking is on Ctrip longer term. The third question is on Brazil and iFood. Can you just give a comment on the competitive environment there and how that plays into your thinking on investment levels? I guess I'm thinking in the context of [unclear] raising a lot of money a few weeks ago. And then the last question. In your remarks on the listing of Prosus you said that that created significant optionality to reduce the discount both at Prosus and at Naspers. Could you elaborate on what those options are if the discount doesn't close on the Naspers line to a level you think is acceptable? Thanks.

Bob Van Dijk
Okay. Thanks for your four questions. I think I will kick us off on the fourth question and then I will ask Larry to cover iFood and Martin to cover LetGo. He can also comment on the MakeMyTrip one. I think with Prosus you can use your own fantasy, but I think our first priority is to make sure that listing lands well. I think it's an incredibly attractive portfolio of assets. We are targeting very significant new pools of capital. We've seen tremendous interest in the listing. So we want to make sure we execute it well, we land it well and the company trades well, and we will take it from there. On the MakeMyTrip/Ctrip I think what we're seeing is scale is really essentially in online travel. We have come to know each other as co-shareholders well in MakeMyTrip to actually build that scale globally, and it's doing a tremendous job of extending everything it has learnt in the Chinese market, which is a very tough one, into building a great position outside. And we thought that actually for MakeMyTrip to be part of that ecosystem would create a tremendous amount of value. We wanted to make that happen and be part of that. So that was the rationale for that. Maybe Larry can cover the iFood competition question.

Larry Illg
It's a great question. If you look back two years ago, maybe not even quite that long ago, what we had with iFood in Brazil was the leading food marketplace, but it was fundamentally subscale. We were however still pleased with how the business was performing. There was an exposed flank mainly in the first party business. So we increased investment there. What we've seen since is we have the highest NPS in the market. And in a relatively short period of time we've built a logistics business that is frankly bigger than the competitors combined. So we're happy with the progress there. We recognise that other people are going to be able to raise money because Brazilian food, as Bob alluded to in the presentation, is a big opportunity. But we're happy with our business and its performance.

Bob Van Dijk

I think what you said earlier is important to stress. Just the one part of iFood is actually larger than all the activities of all the competitors combined. So I think that's an important take-away. Martin, would you like to comment on LetGo and monetisation?

Martin Scheepbouwer
Thank you for that question. As I think I've mentioned before, LetGo is unique in the way it approached the market entry strategy in the US and in Turkey by going truly mobile first and with heavy marketing spend at the beginning. And now we've reached a phase where much of the work Alec and his team are doing looks very similar to what we are doing in other markets with OLX, which is as Basil already commented focussed around product innovation and building our commercial proposition deployed in-market by local commercial teams. The [unclear] for LetGo are very similar to the ones for OLX. So there is a third party advertising component especially strong in the US. There is optional extra exposure features for everyone and there is a [unclear] line targeted at car dealers in both the US and in Turkey. And going forward I expect that to broaden further as the product matures.

Andrew Ross
Thank you.

Operator
Thank you very much. The next question is from Kevin Mattison of Avior. Please go ahead.

Kevin Mattison
Hi. A few questions. The first one is it seems that as you're investing more in your classified businesses, particularly cash for cars, that maybe your capital intensity is changing. If we could also put the same thing through to you on the food delivery business as you move from 3P businesses to 1P businesses. Are you finding you have to invest more in terms of harder assets in order to generate rates of return? And then the second question. You noted a couple of times in the presentation today that over the last four reporting periods your earnings have grown faster than Tencent's in constant currency. Do you expect that trend to continue?

Bob Van Dijk
Kevin, thanks for the questions. I will cover the first one as it covers several segments, and then Basil can comment on your second question. I think you are right in observing that you will see in convenient transactions as well as in food the real world playing a bigger role in our proposition. And I would want to say that strategically I think that is a secular trend that is not just happening in our business. If you look at the first 20 years of the internet, it was all about life models being disrupted. Think about digital content. Think about advertising. They were very easily and quickly disrupted. And I think the next major phase of growth that is driven by technology will necessarily have a larger offline component. I think the main conclusion for us as we looked at that in our strategy extensively is actually opportunity is bigger.

I would say the opportunity in the next wave of technology touching the real world and bringing offline experiences online is a larger opportunity. Now, food is the best illustration. We said just connecting customers with restaurants was a great thing. Now if you actually play a bigger role in disrupting the ecosystem it's just a much bigger business opportunity than we previously thought. And similarly for convenient transactions in classifieds. So I think your observation is correct. It actually is an illustration of much further potential. I think it also makes these business models very locally defensible. If you are integrated with the real world, you do it well and customers like it, it becomes a not very easy to disrupt model. So I think you're correct. I think it illustrates a larger opportunity. And finally, I think it makes for a very defensible and attractive local business model.

Basil Sgourdos
Thanks. Kevin, to your question around relative earnings growth, we've done this now for a couple of years. As Bob mentioned earlier, ex food delivery we expect our core segments to continue to grow fast. And Tencent is delivering well, and they are also investing to build new segments. So if those things pick up and start to deliver well, which I hope they will in a period of time, we could see pick-up there too. I don't want to give you guidance again, because that's not what we do, but overall we're happy with the trajectory across both sets of assets and we think they will create significant value for shareholders over time.

Bob Van Dijk
We'll take the next question please, Chris.

Operator
Thank you. The next question is from John Kim of UBS. Please go ahead.

John Kim
Hi. Good evening. Two questions actually. When we look at online classifieds and we think from a three to five year view, will most of the revenue growth come from those core markets that you've highlighted? Are there expansion markets that could be sizeable again on a multi-year view? A follow-on question to classifieds. Is there any meaningful change in the revenue mix i.e. advertising versus transactional? The second big question on food delivery. Can you give us a bit of context on India? I'd like to know if there has been any change to competitive intensity/rationality from Zomato post its sale of the UAE asset. Thanks.

Bob Van Dijk
Thanks. Maybe, Martin, you can go first and talk about classifieds and then Larry can answer your question on India.

Martin Scheepbouwer
Certainly. I think to clarify, our top five markets in classifieds are Russia, Poland, Brazil, India and the US. And that indeed is driving the majority of the profit today and will be for a few years to come, especially on the profit side. Of course long term scalable markets like India will play an increasing role in profitability as well, but that is still much earlier in the development cycle. Your observation about changing revenue mix is also correct. That's why we will actually split it out for you to say which part is convenient transaction revenue, which comes at much lower profitability, and which part is what we call core classifieds revenues which generate very high profitability. Both are necessary as part of the ecosystem, but indeed very different financial profiles.

John Kim
Okay. That's helpful.

Larry Illg
Then to your question on Swiggy or the Indian market, the market itself is still very nascent. We are focussed on our own business, which as evidenced in the results continues to grow nicely. We are expanding the city reach and we are expanding the product portfolio. So we are excited about our business and just note that the market is early.

John Kim
Okay. Helpful. Thanks guys.

Bob Van Dijk

I think we have time for two more questions please.

Operator
Thank you. The next question then is from Catherine O'Neill of Citi. Please go ahead.

Catherine O'Neill
I've got a couple of questions. On food delivery you were talking about how it's a locally defensible business and building out first party obviously involves capital intensity etc. I just wondered longer term how you think about the benefit of global ownership and consolidation within food delivery relative to how we thought about classifieds and you building that global tech backbone in classifieds at the moment. The other question was on Swiggy again. I think Zomato recently said they've seen some local markets turning profitable and an improvement in unit economics. I wondered if you were seeing anything similar with Swiggy with some of the markets where Swiggy is better established rather than the newer markets.

Bob Van Dijk
Thank you for the questions. We love food and we love talking about food, so spot on. I think what we've seen in food delivery is that a very large part of the strength is local. I would say it is one of the most local business models that I've come across, I think even much more so than classifieds is. So I think the kind of benefits that Martin gets from the third kind of synergies – I talked about strategic synergies, knowledge synergies and then operational synergies – I think we can bring strategic and knowledge synergies to the business. The number of operational synergies between the businesses at this point in time I think is very limited. Now, will that change over time? I'm not sure. Even if you go ten years forward the local elements of this business if you add first party delivery, cloud kitchens, private label brands it is a very local business. So I think in that sense it's different from classifieds. Maybe Larry can speak to the second question.

Larry Illg
I was going to drill down on what Bob just emphasised. These are very local businesses and the unit economics indeed improve as you develop more local scale and local density, as you get benefits on being able to spread marketing Dollars over a wider base of users, as you get density from logistics. It's a unique benefit of a first party business. And in the context of Swiggy they're doing a lot of experimentation on rolling out new products. Again it's all in that local environment. You definitely see improving economics as you scale locally.

Bob Van Dijk
And I think one of the slides which Larry put in our presentation is around showing actually that Swiggy out of their seven priority markets two years ago some of them were unit economics positive already, to give you another illustration of that notion.

Catherine O'Neill
Actually on payments would you mind maybe talking about how you think about expansion there? There has been a bit more activity recently in terms of M&A and I feel that it's an area that is not talked about as much maybe as food delivery. It would be great to get a sense of where in that whole payments value chain you're focussed on and most excited about beyond your core merchant payment processing platform.

Bob Van Dijk
I can briefly answer. Laurent, I think you are on the phone. You can maybe add. I think the payments have been one of those segments where we've gotten in, we liked what we saw, we've prioritised the best assets and grown them organically quite substantially. And I think now Laurent and team have worked on putting a global single API access to it, and it allows us to actually continue organic growth but also to think about other areas for

M&A driven growth. I think you saw that with Iyziko. I think Iyziko is a fantastic example of a very strong local business that we can now integrate on our global platform offering. So now we can offer Turkey one of the best set of payment options and best success rates in Turkey to the entire world. And I think that's what is exciting about the Iyziko transaction and what we like about the position we're in with PayU today.

I think in addition the team has a very strong payments core that allows you to expand into higher margin financial service. Credit is an example. We are doing that for example in India at ever-increasing scale. We use that data asset that we're building up through our payments business and extend that into a higher-margin credit business. I think you will see both of those dimensions of growth going forwards. You will see that really strong platform that you can add additional businesses to and offer a broader footprint to your global merchants, but also extending ourselves into higher-margin financial services.

Operator
Thank you very much, sir. Ladies and gentlemen, our final question is from Ziyad Joosub of HSBC. Please go ahead.

Ziyad Joosub
Hi everyone. Thank you for the question. The first question is on iFood. The business has scaled quite significantly. I was wondering do you have any idea at this stage what the commission structure difference would be between 1P and 3P for iFood in Brazil. And if possible, do you have any insight on what [unclear] commission structures would be compared to the historic 3P model? Also just quickly a question on timelines. There was a money control article which stated that PayU is looking at disbursing $1 billion of credit within three years. And given the run rate we've seen since you got your license you're already at $20 million a month. It does seem feasible. But we've also seen a lot of activity in the consumer credit space in India by competitors. I think Paytm as well as Ola have tied up with local and domestic banks and launched credit cards. Is the business that they're following through credit cards different to the consumer loans which you are offering, or is this space becoming very competitive and will it end up being very fragmented? Thank you.

Bob Van Dijk
I can start answering the second question after which I'll ask Larry to talk about the first. Laurent, I think you can add some colour to what I'll say. I would say that credit is one of the most underserved opportunities out there in India. So if you look at the number of individuals that have access to credit opportunities it is a tiny sliver of society. So I think the underserved demand is huge. And I think you will see that demand being served by a variety of products. It can indeed start from a credit card. It can be a very short-term loan like we do with LazyPay, or it could be on personal credit, or it could be on the financing of online purchases. I think you will see all those models grow tremendously because it starts from such a low point where most people have no access to any form of credit whatsoever. So I think that's actually why you see so much activity because everybody sees that tremendous opportunity. I think within that we are in a very blessed position where we have a stronger data asset than anybody else has in market because of our payment service provider business. And generally our presence in the portfolio of different online properties in India is second to none. So I think we are well positioned there. But Laurent, maybe you want to add to that if you're on.

Laurent Le Moal
Yes. So actually if I look at credit in India over the past couple of years there has been a huge penetration of bank accounts. However, this has not been followed by an increase in number of credit cards. And the reason for that is very simple. There are a lot of consumers, especially the bigger class – and we're talking about 300 million people – coming to the market that don't have any bank or credit history, which means it's extremely difficult for the incumbents to actually serve them. This is why the opportunity is huge for start-ups like

Paysense or even ourselves with our LazyPay product to go after these consumers. But to do that you need two things. The first one is you need to have access to data to do a better job at credit scoring these consumers. And that's what we have as an advantage.

The second thing you need is distribution. And here the game for us is not to go into a market and start issuing credit cards. The game for us is actually to use data, credit scoring and leverage our merchants of which we power 40% of their volumes, and go to them and start building with them credit solutions to offer at the point of sale on the checkout page. So today what it means is basically we've started 18 months ago building our own product, LazyPay. As of last month, May, we did $8 million of new loans every month with 90% [unclear]. And that's buy now pay later. And from that we started to go into instalments. So basically the future for us is continue to leverage payments data and actually double down on AI, so actually building more AI capability to do this on behalf of merchants that, number two, leverage the distribution. And three, we are in the unique position where actually two of the leading companies when it comes to instalments are Paysense and [unclear] where we are the largest shareholder. So if we combine their product with our own product, LazyPay, which is slightly different – buy now pay later – then actually we have the best proposition in the market. So we continue to work on that in the next 12 months. The market is growing very fast. But again credit is not like payments. You need to be very clear on how you build your loan book. That is what we are working on.

Bob Van Dijk
Many thanks, Laurent. Larry, if you could briefly comment on the iFood question and then we will wrap up.

Larry Illg
I will answer that quickly hopefully. You asked about take rate differences. Indeed we do notice the difference in take rate between third party and first party just as a function of the differential nature of the business. These are fundamentally different activities that we are engaging in. But what we can tell you is that both first party and third party can be done at good margins. The key with first party is it dramatically increases the size of the addressable market. So while it is different we expand the size of the market dramatically.

Bob Van Dijk
It makes perfect sense, Larry. And if you take that into cloud kitchens you take that one step further. Even higher take rates and even higher addressable market. So I think that bodes well for all our assets that are very actively pushing in that direction. So first of all, thanks everybody for joining and thanks for asking many questions. I really appreciate the level of insight and the thinking that went into your questions. We hopefully answered them well. But thanks a lot for your time and I hope we will speak soon. Chris, we're done. Thank you.

Operator
Thank you very much sir. Ladies and gentlemen, that concludes this conference call and you may now disconnect your lines.

END OF TRANSCRIPT