

Naspers & Prosus Financial Results FY 31 March 2024

Speaker Key:

KB	Kaeleen Brown
ET	Ervin Tu
BS	Basil Sgourdos
FB	Fabricio Bloisi
WP	Will Packer
AR	Andrew Ross
CT	Cesar Tiron
JB	Joseph Barnet-Lamb
CJ	Christopher Johnen
SC	Silvia Cuneo
MD	Marcus Diebel
NM	Nadim Mohamed
JM	Joseph McNamara
RR	Roman Reshetnev
OP	Operator

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OP Good day, ladies and gentlemen, and welcome to the Naspers and Prosus Financial Results for the Year Ended 31 March 2024. At this time, all participants are in listen only mode. A question and answer session will follow the formal presentation. If you should require operator assistance during the conference, please press star and then zero on your telephone keypad. Please note that this conference is being recorded. I'd like now to turn the conference over to Investor Relations director, Kaeleen Brown. Please go ahead, ma'am.

00:00:42

KB Thanks, Judith. Welcome, everyone, and thank you for joining us on our earnings call today. With me, we have our interim CEO and soon to be Group President, Ervin, our CFO, Basil, and our incoming CEO, Fabricio.

Today, we are doing things slightly differently. You will find our usual extensive deck on our website. But for the purposes of this call, we are not going to go through every slide, but rather focus on some of the key slides that highlight our performance and recent developments. This will allow us to take more time to answer your questions. We do encourage you to study the full deck, and we will gladly address any questions you may have.

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After the presentation, we will, as usual, move to Q&A, where I will ask you to please limit yourselves to two questions each. If you have any additional questions, please do get back into the queue to ask them. And as always, please reach out to IR if you have any follow-up questions. And for now, I'll turn over to Ervin.

ET

Thanks very much, Kaeleen, and thanks to everyone for joining today. We have an important set of results to announce, and as Kaeleen has already alluded to, we're going to do things a little bit differently today. So I will highlight some of the slides. Not every slide will be in order as you see it on the website. I will make sure you know which slide I'm on as I go through it.

Let's start with slide five. It has been a long road, and let's acknowledge that the work didn't just start in FY 24, and I'm very proud of our achievements this year. I have the privilege of sharing our results with you, but they are a reflection of the hard work, tough choices and contributions made by our team. And I want to highlight that.

We sustained industry-leading growth and achieved profitability in our Ecommerce businesses for the first time ever. This is a big milestone. We're not resting here, and we expect to continue this trajectory of improvement. Full year profitability and increased dividends from Tencent led to a 3x increase in free cash flow, a big achievement, underscoring the strength and cash generating abilities of our businesses at scale. Basil will delve deeper into the specifics shortly.

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Moving on to slide six, you will see the strong execution from our operations, peer-leading revenue growth across our segments and significantly improved profit margins. We have several gems in our portfolio, and we see significant opportunity to scale them profitably by building out their growing ecosystems. Today, I'd like to focus on what good looks like by highlighting iFood and OLX.

First, iFood, on slide seven. Starting as an online food ordering marketplace, iFood added a first-party food delivery offering to its platform. 1P food delivery now accounts for more than 30% of iFood's GMV and led to rapid scaling and profitability. With its expanding customer base and exceptional brand recognition, iFood is now scaling the business to explore new areas like groceries, meal vouchers and credit. These initiatives are still in their early stages, but they are growing rapidly, and we are optimistic about their potential.

In classified, on slide eight, OLX continues to thrive, attracting over 14 million active users and featuring approximately 62 million active listings daily. We operate horizontal marketplaces for a broad range of categories, while specialised verticals like motors and real estate target predominantly professional sellers.

In combination, they operate as a strong traffic and inventory-sharing ecosystem. This approach not only enhances user engagement but also drives monetisation, with our verticals generating 4x the average revenue per user compared to our horizontal platforms.

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We see a lot of potential in expanding and monetising these ecosystems, building moats through additional value-added services and products. As you can see on the right-hand side of the chart, when we do this well, we create a lot of value for our customers and ourselves.

A key enabler of our current and future success is our investment in AI, as you can see on slide nine. Since 2018, we've increased our AI and data science teams by 8x. We've empowered our entire organisation to explore gen AI for daily tasks by creating Toqan, our AI assistant. Toqan is now used by 13,000 employees across 24 portfolio companies and has boosted productivity by 5% to 10%, effectively adding the equivalent of 3,000 employees at no additional cost.

AI has also driven significant tangible financial improvements across our portfolio. For example, OLX has deployed our AI capabilities to improve marketing effectiveness by 15%, and iFood saves tens of millions of dollars per year by automating customer support and optimising promotional strategies through AI. These are just two small examples, but the total impact of AI-driven initiatives across the group is substantially larger.

AI will also continue to be an important theme for our investing efforts. So far, for example, our Ventures team has looked at over 900 opportunities in AI and made nine investments in the space. To highlight this, two examples. Martian is a model router that dynamically routes each query to the optimal LLM in real time and Corti is an AI copilot for health care professionals.

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Beyond Ventures, our entire investing team will continue to look for exceptional AI-related opportunities. We will do so with the benefit of our AI team and the knowledge of implementing AI in practice throughout our operating portfolio.

Moving to slide 11, while our operational performance has improved, we are also focused on enhancing our returns. We've streamlined our organisation, refined our investment processes and engage more actively with our major operating companies. We see early positive results, but a recovery will continue to take time. We have more work to do here.

Similarly, while we continue our work to grow our NAV, we are also focused on maximising NAV per share. As you can see here on slide 12, our open-ended share repurchase programme continues to create tremendous value, 32 billion to date, while shrinking the Prosus free float by 22% and improving NAV per share by 8%.

In fact, as you can see on slide 13, the programme represents the largest buyback programme globally in the tech sector on a relative basis. Reducing the discount remains a big opportunity and key priority for the group. We plan to operate the buyback programme for as long as the discount remains elevated, compounding value over time, while at the same time increasing our per share exposure to our Ecommerce portfolio and to Tencent.

To close, this was a very strong year for the group, and I'm immensely proud of our achievements. We've reached Ecommerce profitability, revitalised our culture, made substantial progress improving our processes, and we have paved the path

for continued profitable growth and value creation. Let me now hand it over to Basil. Basil?

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BS Thank you, Ervin. Hello, everyone, and thanks for joining the call today. I hope you're all very well. The financial year ended 2024 was a very strong year for the group, and I'm pleased to be able to highlight the progress on our financial commitments and performance to you, our shareholders. Like Ervin, my comments will be briefer than in the past calls so that we can use more of the time to answer your questions.

Let's start with slide 19, and you see the group's outpaced its peers in growth and also accelerated growth by 3% versus the first half of the year and 2% year on year. This peer-leading and accelerating growth shows the potential of our businesses. Our ambition is to continue to outgrow our peers and expand profit margins significantly.

The effects of the accelerated revenue growth and the efficiency drives are visible on slide 20. Ecommerce profitability improved by \$451 million. So that's a very large turnaround from the \$413 million loss in the previous financial year. The second half of the financial year ended 2024 is the first time Ecommerce has been profitable, and that is more than six months ahead of our commitment to the market.

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The strong second half performance also means Ecommerce was profitable for the full financial year, a further milestone for the group. This is a significant accomplishment. But, folks, this is not victory. We aim to continue expanding our margins meaningfully to reach those of our peers.

You will see in the next slide that some of our businesses are there or close, and in some others, we have more work to do. Slide 21 shows the profitability improvement in each of the key consolidated businesses. You see strong improvements across all the consolidated businesses. iFood and OLX are the standout performers. iFood is evolving into a global leader in growth and profitability. Classifieds are growing considerably faster than their peers and are marching convincingly to peer-level margins.

Payments and Fintech reported healthy growth and a meaningful six percentage point improvement in trading margin. Growth would have been higher had it not been for the embargo on adding new merchants in PayU India while it worked to secure its new license. An in-principle license was secured in April of this year. There is a significant growth potential in India fintech and the opportunity to meaningfully improve profit margins in our PayU India business. This is the group's focus.

lyzico had a strong year of growth, is profitable and expanded margins. Turkey's fintech and lyzico business, which is not part of the ongoing sale of the GPO business, are high potential opportunities for the group. In Etail, I'll focus my comments on eBay and highlight that it has returned to growth. Romania Etail is growing well and meaningfully ahead of its peers and improving profitability.

eMAG's ambition is to replicate this performance in the other countries and is also focused on driving profitability improvements in the remaining Romania verticals.

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So let's turn to slide 22, and I'd like to highlight what good looks like in Prosus and what we aim for in each of our businesses. iFood continues to deliver exceptional results, growing strongly, expanding its margins and achieving profitability for the year. These results underline iFood's position as a top food delivery business globally. Contributions came from the core restaurant business and its growth extensions, which grew revenue by more than 20% and improved profitability in the second half of the year.

As Ervin mentioned, and I'm sure Fabricio will speak about during the call, iFood is expanding its ecosystem to bring more value to Brazilian consumers and restaurants. The ecosystem now delivers groceries, is innovating in the Brazilian meal voucher sector, and its credit business is growing well and showing a promising financial trajectory.

During the period, the core restaurant business continued to grow strongly off an increasingly larger base, increasing revenue by 24% while delivering a 70% margin and a \$260 million trading profit. iFood illustrates what good looks like in food delivery. Speed, strong culture and execution, innovation and strong brand are central to the success.

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OLX is another exceptional business. OLX delivered strong growth, considerably outperforming peers while significantly expanding margins and cash flow generation. Trading profit grew more than three times, with margins expanding sharply to 24%, from 11% in the previous financial year, driven by strong growth, balanced investment and strategic optimisation across the technology hubs. Pay & Ship revenue grew 69%, driven by improved monetisation and product.

So on slide 28, we show you core headline earnings, the group's after-tax profitability measure, which almost doubled during the period to \$5 billion. There were two core drivers. First, demand profitability gains in both our consolidated and our equity account and Ecommerce investments. Second, Tencent's focus on high quality revenue, which drove substantial profit improvements.

And then I will underline that the share repurchase programme further amplified these results. Our core headline earnings rose by 84%, and with the share repurchase programme, the headline earnings per share increased by 96%. So that's a 12% boost from the buyback.

So turning to slide 29, our push for enhanced profitability, coupled with higher dividends from Tencent, led to a three times increase in free cash flow to \$524 million. Folks, that's a \$773 million improvement year over year. The group has demonstrated a positive free cash flow trajectory over the last three years. Our focus is on improving profitability further, and we want to drive further improvements in free cash flow. Free cash flow generation is the ultimate driver of value creation.

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Moving to slide 30, you'll see that the group's balance sheet remained strong, with \$14.6 billion of cash on hand. This is a firm position to be in during the current environment. Not all this cash is available for investment as some needs to be retained to support our investment grade rating.

In time, as we continue to improve cash generation and grow the value of our businesses, this will release more cash. Of course, the open ended share repurchase pulls in the other direction as we sell Tencent and reduce NAV in order to increase NAV per share.

I will close with these key messages. First, we aim to create value through profitable growth, effectively building and growing scaled ecosystems. This will highlight the value of our strategy and our businesses. Secondly, we intend to keep an upward profit and cash flow margin trajectory and to meaningfully expand both in the years to come. Thirdly, we are well capitalised, and we know that that comes with great responsibility. Ervin has spoken about this before. We remain focused and disciplined in our capital allocation.

Fourthly, we remain committed to reducing the discount and better reflecting our portfolio's value in our share price. And finally, we are committed to managing our balance sheet within its investment grade rating. I'd like to thank our shareholders for their continued support, and I will now hand over to Fabricio.

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FB Hello, everyone. Nice to talk to you again. We talked one month ago, and it's a pleasure to be here. I'm very happy with the current results. I think Prosus delivered are 19% growth, much ahead of the peers that are growing 7%. Prosus delivered more than \$700 million of additional, better cash flow, what is very, very good. So I haven't started yet, but I want to congratulate everyone, Ervin, Basil and the whole team, because the results, I think, are very good.

As I said, I'm going to start more or less in two weeks, but I have not been in vacation over the last month. I've been talking to everyone, participated in meetings and really learned how the company works. And I want to share with you briefly, I just have one slide here, to tell you that I'm much more excited today than one month ago. I'm really confident we have a lot of assets to enable us to keep growing, and growing profitably, over the next years.

First, some good and bad things. The good, we have amazing potential. I have visited many companies, and I see things that will, for sure, enable the group to grow more. Obviously, I already know about iFood and iFood's capacity of doing artificial intelligence or marketing.

But I saw, for example, how strong we are in India, and we have an ecosystem in India, not only with credit [?] and PayU, but many, many investments with a lot of potential. I saw how eMAG, our investment in Romania has, firstly, an ecosystem with many, many businesses that help each other.

I saw how OLX is innovating in customer experience, using AI in creating a new interface for their products. But more than that, I saw how we have so many, and I think that's the bad news, but at the same time, it is the opportunity.

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We are not leveraging this ecosystem enough today. We have all those good assets, but we are not making sure that we are sharing this knowledge and making sure that what we do in AI in one part is available to everyone, or what we are doing in an ecosystem in one country is available to all other investments.

I'm quite confident that improving this communication, sharing this knowledge will make the group keep growing, and keep growing more profitably. So I will start in July, therefore, but with, how can I say, moving very fast. I already know everything I could learn of the group, and I'm really excited about July and August.

What are going to be my priorities? First, renew the culture of innovation and entrepreneurship. One thing that's always inspired me in Prosus and in Naspers' story is we always have been a company that invested a lot in entrepreneurship, in innovating, in change or in creating new business and reinventing itself. I'm really confident that pushing more on the innovation, the innovation capability of Prosus, will create a lot of benefit for us.

So entrepreneurship, innovation, culture is my biggest priority, and the result of that will make the Prosus ecosystem our competitive advantage. It means that all those assets I told you that I have seen now are going to be available to help the group grow more. I'm talking about sharing management models, sharing AI.

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In the last call, I talked about customer support as an area that we should be sharing and leveraging our assets, but also customer experience, fraud, cross-sell of customers. We have so many assets that we can leverage to help our business. I really believe that in the short term, the ecosystem of the 100 investments of Prosus will be our most important competitive advantage. And that's my biggest priority. I expect results in the short term.

Besides that, we are going to keep increasing our focus on profitable growth. In the last call, I talked a lot about how this was a priority on iFood. We need to grow, we need to innovate, but also keep a high profile in terms of profitability margins. And that's going to be the priority for Prosus. I'm more confident now. You saw how much the numbers improved, with \$450 million in trading profit improvement. And I can tell you, without talking too much, that we are going to keep on this trend, and the numbers keep improving.

We are going to keep working to highlight the value of our portfolio. And again, after this first month, it's not officially the first month, but after walking around over the last month, I can tell you that the value of our portfolio is not only what is written in the reports, the consensus reports, but I really believe we have more value in our portfolio. And my job will be to make sure that everyone sees it, as I see now.

And just to finish, we're going to keep on our buyback programme. We created \$32 billion in value over the last two years. It's a lot of money, to create \$32 billion. Congratulations to the Prosus team for delivering that. An opportunity is that we have more, I would say, \$40 to \$50 billion in discount, to leverage, to create value, reducing the discount. And we are going to get there.

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At the same time, I am very passionate about the Tencent case. We have been supporting them for a long time, and we are going to keep working together with them, but also keep committed, with collaboration, working with our Chinese partners. So that's some of the highlights for the next month. I'm really excited about the next steps. I hope we can answer all your questions. So, let's go for that.

KB Thanks, Judith, if we can open the call to questions.

OP Thank you. Ladies and gentlemen, if you'd like to ask a question, you're welcome to press star then one on your telephone keypad. A confirmation tone will indicate that your line is in the question queue. You may press star and then two to leave the question queue. For participants making use of speaker equipment, it may be necessary to pick up your handset before making your selection. Our first question comes from Will Packer of BNP. Please go ahead.

WP Hi there. Many, many thanks for taking my questions. Just a couple from me, please. Firstly, could you help us through the quantum of expected buybacks for Prosus, fiscal year 2025, in US dollars? The buyback slowed as the available volumes dwindled.

I could see two things that would help us. Firstly, think through the potential accretion tailwind for 2025 and also the volume of sell down at Tencent. Tencent has obviously started its own substantial buyback. So any quantification of the Prosus sell down versus the Tencent buyback would also be helpful.

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And then secondly, whilst very tempting to ask about Fabricio's initial views on where to allocate capital, I suspect he would be relatively cautious in giving us too much detail. Perhaps you could share when you plan to come back to us with more detail of thinking. Should we expect a Capital Markets Day? Is it the November results? Any colour there would be helpful. Thank you.

ET Thanks, Will. It's Ervin. Let's ask Basil to cover question one. And if question two is directed to Fabricio, you should share what you can share.

BS Will, hi. Good to hear your voice again. And so for me to give you an accurate number, I'd have to be able to predict the trading volumes of our stock for the next year. And if I can do that, I'm going to make the discount and many other things disappear very quickly.

But more specifically, we are buying at the upper end of what we can buy in terms of the MAR regulation in Europe. That's what drives the pace of the buyback. And we will sustain that, as we've previously said, for as long as the discount remains wide. So that's the intention, and we're going to keep going. But, of course, that is funded at the Prosus level by selling down a little bit of Tencent each time.

ET Fabricio?

FB Moving on, first of all, I think I'm very happy with the results of the \$32 billion results of the of the buyback And my intention is to avoid big change in our current capital allocation strategy. The first thing is to test on new ideas. So we are going to start

small on new ideas and invest more as soon as we are confident that we know enough about the segment and the business.

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For sure, I will have more thoughts to share about that. I don't think it's appropriate today, since I start in two weeks officially in the new position. But I can tell you that we will have a bigger session on thinking about the future this year. I don't know if we have planned any Capital Days for this year. I think no. However, I hope to do that with you, so hope to change that and schedule something to talk more around the second half.

BS So a few points. Will, of course, we need to work on it, but initially, we're certainly going to have the results coming out in November. There will also be opportunities between now and November for Fabricio to talk to shareholders and talk to folks and talk about our progress. And yes, indeed, we have to pick a date, but at some point, we will have to get back to you with a CMD.

ET So let me just add a little bit more on capital allocation. It's a topic that you can imagine we, the three of us, have spent a lot of time on already. You should not anticipate any significant changes. We are constitutionally about growth and value creation, building the numerator of the NAV per share formula as high and as large as we can make it. And at the same time, we appreciate always that we also need to consider how to share some of the value we create with our shareholders. Therefore, the share buyback programme, the \$32 billion that Fabricio alluded to.

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You may have seen slide 15 of the deck, we didn't talk about it on the call, which shows the relative proportion of capital return versus investment in recent years, and it's primarily capital return. So we understand well that we need to share value. And this topic is one of balance. We will always think about whether there's opportunities to invest behind growth in our operating businesses and investments, new investments, and relative to returning value and sharing it with our shareholders. Next question, please.

OP The next question comes from Andrew Ross of Barclays. Please go ahead.

AR Great. Good afternoon, everyone, and thank you for taking my questions. My first one is actually for ET, and I guess to ask you a bit about your new role as CIO and President, and what you see to be the main priorities in that seat over the next couple of years. That would be very helpful. Just an open-ended question.

And then the second one is about Delivery Hero specifically. You obviously had an AGM recently. You guys have got a new representative on the board, alongside some other people. It is one of the companies that has a negative IRR. I assume it fits into the group of companies that you have talked about being a little bit more hands on with. Can you just tell us directionally what you think needs to change for that asset to get to a more acceptable IRR? Thank you.

ET Thanks very much, Andrew. Let me address the first and the second. Let me ask Fabricio, actually, to provide some comment on Delivery Hero. He happens to know a thing or two about food delivery, and I think his perspectives will be quite additive.

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On the new role, what I'd say to you is I look very much forward to continuing what I've been doing for the last few years here at the group, which is to contribute across a broad set of issues and helping to lead this great group to, we hope, create tremendous value together.

And the ask that will be on the investing side in M&A, capital allocation topics, capital markets topics, consistent with the CIO title but also the President title, I think, is emblematic of what we all anticipate, which is, I will be able to contribute on a number of other topics as well. I'll leave it there and invite Fabricio to comment on the Delivery Hero topic.

FB Everything I said in the introduction connects to Delivery Hero. I think it's our obligation to understand how we can leverage our investments, sharing best practice and making sure that they have exceptional performance. I really believe we can share more best practice between our food delivery businesses. Therefore, our priority is to support Delivery Hero to increase its performance.

We are engaging and sharing. We are already doing that, and we are going to increase that substantially, with the goal too to improve their performance. So that's how it connects to Delivery Hero. We want them to deliver more, and we think the Prosus ecosystem can help that.

ET Next question, please, Judith.

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OP Next question comes from Cesar Tiron of Bank of America. Please go ahead.

CT Yes. Hi, everyone. Thanks for the call and the opportunity to ask questions. I have two. So the first one is really operational. So you've made much faster progress than we expected on bringing the Ecommerce assets to profitability. Can you give us some outlook for cash flow or profitability going forward? I know you don't really provide specific guidance, but just if you can help us to understand the trajectory. Is there still much upside in improving the profitability of some of the businesses? And can you please say which ones? That that would help.

Second question, going back to the capital allocation. Ervin, you've mentioned many times that there was an aspect of potential crystallisation exiting businesses. Is that still on the table? And if you do exit businesses or sell assets, would you consider returning some of the proceeds to shareholders, and in what form? Thank you so much.

ET Thanks, Cesar. Let me invite Basil to address the topic, number one, and I'll come in on capital allocation and highlighting value, number two.

BS Yes. Thanks, Cesar. Of course, a very important question for the CFO and one that I focus on too. So a few things you will have picked up from my comments around the presentation. I noted that classifieds is growing incredibly fast. Yes, it's improved its margins meaningfully, but it hasn't reached peer-level margins. So we expect that business to continue to grow and expand its margins.

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Then I've also noted that our ambition is to replicate in the fintech sector, in the Etail sector in each of our sectors the sorts of profile that we've seen in the two businesses that we like a lot in terms of financial performance. And that's the focus for this year and every year beyond. So we want to continue growing. We want to continue expanding margins. We want to reach, in each of our businesses, the margins of our peers, while growing better. And we see opportunity to do that. And that's the focus.

FB Yes, and it's Fabricio, You got the numbers for until March. The numbers, all of them, are better today. So we are in a clear trajectory to keep improving. And you finished your question saying, is this the level? We are just starting. We are just starting. These businesses are going to grow, and we are very confident we are going to keep this growth for some time.

ET Cesar, the topic of the capital allocation. And you used the word crystallised. I prefer the word highlight, which is why we've stopped using the word crystallise. Highlighting value could mean ensuring the market understands the value in our portfolio. It could mean listing businesses. It could be in disposition.

And the strategy, in short, has not changed. Notwithstanding the fact we haven't used the word as much in this presentation, it has not changed. Of course, we have to evaluate and consider some of the variables, the progress of the businesses in question, their track record and their performance and their outlook. We have to consider the market conditions and other variables.

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So I just want to reassure the callers today that the strategy has not changed. It's still important. We have to think about some of these other variables, and they influence timing. So I'll leave it there. Judith?

FB I can add one point. It's Fabricio here. If we have a good business, our intention is to keep investing or invest more. If we have a bad business, our intention is to stop investing or sell the business. So expect us to differentiate more how we treat the good business and the bad business.

ET Unless, let me add one proviso, listing a business helps the business or takes advantage of a value disconnect that might exist between a private market valuation and a public one. In those instances, we will be more likely to list it, because it actually provides meaningful benefit.

But if we have a great business, privately held, that we control, and it's observable in terms of financial performance, there's no necessary reason to list it. You can see it in our financial statements. You can see its performance. You can evaluate as part of the sum of the parts. Sum of the parts. Next question, please, Judith.

OP Next question comes from Joe Barnet-Lamb of UBS. Please go ahead.

JB Excellent. Thank you very much. Yes, two from me. So firstly, on Edtech, because that's obviously been one of the laggards in the portfolio from an IRR perspective. Previously, Ervin, you implied that you'd take action where IRRs weren't good enough and said, with regards to Edtech, I think you said, you needed a bit more

time. So I'd love to hear your latest thoughts, from both of you or all of you, with regard to next steps in Edtech.

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Then the second area of questioning is around iFood. Clearly, execution there has been just immense. You've now delivered profits this year that I think were greater than the revenues four years ago, which is pretty outstanding. When you think about pushing those learnings and winnings further, would you consider evolving iFood beyond Brazil? Are there any cross-border synergies within Latin America? I guess that's mostly for Fabricio, but thank you.

ET Thanks very much, Joe. I'll take the first, and I think you're right, Fabricio should take the second. So, on Edtech, we have taken action. So that we haven't taken any portfolio action isn't emblematic of no action.

We've worked extremely hard to change the trajectory of some of these businesses, to introduce new products and services, in the case of Stack Overflow, the launching of a gen AI product bundle to its core Teams product. You may have seen recently, the company announced some deals involving OpenAI and Google. So we have taken a lot of action there. We've also reset the operating base for the new realities of growth with profitability. So that's true.

We've also taken a lot of action at BYJU'S. We did mark the position down, you probably saw, to zero in our most recent statements, and at the same time, we have been working extremely hard to protect our rights and the rights of other shareholders to include governance at the company, which is a prerequisite for any meaningful operating improvements there.

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At the same time, yes, we are always thinking about other ways of improving the portfolio. Just because there isn't an action that has been announced doesn't mean that we're not thinking of things. So I'll leave it there, but we are very actively trying to improve our position and our performance with Edtech. Second question, iFood, Fabricio, all yours.

FB Thanks, Joe. Thanks for the comments on iFood. Very good release on that. I think, first, there is one asset of iFood that is outside of food delivery. I know, in this investors call, we usually don't talk about that, but I'm going to reinforce, because I really believe that. I think, despite being food delivery, the big assets on iFood is innovation capacity, capacity of empowered people that behave as entrepreneurs and move fast, thinking big and delivering really big results. These cultural formulas is what we are trying now to push through the whole Prosus.

So when I say that I want to create an ecosystem that's shared management model and culture, what I'm saying is that that, to me, is the secret formula of iFood, and that's exactly what we want to push as Prosus to all, 100% of our portfolio companies, minorities, controlling positions, everyone.

So I think somehow, part of what you see as good in iFood are going to be replicated through Prosus. That's my biggest priority. And I know, usually in investment calls, you almost never talk about this operational efficiency, innovation, empowering people. With my operational experience, that's what

makes the difference. That's my number one priority by far in Prosus.

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Talking specifically about food delivery, I think iFood has many assets, and we are going to try to find how to explore each more. When I say that, we have to make sure that the best practice of iFood, Delivery Hero and Swiggy are shared and one leverages each other. Somehow, I'm trying to push what iFood is doing good to the other business, and that's also a big priority for me. And we will, as usual, keep looking for opportunities to invest more in food delivery, since I believe this is a business that we know.

ET Judith, next question, please.

OP Thank you. The next question comes from Christopher Johnen of HSBC. Please go ahead.

CJ Yes, thanks for taking my questions. First, on capital allocation and accountability, I wonder, have you thought about providing some sort of framework to investors about what you would do if you have future cash coming in from, let's say, some of the liquid positions, disposals? You have a lot of cash on the balance sheet today. And even if you need more than half of that to maintain investment grade, it's still a huge amount that's left. And that sometimes sparks fears about potential empire building of that sort.

So I'm just curious, have you thought about providing a guidance, something like, if we dispose something big, we will distribute a certain amount, a certain percentage maybe, of that cash in some shape or form to investors? That's the first question.

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Then, second question on the Ecommerce. It's also a question on guidance. I wonder whether you've thought about providing, let's say, an operating performance guidance, sales or a trading profit target for 2025, at least for the segments that you majority own? I think the feedback on the breakeven guidance for the Ecom segment overall was well received. So I'm just curious whether, to further improve accountability, you've thought about setting a guidance on that part of the business. Thanks.

ET Thanks, Christopher. Let me start on number one, and then Basil can come in on number two. With respect to what we would do if we were in the lucky position of receiving cash from some of our liquid investments or, let's say, any disposal, what I can share with you is I'll just repeat the principle I described earlier with respect to capital allocation generally. Our constitutional approach is to pursue growth and to try to create value and grow. And we will invest behind that.

If we aren't seeing those opportunities, then we have to consider that carefully and whether we're sharing enough of what we have with our shareholders. We have to consider that carefully. That goes for whether it's cash already on the balance sheet or whether that's cash that comes in from something that's sold. So the principle applies in either instance. The facts and circumstances at the time will win the day and influence what we ultimately do. Basil, comments on FY 25 trading profit guidance?

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BS Yes. So Christopher, I appreciate the ambition and why you would like the number. But here's the challenge. The challenge is, look, we operate in many countries. And I know you said limited to the five companies, but even those companies operate in many countries. They're pursuing a number of new opportunities.

We're in a period of meaningful change, where AI creates significant opportunity, both on the cost and the revenue side. We have, internally to our board, set some ambitious targets. We have a new CEO who's come in and said, Basil, these are interesting targets, but I want us to do better.

So in that context, it's not easy to give you guidance. What we said at the beginning of the call, and what you should continue to focus on, is our ambition is to continue to outgrow our peers, to expand margins so that they get to the levels of the peers and to demonstrate the value of our businesses. One is already there, the other one is solidly on the way, OLX, and then we've got meaningful work to do in the rest, and that's our focus.

ET Judith, next question, please.

OP Next question comes from Silvia Cuneo of Deutsche Bank. Please go ahead.

SC Thanks. Good afternoon, everyone. I have a couple of questions on generative AI or AI more broadly. So within Edtech, you announced deals with OpenAI and Google to leverage Stack Overflow's public data into the AI capabilities.

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And I wanted to ask if you could please discuss what's possible in terms of the economics of this type of partnership or some of the terms, like length of agreements. Just trying to think about how this could contribute to growth and margin for Edtech in the medium term.

And then separately, related to this, thinking about your other segments, where do you see more opportunity to give access to your data, so beyond Edtech, and where are you generating efficiencies already? For example, in the annual report, we spotted something about automation models helping in food delivery to save about 20 million on modelling costs. Thank you.

ET Thanks very much, Silvia. It's Ervin. I'll take question one, and then I'll invite Fabricio to come in on question two. Question one, we haven't disclosed the terms or the economics associated with these deals that were announced at Stack Overflow, but they are meaningful and they are profitable. They are quite profitable, as you can understand.

This is ultimately a sharing of our data in the form of our community of Q&A related to coding. And you can appreciate that the marginal cost of something like that is low. So they are quite profitable. But we're not going to disclose more than what we've disclosed in the public releases. They are multi-year agreements. I can share that with you. But we're not going to get into more detail beyond that.

The most important thing is that they're emblematic of the power of the data we have, because LLMs coding assistants, copilots, have been a very important and

valuable addition to this world of coding and the ability to ask a question and receive an answer almost instantaneously.

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But the LLMs suffer from one problem, which is accuracy. And we have a human-curated Q&A community which provides better accuracy for some of the toughest problems developers may face. So that's the value that our data set provides, and it's been recognised now by the signing of these two agreements. You can anticipate that we are working on others as well. Let me invite Fabricio to talk about AI beyond Edtech.

FB

Hello, Silvia. I'm not sure if I understand 100%, but I think you asked about more opportunity for access to our data, first, and then other places where we generate efficiencies through generative AI. So first, to access our data, this is not the approach we are having with the other companies. It's not like giving access to our data, but it is using our data to offer an absolutely unique product to our customers.

So, for example, we are starting to discuss now in OLX, can we offer the best possible interface experience on classifieds and buy anything that you need with the help of generative AI, with a system that can help you in a way that it's much better than what exists today? That's the kind of answer that we can answer and no one else in the world can, because we have so much data and understanding about what the user needs.

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When we talk about food delivery, we can use data for logistics or even for predicting demand, what it is. We know what people are going to order, and when, and what they want tomorrow before the people that want to order. This is the kind of data that I think is very valuable to get to another level of efficiency. But our focus is not to sell this data. It's to offer the best products in the world through the new technology.

When you asked where we have generated efficiencies, there are many places. So, for example, I think I talked a little about that before, but just to be more specific, on customer support. We have we have millions and millions of customers. Only iFood has 30 million customers per month, three-zero people actively buying. In OLX, we have more than 100 million people using the services every month. So customer support, we can support more people with faster answers, better customer experience and better scores, with much lower costs. This is the kind of thing that changes how... That creates another dimension on supporting the customers, with better costs.

We have the same thing on fraud, fraud prevention, protection. We are avoiding a lot of fraud through generative AI. We have the same thing on marketing. So I think we even put in these slides that iFood generated, only iFood, \$100 million in savings on promotions, customer support, logistics and marketing.

So an example in marketing. Instead of we spend as a group a lot of money in online marketing and vouchers and other kind of incentives, we can predict better what customers are more willing to buy after I give some incentive to him, and what customers I don't need to give the incentive to him, because he's going to

come back naturally. It might look like a simple question, but actually using AI for these kinds of things can save tens of millions of dollars.

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And we are already doing that. What I just described, it helps quite well in iFood and OLX. But what I told you in the beginning is it's my obligation, in July/August, to make sure that all the ecosystem companies, investments or controlled companies, have the same level of usage of the technology. So these are a few examples.

ET Judith, next question, please.

OP Thank you. Next question comes from Marcus Diebel of JPMorgan. Please go ahead.

MD Yes, hi, everyone. Just maybe one question. That's for Fabricio. Fabricio, you mentioned you spent the last couple of weeks clearly to talk to a lot of people internally and externally. We heard a lot about your mandate now as the CEO, about the capital allocation that is about to come, better execution of the assets. We haven't heard much about restructuring of the Prosus-Naspers structure.

Clearly, it's early days, and I don't expect any precise comment on this, but do you see this as also an area to spend meaningful time on, or do you feel that this chapter is, for now, closed, or is there more work to do, from an early assessment? That would be very interesting. Thank you.

00:53:13

FB Yes, hello. I think for now, I'm more focused in the operations, and I think that's the right piece to start. I have many opportunities to improve operations. I think this is, I wouldn't call low-hanging fruit, but for sure, we will have more efficiencies and good results if I can improve the culture of innovation, entrepreneurship and the ecosystem. So, Marcus, this is my priority for now. But we will get back to these discussions by year end, in November, so don't forget to ask again.

BS On the structure, Marcus, look, we've put a lot of work over the years to get to the position we're in now. It's a much clearer and simpler position. Of course, we continue to look at ways, at simplifying things and improving things further. But right now, the focus is on operational execution. And if there are opportunities to simplify further and improve things, of course, we'll look at them and come back to you on those.

ET Thanks. Judith, next question, please.

OP Next question comes from Nadim Mohamed of SBG Securities. Please go ahead.

NM Good afternoon, and well done on growing, achieving profitability ahead of guidance. Just two questions from my side. Firstly, just would like to understand the impact of the embargo on merchant onboarding on PayU. How would you have expected revenue and trading margins to have looked, should that not have been in place?

And then, secondly, it looks like the trading losses in the other part of Ecommerce declined significantly. I believe it halved. My assumption is that it's linked to the

Ventures portfolio. Just would like to understand what drove that. Are you seeing better profitability within Ventures? Thank you.

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ET Maybe invite our CFO, Basil. I think you'll have views on both of these topics.

BS Thanks, Ervin. Thank you, Nadim. Good to hear you. So the impact of the embargo was significant. So, overall, the PayU business grew 38%. As you will have seen historically from the performance of prior years, India normally leads the pack in terms of growth.

This year, the core PSP business, sorry, last year, only grew 14%, one-four per cent. So that is a very low level of growth. And to deliver that growth, they've had to discount quite meaningfully to a whole lot of the merchants that they have, because they can't replace them. So the impact has been very, very significant for India in the prior year.

It's going to take time. We've only received the licence in principle now. So now, it takes time to tie in the new merchants who want to use our platform and use our technology. And we will build that in the first half of the year, and then hopefully, you will start to see momentum picking up again.

On trading losses in Other, yes, we do equity account some venture investments, and they, like many of our other businesses, are growing well and improving their profitability.

ET Judith, another question, please.

00:56:40

OP Thank you. Next question comes from Joseph McNamara of Citi. Please go ahead.

JM Brilliant. Thank you for taking our questions. The first is on your approach to future investments, specifically how you think about balancing achieving a 20%-plus IRR, which I guess seems most feasible for early stage investments, versus making more material or meaningful investments when viewed against your Tencent stake.

And the second is in a similar vein around, I guess, the group's more recent investments. I guess, in the Ventures business, there's been a few recent investments that might, I guess, be classed as straying outside of EM consumer internet and into fields more DM, health care, biotech.

I guess, could you describe how you think about your investable universe more broadly? And could healthcare/biotech be a new vertical going forwards, which presumably requires quite a lot of domain expertise? And then lastly, whether there's any change in strategy from being historically more EM focused. Thanks a lot.

ET So let me try to take both and address each in turn. So achieving 20%-plus IRR, that is our goal. And we have changed a number of things about how we invest, and I can get into more detail at another time. But the short version is the composition of our team, our incentives, our process for discussing transactions, our organisation, how we're actually constituted as an investment organisation

have all been changed with the intent to build the muscle and the potential for a world-class investment operation that can produce that level of returns.

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Of course, our existing portfolio needs a lot of fixing as well to return to levels that are commensurate with that 20% level. We're focused on both, both the fixing and improving as well as setting ourselves up for making new investments well.

On the second question, I would say that EM, we now use the term growth markets more than EM, because we look for growth anywhere we can find it. And sometimes, the growth is in traditional EM geographies. Sometimes, the growth is elsewhere, whether that's certain geographies but also technologies and business models. Sometimes, that isn't purely just in the traditional EM world. So we focus on growth markets everywhere.

As a matter of prioritisation, I will emphasise that our primary goal right now as an investing team is to invest in Ventures, and that's also the rest of the investment professionals in the team, is to support our ecosystem. Our current portfolio in place of over 100 companies in the sectors you know well, our primary focus is to enhance our ecosystem, find situations where ecosystem can enhance investments. That's the priority.

As we look outside, because you've heard me talk about that we also need to continue to evolve and change and look for new areas of growth, yes, we are exploring things like health tech and other areas. We're not here to make any announcements yet.

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But what I can say to you is, if there's an area like health, it's much more likely that we will be looking to do things in health that have similar characteristics to topics we know something about, marketplaces, Ecommerce, business model, specifics to health that we understand already, as opposed to therapeutics and biotech and much drug discovery, much of the stuff that's been getting a lot of excitement. So I'm just giving you some guideposts, but that's how we think about the topic.

Judith, next question. And let me say that for time reasons, this will be our last one. Thank you.

OP Thank you. The next question comes from Roman Reshetnev of Goldman Sachs. Please go ahead.

RR Yes, hi. Thanks for the call. Just a couple of questions. First one is, could you provide an update on your financial stakes in the listed assets and their role in the portfolio? In particular, how has your thinking evolved on the Meituan and Trip.com stakes? And the second one, I just wanted to get your general view on the competitive developments across various markets and business segments year to date, and where do you see any signs of reduction or improvement in rationalisation? Thank you.

ET Sure. Let me start with topic one, and I can invite Basil to comment on topic two, just because I've spoken a lot on this call. So I'm going to invite Basil to talk about topic two.

01:01:51

Topic one, the listed stakes. We have many listed positions but only a few of consequence. You've talked about Trip and Meituan. Meituan I think you've heard us discuss on previous calls. We really consider it a hybrid. It is, yes, a listed position, a financial asset, and at the same time, we learn a lot from the Meituan team in the area of food delivery. We admire and respect very much how they manage the company. It is one of the leading food delivery operators in the world, and we think that we can collaborate much more with them in the broadest meaning of the word ecosystem. So it's a hybrid.

On Trip, all I can say is that we also admire their team very much. It's a great performer. I'm sure you've seen their performance in recent months. And we think it's a good business. That one, though, has no real strategic connection to the rest of our portfolio. And we are looking for, as you can imagine with anything like that, opportunities. But that's not something that we will... We think about that. We think about that as we would any position where there's no strategic connection.

BS And then, Roman, on the second question around competition and competition intensity and rationalisation and consolidation, I think the moment in time has, I think, already washed up pretenders for people with sustainable business. So everyone who is out there now in the market is a real business, is funded, is doing good things, and we take them seriously.

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So competition is something we look at. It actually makes us better. It makes us better. Also, yes, new competitors are going to come. Fabricio's spoken about AI and generative AI. This is going to bring new ways to compete, new models that compete. So we have to stay on our game and stay ahead and make sure that our consumers are getting the best products and services available to them in that market.

ET Judith, I think that we should call it a close. Thanks, everyone, for joining the call today.

KB And IR would be happy to answer any of the questions that haven't been addressed in this call. We will be available over the next days and weeks. Thank you, everybody.

FB Thank you, everybody.

ET Thank you.

BS Thanks, everyone.

OP Thank you. Goodbye. Ladies and gentlemen, that concludes today's event. Thank you for attending, and you may now disconnect your lines.

01:04:40