

Conference call transcript

29 November 2023

INTERIM RESULTS

Operator

Good day, ladies and gentlemen, and welcome to the Prosus Interim Results call. All participants will be in listen only mode. There will be an opportunity to ask questions later during the call. If you should need assistance, please signal an operator by pressing star and then zero. Also note, this event is being recorded. I will now hand the conference over to Eoin Ryan. Please go ahead, sir.

Eoin Ryan

Great. Thanks, Chris. And now that we're all in the holiday mood with that music, I'd like to welcome you all to the call tonight and to thank you for joining us. We are speaking with you today from India, where we spent the last few days meeting with our teams and investors here, and it's been really a great experience.

With me today, I have our Interim CEO, Ervin Tu, we have Basil Sgourdos, our CFO, and they will take you through the results for the past six months. We'll then move to Q&A as per usual, where Ervin's team will join us and be available for the Q&A. And as always, if there are any follow-up questions, post-call, do not hesitate to reach out to us at IR. And with that, I'll turn it over to Ervin.

Ervin Tu

Thanks very much, Eoin and everyone, for joining the call. We have come a long way since our peak losses just 12 months ago, and my aim is to further strengthen our execution across a number of fronts. Prosus is a company with a rich history. I joined two and a half years ago because I wanted to play a role in furthering that legacy and creating meaningful additional enterprise value.

I've been an observer of technology businesses for over 25 years and believe we sit today at a fascinating time of change, with continued opportunity in existing business models within the consumer internet arena and new opportunities, driven by B2B momentum, particularly related to AI. I am very excited about this opportunity, the opportunity this presents the group because of our ability to allocate capital fluidly during transitional periods such as this one.

Within our portfolio, operations have improved meaningfully. We own a number of gems, with long roads ahead for continued value creation, and I see great opportunity to further scale them profitably and build out their growing ecosystems. As you can see from our results today, we are making real and sustainable progress in this regard.

I believe this era will also provide well capitalised companies like ours the opportunity to invest in generation-defining businesses. AI will play a large role here, and we have real institutional knowledge. We are carefully assessing how we can play a winning role both by industry vertical and by geography.

Backing exceptional technology companies, whether through controlled or minority investment, continues to be core to our strategy. We will invest patiently and diligently, always with an eye on both profit and generating strong returns. I am very excited about the future of Prosus. Thank you for your continued support and trust in our company. Let's get into the slides.

On slide four, you can see today that we announce a set of strong results, underpinned by consistent execution across our segments as we make fast progress against our commitments.

First, we are ahead of our original target for consolidated profitability for our e-commerce businesses. The profit trajectory of the group has improved meaningfully, and we continue to outpace our peers on growth. Second, we continue to invest in ourselves. The open-ended share repurchase programme will carry on at elevated discount levels and will compound value over time, particularly as the portfolio reaches profitability.

Third, we have eliminated the crossholding and greatly simplified our operations. Fourth, we are working to better highlight the value of our e-commerce assets through listing or selling our businesses, as appropriate. And finally, core to our future is building sustainable businesses, and we are making meaningful progress there.

Fast forward 12 months. If we continue to deliver as we have, we will have exceeded our profitability target and set a path for continued profit growth. We will have run the buyback programme for another year, shrinking our equity and compounding value on a per-share basis, and we will have highlighted value from some of our investments. If we do this consistently over time, I am confident we will generate tremendous value for our shareholders.

Ultimately, I am focused on maximising value over time by growing NAV per share and to have that manifest in our stock price, as shown here on slide five. First, there remains substantial opportunity in each of our segments, and we will look to improve our returns by further improving their operational performance. Second, we aim to allocate capital effectively, to back exceptional growth companies. I will note that we have made mistakes in the past, and I will speak to that more in a bit.

And finally, Tencent is a big part of our present and our future. We are committed to remaining a large shareholder for a long time. We believe the stock is undervalued across almost all metrics, and we see a clear trajectory for renewed revenue growth, accelerated profit growth and continued capital return. We like this about Tencent in the same way we like this about Prosus.

We are often asked what we intend to do to address the discount. We agree the discount is too high, and our goal is to translate the actions we are taking to discount reduction as that drives shareholder value. We know that the discount was not built overnight. Similarly, it will not disappear overnight. It requires attention and consistent execution across each of the drivers highlighted here, and the team is focused on doing just that.

So on a macro level, we are making progress quickly, and it's backed by the strong fundamentals across our key business lines that you see here on slide six. Rather than get into the detail here, you'll hear more from Basil on this in a few minutes.

On slide seven, the results show themselves clearly. On the left, you see our strong growth on a relative basis, and on the right, our progress to profitability. There is scale in each of our businesses, and we are beginning to flex that scale now, with strong incremental e-commerce margin in H1 of FY24 driven mainly by food delivery and classifieds.

This level of incremental margin will decline over time, but our businesses will continue to benefit from the scale we have achieved in addition to our cost discipline. While we will continue to manage our costs, organic growth remains imperative, because in the long run, we know that we cannot cost-cut our way to greatness. Let's move to slide eight.

I am very happy with our operating performance, but I am not happy with our returns which, as you can see, have been unsatisfactory. Our returns have historically been strong, but the past two years have been difficult for us, as they have been for the market in general. We are very focused on improving our returns from here.

You can see on the right-hand side of this slide our main investments across our segments and our ventures portfolio. There are clear winners and great returns, for instance, iFood in Brazil, but, unfortunately, they have been weighed down by a few larger investments that have not panned out the way they were intended, predominantly in OLX Autos, Delivery Hero and Edtech.

We know the story in OLX Autos. It has impacted our returns, which shutting the business down was the right thing to do, and that has meaningfully improved the profit trajectory of the portfolio. We are very bullish on food and have done well there, particularly with iFood. There is a secular shift occurring with the rise of local marketplaces, and some of our brands are at the forefront of this disruption.

We continue to be confident in Delivery Hero and know that within their portfolio sits some of the most valuable delivery brands in the world. However, the returns on this investment have not lived up to our expectations, and we are pleased to see management taking action, committing to profitability and being open to rationalising the portfolio. With continued progress here, we see a path to a reasonable return.

Edtech. It's been a notable laggard. Firstly, we paid 2021 prices for businesses that were not worth those valuations. And secondly, we did so right in front of the disruptive wave of GenAI. We still believe Edtech as a

theme continues to offer substantial promise, but we know well we have some fixing to do in the short term. I am spending a lot of time on Edtech. Ultimately, we aspire to returns of 20-plus per cent. Improving our current returns will take some time, but we are committed to that work, and any new investment must continue to pass a high bar.

As difficult as the past two years have been, we have learnt valuable lessons that will make our processes stronger in the future. Slide nine outlines how we have adapted our approach based on the insights gained.

Firstly, our focus on profitability is here to stay. Profitability and growth can and should co-exist. As we look for new opportunities, they will have to screen against our ambition for growth, while producing profit at the bottom line. Secondly, in the past, we might have been too attached to our businesses and too invested in their success. We must become more dispassionate in making portfolio decisions. Selling OLX Autos was a good example, and we will do more of this.

Thirdly, making good portfolio decisions is only possible if we have the right information. We have to improve and sharpen the way we engage with our companies, the way we express our expectations of them and the way we monitor and discuss their performance as a team.

Fourthly, I want to see us better understand the lifecycle our investment before we invest and highlight value when and where possible. That isn't to say that we will not be long-term holders of the things we love most, but it does mean we will put in place a more rigorous process to ensure a more consistent assessment of an investment's progress and future potential.

And finally, we must continue to remind ourselves that no matter the market, patience is a virtue in life and investing. Evaluation or business outlook does not work. We have to ask hard questions of ourselves. We did this with Just Eat in 2019, eBay Classifieds in 2020 and BillDesk in 2021, so we have discipline and patience in our toolkit already. But I want to make sure it is front and centre of our thinking always.

When you take a step back, what we are building is a repeatable process to create value for many years to come. We identify opportunity, we scale it to value, we highlight that value, and we repeat. So going forward, you should expect us to be very considered and measured in our capital allocation.

Slide ten outlines how we tend to allocate our capital to maximise return. We are very well capitalised. We have not been in this position for long, and we are not in a rush to deploy capital. We will invest organically in our P&L, we will acquire stakes in part or in whole of external businesses, and we will return capital to our shareholders. Indeed, it may be a combination of the above.

When looking for opportunities externally, we will explore early and late stage investments, as we always have. Currently profitable businesses will take priority. We will also look at unprofitable businesses, as we are not afraid to invest early, but we will only do so with a clear path to future profitability. Backing exceptional growth

businesses in technology involves taking risk, but we will aim to do so only with appropriate return. Whether organic or external investment, whether the opportunity is big or small, our aim will be to generate returns of 20%-plus.

And as we build net asset value and allocate capital smartly, we will continue to dramatically reduce the free float while increasing our per-share economic exposure to our portfolio, the effects of which are shown on slide 11.

The buyback programme has created \$25 billion in value for shareholders over the last 15 months, reduced the free float by 17% and improved NAV per share by more than 7%. Continuing the buyback for the next 12 months on the same basis as has been done before will result in another 5% to 6% NAV accretion, while reducing the free float cumulatively by almost 30% since the programme's initiation late June last year, 2022.

And finally, on slide 12, we were excited to announce the Science Based Targets initiative validated our climate targets. This milestone reaffirms our commitment to a climate journey aligned with the Paris Agreement to limit global warming to 1.5 degrees Celsius. We will take action in our corporate offices, and we will continue to work with our portfolio companies to support them on their climate journey. With that, I will turn the call over to Basil. Basil?

Basil Sgourdos

Hello, everyone. I'm delighted to speak with you today. So building in Ervin's remarks, I will highlight the significant progress on our financial commitments. So, folks, let's kick off with slide 14. Our e-commerce businesses and Tencent have delivered strong performances. The e-commerce businesses have delivered peer-leading growth and an acceleration in profitability, which underlines their significant potential. Trading losses improved by \$220 million, year over year, to a loss of \$36 million. This was a quarter of the second half of last year.

E-commerce is now profitable on an EBITDA basis, and we expect it to be profitable on a trading profit basis for the second half of this financial year, ending 31 March 2024. This is notably ahead of our prior commitment.

Important to profitability improvements is the 16% revenue growth in our consolidated businesses. As Ervin pointed out, this is well above the growth achieved by the listed peers of our businesses. It accelerates the growth of the second half of the previous financial year. Our free cash inflow of \$725 million for the six months is six times more than the prior year.

Profitability across the consolidated portfolio, e-commerce associates and Tencent drove a doubling of the core headline earnings to \$2 billion. The open-ended share repurchase reduced the share count meaningfully, resulting in an even stronger improvement in the core headline earning per share.

Tencent's recovery to double-digit revenue growth and substantial profit improvement serves as a powerful endorsement of the Tencent team and reinforces our continued conviction in Tencent. Lastly, our balance sheet remains strong. This is a big plus.

Now let's get into the performance of our consolidated e-commerce businesses on slide 15. You see the clear improvement in profitability. E-commerce consolidated trading losses from continuing operations decreased by \$220 million, year over year, spurred by the good top line growth and continued focus on efficiencies. Growth, which also spurs profitability, will deliver long-term value to you, our shareholders. As mentioned earlier, we have moved our profitability ambition forward, and we are determined to hit that mark.

We are maintaining peer-leading growth, as you see on slide 16. While the world is in the cycle of lower growth, impacting all businesses and industries, including some of our businesses, we continue to grow significantly ahead of listed peers. Our ambition is to continue to outgrow these peers. As Ervin said, we understand that value creation through cost cutting and efficiency gains is ultimately inferior to value creation through growth, so investing in growth is critical.

Our food segment is now profitable and grows well, as we see on slide 17. iFood's core food delivery business more than doubled its trading profit. A strong 19% trading profit margin is two times the peer average. iFood's core business will continue to grow orders, revenues and profits.

And iFood is also building new parts to its strong ecosystem. New initiatives such as grocery and fintech grew 19%, and the trading loss margin improved by 35%. iFood's growth extensions are at an earlier stage of development than those of its peers. iFood is a fantastic business, and it has increased confidence in ongoing profitable growth potential and excellent returns.

Now let's move to slide 18 to cover OLX's Core Classifieds business and provide an update on the exit of OLX Autos. OLX Core Classifieds sustains its position as one of the fastest growing classified businesses globally and is improving its trading profit margin substantially. Continuing operations grew their revenue by 32% and doubled their profits to \$94 million. The 32% growth is five times the listed peer average.

This strong performance was fuelled by the Autos vertical and OLX horizontal, which grew 46% and 30% respectively. Adoption and retention of pay-and-ship users saw an uptick, driving a 34% increase in transactions. The trading profit margin of 27% is a 12 percentage point improvement year on year. This is a solid march to peer level margins.

The war in Ukraine disturbingly continues, and the Ukrainian people's resilience drove revenue growth for the market to 27% and a trading margin improvement of nine percentage points. Consistent with the prior year, and to capture seasonality trends, there will be an increased investment in product and in growth in the second half of the financial year. This investment will temporarily suppress margins in the second half, and trading profit will be down sequentially.

On the right-hand side, we show you the progress of the OLX Autos exit. We've received \$181 million in proceeds for India, Indonesia, Chile and Turkey. We have shut down Colombia, Mexico and Argentina. We continue to

collect vehicle loans granted to consumers by some of the Latin American businesses and operate the business in the US.

On slide 19, you will see our Payments and Fintech segment shows healthy growth and a meaningful improvement in profitability. The segment delivered a strong set of results in its core PSP business and in its credit business, with great revenue growth and significant profitability improvement. Segment revenues grew 32%, driven by 20% growth in total payments volume to \$55 billion. Trading losses narrowed to just \$22 million, and the core PSP business is now profitable in aggregate.

Indian PSP revenue grew 20%. Growth was impacted by restrictions to onboarding new merchants while the new licence applications were being processed for several PSPs in the country. The GPO business grew its revenue by 47%, delivering a trading profit margin of 7%.

We are in the process of selling this business, but we will retain ownership of iyzico in Turkey and Red Dot in Southeast Asia. Turkey doubled its revenue to \$65 million, and Red Dot grew 43% to \$10 million. iyzico and Red Dot accounted for 32% of GPO revenues in the half.

India Credit accounts for over 70% of new initiatives for the first half of the current financial year. The India Credit business grew revenue by 31% to \$43 million. The first half growth and trading margin were impacted by a process to revise regulations on first loss default guarantees.

These have now been implemented, and growth is picking up, and trading margins will continue to improve. Loss ratios of just 2.5% continue to be well below the industry average. There is room to take more risk and deliver a strong return. Overall, we expect continued strong growth and significantly improved profitability in our Payments segment.

In Edtech, on slide 20, Stack Overflow was affected by the rise and adoption of generative AI and the continued macroeconomic downturn. Segment revenues increased 11% while trading losses remained relatively stable. Stack Overflow's revenue grew 7% to \$47 million. The business is evolving its product offering for a world of generative AI and launched OverflowAI. It is also reducing cost to drive up profitability improvement.

Stack Overflow's financial performance has been below our expectations, and we have prudently recorded an impairment charge of \$340 million. GoodHabit, on the other hand, grew revenue 22%. This growth and efficiencies drove a trading loss improvement of 40 percentage points.

Lastly, on the segments, I will touch on Etail on slide 21. eMAG, due to its first-party Etail business, contributes 36% of consolidated e-commerce revenues. In the financial year ended 2023, revenues declined as eMAG lacked COVID tailwinds. The business has now returned to growth. This 4% growth was faster than other listed peers, but it did bring down the overall e-commerce growth from 24% to 16%.

The revenue growth was driven by a good performance in its food and grocery extensions, which grew 30%, and 7% in its Romania core Etail business. Hungary and Bulgaria face macro headwinds, and Hungary also experienced integration challenges after its merger with its competitor. These are being addressed. Trading losses improved as eMAG Romania delivered profitable growth.

The ambition for eMAG's other businesses is to improve operating leverage and follow in Romania's footsteps. eMAG's same delivery and locker business, a leading player in at-home deliveries, has shown promising growth, with a 32% increase in deliveries and 25% growth in revenue.

So moving to slide 22, our efforts to accelerate profitability and the increased dividends from Tencent result in a six-time improvement of free cash flow for \$725 million. So half of this improvement has come from our e-commerce businesses.

On slide 23, we reflect core headline earnings, the group's indicator of the operating performance, which adjusts for non-operating items. The increase in core headline earnings was driven by a significant improvement in profitability from both our consolidated and associate e-commerce investments.

We grew our earnings per share, given the strong operating execution, while at the same time reducing our share count by the buyback. Core earnings growth was 85% on a nominal basis, compared to a 96% increase on a per-share basis, which equates to an 11% amplification, attributable to the buyback. Similar to net asset value per share, the lower number of shares creates a compounding effect on incremental earnings we generate over the period.

The crossholding removal allows the open-ended share repurchase to sustain indefinitely and for as long as the holding company discount remains elevated, amplifying earnings and net asset value per share growth. The unwind delivered a further benefit for Prosus in the Netherlands. It increases Prosus's fiscal capital per share to \$40. This means that any share repurchase below the \$40 mark is delivered with no incremental tax.

Moving to our balance sheet and debt position, as laid out on slide 24. Debt capital markets are important to the group, and we will continue to manage the balance sheet to support the investment grade rating. We have a strong balance sheet, comprising \$15.1 billion of central gross cash and debt of basically the same amount.

Dividends to the holding company are also on the rise, driven by inflows from profitable cash-type businesses and the strong dividend increase from Tencent. We will continue to work to diversify this profile as other businesses become profitable.

Finally, and before I close, I would like to address and allay any concerns anyone might have from the resulting proposal within the Dutch Parliament to raise taxes on share buybacks. In short, we do not see this as representing a meaningful impact on the group's share repurchase programme.

Prosus share buybacks are subject to a dividend withholding tax when the buyback price exceeds the fiscal capital per share. In such cases, some of the excess of the share price at which shares are repurchased over the fiscal capital per share is subject to a dividend withholding tax of 17.65%. There is a substantial margin for our share price to increase before we incur significant taxes.

The Tencent share price would need to rise to HK\$450, with the Prosus holding company discount at 35%, for there to be some taxes on the buybacks. And even then, the tax would not impede the continuation of the share repurchase. So with that, I want to thank you for your attention and for your continued support. And I'm going to hand back to Ervin.

Ervin Tu

Thanks, Basil. I think we are at the moment for Q&A, so we look forward to your questions. And as a reminder, we have actually our entire senior management team on, our CEOs of the various segments, Charles, who works with Tencent, and so forth. So feel free to ask questions that are specific to those businesses, and I'll direct traffic. Operator?

Operator

Thank you very much. Ladies and gentlemen, if you do wish to ask a question, please press star and then one on your touchtone phone or on the keypad on your screen. You will hear a confirmation tone that you have joined the queue. If you decide to withdraw the question, please press star and then two to remove yourself from the list. Our first question is from Miriam Josiah of Morgan Stanley. Please go ahead.

Miriam Josiah

Great, thank you. Hi, everyone. Three questions from me. Firstly, just on the margin structure beyond FY24, if you could talk a bit about that and what you see as the key areas for investment from here, or should we expect incremental margins to continue to improve? And perhaps if you could give some colour on how that looks by segment.

Then, secondly, on Edtech. So you highlighted that as one of the drivers of lower returns. So how are you now assessing the attractiveness of that segment? It sounds like you are still bullish. So do you see it as specific issues for some of the companies in your portfolio, or do you think the sector is perhaps more challenging than you previously thought, and this is an area where you could potentially be making some exits?

Then, finally, just on iFood. I think the take rate seems to have gone down in the core restaurant business. So if you could just walk through the drivers of that. And then since take rates were down, what was actually driving the margin improvement? Thank you.

Ervin Tu

Thanks very much for the questions. That was certainly the gift of the holiday season, with three questions to start right off. So we'll try our best to respond. And the first one on margin structure, I think, I hope you heard me say

that you should not expect that the incremental margin performance that we benefited from this six-month period will continue at that strong level.

We are, of course, coming out of the peak losses just 12 months ago, and in that setting, as we're coming out of it, the incremental margin improvement is quite significant. It will continue to be positive, of course. We anticipate growing and doing so profitably, but that level you should not expect to continue.

I'm going to defer on specific segment-to-segment commentary. You saw that this six-month period, incremental margin was driven by food and classifieds. The other segments will also improve, but I'm going to defer on segment-by-segment commentary.

Second, on Edtech, what I'd say is the following. We have turned our attention significantly to the three problematic assets businesses in the portfolio, those being Stack Overflow, Skillsoft and Byju's. And we are working every day to try to improve returns there.

Those situations, though, in our judgement, are not emblematic of a change in our view of the overall investment thesis for Edtech. Edtech is a very broad sector, consisting of K through 12 education, corporate skilling and so on. It's very broad, and these three businesses have not performed as expected. We're working on it. We still believe in Edtech. But we know, as you can imagine, that the priority, the priority that everyone expects of us, we have of ourselves, is to fix, fix, fix first.

Third, the iFood take rate, let me ask Basil if he wants to comment. That has less to do with something fundamental and more to do with accounting.

Basil Sgourdos

Yes. Thanks, Miriam. Hi. I hope you're doing well. So the take rate actually isn't going down in iFood. iFood is growing orders and revenue at a good pace. There has been a change in accounting in that we record the delivery revenue as an offset against the cost. So that's why it might look like it's gone down, but it hasn't.

Ervin Tu

Operator, next question, please.

Operator

Of course. The next question is from William Packer of BNP Paribas Exane. Please go ahead.

William Packer

Hi, Ervin. Hi, Basil. Thanks for taking my questions. Two from me, please. Firstly, the Classified unit had a notably strong performance in H1, well ahead of expectations. You've talked of crystallising value in that segment.

At the same time, the industry is going through some major changes with the entry of CoStar to Europe, private equity buying Adevinta in a big LBO and some new growth drivers. How do you think about these challenges and opportunities for your portfolio and also the appeal of retaining economic exposure to classifieds following any crystallisation?

And my second question is, at this stage, you're leaving lots of options open for your \$10 billion-plus cash pile, which makes sense. Could you help us think through the options if you decide to increase return to shareholders? Would you consider a special dividend, a tender offer, etc.? And perhaps a word on the tax considerations there. Any colour would be helpful. Thank you.

Ervin Tu

So, William, those are good questions. Let me respond, and I'll invite Basil to add perhaps to the second one. On the first one, we think the Classifieds business we have is a terrific business, with great potential continued runway for both growth and profit improvement. You will note that the business produced a 27% trading profit margin this six-month period, a significant improvement year over year. And there's further runway for profit improvement.

There are a lot of things happening in the industry at large. I would say this. Our business is performing in that context. So we have no change in our perspective for the potential of the business. And whether a, quote/unquote, crystallisation or a highlighting of value occurs in the industry doesn't affect our fundamental view, which is this is a great business and, at the moment, we are very pleased with it.

As to the second question on our cash position, I said in my remarks, and I hope you heard them, that we have not been in this fortunate position for a long time. It's a good thing to have some cash around when the world around us is uncertain. By the way, we also have debt obligations of equal quantum to our \$15.1 billion of gross cash, and so that's a consideration.

As far as what we would do with the cash, our intent is as I described earlier, to allocate that capital smartly, with discipline, to our P&L, our organic investments in our various segments. And you see the promising businesses we have in our portfolio. You're starting to see the profit potential, with good growth at the same time. And we'll continue to look at external investing and, as appropriate, return capital. I'm not going to predict for you what the mix is. You heard me say that it could be very well a combination. Basil, anything to add to that?

Basil Sgourdos

Yes. So, Will, as you know, the dividend gets set annually by the board, and we're some way away from the next determination. There's no discussions about special dividends at this point. On your question around taxes for dividends, I'd say the following. When Prosus pays a dividend, if a shareholder chooses to take the dividend as a reduction of capital, then there is no significant tax. If it takes it as a straight dividend, then there are withholding taxes applied.

At the Naspers level, for South Africans in particular, depending on their status, there is a dividend withholding tax there.

Ervin Tu

Chris, next question, please.

Operator

Of course. Next question is from Cesar Tiron of Bank of America. Please go ahead.

Cesar Tiron

Hi. Hi, everyone. Thanks for the call and the opportunity to ask questions. I have three, but they're very easy. The first one is around the pace of investments. So year to date, I think you've invested, if I start in January, not in your fiscal year, you've invested, I think, close to \$700 million, which is way lower than the average or median of the past 15 years. Is that run rate in any way indicative of what you will do in the future? That's the first one.

Linked to that question, would you consider giving some, actually, guidance or capping your yearly investments to a stream of cash? So, for example, saying, look, we're probably not going to invest more than what we get from the Tencent dividend each year.

And then the third one. I think in the past, in some of your remarks in the past couple of months, in some of the Bloomberg headlines, we've seen the word, crystallisation of assets, repeated several times. Is that definitely a new strategy for the group, because over the past 10-15 years, there's not been probably enough crystallisations, which maybe explains some of the returns which you've shown? Thank you so much.

Ervin Tu

Thanks, Cesar, for those questions. Let me take them in turn, and I'll invite Basil to comment, if he'd like, at the end. With respect to pace of investments, what we've said is we've invested roughly \$400 million actually in the last six-month period. I know you were counting since January, but I haven't cross-checked whether that \$700 million number is right, so let's just say \$400 million, which I know is right, over the last six months.

As far as run rate, what I'd tell you is we don't think about the topic that way. In your second question, you allude to the concept of capping investment based on some measure or threshold. We don't think about investing that way. Just as I said earlier that we can't cost-cut our way to greatness, so too, we don't believe capping ourselves is a way to create value.

So we will invest when we feel we've seen an exceptional business we want to back. Again, that can be within our current portfolio. That can be an external investment. We don't know when exceptional businesses will show up on our doorstep. When they do, we want to make sure we're ready to invest.

Third, with respect to crystallisation, we have used that word in recent calls, and you see it here today in our slides. I want to clarify one thing about crystallisation, because perhaps some have asked me what we really mean. It sometimes means to people a sale. It's not just a sale. Crystallisation for me is really about highlighting value. And that could happen through a sale, but more likely, in the near to mid-term, through listing businesses.

Now, I want to be very clear. Our intent is not to list every single business in our portfolio that's privately held. Listing is appropriate for businesses when that event can actually help the business, or perhaps there's a valuation disconnect between what an asset could be worth in the public markets versus what it's worth under private ownership. And by the way, we also have to think about the potential of that business in public form versus private form.

So I would suggest to you that crystallisation or listing of businesses is something that's very much on our mind. That's why we're talking about it. But it will be something we do for a select set of businesses in our private portfolio, and we'll do so over time. Basil, would you like to say anything else?

Basil Sgourdos

No, I think that was comprehensive, Ervin.

Ervin Tu

Chris, next question, please.

Operator

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

Catherine O'Neill

Great. Thanks very much. I've got three questions as well. Firstly, clearly, the improvement in profitability is great and ahead of target. One of the things I've been getting asked about is the value crystallisation, back to that, and the timeframe. Because I think last year, at the Capital Markets Day, which was almost a year ago, you talked about a 12- to 18-month timeframe. So I just wondered if you could update us on that and how we should think about that.

Secondly, around capital allocation. And the point two on slide ten, I think it says you're actively exploring opportunities. I wondered if there was any more insights you could give us there in terms of the types of areas you're looking at, and also how you think about deployment versus cash returns when you're assessing those.

And then, thirdly, on iFood or Brazil, I've seen some news flow suggesting there's potential for regulatory change of gig workers in Brazil. So I just wondered if you could give an update on there and if there's anything expected from an iFood perspective.

Ervin Tu

Sure. Thanks for those questions. Everyone is giving gifts of three today, so perhaps someone will give us a gift of two the next time. On value crystallisation timeframe, I did say at Capital Markets Day what I said. Facts and circumstances will influence the ultimate timing, including the state of the markets.

We did, a couple of months ago, a few months ago, announce the sale of GPO, our international, our global payments business to Rapyd for \$610 million. That's one event. There are other things underway, as you can imagine, with respect to listing businesses.

We've talked about now, PayU India is a listable business, or will be one, we hope. We're aiming to do so or make it at least listable by the second half of next year. Whether the markets are conducive we can't control. And so that's another situation. As to other situations, it's too early to comment.

Second, on capital allocation, we are actively exploring other opportunities. And what I'd say here is we do so with an eye to situations that exhibit the same characteristics that have attracted us to our current portfolio, where tech disruption shows great potential, where there's strong unit economics, where there are large TAMs.

And one of the things, though, we are cognisant of is, as I mentioned in my opening remarks, we are at a transitional period right now in the technology world, where the last 25 years has seen this incredible explosion of growth and value in consumer internet. And where I think we're seeing a transition to more B2B-related opportunities, we want to be agile and consider those as well, while also exploring consumer internet opportunities as they come.

We're sitting, today, here in Delhi, India, conducting this call with all of you. And I can say to you very confidently, there is still much consumer internet opportunity in India. So every market is different. Every moment is different. We want to stay agile and flexible, but with the same characteristics in mind when we invest, just as we have before with our current portfolio.

Third, iFood and Brazil, I'm going to invite Roger, if he's able, to comment on regulatory and gig worker status and the like. Roger?

Roger Rabalais

Yes, sure. This is a live topic in Brazil, as it is in most markets. The regulators are looking at gig employment in pretty much every country where we play. And in Brazil, I would expect, maybe in a year or so, you'll see some new regulation coming out. It's hard to predict exactly when. But we believe, as the drivers believe, that this is independent employment.

That doesn't mean that it won't evolve from the way that it's performed today. For example, I would expect that you might see some changes around social security benefits and things like that, which we're very supportive of. The drivers are one of our three major constituencies, along with restaurants and the consumer. So we work very

closely with the regulators and very closely with the drivers to make sure that these are rewarding, high quality jobs.

Ervin Tu

Thanks, Roger. Chris, back to the questions, please.

Operator

Thank you. The next question is from Chris Johnen of HSBC. Please go ahead.

Chris Johnen

Yes. Thanks, everyone. I'll make it two for a change. First, Ervin, for you, time to pick your brain on the food delivery sector. What do you think at current levels? Is this something where you see yourself rather on the buy than the sell side? I've noticed that you've been, in your opening remarks, when talking about the IRR, are quite outspoken about being somewhat bullish on food delivery. Maybe a bit more colour on that would be great.

And then the second question on the free cash flow. You seem to be fairly close to free cash breakeven, but there isn't a precise target. And I'm just trying to understand if there is any reason for that.

Ervin Tu

Yes. The second question, just to make sure I understand it, is if we can provide colour on free cash flow breakeven timing. Is that your question, Chris?

Chris Johnen

Yes, or why you opted not to give a specific target.

Ervin Tu

Oh, okay. I'll invite Basil to comment on that one. And I'll take the first, and I express my appreciation for the two-question formulation, the food delivery sector. We have had no change in our perspective on food delivery. We have been bulls. We continue to be bulls. So I hope you don't read anything into my remarks otherwise. We are bullish on the sector.

We think this is a longer-term play into creating local marketplaces, not just food delivery. And we are not short-term traders who hold stock or decide to do something with our holdings based on short-term performance. We think this long-term opportunity continues to be very attractive, and it takes time to realise that opportunity. So that's what I'd say on food. We have a number of great businesses.

Basil Sgourdos

On free cash flow. So first to understand what generates the cash in the group. For our consolidated business, it's actually the cash generation within the business, which we fully account for, because we control the business. But

then, when our associates pay dividends, that's also free cash flow. So we are generating \$725 million of free cash flow.

Now, if you exclude, which I think is what you imply by your question, the dividends received, then it is marginally negative. And there's no issue with the target, because what you need to understand about our business right now, and the current construct of our portfolio, is we don't have capital-intensive businesses.

So when we set a profitability target like the one we've set, that substantially flows through to the free cash flow line. So as we achieve trading profit in the second half of the financial year, you'll also see a similar step-up in free cash flow generation, ex-dividends received from associate investees.

Ervin Tu

Back to you, Operator. Next question.

Operator

Thank you. The next question is from Marcus Diebel of JPM. Please go ahead.

Marcus Diebel

Hi, everyone. Yes, just two questions from my side. One is on M&A, just again if you can help us a little bit. Do you think, at least the portfolio in terms of assets, is this a strategy to further expand? Or is it really to generate value of the existing assets, but then, over time, that this swings? I know it's a bit of a high-level question, but would be very interesting to hear an answer.

And then maybe the second question, related to this. Clearly, and I think that's what the Q&A so far has been about, there are big question marks in terms of capital allocations, in terms of M&A. We have now obviously an interim period for you, Ervin. How shall we really think about it?

If there are any potential and meaningful changes which might be slightly different to the approach in the past, can we expect anything really in the next three months? Or is it really, right now, a period of maintaining and we have to really wait? And if so, yes, from the best guess as of today, how long would that period actually take? That would be very helpful. I ask this because that's, I think, a multifaceted, key question from investors. Thank you.

Ervin Tu

Thanks for those questions, Marcus. So let me try on both of them. On the first one, we continue to be bullish about our current portfolio. We need to fix some of our businesses, as you heard me describe earlier in the narrative related to IRR, where we sit today. But we will continue to invest in our core gems. Those are iFood and PayU India and OLX Europe and eMAG and the like.

So we have a bunch of businesses which have the real potential to become powerful ecosystems in their respective markets. They are all, I would say, established businesses, but they are by no means mature. They require

continued cultivation and investment, and we believe they have great further potential. So that's what I'd say on our current portfolio on the operating side.

On the investing side in our current portfolio, we also think that there's still opportunity, but we have to consider where and if they are still attractive investments to invest in. And that takes me to my second point, which is around your second question around timing and can we expect meaningful changes and the like.

We will find investments that are worth backing when we find them. We don't have a timetable. There's no clock. Our goal is not to deploy capital to deploy capital. If we don't find them in three months, and it takes till month four, then we will invest in month four. If it takes till month seven, we'll take till month seven.

So we do not think about investing and creating value based on timetables or capping relative to some free cash flow available to us, as was alluded to in a previous question. I want to be very clear. Our goal is to create value by backing exceptional businesses as owner, operator and investor when and if we find them, full stop. Next question, please.

Operator

Thank you. The next question is from Nadim Mohamed of SBGS Securities. Please go ahead.

Nadim Mohamed

Good afternoon, and well done on an excellent set of results. Just one question, adding a bit to Marcus's question before. Just in terms of the e-commerce portfolio, if I think about the entities that are inside that portfolio, there are quite a sizable number of really small entities, like letgo, that are not, I would say, big enough to move the needle of the broader portfolio return.

Over the longer term, are you looking to simplify the structure and focus on maybe more sizable investments? Or are you happy with the current strategy in terms of size of the investments?

Ervin Tu

We think the picture of our portfolio you see today looks like an investment portfolio. Sometimes, the investments become big. Sometimes, they continue to be small. We don't invest to make small investments. We invest to make big companies.

And we will move appropriately to different arenas or sectors or markets where we find different opportunity. But I think you should expect that we will continue to invest in earlier-stage businesses that will be smaller quantum and in later-stage things that will be larger quantum, as appropriate, again, if we find exceptional businesses.

Eoin Ryan

So I think we need to wrap it up now, but Ervin, do you have any last comments you want to make before we go?

Ervin Tu

So I'll be very brief, and I appreciate everyone's participation on the call today, particularly those who reduced the sub-question length as the call went on. We'll look forward to that continuing trend on our next call.

Look, we have five priorities. We are committed to maximising shareholder value through achieving peer-leading profitable growth, investing in ourselves for the open-ended share repurchase programme, adopting the learnings I've talked about to deploy capital smartly, in a disciplined manner and more actively managing the portfolio.

Lastly, we will take concrete steps to highlight the value of our portfolio. There is a lot to do, but we are on the right path and making progress very quickly. And if we do this correctly, not only will it unlock significant value, it will reset the course of the expectation for this company. I look forward to the journey. Thank you all very much.

Operator

Thank you very much, sir. Ladies and gentlemen, that then concludes today's event, and you may now disconnect your lines.

END OF TRANSCRIPT