

NASPERS LIMITED

Investment Memorandum — NAV & Structural Discount Analysis

Coverage Period: FY2020–FY2025 | Prepared by: Shawn Sibanyoni | Date: 19 February 2026

Investment Rating: HOLD / Selective Accumulation on Discount Compression

Naspers represents a structurally discounted holding company whose intrinsic value is primarily driven by its stake in Tencent and the persistence of its discount-to-NAV. While underlying asset value remains robust, market pricing reflects a significant structural discount, creating valuation convexity in re-rating scenarios.

1. Business Overview

Naspers operates as a global consumer internet group structured around its majority ownership in Prosus N.V. (listed Amsterdam), which in turn holds approximately 24% of Tencent Holdings. Additional investments span classifieds, food delivery, and fintech. Capital recycling through share buybacks and asset sales is a key feature of the investment thesis.

The investment thesis is not dependent on consolidated earnings growth, but rather on:

- Look-through asset valuation (primarily Tencent stake)
- Discount-to-NAV persistence and compression catalysts
- Capital allocation discipline (buyback programme)
- FX translation dynamics (HKD/ZAR and USD/ZAR)

Structural Note — Tencent Ownership via Prosus (Important)

Naspers does not hold Tencent directly. Since the 2019 Prosus restructuring, the ownership chain is:

- Naspers holds ~57% of Prosus N.V. (Amsterdam-listed)
- Prosus holds ~24% of Tencent Holdings (as of 2025)
- Effective economic interest: $\sim 57\% \times 24\% \approx 13.7\%$ of Tencent

The ownership % in this model represents the blended effective economic interest in Tencent, not a direct holding. Pre-2019 figures reflect a more direct structure. The percentage has declined from approximately 31% in 2018 to ~13.7% by 2025, reflecting both Prosus restructuring and subsequent dilution through Prosus's own share issuance. This structural complexity is the primary reason the conglomerate discount persists.

2. Valuation Framework

This analysis applies a structured Net Asset Value (NAV) methodology across three steps:

Step 1 — Look-Through Asset Valuation

- Tencent stake marked-to-market at current HKD market price
- Adjusted for cross-holdings between Naspers and Prosus
- Converted via HKD/ZAR and USD/ZAR FX rates (monthly time series 2018–2025)

Step 2 — Corporate Adjustments

- Net debt integration
- Holding company cost drag (management fees, listing costs)
- Minority interest considerations

Step 3 — Discount-to-NAV Analysis

- Historical discount trend review (FY2020–FY2025)
- Scenario-based discount modelling (Bull / Base / Bear)
- Convexity analysis under discount compression

3. Key Metrics

Metric	Value / Comment
Current Discount to NAV	65.7%
Base Case Discount Assumption	50%
Bull Case Discount Assumption	35%
Bear Case Discount Assumption	65%
Implied Intrinsic Value Range	R859 – R1,596 per share
Base Case Intrinsic Value	R1,228 (implies ~46% upside)
Effective Tencent Interest (2025)	~13.7% (via Prosus — indirect)
Data Series	84 months: January 2018 – March 2025

4. Key Insight

Naspers valuation is driven less by operating performance and more by structural discount dynamics. The market continues to price in persistent discount risk, despite ongoing capital return initiatives and cross-holding simplification efforts.

Discount compression remains the primary upside catalyst. The model demonstrates high sensitivity to discount compression: a 5–10% reduction in the structural discount materially increases implied fair value per share. This creates asymmetric upside in scenarios where Prosus simplification efforts gain traction or buyback programmes reduce the holding company cost drag.

Importantly, the declining effective ownership percentage (31% in 2018 to ~13.7% in 2025) reflects the two-layer holding structure introduced post-2019 and subsequent dilution at the Prosus level. This is a structural feature of the investment, not a data error.

5. Risk Assessment

Structural Risks

- Persistent conglomerate discount due to complexity and indirect holding structure
- Cross-holding complexity between Naspers and Prosus
- Limited control over Tencent valuation (minority stake, indirect)
- Further dilution risk if Prosus issues equity

Market Risks

- FX volatility (HKD/ZAR, USD/ZAR) — significant driver of ZAR-denominated NAV
- China regulatory risk impacting Tencent platform businesses
- Capital allocation execution risk — buyback pacing and asset sale discipline

Catalysts

- Continued Naspers/Prosus share buyback programme (reduces share count, NAV-accretive)
- Simplification of cross-holding structure (reduces complexity discount)
- Sustained Tencent revenue and profit growth
- Narrowing of discount-to-NAV gap (primary valuation driver)

6. Investment Conclusion

Naspers represents a structurally discounted asset with convex upside potential driven by discount compression rather than operating growth. While the underlying asset base remains high quality, current valuation depends on structural re-rating rather than fundamental earnings expansion.

The stock offers asymmetry in scenarios where the structural discount narrows — particularly as the buyback programme reduces holding company complexity and Prosus cross-holding unwind progresses. Absent re-rating catalysts, value realisation may remain gradual.

7. Analytical Framework Summary

This valuation integrates:

- Look-through NAV modelling (Tencent stake via Prosus, marked-to-market monthly)
- FX translation architecture (HKD/ZAR and USD/ZAR monthly series, 2018–2025)
- Discount sensitivity grid (35% to 65% discount range)
- Capital allocation impact modelling (buyback share count reduction)
- Scenario-based intrinsic value estimation (Bear / Base / Bull)
- Ownership % tracking reflecting effective economic interest through Prosus (not direct holding)

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