

Naspers Limited

Investment Memorandum — NAV & Structural Discount Analysis

Coverage Period: FY2020–FY2025

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Investment View

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.

Investment Rating: HOLD / Selective Accumulation on Discount Compression

Business Overview

Naspers operates as a global consumer internet group structured around:

- Majority ownership in Prosus
- Indirect exposure to Tencent
- Classifieds, food delivery, and fintech investments
- Capital recycling through buybacks and asset sales

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

- Look-through asset valuation
 - Discount-to-NAV persistence
 - Capital allocation discipline
 - FX translation dynamics
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Valuation Framework

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

Step 1 — Look-Through Asset Valuation

- Tencent stake marked-to-market
- Adjusted for cross-holdings
- Converted via HKD/ZAR and USD/ZAR FX rates

Step 2 — Corporate Adjustments

- Net debt integration
- Holding company cost drag
- Minority interest considerations

Step 3 — Discount-to-NAV Analysis

- Historical discount trend review
- Scenario-based discount modeling (Bull / Base / Bear)
- Convexity analysis under discount compression

Key Metrics

- Current Discount to NAV: 65.7%
- Base Case Discount Assumption: 50%
- Bull Case Re-rating Scenario: 35%
- Implied Intrinsic Value Range: R859 – R1,596 per share, based on discount assumptions between 65% and 35%.
- Base case intrinsic value of R1,228 implies approximately 46% upside from current market pricing.

The model demonstrates high sensitivity to discount compression. A 5–10% reduction in structural discount materially increases implied fair value per share.

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.

Risk Assessment

Structural Risks

- Persistent conglomerate discount
- Cross-holding complexity
- Limited control over Tencent valuation

Market Risks

- FX volatility (HKD/ZAR, USD/ZAR)
 - China regulatory risk impacting Tencent
 - Capital allocation execution risk
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Catalysts

- Continued share buybacks
 - Simplification of cross-holding structure
 - Sustained Tencent performance
 - Narrowing of discount-to-NAV gap
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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 structural discount narrows, but absent re-rating catalysts, value realization may remain gradual.

Analytical Framework Summary

This valuation integrates:

- Look-through NAV modeling
- FX translation architecture
- Discount sensitivity grid
- Capital allocation impact modeling
- Scenario-based intrinsic value estimation