Prosus

Initial Over-Optimism Deflated: Upgrade to Hold Ahead of CMD

2 December 2019

Key Takeaway

Initiating at Underperform reflected our view that initial optimism (PRX as a simple value-maximising, discount-cutting story) would wither, and the discount expand towards the NPN past, when PRX's true growth investment ambitions (a much more LT, complex and contested invt case) emerged, raising doubts and the discount to NAV. With the current discount est. 27% (vs. 17% at init and our 30% target) we move up to Hold, PT €59 from €61, ahead of tomorrow's CMD.

Initial market over-optimism evaporated - move up to Hold: Initial optimism (naive in our view) that PRX was a simple ST value-maximisation play has rightly evaporated (link to initiation) - PRX is ambitious and self-confident about its skills as a business buyer, builder and investor, as its Just Eat bid shows. That narrative is longer term, and the market isn't remotely as confident - hence the widening discount.

NAV down, discount now est 26%: Our PT assumes a 30% discount to NAV. PRX's NAV has fallen 3% since mid Sept - not so much due to a lower NAV (which we now estimate at €84.9/sh vs €87.5 at initiation, down 3%) but on a wider discount. Tencent, other listed & cash make up 90% of our NAV est – variations in estimates of the other owned activities/investments are thus of limited importance. The discount has widened to an estimated 26% at current €62.6 PRX price, and although we maintain a 30% discount basis, and our PT falls to €59, the downside is now 5% and hence we move to Hold from Underperform, also mindful of the opportunity for the Tuesday 3 Dec Amsterdam CMD to widen/narrow the discount, and perhaps further index buying into 2020.

CMD – potential positives/negatives: Above all, we look for performance metric clarity and a commitment to balance NT value (i.e. discount) against LT growth. 'Investing for the LT' and accepting a >30% discount (as at NPN pre spin) due to market doubts is not investable for us. Clarity over VC-type holding values (ideally IPEV, updated half yearly), focus on owned ops over passive holdings in disclosure terms, and attention to central opex/holdco costs would all aid investor valuation and exhibit concern for value. Setting out target dates for profitability/cashflow positive for the parts of PRX that management control (vs. holdings) and how PRX tests investments (eg JE, or losses today vs. jam tomorrow profits) and its cost of capital (arguably very high) would all be steps that begin to match the standards standalone businesses would face. Given PRX's control is locked, discipline and attention to sharehholder value is essential to avoid the appearance of Tencent success covering a hopeful online shopping spree. We believe that PRX/NPN has been a good investor ex Tencent, making its lapses of disclosure and communication all the more frustrating.

1H20/ests unchanged pending JE: PRX's results have little bearing on its day to day value - unhelpful disclosure does little to reveal performance or aid valuation of owned ops. Cash is the main exception, but any comfort in 1H's €4.8bn is undermined by the pending ~€6bn JE bid - with associated promises of 'investment' (= losses).

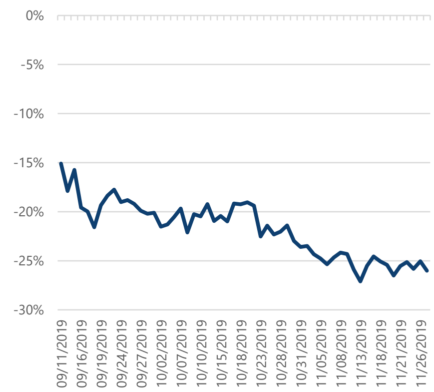
Rating | Target Change

Netherlands | Internet

RATING	HOLD (FROM UNPF)
PRICE	€61.87^
MARKET CAP	€100.7B / $110.8B
PRICE TARGET (PT)	€59.00 (FROM €61.00)
UPSIDE SCENARIO PT	€84.00
DOWNSIDE SCENARIO PT	€48.00

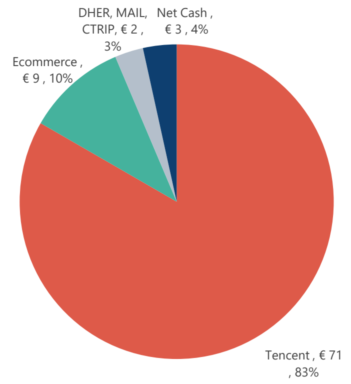
^Prior trading day's closing price unless otherwise noted.

Exhibit 1 - Prosus NAV discount



Source: Factset, Jefferies

Exhibit 2 - Components of Jef NAV of € 85/share



Source: Factset, Jefferies

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PROSUS (PRX NA)

Estimates				
USD	2018A	2019A	2020E	2021E
Rev. (MM)	$2,303.0	$2,654.0	↑ $3,052.6	↑ $3,492.7
Previous			$3,020.3	$3,455.7
Operating Profit (MM)	(615.0)	(418.0)	↓ (444.2)	↓ (467.6)
Previous			(440.0)	(463.1)
NAV	-	87.5	115.4	-
Previous				

Valuation	2018A	2019A	2020E	2021E
EV/Rev	45.8x	39.8x	34.6x	30.2x
P/Rev	48.1x	41.7x	36.3x	31.7x
FY P/E	62.6x	29.0x	26.4x	22.9x
P/NAV		0.7x	0.5x	

Market Data	
52-Week Range:	€77.40 - €59.28
Total Entprs. Value	€95.9B
Avg. Daily Value MM (USD)	60.55
Float (%)	25.6%

The Long View

Scenarios

Base Case

We base our valuation and rating against the current estimated NAV - 'should I buy Prosus vs. Tencent?' is the core question for most investors. Taking current Tencent and other values, our NAV for Prosus is €138bn, or €85/share - probably below consensus on e-commerce activities (minorities, disclosure, excluding listed holding's revenue shares) at €14bn.

We expect PRX to trade towards the previous Naspers discount as index-flow buying subsides - a 30% discount implies €59 PT, 5% downside.

Upside Scenario

Our scenarios each have two strands - one considers the upside/downside PTs for Tencent etc, how that would impact the Prosus NAV and hence likely performance at a stable discount. The other considers the e-commerce assets and discount.

Using our Jef colleague Thomas Chong's Tencent upside target of HKD500 (latest) and likewise for DHER, CTRP and MAIL gives a NAV on a 12m view of EUR118, on which a 30% discount would give an €83 PT.

A narrower discount of 10% vs our base case, plus a higher value for e-commerce ops would imply a PT of €85. Our averaged upside PT is thus €84, 33% upside.

Downside Scenario

Using the downside scenario PTs for Tencent (HKD300) and other holdings, and our base-case discount of 30% would give a PT of €52. Alternatively, using current holding values, a lower $5.4bn e-commerce value and $1bn for central cost NPV and a wider discount of 45% would give a €43 PT. Averaging these gives a downside PT of €48, downside of 24%.

Investment Thesis / Where We Differ

We see Naspers' discount as having been only partly South-African driven, and hence Prosus' post index/flow discount as likely to move closer to the NPN range of 30%-40%.

Prosus' actions (acquiring private, often loss-making stakes and businesses in ecommerce, reducing net cash) and likely continued rejection of buybacks could give rise to the same anxiety that beset potential Naspers' buyers as South Africans sold - cheap, but a value trap and getting cheaper. Clearly moves in Tencent are the main NAV driver - our thesis is discount-driven against current Tencent and other stake values.

Catalysts

NAV is driven (Exhibit 1) by Tencent (83%) followed by other listed holdings and private ops performance (updated half-yearly in November and June).

Deployment of cash would also drive discount sentiment - net buybacks would be an unexpected positive, while using up cash on acquisitions would reduce comfort pending market perception of the deals.

Focus for the CMD: Five Topics to Drive the Discount

Although our rating upgrade to Hold mainly reflects the wider discount, now closing in on our 30% target, and thus limiting the downside, we are also mindful that the CMD tomorrow in Amsterdam could generate stock moving news - albeit in either direction. Our key questions/focus points are five: does discount management matter to management (which divides into buybacks and mindset/narrative), disclosure to aid valuation, attention to costs and attention to returns/investment discipline, and finally some queries on knowledge sharing in the Prosus structure.

There will of course be plenty of other useful information from the event - our focus on the topics above reflects their importance, in our view, to the discount widening or narrowing.

Central to our points below is that we believe that PRX/NPN *are* good investors: beyond Tencent. If they were bad investors, delivering flat or declining NAV, then costs, discipline, narrative or disclosure wouldn't matter. It's because we believe that PRX are (probably) good investors and business builders but bad at getting that reflected in the share price that we had rated the company Underperform, and we still seek positives before considering buying.

Any More than Lip-Service to Discount Management?

We believe that investors swerve PRX, despite an easy-to-calculate NAV/SotP and hence visible discount, because they doubt that the management will do anything near term to address the discount (we don't see the other arguments over South African domicile or tax as major factors, as in our initiation and earlier on Naspers). The LT potential and growth will thus remain long term, always over the horizon with PRX lagging. As above, we peg the likely discount at 30% which now looks close to being realised. Any suggestion that PRX/NPN management will take a more active approach to discount management would therefore potentially be very positive for the shares.

Management rightly observe that PRX has 'unlocked value' in that it trades at a narrower discount than NPN used to. And the earlier spin off of SA TV activities and now the PRX transaction are clearly major events - but the feeling remains that management will not sacrifice any cent of their long-term focus on being a major player in 'online' to address short-term undervaluation of the whole business - which therefore creeps wider.

What would real discount management look like? We see two main avenues - the holistic and fuzzier one is a change of mindset in how the business communicates about its value and nature, but the more specific one can only be returns of capital, most pertinently buybacks.

Buybacks: always considered, never actioned - and now unfundable?

As we said in our September initiation:

If Prosus means 'forward' expect more investments in emerging ecommerce, not backwards to shareholders.

The JE move swaps net cash for JE, and swaps an improving cashflow profile for rising outflows medium term as it invests in losses at JE - the preference against buybacks is clear, and the financial scope for them has vanished in our view.

Given that the proposed JE takeover is being financed by debt, and CFO Sgourdos noted on the 1H call that there was scope for more debt without imperiling PRX/NPN's investment grade rating. More bullish analysts clearly hope that this means there is room for buybacks - we'd rather think this means that the company can finance higher losses (sorry, investments) in food and in M&A. Acquiring more businesses, even loss-making ones, may also be more favoured by lenders than buying back stock.

What we expect from the CMD is a repeat of the usual mantra: to quote CFO Sgourdos from the 1H20 conference call in reply to a buyback question: *"we remain committed to taking further action to continue to unlock value and that's what we're going to do. I don't want to speculate now when and what time but I think it's definitely something that's well on the radar. We're working hard at it and when we're ready we'll come back and buybacks is definitely one of those options".*

After years of NPN trading at a wide discount, and now PRX trading at a >25% discount, investors need something more concrete in our view, if there is to be some risk in selling PRX/not owning it. Logically, it would follow another rather well known investor, Warren Buffett, in setting a broad policy to buy stock if the discount exceeded a certain level, with some time schedule attached. Without something more specific, we would see the CMD as having failed on this key test.

What is Prosus? Narrative matters for valuation

Our more general 'do they care about the discount' test for the CMD is how management disclose and discuss the business. We know, and understand, that management hate to be seen as VC investors - but reality matters, and PRX's Tencent investment (surely no-one thinks PRX management are more than passive shareholders) has clearly become the overwhelming value driver of the business - which the management implicitly accept in their talk about the discount and value unlocking.

However, this acceptance isn't followed through in disclosure and narrative - the company accounts, including its economic interest in Tencent, focus on EPS, etc. Yet we haven't met any investor who values PRX on its earnings (including a restated, lagged by a quarter, Tencent element)? No: investors look at an NAV or SotP, which takes the stock market values for Tencent and other listed stakes, and then estimate (if they even go that far) the value of the unlisted operations and investments.

Disclosure to Aid Valuation

Partly related to the narrative/mindset point above - we like it when PRX talks about RoI on its investments - not so much when it presents Tencent as if it were a Chinese subsidiary.

As we have said, we don't believe investors need any help valuing PRX's listed stakes - Tencent or DHER - but rather in valuing its owned businesses, JVs and investments.

Disclosure in Food, Payments and Classifieds: more and with targets

Although they represent single figure percentages of total NAV, these are the opaque parts of PRX. Disclosure is currently patchy - picking growth rates for specific markets but not all, or cherry picking profitable parts and dividing off loss makers. We'd like to see separate income statements and cashflows for the divisions (ex-listed holdings) with enough granularity to model and value them - as we'd expect from a public company. As it is, we expect to know much less about JE if acquired, than we would about it currently or if it merged with Takeaway.

We'd also like to see targets - for expected timetables for profitability, or for cashflow positive, for LT margins and NT for growth and margins - all things we'd expect for a public company. These would be updated periodically.

The current picture seems to us to be more 'focus on the LT potential, never mind the path'. This also feeds into the 'attention to returns' point below.

Disclosure of VC investments: IPEV style please?

VC and PE funds, and other patient capital type vehicles in Europe tend to follow broad guidelines such as IPEV (International Private Equity and Venture Capital Valuation) to provide external LPs/investors with common benchmarks to value private stakes. Typically stakes are conservatively valued at last round levels or on comparator multiples (or if necessary on DCFs, etc) and marked down more readily on any adverse trading or events.

A half yearly or even annual summary of the venture parts of PRX in such a way would provide a useful tool for the least visible part of PRX's value jigsaw. It would cover issues that external investors can't know (cap table preferences, etc) without requiring case by case disclosure that VC investments don't readily want to disclose. In this case, a total for a group of holdings would be sufficient for PRX valuation purposes - versus the details we'd like for the main operations above.

Attention to Costs: More Symbolic than Value Moving, but Important

As noted in the 1H20 release: *the group views corporate costs as primarily relating to the support of the Ecommerce business*.

This figure was $96m in 1H20, so a run rate of nearly $200m pa. This is negligible in the context of NAV (around a 0.1% 'management fee' or drag on annual NAV growth) but a significant sum in annual cash terms - a large amount to cover central costs (board, audit, accounting, etc) given that all of the actual operational costs of the owned business (classifieds, etc) are presumably included with those businesses.

In our view, good governance, especially given the lock on control/anti-activist nature of PRX/NPN's control structure, would include cost control as a KPI.

Attention to Returns/Investment Discipline

Similar to the point above - and much more significant - it's not clear to us how PRX allocates, accepts/rejects or monitors investments. The broad sense appears to be that, say, food delivery is a huge LT growth opportunity, and thus any losses ('investment') incurred in staking a larger claim on that future opportunity is thus justifiable.

We assume that there are returns criteria, business cases, etc and hope that these are back checked and updated on past decisions - but clearer disclosed KPIs on this would again help to defeat the 'lucky on Tencent, now spending the winnings' narrative. A current example is JE - there aren't really any guidelines investors can use to judge what PRX would consider 'too much' to pay - and while during a bid isn't the tactical time to introduce them, it would be reassuring to know what debt limits are, and why, and what returns/risks are required in plans like boosting Food losses to grow revenues.

Knowledge Sharing in the PRX Structure: Trivial or Troublesome?

One of PRX's key justifications for its holdings, across listed, JV, VC investments and wholly owned operations is that it can share learnings and expertise it gains in a field like food delivery. Management commented at the launch of the JE bid that their involvement ranged from owned operations through JVs like iFood in Latam through the listed holding in DHER and the leading VC investment in Swiggy in India and even into

China (as a shareholder and through board directorships in Tencent, controlling Meituan Dianping) and Russia (via Mail.ru).

Clearly PRX and its management are involved in food, and knowledgeable about it, in various markets and various models. Some of the claims about knowledge sharing can also be put down to the tendency for investors and VCs to adopt the successes of the managements of investee companies as their own.

In the bid battle for JE, PRX is pitted against the founder/pioneer CEO of Takeaway.com, Jitse Groen, and his proposal to JE shareholders (supported by JE's board) of a merger with shareholders able to participate in the future growth of the business under his management team.

Although PRX is offering cash, and hence JE shareholders can be indifferent to how well or badly PRX will turn around JE, there is pressure on PRX management to make their case as competent managers of the JE business in order to justify the acquisition. As below, their argument about significant investment needs might concern PRX share or bondholders but is a useful weapon to target Takeaway's share price and hence its bid.

But how well does the 'knowledge sharing' argument (not just in food but in classifieds and payments etc) stand up?

We're sceptical that it can really play strongly across different ownership types. For example, if DHER management presented to the board (and hence PRX) a wizard new strategy or technological innovation, can PRX then take that knowledge and transfer it to iFood (majority owned and JV) or Swiggy (VC investment) or even to Tencent/Meituan? Or between any other of these involvements in return?

Knowledge sharing within wholly or majority owned ops is normal and right. But would it be right for DHER or Swiggy to be sharing their knowledge with a shareholder who has other activities in the sector? Perhaps so, if the markets are different, but we begin to find the claims of cross fertilisation and knowledge sharing, when they go beyond the 'we know a lot about food, as an investor and operator', as problematic and risking conflicts with other shareholders and investors in these businesses. Do they want to share their companies' IP with other business due to a common shareholder? What's their rationale or payoff for that?

So, we believe that the knowledge sharing point is somewhat overblown or otherwise problematic, and will be interested in how PRX advances this argument at the CMD and during the JE bid.

We do see a different rationale for PRX's multiple holdings across different stages of companies. In a fluid and developing industry like food, being able to play at the VC stage, as a JV partner, as an operator and as a public markets investor may offer useful deal making flexibility. We note the travel example: where PRX/NPN parlayed a number two private company role in India into a ~45% stake in the runaway leader (through a merger with its main rival) which listed on Nasdaq and finally into a ~5% stake in the much larger consolidator/leader Chinese Ctrip (now TRIP): a smaller stake in a much bigger and better pie. In food, PRX evidently aims to be one of the last men standing, but might choose to swap a stake here or operation there for a bigger, better whole.

As our specialist analyst, Giles 'delivery' Thorne, has observed, public markets may not be the best home for businesses that are still buying revenue with loss-making offers and exploring new business models, and unable to easily offer guidance in the short term. PRX can be a home for such businesses; albeit this runs against our desire for disclosure and guidance/goals; and thus implies a larger discount in the near term.

Just Eat: A Narrative Changing Move, Hand Being Well Played

As we commented in our initiation in September:

Many of the calls we fielded over the past year on Naspers (especially since the Tencent Topslice and Flipkart Flip boosted cash by >$10bn) were from food delivery shareholders, or online classifieds, payments, etc asking if Naspers would buy (more of) their stock.

Overall, the answer is almost always 'possibly yes'. Prosus/Naspers clearly likes the food, payments and classifieds sectors, feels it has expertise and wants to invest/grow its exposure. Its bias is towards emerging markets, but not exclusively. Could it intervene in the Just Eat takeover, or add in Delivery Hero? Certainly it would fit the strategy to some degree. Would taking a public company private, reducing disclosure of operating metrics within the Prosus group be a net positive for NAV transparency and the discount? Not on their own, we suspect.

And so it has come to pass - Prosus is trying to acquire Just Eat as above - and we don't expect its ambitions to end there, but rather for the group to channel any available funds (eg from further Tencent sales or from higher debt) into growing its payments, food, classifieds verticals.

This is what we mean by saying it's a narrative changing event: versus the investment case we heard from many investors as PRX listed ('the discount Its so cheap' or 'they're doing this to avoid tax/enable buybacks and close the discount - buy') that PRX was a simple, discount reduction value maximisation NT play, JE shows PRX's true colours - not concealed by management in our view, even if they played along with shorter-term hopes - that PRX is about long-term growth (and without too much concern for the near-term pain).

We've discussed the JE deal earlier and our update would be that PRX appears to be playing its hand reasonably well: the strength of its offer is that its cash offers certainty to JE shareholders. Given that the flipside is that the Takeaway.com proposal offers participation in the upside, and can claim more operating expertise to back the argument that this participation could be valuable upside, it makes sense for Prosus to talk up the significant financial investment required to reposition JE. This would represent a depressant to Takeaway stock and thus to its offer value - that it also potentially depressed Prosus' stock price doesn't affect its cash bid. Damage to Prosus sharheolders in the NT is collateral damage in the battle to get JE.

Valuation - Focused on the Discount, versus Tencent-Driven Moves

What if Tencent? We're all about the discount, but the elastic is stretching

Clearly our thesis is discount-driven - if Tencent soars, Prosus' NAV will follow (87% of it) and even if the discount widened, the shares could steady or rise. Although a rising Tencent and a lagging Prosus (but still rising >15%) would qualify as a Buy on Jefferies rating system, this isn't the question investors ask us (nor was it for Naspers) - the question is framed in discount terms, or as 'which will perform, Naspers/Prosus or Tencent?' - especially given the hedged pair trade that is open to some global investors.

As below, in our Tencent price vs. Prosus discount ready reckoner, investors can easily dial in their own Tencent and discount expectations and invest accordingly. See our Jefferies colleague Thomas Chong's recent initiation on Tencent at Buy and latest update set out the Tencent investment case.

Our NAV for Prosus is based on current market values and exchange rates. For DHER, MAIL and CTRP - Jefferies cover all three - Giles Thorne for Delivery Hero (DHER GR, Buy, latest DHER note), Sebastian Patulea for Mail.Ru (MAIL LI, Hold, latest MAIL note) and Thomas Chong again for Ctrip - now Trip.Com (TCOM, Buy, latest TCOM company note).

Valuation - NAV and Discount

We set out our NAV summary below.

The listed companies are valued at closing mid-prices and converted at the current exchange rates. Naspers and Prosus report in USD, and we convert the latest net cash position from end-March 2019.

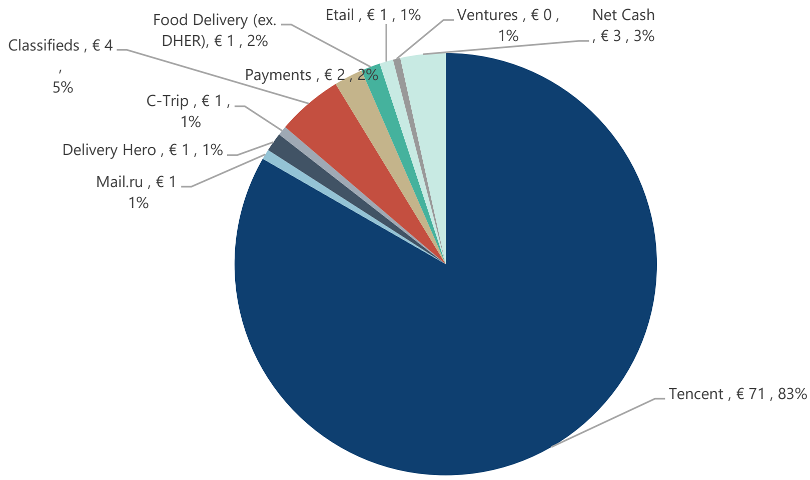
We value the unlisted stakes and operations via a mix of last round values and revenue multiples, adjusted for the ownership stake held. Minorities in some structures (eg below the 100%-owned OLX legal entity) reduce the implied 100% valuations. We also note that Prosus includes its 'economic share' of DHER revenues within its food delivery revenues, and these should be removed to avoid double counting with the DHER stake - likewise travel is effectively the MakeMyTrip investment now converted to the CTrip stake. Some of the retail revenue reported for FY19 related to the disposed-of Flipkart stake. Although Naspers delivered a blizzard of growth rates and operating metrics (meals delivered, ads placed, etc) it hasn't tended to reveal full financial details for even its larger private activities, nor post-money valuations of its venture investments and stakes - not uncommon for venture capital investors but limiting for a public company. We summarise our ecommerce and venture valuations below, but note that variations in this sum, even large ones, have little impact on the total NAV - doubling their value would add only ~8% to NAV. We're perhaps $2-3bn below some consensus numbers for these activities - a big sum, but only EUR1-EUR1.7/share for Prosus. For listed VC to trade at a discount to private stakes of 30%-40% is typical.

This also begs the question of the discount again - suppose, as one investor proposed, that we are too cautious on our ecommerce values - if this is consensus, then all we have discovered is that Naspers (and thus potentially Prosus) was even more disliked and discounted by the market, and the discount range was perhaps 35% to 45%. Only if the new higher value was a non-consensus view would it potentially change the Prosus valuation. Our lower ecommerce/ventures valuation is not the key driver of our valuation and rating.

Having established that the NAV of Prosus is around €85/share, with realistic error bars (at current Tencent value and FX) of +/-EUR 1 or 2, the historical Naspers discount range of 30% to 40% is, clearly, potentially the far larger determinant of Prosus' price if, as we believe, a return to similar levels is likely.

Exhibit 3 - Components of Prosus' NAV/share (JefE current)

Uncontroversically valued Tencent (83%) dominates



Source: Jefferies estimates, Factset price, company data

Exhibit 4 - PRX Valuation Summary

Valuation Summary (in €m)

	PRX stake	Current price (local)	PRX Current valn (in €m)	NAV/share €	% of total NAV
Listed assets					
Tencent	31.0%	HK$335.0	€ 115,161	€ 70.7	83.3%
Mail.ru	28.0%	$20.2	€ 1,073	€ 0.7	0.8%
Delivery Hero	22.3%	€ 47.3	€ 1,989	€ 1.2	1.4%
C-Trip	5.6%	$33.1	€ 992	€ 0.6	0.7%
Total			**€ 119,215**	**€ 73.2**	**86.3%**
Unliste assets - Ecommerce excl. Travel (Ctrip & DHER)					
		FY19A Rev	**PRX Current valn**		
Classifieds		€ 761	€ 6,941	€ 4.3	5.0%
Payments		€ 320	€ 3,040	€ 1.9	2.2%
Food Delivery (ex. DHER)		€ 155	€ 2,031	€ 1.2	1.5%
Etail		€ 1,357	€ 1,443	€ 0.9	1.0%
Ventures		€ 212	€ 775	€ 0.5	0.6%
Total Ecommerce		**€ 2,805**	**€ 14,230**	**€ 8.7**	**10.3%**
Net Cash	**100%**	**€ 4,775**	**€ 4,775**	**€ 2.9**	**3.5%**
Total NAV			**€ 138,220**	**€ 84.9**	**100%**
Shares outstanding			1628		
NAV/share			**€ 84.9**		
Jef asssumed discount			-30%		
PT			**€ 59**		

Source: Factset, company data, Jefferies

Risks: Tencent, the discount and investments

Risks, up or down, divide into two kinds - affecting NAV and affecting the discount.

Risks to the upside, are that the NAV rises - which mainly implies that Tencent rises. However, we note that a, say, 43% rise in Tencent (our Jef colleague Thomas Chong's upside PT), and a wider discount could mean that Prosus gained 'only' 20%. This would qualify as a Buy under Jefferies' rating system, but we believe that most international/ active investors judge Prosus (as they judged Naspers) against Tencent rather than in absolute or country-index-constrained terms. Investors can obviously translate different Tencent scenarios into the associated PRX price depending on discount: our ready-reckoner is below.

Likewise, a fall in Tencent would have the largest impact on the NAV to the downside. Theoretically, the Hong Kong dollar is a Tencent-sized exposure or, in economic terms, the Chinese yuan, for the bulk of Tencent's value - but neither currency appears likely to experience the swings that Tencent has over the past year (HKD251 to HKD400).

After Tencent, the next-largest asset with potential volatility is DHER or the classifieds grouping, but at under 5% of NAV, they are noise. A general boom or bust in start-up, ecommerce, loss-making/investing online businesses would potentially multiply via, respectively, a smaller discount to the upside or a wider one to the downside.

As for the discount itself, the largest upside risk is probably buybacks as above, and the largest downside one the ebbing of index and related flows, followed by some corporate action that raised major governance/strategic doubts - JE effectively represented the crystallisation of such a risk: that PRX is about growing its business empire, not managing down the discount NT.

Tencent vs Discount Ready Reckoner

Exhibit 5 - PRX PT sensitivity table (700 HK price vs NAV discount)

		Tencent price (HKD)						
		244	271	302	**335**	369	405	446
Discounts	-45%	€ 36.15	€ 39.30	€ 42.80	€ 46.69	€ 50.58	€ 54.86	€ 59.57
	-40%	€ 39.44	€ 42.87	€ 46.69	€ 50.94	€ 55.18	€ 59.85	€ 64.98
	-35%	€ 42.72	€ 46.45	€ 50.58	€ 55.18	€ 59.78	€ 64.84	€ 70.40
	-30%	€ 46.01	€ 50.02	€ 54.48	**€ 59.43**	€ 64.38	€ 69.82	€ 75.82
	-25%	€ 49.30	€ 53.59	€ 58.37	€ 63.67	€ 68.98	€ 74.81	€ 81.23
	-20%	€ 52.58	€ 57.17	€ 62.26	€ 67.92	€ 73.58	€ 79.80	€ 86.65
	-15%	€ 55.87	€ 60.74	€ 66.15	€ 72.16	€ 78.17	€ 84.79	€ 92.06

Source: Jefferies estimates

We see Prosus as a holding company - a kind of listed VC or patient capital company with a mix of stakes in listed companies, private companies plus JVs and wholly-owned operations. We value it, and base our ratings, on this NAV and discount approach. The P&L and balance sheet, which include the revenues, earnings and some book values of the stakes, are thus little guide to the changing value of Prosus - we don't work out the value of ~31% of Tencent by reference to Prosus' one-quarter-lagged, restated revenues and earnings of its 'economic interest' in Tencent - we base our valuation of Tencent on the market price of the shares.

Hence the main interest in Prosus' financials is twofold - the revenue and earnings (losses) of the ecommerce businesses (~9% of our current NAV, +1% for ventures, but would rise to 11-12% with JE added in) as a guide for their value and the topco cash and debt (net cash 4% of current NAV, but ~zero if JE proceeds) which also determines Prosus' investment capability and likelihood of selling more Tencent.

Prosus' accounting, like Naspers', is unusual. To reflect the scale of the businesses in which it holds stakes (passive investors we would say) it includes its 'economic share' of investments - ~31% of Tencent, ~22% of DHER, etc. To add to the confusion, it reports these interests with a quarter lag, and furthermore adjusts the reported Tencent, etc., numbers to its own accounting standards. Implying that investors might value its stake in Tencent differently through the Prosus lens than through the stock market. A trio of EPS figures follows.

Cashflow inevitably gives a better picture of the core of Prosus - negative operating cashflow, albeit outflows shrinking, mostly offset by dividends from Tencent. Rather different to the 'economic interest' revenues of over $18bn in FY19. JE would replace a small interest income with what appear likely to be significant losses (sorry, 'investments') to address delivery competition in the food market.

We would add that the economic interest approach is applied to the ecommerce activities - so the food delivery revenues include the ~22% share of DHER's revenues (lagged, adjusted) and therefore valuations based on revenue or GMV multiples need to reflect this or risk double-counting the DHER stake and its contribution to revenues. The minorities and JVs in ecommerce also muddy the water when assessing the value of the online classified business, etc - eg parts of OLX and Avito are owned by Adevinta (formerly Schibsted) and others. Minorities can be significantly valuable - as the $1.2bn spent acquiring ~30% of the Avito minorities in January 2019 showed.

No Just Eat inclusion in financial statements yet

Pending the progress of the takeover battle for Just Eat, we haven't changed our estimates yet - as above, the more relevant point is that Prosus would be trading a net cash position for a larger food delivery private business, whose initial impact is likely to be cash outflows, and all of which reduces the visibility of PRX's NAV and the scope for buybacks to address the widening discount (still much hoped for from some investors).

Exhibit 6 - Prosus income statement

YE March, $m	FY17	FY18	FY19	FY20E	FY21E
Revenue	**1,835.0**	**2,303.0**	**2,654.0**	**3,052.6**	**3,492.7**
yoy growth %		*26%*	*15%*	*15%*	*14%*
Ecommerce	*2551*	*3342*	*3596*	*4,481*	*5,488*
yoy growth %		*31%*	*8%*	*25%*	*22%*
Social & Internet platform	*7,692*	*12,281*	*14,744*	*18,180*	*22,518*
Tencent	7,506	12,024	14,457	17,800	22,064
Mail.ru	186	257	287	380	454
Corporate Services	*0*	*0*	*0*	*0*	*0*
Total economic interest	**10,243**	**15,623**	**18,340**	**22,660**	**28,006**
(-) Equity accounted investments	(8,375)	(13,320)	(15,686)	(19,608)	(24,513)
	82%	*85%*	*86%*	*87%*	*88%*
(-) eliminations	-33	0	0	0	0
Total from discontinued operations	327	0	0	0	0
COGS	(1,136)	(1,384)	(1,596)	(1,805)	(2,030)
as % of sales	*62%*	*60%*	*60%*	*59%*	*58%*
SG&A	(1,492)	(1,507)	(1,436)	(1,652)	(1,890)
as % of sales	*81%*	*65%*	*54%*	*54%*	*54%*
Other gains/(losses)	(25)	(27)	(40)	(40)	(40)
Operating loss	**(818.0)**	**(615.0)**	**(418.0)**	**(444.2)**	**(467.6)**
Trading (loss)/profit	**(679)**	**(386)**	**(300)**	**(317)**	**(325)**
% margin	*-37%*	*-17%*	*-11%*	*-10%*	*-9%*
Ecommerce	(866)	(652)	(552)	(609)	(731)
Social & Internet platform	2,761	3,726	3,952	5,255	6,148
Tencent	2,701	3,675	3,929	5,245	6,118
Mail.ru	60	51	23	10	29
Corporate Services	*-14*	*-14*	*-17*	*-3*	*-3*
Total (economic interest)	**1,881**	**3,060**	**3,383**	**4,642**	**5,414**
(-) Equity accounted investments	(2,560)	(3,446)	(3,683)	(4,959)	(5,739)
Eliminations	0	0	0	0	0
Depreciation	20	24	25	35	49
Amortization	104	97	94	91	88
EBITDA from continuing operations	**(651)**	**(354)**	**(259)**	**(280)**	**(290)**
% EBITDA margin	*-35%*	*-15%*	*-10%*	*-9%*	*-8%*
Interest income	17	34	265	265	265
Interest expense	(200)	(195)	(200)	(200)	(200)
Other finance income/costs	(638)	(330)	114	114	114
Share of equity-accounted results	1,857	3,292	3,408	4,588	5,310
(impairment)/reversal of impairment of equity-accounted investments	1	-46	-88	0	0
Dilution (losses)/gains on equity accounted investments	-119	9224	-182	0	0
Net gains on acqn and disposals	249	30	1610	20	0
PBT	**349**	**11,394**	**4,509**	**4,343**	**5,022**
Tax	(11)	(39)	(258)	(249)	(287)
implied tax rate	3%	0%	6%	6%	6%
Profit from continuing operations	338	11,355	4,251	4,095	4,734
Profit rom discontinued operations	2,062	0	0	0	0
Profit for the period	**2,400**	**11,355**	**4,251**	**4,095**	**4,734**
non controlling interest	(206)	(130)	(55)	(148)	(148)
Equity holder	2606	11485	4307	4,243	4,882
Headline earnings	**448**	**1,766**	**3,808**	**4,249**	**4,888**
Core headline earnings	**1,499**	**2,506**	**3,094**	**5,126**	**5,837**
Headline earnings per share (US cents)	27.57	108.68	234.34	261.46	300.81

Source: Jefferies estimates, company data

Exhibit 7 - Prosus Balance Sheet

YE March, $m	FY17	FY18	FY19	FY20E	FY21E
Asset					
Non current assets	**14,102**	**20,087**	**22,881**	**28,985**	**34,863**
PP&E	55	96	143	165	182
Goodwill	2,147	2,181	2,035	2,894	2,894
Other intangibles	1,038	958	794	576	293
Investments in associates	10,691	16,669	19,746	25,158	31,265
Investments in JVs	66	74	95	124	161
Investments and loans	49	62	47	47	47
Other receivables	32	21	6	6	6
Derivative financial instruments	-	1	1	1	1
Deferred taxation	24	25	14	14	14
Current assets	**3,780**	**11,493**	**9,982**	**9,235**	**8,228**
Inventory	94	139	148	176	176
Trade receivables	138	169	135	162	186
Other receivables	213	348	496	595	673
Related party loans & receivables	24	26	19	19	19
Derivative financial instruments	-	2	-	-	-
Short term investments	-	-	7,037	6,739	6,739
cash and cash equivalent	3,209	10,809	2,131	1,544	435
Asset classified as held for sale	102	-	16	-	-
Total asset	**17,882**	**31,580**	**32,863**	**38,221**	**43,090**
Equity & liabilities					
Equity	**11,573**	**24,356**	**27,249**	**32,222**	**36,999**
Capital and reserves attributable to group e(	11,254	24,082	27,117	32,090	36,867
Net parent investment	11,845	23,307	27,345	32,318	37,095
Other reserves	(591)	775	(228)	(228)	(228)
Non controlling interests	319	274	132	132	132
Non current liabilities	**4,176**	**4,460**	**4,034**	**4,297**	**4,297**
Long term liabilities	2,198	3,216	3,244	3,244	3,244
Other non-current liabilities	1,710	869	540	803	803
Related party loans & payables	5	4	2	2	2
Cash settled SBP liabilities	28	37	36	36	36
Provisions	5	6	3	3	3
Derivative financial instruments	2	123	33	33	33
Deferred taxation	228	205	176	176	176
Current liabilities	**2,133**	**2,764**	**1,580**	**1,701**	**1,795**
Current portion of LT debts	723	68	22	55	55
Provisions	20	23	14	14	14
Trade payables	254	290	244	268	295
Accrued expenses & other current liabilities	1,088	2,343	1,237	1,299	1,364
Related party loans & payables	22	27	37	39	41
Taxation payable	4	11	13	13	13
Derivative financial instruments	22	1	3	3	3
Bank overdrafts	-	1	8	8	8
Liabilities classified as held for sale	-	-	2	2	2
Total equity & liabilities	**17,882**	**31,580**	**32,863**	**38,221**	**43,090**
Net cash	**-**	**-**	**5,894**	**4,976**	**3,867**

Source: Jefferies estimates, company data

Exhibit 8 - Prosus Cash Flow Statement

YE March, $m	FY17	FY18	FY19	FY20E	FY21E
Cash flow from operating activities					
Profit before tax	349	11,394	4,509	4,343	5,022
Loss on sale of assets	1	1	1	1	1
D&A	124	121	119	126	137
Retention option expense	1	6	11	11	11
SBP expenses	94	162	111	111	111
Net finance costs	821	491	(179)	(179)	(179)
Share of equity-accounted results	(1,857)	(3,292)	(3,408)	(4,588)	(5,310)
Impairment on equity accted investments	(1)	46	88	-	-
Gains on acqn & diposals	(264)	(43)	(1,628)	(20)	-
Dilution on equity accounted investments	119	(9,224)	182	-	-
Net realisable valn adj on inventory	-	3	1	-	-
Impairment losses	28	27	7	-	-
Others	(38)	3	(6)	-	-
Discontinued operations	127	-	-	-	-
Operating cash flow adj. for non cash	(496)	(304)	(192)	(194)	(206)
Working Capital					
Change in trade & other receivables	7	(29)	(50)	(126)	(102)
Change in payables & accruals	164	50	2	88	94
Change in inventories	(28)	(28)	(28)	(28)	(28)
Cash from operations	(353)	(311)	(268)	(260)	(242)
Dividends received from investments	192	248	343	435	435
Cash from operating activities	(161)	(63)	75	175	193
Interest income received	17	33	198	265	265
Interest costs paid	(201)	(180)	(202)	(200)	(200)
Taxation paid	(61)	(69)	(94)	(211)	(215)
Net cash from operating activities	**(406)**	**(279)**	**(23)**	**28**	**42**
Cash flow from investing activities					
PPE acquired	(42)	(65)	(90)	(57)	(66)
Proceeds from PPE sales	1	4	1	-	-
Intangible asset acquired	(13)	(8)	(11)	(218)	(283)
Proceeds from sale of intangible	1	-	-	-	-
Acqn of subsidiaries , net of cash	(140)	(39)	(102)	(150)	(150)
Disposals of subsidiaries and businesses	3,358	-	17	5	5
Acqn of asscociates	(216)	(707)	(544)	(250)	(250)
Investments in existing associates	(15)	(1,217)	(733)	(600)	(500)
Partial disposals of associates	-	9,763	4	4	4
Disposal of associates	-	-	1,930	196	196
Acqn of JV	(12)	-	-	-	-
Investments in existing JVs	(14)	(17)	(18)	(29)	(37)
Disposal of JVs	-	138	34	-	-
Maturity of short term investments					
Acqn of short term investments	-	-	(6,967)	298	-
Cash movement in other investments and loans	(3)	(6)	(2)	-	-
Net cash from investing activities	**2,905**	**7,846**	**(6,481)**	**(800)**	**(1,081)**
Cash flow from financing activities					
Proceeds from loans	428	1,013	62	263	-
Loan repayments	(413)	(706)	(51)	-	-
Proceeds from related party funding	339	239	181	-	-
Repayments of related party funding	(579)	(410)	(754)	-	-
Investments in existing subsidiaries	(103)	(98)	(1,603)	-	-
Repayments of capitalised finance lease liabilities	(1)	(1)	(1)	(2)	(2)
Transactions with non-controlling shareholders	102	(43)	58	(52)	(52)
Dividend paid to holding companies					
Other					
Dividends paid to non controlling shareholders	(15)	(25)	(16)	(16)	(16)
Net cash from financing activities	(242)	(31)	(2,124)	193	(70)
Net movement in cash and cash equivalents	2,257	7,536	(8,628)	(579)	(1,109)
FX adjustments	(10)	63	(57)	-	-
BoP cash	962	3,209	10,808	2,123	1,544
CCE classified as held for sales					
EoP cash	**3,209**	**10,808**	**2,123**	**1,544**	**435**

Source: Jefferies estimates, company data

Please see important disclosure information on pages 21 - 26 of this report.

Exhibit 9 - Social Platform snapshot

Social Platform		
	Current	
Jef Valn (in €m)	116,233	
% of NAV	84%	
Asset	**Stake**	**Note**
Tencent	31%	In 2001, the group acquired a 46.5% interest in Tencent, the operator of QQ instant messaging platform in China for $34m, then Naspers ' interest got diluted. In Mar 2018, the group disposed approximately 6% of its interest in Tencent for $9.76bn and Naspers interest reduced from 33.37% to 31.1% . The company then in a 3 yr lock up Tencent is covered by Jef analyst Thomas Chong, Buy, PT HKD 455.3
Mail.ru	28%	In Dec 2006, the group acquired a 30% interest in Port.ru, a leading Russian internet company which operates Mail.ru for $166m. The group subsequently acquired further interests in Port.ru of 2.6% in Oct 2007 and 11.9% in Dec 2008,. In Nov 2009, the Group exchanged its 42.9% stake in Port.ru together with a cash contribution of $104m, for a 39% interest in Mail.ru, which subsequent to a share swap, held Mail.ru business and Astrum Online Entertainment business, the leading Russian online games developer. In 2010, the group exchanged its interest in Mairl.ru for a 28.7% interest in DST , and in Oct 2010, DST was renamed Mail.ru Group. Mail.ru is covered by Jef analyst Sebastian Patulea, Hold, PT $26

Source: Company data, Jefferies

Exhibit 10 - Classifieds Snapshot

Classifieds

	FY19A	FY20E
Rev (in €m)	761	1027
	Current	
Jef Valn (in €m)	6941	
% of NAV	5%	

Asset	Stake	Note
OLX	100%	In 2010, Group acquired a 67.8% interest in OLX, a global online classifieds marketplace business with operations primarily in Brazil and India, and then has been expanding
Avito	100%	In 2011, the Group acquired a 100% interest in Slando limited, an online classifieds company in Russia and Ukraine; in Mar 2013, the group contributed its Slando.ru and OLX.ru assets, as well as $50m in cash in exchange for a 22.2% effective interest in Avito. In Dec 2015, the group increased its interest in Avito to 67.5% for $1.67bn; while in Jan 2019 , the group increased its interest in Avito to 100% for $1.16bn
Dubizzle	100%	In 2011, the group acquired a 25% effective interest in Dubizzle, a leading online classifieds marketplace in UAE for $10m. In 2013 the group acquired an additional interest in Dubizzle, increasing its interest to 53.6%, for $59m. In Apr 2018, the group acquired the share capital held by non controlling shareholders for $190m; following the acqn, the group holds a 100% effective interest in Dubizzle
Letgo	79.9%	In May 2015, the group invested an initial $10m in Letgo, an entity operating a hyperlocal classifieds marketplace app under the letgo brand; in July 2016 the group continues to invest in the letgo brand strengthened its position in the US by acquiring the US operations of Wallapop and merging it into the group's letgo business. As consideration for Wallapop's contribution, it was issued a 45% interest in Letgo with the Group holding the remaining 55% interest. In FY19, the group announced that it had committed to invest an additional $500m in letgo, of which $150m was invested directly in letgo and $189m was used in Aug to acquire Wallapop's interest in letgo USA
Frontier Car Group	35.7%	In May 2018 the Naspers Group invested $89m for a 35.7% effective interest in Frontier Car Group, an online car marketplace with operations in growth market
Carousell	12.0%	In April 2019 the group acquired a 12% effective interest in Carousell in a $56m cash and equity deal. Carousell is one of Asia's largest and fastest growing classifieds marketplaces. As a part of the investment, the Group and Carousell merged their operations in the Philippines

Source: Company data, Jefferies

Exhibit 11 - Payments & Fintech snapshot

Payments & Fintech		
	FY19A	FY20E
Rev (in €m)	320	409
	Current	
Jef Valn (in €m)	3040	
% of NAV	2%	

Asset	Stake	Note
PayU	98.8%	PayU was founded in 2002. As the group developed expertise and conviction, it consolidated a number of its payments businesses under PayU, as its core platform
Citrus Pay	100%	In Sept 2016 the group acquired a 100% effective interest in PayU Payments Private for $130m, Citrus Pay now forms part of PayU's Indian business
Pay Sense	21.4%	In May 2017 and July 2018, the group invested $1m and $12m respectively in PaySense India Private, a technology platform providing Indian consumers with access to credit lines based on an alternative data decisioning model, in July 2019, the group invested an additional $5m in PaySense
Remitly	21.8%	In Nov 2017, the group invested $100m in Remitly, a global digital money transfer service. In Jan 2019 and July 2019, the group invested an additional $6.75m and $10m in Remitly and in July 2019, it invested a further $10m in Remitly
Zooz	98.8%	In Aug 2018, the group acquired Zooz Mobile, a management and optimisation payment provider based in Israel, for $60m
Wibmo	100%	In July 2019, the group acquired Wibmo, a digital payment security and mobile payment technology provider in India, for $66m
iyzico	na	In June 2019, the group announced that subject to customary closing conditions, incl. obtaining the requisite regulatory approvals, it will acquire iyzico, a Turkish digital payment services for $131m. The transaction is expected to close in 2H19
Red Dot Payment	73.3%	In July 2019, the group acquired a 73.3% effective interest in Red Dot Payment for $45m. Red Dot provides online payment solutions to merchants across Asia Pacific

Source: Company data, Jefferies estimates

Exhibit 12 - Food Delivery Snapshot

Food Delivery		
	FY19A	FY20E
Rev (in €m) (ex. DHER)	155	219
	Current	
Jef Valn (in €m)	2031	
% of NAV	1.5%	
	Current	
DHER Valn (in €m)	1989	
% of NAV	1.4%	

Asset	Stake	Note
ifood	54.8%	iFood is a leading food delivery platform in Latin America and the leading food delivery platform in Brazil. iFood is owned by Movile Internet Movel in which the group first acquired an interest in June 2016, as the majority shareholder, and Just Eat. In Nov 2018 , the Group and Innova Capital announced that they have committed to invest $400m of new capital into Movile, for further investment in iFood. In Apr 2019, the Group invested $194m of that funding commitment.
Delivery Hero	22.3%	In May 2017 the group acquired a 10% FD interest in Delivery Hero, and a further $47m at Delivery Hero's IPO; in Mar 2018, the group acquired an additional 13% interest in Delivery Hero for $778m Delivery Hero is covered by Jef analyst Giles Thorne, Buy, PT €65, Please note we have taken out DHER from our Ecommerce valn to avoid double counting
Swiggy	38.8%	In June 2017, the group acquired a 14.8% interest in Swiggy, the operator of a food delivery platform in India, for cash consideration of $61m. In July 2018, the group committed to a $80m investment in Swiggy. In Dec 2018, the group announced that it led an additional $1bn investment in Swiggy, with a $716m investment

Source: Company data, Jefferies estimates

Exhibit 13 - Etail & Travel snapshot

Etail

	FY19A	**FY20E**	
Rev (in €m)	1357	1506	
	Current		
Jef Valn (in €m)	1443		
% of NAV	1.0%		
Asset	**Stake**	**Note**	
emag	80.1%	During Oct 2012, the group acquired a controlling interest in eMAG, a leading online retailer in Romania, for $82m	

Travel

	FY19A	**FY20E**	
Rev (in €m)	208	267	
	Current		
Jef Valn (in €m)	992		
% of NAV	0.7%		
Asset	**Stake**	**Note**	
Ctrip	6.0%	In Apr 2019, the group announced that it will exchange its interest in MMYT for an interest in Ctrip. Post transaction, the group will own c. 6% of Ctrip's outstanding ordinary shares. The transaction is now closed Ctrip (Now Trip.Com) is covered by Jef analyst Thomas Chong, Buy, PT $41.1. Please note we have taken out Ctrip from our Ecommerce valn to avoid double counting	

Source: Company data, Jefferies

Exhibit 14 - Ventures Snapshot

Ventures

	FY19A	FY20E
Rev (in €m)	212	231
	Current	
Jef Valn (in €m)	775	
% of NAV	0.6%	

Asset	Stake	Note
Udemy	12.7%	In June and Oct 2016, the group invested $70m in Udemy, an online learning platform aimed at professional adults. In Apr 2019, the group invested an additional $9.5m in Udemy
Brainly	42.7%	In May 2016, the Group led a $13m investment in Brainly, a social learning network for students. In May and Sept 2017, the group invested an additional $9.3m in Brainly. In July 2019, the group invested a further $25m in Brainly
SimilarWeb	24.2%	In Feb 2014, the group invested $18m in SimilarWeb, a leading online competitive intelligence provider. In Oct 2015, the group led a $25m investment in SimilarWeb
Codeacademy	21.1%	In July 2016 the group led a $30m investment in Ryzac (Codeacademy), a leader in digital skills education
SoloLearn	15.3%	In Sept 2018, the group led a $5.6m investment in SoloLearn, an online P2P learning platform aimed at the coding community
Honor	16.5%	In May 2018, the group invested $35m for a 16.4% effective interest in Honor Technology, a home-care company providing in-home senior care in the US
Byju's	11.6%	In Dec 2018, the group led a combination of primary and secondary $540m investment in Think & Learn Private limited (BYJU's., the creator of the BYJU app, the most popular learning app in India
Movile	82.1%	In June 2016, the group led a $40m investment in Movile, a leading provider of mobile consumer services in LATAM. The group has led further rounds of investments in Movile, incl. $53m in June 2017 , $82m in Nov 2017 and $124m in July 2018. In Apr 2019, the group invested an additional $194m in Movile
meesho	12.1%	In Aug 2019, the group invested $79.7m in Meesho, a leading social commerce online marketplace in India that enables independent resellers to build small business by connecting them with suppliers to curate a catalogue of goods and services to sell. Meesho also provides logistics and payment tools on its platform

Source: Company data, Jefferies

Company Description

Prosus

A global consumer internet group created by Naspers (NSPN)'s listing of its global internet businesses, with stakes in Tencent, Mail.ru, Delivery Hero, C-trip as well as ecommerce businesses across classifieds, Payment, Fintech, Food Delivery, Etail, Travel and others.

Company Valuation/Risks

Prosus

We base our valuation and rating against the current estimated NAV - 'should i buy Prosus vs. Tencent?' is the core question of most investors. Taking current Tencent and other values, our NAV for Prosus is €138bn, or €84.9/share - probably below consensus on e-commerce activities (minorities, disclosure, excluding holding's revenue shares) at €14bn. Risks incl. narrowing of the discounts and higher ecommerce valn.

For Important Disclosure information on companies recommended in this report, please visit our website at https://javatar.bluematrix.com/sellside/Disclosures.action or call 212.284.2300.

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Investment Recommendation Record

(Article 3(1)e and Article 7 of MAR)

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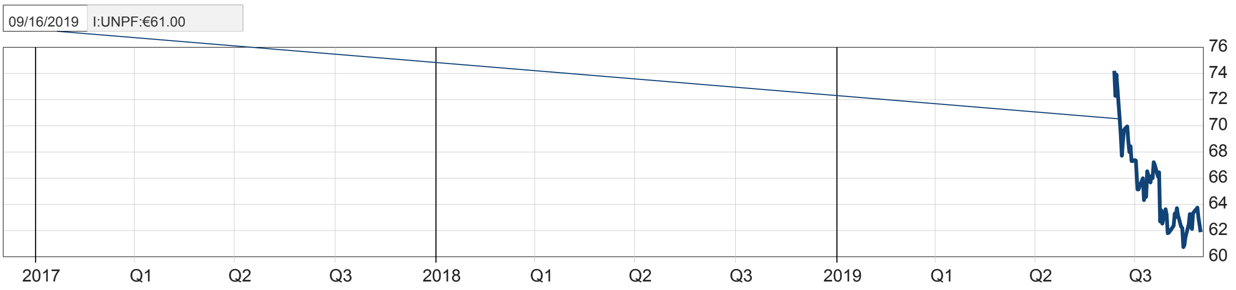
- Mail.Ru (MAIL LI: $20.20, HOLD)
- Naspers (NPN SJ: ZAc2,095, BUY)
- Tencent Holdings Ltd. (700 HK: HK$331.80, BUY)
- TripAdvisor (TRIP: $28.40, UNDERPERFORM)

Rating and Price Target History for: Prosus N.V. (PRX NA) as of 11-29-2019



Distribution of Ratings

Distribution of Ratings						
			IB Serv./Past12 Mos.		JIL Mkt Serv./Past12 Mos.	
	Count	Percent	Count	Percent	Count	Percent
BUY	1216	53.38%	88	7.24%	15	1.23%
HOLD	907	39.82%	30	3.31%	3	0.33%
UNDERPERFORM	155	6.80%	1	0.65%	0	0.00%

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