

## Naspers / Prosus: Simplicity at last

*Longstanding clients might remember a complicated transaction back in August 2021, whereby Naspers and Prosus tried to reduce their dominance in JSE indices. The result was a complicated crossholding shareholder structure where Naspers owned 62% of Prosus and Prosus in turn owned 49.9% of Naspers. It therefore comes as no surprise that the market hated this structure and penalized the companies accordingly. Two years later, that structure has now been unwound. As the saying goes, "Simplicity is the ultimate sophistication." This has now been achieved and should stand both companies in good stead going forward.*



**Michael  
Porter**

Longstanding clients might remember a complicated transaction back in August 2021 between Naspers and Prosus. The aim of the transaction was to try and reduce the dominance of each entity in JSE indices – which was achieved to some extent – but it created a complicated cross shareholding structure

between the two entities. That structure has added an unnecessary layer of complexity to the Group and hampered the unlocking of value that is currently underway. Consequently, that cross shareholding structure has now been eliminated in a series of transactions which should stand both companies in good stead going forward.

It is unnecessary to go into all the detail behind the transactions, but the diagram overleaf highlights the pre and post structure. It is clear that the post transaction structure is far simpler.

Post the transaction, there will be a slight difference between the two companies. Prosus will continue to house the Group's listed investments

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**"In addition to its exposure to Prosus, Naspers will also house the South African assets, which include Takealot.com, Superbalist.com and Media 24.."**

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### SPEED READ

- The complicated cross shareholding structure has been eliminated.
- There is little ultimate impact for either Naspers or Prosus shareholders, but the transactions are different for each set. This article explains the impact on your portfolio.
- Fortunately, there are no tax implications of this transaction, unlike the previous one which was deemed to be a CGT event.
- Going forward, the shares will still track each other closely. However, only Naspers shareholders will own the SA assets which may lead to divergence over time.

in Tencent, Meituan and Delivery Hero, as well as the investments in unlisted assets spanning various online industries – including additional

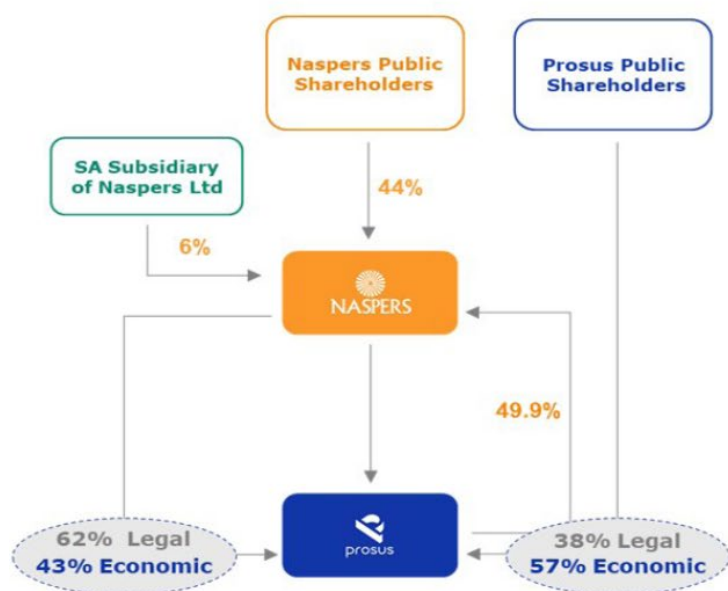
food delivery operations, classifieds, payment technology, education technology and a few smaller bits and pieces. In addition to its exposure to Prosus, Naspers will also house the South African assets, which include Takealot.com, Superbalist.

com and Media 24. Depending on the performance of the SA assets, over time this will lead to a small divergence between the two share prices, although

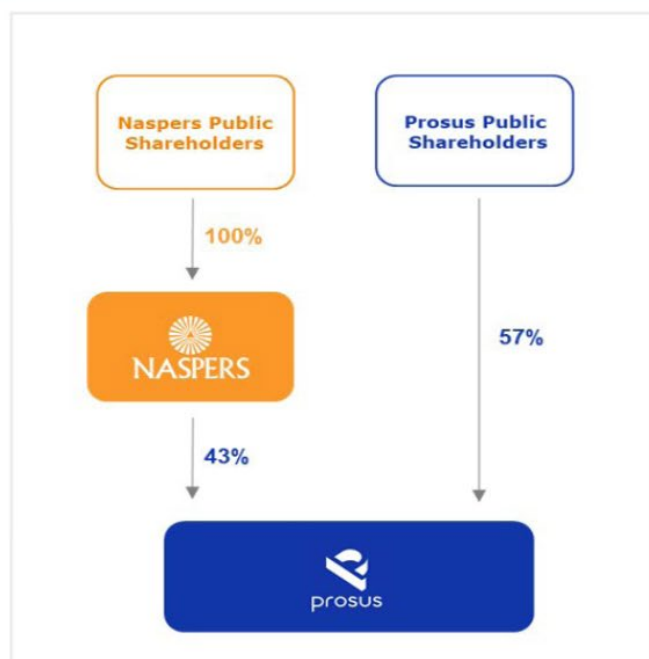
it will be negligible for the foreseeable future given that the SA assets are largely loss-making.

## CURRENT VS POST TRANSACTION STRUCTURE

### Current Structure



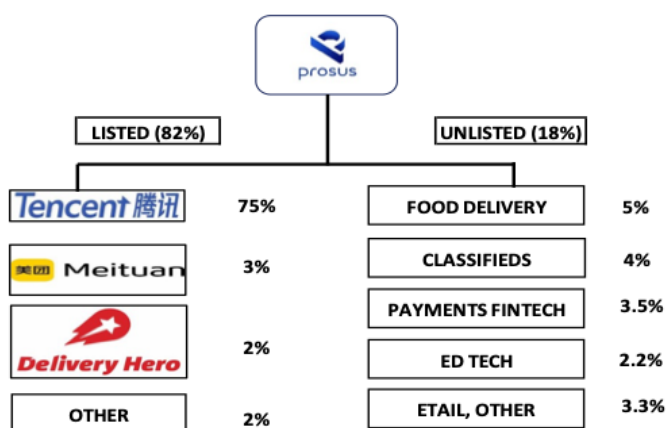
### Simplified Structure Post Transaction



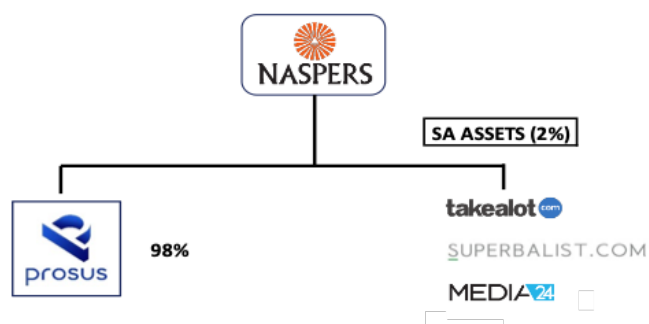
We can break the companies down further, to help understand the new structures a little better.

## THE REVISED UNDERLYING MAJOR HOLDING COMPANY STRUCTURES

### PROSUS GROUP STRUCTURE



### NASPERS GROUP STRUCTURE



### Impact on your portfolio.

Despite the complexities of this transaction, there should be no impact on client portfolios, but you will see various transactions being processed

to give effect to the transaction, which we must process to ensure completeness and consistency.

The impact for shareholders is best illustrated

through an example, shown in the table below.

Naspers	Quantity	Base Cost	Market Price	Market Value
Original position	100	R250,000	325,448	R325,448
Bonus issue	499,900	R-	325,448	R1,626,914,552
Subtotal	500,000	R250,000		R1,627,240,000
5000:1 Consolidation	-499,900	R-		-R1,626,914,552
Closing Position	100	R250,000	325,448	325,448

Prosus	Quantity	Base Cost	Market Price	Market Value
Original position	100	R120,000	131,225	R131,225
Bonus issue of new shares	117.96	R-	60,206	R71,019
Closing Position	217.96	R120,000	60,206	R131,225

With reference to these tables, I make the following observations:

1. There is ultimately no change for Naspers shareholders. The opening and closing position are the same. New shares have been issued at zero cost, and then subsequently consolidated to arrive back at the same position.
2. Prosus shareholders will be issued with 117.96 new shares at zero cost for every 100 held. A shareholder will have a larger shareholding after the transaction, but the share price has adjusted downwards to reflect the greater number of shares in issue so the market value will remain unchanged.
3. In the case where a Prosus shareholder ends up with a fraction of a share, as per the example above, the fraction will be sold by Prosus and the cash credited to that shareholder's account.
4. Importantly, these transactions have no tax con-

sequences for shareholders. This is a welcome development given that prior transactions have been deemed to be CGT events.

### Looking ahead

Shareholders might well question the rationale for these transactions given no change to the end result. However, they do simplify the Group considerably, which brings its own benefits. Importantly, this allows both companies to continue with their share buyback programme (reducing their stake in Tencent to buy back their own shares) which is accretive to shareholders given the large discounts at which both companies trade to their intrinsic value. Furthermore, it will make the future unlocking of value within Prosus's investment portfolio far simpler. Shareholders should see this as another step in the long process of realising the potential within its investee companies.



The company structure is becoming simpler



Our next Insight seminar will take place in December in Cape Town, Johannesburg and Howick. After an eventful 2023 which has delivered its fair share of surprises, our next seminar will take stock of the year and focus on the outlook for 2024.



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**Topic:** Outlook for 2024

### Natal Midlands

Date:	7th of December
Venue:	Oasis Conference Centre, 72 Main Road, Howick
Morning Time:	10am for 10.30am
Evening Time:	5.30pm for 6pm

### Johannesburg

Date:	6th of December
Venue:	Rosebank Union Church, Cnr Winnie Mandela Drive and St Andrews Road, Hurlingham
Time:	7am for 7.30am

### Cape Town

Date:	4th of December
Venue:	ABRU Motor Studio, Lourensford Wine Estate, Somerset West
Time:	5.30pm for 6pm

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