# Naspers in for the long haul

With an extended offshore revolving credit facility that's now doubled, Naspers's continuing treasure hunt for media assets around the globe is about to become even more interesting.

By Matebello Motloung 7 Dec 2009

Africa's biggest media group has extended its overdraft facility to US$1,6bn to March 2013. The move means one thing. Naspers, which owns MultiChoice and publications such as *Finweek* and *City Press,* ha: now built itself a runway to new markets that won't be hindered by exchange controls, says Khulekani Dlamini, director and senior portfolio manager at Afena Capital.

He says more than 50% of Naspers's cash is still generated in SA. The company needs to have access tc large sums of money at any time to maintain its momentum, and relying on its local kitty is impossible because of exchange controls, he says.

In the past, Naspers's limit was $US700m. Of the increased overdraft, the company has already used US$948m.

It is focusing on Internet opportunities in the developing markets of China, India and Latin America.

But should investors continue to be excited by this acquisitive strategy? It depends.

To date, Naspers's Internet strategy has met with mixed reactions. And it continues to do so. This is because, of the 14 businesses acquired over the past decade, only one, Tencent, continues to do well. It the star performer: of the R4bn revenue the Internet division generated during the six months to Septemb Tencent accounted for 52% (R2,1bn). Naspers owns only 35% of the Chinese firm, whose share price ha been the most consistent positively performing stock on the Hong Kong exchange this year.

The rest of the online assets brought in only R1,9bn, down 3% from the previous corresponding period.

Some of the portals' overreliance on advertising income and the volatility of the currencies in some of the countries in which Naspers's e-commerce businesses are operating are blamed for the drop in revenue.

Added to the declining income are development costs, says MD Koos Bekker.

The performance of the Internet division is to be expected, says Dlamini, and is not an indication of the quality of the assets.

“These are business that are really in the early stages of development, and therefore a lot of capital goes into effectively developing them.

“Once they grow up, we should start seeing margins that reflect the value of the assets better,” he says.

The results have not deterred Naspers. Having concluded 20 deals this year out of a short list of 200 potential targets, Bekker says it intends to make around the same number of deals next year.

On the size of the deals the market can expect, Bekker says it's hard to predict, because Naspers's focus when adding assets is not determined by size.

Though the company has performed better than its media counterparts in the six months to the end of September — Avusa reported a revenue decline of 5% to R2,2bn — Naspers has not been completely shielded from the recession.

Revenue for this period grew 6% to R13,5bn, a shadow of last year's 32% climb to R12,7bn.

Driving the growth then and now is pay-TV — the group's largest earner. The division recorded strong growth of 352000 new subscribers. The number of local subscribers is more than 2,6m.

*Source: Financial Mail*

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