

Naspers results: happy campers all the way



By Gill Moodie: [@grubstreetZA](#)

30 Jun 2010

Let me count the ways that we can compare Naspers and Avusa: the bull and the bear; the quick and the dead; diamonds and dogs. The two media companies released their annual results - for the year to March 31 2010 - in the past week, prompting many a smarty-pants media writer such as myself to group the two companies together.



Dramatic business story

It makes for a dramatic business story because, 15 years ago, the companies were of a similar size but now [Naspers](#) is an aggressive multinational that has forged an adventurous and lucrative path into the digital arena in countries such as China and Russia. The sexiest thing you can say about [Avusa](#), however, is that it is the owner of the *Sunday Times* but even that has lost its cachet. Once South Africa's biggest paper, that title now goes to the *Daily Sun*, owned by - you guessed it - Naspers.

So while Naspers seems savvy, Avusa appears shambolic. Naspers is bold and brave. Avusa doesn't seem to have a plan.

But is it really fair to compare the two? Avusa is actually in the "B" league, same as [Caxton](#), the printing firm and owners of *The Citizen* and a large number of community papers. Caxton's financial year-end is at the end of June, so its annual results will be out in about September. Naspers is in the "A" league -and uniquely so in South Africa.

Click here to get a handle on the [scope of the Naspers empire](#) that spans the newspapers and magazines of Media24 (such as *City Press* and *Rapport*) to MultiChoice in SA and across the continent to Internet operations in Brazil, Eastern Europe and India.

Now click here to have a look at [Avusa's company structure](#), which is SA-based (in fact the company pulled back a few years ago from Africa) and mostly old media: newspapers, book publishing, cinema, book stores and music.

What do the analysts say?

So, separating the two companies out, what do the analysts say about them?

Well, it's not terribly upbeat for Avusa. The firm doesn't have a clearly defined digital strategy and is too heavy on traditional media, they say, which means it has high fixed costs and cannot move nimbly when the economy turns against it.

On the upside, the acquisition of Universal Print Group and Hirt & Carter from UHC Communications will help to diversify its revenue stream. But then the analysts also say the recent announcement of this acquisition was a surprise to the market (and markets abhor surprises) while the few details Avusa gave in its results presentation on how it's going to resolve its printing dilemma was long overdue.

Basically, the analysts don't understand what Avusa's management is doing -and that's never a good thing.

Let's take the printing saga as an example. Avusa's board has signed off on R180-million for the company to buy a new press, do joint ventures or outsource to a firm such as Caxton (or do one or the other in different SA cities) so that it can be liberated from the ailing TNPC press in Johannesburg that is run as a joint venture between Avusa and Independent Newspapers.

A really big deal

This is a really big deal. If Avusa buys a big modern web press it will have to go shopping overseas, it will be pricey and it will take about 18 months to have it up and running. The analysts have been waiting for Avusa to make a decision on this since last year. Now they want to know how Avusa will fund its new press strategy plus the R925 million UHC deal - and if it's through borrowing, will the company be able to sustain its recent shareholders'dividend that was hiked 25% (to 75c)?

On Naspers, it's happy campers all the way: the growth numbers are great; shame about the stronger rand depressing revenues but then that's what you expect from an international company - all in all a sound business.

The experts have also discounted the recent flurry of scare stories about Naspers' jewel in its online crown -the Chinese internet services firm, Tencent, in which it owns 35%. Naspers's share price fell a couple of weeks back when the Chinese government came out with online regulations but now that everyone's had a chance to study the new rules, the analysts say it's actually old news and the increase in red tape will not affect revenues.

Naspers' growth through the recession is really rather fantastic. Take a look at these numbers:

- Revenue up 5% to R28 billion and core headline earnings up 22% to R5.3 billion.
- Revenue from its digital division up 24% to R9.2 billion, mainly from Russia, Central Europe and China.
- Pay-TV revenue growth up 12% though there were lower operating margins as MultiChoice invested in signing up new subscribers. In SA, the firm picked up 450 000 more subscribers and now reaches 2.8 million homes.

It was in the print division, where Media24 owns a swathe of newspapers, community papers and magazines, that revenue fell - by 5% - to R6.1 billion. It's worth pointing out that this is more than R4.7 billion in revenue brought in by the whole of Avusa in the same period.

Arena of ad revenue

It is in the arena of ad revenue that it is really worth comparing Avusa and Naspers to get a sense of what these two companies are doing and how they are run. Avusa experienced a 17% decline in advertising revenue over the year - affected deeply by the serious decline in recruitment ads in the *Sunday Times'* Careers section. Naspers, meanwhile, reported a decline of 1.4% in its South African ad revenue. At Avusa, circulation revenue grew by 1%. At Naspers it was

up by 7.5%.

This does suggest that Naspers is better at selling ads. It is selling more copies of its titles because it is marketing them better, being more aggressive and innovative in getting the copies out on the streets and on the stands - and, most importantly, it is better at producing content that the readers want.

It's really not rocket science, which is maybe why the Naspers management are disarmingly humble when you interview them. Company CEO Koos Bekker [told Reuters](#) at the weekend that:

"The world is not in recession, countries are... but certain of the countries we operate in, Poland, Brazil, Russia, India, China [are] actually looking quite good... We've just been accidently lucky in that the markets we're in now seem to be more healthy but it's not due to management planning, it's simply bloody luck."

Ja well, no fine. But media watchers will tell you that Naspers is not a complacent company, it does its plans carefully and will dig into its deep pockets to get the people it wants to execute its vision.

Some make the mistake

Some make the mistake of thinking of the firm as full speed ahead into the new age of online but print remains very important and its newspapers and magazines have weathered the recession better than most because of the attention it pays to Media24.

Earlier this week Naspers' group CFO, Steve Pacak, told Bizcommunity.com: "We're not moving away from print at all. We've continued to invest in print in South Africa, in new products and titles and so forth. If you look back at the past five or 10 years, we've invested significantly in print... and we've tapped very well into emerging black market with titles such as the *Daily Sun* and with magazine titles, which is the growth area is South Africa."

As with Avusa and Caxton, says Pacak, Naspers' print titles have been affected by the macroeconomic environment but the firm has managed to increase circulation generally across its titles. It has cut costs (and retrenched staff) where it could, he says, shut unprofitable titles such as [Femina magazine](#) and now it waits for the advertising tide to turn.

Avusa, by comparison, only started moving aggressively to contain costs in the last six months of the past year, too late for the 2009/10 financial results and it is still losing money with *The Times*. The daily paper given free to *Sunday Times* subscribers lost R13 million in the year to 31 March, less than the R25 million loss of the corresponding period in 2008/9 so there is an improvement but Avusa must have felt it deeply amid the recession.

Not quite a case of "the quick and the dead" but, shoot, that's close. If I were Avusa, I would consider moving my financial year end to June.

For more:

- Bizcommunity: [Naspers releases annual results](#)
- Bizcommunity: [Annual Avusa results now out](#)
- Daily Maverick: [Naspers continues its mighty march](#)

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