



## ECONOMIC COMMENTARY

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### Newsletter

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#### MORE VALUE, COMPANIES AND COUNTRIES

Big news for local telecommunications giant Naspers, who have finally been able to reduce some of the discount their assets were trading at. Historically, Naspers was trading at valuations around R1.55 trillion, which is even less than their 31.2% (R1.80 trillion) ownership of Tencent. Tencent is a Chinese internet conglomerate and one of the world's largest companies. If you consider all the other assets which Naspers own, the share often traded at a discount around 35%. Because Naspers was 21% of the total market capitalisation of the JSE, asset managers, investors, and even certain indices were natural sellers of the share, which weighs a share down. Economic agents simply couldn't have such a large exposure to any one share and were therefore forced to cap (reduce) their positions. To counter this natural sell, Naspers started to unwind and restructure many of their assets over the last year. First, they listed their Multichoice assets, which own DSTV, separately on the JSE. Then, on the 11th of September 2019, Naspers unbundled more of its assets and listed them on the Euronext stock exchange in Amsterdam, the Netherlands. The Naspers listing on the JSE will hold all of the South African-based assets: Media24, Takealot, Autotrader, Property24 and webuycars.co.za. In the Netherlands, Prosus, will hold all of Naspers' international assets: the stake in Tencent, OLX, Swiggy (an Indian food delivery company), as well as two large Russian companies (Avito, a property platform, and mail.ru, Russia's largest gaming company). Since Prosus was listed, Naspers already unlocked roughly 4% of value for their shareholders, a trend we believe will persist in the upcoming weeks.

In other global news. Jack Ma, one of Alibaba's founders, is stepping out of the company on his 55th birthday. Since 1999, Jack lead the Chinese-based company to international stardom, beating competitors like eBay and Amazon, in what is considered one of the world's greatest wealth creation stories. After hosting the world's largest initial public offering (IPO) of \$25 billion in 2014, Jack grew the company to its current valuation of roughly \$440 billion. Jack is retiring as the world's 19th richest individual, with a wealth in excess of \$41 billion.

Moving on to another international company. Apple TV+ will start with their own streaming on the 1 November 2019. Apple have promised an impressive line-up of existing, and Apple-exclusive content, at the low cost of \$4.99 per month. Coming in much lower than an HBO subscription of \$14.99, or even a Netflix subscription of \$12.99. Apple seems intent on breaking the barriers of entry in another industry. Apple's offering will also cost less than Disney+, a subscription service recently announced by Disney. This offering will feature all the classic Disney movies, Marvel movies and is expected to cost \$7.99.

Some good news from South Africa, our GDP figures were released by Statistics South Africa (StatsSA). A Reuters poll of economists and analysts expected to see a growth of 2.4% in the 2nd quarter of 2019. However, StatsSA reported a growth of 3.1%. Substantial growth (14.4%) in the mining industry contributed a full percentage point to the quarter's growth spurt as strikes in the gold sector came to a halt and iron ore prices rallied. The finance industry also experienced a strong quarter-on-quarter growth of 4.1%. Although the strong growth of the second quarter isn't enough to make up for the first quarter's contraction of 3.1%, it seems that there is enough momentum to push South Africa's growth away from current forecasts around 0.6%, closer to 1%.

