

Could another Tencent be in the making?

By [Maarten Mitner](#) 10 Mar 2014

Speculation continues about the real reasons Naspers CEO Koos Bekker stepped down last month, with plans eventually create a new global internet, media and digital group cited as the most likely reason for his decision.

Could another Tencent similar to the successful Chinese group of which Naspers owns more than 30% be in the making? It is possible he will achieve the same success with an even more globalised Naspers? Will the local media assets be on the block? Or will it be a bridge too far? Only time will tell.



Koos Bekker. (Image extracted from the Naspers website)

What is certain is that Bekker is not leaving the media world and intends to continue as chair of Naspers in 2015. That will give him room to guide the direction of the company without any executive responsibilities, which will be in the hands of e-commerce head Bob van Dijk, based in the Netherlands.

The first rumours about the new media company that could be created out of Naspers came when internet group Mail.ru announced in early February its plans to list in Moscow and London. Mail.ru has been regarded as part of Naspers' core strategy and counting in Mail.ru's favour is that it is easily tradable in London.

Naspers did not want to confirm or deny reports that the Russian Mail.ru interests would be sold off, with some analysts holding the view that the group would focus on Tencent in the short term - before a possible unbundling.

Major player

All of the company's foreign holdings are at present accounted for in Naspers, the sixth-largest company based on market value on the JSE. Naspers holds 34% of Tencent and 29% of Mail.ru.

Analysts say it makes sense to focus on Tencent, which is on a different growth path from Mail.ru.

Vestact analyst Sasha Naryshkine said Bekker's departure was not that unexpected as his sabbatical could feed into an ambition to create the biggest media group in the world. "Bekker is only 61, but after an interrupted 17 years at the helm of Naspers, the timing is probably right."

Naryshkine regards Naspers' share price as cheap, although there are concerns about the valuations of Tencent. The big emphasis on e-commerce still has to deliver.



Bob van Dijk. (Image extracted from the Naspers website)

Naryshkine said the fact that Van Dijk would be working from the Netherlands could indicate a new management style. "Bekker said recently if you have an internet connection, you might as well be anywhere," he said.

The question is what a new "media" group would look like. Bekker himself is not sure and will use his sabbatical as an opportunity to travel the world and see where new opportunities lie. There have been failures along the way - perhaps best epitomised by the failed acquisition of East European IT group Tradus.

A well-planned investment? Or luck?

His relationship with Tencent has never really been properly dissected. Was it really such a well-planned investment in 2011 when the initial stake was bought, or was it just a stroke of luck? Normally a high-flying company such as Tencent would create greater competition in the fast-moving IT world with new entrants threatening its dominant position. But being a competitor of Tencent is difficult in China as the government issues the trading licences. Luckily, Tencent has one, which means Bekker shares in the vast cash flow and profits of a captive company that has not really been tested in an open market.

Bekker readily admits to his failures, saying that sometimes the spaghetti thrown against the wall does not stick. His management style can be ruthless at times.

Cost-cutting exercises at Afrikaans-language newspapers after 2008 left the Afrikaans media in a shambles with circulation way below that recorded before 2008.

It is ironic that Bekker's name is still linked to the media, as Naspers' present share price totally reflects Tencent and partly MultiChoice, with the print interests basically valued at zero by the market.

This reinforces the rumour that he intends creating something big before he is 70. One thing is sure - it is not likely to focus on print. In some ways, it makes sense as South Africa has become way too small for his ambitions. Naspers in its present form does not really unlock value for shareholders in the way a separate global listing for instance would. Analysts have been clamouring for years for some unbundling to occur.

Working from the Netherlands rather than from Cape Town would better fit his envisaged role; more so as he is no stranger to working in the Netherlands, a country where he spent some time in the 1990s.

But how the expected global outfit will eventually pan out remains nebulous. It is unclear if the spaghetti will stick.