

Message

**From:** Parker Lewis [PL@haymancapital.com]  
**Sent:** 7/6/2015 1:41:12 PM  
**To:** J. Kyle Bass [k@haymancapital.com]  
**Subject:** RE: Investment Team Meeting Recap from 7/2  
**Attachments:** image001.png; image002.png; image003.png; image004.jpg; image008.png; image005.png; Naspers Financial Analysis.xlsx

kyle - see attached analysis on Naspers.

The 'stub' trades at ~0.7x revenue and ~11.1x EBITDA

[cid:image001.png@01D0B7C2.790BA890]

Based on gross public market valuations (not tax effecting), \$1.2 billion, or 2% of the value is attributed to the stub (96% is attributed to Tencent)

[cid:image002.png@01D0B7C2.790BA890]

Naspers trading performance tracks Tencent (last 12 month performance)

[cid:image003.png@01D0B7C2.790BA890]

The stub has revenue of USD\$5.9 billion and EBITDA of USD\$350million (ecommerce + pay TV + print media)...with the eCommerce business having revenue of \$2billion and an operating loss of ~\$400 million

[cid:image005.png@01D0B7C7.7D3589E0]

[cid:image008.png@01D0B7C6.F08F11A0]

Summary of Initial Thoughts

\* The eCommerce business is small on a revenue basis, complex and publicly disclosed information in financials on the individual businesses / markets within eCommerce is limited - difficult to even determine which markets / business are profitable which makes valuing, even on a revenue multiple basis, challenging (negative net earnings)

\* 'Etail' accounts for 59% of revenue of the eCommerce business, with the other 41% coming from classifieds, online services, payments, OCS and marketplaces. For the 'etail' business, 55% of the volume is attributed to India and Southeast Asia, 35% Europe and 10% Africa/Middle East.

\* The eCommerce business operates across 40 different markets globally.

\* The value ascribed to the stub (eCommerce + pay TV + print media) is relatively small compared to value attributable to Tencent.

\* The earnings / value of Tencent likely subsidize the investment in the eCommerce business

\* If the Tencent/Mail.ru stakes were spun off, the company may not be able to invest as significantly in the growth of the eCommerce businesses (does activism really make sense if so?).

\* Ultimately, I view the eCommerce business as a small cap tech stock that operates across a significant number of markets for which we have very limited visibility.

\* I think it will be difficult for us to have an edge / gain an advantage given the 1) limited information 2) complexity and 3) geographies in which these businesses operate.

\* If we want long tech exposure, there are better, cleaner stories than Naspers (not that Naspers is particularly unattractive; but rather that there are other opportunities that we will be better suited to make informed / convicted investment decisions).

I am happy to do more work and dig in; these are just my initial thoughts upon preliminary review and talking to a few people. I have been focusing more on looking for shorts because everything I look at seems very expensive, especially on the tech side (with the caveat that I continue to think that Pandora is incredibly underappreciated/undervalued).

I'm also happy to discuss further, down in Nicaragua for the week so I'm an hour behind Dallas, apologies for being a little slow in responding.

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From: J. Kyle Bass  
Sent: Monday, July 06, 2015 5:00 AM  
To: Parker Lewis  
Subject: FW: Investment Team Meeting Recap from 7/2  
Importance: High

Parker,

When will you be able to update on the potential for activism? Please send me a spreadsheet with the stub valuation as soon as possible (show me the valuation methodology that you use in valuing the private companies. What are your initial thoughts?

Kyle

From: Jeff Cate  
Sent: Sunday, July 5, 2015 1:12 PM  
To: J. Kyle Bass  
Cc: Brandon Osmon; Andy Jent  
Subject: Investment Team Meeting Recap from 7/2

JF (Parker)

- 1) Update on meetings - pace seems to be accelerating
- 2) Trying to grow position - Tight borrow leading to some buy-ins around the street
- 3) Recommendation: Add when we can get borrow

GM (Parker & Andy)

- 1) Q: What is the bear case? A: SA is a headwind, China tailwind fading, and NA concerned about FX impact on competitive dynamics
- 2) Truck segments doing very well
- 3) Should easily meet earnings estimates
- 4) Recommendation: None at moment; Revisit after earnings

Naspers (Parker)

- 1) Discussion of high-level background & thesis
- 2) Complex situation w/ many open questions to address:
  - a. Can you short Tencent and mail.ru to isolate the stub and how capital efficient is it?
  - b. What are tax implications of breakup, and is there room for activism?
  - c. How do we get an edge on disparate "core" businesses across multiple countries?
- ) Recommendation: Parker continuing to investigate

Puerto Rico (Dan)

- 1) Governor's speech on restructuring spooked the market, but it seems to be settling down