



tunities. These include Blackpool Self Store, acquired for £3.6m in April 2021 with 90% occupancy on a gross lettable area of 31,000ft<sup>2</sup>, (with the potential to increase to 55,000ft<sup>2</sup>).

At the moment Stor-Age appears to have enough opportunity to tap a variety of nodes around the UK to preclude having to look further afield for new offshore business. That said, the European market is not dominated by any large players, and the market is mostly made up of smaller standalone self-storage operations. It seems logical that Stor-Age will, at some stage, venture into this market (it is already testing the Spanish market with its digital applications).

**In the UK there is a large amount of pension money looking for secure, low-risk assets in property. Stor-Age is just such an asset**

Graham Blackshaw

Further geographic expansion could, over the longer term, lead to the SA business no longer dominating Stor-Age's portfolio.

This raises questions about whether Stor-Age should be proactive in seeking a primary listing on the London Stock Exchange – recognising the robust ratings accorded to special-

ist property stocks like Stenprop and Sirius (both with secondary listings on the JSE).

Blackshaw says considerations around an offshore listing are premature, but adds that Stor-Age will consider various funding options.

At this juncture the group is well capitalised after raising R250m in an oversubscribed book-build in May last year. A recently clinched joint venture with Nedbank adds further balance sheet flexibility.

Opportune's Logan says despite the strength of the self-storage sector – with even Covid acting as a new catalyst for growth – Stor-Age looks set to continue to suffer from a very poor rating compared with its UK peers.

“At a share price of R13.35, Stor-Age is trading on a yield of 7.95% vs the 1.82% of UK peer Safestore. On a price to NAV basis Stor-Age is only trading at a 2% premium to its NAV, vs Safestore trading at a 95% premium to its NAV.”

Logan believes some form of corporate action, which includes the possibility of a UK listing, is essential if Stor-Age is to rid itself of all the negatives which a poor (market) rating brings.

Several companies underappreciated by local investors have resorted to seeking primary listings offshore, to capitalise on a better understanding by international investors of their respective business models. These would include Altron (with Bytes), Montauk Renewables and Karoo000 (the old Cartrack).

An offshore listing may not be a priority right now, but it is an opportunity that will become more compelling as the business grows. ✕

## ONLINE EDUCATION

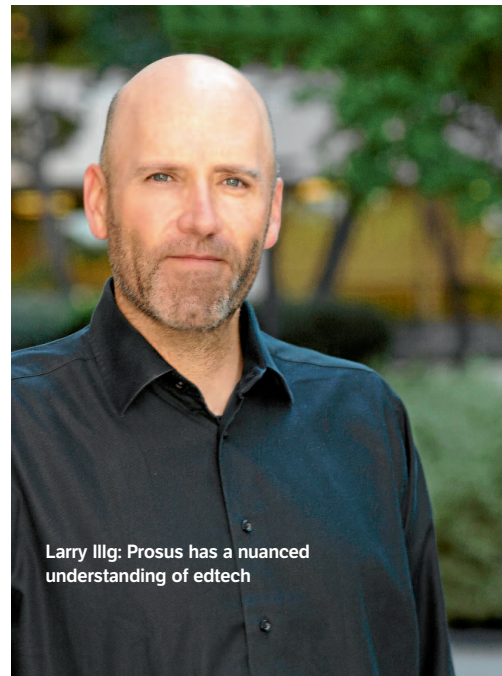
# Tapping edtech's trillions

Naspers, through its Amsterdam-listed subsidiary Prosus, holds unlisted e-commerce assets valued at \$39bn. That is more than four times the size of Sasol's market cap. This article on education technology is the last in a series of four on the business segments on which Naspers is betting hundreds of billions of rands for the future

**TJ Strydom**

● Investing in education is nothing new for Naspers.

Two decades ago, the company talked up the use of technology in its Educor segment. Not only did it have names such as Damelin, Lyceum and Allenby Campus in the stable, under then CEO Koos Bekker it was an early investor in private schools group Curro.



Larry Illg: Prosus has a nuanced understanding of edtech





**Investor on the pitch: India cricket captain Virat Kohli sporting a Prosus punt. Byju's is an online learning platform in India**  
 Getty Images/Visionhaus

But Educor was a drag on performance and by 2007 Naspers had disposed of the loss-making unit as part of a broader strategy to sell non-core assets.

These days, Naspers-controlled Prosus is again pushing into education. Not millions of rands in SA like last time, but billions of dollars and on a global scale. Nearly \$5bn has been invested in the past half-decade. That's about five times the combined market cap of AdvTech and Curro, the JSE's two largest private education listings.

Edtech is now one of Prosus's four core business segments and includes investments in primary, secondary, vocational and lifelong learning as well as a few big punts on the enterprise side. Brands in its portfolio include GoodHabitZ, Stack Overflow, Skillsoft, Udemy, Byju's and Codecademy. Prosus says it reaches 90% of the 100 largest companies in the US through various forms of workplace learning.

Larry Illg, the Prosus executive responsible for the edtech segment, says the company started investing in education because it liked the "macro picture".

"A sector that can be measured with a capital T, in trillions, gets you excited. It hasn't been really addressed by technology and, frankly, the companies are hard to build."

Sure, look at a graph of consumer spending since the mid-1990s and you'll see the price, in real terms, of a TV set has dropped by more than 90%, while the costs of education more than doubled over the same period.

Just as quality schools and universities take years to establish and decades to build their reputations, other educational institutions – even when introducing the latest tech – also need time to put down roots and show how it satisfies the needs of consumers.

Illg sees this as an opportunity, because other venture capitalists could be put off by it. When businesses take a long time to build, it does not naturally fit the classic venture or growth equity time horizon where investors need to get paid back in three to five years,

he says.

So Prosus is willing to plough in more and stay on for longer than many other investors.

"When we started five and a half years ago, we invested in business models that we understood. In needs that were very clear," he adds.

The first few deals were announced in consecutive months. Illg headed the Naspers Ventures team at the time and he was shopping around for

businesses that would fit into CEO Bob van Dijk's broad e-commerce investment strategy.

Udemy was actually an online marketplace that just happened to be focused on education, he says. Brainly was basically a social network that also happened to be in education. And Codecademy was an important resource for coders, the scarcity of whom tech companies know only too well. The deals, worth about \$100m together, were not the sort of transactions that would move the needle at a group with a market cap of more than \$100bn.

"In education technology Naspers, and now Prosus, started by buying a lot of small, disparate assets, but has recently increased the scale of the acquisitions substantially," says Jarred Houston, All Weather Capital portfolio manager.

**This, says Illg,** is because Prosus has developed a more nuanced understanding of the space.

The edtech investments seem to be a change in strategy for Prosus. In the past, and with its other e-commerce segments, the group had mostly stuck to emerging markets and started with modest investments, says Old Mutual Investments portfolio manager Neelash Hansjee.

Now, "they are spending big amounts of money – large cheques – upfront, for controlling shareholdings."

And Prosus is doing most of these acquisitions in developed markets, such as the US, where the company has not had much success so far, says Hansjee.

Most developers in SA know Stack Overflow and often have a tab open in a forum to help them work through coding problems. But few are aware that Naspers, through Prosus, now owns it. Illg and his team paid \$1.8bn for 100% of Stack Overflow in June.

But what did they buy? Surely more than a community of coders.

The business that interests Illg is the enterprise-focused part of Stack Overflow.

"That is where a lot of the money is," he says.

"Ultimately we believe the winners in the space will have to capture the hearts and minds of consumers, but also be able to sell into large enterprises."

This means building things for other businesses – companies with deep pockets that need tech problems solved quickly.

"We've admired the company for a long time," says Illg.

But if Prosus had known about it for so long, why only invest now?

At 22 times revenue – not even profit – \$1.8bn is a steep valuation for Stack Overflow, says Flagship Asset Management's Pieter Hundersmarck. And Prosus paid \$1bn more for the business than the amount it was valued at less than a year earlier. What's more, Van Dijk, Illg and their team bought Stack from Andreessen Horowitz, Spark Capital and Silver Lake, some of Silicon Valley's most savvy investors.

"The deal just looks like value destruction," says Hundersmarck.

The money Prosus throws around, in one form or another, comes from its golden goose Tencent – the Chinese tech giant Bekker convinced Naspers to back 20 years ago.

Though the edtech segment's numbers will only be reported in the next set of results, investors know what they are in for.

"We can see the opportunity, but it will take time because building up this segment will have to work through an entire investment cycle," says Hansjee.

That would mean acquisitions for years funded mostly by the sales and dividends from Tencent, he adds.

In the meantime, Prosus has a tricky balancing act. Edtech is a good space to be in structurally as demand for education is global and there are opportunities to unlock value as distribution becomes more digital, says Houston.

"But a big challenge will be to retain the users on the platforms as the company implements stronger monetisation," he adds.

Yanking the money lever too hard risks alienating members of that community, especially on a platform such as Stack Overflow.

Covid has forced many employers and individuals to explore some form of remote learning. While lockdowns and government-imposed restrictions of movement have all but ruined some industries, it gave edtech a shot in the arm. But, in the vocabulary of the pandemic era and all the vaccine-talk that goes with it, how many booster shots would Prosus need to give this business?

"One can understand the rationale of investing in education technology, and credit to Prosus, they got in early," says Houston. "It will take some time to see if they are able to make money in this segment." x