**MULTICHOICE GROUP – ANNUAL RESULTS**

Friday 14 June 2019

**Media Release**

MultiChoice Group Results

SALIENT FEATURES:

- **Driving subscriber growth:**
  - Increased subscriber base by 12% to 15.1m active households (1.6m customers added across Africa)
  - Net additions of 1.6m, the second-highest number of net additions over the last 10 years
  - Doubled monthly active Connected Video (OTT) users
  - Rest of Africa's 7.7m subscribers exceed SA's 7.4m for the first time
- **Solid financial results:**
  - Revenue up 6% YoY to R50bn; trading profit up 11% (27% organically) YoY to R7bn
  - Core headline earnings up 10% to R1.8bn
  - Free cash flow doubled to R3.3bn (96% higher)
  - Cash conversion ratio positive at 90%
- **Optimising the cost base:**
  - Delivered further cost savings of R1.3bn
  - Strong operating leverage (cost growth < revenue growth)
  - Reduced losses in RoA by R0.9bn (R1.9bn organically)
- **Investing more into local content:**
  - Stepped up production of local content to 4 600 hours
  - Increased local content to 40% of total GE content spend (+ 2pp YoY)
  - Local content library now ~50 000 hours

## MULTICHOICE GROUP DELIVERS SOLID MAIDEN RESULTS ON THE BACK OF HEALTHY SUBSCRIBER GROWTH

***Johannesburg, 18 June 2019:*** In its maiden results following its successful listing on the Johannesburg Stock Exchange (JSE) on 27 February, the MultiChoice Group (MCG) reported a 12% increase in its subscriber base to 15.1 million. Revenue increased 6% to R50.1 billion and trading profit 11% (or 27% organically) to R7.0 billion. This was underpinned by solid subscriber growth, as well as an ongoing focus on cost containment. Core headline earnings, the board's measure of sustainable business performance, was up 10% to R1.8 billion and consolidated free cash flow doubled to R3.3 billion.

This year also marks the first time that the Rest of Africa (RoA) subscriber base of 7.7 million exceeded the 7.4 million households in South Africa. Sustained efforts to grow the Connected Video segment and position the business for the future, resulted in good uptake in Showmax and DStv Now services – as a result, online [OTT] subscribers doubled year-on-year (YoY).

"Our growth is exceptionally pleasing, especially in the current economic climate, and a clear indication that our strategy is working. We continue to believe in the growing appetite for video entertainment across the African continent," says Calvo Mawela, MultiChoice Group Chief Executive Officer.

The Group increased its spending on local content (excluding sport) as a percentage of total general entertainment spend to 40%, in line with its target of 45% by FY2022. Over the past year, it added a further 4 600 hours to take its local content library to nearly 50 000 hours. It produced 20 new local dramas, whilst Uganda became the seventh country in the RoA to introduce a channel dedicated to locally made content. Locally generated content, such as *My Kitchen Rules* and *The Bachelor South Africa*, is now being sold internationally, and the pipeline for next year includes 52 new local film productions and 29 new local dramas, including the much anticipated and renowned "*Shaka Ilembe*".

## FINANCIAL REVIEW

Strong customer growth resulted in subscription revenues increasing 7% YoY (8% organically) to R41.2 billion. This represents an acceleration in growth from previous years, driven by the continued success of the Group's value strategy in RoA and a healthy contribution from South Africa.

As part of an ongoing cost optimisation programme, a further R1.3 billion in costs were removed during the year. As a result, overall costs were contained at an increase of 5% (2% organic) and the Group achieved its target of keeping the growth in costs below revenue growth.

Capital expenditure of R1.0 billion increased marginally YoY due to additional investments in information technology infrastructure to improve customer experience, as well as the renewal of our digital terrestrial television (DTT) licence in Nigeria. The cash conversion ratio (EBITDA-capex/EBITDA) remains positive at 90%.

As one of the largest taxpayers in Africa, MCG paid direct cash taxes of R3.7 billion, in line with the previous year.

Cash and cash equivalents at year-end amounted to R6.7 billion up from R4 billion in the previous year.

"Our strong balance sheet positions us well for the future. It provides financial flexibility to fund our business plan and the agility to enhance returns to shareholders," says Mawela.

The Group remains fully committed to Broad-Based Black Economic Empowerment (B-BBEE) and transformation. To reinforce this, the Group allocated, for no consideration, an additional 5% stake in the MultiChoice South Africa (MCSA) to Phuthuma Nathi (PN), the Group's B-BBEE scheme, on 4 March 2019. The value of this 5%, which was calculated at R1.9 billion after the impact of the non-controlling interest, had a 438 SA cents per share adverse impact on reported earnings and headline earnings due to a once-off equity-settled share-based compensation charge recognised on what was an effective disposal of 5% of the Group´s interest in MultiChoice South Africa Holdings (Pty) Ltd.

## SEGMENTAL REVIEW

**South Africa:** Against a backdrop of a challenging economic environment, the South African business delivered solid subscriber growth of 8% YoY, or 0.5 million subscribers. The segment generated revenue of R33.7 billion, up 3% (4% organic) on the back of healthy subscriber growth in the mass market and despite absorbing the recent 1% VAT increase by not passing it onto customers. The premium segment remained under pressure due to the tougher economic conditions. Trading profit was in line with the prior year at R10.2 billion, while the trading margin remained relatively stable at 30%. Product and service enhancements during the year include expanded content offerings in select Bouquets and the launch of the a new Explora PVR.

**Rest of Africa:** This segment remains on track to return to profitability over the medium term. It continued to build scale on the success of its value strategy by growing the subscriber base 17% YoY, adding 1.1 million subscribers across its DTH and DTT platforms. The strong subscriber growth translated into revenue growth of 13% (13% organic) to R14.8 billion, while trading losses reduced 19% (41% organic) or R0.9 billion (R1.9 billion organic) to R3.7 billion. Investment in local content continued, with various new offerings in Uganda, Zambia, Tanzania and Kenya, as well as the introduction of a new 24-hour movie and series channel in Nigeria.

**Technology segment:** Irdeto continued to add critical value to the Group through its technology solutions and anti-piracy activities. This segment delivered steady results, contributing R1.6 billion in revenue and R0.6 billion to Group trading profit. Despite the loss of non-recurring project revenues, tight cost controls resulted in trading profits increasing 18% (21% organic) YoY. During the past year, Irdeto had some key customer wins in providing media security, including Tata Sky and Bharti Airtel in India. It is also exploring new opportunities to leverage its core security technology in the Internet of Things. These businesses should start contributing more meaningfully to Group revenues in the medium term.

## EMPOWERMENT TRANSACTION

As mentioned at the time of the JSE listing, it remains the intention of MCG to provide further value uplift for the B-BBEE shareholders in MCSA. The plan is to make an offer to Phuthuma Nathi (PN) shareholders to exchange a portion of their indirect stake in MCSA for a direct stake in MCG (the “Flip-up”), thereby making their shares more freely tradeable. The offer, which is scheduled to be implemented in the current financial year, will be open for acceptance by PN shareholders at their discretion (i.e. they will not be forced to participate in the Flip-up). MCG will make further announcements in this regard as the process evolves.

## PROSPECTS

In the year ahead, the Group will continue its focus on scaling its video entertainment services across the continent, mainly in the middle and mass markets. Top-line volume growth combined with inflationary price increases and a focus on cost containment is expected to deliver a further reduction in trading losses in the RoA, and stable margins in South Africa as well as the Technology segment.

“As the leading video entertainment Group on the continent, our strategy is to leverage a unique African growth opportunity to deliver attractive returns to shareholders. We believe the three pillars that are key to this are driving an ongoing turnaround in RoA, generating strong cash flows and maintaining balance sheet flexibility to grow our business. We believe we are very well positioned to deliver on all of these,” Mawela concludes.

Ends.

**ABOUT MULTICHOICE GROUP**

MultiChoice Group is Africa's leading multi-channel digital satellite and pay-television destination, offering its 15.1 million customers access to a world of entertainment, anywhere, anytime. MultiChoice Group includes MultiChoice South Africa, MultiChoice Africa, Showmax Africa and Irdeto. MultiChoice has been in operation for the past 30 years and through its flagship product brand, DStv, the company delivers the latest and most compelling local and international content to millions of households across Africa. The company's ongoing commitment to innovation and technology advancement resulted in the creation of its iconic high definition PVR decoder, the DStv Explora – which won the Product of the Year for 2015 and has now launched the improved HD6 PVR decoder.

Through its corporate social investment, MultiChoice actively participates in social transformation, ongoing investment in local content, job creation and skills development - which in turn strengthens the television and broadcasting industry and contributes to the South African economy.

www.multichoice.com

**MultiChoice Group Contact Details:**

**Benedict Maaga, Senior Manager of Corporate Communications**
Tel: +27 11 289 3312
Mobile: +27 79 501 1758
Benedict.maaga@multichoice.co.za

**Meloy Horn, Head of Investor Relations**
Tel: +27 11 289 3320
Mobile: +27 82 772 7123
meloy.horn@multichoice.com