MEDIA RELEASE

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MultiChoice delivers strong results underpinned by operational excellence

Johannesburg, 10 June 2021: MultiChoice Group (MCG, or the group), Africa's leading video entertainment company, carefully navigated COVID-19 challenges to deliver strong results for the year ended 31 March 2021 (FY21).

The group increased its 90-day active linear pay-tv subscriber base by 1.4m to reach 20.9m households, split between 8.9m in South Africa and 11.9m in the Rest of Africa (RoA). This represents an accelerated 7% growth year-on-year (YoY), driven by heightened consumer demand for video entertainment products, continued penetration of the mass market and an easing of electricity shortages in southern Africa.

Revenue was resilient, growing by 4% (4% organic) to R53.4bn. This performance, coupled with a firm focus on cost containment and a R1.5bn (R2.7bn organic) reduction in trading losses in the Rest of Africa translated into a 28% (44% organic) increase in trading profit to R10.3bn.

Core headline earnings, the board's measure of sustainable performance, was up a meaningful 32% YoY to R3.3bn, while free cash flow grew a solid 10% to R5.7bn.

The group reported R8.5bn in cash and cash equivalents at year-end. Combined with R4bn in undrawn facilities, this provides R12.5bn in financial flexibility to support dividends and growth initiatives.

"The COVID-19 pandemic taught us more about the art of the possible," says Calvo Mawela, Chief Executive Officer. "We started the year confronted with severe disruptions to our programming schedules, bleak macro-economic forecasts for many of our markets and sharply weaker currencies. In the face of these challenges, our teams rallied together – this helped us deliver on all our key performance metrics and provide more value to our shareholders by declaring a R2.5bn dividend."

The group continued its differentiation strategy by stepping up its investment in local content. Despite production stoppages and travel restrictions brought about by the pandemic, it produced 19% more content than last year - a sizeable 4 567 hours. As a result, the total local content library now exceeds 62 000 hours. Some 42% of the group's general entertainment spend was on local content and it remains on track to reach its target of 45% by FY22.

To help manage US dollar-based costs, two major international content agreements (and several smaller ones) were renegotiated into South African rand (ZAR). The group also launched 11 new local language channels across sub-Saharan Africa, completed five new co-productions with global content producers and sold 16 of its series to international buyers.

In addition to compelling local stories, MCG continues to broadcast the best of sport. This year, the group renewed the rights to the English Premier League and UEFA Champions League and also secured broadcasting rights to the FIFA World Cup 2022 in Qatar. On the international content front, it maintains mutually beneficial relationships with its studio partners, and has successfully added access to Netflix, Amazon Prime and more recently YouTube on its DStv Explora Ultra decoder.

In addition to the new products and services launched during the first half of the year (including Showmax Pro, DStv Communities, DStv Rewards and ADD Movies), the Group expanded its financial services portfolio, going beyond offering pure decoder insurance to include funeral cover, subscription waiver and debt waiver products.

"We have a highly engaged base of 20.9m subscribers and with an average of five people per household, this helps us reach approximately 100 million people. We see great opportunity to keep enriching the lives of our customers by expanding our entertainment ecosystem with innovative offerings that will also enhance our revenue prospects," commented Mawela.

The Group made a 20% investment in pan-African sports betting business BetKing and subsequent to year end has announced its intention to increase this investment to 49%. This investment will increase the group's shareholding in BetKing from 20% to 49% for a consideration of $282m (R4.0bn). This investment offer remains subject to preconditions being met.

FINANCIAL REVIEW

Both advertising and commercial subscription revenues were significantly impacted by COVID-19. Advertising revenues were down 34% YoY (R0.6bn) at the interim stage but recovered well in the second half as COVID restrictions eased, ending 11% down YoY at R2.8bn. Similarly, commercial subscription revenues started to recover in the latter part of the financial year but finished 35% lower than the prior year. The hospitality industry is expected to take some time to return to normal trading.

The group achieved its target of generating positive operating leverage by keeping revenue growth ahead of the growth in costs. Organic revenue growth of 4% combined with a 3% organic reduction in operating costs resulted in improved operating leverage of 7%, 2 percentage points higher than the prior year. A focus on tight cost controls and the early implementation of cost cutting initiatives underpinned an expansion in the group's trading margin from 16% to 19%. Cost savings amounted to R1.5bn for the year, exceeding the group's stretch target of R1.4bn. Savings were largely fixed in nature with more than half relating to content and the balance to a broad range of initiatives such as sales and marketing and lower decoder unit costs.

Capital expenditure (capex) of R1.6bn was R0.7bn up on the prior year, primarily due to a multi-year investment programme to upgrade the group's customer service, billing and data capabilities. As one of the largest taxpayers in Africa, MCG paid direct cash taxes of R4.1bn, slightly more than the prior year driven by higher group profitability.

The strength of the balance sheet remains critically important given the uncertain longer-term economic impact of COVID-19 and funding requirements for the Rest of Africa, which is also impacted by liquidity constraints in Nigeria. Of the reported cash balance of R8.5bn, holdings of R2.5bn (FY20: R1.7bn) in Nigeria, Angola and Zimbabwe remain exposed to weaker currencies.

To improve the group cost of capital and reinforce the statement of financial position, an amortising working capital loan of R1.5bn was concluded in November 2020. The loan has a three-year term and bears interest at an all-in fixed rate of 5.75%.

SEGMENTAL REVIEW

South Africa

The South African business held up well in a tough consumer climate, delivering subscriber growth of 6% YoY or 0.5m linear pay-tv subscribers on a 90-day active basis. The impact of COVID-19 and the associated lockdowns saw consumers prioritise video entertainment services, but the cancellation of live sport events combined with the inability of commercial subscribers to trade and a weak advertising environment impacted negatively on revenue generation, especially early in the financial year.

Revenue increased 1% to R34.3bn, while trading profit increased 9% to R11.1bn, representing a margin of 32%. This higher profitability can be attributed to the non-recurrence of three major sporting events expensed in the comparative prior period, a strong focus on the group's cost optimisation programme, lower operational costs in a COVID-19 environment and a temporary shift in content costs as a result of delays in sporting events.

Connected Video users on the DStv app and Showmax continue to grow as online consumption increases. During the year Showmax launched Showmax Pro, the group's first standalone online sport offering, as well as DStv Streaming, which allows customers to subscribe to an online-only service. Local content is also proving to be a key differentiator on Showmax, with local content viewership up significantly this year, and four of the top five titles on Showmax being local productions. A record number of Showmax originals were launched during the year, including the first Kenyan and Nigerian original series.

A number of innovative, customer-centric products launched in this past year. The new DStv Explora Ultra decoder allows subscribers to seamlessly shift between satellite and online platforms, with a single billing platform. DStv Rewards leverages the group's supplier relationships to reward customers based on their behaviours, DStv ADD Movies was the group's first meaningful foray into genre add-ons, while DStv Communities allows collective payments to improve active days and retention. Although these products are new to market, early signs are promising, with performance tracking either ahead or in line with expectations.

Rest of Africa
The Rest of Africa business grew its 90-day active linear pay-tv subscriber base by 8% YoY or 0.8m subscribers, despite a challenging macroeconomic environment and ongoing consumer pressure. The closing subscriber base is now 11.9m. Much needed rainfall reduced electricity shortages in southern Africa, resulting in a recovery of customers in Zambia and Zimbabwe. The group also improved its Ethiopian local product offering, which includes localised billing, more Amharic content and SuperSport local language commentary.

Revenue was up 11% (14% organic) to R17.2bn, supported by solid subscriber growth and inflationary price increases implemented in most markets. While material currency depreciation in the Angolan kwanza (47%), the Zambian kwacha (25%) and the Nigerian naira (7%) affected the segment's financial results, the business made significant progress towards its medium-term breakeven target. Trading losses narrowed by a sizeable R1.5bn (R2.7bn organic) or 52% (91% organic) driven by a combination of revenue growth, effective cost control and lower content costs with sports events being delayed.

Liquidity challenges continued in Nigeria throughout the financial year, and although being actively managed, cash balances in Nigeria increased R0.8bn to close at R2.3bn.

The Rest of Africa business enjoyed several operational successes including delivering the strongest festive season growth in history, a significant ramp up in digital self-service usage and the roll out of online payments in 36 markets, with digital payments more than doubling YoY.

Technology segment
The Technology segment, comprising Irdeto, had a solid year. Despite the nonrecurrence of USD8m in once-off revenues in the prior year and customers deferral of certain projects due to COVID-19, it contributed R1.8bn in revenues, an increase of 5% YoY (-1% organic). The trading profit margin normalised to 31%.

During the year, Irdeto gained further market share in providing digital security services in the video entertainment sector, winning six tier-one customers, and integrating its watermarking technology with IBM's cloud platform to enable easier deployment by operators. Beyond video, it expanded its gaming security platform to include Steamworks, the largest digital distribution platform for PC games, and Sony for the PlayStation 5. Irdeto continued to expand its deployment of connected vehicles with the Hyundai group shipping 200 000 vehicles embedded with Irdeto's KeyStone technology. Irdeto also added new projects to secure high-speed rail networks and capital-intensive construction equipment.

FUTURE PROSPECTS

Subject to a stable regulatory environment and the unknown impact of the COVID-19 pandemic, the group will continue scaling its video entertainment services across the continent, focusing on both traditional linear broadcasting and streaming services. In addition, it plans to further increase its investment in local content to a target 45% of total general entertainment spend and pursue new growth opportunities that will enhance customer experiences and revenue prospects.

"We are enjoying good momentum and are excited about our prospects for the year ahead. Our advertising business is recovering, and we have plans to further enhance our entertainment ecosystem. We look forward to an exceptional slate of local content and the meaningful return of live sport as we catch up on the events missed in this past year," says Mawela. "We are however cognisant of ongoing consumer pressure in what remains an uncertain COVID-19 environment, continued macro-economic volatility in our markets and the need to absorb deferred content costs in the new year. We will look to counter potential headwinds through tight cost control and by driving operational excellence. Our strong balance sheet positions us well to withstand these uncertainties and deliver value to our customers and shareholders."

More information about the MultiChoice Group's financial results is available on the website: https://investors.multichoice.com/latest-results

Ends.

About MultiChoice Group

MultiChoice Group (MCG), which listed in the Main Board of the JSE on 27 February 2019, is one of the fastest-growing video entertainment providers globally, delivering entertainment products and services to 20.9m households across 50 countries on the African continent. Its track record of more than 35 years is reflective of a commitment to provide audiences with only the best local, sport and international content.

MCG's strong partnerships with distributors, installers and telecommunication companies, along with its well-established payment solutions, competitive pricing and choice of viewership packages continue to secure its place in the global market, while also providing solutions unique to the African market.

Its direct-to-home (DTH), digital terrestrial television (DTT) and over-the-top (OTT) solutions enable the business to stay relevant and aligned to changing consumer habits while capturing new markets.

Content is at the very core of the business. MCG aims to deliver quality content anywhere, anytime and on any device through a comprehensive video entertainment offering at different price points. As pioneers in African video entertainment, MCG plays an important role in making information and entertainment easily accessible to Africans.

MCG aims to secure content rights in a manner that is cost-effective and reflective of the diversity of its audiences. Its substantial portfolio includes award-winning local content (a key differentiator in its service offering), a leading sports offering (including production capabilities) and access to international content, which is all shared on the group's platforms: DStv, GOtv, Showmax, M-Net and SuperSport.

MCG has superior technology capability through the security solutions that Irdeto, its technology company, brings to the group. These solutions enable MultiChoice to protect its investment, create new offerings and combat cybercrime. With more than 50 years' expertise in software security, Irdeto's software security solutions and cyber services protect over 6bn devices and applications for some of the world's best brands.

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