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MEDIA RELEASE

MULTICHOICE DELIVERS STEADY MARGINS DESPITE CONTENT COST NORMALISATION

Johannesburg, 9 June 2022: MultiChoice Group (MCG, or the group), Africa's leading entertainment company, delivered steady margins for the year ended 31 March 2022 (FY22).

"Reduced losses in the Rest of Africa (RoA), a rebound in advertising revenues and a continued focus on cost containment enabled us to absorb the R1.1bn impact of a normalisation in content costs as live sport returned and we resumed our local content production post the COVID-19 lockdowns," says Calvo Mawela, Chief Executive Officer.

"We continued to enhance our video entertainment offering and expanded the variety of services offered to our customers as we grow our entertainment ecosystem," he added.

The group's linear pay-TV subscriber base (measured on a 90-day active basis) increased by 0.9m to reach 21.8m households, comprising 9m in South Africa and 12.8m in the RoA. The 5% growth year-on-year (YoY) is subdued due to the tough economic environment and elevated subscriber growth during COVID-19 related lockdowns in the previous year.

Here are a few highlights:

- Revenue: ZAR55.1bn up 3% (up 7% organic)
- Trading profit: stable at R10.3bn (up 1% organic, due to absorbing cost normalisation)
- Core headline earnings: R3.5bn (up 6% as Forex impact was less negative)
- Free cash flow: R5.5bn (down 3%, due to one-off prepayments)
- Dividend: R2.5bn 565 ZARc per share (±4% yield)

MCG continued to pursue its differentiation strategy through local content, stepping up its local content production by 32% YoY to 6 028 hours and bringing its local content library close to 70 000 hours. Local content accounted for 47% of total general entertainment content spend and the group remains on track to achieve a target of 50% by 2024.

Seven major new channels launched, including two Portuguese-focused channels in Angola and Mozambique. In South Africa, the group's co-productions such as *Reyka* and *Recipes for Love and Murder* were broadcast to critical acclaim and international interest.

SuperSport delivered world class productions given a bumper calendar of major sporting events. A record number of viewers tuned into Euro 2020, the British and Irish Lions rugby tour and the Tokyo Olympics. SuperPicks, a free-to-play predictor game and the group's first product collaboration with KingMakers, was launched in Nigeria in August 2021 and already has 0.5m registered users. SuperSport Schools, now 100% owned by the group, continues to grow rapidly and broadcasted 5 249 live games of schools sport during FY22.

Growth in Connected Video users on the DStv app and Showmax service is outpacing the market. Paying Showmax subscribers were up 68% YoY, whilst overall monthly online users of the group's connected video services increased 28% YoY. A major driver has been the focus to localise by expanding local payment channels and enabling local billing in various markets. In addition, local content was stronger than ever with titles like *DevilsDorp*, the *Real Housewives* franchise and *The Wife*. Showmax Pro delivered an enhanced customer experience, which included the Tokyo Olympics, Euro 2020 and every English Premier League game.

On the product side, the announcement of DStv as official launch partner of Disney+ in South Africa is a further extension of the group's aggregation strategy, which aims to bring customers more content, and convenient access in one central place via DStv's connected devices.

DStv Internet, which was launched in September 2021, is growing strongly. The DStv Rewards program, which supports customer retention and has been successful in reducing dormancy, continues to gain traction with close to a million customers. Digital adoption continues to track well with around 75% of customer touch-points now being managed through the group's self-service channels. Due to the ongoing global silicon chip shortage the DStv Streama launch has been delayed and is now expected to launch in the first half of the next financial year.

SEGMENTAL REVIEW

South Africa

The South African business faced an increasingly difficult consumer climate, with FY22 growth rates impacted by rising unemployment levels, intermittent loadshedding and a disruption caused by the July riots in Durban and Johannesburg.

Revenue increased 4% to ZAR35.6bn, supported by the rebound in advertising revenue and a 1% increase in subscription revenues, driven by subscriber growth in the mass market and the uplift from annual price increases. The return of live sport and other value adding initiatives contributed to reducing churn in the Premium base relative to the prior year. Trading profit declined 1% to ZAR11.0bn as the ongoing cost-optimisation programme only partially offset consumer pressure in the middle market and the normalisation of content costs and sales and marketing expenses.

Rest of Africa (RoA)

The Rest of Africa business benefited from the popularity of local content such as *Big Brother Naija* and live sporting events. Whilst revenue of ZAR17.9bn reflects a strong 14% organic increase, it is only 4% higher than the prior year due to the impact of translating Rest of Africa's USD revenues at a stronger ZAR for reporting purposes. Trading losses amounted to ZAR1.2bn, which is a 24% improvement YoY on an organic basis. Local currencies held up better against the USD than prior years, resulting in an overall headwind on reported results of only ZAR0.1bn

(FY21: ZAR1.2bn). Although liquidity challenges continued in Nigeria, the group successfully repatriated cash throughout the year, albeit at a premium to the official exchange rate.

Technology segment
Irdeto, was impacted by global silicon shortages affecting supply chains, as well as COVID-19 related disruptions in large markets such as India. Revenues of ZAR1.5bn, down 16% YoY (9% organic), were further depressed by the impact of a stronger ZAR upon translation from USD. The segment contributed ZAR0.5bn to group trading profit with margins strong at 33%. Irdeto gained additional market share in its core media security business by winning four new Tier-1 customer. It also grew its device security business, expanded its deployment of connected vehicles with Hyundai, and started new projects like providing security software to large logistics companies.

KingMakers
On 29 October 2021, the group increased its shareholding in KingMakers from 20% to 49.23%. KingMakers delivered USD131m (ZAR2.0bn) in revenues, representing robust growth of 68% YoY. It recorded a loss after tax amounting to USD19m (ZAR0.3bn) as increased revenues were offset by investment in people, product and technology to further scale the business. Although revenues are still primarily generated in Nigeria, the group is now also active in Kenya, Ghana and Ethiopia.

FUTURE PROSPECTS

In the year ahead, the group will continue to drive penetration of its video entertainment services across the African continent by offering customers an array of unique and rich media content delivered in a convenient and cost effective way. Local content and select sporting events such as the English Premier league, UEFA Champions League and the 2022 FIFA World Cup will contribute to the growth in linear and streaming services.

Returning the Rest of Africa business to profitability in FY23, maintaining strong cash flows to support a healthy balance sheet and pursuing innovative products and services remain key pillars for long term value creation.

“As a platform of choice, our group will look to further expand our entertainment ecosystem by identifying growth opportunities that leverage our scale and local capabilities,” says Mawela. “We will continue to strive to be a trusted partner for our customers’ ever-evolving needs, enriching their lives by delivering entertainment and relevant consumer services underpinned by technology.”

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