MultiChoice Group Limited
(Registration number: 2018/473845/06)
JSE share code: MCG
ISIN: ZAE000265971

Annual results announcement

SUMMARISED CONSOLIDATED FINANCIAL RESULTS FOR THE YEAR ENDED 31 MARCH 2019

Commentary

MultiChoice Group (MCG or the group) delivered solid results for the year ended 31 March 2019. A total of 1.6m subscribers were added across the continent, representing 12% year-on-year (YoY) growth, taking the overall active subscriber base to 15.1m subscribers. This was achieved despite continued macroeconomic headwinds and consumer affordability pressure, illustrating the resilience of our products. The year also marks the first time that the Rest of Africa (RoA) base of 7.7m subscribers exceeded the 7.4m subscribers in South Africa.

The group generated revenue of R50.1bn, up 6% on last year (6% organic). Subscription revenue amounted to R41.2bn, up 7% on last year (8% organic). This represents an acceleration in growth from previous years driven by the continued success of our value strategy in RoA and a healthy contribution from South Africa.

Group trading profit rose 11% to R7.0bn (27% organic) benefiting from a R0.9bn reduction in losses in RoA.

Core headline earnings, the board's measure of sustainable business performance, was up 10% on last year at R1.8bn.

The group remains fully committed to broad-based black economic empowerment and transformation. To reinforce this, on 4 March 2019, the date of the group's unbundling from Naspers Limited, the group allocated, for no consideration, an additional 5% stake in the MultiChoice South Africa group to Phuthuma Nathi, our black economic empowerment scheme. The value of this 5% has been calculated at R1.9bn, after the impact of the non-controlling interest, which has an adverse impact on earnings and headline earnings per share of 438 South African cents.

Consolidated free cash flow of R3.3bn was up 96% compared to the prior year. This was achieved after an improvement in the trading result from RoA, the non-recurrence of once-off content prepayments in the prior year and remittances of cash from Angola.

As set out in the pre-listing statement no dividend is being declared for FY2019.

SALIENT FEATURES

	Year ended 31 March		
	2019 Audited R'm	2018 Audited R'm	2019 vs 2018 Audited %
Revenue	**50 095**	47 452	6
Operating profit	**7 363**	6 381	15
Trading profit	**7 014**	6 321	11
Free cash flow	**3 267**	1 664	96
Core headline earnings per ordinary share (SA cents)	**410**	374	10
Headline earnings per ordinary share (SA cents)	**(353)**	410	<100
Earnings per ordinary share (SA cents)	**(374)**	332	<100
Net asset value per ordinary share (SA cents)	**2 231**	(1 365)	>100

KEY PERFORMANCE INDICATORS

	2018 Reported	2019 Currency impact	2019 Organic growth	2019 Reported	2019 vs 2018 Reported %	2019 vs 2018 Organic %
Subscribers ('000)	13 476	**n/a**	**1 621**	**15 097**	12	12
South Africa	6 921	**n/a**	**526**	**7 447**	8	8
Rest of Africa	6 555	**n/a**	**1 095**	**7 650**	17	17
ARPU (ZAR)						
Blended	252	**–**	**(11)**	**241**	(4)	(4)
South Africa	335	**–**	**(13)**	**322**	(4)	(4)
Rest of Africa	160	**(1)**	**–**	**159**	(1)	–
90-day-active subscribers ('000)	16 376	**n/a**	**2 203**	**18 579**	13	13
South Africa	7 332	**n/a**	**617**	**7 949**	8	8
Rest of Africa	9 044	**n/a**	**1 586**	**10 630**	18	18
90-day-active ARPU (ZAR)						
Blended	206	**–**	**(9)**	**197**	(4)	(4)
South Africa	317	**–**	**(15)**	**302**	(5)	(5)
Rest of Africa	115	**(1)**	**–**	**114**	(1)	–

GROUP FINANCIALS

	2018 IFRS R'm	2019 M&A-related R'm	2019 Currency impact R'm	2019 Organic growth R'm	2019 IFRS R'm	2019 vs 2018 IFRS %	2019 vs 2018 Organic %
Revenue	47 452	**(117)**	**111**	**2 649**	**50 095**	6	6
South Africa	32 702	**(178)**	**–**	**1 172**	**33 696**	3	4
Rest of Africa	13 106	**–**	**(10)**	**1 740**	**14 836**	13	13
Technology	1 644	**61**	**121**	**(263)**	**1 563**	(5)	(16)
Trading profit	6 321	**11**	**(1 053)**	**1 735**	**7 014**	11	27
South Africa	10 446	**(12)**	**–**	**(235)**	**10 199**	(2)	(2)
Rest of Africa	(4 591)	**–**	**(1 018)**	**1 874**	**(3 735)**	19	41
Technology	466	**23**	**(35)**	**96**	**550**	18	21
Revenue	47 452	**(117)**	**111**	**2 649**	**50 095**	6	6
Subscription fees	38 547	**(178)**	**(45)**	**2 924**	**41 248**	7	8
Advertising	3 092	**–**	**16**	**72**	**3 180**	3	2
Set-top boxes	1 847	**–**	**6**	**189**	**2 042**	11	10
Technology contracts and licensing	1 639	**61**	**119**	**(255)**	**1 564**	(5)	(16)
Other revenue	2 327	**–**	**15**	**(281)**	**2 061**	(11)	(12)
Operating expenses	41 131	**(128)**	**1 164**	**914**	**43 081**	5	2
Content	16 793	**–**	**471**	**451**	**17 715**	5	3
Set-top box purchases	5 435	**–**	**142**	**479**	**6 056**	11	9
Staff costs	5 454	**7**	**120**	**(40)**	**5 541**	2	(1)
Sales and marketing	1 944	**(6)**	**45**	**484**	**2 467**	27	25
Transponder costs	2 626	**–**	**76**	**(95)**	**2 607**	(1)	(4)
Other	8 879	**(129)**	**310**	**(365)**	**8 695**	(2)	(4)

As part of the group's cost-optimisation programme, a further R1.3bn in costs were removed from the base during the year. This resulted in overall costs being contained to an increase of 5% (2% organic) and achieved the group target of keeping the rate of growth in costs below the rate of growth in revenue.

The group continued its investment in local content adding a further 4 600 hours to take the local content library to nearly 50 000 hours. The ratio of spend on local general entertainment content as a percentage of total general entertainment content increased from 38% to 40%, in line with the strategy to reach a target of 45%.

Capital expenditure of R1.0bn was slightly up 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 R3.7bn, in line with the previous year.

Net interest paid amounted to R305m, an increase of R152m from the previous year.

The group balance sheet is strong with R9.8bn in net assets, including R6.7bn of cash and cash equivalents and R3.5bn in undrawn facilities providing R10.2bn in financial flexibility to fund our business plan.

The company's external auditor has not reviewed or reported on forecasts included in this short-form results announcement.

We operate in 50 countries, resulting in significant exposure to foreign exchange volatility. This can have a notable impact on reported revenue and trading profit metrics, particularly in the RoA where revenues are earned in local currencies while the cost base is largely US dollar denominated.

Where relevant in this short-form results announcement, amounts and percentages have been adjusted for the effects of foreign currency and acquisitions and disposals to reflect underlying trends. These adjustments (non-IFRS performance measures) are quoted in brackets as organic, after the equivalent metrics reported under International Financial Reporting Standards (IFRS). These non-IFRS performance measures constitute pro forma financial information in terms of the JSE Listings Requirements.

Directorate and group company secretary

On 14 May 2019, Ms Christine Sabwa was appointed to the board as an independent non-executive director.

On 1 April 2019, Mrs R J Gabriels relinquished her secretarial duties as acting group company secretary for MultiChoice Group Limited. Ms D M Dickson was subsequently appointed as the group company secretary on 1 April 2019 by the board.

No other changes have been made to the directorate of the group since the publishing of the pre-listing statement on 21 January 2019.

Preparation of the short-form announcement

The preparation of the short-form announcement was supervised by the group's chief financial officer, Tim Jacobs CA(SA). These results were made public on 18 June 2019.

ADR programme

Bank of New York Mellon maintains a Global BuyDIRECT[SM] plan for MultiChoice Group Limited. For additional information, visit Bank of New York Mellon's website at www.globalbuydirect.com or call Shareholder Relations at 1-888-BNY-ADRS or 1-800-345-1612 or write to: Bank of New York Mellon, Shareholder Relations Department – Global BuyDIRECT, 462 South 4th Street, Suite 1600, Louisville, KY 40202, United States of America, (PO Box 505000, Louisville, KY 40233-5000)

Important information

This report contains forward-looking statements as defined in the United States Private Securities Litigation Reform Act of 1995. Words such as "believe", "anticipate", "intend", "seek", "will", "plan", "could", "may", "endeavour" and similar expressions are intended to identify such forward-looking statements, but are not the exclusive means of identifying such statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances and should be considered in light of various important factors. While these forward-looking statements represent our judgements and future expectations, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from our expectations. The key factors that could cause our actual results performance, or achievements to differ materially from those in the forward-looking statements include, among others, changes to IFRS and the interpretations, applications and practices subject thereto as they apply to past, present and future periods; ongoing and future acquisitions, changes to domestic and international business and market conditions such as exchange rate and interest rate movements; changes in the domestic and international regulatory and legislative environments; changes to domestic and international operational, social, economic and political conditions; the occurrence of labour disruptions and industrial action and the effects of both current and future litigation. We are not under any obligation to (and expressly disclaim any such obligation to) revise or update any forward-looking statements contained in this report, whether as a result of new information, future events or otherwise. We cannot give any assurance that forward-looking statements will prove to be correct and investors are cautioned not to place undue reliance on any forward-looking statements contained herein.

Further information

This short-form announcement is the responsibility of the directors and is only a summary of the information in the full summarised consolidated financial results. The full summarised consolidated financial results were released on SENS on 18 June 2019 and can be found on the company's website www.multichoice.com. Copies of the full summarised consolidated financial results may also be requested from the company's registered office, at no charge, during office hours. Any investment decision should be based on the full summarised consolidated financial results published on SENS and on the company's website.

The information in this announcement has been extracted from the audited information published on SENS, but the announcement itself was not audited.

On behalf of the board

Imtiaz Patel
Chair

Calvo Mawela
Chief executive

Johannesburg
14 June 2019

Directorate

Independent non-executive directors	Non-executive directors	Executive directors
S J Z Pacak (Lead independent director)	F L N Letele	M I Patel (Chair)
D G Eriksson	E Masilela	C P Mawela
K D Moroka	J J Volkwyn	T N Jacobs
L Stephens		
C M Sabwa		

Company secretary: Donna Dickson

Registered office: MultiChoice City, 144 Bram Fischer Drive, Randburg 2194, South Africa. PO Box 1502, Randburg, 2125

Transfer secretaries: Singular Systems Proprietary Limited, (Registration number: 2002/001492/07), PO Box 785261, Sandton 2146, South Africa

Sponsor: Rand Merchant Bank (a division of FirstRand Bank Limited)

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