MULTICHOICE
ENRICHING LIVES

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

Reviewed interim results announcement

CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS FOR THE PERIOD ENDED 30 SEPTEMBER 2019

Executive review of our performance

MultiChoice Group (MCG or the group) delivered solid results for the period ended 30 September 2019

The group added 1.2m 90-day active subscribers, representing 7% year-on-year (YoY) growth, taking the overall 90-day active subscriber base to 18.9m households at 30 September 2019 (HY20). In the absence of specific one-off events in the prior year, subscriber growth rates reflected more normalised trends. The subscriber base is split between 10.7m households in the Rest of Africa (RoA) and 8.2m in South Africa (SA).

Revenue was up 4% (3% organic) to R25.7bn and included subscription revenue of R21.2bn, which grew at similar rates. Top line momentum was affected by the group's strategic decision not to increase Premium prices in SA. Hardware sales and advertising revenues were lower due to the one-off prior year events, while macro-headwinds in certain markets affected disposable income and thus consumer demand.

Group trading profit rose 22% to R4.8bn (33% organic) benefitting from a R0.7bn (R1.2bn organic) reduction in losses in RoA. A further R0.7bn in costs were eliminated from the base during HY20 as part of the group's cost optimisation programme. This resulted in overall costs being contained to a similar level as the prior period (-3% organic) and achieved the group target of keeping the growth rate in costs below that of revenue growth.

Core headline earnings, the board's measure of sustainable business performance, was up 24% on the prior period at R1.9bn, despite the impact of the additional 5% share in SA allocated to Phuthuma Nathi in March 2019. Excluding this once-off change in the SA non-controlling interest, core headline earnings would have grown 37% YoY.

Consolidated free cash flow of R2.4bn was up 32% compared to the prior period. This was achieved after an improvement in the trading result from the RoA and a lower investment in set-top boxes.

SALIENT FEATURES

Period ended 30 September	2019 reviewed R'm	2018 reviewed R'm	2019 versus 2018 reviewed %
Revenue	25 655	24 782	4
Operating profit	4 926	4 144	19
Trading profit	4 781	3 918	22
Free cash flow	2 360	1 789	32
Core headline earnings per ordinary share (SA cents)	437	352	24
Earnings per ordinary share (SA cents)	336	79	>100
Headline earnings per ordinary share (SA cents)	341	78	>100
Net asset value per ordinary share (SA cents)	2 291	1 372	67

KEY PERFORMANCE INDICATORS

As at 30 September	2018 reported	2019 currency impact	2019 organic growth	2019 reported	2019 versus 2018 reported %	2019 versus 2018 organic %
90-day active subscribers ('000s)	17 645	n/a	1 232	18 877	7	7
South Africa	7 597	n/a	566	8 163	7	7
Rest of Africa	10 048	n/a	666	10 714	7	7
90-day active ARPU (R)						
Blended	200	1	(12)	189	(6)	(6)
South Africa	308	–	(16)	292	(5)	(5)
Rest of Africa	115	2	(6)	111	(3)	(5)
Subscribers ('000)	13 900	n/a	1 152	15 052	8	8
South Africa	7 206	n/a	469	7 675	7	7
Rest of Africa	6 694	n/a	683	7 377	10	10
ARPU (R)						
Blended	249	1	(15)	235	(6)	(6)
South Africa	326	–	(15)	311	(5)	(5)
Rest of Africa	166	3	(11)	158	(5)	(7)

GROUP FINANCIALS

Period ended 30 September	2018 IFRS R'm	2019 currency impact R'm	2019 organic growth R'm	2019 IFRS R'm	2019 versus 2018 IFRS %	2019 versus 2018 organic %
Revenue	24 782	192	681	25 655	4	3
South Africa	16 686	–	266	16 952	2	2
Rest of Africa	7 411	132	253	7 796	5	3
Technology	685	60	162	907	32	24
Trading profit	3 918	(443)	1 306	4 781	22	33
South Africa	5 378	–	(222)	5 156	(4)	(4)
Rest of Africa	(1 577)	(405)	1 152	(830)	47	73
Technology	117	(38)	376	455	>100	>100
Revenue	24 782	192	681	25 655	4	3
Subscription fees	20 422	114	703	21 239	4	3
Advertising	1 673	20	(55)	1 638	(2)	(3)
Set-top boxes	900	1	(53)	848	(6)	(6)
Technology contracts and licensing	685	60	162	907	32	24
Other revenue	1 102	(3)	(76)	1 023	(7)	(7)
Operating expenses	20 864	635	(625)	20 874	–	(3)
Content	8 223	263	463	8 949	9	6
Set-top box purchases	3 113	84	(667)	2 530	(19)	(21)
Staff costs	2 792	64	222	3 078	10	8
Sales and marketing	1 094	11	(72)	1 033	(6)	(7)
Transponder costs	1 288	41	(11)	1 318	2	(1)
Other	4 354	172	(560)	3 966	(9)	(13)

The group remains fully committed to broad-based black economic empowerment and transformation. In line with prior commitments, an offer was made to Phuthuma Nathi (PN) shareholders on 25 September 2019, to exchange up to 20% of their PN shares for shares in MCG. The offer closed on 28 October 2019 and has resulted in 3.7m shares being issued to PN shareholders, while MCG acquired 3.8m shares in PN in return. Following the conclusion of this share swap, our overall interest in MultiChoice South Africa increased from 75.0% to 76.4%.

No interim dividend has been declared. The group remains on track to declare a dividend of R2.5bn for FY20.

The group continued its strategic focus on local content, increasing the number of hours produced by 12%. As a result, the total local content hours in the library now exceeds 54 000 hours.

Capital expenditure (capex) of R0.3bn was in line with the prior period.

As one of the largest taxpayers in Africa, MCG paid direct cash taxes of R1.9bn. This was 9% higher than the previous period mainly due to a higher final tax payment in SA.

Net interest paid amounted to R164m, slightly up on the prior period primarily due to the impact of reclassifying operating leases as finance leases under IFRS 16. The group balance sheet remains strong with R9.9bn in net assets, including R6.9bn of cash and cash equivalents. Combined with R3.5bn in undrawn facilities, this provides R10.4bn in financial flexibility to fund our business plan. This strong financial position is after providing R0.8bn for share buybacks (including R0.7bn to fund the MCG restricted share plan) and settling our R1.5bn dividend to Phuthuma Nathi.

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 announcement, amounts and percentages have been adjusted for the effects of foreign currency, as well as acquisitions and disposals to better 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.

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

Directorate

On 5 July 2019, Mr Jabulane (Jabu) Albert Mabuza and Dr Fatai Adegboyega Sanusi were appointed to the board as independent non-executive directors.

Ms Donna Maree Dickson resigned as group company secretary on 30 September 2019. The group is currently in the recruitment process to find a suitable replacement.

No other changes have been made to the directorate of the group.

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 11 November 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 condensed consolidated interim financial statements. The full condensed consolidated interim financial statements were released on SENS on 11 November 2019 and can be found on the company's website www.multichoice.com. Copies of the full condensed consolidated interim financial statements 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 condensed consolidated interim financial statements at https://senspdf.jse.co.za/documents/2019/JSE/ISSE/MCGE/11Nov19.HY.pdf published on SENS and on the company's website. The information in this announcement has been extracted from the reviewed interim financial statements on our website, but the announcement itself was not reviewed.

On behalf of the board

Imtiaz Patel
Chair

Calvo Mawela
Chief executive

Johannesburg
11 November 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 (CEO)
J A Mabuza	J J Volkwyn	T N Jacobs (CFO)
K D Moroka		
C M Sabwa		
F A Sanusi		
L Stephens		

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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