MULTICHOICE GROUP DELIVERS RESILIENT INTERIM RESULTS

Johannesburg, 12 November 2020: MultiChoice Group (MCG, or the group), Africa's leading video entertainment company, delivered resilient financial results for the six months ended 30 September 2020 (1H FY21). The group added 1.2m 90-day active subscribers year-on-year (YoY), to close the period on 20.1m households, exceeding the 20m subscriber milestone for the first time. The customer base is split between 11.4m households (57%) in the Rest of Africa (RoA) and 8.7m (43%) in South Africa.

Core headline earnings were up 41% on the prior period at R2.7bn, with the strong growth attributable to a 38% improvement in organic trading profit and lower net realised foreign exchange losses. The trading profit impact of COVID-19 was largely neutral, as a R0.9bn revenue loss relating to lower advertising income and subscription revenues from commercial customers was offset by R0.8bn in delayed content costs.

"Despite operating in a challenging environment and being affected by lockdowns, production stoppages and disruptions to live sport, we delivered on all key metrics," says Calvo Mawela, MCG Chief Executive Officer. "A strong focus on cost reduction allowed for a further R1bn in cost savings during the period. We also narrowed the losses in the Rest of Africa by 59% year-on-year (or R0.5bn) to R338m."

Revenue increased 2% (-1% organic) to R26.1bn, with subscription revenues of R22.2bn increasing a solid 5% (3% organic) YoY. Top line momentum was significantly impacted by COVID-19. Advertising revenue declined R0.6bn YoY, mainly due to a lack of sports advertising and a generally softer advertising market resulting from lower economic activity. Commercial subscription revenues were R0,3bn lower as a result of most hotels, restaurants and other commercial customers remaining closed during lockdowns. Excluding the impact of COVID-19, revenue would have grown 6% YoY (4% organic).

The group continued its strategic focus of investing in local content and produced 1,870 additional hours, despite disruptions caused by strict early COVID-19 lockdown measures. The local content library is now close to 59,000 hours. To keep customers entertained, informed and educated, the group has launched nine new channels across sub-Saharan Africa since the start of the year and another 13 channels as part of the Ethiopian relaunch strategy. In Nigeria, it recently concluded another successful season of Big Brother Naija and South Africa saw the launch of several local productions such as Inconceivable, Gomora and Legacy. In addition, the reporting period saw two major international content agreements renegotiated to Rand and three new co-productions signed with global content producers.

MCG also continues to broadcast the best of sport and international content. Today the group announced the launch of the DStv Explora Ultra, its next generation decoder, offering customers an enhanced viewing experience and the best available local and international content from DStv, Showmax, BoxOffice and select partners. As part of the new experience, Netflix will now available for the first time on the Ultra decoder, which goes on sale next week. In addition, the group recently launched a whole range of new products and services to enhance the customer experience, including Showmax Pro, DStv Communities, DStv Rewards and Add Movies. "Underpinned by our world class technology, our emphasis is on offering great content across different platforms and building an ecosystem which keeps customers engaged," Mawela says. "Our subscriber base of more than 20m customers provides considerable scale and a platform to continuously add more products and services. We believe that, whether organically or through third parties, offering our customers an ecosystem of video entertainment options will be fundamental to our long-term success and to making our customers' lives more convenient and fulfilling.

FINANCIAL REVIEW

With revenues holding up and a strong focus on costs, the group's trading profit rose 19% to R5.7bn (38% organic). Overall costs decreased by 2% compared to the prior year (-9% organic) and resulted in the group maintaining its target of delivering positive operating leverage by keeping the organic growth rate in costs below that of organic revenue growth.

Consolidated free cash flow of R2.1bn was down 13% compared to the prior period. This was mainly due to some normalisation in the base due to the transponder lease payment holiday in South Africa coming to an end, with current period foreign exchange (FX) movements on lease payments (R0.6bn), as well as an increase in capital expenditure related to the multi-year investment programme to futureproof the group's customer service, billing and data capabilities (R0.4bn).

As one of the largest taxpayers in Africa, the group paid direct cash taxes of R2.0bn, slightly more than the prior year due to higher profitability. Net interest paid increased to R252m, primarily as a result of the translation of interest on US Dollar transponder lease liabilities at a weaker ZAR:USD exchange rate.

The strength of the balance sheet is critically important given the uncertain longer-term economic impact of COVID-19 and potential challenges for certain markets in the RoA as a result of a lower oil price. Some R7.3bn in cash and cash equivalents, combined with R4.5bn in undrawn facilities, provides R11.8bn in financial flexibility to fund the group's operations. This strong financial position is after R4bn was utilised to settle the

MCG and Phuthuma Nathi (PN) dividends in September.

SEGMENTAL REVIEW

South Africa

The South African business delivered a resilient performance in a tough consumer climate, reporting subscriber growth of 7% YoY or 0.5m subscribers on a 90-day active basis. The impact of COVID-19 and the associated lockdown saw consumers prioritise video services, but a lack of live sport and the inability of commercial subscribers to trade negatively impacted revenue generation.

Revenue declined 3% to R16.5bn, affected by the lower advertising and commercial subscriber revenues. Trading profit increased 12% to R5.8bn. This higher profitability can be attributed to a doubling down on the group's cost optimisation programme, the non-recurrence of three major sporting events expensed in the comparative prior period, lower operational costs in a COVID-19 environment and a temporary shift in content costs as a result of delays in sporting events.

SuperSport had to contend with the absence of live sport for a large part of the reporting period and nimbly adapted by changing channel line ups, broadcasting top quality documentaries and showcasing blockbuster sporting movies to keep subscribers entertained. Highlights for the interim reporting period included renewing the English Premier League and UEFA Champions League rights to the 2024/2025 seasons, enhancing the portfolio with two ESPN channels and launching a refreshed thematic channel line up to improve content discovery for sport lovers.

Connected Video users on the DStv and Showmax platforms continue to grow as online consumption increases. During the reporting period, Showmax launched Showmax Pro, the group's first standalone online sports offering. Showmax Pro allows subscribers to watch their series, movies, kids and sport content across several devices, while also offering a mobile option at a lower price point.

Rest of Africa

The RoA business grew the 90-day active subscriber base by 6% YoY or 0.6m subscribers, despite a macro-economic environment which remained challenging. As part of its growth strategy, the group relaunched its operations in Ethiopia in September, with a much stronger local-offering which includes localised billing, more Amharic content and SuperSport local-language commentary.

Revenue of R8.7bn represented 11% growth YoY (6% organic), supported by subscriber growth, the weaker Rand versus most local currencies, as well as inflationary price increases. Currency depreciation impacted results more than in the previous year, mainly due to the material depreciation of the Angolan kwanza (-70%) and the Zambian kwacha (-45%).

Trading losses narrowed by 59% (150% organic) or R0.5bn (R1.2bn organic) to R0.4bn. This represents a 7% improvement in the trading margin, driven by a combination of revenue growth, effective cost control, content refunds on various sports and general entertainment properties and lower content costs with football leagues being delayed.

Technology segment

Irdeto, the group's technology segment, was impacted by the deferral of certain project revenues due to COVID-19, as well as the non- recurrence of USD8m in once-off revenues in the prior period. It contributed R0.9bn in group revenues, a decrease of 1% YoY (-17% organic), whilst the trading profit margin normalised to 28%.

Over the past six months, Irdeto gained market share in providing digital security services and won 18 new customers across both traditional video entertainment and connected industries. Beijing Hyundai, which now incorporates Irdeto's Keystone security technology in all new models, has already shipped 50,000 new vehicles with this technology into the market. As one of the market leaders in its field, Irdeto now provides security services to five of the six largest global OTT players.

SHARE TRANSACTIONS

In order to preserve cash reserves, the group transferred 3.6m treasury shares (with a value of R0.3bn on the date of utilisation) of the total 10.1m repurchased in the prior year, to fund the current year awards under the group's restricted stock unit (RSU) share plan.

SUBSEQUENT EVENTS

To expand the group's entertainment ecosystem further, it finalised a subscription for a 20% investment in BetKing, a high-growth sports betting group with operations in Nigeria, Kenya and Ethiopia. The transaction price amounted to an upfront investment of $81m (R1.3bn), with the potential for a further $31m (R0.5bn) in payments should certain earn out targets be met between December 2022 and December 2024. As the group exercises significant influence over BetKing, the business will be equity accounted as an associate from 1 October 2020.

To improve the group's cost of capital and reinforce the balance sheet, an amortising working capital loan of R1.5bn was concluded in November 2020. The loan has a three-year term and bears interest at three-month JIBAR + 1.70%.

FUTURE PROSPECTS

The group's focus for the full year, subject to a stable regulatory environment and potentially adverse consequences of COVID-19, will be to further scale its video entertainment platform across the continent, focusing on both traditional broadcasting and streaming services, and to increase its investment in local content.

"We will look to expand our entertainment ecosystem and revenue prospects through offering new products and services and by pursuing new growth opportunities. At the same time, we will focus on the ongoing development of employees and on continuing to make a meaningful impact in the communities where we operate," says Mawela. "Given the risks associated with weak macro and consumer environments, and the potential COVID-19 fallout, we will be looking to maintain tight cost controls, prioritise cash generation and preserve balance sheet strength.

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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 20.1m households across 50 countries on the African continent. Its track record of more than 30 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 50 years' expertise in software security, Irdeto's software security solutions and cyber services protect over 5bn devices and applications for some of the world's best brands.

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