MultiChoice
ENRICHING LIVES

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MULTICHOICE INTERIM RESULTS DELIVER STRONG CASH FLOW AND STEADY MARGIN

Johannesburg, 11 November 2021: MultiChoice Group (MCG, or the group), Africa's leading video entertainment company, reported a satisfactory set of results for the period ended 30 September 2021 (1H FY22), achieving its best organic revenue growth since 2016 and successfully absorbing additional content costs.

The group increased its 90-day active subscriber base by 1m to reach 21.1m subscribers, split between 12.2m households (58%) in the Rest of Africa (RoA) and 8.9m (42%) in South Africa. This represents 5% year-on-year (YoY) growth, which came primarily from the Rest of Africa, thanks to major sporting events and successful local content productions. The South African economic environment remains challenging as the impact of COVID-19 has placed many consumers under financial pressure.

The group generated revenue of ZAR26.8bn, with strong organic revenue growth of 10%, driven by a 7% increase in subscription revenues and a meaningful recovery of 77% in advertising revenues. The revenue contribution of the Rest of Africa and Technology businesses was reduced by the stronger rand (ZAR) on translation, which resulted in a lower reported revenue growth of 3%.

The positive impact of revenue gains on trading profit were largely offset by a 2% increase in costs (12% organic), driven predominantly by a deferral of certain content costs from FY21. This included major sporting events such as Euro 2020, the British and Irish Lions Rugby Tour and the Tokyo Olympics, as well as the non-recurrence of certain COVID-19 related content savings. This led to an increase in group trading profit of 5% to R6.0bn (6% organic).

The group delivered a strong 54% increase in consolidated free cash flow, underpinned by focused working capital management and lower capital expenditure.

"We are pleased with our performance over the past six months," says Calvo Mawela, Chief Executive Officer. "We were able to absorb a significant shift in content costs from last year while still maintaining our trading profitability. More importantly, we continued to bring our magic to millions of households across the continent, delighting them with a bumper slate of sporting events and our ever-popular local content. This is what we live for as a video entertainment business!"

Core headline earnings, the board's measure of sustainable business performance, was down 26% to ZAR2.0bn due to the impact of the strong rand resulting in foreign exchange losses on hedging instruments.

The group's established cost optimisation programme delivered a further ZAR0.5bn in cost savings during the period, with renegotiated content contracts being a major contributor.

A strong balance sheet remains a core focus to support new investment opportunities, as well as funding requirements for RoA which is affected by liquidity constraints in Nigeria. After settling the MCG and Phuthuma Nathi dividends in September, the group reported R7.3bn in cash and cash equivalents. Combined with R4.4bn in undrawn facilities, this provides R11.7bn in financial flexibility.

Local content continues to be a core part of the group's differentiation strategy. The group stepped up its investment in local content by producing 2 692 additional hours (41% YoY growth). As a result, the total local content library is now approaching 66 000 hours and represents 45% of total general entertainment content spend, which was the group's full year target.

In South Africa, local documentary *Devilsdorp*, became the most viewed programme of all time on Showmax. In Nigeria, *Big Brother Naija* delivered record viewership and advertising revenues, and has become one of Nigeria's most loved reality brands. *Reyka*, a global co-production with Fremantle was broadcast to critical acclaim during Sunday night prime time, while a further four co-productions (*Recipes for Love and Murder*, *Crime and Justice S2*, *Pulse and The Fix*) are currently in production. Interest in the group's content is at an all-time high, with 121 series sold to international buyers, seven times more than last year.

In addition to compelling local stories, MCG continues to broadcast the best of sport. The group renewed the rights to Serie A, the FA Cup, the European Football Championship and the new United Rugby Championship. On the international content front, channel agreements with Disney (including the kids and National Geographic channels) were secured to 2024.

The group continues to expand its ecosystem. It has recently launched DStv Internet, a plug and play fixed-wireless LTE solution, which enables broader access to the group's online platforms.

Kingmakers (previously BetKing), in which the group holds a 20% investment, delivered 78% revenue growth YoY, with profitability at break-even as the business continues to grow its management team, agent network and presence across the continent.

SuperPicks, the group's first product collaboration with KingMakers, was launched in Nigeria at the start of the 2021/2022 English Premier League season and has achieved impressive user growth on a weekly basis.

The group's additional 29% investment in Kingmakers was finalised on 29 October and has been funded by R4bn in ZAR-denominated debt. The group also made a R31m investment in personal security platform AURA during October, expanding its in-home value-added service to customers.

“The expansion of our ecosystem and the investment in opportunities underpinned by technology will bring the next wave of our growth, especially as we have the scale and reach to make this meaningful” says Mawela “Our customers are looking for products and services that drive convenience, solve their challenges and ultimately enrich their lives - whether this is through video entertainment, sports betting, connectivity or other services.”

SEGMENTAL REVIEW

South Africa

The South African business was impacted by an increasingly difficult consumer climate. In addition, the prior period benefitted from strict lockdown conditions as consumers prioritised video entertainment services. This resulted in muted 2% subscriber growth YoY or 0.2m subscribers on a 90-day active basis.

Revenue increased 8% to ZAR17.8bn due to strong advertising revenue growth (ZAR0.7bn) and a 2% increase in subscription revenues. Trading profit increased 7% to ZAR6.2bn, despite the cost of major sporting events such as Euro 2020, the British and Irish Lions rugby tour and the Tokyo Olympics.

Connected Video users on DStv and Showmax continue to grow as online consumption increases. Paying Showmax subscribers increased by 42% YoY, contributing to an increase of 3% in the group’s African OTT market share since December 2020.

Showmax further localised its business by adding local payment channels and enabling local billing in various markets. Showmax Pro continues to improve its offering, which included the live broadcast of every medal event from the Tokyo Olympics, the Euro 2020, and every game from the English Premier League.

Rest of Africa

The Rest of Africa (RoA) business grew its 90-day active subscriber base by 0.8m subscribers or 7% YoY, with the closing base now surpassing the 12m mark at 12.2m. The popularity of local content such as *Big Brother Naija* and major sporting events contributed to another robust subscriber growth performance, supported by the segment’s regionalisation strategy.

Although the RoA business reported 16% revenue growth in USD (its reporting currency), revenue in ZAR reduced 5% YoY to ZAR8.2bn due to the stronger ZAR. Trading losses, which reflected an organic improvement of 6%, amounted to ZAR0.4bn. Strong subscription revenue growth was offset by an increase in content costs driven by a normalised sporting schedule, increased local content investment and non-recurring content refunds received in the prior period.
Although currency depreciation was more favourable than the previous period, the overall macroeconomic environment remains volatile. Liquidity challenges continued in Nigeria, with

the group extracting cash at every opportunity through local banking partners, largely at the parallel rate. Despite these efforts, cash balances in Nigeria remain elevated at ZAR2.8bn compared to the ZAR2.3bn reported at 31 March 2021.

The group is currently involved in an ongoing tax matter with the Nigerian Federal Inland Revenue Service (FIRS). Based on the latest facts and circumstances available, no provision has been made, or contingent liability disclosed, in the interim results.

Technology segment
The technology segment, Irdeto, delivered a solid performance despite the global silicon chip shortage which impacted revenues. The segment contributed ZAR0.8bn in revenues, down 16% YoY (+1% organic). As with the Rest of Africa segment, revenues were impacted by the translation impact of a stronger ZAR. Despite pressure on revenues, the segment contributed ZAR0.3bn to group trading profit with margins strong at 37%.

During the year, Irdeto was successful in winning another two tier-1 media security customers, while also focusing on the development of new services such as connected transport, rail, construction equipment and medical devices. Irdeto's *Trusted Home* product was rolled out in South Africa as part of the DStv Internet launch, offering customers enhanced home network security, parental controls and Wi-Fi management solutions. Irdeto was also recognised with numerous industry awards, including Best Cybersecurity Product or Service at the International Cyber Security Awards.

FUTURE PROSPECTS
In the second half of the financial year, the group will be looking to continue scaling its video entertainment services across the continent subject to a stable regulatory environment and taking into account the challenging consumer and macro-economic environment. It will focus on delivering its festive season targets for traditional linear broadcasting and streaming services and retaining these customers into the new calendar year. Local content remains critical to the strategy, and the group will increase its investment in local content in line with its target of 45% of total general entertainment spend.

"As vaccination rates increase, we are hopeful that the worst of COVID-19 is behind us. However, we know that many of our customers, employees and economies will be recovering from the impact for some time to come," says Mawela "We will support our customers with excellent service and the best video entertainment - a place not only to watch but to rest, unite, laugh and dream again."

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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 21.1m 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.

MultiChoice Group Contact Details:

Francois Rank, Senior Manager, Corporate Communications
Mobile: +27 84 619 7312
Franki.Rank@multichoice.co.za

Meloy Horn, Head of Investor Relations
meloy.horn@multichoice.com
Mobile: +27 82 772 712