Reviewed interim results announcement

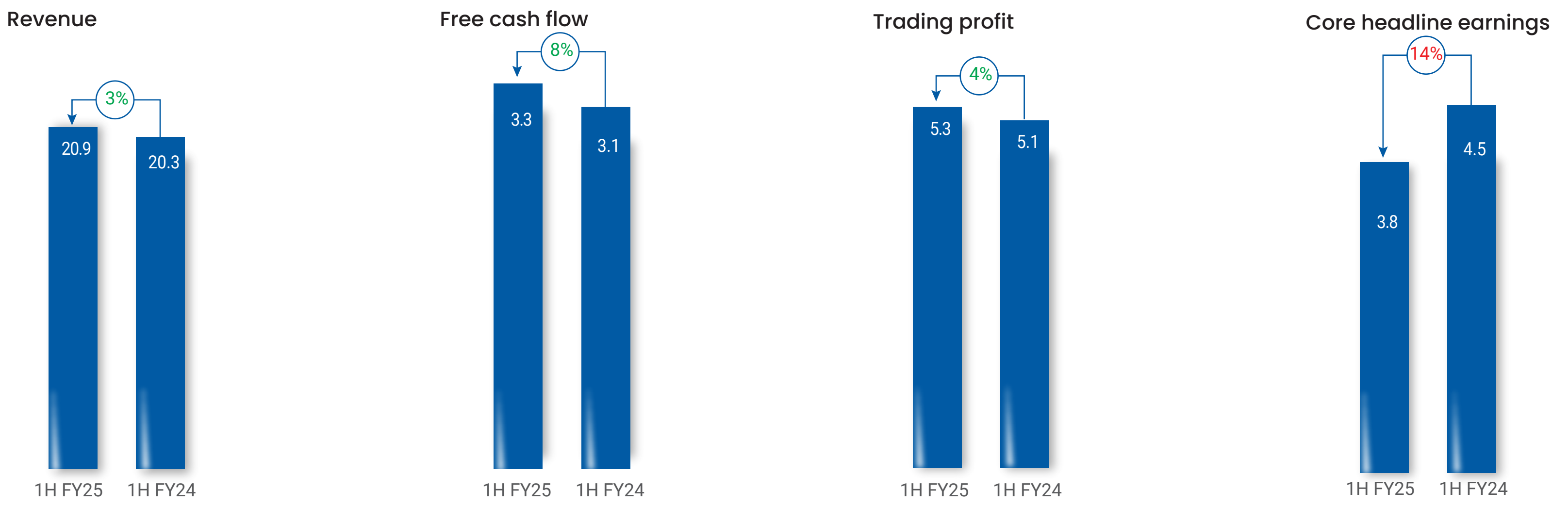
Consolidated interim financial results of the MultiChoice South Africa Holdings Group

for the period ended 30 September 2024

MULTICHOICE PHUTHUMA NATHI
SHARE THE FUTURE

MultiChoice South Africa Holdings Proprietary Limited
(Registration number: 2006/015293/07)
JSE share code: MCG
ISIN: ZAE000265971

HIGHLIGHTS (ZAR'bn)



MultiChoice South Africa – solid earnings growth and cash generation in a strained consumer environment

During the six-month period ended 30 September 2024 (1H FY25), MultiChoice South Africa ("MCSA" or "the group") continued to operate in a strained consumer environment. Although the interest rate cutting cycle commenced in September and the ZAR has been more stable against the USD, it will take time for this to create increased disposable income for consumers. Against this backdrop, the business remains focused on driving subscriber retention and reconnection and identifying pockets of growth, whilst optimising business processes and systems for improved customer experience and efficiency.

The group has slowed the rate of subscriber decline, losing 184k subscribers in 1H FY25 against 215k in 2H FY24. The Compact base remains under significant pressure due to the constrained consumer landscape, which will take time to resolve. In addition, the start of the Premier Soccer League in South Africa was delayed until mid-September, slowing 1H growth, but likely supporting improved trends into 2H FY25. In contrast, the Premium base (excluding Compact Plus) is trading broadly in line with expectations. The Access base has seen improved activity and reconnection rates, coinciding with the elimination of loadshedding and aided by additional sporting content such as La Liga and popular programming such as *Sibongile & the Dlaminis.*

Financial review

Subscription revenues were down a net 3%. The ongoing shift in focus to the quality of customer, combined with price increases, resulted in a 3% increase in average revenue per user (ARPU) in 1H FY25, the first improvement in YoY ARPU since 2017. Decoder sales were up 46% due to increased pricing to drive retention through a more economical subsidy strategy in a mature market. Advertising revenues were up 3% on the back of a strong sports schedule, insurance revenues increased by 31% (and margins were up 40% YoY) on the improved product mix and the launch of the higher-priced Device Care Plan (DCP). Internet revenues were up 81% on continued growth in sales of our fixed wireless LTE product (the internet subscriber base doubled YoY). The net result of the above movements was a 3% increase in the revenue base of the South African business.

Revenue growth was complemented by strong cost optimisation, resulting in trading profit growing 4% YoY and the trading margin expanding to 31.8% against 30.7% in the comparative 1H FY24 period. This provides a solid foundation for the full-year trading performance, bearing in mind that second half margins are seasonally weaker owing to higher content rights costs from the football season and group investment in subscriber acquisition ahead of the festive season.

Free cash flow of ZAR3.3bn was up 8% YoY as a result of lower investment in working capital, which included improved decoder inventory management.

Core headline earnings, the group's measure of sustainable business performance, decreased by 14% to ZAR3.8bn. This decrease was driven by losses on realised foreign exchange contracts in a stronger ZAR environment which contributed ZAR924m (net of tax) to the decline. Excluding the impact of these realised losses, core headline earnings would have increased by 8%.

As one of the largest taxpayers in South Africa, the group paid direct cash taxes of ZAR1.1bn.

A dividend of ZAR5.5bn, declared in August 2024, was paid to shareholders in September 2024, with ZAR1.375bn being distributed to Phuthuma Nathi (PN).

Operational performance review

Sports content (SuperSport)

True to its reputation as one of the world's leading sport broadcasters, SuperSport delivered the most extensive Olympic Games broadcast globally during Paris 2024. It covered 1 200 live events over 2 900 live broadcast hours, across 19 days, through eight dedicated linear channels, five OTT streaming channels, and dedicated SuperSport SuperScreen and 24-hour Olympic News Update channel.

EURO 2024 also delivered strong viewership ratings, notably in the group's largest market where the event was tactically tiered down to DStv Compact in South Africa.

The Proteas' progression to the final of the ICC T20 Men's World Cup drove a 17% increase in viewership compared to the 2022 tournament.

These events were complemented by an exciting Rugby Championship, won by the Springboks, and a thrilling conclusion to the 2023/2024 English Premier League season.

SuperSport Schools crossed a milestone of 1m registered users on its app in August 2024, roughly doubling its userbase YoY and delivering over 35 000 hours of app and TV viewing content during 1H FY25.

Chasing the Sun 2, with its production fully funded through commercial sponsors and advertising revenue, was SuperSport's third most-viewed sports documentary ever, following closely behind *Chasing the Sun and Rassie.* In keeping with the group's strategy to bring customers the best of global sport, SuperSport's renewal or extension of rights during 1H FY25 included the Premier Soccer League, La Liga, the FIFA World Cup (men's and women's), HSBC Sevens and World Athletics.

An exciting new initiative during 1H FY25 was the launch of SuperSport Experiences, in partnership with DStv Rewards. Working with SA Rugby, the group offered loyal DStv Premium subscribers the opportunity to buy "Early Bird" tickets to the Springbok's home test matches, which were fully sold out.

General entertainment (M-Net)

M-Net has sought to carefully balance the need to invest in local content as a key differentiator for the group's linear and streaming services with the group's overarching focus on driving cost savings. The segment has achieved this by remaining cost efficient through, for example, tactical content windowing and content sharing across platforms, regions and pack tiers, as well as ongoing channel optimisation. Content highlights in the period included *Queen Modjadji,* as the most watched Sunday drama series since *Shaka Ilembe* (with 30% live audience market share in South Africa and averaging more than 1.1m viewers per episode).

Coverage of the South African election by *Carte Blanche* and *Newzroom Africa* attracted increased viewership, while M-Net 101's premium programming, including *FBI, Chicago, MasterChef, Blue Bloods* and *Law & Order* properties, resulted in a consistent increase in the average time spent by Premium viewers on the channel.

The group's slate of local telenovelas on the Mzansi channels in SA continued to experience growth over the past six months, which helped to anchor Monday to Friday viewership *(Umkhokha: The Curse, Gqeberha: The Empire, My Brother's Keeper, Champions,* and *Sibongile & The Dlaminis* where viewership has doubled YTD), while reality shows are resonating with younger audiences *(Short & Sweet, I'm With Your Ex, Izingane Zes'thembu).* Similarly, the kykNET channels remain the home of Afrikaans content on the back of its lineup of soapies, telenovelas and reality shows *(Binnelanders, Diepe Waters, Suidooster, Arendsvlei, Skemergrond, Moederhart, Boer Soek 'n Vrou, Plaasjapie).*

The group's local content library grew by 8% to 85 215 hours, despite a 10% reduction in local content production hours in a cost-conscious environment.

Advertising (DStv Media Sales)

In South Africa, advertising revenues grew by 3%, led by a strong sports lineup in an otherwise challenging macro-economic environment. The business remains focused on developing advertising technology solutions for the streaming and video-on-demand environments via DStv Stream and Showmax

Insurance (NMS Insurance Services)

The group's insurance business is subject to an exciting M&A opportunity which was announced in June this year and is expected to close shortly. Total insurance policies declined slightly by 1% YoY on elevated consumer pressures in the South African mid-market, with the policyholder base closing at 3.1m. However, an improved product mix on the back of the introduction of the Device Care Plan product has driven a sharp increase in ARPU and a 31% YoY increase in revenues, which amounted to almost ZAR600m in the first half. A fairly benign claims ratio meant that the profit contribution from the insurance business increased by 41% YoY.

Outlook

The focus of the group's management team for the remainder of the year is to successfully navigate current market conditions to improve the economics of the business and to capitalise on new growth opportunities. The group remains committed to bringing customers the best of video entertainment, continuing to support the creative industry in South Africa through the production of great local content, uplifting the communities that it serves on an ongoing basis and, ultimately, delivering attractive shareholder returns.

Directorate

As noted in the group's FY24 results, the outgoing non-executive chair, Imtiaz Patel, was due to step down from his role at the end of FY24, but his tenure was briefly extended on 2 April 2024 in aid of supporting the Canal+ transaction process. Having then made sufficient progress, with the MultiChoice Group and Canal+ entering into a Cooperation Agreement and issuing a firm intention announcement, Mr Patel stepped down from the board on 23 April 2024. Mr Patel was succeeded by Elias Masilela, an independent non-executive member of the board.

Another long-serving member of the board, Jim Volkwyn, who served MultiChoice with distinction in several roles for more than 33 years, did not stand for re-election at the AGM on 28 August 2024.

The board and executive management teams express their gratitude to both Mr Patel and Mr Volkwyn for their invaluable contributions to the group over the years.

Preparation of this announcement

The preparation of this announcement was supervised by the chief financial officer, Mr TN Jacobs CA(SA). These results were made public on 12 November 2024.

Further information

This announcement is the responsibility of the directors and is only a summary of the information in the consolidated interim financial results. Copies of the consolidated interim financial results may be requested from the company's registered office, at no charge, during office hours. The information in this announcement has been extracted from the reviewed information published on the company's website, but the announcement itself was not reviewed.

Trading profit includes finance costs on transponder lease liabilities but excludes the amortisation of intangible assets (other than software), impairment/derecognition of assets, equity-settled share-based payment expenses and other operating gains/losses. Core headline earnings exclude non-recurring and non-operating items. The directors believe this is a useful measure of the Group's sustainable operating performance. Core headline earnings and trading profit are not defined terms under IFRS, are not audited and may not be comparable with similarly titled measures reported by other companies.

These results represent the financials of the MultiChoice South Africa Holdings (Pty) Ltd legal structure and therefore do not align with the MultiChoice Group Limited (MCG) South African segment results.

The complete condensed consolidated interim financial statements are available on the MultiChoice South Africa Holdings and Phuthuma Nathi websites: www.multichoice.com/southafrica and www.phuthumanathi.co.za

Events after the reporting period

Acquisition by Sanlam Life of 60% of MultiChoice's insurance business

Having received Competition Commission and Competition Tribunal approval, all material conditions precedent for the sale of a 60% interest in NMS Insurance Services (SA) Limited (NMSIS) to Sanlam Life Insurance Limited (Sanlam) have been met, with the exception of formal written approval from the Prudential Authority.

We have a high degree of confidence that said approval will be received from the Prudential Authority shortly and, as a result, all outstanding conditions precedent are expected to be met in November 2024 at which time the transaction will become effective. The conclusion of the transaction will trigger the recognition of a once-off accounting gain, which is expected to be in the range of (ZAR2.6bn to ZAR3.3bn), principally as a result of disposing of the group's controlling interest in NMSIS, after taking into account the consideration expected (comprising upfront cash proceeds and a earnout), the fair value of the group's remaining 40% interest in NMSIS and the carrying value of the net assets of NMSIS derecognised in accordance with relevant IFRS Accounting Standards.

Other

There have been no other events that occurred after the reporting date that could have a material impact on the consolidated interim financial statements.

Condensed consolidated income statement

	Reviewed Half-year 30 September 2024 ZAR'm	Reviewed Half-year 30 September 2023 ZAR'm
Revenue from contracts with customers	20 355	19 889
Cost of providing services and sale of goods	(10 896)	(10 439)
Insurance service result	380	270
Insurance revenue	578	442
Insurance service expense	(198)	(172)
Selling, general and administration expenses	(4 393)	(4 451)
Impairment loss on trade receivables – net	(105)	(94)
Other operating gains – net	21	14
Operating profit	5 362	5 189
Interest income	1 066	793
Interest expense	(956)	(677)
Net foreign exchange translation gains/(losses)	544	(272)
Share of equity-accounted results	12	37
Reversal of impairment of equity accounted investment	–	73
Profit on sale of equity accounted investment	–	12
Profit before taxation	6 028	5 155
Taxation	(1 602)	(1 376)
Profit for the period	4 426	3 779
Attributable to:		
Equity holders of the group	4 426	3 779
Headline earnings for the period	4 409	3 684
Core headline earnings for the period	3 826	4 460

Condensed consolidated statements of comprehensive income and changes in equity

	Reviewed Half-year 30 September 2024 ZAR'm	Reviewed Half-year 30 September 2023 ZAR'm
Balance at beginning of the period	13 463	13 064
Profit for the period	4 426	3 779
Total other comprehensive income, net of tax, for the year	(502)	232
Cash flow hedges	(626)	299
Tax on other comprehensive income	124	(67)
Changes in other reserves		
Share-based comprehensive movement	112	(137)
Hedging reverse adjustment	(46)	(583)
Dividends paid to shareholders	(5 480)	(5 480)
Gain on sale of Showmax business	–	569
Balance at the end of the period	11 973	11 444
Comprising:		
Share capital and premium	17 216	17 216
Retained earnings	8 175	6 775
Share-based compensation reserve	1 472	1 528
Existing control business combination reserve	(14 510)	(14 510)
Hedging reserve	(409)	405
Fair value reserve	5	5
Foreign currency translation reserve	24	24
Total	11 973	11 444

Condensed consolidated statement of financial position

	Reviewed Half-year 30 September 2024 ZAR'm	Audited Full-year 31 March 2024 ZAR'm
ASSETS		
Non-current assets	11 516	12 467
Current assets	34 120	32 802
Assets held for sale	528	317
Total assets	46 164	45 586
EQUITY AND LIABILITIES		
Total equity and reserves	11 973	13 463
Total equity	11 973	13 463
Non-current liabilities	17 750	18 918
Current liabilities	16 293	13 078
Liabilities directly associated with assets held for sale	148	127
Total equity and liabilities	46 164	45 586

Condensed consolidated statement of cash flows

	Reviewed Half-year 30 September 2024 ZAR'm	Restated Reviewed Half-year 30 September 2023 ZAR'm
Cash flow generated from operating activities*	6 171	6 550
Cash flow utilised in investing activities	(108)	(331)
Cash flow utilised in financing activities*	(6 133)	(6 331)
Net movement in cash and cash equivalents	(70)	(112)
Foreign exchange translation adjustments	10	(7)
Cash and cash equivalents at beginning of the period	520	1 176
Cash and cash equivalents classified as held-for-sale	(211)	–
Cash and cash equivalents at end of the period	249	1 057

* *Prior year numbers have been restated for a re-classification between cash flow utilised in financing activities and cash flow generated from operating activities amounting to ZAR2 177m. For full details please refer to the consolidated interim financial statements.*

Commitments

	Reviewed Half-year 30 September 2024 ZAR'm	Audited Full-year 31 March 2024 ZAR'm
Capital expenditure	8	5
Programme and film rights	42 532	47 058
Set-top box commitments	255	991
Other commitments	2 439	2 394
Commitments	45 234	50 448

Calculation of headline and core headline earnings

	Reviewed Half-year 30 September 2024 ZAR'm	Reviewed Half-year 30 September 2023 ZAR'm
Net profit attributable to shareholders	4 426	3 779
Adjusted for:		
– Reversal of impairment of associates	–	(73)
– Gain on sale of investments in associate	–	(12)
– Reversal of impairment of other assets	(2)	–
– Profit on sale of Intangible assets	(21)	(14)
	4 403	3 680
Total tax effects of adjustments	6	4
Headline earnings	4 409	3 684
Adjusted for:		
– Amortisation of intangible assets	10	5
– Foreign exchange losses	(581)	(88)
– Equity-settled share-based compensation	80	71
– Settlement costs related to cancelled contract	43	–
– Realisation of foreign exchange contracts	(135)	789
Core headline earnings	3 826	4 460
Number of shares (million)	360	360
Core headline earnings per ordinary share (ZAR)	10.6	12.4

Directorate

Independent non-executive directors
E Masilela (Chair), JH du Preez, D Klein, KD Moroka, CM Sabwa, FA Sanusi, L Stephens, A Zappia

Executive directors
CP Mawela (CEO), TN Jacobs (CFO)

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