MultiChoice Group maintains strategic momentum despite macroeconomic challenges
Despite external pressures, MultiChoice's strategy leverages a solid financial foundation, targeted investments, and disciplined cost management to drive future growth and deliver the best video entertainment to customers.

- Unprecedented foreign exchange pressures and economic challenges in key African markets impacted earnings and dampens subscriber growth
- On track to right-size cost base and grow new revenue streams to drive future growth as streaming gains traction at the expense of traditional pay-tv
- Cost-cutting measures delivered R1.3bn in permanent savings, on track to reach increased full-year target of R2.5 billion
- Showmax customer base grew 50% YoY as a leading streaming service in sub-Saharan Africa
- Strong revenue growth in new products: DStv Steam +71%, DStv Internet +85%, DStv Insurance +31%, KingMakers +53%
- Strong liquidity of R10 billion provides solid financial base to support growth
- Negative equity position on track to be resolved in November 2024.

Johannesburg, 12 November 2024: MultiChoice Group (MCG or The Group) continued to deliver exceptional video entertainment and execute on core strategic initiatives during the first six months ended 30 September 2024 (1H FY25). However, unprecedented foreign exchange volatility severely impacted the Group's interim financial results, while ongoing macroeconomic challenges weighed on customer growth and moderated overall performance.

Facing the most challenging operating conditions in almost 40 years and to generate desired returns, the Group has been proactive in its focus to ”right-size” the business for the current economic realities and industry changes. Although operating across Africa typically subjects the group to currency moves, abnormal currency weakness over the past 18 months have reduced the group's profits by close to R7 billion. Combined with the impact of a weak macro environment on consumers' disposable income and therefore on subscriber growth, it required the Group to fundamentally adjust its cost base - which is exactly what has been done. The normal cost savings program was accelerated, resulting in permanent savings of R1.3bn in over the past six months and an increased target of ZAR2.5bn for the full year.

"We are making good progress in addressing the technical insolvency that resulted from non-cash accounting entries at the end of the last financial year. We expect to return to a positive net equity position by the end of November this year, supported by a number of developments and initiatives. The Group's liquidity position remains strong, with over ZAR10bn in total available funds," says Calvo Mawela, MultiChoice Group CEO.

The Group is also adjusting to global pay-TV challenges as streaming services, the rise of social media and changing consumer preference impact the traditional broadcast business. Showmax, which reported 50% growth YoY in its paying customer base, strategically positions the business to actively participate in the streaming revolution as it gains momentum across Africa. To create sufficient capacity and drive growth, the group stepped-up its investment in this business by an incremental ZAR1.6 billion during the interim period.

“We have successfully been implementing our strategy over the past few years, achieving key milestones such as our investment in KingMakers, returning the Rest of Africa business to profitability in FY23 and FY24, concluding the Showmax partnership with Comcast and investing in Moment. While we’ve made huge inroads to reduce our cost base, there’s still more work to be done”.

“However, our focus extends beyond cost efficiency—we are equally committed to grow the business. We remain committed to driving new revenue streams and see significant medium to long-term opportunities in video entertainment, particularly in streaming, and in our adjacent new businesses,” says Mawela

The Group reported strong momentum in its new products and services, which all delivered robust YoY revenue growth, i.e. DStv Stream +71%, DStv Internet +85% and DStv Insurance + 31%. KingMakers reported a healthy 27% increase in its online monthly active users in Nigeria and grew its revenue in Naira by 53%, while newly-launched SuperSportBet is showing good early traction in South Africa.

Financial Results Overview

Subscriber base: The pressure on the linear pay-TV subscriber base was lower than the previous six-months, reflecting a 5% decline (0.8m) compared to 6% reported (1.0m) in 2H FY24. This reflects an improving sequential trend. On a YoY basis, the linear subscriber base declined by 11% or 1.8m subscribers to 14.9m active subscribers, impacted by the challenging macroeconomic conditions that negatively impacted discretionary consumer spend.

Group revenues: Revenues increased by 4% YoY to ZAR25.4bn on an organic basis, due to disciplined inflationary pricing and revenue growth of new products. On a reported basis, revenues declined by 10%, impacted by foreign exchange pressures on the Rest of Africa business and a stronger Rand against the US Dollar.

Group trading profit: The Group’s ongoing cost optimisation drive delivered ZAR1.3bn in savings, and together with other improvements in the business, it resulted in a 33% increase in trading profit before incorporating the Showmax costs. A ZAR1.6bn step-up in the investment behind Showmax to create capacity for growth, trimmed the organic trading profit to ZAR5.0, a decline of only 1% YoY. Foreign exchange losses in the Rest of Africa business amounting to ZAR2.3bn reduced reported trading profit to ZAR2.7bn.

Adjusted core headline earnings, the board’s measure of the underlying performance of the business, amounted to ZAR7m, impacted by foreign exchange losses and the investment in Showmax.

Cash flow and liquidity: The Group free cash flow remained positive at ZAR0.6bn, with ZAR5.7bn retained in cash and cash equivalents. Despite the increase in net interest costs and a higher average debt balance, the Group remains well-positioned to navigate current challenges with access to ZAR4.4bn in undrawn facilities.

Operational update

General entertainment and sport

Delivering content that customers love remains the Group's core focus— whether it is the best of local or international general entertainment or the most exciting sport events.

In the past six months, the Group produced 2,763 hours of local content, bringing its local content library to 86,215 hours.

SuperSport reinforced its reputation as a global leader in sport broadcasting with extensive coverage of the Paris 2024 Olympic Games, EURO 2024, and the ICC T20 Men's World Cup. Over the past six months, SuperSport has broadcast 10,240 live events and provided a total of 21,540 hours of live coverage, a 22% increase YoY.

SuperSport Schools doubled its user base and crossed a milestone of one million registered users on its app, delivering over 35,000 hours of content over the past six months.

Business segments

As a mature business, **MultiChoice South Africa** is focused on subscriber retention and reconnections, identifying remaining growth opportunities, as well as optimising processes and systems to improve customer experience and operational efficiency.

In the **Rest of Africa** business, the Group is implementing several initiatives to support improved financials, including price adjustments to counter the impact of inflation, renegotiating content deals where feasible, restructuring select packages to enhance ARPU, optimising the DTT network, and intensifying anti-piracy initiatives.

In FY25, **Showmax** is focussed on enhancing its content line-up, bedding down distribution partnerships, expanding payment channel integrations and refining its go-to-market strategy.

Irdeto delivered encouraging revenue growth, after securing a major customer in Asian and expanding managed services with a key customer in Australasia.

KingMakers continued to gain strong momentum in Nigeria, where BetKing Nigeria has secured the second position in the online betting market. SuperSportBet, the South African business launched late last year, is showing early signs of success and reported a remarkable tenfold increase in net gaming revenue over the past nine months.

Moment, now live in 40 African countries, has shown rapid growth since its launch last year, with total payment volumes (TPV) growing to USD242m. It is already processing almost 30% of the Group's payments.

Looking Ahead

The Group continues to invest in its long-term future, focusing on the following strategic priorities:

- Improving profitability and cash generation in the South African business.
- Streamlining the cost base in the Rest of Africa to return this business to profitability.
- Investing in Showmax to establish it as the leading streaming platform on the continent.
- Supporting KingMakers, Moment and DStv Insurance to drive scale.

By executing well on these objectives, the Group will be well positioned to deliver future growth and create value as Africa's leading video entertainment platform and most-loved storyteller.

ENDS