MultiChoice
ENRICHING LIVES

Capital Allocation FRAMEWORK

Capital Markets Day / May 2023

Agenda

01 Overview & Capital structure

02 Capital allocation framework

03 Capital generation

04 Priority allocation

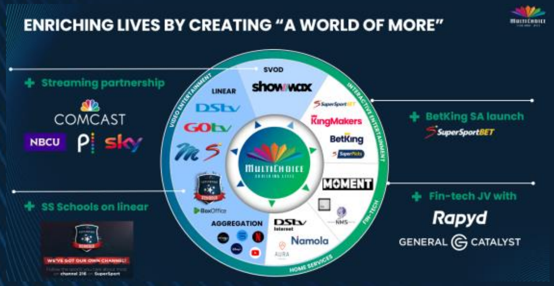
05 Discretionary allocation

06 Outlook

Optimal capital allocation critical to value creation

VISION
"The why"

STRATEGY
"The who, what & when"



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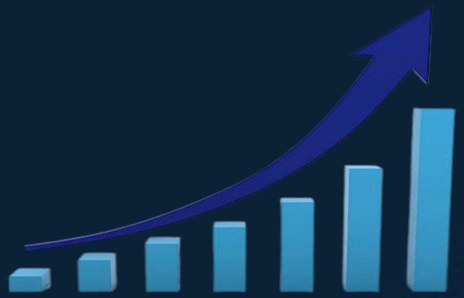
OPTIMAL CAPITAL ALLOCATION

"The how"

=

SUSTAINABLE LONG-TERM SHAREHOLDER VALUE
"The result"



Key elements of our disciplined approach

1. **BOARD OVERSIGHT** → Support growth and avoid excess risk
2. **CLEAR STRATEGIC PRIORITIES** → Platform strategy with sustainable verticals
3. **ROBUST BUDGET PROCESSES** → 3-year rolling segment business plans
4. **OPTIMAL GROWTH PLAYBOOK** → Build, partner, invest (capex-light [1], scalable)
5. **SHAREHOLDER ENGAGEMENT** → Ongoing dialogue ensuring alignment

Notes: (1) Capex = capital expenditure e.g. on infrastructure assets, as distinct from overall capital investment that may be required to build a business

Clear objectives around profitability and value creation

1

OPTIMISE
profitability and free cash flow generation through time (1)

- Mature vs. growth strategy by segment
- Target positive operating leverage
- Upstream sustainable free cash flow to group (1)

2

MAXIMISE
shareholder returns through value creation and distributions

- Reinvest capital where ROIs > WACC + hurdle (2)
- Return excess capital to shareholders
- Focus on long-term total shareholder returns

Notes:
(1) Free cash flow = trading profit + depreciation & amortisation +/- non-cash adjustments +/- change in net working capital - cash taxes - capex - transponder lease repayments (including interest) - the capital portion of all other lease repayments
(2) ROI = return on investment; WACC = weighted average cost of capital; hurdle = a margin of safety implied in our target return thresholds

Capital structure supports growth ambitions

Cash

Book value	R7.6bn
Cash return (1)	~8%

Illiquid cash: ZAR1.1bn (2)

Leases

Book value	R13.1bn
Interest rate (1)	3%-6%

Debt

Book value (4)	R8.4bn
Cost of debt (1)	~9%

Undrawn facilities: ZAR9.0bn

Equity

Market cap. (4)	R49.6bn
Cost of equity	~18%

Leverage ratio ~1x (3)

WACC ~16% (4)

Notes: balance sheet figures disclosed represent unaudited balances as at 31 March 2023
(1) Rates shown before tax (cash return relates to ZAR deposits in cash pool only; lease interest rates are based on USD leases; debt cost largely driven by 3-month JIBAR + 1.44%)
(2) Calculated as USD104m (ZAR1.9bn) of total cash subject to liquidity constraints in Nigeria, less USD40m in working capital and operational cash requirements in Nigeria
(3) Calculated as [capitalized finance leases + debt – cash (excluding restricted cash)] / EBITDA –> we have used 12-month EBITDA to September 2022 for the value shown
(4) WACC calculation uses book value for debt and market capitalization as at 03 May 2023 for equity (calculation based on a debt/equity ratio of 25%)

Our capital allocation framework

Current capital generation

- MCSA FCF (1) + Irdeto FCF (1)

Operating free cash flow available to group

Priority capital allocation

- Phuthuma Nathi dividend (23.2% of MCSA dividend)
- Cash funding for RoA (1)
- Investment into ecosystem verticals
- Management of operating cash & debt

Excess cash available to group

Discretionary allocation

- Targeted investments
- Dividends
- Share buybacks

Notes: (1) MCSA = MultiChoice South Africa; FCF = free cash flow; RoA = Rest of Africa

Capital generation

Current capital generation

MCSA FCF (1) + **Irdeto FCF** (1)

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Priority capital allocation

- **Phuthuma Nathi dividend** (23.2% of MCSA dividend)
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Optimising capital allocation in MCSA (1)

Prioritise customer retention	Focus on our strength in content	Accelerate shift to OTT	Build new business lines	Maximise profitability
Invest behind customer value proposition, support & activity	Leverage local content & sport as competitive differentiators	Invest in DvS (2), devices & partnerships to support OTT & aggregation	DStv Rewards, DStv Insurance, DStv Internet, Namola	Manage costs & drive digitization & self-service to support FCF (3)

Excess cash distributed as a dividend (to MCG and PN) (1)

Notes:
(1) MCSA = MultiChoice South Africa; MCG = MultiChoice Group; PN = Phuthuma Nathi
(2) DvS = DStv via Streaming
(3) FCF = free cash flow

Free cash is upstreamed to MCG via dividends (1)

MCG (1)

MultiChoice South Africa
free cash flow positive

- R7.4bn free cash flow generated in FY22
- R6.0bn dividend declared by MCSA (1)

Irdeto
free cash flow positive

- R0.5bn free cash flow generated in FY22
- R0.3bn dividend declared by Irdeto (2)

R1.4bn
net dividend payment to Phuthuma Nathi (23.2%)

R4.6bn
upstreamed to MCG (76.8%) (1)

+

R0.3bn
upstreamed to MCG (100%) (1)

=

~R5bn
available to group

Notes:
(1) MCG = MultiChoice Group; MCSA = MultiChoice South Africa
(2) Typically upstream roughly two-thirds of free cash flows generated to MCG

Priorities in terms of capital allocation

Current capital generation

MCSA FCF [(1)] + Irdeto FCF [(1)]

Operating free cash flow available to group

Priority capital allocation

- **Phuthuma Nathi dividend** (23.2% of MCSA dividend)
- **Cash funding for RoA** [(1)]
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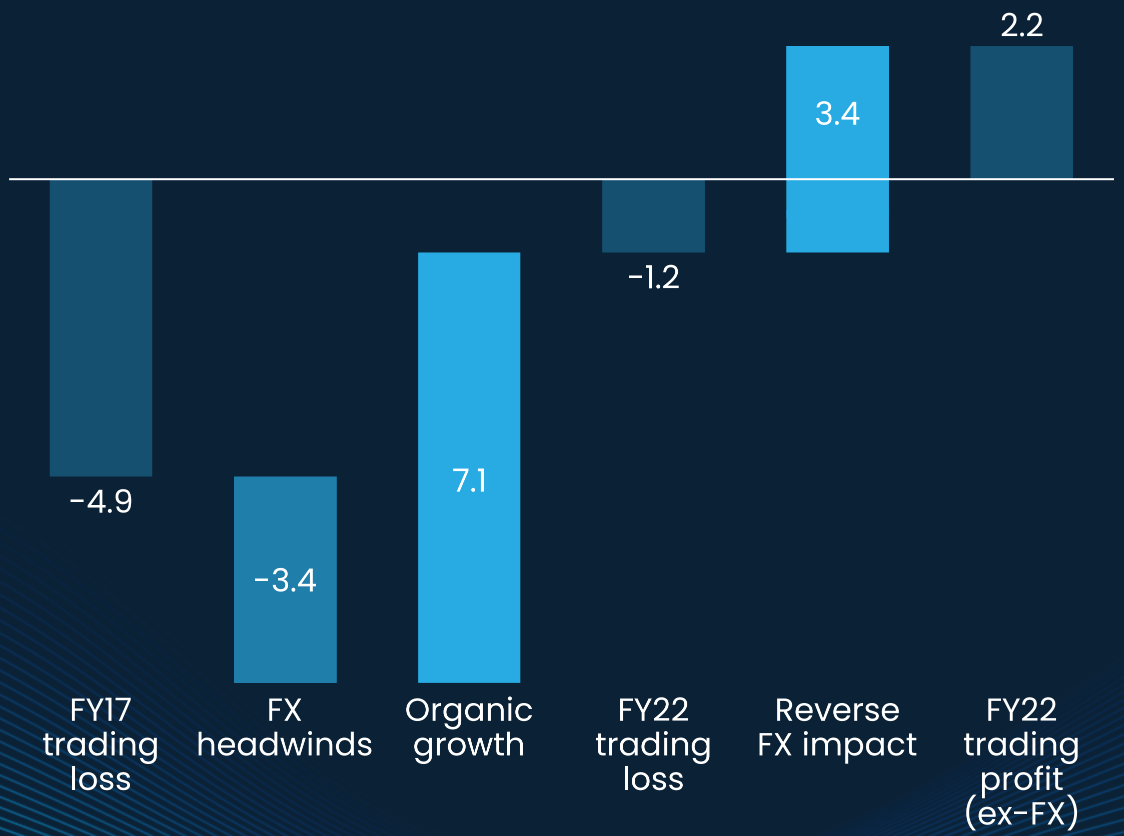
Cash funding for ROA

RoA would be profitable without FX headwinds (ZAR'bn)



- At listing, guided to **medium-term breakeven**
- RoA on track for trading profit **breakeven in FY23**
- Key drivers:
  - **+5.7m** 90-day subs (from FY16 to FY22)
  - Inflationary pricing with tight cost controls
- Free cash flow **breakeven target in FY24**
  - Taxes of **R0.7bn** + capex of **R0.2bn** in FY22
- Funding **breakeven target in FY26**
  - Cash extraction losses of **R1.1bn** in FY22
- Targeting **12%+ trading margin** medium-term

Investment in ecosystem verticals

Vertical	
KingMakers (49% owned)	Investing in tech platform, corporate support structures, new products & new markets • Core Nigerian business **profitable & cash generative** • Expect a **shallow j-curve** • Business plan **fully funded with USD167m on KingMakers balance sheet** (1)
Moment (26% owned)	Investing in payment integrations, B2B platform, B2C applications & necessary licenses • Short-term **cost savings for MCG**; significant long-term opportunity for Moment • Business plan fully funded for the next 18 months, **shallow j-curve** • Investment **defrayed by expertise & funding of partners in joint venture**
Showmax (70% owned)	Investing in local content & streaming platform leadership, plus local market support • Step change in ambition & **probability of success** for Showmax • Expect a more **typical j-curve** (say ~3-5 years) • Investment **defrayed by Comcast's stake & scale benefits of owners**

Notes: (1) balance sheet figure disclosed represent unaudited balances as at 31 December 2022

Investment in ecosystem verticals: Showmax

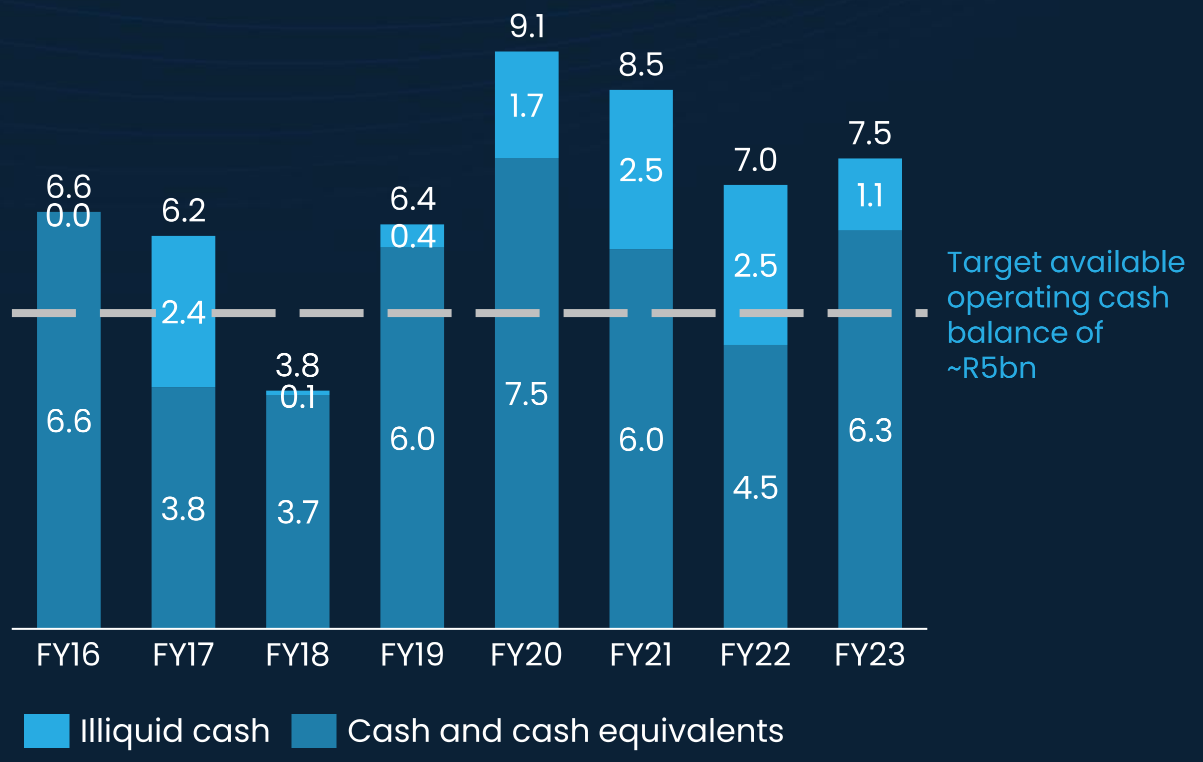
Showmax FY23e costs (1)

Net MCG trading profit impact

(1) Chart reflects the anticipated loss for the Connected Video/Showmax business that is reported as part of the South Africa segment, as well as the additional costs incurred as a result of the Showmax/Comcast transaction which was announced on 2 March 2023; all graphics are indicative

Operating cash requirements

MCG period-end cash holding (ZAR'bn) (1)



- Cash supports group requirements through year
- Key reasons for an operating cash balance:
  - Monthly cash outlays within business units
  - Larger periodic working capital outflows
  - RoA FX liquidity challenges
  - Unhedged FX volatility

Notes: balance sheet figures disclosed for FY23 represent unaudited balances as at 31 March 2023
(1) Cash and cash equivalents, excluding restricted cash (totals may not cast due to rounding)

Approach to debt management

R8.4bn
current financial debt with ~1x net leverage (1)

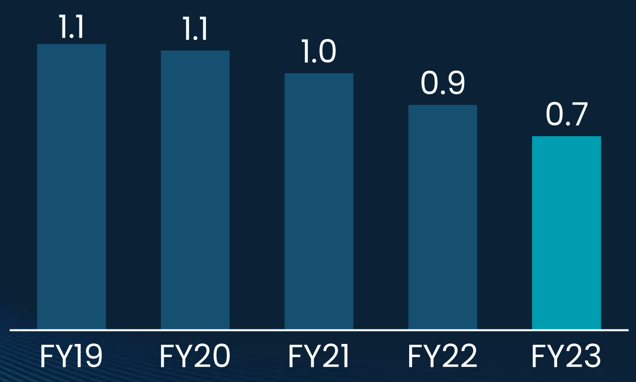
R26.0bn
max financial debt at a 2.5x net leverage cap (2)

1 Lease capital intensive infrastructure (3)

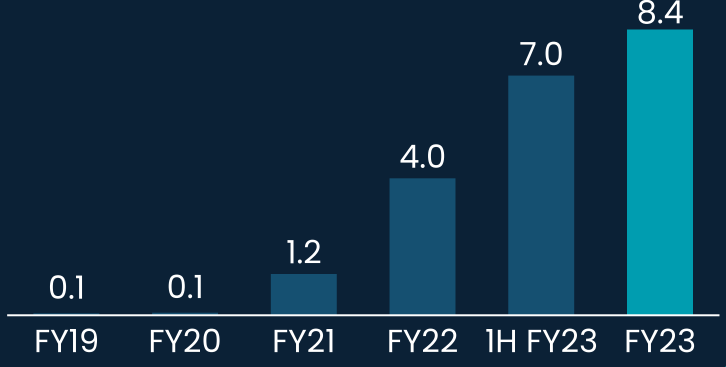
2 Employ efficient gearing

3 Maintain sufficient access to debt facilities

Capitalised finance leases (USD'bn)



Long-term loans (ZAR'bn)



R5.0bn
undrawn facilities at end FY22

R9.0bn
undrawn facilities at end FY23

Notes: balance sheet figures disclosed for FY23 represent unaudited balances as at 31 March 2023
(1) Calculated as [capitalized finance leases + debt – cash (excluding restricted cash)] / EBITDA -> we have used EBITDA for the twelve months to September 2022 for the value shown
(2) Based on debt covenants
(3) Leases are included in our gearing ratios, but we view and treat them as an operating expenditure rather than a financing cost

Discretionary capital allocation

Current capital generation

MCSA FCF (1) + Irdeto FCF (1)

Operating free cash flow available to group

Priority capital allocation

- Phuthuma Nathi dividend (23.2% of MCSA dividend)
- Cash funding for RoA (1)
- Investment into ecosystem verticals
- Management of operating cash & debt

Excess cash available to group

Discretionary allocation

- **Targeted investments**
- **Dividends**
- **Share buybacks**

Notes: (1) MCSA = MultiChoice South Africa; FCF = free cash flow; RoA = Rest of Africa

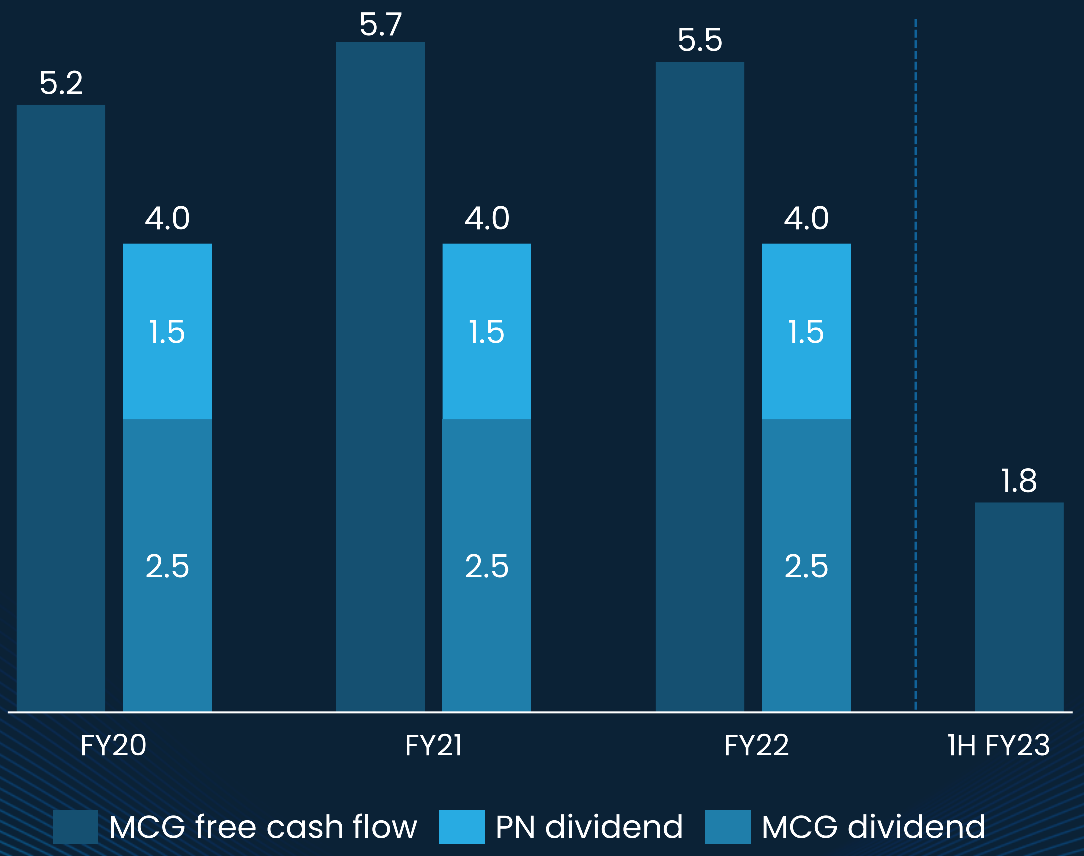
Targeted investments

A critical component of our strategy	Stringent deal criteria
• Transformative and incremental deals done since unbundling • Compliments greenfield initiatives/partnerships • Identified: – attractive target sectors (scalable, consumer tech) – sectors to avoid (high capital intensity e.g. telco infrastructure) • Formal board approval required for material deals (board line of sight on all such deals) • Use external expert advisors to compliment internal skills (legal, capital markets, sponsor)	• Scope to improve customer value proposition • Local, regional focus or use case • Ability to use our base to drive investee access to the markets we operate in • Ability to leverage our expertise to scale quickly • Target IRRs well in excess of our ~16% WACC (1)

Notes: (1) WACC calculation uses book value for debt and market capitalization as at 03 May 2023 for equity (calculation based on a debt/equity ratio of 25%)

Dividends

Group free cash flow vs. MCG & PN dividends (ZAR'bn) (1)



- Policy is to return excess cash to shareholders (no formal payout ratio)
- Dividends determined by the boards of MCSA and MCG annually (1)
- Decision factors in several considerations, including full-year results, operating environment, current three-year business plans and investments
- Macro volatility and/or meaningful investment opportunities may impact our ability to pay dividends from year to year

Notes: (1) MCG = MultiChoice Group; PN = Phuthuma Nathi; MCSA = MultiChoice South Africa

Share buybacks

1

- Plan to repurchase shares to fund LTI schemes
- Costs dependent on share price
- Should approximate ~R500m annually

2

- General buybacks evaluated opportunistically
- Only if excess capital available + share price trading below fair value estimate
- Aim to cancel shares bought back under general buybacks

3

- Factor in tax considerations when evaluating buybacks vs. dividends
- Pragmatic approach (i.e. preserved cash during COVID-19)
- Share buybacks a capital allocation rather than market signaling decision

Spent R2.0bn to buy 18.2m shares @ R109/share, 3% below recent R112 share price

Notes: buyback figures shown as at September 2022, with share price shown as at 03 May 2023

Medium-term capital allocation framework

Future sources of capital (1)

MCSA FCF (2) + Irdeto FCF (2) + RoA FCF (2) + KM (2) dividends + Moment dividends + Showmax FCF (2)

Financial debt

Operating free cash flow available to group (1)

Gearing as required

Priority capital allocation

- **Phuthuma Nathi dividend** (23.2% of MCSA dividend)
- **Share buybacks for share scheme**
- **Investment into new ecosystem verticals**
- **Management of operating cash & debt**

Excess cash available to group

Discretionary allocation

- **Targeted investments**
- **Dividends**
- **Opportunistic share buybacks**

Notes:
(1) Capital generators ordered from left to right based on approximate expected timing of future contributions to the group over the medium-term; chart does not mean that dividends are guaranteed for non-controlled investees; (2) MCSA = MultiChoice South Africa; FCF = free cash flow; RoA = Rest of Africa; KM = KingMakers

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Thank you!