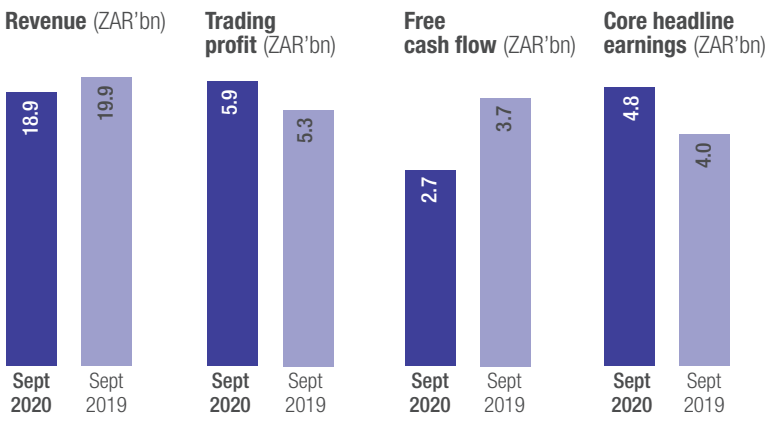


INTERIM RESULTS ANNOUNCEMENT

SUMMARY OF THE INTERIM RESULTS FOR THE PERIOD ENDED 30 SEPTEMBER 2020



MULTICHOICE SOUTH AFRICA HOLDINGS PROPRIETARY LIMITED
(Registration number: 2006/015293/07) (MCSAH or the group)



The group delivered resilient results for the period ended 30 September 2020.

The group added 0.5m 90-day active subscribers year on year (YoY) to close the period ended 30 September 2020 (1H FY21) on 8.7m households. This represents growth of 7% YoY, as increased consumer demand for video entertainment services were offset by rising consumer pressure.

FINANCIAL REVIEW

Revenue declined 5% to ZAR18.9bn mainly due to lower advertising revenue (ZAR0.5bn) as a result of reduced economic activity, lower programming revenue due to reduced content costs (ZAR0.6bn) and a reduction in commercial subscription revenues (ZAR0.3bn) as the hospitality industry was particularly affected by lockdowns. Excluding the YoY movements on the above revenue categories which were impacted by COVID-19, revenue growth would have been positive as healthy subscriber growth in the mass market and annual price increases was negated by a lower average premium subscriber base in the absence of live sport. The ongoing shift in subscriber mix towards the mass market, combined with the impact on premium and commercial subscribers mentioned above, resulted in the monthly average revenue per user (ARPU) declining 5% from ZAR292 to ZAR277.

Trading profit increased 10% from ZAR5.3bn to ZAR5.9bn. This 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 the delays in sporting events.

Free cash flow of ZAR2.7bn was down 26% compared to the prior period. This was mainly due to the end of a contractual agreement on the Southern Africa transponder lease whereby an upfront prepayment reduced lease payments for the first 36 months of the lease term and current period foreign currency movements (ZAR0.3bn), as well as an increase in capital expenditure related to a multiyear investment programme to futureproof the group's customer service, billing and data capabilities (ZAR0.3bn).

The group's total tax paid amounted to ZAR1.6bn in the period, making it one of the largest tax payers in South Africa yet again.

A dividend of ZAR6.0bn was paid to shareholders in September 2020, of which Phuthuma Nathi (PN) received ZAR1.5bn.

OPERATIONAL REVIEW

Content

As Africa's leading storyteller, the group continued to bring subscribers the best local and international general entertainment and sport content. Further investments were made into local content, which delivered strong ratings for M-Net, Africa Magic and Mzansi Magic brands. The ongoing investment in local content resulted in the production of 1 870 additional hours, despite disruptions caused by strict early COVID-19 lockdown measures. As a result, the total local content library is now nearing 59 000 hours. Funding of this local content strategy remains a priority across all platforms, and is facilitated through tight cost controls, efficiency gains in other areas of the business and balancing of overall content spend across the group.

Connected video

Connected video users on the DStv Now and Showmax platforms continue to grow as online consumption increases. During the reporting period Showmax launched Showmax Pro, the group's first standalone online sport 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. During November, the group launched Netflix on its platform and will be adding another major international subscription video on demand (SVOD) service soon.

Showmax improved its content line-up by further localising its offering and making fresher and more unique international content available to its customers. The contribution of local content to overall viewing increased from 25% to 36% between March and September 2020 driven by dramas like The River, Gomora, and Life with Kelly.

Product launches

On the product front, numerous innovative and customer-centric product launches occurred since the start of the financial year. The Explora Ultra decoder will allow subscribers to seamlessly shift between satellite and online platforms, with all content aggregation occurring centrally via one billing platform. DStv Rewards will leverage the group's supplier relationships to reward customers based on their behaviours, while DStv Communities will allow collective payments to improve active days and retention once implemented.

TRANSFORMATION AND CORPORATE SOCIAL INVESTMENT (CSI)

As a level 1 broad-based black economic empowerment (B-BBEE) rated company, we remain dedicated to our transformation programmes and playing a key role in transforming our industry. Our employee profile comprises 52% women and 48% men, with our leadership teams being diverse and proudly representative. Our top and senior management is 56% black, with women accounting for 44% of this total. The overall South African organisation comprises 83% black employees.

We continue to contribute meaningfully towards corporate social responsibility programmes, such as the MultiChoice Diski Challenge, MultiChoice Talent Academy and SuperSport's Let's Play initiatives. In addition, we have contributed ZAR159m to the COVID-19 relief fund. Our total CSI during the six-month period was ZAR309m (1H FY20: ZAR96m).

DIRECTORATE

Ms C Sabwa and Dr FA Sanusi were appointed as non-executive directors with effect from 11 June 2020.

Mr DG Eriksson, Ms S Dakile-Hlongwane and Mr KB Sibiya retired with effect from 11 June 2020.

Mr JA Mabuza took over as the lead non-executive director from Mr KB Sibiya with effect from 11 June 2020.

Mr MI Patel, the board chair, was recategorised as a non-executive director, with effect from 1 October 2020.

GROUP COMPANY SECRETARY

Ms CC Miller took over as company secretary from Mrs RJ Gabriels with effect from 11 June 2020.

PREPARATION OF THE SHORT-FORM ANNOUNCEMENT

This short-form announcement is the responsibility of the directors and is only a summary of the information in the condensed consolidated interim financial results. Copies of the condensed consolidated interim financial statements may also 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 cost on transponder lease liabilities, but excludes the amortisation of intangible assets (other than software), impairment of assets, equity-settled share-based payment expenses and other operating gains/losses. Core headline earnings excludes non-recurring and non-operating items. We believe this is a useful measure of the group's sustainable operating performance. However, core headline earnings and trading profit are not defined terms under International Financial Reporting Standards (IFRS), are not audited and may not be comparable with similarly titled measures reported by other companies.

The preparation of the short-form announcement was supervised by the group's chief financial officer, Mr TN Jacobs, CA(SA).

The complete condensed consolidated interim financial statements are available on the MCSAH and PN websites: www.multichoice.com/southafrica and www.phuthumanathi.co.za.

EVENTS AFTER THE REPORTING PERIOD

There were no material events after the reporting period.

On behalf of the board

Mr MI Patel

Chair

Mr CP Mawela

Chief executive

12 November 2020

CONDENSED CONSOLIDATED INCOME STATEMENT

	Reviewed Half-year 30 September 2020 ZAR'm	Restated' Reviewed Half-year 30 September 2019 ZAR'm
Revenue	18 923	19 850
Cost of providing services and sale of goods	(8 585)	(10 212)
Selling, general and administration expenses	(4 205)	(4 139)
Net impairment loss on trade receivables	(89)	(46)
Other operating gains – net	8	1
Operating profit	6 052	5 454
Interest income	185	210
Interest expense	(353)	(288)
Net foreign exchange translation gains/(losses)	529	(283)
Share of equity-accounted results	(2)	(58)
Impairment of equity-accounted investments	–	(4)
Profit before taxation	6 411	5 031
Taxation	(1 782)	(1 401)
Profit for the period	4 629	3 630
Attributable to		
Equity holders of the group	4 632	3 630
Non-controlling interest ²	(3)	–
	4 629	3 630

¹ The group has reclassified expected credit losses on trade receivables from selling, general and administration expenses to net impairment loss on trade receivables. This reclassification was done to align with the requirements of IAS 1 in FY20. The amount reclassified is not considered to be material. The restatement is in line with what was reported in the consolidated annual financial statements for the year ended 31 March 2020.

² On 12 February 2020, SuperSport International Holdings Proprietary Limited purchased a controlling interest of 51% in Canzocube Proprietary Limited for the value of R3m. The business provides school sports live streaming services and provides content to the platform.

RECONCILIATION OF OPERATING PROFIT TO TRADING PROFIT

	Reviewed Half-year 30 September 2020 ZAR'm	Reviewed Half-year 30 September 2019 ZAR'm
Operating profit	6 052	5 454
Interest on transponder leases	(219)	(199)
Amortisation of intangible assets (other than software)	13	13
Share-based compensation	32	54
Other operating gains – net	(8)	(1)
Trading profit	5 870	5 321

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Reviewed Half-year 30 September 2020 ZAR'm	Audited Full-year 31 March 2020 ZAR'm
ASSETS		
Non-current assets	15 524	17 452
Current assets	18 011	17 787
Total assets	33 535	35 239
EQUITY AND LIABILITIES		
Total equity and reserves	8 592	12 212
Non-controlling interest	(3)	–
Total equity	8 589	12 212
Non-current liabilities	10 038	12 195
Current liabilities	14 908	10 832
Total equity and liabilities	33 535	35 239

COMMITMENTS

	Reviewed Half-year 30 September 2020 ZAR'm	Audited Full-year 31 March 2020 ZAR'm
Capital expenditure	107	65
Programme and film rights	32 454	31 196
Network and other service commitments	3 779	3 517
Lease commitments	3	–
Set-top box commitments	1 187	1 171
Commitments	37 530	35 949

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND CHANGES IN EQUITY

	Reviewed Half-year 30 September 2020 ZAR'm	Reviewed Half-year 30 September 2019 ZAR'm
Balance at beginning of the year	12 212	10 300
Profit for the period	4 632	3 630
Total other comprehensive income, net of tax, for the year	(1 454)	(59)
Net fair value (losses)/ gains	(1 924)	219
Hedging reserve recycling to the income statement	127	29
Hedging reserve recycling to the financial position	–	(302)
Revaluation of investments	(102)	(28)
Tax on other comprehensive income	445	23
Changes in other reserves		
Share-based compensation movement	(128)	(664)
Hedging reserve basis adjustment	(691)	–
Dividends paid to shareholders	(5 979)	(6 018)
Other movements in retained earnings	–	185
Movement in foreign currency translation reserve	–	1
Changes in non-controlling interest	(3)	–
Total comprehensive income for the period	(3)	–
Balance at the end of the period	8 589	7 375
Comprising:		
Share capital and premium	17 216	17 216
Non-controlling interest	(3)	–
Retained earnings	3 732	2 165
Share-based compensation reserve	2 043	2 093
Existing control business combination reserve	(15 051)	(15 051)
Hedging reserve	622	786
Fair-value reserve	5	141
Foreign currency translation reserve	25	25
Total	8 589	7 375

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Reviewed Half-year 30 September 2020 ZAR'm	Reviewed Half-year 30 September 2019 ZAR'm
Net cash generated from operating activities	3 782	4 274
Cash flow utilised in investing activities	(381)	(225)
Cash flow utilised in financing activities	(3 327)	(4 491)
Net movement in cash and cash equivalents	74	(442)
Foreign exchange translation adjustments	70	24
Cash and cash equivalents at beginning of the period	1 735	2 080
Cash and cash equivalents at the end of the period	1 879	1 662

CALCULATION OF HEADLINE AND CORE HEADLINE EARNINGS

	Reviewed Half-year 30 September 2020 ZAR'm	Reviewed Half-year 30 September 2019 ZAR'm
Net profit attributable to shareholders	4 632	3 630
<i>Adjusted for:</i>		
– Profit on sale of intangible assets	(8)	–
– Impairment of assets	–	1
– Impairment of investments	–	24
Total tax effects of adjustments	4 624	3 655
Headline earnings	4 626	3 653
<i>Adjusted for:</i>		
– Amortisation of other intangible assets	10	9
– Foreign exchange (gains)/losses	(657)	85
– Realised gains on foreign exchange contracts	811	189
– Equity-settled share-based payment expense	31	54
Core headline earnings	4 821	3 990

Directors

MI Patel (Chair), FLN Letele, KD Moroka, SJZ Pacak, JJ Volkwyn, E Masilela, CP Mawela (CEO), TN Jacobs (CFO), L Stephens, JA Mabuza, CM Sabwa, Dr FA Sanusi

Group company secretary

CC Miller

Registered office

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Transfer secretaries

Singular Services, a division of Singular Systems Proprietary Limited
25 Scott Street, Waverley, 2090 (PO Box 785261, Sandton 2146)