MultiChoice
ENRICHING LIVES

MultiChoice South Africa Holdings
Proprietary Limited
(Registration number: 2006/015293/07)
(MCSAH or the group)

PHUTHUMA NATHI
SHARE THE FUTURE

ANNUAL RESULTS ANNOUNCEMENT

Summary of the annual results of the MultiChoice South Africa Holdings Group for the year ended 31 March 2023 (FY23)

MULTICHOICE SOUTH AFRICA ("THE GROUP") MARGINS IMPACTED BY STRAINED OPERATING ENVIRONMENT

The South African consumer-facing business environment faced severe challenges during FY23. At a time when consumers were already battling with interest rate hikes, elevated inflation, and high levels of unemployment, loadshedding moved from being intermittent to becoming a permanent fixture in customers' lives. This had a negative impact on the subscriber base and activity levels, with a noticeable increase in churn when loadshedding reaches stage 4 and above, even when consumers have available funds. This is evidenced by the disconnect between the 0.3m growth in 90-day subscribers (that shows customers still value our products) and the 0.1m decline in the active subscriber base at the end of March 2023 (customers are more selective when they sign up to avoid periods of excessive loadshedding).

FINANCIAL REVIEW

Total revenue of ZAR42bn (down 3% Year-on-Year (YOY)) was affected by a 3% decline in total subscription revenues, partially offset by a ZAR0.2bn increase in insurance premiums and other revenue mainly due to growth in insurance premiums and subscriber reconnections. The mix of subscriber growth remains in line with prior years, with the Premium decline continuing to slow, the mid-market being the most exposed to the current macro-economic pressures and the mass market still demonstrating room to grow. The changing mix, combined with the lower level of subscriber activity, resulted in monthly average total revenue per user (ARPU) declining 5% from ZAR268 to ZAR254.

Trading profit of ZAR8.7bn resulted in a trading margin of 25%.

As the group matures, generating additional revenue streams and driving value-added services, to counteract reducing ARPU and margin pressure, remains a key focus. The group has seen continued demand for its insurance products with polices growing by 458k to 2.8m, generating ZAR0.7bn in revenues (22% YoY growth). DStv Internet grew by 51k subscribers and increased revenues strongly to ZAR133m (FY22: ZAR15m).

Cash balances from continuing operations were impacted by working capital investments, especially around prepayments for sports rights renewals and the timing of payments brought forward due to a major financial system upgrade which went live on 1 April 2023.

The group's established cost-optimisation programme delivered a further ZAR1.0bn in cost savings, exceeding the target of ZAR0.7bn, with major contributions from renegotiated sport and general entertainment content contracts.

Core headline earnings, the group's measure of sustainable business performance, decreased 7% YoY to ZAR6.7bn in line with lower trading profit.

As one of the largest taxpayers in Africa, the group paid direct cash taxes of ZAR2.2bn which decreased 21% YoY due to lower taxable profits.

A dividend of ZAR6.0bn was paid to shareholders in September 2022, with ZAR1.5bn paid to Phuthuma Nathi (PN).

OPERATIONAL REVIEW

General Entertainment

The group continued its strategy of investing in local content as a key differentiator of its service offering. It remains more economical to produce and is internally owned. Local content rates are better than international content in all our major markets which allows for better utilisation. This year's investment in local content accounted for 50% (FY22: 47%) of total general entertainment spend and brought the total content library to nearly 80 000 hours.

The group produced two co-productions to critical acclaim, with more in the pipeline. *Reyka*, an original co-production, was nominated for the coveted Drama Series prize at the International Emmy Awards in 2022. Strong performances by popular shows such as *Mnakwethu*, local adaptations of *The Real Housewives* franchise and *The Saturday Showdown* drove healthy viewership. Returning international series such as *Blue Bloods, The Rookie* and *The Good Doctor,* and shows such as *House of the Dragon, The Last of Us* and *The Yellowstone* franchise have also become favourites among audiences.

SuperSport

SuperSport continued to build on an already world-class sports line-up by securing multi-year extensions on rights to the English Premier League, Cricket South Africa, SA Rugby, Formula 1, the new LIV golf tour, WWE, Men and Women's Cricket World Cup's and SA Netball.

The content highlight of FY23 was the world's greatest sporting event, the FIFA World Cup. Throughout November and December 2022, the world's best football stars dazzled DStv, Showmax and GOtv customers across the continent. The offering was further differentiated by having local language commentary available in 11 languages across eight markets, which underpinned strong subscriber momentum and record levels of growth being achieved in most markets in December 2022.

The group also stepped up its investment in SuperSport Schools, culminating in the launch of a dedicated school sports television channel (216) in February 2023. SuperSport Schools is gaining significant interest from advertisers due to its exponential growth in viewership.

A further investment initiative was the launch of the inaugural SA20 cricket competition in January and February 2023, which brought crowds back to cricket stadiums across the country. More than 350 000 tickets were sold throughout the month-long competition, while television audiences were 33% better than the 2022 IPL. SuperSport funded a 30% stake in the SA20 business, which already generated positive cash flows in its first season.

During the year, SuperSport produced more than 800 live professional sports broadcasts across all platforms. This was delivered at a 10% lower YoY average cost per production and without any compromise in the quality of the viewing experience. The group's first broadcast of the Comrades marathon was another proud moment during FY23.

Connected Video (OTT)

The partnership with Comcast (owners of NBCU, Sky and Peacock), announced in March 2023, represents a significant step up for the MultiChoice group's future OTT ambitions. The new Showmax business will bring the world's best local and international content to South Africa and will be supported by Peacock's scalable and feature rich technology platform. The transaction successfully closed on 4 April 2023 with the group's Showmax division (excluding the Showmax Pro packages) being distributed out of the group into a new entity indirectly 70% owned by MultiChoice Group Limited and 30% by NBCUniversal LLC. New products and launch dates will be announced in due course, with the platform expected to go live in the second half of FY24.

Users of the group's DStv app and Showmax services continue to grow as online consumption increases. The overall online user base increased by 12% YoY, with the growth rate for paying Showmax subscribers at a strong 26%. Showmax further localised its business by adding more local content, as well as payment channels and partners, which enabled local billing in various markets. The group continued to reduce buffering and improve the stability of its applications, as demonstrated by the successful streaming of the FIFA World Cup on all online platforms. The FIFA World Cup came with a significant increase in the number of concurrent viewers consuming live events (in 4K on compatible devices) on both the DStv app and Showmax.

Showmax Pro, which includes live sport, enjoyed strong growth and doubled its subscriber base. This was supported by the broadcast of properties such as the English Premier League, UEFA Champions League, Premier Soccer League in SA and the FIFA World Cup. Growth was further stimulated by a price reduction in South Africa from R449 to R349 per month.

Product updates

On the product front, the group launched the DStv Streama, a device which allows for the streaming of DStv and other partner applications through a normal television in a connected environment. To further expand its aggregation strategy, the group added Disney+ to its portfolio of products available for customers to add to bill, while Universal+ increased the overall content offering available to Premium subscribers. During the year, the group announced its partnership with Sky UK to bring its world-renowned Glass products and services to local customers in the coming years.

In addition, DStv rewards continue to gain traction with improved benefits and have almost doubled from 750k to 1.3m customers in the current year.

Subsequent events

Other than successfully concluding the Showmax partnership transaction with Comcast on 4 April 2023, as explained above, there have been no other events that occurred after the reporting date that could have a material impact on the summary consolidated financial statements.

Transformation and corporate social investment (CSI)

As a level 1 B-BBEE rated business since inception in 2019, the group continues to play its role as a responsible corporate citizen. ESG targets have formally been included in long term incentives for management to heighten the focus on sustainability and governance in the group. These objectives focus on external measures, internal gender equality and B-BBEE targets. Furthermore, targets have been included in areas where the group can use its platform to really make a difference on the African continent. This includes supporting the local broadcasting industry, development of woman's and schools' sports.

The group continues to provide ongoing investment into the MultiChoice Innovation Fund to support local entrepreneurs and into the Sports Development Trust, which largely invests in sporting infrastructure in disadvantaged areas. The year saw a further investment of ZAR255m (FY22: ZAR266m) by the two trusts.

Sport is another area where the group has a meaningful impact on society. Not only does the group play a crucial role in the development and broadcasting of schools' sport through SuperSport Schools, but it is also stepping up its investment in woman's sport. This includes support for the SA Netball team leading up to the 2023 World Cup in South Africa, where SuperSport will be the host broadcaster and production will be delivered by a world-first all-female production crew.

OUTLOOK

The group will continue to navigate the impact of the ongoing economic and energy challenges in South Africa during FY24. A new, energised executive team has been appointed to face the challenge head-on. They will be looking to leverage the exceptional content slate, which this year includes the Rugby World Cup, where the Springboks are the defending champions. Tight cost management remains an utmost priority and will support margins again in the new year.

New products and services such as carrying the new Showmax application on DStv, adding more insurance options and stimulating growth in DStv via streaming will also be key priorities.

DIVIDENDS

MCSAH

The MCSAH board recommend that a dividend of ZAR5.5bn (FY22: ZAR6.0bn) be paid to its ordinary shareholders in September 2023. This amounts to 1 527.78 (FY22: 1 666.67) cents per MCSAH ordinary share. The dividend declaration is subject to the approval of the company's shareholders at the annual general meeting to be held on Wednesday, 23 August 2023.

Phuthuma Nathi Investments [RF] Limited (PN)

The PN board recommend a dividend of ZAR1.375bn (FY22: ZAR1.5bn) for PN shareholders. This amounts to a 2 037.03 (FY22: 2 222.22) cents per PN ordinary share. The declaration of the dividend is subject to approval by shareholders at the annual general meeting (AGM) on 23 August 2023.

Dividend tax of 20% amounts to 407.40 cents per PN share. PN shareholders will therefore receive a net dividend of 1 629.63 (FY22: 1 777.78) cents per share. The dividend proposed in this report will be paid from reserves. If approved, the dividend will be payable to shareholders recorded in the share register on 23 August 2023 and paid on or about 4 September 2023 (payment of which will fall in FY24).

Directorate

No changes have been made to the directorate of the group during the period.

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 consolidated annual financial statements. Copies of the consolidated annual financial statements may be requested from the company's registered office, at no charge, during office hours, and should be read together with the complete consolidated annual financial statements.

Trading profit includes finance cost on transponder lease liabilities but excludes the amortisation of intangible assets (other than software), impairment and derecognition of assets, equity-settled share-based payment expenses and other operating gains/losses. Core headline earnings exclude 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 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 South African segment results.

These financial results have been prepared under the supervision of the group's chief financial officer, Tim Jacobs, CA(SA).

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

On behalf of the board

Imtiaz Patel
Non-executive chair

Calvo Mawela
Chief executive officer

13 June 2023
Randburg

CONDENSED CONSOLIDATED INCOME STATEMENT

	Year ended 31 March 2023 R'm	Year ended 31 March 2022 Represented* R'm
Continuing operations		
Revenue	**41 649**	42 980
Cost of providing services and sale of goods	**(23 452)**	(23 175)
Selling, general and administration expenses	**(9 143)**	(8 656)
Net impairment loss on trade receivables	**(102)**	(88)
Other operating gains/(losses) – net	**32**	(277)
Operating profit	**8 984**	10 784
Interest income	**803**	393
Interest expense	**(914)**	(603)
Net foreign exchange translation losses	**(1 637)**	(275)
Share of equity-accounted results	**2**	8
Reversal of impairment of equity – accounted investments	**–**	8
Profit before taxation	**7 238**	10 315
Taxation	**(2 302)**	(2 967)
Profit from continuing operations	**4 936**	7 348
Discontinued operations		
Loss from discontinued operations	**(67)**	(96)
Profit for the year	**4 869**	7 252
Equity holders of the group		
From continuing operations	**4 936**	7 348
From discontinued operations	**(67)**	(96)
Non-controlling interests		
From continuing operations	**–**	(20)
From discontinued operations	**–**	–
	4 869	7 232
Headline earnings for the year	**5 115**	7 635
Core headline earnings for the year	**6 743**	7 283

** Comparative figures previously reported have been amended to reflect continuing operations prevailing for the year ended 31 March 2022.*

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME AND CHANGES IN EQUITY

	Year ended 31 March 2023 R'm	Year ended 31 March 2022 R'm
Balance at beginning of the year to the equity holders	**12 697**	11 539
Profit for the year from continuing and discontinued operations	**4 869**	7 272
Total other comprehensive profit/(loss), net of tax, for the year	**1 644**	(449)
Net fair value gain/(loss)	**2 336**	(583)
Hedging reserve recycled to the income statement	**(210)**	(12)
Tax on other comprehensive income	**(482)**	146
Changes in other reserves		
Share-based comprehensive movement	**(67)**	(55)
Hedging reserve adjustment	**(100)**	402
Dividends declared to shareholders	**(5 979)**	(5 979)
Movement in existing control business combination reserve	**–**	(28)
Non-controlling interest	**–**	(5)
Acquisition of non-controlling interest	**–**	15
Comprehensive loss for the year	**–**	(20)
Balance at the end of the year	**13 064**	12 697
Comprising:		
Share capital and premium	**17 216**	17 216
Retained earnings	**8 363**	9 348
Share-based compensation reserve	**1 779**	1 971
Existing control business combination reserve	**(15 079)**	(15 079)
Hedging reserve	**756**	(788)
Fair value reserve	**5**	5
Foreign currency translation reserve	**24**	24
Total	**13 064**	12 697

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 March 2023 R'm	As at 31 March 2022 R'm
ASSETS		
Non-current assets	**13 737**	13 835
Current assets	**29 075**	18 573
Assets held for sale	**70**	–
Total assets	**42 882**	32 408
EQUITY AND LIABILITIES		
Total equity and reserves	**13 064**	12 697
Total equity	**13 064**	12 697
Non-current liabilities	**16 006**	7 771
Current liabilities	**13 698**	11 940
Liabilities directly associated with assets held for sale	**114**	–
Total liabilities	**29 818**	19 711
Total equity and liabilities	**42 882**	32 408

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 March 2023 R'm	Year ended 31 March 2022 R'm
Cash flow generated from operating activities*	**145**	9 743
Cash flow utilised in investing activities	**(807)**	(844)
Cash flow utilised in financing activities	**302**	(9 025)
Net movement in cash and cash equivalents	**(360)**	(126)
Foreign exchange translation adjustments	**160**	13
Cash and cash equivalents at beginning of the period	**1 376**	1 489
Cash and cash equivalents at end of the period	**1 176**	1 376

** Net decrease in cash flow of ZAR50m (FY22: 133m) in relation to discontinued operations.*

COMMITMENTS

	Year ended 31 March 2023 R'm	Year ended 31 March 2022 R'm
Capital expenditure	**166**	274
Programme and film rights	**41 966**	36 062
Network and other service contracts	**2 673**	3 461
Decoders	**754**	1 459
Assets pledged as security	**4 880**	5 561
Commitments	**50 439**	46 817

CALCULATION OF HEADLINE AND CORE HEADLINE EARNINGS

	Year ended 31 March 2023 R'm	Year ended 31 March 2022 R'm
Net profit from continuing and discontinued operations attributable to shareholders	**4 869**	7 272
Adjusted for:		
– Loss on sale of property, plant and equipment	**21**	7
– Derecognition of intangible assets	**–**	287
– Reversal of impairment of assets	**–**	(4)
– Impairment of programme and film rights	**328**	212
– Reversal of impairment of joint ventures	**–**	(7)
– Gain on sale of investments in joint venture (full disposal)	**–**	(1)
– Profit on sale of intangible assets	**(16)**	(13)
	5 202	7 753
Total tax effects of adjustments	**(87)**	(118)
Headline earnings from continuing and discontinued operations	**5 115**	7 635
Adjusted for:		
– Amortisation of intangible assets	**9**	13
– Foreign exchange losses	**1 139**	343
– Non-recurring current and deferred tax effects	**–**	33
– Equity-settled share-based compensation	**135**	118
– Realisation of foreign exchange contracts	**345**	(859)
Core headline earnings from continuing and discontinued operations	**6 743**	7 283
Number of shares (million)	**360**	360
Core headline earnings from continuing and discontinued operations per ordinary share (ZAR)	**19**	20

Directors
MI Patel (non-executive chair), CP Mawela (CEO), TN Jacobs (CFO), JH du Preez, E Masilela, KD Moroka, CM Sabwa, FA Sanusi, L Stephens, JJ Volkwyn

Group company secretary
CC Miller

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