

Annual results announcement

SUMMARY CONSOLIDATED FINANCIAL RESULTS AND MAIDEN CASH DIVIDEND DECLARATION FOR THE YEAR ENDED 31 MARCH 2020

EXECUTIVE REVIEW OF OUR PERFORMANCE

MultiChoice Group (MCG or the group) delivered solid results for the year ended 31 March 2020.

Despite global and country-specific macroeconomic challenges, the group added 0.9m 90-day active subscribers to reach 19.5m households as at 31 March 2020 (FY20). This represents growth of 5% year on year (YoY), which is somewhat lower compared to the prior year due to rising consumer pressure in many markets, drought-related electricity shortages in southern Africa, and the fact that last year's growth benefited from specific one-off events such as the FIFA World Cup which did not recur this year.

Revenue increased 3% (2% organic) to ZAR51.4bn and included subscription revenue of ZAR42.8bn, which increased 4% (3% organic) YoY. Top line momentum was affected by modest subscriber growth due to macro-headwinds in certain markets, the group's strategic decision not to increase Premium prices in South Africa and a reduction in sub-licence revenues from the South African public broadcaster. This was offset by an increased contribution of 12% (4% organic) by the technology business, Irdeto.

Group trading profit rose 14% to ZAR8.0bn (29% organic), benefiting from a ZAR0.8bn (ZAR1.8bn organic) reduction in losses in the Rest of Africa. A strong focus on cost containment allowed for a further ZAR1.4bn in costs to be eliminated from the base during the year. Overall costs were contained to a 1% increase compared to the prior year (-3% organic) and resulted in positive operating leverage, with the group achieving its target of keeping the growth rate in costs below that of revenue growth.

Core headline earnings, the board's measure of sustainable business performance, was up 38% on the prior year at ZAR2.5bn, despite the impact of the additional 5% share in SA being allocated to Phuthuma Nathi (PN) in March 2019. Excluding this once-off change in the South African non-controlling interest, core headline earnings would have grown 57% YoY.

Consolidated free cash flow of ZAR5.2bn was up 59% compared to the prior year, driven mainly by an improvement in the trading result from the Rest of Africa and a reduction in working capital.

The board recommends that a maiden annual gross dividend be declared at 565 SA cents per listed ordinary share (ZAR2.5bn).

SALIENT FEATURES

	2020	2019	2020 versus 2019
	ZAR'm	ZAR'm	%
Year ended 31 March 2020			
Revenue	51 387	50 095	3
Operating profit	8 267	7 363	12
Trading profit	8 028	7 014	14
Free cash flow	5 184	3 267	59
Core headline earnings per ordinary share (SA cents)	569	410	39
Earnings per ordinary share (SA cents)	117	(374)	Greater than 100
Headline earnings per ordinary share (SA cents)	128	(353)	Greater than 100
Net asset value per ordinary share (SA cents)	2 213	2 231	(1)
Dividend per ordinary share (SA cents)	565	-	Greater than 100

KEY PERFORMANCE INDICATORS

	2019	2020	2020	2020	2020 versus 2019	2020 versus 2019
	Reported	Currency impact	Organic growth	Reported	Reported	Organic
					%	%
Year ended 31 March 2020						
90-day-active subscribers ('000)	18 579	n/a	920	19 499	5	5
South Africa	7 949	n/a	467	8 416	6	6
Rest of Africa	10 630	n/a	453	11 083	4	4
90-day-active ARPU (ZAR)						
Blended	197	-	(10)	187	(5)	(5)
South Africa	302	-	(12)	290	(4)	(4)
Rest of Africa	114	-	(4)	110	(4)	(4)
Subscribers ('000)	15 097	n/a	646	15 743	4	4
South Africa	7 447	n/a	441	7 888	6	6
Rest of Africa	7 650	n/a	205	7 855	3	3
ARPU (ZAR)						
Blended	241	-	(10)	231	(4)	(4)
South Africa	322	-	(13)	309	(4)	(4)
Rest of Africa	159	(1)	(4)	154	(3)	(3)

GROUP FINANCIALS

	2019	2020	2020	2020	2020 versus 2019	2020 versus 2019
	IFRS	Currency impact	Organic growth	IFRS	IFRS	Organic
	ZAR'm	ZAR'm	ZAR'm	ZAR'm	%	%
Year ended 31 March 2020						
Revenue	50 095	362	930	51 387	3	2
South Africa	33 696	-	458	34 154	1	1
Rest of Africa	14 836	228	412	15 476	4	3
Technology	1 563	134	60	1 757	12	4
Trading profit	7 014	(1 037)	2 051	8 028	14	29
South Africa	10 199	-	60	10 259	1	1
Rest of Africa	(3 735)	(955)	1 769	(2 921)	22	47
Technology	550	(82)	222	690	25	40
Revenue	50 095	362	930	51 387	3	2
Subscription fees	41 248	232	1 272	42 752	4	3
Advertising	3 180	35	(2)	3 213	1	-

Set-top boxes	2 042	(41)	(572)	1 429	(30)	(28)
Technology contracts and licensing	1 564	134	59	1 757	12	4
Other revenue	2 061	2	173	2 236	8	8
Operating expenses	43 081	1 399	(1 121)	43 359	1	(3)
Content	17 715	610	439	18 764	6	2
Set-top box purchases	6 056	137	(1 338)	4 855	(20)	(22)
Staff costs	5 352	146	414	5 912	10	8
Sales and marketing	2 467	43	(100)	2 410	(2)	(4)
Transponder costs	2 607	85	(43)	2 649	2	(2)
Other	8 884	378	(493)	8 769	(1)	(6)

The group remains fully committed to broad-based black economic empowerment and transformation. In line with prior commitments, an offer was made to PN shareholders on 25 September 2019, to exchange up to 20% of their PN shares for shares in the MultiChoice Group. The offer closed on 28 October 2019 and resulted in 3.7m shares being issued to PN shareholders, while the group acquired 3.8m shares in PN in return. Following the conclusion of this share swap, the group's overall interest in MultiChoice South Africa increased from 75.0% to 76.4%.

The group continued its strategic focus of investing in local content, increasing the library of hours available by 8%. As a result, the total local content library now exceeds 56 800 hours.

Capital expenditure of ZAR0.8bn was slightly down on the prior year and included a ZAR0.2bn investment as part of a multi-year programme to futureproof the group's customer service, billing and data capabilities.

As one of the largest taxpayers in Africa, the group paid direct cash taxes of ZAR4.0bn, slightly higher than the prior year driven by higher profitability.

The strength of the balance sheet is critically important given the uncertain economic impact of COVID-19 and the lower oil price. Some ZAR9.8bn in net assets, including ZAR9.1bn of cash and cash equivalents, combined with ZAR5bn in undrawn facilities, provides ZAR14.1bn in financial flexibility to fund the business. This strong financial position is after spending ZAR1.7bn on share buy-backs (including ZAR0.7bn to fund the MCG restricted share plan) and ZAR1.5bn to settle the FY19 PN dividend during the year.

We operate in 50 countries, resulting in significant exposure to foreign exchange volatility. This can have a notable impact on reported revenue and trading profit metrics, particularly in the RoA where revenues are earned in local currencies while the cost base is largely US dollar denominated. Where relevant in this short-form announcement, amounts and percentages have been adjusted for the effects of foreign currency, as well as acquisitions and disposals to better reflect underlying trends. These adjustments (non-IFRS performance measures) are quoted in brackets as organic, after the equivalent metrics reported under International Financial Reporting Standards (IFRS). These non-IFRS performance measures constitute pro forma financial information in terms of the JSE Listings Requirements.

The company's external auditor has not reviewed or reported on forecasts included in this short-form announcement.

Dividend declaration

The board recommends that a maiden annual gross dividend be declared at 565 SA cents per listed ordinary share (ZAR2.5bn). This dividend declaration is subject to approval of the MultiChoice South Africa Holdings Proprietary Limited (MCSAH) dividend at their annual general meeting on Wednesday, 26 August 2020. The finalisation date for the dividend declaration by the company will be Thursday, 27 August 2020. Subject to the aforementioned MCSAH approval, dividends will be payable to the company's shareholders recorded in the register on the record date, being Friday, 11 September 2020. The last date to trade cum dividend will be on Tuesday, 8 September 2020 (shares trade ex-dividend from Wednesday, 9 September 2020). Share certificates may not be dematerialised or rematerialised between Wednesday, 9 September 2020 and Friday, 11 September 2020, both dates inclusive. The dividend payment date will be Monday, 14 September 2020. The dividend will be declared from income. It will be subject to the dividend tax rate of 20%, yielding a net dividend of 452 SA cents per listed ordinary share to those shareholders not exempt from paying dividend tax. Dividend tax will be 113 SA cents per listed ordinary share. The issued ordinary share capital as at 10 June 2020 was 442.5m ordinary shares (including 15.6m shares held in treasury). The company's income tax reference number is 9485006192.

Directorate

On 5 July 2019, Mr J A Mabuza and Dr F A Sanusi were appointed to the board as independent non-executive directors.

Mr S J Z Pacak, the lead independent director, will be stepping down as the lead independent director of the group, with effect from 3 April 2020, and will be retiring as an independent non-executive director with effect from April 2021.

Mr J A Mabuza, an independent non-executive director, will take over from Mr S J Z Pacak as the lead independent director, with effect from 3 April 2020.

Mr D G Eriksson will retire as an independent non-executive director with effect from 11 June 2020.

Ms D M Dickson resigned as group company secretary on 30 September 2019. Mrs R J Gabriels was appointed as interim company secretary on 12 December 2019 until such time as a permanent appointment is made.

No other changes have been made to the directorate of the group.

Preparation of the short-form announcement

The preparation of the short-form announcement was supervised by the group's chief financial officer, Tim Jacobs CA(SA). These results were made public on 10 June 2020.

ADR programme

Bank of New York Mellon maintains a Global BuyDIRECTSM plan for MultiChoice Group Limited. For additional information, visit Bank of New York Mellon's website at www.globalbuydirect.com or call Shareholder Relations at 1-888-BNY-ADRS or 1-800-345-1612 or write to: Bank of New York Mellon, Shareholder Relations Department - Global BuyDIRECT, 462 South 4th Street, Suite 1600, Louisville, KY 40202, United States of America, (PO Box 505000, Louisville, KY 40233-5000)

Important information

This report contains forward-looking statements as defined in the United States Private Securities Litigation Reform Act of 1995. Words such as "believe", "anticipate", "intend", "seek", "will", "plan", "could", "may", "endeavour" and similar expressions are intended to identify such forward-looking statements, but are not the exclusive means of identifying such statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances and should be considered in light of various important factors. While these forward-looking statements represent our judgements and future expectations, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from our expectations. The key factors that could cause our actual results performance, or achievements to differ materially from those in the forward-looking statements include, among others, changes to IFRS and the interpretations, applications and practices subject thereto as they apply to past, present and future periods; ongoing and future acquisitions, changes to domestic and international business and market conditions such as exchange rate and interest rate movements; changes in the domestic and international regulatory and legislative environments; changes to domestic and international operational, social, economic and political conditions; the occurrence of labour disruptions and industrial action and the effects of both current and future litigation. We are not under any obligation to (and expressly disclaim any such obligation to) revise or update any forward-looking statements contained in this report, whether as a result of new information, future events or otherwise. We cannot give any assurance that forward-looking statements will prove to be correct and investors are cautioned not to place undue reliance on any forward-looking statements contained herein.

Further information

This short-form announcement is the responsibility of the directors and is only a summary of the information contained in the full summary consolidated annual financial statements. The full summary consolidated annual financial statements were released on SENS on 10 June 2020 and can be viewed on the company's website <https://www.multichoice.com/investors/reporting/>. Copies of the full summary consolidated annual financial statements may also be inspected at the company's registered office and at the offices of the company's sponsor, at no charge, during office hours. Copies of the full summary consolidated annual financial statements may be requested by contacting the company secretary at cosec@multichoice.co.za. Any investment decision should be based on the full summary consolidated annual financial statements available at <https://senspdf.jse.co.za/documents/2020/JSE/ISSE/MCGE/10Jun20FY.pdf>, published on SENS and on the company's website. The information in this short-form announcement has been extracted from the audited consolidated annual financial statements on our website, but the announcement itself has not been audited. The full audited consolidated annual financial statements, including the audit opinion of the external auditor, PricewaterhouseCoopers Inc., which sets out key audit matters and the basis for its unmodified opinion is available at: <https://www.multichoice.com/investors/reporting/>.

On behalf of the board

Imtiaz Patel
Chair

Calvo Mawela
Chief executive

Johannesburg
10 June 2020

Directorate

Independent

non-executive directors
J A Mabuza (Lead independent director)
S J Z Pacak
D G Eriksson
K D Moroka
C M Sabwa
F A Sanusi
L Stephens
E Masilela

Non-executive directors

F L N Letele
J J Volkwyn

Executive directors

M I Patel (Chair)
C P Mawela (CEO)
T N Jacobs (CFO)

Registered office: MultiChoice City, 144 Bram Fischer Drive, Randburg 2194, South Africa.
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Transfer secretaries: Singular Systems Proprietary Limited, (Registration number: 2002/001492/07),
PO Box 785261, Sandton 2146, South Africa

Sponsor: Rand Merchant Bank (a division of FirstRand Bank Limited)

www.multichoice.com