

MultiChoice Group Limited
 (Registration number: 2018/473845/06)
 JSE share code: MCG
 ISIN: ZAE000265971

REVIEWED INTERIM RESULTS ANNOUNCEMENT

Condensed consolidated interim financial results for the period ended 30 September 2020

EXECUTIVE REVIEW OF OUR PERFORMANCE

MULTICHOICE GROUP (MCG OR THE GROUP) DELIVERED RESILIENT RESULTS FOR THE PERIOD ENDED 30 SEPTEMBER 2020

The group added 1.2m 90-day active subscribers year on year (YoY) to close the period ended 30 September 2020 (1H FY21) on 20.1m households and exceeds the 20m subscriber milestone for the first time. This represents growth of 6% YoY, similar to the prior year, as increased consumer demand for video entertainment services and an easing of electricity shortages in southern Africa were offset by rising consumer pressure in many markets. The 90-day subscriber base is split between 11.4m households (57%) in the Rest of Africa and 8.7m (43%) in South Africa.

Revenue increased 2% (-1% organic) to ZAR26.1bn, with subscription revenues of ZAR22.2bn increasing a solid 5% (3% organic) YoY. Top-line momentum was significantly impacted by COVID-19 in the following areas:

- Advertising revenue declined ZAR0.6bn YoY, mainly due to a lack of sport advertising and a generally softer advertising market as a result of lower economic activity. This has, however, returned to nearly pre-COVID-19 levels in the months of August and September.
- Commercial subscriptions were ZAR0.3bn lower than the prior period with hotels, restaurants and other commercial customers largely closed during lockdowns. Although business in the hospitality industry has resumed in recent months, it is expected to take some time to fully normalise.

Group trading profit rose 19% to ZAR5.7bn (38% organic), benefitting from a ZAR0.5bn (ZAR1.2bn organic) reduction in losses in the Rest of Africa and a resilient performance in South Africa. The trading profit impact of COVID-19 was largely neutral, as the ZAR0.9bn revenue loss mentioned above was offset by ZAR0.8bn in delayed content costs.

A strong focus on cost reduction allowed for a further ZAR1bn in costs being eliminated from the base during the period. Overall costs decreased 2% compared to the prior period (-9% organic) and resulted in the group maintaining its target of delivering positive operating leverage by keeping the growth rate in costs below that of revenue growth.

Core headline earnings, the board's measure of sustainable business performance, was up 41% on the prior period at ZAR2.7bn. The strong earnings growth was attributable to the improvement in trading profit and lower realised foreign exchange losses.

Consolidated free cash flow of ZAR2.1bn was down 13% 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, together with current period foreign exchange movements (ZAR0.5bn), 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 (ZAR0.4bn).

SALIENT FEATURES

	2020	2019	2020 versus 2019
	ZAR 'm	ZAR 'm	%
Period ended 30 September			
Revenue	26 055	25 655	2
Operating profit	5 776	4 926	17
Trading profit	5 699	4 781	19
Free cash flow	2 058	2 360	(13)
Core headline earnings per ordinary share (SA cents)	627	437	43
Earnings per ordinary share (SA cents)	573	336	71
Headline earnings per ordinary share (SA cents)	572	341	68
Net asset value per ordinary share (SA cents)	2 111	2 291	(8)

KEY PERFORMANCE INDICATORS

	2019	2020	2020		2020 versus	2020 versus
	Reported	Currency	Organic	2020	2019	2019
		impact	growth	Reported	Reported	Organic
					%	%
30 September	18 877	n/a	1 184	20 061	6	6
90-day active subscribers ('000)	8 163	n/a	541	8 704	7	7
South Africa	10 714	n/a	643	11 357	6	6
Rest of Africa						
90-day active ARPU (ZAR)						
Blended	189	3	(5)	187	(1)	(3)
South Africa	292	-	(14)	278	(5)	(5)
Rest of Africa	111	6	1	118	6	1

GROUP FINANCIALS

	2019	2020	2020		2020 versus	2020 versus
	IFRS	Currency	Organic	2020	2019	2019
	ZAR'm	impact	growth	IFRS	IFRS	Organic
		ZAR'm	ZAR'm	ZAR'm	%	%
Period ended 30 September						
Segmental results						
Revenue	25 655	590	(150)	26 095	2	(1)
South Africa	16 952	-	(441)	16 511	(3)	(3)
Rest of Africa	7 796	446	444	8 686	11	6
Technology	907	144	(153)	898	(1)	(17)
Trading profit	4 781	(883)	1 801	5 699	19	38
South Africa	5 156	-	627	5 783	12	12
Rest of Africa	(830)	(749)	1 241	(338)	59	150
Technology	455	(134)	(67)	254	(44)	(15)
Revenue and costs by nature						
Revenue	25 655	590	(150)	26 095	2	(1)
Subscription fees	21 239	390	617	22 246	5	3
Advertising	1 638	13	(572)	1 079	(34)	(35)
Set-top boxes	848	34	59	941	11	7
Technology contracts and licensing	907	144	(153)	898	(1)	(17)
Other revenue	1 023	9	(101)	931	(9)	(10)
Operating expenses	20 874	1 473	(1 951)	20 396	(2)	(9)
Content	8 949	656	(1 953)	7 652	(14)	(22)
Set-top box purchases	2 530	159	112	2 801	11	4
Staff costs	2 927	232	(232)	2 927	-	(8)
Sales and marketing	1 033	35	(56)	1 012	(2)	(5)
Transponder costs	1 318	95	(34)	1 379	5	(3)
Other	4 117	296	212	4 625	12	5

The group continued its strategic focus of investing in local content and produced 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.

As one of the largest taxpayers in Africa, the group paid direct cash taxes of ZAR2.0bn, slightly more than the prior year due to higher profitability.

Net interest paid increased to ZAR252m, primarily as a result of the translation of interest on USD transponder lease liabilities at a weaker ZAR:USD exchange rate.

The strength of the balance sheet is critically important given the uncertain longer-term economic impact of COVID-19 and potential challenges for certain markets in the Rest of Africa as a result of a lower oil price. Some ZAR9.0bn in net assets, including ZAR7.3bn in cash and cash equivalents, combined with ZAR4.5bn in undrawn facilities, provide ZAR11.8bn in financial flexibility to fund the group's operations. This strong financial position is after ZAR4bn was

utilised to settle the MCG and Phuthuma Nathi dividends in September.

The group operates 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 Rest of Africa 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 are quoted in brackets as organic, after the equivalent metrics reported under International Financial Reporting Standards (IFRS). These 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

No dividend has been declared based on the interim results.

Directorate

Mrs RJ Gabriels resigned as interim company secretary on 11 June 2020 with Ms CC Miller appointed as group company secretary on the same date.

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

Mr DG Eriksson retired as an independent non-executive director on 11 June 2020.

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 12 November 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 shortform announcement is the responsibility of the directors and is only a summary of the information in the

full condensed consolidated interim financial statements. The full condensed consolidated interim financial statements were released on SENS on 12 November 2020 and can be found on the company's website at www.multichoice.com. Copies of the full condensed consolidated interim financial statements may also be requested from the company's registered office, at no charge, during office hours. Any investment decision should be based on the full condensed consolidated interim financial statements at <https://senspdf.jse.co.za/documents/2020/JSE/ISSE/MCGE/12Nov20.HY.pdf> published on SENS and on the company's website. The information in this announcement has been extracted from the reviewed interim financial statements on our website, but the announcement itself was not reviewed.

On behalf of the board
Imtiaz Patel
Chair

Calvo Mawela
Chief executive

Johannesburg
12 November 2020

Directorate	Non-executive	Executive
Independent	directors	directors
non-executive directors		
JA Mabuza (Lead independent director)	MI Patel (Chair)	CP Mawela (CEO)
SJZ Pacak	FLN Letele	TN Jacobs (CFO)
KD Moroka	JJ Volkwyn	
CM Sabwa		
FA Sanusi		
L Stephens		
E Masilela		

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Transfer secretaries: Singular Systems Proprietary Limited
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Sponsor: Rand Merchant Bank (a division of FirstRand Bank Limited)

www.multichoice.com