

MultiChoice Group Limited
(Incorporated in the Republic of South Africa)
(Registration number: 2018/473845/06)
JSE share code: MCG
ISIN: ZAE000265971
("MCG" or "the company")

REVIEWED INTERIM RESULTS ANNOUNCEMENT
CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS FOR THE PERIOD ENDED 30 SEPTEMBER 2022

EXECUTIVE REVIEW OF OUR PERFORMANCE

STEADY EARNINGS GROWTH TEMPERED BY FIFA WORLD CUP INVESTMENT.

MultiChoice Group (MCG or the group) grew its user base by 5% during the period ended 30 September 2022 (1H FY23). An ongoing focus on leveraging the group's local capabilities added 1.0m 90-day active subscribers to close the period on 22.1m subscribers, with the subscriber base split between 13.0m households (59%) in the Rest of Africa and 9.1m (41%) in South Africa. The Rest of Africa maintained its growth trajectory on the back of successful local content productions. In South Africa, growth rates recovered during the second half of the reporting period despite evidence of rising consumer pressure.

Revenue increased 7% (2% organic) to ZAR28.6bn, with the weaker South African rand (ZAR) increasing the revenue contribution on translation of the Rest of Africa and Technology segments, which have a USD reporting currency. Subscription revenues amounted to ZAR23.8bn, up 8% year on year (YoY) (3% organic), driven mainly by the Rest of Africa that delivered a 27% increase (12% organic). Advertising revenues were up a solid 5% (2% organic) as growth trends normalised in a post-COVID-19 environment. Irdeto's revenues were negatively affected by global supply constraints and declined 13%. This was more than offset by 19% growth in insurance premiums and higher "Other revenues", which included increased revenues from sub-licencing content.

The group's earnings and cash flows for the interim period were adversely impacted by an outsized investment in decoders ahead of the upcoming 2022 FIFA World Cup (FWC). This investment supports the anticipated subscriber growth opportunity around the FWC while at the same time mitigating the growing risk of supply chain disruptions from global silicon chip shortages. SuperSport will be the only platform where customers across the group's 50 markets can watch all 64 matches live and in a suitable time zone for African viewers. This working capital investment increased decoder subsidies and reduced group trading profit by ZAR0.7bn and free cash flow by ZAR0.8bn, primarily in the Rest of Africa.

Overall, group trading profit increased 2% to ZAR6.1bn (6% organic), benefitting from a further ZAR0.3bn reduction in organic losses in Rest of Africa (or a ZAR1.0bn improvement if the FWC decoder investment is excluded). The decoder investment shaved 3pp (percentage points) off the group's trading margin but is expected to unwind in the second half of the year. The group's established cost optimisation programme delivered a further ZAR0.6bn in cost savings and should exceed the full year target of R0.8bn. Operating leverage was positive (+1pp) on an organic basis and would have been +4pp better if normalised for the FWC investment.

Core headline earnings, the board's measure of sustainable business performance, increased 2% YoY to ZAR2.0bn. This was mainly attributable to the reduction in losses in the Rest of Africa and positive foreign exchange movements.

Consolidated free cash flow of ZAR1.8bn was down 44% compared to the prior period, adversely affected by the increased investment in working capital (decoders). Free cash flow also included ZAR0.3bn (1H FY22: ZAR0.4bn) in tax deposits in relation to the ongoing Nigerian tax audit.

SALIENT FEATURES

	2022	2021	YoY
Period ended 30 September	ZAR'm	ZAR'm	% change
Revenue	28 654	26 871	7

Operating profit	6 218	5 854	6
Trading profit	6 130	6 011	2
Free cash flow	1 789	3 173	(44)
Core headline earnings per ordinary share (SA cents)	474	462	3
(Loss)/earnings per ordinary share (SA cents)	(60)	317	greater than (100)
Headline (loss)/earnings per ordinary share (SA cents)	(58)	356	greater than (100)
Net asset value per ordinary share (SA cents)	1 762	1 967	(10)

KEY PERFORMANCE INDICATORS

	2021	2022	2022	2022	YoY	YoY organic
Period ended 30 September	Reported	Currency impact	Organic growth	Reported	% change	% change
90-day active subscribers ('000)	21 054	n/a	1 025	22 079	5	5
South Africa	8 864	n/a	251	9 115	3	3
Rest of Africa	12 190	n/a	774	12 964	6	6
90-day active ARPU (ZAR)						
Blended	176	8	(4)	180	2	(2)
South Africa	273	-	(12)	261	(4)	(4)
Rest of Africa	104	14	5	123	18	5
Subscribers ('000)	16 623	n/a	487	17 110	3	3
South Africa	8 193	n/a	11	8 204	-	-
Rest of Africa	8 430	n/a	476	8 906	6	6
ARPU (ZAR)						
Blended	223	11	1	235	5	-
South Africa	297	-	(7)	290	(2)	(2)
Rest of Africa	151	21	11	183	21	7

GROUP FINANCIALS

	2021	2022	2022	2022	YoY	YoY organic
Period ended 30 September	IFRS	Currency impact	Organic growth	IFRS	% change	% change
SEGMENTAL RESULTS	ZAR'm	ZAR'm	ZAR'm	ZAR'm		
Revenue ¹	26 761	1 307	542	28 610	7	2
South Africa	17 774	-	(342)	17 432	(2)	(2)
Rest of Africa ¹	8 232	1 220	1 069	10 521	28	13
Technology	755	87	(185)	657	(13)	(25)
Trading profit	6 011	(252)	371	6 130	2	6
South Africa	6 159	-	(144)	6 015	(2)	(2)
Rest of Africa	(425)	(165)	336	(254)	40	79
Technology	277	(87)	179	369	33	65

¹ Total group revenue and Rest of Africa revenue presented above includes losses of ZAR44m (1H FY22: losses of ZAR110m) related to fair-value movements on Nigeria futures contracts.

REVENUE AND COSTS BY NATURE

Revenue	26 761	1 307	542	28 610	7	2
Subscription fees ¹	22 087	1 115	554	23 756	8	3
Advertising	1 914	49	38	2 001	5	2
Decoders	879	44	26	949	8	3

Technology contracts and licensing	755	87	(185)	657	(13)	(25)
Insurance premiums	284	-	54	338	19	19
Other revenue	842	12	55	909	8	7
Operating expenses	20 750	1 559	171	22 480	8	1
Content	8 915	530	(482)	8 963	1	(5)
Decoder purchases	2 590	231	558	3 379	30	22
Staff costs	2 772	214	(51)	2 935	6	(2)
Sales and marketing	1 162	55	195	1 412	22	17
Transponder costs	1 196	77	(49)	1 224	2	(4)
Other	4 115	452	-	4 567	11	-

1 Subscription fees presented above include losses of ZAR44m (1H FY22: losses of ZAR110m) related to fair-value movements on Nigeria futures contracts.

EXECUTIVE REVIEW CONTINUED

The group continued its strategy of differentiation through local content. It launched two more local channels in sub Saharan Africa and produced 3 084 hours of local content, an increase of 15% YoY. This ongoing investment in local content accounted for 48% of total general entertainment spend and brought the total content library to more than 73 000 hours.

As one of the largest taxpayers in Africa, the group paid direct cash taxes of ZAR1.9bn, marginally down from the prior period due to lower taxable profits reported in South Africa.

The balance sheet remains strong with ZAR7.5bn in net assets. This includes ZAR7.0bn in cash and cash equivalents and when combined with ZAR1.3bn in available facilities, provide ZAR8.3bn in financial flexibility to fund the group's operations. This financial position is after ZAR4.0bn was utilised to settle the MCG and Phuthuma Nathi dividends in September and incorporates the increased working capital investment in 1H FY23 ahead of the FWC. Leverage remains low with a net debt: EBITDA ratio of 1.08:1 at the end of September.

The group operates in numerous markets across Africa and internationally, 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 (non-IFRS performance measures) are quoted in brackets as organic, after the equivalent metrics reported under IFRS. These non-IFRS performance measures constitute pro forma financial information in terms of the JSE Limited Listings Requirements.

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

DIRECTORATE

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

DIVIDEND

No dividend has been declared based on the interim results.

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 November 2022.

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 short-form announcement 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 short-form announcement, 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 in the full condensed consolidated interim financial statements. The full condensed consolidated interim financial statements were released on SENS on 10 November 2022 and can be found on the company's website at <https://investors.multichoice.com/interim-results>. 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/2022/JSE/ISSE/MCGE/10Nov22HY1.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 Group CEO
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Johannesburg
10 November 2022

Directorate
Independent non-executive directors
JJ Volkwyn (Lead independent director), JH du Preez, E Masilela, KD Moroka, CM Sabwa, FA Sanusi, L Stephens

Non-executive directors
MI Patel (Chair)

Executive directors
CP Mawela (CEO), TN Jacobs (CFO)

Registered office

MultiChoice City, 144 Bram Fischer Drive, Randburg, 2194, South Africa.
PO Box 1502, Randburg, 2125

Transfer secretaries
Singular Systems Proprietary Limited, Registration number 2002/001492/07,
25 Scott Street, Waverley, 2090, South Africa. PO Box 1266, Bramley, 2018, South Africa.

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

www.multichoice.com