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
Consolidated interim financial results for the period ended 30 September 2024

Strategy playing out against tougher than expected macro backdrop

Results highlights

Despite unprecedented external headwinds, most notably currency depreciation which has reduced trading profit by close to ZAR7bn over the last 18 months, MultiChoice delivered various positive operational outcomes through active interventions for the six-month period ended 30 September 2024 (1H FY25 or the half):

- A lower subscriber attrition rate in the linear pay-TV subscriber base versus the six-month period ended 31 March 2024 (2H FY24) in both South Africa and Rest of Africa.

- Showmax paying subscriber base increased 50% YoY, excluding discontinued services.

- SA trading profit margin was maintained in the low 30s in the seasonally stronger first half (31%).

- Cost optimisation efforts delivered ZAR1.3bn in savings, with full year stretch target increased to ZAR2.5bn from the ZAR2.0bn set at the beginning of the financial year.

- In addition to the group's cost savings programme, decoder subsidies were reduced by a further ZAR0.4bn across South Africa and Rest of Africa.

- Free cash flow and adjusted core headline earnings both positive despite external macro and currency headwinds, as well as the Showmax investment cycle.

- Positive momentum maintained in DStv Stream and Extra Stream, DStv Internet, DStv Insurance, and the group's sports betting and fintech investee businesses.

- Liquidity position remains strong with ZAR10.1bn in total available funds.

- Transformative insurance deal with Sanlam Life Insurance Limited (Sanlam) nearing completion in the post balance sheet period - the group will recognise an accounting gain in the range of ZAR2.6bn to ZAR3.3bn.

- Meaningful progress made on the Canal+ transaction with the merger control filing submitted to the South African Competition Commission on 30 September 2024, and engagements with other regulatory authorities underway.

- Taking all developments and initiatives into account, the group anticipates resolving the negative equity position by the end of November this year.

Headline results

The group's linear subscriber base declined by 11% or 1.8m subscribers YoY to 14.9m active subscribers at 30 September 2024. While this is indicative of the extremely hostile operating environment that the group has encountered over the past 12 months, subscriber trends on a sequential basis have improved, with 1H FY25 reflecting a 5% decline in the base (0.8m) vs. the 6% decline reported (1.0m) in 2H FY24. The loss in subscribers was skewed towards the Rest of Africa, which lost 15% of its base YoY vs. 5% in South Africa. The loss in the Rest of Africa has been primarily due to the significant consumer pressure in Nigeria, where inflation has remained above 30% for the majority of the last 12 months and, more recently, due to extreme power disruptions in Zambia. The group's subscription video on demand business, Showmax, delivered a strong 30% YoY increase in paying subscribers, or 50% YoY excluding discontinued services (namely the Showmax Pro and the Showmax diaspora offerings).

Group revenues were down 10% on a reported basis due to subscriber weakness, the foreign exchange (FX) rate pressures impacting the Rest of Africa business and the translation effects of a stronger rand against the US dollar. However, revenues were up 4% on an organic basis (i.e. excluding FX and M&A) as a result of the group's inflationary pricing discipline, revenue growth of new products (notably insurance and internet) and Irdeto's external business.

Group trading profit declined by 46% on the back of the FX headwinds in the Rest of Africa business (ZAR2.3bn) and the incremental investment in Showmax (ZAR1.6bn), but a step-up in cost optimisation across the group supported a marginal 1% decline in trading profit on an organic basis. Stripping out Showmax, the group would have seen reported trading profit increase by 28% on an organic basis.

Adjusted core headline earnings, the board's measure of the underlying performance of the business, declined from ZAR1.5bn in the prior period to ZAR7m in the current period. In addition to the foreign exchange losses in Rest of Africa and the investment in Showmax which negatively impacted trading profit, the group generated realised foreign exchange losses in the South African business in the current period compared with profits in the prior year, offsetting the benefit of lower cash extraction losses from Nigeria YoY.

Group free cash flows remained positive at ZAR0.6bn, with ZAR3.3bn in free cash generated by the South Africa and Irdeto businesses, largely offset by a ZAR1.8bn free cash outflow on investment into Showmax and a ZAR0.9bn free cash outflow in Rest of Africa due to the impact of currencies on its trading performance.

Pressure on the group's trading performance in conjunction with ongoing non-cash foreign exchange losses on the translation of non-quasi, inter-group loans of ZAR2.1bn have resulted in the group closing the period with a negative equity position of ZAR2.7bn. Given the non-cash nature of the adjustments that have resulted in negative equity, they have no impact on the liquidity or going concern of the group. There are a number of developments and initiatives that will resolve the group's negative equity position by the end of November this year.

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 USD denominated. Where relevant in this announcement, amounts and percentages have been adjusted for the effects of foreign currency, and exclude acquisitions and disposals, to better reflect underlying trends and sustainable operational performance. These adjustments (non-International Financial Reporting Standards (IFRS) performance measures) are referred to as "organic" when used. 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 announcement.

Salient features

Period ended 30 September	2024 ZAR'm	2023 ZAR'm	YoY % change
Revenue(1)	25 422	28 334	(10)
Operating profit	2 452	4 834	(49)
Trading profit	2 694	5 023	(46)
Free cash flow	560	1 071	(48)
Core headline earnings per ordinary share (SA cents)	7	452	(98)
Adjusted core headline earnings per ordinary share (SA cents)	2	356	(99)
Loss per ordinary share (SA cents)	(421)	(310)	(36)
Headline loss per ordinary share (SA cents)	(424)	(289)	(47)
Net asset value per ordinary share (SA cents)	(634)	181	>(100)

(1) Revenue disclosed above includes IFRS 17 insurance revenue of ZAR578m (2023: ZAR442m).

Key performance indicators

Period ended 30 September	2023 Reported	2024 Currency impact	2024 Organic growth	2024 Reported	YoY % change	YoY organic % change
Subscribers ('000)	16 703	n/a	(1 768)	14 935	(11)	(11)
South Africa	7 822	n/a	(399)	7 423	(5)	(5)
Rest of Africa	8 881	n/a	(1 369)	7 512	(15)	(15)
ARPU (ZAR)						
Blended	229	(35)	27	221	(3)	12
South Africa	280	-	9	289	3	3
Rest of Africa	176	(68)	39	147	(16)	22
90-day active subscribers ('000)	21 663	n/a	(2 368)	19 295	(11)	(11)
South Africa	8 629	n/a	(495)	8 134	(6)	(6)
Rest of Africa	13 034	n/a	(1 873)	11 161	(14)	(14)
90-day active ARPU (ZAR)						
Blended	172	(26)	22	168	(2)	13
South Africa	247	-	14	261	6	6
Rest of Africa	117	(45)	26	98	(16)	22

Group financials

Period ended 30 September	2023 IFRS ZAR'm	2024 M&A impact ZAR'm	2024 Currency impact ZAR'm	2024 Organic growth ZAR'm	2024 IFRS ZAR'm	YoY % change	YoY organic % change
SEGMENTAL RESULTS							
Revenue	28 334	(202)	(3 714)	1 004	25 422	(10)	4
South Africa	16 539	-	-	216	16 755	1	1
Rest of Africa	10 470	-	(3 661)	689	7 498	(28)	7
Technology	770	-	(28)	93	835	8	12
Showmax	555	(202)	(25)	6	334	(40)	1
Trading profit	5 023	(47)	(2 257)	(25)	2 694	(46)	(1)
South Africa	5 202	-	-	(4)	5 198	-	-
Rest of Africa	330	-	(2 329)	1 740	(259)	>(100)	>100
Technology	290	-	16	(127)	179	(38)	(44)
Showmax	(799)	(47)	56	(1 634)	(2 424)	>(100)	>(100)
REVENUE AND COSTS BY NATURE							
Revenue	28 334	(202)	(3 714)	1 004	25 422	(10)	4
Subscription fees	23 337	(202)	(3 202)	337	20 270	(13)	1
Advertising	1 951	-	(339)	248	1 860	(5)	13
Decoders	765	-	(136)	231	860	12	30
Technology contracts and licensing	770	-	(28)	93	835	8	12
Insurance premiums	442	-	-	136	578	31	31
Other revenue	1 069	-	(9)	(41)	1 019	(5)	(4)
Operating expenses	23 311	(155)	(1 457)	1 029	22 728	(3)	4
Content	9 815	(77)	(72)	(51)	9 615	(2)	(1)
Decoder purchases	2 284	-	(36)	(262)	1 986	(13)	(11)
Staff costs	3 214	(15)	(208)	21	3 012	(6)	1
Sales and marketing	1 472	(46)	(122)	(23)	1 281	(13)	(2)
Transponder costs	1 183	-	(36)	(56)	1 091	(8)	(5)
Other	5 343	(17)	(983)	1 400	5 743	7	26

Directorate

As noted in the group's FY24 results, the outgoing non-executive chair, Imtiaz Patel, was due to step down from his role at the end of FY24, but his tenure was briefly extended on 2 April 2024 in aid of supporting the Canal+ transaction process. Having then made sufficient progress, with MCG and Canal+ entering into a Cooperation Agreement and issuing a firm intention announcement, Mr Patel stepped down from the board on 23 April 2024. Mr Patel was succeeded by Elias Masilela, an independent non-executive member of the board.

Another long-serving member of the board, Jim Volkwyn, who served MultiChoice with distinction in a number of roles for more than 33 years, did not stand for re-election at the AGM on 28 August 2024.

The board and executive management teams express their gratitude to both Mr Patel and Mr Volkwyn for their invaluable contributions to the group over the years.

Dividend

No dividend has been declared based on the group's interim results, in line with the terms of the Cooperation Agreement applicable during the Canal+ mandatory offer period.

Preparation of this announcement

The preparation of this announcement was supervised by the group's chief financial officer, Tim Jacobs CA(SA).
These results were made public on 12 November 2024.

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 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 mergers, acquisitions, or disposals; changes to domestic and international business and market conditions such as exchange rate, interest rate and inflation rate movements; changes in the domestic and international regulatory, legislative and tax environments; changes to domestic and international operational, social, economic and political conditions (including power, water and transport infrastructure); 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 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 announcement is the responsibility of the directors and is only a summary of the information in the full consolidated interim financial statements. Consequently, it does not contain full or complete details. The full consolidated interim financial statements have been reviewed by Ernst & Young Inc., who expressed an unmodified conclusion thereon. The reviewed interim results announcement was released on SENS on 12 November 2024 and the full consolidated interim financial statements can be found on the company's website at https://investors.multichoice.com/interim-results.

Any investment decisions made by investors and/or shareholders should be based on consideration of the financial results as a whole and investors and/or shareholders are encouraged to review the full consolidated interim financial statements at https://senspdf.jse.co.za/documents/2024/JSE/ISSE/MCGE/12Nov24HY.pdf published on the JSE cloud and on the company's website.

The information in this announcement has been extracted from the reviewed consolidated interim financial statements on our website, but the announcement itself was not reviewed.

On behalf of the board

Elias Masilela	Calvo Mawela
Chair	Group CEO

Johannesburg
12 November 2024

Directorate
Independent non-executive directors
E Masilela (Chair), JH du Preez, D Klein, KD Moroka, CM Sabwa, FA Sanusi, L Stephens, A Zappia

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

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