



REVIEWED INTERIM RESULTS ANNOUNCEMENT

CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021



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

EXECUTIVE REVIEW OF OUR PERFORMANCE

MULTICHOICE GROUP (MCG OR THE GROUP): INTERIM RESULTS REFLECT STRONG CASH FLOW AND STEADY MARGIN.

Interim results for MCG reflect an ongoing expansion of its ecosystem. The group added 1.0m 90-day active subscribers to close the period ended 30 September 2021 (1H FY22) on 21.1m subscribers, an increase of 5% year on year (YoY). The business in the Rest of Africa (RoA) experienced accelerated growth primarily on the back of major sporting events and successful local content productions, while growth rates in South Africa were subdued by rising consumer pressure and tough comparables given the boost in the prior year numbers triggered by strict lockdown restrictions at the time. The 90-day subscriber base is split between 12.2m households (58%) in the Rest of Africa and 8.9m (42%) in South Africa.

Revenue increased 3% (10% organic) to ZAR26.8bn, with the stronger South African Rand (ZAR) reducing the revenue contribution on translation of the RoA and Technology segments. Subscription revenues amounted to ZAR22.1bn, representing solid 7% organic growth. Advertising revenues, which were impacted by COVID-19 in the prior period, rebounded strongly, growing 77% YoY (84% organic). This outperformance was driven by the return of live sport, sales linked to a strong local content line-up and the success of new digital advertising strategies. Commercial subscription revenues, which increased 50% YoY (57% organic) are also recovering as lockdown restrictions continue to be eased.

Group trading profit increased 5% to ZAR6.0bn (6% organic), benefiting from 7% growth in South Africa, with RoA losses remaining largely in line with the prior period. Trading profit margins were supported by the advertising revenue recovery and continued cost control but were negatively impacted by a 17% (27% organic) increase in content costs, mainly due to the deferral of content costs from FY21. This included major sporting events such as Euro 2020, the British and Irish Lions Rugby Tour and the Tokyo Olympics, while other drivers included the group's continued ramp-up in local content investment and non-recurring content refunds received in the prior period.

The group's established cost optimisation programme delivered a further ZAR0.5bn in cost savings during the period. Major contributors were renegotiated contracts for sports rights and international general entertainment content (as part of the continued strategic shift to local content). Operating leverage was positive on a nominal basis, however, marginally negative organically due to the sharp content cost increase which was not fully covered by revenue growth. Due to the anomalies in the prior period cost and revenue base caused by COVID-19, a more representative operating leverage outcome is expected to be reflected in the full year results.

Core headline earnings, the board's measure of sustainable business performance, was down 26% on the prior period at ZAR2.0bn. This reduction in earnings was attributable to higher realised foreign exchange losses caused by the stronger ZAR relative to the hedged rates of the group's forward exchange contracts in the South African business during this period. As the group takes out these contracts up to three years in advance, and given the volatility of the ZAR, the hedging strategy can result in either profits or losses being recognised in a given year. However, the approach has proven to be effective in protecting the group against currency fluctuations over time.

Consolidated free cash flow of ZAR3.2bn was up a strong 54% compared to the prior period, underpinned by focused working capital management and reduced capital expenditure. The lower capital expenditure was primarily due to the non-recurrence of an enterprise resource planning (ERP) system upgrade in Irdeto and a stronger ZAR which benefited foreign currency capital investment. Free cash flow also included a ZAR0.4bn tax security deposit made in relation to the ongoing Nigerian tax dispute.

SALIENT FEATURES

Period ended 30 September	2021 ZAR'm	2020 ZAR'm	YoY % change
Revenue	26 871	26 055	3
Operating profit	5 854	5 776	1
Trading profit	6 011	5 699	5
Free cash flow	3 173	2 058	54
Core headline earnings per ordinary share (SA cents)	462	627	(26)
Earnings per ordinary share (SA cents)	317	573	(45)
Headline earnings per ordinary share (SA cents)	356	572	(38)
Net asset value per ordinary share (SA cents)	1 967	2 111	(7)

KEY PERFORMANCE INDICATORS

	2020 Reported	2021 Currency impact	2021 Organic growth	2021 Reported	YoY % change	YoY organic % change
30 September						
90-day active subscribers ('000)	20 061	n/a	993	21 054	5	5
South Africa	8 704	n/a	160	8 864	2	2
Rest of Africa	11 357	n/a	833	12 190	7	7
90-day active ARPU (ZAR)						
Blended	187	(13)	2	176	(6)	1
South Africa	278	-	(5)	273	(2)	(2)
Rest of Africa	118	(23)	9	104	(12)	8
Subscribers ('000)	16 030	n/a	593	16 623	4	4
South Africa	8 108	n/a	85	8 193	1	1
Rest of Africa	7 922	n/a	508	8 430	6	6
ARPU (ZAR)						
Blended	233	(17)	7	223	(4)	3
South Africa	298	-	(1)	297	-	-
Rest of Africa	168	(34)	17	151	(10)	10

GROUP FINANCIALS

Period ended 30 September	2020 IFRS ZAR'm	2021 Currency impact ZAR'm	2021 Organic growth ZAR'm	2021 IFRS ZAR'm	YoY % change	YoY organic % change
SEGMENTAL RESULTS						
Revenue ¹	26 095	(2 024)	2 690	26 761	3	10
South Africa	16 511	-	1 263	17 774	8	8
Rest of Africa ¹	8 686	(1 874)	1 420	8 232	(5)	16
Technology	898	(150)	7	755	(16)	1
Trading profit	5 699	(28)	340	6 011	5	6
South Africa	5 783	-	376	6 159	7	7
Rest of Africa	(338)	(106)	19	(425)	(26)	6
Technology	254	78	(55)	277	9	(22)

¹ Total group revenue and Rest of Africa revenue presented above includes ZAR110m losses (1H FY21: ZAR40m gains) related to fair-value movements on Nigeria futures contracts.

REVENUE AND COSTS BY NATURE						
Revenue	26 095	(2 024)	2 690	26 761	3	10
Subscription fees ¹	22 246	(1 694)	1 535	22 087	(1)	7
Advertising	1 079	(76)	911	1 914	77	84
Set-top boxes	941	(92)	30	879	(7)	3
Technology contracts and licensing	898	(150)	7	755	(16)	1
Other revenue	931	(12)	207	1 126	21	22
Operating expenses	20 396	(1 996)	2 350	20 750	2	12
Content	7 652	(799)	2 062	8 915	17	27
Set-top box purchases	2 801	(241)	30	2 590	(8)	1
Staff costs	2 927	(285)	130	2 772	(5)	4
Sales and marketing	1 012	(93)	243	1 162	15	24
Transponder costs	1 379	(115)	(68)	1 196	(13)	(5)
Other	4 625	(463)	(47)	4 115	(11)	(1)

¹ Subscription fees presented above includes ZAR110m losses (1H FY21: ZAR40m gains) related to fair-value movements on Nigeria futures contracts.

EXECUTIVE REVIEW CONTINUED

The group continued its strategy of differentiation through local content and stepped up its investment by producing 2 692 additional hours. This represented 41% YoY growth, and was supported by less disruption from the third wave of COVID-19 versus the initial lockdowns in the prior period. As a result, the total local content library is now approaching 66 000 hours and local content represented 45% of total general entertainment content spend.

As one of the largest taxpayers in Africa, the group paid direct cash taxes of ZAR1.9bn, slightly lower than the prior period as a lower third top-up tax payment was required in South Africa.

On 29 October 2021, the final substantive condition (regulatory clearance) associated with the increased investment in KingMakers was met and the transaction became effective. At the conclusion of this transaction the group now owns 49.23% in KingMakers and will continue to be equity accounted.

The strength of the balance sheet remains a core focus in supporting new investment opportunities and the funding requirements for RoA. Notwithstanding liquidity constraints in Nigeria, the group has continued to extract cash throughout the period. Some ZAR8.4bn in net assets, including ZAR7.3bn in cash and cash equivalents, combined with ZAR4.4bn in available facilities, provide ZAR11.7bn in financial flexibility to fund the group's operations. This strong financial position is after ZAR4.0bn was utilised to settle the MCG and Phuthuma Nathi dividends in 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.

DIVIDEND
No dividend has been declared based on the interim results.

DIRECTORATE
Mr SJZ Pacak retired as an independent non-executive director with effect from 1 April 2021.
Mr JH du Preez was appointed as an independent non-executive director with effect from 1 April 2021.
Mr JA Mabuza, the group's lead independent director, sadly passed away on 16 June 2021. The group continues to miss his invaluable insights and experience and he remains a lasting part of the MultiChoice story.
Mr JJ Volkwyn was appointed as the group's lead independent director and remuneration committee chair with effect from 1 July 2021.
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 11 November 2021.

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 11 November 2021 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/2021/JSE/ISSE/MCGE/11Nov21_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 <i>Non-executive chair</i> Johannesburg 11 November 2021	Calvo Mawela <i>Chief executive officer</i>
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DIRECTORATE

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

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), PO Box 1266, Bramley 2018, South Africa

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