MultiChoice
ENRICHING LIVES
PHUTHUMA NATHI
SHARE THE FUTURE

MultiChoice South Africa Holdings Proprietary Limited
(Registration number: 2006/015293/07)
JSE share code: MCG
ISIN: ZAE000265971

Annual results announcement

Summary of the annual results of the MultiChoice South Africa Holdings Group

for the year ended 31 March 2024 (FY24)

MultiChoice South Africa ("the Group") cash flows support stable dividend

Core headline earnings has grown to R7.7bn (14% YoY) and profit to R5.9bn (21% YoY) under challenging circumstances. The South African economy continues to endure severe economic pressure, with consumers under financial distress due to the cost-of-living squeeze from high inflation and interest rates. Consistent loadshedding through FY24 created an environment where customers without backup power were reluctant to subscribe to our service due to the uncertainty of whether they would be able to watch.

Given the challenging environment, the South African leadership team prioritised customer retention and cash generation during the year through the following initiatives:

- Shifted focus from 90-day active subscribers to active subscribers, with volatility in the base managed more pro-actively and leading to flat YoY ARPU's
- Reintroduced equated subscribers to emphasise subscriber economics, with open windows used to prompt upgrades
- Grew the contract base 6% YoY to provide more certainty in future committed revenues
- Significantly reduced decoder subsidies (-45% YoY or ZAR0.7bn) with positive overall economics
- Drove a pricing discipline across all offerings, with the average SA price increases of 5.6% following inflation, in order to support ARPUs against FX depreciation and weaker subscriber activity
- Stepped up the focus on piracy together with Irdeto, with targeted investments to reduce revenue leakage and a greater emphasis on public awareness and education
- Continued the drive towards operational efficiencies to protect margins by removing over R1bn in costs, including content cost savings, ongoing process improvement and vacancy freezes, as well as an overall reduction in discretionary spend
- Continued success around the insurance business with polices growing by 525k to 3.3m, generating ZAR1bn in revenues (35% YoY growth)
- Relaunched DStv Stream with a new look and feel and seamless sign-up journey (closing active base up 3x on FY23), launched Extra Stream to support customers (similar in size to DStv Stream at year-end), and drove the uptake of DStv Internet fixed-wireless LTE (active base up almost 2x on FY23).

The net effect was increased pressure on subscriber numbers, activity and viewership, with active subscribers down 5% to 7.6m at year-end. In terms of subscriber mix, the premium customer tier (which includes the Premium and Compact Plus bouquets) declined by 8%, with the Premium bouquet remaining much more stable than Compact Plus given focused retention efforts and the progression in the Premium base towards a more stable core cohort of subscribers. Like the Compact Plus base, the Compact base is most exposed to the challenges in the macro-economic environment with the mid-market customer tier down 9% as a result. Having delivered consistent growth in recent years, the mass market tier declined by 2%, due to pressure in the Family base, as well as the impact of loadshedding and reduced decoder subsidies.

Financial review

Total revenue (including insurance revenue) of ZAR42.2bn was 1% higher than prior year driven by a 35% increase in insurance premiums and a 16% increase in intercompany revenue from group companies.

Trading profit of ZAR9.3bn increased from prior year by 6% with the revenue impact and cost optimisation initiatives.

Free cash flow of ZAR5.9bn was up 63% YoY as a result of a higher operating cash flows and a lower investment in working capital, which included improved management of content payment cycles. As one of the largest taxpayers in Africa, the group paid direct cash taxes of ZAR2.4bn which increased by 10% YoY due to higher taxable profits.

Core headline earnings, the group's measure of sustainable business performance, increased by 14% YoY to ZAR7.7bn, impacted by an increase in profitability and higher realised foreign exchange gains on hedges net of tax.

In the current year, the group recorded a ZAR1.2bn impairment charge on the group's Technology Modernisation programme that was discontinued.

A dividend of ZAR5.5bn was paid to shareholders in September 2023, with ZAR4.125bn paid to MultiChoice Group Limited (MCG) and ZAR1.375bn paid to Phuthuma Nathi (PN). The same level of dividend has been proposed for FY24.

Operational review

General Entertainment

MultiChoice remains the largest producer of original content on the African continent, which is notable at a time when international streamers and broadcasters are slowing down or stopping local content production in our markets to prioritise their core markets and sustainable streaming economics. The group produced in excess of 6 500 hours of local content in FY24, while continuing to license some of the best international content available globally through long-term content partners.

Six years in the making, Shaka Ilembe was the highlight of the year, launching on Mzansi Magic in June to become Africa's biggest TV series. Filmed entirely on location in South Africa, Shaka Ilembe was created through the skills and contributions of over 8 000 people. The premiere episode attracted over four million views and comfortably ranked as the year's top-performing show, obtaining an audience share of over 45% in its time slot.

Other developments for the M-Net team during the year included:

- Navigating the US actors' and writers' strikes, which delayed some studio productions, with M-Net leveraging strategic choices, strong selections and precise scheduling to support loyal audiences
- Strengthening our in-house production department, including post-production services (trailer creation, online and offline editing, final mixing and subtitling), content optimisation, and centralised dubbing services across linear and streaming platforms
- Airing three successful co-productions on linear, namely Reyka season 2, Devil's Peak and White Lies, which were produced in collaboration with international partners at Fremantle, Canal +, Abacus Distribution and BBC Studios-owned Lookout Point
- Airing a further three co-productions on our streaming platform, namely Spinners, Original Sin: My Son The Killer, and Catch Me a Killer
- Adapting the first local version of global hit The Bridge to create a breakout reality success in Die Brug on kykNET, delivering record live and Catch Up audiences from October 2023
- Launching regionally focused telenovelas for the mid-market such as Umkhokha: The Curse and Gqeberha: The Empire as the multi-award winning The River ended its six-year run, having spawned regional adaptations in Kenya, Angola and Nigeria
- Introducing fresh talent and engaging mass-market customers with DStv Access's inaugural original telenovela, Sibongile & The Dlaminis
- Extending the group's focus on local content channels by introducing Afia TV in Nigeria, Maaddii Abol in Ethiopia, Pearl Magic Loko in Uganda and Maningue Magic Kool in Mozambique, while also producing content in Africa's fourth most spoken language, Oromo
- Delivering captivating unscripted hit series like Mutale Mwanza, Divas & Hustlas and Kampala Crème, as well as scripted series such as Zari, Kuga Munu, Junior Drama Club, Damalie, and 10 Tamanga Street on our East and Southern African group-owned channels

While the group continues to invest behind its content portfolio, content spend measurement is embedded in all decision-making. This ensures ROI and cost per minute appropriateness and consistency across platforms, efficient windowing strategies, and also supports contract renegotiations and cost savings initiatives. Key management, staffing structures and processes were reviewed and refreshed during the year and Showmax's content needs are all now catered for centrally through the new Content Hub, which was formed to optimise resource allocation.

SuperSport

SuperSport's headline broadcasts during the year included the men's Rugby World Cup in France, the men's Cricket World Cup in India, a second world-class SA20 season in South Africa, AFCON, FIFA Women's World Cup in New Zealand and Australia, as well as the women's Netball World Cup in Cape Town, showcased across DStv and GOtv under the flagship "Here for Her" campaign.

The FY24 renewal cycle was a busy one, with several renewals or extensions secured, including the UEFA Champions League, La Liga, SA Rugby, the men's and women's IPL, Tour De France, World Athletics Championships, ICC Cricket tournaments and Indian cricket, the PGA Tour and Open Championship, the US Open tennis and the UFC.

Highlights from SuperSport's packed FY24 production schedule included:

- The broadcasting of 34 490 live events during the year (FY23: 24 899)
- A dramatic series of victories enabled the Springboks to win the Rugby World Cup for the fourth time and set the stage for the Chasing the Sun 2 documentary. The event itself reached more than 8.5m linear viewers on SuperSport channels (+88% vs 2019) and 0.8m unique users on DStv Stream
- A semi-final match between Nigeria and South Africa in AFCON, with 3.6m viewers tuning in; the highest in SuperSport history
- Cricket World Cup tournament viewership surpassing internal targets, with the 2023 iteration attracting 4.1m viewers, an increase of 47% compared to 2.8m in the 2019 World Cup
- The SA20 cricket tournament seeing the first ever UHD originated broadcast in Africa, with the SA20's average linear audience up 23% YoY
- The 2023 Netball World Cup being successfully delivered by a 120 all-female production crew, as a world first, including in-house training for the eight months leading up to the showpiece
- The Comrades Marathon showing an 81% increase in its linear audience (OTT +13%), with the event available for viewing across all packs, including DStv Access
- The successful production and broadcast of the ICC Women's T20 World Cup during 2023, as well as the India 2023/2024 cricket tour to South Africa.

SuperSport Schools more than doubled its registered user base in FY24, up from 375 000 in FY23 to 794 000 by the end March 2024. The fast-growing platform displayed more than 49 000 hours of live programming across 43 different sports codes, 900 school sport festivals and events, more than 1 100 schools, and over 14 500 teams. SuperSport Schools also achieved a major milestone by delivering the first fully automated, AI-produced, live linear television broadcasts for DStv Channel 216 at the Jenny Orchard Invitational Basketball tournament.

On the technical front, the introduction of internet protocol technology (IP 1) to our outside broadcast (OB) vans allowed us to create a cinematic, full-frame, wireless electronic news gathering camera for SA20. A second internet protocol technology OB van (IP 2) was added to SuperSport's fleet in February 2024, with the world-class and UHD-ready OB van completing its first production in April 2024 during a DStv Premiership match between SuperSport United and Polokwane City.

Similarly to the general entertainment business, SuperSport continues its efforts to retain and extend rights to popular sports, while renewing rights deals at competitive but sustainable rates.

Subsequent events

Changes to the MultiChoice South Africa Holdings Proprietary Limited board

On 11 September 2023, shareholders were advised that Mr Imtiaz Patel was stepping down from the MCSAH board of directors (the board) with effect from 31 March 2024 and Mr Elias Masilela would replace Mr Patel as Chair with effect from 1 April 2024.

Effective 1 April 2024, Mr Elias Masilela, the designated Chair at the time, became the Deputy Chair of the board and the lead independent director (LID) in place of Mr Jim Volkwyn, who stepped down as LID but remained on the board as a non-executive director.

On 23 April 2024, the board and Mr Patel agreed that it was an appropriate time for Mr Masilela, the Deputy Chair at the time, to be appointed as Chair and for Mr Patel to step down from the board with effect from 23 April 2024.

Other

There have been no other events that occurred after the reporting date that could have a material impact on the condensed consolidated annual financial statements.

Outlook

The focus of the group's management team for the next financial year is to successfully navigate current market conditions to improve the economics of the business and to capitalise on strong traction in DStv Stream, Internet and Insurance. The group remains committed to bringing customers the best of video entertainment, to keep supporting the creative industry in South Africa through the production of great local content, to uplift the communities which it serves on an ongoing basis and ultimately deliver attractive shareholder returns.

Dividends

MCSAH

The MCSAH board recommend that a dividend of ZAR5.5bn (FY23: ZAR5.5bn) be paid to its ordinary shareholders in September 2024. This amounts to 1 527.78 (FY23: 1 527.78) cents per MCSAH ordinary share. The dividend declaration is subject to the approval of the company's shareholders at the annual general meeting to be held on Tuesday, 27 August 2024.

Phuthuma Nathi Investments [RF] Limited (PN)

The PN board recommend a dividend of ZAR1.375bn (FY23: ZAR1.375bn) for PN shareholders. This amounts to 2 037.03 (FY23: 2 037.03) cents per PN ordinary share. The declaration of the dividend is subject to approval by shareholders at the annual general meeting on 27 August 2024.

Dividend tax of 20% amounts to 407.40 cents per PN share. PN shareholders will therefore receive a net dividend of 1 629.63 (FY23: 1 629.63) cents per share. The dividend proposed in this report will be paid from reserves. If approved, the dividend will be payable to shareholders recorded in the share register on 27 August 2024 and paid on or about 9 September 2024 (payment of which will fall in FY25).

Directorate

Mr A Zappia was appointed as an independent non-executive director with effect from 1 September 2023.

Ms D Klein was appointed as an independent non-executive director with effect from 1 September 2023.

Mr JJ Volkwyn stepped down as lead independent director with effect from 1 April 2024 but will remain on the board as an independent non-executive director.

Mr MI Patel stepped down as chair and non-executive director with effect from 23 April 2024. The board appointed Mr E Masilela as chair with effect from 23 April 2024 (Mr E Masilela filled the role of Deputy Chair and lead independent director from 1 April 2024 to 22 April 2024).

Preparation of the short-form announcement

This short-form announcement is the responsibility of the directors and is only a summary of the information in the consolidated annual financial statements. Copies of the consolidated annual financial statements may be requested from the company's registered office, at no charge, during office hours, and should be read together with the complete consolidated annual financial statements.

Trading profit includes finance cost on transponder lease liabilities but excludes the amortisation of intangible assets (other than software), impairment and derecognition of assets, equity-settled share-based payment expenses and other operating gains/losses. Core headline earnings exclude non-recurring and non-operating items. We believe this is a useful measure of the group's sustainable operating performance. However, core headline earnings and trading profit are not defined terms under IFRS, are not audited and may not be comparable with similarly titled measures reported by other companies.

These results represent the financials of the MultiChoice South Africa Holdings (Pty) Ltd legal structure and therefore do not align with the MultiChoice Group Limited South African segment results. These financial results have been prepared under the supervision of the group's chief financial officer, Tim Jacobs, CA(SA).

The complete consolidated annual financial statements are available on the MCSAH and PN websites:
www.multichoice.com/southafrica and www.phuthumanathi.co.za

On behalf of the board

Elias Masilela
Non-executive chair

Calvo Mawela
Chief executive officer

Condensed consolidated income statement

	Year ended 31 March 2024 R'm	Year ended 31 March 2023 R'm
Revenue from contracts with customers	**41 223**	40 932
Cost of providing services and sale of goods	**(22 700)**	(23 208)
Insurance service result	**589**	473
Insurance revenue	**969**	717
Insurance service expense	**(380)**	(244)
Selling, general and administration expenses	**(9 498)**	(9 143)
Net impairment loss on trade receivables	**(194)**	(102)
Other operating (losses)/gains – net	**(1 227)**	32
Operating profit	**8 193**	8 984
Interest income	**1 578**	803
Interest expense	**(1 581)**	(914)
Net foreign exchange translation losses	**(152)**	(1 637)
Share of equity-accounted results	**29**	2
Reversal of impairment of equity-accounted investments	**73**	–
Profit on sale of equity accounted investment	**12**	–
Profit before taxation	**8 152**	7 238
Taxation	**(2 167)**	(2 302)
Profit from continuing operations	**5 985**	4 936
Discontinued operations		
Loss from discontinued operations	**–**	(67)
Profit for the year	**5 985**	4 869
Equity holders of the group		
From continuing operations	**5 985**	4 936
From discontinued operations	**–**	(67)
	5 985	4 869
Headline earnings for the year	**6 769**	5 115
Core headline earnings for the year	**7 681**	6 743

Condensed consolidated statements of comprehensive income and changes in equity

	Year ended 31 March 2024 R'm	Year ended 31 March 2023 R'm
Balance at beginning of the year	**13 064**	12 697
Profit for the year	**5 985**	4 869
Total other comprehensive income, net of tax, for the year	**30**	1 644
Net fair value gain	**401**	2 336
Hedging reserve recycled to the income statement	**(355)**	(210)
Tax on other comprehensive income	**(16)**	(482)
Changes in other reserves		
Share-based comprehensive movement	**(56)**	(67)
Hedging reserve adjustment	**(649)**	(100)
Dividends declared to shareholders	**(5 480)**	(5 979)
Movement in existing control business combination reserve	**569**	–
Balance at the end of the year	**13 463**	13 064
Comprising:		
Share capital and premium	**17 216**	17 216
Retained earnings	**8 981**	8 363
Share-based compensation reserve	**1 610**	1 779
Existing control business combination reserve	**(14 510)**	(15 079)
Hedging reserve	**137**	756
Fair value reserve	**5**	5
Foreign currency translation reserve	**24**	24
Total	**13 463**	13 064

Condensed consolidated statement of financial position

	Year ended 31 March 2024 R'm	Year ended 31 March 2023 R'm
Assets		
Non-current assets	**12 467**	13 737
Current assets	**32 802**	29 075
Assets held for sale	**317**	70
Total assets	**45 586**	42 882
Equity and liabilities		
Total equity and reserves	**13 463**	13 064
Total equity	**13 463**	13 064
Non-current liabilities	**18 918**	16 006
Current liabilities	**13 078**	13 698
Liabilities directly associated with assets held for sale	**127**	114
Total equity and liabilities	**45 586**	42 882

Condensed consolidated statement of cash flows

	Year ended 31 March 2024 R'm	Year ended 31 March 2023 R'm
Cash flow generated from operating activities	**3 527**	145
Cash flow utilised in operating activities	**(958)**	(807)
Cash flow (utilised in)/generated from investing activities	**(2 895)**	302
Net movement in cash and cash equivalents	**(326)**	(360)
Foreign exchange translation adjustments	**(13)**	160
Cash and cash equivalents at beginning of the year	**1 176**	1 376
Cash and cash equivalents as held-for-sale	**(317)**	–
Cash and cash equivalents at end of the year	**520**	1 176

Commitments

	Year ended 31 March 2024 R'm	Year ended 31 March 2023 R'm
Capital expenditure	**5**	166
Programme and film rights	**47 058**	41 966
Network and other service contracts	**2 394**	2 673
Decoders	**991**	754
Assets pledged as security	**4 097**	4 880
Commitments	**54 544**	50 439

Calculation of headline and core headline earnings**

	Year ended 31 March 2024 R'm	Year ended 31 March 2023 R'm
Net profit from continuing and discontinued operations attributable to shareholders	**5 985**	4 869
Adjusted for:		
– Loss on sale of property, plant and equipment	**	21
– Impairment of other assets	**19**	–
– (Reversal)/Impairment of programme and film rights	**(55)**	328
– Impairment of software and software not yet available for use	**1 241**	–
– Reversal of impairment of associates	**(73)**	–
– Gain on sale of investments in associate (full disposal)	**(12)**	–
– Profit on sale of Intangible assets	**(14)**	(16)
	7 090	5 202
Total tax effects of adjustments	**(321)**	(87)
Headline earnings	**6 769**	5 115
Adjusted for:		
– Amortisation of intangible assets	**17**	9
– Foreign exchange losses	**(616)**	1 139
– Equity-settled share based compensation	**137**	135
– Realisation of foreign exchange contracts	**1 375**	345
Core headline earnings	**7 681**	6 743
Number of shares	**360**	360
Core headline earnings per ordinary share	**21**	19

* *Less than ZAR1m.*

** *The calculation of headline and core headline earnings is not included in the consolidated annual financial statements and is unaudited.*

Directorate

Independent non-executive directors
E Masilela (Chair), JJ Volkwyn, 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)