The group produced stable first half revenues, with solid free cash flows and growth in core headline earnings. Revenue growth was muted as higher revenue in the mass market was negated by the strategic decision not to increase prices on the premium bouquet in the first half. Free cash flows, R1bn, were slightly down from the prior year, due to the costs of three major sport events in the first half and one-off restructuring costs in our customer care case. Cost optimisation, premium retention and driving local content to counter trading margin pressure for the full year.

We continue to deliver a unrivalled sport offering, including the live coverage of the ICC Cricket World Cup, the Rugby World Cup, the Africa Cup of Nations (AFCON) and the Rugby World Cup. A new 24-hour VOD channel was launched in August 2019 and is available to subscribers from our Compact bouquet, delivering contenting well with our subscribers and our locally produced television show, The River, was nominated for its first international Emmy award.

OPERATIONAL REVIEW

Despite a tough economic climate in South Africa, we achieved 10% subscriber growth in the six months ended 30 September 2019, with 3.7m new subscriptions since 1 April 2019. We have continued to focus on improving customer retention and driving local content to counter margin pressure. We have invested R1.6bn to support an accelerated content strategy and we expect this to increase to R2.3bn in the full year due to cost efficiencies in other areas of the business.

The group remains fully committed to broad-based black economic empowerment and transformation. Our continued strong transformation programme, including actively recruiting and retaining key employees of the group, 85% Black employees. Our top and senior management is 50% black, and we continue to play a key role in transforming the industry.

FINANCIAL REVIEW

In line with previous year, free cash flows for the six months ended 30 September 2019, are R1.8bn, up from R1.4bn in the prior year, as a result of improved operating leverage, due to top-line pressure. The group generated positive free cash flow of R5.3bn in the six months ended 30 September 2019, largely due to lower sport content prepayments. As a result of the largest taxpayers in South Africa, the group’s total tax contribution amounted to R1bn (direct R1bn and indirect R2bn) in the period.

Share Exchange and Scheme of Arrangement

Phuthuma Nathi (PN) comprising 85% black employees.

Our top and senior management is 50% black, and we continue to play a key role in transforming the industry.

Regulatory

Our industry is highly regulated. Recent years saw several policy reviews, sector inquiries and reviews initiated by regulators or our competition authorities, resulting in increased complexity in our operating environment. These include a review of the broadcasting sector’s new audio Visual and Digital Services White Paper that will bring OTT services into the regulatory fold, proposed amendments to copyright and protection of performances legislation, an inquiry into the state of competition in the broadcasting sector and review of existing laws that govern the operation of national and international sport events. We believe that regulatory changes involves pro-active and positive engagement and providing insight into relevant industry discussions that have the potential to lead to regulatory changes.

DIRECTORATE

Our group remains committed to broad-based black economic empowerment and transformation. We have continued to engage with our major stakeholder groups regarding the potential to lead to regulatory changes.

Reconciliation of operating profit to core headline earnings

The reconciliation of operating profit to core headline earnings is prepared in accordance with the guidelines issued by the South African Institute of Chartered Accountants. The group has adopted the International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), effective for the financial year beginning on 1 April 2019.

The statement of financial position reflects the carrying value of assets and liabilities on a Going Concern basis. Excludes the fair value of intangible assets (other than software), impairment of assets, other gains, or losses and equity-settled share-based compensation, but includes the fair value of the asset and intangible assets. 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 reviewed, and may not be comparable with similar, filled measures reported by other companies. These reviewed financial results have been prepared under the framework of the IAS1/19 Conceptual Framework, R Tobie Jacobs, O Steiner, J A Mabuza

The complete reviewed condensed interim financial statements are available on the MultiChoice and Phuthuma Nathi websites: https://www.multichoice.com/multichoice-south-africa and https://www.phuthumanathi.co.za

As events after the reporting period

On 30 October 2019, the directors decided to liquidate the investment in Valt Networks (Pty) Ltd.

On behalf of the board

Nolo Letale

Executive chair

11 November 2019

Randburg

Reconciliation of operating profit to core headline earnings

Rm

Particulars

Revenue

18 810

Cost of providing services and sale of goods

(10 212)

Selling, general and administrative expenses

(4 190)

Other net gains

1

Operating profit

5 398

Interest expense

210

Net exchange gains

359

Share of equity-accounted losses

(82)

Impairment provisions

(358)

Profit before taxation

5 031

Taxation

1 405

Profit for the period

3 626

In 2019, MultiChoice South Africa declared a dividend of R6bn to shareholders as part of the interim dividend in September 2019, as a result of the FY2019 results, of which the Phuthuma Nathi (PN) companies received R1bn.

SHARE EXCHANGE AND SCHEME OF ARRANGEMENT

The group remains committed to broad-based black economic empowerment and transformation. Our continued strong transformation programme, including actively recruiting and retaining key employees of the group, 85% Black employees. Our top and senior management is 50% black, and we continue to play a key role in transforming the industry.

The offer closed on 28 October 2019 and has resulted in 3.7m shareholders also approved the combination of PN 1 and PN 2 by way of a scheme of arrangement. The scheme will be effective on 1 January 2020.

OPERATIONAL REVIEW

Despite a tough economic climate in South Africa, we achieved 10% subscriber growth in the six months ended 30 September 2019, with 3.7m new subscriptions since 1 April 2019. We have continued to focus on improving customer retention and driving local content to counter margin pressure. We have invested R1.6bn to support an accelerated content strategy and we expect this to increase to R2.3bn in the full year due to cost efficiencies in other areas of the business.

Linzier House improved its content line-up by making high-profile moves, as it is now able to offer more high-quality local and foreign content. In some cases at the same time as pay TV. Viewer engagement with the Showsmax service has increased substantially, with average viewing time per user up more than 25%. Our introduction of limited-time offers in the Compact bouquet and our entertainment and gaming offer, has started to improve the user experience and we have enhanced the recommendation engine, allowing improved the content discovery functionality over the past few months.

DStv New reached new levels of penetration among pay- TV subscribers, especially among highly active users. This has been supported by a very pleasing increase in user engagement, especially during live sport events such as the Cricket World Cup.

We continue to expand the penetration of our Explores devices into South African homes and passed the half-a-billion mark for set-top boxes connected to the internet. At the same time, our long-established BoxOffice movie rental service continues to be viewed as the preferred method of renting titles, due to its live-look interface to the newest and best Hollywood blockbusters at the touch of a button.

Transformation and corporate social investment

As a level 1 BBBEE-rated company, we remain dedicated to our transformation programmes and playing a key role in transforming our industry. Our employee profile continues to reflect black employees comprising 46%, while our leadership teams are diverse and proudly represent the diversity of South Africa’s workforce.

We have implemented a strong management black, with women accounting for 47% of this total. The overall South African group comprises 85% black employees. We continue to contribute meaningfully towards corporate social responsibility programmes such as the MultiChoice Dale Centre, Magagga in Magaliesberg, andburgerport Limpopo Limpopo and the Ligumile Port Limpopo initiatives. Our total corporate social investment during the six-month period was R16m.