PHUTHUMA NATHI

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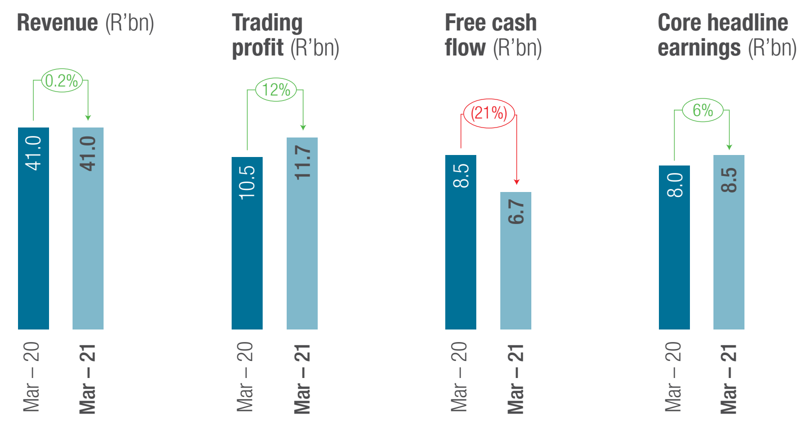
MULTICHOICE
ENRICHING LIVES

MultiChoice South Africa Holdings Proprietary Limited
(Registration number: 2006/015293/07)
(MCSAH or the group)

ANNUAL RESULTS ANNOUNCEMENT

Summary of the annual results of MultiChoice South Africa Holdings for the year ended 31 March 2021



THE GROUP DELIVERED RESILIENT RESULTS FOR THE YEAR ENDED 31 MARCH 2021

In a year that brought many challenges due to COVID-19, MultiChoice South Africa Holdings Proprietary Limited (MCSAH), added 0.5m 90-day active subscribers to close the year ended 31 March 2021 (FY21) on 8.9m subscribers. Driven mainly by increased penetration of the middle and mass market segments, this represents growth of 6% year on year (YoY). The impact of the pandemic and the associated lockdowns saw consumers prioritise video entertainment services. However, a lack of live sport impacted negatively on growth in certain bouquets and this, combined with the inability of commercial subscribers to trade, impacted negatively on subscription revenues, especially early in the financial year.

FINANCIAL REVIEW

Notwithstanding the tough consumer climate, the group delivered consolidated revenue of R41bn, in line with the prior year. This was despite lower advertising income (ZAR0.4bn) and commercial subscription revenues (ZAR0.3bn), as a consequence of COVID-19. Growth was supported by healthy subscriber growth in the middle and mass market as well as the uplift from annual price increase, but negated by a lower average Premium subscriber base, which was affected by the lack of live sport in the first half of the financial year and consumer affordability. The ongoing shift in subscriber mix towards the mass market and pressure on commercial subscription revenues, as a result of the negative impact of lockdowns on the hospitality industry, resulted in the 90-day active average revenue per user (ARPU) declining 5% from ZAR290 to ZAR276.

Trading profit increased 12% to ZAR11.7bn. The higher profitability can be attributed to the continued effort on the group's cost optimisation programme, the non-recurrence of three major sporting events expensed in the prior year, lower operational costs in a COVID-19 environment and content cost savings. Lower content costs included temporary shifts in costs as a result of deferred sporting events, as well as refunds on events which did not occur. The group's total tax paid amounted to ZAR3bn for the year, making it one of the largest taxpayers in South Africa.

Free cash flow of ZAR6.7bn decreased 21% YoY. This was mainly due to the end of a contractual arrangement in the IS20B transponder lease agreement, whereby an upfront payment led to reduced instalments for the first 36 months of the lease term (ZAR0.3bn) and an increase in capital expenditure related to the multi-year investment programme to enhance the group's customer service, billing and data capabilities (ZAR0.5bn).

Core headline earnings, the group's measure of sustainable business performance, increased 6% YoY to ZAR8.5bn. The solid earnings growth was attributable to the improvement in trading profit and positive realised foreign exchange movements.

OPERATIONAL REVIEW

Content

M-Net continued its strategy of differentiation through local content and stepped up its investment by producing 4 567 additional hours (up 19% YoY), despite disruptions caused by strict early COVID-19 lockdown measures. As a result, the total local content library now exceeds 62 000 hours. The group screened several new local productions such as *Inconceivable, Lioness, Gomora* and *Legacy*. It also renegotiated two major international content agreements in South African rand (ZAR) and signed three new co-productions *(Reyka, Blood Psalms* and *Endangered Species*) with global content producers.

SuperSport had to contend with no live sport in the first half of the financial year and nimbly adapted by changing channel line-ups, broadcasting top-quality documentaries and showcasing blockbuster sporting movies to keep subscribers entertained. Highlights for the year included renewing the English Premier League (2025) and UEFA Champions League (2024) rights, securing rights for the 2022 FIFA World Cup in Qatar and the blockbuster start to the group's live documentary journey with the hugely popular *Chasing the Sun*.

Connected video

Connected video users on the DStv App and Showmax platforms continue to grow as online consumption increases. During the year Showmax Pro was launched, the group's first standalone online sport offering, as well as DStv via streaming, which allows subscribers to elect an online-only service. Local content is also proving to be a key differentiator on Showmax, with local productions accounting for 50% of the top 10 Showmax titles. FY21 was also marked by the launch of a record number of Showmax original productions.

During the year, the group commenced its entertainment aggregation strategy with the inclusion of Netflix and Amazon Prime Video on the new Explora Ultra platform, further extending the depth of the content offering available to customers.

Product launches

On the product front, numerous innovative and customer-centric product launches occurred in the year. The new Explora Ultra decoder allows subscribers to seamlessly shift between satellite and online platforms, with all content aggregation occurring centrally via one billing platform. DStv Rewards leverages the group's supplier relationships to reward customers based on their behaviours, DStv Communities allows collective payments to improve active days and retention, while DStv Add Movies became the group's first meaningful foray into genre add-ons. Although still too early to be definitive on the success of these products, early signs are promising, with performance tracking either ahead or in line with expectations.

Transformation and corporate social investment (CSI)

As a level 1 BBBEE rated company, the group remains dedicated to our transformation programmes and playing a key role in transforming our industry. Our employee profile comprises 54% women and 46% men, with the leadership teams being diverse and proudly representative. Top and senior management is 57% black, with women accounting for 47% of this total. The overall South African organisation comprises 85% black employees.

The group continues to contribute meaningfully towards corporate social responsibility programmes such as the DStv *Diski Challenge*, MultiChoice *Talent Factory* and SuperSport's *Let's Play* initiatives. Total CSI spend during the period doubled to ZAR420m (FY20: ZAR211m), which included a contribution of ZAR159m towards COVID-19 relief initiatives.

OUTLOOK

Going forward, subject to a stable regulatory environment and the unknown impact of the COVID-19 pandemic, the group will continue scaling its video entertainment services, focusing on both traditional linear broadcasting, as well as streaming services. In addition, it plans to further increase its investment in local content to a target 45% of total general entertainment spend and pursue new growth opportunities that will enhance customer experiences and revenue prospects.

The group is enjoying good momentum and is excited about FY22. We are seeing the advertising business recover, we have plans to further enhance our entertainment ecosystem and we look forward to an exceptional slate of local content and the meaningful return of sport as we catch up on the events missed in FY21. We are, however, cognisant of ongoing consumer pressure in what remains an uncertain COVID-19 environment, continued macroeconomic volatility and the need to absorb deferred content costs in FY22. We will look to counter these headwinds through tight cost control and by driving operational excellence. Our strong balance sheet positions us well to withstand these uncertainties and deliver value to our customers and shareholders.

DIVIDENDS

MCSA

The MCSAH board recommends that a dividend of ZAR6.0bn (FY20: ZAR6.0bn) be paid to its ordinary shareholders in September 2021. This amounts to 1 666.67 (FY20: 1 666.67) cents per MCSAH ordinary share. The declaration of the dividend is subject to approval by shareholders at the annual general meeting (AGM) on 25 August 2021.

PN

The Phuthuma Nathi (PN) board recommends a dividend of ZAR1.5bn (FY20: ZAR1.5bn) for PN shareholders. This amounts to 2 222.22 (FY20: 2 222.22) cents per PN ordinary share. The declaration of the dividend is subject to approval by shareholders at the AGM on 25 August 2021.

Dividend tax of 20% amounts to 444.44 cents per PN share. PN shareholders will therefore receive a net dividend of 1 777.78 (FY20: 1 777.78) 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 25 August 2021 and paid on or about 6 September 2021.

DIRECTORATE

Mr JA Mabuza took over as the lead non-executive director from Mr KB Sibiya with effect from 11 June 2020.

Ms C Sabwa and Dr FA Sanusi were appointed as non-executive directors with effect from 11 June 2020.

Mr DG Eriksson resigned as non-executive director with effect from 11 June 2020.

Ms S Dakile-Hlongwane and Mr KB Sibiya resigned as independent non-executive directors with effect from 11 June 2020.

Mr MI Patel, the board chair, was re-categorised as a non-executive director, with effect from 1 October 2020.

Mr SJZ Pacak retired as a non-executive director with effect from 1 April 2021.

Mr JH du Preez was appointed as a non-executive director with effect from 1 April 2021.

No other changes have been made to the directorate of the group.

GROUP COMPANY SECRETARY

Mrs RJ Gabriels resigned as interim company secretary on 11 June 2020 and Ms CC Miller was appointed as group company secretary on the same date.

AGMs

The MCSAH and PN AGMs will be held on 25 August 2021 at 12:00pm SAT.

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 also be requested from the company's registered office, at no charge, during office hours. The information in this announcement has been extracted from the audited information published on the company's website, but the announcement itself was not audited.

Trading profit includes finance cost on transponder lease liabilities, but excludes the amortisation of intangible assets (other than software), impairment 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 financial results have been prepared under the supervision of the group's chief financial officer, Mr TN 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

Mr MI Patel
Non-executive chair

Mr CP Mawela
Chief executive

10 June 2021
Randburg

SUMMARY CONSOLIDATED INCOME STATEMENT

	Year ended 31 March 2021 R'm	Year ended 31 March 2020 R'm
Revenue	**41 034**	40 962
Cost of providing services and sale of goods	**(20 247)**	(21 364)
Selling, general and administration expenses	**(8 683)**	(8 842)
Net impairment loss on trade receivables*	**(121)**	(90)
Other operating gains – net	**41**	70
Operating profit	**12 024**	10 736
Interest income	**330**	360
Interest expense	**(649)**	(644)
Net foreign exchange translation gain/(losses)	**701**	(1 394)
Share of equity-accounted results	**(18)**	(12)
Other losses	**–**	(28)
Profit before taxation	**12 388**	9 018
Taxation	**(3 536)**	(2 497)
Profit for the year	**8 852**	6 521
Attributable to:		
Equity holders of the group	**8 847**	6 521
Non-controlling interest	**5**	–
Headline earnings for the year	**8 876**	6 554
Core headline earnings for the year	**8 474**	7 953

RECONCILIATION OF OPERATING PROFIT TO TRADING PROFIT

	Year ended 31 March 2021 R'm	Year ended 31 March 2020 R'm
Operating profit	**12 024**	10 736
Finance cost on transponder and other leases	**(405)**	(405)
Amortisation of intangible assets (other than software)	**23**	23
Impairment of assets	**45**	11
Equity settled share-based compensation	**97**	131
Other gains	**(87)**	(21)
Trading profit	**11 697**	10 475

SUMMARY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME AND CHANGES IN EQUITY

	Year ended 31 March 2021 R'm	Year ended 31 March 2020 R'm
Balance at beginning of the year	**12 212**	10 300
Profit for the year	**8 847**	6 521
Total other comprehensive income, net of tax, for the year	**(3 509)**	1 787
Cash flow hedges	**(4 503)**	2 443
Revaluation of investments	**(102)**	(54)
Tax on other comprehensive income	**1 096**	(602)
Changes in other reserves		
Share-based comprehensive movement	**(50)**	(577)
Dividends paid to shareholders	**(5 979)**	(6 018)
Other movements in retained earnings	**13**	199
Changes in non-controlling interest	**5**	–
Total comprehensive income for the year	**5**	–
Balance at the end of the year	**11 539**	12 212
Comprising:		
Share capital and premium	**17 216**	17 216
Retained earnings	**7 950**	5 069
Share-based compensation reserve	**2 131**	2 180
Existing control business combination reserve	**(15 051)**	(15 051)
Hedging reserve	**(741)**	2 666
Fair value reserve	**5**	107
Foreign currency translation reserve	**24**	25
Non-controlling interest	**5**	–
Total	**11 539**	12 212

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Year ended 31 March 2021 R'm	Year ended 31 March 2020 R'm
ASSETS		
Non-current assets	**14 706**	17 452
Current assets	**17 688**	17 787
Total assets[1]	**32 394**	35 239
EQUITY AND LIABILITIES		
Total equity and reserves	**11 534**	12 212
Non-controlling shareholders' interest	**5**	–
Total equity	**11 539**	12 212
Non-current liabilities	**9 658**	12 195
Current liabilities	**11 197**	10 832
Total equity and liabilities[1]	**32 394**	35 239

[1] *The reduction in total assets and liabilities is primarily due to the stronger ZAR against the USD.*

COMMITMENTS

	Year ended 31 March 2021 R'm	Year ended 31 March 2020 R'm
Capital expenditure	**2**	65
Programme and film rights	**35 603**	31 214
Network and other service commitments	**4 213**	3 562
Set-top box commitments	**1 036**	1 172
Commitments	**40 854**	36 013

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 March 2021 R'm	Year ended 31 March 2020 R'm
Cash flow generated from operating activities	**8 790**	10 052
Cash flow utilised in investing activities	**(1 171)**	(664)
Cash flow utilised in financing activities	**(7 856)**	(9 865)
Net movement in cash and cash equivalents	**(237)**	(477)
Foreign exchange translation adjustments	**(9)**	132
Cash and cash equivalents at the beginning of the period	**1 735**	2 080
Cash and cash equivalents at the end of the period	**1 489**	1 735

CALCULATION OF HEADLINE AND CORE HEADLINE EARNINGS

	Year ended 31 March 2021 R'm	Year ended 31 March 2020 R'm
Net profit attributable to shareholders	**8 847**	6 521
Adjusted for:		
– Loss/(profit) on sale of property, plant and equipment	**9**	(1)
– Impairment of assets	**69**	11
– Impairment of investments	**9**	24
– Compensation from third parties for property, plant and equipment	**(35)**	–
– Dilution loss and proportion on sale of investment in associate	**5**	–
– Reversal of impairment of associates	**(5)**	–
– Profit on sale of intangible assets	**(15)**	–
	8 884	6 555
Total tax effects of adjustments	**(8)**	(1)
Headline earnings	**8 876**	6 554
Adjusted for:		
– Amortisation of intangible assets	**16**	17
– Foreign exchange losses/profits	**(1 240)**	610
– Equity-settled share-based compensation	**70**	96
– Realisation of forex profits	**752**	676
Core headline earnings	**8 474**	7 953
Number of shares ('000)	**360**	360
Core headline earnings per ordinary share	**24**	22

Directors
MI Patel (non-executive chair), CP Mawela (CEO), TN Jacobs (CFO), JH du Preez, FLN Letele, JA Mabuza, E Masilela, KD Moroka, C Sabwa, FA Sanusi, L Stephens, JJ Volkwyn.

Group company secretary
CC Miller

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