

Our external business environment continued

Medium to longer-term trends impacting our business (largely tailwinds)

Broadly supportive demographic trends in terms of population growth, working age population growth, urbanisation trends and growth in disposable income and private consumption will support a growing middle class across sub-Saharan Africa over the medium to long term. These macro trends will be further supported by the trends we flag below and will enable companies with a long-term horizon and broad footprint to create and capture meaningful value.

— **Rising electrification** supports economic activity and consumer access to services: the International Energy Agency estimates that household electrification for sub-Saharan Africa rose from 40% in 2015 to 48% in 2020 and is on track to reach 56% by 2025.

— **A growing traditional linear pay-TV market** provides runway for our traditional video business: Digital TV Research expects traditional linear pay-TV subscriptions in sub-Saharan Africa to grow by 46% between 2021 and 2027, increasing TV household penetration from 39% to 44% over that period.

— **Strong growth** in the nascent OTT space provides runway for our Connected Video business: Digital TV Research expects SVOD subscriptions in sub-Saharan Africa to grow by 181% between 2021 and 2027.

— **Improving connectivity** supports economic activity and consumer reach and engagement: the GSM Association estimates that sub-Saharan Africa will continue to improve in mobile connectivity:

- Mobile subscriber penetration to rise from 46% in 2020 to 50% in 2025
- Mobile internet penetration to rise from 28% in 2020 to 39% in 2025
- Smartphone adoption to rise from 48% in 2020 to 64% in 2025
- 4G and 5G in the connectivity mix to rise from 12% in 2020 to 31% in 2025.

— **Increasing access to financial services** supports economic activity and consumer's transactional capabilities: based on the GSM Association's estimates for mobile money 90-day active accounts, access to digital payments has grown from a 2% population penetration rate in sub-Saharan Africa in 2011 to 20% penetration in 2021.

— **Regulators continue cooperating** more closely across the continent, with incremental scrutiny on the traditional linear pay-TV sector and competition matters somewhat offset by proposals to regulate nascent areas like OTT more consistently relative to traditional or established areas of the market.

Competitive dynamics

Our industry is in a constant state of evolution in terms of technologies, consumer behaviour and competitors. As our markets become more connected, so do they gain access to additional paid and free video services, as well as non-video entertainment services. Broadband affordability and penetration, however, remain a short to medium-term headwind. In addition, global markets have demonstrated a propensity for households to stack subscriptions and we expect growing complexity from competing services to benefit established aggregators over time.

— **StarTimes** remains our largest traditional competitor across sub-Saharan Africa, competing largely in the mass market (notably in DTT). We also continue to compete with strong regional operators such as ZAP in Angola, Azam in Tanzania and Zuku in Kenya.

— **FTA** remains an important competitor for viewership and advertising revenue in a number of our markets, such as South Africa, Kenya, Ghana and Ethiopia. News consumption is a critical driver of demand, and local content and mass market affordability are other important considerations.

— **Competition** from global and local OTT players continues to increase, mainly through:

- Global SVOD such as Netflix, Amazon Prime and DAZN, niche SVOD services like AcornTV and BritBox, and local SVOD services like iRoko in Nigeria and Viusasa in Kenya
- Traditional studios, networks or media companies going direct to consumer with SVOD (or hybrid) services, e.g. Disney+
- Transactional video on demand such as the iTunes and the Google Play stores and advertising video on demand such as Viu and YouTube
- Non-video businesses deploying their value-added services to drive user engagement in their ecosystems, such as Amazon (Amazon Prime Video) and Apple (Apple TV+)
- Linear broadcasters introducing OTT services to complement their existing traditional linear pay-TV offerings, e.g. StarTimes ON by StarTimes as well as FTA operators launching services, e.g. eVOD by e.tv

What these major trends mean in the context of our markets

We have identified the evolving video entertainment landscape as a material matter. We see the ability to adapt appropriately to changing needs as a key strategic requirement. It is important to adopt a measured approach to change that is suitable in the context of our markets.



PAGES

Refer to pages 50 to 52 of our material matters section, which presents risks and opportunities for our business.