Chief Financial Officer's performance review

Tim Jacobs
Group Chief Financial Officer

The past two financial years have seen an unprecedented period of financial disruption for economies, corporates and consumers due to macro-economic factors as well as structural changes in the media industry. Over this period, the group has had to absorb ZAR10.2bn in topline currency impact due to local currency depreciation against the US dollar as well as 2.8m in subscriber losses.

Management has had to act decisively to ensure that the group can withstand these headwinds, focusing on key areas within the group's control. This has meant maintaining inflationary pricing discipline rather than discounting our product through the cycle and driving efficiencies into the business to manage costs and cash flows without sacrificing our customer value proposition.

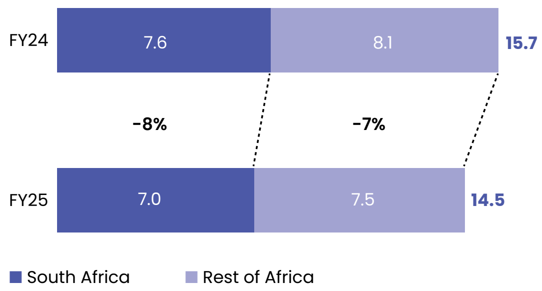
The group delivered ZAR3.7bn in cost savings this year, well ahead of management's initial ZAR2.0bn target (the revised ZAR2.5bn target set at interim) and almost double the ZAR1.9bn saved in FY24. Despite FY25 representing a peak investment year for the group, management has limited free cash outflows to ZAR516m for the year through cost controls and careful working capital and capex management.

The group resolved its negative equity position at the FY24 financial year end through a combination of cost savings, stabilisation of currencies, and the accounting gain on the NMSIS transaction.

Chief Financial Officer's performance review continued

The group implemented average inflationary price increases of 5.7% in ZAR in South Africa and 31% in local currencies in our Rest of Africa markets as the impact of foreign exchange weakness and government policies drove material inflation in many countries. This included the first price increase in Angola in four years following regulatory approval.

Active linear subscribers (m)



Subscriber growth in linear TV remained under pressure in the face of a hostile operating environment, with elevated rates of churn more than offsetting new subscriber additions to the base. Outside of power supply impacts in key markets, affordability of our discretionary product remains the primary issue for consumer households given the cumulative impacts of high inflation and interest rates and pressure on economic activity in both the formal and informal sectors.

The group's total active linear subscriber base declined by 8% YoY, with the base split between 7.5m households (52%) in Rest of Africa and 7.0m households (48%) in South Africa.

The South African business remained under pressure, reporting an 8% or 589k decline in subscribers, as formal unemployment of 32%-33% remained close to historic highs through the course of FY25, negatively impacting consumer activity. There were some pockets of optimism as the year progressed, including a hiatus in loadshedding, the lowering of interest rates in the face of cooling inflation, and the introduction of the Government of National Unity, but these factors will need further traction and will take time to meaningfully benefit the group's results.

The Rest of Africa business saw a 7% YoY decline in active subscribers, particularly as our mass-market customers had to prioritise basic necessities over entertainment in the wake of annual inflation of 20%-30% in key markets like Nigeria, Angola, Ghana and Malawi (Ethiopia and Zambia were also elevated in the mid-teens). Customers without backup power solutions also churned off our services in markets with power disruption, mostly notably in Zambia with power outages of up to 20 hours+ daily (Nigeria, Zimbabwe and Malawi were impacted to a lesser extent).

Despite these challenges and coupled with the group's inflation-led pricing and a lower structural level of decoder subsidies in a weak growth environment, the rate of decline in the Rest of Africa subscriber base of 591k was less than half the 1.2m subscribers lost in FY24. This directional improvement was supported by the group's strong local programming slate along with improved uptake of the group's DStv English add-on package sold via Canal+ in their francophone footprint.

Encouragingly, the group achieved strong growth in streaming during the first full year of operation of the new Showmax platform, with active paying subscribers increasing 44% YoY. Although growth lagged the group's target for the year, it was ahead of market growth rates resulting in market share gains.

Review of financial performance

The group reduced its cost base by a further ZAR3.7bn during FY25 in order to counter an additional ZAR3.0bn foreign exchange impact on trading profit during the year.

	FY24 (ZAR'bn)	**FY25 (ZAR'bn)**	Organic growth **FY25 %**	Reported growth **FY25 (%)**	Notes
Revenue	56.0	**50.8**	**1**	**(9)**	1
Costs	(48.1)	**(46.7)**	**2**	**(3)**	2
Trading profit	7.9	**4.0**	**(9)**	**(49)**	3
Net interest paid	(1.4)	**(1.3)**			4
Other gains/(losses)	(1.1)	**0.6**			5
Taxation	(3.4)	**(3.5)**			6
Non-controlling interest	0.2	**(0.6)**			7
Core headline earnings	2.2	**(0.7)**		**(132)**	8
Core headline earnings per share	515	**(165)**		**(132)**	8
Adjusted core headline earnings[1]	1.3	**(0.8)**		**(160)**	8
Adjusted core headline earnings per share[1]	313	**(186)**		**(159)**	8
Trading profit margin	14%	**8%**			3
Effective tax rate	n.m.	**66%**			6

[1] *Adjusted core headline earnings was introduced in FY24, to include losses on cash remittances from Nigeria.*

Chief Financial Officer's performance review continued

1. Reported revenues were down 9% YoY to ZAR50.8bn on the back of ZAR5.2bn in foreign exchange impact. Organic revenue grew 1% as local currency inflationary pricing offset weaker subscriber volumes and activity.

   South African revenues were down 2% YoY due to lower subscription revenues (-3% YoY) and lower insurance revenues from deconsolidating NMSIS for four months this year (-20% YoY), offset partially by higher decoder sales on increased pricing (+17% YoY) and DStv Internet due to further growth in the base and a focus on the economics of the product (+85% YoY).

   Rest of Africa revenues were down 23% due to lower subscription revenues (-23% YoY), with the FY24 revenue base losing 26% of its value through currency alone. Revenues were up 3% organically as a consequence of inflationary pricing. The decline in group advertising revenue (-8% reported) mainly related to the Rest of Africa business due to currency impacts, cautious corporate spend in a challenging macro environment and some high-profile exits of international brands from Nigeria.

   Irdeto grew revenues 8% organically (+5% reported) due to contract wins in its external media security and connected transport segments.

2. The group failed to achieve positive operating leverage as costs on an organic basis were up by 2%, ahead of organic revenue growth of 1%, mainly due to incremental Showmax operating costs following its re-launch in February 2024. The group delivered permanent cost savings of ZAR3.7bn, well ahead of target. Weaker local currencies across key markets and a stronger ZAR vs the USD in the current year more than offset the organic growth in costs, resulting in an improvement in reported costs of 2% YoY.

3. Reported trading profit decreased by 49% to ZAR4.0bn on the back of foreign exchange losses of ZAR3.0bn, weaker linear subscriber activity and the higher full-year run-rate operating costs of Showmax (ZAR4.9bn in Showmax trading losses in FY25 vs ZAR2.6bn in FY24). Trading profit on an organic basis was down 9% despite the group's cost savings initiatives, with the group's trading margin declining from 14% to 8%.

   South Africa delivered a strong performance, achieving a trading margin of 28.6% vs its mid-twenties guidance. The Rest of Africa business achieved a substantial increase in trading profit on an organic basis of 75% due to organic growth in revenues and its cost savings initiatives, but reported a negative trading margin of 5% due to currency losses. Irdeto's 23% reduction in trading profit was driven by weaker intercompany revenues from the group.

4. Net interest paid improved slightly on the back of a stronger average ZAR vs the USD benefiting transponder lease interest costs, with interest costs on the fully drawn-down term loan in the base impacted marginally by an updated pricing mechanism for the facility, a minor improvement in the three-month JIBAR rate and an early prepayment of ZAR0.9bn towards the end of FY25.

5. Other gains/(losses) improved in the current year mainly driven by the tax and non-controlling interest components of the headline earnings and core headline earnings adjustments that are reversed in the table shown e.g. the gain on NMSIS is already excluded from the trading profit and core headline earnings lines in the table shown, whereas the current and deferred tax expense and non-controlling interest's share of the gain are still included in the tax and non-controlling interest lines in the table. They therefore reflect as a gain when reversed out through Other gains/(losses). Equity accounted profits from the NMSIS business were also recognised for four months in the current year, partially offsetting equity accounted losses in KingMakers and Moment to deliver a ZAR0.1bn improvement YoY.

6. The group's tax expense was relatively flat YoY, as an increased tax expense in South Africa (ZAR1.1bn), was offset by a decline in foreign taxes. The increase in South Africa taxes was driven by the sale of NMSIS and improved profitability as a result of cost savings initiatives. The Rest of Africa decline in taxes was driven by lower revenues and intercompany charges impacting withholding taxes and lower profitability impacting corporate income taxes.

   The group's effective tax rates across FY24-FY25 are not meaningful to assess due to the mix of profitable and loss-making entities within the group, the different type of taxes incurred across the group's footprint, the impact of the recognition of the gain from the sale of NMSIS, and the impact on profitability created by the Showmax investment curve.

7. Non-controlling interests reverted to a share of profits vs a share in losses in the prior year due to higher profitability in South Africa, partially offset by lower trading profitability in MultiChoice Nigeria due to the impact of the weaker naira and subscriber pressures in market, and the benefit of Comcast's share of 30% of the increased Showmax losses.

8. Core headline earnings decreased from a profit of ZAR2.2bn in the prior year to a loss of ZAR0.7bn in the current year (a delta of ZAR2.9bn) due to the significant decrease in reported trading profit and increased minority profit share vs broadly flat net interest and tax expenses.

   Adjusted core headline earnings, which is the board's preferred measure of sustainable business performance, declined by a smaller absolute value of ZAR2.1bn on the back of a much smaller cash extraction loss of ZAR0.1bn after taxes and minorities (FY24: ZAR0.9bn).

Chief Financial Officer's performance review continued

Review of cash generation

The group complemented inflationary pricing and accelerated cost savings initiatives with careful working capital and capex management to limit free cash outflows in FY25.

	FY24 (ZAR'bn)	FY25 (ZAR'bn)	FY25 growth (%)	Notes
Trading profit	7.9	4.0		
Non-cash adjustments	2.7	4.2		1
Working capital investment	(2.5)	(1.4)		2
Cash from operations	8.1	6.9	(14)	
Capital expenditure	(1.2)	(0.8)		3
Lease repayments	(2.7)	(3.0)		
Investment income	(0.0)	(0.0)		
Taxation paid	(3.7)	(3.6)		4
Free cash flow	0.6	(0.5)	(188)	
Add: Net interest paid	(0.7)	(0.8)		5
Add: Proceeds from sale of subsidiary, net of cash	–	0.6		6
Less: Dividends paid by holding company	–	–		7
Less: PN and other NCI dividends	(1.4)	(1.4)		7
Less: Share buy-backs	(0.5)	–		8
Less: Settlement of share-based compensation awards	(0.1)	(0.1)		8
Add: Proceeds/(repayment) from long and short-term loans raised	3.6	(0.9)		9
Less: Investments in associates	(0.2)	–		10
Less: Other cash movements	1.2	1.6		11
Retained free cash flow	2.7	(1.5)		
Adjust for: Cash and cash equivalents classified as held-as-sale	(0.3)	0.3		
Foreign exchange translation of foreign cash balances	(2.6)	(1.0)		12
(Decrease)/increase in cash and cash equivalents	(0.3)	(2.2)		

1. Non-cash adjustments include depreciation and amortisation, impairments or reversals of impairments of tangible and intangible assets, net realisable value adjustments on inventory and non-cash hedge accounting movements. Additional detail is disclosed in the group's annual financial statements, with depreciation and amortisation of ZAR2.6bn in FY25 (FY24: ZAR2.8bn) the largest single contributor to the net non-cash adjustment. The largest contributor to the YoY increase in non-cash adjustments relates to the reversal of VAT accruals in the Rest of Africa segment (ZAR1.4bn).
2. Working capital investment reduced in the current year on targeted efforts to optimise the group's working capital, while also benefiting from the non-recurrence of the platform technology advances for the Peacock platform in FY24.
3. Capital expenditure of ZAR0.8bn was below the group's typical operating range of between ZAR1.0bn and ZAR1.5bn on the back of careful cash management, in particular a reduction in spend on software related projects.
4. The group paid direct cash taxes of ZAR3.6bn in FY25, which was broadly in line with taxes paid in FY24, as higher South African taxes due to increased profitability were offset by lower foreign taxes payable due to a weaker financial performance in the Rest of Africa.
5. Net interest paid excludes interest on transponder leases and was broadly in line with the prior year as changes in exchange rates, interest rates and the average debt position during FY25 largely offset each other.
6. The group completed the sale of a 60% shareholding in NMSIS to Sanlam effective 30 November 2024. The transaction price included upfront cash proceeds of ZAR1.2bn before CGT and the cash in NMSIS disposed of on conclusion of the deal.
7. There was no group dividend paid in FY25 and FY24 while dividends paid out of South Africa to Phuthuma Nathi amounted to ZAR1.4bn for both the FY25 and FY24 financial years.
8. The group acquired treasury shares to fund future RSU share awards to the value of ZAR0.5bn during FY24, with no acquisitions made in the current year due to the cooperation agreement with Canal+.
9. Cash proceeds from the sale of NMSIS net of tax of ZAR0.9bn were utilised to pay off a portion of the term loan in the current year.
10. During FY24, the group contributed to Moment's Seed+ funding round with a USD8m (ZAR151m) investment, increasing our shareholding to 29.6% on a fully diluted basis. The Seed+ funding round concluded in May 2024 and although the group did not contribute any additional capital in FY25, other investors did, reducing the group's fully diluted shareholding to 28.5%.
11. Other cash movements relate mainly to transactions with non-controlling interests (ZAR1.6bn), arising principally from cash received for Comcast's share of funding the Showmax business.
12. The translation of foreign cash reserves includes losses of ZAR1.0bn (FY24: ZAR2.6bn) primarily driven by a stronger spot ZAR at year-end against the USD reducing the value of USD cash in FY25, while the prior year was largely as a result of cash extraction losses relating to Nigeria due to differences between the official rate used by the group for translation and the parallel rate at which cash has been remitted.

Chief Financial Officer's performance review continued

Review of financial position

The group resolved the negative equity position on its balance sheet through cost savings, a stabilisation in the exchange rate environment in the second half, the write-down of the Showmax put option liability (ZAR1.4bn) and the recognition of an after-tax accounting gain of ZAR3.0bn relating to the sale of NMSIS. The group is solvent and remains liquid with cash of ZAR5.1bn, at year-end and undrawn borrowing facilities of ZAR3.0bn.

	FY24 (ZAR'bn)	FY25 (ZAR'bn)	FY25 growth (%)	Notes
Non-current assets	22.7	22.1	(3)	1
Current assets	21.2	17.2	(19)	2
Total assets	43.9	39.2	(11)	
Non-current liabilities	24.3	20.3	(17)	3
Current liabilities	20.7	17.4	(16)	4
Total liabilities	44.9	37.6	(16)	
Retained earnings	16.2	17.4		
Other reserves and non-controlling interests	(17.2)	(15.8)		
Equity	(1.1)	1.6	250	5
Key ratios				
Liquidity (current ratio) (times)	1.0	1.0		6
Leverage (including leases) (times)	1.53	2.26		7
Interest cover (times)	8.0	5.3		7
Return on capital employed (%)	33	18		8

1. Non-current assets were lower YoY, largely due to depreciation and amortisation (ZAR2.6bn) that includes amortisation of the Showmax platform advances. This was largely offset by the recognition of a contingent consideration receivable (ZAR0.9bn) of the earn-out target on the NMSIS deal and the step up to fair value of the investment in NMSIS as a result of the sale of a 60% shareholding to Sanlam (initial value of investment in equity accounted associate of ZAR1.8bn).
2. The YoY decrease in current assets was largely as a result of a ZAR2.2bn reduction in cash YoY, due to lower free cash flow (movement from FY24 to FY25 of ZAR1.1bn) and the term loan repayment of ZAR0.9bn, among other net movements. Additionally, more efficient cost and working capital management plus a stronger spot ZAR at year-end mean that inventory, programme and film rights and trade receivables balances were all lower YoY.
3. Non-current liabilities decreased 17% YoY due to the unwinding of satellite lease liabilities as payments are made over the life of the lease (ZAR1.9bn) the partial repayment on the term loan (ZAR0.9bn), and the write-down of the Showmax put option liability (ZAR1.4bn).
4. Current liabilities declined YoY due to the settlement of FY24 accruals relating to the new Showmax platform (ZAR0.5bn), a lower creditors' balance (ZAR1.2bn), current lease liabilities reducing due to a strong spot ZAR exchange rate against the USD at year-end and better negotiated rates on the IS33e lease renewal and the effect of the E36B lease coming to an end on 31 March 2025 (ZAR0.9bn), and lower tax liabilities (ZAR1.2bn).
5. The group returned to a positive equity position during the current year, despite a challenging operating environment. Cost savings of ZAR3.7bn, reduced foreign exchange losses on loans of ZAR1.0bn vs ZAR4.6bn in FY24 due to a more stable foreign exchange environment, the writedown of the Showmax put option liability (ZAR1.4bn) and the profit recognised on the sale of NMSIS to Sanlam (ZAR3.0bn) restored the group to a positive equity position.
6. Measured as current assets divided by current liabilities. The current ratio remained stable in the current year at ~1.0x, with the group's solid cash balance, available undrawn facilities, manageable leverage ratio and ongoing topline, cost saving and cash management initiatives providing management with comfort over the group's liquidity position.
7. Leverage is measured as net debt (lease liabilities plus term loan less cash) divided by earnings before interest, taxation, depreciation and amortisation (EBITDA). Leverage was 2.26x at the end of FY25 (FY24: 1.53x), increasing YoY due to lower net cash and weaker profitability. The group retains adequate financial headroom given a leverage covenant cap of 2.5x.

   Interest cover is measured as EBITDA divided by net interest paid and reduced from 8.0x in FY24 to 5.3x in FY25, mainly due to lower profitability. It remains above the covenant floor of 4.0x. The group expects the trends in debt and interest cover covenant calculations in FY26 to stabilise and improve on the back of the group's initiatives to support revenues, reduce costs and protect cash flows.
8. Return on capital employed (ROCE) is measured as trading profit divided by capital employed (defined as average total assets less average current liabilities). ROCE declined from 33% in FY24 to 18% in FY25 due to a 49% fall in trading profit on only a slightly lower operating asset base as capital employed decreased by 6% YoY.

Chief Financial Officer's performance review continued

Share transactions

Due to Canal+'s mandatory offer, the group has not engaged in any share buy backs during the current financial year.

Canal+ update and subsequent event

On 21 May 2025, pursuant to the mandatory offer by Canal+ to acquire all the issued ordinary shares of the group not already owned by Canal+ (the Proposed Transaction) as announced on 4 June 2024, the South African Competition Commission announced that it had recommended that the South Africa Competition Tribunal (the Tribunal) approve the Proposed Transaction, subject to conditions relating to public interest considerations. The Proposed Transaction will now be considered by the Tribunal.

The approval of the Tribunal and the fulfilment of the remaining conditions are required for the Proposed Transaction to become unconditional. The group and Canal+ had announced on 4 March 2025 that they had agreed to extend the long stop date for the Proposed Transaction from 8 April 2025 to 8 October 2025, with the extension providing sufficient time for the fulfilment of the conditions for the implementation of the Proposed Transaction.

Subsequent events

MultiChoice contributed additional funding to Moment of USD6.5m in the form of a SAFE note (Simple Agreement for Future Equity) as part of a planned future funding round to take place in calendar year 2025. As and when the funding round takes place, MultiChoice will convert its SAFE note to equity.

Dividend

Further to the group's commitments under the Cooperation Agreement with Canal+, as published in the Combined Offer Circular on 4 June 2024, no dividend has been declared for FY25.

Appreciation

I would once again like to thank the MultiChoice Board, Executive Committee and staff for their ongoing commitment, dedication and support during FY25. Despite the magnitude of the external headwinds that have faced the group over the past 24 months, the teams have responded through consistent execution and delivery. By focusing on areas under our control such as pricing, costs and cash management, we have ensured that the group is sustainable through the current down-turn and well positioned to succeed when we exit the current period with a stronger foundation.

Tim Jacobs
Group CFO
11 June 2025