Calvo Mawela
Group Chief Executive Officer

From the desk of the CEO

As we look back on FY25, it has clearly been a year of trials and tribulations. Our business has been tested in ways we could not have predicted, but we remained resolute in confronting obstacles head-on. Our challenges served as a reminder of the importance of adaptability, teamwork and an unwavering commitment to our mission and vision of building Africa's entertainment platform of choice.

We entered the year with a demanding but manageable business plan, which factored in several critical risks, including a weak consumer environment in South Africa, a materially weaker naira in Nigeria and a peak investment cycle for Showmax. However, disastrous economic conditions and unfavourable video market dynamics have meant that our video subscription businesses all performed below expectations. The ongoing cost of living crisis has resulted in our services increasingly being squeezed out of household budgets as middle-income customers were forced to prioritise spend on servicing debt (notably in South Africa) and those at the bottom end of the market had to allocate a much larger portion of their discretionary spend on basic goods such as food, transport and communication, all of which have materially increased in costs.

Against this background, our numbers do not reflect the growth ambitions we set forth at the start of the year, but they tell a story of perseverance and an organisation determined to endure through turbulent times. The dedication and commitment of all our teams during this time have been truly commendable.

As a business, we continue to witness profound changes in the video entertainment industry and the competitive environment in which we operate. Streaming services are gaining ongoing momentum, while global media companies and OTT service providers with significant scale and resources (such as Netflix, Amazon Prime Video, YouTube, Disney+ and Apple TV+) are placing at risk the sustainability of traditional broadcasters, especially those unable to embrace change and reinvent themselves.

From our perspective, the tougher economic climate has accelerated some of the changing customer preferences. This made it more imperative to move ahead of the times – and while the macro challenges have tested us, they have also pushed us to adapt and grow. The past year therefore saw us continuing our investment in digital transformation to meet the changing demands of our subscribers, expanding our content offerings to reflect diverse voices, and strengthening our partnerships to ensure sustainability in this competitive landscape. We have made critical strides in optimising our operations, rethinking some elements of our strategy and ensuring that we are laying the groundwork for a sustainable and prosperous future.

As we provide detailed information elsewhere in this report, I would like to flag a few key aspects of our operational performance during the past year:

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Key operating aspects/ highlights of FY25:

- **Mandatory offer by Canal+:**

  A major development in FY25 was the mandatory offer by Canal+ in June 2024 to acquire the remaining shares in MultiChoice Group that they do not currently own (for more information refer to https://investors.multichoice.com/regulatory.php). In our view, a potential transaction with an African-centric global player such as Canal+, which not only has scale and resources to contribute, but also a demonstrable history of supporting economic development in Africa, would significantly enhance the continued sustainability, growth and success of our business across the continent.

- **General Entertainment:**

  We remain the largest producer of original content on the African continent. Our library now has 91 470 hours of local content after we produced another 5 340 hours of local content in FY25. Local content accounted for just over 50% of our general entertainment spend during the year.

- **SuperSport:**

  We reinforced our reputation as a global leader in sport broadcasting with SuperSport's extensive coverage of the Paris 2024 Olympic Games, EURO 2024, the ICC T20 Men's World Cup and a very successful SA20 Season 3. Over the past year, SuperSport broadcast 47 839 hours of live coverage, up 7% from last year, and we were responsible for the production of 1 029 live events.

  SuperSport Schools continues to redefine the landscape of school sports broadcasting. It increased the user base of its app by 46% to 1.2m registered users, reached almost 11m unique viewers (app and Channel 216) and delivered over 50 000 hours of new content during the year. This year also saw the SuperSport Schools channel becoming available on SABC Plus, as well as the launch of the Schools SA20 cricket competition, in partnership with CSA and SA20.

- **South Africa:**

  As a mature business, MultiChoice South Africa focused on subscriber retention and reconnections, identifying remaining growth opportunities, as well as optimising processes and systems to improve customer experience and operational efficiency.

  The ongoing tough economic climate resulted in negative growth in our customer base and revenues, but due to the benefits of retention initiatives and ongoing cost cutting, we were able to deliver a 29% trading profit margin. We are encouraged by the strong growth of new business lines, including DStv Internet, which grew revenues 85% and DStv Stream, which delivered 48% topline growth.

- **Rest of Africa:**

  This segment has been impacted by material foreign currency movements in key markets, the ongoing cost-of-living crisis across the continent, power disruptions as well as civil unrest in nigeria and Mozambique. Foreign currency depreciation across several markets, most notably Nigeria (where the Naira depreciated by another 44% against the USD), resulted in a weighted loss in currency value of 26% YoY. These factors translated into a 23% hit on RoA's revenues , which meant we were unable to return this business to a trading profit despite the successful implementation of various cost savings initiatives.

- **Showmax:**

  In FY25, Showmax focused on enhancing its content line-up, bedding down distribution partnerships, expanding payment channel integrations and refining its go-to-market strategy.

  The Showmax paying customer base grew by 44% this year, reflecting a more linear growth pattern relative to the exponential growth initially anticipated. While we believe that the long-term opportunity for streaming services in sub-Saharan Africa remains intact, slower than expected initial demand has meant that we have had to critically revisit our business plan and objectives in the short term.

- **Irdeto:**

  Irdeto delivered encouraging revenue growth, after securing a significant new contract with Astro Malaysia (a major broadcaster in Asia). Revenues generated from new services (including video streaming, gaming and connected industries) increased to a pleasing 42%, supported by innovative solutions to enhance security and interoperability in the transportation sector. Irdeto has also materially stepped up its focus to support the group in combating piracy, which has become a challenge for broadcasters globally as pirate distribution of content via streaming websites and social media platforms increases.

- **KingMakers:**

  KingMakers continues to gain strong momentum in Nigeria, where BetKing Nigeria has secured the second position in the online sports betting market. SuperSportBet, the South African business launched toward the end of our previous financial year, is showing early signs of success and reported a 12-fold increase in monthly net gaming revenue over the year.

From the desk of the CEO continued

- **Moment:**
  Now live in 44 African countries, Moment continues to grow rapidly, with total payment volumes (TPV) reaching USD635m, up seven-fold from FY24, and an annualised run rate now exceeding USD1bn. Its momentum was supported by a rapid acceleration of payment volume migration for DStv, GOtv and Showmax onto the Moment payment infrastructure, which is now processing 56% of our group's payment volumes compared to only 20% a year ago.
- **NMSIS:**
  The successful conclusion of the sale of 60% of our NMSIS insurance business has realised capital value for our group. The transaction resulted in Sanlam, an industry expert with an extensive African footprint, becoming the majority owner of NMSIS. The focus has now shifted to growing this business together to reach its full potential.

Our dedicated teams continue to implement tangible improvements in how we operate. While staying true to delivering the values that have always defined us, we are taking a hard look at what needs to change and are committed to finding sustainable solutions that will position us to meet the needs of an evolving market.

In the year ahead, we will be looking to do the following:

- **Focus on what is within our control** (given an extremely challenging environment): Inflationary pricing discipline, targeted topline initiatives, focused subsidy and marketing spend, and cash flow management that are all critical levers.
- **Ensure the cost base is fit for purpose:** Continue to drive operational efficiencies as this is critical to managing covenant, solvency and liquidity risks, ensuring long-term sustainability and delivering required returns.
- **Drive relentless execution against targets:** Regularly review performance against operational targets suitably geared towards customer and shareholder value creation and help reignite innovation and re-positioning of our service offerings.
- **Step-up anti-piracy efforts:** Elevate the risk across all business segments, increase investment in countermeasures through Irdeto, benchmark best practices against peers, institute a dedicated cross-functional anti-piracy forum to measure progress.
- **Enhancing workforce capabilities:** Providing training and resources to equip our teams with the skills and tools they need to drive performance.
- **Strengthening partnerships:** Collaborating more effectively with suppliers, customers and stakeholders to foster resilience and stability across our operations.

These efforts are part of a broader plan to restore our operational and financial performance, and to position MultiChoice for sustainable growth in a rapidly evolving market. Some of these measures will take time to yield their full impact, but early indicators show promise, and we are resolute in staying the course.

The video entertainment industry is one of constant reinvention. While the road ahead may still present some challenges, it is also full of possibilities. We are navigating this chapter with a focus on rebuilding momentum and laying the foundation for a brighter, more resilient future. We also look forward to closing the Canal+ transaction, not only for the benefit of shareholders, but also for the viewing public and the multiple industries that depend on MultiChoice.

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