Opportunities and risks

How we identify and pursue opportunities

As the industries that we operate in continue to evolve, we actively evaluate and cultivate a pipeline of opportunities aligned to our purpose and broad strategic priorities. This approach has allowed our group to grow organically and through innovation, such as our digital DTH satellite launch in 1995, our DTT launch in 2010 and our SVOD launch in 2015. Having joined forces with Comcast in 2023, we are developing our SVOD ambitions with the goal of becoming the leading streaming platform on the African continent in the long term. We aim to deliver similar success in the interactive entertainment and sports betting sector through our investment in and partnership with KingMakers, in the fintech space through our Moment joint venture with Rapyd, General Catalyst and others, and in insurance through our partnership with Sanlam and Santam as the new majority co-shareholders in NMSIS. To enable the group to focus on its priority opportunities, the group also takes steps to rationalise its portfolio from time to time. Recent examples include exiting its minor stake in fintech firm Stitch while supporting the Moment Seed+ funding round, and closing the DStv Internet fibre offering in favour of enhancing the DStv Internet fixed-wireless LTE offering.

Our top five opportunities

1 A large and growing addressable Pay-TV market

With an installed base of 14.5m subscribers, we aim to drive subscriber growth in our traditional Pay-TV business as we target an addressable market of 57m households in sub-Saharan Africa in FY25, growing to 64m by 2030 (+13%).

- We take a long-term view and are comfortable with supporting our businesses through economic and business cycles
- We are focused on retaining subscribers in South Africa and Rest of Africa in the short term, while growing penetration across our Rest of Africa footprint longer term
- We also enhance our consumer value proposition by developing new product and service offerings (e.g. DStv Internet), while monitoring trends in offshore markets

2 An opportunity to reposition the group for long-term sustainability

In the context of a shifting video entertainment landscape, which has seen a multi-year consolidation and partnership theme play out among global industry players, and a highly pressured regional macro-economic and consumer environment that has hurt consumer discretionary spend, the group is focused on resetting and rebasing its operations by:

- Revisiting its go-to-market strategy, including its customer value proposition, customer service, marketing, third-party partnerships etc
- Shifting from a focus on cost saving to a focus on finding more efficient ways to deliver equivalent or better revenue outcomes for lower spend while optimising working capital and capex
- Working with Canal+ towards a successful mandatory offer to the group's shareholders in order to unlock significant benefits from the combined global scale of the two entities in content, technology and cost management

3 A rapidly developing linear and VOD OTT streaming market

We see an opportunity to drive meaningful growth in OTT services as developments in technology lower the costs of access to connectivity and connected devices.

- Our Comcast partnership provides us with the hyper-scalable technology and international content we need to scale our Showmax SVOD business over time
- Our partnerships with banks and mobile network operators allow us to leverage partner customer relationships to sell our product offerings
- Our DStv Stream service user interface and feature set (user experience) was upgraded in FY25 as we seek to further develop the platform into a value-added service to support existing linear customers and attract new connected customers through a more convenient and affordable offering

4 A high-growth interactive entertainment and sports betting market

Customer entertainment needs and preferences continue to expand beyond traditional video consumption to include more interactive entertainment experiences.

- Our investment in KingMakers represents our first meaningful foray into interactive entertainment, with their sports betting services directly complementary to our video entertainment services
- We see significant scope to grow in this space, both in terms of geographic footprint, with BetKing a top three operator in Nigeria and SuperSportBet developing momentum in South Africa, and in terms of service offering as KingMakers continues to expand its virtual and casino offerings

5 A massive potential fintech market, including payments and insurance

As the continent becomes more connected, consumers and business will increase the scope of their online activity and require a set of comprehensive solutions to support financial transactions and interactions.

- We have partnered with a best-in-class global fintech platform in Rapyd and a best-in-class venture capital firm in General Catalyst to create Moment
- We have partnered with the largest insurer in Africa (Sanlam) and together will look to scale the DStv Insurance business into the Rest of Africa and through an expanded set of insurance services
- Our partners contribute capital and deep industry expertise, and we bring a scaled customer base and an established payments and distribution business

Opportunities and risks continued

How we manage and mitigate risks

MultiChoice continues to apply a robust risk management approach in all areas of operation. Macro-economic factors, organisational changes, and the competitive landscape are ever-changing. For this reason, we are committed to developing and implementing risk plans that identify and mitigate potential threats to strategy and operational objectives. These plans are continuously monitored and adapted to remain relevant.

Our top 10 risks

1 Piracy

With the increasing availability and adoption of broadband connectivity and reduced data costs (including uncapped data packages), illegal viewing of content from pirate websites, pirate services, and social media feeds continues to rise. The illegal retransmission and piracy of content, including illegal connections, file sharing, illegal Internet streaming of sports content and the piracy of local content remain critical and growing risks to the business. Additionally, the proliferation of social media platforms and short-form video content has further exacerbated these risks, as unauthorised sharing and streaming of copyrighted material become more prevalent.

2 Regulatory and licensing

The level of regulatory and competition authority risks across the African continent continues to pose significant challenges. Material changes in the regulatory environment could impair the group's ability to provide high-quality services and products to customers and/or its ability to operate on commercially sound terms.

3 Negative macro-economic factors

Negative macro-economic factors, such as high unemployment, rising or elevated inflation, increasing interest rates, political uncertainty and ongoing electricity shortages (notably in markets like South Africa, Nigeria, Zambia, Zimbabwe and Malawi), place pressure on the economies of the countries we operate in.

4 Currency depreciation and liquidity

The continuous and often sharp depreciation of local currencies, especially in Nigeria, South Africa, Zambia, Ghana and Angola, against major foreign currencies such as the USD.

This increasingly puts pressure on the cost of running our business with a significant portion of content and sports rights being purchased in USD, especially when hedging becomes unviable.

Furthermore, liquidity restrictions in countries such as Nigeria can increase group funding requirements as and when cash gets trapped in-country or we lose material value on cash extraction.

5 Disruption and competition

We operate in a highly competitive and rapidly evolving industry, where disruption and competition from various sources such as strong global and local competitors, free alternative as well as changes in viewing behaviour, pose significant risks to our business.

Consumers have credible alternatives from multiple sources in video and alternative forms of entertainment. Further, content providers may choose to license their content to intermediaries or go directly to consumers, withdrawing rights from us in the process.

Opportunities and risks continued

Our top 10 risks continued

1 Piracy

Risk mitigation

- Continuously invest in our Platform and Application Security business, Irdeto, which offers cybersecurity and anti-piracy solutions in media and gaming.
- Active support for Partners Against Piracy (PAP) is a pan-African campaign aimed at preventing content piracy.
- Efforts to create awareness and educate the public about the negative impact of piracy (including impacts on creative talent, employment, and tax revenue).
- Utilisation of popular investigative journalism programmes like *Carte Blanche* to educate the public on the unethical aspects of piracy and its negative impact on the entertainment industry. Highlight real life cases and the consequences faced by those involved in piracy.
- We work closely with local regulators, police, and other enforcement agencies in key markets to conduct raids and arrests of individuals and entities involved in piracy, and to introduce new capabilities (such as IP site blocking) which can reduce the incidence of piracy.
- Advanced technologies such as AI and machine learning are used to proactively detect and track piracy activities, including illegal streaming and file sharing.
- The use of digital watermarking techniques to identify and trace pirated content back to its source and take appropriate action to remove it as fast as possible.
- We are disrupting the payment methods used by pirates to interfere with their ability to monetise illegally obtained content.

2 Regulatory and licensing

- Our focus remains on full compliance with existing regulations.
- We maintain proactive engagement with regulators and industry bodies.
- Through this approach we keep abreast of all developments while providing input that promotes a balanced and evidence-based regulatory framework.
- We conduct ongoing regulatory reviews and take the necessary steps to mitigate stakeholder concerns.
- We have enlisted the support of external legal and competition experts to provide specialised guidance on regulatory matters. This ensures that we are well-prepared to navigate complex regulatory landscapes and minimise adverse impact on our business
- Our dedicated and experienced teams, comprising both internal and external experts, assist with regulatory engagements, responses to inquiries and other projects/submissions.
- We have formed strategic partnerships and alliances with industry stakeholders to address regulatory challenges collectively. This includes collaboration with other broadcasters, streaming services, and content providers to ensure a unified approach to regulatory compliance.
- We promote active engagement with management, government and regulatory authorities about how the proposed regulations could impact the industry and consumers.

3 Negative macro-economic factors

- We understand the financial pressure our customers face, and we remain focused on our value proposition to customers, including affordability.
- We offer customers various product options suited to their circumstances, supporting value for money with the flexibility to adjust to their unique and changing circumstances.
- We continue investing in new products, services and businesses to enhance customer experience while diversifying our revenue streams into the future.

4 Currency depreciation and liquidity

- We hedge our foreign exchange exposures where it is economical to do so.
- Continued focus on reducing costs and improving efficiencies to offset any topline pressures.
- We continue moving costs into local currency where feasible.
- We engage with central banks and our network of banking partners in-country to assist with cash extraction.

5 Disruption and competition

- We understand entertainment and technology are evolving, as are consumption habits. As such, we continuously invest in product and service innovations.
- Retaining attractive content rights is a priority, as is investing in our platforms and our content and technology partnerships to maximise mutual benefits.
- We are diversifying our product portfolio and service offering by investing in opportunities in areas adjacent to video entertainment and our established platform to provide a wider array of products and services to our customers.
- We continue exploring opportunities for relationships with telcos and other third parties to enhance our consumer value proposition through convenience, bundled savings etc.
- Customer engagement and satisfaction is prioritised by offering personalised experiences, loyalty programmes and responsive customer support. By understanding and addressing customer needs, we aim to build long-term relationships and reduce churn.

Opportunities and risks continued

Our top 10 risks continued

6 Cybersecurity

The security of our information assets, including content, customer and employee information, is critical. Failure to protect these assets poses a legal and reputational risk.

7 Taxation

Tax audit activity across Africa continues to increase, prompted by the need for improved revenue collections in poor-performing economies. These often lead to unreasonable and aggressive preliminary stances taken by revenue auditors, which are often unsubstantiated and must be rigorously defended and challenged. There are also numerous local and international tax policy changes being introduced, which further increase the risk of double or unjust taxation.

8 Talent and skills scarcity

To move into the next generation of media services, we require talent and competence to operate in a data-driven world of big data, machine learning and AI, all areas with skills shortages globally. However, the focus on talent and competence is not limited to these areas.

9 Technology

Technology is integral to our strategy and operations and receives continuous focus to ensure we can seamlessly align key strategic requirements with our customer journey.

10 Impact of continuous loadshedding

Loadshedding has become the norm in South Africa (and, to a lesser extent, Zambia and Malawi). High stages of loadshedding (i.e., stage 5 and higher in South Africa) continuously increase subscriber disconnections as they are unable to watch content for hours at a time. Operational challenges are also experienced, such as DStv agencies not having backup solutions and installers being unable to service customers.

Risk mitigation

Cybersecurity

- We continuously invest in systems and technology to identify vulnerabilities and prioritise their remediation to enhance systems security and reduce business interruptions.
- We employ a chief information security officer and chief data officer to ensure appropriate management attention to this critical risk.
- Controls over information assets are continuously tested, e.g. through unauthorised access and systems penetration testing, risk assessments and internal audits. Policies are implemented to address information security risks, e.g. around information security incident management and acceptable usage of the group's technology devices and resources. Focus is also placed on the content value chain and protection of customer and employee information, e.g. we ensured full compliance with the Protection of Personal Information Act (POPIA) to mitigate against risks. International studios undertake security assessments from time to time in support of their agreements with us.
- We obtained a Trusted Partner Network Gold Shield accreditation for Content Delivery and Security in September 2023 that is valid for the two years and will undergo an updated assessment in the year ahead for assurance that we are maintaining the best practices for securing content in the cloud and on-site.

Taxation

- We bolstered our tax compliance team to ensure we have the appropriate capacity to manage compliance. Regular tax compliance reviews are done internally and through external advisers to ensure we abide by the laws in the countries in which we operate.
- Tax assurance is a key element of our approach to tax. We regularly conduct transfer pricing benchmarking and assurance reviews.
- We actively participate in global and regional tax policy and tax administration discussions e.g. via the Africa Industry Tax Association or other business and professional forums.
- We strive to build and maintain good relationships with the African Tax Administration Forum and other relevant bodies.
- We regularly review our tax resources (internal and external experts) to ensure the group has the capacity to deal with the challenges highlighted.

Talent and skills scarcity

- The group's reward structures are aimed at retaining employees in key areas and include bonuses and share schemes. We identify the scarce skills and competencies required in all areas of our business.
- Focused recruitment of scarce skills remains a priority.
- This is supported by programmes designed to develop a pipeline of talent.
- We partner with vendors for skills transfer and programmes.
- We position our company as an employer of choice.

Technology

- We invest in improving our existing systems and platforms, and monitoring, innovating and collaborating to offer increased value to customers.
- As part of our ongoing commitment to enhancing IT governance, Control Objectives for Information and Related Technologies (Cobit) 2019 continues to be utilised as our framework, ensuring that all controls are aligned accordingly.
- Rigorous testing programmes are implemented for all software updates and rollouts for our internal systems and platforms.
- Redundancy processes were embedded in our Samrand and Isando facilities as well as in the Rest of Africa business. All departments related to technology sit in one technology hub, for which focus areas are driven by the group's chief of technology.
- Internal audit regularly reviews key aspects of our IT and Technology divisions, with agreed corrective action implemented by the respective teams.

Impact of continuous loadshedding

- Customers are encouraged to make use of our DStv Stream, the SWITCH'd ON channel and Showmax platforms during loadshedding, which allows them to download content ahead of loadshedding, which then provides them with entertainment during an outage.
- Backup solutions are in place for main buildings to allow operations to continue with business as usual.
- Installers are being equipped with UPS packages to allow them to continue with installations during loadshedding.