Our external business environment

We operate in dynamic industries in markets that are typically unpredictable. This requires us to anticipate and adapt to shifting circumstances in a way that allows us to pursue our strategic objectives without compromising on short-term delivery and consistent execution over the medium to long term.

Unprecedented operating challenges worsened in FY25

The regional operating environment remained compromised during FY25, with continued currency depreciations, high inflation and interest rates, weak growth and country-specific challenges which affected consumer activity across several of our key markets like Nigeria, South Africa and Zambia.

We refer to calendar years rather than our financial years below to align with how leading macro-economic statistics are generally reported in the market.

- **Global economy:** The global economy stabilised somewhat in 2024, with post-pandemic inflation rates slowing and the Federal Reserve (the Fed) and other central banks beginning to lower interest rates. Despite these factors and other pockets of optimism e.g. the resilience of the US economy and some optimism returning to China, the economic and geopolitical environment remains fraught. The US prioritisation of its national interests, the persistent conflict in the Middle East, the ongoing conflict between Russia and Ukraine and escalating trade wars between the West and East (principally via tariffs and export/import bans) have sustained risk in global markets.
- **Commodities:** Commodity prices remained broadly flat in aggregate during 2024 given a benign US dollar, only marginally better global economic growth and limited fundamental impact from the Russia-Ukraine war. Oil prices averaged USD81 per barrel in 2024, down from USD83 per barrel in 2023. The International Monetary Fund expects energy prices to decline by 2.6% in 2025, driven by lower oil prices due to weak Chinese demand and strong supply from countries outside OPEC+. Similarly, food prices are expected to decline by a further 4.5% in 2025 as global grain production reaches record highs in 2024-2025.
- **Infrastructure and services:** While South Africa saw loadshedding suspended from March 2024 to January 2025, reliable and affordable power remained a challenge in key Rest of Africa markets like Nigeria (grid failures, removal of fuel subsidies, fuel price hikes and fuel shortages impacting generator usage) and Zambia, Zimbabwe and Malawi (drought impacting hydro power, with loadshedding of 21 hours+ daily in Zambia). SA is, however, experiencing significant water infrastructure challenges, port and logistical constraints and municipal failures, which have impacted negatively on economic growth and activity.
- **Piracy:** As internet connectivity increases and broadband costs drop in our key markets, we have seen an increase in content piracy, much of which originates from outside of Africa. In addition to presenting risks to any business operating in video entertainment in Africa, this puts pressure on the entire creative ecosystem that creates entertainment and sports content as it makes monetisation of investments in content more unpredictable.
- **People:** Skilled emigration remains a concern for large economies like South Africa and Nigeria, given the negative impact on the tax base, skilled labour and entrepreneurial workforce, and middle and upper class customer bases in those markets. SA's unemployment rate peaked at 33.5% in Q2 of 2024 before retracing slightly to 31.9% in Q4 due to an uptick in economic activity during the festive season.
- **Regulators and tax authorities:** During 2024, South African President Cyril Ramaphosa signed into effect the Global Minimum Tax Act (Pillar 2). The new tax rules are expected to increase the revenue that the fiscus raises from multinationals. Tax authorities across the African continent will likely follow the same approach and

Our external business environment continued

have, in the meantime, meaningfully increased the number and variety of matters they are pursuing against taxpayers in order to make up budget revenue shortfalls.

- **Real GDP growth:** The World Bank estimated that real growth in gross domestic product (GDP) in sub-Saharan Africa improved slightly to 3.2% in 2024 and will improve to 4.1% in 2025. Resource-intensive countries continue to grow at about half the rate of the rest of the region, with oil exporters struggling the most as structural weaknesses in the business environment and governance have hampered their efforts to diversify following the post-2015 decline in commodity prices.
- **Inflation rates:** While some of our markets like SA and Kenya saw inflation easing into 2024, markets like Nigeria, Angola and Zambia saw an acceleration on already high levels of inflation. At present, several of the markets in which we operate have been designated as hyperinflationary economies, including Ghana, Malawi and Zimbabwe. The rebasing of CPI in Nigeria has somewhat eased concerns that Nigeria would be classified as hyperinflationary, but inflation levels persist with headline inflation in January 2025 declining to 24.5% YoY under the new series as compared to 34.8% YoY in December under the old series.
- **Interest rates:** Following the sharp increases in global interest rates in 2022 and 2023, the Fed and other central banks moved to lower interest rates in 2024 on the back of cooling inflation. The Fed announced three consecutive interest rate cuts, which resulted in a total decrease in interest rates of 100bps to a range of 4.25% to 4.50%. The South African Reserve Bank (SARB) followed suit, implementing three rate cuts in 2H FY25 of 25bps each, lowering the repo rate to 7.5%. In contrast, the Central Bank of Nigeria raised interest rates a total of six times in 2024, reaching 27.5%, as it intensified its quest to curb inflation and support the naira.
- **Currencies:** Currency weakness against the US dollar remains prevalent across markets in sub-Saharan Africa, with exchange rates losing between 12% and 259% of their value in 2024 year on year. The Nigerian naira was at the top end of this range with a devaluation of 259% year over year (based on the average rate).

	Real GDP growth[1]		Inflation rate[2]		Central bank interest rate[3]		Exchange rate versus USD[4]	
	2023 %	**2024 %**	2023 %	**2024 %**	2023 %	**2024 %**	2023 %	**2024 %**
South Africa	0.7	**0.8**	5.1	**3.0**	8.25	**11.25**	(11)	**1**
Nigeria	2.9	**3.3**	28.9	**34.8**	18.75	**27.50**	(34)	**(57)**
Kenya	5.0	**4.7**	6.6	**3.0**	12.50	**11.25**	(16)	**5**
Zambia	2.7	**1.2**	13.1	**16.7**	11.00	**14.00**	(17)	**(21)**

(1) *GDP data from the World Bank Global Economic Prospects Report (January 2025).*
(2) *Inflation data represents the inflation rates in December of a given year, extracted from the Trading Economics website.*
(3) *Benchmark interest rate shown in December of a given year, extracted from the Trading Economics website.*
(4) *Exchange rates represent the average of the month-end rates for the calendar year per our group's accounting system.*

Medium to longer term opportunities were stable in FY25 for our group

Sub-Saharan Africa remains a compelling medium to long term opportunity despite the near-term macro and FX-driven risks. Population growth, notably the working age population, improving urbanisation and rising electrification rates, and disposable income and consumption growth will support a significant middle class and addressable market that is further underpinned by:

- **Connectivity:** The GSM Association continues to forecast rapid uptake of mobile connectivity for the region:
  - Smartphone penetration to rise from 54% in 2024 to 81% in 2030
  - 4G plus 5G penetration to rise from 41% in 2024 to 69% in 2030
  - Improving smartphone and feature phone functionality at USD200 price point (chipsets, screen size, battery life) and affordability (entry-level 3G devices from USD20)
- **Pay-TV:** Omdia forecasts traditional linear Pay-TV subscriptions in sub-Saharan Africa will grow by 4m subscribers between 2023 and 2029 to 43m subscribers, at a CAGR of 1.5%.
- **Streaming:** Omdia forecasts that online video subscriptions in sub-Saharan Africa will grow by 3m subscriptions between 2023 and 2029 to 8.6m subscribers, at a CAGR of 7.5%. On a comparable basis then, online video will grow from 14% of the paid video subscriber market to 20% over that period.
- **Mobile money:** The GSM Association also estimates that there were 283m active 30-day mobile money accounts in Africa in 2024 (+12% YoY), driving USD1.68trn in transaction value (+16% YoY) via 108bn transactions (+21% YoY).
- **Venture capital investment:** although the African private capital industry experienced a slowdown in deal activity for the second consecutive year, the rate of decline slowed dramatically as 457 equity deals (-3% YoY) worth USD2.2bn (-2% YoY) and USD1bn (-17% YoY) respectively were still closed in 2024 despite the depressed economic outlook for the region (per Partech).

Our external business environment continued

Competitive dynamics

The same macro-economic challenges that are weighing on our business are impacting the audiovisual entertainment sector as evidenced by muted reported competitor subscriber growth, reduction in advertising revenues and translated local currency revenues too. Nonetheless, our industry remains dynamic in terms of shifts in the technology, consumer and competition landscapes.

- Canal+, as the second largest operator in sub-Saharan Africa with 7.6m subscribers in June 2024 (+7% YoY) and 9.7m across Africa/Asia in December 2024 (+2.5% YoY), is focused on the francophone markets while actively seeking to buy out MultiChoice Group shareholders via a mandatory offer process
- StarTimes competes across sub-Saharan Africa
- Regional operators have had varying success in select markets with ZAP in Angola subject to the same macro-economic, foreign exchange and regulatory-approved pricing cadence that we are impacted by, while Azam has leveraged its consumer business in Tanzania in successfully building its Pay-TV base
- FTA, notably in news and local content, remains a strong competitor for viewership and advertising revenue in many markets, including South Africa, Kenya, Ghana and Ethiopia
- Piracy is a major illicit competitor for all the group's subscription platforms (including via social media and messaging platforms) and is receiving a significant amount of focus from the group
- Competition from global and local OTT players has increased in recent years through
- Global SVOD services such as Netflix and Disney+
- Local SVOD services like ViuSasa in Kenya
- Advertising video on demand (AVOD) such as Viu and YouTube
  - Short-form social media platforms such as TikTok and Instagram
  - Free ad-supported streaming television (FAST) services such as rlaxxTV
  - Traditional studios, networks or media companies going direct to consumer with SVOD, AVOD/FAST or hybrid services, e.g. Disney with Disney+
  - Non-video businesses deploying value-added services to drive user engagement in their ecosystems, such as Amazon (Prime Video) and Apple (Apple TV+)
  - Transactional video on demand such as the iTunes and the Google Play stores
  - Linear and FTA broadcasters' OTT services e.g. StarTimes ON by StarTimes, eVOD by e.tv
- However, competitive pressures from global players are not uniformly ramping up:
  - A shift in investor sentiment away from 'growth at any cost' to sustainable profitability, in conjunction with a normalisation in global interest rates and a squeeze on consumer spending has forced global streamers to recalibrate their business plans
  - As a result, global streamers are increasing prices, moderating content investment, revisiting content licensing deals with third parties, introducing ad-supported tiers, limiting password sharing, pursuing consolidation and cross-platform bundles, and scaling back in marginal markets to achieve sustainable profitability
  - At the same time, some global Pay-TV operators are looking for ways to separate or reposition their legacy Pay-TV businesses from their streaming businesses e.g. Comcast's planned spin-off of its cable TV networks portfolio, and Disney's evaluation of how to manage its portfolio of cable and network assets through spin-offs, mergers or co-investment scenarios
  - And finally, global players like Prime Video and Netflix are increasingly pursuing sports rights and adjacent properties to bolster their subscriber offerings

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.

Refer to page 76 of our material matters section, which presents risks and opportunities for our business.