A business model that drives value

A business model that drives value 1 of 5
Our Inputs

Our Inputs

The resources and relationships that sustain our business

Financial capital

- Healthy cash balances and gearing levels
- Adequate access to financing e.g., through undrawn borrowing facilities
- Strong relationships with shareholders, banking partners and satellite transponder lessors
- Equity partnerships in key verticals to defray capital costs e.g., with Comcast as a shareholder in Showmax and with Rapyd and General Catalyst as shareholders in Moment

Technology and platforms

- Specialised engineering and software development capabilities in broadcast, streaming, cybersecurity and payments
- A DTH satellite footprint in 50 markets, a DTT network in eight markets[(1)] and OTT services in 44 markets
- A next generation aggregation strategy through proprietary and syndicated solutions
- Digital support technologies in customer service, social media, billing, playout, archiving, scheduling and advertising
- A range of sport production capabilities from smaller-scale school matches to top-end professional events

Industry expertise and intellectual property (IP)

- A total of 39 years of video entertainment industry experience and market leadership
- A unique understanding of the African continent, customers' entertainment preferences in different markets, as well as their broader consumer needs
- Deep experience in critical operational fields such as content licensing, production, packaging and distribution, advertising sales, as well as in regulation and administrative fields such as taxation
- Irdeto has 54 years of experience in digital security

People

- 7 251 permanent employees (FY23: 7 100), supported by contractors where necessary
- Inclusive, performance-driven, people-centric culture
- Robust management structures, with group oversight supporting segment and BU execution
- Breadth and depth of talent across creative, engineering, software development, digital enablement, operations, legal, regulatory and finance
- Access to leading global and regional industry experts through our partnerships

Customer, supplier and partner relationships

- 15.7m active linear subscribers (FY23: 17.3m)
- 1 163 B2B advertising customers through DStv Media Sales (FY23: 935)
- 419 business to business (B2B) security customers through Irdeto (FY23: 382)
- Relationships with local and international content producers, and satellite, uplink, telecoms and cloud service providers
- 7 275 accredited installers and 3 251 independent service providers (FY23: 7 664 and 2 983 respectively)

Corporate citizenship

- Local communities and markets that support our business as customers and produce the television, film, sport and business talent to drive our group and our supply chain forward
- Dedicated specialist management teams in adjacent verticals, notably in sports betting and fintech
- Operating licences issued and renewed by regulators across Africa
- Proactive and collaborative relationships with government, regulators and tax authorities
- Resource light and responsible environmental input usage (mainly grid electricity, diesel and water)

Click here to go to 2 of 5
Business activities

[(1)] *Excludes operations in South Africa where our GOtv signal is distributed via Sentech*

A business model that drives value continued

Business activities: our group's collective undertakings in an expanding ecosystem

Click here to go to 1 of 5 Our Inputs

Core Video Entertainment platform

Curate great content through M-Net and SuperSport for DStv and GOtv and Showmax

Local

Produced or acquired

Package content into our own channels

50 proprietary GE channels[1]

65 sports channels[2]

Sport

Produced or acquired

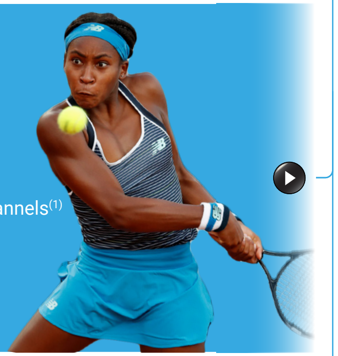
Acquire pre-packaged content

100 international GE channels[1]

37 local GE channels[1]

28 news channels

Create or aggregate VOD services



International

Acquired or distributed

2 proprietary OTT services

5 third-party VOD services

Aggregate channels into tiered packages

DStv Premium, DStv Compact Plus — Premium

DStv Compact — Mid-market

DStv Family, DStv Access, DStv Easy View — Mass market

DStv For Business, Showmax — Other packs

GOtv Supa+, GOtv SUPA, GOtv MAX, GOtv PLUS, GOtv VALUE, GOtv LITE — Mass market

DStv Media Sales

Sell advertising slots on select channels through DStv Media Sales

irdeto

Secure and encrypt content through Irdeto[2]

Distribute content to customers across multiple platforms

Satellite transponders

DTT network

OTT services

Connected set-top boxes

Sales and customer experience

Marketing and awareness, subscription and decoder sales and after-sales support, value-added services, bundles and offers to save, loyalty benefits as well as general customer service and customer value management.

Develop and launch scalable, tech-based services to broaden consumer platform

Build

Organic development of new products and services Insurance via NMS Insurance Services

Invest

Targeted equity investments

KingMakers, AURA, Moment, Namola

Partner

Commercial partnerships with leading third parties

DStv Internet

(1) General entertainment content. Numbers exclude religion, specialist, free-to-air and audio channels. Proprietary channel count includes channel brand variations for different regional or cultural preferences and/ or dialects. International channel count excludes specialist Indian, French and Chinese language channels.

(2) Irdeto also provides services to external customers outside of the group.

(3) Channel count includes regional variations for Africa and Nigeria.

Click here to go to 3 of 5 Outputs

A business model that drives value continued

Outputs

Click here to go to 2 of 5
Business activities

Our products and services

Offered through controlled entities

DStv

- Six bouquets priced from ZAR29 to ZAR879 in South Africa and from USD2 to USD75[(1)] in Rest of Africa
- Average of ~150 linear video channels in DStv Premium package[(2)]
- DStv Stream for DTH customers or as a standalone service at a discount due to lower customer acquisition and support costs

GOtv

- Offers services in eight markets in Rest of Africa
- Six bouquets at price points ranging from USD1 to USD27[(1)]
- Average of ~76 linear video channels in GOtv Supa+ package[(3)]

Showmax

- SVOD service available in 44 markets
- Lean-back and mobile general entertainment and mobile-only sport offerings
- Localised content and go-to-market offerings in two markets post relaunch, with more to follow over the next three to four years

DStv Media Sales

- Commercial airtime sales across 226 live linear video channels
- Additional advertising options via owned and operated websites and apps, social media platforms, sponsorships, SVOD services and new technologies like dynamic ad insertion (launched) and shoppable ads (planned)

Irdeto

- Cybersecurity and anti-piracy services to the group plus external customers
- Operates in 76 countries, across multiple industries notably media security, gaming and connected transport

Offered through non-controlled partner entities

KingMakers

- Top three sports-betting operator in Nigeria through the BetKing brand, with expansion into other interactive entertainment services
- Launched SuperSportBet in South Africa towards the end of FY24
- Collaborates with the group on SuperPicks (free-to-play online service and televised magazine shows)

Moment

- Preferred payment partner and third-party payment platform integrator for the MultiChoice Group, including DStv, GOtv and Showmax
- Moment has rolled out to 44 markets post its launch in Q2 of FY24

Value-added products and services

Existing and new products and services enhance our value proposition to customers in the home, including:

- Aggregated third-party SVOD services with global partners (Netflix, Disney+, Prime Video, YouTube and YouTube Kids)
- Connected devices, e.g., DStv Explora Ultra and mobile apps, e.g., DStv, MyDStv and MyGOtv apps
- Additional content and language packages, e.g., ADD Movies, DStv Indian
- Catch Up, Box Sets, Downloads and BoxOffice (movie rentals) services
- Five DStv Insurance product lines
- Fixed-wireless LTE via DStv Internet

[(1)] Certain markets have package structures and package names tailored for in-market preferences, (e.g., Nigeria, Angola and Tanzania) and therefore differ slightly from our typical package tiering. Rest of Africa pricing in US dollars varies by market due to exchange rates and in-market pricing dynamics – averages for core markets excluding Portuguese markets shown.
[(2)] Measured across South Africa and 11 core Rest of Africa markets.
[(3)] Measured across eight Rest of Africa GOtv markets, excluding South Africa which has a small subscriber base serviced through the Sentech network.

Click here to go to 4 of 5
Outcomes

A business model that drives value continued

Outcomes

Click here to go to 3 of 5 Outputs

How we create, preserve or erode value in our capitals

Financial capital

- Interventions to protect free cash flow generation in the current macro downturn and short-term company investment cycle enabled us to protect our capital base
- We also continued to meet our obligations to capital providers, including our satellite transponder and other lessors and banking partners as our lenders

FY24 update:

- Cash decreased by ZAR266m to ZAR7.3bn
- We repaid ZAR2.7bn in capital and interest to our lessors (FY23: ZAR2.6bn)
- We drew down fully on our ZAR12.0bn term loan, while repaying ZAR375m outstanding on our ZAR1.5bn working capital loan
- We paid our lenders ZAR1bn in interest (FY23: ZAR511m)
- Shareholder equity decreased by ZAR6.4bn to (ZAR1.1bn)[(1)]
- 1.53 (FY23: 1.08x) leverage ratio and ZAR4.1bn (FY23: ZAR5.0bn) in undrawn facilities at year-end

Technology and platforms

- As technology ages and fixed assets incur wear and tear, we invested in maintaining and enhancing our technology base
- We also continued to improve our customer UI and UX across our linear and streaming entertainment platforms, delivering better content discovery and personalisation

FY24 update:

- We incurred ZAR2.6bn in depreciation (FY23: ZAR2.5bn)
- We invested ZAR1.2bn in capital expenditure (FY23: ZAR1.2bn)
- We invested ZAR1.7bn in platform advances to customise the Peacock platform for the Showmax instance in Africa
- We unveiled the SuperSport IP1 outside broadcast van, one of the most advanced mobile production vehicles globally (4K/UHD and Dolby Atmos/ Dolby 5.1 enabled)
- Irdeto reached a peak of 6.5bn (FY23: 7.2bn) streams secured monthly

Industry expertise and intellectual property

- We invested in our systems, processes, and business practices to support our competitive advantages in content, technology, distribution and payments
- We analysed viewing behaviour through our DStv technology and connected devices to tailor our offerings
- We used surveys, including conjoint research, to inform our product and pricing decisions

FY24 update:

- We invested ZAR21.0bn in our total content bill (FY23: ZAR20.9bn), of which we spent ZAR8.6bn on local general entertainment and sport content (FY23: ZAR8.1bn)

People

- We continued to refine and enhance our hiring, learning and development, and internal promotion and succession planning processes
- We remain focused on equity and diversity, notably with regard to gender across the group and BBBEE in our South African operations

FY24 update:

- We invested ZAR172m in skills development (FY23: ZAR205m)
- We formally trained 4 276 employees (FY23: 1 319)
- 48% of our employees were women (FY23: 47%)
- 86% of our South African employees were black as defined in the BBBEE Codes of Good Practice (FY23: 86%)

Customer, supplier and partner relationships

- Our focus on delivering value for our customers on a daily basis is the key to preserving our customer relationships
- We create and preserve supplier and partner relationships through mutually beneficial collaboration which can take the form of contractual and/or equity-based relationships
- We maintain preferential procurement initiatives in South Africa to support previously disadvantaged businesses

FY24 update:

- We saw net subscriber losses of 1.6m (FY23: net subscriber gains of 0.7m)[(2)]
- We achieved a 79% customer satisfaction (CSAT) score in South Africa (FY23: 78%)
- In Rest of Africa, we achieved a CSAT score of 75% for DStv (FY23: 74%) and 72% for GOtv (FY23: 70%)
- Call migration to digital self-service reached 72% (FY23: 75%) for South African and 94% (FY23: 87%) for Rest of Africa
- We spent ZAR13.8bn with local South African suppliers (FY23: ZAR12.0bn)

Corporate citizenship

- We complied with all regulatory, licensing, reporting and tax requirements
- We supported several important BBBEE and CSI initiatives over and above our industry investments and in-country tax contributions
- We have a light carbon footprint with several initiatives in place to further minimise our impact

FY24 update:

- Our total tax contribution was ZAR10.8bn (FY23: ZAR11.8bn)
- We paid ZAR1.375bn in dividends to Phuthuma Nathi shareholders (FY23: ZAR1.5bn)
- We invested ZAR301m[(3)] in CSI initiatives (FY23: ZAR285m), including ZAR6.7m in The Earthshot Prize
- Our MultiChoice Innovation Fund supported 4 new businesses (FY23: 9) and disbursed ZAR28m to beneficiaries (FY23: ZAR52m), while the MultiChoice Sports and Development Trust disbursed R23m across a number of sports codes and development initiatives

Click here to go to 5 of 5 Trade-offs

(1) *Decrease and negative equity position driven largely by non-cash IFRS accounting adjustments, notably the recognition of a ZAR2.7bn fair value liability for the Comcast put option over its 30% minority interest in Showmax, ZAR4.6bn in foreign exchange losses on non-quasi inter-group loans, and a ZAR1.2bn impairment charge on the group's Technology Modernisation programme.*

(2) *Relates to active subscribers.*

(3) *Includes non-cash advertising contributions of ZAR61m in FY24 (FY23: ZAR106m).*

A business model that drives value continued

Trade-offs

Click here to go to 4 of 5
Outcomes

Managing potentially competing outcomes across capitals and stakeholders

We manage our capitals to create and sustain long-term value for our stakeholders. In the short term, it is not always possible for all capitals (or the stakeholders who provide them) to benefit equally, and some capitals may benefit at the temporary expense of others. When deciding how best to create, preserve or manage the erosion of value in a given area we are often required to make trade-offs between capitals and stakeholders, and between short and long-term horizons.

Some areas where we made these trade-offs in FY24 are described below:

Cost savings and efficiencies

We typically aim to deliver positive operating leverage (i.e., organic growth in costs below organic growth revenues) through cost savings and operating efficiencies.

In FY24, we delivered ZAR1.9bn in cost savings (FY23: ZAR1.3bn), which protected our financial capital by generating positive organic operating leverage of 4.26% (FY23: 0.39%). This required a trade-off as some of our suppliers were impacted by these difficult decisions.

Ongoing economic pressure in South Africa and a number of key Rest of Africa markets, compounded by issues such as sharp currency depreciation, power challenges and imported food and fuel inflation have negatively affected customer activity and revenue generation, which inhibits our ability to recover costs.

In the operating environment of FY24, where growth has been constrained by the macro-economic environment, we took the decision to materially reduce our set-top box subsidy spend by R2.2bn to protect margins and cash flows, with a trade-off of lower incremental subscriber growth.

Pricing decisions

Pricing decisions create a trade-off between customer relationships and financial capital.

We need to accommodate cost increases and reinvestment in our business, while also considering shifts in consumer spending. We achieve a balance by closely controlling costs and investment spend, and by making research-based pricing decisions which factor in price elasticities, consumer price inflation, exchange rate movements, etc.

We aim for price increases at or slightly below inflation, but seek to accommodate specific in-market dynamics, (e.g., pressure on discretionary consumer spending and affordability) when necessary.

Where we experience high inflation in certain markets, we do consider adjusting the timing and/or cadence of price increases in order to ensure that our revenues do not decline dramatically in real terms. In FY24, we had to carefully manage pricing decisions across several of our Rest of Africa markets given weakening currencies and high inflation rates.

Business model evolution

In an increasingly connected world, global content giants are offering broad video entertainment options at lower cost-per-service to consumers via direct-to-consumer streaming. Our traditional linear pay-TV business model is negatively impacted and requires us to make trade-offs between financial capital, customer relationships, and supplier relationships.

In content, we are:
- sustaining our investment in local content
- producing and licensing the best in local and global sport
- curating great international content from Hollywood studios and independents
- entering into distribution agreements with global SVOD platforms

In terms of distribution, we are:
- Investing behind our dedicated streaming services (content, technology, branding)
- Investing to evolve our linear pay-TV offering to include aggregated streaming services, on-demand and library capabilities, and hybrid viewing environments

Gearing levels

We lease our satellite transponder capacity to defray upfront capital costs and although we treat these lease payments as equivalent to an operating cost, lenders include our finance leases in our debt covenant calculations.

In terms of financial gearing, since our listing, we have demonstrated a propensity to use gearing to optimise our capital structure and enhance long-term shareholder returns through targeted investment in attractive opportunities. In this regard, we fully drew down our ZAR12bn term-loan facility in FY24 while announcing a transaction post year-end to partially sell-down our insurance shareholding, which will enable the group to unlock capital to bolster the group balance sheet.

We have adopted a balanced approach to avoid adding undue financial risk to operational risk at a time when we are in the process of returning our Rest of Africa business to sustainable cash flow generation and building out our nascent Showmax business.

We are also cognisant of the upward trend in the interest rate cycle over the past 36 months, as well as the elevated risks related to the current macro-economic and foreign exchange environment.

Dividends vs. retained cash flows

Our shareholders have varying priorities in terms of returns, with some expressing a desire for steady or progressive dividend payments, while others are supportive of reinvestment into existing and new business opportunities. Dividend payments require the following trade-offs:

- **Sustainability:** we need to operate sustainably and, beyond funding our Showmax investment and the Rest of Africa through the current liquidity and FX challenges, we require a certain level of operating cash in our business to manage fluctuating working capital requirements and exogenous shocks.
- **Customer relationships:** we reinvest cash in our business to continually improve our customer value proposition and to broaden our ecosystem of consumer service offerings.
- **Short versus long-term returns:** we see the opportunity to create additional long-term value through our relationships with and insights into the needs of our 15.7m customers. We are actively pursuing opportunities to grow and expand our business in key verticals like streaming, sports betting and fintech.