

OVERVIEW

Media24's mature businesses, which comprise newspapers, magazines, print distribution and book publishing, significantly improved profitability in the period under review, largely as a result of strict cost management. At the same time, digital media and ecommerce operations showed strong revenue growth against the previous year. However, revenue of R4.7bn was 5% lower against the prior year, mainly as a result of further declines in print advertising and circulation, and a lacklustre economy. We continued to invest in digital media, online fashion and ecommerce logistics to diversify the group for the future. The structural decline in print media coupled with the investment in our growth businesses resulted in the trading loss deepening by 18% to R368m. Online audiences and user engagement grew strongly and several initiatives were launched to improve the user experience through smart technology.

OPERATIONAL REVIEW

24.com, home to our digital media brands, grew monthly pageviews by 9% to 398m, with 85% of these coming from mobile devices and apps. With 15.4m monthly users, it entrenched its position as the local leader in digital news, with a 45% audience market share among news sites in the country. News24 Edge, the personalised version of News24, soccer aggregator DailyKick and Nigerian news aggregator Bounce showed encouraging growth in active installs and users. By end March Bounce was the top news app in Nigeria with over one million downloads. Financial news site Business Insider was successfully launched in February 2018. Media24 won a record 21 awards at the annual Bookmark Awards for digital excellence.

We significantly increased the value proposition of our Afrikaans subscription title Netwerk24 by adding the print and digital content of our Afrikaans magazines that to produced by our countrywide news teams. Netwerk24, with the tagline 'Everything in one place', grew paid subscriptions by 73% and entrenched its position as the biggest subscription news and lifestyle site in South Africa. The digital content of our English magazines is now available on our flagship English digital property, News24, and its content channels. Engagement grew significantly, with readers spending an average of 21 minutes per day on the Netwerk24 app and over 19 minutes per day on the News24 app by year-end.

Our **print media** division delivered strong results, with our newspapers benefiting from solid retail advertising and cost efficiencies boosting profitability. Our newspapers and magazines maintained their leading position in circulation and advertising market share. Soccer Laduma, the largest local weekly newspaper in terms of readership and sold copies, and Son delivered record profits. We publish five of the country's top 10 circulating papers and six of the top 10 magazines, measured by circulation. Syndication subsidiary Gallo Images recorded strong growth in Eastern Europe and posted record profits.

Afrikaans lifestyle and entertainment television channel **VIA** grew its average daily viewership by 70% and won several awards for its programmes.

Our **book publishers** had an excellent year, with Jacques Pauw's The President's Keepers (published by Tafelberg) becoming one of the fastest selling books in South African publishing history. Jonathan Ball Publishers' local publishing list also included a number of top sellers such as Enemy of the People by Media24 editors Adriaan Basson and Pieter du Toit, and Pedi Tihabi's Khwezi. NB Publishers and Jonathan Ball Publishers retained their positions as the biggest local trade publisher and trade agency respectively. Academic publisher Van Schaik and schoolbook publisher Via Afrika also grew profitability on the back of solid textbook orders.

Online fashion store **Spree** grew shoppers by 28% and orders by 49% against the previous year. It launched image-search functionality in its app whereby users can upload pictures and view similar items for sale in the app – a first for eFashion in Africa. **Contract Logistics**, the biggest ecommerce fulfilment company in South Africa which services Spree as well as major retailers who have gone online, recorded solid revenue growth. Its performance was, however, affected by warehouse disruptions at the Johannesburg distribution centre. Online job classifieds portal **Careers24** improved its product suite substantially and made significant progress with its value offering to clients.

DIRECTORATE

As previously reported, Cindy Hess, Media24 group chief financial officer (CFO) and director responsible for the finance function, stepped down on 31 October 2017. The Media24 board thanks Cindy for her valuable contribution and wishes her well with future endeavours. Former group CFO and current non-executive Media24 director Abdurahman (Manie) Mayman has been appointed acting group CFO from 1 November 2017.

FINANCIAL REVIEW

Effective 25 September 2017, Media24 reduced its investment in Novus Holdings from 66.5% to 19% via an unbundling to Naspers shareholders. This was done to comply with conditions set by the Competition Tribunal for its approval of the two companies' merger filing. As at 31 March 2018, the remaining 19% investment in Novus Holdings is carried as an available-for-sale investment and its results are no longer consolidated on a line-by-line basis. As such, the results of Novus Holdings for the six months ended 30 September 2017, as well as the loss incurred on unbundling, are reflected as discontinued operations, below operating profit, with comparative figures restated accordingly.

Media24 (excluding Novus Holdings) recorded satisfactory results, with the expected decline in traditional revenue streams offset by significant cost reductions.

The growth portfolio of digital businesses grew revenue by 23% during the period, largely as a result of Spree (+53%) and digital media (+12%). It contributed 15% of Media24's total revenue. These businesses continued to invest to build scale and get to break-even point, which resulted in higher net operating losses for the growth portfolio. Online travel, television channel VIA and HuffPost SA also contributed new revenue. Pleasingly, the trading profit for the mature businesses, which include print and book publishing as well as distribution, improved by 62% against the prior year. Our print publishers' advertising and circulation revenue declined by 8% and 10% respectively, in line with industry trends. Revenue from book publishing was flat, but profitability more than doubled.

Free cash outflow improved significantly against the previous year due to higher profitability, reduced capital expenditure and the proceeds from the sale of assets, but was partly eroded by higher net working capital and marginally higher tax paid.

Due to the Competition Tribunal's merger approval condition, Media24 required recapitalisation pre-unbundling of the investment in Novus. Media24 therefore issued 70 B ordinary shares in the amount of R1.4bn to Naspers. The affected Novus shares were distributed to B ordinary shareholders through an in specie dividend. A special cash dividend of R216m was declared to Welkom Yizani. This resulted in a special cash dividend of R14.79 per share to Welkom Yizani shareholders, representing their proportionate share of the unbundling value. Naspers waived its right to participate in this special cash dividend.

Media24 now has a well-capitalised balance sheet to pursue its digital and ecommerce strategies with R1.4bn of cash and other investments available to continue to fund our diversification strategies for the foreseeable future.

DIVIDEND

The board recommends that, subject to the approval of shareholders at the annual general meeting on 28 August 2018, a dividend of R42m (2017: R42m) be declared and paid to shareholders.

WELKOM YIZANI

Welkom Yizani, established as Media24's broad-based black economic empowerment scheme in 2006, started trading its shares in December 2013. Welkom Yizani shareholders were able to derive immediate economic benefit from their shares since 2017 when Naspers Limited, the preference shareholder in Welkom Yizani, waived additional preference share debt and accrued interest owed to it by Welkom Yizani to the value of R51.6m. Naspers Limited has waived a total of R434m during 2016.

The Registrar of Securities Services (the Registrar) has indicated that all traditional over-the-counter trading platforms such as Welkom Yizani should bring their affairs in line with the Financial Markets Act, 2012 (the FM Act). Welkom Yizani has been engaging with the Financial Services Board (now the FSCA) to comply with the FM Act. As part of this process MultiChoice and Media24 are investigating various options, including the establishment of a company Yizani Phuthuma Nathi (YPN), which has applied for an exchange licence to facilitate the trading of broad-based black economic empowerment shares issued by companies within the Naspers group. During this process trading of Welkom Yizani shares on the current trading platform continues unchanged. Welkom Yizani continues to build on the positive engagement it has had with the Registrar and remains committed to complying with any directives and/or conditions issued by the Registrar. It is exempted from complying with the FM Act for a period of six months after the Registrar's decision whether to grant an exchange licence to YPN. As at 31 March 2018, Welkom Yizani had 89 166 shareholders.

The Welkom Yizani annual general meeting will be held on 28 August 2018. Its board recommends that an ordinary dividend of R6.2m (2017: R6.2m) be declared to ordinary shareholders. This will result in a dividend of 42.5 cents per ordinary share (2017: 42.5 cents per ordinary share), before dividend tax. After deducting dividend tax, Welkom Yizani ordinary shareholders will receive a net dividend of 34 cents per ordinary share (2017: 34 cents per ordinary share). The declaration of dividends is subject to approval by shareholders at the annual general meetings.

BASIS OF PRESENTATION

The summary consolidated annual results are prepared in accordance with the requirements of the Companies Act applicable to summary financial statements. The summary consolidated annual results have been prepared in accordance with the framework concepts, and measurements and recognition requirements of International Financial Reporting Standards (IFRS). The summary consolidated financial statements should be read in conjunction with the full audited consolidated annual financial statements. These accounting policies have been applied consistently to all the years presented, unless otherwise stated.

Trading loss excludes amortisation of intangible assets (other than software), other gains or losses and equity-settled share-based compensation charges. Core headline loss exclude non-recurring and non-operating items. We believe this is a useful measure of the group's sustainable operating performance. However, it is not a defined term under IFRS and may not be comparable with similarly titled measures reported by other companies.

The financial results have been prepared under the supervision of Abdurahman (Manie) Mayman CA(SA), acting group CFO of the Media24 Holdings group.

The complete annual financial statements are available on the Media24 website at www.media24.com.

REPORT OF THE INDEPENDENT AUDITOR

This annual results announcement has been extracted from audited information, but is not in itself audited. The consolidated annual financial statements were audited by PricewaterhouseCoopers Inc., who expressed an unqualified opinion thereon. Its unqualified audit opinion is available on request at the company's registered office during normal office hours (contact: Manie Mayman). Any reference to future financial performance in this announcement has not been reviewed or reported on by PricewaterhouseCoopers Inc.

On behalf of the board

Rachel Jaffa **Esmaré Weideman**
Chair *Chief executive*
Cape Town
15 June 2018

SUMMARY CONSOLIDATED INCOME STATEMENT

	Year ended 31 March	
	2018 Audited R'm	2017 Audited R'm
Continuing operations		
Revenue	4 686	4 933
Cost of providing services and sale of goods	(3 510)	(3 803)
Selling, general and administration expenses	(1 566)	(1 459)
Other gains/(losses)	17	(27)
Operating loss	(373)	(356)
Interest received	68	13
Interest paid	(8)	(10)
Other finance costs – net	(8)	(6)
Share of equity-accounted results of associates	(2)	(2)
Share of equity-accounted results of joint ventures	19	23
Profit on sale of investments	10	19
Loss before taxation	(294)	(319)
Taxation	(35)	(26)
Loss from continuing operations	(329)	(345)
(Loss)/profit from discontinued operations	(36)	257
Loss for the year	(365)	(88)
Attributable to:		
Equity holders of the group	(500)	(196)
Non-controlling interests	135	108
	(365)	(88)
Continuing operations		
Core headline loss for the year	(353)	(351)
Headline loss for the year	(381)	(347)

RECONCILIATION OF OPERATING LOSS TO TRADING LOSS

	Year ended 31 March	
	2018 Audited R'm	2017 Audited R'm
Continuing operations		
Operating loss	(373)	(356)
Amortisation of intangible assets	3	4
Equity-settled share-based payment charges	19	12
Other (gains)/losses	(17)	27
Trading loss	(368)	(313)

Directors

R C C Jaffa (chair), E Weideman, G M Landman, S S de Swardt, D Meyer, H S S Willems, J C Held, A Mayman, J P Bekker, T D Petersen

Group company secretary

L J Klink

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 March	
	2018 Audited R'm	2017 Audited R'm
Loss for the year	(365)	(88)
Total other comprehensive (loss)/income, net of tax, for the year	(214)	2
Cash flow hedges	24	–
Actuarial remeasurement reserve	(42)	5
Fair-value reserve	(177)	–
Movement in other reserves	(12)	(3)
Tax on other comprehensive income	(7)	–
Total comprehensive loss for the year	(579)	(86)
Attributable to:		
Equity holders of the group	(720)	(194)
– Continuing operations	(583)	(364)
– Discontinued operations	(137)	170
Non-controlling interest	141	108
Total comprehensive loss for the year	(579)	(86)

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Year ended 31 March	
	2018 Audited R'm	2017 Audited R'm
Balance at the beginning of the year	2 951	3 191
Total comprehensive loss for the year	(720)	(194)
Changes in other reserves	199	(76)
Movement in share-based compensation reserve	(43)	(41)
Movement in other reserves	86	(37)
Movement in retained earnings	(9)	41
Dividends paid to shareholders	(1 275)	(39)
Subscription of B ordinary shares	1 440	–
Changes in non-controlling interest	(1 273)	30
Total comprehensive income for the year	141	108
Dividends paid to minorities	(117)	(88)
Movement in non-controlling interest in reserves	–	10
Novus unbundling	(1 297)	–
Balance at the end of the year	1 157	2 951
Comprising:		
Share capital and premium	4 867	4 867
Retained earnings	(2 536)	(753)
Share-based compensation reserve	12	56
Existing control business combination reserve	(3 527)	(3 621)
Capital contribution	2 517	1 077
Hedging reserve	–	(3)
Actuarial remeasurement reserve	(59)	(17)
Fair value reserve	(177)	–
Foreign currency translation reserve	9	20
Non-controlling interest	51	1 325
Total	1 157	2 951

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 March	
	2018 Audited R'm	2017 Audited R'm
ASSETS		
Non-current assets	958	742
Current assets	2 442	1 356
Assets classified as held for sale	–	3 541
Total assets	3 400	5 639
EQUITY AND LIABILITIES		
Capital and reserves	1 157	2 951
Non-current liabilities	403	223
Current liabilities	1 840	1 746
Liabilities classified as held for sale	–	719
Total equity and liabilities	3 400	5 639

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 March	
	2018 Audited R'm	2017 Audited R'm
Cash flow (used in)/generated from operating activities	(163)	324
Cash flow utilised in investing activities	(52)	(118)
Cash flow utilised in financing activities	(113)	(279)
Net movement in cash and cash equivalents	(328)	(73)
Foreign exchange translation adjustments	–	(1)
Cash and cash equivalents at the beginning of the year	218	519
Movement in cash due to discontinued operations	409	(227)
Cash and cash equivalents at the end of the year	299	218

COMMITMENTS AND CONTINGENCIES

	Year ended 31 March	
	2018 Audited R'm	2017 Audited R'm
Capital expenditure	4	49
Operating lease commitments	195	209
Commitments	199	258

FINANCIAL INSTRUMENTS

	Fair-value measurements at 31 March 2018 using:		
	Quoted prices in active markets for identical assets or liabilities (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)
	R'm	R'm	R'm
The fair value of the group's financial instruments that are measured at fair value at each reporting period is categorised as follows:			
Assets			
Available-for-sale investments	278	–	–
Liabilities			
Foreign exchange contracts	–	7	–
Earn-out obligations/contingent considerations	–	–	27
	Fair-value measurements at 31 March 2017 using:		
Assets			
Available-for-sale investments	–	3	4
Foreign exchange contracts	–	2	–
Liabilities			
Foreign exchange contracts	–	19	–

CALCULATION OF HEADLINE AND CORE HEADLINE LOSS

	Year ended 31 March	
	2018 Audited R'm	2017 Audited R'm
Continuing operations		
Net loss attributable to shareholders	(352)	(367)
<i>Adjusted for:</i>		
– Impairment of goodwill/other assets	3	29
– Profit on sale of property, plant and equipment and intangibles	(20)	(2)
– Profit on sale of investments	(12)	(19)
Total tax effects of adjustments	–	12
Headline loss	(381)	(347)
<i>Adjusted for:</i>		
– Amortisation of intangible assets (excluding software)	3	4
– Foreign exchange losses	4	2
– Recognition of deferred tax assets relating to prior-year losses	–	(22)
– Remeasurement of contingent consideration	2	–
– Equity-settled share-based payment charges	19	12
Core headline loss	(353)	(351)

DISCONTINUED OPERATIONS

	Six months ended 30 September		Year ended 31 March 2017 Audited R'm
	2017 Reviewed R'm	2017 Audited R'm	
Revenue	1 827	4 312	
Expenses	(1 526)	(3 951)	
Profit before tax	301	361	
Taxation	(62)	(104)	
Profit after tax	239	257	
Loss on distribution of subsidiary	(275)	–	
(Loss)/profit from discontinued operations	(36)	257	
Cash flow (utilised in)/generated from operating activities	(242)	342	
Cash flow utilised in investing activities	(79)	(231)	
Cash flow utilised in financing activities	(88)	(151)	
Net movement in cash and cash equivalents	(409)	(40)	

Registered office

Media24 Centre, 40 Heeregracht, Cape Town 8001 (PO Box 2271, Cape Town 8000)

Transfer secretaries

Equity Express, a division of Singular Systems Proprietary Limited
71 Corlett Drive, Birnam 2196 (PO Box 1266, Bramley 2018)