

OVERVIEW

Media24 recorded strong growth in digital media and ecommerce activities in the review period, but total group revenue was flat year on year. This was mainly due to ongoing declines in print advertising and circulation, a lacklustre economy and the weak rand. At the same time, we continued to invest in new and existing growth initiatives to diversify the group for the future. This resulted in trading profit of R245m being 39% weaker against the prior year. Volume declines in the mature print media businesses were partly offset by successful cost-reduction programmes and further streamlining of their publishing portfolios. Digital audiences and engagement grew strongly, and several new products were launched.

OPERATIONAL REVIEW

News and entertainment portal **24.com** – which houses all our digital media brands – extended its leadership in terms of reach and engagement. Monthly unique browsers grew by 35% year on year to reach 17m and pageviews increased by 41% to 388m, driven by mobile web and apps. News24 continues to lead the pack in terms of news apps in South Africa, and the Afrikaans paid news platform, Netwerk24, recorded strong growth in subscriptions. New products during the period included personalised apps News24 Edge in South Africa and BounceNews in Nigeria as well as free newflash app NetNuu. HuffPost South Africa was successfully launched in November 2016.

The group's **Print Media** division, comprising News, Lifestyle and On the Dot, recorded pleasing results despite continued revenue declines.

Trading profit for the **News** division was in line with expectations, with lower revenues significantly offset by cost savings. We extended our advertising market leadership, retained our leading circulation market share among daily and Sunday newspapers and continued to gain ground in the local newspaper segment. Daily Sun once again delivered a solid performance, while Soccer Laduma saw a strong uplift in advertising. A number of local newspapers reached record advertising and profit levels.

Media24 **Lifestyle**, home to our portfolio of excellent consumer magazines, remains the market leader in print and digital advertising and circulation by a considerable margin, and our titles expanded their reach with double-digit growth in digital audiences. Contract publisher New Media yet again posted outstanding results as it continues to focus on new revenue sources, while syndication subsidiary Gallo Images recorded strong sales growth in new markets in Eastern Europe and Russia. Afrikaans weekly Huisgenoot celebrated its centenary with several special projects.

Distribution business **On the Dot** delivered an exceptional performance, driven by the ongoing rationalisation of its cost base.

Lifestyle and entertainment television channel **VIA** saw strong audience growth in its first full year of operation and is now the most popular lifestyle channel for Afrikaans viewers on DStv.

Our **Books** portfolio posted excellent results, with both NB Publishers and Jonathan Ball Publishers retaining their top positions as the biggest local trade publisher and trade agency respectively. Print book sales were buoyant, but ebook sales remained flat. Van Schaik Publishers performed well amid campus instability, while Via Afrika benefited from solid government textbook orders.

Our online fashion business, **Spree**, significantly outperformed revenue expectations – driven by its shopping apps and an expanded product range featuring more local and international brands. During the year a second warehouse was launched. The **efulfillment** operation, operating under the On the Dot brand, rolled out ecommerce services in Johannesburg for two further large retail clients and acquired a minority stake in a local crowdsourced delivery startup.

Online recruitment classifieds business **Careers24** posted good revenue growth despite a weak jobs climate and heightened competition. We made significant investments to improve the effectiveness of the platform.

Novus Holdings's performance was negatively affected by the continued decline in print media volumes and increased production costs. The performance of the tissue operation was hampered by a disruption in planned capacity expansion, while the labels division achieved profitability. The group continues to enhance production efficiencies to drive profitability in its core printing operations.

DIRECTORATE

Abduraghaman (Manie) Mayman retired as the Media24 group chief financial officer on 31 October 2016 and was succeeded by Cindy Hess on 1 November 2016. On 1 February 2017 Manie retired as Media24's executive director responsible for the finance function, on which date he was replaced by Cindy in this capacity. On 1 April 2017 Manie was appointed a non-executive director of Media24 and Media24 Proprietary Limited. Résumés for all directors appear on the Media24 website.

FINANCIAL REVIEW

Notwithstanding good growth in ecommerce and digital media revenues, consolidated group revenue remained flat year on year as a result of continued structural shifts in the print media sector, tough trading conditions and pressurised South African consumers. Advertising and circulation revenues declined by 6% to R3,1bn, in line with industry trends. Printing revenue through Novus Holdings increased by 6% to R2,9bn due to a better-than-expected performance in educational books, as well as price inflation and growth in label printing. The group's total book sales and publishing revenue declined by 15% following the sale of Leserskring/Leisure Books. The remaining books portfolio has, however, generated satisfactory revenue growth, with a strong performance in South African schoolbook sales offsetting lower than anticipated orders in Botswana and declines in the general trade sector. Pleasing revenue growth in our non-print portfolio resulted mainly from ecommerce activities (+84%), digital advertising (+32%), digital subscriptions (+15%) and tissue manufacturing (+8%). Overall, non-traditional diversification revenues grew 60% year on year and now contribute 8% of consolidated group revenues (FY16: 5%).

Consolidated trading profit decreased by 39% to R245m, largely as a result of Novus's cost inflation (mainly exchange related) along with on-off commissioning costs in respect of diversification and plant amalgamation projects. Significant cost reductions in the print media business, and centralised group services (IT and finance shared services), partly offset lost advertising and circulation revenues. Cost reduction strategies and prudent spending have become critical success factors as the group continues to make substantial investments in its digital media, ecommerce and job classifieds businesses.

Group earnings were further affected by a R139m asset impairment relating to excess capacity in Novus Holdings, partly offset by a R20m profit on disposal of the INET BFA business.

The group's free cash flow decreased significantly to a net outflow of R11m. This resulted mainly from a R163m decline in EBITDA, exacerbated by the growth-related investment in Spree inventory and lower accruals. This was partly offset by improved debtors days throughout the group.

DIVIDEND

The board recommends that, subject to the approval of shareholders at the annual general meeting on 28 August 2017, a dividend of R42m (2016: R39,3m) 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 2013. In the past year Naspers Limited, preference shareholder in Welkom Yizani, waived more preference share debt and accrued interest owed to it by Welkom Yizani to the value of R51,6m. In total Naspers Limited has accordingly waived a total of R434m between March and May 2016. This means that Welkom Yizani's shareholders are now able to derive immediate economic benefit from their shares.

The Registrar of Securities Services (the Registrar) has indicated that all traditional over-the-counter trading platforms such as Welkom Yizani should regularise their affairs in terms of the Financial Markets Act of 2012 (FM Act). Welkom Yizani has had ongoing engagement with the Financial Services Board (FSB) to bring its affairs in line with the requirements of the FM Act. As part of this process, MultiChoice (also part of the Naspers group) and Media24 have established the 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 said process, trading of Welkom Yizani shares on the current trading platform continues. 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 on whether to grant an exchange licence to YPN. As at 31 March 2017, Welkom Yizani had 90 452 shareholders.

The Welkom Yizani annual general meeting will be held on 28 August 2017. Its board recommends that an ordinary dividend of R6,2m (2016: R5,8m) be declared to ordinary shareholders. This will result in a dividend of 42,5 cents per ordinary share (2016: 40 cents per ordinary share) before dividend tax. After deducting dividend tax of 20% (2016: 15%), Welkom Yizani ordinary shareholders will receive a net dividend of 34 cents per ordinary share (2016: 34 cents per ordinary share). The declaration of the dividend is subject to approval by shareholders at the annual general meeting on 28 August 2017.

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 summarised 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 profit excludes amortisation of intangible assets (other than software), other gains or losses and equity-settled share-based compensation charges. Core headline earnings 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 Cindy Hess, chief financial officer 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: Cindy Hess). Any reference to future financial performance in this announcement has not been reviewed or reported on by PwC.

On behalf of the board

Rachel Jafta **Esmaré Weideman**
Chair *Chief executive*
Cape Town
23 June 2017

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Year ended 31 March	
	2017	2016
	Audited	Audited
	R'm	R'm
Revenue	8 051	8 116
Cost of providing services and sale of goods	(5 816)	(5 549)
Selling, general and administration expenses	(2 035)	(2 213)
Other losses	(162)	(70)
Operating profit	38	284
Interest received	26	31
Interest paid	(21)	(23)
Other finance costs	(41)	(23)
Share of associate equity-accounted results	(2)	(2)
Share of joint venture equity-accounted results	23	22
Profit on acquisitions and disposals	19	34
Profit before taxation	42	323
Taxation	(130)	(220)
(Loss)/Profit for the period	(88)	103
Attributable to:		
Equity holders of the group	(196)	(79)
Non-controlling interest	108	182
	(88)	103
Core headline (loss)/earnings for the year	(117)	21
Headline loss for the year	(111)	(45)

RECONCILIATION OF OPERATING PROFIT TO TRADING PROFIT

	Year ended 31 March	
	2017	2016
	Audited	Audited
	R'm	R'm
Operating profit	38	284
Amortisation of intangible assets (excluding software)	5	11
Share-based compensation – equity-settled	40	35
Other losses	162	70
Trading profit	245	400

Directors

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

Group company secretary

L J Klink

SUMMARY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 March	
	2017	2016
	Audited	Audited
	R'm	R'm
(Loss)/Profit for the year	(88)	103
Total other comprehensive income, net of tax, for the year	2	7
Cash flow hedges	–	5
Actuarial remeasurement reserve	5	1
Movement in other reserves	(3)	(3)
Tax on other comprehensive income	–	2
Total comprehensive (loss)/income for the year	(86)	110
Attributable to:		
Equity holders of the group	(194)	(73)
Non-controlling interest	108	183
	(86)	110

SUMMARY CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Year ended 31 March	
	2017	2016
	Audited	Audited
	R'm	R'm
Balance at the beginning of the year	3 191	3 424
Total other comprehensive loss for the year	(194)	(73)
Changes in other reserves	(76)	(233)
Movement in share-based compensation reserve	(41)	25
Movement in existing control business combination reserve	(37)	(4)
Movement in retained earnings	41	(9)
Dividends paid to shareholders	(39)	(245)
Changes in non-controlling interest	30	73
Total comprehensive income for the year	108	183
Dividends paid to minorities	(88)	(91)
Movement in non-controlling interest in reserves	10	(19)
Balance at the end of the year	2 951	3 191
Comprising:		
Share capital and premium	4 867	4 867
Retained earnings	(753)	(558)
Share-based compensation reserve	56	96
Existing control business combination reserve	(3 621)	(3 584)
Capital contribution	1 077	1 077
Hedging reserve	(3)	(3)
Actuarial remeasurement reserve	(17)	(22)
Foreign currency translation reserve	20	23
Non-controlling interest	1 325	1 295
Total	2 951	3 191

SUMMARY CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 March	
	2017	2016
	Audited	Audited
	R'm	R'm
ASSETS		
Non-current assets	742	3 362
Current assets	1 356	2 545
Non-current assets classified as held for sale	3 541	63
Total assets	5 639	5 970
EQUITY AND LIABILITIES		
Capital and reserves	2 951	3 191
Non-current liabilities	238	535
Current liabilities	1 731	2 244
Non-current liabilities classified as held for sale	719	–
Total equity and liabilities	5 639	5 970

SUMMARY CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 March	
	2017	2016
	Audited	Audited
	R'm	R'm
Cash flow generated from operating activities	324	654
Cash flow used in investing activities	(118)	(331)
Cash flow used in financing activities	(279)	(296)
Net movement in cash and cash equivalents	(73)	27
Foreign exchange translation adjustments	(1)	1
Cash and cash equivalents at the beginning of the year	519	491
Reclassification of cash in held-for-sale disposal group	(227)	–
Cash and cash equivalents at the end of the year	218	519

COMMITMENTS

	Year ended 31 March	
	2017	2016
	Audited	Audited
	R'm	R'm
Capital expenditure	49	92
Operating lease commitments	209	224
Commitments	258	316

FINANCIAL INSTRUMENTS

	Fair-value measurements at 31 March 2017 using:		
	Quoted prices in active markets for identical assets or liabilities (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)
	Audited R'm	Audited R'm	Audited 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	–	3	4
Foreign exchange contracts	–	2	–
Liabilities			
Foreign exchange contracts	–	19	–

	Fair-value measurements at 31 March 2016 using:		
	Quoted prices in active markets for identical assets or liabilities (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)
	Audited R'm	Audited R'm	Audited R'm
Assets			
Foreign exchange contracts	–	5	–
Liabilities			
Foreign exchange contracts	–	18	–

	Year ended 31 March	
	2017	2016
	Audited	Audited
	R'm	R'm
Net loss attributable to shareholders	(196)	(79)

	Year ended 31 March	
	2017	2016
	Audited	Audited
	R'm	R'm
Adjusted for:		
– Impairment of goodwill/other assets	170	71
– Profit on sale of property, plant and equipment and intangibles	(5)	(3)
– Profit on sale of investments	(22)	(32)
Total tax effects of adjustments	(26)	(1)
Total adjustment for non-controlling interest	(32)	(1)
Headline earnings	(111)	(45)
Adjusted for:		
– Amortisation of intangible assets (excluding software)	5	12
– Foreign exchange gains/(losses)	(12)	30
– Recognition of deferred tax assets relating to prior year losses	(25)	–
– Equity-settled share-based payment charges	26	24
Core headline (loss)/earnings	(117)	21

Registered office

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

Transfer secretaries

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