Tiso Blackstar Group

Investor presentation

Results for year ended 30 June 2017

October 2017

Beyond print
Beyond news

Tiso Blackstar Group is a global company with its roots in Africa, operating market-leading media, broadcast and retail marketing properties. The group has strong exposure to the rapidly growing digital, broadcast and mobile markets, with a leading position in South Africa and a broad footprint across Kenya, Ghana and Nigeria.

The company is South Africa's largest national English publishing group, the second largest digital publisher, owns the largest music and independent film catalogues on the African continent and operates unique TV channels. The Hirt & Carter group is the biggest marketing solutions company for the retail sector in Africa. We are also the proud custodians of iconic brands that include the Sunday Times, Sowetan, Financial Mail, The Herald, Gallo Music and Uniprint.

The Tiso Blackstar Group business model is underpinned by a unique network of assets, dedication to excellence and a strong entrepreneurial focus. We are committed to providing quality content and services to our varied audiences and customers and value to our investors.

Agenda

1. **Group summary**
2. Hirt & Carter
3. Media, Broadcast and Content
4. Non-core assets
5. Financials
6. Future outlook

Organogram

Media

Newspapers
- Sunday Times
- The Times
- Sowetan
- Sunday World
- BusinessDay
- financialmail
- Daily Dispatch
- Saturday Dispatch
- The Herald
- WeekendPost

Magazines
- HOME OWNER
- wanted
- THE EDIT
- Sowetan S Magazine
- mims
- DIGEST
- khuluma
- ARCHSA
- RSD
- SA MINING
- SCHOOLS COLLECTION
- VOICE

Digital
- TimesLIVE
- BusinessLIVE
- Sowetan LIVE
- wanted
- Herald LIVE
- HOME OWNER
- financialmail
- Daily Dispatch LIVE
- emims
- TSHISA LIVE

Events
- THE EMPIRE
- tiso blackstar events.

Broadcast and Content

TV
- BusinessDay TV
- thehomechannel
- IGNITION
- MultiTV
- KISS TELEVISION
- BAMBA
- ADOM TV
- JOY NEWS
- JOY PRIME

Radio
- RISE fm
- mpumalanga azishe
- Vuma 103FM
- RADIO JAMBO
- KISS FM 100.3
- CLASSIC105
- Joy 99.7FM
- Adom 106.3 FM
- 105.5 Xfm Real Music
- LAGOS TALKS 91.3FM
- Joy 99 FM
- 99.5FM
- asempa 94.7 FM
- Nhyira 104.5 fm

Content
- EMPIRE
- GALLO MUSIC PUBLISHERS
- ochre moving pictures
- indiGENUS Film Distribution

Hirt & Carter

Retail
- HIRT & CARTER
- UNIPRINT
- silo
- 185 solutions
- TRIUMPH PRINTING
- BATES PRINTING
- PATON TUPPER
- symmetry
- SOFTWARE SOLUTIONS
- HIVE CONNECT
- bbs Bothma Branding Solutions

Non-core

- CONSOLIDATED STEEL INDUSTRIES (PTY) LTD
- robor steel, tube and pipe
- kth

Group summary

- The results for the year ended 30 June 2017 are the **Group's first full year of consolidated Financial Statements**, having previously accounted as an Investment Entity (as defined in IFRS10).

- It was a difficult financial year, in tough economic conditions. This was exacerbated by political and policy uncertainty across most of the regions that the company operates in.

- Despite this, Tiso Blackstar **Group's core businesses posted above-inflation growth** and are well positioned for an economic recovery.

- The steel industry is particularly sensitive to the current lack of economic growth and as such the performance of non-core steel business Robor reflected this and offset growth by the group's other steel company, CSI. Strategies are being implemented to halt further declines.

- The **Core business achieved a Level 2 B-BBEE contributor status**, as per the Broad-Based Black Economic Empowerment Codes of Good Practice which came into effect 1 May 2015.

- In July 2017, the sale of a minority interest in KTH Holdings for R1.5 billion, was agreed upon.

New premises

The move to our purpose-built new premises 'Hill on Empire' in Parktown North at a significantly reduced rental.

Redesigns

The relaunch of the group's newspaper titles – including the Sunday Times, Sowetan and Business Day.

The launch of the group's new eventing and conference centre – The Empire.

The introduction of a digitally paywalled 'super site' for Business Day and Financial Mail, called Business Live.

Strategic developments

The Group's films division (renamed Empire Entertainment) being appointed the official South African distribution partner for Metro-Goldwyn-Mayer (MGM).

The migration of Tiso Blackstar Group from Malta to the United Kingdom.

Listing

Listing transferred from the AltX to the JSE Main Board.

Acquisitions

The Hirt & Carter Group acquired both Triumph Packaging and Bothma Business Solutions.

Consolidation

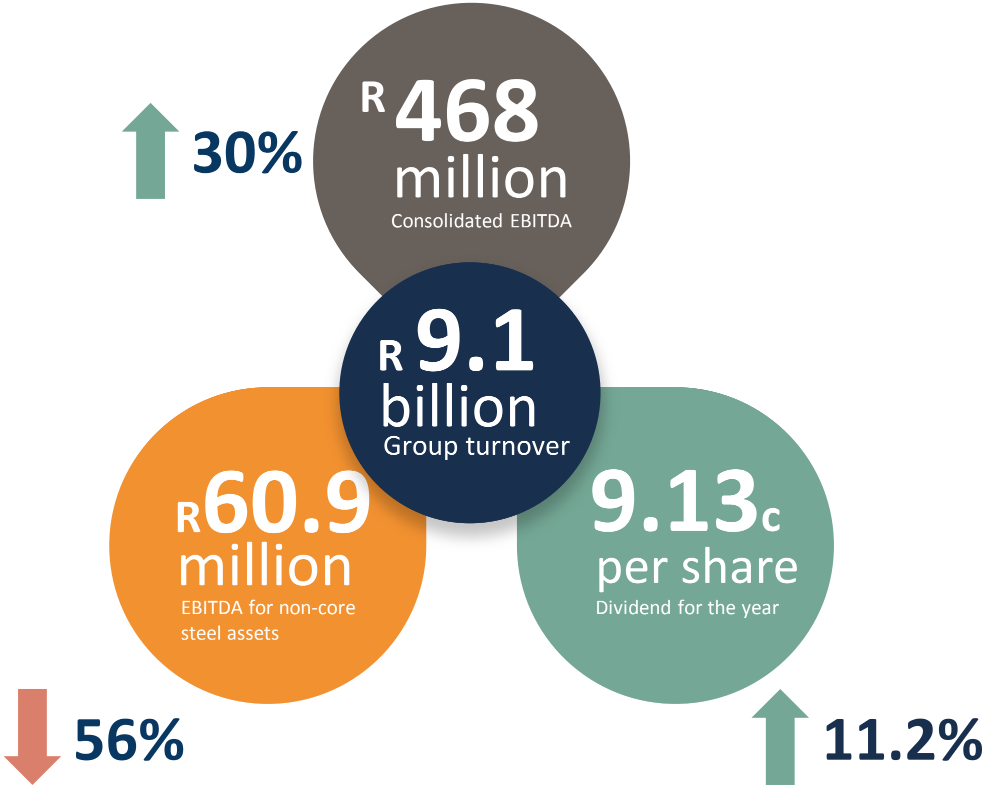
The successful consolidation of Uniprint and other sub-brands under the Hirt & Carter Group banner.

Market leader

Ghanaian business Multimedia group recording significant growth in revenues and audiences to become the country's leading TV and Radio business.

Financial highlights – Year ended 30 June 2017

- Consolidated **Group EBITDA increased by 30%** from R359.6 million to R467.6 million.
- Consolidated **Group turnover increased to R9.1 billion** from R8.1 billion.
- Strong performance from media with EBITDA up 26%.
- Strong performance also achieved by the Hirt & Carter Group in tough conditions.
- EBITDA for non-core steel assets declined 56% to R60.9 million.
- **Increased dividend** to 9.13 cents per share.



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HIRT|CARTER GROUP

INTEGRATED MARKETING SOLUTIONS

IDEAS

World class design & strategic capability for a range of instore, digital, promotional and packaging solutions.

symmetry

PATON TUPPER

PATON TUPPER DIGITAL

TECHNOLOGY

Integrated software systems to manage and optimise B2B marketing workflow & consumer digital activation.

HIVE CONNECT

HIRT & CARTER SOFTWARE SOLUTIONS

PRODUCTION

One of the largest state-of-the-art print and production capacities in the southern hemisphere.

TRIUMPH PACKAGING

HIRT & CARTER

BATES PRINTING

UNIPRINT FORMS & LABELS

bbs Bothma Branding Solutions

DATA

The largest unified brand resource in the country, including up-to-date images and a full Metadata solution extending to product and promotional data.

silo

BUSINESS **NOT** AS USUAL

INCREASINGLY CUSTOMER-CENTRIC

Delighting our customers with thought leadership and a visionary mindset in all we do.

GROWING GLOBAL MARKET INTEREST

United Kingdom

Ireland

Chicago

EVOLVING TURNKEY GROUP SERVICE OFFERING

Group offering continues to be refined to offer the best value to our clients.

PIONEERING IN-HOUSE RESERCH PROJECTS

In-house research projects to leverage best practice.

BROADENING STRATEGIC DESIGN CAPABILITY

Store design

Category re-innovation

Globally alligned retail POS

Strategic priorities

- Drive **profitable growth** in each of our **core divisions**.
- Extending the range of our capabilities, product and service offerings to **fuel organic growth from our diverse customer base**.
- Continue **expansion of our digital capabilities**, including key print technology, content management, data and analytics, software services and multi-channel capabilities for targeted customers.
- Optimise our business performance through **service, quality and operational excellence**.
- Deliver **superior returns to our Shareholders**.

Hirt & Carter – Group performance

9.6% sales growth.

R245m EBITDA thanks to 4.3% growth.

1.1% improvement in margin YoY as the Investment in new digital technology in the Group started having an impact in the 2nd 6 months.

15% growth in Key Customers, with the growth in services to current customers and the addition of new key customers during the year.

Key Highlights

- **Integration of H&C and Uniprint** to create the H&C Group starts with the aim of delivering holistic solutions to Group customers.
- **Commissioning of new 45 000 sqm facility** in Cornubia to consolidate all Durban operations and modernise the business.
- **Acquisition of Triumph Packaging and BBS** to further enhance our customer offering.

New business units set up during the year

- **Copperfield Studios** – allows customers to de-couple creative and process across all mediums, drive workflow efficiencies, and deliver cost savings through the application of leading technology.
- **Hive Connect** – which is focused on delivering digital solutions to customers, launched in March and has already attracted interest from key blue chip customers.

Key acquisitions

- **Triumph Packaging** – delivering folding carton packaging solutions to customers.
- **Bothma Branding Solutions** – BBS specialise in signage and branding for blue chip customers and their addition to the Group will grow our client offering substantially as well contributing to our earnings growth (effective 1 July 2017).

H&C Software Solutions

25% sales growth

H&C Software Solutions continues to grow it's customer base and deliver growth. **International opportunities for expansion exist** through key partnerships.

Products launched

- Marketing Management Platform for the Manufacturing Sector.
- Digital Asset Manager platform.

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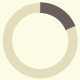
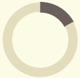
Media, Broadcast and Content - Performance



18.7% increase in media revenue following the restructuring of the business.

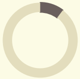
25.8% growth in full year Media EBITDA, driven by restructuring of the past two years and growth of mobile, digital and supplements revenues.



17.0% digital audience subscription growth driven by renewed focus and launch of market-leading paywall site BusinessLive. This has ushered in a new era for quality content in line with global trends. Total audience growth of 21%.

37.2% newspaper EBITDA growth, reflecting the focus on costs, the publication of high-margin supplements and 360° advertising offerings that helped grow market share.

40.0% revenue growth in Ghana's Multimedia after successful TV channels relaunch.



10.3% revenue growth and over 60% earnings growth in TV and radio, contributing the most positive performance in the Broadcast and Content segment. TV production business Ochre and the Group's TV channels posted solid revenue and earnings growth.

New revenues

focus on custom specialist titles and supplements for subscribers grew revenue in 2017.

Media, Broadcast and Content - Summary

- Investment in and commitment to quality content remains core and creates differentiated position.
- The focus on growing subscribers continued, most notably with the launch of the BusinessLive paywall and the recent introduction of the Sunday Times paywall.
- Redesign of newspapers and websites largely completed, products positioned for sustainability and entrenching market leadership.
- Magazines remain strong due to innovative custom publishing and success of SA HomeOwner. Newspaper brand extensions such as Business Day's Wanted, Sowetan's S-Mag and Sunday Times' Edit all contributed to profitability.
- Events business developing as a standalone business and extension of our powerful media brands.
- Broadcast and Content produced strong results save for films whose earnings softened due to fluctuating market. Films remains well positioned for medium-term growth as Africa's premier all-rights distributor with a focus on owned content and quality theatrical product.
- Gallo Music remains profitable with the continued shift from physical to digital making music streaming a core future revenue driver. Progressed development of new frontline artists with growth opportunities sought across the continent.

Media, Broadcast and Content - Highlights

Publishing (Newspapers & Magazines – Digital & Print)

#1

Largest National English language publisher

Sunday paper

Business paper

#2

Largest digital publisher

#1

Largest Radio and TV presence in Ghana

TV and Radio

Leading positions in lifestyle, business and motoring TV channels, TV production and radio stations (Kenya, Ghana, Nigeria, KZN and Mpumalanga).

Films and Music

Leading independent all rights film distributor in Africa and licensor for Fox, Warner and MGM.

Significant and growing music catalogue and frontline representation through Gallo as streaming revenues set to become significant.

SA reach monthly

6.4 million
Newspaper/ Magazine

4.7 million
Television

16.9 million
Total

411 thousand
Radio

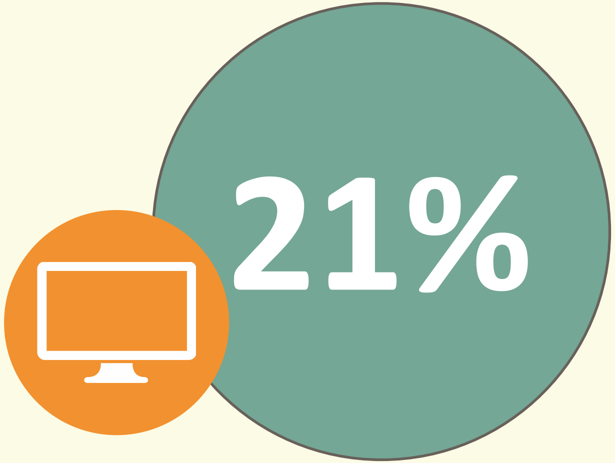
5.8 million
Digital

Source: AMPS2015 Reweighted, Effective Measure Sept 2017

Media insights

- Advertising and core circulation began to find a floor after structural and economic declines in recent years.
- Planned reductions in uneconomical circulation reset the cost base. Major focus on distribution costs to limit inefficiencies of legacy structures.
- **Operating cost improvements and new revenues** from higher margin supplements helped titles weather traditional revenue declines.
- Focus on relevant, topical and quality content for influential customers helped further **differentiate the products from rest of the market**.
- New integrated newsroom improves workflows, faster delivery and production efficiencies.
- Most of the **country's major awards for journalism continue to be won by Tiso Blackstar journalists**.
- The traditional media market continues to face challenges but hands-on cost management and a focus on innovative revenue streams in digital, events, specialist magazine products and sponsored content offers room for further diversification and sustainability.

Growth of digital audience



- Digital subscription model introduced to Business Media titles in February. Strong take up across the board with **high growth potential**.
- New paywall model for Sunday Times introduced in September.
- Growth in Sponsored content output (280%), video views up 45% and **social media reach over 20m**.
- Revenues in Sponsored content, programmatic and Multimedia helped offset decline in traditional CPM income.
- **Total audience growth of 21%** following relaunch of business sites and TimesLive and Sunday Times. Sowetan and Sunday World to launch on new platform in November.

Radio & Broadcast - Insights

- Broadcast (including radio) improved profitability driven by **revenue growth in TV and radio**.
- TV Production business Ochre was boosted by its first drama series for DStv.
- Channels business (BDTV, The Home Channel and Ignition TV) maintained earnings growth despite a tight advertising market.
- Radio stations Vuma in KZN and Rise in Mpumalanga continue to make progress.
- **Turnover at Rise was up over 40% and 20% at Vuma**. New management teams were put in place with a mandate to make the changes needed to drive revenue.
- Both stations are now positioned for further growth this year.

Radio & Broadcast - Insights

- Ghanaian business Multimedia recorded strong growth in revenue and audience to become the country's **leading TV and radio business** by audience share, with Multi TV reaching 33% market share and its radio business recording the largest share of the Greater Accra and Ashanti regions – the largest economic regions in the country.

- A **40% year-to date improvement in revenue and a doubling of profits** was driven by strong TV advertising sales, particularly on local language channel Adom TV which is now the top station in Ghana.

- Radio turnover and EBITDA lagged, but main brands Joy FM and Adom FM held on to their positions in the **Top 3 in a highly competitive Accra market**.

- In Kenya, Radio Africa Group was hit by a cut in government adspend and slowdown ahead of elections, although cost savings achieved at the Star newspaper moved it into profitability.

- Key radio brands Classic FM , Kiss FM and Jambo FM maintained their Top 5 status in Nairobi (and **Top 6 nationwide**).

- The TV business (Bamba TV) remains in the investment phase, but platform costs are now shared following investment by the Standard group.

Films & Music - Insights

FILMS - THEATRICAL

- Theatrical revenue growth driven by Exhibitor investment in premium format resulting in higher ticket prices (Imax, 4DX, VIP screens). Attendances remain a challenge.
- Digitisation model (Virtual Print Fees) in effect until December 2019 – where after release costs will reduce by at least 60%.
- Business continues to hold **strong market share**.
- 3 year distribution deal with MGM, thus extending TMF's market position.

OTHER PLATFORMS – VOD, TV

- A shift in content strategy in the pay TV market continues to reduce income from this source. Increased pressure on Pay TV market across Africa.
- Increase in digital platforms' (Box Office, Showmax, Netflix) revenues show shift in market but have not yet matched that of Pay TV.

Films & Music - Insights

LOCAL CONTENT

- 100% acquisition of Indigenous Film Distribution to fulfil investment strategy for local, international and television content.
- **Demand is high** for local content across platforms.
- Return cycle within 18 months as projects start production.
- SA/USA co production “Love by Chance” – released with international potential.
- Development of local Film Slate accessing existing rebate and funding opportunities through DTI, IDC and NFVF.
- Expand the business into owned content strategy to be able to benefit from all platform revenue both locally and internationally.

Films & Music - Insights

MUSIC

- Streaming key focus for music business – Spotify launch in Africa expected in November 2017.
- Physical sales continue to decline as digital growth gains traction.
- **Music focus on African expansion**.
- African catalogue acquisition as well as Frontline artist.

Events - Insights

- A dedicated business unit has allowed Tiso Blackstar Group to leverage its brands by developing events across the Business, Finance, Marketing and Lifestyle sectors.

- 2017 saw the launch of the custom-built venue for internal and external client events, **The Empire Conference and Events Venue**.

- Events are aligned to Tiso Blackstar's prominent platforms like the Sunday Times, Financial Mail, Business Day, Sowetan, Business Day TV, and Business Live, with an increase in requests for bespoke events hosted for clients.

- Events include the likes of **Sunday Times Top 100 Companies, Financial Mail AdFocus Awards, BDtv SME Summit, Liberty Radio Awards, BDFM Investment Summit and Sunday Times Top Brands**, etc.

- **25** events were held in the six months under review.

- A total of **56** events will have been hosted in the 2017 year.

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5. Financials
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CSI consists of:

- **Global Roofing Solutions (GRS)** – leading steel roofing manufacturer.
- **Stalcor** – leading stainless steel and aluminium stockist and distributor.

Operating performance

26% Revenue growth to R2.4 billion.

63% EBITDA growth to R90.9 million.

- CSI operating performance contrasted positively to the difficult steel market environment.
- However interest costs grew too so profit was limited.

Outlook

- Balance sheet stretched due to growth and may require further investment of R30 million at attractive returns (unlock profits through substantial creditor discounts currently foregone).
- Focus on retaining existing revenue, improving margin, lowering costs and improving cash earnings.
- Outlook: SA's steel market revenues expected to remain flat. The rest of Africa is a platform for some growth.

Non-core assets

Robor

- Robor had its most difficult financial year in its 89 years of existence.
- There is a major focus on restructuring the business to return it to profitability.
- Turnover was R2.478 billion and the business made a loss after tax of R70 million.
- This loss was largely attributed to the costs of entering into the transmission tower market and the contract delays in both the solar and transmission tower market.

21% growth in exports over the period but not enough to offset the slowdown in the South African market.

KTH Holdings

Sale of KTH minority interest July 2017

- In July 2017 we agreed a sale of our minority interest (22.9%) in KTH.
- The transaction will be settled through a series of buy backs.
- To date, all the conditions have been met with exception of KTH finalising their funding agreements and regulatory approval.

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Financial results – Group income statement

Income statement

	2017	2016	
	R millions	R millions	% Change
Revenue [1]	9 141.0	8 083.6	13.1%
EBITDA (Adj for depr, amort and straight line lease) [1]	467.6	359.6	30.0%
EBIT	283.9	(677.1)	N/A
Cash flows from operating activities [2]	312.1	N/A	
Earnings (Loss) Per Share (cents) [3]	2.95	(339.40)	
Headline Earnings (Loss) Per Share (cents) [3]	(12.63)	(339.12)	
Dividend Per Share (cents)	9.13	8.21	11.2%

1. *Comparative information is pro forma*
2. *Pro forma cash flow not determinable*
3. *Not comparable following change away from Investment Entity accounting*

R9.1 billion
total revenue

30.0%
growth
in EBITDA

- Comparison of results is challenging due to the change in accounting from Investment Entity to Consolidation. 2017 is the new base year.
- Core business strong operational performance.
- Group revenue and EBITDA growth for the period in challenging economy and sectors.
- Cash flows from operations were strong due to solid performance by Core businesses.
- Total dividend per share annual growth of 11.2%.

Balance sheet

	2017	2016	
	R millions	R millions	% Change
Term Debt:			
Debt at centre	**442.6**	**413.8**	**7.0%** ↑
Core	804.1	839.0	(4.2%) ↓
Non-core	138.8	128.7	7.9% ↑
Total	**1 385.6**	**1 381.4**	**0.3%** ↑
Total KTH proceeds to be received before 31 Dec 2018	**1 500.0**		

R804 million

Core debt

R139 million

Non-core debt

- Debt at centre to be settled immediately on receipts from KTH, reducing interest costs going forward.
  - R57 million - 2017 interest cost related to this debt.
- Core debt declined in line with scheduled payments.
- Non-core debt grew 7.9% - mainly to fund capex requirements.

Financial results – Core business

	2017	2016	
	R millions	R millions	% Change
Revenue:			
Hirt & Carter Group	1 733.6	1 582.0	9.6%
Media	2 045.6	1 722.7	18.7%
Broadcast and Content	441.2	509.0	(13.3%)
Total	**4 220.3**	**3 813.6**	**10.7%**
EBITDA:			
Hirt & Carter Group	245.0	234.8	4.3%
Media	131.2	104.3	25.8%
Broadcast and Content	35.7	43.9	(18.8%)
Total	**411.9**	**383.1**	**7.5%**

R4.2 billion
Core revenue

7.5%
growth
in EBITDA

Hirt & Carter Group

- Steady top line growth.
- Investment in digital technology to modernise the business.
- Integration of Uniprint business, benefits to flow in 2018.

Media contributors

- Strong operational turnaround in newspaper and magazines, good growth in distribution margins.
- Digital investment level maintained.

Broadcast and Content

- Films business turning around, TV; and
- Investment in radio continues (c. R17 million – a 15% improvement on last year).

Financial results – Non-Core business

	2017	2016	
	R millions	R millions	% Change
Revenue:			
CSI	2428.6	1928.3	26.0%
Robor	2478.2	2271.9	9.1%
Total	**4906.9**	**4200.2**	**16.8%**
EBITDA:			
CSI	90.9	55.7	63.1%
Robor	(30.0)	83.6	(135.9%)
Total	**60.9**	**139.4**	**(56.3%)**

R4.9 billion
Non-Core revenue

56.3%
decrease
in EBITDA

CSI

- Commendable Revenue and EBITDA growth in challenging environment.
- Balance sheet leverage remains elevated with high interest costs, additional capital will unlock discounts received from suppliers.
- Focus in 2018 on slowing growth and reducing working capital debt.

Robor (51% held)

- Disappointing results from Robor, resulting in head office interventions.
- Insufficient volumes to recover manufacturing expenses, focus on growing sales and distribution while lowering costs.
- May require investment to restructure bank facilities (c.R50 million).

Various options being considered so that Non-core assets don't cloud Core business results (sale, partial sale, etc.).

Financial results – Other key items

	2017
	R millions
Interest cost:	
Debt at centre	57.9
Core	97.5
Non-core	93.5
Total	**248.9**
Capex (net of disposals):	
Core	120.9
Non-core	125.1
Total	**246.0**

R249 million

Interest cost

R246 million

Capex

Interest costs

- Interest cost at centre will reduce to zero following receipt of KTH proceeds.
- Core interest will reduce in line with acquisition finance reduction.
- Focus on non-core to reduce working capital finance and related interest cost.

Capex

- Core: Significant Hirt & Carter capex spend done in current year.
- Core: Capex should be below depreciation over the next few years.
- Non-core: Robor established in a new mill (contracted for), no plans for further capex.

Acquisitions

- Small bolt-on acquisitions mainly in H&C Group totalling R50 million.

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Future Outlook

- The Group will de-gear significantly over the next 15 months as KTH proceeds are received.
- Continuously look at small bolt-on acquisitions to enhance Core business - Focus here is on Hirt & Carter Group, particularly in labels and packaging.
- Focus on improving distribution costs and capability.
- Execute KZN site consolidation.
- Focus on initiatives to return Robor to profitability.
- Explore opportunities to exit or lower the Group's interest in remaining Non-core businesses.

Thank you