Tiso Blackstar Group

Investor presentation

Results for period ended December 2016

March 2017

Beyond print
Beyond news

Tiso Blackstar Group is a global media company with its roots in Africa, operating market-leading newspaper, broadcast, digital and mobile properties focused on providing quality content and services to its varied audiences. 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.

Agenda

1. Group summary
2. Media
3. Non-SA investments
4. Retail Solutions
5. Non-core assets
6. Financials
7. B-BBEE
8. Future outlook

1 **Group summary**

2 Media

3 Non-SA investments

4 Retail Solutions

5 Non-core assets

6 Financials

7 B-BBEE

8 Future outlook

Group summary

- Tiso Blackstar Group decided in 2016 to dispose of non-core assets and focus on building a **modern and dynamic global media business** that focuses on delivering **premium, influential content**.
- The company has a long-standing track record of success with credentials for sourcing opportunities in its chosen sector and **extracting shareholder value** through its **entrepreneurial focus and strong management team**.
- Geographic expansion is a key focus area and the company **actively seeks out opportunities in aligned markets globally**.
- Tiso Blackstar Group intends to utilise its skill base to grow and further develop its media assets, focusing on **capital allocation, return on equity and sustainability.**
- Tiso Blackstar businesses operate as **number one or two in their markets**.

Largest national English publishing group

The company is the largest national English publishing group, the second largest digital publisher, owns the largest music and independent film catalogues on the continent and operates unique scalable TV channels.

Market-leading assets

Key assets span across newspapers, radio, TV, film, music, digital publishing, mobile content and innovative marketing solutions in SA, with large scale market leading interests in Kenya and Ghana, as well as a smaller exposure to Nigeria.

Unique and dynamic marketing solutions

H&C is a valuable business that continues to grow its revenue and earnings, using unique technology and innovation to drive brand sales on behalf of clients.

Tiso Blackstar Group's non-SA investments include:

3 of 5 top radio stations in Nairobi

3 of 6 top radio stations in Ghana

A Digital Terrestrial Television operation with strategic partners in Kenya.

A free-to-air satellite television platform and channels in Ghana.

Organogram

Media

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

Magazines
- HOME OWNER
- wanted
- THE EDIT
- S Mag
- mims
- DIGEST of South African Architecture
- khuluma
- ARCHSA
- RSD ROCK SURF & DEEP
- SA MINING
- SCHOOLS COLLECTION
- VOICE OF LOCAL GOVERNMENT
- BANKERSA

Digital

Digital
- Times LIVE
- Business LIVE
- Sowetan LIVE
- wanted
- Herald LIVE
- HOME OWNER
- financialmail
- Dispatch LIVE
- emims

TV
- BusinessDay TV
- thehomechannel Dstv Channel 176
- IGNITION switched on to cars
- MultiTV
- KISS TELEVISION
- BOMBA FREE DIGITAL TELEVISION

Radio
- RISE fm
- mpumalanga azishe
- Vuma 103FM
- RADIO JAMBO
- KISS FM 100.3
- CLASSIC105
- Joy 99.7FM
- Adom 106.3 FM

Content
- Times Media FILMS
- GALLO MUSIC PUBLISHERS
- ochre media
- indiGENUS Film Distribution

Retail solutions

Retail
- HIRT & CARTER
- UNIPRINT
- PATON TUPPER
- silo SA'S LEADING BRAND CONTENT PROVIDER

Market leaders in their industries:

Robor is the number one steel tube and pipe manufacturing and engineering solutions business in SA and exports to countries all over the world.

Consolidated Steel Industries is a market leader in manufacturing of steel roofing, cladding as well as stainless steel and aluminium distribution in SA.

Both operate in **Number 1 or 2 positions** in their markets in SA.

Focus on growth

A dynamic, experienced management team with a keen entrepreneurial flair and strong focus on growth ensures the business is operationally strong and well-positioned to take advantage of new opportunities in local and global markets.

Hands-on approach

The new management team's hands-on approach guides the business through a fast-changing, fragmenting and evolving media landscape.

Ambitions for significant future growth

By moving beyond only print and the delivery of news, the company is now geared to achieve its ambitions for significant future growth and expansion into new territories.

Integrated, collaborative and innovative

This has helped transform the core business over the past three years, shifting from a traditional media house into an integrated, collaborative and innovative owner of diverse media assets in SA and elsewhere in Africa.

Highlights - Six months to December 2016 (unaudited)

R270 million
Consolidated EBITDA

R4.5 billion
Group turnover

R1.5 billion
Value of sale 22.9% stake in Kagiso Tiso Holdings (KTH)

4.5c
Dividend for period under review

R13 million
Since July 1, TBG bought back R13.4m of shares

Reduction in acquisition finance

R800 million (July 2015)
R730 million
R669 million (Dec 2016)

R669 million TMG acquisition finance reduced from R730m to R669m over the period (from an initial R800m in July 2015)

R534 million (July 2015)
R414 million
R395 million (Dec 2016)

R395 million TBG head office acquisition finance reduced from R414m to R395m over the period (from an initial R534m in July 2015)

Approval to move to main board of JSE

1 Group summary

2 Media

3 Non-SA investments

4 Retail Solutions

5 Non-core assets

6 Financials

7 B-BBEE

8 Future outlook

Media - Performance

6.2% increase in media half-year earnings following the restructuring of the business over the past 18 months.

16.7% growth in EBITDA for traditional media business, driven by cost reductions and introduction of innovative new revenue streams.

26% digital audience growth driven by renewed focus and launch of market-leading paywall site BusinessLive. This has ushered in a new era for quality content in SA, in line with global trends.

1.6% improvement in EBITDA margin over six-month period due to focus on maintaining margins during restructuring and transition phase.

40% earnings growth for magazines off the back of 7% revenue increase.

New revenues

focus on custom specialist titles and supplements for subscribers expected to grow revenue further in 2017.

Media - Highlights

Publishing (Newspapers & Magazines – Digital & Print)

#1

Largest National English language publisher
Sunday paper
Business paper

#2

Largest digital publisher

Broadcasting (TV and Radio)

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

SA reach monthly

5.9 million
Newspaper/ Magazine

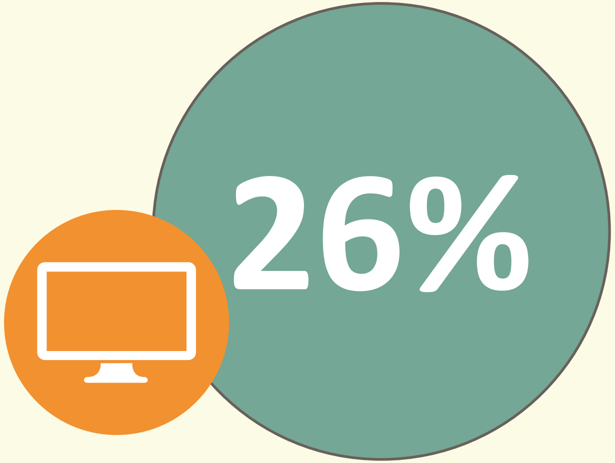
4.2 million
Television

16.2 million
Total

350 thousand
Radio

6.6 million
Digital

Growth of digital audience



- Global newspaper trends point to **premium products for quality audiences** as a powerful and viable option for operating profitably across multiple platforms.
- Local strategy has been shaped by the emergence of US/European digital business models for traditional news businesses.
- Revamped content and design, the launch of our **business paywall**, the growth of aligned events, and the **investment in top digital skills** all form part of a broader strategy to **ensure sustainability and growth for the business**.

Media - Market insights

- Advertising and circulation began to **find a floor** after structural and economy-driven declines in recent years.
- Planned reductions **in uneconomical circulation** helped reset the cost base.
- **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.
- Most of the country's **major awards for journalism** were won by Times Media journalists.

Television & Radio - Market insights

- TV businesses **One Africa** and **Ochre Moving Pictures** performed well again and remain strong players in their respective niches.
- Ochre secured new commissions from SABC, eTV and DSTV, **more than doubling Ochre's earnings.**
- TV channels business One Africa Television, which owns BDTV, Homechannel and Ignition, **produced flat earnings** largely due to a softer performance from Ignition, reflecting the poor state of the motoring industry.
- Radio stations Vuma in KZN and Rise in Mpumulanga **both improved on prior year performance** with Rise showing the most significant progress.
- **Rise -** now 100% held – grew revenue 54% due to a strong push from the local sales team, particularly in government sales.
- **Vuma grew revenues almost 25%,** which was below expectations.
- Both remain in investment phase.

Films & Music - Market insights

- Film distribution was impacted by difficult market conditions which dragged overall earnings lower.
- Current film cycle **expected to continue for further 12-18 months**. Focus on Films business model and select direct equity investment in film and TV.
- A shift in content strategy in the pay TV market reduced income from this source, and while VOD income has emerged to replace it, the value has not matched that of pay TV.
- Local productions continue to be a focus and TM Films is playing a larger role in this market **as both a distributor and producer**, although it remains early to make a material impact on earnings.
- Music **continues to trade profitably in a fast changing market**.

Events - Market insights

- A dedicated division has allowed Times Media to leverage its brands by developing events across the Business, Finance, Marketing and Lifestyle sectors.
- Events are aligned to Times Media's prominent platforms like the Sunday Times, Financial Mail, Business Day, Sowetan, Business Day TV, and Business Live.
- Events include the **Sunday Times Top 100 Companies**, **Financial Mail AdFocus Awards**, **Business Day Investor Relations Conference** and **Sunday Times Top Brands.**
- **25** events were held in the six months under review.
- A total of **42** events are lined up for the year, including the Liberty Radio Awards & Conference, the inaugural Business Day TV SME Summit, and a series of Sunday Times Food Tasting events.

1 Group summary

2 Media

3 Non-SA investments

4 Retail Solutions

5 Non-core assets

6 Financials

7 B-BBEE

8 Future outlook

Kenya

A field guide to Kenyan FM stations

NO 1 National drive show — **7.6m** Listeners/week (RADIO JAMBO)

NO 1 English station — **5.4m** Listeners/week (CLASSIC105)

NO 1 Youth station — **4.2m** Listeners/week (KISS FM 100.3)

NO 1 Rock station — **120k** Listeners/week (105.5 Xfm)

NO 1 Indian station — **250k** Listeners/week (East FM)

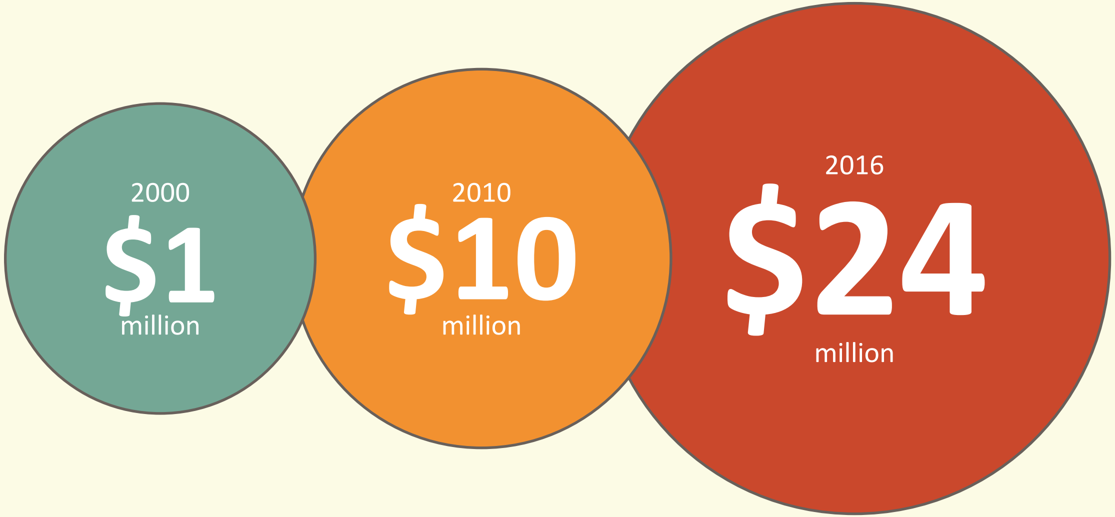
NEW station (92.8 GUKENA FM)

Television

200,000 subscribers
30+ free channels
National coverage
High quality HD STB with PVR, TimeShift

Consistent topline growth

Over the past 15 years, our growth has been driven by innovation.

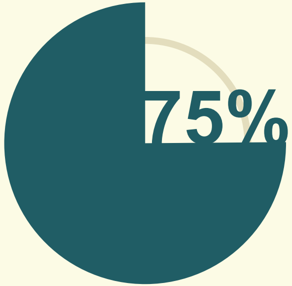


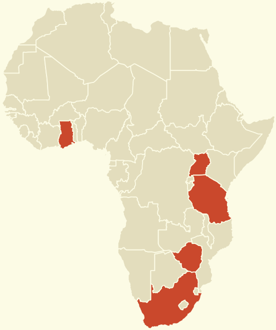
Radio Africa Group

Media reach
Across Kenya

20+ million

600





Consumers
Our combined radio & TV stations, newspapers & digital outlets reach a massive audience.

Media Experts
With over 600 media professionals working in the group, we cover all aspects from media planning to production to placements.

Digital
The groups’ websites reach a combined over 20 million unique viewers and our personalities have millions of followers.

Connections
The group has affiliated media companies in Uganda, Ghana, Tanzania, South Africa and Zimbabwe.

Ghana

Multimedia Ghana

- Joy FM leading English language station in Ghana, Adom local language leader.
- Over 2m DTH boxes in market.
- Adom now the third largest TV channel in Ghana and Multi's Joy Prime is fourth.
- Multi TV largest combined audience reach.

1 Group summary

2 Media

3 Non-SA investments

4 Retail Solutions

5 Non-core assets

6 Financials

7 B-BBEE

8 Future outlook

Retail Solutions Division

Print

HIRT & CARTER

UNIPRINT

BATES
SCREEN - LITHO - DIGITAL - FABRIC - VINYL CUT - DISPLAY
PRINTING

TRIUMPH PRINTING

Create

HIRT & CARTER

symmetry

PATON
TUPPER

PATON
TUPPER
DIGITAL

Content

silo

SA'S LEADING
BRAND CONTENT
PROVIDER

Digital

HIRT & CARTER

SOFTWARE

HIVE
CONNECT

About Retail Solutions

7
Factories nationwide

1800+
Number of staff

10
Core offerings

55 000
Square meters across all sites

750 000
Man hours in a year

90
Years excellence

TRIUMPH PRINTING · HIRT & CARTER · BATES PRINTING · UNIPRINT · PATON TUPPER · PATON TUPPER DIGITAL · symmetry · silo SA'S LEADING BRAND CONTENT PROVIDER · HIRT & CARTER SOFTWARE · HIVE CONNECT

Customer centricity

Ideas

- Graphic design
- Shopper marketing
- Retail activation
- Category re-invention
- Store design
- Packaging design
- Brand activation

Software

- Retail systems
- Store audit
- iBeacons
- QR codes
- NFC
- VM software
- POS tracker

Data

- Omni-Channel Retail
- Silo
- Capacity
- DAS
- Price Probe

Print

- Traditional analogue
- Digital
- Instore
- POP
- Logistics
- Creative activation
- Digital solutions
- Integrated media channels

2.3% margin improvement year-on-year.

R92m EBITDA thanks to 4.2% growth.

4.27% decline in overall sales growth year-on-year, mainly due to exiting certain commoditised market segments in Gauteng.

14% increase in comparable key customer sales.

Outlook

- Shutdown of Gauteng operation in June 2016 kept operating costs flat year-on-year.
- Full impact of new key customers will only be felt in 2nd half of the year as they started coming online in Nov / Dec 2016.
- Brand manufacturing customers and commercial print market segments are under pressure and showed the biggest turnover decline in the same period. A strategy is in place to change this trajectory.

Hirt & Carter - Highlights

- Hirt & Carter was awarded a POS tender to the annual value of R40m by a listed food & beverage manufacturer with an annual renewal based on performance.
- A bespoke production agency business was launched in June 2016 for a blue chip client that will drive growth outside of print.
- Hirt & Carter are also implementing the RMS platform to manage marketing operations for a major new customer.
- Despite slower-than-anticipated uptake, Silo continues to gain traction in the market with a new product offering. To speed up revenue growth, a new sales structure has been implemented from January 2017, headed by an experienced brand sales manager from the industry.

Hirt & Carter - Modernising business

- Hirt & Carter and Uniprint signed a HoA with Redefine to develop a bespoke 40 000sqm factory with 5000sqm of office space in Cornubia Industrial Park.
- The new facility will house H&C, Uniprint Forms & Labels and Triumph Printing.
- The consolidation of operations into this new technology park will allow TBG to extract efficiencies and deliver further integrated solutions to customers.

The relocation will take place in phases with the end dates as follows:

Hirt & Carter
October 2018

Triumph
February 2019

Uniprint
June 2019

- The Developers expect to break ground in June 2017.

Digital Technology Investment:

R55m investment in new digital technology for the facility was completed during the 6 months to December.

The full impact of the investment in new digital technology will be felt during the 2nd half of the year, through both new innovative offerings and improved operating costs and efficiencies.

Uniprint - Highlights

R53.1m EBITDA achieved for the period, compared to R49.3m last year.

35% revenue growth of sustainable business despite total sales being flat (disregarding African election work which is cyclical in nature).

Outlook

- Uniprint has performed very well in the first 6 months of the year despite very difficult trading conditions, including volatility of the currency and reduced volumes experienced by Uniprint customers due to lower consumer demand.
- Improved earnings were as a result of managing costs and recovering increased costs from customers due to the depreciation of the rand earlier in the year.
- Uniprint acquired Triumph Printing and Packaging, a folding carton specialist business, in October 2016. This, consolidated with Uniprint's smaller packaging division, will result in cost savings and create economies of scale. The folding carton market is a growth segment and will enhance our product offering.

1 Group summary

2 Media

3 Non-SA investments

4 Retail Solutions

5 **Non-core assets**

6 Financials

7 B-BBEE

8 Future outlook

R730m value of Robor's awarded order book with another R740 million currently in negotiation for orders.

R1.7b value of tenders and RFQs Robor has submitted, the highest levels for the past 7 years.

Sales improved significantly from February 2017 as project work in Mining, Water and exports increase for the second half of 2017.

R150m value of investment in working capital for Tricom to expand the product / solution offering and to exponentially grow the business.

Outlook

- Investment in new technology and equipment R130 million. Commissioning in process and will be fully operational by July 2017.
- Solar's orders starting to flow and delivery of 2 significant projects are in production from Robor's factories.
- Investment in Mine Support Products [MSP] increased to 100% from 50% for R60 million.
- MSP is a cash-generating, high-return business with 20 years' experience supplying patented safety products to the local and international mining industry.
- Scaffolding order book already full for the year.
- 2 international partnerships / joint ventures are being concluded: one in Water & Mining, and another in Structural Steel with long time business associates.

Consolidated steel investments - Overview

4% negative contraction in general steel market due to close-to-zero GDP growth during period under review.

20.4% growth in Robor CSI revenue despite challenging market, with R1,252bn in revenue generated mainly by market share growth through strategy execution.

16.5% growth in EBITDA (excluding lease smoothing costs) to R44.2m over period.

7 number of manufacturing and sales outlets opened in past 6 months, bringing footprint to 20 overall (including 8 outside SA).

Outlook

Continued growth in earnings will come from the management team's constant attention to **cost reduction**, **margin improvement** and **working capital optimisation**.

1 Group summary

2 Media

3 Non-SA investments

4 Retail Solutions

5 Non-core assets

6 **Financials**

7 B-BBEE

8 Future outlook

Financial results - Group

Income statement

	1H 2017	Pro forma 1H 2016	
	R'000	R'000	Growth
Revenue	4 534 350	4 277 776	6,0%
EBITDA*	269 536	248 589	8,4%
EBITDA margin	6%	6%	
EPS from continuing ops	12,95	n/a	

**EDITDA includes adjustments for straight lining of leases and exceptional/non-recurring items*

R4.5 billion revenue

8.4% **growth** in EBITDA

Balance sheet

	31 Dec 2017
	R'000
Non current assets	3 866 350
Current assets	4 270 488
Total assets	**8 136 838**
Non current liabilities	1 274 855
Current liabilities	3 195 184
Total liabilities	**4 470 039**
Total equity	**3 666 799**

R8.1 billion total assets

R3.6 billion total equity

- Significant change in reporting from Investment Entity accounting (at fair value) to consolidated earnings, balance sheet comparable not possible.
- Robust group operating performance: Revenue and EBITDA growth, margins flat, core business margins increased.
- Balance sheet strengthened by sale of KTH.
- EPS affected by high interest costs (which will reduce) and R20m additional amortisation of intangibles from consolidating subsidiaries.

Financial results - Segment

Core media and Retail Solutions

- Revenue declined but trend is positive.
- Managed costs well and improved margins, despite challenging trading period.
- Cash flow strong.

Non-core

- CSI grew revenue due to price increases and market share gains but margins suffered.
- Robor trading particularly challenging as orders were pushed out to Q4 of the financial year.
- Steel price increases put pressure on working capital and cash flow.

		Pro forma	
	1H 2017	1H 2016	
	R'000	R'000	Growth
Revenue			
Media	1 304 728	1 408 456	-7%
Retail solutions	865 148	904 753	-4%
	2 169 876	2 313 209	-6%
Non core (CSI & Robor)	2 364 474	1 964 567	20%
Total revenue	**4 534 350**	**4 277 776**	**6%**
EBITDA			
Media	91 759	86 395	6%
Retail solutions	136 714	128 459	6%
	228 473	214 854	6%
Non core (CSI & Robor)	48 895	53 813	-9%
Other	-7 832	-20 078	-61%
Total EBITDA	**269 536**	**248 589**	**8%**
EBITDA margins			
Media	7,03%	6,13%	
Retail solutions	15,80%	14,20%	
Non core (CSI & Robor)	2,07%	2,74%	

6%
total revenue growth

8%
total EBITDA growth

Financial results - Key items

Group debt

- Interest bearing borrowings manageable.
- Working capital debt almost entirely related to non-core assets - debtors financing (insured book) and steel inventory financing.
- Head Office debt to be settled out of R1,5bn KTH proceeds.

Group interest

- Substantial part of interest expense will fall away once KTH proceeds are received.
- Property-related interest costs substantially reduced through sale of Litha property.

Forex adjustments

- Multimedia Ghana, Radio Africa Group and Coopers Communication marked down on back of appreciation of the rand. Non-cash loss taken to equity.

Capex

- Net capex of R73m for first half of FY17.

Acquisitions

- Made complementary small bolt-on acquisitions in Media and Retail Solutions totalling R22m.

Interest bearing borrowings	981 243
Working capital debt net of cash	622 279
Total debt (Excl KTH related)	**1 603 522**
HO debt related to KTH	395 000

Interest	
Core	49 426
Non core	37 739
HO – KTH related	25 281
Property (Relates to mainly sold property)	5 881
Total interest expense	**118 327**

1 Group summary

2 Media

3 Non-SA investments

4 Retail Solutions

5 Non-core assets

6 Financials

7 **B-BBEE**

8 Future outlook

Summary of TMG B-BBEE score

110%

B-BBEE

recognition level

Scorecard summary

Element	Available points	Points achieved
Ownership	25.00	25.00
Management control	19.00	9.82
Skills development	20.00	17.56
Supplier & Enterprise development	40.00	36.40
Socio-Economic development	5.00	5.00
Total points	**109.00**	**93.78**
B-BBEE status level		3
Priority discounting		0
Adjusted level		3
B-BBEE recognition level		110%

Ownership

TMG proudly obtained a Level Three Contributor status with more than 51% black ownership under the revised Broad-Based Black Economic Empowerment Codes of Good Practice which came into effect on 1 May 2015.

Management control

Overall representation of black talent on the board and in executive and management positions remains a key priority. The company is focusing on achieving realistic targets for equitable representation of suitably qualified individuals that fall within the Employment Equity Act's definition of black - across all occupational categories and levels of the workplace.

Skills development

The company remains committed to improving the skills set of all employees and have exceeded the sub-minimum scores on the skills development element of the scorecard. To promote the employment of black people living with disabilities, the company is exploring initiatives that will not only address the skills development portion of the scorecard but also assist with the employment equity section.

Socio-economic development

The company has spent more than the required 1% of net profit after tax on initiatives that benefited more than 75% of black South Africans in last financial period.

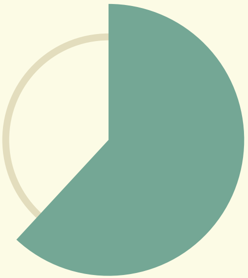
Enterprise & supplier development

- Company clients are able to claim points under the Preferential Procurement element of the scorecard based on the following achievements:
- Generic Level 3 Contributor.
- 110% procurement recognition level.
- Empowering supplier.
- More than 51% black-owned.
- The company has identified Exempted Micro Enterprises with at least 51% black ownership as Enterprise Development beneficiaries and several Qualifying Small Enterprises with at least 51% black ownership as Supplier Development beneficiaries.

Media transformation

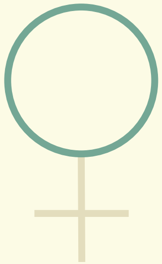
66.6%
Core media executive management team that qualify as PDI.

72%
Editors and deputy editors that qualify as PDI.



62%
Media management and departmental heads that are PDI.

67%
Total PDI staff.



Female & PDI talent
Are actively developed and trained to improve senior departmental level representation.

1 Group summary

2 Media

3 Non-SA investments

4 Retail Solutions

5 Non-core assets

6 Financials

7 B-BBEE

8 **Future outlook**

Future Outlook

- Special dividend to be paid once KTH sales closed.
- Repayment of TBG Head Office debt to significantly reduce interest cost.
- Move to main board of JSE anticipated by June 2017. Move has been approved subject to changing MOI.
- Core businesses continue to perform satisfactorily, leveraged to economic activity.
- Highlights for 2017 include successful launch of paywall for business titles, growth in advertising in key products and increased contractual income of Retail Solutions business.
- Focus on completing transformation of traditional business.
- Continued diversification of revenue streams to reduce reliance on mature products.
- Actively seeking out earnings-enhancing acquisitions with strong growth potential.

Thank you