Kagiso shows good annual results following diversification

In its annual report of trading ending 30 June 2010, Kagiso Media again delivered a strong operational performance against a tough economic backdrop. Although the operating environment remained tight throughout the financial year, visible signs of improvement began to show from January 2010.

Commenting on the results, Kagiso Media CEO Murphy Morobe, said, "The 8% increase in headline earnings per share is a clear demonstration that we continued to implement our strategy to diversify revenue streams. Some three years ago, the performance of Kagiso Media was highly dependent on our broadcasting assets, LexisNexis and the exhibitions and events division. Our business model has become more resilient.

"It has been our stated intention to deepen our capability to operate in a converging media universe to sustain long term growth. Our acquisitions of Acceleration Media and Gloo Digital Design were significant milestones in that direction.

"Our partnership with MSN, announced in June 2010, was another crucial step in positioning us in the internet space. We will provide the engine for the portal as well as relevant content in the South African context, generating advertising revenue streams as the portal attracts increasing audiences. We are making investments in this start up and, while we do not expect it to contribute to profits in its first year, we are confident that it will contribute positively from 2012.

"We are seeing signs that trading conditions are improving even through the pace of recovery remains uncertain. Advertising spend appears to be normalising and the recovery will benefit our performance across the board, but especially the broadcasting segment. We will continue to scrutinise all costs to support our performance in the event that the economic recovery does not materialise as expected."

Operational review

- Broadcasting delivered a marginal improvement in revenue to R472.4 million and a stable operating profit of R235.6 million
  o Wide ranging cost management initiatives reflected substantial cost savings with no impact on quality of service
  o East Coast Radio grew its core target market audiences by 13% year on year

o Jacaranda 94.2 invested in improving the quality of its 94.2 FM signal to parts of its Gauteng footprint previously affected by poor reception

- Information and other (50% owned LexisNexis South Africa and the remaining assets of Kagiso Exhibition and Events and Mobil Alliance) showed a 15% increase in operating profit to R68.2 million
o Although LexisNexis remains well positioned and has a long growth track record, it too encountered difficult trading conditions
o Relatively strong performance by Mobil Alliance was on the back of a contract to supply outdoor screens at public viewing areas in outlying regions during the 2010 FIFA World Cup.

- Newly constituted new media segment (previously combined with broadcasting) delivered sound operating profit growth to R9.7 million from R2.1 million in 2009
o Gloo Digital Design and Acceleration Media both performed ahead of expectations
o An agreement was concluded with Microsoft to manage the South African MSN portal, with significant upside potential for long term revenue streams.

- Content segment which currently houses the group's television production business showed a 3% decline in operating profit to R25.0 million in line with challenging markets
o Urban Brew Studios delivered a solid performance, dampening the impact of tight markets through stringent cost management

o Its popular productions continued to be successful and its partnership with "Soweto TV" delivered pleasing growth

Financial review

- Group revenue increased 6% to R906.3m as the group benefited from Urban Brew Studios and Gloo Digital Design's full year effect
- Operating profit grew 4% to R303.5 million as group-wide cost management initiatives paid off
- Cash generated from operations increased by 5% to R340.4 million, confirming the ability of the group to convert profits into cash
- Headline earnings per share increased by 8% for the year ended 30 June 2010 to 136.8 cents
- Net asset value per share increased by 23% for the year to 462 cents
- Final dividend of 35 cents and a special dividend of 10 cents per share has been declared