

# Naspers' Steve Pacak on digital, print and the future



By Gill Moodie: @grubstreetSA

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Naspers released another set of good [results for the year to the end of March 2012](#) - boosted by a [rise in revenue from its internet businesses](#) in emerging markets across the globe. However, the pay-TV business here in South Africa and the rest of the continent also contributed substantially to the bottom line. [Naspers](#) financial director Steve Pacak tells Bizcommunity why DStv had a good year, what the future of pay-TV looks like and why, with the Media24 print business, there's some heartening news for journalists.



(Image: Naspers)

■ ***So despite increasing competition for the pay-TV operation (that starts from Page 30 in the results presentation) - and I'm assuming that is from [TopTV](#) - the figures are good. Ad revenue is up by 18% in South Africa year-on-year and subscribers grew by 684 000 subscribers in SA and across the continent (DStv now reaches 5.6-million households in Africa).***

**Steve Pacak:** We had a good year. In terms of subscriber numbers, the growth was nowhere as good as the prior year. But the prior year was, of course, a stand-out year with the Soccer World Cup effect. The most recent year was still very, very good so that is promising. The ad revenues as they relate to the TV industry in South Africa - not specifically to DStv but to the entire industry - seem to have been very, very positive. Which is quite an interesting phenomenon because most of the print guys will tell you it hasn't been a great year for advertising revenue. For the TV guys it has been a better year - a good year - so DStv saw some of the benefit that the whole television industry felt. The important issue for us is the growth of the subscriber numbers - and most of that is happening in the (cheaper) Compact bouquet. This bouquet is growing very, very strongly.

■ ***Mention is made in the results of "increased investment in decoder subsidies". Is this the Compact bouquet?***

**Pacak:** It is largely the Compact. We subsidise the PVR, the Premium (bouquet) because there is a variety of decoders you can buy - no frills or high-end - but it is predominantly the Compact bouquet that we would subsidise.

■ ***I'm interested in the development spend for the pay-TV unit. I see that out of R731-million spent through the year on development in pay-TV, R543-million of that was spent on [Digital Terrestrial Television](#), mobile TV and online. Tell me a bit more about that?***

**Pacak:** The development in pay-TV is predominantly in digital terrestrial television (DTT) and most of that is happening outside of South Africa because no licences have yet been issued in South Africa. We've got four licences so far: in Kenya, Nigeria, Zambia and Uganda, where we're introducing services, so that's quite a big area of development. In South Africa what we did develop in the past year is [BoxOffice](#), which, with your PVR at the click of a button for R25, you can pick one of about 20 of the latest movies that have just come off the circuit. That's proving to be immensely popular (an average of 300k movies were rented per month through the financial year, according to the results, and 40% of PVRs registered for the service)... Mobile TV has been slower. It initially started off using [DVB-H](#) technology - the concept that, on a mobile device, you can watch up to 50 channels of TV - and it's kind of evolving into the [Drifta and the Walka](#), where you basically plug a dongle into your iPad, for example, and watch TV channels wherever you are.

■ ***Like if you are away from home on business?***

**Pacak:** Ja, it's a mobile device. But the amount of cellphones out there with DVB-H capability are rolling out very, very slowly. The mobile companies just haven't put in the development. I think they will eventually get there but the Nokias of this world just haven't developed the handsets, haven't got the prices down to the levels that they need to. I think it's just a question of time. The fact is that what you're trying to get to is: you want to watch things (like TV or movies) - or access Facebook or Twitter or whatever you want to do on the internet such as e-commerce - you want to do that whether you're at home or at work or on the move. You want to use your mobile device for internet connectivity, download video content, maybe watch TV - that's where all media is heading to.

■ ***I see you guys are looking for more growth in pay-TV. Surely things like this and BoxOffice are the future?***

**Pacak:** Unquestionably. And you know, BoxOffice is working well for us but it is using the satellite network because you're downloading through the PVR. What we don't yet have in South Africa because of the slowness of our broadband are the online services that you see in other markets.

■ ***Like streaming movies from the internet?***

**Pacak:** Or downloading the movie from the internet... But we'll expand the BoxOffice service and hopefully we'll be able to expand the offering as well.

■ ***The results mention regulatory challenges for pay-TV. What exactly are those?***

**Pacak:** In all the sub-Saharan countries there are regulators... so, for example, for all the DTT licences that we're trying to get in sub-Saharan Africa, you have to apply for a licence... Unlike satellite, DTT is a limited resource because it's terrestrial so you have to get a licence.

■ ***OK, moving on to the print division (which is on page 38 in the annual-results presentation), I was interested to see the revenue from commercial print contracts is up (by 53% year on year).***

**Pacak:** Ja, what really worked well for Paarl Media this year is they got a substantial amount of additional commercial contracts in South Africa and from outside South Africa - it was typically clients in sub-Saharan Africa asking them to print a magazine or whatever.

■ ***That's really very interesting because a couple of years ago people were talking about overcapacity in printing in SA as there's also Caxton CTP besides yourselves in the game. And then there was the fire at the Paarl printing works a few years ago so they've really done really very well.***

**Pacak:** The capacity that was lost in that tragic event has long since been rectified... A lot of growth is coming from outside the country. As much as we have capacity in South Africa, there's not a lot of capacity on the rest of the continent so there is an opportunity to go and get these contracts. If your printing requirements are of a substantial quantity and quality across the continent, you've either got to come South Africa or go, potentially, to Europe.

■ ***Controlling costs for the print business was mentioned in the results but that always going to be factor from now on, isn't it? You have to have effective cost controls in print these days.***

**Pacak:** Well, you do. For us, it's a balancing act because there are some areas we want to develop new products and

titles so there's a lot of investment still in that. But in other areas, the reality is that ad revenues haven't grown very strongly for years because, to a large extent, they track the macro-economy. That's not unique to South Africa. If your ad revenues are under pressure, your costs have to be under pressure... In fact, our print industry in South Africa has actually held up remarkably well if you compare it with somewhere like the US, where besides the macro-economy, what's happening to online services has made it very, very tough - specifically for newspapers. Relative to that, the industry in South Africa has actually done reasonably well... It varies from title to title. We, like many others unfortunately, have had to shut down a few titles over the past year or two. It's just a reality. When you have 100 titles - newspapers and magazines - you're constantly building new ones and killing off ones that don't work...

■ ***I'm sure you've seen the scary news from Australia - with [Fairfax preparing to cut 1900 jobs](#). But some people say that in South Africa, we still have some years of print left because our tabloids are finding a new market that has never read newspapers before. Are there lesson for us to learn from places like Australia before we get to the point they have?***

**Pacak:** Absolutely, and we've followed very closely what's happening in the US and Europe - and there are lessons. We are somewhat protected: a). because of the slow development of broadband in South Africa, and b). we have the same phenomenon as we have in Brazil, for example, where we have an emerging market where there are still a lot of people who are only beginning to read newspapers and magazines for the first time. The *Daily Sun* is a very good example of that.

■ ***Well, that's something to warm the hearts of journalists in South Africa.***

**Pacak:** The reality is that for the newspaper business in particular, it's very, very tough... Less so for magazines, depending on what titles you have. Some magazine genres have been decimated. Some have done very well... From a journalistic perspective, it's like what's happening with books. Book stores are closing and so on because, people say, we're not reading books anymore. Nonsense. We are reading books but in a different format because we've bought Kindles or iPads. I read books on my iPad and I find it quite pleasant... We still need journalists to write articles and authors to write books, but it's the distribution that is changing.

■ ***Well, talking about digital platforms... The results mention that the development of digital applications for print is continuing. That must be more than just iPad apps?***

**Pacak:** Yes, very much so. At the end of the day, with newspapers and magazines, you have to have your titles available on virtually any device the user wants to have. It could be a Kindle or iPad or Android or whatever new device is out there... The reality is that people are still reading; they're just doing it in a different way.

**For more:**

- Bizcommunity: [Koos Bekker on Media24's future and how it fixed last year's 'bloody mess](#), (on Naspers' 2010/11 annual results ), June 2011
- Bizcommunity: [Naspers results: happy campers all the way](#) (on Naspers and Avusa's 2009/10 annual results), June 2010
- [Naspers' investor-relations page](#), on which you will find results presentations from the past couple of years.

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