

Blue Label Telecoms Limited
(Incorporated in the Republic of South Africa)
(Registration number 2006/022679/06)
Share code: BLU
ISIN: ZAE000109088
("Blue Label")

WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT AND ANNOUNCEMENT REGARDING THE RECAPITALISATION OF CELL C LIMITED ("Cell C")

1. INTRODUCTION

Shareholders are advised that Blue Label has concluded a non-binding term sheet ("**Umbrella Restructure Term Sheet**") with Cell C and various Cell C financial stakeholders (including certain shareholders and creditors of Cell C).

In terms of the Umbrella Restructure Term Sheet, Cell C will be restructured and refinanced (the "**Proposed Transaction**") with the purpose of deleveraging its balance sheet, providing it with liquidity with which to operate and grow its businesses and to position itself to achieve long term success for the benefit of its customers, employees, creditors, shareholders and its other stakeholders.

The Umbrella Restructure Term Sheet is non-binding, save for stand-still provisions and certain provisions of a general nature which are binding. The long form agreements, which will be binding, are currently in process of preparation and will incorporate the terms and conditions contained in the Umbrella Restructure Term Sheet.

2. RATIONALE FOR THE PROPOSED TRANSACTION

Cell C has implemented a turnaround strategy, focusing on operational efficiencies, reducing operational expenditure and optimising traffic. This includes a significant reduction in capital expenditure and a conversion of a fixed cost infrastructure based network to a variable operational expenditure model. This, together with the recapitalisation of the current debt structure, will result in a significant improvement of its liquidity and ensure the long term sustainability of the company.

From a Blue Label perspective, the recapitalisation of Cell C, together with the benefits to be derived from Cell C's turnaround strategy and its sustainability, will enhance the value of its investment therein and in turn restore its shareholder value.

3. SALIENT TERMS OF THE PROPOSED TRANSACTION

The salient terms of the Proposed Transaction pertaining to TPC (a wholly-owned subsidiary of Blue Label), or its nominee ("TPCN"), are set out below –

Capital and debt restructure:

In order to facilitate the restructuring of Cell C's debt owing to certain secured lenders totaling **c.ZAR 7.3 billion**, with such amount being fixed as at November 2019, TPCN shall loan to Cell C an amount required to affect a compromise offer to be made by Cell C to certain of its secured lenders of a maximum amount of up to **ZAR 1.46 billion** ("**TPCN Debt Funding**"). It is anticipated that TPCN's actual funding obligation in respect of the compromise offer will, however, amount to **ZAR 1.03 billion**.

The TPCN Debt Funding will be provided by TPCN to Cell C in the form of a secured loan. Cell C will utilise the TPCN Debt Funding to settle the claims of secured lenders by paying an amount of 20c to the ZAR.

Certain secured lenders have indicated that they wish to remain invested in Cell C. These secured lenders will be entitled to loan an amount equal to the 20c received, back to Cell C under a new loan arrangement ("**Reinvestment Instrument**"). The Reinvestment Instrument, which will be interest bearing and secured, will have an aggregate capital face value equal to 2,75 times of the amount advanced. In addition, the participating lenders will be entitled to share pro-rata in a fresh issue of ordinary shares in Cell C at a nominal value. All shareholders of Cell C will dilute proportionately to enable the issuance of these ordinary shares to the participating lenders.

Simultaneously but separately with the issuance of the Reinvestment Instrument, Cell C will, pursuant to a rights issue at nominal value, allot and issue shares to TPCN. Following such issue and various other issues of shares to be made by Cell C to third parties at nominal value pursuant to the Proposed Transaction, TPCN will hold approximately 49.3% of the shares in Cell C, inclusive of those shares which TPCN will be entitled to, pursuant to the Reinvestment Instrument.

In addition, CEC (a wholly owned subsidiary of TPC) will defer an amount of **ZAR 1.1 billion** owed by Cell C and some of its subsidiaries to it on the date of implementation of the Proposed Transaction ("**the Effective Date**"), which amount will be repaid in equal monthly installments over 60 months reckoned from the Effective Date. The actual Effective Date shall be once all conditions precedent to the Proposed Transaction have been fulfilled or waived.

Liquidity requirements:

In order to further assist Cell C with its working capital requirements, TPC shall –

- purchase Cell C pre-paid airtime for a purchase price of **ZAR 1.2 billion** (inclusive of VAT) on the Effective Date; and
- purchase, by way of four further quarterly payments of **ZAR 300 million** (inclusive of VAT), additional pre-paid airtime, with each such quarterly payment payable at the beginning of each calendar quarter. The first such quarterly payment will be made at the beginning of the 13th month following the recapitalisation of Cell C and subsequent payments will be made at the commencement of each quarter thereafter.

Furthermore, in conjunction with other third parties, TPC shall undertake to purchase certain minimum levels of pre-paid airtime from Cell C in accordance with an agreed monthly schedule or otherwise in accordance with market requirements.

The pre-paid airtime to be acquired by TPC from Cell C pursuant to the above pre-paid airtime transactions, forms part of the average monthly pre-paid airtime acquisitions by TPC of Cell C pre-paid airtime in the ordinary course of business.

TPC will raise **c.R1.6 billion** of the required funds from financial institutions, through an Airtime Purchase transaction, for the purpose of facilitating the Proposed Transaction, and will have an obligation to repurchase such airtime over a 24 month period in equal monthly instalments. The financial institutions have provided the requisite credit approvals in respect of the airtime purchase transaction, which are subject to inter alia the conditions set out in paragraph 4 below, referred to in the SENS announcement published by Blue Label on 26 August 2021.

Other inter-related transactions:

In addition to the conclusion of the Umbrella Restructure Term Sheet, the following transactions will be implemented and agreements in respect thereof have been concluded (conditional upon the Proposed Transaction) being unconditional (save for conditions related to such arrangements being unconditional or implemented) whereby TPCN will acquire:

- from certain funders to Cell C their right to reinvest in the Reinvestment Instrument available to them for a purchase consideration of **ZAR 1** from each such funder. Following such acquisition by TPCN of such rights, TPCN will invest an aggregate amount of **ZAR110 million** into Cell C via the Reinvestment Instrument;
- debt notes in Cedar Cellular Investment 1 (RF) Proprietary Limited, a shareholder in Cell C, for a purchase consideration of **US\$500,000** and **ZAR 16 million**;
- a credit claim of **US\$6 million** against Cell C for an amount of **US\$4 million**, and which claim will then be subject to a compromise as between TPCN and Cell C;
- certain trade claims against Cell C, which claims shall be acquired for an aggregate amount of **ZAR 16 million** and **US\$4.5 million** and which claims will then be subject to a compromise as between TPCN and Cell C.

4. CONDITIONS PRECEDENT

The Proposed Transaction is subject to the fulfilment of various conditions precedent. The conditions precedent to the Proposed Transaction are customary conditions precedent to a transaction of this nature, and include:

- Blue Label and TPC concluding necessary funding agreements and Airtime Purchase agreements with its funders to raise necessary funding for it to participate in the Proposed Transaction (and such agreements becoming unconditional in accordance with their provisions);
- there being an absence of a "material adverse effect";
- TPCN being satisfied that the Proposed Transaction will be implemented substantially in accordance with the transactional structure and terms of the Umbrella Restructure Term Sheet;
- TPCN holding (or being satisfied it will hold) not less than 45% of the issued share capital of Cell C on closing on terms and conditions acceptable to TPCN;

- all necessary third party consents for the Proposed Transaction being obtained unconditionally or on conditions acceptable to TPCN;
- all required regulatory and statutory approvals being obtained unconditionally or on conditions acceptable to TPCN; and
- necessary shareholder and board consents and resolutions by Cell C and, if applicable, TPCN and Blue Label being obtained.

5. FINANCIAL INFORMATION

Cell C's Earnings before Interest and Taxation (EBIT) for the six month period ended 30 November 2021 amounted to **ZAR 862 million**. After accounting for inter alia finance costs of **ZAR 791 million** and forex losses of **ZAR 923 million**, the net loss after tax amounted to **ZAR 849 million**. It should be noted that finance costs and forex losses will be reduced going forward as a result of the Proposed transaction.

Net negative assets for the six month period ended 30 November 2021, amounted to **ZAR 13.7 billion**.

6. CATEGORISATION OF THE PROPOSED TRANSACTION

The Proposed Transaction has been categorised as a category 2 transaction in terms of the JSE Listings Requirements.

7. WITHDRAWAL OF CAUTIONARY

Shareholders are referred to the Cautionary Announcements released on SENS, the last one dated 16 February 2022, and are advised that as all available details relating to the Proposed Transaction have been released, caution is no longer required to be exercised when trading in Blue Label Shares.

Sandton

15 March 2022

Financial Advisor and Sponsor:

Investec Bank Limited

Legal Advisor to Blue Label:

Werksmans Inc