UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 NOVEMBER 2023

Blue Label Telecoms Limited
(Incorporated in the Republic of South Africa)
(Registration number 2006/022679/06)
JSE share code: BLU
ISIN: ZAE000109088
(Blue Label, BLT, the Company or the Group)

UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 NOVEMBER 2023

FINANCIAL HIGHLIGHTS
- Revenue of R7.6 billion*
- Increase in gross profit of 4% to R1.60 billion (2022: R1.54 billion)
- Increase in gross profit margin from 15.67% to 21.08%
- Core headline earnings of 47.15 cents per share** (2022: 3.94 cents per share)

* On inclusion of the gross amount generated on "PINless top-ups", prepaid electricity, ticketing and universal vouchers, the effective increase equated to 12% from R39.3 billion to R43.8 billion.

** Excluding the positive contributions of R65 million in the current period and the negative contributions of R421 million in the prior period, primarily resulting from the recapitalisation transaction of Cell C, core headline earnings per share declined by 23% to 39.90 cents per share compared to 51.72 cents per share in the prior period.

GROUP RESULTS
Core headline earnings for the period ended 30 November 2023 amounted to R420 million, equating to core headline earnings of 47.15 cents per share.

In the comparative period, core headline earnings amounted to R35 million, equating to core headline earnings of 3.94 cents per share. The predominant negative contributions to the November 2022 basic, headline and core headline earnings per share are primarily associated with the recapitalisation transaction of Cell C.

Excluding the positive contributions of R65 million in the current period and the negative contributions of R421 million in the prior period, as illustrated in the underlying tables, core headline earnings declined by R100 million(22%) from R455 million to R355 million and core headline earnings per share declined by 23% from 51.72 cents per share in the prior period to 39.90 cents per share. This decline in core headline earnings was attributable to a decrease of R119 million in Comm Equipment Company (CEC), while the remaining entities within the Group increased by R19 million compared to the prior period.

The anticipated decline in CEC's core headline earnings, was a result of a decline in gross profit stemming from increased expenditure related to the distribution agreement, as well as a significant increase in the expected credit loss compared to the previous period. This increase aligns with the expansion of CEC's book and the deteriorating macroeconomic environment in South Africa, marked by rising interest rates, power outages and a depreciating rand. CEC has increased its ECLs in anticipation of heightened future losses, aligning with the approach taken by other consumer lenders.

Earnings per share for the current and prior periods amounted to 45.67 cents and negative 8.74 cents respectively. On exclusion of the contributions resulting primarily from the recapitalisation transaction of Cell C from both the current and prior periods, earnings per share declined by 23% to 38.42 cents per share and headline earnings per share declined by 22% to 38.66 cents per share.

Group revenue declined by R2.2 billion (23%) to R7.6 billion. However, as only the gross profit earned on "PINless top-ups", prepaid electricity, ticketing and universal vouchers is recognised as revenue, on imputing the gross revenue generated from these sources, the effective growth in revenue equated to R4.5 billion (12%), resulting in a total revenue of R43.8 billion compared to the prior period of R39.3 billion.

Gross profit increased by R58 million (4%) from R1.540 billion to R1.598 billion, corresponding to an increase in margins from 15.67% to 21.08%. This increase in margins can be partially attributed to the growth in "PINless top-ups", prepaid electricity, ticketing and universal vouchers, where only the gross profit earned thereon is recognised as revenue.

The Group remains vigilant in managing its total overhead costs.

Furthermore, load shedding continues to be a significant challenge faced by our organisation. It has negatively impacted the sale of prepaid electricity, prepaid airtime, starter packs and our call centre operations, all of which are significant revenue streams for the Group.

GROUP INCOME STATEMENT
For the six months ended 30 November 2023

	Group Nov 2023 R'000	Extraneous income^ Nov 2023 R'000	Remaining Nov 2023 R'000	Group Nov 2022 R'000	Extraneous cost^^ Nov 2022 R'000	Remaining Nov 2022 R'000	Growth remaining R'000	Growth remaining %
Revenue	7 581 356	-	7 581 356	9 823 143	-	9 823 143	(2 241 787)	(23)
Gross profit	1 597 881	-	1 597 881	1 539 635	-	1 539 635	58 246	4
Other income	26 197	-	26 197	15 071	-	15 071	11 126	74
Bad debts, expected credit losses and fair-value movements	(157 039)	(2 717)	(154 322)	(124 058)	(44 589)	(79 469)	(74 853)	(94)
Gain/(loss) on modification of financial instrument	10 989	10 989	-	(64 500)	(64 500)	-	-	
EBITDA	697 003	8 272	688 731	609 405	(109 089)	718 494	(29 763)	(4)
Finance costs	(459 311)	(177 685)	(281 626)	(247 765)	(89 747)	(158 018)	(123 608)	(78)
Finance income	352 592	273 142	79 450	131 402	57 906	73 496	5 954	8
Reversal of impairments in associates	-	-	-	962 531	962 531	-	-	
Share of (losses)/profits from associates and joint ventures	6 639	-	6 639	(1 320 127)	(1 328 767)	8 640	(2 001)	(23)
Net profit/(loss) after tax	406 423	64 498	341 925	(76 934)	(514 315)	437 381	(95 456)	(22)
Core headline earnings	419 575	64 498	355 077	34 700	(420 784)	455 484	(100 407)	(22)
Gross profit margin (%)	21.08		21.08	15.67		15.67		
EBITDA margin (%)	9.19		9.08	6.20		7.31		
Weighted average shares ('000)	889 918		889 918	880 749		880 749		
Share performance								
EPS (cents)	45.67		38.42	(8.74)		49.66	(11.24)	(23)
HEPS (cents)	45.91		38.66	2.09		49.86	(11.20)	(22)
Core HEPS (cents)	47.15		39.90	3.94		51.72	(11.82)	(23)

^ The positive contributions to Group earnings in the current period were attributable to:
- the accounting treatment relating to the recapitalisation transaction of Cell C(1), emanating from:
  - expected credit losses and fair value movements of R3 million;
  - gain on modification of the Class A Preference Shares amounting to R11 million;
  - finance costs of R178 million resulting from increased borrowings related to airtime sale and repurchase obligations, as well as the issuance of Class A Preference Shares; and
  - finance income of R273 million resulting from the loan to Cell C for its debt funding requirements.

	Extraneous income^ Nov 2023 R'000	Recap of Cell C(1) Nov 2023 R'000
Bad debts, expected credit		

losses and fair value movements	(2 717)	(2 717)
Gain on modification of financial instrument	10 989	10 989
EBITDA	8 272	8 272
Finance costs	(177 685)	(177 685)
Finance income	273 142	273 142
Net profit after tax	64 498	64 498
Core headline earnings	64 498	64 498

^^ The negative contributions to Group earnings in the prior period were primarily attributable to:
- the accounting treatment relating to the recapitalisation transaction of Cell C(2), emanating from:
  - expected credit losses and fair value movements of R67 million;
  - loss on modification of a financial instrument of R65 million due to the renegotiation and reclassification of the CEC deferral amount of R1.1 billion, owed by Cell C, from 'trade and other receivables' to 'loans to associates and joint ventures';
  - finance costs of R90 million resulting from increased borrowings related to airtime sale and repurchase obligations, as well as the issuance of Class A Preference Shares;
  - finance income of R58 million resulting from a loan to Cell C for its debt funding requirements;
  - a partial reversal of R962.5 million relating to the initial impairment of R2.5 billion of Blue Label's investment in Cell C as at 31 May 2019, in line with an improvement in its equity valuation; and
  - recognition of the Group's share of Cell C's net accumulated losses for the period from 1 June 2019 to 30 November 2022, limited to R1.329 billion, being the aggregate of the partial reversal of the initial impairment of R962.5 million of Blue Label's investment in Cell C, as well as additional investments therein amounting to R366 million.
- the accounting implications of the termination of the Airvantage put option obligation for the acquisition of up to 40% of the shares therein resulted in a fair value gain of R22 million(3).

	Extraneous costs^^ Nov 2022 R'000	Recap of Cell C(2) Nov 2022 R'000	Once-offs(3) Nov 2022 R'000
Bad debts, expected credit losses and fair-value movements	(44 589)	(66 589)	22 000
Loss on modification of financial instrument	(64 500)	(64 500)	-
EBITDA	(109 089)	(131 089)	22 000
Finance costs	(89 747)	(89 747)	-
Finance income	57 906	57 906	-
Reversal of impairments in associates	962 531	962 531	-
Share of losses from associates and joint ventures	(1 328 767)	(1 328 767)	-
Net loss after tax	(514 315)	(536 315)	22 000
Core headline earnings	(420 784)	(442 784)	22 000

EBITDA declined by R30 million (4%) from R718 million to R689 million, excluding the positive contributions of R8 million in the current period and negative contributions of R109 million in the prior period. Of this decline, CEC showed a negative impact of R186 million, while the remaining Group operations contributed an additional R156 million compared to the previous period.

Excluding the R55 million costs attributable to learnership initiatives in the current period and R70 million in the prior period, EBITDA declined by R44 million (6%) from R788 million to R744 million. The benefit thereof is realised through income tax savings resulting from the section 12H allowances claimed for these learnerships.

SUBSEQUENT EVENTS

In December 2023, Comm Equipment Company (CEC) concluded a new facility arrangement with African Bank Limited for an amount of up to R1.9 billion (The Facility). The Facility was utilised to repay the total amount owed to African Bank Limited as at 30 November 2023 amounting to R1.327 billion. The Facility is structured as a revolving facility for the first 12 months until 30 November 2024, followed by 36 equal monthly instalments commencing on 1 December 2024, with a final instalment of R215 million payable on 30 November 2027. The facility attracts a floating interest rate at prime plus 3% and is collateralised by a portion of CEC's subscriber receivables. The parent guarantee of R250 million provided by Blue Label Telecoms remains intact.

APPRECIATION

The Blue Label Board would like to extend its gratitude to the staff, suppliers, customers and business partners for their ongoing support and dedication to the Group.

SHORT-FORM ANNOUNCEMENT

This short-form announcement is the responsibility of the directors of the Company. This short-form announcement is based on an extract of the unaudited condensed consolidated financial statements for the half-year ended 30 November 2023 released on SENS on 22 February 2024 and does not contain full or complete details.

Any investment decision by investors and/or shareholders should be based on consideration of the full SENS announcement and unaudited condensed consolidated financial statements for the half-year ended 30 November 2023. These may be requested by contacting Investor Relations by e-mail at investors@blts.co.za and are available for inspection at the registered offices of the Company during office hours and on the Company's website (www.bluelabeltelecoms.co.za) at no charge.

The JSE link is as follows:
https://senspdf.jse.co.za/documents/2024/JSE/ISSE/BLU/Nov23.pdf.

For and on behalf of the Board

LM Nestadt	BM Levy	MS Levy DA Suntup* CA(SA)
Chairman	Joint Chief Executive Officers	Financial Director

21 February 2024

* Supervised the preparation of the Group's unaudited six-month period ended results.

Directors: LM Nestadt (Chairman)*, BM Levy, MS Levy, H Masondo*, NP Mnxasana*, JS Mthimunye*, LE Mthimunye*, DA Suntup, SJ Vilakazi*
*Independent Non-Executive

Company Secretary: J van Eden
Sponsor: Investec Bank Limited
Auditor: SizweNtsalubaGobodo Grant Thornton Inc.

www.bluelabeltelecoms.co.za