BLUE LABEL CONCLUDES CELL C RECAP

Blue Label Telecoms (JSE:BLU), together with various subsidiaries, has concluded binding long-form agreements with Cell C and various Cell C financial stakeholders, including different shareholders and creditors with the deal being unconditional and all conditions precedent having been fulfilled, waived or deferred.

In terms of the deal, Cell C will be restructured and refinanced 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.

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 Cell C.

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.

Capital and debt structure

In order to facilitate the restructuring of Cell C's debt of R7.3-billion, owed to certain secured lenders, with this amount fixed as at November 2019, The Prepaid Company Proprietary Limited (TPC), a wholly-owned subsidiary of Blue Label, will borrow Cell C the amount of R1.03-billion to affect a compromise offer made by Cell C to certain of its secured lenders. It was initially contemplated that the amount to be provided by TPC would have been ZAR1.46 billion, however the final amount to be provided by TPC is only ZAR1.03 billion.

Certain secured lenders have elected to remain invested in Cell C and these secured lenders will be entitled to loan an amount equal to the 20c received, back to Cell C under a new loan arrangement. Accordingly, this 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 explained above, Cell C will, pursuant to a rights issue at nominal value, allot and issue shares to TPC. Following such issue and various other issues of shares to be made by Cell C to third parties at nominal value pursuant to this transaction, TPC will hold 49.53% of the shares in Cell C, inclusive of those shares which TPC will be entitled to, pursuant to the reinvestment instrument.

In addition, Comm Equipment Company Proprietary Limited, a wholly-owned subsidiary of TPC, will defer an amount of R1.1-billion owed by Cell C and some of its subsidiaries to it and this amount will be repaid in equal monthly instalments over 60 months commencing from the effective date.

Cell C working capital 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 R1.2-billion (inclusive of VAT) on the effective date and purchase, by way of four further quarterly payments of R300-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.

In conjunction with other third parties, TPC shall also 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.

Other important details are explained at length in the SENS (https://senspdf.jse.co.za/documents/SENS_20220922_S466149.pdf), issued earlier.

Commenting on this important milestone, Brett Levy, Blue Label's joint-CEO says; "This has been a long, often difficult and drawn-out process, involving various local and international partners and creditors and while it took longer than expected, we are relieved that all could finally agree to put the future and sustainability of Cell C first and that we can now put Cell C on a path to profitability and growth."

"With the recapitalisation finally completed, Blue Label will continue to focus on improving our service and product offering to all our clients, growing our market share and footprint and extracting best value from all our subsidiaries for our stakeholders and shareholders."

For more information, comment and interview requests, please contact:
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ABOUT BLUE LABEL TELECOMS:

Blue Label Telecoms is a mobile technology company specialising in prepaid products and the electronic distribution of virtual merchandise and value-added services including the full and seamless reconciliation of billions of nano transactions.

We combine technical innovation with entrepreneurial flair to bring products and services associated with the developed world directly to the doorsteps of people who may be geographically and economically isolated from the mainstream. By so doing, we create jobs, support the growth of small businesses, and assist in bridging the digital divide.

Listed on the JSE since 2007, we derive our strength from our extensive distribution network and our commitment to long-term partnerships.

Our proprietary platforms enable mobile networks, utilities, banks, retailers, petroleum companies and point-of-sale devices to access the advantages of a digital economy and we are constantly innovating to drive customer centricity and speed to market while ensuring the stability and security of our systems.