

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 2020

FINANCIAL HIGHLIGHTS AND SALIENT FEATURES

- Revenue of R9.6 billion*
 - Gross profit of R1.14 billion
 - Increase in gross profit margin from 10.33% to 11.87%
 - Interest-bearing borrowings reduced to R2.3 billion (2019: R3.6 billion)
 - Net cash generated from operating activities of R970 million
 - Headline earnings of 40.96 cents per share (2019: 39.98 cents per share)
 - Core headline earnings of 42.70 cents per share# (2019: 43.18 cents per share)
- * On inclusion of the gross amount generated on "PINless top-ups", prepaid electricity, ticketing and gaming, the effective increase equated to 7% from R30.2 billion to R32.4 billion.
- # On exclusion of non-recurring income pertaining to foreign exchange gains of R22 million, core headline earnings per share from continuing operations equated to 37.35 cents per share.

COMMENTARY

COVID-19 PANDEMIC

The performance of the Blue Label Group remains resilient in an adverse economic environment. In spite of the COVID-19 pandemic, the Group has continued to deliver essential services, including electricity, airtime, data and other digital services, as well as providing financial transactional services, which have not been negatively impacted. The Group's ticketing and call centre operations have been negatively impacted as a result of the COVID-19 pandemic. Cash flow generated by the Group strengthened, with cash generated from operating activities amounting to R970 million in the current period.

GROUP RESULTS

Despite the impact of Covid-19 and general economic challenges, core headline earnings for the period ended 30 November 2020 amounted to R376 million, equating to core headline earnings of 42.70 cents per share, of which R351 million related to continuing operations and R25 million to discontinued operations. On exclusion of non-recurring income pertaining to foreign exchange gains of R22 million, core headline earnings from continued operations amounted to R329 million, equating to core headline earnings of 37.35 cents per share.

Core headline earnings for the comparative period amounted to R390 million, equating to 43.18 cents per share, of which R387 million related to continuing operations and R3 million to discontinued operations. On exclusion of non-recurring income of R1 million, core headline earnings from continuing operations amounted to R386 million, resulting in core headline earnings of 42.70 cents per share.

Earnings per share and headline earnings per share increased from 34.83 and 39.98 cents per share in the comparative period to 49.92 and 40.96 cents per share respectively in the current period.

The increase in basic earnings per share was primarily attributable to the disposal of the Group's 47.56% interest in Blue Label Mexico as well as a positive movement from a negative contribution by the retail division of the WiConnect stores in the comparative period to a partial recoupment of losses in the current period. A decision was made to cease the operations of the WiConnect retail stores in the prior financial year.

The financial results of WiConnect in the current period of R25 million as well as those of Blue Label Mobile, the Handset division of 3G Mobile and WiConnect, totalling R3 million in the comparative period, are disclosed in core headline earnings from discontinued operations and are not included in the continuing operations' revenue, gross profit, EBITDA and net profit after taxation.

Revenue generated by the continuing operations within the Group declined by 15% to R9.6 billion. As only the gross

profit earned on PINless top-ups, prepaid electricity, ticketing and gaming are recognised as revenue, on imputing the gross revenue generated thereon, the effective growth in revenue equated to 7% from R30.2 billion to R32.4 billion. Gross profit declined by 3% from R1.17 billion to R1.14 billion, partially limited due to an increase in margins from 10.33% to 11.87%.

GROUP INCOME STATEMENT

Unaudited	Group	Group	Growth R'000	Growth %
	Nov 2020 R'000	Nov 2019 R'000		
Revenue	9 582 022	11 310 930	(1 728 908)	(15)
Gross profit	1 137 650	1 168 738	(31 088)	(3)
EBITDA	703 334	748 582	(45 248)	(6)
Share of profits/(losses) from associates and joint ventures	1 016	13 040	(12 024)	(92)
- Blue Label Mexico	(6 554)	(564)	(5 990)	(1 062)
- Other	7 570	13 604	(6 034)	(44)
Net profit from continuing operations	412 601	377 537	35 064	9
Core headline earnings	376 433	390 304	(13 871)	(4)
- from continuing operations	351 568	387 662	(36 094)	(9)
- from discontinued operations	24 865	2 642	22 223	841
Gross profit margin (%)	11.87	10.33		
EBITDA margin (%)	7.34	6.62		
Weighted average shares ('000)	881 557	903 958		
EPS (cents)*	49.92	34.83	15.09	43
HEPS (cents)*	40.96	39.98	0.98	2
Core HEPS (cents)*	42.70	43.18	(0.48)	(1)
- from continuing operations	39.88	42.88	(3.00)	(7)
- from discontinued operations	2.82	0.30	2.52	840

EBITDA declined by R45 million from R749 million in the prior period to R703 million. The latter amount was inclusive of non-recurring income of R101 million, of which R79 million related to the disposal of the Group's interest in Blue Label Mexico and R22 million pertaining to foreign exchange gains primarily attributable to the USD20 million liquidity support provided to SPV2. On exclusion of these amounts, EBITDA for the current period amounted to R602 million, at a margin of 6.28%.

The anticipated increase in overheads, which included costs attributable to additional headcount and expenditure incurred in order to enhance IT Infrastructure, the escalation of the quantum of distribution channels, enhanced capacity in the Customer Interaction Centre and the implementation of VAS and financial service strategies, contributed to the decline in EBITDA. The Blue Label Group generated positive cash flows from its trading operations for the period ended 30 November 2020.

SUBSEQUENT EVENTS

Banking facilities

In February 2021, The Prepaid Company renegotiated a further extension of its Investec facility to 31 March 2022, whereby the facility will remain at R1.5 billion until the end of April 2021, at which date the exposure to Investec is required to be reduced by R50 million per month to 28 February 2022. The exposure to Investec is required to be no more than R1 billion as at 31 March 2022.

As at 30 November 2020 the Investec facility was disclosed as current borrowings, as the extension to 31 March 2022 was only granted in February 2021.

Airvantage and AV Technology Put obligations

In October 2020, the minority shareholders of Airvantage Proprietary Limited ("Airvantage") and AV Technology Limited ("AV Tech") exercised their rights to put their 40% shareholding therein to Blue Label Telecoms ("BLT"), in line with the initial agreements that were concluded between the parties in 2017. The purchase consideration under the put options, as determined by the parties in December 2020, for the 40% shareholdings in Airvantage and AV Tech, amounted to R152 million and USD4.6 million respectively ("Purchase Price").

In February 2021, the parties concluded an agreement legislating for a deferral of the Purchase Price payable to the minority shareholders of Airvantage and AV Tech from 31 December 2020 to 31 March 2021, payable in six equal monthly instalments, inclusive of interest, commencing on 31 March 2021.

If Cell C Limited's board is able to pass a solvency and liquidity test, the primary obligation in respect of the put options can be transferred to Digital Ecosystems Proprietary Limited "(DE)", formerly Blue Label Mobile Proprietary Limited, in terms of the agreement concluded with it in September 2019.

A subsequent agreement has been reached between BLT and DE, whereby the parties agreed that BLT's primary obligations to the minority shareholders will be transferred to DE ahead of any Cell C test in respect of its solvency and liquidity.

A formal agreement legislating for the above will be concluded imminently. If, however, Cell C is unable to pass the solvency and liquidity test in the future, the primary obligation in respect of the put options may revert back to BLT.

APPRECIATION

We are thankful to all our staff members who have adapted to new ways of working during these unprecedented times and continue to contribute to the Group's performance. We are proud of the role that we have played as an essential goods provider, while always ensuring a safe environment. We are also thankful to the Board, suppliers, customers and business partners for their continued support and commitment 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 2020 released on SENS on 26 February 2021, 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 2020. These may be requested by contacting Investor Relations by e-mail at nicolaw@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/2021/JSE/ISSE/BLU/Nov20results.pdf>.

For and on behalf of the Board

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

25 February 2021

* Supervised the preparation of the unaudited Group interim results.

Directors: LM Nestadt (Chairman)*, BM Levy, MS Levy, K Ellerine**, GD Harlow*, NP Mnxasana*, JS Mthimunye*, DA Suntup, J Vilakazi*, PL Zim*

*Independent Non-Executive **Non-Executive

Company Secretary: J van Eden

Sponsor: Investec Bank Limited

Auditors: PricewaterhouseCoopers Inc.

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