

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

CATEGORY 1 TRANSACTION ANNOUNCEMENT RELATING TO THE DISPOSAL BY BLUE LABEL OF ITS INTERESTS IN VAS OPERATIONS AND 3G HANDSET DISTRIBUTION AND FURTHER CAUTIONARY

1. INTRODUCTION

Shareholders are advised that Blue Label has agreed, subject to various suspensive conditions as detailed below which includes approval by Blue Label's shareholders, to sell its interests in Blue Label Mobile Group Proprietary Limited ("**Blue Label Mobile**" or the "**VAS Operations**"), to DNI 4PL Contracts Proprietary Limited ("**DNI**"), the ("**VAS Operations Transaction**").

In addition, Blue Label's subsidiary, The Prepaid Company Proprietary Limited ("**TPC**"), has agreed to sell, subject to various suspensive conditions as detailed below which includes approval by Blue Label's shareholders, its interest in 3G Mobile Proprietary Limited ("**3G Mobile**") excluding the share capital held in and loan claims against Comm Equipment Company Proprietary Limited ("**CEC**") to DNI (the "**3G Distribution Transaction**") and together with the VAS Operations Transaction, the "**Proposed Transactions**").

DNI is an investment holding company that specialises in distribution and retail for the telecommunications industry.

2. RATIONALE FOR THE PROPOSED TRANSACTIONS

The Blue Label group has consistently generated positive cash flows from its trading operations since its listing. These funds have been applied to dividend distributions, share buy-backs and investing activities, at all times ensuring sufficient surplus funds to facilitate working capital requirements. Over the past two years significant investments were made, necessitating an increase in interest bearing debt in order to ensure that the group's working capital requirements continued to be met. Accordingly, the Blue Label board of directors have made a decision to deleverage the business in order to ensure a more robust and liquid balance sheet going forward. The disposals thereof will not have a negative impact on the extensive distribution network that Blue Label has established and will not inhibit its distribution capabilities nor on Blue Label's ability to achieve its strategic objectives going forward.

3. VAS OPERATIONS TRANSACTION

3.1. Description of the VAS Operations

VAS Operations provides mobile phone users with a complete ecosystem of services that include smartphone applications, wireless application protocol (WAP), multimedia messaging services, (MMS), e-mail, location-based services (LBS), instant messaging, web messaging, SMS and unstructured supplementary service data (USSD).

3.2. Particulars of the VAS Operations Transaction

- 3.2.1. In terms of the VAS Operations Transaction, Blue Label will sell to DNI 809 ordinary shares of Blue Label Mobile which will comprise 85% of the issued ordinary shares therein and all claims on loan account that Blue Label has against Blue Label Mobile ("**VAS Operations Sale Interest**").
- 3.2.2. The consideration payable by DNI to Blue Label in respect of the VAS Operations Sale Interest is
- 3.2.2.1. R350,000,000; plus
- 3.2.2.2. R100,000,000 which shall escalate at the prime rate of interest plus 2% (compounding annually in arrears) from the fifth business day after the date on which all Suspensive Conditions (as defined below) are met and the date upon which the board of directors of Cell C Limited ("**Cell C**") resolve that Cell C passes the solvency and liquidity test set out in section 4 of the Companies Act, No. 71 of 2008 ("**Companies Act**"); plus
- 3.2.2.3. all amounts paid by Blue Label Mobile in respect of the Blue Label Mobile's acquisition of 50% of the issued ordinary shares of each of Hyve Mobile Proprietary Limited and Mobile Content Africa Limited.

3.3. Suspensive Conditions

The VAS Operations Transaction is subject to, *inter alia*, the fulfilment or waiver of the suspensive conditions ("**VAS Operations Suspensive Conditions**"), including the following -:

- 3.3.1. by not later than 4 October 2019 the 15% minority shareholder in Blue Label Mobile shall have irrevocably and unconditionally consented to the VAS Operations Transaction;
- 3.3.2. by no later than 25 October 2019, various financial and management accounts are delivered to DNI and to DNI's satisfaction;
- 3.3.3. by not later than 31 October 2019 -
- 3.3.3.1. various agreements related to VAS Operations having been amended on terms and conditions which are satisfactory to DNI;
- 3.3.3.2. to the extent required in accordance with the terms of certain material agreements, the relevant third parties to the material agreements shall have consented to the change of control over Blue Label Mobile that will result from the VAS Operations Transaction;
- 3.3.3.3. Investec Bank Limited ("**Investec**") consents in writing to the VAS Operations Transaction;
- 3.3.4. by not later than 15 November 2019 -
- 3.3.4.1. Blue Label shall have posted to its shareholders a circular in terms of which the board of directors of Blue Label support the VAS Operations Transaction; and
- 3.3.5. by not later than 15 December 2019 -
- 3.3.5.1. to the extent required, a resolution in terms of which the shareholders of Blue Label approve the VAS Operations Transaction in accordance with the Companies Act and / or the JSE Listings Requirements ("**JSE Listings Requirements**") shall have been passed; and
- 3.3.5.2. the regulatory approvals, if any, required by *inter-alia* Independent Communications Authority of South Africa ("**ICASA**"), the competition authorities, the Financial Surveillance

Department of the South African Reserve Bank and the Takeover Regulation Panel established in terms of the Companies Act ("TRP") for the implementation of the VAS Operations Transaction shall have been granted.

3.4. Effective date

The effective date of the VAS Operations Transaction shall be the fifth business day after the date on which the last of the VAS Operations Suspensive Conditions are fulfilled or waived.

3.5. Financial information

The financial information in respect of the VAS Operations Transaction will be published in due course.

4. THE 3G DISTRIBUTION TRANSACTION

4.1. Description of 3G Mobile

3G Mobile distributes mobile devices and handsets to major retailers and cellular network providers.

4.2. Particulars of the 3G Distribution Transaction

In terms of the 3G Distribution Transaction, TPC will sell 100% of the issued shares in 3G Mobile to DNI.

The initial consideration payable for the 3G Distribution Transaction will be R544,000,000. The initial consideration will be adjusted by the net amount by which surplus / inadequate provision was made for bad debts, obsolete trading stock in the consolidated audited 2019 balance sheet of 3G Mobile.

4.3. Suspensive Conditions

The 3G Distribution Transaction is subject to, *inter alia*, the fulfilment (or waiver) of the following suspensive conditions (the "3G Suspensive Conditions"), including the following -

- 4.3.1. by not later than 4 October 2019 the board of directors and shareholders of DNI shall have approved the 3G Distribution Transaction;
- 4.3.2. by no later than 25 October 2019, various financial and management accounts are delivered to DNI and to DNI's satisfaction;
- 4.3.3. by not later than 31 October 2019 -
 - 4.3.3.1. to the extent required in accordance with the terms of certain material agreements, the relevant third parties to the material agreements shall have consented to the change of control over 3G Mobile that will result from the 3G Distribution Transaction;
 - 4.3.3.2. Investec and FirstRand Bank Limited (acting through its Rand Merchant Bank division) shall have consented in writing to the 3G Distribution Transaction;
 - 4.3.3.3. the board of 3G Mobile authorises a distribution to TPC of 100% of the issued shares held by 3G Mobile in the share capital of CEC as well as all claims against CEC;
- 4.3.4. on or before 15 November 2019, Blue Label has posted to its shareholders a circular in terms of which the board of directors of Blue Label support the sale of 3G Mobile;
- 4.3.5. on or before 15 December 2019 -
 - 4.3.5.1. to the extent required, a resolution in terms of which the shareholders of Blue Label approve the 3G Distribution Transaction in accordance with the Companies Act and / or the JSE

Listings Requirements shall have been passed;

4.3.5.2. to the extent required by law, any and all regulatory consents and approvals (as may be necessary therefore) including *inter-alia* ICASA, Competition Authorities, the Financial Surveillance Department of the South African Reserve Bank and the TRP shall have been granted, either unconditionally or subject to such conditions as have been approved in writing by that date, by DNI and (to the extent that any such conditions are imposed on it) by TPC.

4.4. Effective date

The effective date of the 3G Distribution Transaction shall be the fifth business day after the date on which the last of the 3G Suspensive Conditions are fulfilled or waived.

4.5. Financial information

The financial information in respect of the 3G Distribution Transaction will be published in due course.

5. USE OF PROCEEDS

The funds obtained from the Proposed Transactions will be applied to reduce Blue Label's current interest-bearing debt.

6. CLASSIFICATION OF THE PROPOSED TRANSACTIONS

As the aggregated value of the VAS Operations Transaction and the 3G Distribution Transaction exceeds 30% of Blue Label's market capitalisation, it meets the definition of a category 1 transaction as contemplated in section 9 of the JSE Listings Requirements and accordingly is required to be approved by an ordinary resolution of the shareholders of Blue Label.

7. CIRCULAR

A circular containing the full details of the Proposed Transactions, incorporating a notice convening the required Blue Label general meeting and other required documentation, will be posted to shareholders in due course and the salient dates and times of the Proposed Transactions, including the date of the shareholders meeting, will be announced on SENS in due course.

8. FURTHER CAUTIONARY ANNOUNCEMENT

Given that the financial information with respect to the Proposed Transactions is still to be announced, shareholders are advised to continue to exercise caution when dealing in the Company's securities until such announcement of the financial information.

Sandton

25 September 2019

Financial Advisor and Sponsor
Investec Bank Limited

Legal Adviser to Blue Label
Werksmans Inc

Legal Advisor to DNI
CDH