

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 Group")

Updated trading statement for the year ended 31 May 2020

Shareholders are advised that the basic, headline and core headline earnings per share for the year ended 31 May 2020 will increase by more than 20% in comparison to the year ended 31 May 2019. The table below illustrates the ranges anticipated against the comparative year:

	May 2019 cents per share	Range May 2020 cents per share	Increase to May 2019 cents per share
Earnings/(loss) per share	(727.81)	13.16 – 14.61	740.97 – 742.42
Headline earnings/(loss) per share	(312.49)	57.84 – 58.47	370.33 – 370.96
Core headline earnings/(loss) per share	(304.77)	62.40 – 63.01	367.17 – 367.78

The predominant negative contributions to the May 2019 basic, headline and core headline earnings per share were attributable to:

- Cell C's trading losses, impairment of its property, plant and equipment, the impact of a derecognition of its deferred tax asset and the consequent impairment of Blue Label's total investment therein ⁽¹⁾
- Fair value downward adjustments of the complete exposure relating to SPV1 and SPV2 (the structure of which was detailed in the trading statement published on SENS on 22 February 2019) and the Glocell loan ⁽²⁾
- Partial impairments of goodwill relating to Viamedia and Blue Label Connect and a partial impairment of the investment in the SupaPesa joint venture ⁽³⁾
- An Impairment of Blue Label's total investment in the Oxigen India group, including 2Dfine Holdings Mauritius, as well as providing for loan impairments and guarantees payable thereon ⁽⁴⁾
- Expenditure within the retail division of the WiConnect stores ⁽⁵⁾
- Once-off expenditure and income ⁽⁶⁾

The underlying table illustrates the negative impact of the above on basic, headline and core headline earnings per share for the year ended 31 May 2019:

	31 May 2019 cents per share		
	Effect on EPS	Effect on HEPS	Effect on core HEPS
Cell C trading losses and related impairments ⁽¹⁾	(671.33)	(287.65)	(286.51)
Fair value downward adjustments ⁽²⁾	(91.75)	(91.75)	(91.75)
Other material impairments ⁽³⁾	(16.05)	-	-
Indian operations trading losses and related impairments ⁽⁴⁾	(43.63)	(25.50)	(25.50)
Expenditure of the WiConnect stores ⁽⁵⁾	1.61	(1.43)	(1.43)
Once-off expenditure and income ⁽⁶⁾	4.93	4.93	4.93
Total	(816.22)	(401.39)	(400.25)
Weighted average number of shares	913,208,055	913,208,055	913,208,055

The performance of the Blue Label Group was resilient in an adverse economic environment. In spite of certain restrictions caused by 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. The lockdown regulations and the downturn in economic activity have not impacted negatively on airtime, data and electricity sales volumes. Cash flow generated by the group strengthened, with cash generated from operating activities amounting to R1.3 billion against cash utilised of R81 million in the prior year.

The predominant negative contributions to the May 2020 basic, headline and core headline earnings per share were attributable to:

- Fair value downward adjustments of the Glozell loan and an unrealised foreign exchange loss on the USD20 million liquidity support provided to SPV2 ⁽⁷⁾
- Impairments of goodwill relating to Blue Label Connect, partial impairment relating to Glozell Distribution as well as the 3G Mobile handset division and Blue Label Mobile Group discontinued operations ⁽⁸⁾
- Extraneous expenditure and goodwill impairment within the retail division as a result of the closure of the WiConnect stores ⁽⁹⁾
- Once-off expenditure and income ⁽¹⁰⁾

The underlying table illustrates the negative impact of the above on basic, headline and core headline earnings per share for the year ended 31 May 2020:

31 May 2020 cents per share		
Effect on EPS	Effect on HEPS	Effect on core HEPS
Fair value downward adjustments ⁽⁷⁾	(10.76)	(10.76)
Impairments to goodwill ⁽⁸⁾	(29.77)	-
Extraneous expenditure of the WiConnect stores ⁽⁹⁾	(35.53)	(20.50)
Once-off expenditure and income ⁽¹⁰⁾	7.90	7.84
Total	(68.15)	(23.42)
Weighted average number of shares	896,409,252	896,409,252

On exclusion of the above negative contributions to core headline earnings of R210 million in the current year and R3.66 billion in the comparative year, core headline earnings declined by R100 million from R872 million to R772 million, resulting in core headline earnings of 86.13 cents per share compared to 95.48 cents in the prior year. The core headline earnings for the current year of R772 million, after the exclusion of the negative contributions, comprised R632 million from continuing operations and R140 million from discontinued operations.

The decline in core headline earnings of R100 million was partly attributable to starter pack distribution, gaming vouchers and ticketing being negatively impacted during the initial lockdown period as a result of the Covid-19 pandemic. This included the group having to incur a general increase in allowances raised for expected credit losses and exposure to the Edcon group amounting to R41 million, net of taxation. Of this amount, R21 million related to the WiConnect retail stores.

The financial information on which this trading statement is based has not been reviewed or audited by the Group's auditors.

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24 August 2020

Sponsor: Investec Bank Limited