

FINANCIAL HIGHLIGHTS AND SALIENT FEATURES

- Successful completion of the disposal of the Blue Label Mobile Group and the handset division of 3G Mobile
- Revenue of **R21.1 billion**<sup>Δ</sup>
- Gross profit of **R2.12 billion**
- Increase in gross profit margin from 9.21% to **10.05%**
- Net cash generated from operating activities of **R1.3 billion**
- Interest-bearing borrowings reduced to **R2.3 billion** (2019: R3.2 billion)
- Headline earnings of **58.16 cents per share** (2019: 312.49 cents loss per share)
- Core headline earnings of **62.71 cents per share**<sup>#</sup> (2019: 304.77 cents loss per share)

<sup>Δ</sup> On inclusion of the gross amount generated on “PINless top-ups”, prepaid electricity, ticketing and gaming, the effective increase equated to 7% from R56.0 billion to **R59.9 billion**.  
<sup>#</sup> On exclusion of negative contributions by the ceased operations of WiConnect and fair value downward adjustments, core headline earnings equated to **86.13 cents per share**.

AUDITED RESULTS FOR THE YEAR ENDED 31 MAY 2020

CONNECTING OUR WORLD TO YOURS

Core headline earnings for the year ended 31 May 2020 amounted to R562 million, equating to core headline earnings of 62.71 cents per share. Core headline earnings for the year ended 31 May 2019 amounted to a loss of R2.78 billion, equating to a negative 304.77 cents per share.

On exclusion of extraneous costs of R210 million in the current year and R3.66 billion in the comparative year, as illustrated in the tables below, core headline earnings from trading operations declined by R100 million (11%) from R872 million to R772 million, equating to core headline earnings of 86.13 cents per share. Core headline earnings for the current year, after the exclusion of extraneous costs, comprised R632 million from continuing operations and R140 million from discontinued operations.

Earnings per share and headline earnings per share increased from a negative 727.81 and 312.49 cents per share in the prior year to a positive 13.89 and 58.16 cents per share respectively in the current year.

The financial results of Blue Label Mobile, the handset division of 3G Mobile and WiConnect, totalling R93 million (2019: R122 million), are disclosed in core headline earnings from discontinued operations in both the current and comparative years and are not included in revenue, gross profit, EBITDA and net profit/(loss) after taxation.

Group revenue generated by the continuing operations within the Group declined by 10% to R21.1 billion. As only the gross profit earned on “PINless top-ups”, prepaid electricity, ticketing and gaming is recognised as revenue, on imputing the gross revenue generated thereon, the effective growth in revenue equated to 7% from R56.0 billion to R59.9 billion.

Gross profit declined by 2% from R2.17 billion to R2.12 billion, partially limited due to an increase in margins from 9.21% to 10.05%.

GROUP INCOME STATEMENT	Group May 2020 R'000	Extraneous costs* May 2020 R'000	Remaining May 2020 R'000	Group May 2019 R'000	Extraneous costs** May 2019 R'000	Remaining May 2019 R'000	Growth remaining R'000	Growth remaining %
Revenue	21 135 326	-	21 135 326	23 602 264	-	23 602 264	(2 466 938)	(10)
Gross profit	2 124 611	-	2 124 611	2 173 685	-	2 173 685	(49 074)	(2)
EBITDA	825 364	(387 754)	1 213 118	257 300	(1 066 437)	1 323 737	(110 619)	(8)
Impairments on associates and joint venture	-	-	-	(2 639 564)	(2 639 564)	-	-	-
Share of profits/(losses) from associates and joint ventures	16 598	-	16 598	(3 693 431)	(3 696 133)	2 702	13 896	514
- Cell C	-	-	-	(3 609 496)	(3 609 496)	-	-	-
- Oxigen Services India	-	-	-	(86 637)	(86 637)	-	-	-
- Blue Label Mexico	(5 806)	-	(5 806)	(24 096)	-	(24 096)	18 290	76
- Other	22 404	-	22 404	26 798	-	26 798	(4 394)	(16)
Net profit/(loss) from continuing operations	226 786	(376 824)	603 610	(6 672 925)	(7 372 270)	699 347	(95 737)	(14)
Core headline earnings	562 132	(209 979)	772 111	(2 783 155)	(3 655 111)	871 956	(99 845)	(11)
- from continuing operations	469 113	(163 240)	632 353	(2 904 973)	(3 642 066)	737 093	(104 740)	(14)
- from discontinued operations	93 019	(46 739)	139 758	121 818	(13 045)	134 863	4 895	4
Gross profit margin (%)	10.05		10.05	9.21		9.21		
EBITDA margin (%)	3.91		5.74	1.09		5.61		
Weighted average shares ('000)	896 409		896 409	913 208		913 208		
EPS (cents)	13.89		82.04	(727.81)		88.41	(6.37)	(7)
HEPS (cents)	58.16		81.58	(312.49)		88.90	(7.32)	(8)
Core HEPS (cents)	62.71		86.13	(304.77)		95.48	(9.35)	(10)
- from continuing operations	52.33		70.54	(318.11)		80.71		
- from discontinued operations	10.38		15.59	13.34		14.77		

- \* The predominant negative contributions to Group earnings in the current year 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 <sup>(1)</sup>.
  - Impairments of goodwill relating to Blue Label Connect and a partial impairment relating to Glozell Distribution <sup>(2)</sup>.
  - Extraneous expenditure within the retail division as a result of the closure of the WiConnect stores <sup>(3)</sup>.
  - Once-off expenditure and income <sup>(4)</sup>.

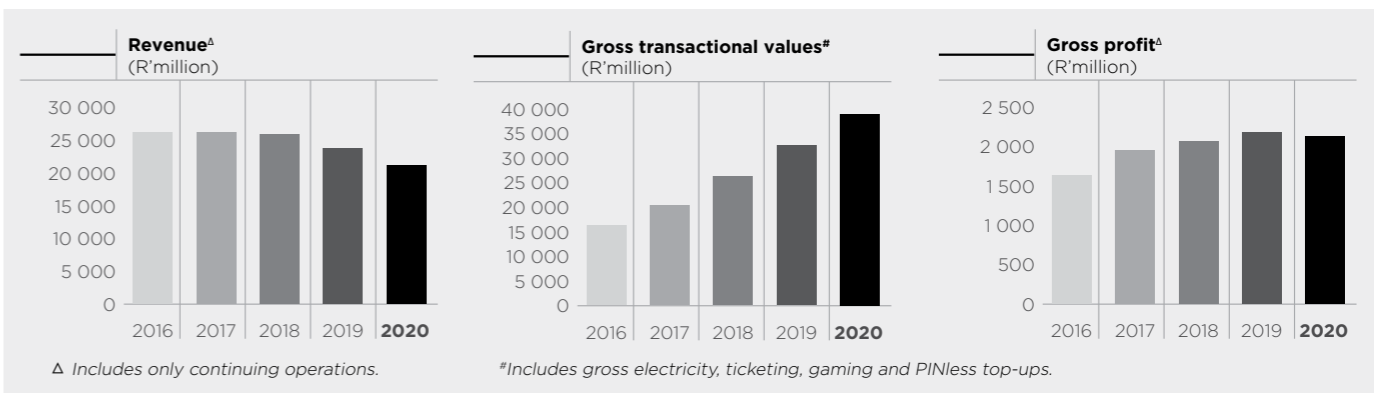
	Extraneous costs* May 2020 R'000	Fair value losses <sup>(1)</sup> May 2020 R'000	Impairments <sup>(2)</sup> May 2020 R'000	WiConnect <sup>(3)</sup> May 2020 R'000	Once-offs <sup>(4)</sup> May 2020 R'000
EBITDA	(387 754)	(115 065)	(213 584)	-	(59 105)
Net profit/(loss) from continuing operations	(376 824)	(96 481)	(213 584)	-	(66 759)
Core headline earnings	(209 979)	(96 481)	-	(183 773)	70 275
- from continuing operations	(163 240)	(96 481)	-	-	(66 759)
- from discontinued operations	(46 739)	-	-	(183 773)	137 034

- \*\* The predominant negative contributions to Group earnings in the prior year 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 <sup>(5)</sup>.
  - 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 Glozell loan <sup>(6)</sup>.
  - Partial impairments of goodwill relating to Viamedia and Blue Label Connect and a partial impairment of the investment in the SupaPesa joint venture <sup>(7)</sup>.
  - 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 <sup>(8)</sup>.
  - Expenditure within the retail division of the WiConnect stores <sup>(9)</sup>.
  - Once-off expenditure and income <sup>(10)</sup>.

	Extraneous costs** May 2019 R'000	Cell C <sup>(5)</sup> May 2019 R'000	Fair value losses <sup>(6)</sup> May 2019 R'000	Impairments <sup>(7)</sup> May 2019 R'000	OSI adjust- ments <sup>(8)</sup> May 2019 R'000	WiConnect <sup>(9)</sup> May 2019 R'000	Once-offs <sup>(10)</sup> May 2019 R'000
EBITDA	(1 066 437)	-	(873 877)	(50 398)	(193 364)	-	51 202
Impairments on associates and joint venture	(2 639 564)	(2 521 152)	-	-	(118 412)	-	-
Share of profits/(losses) from associates and joint ventures	(3 696 133)	(3 609 496)	-	-	(86 637)	-	-
- Cell C	(3 609 496)	(3 609 496)	-	-	-	-	-
- Oxigen Services India	(86 637)	-	-	-	(86 637)	-	-
Net profit/(loss) from continuing operations	(7 372 270)	(6 130 647)	(837 831)	(50 398)	(398 412)	-	45 018
Core headline earnings	(3 655 111)	(2 616 427)	(837 831)	-	(232 826)	(13 045)	45 018
- from continuing operations	(3 642 066)	(2 616 427)	(837 831)	-	(232 826)	-	45 018
- from discontinued operations	(13 045)	-	-	-	(13 045)	-	-

The increase in EBITDA of R568 million was attributable to the movement in extraneous costs of R679 million. In the current year these costs amounted to R388 million, of which R66 million pertained to fair value downward adjustment of the Glozell loan, R49 million to the unrealised foreign exchange loss on the USD20 million SPV2 liquidity support, R156.5 million to an impairment of goodwill relating to Blue Label Connect, R57 million to a partial impairment relating to Glozell Distribution and R59 million to once-off expenditure. The comparative year included extraneous costs of R1.1 billion, of which R874 million pertained to fair value losses relating to SPV1, SPV2 and the Glozell loan and R193 million to guarantees payable and loan impairments recognised on behalf of Oxigen Services India.

On exclusion of the above extraneous costs both in the current and comparative year, EBITDA declined by R111 million to R1.21 billion.



No further fair value losses relating to the SPVs, with the exception of the unrealised foreign exchange loss on the USD20 million SPV2 liquidity support, were recognised in the current year as the exposure thereto was fully accounted for as at 31 May 2019. As the carrying value of Blue Label's investment in Cell C was fully impaired for the year ended 31 May 2019, the financial results of Cell C did not have any impact on Blue Label's earnings for the current year.

The Blue Label Group generated positive cash flows from its trading operations for the year ended 31 May 2020. This, together with the proceeds received from the disposals of the 3G handset division and the Blue Label Mobile Group, have been applied to reduce interest-bearing debt resulting in the strengthening of the Group's balance sheet.

COVID-19 PANDEMIC

In spite of certain restrictions caused by the Covid-19 pandemic, Blue Label 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. The Group's digital expertise has enabled uninterrupted access of all its products and services through banks, formal retailers, independent retailers, petroleum forecourts and spaza shops across South Africa. Cash flow generated by the core businesses within the Group has consequently not been negatively impacted.

The products and services that Blue Label provides fulfil essential needs of the consumer, even more so during the lockdown period due to home confinement. In essence, such demand would only decline if consumer cash resources dwindle as a result of a decline in their income. In a situation of this nature, Blue Label's products and services would remain a priority in consumer spend and retain a level of resilience in comparison to other consumer goods and services.

The Group's retail business, starter pack distribution, gaming vouchers and ticketing were negatively impacted during the initial lockdown period. Starter pack distribution and gaming voucher trading volumes are now back to pre-Covid-19 levels.

The lockdown, however, had a significant negative impact on the retail operations of WiConnect and, given the uncertainty of the duration of the pandemic and the resultant losses attributable thereto impacting on its financial feasibility, a decision was made prior to year-end to cease the operations of the WiConnect retail stores. This resulted in a negative impact of R318 million on the group's basic earnings for the year ended 31 May 2020. The actual cash outflow required for the closure of the stores, which is included in the R318 million expense, will however be confined to approximately R30 million, in that the balance of such negative earnings represents all trading losses which have been expended, impairments to property plant and equipment and goodwill.

Challenging economic conditions, an unfavourable trading environment, margin compression as a result of reduced incentives from the mobile networks and an increase in product costs, exacerbated by Covid-19, necessitated an impairment of goodwill in Blue Label Connect of R156.5 million, a partial goodwill impairment in Glozell Distribution of R57 million and a fair value downward adjustment of the Glozell loan, net of taxation, of R47.8 million.

SUBSEQUENT EVENTS

**BLUE LABEL MEXICO**  
Blue Label Telecoms is currently in the process of concluding the disposal of its 47.56% interest in Blue Label Mexico, the structure of which is yet to be finalised. Once completed, shareholders will be notified accordingly.

**BANKING FACILITIES**  
On 29 November 2019, The Prepaid Company's Investec banking facilities totalling R2.176 billion were successfully renewed, of which R1.5 billion was extended for a period of 12 months to 31 March 2021 and R676 million for nine months to 31 August 2020. Of the latter amount, R542 million has been paid to date.

As at the date of publication of the 31 May 2020 financial statements, The Prepaid Company renegotiated a further extension of the R1.5 billion facility from 31 March 2021 to 30 September 2021, demonstrating Investec's confidence in Blue Label. The exposure to Investec is required to be no more than R1 billion as at 31 March 2021.

As at 31 May 2020, The Prepaid Company's Investec facilities were disclosed as current borrowings, as the extension to 30 September 2021 was only granted in August 2020.

On 9 September 2016, Comm Equipment Company (CEC) entered into a debt funding agreement with Investec and Rand Merchant Bank. This debt funding was divided into three separate facilities, namely senior facility A of R858 million, senior facility B of R650 million and mezzanine facility of R410 million. In February 2020, the proceeds of R604 million from the sale of the 3G Mobile Handset division were applied against the senior A facility. All three facilities were due to expire on 31 August 2020.

CEC's facilities have been renegotiated to 31 August 2021 comprising R267 million for senior facility A, R200 million for senior facility B and R411 million for the mezzanine facility.

As at 31 May 2020, CEC's debt facilities were disclosed as current borrowings, as the extension to 31 August 2021 was only granted in August 2020.

APPRECIATION

The Board of Blue Label would once again like to express its appreciation to its suppliers, customers, business partners and staff for their ongoing support and loyalty.

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 audited summarised Group annual financial statements released on SENS on 27 August 2020. The announcement itself is not audited and does not contain full or complete details.

The summarised Group financial statements have been audited by PricewaterhouseCoopers Inc., who expressed a modified opinion thereon. The auditor also expressed a modified opinion on the consolidated annual financial statements from which the summary consolidated financial statements were derived.

Any investment decision by investors and/or shareholders should be based on consideration of the full SENS announcement and audited Group annual financial statements. These results together with a copy of the accompanying auditor's reports and key audit matters 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](http://www.bluelabeltelecoms.co.za)) at no charge.

The JSE link is as follows:

<https://senspdf.jse.co.za/documents/2020/JSE/ISSE/BLU/FYresults.pdf>.

For and on behalf of the Board

<b>LM Nestadt</b> Chairman	<b>BM Levy and MS Levy</b> Joint Chief Executive Officers	<b>DA Suntup* CA(SA)</b> Financial Director
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27 August 2020

*\* Supervised the preparation of the audited Group annual results.*

