

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")

DISPOSAL OF BLUE LABEL'S 47.56% INTEREST IN BLUE LABEL MEXICO

1. INTRODUCTION AND RATIONALE

On 16 September 2020, an agreement was concluded whereby Blue Label Telecoms would dispose of its 47.56% interest in Blue Label Mexico for \$11.5 million, to its co-shareholder, Grupo Bimbo S.A.B de C.V. ("the Transaction") ("the Agreement").

This is in line with Blue Label's strategy to refocus its efforts on its South African Distribution businesses and to deleverage the business in order to ensure a more robust and liquid balance sheet going forwards.

2. NATURE OF BUSINESS

Blue Label Mexico is a multi-carrier for all networks. Its business model is based on long term agreements with sales and distribution channels, independent sales organisations, service providers and mobile network operators. Part of its strategy is to redeploy underperforming devices and to retrofit mature devices to include financial services transaction capabilities in order to assist its business partners to become more competitive and productive.

Its product offerings include pinless recharge, direct top-up, bill payments, cash collections, card acquiring, digital food vouchers, sim card distribution, debit and credit card acceptances and international money transfers.

3. SALIENT TERMS OF THE TRANSACTION

The outstanding conditions precedent for the Transaction to be effective by 21 September 2020 are:

1. The waiver by a minority shareholder in Blue Label Mexico of its pre-emptive rights; and
2. The payment by Blue Label Mexico to Blue Label's employee secondee of his salary up to 21 September 2020.

The total proceeds will be receivable on the effective date.

The Agreement contains representations and warranties in favour of Grupo Bimbo S.A.B de C.V which are standard for a transaction of this nature.

4. DISPOSAL CONSIDERATION

The proceeds from the disposal of Blue Label Mexico will be applied to settle Blue Label's total parent guarantee obligations of USD3.25 million payable to RBL Bank Limited on behalf of Oxigen Services India as well as USD5.375 million as a part payment by The Prepaid Company to SPV2 against its remaining liquidity support obligations of USD10 million.

In line with Mexican taxation legislation, taxation is payable on the proceeds of the disposal. Accordingly, the balance of the proceeds receivable will be applied to pay such taxes up to a maximum of such residue.

5. FINANCIAL INFORMATION

The value of the net assets comprising the equity accounted investment in Blue Label Mexico as at 31 May 2020, being the date of its most recent audited annual financial statements, amounted to R138 million.

The equity accounted loss after tax attributable to the investment in Blue Label Mexico for the year ended 31 May 2020, amounted to R5.8 million, based on the audited annual financial statements of Blue Label for the year ending 31 May 2020, which were prepared in terms of IFRS.

6. CATEGORISATION OF THE TRANSACTION

The Transaction has been categorised as a category 2 transaction in terms of the JSE Listings Requirements.

17 September 2020
Sandton

Sponsor
Investec Bank Limited