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 2021

Financial highlights and salient features

- Revenue of R9.1 billion*
- Increase in gross profit of 20% to R1.36 billion (2020: R1.14 billion)
- Increase in gross profit margin from 11.87% to 14.93%
- Net cash generated from operating activities of R862 million
- Interest-bearing borrowings reduced to R1.97 billion (30 November 2020: R2.32 billion)
- Headline earnings of 60.86 cents per share (2020: 40.96 cents per share)
- Core headline earnings of 62.69 cents per share# (2020: 42.70 cents per share)

* On inclusion of the gross amount generated on "PINless top-ups", prepaid electricity, ticketing and gaming, the effective increase equated to 12% from R32.4 billion to R36.2 billion.

On exclusion of non-recurring income of R148 million in the current period and R22 million in the prior period, core headline earnings per share from continuing operations increased by 22% to 45.68 cents per share compared to 37.35 cents per share in the prior period.

Group results

Core headline earnings for the period ended 30 November 2021 amounted to R549 million, of which R548 million related to continuing operations and R1 million to discontinued operations. Core headline earnings amounted to 62.69 cents per share.

In the comparative period, core headline earnings amounted to R376 million, of which R351 million related to continuing operations and R25 million to discontinued operations. Core headline earnings amounted to 42.70 cents per share.

On exclusion of the non-recurring income of R148 million in the current period and R22 million in the prior period, as illustrated in the underlying tables, core headline earnings from continuing operations increased by R71 million from R329 million to R400 million and core headline earnings per share from continuing operations increased by 22% from 37.35 cents per share in the prior period to 45.68 cents per share. This growth was indicative of a robust trading performance by the Group during the period under review.

The non-recurring income emanated from a fraudulent scheme, operating since 2015, which was perpetrated by two former senior key executives of a subsidiary company of the Group ("the subsidiary"). These fraudulent transactions were performed primarily outside the course and scope of the subsidiary's immediate field of commercial dealings, whereby the perpetrators interposed themselves between intermediary companies and the subsidiary for their own benefit.
In addition, certain transactions were identified evidencing theft of funds from the subsidiary and the fraudulent concealment thereof. Once-off recoupment income, comprising the aggregate value of assets either realised by or signed-over to the Group as a result of the fraudulent scheme, amounted to R315 million. This income was partially offset by professional fees incurred, taxation and the non-controlling interest thereon totalling R167 million, resulting in a net recoupment of R148 million.

On exclusion of the non-recurring income in both the current and prior periods, earnings per share and headline earnings per share from continuing operations increased by 24% to 43.69 cents per share and 23% to 43.85 cents per share respectively.

Earnings per share amounted to 60.71 cents per share, of which 60.59 related to continuing operations and 0.12 cents per share related to discontinued operations. In the prior year earnings per share amounted to 49.92 cents per share, of which 46.80 related to continuing operations and 3.12 cents per share related to discontinued operations.

The financial results of WiConnect in the current and prior periods of R1 million and R25 million respectively, are disclosed in core headline earnings from discontinued operations and are not included in the continuing operations' revenue, gross profit, earnings before interest, tax, depreciation and amortisation (EBITDA), and net profit after taxation.

Revenue generated by the continuing operations within the Group declined by 5% to R9.1 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 12% from R32.4 billion to R36.2 billion.

Gross profit increased by R223 million (20%) to R1.36 billion, congruent with an increase in margins from 11.87% to 14.93%.

Group income statement	Group Nov 2021 R'000	Extra-neous income* Nov 2021 R'000	Remaining Nov 2021 R'000	Group Nov 2020 R'000	Extra-neous income** Nov 2020 R'000	Remaining Nov 2020 R'000	Growth remaining R'000	Growth remaining %
Revenue	9 112 874	-	9 112 874	9 582 022	-	9 582 022	(469 148)	(5)
Gross profit	1 360 927	-	1 360 927	1 137 650	-	1 137 650	223 277	20
Other income	323 959	315 132	8 827	93 212	85 830	7 382	1 445	20
EBITDA	902 498	278 118	624 380	703 334	101 839	601 495	22 885	4
Non-controlling interest	(60 350)	(52 167)	(8 183)	(26 911)	-	(26 911)	18 728	70
Net profit from continuing operations	530 440	147 923	382 517	412 605	101 839	310 766	71 751	23
Core headline earnings	548 831	148 934	399 897	376 433	47 211	329 222	70 675	21
- from continuing operations	547 820	147 923	399 897	351 568	22 346	329 222	70 675	21
- from discontinued operations	1 011	1 011	-	24 865	24 865	-	-	
Gross profit margin (%)	14.93		14.93	11.87		11.87		
EBITDA margin (%)	9.90		6.85	7.34		6.28		
Weighted average shares ('000)	875 496		875 496	881 557		881 557		
Share performance from continuing operations								
EPS (cents)	60.59		43.69	46.80		35.25	8.44	24
HEPS (cents)	60.74		43.85	38.14		35.60	8.25	23
Core HEPS (cents)	62.57		45.68	39.88		37.35	8.33	22

* The extraneous contributions to Group earnings in the current period were attributable to:

- Once-off recoupment income, comprising the aggregate value of assets either realised by or signed-over to the Group relating to the fraudulent scheme. This income was partially offset by professional fees incurred, taxation and the non-controlling interest thereon (1); and
- Partial recoupment of losses by the Retail division as a result of the closure of the WiConnect stores (2).

	Extraneous income* Nov 2021 R'000	Once-offs(1) Nov 2021 R'000	WiConnect(2) Nov 2021 R'000
Other income	315 132	315 132	-
EBITDA	278 118	278 118	-
Non-controlling interest	(52 167)	(52 167)	-
Net profit from continuing operations	147 923	147 923	-
Core headline earnings	148 934	147 923	1 011
- from continuing operations	147 923	147 923	-
- from discontinued operations	1 011	-	1 011

** The extraneous contributions to Group earnings in the prior period were attributable to:

- Realised foreign exchange gains on the USD20 million liquidity support provided to SPV2 (3);
- Once-off income, including the disposal of the Group's interest in Blue Label Mexico (4); and
- Partial recoupment of losses by the Retail division as a result of the closure of the WiConnect stores in the prior period (5).

	Extraneous income** Nov 2020 R'000	Fair value move-ments(3) Nov 2020 R'000	Once-offs(4) Nov 2020 R'000	WiConnect(5) Nov 2020 R'000
Other income	85 830	-	85 830	-
EBITDA	101 839	16 009	85 830	-
Net profit from continuing operations	101 839	16 009	85 830	-
Core headline earnings	47 211	16 009	6 337	24 865
- from continuing operations	22 346	16 009	6 337	-
- from discontinued operations	24 865	-	-	24 865

On exclusion of the R278 million relating to the non-recurring recoupment income net of professional fees incurred in the current period and R102 million in the prior period, EBITDA increased by R23 million from R601 million to R624 million.

As anticipated, the increase in overheads included costs of R25 million attributable to new learnership initiatives, whereby the benefit thereof is realised by way of income tax savings as a result of the section 12H allowances being claimed for such learnerships. Furthermore, additional headcount and expenditure incurred in order to enhance IT Infrastructure and the Group's analytic and product development capabilities, primarily contributed to the limited increase in EBITDA.

The Group generated positive cash flows of R862 million from its operating activities for the period ended 30 November 2021.

Subsequent events

Banking facilities

In February 2022, The Prepaid Company Proprietary Limited renegotiated a further extension of its Investec facility to 31 March 2023. The total facility amounting to R1.56 billion outstanding as at 30 November 2021 was reduced by R340 million to R1.22 billion to date. Thereafter, the exposure to Investec is required to be reduced by a further R30 million per month in order to reduce the maximum facility balance to R1.01 billion.

Airvantage and AV Technology put obligations

On 14 December 2021, Blue Label Telecoms Limited ("BLT") concluded agreements with the 40% shareholders of each of AV Technologies Limited (Mauritius) and Airvantage Proprietary Limited (South Africa) ("Airvantage") in terms of which the put options which they had against BLT were terminated. On 15 December 2021, BLT concluded a put option agreement with Digital Ecosystems Proprietary Limited (formerly Blue Label Mobile Group) in terms of which the latter acquired the right to put up to 40% of the shares in Airvantage to BLT by no earlier than 15 December 2022 for a maximum amount of R110 million. If Cell C Limited, through a board resolution, passes a solvency and liquidity test prior to 15 December 2022, the put option will be terminated.

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. The Board of Blue Label wishes to express its appreciation to its 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 2021 released on SENS on 23 February 2022 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 2021. These may be requested by contacting Investor Relations by e-mail at lionela@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/2022/JSE/ISSE/BLU/Interims.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

23 February 2022

* 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

Auditor: PricewaterhouseCoopers Inc.

Additional information available online at www.bluelabeltelecoms.co.za