

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)

AUDITED RESULTS FOR THE YEAR ENDED 31 MAY 2022

Financial highlights

- Revenue of R17.8 billion*
- Increase in gross profit of 23% to R2.93 billion (2021: R2.38 billion)
- Increase in gross profit margin from 12.66% to 16.46%
- Core headline earnings of 121.01 cents per share** (2021: 89.65 cents per share)
- Headline earnings of 117.34 cents per share (2021: 86.16 cents per share)

* On inclusion of the gross amount generated on "PINless top-ups", prepaid electricity, ticketing and gaming, the effective increase in revenue equated to 10% from R66.0 billion to R72.3 billion.

** On exclusion of non-recurring income of R214 million in the current year and R47 million in the prior year, core headline earnings per share from continuing operations increased by 18% to 96.56 cents per share compared to 81.50 cents per share in the prior year.

Group results

Core headline earnings for the year ended 31 May 2022 amounted to R1.06 billion, equating to core headline earnings of 121.01 cents per share.

In the comparative year, core headline earnings amounted to R788 million, of which R763 million related to continuing operations and R25 million to discontinued operations. Core headline earnings amounted to 89.65 cents per share. Earnings per share from continuing operations amounted to 117.13 cents per share. In the prior year, earnings per share amounted to 94.55 cents per share, of which 91.67 related to continuing operations and 2.88 cents per share related to discontinued operations.

On exclusion of the non-recurring income of R214 million in the current year and R47 million in the prior year, as illustrated in the underlying tables, core headline earnings from continuing operations increased by R131 million from R716 million to R847 million (18%) and core headline earnings from continuing operations increased by 18% from 81.50 cents per share in the prior year to 96.56 cents per share. This growth was indicative of a robust trading performance by the Group during the year.

The non-recurring income of R214 million emanated from:

- A net once-off recoupment of R123 million as a result of the previously reported fraudulent scheme. This recoupment income of R315 million comprised, the aggregate value of assets either realised by or signed over to the Group. This amount was partially offset by professional fees and other costs incurred, taxation and the minority share thereon, totalling R192 million.
- The accounting effects of the settlement of the contingent consideration relating to the disposal of the VAS operations to DNI 4PL Contracts Proprietary Limited (DNI) in April 2020. Of the sale proceeds of R450 million, R100 million was contingent upon Cell C passing the solvency and liquidity test. Given the prior uncertainty relating to the solvency and liquidity of Cell C, the fair value of the contingent consideration was determined to be R72 million. During May 2022, DNI waived the condition precedent relating to solvency and liquidity and accordingly settled the contingent consideration owing, inclusive of interest, totalling R118 million. This resulted in a gain of R46 million accounted for in other income.
- The accounting implications of the put option obligation for the acquisition of up to 40% of the shares in Airvantage. Congruent with the favourable progress made regarding Cell C's recapitalisation and the impact on its going concern assumption as well as the unlikely event of the Airvantage put option being exercised against Blue Label, management has revised the estimate of the potential exposure from R68 million to R22 million, resulting in a fair value gain of R46 million.

On exclusion of the non-recurring income in the current and prior year, earnings per share and headline earnings per share from continuing operations increased by 20% to 92.68 cents per share and by 19% to 92.89 cents per share respectively.

The financial results of WiConnect in the prior year of R25 million, are disclosed in core headline earnings from

discontinued operations and is not included in the continuing operations' revenue, gross profit, earnings before interest, taxation, depreciation and amortisation (EBITDA), and net profit after taxation.

Revenue generated by the continuing operations within the Group declined by 5% to R17.8 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 10% from R66.0 billion to R72.3 billion.

Gross profit increased by R548 million (23%) to R2.93 billion, congruent with an increase in margins from 12.66% to 16.46%.

Group income statement
For the year ended 31 May 2022

	Group May 2022 R'000	Extraneous income* May 2022 R'000	Remaining May 2022 R'000	Group May 2021 R'000	Extraneous income** May 2021 R'000	Remaining May 2021 R'000	Growth remaining R'000	Growth remaining %
Revenue	17 806 262	-	17 806 262	18 821 290	-	18 821 290	(1 015 028)	(5)
Gross profit	2 930 973	-	2 930 973	2 383 254	-	2 383 254	547 719	23
Other income	390 851	360 955	29 896	103 684	88 093	15 591	14 305	92
EBITDA	1 698 494	326 301	1 372 193	1 360 273	131 777	1 228 496	143 697	12
Non-controlling interest	(64 918)	(43 203)	(21 715)	(47 409)	-	(47 409)	25 694	54
Net profit from continuing operations	1 027 079	214 410	812 669	805 286	126 175	679 111	133 558	20
Core headline earnings	1 061 080	214 410	846 670	787 580	71 663	715 917	130 753	18
- from continuing operations	1 061 080	214 410	846 670	762 599	46 682	715 917	130 753	18
- from discontinued operations	-	-	-	24 981	24 981	-	-	-
Gross profit margin (%)	16.46		16.46	12.66		12.66		
EBITDA margin (%)	9.54		7.71	7.23		6.53		
Weighted average shares ('000)	876 857		876 857	878 463		878 463		
Share performance from continuing operations								
EPS (cents)	117.13		92.68	91.67		77.31	15.37	20
HEPS (cents)	117.34		92.89	83.32		78.01	14.88	19
Core HEPS (cents)	121.01		96.56	86.81		81.50	15.06	18

* The extraneous contributions to Group earnings in the current year were attributable to once-off income(1), including:

- once-off recoupment income, comprising the aggregate value of assets either realised by or signed over to the Group relating to the previously reported fraudulent scheme. This income was partially offset by professional fees and other costs incurred, taxation and the minority share thereon;
- the accounting effects of the settlement of the contingent consideration relating to the disposal of the VAS operations in April 2020; and
- the accounting implications of the put option obligation for the acquisition of up to 40% of the shares in Airvantage.

	Extraneous income* May 2022 R'000	Once-offs(1) May 2022 R'000
Other income	360 955	360 955
EBITDA	326 301	326 301
Non-controlling interest	(43 203)	(43 203)
Net profit from continuing operations	214 410	214 410
Core headline earnings from continuing operations	214 410	214 410

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

- realised foreign exchange gains on the USD20 million liquidity support provided to SPV2(2);
- once-off income, including the disposal of the Group's interest in Blue Label Mexico(3); and
- partial recoupment of losses by the Retail division as a result of the closure of the WiConnect stores(4).

	Extraneous income** May 2021 R'000	Fair value movements(2) May 2021 R'000	Once-offs(3) May 2021 R'000	WiConnect(4) May 2021 R'000
Other income	88 093	-	88 093	-
EBITDA	131 777	16 009	115 768	-

Net profit from continuing operations	126 175	16 961	109 214	-
Core headline earnings	71 663	16 961	29 721	24 981
- from continuing operations	46 682	16 961	29 721	-
- from discontinued operations	24 981	-	-	24 981

On exclusion of the R326 million relating to the non-recurring income in the current year and R132 million in the prior year, EBITDA increased by R144 million (12%) from R1.23 billion to R1.37 billion.

The anticipated increase in overheads, included costs of R65 million attributable to new learnership initiatives in the current year and R10 million in the prior year. The benefit thereof is realised by way of income tax savings as a result of the section 12H allowances being claimed for such learnerships. On exclusion thereof in both the current and prior year, EBITDA increased by R199 million (16%).

Subsequent events

Cell C

Certain of the Secured Lenders of Cell C, are holders of formerly publicly listed notes issued by Cell C described as USD184 002 000 8.625% First Priority Senior Secured Notes. Shareholders were notified of the convening of a meeting of the holders of the Notes (Noteholders) for Noteholders to approve an extraordinary resolution which, among other things, will give effect to the compromising of the Noteholders' claims (Compromise Offer). In terms of the Compromise Offer, Cell C shall, inter alia, restructure its debt owing to certain secured lenders totalling c.R7.3 billion, with such amount being fixed as at November 2019, by compromising the secured lenders' claims by an offer of 20c to the Rand. The Noteholder meeting was held on 5 July 2022 and Noteholders with the requisite majority voted resolutions in favour of, among other things, the compromise offer as set out in Cell C's consent solicitation memorandum.

The binding long-form agreements, for the recapitalisation of Cell C, are expected to be completed in their entirety shortly. It is anticipated that the recapitalisation process, the completion of which has endured for longer than initially anticipated, is expected to close by mid-September 2022.

Banking facilities

In August 2022, The Prepaid Company renegotiated a further extension of its Investec facility to 30 September 2023. The Investec facility available to The Prepaid Company at year-end is required to reduce by R120 million to R1.005 billion as at 30 September 2022. At 31 May 2022, the Investec facility is disclosed as current borrowings, as the extension to 30 September 2023, was only granted in August 2022.

Appreciation

The Board of Blue Label wishes to express its appreciation to its staff, 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 audited summarised Group annual financial statements released on SENS on 25 August 2022. 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 investors@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/FYresults.pdf>.

For and on behalf of the Board

LM Nestadt
Chairman

BM Levy and MS Levy
Joint Chief Executive Officers

DA Suntup* CA(SA)
Financial Director

25 August 2022

* Supervised the preparation and review of the Group's audited year-end results.

Directors: LM Nestadt (Chairman)*, BM Levy, MS Levy, KM Ellerine**, GD Harlow*, NP Mnxasana*, JS Mthimunye*, DA Suntup,
SJ 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