

UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 NOVEMBER 2022

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 2022

Financial highlights and salient features

- Revenue of R9.8 billion*
 - Increase in gross profit of 13% to R1.54 billion (2021: R1.36 billion)
 - Increase in gross profit margin from 14.93% to 15.67%
 - Successful conclusion of the Cell C recapitalisation transaction in September 2022
 - Core headline earnings of 3.94 cents per share** (2021: 62.69 cents per share)
- * On inclusion of the gross amount generated on "PINless top-ups", prepaid electricity, ticketing and gaming, the effective increase equated to 9% from R36.2 billion to R39.3 billion.

** Excluding the extraneous contributions of R421 million in the current period, primarily resulting from the recapitalisation transaction of Cell C, and R148 million in the prior period, core headline earnings per share increased by 13% to 51.72 cents per share compared to 45.68 cents per share in the prior period.

GROUP RESULTS

Core headline earnings for the period ended 30 November 2022 amounted to R35 million, equating to core headline earnings of 3.94 cents per share.

The core businesses of the Blue Label Group continued to generate further growth in revenue, gross profit and core headline earnings per share for the six-month period ended 30 November 2022. The predominant extraneous contributions to the November 2022 basic, headline and core headline earnings per share, emanated primarily from the recapitalisation transaction of Cell C.

In the comparative period, core headline earnings 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.

Excluding the extraneous contributions of R421 million in the current period and non-recurring income of R148 million in the prior period, as illustrated in the underlying tables, core headline earnings increased by R55 million (14%) from R400 million to R455 million. Core headline earnings per share increased by 13% from 45.68 cents per share in the prior period to 51.72 cents per share.

Earnings per share amounted to negative 8.74 cents per share. In the prior period, earnings per share amounted to 60.71 cents per share, of which 60.59 cents related to continuing operations and 0.12 cents to discontinued operations. Excluding the extraneous contributions and non-recurring income in both the current and prior periods, earnings per share and headline earnings per share increased by 14% to 49.66 cents per share and 49.86 cents per share, respectively.

Group revenue increased by R710 million (8%) to R9.8 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 R3.1 billion (9%) from R36.2 billion to R39.3 billion.

Gross profit increased by R179 million (13%) from R1.36 billion to R1.54 billion, congruent with an increase in margins from 14.93% to 15.67%.

GROUP INCOME STATEMENT

	Group Nov 2022 R'000	Extraneous costs^ Nov 2022 R'000	Remaining Nov 2022 R'000	Group Nov 2021 R'000	Extraneous income^^ Nov 2021 R'000	Remaining Nov 2021 R'000	Growth remaining R'000	Growth remaining %
Revenue	9 823 143	-	9 823 143	9 112 874	-	9 112 874	710 269	8
Gross profit	1 539 635	-	1 539 635	1 360 927	-	1 360 927	178 708	13
Other income	15 071	-	15 071	323 959	315 132	8 827	6 244	71
Bad debts, expected credit losses and fair value movements	(124 058)	(44 589)	(79 469)	(149 036)	-	(149 036)	69 567	47
Loss on modification of financial instrument	(64 500)	(64 500)	-	-	-	-	-	-
EBITDA	609 405	(109 089)	718 494	902 499	278 118	624 381	94 113	15
Finance costs	(247 765)	(89 747)	(158 018)	(68 290)	-	(68 290)	(89 728)	(131)
Finance income	131 402	57 906	73 496	35 542	-	35 542	37 954	107
Non-controlling interest	(8 759)	-	(8 759)	(60 350)	(52 167)	(8 183)	(576)	(7)
Reversal of impairments in associates	962 531	962 531	-	-	-	-	-	-
Share of (losses)/profits from associates and joint ventures	(1 320 127)	(1 328 767)	8 640	9 566	-	9 566	(926)	(10)
Net (loss)/profit from continuing operations	(76 934)	(514 315)	437 381	530 440	147 923	382 517	54 864	14
Core headline earnings	34 700	(420 784)	455 484	548 831	148 934	399 897	55 587	14
- from continuing operations	34 700	(420 784)	455 484	547 820	147 923	399 897	55 587	14
- from discontinued operations	-	-	-	1 011	1 011	-	-	-
Gross profit margin	15,67%		15,67%	14,93%		14,93%		
EBITDA margin	6,20%		7,31%	9,90%		6,85%		
Weighted average shares ('000)	880 749		880 749	875 496		875 496		
Share performance from continuing operations								
EPS (cents)	(8,74)		49,66	60,59		43,69	5,97	14
HEPS (cents)	2,09		49,86	60,74		43,85	6,01	14
Core HEPS (cents)	3,94		51,72	62,57		45,68	6,04	13

- ^ The extraneous contributions to Group earnings in the current year were primarily attributable to:
- the accounting treatment relating to the recapitalisation transaction of Cell C (1), emanating from:
 - finance income of R58 million;
 - finance costs of R90 million;
 - expected credit losses and fair value movements of R67 million;
 - loss on modification of a financial instrument of R65 million as a result of the CEC deferral amount of R1.1 billion, owing by Cell C, being renegotiated and reclassified from 'trade and other receivables' to 'loans to associates and joint ventures';
 - a partial reversal of R962.5 million relating to the initial impairment of R2.5 billion of Blue Label's investment in Cell C as at 31 May 2019, congruent with an improvement in its equity valuation; and
 - recognition of the Group's share of Cell C's net accumulated losses amounting to R2.2 billion for the period 1 June 2019 to 30 November 2022 limited to the extent of R1.328 billion, being the aggregate of the partial reversal of the initial impairment of R962.5 million of Blue Label's investment in Cell C, as well as additional investments therein amounting to R366 million.
 - the accounting implications of the termination of the Airvantage put option obligation for the acquisition of up to 40% of the shares therein, resulted in a fair value gain of R22 million (2).

	Extraneous costs^ Nov 2022 R'000	Recap of Cell C (1) Nov 2022 R'000	Once-offs(2) Nov 2022 R'000
Bad debts, expected credit losses and fair value movements	(44 589)	(66 589)	22 000

Loss on modification of financial instrument	(64 500)	(64 500)	-
EBITDA	(109 089)	(131 089)	22 000
Finance costs	(89 747)	(89 747)	-
Finance income	57 906	57 906	-
Reversal of impairments in associates	962 531	962 531	-
Share of losses from associates and joint ventures	(1 328 767)	(1 328 767)	-
Net (loss)/profit from continuing operations	(514 315)	(536 315)	22 000
Core headline earnings from continuing operations	(420 784)	(442 784)	22 000

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

- once-off recoupment income of R148 million, comprising the aggregate value of assets either realised by or signed-over to the Group relating to the fraudulent scheme, partially offset by professional fees and other costs incurred, taxation and the non-controlling interest thereon (3); and
- partial recoupment of losses of R1 million by the Retail division as a result of the closure of the WiConnect stores(4).

	Extraneous income^^ Nov 2021 R'000	Once-offs(3) Nov 2021 R'000	WiConnect(4) 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

EBITDA increased by R94 million (15%) from R624 million to R718 million, excluding the extraneous costs of R109 million in the current period and non-recurring income of R278 million in the prior period.

The anticipated increase in overheads, included costs of R70 million attributable to new learnership initiatives in the current period and R25 million in the prior period. 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 periods, EBITDA increased by R139 million (21%).

EVENTS AFTER THE REPORTING DATE

An announcement was released on 6 February 2023, stating that SNG Grant Thornton ("SNG") replaced PwC as the external auditors of Blue Label, with Mr A Philippou as the designated individual audit partner. The change in external auditors is in alignment with the principles of good governance and early adoption of mandatory audit firm rotation, whereby audit firms shall not serve as the appointed auditor of a public interest entity for more than 10 consecutive years, with effect from 1 April 2023. The acceleration of the mandatory audit firm rotation was prudent in order to achieve future cost savings and efficiencies, as SNG is Cell C's auditor, and to ensure alignment with them relating to the audit of the recapitalisation transaction of Cell C from inception thereof.

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 unaudited condensed consolidated financial statements for the half-year ended 30 November 2022 released on SENS on 23 February 2023 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 2022. 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/2023/JSE/ISSE/BLU/Interims22.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

23 February 2023

* Supervised the preparation of the Group's unaudited six-month period ended results.

Directors: LM Nestadt (Chairman)*, BM Levy, MS Levy, KM Ellerine**, NP Mnxasana*, JS Mthimunye*, DA Suntup, JS Vilakazi*, PL Zim*, LE Mthimunye*

*Independent Non-Executive **Non-Executive

Company Secretary: J van Eden
Sponsor: Investec Bank Limited
Auditor: SNG Grant Thornton.

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