

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 2023

FINANCIAL HIGHLIGHTS

- Revenue of R18.9 billion*
- Increase in gross profit of 19% to R3.48 billion (2022: R2.93 billion)
- Increase in gross profit margin from 16.46% to 18.41%
- Successful conclusion of the Cell C recapitalisation transaction in September 2022
- Core headline earnings per share 45.55 cents per share (2022: 121.01 cents per share)**

* On inclusion of the gross amount generated on "PINless top-ups", prepaid electricity, ticketing and gaming, the effective increase equated to 6% from R72.3 billion to R76.8 billion.

** Excluding the extraneous contributions of R523 million in the current year, primarily resulting from the recapitalisation transaction of Cell C, and R214 million in the prior year, core headline earnings per share increased by 9% to 104.83 cents per share compared to 96.56 cents per share in the prior year.

GROUP RESULTS

Core headline earnings for the year ended 31 May 2023 amounted to R402 million, equating to core headline earnings of 45.55 cents per share.

In the comparative year, core headline earnings amounted to R1.061 billion, equating to core headline earnings of 121.01 cents per share.

The core businesses of the Blue Label Group have shown consistent growth in revenue, gross profit, and core headline earnings per share for the year ended 31 May 2023. The predominant extraneous contributions to the May 2023 basic, headline, and core headline earnings per share are primarily associated with the recapitalisation transaction of Cell C.

Excluding the extraneous contributions of R523 million in the current year and the non-recurring income of R214 million in the prior year, as illustrated in the underlying tables, core headline earnings increased by R78 million (9%) from R847 million to R925 million. Core headline earnings per share increased by 9% from 96.56 cents per share in the prior year to 104.83 cents per share.

Earnings per share for the current and prior years amounted to 30.48 cents and 117.13 cents respectively. On exclusion of the extraneous contributions and non-recurring income from both the current and prior years, earnings per share and headline earnings per share increased by 8% to 100.35 cents per share and 9% to 101.24 cents per share, respectively.

Group revenue increased by R1.1 billion (6%) to R18.9 billion. However, 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 from these sources, the effective growth in revenue equated to R4.5 billion (6%), resulting in a total revenue of R76.8 billion compared to the prior year of R72.3 billion.

Gross profit increased by R552 million (19%) from R2.931 billion to R3.483 billion, corresponding to an increase in margins from 16.46% to 18.41%. This increase in margins can be partially attributed to the growth in "PINless top-ups", prepaid electricity, ticketing, and gaming, where only the gross profit earned thereon is recognised as revenue.

Furthermore, load shedding has been a significant challenge faced by our organisation in recent times, which is entirely out of management's control. It has negatively impacted the sale of prepaid electricity, prepaid airtime, starter packs and our call centre operations, all of which are significant revenue streams for the Group. The frequent

power outages imposed by external factors have adversely affected our operational efficiency, resulting in disruptions, delays, and additional costs.

While the management team has worked diligently to mitigate the effects of load shedding, it has disrupted the availability and accessibility of these essential services to our customers and has negatively affected our overall financial performance. The demand for these product offerings has experienced a decline, resulting in a significant reduction in revenue. The unpredictability and intermittent nature of load shedding have made it challenging for customers to conveniently purchase these products, especially during the second half of the financial year when the country experienced stage 4 and increased levels of load shedding.

GROUP INCOME STATEMENT

For the year ended 31 May 2023

	Group May 2023 R'000	Extraneous costs^ May 2023 R'000	Remaining May 2023 R'000	Group May 2022 R'000	Extraneous income^^ May 2022 R'000	Remaining May 2022 R'000	Growth remaining R'000	Growth remaining %
Revenue	18 918 263	-	18 918 263	17 806 262	-	17 806 262	1 112 001	6
Gross profit	3 483 075	-	3 483 075	2 930 974	-	2 930 974	552 101	19
Other income	90 176	-	90 176	390 851	360 955	29 896	60 280	202
Bad debts, expected credit losses and fair value movements	(667 649)	(88 474)	(579 175)	(264 515)	46 179	(310 694)	(268 481)	(86)
Loss on modification of financial instruments	(57 453)	(57 453)	-	-	-	-	-	-
EBITDA	1 316 926	(145 927)	1 462 853	1 698 494	326 301	1 372 193	90 660	7
Finance costs	(682 599)	(321 915)	(360 684)	(201 225)	-	(201 225)	(159 459)	(79)
Finance income	411 540	238 362	173 178	80 993	-	80 993	92 185	114
Non-controlling interest	(19 207)	-	(19 207)	(64 918)	(43 203)	(21 715)	2 508	12
Reversal of impairments in associates	962 531	962 531	-	-	-	-	-	-
Share of (losses)/profits from associates and joint ventures	(1 329 747)	(1 328 767)	(980)	8 042	-	8 042	(9 022)	(112)
Net profit after tax	268 966	(616 688)	885 654	1 027 079	214 410	812 669	72 985	9
Core headline earnings	401 961	(523 157)	925 118	1 061 080	214 410	846 670	78 448	9
Gross profit margin (%)	18.41		18.41	16.46		16.46		
EBITDA margin (%)	6.96		7.73	9.54		7.71		
Weighted average shares ('000)	882 530		882 530	876 857		876 857		
Share performance								
EPS (cents)	30.48		100.35	117.13		92.68	7.67	8
HEPS (cents)	41.97		101.24	117.34		92.89	8.36	9
Core HEPS (cents)	45.55		104.83	121.01		96.56	8.27	9

^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:
 - expected credit losses and fair value movements of R88 million;
 - loss on modification of financial instruments of R57 million primarily due to the renegotiation and reclassification of the CEC deferral amount of R1.1 billion, owed by Cell C, from 'trade and other receivables' to 'loans to associates and joint ventures';
 - finance costs of R322 million resulting from increased borrowings related to airtime sale and repurchase obligations, as well as the issue of Class A Preference Shares;
 - finance income of R238 million resulting from a loan to Cell C for its debt funding requirements;
 - 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, in line with an improvement in its equity valuation; and
 - recognition of the Group's share of Cell C's net accumulated losses for the period from 1 June 2019 to 31 May 2023, limited to R1.329 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 [^] May 2023 R'000	Recap of Cell C(1) May 2023 R'000	Once-offs(2) May 2023 R'000
Bad debts, expected credit losses and fair value movements	(88 474)	(110 474)	22 000
Loss on modification of financial instrument	(57 453)	(57 453)	-
EBITDA	(145 927)	(167 927)	22 000
Finance costs	(321 915)	(321 915)	-
Finance income	238 362	238 362	-
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	(616 688)	(638 688)	22 000
Core headline earnings	(523 157)	(545 157)	22 000

- ^{^^}The extraneous contributions to Group earnings in the prior year were attributable to once-off income(3), including:
- once-off recoupment income of R123 million, 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 and other costs incurred, taxation and the non-controlling interest thereon;
 - the accounting effects of the settlement of the contingent consideration of R46 million relating to the disposal of the VAS operations in April 2020; and
 - the accounting implications of the put option obligation of R46 million, for the acquisition of up to 40% of the shares in Airvantage.

	Extraneous income ^{^^} May 2022 R'000	Once-offs(3) 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	214 410	214 410

EBITDA increased by R91 million (7%) from R1.372 billion to R1.463 billion, excluding the extraneous contributions of R146 million in the current year and non-recurring income of R326 million in the prior year.

Excluding the R145 million costs attributable to learnership initiatives in the current year and R65 million in the prior year, EBITDA increased by R171 million (12%) to R1.608 billion (2022: R1.437 billion). The benefit thereof is realised through income tax savings resulting from the section 12H allowances claimed for these learnerships.

APPRECIATION

The Blue Label Board would like to extend its gratitude to the staff, suppliers, customers, and business partners for their ongoing support and dedication 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 Group annual financial statements released on SENS on 30 August 2023. The announcement itself is not audited and does not contain full or complete details.

The consolidated financial statements for the year ended 31 May 2023 have been audited by SizweNtsalubaGobodo Grant

Thornton Inc., who expressed an unmodified opinion thereon.

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/2023/JSE/ISSE/BLU/FYresults.pdf>

For and on behalf of the Board

LM Nestadt
Chairman
30 August 2023

BM Levy and MS Levy
Joint Chief Executive Officers

DA Suntup* CA(SA)
Financial Director

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

Directors: LM Nestadt (Chairman)*, BM Levy, MS Levy, H Masondo*, NP Mnxasana*, JS Mthimunye*, LE Mthimunye*, DA Suntup, SJ Vilakazi*

* Independent Non-Executive

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

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