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 CONSOLIDATED ANNUAL FINANCIAL RESULTS FOR THE YEAR ENDED 31 MAY 2024

FINANCIAL RESULTS

- Revenue of R14.6 billion*
- Decrease in gross profit of 5% to R3.3 billion (2023: R3.48 billion)
- Increase in gross profit margin from 18.41% to 22.57%
- Core headline earnings of 76.08 cents per share** (2023: 45.55 cents per share)

* On inclusion of the gross amount generated on "PINless top-ups", prepaid electricity, ticketing and universal vouchers, the effective increase equated to 16% from R76.8 billion to R89.3 billion.

** Excluding the positive contributions of R66 million in the current year and the negative contributions of R523 million in the prior year, primarily resulting from the recapitalisation transaction of Cell C, core headline earnings per share declined by 34% to 68.66 cents per share compared to 104.83 cents per share in the prior year.

Group results

Group revenue declined by R4.3 billion (23%) to R14.6 billion. However, as only the gross profit earned on "PINless top-ups", prepaid electricity, ticketing and universal vouchers is recognised as revenue, on imputing the gross revenue generated from these sources, the effective growth in revenue equated to R12.5 billion (16%), resulting in a total revenue of R89.3 billion compared to the prior year of R76.8 billion.

Gross profit decreased by R188 million (5%) from R3.483 billion to R3.295 billion. The decline was mitigated by an increase in the gross profit margin from 18.41% to 22.57%. This increase in margins can be partially attributed to the growth in "PINless top-ups", prepaid electricity, ticketing and universal vouchers, where only the gross profit earned thereon is recognised as revenue.

The Group remains vigilant in managing its total overhead costs.

EBITDA declined by R258 million (18%) from R1.463 billion to R1.205 billion, excluding the positive contributions of R20 million in the current year and negative contributions of R146 million in the prior year. Of this decline, Comm Equipment Company Proprietary Limited (CEC) showed a negative impact of R368 million, while the remaining Group operations contributed an additional R110 million compared to the previous year.

Core headline earnings for the year ended 31 May 2024 amounted to R679 million, equating to core headline earnings of 76.08 cents per share.

In the comparative year, core headline earnings amounted to R402 million, equating to core headline earnings of 45.55 cents per share. The predominant negative 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 positive contributions of R66 million in the current year and the negative contributions of R523 million in the prior year, as illustrated in the underlying tables, core headline earnings declined by R312 million (34%) from R925 million to R613 million and core headline earnings per share declined by 34% from 104.83 cents per share in the prior year to 68.66 cents per share. This decline in core headline earnings was attributable to a decrease of R188 million in CEC, while the remaining entities within the Group declined by R124 million compared to the prior year.

The decline in CEC's core headline earnings was primarily attributable to a decline in gross profit stemming from a decrease in earnings resulting from the expiry, in November 2022, of certain elements of the revenue-sharing agreement, increased expenditure related to the distribution agreement and an increase in the amortisation of handset subsidies. The declines were offset by a reduction in the expected credit loss following a comprehensive base reconciliation at the end of the previous financial year as well as the derecognition of the expected credit loss on the sale of a portion of its handset receivable books.

As part of the recapitalisation transaction of Cell C, and to further assist with their working capital requirements, The Prepaid Company Proprietary Limited (TPC) is obligated to purchase R1.2 billion of additional prepaid airtime through four quarterly payments of R300 million each. To fund these working capital requirements for Cell C, CEC sold a portion of its handset receivable book to financial institutions. The funds generated from this transaction are transferred from CEC to TPC, and ultimately to Cell C through the acquisition of airtime as referred to above.

The remaining entities within the Group, with particular reference to TPC, faced a reduction in core headline earnings due to the cessation of certain rebates and a reduction in discounts from Cell C, following its recapitalisation.

Earnings per share for the current and prior years amounted to 72.49 cents and 30.48 cents respectively. On the exclusion of the contributions resulting primarily from the recapitalisation transaction of Cell C from both the current and prior years, earnings per share and headline earnings per share declined by 35% to 65.07 cents per share and 66.22 cents per share, respectively.

Group Income Statement

	Group May 2024 R'000	Extraneous income* May 2024 R'000	Remaining May 2024 R'000	Group May 2023 R'000	Extraneous costs** May 2023 R'000	Remaining May 2023 R'000	Growth remaining R'000	Growth remaining %
Revenue	14 598 444	127 742	14 470 702	18 918 263	-	18 918 263	(4 447 561)	(24%)
Gross Profit	3 295 038	127 742	3 167 296	3 483 075	-	3 483 075	(315 779)	(9%)
Other expenses	(667 624)	(15 651)	(651 973)	(585 720)	-	(585 720)	(66 253)	(11%)
Bad debts, expected credit losses and fair value movements	(500 569)	(59 208)	(441 361)	(667 649)	(88 474)	(579 175)	137 814	24%
Loss on modification/derecognition of financial instruments	(32 576)	(32 576)	-	(57 453)	(57 453)	-	-	
EBITDA	1 225 475	20 307	1 205 168	1 316 926	(145 927)	1 462 853	(257 685)	(18%)
Finance costs	(1 121 356)	(461 932)	(659 424)	(682 599)	(321 915)	(360 684)	(298 740)	(83%)
Finance income	901 884	599 823	302 061	411 540	238 362	173 178	128 883	74%
Reversal of impairments in associates	-	-	-	962 531	962 531	-	-	
Share of profit/(losses) from associates and joint ventures	15 416	-	15 416	(1 329 747)	(1 328 767)	(980)	16 396	1673%
Net profit after tax	647 386	66 262	581 124	268 966	(616 688)	885 654	(304 530)	(34%)
Core headline earnings	679 488	66 262	613 226	401 961	(523 157)	925 118	(311 892)	(34%)
Gross profit margin (%)	22,57%		21,89%	18,41%		18,41%		
EBITDA margin (%)	8,39%		8,33%	6,96%		7,73%		
Weighted average shares ('000)	893 117		893 117	882 530		882 530		
Share performance								
EPS (cents)	72,49		65,07	30,48		100,35	(35,28)	(35%)
HEPS (cents)	73,64		66,22	41,97		101,24	(35,02)	(35%)
Core HEPS (cents)	76,08		68,66	45,55		104,83	(36,17)	(35%)

* The extraneous net positive contributions to Group earnings in the current year were attributable to:
- the accounting treatment relating to the recapitalisation transaction of Cell C (1), emanating from:
  - deferred finance revenue of R128 million which represents the difference between the accelerated deferred interest recognised on the date of sale of the handset receivable book and the expected deferred interest that would have

been released, had the handset receivable book not been sold;
- other expenses of R16 million primarily relating to raising and commitment fees paid;
- expected credit loss and negative fair value movements of R59 million;
- net loss on modification of the financial instruments amounting to R33 million relating to the sale of the handset receivable book and the Class A Preference shares;
- finance costs of R462 million, of which R301 million resulted from borrowings relating to airtime sale and repurchase obligations, as well as the issuance of Class A Preference Shares and R161 million relating to the finance cost recognised on the date of sale of the handset receivable book, calculated using the prime interest rate multiplied by the gross handset value sold; and
- finance income of R600 million resulting from the loan to Cell C for its debt funding requirements.

	Extraneous income* May 2024 R'000	Recap of Cell C(1) May 2024 R'000
Revenue	127 742	127 742
Other expenses	(15 651)	(15 651)
Bad debts, expected credit losses and fair value movements	(59 208)	(59 208)
Loss on modification/derecognition of financial instruments	(32 576)	(32 576)
EBITDA	20 307	20 307
Finance costs	(461 932)	(461 932)
Finance income	599 823	599 823
Net profit after tax	66 262	66 262
Core headline earnings	66 262	66 262

** The extraneous negative contributions to Group earnings in the prior year were primarily attributable to:
-the accounting treatment relating to the recapitalisation transaction of Cell C (2), emanating from:
- expected credit losses and fair value movements of R110 million;
- loss on modification of a 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 (3).

	Extraneous costs** May 2023 R'000	Recap of Cell C(2) May 2023 R'000	Once-offs(3) 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 after tax	(616 688)	(638 688)	22 000
Core headline earnings	(523 157)	(545 157)	22 000

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 consolidated annual financial statements released on SENS on 29 August 2024. The announcement itself is not audited and does not contain full or complete details.

The consolidated annual financial statements for the year ended 31 May 2024 have been audited by SizweNtsalubaGobodo Grant Thornton Inc. (SNGGT), who have expressed an unmodified opinion thereon.

Any investment decision by investors and/or shareholders should be based on consideration of the audited consolidated annual financial statements. These results together with a copy of the accompanying auditor's reports and key audit matters are available on the Company's website (www.bluelabeltelecoms.co.za).

The JSE link is as follows:
https://senspdf.jse.co.za/documents/2024/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

29 August 2024
*Supervised the preparation and review of the Group's audited year-end results.

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

DISCLAIMER This document contains certain statements that are "forward-looking" with respect to certain of the Group's plans, goals and expectations relating to its future performance, results, strategies and objectives. Words such as "may", "could", "will", "expect", "intend", "estimate", "anticipate", "aim", "outlook", "believe", "plan", "seek", "predict" or similar expressions typically identify forward-looking statements. These forward-looking statements are not statements of fact or guarantees of future performance, results, strategies and objectives, and by their nature involve risk and uncertainty because they relate to future events and circumstances which are difficult to predict and are beyond the Group's control, including but not limited to, domestic and global economic business conditions, market-related risks such as fluctuations in interest rates and exchange rates, the policies and actions of regulatory authorities, the impact of competition, inflation, deflation, the timing impact and other uncertainties of future acquisitions or combinations within relevant industries, as well as the impact of changes in domestic and global legislation and regulations in the jurisdictions in which the Group and its affiliates operate. The Group's actual future performance, results, strategies and objectives may differ materially from the plans, goals and expectations expressed or implied in the forward-looking statements. The Group makes no representations or warranty, express or implied, that these forward-looking statements will be achieved, and undue reliance should not be placed on such statements. The forward-looking statements in this document are not reviewed and reported on by the Group's external assurance providers. The Group undertakes no obligation to update the historical information or forward-looking statements in this document and does not assume responsibility for any loss or damage arising as a result of the reliance by any party thereon.