

BLUE LABEL
TELECOMS

**CONNECTING OUR
WORLD TO YOURS**

AUDITED RESULTS

For the year ended 31 May 2020

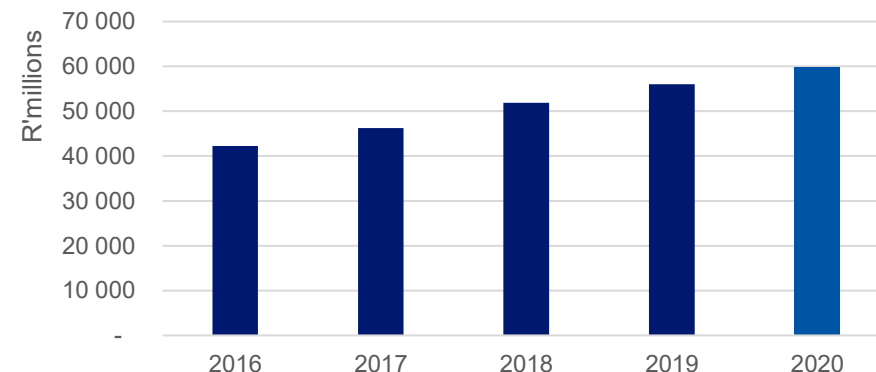
HIGHLIGHTS FOR THE 12 MONTHS

Ended 31 May 2020

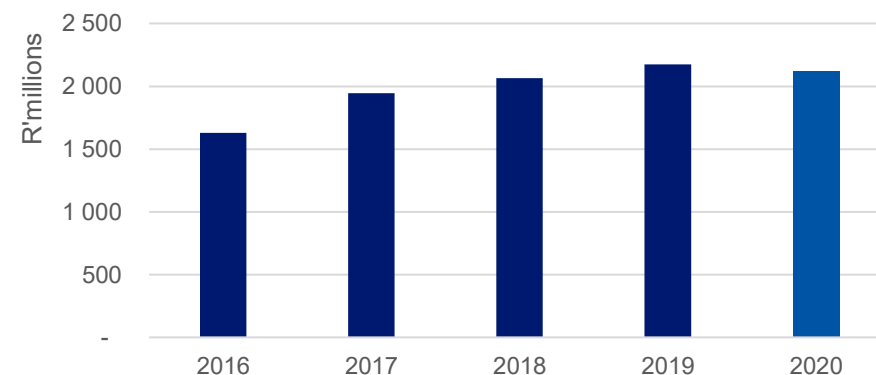
- ▶ Revenue up 7% to R59.9 billion, incl. the gross amount generated on PINless, electricity, ticketing, gaming and other
- ▶ Gross profit of R2.12 billion
- ▶ GP margin improves from 9.21% to 10.05%
- ▶ Gross electricity revenue earned up 13% to R22.7 billion
- ▶ HEPS increases from negative 312.49 cps to positive 58.16 cps
- ▶ Core HEPS increased from negative 304.77 cps to positive 62.71 cps
- ▶ Sale of non-core assets complete
- ▶ Interest-bearing borrowings reduced to R2.3 billion from R3.2 billion
- ▶ Net cash generated from operating activities of R1.3 billion

Business rationalised; balance sheet strengthened

Gross revenue*



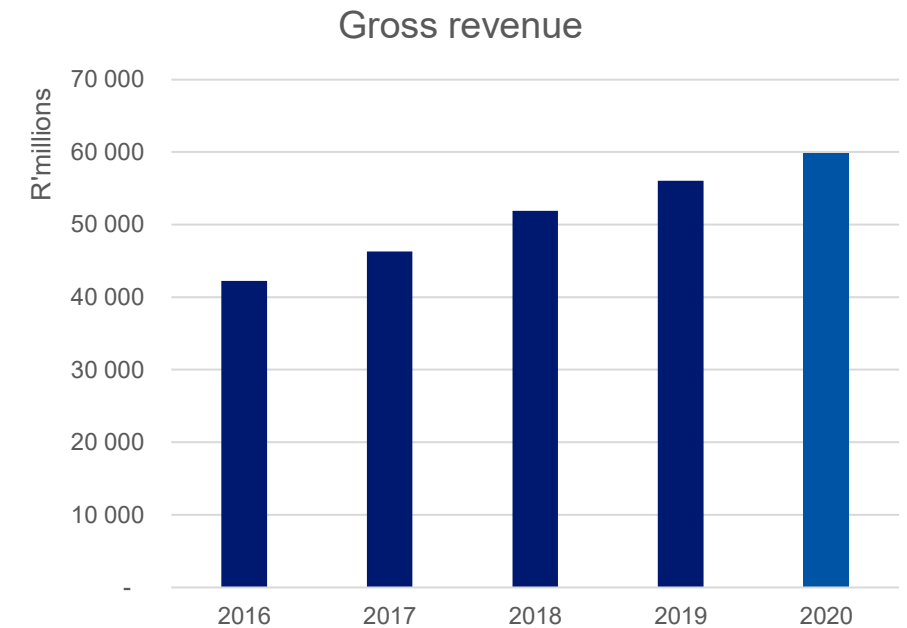
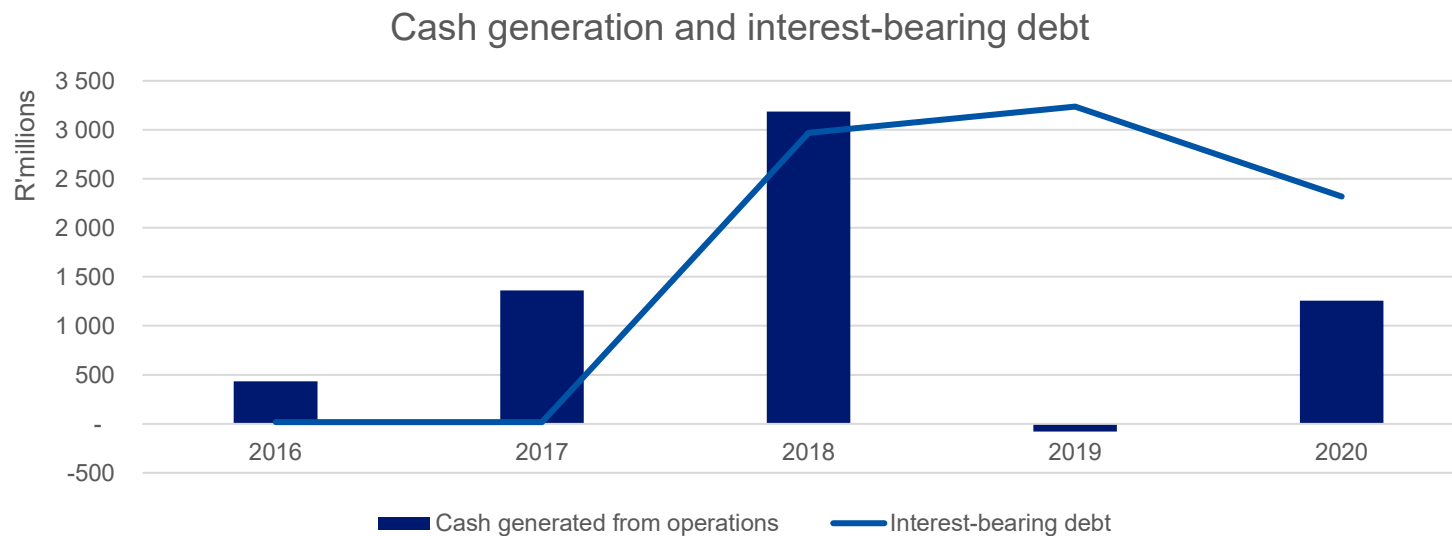
Gross Profit*



* From continuing operations

Revenue, Debt and Cash Flow

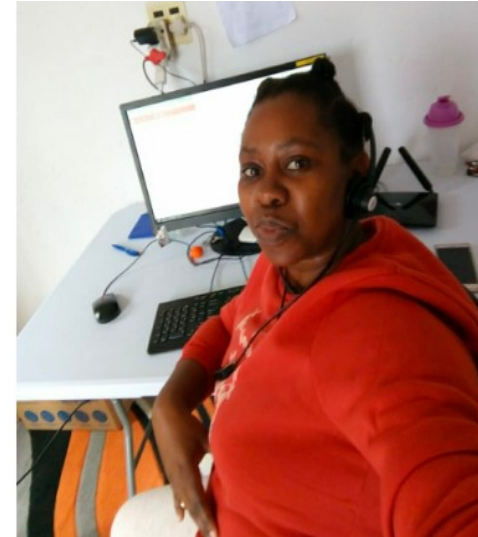
- ▶ Despite a significant increase in debt levels during the 2018 financial year, with a consequent reduction in interest earned, there has been consistent growth in revenue. In the current year, cash flow has shown strong improvement as interest-bearing borrowings have reduced.



Covid-19 Impacts

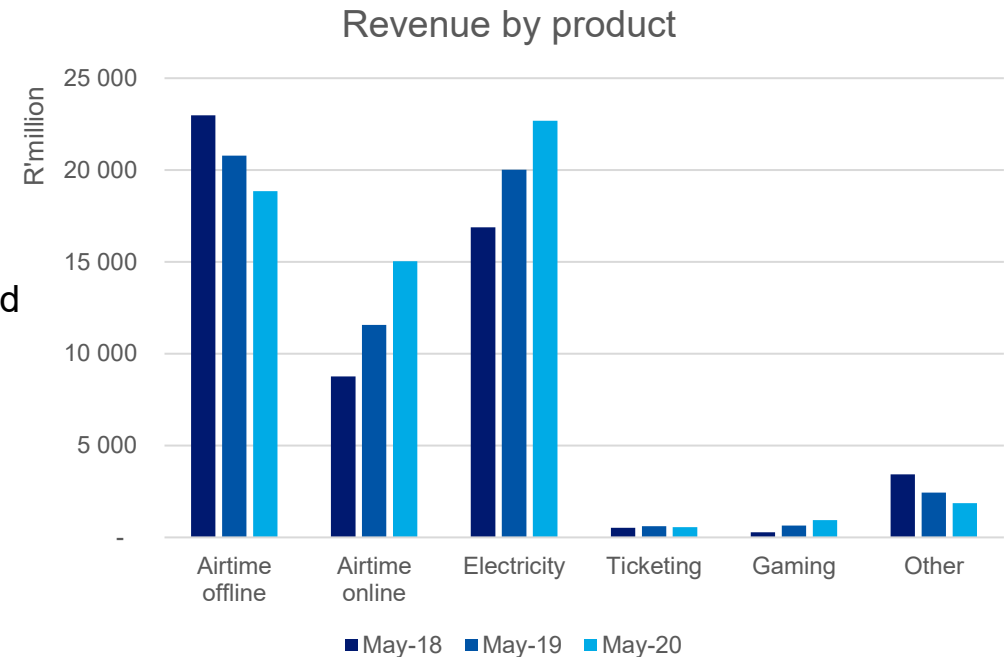
- ▶ Blue Label has demonstrated relative resilience during lockdown due to essential nature of products and increasing digitisation of our distribution
- ▶ Covid-19 has had a people impact, not a technology impact
- ▶ Most of the company, incl. a fully functional Customer Interaction Centre, moved to working from home as soon as lockdown started
- ▶ Blue Label's digital innovation has come to the fore with new digital products and services launched
- ▶ We have been pleased to note productivity increases as people strive to maintain relevance through innovative delivery
- ▶ The Group's retail business was negatively impacted as a result of Covid-19, resulting in the decision to cease the operations of the WiConnect retail stores impacting the Group's earnings by R318 million.
- ▶ Challenging economic conditions resulted in goodwill write-offs of R214 million and other downward adjustments of R47 million

The lifeblood of Blue Label is our technical prowess



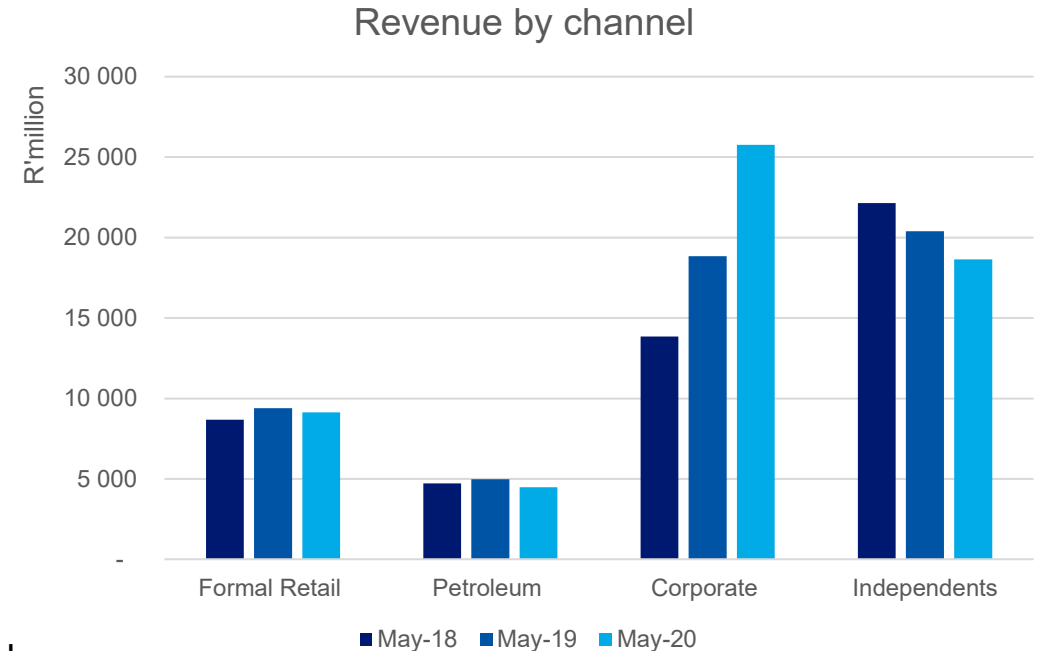
SA Distribution – Product Performance

- ▶ Revenue increased 7% to R59.7 billion, incl. the gross amount generated on PINless, electricity, ticketing, gaming and other
- ▶ Covid-19 negatively affecting retail sales, ticketing, gaming and starter pack distribution
- ▶ WiConnect discontinued – negative impact of R318 million
- ▶ Digital purchasing delivering strong growth, magnified by Covid - trend expected to continue
- ▶ Core products - airtime, electricity continue migrating to digital channels
- ▶ VAS products - growing strongly in retail, informal and petroleum channels
- ▶ Continue to expand bouquet of entertainment and ticketing products
- ▶ Money transfer products experience exceptional growth, especially in informal market



SA Distribution – Channel Performance

- ▶ Formal retail and independents impacted by Covid-19 shut down
- ▶ Customer buying habits continue to evolve
- ▶ Corporate channel, including banking, continues to take market share assisted by the move to digital purchasing
- ▶ Petroleum remains relatively stagnant and exposed to move to digital purchasing
- ▶ New national retail brands and financial institutions on board, will contribute in FY21
- ▶ Lockdown did impact starter pack distribution but reach into community/church groups improving
- ▶ Continue developing systems to secure quality customers, reduce churn and incentivise retention
- ▶ Customer Interaction Centre surveys indicate improved turnaround times and customer appreciation

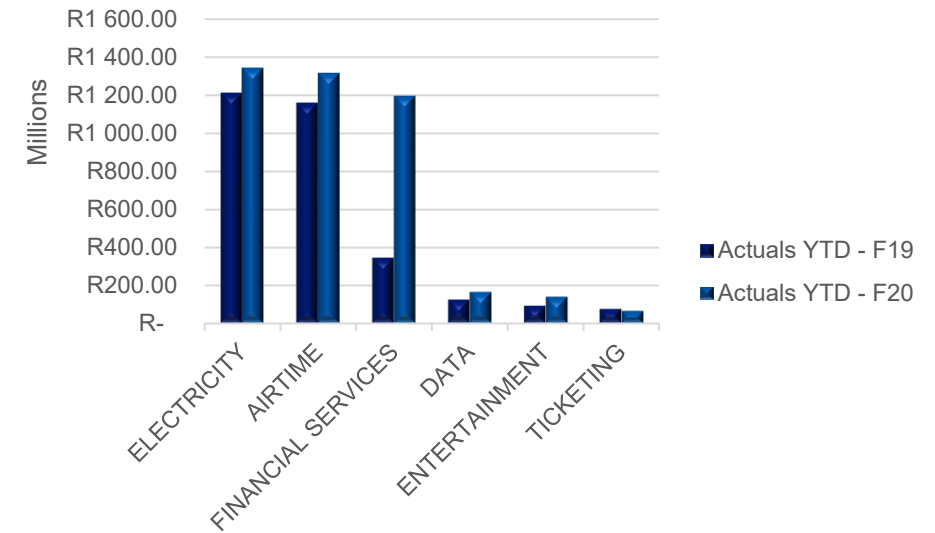


Increase product throughput in all channels

Informal Market

Financial inclusion remains Blue Label's driving philosophy

- ▶ Informal traders increased 58%; base will continue to grow
- ▶ Product mix movements showing growing importance of VAS & financial services
- ▶ Launched:
 - RINGAS - a universal prepaid airtime voucher capable of redemption on any of the four major South African mobile networks. Providing consumers flexibility
- ▶
 - BLU VOUCHER - a single secure prepaid voucher allowing consumers to pay, deposit and top up their accounts with any of our online partners
- ▶ Pro-active customer support from the Customer Interaction Centre
- ▶ Identify opportunities through analysis of merchant trading patterns
- ▶ Covid-19 did impact foreign traders who were unable to obtaining licenses to trade; appears to be easing
- ▶ Differentiating from competitors through technology, increased training and marketing support



- ▶ Debt outstanding of R716m at 31 May 2020
- ▶ Decrease 57% from R1.7 billion at 31 May 2019
- ▶ Although debt has reduced by R950m year-on-year, CEC book has only reduced by R185m from R3.12bn at 31 May 2019 to R2.94bn at 31 May 2020
- ▶ Strong collections and better deal structures from Cell C have led to improved book
- ▶ DSTV book has increased R94 million to R258 million



CELL C'S TURNAROUND STRATEGY IS DRIVING POSITIVE CHANGE

1

Liquidity Focus

Liquidity is in place.

Informal debt standstill, current items on hold while debt is restructured as a part of capitalisation.

Complete 

2

Network strategy

Evolution of the capex intensive, infrastructure based network to a aggregator of infrastructure.

Implementation of expanded MTN roaming agreement commenced 1 May 2020. Transition will take 36 months.

Complete 

3

Operational Rationalisation

A cost efficiency programme.
Drop in customers but only 2% decline in revenue.

Operating model changes from build, own and run everything to focused investment, partnering and a buyer of services.

Ongoing 

4

Recapitalisation

Complex restructure.
Multiple stakeholders.
Good progress.
Final step will be term sheet.

In progress 

CELL C OF THE FUTURE

Lean

Agile

Responsive

2020 Operational Overview

For June 2019 to May 2020

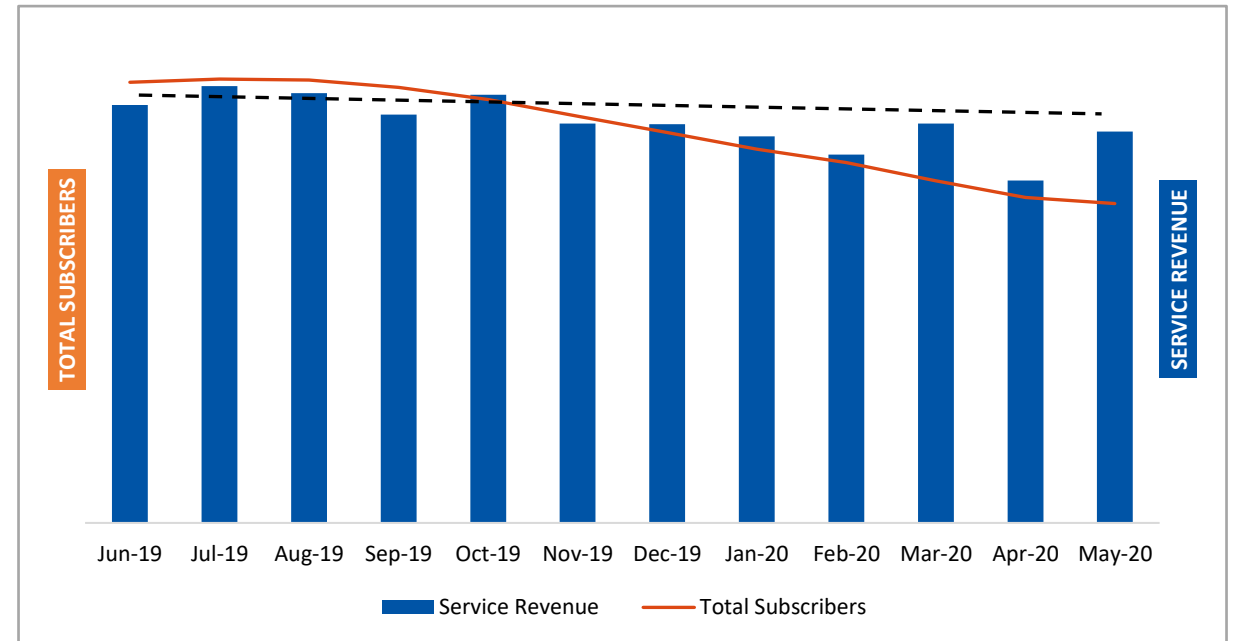
- A reduction in approximately a third of the customer base but only a 2% decline in service revenue.
- Resulting in a quality base of subscribers.
- Not wasting commercial expenses to acquire customers that are not providing a return.

	2020 R'm	2019 R'm	% change
Service revenue	13 901	14 247	▼ -2%
EBITDA	3 744	3 391	▲ 10%

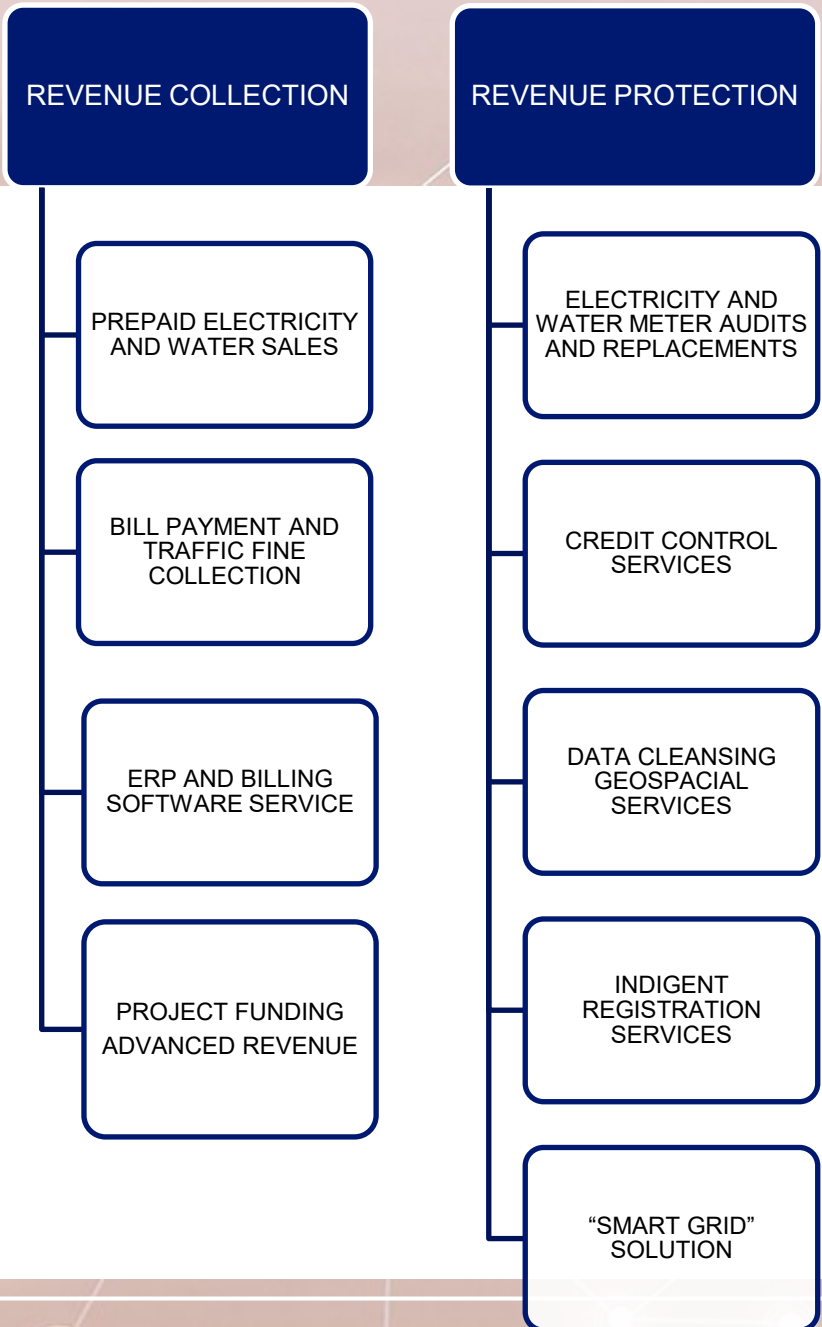
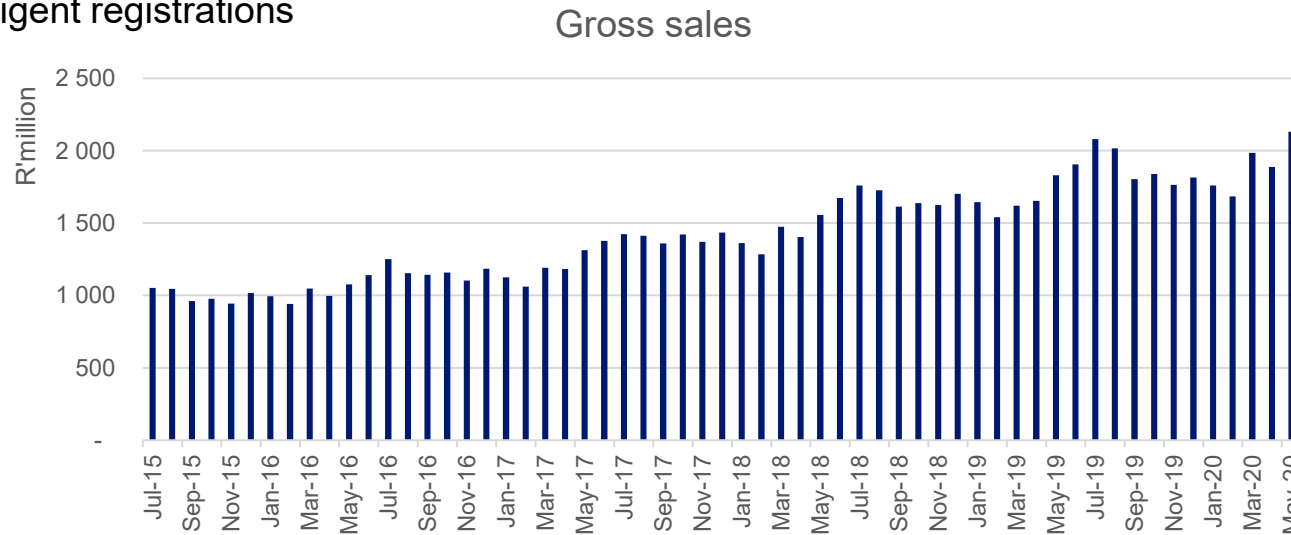
Evolution of the customer base in pursuit of profitability

- We have been actively managing our customer base by pursuing more profitable customers.
- This has resulted in a reduction in the Cell C customer base. With a decline on 28% of the base, we have maintained and grown revenue based on the trend.
- Cell C removed non-profitable products and increased its focus on retail product pricing.

Service Revenue vs Total Subscribers



- ▶ Gross electricity sales continue to show resilience – increased 13% to R22.7 billion
- ▶ Covid-19 resulted in a strong March, April, May sales figures
- ▶ Launched Free Basic Electricity via zero-rated USSD and WhatsApp
- ▶ Revenue assurance – find, fix, replace - business gaining momentum:
 - 350 000 bill payments (via our own Cigicell direct contracts)
 - 10 500 residential prepaid meter installations
 - 17 000 residential meter audits
 - 162 000 credit control actions
 - 10 000 indigent registrations



Blue Label Data Solutions

- ▶ Covid-19 severely interrupted operations (no new sales in April & May) with 800+ call centre agents furloughed
- ▶ Intensive efforts to assist call centre agents to work from home and slowly return to office as lockdown eased
- ▶ Currently, 526 agents work remotely, 400 back in office; in 12 months 50% - 65% of agents will be offsite
- ▶ Greater use made of BluNova for intelligent data leads – new substantial contracts signed
- ▶ Deployed world leading decision engine called FICA
- ▶ BluNova now leading practitioner of data & decision science in SA
- ▶ Opt-In base (consumers consenting to receive marketing info) now at 28 million, growing 100 000 per month
- ▶ Strengthened in-house compliance and legal expertise dealing with POPIA, CPA etc
- ▶ Covid-19 forcing new acquisition methodologies and cost of acquisition reduction

	May 2020 R'000	May 2019 R'000
Revenue	189 104	203 238
EBITDA	40 330	37 786
Core headline earnings	40 910	43 563



- ▶ Ticketpro was on track to have its most profitable year – then Covid-19 struck, crippling the industry
- ▶ Despite this major setback, Ticketpro has used the time to rebuild and technically develop new and improved systems and infrastructure
- ▶ Continue to expand the largest ticketing footprint in SA
- ▶ Launched an online streaming events platform to maintain relevance
- ▶ Providing artists and fans a platform to share & enjoy content safely
- ▶ Covid Zero empowers entertainers and raises funds for charities to provide less fortunate South Africans with face masks, hand sanitizers and food parcels
- ▶ In November 2020, we launch South Africa's first truly all in one fan based "experience" platform. Innovating the event industry
 - Online streaming
 - Cashless payment solutions
 - Wireless event-based connectivity
 - NFC transport technology making commuter travel safe and secure
 - More than 8 new innovative products on the platform



Technology – Innovation and Digital Enablement

► Created digital capabilities – accelerated go-to-market strategies with digital transformation pipeline

- Entrenching our entrepreneurial culture and agile practices has accelerated our ability to execute on strategic growth objectives
- Innovative tokenized products deployed: food vouchers with cash redemption; virtual vouchers for partner redemption (BluVoucher) and airtime (Ringas) with consumer-ready digital redemption mechanisms (USSD, Online)
- Expanded consumer convenience with universal bus flows and new carriers for long-haul bus transport
- Hyperautomation and RPA technologies deployed to assist the merchant and consumer experience
- Democratization of design: we expanded the software development stack with low-code, no-code application development functions to empower the citizen-developer to fast-track our go-to-market strategies
- Employees fully enabled with digital remote working tools



► Continued expansion of our digital solution footprint

- Active POPs (Points of Presence) in the main market, retail and petroleum channels grew by 5%
- Consumer-enabling payment mechanisms launched into trusted consumer apps to purchase VAS products
- Created the ability to white label our core technology offerings
- Deployed consumer applications to specific communities with content and bespoke service requirements

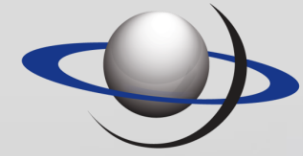
**We are fintech specialists,
enabling financial inclusion
through platform innovation**



Technology – Security, Risk and Compliance

- ▶ Specific concentration on scalability and platform refactoring
 - Optimal scalability achieved for high-speed throughput
 - Expanded hybrid-cloud strategy, enabling uptime of business-critical applications
 - Infrastructure and software investments to improve stability and ensure future capacity in line with up- and downstream
 - Simplified integration mechanisms deployed as restful APIs, on a roadmap towards an open integration gateway and marketplace
- ▶ Investments made into significant additional redundancy for improved stability and business continuity
 - Activ Activ deployed
 - Transactional success rates and uptime increased to beyond 99%
 - Transactional volume growth sustained at over 20% p/a
 - 71% reduction in production defects from prior years
- ▶ New framework for cyber security & governance – customer confidence
 - Security vigilance, POPIA, GDPR, ECT Act compliance and vulnerability checks entrenched into our approach to enable our data-driven business model
 - Technology roadmaps and strategy leveraging hyperscaling enterprise agreements
- ▶ Increased cyber security investments have resulted in a zero impact, reliable ecosystem of platforms in our landscape





BLUE LABEL
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Financial Results May 2020

Dean Suntup

FINANCIAL HIGHLIGHTS

Successful completion of the disposal of the Blue Label Mobile Group and the Handset division of 3G Mobile

Revenue of
R21.1 billion

EBITDA of
R1.21 billion
net of extraneous expenditure



Gross profit of
R2.12 billion

Increase in gross profit margin from
from 9.21% to 10.05%

Net cash generated from operating activities of
R1.3 billion

Interest-bearing borrowings reduced to
R2.3 billion
(2019: R3.2 billion)

Core headline earnings of
86.13
cents per share net of extraneous expenditure

CONNECTING OUR WORLD TO YOURS

Income Statement

for the year ended 31 May 2020

	Group May 2020 R'000	Extraneous costs* May 2020 R'000	Remaining May 2020 R'000	Group May 2019 R'000	Extraneous costs** May 2019 R'000	Remaining May 2019 R'000	Growth remaining R'000	Growth remaining %
Revenue	21,135,326	-	21,135,326	23,602,264	-	23,602,264	(2,466,938)	(10%)
Gross Profit	2,124,611	-	2,124,611	2,173,685	-	2,173,685	(49,074)	(2%)
EBITDA	825,364	(387,754)	1,213,118	257,300	(1,066,437)	1,323,737	(110,619)	(8%)
Impairments on associates and joint venture	-	-	-	(2,639,564)	(2,639,564)	-	-	-
Share of profits/(losses) from associates and joint ventures	16,598	-	16,598	(3,693,431)	(3,696,133)	2,702	13,896	514%
- Cell C	-	-	-	(3,609,496)	(3,609,496)	-	-	-
- Oxigen Services India	-	-	-	(86,637)	(86,637)	-	-	-
- Blue Label Mexico	(5,806)	-	(5,806)	(24,096)	-	(24,096)	18,290	76%
- Other	22,404	-	22,404	26,798	-	26,798	(4,394)	(16%)
Net profit/(loss) from continuing operations	226,786	(376,824)	603,610	(6,672,923)	(7,372,270)	699,347	(95,737)	(14%)
Core headline earnings	562,132	(209,979)	772,111	(2,783,155)	(3,655,111)	871,956	(99,845)	(11%)
- from continuing operations	469,113	(163,240)	632,353	(2,904,973)	(3,642,066)	737,093	(104,740)	(14%)
- from discontinued operations	93,019	(46,739)	139,758	121,818	(13,045)	134,863	4,895	4%
Gross profit margin	10.05%		10.05%	9.21%		9.21%		
EBITDA margin	3.91%		5.74%	1.09%		5.61%		
Weighted ave shares ('000)	896,409		896,409	913,208		913,208		
EPS (cents)	13.89		82.04	(727.81)		88.41	(6.37)	(7%)
HEPS (cents)	58.16		81.58	(312.49)		88.90	(7.32)	(8%)
Core HEPS (cents)	62.71		86.13	(304.77)		95.48	(9.35)	(10%)
- from continuing operations	52.33		70.54	(318.11)		80.71		
- from discontinued operations	10.38		15.59	13.34		14.77		

Extraneous costs

for the year ended 31 May 2019

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

- Cell C's trading losses, impairment of its property, plant and equipment, the impact of a derecognition of its deferred tax asset and the consequent impairment of Blue Label's total investment therein⁽¹⁾;
- fair value downward adjustments of the complete exposure relating to SPV1 and SPV2 and the Glocell loan⁽²⁾;
- partial impairments of goodwill relating to Viamedia and Blue Label Connect and a partial impairment of the investment in the SupaPesa joint venture⁽³⁾;
- an Impairment of Blue Label's total investment in the Oxigen India Group, including 2DFine Holdings Mauritius, as well as providing for loan impairments and guarantees payable thereon⁽⁴⁾;
- expenditure within the Retail division of the WiConnect stores⁽⁵⁾; and
- once-off expenditure and income⁽⁶⁾.

	Extraneous costs May 2019 R'000	Cell C ⁽¹⁾ May 2019 R'000	Fair value losses ⁽²⁾ May 2019 R'000	Impairments ⁽³⁾ May 2019 R'000	OSI adjustments ⁽⁴⁾ May 2019 R'000	WiConnect ⁽⁵⁾ May 2019 R'000	Once-offs ⁽⁶⁾ May 2019 R'000
EBITDA	(1,066,437)	-	(873,877)	(50,398)	(193,364)	-	51,202
Impairments on associates and joint venture	(2,639,564)	(2,521,152)	-	-	(118,412)	-	-
Share of profits/(losses) from associates and joint ventures	(3,696,133)	(3,609,496)	-	-	(86,637)	-	-
- Cell C	(3,609,496)	(3,609,496)	-	-	-	-	-
- Oxigen Services India	(86,637)	-	-	-	(86,637)	-	-
Net profit/(loss) from continuing operations	(7,372,270)	(6,130,647)	(837,831)	(50,398)	(398,412)	-	45,018
Core headline earnings	(3,655,111)	(2,616,427)	(837,831)	-	(232,826)	(13,045)	45,018
- from continuing operations	(3,642,066)	(2,616,427)	(837,831)	-	(232,826)	-	45,018
- from discontinued operations	(13,045)	-	-	-	-	(13,045)	-

Extraneous costs

for the year ended 31 May 2020

*The predominant negative contributions to Group earnings in the current year were attributable to:

- fair value downward adjustments of the Glocell loan and an unrealised foreign exchange loss on the USD20 million liquidity support provided to SPV2⁽⁷⁾;
- impairments of goodwill relating to Blue Label Connect and a partial impairment relating to Glocell Distribution⁽⁸⁾;
- extraneous expenditure within the Retail division as a result of the closure of the WiConnect stores⁽⁹⁾; and
- once-off expenditure and income⁽¹⁰⁾.

	Extraneous costs	Fair value losses ⁽⁷⁾	Impairments ⁽⁸⁾	WiConnect ⁽⁹⁾	Once-offs ⁽¹⁰⁾
	May 2020	May 2020	May 2020	May 2020	May 2020
	R'000	R'000	R'000	R'000	R'000
EBITDA	(387,754)	(115,065)	(213,584)	-	(59,105)
Net profit/(loss) from continuing operations	(376,824)	(96,481)	(213,584)	-	(66,759)
Core headline earnings	(209,979)	(96,481)	-	(183,773)	70,275
- from continuing operations	(163,240)	(96,481)	-	-	(66,759)
- from discontinued operations	(46,739)	-	-	(183,773)	137,034

Revenue

for the year ended 31 May 2020

	Group May 2020 R'000	Group May 2019 R'000	Growth R'000	Growth %
Prepaid airtime, data and related revenue	33,875,843	32,347,879	1,527,964	5%
- Prepaid airtime and data	18,842,481	20,780,969	(1,938,488)	(9%)
- "PINless" airtime top-ups	15,033,362	11,566,910	3,466,452	30%
Postpaid airtime, data and related revenue	137,922	141,405	(3,483)	(2%)
Prepaid & Postpaid SIM cards	634,809	964,054	(329,245)	(34%)
Services	319,623	350,081	(30,458)	(9%)
Gross electricity revenue	22,668,739	20,020,374	2,648,365	13%
- Electricity commission	358,728	347,538	11,190	3%
- Gross electricity revenue	22,310,011	19,672,836	2,637,175	13%
Handsets, tablets and other devices	262,926	432,374	(169,448)	(39%)
Finance revenue	378,839	427,753	(48,914)	(11%)
Gross ticketing revenue	550,192	598,335	(48,143)	(8%)
Gross gaming revenue	931,737	643,359	288,378	45%
Other revenue	129,489	112,898	16,591	15%
Gross revenue	59,890,120	56,038,513	3,851,608	7%
Less: imputed gross revenue	(38,754,794)	(32,436,249)	(6,318,546)	19%
Reported revenue	21,135,326	23,602,264	(2,466,938)	(10%)

- Group revenue generated by the continuing operations within the Group declined by 10% to R21.1 billion.
- 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 thereon, the effective growth in revenue equated to 7% from R56.0 billion to R59.9 billion.

Balance sheet

as at 31 May 2020

	Group May 2020 R'000	Group May 2019 R'000
Non- current assets	2,357,620	3,477,070
Property, plant and equipment	198,688	237,657
Intangible assets and goodwill	1,215,096	2,318,323
Investment in associates and joint ventures	197,455	218,842
Advances to customers	449,825	584,440
Other non-current assets	296,556	117,808
Current assets	7,996,086	8,604,302
Inventories	576,950	1,514,649
Trade and other receivables	3,929,743	4,257,266
Advances to customers	1,232,250	1,032,657
Other current assets	242,226	414,134
Cash and cash equivalents	2,014,917	1,385,596
Total assets	10,353,706	12,081,372
Capital and reserves	2,485,117	2,491,562
Non-current liabilities	208,689	1,951,920
Current liabilities	7,659,900	7,637,890
Trade and other payables	4,611,643	5,371,386
Other current liabilities	3,048,257	2,266,504
Total equity and liabilities	10,353,706	12,081,372

- Of the net decrease in intangible assets and goodwill of R1 billion, R682 million related to the disposal of the Handset division of 3G Mobile and Blue Label Mobile, R151 million to the amortisation of intangibles and R259 million to the impairment of goodwill
- The material net decline in current assets included decreases in inventory of R938 million and trade and other receivables of R328 million, offset by increases in cash and cash equivalents of R629 million and advances to customers of R200 million.
- The stock turn from continuing operations equated to 11 days compared to 21 days for the financial year ended 31 May 2019.
- The debtor's collection period from continuing operations increased to 57 days compared to 50 days for the financial year ended 31 May 2019.
- Trade and other payables decreased by R760 million, with average credit terms from continuing operations equating to 80 days compared to 78 days for the financial year ended 31 May 2019.

Cash Flow

for the year ended 31 May 2020

	Group May 2020 R'000	Group May 2019 R'000
Cash generated by operations	1,702,491	431,287
Interest received	93,053	88,416
Interest paid	(214,166)	(231,131)
Taxation paid	(324,553)	(369,086)
Cash flows from operating activities	1,256,825	(80,514)
Cash flows from investing activities	453,620	561,274
Cash flows from financing activities	(1,079,059)	(42,441)
Increase/(decrease) in cash and cash equivalents	631,386	438,319
Cash and cash equivalents at the beginning of the year	1,377,753	947,888
Translation difference	5,586	(8,454)
Cash and cash equivalents at the end of the year	2,014,725	1,377,753

- Cash generated from trading operations included working capital movements comprising an increase in trade receivables of R148 million, an increase in advances to customers of R65 million and a decrease in trade payables of R397 million, offset by a decrease in inventory of R795 million.
- Investing activities included a receipt of funds, net of cash disposed, amounting to R698 million from the disposal of the 3G Mobile handset division and the Blue Label Mobile Group, proceeds on disposal of capital assets of R34 million, dividends received from associates and joint ventures of R6 million, offset by the purchase of intangible assets of R31 million, capital expenditure of R139 million and net loans granted of R127 million.
- Cash flows utilised in financing included R902 million related to the net decrease in borrowings, dividend payments of R67 million to non-controlling interests, lease payments of R53 million, settlement of a financial guarantee amounting to R44 million, treasury shares acquired of R46 million, offset by R34 million from the dilution of shares in a subsidiary.