



**CONNECTING
OUR WORLD
TO YOURS**



BLUE LABEL
TELECOMS

AUDITED RESULTS

For the year ended 31 May 2019

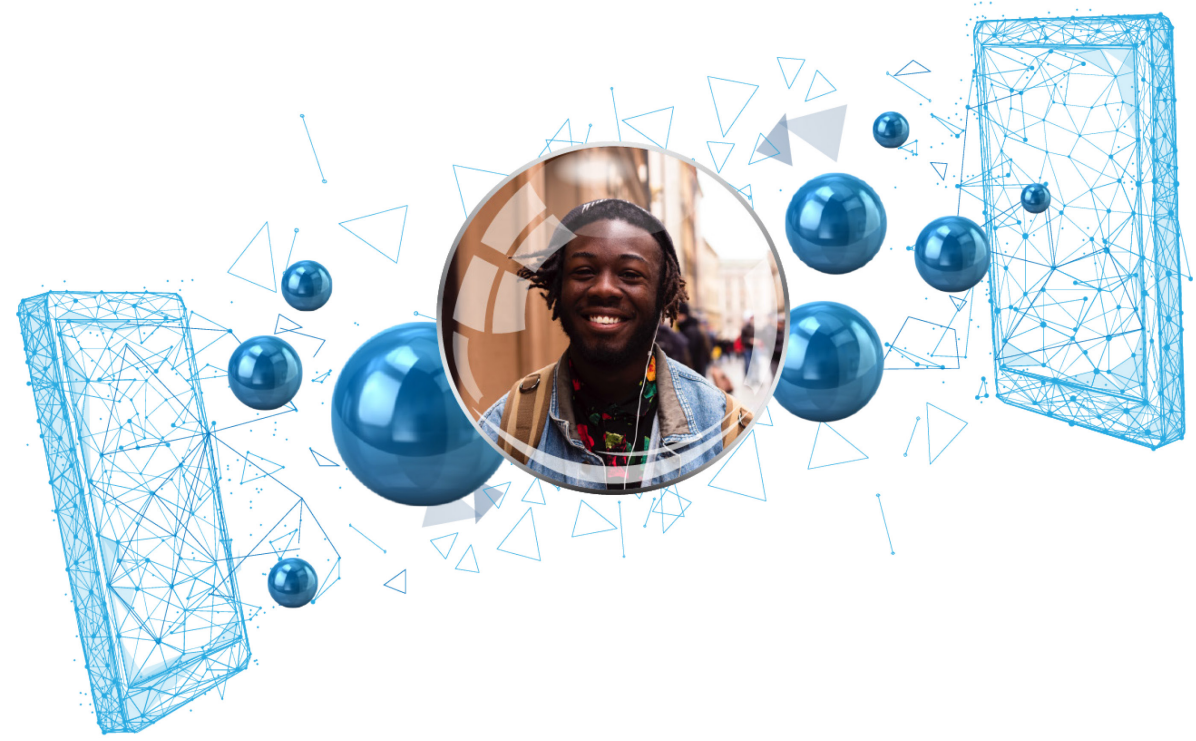
Introduction

► What happened?

- Underperformance has led to write offs and trading losses decreasing headline earnings by R3.97 billion

► Where to now?

- Conclude Cell C transactions – progressing well
- Back to basics at Blue Label
- Sale of identified assets; not affecting core trading
- Increased available cash
- Reduction of debt



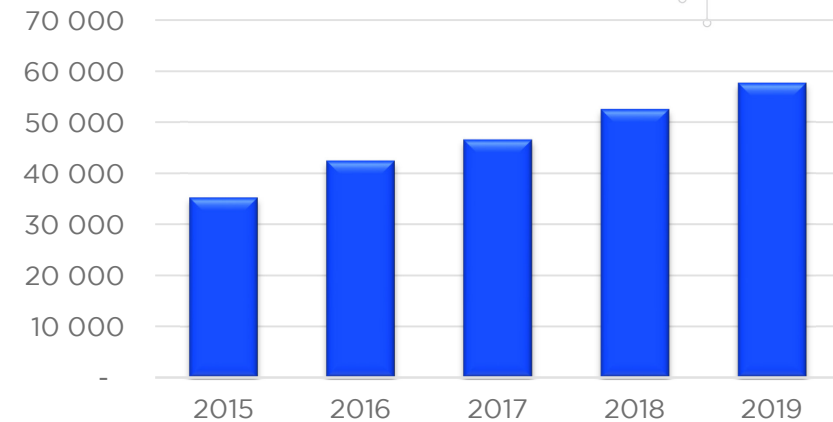
Financial Highlights

for the year ending 31 May 2019

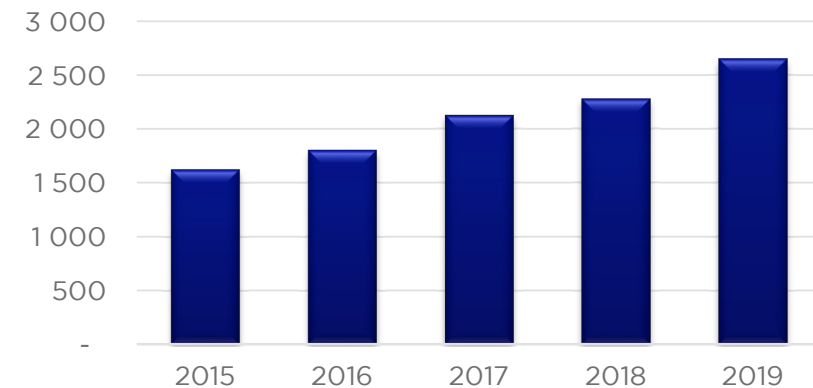
- ▶ Gross revenue increased 10% to R57.8 billion
- ▶ Gross profit increased from R2.3bn to R2.6bn
- ▶ Gross profit margin expanded to 10.23%
- ▶ Impairments contributed to net profit decreasing to a loss of R6.6bn
 - Cell C trading losses & impairments = R6.1bn
 - SPV & Glozell fair value downwards adjustments = R838m
 - Oxygen India losses & impairments = R398m
 - ViaMedia, Blue Label Connect & SupaPesa impairments = R147m
- ▶ Excluding once offs, the core headline earning grew by 26% to R904million

Blue Label core is resilient and continues to grow

Gross revenue (R'million)



Gross profit (R'million)



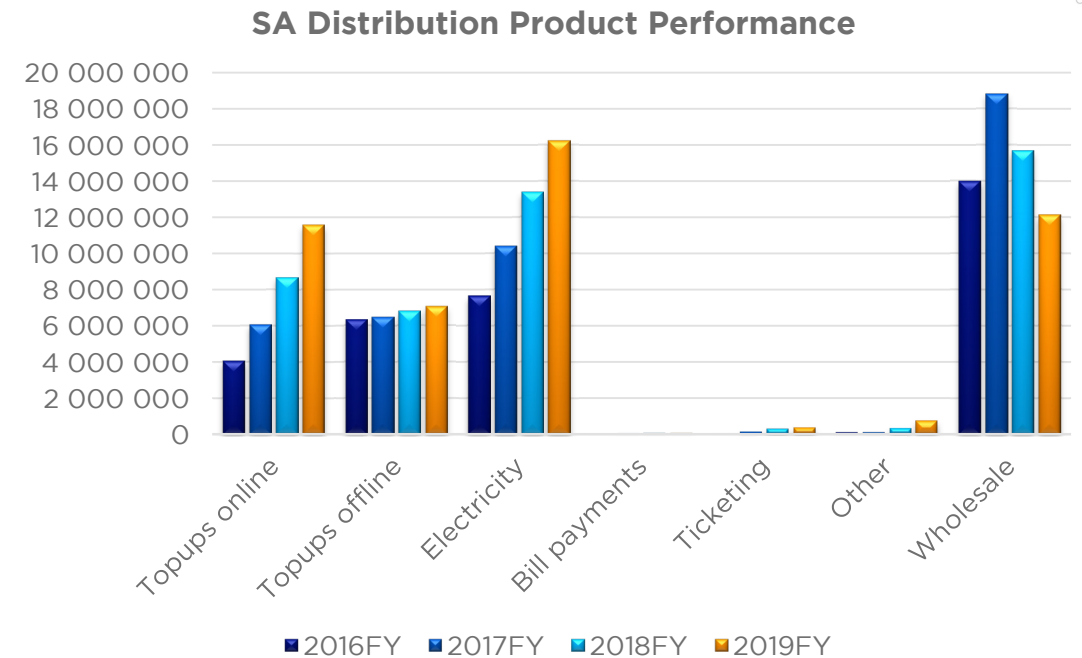
SA & Africa Distribution

- ▶ Revenue declined by 3% to R25.4 billion
- ▶ GP increase 17% to R2.4 billion
- ▶ GP margin improved from 7.67% to 9.28%
- ▶ Wholesale market is declining as buying patterns change
- ▶ TPC focused on efficiencies, GP margin accretion & assisting BLD grow informal channels
- ▶ BLD focusing on customer service and speed to market
- ▶ Ticketpro improving performance and focusing on transport services, online & white label platforms and rolling out NFC technology
- ▶ Reach into banks, retailers and regional markets continues to improve



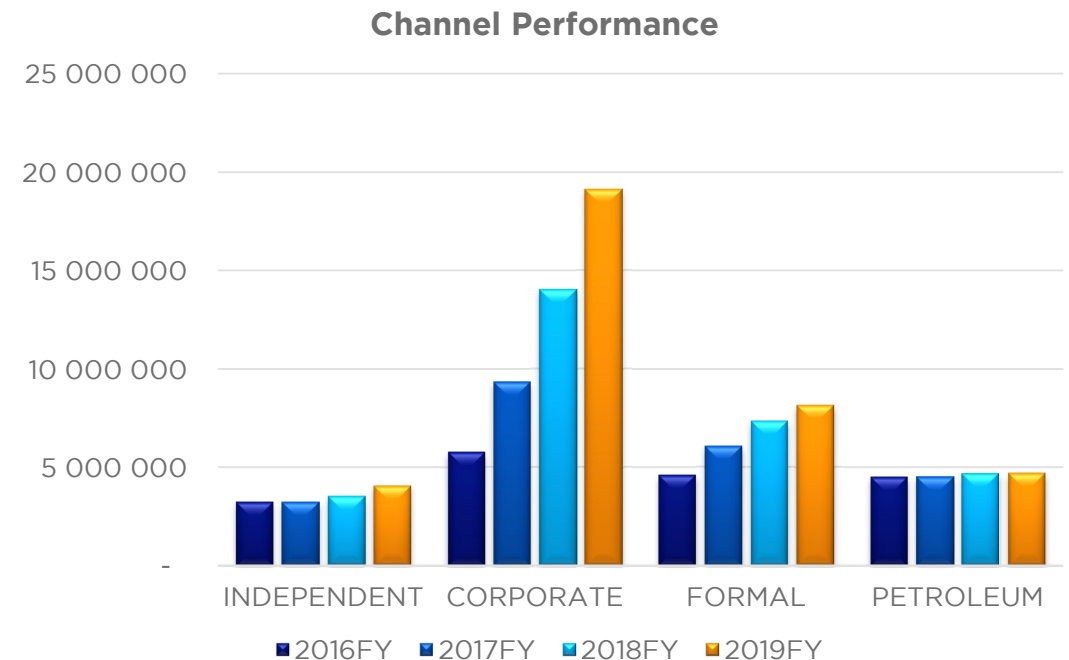
SA Distribution - product performance

- ▶ Extremely strong growth from online top ups and electricity
- ▶ Decline in wholesale market due to changing buying patterns
- ▶ Blue Label is actively managing GP margin in wholesale and is prepared to forego revenue for increased margin
- ▶ Smaller services will continue to show strong growth into the future
 - Bill payments have grown 172% in three years
 - Ticketing has grown 1400% in three years
 - Other services including entertainment have grown 780% in three years
- ▶ With Blue Label having more available cash resources in the future, we expect to be able to increase rate of revenue growth due to bulk buying opportunities



Blue Label Distribution - channel performance

- ▶ Our reach into the SA market continues to grow as we expand into new segments and take market share
- ▶ Our expanding portfolio of products is a real differentiator
- ▶ Making headway into independent and informal markets
- ▶ The corporate channel incorporating banks is a particular strength
- ▶ Ability to provide single point of contact, excellent service and integrated IT operations differentiates Blue Label in corporate market
- ▶ Formal retail remains solid
- ▶ Focus on product portfolio, efficiency and customer service



Informal market growth

- ▶ Deliver products and services to under-serviced areas in a consistent and affordable manner
- ▶ Grown outlets by 17 000 in FY2019 in focused market expansion drive
- ▶ Active trading metric = 60%
- ▶ Target 100 000 over the medium term
- ▶ Positioned for sustainable long term growth
- ▶ Within market expansion BLD focuses on:
 - Building trader capability through face-to-face training
 - Information availability to all traders and full transparency on all that impacts them
 - Long lasting advertising items for traders that equipped them well for conditions in informal market
 - A pro-active Customer Interaction Centre which supports all merchants and limits cost of service
 - Robust, touch screen trading devices
 - An ever expanding basket of goods & services to differentiate traders within their markets



Blue Label's drive is to eradicate inequality through effective financial inclusion

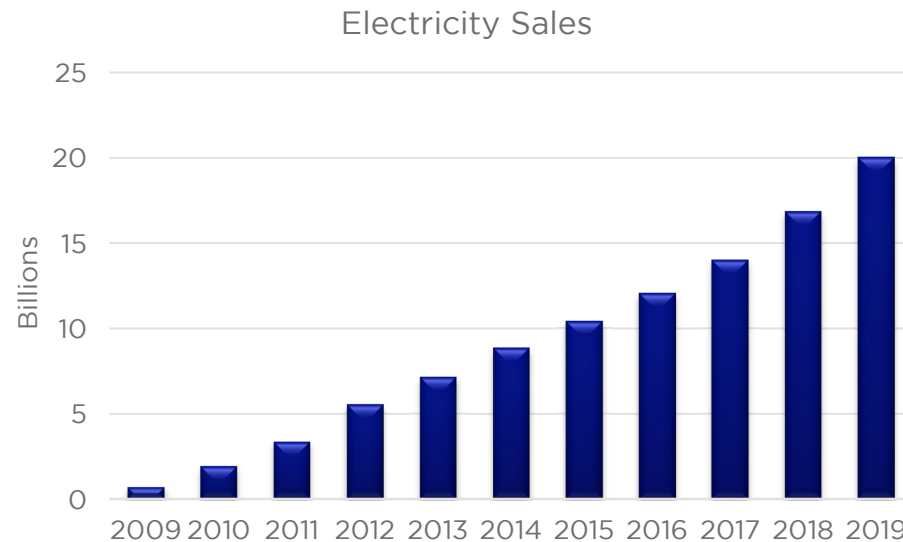
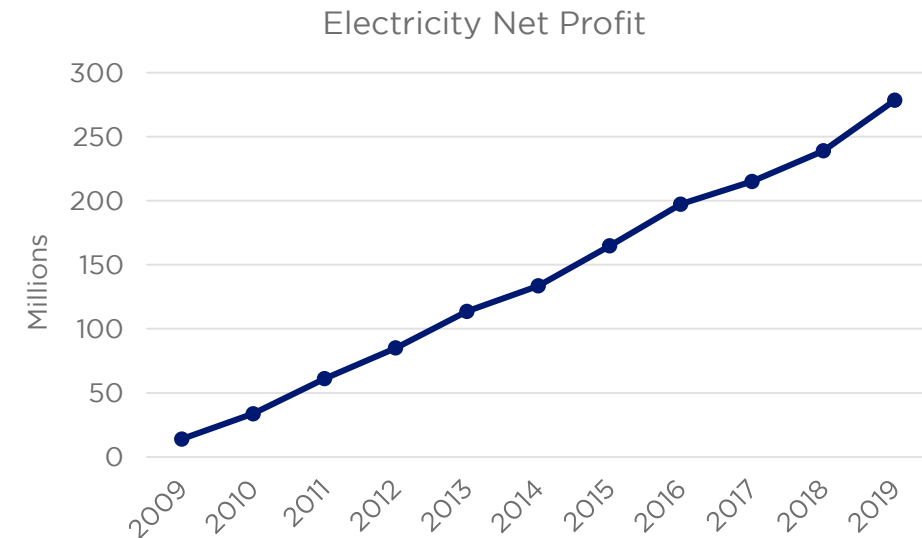
3G Mobile & CEC

- ▶ Since joining Blue Label, 3G has grown strongly
- ▶ 3G handsets are network agnostic leading to approx. 75% reduction in cost of capital for retailers
- ▶ In Africa, 3G competes directly with OEMs
- ▶ CEC has grown its financing book to R2.8 billion
- ▶ Blue Label selling handset division of 3G group, retaining CEC
- ▶ CEC will wind down major portion of book over next 24 months
- ▶ CEC skills retained in Blue Label Group – continue financing activities and growing revenue assurance capabilities
- ▶ Sale proceeds, including sale of Blue Label Mobile, used to reduce Blue Label debt



	May 2019 R'000	10 months to May 2018 R'000	Growth R'000	Growth %
3G Mobile				
Revenue	2,245,687	1,334,232	911,455	68%
Gross Profit	505,319	365,662	139,657	38%
EBITDA	407,049	286,592	120,457	42%
Net profit	278,341	196,204	82,137	42%

- ▶ Electricity revenue increase 19% from R16.87 billion to R20.02 billion
- ▶ Cigicell is able to offer municipalities a revenue assurance ecosystem – Blue Label improves collection of all revenue for municipalities
- ▶ Efficient treasury function augmented by CEC skills
- ▶ Growth to continue



Blue Label Data Solutions

- ▶ Market leader in consumer data, big data, validation, verification, cleansing of data and lead generation
- ▶ Launched a new JV with United Call Centre Solutions – an outbound call centre specializing in direct selling to consumers
- ▶ Looking to grow value-added and regulated products and services such as banking and insurance

Solutions	May 2019 R'000	May 2018 R'000	Growth R'000	Growth %
Revenue	203,238	195,089	8,149	4%
Gross Profit	61,885	63,574	(1,689)	(3%)
EBITDA	37,494	42,455	(4,961)	(12%)
Share of (losses)/profits from associates and joint ventures	22,769	4,579	18,190	397%
Net profit	43,563	29,836	13,727	46%
Core net profit	43,563	29,836	13,727	46%



Back to basics

- ▶ It has been a challenging two years
- ▶ We are going back to basics
- ▶ Focus on extending reach and product set in core distribution business
- ▶ Blue Label's DNA is trading and distribution – focus on doing what we do best
- ▶ Grow revenue assurance business
- ▶ Signed binding agreements to sell Blue Label Mobile & 3G handset business to DNI 4PL
- ▶ We are winding down a major portion of CEC's book – will lead to significant monthly cash flow
- ▶ Will leave Blue Label cash rich, flexible and able to bulk buy

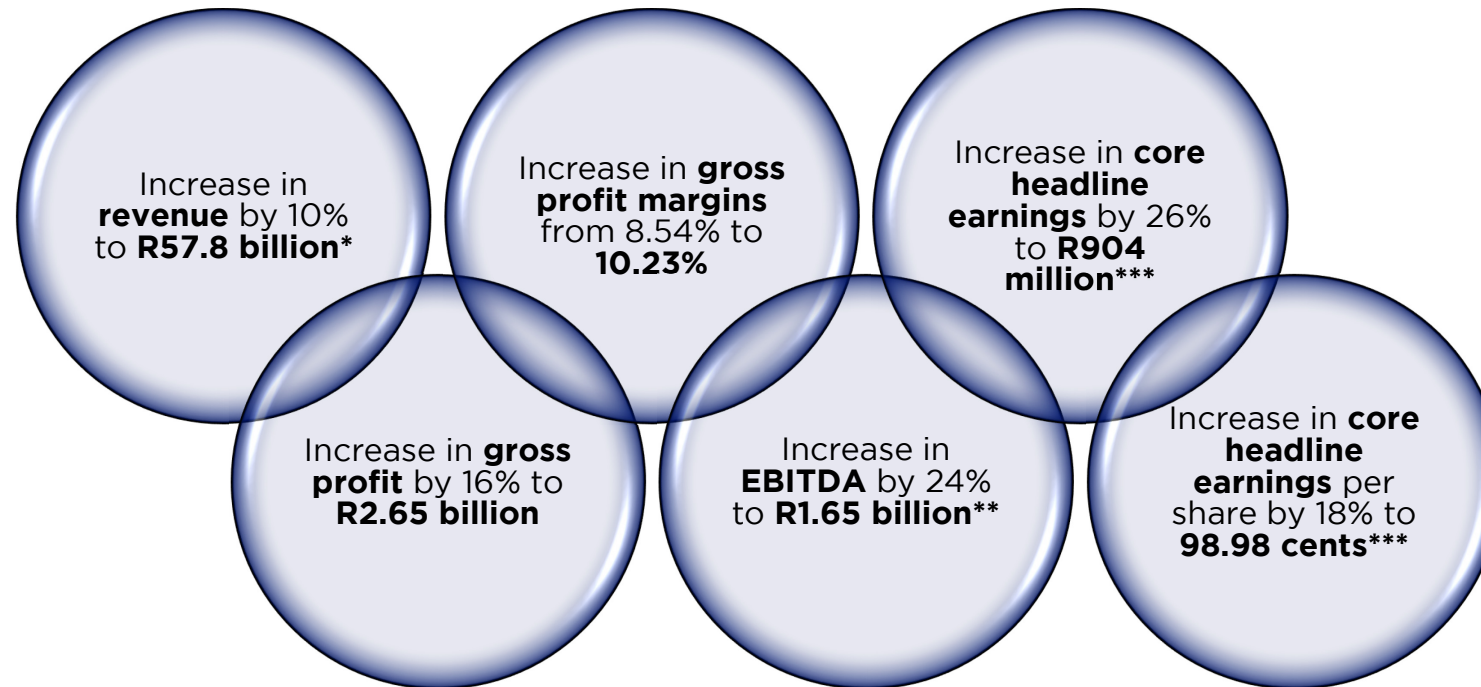




FINANCIAL RESULTS

Dean Suntup

Highlights



- * On inclusion of the gross amount generated on “PINless top-ups”, prepaid electricity and ticketing
- ** On exclusion of negative contributions by Oxigen Services India group, fair value downward adjustments and impairments
- *** On exclusion of negative contributions by Cell C, Oxigen Services India group, fair value downward adjustments and impairments

Income Statement

for the year ended 31 May 2019

	Group May 2019 R'000	Cell C May 2019 R'000	Fair value adj May 2019 R'000	OSI May 2019 R'000	Impair- ments May 2019 R'000	Remaining entities May 2019 R'000	Group May 2018 R'000	Cell C May 2018 R'000	Fair value adj May 2018 R'000	OSI May 2018 R'000	Remaining entities May 2018 R'000	Growth remaining entities R'000	Growth remaining entities %
Revenue	25 869 433	-	-	-	-	25 869 433	26 734 249	-	-	-	26 734 249	(864 816)	(3%)
Gross Profit	2 646 121	-	-	-	-	2 646 121	2 282 093	-	-	-	2 282 093	364 028	16%
EBITDA	462 680	-	(873 877)	(193 364)	(124 401)	1 654 322	1 340 153	-	5 121	-	1 335 032	319 290	24%
Impairments on associates and joint venture	(2 669 076)	(2 521 152)	-	(118 412)	(29 512)	-	-	-	-	-	-	-	-
Share of (losses)/profits from associates and joint ventures	(3 701 410)	(3 609 495)	-	(86 637)	-	(5 278)	520 628	562 568	-	(45 184)	3 244	(8 522)	(263%)
- Cell C	(3 609 495)	(3 609 495)	-	-	-	-	562 568	562 568	-	-	-	-	-
- OXigen Services India	(86 637)	-	-	(86 637)	-	-	(45 184)	-	-	(45 184)	-	-	-
- Blue Label Mexico	(24 096)	-	-	-	-	(24 096)	(21 900)	-	-	-	(21 900)	(2 196)	(10%)
- Other	18 818	-	-	-	-	18 818	25 144	-	-	-	25 144	(6 326)	(25%)
Net (loss)/profit	(6 646 384)	(6 130 647)	(837 831)	(398 412)	(146 535)	867 041	1 122 085	562 567	3 687	(128 480)	684 311	182 730	27%
Core net (loss)/profit	(6 575 899)	(6 120 271)	(837 831)	(398 412)	(146 535)	927 150	1 166 430	571 214	3 687	(128 480)	720 009	207 141	29%
Core headline earnings	(2 783 156)	(2 616 427)	(837 831)	(232 826)	-	903 928	1 160 477	569 474	3 687	(128 480)	715 796	188 132	26%
Gross profit margin	10.23%					10.23%	8.54%				8.54%		
EBITDA margin	1.79%					6.39%	5.01%				4.99%		
Weighted ave shares ('000)	913 208					913 208	855 687				855 687		
EPS (cents)	(727.81)	(671.33)	(91.75)	(43.63)	(16.05)	94.94	131.13	65.74	0.43	(15.01)	79.97	14.97	19%
HEPS (cents)	(312.49)	(287.65)	(91.75)	(25.50)	-	92.40	130.44	65.54	0.43	(15.01)	79.48	12.92	16%
Core HEPS (cents)	(304.77)	(286.51)	(91.75)	(25.50)	-	98.98	135.62	66.55	0.43	(15.01)	83.65	15.33	18%

Revenue

	May 2019 R'000	May 2018 R'000	Growth R'000	Growth %
Prepaid airtime, data and related revenue	32 356 223	31 720 186	636 036	2%
- Prepaid airtime and data	20 789 313	22 968 967	(2 179 654)	(9%)
- "PINless" airtime top-ups*	11 566 910	8 751 219	2 815 690	32%
Postpaid airtime, data and related revenue	141 405	110 535	30 870	28%
Prepaid & Postpaid SIM cards	964 054	889 001	75 053	8%
Services	748 441	600 580	147 861	25%
Gross electricity revenue	20 020 374	16 874 244	3 146 130	19%
- Electricity commission	347 538	299 850	47 688	16%
- Gross electricity revenue*	19 672 836	16 574 394	3 098 442	19%
Handsets, tablets and other devices	2 271 804	1 586 817	684 987	43%
Finance revenue	427 753	171 628	256 125	149%
Gross ticketing revenue*	645 002	524 270	120 732	23%
Other revenue	179 125	106 871	72 254	68%
Gross revenue	57 754 181	52 584 133	5 170 049	10%
Less: imputed gross revenue ^(sum of *)	(31 884 748)	(25 849 884)	(6 034 865)	23%
Reported revenue	25 869 433	26 734 249	(864 816)	(3%)

Balance Sheet

as at 31 May 2019

	Group May 2019 R'000	Group May 2018 R'000
Non- current assets	3 477 070	9 412 758
Property, plant and equipment	237 657	137 120
Intangible assets and goodwill	2 318 323	2 113 114
Investment in associates and joint ventures	218 842	6 684 585
Advances to customers	584 440	356 689
Other non-current assets	117 808	121 250
Current assets	8 604 302	8 526 636
Loans to associates	-	1 029 626
Inventories	1 514 649	597 946
Trade and other receivables	4 257 266	4 292 970
Advances to customers	1 032 657	1 238 321
Other current assets	414 134	419 885
Cash and cash equivalents	1 385 596	947 888
Total assets	12 081 372	17 939 394
Capital and reserves	2 491 562	9 515 085
Non-current liabilities	1 951 920	1 743 240
Current liabilities	7 637 890	6 681 069
Trade and other payables	5 371 386	4 990 798
Other current liabilities	2 266 504	1 690 271
Total equity and liabilities	12 081 372	17 939 394

- Decrease in investments in and loans to associates and joint ventures due to losses and impairment of Cell C and OSI
- Increase in goodwill emanating from acquisition of Glocell, AV Tech and WiConnect, offset by impairments of goodwill in Viamedia and Blue Label Connect
- Stock turn 24 days
- Debtors collection period 75 days
- Trade payable average credit terms 87 days

Cash Flow

for the year ended 31 May 2019

	Group May 2019 R'000	Group May 2018 R'000
Cash generated by operations	431 287	3 588 779
Interest received	88 416	154 952
Interest paid	(231 131)	(187 489)
Taxation paid	(369 086)	(368 099)
Cash flows from operating activities	(80 514)	3 188 143
Cash flows from investing activities	561 274	(7 758 379)
Cash flows from financing activities	(42 441)	4 166 560
Increase/(decrease) in cash and cash equivalents	438 319	(403 676)
Cash and cash equivalents at the beginning of the year	947 888	1 350 666
Translation difference	(8 454)	898
Cash and cash equivalents at the end of the year	1 377 753	947 888

- Negative cash from operations attributable to bulk purchasing of inventory at favourable discounts
- Positive cash from investing activities emanating from the repayment of Cell C's R1 billion loan
- Financing activities included share buy-backs of R224 million, offset by an increase in borrowings

Cash and cash equivalents at the end of the year is net of bank overdraft, recorded in other current liabilities on the balance sheet slide

