

BLUE LABEL
TELECOMS

INTERIM RESULTS PRESENTATION

30 November 2019

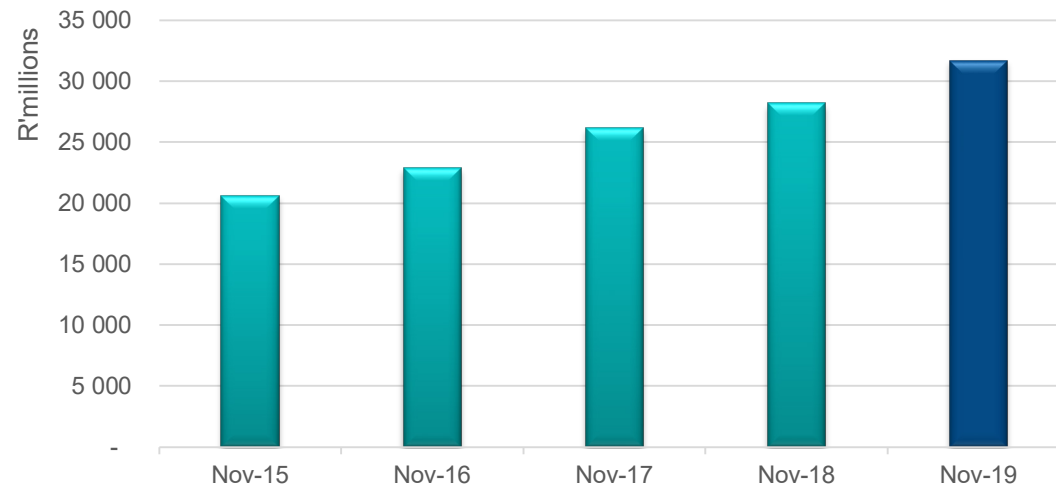
Highlights for the six months ended

30 November 2019

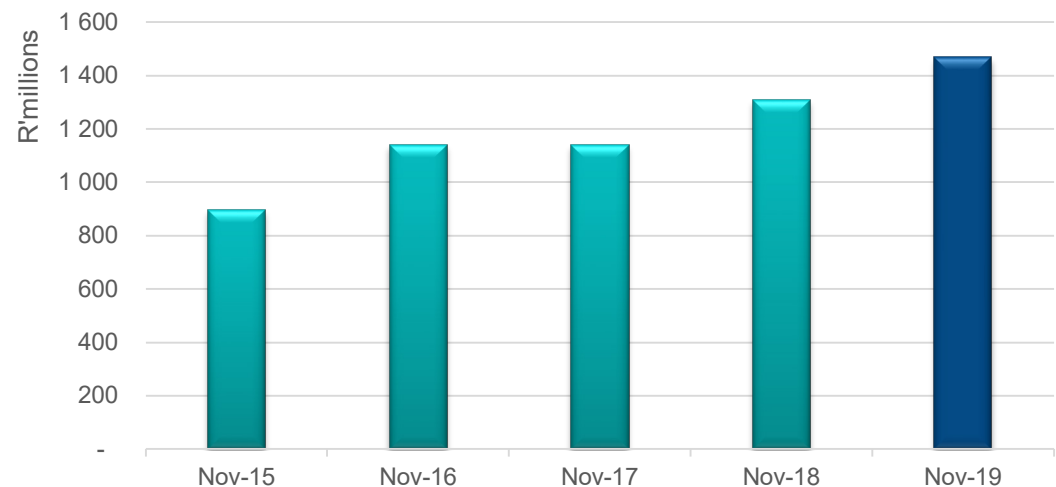
- ▶ Revenue up 12% to R30.3 billion, incl. the gross amount generated on PINless, electricity, ticketing and gaming
- ▶ Gross profit increased 10% to R1.2 billion
- ▶ GP margin improves from 9.75% to 10.52%
- ▶ Informal market penetration grew 59% to 27 000 traders
- ▶ Gross electricity revenue earned up 14% to R11.4 billion
- ▶ HEPS increases from (17.54) cps to 39.98 cps
- ▶ Core HEPS increased by 57.08 cps to 43.18 cps
- ▶ Sale of 3G handset division and BLM largely complete

Continued focus on back to basics

Gross Revenue*



Gross Profit*

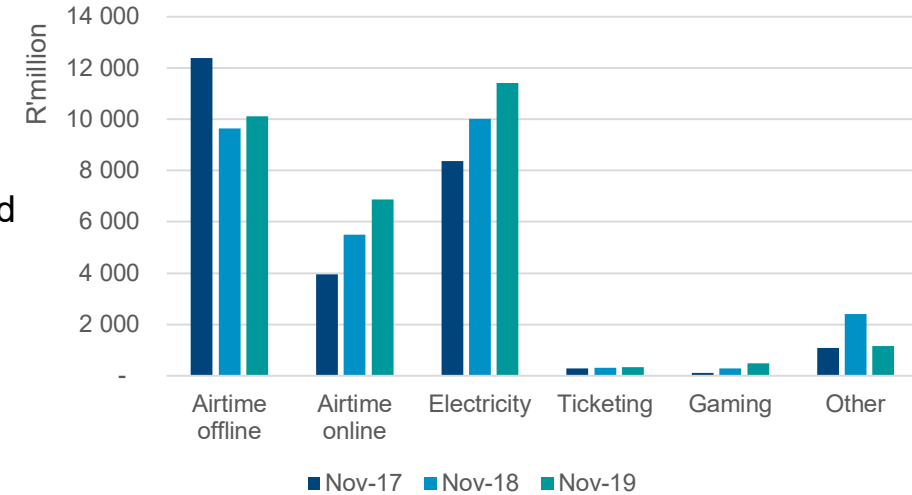


* Includes continuing and discontinued operations

SA Distribution – Product performance

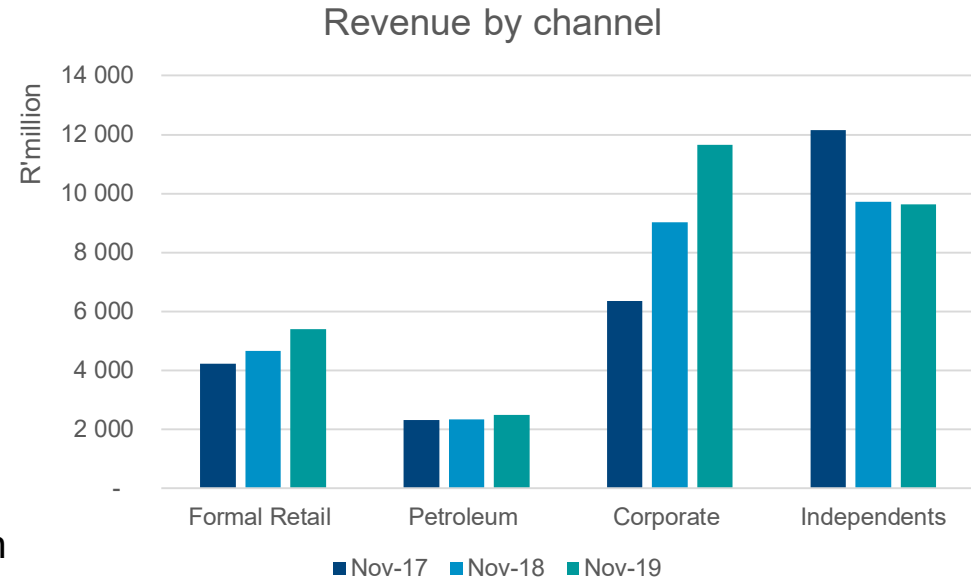
- ▶ Revenue increased 12% to R30.2 billion, incl. the gross amount generated on PINless, electricity, ticketing and gaming
- ▶ Product mix continues to expand with more gaming, money transfer services and universal voucher launched
- ▶ Products other than airtime & data have shown growth of 15% over the last 3 years - contribute approx. 43% of GP currently
- ▶ Ticketpro is an essential product differentiator – a magnet for foot traffic
- ▶ Cashless products and transport ticketing showing strong growth
- ▶ Starter pack market extremely competitive & move to quality customers is vital
- ▶ GP margin improved from 9.54% to 10.32% - focus on efficiency & customer service
- ▶ Dedicated call centre making use of analytics to drive targeting

Gross revenue by product



SA Distribution – Channel Performance

- ▶ Reach into SA market continues to grow
- ▶ Service levels to customers & competitors key focus area
- ▶ All channels apart from petroleum growing in tough economy
- ▶ Banking channel continues to take market share
- ▶ Effect of poor economy seen in traditional retail environment as growth slows
- ▶ Blue Label Connect utilising rich data and in-house score card to improve hybrid product offering



Informal Market

- ▶ Deliver products and services to under-served areas in a consistent and affordable manner
- ▶ Total sign ups grew 59% to 27 000; targeting 100 000 over the medium term
- ▶ Product offering has expanded significantly
- ▶ Specialised focus on bringing transportation ticketing within arm's reach of communities.
- ▶ Ongoing focus remains on:
 - Activation of merchant account top up points / cash-in points within informal communities
 - An expanded product offering, and the optimisation of the merchant's user interface
 - Building on the Blu Approved brand within the informal communities through bespoke marketing and training solutions
- ▶ Pro-active customer support from the Customer Interaction Centre
- ▶ Identify opportunities through analysis of merchant trading patterns

Cash today powers nearly 50 percent of transactions in South Africa, and its share represents 58.2 percent of the country's GDP.*

* Deloitte – The future of payments in South Africa, September 2019

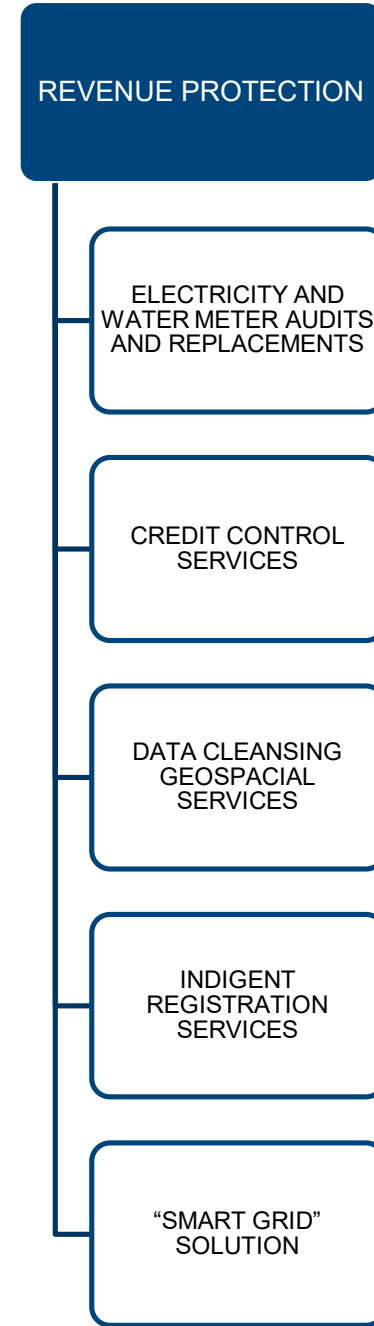
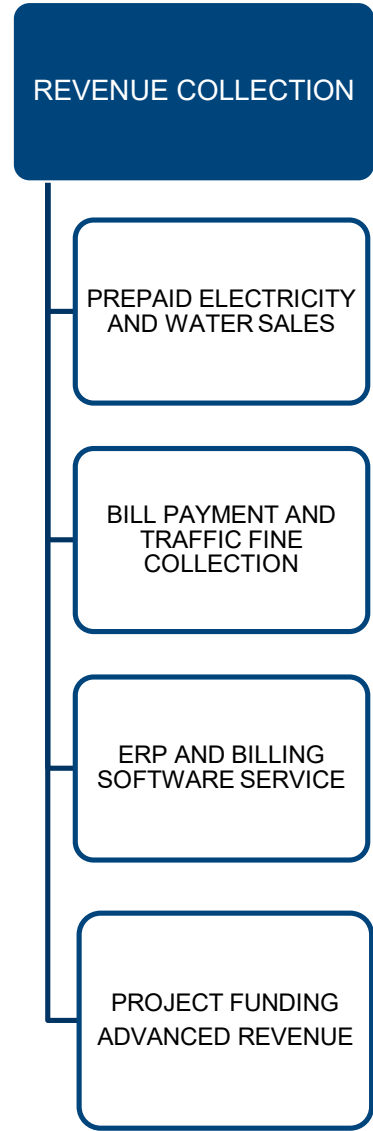
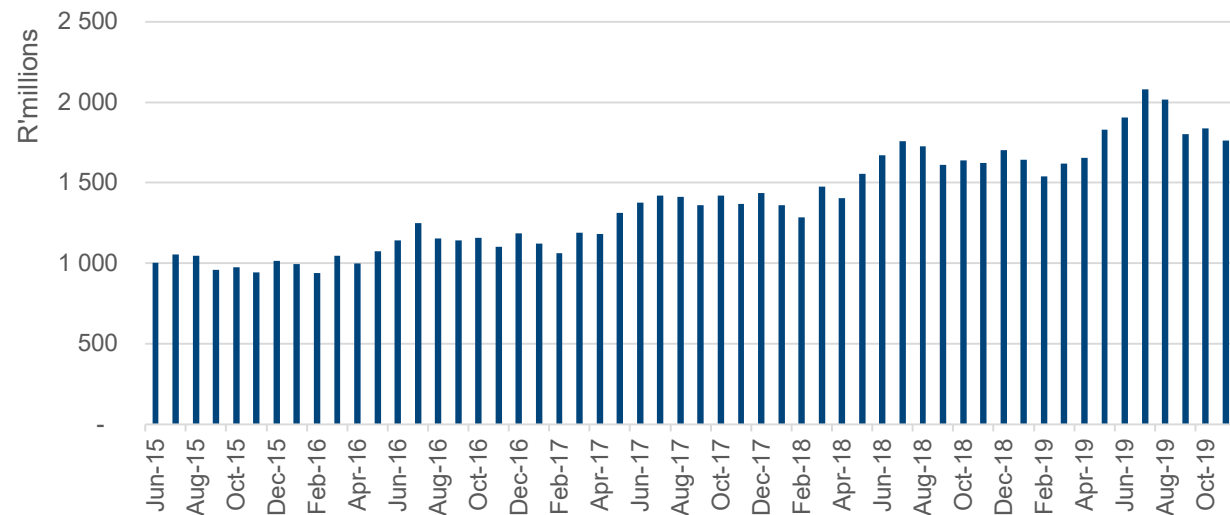


- ▶ CEC was acquired for its particular skill set
- ▶ Innovative securitization of funding mechanisms to enable businesses to finance supply to their customers
- ▶ Will expand funding beyond Cell C and DSTV in future
- ▶ Reducing exposure to Cell C subsidies
- ▶ Book decreased from R2.9 billion in May 2019 to R2.5 billion at the end of November 2019
- ▶ Post sale of 3G handset division interest-bearing borrowings has reduced from R1.67 billion in May 2019, to R1.47 billion at 30 November and R765 million at the end of Feb 2020



- ▶ On track to collect approx. R22 billion prepaid utilities for municipalities for FY20
- ▶ Margins are under pressure
- ▶ Loadshedding is having an impact
- ▶ Response – develop revenue assurance suite of products – margin enhancing

Gross Electricity



Data Solutions

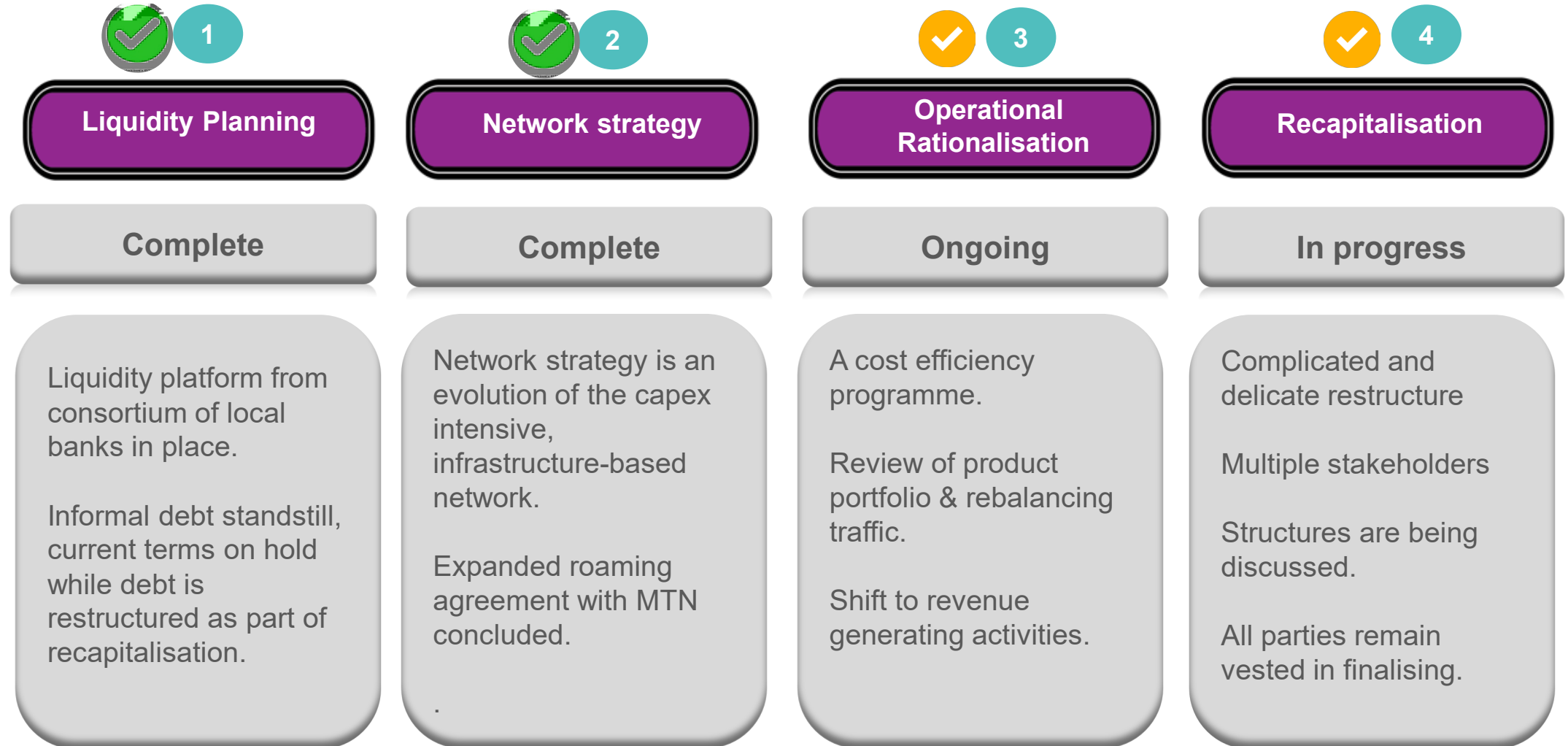
- ▶ Blue Label Data Solutions is a market leader in consumer data, big data, validation, verification, cleansing of data and lead generation
- ▶ Dedicated compliance division ensuring adherence to Protection of Personal Information, Consumer Protection Acts & all relevant regulation
- ▶ The JV with United Call Centre Solutions provides additional direct sales channels
- ▶ Blu Nova fast becoming leading practitioner of data & decision science in SA
- ▶ Using rich data lakes to enhance direct marketing – speed to market with products consumers *actually* want
- ▶ Developing a decision engine that reduces mobile churn
- ▶ Educating data scientists for Blue Label & South Africa



- ▶ Specific concentration on platform refactoring
 - Optimal scalability achieved for high-speed throughput
 - Infrastructure and software investments to improve stability and ensure future capacity in line with up- and downstream
 - Simplified integration mechanisms deployed as restful APIs
- ▶ Investments made into significant additional redundancy for improved stability and continuity
 - Transactional success rates and uptime increased to beyond 99%
 - Transactional volume growth sustained at over 25% p/a
- ▶ New framework for cyber security & governance – customer confidence
 - Security vigilance, POPI, GDPR, ECT Act compliance and vulnerability checks entrenched into our approach to enable our data-driven business model
- ▶ 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 build and deliver customer-centric product roadmaps.



Recap of turnaround strategy to focus on sustainable growth



2019 Operational Overview

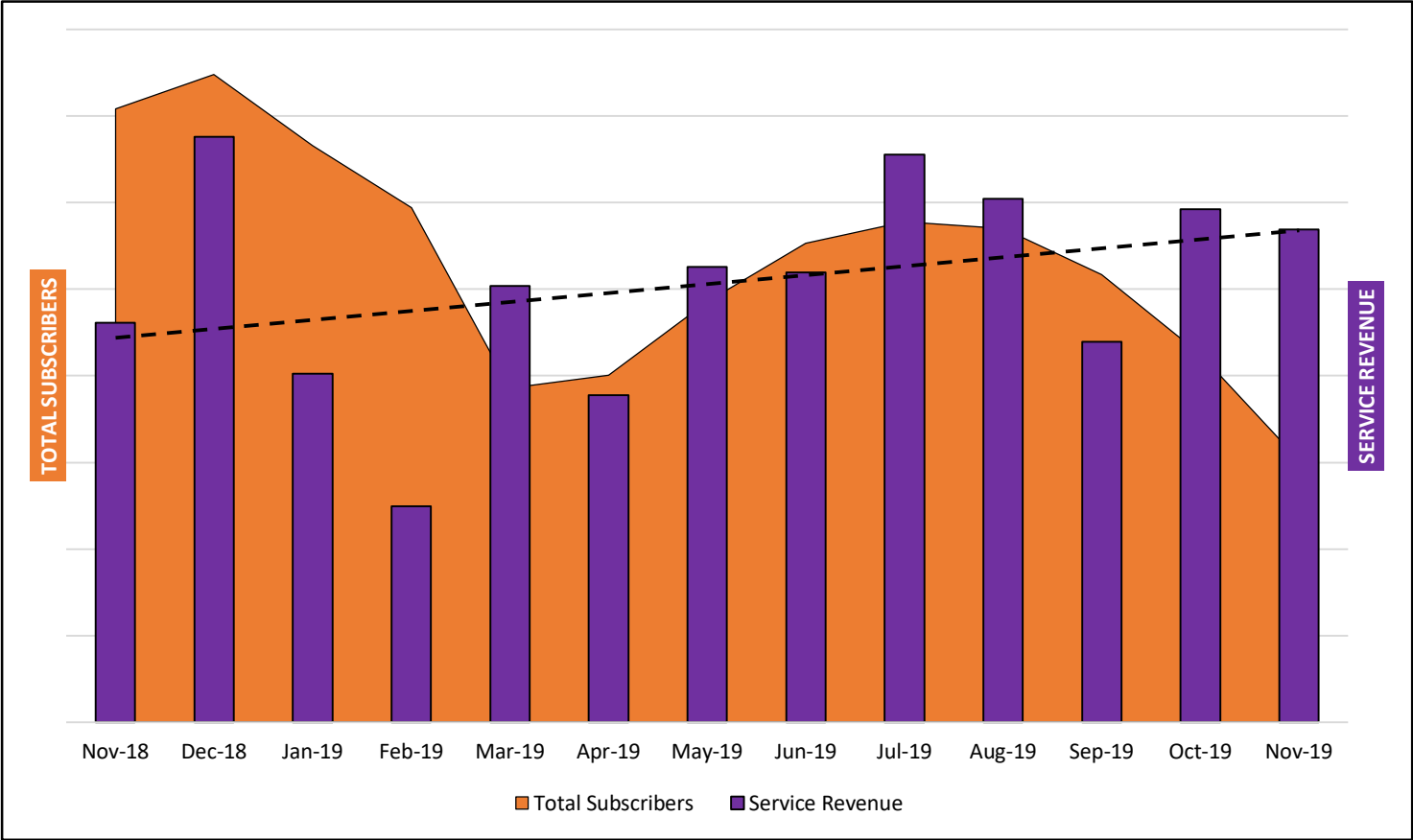
For the 6 months to November

R'm	2019	2018	% Change	
Service revenue	7 268	7 164		1%
EBITDA	1 481	1 453		2%

Results excluding the adoption of IFRS 16

Customer base evolution in pursuit of profitability

Service Revenue vs Total Subscribers



Cell C has actively reviewed its product portfolio and increased its focus on retail pricing in pursuit of profitability.

While this has resulted in a decrease in Cell C's customer base, service revenue remains comparable year-on-year.

Examples of product rationalisation incl. **black** and Wholesale Fixed LTE.

- MVNO and BSP included in Base

The Way Forward

- ▶ Back to basics – focus on debt reduction and improved cash generation
- ▶ Airtime and data remain cash cows
- ▶ Electricity and municipal revenue assurance is a growth area
- ▶ Utilise CEC finance skills for innovative funding projects – bulk buying, interest income
- ▶ Continue to improve product & services portfolio
- ▶ Grow NFC and transport revenue streams through Ticketpro
- ▶ Build on stability & agility of technology platforms
- ▶ Utilise rich data lakes



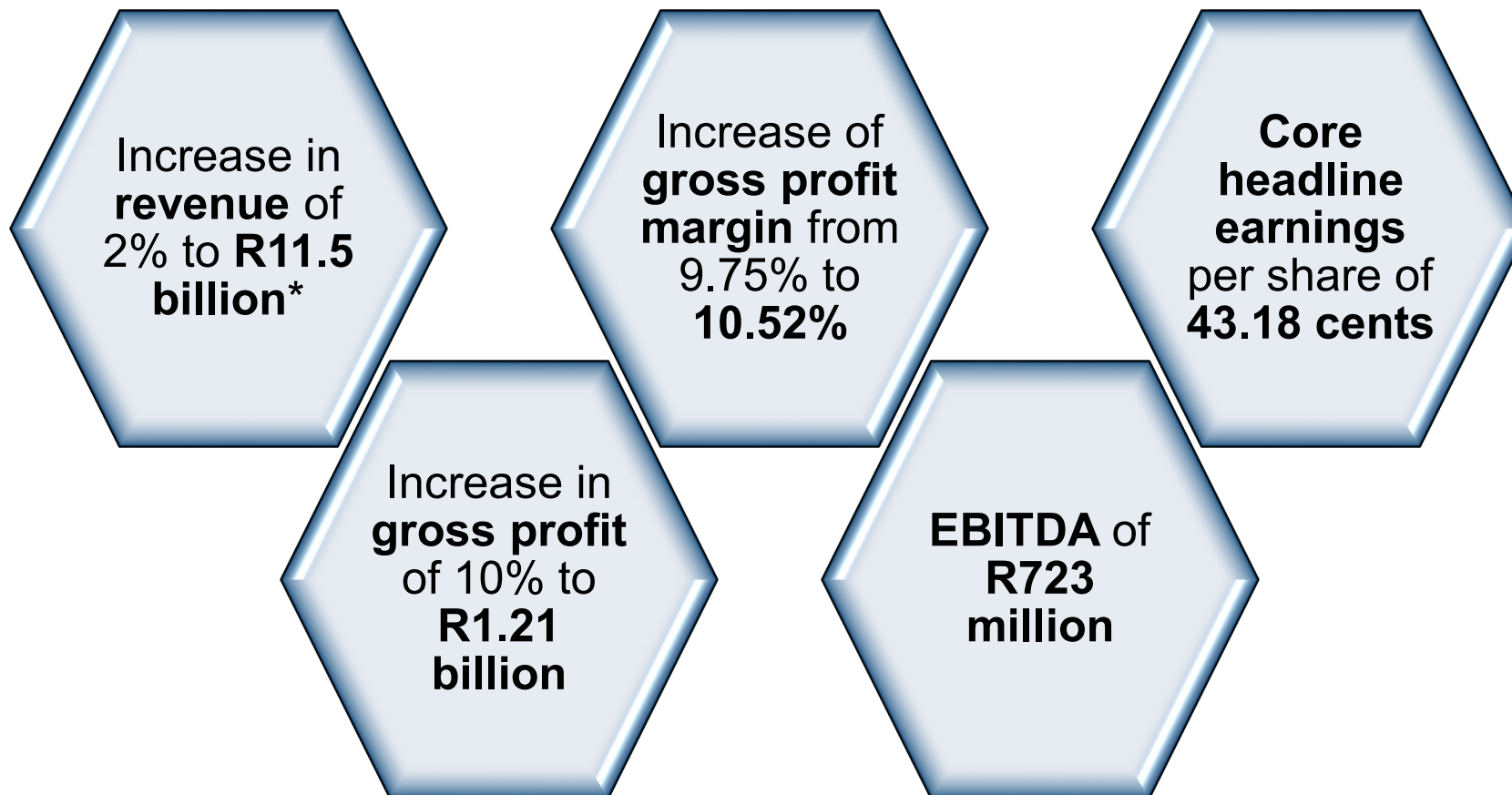


BLUE LABEL
TELECOMS

Financial Results

Dean Suntup

HIGHLIGHTS



*On inclusion of the gross amount generated on “PINless top-ups”, prepaid electricity, ticketing and gaming, the effective increase equated to 12% from R27.1 billion to R30.3 billion

Core Headline Earnings

for the period ended 30 November 2019

	Group Nov 2019 R'000	Group Nov 2018 R'000	Growth R'000	Growth %
Core headline earnings	390 304	(128 707)	519 011	403%
SPV fair value losses	-	492 640		
Cell C equity accounted losses	-	123 056		
	390 304	486 989	(96 685)	(20%)
Non-recurring once off costs	61 303	-		
Non-recurring once off income	-	(48 392)		
Adjusted core headline earnings	451 607	438 597	13 010	3%

Revenue

for the period ended 30 November 2019

	Nov 2019 R'000	Nov 2018 R'000	Growth R'000	Growth %
Prepaid airtime, data and related revenue	16 975 964	15 145 614	1 830 350	12%
- Prepaid airtime and data	10 104 872	9 651 182	453 690	5%
- "PINless" airtime top-ups	6 871 092	5 494 432	1 376 660	25%
Postpaid airtime, data and related revenue	65 105	78 187	(13 082)	(17%)
Prepaid & Postpaid SIM cards	353 113	603 092	(249 979)	(41%)
Services	231 169	180 395	50 774	28%
Gross electricity revenue	11 406 571	10 006 253	1 400 318	14%
- Electricity commission	187 332	190 470	(3 138)	(2%)
- Gross electricity revenue	11 219 239	9 815 783	1 403 456	14%
Handsets, tablets and other devices	200 167	273 682	(73 515)	(27%)
Finance revenue	198 813	203 591	(4 778)	(2%)
Gross ticketing revenue	326 413	302 085	24 328	8%
Gross gaming revenue	476 720	277 734	198 986	72%
Other revenue	106 454	71 992	34 462	48%
Gross revenue	30 340 489	27 142 625	3 197 865	12%
Less: imputed gross revenue	(18 851 913)	(15 868 784)	(2 983 129)	19%
Reported revenue	11 488 576	11 273 841	214 735	2%

Income Statement

for the period ended 30 November 2019

	Group Reviewed Nov 2019 R'000	Group Unaudited Nov 2018 R'000	Cell C Nov 2018 R'000	SPVs Nov 2018 R'000	Remaining entities Nov 2018 R'000	Growth remaining entities R'000	Growth remaining entities %
Revenue	11 488 576	11 273 841	-	-	11 273 841	214 735	2%
Gross Profit	1 208 302	1 098 939	-	-	1 098 939	109 363	10%
EBITDA	723 221	239 014	-	(492 640)	731 654	(8 433)	(1%)
Share of profits/(losses) from associates and joint ventures	13 040	(148 799)	(133 465)	-	(15 334)	28 374	185%
- Cell C	-	(133 465)	(133 465)	-	-	-	-
- Oxigen Services India	-	(10 197)	-	-	(10 197)	10 197	100%
- Blue Label Mexico	(564)	(13 002)	-	-	(13 002)	12 438	96%
- United Call Centre Solutions	11 551	13 726	-	-	13 726	(2 175)	(16%)
- Other	2 053	(5 861)	-	-	(5 861)	7 914	135%
Net profit/(loss) from continuing operations	313 388	(201 142)	(133 465)	(492 640)	424 963	(111 575)	(26%)
Core headline earnings	390 304	(128 706)	(123 056)	(492 640)	486 990	(96 686)	(20%)
- from continuing operations	323 512	(202 133)	(123 056)	(492 640)	413 563	(90 051)	(22%)
- from discontinued operations	66 792	73 427	-	-	73 427	(6 635)	(9%)
Gross profit margin	10.52%	9.75%			9.75%		
EBITDA margin	6.30%	2.12%			6.49%		
Weighted ave shares ('000)	903 958	925 688			925 688		
EPS (cents)	34.83	(15.11)			52.53	(17.70)	(34%)
HEPS (cents)	39.98	(17.54)			49.53	(9.55)	(19%)
Core HEPS (cents)	43.18	(13.90)			52.61	(9.43)	(18%)

Balance sheet

as at 30 November 2019

	Group Nov 2019 R'000	Group May 2019 R'000
Non- current assets	2 752 176	3 477 070
Property, plant and equipment	242 859	237 657
Right of use asset	122 318	-
Intangible assets and goodwill	1 525 105	2 318 323
Investment in associates and joint ventures	196 644	218 842
Advances to customers	532 182	584 440
Other non-current assets	133 068	117 808
Current assets	8 305 332	8 604 302
Inventories	1 041 121	1 514 649
Trade and other receivables	3 992 289	4 257 266
Advances to customers	1 242 627	1 032 657
Other current assets	388 611	414 134
Cash and cash equivalents	1 640 684	1 385 596
Assets classified as held for sale	1 766 610	-
Total assets	12 824 118	12 081 372
Capital and reserves	2 841 490	2 491 562
Non-current liabilities	1 854 088	1 951 920
Current liabilities	7 452 959	7 637 890
Trade and other payables	4 679 431	5 371 386
Other current liabilities	2 773 528	2 266 504
Liabilities classified as held for sale	675 581	-
Total equity and liabilities	12 824 118	12 081 372

- Assets and liabilities classified as held for sale of R1.77 billion and R676 million respectively relate to the reclassification of the assets and liabilities of Blue Label Mobile and the handset division of 3G Mobile in line with the contemplated disposals thereof.
- The stock turn equated to 20 days compared to 24 days for the financial year ended 31 May 2019.
- The debtor's collection period increased to 78 days compared to 68 days for the financial year ended 31 May 2019.
- Trade and other payables decreased by R692 million, with average credit terms equating to 78 days compared to 83 days for the financial year ended 31 May 2019.

Cash flow

for the period ended 30 November 2019

	Group Nov 2019 R'000	Group Nov 2018 R'000
Cash generated by operations	390 152	(950 899)
Interest received	37 585	64 102
Interest paid	(113 551)	(118 819)
Taxation paid	(204 085)	(187 617)
Cash flows from operating activities	110 101	(1 193 233)
Cash flows from investing activities	(49 246)	846 650
Cash flows from financing activities	375 601	337 650
Increase/(decrease) in cash and cash equivalents	436 456	(8 933)
Cash and cash equivalents at the beginning of the year	1 377 753	947 888
Translation difference	1 160	693
Cash and cash equivalents at the end of the year	1 815 369	939 648

- Cash generated by operations included working capital movements comprising an increase in trade receivables of R711 million and a decrease in trade payables of R61 million, offset by a decrease in inventory of R304 million.
- Investing activities included loans repaid of R31 million offset by the purchase of intangible assets of R17 million and R72 million for capital expenditure.
- Financing activities include R422 million related to additional borrowings offset by a dividend payment of R58 million to non-controlling interests.



BLUE LABEL
TELECOMS

THANK YOU
Q & A