Unaudited results for the half year ended 30 November 2013

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Blue Label Telecoms Limited

(Incorporated in the Republic of South Africa) (Registration number 2006/022679/06)
JSE Share code: BLU **ISIN:** ZAE000109088 ("Blue Label" or "BLT" or "the Company" or "the Group")
Directors: LM Nestadt (Chairman)*, BM Levy, MS Levy, K Ellerine*, GD Harlow*, NN Lazarus SC*, JS Mthimunye*, MV Pamensky, DA Suntup, J Vilakazi* (*Non-executive) **Company Secretary:** J van Eden **Sponsor:** Investec Bank Limited **Auditors:** PricewaterhouseCoopers Inc.
American Depository Receipt (ADR) Programme: Cusip No.: 095648101 Ticker name: BULBY ADR to ordinary share: 10:1
Depository: The Bank of New York, 101 Barclay Street, New York NY. 10286, USA

Unaudited Results
for the half year ended
30 November 2013

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Highlights for the half year ended 30 November 2013

Highlights | Acquisitions | SA Distribution | International | Mobile and Solutions | Prospects | Financial

- HEPS up 7% to 37.15 cents
- Gross profit increase by 10% to R710 million
- GP margin up from 6.80% to 7.82%
- PINless revenues increase by R310 million
- Revenue decline by effective 1%
- Electricity commissions earned up 26%
- Agreements with MasterCard and ABSA in SA and Visa and Banamex in Mexico
- POS roll-out in Mexico progressing
- Cash resources at R1.3 billion
- Acquisitions

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Acquisitions

Highlights | **Acquisitions** | SA Distribution | International | Mobile and Solutions | Prospects | Financial

- Retail Mobile Credit Solutions (RMCS) announced 24 Dec 2013 (100%)
- Service provider of virtual and physical cellular data
- Enhancing access to new distribution channels, strong retail distribution footprint
- Competition Authority approval
- Completion date anticipated end March 2014
- Initial cash consideration R307 million

RMCS

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BLUE LABEL TELECOMS

South African Distribution

Brett Levy – Joint CEO

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Operational and Financial Highlights

Highlights | Acquisitions | **SA Distribution** | International | Mobile and Solutions | Prospects | Financial

- Revenue achieved R9 billion
- Trend to purchasing PINless airtime
- Gross Profit % increases from 6.04% to 6.96%
- Electricity commissions earned up 26%
- 3 income pillars (% of NPAT):
  - commodity sales 42% (45% at Nov 2012)
  - annuity income 55% (47%)
  - interest earned 3% (8%)

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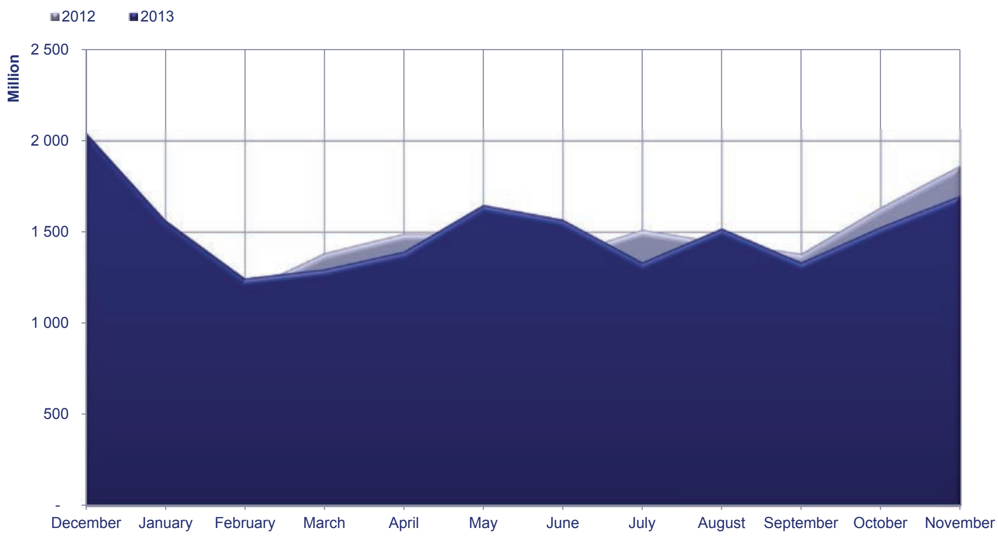
Airtime Revenue Growth



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PINless Airtime Growth

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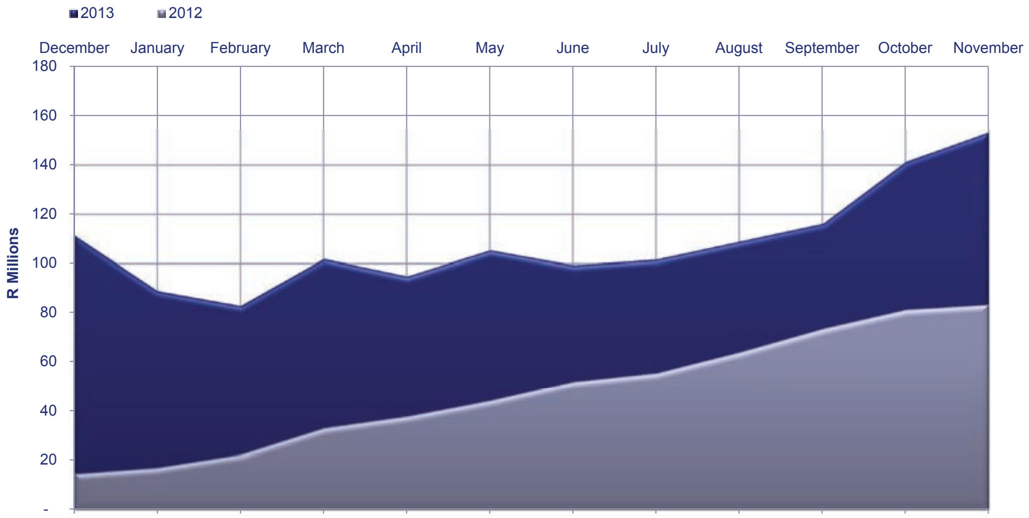

Prepaid Airtime and Starter-Packs

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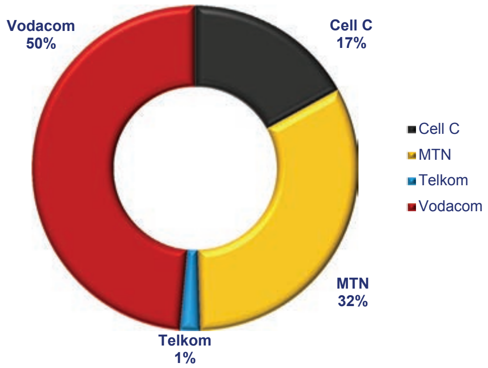
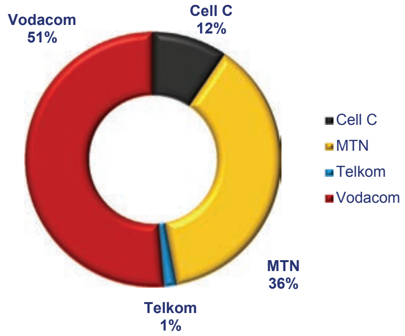
Highlights | Acquisitions | **SA Distribution** | International | Mobile and Solutions | Prospects | Financial

- Revenue contribution - informal 87%
  - formal 13%
- Direct distribution model
- Empowering merchants
- Low cost POS devices, 'business in a box' and 'Rechaja Mo' launched
- Wholesalers

Prepaid Airtime Revenue Growth per Network





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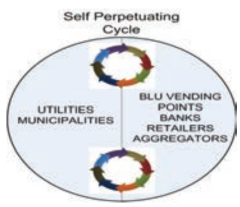
Prepaid Electricity

Highlights | Acquisitions | **SA Distribution** | International | Mobile and Solutions | Prospects | Financial

- Growth continues
- Growth drivers augmented
- Commissions earned up by 26% from R53 million to R67 million
- Equates to R4.4 billion in utility sales, up from R3.5 billion
- 9 million prepaid meters installed
- Based on kW/hr consumed



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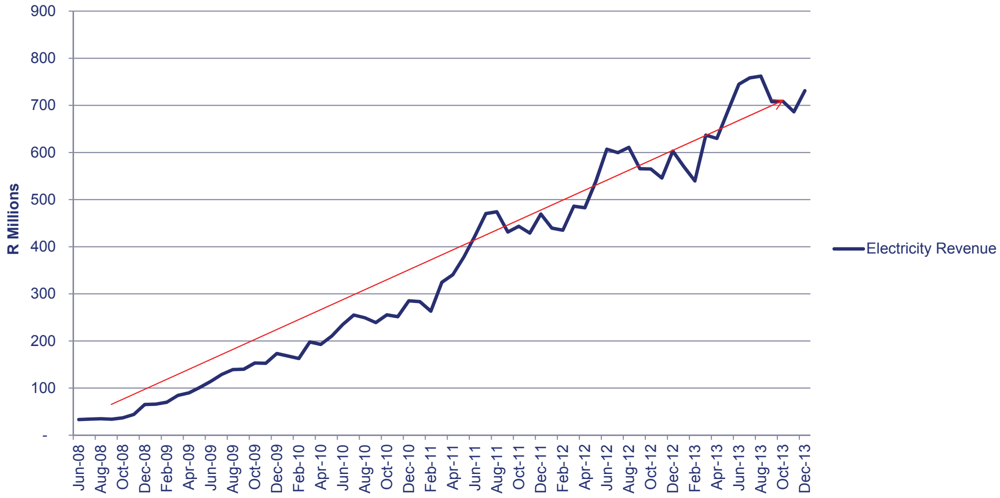
Prepaid Electricity – 5 Year View

Highlights | Acquisitions | **SA Distribution** | International | Mobile and Solutions | Prospects | Financial



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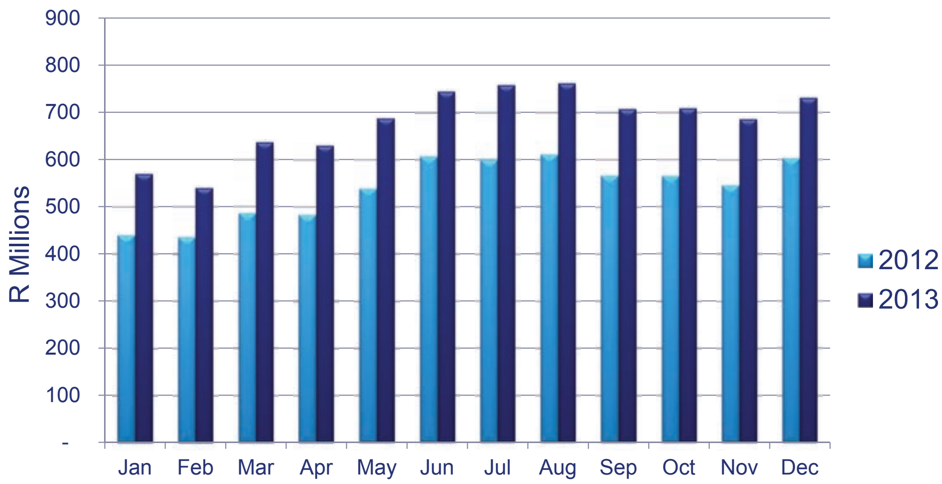
Prepaid Electricity – Revenue

Highlights | Acquisitions | **SA Distribution** | International | Mobile and Solutions | Prospects | Financial



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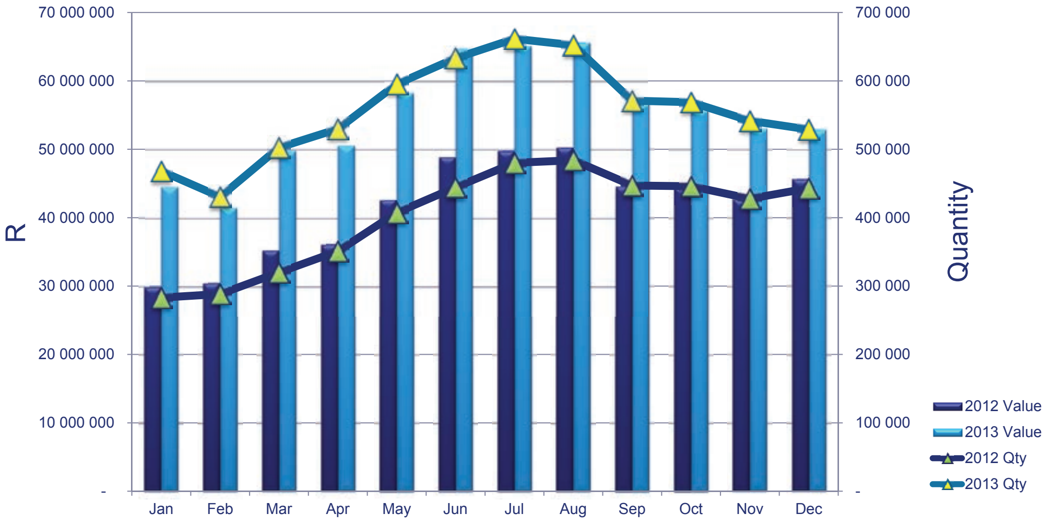
Prepaid Electricity - UniPIN

Highlights | Acquisitions | **SA Distribution** | International | Mobile and Solutions | Prospects | Financial



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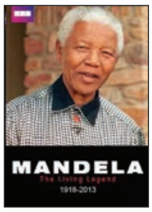
New Products and Services

Highlights | Acquisitions | **SA Distribution** | International | Mobile and Solutions | Prospects | Financial

- "Internet of Things"
- Airtime
  - benefit starter packs
  - value added bundling with DVD's
- Financial services
  - acquiring and commercial agreements
  - wallets, mobile banking, money transfers, bill payments, EFT's
- Ticketing through Ticketpros
  - transport, events and expos
- "Chat for change" or variable denominational airtime top-up



Ticketpros.

CHAT 4 CHANGE

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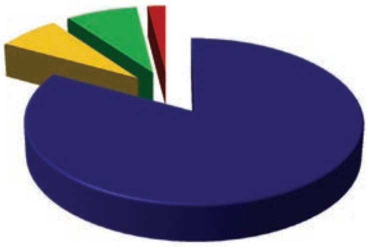
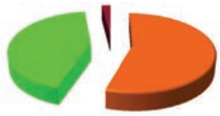
Shareholder Profile

Highlights | Acquisitions | **SA Distribution** | International | Mobile and Solutions | Prospects | Financial

Beneficial Shareholders



Free Float



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International Distribution

Mark Levy – Joint CEO

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Overview

BLUE LABEL TELECOMS

Highlights | Acquisitions | SA Distribution | **International** | Mobile and Solutions | Prospects | Financial

- International strategy replicates SA business model
- Litigation arising from Multi-Links heading to High Court
- Growing interest from banking sector
- Building distribution capability in Mexico
- India expanding financial services

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Ukash

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Highlights | Acquisitions | SA Distribution | **International** | Mobile and Solutions | Prospects | Financial

- Operating >460,000 POS across 57 countries
- Most recent launches in Brazil and Peru
- Included in “1,000 Companies to inspire Britain” and “Tech Track 100”
- Partnering with Birmingham City Football Club
- Ukash Prepaid Card Programme launched
- Revenue up 26% (reported in Sterling)
- Share of profit R6.9 million

Ukash

MoneyGram Money Transfer

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Oxigen Services India

Highlights | Acquisitions | SA Distribution | **International** | Mobile and Solutions | Prospects | Financial

- Economic growth whilst Telco landscape consolidates
- Accelerating reach-out to unbanked
- Shift continues towards expanding financial services
- Remittance market – Domestic and International growth
- OxiCash now active with growing demand
- Launch of exclusive ‘Oxigen World’ stores
- Launching Oxigen Payment Bank
- Share of loss at R3.5 million

Oxigen MALL

Oxigen WALLET

Oxigen MONEY TRANSFER SERVICE

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Blue Label Mexico

Highlights | Acquisitions | SA Distribution | **International** | Mobile and Solutions | Prospects | Financial

- Mexico likely leader in Latin American growth
- Agreements with Visa and Banamex
- ‘Red Qiubo’ brand launch
- Device roll-out project:
  - 68,OOO POS deployed
  - 32 stores opened
  - targets modified: 123,000 POS devices and 72 stores
- Share of loss at R31 million

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Mobile and Solutions Segments

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Mobile Segment

BLUE LABEL TELECOMS

Highlights | Acquisitions | SA Distribution | International | **Mobile and Solutions** | Prospects | Financial

- Products and services for mobile phones
- SMS sales, financial services, couponing, loyalty, rewards, ticketing, NFC, media advertising, gaming and LBS
- **Cellfind**
  - SMS capability growing with platform reliability
  - LBS reaches 10 African countries through TCS alliance
- **Blue Label Engage**
  - Retail Engage and Capillary Technologies
  - Partnership in intelligent customer engagement
  - NFC contactless ticketing in sports stadia
- **Blue Label One and Media**
  - Restructuring
- Core net profit R14.1 million

TCS TeleCommunication Systems *Enabling Convergent Technologies®*

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Solutions Segment

Highlights | Acquisitions | SA Distribution | International | **Mobile and Solutions** | Prospects | Financial

- **Velociti**
  - Focus on in-bound campaigns
- **Blue Label Data Solutions**
  - Data analytics
  - Deep access database
  - Cleansing data services (FIDS)
  - Implementing POPI and Consumer Protection Acts
- Core net profit at R9.3 million

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Technology

Highlights | Acquisitions | SA Distribution | International | **Mobile and Solutions** | Prospects | Financial

- Proprietary platforms entrench neutral aggregation
- All platforms stable - performance and availability
- Infrastructure consolidation project nearing completion
- Reviewing IT Governance Framework
- Skills focus

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Prospects

Highlights | Acquisitions | SA Distribution | International | Mobile and Solutions | **Prospects** | Financial

- Airtime under pressure
- Transport, event and expo ticketing to enhance product offering
- Acquisition of RMCS to access new distribution channels
- Oxigen India increasing volumes in financial services transactions
- Blue Label Mexico growing points of presence network
- Agreements with MasterCard and Visa and with ABSA and Banamex Banks to extend financial inclusion

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BLUE LABEL TELECOMS

Financial Overview

Dean Suntup – Financial Director

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Financial Highlights

Gross Profit
Increased by R66 million

GP Margins
Increased from 6.80% to 7.82%

EBITDA
Increased by 16% to R431 million

Headline Earnings
Increased by 7% to R246 million

Cash generated by operations
R873 million

Capital and Reserves
R3.3 billion

Income Statement

	Nov 2013 R'000	Nov 2012 R'000	Growth R'000	% Growth
Revenue	9,079,022	9,466,174	(387,152)	(4%)
Gross profit	710,065	643,738	66,327	10%
GP margins	**7.82%**	**6.80%**	**1.02%**	
Other income	5,398	4,498	900	20%
Overheads	(284,184)	(274,003)	(10,181)	(3%)
EBITDA	431,279	374,233	57,046	16%
Depreciation and amortisation	(34,357)	(33,557)	(800)	(2%)
EBIT	396,922	340,676	56,246	17%
Net finance expense	(10,595)	(311)	(10,284)	(3 307%)
Net profit before taxation	386,327	340,365	45,962	14%
Taxation	(113,404)	(98,664)	(14,740)	(15%)
Net profit after tax	272,923	241,701	31,222	13%
Minority interest	3,031	11,378	(8,347)	(73%)
Share of profit from associates	3,400	1,907	1,493	78%
Share of losses from joint ventures	(33,179)	(24,892)	(8,287)	(33%)
Headline earnings	**246,175**	**230,094**	**16,081**	**7%**

South African Distribution

Highlights | Acquisitions | SA Distribution | International | Mobile and Solutions | Prospects | **Financial**

	Nov 2013 R'000 Total group	Nov 2013 R'000 SA Distribution	Nov 2012 R'000 SA Distribution	Growth R'000 SA Distribution	% Growth
Revenue	**9,079,022**	8,923,465	9,321,467	(398,002)	(4%)
Gross profit	**710,065**	621,463	563,041	58,422	10%
Gross profit %	**7.82%**	6.96%	6.04%		
Overheads	**(284,184)**	(173,669)	(164,993)	(8,676)	(5%)
EBITDA	**431,279**	448,264	399,198	49,066	12%
EBITDA Margins	**4.75%**	5.02%	4.28%		

- Of the reduction in revenue, 3% was attributable to "pin-less top ups" on which only the gross profit earned thereon is accounted for in revenue as apposed to the gross revenue generated.
- Commissions earned on electricity increased by 26% to R67m. Gross revenue – R4.4bn
- Technology segment incorporated into SA Distribution
- EBITDA includes once-off cost of R19 million incurred on settlement of disputes.

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Associates

Highlights | Acquisitions | SA Distribution | International | Mobile and Solutions | Prospects | **Financial**

	Nov 2013 R'000	Nov 2012 R'000	Growth R'000	% Growth
Share of profit from associates	**3,400**	**1,907**	**1,493**	**78%**
- Ukash	6,937	4,362	2,575	59%
- Oxigen Services India	(3,537)	(2,455)	(1,082)	(44%)

- Ukash *
  - Revenues increased by 26%
  - Gross profit increased by 38%
  - EBITDA increased by 35%
- Oxigen Services India
  - Revenue increased by 30%.
  - EBITDA declined by R2.2m directly attributable to an increase in payroll and other expenses.
  - Increase in expenses in line with a defined strategy to focus on the growth of financial services.
  - Money transfers currently transacting at $1.2 million per day.

** As reported in its local currency*

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Joint Ventures

Highlights | Acquisitions | SA Distribution | International | Mobile and Solutions | Prospects | **Financial**

	Nov 2013 R'000	Nov 2012 R'000	Growth R'000
Share of losses from joint ventures	**(33,179)**	**(24,892)**	**(8,287)**
- Blue Label Mexico	(30,709)	(22,894)	(7,815)
- Other	(2,470)	(1,998)	(472)

- Blue Label Mexico
  - R31m share of losses of which R6m related to forex losses
  - Revenue increased by 77%
  - Margin compression
  - Increases in overheads necessitated by the the roll out of additional POS devices
  - Alliances with Visa and Banamex to enhance future product offerings

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Income Statement

Highlights | Acquisitions | SA Distribution | International | Mobile and Solutions | Prospects | **Financial**

	Nov 2013 R'000	Nov 2012 R'000	Growth R'000	% Growth
Headline earnings	**246,175**	**230,094**	**16,081**	**7%**
Net headline earnings adjustments	185	(1,154)	1,339	(116%)
Net profit attributable to equity holders of parent	**246,360**	**228,940**	**17,420**	**8%**
Core intangible adjustment	4,718	6,913	(2,195)	(32%)
Core net profit	**251,078**	**235,853**	**15,225**	**6%**
Earnings per share (cents)	37.17	34.61		7%
Headline earnings per share (cents)	**37.15**	**34.78**		**7%**
Core earnings per share (cents)	37.89	35.65		6%

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Balance Sheet

BLUE LABEL TELECOMS

Highlights | Acquisitions | SA Distribution | International | Mobile and Solutions | Prospects | **Financial**

Summarised Group Statement of Financial Position as at	30 Nov 2013	31 May 2013
Non- current assets	**1,422,960**	**1,340,410**
Property, plant and equipment	98,212	88,125
Intangible assets and goodwill	741,587	706,018
Investment in associates and joint ventures	584,547	524,162
Other non-current assets	18,614	22,105
Current assets	**4,745,750**	**4,380,137**
Inventories	1,522,557	1,858,511
Trade and other receivables	1,890,102	1,539,365
Other current assets	32,528	40,979
Cash and cash equivalents	1,300,563	941,282
Total assets	**6,188,710**	**5,720,547**
Capital and reserves	**3,307,542**	**3,242,853**
Share capital, share premium and treasury shares	3,945,833	3,939,891
Other reserves	(2,657,106)	(2,638,120)
Retained earnings	2,018,815	1,941,082
Non-current liabilities	**19,912**	**11,942**
Current liabilities	**2,861,256**	**2,465,752**
Trade and other payables	2,824,554	2,393,222
Other current liabilities	36,702	72,530
Total equity and liabilities	**6,188,710**	**5,720,547**

- Net growth in Intangible assets – R36m
- Acquisition of distribution agreement - R84m
- R86m investment in Blue Label Mexico.
- Inventory – 33 days
- Debtors Collections – 38 days
- Creditors payments – 62 days

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Cash Flow

BLUE LABEL TELECOMS

Highlights | Acquisitions | SA Distribution | International | Mobile and Solutions | Prospects | **Financial**

Summarised Group Statement of Cash Flows as at 30 Nov	2013	2012
Cash generated by operations	**873,471**	**(629,245)**
Interest received	9,358	26,286
Interest paid	(6,613)	(8,108)
Taxation paid	(133,925)	(112,051)
Cash flows from operating activities	**742,291**	**(723,118)**
Cash flows from investing activities	**(203,956)**	**(107,418)**
Cash flows from financing activities	**(178,989)**	**(174,304)**
Increase / (Decrease) in cash and cash equivalents	**359,346**	**(1,004,840)**
Cash and cash equivalents at the beginning of the year	941,282	1,975,242
Translation difference	(65)	(114)
Cash and cash equivalents at the end of the year	**1,300,563**	**970,288**

- Distribution agreement acquired - R84m
- Capex – R28m
- Further investment in Blue Label Mexico – R86m
- Treasury shares acquired – R11m
- Dividend payment – R169m

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Supplementary Information

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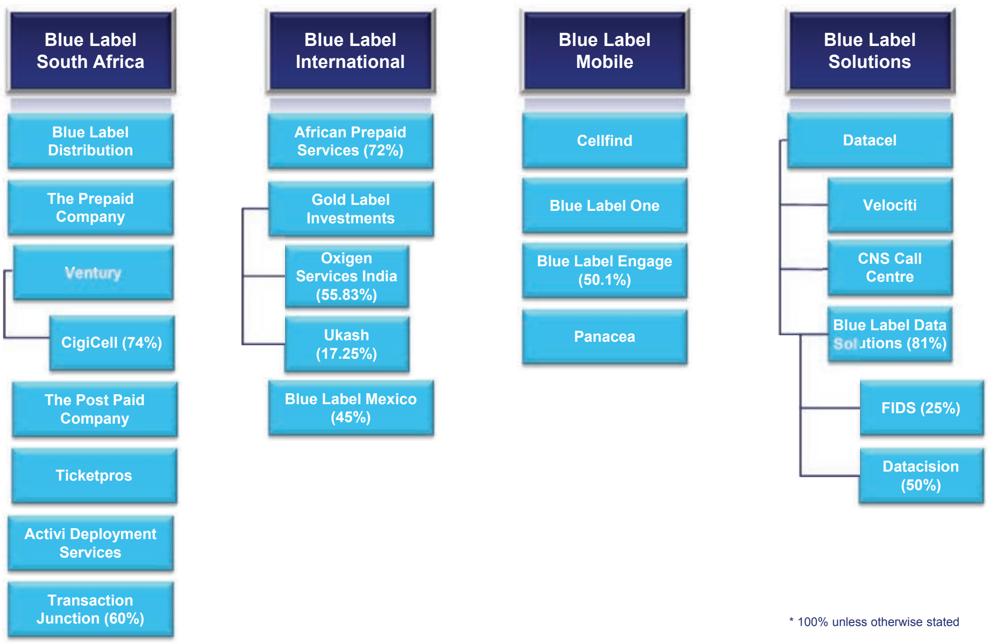
Supplementary – Group Operating Structure



* 100% unless otherwise stated

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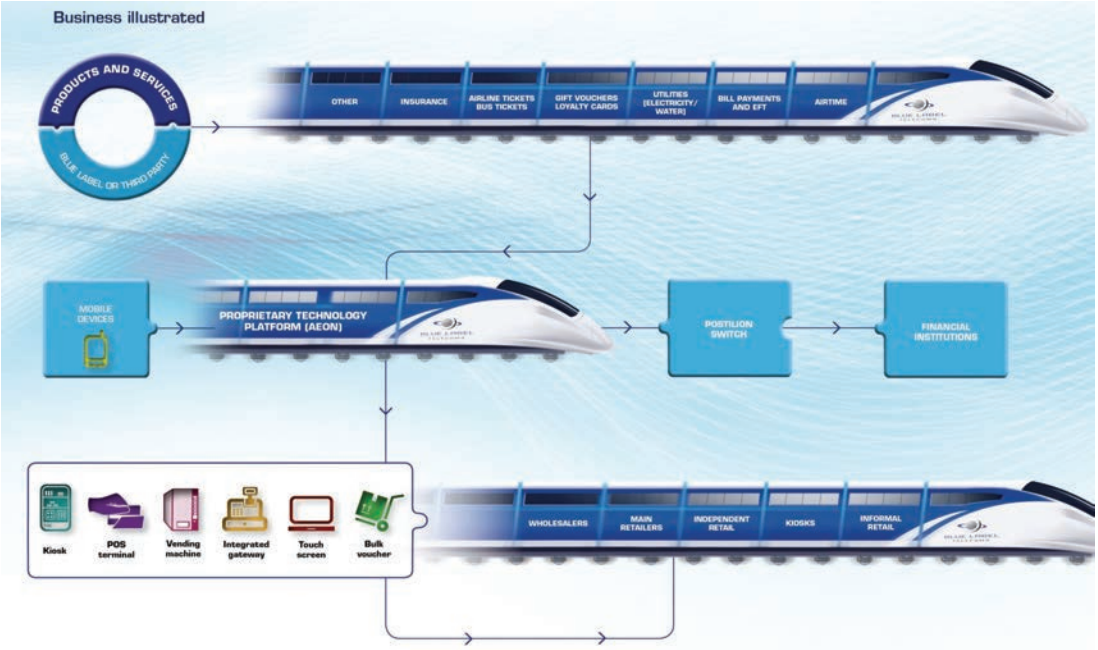
Supplementary – Technical Overview



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Supplementary – Blue Label factsheet

- **Founded in 2001**
- **1103 employees**
- **Business model underpinned by long-term contracts**
- **Income drivers:**
  - **sales of commodity – 42%**
  - **annuity income – 55%**
  - **interest earned – 3%**
- **Listed as BLU on JSE in 2007, ADR's launched in 2013**
- **~R5.6 billion market capitalisation (at R8.35/share)**
- **Free float ~55% with diverse shareholder base**
- **Maiden dividend paid in Sep 2010**

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Supplementary – Barriers to entry

BLUE LABEL TELECOMS

- Lag times in negotiating supplier and customer contracts can hinder integration
- Long term contracts – to ensure there is no cheaper pricing in the market
- Lock-out periods for processing new and developing existing technologies. Roll-out of devices takes time
- Time: as customers prioritise systems' integration for their own needs/objectives and/or products and services (customer, forecourt, municipality, utility, bank, retailer – minimum 18 months)
- Technology platforms – AEON (proprietary, agnostic, plug 'n play, proven, scalable, no fees to others) and Postilion (banking and financial services grade)
- Solid distribution channel in SA with >150,000 POP'S and growing reach in India (~130,000 POP's) and Mexico (~68,000 POP's and growing)
- 3-pillars income model in SA of commodity (42%), annuity (55%) and interest earned (3%)
- Reputable local partners is key to business model
- Trust and relationships of over 12 years in business
- These are some of our greatest assets, achieved through long-term contracts with customers and suppliers.
- Same barriers can hinder us entering new markets

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