

Blue Label Telecoms Limited



Interim Results presentation – 19 February 2008



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## Part I

Blue Label Telecoms overview,  
Brett Levy, joint CEO



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# Blue Label Telecoms – Overview

## Background

- Co-founded in May 2001-national licence awarded to distribute fixed line pre-paid airtime; progressed to distribution of cellular prepaid vouchers and starter packs
- Developed and acquired technology to distribute prepaid secure electronic tokens of value and transactional services
- Pre listing restructuring- bought out minorities to simplify and focus group structure
- Preferred partnership relationship with strategic shareholder - Microsoft Corporation
- Successful JSE listing on 14 November 2007

## Our global footprint

- Leading distributor of prepaid secure e-tokens of value and transactional services within emerging economies – in excess of 150 000 global mobile and physical points of presence
- Significant distribution footprint in South Africa – in excess of 100 000 points of presence
- Leading distributor of prepaid airtime in South Africa and India
- Established and growing presence in various emerging markets

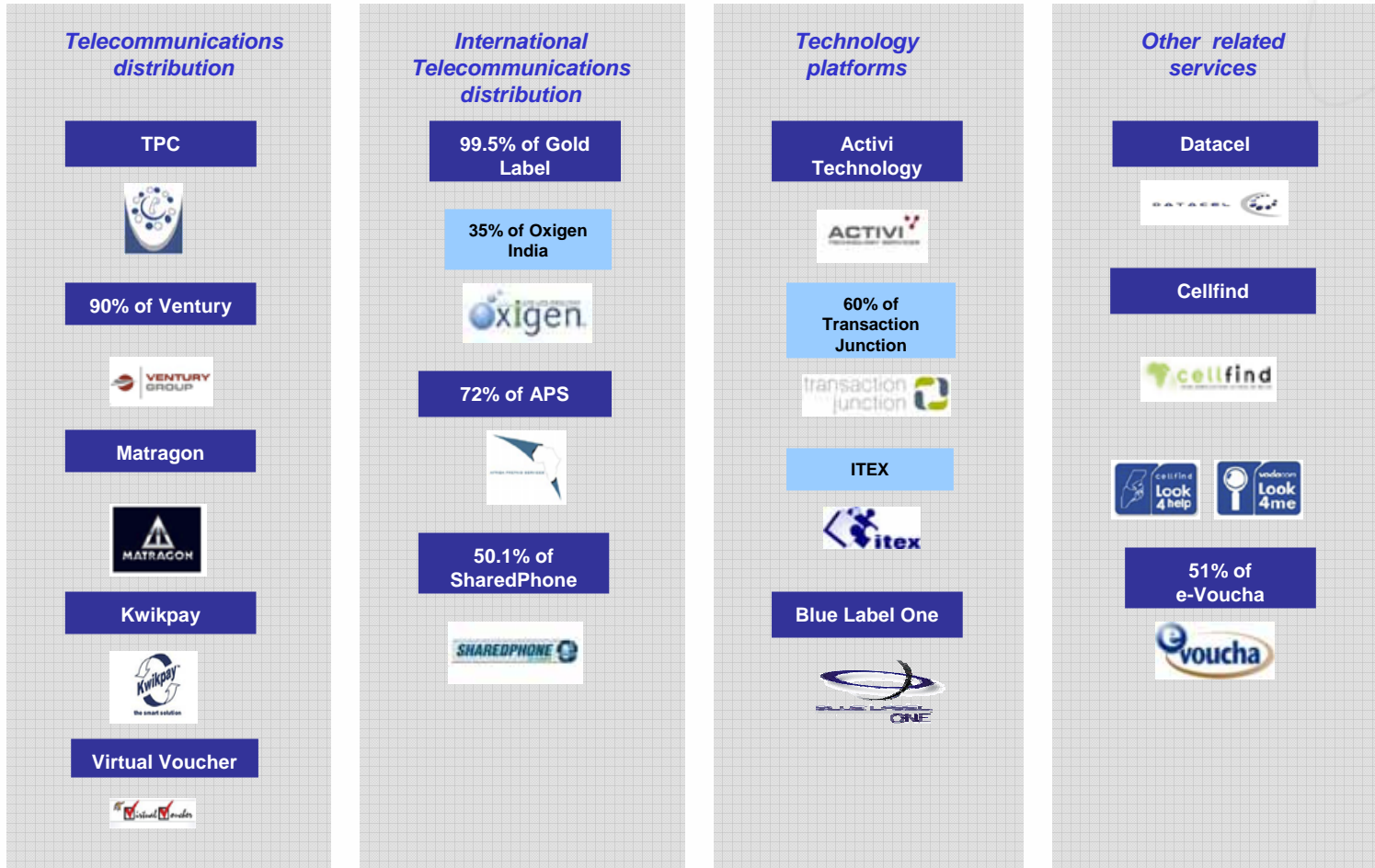
## Focus areas

- Drive organic growth across local and emerging market distribution channels and networks
- Market leadership through leading edge technologies, proven methodologies, innovative distribution channels and selective acquisitions
- Innovative product development to deliver “bouquet” of value added prepaid products, transactional and ancillary services

## Current environment

- Signed key medium to long term customer and supplier contracts
- Consumers demanding new value added services (VAS)
- Expanding global footprint to capture significant growth potential of consumers in emerging markets
- Consolidating strategic initiatives - including Microsoft collaboration

# Group Structure: Organogram



All shareholdings are 100% as at 30 November 2007 except as where indicated otherwise

# Blue Label Telecoms – Highlights for H1 2008

## Strategic highlights

- Significant Group restructure and acquisition of minorities
- Successful listing and capital raising of R1.3 billion
- Microsoft acquires 12% shareholding and signs strategic collaboration agreement
- Microsoft acquires 38.85% in Oxigen India
- Group increases equity stake to 38.85% in Oxigen India (subject to SARB approval)

## Financial highlights

- *Pro forma* revenue of R6.2 billion
- *Pro forma* core earnings of R180 million
- *Pro forma* core EPS of 23.58 cents

## Operational highlights

- Remuneration, Investment, Risk, Audit and Transformation Committees appointed by Board
- Move South African group companies to centralised IT platform
- Created strategic ,operational and technical working groups – enhanced synergies, including product development and IT
- Significant growth in Cellfind’s client base and partnership with ABSA Bank
- Delivering on social initiatives including: Let’s Play a Million, Sharedphone and WAMACA
- TPC awarded Vodacom CEO’s Award for Best Airtime Supplier – 2<sup>nd</sup> time in succession

## Part II

Financial overview  
David Rivkind, CFO



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# Financial overview: Salient features

## Financial performance

- Revenue of R5.8 billion
- Core earnings of R85 million
- *Pro forma* core earnings of R180 million
- Non-recurring costs of R65.8 million
- Listing costs of R39 million
- Effective tax rate 37%
- Core EPS of 20.55 cents
- Current ratio of 2:1
- Listing cash utilised to repay borrowings and reduce interest expense

## Accounting treatments

- Impact of predecessor accounting gives rise to *restructuring reserve* and *restatement of comparatives*
- Adoption of Economic Entity method accounts for goodwill arising when transacting with minorities
- Purchase price allocations performed as a result of some restructuring acquisitions

## Basis of pro forma preparation

- Assumed Group listing, restructuring and minority acquisitions occurred on 1 June 2007 therefore:
  - *Associates consolidated as subsidiaries* for full six months
  - Most subsidiaries *consolidated as wholly owned* for full six months
  - Repaid borrowings – *reduced interest expense*
  - Invested remaining cash – *increased interest income*

## Financial overview: Income Statement

| R'000  | Unaudited<br><i>Pro forma</i> | Reviewed<br><i>Actual</i> |
|--|-------------------------------|---------------------------|
|  | 30-Nov-2007                   | 30-Nov-2007               |
| Revenue  | 6,174,559                     | 5,797,260                 |
| Gross profit   | 367,075                       | 325,677                   |
| Gross profit margin                                      | 5.95%                         | 5.62%                     |
| Employee compensation and benefit expense <sup>(1)</sup> | (164,693)                     | (166,420)                 |
| <b>EBITDA</b>  | <b>141,541</b>                | <b>110,427</b>            |
| <b>Operating Profit</b>                                  | <b>107,607</b>                | <b>91,499</b>             |
| <b>Operating margin</b>                                  | <b>1.74%</b>                  | <b>1.58%</b>              |
| Finance income/(cost) <sup>(2)</sup>                     | 52,481                        | (19,875)                  |
| Share of profit/(losses) of associates                   | (6,573)                       | (4,353)                   |
| Minorities share of income                               | (1,182)                       | (26,324)                  |
| <b>Net profit for the period after minorities</b>        | <b>99,072</b>                 | <b>14,379</b>             |
| <b>Core net profit for the period <sup>(3)</sup></b>     | <b>180,707</b>                | <b>85,095</b>             |
| Core EPS (cents) 2                                       | 23.58                         | 20.55                     |
| Weighted average number of shares                        | 766,360,894                   | 414,166,131               |
| Number of shares in issue                                | 766,360,894                   | 766,360,894               |

## Financial overview: Notes to Income Statement

|   | Unaudited<br><i>Pro forma</i><br>30-Nov-2007 | Reviewed<br>Actual<br>30-Nov-2007 |
|---|--|-----------------------------------|
| <b>1. Employee compensation &amp; benefit expense</b>                     |  |                                   |
| Expense as per income statement   | (164,693)                                    | (166,420)                         |
| Adjustment for management bonus settlement (pre tax)                      | 80,000                                       | 80,000                            |
| <b>Normalised expense</b>   | <b>(84,693)</b>                              | <b>(86,420)</b>                   |
| <b>2. Finance (cost)/income analysis</b>                                  |  |                                   |
| Finance costs – funding   | (3,549)                                      | (43,858)                          |
| Finance costs Accounting standards adjustment                             | (48,593)                                     | (48,593)                          |
| Finance income  | 104,623                                      | 72,576                            |
| <b>Total</b>  | <b>52,481</b>                                | <b>(19,875)</b>                   |
| <b>3. Core net profit - reconciliation</b>                                |  |                                   |
| Net profit for the period   | 99,072                                       | 14,379                            |
| Add: Management bonus settlement (after tax)                              | 56,800                                       | 56,800                            |
| Add: Amortisation of purchase price allocation (after tax and minorities) | 15,834                                       | 4,916                             |
| Add: Settlement of commission contract                                    | 9,000  | 9,000                             |
| <b>Core net profit for the period</b>                                     | <b>180,706</b>                               | <b>85,095</b>                     |

# Financial overview: Balance Sheet

R'000

Reviewed  
Actual

30-Nov-07

## ASSETS

|   | Reviewed<br>Actual<br>30-Nov-07 |
|---|---------------------------------|
| <b>Non-current assets</b>                 | <b>455,504</b>                  |
| Fixed assets                              | 53,594                          |
| Intangible assets <sup>(1)</sup>          | 189,291                         |
| Goodwill <sup>(2)</sup>                   | 177,804                         |
| Investment in Associates & Joint Ventures | 34,815                          |
| <b>Current assets<sup>(3)</sup></b>       | <b>2,676,510</b>                |
| Inventories                               | 229,847                         |
| Financial assets                          | 16,399                          |
| Trade and other receivables               | 588,968                         |
| Intangible assets - current               | 112,953                         |
| Cash and cash equivalents                 | 1,728,343                       |
| <b>Total assets</b>                       | <b>3,132,014</b>                |

## 1. Intangible Assets

- Purchase price allocations on restructuring gave rise to additional R121 million intangible assets
- Useful life on average – 5 years.

## 2. Goodwill

- Change in accounting policy (Modified Parent to Economic Entity)
- Goodwill shown as an asset relates to normal goodwill, i.e. acquisitions when not transacting with minorities.
- Goodwill arising from transactions with minorities recognised against reserves in equity

## 3. Current assets

- Current ratio 2:1
  - Good trading results
  - Proactive attention to working capital management
  - Significant cash balances
- Balance of cash from listing – R450 million; earmarked for strategic acquisitions

# Financial overview: Balance Sheet

| R'000  | Reviewed<br>Actual<br>30-Nov-07 |
|--|---------------------------------|
| <b>EQUITY AND LIABILITIES</b>                  |                                 |
| <b>Capital and reserves</b>                    | <b>1,763,022</b>                |
| Share capital and share premium <sup>(4)</sup> | 4,404,616                       |
| Restructuring reserve <sup>(5)</sup>           | (1,843,913)                     |
| FCTR   | 3,626                           |
| Retained earnings <sup>(6)</sup>               | (820,230)                       |
| Minority Interests                             | 18,923                          |
| <b>Non-current liabilities</b>                 | <b>68,447</b>                   |
| <b>Current liabilities</b>                     | <b>1,300,545</b>                |
| Trade and other payables                       | 1,253,271                       |
| Current portion of non-current liabilities     | 4,313                           |
| Non interest bearing borrowings                | 16,525                          |
| Tax liabilities                                | 26,436                          |
| <b>Total equity and liabilities</b>            | <b>3,132,014</b>                |

## 4. Share capital and share premium

- Cash raised from private placement and Microsoft R1.3 billion
- Shares issued to settle minority interests – R1.05 billion
- Shares issued to original BLI shareholders – R 2.08 billion
- Listing costs written off share premium– R39 million

## 5. Restructuring reserve

- Arises due to predecessor accounting
- Represents difference between fair value and net asset value of entities under the Group's control at the assumed restructure date of 1st of June 2006

## 6. Retained earnings

Negative retained earnings due to the debit goodwill disclosed against reserves

## Financial overview: Segmental Summary

| Actual Reviewed<br>R'000                        | Revenue          | Operating<br>profit/(loss) | EBITDA         | Net operating<br>assets/<br>(liabilities) |
|---|------------------|----------------------------|----------------|---|
| Telecommunication Distribution                  | 5,623,868        | 103,027                    | 115,376        | 1,397,335                                 |
| International Telecommunication<br>Distribution | 103,364          | 6,822                      | 8,752          | 3,947                                     |
| Technology Platforms                            | 14,542           | (5,883)                    | (3,961)        | 2,514                                     |
| Related Services                                | 55,486           | 10,997                     | 13,301         | 3,326                                     |
| Corporate                                       | -                | (23,464)                   | (23,041)       | (31,157)                                  |
| <b>Total</b>                                    | <b>5,797,260</b> | <b>91,499</b>              | <b>110,427</b> | <b>1,375,965</b>                          |

| <i>Pro forma</i> Unaudited<br>R'000             | Revenue          | Operating<br>profit/(loss) | EBITDA         | Net operating<br>assets/<br>(liabilities) |
|---|------------------|----------------------------|----------------|---|
| Telecommunication Distribution                  | 5,858,082        | 121,607                    | 134,000        | 1,397,335                                 |
| International Telecommunication<br>Distribution | 212,386          | 6,696                      | 12,327         | 3,947                                     |
| Technology Platforms                            | 14,542           | (5,883)                    | (3,961)        | 2,514                                     |
| Related Services                                | 90,549           | 8,651                      | 22,216         | 3,326                                     |
| Corporate                                       | -                | (23,464)                   | (23,041)       | (31,157)                                  |
| <b>Total</b>                                    | <b>6,174,559</b> | <b>107,607</b>             | <b>141,541</b> | <b>1,375,965</b>                          |

# Financial overview: Cash Flow

R'000

Reviewed  
Actual

30-Nov-07

|   |                  |
|---|------------------|
| <b>Cash flows from operating activities</b> | <b>141,867</b>   |
| <b>Cash flows from investing activities</b> | <b>(186,451)</b> |
| Acquisition of subsidiaries                 | (183,993)        |
| Other investing cash outflows               | (2,458)          |
| <b>Cash flows from financing activities</b> | <b>677,672</b>   |
| Repayment of borrowings                     | (578,819)        |
| Proceeds from listing                       | 1,321,571        |
| Minority loan claims acquired               | (25,234)         |
| Listing costs paid                          | (39,846)         |
| <b>Net cash inflow</b>                      | <b>633,088</b>   |
| <b>Opening cash balance</b>                 | <b>1,090,044</b> |
| Cash acquired from subsidiaries             | 5,211            |
| <b>Closing cash balance</b>                 | <b>1,728,343</b> |

## Operating activities

- Good working capital management
- Dividends will be considered from 1 June 2010

## Investing activities

- Minority acquisitions – R184 million

## Financing activities

- Cash inflow from issue of shares – R1.32bn
- Borrowings repaid – R570m
- Listing costs paid – R39m

## Part III

Microsoft, international operations and strategic overview  
Mark Levy, joint CEO



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# Strategic collaboration: Microsoft Corporation

## Strategic collaboration

- Signed strategic collaboration agreement with Microsoft Corporation
- Jointly agreed to provide mutual assistance in exploring new business opportunities across global emerging markets

## Mutual opportunities

- BLT preferred partner across global emerging markets for touch point, e-token and mobile offerings
- Intelligent marketing and advertising opportunities across BLT's constantly expanding global footprint
- BLT direct integration and access to the full suite of MS products across numerous platforms and offerings
- BLT brings MS closer to point of purchase

## Progress to date

- BLT key executives visited Microsoft Seattle and selected international operations
- Successful strategic working sessions in Seattle and South Africa to plan road ahead
- Momentum maintained through ongoing key discussions

## Partnerships across emerging economies

- BLT increased its stake in Oxigen India by 3.85% to 38.85%
- Microsoft simultaneously acquired 38.85% stake in Oxigen India – further entrenching its relationship with BLT
  - Remaining Oxigen India shares held by Neptune Private Limited, BLT's Indian operational partners
- Exciting opportunities, especially in mobile space across numerous jurisdictions

## Timeline

- Significant benefits expected within 18 to 24 months

# International operations

## Growth strategy

- Establish and grow global transactional services platform in emerging markets

## Oxigen India

- Exciting growth opportunity – Indian subscribers growing at 13 million gross users/month
- Key virtual distributor -50 000 points of presence
- Proven, robust and scalable platform successfully deployed by experienced partners
- Expanding product offering - already linked to all major network and prepaid operators: mobile, fixed line, internet, calling cards and non telecoms products and services
- Ability to extract further value from Microsoft collaboration

## Growth areas

- International growth at a controlled pace off solid initial footprint
- Exploration of several new territories and numerous opportunities identified
- BLT looking for strategic and complimentary acquisition targets

## Method of deployment

- Significant due diligence and feasibility studies conducted prior to entry
- BLT has proven technology that is scalable, cost effective and robust
- BLT is experienced in deployment of platform via proven methodologies
- Platform most appropriate to new market deployed

# Technology Platforms

## Overview



- Operates through 3 subsidiaries:
  - ITEX
  - Transaction Junction
  - Activi Deployment Services
- Providers and developers of all services and infrastructure for internal and external customers.
- Custodian of Group Technology Projects taking place globally.
- System developers, integrators and enhancers.

## Transaction Junction



- System implementation, integration, management, support, project management and consultancy over the full range of Postilion products.
- Providers and developers of secure transaction solutions, services and technology.
- Enablers of flexible, reliable, pro-active transaction processing and management.
- World-leading infrastructure using best-of-breed software, hardware and hosting platforms.
- Over 40 years of collective experience in EFT both on a local and international level.

## ITEX



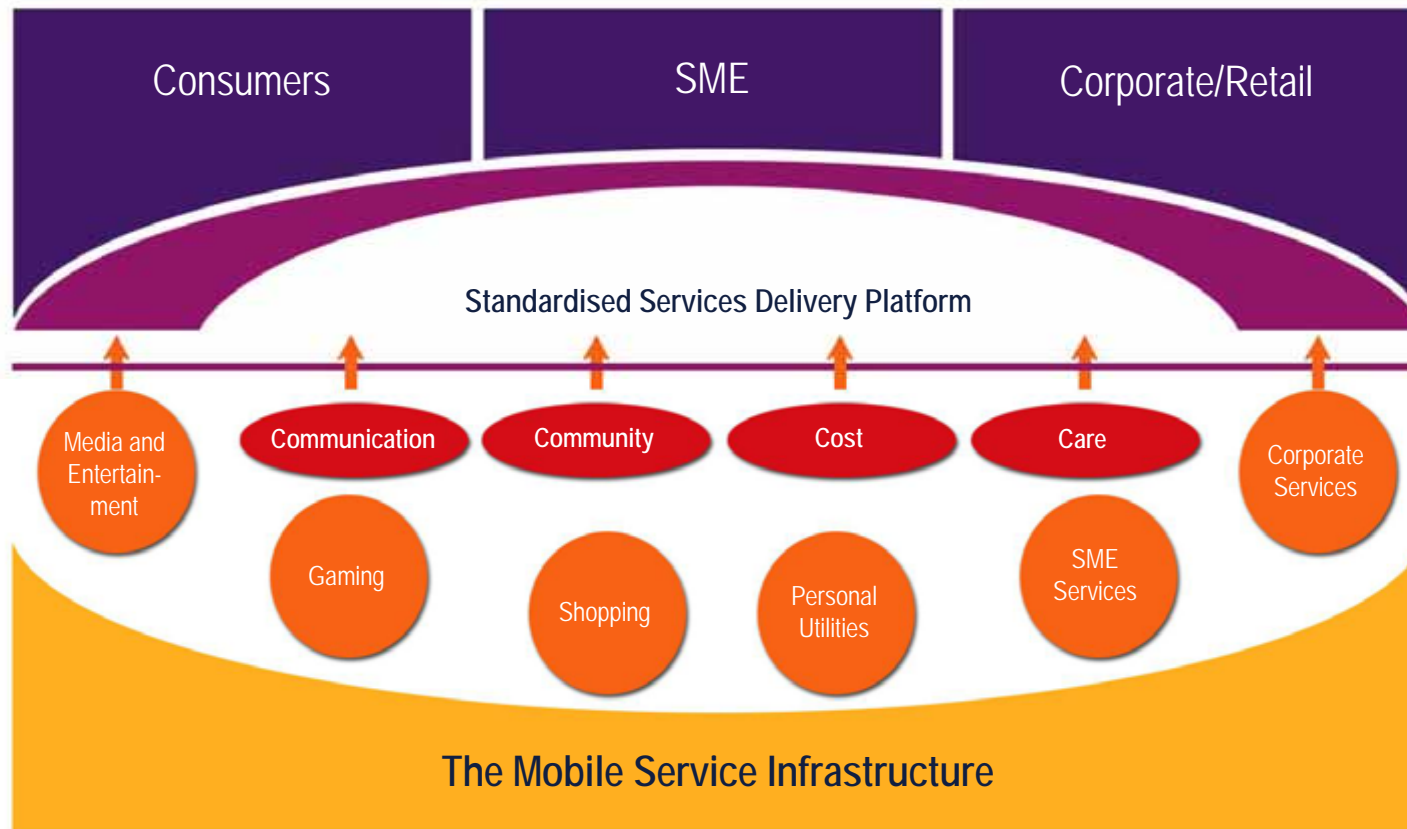
- M-commerce transaction facilitating:
  - Creation and management of Electronic Tokens
  - Authenticated parties
  - Integrity and audit ability
  - Comprehensive audit trail
- Provide enterprise technology solutions to GSM operators and Super Dealers
- One integrated platform (TAMS)
- Cutting Edge Technology
- Speed of implementation
- Experienced implementation and project management team
- Multi language
- Multi applications

## Blue Label One



- Create the leading network-independent Mobile Services Company
- Create the premium mobile services eco-system using best-of-breed solutions
- Direct-to-customer & white-labelled services
- Retain customers – “stickiness”
- Own the value chain
- Generate substantial revenues from new services
- Local & International deployable

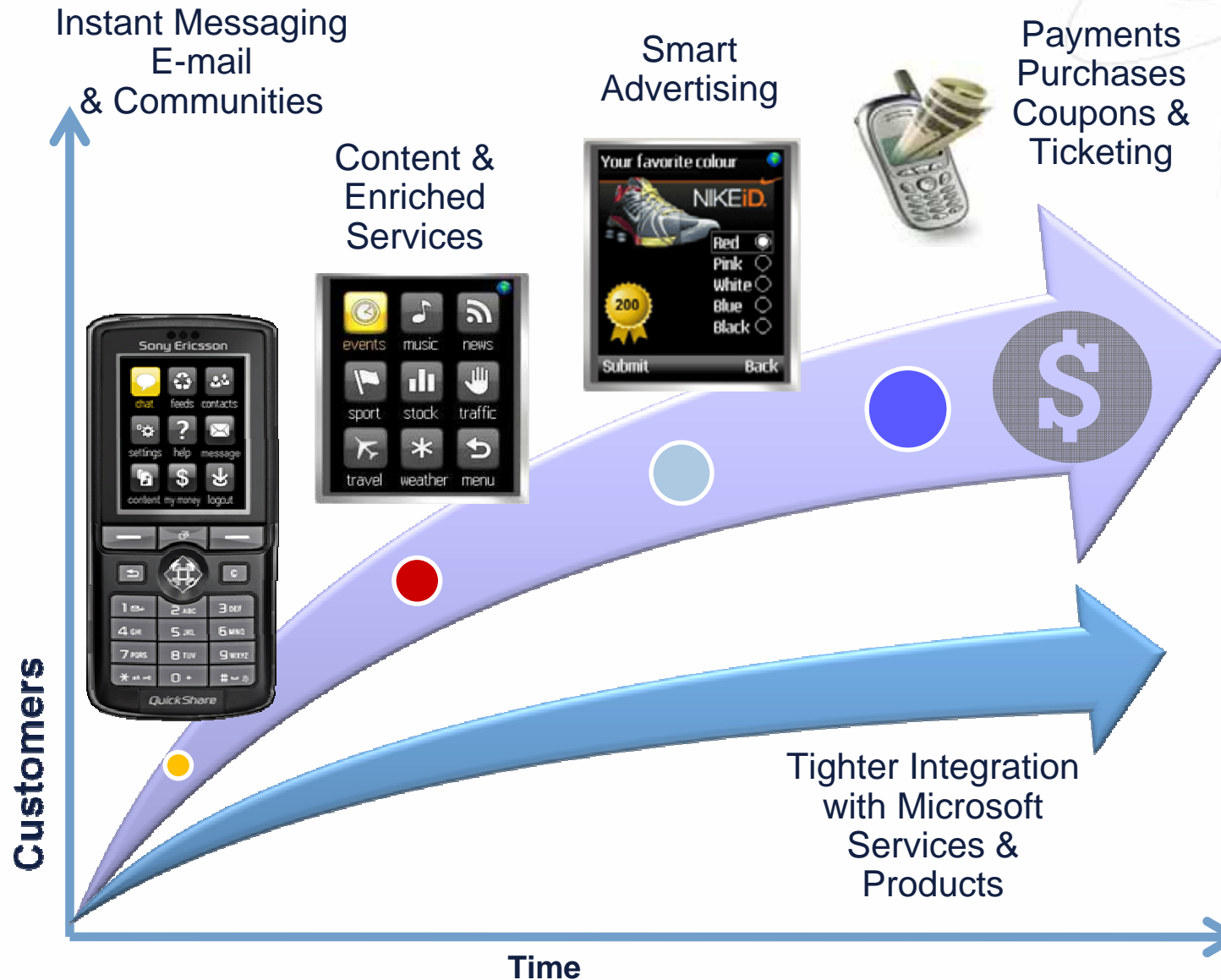
# Mobile Services – the Mobile Eco-System



# Potential mobile bouquet - mibli



# MSC Roadmap



# Summary

## Experienced management team

- Founders and management of BLT and subsidiaries part of management team – significant executive level experience
- Extensive understanding of sector, technology and consumer trends

## Global footprint

- Leading distributor of prepaid secure e-tokens of value and transactional services within emerging economies – in excess of 150 000 global mobile and physical points of presence
- Significant distribution footprint in South Africa – in excess of 100 000 points of presence
- Leading distributor of prepaid airtime in South Africa and India
- Established and growing presence across numerous emerging markets

## Technology

- Scalable, cost effective and robust technology, coupled with proven methodologies
- Ready for deployment across new and existing emerging markets

## Key agreements

- Key distribution agreements with South African, African and Indian mobile network and fixed line operators - favourable supplier terms
- Key customer agreements with South African retailers, independents and wholesalers
- Collaboration and preferred partnership agreement with Microsoft

## Exciting growth potential

- Listing cash to fund value added growth and strategic and complimentary acquisitions
- Oxigen India – rollout of footprint and addition of VAS and products
- Ongoing development of BLT's mobile offering
- Develop proprietary VAS and products - enhance BLT's annuity based income stream
- Distribute 3<sup>rd</sup> party VAS and products across BLT's footprint
- Convenience of "prepaid" expected to attract higher LSM users

# Prospects and Conclusion

## Prospects

- Excellent first half results - expected to exceed PLS forecasts for full year
- Solid foundation from which to launch additional offerings and VAS
- Build on significant recent momentum

## Conclusion

Our vision is perhaps our greatest strength. It has allowed us to foster a capacity for ongoing inventiveness. It has allowed us to peer into the future and shape the unknown. It is this innovation that will be our strength tomorrow.

## Q&A

# ANNEXURE I

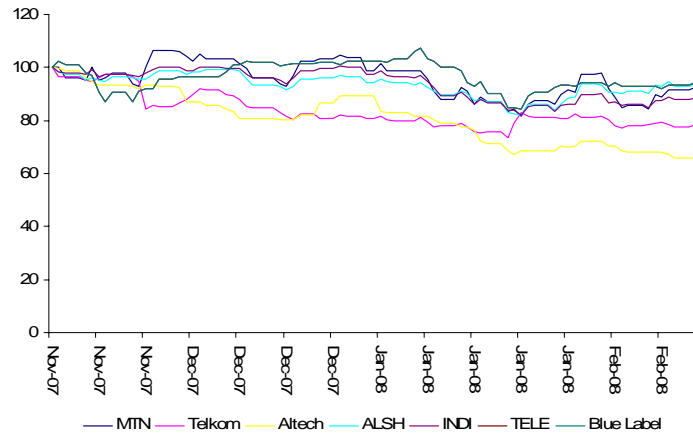
Industry comparison



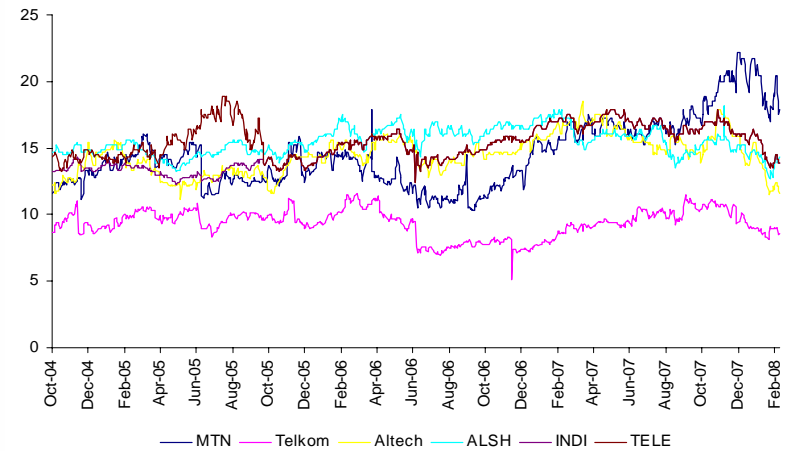
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# Industry comparison

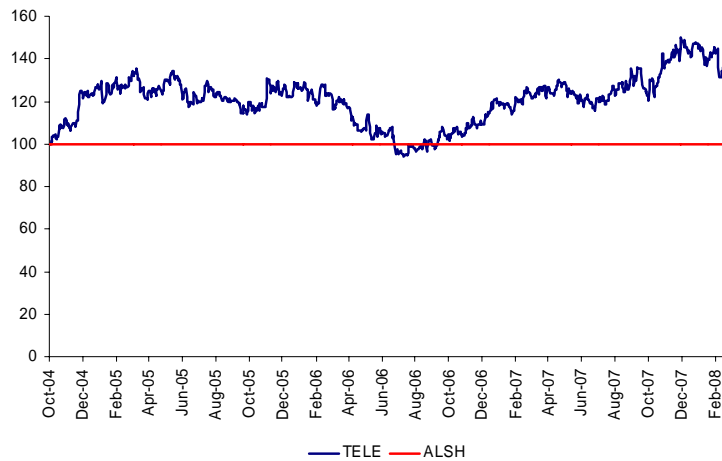
Price performance indexed to 100



PE performance



Telecommunications sector relative to FTSE/JSE All share



3 year market performance

|                    | 2004 - 2007 | 2008 |
|--------------------|-------------|------|
| FTSE/JSE All share | 154%        | 10%  |
| FTSE/JSE Mid Caps  | 159%        | 8%   |
| FTSE/JSE Telecoms  | 172%        | 42%  |