

Blue Label Telecoms

Final Results Presentation for
the year ended 31 May 2008

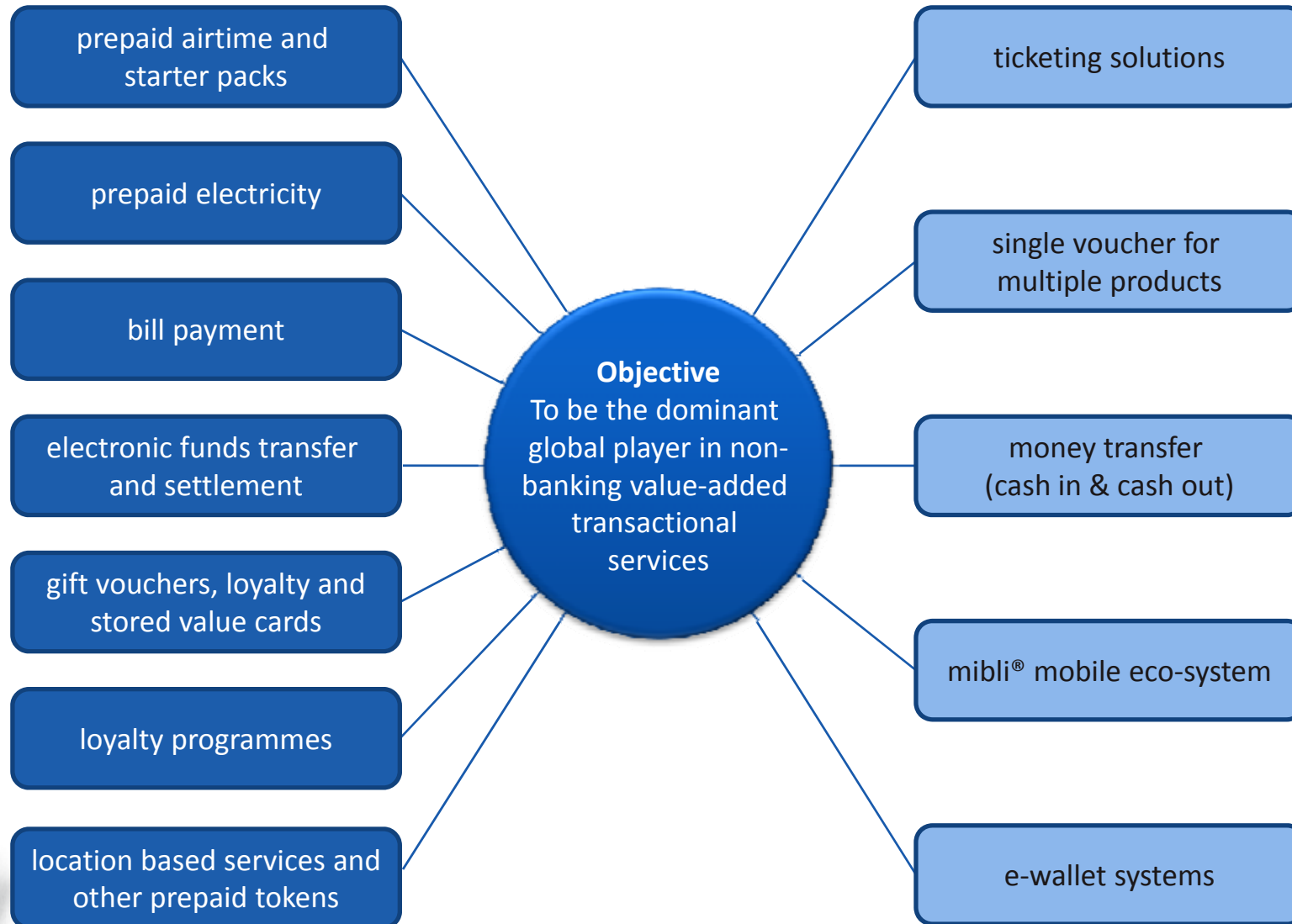




Brett Levy, joint CEO - Overview

David Rivkind, CFO - Financial review

Mark Levy, joint CEO - Strategic blueprint



Overview

Founded 2001, listed on JSE (2007)

2008 Revenue: R12.55bn

Employees: ±2 000

Headquarters: Johannesburg – offices throughout SA

Operations: Africa, Middle East, India, Latin America, Europe

Key shareholder: Microsoft Corp owns 12% of BLT & 38.85% of Oxigen India

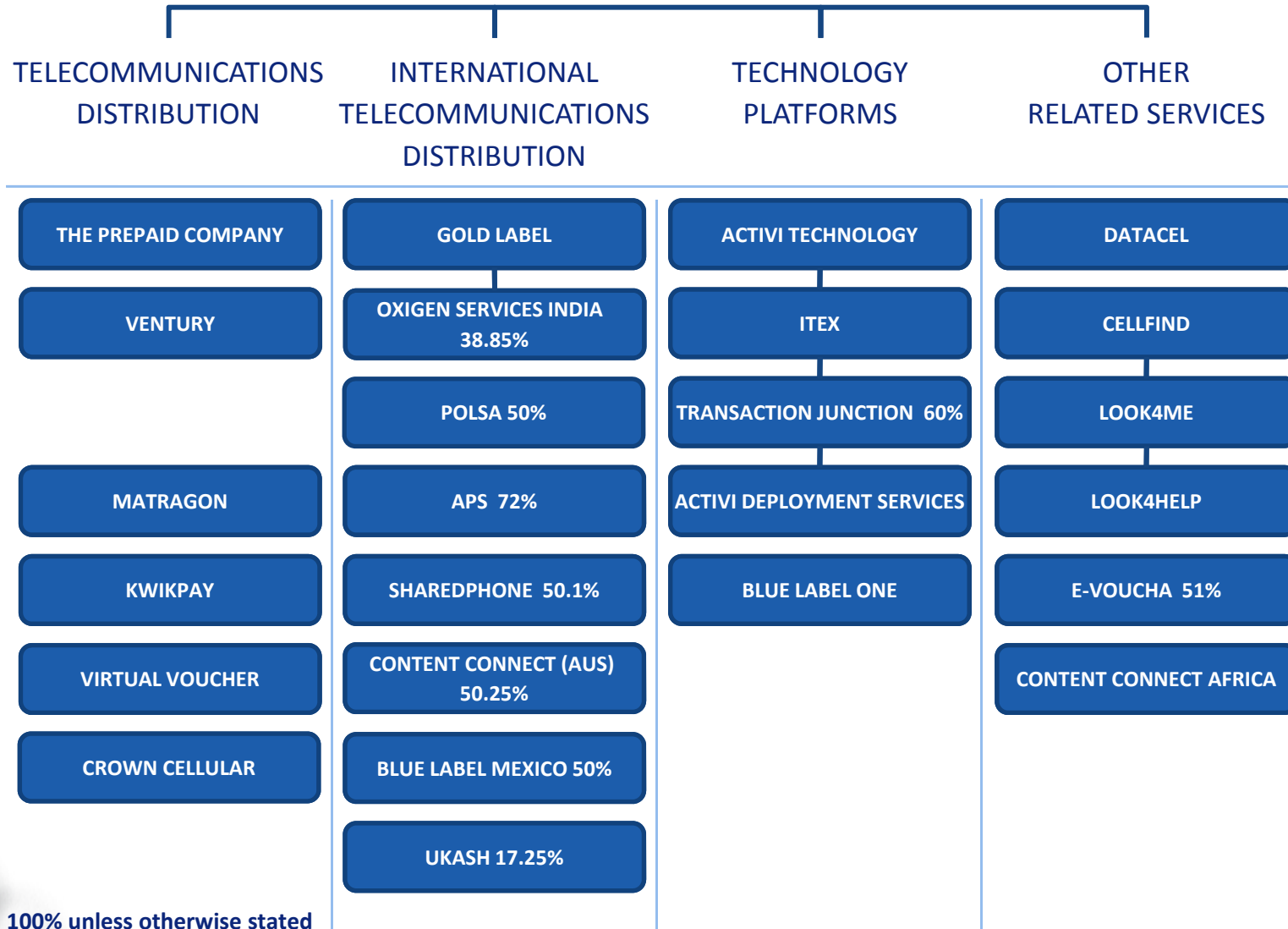
Retail points-of-presence: In excess of several hundred thousand

Customers: ±400m separate monthly transactions

Clients include: PnP, Shoprite, PEP, Mr Price, Ackermans, Clicks, Spar



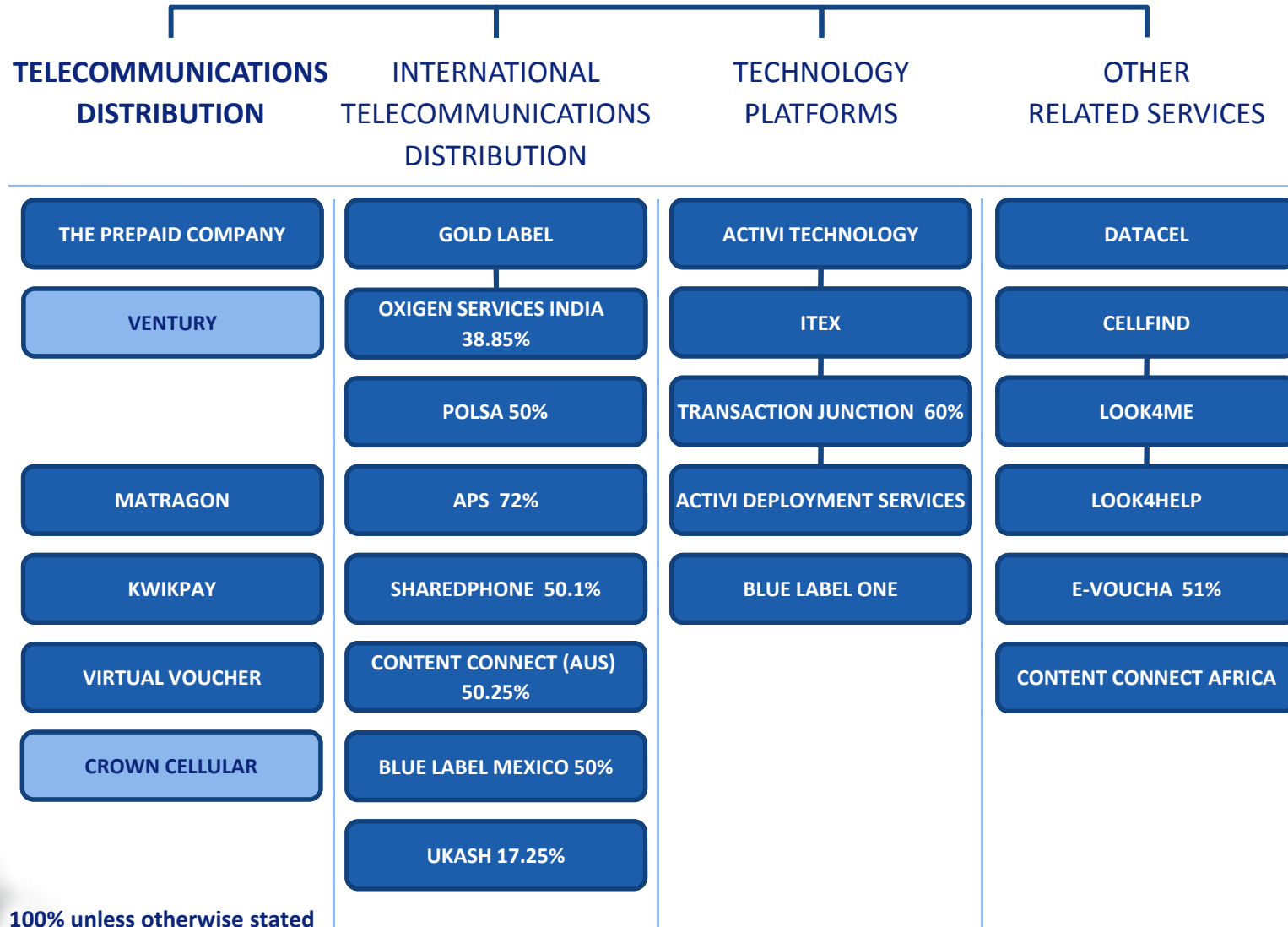
Group structure



100% unless otherwise stated



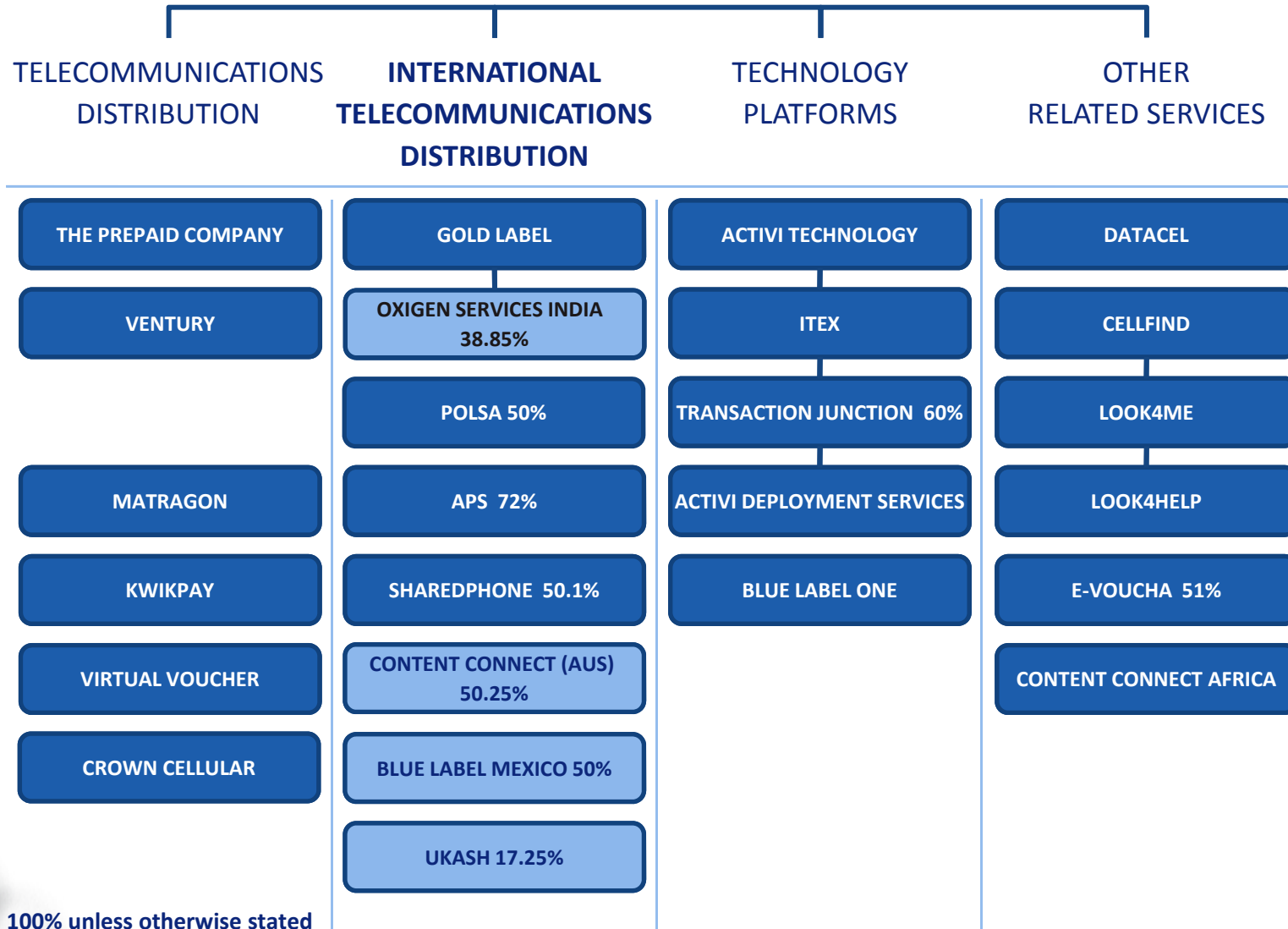
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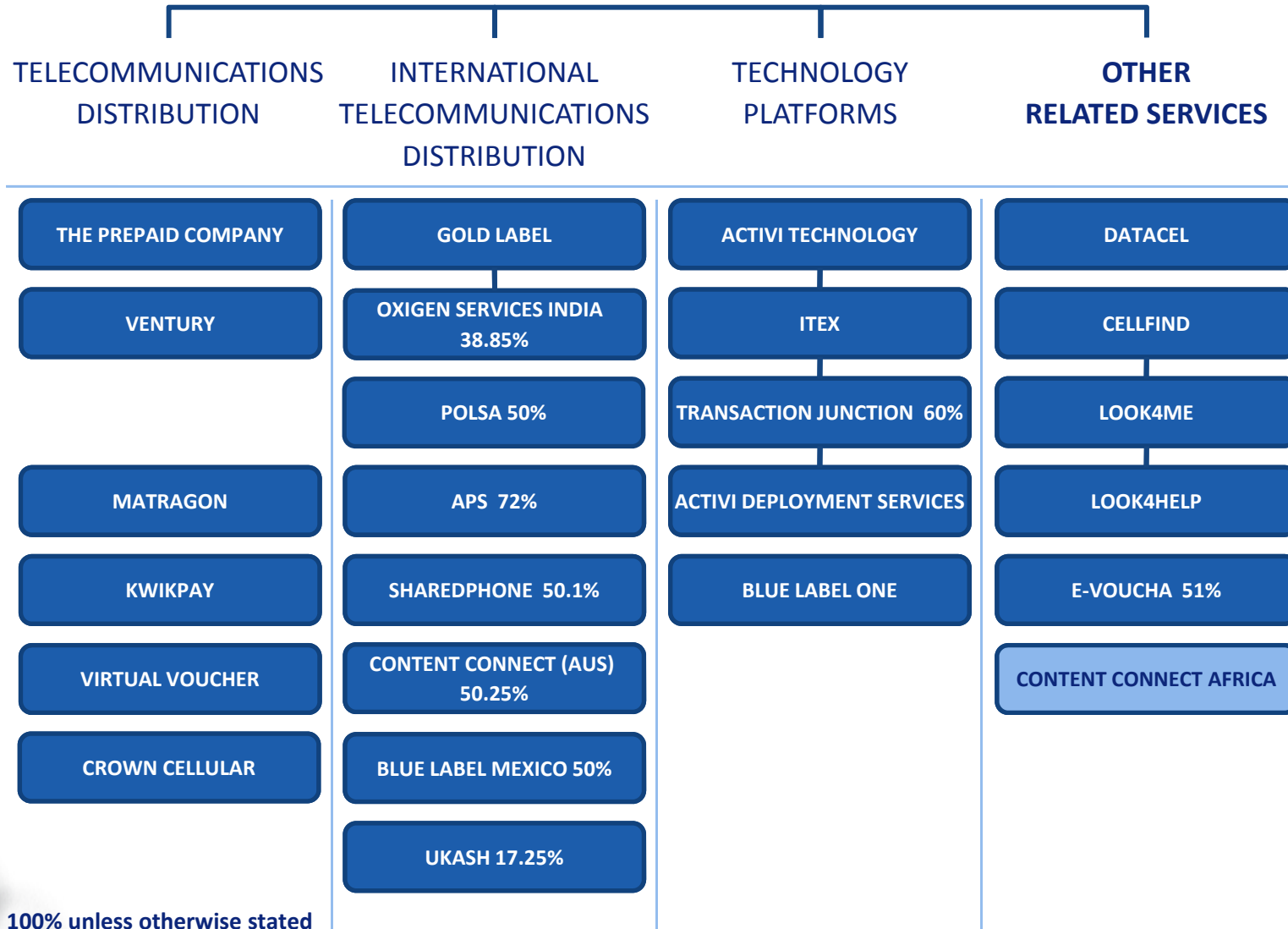
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BLT's business model

Revenue generated from operations

As a super distributor of secure electronic tokens of value
- BLT operates a high volume, low margin business model

All BLT's revenue is classified as 'revenue generated from operations'

Trading revenue – airtime, starter packs & subscription based services

BLT earns margin on sale of secure electronic tokens of value - predominantly airtime

BLT earns revenue once activation threshold reached on starter packs

Annuity revenue – starter packs & subscription based services

BLT earns ongoing annuity revenue for starter packs' life– retention is key

BLT earns ongoing annuity revenue from subscription based businesses
– cross selling & up selling is key

BLT's favourable working capital cycle generates significant interest income



Targeting BLT's 'priority' market in SA

BLT's priority market - the unbanked or badly banked

Unbanked or badly banked consumers earn low or sporadic incomes

Don't qualify for traditional credit & can't afford bank account transactions

Includes almost 50% of SA's adult population (excl. illegal immigrants)

Estimate that <R10bn per month 'hidden' under local mattresses

Poor want access to 1st world products & services

Poor, cash based consumers actually want trusted access to
1st world products and services

BLT 'bridges the gap' by providing these consumers with access
to prepaid products & services

Consumers can transact through BLT's cash based environments
– easily conveniently, affordably & with greater access and choice

Taking product to 'priority' market global consumers

BLT's aim is to take product to 'priority' market global consumers
via its global footprint of touch points



BLT's starter pack strategy

Brands, communities and containers



Starter packs

BLT distributes in excess of 200 000 starter packs per month

Brands and communities

BLT forms 'brand' partnerships with communities, churches & sports clubs to entrench subscriber loyalty

BLT shares portion of ongoing annuity income stream with it's partner, rewarding the consumer's 'brand loyalty'

BLT's 'loyalty' campaigns has established trust and credibility with partners

BLT's starter pack activation rate is between 65% -75% and has reduced churn to less than 25% per annum

Container strategy

BLT uses 'containers' to distribute starter packs and airtime within historically underserved low income & under-resourced communities

BLT provides containers with technology solutions, key service provider relationships & access to cellular products & services





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Measurements of earnings

Net earnings = net profit after tax & minorities (NPAT)

Core earnings = NPAT + once-off expenses +
amortisation of intangibles

Pro forma core earnings = core earnings + income from group companies
assumed to be subsidiaries for the full year



Financial highlights

Revenue of R12.55bn

Earnings of R181m (EPS: 30.65 cents)

Pro forma earnings of R269m (EPS: 35.16 cents)

Core earnings of R270m (EPS: 45.81 cents)

Pro forma core earnings of R371m (EPS: 48.4 cents)

Exceeded PLS forecasts & fell within trading update range



Accounting treatments

Impact of predecessor accounting gives rise to restructuring reserve & restatement of comparatives

Adoption of Economic Entity method which accounts for goodwill when transacting with minorities

Purchase price allocations performed as a result of restructuring & acquisitions



Basis of pro forma preparation

Assumed Group listing, restructuring & minority acquisitions occurred on 1 June 2007, therefore:

Associates consolidated as subsidiaries for full year

Most subsidiaries consolidated as wholly owned for full year

Net finance income calculated as if listing cash raised injected on 1 June 2007



Summarised group income statement

	2008 Pro forma unaudited R'000	2008 Actual audited R'000	Difference R'000
Revenue	12 930 609	12 545 471	385 138
Other income	68 142	69 545	(1 403)
Changes in inventories of finished goods	(12 211 507)	(11 875 606)	(335 901)
Employee compensation & benefit expense	(275 629)	(265 003)	(10 626)
Depreciation, amortisation and impairment	(73 675)	(58 670)	(15 005)
Other expenses	(164 686)	(146 240)	(18 446)
Operating profit	273 254	269 497	3 757
Finance costs	(106 604)	(147 704)	41 100
Finance income	239 470	193 281	46 189
Share of losses from associates	(19 661)	(17 441)	(2 220)
Net profit before taxation	386 459	297 633	88 826
Taxation	(116 529)	(89 841)	(26 688)
Net profit for the year	269 930	207 792	62 138
Attributable to equity holders of the parent	269 423	180 891	88 532
Minority interest	507	26 901	(26 394)
EPS for profit attributable to equity holders			
- Basic (cents)	35.16	30.65	
- Headline (cents)	34.86	30.26	



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Gross Profit	719 102	669 865	49 237
GP%	5.56%	5.34%	



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Other expenses	(164 686)	(146 240)	(18 446)
Operating profit	273 254	269 497	3 757
Add back *	73 675	58 670	15 005
EBITDA	346 929	328 167	18 762



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- R101m imputed interest on creditors included in finance cost
- R16m imputed interest on debtors included in finance income



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Core earnings reconciliation

	2008 Pro forma unaudited R'000	2008 Actual audited R'000
Net profit	269 423	180 891
Management bonus settlement	57 600	57 600
Amortisation of intangibles	34 918	22 937
Cancellation of onerous contract	9 000	9 000
Core net profit	370 942	270 428



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Amortisation of intangibles	34 918	22 937
<u>Cancellation of onerous contract</u>	<u>9 000</u>	<u>9 000</u>
Core net profit	370 942	270 428



Summarised group balance sheet

	31 May 2008 Actual audited R'000	31 May 2007 Predecessor value audited R'000
Assets		
Non-current assets	712 759	276 238
Current assets	2 509 470	1 685 835
Total assets	3 222 229	1 962 073
Equity and Liabilities		
Capital and reserves	1 917 944	418 021
Non-current liabilities	58 056	38 815
Current liabilities	1 246 229	1 505 237
Total equity and liabilities	3 222 229	1 962 073



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Assets		
Non-current assets	712 759	276 238
Property plant and equipment	69 484	43 516
Intangible assets	223 544	72 113
Goodwill	266 242	46 907
Investment in associates and joint ventures	81 356	61 804
Financial assets at amortised cost	72 133	51 898
Current assets	2 509 470	1 685 835
Financial assets at fair value through profit & loss	5 672	16 183
Financial assets at amortised cost	53 163	32 485
Inventories	484 501	263 631
Loans receivables	7 103	4 751
Trade and other receivables	630 687	278 741
Cash and cash equivalents	1 328 344	1 090 044
Total assets	3 222 229	1 962 073



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Goodwill	266 242	46 907

- PPA's performed on restructuring: R120.8m
- The amortisation period of the majority of these assets are five years
- Goodwill on restructuring – R127m



Summarised group balance sheet

	31 May 2008 Actual audited R'000	31 May 2007 Predecessor value audited R'000
Equity and Liabilities		
Capital and reserves	1 917 944	418 021
Share capital and share premium	4 404 737	2 079 533
Restructuring reserve	(1 843 912)	(1 843 912)
Foreign currency translation reserve	2 552	4 188
Transaction with minority reserve	(898 564)	(14 893)
Retained earnings	244 758	63 867
	1 909 571	288 783
Minorities interest	8 373	129 238
Non-current liabilities	58 056	38 815
Deferred taxation	55 111	21 085
Interest bearing borrowings	2 945	17 730
Current liabilities	1 246 229	1 505 237
Trade and other payables	1 152 969	888 011
Non-interest bearing borrowings	9 041	33 245
Current tax liabilities	71 146	31 617
Bank overdraft	50	-
Current portion of interest bearing borrowings	13 023	552 364
Total equity and liabilities	3 222 229	1 962 073



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- Economic Entity Method adopted – transfer of R899m
- In spite of the negative reserves under this accounting treatment it will have no negative impact on dividends to be declared in the future as this transfer is added back for such purposes



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- Issue of shares for cash – R1.32bn
- Issue of shares to acquire minority interests – R1.05bn
- Issue of shares to original BLI shareholders – R2.08bn
- Listing costs – R39m



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Restructuring reserve	(1 843 912)	(1 843 912)

- The restructuring arose as a result of the restatement of comparatives, as required in terms of predecessor accounting principles
- This reserve represents the difference between fair value of the entities under the Group's control and their respective net asset values, as at the assumed restructure date of 1st June 2006



Summarised segmental summary

	Revenue 31 May 2008 audited R'000	% of Total	EBITDA 31 May 2008 audited R'000	% of Total
Telecommunication distribution	11 961 589	95.3	339 352	103.4
International distribution	383 406	3.1	17 968	5.4
Technology platforms	27 881	0.2	(9 796)	(2.9)
Related services	172 815	1.4	42 247	12.9
Corporate	-	-	(61 604)	(18.8)
Total	12 545 471		328 167	



Summarised cash flow

	31 May 2008 Actual audited R'000	31 May 2007 Predecessor value audited R'000
Net cash flows from operating activities	(19 796)	168 970
Net cash flows from investing activities	(405 156)	684 383
Net cash flows from financing activities	661 782	236 691
Increase in cash and cash equivalents	236 830	1 090 044
Cash and cash equivalents at beginning of year	1 090 044	-
Translation difference	1 420	-
Cash and cash equivalents at end of year	1 328 294	1 090 044



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	31 May 2008 Actual audited R'000	31 May 2007 Predecessor value audited R'000
Net cash flows from operating activities	(19 796)	168 970

- Includes extraneous expenditure – R67m
- Cash flow generated from pure trading operations – R47m



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- Acquisition of minority interests – R217m
- Little River 181 (t/a Crown Cellular) – R90m
- Content Connect Africa – R30m
- CNS Call Centre – R11m



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Net cash flows from financing activities	236 691	236 691

- Shares issued on listing – R1.26bn
- Repayment of borrowings – R600m



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Group dividend policy

BLT expects to initiate a competitive dividend policy from the financial year commencing 1 June 2010, which will reflect the group's growth, long-term earnings & cash flow of BLT





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BLT's medium term objectives

To become the dominant global player in non-banking transactional services

Enhance consumer stickiness via direct-to-consumer strategy

To own a significant proportion of it's global footprint

To increase the volume of products and services
the group currently distributes



Growing BLT's global footprint



BLT is focused on taking product to the middle and bottom end of the world's economic pyramid – the next 5 billion people



Growing BLT's global footprint cont...

Choice of geography based on strict parameters

Key partnerships

Presence of large unbanked & under banked communities

Size of market

Is the market an active remittance corridor?

Likelihood of BLT dominance in the territory

Strategic relationships

Short term areas of interest: Current African op's, India, Latin America (Mexico) & Australia, & markets linked to remittance corridors

BLT aims to achieve significant economies of scale through leverage of global footprint within 24 months



International: Operations, acquisitions & new investments



International operations

Oxigen India: Continues to incur losses as it expands its footprint

Operational management actively implementing revised rollout plans

Microsoft collaboration to add value

BLT expects to extract significant strategic & financial value in medium term

Acquisitions

Gold Label acquired equity stake in Oxigen India

BLT acquired Content Connect Africa & equity stake in Content Connect Australia

New investments

Ukash: Gold Label to acquire equity stake in UK based prepaid voucher company

Blue Label Mexico: JV created to pursue BLT related business op's in Latin America



Microsoft relationship

Taking product to the consumer

BLT's ability to touch & transact with consumers is key

Future products & services delivered directly through transaction-centered interactions

Primary customer touch points in emerging markets expected to be retail point-of-sale & mobile handsets

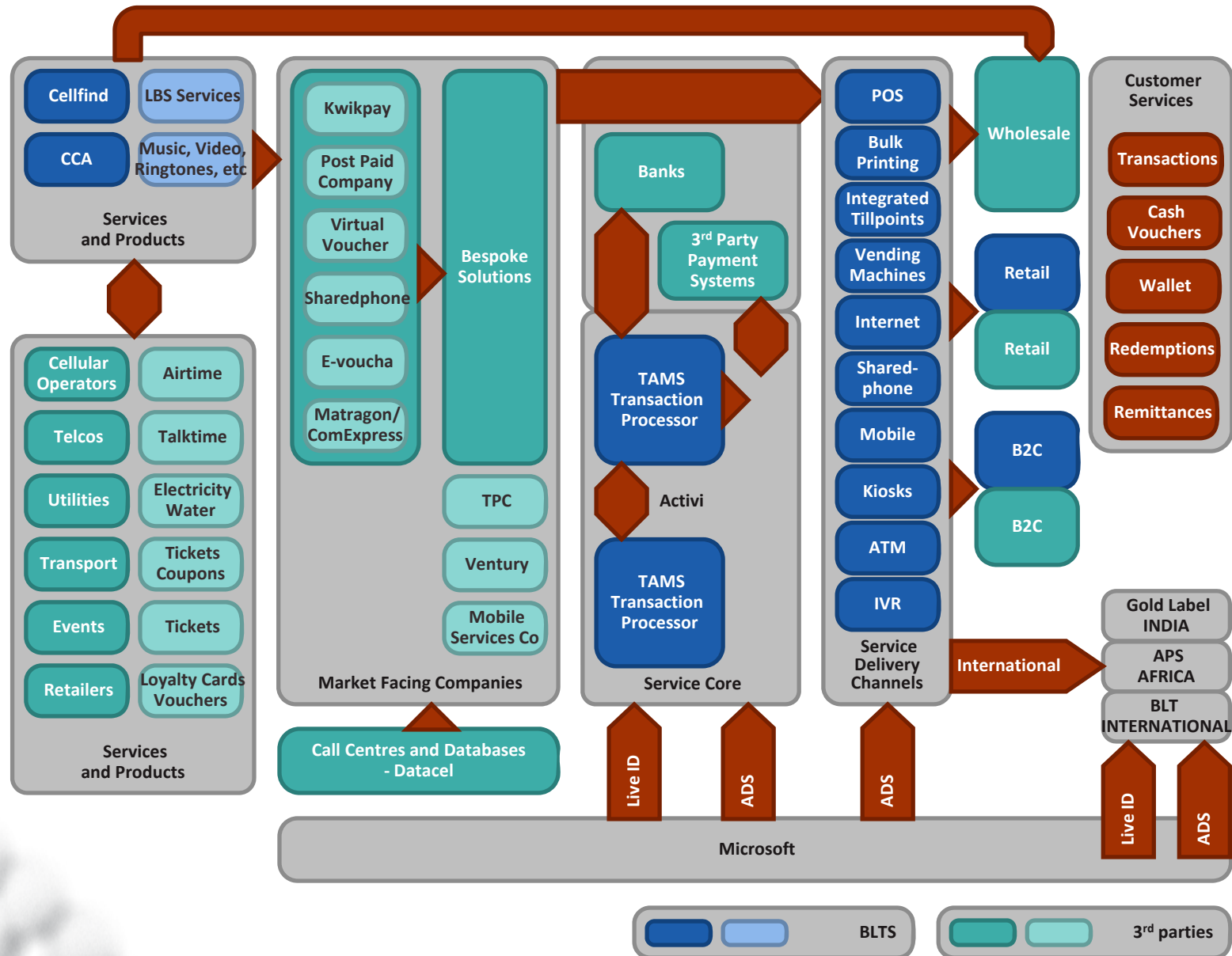
Aligning, integrating & co-branding

Key software and system alignment & BLT's integration into key MS back-ends has commenced & will continue

Future co-operation expected to deliver: retail POS solutions & services; customer-relevant advertising & loyalty schemes & new transactional & financial products



Direct-to-consumer strategy



Conclusion

Local operations performed well – continue to drive growth

Financially sound and able to selectively deploy footprint & business model

Geographic expansion strategically important

Ongoing development of proprietary prepaid products, VAS and transactional products and services

Drive additional 3rd party VAS across global transactional footprint

Significant momentum created with Microsoft and joint direct-to-consumer strategy

BLT well positioned to deliver to unbanked and cash driven consumers



Blue Label Telecoms

Final Results Presentation for
the year ended 31 May 2008

