

Blue Label Telecoms seals Cell C restructuring deal

Blue Label Telecoms said on Thursday, 22 September, it had concluded an agreement to restructure and refinance mobile operator Cell C's \$411m (R7.3bn) debt to bolster its finances and liquidity.



Cell C CEO Douglas Stevenson | Image source: [C](#)

The agreement with Cell C's shareholders and lenders is a final and critical step in the mobile operator's turnaround plan which included deleveraging its balance sheet and providing liquidity to operate.

Shares in Blue Label, which bought a 45% stake in Cell in 2017, were up 5.6% to R6.60 by 0744 GMT on the announcement.

Blue Label has been trying to dig Cell C out of debt since it purchased the stake. It said in a statement that the Cell C recapitalisation will enhance the value of its investment and restore shareholder value.

As part of the agreement, The Prepaid Company (TPC), a subsidiary of Blue Label, will lend Cell C R1.03bn to settle the claims of secured lenders by paying an amount of 20c for every R1 of debt, as per the accepted compromise offer, Blue Label said.

Secured lenders who have elected to remain invested in Cell C will lend the carrier an amount equal to the compromise offer under a new loan arrangement, it added.

"This new loan arrangement will be interest bearing, secured and give an aggregate capital face value equal to 2.75 times of the amount advanced," Blue Label said.

Additionally, all participating lenders in the new loan will be issued shares in Cell C. The carrier will also issue shares to Blue Label via a rights issue, increasing its stake to 49.53%.

To further help Cell C with its working capital requirements, TPC shall purchase Cell C's pre-paid airtime for a total of R1.5bn. Other agreements include TPC raising R1.6bn of the required funds from financial institutions, the statement said.

"Day one post recap, Cell C will have achieved a significant reduction in the debt of the business to enable us to move forward and make the business more streamlined," Cell C chief executive officer Douglas Craigie Stevenson said.

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