solocal

Questions asked during 2018 Annual Results presentation - 27 February 2019

Can you give us the sales trends for Q1 2019?

- We will announce our quarterly results on 29 April 2019. We did not provide any information on activities for Q1 2019 nor the first weeks of the year
- Targeting a return to growth of Digital order intake[1] in 2019

What is the outlook for 2019?

- As we begin this year, all is set for us to achieve the target of return to growth of Digital order intake[1] and to moderate growth of recurring EBITDA[1] in 2019
- This growth in Digital order intake will take place gradually, quarter after quarter

What share of revenues have you secured in Q1 2019 (i.e. from order intake before Q1 2019)?

- 80% of Q1 2019 revenues (as per budget) is already secured
- 55.5% of 2019 revenues (as per budget) is already secured in Contract liabilities

What are the quarterly sales and turnover trends since 01/01/18?

2018 Order intake	**Q1**	*Vs Q1 2017*	**Q2**	*Vs Q2 2017*	**Q3**	*Vs Q3 2017*	**Q4**	*Vs Q4 2017*	**Total**	Vs 2017
Digital	148.9	*-6%*	142.5	*+2%*	98.3	*-20%*	139.1	*-24%*	**528.7**	*-12%*
Vs Prev. Quarter	*-19%*		*-4%*		*-31%*		*+42%*			
Print	23.2	*-30%*	19.8	*-31%*	15.6	*-37%*	18.5	*-40%*	**77.1**	*-34%*
Vs Prev. Quarter	*-25%*		*-15%*		*-21%*		*+19%*			
Total	**172.1**	*-11%*	**162.3**	*-3%*	**113.8**	*-23%*	**157.6**	*-26%*	**605.8**	*-16%*
Vs Prev. Quarter	*-20%*		*-6%*		*-30%*		*+38%*			

2018 Revenues	**Q1**	*Vs Q1 2017*	**Q2**	*Vs Q2 2017*	**Q3**	*Vs Q3 2017*	**Q4**	*Vs Q4 2017*	**Total**	Vs 2017
Digital	147.5	*+1%*	145.6	*-4%*	139.1	*-3%*	138.8	*-9%*	571.0	*-4%*
Vs Prev. Quarter	*-3%*		*-1%*		*-4%*		*+0%*			
Print	25.2	*-13%*	31.4	*-24%*	20.9	*-37%*	20.9	*-33%*	98.4	*-27%*
Vs Prev. Quarter	*-19%*		*+25%*		*-34%*		*+0%*			
Total	**172.7**	*-1%*	**177.1**	*-8%*	**160.0**	*-10%*	**159.7**	*-13%*	**669.4**	*-8%*
Vs Prev. Quarter	*-6%*		*+3%*		*-10%*		*+0%*			

2017 Order intake	**Q1**	**Q2**	**Q3**	**Q4**	**Total**
Digital	159.1	139.3	122.4	183.3	**604.1**
Print	33.2	28.6	24.9	30.9	**117.5**
Total	**192.3**	**167.8**	**147.3**	**214.1**	**721.6**

2017 Revenues	Q1	Q2	Q3	Q4	Total
Digital	145.8	151.0	144.0	152.2	**592.9**
Print	28.9	41.4	33.4	31.2	**134.9**
Total	**174.7**	**192.4**	**177.3**	**183.4**	**727.8**

Note: Continued operations. 2017 revenues are restated under IFRS 15.

What is the capacity to finance the transformation plan?

- Major disbursements will be made in 2019, especially following the 2018 redundancy plan, and we have the means to finance these expenses without undermining our return to growth
- The company generates positive recurring operating cashflows (>100 million euros), which will be used in 2019 to meet those disbursements, on top of the 82 million euros in cash available as of 1st January 2019
- Moreover, Solocal has set up additional financing solutions to strengthen its balance sheet with a working capital facility of at least 10 million euros and a three-year Revolving Credit Facility (RCF) of 15 million euros
- Other discussions are ongoing to expand other banking partnerships and to increase the working capital facility as the company carries over 200 million euros of account receivables on its balance sheet
- Furthermore, non-strategic asset disposals are still being considered and may strengthen liquidity further
- According to the cash outflows the group is projecting (based in particular on the growth of Digital order intake[1] in 2019) and taking into account its financial facilities, the group is in a position to finance its business activity in 2019 as well as the large outflows, related to the PSE, which will take place in the third and fourth quarters of 2019

How do you intend to reduce or repay your debt?

- Following the exceptional disbursements that the company is expected to make in 2019, the company will continue to generate positive operational cashflow, in excess of 100 million euros, which from 2020 may be assigned to reducing its debt level by way of a partial repayment of its 2022 bond
- Refinancing of the remainder may equally be envisaged at that time should market conditions permit. At this stage, the company is not looking at a full repayment, but rather at early refinancing

When do you intend to pay dividends?

- The implementation of the plan should allow for shareholders to receive dividends by 2021, provided the bond is successfully refinanced by this timeline. As it stands, the current bond documentation does not allow for the company to pay dividends

Considering the company's 2018 results, as well as the uncertainties looming over Solocal's financial equilibrium and the success of the transformation plan, are there any plans to request an allotment of free shares to the CEO during the next General Meeting?

- Eric Boustouller is a seasoned and talented leader and manager whose remuneration is fully in line with market standards. The Group's compensation policy determined in accordance with the recommendations of the AFEP-MEDEF Code of Corporate Governance and the Sapin II law, has been tailored with the overriding aim of aligning the interests of beneficiaries to the value created by the company for the benefit of its different stakeholders, foremost of which are its shareholders, thereby contributing effectively to its talent attraction and retention policy.
- In this context, the General Meeting of March 9, 2018 authorized a long-term compensation mechanism that takes the form of a performance shares allotment for key managers and the CEO, The free shares granted are subject to a presence and performance conditions based on target aggregate EBITDA less CAPEX on the one hand, and on evolution of the company's share price (the average share price over the twenty trading days preceding 31 December 2020 must be equal to or greater than 1.98 euro) on the other hand. The award terms are detailed in the company's 2017 Registration Document available on the solocal.com website.

- In addition, the General Meeting of March 9, 2018 approved the payment of an allowance for assumption of duty in the form of a free allocation of 1 million shares of the company. This allowance for assumption of duty aims to compensate him partially for the substantial long-term remuneration entitlements by virtue of his previous responsibilities, which he had to give up upon acceptance of the role of CEO of Solocal. The award terms are detailed in the company's 2017 Registration Document available on the solocal.com website.
- As stated last year, the intention of the Board of Directors is to submit each year to the General Meeting of Shareholders of the Company a performance share allotment plan, the scope and conditions of which will be agreed at the appropriate time and whose guidelines remains the cash generation and the share price.

What would be your breakdown for upfront payments and monthly payments for your new digital offering?

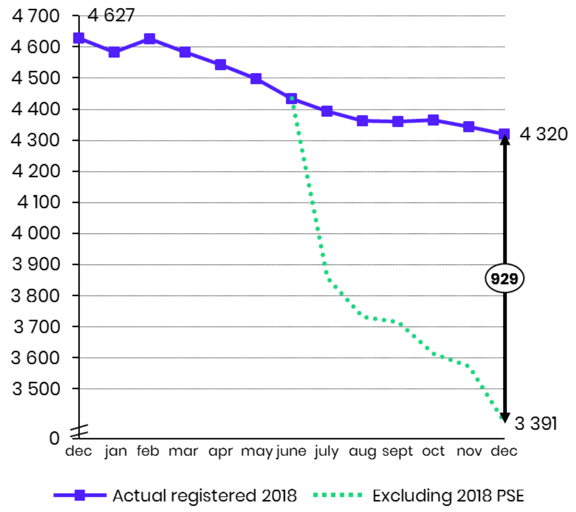
- Our estimate is 70% monthly payments and 30% upfront payments for the new Presence range available on a subscription basis. On the basis of initial tests, our estimate for Ranking and Websites product ranges is 90% monthly payments and 10% upfront payments.
- As a reminder, the price for services settled monthly are 14% higher than those for upfront payments, although this amount may be lower for high ARPAs.

What is the situation for printed directories?

- After announcing in 2018 that the publication of printed directories will be discontinued in 11 departments in 2019 and 15 departments in 2020 following a forward-looking profitability analysis, Solocal has decided to equally cease publication of printed directories by end of 2020 and go 100% digital as from 2021.
- The printed directories segment had witnessed a steady decline with users increasingly going digital.
- Only 23,000 Solocal customers use Print-only products, and we have developed a combo offering to facilitate the transition to digital.
- The decision has been made to permanently discontinue the publication of printed directories after the 2020 edition, which will be the final collector edition.
- The final revenues from printed directories will be accounted for in 2020.
- Some of the fixed costs spread over both activities shall be gradually reallocated to Digital EBITDA.
- Solocal is currently looking into New Solutions for customers wishing to reproduce their digital communications in paper format, such as flyers. The ultimate goal is to offer its customers a one-stop-shop whereby they can optimise their comprehensive communication campaigns, be it in digital format or in paper format.

What is the impact of the 2018 restructuring on the labour force?

- Staff at the end of 2018 only include 85 departures as part of the redundancy plan, but do not include the 926 departures achieved in 2018 who will be taken out of staff numbers when their severance benefits have been settled in 2019.



Category	2018	2018 including PSE departures
Telesales	849	684
Field sales	1,325	960
Customer relations	343	244
IT - R&D	364	329
Other	1,439	1,174
TOTAL	**4,320**	**3,391**

Have you granted any year-end bonus following the government's year-end announcement?

- For base salaries below €30,000, €400 was paid per employee in January 2019 to roughly 400 persons in the company

Will Solocal be affected by the GAFA tax?

- We are looking carefully into the matter and working closely with the competent authorities to ensure that companies that pay taxes in France, like Solocal, do not face double taxation.

Are you affected by the new tax *on sites publishing audiovisual content* (equally known as the "YouTube" tax)?

- Our opinion is that Solocal is not affected since this is a secondary activity for us. This affects sites publishing audiovisual content like Netflix or YouTube.

How much was your deferred tax at 2018 ending?

- We actived €27 million of Deferred Tax on the tax loss carryforwards and the net position of Deferred Tax assets at 31 December 2018 is €75 million

What will be the impact of the new IFRS 16 standard on Solocal's financial statements?

- Applicable as of 1st January 2019
- Recognition on the balance sheet of all lease commitments (mainly Solocal's head office in Boulogne), for contracts of less than 12 months that had so far been recognised as off-balance sheet commitments.
- Recognition of a lease debt among liabilities (discounted residual future rentals) in exchange for a right-of-use posted in the assets as a fixed asset amortised over the lease term.
- Impact of c. +€105 to €115 million on the balance sheet (as a financial obligation under liabilities and a right of use under assets) as of 01/01/2019.
- Rental charges recorded in EBITDA as external costs are restated based on IFRS 16 as financial charges with respect to reimbursement of the recognised financial obligation and as a depreciation with respect to the right of use for the period.
- Impact of c. +€15 million on EBITDA as of 01/01/2019
- Although the application of this standard has little impact on the operating income, it still has a negative impact of roughly -€4 million on net income.

- This standard should not be considered when determining the financial leverage for our debt cost (definition specific to the bond documentation).
- No impact on the company's cash flow
- Solocal's target of moderate growth of recurring EBITDA (continued activities) vs. 2018 does not factor in the impact of IFRS 16 (constant accounting standard).

When is your next General Meeting?

- 11th April 2019 at our head office located at 204 rond-point du Pont de Sèvres, Boulogne-Billancourt.

Are the 2018 financial statements and the background document published on the Solocal website?

- The 2018 report is available on the website www.solocal.com.
- Meanwhile, the Registration Document will be published before the General Meeting. According to the regulatory requirements, we must submit the Registration Document to AMF before end of April.

[1] Continued activities