solocal

PRESS RELEASE

Boulogne-Billancourt, 29 July 2019

Q2 2019 Digital order intake trend in line with Q1 2019
Growth in recurring EBITDA[3] in H1 2019
Positive consolidated net income in H1 2019

H1 2019 Activity and results vs. H1 2018

- Digital order intake : €272 million, -5.1%
- Strong increase in salesforce productivity: +31% in weekly Digital order intake per sales representative[2]
- Churn reduction[4] : -2 points

- Digital revenues: €268 million, -8.5%
- Consolidated revenues: €304 million, -13.1%

- Recurring EBITDA +5%[3] in H1 2019 vs. H1 2018 (27% of revenues)
- Consolidated net income: €16 million, vs. -€80 million

- Recurring EBITDA – Capex: €60 million, +9% (as per same accounting standards)
- Leverage ratio[5]: 1.9x (according to bond documentation)

Q2 2019 Activity vs. Q2 2018

- Digital order intake: €132 million, -5.8%
- Digital revenues: €135 million, -7.7%
- Digital order backlog[6]: €349 million, -1.4% (vs. 31 March 2019)

2019 Outlook

- Confirmed return to growth of Digital order intake in H2 2019, enabling, based on H1 2019 order intake, to deliver stabilised Digital order intake in 2019
- Confirmed moderate growth of recurring EBITDA in 2019

Liquidity

- Strengthened liquidity following RCF increase up to €40 million (vs. €15 million)

When releasing H1 2019 results, Eric Boustouller, Solocal CEO, said: "In the second quarter, we relentlessly carried on executing our Solocal 2020 plan, while increasing the Company's profitability thanks to very rigorous management. The intensification of the commercial reorganisation enabled us to significantly improve productivity per sales rep, although Digital order intake performance was slightly below our ambitions. In accordance with our plan, we have increased the proportion of subscription-based order intake by 15 points. We will be more solid and efficient thanks to the migration of most of our applications and infrastructure to the Cloud in July. This shift, which is decisive in building the new Solocal, will continue with the upholding of our strategic investments in order to build the future and support long-term growth.
I am also very pleased with the launch of our Priority Ranking product in July, for which first customer feedback is very encouraging. Its roll-out over the second half of 2019, together with the generalisation of our Presence product to our customer base, will contribute to restoring sustainable growth. I am also confident with our activity in the Large Accounts segment, with the signing of framework agreements pursuant to our momentum in H1 2019 (Intermarché, Autovision or Photomaton).
Despite a Q2 that is slightly down, these achievements will enable the return to growth in Digital order intake in H2 2019 and a stabilisation of Digital order intake in 2019."

The Board of Directors approved the Group's consolidated accounts as at 30th June 2019. The limited review of the H1 2019 accounts has been completed and the limited review report has been issued on 26th July 2019. The quarterly financial statements are not audited.

Financial items presented in this press release for Q1 2018, Q2 2018, H1 2018 and Q1 2019 are revised in light of the scope of continued activities as at 30th June 2019. Accounting items for H1 2019 are presented according to IFRS 16 rule, unless indicated otherwise where applicable for historical comparison purposes.

1. Order intake, Turnover and Order backlog

Solocal order intake in Q2 2019 and H1 2019 are as follows:

In million euros	Q2 2018	Q2 2019	Change	H1 2018	H1 2019	Change
Digital order intake	139.9	131.8	-5.8%	286.2	271.7	-5.1%
Print order intake	19.3	12.8	-33.8%	42.0	28.9	-31.2%
Total order intake	**159.3**	**144.6**	**-9.2%**	**328.2**	**300.6**	**-8.4%**

Note: Q2 2018 and S1 2018 for the scope of continued activities. See Appendix for consolidated financial data.

Total order intake amount to €145 million in Q2 2019, down -9.2% compared to Q2 2018[1]. Digital order intake were down -5.8%, while Print order intake are down -33.8%, in Q2 2019 compared to Q2 2018[1].

This change is in line with Q1 2019 trend, despite the unfavourable Q2 2018 base effect ahead of the restructuring plan. This is primarily due to the intensification of the commercial reorganisation.

Regarding Print order intake, customers and users continue to move away from conventional printed products towards digital, in accordance with the plan to cease the Print business at the end of 2020.

Total order intake in H1 2019 amounted to €301 million, down -8.4% compared to total order intake[1] in H1 2018. H1 2019 Digital order intake were down -5.1%, whereas H1 2019 Print order intake were down -31.2%.

Solocal's performance indicators for Q2 2019 are as follows:

	Q2 2018[1]	Q2 2019	Change
Subscription-based order intake (as a % of Digital order intake)[4,6]	20.5%	35.5%	+15.0 pts
Audience: number of PagesJaunes visits (in millions)	429	511	+19%

Note: Subscription-based order intake based on order intake after cancellations

Order intake in subscription mode[4,6] as a percentage of total Digital order intake[4] amounted to 36% of Digital order intake[4] and were up +15 points in Q2 2019 compared to Q2 2018[1]. Subscription-based order intake[4,6] mainly include Websites, Booster Contact and the Presence range. The new digital service offers Presence and Priority Ranking are deployed to all customers starting in the second half of 2019.

The PagesJaunes **audience** increased by +19% in Q2 2019 compared to Q2 2018. Mobile visits increased by +1 point in Q2 2019, in line with the overall trend, and partnership related visits are up. Leads generated by users increased by +9% in Q2 2019 compared to Q2 2018.

Revenues for Solocal in Q2 and H1 2019 are as follows:

In million euros	**Q2 2018**[1]	**Q2 2019**	**Change**	**H1 2018**[1]	**H1 2019**	**Change**
Digital revenues	146.0	134.8	-7.7%	293.1	268.1	-8.5%
Print revenues	31.1	20.9	-32.9%	56.7	36.0	-36.5%
Total revenues	**177.1**	**155.6**	**-12.1%**	**349.8**	**304.0**	**-13.1%**

Note: Q2 2018 and S1 2018 for the scope of continued activities. See Appendix for consolidated financial data.

Consolidated revenues for the first half of 2019 amount to €304 million, down -13.1% compared to total revenues for H1 2018[1]. It breaks down into € 268 million Digital revenues and € 36 million Print revenues.

Digital revenues of €134.8 million in Q2 2019 were down -7.7% compared to Q2 2018[1] primarily due to the slowdown in Digital order intake[1] in Q3 and Q4 2018, due to the conversion rate pattern of order intake into revenues.
The percentage of H1 2019 Digital order intake in revenues for the same period was 28%, up 3% compared to the first half of 2018. This reflects an acceleration in the conversion of order intake into revenues, in line with the update of our business model and the qualitative improvement of the order backlog.

Print revenues of €21 million in Q2 2019 are down -32.9% compared to Q2 2018[3] while customers and users continue to move away from printed directories in favour of digital media. The Print activity accounts for 13% of total revenues this quarter.

Solocal's order backlog[6] as of 30th June 2019 is as follows:

In million euros	**31/03/2019**	**30/06/2019**	**Change**
Digital order backlog	354.3	349.3	-1.4%
Print order backlog	39.2	31.0	-20.9%
Total order backlog	**393.5**	**380.3**	**-3.4%**

Note: Order backlog based on order intake after cancellations.

The total **order backlog**[6] amounts to €380 million on 30th June 2019, down -3.4% compared to 31st March 2019. This fall is in part due to the strong decline in the Print business (-20.9% decrease in the Print order backlog as of 30th June 2019 compared to 31st March 2019). The Digital order backlog[6] was down -1.4% due to a slowdown in Digital order intake over the quarter.

2. Costs

In million euros	**H1 2018**[1]	**H1 2019**[3]	**Change**[3]	**H1 2019 (IFRS 16)**
Total revenues	**349.8**	**304.0**	**-13.1%**	**304.0**
Net recurring external expenses	(96.5)	(91.0)	-5.7%	(83.4)
Recurring personnel expenses	(183.3)	(139.5)	-23.9%	(139.5)
Recurring EBITDA	**70.0**	**73.6**	**+5.2%**	**81.2**
Restructuring costs	(125)	(1.7)	NA	(1.7)
Other non-recurring costs	(8.3)	1.0	NA	1.0
Consolidated EBITDA[1]	**(63.2)**	**72.9**	**NA**	**80.5**

Note: H1 2018 for the scope of continued activities. See Appendix for consolidated financial data.

Net recurring external expenses reached -€83 million and are down -5.7% in H1 2019[3] as per same accounting standards compared to H1 2018[1] due to the :

- Decrease in content and production expenses, related to the order intake decrease;
- Decrease in expenses related to the departure of salesforce staff (vehicles, travel...);
- Control of other external expenses.This decrease is partially offset by an increase in IT services linked to the implementation of the Move to Cloud project (€2 million) and marketing expenses over H1 2019 (€3 million).

IFRS 16 impact on costs is -€7.6 million on net external expenses in H1 2019, corresponding to the cancellation of rental charges.

Recurring staff expenses were -€139 million in H1 2019, down -23.9%[3] as per same accounting standards compared to H1 2018[1], mainly due to staff departures resulting from the transformation project.

3. EBITDA

In million euros	**H1 2018[1]**	**H1 2019[3]**	**Change**	**H1 2019 (IFRS 16)**
Recurring EBITDA	**70.0**	**73.6**	**+5.2%**	**81.2**
Recurring EBITDA / Revenues	*20.0%*	*24.2%*	*+4.2 pts*	*26.7%*
Contribution from non-recurring items[1]	(133.2)	(0.6)	NA	(0.6)
Consolidated EBITDA[1]	**(63.2)**	**72.9**	**NA**	**80.5**

Note: H1 2018 for the scope of continued activities. See Appendix for consolidated financial data.

Recurring EBITDA was at €81 million in H1 2019, up +5.2%[3] as per same accounting standards compared to H1 2018[1], the decrease in revenues being offset in particular by the reduction in the recurring cost base by €49 million[3] as per same accounting standards, as per the transformation project and cost reduction policy.
IFRS 16 impact on recurring EBITDA is +€7.6 million in H1 2019, due to similar amount decrease in net external expenses in H1 2019, corresponding to the cancellation of rental charges.

The **recurring EBITDA margin / revenues** was 26.7% in H1 2019, up +4.2 points[3] as per same accounting standards compared to H1 2018[1].

After taking into account non-recurring items of -€1 million in H1 2019, **consolidated EBITDA** amounts to €81 million, compared to -€63 million in H1 2018[1].

4. Net Income

In million euros	**H1 2018**	**H1 2019[3]**	**Change**	**H1 2019 (IFRS 16)**
Recurring EBITDA	**70.0**	**73.6**	**+5.2%**	**81.2**
Depreciation and amortisation	(32.8)	(29.4)	-10.2%	(37.4)
Financial result	(19.1)	(17.1)	-10.3%	(20.1)
Recurring income before tax	**18.2**	**27.0**	**+48.7%**	**23.7**
Contribution from non-recurring items to the pre-tax income	(133.2)	(0.6)	NA	(0.6)
Of which Restructuring costs	*(124.9)*	*(1.7)*	*NA*	*(1.7)*
Income before tax	**(115.2)**	**26.4**	**NA**	**23.0**
Corporate income tax	34.8	(6.6)	NA	(6.6)
Consolidated net income	**(80.4)**	**19.8**	**NA**	**16.5**

Depreciation and amortisation amounted to -€37 million in H1 2019, down -10.2%[3] as per same accounting standards compared to H1 2018. This decrease is primarily due to the control over investments over the last few years.
IFRS 16 impact on depreciation and amortisation is -€8.0 million at H1 2019, resulting from the cancellation of rental charges of -€7.6 million.

Financial result was -€17.1 million in H1 2019, €2 million[3] below H1-2018, as per same accounting standards .
IFRS 16 impact on financial expenses is -€2.9 million in H1 2019, corresponding to the financing of the restating of rents.

Recurring income before tax amounts to €24 million in H1 2019, and is up +48.7%[3] as per same accounting standards compared to H1 2018.

Income before tax amounts to €23 million in H1 2019, up[3] as per same accounting standards compared to H1 2018 due to the absence of restructuring costs related to the transformation project that were at -€125 million in H1 2018.
IFRS 16 impact on income before tax is -€3.4 million in H1 2019.

Expense for **corporate income tax** of €7 million recognised in H1 2019 is comprised of €4 million net reversal in deferred tax assets relating in particular to the cash outflows of the transformation plan carried out over the period, and CVAE (Corporate value added contribution) expense of €3 million. In H1 2018 the corporate income tax revenue was €35 million.

The Group's **consolidated net income** is positive and amounts to €16 million in H1 2019, vs. -€80 million in H1 2018.
IFRS 16 impact on consolidated net income before tax is -€3.4 million in H1 2019.

5. Cash flow and debt

In million euros	**H1 2018**	**H1 2019**
Recurring EBITDA[1]	**70.0**	**81.2**
Non-monetary items included in EBITDA	5.4	6.2
Net change in working capital	(24.8)	(19.2)
Acquisitions of tangible and intangible fixed assets	(21.5)	(21.2)
Net financial income pay out or cash	(17.2)	(19.7)
Non-recurring items	(12.2)	(46.2)
Of which restructuring	(12.2)	(38.0)
Of which change in non-recurring WCR	-	(4.0)
Corporate income tax paid	(11.8)	4.4
Consolidated available cash flow	**(12.2)**	**(14.7)**

The change in working capital requirements is -€19 million as at H1 2019 vs. -€25 million as at H1 2018[3].

Non-recurring items amount to -€46 million at H1 2019 and include -€38 million linked to the transformation project 2018, -€4 million in non-recurring outflows excluding the Redundancy Scheme 2018 (old Redundancy Scheme 2014 and voluntary redundancy plan 2015, departures not replaced...) and a change of -€4 million in non-recurring working capital requirements.

With the contribution from divested activities, **consolidated available cash flow** for the Group was -€15 million in H1 2019, vs. -€12 million in H1 2018.

As at 30th June 2019, the Group has **net cash position of** €58 million vs. €73 million as at 30th June 2018.

The **conversion rate for recurring EBITDA to operating cash flow flux** such as calculated by the formula ((recurring EBITDA + change in WCR – capex) / recurring EBITDA) was 53% in H1 2019 vs. 42% in H1 2018, excluding IFRS 16 impact.

Net **financial debt**[5] was €462 million as at 30th June 2019, up €7 million[3] as per same accounting standards compared to €342 million as at 30th June 2018.
IFRS 16 impact on net financial debt is +€113 million in H1 2019, resulting from the reclassification of rental charges as rental obligations as a liability on the balance sheet.

Financial leverage such as defined in the bond documentation concerning Solocal's 2022 bond is 1.94x as at 30th June 2019 (to which IFRS 16 does not apply).

In February 2019 the Group had contracted a revolving credit facility of €15 million, maturing March 2022. In accordance with what was announced, the Group continued its search of financing lines diversification and increased by €25 million this revolving credit facility to bring it **up to €40 million**. This revolving credit facility is in addition to the working capital line of €10 million set up in December 2018.
The Group will continue to diversify its financing means.

6. Other information

The new Leases standard (IFRS 16) is applied non-retroactively from 1st January 2019 and led to the recognition on the Group's balance sheet of all rental commitments as defined by the new standard, which were previously recognised as off-balance-sheet commitments, and finance lease contracts.
The first application of this standard will impact the Group's balance sheet as follows:

- 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

Leases with a residual term of less than twelve months and leases concerning low value assets are excluded. Most lease contracts concern the Group's head offices.
The impact on the balance sheet as of June 2019 is €79 million. The impact of the application of this standard on recurring EBITDA is +€8 million as at 30 June 2019. The application of this new accounting standard has no effect on cashflow or on the calculation of financial leverage such as defined in the bond documentation.

2019 Outlook

Solocal confirms the launch of its new range of products (Priority Ranking) and the roll-out of the Presence offer to all customers. The group is pursuing its strategic investments, particularly on new subscription-based digital services and migration to the Cloud.

Solocal confirms the return to growth of Digital order intake in H2 2019, that will enable, based on H1 2019 order intake, to deliver stabilised Digital order intake in 2019, as well as moderate growth in recurring EBITDA. The conversion rate for recurring EBITDA into operating cash flow will be about 60% (as per same accounting standards before application of IFRS 16 rule).

Next major dates in the financial calendar

The next dates in the financial calendar are as follows:

- Release of 3rd quarter 2019 revenues: 5th November 2019
- Release of 4th quarter 2019 revenues and 2019 full year results: 27th February 2020

Notes:

[1] Continued activities

[2] Weekly Digital order intake / sales representative producing in H1 2019 vs. H1 2018, scope excluding ClicRDV, Effilab, Leadformance, Mappy, Ooreka, QDQ, SoMS and non-significant subsidiaries, or 91% of consolidated revenues

[3] As per same accounting standards, restated for the non-retroactive application of IFRS 16 rule on 1st January 2019

[4] Scope excluding ClicRDV, Effilab, Leadformance, Mappy, Ooreka, QDQ, SoMS and non-significant subsidiaries, or 91% of consolidated revenues

[5] Net financial debt: Gross financial debt less cash and cash equivalents

[6] Based on order intake after cancellations

Definitions:

Audience: Indicator of visits and of access to the content in a given period of time.

Order backlog: Order backlog corresponds to the outstanding portion of revenues still to be recognised as of 30th June 2019 from order bookings validated and engaged by customers. Regarding products in subscription mode, only the current commitment period is taken into account

EBITDA (earnings before interests, taxes, depreciation and amortisation): EBITDA is an alternative performance indicator presented in the profit & loss statement at the level of operating income before taking into account depreciation and amortisation.

Recurring EBITDA corresponds to EBITDA before taking into account non-recurring items. These non recurring items are income and expenses in a limited number, unusual, abnormal, and infrequent and of amounts particularly significant. They correspond to :

- Gains or losses realised on the disposal of assets
- Restructuring costs : costs corresponding to a planned program and controlled by the management, which has a significant impact on the scope of activities of the Group or the way this business is managed, under the IAS 37 criteria.

Order intake: Orders booked by the sales force, which should translate into the performance of a service by the Group for its customers.

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Appendix I: Consolidated income statement

In million euros	30 June 2018			30 June 2019[3] (at per same accounting standards)			Change in Recurring	30 June 2019 (IFRS 16)		
	Consolidated	Continued activities		Consolidated				Consolidated		
		Recurring	Non-recurring	Total	Recurring	Non-recurring		Total	Recurring	Non-recurring
Revenues	350.7	349.8	-	304.0	304.0	-	-13.1%	304.0	304.0	-
Net external expenses	(98.7)	(96.5)	(1.8)	(90.5)	(91.0)	0.4	-5.7%	(82.9)	(83.4)	0.4
Personnel expenses	(190.5)	(183.3)	(6.5)	(138.9)	(139.5)	0.6	-23.9%	(138.9)	(139.5)	0.6
Restructuring costs	(124.9)	-	(124.9)	(1.7)	-	(1.7)	NA	(1.7)	-	(1.7)
EBITDA	**(63.3)**	**70.0**	**(133.2)**	**72.9**	**73.6**	**(0.6)**	**+5.2%**	**80.5**	**81.2**	**(0.6)**
Depreciation and amortisation	(32.8)	(32.7)	-	(29.4)	(29.4)	-	-10.0%	(37.4)	(37.4)	-
Operating income	**(96.1)**	**37.3**	**(133.2)**	**43.5**	**44.2**	**(0.6)**	**+18.5%**	**43.1**	**43.8**	**(0.6)**
Other financial income	0.1	0.1	-	0.0	0.0	-	NA	0.0	0.0	-
Financial expenses	(19.2)	(19.2)	-	(17.2)	(17.2)	-	-10.7%	(20.1)	(20.1)	-
Financial result	**(19.1)**	**(19.1)**	**-**	**(17.1)**	**(17.1)**	**-**	**-10.3%**	**(20.1)**	**(20.1)**	**-**
Income before tax	**(115.2)**	**18.2**	**(133.2)**	**26.4**	**27.0**	**(0.6)**	**+48.7%**	**23.0**	**23.7**	**(0.6)**
Corporate income tax	34.8	(11.1)	45.9	(6.6)	(6.8)	0.2	-38.9%	(6.6)	(6.8)	0.2
Income for the period	**(80.4)**	**7.1**	**(87.3)**	**19.8**	**20.3**	**(0.4)**	**NA**	**16.5**	**16.9**	**(0.4)**

Appendix II: Consolidated cash flow statement

In million euros	**H1 2018**	**H1 2019** IFRS 16	***Of which IFRS 16 impact***
Recurring EBITDA[1]	**70.0**	**81.2**	**+7.6**
Non-monetary items included in EBITDA	5.4	6.2	
Net change in working capital	(24.8)	(19.2)	
Acquisitions of tangible and intangible fixed assets	(21.5)	(21.2)	
Net financial income pay out or cash	(17.2)	(19.7)	(2.9)
Non-recurring items	(12.2)	(46.0)	
Of which restructuring items	(12.3)	(38.0)	
Of which change in non-recurring WCR	-	(4.0)	
Corporate income tax paid	(11.8)	4.4	
Consolidated available cash flow	**(12.2)**	**(14.7)**	
Increase (decrease) in borrowings and bank overdrafts	(0.9)	(8.5)	(4.6)
Capital increase	-	-	-
Net cash variation	**(13.6)**	**(23.2)**	
Net cash and cash equivalents at beginning of period	86.1	81.5	
Net cash and cash equivalents at end of period	**72.5**	**58.3**	

Appendix III: Consolidated balance sheet

In million euros

ASSETS	31/12/2018	30/06/19 (as per same accounting standards)	Change (as per same accounting strandards)	30/06/2019 (IFRS 16)
Total non-current assets	**296.6**	**284.7**	**-4.0%**	**363.8**
Net goodwill	88.9	88.9	+0.0%	88.9
Net intangible fixed assets	100.1	94.8	-5.3%	94.8
Net tangible fixed assets	25.6	22.7	-11.4%	22.7
Other non-current assets of which deferred tax assets	82.0	78.3	-4.5%	157.4
Total current assets	**374.5**	**318.3**	**-15.0%**	**318.3**
Net trade accounts receivables	234.6	206.9	-11.8%	206.9
Prepaid expenses	4.8	7.0	+46.4%	7.0
Cash and cash equivalents	81.6	58.6	-28.3%	58.6
Other current assets	53.5	45.9	-14.3%	45.9
TOTAL ASSETS	**671.1**	**602.9**	**-10.2%**	**682.1**
LIABILITIES				
Equity	**(678.7)**	**(662.9)**	**-2.3%**	**(666.3)**
Total non-current liabilities	**535.9**	**518.5**	**-3.3%**	**614.2**
Non-current financial liabilities and derivatives	402.2	401.8	-0.1%	401.8
Employee benefits (non-current)	93.8	95.3	+1.6%	95.3
Non-current provisions	39.9	21.4	-46.4%	21.4
Deferred tax liabilities	-	-	-	-
Rental obligations due in more than one year	-	-	-	95.7
Total current liabilities	**813.8**	**747.4**	**-8.2%**	**734.2**
Bank overdrafts and other short-term borrowings	5.6	4.5	-19.8%	4.5
Contract liabilities	357.5	325.2	-9.0%	325.2
Employee benefits (current)	93.6	87.4	-6.6%	87.4
Trade accounts payable	115.4	114.0	-1.2%	85.7
Current provisions	163.2	146.3	-10.3%	144.4
Rental obligations due in less than one year	-	-	-	16.9
Other current liabilities	78.5	69.9	+11.0%	69.9
Total liabilities	**671.1**	**602.9**	**-10.2%**	**682.1**

Appendix IV: Quarterly order intake

In million euros	2018				2019	
	Q1	Q2	Q3	Q4	Q1	Q2
Digital order intake	146.3	139.9	95.9	136.7	139.9	131.8
Print order intake	22.7	19.3	14.9	17.9	16.1	12.8
Total order intake	**169.0**	**159.3**	**110.8**	**154.6**	**156.0**	**144.6**

Note: 2018 and Q1 2019 order intake adjusted to the scope of continued activities for consistency purposes and restated from identified double countings