solocal

PRESS RELEASE

Boulogne-Billancourt, 28th July 2020

First semester 2020:
a business activity in line with the post covid-19 forecasts
Recurring EBITDA growth of +6.7%
Confirmation of 2020 trajectory, supported by encouraging June 2020 figures

Activity in the first semester 2020, impacted by the health crisis

- Digital order intake: €204 million, representing -21.4% vs. H1 2019 with a return to almost stable activity in June 2020 (order intake[1] for June 2020 -1% vs June 2019[1,3])
- More than **75%** of Digital order intake have been signed in **subscription mode**
- Migration rate[5] of more than 89% of customers in the second quarter
- As at 30th June 2020, **160,000+ customers** on new Digital service offerings
- **ARPA still up +2.3%**, after an increase of +12.3% in full year 2019
- Pagesjaunes traffic directly impacted by the lockdown: -9.6% vs. H1 2019

Results of the first semester 2020, incorporating the effects of the lockdown in France

- Digital revenues : €225 million, i.e. -11.9%[3] vs. H1 2019
- Digital order backlog[6] -5.9% vs. 31st March 2020
- **€388 million already secured Digital revenues for 2020** as at 30 June 2020
- **Recurring EBITDA of €85.7 million[3], representing +6.7% vs. H1 2019[3]**
- Cash on balance sheet of €28 million as at 30 June 2020
- Net leverage of 2.5x[7]

2020 outlook confirmed and new financial structure

- The group confirms its post-lockdown objectives i.e. **-15% Digital revenues** vs. 2019[3] and a **Group EBITDA of over €130 million**.
- Approval of the financial restructuring plan by the CGM of 24th July 2020: a sound financial structure with **halved debt** and the arrival of a **new reference shareholder** (subject to the fulfilment of the two current conditions precedent, *see part 5*).

At the time of the publication of the results of H1 2020 Eric Boustouller, Chief Executive Officer of Solocal, said:

The first half of the year took place in an exceptional setting. Faced with this situation, we fully mobilised ourselves to support our 335,000 clients hit by this unprecedented crisis. The company's adaptation to this singular situation has also been a priority. Economic measures have been implemented to generate more than €25 million in savings. This work was carried out by maintaining our roadmap for innovation and the expansion of our offers in order not to sacrifice our rebound capacity. Last focus for mobilisation: to remove the liquidity risk that weighed on the Company and its jobs. This risk is now excluded with the adoption of the plan to strengthen our financial structure approved by a large majority of our shareholders. The horizon is therefore today brighter, with our business showing encouraging signs of recovery. However, we still have a way to go with the satisfaction of our clients as a final priority. The basics are there, to continue our transformation and allow us to find a positive dynamic over time.

The Board of Directors approved the Group's consolidated financial statements as at 30 June 2020. Limited review procedures on the half-yearly accounts were carried out. The limited review report will be issued when the condition precedents related to the financial structure strengthening plan are lifted, *see part 5*. The quarterly accounts are unaudited.

Financial performance indicators are commented on the scope of continuing operations. The financial elements presented in this press release for 2019 are revised in light of the scope of activity as at 30 June 2020.

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1. Order intake, revenues and order backlog

Solocal's[3.4] order intake in Q2 2020 & H1 2020 are as follows:

In million euros	**Q2 2019**	**Q2 2020**	**Change**	**H1 2019**	**H1 2020**	**Change**
Digital order intake (excluding QdQ)	125.4	96.0	-23.4%	259.3	203.7	-21.4%
Print order intake	12.8	1.8	-86.1%	28.9	6.1	-78.8%
Total order intake	**138.2**	**97.8**	**-29.2%**	**288.1**	**209.8**	**-27.2%**

As a reminder and as announced in the 18th May 2020, Solocal recorded a -55% order intake decrease over the lockdown period[2,3]. Since the lifting of the lockdown measures as from May 11th 2020 and the re-opening of most of French businesses, Solocal's activity shows **early signs of a gradual upturn.**

May & June 2020 Digital order intake[1] decreased by -24% and **by -1%** respectively compared to last year[3], but were superior by €11 million[1] compared to the post-covid reforecast (as indicated in the 18th May 2020 press release). This gradual improvement is in line with the expected recovery pace and is consistent with the fact that most of the salesforce is back on the field and that our customers and prospects are available.

Total order intake[3,4] amounted to **€98 million in Q2 2020**. Digital order intake[3] recorded a -23% decrease, while Print order intake decreased by -86% in Q2 2020 compared to Q2 2019[1], strongly impacted in April and May by the lockdown measures in France as indicated above, but also by the end of the Print business.

Total order intake[3,4] for H1 2020 amounted to **€210 million**, i.e. a -27% decrease compared to total order intake[1] for H1 2019. Digital order intake[3] recorded a -21% decrease, while Print order intake decreased by -79% in H1 2020.

Solocal's performance indicators as at 30 June 2020 are as follows:

	Q2 2019	**Q2 2020**	***Change Q2 2020 vs. Q2 2019***	**H1 2019**	**H1 2020**	***Change H1 2020 vs. H1 2019***	**Reminder : FY2019 LTM**
Subscription-based order intake (as a % of Digital order intake)	28.0%	**76.9%**	*+48.9 pts*	27.0%	**79.0%**	*+ 52,0 pts*	
Digital ARPA LTM	-	**-**	-	c. 1 300€	**1 493 €**	*+14.8%*	**1 460 €**
Digital customer base LTM EoP[(a)]	-	**-**	-	c. 384k	**c. 336k**	*- c. 25k*	**c. 361k**
Traffic : number of PagesJaunes visits (in millions)	508	**462**	*-9.1%*	1044	**944**	*-9.6%*	**2040**

(a) Average of the last twelve months, at Group level excluding QdQ

79% of order intake[4] for this first half of the year were **subscription - based**, i.e. an increase of +52 pts compared to H1 2019. These order intake[3,4] mainly include Priority Ranking and Presence offers, Websites and Booster Contact. This subscription-based order intake rate has been constantly increasing since the full roll-out of new digital Presence and Priority

Ranking services in July 2019. This increase in subscription-based order intake is a structural element of the **transformation of the business model** because it allows (i) the decrease in churn (ii) but must above all allow the increase in acquisition of new clients and cross-selling of existing clients by releasing time to the salesforce historically dedicated to the renewal activity.

As of 30th June 2020, the Presence & Priority Ranking offers in subscription mode have more than 160,000 clients, representing a **migrated customer base of 58%** (excluding Large Accounts customers). The migration rate of VSEs/SMEs is constantly increasing, **to 89%[5]** in Q2 2020.

Despite the health crisis, the Group's ARPA continues to increase to **€1,493** at the end of the second quarter of 2020, representing an increase of +2% compared to the end of 2019 and +15% compared to the end of the second quarter 2019 (approximately +193 euros), thereby demonstrating the first beneficial effects of subscription mode on upselling and cross-selling. **The Digital customer base** decreased by about -25,000 clients at the end of the second quarter of 2020 compared to the end of 2019, **to 336,000 customers[1]**. This trend is mainly due to the health crisis and lockdown measures which have slowed down the expected acquisition momentum due to the temporary or definitive closures of many businesses. Churn remained stable over the last twelve months.

PagesJaunes traffic is down -9% in Q2 2020 compared to Q2 2019, impacted by the health crisis and lockdown having penalized the entire French economy. This decrease is about -10% in the first half of 2020 vs. the first half of 2019.

Solocal's revenues[3] in H1 2020 are as follows:

In million euros	Q2 2019	Q2 2020	Change	H1 2019	H1 2020	Change
Digital revenues (excluding QdQ)	128.3	107.4	-16.3%	255.6	225.3	-11.9%
Print revenues	20.9	11.3	-46.0%	36.0	19.5	-45.9%
Total revenues	**149.2**	**118.6**	**-20.5%**	**291.6**	**244.7**	**-16.1%**

NB: The figures exclude the contribution of the QDQ subsidiary sold on 28 February 2020.

The Digital turnover of €107 million in Q2 2020 decreased by -16 % compared to Q2 2019[3] mainly due to a volume effect and improvement of the average maturity of the products sold, which therefore convert more slowly into revenues. Q2 2020's revenues have not yet been fully impacted by the decline in order intake following the health crisis[3].

Consolidated revenues[3] in the first half of 2020 amounted to **€245 million,** down -16% compared to revenues[3] in the first half of 2019. It breaks down into €225 million in Digital revenues[3] and €19 million in Print revenues[3]. Print activity represents no more than 7.9% of total revenues.

Secured Digital revenues for 2020 amounts to **€388 million**, 80% coming from 2018 and 2019 order intake and 20% from order intake in the first quarter of 2020. In the first quarter of 2020, Digital revenues already secured for 2020 was €360 million.

In million euros	**31/03/2019**	**31/03/2020**	**30/06/2019**	**30/06/2020**
Secured Digital revenues for current year (excluding QdQ)	383	360	444	388

Solocal's order backlog[4] as at 30th June 2020 breaks down as follows:

In million euros	**31/03/2020**	**30/06/2020**	**Change**
Digital order backlog	330.2	310.8	-5.9%
Print order backlog	15.6	6.1	-60.9%
Total order backlog	**345.8**	**316.9**	**-8.4%**

The total order backlog amounted to **€317 million as at 30th June 2020**, down -8 % compared to 31st March 2020. This decrease is explained by the gradual cessation of Print business which recorded -62% as at 30th June 2020 compared to 31st March 2020.

The decline in the Digital order backlog results from the fact that the generation of revenues over the period is greater than the order intake, the latter of which is in decline compared to the previous quarter because of the negative impact of the health crisis. Indeed, order intake at Group level for the months of April and May were respectively down -52% and -25% compared to 2019.

The Digital order backlog of €311 million will be converted into revenues in the following quarters as follows:

Digital Backlog 30/06/2020	**Q3 2020**	**Q4 2020**	**Q1 2021**	**Q2 2021**	**Q3 2021**	**Q4 2021**	**Q1 2022**	**Q2 2022**	**Q3 2022**	**Q4 2022**
Conversion into revenues	**29.9%**	**25.1%**	**16.2%**	**13.6%**	**7.2%**	**3.4%**	**2.4%**	**1.4%**	**0.6%**	**0.2%**

2. Costs and EBITDA

In million euros	**H1 2019**	**H1 2020**	**Change**
Total Revenues	**291.6**	**244.7**	**-16.1%**
Net recurring external expenses	(77.2)	(62.1)	-19.6%
Recurring personnel expenses	(134.1)	(96.9)	-27.7%
Recurring EBITDA	**80.3**	**85.7**	**+6.7%**
Restructuring costs	(1.7)	0.6	-135.3%
Other non-recurring costs	1.0	1.3	+30.0%
Consolidated EBITDA	**79.6**	**87.6**	**+10.1%**

Recurring **net external expenses** amounted to €62.1 million in the first half of 2020, down 19.6%, or -€15.1 million compared to the first half of 2019. This decrease is explained by:

- ✓ The continuation of the cost management plan initiated in 2018 (IT maintenance costs, fees, etc.).
- ✓ The cost reduction incurred in the context of the health crisis, mainly driven by:
  - Control of operating expenses (marketing, travel costs, costs allocated to content related to the decrease in revenues)
  - Better sourcing of Performance products, including Booster Contact;
- ✓ The reduction in the variable costs of Print activity in connection with the scheduled end of this activity in 2020.

Recurring **staff costs** were €96.9 million in the first half of 2020, down -27.7% or -€37.2 million compared to the first half of 2019. This decrease is explained by:

- ✓ The impact of the health crisis on the level of activity of the period, affecting variable remuneration,
- ✓ The implementation of partial and total unemployment measures,
- ✓ The full year effect of the reduction in average FTEs carried out as part of the Group's transformation plan.

The Group's workforce as at 30 June 2020 is **2,515 people** (excluding long-term absences) of which 49% are part of the salesforce.

Recurring EBITDA reached €85.7 million in the first half of 2020, up 6.7%, or €5.4 million compared to the first half of 2019. The recurring EBITDA margin on revenue was thus 35.2% up +7.5 points. The improvement in this margin is mainly due to the combined effect of non-recurring partial unemployment measures and revenues not yet fully reflecting the effects of the health crisis. For these same reasons, EBITDA of the second half of 2020 should decline significantly compared to H1 2020.

In million euros	**H1 2019**	**H1 2020**	**Change**
Recurring Digital EBITDA	70.9	79.3	11.8%
Digital EBITDA margin	*27.7%*	*35.2%*	*+7.5pts*
Recurring Print EBITDA	9.4	6.4	-31.9%
Recurring EBITDA	**80.3**	**85.7**	**6.7%**

Recurring EBITDA of €85.7 million is broken down into **€79.3 million (92%) from Digital business** and €6.4 million (8%) from Print business. Recurrent Digital EBITDA **increased by +12%.**

The decrease in revenues over the period is offset by the favourable development of the recurring cost base in the framework of the transformation plan and the reduction in costs resulting from the health crisis.

In million euros	H1 2019	H2 2020	Variation
Recurring EBITDA	**80.3**	**85.7**	**+6.7%**
Recurring EBITDA / Revenues	27.5%	35.0%	+7,5pts
Contribution from non-recurring items[1]	(0.6)	1.9	-
Consolidated EBITDA	**79.6**	**87.6**	**+10.1%**

Non-recurring income of €1.9 million in the first half of 2020 mainly corresponds to the revenue receivable related to the favourable outcome of historical litigation on the CIR ("*Crédit Impôt Recherche*", the French research tax credit). After taking these non-recurring items into account, consolidated EBITDA amounted to €87.6 million in the first half of 2020, compared to €79.7 million in the first half of 2019, representing an increase of +10%.

3. Net income

In million euros	H1 2019	H1 2020	Change
Recurring EBITDA	**80.3**	**85.7**	**+6.7%**
Depreciation and amortisation	(37.1)	(29.8)	-19.7%
Net financial result	(20.1)	(25.5)	+26.9%
Recurring income before tax	**23.1**	**30.4**	**+31.6%**
Non-recurring items	(0.6)	1.9	-416.7%
Of which Restructuring costs	(1.7)	0.6	-135.3%
Income before tax	**22.5**	**32.2**	**+43.1%**
Corporate income tax	(6.6)	(4.4)	-33.3%
Consolidated net income	**15.9**	**27.9**	**+75.5%**

As a result of the extension of control over investments made in recent years, **depreciation and amortizations** reached -€30 million in the first half of 2020, i.e. a decrease of -20% compared to the first half of 2019[3].

Financial income was -€25 million in the first half of 2020. The increase in financial expenses of +€5 million[3] compared to the first half of 2019[3] is mainly due to the establishment and use of new financing means of the Group (RCF, working capital line) and the Bond coupon increase (10% in the first half of 2020 compared to 8% in 2019).

Recurrent pre-tax income therefore amounts to €30 million for the first half of 2020. It increased by +32% compared to the first half of 2019[3].

Pre-tax income reached €32 million in the first half of 2020.

The corporate tax charge recorded in H1 2020 is -€4 million. This charge includes a CVAE charge of -€2.7 million.

The Group's **consolidated net income** was positive in the first half of 2020 and amounted to **+€28 million** compared to €16 million for the first half of 2019[3].

4. Cash Flow and Indebtedness

In million euros	H1 2019	H2 2020
Recurring EBITDA[1]	**81.2**	**85.9**
Non-monetary items included in EBITDA	6.2	(5.0)
Net change in working capital	(19.2)	(41.7)
- Of which change in receivables	*(5.0)*	*(48.6)*
- Of which change in payables	*(6.0)*	*(13.0)*
- Of which change in other WCR items	*(8.2)*	*19.8*
Acquisitions of tangible and intangible fixed assets	(21.2)	(22.0)
Recurring operating free cash flow	**47.0**	**17.1**
Non-recurring items	(46.2)	(19.5)
- Of which restructuration	*(38.0)*	*(19.5)*
- Of which change in non-recurring WCR	*(4.0)*	-
Disbursed financial result	(19.7)	(1.1)
Corporate income tax paid	4.4	(1.6)
Free cash flow	**(14.5)**	**(5.2)**
Increase (decrease) in borrowings	(7.0)	(6.2)
Capital increase	-	3.7
Others	(1.5)	(5.7)
Net change in cash	**(23.0)**	**(13.4)**
Net cash & cash equivalents BoP	81.5	41.5
Net cash & cash equivalents EoP	**58.5**	**28.1**

Note: The 2019 cash flow statement includes the cash flows of the Spanish subsidiary QdQ which was disposed of. In the first half of 2020, it includes 2 months of that subsidiary's cash flow (non-significant) in 2020.

The change in **working capital requirement was -€42 million** in the first half of 2020. The change in the customer WCR is negative at nearly -€49 million due to a negative volume effect in relation to the decline in revenues (including Print business) but also the significant impact of the decline in customer receipts in the second quarter in the context of the health crisis. The positive change in the "Other WCR" is mainly linked to the constitution of tax and social liabilities over the period.

Non-recurring items amounted to -€20 million in the first half of 2020 and include disbursements related to the Solocal 2020 transformation plan. In 2020, these disbursements are expected to total €47 million. The delay observed in relation to the information communicated on 27th February results from a delay in the payment of certain severance payments to the second half of 2020 in order to preserve the company's cash flow.

Financial expenses paid are significantly lower than in the first half of 2019 since the group did not pay its two quarterly Bond coupons in the first half of 2020 (for approximately €20 million).

The **decrease in borrowings** corresponds to the working capital line decrease (-€4 million) and asset financing repayments.

The €3.7 million capital increase corresponds to the drawdowns made in January 2020 on the PACEO line established in December 2019. The "Other" change of -€6 million essentially represents the cash flow corresponding to the financial depreciation of the rights of use capitalised in connection with the application of IFRS 16.

The **Group's consolidated available cash flow** is therefore negative at -€13.4 million in the first half of 2020.

As at **30th June 2020, the Group had a net cash position of €28.1 million**, compared to €41.5 million as at 31st December 2019.

Net financial debt stood at **€446.7 million as at 30th June 2020**, an increase of +€27.7 million compared to €419 million as at 31st December 2019. It consists of Bonds (€420 million including the two outstanding coupons), the fully drawn RCF for €50 million, other debts for €5 million and net cash position for €28 million. The Bond debt was reclassified as short term in the Group's consolidated accounts due to not obtaining a waiver at the end of June 2020.

The impact of the application of IFRS 16 on net financial debt is + €103 million as at 30th June 2020, due to the reclassification of rent commitments into rental obligations on the balance sheet liabilities.

The net leverage as defined in the documentation of the Solocal 2022 Bond is **2.48x** as at 30 June 2020 (to which IFRS 16 does not apply). The EBITDA ratio on interest expenses is **4.54x**.

The group **complies with the financial ratios** provided in the Bond documentation, with a maintenance margin of 29% and 51% respectively.

5. Reminder of context & Perspectives 2020

All resolutions related to the financial structure strengthening plan were largely endorsed, with more than **93% votes in favour**, at the Combined General Meeting ("CGM") of the shareholders which took place on July the 24th, 2020 in Paris. As a reminder, this plan relies on a €**347 million capital increase**, thus securing a €85 million cash injection and allowing a €244million to €262 million debt reduction.

In order to cover the short-term liquidity needs, it will be completed by an **additional €32 million financing**, out of which €16 million "prêt ATOUT" granted by BPI France and the issuance of a €16 million Bond[6] subscribed by some of the Bondholders. These transactions are subject to the following condition precedents:

- Confirmation of the amendment to the accelerated financial safeguard plan by the commercial court of Nanterre;
- The obtaining from the "Autorité des Marchés Financiers" (the French "Financial Markets Authority") of an exemption from the obligation of GoldenTree to launch a tender offer (in accordance with article 234-9 2° of the "Règlement Général de l'Autorité des Marchés Financiers").

The additional financing of €32 million will be drawn in August 2020. The Right Issue will be launched at the beginning of September 2020. An indicative timeline of the execution of these transactions is available on **solocal.com** in the **Investors** section. According to this timeline, the subscription period for the capital increase with preferential subscription rights (which will be explained in a prospectus approved by the AMF) should occur between **15th and 29th September 2020**, with an expected settlement-delivery on 5th October 2020.

As previously announced, Solocal **confirms its target**, with a 2020 revenue[1] decrease by c.-20%, including a 2020 Digital revenue[1] decrease by c.-15% compared to last year. The 2020FY EBITDA[1] is expected above €130 million at Group level[3].

The health crisis will have an impact on the volume of new contract acquisition in 2020 and on the timing of its customer base migration towards new services. The Group anticipates a return to Digital revenue growth from 2021 but **2021 EBITDA** will be affected by the decrease in 2020 order intake and the end of the Print activity and should therefore amount to c. **€ 120 million in 2021**.

Next Financial Calendar Dates

The next financial calendar dates are as follows:

✓ Third quarter 2020 Revenues on October 22nd 2020

Notes

[1] Digital order intake, Solocal SA scope, in value

[2] Solocal SA sales force, scope excluding Effilab, Leadformance, Mappy, Ooreka, SoMs and non-significant subsidiaries, i.e. 99% of consolidated revenues

[3] Comparable scope. 2019 and 2020 figures are restated from the figures of the subsidiary QDQ, sold on 28th February 2020

[4] Based on order intake net of cancellations

[5] Migration Rate: number of clients migrated to the new Presence and Priority Ranking offer vs. relevant customer base (excluding Large Accounts)

[6] the Bonds will have a nominal amount of €17.7 million while the amount received by Solocal will be €16 million (OID)

[7] Calculation based on documentation of the Solocal Bond due 2022

Definitions

Order intake : Orders booked by the salesforce, that gives rise to a service performed by the Group for its customers

Order backlog: The order backlog corresponds to the outstanding portion of revenue yet to be recognised as at 30th June 2020 from order bookings such as validated and committed by customers. For income from subscriptions, only the current commitment period is considered

Traffic : Indicator of visits and of access to the content over a given period of time

ARPA: Average Revenue per Advertiser

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