solocal

Press release

Boulogne-Billancourt, 27th April 2023

FY 2022 Results & Q1 2023 revenue

€115 million recurring EBITDA in 2022 in line with expectations
Prudence on 2023: trend in the same vein as the first quarter

Following the postponement of the release of the annual results on 22nd February 2023 in order to continue the examination of the budgetary orientations, the 2022 consolidated and annual accounts were approved by the Board of Directors on 26th April 2023.
In view of Solocal's cash forecast for the next 12 months, the 2022 consolidated and annual financial statements were prepared on a going concern basis.
Solocal calls attention to the maturity of its debt and the risks associated with the refinancing thereof. There are two main maturity dates for the debt: €34 million is due at the end of September 2023 on the RCF debt and €195 million is due in March 2025 on the bond debt. Solocal considers that the refinancing risk factor has increased and creates a material uncertainty regarding the going concern status by the due date in March 2025.
In this context, the Group is working on different options and deploying an offensive strategy to win new customers while developing its existing customer base.

2022 results in line with expectations

- €400 million **revenue**, i.e -6.6% vs. 2021
- **Recurring EBITDA** down to €115 million, i.e. -4.6% vs. 2021
- **Operating free cash flows**[3] of €28.7 million
- €70.8 million of **cash** on balance sheet as at 31st December 2022
- **Net financial debt**[4] of €171 million as at 31st December 2022 with a leverage ratio of 1.7x[4]

First quarter 2023

- **Revenue** of €93.3 million i.e -8.0% vs. Q1 2022
- **Stable order backlog** at 221.7 million € as at 31th March 2022 **(vs. €221.6 million as at 31 Décembre 2022)**
- **Stable ARPA**[2] at c. 1,340 € (vs c. 1,345 as at 31 December 2022)
- Decrease in **customer base**[1] (281k customers, vs. 288k as at 31 December 2022) with an increase in churn[5] rate to 17.4% (16.6% as at 31 December 2022)

2023 outlook : prudence in a uncertain economic environment

- **Revenue for the coming quarters in line with the revenue of the first quarter of 2023** (€93.3 million), below 2022
- Continued cost control efforts to maintain an **EBITDA margin between 20% & 25%.**
- Focus on sales force productivity and customer satisfaction improvement

1. Revenue and backlog analysis

In million euros	Q4 2021	Q4 2022	Change	Q4 2021	Q4 2022	Change
Total revenue	**105.8**	**99.2**	-6.3%	**428.0**	**400.0**	-6.6%

2022 consolidated revenue amounts to €400.0 million, down –6.6% compared to 2021. 2022 fourth quarter revenue amounts to **€99.2 million** (-6.3% compared to 2021 fourth quarter).

In 2022, revenue from renewal of existing contracts contributed to €200.0 million, **i.e. 50% of the revenue,** up +€65 million compared to 2021, confirming the relevance of the subcription model now fully deployed. In the fourth quarter, this contribution amounts to **54% of the revenue**, compared to 39% in 2021 fourth quarter.

Revenue from acquisition (new customers, development and migration of old contracts into subscription mode) amounts to €200.0 million and represents 50% of the revenue. Annual performance was impacted in particular by a sharp decline in contracts not yet migrated to subscription.

These trends are mainly driven by:

- a sales performance impacted by difficulties in recruiting and retaining fieldsales force. Specific measures implemented during the second half of the year begin to have a positive impact. Delays in order intake during the first half of 2022 weigth significantly on the revenue of the year;
- a performance well below expectations of large accounts business, resulting from a wait-and-see market in terms of advertising investment decisions and a product offering which benefited from limited investments in recent years;
- a product mix with a revenue recognition more spread over time;
- a higher churn rate mainly at the end of year.

In million euros	31/12/2021	31/03/2022	30/06/2022	30/09/2022	31/12/2022	Change
Digital order backlog	**243.5**	**242.6**	**239.9**	**234.5**	**221.6**	**-5.5%**

Order backlog amounts to €221.6 million as at 31st December 2022, down -5.5% compared to 30th September 2022.

Solocal revenue for Q4 2022 and 2022 full year is presented below:

In € million	Q4 2021	Q4 2022	Change	FY 2021	FY 2022	Change	Allocation
Connect	24.0	24.3	1.2%	86.4	96.9	12.2%	24%
Booster	66.5	59.8	-10.1%	278.4	241.6	-13.2%	60%
Websites	15.3	15.1	-1.3%	63.2	61.4	-2.8%	15%
Total revenue	**105.9**	**99.2**	**-6.3%**	**428.0**	**400.0**	**-6.5%**	**100%**

NB: Solocal group has modified the presentation of its revenue break-down. The full contribution of the "Priority Ranking" offer is now included in the "Booster offers" range (formerly split between Connect & Booster). A transition table is presented in the appendix.

Booster activity (60% of the 2022 revenue) which includes advertising activities is down -13.2% compared to 2021 due to a low performance of large accounts and a decline in the contribution of the Priority Ranking offer. For 2022 fourth quarter, revenue amounts to €59.8 million, down -10.1% compared to 2021 fourth quarter.

Connect activity which includes Digital Presence grew by 12.2% compared with previous year, driven in particular by the retention offer proposed to customers and by the effect of the price increase applied in 2021. It concentrated 24% of total revenue of the year. The fourth quarter revenue contributes to this growth with a 1.2% increase.

Websites activity represents 15% of the 2022 revenue and broadly similar to 2021 and a -1.3% decrease compared to 2021 fourth quarter.

2. Sales performance, customer base, churn and ARPA

In 2022, **Solocal sales performance** measured by order intakes for the year amounts to €380.6 million euros compared to €385.3 million in 2021. Renewal order intakes increased from €210 million in 2021 to €235 million in 2022. Order intakes from the acquisition decreased by -21% and amounts to €145 million (more than half of which deriving from the entreprise segment). This decrease is due to the large accounts segment and difficulties to increase and stabilize the salesforce.

Solocal **customer base**[1] evolved as follows in the fourth quarter and full year of 2022 :

	Q4 2021	Q4 2022	Change	FY 2021	FY 2022	Change
Customer base - BoP (a)	**311k**	**293k**	***-19k***	**315k**	**309k**	***-6k***
+ Acquisitions	*11k*	*10k*	*-1k*	*43k*	*35k*	*-8k*
- Churn	*-12k*	*-13k*	*1k*	*-49k*	*-56k*	*7k*
Customer base - EoP (a)	**309k**	**288k**	**-21k**	**309k**	**288k**	**-21k**
Net change BoP - EoP	**-2k**	**-4k**	**-**	**-6k**	**-21k**	**-**
Churn (b) - *in %*	12.8%	16.6%	+3.8pts	12.8%	16.6%	+3.8pts

(a) BoP = beginning of period / EoP = End of Period
(b) Churn rate : number of churned customers on a LTM basis divided by the number of customers BoP

Customer base[1] stood at 288,000 customers as at 31st December, 2022, **down** -6.8% compared to 31h December 2021, resulting from:

- A level of new customers' acquisition below expectations (+35k customers);
- A loss in customers (- 56k customers) slighty up compared with 2021.

Churn rate (b), stands at 16.6% as at 31st December 2022, up from 12.8% as at 31st December 2021.

Group ARPA[2] was approximately €1,345 as at 31st December 2022, flat compared to 30th September 2022 and slighty down compared to 31st December 2021 (c. €1,370).

3. Profit and Loss

In view of Solocal's cash forecast for the next 12 months, the 2022 consolidated and annual financial statements were prepared on a going concern basis.
Solocal calls attention to the maturity of its debt and the risks associated with the refinancing thereof. In effect, there are two main maturity dates for the debt: €34 million is due at the end of September 2023 on the RCF debt and €195 million is due in March 2025 on the bond debt.
Solocal's cost structure is mainly fixed (gross margin rate : around 90%). Group's financial performance and ability to generate cash are highly dependent on commercial performance (acquisition and retention of existing customers) and customers' economic environment.
Solocal therefore considers that the refinancing risk factor described in section 2.5 "Financial risks" of Solocal's 2021 Universal Registration Document, has increased. This situation creates a material uncertainty regarding the going concern status. If the Group were unable to meet or, if necessary, renegotiate these repayments, it might no longer be able to realise its assets and settle its liabilities in the normal course of business.
In this context, the Group is working on different options and deploying an offensive strategy to win new customers while developing its existing customer base.

In € million	2021	2022	Change	Change
Total Revenue	**428,0**	**400,0**	**(28,0)**	**-6,5%**
External expenses	(122,4)	(113,1)	9,3	-7,6%
Personnel expenses	(185,0)	(171,9)	13,1	-7,1%
Recurring EBITDA	**120,6**	**115,0**	**(5,6)**	**-4,6%**
Non-recurring items	9,3	(0,3)	(9,6)	+103,0%
Consolidated EBITDA	**129,9**	**114,7**	**(15,2)**	**-11,7%**
Depreciation and amortisation	(59,5)	(56,2)	3,3	-5,6%
Operating income	**70,4**	**58,5**	**(11,9)**	**-16,9%**
Financial income	(28,5)	(28,5)	0,0	-0,1%
Income before tax	**41,9**	**30,1**	**(11,8)**	**-28,3%**
Corporate income tax	(19,1)	(33,3)	(14,2)	n.a.
Consolidated Net income Group	**22,9**	**(3,3)**	**(26,2)**	**-114,2%**

2021 net income has been restated for the impact of the IFRIC IC decision on the recognition of SAAS contracts for €(0.6) million after tax.

EBITDA amounts to €114.7 million in 2022, in line with revised outlook published in July 2022 with a **recurring EBITDA of €115 million** (down -4.6% compared to 2021).

Recuring EBITDA margin as a percentage of revenue amounts to **28.8%,** slightly up +0.6 pts compared to 2021. This strong resilience results from a strict cost control management and a **reduction in personal expenses** (-€13 million compared to 2021) due among others to a lower average salesforce in 2022 than in 2021 (as a result of recruitment difficulties and turnover level higher than expected).

External expenses amounts to €113.1 million in 2022, -7.6% compared to 2021 due to (i) a reduction in the use of external services, (ii) a reduction in direct marketing expenses, (iii) a reduction in "media spend" in line with the contraction of the activity and (iv) a strict cost control.

Non recurring items amounts to -€0.3 million in 2022..

Depreciation and amortisation amounts to €56.2 million in 2022, i.e. stable compared to 2021 (€59.5 million).

Financial result amounts to -€28.5 million in 2022, mainly composed of financial interests on financial debts (€26.1 million).

Income before tax amounts to €30.1 million in 2022 vs. €41.9 million in 2021.

Corporate income tax booked in 2022 amounts to -€33.3 million, including :

- -€2.2 million CVAE charge.
- -€27.7 million of deferred taxes including -€26.1 million relating to the impairment of deferred tax assets on tax loss carry forward;
- and a -€3.4 million of corporate income tax;

Consolidated net income stands at **-€3.3million** in 2022 vs. €22.8 million in 2021.

4. Cash Flow Statement and Debt

In € million	FY 2021	FY 2022	Change	Change
Recurring EBITDA[1]	**120.6**	**115.0**	**(5.6)**	**-5%**
Non-monetary items included in EBITDA	5.1	3.9	(1.2)	-24%
Net change in working capital	(20.2)	(34.7)	(14.5)	72%
- Of which change in receivables	*(10.6)*	*(14.1)*	*(3.5)*	*33%*
- Of which change in payables	*(10.6)*	*(6.3)*	*4.3*	*-41%*
- Of which change in other WCR items	*1.0*	*(14.3)*	*(15.3)*	*N.A.*
Acquisitions of tangible and intangible fixed assets	(33.4)	(31.6)	1.8	-5%
Recurring operating free cash flow	**72.1**	**52.6**	**(19.5)**	**-27%**
Non-recurring items	(8.1)	(6.4)	1.7	-21%
Disbursed financial result	(13.5)	(19.7)	(6.2)	46%
Corporate income tax paid	(6.0)	(4.5)	1.5	-25%
Others	(0.6)	0.4	1.0	N.A.
Free cash flow	**43.9**	**22.4**	**(21.5)**	**-49%**
Increase (decrease) in borrowings	(6.1)	(14.0)	(7.9)	130%
IFRS 16 & Others	(19.7)	(17.9)	1.8	-9%
Net change in cash	**18.8**	**(9.5)**	**(28.3)**	**-150%**
Net cash & cash equivalents BoP	61.4	80.2	18.8	31%
Net cash & cash equivalents EoP	**80.2**	**70.8**	**(9.4)**	**-12%**
Operating free cash flows (*)	**43.8**	**28.7**	**(15.1)**	**-34%**

Change in working capital requirements amounts to -€34.7 million in 2022 compared to -€20.2 million in 2021. This working capital need comes from :

- an increasing receivables working capital requirement by -€14.1 million in line with 2022 sales performance and former customers churn;

- a deterioration in "Other" working capital items by -€14.3 million, mainly due to the repayment of “passif fiscal et social” (€7 million) and a reversal of provisions for paid leave in connection with the reduction in workforce (€4 million).

Capex amount to €31.6 million in 2022, down -5% compared to 2021, due to a refocus of investments on targeted programs.

Cashed-out financial expenses amount to -€19,7 million in 2022 and correspond to the payment of the bonds' interests in cash, annual interests' on the RCF and annual interests' of the BPI loan. In 2021, the financial expenses paid amounted to -€13.5 million as the group only paid 50% of its bonds' coupons in cash, the remaining 50% were capitalised.

Consolidated Free Cash Flow is positive, at +€22.4 million in 2022 compared to +€43.9 million in 2021, resulting from a more negative change in working capital in 2022 than in the previous year.

Decrease in borrowings by -€14 million reflects the partial repayment of the RCF for €10 million and amortization of the BPI loan for €4.0 million.

The change in « Others » by **-€17.9 million** mainly derives from the cash-flow corresponding to the financial amortization of capitalised rights of use related with the application of IFRS 16 (i.e. the rents paid by the group for c. €20 million).

Group net change in cash is therefore negative at **-€9.4 million** in 2022. As at 31st December 2022, **Group cash position amounts to €70.8 milion**, compared to €80.2 million as at 31st December 2021. In 2022, the Group repaid **€14 million** of **RCF and "Prêt ATOUT" and €7 million** of "passif social et fiscal" now fully refunded.

Net financial debt amounts to **€171 million at 31st December 2022** (excluding IFRS 16), a slight improvement compared to €175 million at 31st December 2021. It includes **Bonds maturing in 2025** (respectively €177 million and €19 million), the fully drawn RCF maturing in September 2023 (€34 million), the "Prêt ATOUT" loan (€11 million), the accrued interests for around €1 million and a net cash position of €70.8 million.

The application of IFRS 16 impact on net financial debt is +€60 million as at 31st December 2022, resulting from the reclassification of rental expenditures in rental obligations as part of liabilities on the balance sheet.

Net leverage[4] as defined in the documentation pertaining to Solocal's 2025 maturity Bonds is **1.7x** as at 31th december 2022 (to which IFRS 16 does not apply). The EBITDA to interest expenses ratio[4] (ISCR) amounted to **4.3x**.

The group **complies with the financial covenants[4]** requested by the Bonds documentation, with respectively 51% and 44% of headroom.

5. Q1 2023 Revenue and backlog analysis

In million euros	FY 2021	FY 2022	Change	Q1 2022	Q1 2023	Change
Total revenue	**428.0**	**400.0**	-6.6%	**101.5**	**93.3**	-8.0%

First quarter 2023 consolidated revenue amounts to €93.3 milion, down -€8.2 million, i.e. -8.0% compared to first quarter revenue 2022. Revenue from renewal model raises to €51.9 million i.e. 56% of revenue (vs. 49% in first quarter 2022). Revenue from acquisition (new customer, customer base development, and migration) amounts to €41.3 million i.e. 44% of revenue.

In million euros	31/12/2021	31/03/2022	30/06/2022	30/09/2022	31/12/2022	31/03/2023	Change
Digital order backlog	**243.5**	**242.6**	**239.9**	**234.5**	**221.6**	**221.7**	**0.0%**

Order backlog amounts to €221.7 million as at 31 March 2023 and flat compared to 31st December 2022.

Based on management's best estimate, approximately 34% of this order backlog will flow into 2023 second quarter revenue, 42% in the 2023 second semester and 13% in 2024.

Solocal revenue for Q1 2022 is presented below:

In € million	Q1 2022	Q1 2023	Change	Allocation
Connect	23.7	25.5	7.5%	27%
Booster	62.6	53.4	-14.8%	57%
Websites	15.2	14.5	-4.4%	16%
Total revenue	**101.5**	**93.3**	**-8.0%**	**100%**

Connect activity represents 27% of Q1 2023 revenue. It is up +7.5% compared to first quarter 2023, driven by the retention offer proposed to customers and a slight price increase at the end of the year 2022.

Booster activity represents 57% of Q1 2023 revenue. It is down by -14.8% compared first quarter 2022 due to a relatively higher churn level on our "Booster" and "Priority Ranking" offers.

Websites activity represents 16% of Q1 2023 revenue. It decrease by -4.4% compared to first quarter 2022, mainly due to a higher churn on the premium range.

6. Sales performance, customer base, churn and ARPA

	Q1 2022	Q1 2023	*Change*
Customer base - BoP [(a)]	**309k**	**288k**	***-21k***
+ Acquisitions	*9k*	*8k*	*-1k*
- Churn	*-14k*	*-16k*	*1k*
Customer base - EoP [(a)]	**304k**	**281k**	**-23k**
Net change BoP - EoP	**-5k**	**-7k**	**-**
Churn[(b)] - *in %*	+13.7%	+17.4%	+3.6pts

Customer base[1] stood at 281,000 customers as at 31st March 2023, down -7.6% compared to 31th December 2022, resulting from :

- A level of new customers' acquisition (+8k customers) slighty down compared to Q1 2022 ;
- A loss in customers (- 16k customers) slighty up compared to Q1 2022.

Churn rate[(b)], stands at 17.4% as at 31st March 2023, up from 16.6% as at 31st December 2022.

Group ARPA[2] was approximately €1,340 as at 31st March 2023, slightly down compared to 31th March 2022 (c. 1,360 €) and to 31th December 2022 (c. 1,345 €)

7. Outlook

In a context of early 2023, which is marked by inflationary pressures and difficulties in retaining VSE/SME customers in an uncertain environment, the Group expects **revenue in the coming quarters to be in line with the revenue of the first quarter of 2023 (EUR 93.3 million), below 2022.**

In **2023**, the group will continue cost control efforts to maintain an **EBITDA margin between 20% & 25%.** Beyond market conditions, the Group will be impacted by the full-year effect of the sales force increase implemented in 2022, the impact of the communication campaign broadcast in 2023 and an expected slightly unfavorable product mix.

Finally, the group will focus on productivity of the sales force and improving customer satisfaction in order to limit the churn.

8. Detail on the nominal value of Solocal Bonds

As at 15th december 2022, the value of Bonds with ISIN code is FR0013237484 amounts to €176,689,747.06 euros (amount of €334,125,321 adjusted with a pool factor of 0,5288128015230).

As at 15th december 2022, the value of Bonds with ISIN code is FR0013527744 amounts to €18,743,702.88 euros (amount of €17,777,777 adjusted with a pool factor of 1,054333333333).

Next major dates in the financial calendar

The next financial calendar dates are as follows :

- Combined General Meeting on 29th June 2023.
- 2023 First half results on 27th July 2023

Due to rounding, numbers presented throughout this and other documents may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

The Board of Directors approved the Group's consolidated accounts on 26th April 2023. The audit procedures of the consolidated accounts were carried out and the certification report, who will mention a significant uncertainly on a going concern basis, from the auditors is to be released.

Quarterly financial information in this press release has not been audited.

Notes

[1] The customer base represents the number of customers with whom the Group haas generated at least one euro in revenue over the past 12 months
[2] ARPA calculated as LTM revenue divided by the average customer base over the past 12 months
[3] Operating Recurring Free Cash Flows : Recurring EBITDA (including IFRS 16 Rents) + non monetary items included in EBITDA + Change in WC – Capex – non recurring items
[4] Calculation based on documentation of Solocal Bonds (with a 2025 maturity)
[5] Churn rate: number of churned customers on a LTM basis divided by the number of customers BoP
[6] Engaged revenue: order backlog which will be converted into revenue in 2023 and revenue from sales scheduled to be automatically renewed in 2023

Definitions

Order intake: Orders recorded by the salesforce, that give 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 31 december 2022 from order bookings such as validated and committed by customers. For subscription-based products, only the current commitment period is considered

Secured revenue: This is the recognition of future revenue from past order intake as validated and committed by customers to date (net of cancellations already noted) and which should give rise to a future service

ARPA: Average Revenue per Advertiser, based on the last twelve months order intake for Solocal SA

Winback: acquistion of a customer who has been lost in the previous 12 months

Churn: number of churned customers on a LTM basis divided by the number of customers BoP

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Appendix – Revenue overview evolution

Initial overview of revenue 2022 – with "Priority ranking" classified in Connect offer

In € million	Q4 2021	Q4 2022	Change	FY 2021	FY 2022	Change	Allocation
Connect	32.8	34.9	6.4%	126.5	143.0	13.1%	36%
Booster	57.6	49.2	-14.7%	238.3	195.5	-18.0%	49%
Websites	15.4	15.1	-1.9%	63.2	61.4	-2.8%	15%
Total revenue	**105.9**	**99.2**	**-6.3%**	**428.0**	**400.0**	**-6.5%**	**100%**

New overview of revenue 2022 - with "Priority ranking" re-classified in Booster offer

In € million	Q4 2021	Q4 2022	Change	FY 2021	FY 2022	Change	Allocation
Connect	24.0	24.3	1.2%	86.4	96.9	12.2%	24%
Booster	66.5	59.8	-10.1%	278.4	241.6	-13.2%	60%
Websites	15.3	15.1	-1.3%	63.2	61.4	-2.8%	15%
Total revenue	**105.9**	**99.2**	**-6.3%**	**428.0**	**400.0**	**-6.5%**	**100%**

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