solocal

Press release Boulogne-Billancourt, 24 September 2024

H1 2024 financial results

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- €163.8 million **revenue**, i.e -12% vs. H1 2023
- **Recurring EBITDA** of €24.8 million, i.e. -27% vs. H1 2023
- €3.2 million **operating free cash flows** (excluding rents)
- €43.6 million **cash** on the balance sheet as of 30 June 2024

Q2 2024

- €80.5 million **revenue**, i.e -13% vs. Q2 2023
- **Order backlog** at €181.5 million as of 30 June 2024 (vs. €192.4 million as of 31 March 2024)
- **Stable ARPA**[2] vs 31 March 2024 (c. 1,300 €)
- Decrease in customer base[1] at 246k customers vs. 253k as of 31 March 2024
- Slight improvement in churn[5] rate to 19.8%

2024 outlook

- 2024 will be impacted by ongoing commercial difficulties and high churn rate experienced in 2023
- Revenue is expected to be circa 10% lower than in 2023 (on a like-for-like basis). Based on an assumption of a 5-month contribution from Regicom, the Group's consolidated revenue could reach €340 million
- Despite ongoing cost control efforts, EBITDA margin is expetectd to be in the region of 15%

Recent developments

- **Completion of the financial restructuring on 31 July 2024, providing Solocal with a sound financial structure** underpinning its ambition to return to sustainable and profitable growth
- **Maurice Lévy appointed Chairman and CEO**;
- **Ycor** (a company controlled by Maurice Lévy and his family) **is now Solocal's controlling shareholder;**
- **Board of Directors strengthened with the appointments of Cédric O, Marguerite Bérard and Julien-David Nitlech**

The Board of Directors, during the meeting on 24 September 2024, approved the Group's consolidated financial statements for the six months ended 30 June 2024. The interim financial statements have been subject to a limited review by the statutory auditors. The quarterly figures have not been subject to either a limited review or an audit by the statutory auditors. The limited review procedures for the condensed consolidated financial statements at 30 June 2024 have been performed. The statutory auditors' report on the half-yearly financial information is in the process of being issued.

1. Revenue and backlog analysis

In million euros	Q2 2023	Q2 2024	Change	S1 2023	S1 2024	Variation
Total revenue	**92.7**	**80.5**	-13.2%	**186.0**	**163.8**	-11.9%

H1 2024 consolidated revenue amounts to €163.8 million, down –11.9% compared to H1 2023. Q2 2024 amounts to **€80.5 million** (-13.2% compared to Q2 2023).

In H1 2024, revenue from renewal of existing contracts contributes to €104.6 million, **i.e. 63.9% of the revenue, stable in amount** compared to H1 2023.

Revenue from acquisition (new customers, development and migration of old contracts into subscription mode) amounts to €59.2 million and **represents 36.1% of the revenue,** down approximatively €20 million compared to H1 2023.

These trends are mainly driven by:
- sustained headwinds regarding the sales performance, in particular in terms of acquisition from field salesforce in a tough economic environment for VSE/SME;
- a customer churn, now plateauing but on a high watermark.

In million euros	31/12/2022	31/03/2023	30/06/203	30/09/2023	31/12/2023	31/03/2024	30/06/2024	Change
Order backlog	**221.6**	**221.7**	**211.0**	**203.1**	**194.1**	**192.4**	**181.5**	**-5.7%**

Order backlog amounts to €181.5 million as at 30 June 2024, down -5.7% compared to 31 March 2024. Based on Management best estimates, approximately 62% of this order backlog should flow into H2 2024 revenue, 35% in 2025 and 3% in 2026.

Solocal revenue for Q2 2024 and H1 2024 are as follows:

In € million	Q2 2023	Q2 2024	Change	H1 2023	H1 2024	Change	Répartition
Connect	25.0	21.9	-12%	50.5	44.7	-11%	27%
Booster	52.9	43.8	-17%	106.3	90.4	-15%	55%
Websites	14.7	14.8	1%	29.2	28.7	-2%	18%
Total revenue	**92.7**	**80.5**	**-13%**	**186,0**	**163.8**	**-12%**	**100%**

In H1 2024, **Connect activity,** which includes digital presence, was down 11% compared with H1 2023. It represents 27% of H1 2024 revenue.

Booster activity (55% of H1 2024 revenue), which includes advertising activities, is down 15% compared to H1 2023 mainly due to a declining contribution of Priority Ranking and Booster Contact offers, in particular on the acquisition front.
Q2 2024 Booster revenue amounts to €43.5 million, down 17% compared to Q2 2023.

Websites activity represents 18% of H1 2024 revenue, the Privilege and Essential offerings offsetting the lackluster performance of the Premium offering in H1 2024.

2. Sales performance, customer base, churn and ARPA

H1 2024 sales performance, measured by order intakes, amounts to €158 million compared to €177.5 million in H1 2023. Renewal order intakes remained flat at €105.3 million in H1 2024 compared to €106 million in H1 2023. Order intakes from acquisition activities decreased by 26% and amount to €52.7 million (more than two third of which coming from the enterprise segment).

Solocal **customer base**[1] evolved as follows in Q2 and H1 2024 :

	Q2 2023	Q1 2024	Q2 2024	***Change vs Q2 2023***
Customer base - BoP [(a)]	**281k**	**261k**	**253k**	***-28k***
+ Acquisitions	*12k*	*6k*	*6k*	*-6k*
- Churn	*-15k*	*-14k*	*-13k*	*+2k*
Customer base - EoP [(a)]	**278k**	**253k**	**246k**	**-32k**
Net change BoP - EoP	**-4k**	**-8k**	**-8k**	**-4k**
Churn[(b)] - *in %*	-18.3%	-20.2%	-19.8%	-1.5pts

(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] stands at 246k customers as of 30 June 2024, down compared to 31 March 2024, resulting from:

- a lower-than-expected level of new customer acquisition (6k);
- a slight decrease in the number of lost customers (-13k) compared to 31 March 2024.

Churn rate [(5)], stands at 19.8% as of 30 June 2024, vs 18.3% as of 30 June 2023 and slightly in progress compared to 31 March 2023.

Group ARPA[2] stands at €1,300 as of 30 June 2023, stable compared to 31 March 2024.

3. Profit and Loss

In € million	H1 2023	H1 2024	Change	Change
Total Revenue	**186.0**	**163.8**	**-22.2**	**-11.9%**
External expenses	-59.5	-64.2	-4.7	8.0%
Personnel expenses	-92.5	-74.7	17.8	-19.2%
Recurring EBITDA	**34,0**	**24.8**	**-9.2**	**-27.1%**
Non-recurring items	-1.4	-1.0	0.4	n.a.
Consolidated EBITDA	**32.6**	**23.8**	**-8.8**	**-26,9%**
Depreciation and amortisation	-27.1	-24.9	2.2	-8,4%
Operating income	**5.4**	**-1.0**	**-6.4**	**n.a.**
Financial income	-16.9	-32.6	-15.8	-94,1%
Income before tax	**-11.4**	**-33.7**	**-22.3**	**-195.7%**
Corporate income tax	-12.1	-0.4	11.7	n.a.
Consolidated Net income Group	**-23.6**	**-34.0**	**-10.4**	**-44.4%**

H1 2024 EBITDA amounts to €23.8 million, and **recurring EBITDA to €24.8 million** (down 27.1% compared to H1 2023).

Recuring EBITDA margin as a percentage of revenue amounts to 15.1%, a 3pts decrease compared to H1 2023. The decline in revenue (-€22.2 million) was almost entirely offset by a reduction in personnel costs (-€17.8 million compared with the first half of 2023), mainly due to ongoing efforts to reduce costs attached to support functions, a reduction in the number of sales staff and a decrease in variable compensation linked to poor sales performance.

External expenses amount to €64.2 million in H1 2024, compared to €59.5 million in H1 2023, mainly due to the increase in provisions for impairment of trade receivables resulting from the increase in trade receivables and a delay in the collection process following the launch of a new information system.

Non-recurring items amount to -€1.0 million in H1 2024, mainly relating to operational restructuring costs. Non-recurring items relating to financial restructuring are recorded in financial expenses.

Depreciation and amortisation amount to -€24.9 million in H1 2024, down compared with H1 2023, in line with lower Capex during the comparative periods used as the basis for calculating depreciation and amortisation.

Financial result amounts to -€32.6 million in H1 2024, mainly composed of:

- €13 million of financial interests on debt;
- €11.1 million of charges related to financial restructuring;
- €7.7 million in amortization of the cost of debt (including the impact of the accelerated amortization of the cost of restructured debt for an amount of € 4.7 million).

The Group's new debt structure will cut financial expenses by around €24 million (full year effect).

Income before tax amounts to -€33.7 million in H1 2024 vs. -€11.4 million in H1 2023.

Corporate income tax booked in H1 2024 amounts to -€0.4 million. H1 2023 corporate income taxe amounted to -€12.1 million including an impairment of deferred tax assets on tax loss carry forward.

Consolidated net income stands at -€34 million in H1 2024 vs. -€23.6 million H1 2023.

4. Cash Flow Statement and Debt

In € million	**H1 2023**	**H1 2024**	**Change**
Recurring EBITDA	**34,0**	**24.8**	**-9.2**
Non-monetary items included in EBITDA	-1.4	10.9	12.3
Net change in working capital	-11.3	-23.0	-11.7
- Of which change in receivables	*-4.3*	*-16.6*	*-12.3*
- Of which change in payables	*-8.1*	*1.1*	*9.2*
- Of which change in other WCR items	*1.2*	*-7.5*	*-8.7*
Acquisitions of tangible and intangible fixed assets	-11.6	-9.5	2.1
Recurring operating free cash flow (excluding rents)	**9.8**	**3.2**	**-6.6**
Non-recurring items	-0.7	-4.2	-3.5
Disbursed financial result	-6.0	-1.7	4.3
Corporate income tax paid	0.4	2.8	2.4
Others	0.2	-0.4	-0.6
Free cash flow	**3.6**	**-0.3**	**-3.9**
Increase (decrease) in borrowings	-2.0	-2.0	-
IFRS 16 & Others	-9.1	-9.7	-0.6
Net change in cash	**-7.5**	**-12.1**	**-4.6**
Net cash & cash equivalents BoP	70.8	55.7	-15.1
Net cash & cash equivalents EoP	**63.3**	**43.6**	**-19.7**
Operating free cash flows[3]	**0.1**	**-11.1**	**-11.2**

Change in working capital requirements amounts to -€23.0 million in H1 2024 compared to -€11.3 million in H1 2023. This negative change in working capital comes from:

-a -€16.6 million deterioration in trade receivables due to the continued decline in sales activity and a delay in the collection process following the introduction of a new information system in January 2024. The increase in receivables as a result of this delay in the collection process has led to a specific provision for impairment of trade receivables. This additional impairment is recorded under "Non-monetary items included in EBITDA"

- a -€7.5 million change in "Other" working capital items.

Capex amounts to €9.5 million in H1 2025, down -17.7% compared to H1 2023.

The recurring operating free cash flow (excluding rents) is positive, at +€3.2 million in H1 2024 compared to +€9.8 million in H1 2023, resulting from a strong decrease in recurring EBITDA.

Cashed-out financial expenses amount to -€1.7 million in the first half of 2024, mainly composed of interest payments on the revolving credit facility for an amount of €1.5 million. As part of the financial restructuring, no interest payments were made regarding the Bonds and Mini Bonds. In the first half of 2023, disbursed financial expenses amounted to -€6.0 million.

Free Cash Flow is negative at -0.3 million in H1 2024 compared to +€3.6 million in H1 2023.

-€2 million **borrowings** reflect the amortization of the BPI loan.

The change in « Others » by **-€9.7 million** mainly derives from the cash-flow corresponding to the financial amortization of capitalised rights of use related to the application of IFRS 16 (i.e. rents paid by the group).

Group net change in cash is therefore negative at **-€12.1 million** in H1 2024. As of 30 June 2024, **Group cash position amounts to €43.6 million** vs €55.7million as of 31 December 2023.

Net financial debt amounts to **€217million as of 30 June 2024** (excluding IFRS 16), an increase compared to €197 million as of 31 December 2023. It includes **Bonds maturing in 2025** (respectively €177 million and €19 million), the fully drawn RCF maturing in September 2024 (€34 million), the "Prêt ATOUT" loan (€5 million), the accrued interests for around €26.6 million and a net cash position of €43.6 million.

The application of IFRS 16 impact on net financial debt is €43 million as of 30 June 2024. This derives 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 of Solocal's 2025 maturity Bonds is 5.9x as of 30 June 2024 (to which IFRS 16 does not apply). The EBITDA to interest expenses ratio[4] (ISCR) amounted to 1.5x (€11.1 million of charges related to financial restructuring were excluded from the calculation). Capex was less than 10% of consolidated sales in the first half of 2024

The Group is not in compliance with the financial ratios stipulated in its financing documention. Nevertheless, the Group benefited from a waiver in respect to its financial covenants under the conciliation agreement signed on 6 May 2024.

5. 2024 Outlook

As a result of poor sales activity in 2023, a changing salesforce model in 2024, a high churn rate due to challenge in retaining VSE/SME customers in an uncertain economic environment, and despite substantial investments in the customer experience, the Group expects revenue to be down around 10% compared to 2023 on a like-for-like basis. Based on an assumption of a 5-months' contribution from Regicom, the Group's consolidated sales could amount to 340 million euros.

In 2024, the company will continue its efforts to control costs in order to maintain an EBITDA margin of around 15%.

The Group's efforts will focus on sales force productivity, on investments with a direct short-term impact on its products and PagesJaunes media, and on improving the customer experience to limit churn.

6. H1 2024 & recent financial developments

Completion of the financial restructuring initiated in June 2023

After many discussions, Solocal Group announced on 12 April 2024 that it had signed an Agreement in Principle with Ycor, most of its bondholders (some of whom were shareholders) and RCF lenders.

On 22 April 2024, the Bondholders' General Meeting of Solocal Group approved the proposed amendment of the accelerated financial safeguard plan by 99.8% of the votes cast. Subject to the lifting of a certain number of conditions precedent, this Agreement in Principle provided for :

- a contribution of €43 million to the Company exclusively in equity of which (i) €25 million via subscription to a capital increase in cash reserved for Ycor, and (ii) a capital increase with shareholders' preferential subscription rights for a total amount of around €18 million;

- the contribution in kind of all shares issued by Regicom Webformance SAS ("Regicom") to the Company;

- at the date of the effective completion of the contemplated share capital increases and issuance of securities, the partial repayment of existing RCF debt, in the amount of €20 million, with part of the proceeds from the abovementioned equity contributions;

- a massive reduction in the nominal amount of the Company's existing gross bond debt (Bonds and Mini Bonds including interest due) by approximately 85%, with different amortisation or conversion profiles depending on the nature of the reinstated debt.

All conditions precedent to this agreement have been lifted, in particular :

- its approval by the shareholders' general meeting held on 19 June 2024 ;

- the Nanterre Commercial Court's decision to amend the Company's accelerated financial safeguard plan, and the approval of the conciliation agreement signed on 6 May 2024 between the Company, Ycor and the financial creditors.

The capital increases were carried out in July 2024, and settlement and delivery of the associated shares took place on 31 July 2024 (cf. press releases dated 29 & 31 July 2024).

As the transactions were completed after 30 June 2024, the only impacts of the financial restructuring on the financial statements are as follows:

- the application of the "catch-up method", leading to an accelerated amortization of the difference between the nominal value of the debt instruments issued and their fair value at the issue date, and of the issuance costs of these same instruments. This impact amounted to a charge of €4.7 million and was recorded in net financial expense.

- the recognition of financial restructuring costs already incurred at 30 June 2024, amounting to €11.1 million.

New controlling shareholder and governance

The allocation of share capital and voting rights following the issue of new ordinary shares is described in the press release published by the Company on 29 July 2024. Following the transactions, Solocal's share capital comprises 33,316,837,077 shares, representing 33,317,376,596 theoretical voting rights. Ycor holds 21,405,734,661 shares, representing the same amount of theoretical voting rights, thereby acquiring control of the company.

The Company's Board of Directors (the "Board") is now composed as follows:

- M. Maurice Lévy, Chairman and Chief Executive Officer;
- Mrs. Marguerite Bérard, independent director proposed by Ycor and Vice-Chairwoman of the Board of Directors;
- Mr. Julien-David Nitlech, independent director proposed by Ycor;
- Mr. Cédric O, independent director proposed by Ycor;
- Mr. Alexandre Fretti, independent director;
- Mrs. Delphine Grison, independent director;
- Mrs. Marie-Christine Levet, independent director; and
- Mrs. Catherine Robaglia, director representing employees.

Mr Maurice Lévy, Julien-David Nitlech, Cédric O and Mrs Marguerite Bérard were co-opted by the Board of Directors following the resignations of David Amar, Cédric Dugardin, Bruno Guillemet, Philippe Mellier, Ghislaine Mattlinger and Sophie Sursock. Ratification of these co-optations will take place at the next Annual General Meeting of Shareholders.

Strategic road map

The new governance will focus on rebuilding Solocal on solid foundations, for profitable and sustainable growth over the long term. The new foundations will be based on :

- A revitalized product offering and a redesigned go-to-market strategy.

- Remobilization of the workforce through a strong new management team that will provide a clear, intelligible strategic vision while capitalizing on talent.

- Streamlining the operations, structures and tools, while capitalizing on synergies with Regicom and learning from Regicom's successful turnaround since its takeover by Ycor in 2019.

These foundations will be deployed to support a new vision for Solocal, which aims to become "THE" platform for citizens/consumers and local advertising players, with a strategy built on three pillars:

-Local information (partnerships with the local press, local authorities, etc.).

- Enhanced services: booking appointments, quotes, etc., as well as marketplace services for small and medium-sized businesses, enabling them to sell their local products anywhere in France.

- Targeted advertising in a cookie-less world: leveraging the PagesJaunes database, activating media campaigns (PagesJaunes identity solution) and optimizing inventory revenues (agreements with advertisers) should make PagesJaunes a must-have media.

In 2027, Solocal is ambitioning for consolidated revenue of around €500 million and an EBITDA margin of around 25% (likely to change depending on the new products developed), thanks to the combined effect of lower costs and the contribution of new offers.

Reverse share split

On 5 September 2024, Solocal Group announced the launch of a reverse share split through the allocation of one (1) new share with a par value of one euro (€1) for every one thousand (1,000) existing shares of one thousandth of a euro (€0.001) par value each. The reverse share split will start on 23 September 2024 (inclusive) to 22 October 2024 (inclusive), last date of trading of extisting shares (ISIN FR0014000609). The New Shares will be admitted to trading on the regulated market of Euronext in Paris from 23 October 2024 (ISIN FR001400SA10).

Main characteristics of the new debt structure

Following the financial restructuring, the debt structure (excluding IFRS16) breaks down as follows:

<u>Bond issue converted into TSSDIs on 31 July 2024</u>

At 30 June 2024, the nominal amount of Solocal's bond issue maturing 15 March 2025 totaled €176.7 million.

The completion of the financial restructuring on 31 July 2024 resulted in the conversion into capital of almost the total amount of the Bond and its accrued interest. An amount of €5 million due under the bond was not converted into capital was converted into perpetual deeply subordinated notes (TSSDI) governed by French law (article L. 228-97 of the French Commercial Code). The TSSDIs do not bear interest.

No payment under the TSSDIs may be made before full payment of all amounts due under the RCF Credit Facility, as amended under the 2024 Conciliation Agreement. No dividend may be paid until the TSSDIs have been redeemed in full. The TSSDIs will be treated as quasi-equity items under shareholders' equity in the Group's consolidated financial statements.

Mini Bond

At 30 June 2024, the nominal amount of Solocal's Mini Bond maturing 15 March 2025 was €18.7 million.

The completion of the financial restructuring on 31 July 2024 resulted in the reinstatement of the Mini Bond for an amount of €21,348,687.75 (including the capitalization of part of the interest due during the negotiations). The Mini Bond now matures on 15 March 2029 (if the Group's EBITDA exceeds €130 million in 2027, otherwise extended to 15 March 2031 with redemption of 1/3 on 15 March 2029, 1/3 on 15 March 2030 and 1/3 on 15 March 2031). Interest is calculated on the basis of Euribor 12 Months + 5% and will be capitalized on 15 March of each year from 15 March 2026. Financial covenants remain unchanged.

RCF :

At 30 June 2024, the nominal amount of the RCF was 34 million euros.

As part of the financial restructuring finalized on 31 July 2024, the revolver credit facility was partially repaid in the amount of 20 million euros. The residual amount, fully drawn down, is therefore 14 million euros, and the maturity date is now 30 September 2026 (with an amortization profile consisting of 4 repayments of 3.5 million euros each made in March 2025, September 2025, March 2026 and September 2026). Interest (paid quarterly in cash) is now calculated on the basis of Euribor 3 Months + 8.5%. Financial covenants remain unchanged.

The maturity of the "Prêt'ATOUT" by Bpifrance has been extended by one year, with a correspondingly adjusted amortization profile and an increase in the interest rate of one basis point.

Signature of an agreement on the Citylight Lease (head office)

Concomitantly with the financial restructuring Soloca has entered into discussions with the owner of its head office located in Boulogne Billancourt. The Group was committed to a lease contract for a firm term of 10 years until May 2026. Following discussions with the owner, an agreement was reached based on the main following terms and conditions :

- Downward revision of rented space from 1 January 2025 by approximately two thirds, representing cash savings of around €14 million per annum (including rental expenses and taxes);

- New commitment to rent these revised surfaces for a period of 6 years

- Compensation of the owner for the rent-free period initially granted on a prorata temporis basis.

The condition precedent to this renegotiation was the completion of the Group's financial restructuring process. This condition was lifted at the end of July 2024. As the condition precedent to this agreement was lifted after June 30, 2024, its impact has not been taken into account in the financial statements.

Next date in the financial calendar

- Q3 2024 on 24 October 2024

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.

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 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
[5] Churn rate: number of churned customers on a LTM basis divided by the number of customers BoP

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 30 June 2024 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 Account, 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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