

## Review of rating agencies' opinions following Solocal 2018 annual results release

Following the release of Solocal 2018 annual results on 19<sup>th</sup> February 2019, Fitch rating agency has maintained, on the same day, the corporate rating at B-, placing it on rating watch negative. Moody's today downgraded the corporate rating from B3 to Caa1, with a negative outlook. Solocal duly notes Moody's decision, the foundation of which it contests, as Moody's analysis does not take into account the announced outlook of a return to Digital order intake<sup>1</sup> growth in 2019, nor does it take into account working capital facilities that can be drawn by the company.

### Moody's decision is based on 2019 Digital order intake estimates in contradiction with the growth outlook communicated by Solocal

The management team has led a rapid transformation positioning Solocal on a growth path.

Regardless, Moody's explains that its decision to downgrade Solocal rating is based on a financial simulation with a highly stressed case where Digital order intakes would keep decreasing strongly by 25% in the first quarter 2019 (vs. first quarter 2018) and by 20% in the second quarter 2019 (vs. second quarter 2018). However, as announced upon the 2018 annual results presentation on 19<sup>th</sup> February 2019, Solocal has indicated its guidance of a return to Digital order intake<sup>1</sup> growth in 2019. This growth in Digital order intake<sup>1</sup> should take place gradually, quarter after quarter.

### Moody's decision overlooks Solocal's capacity to draw its working capital facilities

Moody's model shows a funding gap risk below 20 million euros in the third and fourth quarters 2019, with highly stressed business assumptions and without taking into account the company's ability to draw on its working capital facilities. At this stage, those facilities add up to 10 million euros, an amount that can be revised upwards. The company carries indeed over 200 million euros in account receivables on its balance sheet. In addition, Moody's does not take into consideration potential asset disposals the company is currently working on.

All those various points, as a whole, have led the Board of Directors to approve Solocal 2018 consolidated accounts as a going concern, and auditors to certify those.

**As indicated by Solocal in its 2018 annual results press release published on 19<sup>th</sup> February 2019, according to the cash outflows the group is projecting (based in particular on the growth of Digital order intake<sup>1</sup> in 2019) and taking into account its financial facilities, the group is in a position to finance its business activity in 2019 as well as the large outflows, related to the PSE, which will take place in the third and fourth quarters of 2019.**

<sup>1</sup> Continued activities

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