solocal

PRESS RELEASE

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Diversification of financing sources to ensure the Group's liquidity in 2020
Implementation of an equity line for a maximum amount of c. €40 million[5]

For two years now Solocal is committed to an ambitious transformation project ("Solocal 2020"). This strategic project involved in particular:

- Overhauling the product offer and media platforms: a new digital services offer for businesses, including the Presence range launched in November 2018 and the Priority Ranking range rolled out since the third quarter 2019 to all customers;
- Significant technological investments: optimised technical infrastructure, with the core project to move infrastructures to the Cloud and completely overhaul sales and customer relations tools;
- A significant cost-cutting plan: implementation of a redundancy scheme ("Plan de Sauvegarde de l'Emploi") concerning c. 1,000 staff in 2018 and extended in 2019 to c. 100 additional staff, coupled with a reduction in external costs in particular real estate overheads;
- Refocusing on strategic activities with asset disposals, some of which have already taken place (ChronoResto, A Vendre A Louer, NetVendeur, Retail Explorer), while others are in the pipeline.

This Solocal 2020 project will create significant value in the medium term and has already achieved:

- A return to growth of Digital order intake[1] in the third quarter 2019 (+5.3% vs. Q3 2018), proof that customers support our new services and that the project is moving in the right direction;
- Recurring EBITDA[1] growth of over 5% in the first half 2019 (vs. H1 2018), after a stabilisation in 2018 following nine years of decline.

Nonetheless, this strategic project requires more cash deriving in particular from:

(i) A working capital requirement impact, more unfavourable than expected, related to the migration of the customer base to the Priority Ranking offer in subscription mode (non-recurring impact of c. 20 million euros over the fourth quarter 2019);

(ii) A delay in the total or partial disposal of certain assets considered as non-strategic by the Group.

In this context, Solocal increases and diversifies its means of financing, including:

- Working capital requirement optimisation, with in particular an adjustment to customer payment features since early November, partially offsetting the above-mentioned adverse effect;
- An increase in the revolving credit facility of 10 million euros up to 50 million euros, according to the authorisation set in the bond documentation;
- An increase in asset financing lines, based on existing lines and those currently being negotiated, up to 10 million euros;
- An equity line implemented with Kepler Cheuvreux, enabling the Group to raise c. 40 million euros[6] over a maximum period of 24 months (based on a 0.72 euro[5] share price and a 5% discount). Amar Family Office and Nobel, company shareholders and represented on the Board of Directors, and DNCA Finance, company shareholder via its UCITS ("OPCVM"), have indicated their interest in acquiring Solocal Group shares for an amount corresponding to their ownership level, confirming their willingness to keep accompanying Solocal's transformation project.
  The detailed features of this equity line are described in the section entitled "Implementation of an equity line".

This strengthening of the financial structure, combined to historically solid operating cash flows and to cash projections, enables Solocal to handle the expected disbursements related to the Group's reorganisation, while pursuing the Solocal 2020 strategic project in particular as regards investments and supporting the new range of digital services.

Furthermore, the objective to deliver stabilised Digital order intake[1] and moderate growth of recurring EBITDA[1] in 2019 are unchanged (on a constant accounting standard basis before application of IFRS 16 rule).

Taking into account all the items above mentioned, the Group's liquidity is ensured for 2020.

Implementation of an equity line

Solocal's Board of Directors has decided upon the implementation of an equity line ("Paceo") with Kepler Cheuvreux acting as financial intermediary and underwriter of the transaction. As part of this equity line, Kepler Cheuvreux has committed to subscribe to 58,000,000 new shares (i.e. 9.9% of capital as of 31 October 2019) over a 24-month period at its own initiative and subject to contractual conditions being satisfied. In the event of this equity line[4] being used to the full, it would enable the company to raise c. 40 million euros[5,6].

Solocal retains the possibility of suspending or terminating this agreement at any time. In the event of this equity line being used to the full, a shareholder holding 1% of the capital would see his holding decrease to 0.91% of the capital on a non-diluted basis[2] and to 0.89% on a diluted basis[3].

The shares will be issued based on the volume-weighted average stock price over the two trading days preceding each issue, less a maximum discount of 5%. These conditions enable Kepler Cheuvreux, acting as financial intermediary, to guarantee the share subscription over time, in the context of a firm underwriting commitment.

The number of shares issued as part of this operation and admitted for trading will be indicated in a Euronext notice and a communication on Solocal's website. The issue does not give rise to the publication of an AMF-approved prospectus.

[1] Continued activities

[2] On the basis of 585,126,276 shares making up the capital of Solocal on 31 October 2019

[3] Assuming issue of 72,454,202 new shares coming from the exercise of all existing dilutive instruments (including this equity line) as of 31 October 2019

[4] Leading to the maximum issue of 58,000,000 new shares

[5] On the indicative basis of the average Solocal stock price over the last 20 trading sessions

[6] Assuming stock price at current level

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