solocal

PRESS RELEASE

Boulogne-Billancourt, 28th July 2021

2021 first half results

Flat revenue in Q2, limiting H1 revenue decrease to 5% vs prior year

Stable customer base for three quarters in a row

H1 2021 EBITDA on track to deliver €120m guidance for the year 2021

Presentation of the new 3-year roadmap on October 20th 2021

2021 second quarter: Stable Revenue[1,2], supported by a stabilized customer base[3] for the past 3 quarters

- Q2 2021 stable revenue : €107.9 million, i.e. +0.6% vs. Q2 2020[1,2]
- **Stabilized customer base[3]** over the quarter with 314k customers, thanks to an improved churn rate at 13.9% vs. 16.7% in Q1 2021
- ARPA[6] slightly up at €1,337 vs. €1,321 in Q1 2021
- More than 85% of Q2 order intake [4] in subscription mode[5], i.e. +9 pts vs. Q2 2020

Results of the first semester of 2021

- Consolidated revenue: €214.6 million, -5.1% vs. H1 2020[1,2]
- **Secured revenue[7]** for current year of €365 million as at 30th June 2021, vs. €388 million as at 30th June 2020
- Decreased order backlog at €266 million as at 30th June 2021 vs. €282.7 million as at 31st March 2021
- Recurring EBITDA of €56.5 million, vs. €73.8 million in H1 2020[2] (-23.4%)
- Consolidated operating profit: €34.2 million vs. €47.6 million in H1 2020[1,2] (-28.2%)

- **Cash on balance sheet: €71 million** as at 30th June 2021 vs. €61.4 million as at 31st December 2020
- Net debt slightly down at €187 million as at 30th June 2021, with a net leverage ratio of 2.3x[8]
- Confirmation of the partial and mandatory repayment of the RCF of €6 million as of 30th September 2021 (including €3 m in cash), as committed during the financial restructuring

Outlook 2021

- Stabilization of the **customer base[3] over the year 2021,** in line with the business momentum in the second quarter 2021
- Confirmed EBITDA of c. €120 million for 2021
- Strategic review to be completed and 3-year financial objectives to be presented on 20th October 2021

When releasing revenue of the first half of 2021, Hervé Milcent, Solocal Chief Executive Officer, said :

« Solocal realized a first half of the year in line with expectations, with key operational indicators either stable or in slight progression. While the Group is still facing the consequences of a lengthy health crisis, these are encouraging signals regarding the Group's ability to get through the crisis, and more importantly, to fully benefit from the upcoming return to normal. These positive developments constitute strong foundations for our new strategic roadmap which will enable Solocal to engage in a long-lasting growth path. This is all the work that I have been carrying out since my arrival, with the support of our teams and the trust of our new Chairman of the Board of Directors, Philippe Mellier. A strategic presentation will take place on 20th October 2021 in order to present the new roadmap and our financial targets over the next 3 years".

The Board of Directors approved the Group's consolidated financial statements as at 30th June 2021. Limited review procedures on the half-yearly accounts were carried out. The limited review report is to be released.

Financial performance indicators are commented on the scope of continuing operations. The financial elements presented in this press release for 2020 are revised in light of the scope of activity as at 30th June 2021.

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1. Revenue and order backlog

Reminder: The Print business was discontinued in November 2020 and is restated for 2020 as discontinued operations under IFRS 5. Print revenue and direct costs are therefore presented under « Income before tax from discontinued activities » in the first half 2020 Income Statement

Solocal revenue[1,2] in the second quarter of 2021 and over the first half of 2021 are as follows:

In million euros	Q2 2020	Q2 2021	Change	H1 2020	H1 2021	Change
Connect	25.9	30.7	+18.8%	52.1	61.8	+18.6%
Booster	66.8	61.5	-8.0%	138.6	121.4	-12.4%
Websites	14.6	15.7	+7.2%	35.4	31.3	-11.6%
Total revenue	**107.3**	**107.9**	**+0.6%**	**226.1**	**214.6**	**-5.1%**

Second quarter 2021 consolidated revenue[1,2] amount to €107.9 million, up +0.6% compared to the second quarter 2020 revenue[1,2]. This revenue's stability in the quarter is due to :

(i) the conversion into revenue of the decrease in past quarters' Digital order intake[4] because of the health crisis and especially the lockdown that took place in Q1 2020, offset by

(ii) a substantial improvement in business activity on Connect & Websites

First half 2021 consolidated revenue[1] amount to €214.6 million, down -5.1% compared to the first half 2020 revenue[1,2]. This reduction is mainly the result of the decrease in order intake recorded during lockdown periods in 2020, while the Group had not yet benefited from the virtues of its transition to the subscription model.

In order to illustrate the evolution of new digital services, Digital revenue is presented in three business lines:

- **Booster**: Businesses related to advertising, representing 56% of Digital revenues for 2020 (Booster Contact, Priority Ranking, etc);
- **Connect** (29% of revenue, formerly Presence) which includes the business of Digital Presence; and
- **Websites** (15% of revenue) for the different ranges of websites (Essentiel, Premium, Privilege).

The subscription model has been rolled out since the second half of 2019, and therefore the revenue is now composed of first-year engagement order intake (75% over the first half of 2021) and order intake[4] generated by **autorenewal** (25% over the first half of 2021). These figures were respectively at 91% and 9% over the first half of 2020. The share of autorenewed order intake will keep on increasing in the upcoming quarters, which will provide additional visibility on revenue generation while enabling the Group salesforce to focus more on the development of existing accounts & the acquisition of new customers.

Moreover, 70% of H1 2021 revenue stems from order intake[4] recorded in previous years and 30% from 2021 order intake[4]. This 30% share increased by +10pts compared to H1 2020 (20% of H1 2020 revenue came from 2020 order intake), thus reflecting the switch to subscription mode of the digital services and, hence, the time reduction between the order intake recording and revenue generation.

Solocal order backlog as at 30th June 2021 breaks down as follows:

In million euros	**31/03/2021**	**30/06/2021**	**Change**
Digital order backlog	282.7	266.0	-5.9%

The order backlog represents €266 million as at 30th June 2021, a -5.9% decrease compared to 31st March 2021. This decrease is explained by a lower value of order intake[4] recorded in the second quarter 2021 in comparison with revenue booked over the same period,

The €266 million order backlog is expected to convert into revenue to the tune **of 57% over the second half 2021** and 39% in the year 2022.

Based on management's best estimates, as of 30th June 2021, **secured revenue[7]** for 2021 amounts to **€365 million for the year 2021** thanks to the order intake[4] already recorded at this date. This figure amounted to €388 million as at 30th June 2020 for the year 2020. As a reminder, this secured revenue[7] was down -€52 million as at 31st March 2021 compared to 31st March 2020. The reduction of this gap illustrates the gradual stabilization of the Group's activity.

In million euros	**30/06/2020**	**30/06/2021**	**variation**
Secured Digital revenue for current year	388	365	-5.9%

2. Operational performance indicators

Solocal's operational perfomance indicators for Q2 2021 and H1 2021 are as follows:

	Q2 2020	**Q2 2021**	**Change**	**H1 2020**	**H1 2021**	**Change**
Subscription-based order intake - *as a % of Digital order intake*	76%	85%	+9 pts	78%	87%	+9 pts
Growth KPI		65%		-	26%	
Traffic : number of search PagesJaunes - *in million*	-	-	-	790	784	-0.8%

In the second quarter 2021, 85% of order intake[4] were recorded as subscription-based products[5], i.e. an increase of +9 points compared to Q2 2020. In total over the first half 2021, **87% of order intake[7] were subscription – based[5]**, i.e. an increase of +9 pts compared to H1 2020, mainly stemming from Priority Ranking and Connect offers, Websites and Booster Contact. This subscription-based order intake rate has been experiencing an ongoing ramp-up since the full roll-out of new digital Connect (previously Presence) and Priority Ranking services in July 2019. Subscription-based products are pivotal for the **transformation of the business model**, as it allows (i) a decrease in churn, while (ii) more importantly, it should foster an increase in new customer acquisition and cross-selling of existing clients by freeing up some salesforce time historically devoted to renewal.

Since February 2021, Solocal has been disclosing a "**growth KPI**", which corresponds to the contribution of order intake[4] of the quarter to revenue for the next twelve months. This indicator allows the group to monitor its order intake conversion into revenue and is up + 65% in the second quarter of 2021 vs. the second quarter of 2020. This means that the second quarter of 2021 order intake helped secure + 65% in revenue over the upcoming 12 months compared to the order intake recorded in the second quarter of 2020. This increase is explained in particular by a favourable base effect linked to the negative impact of the crisis and health measures in the second quarter of 2020.

PagesJaunes traffic is based on :

- Direct **traffic** from visits made directly by user on pagesjaunes.fr or PagesJaunes App or via search engines using SEO (search for our content);
- **Traffic on partner websites** on which Solocal display content. Since April 2021, the “cookies and other tracers” guidelines of the CNIL require the explicit consent of individuals to measure Solocal’s traffic on its partners’ website. The “visits” indicator is weakened as the traffic of syndicated directories is no longer measurable in a certified manner. The progressive ban of third-party cookies by internet browsers reinforces the weakness of this indicator for the future.

For these reasons, the group no longer communicates its « total traffic » figure but now the number of « **searches** ». The total number of searches thus stands at 784 million in the first half of 2021 vs. 790 million in the first half of 2020, i.e. a decrease of -0.8%.

Solocal **customer base**[3] evolved as follows in Q2 2021 and H1 2021:

	FY 2020	Q1 2021	Q2 2021	Q2 2020	Change
Customer base - BoP [(a)]	**349k**	**315k**	**314k**	**338k**	**-24k**
+ Acquisitions	*32k*	*9k*	*8k*	*5k*	*+3k*
- Churn	*-82k*	*-14k*	*-11k*	*-23k*	*+12k*
+ Winbacks	*16k*	*4k*	*2k*	*2k*	*-0k*
Customer base - EoP [(a)]	**315k**	**314k**	**314k**	**323k**	**-9k**
Net change	**-34k**	**-1k**	**0k**	**-15k**	**15k**
Churn[(b)] - *in %*	19.0%	16.7%	13.9%	20.2%	+6pts
Digital ARPA[(c)]	1 331	1 321	1337	1364	-

(a) *BoP = beginning of period / EoP = End of Period*
(b) *Churn : number of lost customers (net of winbacks) divided by number of BoP customers*
(c) *Digital ARPA calculated as revenues divided by the average customer base over the past 12 months, (scope restated from QdQ and Mappy)*

The Group's customer base[3] is **stable for the third consecutive quarter** at 314 k customers as at 30th June 2021. The Group records a decrease of **more than 6pts of churn** in Q2 2021 compared to Q2 2020[1]. In Q2 2021, the reduction in the number of customers was below the decrease in Q2 2020[1]. Indeed :

- Solocal acquired more customers in Q2 2021 than in Q2 2020 with nearly 8,000 new customers in Q2 2021 compared to 5,000 new customers in Q2 2020 ;
- At the same time, Solocal lost 12,000 less customers in Q2 2021 than in Q2 2020. This decrease in the number of lost customers can be explained by (i) the first effects of the subscription model, which has been rolled out since summer 2019 and that helped limit the attrition in terms of customers on Q2 2021, (ii) the setting-up of a team dedicated to customer retention in spring 2020 and by (iii) improving the product offer and gradually implementing solutions aimed at placing customer satisfaction at the heart of the Group's strategy.

The **Group's churn rate**[(b)], net of winbacks, is significantly improving at **13.9%** in Q2 2021 vs. 20.2% in Q2 2020, thus reflecting the first effects of the retention measures detailed above. This churn rate was 16.7% as at 31st March 2021[(b)].

Group ARPA[6] reaches €1,337 in Q2 2021, slightly down compared to Digital ARPA in Q2 2020 (€1,364) but flat compared to the full year 2020[1,6] (€1,331) This trend can be explained by a limited upsell and cross-sell dynamic, constrained by the adverse health environment and the measures which penalized the French economic activity this year. ARPA is now calculated basing on revenues and no longer on order intake.

3. Costs and EBITDA

In € million	H1 2020	H12021	Change	Change
Total Revenue	**226.1**	**214.6**	(11.5)	-5.1%
Net recurring external expense	(57.3)	(58.6)	1.3	+2.3%
Recurring personnel expenses	(95.0)	(99.4)	4.4	+4.6%
Recurring EBITDA	**73.8**	**56.5**	(17.3)	-23.4%
Non-recurring items	1.9	5.9	4.0	n.a.
Consolidated EBITDA	**75.7**	**62.5**	**(13.2)**	**-17.4%**

Recurring EBITDA reached €56.5 million for the first half of 2021, down -23.4% compare to the first semester of 2020[2]. The recurring EBITDA margin in relation to revenue thus amounts to 26.3%, down 6pts compared to the first semester of 2020[1,2]. This decrease mainly results from :

- the decrease in revenue mainly due to the effect order intake decline in 2020 which had little impact on H1 2020 revenue,
- the benefit of €13 million in cost relief linked to the Covid-19 health crisis (partial unemployment and indirect effects such as stopping travel). Restated from this sole effect, the EBITDA margin in H1 2020 would come out at c. 27%.

Recurring external expenses thus amounts to €58.6 million in the first half of 2021 up €1.3 million, or +2.3% compared to the first half of 2020[2]. Restated from exceptional cost reductions in 2020 (« media spend» down due to the closure of customer businesses in the second quarter of 2020, reduction in travel costs & seminars during the lockdown period), the external expenses for the first half of 2021 would be down almost 3%.

Recurring personnel expenses thus amounts to €99.4 million in the first half of 2021, up +€4.4 million, or +4.6% compared to the first half of 2020[2], explained by an unfavorable base effect. In fact, in 2020, the implementation of partial or total unemployment measures reduced the cost of the payroll by around €9 million during the first half of the year. As a result of these exceptional cost reductions, personnel costs in the first half of 2021 are down -4.5% compared to those in the first half of 2020.

As at 30th June 2020, the Group's workforce was composed of **2,813 people** (including long term illness), 52,4% of which were salespersons.

Non-recurring items of €5.9 million in the first half of 2021 correspond to the reversal of provision linked to the 2018 Employment Protection Pan corresponding to the "unused" provision out of the €225 million booked in 2018 and 2019.

After taking these non-recurring items into account, **consolidated EBITDA** amounted to **€62.5 million in the first half of 2021**, compared to €75.7 million in the first half of 2020[2], i.e.

a decrease of -17.4%. The consolidated EBITDA margin is 26.3%, down -5.2 points vs. the first half of 2020 marked by the exceptional cost reduction linked to the health crisis.

4. Net income

In € million	H1 2020	H12021	Change	Change
Consolidated EBITDA	**75.7**	**62.5**	**(13.2)**	**-17.4%**
Gains and losses from disposals	(1.3)	**0.0**	0.0%	n.a.
Depreciation and amortisation	(26.8)	(28.2)	1.4	+5.2%
Operating income	47.6	34.2	(13.4)	-28.2%
Financial income	(25.6)	(14.0)	(11.6)	-45.3%
Income before tax	**22.0**	**20.2**	**(1.8)**	**-8.2%**
Divested activities	(4.2)	-	-	n.a.
Corporate income tax	(4.3)	(8.7)	4.4	n.a.
Net Income from discontinued activities (*)	14.5	-	-	n.a.
Consolidated Net income Group	**28.0**	**11.5**	(16.5)	**-58.9%**

N.B. Divested activities correspond to QDQ and Mappy, sold in 2020, when discountinued activities represent the former Print business.

Depreciation and amortisation amounted to €28.2 million in the first half of 2021, i.e. an increase of + 5.2% compared to the first half of 2020[1], which included a +€2.5million one-off booking.

Financial result amounts to -€14 million in the first half of 2021, down -45.3% due to the fall in financial expenses following the financial restructuring of 2020 (debt reduction, margin decrease applied on bonds compared to the first half of 2020).

Income before tax thus amounts to €20.2 million **in the first half of 2021** vs. €22 million in the first half of 2020[1,2].

The corporate income tax booked in the first half of 2021 amounts to €8.7 million, including a CVAE charge of €1.3 million and corporate income tax of €1.4 million.

The **consolidated net income** stands at **€11.5 million** vs. €28.0 million in the first half of 2020[1,2], which included +€14.5 million of net result from Print business.

5. Cashflow statement and debt

*The H1 2020 Group cashflow statement includes the cashflows generated by Digital and Print Businesses, i.e. a recurring **EBITDA of €85.9 million** which includes recurring consolidated EBITDA and the marginal contribution of Print business (revenues and direct costs).*

In € million	H1 2020	H1 2021	Change
Recurring EBITDA[1]	**85.9**	**56.5**	**-34.2%**
Non-monetary items included in EBITDA	(5.0)	2.8	n.a
Net change in working capital	(41.8)	(8.1)	80.6%
- Of which change in receivables	*(48.6)*	*(0.8)*	*98.4%*
- Of which change in payables	*(13.0)*	*(7.9)*	*39.2%*
- Of which change in other WCR items	*19.8*	*0.6*	*97.0%*
Acquisitions of tangible and intangible fixed assets	(22.0)	(16.9)	23.2%
Recurring operating free cash flow	**17.1**	**34.3**	**100.6%**
Non-recurring items	(19.5)	(7.3)	62.6%
Disbursed financial result	(1.1)	(5.4)	n.a
Corporate income tax paid	(1.6)	0.1	n.a
Others	(0.1)	(0.6)	n.a
Free cash flow	**(5.2)**	**21.1**	**n.a.**
Increase (decrease) in borrowings	-	-	-
Capital increase	3.7	0.7	n.a
Others	(11.9)	(12.2)	2.5%
Net change in cash	**(13.4)**	**9.6**	**n.a**
Net cash & cash equivalents BoP	41.5	61.4	n.a
Net cash & cash equivalents EoP	**28.1**	**71.0**	**n.a**

The **change in working capital requirements** improved significantly in the first half of 2021, going from **-€41.8 million** in H1 2020 to -€8.1 million in H1 2021. The change in customer WCR is almost at break-even compared to -€48.6 million in H1 2020. This improvement is due to:

- the stability of the activity in the first half of 2021 after many years of decline;
- a reduction in the time between order intake recording and revenue generation, mainly thanks to the switch to subscription model.

The change in « Other WCR » includes the reimbursement of part of the tax and social liabilities over the semester (-€2 million), offset by €4 million of VAT credit received in the first half of 2021.

The amount of **CAPEX** is €16.9 million in the first half of 2021, down 23.2% compared to the first half of 2020 as the Group had committed to.

Non-recurring items amounted to -€7.3 million in H1 2021. They include the disbursements resulting from the Solocal 2020 transformation project. As indicated below, only c. €3 million remain to be disbursed under this project.

Disbursed financial expenses amount to €5.4 million over the first half of 2021, they correspond to the payment of bonds' interests in cash (50% of interest are paid in cash and 5°% are capitalized until 31st December 2021) and the annual interest on the of RCF of €50 million. In the first half of 2020, the financial expenses paid amounted to €1.1 million euro because the group had not paid its quarterly bond coupons in the context of the health crisis to preserve its cash.

The Group's **consolidated Free Cash Flow** is therefore positive, at +€21.1 million in H1 2021, compared to -€5.2 million in H1 2020.

The change in "Others" of -€12.2 million mainly derives from the cashflow corresponding to the financial amortisation of capitalised use rights related with the application of IFRS 16 (i.e. the rents paid by the group for €10 million) and the termination of the working capital line (-€2 million repayment).

The Group's **net change in cash** is therefore positive at **+€9.6 million** in H1 2021. As at 30th June 2021**, the Group had a net cash position of €71 million**, compared to €61.4 million as at 31st December 2020.

Net financial debt amounts to **€187.4 million at 30th June 2021** (excluding IFRS 16), down -€8 million compared to €195 million at December 31st 2020 It consists in **Bonds with a 2025 maturity** (two Bonds of respectively €168 million and €18 million[9]), the fully drawn RCF for €50 million, the €16 million "Prêt ATOUT" loan with a 2023 tenor, accrued interests for €6 million and a net cash position of €71 million. As announced on 15th July 2021 and in accordance with the commitments made during the 2020 financial restructuring, **the group will repay €6 million from its revolving credit line on 30th September 2021**, €3 million in cash and €3 million in shares.

The application of IFRS 16 impact on net financial debt is +€85 million as at 30th June 2021, resulting from the reclassification of rental expenditures in rental obligations as part of the liabilities on the balance sheet.

Net leverage[8] as defined in the documentation pertaining to Solocal's 2025 maturity Bonds is **2.3x** as at 30th June 2021 (to which IFRS 16 does not apply). The EBITDA to interest expenses ratio[8] (ISCR) amounts to **3.3x**.

The group **complies with the financial covenants** requested by the Bonds documentation, with respectively 34% and 9% of headroom.

6. Other information

As of 30th June 2021, Solocal had disbursed a cumulative amount of €217 million (out of a total estimated amount of €225 million), in salaries and compensation as provided by the 2018 transformation plan and its extension in 2019; i.e. 96% of the amount planned. There is still **€3 million to be disbursed** over the second half of 2021 and the beginning of 2022, under this transformation plan.

7. 2021 Outlook

Solocal confirms a 2021 EBITDA of c. €120 million.

As an extension of the commercial momentum over Q2 2021, Solocal will be able to **stabilize its customer base in 2021**.

The last months have been dedicated to a Group strategic business review with the teams. The work carried out makes it possible to outline the new orientations and the changes to be made. Solocal will present the new roadmap and the group's 3-year financial guidance.

Next major dates in the financial calendar

The next financial calendar dates are as follows:

- Q3 2021 revenue on 20th October 2021
- Investor Day on 20th October 2021 to present the Group strategy and guidance for the next 3 years

Notes :

[1] Comparable scope. 2020 figures are restated from the figures of the QDQ and Mappy, subsidiaries sold on 28th February 2020 and 30th October 2020.

[2] H1 2020 figures are presented pro forma for the restatement of the Print business, in application of IFRS 5 accounting standard

[3] The customer base now represents the number of customers recorded at a defined moment (Beginning or End of Period) and no longer the average number of customers over the last twelve months. Group scope (excluding non-significant subsidiaries) and restated from QDQ & Mappy, which were subsidiaries sold during fiscal year 2020

[4] Digital order intake, scope Solocal SA, based on order intake net of cancellations.

[5] customers who subscribed to at least one product in subscription mode

[6] ARPA calculated as LTM revenue divided by the average customer base over the past 12 months, scope restated from QdQ and Mappy

[7] Secured revenue including Vocal and Offline activities but excluding Mappy & QdQ

[8] Calculation based on documentation of the Solocal Bonds (with a 2025 maturity)

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

Definitions

Order intake : Orders recorded 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 31st March 2020 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 order intake or renewal of commitments as validated and committed by customers to date (net of cancellations already noted) and which should give rise to a future service

Searches : Number of times Solocal positions one or more professionals following a request from an Internet user.

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

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

Churn : Number of lost customers out of number of customers at Beginning of Period

Growth KPI : Indicator to monitor the evolution of the contribution of order intake for a given period to revenue for the following 12 months

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