

Boulogne-Billancourt, 20th October 2021

Stable revenue in Q3 2021 (+0.4% vs Q3 2020)

Confirmed EBITDA of €120 million for 2021

2022 outlook and 2023-2024 assumptions

2021 third quarter : improving trend for a third quarter in a row

- Stable revenue in Q3 2021 : €107.6 million i.e. **+0.4%** vs. Q3 2020^{1,2}, which is the third quarter of revenues improving trend after Q2 2021 (+0.6% vs. Q2 2020) and Q1 2021 (-10.2% vs. Q1 2020)
- 2021 9M revenue: €322.2 million i.e. -3.3% vs. 2020 9M
- More than 90% of Q3 order intake⁴ in subscription mode⁵ i.e. +10 pts vs. Q3 2020
- Customer base³ slightly lower in Q3 2021 at 311 k customers, i.e. -1% vs. 30th June 2021
- Further reduction of the **churn rate** to **11.8%** vs. 13.9% as at 30th June 2021
- ARPA⁶ slightly up at c. 1,340 € vs. 1,320 € as at 30th June 2021

Commercial performance still challenging

- Decrease in order backlog at €250.9 million as at 30th September 2021 vs. €266.0 million as at 30th June 2021, i.e. -5.7%
- Secured revenue⁷ for current year of €403.5 million as at 30th September 2021 vs. €419.7 million as at 30th September 2020

2021 Outlook

- Slight erosion of customer base³ over 2021, with -2% expected at the end of 2021
- Confirmed EBITDA of c. €120 million for 2021

Strategic update 2022-2024

- In 2022, Solocal will focus on customer relations, training field sales teams, improving prospecting tools, intensifying marketing efforts with further cost management. Based on these assumptions 2022 financial performance should be comparable to 2021 in terms of revenue, EBITDA and operating cash flow.
- Solocal estimates that on the basis of the successful roll-out of the key initiatives presented above, a **mid-single digit revenue growth in 2023 and in 2024** would be achieved. Maintaining its margin, EBITDA would grow **mid-teens** in 2023 and in 2024. Operating cash flows would exceed **€90 million** in 2024.



When releasing revenue of the third quarter 2021, Hervé Milcent, Solocal Chief Executive Officer, said :

“The third quarter is an extension of the first part of the year. The continued stabilization of our revenue is encouraging in a context that remains contrasted. This development, combined with ongoing efforts to control costs, allows us to confirm our annual EBITDA target and above all to take a new path to improved performance for the years to come. This is the whole point of our new strategic roadmap. A voluntary and realistic plan which should enable us to gradually reconnect with a solid dynamic in growth, margins improvement and recurring cash generation. Focus on customer satisfaction, acceleration of commercial conquest through a strengthened presence on the field and intensification of marketing and sales efforts : on each of these priorities, action plans have been initiated, the effects of which will begin to take hold from 2022. We are now fully mobilized to execute this plan and respect the financial milestones that will allow us to assess its results. Building on the commitment of our employees and the confidence of all our shareholders, I am convinced that we will be up to the challenge.”

Quarterly financial information in this press release has not been audited. Financial performance indicators are commented on the scope of continuing operations. The non-audited financial elements presented in this press release for the third quarter of 2020 are revised in light of the scope of activity as at 30th September 2021.

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 in 2020. Solocal's revenue consist only of Digital revenue since the year 2020.

Solocal revenue¹² in the third quarter of 2021 and over the first nine months of 2021 are as follows:

In € million	Q3 2020	Q3 2021	Change	2020 9M	2021 9M	Change
Connect	28.1	31.9	+13.4%	80.2	93.7	+16.8%
Booster	62.8	59.2	-5.6%	201.4	180.7	-10.3%
Websites	16.2	16.4	+1.2%	51.6	47.8	-7.5%
Total revenue	107.1	107.6	+0.4%	333.2	322.2	-3.3%

Third quarter 2021 consolidated revenue¹ amount to €107.6 million, up +0.4% compared to the 2020 third quarter revenue¹². This stability in revenue in the quarter is due to :

- (i) the conversion into revenue of the decrease in past quarters' Digital order intake⁴ 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 and Websites

2021 first nine-months consolidated revenue amount to €322.2 million, down -3.3% compared to the 2020 first nine-months revenue¹². This reduction is mainly the result of the decrease in order intake⁴ 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 2021 first nine months (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 is therefore composed of first period engagement order intake⁴ (73% over the 2021 first nine-months) and order intake⁴ generated by **autorenewal** (27% over the 2021 first nine-months). These figures were respectively at 91% and 9% over the same period 2020. As previously mentioned, 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 better focus on the development of existing accounts & the acquisition of new customers.

Moreover, 62% of 2021 first-nine months revenue stems from order intake⁴ recorded in previous years and 38% from 2021 order intake⁴. This 38% share increased by +11pts compared to the same period in 2020 (27% of 2020 first-nine months revenue came from 2020 order intake⁴), thus reflecting the switch to subscription mode of the digital services and, hence, the time reduction between the order intake booking and revenue generation.

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

<i>In million euros</i>	30/06/2021	30/09/2021	Change
Digital order backlog	266.0	250.9	-5.7%

The order backlog represents €250.9 million as at 30th September 2021, a -5.7% decrease compared to 30th June 2021. This decrease is explained by a lower value of order intake⁴ recorded in the third quarter of 2021 (August “holidays” seasonality leading to very low order intake) compared to the linear revenue recognition over the same period.

The €250.9 million **order backlog** is expected to convert into revenue to the tune of **33%** over the **fourth quarter 2021** and 61% in the year 2022.

Based on management’s best estimates, as of 30th September 2021, **secured revenue**⁷ for 2021 amounts to **€403,5 million for the year 2021** thanks to the order intake⁴ already recorded at this date. This figure amounted to €419,7 million as at 30th September 2020 for the year 2020. As a reminder, this secured revenue⁷ was down -€23 million as at 30th June 2021 compared to 30th June 2020. The reduction of this gap illustrates the gradual stabilization of the Group’s activity.

<i>In € million</i>	30/09/2020	30/09/2021	change
Secured Digital revenue for current year n	419.7	403.5	-3.9%

2. Operational performance indicators

Solocal’s operational performance indicators for the third quarter of 2021 and first-nine months 2021 are as follows:

	Q3 2020	Q3 2021	Change	2020 9M	2021 9M	Change
Subscription-based order intake <i>as a % of Digital order intake</i>	81%	91%	+10 pts	79%	88%	+9 pts
Growth KPI	-	11%	-	-	21%	-
Traffic : number of searches	411	389	-5.5%	1 201	1 172	-2.4%
PagesJaunes - <i>in million</i>						

In the third quarter of 2021, 91% of order intake⁴ were recorded as subscription-based products⁵, i.e. an increase of +10 points compared to the third quarter of 2020. In total over 2021 first nine-months, **88% of order intake⁴ were subscription – based⁵**, i.e. an increase of +9 points compared to the same period in 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 intake⁴ 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 + 11% in the third quarter of 2021 vs. the third quarter of 2020. This means that the 2021 third quarter order intake⁴ helped secure + 11% in revenue over the upcoming 12 months compared to the order intake recorded in the third quarter of 2020. This increase is explained in particular by a favourable base effect linked to the negative impact of the crisis and the reduction of order intake booking vs. revenue recognition in the third quarter 2021, in connection with the change of business model.

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 displays 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 1,172 million in 2021 first-nine months vs. 1,201 million in 2020 first nine-months, i.e. a -2.3% decrease.

Solocal **customer base**³ evolved as follows in the third quarter of 2021:

	FY 2020	Q2 2021	Q3 2021	Q3 2020	Change
Customer base – BoP^(a)	349k	314k	314k	323k	-9k
+ Acquisitions	32k	8k	7k	8k	-1k
- Churn	-82k	-11k	-11k	-21k	+11k
+ Winbacks	16k	2k	1k	4k	-3k
Customer base – EoP^(a)	315k	314k	311k	314k	-3k
Net change	-34k	-	-2k	-9k	-
Churn ^(b) - in %	19.0%	13.9%	11.8%	19.8%	-
Digital ARPA ^(c)	1 331	1 321	1 344	1 356	-

(a) BoP = beginning of period / EoP = End of Period

(b) Churn : number of churned customers on a LTM basis divided by the number of customers BoP ; net = figures netted from winbacks

(c) Digital ARPA calculated as revenue divided by the average customer base over the past 12 months, (scope restated from QdQ and Mappy)

The Group's customer base³ is **very slightly decreasing (-1%)** after three consecutive quarters of stabilisation at 311 k customers as at 30th September 2021. This slight erosion is due to a level of customer acquisition below expectations which did not fully offset the churn rate of the quarter. The Group records a decrease of **more than 8pts of churn** in the third quarter of 2021 compared to the third quarter of 2020¹. In the third quarter of 2021, the reduction in the number of customers was lower than that of the third quarter of 2020¹. Indeed :

- Solocal lost 8,000 less customers in the third quarter of 2021 than in the third quarter 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 in the third quarter of 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.
- In the meantime, Solocal acquired less customers in the third quarter of 2021 than in the third quarter of 2020 with nearly 7,000 new customers in the third quarter of 2021 compared to 8,000 new customers in the third quarter of 2020. This decrease in acquisition stems from a field sales performance below expectations.

In total, with a loss of 2,000 customers compared to 9,000 in the third quarter of 2020, the reduction in the customer base has thus been significantly reduced.

The **Group's churn rate**^(b), net of winbacks, is significantly improving at **11.8%** in the third quarter of 2021 vs. 19.8% in the third quarter of 2020, thus reflecting the first effects of the

retention measures detailed above. With a 16.7% churn rate as at 31st March 2020 and 13.9% as at 30th June 2021, the improvement in churn continues throughout 2021. This significant decrease is mainly due to the reduction in churn on the Connect offer, which is the offer of Digital Presence confirming the growing need of customers to be properly present on the Web.

Group ARPA⁶ reaches €1,344 in the third quarter of 2021, slightly down compared to Digital ARPA in the third quarter of 2020¹ (€1,356, i.e. less than -1%) but up +1.7% (1,321 €) compared to the second quarter of 2021¹. As a reminder, ARPA is now based on revenue and no longer on order intake.

3. 2021 outlook and strategic update 2022-2024

In the wake of the change in business model towards the automatic renewal of its offers (excluding Large accounts offers), the Group stabilized its revenue for the second consecutive quarter after several years of decline. This trend is expected to continue over the coming quarters.

The 2021 sales performance was impacted on one hand by the health context (prolongation of lockdown periods in France) and on the other hand by the necessary adaptation of the sales force to the subscription model and the conquest of new customers. Controlled costs will compensate for the slight decrease in 2021 revenue and thus enable to confirm an **EBITDA of c. 120 million euros.**

However, following the commercial context of the third quarter of 2021, Solocal anticipates a slight erosion of its customer base³ as at 31st December 2021, with c. -2% compared to 31st December 2020.

Following changes in the management team and taking into account 2021 order intake⁴, the Group has reviewed its roadmap and its three-year ambitions.

2022 will be a year of consolidation of the overhaul of the commercial approach, mainly for field salesforce, the sales channel that contributes the most to the Group's activity, including:

- ✓ the implementation project of a sales compensation plan adapted to the new model from 1st January 2022,
- ✓ Strengthening the sales organization and the roll-out of new targeting and performance tools,
- ✓ an investment in the training of teams to the digital services offered.

Over the 2022-2024 plan, Solocal will capitalize on the efforts made in terms of customer relations efficiency, in order to adopt a much more proactive approach to supporting its customers. The Group will also increase its marketing investments from 2022 in order to promote the added value of Pages Jaunes in the eyes of its customers and the public.

These actions will gradually bear fruit over 2022 and will be combined with a strict control of fixed costs, which will allow a comparable **financial performance in 2022** vs. 2021 in terms of revenue, EBITDA and operating cash flows.

Solocal estimates that on the bases of the successful roll-out of the key initiatives presented before, Solocal would generate a **mid-single digit revenue growth in 2023 and in 2024** mainly driven by an increase in ARPA linked to the efforts that will be focused on field salesforce with significantly higher ARPAs than telesales. A relative stable customer base³ is expected in 2022 before a return to growth in 2023.

This revenue growth coupled to a continuous control of the Group's fixed costs, would result in a **mid-teens growth in EBITDA in 2023 and in 2024**, and **operating cash flows would exceed €90 million in 2024**.

In the longer term, Solocal intends to go further in its mission of supporting the local fabric. Therefore, Solocal's ambition is to capitalize on its portfolio of digital services and customer knowledge to integrate new technological solutions and extended its range of digital services in Saas mode.

4. Other information

As of 30th September 2021, Solocal had cashed-out a cumulative amount of €218 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. 97% 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.

Next major dates in the financial calendar

The next financial calendar dates are as follows:

- 2021 Annual results on 23rd February 2022

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 2020 first nine-months 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, Group scope restated from QdQ and Mappy

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

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 30st September 2021 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 recorded) 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

Winback: Acquisition 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 ; net = figures netted from winbacks

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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Solocal is the digital partner for all local companies in France, from VSEs, to SMBs or Large Companies with networks. Our job; vitalize local life. We strive every day to unveil the full potential of all companies by connecting them to their customers thanks to our innovative digital services.

We advise over 311 000 companies all over France and support them to boost their activity thanks to our digital services (Relational Presence, Websites and Digital advertising). We also bring users the best possible digital experience with PagesJaunes, and Ooreka, and our GAFAM* partners. We provide professionals and the public with our high audience services (21M views for PagesJaunes), geolocalised data, scalable technology platforms, unparalleled commercial coverage across France, our privileged partnerships with digital companies and our talents in terms of data, development and digital marketing. Solocal moreover benefits from the "Digital Ad Trust" label. To know more about Solocal (Euronext Paris "LOCAL"): let's keep in touch @solocal

*GAFAM : Google, Microsoft/Bing,, Facebook, Apple, Amazon

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