

Boulogne-Billancourt, 27th July 2022

2022 first half results

Recurring EBITDA comparable with prior year at €56 million despite revenue down 6%

€10 million RCF repayment in cash

Adjustment of 2022 guidance given first half performance

2022 Q2 revenue amounting to €99.7 million down 7.5% vs. Q2 2021

- Revenue of €99.7 million, i.e. **-7.5%** vs. Q2 2021 and **-1.7%** vs. Q1 2022
- Slight erosion of customers base¹, at **300,000 customers** vs. 304,000 as at 31st March 2022, resulting from an increase, as expected, of churn rate at 14.9% vs 13.7% as at 31st March 2022
- **Flat ARPA²** at c. €1 350 vs. 31st March 2022 (-1%)
- **Flat order backlog at €239.9 million** (-1.1% vs. 31st March 2022)

First half results 2022 : EBITDA margin improvement thanks to continued cost control

- **Revenue of €201.2 million**, i.e. -6.2% vs. H1 2021
- **Flat recurring EBITDA of €55.8 million** compared to H1 2021 (-1.3%)
- **Recurring EBITDA margin improvement to 27.7%** vs. 26.4% In H1 2021
- Operating income: €28.8 million vs. 34.2 million in H1 2021

- **Cash on balance sheet : €82.3 million** as at 30th June 2022
- **Flat net debt⁴ at €171 millions** as at 30th June 2022, with a net leverage ratio of 1,6x⁴
- Confirmation of the partial and mandatory repayment of the RCF of €10 million as of 30th September 2022 (fully in cash), as committed during the financial restructuring

2022 Outlook adjustment

- 2022 revenue expected at -5% compared to 2021 revenue
- Continued cost control in order to generate a 2022 recurring EBITDA slightly lower than 2021 recurring EBITDA (c. -5%)
- Operating free cash flows³ of c. €30 million in 2022

Outlook

Despite longer time taken to implement the new business model and the economic uncertainty, **Solocal's mid-term strategic plan remains unchanged**. Mid term objectives will be updated at year-end.



When releasing revenue of the first semester 2022, Hervé Milcent, Solocal Chief Executive Officer, said:

Since the launch of our strategic plan in October 2021, we have been fully mobilized on its execution, which should allow us to return to sustainable growth. The positive effects of the measures we are implementing will materialize gradually, as shown by the evolution of our main operational and financial indicators in the first half of 2022. To assess these developments, still today in the form of weak signals, it is important to have a reading of the trends as close as possible to the field. Thus, over the period, we observe some encouraging performances. These first preliminary results are not yet fully visible in all regions. This situation, still contrasting, will penalize and hinder us this year, but it also encourages us to intensify the measures taken to relaunch our dynamic activity everywhere.

The Board of Directors approved the Group's consolidated financial statements as at 30th June 2022. 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 2022.

1. Revenue and order backlog analysis

Solocal revenue in the second quarter of 2022 and over the first half of 2022 are as follows:

<i>En millions d'euros</i>	T2 2021	T2 2022	Variation	S1 2021	S1 2022	Variation
Chiffre d'affaires	107.9	99.7	-7.5%	214.6	201.2	-6.2%

Second quarter 2022 consolidated revenue amount to **€99.7 million**, down -€8.1 million (-7.5%) compared to the second quarter 2021 revenue and down -€1.8 million (-1.7%) compared to the first quarter of 2022 (€101.5 million).

First half 2022 consolidated revenue amount to €201.2 million, down -6.2% compared to the first half 2021 revenue.

This decrease in revenue mainly includes:

- « hunters » salesforce recruitments below expectations;
- a constrasting hunters' productivity depending on the regions, with three regions (representing 73% of Q2 2022 order intake) which deliver performance in line with expectations and three others (representing 27% of Q2 2022 order intake) below expectations, requiring additional efforts over the coming months ;
- Field salesforce's activity in line with objectives.

The **order backlog** is flat at €239.9 million as at 30th June 2022, i.e. -1.1% compared to 31st March 2022. This stability is explained by the order intake⁵ recorded in Q2 2022 comparable with revenue booked over the same period.

<i>In million euros</i>	31/03/2022	30/06/2022	Variation
Digital order backlog	242.6	239.9	-1.1%

Approximately 60% of the €239.9 million order backlog will flow into revenue for in the second half 2022, approximately 28% over the first half of 2023 and approximately 12% thereafter.

2022 first half revenue is presented in **three business lines**:

<i>In € million</i>	Q2 2021	Q2 2022	Change	H1 2021	H1 2022	Change	Allocation
<i>Connect</i>	30.7	36.1	17.8%	61.8	72.4	+17.1%	36.0%
<i>Booster</i>	61.5	48.3	-21.4%	121.4	98.3	-19.0%	48.9%
<i>Websites</i>	15.7	15.3	-2.0%	31.3	30.5	-2.6%	15.2%
Total revenue	107.9	99.7	-7.5%	214.6	201.2	-6.2%	100%

Connect activity which includes Digital Presence activities represent 36% of H1 2022 revenue. It was up +17.1% compared to H1 2021, driven by the retention offer proposed to customers and a slight price increase.

Booster activity which includes activities related to advertising represent 49% of H1 2022 revenue. It showed a -19.0% decrease over the semester coming from (i) weaker activity in the large accounts segment, for which a new offer will be deployed from Q3 2022 and (ii) an unfavorable product mix in particular.

Websites activity, which includes all the ranges of websites sold (Essentiel, Premium, Privilège) represents 15% of H1 2022 revenue. It is down -2.6% compared to H1 2021, in particular with a deliberately more aggressive commercial policy on creation costs and a non recurring effect of -€0,7 million in the first quarter of 2022.

2. Customers base, churn, ARPA and other operational key performance indicators

Solocal **customer base**¹ evolved as follows in the second quarter of 2022:

	Q1 2022	Q2 2022	Change
Customer base – BoP ^(a)	309k	304k	-5k
+ Acquisitions	9k	9k	0k
- Churn	-14k	-13k	2k
Customer base – EoP ^(a)	304k	300k	-4k
Net change BoP – EoP	-5k	-4k	-
Churn ^(b) – in %	13.7%	14.9%	-
Digital ARPA ^(c)	1 362	1 349	-1.0%

(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 ;

(c) ARPA calculated as revenue divided by the average customer base over the past 12 months,

The group customer base¹ is slightly down (-1.2%) at 300 000 customers as at 30th June 2022 vs. 304 000 customers the previous quarter . This trend is linked to:

- A level of new customers' acquisition still below expectations in Q2 2022 (9 000 customers) and stable compared to Q1 2022, pending the full effect of the overhaul of the commercial approach,
- A loss of customers (-13 000 customers) similar to the loss in Q1 2022.

The **Group's churn rate**^(b), is still controlled at **14.9%** as at 30th June 2022 compared to 13.7% as at 31st March 2022, as expected.

Group ARPA² reaches €1,349 as at 30th June 2022, i.e. almost stable compared to ARPA² as at 31st March 2022 (-1%) and up +2.1% compared to 30th June 2021 (€1,321). This slight increase in

ARPA² is due to the slight price increase on the Connect offer during the second half of 2021 and a higher acquisition ARPA² (ARPA relating to new customers).

Solocal's other operational performance indicators for Q2 2022 and H1 2022 are as follows:

	Q2 2021	Q2 2022	Change	H1 2021	H1 2022	Change
% order intake generated by autorenewal	46%	60%	+14 pts	45%	46%	+1 pts
Traffic : number of searches PagesJaunes - <i>in million</i>	437	407	-7.0%	861	819	-4.9%

The revenue is now composed of first-year engagement order intake⁵ (54% in the first half of 2022) and order intake³ generated by **autorenewal** (46% in the first half of 2022). These figures were respectively at 74% and 26% in the first half of 2021.

3. Profit and Loss

<i>In € million</i>	H1 2021	H1 2022	Change	Change
Total Revenue	214.6	201.2	(13.4)	-6.2%
External expenses	(58.6)	(55.1)	(3.5)	-6.1%
Personnel expenses	(99.4)	(90.3)	(9.1)	-9.1%
Recurring EBITDA	56.6	55.8	(0.8)	-1.3%
Non-recurring items	5.9	0.8	(5.1)	n.a.
Consolidated EBITDA	62.5	56.6	(5.9)	-9.5%
Depreciation and amortisation	(28.2)	(27.8)	0.5	-1.7%
Operating income	34.2	28.8	(5.4)	-15.9%
Financial income	(14.0)	(14.4)	(0.3)	+2.3%
Income before tax	20.2	14.5	(5.8)	-28.5%
Corporate income tax	(8.7)	(3.8)	4.9	n.a.
Consolidated Net income Group	11.5	10.6	(0.8)	-6.6%

Recurring EBITDA reaches €55.8 million in the first half of 2022, flat compared to the first half of 2021 (-1.3%). The recurring EBITDA margin in relation to revenue thus amounts to 27.7%, up +1.4pts compared to the first half of 2021. This increase is mainly linked to the reduction in personnel expenses of -€9.1 million in H1 2022 compared to H1 2021, which mainly comes from the decrease in salesforce capacity (higher turnover than anticipated).

Recurring external expenses thus amounts to €55.1 million in the first half of 2022 almost down -6.1% compared to the first half of 2021. This decrease is explained by a mechanical effect of reduction in variable costs including "media spend" linked to the booster ranges and websites (c.€3 million) as well as by the continued costs control.

Non-recurring items of +€0.8 million in the first half of 2022 correspond to the reversal of provision linked to previous disputes.

After taking these non-recurring items into account, **consolidated EBITDA** amounted to **€56.6 million in the first half of 2022**, compared to €62.5 million in the first half of 2021, i.e. a decrease of -9.5%. The consolidated EBITDA margin is 28.1% vs. 29.1% in the first half of 2021.

Depreciation and amortisation amounted to €27.8 million in the first half of 2022 and are stable compared to the first half of 2021.

Financial result amounts to -€14.4 million in the first half of 2022, it is mainly composed of financial interests on financial debts (€9.2 million), financial expenses booked in accordance with the application of the IFRS 16 standard (€2.2 million) and the amortization of borrowing costs (€2.8 million).

Income before tax thus amounts to €14.5 million in the first half of 2022 vs. €20.1 million in the first half of 2021.

The income tax booked in the first half of 2022 amounts to -€3.8 million, including the corporate income tax of -€2.7 million and CVAE charge of -€1.1 million.

The **consolidated net income** stands at **€10.6 million** in the first half of 2022 vs. €11.5 million in the first half of 2021.

4. Cash Flow Statement and debt

<i>In € million</i>	H1 2021	H1 2022	Change
Recurring EBITDA¹	56.5	55.8	(0.7)
Non-monetary items included in EBITDA	2.8	0.2	(2.6)
Net change in working capital	(8.1)	(14.9)	(6.8)
- Of which change in receivables	(0.8)	(2.3)	(1.5)
- Of which change in payables	(7.9)	(5.3)	2.6
- Of which change in other WCR items	0.6	(7.4)	(8.0)
Acquisitions of tangible and intangible fixed assets	(16.9)	(15.4)	1.5
Recurring operating free cash flow	34.3	25.6	(8.7)
Non-recurring items	(7.3)	(1.6)	5.7
Disbursed financial result	(5.4)	(9.2)	(3.8)
Corporate income tax paid	0.1	(2.2)	(2.3)
Others	(0.6)	0.1	0.7
Free cash flow	21.1	12.8	(8.3)
Increase (decrease) in borrowings	-	(2.0)	(2.0)
Capital increase	0.7	-	(0.7)
Others	(12.2)	(8.6)	3.6
Net change in cash	9.6	2.1	(7.5)
Net cash & cash equivalents BoP	61.4	80.2	18.8
Net cash & cash equivalents EoP	71.0	82.3	11.3

The **change in working capital requirements** amounts to **-€14.9 million** in the first half of 2022 compared to -€8.1 million in the first half of 2021. This working capital need comes from:

- a slight delay of cash collection vs. revenue recognition (€-2.7 million) in a context of decreasing activity over the first half of 2022,
- a change in payables similar to the first half of 2021,
- a negative change in « others WCR » of €-7.4 million coming the reimbursement of part of the tax and social liabilities over the period (€4 million in H1 2022) compared to H1 2021 which included a VAT credit of c. +€4 million received beginning of 2021.

The amount of **CAPEX** is €15.4 million in the first half of 2022, down 8.9% compared to the first half of 2021 due to refocusing on investments on targeted programs.

Disbursed financial expenses amount to -€9.2 million over the first half of 2022, they correspond to the payment of bonds' interests in cash of €7.6 million (100% of interest are now paid in cash), the annual interest on the of RCF of €44 million and the annual interests of the €13 million BPI loan. In the first half of 2021, the financial expenses paid amounted to -€5.4 million euro as the group only paid 50% of its bonds' coupons in cash, the remaining 50% were capitalised.

The Group's **consolidated Free Cash Flow** is therefore positive, at +€12.8 million in the first half of 2022, compared to +€21.1 million in the first half of 2021 coming from a more negative change in working capital in the first half of 2022 than previous year.

The decrease of borrowings of -€2 million corresponds to the scheduled amortisation of the BPI loan.

The change in "Others" of -€8.6 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 c.€20 million per year).

The Group's **net change in cash** is therefore positive at **+€2.1 million** in H1 2022. As at 30th June 2022, **the Group had a net cash position of €82.3 million**, compared to 80.2 million as at 31st December 2021.

Net financial debt amounts to **€170.9 million at 30th June 2022** (excluding IFRS 16), slightly down compared to €175 million at December 31st 2021 It consists in **Bonds with a 2025 maturity** (two Bonds of respectively €173 million and €18 million), the fully drawn RCF for €44 million with a 2023 tenor, the €13 million "Prêt ATOUT" loan, the accrued interests for €4.5 million and a net cash position of €82.3 million. In accordance with the commitments made during the 2020 financial restructuring, **the group will repay €10 million from its revolving credit line on 30th September 2022, fully in cash.**

The application of IFRS 16 impact on net financial debt is +€67 million as at 30th June 2022, resulting from the reclassification of rental expenditures in rental obligations as part of the liabilities on the balance sheet.

Net leverage⁴ as defined in the bonds documentation **1.60x** as at 30th June 2022 (to which IFRS 16 does not apply). The EBITDA to interest expenses ratio⁴ (ISCR) amounts to **5.25x**.

The group **complies with the financial covenants** requested by the Bonds documentation, with respectively 54% and 75% of headroom.

5. 2022 Outlook

Secured revenue for **2022 already amounts to €339.4 million**. As announced by the Group on 21st October 2021 during the 3-year roadmap presentation, 2022 is a year of consolidation marked more particularly by the overhaul of the commercial approach and the return to the trust of all stakeholders. With the intensification of recruitments and commercial stimulus measures, Solocal is maintaining its strategic plan and adjusting its financial outlook for 2022.

- 2022 revenue, down -5% vs. 2021 revenue,
- Continued cost control in order to generate 2022 recurring EBITDA slightly lower than 2021 recurring EBITDA (c. -5%),
- Operating free cash flows³ of c. €30 million in 2022.

Despite longer time taken to implement the business model and the economic uncertainty, **Solocal's mid-term strategic plan remains unchanged. Mid term objectives will be updated at year-end.**

6. Detail on the nominal value of Solocal Bonds

As at 15th June 2022, the value of Bonds which ISIN code is FR0013237484 amounts to €173,264,511.50 (amount of €334,125,321 adjusted with a pool factor of 0.5185614516630) following the capitalization of Q2 2021 PIK interests.

As at 15th June 2022, the value of Bonds which ISIN code is FRI3527744 amounts to €18,382,221.42 (amount of €17,777,777 adjusted with a pool factor of 1.02340000000000) following the capitalization of Q2 2021 PIK interests.

Next major dates in the financial calendar

The next financial calendar dates are as follows:

- Q3 2022 revenue on 26th October 2022

Notes :

¹ 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)

² ARPA calculated as LTM revenue divided by the average customer base over the past 12 months, scope restated from QdQ and Mappy

³ Operating Recurring 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 the Solocal Bonds (with a 2025 maturity)

⁵ Digital order intake, scope Solocal SA, based on order intake net of cancellations.

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 30 June 2022 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 churned customers on a LTM basis divided by the number of customers BoP;

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Committed to a CRS strategy since 2013, Solocal fully endorses the United Nations Sustainable Development Goals. The company is certified to Ecovadis and Gaia Ethifinance with a score of 80/100.

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