

A group of business professionals in a meeting. An older man in a dark suit and light blue tie is looking at a laptop. A woman with curly hair, wearing a dark blazer over a light blue shirt, is smiling and looking towards the man. Another man in a dark suit and light blue tie is partially visible on the right, looking towards the woman. A coffee cup is on the table in the foreground.

# 2018 Full Year results

20 FEBRUARY 2019

**solocal**

# Disclaimer

This document contains forward-looking statements. Any forward-looking statement does not constitute forecasts as defined in European regulation (EC) 809/2004. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. The forward-looking statements are based on the Company's current beliefs, assumptions and expectations of its future performance, taking into account all information currently available. Forward-looking information and statements are not guarantees of future performance and are subject to various risks and uncertainties, many of which are difficult to predict and generally beyond the control of the Company. These risks and uncertainties include those discussed or identified under section 2 "Risk Factors" of the SoLocal Group's reference document which was filed with the French financial markets authority (AMF) on 26 April 2018. Important factors that could cause actual results to differ materially from the results anticipated in the forward-looking statements include, among other things: the effects of competition; usage levels; the success of investments by the Group in France and abroad; the effects of the economic situation. SoLocal Group, its affiliates, directors, advisors, employees and representatives expressly disclaim any liability whatsoever for such forward-looking statements.

The forward-looking statements contained in this document apply only at the date of this document. SoLocal Group does not undertake to update any of these statements to take account of events or circumstances arising after the date of said document or to take account of the occurrence of unexpected events.

Accounting data presented on an annual basis are in audited consolidated form, but all accounting data indicated on a quarterly basis are in unaudited consolidated form. Business indicators covered in the presentation are for continued activities. The amounts presented in this document may not add up due to these figures being rounded off.

All financial data and indicators are published in detail in the Consolidated financial information report as of 31 December 2018 which is available at [www.solocal.com](http://www.solocal.com) (finance section).

# Key messages

- **Stabilisation of 2018 recurring EBITDA<sup>1</sup>**
- **Drastic reduction in the cost base vs. 2017:** -€60 M<sup>1</sup> as of 2018
- **Deep transformation** initiated in 2018
  - Very rapid reorganisation
  - Repositioning of the offer
  - Towards operational excellence of the sales organisation
- **Recurring cash flows increased** and **cash position preserved** despite disbursements related to the transformation project
- **2019 outlook:** targeting a return to growth in Digital order intake<sup>1</sup> and to moderate growth in recurring EBITDA<sup>1</sup>
- **Confirmed liquidity** thanks to revolving credit facility and working capital facility

# Recurring EBITDA<sup>1</sup> stable in 2018 despite the decrease in revenues

In million euros	2017 <sup>2</sup>	2018	Change
• Digital revenues	593	571	-3.7%
• Print revenues	135	98	-27.1%
<b>Revenues from continued activities</b>	<b>728</b>	<b>669</b>	<b>-8.0%</b>
• Net recurring external expenses	(191)	(192)	+0.7%
• Recurring personnel expenses	(367)	(306)	-16.5%
<b>Recurring EBITDA</b>	<b>170</b>	<b>171</b>	<b>+0.5%</b>

- **Stabilisation in 2018 recurring EBITDA<sup>1</sup>** after 9 years of decline: €171 M in 2018 compared to €170 M in 2017<sup>2</sup>
- **Growth in recurring EBITDA<sup>1</sup> – Capex<sup>1</sup> of +8.5%**
- **Expenses significantly reduced**

# A swift and deep transformation that disrupted business activity in Q3 and Q4 2018<sup>1</sup>

In million euros	Q4 2017 <sup>2</sup>	Q4 2018
Order intake – Digital	183	139
<i>Change</i>		-24.1%
Order backlog – Digital	394	352
<i>Change</i>		-10.7%
Revenues – Digital	152	139
<i>Change</i>		-8.7%
Revenues – Total	183	160
<i>Change</i>		-12.9%
Order intake in subscription mode (as a % of total order intake) <sup>3</sup>	13.9%	15.7%
<i>Change</i>		+1.8 pts

- C. 1,000 departures, including c. 400 within the sales force...
- ... whereas the sales organisation was still in an old and inefficient operational mode (BUs)
- Decrease in Digital order intake:
  - -24% in Q4 2018 vs. Q4 2017
  - €139 M of Digital order intake in Q4 2018 vs. €98 M in Q3 2018
- 16% of 2018 order intake and 18% of 2018 Digital order intake are on a subscription basis<sup>3</sup>

<sup>1</sup> Continued activities

<sup>2</sup> Restated under IFRS 15

<sup>3</sup> Scope excluding non significant subsidiaries, representing 92% of total revenues

# A drastic reduction in the fixed cost structure in 2018

In million euros	2017 <sup>1,2</sup>	2018 <sup>1</sup>
<b>Revenues</b>	728	669
• Variable costs	(68)	(74)
• Fixed costs	(489)	(424)
<b>Total recurring expenses</b>	(557)	(498)
<b>Recurring EBITDA</b>	170	171

- **Approx. €60 M reduction in costs in 2018**
  - Significant reduction in the fixed cost base
  - Savings in recurring personnel expenses
- **1,000 headcount reduction effective in 2018** as part of the transformation project
  - Acceleration in the implementation of the plan with the closure of the Toulouse and Marseille agencies in 2018

# Financial expenses and tax

In million euros	2017 <sup>1</sup>	2018
<b>Consolidated EBITDA</b>	<b>151</b>	<b>5</b>
• Depreciation and amortisation	(53)	(62)
<b>Operating income</b>	<b>98</b>	<b>(57)</b>
• Net gain from debt restructuring	266	-
• Other financial income and expenses	(28)	(37)
<b>Income before tax</b>	<b>336</b>	<b>(94)</b>
• Corporate income tax	(19)	13
<b>Consolidated net income</b>	<b>317</b>	<b>(81)</b>

- 8% coupon on the 2022 bond
- Deferred tax assets generated in 2018 from the French tax consolidation system and -€5 M paid mainly under the CVAE (Corporate value added contribution)

# Cash position maintained despite disbursements related to the redundancy plan

In million euros	2017 <sup>1</sup>	2018
<b>Recurring EBITDA</b>	<b>170</b>	<b>171</b>
▪ Non monetary EBITDA	2	10
▪ Change in WCR	(13)	(14)
- of which Change in customers WCR	(25)	(23)
- of which Change in suppliers WCR	5	13
- of which Change in other WCR	7	(4)
▪ Capex	(53)	(44)
<b>Recurring operating cash flow</b>	<b>106</b>	<b>124</b>
▪ Restructuring	(27)	(50)
▪ Change in non-recurring WCR	-	(18)
▪ Cash financial income	(56)	(32)
▪ Corporate income tax paid	(45)	(16)
<b>FCF from continued activities</b>	<b>(21)</b>	<b>8</b>
▪ Others (of which leases)	16	(13)
<b>Net cash variation</b>	<b>(5)</b>	<b>(4)</b>
<b>Net cash position at start of period</b>	<b>91</b>	<b>86</b>
<b>Net cash position at end of period</b>	<b>86</b>	<b>82</b>

- Non-recurring items related to restructurings
  - -€36 M as part of the 2018 redundancy scheme
  - -€14 M of non-recurring disbursements excluding the 2018 redundancy scheme (2014 and 2015 redundancy plans, natural departures not replaced, restructurings in foreign subsidiaries...)
  - -€18 M of change in non-recurring WCR (decrease in social provisions as a result of the headcount reduction of c. 1,000 people in 2018)
- Preserved cash position: €82 M
- Work started in 2018 to control change in WCR



# Controlled change in WCR despite the decrease in sales

In million euros	2017 <sup>1</sup>	2018
<b>Recurring EBITDA</b>	<b>170</b>	<b>171</b>
▪ Capex	(53)	(44)
<b>Change in recurring WCR</b>	<b>(13)</b>	<b>(14)</b>
▪ of which Change in Customers WCR	(25)	(23)
▪ of which Change in Suppliers WCR	5	13
▪ of which Change in Other WCR	7	(4)

- **Change in 2017 WCR** impacted by lower Print activity, but enhanced by extraordinary items (rent-free period, asset disposals, leases)
- **Change in 2018 WCR impacted by:**
  - **Digital** order intake decline of -€75 M in 2018 vs. 2017 (cash inflows are recognised faster than revenues) mainly in Q3 and Q4 2018 : -€17 M impact on change in Customers WCR
  - Reduced **Print** activity (-€9 M impact on change in Customers WCR)
  - End of headquarters rent-free period (-€6 M impact on WCR)
- **Change in 2018 WCR impacted by:**
  - **Improvement of trade receivables recovery**
  - Management of **invoicing and collection terms**
  - Expenditure approval process

# Investments focused on the company's key challenges

## OTHERS

## IT & CLOUD

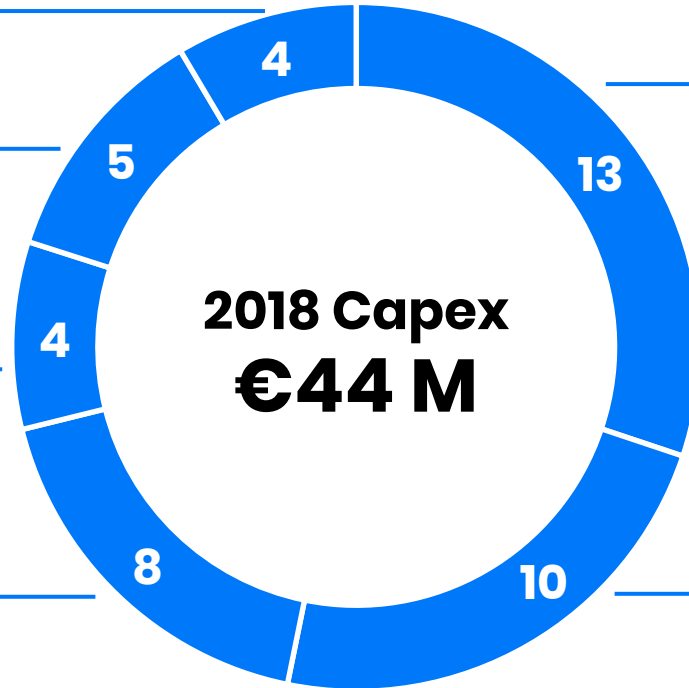
IT infrastructure modernisation and Move to Cloud

## DATA

Big Data and artificial intelligence

## DIGITAL SERVICES

- Presence
- Digital advertising
- Websites



## MEDIA PLATFORMS

Investments in Group media

- Pages Jaunes
- Search engine
- Voice search
- Mappy MaaS (*mobility as a service*)...

## SALES, CRM AND MARKETING

Launch of the new range of services and sales

Presence and Full Web Digital advertising in subscription mode

Adaptation and modernisation of sales, CRM and marketing tools

# Stable net debt

In million euros	2017 <sup>2</sup>	2018
▪ Gross debt	418	409
▪ Cash	86	82
▪ Net debt	332	328
▪ Recurring EBITDA	170	171
▪ Financial leverage <sup>1</sup>	1.7x	1.8x

- **Net financial debt reduction** in 2018 : €328 M
  - **Preserved cash position** at the end of 2018
  - €398 M bond maturing March 2022
- **Financial Leverage<sup>1</sup> = 1,8x**, ie 49% headroom relative to the bond covenant (3.5x)
- **ISCR of 5.7x**, ie 88% headroom relative to the bond covenant (3.0x)

# Our new digital range in figures



**Digital  
Presence**



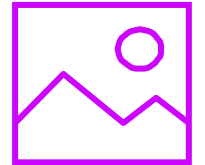
**Websites**



**Digital  
Advertising**



**New  
Services**



**Print**

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**2018 Revenues**

€131 M

€107 M

€325 M

€7 M

€98 M<sup>1</sup>

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**Market  
growth<sup>2</sup>**

+5%

+20%

+11%

+25%

-10%

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**“FULL WEB” | ALL DEVICES | MULTICHANNEL  
IN SUBSCRIPTION MODE | WITH DIGITAL COACHING**

# New VSEs/SMEs Digital offer

## PRESENCE

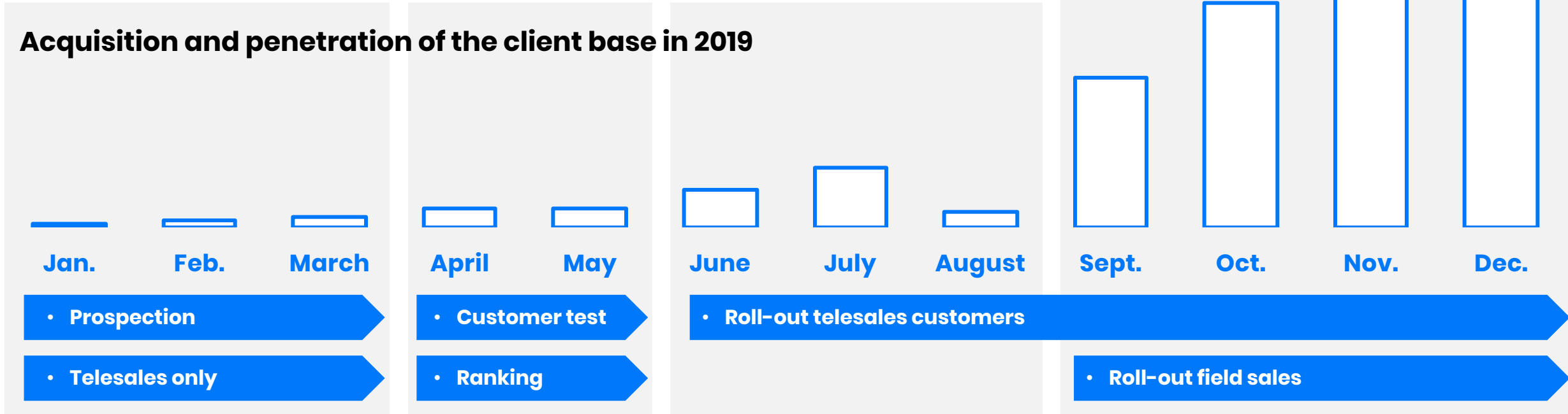
## WEBSITES

## ADVERTISING

PRESENCE		WEBSITES		ADVERTISING		
<p><b>Presence ESSENTIEL</b></p> <p>MINI-SITE</p> <hr/> <p>Visibility on 9 websites, search engines and social networks</p> <p></p> <p><b>€29 Excl. taxes/month</b></p>	<p><b>Presence PREMIUM</b></p> <p>MINI-SITE</p> <p>+</p> <p>Visibility on 21 websites, search engines and social networks</p> <p></p> <p>+</p> <p>e-reputation</p> <p></p> <p><b>€49 Excl. taxes/month</b></p>	<p><b>Websites</b></p> <p>Essentiel</p> <hr/> <p>Premium</p> <hr/> <p>Privilege</p> <hr/> <p>From <b>€70 Excl. taxes/month</b></p> <p><b>E-commerce website</b></p> <p>Essentiel</p> <hr/> <p>Premium</p> <hr/> <p>Privilege</p> <hr/> <p>From <b>€80 Excl. taxes/month</b></p>	<p><b>Priority Ranking</b></p> <p>PRESENCE PREMIUM</p> <p></p> <p>+</p> <p><b>Priority ranking</b></p> <p></p> <p>From <b>€59 Excl. taxes/month</b></p>	<p><b>Offline Performance</b></p> <p>LEADS AND DRIVE TO STORE</p> <p><b>Booster Contact</b> </p> <hr/> <p><b>Local Impact</b>  Full Web</p> <hr/> <p>From <b>€75 Excl. taxes/month</b></p>	<p><b>Visibility</b></p> <p>DISPLAY CAMPAIGNS</p> <p><b>Social Tract</b> </p> <hr/> <p><b>Adhesive</b>  Full Web</p> <hr/> <p>VIDEO CAMPAIGNS</p> <p><b>Social Vidéo</b> </p> <hr/> <p>From <b>€69 Excl. taxes/month</b></p>	<p><b>Online Performance</b></p> <p>TRAFFIC TO WEBSITES</p> <p><b>Booster Site</b> </p> <hr/> <p><b>Social Clic</b> </p> <hr/> <p>From <b>€75 Excl. taxes/month</b></p>

# New Presence range

## Acquisition and penetration of the client base in 2019



## Prospecting test feedback

- New offer very well received by the salesforce and customers
- ~30% cash payment
- ~70% of customers activate their mini site demonstrating an interest for this type of functionality



Frais Matin Déstockage<sup>1</sup>



L'heure des Mets<sup>2</sup>



Auberge de l'Écu de France<sup>2</sup>

# Large accounts product range – New contract with Autosur



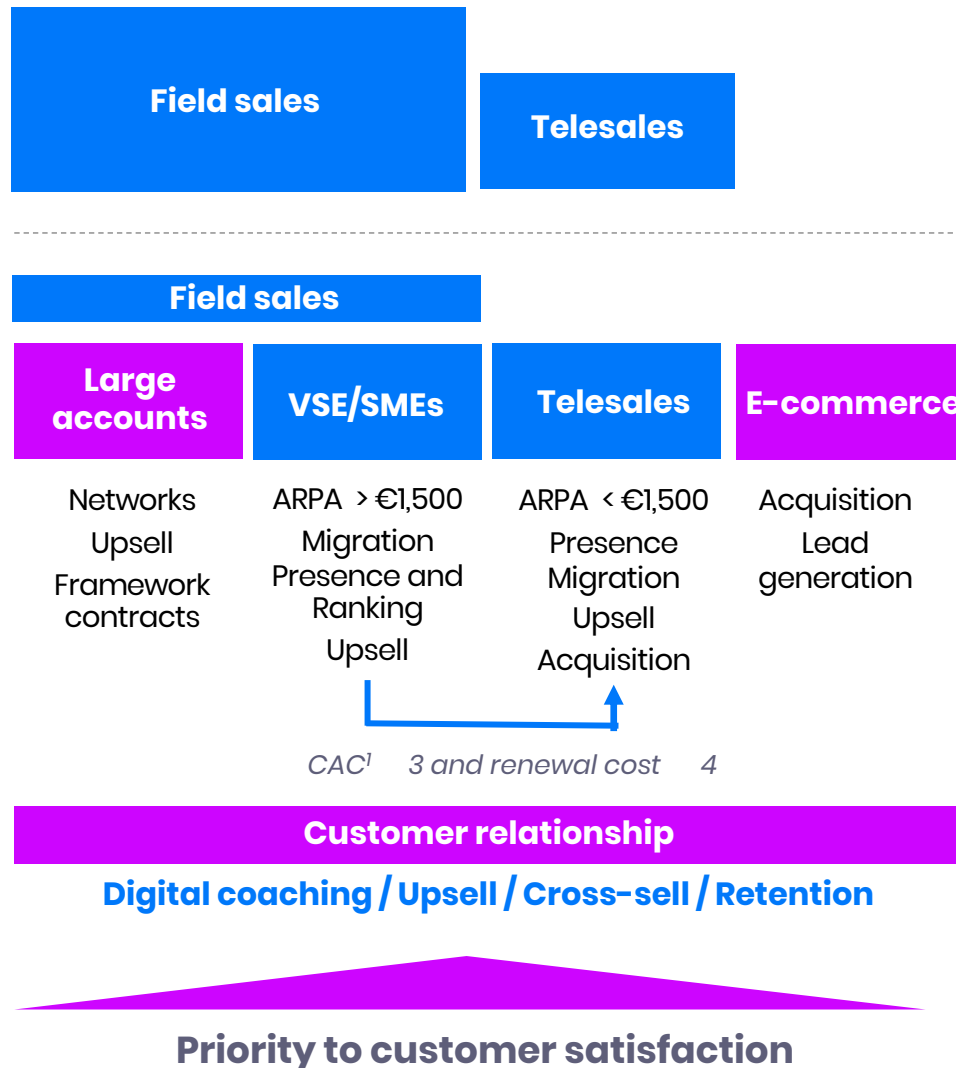
- **Framework contract signed with the network head of Autosur at the end of December and deployed since 15 January 2019**
- Development of **Booster Réseaux** packs, customised and suitable for Autosur vehicle inspection centres
- Each campaign respects the brand image and the network's charter **while adapting to local features and needs of each centre**
- Booster Réseaux campaigns redirect to local Autosur Store Locator pages (managed **from the BRIDGE platform**)
- 253 Booster Réseaux packs sold for a revenue of €35k / month (**€208k committed to date over 6 months**)
- 36% of Autosur centres subscribed to the offer

# 2019: Ramping-up of the new sales organisation

2018



2019



- **New segmentation and channel mix**

- Highest ARPA allocated to the field sales force (+10%)
- Launch of e-commerce sales in January 2019

- **Deployment of the new VSEs/SMEs field organisation** (vs. BUs)

- More concentrated territories (-15%)
- Decrease in the number of accounts allocated per sales representative (-10%)
- Time set aside for acquisition, upsell and customer support

- **100 additional sales representatives** as of Q1 2019

- **Strengthening Large accounts sales teams** and increased leverage of advertising agencies

- **Strengthening Telesales**

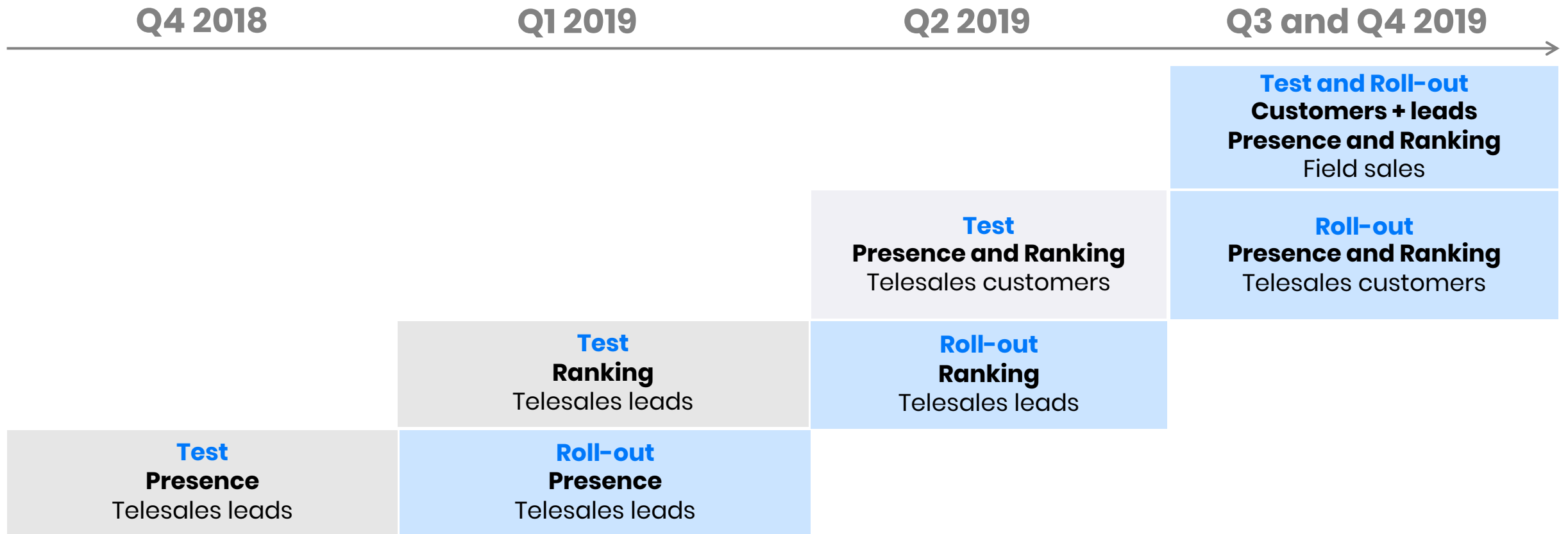
- Call time in Q1 2019 (vs. Q4 2018): +10% to customers and +25% to prospects
- Implementation of an incoming call telesales team (~15 persons)
- Launch of upsell / cross-sell campaigns

- **Training and new equipment / sales tools**

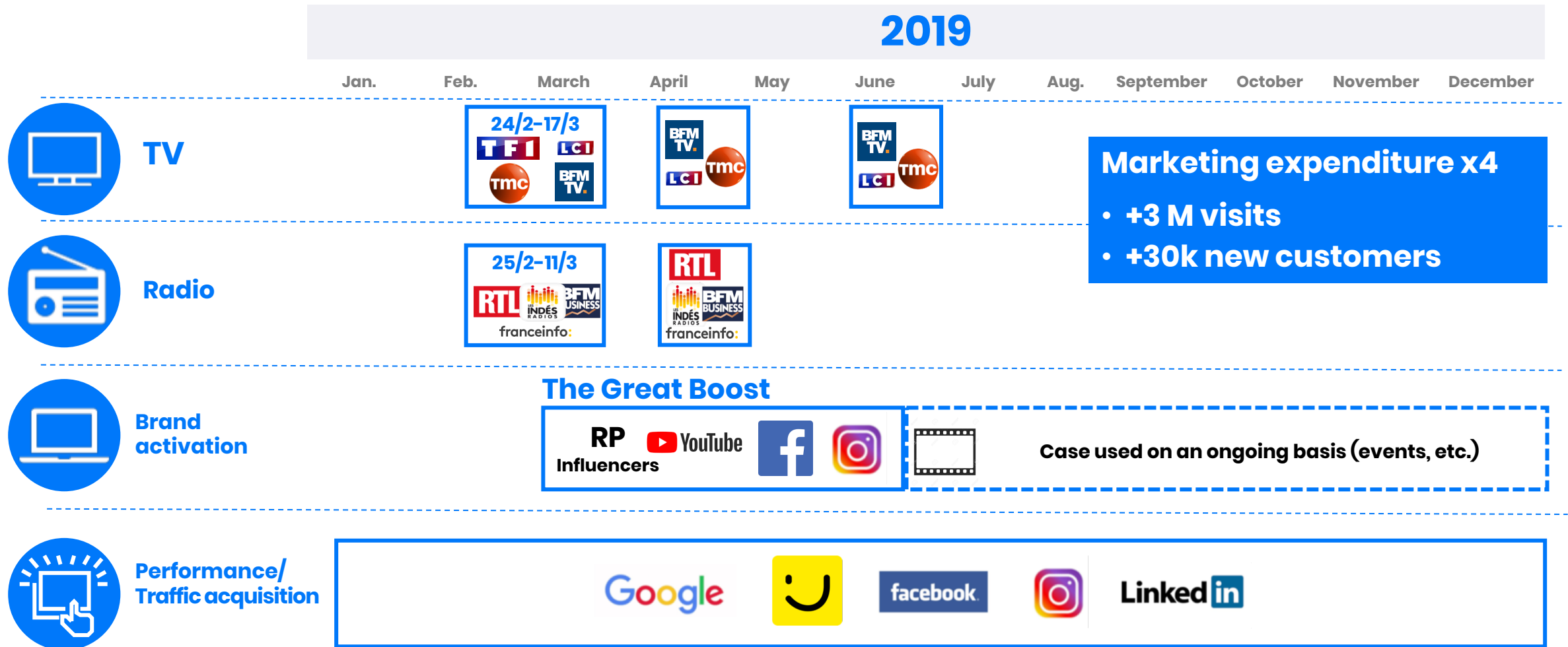
- **New variable compensation plan** performance-oriented and digital focused



# Gradual deployment of new digital services: moving towards 50% of our client base at the end of 2019



# A strong advertising campaign to boost sales



# 2019: rebound year and targeting growth of Digital order intake

## -Levers activated in Q1 2019



**New Presence and Websites ranges**  
**Upsell and retention campaigns**

# New operational KPIs to drive the company's performance by customer segment

2018 Solocal customer base<sup>1</sup>: 431,000 (scope of 100% revenues)

Total churn: 20%

Customer segments	Customer base	Digital ARPA <sup>2</sup>
<b>Micro-enterprises</b> ARPA from 0 to €500	c. 155,000	c. €150
<b>VSEs</b> ARPA from €500 to €3,000	c. 150,000	c. €1,100
<b>SMEs</b> ARPA > €3,000	c. 35,000	c. €5,900
<b>Large accounts &amp; networks<sup>3</sup></b>	c. 35,000	c. €2,400
<b>Total</b>	<b>c. 375,000</b>	<b>c. €1,300</b>

Scope excluding non significant subsidiaries, representing 92% of total revenues

# Confirmed liquidity

- December 2018: **working capital facility** signed with a financial partner
- February 2019: **revolving credit facility (RCF) of €15 M** with banks
- Ongoing discussions with several banks in order to achieve other similar agreements
- Possible technical reallocation between baskets in the bond documentation, which would allow the company to gain flexibility in the use of working capital facilities

# 2019: maximising EBITDA conversion into operating cash flows

- **Control of the change in WCR**

- Work is ongoing to improve rules for cash inflows from sales and recovery of trade receivables
- A KPI on the pace with which sales are cashed in, is integrated into the new variable compensation scheme for sales representatives

- Deployment of the **new offer** in subscription mode, with standardised payment terms

- **Bond interest expense maintained at 8%** in 2019 and **no corporate income tax** payable due to expenses related to the 2018 transformation plan (CVAE at €6 M)

- **Recurring EBITDA + change in WCR – Capex**: a key indicator for management variable compensation

- **2019 outlook: conversion of recurring EBITDA into operating cash flows maintained above 60%<sup>1,2</sup>**

1 Recurring EBITDA + change in WCR – Capex

2 Under the same accounting standard as before application of the new IFRS 16 standard

# Impact of the IFRS 16 standard on leases

- **Applicable as of 1<sup>st</sup> January 2019**

- Recognition on balance sheet of all lease commitments **currently recognised as off balance sheet commitments** and finance leases
- Impact on the Group's balance sheet:
  - **Recognition of a lease debt among liabilities** (discounted residual future rentals)
  - **In exchange for a right-of-use posted in the assets as a fixed asset amortised over the lease term**
  - Leases with a residual term of less than twelve months are excluded
- Most lease contracts are related to the head office

- **The impact on financial debt on 1<sup>st</sup> January 2019 is estimated between €105 M and €115 M**

- **Impact on recurring EBITDA is estimated at c. +€15 M**

- **No impact on cash**

In million euros	IFRS 16 impact <sup>1</sup>
<b>Revenues</b>	-
▪ Net external expenses	15
▪ Personnel expenses	-
▪ Restructuring costs	-
<b>EBITDA</b>	15
▪ Depreciation and amort.	(15)
<b>Operating income</b>	(0)
▪ Financial income	-
▪ Financial expenses	-
<b>Financial result</b>	(6)
<b>Result before tax</b>	(6)
▪ Corporate income tax	2
<b>Net income</b>	(4)

# 2019 outlook

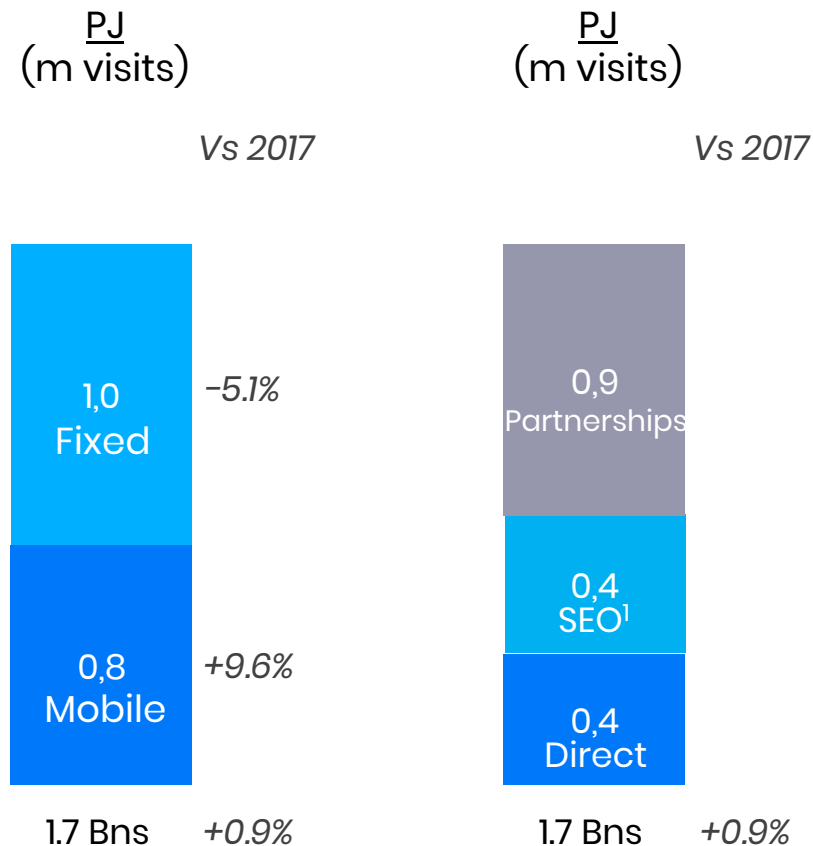
- **Focus on customer satisfaction**
- **Organisation in place and committed**
- **Investments in services, IT, marketing and skills**
- **Return to growth of Digital order intake<sup>1</sup>**
- **Moderate growth in 2019 recurring EBITDA<sup>1</sup>**
- **Maximise the conversion of EBITDA into operating cash flows**
- **Liquidity confirmed**





# Appendix

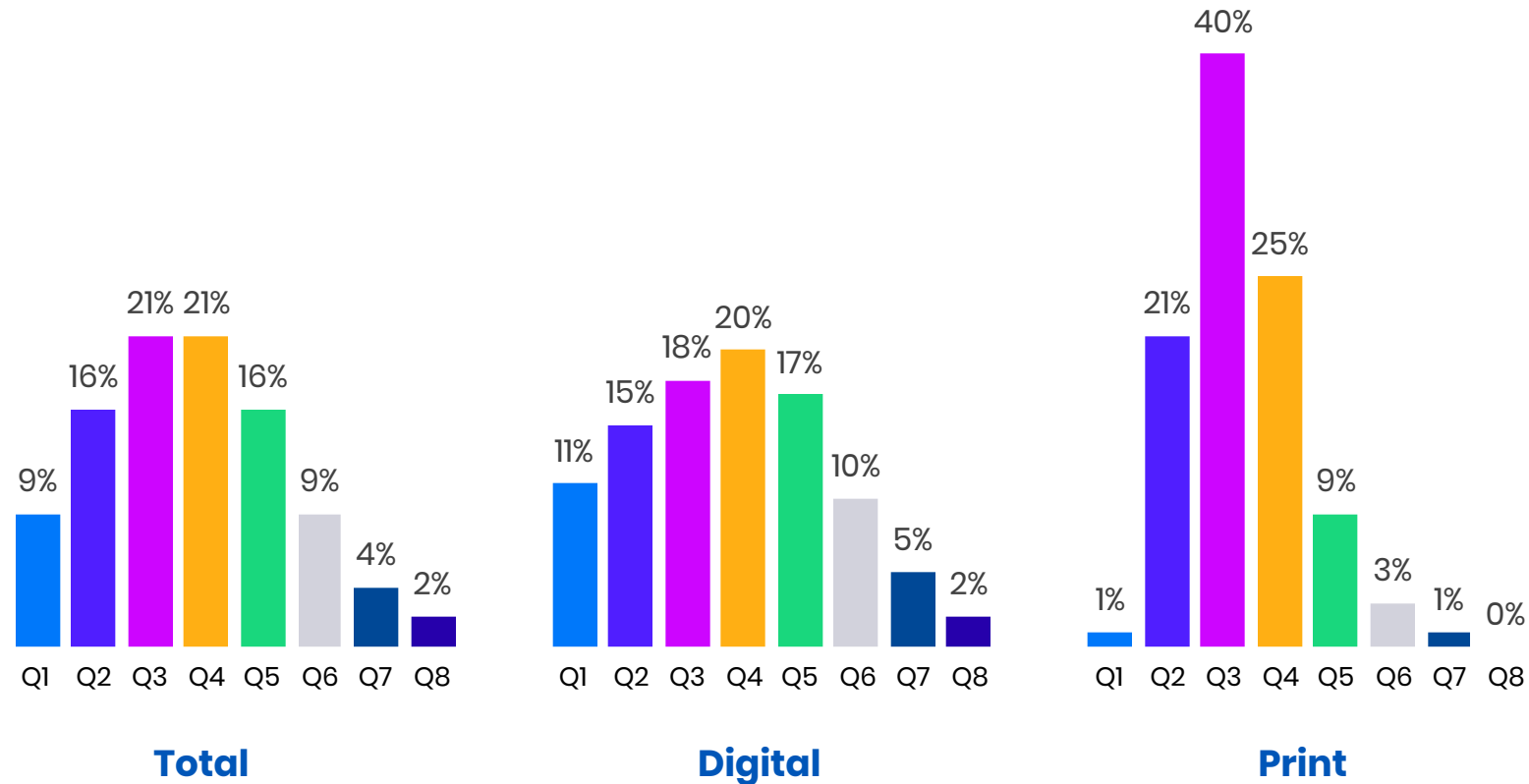
# PagesJaunes audience up in 2018



- **PagesJaunes audience up +1%**
  - Increase in SEO traffic
  - Traffic boosted by partnerships: 50% of audience
  - Focus on direct traffic: with a more relevant and transactional user experience
- **Rich PJ content: leads generated for Solocal customers up +1.6% in 2018**
- **Partnerships: growth driver for visits and leads**
  - Apple: +77% visits and +75% leads in 2018 vs. 2017
  - Le Bon Coin since December 2018
- **Mobile audience up +10% (vs. 2017)**

# 2018 profile of quarterly order intake conversion into revenues<sup>1,2</sup>

% of quarterly order intake converted into revenues in the following quarters (average of four 2018 quarters)

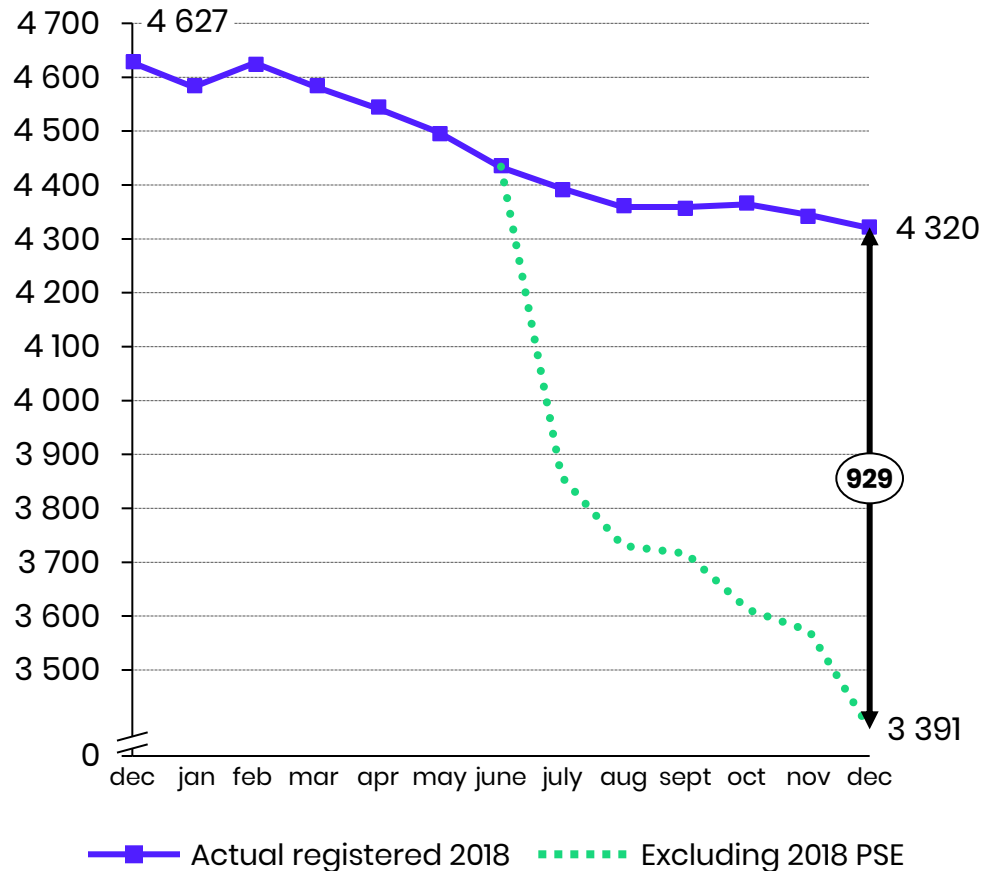


- Digital order intake are converted into revenues at a slower pace than Print order intake
- C. 69% of Q1 2018 order intake, 45% of Q2 2018 order intake, 24% of Q3 2018 order intake and 9% of Q4 2018 order intake, are converted into 2018 revenues

<sup>1</sup> Continued activities

<sup>2</sup> Scope excluding non significant subsidiaries, representing 92% of total revenues

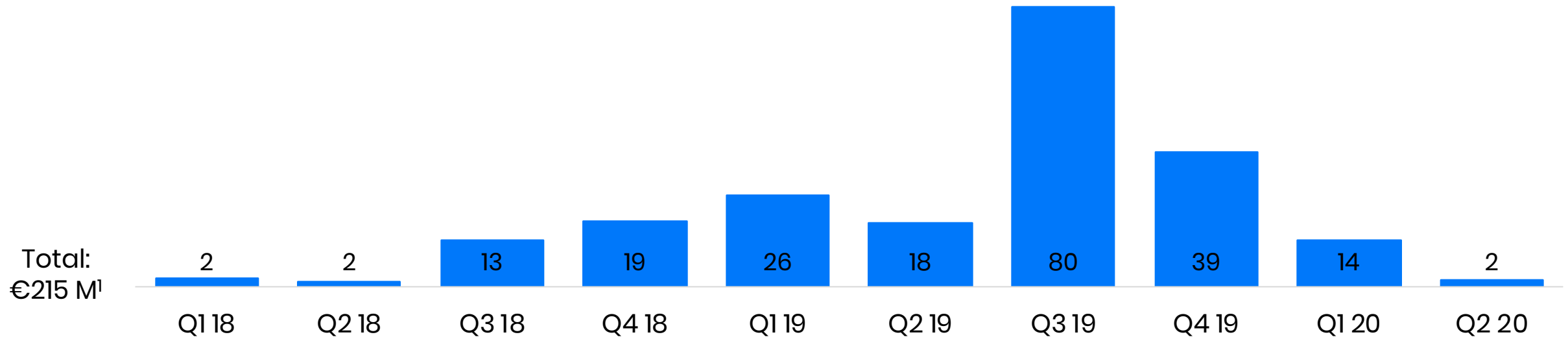
# Change in staff numbers 2018



- Staff at the end of 2018 only include 85 departures as part of the redundancy plan, but do not include the 926 departures achieved in 2018 who will be taken out of staff numbers when their severance benefits have been settled in 2019

Category	2017	2018	2018 Including PSE departures
Telesales	762	759	594
Field sales	1,249	1,144	786
Non-sales staff	2,616	2,417	201
<b>TOTAL</b>	<b>4,627</b>	<b>4,320</b>	<b>3,391</b>

# Estimated cash outflows related to the transformation project



## Notice period

- Monthly salary (2-3 months)

## Mobility / reclassification leave

- 80% of the monthly salary for 9-10 months

## Indemnities

- Amount according to seniority

# Main features of 2022 bond

- **Amount:** €398 M
- **Interests:** 8% payable quarterly

3-month EURIBOR rate – with a minimum of 1% + margin based on the level of consolidated net financial leverage ratio (consolidated net debt/consolidated EBITDA) at the end of each semester

Greater than 2.0:1	9.0%
Less or equal to 2.0:1 but greater than 1.5:1	7.0%
Less or equal to 1.5:1 but greater than 1.0:1	6.0%
Less or equal to 1.0:1 but greater than 0.5:1	5.0%
Less or equal to 0.5:1	3.0%

- **Maturity:** 15 March 2022
- **Early repayment** or callable by the company: at any time, all or part of the bonds at 100% of the principal amount (par value)
- **Credit ratings:**

	Issuer rating	Security rating
Fitch	B- negative watch	B-
Moody's	B3 negative outlook	B3

## BASKETS IN THE BOND DOCUMENTATION

**Working capital facility**

Up to €10 M

**Asset financing**

Up to €50 M

**Bilateral credit lines**

Up to €50 M

**RCF**