

PRESS RELEASE

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“SOLOCAL 2020”: A NEW AMBITION FOR THE GROUP AND A STRATEGIC RE-FOCUSING ON DIGITAL SERVICES

Today SoLocal presents its “SoLocal 2020” strategic project, based on an expanded offer of digital services for businesses, a reinvented PagesJaunes media platform and a streamlined organisation. This plan bears SoLocal’s new ambition: to become one of the digital services champions in France. This morning the project was presented to the company’s employee representative bodies.

SoLocal generates over 80% of its revenue from local digital communication activities due to the profound changes carried out in 2014. However, the company is facing new challenges and must imperatively introduce a new dynamic. To do so, Eric Boustouller, who has been Chief Executive Officer since October 2017, and the new management team are launching a **major adjustment to the company’s strategy and organisation**. This new development is essential to address the continuing erosion of SoLocal’s sales and market share, which are the consequences of the challenges the company faces in a highly competitive market, and its high fixed costs that hinder its investment capabilities.

SoLocal must accelerate its transformation by focusing on six fundamental and powerful strategic assets, some of which are unique in France: media with very high audiences, the power of its geolocated data, scalable technological platforms, its sales coverage throughout France, privileged partnerships with GAFAM¹ and a wealth of talent (expertise in data, development, digital marketing, etc.). This will enable the company to concentrate on three value-creating development sectors:

1) Developing new “full web & apps” services on all terminals (PCs, mobile phones, tablets and PDAs), sold as packaged offers and subscriptions to businesses.

Facing the deep changes in the digital needs of small and medium-sized business and large chain store groups, SoLocal aims to be the digital reference portal for all businesses, integrating a digital coaching service adapted to each market segment. Its new offering is structured around five service ranges: **Digital Presence, Digital Advertising, Digital Website, Digital Solutions and Print to Digital**.

2) Reinventing its media, around new user experiences with PagesJaunes and Mappy

The overhaul of PagesJaunes has two priorities: to **enhance the relevance of local searches** (search) for users by offering greater customisation and **increase their involvement** through new services (advice, recommendations, booking appointments, etc.). On its side, Mappy supports the changes in French travel habits by adding a multimodal comparison tool to its route-planning and map services.

3) Simplifying its organisation

To better meet customers’ needs, the operational organisation should be redesigned: the business units will be removed, support functions will be centralised, locations will be rationalised, the hierarchy will be streamlined, and certain activities will be consolidated. This would require cutting around 1,000 positions at the Group level over the 2018-2019 period, including around 800 net positions at PagesJaunes in 2018, and implementing an Employment Protection Plan and 200 positions in 2019. In parallel, as part of the transformation project, the creation of a hundred or so positions is envisaged in 2018 to integrate new digital skills. Accordingly, this morning, the company initiated the process of informing and consulting with the employee representative bodies, a process which should be completed no later than the end of June 2018.

This transformation project is based on strict cost control discipline that will contribute to a significant reduction in fixed costs. Coupled with a strategic repositioning on digital activities with high growth potential, it should enable the Group to return to sustainable growth starting in 2019.

¹ GAFAM: Google, Apple, Facebook, Amazon and Microsoft/Bing.

Eric Boustouller, Chief Executive Officer of the SoLocal Group, stated:

“Last year, SoLocal completed a major financial restructuring that allows it to prepare its future. Nevertheless, the company faces a continued erosion of its revenue and market share and high fixed costs that hinder its investment capacity. That is why it is essential to immediately give the company a new strategic impetus.

I agreed to head SoLocal last October because I genuinely believe that SoLocal, has all of the advantages required to become one of the market leaders in the digital sector in France. However, this will require significant and rapid adjustments to our strategy and positioning, as the global digital ecosystem is becoming increasingly competitive. We must act now to bring about the necessary recovery, become nimbler in a constantly changing environment, and generate new opportunities for the company. This is the objective of the “SoLocal 2020” project we are launching today.

*Our aim is for SoLocal to soon become the digital reference partner for French businesses **and to be considered as the one helping them drive their growth**. This is our aim as a company that has been committed to small and medium-sized businesses and major chain store groups for over 60 years. To achieve this goal, our strategy is to offer a broad range of digital services to businesses and provide the best digital and local experience to our users.*

I am aware of the impact this new phase and the consequences of this corporate organization will have on our employees. The entire management team is committed to high-quality social dialogue and to ensuring that our employees receive individual support, that they are heard, and that they receive all the attention and respect that the situation demands. I am personally committed to offering a future or a new project to each employee through various forms of personalized support.

I would like to thank our shareholders, who have continued to show their confidence in the company’s potential despite the difficulties and uncertainties of the last two years. This project is essential to ensure the company’s development, to renew with growth by restoring its competitiveness and to attract new investors.

SoLocal is a major player in the French economy. My determination is that this will be even more true by 2020, for our teams, customers, users and shareholders, and that the company will become one of the digital champions that France needs.”

PROFOUND STRUCTURAL CHANGES TO THE MARKET THAT OFFER A PROMISING FUTURE

The market in which SoLocal does business is experiencing profound changes. Historically, SoLocal competed with regional daily press and local advertising players, but today it faces global web companies, as well as innovative start-ups and web agencies.

In this context, today the Group is launching “SoLocal 2020”, an ambitious and promising project to accelerate its transformation. This change of course aims to equip it with a renewed, more nimble strategy and organisation, which will enable it to achieve its full potential and become one of the digital champions in France.

To ensure the success of this project, SoLocal relies on six fundamental assets:

- **Media with very high audiences**, among the top 10 in France²
- **Geolocated data**: 35 million of pseudonymized profiles updated in real time
- **Scalable technology platforms**
- **Unparalleled local coverage throughout France with 460,000 customers**
- **Strong and balanced partnerships with global leaders in the sector**: Google, Apple, Facebook, Amazon and Microsoft/Bing
- **A large and talented team with expertise** in the fields of data, software development, digital marketing, etc.

² Source: Médiamétrie Global Internet classification, October 2017.

AN AMBITIOUS TRANSFORMATION BASED ON 3 VALUE-CREATING PILLARS

1. Offering a new digital range, that is both highly efficient and simple

The growing demand from small and medium-sized businesses and chain store groups for support in building their digital presence, finding new customers and increasing performance is a development opportunity for SoLocal. To meet these new needs, SoLocal aims to become the **leading digital portal for businesses, offering a wide range of digital services and a digital coaching service adapted to each market segment**. This will require a significant change in the current value offer:

- From an offer centered on PagesJaunes to a **“Full Web & Apps” service range available on all devices (PCs, phones, tablets, PDAs, etc.)**
- From a range of products offered each year in publications to a generalised **range of digital services marketed in SaaS mode**
- From offers that overlap to a **packaged and progressive offer**
- From customers “left to fend for themselves” after a sale, to a **digital coaching approach for tailor-made support** based on a **new Customer Path**
- From 18 customer interfaces to **1 “All-In-One” mobile and office customer application**

As a result, SoLocal now offers **5 new service ranges**:

- **Digital Presence** offering, for example, the **Full Web & Apps Presence Suite** (updated everywhere on the web and on all terminals, providing information on businesses: addresses, schedules, photos, videos, news, etc.)
- **Digital Advertising**, which includes the **Booster Contact Suite** (a guaranteed number of contacts for businesses, measurable on the basis of calls, forms completed, etc.)
- **Digital Website**: as the leader in the French website creation market with 450,000 sites to its credit, SoLocal intends to expand its entry-level offer, as well as its high-end range, by adding new options (bookings, e-commerce, click and collect, etc.) for Premium and Privilege Sites
- **Digital Solutions**, booking services are currently offered that already generate solid results and intends to launch new digital services: CRM, e-training, e-payment, marketing automation, etc.
- **Print to Digital**, based on innovations tested in “test & learn” mode to give print content a new dimension, with an emphasis on **augmented reality flyers and digital local guides**.

For **chain store companies**, 200 of which already rely on SoLocal, the value offer is based on a single integrated “bridge” platform in SaaS mode that manages their “Full Web & Apps” presence and their digital advertising campaigns. This enables chains to ensure consistency between the centre and local outlets and to optimize their communication actions.

All these developments are underpinned by the **redesigned customer journey**, which will be a **fertile ground** for any customer acquisition and loyalty building strategy. Every stage customers will go through, while in contact with SoLocal, has been reinvented to create value all along. To maximize the business impact, it has been decided to offer a brand-new customer journey: **omni channel (field, tele sales and online) and focused on a single application** that enables customer to monitor its audiences in real time, contact its digital coach etc.

2. Reinventing the PagesJaunes and Mappy media platforms to provide users with a new experience

As new needs and new uses emerge for internet users and mobile users, PagesJaunes is reinventing itself. It offers a new user experience through a richer and more differentiated customer path that fosters lasting links to the brand. This is the goal of the transformation project built around a significant cultural change within the company, which puts the user at the core of its media strategy: **“User First”**. The reinvention of PagesJaunes has two aims:

- **Reinforcing the relevance of PagesJaunes searches through a complete overhaul, of both user interfaces and of answers customization.** PagesJaunes will rely on artificial intelligence, augmented reality and other technologies, in partnership with the leaders in the tech market. By developing cognitive services (e.g. machine learning) with Microsoft/Bing, PagesJaunes' search function will evolve towards more personalised responses, thereby better meeting users' demand for customised services.
- **Developing communities and involvement:**
 - Strengthening the PagesJaunes community culture by developing **“opinions and comments”** functionalities and creating **business communities**.
 - Deploying new uses on **major vertical platforms** (health, housing, convenience stores, etc.) to develop a unique user experience (transactional, bookings, etc.) in partnership with market leaders
 - Launching a **loyalty programme**.
 - Developing **new content**, specifically video content, that offers higher quality and is more comprehensive and more closely aligned with its users' needs.

In the coming months, the first concrete results of this project will become apparent:

- **February 2018:** the transition from the dual field model of pagesjaunes.fr to a **single field model** will simplify inputting of users' requests, consistently with market trends.
- **April 2018:** conversational **and transactional search** functionality will provide users with a new channel for exchanges. Using natural language processing and artificial intelligence technologies developed in partnership with Microsoft, the PagesJaunes chatbot³ will be a key tool for transforming the relationship between PagesJaunes and its users.
- **October 2018:** **syndication of content** to offer ever-richer content.

By encouraging recurring use of PagesJaunes, the Group will increase its audience growth and be able to more effectively monetise it. It will also develop audiences adapted to each customer profile, which will turn in prospective clients for their business.

On its side, Mappy will support the changes in French travel habits by adding a multimodal comparison tool to its route-planning and map services.

3. Setting up a nimble organisation and reinventing its corporate culture focusing on digital services

To achieve these business and service transformations, the company's organisation must be redesigned based on three guiding principles:

- **A “customer and user-centric” corporate culture, with nimble working methods and operational efficiency vectors, based on structured and optimised processes**
Each measure of the company's transformation project has an absolute priority: to be customer and user-centric in order to respond to their changing expectations and needs. To meet this challenge, SoLocal's transformation will require **industrialising its tools and processes** throughout the chain. Removing barriers to interactions between departments and fostering co-construction within the company is the bedrock of the new corporate culture: nimbler, more cross-disciplinary, more open. Thus, for example, **significant synergies will be developed between the Product and Technical departments**, aimed at designing high-performance digital services and strengthening the time-to-market offers (in Agile and Scrum mode).
- **A new technological dynamic impetus**

³ Chatbot: an IT programme that can simulate a conversation with users through vocal or text exchanges.

To position itself at the forefront of market practices, SoLocal intends to adopt an R&D and IT policy consistent with the Group's ambition. SoLocal's technology, which is the growth engine for the company's business, must encourage the design of innovative services for the benefit of customers and users and it must be adaptable to all market segments, in France and abroad, applying a successful business model.

For the first time, SoLocal has opted for cloud solutions for its internal IT in order to offer a nimble, modern and secure working environment using business applications (ERP, CRM, etc.) that are even more efficient in Software as a Service (SaaS) mode, as well as for its R&D in the field of media and digital services for internet users and customers on a dynamic Platform as a Service (PaaS), which enables concentrating the work of the development and IT teams on added value.

- **A simple, nimble and efficient organisation that enables each person to more successfully foster his/her development and manage his/her daily activities**

One of the main aims of redesigning the organisation is to better share digital opportunities within teams. The **working environment**, both the physical space and the collaboration methods, will focus on efficiency, co-operation and flexibility. The goal is to promote employees' personal development and facilitate their daily work.

Simplifying the hierarchy is also a tool for encouraging efficiency. It will be streamlined with fewer hierarchical levels that have added responsibilities. Subsidiaries will also be progressively integrated with the aim of building more nimble and cross-disciplinary teams at the service of customers.

Improving operational efficiency will require removing the business units, regrouping the telesales, customer support and production activities in regional hubs, and consolidating marketing and operations within a centralised organization. By 2020, SoLocal's sites in France will maintain a sales presence throughout the country, but the 23 existing sites will be reconfigured into four regional hubs (telesales, customer support, R&D/IT) in Lille, Rennes, Bordeaux and Lyon, two production/development hubs in Angoulême and Chambéry and one telesales hub in Boulogne, with the head office in Boulogne-Billancourt. **This streamlining of locations aims to reinforce the sales teams' proximity with customers.** At the same time, the goal is to offer the best possible working environment for the sales teams by installing them in business centres that provide them with all the equipment at the forefront of services offering personalised solutions, and to guarantee customers a very strong national and territorial presence - unmatched on the French market - through a dense and novel network of business centres.

This redesign of the operational organisation would require cutting around 1,000 positions at the Group level over the 2018-2019 period, including around 700 net positions at PagesJaunes in 2018, out of a total of 4,627⁴ employees, and implementing an Employment Protection Plan. Accordingly, this morning, the company initiated the process of informing and consulting with the employee representative bodies, which should be completed no later than the end of June 2018.

The aim is to reach an agreement on high-quality individual support measures to be offered to each employee concerned by the project. At this stage, the project would include a phase of voluntary departures aimed at limiting the number of redundancies. It would be implemented with the utmost respect, providing all employees with the opportunity to be heard, and offering personalised and responsible support.

The overall cost of the transformation project, of approximately €180 million, would be fully or partially provisioned as of 2018. The disbursements associated therewith between 2018 and 2020 would be financed by available cash and the surplus cash flow generated over the period.

This transformation project should allow SoLocal to operate with significantly reduced fixed costs, to become nimbler and to return to profitable growth from 2019. The reduction in costs is estimated at around €120 million from 2020, compared to the 2017 cost base, and should restore the Group's ability to generate cash flow.

⁴ At 31 December 2017, SoLocal-wide.

About SoLocal Group

SoLocal Group, European leader in local online communication, reveals local know-how, and boosts local revenues of businesses. The Internet activities of the Group are structured around two business lines: Local Search and Marketing Digital. With Local Search, the Group offers Internet services and solutions to clients which enable them to enhance their visibility and develop their local contacts. Thanks to its expertise, SoLocal Group earned the trust of some 490,000 clients of those services and over 2.4 billions of visits via its 3 flagship brands (PagesJaunes, Mappy and Ooreka) but also through its partnerships. With Marketing Digital, SoLocal Group creates and provides the best local and customised content about professionals. With over 4,400 employees, including a new orders force of 1,900 local communication advisors specialised in five verticals (Home, Services, Retail, Health & Public, BtoB) and Internationally (France, Spain, Austria, United Kingdom), the Group generated in 2016 revenues of 812 millions euros, of which 80% on Internet and ranks amongst the first European players in terms of Internet advertising revenues. SoLocal Group is listed on Euronext Paris (LOCAL). More information may be obtained at www.solocalgroup.com.

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