# Hibu Trading Update for the twelve months ended 31 March 2019

**Yell UK**

- The transition to a fully digital business, and the changes to the sales and service model, have been completed which positions the business well for long term success.
- Digital revenue in Q4 was £3m lower than Q3 with Yell.com revenue impacted by cancellations linked to the ending of our Print business. Digital EBITDA margins in Q4 held up well at 34% with lower costs more than offsetting the revenue decline. Trading operating cash flow in Q4 was £4m lower than Q3 due to the timing of payments.
- Underlying Yell.com traffic has now been stable at 10m visits per month for three consecutive quarters and partnerships are generating a further 25m monthly usage of Yell data.
- Though it has been a challenging year, particularly the second half, decisive action has been taken to reduce the cost base and invest resources in the customer facing side of the business to return Yell to growth.

**Hibu US**

- Continuing transition to a digital business, including print-to-digital (P2D) program, with over 60% of revenues coming from digital marketing services. Continuing shift to higher value customers taking multiple products but digital retention remains challenging.
- Digital marketing services revenue in Q4 was $2m higher than the previous quarter benefiting from an increase in search and display revenue. The full year finished 0.7% up on the prior year.
- Cost reductions have been made throughout the year to exceed EBITDA and cash expectations whilst continuing to invest in core areas.

**David Sharman, Hibu Group Chief Executive Officer, said:**

"In the UK, we have a pure digital business with a strong product set for SMEs and the right sales and service model in place. Our salesforce is now dedicated to winning new business while our 'in-life' customer service team is focused on retention."

"In the US, we have strong position in a growing and highly-fragmented digital market and we anticipate extending directory publication in to FY22 due to good resilience in certain directories."

"FY19 was a challenging year for both businesses, with the end of print migration and organisational changes impacting the UK, and a slowdown in US digital growth despite ongoing print migration and new customer acquisition. However, I am pleased that we were able to meet EBITDA expectations through decisive action to reduce the cost base."

"In FY20, we plan to invest in our sales capability to drive customer acquisition and retention, whilst continuing to reduce back office costs in both countries."

**Enquiries**

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*The information contained in this announcement does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 March 2017 have been filed with the Registrar of Companies. The auditor has reported on those accounts and its report was unqualified and did not contain a statement under Section 498(2) or 498(3) of the Companies Act 2006. Statutory accounts for the year ended 31 March 2018 will be filed with the Registrar of Companies. The auditor has not yet reported on those accounts but is expected to do so prior to filing.*

*This announcement may include forward-looking statements within the meaning of the securities laws of certain applicable jurisdictions. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts, including, without limitation, those regarding our intentions, beliefs or current expectations concerning, among other things, our future financial conditions and performance, results of operations and liquidity, our strategy, plans, objectives, prospects, growth, goals and targets, future developments in the markets in which we participate or are seeking to participate, and anticipated regulatory changes in the industry in which we operate. These forward-looking statements can be identified by the use of forward-looking terminology, including, but not limited to, terms such as "aim", "anticipate", "assume", "believe", "continue", "could", "estimate", "expect", "forecast", "guidance", "intend", "may", "outlook", "plan", "predict", "project", "should", "will" or "would" or, in each case, their negative, or other variations or comparable terminology.*

*By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and are based on numerous assumptions. Our actual financial condition, results of operations and cash flows, and the development of the industry in which we operate, may differ materially from (and be more negative than) those made in, or suggested by, the forward-looking statements contained in this announcement. In addition, even if our financial condition, results of operations and cash flows, and the development of the industry in which we operate, are consistent with the forward-looking statements contained in this announcement, those results or developments may not be indicative of results or developments in subsequent periods. We undertake no obligation publicly to update or revise any forward-looking statements, except as may be required by law.*

## Yell UK Operating Performance

| £m | **Twelve months ended 31 March 2019** | Twelve months ended 31 March 2018 | Change |
|---|---|---|---|
| **Digital** | | | |
| Yell.com revenue | **106.5** | 108.3 | (1.7%) |
| Digital Marketing Services revenue | **83.2** | 91.1 | (8.7%) |
| Digital revenue | **189.7** | 199.4 | (4.9%) |
| Digital product contribution | **151.0** | 158.1 | (4.5%) |
| Digital product contribution margin (%) | **79.6%** | 79.3% | |
| Digital EBITDA | **60.4** | 62.3 | (3.0%) |
| Digital EBITDA margin (%) | **31.8%** | 31.2% | |
| **Printed Directories** | | | |
| Print revenue | **11.5** | 27.3 | (57.9%) |
| Print EBITDA | **(0.1)** | 11.5 | (100.9%) |
| **Total** | | | |
| Revenue | **201.2** | 226.7 | (11.2%) |
| Adjusted EBITDA | **60.3** | 73.7 | (18.2%) |
| Capital expenditure | **(7.7)** | (5.7) | (35.1%) |
| Restructuring payments | **(4.0)** | (2.1) | (90.5%) |
| Pension contributions | **(5.8)** | (11.2) | 48.2% |
| Working capital movement | **(4.5)** | (2.4) | (87.5%) |
| Trading operating cash flow | **38.3** | 52.3 | (26.8%) |

| | | | |
|---|---|---|---|
| **Operating Metrics** | | | |
| Digital customers at period end (thousands) | **118.3** | 131.9 | (10.3%) |
| Digital customers acquired (thousands) | **26.1** | 38.6 | (32.4%) |
| Digital customers lost (thousands) | **39.6** | 40.1 | (1.2%) |
| Average revenue per digital customer (£) | **1,495** | 1,485 | 0.7% |
| Average monthly visits to Yell.com (last 12 months, m) | **10.4** | 11.3 | (8.0%) |

## Hibu US Operating Performance

| $m | **Twelve months ended 31 March 2019** | Twelve months ended 31 March 2018 | Change |
|---|---|---|---|
| Digital Marketing Services revenue | **280.6** | 278.8 | 0.7% |
| Directories revenue | **182.3** | 283.7 | (35.7%) |
| **Total Revenue** | **462.9** | 562.5 | (17.7%) |
| Product contribution | **320.5** | 384.0 | (16.5%) |
| Product contribution (%) | **69.2%** | 68.3% | |
| Adjusted EBITDA | **111.4** | 151.0 | (26.2%) |
| Adjusted EBITDA Margin (%) | **24.1%** | 26.8% | |
| Trading operating cash flow | **112.8** | 149.0 | (24.3%) |

| | | | |
|---|---|---|---|
| **Operating Metrics** | | | |
| Digital marketing customers at period end (thousands) | **107.8** | 123.8 | (12.9%) |
| Digital marketing customers acquired (thousands) | **20.7** | 28.5 | (27.4%) |
| Digital marketing customers lost (thousands) | **(36.7)** | (36.9) | 0.5% |
| Average revenue per digital marketing customer ($) | **2,437** | 2,162 | 12.7% |
| Total customers | **160.3** | 196.3 | (18.3%) |

## Total Group Operating Performance

| £m | **Twelve months ended 31 March 2019** | Twelve months ended 31 March 2018 |
|---|---|---|
| UK revenue | **201.2** | 226.7 |
| US revenue | **352.5** | 424.3 |
| **Total Revenue** | **553.7** | 651.0 |
| UK Adjusted EBITDA | **60.3** | 73.7 |
| US Adjusted EBITDA | **84.7** | 114.2 |
| Hibu Group management costs | **(9.9)** | (10.8) |
| **Total Adjusted EBITDA** | **135.1** | 177.1 |
| UK Trading operating cash flow | **38.3** | 52.3 |
| US Trading operating cash flow | **85.7** | 112.7 |
| Hibu Group management costs | **(15.3)** | (11.1) |
| One-off pension contribution | **(10.0)** | - |
| One-off incentive payment | **-** | (23.0) |
| **Total Trading operating cash flow** | **98.7** | 130.9 |

### Key Performance Measures ("KPIs")

Management use KPIs to better understand the underlying financial performance of the Group and to provide comparability of information between reporting periods and business units. Given that KPIs are not defined by International Reporting Standards they may not be directly comparable with other companies who use similar measures. KPIs used in this trading update are:

| **Financial KPI** | **Description** |
|---|---|
| Product contribution | Revenue less the direct costs associated with service delivery. |
| Digital EBITDA | Adjusted EBITDA relating to digital products. |
| Print EBITDA | Adjusted EBITDA relating to print products. |
| EBITDA | Operating profit adjusted to add back amortisation and depreciation. |
| Trading operating cash flow | Adjusted EBITDA less capital expenditure, restructuring cash flows, regular pension contributions and changes in working capital. Excludes Hibu Group management costs, a £10m one-off pension contribution in May 2018 and a £23m one-off incentive payment in May 2017. |

| **Operating Metrics** | **Description** |
|---|---|
| Customers | Customers with a live product on the last day of the reporting period. Yell UK excludes a small number of customers receiving free promotional products and customers of Sitemaker Software Limited (SSL). |
| Customers acquired | Customers with no live product on the first day of the reporting period and a live product on the last day of the reporting period. |
| Customers lost | Customers with a live product on the first day of the reporting period and no live product on the last day of the reporting period. |
| Average revenue per customer | Revenue in the last twelve months divided by the average number of customers in the same period. |
| Visits to Yell.com | Calculated as the average over the last twelve months. Usage is sourced and audited by Omniture and includes desktop and mobile visits but excludes any third party syndicated usage. |