



3 Forbury Place  
Forbury Road  
Reading, RG1 3YL

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## **Hibu Group Limited**

### **Management change & trading update for the nine months ended 31 December 2019**

This afternoon, Alfred Mockett, Chairman of the Hibu Group, made the following statement:

“Our industry is at a difficult and challenging juncture, as we continue to manage secular shifts from print to digital. Over the past six years we have managed this transition well, returning more than one billion Pounds Sterling to our investors.”

“However, over recent months, our performance has been disappointing, and we have witnessed a two-thirds decline in stock value and a one-third decline in bond value. As Chairman of the Board, I accept full responsibility for this outcome. Hibu would benefit with a change in leadership at this time. Therefore, I resign as Chairman and Non-Executive Director.”

Following Alfred Mockett’s resignation the Hibu Group Board asked David Anderson, Non-Executive Director of the Hibu Group, to take the role of Executive Chairman on an interim basis until a new Executive Chairman is appointed. Whilst David Sharman, Group CEO remains on leave of absence, Claire Miles, UK CEO and Kevin Jasper, US CEO will report directly to the Board.

## US

- Digital marketing services revenue continues to grow at similar levels to last quarter. Underlying digital growth, excluding migration from print, is estimated to be positive despite sales heads being 25% lower than two years ago. Performance in regions that have been fully digital for some time suggest that the business can continue to grow digital revenue post print and print-to-digital conversion.
- Print to digital ('P2D') program continues to be tracked closely and adjusted to balance the benefits of moving to a pure digital operating model with cash flows from the remaining profitable directories.
- The benefits of our 'PCS' strategy (targeting larger, stickier customers) continue to be reflected in the results with average revenue per customer continuing to increase and quarterly churn at a record low in Q3. Improving sales metrics indicate that there is an opportunity to profitably increase investment in the sales force.

## Yell UK

- Digital revenue trend continued, declining £1.1m in the quarter. However, the improved customer acquisition rate was maintained from Q2 and Digital Marketing Services revenue was broadly flat in the quarter. Further decline in revenue, including short-term acceleration in Q4, is anticipated before revenue is properly stabilised through sales, service and product improvements.
- Digital EBITDA continues to track revenue, declining £0.5m in the quarter, and trading operating cash flow in the quarter returned to trend following the £2.1m short-term working capital inflow that benefited Q2.
- Average monthly visits to Yell.com in the last 12 months declined from 10.2m to 9.7m due to the impact of search engine algorithm changes, and average monthly partnership usage of Yell data declined slightly from 29.4m to 28.4m reflecting seasonality in Q3.
- Yell will present the initial conclusions of its strategic review on 20<sup>th</sup> February 2020. Both existing and potential investors are welcome to join. For further details, please refer to our website at [hibugroup.com/bondholders](http://hibugroup.com/bondholders).

## Hibu Group

- The Group has returned approximately £1 billion to investors since 2014 including approximately £68m in dividends over the last 6 quarters. Following discussions with a substantial proportion of the Group's shareholder base, the Board has decided that it will not make a distribution this quarter while the Board assesses the Group's capital allocation and investment options.
- The Group expects to provide the market with a full strategic update, including financials, in June (date to be confirmed).

### David Anderson, said:

"On behalf of the Board, I would like to thank Alfred for the substantial contribution that he has made to the Hibu Group. We have all benefited from Alfred's wisdom and good judgement over the past six years which has seen significant change."

"I am very pleased to have been asked by the Board to take on the role of interim Executive Chairman at this critical time. I am committed to delivering value for all our stakeholders and I know that this can only be achieved by creating businesses with growing and sustainable revenue."

Enquiries: [Investor.Enquiries@hibu.com](mailto:Investor.Enquiries@hibu.com)

Contacts: [david.anderson@epladvisory.co.uk](mailto:david.anderson@epladvisory.co.uk) T: +44 (0) 7976 755891

[martin.harrison@hibugroup.com](mailto:martin.harrison@hibugroup.com) T: +44 (0) 7507 571673

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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 2019 have been filed with the Registrar of Companies. The auditor has reported on the accounts and its report was unqualified and did not contain a statement under Section 498(2) or 498(3) of the Companies Act 2006.*

*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.*

<b>Hibu US Operating Performance</b>	<b>Nine months ended</b>	<b>Nine months ended</b>	
<b>\$m</b>	<b>31 December 2019</b>	<b>31 December 2018</b>	<b>Change</b>
Digital Marketing Services revenue	<b>230.5</b>	216.7	6.4%
Directories revenue	<b>60.5</b>	132.7	(54.4%)
<b>Total Revenue</b>	<b>291.0</b>	349.4	(16.7%)
Product contribution	<b>191.5</b>	238.3	(19.6%)
Product contribution (%)	<b>65.8%</b>	68.2%	
Adjusted EBITDA	<b>52.4</b>	80.2	(34.7%)
Adjusted EBITDA Margin (%)	<b>18.0%</b>	23.0%	
Trading operating cash flow	<b>65.8</b>	99.6	(33.9%)

<b>Operating Metrics</b>			
Digital marketing customers at period end (thousands)	<b>97.9</b>	112.0	(12.6%)
Digital marketing customers acquired (thousands)	<b>13.4</b>	16.2	(17.3%)
Digital marketing customers lost (thousands)	<b>23.3</b>	28.0	16.8%
Average revenue per digital marketing customer (\$)	<b>2,909</b>	2,335	24.6%
Total customers	<b>128.7</b>	170.3	(24.4%)

Hibu US prior period comparatives have been restated to reclassify \$7.0m from digital marketing services revenue to directories revenue and to reclassify \$4.1m from indirect costs to direct costs. Total prior period revenue and EBITDA figures are unchanged from those previously reported.

<b>Yell UK Operating Performance</b>	<b>Nine months ended</b>	<b>Nine months ended</b>	
<b>£m</b>	<b>31 December 2019</b>	<b>31 December 2018</b>	<b>Change</b>
<b>Digital</b>			
Yell.com revenue	<b>69.7</b>	81.7	(14.7%)
Digital Marketing Services revenue	<b>58.1</b>	63.5	(8.5%)
Digital revenue	<b>127.8</b>	145.2	(12.0%)
Digital product contribution	<b>102.0</b>	115.7	(11.8%)
Digital product contribution margin (%) <sup>(1)</sup>	<b>79.8%</b>	79.7%	
Digital EBITDA	<b>34.8</b>	45.2	(23.0%)
Digital EBITDA margin (%)	<b>27.2%</b>	31.1%	
<b>Printed Directories</b>			
Print revenue	–	10.3	(100.0%)
Print EBITDA	–	0.3	(100.0%)
<b>Total</b>			
Revenue	<b>127.8</b>	155.5	(17.8%)
Adjusted EBITDA	<b>34.8</b>	45.5	(23.5%)
<b>Operating Metrics</b>			
Digital customers at period end (thousands)	<b>108.8</b>	122.7	(11.3%)
Digital customers acquired (thousands) <sup>(2)</sup>	<b>19.4</b>	19.9	(2.5%)
Digital customers lost (thousands) <sup>(2)</sup>	<b>28.9</b>	29.1	0.7%
Average revenue per digital customer (£) <sup>(3)</sup>	<b>1,481</b>	1,510	(1.9%)
Average monthly visits to Yell.com (last 12 months, m)	<b>9.7</b>	10.2	(4.9%)

<b>Total Group Operating Performance</b> <b>£m</b>	<b>Nine months ended</b> <b>31 December 2019</b>	Nine months ended 31 December 2018
UK revenue	<b>127.8</b>	155.5
US revenue	<b>229.5</b>	265.4
<b>Total Revenue</b>	<b>357.3</b>	420.9
UK Adjusted EBITDA	<b>34.8</b>	45.5
US Adjusted EBITDA	<b>41.3</b>	60.8
Hibu Group management costs	<b>(8.4)</b>	(6.9)
<b>Total Adjusted EBITDA</b>	<b>67.7</b>	99.4
UK Trading operating cash flow	<b>31.4</b>	29.5
US Trading operating cash flow	<b>51.9</b>	75.7
Hibu Group management costs	<b>(8.3)</b>	(9.6)
One-off pension contribution	-	(10.0)
<b>Total operating cash flow</b>	<b>75.0</b>	85.5

### 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:

<b>Financial KPI</b>	<b>Description</b>
Product contribution	Revenue less the direct costs associated with service delivery.
Adjusted EBITDA	Operating profit adjusted to add back amortisation, depreciation, restructuring costs, non-cash valuation adjustments and Hibu Group management costs, including share-based payments.
Digital EBITDA	Adjusted EBITDA relating to digital products.
Print EBITDA	Adjusted EBITDA relating to print products.
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 and a £10m one-off pension contribution in May 2018.

<b>Operating Metrics</b>	<b>Description</b>
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.