



## Owl Finance Limited financial report for the nine months ended 31 December 2019<sup>(1)</sup>

### Improvement plans in progress, higher customer acquisition rate maintained, revenue decline expected to continue in the short-term

#### Financial and operational highlights

- 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 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.
- The company will present the initial conclusions of its strategic review on 20<sup>th</sup> February 2020.

Summary Operating Results	Quarter ended					Year to date		
	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Dec-19	Dec-18	Change
<b>Non-GAAP<sup>(2)</sup>, £m</b>								
Digital revenue	47.6	44.5	43.7	42.6	41.5	127.8	145.2	-12.0%
Digital EBITDA	13.7	15.2	11.5	11.9	11.4	34.8	45.2	-23.0%
Trading operating cash flow	12.7	8.8	9.7	12.4	9.3	31.4	29.5	6.4%

Claire Miles, Yell UK Chief Executive Officer, said:

“New customer acquisitions have improved, but sales headcount and performance in the field still need to increase further with aggressive recruitment and training plans now underway, coupled with stronger segmentation of marketing leads. We are now selling our new Smart Performance product platform in live customer trials and expect to deliver materially higher customer ROI when we roll out in Q1.”

“Our new Chief Customer Service Officer, Debra Goodwin, joined in January and is driving the customer experience changes that are key to improving customer satisfaction and retention. We have also invested in SEO to counteract the search algorithm changes that are currently impacting Yell.com traffic.”

“It will, however, take time for these actions to meaningfully impact revenue and I expect the current downward trend to continue for several more quarters. In the longer-term, I continue to believe we have a great opportunity to transform the business and look forward to sharing more on this on 20<sup>th</sup> February.”

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A conference call will be held for bondholders to discuss these results at 14.00 UK time on 13 February 2020

>> [Click here to Join Call](#) << 0800 279 4827 (US: 888 378 4398) Passcode: 144401

(1) Delivered under the Indenture dated 2 May 2018 governing the terms of the 8 ½ % Senior Secured Notes issued by Yell Bondco plc (the “Indenture”). All figures, including comparatives, are the unaudited consolidated results of Owl Finance Limited and its subsidiaries (the “Group”). A copy of this document and other Bondholder notices published on 13 February 2020 can be found at <https://www.hibugroup.com/bondholders>.

(2) Non-GAAP Key Performance Indicators (“KPIs”) are defined in Appendix 1 and reconciled to GAAP measures in note 3 to the financial statements.

## Operating and financial discussion

### Financial condition and results of operations

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

Non-GAAP KPIs are defined in Appendix 1

#### Digital revenue & product contribution

Digital revenue was down 12.0% on the prior year as the benefit of print to digital migration ended and some previously transitioned customers, and certain national customers, cancelled their digital spend when final print directories were published in the quarter ended 31 March 2019. The decline was more pronounced for Yell.com which had previously enjoyed more of the benefit of print to digital migration. Product contribution margin was maintained broadly in line with the prior year despite the shift in product mix away from higher-margin Yell.com due to an improvement in the digital marketing services margin.

#### Digital EBITDA

Digital EBITDA decreased by £10.4m on the prior year due to the £13.7m decline in product contribution and investment in additional sales consultants, partially offset by cost savings in back office functions.

#### Digital customers

Customer acquisitions and losses were both broadly in line with the same period in the prior year although the average rate of monthly customer churn increased from 2.5% to 2.8%. Average revenue per customer was 1.9% lower due to the impact of cancellations from certain higher-spending national customers.

#### Yell.com visits

Average monthly visits to Yell.com in the last 12 months decreased to 9.7m due to search engine algorithm changes whilst syndicated partnerships delivered a further 28.4m<sup>(4)</sup> average monthly usage in the quarter.

(1) Contribution: Yell.com 99.5% (prior year: 99.4%) Digital Marketing Services 56.2% (prior year: 54.2%).

(2) Customers acquired and lost are an aggregation of monthly changes in the customer base. Individual customers who take advantage of the ability to switch in and out of digital products from month to month could be counted as both an addition and a loss more than once during a quarter.

(3) Monthly average in the last twelve months (LTM). LTM average digital customers 31 December 2019: 114.8k and 31 December 2018: 128.0k.

(4) Source: Syndicated partner stats, October to December 2019.

## Liquidity and capital resources

<b>£m</b>	<b>Nine months ended 31 December 2019</b>	Nine months ended 31 December 2018	<b>Change</b>
Adjusted EBITDA	<b>34.8</b>	45.5	(23.5%)
Capital expenditure	<b>(3.5)</b>	(5.5)	36.4%
Restructuring payments	<b>(1.9)</b>	(1.6)	(18.8%)
Pension contributions	–	(5.8)	100.0%
Working capital movement	<b>2.1</b>	(3.0)	170.0%
Trading operating cash flow	<b>31.4</b>	29.5	6.4%
Cash and cash equivalents	<b>29.1</b>	23.4	24.4%
Senior Secured Notes	<b>214.0</b>	225.0	4.9%

Trading operating cash flow was £1.9m higher than the prior year due to the decline in Adjusted EBITDA being more than offset by lower capital expenditure, the discontinuation of pension contributions, and a working capital outflow in the prior year. Trading operating cash flow excludes Hibu Group management costs, which were £3.4m for the nine-month period and are expected to be c. £4m for the full year.

Cash and cash equivalents held by the continuing operations of the Group increased from £19.6m to £29.1m in the nine months ended 31 December 2019. The Group has access to an undrawn £25.0m revolving credit facility. A reconciliation of net debt is provided in note 12 to the unaudited consolidated financial information.

During the nine months ended 31 December 2019, the Group repurchased £11.0m nominal value of Senior Secured Notes for cash consideration of £9.5m (average price of 86.4% of the par value of the Senior Secured Notes). The Group may undertake further opportunistic repurchases in future quarters after considering relevant factors such as business performance, cash flows and market prices.

### Other required disclosures

There were no material changes in the debt instruments of the Group since the most recent report was issued on 14 November 2019 in accordance with the Indenture. There are no material subsequent events and no material changes to the operational risk factors of the Group, which are set out in the Strategic Report included with the 2019 audited consolidated financial statements of the Group, included in the annual report issued on 25 July 2019.

### Unaudited consolidated financial information of the Group

The unaudited consolidated financial information of the Group for the nine months ended 31 December 2019 is included from page 5 in this document.

### Unaudited pro forma financial information

There were no material acquisitions, disposals or recapitalisations of the Group during the nine months ended 31 December 2019 that require the presentation of pro forma financial information in this document. The transfer of certain subsidiaries on 26 April 2018 related to the issuance of the Senior Secured Notes is reflected in the consolidated financial information for the period ended 31 December 2018. The results and net assets of the disposed companies are presented as discontinued operations for the periods before 26 April 2018, thus providing like-for-like comparatives of continuing operations that are the Group that is subject to the terms of the Indenture.

## DISCLAIMER

*This report is for information purposes only and does not constitute a prospectus or any offer to sell or the solicitation of an offer to buy any security in the United States of America, the United Kingdom or in any other jurisdiction. Securities may not be offered, sold or transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act of 1933, as amended.*

*The information contained in this report does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for Owl Finance Limited for the year ended 31 March 2019 can be found at <https://www.hibugroup.com/bondholders> within the document 'Yell FY19 Full Year Operating & Financial Discussion' and 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.*

*Presented in this report are certain non-GAAP financial measures of the Group ("Non-GAAP Financial Measures") that are not required by or presented in accordance with IFRS-EU, FRS 101 or FRS 104, including EBITDA among others. The Non-GAAP Financial Measures are not measurements of financial performance under IFRS-EU, FRS 101 or FRS 104 and have not been audited or reviewed. Accordingly, they should not be considered as alternatives to other indicators of operating performance, cash flows or any other measure of performance derived in accordance with IFRS-EU, FRS 101 or FRS 104. The Non-GAAP Financial Measures as presented in this report may differ from and may not be comparable to similarly titled measures used by other companies. The calculations for the Non-GAAP Financial Measures are based on various assumptions. There can be no assurance that the items identified for adjustment as non-recurring will not recur in the future or that similar items will not be incurred in the future. Such measures are inherently subject to risks and uncertainties. It may not give an accurate or complete picture of the financial condition or results of operations for the periods presented and should not be relied upon when making an investment decision.*

*This report 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 report. 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 report, 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.*

**Owl Finance Limited and subsidiaries**  
**Unaudited condensed consolidated income statement**

Nine months ended 31 December

<b>£m</b>	<b>Note</b>	<b>2019</b>	<b>2018</b>
Revenue	2	<b>127.8</b>	155.5
Cost of sales		<b>(70.0)</b>	(78.6)
<b>Gross profit</b>		<b>57.8</b>	76.9
Distribution costs		–	(4.8)
Administrative expenses		<b>(36.4)</b>	(32.6)
<b>Operating profit</b>	3	<b>21.4</b>	39.5
Net finance costs	4	<b>(12.2)</b>	(25.6)
<b>Profit before taxation</b>		<b>9.2</b>	13.9
Tax charge	5	<b>(4.7)</b>	(5.1)
<b>Profit for the period from continuing operations</b>		<b>4.5</b>	8.8
<b>Discontinued operations</b>			
Profit for the period from discontinued operations	6	–	317.8
<b>Profit for the period</b>		<b>4.5</b>	326.6

**Unaudited condensed consolidated statement of comprehensive income**

Nine months ended 31 December

<b>£m</b>	<b>Note</b>	<b>2019</b>	<b>2018</b>
<b>Profit for the period</b>		<b>4.5</b>	326.6
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Remeasurements of post-employment benefit obligations	15	<b>(23.1)</b>	(0.9)
Corporate income tax relating to these items	5	<b>3.9</b>	0.1
<b>Items that may be reclassified to profit or loss</b>			
Exchange gain on translation of discontinued operations	6	–	2.0
<b>Items reclassified to profit and loss in the period</b>			
Cumulative exchange gains recycled to profit or loss	6	–	(68.4)
<b>Total other comprehensive expense</b>		<b>(19.2)</b>	(67.2)
<b>Total comprehensive income for the period</b>		<b>(14.7)</b>	259.4

**Owl Finance Limited and subsidiaries**  
**Unaudited condensed consolidated statement of financial position**

£m	Note	At 31 December 2019	At 31 March 2019
<b>Non-current assets</b>			
Intangible assets	8	6.8	9.2
Property, plant and equipment	9	12.4	2.1
Retirement benefit surplus	15	106.2	126.9
Trade and other receivables	11	2.7	2.8
<b>Total non-current assets</b>		<b>128.1</b>	<b>141.0</b>
<b>Current assets</b>			
Trade and other receivables	11	27.6	41.3
Corporate income tax assets		–	0.3
Cash and cash equivalents	12	29.1	19.6
<b>Total current assets</b>		<b>56.7</b>	<b>61.2</b>
<b>Total assets</b>		<b>184.8</b>	<b>202.2</b>
<b>Current liabilities</b>			
Borrowings	12	(2.3)	–
Corporate income tax liabilities		(7.2)	(5.9)
Trade and other payables	13	(34.2)	(37.6)
Provision for liabilities		(0.1)	(0.9)
<b>Total current liabilities</b>		<b>(43.8)</b>	<b>(44.4)</b>
<b>Net current assets</b>		<b>12.9</b>	<b>16.8</b>
<b>Non-current liabilities</b>			
Borrowings	12	(217.7)	(219.0)
Deferred tax liabilities	10	(8.3)	(9.3)
Trade and other payables	13	(2.9)	(5.2)
Provision for liabilities		(1.3)	(0.8)
<b>Total non-current liabilities</b>		<b>(230.2)</b>	<b>(234.3)</b>
<b>Total liabilities</b>		<b>(274.0)</b>	<b>(278.7)</b>
<b>Net liabilities</b>		<b>(89.2)</b>	<b>(76.5)</b>
<b>Equity</b>			
Allotted and fully paid share capital (1 share for £1.00)		–	–
Other reserves		19.1	38.3
Accumulated losses		(108.3)	(114.8)
<b>Total equity</b>		<b>(89.2)</b>	<b>(76.5)</b>

The notes on pages 9 to 17 are an integral part of the condensed consolidated financial information.

**Owl Finance Limited and subsidiaries**  
**Unaudited condensed consolidated statement of changes in equity**

**For the nine months ended 31 December 2018**

<b>£m</b>	<b>Called up share capital</b>	<b>Other reserves<sup>(2)</sup></b>	<b>Accumulated losses</b>	<b>Total Shareholders deficit</b>
Balance at 1 April 2018	–	122.2	(323.6)	(201.4)
Profit for the period	–	–	326.6	326.6
Other comprehensive expense for the period	–	(67.2)	–	(67.2)
<b>Total comprehensive (expense) income for the period</b>	–	<b>(67.2)</b>	<b>326.6</b>	<b>259.4</b>
Dividends paid	–	–	(111.2)	(111.2)
<b>Total transactions with owners, recognised directly in equity</b>	–	–	<b>(111.2)</b>	<b>(111.2)</b>
<b>Balance at 31 December 2018</b>	–	<b>55.0</b>	<b>(108.2)</b>	<b>(53.2)</b>

**For the nine months ended 31 December 2019**

<b>£m</b>	<b>Called up share capital</b>	<b>Other reserves<sup>(2)</sup></b>	<b>Accumulated losses</b>	<b>Total Shareholders deficit</b>
Balance at 1 April 2019	–	<b>38.3</b>	<b>(114.8)</b>	<b>(76.5)</b>
Adjustment for changes in accounting policies <sup>(1)</sup>	–	–	<b>2.0</b>	<b>2.0</b>
<b>Restated balance at 1 April 2019</b>	–	<b>38.3</b>	<b>(112.8)</b>	<b>(74.5)</b>
Profit for the period	–	–	<b>4.5</b>	<b>4.5</b>
Other comprehensive income for the period	–	<b>(19.2)</b>	–	<b>(19.2)</b>
<b>Total comprehensive income for the period</b>	–	<b>(19.2)</b>	<b>4.5</b>	<b>(14.7)</b>
<b>Total transactions with owners, recognised directly in equity</b>	–	–	–	–
<b>Balance at 31 December 2019</b>	–	<b>19.1</b>	<b>(108.3)</b>	<b>(89.2)</b>

(1) The change in accounting policy is as a result of the adoption of IFRS 16 and is stated after the deduction of a £0.3m tax charge.

(2) Other reserves comprise pension reserves at 31 December 2019, 31 March 2019 and 31 December 2018. An amount of £66.4m included in other reserves at 1 April 2018, together with a further £2.0m recognised in the prior period, related to translation reserves and was recycled to profit and loss on disposal of the discontinued operations on 26 April 2018.

**Owl Finance Limited and subsidiaries**  
**Unaudited condensed consolidated statement of cash flows**  
**Nine months ended 31 December**

£m	Note	2019	2018
<b>Cash flows from operating activities</b>			
Cash generated from operations		31.5	22.7
Interest and financing fees paid		(10.4)	(21.8)
Corporate income tax paid		(0.3)	(1.0)
Net cash generated from (used by) operating activities		20.8	(0.1)
Net cash inflow from operating activities - discontinued operations ("ops")	6	–	3.8
<b>Cash flows from investing activities:</b>			
Net cash outflow on disposal of subsidiary undertakings		–	(12.6)
Purchase of property, plant, equipment and intangibles		(3.5)	(5.5)
Net cash used by investing activities		(3.5)	(18.1)
Net cash outflow from investing activities - discontinued ops	6	–	(0.5)
<b>Free cash flow</b>		<b>17.3</b>	<b>(14.9)</b>
<b>Cash flows from financing activities</b>			
Repayment of capital leases		(2.0)	–
Repayment of borrowings		–	(244.2)
Proceeds from issuing Senior Secured Notes		–	225.0
Repurchase of Senior Secured Notes		(9.5)	–
Dividend received from related party net of withholding tax		–	13.8
Net principal received from related parties		3.7	0.3
Net cash used by financing activities		(7.8)	(5.1)
Net cash outflow from financing activities - discontinued ops	6	–	(10.9)
<b>Increase (decrease) in cash and cash equivalents</b>		<b>9.5</b>	<b>(30.9)</b>
Cash and cash equivalents at beginning of period – continuing ops		19.6	33.6
Cash and cash equivalents at beginning of period – discontinuing ops		–	19.7
Exchange gains on cash and cash equivalents		–	0.5
Exchange gains on cash and cash equivalents of discontinued ops		–	0.5
<b>Cash and cash equivalents at end of period – continuing operations</b>		<b>29.1</b>	<b>23.4</b>
<b>Cash generated from operations – continuing ops</b>			
Profit for the period		4.5	8.8
<b>Adjustments for:</b>			
Tax charge	5	4.7	5.1
Net finance costs	4	12.2	25.6
Depreciation, impairments and losses on property, plant and equipment	9	2.8	1.0
Amortisation of intangible assets	8	5.5	5.5
Defined benefit pension contributions	15	–	(15.8)
Foreign exchange loss		–	0.1
Share-based payments		0.2	0.7
Other non-cash movements		–	(0.1)
<b>Changes in working capital:</b>			
Trade and other receivables		5.8	3.7
Trade and other payables		(2.9)	(11.6)
Net movement in intercompany trading account with related parties		(1.3)	(0.3)
<b>Cash generated from operations</b>	<b>3</b>	<b>31.5</b>	<b>22.7</b>

There were non-cash transactions during the period to 31 December 2018 totalling £320.9m in respect of the disposal of subsidiary undertakings offset by amounts of £86.6m, £123.1m and £111.2m in respect of inter-company loan settlements, PIK debt settlement and a dividend to the Company's former parent undertaking, Hibu Bidco Limited.



# Owl Finance Limited and subsidiaries

## Unaudited notes to the financial information

### 1. Basis of preparation and accounting policies

Owl Finance Limited (the "Company") is incorporated and domiciled in England & Wales with its registered office at 3 Forbury Place, Forbury Road, Reading RG1 3YL. The Company is presenting the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (the "Group") for the nine months ended 31 December 2019. The Group's principal activities during the period were the provision of digital directories, other digital products including website production and search and display solutions. The Group printed its last printed directory in January 2019. The Group is an integral part of a group of companies whose ultimate holding company is Hibu Group Limited, which separately prepares annual consolidated financial statements.

The Group's unaudited condensed consolidated interim financial information for the nine months ended 31 December 2019 has been prepared under the historical cost convention and in accordance with International Accounting Standard 34 "Interim Financial Reporting" and does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. The Group's unaudited condensed interim financial information should be read in conjunction with the annual financial statements of Owl Finance Limited for the year ended 31 March 2019, which have been prepared under the historical cost convention as modified by the revaluation of financial instruments at fair value in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRSIC") as adopted by the European Union ("EU") and the Companies Act 2006 applicable to companies reporting under IFRS. Certain items in the prior year relating to the disposal of subsidiary undertakings have been restated to be consistent with the presentation in the audited annual financial statements for the year ended 31 March 2019.

The accounting policies applied are consistent with those of the Owl Finance Limited audited annual financial statements for the year ended 31 March 2019, as described in those financial statements, except for the adoption of IFRS 16, "Leases", and IFRIC 23, "Uncertainty over income tax treatments", which became applicable for accounting periods beginning after 1 January 2019. The effect of adopting IFRS 16 is shown in notes 9, 10, 12 and 13. The adoption of IFRIC 23 did not have any effect on these financial statements. The application of those accounting policies in the preparation of the Group's financial information requires the use of certain critical accounting estimates, which rely on judgment and assumptions about the carrying values of assets and liabilities and the application of accounting policies. Actual results may differ from these estimates. The critical accounting judgments and key estimates are consistent with those set out in the Owl Finance Limited audited annual financial statements for the year ended 31 March 2019.

The unaudited condensed interim financial information for the nine months ended 31 December 2019 have been prepared on a going concern basis. The Company and its subsidiaries are guarantors and obligors under the terms of the Indenture dated 2 May 2018 governing the terms of the 8½% Senior Secured Notes issued by Yell Bondco plc (the "Senior Secured Notes") (the "Indenture"). The Indenture does not include covenants that require the maintenance of specific financial ratios. The Senior Secured Notes are secured on the Group's assets.

The directors of the Company have considered the implications of the above and the risks set out in the Owl Finance Limited strategic report for the year ended 31 March 2019, and in particular whether it is appropriate to prepare the financial information of the Group on a going concern basis and the adequacy of the disclosures made within the financial information. In reaching a conclusion the directors note that the forecasts of future performance indicate that the Group will generate sufficient cash flows to be able to meet its financial obligations for the next twelve months. The directors have concluded that the going concern basis of accounting continues to be appropriate.

## Owl Finance Limited and subsidiaries

### Unaudited notes to the financial information (continued)

#### 2. Revenue

Analysis of revenue by category (continuing operations only)

**For the nine months ended 31 December**

<b>£m</b>	<b>2019</b>	<b>2018</b>
Yell.com revenue	<b>69.7</b>	81.7
Digital marketing services revenue	<b>58.1</b>	63.5
Digital products	<b>127.8</b>	145.2
Print and other non-digital products	–	10.3
<b>Total revenue</b>	<b>127.8</b>	155.5

All revenue is generated from sales to customers based in the United Kingdom.

#### 3. Non-GAAP measures

The Group manages the business on the basis of non-GAAP financial measures that do not represent measurements of financial performance under IFRS-EU, FRS 101 or FRS 104 (“GAAP”). The following tables reconcile these non-GAAP measures to balances that are determined in accordance with GAAP.

Reconciliation of Digital EBITDA to operating profit

**For the nine months ended 31 December**

<b>£m</b>	<b>2019</b>	<b>2018</b>
<b>Digital EBITDA</b>	<b>34.8</b>	45.2
Print EBITDA	–	0.3
Adjusted EBITDA	<b>34.8</b>	45.5
Restructuring costs and other	<b>(2.5)</b>	2.2
Hibu Group management charge <sup>(1)</sup>	<b>(2.6)</b>	(3.2)
Disposal of Hibu Brand	–	1.5
EBITDA	<b>29.7</b>	46.0
Depreciation and amortisation <sup>(2)</sup>	<b>(8.3)</b>	(6.5)
<b>Operating profit</b>	<b>21.4</b>	39.5

(1) Hibu Group management charges are primarily an estimate of management costs occurring above the Group that are charged to Group operations in accordance with the Hibu Group’s arm’s length transfer pricing methodologies

(2) Depreciation and amortisation include adjustments to carrying values for impairments and gains or losses on disposal

Reconciliation of Trading operating cash flow to cash generated from operations

**For the nine months ended 31 December**

<b>£m</b>	<b>2019</b>	<b>2018</b>
<b>Trading operating cash flow</b>	<b>31.4</b>	29.5
Hibu Group management charge	<b>(3.4)</b>	(2.6)
Disposal of Hibu Brand	–	1.5
One-off pension payment	–	(10.0)
Exceptional payments	–	(1.2)
Add back: Purchase of property, plant, equipment and intangibles	<b>3.5</b>	5.5
<b>Cash generated from operations</b>	<b>31.5</b>	22.7

**Owl Finance Limited and subsidiaries**  
**Unaudited notes to the financial information (continued)**

**4. Net finance costs (continuing operations only)**

<b>For the nine months ended 31 December</b>		
<b>£m</b>	<b>2019</b>	<b>2018</b>
Interest payable on Senior Secured Notes	<b>(13.8)</b>	(12.6)
Interest payable on legacy debt	–	(2.8)
Amortisation of deferred financing costs	<b>(1.1)</b>	(5.2)
Capital lease interest	<b>(0.8)</b>	–
Interest expense on amounts owed to group undertakings	–	(0.2)
Net foreign exchange losses on financing activities	–	(6.5)
Bank charges and other finance costs	<b>(0.5)</b>	(1.1)
<b>Total finance cost</b>	<b>(16.2)</b>	(28.4)
Gain on repurchase of Senior Secured Notes	<b>1.5</b>	–
Net finance income on retirement benefit plan surplus	<b>2.4</b>	2.8
Net foreign exchange gains on financing activities	–	–
Interest on short term bank deposits	<b>0.1</b>	–
<b>Total finance income</b>	<b>4.0</b>	2.8
<b>Net finance cost</b>	<b>(12.2)</b>	(25.6)

**5. Taxation**

The Company is resident in the UK for tax purposes. The tax charge on the Group's profit before tax (including discontinued operations) is analysed as follows:

<b>For the nine months ended 31 December</b>		
<b>£m</b>	<b>2019</b>	<b>2018</b>
<b>Current tax:</b>		
Corporate income tax charge for the period	<b>1.7</b>	2.0
Net taxes withheld on dividends received within the Group	–	0.7
Adjustments in respect of prior periods	<b>0.3</b>	0.2
<b>Total current tax charge</b>	<b>2.0</b>	2.9
<b>Deferred tax:</b>		
Deferred tax charge for the period	<b>2.7</b>	3.8
Effect of changes in tax rates	–	(0.2)
<b>Total deferred tax charge</b>	<b>2.7</b>	3.6
<b>Tax charge</b>	<b>4.7</b>	6.5

A tax charge of £4.7m (2018: charge £5.1m) relates to continuing operations. A tax charge of £nil (2018: charge of £1.4m) relates to discontinued operations (see note 6).

## Owl Finance Limited and subsidiaries

### Unaudited notes to the financial information (continued)

#### 5. Taxation (continued)

The tax charge for the period is higher (2018: higher) than the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

##### For the nine months ended 31 December

£m	2019	2018
<b>Profit before taxation</b>	<b>9.2</b>	19.1
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%)	<b>1.7</b>	3.6
<b>Effects of:</b>		
Deferred tax assets not recognised on restricted interest expense	<b>2.5</b>	0.6
Adjustment in respect of prior periods	<b>0.3</b>	0.2
Net taxes withheld on dividends received within the Group	–	0.7
Non-deductible foreign exchange losses	–	0.9
Differing tax rates on foreign profits	–	0.3
Remeasurement of deferred tax - changes in tax rates	–	(0.2)
Deferred tax assets not recognised on net operating losses	–	0.2
Other	<b>0.2</b>	0.2
<b>Tax charge</b>	<b>4.7</b>	6.5

Profit before taxation includes a profit of £nil (2018: £5.2m) relating to discontinued operations.

Tax credited directly to equity is as follows:

##### For the nine months ended 31 December

£m	2019	2018
Deferred tax credit on actuarial loss	<b>4.4</b>	0.1
Re-measurement of deferred tax – change in UK tax rate	<b>(0.5)</b>	–
<b>Tax credited directly to equity</b>	<b>3.9</b>	0.1

Finance Act 2016 included legislation reducing the rate of corporation tax from 19% to 17% with effect from 1 April 2020. At 31 December 2019, the deferred tax assets and liabilities included in these financial statements were based on this reduced rate having regard to their reversal profiles.

As a result of the UK general election in December 2019, implementation of the reduction in the corporation tax rate to 17% is no longer expected but this has not yet been enacted. As the Finance Act 2016 still applies, this proposed change has not been applied to the calculation of deferred tax assets and liabilities. We do not anticipate that this change will have a material effect on the deferred tax assets and liabilities disclosed in these financial statements.

#### 6. Discontinued operations

On 26 April 2018, the Group transferred its investments in hibu Group (USA) Inc, Hibu Asia Pacific Limited, hibu Global Limited, hibu pay LLC and Hibu Finance (FX) Limited to Hibu Bidco Limited, in exchange for a short-term loan of £320.9m. Pursuant to certain security documents, substantially all of the remaining assets of the Group were pledged as security for the obligations of the Company and its subsidiaries as guarantors and obligors under the Indenture on 2 May 2018 when the loan was also settled through the novation of loans from fellow group undertakings of £86.7m, the offset of legacy external PIK note liabilities of £123.0m and a dividend from Owl Finance Limited to Hibu Bidco Limited of £111.2m.

Further information regarding the transfer and the discontinued operations can be found in the audited consolidated financial statements of the Group for the year ended 31 March 2019.

## Owl Finance Limited and subsidiaries

### Unaudited notes to the financial information (continued)

#### 7. Dividends

On 2 May 2018, Owl Finance Limited declared a dividend of £111.2m to its former immediate parent company, Hibu Bidco Limited, which was applied in full settlement of the outstanding balance on a loan receivable from Hibu Bidco Limited (see note 6 above).

#### 8. Intangible assets

£m	31 December 2019	31 March 2019
<b>Cost:</b>		
Opening net book value at 1 April 2019 and 2018	9.2	10.1
Additions	3.1	6.7
Amortisation	(5.5)	(7.5)
Disposals and write-offs	–	(0.1)
<b>Net book value at period end</b>	<b>6.8</b>	<b>9.2</b>

Intangible assets comprise primarily software development costs.

#### 9. Property, plant and equipment

£m	31 December 2019	31 March 2019
<b>Cost:</b>		
Opening net book value at 1 April 2019 and 2018	2.1	2.4
Leased assets on adoption of IFRS 16	12.6	–
Additions	0.7	1.1
Disposals and write-offs	(0.2)	(0.1)
Depreciation	(2.8)	(1.3)
<b>Net book value at period end</b>	<b>12.4</b>	<b>2.1</b>

The net book value of property, plant and equipment includes £10.6m leased assets.

#### 10. Deferred tax

The presentation of deferred tax assets and deferred tax liabilities in the statement of financial position sets off deferred tax assets against deferred tax liabilities where they relate to corporate income taxes levied by the same taxation authority and there is a legally enforceable right to set off current tax assets against current liabilities.

£m	31 December 2019	31 March 2019
Deferred tax assets	10.0	12.8
Deferred tax liabilities	(18.3)	(22.1)
<b>Net deferred tax liabilities</b>	<b>(8.3)</b>	<b>(9.3)</b>

## Owl Finance Limited and subsidiaries

### Unaudited notes to the financial information (continued)

#### 10. Deferred tax (continued)

Deferred tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable.

The benefits in respect of UK carried forward net operating losses, restricted interest expenses and capital losses do not time expire.

<b>£m</b>	<b>31 December 2019</b>	31 March 2019
Defined benefit pension scheme	<b>(18.0)</b>	(21.6)
Recognised tax net operating losses	<b>6.2</b>	7.8
Accelerated tax depreciation	<b>2.7</b>	3.6
Other <sup>(1)</sup>	<b>0.8</b>	0.9
<b>Net deferred tax liabilities</b>	<b>(8.3)</b>	(9.3)

(1) Other deferred tax liabilities in the period to December 2019 includes £0.3m in respect of lease payments arising from a change in the accounting policy as result of the adoption of IFRS 16.

#### 11. Trade and other receivables

<b>£m</b>	<b>31 December 2019</b>	31 March 2019
<b>Amounts falling due within one year</b>		
Gross trade receivables	<b>15.3</b>	17.3
Less: provisions for impairment of trade receivables	<b>(6.4)</b>	(6.1)
Net trade receivables	<b>8.9</b>	11.2
Prepayments <sup>(2)</sup>	<b>9.8</b>	10.3
Accrued income	<b>3.8</b>	7.0
Amounts owed by group undertakings <sup>(3)</sup>	<b>5.1</b>	12.8
<b>Current portion</b>	<b>27.6</b>	41.3
<b>Amounts falling due after more than one year</b>		
Other non-current receivables	<b>2.7</b>	2.8
<b>Total falling due after more than one year</b>	<b>2.7</b>	2.8
<b>Total trade and other receivables</b>	<b>30.3</b>	44.1

(2) Prepayments at 31 March 2019 include £0.2m that was released on adoption of IFRS 16.

(3) Amounts due from sister companies within the ultimate parent company Group.

## Owl Finance Limited and subsidiaries

### Unaudited notes to the financial information (continued)

#### 12. Borrowings and net debt

On 2 May 2018 the Group issued £225m of Senior Secured Notes, which are governed by the terms of the Indenture. The Indenture does not include covenants requiring the maintenance of specific financial ratios. The Company and its subsidiaries are guarantors and obligors under the terms of the Indenture. The Senior Secured Notes are secured on the Group's assets.

<b>£m</b>	<b>31 December 2019</b>	31 March 2019
<b>Amounts falling due within one year</b>		
Net obligations under finance leases and other short-term borrowings	<b>2.3</b>	–
<b>Total amounts falling due within one year</b>	<b>2.3</b>	–
<b>Amounts falling due after more than one year</b>		
Senior Secured Notes	<b>214.0</b>	225.0
Net obligations under finance leases and other long-term borrowings	<b>8.6</b>	–
Deferred financing fees	<b>(4.9)</b>	(6.0)
<b>Total amounts falling due after more than one year</b>	<b>217.7</b>	219.0
<b>Total borrowings</b>	<b>220.0</b>	219.0
Cash and cash equivalents	<b>(29.1)</b>	(19.6)
<b>Total net debt</b>	<b>190.9</b>	199.4
Accrued interest	<b>7.1</b>	2.5
<b>Total net debt and accrued interest</b>	<b>198.0</b>	201.9

The movement in the net debt, including accrued interest, for the nine months ended 31 December 2019 arose as follows:

<b>£m</b>	<b>2019</b>
Total net debt at 1 April 2019	<b>201.9</b>
Operating cash flow	<b>(31.5)</b>
Purchase of property, plant, equipment and intangibles	<b>3.5</b>
Repurchase of Senior Secured Notes	<b>(1.5)</b>
Lease liabilities recognised on adoption of IFRS 16	<b>12.6</b>
Lease additions	<b>0.5</b>
Lease disposals	<b>(0.2)</b>
Net interest expense	<b>15.0</b>
Tax paid	<b>0.3</b>
Net loan principal received from related parties	<b>(3.7)</b>
Deferred financing fees amortised	<b>1.1</b>
<b>Total net debt at 31 December 2019</b>	<b>198.0</b>

**Owl Finance Limited and subsidiaries**  
**Unaudited notes to the financial information (continued)**

**13. Trade and other payables**

<b>£m</b>	<b>31 December 2019</b>	31 March 2019
<b>Amounts falling due within one year</b>		
Trade payables	1.7	2.0
Accrued interest	7.1	2.5
Accrued expenses <sup>(1)</sup>	14.2	14.4
Deferred income	4.8	6.9
Amounts owed to group undertakings <sup>(2)</sup>	0.5	5.0
Other payables	5.9	6.8
<b>Current portion</b>	<b>34.2</b>	<b>37.6</b>
<b>Amounts falling due after more than one year</b>		
Other payables <sup>(1)</sup>	2.4	3.9
Amounts owed to group undertakings <sup>(2)</sup>	0.5	1.3
<b>Total amounts falling due after more than one year</b>	<b>2.9</b>	<b>5.2</b>
<b>Total trade and other payables</b>	<b>37.1</b>	<b>42.8</b>

(1) Amounts of £1.2m included in accrued expenses and £0.9m in other payables at 31 March 2019 were released on adoption of IFRS 16.

(2) Amounts due to sister companies within the ultimate parent company Group.

**14. Share-based payments**

Restricted shares in Hibu Midco Limited (formerly Eagle Midco 2013 Limited), a parent company, were issued to directors and selected employees of the Group (the "participants") for £nil consideration in a period prior to those being reported. The award represented an equity-settled share-based payment under IFRS 2, and the relevant costs have been charged against income of the Group to the extent it employed participants. The Group charged £0.2m against income for the share-based payments in the period ended 31 December 2019 (period ended 31 December 2018: £0.7m). The Group is expected to pay the parent company for these equity-settled share-based payments.

**15. Pensions**

The Group operates a defined benefit pension scheme ("UKPP") for employees of the Group and certain subsidiaries employed before 1 October 2001, but the scheme was closed to future accrual from March 2011. The following amounts explain the movement in the pension surplus for the periods ended 31 December 2019 and 2018:

<b>£m</b>	<b>2019</b>	2018
Net surplus at 1 April	126.9	129.3
<b>Movement in period:</b>		
Contributions in excess of charges	–	15.8
Net finance income	2.4	2.8
Actuarial gain (loss)	(23.1)	(0.9)
<b>Net surplus at 31 December</b>	<b>106.2</b>	<b>147.0</b>



## **Owl Finance Limited and subsidiaries**

### **Unaudited notes to the financial information (continued)**

#### **16. Financial commitments and contingent liabilities**

There are no contingent liabilities or guarantees other than those mentioned below or arising in the ordinary course of the Group's business and on these no material losses are anticipated. There are no capital commitments.

The Group is party to various contractual arrangements associated with the debt structure. The Group and its subsidiaries are in full compliance with the Indenture at the date of these financial information.

No material losses are anticipated on liabilities in the ordinary course of business.

#### **17. Controlling entity**

On 1 April 2019, the Company's immediate parent undertaking was Hibu Bidco Limited. On 17 December 2019, ownership of the Company was transferred to Yell Holdco Limited. At 31 December 2019, the Company's immediate parent undertaking was Yell Holdco Limited. The ultimate parent undertaking and controlling party is Hibu Group Limited.

## Owl Finance Limited and subsidiaries

### Appendix 1. 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 these financial statements are:

KPI	Description
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. See note 3.
Average revenue per digital customer	Digital revenue in the last twelve months divided by the average number of digital customers in the same period.
Digital customers	Customers with a live digital product on the last day of the reporting period. Excludes a small number of customers receiving free promotional products and customers of Sitemaker Software Limited (SSL).
Digital customers acquired	Digital 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.
Digital customers lost	Digital 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.
Digital EBITDA	EBITDA relating to digital products. See note 3.
Digital EBITDA margin	The ratio of Digital EBITDA to Digital revenue.
Digital product contribution	Digital revenue less the direct costs associated with service delivery of digital products.
Digital revenue	Revenue from digital products.
EBITDA	Operating profit adjusted to add back amortisation and depreciation. See note 3.
Hibu Group management costs	An estimate of costs relating to the management of the Hibu Group to be charged to Yell UK Operations in accordance with the Hibu Group’s arm’s length transfer pricing methodologies.
Print EBITDA	EBITDA relating to print products. See note 3.
Syndicated Usage	Searches for businesses via Yell’s content syndication partners, where Yell data was used in the search results provided.
Trading operating cash flow	Adjusted EBITDA less capital expenditure, exceptional costs, pension contributions and changes in working capital (excludes Hibu Group management costs). See note 3.
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.