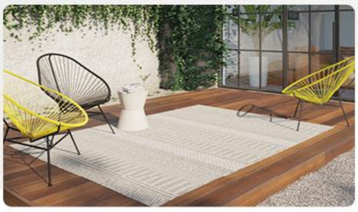
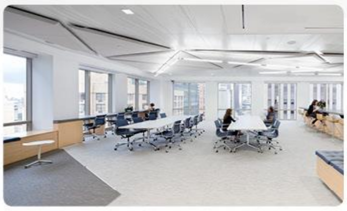
balta

PRESS RELEASE


Sint-Baafs-Vijve, 3 May 2018
Regulated information
For immediate publication

Balta 2018 Quarter One Results
In-Line with Overall Guidance

Group Financial Highlights:

- Q1 Consolidated: Revenue of €162.3m +4.3%, Adjusted EBITDA of €15.3m -23.7%, EBITDA margin of 9.5%
- Organic revenue decline of 10.4%, negative FX impact of 2.1% and inclusion of M&A (Bentley) contributing 16.8% to the growth versus prior year
- Organic revenue by division:
  - Rugs decline of 11.8%, a result of the previously announced partial loss in 'share of wallet' with two US home improvement customers and strong prior year growth comparative of 17.2%
  - Commercial Europe up 0.2% against the strong prior year growth comparative of 9.8%
  - Residential decline of 14.3% reflects poor trading conditions and bad weather in the UK
- EBITDA in Q1 includes €2.6m of costs associated with property taxes for the full year (in line with last year)
- EBITDA margin lower in all divisions, impacted by the raw material headwinds from 2017 and negative FX impact
- Leverage of 3.3x (net debt of €264.3m) compared to 3.9x a year ago and 2.9x at December 2017

Business Update:

- Progress made during the period against the six key priorities established across the group, to grow profitable revenue and deliver increased level of cost savings, benefitting mostly from the second half of the financial year
- Residential operational footprint optimisation on track to commence savings from early summer 2018
- Encouraging progress made with customers in Rugs division to resume growth in the second half of the year
- Bentley underlying growth(1) of 9.2% revenue and 29.2% EBITDA, increasing market share and delivering returns on investment made in sales resource. On track to deliver $2m procurement and operational cost synergies
- Our earnings guidance in March included visibility of the first quarter performance including Residential. Reconfirmation of outlook, to deliver a significantly stronger EBITDA run rate in the second half of 2018, led by our six key priorities

Tom Debusschere, CEO of Balta said,

"Our first quarter results are overall in-line with the guidance we provided at our full year results in March. Whilst the headwinds from the second half of 2017 remain in the first half of 2018, we are particularly pleased with the progress in Bentley, our US commercial business, which delivered impressive growth and improvement in underlying profitability. We have made progress against the six key priorities for the business established across the group, that will deliver a significantly improved EBITDA run rate in the second half of 2018."

(1) Underlying growth refers to Bentley performance year on year in US $

Q1 2018 Revenue and Adjusted EBITDA per Division

(€ million, unless otherwise stated)	Q1 2018	Q1 2017	% change	o/w organic growth	o/w FX	o/w M&A
Rugs	53.2	63.4	(16.1)%	(11.8)%	(4.2)%	0.0%
Commercial	48.3	22.1	118.0%	0.2%	(0.5)%	118.3%
Residential	53.6	63.1	(15.0)%	(14.3)%	(0.7)%	0.0%
Non-Woven	7.1	6.9	3.9%	3.9%	0.0%	0.0%
Consolidated Revenue	**162.3**	**155.5**	**4.3%**	**(10.4)%**	**(2.1)%**	**16.8%**
Pro Forma Adjustment Bentley	-	27.7				
Pro Forma Revenue	**162.3**	**183.2**	**(11.4)%**	**(7.5)%**	**(4.0)%**	
Rugs	5.9	11.2	(47.2)%	(35.0)%	(12.2)%	0.0%
Commercial	5.9	3.0	98.7%	(7.9)%	(2.0)%	108.6%
Residential	2.8	5.1	(45.5)%	(38.7)%	(6.8)%	0.0%
Non-Woven	0.8	0.8	(10.6)%	(10.6)%	0.0%	0.0%
Consolidated Adjusted EBITDA	**15.3**	**20.1**	**(23.7)%**	**(30.9)%**	**(8.8)%**	**16.1%**
Pro Forma Adjustment Bentley	-	2.9				
Pro Forma Adjusted EBITDA	**15.3**	**23.0**	**(33.4)%**	**(23.5)%**	**(9.8)%**	
Rugs	11.1%	17.7%				
Commercial	12.2%	13.4%				
Residential	5.2%	8.1%				
Non-Woven	10.6%	12.4%				
Consolidated Adjusted EBITDA Margin	**9.5%**	**12.9%**				
Pro Forma Adjustment Bentley		10.6%				
Pro Forma Adjusted EBITDA Margin	**9.5%**	**12.6%**				

Note: Revenue and Adjusted EBITDA Bentley in Q1 2017 are not included in the consolidated figures but are included in the pro forma figures. Bentley shown in M&A and includes FX impact of dollar to euro translation

Rugs

The performance of the Rugs division is in line with our guidance of mid-teens revenue decline; reflecting the ‘share of wallet’ reduction with two US home improvement customers and the very strong 2017 first quarter comparative when revenue grew by 17.2%. Q1 (quarter one) organic revenue declined by 11.8% with a negative FX impact of 4.2% (weaker US Dollar to Euro), resulting in Consolidated Revenue lower by 16.1% compared to the previous year. The organic revenue decline was driven by lower volumes, offset by a small amount of positive price/mix.

Negative FX impact at EBITDA of 12.2%, as a result of the weaker year on year US dollar which is expected to neutralise over the year. In Q1 Rugs had higher US dollar revenues than US dollar costs (mainly driven by raw material purchases), the net US dollar exposure in the division over a full year tends to be almost neutral. Consolidated Adjusted EBITDA of €5.9m a decline of 47.2%. The margin reduction from 17.7% in Q1 2017 reflects the time delay between higher raw material prices and the actions required to compensate, FX and the lower volumes resulting in under absorption of fixed costs.

Conversations on new rug programmes with existing and new customers have progressed well and we expect to resume top line growth in the second half of the year.

Commercial

Consolidated Revenue increased by 118.0% to €48.3m, driven by the acquisition of Bentley at the end of Q1 2017 and the 0.2% organic growth of our European Commercial business. The organic growth performance was against a very strong prior year comparative where revenues grew by 9.8%.

Q1 Adjusted EBITDA increased by 98.7% to €5.9m although organic EBITDA was lower by 7.9%.

Unlike the organic business where FX impact is shown separately, Bentley is consolidated in the M&A number. In underlying currency, the Bentley business grew revenues by 9.2% and Adjusted EBITDA by 29.2%. Bentley had a very strong first quarter performance, with March bookings and shipments being the highest in ten years. Bentley continues to grow ahead of the market, benefiting from the increased investments made in sales resource.

Our European Commercial business saw flat top line performance reflecting the very strong prior year comparative where revenue grew by over 9.8%. A price increase was implemented during the quarter and further progress has been made on growing our modulyss national account business in the US, using Bentley’s network of relationships.

The operational and procurement cost synergies between our European and US commercial businesses are on track to deliver $2m, mostly in 2018.

Residential

Consolidated Revenue of €53.6m, declined by 15.0%, with an organic decline of 14.3% impacted by negative FX of 0.7%. The Residential revenue decline is almost all volume driven. The performance reflected an ongoing challenging residential market environment in continental Europe, whilst the previously stable total volumes in the UK saw a sharp decline in the quarter.

The change in the UK Residential market proved challenging. First the whole UK residential retail and wholesale sector performed negatively, which was not helped by the inclement weather that led to less consumer shopping weekends. Second the largest UK carpet retailer performed worse than the market. Our earnings guidance in March included visibility of the first quarter Residential performance and our expectation is an improvement in the balance of the year, albeit still a negative year on year performance in this division.

EBITDA margins continued to be under pressure from raw material inflation and adverse currency movements, combined with the reduction in volumes resulting in the under absorption of fixed costs. Adjusted EBITDA margins are 5.2% compared to 8.1% last year. Adjusted EBITDA of €2.8m is down €2.3m versus the prior year.

As a reminder, the benefits from the optimisation of the Residential operational footprint will commence from early summer 2018 and will deliver the full run rate of €8.3m EBITDA in financial year 2019.

The strategy to grow sales of higher margin new broadloom products now also includes sales of residential tiles. Revenue from these products increased by a further 28% compared to last year and the share of total Residential sales climbed to 30% in the first quarter.

Earnings call

The Q1 2018 Results will be presented via a webcast by the CEO Tom Debusschere and CFO Tom Gysens on 3 May 2018 at 10.00 am CET. Dial-in details and the results presentation will be available on www.baltagroup.com

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About Balta

Balta is a leading manufacturer of textile floor coverings, selling to over 130 countries worldwide. The Balta divisions are Balta Rugs (Balta Home), Balta Residential Carpets & Tiles (under the brands Balta Carpets, ITC and Balta Carpet Tiles), Balta Commercial Carpets & Tiles (under the brands modulyss, Arc Edition and Bentley), and Balta Non-Woven (under the brand Captiqs). With the addition of Bentley, Balta employs over 4,000 people in 10 manufacturing sites and distribution centres in Belgium, Turkey and the United States.

Important notice

Certain financial data included in this press release are "non-IFRS financial measures." These non-IFRS financial measures may not be comparable to similarly titled measures presented by other entities, nor should they be construed as an alternative to other financial measures determined in accordance with International Financial Reporting Standards. Although Balta believes these non-IFRS financial measures provide useful information to users in measuring the financial performance and condition of its business, users are cautioned not to place undue reliance on any non-IFRS financial measures or any ratios included in this presentation.

This press release may include projections and other "forward-looking" statements. Any such projections or statements reflect the current views of the issuer about further events and financial performance. No assurances can be given that such events or performance will occur as projected and actual results may differ materially from these projections.

Rounding adjustments have been made in calculating some of the financial information included in this press release. As a result, figures shown as totals in some tables may not be exact arithmetic aggregations of the figures that precede them.

Glossary: Alternative Performance Measures

The following alternative performance measures (non-IFRS) have been used as management believes that they are widely used by certain investors, securities analysts and other interested parties as supplemental measure of performance and liquidity. The alternative performance measures are unaudited and may not be comparable to similarly titled measures of other companies, have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results, our performance or our liquidity under IFRS.

Organic Growth: is defined as growth at constant currency and excluding M&A.

Pro Forma revenue and Pro Forma Adjusted EBITDA are included, for illustrative purposes. These figures incorporate the acquisition effect of Bentley under the assumption that the transaction took place as of the start of the prior financial year. This information is intended to help investors to analyse and compare historical financial information. It is important to note that the acquisition of Bentley was completed on 22 March 2017 and consolidated in the Group's results from the 1 April 2017.

Adjusted EBITDA is defined as operating profit / (loss) adjusted for (i) the impact of the purchase price allocation mainly on change in inventories, (ii) gains on asset disposals, (iii) integration and restructuring expenses, (iv) depreciation / amortization and (v) impairment and write-off.

Net Debt is defined as (i) Senior Secured Notes adjusted for the financing fees included in the carrying amount, (ii) Senior Term Loan Facility adjusted for capitalised financing fees, (iii) Bank and other borrowings adjusted for capitalized financing fees and (iv) cash and cash equivalents

Leverage is defined as the ratio of Net Debt to Pro Forma Adjusted EBITDA

Next scheduled announcement

Balta intends to publish its half one 2018 results on 28 August 2018