

PRESS RELEASE

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Regulated information
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Balta 2019 Quarter One Results

Group Financial Highlights:

- Q1 consolidated: Revenue €183.5m +13.1%, Adjusted EBITDA €17.5m +3.5% on a like-for-like basis[1], Adjusted EBITDA margin 9.5%
  - Organic revenue growth +11.5% and FX +1.6%
  - Revenue growth by division: Rugs +23.1%, Commercial +15.4%, Residential +2.3%
- Adjusted EBITDA on a like-for-like basis[1] grew at a lower rate than Revenue due to the €0.7m of NEXT investments and the expected negative impact from cost inflation. At the same time, the first benefits from price increases and FX had a positive impact on the quarter. First benefits from NEXT are anticipated later this year, with a more significant impact as from 2020.
- Q1 Adjusted EBITDA includes €2.5m of costs associated with property taxes for the full year (similar to last year)
- Net Debt stable vs. Q4 2018 on a like-for-like basis[2] (reported Net Debt Q1 2019 of €305.8m includes €42.1m IFRS16 impact applicable for the first time this quarter, with reported Net Debt Q4 2018 of €261.8m)
- Leverage stable at 3.6x vs. Q4 2018 on a like-for-like basis[2]

Business Update:

- The implementation of NEXT, the three year program designed to deliver a significant improvement in earnings, started in Q1 and is well on track. NEXT highlights for the quarter across the three key pillars include:
  - Delivering sustainable growth: Rugs US e-commerce shipments from our new dedicated warehouse in Savannah started in Q1 and are ramping up as planned. Commercial US realized successful double-digit revenue growth both in office and new targeted segments. Residential saw positive impact from the launch of additional new collections.
  - Improving Commercial Excellence: successfully implemented price increases showing first benefits in Q1. Implementation of the roadmap is ongoing, including a capability building program designed to increase our sales force effectiveness through refining our market and customer insights, revisiting our customer segmentation and aligning our value proposition.
  - Increasing cost competitiveness: implementation of Lean began at our Tielt plant, targeting run-rate cost savings of c.€4m with limited upfront investment. Over the next several weeks, similar Lean projects are being started across other plants. Our procurement savings are ahead of target with first results expected in the P&L as from Q3 2019. Group-wide complexity reduction is ongoing with an initial focus on decreasing the long tail of our product offering and benefiting our inventory management.
- Rugs growth driven by the year-on-year share of wallet increase for the US outdoor programs and the timing of new program roll-outs in Europe. The strong volume we realized in Q1 however came with an unfavourable mix effect, negatively impacting margins. Conditions in our European markets generally remain challenging.
- Strong overall growth in Commercial, driven by continued double-digit growth of our US business which continues to win share. In Europe, we saw a decline as the market environment remains more challenging.
- After several quarters of declining top-line in 2018, Residential revenue was stable year on year, benefiting from the initial roll-outs of an increased number of new collections and pre-Brexit stocking by some of our UK customers. Trading in our key Continental European markets remained subdued in the first quarter.
- Non-woven margin was impacted by negative mix and overcapacity in the market resulting in more competitive pricing, mainly in the Event segment

Cyrille Ragoucy, CEO and Chairman of the Board of Balta said,

"Our first quarter results were in-line with our expectations and we are on track for the full year 2019 guidance we provided in March. Both our Rugs and Commercial division realized solid growth in the quarter. While cost inflation and the investments in NEXT impacted our results during the first quarter, we saw the first mitigating benefits from our price increases. We are focused and on track with implementing the various growth and cost saving initiatives identified in NEXT which will start benefiting our results later in the year and will bring a more significant improvement in earnings as from 2020."

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[1] Like-for-like IFRS16 adjustment on Q1 2018 EBITDA
[2] Excluding impact of IFRS16

Q1 2019 Revenue and Adjusted EBITDA per Division

(€ million, unless otherwise stated)	***Q1 2018***	***Lfl IFRS16 Impact***	**Lfl Q1 2018**	**Q1 2019**	**% change Lfl**	**o/w organic growth**	**o/w FX**
Rugs	*53.2*	-	53.2	65.5	23.1%		
Commercial	*48.3*	-	48.3	55.7	15.4%		
Residential	*53.6*	-	53.6	54.9	2.3%		
Non-Woven	*7.1*	-	7.1	7.4	4.1%		
Consolidated Revenue	***162.3***	**-**	**162.3**	**183.5**	**13.1%**	**11.5%**	**1.6%**
Rugs	*5.9*	*0.2*	6.1	6.2	1.5%		
Commercial	*5.9*	*1.2*	7.2	7.7	8.1%		
Residential	*2.8*	*0.1*	2.9	3.3	14.5%		
Non-Woven	*0.8*	-	0.8	0.3	(66.2)%		
Consolidated Adjusted EBITDA	***15.3***	***1.5***	**16.9**	**17.5**	**3.5%**	**1.4%**	**2.1%**
Rugs	*11.1%*		11.5%	9.5%			
Commercial	*12.2%*		14.8%	13.9%			
Residential	*5.2%*		5.3%	6.0%			
Non-Woven	*10.6%*		10.6%	3.4%			
Consolidated Adjusted EBITDA Margin	***9.5%***		**10.4%**	**9.5%**			

Rugs

Our Rugs division realized Revenue of €65.5m, up 23.1% versus the first quarter of 2018. In the US, we benefited from the initial shipments of this year's outdoor programs where we regained share of wallet with two home improvement customers. Our new, dedicated state-of-the-art warehouse in Savannah, Georgia, has started servicing the fast-growing e-commerce channel. In Europe, generally the market environment remains challenging. However, during the first quarter we benefited from the timing of the roll-outs of some of our programs with key customers.

Adjusted EBITDA in Q1 was €6.2m, up from €6.1m on a like-for-like basis[3] in the same period last year. On a like-for-like basis[1], the Adjusted EBITDA margin decreased from 11.5% to 9.5% as the strong volume in Q1 was biased towards lower margin business. In addition, expected cost inflation and investments in the various growth and cost saving initiatives from NEXT were only partly offset by the first mitigating benefits from our previously announced price increases.

Commercial

Commercial realized Revenue of €55.7m, up 15.4% versus the first quarter of 2018. Our US business continued its double-digit organic growth spurred by share gains in the Office segment and growth in new targeted segments where we hired additional sales resources, which we accelerated under NEXT. In Europe, Revenue declined year on year as the market environment remains more challenging.

Adjusted EBITDA in Q1 was €7.7m, up from €7.2m on a like-for-like basis[3] in the same period last year with Adjusted EBITDA margin decreasing from 14.8% to 13.9% on a like-for-like basis[3]. Volume growth and the impact from price increases had a positive effect on margins, which was offset by cost inflation and our investments in NEXT, in particular expanding our sales teams.

Residential

Our Residential division had Revenue of €54.9m, up 2.3% versus the first quarter of 2018. In the UK, the environment generally remains challenging and volatile. Our performance in the first quarter benefited from introducing an increased number of new collections and from pre-Brexit stocking by some of our customers. In Continental Europe, whilst we succeeded in increasing the prices of our products, trading continued to be subdued. We continue to focus on growing our share of higher margin products, representing 31% of Q1 2019 Residential Revenue.

Adjusted EBITDA in Q1 was €3.3m, up from €2.9m on a like-for-like basis[3] in the same period last year. On a like-for-like basis[3], Adjusted EBITDA margin in Residential slightly recovered to 6.0% from 5.3%, benefiting from a growing share of higher margin products and price increases we realized outside of the UK.

[1] Like-for-like IFRS16 adjustment on Q1 2018 EBITDA

Earnings call

The Q1 2019 Results will be presented on 3 May 2019 at 10:00 CET via a webcast, by CEO and Chairman of the Board Cyrille Ragoucy and CFO Tom Gysens. Dial-in details and the results presentation will be available on www.baltainvestors.com

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 measures of performance and liquidity. The alternative performance measures 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 excluding (i) FX impact, which comprises the translation of key foreign entities, (ii) M&A impact and (iii) the impact of IFRS16. Note that as from 1 January 2019 onwards, the calculation of the FX impact changed, whereby transactional FX impacts are no longer taken into account under FX impact. When retroactively applying the new method to calculate FX impact on full year 2018, the FX impact on Consolidated Revenue would have been -0.2% instead of -1.3%, and the FX impact on Consolidated Adjusted EBITDA would remain -0.3%.

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

Gross 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 capitalized financing fees and (iii) Bank and other borrowings adjusted for capitalized financing fees

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 capitalized 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 Adjusted EBITDA (excluding IFRS16 as per financing documentation)

Impact of IFRS 16 in 2019

IFRS 16 has been applicable since 1 January 2019. The new accounting standard results in almost all leases being recognized on the balance sheet by lessees, as the distinction between an operating and finance lease is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized.

The standard will primarily affect the accounting for the Group's operating leases. For the remaining lease term, the right-of-use assets and lease liabilities recognized amount to around €45m. The Group expects that net profit after tax will not be materially impacted for 2019 as a result of adopting the new rules. Adjusted EBITDA, used to measure segment results is expected to increase between approximately €6m and €8m, as the operating lease payments were included in the Adjusted EBITDA, but the amortization of the right-of-use assets and interest on the lease liability are excluded from this measure. The IFRS 16 adjustments will increase the Reported Net Debt to Adjusted EBITDA ratio by between 0.2x – 0.3x.

In relation to Balta's financing agreements, the documentation provides for the effect of changes in accounting standards to be neutralized. As such, the application of IFRS16 has no consequences for the Group's financing.

For further information, please contact

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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 nearly 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.

Next scheduled announcement

Balta intends to publish its H1 2019 results on 28 August 2019.