

**PRESS RELEASE**

Sint-Baafs-Vijve, 28 August 2019
**Regulated information**
For immediate publication

# Balta 2019 First Half Results

## Group Highlights:

- H1 consolidated: Revenue €351.4m +9.2%, Adjusted EBITDA flat at €37.3m on a like-for-like basis[1], Adjusted EBITDA margin 10.6%
  - Organic revenue growth +7.5% and FX +1.6%
  - Revenue growth by division: Rugs +18.9%, Commercial +14.2%, Residential -4.3%
  - Group EBITDA flat due to lower margin in Rugs division driven by adverse mix and temporarily higher costs
- Net Debt slightly down vs. H1 2018 (reported Net Debt H1 2019 of €311.8m includes €43.2m IFRS16 impact) on a like-for-like basis[2]
- Leverage 3.7x, down from 3.8x as at H1 2018, on a like-for-like basis[2]
- Arrival of the CTO early Q4 finalizes the renewal of the Management Committee

## Business Update:

- The implementation of NEXT, the three year program designed to deliver a significant improvement in earnings, started in Q1 and is on track. NEXT highlights for the quarter across the three key pillars include:
  - Delivering sustainable growth: in Rugs, our US e-commerce sales out of our new dedicated warehouse in Savannah have improved month by month. In Commercial, sales to the targeted new segments for Bentley, as well as the cross-selling of our European carpet tiles into the US are progressing well.
  - Improving Commercial Excellence: we have successfully recruited sales talent as planned. To continuously improve the effectiveness of our sales professionals, we are progressing with Field and Forum training across the divisions, and have redefined a strategy for each key account.
  - Increasing cost competitiveness: our Lean program is progressing well in our Bentley, Tielt and Sint-Baafs-Vijve plants and has started at our Waregem and Zele plants. Procurement improvements were ahead of plan over the period.
- Strong growth in Rugs, benefiting from regained US outdoor rugs programs and the timing of some European program roll-outs which came at a higher cost due to the exceptionally high plant occupancy.
- Strong top line evolution in Commercial, driven by the continued double-digit growth of our US business both in office and new targeted segments. In Europe, volumes are down over H1 but at better prices and margins.
- In Residential, UK revenue was flat year-on-year over H1 as the pre-Brexit stocking from Q1 reversed over Q2. Trading in our Continental European markets remained subdued in the first half, but at better prices and margins.

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

"First half results were overall in-line with our expectations and we remain on track for the full year 2019 guidance we provided in March. Both our Rugs and Commercial division realized solid sales growth in the first six months of the year. At the same time, our first half margins were impacted by cost inflation and the investments in NEXT. 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 second half of the year and will bring a significant improvement in earnings as from 2020."

[1] Like-for-like IFRS16 adjustment on H1 2018 EBITDA
[2] Excluding impact of IFRS16

## H1 2019 Revenue and Adjusted EBITDA per Division

| *(€ million, unless otherwise stated)* | *H1 2018* | *Lfl IFRS16 Impact* | Lfl H1 2018 | H1 2019 | % change Lfl(1) | o/w organic growth | o/w FX |
|---|---|---|---|---|---|---|---|
| Rugs | 100.8 | | 100.8 | 119.8 | 18.9% | | |
| Commercial | 101.9 | | 101.9 | 116.4 | 14.2% | | |
| Residential | 105.1 | | 105.1 | 100.6 | (4.3)% | | |
| Non-Woven | 14.1 | | 14.1 | 14.6 | 3.7% | | |
| **Consolidated Revenue** | **321.9** | | **321.9** | **351.4** | **9.2%** | **7.5%** | **1.6%** |
| | | | | | | | |
| Rugs | 12.5 | *0.4* | 12.9 | 9.2 | (29.0)% | | |
| Commercial | 14.1 | *2.5* | 16.6 | 19.2 | 15.8% | | |
| Residential | 6.2 | *0.2* | 6.4 | 7.9 | 22.5% | | |
| Non-Woven | 1.4 | *0.0* | 1.4 | 1.0 | (25.3)% | | |
| **Consolidated Adjusted EBITDA** | **34.2** | ***3.1*** | **37.3** | **37.3** | **(0.1)%** | **(2.2)%** | **2.1%** |
| | | | | | | | |
| Rugs | 12.4% | | 12.8% | 7.6% | | | |
| Commercial | 13.8% | | 16.3% | 16.5% | | | |
| Residential | 5.9% | | 6.1% | 7.8% | | | |
| Non-Woven | 9.8% | | 9.8% | 7.1% | | | |
| **Consolidated Adjusted EBITDA Margin** | **10.6%** | | **11.6%** | **10.6%** | | | |

Note:
H1 2019 Adjusted EBITDA includes a non-recurring net positive €2.0m impact from the release of accruals mainly impacting Residential

## Q2 2019 Revenue and Adjusted EBITDA per Division

| *(€ million, unless otherwise stated)* | ***Q2 2018*** | ***Lfl IFRS16 Impact*** | **Lfl Q2 2018** | **Q2 2019** | **% change Lfl[1]** | **o/w organic growth** | **o/w FX** |
|---|---|---|---|---|---|---|---|
| Rugs | 47.6 | | 47.6 | 54.3 | 14.1% | | |
| Commercial | 53.6 | | 53.6 | 60.7 | 13.1% | | |
| Residential | 51.5 | | 51.5 | 45.8 | (11.1)% | | |
| Non-Woven | 6.9 | | 6.9 | 7.2 | 3.2% | | |
| **Consolidated Revenue** | **159.6** | | **159.6** | **167.9** | **5.2%** | **3.5%** | **1.6%** |
| | | | | | | | |
| Rugs | 6.6 | *0.2* | 6.8 | 2.9 | (56.6)% | | |
| Commercial | 8.2 | *1.2* | 9.4 | 11.5 | 21.6% | | |
| Residential | 3.5 | *0.1* | 3.6 | 4.6 | 28.9% | | |
| Non-Woven | 0.6 | *0.0* | 0.6 | 0.8 | 24.6% | | |
| **Consolidated Adjusted EBITDA** | **18.8** | ***1.6*** | **20.4** | **19.8** | **(3.0)%** | **(5.1)%** | **2.1%** |
| | | | | | | | |
| Rugs | 13.8% | | 14.2% | 5.4% | | | |
| Commercial | 15.3% | | 17.6% | 18.9% | | | |
| Residential | 6.7% | | 6.9% | 10.1% | | | |
| Non-Woven | 9.0% | | 9.0% | 10.9% | | | |
| **Consolidated Adjusted EBITDA Margin** | **11.8%** | | **12.8%** | **11.8%** | | | |

Note:
H1 2019 Adjusted EBITDA includes a non-recurring net positive €2.0m impact from the release of accruals mainly impacting Residential

**Group**

Strong revenue growth in Rugs and Commercial was offset on an Adjusted EBITDA level by €2.0m of NEXT investments, and lower margin in Rugs due to adverse revenue mix and temporarily higher costs. Adjusted EBITDA includes a net benefit of €2.0m from the release of accruals, mainly benefiting Residential.

**Rugs**

Our Rugs division realized Revenue of €119.8m, up 18.9% versus the first half of 2018. In the US, we benefited from regaining outdoor rugs programs with two home improvement customers. Our US e-commerce business is progressing, with sales further ramping up over Q2. We moved dedicated stock into the new e-commerce warehouse in Savannah. In Europe, the environment remained challenging, although we benefited from the timing of some program roll-outs with key customers.

Adjusted EBITDA in H1 was €9.2m, down from €12.9m 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 12.8% to 7.6%. Despite solid top-line growth, underlying margins were impacted by unfavourable mix, increased promotional activity as a result of the generally more challenging trading environment and expected cost inflation in raw materials, in particular polypropylene, energy and freight. Furthermore, investments in the various growth and cost saving initiatives from NEXT, €0.5m of which are non-recurring, also weighed on our margin.

**Commercial**

Commercial realized Revenue of €116.4m, up 14.2% versus the first half of 2018. Our US business continued its double-digit organic growth spurred by share gains in the Office segment and growth in newly targeted segments where, accelerated under NEXT, we hired additional sales resources. In Europe, Revenue declined year on year as the environment remained more challenging.

Adjusted EBITDA in H1 was €19.2m, up from €16.6m on a like-for-like basis[3] in the same period last year with Adjusted EBITDA margin up from 16.3% to 16.5% on a like-for-like basis[3]. Volume growth and the impact from price increases had a positive effect on margins, which was partly offset by cost inflation and the initial cost of expanding our sales teams under NEXT.

**Residential**

Residential realized Revenue of €100.6m, down 4.3% versus the first half of 2018. In the UK, while Revenue was flat year-on-year, the environment remained volatile. As anticipated, the positive impact in Q1 from pre-Brexit stocking by some of our UK customers reversed in Q2. The first half Revenue decline was driven by the subdued trading environment in Continental Europe, where volume declines more than offset the positive effect from the price increases we introduced across Continental Europe at the start of the year. We continue our focus on higher margin products, which grew mid-single digit in H1, and now represent 36% of Residential Revenue.

Adjusted EBITDA in H1 was €7.9m, up from €6.4m on a like-for-like basis[3] in the same period last year. On a like-for-like basis[3], Adjusted EBITDA margin of 7.8% was up from 6.1%, benefiting from a growing share of higher margin products, price increases we realized outside of the UK, and the net impact from the non-recurring release of accruals which mainly impacted Residential.

---

[1] Like-for-like IFRS16 adjustment on H1 2018 EBITDA

### Changes in organization

As part of the strengthening of Balta's organisation, to deliver NEXT and build a more agile and flexible company, the Management Committee has been amended and expanded as follows:

- **Cyrille Ragoucy** remains Chief Executive Officer
- **Jan-Christian Werner,** before Head of Group Controlling & Reporting, is Chief Financial Officer following the departure of Tom Gysens who decided to leave Balta to pursue other career opportunities. Tom and Jan-Christian are working closely together on the transition until mid September.
  Jan-Christian has extensive experience in Corporate Finance as well as Financial Controllership at international stock market listed companies. Before joining Balta in February, Jan-Christian was head of the Finance organisation for the EMEA region at Orion Engineered Carbon for five years and afterwards spent one year as acting CFO of AvesOne AG, a listed Investment holding company
- **Marc Dessein** remains Managing Director of Balta Home
- **Jim Harley** remains President of Bentley Mills in the USA and joins the Management Committee
- **Oliver Forberich** will join Balta on 2 September, as Managing Director of Balta carpets, ITC and arc edition. Oliver joins us from Bekaert where he was Chief Marketing Officer and Senior Vice President Stainless Technologies. Oliver spent twelve years at Bekaert in different leadership roles covering various geographies. Before Bekaert, Oliver also held several executive roles at Schott AG
- **Stefan Claeys** joined Balta in April to become Managing Director of modulyss, our European commercial brand for carpet tiles. Stefan has worked for the last five years at Beaulieu as the General Manager of the Technical Textiles Division. Before Beaulieu, he spent ten years at the Wienerberger Group in various leadership positions including Director Corporate Marketing and Export, CEO of Wiekor in Poland and Product Group Business Manager
- **Kris Willaert** joined Balta in June as Human Resources Director. Kris has previously served in international HR executive roles at KONE International, MasterCard Europe and Lloyds Pharma
- **Emmanuel Rigaux** will join Balta early Q4 as Chief Transformation Officer. Emmanuel has spent 20 years at LafargeHolcim in various leadership positions, most recently as Head of West & Central Africa. During his time at LafargeHolcim, Emmanuel has gained extensive experience in leading several transformation programs. Before his time at LafargeHolcim, Emmanuel spent two years at Boston Consulting Group.

## Other Financial Items Review

### Integration and Restructuring Expenses

Non-recurring expenses for integration and restructuring over the first six months of 2019 amounted to €3.1m, as compared to €2.4m in the same period last year. The expense in the current period is mainly driven by one-off costs related to NEXT.

### Net Financing Costs

Net finance expenses for the first six months of 2019 are equal to €12.5m, as compared to €12.7m in the same period last year. This decrease is mainly driven by the change in result from foreign exchange rate differences on intercompany transactions, offset by the interest charge as a result of the change in accounting policy (IFRS 16).

### Taxation

Income tax benefit equal to €0.5m for the six months ended 30 June, 2019, as compared to an income tax expense of €0.1m in the same period last year. The income tax benefit for the period is primarily driven by the recognition of deferred tax assets for new tax credits and the positive impact of the reversal of pre-acquisition deferred tax positions in Bentley Mills Inc. The normalized effective tax rate of the Group amounts to around 27%.

### Earnings per share

Net earnings per share for the first six months of 2019 were €0.08, compared to €0.08 for the same period last year

### Cashflow and net debt

Net debt at the end of June 2019 is equal to €268.7m (excluding IFRS 16 effect), versus €272.3m at the end of June 2018

## Earnings call

The First Half 2019 Results will be presented on **28 August 2019** at 10.00 am CET via a webcast, by CEO and Chairman of the Board Cyrille Ragoucy and CFO Jan-Christian Werner. Dial-in details and the results presentation will be available on www.baltainvestors.com

## For further information, please contact

Investors: investor.relations@baltagroup.com
Media: Geert Vanden Bossche - Marketing Director - geert.vandenbossche@baltagroup.com

## 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.*

## 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.

## Next scheduled announcement

Balta intends to publish its Q3 Results on 7 November 2019