

balta PRESS RELEASE

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Regulated information – Inside information
For immediate publication

Balta 2018 Half One Results

Group Financial Highlights[1]:

- H1 Consolidated: Revenue of €321.9m -3.6%, Adjusted EBITDA of €34.2m -26.6%, EBITDA margin of 10.6%
- H1 Organic revenue decline of 8.8%, by division:
  - Rugs decline of 16.2% as a result of the previously announced partial loss in 'share of wallet' with two US home improvement customers and strong prior year comparative. This is largely in line with our guidance, although Q2 saw a softer trading environment develop in Europe with lower footfall reported by our customers
  - Strong Commercial growth of 8.6%, driven by both US and Europe
  - Residential decline of 12.8% (Q1 14.3%) due to customer disruption, unfavorable weather and weak trading conditions, mainly in the UK
- EBITDA in H1 includes €2.6m of costs associated with property taxes for the full year (in line with last year)
- EBITDA margin impacted by continued raw material headwinds, negative FX and lower volumes
- Leverage of 3.8x (net debt of €272.3m) compared to 2.9x at December 2017 reflecting the decline of the last 12 month's EBITDA and a normal seasonal working capital increase

Business Update:

- We continue to successfully diversify our US rugs business with new customer wins, growth in indoor rugs and e-commerce. In outdoor rugs, for next season's programme we have regained part of the 'share of wallet' lost in 2017, which will start to benefit from Q4 2018.
- Bentley delivered underlying growth[2] of 13.8% revenue and 36.4% EBITDA, driven by increased market share and by delivering growth on the investment made in sales resource
- Commercial division $2m targeted procurement and operational cost synergies will now be fully delivered in 2018
- The optimisation of the Residential operational footprint has been completed, benefits have commenced and we remain confident to deliver the full run rate benefit of €8.3m EBITDA in financial year 2019. However, these benefits will start from a lower base as the Residential market has remained challenging into Q3.

Management Change:

The Board of Balta announced today that, with immediate effect, Mr Tom Debusschere is stepping down as Chief Executive by mutual agreement. A search to identify a long-term successor has commenced. Until this process is completed, Mr Cyrille Ragoucy, the Chairman of the Board, will become interim CEO. A separate press release has been issued this morning.

Outlook, Board of Balta states:

"As a Group, our first half results broadly met our expectations, with better than anticipated performance in Commercial offset by more challenging trading in European Rugs and UK Residential. We have also made strong progress across our six key priorities and are on track to deliver their associated benefits. However, lower footfall at our European Rugs customers and continued negative market conditions in UK Residential, persist into Q3.

We will still deliver an improved EBITDA run rate in the second half of 2018, weighted to the fourth quarter, underpinned by the progress we are making on the six key priorities we set out at the beginning of the year. However, the continued soft trading environment in the third quarter, mainly in UK Residential and European Rugs, will result in a delayed recovery. As such, we now anticipate full year EBITDA below the previous guidance[3], with H2 2018 EBITDA to still be an improvement on H2 2017 EBITDA."

(1) The acquisition of Bentley was included at the start of Q2 2017, therefore from Q2 2018 Bentley is reported under the Commercial division with organic growth and FX shown separately. For Q1 2018 Bentley is shown in the M&A analysis (including the FX impact of dollar to euro translation) and the prior year comparative is shown in the pro-forma figure.
(2) Underlying growth refers to Bentley performance year on year in US $
(3) Previous guidance was €82m - €87m

H1 2018 Revenue and Adjusted EBITDA per Division

(€ million, unless otherwise stated)	H1 2018	H1 2017	% change	o/w organic growth	o/w FX	o/w M&A
Rugs	100.8	126.4	(20.3)%	(16.2)%	(4.0)%	0.0%
Commercial	101.9	72.5	40.6%	8.6%	(4.1)%	36.1%
Residential	105.1	121.4	(13.4)%	(12.8)%	(0.6)%	0.0%
Non-Woven	14.1	13.7	2.6%	2.6%	0.0%	0.0%
Consolidated Revenue	**321.9**	**333.9**	**(3.6)%**	**(8.8)%**	**(2.6)%**	**7.8%**
Pro Forma Adjustment Bentley	-	27.7				
Pro Forma Revenue	**321.9**	**361.6**	**(11.0)%**	**(7.4)%**	**(3.5)%**	
Rugs	12.5	23.2	(46.4)%	(40.2)%	(6.2)%	0.0%
Commercial	14.1	10.4	36.1%	9.6%	(4.7)%	31.2%
Residential	6.2	11.4	(45.3)%	(40.8)%	(4.6)%	0.0%
Non-Woven	1.4	1.5	(8.9)%	(8.9)%	0.0%	0.0%
Consolidated Adjusted EBITDA	**34.2**	**46.5**	**(26.6)%**	**(28.2)%**	**(5.3)%**	**6.9%**
Pro Forma Adjustment Bentley	-	2.9				
Pro Forma Adjusted EBITDA	**34.2**	**49.5**	**(30.9)%**	**(24.9)%**	**(6.0)%**	
Rugs	12.4%	18.4%				
Commercial	13.8%	14.3%				
Residential	5.9%	9.4%				
Non-Woven	9.8%	11.0%				
Consolidated Adjusted EBITDA Margin	**10.6%**	**13.9%**				
Pro Forma Adjustment Bentley		10.6%				
Pro Forma Adjusted EBITDA Margin	**10.6%**	**13.7%**				

Note: Bentley was included from the start of Q2 2017, therefore from Q2 2018 Bentley is reported under the Commercial division with organic growth and FX shown separately. For Q1 2018 Bentley is shown under M&A (including the FX impact of US Dollar to Euro translation) and the prior year comparative is shown in the pro-forma figure.

Q2 2018 Revenue and Adjusted EBITDA per Division

(€ million, unless otherwise stated)	Q2 2018	Q2 2017	% change	o/w organic growth	o/w FX	o/w M&A
Rugs	47.6	63.0	(24.5)%	(20.7)%	(3.8)%	0.0%
Commercial	53.6	50.3	6.6%	12.3%	(5.8)%	0.0%
Residential	51.5	58.2	(11.6)%	(11.1)%	(0.5)%	0.0%
Non-Woven	6.9	6.8	1.2%	1.2%	0.0%	0.0%
Consolidated Revenue	**159.6**	**178.4**	**(10.5)%**	**(7.4)%**	**(3.1)%**	**0.0%**
Pro Forma Adjustment Bentley	-	-				
Pro Forma Revenue	**159.6**	**178.4**	**(10.5)%**	**(7.4)%**	**(3.1)%**	
Rugs	6.6	12.1	(45.7)%	(45.0)%	(0.7)%	0.0%
Commercial	8.2	7.4	10.8%	16.7%	(5.9)%	0.0%
Residential	3.5	6.3	(45.2)%	(42.4)%	(2.8)%	0.0%
Non-Woven	0.6	0.7	(6.7)%	(6.7)%	0.0%	0.0%
Consolidated Adjusted EBITDA	**18.8**	**26.4**	**(28.8)%**	**(26.2)%**	**(2.6)%**	**0.0%**
Pro Forma Adjustment Bentley	-	-				
Pro Forma Adjusted EBITDA	**18.8**	**26.4**	**(28.8)%**	**(26.2)%**	**(2.6)%**	
Rugs	13.8%	19.1%				
Commercial	15.3%	14.7%				
Residential	6.7%	10.9%				
Non-Woven	9.0%	9.7%				
Consolidated Adjusted EBITDA Margin	**11.8%**	**14.8%**				
Pro Forma Adjustment Bentley						
Pro Forma Adjusted EBITDA Margin	**11.8%**	**14.8%**				

Note: Bentley was included from the start of Q2 2017, therefore from Q2 2018 Bentley is reported under the Commercial division with organic growth and FX shown separately. For Q1 2018 Bentley is shown under M&A (including the FX impact of US Dollar to Euro translation) and the prior year comparative is shown in the pro-forma figure.

Rugs

Organic performance has been largely in line with our guidance of mid-teens revenue decline, reflecting the ‘share of wallet’ reduction with two US home improvement customers, a softer trading environment in Europe with retailers reporting lower footfall, and the strong 2017 first half comparative when revenue grew by 12.9%.

First half organic revenue declined by 16.2% amplified by a negative FX impact of 4.0% driven by the weaker US dollar resulting in a consolidated revenue decline of 20.3% compared to the previous year.

Consolidated Adjusted EBITDA of €12.5m declined by 46.4%, reflecting the lower volumes, the time delay between higher raw material prices and the actions required to compensate, and FX. The H1 negative FX impact on EBITDA is 6.2% (Q2 of -0.7% compared to Q1 of -12.2%) as a result of the weaker year on year US dollar, but the FX impact is expected to neutralise over the year.

Rugs programme negotiations with existing and new customers have progressed well. We have continued to diversify our US rugs business through new customer wins, growth in indoor rugs and e-commerce. In outdoor rugs, for next season’s programme we have regained part of the ‘share of wallet’ lost in 2017, which will start to benefit from Q4 2018. However, the soft European trading environment is continuing into the third quarter.

Commercial

Bentley was included from the start of Q2 2017, therefore from Q2 2018 Bentley is reported under the Commercial division with organic growth and FX shown separately. For Q1 2018 the growth impact from Bentley is shown under M&A (including the FX impact of US Dollar to Euro translation) and the prior year comparative is shown in the pro-forma figure.

Consolidated Revenue increased by 40.6% to €101.9m, driven by the first time inclusion of Bentley in Q1 2018 and organic growth of 8.6%. Price increases have been implemented both in Europe and the US during Q1, and we are now starting to see the margin benefits.

In Europe, we are back on track after the operational issues we encountered during the second half of 2017, and delivered low-single digit organic growth over the first half, driven by mid-single digit organic growth in the second quarter.

In the US, in underlying currency, the Bentley business grew revenues by 13.8%. Bentley had a strong first half performance, and continues to grow ahead of the market, benefiting from the increased investments made in sales resource. The operational and procurement cost synergies between our European and US commercial businesses will deliver the projected $2m in 2018.

We have developed a stronger relationship with an LVT supplier, enabling Bentley to provide a one stop shop for our customers’ projects. We have more than doubled our LVT sales versus prior year, albeit still from a small base.

H1 Adjusted EBITDA increased by 36.1% to €14.1m with organic growth contributing 9.6%.

Residential

Consolidated Revenue of €105.1m declined by 13.4%, with an organic decline of 12.8% and negative FX impact of 0.6%. The Residential revenue decline is almost all volume driven. The underlying conditions in our key European markets have been challenging, with reduced footfall in our customer outlets resulting in a more competitive price environment to protect volume. At the same time, the strategy to grow sales of higher margin products continues to be successful with the share of total Residential revenue increased to 31%.

Generally, the residential retail and wholesale sectors in our key markets were under pressure, impacted by the cold weather conditions during Q1 and the prolonged hot weather in Q2 and extending into Q3, alongside major events such as the Football World Cup, resulting in subdued retail footfall. More specifically for the UK, the change from the previously stable residential market proved very challenging. This was further amplified by the subdued performance of the largest UK carpet retailer, which in the meantime started its restructuring plan.

Adjusted EBITDA margins of 5.9% remained significantly lower than in H1 2017 (9.4%) due to the raw material price inflation, adverse currency movements and the reduction in volumes, with the mitigating benefits from the footprint optimization having started in H1. As a reminder, the benefits from the optimisation of the Residential operational footprint will deliver the run rate benefits of €8.3m EBITDA in financial year 2019. However, these benefits will start from a lower base as the Residential market has remained challenging into Q3.

Other Financial Items Review

Non-Recurring Items

Non-recurring expenses over the first six months of 2018 amounted to €2.4m, as compared to €2.6m in the same period last year. €1.8m in the current period is driven by the previously announced optimisation of the Residential operational footprint. In addition, a minor part is fees incurred for strategic advisory services supporting the execution of the six key priorities for delivering improved performance as detailed in the 2017 annual report.

Net Financing Costs

Net finance expenses for the first six months of 2018 are equal to €12.7m, as compared to €21.6m in the same period last year. This decrease is mainly driven by (i) a €6.2m lower interest expense due to lower gross debt after the IPO, (ii) a €1.1m reduction in financing costs due to refinancing part of the 7.75% Senior Secured Notes by a €35m Senior Term Loan facility at 1.4% margin in September 2017, and (iii) the absence of €1.7m fees incurred in H1 2017 in relation to the partial early redemption of the Senior Secured Notes.

Taxation

Income tax expense equal to €0.1m for the six months ended June 30, 2018, as compared to an income tax expense of €3.4m in the same period last year. The normalized effective tax rate of the Group amounts to around 26%. The income tax expense for the period is further driven by €0.3m utilization of tax credits not previously recognized as deferred tax assets and €0.3m of tax investment incentives.

Earnings per share

Net earnings per share for the first six months of 2018 were €0.08, compared to €0.10 for the same period last year.

Cashflow and net debt

Net debt at the end of June 2018 is equal to €272.3m, versus €253.5m at the end of December 2017. The increase in net debt is driven by (i) exceptional one-off costs in relation to the restructuring of the operating footprint in our Residential division, and (ii) an increase in working capital driven by the seasonality of our business operations. We intentionally build up inventories during the months of June and July in preparation for the increase in demand and the annual shutdown of the majority of our manufacturing facilities in August. As a result, our trade working capital is higher during the summer months compared to the rest of the year.

Earnings call

The Half One 2018 Results will still be presented on **28 August 2018** at 10.00 am CET via a webcast, by the Chairman of the Board and interim CEO Cyrille Ragoucy and CFO Tom Gysens. 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 Q3 Results on 7 November 2018