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AGM 22 May 2018







Opening of the meeting and  
composition of the bureau



Convening, registration and  
attendance formalities





Validity of the meeting





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**Business and Finance Update**

# Agenda

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**Tom Debusschere CEO**

- **Our Strategy and Progress**
- **Update on Residential and Bentley**
- **Six Key Priorities for 2018**



**Tom Gysens CFO**

- **Financial Review**
- **Q1 Update**
- **2018 Outlook**



# Balta is a Global Specialist in Rugs and Carpets

Product	Rugs	Carpets	
	Broadloom	Tiles	
		Broadloom	Tiles
Overview	<ul style="list-style-type: none"> <li>• A piece of carpet directly put on a hard flooring</li> <li>• No installation needed</li> <li>• Home decoration purpose</li> <li>• Consumer and lifestyle-driven</li> </ul>	<ul style="list-style-type: none"> <li>• Large roll of carpet installed throughout a room, from wall to wall</li> <li>• Usually fixed to the sub floor and installed by professionals</li> <li>• Residential and commercial use</li> <li>• Predominantly renovation-driven</li> </ul>	<ul style="list-style-type: none"> <li>• Modular pieces of carpets assembled square by square to cover a floor</li> <li>• Installation by professionals</li> <li>• Predominantly commercial use</li> <li>• Predominantly renovation-driven</li> </ul>

## Highlights

<p><b>A global leader in decorative rugs and European leader in carpets</b></p>	<p><b>Highly automated, vertically integrated and specialised manufacturing base</b></p>	<p><b>Long-standing strategic product development partnership with key customers</b></p>	<p><b>Global presence and balanced end-market exposure between decorative rugs and carpets</b></p>	<p><b>Acquisition of Bentley strengthens the growing commercial segment with stronger presence in the US</b></p>
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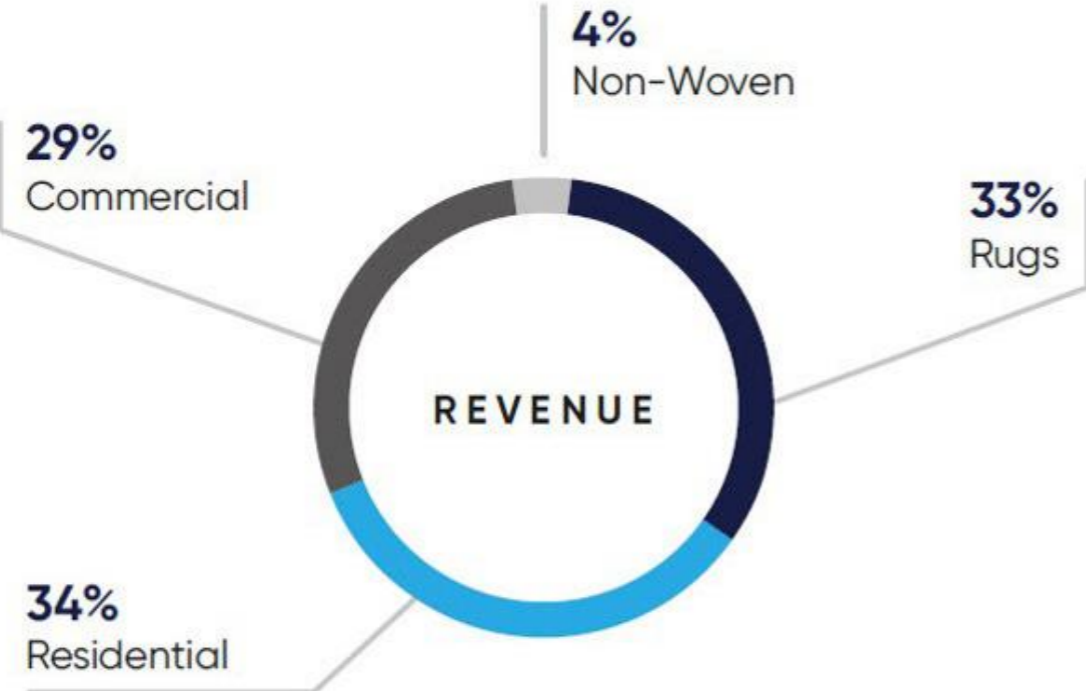


# Balta's Geographical Operational Footprint

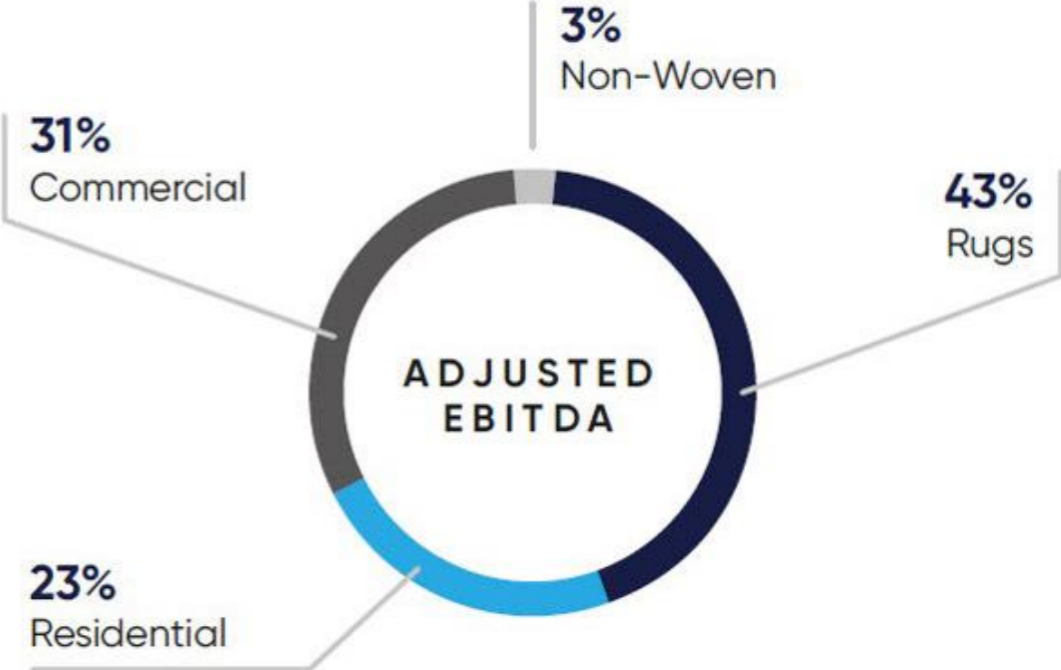


# Balta's Financial Segmentation by Division and Geography

PF1 Revenue 2017 per reporting segment



PF1 Adjusted EBITDA 2017 per reporting segment



(1) Pro forma figures incorporate the acquisition effect of Bentley under the assumption that the transaction took place as of the start of the prior financial year.



# Our Strategy

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**Our vision: “To bring beautiful design at affordable prices to mid-segment mass markets”**

**Our goal is to be the:**  
Global innovation and design leader in machine-made rugs  
Growing challenger in the North American and European commercial carpet and tiles segment  
Leading carpet manufacturer for the European residential segment

**Strengthen our leading positions across core segments**

**Continue to focus on Operational Excellence**

**Selectively seek complementary acquisition opportunities**

**Delivering Superior Sustainable Shareholder Returns**

# Strengthen Our Leading Positions Across Core Segments

- **Rugs full year organic revenue growth 8.1% versus last year**
  - 2017 investment to increase our US sales and distribution infrastructure, including a new warehouse in Georgia
- **Commercial has doubled in revenue and EBITDA versus last year**
  - Commercial Europe full year organic revenue growth of 8.0%
  - Bentley growing market share and presence in the US
  - Increased investment in commercial resources in both Europe and the US
- **Residential growing higher margin broadloom**
  - 20% of sales today, versus 15% a year ago and 7% two years ago

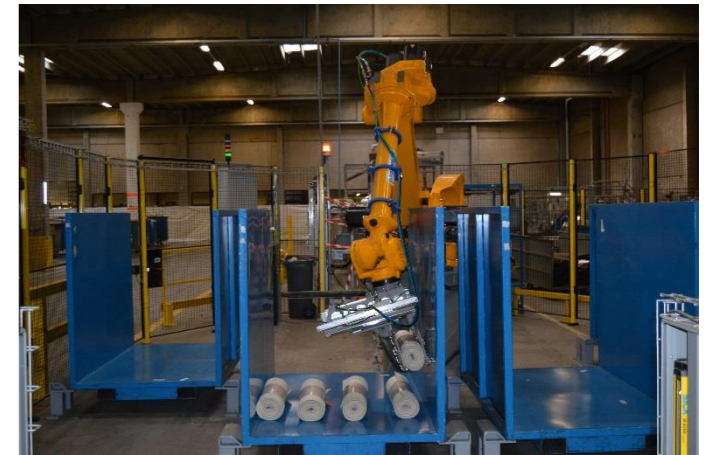




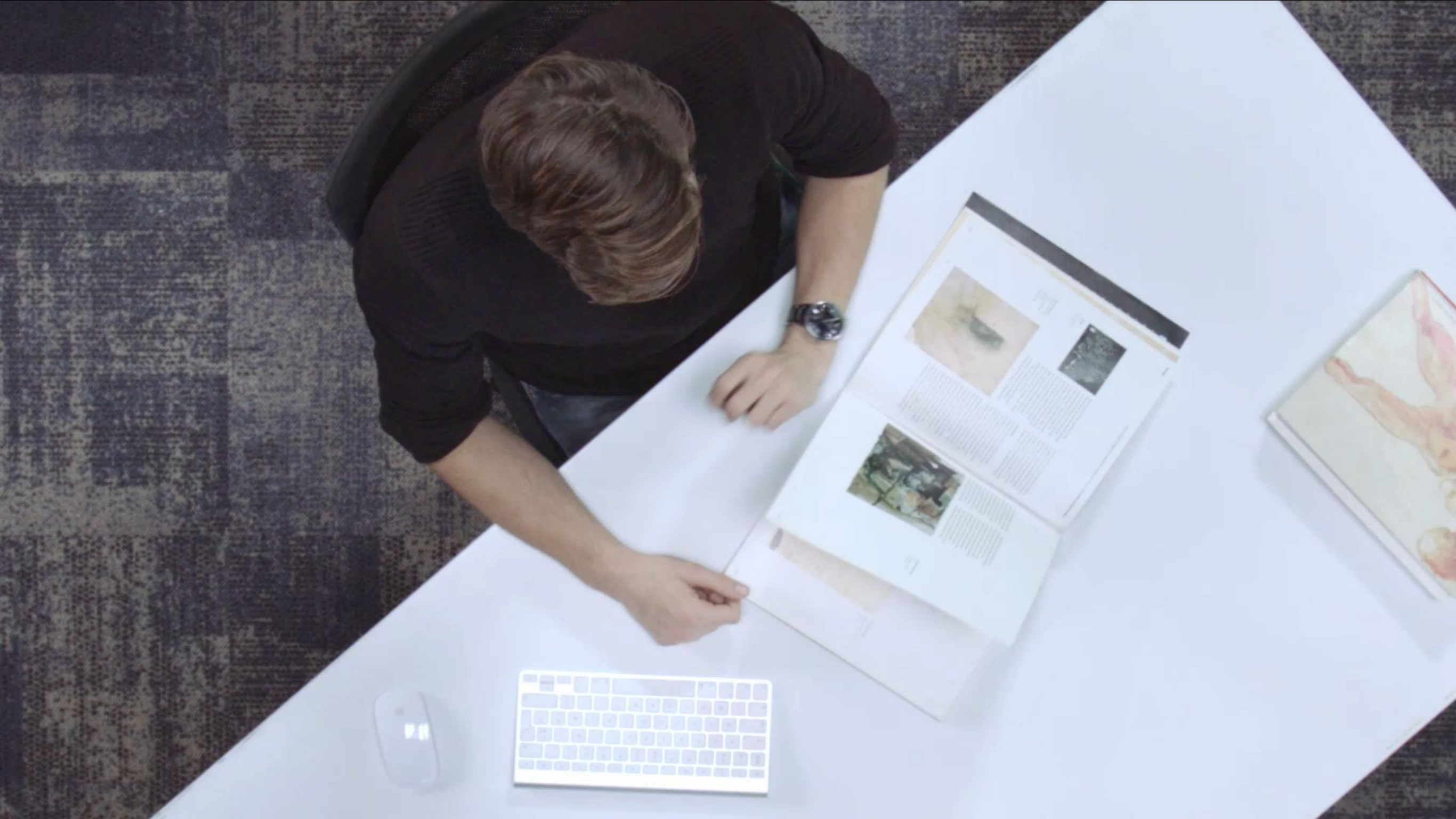
# Continue to Focus on Operational Excellence

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- **Completed the full automation of the commercial tile plant in Zele, Belgium**
  - Increased capacity and cost competitiveness
  - 2017 Q3 supply issue temporarily constrained sales
- **Expanded production capacity in Turkish plants by 10% in 2017**
  - Expect this to continue in 2018
- **Created a larger programme of Operational Excellence initiatives**
  - Mostly benefitting from second half of 2018
- **Optimising the Residential footprint in Belgium is ahead of schedule**





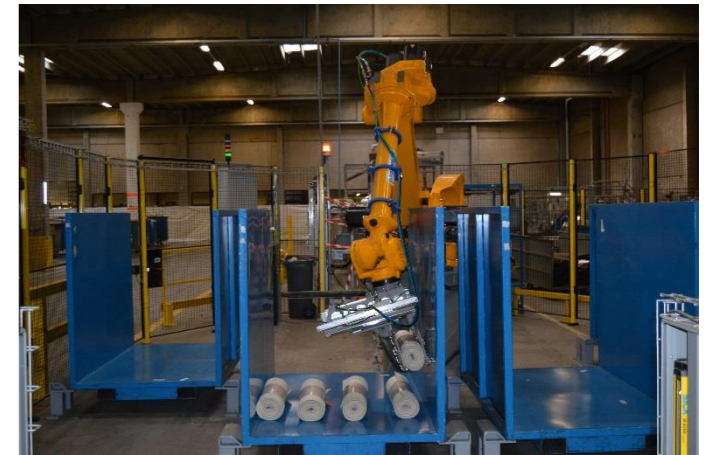




# Continue to Focus on Operational Excellence

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# Update on Optimising the Residential Operational Footprint

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- **Consultation and social negotiation process completed, we will be:**
  - Absorbing Oudenaarde factory into two existing vertically integrated factories in Belgium
  - Closing the rented warehouse in Sint-Niklaas, Belgium
- **Project expected to finish ahead of schedule by the summer of 2018**
  - We have established a full Project Management Office
  - SKU reduction programme in place with 20% less SKUs expected by Q3 2018 versus Q3 2017
- **This will result in:**
  - Total cash benefit of €9.9m with one off costs of €12.4m
  - Run rate EBITDA benefit of €8.3m in FY19, commencing from early Summer 2018



# Bentley Mills Acquisition

## 1. Cross-selling opportunities

- modulyss styles available in the US
- Bentley products showcased for European market at Domotex Jan 2018
- Major national US retailer contract won for modulyss in Q4 2017



## 2. Know-how transfer

- 100% of Bentley's sales force trained to sell modulyss
- Investment made to improve and expand sales force to grow national account sales and focus on regions where we see the greatest opportunities
- Transferring operational capabilities
- Utilize Balta's global network to leverage Bentley sales and vice versa for modulyss



## 3 Procurement and logistics optimisation

- Procurement and operational synergies of \$2m, mostly benefiting in 2018
- New modulyss warehouse opened to address inventory and sample requests



**Integration Complete, Growing Market Share**

# A Strong H1 Offset by a Challenging H2

- H2 margins impacted by significant increase in raw material cost that we did not fully offset by compensating actions
- FX negatively impacted full year EBITDA by 7%
- In addition
  - European Commercial tile start-up issues led to missed revenue and profit in the second half of the year
  - Q4 partial 'share of wallet' loss with two US home improvement customers in this seasons outdoor rug collections

H1	H2
<b>+15.1%</b> yoy sales growth (consolidated)	<b>+22.4%</b> yoy sales growth (consolidated)
<b>11.1%</b> Adj. EBITDA growth (consolidated)	<b>(4.1)%</b> Adj. EBITDA growth (consolidated)



# Six key Priorities for 2018

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## Grow Profitable Revenue:

- 1. Continue to grow Rugs sales in North America**
  - by increasing channel penetration and broadening our channel reach
  - underpinned by 2017 investment in sales and distribution infrastructure
- 2. Continue Commercial sales growth, leveraging**
  - increased capacity of new automated commercial line in Europe
  - the 2017 investment to increase our sales force, both in Europe and the US
- 3. Improve Residential product mix by**
  - growing sales of higher margin products
  - capturing the right value for our products and services through a strategic pricing excellence project started. Benefits mostly in 2019

## Deliver increased level of cost savings:

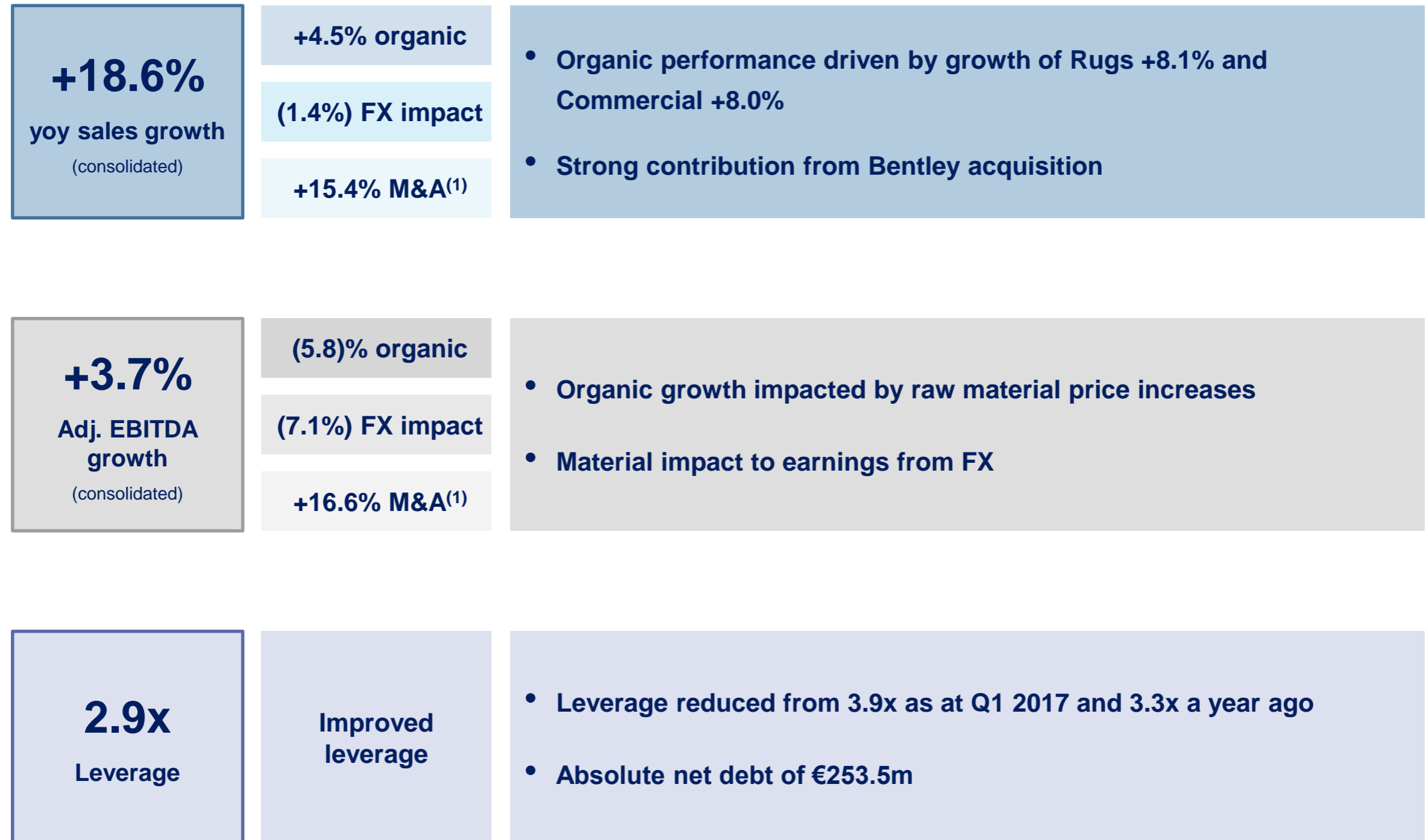
- 4. Deliver the full benefits of the restructuring of the operational footprint in Residential**
  - complete ahead of schedule in Summer 2018
  - benefits commence early in H2 2018
- 5. Execute the larger Operational Excellence programme**
  - Project Management Office in place
  - delivering an increased run rate of cost savings as of H2 2018
- 6. Execute the cost synergies between our European and US commercial business**
  - operational and procurement synergies identified of \$2m, mostly delivered in 2018



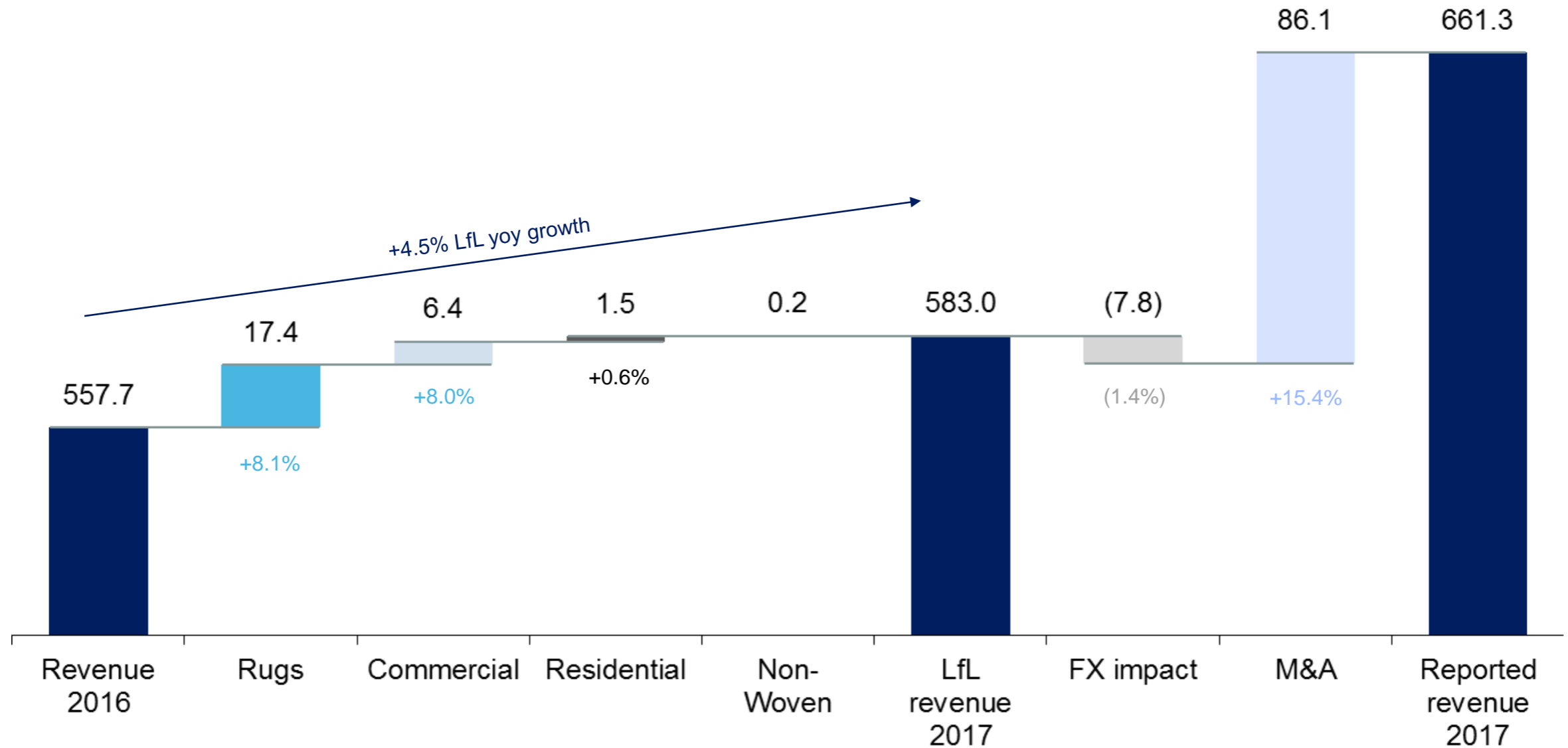
Financial Review – Tom Gysens CFO



# Full Year Financial Headlines



# Group Full Year Revenue Performance



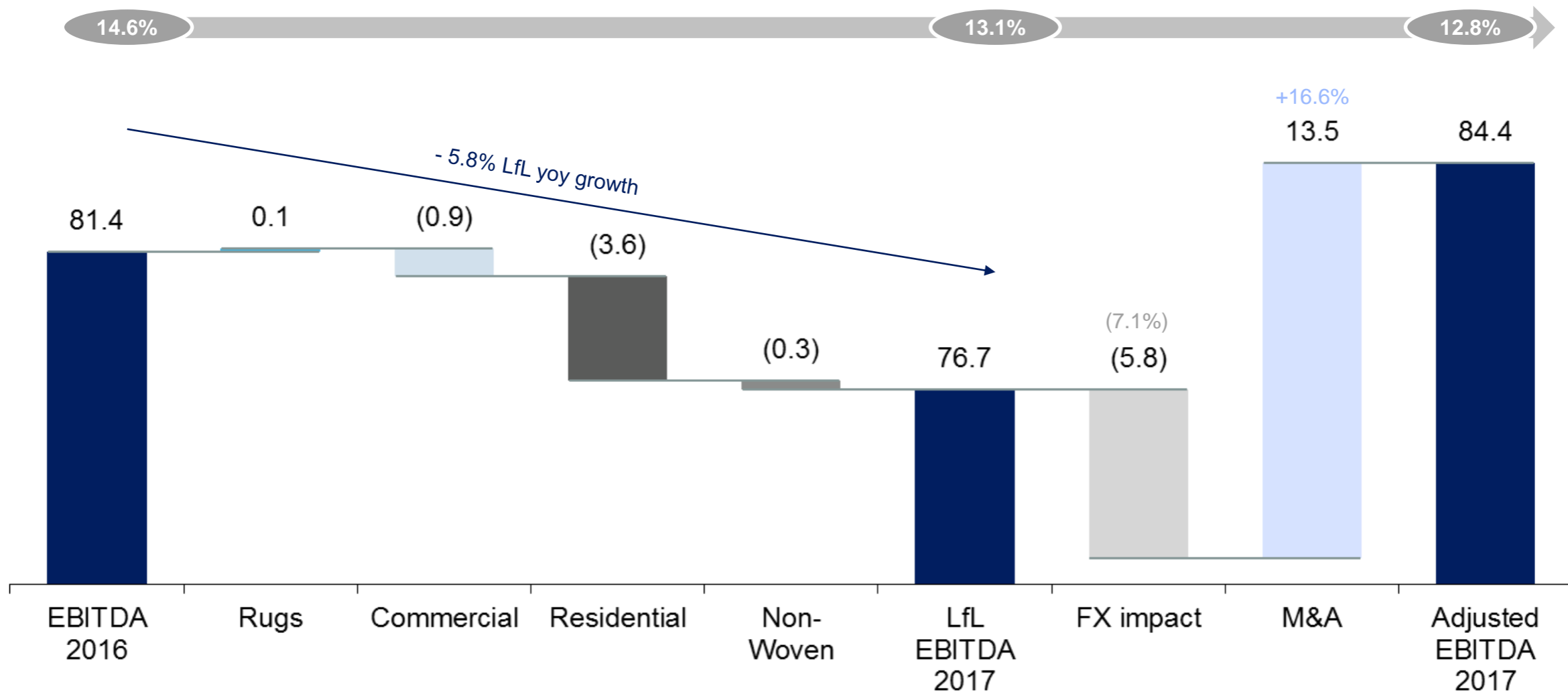
**Strong organic performance in Rugs +8.1% and Commercial +8.0%  
- All divisions grew organic revenue**

**Start-up issues in Belgium tile factory held back Commercial performance**



# Group Full Year EBITDA and Margins

Adj. EBITDA margin (%)

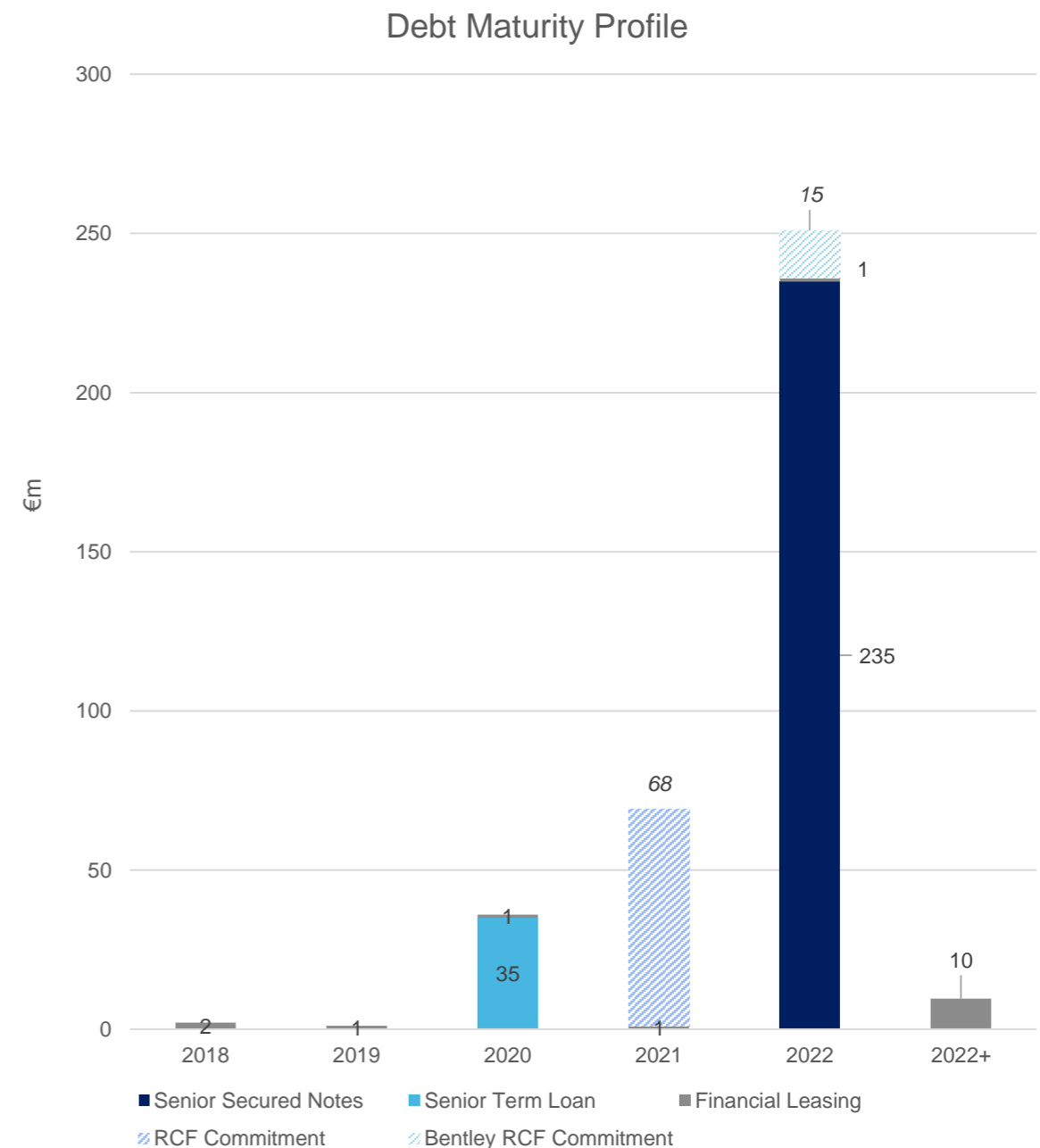
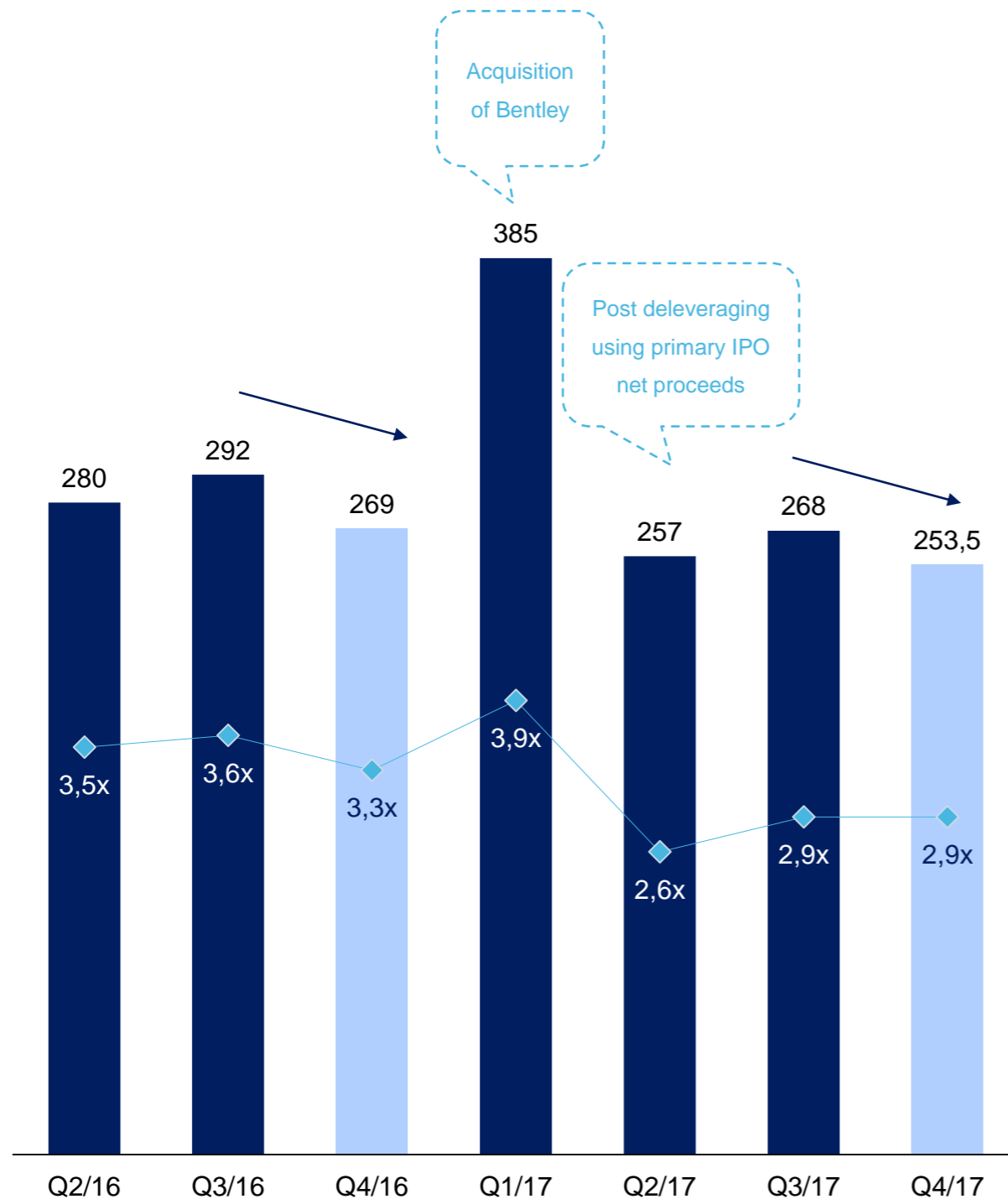


Raw material increases have materially impacted our organic margins

Adverse currency movements have materially impacted our reported margins

# YOY Reduction in Debt and Leverage

## Long Term Stability with our Debt Funding Maturity Profile





# Q1 Financial Headlines

<p><b>+4.3%</b> yoy sales growth (consolidated)</p>	<p>(10.4%) organic (2.1%) FX impact +16.8% M&amp;A<sup>(1)</sup></p>	<ul style="list-style-type: none"> <li>• Rugs organic decline as expected given partial loss in share of wallet and strong prior year comparative of +17.2%</li> <li>• Residential organic decline of 14.3% reflecting poor trading contributions and bad weather in the UK</li> </ul>
<p><b>(23.7%)</b> Adj. EBITDA growth (consolidated)</p>	<p>(30.9)% organic (8.8%) FX impact +16.1% M&amp;A<sup>(1)</sup></p>	<ul style="list-style-type: none"> <li>• Organic decline impacted by raw material headwinds from H2 2017 and lower volumes in Rugs and Residential</li> <li>• Strong Q1 FX impact in Rugs of 12.2% will neutralise over the year</li> <li>• Bentley strong underlying<sup>(1)</sup> results growing EBITDA by 29.2%</li> </ul>
<p><b>3.3x</b> Leverage</p>	<p>Stable Net Debt</p>	<ul style="list-style-type: none"> <li>• Leverage of 3.9x as at Q1 2017 and 2.9x at Dec 2017</li> <li>• Absolute net debt of €264.3m</li> </ul>

# 2018 Outlook Remains Unchanged and Q1 Performance is In-Line with Our Overall Guidance

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- **Expect 2018 EBITDA to be between €82m and €87m**
  - Trends of H2 2017 to continue in H1 2018
  - Rugs H1 revenue down by mid-teens due to timing effect of gains and losses in customers 'share of wallet'
  - Our earnings guidance in March included visibility of the first quarter Residential performance - our balance of the year expectation is for an improvement, albeit still a negative year on year performance
  - Strong action taken to deliver increased cost savings, leading to a significantly stronger EBITDA run rate in H2 2018
- **Full year leverage expected to be in line with 2017**
- **Capex between €35-40m**
- **Effective Tax Rate between 25% to 27% on a like for like profit base**





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**Corporate Governance**

# Board of Directors

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Cyrille Ragoucy	Independent Director	Chairman of the Board
Tom Debusschere <sup>1</sup>	Executive Director and CEO	
Michael Kolbeck	Non-Executive Director	Chairman of the RNC
Nicolas Vanden Abeele <sup>2</sup>	Independent Director	
Sarah Hedger	Independent Director	
Neal Morar <sup>3</sup>	Non-Executive Director	
Hannah Strong	Non-Executive Director	
Jeremy Fryzuk	Non-Executive Director	Chairman of the AC
Patrick Lebreton	Non-Executive Director	

(1) Tom Debusschere provides services through Kairos Management BVBA.

(2) Nicolas Vanden Abeele provides services through Accelium BVBA.

(3) Mr Neal Morar replaced Mrs Karoline Graeubig by way of co-optation as of 1 March 2018

## Governance

- In 2017, the Board met 6 times since the incorporation of the Company on March 1, 2017, including 2 times after the closing of the IPO, with an overall average attendance rate of the Board members of 100%.
- The Audit Committee met on 3 occasions, with an attendance rate of 100% among its current members.
- The Remuneration and Nomination Committee held 2 meetings with a 100% attendance rate among its current members.

# Remuneration Report

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## Different components of the remuneration of the Management Committee:

- Fixed remuneration reflecting the level of responsibility
- Variable cash remuneration (performance related bonus)
- For some members: representation allowance and pension coverage

## Characteristics of performance-related bonuses of members of the Management Committee:

### 1) Short Term Incentive Plan ('STIP')

- The STIP rewards the realisation of key financial performance indicators against targets approved by the Board of Directors for the period from January 1, 2017 to December 31, 2017.

	CEO / CFO	Other MC
Group Adjusted EBITDA	70%	
Divisional EBITDA		70%
Divisional Working Capital		30%
Seasonality Adjusted Net Debt	30%	

- The target STIP (at 100% achievement of financial KPIs) is 80% of the fixed annual remuneration for the CEO and, on average, 42% for other members of the Management Committee.
- The same performance indicators and target bonus amounts for the CEO and the members of the Management Committee also apply for 2018
- The Remuneration and Nomination Committee evaluated the achievement of the 2017 objectives for members of the Management Committee and reviewed the calculation of short-term variable remuneration based on the 2017 performance criteria.
- The CEO and certain members of the Management Committee have voluntarily proposed the transfer of bonus payments they were to receive regarding 2017 to 2018. The transferred bonus is subject to a performance condition with a threshold target above the mid point of the 2018 EBITDA guidance range.



# Remuneration Report

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## 2) Long Term Incentive Plan ('LTIP')

- A LTIP plan will be implemented in 2018.  
The LTIP – granted to key management – will consist of Performance Stock Units (PSUs). These will vest to relevant managers that still provide services to the Balta Group on the 3rd anniversary of their award, provided that the Company's share price has at least reached the first hurdle of a €13.25 share price (the IPO price)

## Remuneration 2017

	<b>CEO</b>	<b>Management Committee</b>
Base salary	€560,000	€1,532,852
Variable remuneration <sup>1</sup>	€nil	€174,400
Representation allowances	€24,000	
Pension and death in service and disability coverage		€1,244

(1) Relating to performance in 2017, paid out in 2018. Certain members of the Management Committee have voluntarily transferred the bonus payment they were to receive regarding 2017 to 2018 subject to a performance condition with a threshold target which lies above the mid point of the 2018 EBITDA guidance range.

# Remuneration Report

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## Pre-IPO arrangements

Pre-existing incentive schemes, which included a personal co-investment by the individual managers, vested at IPO and were for the largest part paid out in share entitlements of the newly created company Balta Group nv. The detail, which was described in the IPO prospectus, is as follows:

- As per today, the members of the Management Committee and the current general manager of Bentley Mills Inc hold 232,284 of shares
- An additional 447,541 shares would vest on the first anniversary of the IPO and the balance of 447,537 shares on the second anniversary
- The shares that are vesting over the 2 year period, are currently being held by Lonestar and will be transferred to management, at the cost of the IPO selling shareholder, subject to not having resigned before the vesting date
- The members of the Management Committee are also entitled to a share-related bonus payment pursuant to a phantom share bonus scheme with Balta nv; representing the value of 84,544 shares (for the CEO) and the value of 86,361 shares for the other members of the Management Committee at the pay-out date (i.e. 2 years after IPO date) subject to being employed by Balta



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Q&A Session





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**Resolutions**

# Item 1

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## Annual Report

*Acknowledgement of the Board of Directors' annual report with respect to the statutory and consolidated annual accounts relating to the financial year ending on 31 December 2017 (including discussion on corporate governance) and acknowledgement of the statutory auditor's report with respect to the statutory and consolidated annual accounts relating to the financial year ending on 31 December 2017.*

## Item 2

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### Replacement representative PwC

*Acknowledgement of the replacement of the representative of the company PwC Bedrijfsrevisoren, which shall be represented as from the financial year ending on 31 December 2017 by Mr Peter Opsomer, to replace Mr Filip Lozie, in the exercise of its mandate as statutory auditor.*



# Item 3

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## Consolidated Annual Accounts

*Acknowledgement of the consolidated annual accounts relating to the financial year ending on 31 December 2017.*

# VOTING INSTRUCTIONS

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## How to vote?

- *We will first invite shareholders who wish to vote against the proposed resolution.*
- *Next we will invite the shareholders who wish to abstain.*
- *Voting takes place by show of hands. The hostess will pick up your voting card and return it to you after the counting has been done.*
- *Between every resolution, a short break will be taken to count the votes, following which the results of the voting will be announced.*
- *The results for each resolution include the votes cast through proxy.*

# Item 4

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## Remuneration report

*Approval of the remuneration report relating to the financial year ending on 31 December 2017.*

**Proposed resolution:**

*Approval of the remuneration report of the Board of Directors relating to the financial year ending on 31 December 2017.*



# Item 5

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## Statutory Annual Accounts

*Approval of the statutory annual accounts relating to the financial year ending on 31 December 2017 and of the proposed allocation of the results.*

**Proposed resolution:**

*Approval of the statutory annual accounts relating to the financial year ending on 31 December 2017, including the allocation of the results as proposed by the Board of Directors and the adoption of a gross dividend of 0,08 euro per share.*

# Item 6

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## Directors' liability discharge

*Directors' liability discharge.*

### **Proposed resolution:**

*Discharge of liability for each of the directors regarding the execution of their mandate during the financial year ending on 31 December 2017.*

# Item 7

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## Auditor's liability discharge

*Auditor's liability discharge.*

### **Proposed resolution:**

*Discharge of liability for the statutory auditor PricewaterhouseCoopers Bedrijfsrevisoren, represented by Mr Peter Opsomer, regarding the execution of its mandate during the financial year ending on 31 December 2017.*



# Item 8

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## Board of Directors

*Acknowledgment of resignation and confirmation of co-optation of a director for the remainder of the mandate of the director he replaces and as proposed by the Board of Directors following the advice of the Remuneration and Nomination Committee.*

### **Proposed resolution:**

*Acknowledgement of the resignation of Mrs Karoline Graeubig dated March 1, 2018 as director of Balta Group NV and confirmation of the co-optation by the Board of Directors of Mr Neal Morar as director of Balta Group NV for the remainder of the mandate of Mrs Karoline Graeubig and as proposed by the Board of Directors following the advice of the Remuneration and Nomination Committee.*



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Closing of the meeting – THANK YOU !