



 **balta**

**FY 2018**

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# Introduction

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**Cyrille Ragoucy**

*Interim CEO, Chairman of the Board*

- FY 2018 headlines
- Update on key initiatives



**Tom Gysens**

*CFO*

- Financial Review
- Outlook

# Full Year 2018 Financial Summary

<p><b>(2.3%)</b> yoy sales growth (consolidated)</p>	<p>(5.0%) organic</p> <p>(1.3%) FX impact</p> <p>+4.0% M&amp;A<sup>(1)</sup></p>	<ul style="list-style-type: none"> <li>• FY 2018 Consolidated Revenue of €646.2m</li> <li>• Organic decline in Rugs and Residential, offset by solid performance in Commercial</li> </ul>
<p><b>(14.3%)</b> Adj. EBITDA growth (consolidated)</p>	<p>(17.8%) organic</p> <p>(0.3%) FX impact</p> <p>+3.8% M&amp;A<sup>(1)</sup></p>	<ul style="list-style-type: none"> <li>• FY 2018 Consolidated Adjusted EBITDA of €72.4m</li> <li>• Impacted by lower volumes and cost inflation</li> <li>• Limited impact of FX on EBITDA</li> </ul>
<p><b>3.6x</b> Leverage</p>	<p>Net Debt €261.8m</p>	<ul style="list-style-type: none"> <li>• Leverage reduced from 3.9x as at Q3 2018, but up from 2.9x FY 2017</li> <li>• Net debt impacted by €10m one-off cash out related to Residential footprint reorganization</li> </ul>

# Recap of the 2018 Six Key Initiatives

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## Grow profitable revenue:

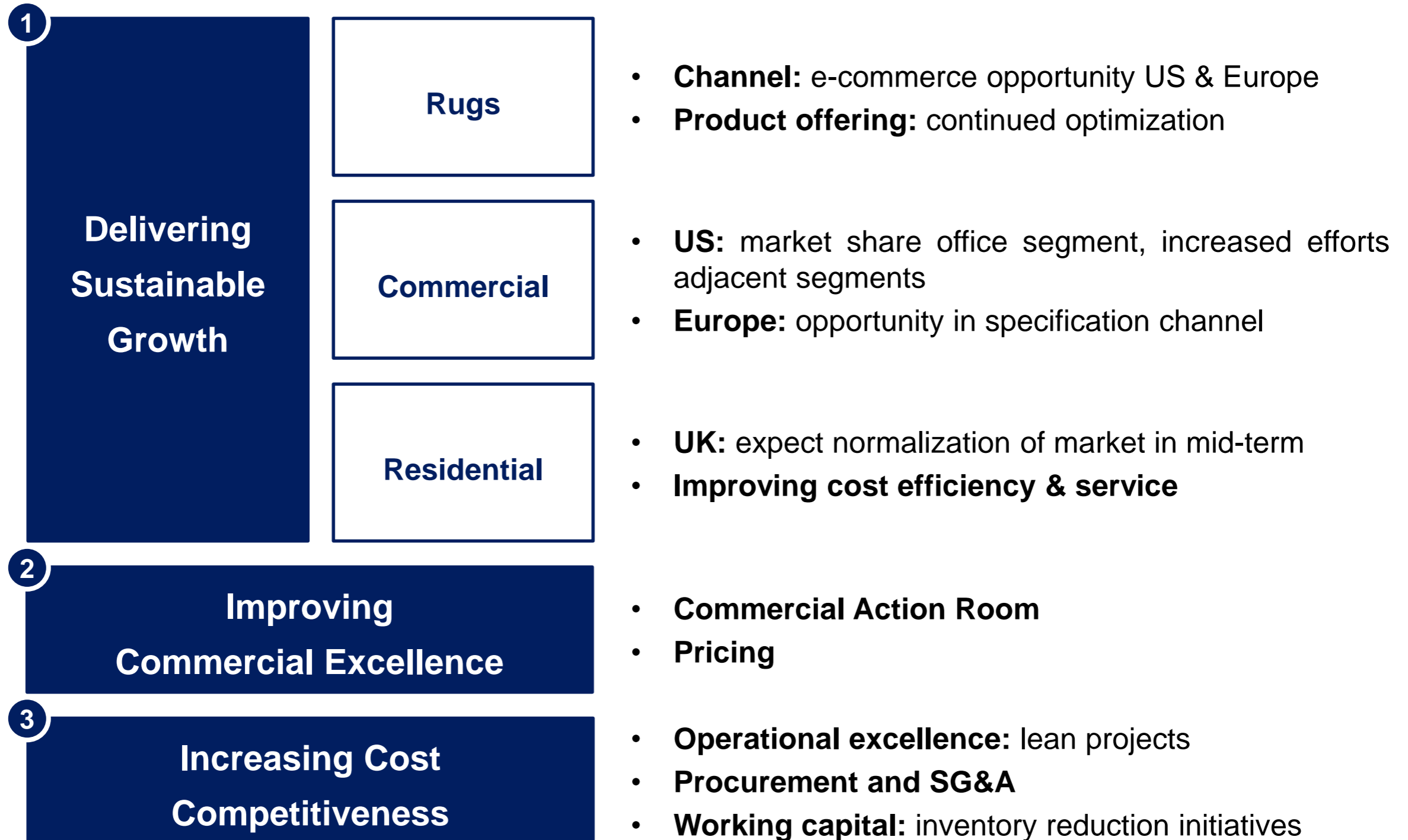
- 1 Continue to grow Rugs sales in North America**
  - By increasing channel penetration and broadening our channel reach
  - Underpinned by 2017 investment in sales and distribution infrastructure
  
- 2 Continue Commercial sales growth**
  - Increased capacity of new automated commercial line in Europe
  - The 2017 investment to increase our sales force, both in Europe and the US
  
- 3 Improve Residential product mix**
  - 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 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

# NEXT: Three Year Earnings Enhancement Program

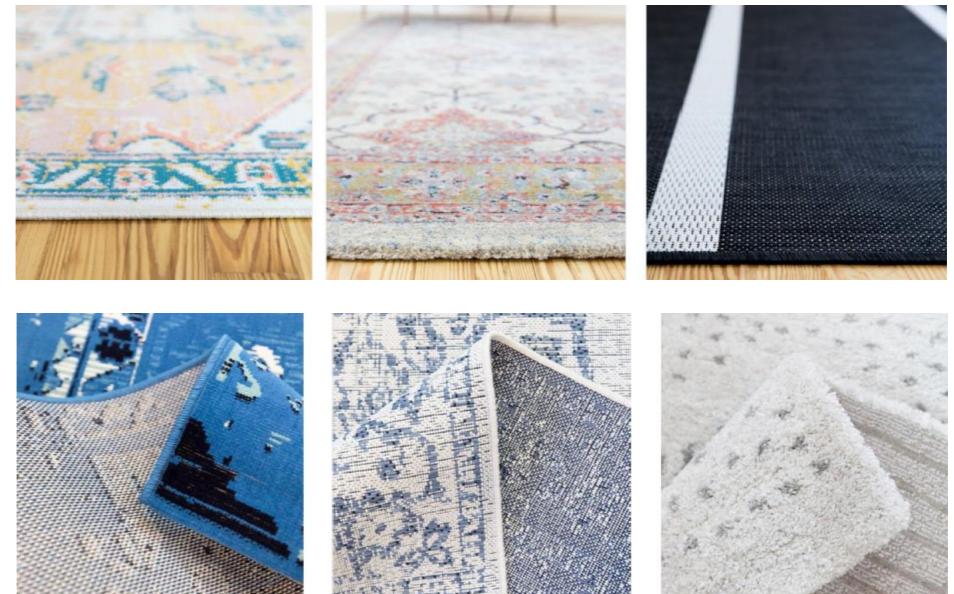
Various growth & cost saving initiatives identified under Strategic and Operational review



# NEXT: Delivering Sustainable Growth - Rugs

## E-commerce Opportunity

- Established expert team mid 2018 in US
- Setting up e-commerce supply chain capabilities
- Dedicated new e-commerce warehouse in Savannah, Georgia
- Invested in digital content
- Similar approach for Europe



## Product Offering

- Continuous innovation around sustainability
- Launched 8 new collections in January, well-received by customers
- Papilio: a handmade / natural design rugs specialist



# NEXT: Delivering Sustainable Growth - Commercial

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## US

- Expand sales team
- Accelerating efforts in adjacent segments
- Pursue LVT opportunity

University of North Carolina

Education



S.N.T.S.S.

Healthcare



University of Utah

Education



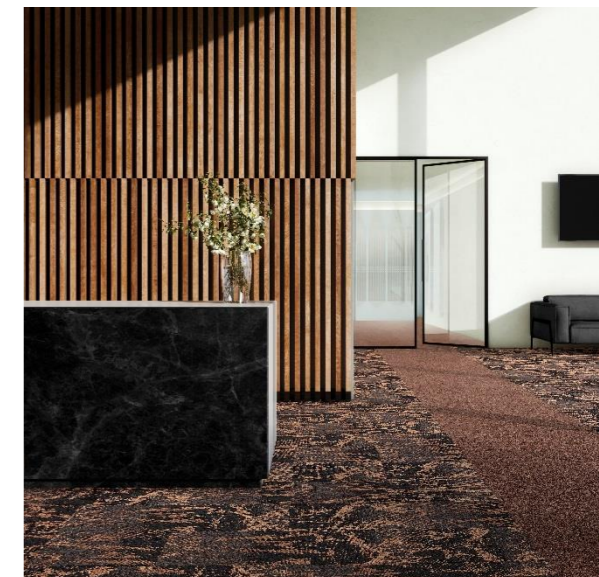
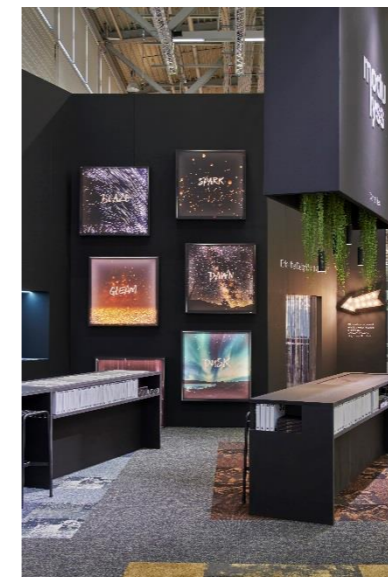
White Plains Hospital

Healthcare



## Europe

- Grow in the specified channel with a focus on the UK, Benelux, France and Germany
- Adding showrooms in key locations



## UK Market

- Recent market decline spurred by Brexit uncertainty
- Short-term decline vs. long-term potential
- Expect normalization in mid-term



## Ongoing Actions

- Improve our cost efficiency & service levels
- Additional number of new collections launched
- Continued focus on high-margin products



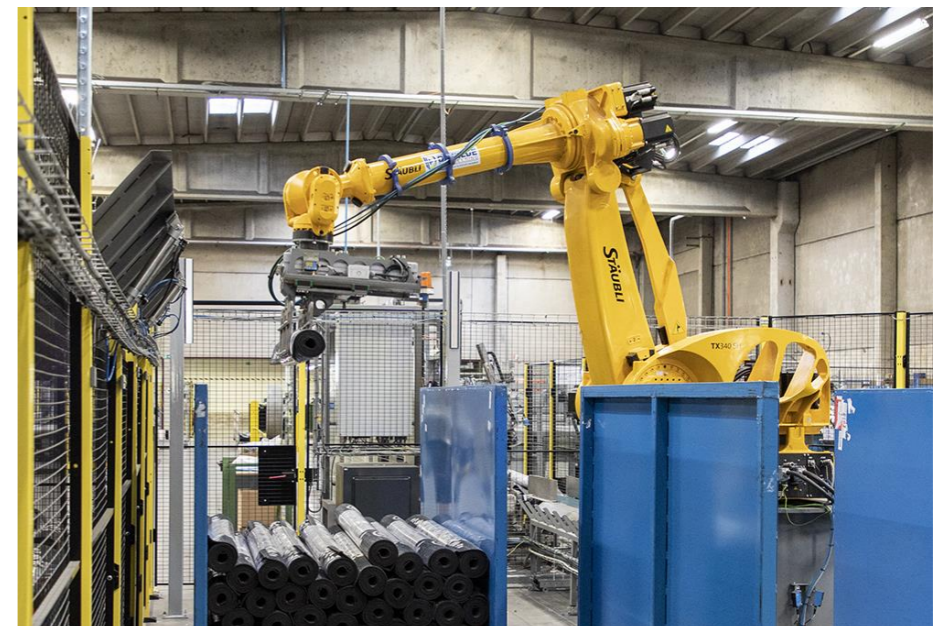
## Improving Commercial Excellence

- Launched a Commercial Action Room
- Increased focus on Key Account Management
- Cost and value-based pricing
- Shift to higher margin product



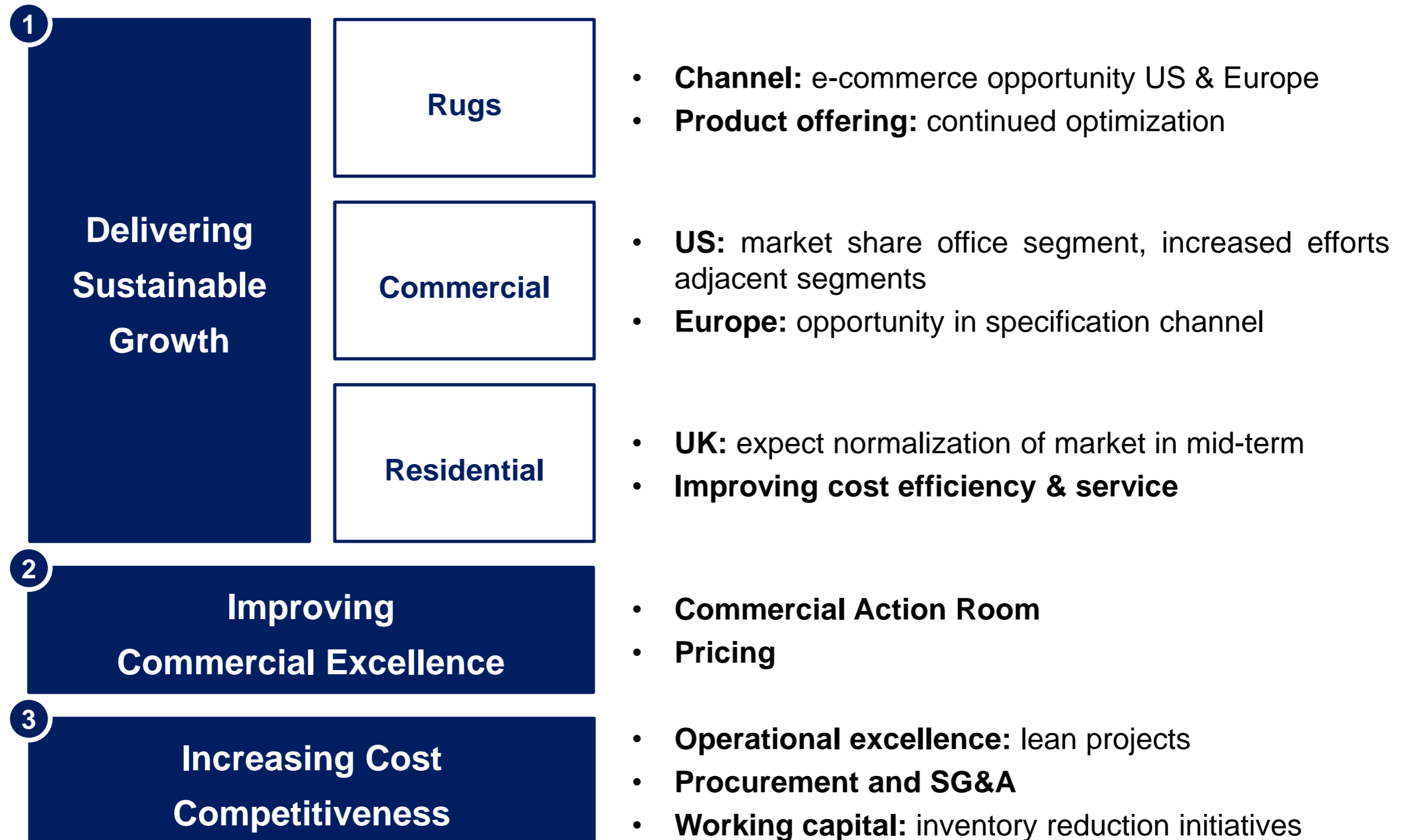
## Increasing Cost Competitiveness

- Performed an in-depth review
- Lean projects across our plants
- S&OP improvement project
- Procurement and SG&A savings

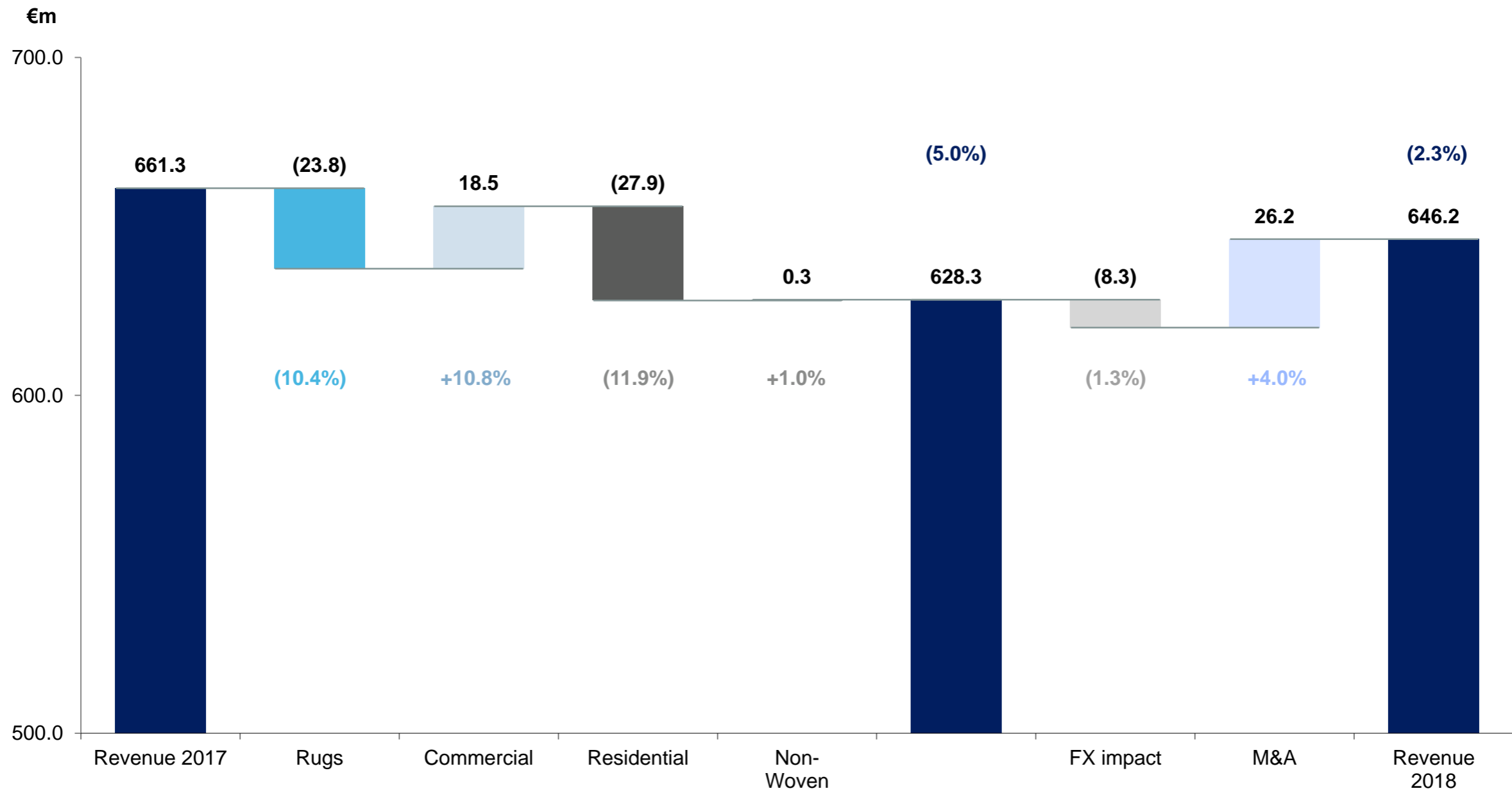


# NEXT: Three Year Earnings Enhancement Program

Various growth & cost saving initiatives identified under Strategic and Operational review



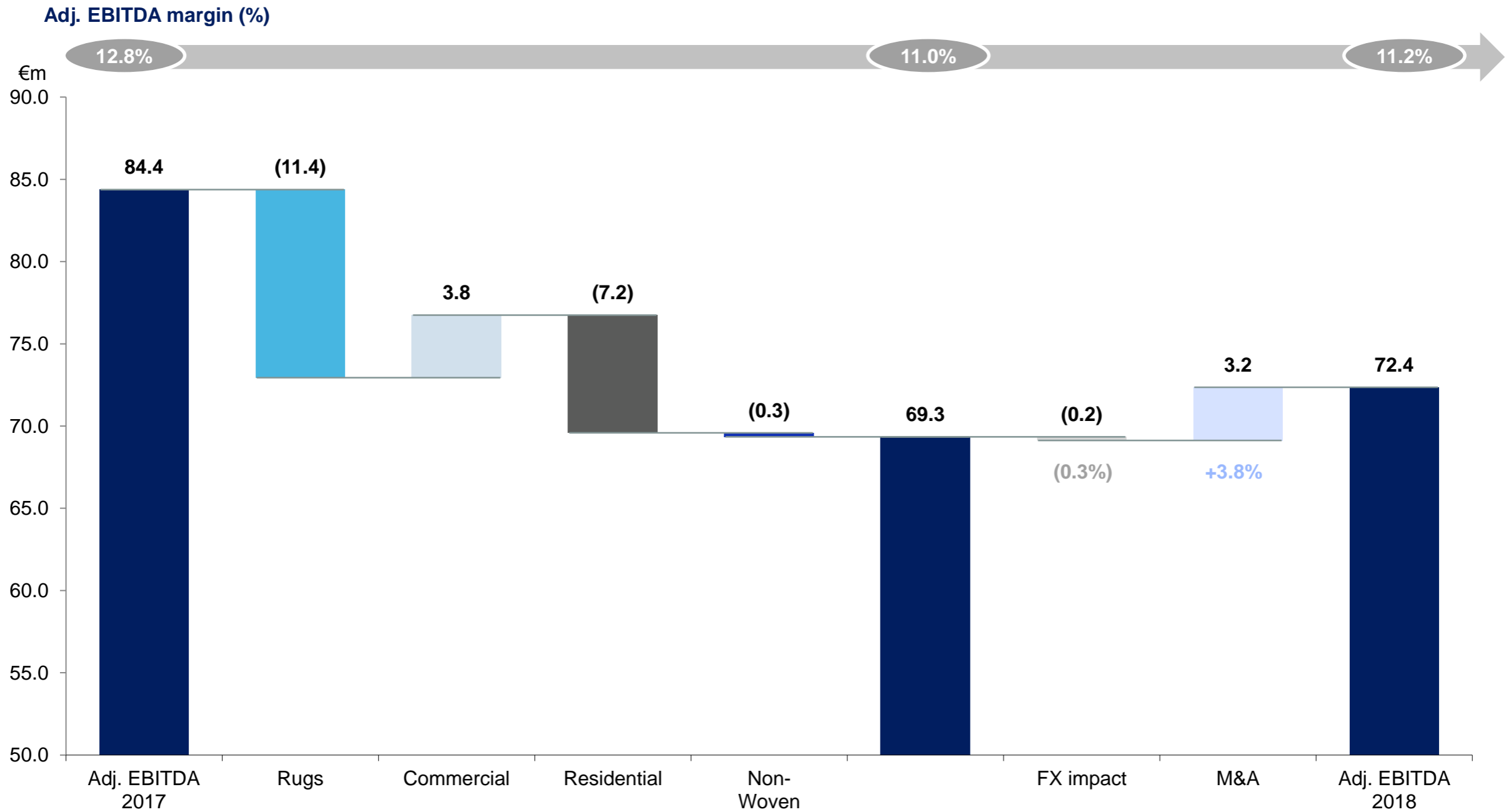
# Group FY 2018 Revenue Performance



**Rugs: challenging market Europe + impact US share of wallet loss**  
**Residential: continued challenging trading across key markets**

**Solid performance in Commercial US**

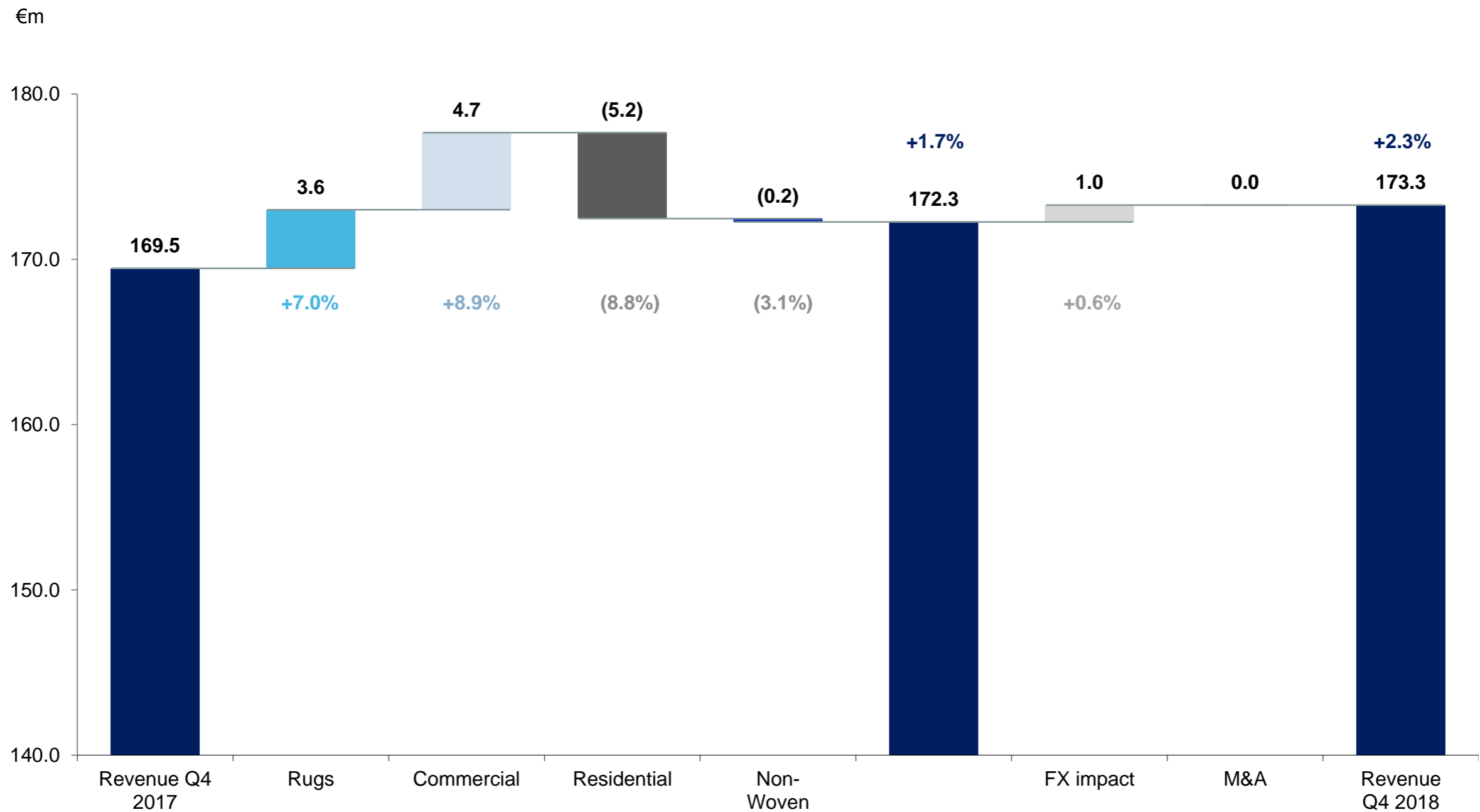
# Group FY 2018 Adjusted EBITDA and Margins



**Impact from lower volumes in Rugs and Residential and cost inflation**

**Top-line & margin growth Commercial  
Limited overall FX impact**

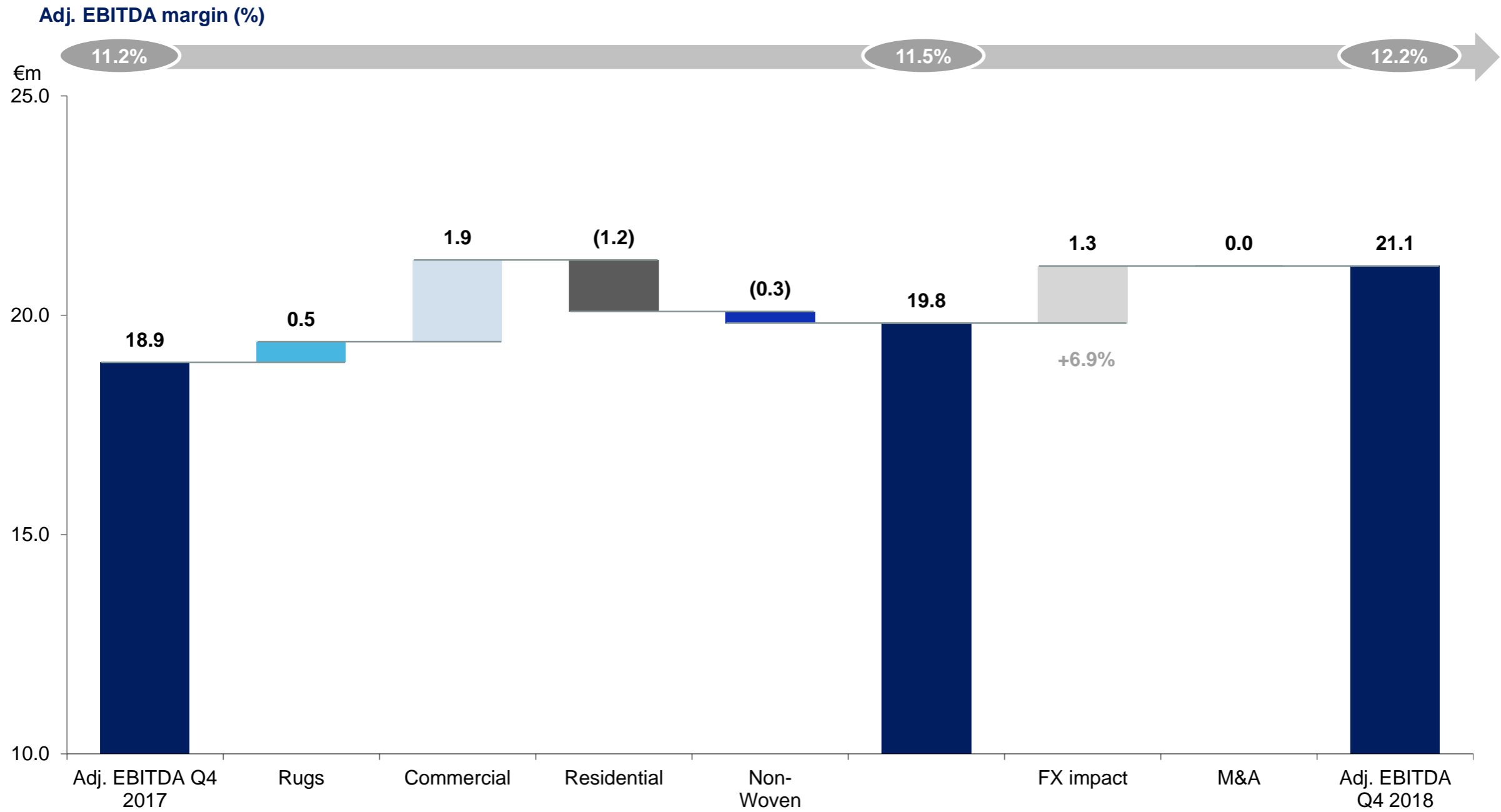
# Group Q4 2018 Revenue Performance



**Rugs US benefiting 2019 outdoor season shipments  
Continued growth in Commercial US**

**Residential continued challenging trading -  
slight improvement in trend**

# Group Q4 2018 Adjusted EBITDA and Margins



**Positive impact from increased top-line in Rugs and Commercial**

**Positive FX impact from TRL and USD offset by weaker GBP**

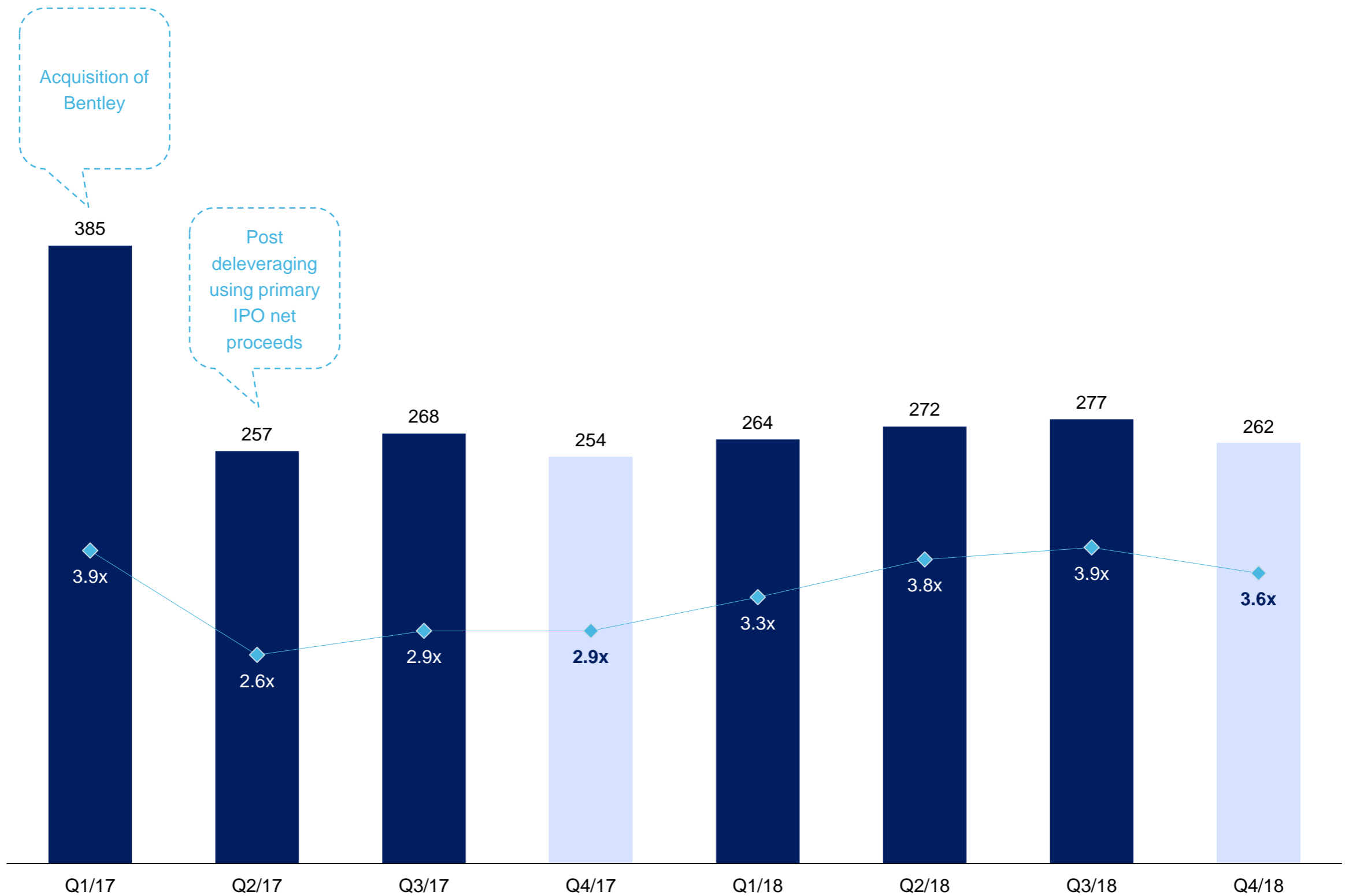
# From Adjusted EBITDA to Net Income

<i>€million</i>	2018	2017	
<b>Revenues</b>	<b>646.2</b>	<b>661.3</b>	
<b>Adjusted EBITDA</b>	<b>72.4</b>	<b>84.4</b>	
Depreciation and amortisation	(32.4)	(32.5)	
<b>Adjusted Operating Profit</b>	<b>39.9</b>	<b>51.9</b>	
Impact Purchase Price Accounting	-	(2.9)	
Non-recurring income/expenses	(7.7)	(11.4)	▶ €4.2m Residential restructuring expense, remainder driven by change in executive leadership and fees in relation to the strategic and operational review of the business
<b>Operating Profit</b>	<b>32.2</b>	<b>37.6</b>	
Financial income and expenses	(25.8)	(37.3)	▶ Decrease driven by lower gross debt level after 2017 refinancing and one-off finance expenses (€9.3m) in 2017
<b>Profit Before Tax</b>	<b>6.4</b>	<b>0.3</b>	
Income Tax	1.0	2.7	▶ Income tax income mainly driven by the utilization of previously unrecognized deferred tax assets.
<b>Reported Net Income</b>	<b>7.3</b>	<b>3.0</b>	▶ Board does not propose to pay a dividend for the year, given investments in growth and cost saving initiatives and leverage > 3.0x at year-end

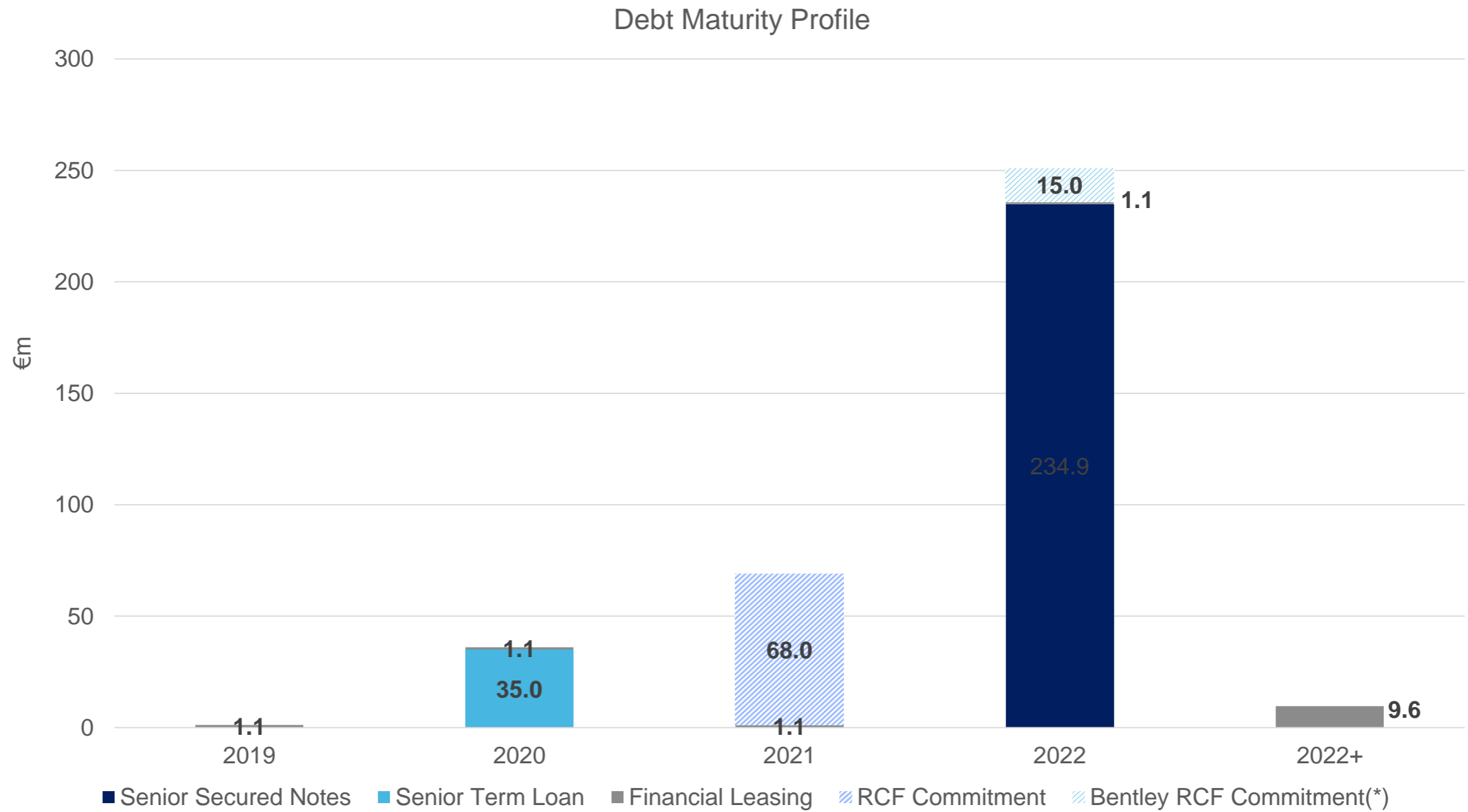
# Cash Flow

€million	2018	2017	
<b>Adjusted EBITDA</b>	<b>72.4</b>	<b>84.4</b>	
Non-recurring expenses (net)	(7.7)	(11.4)	▶ c.€10 million cash out in relation to Residential operational footprint reorganization in 2018
Changes in provisions and FV of derivatives	(6.2)	7.3	
<b>Cash generated before changes in working capital</b>	<b>58.5</b>	<b>80.3</b>	
Changes in working capital <sup>(1)</sup>	(7.3)	(20.1)	▶ Increase in inventory and trade receivables
Net income tax paid	(4.8)	(5.3)	
<b>Net cash generated by operating activities</b>	<b>46.4</b>	<b>54.9</b>	
Capital expenditure, net of disposals	(30.8)	(39.0)	▶ Capex low 30s as guided
Acquisition of Bentley	-	(68.8)	
<b>Net cash generated by investing activities</b>	<b>(30.8)</b>	<b>(107.8)</b>	
Interest and other finance charges paid	(21.0)	(32.4)	▶ Lower interest payments post 2017 debt repayments and excluding the 2017 one-offs
Net proceeds of IPO	-	137.2	
Net debt repayments	(2.1)	(60.6)	
Dividends paid	(2.9)	-	▶ Dividend of €0.08 per share was paid on June 1, 2018
<b>Net cash generated by financing activities</b>	<b>(26.0)</b>	<b>44.2</b>	
<b>Net change in cash</b>	<b>(10.5)</b>	<b>(8.7)</b>	

# Leverage 3.6x (Net Debt of €261.8m) Reflecting Lower LTM EBITDA



# Our debt maturity profile provides long term stability



# Outlook

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Excluding the impact of IFRS16

- **Expect Adjusted EBITDA broadly flat versus the prior year**
- **Capex around €40m**
- **Interest flat versus the prior year**
- **Effective Tax Rate between 25 – 27%**



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Q&A Session

# Appendix - Impact of IFRS16

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- **IFRS16 applicable since 1 January 2019**
- **Leases are recognized as asset financed by a financial liability**
- **Preliminary estimated impact Balta 2019:**
  - Net debt +€45m
  - Adjusted EBITDA + €6m to €8m
  - Based on 2018, leverage + 0.2x to 0.3x