



 **balta**

Full Year 2020 Results

Disclaimer

In considering any performance information contained herein, you should bear in mind that past or projected performance is not necessarily indicative of future results, and there can be no assurance that any entity referenced herein will achieve comparable results or that illustrative returns, if any, will be met. Statements in this presentation are made as of the date this presentation is made unless stated otherwise, and the delivery of this presentation at any time shall under no circumstances create an implication that the information contained herein is correct as of any time after such date.

This presentation contains statements that, to the extent they are not recitations of historical fact, constitute "forward-looking statements". Actual outcomes and results could differ materially from those forecasts due to the impact of many factors beyond the control of the Company and its affiliates. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts. The words "believe", "expect", "anticipate", "intends", "plan", "estimate", "aim", "forecast", "project", "will", "may", "might", "should", "could" and similar expressions (or their negative) identify certain of these forward-looking statements. Forward-looking statements include statements regarding: business strategies, outlook and growth prospects; future plans and potential for future growth; growth in demand for soft flooring products; expected developments in production capabilities, including technological advancements in soft flooring manufacturing; expected spending by our customers and competitors; liquidity, capital resources and capital expenditures; economic outlook and industry trends; developments of markets; the impact of regulatory initiatives; and the strength of competitors. No statement in this presentation is intended to be nor may be construed as a profit forecast.

The forward-looking statements in this presentation are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management's examination of historical operating trends, data contained in the Company's records and other data available from third parties. These assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond its control and it may not achieve or accomplish these expectations, beliefs or projections. In addition, important factors that, in the view of the Company, could cause actual results to differ materially from those discussed in the forward-looking statements include the achievement of the anticipated levels of profitability, growth, the impact of competitive pricing, shifts in customer, market and consumer demand, competition risk, regulatory risk, financial markets risk, operational risks, the impact of general business, European and Belgian economic conditions and other risks and factors. In light of these risks, uncertainties and assumptions, the forward-looking statements contained in this document might not prove to be accurate and you should not place undue reliance upon them. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the foregoing cautionary statements.

Figures contained in the presentation may be rounded.

This document shall not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any offer, solicitation or sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to the registration or qualification under the securities laws of such jurisdiction. Any securities offered by the Company have not been and will not be registered under the Securities Act, or under any applicable securities laws of any state or other jurisdiction of the United States. Distribution of this document may be prohibited in the United States. You are required to inform yourself or, and comply with, all such restrictions or prohibitions and the Company does not accept liability to any person in relation thereto. By attending the meeting where this presentation is made, or by reading the presentation slides, you agree to be bound by the above limitations.

The financial information included in this document includes figures that have not been subject to an audit or review by any independent auditor in accordance with generally accepted auditing standards. This presentation also includes certain unaudited pro forma consolidated financial information. The unaudited pro forma adjustments are based upon available information and certain assumptions that Balta management believes to be reasonable. The assumptions underlying the pro forma adjustments have not been audited or reviewed in accordance with any generally accepted auditing standards.

Introduction



Cyrille Ragoucy
Chief Executive Officer
Chairman of the Board



Jan-Christian Werner
Chief Financial Officer



Emmanuel Rigaux
Chief Transformation Officer

Full Year 2020 Financial Summary

(16.3%) YoY sales growth (consolidated)	(16.0%) organic (0.3%) FX impact	<ul style="list-style-type: none">• FY 2020 Consolidated revenue of €561.8m• Revenue decline across all divisions - Rugs (14.2%), Residential (11.9%) and Commercial (19.2%)• Strong recovery from Rugs and Residential in H2 2020, while Commercial volumes are still to recover
(8.6%) YoY Adj. EBITDA growth	(8.0%) organic (0.6%) FX impact	<ul style="list-style-type: none">• FY 2020 Consolidated Adjusted EBITDA of €68.0m• Margins impacted by COVID-19 related revenue drops• Positive and recurring NEXT contribution• Continued fixed cost savings• Impact from lower raw material costs
4.2x Leverage Excluding IFRS16	Net Debt €283.2m	<ul style="list-style-type: none">• Leverage was 4.0x end 2019• Reported net debt included €36.4m impact from IFRS16• Reported net debt reduced by €30.5m, as a result of strong cash generation through working capital reduction and cost savings

Balta's Strategic Priorities

NEXT

Earnings enhancement program on track for 2021 targets

- Delivering sustainable growth & improving our commercial excellence
 - 2020: +€43m incremental revenue (vs 2019)
- Increasing cost competitiveness
 - 2020: +€7m incremental Adjusted EBITDA (vs 2019)
 - cash generating inventory reduction

Environmental, Social and Governance (ESG)

Increased recycled content and making products recyclable to achieve a circular lifecycle.

- Sustainability's 2020 milestones:
 - Bentley: NSF/ANSI 140 certified
 - Rugs: 10 sustainable collections already delivering 20% of Rugs Q4 2020 revenues
 - modulyss: 127 Cradle to Cradle certified products'
- One Balta For Safety's goal remains "Zero Harm" to Balta employees
 - 30% YoY reduction in LTAFR in 2020

Digital Transformation

Digital Transformation

- Enhancing customer experience through our state-of-the-art visualization and ordering tools
 - Bentley: online sample ordering
 - Virtual collection launches, digital showroom tours
 - increased social media coverage
- Connecting plants, processes and people
 - 2020 pilot of the Field Service Management tool will be rolled out in all plants in 2021

NEXT Revenue + €43m incremental revenues in 2020

Well on track to meet the €85m target for 2021 (vs 2018)

	Key Drivers	2019 (vs 2018)	2020 (vs 2019)	Cumulative (vs 2018)
Revenue	Balta e-commerce	+ €5m	+ €8m	+ €13m
	New Segment Direct route to market	+ €10m	+ €7m	+ €17m
	Other Revenue Initiatives	+ €10m	+ €28m	+ €38m
	Total Additional Sales	+ €25m	+ €43m	+ €68m

Impacts shown for the Revenue initiatives are gross impacts and take no account of possible 'cannibalization effects'

NEXT Margin Improvement : +€7m incremental savings in 2020

On track to meet the €16m target for 2021 (vs 2018)

Key Drivers		2019 (vs 2018)	2020 (vs 2019)	Cumulative (vs 2018)
Margins	Lean	+€6m	+€6m	+€12m
	Procurement	+€4m	+€3m	+€7m
	Incremental OPEX	(€4m)	(€2m)	(€6m)
	Total EBITDA savings	+€6m	+ €7m	+ €13m

		2019	2020	Cumulative
NEXT related spend	Non-recurring expenses	(€7m)	(€2m)	(€9m)
	CAPEX	(€3m)	(€3m)	(€6m)

Impacts shown for the Margin initiatives are the gross impacts before cost inflation

Lean and Procurement are P&L impacts (excluding Capex savings or cost avoidance) and affect either Cost of Goods Sold (raw materials consumption or costs) or fixed costs (e.g. maintenance)



Lean Case study: Rugs – Avelgem Plant

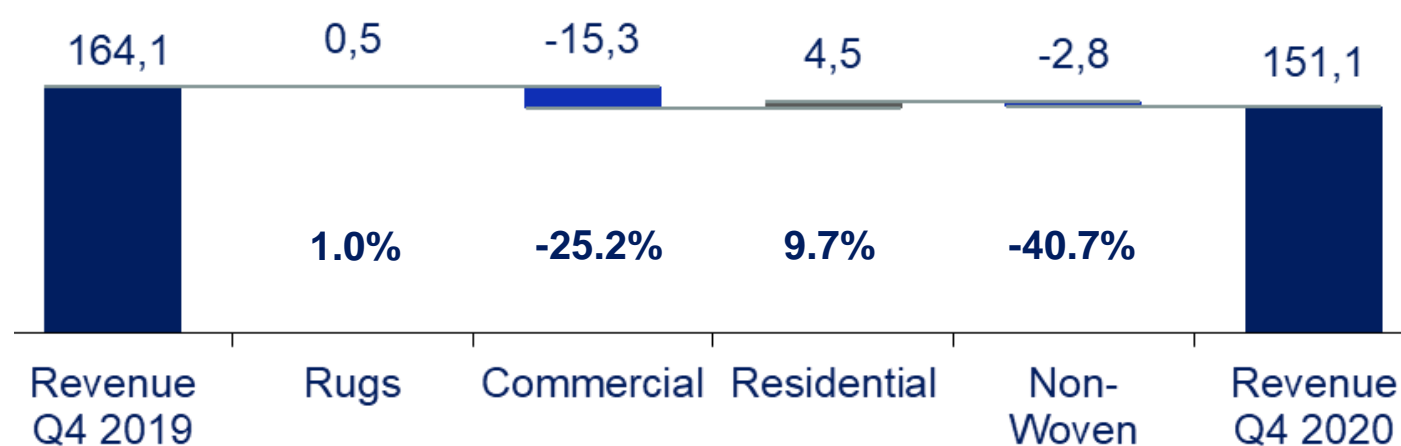


Increase Overall Equipment Effectiveness of New Generation finishing lines

- Reducing tact-time of the bottleneck operation in the line by 12%.
- Adding cameras and screens, giving the operator better overview on the total line.
- Detailed data capturing and reporting of stops, improving preventive and predictive maintenance.
- Inline integration of extra labelling possibilities.

Group Q4 2020 Revenue

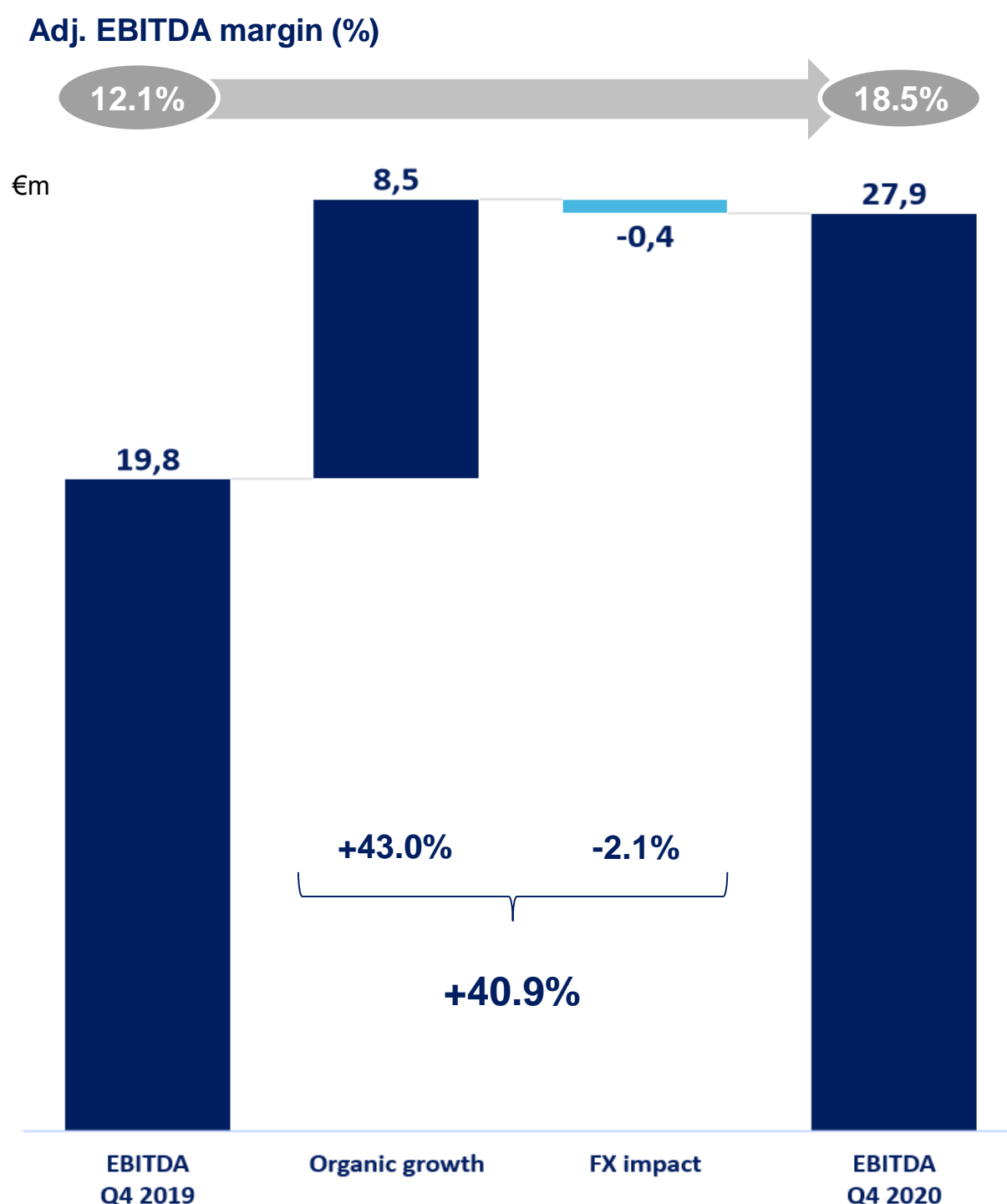
€m



- Rugs continued the rebound following the COVID-19 related revenue drop in H1. US revenues are well above last year. E-commerce still impacted by fixed costs until it reaches critical mass. Europe was slightly below 2019.
- Commercial continued to be impaired by the COVID-19 impact in both Europe and US.
- Residential outperformed last year with solid demand in the UK, DACH, France and Benelux.

	Q4 Growth (€m)	Q4 Growth (%)
Organic	-€11.0m	-6.7%
FX Impact	-€2.1m	-1.3%
Reported	-€13.1m	-8.0%

Group Q4 2020 Adjusted EBITDA and Margins

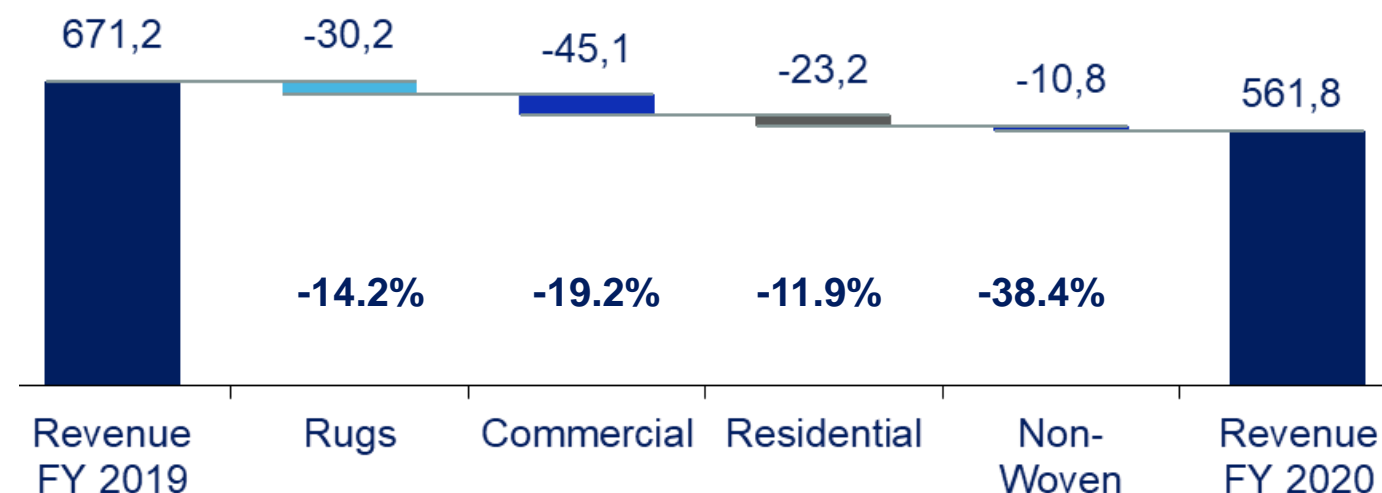


€m	Q4 2020	Q4 2019	% Change
Rugs	9.5	5.0	90.7%
Commercial	9.6	10.7	(10.6)%
Residential	8.6	3.7	136.5%
Non-Woven	0.1	0.4	(66.6)%
Consolidated Adjusted EBITDA	27.9	19.8	40.9%

- All divisions benefited from strict cost control and lower raw material prices
- Rugs better product mix and earnings improvements from NEXT initiatives
- Commercial declined due to COVID-19 related revenue shortfalls, despite a better product mix in Europe and positive effects from NEXT initiatives in US and Europe
- Residential saw continued impact from NEXT initiatives

Group FY 2020 Revenue Performance

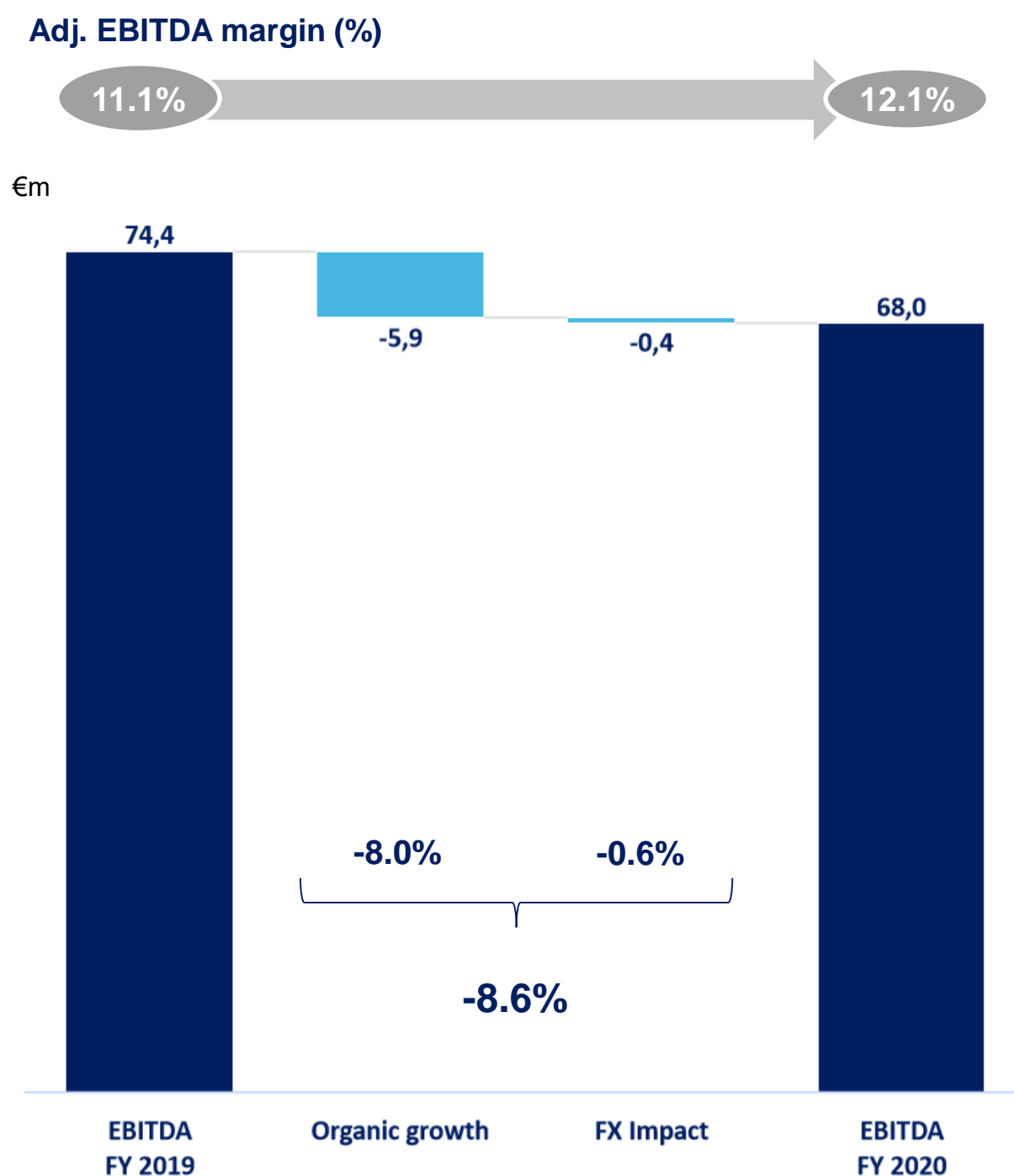
€m



- Rugs declined, following the COVID-19 related revenue drop in H1. North-America well above last year, while e-commerce is still impacted by fixed costs until it reaches critical mass. Full year revenue dropped in Europe, despite a strong rebound in H2.
- Commercial continued to be impaired by the COVID-19 impact in both Europe and US.
- Residential dropped due to COVID-19 in H1, but volumes fully rebounded in H2.

	FY20 Growth (€m)	FY20 Growth (%)
Organic	-€107.2m	-16.0%
FX Impact	-€2.1m	-0.3%
Reported	-€109.3m	-16.3%

Group FY 2020 Adjusted EBITDA and Margins



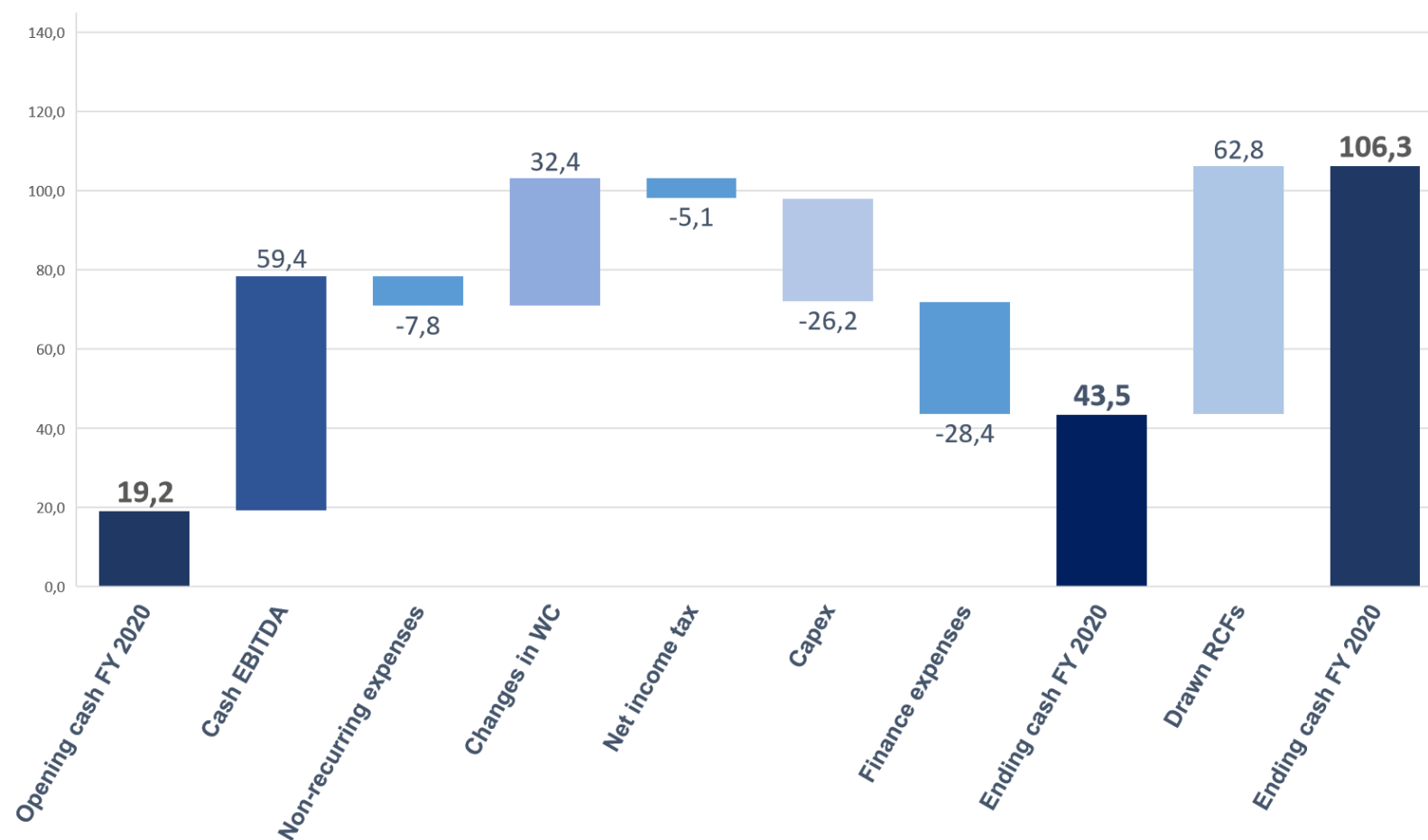
€m	FY 2020	FY 2019	% Change
Rugs	17.5	16.8	4.3%
Commercial	30.7	40.5	(24.2)%
Residential	19.0	15.1	26.0%
Non-Woven	0.9	2.1	(58.3)%
Consolidated Adjusted EBITDA	68.0	74.4	(8.6%)

- All divisions were impacted by COVID-19 related revenue drops, but benefited from NEXT initiatives, strict cost control and lower raw material prices.

In addition:

- Rugs benefited from better product mix
- Commercial could only partially offset the lower revenue by better product mix in Europe
- Residential continued to increase its share of higher margin product to 40%

Cash Flow FY 2020: +€24.3m net cash improvement

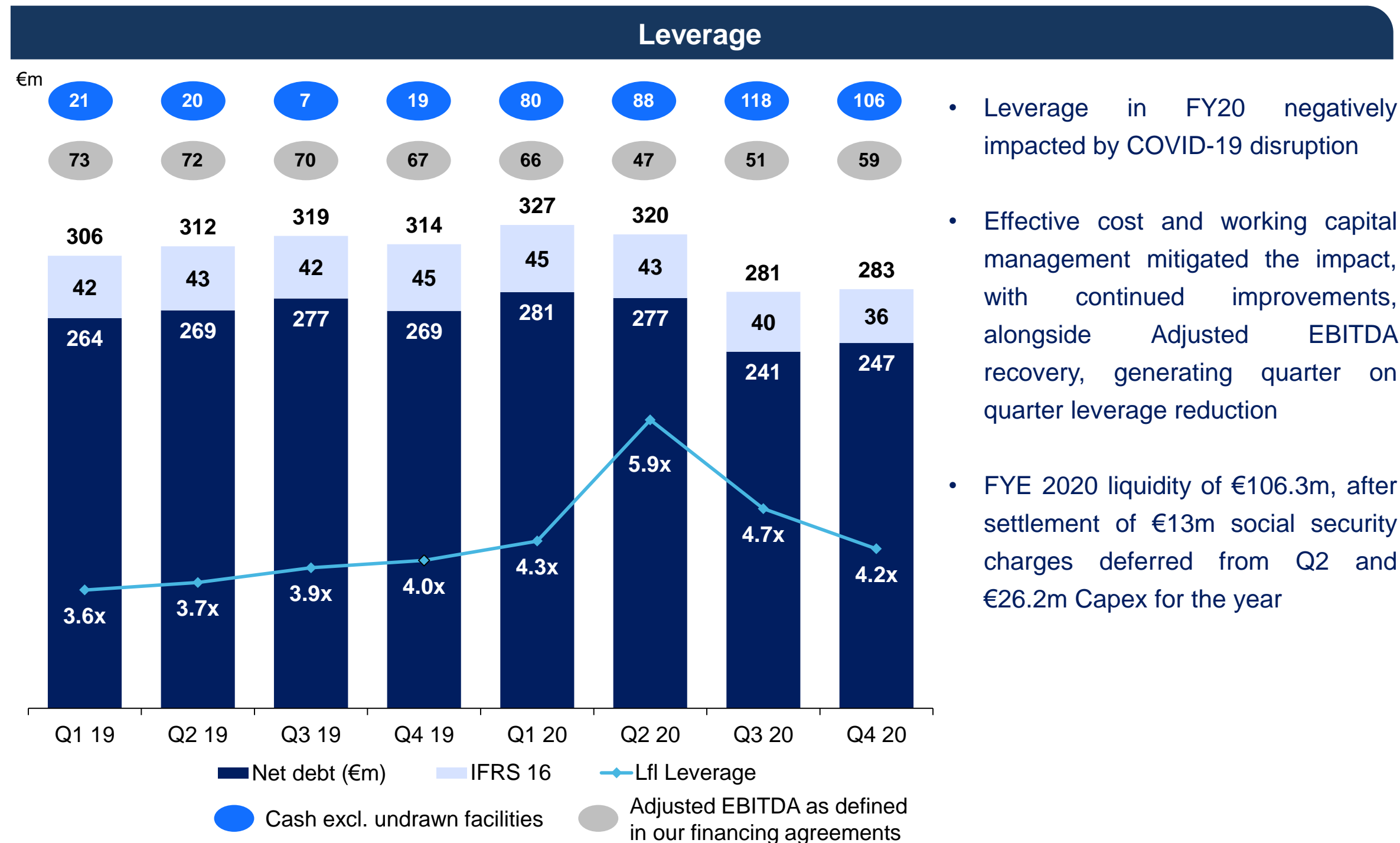


- Positive net cash flow of €24.3m in FY2020, excluding €62.8m drawn from RCFs
- As of 31 December 2020, we held cash and cash equivalents of €106.3m, with a further €7.4m headroom under the US RCF.
- Cashflow increased through focus on cash preservation, tight working capital management and strict capital expenditure

Working Capital	€32.4m
Inventory	€27.8m
Trade Receivables	€7.9m
Trade Payables	€2.3m
Other Working Capital	-€5.5m

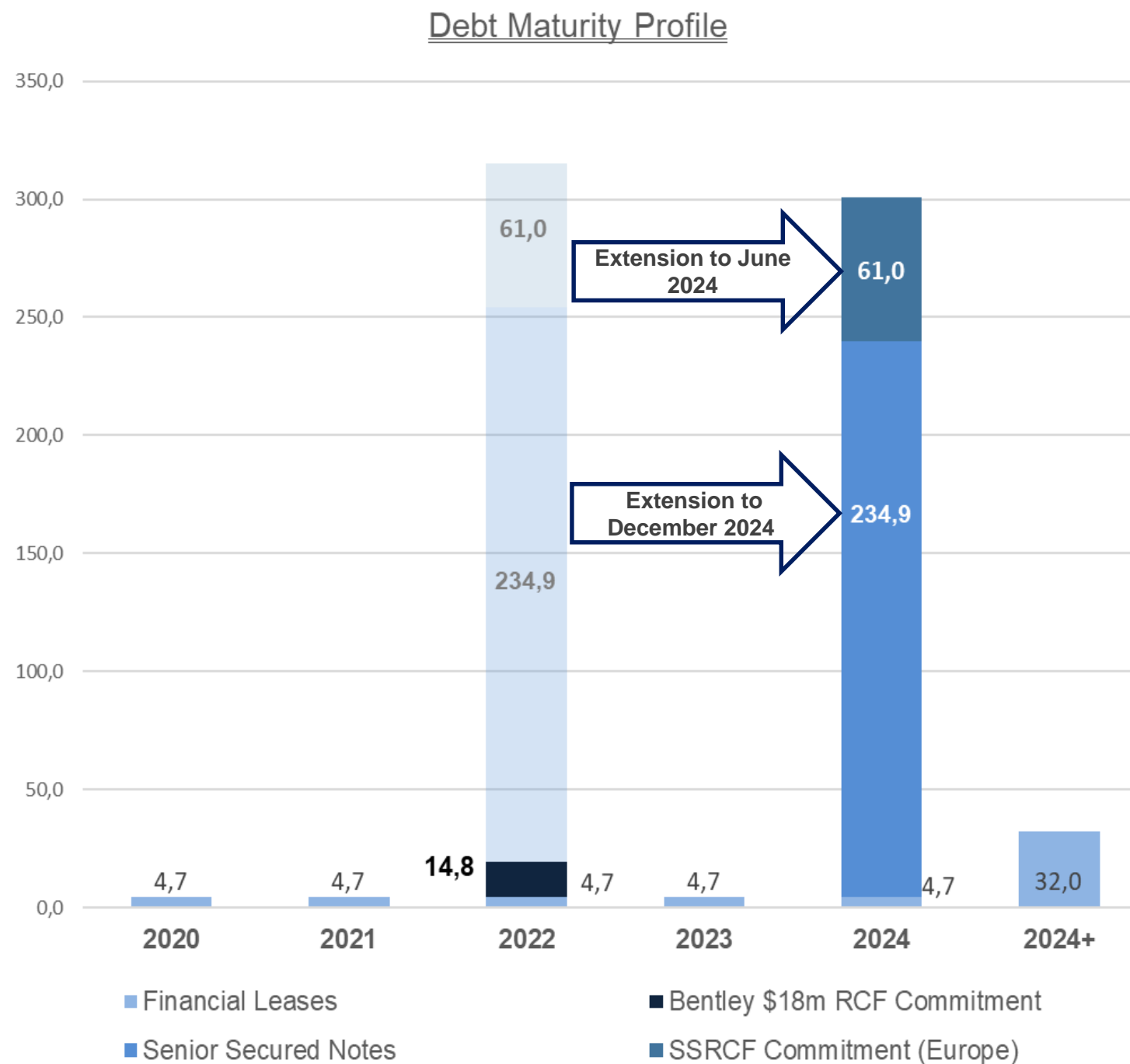
Leverage of 4.2x, excluding IFRS16

Strong liquidity and reducing leverage through effective WC management and Adjusted EBITDA growth



- Leverage in FY20 negatively impacted by COVID-19 disruption
- Effective cost and working capital management mitigated the impact, with continued improvements, alongside Adjusted EBITDA recovery, generating quarter on quarter leverage reduction
- FYE 2020 liquidity of €106.3m, after settlement of €13m social security charges deferred from Q2 and €26.2m Capex for the year

Extension of €235m Senior Secured Notes and €61m European Super Senior Revolving Credit Facility to 2024



Senior Secured Notes due December 2024

- 99.22% support for exchange offer in February 2021
- Issued replacement senior secured notes due 31 December 2024 on 8 March 2021
- Limited interest rate increase (largely PIK)

European Super Senior Revolving Credit Facility due June 2024

- Signed Amend and Extend Agreement for the European €61m Super Senior Revolving Credit Facility with all lenders in October 2020
- Small increase in interest rate
- Automatically extended to 30 June 2024, as Senior Secured Notes are due 31 December 2024

Conclusion

The second half of 2020 was strong

- Full revenue recovery in Rugs and Residential versus H2 2019
- Commercial rebounded less strongly and volumes are still to recover
- Material increase in Adjusted EBITDA YoY by 34% and in Adjusted EBITDA margin from 11.6% to 16.8%
- Continued trend in January 2021 and no cliff in our current solid order books
- Strong cash position of €106.3m at year-end 2020, with additional €7.4m headroom under Bentley RCF
- Substantially improved debt maturity profile from mid-2022 into second half and year-end 2024 with the 'amend and extend'-deals on both the €61m European super senior revolving credit facility and the €234.9m senior secured notes.
- Sustainable inventory related working capital savings of €27.8m in 2020

COVID-19

We remain vigilant as new pandemic restrictions have been imposed in most of our markets and together with other market distortions, such as capacity constraints of raw material supplies and freight congestion, are leading to cost increases.



 **balta**

Q&A Session

Reconciliation of Adjusted EBITDA to Net Income

<i>€million</i>	FY 2020	FY 2019	
Revenues	561.8	671.2	
Adjusted EBITDA	68.0	74.4	
Depreciation and amortisation	(40.0)	(39.6)	
Adjusted Operating Profit	28.0	34.8	
Non-recurring income/expenses	(7.8)	(6.6)	▶ FY 2020 primarily in relation to advisers' fees for the NEXT program in H1 and the Amend&Extend financing in Q4
Operating Profit	20.2	28.1	
Financial income and expenses	(29.2)	(25.2)	▶ Above last year due to additional interest on fully drawn RCF and sale and leaseback closed in early 2020
Profit Before Tax	(9.0)	3.0	
Income Tax	(3.6)	7.4	▶ Tax expense mainly driven by non-recognition of deferred tax assets
Reported Net Income	(12.6)	10.4	