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H1 2020 Results

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Introduction

Cyrille Ragoucy

CEO
Chairman of the Board

H1 2020 Headlines and COVID-19 Update

Jan-Christian Werner

CFO

Financial Review

H1 2020 Financial Summary

(24.2%) **YoY sales growth** (consolidated)	**(24.7%) organic** **+0.5% FX impact**	• **H1 2020 Consolidated revenue of €266.4m** • **Overall top-line decline in Commercial (-13.7%), Rugs (-29.6%) and Residential (-27.7%), caused by COVID-19 lockdowns**
(51.0%) **Adj. EBITDA growth**	**(51.8%) organic** **+0.8% FX impact**	• **H1 2020 Consolidated Adjusted EBITDA of €18.3m** • **Margins impacted by COVID-19 revenue shortfalls** • **Positive divisional mix** • **Fixed expenses savings only partially offsetting revenue shortfalls**
5.9x **Leverage Excluding IFRS16** (on a like-for-like basis)	**Net Debt** **€320.3m**	• **Leverage at end of Q1 2020 was 4.3x** • **Reported net debt includes €43.0m impact from IFRS16** • **Net debt before the impact of IFRS16 down from Q1 2020, mainly the result of working capital reduction**

COVID-19 Update

Revenues dropped by more than 36% during Q2 2020 compared to Q2 2019 due to the global COVID-19 lockdowns. The shortfalls most severely impacted April, with an easing trend starting mid-May and continuing in June.

- Rugs and Residential - revenues significantly declined as of mid-March and show substantial rebound in June.
- Commercial - relatively less severe volume drops in April and remained at these levels through the second quarter.

Balta's COVID-19 Taskforce is coordinating all actions to protect the health and safety of our workforce and customers and to mitigate the effect of COVID-19 on operations. In the second quarter of 2020, we successfully implemented measures to reduce operating costs and manage cash flows, including:

- temporarily shutting down 6 of our 8 plants on a voluntary basis to reduce operating costs
- senior staff taking voluntary reductions in pay for several months, from 50% for CEO and paid directors, to 40% for Management Committee and 30% for other leadership team members. The reduced compensation will not be repaid
- vast majority of staff put into temporary government unemployment programs in Belgium, the UK, France and Germany
- fixed and variable cost saving measures, curtailing non-essential expenditure
- tight management of purchasing, inventory and other working capital
- deferral of all non-essential capital expenditure

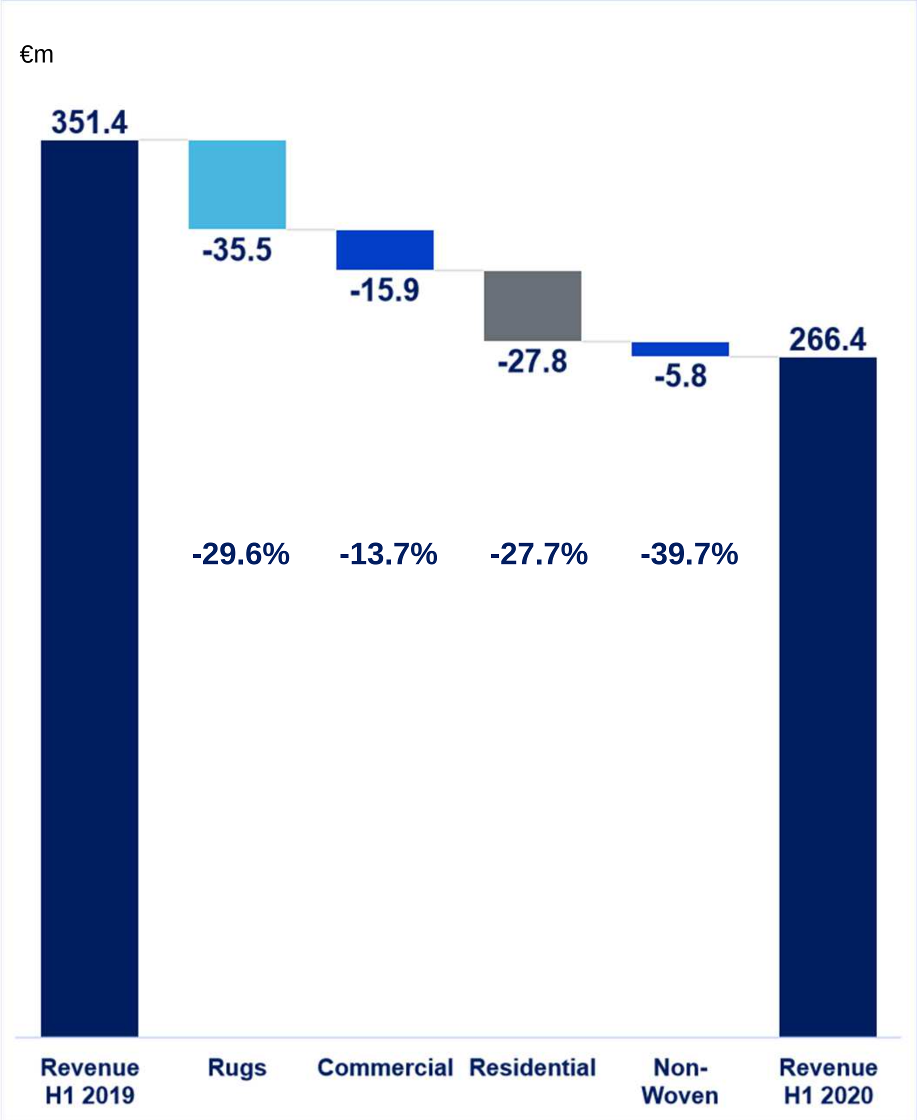
Balta flexed plant production levels to meet reduced demand, whilst continuing to efficiently service customer orders. Production gradually increased from mid-May, as markets began to reopen. We still expect to produce at approximately 85% of capacity in the fourth quarter of 2020, for which we anticipate additional working capital requirements.

NEXT initiatives resumed in July. Balta expects the benefits to return as operations return to more normal levels, albeit with delay.

We held cash and cash equivalents of €87.5m per Q2 2020, up from €80.4m at the end of Q1, including fully drawn revolving credit facilities of €72.1m.

Net leverage was 5.9x at the end of June 2020, well inside the covenant. We successfully reached a precautionary agreement with our majority lending banks under the €61m Super Senior Revolving Credit Facility to adjust the covenant calculation for the impact of COVID-19 through to the second quarter of 2021.

Group H1 2020 Revenue Performance



	H1 Growth (€m)	H1 Growth (%)
Organic	**-€86.8m**	**-24.7%**
FX Impact	**+€1.8m**	**+0.5%**
Reported	**-€85.0m**	**-24.2%**

- All divisions saw material revenue declines caused by COVID-19 lockdowns.
- Rugs performance dropped mid-March. US revenue ended slightly below H1 2019 and US e-commerce continues to grow, negatively impacted by fixed costs. Strong volume recovery as of June in Europe.
- Commercial Revenue more stable during lockdowns, down overall by 13.7%, with US down 10.5% and Europe down 20.0% YoY.
- Residential declined across all markets due to lockdowns. Strong volume rebound from June. Share of higher margin products continued to increase.

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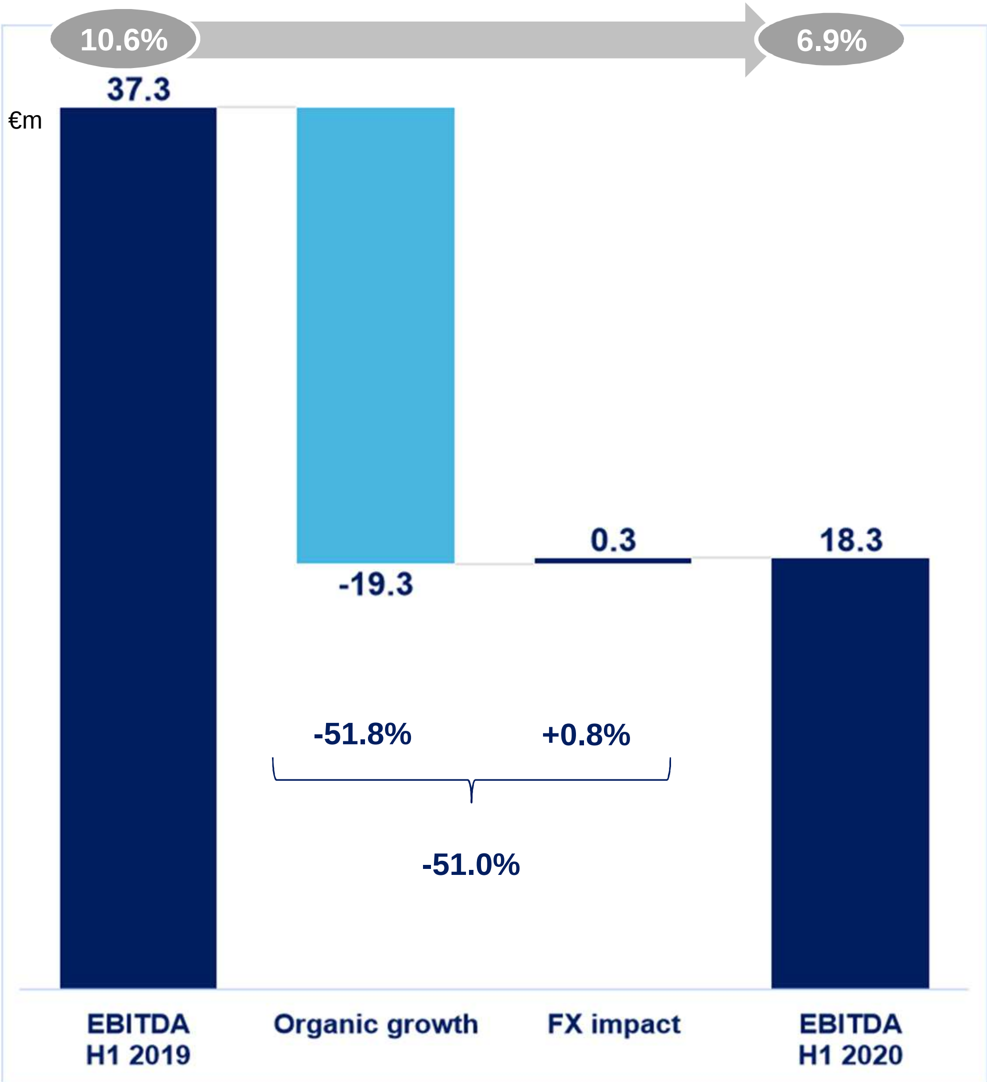
Group H1 2020 Adjusted EBITDA and Margins

Adj. EBITDA margin (%)



€m	H1 2020	H1 2019	% Change
Rugs	**1.0**	**9.2**	**(88.5)%**
Commercial	**13.9**	**19.2**	**(27.5)%**
Residential	**3.1**	**7.9**	**(60.9)%**
Non-Woven	**0.2**	**1.0**	**(80.7)%**
Consolidated Adjusted EBITDA	**18.3**	**37.3**	**(51.0)%**

- H1 EBITDA declined in all divisions YoY, despite positive tailwinds from raw materials, fixed costs savings and usage of governmental measures.
- Rugs impacted by adverse geographic mix.
- Commercial experienced a relatively stable US business and mix improvements in Europe, resulting from continued direct route to market growth.
- Residential continued increasing share of higher margin product and saw positive impacts from NEXT.

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From Adjusted EBITDA to Net Income

€million	H1 2020	H1 2019
Revenues	**266.4**	**351.4**
Adjusted EBITDA	**18.3**	**37.3**
Depreciation and amortisation	(19.9)	(19.4)
Adjusted Operating Profit	**(1.6)**	**17.9**
Non-recurring income/expenses	(2.6)	(3.1)
Operating Profit	**(4.2)**	**14.8**
Financial income and expenses	(13.7)	(12.5)
Profit Before Tax	**(18.0)**	**2.3**
Income Tax	1.1	0.5
Reported Net Income	**(16.8)**	**2.8**

- Non-recurring expenses in H1 2020 primarily in relation to the NEXT program
- Financial income and expenses above last year due to interest on fully drawn RCF and sale and leaseback of early 2020
- Tax income mainly driven by recognition of tax losses

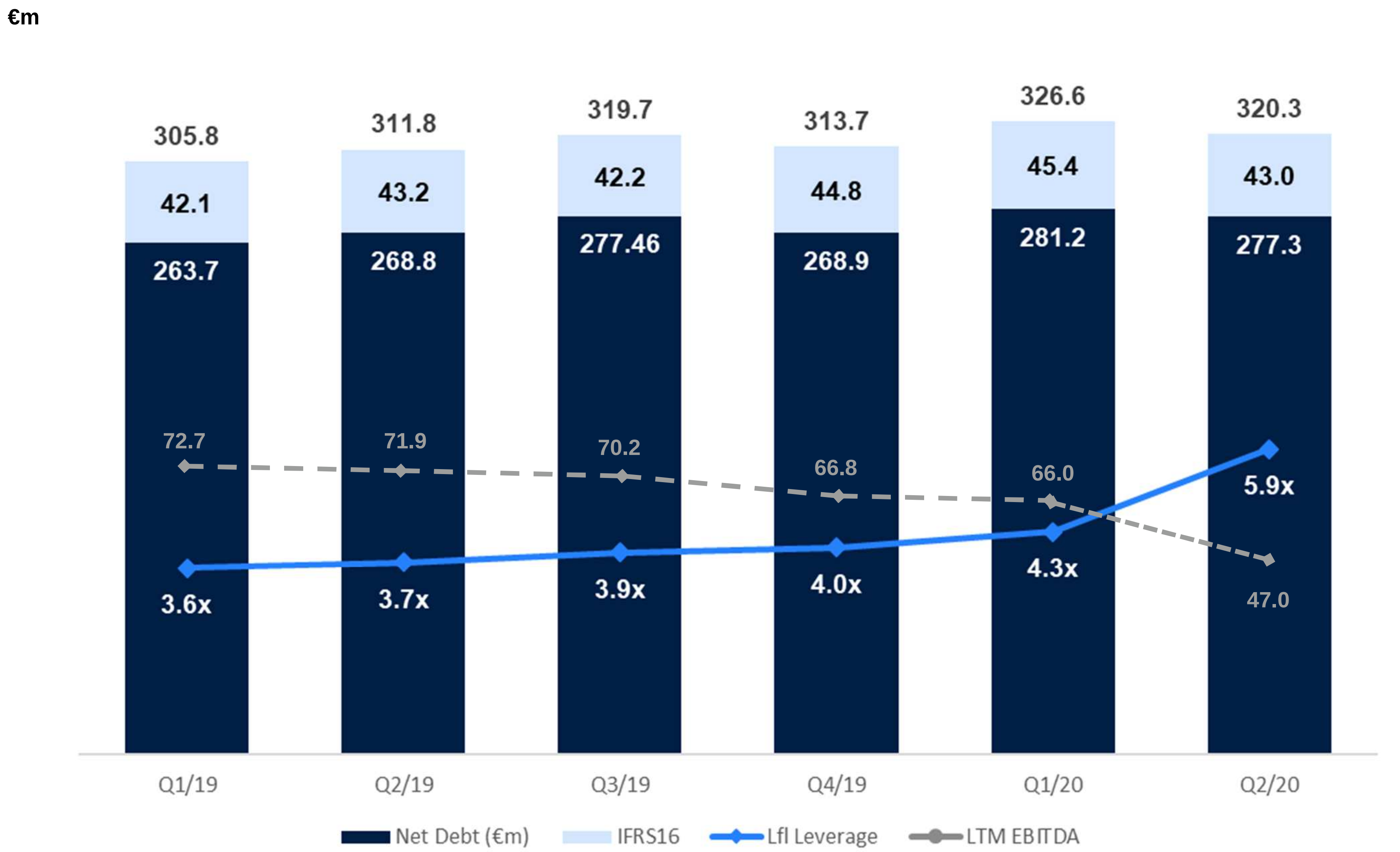
Cash Flow

€million	H1 2020	H1 2019
Opening cash	**19.2**	**26.8**
Adjusted EBITDA	**18.3**	**37.3**
Non-recurring expenses (net)	(2.6)	(3.1)
Changes in provisions and FV of derivatives	(0.6)	(0.9)
Cash generated before changes in working capital	**15.1**	**33.3**
Changes in working capital [(1)]	8.0	(11.4)
Net income tax paid	(3.0)	(1.6)
Net cash generated by operating activities	**20.1**	**20.3**
Capital expenditure, net of disposals	(11.8)	(12.0)
Net cash generated by investing activities	**(11.8)**	**(12.0)**
Interest and other finance charges paid	(12.0)	(11.3)
Net debt repayments	71.9	(4.1)
Net cash generated by financing activities	**59.9**	**(15.5)**
Net change in cash	**68.3**	**(7.1)**
Ending cash	**87.5**	**19.7**

- Non-recurring expenses in H1 2020 primarily in relation to the NEXT program
- Focus on cash preservation and tight working capital management
- Strict monitoring of capital expenditure
- Interest and other finance expenses above last year due to interest on fully drawn RCF and sale and leaseback of early 2020
- €72.1m related to fully drawn RCF

(1) Changes in working capital includes trade working capital and other working capital

Leverage of 5.9x, excluding IFRS16



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Q&A Session