Press Release

Sint-Baafs-Vijve, 12 May 2021, 7:00 a.m. CET
Regulated information
For immediate publication

Balta 2021 Quarter One Results

Group Highlights

- Q1 consolidated Revenue of €152.6m (-4.5% YoY)
    - Organic revenue reduced by 2.7%, while FX reduced by 1.7%
    - Revenue growth by division: Rugs +21.9%, Commercial -19.5%, Residential -8.2%
- Q1 Adjusted EBITDA improved to €21.2m (+23.9% YoY) and Adjusted EBITDA margin of 13.9% (10.7% in Q1 2020)
    - Rugs, significant improvement (+160.7%)
    - Residential (-7.5%) and Commercial (-21.1%) both below last year
- Net Debt increased by €9.6m to €292.8m at Q1 2021 from €283.2m at FYE 2020, mainly driven by a seasonal working capital increase and one-off financing fees for extending the maturity of the Senior Secured Notes. Leverage[1] at Q1 2021 decreased to 4.0x from 4.2x at FYE 2020, driven by the impact of improved Q1 2021 results on LTM Adjusted EBITDA.
- Total available liquidity amounted to €98.3m at Q1 2021, comprising cash of €87.2m and €11.0m headroom under the revolving credit facilities.
- The exchange offer for the Senior Secured Notes due September 2022 successfully concluded on 3 March 2021, with replacement notes maturing in December 2024. As a result, the European super senior revolving credit facility further extended to 30 June 2024.

Business Update

- The recovery from the COVID-19 related downturn in 2020 continued in Q1 2021, delivering a significant improvement in Adjusted EBITDA and margin versus Q1 2020 when COVID-19 related impediments affected the Rugs divisions' March results. The improvements were driven by stronger year on year revenue and plant utilization in Rugs, the benefits from NEXT initiatives and continued cost reductions. Q1 2021 margins also still reflect the low raw material cost environment experienced during H2 2020.
- All divisions remain impacted by COVID-19 restrictions in their key markets. The Commercial division continues to be stable but is yet to experience the market recovery seen in other divisions.
- Since year-end 2020, most material and transportation costs have increased significantly. In response, price increases have been implemented across all our divisions during Q1 2021 and further price increases will be introduced, where necessary, if costs continue to inflate.

[1] Excluding IFRS 16 impact

Cyrille Ragoucy, CEO and Chairman of the Board of Balta said,

"Trading in the first quarter of 2021 reflected similar characteristics to Q4 2020. All our key markets and divisions continued to experience COVID-19 restrictions. Rugs continued to improve revenue in the US and in the e-commerce channel. We expect the Group's revenues will recover to more normal levels as vaccination programmes take effect, although the macroeconomic situation remains uncertain.

Despite depressed volumes due to COVID-19 restrictions, our Q1 2021 Adjusted EBITDA ended above last year, reflecting the upside from NEXT initiatives, continued cost savings and the impact of 2020's lower raw material prices flowing into results.

We have introduced price increases in response to the significant material and transportation cost inflation experienced during Q1 2021. We remain vigilant given this cost price development and, in some cases, shortages of material and containers, and will introduce additional price increases where and when necessary.

Management remains committed to the transformation of Balta by improving operating performance, prudent cost management and executing our NEXT strategy."

Q1 2021 Revenue and Adjusted EBITDA per Division

(€ million, unless otherwise mentioned)	*Q1 2021*	Q1 2020	% Change	o/w organic growth	o/w FX
Rugs	59.9	49.2	21.9%		
Commercial	45.7	56.8	(19.5)%		
Residential	43.2	47.0	(8.2)%		
Non-Woven	3.8	6.7	(43.6)%		
Consolidated Revenue	**152.6**	**159.7**	**(4.5)%**	**(2.7)%**	**(1.7)%**
Rugs	11.2	4.3	160.7%		
Commercial	6.4	8.2	(21.1)%		
Residential	3.8	4.1	(7.5)%		
Non-Woven	(0.2)	0.5	(143.1)%		
Consolidated Adjusted EBITDA	**21.2**	**17.1**	**23.9%**	**26.4%**	**(2.5)%**
Rugs	18.6%	8.7%			
Commercial	14.1%	14.4%			
Residential	8.8%	8.7%			
Non-Woven	(6.1)%	8.0%			
Consolidated Adjusted EBITDA Margin	**13.9%**	**10.7%**			

Rugs

Our Rugs division realized Q1 revenue of €59.9m, up 21.9% versus the first quarter of 2020 when COVID-19 restrictions affected the division's March results. The improvement is due to a strong North American business, which saw significant gains in direct shipments and continued growth in e-commerce.

Adjusted EBITDA in Q1 was €11.2m, up from €4.3m in the same quarter last year. The Q1 Adjusted EBITDA margin increased from 8.7% to 18.6%. In addition to the positive volume impact, Adjusted EBITDA further improved due to better product mix, lower raw material costs (from purchases in H2 2020), continued cost control and margin improvements from NEXT initiatives.

Commercial

Our Commercial division realized Q1 revenue of €45.7m, down 19.5% versus the strong first quarter of 2020 which saw very limited impact from COVID-19 impediments. Volumes have not yet begun to recover as COVID-19 restrictions still prevent projects from starting. Europe and US saw double-digit revenue decline as COVID-19 restrictions were felt across all segments. The product mix remains stable.

Adjusted EBITDA in Q1 was €6.4m, down from €8.2m in the same quarter last year. Despite lower volumes, Q1 Adjusted EBITDA margin only slightly decreased from 14.4% to 14.1% thanks to continued margin improvements from NEXT initiatives and cost savings.

Residential

Our Residential division realized Q1 revenue of €43.2m, down 8.2% versus the first quarter of 2020 which did not yet significantly suffer from COVID-19 restrictions. In the UK and Continental Europe, trading continued to be subdued by retail closures, although we continued to grow export sales.

Adjusted EBITDA in Q1 was €3.8m, down from €4.1m in the same quarter last year. In spite of the fall in volume, the Q1 Adjusted EBITDA margin grew slightly to 8.8% from 8.7% thanks to the focus on growing our share of higher margin products, lower raw material costs (from purchase in H2 2020) and continued cost control.

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 measures of performance and liquidity. The alternative performance measures 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 excluding (i) FX impact, which comprises the translation of key foreign entities, (ii) M&A impact and (iii) the impact of IFRS16.

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.

Adjusted EBITDA margin is defined as the Adjusted EBITDA as a percentage of revenue.

Gross Debt is defined as (i) Senior Secured Notes adjusted for the financing fees included in the carrying amount and (ii) Bank and other borrowings adjusted for capitalized financing fees.

Net Debt is defined as (i) Senior Secured Notes adjusted for the financing fees included in the carrying amount, (ii) Bank and other borrowings adjusted for capitalized financing fees and (iii) cash and cash equivalents.

Leverage is defined as the ratio of Net Debt to Adjusted EBITDA (excluding IFRS16 as per financing documentation, except for sale and leaseback transactions).

NEXT key assumptions and **NEXT impacts** are to be understood versus a baseline of 2018 or 2019:

- Impacts shown for the Revenue initiatives are the anticipated gross impacts and take no account of possible ‘cannibalization effects’ or the current macro-economic uncertainty.
- Impacts shown for the Margin initiatives are the anticipated gross impacts before cost inflation.
- Impacts are calculated using forecast volumes.
- FX exchange rates are assumed stable over the period.
- Lean and Procurement are P&L impacts (excluding Capex savings or cost avoidance) and affect either COGS (raw materials consumption or costs) or fixed expenses (eg maintenance).

Earnings call

The Q1 2021 Results will be presented on 12 May 2021 at 10.00 am CET via a webcast, by the Chairman of the Board and CEO Cyrille Ragoucy and CFO Jan-Christian Werner. Dial-in details and the results presentation will be available on www.baltainvestors.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). Balta employs nearly 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 may not be exact arithmetic aggregations of the figures that precede them.

Next scheduled announcement

Balta intends to publish its H1 2021 results on 27 August 2021.