

Balta Group nv 2022 Quarter One Results

On 4 April 2022, Balta Group nv announced that it has completed the sale of its Rugs, Residential polypropylene (Residential PP) and Non-Woven businesses (the Discontinued Operations), together with the Balta brand, to Victoria PLC (the Transaction).

Group Highlights Continuing Operations

- Q1 consolidated Revenue of €75.0m (+15.0% YoY)
 - Organic revenue increased by 11.4%, while FX impact contributed 3.6%
 - Revenue growth by division: Commercial 15.7%, Residential PA 13.3%
- Q1 Adjusted EBITDA of €6.0m (-33.6% YoY) and Adjusted EBITDA margin of 8.0% (13.9% in Q1 2021)
 - Commercial EBITDA increased to €+7.0m (+8.7% YoY)
 - Residential PA EBITDA declined to €-1.0m (vs €2.6m in Q1 21)
- The declining EBITDA despite strong revenue increase reflects a partially anticipated margin compression versus a strong Q1 2021 (that benefited from 2020 cost prices) and the rapid recent surge in input costs which still needs to be passed on to customers.
- Pro-forma for the Transaction (assuming it would have closed on 31st of March), Q1 Net Debt was approximately €157m resulting in a leverage¹ of 3.8x
- Pro-forma total available liquidity (including headroom under the RCF) at the end of Q1 amounted to approximately €65m.

Business Update

- Balta Group nv continues to be confronted with the significant inflation for raw materials, energy and transportation costs. Price increases have been implemented across all division in response to these input price increases. In Residential PA these price increases have not yet reached their full potential.
- Further price increases will be introduced in due course to defend margins.
- In our Commercial Division, which now represents approximately 70% of our business, Q1 saw an improvement in sales and EBITDA as well as a strong orderbook at the end of the quarter.

¹ As defined in the SSN facility agreements, excluding IFRS16 impact but including sale and leasebacks

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

“2022 marks a new important chapter in the history of Balta with the closing of the transaction with Victoria PLC and transformation of Balta Group nv into a more focused and resilient business.

During Q1, we experienced a recovery of our commercial business with a strong order book conversion to sales as COVID-19 restrictions eased, while the results of our Residential PA business suffered from the significant headwinds caused by the unprecedented and sudden costs increases which require further commercial action in Q2.”

Q1 2022 Revenue and Adjusted EBITDA per division for Continuing Operations

<i>(€ million, unless otherwise mentioned)</i>	Q1 2022	Q1 2021	% Change	o/w organic growth	o/w FX
Commercial	52.9	45.7	15.7%		
Residential PA	22.1	19.5	13.3%		
Consolidated Revenue	75.0	65.2	15.0%	11.4%	3.6%
Commercial	7.0	6.4	8.7%		
Residential PA	(1.0)	2.6	(137.2)%		
Consolidated Adjusted EBITDA	6.0	9.1	(33.6)%	(38.0)%	4.3%
Commercial	13.2%	14.1%			
Residential PA	(4.4)%	13.5%			
Consolidated Adjusted EBITDA Margin	8.0%	13.9%			

Commercial

Our Commercial division, which now represents approximately 70% of our business in terms of revenues, realized Q1 revenue of €52.9m, up 15.7% versus the first quarter of 2021. Although volumes did not yet fully return to pre-pandemic 2019 levels, both Europe and US reported a double-digit revenue increase mainly due to the implemented price increases.

Adjusted EBITDA in Q1 was €7.0m, up from €6.4m in the same quarter last year. Despite the strong cost inflation, Q1 Adjusted EBITDA margin only slightly decreased to 13.2% from 14.1% last year.

Residential PA

Our Residential PA division realized Q1 revenue of €22.1m, up 13.3% versus the first quarter of 2021, which is mainly explained by volumes picking up by 9% and implemented price increases.

Adjusted EBITDA in Q1 was €-1.0m, down from €2.6m in the same quarter last year. The disappointing Q1 performance was largely driven by the high input cost pressure and timing delays in passing these on to customers.

Q1 2022 Revenue and Adjusted EBITDA for Discontinued Operations

<i>(€ million, unless otherwise mentioned)</i>	Q1 2022	Q1 2021	% Change	o/w organic growth	o/w FX
Consolidated Revenue	96.7	87.4	10.7%	10.7%	0.0%
Consolidated Adjusted EBITDA	7.1	12.1	(41.3)%	(41.3)%	0.0%
Consolidated Adjusted EBITDA Margin	7.3%	13.8%			

The Group Net Debt² at the end of March 2022 increased by €20.2m to €350.9m from €330.7m at FYE 2021, mainly due to higher working capital (largely as a result of cost increases in raw materials, energy and transportation), resulting in an increase in group leverage³ to 4.4x compared to 3.6x at the end of 2021. Pro-forma for the Transaction, Net Debt was approximately €157m, resulting in a leverage of 3.8x (assuming the Transaction would have closed on 31st of March)

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.

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).

² Including IFRS16

³ As defined in the SSN facility agreements, excluding IFRS16 impact but including sale and leasebacks

Earnings call

The Q1 2022 Results will be presented on 13 May 2022 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 Group nv

Following the completion of the divestment of its Rugs, Residential polypropylene and Non-Woven businesses to Victoria PLC in April 2022, Balta Group nv manufactures sustainable textile floor coverings for commercial and residential applications and commercializes its products focusing 90% on North-America and Europe under premium brands modulyss, arc edition, ITC and Bentley. Balta Group nv employs nearly 1300 people across three manufacturing sites in Belgium (Tielt and Zele) and the United States (Los Angeles). The company will continue to be listed on Euronext (BALTA) and will be renamed in the course of 2022.

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 Group nv 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 Group nv intends to publish its H1 2022 results on 26 August 2022.