



## Balta Q3 2018 Results

### Group Financial Highlights:

- Q3 Consolidated: Revenue of €151.0m -4.4%, Adjusted EBITDA of €17.1m -9.9%
- Q3 Organic Revenue -4.1%: -13.4% for Rugs, +16.2% for Commercial and -13.5% for Residential
- Q3 EBITDA margin 11.3% vs. 12.0% for Q3 2017
- YTD Consolidated: Revenue of €472.9m -3.9%, Adjusted EBITDA of €51.2m -21.7%, EBITDA margin of 10.8%
- Leverage of 3.9x (net debt of €276.9m) compared to 3.8x as at Q2 2018, reflecting a normal seasonal working capital increase

### Business Update:

- In addition to the six key priorities, where execution is well on track, we have initiated a strategic and operational review of all our activities and will provide an update on the outcome of that exercise in early 2019.
- In Rugs, the difficult trading environment that developed in Europe in the second quarter persisted throughout Q3. Our US rugs business returned to growth in Q3, supported by new customer wins and growth in indoor rugs and e-commerce. In outdoor rugs, we regained part of the 'share of wallet' lost in 2017, and expect to begin delivering benefits from Q4 2018.
- In Commercial, Europe saw growth in tiles being offset by a decline in broadloom, while our US business, Bentley, continues its double-digit growth, increasing market share after the investments made in sales resources.
- The Residential operational footprint reorganization was completed, with mitigating benefits partially offsetting the negative impact of the volume decline as a result of the challenging trading environment across our key markets, in particular the UK.

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

“Our Q3 results are a reflection of the continued challenging trading environment across our key markets in Residential, in particular the UK, and European Rugs, which persisted throughout the quarter. On the other hand, in the US, our Rugs and Commercial divisions showed solid growth for the quarter. While we expect the difficult trading environment in our key Residential markets to continue into Q4, we are expecting an improvement in European Rugs. We also experience the industry wide continuing trends in cost inflation which underlines the importance of the company’s focus on pricing. We are well on track in executing the six key priorities outlined earlier in the year. As such we expect H2 2018 EBITDA to still be an improvement on H2 2017 EBITDA.

We are also working on a strategic and operational review of our activities and will provide an update on the outcome of this review early next year.

The search for a new CEO is ongoing and we will update the market in due course.”

### Q3 2018 Revenue and Adjusted EBITDA per segment

<i>(€ million, unless otherwise stated)</i>	Q3 2018	Q3 2017	% change	o/w organic growth	o/w FX	o/w M&A
Rugs	43.4	51.2	(15.4)%	(13.4)%	(2.0)%	0.0%
Commercial	54.5	46.5	17.1%	16.2%	0.9%	0.0%
Residential	47.1	54.2	(13.2)%	(13.5)%	0.3%	0.0%
Non-Woven	6.1	6.0	1.9%	1.9%	0.0%	0.0%
<b>Consolidated Revenue</b>	<b>151.0</b>	<b>157.9</b>	<b>(4.4)%</b>	<b>(4.1)%</b>	<b>(0.3)%</b>	<b>0.0%</b>
Rugs	5.9	6.9	(13.8)%	(37.4)%	23.6%	0.0%
Commercial	7.9	7.0	13.4%	13.3%	0.1%	0.0%
Residential	2.5	4.5	(44.6)%	(30.9)%	(13.7)%	0.0%
Non-Woven	0.7	0.5	28.6%	28.6%	0.0%	0.0%
<b>Consolidated Adjusted EBITDA</b>	<b>17.1</b>	<b>18.9</b>	<b>(9.9)%</b>	<b>(15.2)%</b>	<b>5.4%</b>	<b>0.0%</b>
Rugs	13.7%	13.5%				
Commercial	14.6%	15.1%				
Residential	5.3%	8.3%				
Non-Woven	10.9%	8.7%				
<b>Consolidated Adjusted EBITDA Margin</b>	<b>11.3%</b>	<b>12.0%</b>				

## **Rugs**

Q3 Consolidated Revenue of €43.4m, an organic decline of 13.4% (YTD -15.4%) and FX impact of -2.0%.

The organic decline in Q3, seasonally the lowest sales quarter, was impacted by the previously announced challenging trading environment in Europe which persisted throughout the third quarter, with customers reporting less footfall in their stores, and further reflects the strong prior year comparative. However, we expect to see an improvement in Europe in Q4. In North America, we returned to growth in Q3, underpinned by new customer wins and growth in indoor rugs and e-commerce, demonstrating the further successful diversification of our US rugs business. In outdoor rugs, for next season's programme, we regained part of the 'share of wallet' lost in 2017 which we expect to begin delivering benefits from Q4 2018.

Q3 Consolidated Adjusted EBITDA of €5.9m declined by 13.8%, mainly reflecting lower volumes. The positive FX impact on EBITDA in the quarter from the US dollar has neutralized the negative FX impact incurred during the first half of the year.

Q3 Adjusted EBITDA margin of 13.7% (YTD 12.8%) is stable against Q3 2017 and an improvement versus the first half of the year.

## **Commercial**

Q3 Consolidated Revenue of €54.5m, driven by organic growth of 16.2% (YTD 11.6%) and FX impact of +0.9%.

In the US, Bentley continues to gain market share after the investments made in sales resources, an increased attention to the national accounts business and the growth of luxury vinyl tiles, albeit from a small base. In Europe, our Commercial business saw growth in tiles being offset by a decline in broadloom.

Q3 Consolidated Adjusted EBITDA of €7.9 million, up 13.4%, driven by higher volumes.

Adjusted EBITDA margin of 14.6% (YTD 14.1%), benefiting from the price increases in both Europe and the US earlier in the year.

## **Residential**

Q3 Consolidated Revenue of €47.1m, an organic decline of 13.5% (YTD -13.0%) and FX impact of +0.3%.

Residential organic performance in the third quarter has been a continuation of the first half's challenging market environment across our key markets, in particular the UK, with reduced footfall in our customer outlets.

Q3 Consolidated EBITDA of €2.5m, down 44.6% mainly due to lower volumes and FX, which was not fully offset by benefits from the operational footprint optimization completed in H1 2018.

Due to lower volumes, Q3 Adjusted EBITDA margin remained at 5.3% (YTD 5.7%), despite the benefits from the Residential operational footprint optimization.

## **Earnings call**

The Q3 2018 Results will be presented on **7 November 2018 at 10.00 am CET** via a webcast, by the Chairman of the Board and interim CEO Cyrille Ragoucy and CFO Tom Gysens. Dial-in details and the results presentation will be available on [www.baltagroup.com](http://www.baltagroup.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). With the addition of Bentley, Balta employs over 4,000 people in 9 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 in some tables may not be exact arithmetic aggregations of the figures that precede them.*

## Appendix 1: YTD 2018 Revenue and Adjusted EBITDA per segment

<i>(€ million, unless otherwise stated)</i>	Q3 2018 YTD	Q3 2017 YTD	% change	o/w organic growth	o/w FX	o/w M&A
Rugs	144.1	177.6	(18.9)%	(15.4)%	(3.4)%	0.0%
Commercial	156.4	119.0	31.5%	11.6%	(2.2)%	22.0%
Residential	152.2	175.5	(13.3)%	(13.0)%	(0.3)%	0.0%
Non-Woven	20.2	19.7	2.4%	2.4%	0.0%	0.0%
<b>Consolidated Revenue</b>	<b>472.9</b>	<b>491.9</b>	<b>(3.9)%</b>	<b>(7.3)%</b>	<b>(1.9)%</b>	<b>5.3%</b>
Pro Forma Adjustment Bentley	-	27.7				
<b>Pro Forma Revenue</b>	<b>472.9</b>	<b>519.6</b>	<b>(9.0)%</b>	<b>(6.4)%</b>	<b>(2.5)%</b>	
Rugs	18.4	30.1	(38.9)%	(39.5)%	0.6%	0.0%
Commercial	22.0	17.4	26.9%	11.1%	(2.8)%	18.6%
Residential	8.7	15.9	(45.1)%	(38.0)%	(7.1)%	0.0%
Non-Woven	2.1	2.0	0.7%	0.7%	0.0%	0.0%
<b>Consolidated Adjusted EBITDA</b>	<b>51.2</b>	<b>65.5</b>	<b>(21.7)%</b>	<b>(24.4)%</b>	<b>(2.2)%</b>	<b>4.9%</b>
Pro Forma Adjustment Bentley	-	2.9				
<b>Pro Forma Adjusted EBITDA</b>	<b>51.2</b>	<b>68.4</b>	<b>(25.1)%</b>	<b>(22.2)%</b>	<b>(2.8)%</b>	
Rugs	12.8%	17.0%				
Commercial	14.1%	14.6%				
Residential	5.7%	9.1%				
Non-Woven	10.1%	10.3%				
<b>Consolidated Adjusted EBITDA Margin</b>	<b>10.8%</b>	<b>13.3%</b>				
Pro Forma Adjustment Bentley						
<b>Pro Forma Adjusted EBITDA Margin</b>	<b>10.8%</b>	<b>13.2%</b>				

Note: Bentley was included from the start of Q2 2017, therefore from Q2 2018 Bentley is reported under the Commercial division with organic growth and FX shown separately. For Q1 2018 Bentley is shown under M&A (including the FX impact of US Dollar to Euro translation) and the prior year comparative is shown in the pro-forma figure.