



Sint-Baafs-Vijve, 6 November 2020

**Regulated information**

For immediate publication

## Balta Third Quarter 2020 Results

### Group Financial Highlights:

- Q3 2020 consolidated Revenue is €144.4m (-7.2% YoY), Adjusted EBITDA is €21.8m (+26.3% YoY) and Adjusted EBITDA margin is 15.1% (up from 11.1% in Q3 2019).
  - Organic revenue declined YoY by -6.0% with an FX impact of -1.2%
  - Revenue growth by division: Rugs +11.0%, Commercial -23.7%, Residential +0.2%
- Net Debt decreased by €38.8m vs. Q2 2020, driven by increased earnings and cash flow due to our actions to reduce both costs and net working capital.
- Net Leverage decreased to 4.7x from 5.9x at the end of Q2 2020 excluding the impact of IFRS16, driven by strong cash generation and the increased LTM Adjusted EBITDA.
- The agreements to amend and extend the maturity of our €61m European Super Senior Revolving Credit Facility (European SSRCF) to at least June 2022 (and to June 2024 under certain conditions) closed on 4 November 2020 in return for a small increase in interest rate.

### Business Update:

- Q3 2020 revenues in Rugs and Residential fully recovered from the downturn in Q2 2020 to levels above Q3 2019, while Commercial revenue remains lower than in the third quarter of 2019.
- Due to materially improved margins and reduced fixed costs, Q3 2020 Adjusted EBITDA is well above last year's third quarter. NEXT initiatives resumed in July and contributed to the quarterly result.
- Driven by strict working capital management and continued cost savings, net cash flow during the quarter was €30.4m positive, resulting in a cash balance at the end of Q3 2020 of €117.9m, including cash borrowed under our fully drawn Revolving Credit Facilities.
- Balta remains focused on protecting the safety and health of its employees and stakeholders throughout and beyond the COVID-19 pandemic.

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

"The third quarter of 2020 was strong for Balta. We fully recovered revenues in Rugs and Residential, although Commercial will take somewhat longer to return to more normal levels. Our Adjusted EBITDA ended well above last year's third quarter with an overall margin of 15.1%. The profitability improvement reflects higher volumes in Rugs, the strong margin upside of NEXT initiatives, continued cost savings and lower raw material prices. The third quarter trends continued in October.

We reduced our net debt, thanks to strong cash flow generation, and we regained financial flexibility through the extension of the European SSRCF. We will continue to transform Balta by improving operating performance and prudent cost management. We remain confident we can deliver the expected earnings enhancements from NEXT initiatives, albeit with a delay due to the short term uncertainties created by the pandemic.

In the third quarter of 2020, we passed important milestones in our sustainability agenda. 127 modulyss products were awarded "Cradle to Cradle" Certified™ Gold and Silver certificates allowing us to bid for the increasing number of contracts that require this certification. In Rugs, sustainable products with at least 40% recycled or single material rugs already represent 17% of quarterly revenues. Both initiatives underline our ambition to materially reduce waste and become a player in the circular economy."

### Q3 2020 Revenue and Adjusted EBITDA per Division

<i>(€ million, unless otherwise mentioned)</i>	Q3 2020	Q3 2019	% Change	o/w organic growth	o/w FX
Rugs	48.3	43.5	11.0%		
Commercial	44.5	58.4	(23.7)%		
Residential	47.1	47.1	0.2%		
Non-Woven	4.4	6.7	(33.4)%		
<b>Consolidated Revenue</b>	<b>144.4</b>	<b>155.6</b>	<b>(7.2)%</b>	<b>(6.0)%</b>	<b>(1.2)%</b>
Rugs	6.9	2.6	163.9%		
Commercial	7.1	10.5	(32.1)%		
Residential	7.3	3.5	105.3%		
Non-Woven	0.5	0.6	(14.7)%		
<b>Consolidated Adjusted EBITDA</b>	<b>21.8</b>	<b>17.3</b>	<b>26.3%</b>	<b>28.1%</b>	<b>(1.8)%</b>
Rugs	14.3%	6.0%			
Commercial	16.1%	18.0%			
Residential	15.4%	7.5%			
Non-Woven	11.7%	9.1%			
<b>Consolidated Adjusted EBITDA Margin</b>	<b>15.1%</b>	<b>11.1%</b>			

### YTD 2020 Revenue and Adjusted EBITDA per Division

<i>(€ million, unless otherwise mentioned)</i>	YTD Q3 2020	YTD Q3 2019	% Change	o/w organic growth	o/w FX
Rugs	132.6	163.3	(18.8)%		
Commercial	145.0	174.8	(17.0)%		
Residential	119.9	147.7	(18.8)%		
Non-Woven	13.2	21.3	(37.7)%		
<b>Consolidated Revenue</b>	<b>410.8</b>	<b>507.0</b>	<b>(19.0)%</b>	<b>(19.0)%</b>	<b>(0.0)%</b>
Rugs	8.0	11.8	(32.4)%		
Commercial	21.1	29.7	(29.1)%		
Residential	10.3	11.4	(9.4)%		
Non-Woven	0.7	1.6	(56.2)%		
<b>Consolidated Adjusted EBITDA</b>	<b>40.1</b>	<b>54.6</b>	<b>(26.5)%</b>	<b>(26.5)%</b>	<b>(0.0)%</b>
Rugs	6.0%	7.2%			
Commercial	14.5%	17.0%			
Residential	8.6%	7.7%			
Non-Woven	5.4%	7.7%			
<b>Consolidated Adjusted EBITDA Margin</b>	<b>9.8%</b>	<b>10.8%</b>			

## **Group**

COVID-19 still represents an unprecedented disruption and material challenge to our industry. In its continued response, Balta remains focused on protecting the safety and health of its employees, customers and other stakeholders throughout and beyond the COVID-19 pandemic.

Throughout the third quarter of 2020, all plants were operational. We continued fixed and variable cost saving measures, ensured non-essential capital expenditure had shorter payback terms and tightly managed purchasing, inventory and other working capital.

Revenues recovered to normal levels in Rugs and Residential in the third quarter. In Commercial, where the Q2 reduction was less severe, volumes rebounded less strongly in Q3.

We remained focused on efficient customer service and gradually increased production over the summer. Given the continued uncertainties, we still expect to produce at approximately 85% of capacity in the fourth quarter of 2020. We anticipate some of the working capital savings to reverse as we continue to ramp up and normalise.

The focus on cost savings, cash preservation and lower raw material costs resulted in a positive net cash flow of €30.4m in Q3 2020. As of 30 September 2020, we held cash and cash equivalents of €117.9m, including cash borrowed under our fully drawn Revolving Credit Facilities of €72.0m.

Net leverage was 4.7x at the end of September 2020, materially down in the third quarter and well inside the covenant in our European SSRCF.

In October 2020, Balta signed agreements with each of its lenders under its existing European SSRCF to amend and extend the maturity date from 11 August 2021 to at least 30 June 2022. The maturity date may be further extended to a date no later than 30 June 2024, subject to a refinancing or an extension of Balta's Senior Secured Notes due September 2022. The amendment and extension was granted in return for a small increase in interest rate.

## **Rugs**

Our Rugs division realized Revenue of €48.3m, up 11.0% versus the third quarter of 2019. In the US, Revenue was well above last year. Our US e-commerce business continues to grow strongly, but margins will continue to be disproportionately impacted by fixed costs until we reach critical mass. In Europe, volumes are in line with last year.

Adjusted EBITDA in Q3 was €6.9m, up from €2.6m in the same period last year. The Adjusted EBITDA margin strongly increased from 6.0% to 14.3% due to higher volumes, better product mix, lower material prices, strict cost control and margin improvements from NEXT initiatives.

## **Commercial**

Our Commercial division realized Revenue of €44.5m, down 23.7% versus the third quarter of 2019, with our US business down 27.8% and Europe down 14.4% driven by a more extended impact from COVID19.

Adjusted EBITDA in Q3 was €7.1m, down from €10.5m in the same period last year. In spite of the significant volume drop, the Adjusted EBITDA margin of 16.1% was only moderately down from 18.0% thanks to fixed cost savings made in the US and Europe and the positive effect from NEXT initiatives in our US business.

## **Residential**

Our Residential division realized Revenue of €47.1m, up 0.2% versus the third quarter of 2019. Most markets recovered, with solid demand in the UK, France and Benelux. Higher margin products represented 37% of Residential Revenue in Q3 2020.

Adjusted EBITDA in Q3 was €7.3m, up from €3.5m in the same period last year. The Adjusted EBITDA margin of 15.4% was substantially recovering from 7.5% in Q3 2019 benefitting from NEXT initiatives, strict cost control and lower raw material prices.

## **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. Note that as from 1 January 2019 onwards, the calculation of the FX impact changed, whereby transactional FX impacts are no longer taken into account under FX impact.

**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, (ii) Senior Term Loan Facility adjusted for capitalized financing fees and (iii) 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) Senior Term Loan Facility adjusted for capitalized financing fees, (iii) Bank and other borrowings adjusted for capitalized financing fees and (iv) cash and cash equivalents.

**Leverage** is defined as the ratio of Net Debt to Adjusted EBITDA (excluding IFRS16 as per financing documentation).

## **Earnings call**

The Third Quarter 2020 Results will be presented on **6 November 2020** at 10.00 am CET via a webcast, by CEO and Chairman of the Board Cyrille Ragoucy and CFO Jan-Christian Werner. Dial-in details and the results presentation will be available on [www.baltainvestors.com](http://www.baltainvestors.com)

## **For further information, please contact**

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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 modulys, arc edition and Bentley), and Balta Non-Woven (under the brand Captiqs). With the addition of Bentley, 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 in some tables may not be exact arithmetic aggregations of the figures that precede them.*

## **Next scheduled announcement**

Balta intends to publish its Full Year 2020 Results on 10 March 2021