

Balta Group nv 2022 First Half Results

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

Following the completion of the Transaction the management structure has been changed to one management team for the United States and another separate management team for Europe, with significantly less central functions. Both management teams have the following main functions: production, procurement, HR, product development, supply chain and finance. The economic characteristics, the growth trends, supply chain evolutions and key value drivers differ significantly in Europe and US. In Europe, the two plants, Tielt and Zele, are operationally managed together under the same leadership, for resource allocation, capital expenditure, supply chain and manufacturing to produce carpet tiles and broadlooms for our European Commercial and Residential businesses (including exports to the rest of the world). Based on this analysis and starting immediately, our reporting will follow the management of the company and will now be Europe and United States vs Commercial and Residential previously.

Group Highlights Continuing Operations

- H1 consolidated Revenue of €164.2m (+24.3% YoY)
 - Organic revenue improved by 18.6%, while FX impact contributed 5.7%
 - Revenue growth by division: Europe 17.1%, United States (US) 32.7%
- H1 Adjusted EBITDA decreased to €17.0m (-17.6% YoY) with an Adjusted EBITDA margin of 10.3% (15.6% in H1 2021)
 - Europe EBITDA was €1.3m (vs €9.6m in H1 21)
 - US EBITDA increased to €15.6m (+42.5% YoY)
- In Europe, the strong revenue increase reflects the price increases implemented during the year. The decline of EBITDA is explained by a partially anticipated margin compression versus a strong H1 2021 (that still benefited from 2020 cost prices) and the rapid recent surges in input costs which were not immediately fully passed on to our customers.
- In the US, the strong results are reflecting the combined effect of increased volumes and the full compensation of the higher input & transformation costs via sales price increases.
- Pro-forma¹ H1 Net Debt was €153m (including €30m of IFRS 16 impact) resulting in a leverage² of 3.7x (3.8x pro-forma Q1 2022).
- Total available liquidity (including headroom under the RCF) at the end of H1 amounted to €73m.

¹ Adjusted for residual anticipated payments on the Transaction

² As defined in the SSN facility agreements, excluding IFRS16 impact but including sale and leasebacks

Business Update

Balta Group nv continues to be faced with a challenging macro-economic environment creating strongly inflated raw materials, energy and transportation costs. Multiple price increases have been implemented across all lines of the business in response to these input cost increases. In Europe, where cost inflation is continuing at high rates, more pricing action is required and is being implemented.

Our US Division, which now represents approximately 50% of our business, saw its strong market position in H1 translated into sales and EBITDA growth.

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

“H1 2022 marked a new and important chapter in the history of the company with the closing of the Transaction with Victoria PLC and transformation of Balta Group nv into a more focused and resilient business.

During H1, we experienced a strong order book in our US business, with higher costs that were promptly passed on to our customers. In our European business, we suffered from the significant headwinds caused by unprecedented and sudden cost increases which require further commercial action and recently lower footfall in shops in many of our Residential markets.”

Q2 2022 Revenue and Adjusted EBITDA per Division for Continuing Operations

<i>(€ million, unless otherwise mentioned)</i>	Q2 2022	Q2 2021	% Change	o/w organic growth	o/w FX
Europe	42.4	35.9	17.9%		
US	46.8	30.9	51.6%		
Consolidated Revenue	89.2	66.8	33.4%	25.7%	7.8%
Europe	1.4	5.3	(74.4)%		
US	9.6	6.2	54.4%		
Consolidated Adjusted EBITDA	10.9	11.5	(5.0)%	(14.1)%	9.0%
Europe	3.2%	14.8%			
US	20.5%	20.1%			
Consolidated Adjusted EBITDA Margin	12.3%	17.2%			

H1 2022 Revenue and Adjusted EBITDA per Division for Continuing Operations

<i>(€ million, unless otherwise mentioned)</i>	H1 2022	H1 2021	% Change	o/w organic growth	o/w FX
Europe	82.9	70.8	17.1%		
US	81.3	61.2	32.7%		
Consolidated Revenue	164.2	132.1	24.3%	18.6%	5.7%
Europe	1.3	9.6	(86.0)%		
US	15.6	11.0	42.5%		
Consolidated Adjusted EBITDA	17.0	20.6	(17.6)%	(24.6)%	7.0%
Europe	1.6%	13.6%			
US	19.2%	17.9%			
Consolidated Adjusted EBITDA Margin	10.3%	15.6%			

Europe

Our Europe division realized H1 2022 revenue of €82.9m, up 17.1% versus the first half of 2021. While on a like for like basis, the volumes for the semester are flat, the revenue increase is mainly driven by the several price increases that were implemented and trading of some PP products to end-customers in specific markets³. The European Commercial Tiles business showed more resilience in demand than the European Broadloom business.

Adjusted EBITDA in H1 2022 was €1.3m, down from €9.6m in H1 2021. The disappointing H1 performance was largely driven by the high input cost pressure and timing delays in passing these on to customers especially in the beginning of the year.

United States

Our US division realized an H1 2022 revenue of €81.3m, up 32.7% versus the first half of 2021. This is the combined effect of sales volumes recovering, sales price increases to offset the increased input costs as well as favourable FX translation. Sales volumes have however not yet fully reached pre-COVID 19 levels in H1.

Adjusted EBITDA in H1 2022 was €15.6m, up from 11.0m in H1 2021. Adjusted EBITDA margin increased from 17.9% in H1 2021 to 19.2% in H1 2022 reflecting the volume growth while fully offsetting increased input costs.

Following the closure of the Transaction a number of changes in the executive committee took place:

- Jan-Christian Werner has left the Group and was immediately succeeded as Chief Financial Officer by Andy Rogiest. Andy Rogiest has joined the company on 6 June after having held several senior Finance positions at Ontex, Imperial Meat Products and Home Health Products Group.
- Emmanuel Rigaux, Managing Director Commercial & Residential Europe, decided to pursue opportunities outside of the Group and has left the organisation on 30 June. A search for his replacement is underway while the division is being directly managed by Cyrille Ragoucy in the interim.

³ These were not recorded in the division's prior year's comparator

Other Financial Items Review

Integration and Restructuring Expenses for continuing operations: Non-recurring expenses for integration and restructuring over the first six months of 2022 amounted to €1.3m, as compared to €6.1m in the same period last year. The expense in the current period is mainly driven by the one-off cost for attracting and retaining employees to Balta Group nv after the Disposal.

Net Financing Costs for continuing operations: Net finance expenses for the first six months of 2022 are €11.6m, as compared to €15.3m in the same period last year. This decrease is mainly driven by the lower financing cost of the group since the debt repayments after the Disposal.

Taxation for continuing operations: There is an income tax expense of €2.8m for the six months ended 30 June 2022, as compared to an income tax benefit of €0.6m in the same period last year. The H1 2022 net expense results from taxing the strong results of our US division. The normalized effective tax rate of the Group is around 25%.

Earnings per share for continuing operations: The first six months of 2022 resulted in a loss of €0.20 per share, compared to a loss of €0.24 per share for the same period last year.

Cashflow and Net debt: Pro forma Net Debt at the end of June 2022 was €153.4m, versus €330.7m at the end of December 2021. The decrease in Net Debt was mainly driven by the sale of the discontinued operations (pro forma Net Debt H1 2022 of €153.4m includes €30.5m of IFRS16 impact).

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 and (ii) M&A 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 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 less (iii) cash and cash equivalents.

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

Earnings call

The H1 2022 Results will be presented on 26 August 2022 at 10.00 am CET via a webcast, by the Chairman of the Board and CEO Cyrille Ragoucy and CFO Andy Rogiest. 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 (Europe) and Bentley (US). Balta Group nv employs nearly 1300 people and operates 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 Q3 2022 results on 27 October 2022.