



 **balta**

Q1 2020 Results

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Introduction



Cyrille Ragoucy

CEO

Chairman of the Board

Q1 2020 Headlines and COVID-19 Update



Jan-Christian Werner

CFO

Financial Review and NEXT Update

COVID-19 Update

We achieved 15.7% increase in Adjusted EBITDA in the first two months of 2020 YoY, driven by strong margin improvement from NEXT initiatives. Adjusted EBITDA margin in that same period increased from 8.5% to 10.2%.

Revenues decreased by more than 29% during March 2020 compared to March 2019.

An internal COVID-19 Taskforce which meets daily coordinates our responses to protect the **health and safety** of our workforce, **mitigate the effect of COVID-19** on our operations and ensure continuity of **service to our customers**.

We have implemented measures to **reduce our operating costs** and **manage our cash flows**, including:

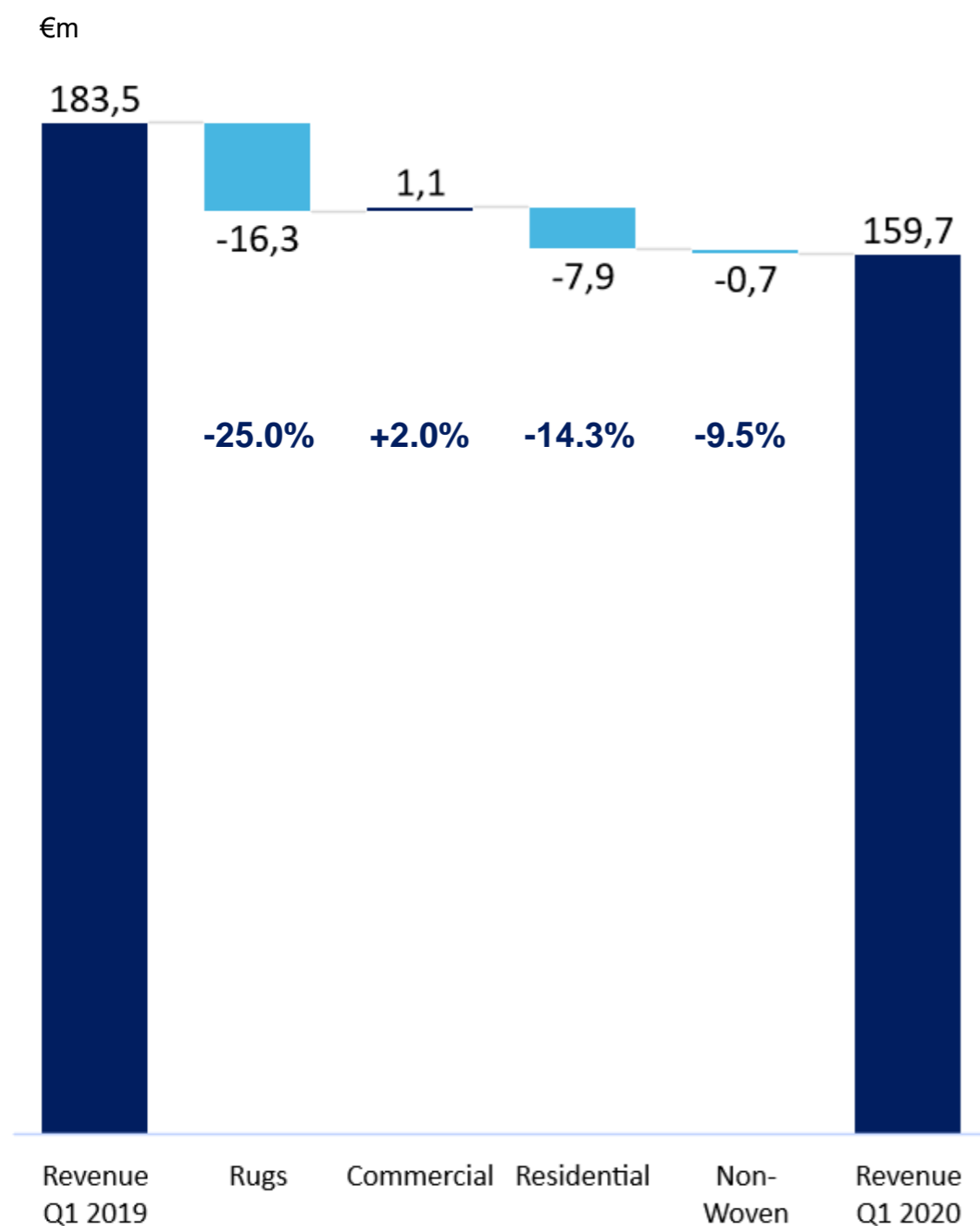
- temporarily shutting down 6 of 8 plants, estimated to reduce operating expenses in April by 37%
- reducing employee costs by 25%:
 - accessing government unemployment programs for blue and white collar staff
 - hiring freeze
 - reducing monthly compensation of CEO and paid directors, members of Management Committee and group-wide leadership team by 50%, 40% and 30% respectively. These amounts will not be repaid.
- putting product launches on hold
- delaying or cancelling raw material purchases after negotiations with our suppliers, estimated to reduce operating expenses by 12% in the second quarter
- reducing marketing expenses, samples and other capital expenditures by approximately €20m.

To **protect our liquidity** position, we monitor our accounts receivable and accounts payable daily. We drew mid-March, as a precautionary measure, €72.7m from our revolving credit facilities in Europe and the US. We proactively reached an agreement with our banks to adjust the covenant calculation under our European RCF for the impact of COVID-19 through Q2 of 2021.

Q1 2020 Financial Summary

(13.0%) YoY sales growth (consolidated)	(13.6%) organic +0.6% FX impact	<ul style="list-style-type: none">• Q1 2020 Consolidated revenue of €159.7m• Solid top-line growth in Commercial (+2.0%), while decline in Residential (-14.3%) and Rugs (-25.0%)
(2.2%) Adj. EBITDA growth	(3.2%) organic +1.0% FX impact	<ul style="list-style-type: none">• Q1 2020 Consolidated Adjusted EBITDA of €17.1m• Strong margin improvement in Residential and Commercial• Rugs margins impacted by lower revenue
4.3x Leverage Excluding IFRS 16 (on a like-for-like basis)	Net Debt €326.6m	<ul style="list-style-type: none">• Leverage slightly up from 4.0x as at year-end• Reported net debt includes €45.4m impact from IFRS16• Net debt before the impact of IFRS 16 up from FY2019, mainly the result of the working capital increase due to seasonal patterns, as well as COVID-19

Group Q1 2020 Revenue Performance

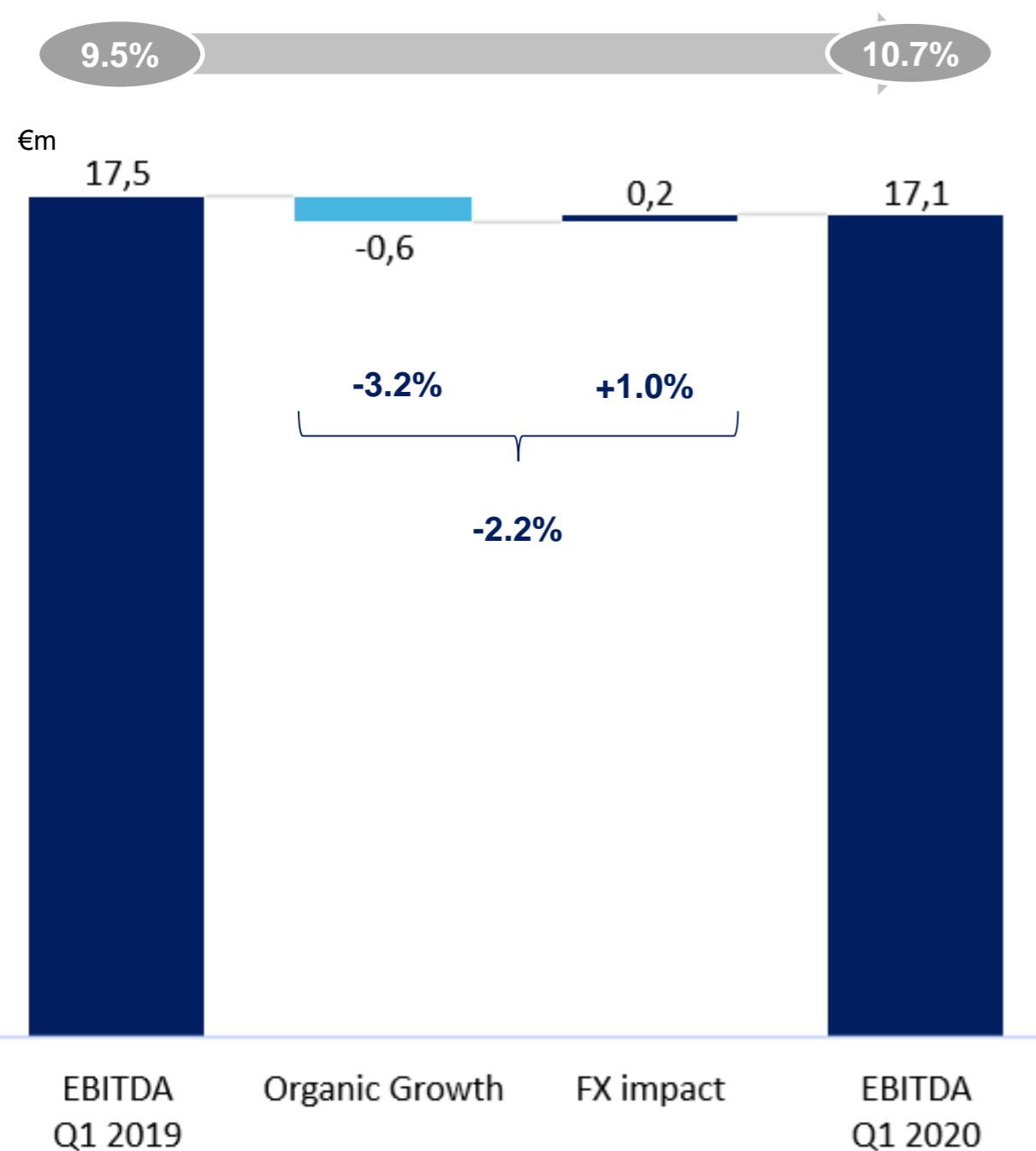


	Q1 Growth (€m)	Q1 Growth (%)
Organic	-€24.9m	-13.6%
FX Impact	+€1.1m	+0.6%
Reported	-€23.8m	-13.0%

- Rugs performance was lower QoQ versus an exceptionally strong first quarter 2019, combined with lower than expected sales in parts of Europe. Starting mid-March, Rugs saw the first impacts from COVID-19 in most regions.
- Continued growth in Commercial, led by our US business
- Residential saw a reversal of the Q1 2019 pre-Brexit stocking

Group Q1 2020 Adjusted EBITDA and Margins

Adj. EBITDA margin (%)



€m	Q1 2019	Q1 2020	% Change
Rugs	6,2	4,3	(31,1)%
Commercial	7,7	8,2	5,7%
Residential	3,3	4,1	25,3%
Non-Woven	0,3	0,5	109,2%
Consolidated Adjusted EBITDA	17,5	17,1	(2,2)%

- Rugs significantly impacted by lower revenue.
- Residential and Commercial benefited from NEXT margin enhancement initiatives, better mix, price increases and lower raw material costs.

NEXT Commercial Update – Q1 2020

The full year expectations for NEXT will be negatively affected by the impacts of COVID-19 on our business

Key Drivers		Q1 2020A (vs 2019A)	
		Additional Sales ¹	Total Additional Sales ¹
Revenue	1 Balta e-commerce	+ €0.5m	+ €7.5m vs. 2019
	2 New Segment Direct route to market	+ €2m	
	3 Other Revenue Initiatives	+ €5m	

- Modest but steady increase of US e-commerce in Q1 2020 and selectively started EU e-commerce for Rugs
- Key drivers 2 and 3 are well on track to deliver planned benefits, with success of high end products and growth of export in key markets for Residential, continued execution of LVT expansion and synergies with modulyss in US

¹ : Revenue impacts are gross impacts and take “no account of cannibalization effects”

NEXT Lean and Procurement Update – Q1 2020

The full year expectations for NEXT will be negatively affected by the impacts of COVID-19 on our business

Lean

Procurement

Financial Impact

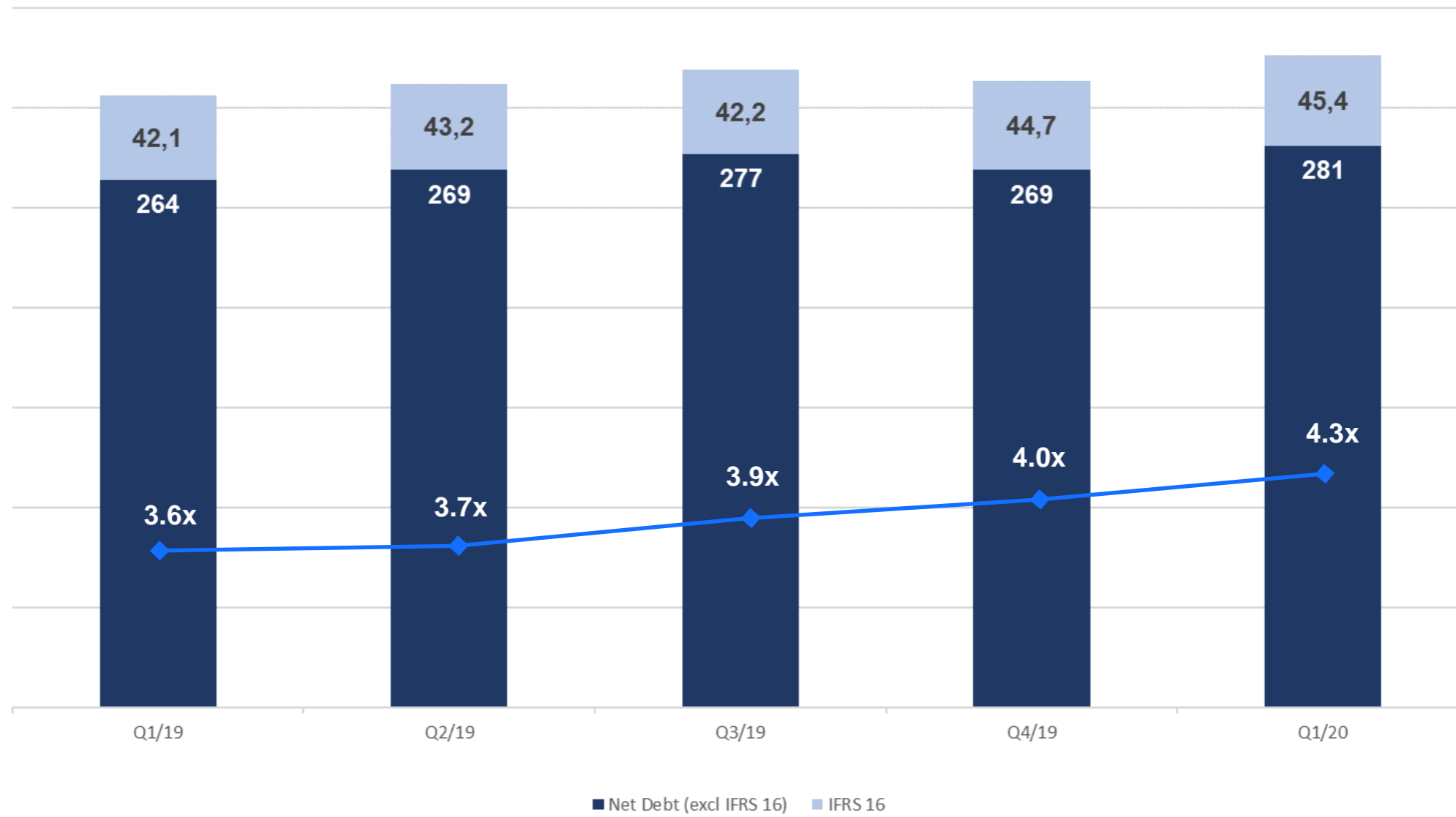
- **Savings as of end February ahead of target**
 - Savings end of March slightly below target due to volume impact of COVID-19 starting mid-March
- **Savings end of March well ahead of target**, despite lower volumes impact of COVID-19 starting mid-March

What we have done so far

- Lean methodology rolled out across all plants
 - Lean savings show strong performance with robust pipelines of new initiatives
 - First benefits from Lean program in Turkish plant
- More flexibility on Raw Material contracts with development of consignment
 - Intensive price negotiations and further introduction of new suppliers in multiple direct and indirect categories
 - Procurement savings more than doubled versus the same quarter last year

Leverage of 4.3x Excluding IFRS 16

€m





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Q&A Session