

## Press Release

Sint-Baafs-Vijve, 29 October 2021, 7:00 a.m. CET  
Regulated information  
For immediate publication

# Balta 2021 Quarter Three Results

## Group Highlights

- Q3 consolidated Revenue of €151.5m, higher than Q3 2020 by €7.1m (+4.9% YoY).
  - Organic revenue improved by 4.9%, while FX effects were negligible
  - Revenue growth by division: Rugs +8.7%, Residential -3.6%, Commercial +9.9%
- Q3 Adjusted EBITDA slightly reduced to €21.0m from €21.8m in Q3 of last year (-4.0% YoY), with an Adjusted EBITDA margin of 13.8% compared to 15.1% in Q3 2020.
  - Rugs +€1.6m YoY
  - Residential -€3.1m YoY
  - Commercial +€0.8m YoY
- While slightly below Q3 2020, Q3 2021 Adjusted EBITDA was 21.4% higher than in Q3 2019.
- Net Debt at the end of Q3 2021 increased by 9.4% to €322.5m compared to the end of H1 2021 due to higher working capital, mainly as a result of cost increases in raw materials. Leverage<sup>1</sup> at the end of Q3 2021 was 3.3x compared to 3.0x at the end of H1 2021.
- Total available liquidity amounted to €71.1m at the end of Q3 2021, comprising cash of €53.6m and €17.5m headroom under our revolving credit facilities.

## Business Update

- The results in Q3 2021 reflect better prices and product mix, as well as the impact of our NEXT initiatives. Fixed expenses normalised as our activities continued to recover to pre-pandemic levels.
- Price increases in all divisions partially compensated for the significantly higher raw materials, transportation and more recent energy costs impacting our industry. Cost of Goods Sold in Q3 has still somewhat benefitted from the lower cost of raw materials purchased earlier in the year, although this effect is coming to an end.
- Our volumes in the Commercial division are slower to recover than in Rugs and Residential and are still below pre-COVID-19 levels, however Q3 saw an improving US market.
- Net cashflow during Q3 2021 saw an outflow of €33.8m. Higher inventory, due to increasing raw material costs, and higher accounts receivables, as sales increased, accounted for most of the cash outflow.
- Our NEXT program continued to deliver strong results in Q3 2021. Operational NEXT savings added €5m to our YTD 2021 Adjusted EBITDA versus 2020. Top-line NEXT initiatives delivered €42m of incremental revenue YTD 2021 versus 2020. Overall, NEXT results are ahead of target.

<sup>1</sup> Excluding IFRS 16 impact but including sale and leaseback

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

“Trading in the third quarter of 2021 added to the strong record of improvement over the last 15 months. Our YTD 2021 Adjusted EBITDA ended well above the same periods in 2019 and 2020. Revenue in the Commercial division, which has been slower to recover from the pandemic, grew compared to Q3 2020, mainly due to a recovery in the US construction sector.

In Q3, the strong increase in raw material and transportation costs first seen by the industry in Q2 2021 started to significantly impact Balta’s Cost of Goods Sold. While the start of the quarter still saw some benefit from the lower cost of raw materials purchased earlier in the year, this effect is coming to an end. As well as focussing on growing our business and continuously improving efficiency through our NEXT program, Balta has implemented price increases across all divisions to pass on the inflationary pressure. The significant energy cost increases in Europe started to impact us as from September and will require further action.”

## Q3 2021 Revenue and Adjusted EBITDA per Division

<i>(€ million, unless otherwise mentioned)</i>	Q3 2021	Q3 2020	% Change	o/w organic growth	o/w FX
Rugs	52.5	48.3	8.7%		
Commercial	48.9	44.5	9.9%		
Residential	45.5	47.1	(3.6)%		
Non-Woven	4.6	4.4	2.9%		
<b>Consolidated Revenue</b>	<b>151.5</b>	<b>144.4</b>	<b>4.9%</b>	<b>4.9%</b>	<b>(0.0)%</b>
Rugs	8.5	6.9	22.3%		
Commercial	7.9	7.1	10.6%		
Residential	4.2	7.3	(42.5)%		
Non-Woven	0.4	0.5	(15.5)%		
<b>Consolidated Adjusted EBITDA</b>	<b>21.0</b>	<b>21.8</b>	<b>(4.0)%</b>	<b>(3.5)%</b>	<b>(0.4)%</b>
Rugs	16.1%	14.3%			
Commercial	16.2%	16.1%			
Residential	9.2%	15.4%			
Non-Woven	9.6%	11.7%			
<b>Consolidated Adjusted EBITDA Margin</b>	<b>13.8%</b>	<b>15.1%</b>			

## YTD 2021 Revenue and Adjusted EBITDA per Division

(€ million, unless otherwise mentioned)	YTD Q3 2021	YTD Q3 2020	% Change	o/w organic growth	o/w FX
Rugs	177.3	132.6	33.7%		
Commercial	141.9	145.0	(2.1)%		
Residential	137.9	119.9	15.0%		
Non-Woven	12.6	13.2	(4.8)%		
<b>Consolidated Revenue</b>	<b>469.8</b>	<b>410.8</b>	<b>14.4%</b>	<b>15.8%</b>	<b>(1.4)%</b>
Rugs	29.6	8.0	271.3%		
Commercial	23.0	21.1	9.0%		
Residential	12.1	10.3	17.3%		
Non-Woven	0.5	0.7	(29.0)%		
<b>Consolidated Adjusted EBITDA</b>	<b>65.2</b>	<b>40.1</b>	<b>62.6%</b>	<b>65.6%</b>	<b>(3.1)%</b>
Rugs	16.7%	6.0%			
Commercial	16.2%	14.5%			
Residential	8.8%	8.6%			
Non-Woven	4.1%	5.4%			
<b>Consolidated Adjusted EBITDA Margin</b>	<b>13.9%</b>	<b>9.8%</b>			

### Rugs

Our Rugs division realised Q3 2021 revenue of €52.5m, up 8.7% versus Q3 2020 driven by favourable pricing and strong sales in the US.

Adjusted EBITDA in Q3 2021 was €8.5m with a margin of 16.1%, an improvement over the comparable period last year due to favourable pricing and improved product mix in major territories. Currency impacts are slightly favourable, mainly due to a weaker Turkish Lira.

### Commercial

Our Commercial division realised Q3 2021 revenue of €48.9m, up 9.9% versus Q3 2020 supported by higher average pricing and improved volumes in the US.

Adjusted EBITDA in Q3 2021 was €7.9m, up from €7.1m in Q3 2020. Adjusted EBITDA margin was 16.2% benefitting from the improving US market.

### Residential

Our Residential division realised Q3 2021 revenue of €45.5m, -3.6% versus a strong Q3 2020 reflecting lower volumes at better pricing.

Adjusted EBITDA in Q3 2021 was €4.2m, down from €7.3m in a strong Q3 2020. Even though price increases were implemented in all markets, margins were impacted by lower volumes and higher material costs.

## 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.

**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 capitalised 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 capitalised 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).

**NEXT key assumptions** and **NEXT impacts** are to be understood versus a baseline of 2018 or 2019:

- Impacts shown for the Revenue initiatives are the anticipated gross impacts and take no account of possible 'cannibalization effects' or the current macro-economic uncertainty.
- Impacts shown for the Margin initiatives are the anticipated gross impacts before cost inflation.
- Impacts are calculated using forecast volumes.
- FX exchange rates are assumed stable over the period.
- Lean and Procurement are P&L impacts (excluding Capex savings or cost avoidance) and affect either COGS (raw materials consumption or costs) or fixed expenses (e.g. maintenance).

## Earnings call

The Third Quarter 2021 Results will be presented on 29 October: 2021 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](http://www.baltainvestors.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). 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 may not be exact arithmetic aggregations of the figures that precede them.

## Next scheduled announcement

Balta intends to publish its Full Year 2021 results on 25 February 2022.