Tarkett

Press release

Tarkett Group

Trading update: good start to the year until mid-March; end of the quarter and short term outlook significantly affected by coronavirus situation

Paris, April, 8, 2020: Tarkett today gives an update on its sales and expected performance for the first quarter. The Group is also providing initial views on business trends for the second quarter which is expected to be severely affected by the escalation of travel and social restrictions decided by public authorities in various geographies over the last few weeks.

Q1 net sales

In EMEA, net sales were performing in line with management's expectations until mid-March. North America was recording improving trends following a depressed fourth quarter 2019 with commercial carpet better oriented than initially anticipated. The Sport business, which is in its low season, was also doing well with a sustained level of growth. The level of activity in CIS countries was stable compared to last year, while Latin America was continuing to grow double digit on an organic basis.

The deployment of lockdown measures accelerated mid-March in both Europe and North America. It resulted in the halt of construction projects and the shutdown of many flooring retailers and distributors in several areas, primarily in South Europe. To adapt to this reduced demand, some of our manufacturing sites have been operating at reduced capacity or have been temporarily shutdown. In Europe, facilities concerned by the temporary shutdown are progressively reopening but operate at reduced capacity. Until now, most sites which have suspended operations continued satisfying customer demand by delivering products from existing inventories. Tarkett has applied all required actions to protect its employees, customers and partners in all geographies, including social distancing on production sites and remote work for support functions.

China focus

For Tarkett, China represents less than 1% of consolidated net revenues. Net sales were affected by the coronavirus outbreak and lockdown measures in February. Since then, there has been a rebound of the activity: revenues in March were only slightly down compared to last year. The two manufacturing sites in China, which focus on the Chinese and South-East Asian markets, were closed during the lockdown phases. They both resumed production early March and are now back to normal production level.

Q1 Sales and estimated Adjusted EBITDA

Overall, net revenues were penalized by a significant slowdown at the end of the quarter particularly in Europe and amounted to €612 million in the first quarter or a decrease of -2.1% as reported and -2.9% on a like-for-like basis. In spite of a good level of productivity and cost reduction aligned with the "Change to win" plan, lockdown measures generated production disruptions and higher logistic complexity. This weighed on the Group's adjusted EBITDA that should be comprised between €40 million and €43 million in Q1 2020 compared to €43.1 million in Q1 2019.

Net sales by segment

€ million	Q1 2020	Q1 2019	Change	o/w LfL
EMEA	228	239	-4.5%	-3.6%
North America	196	196	+0.3%	-2.7%
CIS, APAC & LATAM	110	113	-2.4%	-1.2%
Sports	77	77	-0.1%	-3.7%
Total Group	**612**	**624**	**-2.1%**	**-2.9%**

Implemented measures
As the lockdown measures have been strengthened and extended to most countries and regions over the past few days, Tarkett expects further disruption in Q2 2020. Lockdown measures have been implemented early April in Russia and in other CIS countries. The Group is now seeing impacts on demand in all its key geographies outside China.

In order to mitigate the negative impact on its results, Tarkett implemented a vigorous set of measures, including:

- Temporary lay-offs and reduction in working time in all locations concerned, including for support functions, in compliance with schemes proposed by local governments;
- Drastic reduction of discretionary costs and deferral of expenses.

The Group also remains focused on protecting its cash flows:

- Capex will be limited to safety and a selection of key productivity projects. They should be significantly reduced to around €80 million compared to €125 million in 2019;
- Strict management of working capital with daily monitoring tools;
- Cancellation of the dividend initially proposed, as communicated on March 18th.

Liquidity
Tarkett has a solid liquidity to cope with the consequences of the pandemic. The Group has solid bank relationships and last year refinanced its revolving credit facility and a large part of its private placements with a solid rate of renewals from existing creditors (above 95% for the RCF). As a result of the refinancing, the Group has no major debt installment to pay before 2022 (i.e. maturity of €150 million in June 2022).

At the end of March, the Group had a cash position of €210 million and available undrawn credit lines of €500 million, out of which €443 million are confirmed. Gross debt amounted to €887 million at the end of March (out of which €2 million to repay before year end). The Group is also reviewing the possibility of leveraging credit arrangements proposed by the French government and the possibility to set up additional lines with its main banks to better navigate this challenging environment and be ready to benefit from the recovery when it materializes.

As the current situation will likely affect its adjusted EBITDA for the first half and for the full year 2020, Tarkett is not in a position to confirm its leverage ratio target for the end of the year (Net Debt to Adjusted EBITDA before IFRS 16 between 1.5x and 2.5x). In addition, given the extraordinary circumstances the Group initiated discussions with its banks to waive its financial covenant (leverage of 3.5x end of June and 3.0x end of December).

Outlook
Tarkett is expecting its activity to be severely hit in the second quarter. Considering the unprecedented level of uncertainty, accurate impacts cannot be quantified at the moment for the first half nor for the full year. It will depend on many different factors including the scope and duration of the epidemic and the prevention and support measures adopted by local governments.

In the short term, the management team is focused on protecting the health and safety of employees and partners, adapting its cost base to a lower level of activity, while ensuring the continuity of service to its customers. Tarkett's balanced portfolio between geographies, end markets and channels should help the Group during this challenging period and provide opportunities at the time of the recovery.

The Group will release its Q1 earnings as planned on April 28 and will provide more details upon this release.

Annual General Meeting – April 30, 2020
In compliance with French regulations, the 2020 Shareholder's Meeting will exceptionally be held in closed session. A live audio webcast will be made available to allow shareholders to follow the meeting and presentation. Shareholders will be able to vote either by post ahead of the Meeting or by giving a proxy to the Chairman of the Shareholders' Meeting.

Financial calendar

- April 28, 2020: Q1 2020 financial results - *press release after close of trading on the Paris market and conference call the following morning*
- April 30, 2020*:* Annual General Meeting of Shareholders

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Forward Looking Statements

This press release may contain forward-looking statements. Such forward-looking statements do not constitute forecasts regarding results or any other performance indicator, but rather trends or targets. These statements are by their nature subject to risks and uncertainties as described in the Company's annual report registered in France with the French Autorité des Marchés financiers available on its website (www.tarkett.com). These statements do not reflect the future performance of the Company, which may differ significantly. The Company does not undertake to provide updates of these statements.

About Tarkett

With a history of 140 years, Tarkett is a worldwide leader in innovative flooring and sports surface solutions, with net sales of around €3 billion in 2019. Offering a wide range of products including vinyl, linoleum, rubber, carpet, wood, laminate, artificial turf and athletics tracks, the Group serves customers in over 100 countries across the globe. Tarkett has 12,500 employees and 33 industrial sites, and sells 1.3 million square meters of flooring every day, for hospitals, schools, housing, hotels, offices, stores and sports fields. Committed to change the game with circular economy, the Group has implemented an eco-innovation strategy based on Cradle to Cradle® principles, with the ultimate goal of contributing to people's health and wellbeing, and preserving natural capital. Tarkett is listed on Euronext Paris (compartment A, ISIN: FR0004188670, ticker: TKTT) and is included in the following indices: SBF 120 and CAC Mid 60. Further information about Tarkett is available from its website www.tarkett.com.

Appendices

Reconciliation table for alternative performance indicators (not defined by IFRS)

- Organic growth measures the change in net sales as compared with the same period in the previous year, at constant scope of consolidation and exchange rates. The exchange rate effect is calculated by applying the previous year's exchange rates to sales for the current year and calculating the difference as compared with sales for the current year. It also includes the impact of price adjustments in CIS countries intended to offset movements in local currencies against the euro.
- Scope effects reflect:
  - current-year sales for entities not included in the scope of consolidation in the same period in the previous year, up to the anniversary date of their consolidation;
  - the reduction in sales relating to discontinued operations that are not included in the scope of consolidation for the current year but were included in sales for the same period in the previous year, up to the anniversary date of their disposal.

▪ Adjusted EBITDA is the operating income before depreciation, amortization and the following adjustments: restructuring costs, gains or losses on disposals of significant assets, provisions and reversals of provisions for impairment, costs related to business combinations and legal reorganizations, expenses related to share-based payments and other one-off expenses considered non-recurring by their nature.