

## Tarkett Investor day 2019 Change to Win

Paris, June 19, 2019

Tarkett, a global leader in innovative and sustainable flooring and sports surface solutions, is hosting its Investor Day in Paris today. Together with the executive management team, Tarkett CEO Fabrice Barthélemy will present the “Change to Win” strategic plan.

Tarkett’s ambition is to be the global leader in commercial flooring and sports surfaces, to grow selectively in residential flooring and to change the game in circular economy. The plan relies on 4 strategic pillars:

1. **Sustainable growth**, resulting from an increased focus on **selected commercial end-user flooring segments**, the development of a global presence in Hospitality and further expansion in Sports. The Group also plans to invest **in digital channels** to capture future growth ;
2. A strong **customer-centric mindset** and an organization driven by simplicity, agility and speed;
3. **An ambitious circular economy deployment** with a strong focus on recycling solutions for our customers;
4. **A disciplined cost savings program** aiming at delivering **€120 million of savings over 2019-2022** and **selective capital allocation** aligned with the focus on sustainable growth.

**CEO Fabrice Barthélemy**, said: *“We are expecting no tailwind from the economic environment in the next years. Therefore we need to adapt and change to deliver above market growth and improved profitability. We have built a solid plan that combines a stronger focus on selected end-user segments, an expanded presence in digital channels and further developments in circular economy. In addition, we have started implementing an ambitious cost reduction program and we will invest selectively to support our sustainable growth. Our organization and teams will be more customer-centric while working on simplifying the way we operate. Being more agile is critical to our success and all Tarkett teams are fully committed to this new strategic plan: Change to Win.”*

Taking into account the initiatives of the new strategic plan, Tarkett has set mid-term objectives:

- **Organic growth**<sup>1</sup>: the Group aims at **growing above the GDP** in each key region (North America, Europe and CIS), in average between 2019 and 2022.
- **Profitability improvement** is a key objective of the plan: the Group aims at reaching an **Adjusted EBITDA**<sup>2</sup> **margin above 11% in 2022** (before IFRS16<sup>3</sup> application).
- **Contained leverage** (Net Financial Debt/Adjusted EBITDA): the Group plans to operate within a range of **1.5x to 2.5x Adjusted EBITDA** at the end of each year over the period.

<sup>1</sup> Organic growth is the revenue growth on a like-for-like basis, i.e. at constant scope of consolidation and exchange rates, and therefore only reflects changes in volumes, prices and the product mix (note that in the CIS segment, price increases implemented to offset currency fluctuations are not included in organic growth). See the definition of alternative performance indicators (appendix 1) at the end of this press release.

<sup>2</sup> Adjusted EBITDA adjustments include expenses such as those relating to restructuring, acquisitions and share-based payments. See the definition of alternative performance indicators (appendix 1) at the end of this press release.

<sup>3</sup>See details of the IFRS16 impact in appendix 2

After the application of the IFRS 16 new accounting norm on Leases, EBITDA and leverage objectives read as follows:

- **Adjusted EBITDA margin above 12% in 2022 ;**
- **Leverage (Net Debt to Adjusted EBITDA):** within a range of 1.6x to 2.6x Adjusted EBITDA at end of each year, over the period.

To succeed, the Group has set priorities in terms of capital allocation:

- **Further investment in productivity, automation and digital:** capital expenditures are expected slightly above its historical average over the period ;
- **Priority to deleveraging in 2019:** no sizeable acquisition in 2019;
- **M&A:** going forward, **seize acquisitions opportunities** in a fragmented industry **to strengthen in key end-user segments or geographies;**
- Set dividend level within a **pay-out range of 30% to 50%** of reported net income, subject to leverage and M&A.

Tarkett has a clear roadmap and will give an extreme attention to the execution of its “Change to Win” strategic plan by keeping focus on our growth initiatives and monitoring tightly the cost reduction actions.

### Live Webcast & Replay

The event will start at 2:00pm CET Paris time on June 19, 2019 and will be live webcasted on Tarkett’s website at the following address:

<https://onlinexperiences.com/Launch/QReg/ShowUUID=1B0E210D-FFBA-4BAF-8898-9BF606C7A566&LangLocaleID=1033&GroupID=group1>

The presentations will be available before the meeting and may be downloaded and subsequently a replay will be made available at the same address.

### Financial calendar:

- July 23, 2019: H1 2019 financial results - *press release after close of trading on Euronext Paris and conference call the following morning*
- October 23, 2019: Q3 2019 financial results - *press release after close of trading on Euronext Paris and conference call the following morning*

### About Tarkett

With a history going back 135 years, Tarkett is a worldwide leader in innovative flooring and sports surface solutions, with net sales of more than €2.8 billion in 2018. 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 13,000 employees and 36 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 “Doing Good. Together.”, the Group has implemented an eco-innovation strategy based on Cradle to Cradle® principles and promotes circular economy, 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. [www.tarkett.com](http://www.tarkett.com).

### Forward Looking Statement

*The information contained in this press release has not been independently verified and no express or implied representations or warranties are made as to the fairness, accuracy, completeness or correctness of the information or opinions set out herein.*

*This press release may contain estimates and/or forward-looking statements. These do not represent forecasts of Tarkett’s results or other performance indicators, but rather trends or targets as appropriate. These statements are inherently subject to risks and uncertainties, most of which are outside Tarkett’s control, including but not limited to the risks described in Tarkett’s registration document, the French version of which was filed on March 21, 2019 and is available on [www.tarkett.com](http://www.tarkett.com). These risks and uncertainties include those discussed or identified in the “Risk factors” section of its registration document filed with the AMF. These statements do not constitute guarantees as to Tarkett’s future performance, which may differ materially from these forward-looking statements. Tarkett disclaims any intention or obligation to update these forward-looking statements in light of events or circumstances that may arise subsequent to the date of publication of this press release.*

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## Appendices

### 1/ Definition of alternative performance measures (not defined under IFRS)

The Tarkett Group uses the following non-IFRS financial indicators:

- Organic growth
- Adjusted EBITDA

These indicators are calculated as described below.

- **Organic growth:**
  - o 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.
  - o 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 and Turkey intended to offset movements in local currencies against the euro.
  - o The scope effect reflects:
    - 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:**
  - o Adjusted EBITDA is calculated by deducting the following income and expenses from operating income before depreciation and amortization:
    - restructuring costs intended to increase the Group's future profitability;
    - capital gains and losses recognized on significant asset disposals;
    - provisions and reversals of provisions relating to impairment losses;
    - costs arising on corporate and legal restructuring;
    - share-based payment expenses;
    - other one-off items considered non-recurring owing to their nature.

### 2/Impact of IFRS 16 "Leases" in 2019

IFRS 16 "Leases" standard is applicable since January 1, 2019. This new accounting standard requires lessees to recognize, for all leases that it covers, all lease payments yet to be paid in the form of a right of use under non-current assets on the balance sheet, with a balancing entry under debt on the liabilities side.

Based on existing lease contracts, applying IFRS 16 increases non-current assets and net debt by an amount of around €100 million.

In the income statement, there is a decrease in lease expenses recorded under EBITDA, and an increase in depreciation of non-current assets and interest expense. The full-year improvement in EBITDA is expected to be around €27 million in 2019, increasing EBITDA margin by around 100 basis points.

The effect of these changes on the net debt/adjusted EBITDA ratio is limited to around 0.1x: based on 2018 results, the ratio would have increased from 2.8x to 2.9x. The documentation of Tarkett's financing

agreements, however, provides that the effect of changes in accounting standards is neutralized. As a result, the application of IFRS 16 has no consequences for the Group's financing.

The impact on net profit attributable to owners of the Company is limited.

€ million	Estimated 2019 IFRS 16 impact on Adj. EBITDA by segment
EMEA	8
North America	8
CIS, APAC & Latin America	5
Sports	3
Central	3
<b>Group's estimated IFRS 16 impact for 2019</b>	<b>27</b>