

H1 2019 Financial Results

July 24, 2019

A photograph of a modern office interior. The floor is covered in wood-look laminate flooring. On the left, there are concrete stairs. In the center, a hallway leads to a glass door. On the right, there is a curved balcony with a glass railing and a white reception desk. The ceiling has recessed lighting and a circular light fixture.

Key Highlights

Fabrice Barthélemy
CEO

H1 2019 highlights

- **Reported sales up 7.2%**
- **Organic growth⁽¹⁾ up 1.3% in H1 2019**
- **Selling prices holding up well**
- **Adjusted EBITDA⁽²⁾ before IFRS 16 at €112m or 7.9% of revenues due to unfavorable product mix and one-time inventory write-off**
- **Stable leverage at 2.9x adj. EBITDA pro forma at the end of June notwithstanding structural seasonality of H1**
- **New strategic plan Change to Win being implemented; restructuring well on track to start delivering in H2**

(1) Organic growth: at constant scope of consolidation and exchange rates (note that in the CIS segment, price increases implemented to offset currency fluctuations are not included in organic growth, which only reflects changes in volumes and the product mix).

(2) Adjusted EBITDA: adjustments include expenses such as restructuring, acquisitions and share-based payment expenses.

Change to Win strategic plan announced in June

4 strategic pillars

1.

Sustainable Growth

- Grow faster in commercial end-user segments
- Innovative designs and solutions
- Pricing power
- Digital channels opportunities

2.

One Tarkett for our Customers

- Customer-centric organization and mindset
- Simplicity
- Agility
- Speed

3.

People & Planet

- Safety focus
- Talent and diversity
- Circular Economy
- Climate Change

4.

Cost and financial discipline

- Footprint review
- Productivity plans
- Review under-performing businesses
- SG&A efficiency
- Deleveraging in 2019
- Selective M&A

Change to Win: CEO Strategy Tour to engage all Tarkett Teams

c. 1,000 managers and key employees



Footprint roadmap

Status on the 4 plant closures announced in H1 2019

Restructure
& Transform

Carpet
North America

- Truro (Canada): 240 people

- **Transfer to Lexmark facility in Georgia (USA) completed**

- **Truro shutdown effective in July**

Restructure
& Transform

Accessories
North America

- Waterloo (Canada): 70 people

- Consolidation on one site in Ohio (US)

- **New production lines running**

- **Waterloo shutdown effective in June**

Restructure
to exit
manufacturing

Laminate
EMEA

- Laminate Park JV (Germany): 230 people

- Unprofitable product category in EMEA and overcapacity

- Significant capex avoidance

- **Site shutdown planned end of 2019**

Restructure
& Transform

Carpet
EMEA

- Goirle (NL): 30 people,

- Consolidation on 2 sites and warehouse automation (by end of 2020)

- **Site shutdown planned in 2020**

Selective investments to support sustainable growth and strategic initiatives



Installation completed of the new wood line in Mytischy (Russia)



Start of the new rigid LVT line in Otradny (Russia)



Construction of a new rigid LVT production line in Jaslo (Poland)



Two new production lines of accessories in Chagrin Falls (USA)

Major recent references & successes

Workplace

Orange
Paris HQ

56,000 sqm
*Carpet tiles with EcoBase,
LVT, Vinyl.*



copyright © Jean-Paul Viguier et Associés

Healthcare

Bursa City Hospital
Turkey

186,000 sqm
*Vinyl sheet, LVT,
Carpet tiles*



Sports

**2019 FIFA Women's
World Cup**

Groupama Stadium
of Lyon
Hybrid Turf - PlayMaster



High visibility of Tarkett at major flooring shows



- Carpet Broadloom Tatami System: “Best of NeoCon Gold Award”
- LVT iD Mixonomi: “Metropolis Likes & HiP awards”



- Co-designed Merge/Emerge collection blending carpet and LVT textures and patterns: IIDA winner

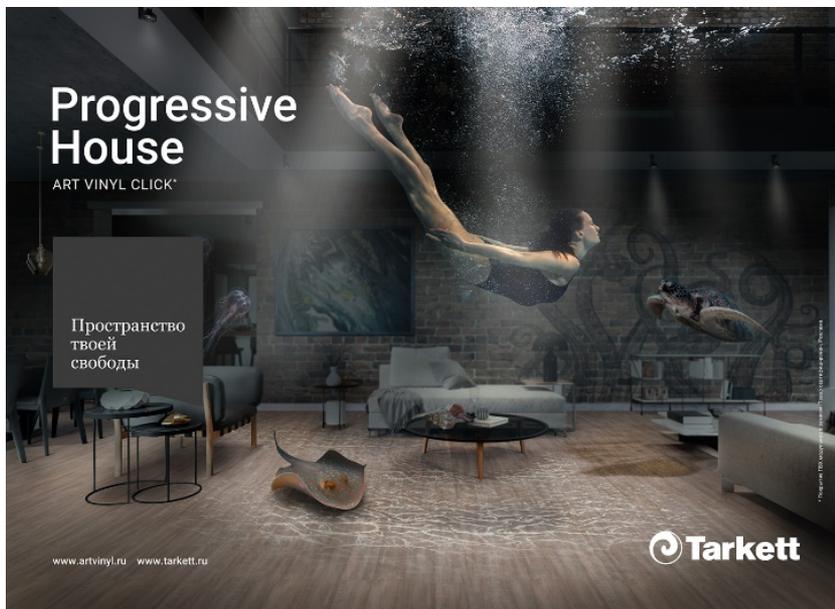


- New iQ Surface vinyl solutions combining floor, wall and furniture

Launch of new products at Tarkett Show in Russia



Progressive House collection: the new rigid click LVT manufactured in Otradny (Russia) and particularly well received by our customers.



A modern office interior with a blue overlay. The office features a long wooden conference table with orange chairs, a green sofa, and a brown leather armchair. The floor is covered with a textured, light-colored carpet. The ceiling has exposed concrete beams and modern lighting fixtures. Large windows provide natural light and a view of the outdoors.

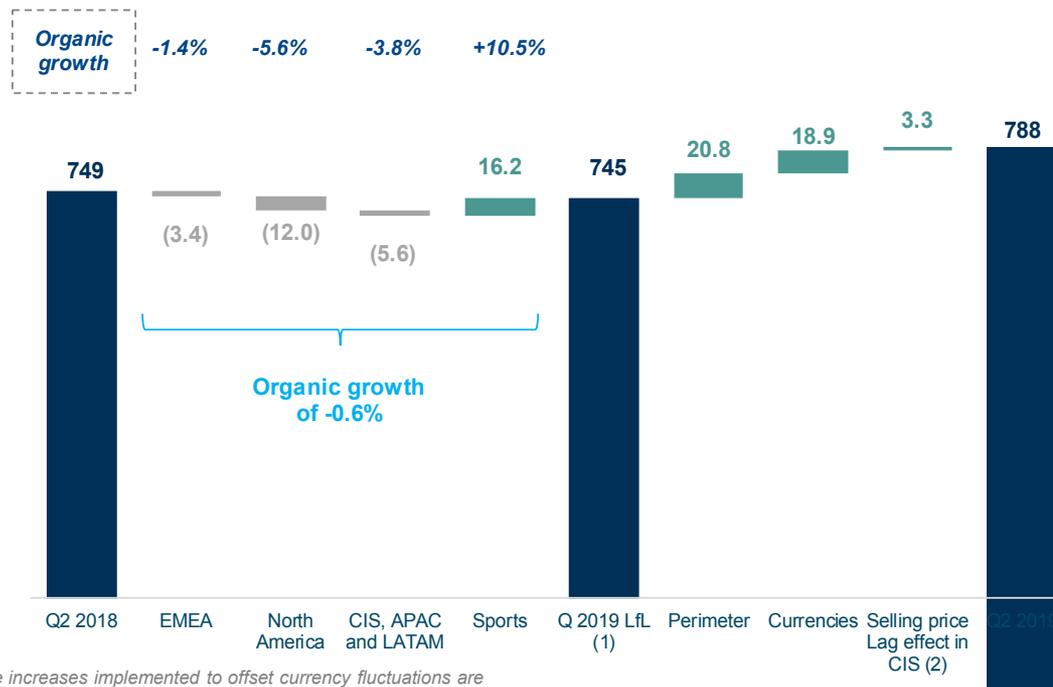
Activity & Financials

Raphaël Bauer
CFO

Organic growth roughly stable in Q2 2019: -0.6%

in €m

- **Dynamic growth in Sports**
- **Mixed performance in EMEA**, impacted by lower working days
- **Weak activity in North America and in CIS, APAC and LATAM**
- **US dollar appreciation and Lexmark integration** uplifting reported revenue growth



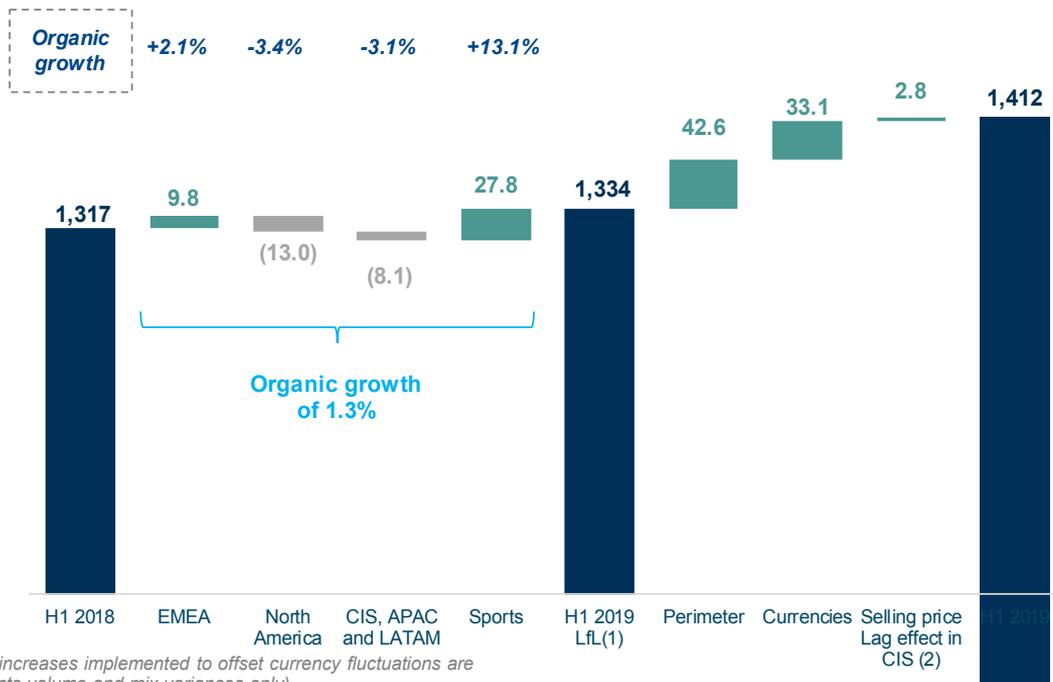
(1) Like for Like: At same perimeter and exchange rates. (NB: In the CIS, price increases implemented to offset currency fluctuations are not included in the organic growth. Organic growth in the CIS therefore reflects volume and mix variances only).

(2) Lag effect : Net of currency impact and selling prices adjustments in the CIS countries

Moderate organic growth in H1 2019: +1.3%

in €m

- **Strong performance in Sports**
- **Volume and prices contributing to growth in EMEA**
- **Offsetting lower contribution of North America and CIS, APAC and Latam**
- **Positive forex impact** mostly driven by the US dollar
- **Positive lag effect⁽²⁾** reflecting good pricing management in CIS



(1) Like for Like: At same perimeter and exchange rates. (NB: In the CIS, price increases implemented to offset currency fluctuations are not included in the organic growth. Organic growth in the CIS therefore reflects volume and mix variances only).

(2) Lag effect : Net of currency impact and selling prices adjustments in the CIS countries

Q2 Adjusted EBITDA resulting from lower mix and volume

in €m

Adj. EBITDA margin

11.5%

9.7%

10.6%

- Poorer product mix
- Lower volumes in all segments but Sports
- Selling price increases more than offsetting purchasing cost inflation
- Good pricing management in CIS
- SG&A cost reduction
- One-off inventory provision (€4.7m)



H1 Adjusted EBITDA reflecting Q2 mixed performance

in €m

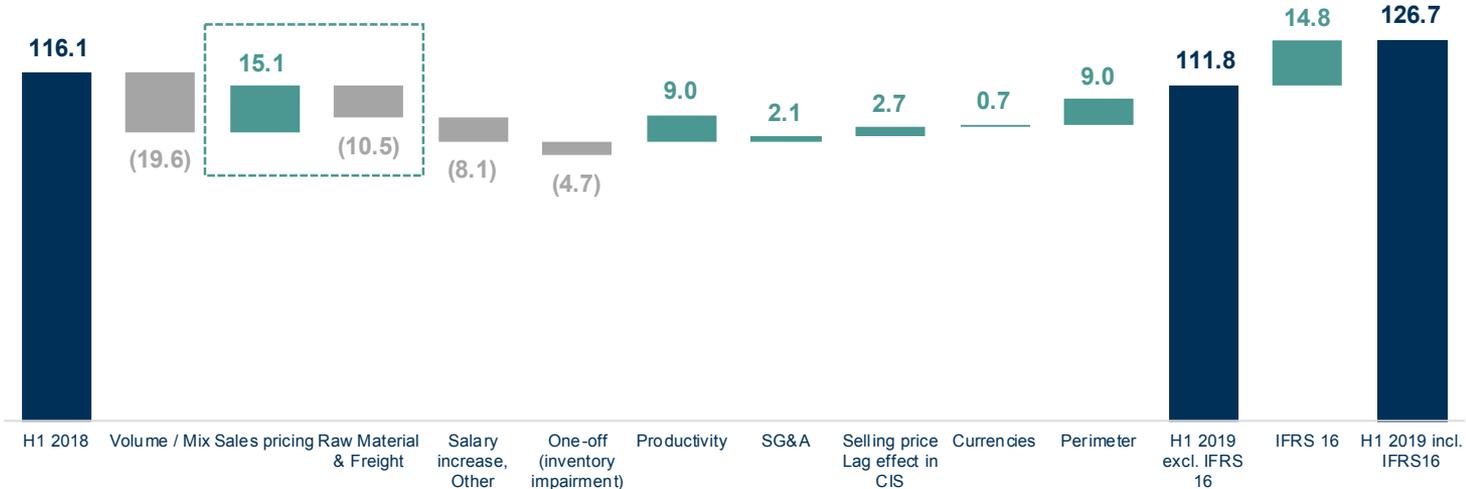
Adj. EBITDA margin

8.8%

7.9%

9.0%

- Q2 weaker product mix
- Lower volumes in North America and CIS
- Higher selling prices holding up-well more than covering raw materials inflation
- Positive perimeter effect mainly driven by Lexmark integration



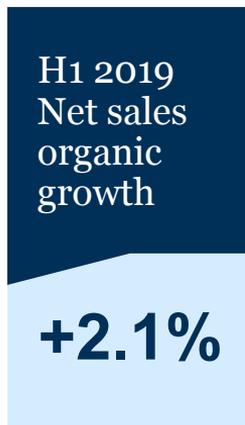
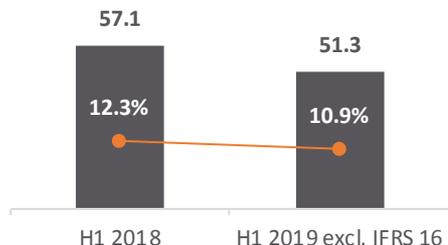
EMEA H1 2019

in €m

Net Sales



Adjusted EBITDA and Margin Evolution

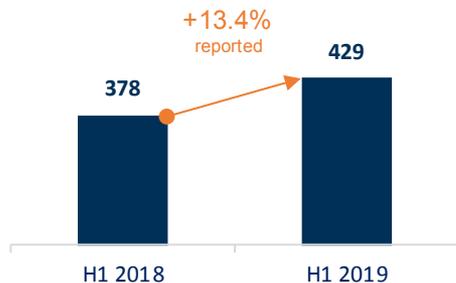


- **Slowdown in organic growth in Q2** on the back of a lower number of working days and tougher market conditions
- **Reverse swing in the UK after a solid Q1** driven by inventory built up in anticipation of Brexit
- **Solid growth** in Nordics, the Netherlands and in Middle-East
- **Further growth in LVT products** and improved demand for commercial carpet outside the UK
- **EBITDA Margin contraction** driven by low productivity and a mixed Q2 performance

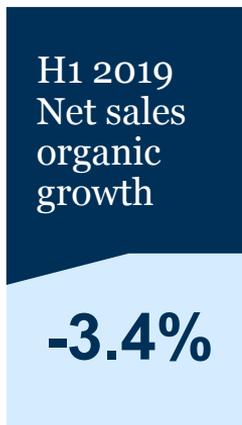
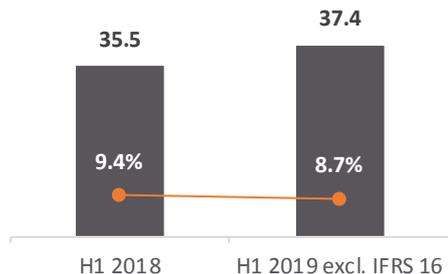
North America H1 2019

in €m

Net Sales



Adjusted EBITDA and Margin Evolution

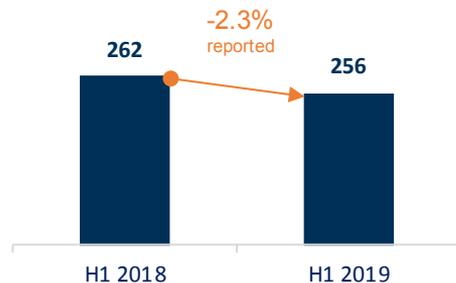


- **Negative mix effect and lower volumes**
- **Residential activity under pressure** amid softer US housing market
- **Continuous growth in rubber & accessories;** capacity expansion to support future growth
- **Selling prices** more than offsetting raw material and freight inflation
- EBITDA Margin penalized by one-off inventory impairment (€4.7m)

CIS, APAC & Latin America H1 2019

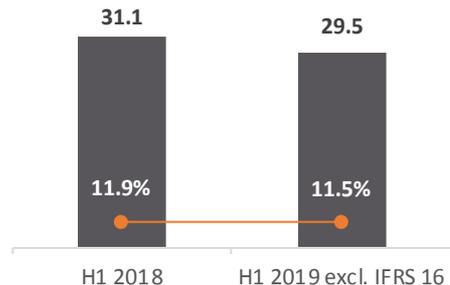
in €m

Net Sales



- Positive lag effect reflecting **good pricing management**
- **Soft organic growth** in Russia
- **Solid pricing power** in **Latin America**
- APAC performance impacted by weaker demand in India and South East Asia
- Stable margin owing to selling price and good level of productivity

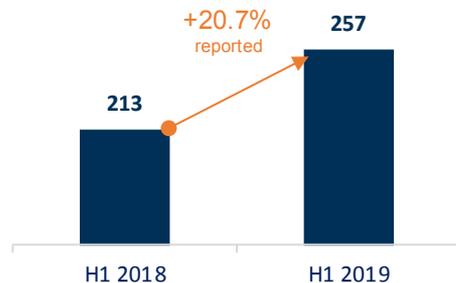
Adjusted EBITDA and Margin Evolution



Sports H1 2019

in €m

Net Sales



Adjusted EBITDA and Margin Evolution



- **Solid growth driven by turf activities**
- Increased share of turnkey projects generated by turf growth
- **Solid order backlog in tracks and hybrid**, but several delayed projects in Q2 due to abnormally wet spring
- **Positive forex effect** driven by US\$ appreciation vs €

EBIT

in €m

	H1 2019 Reported	H1 2019 excl. IFRS16	H1 2018
Net Sales	1,412.3	1,412.3	1,317.3
Adjusted EBITDA	126.7	111.8	116.1
<i>% of net sales</i>	<i>9.0%</i>	<i>7.9%</i>	<i>8.8%</i>
Depreciation and amortization	(76.6)	(62.4)	(58.1)
Adjusted EBIT	50.0	49.4	57.9
<i>% of net sales</i>	<i>3.5%</i>	<i>3.5%</i>	<i>4.4%</i>
Adjustments to EBIT	(17.0)	(17.0)	(9.5)
EBIT	33.1	32.4	48.4
<i>% of Net Sales</i>	<i>2.3%</i>	<i>2.3%</i>	<i>3.7%</i>



- Increased restructuring resulting from footprint optimization and other cost initiatives

€m	H1 2019	H1 2018
Restructuring	(13.3)	(5.6)
Gain/losses on asset sales/impairment	(0.4)	(0.3)
Business combinations	0.1	(0.8)
Shared-based compensation	(2.0)	(2.1)
Others	(1.5)	(0.8)
TOTAL ADJUSTMENTS TO EBIT	(17.0)	(9.5)

Net income

in €m

	H1 2019 Reported	H1 2019 Excluding IFRS 16	H1 2018
EBIT	33.1	32.4	48.4
% <i>net sales</i>	2.3%	2.3%	3.7%
Financial income and expenses	(19.7)	(17.7)	(11.7)
Profit before income tax	11.9	13.2	37.1
Income tax	(3.8)	(3.8)	(8.0)
Effective tax rate	28.2%	28.2%	21.9%
Net profit	8.1	9.4	29.1
Net profit attributable to owners of the Company	7.7	9.1	28.7
Basic earnings per share	0.12	0.12	0.45

- **IFRS 16 impact on EBIT: +€0.7m**
- **Higher financial charges:**
 - Higher interest paid versus last year, resulting from the increased level of debt following Lexmark acquisition
 - Impact IFRS 16 increased financial expenses by €1.9 million
- **Effective tax rate of 28.2%**
 - Up versus H1 2018 (21.9%) which included a favorable conclusion of tax litigation in Canada

Free Cash Flow

in €m

	H1 2019	H1 2018
Operating cash flow before working capital changes excl. payment for lease liabilities	117.1	107.1
Payment of lease liabilities	(15.3)	(0.4)
Operating cash flow before working capital changes incl. payment for lease liabilities ⁽¹⁾	101.8	106.7
Change in working capital	35.4	(118.7)
Net interest paid	(21.0)	(9.4)
Net taxes paid	(11.6)	(8.2)
Miscellaneous operational items paid	(4.6)	(2.0)
Acquisitions of intangible assets and property, plant and equipment	(58.0)	(52.3)
Proceeds from sale of property, plant and equipment	(0.5)	0.8
Free Cash Flow	41.5	(83.1)

(1) 2018 only includes payments for finance leases; 2019 includes payments for all leases

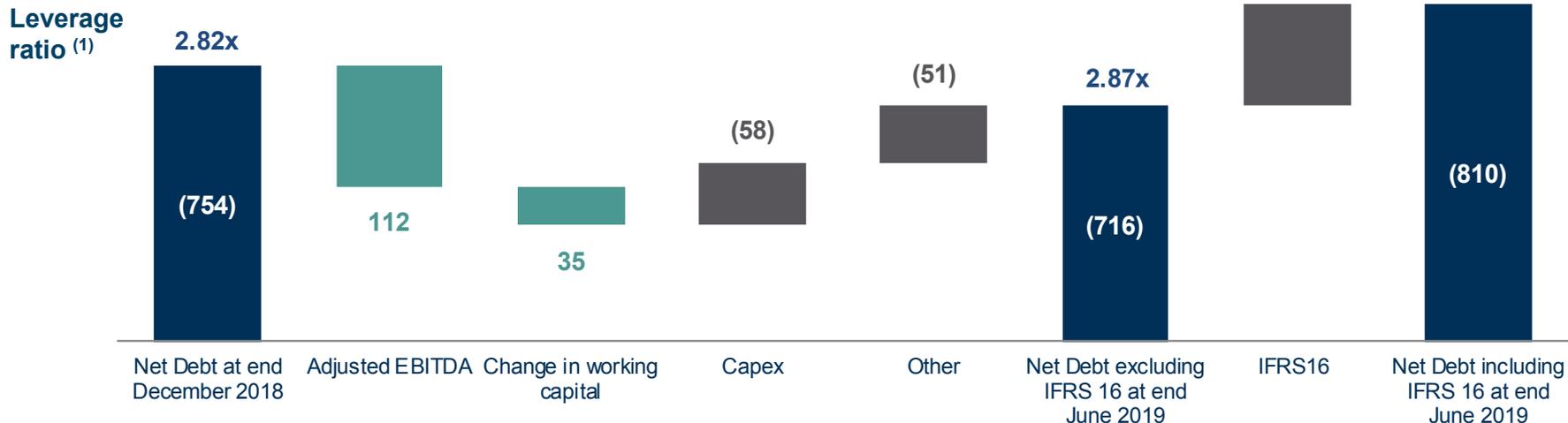
- **Positive working capital change**
 - Extension of the factoring program in Q2
 - Tight management of inventory and account payables

- **Increase of Capex (4,1% of net revenues) in line with expectations:**
 - Productivity through automation
 - Increased capacity in growing LVT products
 - Installation of a new wood line in Russia

- **Increased interest cash out:**
 - Higher interest due to increased debt level
 - Including €3m of refinancing transaction fees

Net Debt

H1 2019, in €m



- Working capital reduction : +€35m contribution to cash flow
 - Factoring, tight management of inventories and payables
- Other : interests & bank fees (-€26m), taxes (-€12m), restructuring (-€4m)

(1) Net Debt / Adjusted EBITDA proforma.

A modern office interior featuring a vibrant, multi-colored geometric carpet in shades of yellow, pink, and grey. Large, white, dome-shaped pendant lights hang from the ceiling. In the background, there is a curved reception desk and a large glass wall. The overall atmosphere is bright and contemporary.

2019 Outlook & Mid-term Objectives

Fabrice Barthélemy
CEO

Outlook

- **2019 Market Outlook**
 - Business environment to remain soft
 - Healthy order backlog in Sports
 - Persistent purchasing costs inflation
- **Tarkett key priorities for 2019**
 - Restore profitability
 - Further reduce net debt level and improve leverage
- **Deployment of Change to Win strategic plan to improve mid-term profitability and durably grow**



Sustainable Growth

Organic
CAGR⁽¹⁾
2018-2022

**> GDP
growth⁽²⁾
in key regions**

Profitability Improvement

Adj. EBITDA
Margin⁽³⁾

**> 12.0%
by 2022**

Leverage

Net Debt to
Adj. EBITDA⁽³⁾

**1.6x to 2.6x
at each year
end over the
period**

(1) CAGR : Compounded annual growth rate

(2) GDP growth for Europe, North America and CIS, as measured by IMF

(3) Post IFRS 16 application, new accounting norm on leases



Q&A Session

Fabrice Barthélemy
CEO



Appendices

Global flooring market

Flooring market is growing more or less in line with GDP growth, with specificities by region and product

Flooring market (excluding ceramics) is ~75% exposed to renovation

Flooring market is a very traditional industry where customers value reputation and long-term relationships

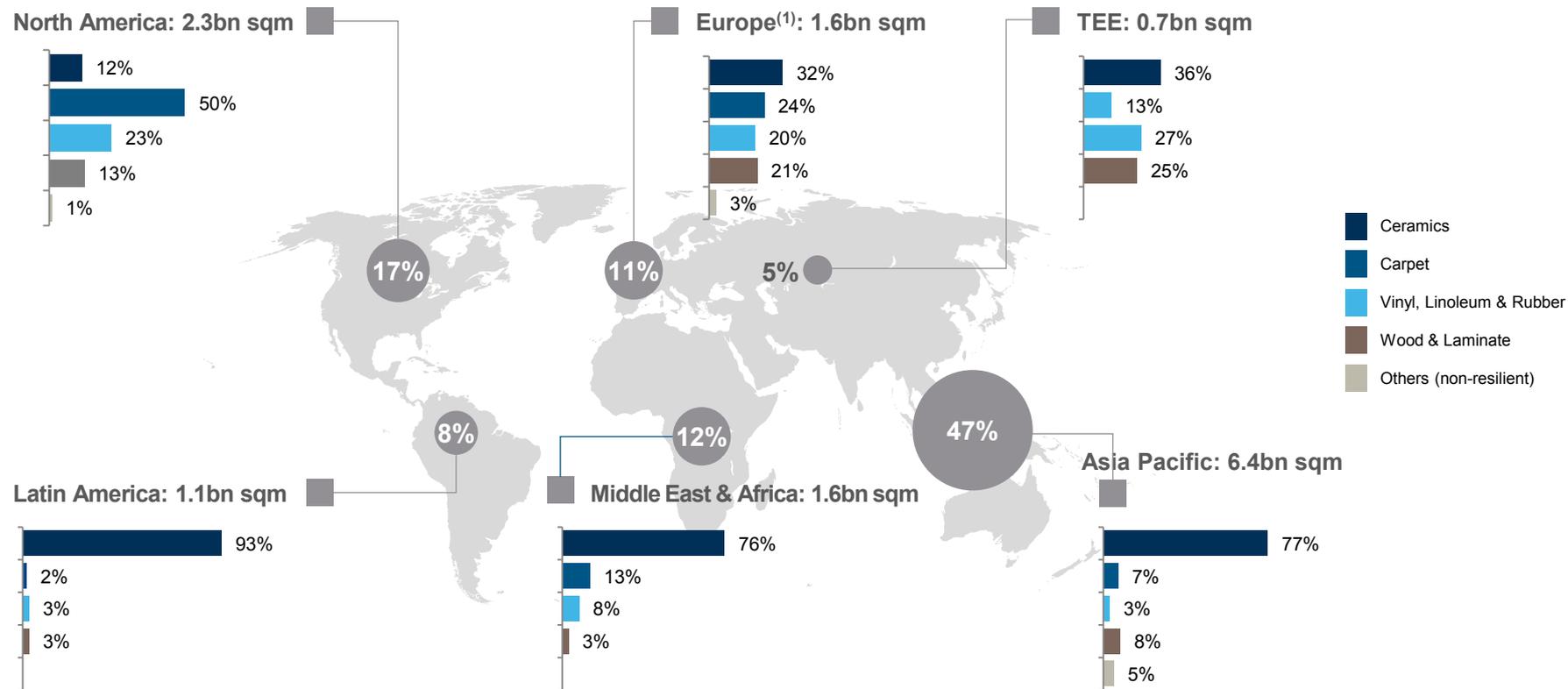
World flooring market = 13.7bn sqm⁽¹⁾



Source: Tarkett estimate (World Flooring Report – July 2019)

(1) 2018 breakdown of volume demand by product excluding Turkey. Addressed demand is the percentage of Demand of Core Categories to Total Demand

An overview of the World Flooring Market 2018

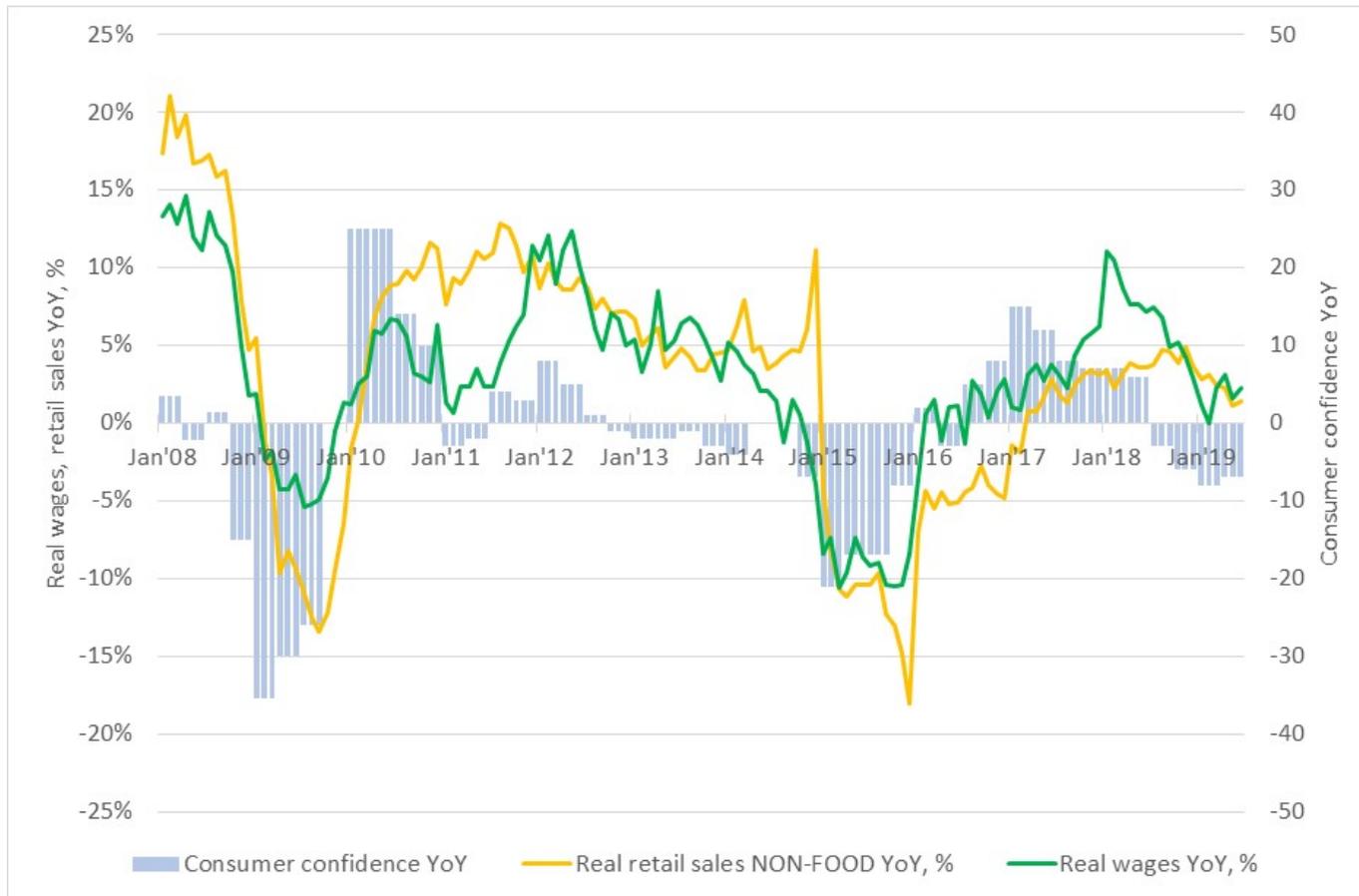


Source: Tarkett estimate (World Flooring Report – June 2019)

⁽¹⁾ Excluding Turkey

Tarkett - H1 2019 Financial Results - July 24, 2019

Russia: consumer confidence, real retail sales and real wages



Source: Rosstat.

Tarkett - H1 2019 Financial Results - July 24, 2019

Strong liquidity and extended maturity

in €m

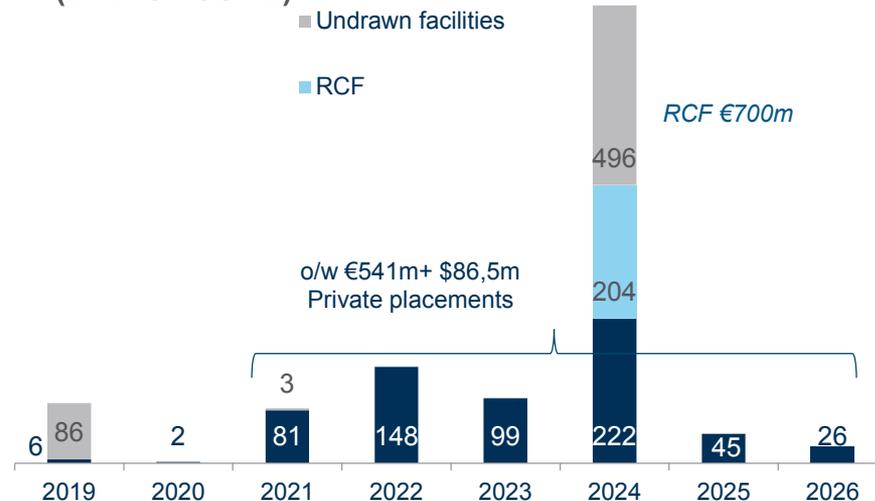
REVOLVING CREDIT FACILITY (RCF) SUCCESSFUL REFINANCING AT LOWER COST

- Completed on May 24 2019
- Strong support from banks with
- Improved terms and cost versus 2015 RCF

SUCCESSFUL REFINANCING OF SELECTED TRANCHES OF PRIVATE PLACEMENT

- Completed on June 21 2019
- Floating tranches of 2016 Schuldschein (SSD) with maturities in 2021 and 2023

MATURITY OF AVAILABLE CREDIT LINES (END OF JUNE)



(1) Adjusted EBITDA: adjustments include expenses such as restructuring, acquisitions and share-based payment expenses.

Liquidity snapshot

As of June 30, 2019

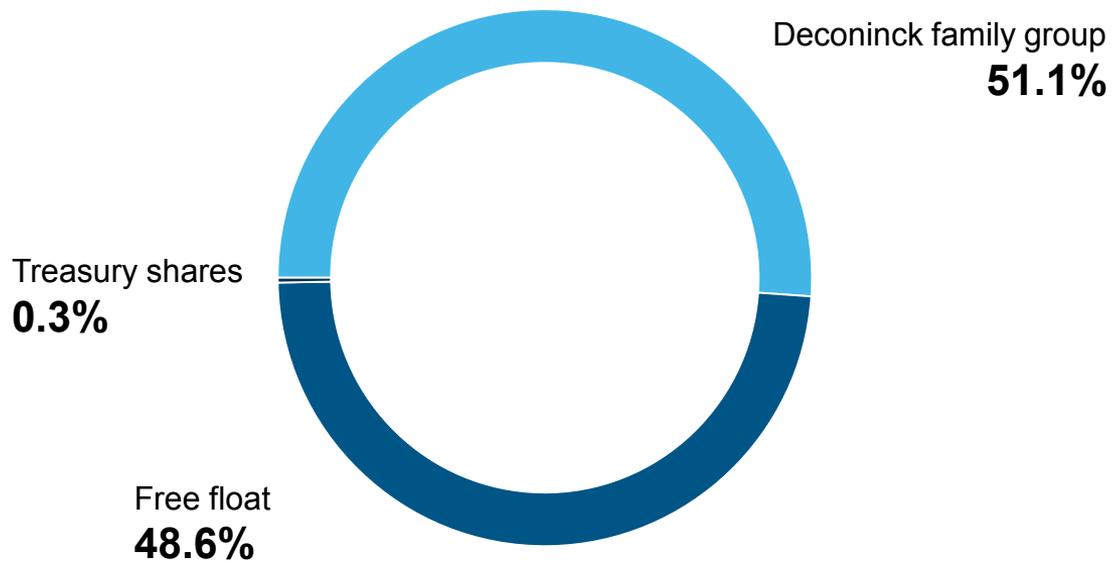
In €m

	Utilization	Credit Lines
Syndicated Facility (RCF)	204	700
Private Placement	617	617
Asset-backed financing	0	0
Other	11	101
Total Borrowings (without IFRS16 rental debt)	832	1,418
Cash and cash equivalent	(120)	
Net Debt	712	

Note: Figures excluding IFRS 16; factoring is off balance sheet and thus not reported in this table.

Shareholder composition

As of July 4, 2019



Consolidated Income Statement

In €m

	H1 2019	H1 2018
Net sales	1,412.3	1,317.3
Cost of sales	(1,084.9)	(995.8)
Gross profit	327.4	321.5
Other operating income	7.2	5.8
Selling and distribution expenses	(178.5)	(162.6)
Research and development expenses	(18.1)	(19.9)
General and administrative expenses	(93.3)	(89.1)
Other expenses	(11.6)	(7.3)
Result from operating activities	33.1	48.4
Financial income	0.7	0.4
Financial expenses	(20.4)	(12.1)
Net finance costs	(19.7)	(11.7)
Share of profit on equity accounted investees (net of income tax)	(1.5)	0.4
Profit before income tax	11.9	37.1
Income tax expense	(3.8)	(8.0)
Profit for the period	8.1	29.1
Attributable to owners of the Company	7.7	28.7
Attributable to non-controlling interests	0.4	0.4

Consolidated Cash Flow Statement

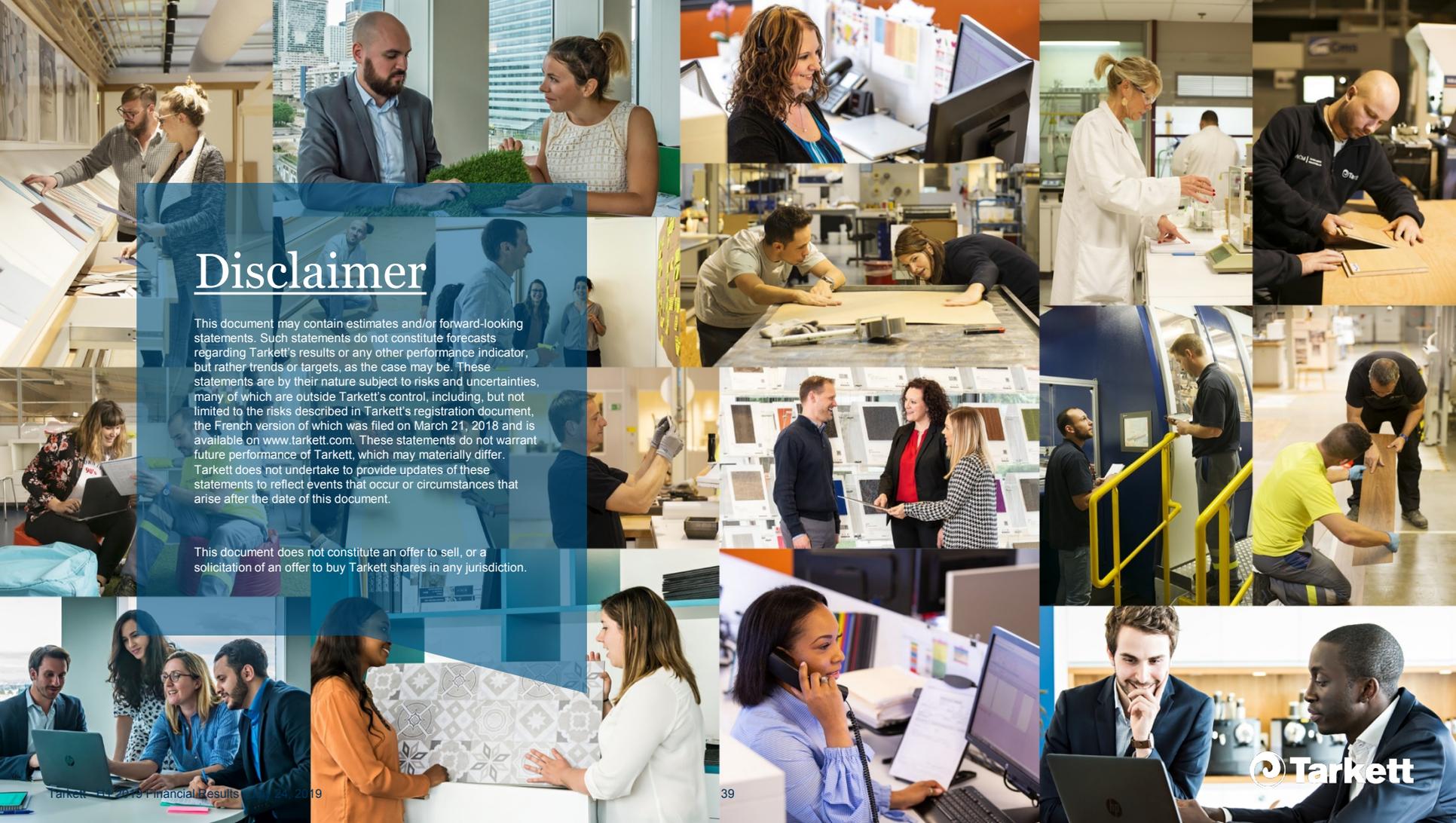
In €m

	H1 2019	H1 2018
Net profit before tax	11.9	37.1
Depreciation, financial expenses and other	105.2	70.0
Operating profit before working capital changes	117.1	107.1
Effects of changes in working capital	35.4	(118.7)
Cash generated from operations	152.6	(11.6)
Other operating items	(37.2)	(19.6)
NET CASH FROM OPERATING ACTIVITIES	115.3	(31.2)
Acquisition of subsidiaries net of cash acquired	(2.3)	(10.0)
Acquisition of property, plant and equipment	(58.0)	(52.3)
Others	(0.5)	0.8
NET CASH FROM INVESTING ACTIVITIES	(60.8)	(61.5)
Acquisition of non-controlling interests	0.0	0.0
Proceeds from loans and borrowings	477.8	121.6
Repayment of loans and borrowings	(493.1)	(39.0)
Payment of lease liabilities	(15.3)	(0.4)
Acquisition of treasury shares	(0.0)	(4.9)
Dividends paid	0.0	0.0
NET CASH FROM FINANCING ACTIVITIES	(30.4)	77.3
Net increase (decrease) in cash and cash equivalents	24.1	(15.4)
Cash and cash equivalents, beginning of period	95.7	114.7
Effect of exchange rate fluctuations on cash held	0.1	(0.5)
Cash and cash equivalents, end of period	119.9	98.7

Consolidated Balance Sheet

In €m

	June 30,2019	December 31, 2018	June 30,2019	December 31, 2018
ASSETS				
Goodwill	641.5	662.0		
Intangible assets	159.4	133.3		
Property, plant and equipment	606.0	514.8		
Financial assets	24.2	24.1		
Deferred tax assets	94.8	76.6		
Other non-current assets	-	-		
Non-current assets	1,525.9	1,410.8		
Inventories	487.0	449.3		
Trade receivables	372.5	350.5		
Other receivables	92.1	84.1		
Cash and cash equivalent	119.9	95.7		
Current assets	1,071.5	979.6		
TOTAL ASSETS	2,597.4	2,390.4		
EQUITY AND LIABILITIES				
Share capital	318.6	318.6		
Share premium and reserves	145.8	145.8		
Retained earnings	294.6	290.9		
Net result for the year	7.7	49.3		
Equity attributable to equity holders	766.7	804.6		
Minority interest	2.6	2.4		
Total equity	769.3	807.0		
Interest-bearing loans and borrowings	900.4	839.1		
Other financial liabilities	5.2	4.1		
Deferred tax liabilities	37.3	35.7		
Employee benefits	139.9	129.8		
Provisions and other non-current liabilities	43.7	46.4		
Non-current liabilities	1,126.5	1,055.1		
Trade payables	382.2	283.6		
Other liabilities	203.1	193.1		
Interest-bearing loans and borrowings	29.9	10.2		
Other financial liabilities	42.4	10.0		
Provision and other current liabilities	44.0	31.4		
Current liabilities	701.6	528.3		
TOTAL EQUITY AND LIABILITIES	2,597.4	2,390.4		



Disclaimer

This document may contain estimates and/or forward-looking statements. Such statements do not constitute forecasts regarding Tarkett's results or any other performance indicator, but rather trends or targets, as the case may be. These statements are by their nature subject to risks and uncertainties, many 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, 2018 and is available on www.tarkett.com. These statements do not warrant future performance of Tarkett, which may materially differ. Tarkett does not undertake to provide updates of these statements to reflect events that occur or circumstances that arise after the date of this document.

This document does not constitute an offer to sell, or a solicitation of an offer to buy Tarkett shares in any jurisdiction.