



Q1 2019 Financial Results

April 25, 2019



Agenda

- Q1 2019 Highlights
- Q1 2019 Financial Results
- Conclusion
- Appendices

A modern living room with light-colored wood-look laminate flooring. Two dark brown sofas with various patterned and solid-colored cushions are positioned on either side of a low, light-colored coffee table. Large floor-to-ceiling windows in the background offer a view of a lush green courtyard with bamboo and other plants. The walls are made of white-painted brick.

Q1 2019 Key Highlights

Fabrice Barthélemy
CEO

Q1 2019 highlights

- Sustained net revenues (€625m), up 10% YoY reflecting robust organic growth⁽¹⁾, integration of Lexmark and positive forex impact
- Sound organic growth⁽¹⁾ of +3.7%, o/w 1.4% contribution from selling price increases
 - Revenue growth driven by EMEA (+5.8%) & Sports (+19.4%)
- Selling price increases secured in 2018 fully offsetting persistent inflation of raw material and freight costs
- Adjusted EBITDA⁽²⁾ before IFRS 16 at €36m with margin of 5.7%, i.e. +50bps vs Q1 2018
 - Q1 reported Adjusted EBITDA ⁽²⁾ at €43m with margin of 6.9%
- Industrial footprint review progressing with an optimization plan of North American operations announced in April

(1) Organic growth is the revenue growth on a like-for-like basis, i.e. at constant scope of consolidation and exchange rates, and therefore reflects only change in volumes, mix and prices (Note: in the CIS, price increases implemented in order to offset currency fluctuations are not included in organic growth)

(2) Adjusted EBITDA: Adjustments include expenses related to restructurings, acquisitions, and share-based payment expenses.

Focus on ongoing industrial footprint review

3 sites closures announced in Q1

Laminate
Park JV⁽¹⁾
EMEA

- 230 people
- Unprofitable product category in EMEA
- Overcapacity on the market
- Significant capex avoidance

Waterloo
Accessories
North
America

- 70 people
- Consolidation on one site in Ohio
- Savings on fixed costs and logistics

Truro
Carpet
North
America

- 240 people
- Transfer to Lexmark facility in Georgia
- Savings on fixed costs and logistics

→ Restructuring cost expected ~€25m in 2019

→ Full year savings ~€10m – 2019 first gains already included in productivity target

(1) Joint venture – Financial results not reported in Adjusted EBITDA but in Profit of equity accounted investees

2019 priorities

Profitability improvement and deleveraging

Selling price management

- 2018 price increases are sticking
- Proactive management in selected areas

Productivity

- North American sites recovering progressively
- Automation plan being rolled-out

Industrial footprint

- EMEA Laminate factory closure well on track
- Close monitoring of North America footprint projects

Deleveraging

- Working capital optimization
- Tight control of Capex
- Scrip dividend option

A modern office interior with a large, colorful patchwork carpet. The room features a high ceiling with exposed black metal beams and hanging lights. In the background, there are wooden bookshelves filled with books and decorative items. A large window on the right side of the room is covered with white curtains. The foreground shows a blue sofa and a small round table with a plant.

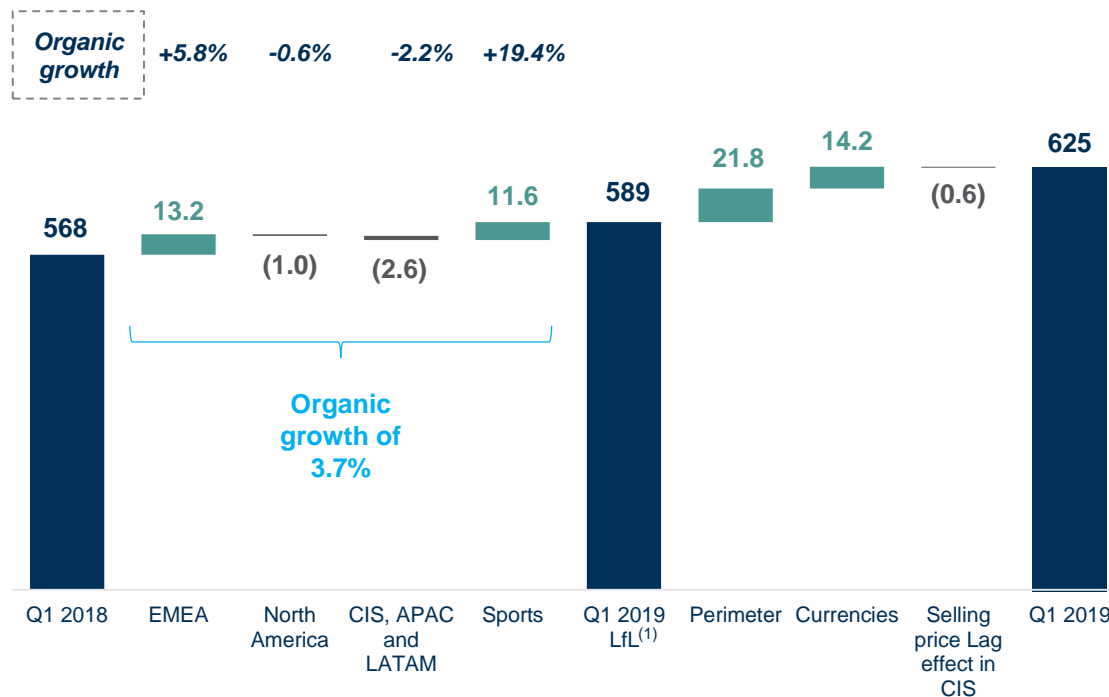
Q1 2019 Financial Results

Raphaël Bauer
CFO

Solid organic growth in Q1 2019: +3.7%

in €m

- **EMEA** growth boosted by a rebound effect in several countries vs. Q1 2018
- **Sports** growth remaining rapid and strong
- **North America** slow start offset by selling price effect
- **CIS** still down but improving
LATAM strong growth, particularly in Brazil
- Positive forex impact mostly driven by US\$ appreciation

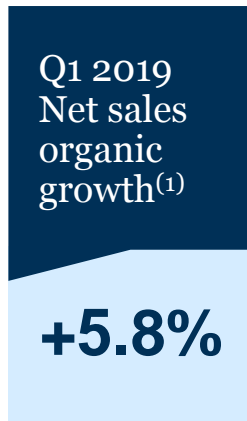
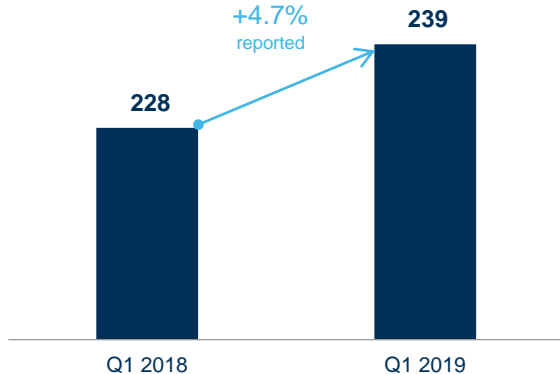


(1) Like for Like: At same perimeter and exchange rates. (NB: In the CIS, price increases implemented to offset currency fluctuations are not included in the organic growth. Organic growth in the CIS therefore reflects volume and mix variances only).

EMEA Q1 2019

in €m

Net sales



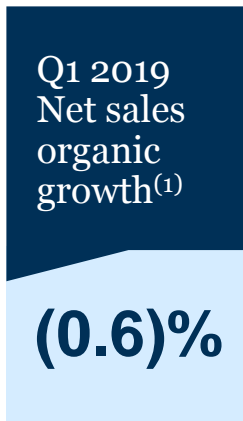
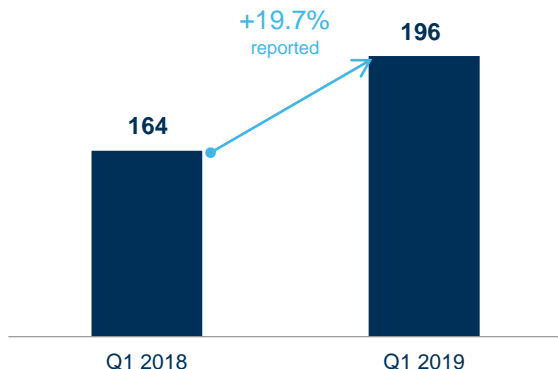
- **Robust organic growth** driven by growth in countries which underperformed in Q1 2018
- **Selling prices** successfully maintained and enhancing overall performance
- Stabilization of sales with a slight increase in **France**
- Significant sales increase in the **UK** and **Scandinavia** compared to low Q1 2018
- Positive trends in **Central Europe, Benelux, Spain** and **Italy**
- Sales down in **Turkey and Middle East** in an uncertain environment
- Growth recorded in **all product categories** with particularly strong **LVT** sales

(1) Organic growth: At same perimeter and exchange rates.

North America Q1 2019

in €m

Net sales



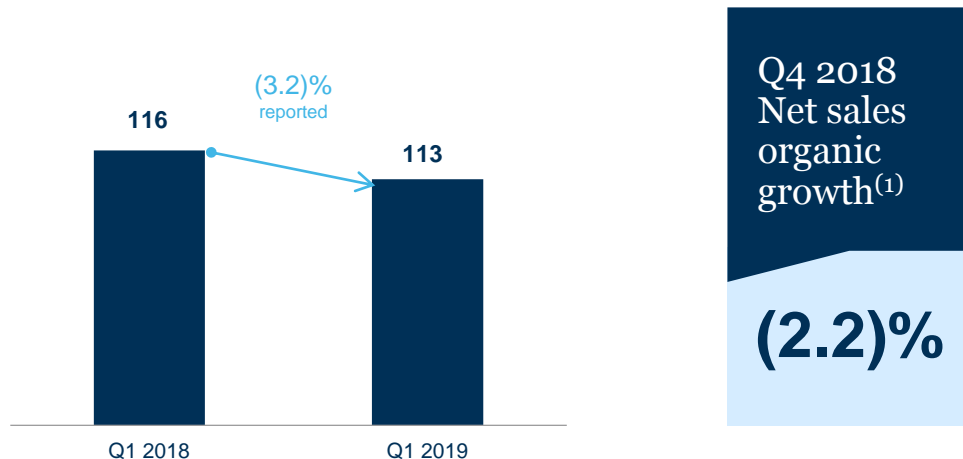
- Slight decrease in organic growth
- Significant selling prices increases, almost fully offsetting lower volumes
- Stabilization of the commercial carpet sales
- Resilient flooring sales slightly below LY levels after buoyant 2018
- Integration of Lexmark on track
- Positive forex impact on sales of €13m driven by the appreciation of the dollar versus the euro
- Productivity issues identified LY in 2 production sites being progressively resolved

(1) Organic growth: At same perimeter and exchange rates.
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CIS, APAC & Latam Q1 2019

in €m

Net sales



■ Russia & CIS

- > Volume decrease mitigated by mix improvement
- > Actions taken to neutralize adverse currency moves paying off
- > Weak rouble still weighted on Russian market conditions

■ Latin America

- > Dynamic sales
- > Buoyant demand in Brazil for LVT products

■ Asia-Pacific

- > Revenue growth in China
- > Lower sales in Australia and South-East Asia

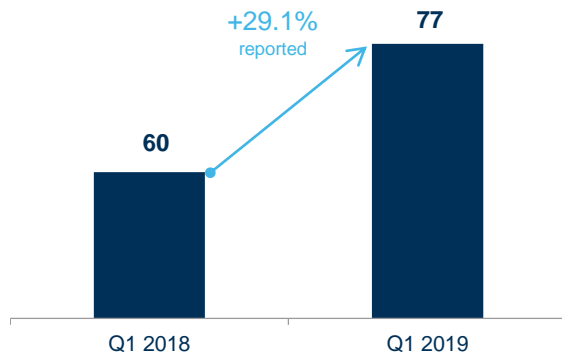
(1) Organic growth: At same perimeter and exchange rates.

(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).

Sports Q1 2019

in €m

Net sales



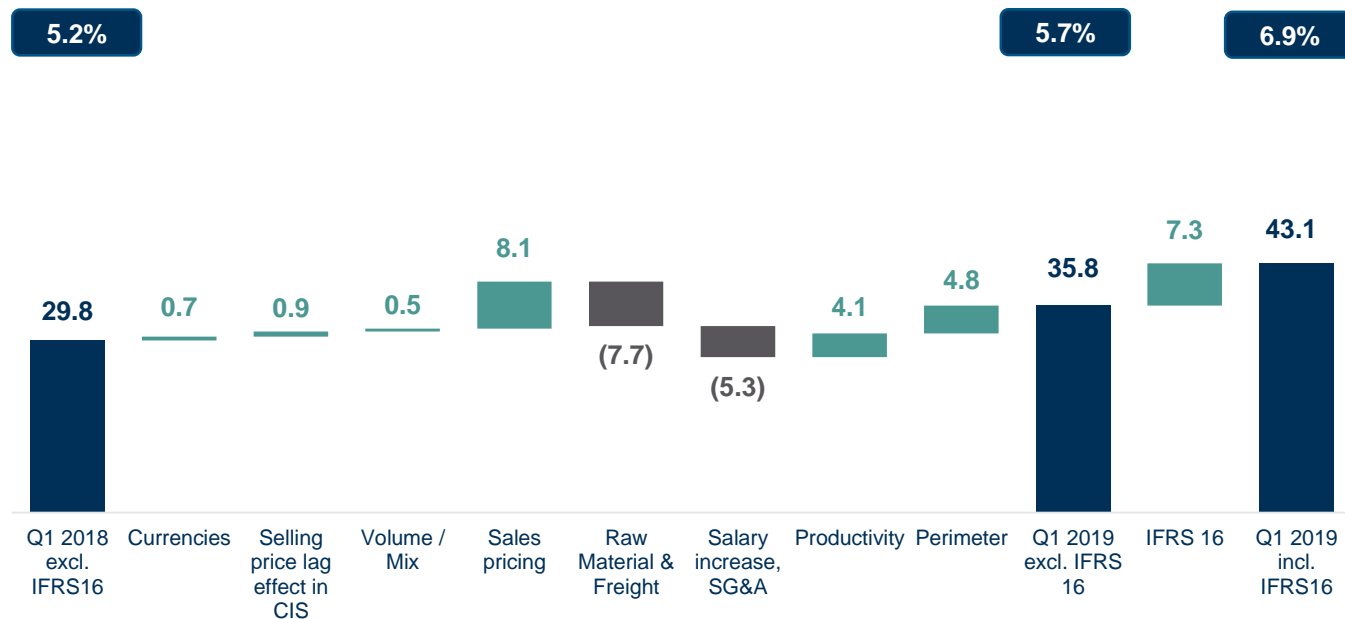
- **High rate of organic growth** in all regions, particularly in EMEA
- **Several flagship projects** ordered and installed
- Sales performance enhanced by **positive forex impact** mainly US\$-driven
- Strong growth in a traditionally low quarter due to segment's seasonality

(1) Organic growth: At same perimeter and exchange rates.

Q1 Adjusted EBITDA: improving trends

in €m

- **Selling price** increases sticking and fully offsetting material and freight inflation
- **Raw materials and freight costs** still inflationary during the quarter
- Sequential improvement in **productivity gains**
- **Perimeter contribution** mainly coming from Lexmark



Adj EBITDA⁽¹⁾ margin

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

IFRS 16 EBITDA impact by segment

In €m

- New norm IFRS 16 on leases is effective since 1st of January, 2019
 - **Assets leased are now recognized as fixed asset financed by financial debt**
- Estimates for Tarkett :
 - **+€100m in Net Financial Debt at end of March 2019**
 - **+€27m in Adjusted EBITDA in FY 2019**
- Estimated impact of IFRS 16 application on the adjusted EBITDA by segment in 2019:

€ 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
Group's estimated IFRS 16 impact for 2019	27

A modern office interior with glass walls and colorful seating. The scene is a long, bright hallway with glass partitions on the right and a reception area on the left. In the foreground, there are several modern, colorful armchairs in shades of orange, red, and blue. The floor is made of large, light-colored tiles. The ceiling has recessed lighting. The overall atmosphere is clean, professional, and contemporary.

Conclusion

Fabrice Barthélemy
CEO

2019 environment and Tarkett's priorities

- **2019 Market perspectives**
 - Group's expectations unchanged compared to February 2019
 - Persistent inflation of raw materials and freight costs
 - Full year raw material and freight impact estimated between €15m and €20m⁽¹⁾
- **Tarkett key priorities in 2019**
 - Restore profitability
 - Productivity gains and synergies ~€40m in 2019 (FY basis), with acceleration in H2 2019
 - Deleverage through tight cash management
 - Focus on cash generation

⁽¹⁾ Vs. 2018



Appendices

Sales and adjusted EBITDA performance Q1

Sales performance by quarter

€m	Q1 2019	Q1 2018	% growth	Organic Growth ⁽¹⁾
EMEA	239.0	228.3	+4.7%	+5.8%
North America	195.8	163.5	+19.7%	(0.6)%
CIS, APAC & LATAM	112.5	116.3	(3.2)%	(2.2)%
Sports	77.2	59.8	+29.1%	+19.4%
TOTAL	624.5	567.9	+10.0%	+3.7%

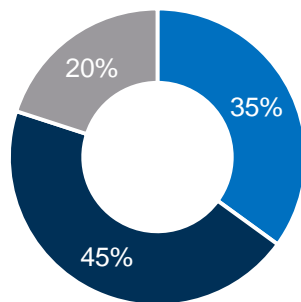
€m	Q1 2019	Q1 2018	Q1 2019 Margin	Q1 2018 Margin
Reported Adjusted EBITDA⁽²⁾	43.1	29.8	+6.9%	+5.2%

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

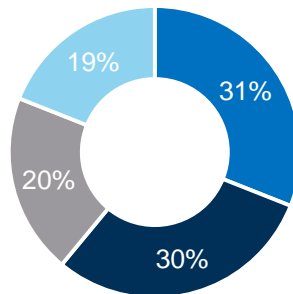
Tarkett benefits from balanced exposures

NET SALES BY GEOGRAPHIES



- EMEA (incl. Sport)
- North America (incl. Sports)
- CIS, APAC & LATAM

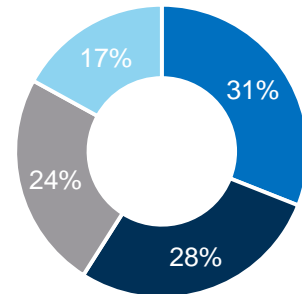
NET SALES BY REPORTING SEGMENTS



- EMEA
- North America
- CIS, APAC & LATAM
- Sports

A BALANCED PROFITABILITY PROFILE

Adjusted EBITDA⁽¹⁾ split by reporting segments



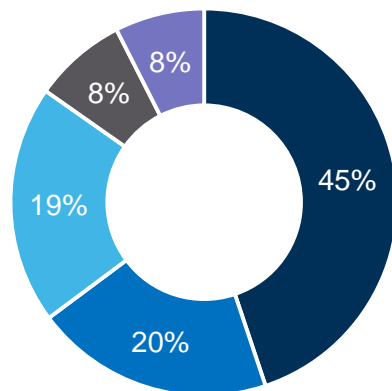
- EMEA
- North America
- CIS, APAC & LATAM
- Sports

Pro forma figures based on 2018 Net Sales and Adjusted EBITDA, i.e. including full year impact of 2018 acquisitions

(1) Adjusted EBITDA: adjustments include expenses related to restructurings, acquisitions, and share-based payment expenses. Excluding central costs.

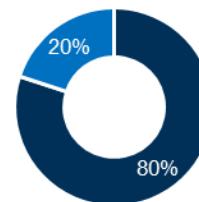
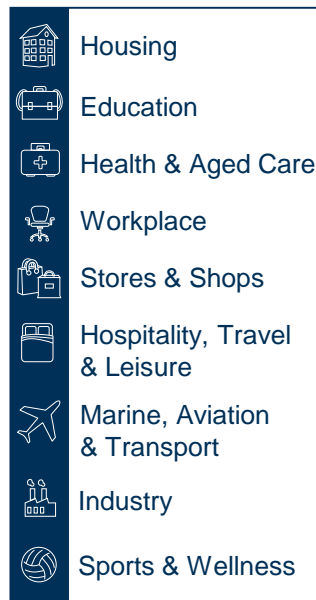
... and one of the broadest product offering providing resilience to industry cycles

ONE OF THE BROADEST PRODUCT PORTFOLIOS IN THE FLOORING INDUSTRY

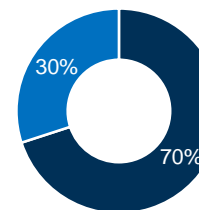


- Vinyl & Linoleum
- Commercial Carpet
- Sports
- Wood & Laminate
- Rubber & Accessories

ATTRACTIVE END-MARKETS EXPOSURE



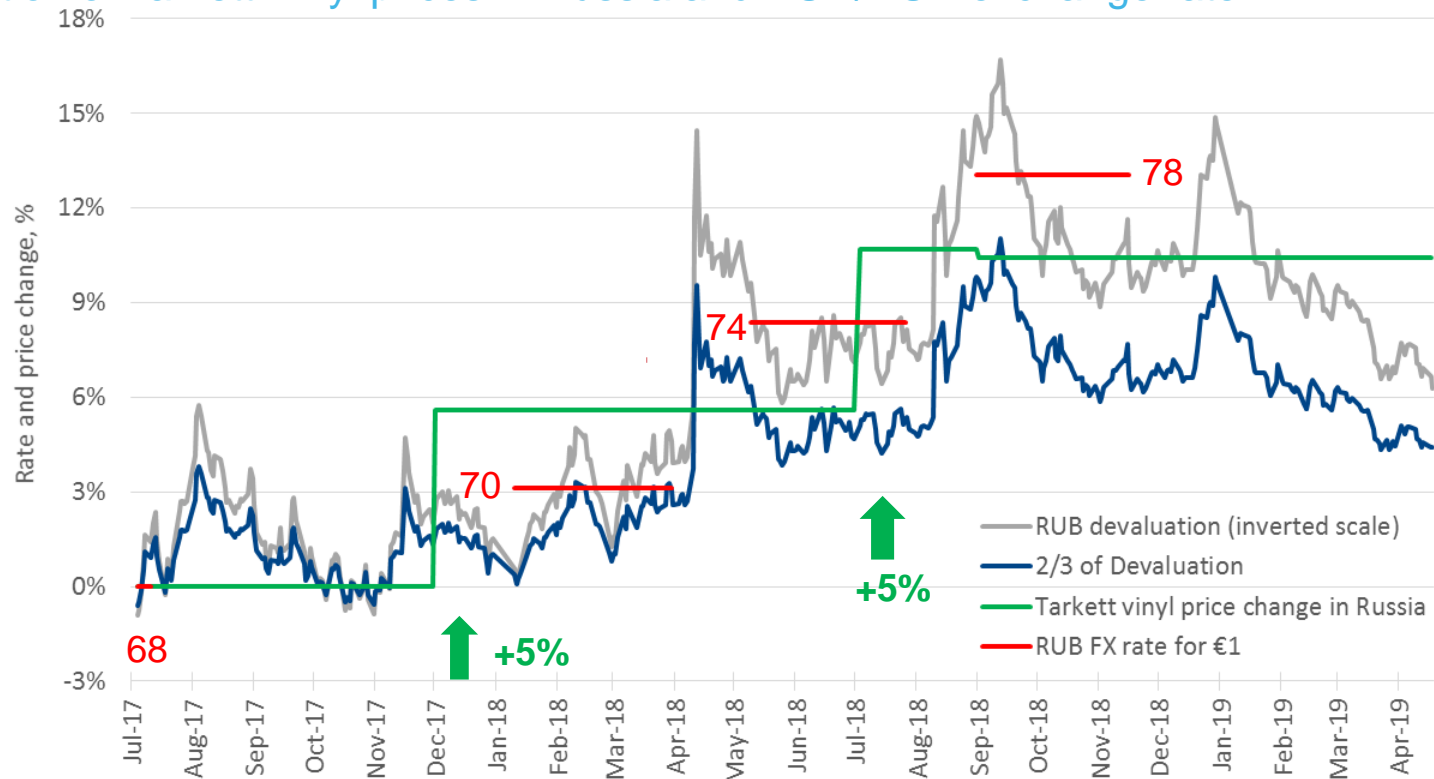
- Renovation
- New



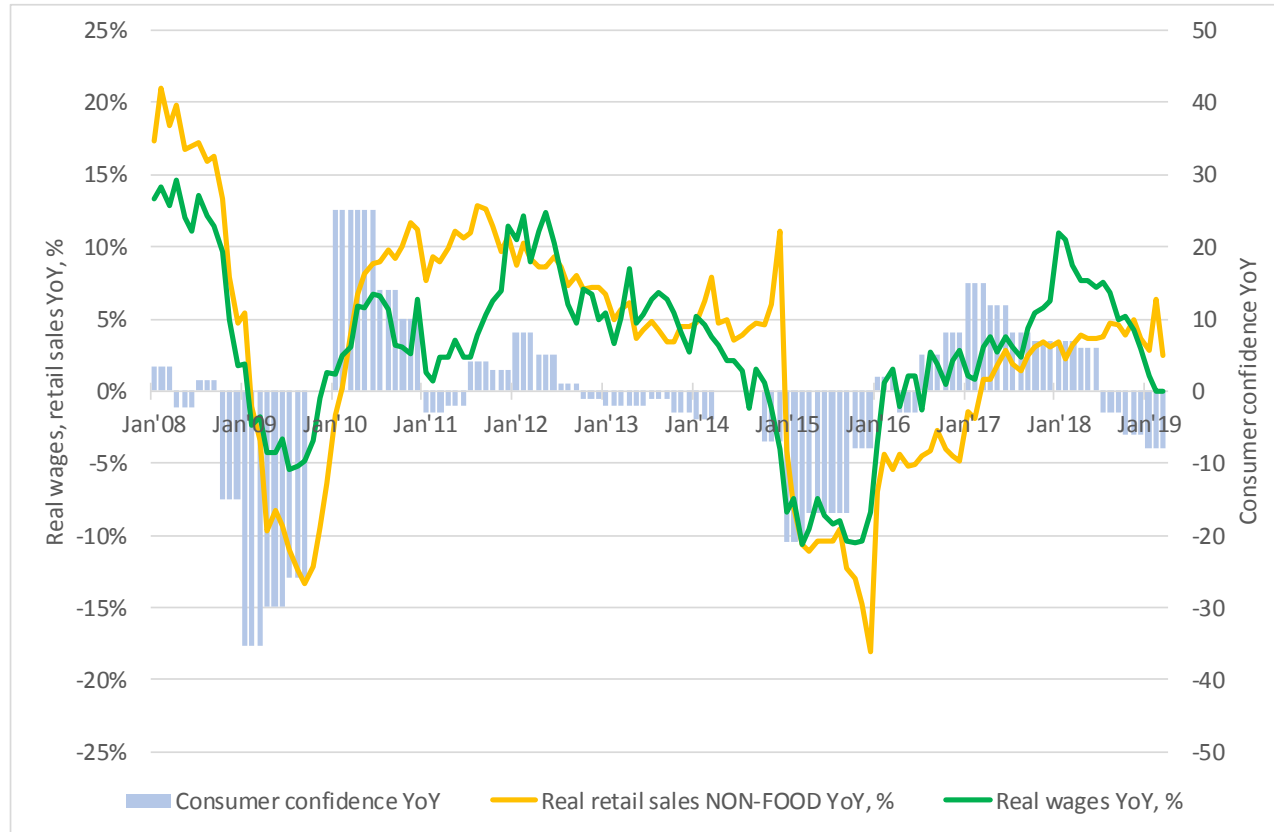
- Commercial
- Residential

Russia: Selling price strategy to adapt to the exchange rate evolution

Evolution of Tarkett Vinyl prices in Russia and EUR/RUB exchange rate



Russia: consumer confidence, real retail sales and real wages



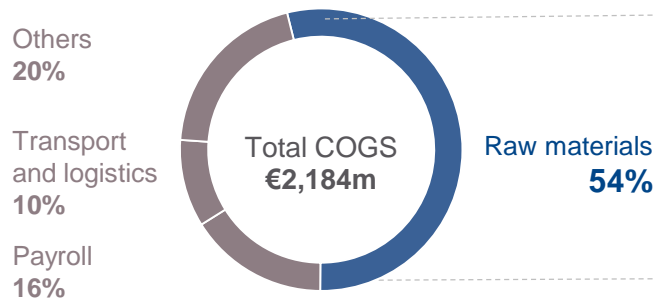
Source: Rosstat.

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Cost of goods sold and Raw materials details

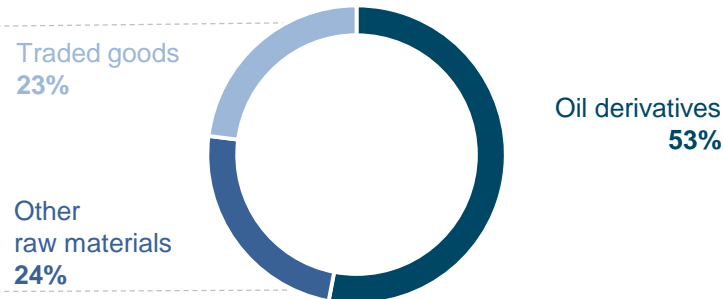
Based on FY 2018 results

COGS BREAKDOWN



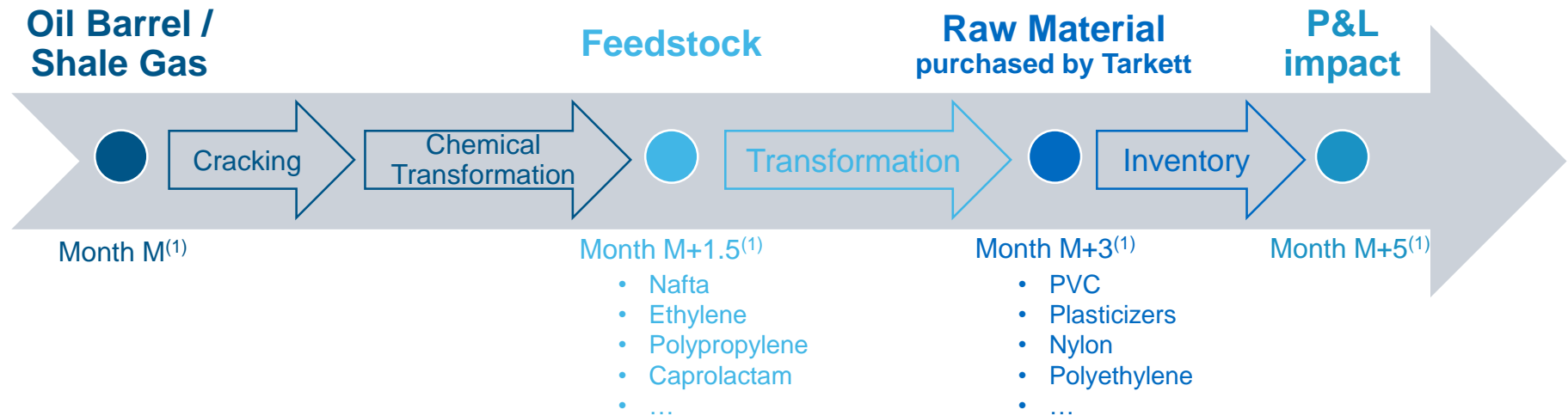
As of December 2018

MATERIAL CONSUMPTION DETAIL



As of December 2018

Key Oil Derivatives: Purchasing Price Drivers



> Oil barrel price impact raw materials price with a lag

- Pricing formulas have also a negotiated fixed part

> Other drivers of price evolution

• Offer/Production

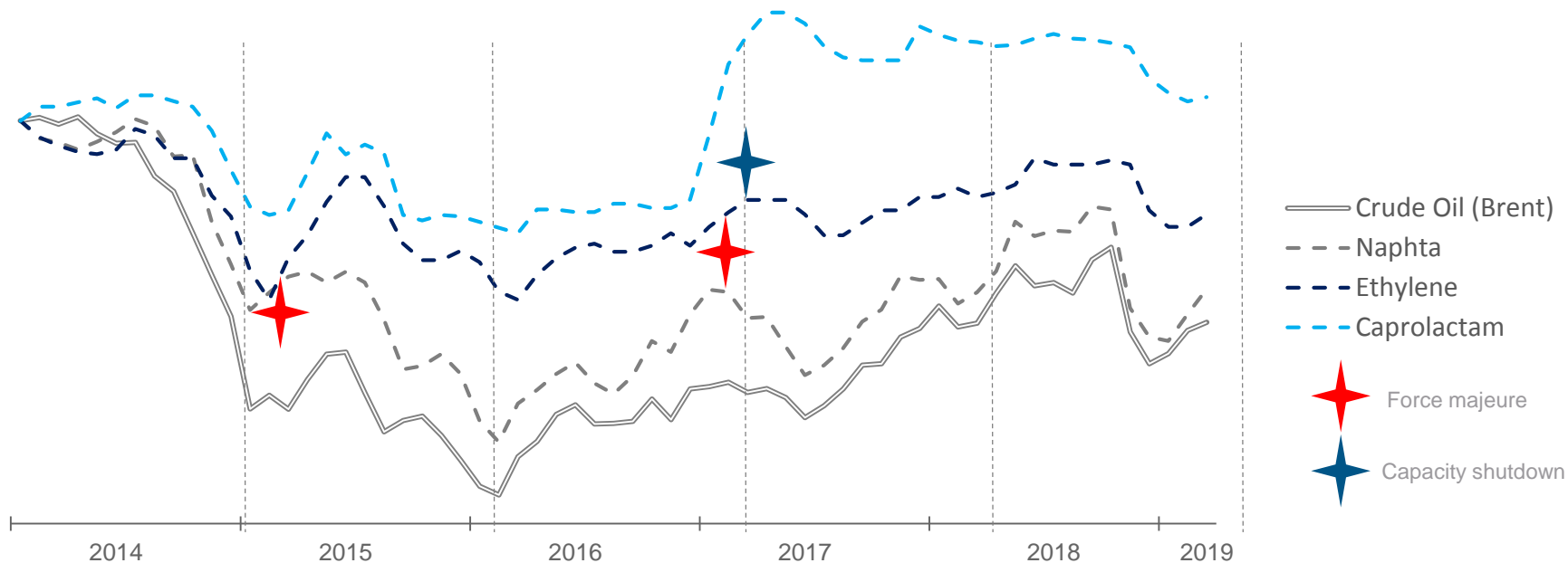
- ✓ “Force Majeure”: industrial accident, weather event (e.g.: Harvey hurricane, Rhine drought)
- ✓ Structural change in production capacity

- **Demand evolution**, also impacted by other industries (e.g.: automotive or textile)

(1) Indicative timeline for oil derivatives materials purchased by Tarkett. This may change depending on market conditions and negotiations.

Vinyl and carpet key oil derivatives⁽¹⁾ - Price evolution

Index Base 100 January 2014



(1) Selection of oil derivatives feedstock – Oil derivatives purchase represent 54% of Tarkett material cost.

Sources: IHS Markit, Tecnon OrbiChem, Tarkett

Tarkett – FY 2018 Financial Results – February 8, 2019

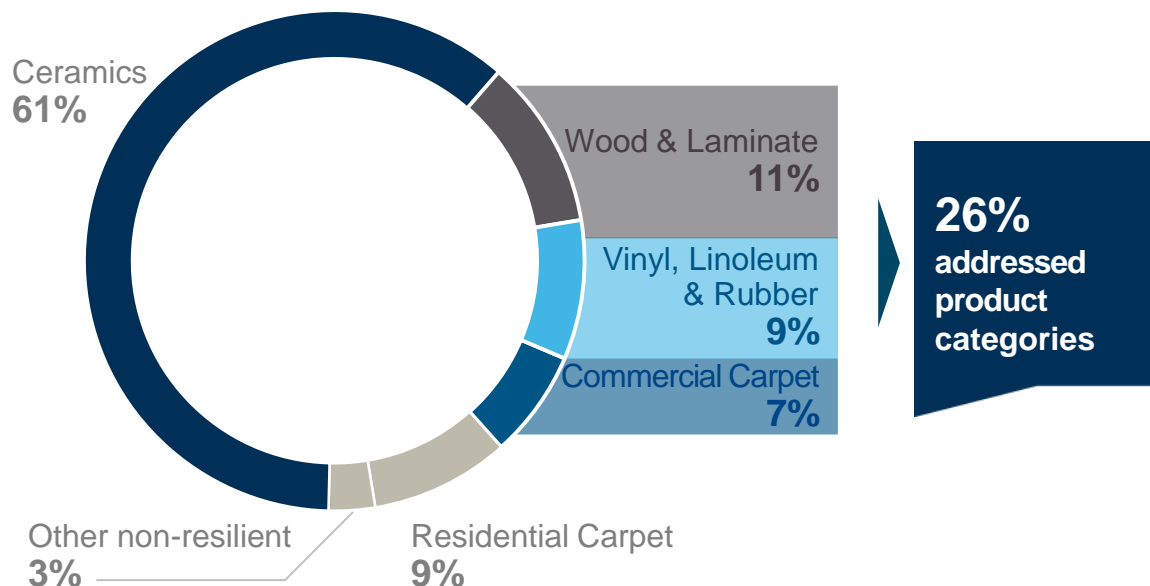
Global flooring market

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

Flooring market (excluding ceramics) is **~80%** exposed to **renovation**

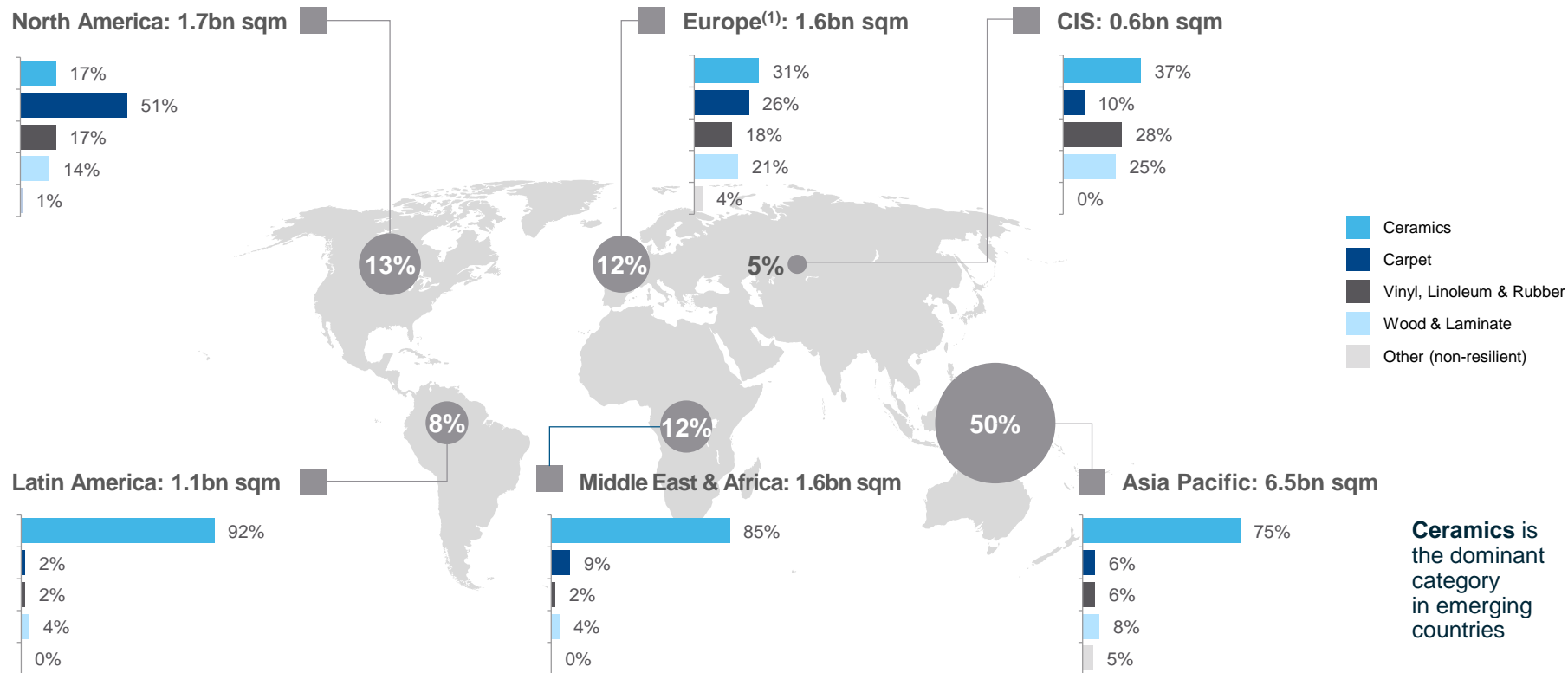
Flooring market is a **very traditional industry** where customers value **reputation** and **long-term relationships**

World flooring market = 13.1bn sqm⁽¹⁾



(1) 2016 breakdown of volume demand by product. Source: Tarkett estimate (World Flooring Report - July 2017).

Flooring preferred categories vary greatly across world





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.

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