

# Q3 2017 FINANCIAL RESULTS

October 25, 2017



# AGENDA

- > Q3 2017 Key Highlights
- > Q3 2017 Activity
- > Key Initiatives
- > Conclusion
- > Appendices





# Q3 2017 KEY HIGHLIGHTS

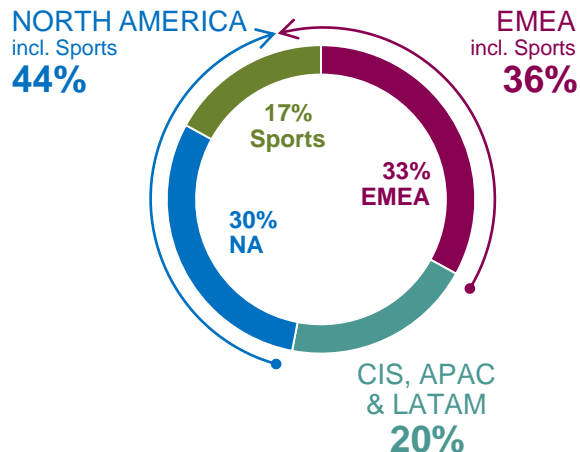
Glen Morrison

CEO

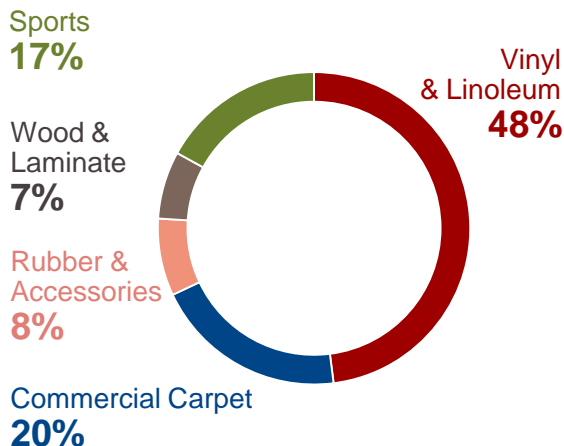
# Tarkett benefits from balanced exposures providing resilience to industry cycles

## BALANCED GEOGRAPHIC EXPOSURE

Sales in more than 100 countries



## ONE OF THE BROADEST PRODUCT PORTFOLIOS IN THE FLOORING INDUSTRY



## ATTRACTIVE END-MARKETS EXPOSURE

Commercial  
~70%

Residential  
~30%

Renovation  
~80%

New  
~20%

Figures based on 2016 Net Sales.

## Strong organic growth in Q3 2017

- > Net sales up 3.7% year-on-year at €824m, including organic growth of 6.1%<sup>(1)</sup>
- > Very strong organic growth in CIS, APAC & Latin America (+15.5%)<sup>(1)</sup> and Sports (+13.6%)<sup>(1)</sup>
- > EMEA (+2.9%)<sup>(1)</sup> remained well oriented
- > North America (-4.2%)<sup>(1)</sup> lower than expected, mainly due to commercial carpet
- > Adjusted EBITDA<sup>(2)</sup> of €101m (vs. €119m in Q3 2016) penalized by adverse raw material prices and currencies
- > Adjusted EBITDA margin at 12.3% (vs. 15.0% in Q3 2016)
- > Decision from the French Competition Authority for a penalty of €165m

(1) Organic growth: At constant scope of consolidation and exchange rates (Note: in the CIS, price increases implemented in order to offset currency fluctuations are not included in organic growth. As a result, organic growth reflects only changes in volumes and the product mix).

(2) Adjusted EBITDA: adjustments include expenses related to restructurings, acquisitions, and certain other non-recurring items.





# Q3 2017 ACTIVITY

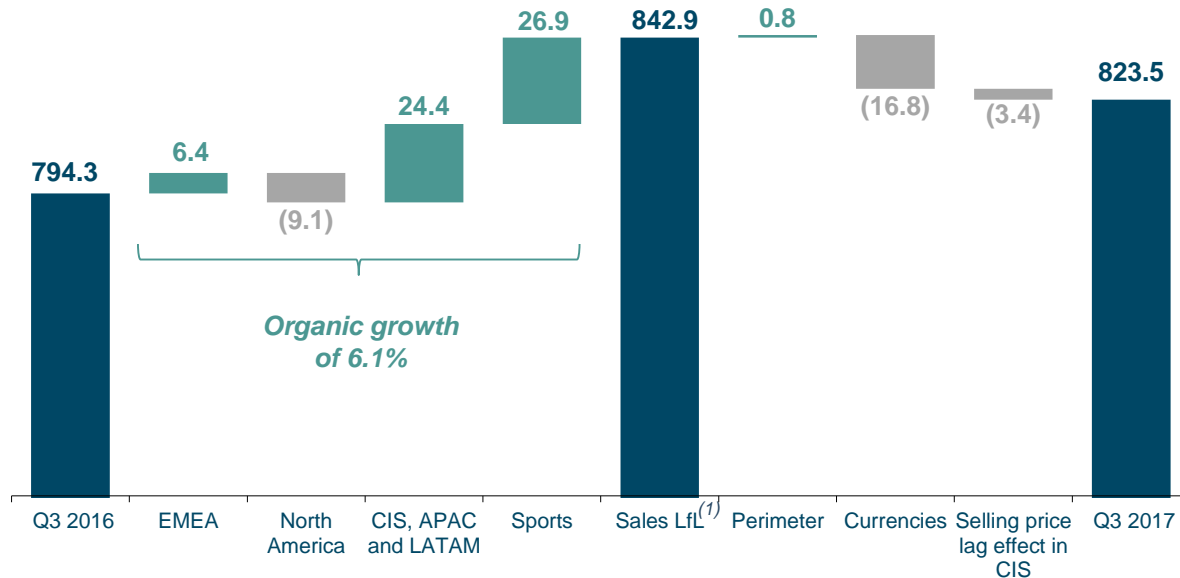
Raphaël Bauer

CFO

# Solid organic growth of +6.1%

- > Remarkable momentum in **CIS, APAC & Latam**
- > Good growth in **EMEA** and **Sports**
- > **North America** fell short of expectations
- > Negative impact from **currencies**

in €m

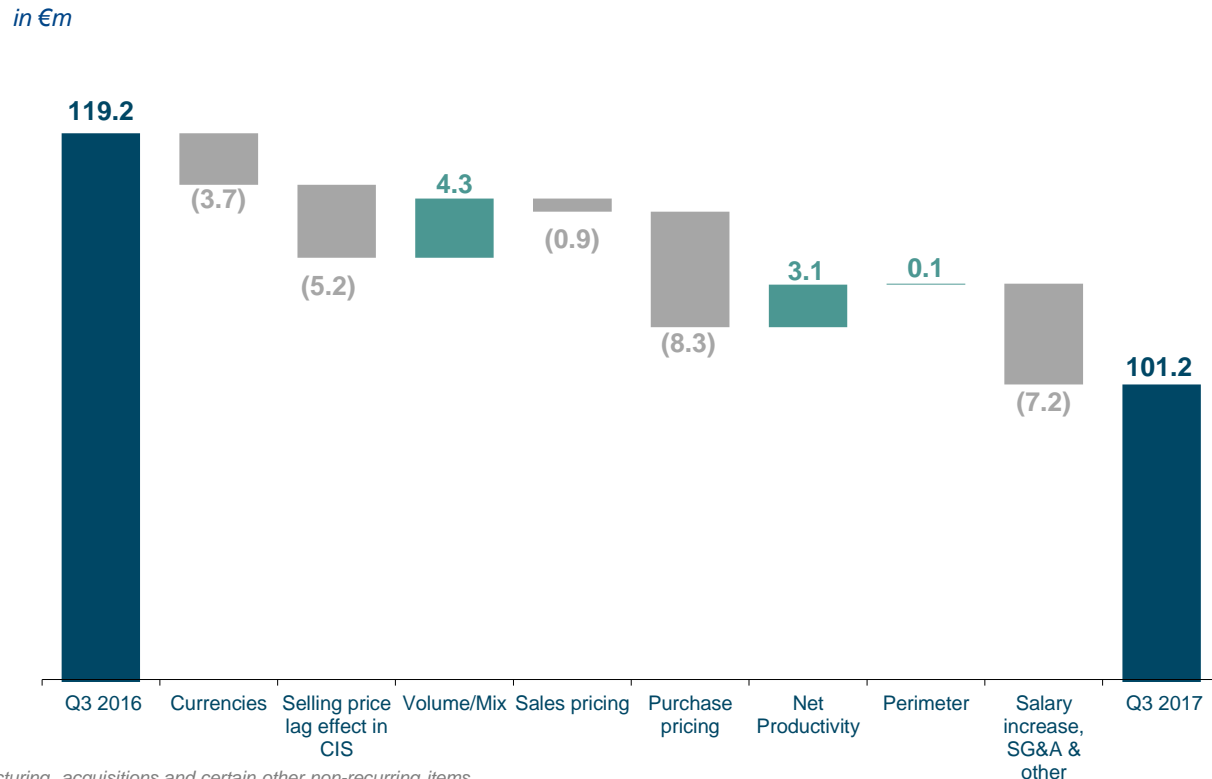


(1) Organic growth: At same perimeter and exchange rates. (NB: In the CIS, price increases implemented to offset currency fluctuations are not included in the organic growth. Organic growth in the CIS therefore reflects volume and mix variances only).

# Raw materials and currencies penalizing Q3 2017 adjusted EBITDA

> As expected, significant headwinds from **raw material prices**

> Negative impact from **currencies**



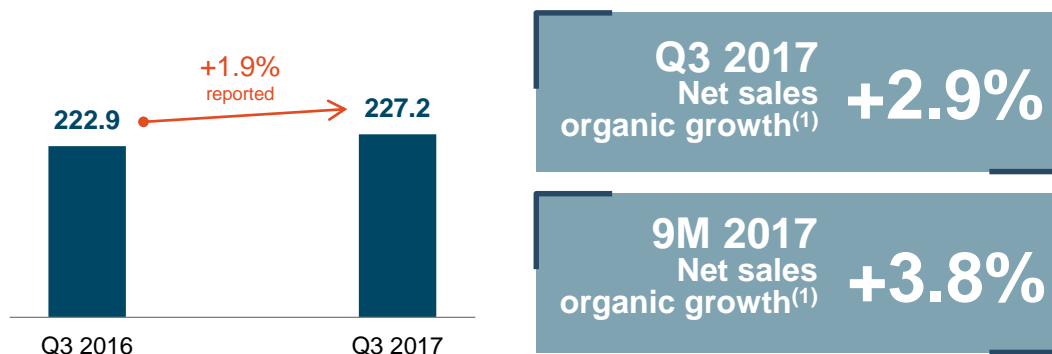
Note: Adjusted EBITDA: Adjustments include expenses related to restructuring, acquisitions and certain other non-recurring items.



# EMEA Q3 2017

## NET SALES EVOLUTION

in €m



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

## REPORTED SALES

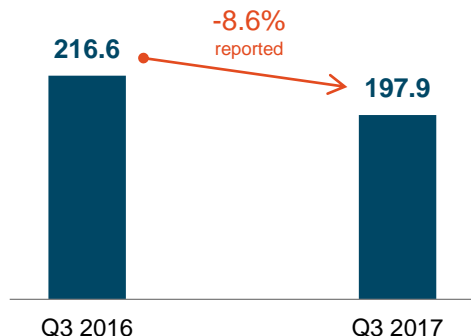
- > +1.9% on a reported basis, penalized by unfavorable exchange rate (mainly the British pound)

- > Strong growth in **Germany** and **Poland**
- > Better growth than expected in the **UK**
- > **France** remained on the good momentum initiated in H1
- > **Spain** continued to grow nicely
- > **Nordic** countries flat, after several quarters of dynamic growth
- > The **Middle East** remained down, in line with H1 2017
- > **Selling price increases** implementation in progress

# North America Q3 2017

## NET SALES EVOLUTION

in €m



**Q3 2017**  
Net sales  
organic growth<sup>(1)</sup> **-4.2%**

**9M 2017**  
Net sales  
organic growth<sup>(1)</sup> **-2.5%**

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

> Resilient & accessories growing

> Commercial carpet

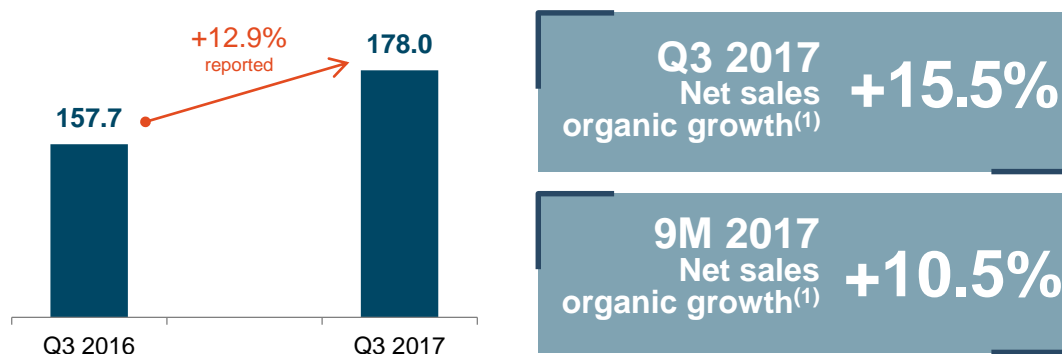
- Softer market
- Sales lower than expected
- Actions underway
- Very positive feedback on our new designs

> Selling price increases effect in Q4 and 2018

# CIS, APAC & LATAM Q3 2017

## NET SALES EVOLUTION

in €m



(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).

### CIS countries

- > Full benefit from the recovery
- > Further volume expansion
- > Continued improvement in product mix

### APAC

- > Nice trends in China, South-East Asia and Australia

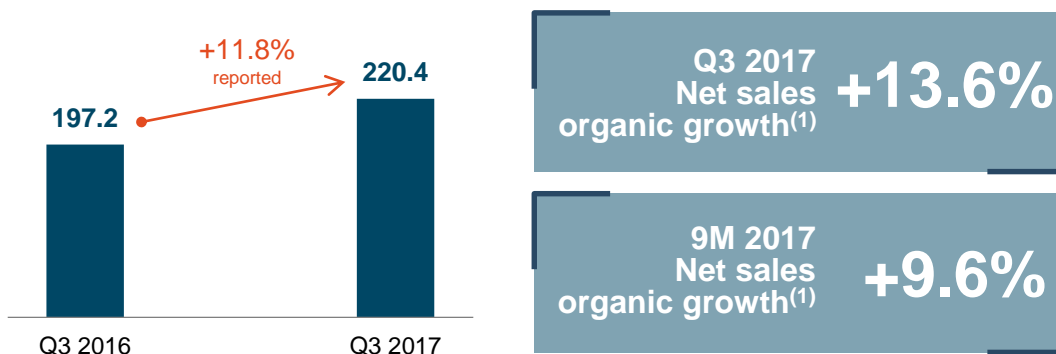
### Latin America

- > Back to growth lifted by dynamic LVT volumes

# Sports Q3 2017

## NET SALES EVOLUTION

in €m



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

- > Dynamism in both artificial turf and running tracks
- > Still high portion of turnkey projects
- > High-profile projects in Q3 2017:
  - Amsterdam Arena for the FC Ajax
  - Training pitches of the Olympique Lyonnais and Manchester United teams





# MAJOR REFERENCES

Glen Morrison  
CEO



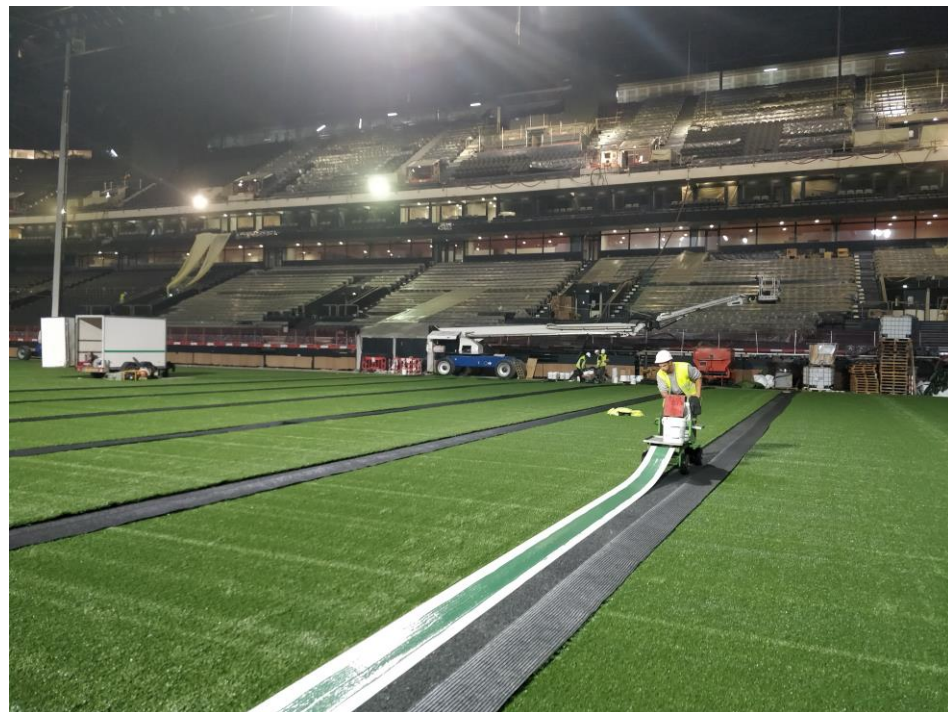
# Solutions partner for Sports Surfaces: AFC Ajax (NL)

- > **PlayMaster at the Amsterdam Arena – Installation end of July**
  - Ready-to-play turf rolls combining natural and artificial turf (hybrid grass system grown in sods)
  - Fast installation (“Lay & Play”)
  - For multi-purpose facilities (sports competitions and concerts)
- > **Existing pitches in GrassMaster and FieldTurf artificial turf at the training center**



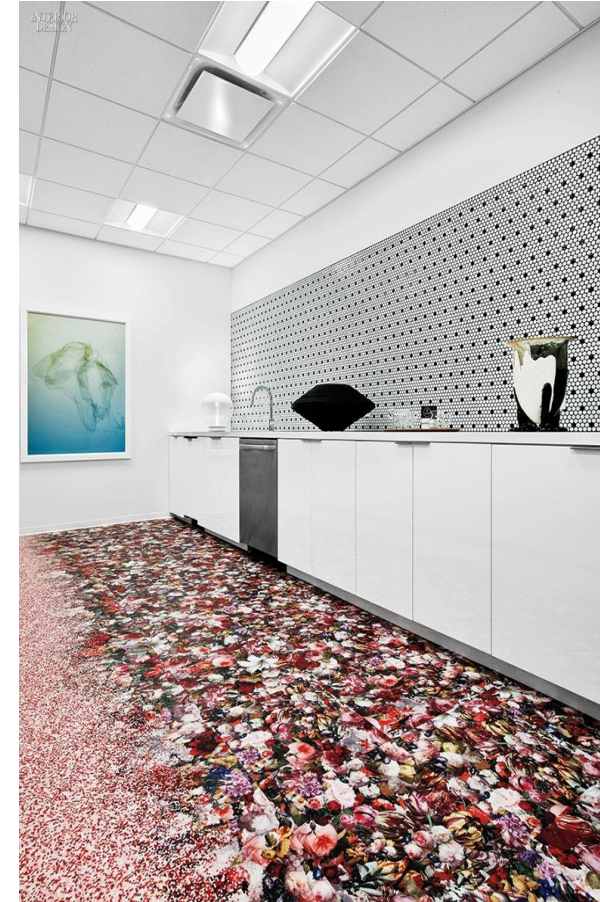
## Tarkett artificial turf at U Arena (France – Paris Nanterre)

- > FieldTurf, partner of rugby club Racing 92, equipped the new multi-purpose stadium U Arena with artificial turf
- > Installation in September 2017
- > Inauguration in October 2017 for a concert
- > First rugby match end of November (France – Japan)



# Prestigious design headquarters in Chicago (USA)

- > Tarkett selected as only flooring solutions provider at new International Interior Design Association headquarters
- > Combined and customized flooring solutions
  - Modular carpet
  - Digital design LVT (Collection Infinies™)







# CONCLUSION

Glen Morrison

CEO

# Key Take-aways

## Q3 2017 Take-aways

## Outlook

- > Solid organic growth of 6.1%
  - > Headwinds from raw material prices and currencies
- 
- > EMEA, Sports and CIS region should remain well oriented
  - > North America should progressively improve
  - > Raw material prices impact: -€30m to -€35m on 2017 adjusted EBITDA
  - > Anticipation of a moderate reduction in 2017 adjusted EBITDA compared to last year
  - > Continue to focus on selling prices in North America and EMEA to mitigate the impact of raw materials prices in 2018
  - > Continue to assess acquisitions opportunities



# Q&A SESSION





# APPENDIX



# Sales and adjusted EBITDA performance by quarter (Q1 & Q2)

## Sales performance by quarter

€m	Q1 2017	Q1 2016	% growth	Organic growth <sup>1</sup>	Q2 2017	Q2 2016	% growth	Organic growth <sup>1</sup>
<b>EMEA</b>	243.4	232.4	+4.7%	+7.0%	237.9	239.3	-0.5%	+1.5%
<b>North America</b>	190.3	187.2	+1.6%	-2.1%	222.4	223.9	-0.7%	-1.3%
<b>CIS, APAC &amp; LATAM</b>	121.3	103.5	+17.2%	+2.0%	154.4	131.4	+17.4%	+11.3%
<b>Sports</b>	56.7	53.2	+6.6%	+3.6%	137.6	127.3	+8.0%	+5.9%
<b>TOTAL</b>	<b>611.7</b>	<b>576.3</b>	<b>+6.1%</b>	<b>+2.8%</b>	<b>752.3</b>	<b>721.8</b>	<b>+4.2%</b>	<b>+3.2%</b>

€m	Q1 2017	Q1 2016	Q1 2017 Margin	Q1 2016 Margin	Q2 2017	Q2 2016	Q2 2017 Margin	Q2 2016 Margin
<b>Adjusted EBITDA<sup>2</sup></b>	<b>51.5</b>	<b>45.0</b>	<b>8.4%</b>	<b>7.8%</b>	<b>108.8</b>	<b>106.5</b>	<b>14.5%</b>	<b>14.8%</b>

(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 related to restructuring, acquisitions and certain other non-recurring items.

# Sales and adjusted EBITDA performance in H1

	Net Sales				Adjusted EBITDA <sup>2</sup>			
€m	H1 2017	H1 2016	% growth	Organic growth <sup>1</sup>	H1 2017	H1 2016	H1 2017 Margin	H1 2016 Margin
EMEA	481.3	471.6	+2.1%	+4.2%	68.5	74.8	14.2%	15.9%
North America	412.7	411.1	+0.4%	-1.6%	51.7	59.3	12.5%	14.4%
CIS, APAC & LATAM	275.7	234.9	+17.4%	+7.2%	40.2	24.8	14.6%	10.6%
Sports	194.3	180.5	+7.6%	+5.3%	23.0	18.2	11.8%	10.1%
Central Costs	-	-	-	-	(23.1)	(25.7)	-	-
<b>TOTAL</b>	<b>1,364.0</b>	<b>1,298.1</b>	<b>+5.1%</b>	<b>+3.0%</b>	<b>160.3</b>	<b>151.4</b>	<b>11.8%</b>	<b>11.7%</b>

(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 related to restructuring, acquisitions and certain other non-recurring items.

# Sales and adjusted EBITDA performance in Q3

Sales performance by quarter				
€m	Q3 2017	Q3 2016	% growth	Organic growth <sup>1</sup>
EMEA	227.2	222.9	+1.9%	+2.9%
North America	197.9	216.6	-8.6%	-4.2%
CIS, APAC & LATAM	178.0	157.7	+12.9%	+15.5%
Sports	220.4	197.2	+11.8%	+13.6%
<b>TOTAL</b>	<b>823.5</b>	<b>794.3</b>	<b>+3.7%</b>	<b>+6.1%</b>
€m	Q3 2017	Q3 2016	Q3 2017 Margin	Q3 2016 Margin
<b>Adjusted EBITDA<sup>2</sup></b>	<b>101.1</b>	<b>119.2</b>	<b>12.3%</b>	<b>15.0%</b>

(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 related to restructuring, acquisitions and certain other non-recurring items.

# Sales and adjusted EBITDA performance over the first 9 months

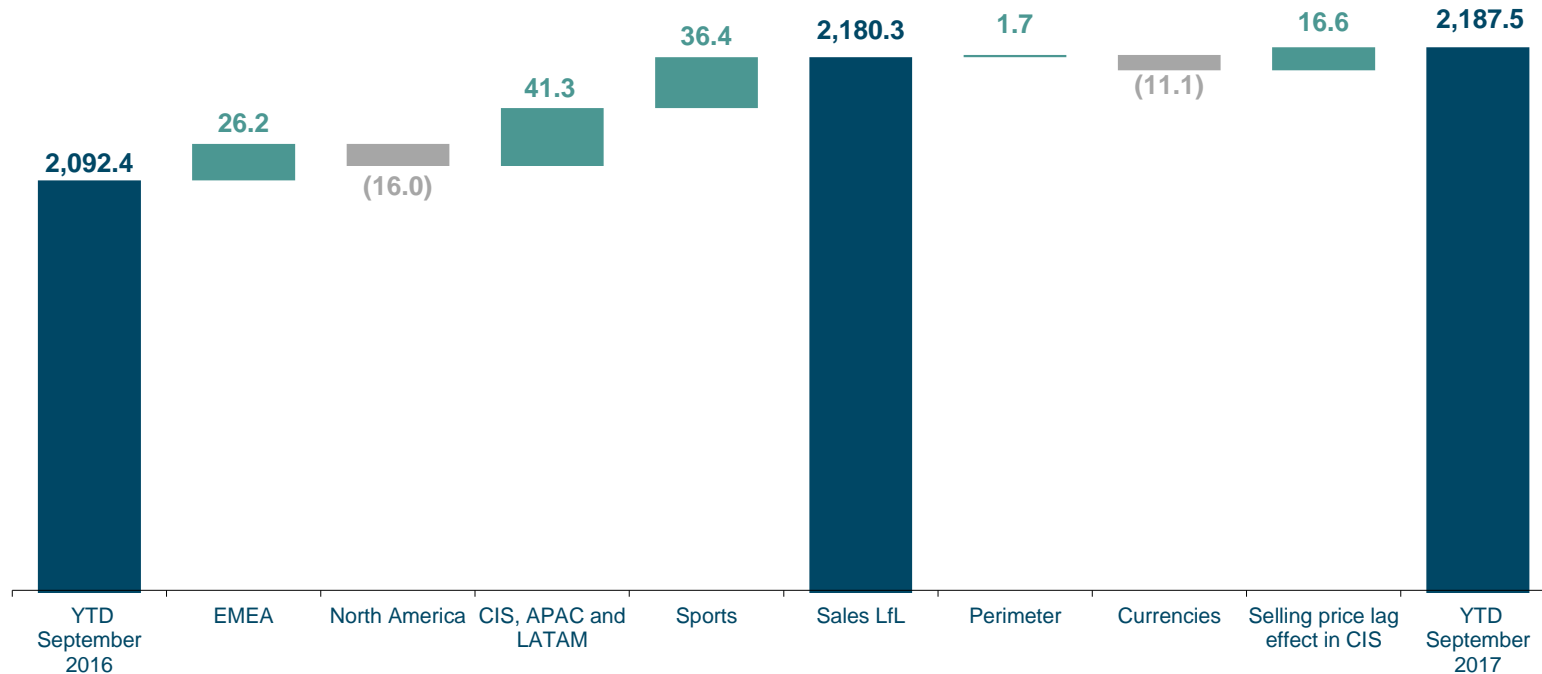
Sales performance by quarter				
€m	9M 2017	9M 2016	% growth	Organic growth <sup>1</sup>
EMEA	708.5	694.5	+2.0%	+3.8%
North America	610.6	627.7	-2.7%	-2.5%
CIS, APAC & LATAM	453.7	392.6	+15.6%	+10.5%
Sports	414.7	377.6	+9.8%	+9.6%
<b>TOTAL</b>	<b>2 187.5</b>	<b>2 092.4</b>	<b>+4.5%</b>	<b>+4.2%</b>
€m	9M 2017	9M 2016	9M 2017 Margin	9M 2016 Margin
<b>Adjusted EBITDA<sup>2</sup></b>	<b>261.4</b>	<b>270.6</b>	<b>11.9%</b>	<b>12.9%</b>

(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 related to restructuring, acquisitions and certain other non-recurring items.

# Net sales YTD

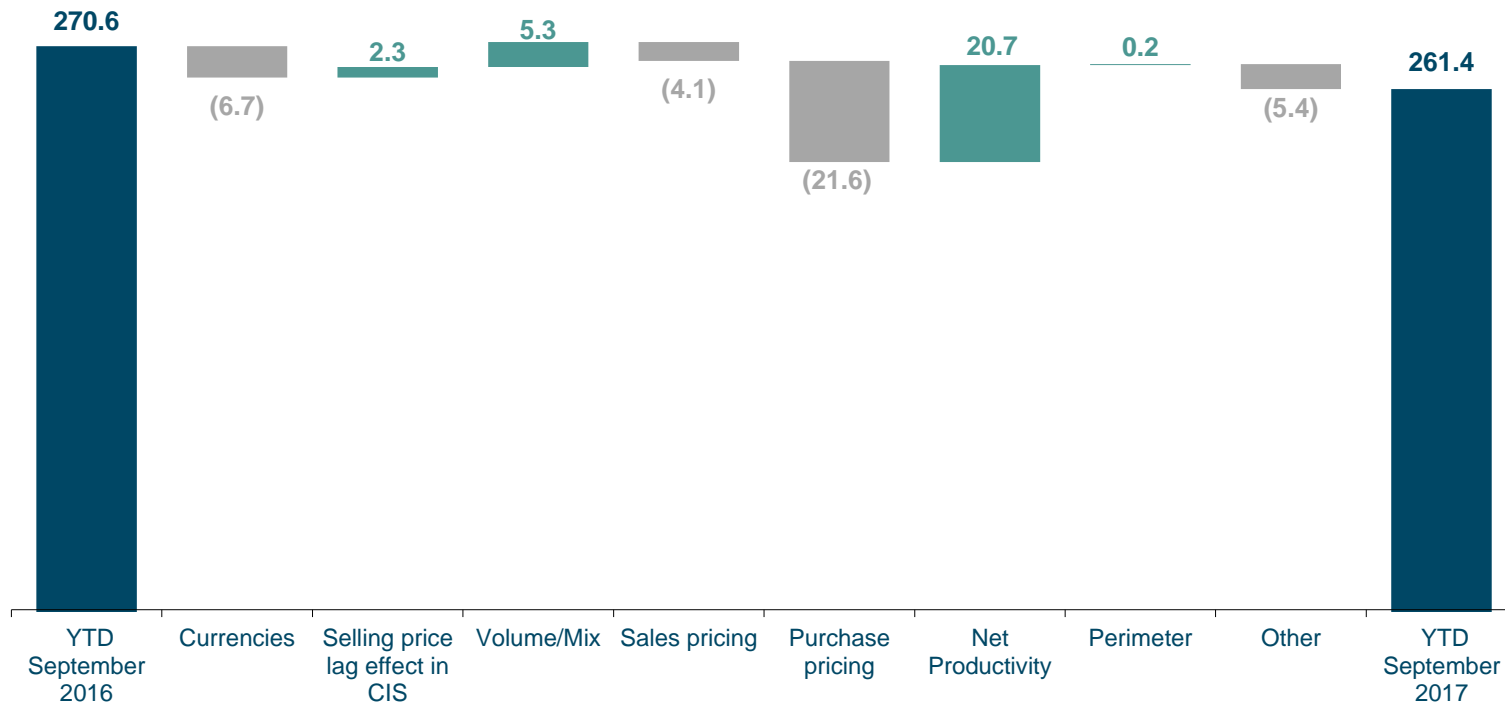
in €m





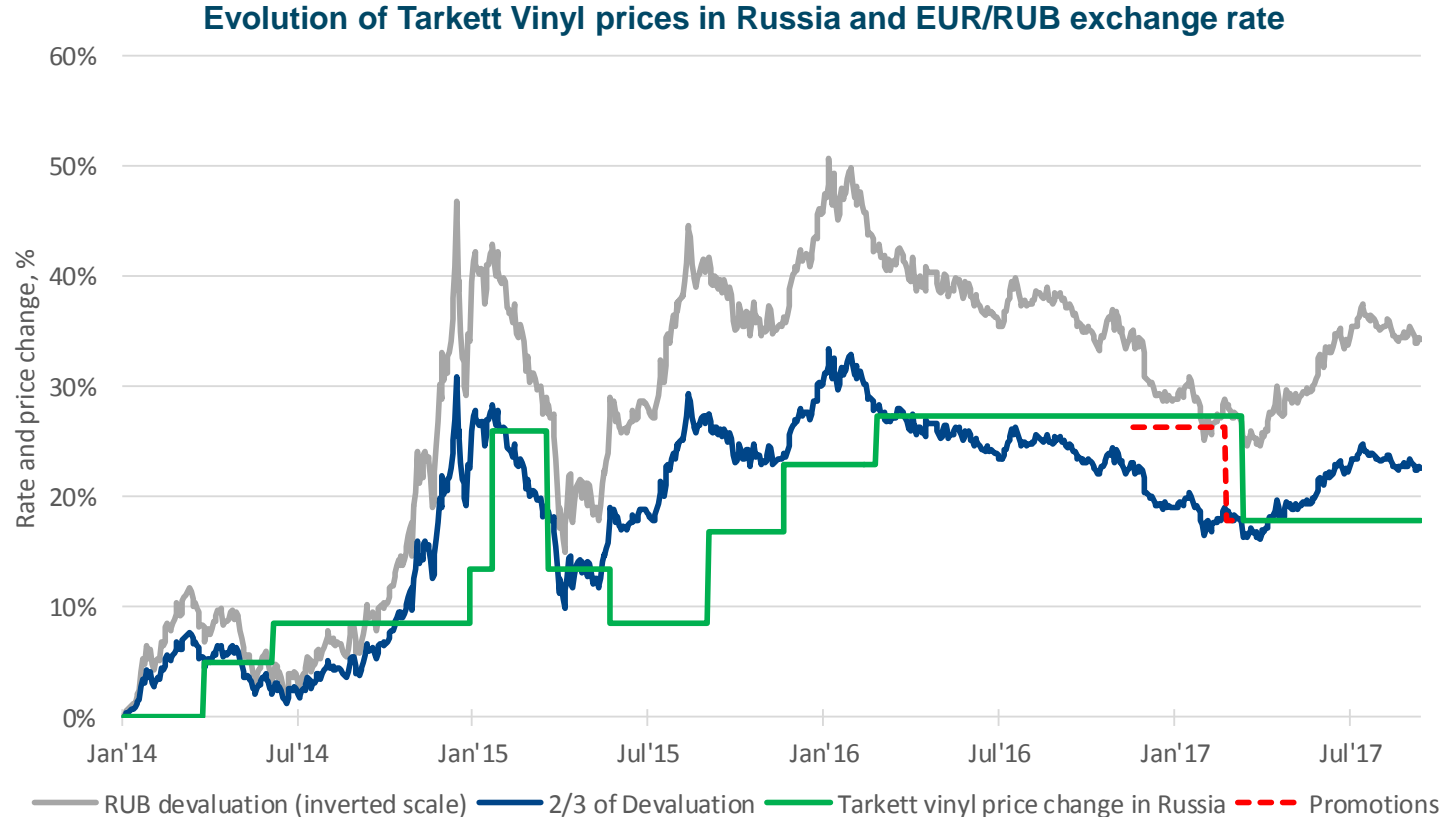
# Adjusted EBITDA YTD

in €m



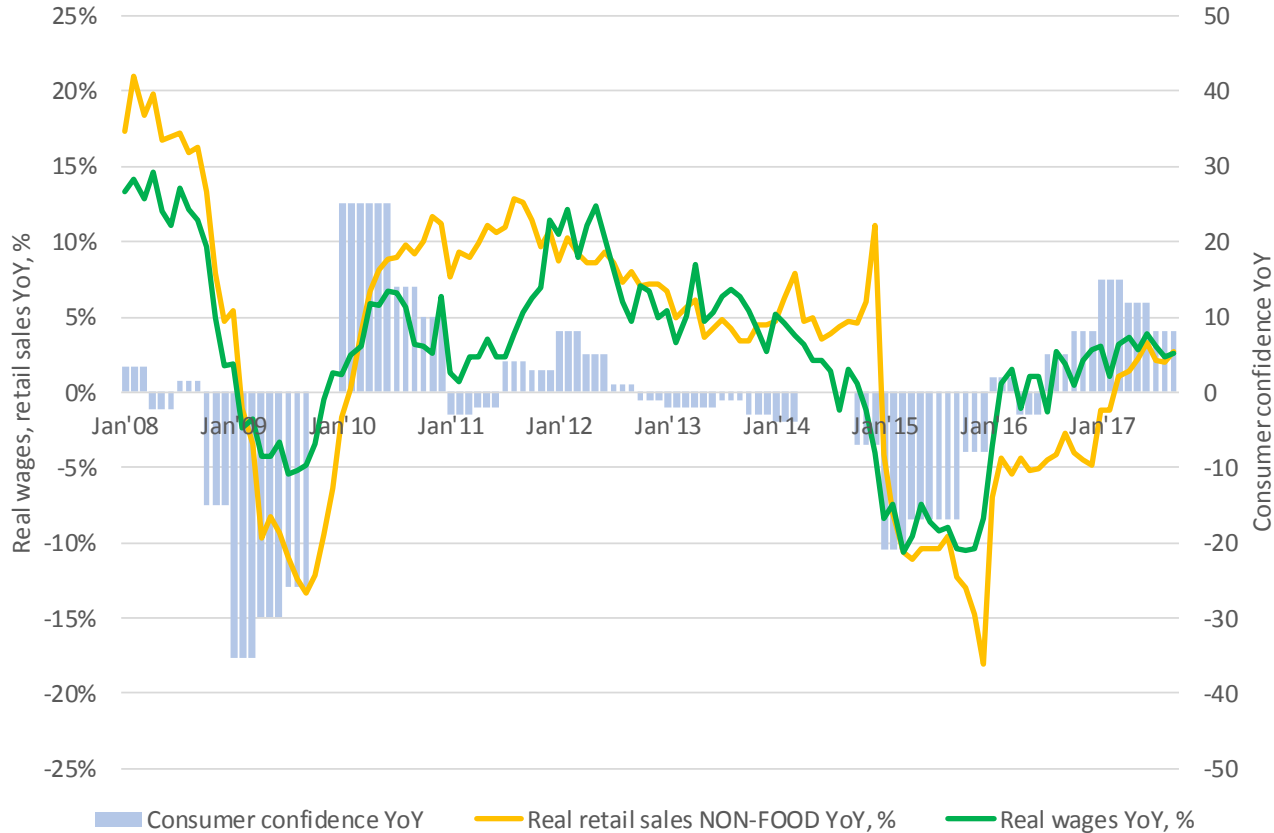
Note: Adjusted EBITDA: Adjustments include expenses related to restructuring, acquisitions and certain other non-recurring items.

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



Sources: Reuters and Tarkett.

# Russia: consumer confidence, real retail sales and real wages

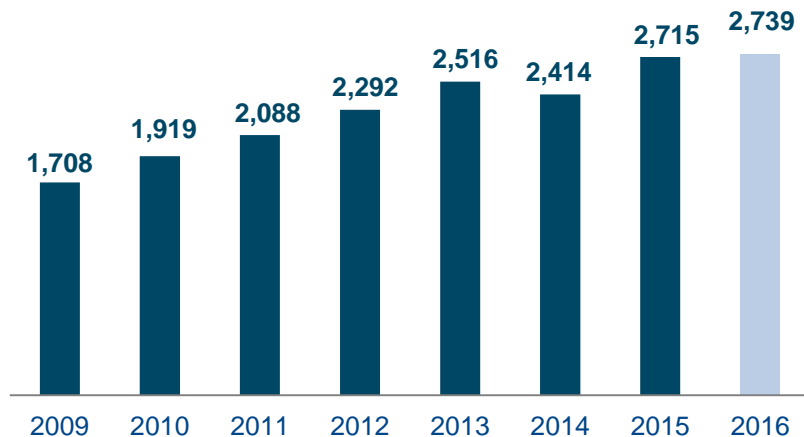


Source: Rosstat.

# Long term profitable growth

## NET SALES

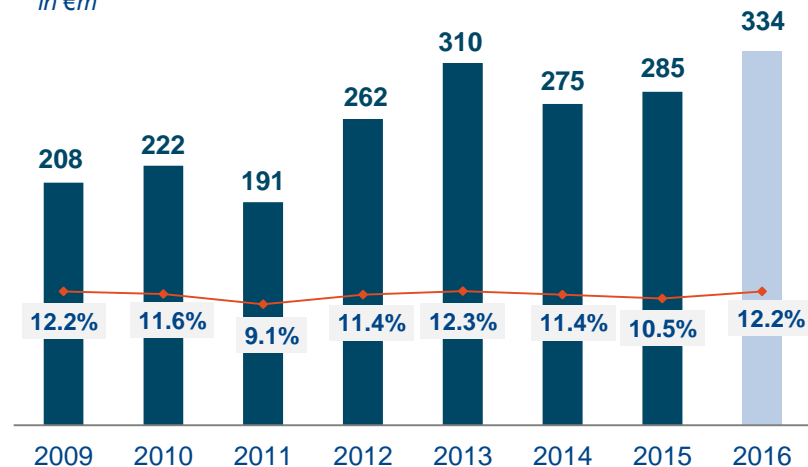
in €m



**+7.0% CAGR 2009-2016**

## ADJUSTED EBITDA<sup>(1)</sup>

in €m



**+7.0% CAGR 2009-2016**

(1) Adjusted EBITDA: Adjustments include expenses related to restructuring, acquisitions and certain other non-recurring items.

# 2017-2020 financial objectives

Unless transforming acquisition

Revenue growth	> 2020 net sales ~ <b>€3.5bn</b> <sup>(1)</sup>
Profitability & return	> Adjusted EBITDA margin > <b>12%</b> > ROIC > <b>9%</b>
Acquisitions strategy	> Additional sales by 2020 of ~ <b>€500m</b>
Leverage	> Net debt / adjusted EBITDA < <b>2.5x</b>
Dividend	> At least <b>€0.60</b> per share

<sup>(1)</sup> Including acquisitions; organic growth outperforming estimated market growth.



# All segments to contribute to 2020 financial objectives

Based on relatively stable raw material prices

SEGMENT	CAGR <sup>(1)</sup>	ADJ. EBITDA MARGIN OBJECTIVE	MAIN FOCUS
EMEA	+0% / +2%	Remain above <b>15%</b>	Organic growth
North America	+2% / +4%	Reach <b>15%</b>	Cost efficiency
CIS, APAC & LATAM	+0% / +3%	Back to <b>15%</b>	Progressive economic recovery in CIS
Sports	+3% / +7%	Reach <b>12%</b>	Market growth & cost efficiency
Central costs		<b>circa -2%</b> of sales	Investment in R&D & customer experience

>12% adjusted EBITDA margin objective

(1) CAGR based on GDP growth in the regions where we are present.

# Material consumption in 2016

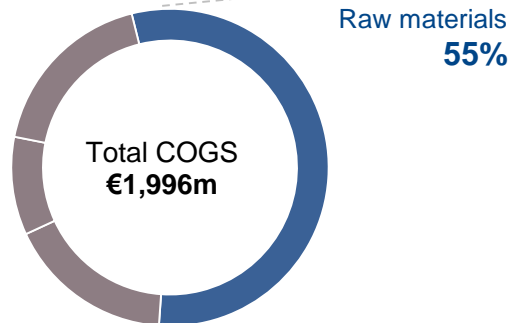
As of December 2016

## COGS BREAKDOWN

Others  
**18%**

Transport  
and logistics  
**10%**

Payroll  
**17%**

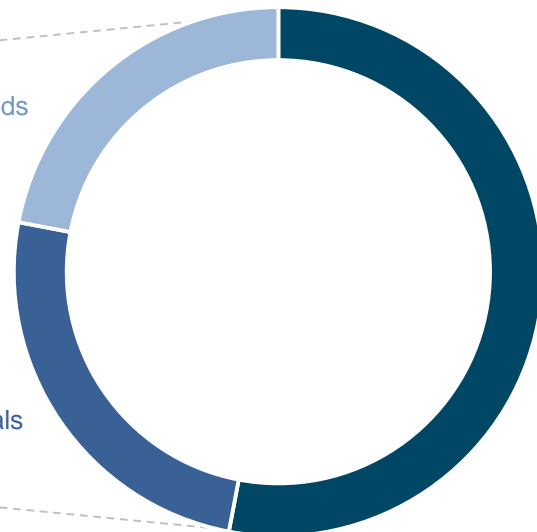


## MATERIAL CONSUMPTION DETAIL

Traded goods  
**22%**

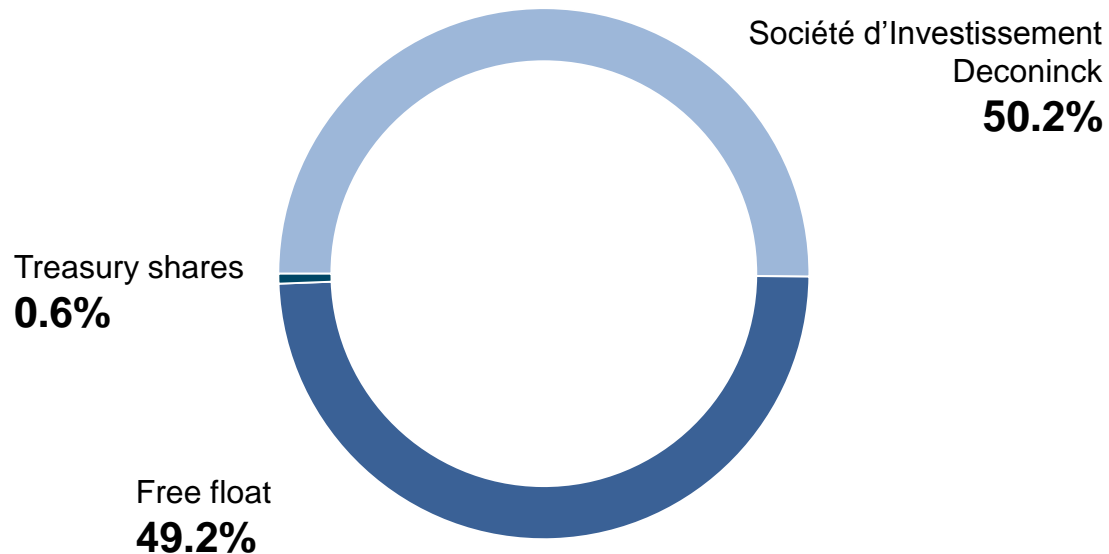
Other  
raw materials  
**25%**

Oil derivatives  
**53%**



# Shareholder composition

As of October 2017



# International and entrepreneurial teams

## Operational leaders



**Fabrice Barthélemy**  
President EMEA  
Member of the Management Board  
🇫🇷



**TBA**  
President North America



**Slavoljub Martinovic**  
President Eastern Europe  
🇷🇸



**Eric Daliere**  
President Sports  
🇺🇸



## Executive Management Committee



**Glen Morrison**  
CEO  
& Chairman of the  
Management Board  
🇬🇧 🇺🇸

- > Customer-driven culture
- > Decentralized and aligned organization
- > Compensation aligned with financial targets

## Functional leaders



**Raphaël Bauer**  
CFO  
🇫🇷



**Sharon MacBeath**  
Human Resources  
Member of the Management Board  
🇬🇧



**Wendy Kool-Foulon**  
General Counsel  
🇫🇷 🇳🇱



**Antoine Prévost**  
Operations  
🇫🇷



**Anne-Christine Ayed**  
Research, Innovation & Environment  
🇫🇷 🇨🇦



**Gilles Lebreton**  
VP Customers Operations & Group CIO  
🇫🇷

# 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 = 12.9bn sqm<sup>(1)</sup>



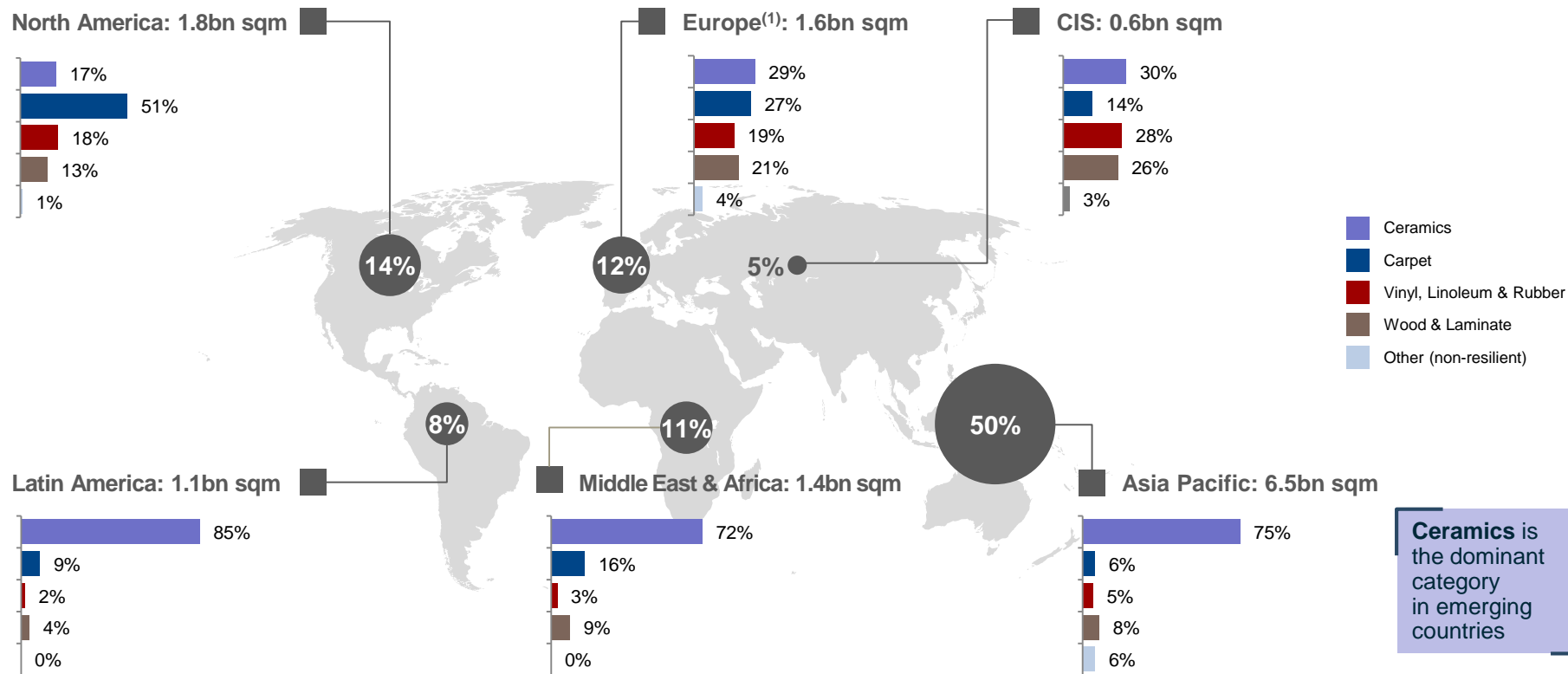
 **Tarkett**

**27%**  
addressed product  
categories

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



# Flooring preferred categories vary greatly across the world



Source: Tarkett estimate (World Flooring Report - July 2017). (1) Excluding Turkey.



## Disclaimer

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