Tarkett

Press release

Tarkett Group

Continued growth in the third quarter despite procurement tensions

EBITDA negatively impacted by intensified inflation of procurement and transport costs.

Results for the third quarter of 2021

- **Revenue up by +4.2% due to increased sale prices (+3.9%) and growth in volumes (+1.1%)**
- **Organic growth of +3.2% as compared with Q3 2020 (excluding the sale price effect in the CIS countries, as defined historically)**
- **Rising inflation in raw materials and transport costs (-71 million euros compared to Q3 2020), of which more than 40% was offset by the increases in sales prices (+30 million euros)**
- **Continued structural cost reductions, which are expected to be larger than the targeted 50 million euros in reductions in 2021 announced in H1**
- **Adjusted EBITDA of 74 million euros in Q3 2021, as compared with 118 million euros in Q3 of 2020; 9.2% margin, as compared with 15.2% in Q3 2020**
- **2021 adjusted EBITDA and margin expected to be down compared with the previous year (2020: 278 million euros/10.6%), given the inflation in purchasing costs estimated at 170 million euros for the whole year, of which more than 50% expected to be offset by the sale price increases (approximately 90 million euros)**
- **Tarkett Participation, a company controlled by the Deconinck family and by Wendel, announced on October 25 that it held 90.41% of Tarkett share capital. Minority shareholders of Tarkett now hold less than 10% of share capital and voting rights.**

Paris, October 28, 2021: The Supervisory Board of Tarkett (Euronext Paris: FR 0004188670 TKTT), which met today, reviewed the Group's consolidated results for the third quarter of 2021.

The Group uses alternative performance indicators (not defined under IFRS), described in detail in Appendix 1 (page 5 of this document). Adjusted EBITDA, presented below, is after application of IFRS 16.

In millions of euros	Q3 2021	Q3 2020	Change
Revenue	**809.4**	**776.9**	**+4.2%**
Organic change		*+3.2%*	
Adjusted EBITDA	**74.5**	**117.7**	
% of sales	*9.2%*	*15.2 %*	

1. Revenue by segment

In millions of euros	Q3 2021	Q3 2020	% change	% organic change	% organic change incl. price changes in CIS
EMEA	217.4	212.6	*2.2%*	*1.7%*	*1.7%*
North America	194.1	184.4	*5.2%*	*5.5%*	*5.5%*
CIS, APAC & Latin America	164.1	156.6	*4.8%*	*-3.4%*	*5.2%*
Sports	233.9	223.2	*4.8%*	*7.5%*	*7.5%*
TOTAL	**809.4**	**776.9**	***4.2%***	***3.2%***	***5.0%***

The EMEA segment had revenue of 217.4 million euros, an increase of +2.2% compared with the third quarter of 2020, reflecting organic growth of +1.7% and a positive exchange rate effect, primarily relating to the Swedish krona. Business was particularly strong in Southern Europe and in the Scandinavian countries, and was even better than 2019 in Germany and in Central Europe. The Group's performance was strong in the Health and Education segments. The Office segment is more sluggish. As a result, commercial carpet sales remained stable compared with the previous year. Demand in the Residential segment remains sustained, but deliveries were slowed by procurement difficulties affecting certain raw materials.

The North America segment had revenue of 194.1 million euros, an increase of +5.2% compared with the third quarter of 2020, reflecting organic growth of +5.5% and slight negative exchange rate effect relating to the decline of the U.S. dollar against the euro. Commercial sales continued to recover in the third quarter, principally due to the Health and Education segments. Hospitality stabilized after the progressive improvement seen in the first half, while business in the Office segment continued to decline. Thus, commercial carpet sales remained down compared with the third quarter of 2020, while sales of vinyl products and accessories recorded strong growth and regained 2019 levels. The growth in Residential slowed sequentially, due to certain procurement difficulties, but business volumes were sustained, showing two-figure growth as compared with 2019.

Revenue in the **CIS, APAC, and Latin America segment** was 164.1 million euros, an increase of +4.8% as compared with the third quarter of 2020, led by significant price increases. Volumes sold were lower than those in the third quarter of 2020, due to the unavailability of certain products following breakdowns in the supply chain for raw materials. It should be noted that organic growth was down -3.4%, because it does not take into account the increases in sale prices in the CIS (these increases are excluded from the definition of this indicator because they are historically tied to currency fluctuations). Including those increases, growth in volumes and price amounted to +5.2%, reflecting the very significant movements in sale prices implemented to offset the increase in purchasing costs. Business grew in the APAC region, in particular for vinyl products. Sales were up in Latin America, primarily due to the strong performance of Luxury Vinyl Tiles and of the Health segment and to the sale price increase to offset the decline in the Brazilian real and the increases in purchasing costs.

The **Sport** segment's revenues were 233.9 million euros, an increase of +4.8% as compared with the third quarter of 2020, thanks to solid organic growth of +7.5%, partially diminished by a negative exchange rate effect related to the decline of the U.S. dollar against the euro. After declines in the first half, the recovery in sales was particularly notable in North America in synthetic turf and indoor sports flooring. The backlog was rapidly built back in the second half and remains high. In North America, the delivery of certain projects in September was delayed due to procurement difficulties, due in particular to Hurricane Ida and labor tensions.

2. Adjusted EBITDA

Adjusted EBITDA totaled 74.5 million euros in Q3 2021, or 9.2% of revenue, as compared with 117.7 million euros in Q3 of 2020, of 15.2% of revenue.

The recovery of sale volumes contributed +5 million euros.

The inflation of purchasing costs (raw materials and transport) intensified and decreased adjusted EBITDA by -71 million euros as compared with the third quarter 2020. Supply chain shortages contributed to the increase in prices and disrupted productivity at certain sites.

To manage this inflation, Tarkett implemented additional sale price increases, which generated a positive impact of +30 million euros (including the price increase in the CIS, or +3.9% of the Group's total sales), offsetting slightly more than 40% of the inflation in purchasing costs. The full effect of these prices is expected to be felt in early 2022.

Actions to reduce the cost structure continued, amounting to 3 million euros over the quarter. These efforts were partially impacted by disruptions at some of our production sites resulting from raw material supply chain breaks. As of the end of September, structural cost reductions totaled 50 million euros, significantly ahead of the plan announced at the beginning of the year.

Currency fluctuations (excluding the CIS countries) had a positive effect of +3 million euros. Currency effects in the CIS countries had a negative effect of -3 million euros.

3. 2021 Outlook

Commercial and residential flooring progressed overall in the third quarter, despite the supply constraints, which are expected to continue in the fourth quarter. In Sports, the pipeline of new projects and the backlog remain strong. However, in certain commercial segments, demand remains lower than 2019 levels, in particular in Workplace and Hospitality. As a result, in the fourth quarter, the Group expects volumes to be stable overall as compared with 2020.

In this context of an ongoing recovery, Tarkett is continuing to follow its strategic roadmap to promote sustainable growth. The Group remains equally focused on improving its cost base and is pursuing initiatives to reduce production costs and general expenses. Tarkett aims at more than 50 million euros in structural savings in 2021.

Purchasing and transport costs continued to increase in the third quarter of 2021, and Tarkett now expects that the impact of inflation in 2021 will be approximately 170 million euros (as compared with 130 million euros, as anticipated at the end of June). The actions implemented on sale prices should make it possible to offset half of the additional costs linked to purchasing for the whole of 2021. This inflation is expected to continue in 2022, for an amount currently estimated at approximately 150 million euros. The sale price increases will continue in all product categories and all geographic regions, and the Group's objective is to fully offset the increases in purchasing costs in 2022.

In light of the inflationist context and the slow recovery in certain commercial segments, Tarkett expects adjusted EBITDA and EBITDA margin in 2021 to be lower than in 2020 (Adjusted EBITDA 2020 : 278 million euros, or 10.6% of sales).

4. Shareholders

On October 25, 2021, Tarkett Participation announced that it held, directly or indirectly, 90.41% of Tarkett's share capital (compared with 86.27% following the close of the simplified tender offer on July 9, 2021). Minority shareholders of Tarkett now hold less than 10% of share capital and voting rights. Tarkett Participation could contemplate a potential squeeze-out procedure, in accordance with the regulation, but this is not on the table at this time. Tarkett Participation is a company controlled by the Deconinck family, alongside Wendel.

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 Registration Document, 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 to these statements.

Financial calendar

- February 17, 2022: Q4 and year-end 2021 financial results – *Press release after close of trading*

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About Tarkett

With a 140-year history, Tarkett is a worldwide leader in innovative flooring and sports surface solutions, with net sales of 2.6 billion euros in 2020. 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 around the globe. Tarkett has more than 12,000 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 and to reducing its carbon footprint, the Group has implemented an eco-innovation strategy based on Cradle to Cradle® principles, fully aligned with its Tarkett Human-Conscious Design™ approach. Tarkett is listed on Euronext Paris (compartment B, ISIN: FR0004188670, ticker: TKTT). www.tarkett.com

Appendices

1. Definitions of alternative performance indicators

- Organic growth measures the change in revenue as compared with the same period in the prior year, at constant scope of consolidation and exchange rates (on a "like-for-like" basis). The exchange rate effect is obtained by applying the prior 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 effect of price adjustments in the CIS countries intended to offset movements in local currencies against the euro. In the third quarter of 2021, -13.1 million euros in negative sale price adjustments was excluded from organic growth and included in exchange rate effects.
- The effect of changes in scope is composed of:
  - Current-year sales by entities not included in the scope of consolidation in the same period of the prior year, until the anniversary of their consolidation;
  - The reduction in sales due to discontinued operations that are not included in the current year's scope of consolidation but were included in sales for the same period of the prior year, through the anniversary of their disposal.

Revenue in millions of euros	2021	2020	Change	Of which exchange rate effect	Of which effect of changes in scope	Of which organic change
Total Group – Q1	558.8	610.7	-8.5%	-4.7%	-	-3.8%
Total Group – Q2	702.4	626.3	+12.1%	-4.0%	-	+16.2%
Total Group – H1	**1,261.2**	**1,237.0**	**+2.0%**	**-4.3%**	**-**	**+6.3%**
Total Group – Q3	809.4	776.9	+4.2%	+1.0%	-	+3.2%
Total Group – 9M	**2,070.6**	**2,013.8**	**+2.8%**	**-2.3%**	**-**	**+5.1%**

- Adjusted EBITDA is 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.

Adjusted EBITDA in millions of euros	2021	% margin 2021	2020	% margin 2020
Group Total – Q1	34.0	6.1%	42.4	6.9%
Group Total – Q2	78.7	11.2%	64.0	10.2%
Group Total – H1	**112.7**	**8.9%**	**106.3**	**8.6%**
Group Total – Q3	74.5	9.2%	117.7	15.2%
Group Total – 9M	**187.1**	**9.0%**	**224.0**	**11.1%**

In millions of euros	9M 2021	Of which adjustments					Adjusted 9M 2021
		Restructuring	Gains/losses on asset sales/impairment	Business combinations	Share-based payments	Other	
Operating income (EBIT)	**65.7**	**6.2**	**-2.0**	**0.1**	**2.6**	**2.9**	**75.4**
Depreciation and amortization	111.5	-	0.1	-	-	-	111.6
Other	0.1	-	-	-	-	-	0.1
EBITDA	**177.3**	**6.2**	**-1.9**	**0.1**	**2.6**	**2.9**	**187.1**

2. Bridges in millions of euros

Revenue by segment

Q3 2020	**776.9**
+/- EMEA	3.6
+/- North America	10.1
+/- CIS, APAC & Latin America	-5.3
+/- Sports	16.8
Q3 2021 Like-for-like	**802.0**
+/- Currencies	-4.7
+/- Lag effect in CIS	12.2
Q3 2021	**809.4**

Adjusted EBITDA

Q3 2020	**117.7**
+/- Volume/Mix	4.8
+/- Sale Price	16.9
+/- Raw Materials and Transport	-71.4
+/- Salary Increases	-4.1
+/- Productivity	4.3
+/- SG&A	-1.0
+/- Covid Measures in 2020	-9.1
+/- Non-recurring and other	3.3
+/- Lag effect in CIS	10,2
+/- Currencies	2.8
Q3 2021	**74.5**

9M 2020	**2,013.8**
+/- EMEA	38.8
+/- North America	34.8
+/- CIS, APAC & Latin America	39.5
+/- Sports	-10.0
9M 2021 Like-for-like	**2,116.9**
+/- Currencies	-49.1
+/- Lag effect in CIS	2.8
9M 2021	**2,070.6**

9M 2020	**224.0**
+/- Volume/Mix	22.7
+/- Sale Price	28.9
+/- Raw Materials and Transport	-109.4
+/- Salary Increases	-9.3
+/- Productivity	31.5
+/- SG&A	18.7
+/- Covid Measures in 2020	-34.2
+/- Non-recurring and other	-2.7
+/- Lag effect in CIS	13.2
+/- Currencies	3.7
9M 2021	**187.1**