Press release

Tarkett Group

Results for H1 2024:

In a declining market, slight organic decrease in activity

Good operational performance, reflected by a clear growth in EBITDA and margin

Financial debt well-controlled and reduction of leverage compared to June 2023

Results for the second quarter and first half of 2024

- **Q2 revenue down by -2.1%, and -1.8% on a like-for-like basis compared to Q2 2023**
- **H1 revenue down by -3.1% compared to H1 2023, i.e., a decline of -2.2% on a like-for-like basis**
- **Adjusted EBITDA of €148 million in H1 2024, i.e. 9.5% of sales, a clear increase compared to H1 2023 (€126 million, 7.8% of sales)**
- **EBIT of €60 million in H1 2024, an improvement compared to H1 2023 (€48 million)**
- **Net profit of €18.0 million compared to €2.8 million in the first half of 2023**
- **Cash consumption kept under control during H1 and in line with historical seasonality (-€76 million in free cash flow)**
- **Net financial debt of €620 million, i.e., leverage of 2.0x adjusted EBITDA an improvement compared to June 2023 (-0.8x)**
- **Acquisition on 3 July 2024 of Classic Turf & Tracks, a company specialising in the construction of sports fields and athletic tracks**
- **Signing of a disposal agreement for the flooring distribution activities in California**

Paris, 25 July 2024: The Supervisory Board of Tarkett (Euronext Paris: FR0004188670 TKTT), met today and reviewed the Group's consolidated results for the half year of the 2024 financial year.

The Group uses alternative performance indicators (not defined under IFRS), described in detail in Appendix 1 on page 6 of this document:

In millions of euros	H1 2024	H1 2023	Change in %
Revenue	1,558.7	1,608.3	-3.1%
Of which organic change	*-2.2%*	*+3.9%*	
Adjusted EBITDA	148.2	126.1	+17.5%
% of revenue	*9.5%*	*7.8%*	
Adjusted EBIT	81.8	59.2	+38.2%
% of revenue	*5.3%*	*3.7%*	
EBIT	59.9	48.5	+23.5%
% of revenue	*3.8%*	*3.0%*	
Net profit attributable to shareholders of the company	18.0	2.8	-
Fully diluted earnings per share (€)	*0.27*	*0.04*	
Free cash flow	-75.9	27.3	-
Net debt	620.4	648.9	-
Leverage (Net debt/adjusted EBITDA over 12 months)	*2.0x*	*2.8x*	

Revenue in the first half of 2024 amounted to €1,558.7 million, down by -3.1% compared to the first half of 2023, reflecting an organic decline of -2.2%. Sales prices remained stable over the financial year, i.e. -0.2% compared to the first half of 2023.

In a declining market, sales in the three flooring divisions were slightly down, particularly in the residential end-user segment. The level of activity in Sports division is stable compared to the record first half of 2023. The currency effect was unfavourable, mainly due to the depreciation of the rouble and the dollar.

Adjusted EBITDA in the first half of the year amounted to €148.2 million, i.e. 9.5% of revenue, compared to €126.1 million in the first half of 2023, i.e. 7.8% of revenue.

The combined effect of volume and mix was slightly negative at -2 million euros, with a favourable product mix partially offsetting lower volumes.

The significant reduction in raw material costs compared to the previous year had a positive effect of +35 million euros over the six months, but wage inflation remained significant (-15 million euros).

Selling prices were stable overall at (-0.2% compared to the first half of 2023). Contained and controlled reductions have been implemented for certain products (-4 million euros).

SG&A increased slightly by (-8 million euros) to support the growth of Sports and the launch of new collections in flooring.

The good industrial performance and productivity actions implemented by the Group enabled a significant reduction in production costs of +17 million euros, which contributed significantly to the improvement in margins over the first half of the year.

The adjusted EBITDA margin for the first half of the year improved significantly to 9.5% of sales compared to 7.8% in the first half of 2023.

EBIT amounted to €59.9 million in the first half of 2024 up from €48.5 million in 2023. **Adjustments to EBIT** (detailed in Appendix 1) amounted to €22.0 million in the first half of 2024 compared to €10.7 million in the first half of 2023. They include, in particular, restructuring costs related to the plan to reduce general and administrative costs as well as the rationalisation of the industrial organisation in Europe and the reorganisation of certain central functions.

Financial expenses amounted to €27.4 million in the first half of 2024, compared to €33.9 million in the first half of 2023. This decrease is mainly due to lower use of the short-term financing line ("Revolving Credit Facility"). The income tax expense amounted to €13.4 million in 2024, up slightly compared to the previous year (€11.4 million) due to the increase in profits before tax.

The Net profit (group share) of the first half of 2024 is €18.0 million, i.e. a diluted earnings per share of €0.27.

1. H1 2024 Revenue and EBITDA by segment

Net revenue per segment

In millions of euros	H1 2024	H1 2023	Change	Organic growth (1)
EMEA	439.3	443.1	*-0.9%*	*-3.7%*
North America	446.3	458.1	*-2.6%*	*-2.2%*
CIS, APAC & Latin America	243.8	277.8	*-12.3%*	*-3.7%*
Sports	429.3	429.3	*+0.0%*	*+0.3%*
TOTAL	**1,558.7**	**1,608.3**	***-3.1%***	***-2.2%***

(1) Selling price adjustments in the CIS countries are historically intended to offset currency movements and are therefore excluded from the "organic growth" indicator (see Appendix 1).

Adjusted EBITDA per segment

The Group's IT costs were historically reported into central costs. From 2024, they will be reassigned to each business segment according to their actual use of IT services. This approach provides a more accurate reflection of the performance of each segment.

As a result, the 2023 adjusted EBITDA of each segment has been restated to allow comparison with 2024. The amount of 2023 IT costs reallocated to the segments is €14.8 million (see reconciliation table in Appendix 1).

In millions of euros	H1 2024	H1 2023 Proforma	Margin 2024	Margin 2023
EMEA	41.4	30.4	*9.4%*	*6.9%*
North America	48.0	38.1	*10.8%*	*8,3%*
CIS, APAC & Latin America	27.8	32.8	*11.4%*	*11.8%*
Sports	48.6	41.6	*11.3%*	*9.7%*
Central	-17.6	-16.8	-	-
TOTAL	**148.2**	**126.1**	***9.5%***	***7.8%***

Comments by segment

The EMEA segment generated revenue of €439 million, slightly down by -0.9% including a favourable currency effect of +0.5% and a scope effect of +2.3% (integration of activities in Ukraine previously linked to CIS) compared to the first half of 2023. The macroeconomic environment, high interest rates and the cost of construction and renovation projects continue to weigh negatively on demand in the eurozone, but also in important markets such as the UK and Northern Europe. In a declining flooring market, the volume of activity is down, particularly in Residential. Some selling prices have been selectively adjusted downwards to support business.

The segment's adjusted EBITDA amounts to €41 million, i.e. 9.4% of sales, compared to €30 million/6.9% of sales in the first half of 2023. The decrease in volumes and the adjustment of certain sales prices were more than offset by the drop in raw material purchase prices compared to the first half of 2023. Industrial productivity helped to offset the rise in wages.

The North America segment generated revenue of €446 million, down by -2.6% compared to the first half of 2023, reflecting like-for-like growth of -2.2%. The Commercial segments (Offices, Health and Education) held up well and their volume of activity was slightly up compared to the first half of 2023. In particular, they have benefited from an improvement in carpet tile and LVT volumes. The Residential segment is heavily penalised by inflation and rising mortgage rates, which have led to a sharp reduction in new construction and renovation projects.

The segment's adjusted EBITDA increased significantly to €48 million, i.e., 10.8% of sales, compared to €38 million/8.3% of sales in the first half of 2023. It benefits from the positive inflation balance, the measures to turn around certain business, and the good performance of the production sites.

Revenue in the **CIS, APAC and Latin America segment** amounted to €244 million, down -12.3% compared to the first quarter of 2023, with organic sales falling by -3.7% (excluding sales price effects in CIS countries), a negative currency effect (-4.9%) mainly linked to the depreciation of the rouble and a scope effect of -3.7% (integration of activities in Ukraine in the EMEA segment). In Russia, against a background that remains complex, volumes are down by -10% compared to 2023. Asia Pacific is driven by good momentum in Australia and most Asian markets. In Latin America, demand remained low and lagged behind considerably compared to the previous year, especially in Brazil.

The adjusted EBITDA of the CIS, APAC and Latin America segment is down to €28 million, i.e., 11.4% of sales, compared to €33 million/11.8% of sales in the first half of 2023, mainly due to low volumes in Russia and rising raw material prices in the CIS region. In the first half of the year, Russia accounted for around 8% of Group sales.

The Sports segment maintains a strong level of activity with a revenue of €429 million in the first half of 2024, equalling the record level reached in the first half of the previous year. The volume of activity in artificial turf sports fields and athletics tracks in North America is stable and the Group continues to develop its turnkey project offering. Growth at constant exchange rates and scope was +0.3%.

The adjusted EBITDA of the Sports segment rose to €49 million, i.e. 11.3% of sales, compared to €42 million/9.7% of sales in the first half of 2023. This improvement is the result of a positive inflation balance due to the good level of sales prices and favourable raw material prices.

2. Balance Sheet and Cash Flow 2024

Tarkett recorded a negative change in **working capital requirements** in the first half of 2024 (€-121.6 million), in line with the seasonality of the business that requires increasing inventory levels in the first half to meet the peak in demand in the third quarter. The Group continues to implement measures to improve its management of working capital requirements. The inventory levels at the end of June 2024 is slightly lower than at the end of June 2023, but will be sufficient to meet demand in the second half of the year.

At the end of June 2024, net financing from factoring programmes amounted to €191.3 million, marking an increase compared to €179.2 million recorded at the end of 2023 and €182.6 million in the same period in 2023.

Capital expenditure is under control and amounts to €32.5 million allocated mainly to capacity projects for growing products and automation to improve industrial efficiency. In the first half of 2023, investments amounted to €40.4 million.

Free cash flow for the first half of the year is negative at €-75.9 million, which is in line with the cash consumption profile for this period. Free cash flow in the first half of 2023 was positive given the measures taken to reduce the exceptionally high working capital requirement in December 2022.

Net financial debt amounts to €620 million at the end of June 2024, compared to €552 million at the end of December 2023 and €649 million at the end of June 2023. Compared to December 2023, debt is increasing due to seasonality, but **the leverage remains stable at 2.0x** of the adjusted EBITDA of the last 12 months (1.9x at the end of December 2023). Leverage was reduced by -0.8x compared to June 2023.

At the end of June 2024, the Group had a **high level of liquidity** amounting to €525 million comprising the undrawn RCF in an amount of €299 million, other confirmed and unconfirmed credit lines in an amount of €51 million and €175 million in cash.

3. Scope effect

On 2 July 2024, the Group signed a disposal agreement of its California distribution business (Diamond W – around $60 million in annual revenue). The assets and liabilities of this activity were classified as "assets held for sale" in the accounts published on 30 June 2024.

In addition, on 3 July 2024, the Group concluded the acquisition of one of its partners, Classic Turf & Tracks, a sports field construction company specialising in post tension concrete sub-bases. This will enable the Group to consolidate its positions in certain states in Northeastern United States and strengthen its tennis court offering. The company's revenue is around $25 million.

4. Outlook

The trend observed in the first quarter of 2024 continued in the second quarter with a decline in activity in the flooring sector. High interest rates and persistent inflation continue to weigh on the number of new construction and renovation projects. The Group does not anticipate a short-term improvement in the environment or a rapid recovery of the building market.

The European market experienced the most severe slowdown and remains sluggish. The Group has adapted its cost structure, industrial footprint and organisation in order to be more agile and profitable. These measures are combined with ongoing commercial efforts (range renewal, new product launches, innovation) and should support year-over-year performance improvement.

In North America, the construction and renovation indicators remain extremely low, primarily affecting the Residential market, to which the Group is exposed to a limited extent (~12% of the segment's sales). The recovery measures taken by the Group in this area are paying off in the growing Commercial segments. The improvement in results recorded in the first half of the year should be confirmed for the whole year.

Sports continues to benefit from a strong artificial turf order book, similar to 2023. Athletics track activities in North America and sports fields in Europe are expected to generate annual revenue growth. Taking advantage of its leading position in North America, Tarkett has a strong presence on higher value-added projects, which should contribute to improving profit margins over the year. In a highly competitive and consolidating environment, the acquisition of Classic Turf and Tracks strengthens this positioning, and the Group is paying close attention to any other external growth opportunities.

The Group does not anticipate any rapid improvement in market conditions and therefore continues to adapt its production level and cost structure while investing in the launch of new products, in particular ranges with a higher content of recycled products, the renewal of existing collections, but also in innovative growth, productivity and decarbonisation projects.

The operational and financial recovery initiated in 2023 will continue in 2024, where the Group aims to generate positive cash flow and reduce debt at the end of the financial year.

1) Selling price adjustments in the CIS countries are historically intended to offset currency fluctuations and are therefore excluded from the "organic growth" indicator (see Appendix 1)

This press release may contain forward-looking statements. These 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 (https://www.tarkett-group.com/en/category/urd/). They 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

- 24 October 2024: Q3 2024 Revenue – *press release after close of trading*

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About Tarkett

With a 140-year history, Tarkett is a worldwide leader in innovative and durable flooring and sports surface solutions, generating a revenue of €3.4 billion in 2023. The Group has around 12,000 employees and 23 R&D centres, 8 recycling centres and 34 production sites. Tarkett designs and manufactures solutions for hospitals, schools, housing, hotels, offices, shops and sports fields, serving customers in more than 100 countries. To build "The Way to Better Floors", the Group is committed to the circular economy and sustainable development, in line with its Tarkett Human-Conscious Design® approach. Tarkett is listed on the Euronext regulated market (compartment B, ISIN: FR0004188670, ticker: TKTT). www.tarkett-group.com

Appendices

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

- **Organic growth** measures the change in turnover compared with the same period in the previous year, excluding the exchange rate effect and changes in scope. The foreign exchange effect is obtained by applying the previous year's exchange rate to sales for the current year and calculating the difference with sales for the current year. It also includes the effect of price adjustments in the CIS countries intended to offset the change in local currencies against the euro. In the first half of 2024, a 7.0 million euros positive impact of selling price adjustments is excluded from organic growth and included in the foreign exchange effect.

- **The scope effect** is composed of:
    - current year sales by entities not included in the scope of consolidation in the same period of the previous 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 previous year, until the anniversary of their disposal.

In millions of euros	2024 Revenue	2023 Revenue	Change	*Of which volume*	*Of which selling prices*	*Of which CIS selling prices*	*Of which exchange rate effect*	*Of which scope effect*
Group Total Q1	668.1	698.5	-4.3%	-2.3%	*-0.3%*	*+0.5%*	*-2.2%*	*+0.0%*
Of which organic growth				*-2.7%*				
Of which selling price increases					*+0.,2%*			
Group Total Q2	890.5	909.8	-2.1%	*-1.7%*	*-0.2%*	*+0.4%*	*-0.7%*	*+0.0%*
Of which organic growth				*-1.8%*				
Of which selling price increases					*+0.2%*			
Group Total H1	**1,558.7**	**1,608.3**	**-3.1%**	***-2.1%***	***-0.2%***	***0.4%***	***-1.3%***	***+0.0%***
Of which organic growth				*-2.2%*				
Of which selling price increases					*+0.2%*			

- **IT costs have been reallocated by division from 2024** for better readability of the indicators. The segment information for 2023 is presented pro forma with a re-allocation of expenses of €14.8 million between central costs and the other divisions.

In millions of euros	H1 2023	IT Costs	H1 2023 Proforma	Margin 2023	Proforma Margin 2023
EMEA	37.0	-6.6	30.4	*8.4%*	*6.9%*
North America	41.4	-3.3	38.1	*9.0%*	*8.3%*
CIS, APAC & Latin America	36.6	-3.8	32.8	*13.2%*	*11.8%*
Sports	42.6	-1.0	41.6	*9.9%*	*9.7%*
Central	- 31.6	14.8	-16.8	-	-
TOTAL	**126.1**	**-**	**126.1**	***7.8%***	***7.8%***

- **Adjusted EBITDA** is the operating result before depreciation and amortisation restated for the following income and expenses: restructuring costs with the aim of increasing the Group's future profitability, gains and losses on significant asset disposals, provisions, and reversals of provisions for impairment, costs related to business combinations and legal reorganisations, expenses related to share-based payments and other one-off expenses considered non-recurring by their nature.

In millions of euros	**Adjusted EBITDA H1 2024**	**Adjusted EBITDA H1 2023**	**Margin H1 2024**	**Margin H1 2023**
Group Total – Q1	39.7	31.8	5.9%	4.6%
Group Total – Q2	108.5	94.2	12.2%	10.4%
Group Total – H1	**148.2**	**126.1**	**9.5%**	**7.8%**

In millions of euros		**of which adjustments**					
	H1 2024	**Restructuring**	**Gains/losses on asset disposals/impairment**	**Business combinations**	**Share-based payments**	**Other**	**H1 2024 adjusted**
EBIT	**59.9**	**15.4**	**-4.8**	**0.0**	**2.0**	**9.3**	**81.8**
Impairment, amortisation and depreciation	62.2	-	3.6	-	-	-	65.8
Other	0.6	-	-	-	-	-	0.6
EBITDA	**122.6**	**15.4**	**1.1**	**0.0**	**2.0**	**9.3**	**148.2**

In millions of euros	of which adjustments						
	H1 2023	Restructuring	Gains/losses on asset disposals/impairment	Business combinations	Share-based payments	Other	H1 2023 adjusted
EBIT	**48.5**	**3.8**	**0.3**	**0.0**	**3.6**	**2.9**	**59.2**
Impairment, amortisation and depreciation	65.4	-	-	-	-	-	65.4
Other	1.5	-	-	-	-	-	1.5
EBITDA	**115.4**	**3.8**	**0.3**	**0.0**	**3.6**	**2.9**	**126.1**

- **Free cash flow** is defined as cash generated from operations before change in working capital, plus or minus the following inflows and outflows: change in working capital, repayment of lease liabilities, net interest received (paid), net tax collected (paid), various operating items collected (disbursed), acquisition of intangible assets and property, plant and equipment, and income (loss) from fixed asset disposals.

Free cash flow (in millions of euros)	H1 2024	H1 2023
Cash flow from operations before change in working capital and repayment of lease liabilities	**138.2**	**111.1**
Repayment of lease liabilities	-21.5	-18.0
Cash flow from operations before change in working capital; including repayment of lease liabilities	**116.7**	**93.1**
Change in working capital *of which change in factoring programmes*	121.6 *6.8*	23.3 *4.3*
Net interest paid	-18.2	-25.1
Net tax paid	-18.1	-18.7
Miscellaneous operating items paid	-2.4	-5.0
Acquisition of intangible assets and property, plant and equipment	-32.5	-40.7
Proceeds from disposal of property, plant and equipment	0.1	0.5
Free cash flow	**-75.9**	**27.3**

- **Net financial debt** is defined as the sum of interest-bearing loans and borrowings minus cash and cash equivalents. Borrowings correspond to any obligation to repay funds received or raised that are subject to repayment terms and interest. They also include liabilities on leases.

- **Financial leverage** is the ratio of net financial debt, including leases accounted for as per IFRS 16, to adjusted EBITDA over the last 12 months.

In millions of euros	30 June 2024	31 December 2023	30 June 2023
Financial debts – long term	586.7	592.6	696.3
Financial debts and bank overdrafts – short term	77.3	40.0	44.9
Financial debts excluding IFRS 16 (A)	**664.0**	**632.6**	**741.2**
Lease liabilities – long term	101.0	111.8	103.2
Lease liabilities – short term	30.8	31.6	27.4
Lease liabilities – IFRS 16 (B)	**131.8**	**143.4**	**130.6**
Gross debt – long term	799.5	704.4	799.5
Gross debt – short term	72.3	71.6	72.3
Gross debt (C) = (A) + (B)	**795.8**	**776.0**	**871.8**
Cash and cash equivalents (D)	**175.4**	**224.3**	**222.8**
Net debt (E) = (C) - (D)	**620.4**	**551.7**	**648.9**
Adjusted EBITDA 12 months (F)	**309.9**	**287.8**	**234.8**
Ratio (E)/(F)	**2.0x**	**1.9x**	**2.8x**

2/ Bridges in millions of euros, H1 and Q2 2024

Net revenue by segment

Q2 2023	909.8
+/- EMEA	-1.9
+/- North America	2.9
+/-CIS, APAC & Latin America	-8.6
+/- Sports	-9.1
Q2 2023 Like-for-Like	**893.2**
+/- Currencies	1.5
+/- "Lag effect" in CIS (1)	-4.2
+/- Scope	0.0
Q2 2024	**890.5**

(1) *Including selling price increases*

Adjusted EBITDA by nature

Q2 2023	94.2
+/- Volume/Mix	2.2
+/- Selling prices	-1.4
+/- Raw materials and Transport	18.8
+/- Salary increases	-7.8
+/- Productivity	7.4
+/- SG&A	-4.1
+/- Non-recurring and other	-0.5
+/- "Lag effect" in CIS (1)	0.3
+/- Currencies	-0.6
+/- Scope	0.0
Q2 2024	**108.5**

(1) *Including selling price increases*

H1 2023	1,608.3
+/- EMEA	-16.4
+/- North America	-10.0
+/-CIS, APAC & Latin America	-10.1
+/- Sports	1.4
H1 2023 Like-for-Like	**1,573.1**
+/- Currencies	-1.5
+/- "Lag effect" in CIS (1)	-12.9
+/- Scope	0.0
H1 2024	**1,558.7**

(1) *Including selling price increases*

H1 2023	126.1
+/- Volume/Mix	-1.7
+/- Selling prices	-3.6
+/- Raw materials and Transport	35.0
+/- Salary increases	-15.3
+/- Productivity	16.8
+/- SG&A	-8.5
+/- Non-recurring and other	0.0
+/- "Lag effect" in CIS(1)	1.0
+/- Currencies	-1.4
+/- Scope	0.0
H1 2024	**148.2**

(1) *Including selling price increases*