Press release

Tarkett Group

Trading Update:
H1 performance reflecting sales recovery and inflation in purchasing and freight costs in Q2

Q2 and Half Year 2021 Earnings trends

- **Net revenues up +2.0% in H1 2021 versus H1 2020 thanks to Q2 2021 performance (revenues up organically +16% in Q2 2021), reflecting organic growth of +6.3% and negative forex impacts;**
- **Sequential improvement in Q2 organic growth reflecting favorable comparison basis, but revenues still below 2019 levels by -7.4%;**
- **Adjusted EBITDA at €112.7 million in H1 2021, or 8.9% of net revenues (versus 8.6% in H1 2020) as margin recovery was impeded by inflation in purchasing and freight costs in Q2;**
- **Net profit should be breakeven in H1 2021 versus -€64.9m in H1 2020 and net financial leverage is expected below 2.0x at the end of June. H1 full earnings will be published on July 29 2021 after market close;**
- **Recovery remains muted due to slow improvement in Workplace and Hospitality. Inflation in purchasing costs and raw material shortages accelerated recently, resulting in a negative inflation impact now estimated at €130 million in 2021 (versus €100 million anticipated in April);**
- **Therefore the Group expects its 2021 adjusted EBITDA margin to be below 2020 margin. The Group confirms, as announced in April, that it will not reach its mid-term target (at least 12%) by 2022 and anticipates that it will be delayed by at least one year.**

Paris, July 20, 2021: Tarkett (Euronext Paris: FR0004188670 TKTT) anticipated the release of the Group's net revenues and Adjusted EBITDA for the half year of 2021.

The Company uses alternative performance indicators (not defined by IFRS) described in appendix 1 (page 5):

€ million	H1 2021	H1 2020	Change
Net sales	**1,261.2**	**1,237.0**	**+2.0%**
Of which organic growth	*+6.3%*	-	
Adjusted EBITDA	**112.7**	**106.3**	**+6.0%**
% net sales	*8.9%*	*8.6%*	
EBIT	**30.2**	**-43.6**	**–**
% net sales	**2.4%**	**-3.5%**	

1. Q2 2021highlights

Sales at €702.4 million, up +12.1% in Q2 2021 reflected an organic growth of +16.2% and negative forex impacts mostly related to the US dollar and Swedish krona. The depreciation of the Russian ruble also generated a negative impact. Flooring activities recovered from the low point that Tarkett reached in Q2 2020 as a result of the pandemic and lockdowns. The recovery is driven by a dynamic demand in residential across the Group's key regions and a slower recovery in commercial. The lack of investment decision is still affecting the level of activity in workplace and hospitality. Sports, which demonstrated a strong resilience in H1 2020, remained affected by a lower pipeline of new projects at the beginning of the year due to the Covid-19 pandemic.

€ million	Q2 2021	Q2 2020	*Variation*	*Of which organic growth*
EMEA	224.8	177.9	*+26.3%*	*+25.0%*
North America	192.0	161.6	*+18.8%*	*+28.7%*
CIS, APAC & LATAM	142.1	113.1	*+25.6%*	*+26.7%*
Sports	143.5	173.6	*-17.3%*	*-11.4%*
Total Group	**702.4**	**626.3**	*+12.1%*	***+16.2%***

Adjusted EBITDA	78.7	64.0	*+23.0%*
% of Net Sales	11.2%	10.2%	

Adjusted EBITDA amounted to €78.7 million, or a margin of 11.2% of revenues compared with €64.0 million or 10.2% of net revenues in H1 2020. This net improvement reflected the positive impact of the solid organic growth coupled with a good level of cost reduction which amounted to €25.1 million, including net productivity gains of €17.4 million and SG&A cost savings of €7.7 million. The profitability increase was however penalized by the inflation in raw material and freight, which accelerated in Q2 2021 and resulted in a negative impact on the Adjusted EBITDA of -€32.4 million in Q2 2021. This was partially mitigated by selling price increases (+€8.6m) and a positive "lag effect" (net effect of selling prices and currency in the CIS) of +€6m that reflects the high level of inflation pass through in the CIS countries.

2. H1 Net sales and Adjusted EBITDA

€ million	H1 2021	H1 2020	*Variation*	*Of whichOrganic growth*
EMEA	445.3	405.6	*+9.8%*	*+8.7%*
North America	352.4	357.7	*-1.5%*	*+6.9%*
CIS, APAC & LATAM	254.7	222.9	*+14.3%*	*+20.1%*
Sports	208.9	250.7	*-16.7%*	*-10.7%*
Total Net sales	**1 261.2**	**1 237.0**	*+2.0%*	***+6.3%***

Adjusted EBITDA	112.7	106.3	*+6.0%*
% of Net Sales	8.9%	8.6%	

Group net revenues amounted to €1,261.2 million, up +2% on a reported basis and +6.3% organically compared to H1 2020 thanks to a favorable comparison basis (H1 2020 revenues were down -12.6% organically). After a challenging first quarter, like-for-like revenues grew in Q2 driven by solid growth in residential across Tarkett's key segments and soft recovery in commercial. Some end-user commercial segments are still penalized by the lack of investment decision. The CIS, APAC and Latin America segment remained very dynamic throughout the first half, while EMEA and North America started recovering in Q2. In Sports, the level of activity was still down compared to H1 2020 which was particularly resilient notwithstanding the pandemic. While the number of projects is still lower than last year, the order book is however showing some improvement.

Adjusted EBITDA amounted to €112.7 million in H1 2021 compared to €106.3 million in H1 2020 and reached 8.9% of net sales compared to 8.6% in H1 2020. The improvement was driven by volume recovery that resulted in a positive impact on the Adjusted EBITDA of +€18.0 million in H1 2021.

As announced previously, inflation in raw material and freight costs intensified throughout the first half. Purchasing costs penalized the Adjusted EBITDA by -€38.1 million compared to H1 2020 reflecting higher oil derivatives and wood prices and rapidly increasing freight costs. Shortages in the supply chain were numerous and contributed to the cost increase and resulted in a low level of inventories for the season. In response to this inflation, Tarkett has been implementing additional selling price increases. Sales pricing generated a positive impact of €12.0 million, offsetting around one third of purchasing costs inflation. Salary increases amounted to -€5.2 million year-over-year, reflecting contained wage increases of 2020 and 2021.

Tarkett remained focused on improving its cost base and pursue its Change to Win initiatives to improve the cost structure. In total, the Group delivered €46.9 million of cost savings in H1 2021, out of which €27.2 million of productivity gains and €19.7 million of SG&A cost reduction. Structural cost savings amounted to €38 million and will be well above the initial target of €30 million in 2021.

Exchange rates (CIS countries excluded) had a positive effect amounting to +€0.9 million, as the impact of the dollar depreciation versus the euro and negative exchange rates in Sweden were fully offset at the Adjusted EBITDA level. The net impact of currency and selling price movements in the CIS countries also had a positive effect (lag effect of +€3.0 million) as significant selling prices increases were deployed in the region to offset the ruble depreciation and raw material inflation.

EBIT amounted to €30.2 million and **Adjusted EBIT** to €37.9 million. **The adjustments to EBIT** (details in page 5) represented €7.7 million in H1 2021, including restructuring costs of €4.9 million due to the global SG&A cost savings program and footprint rationalization in Europe.

3. 2021 Outlook and mid-term financial objectives

Residential has been growing in H1 across Tarkett's key regions and is expected to keep on growing in H2. In Sports, the pipeline of activity started recovering in Q2 and the order book has improved. In other commercial segments, demand remains globally below 2019 levels, particularly in Workplace and Hospitality. As a result, the Group expects its revenue growth to slowdown in H2 2021 compared to Q2 2021, which benefitted from a favorable comparison basis.

In this context of progressive recovery, Tarkett is pursuing its Change to Win strategic roadmap to foster sustainable growth and gain market shares. The Group is also maintaining a strong focus on improving its cost structure and pursuing its cost reduction initiatives, including actions on its industrial footprint and on the SG&A cost base. Tarkett expects to generate at least €50 million of structural cost reduction in 2021 (€30 million expected in February 2021).

Raw material prices and freight costs further increased in Q2 2021, and Tarkett now expects inflation impact to be around €130 million in 2021 (versus €100 million anticipated at the end of April). Tarkett is proactively managing its selling prices to mitigate this inflation and has already planned additional selling price increases in flooring in H2.

Given this inflationary context and the slow recovery of some commercial segments, Tarkett confirms that the 2022 Adjusted EBITDA margin objective of at least 12% will be achieved later than initially anticipated. The Group now anticipates it will be delayed by at least one year, at the soonest in 2023.

The Group, however, plans to increase its capital spending compared to the constrained level of 2020. Notwithstanding higher working capital requirements, the Group anticipates to generate positive free cash flow in 2021. With net financial leverage expected below 2.0x at the end of June, Tarkett is already operating within its target for the end of the year (net debt to Adjusted EBITDA after IFRS 16 application between 1.6x and 2.6x at each year-end).

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 annual report registered in France with the French Autorité des Marchés financiers 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 of these statements.

Financial calendar

- July 29, 2021: Q2 and H1 2021 financial results - *press release after close of trading on the Paris market and conference call the following morning*

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About Tarkett

With a history of 140 years, Tarkett is a worldwide leader in innovative flooring and sports surface solutions, with net sales of € 2.6 billion 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 across 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. Reconciliation table for alternative performance indicators (not defined by IFRS)

- **Organic growth** measures the change in net sales as compared with the same period in the previous year, at constant scope of consolidation and exchange rates. The exchange rate effect is calculated by applying the previous 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 impact of price adjustments in CIS countries intended to offset movements in local currencies against the euro. In H1 2021, a €3.0 million positive adjustment in selling prices was excluded from organic growth and included in currency effects.
- **Scope effects reflect:**
  - current-year sales for entities not included in the scope of consolidation in the same period in the previous year, up to the anniversary date of their consolidation;
  - the reduction in sales relating to discontinued operations that are not included in the scope of consolidation for the current year but were included in sales for the same period in the previous year, up to the anniversary date of their disposal.

€ million	Net Sales H1 2021	Net Sales H1 2020	% Change	o/w exchange rate effect	o/w scope effect	o/w 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%**

- **Adjusted EBITDA** is the 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.

€ million	Adjusted EBITDA H1 2021	Adjusted EBITDA H1 2020	% margin 2021	% margin 2020
Total Group – Q1	34.0	42.4	+6.1%	+6.9%
Total Group – Q2	78.7	64.0	+11.2%	+10.2%
Total Group – H1	**112.7**	**106.3**	**+8.9%**	**+8.6%**

€ million		Of which adjustments					
	H1 2021	Restructuring	Gains / losses on assets sales / impairment	Business combination	Share-based payments	Other	H1 2021 adjusted
Result from operating activities (EBIT)	**30.2**	**5.9**	**(2.0)**	**0.0**	**1.7**	**2.0**	**37.9**
Depreciation and amortization	74.9	-	0.1	-	-	-	74.9
Others	(0.2)	-	-	-	-	-	(0.2)
EBITDA	**104.9**	**5.9**	**(1.9)**	**0.0**	**1.7**	**2.0**	**112.7**

2. Bridges (€ million) Q2 and H1 2021

Net sales by segment

H1 2020	**1,237.0**
+/- EMEA	35.2
+/- North America	24.7
+/- CIS, APAC & LATAM	44.8
+/- Sports	(26.8)
H1 2021 LfL	**1,314.9**
+/- Currencies	(44.3)
+/- Selling price lag effect in CIS	(9.4)
H1 2021	**1,261.2**

Q2 2020	**626.3**
+/- EMEA	44.4
+/- North America	46.4
+/- CIS, APAC & LATAM	30.3
+/- Sports	(19.8)
Q2 2021 LfL (1)	**727.6**
+/- Currencies	(24.7)
+/- Selling price lag effect in CIS	(0.5)
Q2 2021	**702.4**

Adjusted EBITDA by nature

H1 2020	**106.3**
+/- Volume / Mix	18.0
+/- Sales Pricing	12.0
+/- Raw Material & Freight	(38.1)
+/- Salary Increase	(5.2)
+/- Productivity	27.2
+/- SG&A	19.7
+/- Covid action	(25.1)
+/- One-offs & Others	(6.0)
+/- Selling price lag effect in CIS	3.0
+/- Currencies	0.9
H1 2021	**112.7**

Q2 2020	**64.0**
+/- Volume / Mix	37.9
+/- Sales Pricing	8.6
+/- Raw Material & Freight	(32.4)
+/- Salary Increase	(2.6)
+/- Productivity	17.4
+/- SG&A	7.7
+/- Covid actions	(27.3)
+/- One-offs & Others	(1.3)
+/- Selling price lag effect in CIS	6.0
+/- Currencies	0.7
Q2 2021	**78.7**

(1) Like-for-Like : organic growth (see definition in appendix 1)