Press release

Tarkett Group

FY 2021 results:

Sustained sales growth, in particular in the fourth quarter

Profitability negatively impacted by inflation – Continued increases in sale prices

FY 2021 results:

- **Sustained activity in Q4: revenue up strongly, by +16.5% as compared with Q4 2020, including +6.3% due to increased sale prices**
- **In 2021, net sales up by +6.0% over the fiscal year (+6.4% at constant exchange rates and scope of consolidation)**
- **Adjusted EBITDA of €229 million in 2021, or 8.2% of sales**
- **Unprecedented increases in purchasing costs: €178 million as compared with 2020, in line with the estimates given in Q3, of which €93 million offset by increases in sale prices**
- **Continued structural cost reductions: €65 million in savings in 2021, bringing the total cost reduction to €143 million in three years, surpassing the initial objective of €120 million over the 2019-2022 period**
- **Net profit of €15 million in 2021, as compared with a loss of -€19 million in 2020**
- **Positive free cash flow of €20 million, despite the increase in working capital requirement resulting from activity levels and inflation**
- **Net debt stable at €476 million, controlled leverage of 2.1x adjusted EBITDA as of the end of December 2021**
- **Continued increases in sale prices with the objective of neutralizing the impact of inflation on purchasing costs in 2022**

Paris, February 16, 2022: The Supervisory Board of Tarkett (Euronext Paris: FR0004188670 TKTT), which met today, reviewed the Group's consolidated results for the 2021 fiscal year.

The Group uses alternative performance indicators (not defined by IFRS) described in detail in Appendix 1 (page 7):

€ million	2021	2020	Change (%)
Net sales	**2,792.1**	**2,632.9**	**+6.0%**
Of which organic change	*+6.4%*	*-9.5%*	
Adjusted EBITDA	**229.0**	**277.9**	**-17.6%**
% of net sales	*8.2%*	*10.6%*	
Result from operations (EBIT)	**59.6**	**47.4**	**+25.7%**
% of net sales	*2.1%*	*1.8%*	
Net profit attributable to owners of the Company	**15.1**	**-19.1**	**-**
Fully diluted earnings per share (€)	*0.23*	*-0.29*	
Free cash flow	**19.5**	**163.5**	**-88.1%**
Net debt	**475.7**	**473.8**	**+0.4%**
Leverage (net debt to adjusted EBITDA)	*2.1x*	*1.7x*	

1. Results for the fourth quarter of 2021

Revenue was up sharply at €721 million, an increase of +16.5% as compared with the fourth quarter of 2020. Performance was strong, particularly in the Sport segment, in an environment in which certain customers decided to buy before sale prices increased in January 2022.
Commercial flooring was especially strong in EMEA and in North America, with a noteworthy increase in carpets. The Residential business also grew, though more moderately, due to an already strong business volume in Q4 2020 as well as persistent supply chain difficulties.
Increases in sale prices averaged +6.3% over the quarter [and +8.0% in December as compared with the prior year].

Net sales in millions of euros	Q4 2021	Q4 2020	Change	Of which organic growth	% organic change incl. price changes in the CIS (1)
EMEA	225.9	205.3	*+10.0%*	*+9.6%*	*+9.6%*
North America	180.7	152.3	*+18.6%*	*+13.4%*	*+13.4%*
CIS, APAC and Latin America	169.9	148.4	*+14.5%*	*-1.2%*	*+9.7%*
Sports	145.0	113.0	*+28.3%*	*+23.7%*	*+23.7%*
Total Group	**721.5**	**619.1**	***+16.5%***	***+10.5%***	***+13.1%***

(1) Price adjustments in the CIS countries have historically been used to offset currency fluctuations and are therefore excluded from the "organic growth" indicator (see Appendix 1). In 2021, significant price increases were implemented to offset the effects of inflation on procurement costs; therefore, the Group also measures changes in sales at constant exchange rate and scope of consolidation, including price adjustments in the CIS countries.

Adjusted EBITDA totaled €41.9 million, or 5.8% of sales, as compared with €53.8 million in the fourth quarter of 2020, which had been increased by the one-off effect of the €15 million insurance indemnity resulting from the April 2020 cyber-attack.
Excluding that effect, adjusted EBITDA for Q4 2021 increased by €2.8 million as compared with 2020. Very high levels of inflation in the prices of raw materials, energy, and freight (-€69 million as compared with Q4 2020) were offset for more than one-half by the increase in sale prices (+€39 million).
Results also benefited from the contribution of growing sales volumes (+€12 million) and the significant reduction of the cost basis (+€14 million).

Adjusted EBITDA in € million	Q4 2021	Q4 2020(1)	Q4 2021 margin	Q4 2020 margin
Total Group	**41.9**	**53.8**	***5.8%***	***8.7%***

(1) Q4 2020 had benefited from a €15 million insurance indemnity relating to the April 2020 cyber-attack

2. 2021 Group results

Net sales totaled €2,792 million, an increase of +6.0% as compared with 2020. Organic growth was 6.4%, or 8.0% including price increases in the CIS region implemented to counter inflation in procurement costs (in the CIS, price adjustments have historically been excluded from the calculation of organic growth, because they are implemented to offset currency fluctuations). The effect of price increases implemented in all segments averaged +3.5% in 2021 as compared with the prior year.

The EMEA segment had revenues of €889 million, an increase of 7.9% as compared with 2020, thanks to the combined effect of the growth in volumes and price increases. The Residential business grew, despite supply-chain difficulties encountered throughout the year. The Commercial business recovered, in particular thanks to the strength of the Health and Education sectors. Sales of commercial carpet began to grow again in the fourth quarter. France, Southern Europe, and Poland were the most active regions, with sales higher than in 2019.

The North America segment had revenues of €727 million, an increase of +4.7% as compared with 2020, reflecting solid growth of 8.0% at constant exchange rates and scope and a negative currency effect due to the depreciation of the dollar against the euro over the period. Volumes and sale prices contributed to organic growth, which was particularly strong in the Health and Education segments, using accessories and vinyl or rubber flooring. The Residential business experienced strong growth as well, due to sustained demand and despite supply-chain difficulties. Offices and Hospitality were less dynamic, but nevertheless saw an improvement in volumes late in the year.

The CIS, APAC and Latin America segment had revenues of €589 million, an increase of 11.5%, despite a negative currency effect of -3.5% relating to the ruble. Sales at constant exchange rates and scope increased by +7.1%, or +15.0% including the increases in sale prices in the CIS countries implemented to counter inflation. The segment's three geographical regions experiences growths in sales volumes and increased their prices.

Sports revenues totaled €588 million, which was stable as compared with 2020, due to an unfavorable currency effect relating to the dollar. Growth at constant exchange rates and scope was +2.9%, with significant acceleration in the second half of the year: +12.9% in H2, +23.7% in Q4. Both North America and Europe are growing, and the end-of-year backlog is particularly high.

Net sales

€ million	2021	2020	Change	Organic growth	Organic growth (incl. price changes in the CIS)[(1)]
EMEA	888.5	823.6	*+7.9%*	*+7.1%*	*+7.1%*
North America	727.2	694.5	*+4.7%*	*+8.0%*	*+8.0%*
CIS, APAC and Latin America	588.6	527.9	*+11.5%*	*+7.1%*	*+15.0%*
Sport	587.7	586.9	*+0.1%*	*+2.9%*	*+2.9%*
TOTAL	**2,792.1**	**2,632.9**	***+6.0%***	***+6.4%***	***+8.0%***

(1) Price adjustments in the CIS countries have historically been used to offset currency fluctuations and are therefore excluded from the "organic growth" indicator (see Appendix 1). In 2021, significant price increases were implemented to offset the effects of inflation on procurement costs; therefore, the Group also measures changes in sales at constant exchange rate and scope of consolidation, including price adjustments in the CIS countries.

Adjusted EBITDA totaled €229.0 million in 2021, or 8.2% of revenues, as compared with €277.9 million in 2020, or 10.6% of revenues.

Growth in sales volumes aided EBITDA, contributing €20 million. However, the effect of inflation on purchases of raw materials, energy, and freight accelerated in the second half and led to an unprecedented increase in procurement costs of €178 million, in an environment of limited supply and very strong demand, which added to the increases in the prices of oil and other energy sources.

Tarkett used sale price increases starting late in the first half of the year: +€24 million in H1, +€69 million in H2 as compared with the same halves of 2020, for a positive effect of +€93 million over the year as compared with 2020. The increases enabled Tarkett to offset, as announced, slightly more than half of the effect of inflation.

The Group also continued to implement particularly sharp cost reductions, ahead of schedule. In 2021, cost reductions had a net effect of +€65 million as compared with 2020, despite disturbances caused by supply-chain disruptions and difficulties in hiring employees at some plants. The plan announced in 2019 aimed at a cost reduction of €120 million over four years. Tarkett has already surpassed that objective: structural cost reductions over the past three years total €143 million.

In 2020, in light of the significant slowdown in business at the beginning of the Covid-19 pandemic, the Group had implemented one-off cost-adjustment measures for a total of €40 million, partially supported by governmental measures such as partial layoffs. These measures were not renewed in 2021.

Adjusted EBITDA by segment

€ million	2021	2020	Margin 2021	Margin 2020
EMEA	102.0	108.9	*11.5%*	*13.2%*
North America	43.4	58.9	*6.0%*	*8.5%*
CIS, APAC and Latin America	88.7	97.4	*15.1%*	*18.4%*
Sports	46.0	60.5	*7.8%*	*10.3%*
Central	-51.0	-47.8	-	-
TOTAL	**229.0**	**277.9**	***8.2%***	***10.6%***

EBIT totaled €59.6 million, an increase from €47.4 million in 2020, including significant asset impairment, for a total of €53 million. **Adjustments to EBIT** (detailed in Appendix 1) totaled €20.5 million, as compared with €72.0 million in 2020, and principally comprised restructuring costs of €11.5 million relating to the implementation of the savings plan.

Financial expenses were €38.8 million in 2021, as compared with €33.7 million in 2020, due to the costs associated with the debt refinancing that took place in July 2021. Income tax expense totaled €11.0 million, a sharp decrease as compared with the prior year (€31.5 million), primarily due to the strong reduction in withholding taxes on dividends from subsidiaries.

Net profit for 2021 was €15.1 million, for earnings per share on a fully diluted basis of €0.23.

3. 2021 balance sheet and cash flow

In a context growth in business and inflation, **working capital requirement** increased by €11.2 million at the end of December. Factoring programs represented net financing of €165.7 as of the end of December 2021, an increase as compared with €133.9 million at the end of December 2020. As compared with the historically low level at the end of 2020, inventory increased in volume, due to growing business, and in value, due to inflation, but remained well managed and represent 83 days, as compared with 80 days at the end of December 2020.

Investment expenses were contained, at €72.8 million (as compared with €74.1 million in 2020).

The Group generated positive **free cash flow** of €19.5 million, a decrease as compared with €164 million in 2020, due to the decrease in operating income, the increase in working capital requirement, and the costs of financing debt in Q3 2021.

Net financial debt was stable at €475.7 million at the end of December 2021 (as compared with €473.8 million at the end of December 2020), including an increase due to an exchange rate effect on the Group's dollar-denominated debt. **Financial leverage was 2.1x** adjusted EBITDA at the end of December 2021.

In addition to this solid financial structure, at the end of the year the Group had a **significant amount of liquidity**, €628.7 million, including un-drawn Revolving Credit Facilities for €350.0 million and other confirmed and unconfirmed credit facilities for €73.3 million and cash equivalents of €205.4 million.

4. Dividends

Given the level of short-term uncertainty, which remains significant, the Group will continue its actions to preserve cash flow in 2022. The Management Board will not propose paying a dividend in 2022 in respect of the 2021 fiscal year.

5. 2022 Prospects

The health and macroeconomic context continues to cause uncertainties regarding expected levels of demand. Supply chain difficulties remain and continue to limit the Group's capacity to meet all demand in certain areas.

Nevertheless, Tarkett anticipates the continuation of the progressive recovery in volumes in 2022. Commercial flooring is expected to be well positioned overall, led by the Health and Education sectors. Favorable trends in Office flooring in Q4 remain to be confirmed. Residential should continue to grow, but at a more moderate pace, given the overall high level of activity in 2021. In the Sports segment, the Group anticipates a continuation of the strong buoyancy seen in the second half of 2021.

Tarkett will continue to roll out new product lines to generate sustainable growth and to gain market share. This includes, in particular, the acceleration of the ambitious circular economy plan, with innovative and significant investments in recycling capacity.

The Group will also continue its cost reduction actions, including measures to optimize its industrial organization and to decrease general and administrative costs. Tarkett expects to generate €30 million in annual structural savings in 2022.

Inflation affecting procurement costs continues to increase driven by sustained demand for the Group's raw materials, supply chains that continue to be disrupted, and a significant increase in energy costs. Current trends indicate that the negative effect of this increase in procurement costs could be approximately €220 million in additional costs as compared with 2021.

In order to manage the unprecedented inflation, Tarkett has already implemented new price increases in 2022 and will continue if necessary in order to offset the effect of this increase in procurement costs over the entire year. At current procurement prices, the Group anticipates that the inflation balance (the effect on sale prices as compared to 2021 less the effect of purchasing costs) will be neutral over the full year, but negative over the first half and positive over the second half.

Tarkett intends to remain selective in its investments, while strengthening its production and recycling capacities for certain growth product lines, which is expected to result in controlled increases in investments in 2022.

6. Financial reporting in 2022

In light of the new capital structure, the Group is modifying its financial reporting. Starting in 2022, first and third quarter reporting will be limited to revenues per segment. Half-year and year-end reporting will remain unchanged.

This press release may contain estimates and/or forward looking statements. Such information constitutes either trends or objectives, and should not be considered forecasts of Tarkett's results or of any other performance indicator. This information is by its nature subject to risks and uncertainties, as described in the Company's Registration Document, available on its website (www.tarkett-group.com). Therefore, they do not reflect the Company's future performance, which may materially differ. The Company does not undertake to provide updates of this information.

The consolidated financial statements have been audited and the Statutory Auditors' report is in the process of being published. The consolidated financial statements for the 2021 fiscal year are available on Tarkett's website, https://www.tarkett-group.com/en/document/?_categories=financial-documents

Financial calendar

- April 27, 2022: revenues for Q1 2022
- April 29, 2022: Annual General Shareholders' Meeting
- July 26, 2022: financial results for H1 2022 – *press release after the close of trading*
- October 25, 2022: revenues for Q3 2022 – *press release after the close of trading*

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About Tarkett
With a history of 140 years, Tarkett is a worldwide leader in innovative flooring and sport surface solutions, with net sales of €2.8 billion in 2021. Offering a wide range of products including vinyl, linoleum, rubber, carpet, wood, laminate, artificial turn and athletic tracks, the Group serves customers in more than 100 countries across the globe. Tarkett has 12,000 employees and 34 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 (Compartment B, ISIN FR0004188670, ticker: TKTT). www.tarkett-group.com

Appendices

1. Definitions of 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 exchange rates of the previous year 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 the CIS countries intended to offset movements in local currencies against the euro. In 2020 the -€34.9 million impact of sale price adjustments was excluded from organic growth and included in exchange rate effects.
- **Scope effects** reflect:
  - Current-year sales for entities not included in the scope of consolidation in the same period of the previous year, up to the anniversary of their consolidation; and
  - The reduction in sales relating to disposals, which are not within the scope of consolidation for the current year but were consolidated for the same period of the prior year, through the anniversary of the disposal.

€ million	2021 revenues	2020 revenues	Change	Of which exchange rate effect	Of which effect of change in scope of consolidation	Of which organic growth
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 - Q4	721.5	619.1	+16.5%	+6.0%	-	+10.5%
Total Group - H2	**1,530.9**	**1,395.9**	**+9.7%**	**+3.2%**	**-**	**+6.5%**
Total Group	**2,792.1**	**2,632.9**	**+6.0%**	**-0.3%**	**-**	**+6.4%**

- **Adjusted EBITDA** is operating income before depreciation, amortization and the following adjustments: restructuring costs intended to increase the Group's future profitability, gains and losses on disposals of significant assets, provisions and reversals of provisions for impairment, costs related to business combinations and structural reorganizations, expenses related to share-based payments, and other one-off expenses considered non-recurring by their nature.

€ million	Adjusted EBITDA 2021	Adjusted EBITDA 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%**
Total Group - Q3	74.5	117.7	9.2%	15.2%
Total Group - Q4	41.9	53.8	5.8%	8.7%
Total Group - H2	**116.3**	**171.5**	**7.6%**	**12.3%**
Total Group	**229.0**	**277.9**	**8.2%**	**10.6%**

€ million	Of which adjustments						
	2021	Restructuring	Gains/losses on asset sales/impairment	Business combinations	Share-based payments	Other	2021 adjusted
Result from operations (EBIT)	**59.6**	**11.5**	**-1.9**	**0.6**	**3.1**	**7.3**	**80.2**
Depreciation and amortization	149.2	-0.1	-0.0	-	-	-	149.0
Other	-0.1	-	-	-	-	-	-0.1
EBITDA	**208.6**	**11.4**	**-1.9**	**0.6**	**3.1**	**7.3**	**229.0**

- **Free cash flow** is defined as cash generated from operations, plus or minus the following inflows and outflows: working capital, payment of lease liabilities, net capital expenditure (investments in property plant and equipment and intangible assets net from proceeds), net interest received (paid), net income taxes collected (paid), and miscellaneous operating items received (paid).

Free cash flow in € million	2021	2020
Operating cash flow before working capital changes and repayment of lease liabilities	**202.8**	**248.6**
Repayment of lease liabilities	-32.2	-31.7
Operating cash flow before working capital changes; including repayment of lease liabilities	**170.5**	**216.9**
Changes in working capital requirement	-11.2	64.5
Of which change in factoring programs	*30.5*	*4.7*
Net interest paid	-21.5	-17.4
Net income taxes paid	-26.3	-25.1
Miscellaneous operational items paid	-26.1	-6.4
Acquisition of property, plant and equipment and intangible property	-72.8	-74.1
Proceeds from sales of property, plant and equipment	6.9	5.2
Free cash flow	**19.5**	**163.5**

- **Net financial debt** is defined as the sum of interest bearing loans and borrowings minus cash and cash equivalents. Interest bearing loans and borrowings refer to any obligation for the repayment of funds received or raised that are subject to repayment terms and interest charges. They also include lease liabilities.

- **Financial leverage** is the ratio of net financial debt, including leases recorded under IFRS 16, to LTM (Last Twelve Months) adjusted EBITDA.

€ million	2021	2020
Long-term financial liabilities	531.5	553.4
Short term financial liabilities and overdrafts	41.6	137.1
Financial liabilities excluding IFRS 16 (A)	**573.2**	**690.5**
Long term leases	82.9	88.0
Short term leases	25.1	23.9
Leases - IFRS 16 (B)	**108.0**	**111.9**
Gross debt - long term	614.4	641.4
Gross debt - short term	66.7	160.9
Gross debt (C) = (A) + (B)	**681.2**	**802.4**
Cash and cash equivalents (D)	**205.4**	**328.6**
Net debt (E) = (C) - (D)	**475.7**	**473.8**
Adjusted EBITDA 12 months (F)	**229.0**	**277.9**
Ratio (E)/(F)	**2.1x**	**1.7x**

2. Bridges (€ million) FYI 2021, H2 and Q4

The insurance indemnity that the Group obtained in connection with the cyber-attack that occurred in the second quarter of 2020 was €14.8 million, received at the end of the year and recorded in fourth-quarter results. These indemnities are presented as one-offs in Q4 and H2 adjusted EBITDA bridges, but in the volume/mix effect for 2020, since the cyber-attack affected H1 performance.

Net sales by segment

Q4 2020	619.1
+/- EMEA	19.7
+/- North America	20.4
+/- CIS, APAC and Latin America	- 1.8
+/- Sports	26.7
FY 2020 Like-for-Like	**684.1**
+/- Currencies	15.1
+/- Selling price lag effect in CIS	22.3
Q4 2021	**721.5**

Adjusted EBITDA by nature

Q4 2020	53.8
+/- Volume/Mix	11.8
+/- Sales Pricing	22.6
+/ Raw Materials and Freight	-69.0
+/- Salary Increases	-3.7
+/- Productivity	13.1
+/- SG&A	1.4
+/- Covid-19 measures	-6.0
+/- One-offs & Others	-3.1
+/- Selling price lag effect in CIS	20.5
+/- Currencies	0.4
Q4 2021	**41.9**

H2 2020	1,395.9
+/- EMEA	23.3
+/- North America	30.5
+/- CIS, APAC and Latin America	-7.1
+/- Sports	43.5
FY 2020 Like-for-Like	**1,486.1**
+/- Currencies	10.3
+/- Selling price lag effect in CIS	34.5
H2 2021	**1,530.9**

H2 2020	171.5
+/- Volume/Mix	16.6
+/- Sales Pricing	39.6
+/ Raw Materials and Freight	-140.3
+/- Salary Increases	-7.8
+/- Productivity	17.3
+/- SG&A	0.8
+/- Covid-19 measures	-15.1
+/- One-offs & Others	-0.1
+/- Selling price lag effect in CIS	30.7
+/- Currencies	3.3
H2 2021	**116.3**

2020	2,632.9
+/- EMEA	58.5
+/- North America	55.2
+/- CIS, APAC and Latin America	37.7
+/- Sports	16.7
FY 2020 Like-for-Like	**2,801.0**
+/- Currencies	-34.0
+/- Selling price lag effect in CIS	25.1
2021	**2,792.1**

2020	277.9
+/- Volume/Mix	19.8
+/- Sales Pricing	51.5
+/ Raw Materials and Freight	-178.4
+/- Salary Increases	-13.0
+/- Productivity	44.5
+/- SG&A	20.5
+/- Covid-19 measures	-40.2
+/- One-offs & Others	8.6
+/- Selling price lag effect in CIS	33.7
+/- Currencies	4.2
2021	**229.0**

3. Net sales and adjusted EBITDA by division

	Net sales				Adjusted EBITDA			
€ million	H2 2021	H2 2020	Change	Organic growth	H2 2021	H2 2020	H2 2021 margin	H2 2020 margin
EMEA	443.3	417.9	*+6.1%*	*+5.6%*	42.9	62.3	*9.7%*	*14.9%*
North America	374.8	336.8	*+11.3%*	*+9.1%*	16.0	26.3	*4.3%*	*7.8%*
CIS, APAC and Latin America	334.0	305.0	*+9.5%*	*-2.3%*	49.5	65.0	*14.8%*	*21.3%*
Sports	378.9	336.2	*+12.7%*	*+12.9%*	33.5	41.5	*8.9%*	*12.4%*
Central	-	-	-	-	-25.6	-23.7	-	-
Total Group	**1,530.9**	**1,395.9**	***+9.7%***	***+6.5%***	**116.3**	**171.5**	***7.6%***	***12.3%***