Tarkett

FY 2022 results:

Sustained sales growth driven by Sport and price increases despite volume slowdown in the 4th quarter

Improved adjusted EBITDA due to positive inflation balance

FY 2022 results

- **Q4 2022 sales up +9.4% compared to 2021, from sales price increases and favourable foreign exchange gain, despite lower volumes**
- **In 2022, net sales growth of +20.3% for the year, including +11.7% from price increases, +8.4% linked to foreign exchange gain and stable volumes**
- **Record sales and adjusted EBITDA in Sport**
- **Adjusted EBITDA of €235 million in 2022, or 7.0% of sales up by +€6 million**
- **Positive inflation balance (+€59 million) due to sales price increases implemented in 2022, partially offsetting the negative impact of inflation in 2021 (-€85 million)**
- **EBIT of €44 million lower compared to 2021 (€60 million) due to restructuring charges**
- **Net loss attributable to company shareholders of €27 million in 2022, compared to 15 million net profit in 2021**
- **Negative free cash flow of -€148 million with a strong impact from the increase in working capital requirement linked to the business and inflation**
- **Net financial debt increased to €655 million, representing a financial leverage of 2.8x adjusted EBITDA at end December 2022**

Paris, 15 February 2023: the Supervisory Board of Tarkett (Euronext Paris: FR0004188670 TKTT), met today and reviewed the Group's consolidated results for 2022.

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	2022	2021	Change in %
Revenue	**3,358.9**	**2,792.1**	**+20.3%**
Of which organic change	*+8.9%*	*+6.4%*	
Adjusted EBITDA	**234.9**	**229.0**	**+2.6%**
% of revenue	*7.0%*	*8.2%*	
Adjusted result from operating activities (EBIT)	**85.8**	**80.2**	**-7.0%**
% of revenue	*2.6%*	*2.9%*	
Result from operating activities (EBIT)	**44.4**	**59.6**	**-25.5%**
% of revenue	*1.3%*	*2.1%*	
Net profit attributable to company shareholders	**-26.8**	**15.1**	**-**
Fully diluted earnings per share (€)	*-0.41*	*0.23*	
Free cash flow	**-148.3**	**19.5**	**-**
Net debt	**654.8**	**475.7**	**-**
Leverage (Net debt to adjusted EBITDA over 12 months)	*2.8x*	*2.1x*	

1. Fourth quarter revenue and adjusted EBITDA by segment

Group **net revenue** was €789.5 million, up by +9.4% compared to the fourth quarter of 2021. Organic growth was +1.8% including sales price increases in the CIS region implemented at the beginning of the year[(1)]. The total effect of the sales price increases implemented across all segments is +9.8% on average compared to the fourth quarter of 2021.

Momentum remained great in Sport, driven by strong demand in the US. The residential flooring business was adversely affected by a decline in demand in all geographies. The commercial segments in North America (healthcare, education) held up better.

In millions of euros	Q4 2022	Q4 2021	Change	Organic growth	Organic growth (incl. CIS price changes)[(1)]
EMEA	204.9	225.9	*-9.3%*	*-7.3%*	*-7.3%*
North America	221.5	180.7	*+22.6%*	*+10.9%*	*+10.9%*
CIS, APAC & Latin America	170.7	169.9	*+0.4%*	*-19.8%*	*-11.6%*
Sport	192.5	145.0	*+32.8%*	*+20.1%*	*+20.1%*
TOTAL	**789.5**	**721.5**	***+9.4%***	***-0.2%***	***+1.8%***

(1) Sales 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). Significant price increases were implemented in 2021 and 2022 to offset the effects of inflation in purchasing costs, therefore the Group also measures the change in like-for-like sales including price adjustments in the CIS countries.

Group **adjusted EBITDA** was €25.1 million, or 3.2% of sales, compared to €41.9 million in the Q4 2021, or 5.8% of sales. Sales price increases have more than offset purchase price inflation, but lower sales volumes and the inventory reduction to match demand levels negatively impacted performance.

In millions of euros	Q4 2022	Q4 2021	Margin 2022	Margin 2021
TOTAL	**25.1**	**41.9**	***3.2%***	***5.8%***

2. Group results 2022

Group **net revenue** was €3,359 million, up by +20.3% compared to 2021. Organic growth reached 8.9%, or 11.7% including sales price increases in the CIS countries implemented to counter the inflation in purchasing costs (price adjustments in the CIS are historically excluded from organic growth to offset currency movements). The effect of sales price increases implemented across all segments is +11.7% on average in 2022 compared to 2021. Volumes were stable for the year. Record activity in Sport and growth in the commercial segments in North America offset the slowdown in the CIS and residential segments. The foreign exchange impact made a positive contribution, particularly thanks to the strengthening of the dollar against the euro.

In millions of euros	2022	2021	Change	Organic growth	Organic growth (incl. CIS price changes)(1)
EMEA	912.3	888.5	*+2.7%*	*+3.9%*	*+3.9%*
North America	923.7	727.2	*+27.0%*	*+13.5%*	*+13.5%*
CIS, APAC & Latin America	652.8	588.6	*+10.9%*	*-13.9%*	*-0.3%*
Sport	870.2	587.7	*+48.1%*	*+33.4%*	*+33.4%*
TOTAL	**3,358.9**	**2,792.1**	***+20.3%***	***+8.9%***	***+11.7%***

(1) Sales 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). Significant price increases were implemented in 2021 and 2022 to offset the effects of inflation in purchasing costs, therefore the Group also measures the change in like-for-like sales including price adjustments in the CIS countries.

Adjusted EBITDA was €234.9 million, or 7.0% of revenue, compared to €229 million in 2021, or 8.2% of revenue.

Inflation in raw materials, energy and transport is unprecedented. It was €268 million and was accompanied by tensions on the supply of certain raw materials in the first part of the year. Tarkett successfully implemented sales price increases throughout the year achieving a favourable effect of €327 million compared to 2021, resulting in a positive inflation balance of €59 million, beyond the initial inflation neutralisation target.

Although volumes were broadly constant, the product mix deteriorated and had a negative effect on profitability. Industrial productivity was €13 million, lower than expected, mainly due to lower business volumes. It therefore only partially compensated for the increase in salaries and overheads.

The adjusted EBITDA margin is lower (7.0% of sales versus 8.2% in 2021) due to the dilutive effect of the level of sales price increases of around 80bps.

In millions of euros	2022	2021	Margin 2022	Margin 2021
EMEA	76.6	102.0	*8.4%*	*11.5%*
North America	44.0	43.4	*4.8%*	*6.0%*
CIS, APAC & Latin America	84.8	88.7	*13.0%*	*15.1%*
Sport	86.5	46.0	*9.9%*	*7.8%*
Central	-57.0	-51.0	-	-
TOTAL	**234.9**	**229.0**	***7.0%***	***8.2%***

EBIT amounted to €44.4 million in 2022 down from €59.6 million in 2021. **EBIT adjustments** (detailed in Appendix 1) amounted to €39.5 million in 2022 compared to €20.4 million in 2021. They mainly consisted of restructuring costs related to the implementation of cost saving plans and the closure of underperforming businesses, as well as the depreciation of trade receivables and inventories in Ukraine.

Financial expenses were €53.8 million in 2022, compared to €39.7 million in 2021; the increase in the cost of debt is due to the increase in financial interest net of hedging effects related to the Group's new financial structure.
The tax burden was €18.1 million in 2022, up from the previous year (€11 million) due to higher taxable income in North America with the good performance in Sport.
Net profit attributable to company shareholders in 2022 demonstrated a loss of €26.8 million, i.e., a diluted earning per share of €0.41.

Comments by segment

The EMEA segment achieved a revenue of €912 million, an increase of +2.7% compared 2021. Organic growth was +3.9% thanks to sales price increases. Business volume was down in residential, mainly due to a drop in demand, which was particularly pronounced in the second half of the year. The Commercial business held up better overall, particularly in carpet and luxury vinyl tiles (LVT).

The segment's adjusted EBITDA amounted to €77 million, or 8.4% of sales, versus €102 million (11.5% of sales) in 2021. This change reflects the decrease in volumes combined with the dilutive effect of inflation on the adjusted EBITDA margin.

The North America segment reported revenue of €924 million, an increase of +27.0% compared to 2021, reflecting solid organic growth of +13.5% driven by sales price increases. The foreign exchange effect due to the appreciation of the dollar against the Euro is extremely positive (13.6%). The Commercial segments (Offices, Health and Education) saw growth in volumes mainly in accessories. The volume of Residential business slowed down in an environment marked by inflation and rising interest rates.

The segment's adjusted EBITDA remained stable at €44 million, or 4.8% of sales, versus €43 million (6.0% of sales) in 2021. The favourable effects of volumes, the appreciation of the US dollar against the euro and the positive inflation balance were neutralised by the drop-in production activity due to destocking and an industrial performance that was insufficient to compensate for salary and overhead cost increases.

Revenue of the **CIS, APAC and Latin America segment** amounted to €653 million, up 10.9%. Like-for-like sales were stable (-0.3%) including sales price increases in the CIS countries. The effect of lower volumes in Russia (approximately -25% compared to 2021) and Ukraine (-60%) was offset by price increases and a significant positive foreign exchange effect due to the significant appreciation of the Russian ruble. Sales in Russia and Ukraine represent respectively 9% and less than 0.5% of total Group sales.

Adjusted EBITDA for the CIS, APAC, Latin America segment is down slightly: €85 million, or 13% of sales, compared to €89 million (15.1% of sales) in 2021. The lower margin stems from the drop in volumes in the CIS countries and the dilutive effect of sales price increases.

Revenue in the **Sport segment** reached a record level at €870 million, an extremely strong increase of 48.1% compared to 2021. This excellent performance reflects Tarkett's leading position in sports fields and athletic tracks in North America, where the market has been particularly dynamic. Organic growth was +33.5% and the segment also benefited from the strengthening of the dollar.

As a result of this sustained activity, the Sports segment posted a clear increase in adjusted EBITDA: €86.5 million, or 9.9% of sales, compared to €46 million (7.8% of sales) in 2021.

3. Balance sheet and cash flow 2022

Working capital requirement was €233 million at the end of December 2022, compared to €90 million at the end of December 2021, a historically low level. Inventories have increased due to inflation, growing activities, and the need to replenish inventories of raw materials and certain finished products in an environment with supply difficulties, and in value due to inflation. They represent 86 days of activity versus 83 days at the end of 2021. The inventory reduction actions implemented since summer have borne fruit. Combined with seasonality, they reduced the working capital requirement by €228 million compared to the end of September 2022. Factoring programs represented a net financing of €166 million at the end of December 2022, slightly higher than at the end of December 2021 (€162 million).

Capital expenditure was €96.7 million compared to €72.8 million in 2021.

The Group generated a negative **free cash flow** for the year of -€148.3 million, down from 2021 (€19.5 million), impacted by the significant increase in working capital requirement. Free cash flow generation was particularly significant in the fourth quarter thanks to inventory reduction actions.

Net financial debt was €655 million at the end of December 2022, compared with €476 million at the end of December 2021, including an increase of €20 million related to the currency effect on dollar-denominated debt. **Debt leverage stands at 2.8x** adjusted EBITDA at the end of December 2022.

The Group had a **good amount of liquidity,** €479 million, at the end of 2022 comprising the undrawn RCF in an amount of €215 million, other confirmed and unconfirmed credit lines in an amount of €44 million and €221 million in cash.

4. Dividends

Given the remaining high level of uncertainty, the Group will continue to take action to preserve cash flow in 2023. Therefore, the Management Board will not propose paying a dividend in 2023 with respect to the fiscal year 2022.

5. 2023 Outlook

The macroeconomic environment will continue to impact the level of demand in 2023, particularly due to the level of inflation and interest rate rises.

Based on trends at the end of 2022, Tarkett expects the business volume of flooring products to slow down in the first half of 2023. The Sport business continues to benefit from a strong market and is expected to continue to grow thanks to a solid order book, albeit at a slower pace than observed in 2022 (+33% organic growth).

The geopolitical situation in Russia and Ukraine is having a significant impact on demand in the region's main markets. In Russia, where Tarkett generated approximately 9% of its revenue in 2022 (based on average exchange rates in 2022), the Group observed an approximately 25% lower of business volume than in 2021.

In this context, the Group has taken immediate steps to reduce discretionary spending. At the same time, actions to reduce the cost structure are being implemented in the regions most affected by the slowdown in activity.

Prices of the Group's main raw materials have stabilised and in some cases are decreasing in an environment of slowing demand. Energy prices are also lower than at the end of 2022, but further price increases in 2023 cannot be ruled out, especially in Europe due to tensions in the gas supply chain and capacity constraints at some electricity suppliers. Salary increases will be higher overall than in previous years.

The Group is also implementing all necessary measures to reduce debt leverage. The level of activity in the factories has been significantly reduced in order to adapt the level of production to demand and to reduce inventories in areas where sales volumes are slowing down. Structural measures to simplify product ranges and optimise inventory management are also contributing to the control of working capital requirement.

Investments will be made selectively, prioritising innovation, carbon footprint reduction and automation projects with a rapid return on investment. The level of capital expenditure will be limited to €90 million.

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.

The consolidated financial statements have been audited. The statutory auditor's certification report is being completed and the consolidated financial statements for 2022 are available on Tarkett's website https://www.tarkett-group.com/en/document/?_categories=financial-documents

Financial calendar

- 20 April 2023: Q1 2023 revenues - *press release after the close of trading*
- 21 April 2023: Annual General Shareholders' Meeting
- 26 July 2023: H1 2023 financial results – *press release after the close of trading*
- 19 October 2023: Q3 2023 revenues – *press release after the close of trading*

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About Tarkett

With a history of more than 140 years, Tarkett is a worldwide leader in innovative and sustainable flooring and sports surface solutions, generating net sales of € 3.4 billion in 2022. The Group employs 12,000 employees and has 25 R&D centers, 8 recycling centers and 34 production sites. Tarkett creates and manufactures solutions for hospitals, schools, housing, hotels, offices, stores and sports fields, serving customers in over 100 countries. To build "The Way to Better Floors," the Group is committed to circular economy and sustainability, 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

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Appendices

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

- **Organic growth** measures the change in revenue as compared with the same period in the prior year, outside of the exchange rate effect and changes in scope. The foreign exchange effect is obtained by applying the prior 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 2022, a €79.8 million negative impact of sales price adjustments is excluded from organic growth and included in the foreign exchange effect.

- **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, until the anniversary of their disposal.

In millions of euros	2022 revenue	2021 revenue	Change	*Of which volume*	*Of which sales prices*	*Of which CIS sales prices*	*Of which exchange rate effect*	*Of which effect of changes in scope*
Q1 Group Total	684.7	558.8	+22.5%	*+6.4%*	*+8.8%*	*+4.1%*	*+3.3%*	-
Of which organic growth				*+15.2%*				
Of which sales price increases					*+12.9%*			
Group Total Q2	879.3	702.4	+25.2%	*+3.3%*	*+9.3%*	*+3.3%*	*+9.3%*	*+0.1%*
Of which organic growth				*+12.6%*				
Of which sales price increases					*+12.6%*			
Group Total H1	**1,564.0**	**1,261.2**	**+24.0%**	***+4.6%***	***+9.1%***	***+3.6%***	***+6.6%***	***+0.1%***
Of which organic growth				*+13.8%*				
Of which sales price increases					*+12.7%*			
Group Total Q3	1,005.4	809.4	+24.2%	+0.1%	+9.6%	+2.3%	+12.2%	+0.1%
Of which organic growth				*+9.7%*				
Of which sales price increases					*+11.9%*			
Group Total Q4	789.5	721.5	+9.4%	-8.0%	+7.8%	+2.0%	+7.3%	+0.3%
Of which organic growth				*-0.2%*				
Of which sales price increases					*+9.8%*			
Group Total H2	**1,794.9**	**1,530.9**	**+17.2%**	***-3.8%***	***+8.7%***	***+2.2%***	***+9.9%***	***+0.2%***
Of which organic growth				*+4.9%*				
Of which sales price increases					*+10.9%*			
Group Total	**3,358.9**	**2,792.1**	**+20.3%**	***+0.0%***	***+8.9%***	***+2.8%***	***+8.4%***	***+0.2%***
Of which organic growth				*+8.9%*				
Of which sales price increases					*+11.7%*			

- **Adjusted EBITDA** is the result from operating activities 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 reorganizations, expenses related to share-based payments and other one-off expenses considered non-recurring by their nature.

In millions of euros	Adjusted EBITDA 2022	Adjusted EBITDA 2021	Margin 2022	Margin 2021
Group Total - Q1	37.3	34.0	5.5%	6.1%
Group Total – Q2	88.9	78.7	10.1%	11.2%
Group Total - H1	**126.2**	**112.7**	**8.1%**	**8.9%**
Group Total - Q3	83.6	74.5	8.3%	9.2%
Group Total - Q4	25.1	41.9	3.2%	5.8%
Group Total – H2	**108.7**	**116.4**	**6.1%**	**7.6%**
Group Total	**234.9**	**229.0**	**7.0%**	**8.2%**

In millions of euros	of which adjustments						
	2022	Restructuring	Gains/losses on asset disposals/impairment	Business combinations	Share-based payments	Other	adjusted 2022
Result from operating activities (EBIT)	**44.4**	**18.7**	**7.3**	**0.5**	**6.3**	**8.6**	**85.8**
Depreciation and amortization	152.0	-2.2	0.3	-	-	-	150.1
Other	-1.0	-	-	-	-	-	-1.0
EBITDA	**195.4**	**16.5**	**7.7**	**0.5**	**6.3**	**8.6**	**234.9**

In millions of euros	of which adjustments						
	2021	Restructuring	Gains/losses on asset disposals/impairment	Business combinations	Share-based payments	Other	adjusted 2021
Result from operating activities (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 before change in working capital, plus or minus the following inflows and outflows: change in working capital requirement, repayment of lease liabilities, net interest received (paid), net income tax collected (paid), various operating items collected (disbursed), acquisition of intangible assets and property, plant and equipment, and proceeds (loss) from sale of fixed asset.

Free cash flow (in millions of euros)	2022	2021
Cash flow from operations before change in working capital and repayment of lease liabilities	**182.6**	**202.8**
Repayment of lease liabilities	-35.1	-32.2
Cash flow from operations before change in working capital; including repayment of lease liabilities	**147.5**	**170.5**
Change in working capital	-134.7	-11.2
of which change in receivables transfer programmes	*4.2*	*30.5*
Net interest paid	-31.2	-21.5
Net income taxes paid	-24.0	-26.3
Miscellaneous operating items paid	-11.8	-26.1
Acquisition of intangible assets and property, plant and equipment	-96.7	-72.8
Proceeds from sale of property, plant and equipment	2.5	6.9
Free cash flow	**-148.3**	**19.5**

- **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 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	31 December 2022	31 December 2021
Financial debts - long term	711.0	531.5
Financial debts and bank overdrafts - short term	45.2	41.5
Financial debts excluding IFRS 16 (A)	**756.2**	**573.0**
Lease liabilities - long term	91.7	82.9
Lease liabilities - short term	27.7	25.1
Lease liabilities - IFRS 16 (B)	**119.4**	**108.0**
Gross debt - long term	802.7	614.4
Gross debt - short term	72.9	66.7
Gross debt (C) = (A) + (B)	**875.6**	**681.1**
Cash and cash equivalents (D)	**220.8**	**205.4**
Net debt (E) = (C) - (D)	**654.8**	**475.7**
Adjusted EBITDA 12 months (F)	**234.9**	**229.0**
Ratio (E) / (F)	**2.8x**	**2.1x**

2/ Bridges in millions of euros 2022, H2 and Q4 2022

Net revenue by segment

Q4 2021	721.5
+/- EMEA	-16.6
+/- North America	19.3
+/- CIS, APAC & Latin America	-33.6
+/- Sport	28.8
Q4 2022 Like-for-Like	**719.3**
+/- Currencies	36.0
+/- Lag effect in CIS (1)	31.2
+/- Scope	2.9
Q4 2022	**789.5**

(1) *Including sales price increases*

Adjusted EBITDA by type

Q4 2021	41.9
+/- Volume / Mix	-35.7
+/- Sales price	56.6
+/- Raw materials and Transport	-36.9
+/- Salary increases	-5.2
+/- Productivity	-0.7
+/- SG&A	-3.3
+/- Non-recurring and other	-4.8
+/- Lag effect in CIS (1)	14.9
+/- Currencies	-2.2
+/- Scope	0.6
Q4 2022	**25.1**

(1) *Including sales price increases*

H2 2021	1,530.9
+/- EMEA	-10.7
+/- North America	41.7
+/- CIS, APAC & Latin America	-56.3
+/- Sport	98.8
H2 2022 Like-for-Like	**1,604.4**
+/- Currencies	110.6
+/- Lag effect in CIS(1)	75.6
+/- Scope	4.3
H2 2022	**1,794.9**

(1) *Including sales price increases*

H2 2021	116.3
+/- Volume / Mix	-49.8
+/- Sales price	132.6
+/- Raw materials and Transport	-107.3
+/- Salary increases	-10.4
+/- Productivity	-1.2
+/- SG&A	-8.2
+/- Non-recurring and other	-6.0
+/- Lag effect in CIS(1)	38.2
+/- Currencies	3.0
+/- Scope	1.3
H2 2022	**108.7**

(1) *Including sales price increases*

2021	2,792.1
+/- EMEA	34.5
+/- North America	97.9
+/- CIS, APAC & Latin America	-81.6
+/- Sports	196.4
FY 2021 Like-for-Like	**3,039.3**
+/- Currencies	183.7
+/- Lag effect in CIS(1)	130.5
+/- Scope	5.5
2022	**3,358.9**

2021	229.0
+/- Volume / Mix	-39.1
+/- Sales prices	247.5
+/- Raw materials and Transport	-268.4
+/- Salary increases	-19.4
+/- Productivity	12.7
+/- SG&A	-15.2
+/- Non-recurring and other	-15.0
+/- Lag effect in CIS	91.2
+/- Currencies	9.3
+/- Scope	2.2
2022	**234.9**