Tarkett Q1 2019 Results

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Q1 2019 Highlights

Fabrice Barthélemy

CEO, Tarkett

Good morning, ladies and gentlemen. Thank you for joining this call today. I am Fabrice Barthélemy, CEO of Tarkett, and I will share this presentation with our CFO, Raphaël Bauer.

We released yesterday our Q1 numbers. You probably know that Q1 is by far our smallest quarter due to a relative seasonality of some of our businesses. Nevertheless, we are encouraged by some of those results.

In a few minutes, Raphaël will give you more details on the numbers, but before that, let me share with you the way I am looking at those numbers.

Q1 2019 highlights

First, we have posted a top-line growth of 10%, thanks to the combination of organic growth, the acquisition of Lexmark and other smaller bolt-on acquisitions, and also thanks to a favourable euro-dollar exchange rate.

EMEA and Sports are the biggest contributors to organic growth, with 5.8% in EMEA and 19% for Sports. Let me remind you that Sports is one of the divisions where the seasonality is the most marked, so the 19% in Q1 should not be extrapolated to a full-year basis.

Another encouraging sign beyond that 10% top-line growth is that for the first time our selling prices are fully offsetting the raw material and freight inflation. Overall, it's a 1.4% selling price increase, out of the 3.7% organic growth number, and in absolute value, it's about €8 million of effect of selling-price increases, fully offsetting again raw material and freight inflation costs.

As a consequence, we are pleased to see that the margin is progressing by 50 basis points and that is of course before the effect of IFRS 16, the new norm dealing with these contracts that Raphaël will detail a little bit more later on.

The last point I wanted to insist on is that we are acting swiftly on the footprint optimisation, as we have said we would do at the beginning of the year.

Focus on ongoing industrial footprint review

Let me expand a little bit more on the industrial footprint review that we have launched at the beginning of the year. We said we would be reviewing our footprint and we also said that we would not wait for the strategic plan disclosure and announcement to act on it.

Let me come back on those three projects we have announced in Q1.

Laminate Park

First, Laminate Park is a 50:50 JV with Portuguese company Sonae Arauco. The JV manufactures FGF boards and laminate flooring and the rationale of this project is that one, we do not see a lot of future potential in that product category in EMEA, where we are generally a small player, although it is an important category in some markets. The second point was that significant CAPEX would have been needed to upgrade the plant and to comply with the tighter regulations, especially environmental regulations. The third point is that we have in this market other solutions actually to satisfy our customers. We are not obliged to make everything we sell and we will find alternative solutions for our customers. This plant employs 230 people and we are currently in the discussion process with the employer representatives and the plant is today operating normally, but it should be closed by the end of this year.

Waterloo Site

The two other projects are in North America. The first one, in Waterloo in Ontario, is a satellite site of a bigger site we have in Ohio, making wall-base products, so accessories, extruded wall base. We have now expanded our Ohio sites and we are taking the opportunity to consolidate the two sites. This makes a lot of sense in terms of fixed costs, of course, but also in terms of the logistics flow and freight costs.

Truro Carpet

The last one is in Nova Scotia in Truro, so in Canada as well. It makes broadloom carpet and the consolidation of Truro with the Lexmark site in Georgia was part of the synergies that we have planned when we acquired Lexmark, with savings on fixed costs and also on logistics costs and freight.

Restructuring costs expected

We are expecting these three projects to develop during the course of the year and to be finalised by the end of the year. The restructuring costs we are expecting are in the range of €25 million for 2019 and on a full-year basis, these projects should generate about €10 million of annual gain, again on a full-year basis. We should see the first effects of the projects in Q4 this year and these are included in the productivity targets that we have previously announced.

2019 priorities

Obviously, our 2019 priorities remain unchanged.

Selling-price management

We are facing still a very high inflation of raw material and freight and we maintain our goal to fully offset that with selling-price increases and Q1 is actually demonstrating that this is possible.

Productivity

Productivity is a combination of ongoing productivity everywhere across the group of course, but also, as you know, the recovery of normal operations in two sites in North America that penalised us last year, especially in H2 last year. Also, we will increase our focus on automation and realise the synergies we are expecting from Lexmark.

Industrial footprint

I commented earlier on the industrial footprint, which are our three major projects for this year course.

Deleveraging

Also, one of our priorities is to deleverage the company this year. We ended up last year with a leverage ratio of 2.8 times last twelve months EBITDA, which is a bit higher than our mid-term objective, so we are optimising our working capital, especially with working on inventory.

We are controlling our CAPEX tightly and, as you know, we have proposed a scrip dividend option that is going to be voted at the AGM tomorrow, which our controlling shareholder, the Deconinck family, have already elected to take.

This means also, this deleveraging priority, that we should not expect any sizeable M&A in the next few months, but we will of course carry on with a very small bolt-on acquisitions that we have done successfully in the past, especially in the Sports division. Therefore, there could be some very small couple of million acquisitions in the next few months.

With that, I would like to hand over to Raphaël, who will give us more colour on the financial numbers of Q1.

Q1 2019 Financial Results

Raphaël Bauer

CFO, Tarkett

Thank you, Fabrice and good morning, everyone.

As Fabrice commented, the organic growth in the first half is significant. Let me just add just a slide, because there seems to be a small issue in the presentation. I apologise for that, but the sales slide is not displaying actually properly. On the webcast, you are seeing actually the EBITDA slide and not the sales slide, so I will comment very quickly on sales and I will switch to the segment view.

Strong organic sales growth

Reported sales have increased by 10%, owing first to strong organic growth of 3.7%. This organic growth benefits fully from the selling-price increase that was commented on, by 1.4%, and actually two segments grew significantly – EMEA and Sports – and drove this strong organic growth. We see also the full benefit of the acquisitions that are positively impacting top-line.

EMEA

Let us now zoom on the segments, starting with EMEA. In EMEA, we saw robust organic growth of 5.8%, but let us remember that the first quarter of 2018 was down organically by minus 4.6%, so the basis of comparison was actually low, and this year, in 2019, the countries that drove most of the growth were also the countries that were significantly down in the first quarter of last year.

We had a good growth in the Nordic countries, above expectations, but let us remind ourselves that in the Nordics for the year, we have a more cautious view of the market.

The UK grew also on the quarter, but again, the comparison basis was really low for the UK last year and some of our customers have also increased inventory levels in preparation for a potential Brexit that did not occur at the end.

We have seen continuing good trends in Germany and Poland, in line with the past quarters, and in terms of our product category, LVT is still growing above average in EMEA.

North America

Looking at North America, North America is reporting a flattish organic growth. There are three things to be noted. First of all, the resilient business that grew strongly last year is down in volume in the first quarter, but this is being offset by selling-price increases, which are significant in North America and more than offsetting inflation of purchase.

Commercial carpets, which you probably remember was an issue in the past two quarters, is stabilising and sales are levelling out, so that is a good sign. The reported sales of course benefit from the integration of Lexmark, the commercial carpets for hospitality company that was acquired in September last year.

CIS, APAC and Latin America

In the CIS, APAC and Latin America segment, organic growth is down by slightly more than 2%.

In the CIS and in Russia, the market is still soft, with still some volume decrease, but we are encouraged by some mix improvement. Also, the actions that we have taken last year in terms of selling prices are paying off and we are able to more than offset the negative impact of the currency devaluation of last year on EBITDA.

We have also seen some nice successes in Latin America, where not only volume grew but we were also able to increase selling prices and offset the impact of the weakened currency in Brazil.

Sports

Our last reporting segment is Sports and Sports is posting a very dynamic organic growth of above 19%. Let us not forget it is a seasonally low quarter. There are much lower installations in the first quarter, mostly owing to weather conditions, and it is not a proxy for the rest of the year. Once we have said that, the year is starting well and it is in line with our growth expectations.

Adjusted EBITA: improving trends

Looking at EBITDA, we are pleased to see improvement in EBITDA, even before the application of the IFRS 16 norm, an improvement of €6 million from €29.8 million last year to €35.8 million this year, before application of IFRS 16. That is a 50-basis point improvement.

Selling-price management

Let me first point out the positive impact of the selling-price management. Sales price in EMEA and North America but also Latin America is contributing positively, for €8 million and more than offsetting the purchase-price increase in raw materials, in freight and in energy, which is a €7.7 million negative.

Selling-price management was also effective in the CIS countries. That is the second bar of this bridge chart – almost €1 million positive. That is a net impact of the price increase in CIS and the adverse effect of currencies.

Volume and mix

Now, looking at the volume and mix, the sales growth of the quarter is not fully impacting the EBITDA. Volumes are contributing positively, but on the other hand, the mix is not positive.

The mix is negative, owing mostly to the much larger share of Sports in the total sales mix of the group.

Salary increase and SG&A

In terms of salary increase and SG&A, we see a cost increase of €5 million. Two-thirds of that is a normal level of salary increase, and we have had in the quarter some investment in marketing in particular, for instance a higher participation to some trade shows in the industry.

Productivity

Our productivity level is improving sequentially, slightly above €4 million positive impact from manufacturing productivity and that is owing to the progressive recovery of the two factories that have penalised us in the past two quarters, so productivity is improving.

IFRS 16

The last effect on this chart is of course the contribution from the acquisition of Lexmark but not only – also some acquisitions in Sports – leading to an EBITDA comparable norm of €35.8 million. The reported EBITDA of the group is €43 million and that is including the application of the IFRS 16 norm.

You probably recall that last year we had estimated the full-year impact of IFRS 16 at around €28 million. We are still in line with that estimate. It is a €7 million positive impact on EBITDA in the first quarter and actually on the full-year basis,it is now around a €27 million impact and here we have included the detail of this full-year impact, segment by segment, so as to ease your update of the financial model of Tarkett Group.

Let me remind you also that this norm will have a significant impact on the reported net debt of the group. Based on the existing lease contract, the impact on net financial debt at the end of March is an increase of net debt of €100 million. That has no impact on our financial covenants. We already commented on that. All our financing in place is at a constant reporting norm, so without the impact of IFRS 16.

I will now hand over to Fabrice for conclusion.

Conclusion

Fabrice Barthélemy

CEO, Tarkett

Before we open to questions, let me wrap up in a few words.

2019 market perspectives

We are rather pleased with Q1 since we are making progress on the initiatives that we highlighted as our priorities in terms of pricing management, in terms of cost management and launching key initiatives on the footprint. We are also pleased with the top-line growth. Nevertheless, we remain cautious on the environment for the rest of the year.

As we said a couple of months ago, we expect that the demand environment will be more difficult than it was in 2018. There are some construction markets that could show signs of slowdown: residential in North America is often mentioned. The uncertainties in Europe about

Brexit remain. We probably saw a positive impact of Brexit expectations in Q1, because some of our customers increased their stocks in Q1, but there will be the knock-on effect later on. In CIS and in Latin America, the economies remain rather depressed, so we do not expect a great rebound there.

Persistent inflation

What is also true is that the inflationary environment is clearly not behind us. Last time we spoke to you, 2.5 months ago, the oil price was at $65 per barrel. It is now up to $75 per barrel, which is why we have reviewed our expectation for raw material and freight increase, from €15 million to €20 million this year. Nevertheless, we maintain our objective to fully offset this impact through price increases that we are both carrying over from last year and implementing this year in some markets.

Profitability will come from self-help

The result of that is that the improvement in profitability, which is a key target and a key priority for 2019, will not come from tailwinds from the environment but will come from our self-help, and this is what we are concentrating on, with a lot of focus on productivity gains and synergies that should come around €40 million for the full year, with an acceleration in H2 and also with a worse basis of comparison in H2, because as you know, in H2 last year, we suffered from dysfunctional in two plants in North America.

Deleveraging through cash management

Of course, we will also focus on deleveraging the company through a very tight cost management and that is also a large priority for us.

As you know, we will announce our new strategic plan mid-June – on 19th June – and we will at that point give a bit more clarity on the objectives for the mid-term, both financially and our priorities for the next three years.

With that, I would like to thank you very much for your attention and we are now ready to take questions.

Q&A

Charles-Louis Scotti (Kepler-Cheuvreux): Yes, hello. Good morning, everyone. Charles-Louis Scotti from Kepler. I have a couple of questions from my side. The first one is on the restructurings. Do you see further room for industrial reorganisation in the US or Europe? And what about Eastern Europe? Do you think your industrial footprint there is already state-of-the-art? My second question is on the productivity gains. You still target €40 million on the full-year basis, which means around €12 million every quarter after only €4 million in Q1. Can you tell us a little bit more colour on where you expect to generate these productivity gains, please? My third question is on the integration of Lexmark. That contributed to almost €4 million EBITDA in Q1 compared to an expected contribution of €17 million over the full year. Is there any seasonal impact and can you update us on the integration process of Lexmark? My last question is on Sports. Do you think double-digit growth in Sports is sustainable in 2019 and where does this strong organic growth come from? Thank you.

Fabrice Barthélemy: Thank you, Charles-Louis. On restructuring, the plan we have announced, or the projects we have announced in Q1 are not the end of it. The review is still ongoing, so yes, there is further room, not necessarily for full site closures – we have not determined that, but it is not excluded – but there could also be some adjustments between sites in North America and Europe or elsewhere. Having said that, these projects take resources and time, so we do not want to rush either the analysis or the execution. In Eastern Europe, our footprint is essentially the right one, but we have already, without communicating a lot on it, downsized some of the sites to face the lower demand. You know that since 2013, the demand in the CIS countries has dropped fairly massively. This has been reflected in our numbers and we have always adapted the workforce in the plants to adapt to a lower demand when it was necessary, but without shutting down the plants of course, and maybe you should keep in mind that in Eastern Europe our footprint is more concentrated. We have in Russia the largest vinyl flooring plant in the world, not only for Tarkett, so these sites are already very much optimised in terms of fixed-cost absorption.

Raphaël Bauer: So, to your second question, Charles-Louis – Raphaël speaking – on productivity, we have identified several items that will contribute to this €40 million target. First of all, let me remind you that last year in the second half, due to the very low performance of two industrial sites in North America, we were negatively impacted by around €10 million, so recovery in those two sites should bring back those €10 million in 2019 compared to the low performance of 2018. Looking at the rest of the productivity, around €30 million, we have several pieces here. We have first of all the continuous improvement action plan that we are systematically deploying in all our factories. On top of that, we are also rolling out an automation plan. We mentioned in particular on the modular product what we could do in terms of packaging, for instance, but not only – quality control is also more and more automised. Last, we have also included in this target the first benefits of the manufacturing footprint optimisation actions that will benefit toward the end of the year. In terms of sequencing during the year, that is true that a significant share of this improvement is expected to benefit in the second half.

Fabrice Barthélemy: On Lexmark, Charles-Louis, the integration of Lexmark company is going on well. Lexmark is now in charge of the hospitality segment in North America, with further opportunities to expand globally and they are actually adding LVT to their current product offering. Their profitability is in line with our expectation in the past. Maybe the beginning of the year is a bit slower than we would have hoped. Having said that, it is a rather small activity, so one or two large projects can always play a big role when you compare year-on-year. However, the performance of the company and the cost management of the company and the synergies we expect from that acquisition are still in line with the plan. On the Sports, we are pleased with the start of the year, of course, but as I indicated, due to the seasonality of the business in Q1, Q1 can actually exaggerate some year-on-year variances – both ways actually, but right now it is in the positive side. 19% is not the number we are targeting for the full year. Double-digit growth has been actually achieved in the past couple of years, so it is not out of reach, but the more it goes, the more difficult it becomes. The fundamentals are still the same. First, there is a strong market in the US of conversion from natural grass field to artificial turf, or for creation of new artificial turf fields. Secondly, we have an offer that is not unique but very specific on the market, of turn-key projects where we can take responsibility for the entire field, including the design and civil engineering part of the field, and we also have made a lot of innovation, both in artificial turf and running tracks, that allow to win some very sizeable projects. The last point, as you also know, is that there is a wave of replacement fields that is growing year after year, so there is also a recurring part of that market that is benefiting us. Therefore, we remain very positive on that activity, but 19% is a bit north of what we can expect for the rest of the year.

Charles-Louis Scotti: Okay. Thank you very much. Very clear.

Rajesh Patki (JP Morgan): Thank you. Good morning.

Raphaël Bauer: Hello?

Rajesh Patki: Hello. Can you hear me?

Raphaël Bauer: Yes, you are back online, Rajesh. Go ahead.

Rajesh Patki: Yes, sorry. Sorry about that. My first question is on North America. You mentioned difficult outlook for the residential market in the US. Can you provide some colour on the non-residential market as well? And on the same point, despite an easier comparison base, Q1 saw a like-for-like decline in revenues. Do you expect like-for-like trend for the full year to be better? The second question is on the EBITDA bridge that you have provided. Price increases have contributed €8 million in the first quarter and were sufficient to offset inflation. Assuming a similar run rate, you should be able to comfortably offset the expected inflation of €15 million to €20 million, but your comments suggest there is some uncertainty for the rest of the year. If you can provide some colour on how you see this. Thank you.

Fabrice Barthélemy: Thank you, Rajesh. On the non-residential market, in our segment in North America, it all depends on how the economy evolves in North America. Right now, it is reasonably oriented, but we remain cautious because globally, we think that the signs of a potential slowdown are actually more present than they were a couple of years ago. Therefore, for the full year, we still hope to grow in North America, but it is very difficult to predict because, as you know, in our industry, the book is very short, so we do not have a very easy way to forecast our activity more than a couple of months ahead, so we do not have the full visibility of the others for the full year, as other industries may have.

Raphaël Bauer: Regarding your question on pricing, Rajesh, let us be careful, because it is true that we see a positive impact of €8 million coming from selling price in the first quarter, but by comparison, this is the quarter where we expect the highest impact from the selling-price increases that were implemented during the course of last year. They were implemented in the second quarter and started to benefit toward the end of the second quarter and then benefited fully in the third quarter and going forward. Then, we also had some additional adjustment in North America, for instance, to offset the tariff increases. Therefore, you cannot extrapolate the €8 million on a full-year basis just by multiplying that by four, for instance. Once we said that, looking at the range of inflation on purchasing price of €15 million to €20 million, yes, we believe this can be offset, but not only by the carry-over impact of the selling-price increase of 2018 but also with some target of selected additional price increase in 2019.

Rajesh Patki: Great. Thank you.

Pierre Rousseau (Barclays): Yes, thank you for taking my question. I guess the remaining question is on the expected savings that you are targeting with working capital availability. I wonder if you have any kind of indication or quantifications for that in the full year. The second question will also be on the restructuring costs. You give €25 million guidance for the full year. I guess this concerns all the projects that you have. Is it likely that we will see that number evolve if you announce more projects into the remainder of the year? Thank you.

Raphaël Bauer: Okay. Thank you very much, Pierre, for your questions. First of all, on working capital, yes, we are working on working capital, but in particular on inventory level. This is where we believe we have some opportunities. You probably had that in mind, but our seasonality pattern has it that working capital increases by the end of June and in the first half we increase inventory to manage the peak season in the third quarter, but towards the end of the year, we are targeting a positive contribution from working capital on cash flow. That is not the only action we are taking to deleverage toward the end of the year. We have also said that we will limit capital expenditures to €120 million. We are also offering a scrip dividend option and the Deconinck family has opted for the scrip dividend, leading to almost €20 million cash savings, so we are taking some actions to come back in a leverage zone where we are more comfortable, around 2.5 times EBITDA towards the end of the year. To your second question on restructuring, as we have explained, we are progressing in the analysis of our cost base and our industrial footprint. We have announced the first measures, so yes, those €25 million reflect the impact of the measures that we have identified so far. Of course, this review, as Fabrice explained, is still in progress and we will communicate more largely in June. Potentially, that could be adjusted somewhat if there are other projects, but that is where we stand as of today.

Pierre Rousseau: Understood. Thank you.

Eric Lemarié (Bryan Garnier): Yes, hello, good morning. Three questions for me, please. The first one is on pricing. Have you already passed or tried to pass some price increase since January this year? A second question regarding management, regarding the new head of North America, Jeff: could you explain why you apparently need an interim period for Jeff? I was a bit surprised, because after all, he is in the group for a while now, so just a question about that – why this interim period for Jeff. The last question is on the expected contribution of the acquisition for the full year. When you look at the Q1, the EBITDA margin from the scope impact is pretty high, at 22%. I know Lexmark is very profitable, but should we expect an EBITDA margin of the acquired activities for the full year in 2019 to be close to what we have observed in Q1, around 22%? Is it a good guess?

Fabrice Barthélemy: Thank you, Eric. On the pricing, yes, we have already posted some new price increases, for example in Europe. In EMEA, we have in some countries – in the UK, in the north of Europe, or in Germany – implemented new pricing and price increases, as of January this year, so there are new, of course, initiatives. In North America, it has not been the case, because actually, several price increases have been posted in the second half of the year last year. However yes, this is very dynamic, so we are also working a lot on projects, on contracts where prices are done every day. So increasing prices and increasing our pricing power is a key priority for all our teams worldwide.

Eric Lemarié: Okay.

Fabrice Barthélemy: On management, the interim weeks of Jeff in North America were only related to some governance issues and more the time we needed to obtain all approvals, but as you understood actually, Jeff has been in the company for a long time, he was the natural successor to Andrew, who unfortunately could not stay in position because he could not relocate his family to Ohio, where our headquarter for North America is located. So, in as much as I regret Andrew's departure, we had with Jeff a natural leader and a successor to Andrew. On your third question related to contribution of acquisitions, yes, we have always indicated that the main acquisition last year was Lexmark, which has a profit margin or EBITDA margin higher than the average of the group and more in the region of 20%-plus, so yes, we should expect a positive contribution of scope in the region of 20% margin going forward for the rest of the year.

Eric Lemarié: Okay, thank you.

Fabrice Barthélemy: Lexmark was closed at the end of September last year, and so until the end of Q3.

Eric Lemarié: Okay.

Pierre Bosset (HSBC): Hello. Interface has just reported 2% organic growth in Q1 versus Tarkett at minus 0.6%. Do you think that the market share from Tarkett in the US has stabilised? How disciplined are the largest flooring producers in the US in terms of pricing?

Raphaël Bauer: Hello, Pierre. I do not know if you are on the call or not. It is not my habit to comment on competitors' results. I am not exactly sure if the 2% that is mentioned is only for the US or globally, or Interface. Anyway, we believe that market shares have been fairly stable in Q1. Generally speaking, what we have observed in the US is that the market is rather disciplined in terms of pricing, and our price increases are sticking well in the US. You saw last year when the government announced increased tariffs on imports from China, all players actually increased their prices to offset those tariffs, and those price increases are sticking pretty well. Therefore, yes, we believe in that in the US, we are in a market that is more aware of inflationary pressure and more likely to offset this inflationary pressure. Having said that, our position is not the same. We are not the leader in the US – there are players that are bigger than us – so in terms of pricing, we tend to be more of a follower than a leader in that region.

Thomas Alzuyeta, Kirao AM: Hi. Good morning. Just a quick question: you mentioned a 1.4% contribution from selling price for the group. Can we have the break-down by division, please? Thank you.

Raphaël Bauer: Good morning. Raphaël Bauer speaking. We indeed mentioned that 1.4% is the average contribution from the group. A significant portion of that is coming from North America, where we increased last year more substantially the prices, but it is also coming from EMEA and Latin America, where we were successful in increasing selling prices, so we are not providing more details, but that is to give you the colour.

Speaker: Thank you.

Eric Lemarié, Bryan Garnier: Yes. I just have two follow-up questions, if I may. First, could you share with us your view on the organic growth you can generate for the group, for the full year in 2019? The second question: could you confirm or not that you are still comfortable with consensus figures for the EBITDA this year? Thank you.

Raphaël Bauer: Thank you, Eric. We would not provide guidance on the full year, and especially in such a volatile macro-environment. It would be a bit foolish for me to give a guidance on organic growth, but certainly in mid-term, we have an objective to grow faster than GDP, which is a leading indicator in the construction market, and you see that the Q1 is actually in line with those types of numbers. The consensus, as far as I am aware, is around €286 million EBITDA for this year. If that is the number you have in mind, because that is the number we have on our screens, yes, we are comfortable with that number.

Eric Lemarié: Okay, thank you.

Charles-Louis Scotti, Kepler Cheuvreux: Yes, sorry, just a quick follow-up. When you said you are comfortable with €286 million, does it include the €27 million from the impact of IFRS 16? My second question is on the refinancing of your revolving credit facility for 2020. Have you already refinanced that and do you expect lower financing conditions? Thank you.

Raphaël Bauer: Thank you, Charles-Louis. Regarding your first question, on the consensus, the figure is excluding IFRS 16 impact. Again, it needs to be looked at with the big blocks we have mentioned, that this year, we are not betting on the macro, we are aiming at offsetting inflation, we are aiming at some productivity, so yes, we believe we should see EBITDA and EBITDA margin improvement in 2019, without IFRS 16 impact. To your second question, on financing, one of our main financing facilities, the revolving credit facility, is indeed in the process of being renegotiated and refinanced. This is going on well and we indeed see good market conditions that should allow us to secure it at slightly lower costs. However, all in all, given the fact that our debt level is higher than in the past, we should not expect any major evolution on the all-in financing costs. I remind you that last year, the all-in financing cost was around 2.5%.

Charles-Louis Scotti: Okay. Thank you very much. Very clear, thank you.

Raphaël Bauer: This is going on well and it should be finalised, actually, fairly quickly now.

Charles-Louis Scotti: Okay, thank you.

Julien Faure, Amiral Gestion: Can you please update us on the penetration of artificial turf in EMEA and North America versus natural grass? Is there any change in your market share versus competitors?

Fabrice Barthélemy: We do not communicate numbers on penetration rates, but these are still actually fairly low, given the size of the natural grass market, so there is a lot of potential. What is clear is that the North American market is more advanced and more mature in terms of penetration rates of artificial turf versus natural grass. It started earlier and it is also not structured in the same way, because in North America compared to Europe, there is a higher proportion of privately owned fields or privately owned schools that have actually bigger budgets to convert to artificial turf. Conversion to artificial turf is a one-off investment that is normally paid back through savings on maintenance, on mowing the grass, on watering, on fertilisers, etc, which is a business model that actually resonates much more with private owners than with municipalities or communities in Europe, which are very frequent owners of fields, who have more difficulty actually to generate savings from fields because they have employees that they do not want to let go. Therefore, the business model for them is not as obvious from a financial standpoint, but then you have all the other aspects or benefits from artificial turf, which are the ability to use it whatever the weather, around the year, with much more intensity and of course a saving on fertilisers and water. Therefore, we still expect and what we still see today is more potential in North America than in Europe and growth rates that are actually faster in North America than they are in Europe. In terms of competition, there is no major change in the competition. This is a business for artificial turf for projects that requires some engineering in the products, because the products are actually high-performance products, some engineering in the design of the field, so the competitors are pretty much the same as they were before and the customers actually value the reliability and the know-how of the large firms like Tarkett. Also, I remind you that we are the number-one in artificial turf fields and running tracks in North America and we are among the top three in Europe.

If there are no further questions, it is time to end this call, so I would like to thank you very much for attending this call. I would like to end on the positive note I started with. We are encouraged with our first results of Q1, especially with the top-line growth and with the fact that our price increases are sticking and enabling us to offset fully the raw materials. We are acting on the first initiatives of our plan, with the footprint optimisation projects that we have launched, both in Europe and in North America, and we are extremely focused and committed on restoring and improving the profitability of the group and deleveraging the company so that later on we can carry on again with our M&A strategy. Thank you very much for your attendance and questions and I wish you a good day.

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