

2020 profitability outlook above market expectations: Adjusted EBITDA margin broadly in line with 2019 margin and leverage below 3.0x at year end

Paris - La Défense, September 28, 2020 – Based on current trading and achievements in cost reduction since the beginning of the third quarter 2020, Tarkett estimates that year end results will be above market expectations. Consequently, the Group updates its outlook for 2020.

Q3 2020 preliminary information

Q3 revenue still trending below last year's level in most segments:

- Sequential improvement in EMEA versus Q2 2020 resulting in single digit revenue decrease compared to last year and stable revenue growth in CIS, APAC & LATAM, in particular thanks to the recovery of residential activities;
- North America sequentially improving versus Q2 2020 but still trading down double digit compared to last year as commercial is improving slowly and exposure to the more dynamic residential segment is lower than in other regions;
- As expected, Sports revenues to decline double digits. The level and seasonality of Tarkett Sports' activities have been impacted globally by projects being delayed, postponed, and cancelled due to the Covid-19 pandemic.

Q3 profitability will be preserved by solid level of cost reduction in the quarter:

- Structural actions now estimated to generate savings above €45 million in 2020 thanks to Q3 performance (versus previous expectation to be above €30 million);
- Improvement in raw material costs expected to exceed €15 million in H2 2020 compared to H2 2019 based on Q3 trend;
- Q3 Adjusted EBITDA margin expected above last year's level (12.7% of revenues in Q3 2019).

FY 2020 outlook

Significant uncertainties remain on demand level as the pandemic remains active with new lockdowns looming in several regions. Tarkett therefore remains cautious on year end given the lack of visibility and expects revenue decline in H2 2020 broadly in line with H1 2020.

As a result of ongoing achievements in cost reduction, Tarkett now anticipates its Adjusted EBITDA margin to be broadly in line with last year's level (2019 margin: 9.4% of revenues) and its financial leverage¹ to remain below 3.0x at end December. The initial target of financial leverage for 2020 (between 1.6x and 2.6x) had been suspended on April 8th 2020 due to the context.

The longer-term impact of the Covid-19 pandemic on demand has yet to be seen. However, Tarkett is confident in the resilience of its business model even in a more depressed environment. Tarkett will pursue the execution of its Change to Win strategic roadmap. The Group will continue accelerating its actions to improve the cost base and strengthen its top line initiatives. The Group stated upon its interim release that its mid-term objectives are still valid. Organic growth should be above GDP growth in key regions in 2021 and 2022. Besides, Tarkett aims at reaching an Adjusted EBITDA margin of at least 12% by 2022. Lastly, the Group targets a financial leverage comprised between 1.6x and 2.6x at each year end of 2021 and 2022.

¹ Financial leverage ratio is the ratio net financial debt, including Lease liabilities, to LTM Adjusted EBITDA after IFRS16 application

The Group will release its Q3 earnings as planned on **October 28th, 2020 after market close.**

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.

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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 €3 billion in 2019. 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 12,500 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, the Group has implemented an eco-innovation strategy based on Cradle to Cradle® principles, with the ultimate goal of contributing to people's health and wellbeing, and preserving natural capital. Tarkett is listed on Euronext Paris (compartment B, ISIN: FR0004188670, ticker: TKTT) and is included in the following indices: SBF 120 and CAC Mid 60. www.tarkett.com.

Alternative performance measures definition (as per our 2019 Universal Registration Document)

- **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.
- **Financial leverage** is the ratio financial net debt including leases recorded under IFRS 16 to LTM (Last Twelve Months) Adjusted EBITDA. As per our credit documentation, the financial leverage retained for the covenant is calculated before IFRS16 application. The covenant attached to our bank loans is tested at the end of each semester. It has to be below 3.5x at end of June and below 3.0X at end December. Tarkett obtained from its banking partners a covenant holiday for 2020. The covenant is also attached to the Schuldschein private placements. It is only tested once a year and has to be below 3.0x at end December.
- **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 leases recorded under IFRS 16 since the application of the new accounting norm.