

# CAPITAL MARKETS DAY

19 JANUARY 2016



VICTORIA PLC



# INTRODUCTION

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Geoff Wilding  
Chairman



Michael Scott  
Group Finance Director



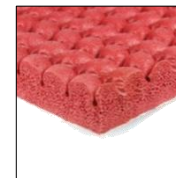
## Overview

- Victoria is an international designer, manufacturer and distributor of innovative floorcoverings
- One of the leading carpet manufacturers in both the UK and Australia, and a major supplier to the independent retail sector, larger retail groups and the insurance replacement market
- The Group manufactures broadloom carpets, carpet tiles, underlay and flooring accessories
- Also markets and distributes a complementary range of third-party manufactured carpets, luxury vinyl tiles and hardwood flooring
- Products are primarily within the mid-to-upper end of the market in terms of retail price
- Victoria Carpets was awarded the Queen's Royal Warrant in January 2013
- The Group owns a large number of strong, well known flooring brands

## Key products



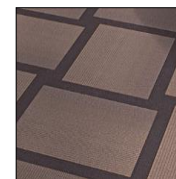
**Tufted broadloom carpet**



**Underlay**



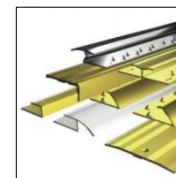
**Woven broadloom carpet**



**Carpet tiles**



**Luxury Vinyl Tile (LVT) and hardwood flooring**



**Accessories**

# FAMILY OF CONSUMER BRANDS



# SITE OVERVIEW





## United Kingdom

### Victoria Carpets UK

#### Westex

Acquired: December 2013

Enterprise Value: £12.2m<sup>†</sup>

*Deferred consideration: £8.0m over 3 years contingent on hitting EBITDA target, plus share of profits above target over 5 years*

#### Abingdon

Acquired: September 2014

Enterprise Value: £14.7m<sup>†</sup>

*Deferred consideration: £4.5m over 3 years contingent on hitting EBIT target, plus share of profits above target over 3 years, plus share of working capital improvement*

#### Whitestone Weavers

Acquired: January 2015

Enterprise Value: £8.1m<sup>†</sup>

*Deferred consideration: £6.6m over 3 years, plus £1.5m contingent on hitting EBITDA target over 3 years*

#### Interfloor

Acquired: September 2015

Enterprise Value: £65.0m<sup>†</sup>

*Deferred consideration: None*

## Australia

### Victoria Carpets Australia

#### Quest

Acquired: August 2015

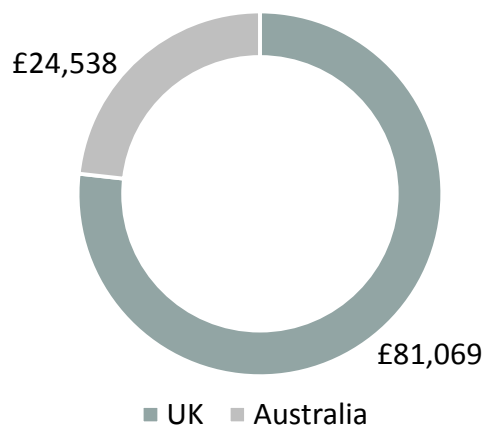
Enterprise Value: A\$25m<sup>†</sup>

*Deferred consideration: A\$10.5m over 3 years*

<sup>†</sup> Note: Enterprise Value on a cash-free, debt-free basis, not including any deferred or contingent consideration

## Revenue (H1 2016)

(£000)



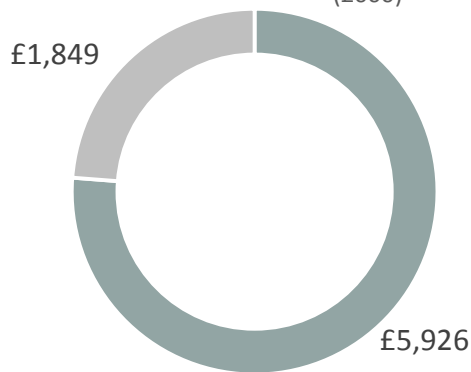
## UK

- The UK, which represents circa 75% of the Group, is trading well
- Annual UK residential market estimated to be circa 250-300 million m<sup>2</sup> by volume, of which just under 50% is carpet
- A key market driver is the sustained trend in house renovation activity across the UK's existing housing stock of circa 28 million\*
- Consumer confidence remained positive throughout 2015

## Australia

## Operating Profit<sup>†</sup> (H1 2016)

(£000)



- Now the number two flooring manufacturer in Australia, following the acquisition of Quest in August 2015
- The Australian flooring market is experiencing very good demand from consumers
- Continued weakness in the Australian dollar against Sterling has impacted paper translation of earnings but has had no impact on revenues or margins within the Australian trading business

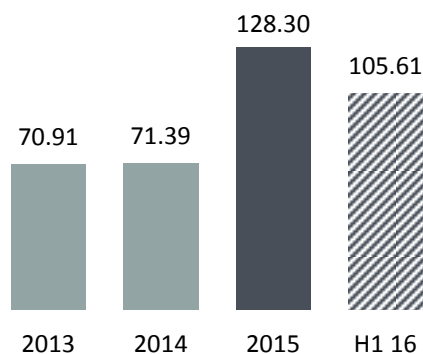
\* Data as at 31 March 2013. Source: Office of National Statistics, 23 April 2015

† Excludes central overheads

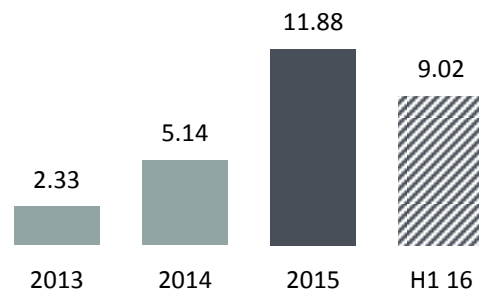
# FINANCIAL PERFORMANCE



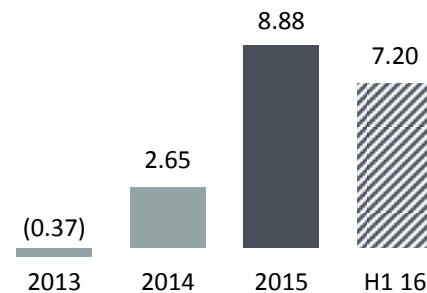
**Revenue (£m)**



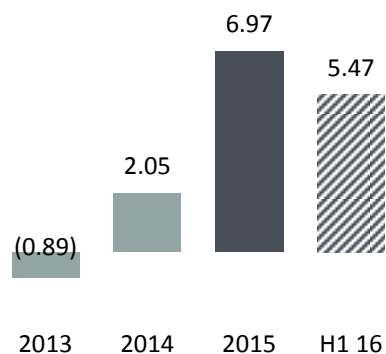
**EBITDA\* (£m)**



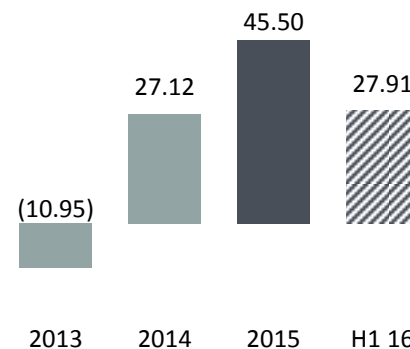
**Operating profit\* (£m)**



**PBT\* (£m)**



**Adjusted EPS\* (pence)**



\* Before exceptional items

Note: H1 2016 excludes losses from the discontinued operation of Westwood Yarns. All other figures have not been restated



- The Group has remained strongly cash generative from operating activities
- Tight control over costs, together with supportive bankers and shareholders, ensures group is well positioned for further growth
- Recent acquisitions are delivering very positive contributions
- Continuing to identify and implement potential commercial and margin enhancing synergies across the Group
- Management maintain a positive outlook on the underlying residential flooring market for the coming year
- Continuing to identify and explore acquisition opportunities that will be earnings enhancing and strengthen the Group to create wealth for shareholders

*“Victoria is committed to create wealth for shareholders. With the reshaping of the business that has already occurred, together with the improving market conditions and other opportunities that we see, we are optimistic that the Group has a positive future.”*

## APPENDICES

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# INCOME STATEMENT



Income Statement £'000	H1 2016 *	2015	2014	2013
<b>Revenue</b>	<b>105,607</b>	<b>128,304</b>	<b>71,386</b>	<b>70,909</b>
<b>Gross profit</b>	<b>35,242</b>	<b>41,609</b>	<b>20,842</b>	<b>17,230</b>
<b>EBITDA</b>	<b>9,020</b>	<b>11,883</b>	<b>5,135</b>	<b>2,331</b>
Depreciation	(1,817)	(3,003)	(2,484)	(2,700)
<b>Operating profit/(loss) (pre amortisation &amp; exceptional items)</b>	<b>7,203</b>	<b>8,880</b>	<b>2,651</b>	<b>(369)</b>
Amortisation	(197)	(270)	(70)	(52)
<b>Operating profit/(loss) (pre exceptional items)</b>	<b>7,006</b>	<b>8,610</b>	<b>2,581</b>	<b>(421)</b>
Finance costs	(1,540)	(1,643)	(531)	(465)
<b>Profit/(loss) before tax (pre exceptional items)</b>	<b>5,466</b>	<b>6,967</b>	<b>2,050</b>	<b>(886)</b>
Exceptional items	(2,213)	(9,920)	231	(2,634)
<b>Profit/(loss) before tax</b>	<b>3,253</b>	<b>(2,953)</b>	<b>2,281</b>	<b>(3,520)</b>
<b>Earnings per share (basic adjusted) (pence)</b>	<b>27.9p</b>	<b>45.5p</b>	<b>27.1p</b>	<b>(11.0)p</b>
Gross profit margin (%)	33.4%	32.4%	29.2%	24.3%
EBITDA margin (%)	8.5%	9.3%	7.2%	3.3%
Operating profit (pre amortisation & exceptionals) margin (%)	6.8%	6.9%	3.7%	(0.5)%

\* H1 2016 excludes losses from the discontinued operation of Westwood Yarns. All other figures have not been restated

# BALANCE SHEET



Balance Sheet £'000	3 Oct-15	28 Mar-15	29 Mar-14	30 Mar-13
Goodwill, Intangibles, investments and deferred tax asset	82,459	17,422	9,309	1,751
Property, plant & equipment	29,432	22,489	18,681	23,778
<b>Non-current assets</b>	<b>111,891</b>	<b>39,911</b>	<b>27,990</b>	<b>25,529</b>
Current assets	108,472	74,301	50,906	33,870
Current liabilities	(66,338)	(59,488)	(24,064)	(17,333)
Non-current liabilities	(100,392)	(34,894)	(20,193)	(3,593)
<b>Net assets</b>	<b>53,633</b>	<b>19,830</b>	<b>34,639</b>	<b>38,473</b>
<b>Net debt</b>	<b>81,108</b>	<b>36,280</b>	<b>1,481</b>	<b>7,508</b>
Adjusted net debt / adjusted EBITDA *	2.46 times *	1.79 times	0.3 times	3.3 times
<b>Operating assets</b> †	<b>134,741</b>	<b>56,110</b>	<b>36,120</b>	<b>45,981</b>
Return on operating assets (%) †	n/a	15.34%	7.15%	(0.92)%

\* As calculated for bank covenant purposes. Adjusted net debt excludes the £10m loan notes with the Business Growth Fund. Adjusted EBITDA is calculated on a 12 month historical basis including annualised figures for acquisitions. This ratio reduced to less than 2.25 times immediately following the conditional placing to raise a net £8.46m, which completed on 6 October 2015

† Operating assets excludes financing items. Return on operating assets = operating profit (pre exceptional items) / operating assets

**Geoff Wilding***Chairman*

Geoff Wilding is a former investment banker. He set up his own investment company in New Zealand in 1989. Geoff was appointed Executive Chairman at the General Meeting on 3 October 2012.

**Michael Scott***Group Finance Director*

Prior to his appointment in January 2016, Michael spent eight years at Rothschild where, as part of their Global Financial Advisory business, he worked across a wide range of public and private company transactions, M&A and debt and equity-related fund raisings. He qualified as a Chartered Accountant with PricewaterhouseCoopers.

**Alexander Anton***Non-Executive Director*

Alexander Anton, a member of the founding family of Victoria, was appointed to the main Board in 1995 and is a former Chairman. He is currently Chairman of Legacy Portfolio.

**Andrew Harrison***Non-Executive Director*

Andrew Harrison has more than twenty years as a solicitor in private practice, specialising in company law. He has advised on a wide variety of corporate transactions, including management buy-outs and buy-ins, corporate acquisitions and disposals and listed company take-overs.

**Gavin Petken***Non-Executive Director*

Gavin Petken is the Business Growth Fund's Regional Director for the Midlands and has developed the firm's local investment activities in the Midlands region for smaller entrepreneurial companies. He has also been actively involved with their major strategic initiative to extend the firm's provision of growth capital to listed companies, providing similar access to long term funding.

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