



Victoria PLC
Interim Results Presentation
For the six-month period to September
27 November 2018

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Executive summary:

“The Board is pleased to report that trading in the first half of the year to Sep 2018 continued to be good – especially given the market backdrop – with like-for-like (“LFL”) organic revenue growth of more than 3% across the Group, and Victoria winning market share as planned.”

- **H1 REVENUE: £273.4 million**
 - +44% y-o-y growth
 - >3% like-for-like growth¹
- **H1 EBITDA margin² 16.6%**
 - +360bps y-o-y
- **H1 PBT² £28.2 million**
 - +82% y-o-y growth
- **H1 adjusted EPS² 17.9p**
 - +36.7% y-o-y growth
- **H1 CASH GENERATED BY OPERATIONS £34.8 million**
 - +100% y-o-y growth
 - Conversion from underlying EBIT >100%
 - Pre-exceptional cash generated of £44.5m
- **H1 NET DEBT £342.7 million**
 - = 3.09x EBITDA³

Notes

1. LFL revenue growth adjusted to remove the impact of acquisitions, translational currency differences and other exceptional items
2. EBITDA margin, PBT and EPS shown before exceptional and non-underlying items
3. Net debt / EBITDA assessed in line with banking covenants

H1 FINANCIAL OVERVIEW

INCOME STATEMENT

£m	H1 FY19	H1 FY18	Full year FY18
Revenue	273.4	189.5	424.8
Cost of sales	(177.9)	(127.6)	(279.4)
Gross profit	95.5	61.9	145.4
Distribution and admin. expenses	(62.7)	(43.8)	(98.0)
Other operating income	1.2	0.1	1.4
Underlying operating profit	34.0	18.2	48.8
Underlying finance costs	(5.8)	(2.7)	(8.0)
Underlying PBT	28.2	15.5	40.8
Amortisation of acquired intangibles	(9.8)	(3.0)	(11.2)
Exceptional costs	(10.6)	(2.3)	(11.2)
Non-underlying finance costs	(3.2)	(1.4)	(5.0)
Reported PBT	4.6	8.8	13.4

H1 FINANCIAL OVERVIEW

REVENUE

Revenue	H1 FY19	H1 FY18
UK & Europe, soft flooring	£138.6m	£130.7m
UK & Europe, ceramic tiles	£81.7m	-
<i>Australia (AUD)</i>	<i>A\$95.3m</i>	<i>A\$98.8m</i>
Australia (GBP)	£53.1m	£58.8m
Total	£273.4m	£189.5m

Like for like organic revenue growth¹:

- UK & Europe (soft flooring): >5%
- Australia: -4%
- Overall: >3%

Note

1. LFL revenue growth adjusted to remove the impact of acquisitions, translational currency differences and other exceptional items

H1 FINANCIAL OVERVIEW

SEGMENTAL PERFORMANCE

£m	Revenue			EBITDA ¹		EBITDA margin ¹	
	H1 FY19	H1 FY18	Year-on-year growth	H1 FY19	H1 FY18	H1 FY19	H1 FY18
UK & Europe	220.3	130.7	68.6%	40.7	17.4	18.5%	13.3%
<i>Australia (AUD)</i>	95.3	98.8	(3.5%)	9.8	13.3	10.3%	13.5%
Australia (GBP)	53.1	58.8	(9.7%)	5.5	7.9	10.3%	13.5%
PLC	-	-	-	(0.7)	(0.7)	-	-
Total	273.4	189.5	44.3%	45.4	24.6	16.6%	13.0%

Note

1. EBITDA shown before exceptional and non-underlying items

H1 FINANCIAL OVERVIEW

EXCEPTIONAL AND NON-UNDERLYING COSTS

£m	H1 FY19	H1 FY18
Exceptional items		
(a) Acquisition and structuring related costs	(6.1)	(0.5)
(b) Reorganisation costs	(2.7)	(1.8)
Non-underlying items		
(c) Acquisition-related performance plan charge	(0.9)	-
(d) Share incentive plan charge	(0.9)	-
	(10.6)	(2.3)

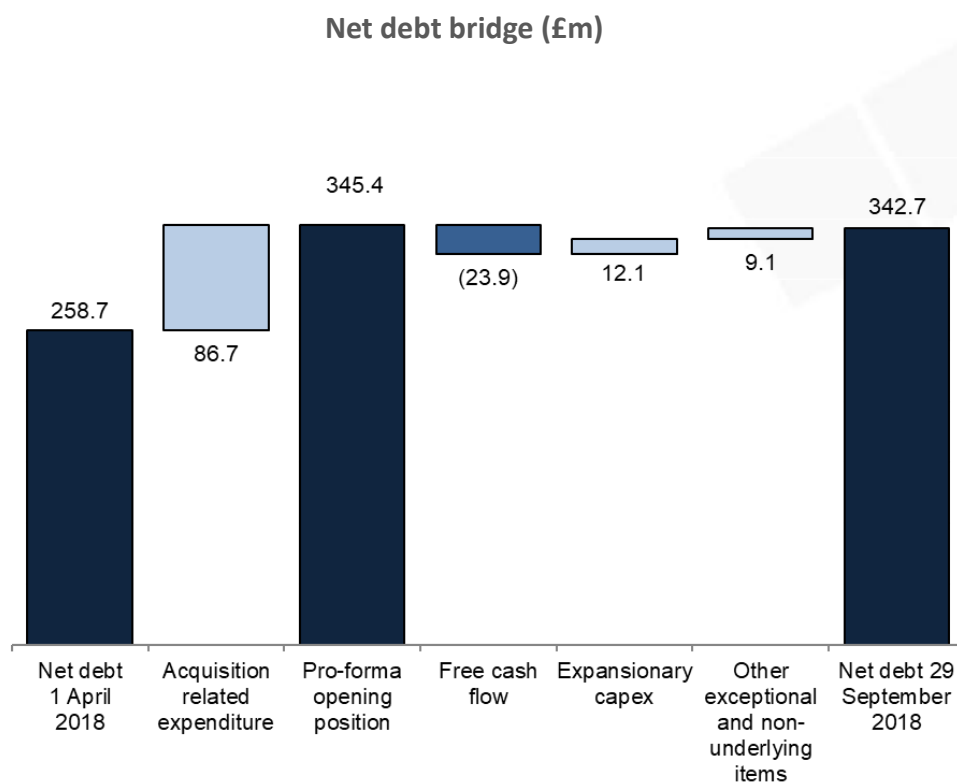
- (a) Professional fees in connection with prospecting, structuring and completing acquisitions during the period, as well as review of the Group's capital structure
- (b) Various one-off costs in relation to delivery of synergies in UK carpet manufacturing and logistics (see right), both projects to be completed by the year-end
- (c) Non-cash charge relating to the accrual of performance-related incentive for the Keraben management team, into which they rolled on completion of the acquisition
- (d) Non-cash share-based payment charge in relation to the long-term management incentive plan that was put into place in April 2018

Four key reorganisation projects to deliver cost synergies:

1. **UK carpets** – following consolidation of manufacturing sites last year, second phase project at enlarged South Wales factory, including new backing and finishing line
2. **UK logistics** – continuation of project initiated last year, implementation of multi-site distribution operation
3. **Ceramics** – following the acquisition of Saloni in August, delivery of operational synergies between Keraben and Saloni supply chains and manufacturing
4. **Australia underlay** – consolidation of manufacturing operations into Sydney site

H1 FINANCIAL OVERVIEW

CASH FLOW – FINANCIAL LEVERAGE REFLECTS RECENT ACQUISITIONS



Cash Flow £m	H1 FY19	H1 FY18
Operating profit (pre-excep)	34.0	18.2
Add back: Depreciation	11.4	6.4
EBITDA	45.4	24.6
Other non-cash adjustments	(0.4)	(0.2)
Movement in working capital	(0.5)	(4.7)
Operating Free cash flow (pre-excep)	44.5	19.7
Capital expenditure (maintenance)	(8.8)	(3.5)
Proceeds of asset disposals	0.4	0.1
Interest	(4.9)	(2.2)
Tax	(7.3)	(5.0)
Net free cash inflow	23.9	9.1

H1 FINANCIAL OVERVIEW

BALANCE SHEET

£m	H1 FY19	Year-end FY18	H1 FY18
Goodwill, Intangibles, investments and deferred tax asset	483.8	404.8	126.3
Property, plant & equipment	183.6	142.9	44.8
Non-current assets	667.4	547.7	171.1
Current assets	329.2	242.5	160.0
Current liabilities	(157.7)	(125.5)	(79.5)
Non-current liabilities	(510.5)	(399.1)	(165.5)
Net assets	328.4	265.6	86.1
Net debt	342.7	258.7	98.6
Adjusted net debt / EBITDA ¹	3.09x	2.68x	1.77x

Notes:

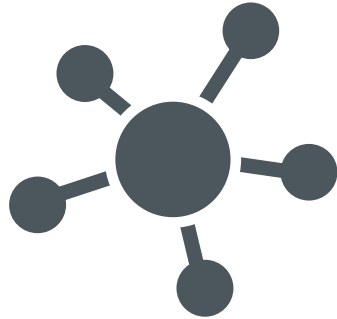
1. Leverage as calculated for bank covenant purposes. Adjusted net debt excludes the £10m loan notes with the Business Growth Fund. Adjusted EBITDA is calculated on a 12 month historical basis including annualised figures for acquisitions

Introduction to Victoria



Victoria's strategy

1



SUSTAINABLE ORGANIC
AND ACQUISITIVE
GROWTH

2



SYNERGIES AND
INTEGRATION TO DRIVE
MARGINS

3



GENERATION OF FREE
CASH FLOW TO ENABLE
STRONG
DELEVERAGING

*Consistent organic revenue growth and margin improvement
has delivered strong and stable earnings growth and cash flow generation*

A track record of acquisition success

What has been achieved

FY14-18 (reported basis)

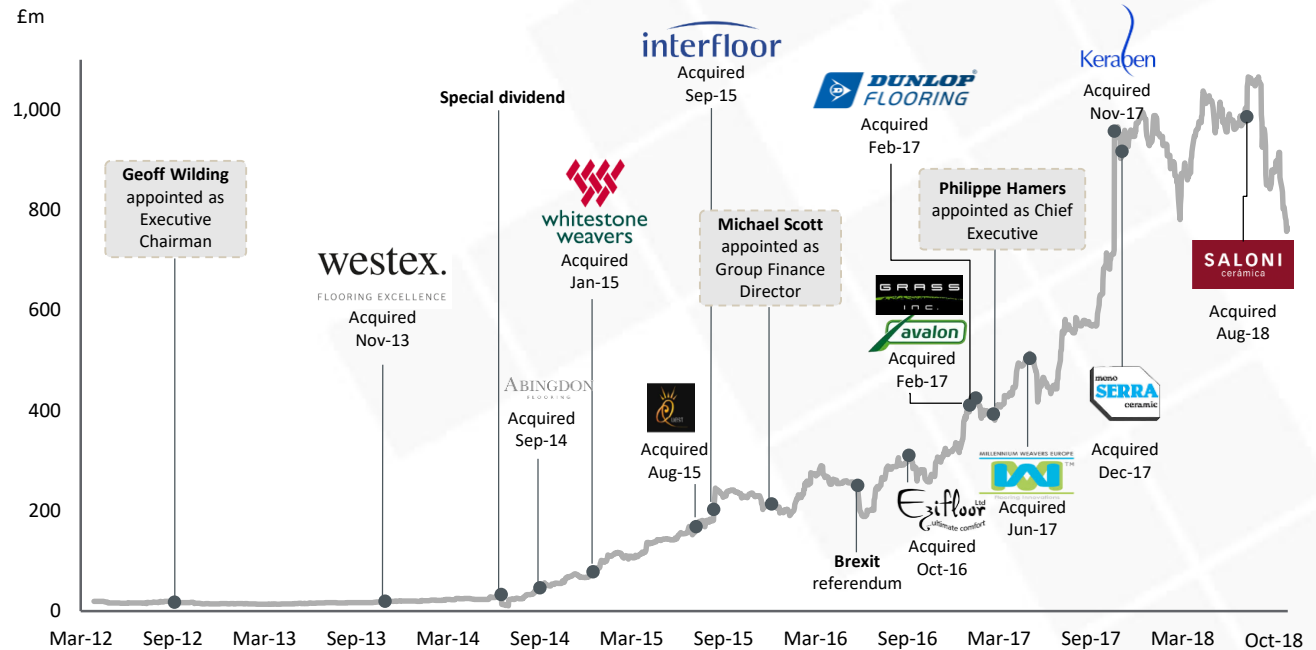
Revenue: + c.56%
CAGR

EBITDA¹: + c.88%
CAGR

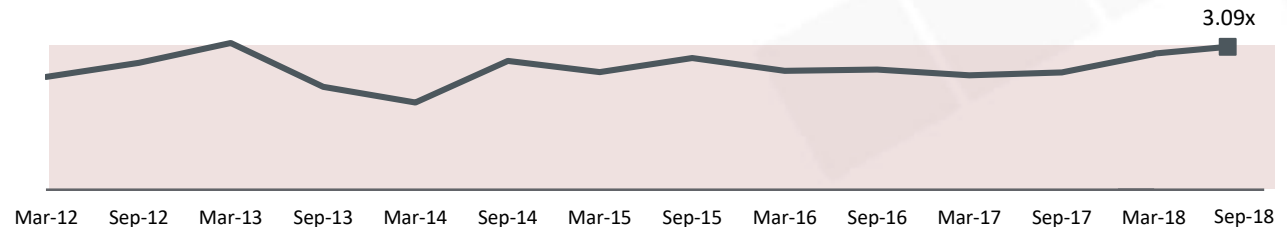
EBITDA Margin: + c.8ppts

Operating cash flow²:
+c.61% CAGR

While consistently growing market capitalization...



...and maintaining stable net leverage



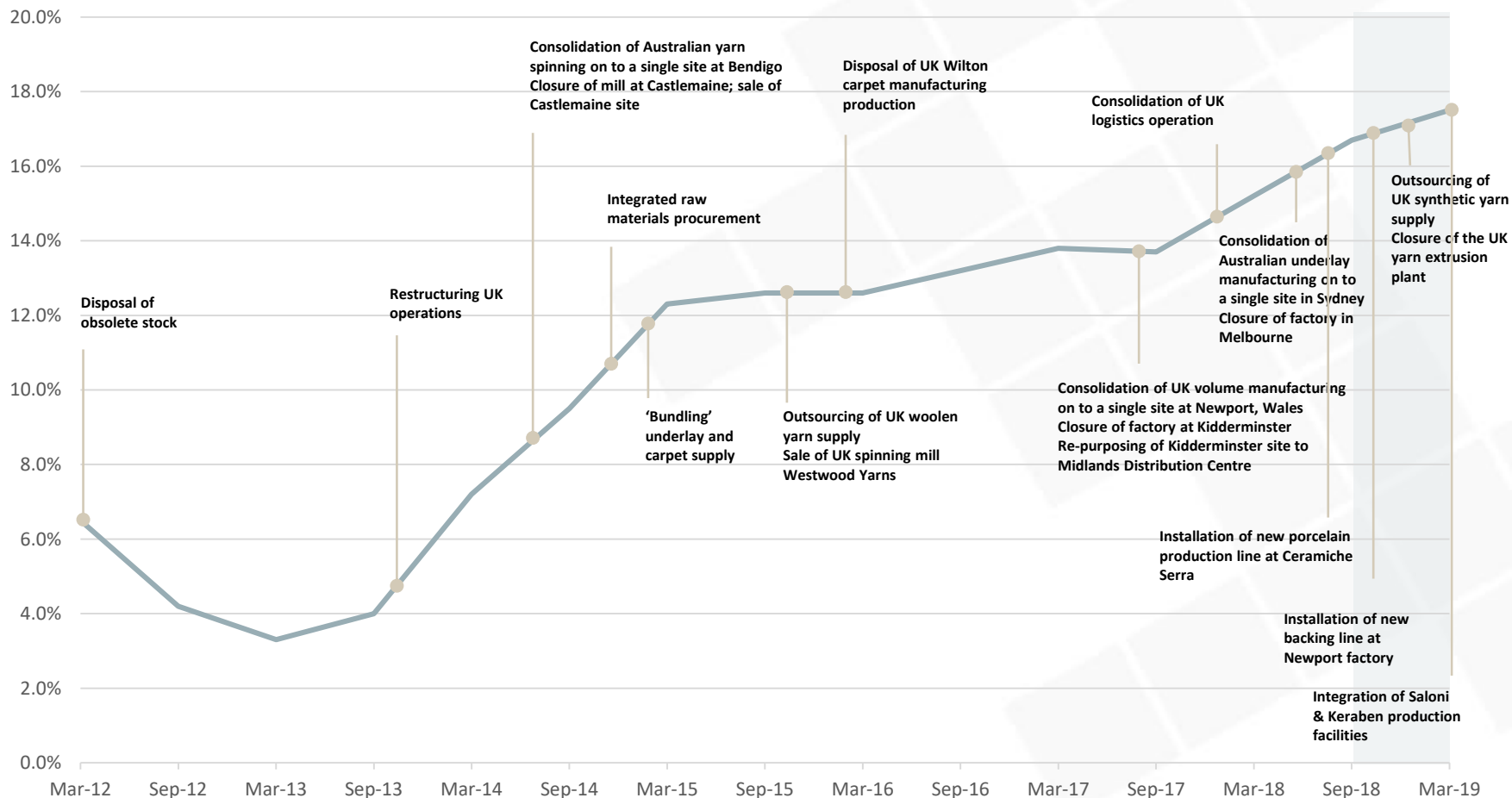
Source: Company filings, FactSet, market data

Notes:

1. EBITDA presented here is on an underlying and pre-exceptional basis
2. Operating cash flow computed as Underlying EBITDA +/- Non-cash items +/- Underlying NWC

A track record of operational success

Consistently focused on growing EBITDA margins



Proactive operational integration of acquired assets drives long-term EBITDA margin improvement

EBITDA margin constantly increasing

Slower margin growth in FY2019 a tactical decision to achieve a strategic goal: greater market share

Victoria prices are unchanged

- Short term margin impact is deliberate due to product mix

Introduced lower margin range in order to:

- Win more business from existing retail clients
- Win new retail clients
- Increase market share

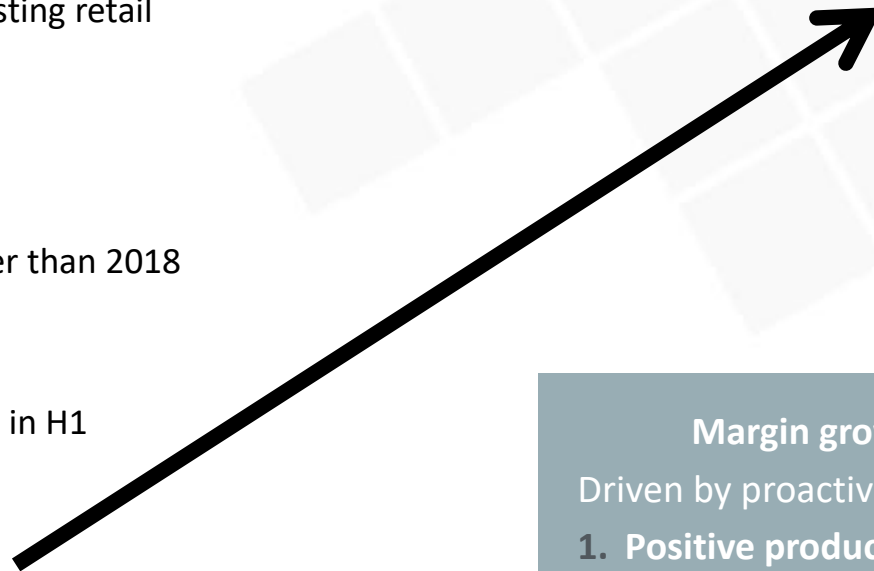
2019 margin still 200 bps higher than 2018

This strategy is working

- Victoria UK LFL sales up 5%+ in H1
- UK market down 6 - 8%¹

FY 2018
15.2%

FY 2020E
18.7%²



Margin growth to increase
Driven by proactive management action

1. Positive production variances
2. Outsourcing yarn extrusion
3. Productivity gains from new backing line

Notes:

1. Source: Management estimate
2. FY 2020E analyst consensus EBITDA margin

New backing line at the primary carpet manufacturing factory in Newport, Wales



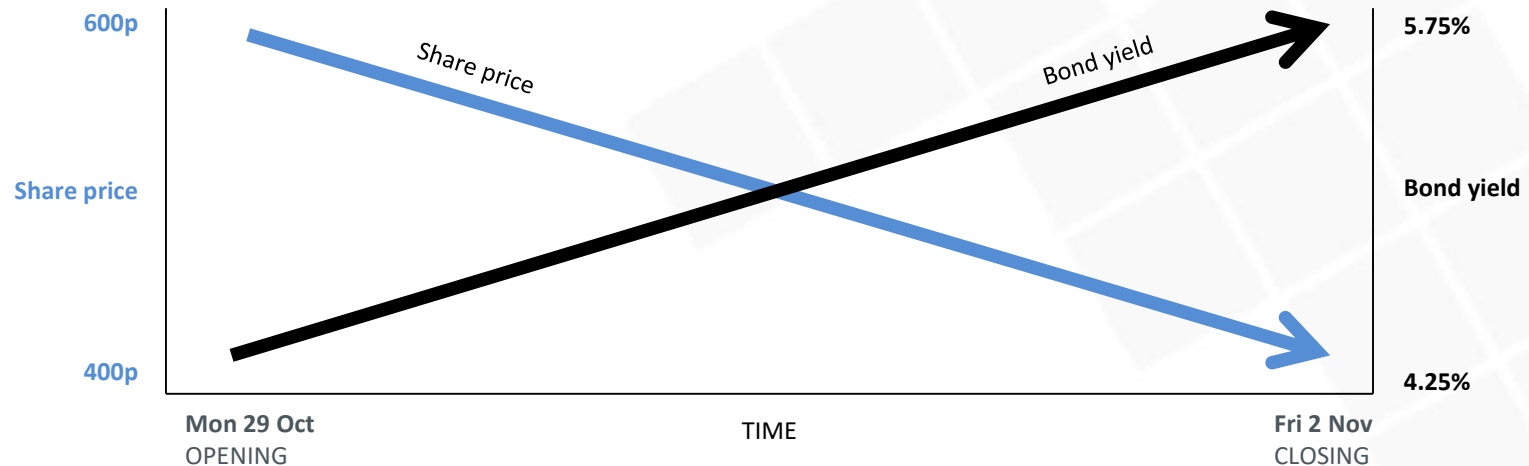
The Elephant in the Room – cancellation of the bond issuance

Reasons behind the bond issue:

1. Long term financing

2. Fixed interest rate

3. Flexibility



The Company continues to have a close and positive relationship with its lending banks, HSBC and Barclays, and continues to operate with significant headroom with respect to its covenants

– Statement to the Stock Exchange 1/11/18

Victoria PLC's cancellation of its €450 million debut bond issuance ... does not affect our 'BB-' rating or stable outlook on the company. We forecast ample headroom under [existing covenants] over the rating horizon of 12 months.

– Standard & Poors Global

Key Investment Highlights



Key investment highlights

As a leading manufacturer and distributor of innovative flooring products, Victoria presents a unique story

- 1 **Market leading business with a global and efficient footprint**
- 2 **Stable flooring market dominated by the less cyclical improvement and repair segment, with high structural barriers to entry**
- 3 **Diversified business across products, customers and geographies**
- 4 **Proven acquisition track record and ability to realise synergies**
- 5 **Low operational gearing through a flexible cost base and limited capex intensive business**
- 6 **Strong financial performance with resilience through the financial crisis**
- 7 **Experienced management team with proven track record of sustainable value creation**

1 Market leading business with a global and efficient footprint

Victoria has built market leading positions across its core markets

- The largest carpet manufacturer in UK (c.9% share of the market by volume)
- The 2nd largest carpet manufacturer in Australia (c.7% by volume)
- The largest underlay manufacturer in both the UK and Australia, in each case by volume
- A leading European tile manufacturer in the mid to high-end markets (c.5% by volume)

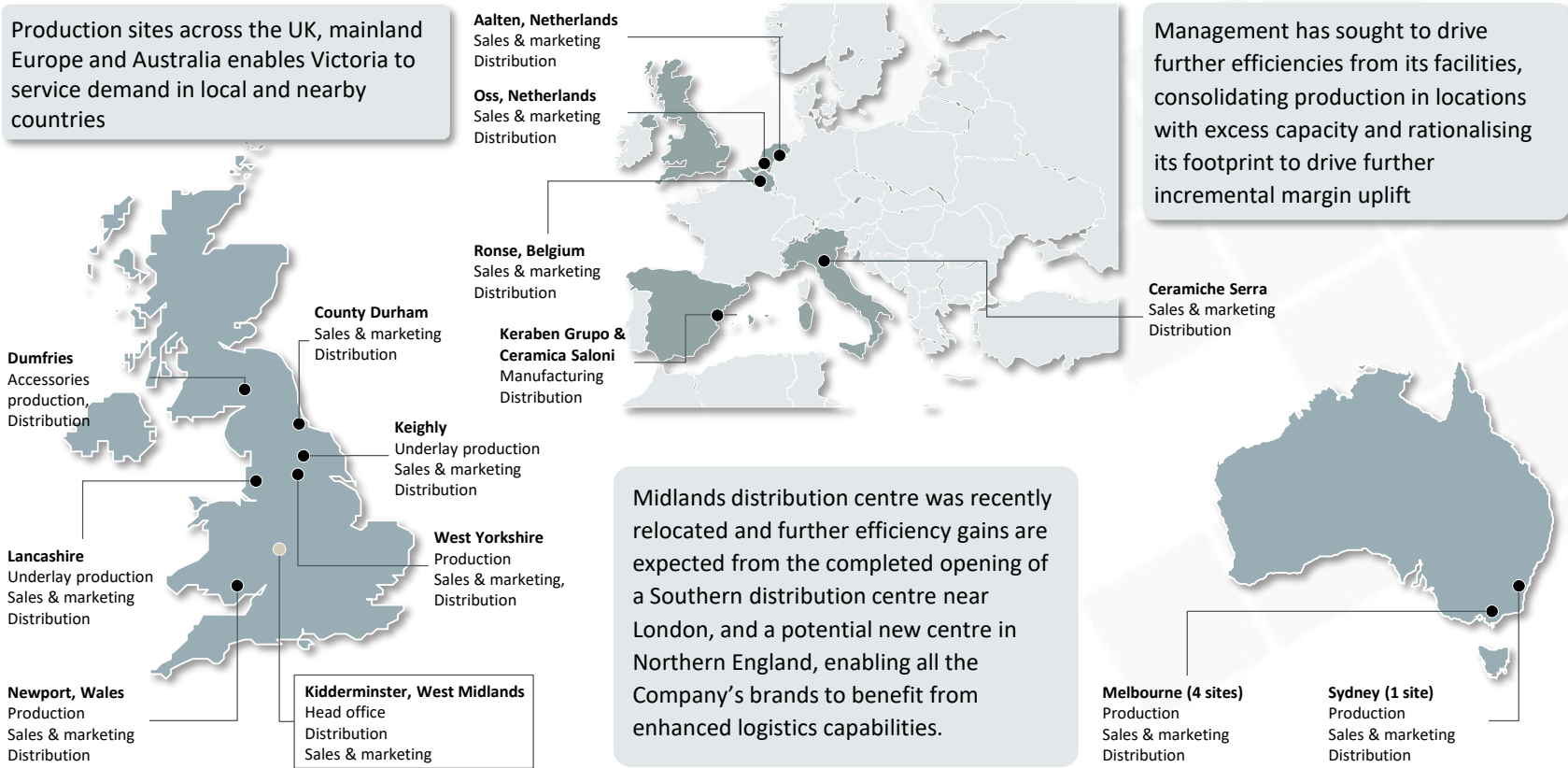
✓ **Market leading positions**

✓ **Global distribution capabilities**

✓ **Wide product range**

Closely track customer behaviour and adapt production to varying demand

Production sites across the UK, mainland Europe and Australia enables Victoria to service demand in local and nearby countries

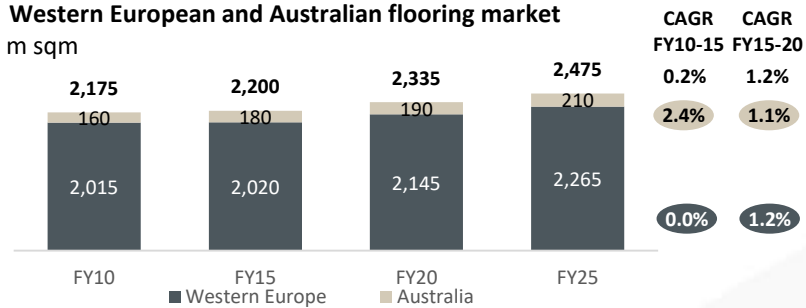


Employees UK & Europe: c. 2,600 **Australia: c. 400**

② Stable flooring market dominated by the less cyclical improvement and repair segment...

The Western European and Australian flooring markets are stable...

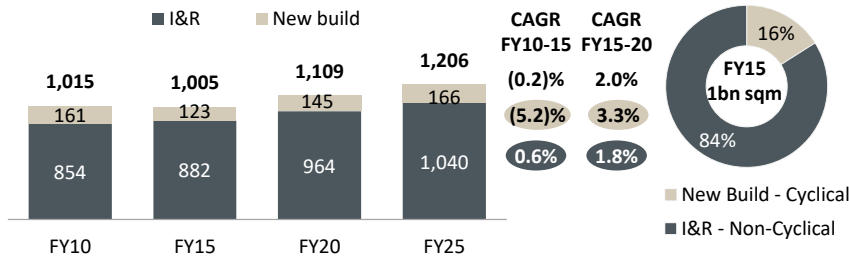
Western European and Australian flooring market m sqm



- Victoria's markets are characterised by high standards of living, developed commercial / industrial sectors, and significant need / demand for flooring products
- The flooring market is stable and driven by broad economic factors such as GDP, real wages and employment levels

...with majority of the market being improvement & repair

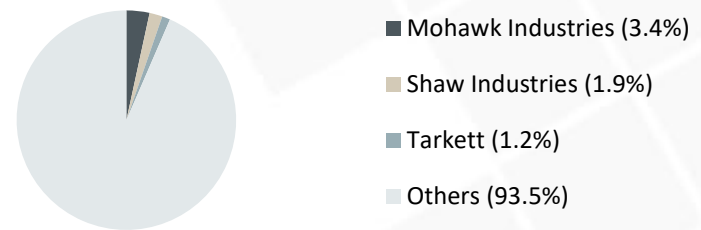
Western European residential market (m sqm)



- Victoria focuses on the Improvement & Repair ("I&R") end-market that is 4-5 times larger than the new construction end-market
- The I&R end-market tends to be characterized by greater price inelasticity and less susceptibility to fluctuations in the business cycle – it is relatively inexpensive to undertake flooring refurbishment to improve aesthetics vs other means

Fragmented market structure

FY15 Global Flooring Market Share



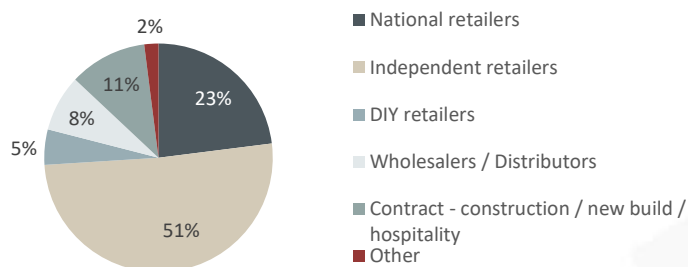
- 20 largest floor covering producers represented c.12% of dollar revenues globally in FY15
- 3 largest companies held 6.5% of global market share in FY15

② ... with high structural barriers to entry

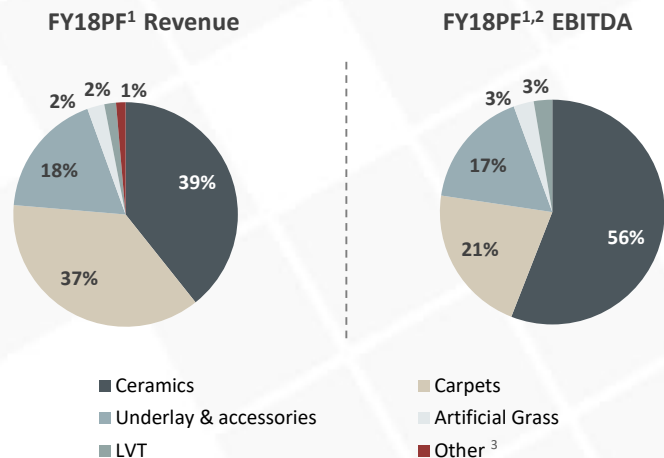
- ✓ **Fragmented customer base** – long-standing relationships with independent retailers extremely difficult to attack
- ✓ **Key costs are raw materials, with global pricing** – high transportation costs eliminate Far East competitive advantage
- ✓ **Difficulty in transport of products** – carpets are large and non-palletised; ceramic tiles are heavy
- ✓ **Strength of brands** – well established and trusted by retailers, who drive consumer choice
- ✓ **Capital barriers** – very substantial set up costs if building a complete “green field” operation
- ✓ **Product understanding and technical know-how** – across multiple segments

3 Diversified business across products, customers and geographies

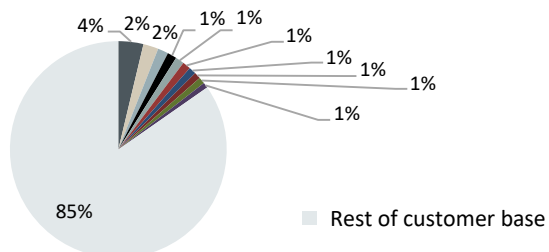
Wide customer base – majority being independent flooring retailers having brand loyalty and long term relationships



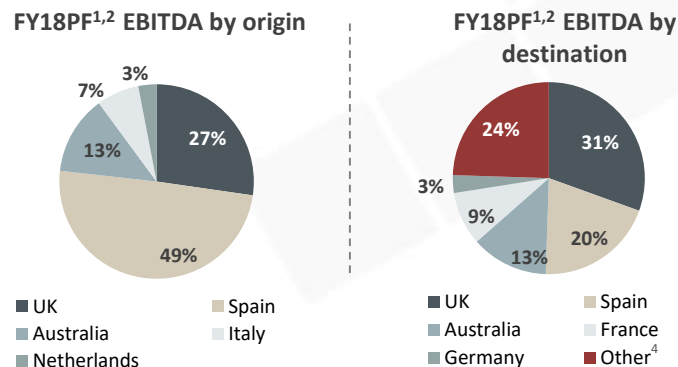
Strong presence across the flooring market with a specific focus on higher margin mid-to-high end segments



Customer concentration – top 10 customer



Flexibility to produce and serve multiple geographies (and shift production as needed)

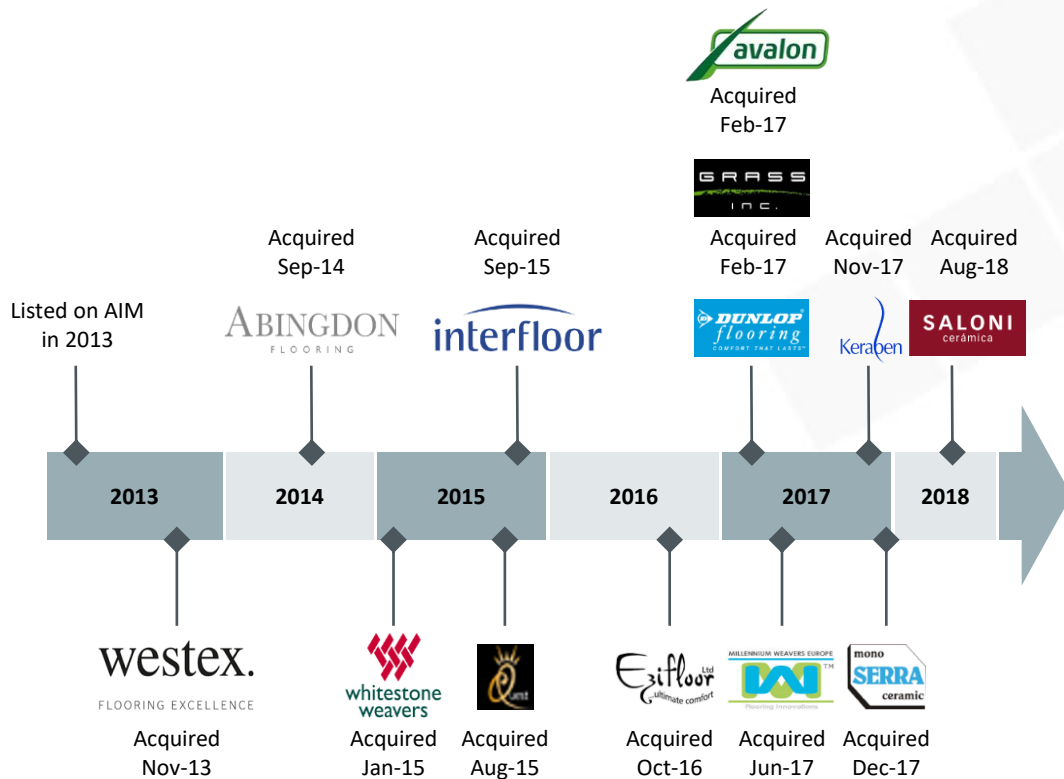


Note:

1. Pro-forma for Keraben, Serra, Millennium Weavers and Saloni
2. The split for this assumes a consistent margin on sales across all geographies for each business unit
3. Other includes Carpet tiles (1.0%) and Wood (0.3%)
4. Other includes Italy (1.6%), Netherlands (1.6%), Romania (1.6%), Poland (1.1%), Hungary (0.9%), Ireland (0.8%), New Zealand (0.7%), amongst others

4 Proven acquisition track record and ability to realise synergies

Acquisition history and corresponding EBITDA growth



Consolidator in a highly fragmented industry

Built meaningful scale since 2013 with 13 acquisitions

Keraben, Serra, & Saloni propelled group to market leading position in European Ceramic tiles

Synergies create strong levers for margin expansion

Better buying power on raw materials

Rationalisation of product lines and cross selling via new distribution channels

Ability to affect price increases

Distribution, warehousing and logistics

Consolidation of manufacturing capacity

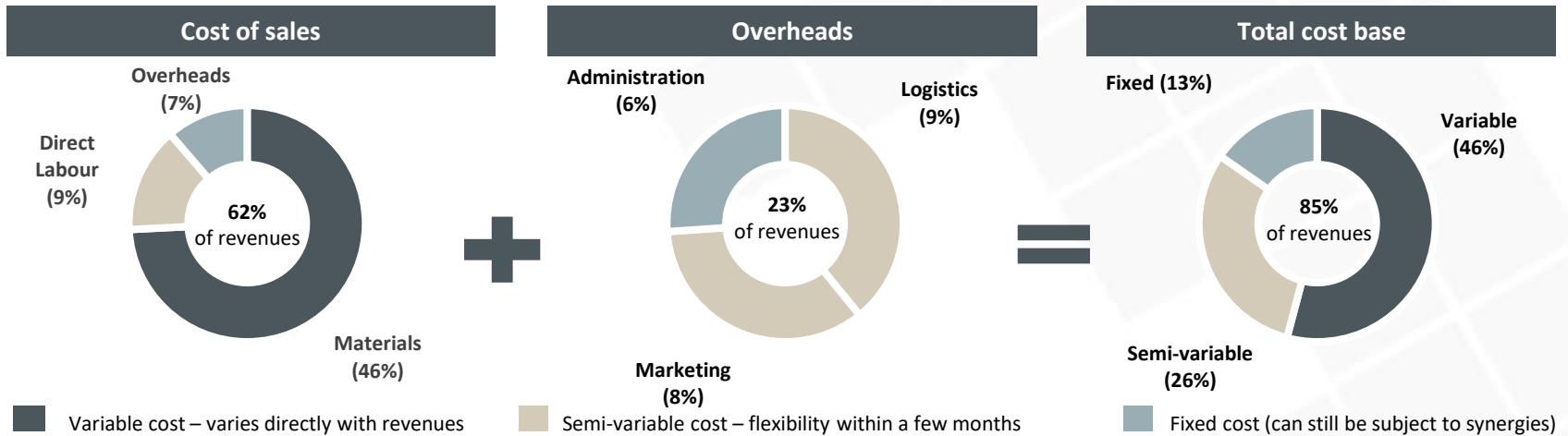
	FY13	FY14	FY15	FY16	FY17	FY18	PF Adj. LTM Jun-18 ¹
Underlying EBITDA	£2.3m	£5.1m	£15.8m	£32.3m	£45.7m	£64.7m	£111.7m
% margin	3%	7%	12%	13%	14%	15%	17.7%

Source: Company information

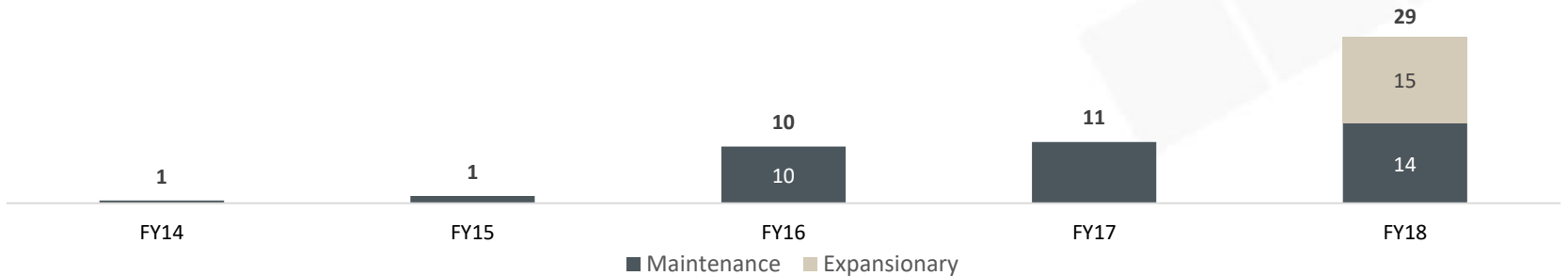
Adj. PF LTM Jun-18 including Saloni, Sanicova and full year results of Keraben, Serra and Millennium

5 Low operational gearing through a flexible cost base and limited capex intensive business

- Low operational gearing:
 - 54% of costs (46% of total revenues) vary directly with revenue (enable the Company to act quickly to changing trends and market dynamics)
 - 31% of costs (26% of revenues) are semi-variable
- Multiple production sites creates flexibility in capacity, cost structure, and cost structure with ability to vary production
- Of our cost of sales in the 2018 financial year, materials comprised 74%, labour comprised 15% and overhead comprised 11% (pro forma for the Acquisitions)



- Only a small level of maintenance capex is required, relative to the cash flows of the Company

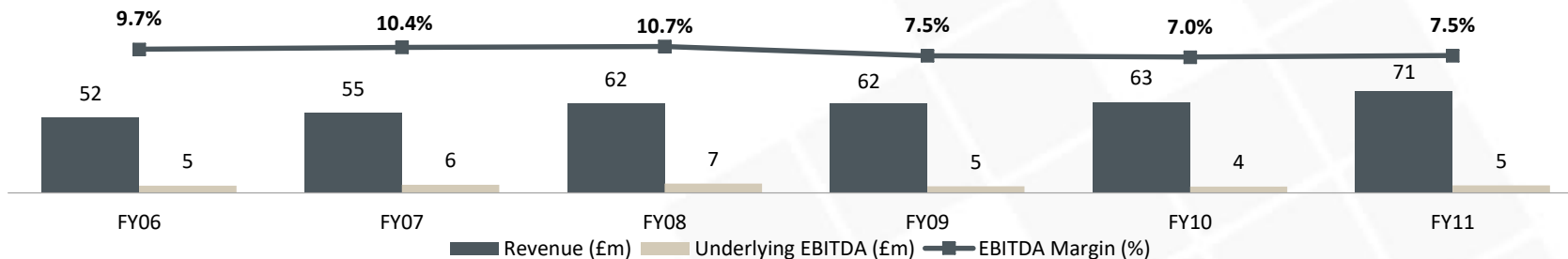


Note: Based on PF FY18 figures

⑥ Strong financial performance with resilience through the financial crisis

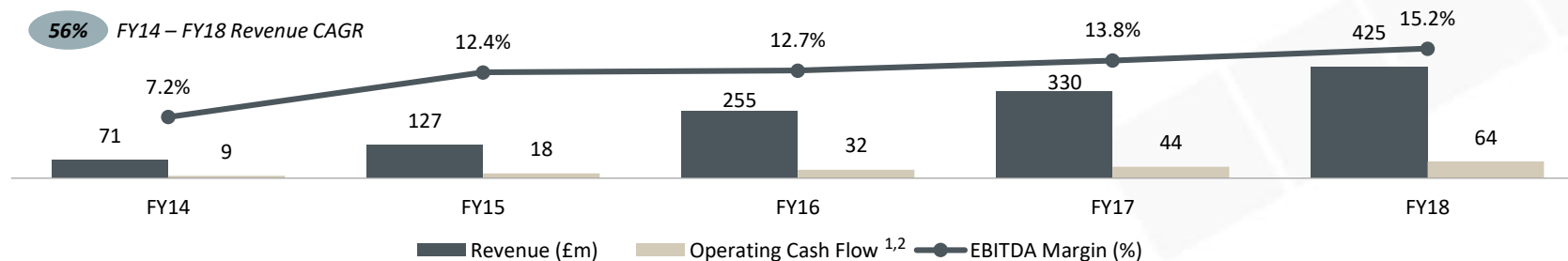
- Victoria witnessed stable demand during the financial crisis and its flexible cost base facilitated margin protection during this period
- Sales mix was shifted to lower the average selling prices to protect sales volumes

6% FY06 – FY11 Revenue CAGR



- Since the arrival of new management in FY13, Victoria has experienced strong growth coupled with an improvement in EBITDA margins
- Victoria has a strong cash flow generation profile supported by relatively minimal working capital cash flows in addition to stable capex investments over the historical period

56% FY14 – FY18 Revenue CAGR



Note: EBITDA presented here is on an underlying and pre-exceptional basis

1. Operating cash flow computed as Underlying EBITDA +/- Non-cash items +/- Underlying NWC
2. Excludes cash inflow of £11.7m from a sale and leaseback transaction undertaken in FY14

7 Experienced management team with proven track record of sustainable value creation

Geoffrey Wilding
Executive Chairman



Wider Management Team

18 Managing Directors responsible for divisions individual business units

20 years of average industry experience

Experience, product knowledge, enthusiasm, skill second to none

Actively incentivised in Victoria's future with significant portions of net worth invested

Philippe Hamers
Chief Executive



Retention of management

Retained nearly all members of management post acquisition earn-out period

Only 1 MD retirement and has been replaced via internal moves

Of the 13 acquisitions to date, 4 have completed earn-out and 4 did not have earn-outs

Michael Scott
Group Finance Director



Value Creation

	FY14	Adj. PF LTM Jun-18 ²
Revenues (£m)	71	631
EBITDA margin (%)	7.2%	17.7%
Market Cap (£m) ¹	23	595

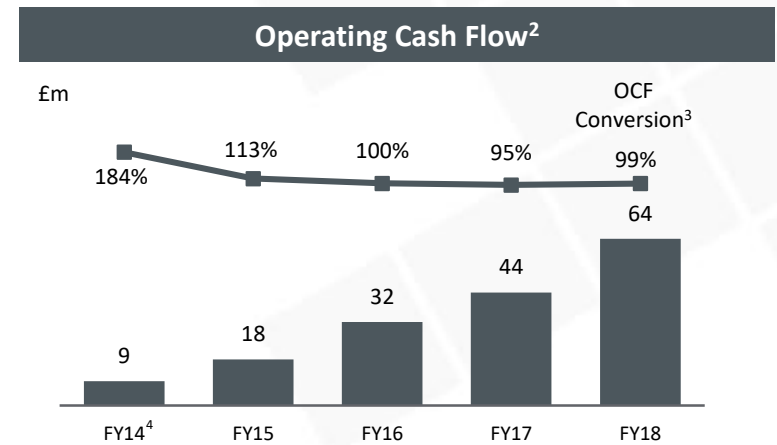
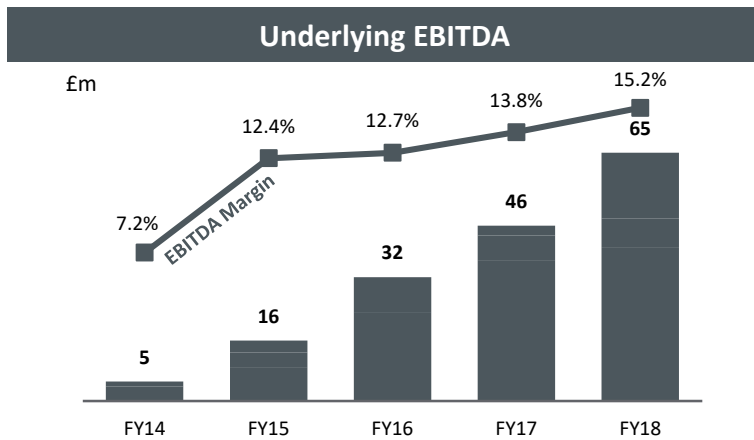
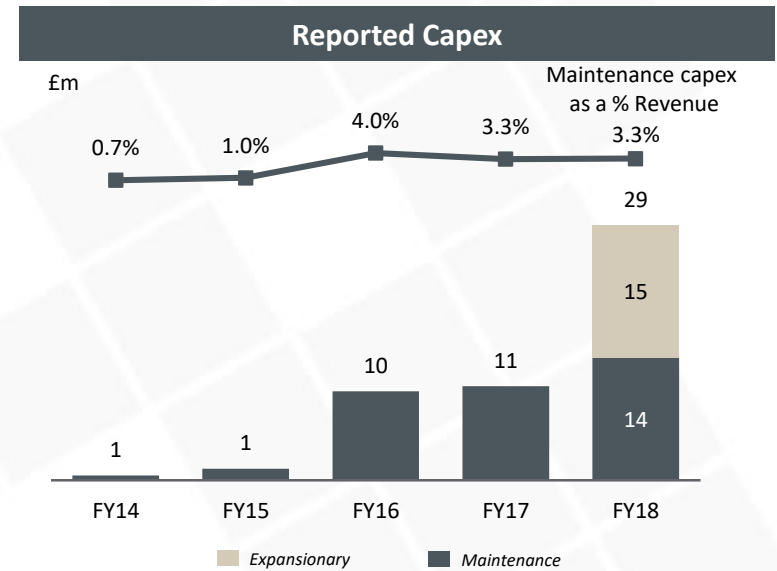
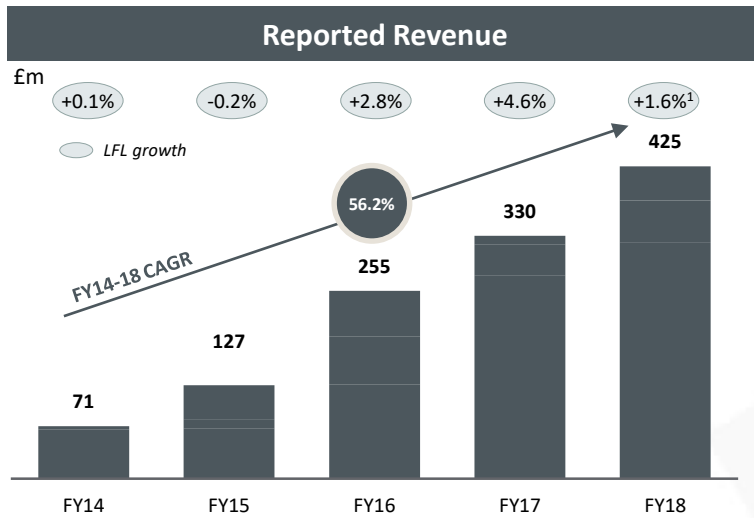
Note:

1. Market Caps as of 31 March 2014 and 26 November 2018
2. Adj. PF LTM Revenue and EBITDA for Jun-18 including Saloni, Sanicova and full year results of Keraben, Serra and Millennium

Historical Financials



Summary historical financials



Note: EBITDA presented here is on an underlying and pre-exceptional basis; LFL figures exclude the impact of acquisitions in the year

1. FY18 LFL adjusted for restructured operations and insured impact of business interruption resulting from weather-related factory damage
2. Operating cash flow computed as Underlying EBITDA +/- Non-cash items +/- Underlying NWC
3. Operating cash flow / Underlying EBITDA
4. Excludes cash inflow of £11.7m from a sale and leaseback transaction undertaken in FY14

Historical financials overview

£m	FY14	FY15	FY16	FY17	FY18	FY14-18 CAGR
Revenue	71	127	255	330	425	56% 1
% growth	0.7%	77.9%	100.9%	29.5%	28.6%	
% LFL growth	+0.1%	-0.2%	+2.8%	+4.6%	+1.6% ⁴	
Underlying EBITDA	5	16	32	46	65	88%
% margin	7.2%	12.4%	12.7%	13.8%	15.2%	
Non-cash items	-	(0.2)	(0.1)	(0.5)	(0.2)	
Underlying movement in working capital	4.3	2.2	0.1	(1.6)	(0.2)	2
Operating Cash Flow before interest, tax and exceptional items	9	18	32	44	64	
% Cash conversion	184.0%	112.7%	99.7%	95.4%	99.4%	
Interest paid	(1)	(1)	(3)	(4)	(7)	
Income tax paid	(0)	(2)	(3)	(6)	(11)	3
Maintenance capex	(1)	(1)	(10)	(11)	(14)	
Proceeds from fixed asset disposals	-	1	1	0	2	
Free Cash Flow before exceptional items	8	14	17	24	35	
% Cash conversion	155.6%	87.2%	51.4%	51.9%	54.1%	
Expansionary capex	-	-	-	-	(15)	
Deferred consideration and earn-out payments	-	(1)	(8)	(10)	(15)	
Exceptional cash items	-	-	-	(0)	(3)	
Dividends	(1)	-	-	-	-	

Selected commentary

1. Revenue:

- Significant and consistent revenue growth, driven by both organic growth and acquisitions (13)
- Relatively strong LFL growth driven by:
 - Favourable refurbishment volumes (c.4m households across UK and Australia);
 - Stable growth in key flooring markets;
 - Prompt price adjustments in UK in FY18 to sustain revenue growth and increase market share

2. EBITDA :

- FY14-16, EBITDA margins increased by 5.5ppts from 7.2% to 12.7%, driven by:
 - procurement savings;
 - more favourable product mix;
 - a cost control program
- FY16-18, EBITDA margins increased 2.5ppts due to:
 - Cost savings from UK integration across production and logistics;
 - Procurement initiatives to refine supply chain;
 - Acquisitions of higher margin companies (Ceramic tiles)⁴

3. Operating Cash Flow :

- Strong focus on stock management and ensuring that working capital consumption is minimised as it continues to grow its top line
- Stock turn improved from 3.2x to 3.7x in FY16, freeing c.£7.5m in cash
- Victoria has witnessed strong and stable operating cash conversion of over 90% across the period

Note: EBITDA presented here is on an underlying and pre-exceptional basis

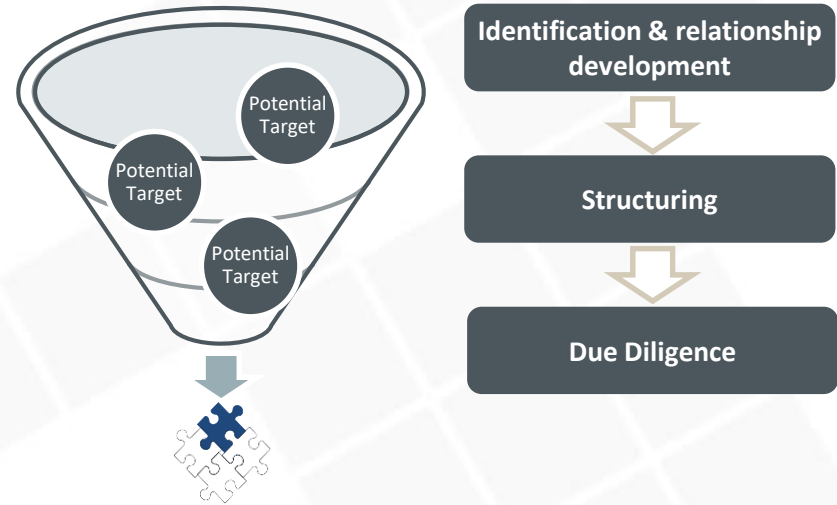
- Excludes cash inflow of £11.7m from a sale and leaseback transaction undertaken in FY14
- Excludes a special dividend paid in FY15 of £20.7m
- FY18 LFL adjusted for restructured operations and insured impact of business interruption resulting from weather-related factory damage
- Partially offset by initiative to reduce average selling price

Appendix



Acquisition criteria & strategy

- ✓ **Competitive advantage** – across production, distribution or products
- ✓ **Growing and profitable businesses** – no turnarounds
- ✓ **Sustainable, above average margins**
- ✓ **Committed management team** – track record of successfully delivering against targets
- ✓ **Broad distribution channels**
- ✓ **Modern plants / facilities** – minimizing cash outflow post acquisition
- ✓ **Fair price**



Victoria walks away if...

- 1 Management not trustworthy
- 2 Vendor wants too high a price or too low an earn out hurdle
- 3 Issue with quality of earnings or cash

...and has walked away from a greater number of opportunities than have been completed

Strong corporate governance across the Group

Overarching governance

- PLC board oversight
- Compliance framework and group policies
- Limited formal power of attorney for overseas senior management

High frequency /
low detail



1 PLC daily cash review across the Group

2 PLC consolidation and review of monthly financials

3 Monthly subsidiary board meetings, with PLC seats and cross-pollination of subsidiary directors

4 PLC periodic operational and financial review meetings

5 Rigorous detailed budgeting process with each subsidiary, including cash flow forecast

6 External audit

Low frequency /
high detail

A diverse brand portfolio, serving a wide range of customers

	Operating Business	Key Brands	Primary Product	Target Market
UK	Interfloor		Underlay	Mid-Upper
	Abingdon		Carpet & Carpet tiles	Mid-Level
	Whitestone Weavers		Carpet	Mid-Upper
	Westex		Carpet & LVT	High End
	Victoria Carpets		Carpet	Mid-Upper
	Ezifloor		Underlay	Mid-Level
	Distinctive		LVT	Mid-Level
Continental Europe	Keraben		Ceramic tiles	Mid-Upper
	Saloni		Ceramic tiles	Mid-Upper
	Serra		Ceramic tiles	DIY Specialist
	Millennium Weavers		Carpet	Mid-Upper
	Grass Inc		Artificial grass	High End
	Avalon		Artificial grass	Mid-Upper
Australia	Victoria Carpets		Carpet	Mid-Upper
	Quest		Carpet	Mid-Level
	Dunlop Flooring		Underlay, LVT & Wood	Mid-Upper

Highly diversified business

Portfolio covering various product category and quality / target price point, with no over-reliance on a specific brand

Brands span mid-end mass market up to high-end

Geographical diversification across Europe

Very fast and cost-efficient adaptor to changes in consumer preferences, trends & design

Organic strategy for high growth LVT¹ market

1. Luxury vinyl tile

Victoria has a unique position in the European flooring market, with a diverse product offering and strong distribution capabilities

		Large European players		Soft flooring specialists			Ceramics specialists			
		Tarkett	Forbo	balta	CONDOR CARPETS	ASSOCIATED WEAVERS	BALDOCER	PORCELANOSA	PAMEJA ceramica	
HQ	UK	France	Switzerland	Belgium	Netherlands	Belgium	Spain	Spain	Spain	
Description	Designer, manufacturer and distributor of flooring products	Manufacturer and distributor of flooring products	Manufacturer and trader of floorings, adhesives and conveyor technology	Manufacturer of textile floor coverings and carpet tiles	Private manufacturer and provider of carpets	Private manufacturer and provider of carpet, stair runners and rugs	Private manufacturer and provider of ceramic tiles products	Private manufacturer of floor, kitchen and bathroom ceramic tiles	Private manufacturer of ceramic tiles for floors and walls	
Presence in flooring market	Carpets & rugs									
	Non-Resilient									
	Resilient									
Distribution Capabilities	✓✓✓	✓✓	✓	✓	X	✓✓	N.A. given nature of the market			