Preferred Equity Investment

October 2020

Geoffrey Wilding, Executive Chairman

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Company Update

1. Overview

Mission Statement: To create wealth for shareholders

2-PRONG STRATEGY

Organic Growth

Leverage scale and entrepreneurial management to drive:

1. **Revenue growth:**

- scale-enabled service offering (speed of delivery, product availability)
- cross-selling

2. Margin expansion

- leverage scale = synergies (procurement, production, logistics)

3. Cash generation

- high free cash conversion
- leverage reduction

Acquisitions

17 successful acquisitions since 2013 due to:

1. Strict criteria:

- growing businesses
- sustainable, above average margins
- Revenue and/or cost synergies
- broad distribution channels
- modern plant & facilities
- committed management team

2. Risk management

- deep industry expertise
- contingent earn outs
- attractive valuation

2. Organic Growth: Trading YTD

Victoria continues to trade very strongly following the initial short-term impact of COVID-19

Robust performance during 2020

- Victoria's **high degree of operational flexibility and geographic diversification** enabled it to be resilient to the challenges posed by COVID-19
- **Low operational gearing**
  - c. 90% of operating costs are wholly variable or semi-variable
  - Only c.10% are fixed
- **Diversified customer base**
  - Wide geographic spread of customers and manufacturing
  - Creditworthy
  - No customer concentration
- **Trading recovered quickly during May and demand since then has been at record levels**
  - Consumers are consistently focused on home improvement / maintenance vs. travel or leisure
  - Victoria's focus on residential end-markets rather than commercial has been an advantage
- **Cash neutral for the first half of the year**
  - Net debt (pre IFRS-16) at June: c. £385 million
  - Current cash and undrawn credit facility headroom of more than £200 million (prior to the preferred equity investment) – up from £180 million as at 30 June

Current trading

- Revenue recovered quickly and strongly following the ending of lockdowns during Q1

(£ million)	April	May	June	Total
UK & Europe Soft Flooring	3.1	6.9	24.5	34.5
UK & Europe Ceramic Tiles	11.8	20.2	28.2	60.3
Australia	5.3	9.4	8.6	23.3
Total	**20.2**	**36.4**	**61.4**	**118.0**
% of Pre-Covid-19 budget	***35%***	***55%***	***102%***	***64%***

- Q2 revenue (July – September 2020) was ahead of both prior year and of the budget set ahead of COVID-19
- Full H1 update with interim results to be released on 30 November

Resilient balance sheet

- €500 million (£453 million) of Senior Secured Notes are due July 2024 and in themselves have no maintenance financial covenants
- Since Covid-19, Moody's, Fitch, and S&P all confirmed their credit ratings of B1, BB-, and BB- respectively, albeit with negative outlook

2. Organic Growth: Outlook positive

Victoria continues to trade very strongly following the initial short-term impact of COVID-19

Economic factors

- Victoria's key market – residential renovation – has proven to be extremely resilient as consumers are spending more time at home and re-focusing expenditure away from travel and leisure
- As a result of people spending more time at home, household savings have increased dramatically (see chart top right). This savings growth has been weighted towards higher income households – Victoria's key market
- UK house sales up (see chart bottom right) – which is one of the drivers of renovation (people generally replace flooring 6-12 months after purchase) – have rebounded
- Unemployment biased towards the young (working in retail and hospitality), who tend not to be homeowners
- Shopping for flooring products is more targeted than average consumer activity, with long-planned and fewer trips, and with firmer intentions
- This trend is replicated in other residential decorating sectors

Victoria unique factors

- Victoria's diversified exposure to a number of different economies = resilience. Recession or lockdown in one geography is offset by others
- More productivity enhancements to come (without significant cost) – driving further margin expansion
- Victoria's focus on residential end-markets rather than commercial, and ability to react extremely fast to shut and re-open operations, has been a key advantage
- Customers seeking mid-high end products have been more resilient

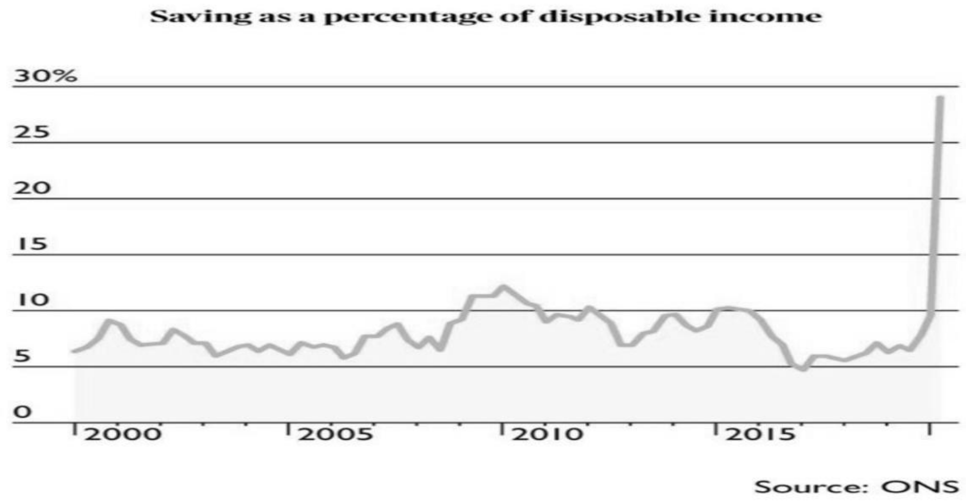
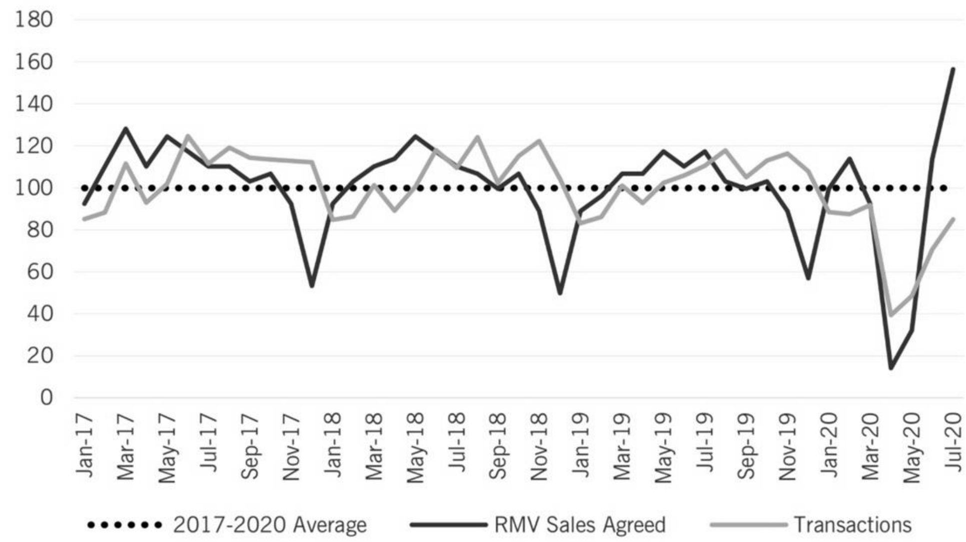


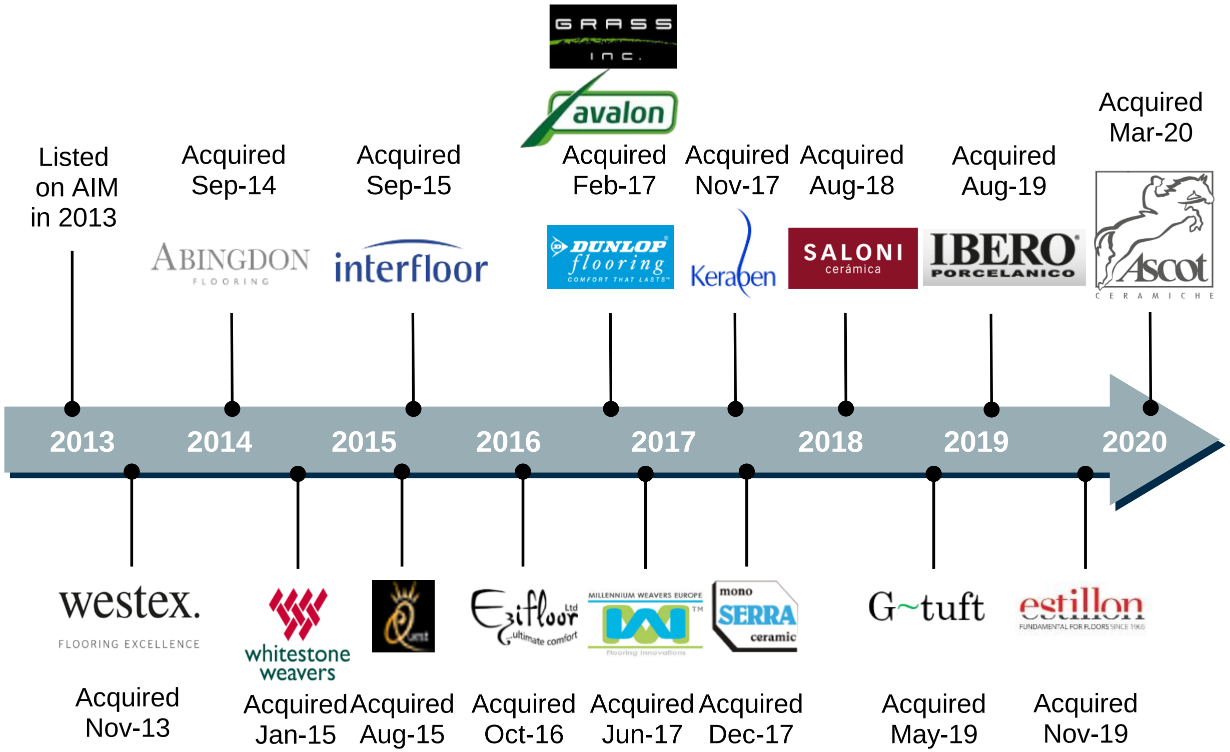
Chart 3: Rightmove sales agreed & HMRC housing transactions (vs 2017-20 average)

Source: Rightmove, HMRC, Peel Hunt



3. Acquisitions

17 value accretive acquisitions driving EBITDA growth



	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Underlying EBITDA	£2.3m	£5.1m	£15.8m	£32.3m	£45.7m	£64.7m	£96.3m	£107.2m
% margin	*3.0%*	*7.0%*	*12.4%*	*12.7%*	*13.8%*	*15.2%*	*16.8%*	*17.3%*

Consolidator in a fragmented industry

European flooring sector is worth **€23 billion** at factory gate

Motivated sellers – retirement, capital structure under pressure

Deal structure minimises downside risk

Pro-active deal origination – Victoria actively prospects for opportunities

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

Koch Equity Development Investment

1. Koch Equity Development investment

Victoria has agreed a new preferred equity investment and shareholding by KED, a long-term and supportive partner

Koch Equity Development ("KED") becomes a major shareholder and supportive investor in Victoria

- KED has completed extensive due diligence on Victoria's business, management team, and the market opportunity
- KED will acquire 10% of Victoria's equity in the secondary market

KED is also providing £75m (with ability to increase up to £175m) perpetual preferred equity - "*fuel in the tank*"

- The preferred equity senior only to common equity
- No requirement on Victoria to service the investment with cash; and KED can convert to common equity after 6 years
- Warrants over 9% of Victoria provide additional equity exposure for KED
- General Meeting for shareholder approval

Preferred equity capital to fund the acquisition of up to £100m of EBITDA

- Preferred equity will be invested in cash-flow generating acquisitions targets in due course

Victoria will continue its conservative financial policy

- New perpetual preferred equity reinforces its prudent approach to capital management
- Victoria is committed to its financial policy of c. 3x senior net debt/EBITDA post-acquisition, falling to 2x when in 'steady state'
- If the perpetual preferred equity does not convert, then it may be refinanced via a similar instrument or common equity

"We are delighted to be partnering with Victoria… we are confident in Victoria's strategy, its management team, and the size of the market opportunity. We expect our investment to help Victoria accelerate execution of its growth plans." Blake Ressel, Managing Director, Koch Equity Development

2. Background: Koch Industries and Koch Equity Development

A supportive long-term partner with demonstrated experience in industrial investments

Koch Industries

- Founded in 1940
- Owned by the Koch family
- Under the leadership of its current CEO, Charles Koch, the company has grown revenues from around US$400m to $115bn and is now one of the largest privately-held companies in the US
- Koch owns a diverse group of companies involved in refining, chemicals and biofuels; forest and consumer products; fertilizers; polymers and fibres; electronics, software and data analytics; automotive components; process and pollution control equipment and technologies; commodity trading; minerals; ranching; and investments
- Koch has significant experience and expertise in the flooring sector through its Invista and Stainmaster carpet businesses, predominantly focused on the US markets

Koch Equity Development ("KED")

- Koch Equity Development is Koch's acquisition and investment subsidiary and has the primary responsibility in investing the firm's excess capital
- It has invested $30 billion since 2012
- With its long-term investment horizon, KED is an attractive partner for Victoria and will bring expertise and market access alongside its shareholding and capital contribution
- KED has high structuring and duration flexibility and a streamlined decision making process, with a minimum investment of $100m

3. KED Transaction Summary – 4 key strategic objectives

KED's investment into common and preferred equity will enable Victoria to achieve its strategic objectives without shareholder dilution

1 Introduce new supportive industrial investor

- KED will be a supportive long-term partner to enable Victoria to continue investing in opportunities to continue to diversify its business in resilient markets
- Koch has significant experience and expertise in the flooring sector

2 Raise equity capital for acquisitions

- COVID-19 has led many owners of smaller businesses to consider their priorities between business and family, providing good opportunities for Victoria to continue to selectively invest to drive diversification and resilience
- Victoria remains conservative in its assessment of targets and will only acquire businesses that are resilient and offer immediate upside to the group, creating value for bondholders /shareholders, and which allow rapid deleveraging
- Victoria avoids failing or turnaround businesses

3 Resolve perceived 'overhang'

- One of Victoria's current major shareholders, who has been a highly supportive investor in Victoria for many years, has seen changes to its own fund that now require it to reduce its investment
- KED intends to buy its 10.0% stake from this investor, which, alongside Victoria's purchase of 6.8% and 2.9% by Spruce House (a significant existing shareholder), entirely removes this shareholder

4 Continue Victoria's conservative financial policy

- c. 3x senior leverage for attractive acquisitions with rapid deleveraging post-acquisition, <2x leverage in steady-state
- Maintain significant liquidity headroom and flexibility

4. Share Buy-back – concentrates benefits of value creation

Victoria's directors believe the shares are very materially under-valued

Decision to proceed taken after reviewing:

- Trading outlook. The Board has been encouraged by the sustainability of the trading recovery previously advised to shareholders as revenue has continued to strengthen each month – even in those markets which have been open for many months.
- Liquidity. Victoria has a resilient balance sheet with more than £200m of cash and undrawn credit-lines (up from £180m as at 30 June) to which it continues to add each month. (Prior to the Koch investment).
- Alternative uses for excess cash.

The buy-back reduces Victoria's ordinary shares outstanding by 6.8%, thereby increasing current and future EPS and FCF per shares by 7.3%.

The share buy-back forms part of the KED preferred equity investment.

It is important to stress that the buy-back does not imply a departure from the Company's financial policy, either in terms of leverage appetite or payment of dividends.

The Directors are firmly of the view that the buy-back as proposed, in conjunction with the new preferred equity being raised, is the best use of the capital at this time and will be value-enhancing for shareholders.

Investment Highlights

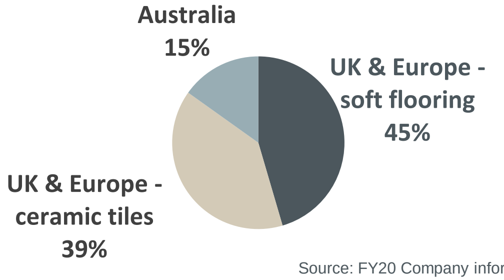
Key investment highlights

The Victoria Group presents a unique equity story

1. Global business with a focus on the mid to high-end products
2. Diversified business across products, customers and geographies
3. Stable flooring market underpinned by the resilient improvement and repair segment
4. High structural barriers to entry
5. Low operational gearing through a flexible cost base and limited capex intensity
6. Proven acquisition track record and ability to realize synergies
7. Experienced management team with proven track record of sustainable value creation

1 Global business with a focus on the mid to high-end products

	Ceramic tiles (39% FY20 Revenue) (28% Adj. EBITDA margin[1])	**Soft flooring** (61% FY20 Revenue) (14% Adj. EBITDA margin[1])	
	Strong market positions across key markets	UK & Europe	Australia
Market position	(see chart below)	#1 in UK Carpets[(2)]; #1 in UK Underlay and accessories[(2)]	#2 in Carpets[(3)]; #1 in Underlay and accessories[(3)]
Brands span from mid-end mass market up to high-end covering every price point	atlantictiles, IBERO PORCELANICO, Keraben, CASAINFINITA, SALONI cerámica, METROPOL, mono SERRA ceramic, Ascot ceramiche, Dom ceramiche	**Artificial grass**: Grass Inc., avalon; **LVT**: westex. flooring excellence, Distinctive flooring; **Underlay and accessories**: Duralay, tredaire, Gripperrods, STIKATAK, estillon, Softstep, Super Step; **Carpet**: westex., Millennium Weavers Europe, Love Story, Hugh Mackay carpets, whitestone weavers, Thomas Witter, Wilton Royal, Victoria Carpets, gaskell, STAINFREE, G~tuft	**LVT**: HEARTRIDGE floors by Dunlop, frontier; **Underlay and accessories**: Dunlop flooring; **Carpet**: Victoria Carpets, Quest



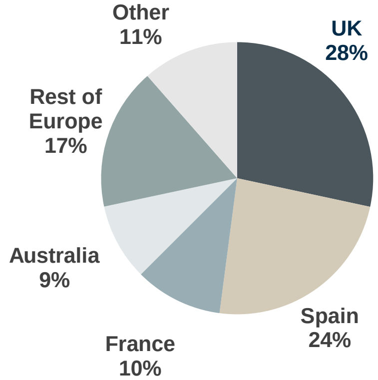
Source: FY20 Company information.

(1) Adj. EBITDA margin is post IFRS 16 and before credit loss provision.
(2) Largest UK manufacturer by volume.
(3) By sales.

Diversified business across products, customers and geographies

Highly diversified geographic exposure

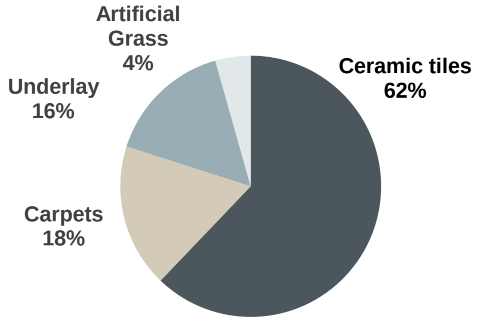
Split of EBITDA by destination country(1)



Flexibility to produce in and serve multiple geographies

Well balanced product portfolio

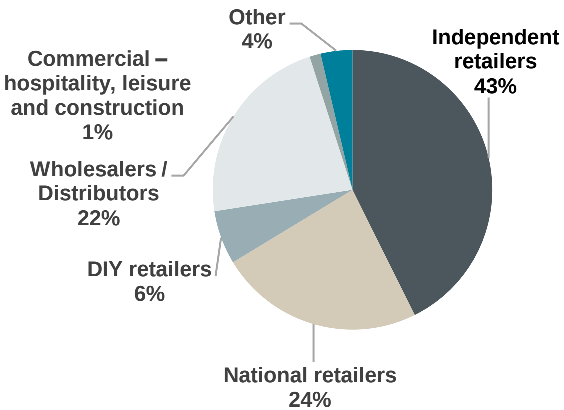
Split of EBITDA by product category(1)



Wide product offering increases cross selling opportunities, visibility and pricing power

Multi-channel customer base

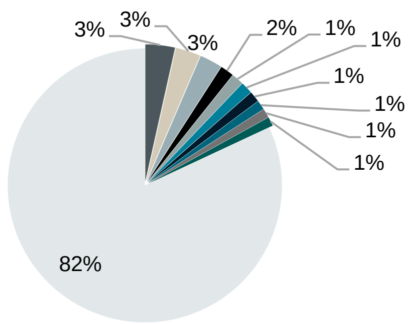
Split of revenue by customer type(2)



Largest group of customers are independent flooring retailers having brand loyalty and long term relationships

Low customer concentration

Split of revenue by key customer(2)



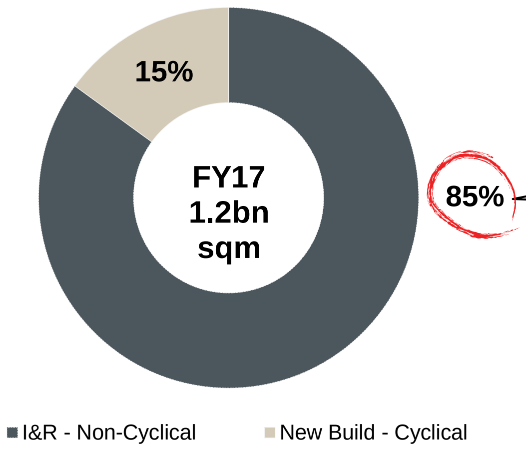
Top 10 customers account for 18% sales with largest customer accounting for 3%

VICTORIA PLC

Source: Company information.
(1) Based on FY19 underlying EBITDA.
(2) Based on FY19 pro-forma revenues.

3 Stable flooring market underpinned by the resilient improvement and repair segment

Improvement & repair is the primary driver of the Western European and Australian residential flooring markets



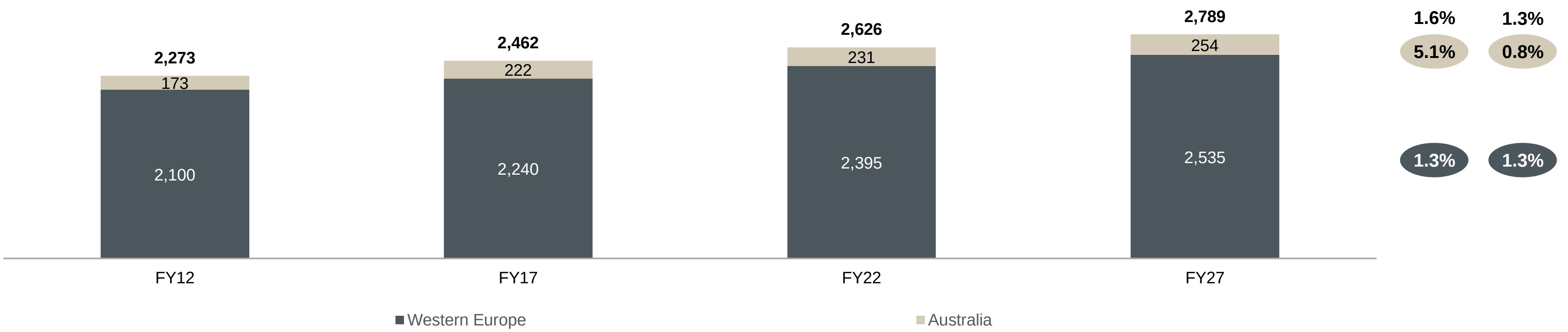
I&R end market **5-6x larger** than new construction

Key advantages of I&R vs. new build

- **End users less price sensitive**
- **More stable through the cycle given lower cost vs. new build**

We operate in developed markets with steady growth drivers

Western European and Australian flooring market (m sqm)



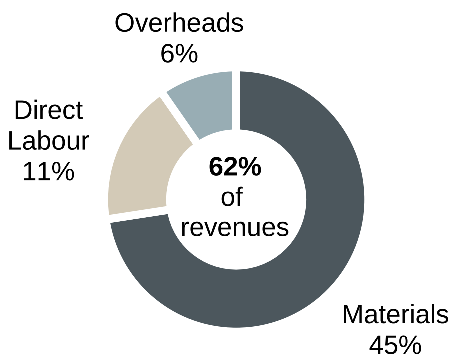
Source: Freedonia Global Flooring Market Report (Jan-19).

4 High structural barriers to entry

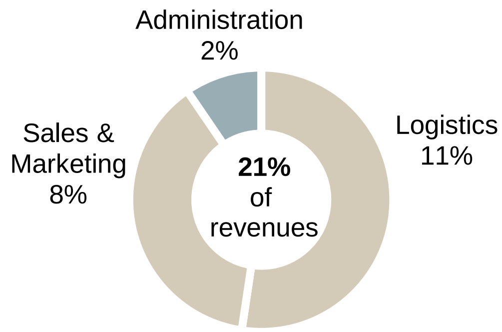
- **Fragmented customer base –** focus on long-standing relationships with broad network of independent retailers
- **Proximity to customers** helps influence designs/trends and maintain customer relationships
- **Established and trusted brands –** well known with retailers for certainty of supply and quality
- **Scale is key –** smaller operations / contract manufacturing significantly less efficient than long production runs
- **Product handling –** specialist warehousing and distribution required; difficult over long distances
- **Deep product knowledge and technical expertise –** vital to underpin operational efficiency and innovation

Low operational gearing through a flexible cost base and limited capex intensity

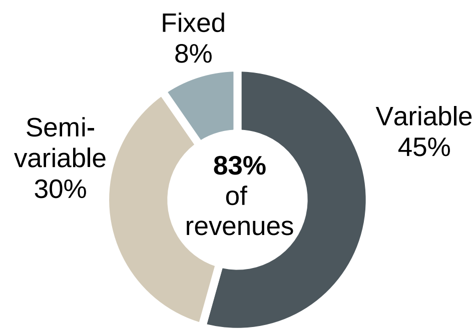
Cost of sales(1)



SG&A(1)



Total cost base(1)

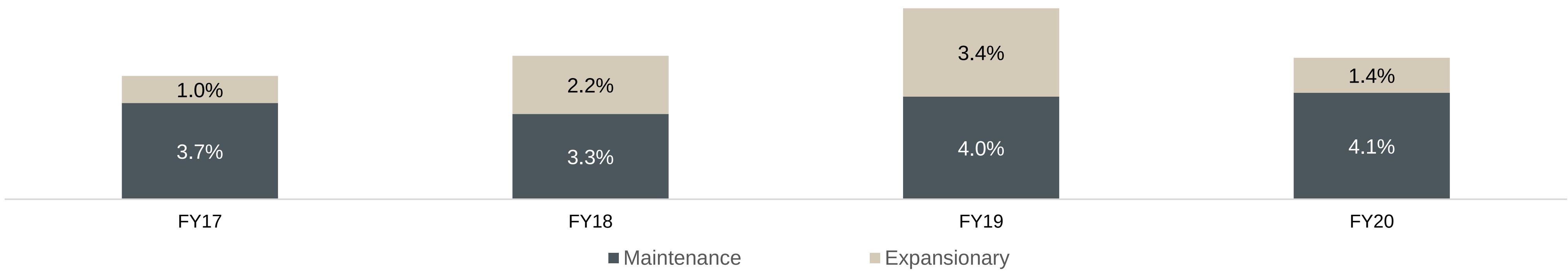


Variable cost – varies directly with revenues

Semi-variable cost – flexibility within a few months

Fixed cost (can still be subject to synergies)

Capex % of revenue – low maintenance requirement

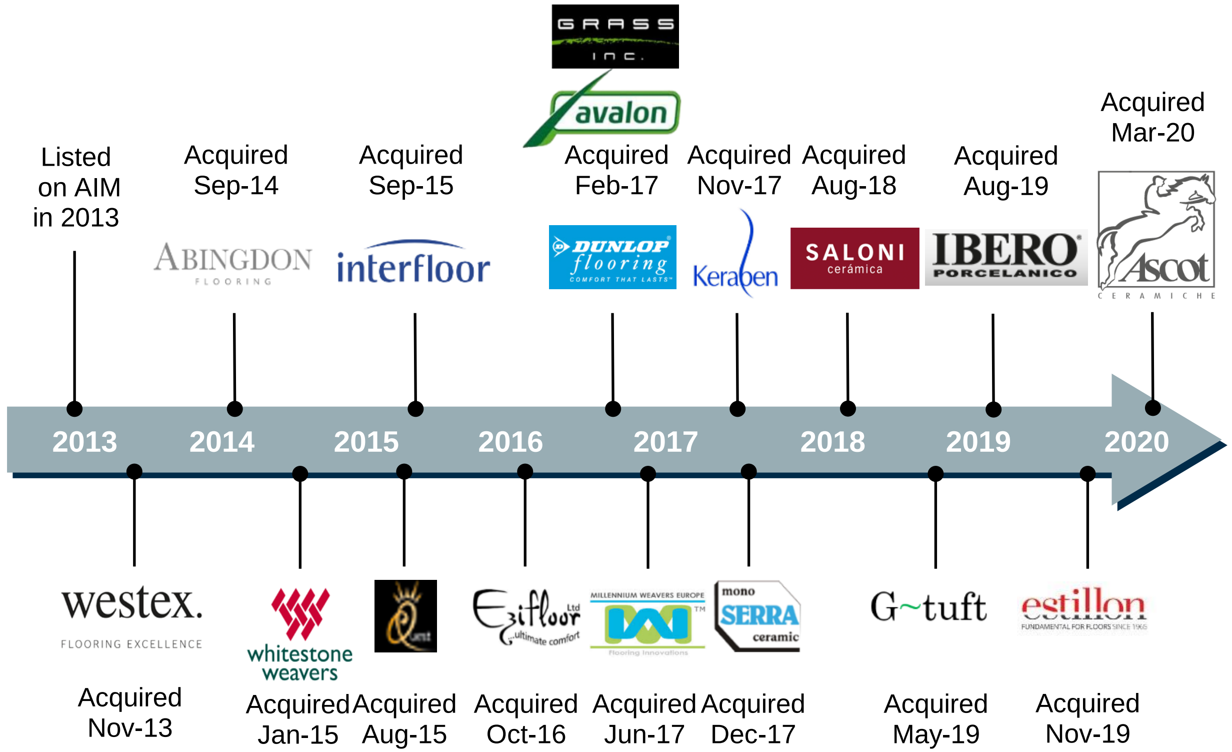


VICTORIA PLC

Note: Based on underlying FY19 figures.
(1) Represent costs within underlying EBITDA.

6 Proven acquisition track record and ability to realise synergies

Value accretive acquisitions driving EBITDA growth



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% margin	*3.0%*	*7.0%*	*12.4%*	*12.7%*	*13.8%*	*15.2%*	*16.8%*	*17.3%*

Consolidator in a fragmented industry

Built meaningful scale since 2013 with 17 acquisitions

Keraben, Serra & Saloni propelled group to a strong market 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

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

Geoffrey Wilding
Executive Chairman

Wider Management Team

- 15 Managing Directors responsible for individual business units
- Extensive industry experience
- Experience, product knowledge, enthusiasm, skill second to none
- Actively incentivized in Victoria's future with significant investment in shares, LTIP plans, and cross-unit Board membership / project

Philippe Hamers
Chief Executive

Retention of management

- All managers retained post acquisition earn-out period, excluding retirees
- Almost all managers have meaningful amounts of their net worth invested in VCP
- Of 17 acquisitions to date, 8 have completed earn-out and 5 did not have earn-outs

Michael Scott
Group Finance Director

Value Creation

	FY14	Adj. PF 2020
Revenues (£m)	71	622
EBITDA margin (%)	7.2%	17.3%(1)
Market Cap (£m)	23	569(2)

Notes:
(1) FY20 EBITDA margin based on underlying EBITDA, pre IFRS 16 and before movement in credit loss provision, from continuing operations.
(2) As of 19 October 2020.