

3 October 2016

Victoria PLC
(‘Victoria’, the ‘Company’, or the ‘Group’)

Acquisition of Ezi Floor

Further Earnings Enhancing Expansion

Victoria PLC, (LSE: VCP) the international designers, manufacturers and distributors of innovative floor coverings, is pleased to announce it has completed the acquisition of the business and assets of UK underlay manufacturer, Ezi Floor (“Ezi Floor”) (the “**Acquisition**”) for an initial cash consideration of £6.5 million and deferred consideration of £6.5 million. Additional contingent consideration is payable dependent on certain financial targets being met over the next four years following completion of the Acquisition.

The Acquisition will be immediately earnings accretive.

Ezi Floor benefits from a modern, well equipped, manufacturing facility near Bradford, Yorkshire, and is an efficient manufacturer and distributor of a range of underlay and underlay accessories for both the residential and contract markets. It sells to wholesalers, retail groups, and independent stores throughout the UK.

Ezi Floor has been acquired by the Company from a reorganised group of companies and therefore no statutory financial information for the business is available. However, the Board of Victoria expects EBITDA of approximately £2.4 million for the year ended 31 March 2017. Total net assets acquired on completion were approximately £5.1 million.

Geoff Wilding, Chairman of Victoria PLC, commented:

“We are delighted to announce the acquisition of Ezi Floor. It is an efficient operation with very focussed management that will stay with the business, and which is expected to make a positive contribution to Victoria’s profits. The business is highly-regarded within the industry, fits very well with our growth strategy, and delivers immediately accretive earnings.

We believe underlay to be a real opportunity and Victoria is already actively looking at other opportunities in the underlay sector. 12 months ago Victoria acquired underlay manufacturer Interfloor. Since then, cross-selling opportunities – almost all consumer carpet purchases require underlay – and purchasing improvements as a result of the Group’s scale have successfully and significantly improved the earnings of that business.

The integration of our previous acquisitions has been completed, and Victoria is already benefiting from our strategy of achieving scale through acquisitions and we look forward to integrating Ezi Floor and developing the business as part of Victoria.”

Strategic rationale for the Acquisition

The Acquisition continues Victoria's strategy of growing its business with earnings-enhancing acquisitions, and then using scale to drive further increases in profits in order to return wealth to shareholders. The Board believes that Ezi Floor presents an excellent strategic fit with Victoria's existing business and will have strong long term growth prospects as part of the Group.

The enlarged Group now has approximately 1,700 employees and operates from 10 sites in the UK, and three in Australia.

There is significant opportunity for a number of commercial, operational and financial synergies, which are expected to create value for Victoria's shareholders:

- Ezi Floor's manufacturing site is efficient, well-invested, and has significant room for future expansion.
- The existing trading relationship between the Group and Ezi Floor is expected to continue to grow at an enhanced rate due to Group cross synergies, driving further profitable growth.
- Key management will remain with the business for a minimum term of four years.
- In addition, the Board does not envisage significant integration costs arising from the Acquisition.

As such, the Acquisition will be immediately earnings enhancing and opportunities to improve margins and revenues will be pursued at the earliest opportunity.

Key terms of the Acquisition

The consideration for the Acquisition comprises:

- Initial cash consideration of £6.5m;
- Deferred cash consideration of £6.5m, payable in annual instalments over four years;
- Contingent cash consideration of a maximum of £6.5m, wholly dependent on improved EBITDA over the next four years.

The total consideration (including the maximum contingent cash consideration) represents a multiple of 5.5x expected average annual EBITDA over the next four years.

The Acquisition is being funded from the Group's existing bank facilities.

The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

- Ends -

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