

14 December 2016

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

**Acquisition of  
Dunlop Flooring**

**Further Expansion in Australia**

Victoria PLC, (LSE: VCP) the international designers, manufacturers and distributors of innovative floor coverings, is pleased to announce it has agreed to acquire the business and assets of Dunlop Flooring (“**Dunlop**”) (the “**Acquisition**”), the Australian underlay and hard wood flooring manufacturer and distributor, for a cash consideration of A\$34 million (£20million), which will be funded from the Company’s cash and existing debt facilities.

The Acquisition will be immediately and significantly earnings accretive on completion.

Dunlop, operating from sites in Sydney and Melbourne, is a substantial manufacturer and distributor of flooring underlay in Australia, with extremely high and long-standing brand awareness. The business also designs and distributes a range of branded wood and vinyl flooring products. It sells to a combination of wholesalers, retail groups, and independent stores throughout Australia.

Dunlop Flooring has been acquired from Australian company, Pacific Brands Limited, itself recently the subject of a successful takeover offer from US-listed Hanesbrands Inc.. Completion of the acquisition is subject to customary conditions precedent and is expected to take place during the quarter ending March 2017. In line with our acquisition criteria, the strong management team at Dunlop are committed to staying and running the business as part of Victoria.

For the year ended 30 June 2016, Dunlop Flooring generated unaudited revenues of A\$50.8 million (£30.0 million), EBITDA of A\$6.0 million (£3.5 million), and EBIT of A\$4.9 million (£2.9 million)<sup>1</sup>. On completion Victoria’s net debt to EBITDA ratio<sup>2</sup> will be less than 2x, a very comfortable level – especially given the Group’s cash generation – and well within Victoria’s stated acceptable level of debt.

**Geoff Wilding, Chairman of Victoria PLC, commented:**

"Dunlop is another important and strategic acquisition for us, and one which reinforces our strategy of targeting earnings-enhancing acquisitions in addition to organic growth. It will make a positive contribution to Victoria’s profits whilst diversifying our market exposure. Post-completion, nearly 30% of Victoria’s earnings will come from Australia – a dynamic and growing market and a strong economy.

Shareholders will recall that Victoria acquired UK underlay manufacturer, Interfloor, in September 2015 and we have been highly effective in improving earnings over the last 12 months. We anticipate a similar outcome with Dunlop.

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<sup>1</sup> All figures adjusted for estimated changes in cost base once separated from Pacific Brands

<sup>2</sup> Net debt / EBITDA as measured in relation to the Group’s bank facility covenants

It has been some 16 months since our last acquisition in Australia, Melbourne-based Quest Carpets, which has now been fully integrated within Victoria and is contributing materially to our outstanding performance in the Australian market. Our strategy of achieving scale through acquisitions and using that scale to extract genuine synergies continues to deliver value for the Group and we look forward to developing the Dunlop business as part of Victoria.”

### **Strategic rationale for the Acquisition**

The Acquisition continues Victoria's successful strategy of growing its business with earnings-enhancing acquisitions, and using scale and the Group's industry expertise to drive further increases in profits via cost savings and growing revenues. The Board believes that Dunlop Flooring is an excellent strategic fit with Victoria's existing business in Australia and will have strong long term growth prospects as part of the Group.

The enlarged Group now has approximately 1,800 employees and operates from ten sites in the UK, and five in Australia.

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

- Additional exposure to the dynamic Australian market – Victoria's like-for-like Australian revenues have grown more than 9% in the last six months – is valuable market and currency diversification. Dunlop has been experiencing similar revenue growth.
- The existing management team, which is highly regarded by the industry, will remain with the business providing continuity.
- Like all companies acquired by Victoria, Dunlop Flooring will continue to operate with a significant degree of autonomy, while benefiting from the synergies of being part of a much larger group in its ongoing drive for profitable growth.
- In addition, the Board does not envisage significant integration costs arising from the Acquisition.

As such, the Acquisition is expected to 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 is A\$34 million (£20 million) on a debt-free, cash-free basis, representing a multiple of 5.7x FY2016 EBITDA. The entire purchase price will be funded from cash and the Group's existing bank facilities.

Exchange rate: £1:A\$1.70

- Ends -

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