24 October 2017

Victoria PLC
('Victoria', the 'Company', or the 'Group')

Acquisition of
Ceramiche Serra S.p.A.

Further Expansion in Hard Flooring

Victoria PLC, (LSE: VCP) the international designers, manufacturers and distributors of innovative flooring, is pleased to announce it has agreed to acquire Italian ceramic flooring manufacturer, Ceramiche Serra S.p.A. ("**Serra**") (the "**Acquisition**"), for cash consideration of up to €56.5 million (£50.4 million) (the "**Total Consideration**"), net of cash acquired as part of the Acquisition, to be funded from the Company's cash reserves and existing debt facilities.

€36.5 million (£32.6 million) of the Total Consideration is to be paid on completion, with the balance of €20.0 million (£17.8 million) (the "**Contingent Consideration**") to be paid over the next four years, subject to the business meeting annual targets in earnings before interest, tax, depreciation and amortisation ("**EBITDA**").

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

Serra, operating from sites in Serramazzoni, Sassuolo (near Bologna), the heart of the Italian ceramics industry, manufactures ceramic flooring, which is sold domestically and exported internationally. It sells to a combination of wholesalers, retail groups, and independent stores throughout Continental Europe, North America, and the Far East.

The Acquisition marks Victoria's first move into the ceramic flooring market, which is the largest flooring sector in the world, representing over 60% of flooring sold globally and 30% of flooring sold in Europe. Acquiring Serra therefore opens a large new market to Victoria. The Board believes that there is significant opportunity for further acquisitions in the sector, which should result in a number of commercial, operational and financial synergies – creating additional value for Victoria's shareholders in the medium term.

In line with Victoria's acquisition criteria, the management team at Serra have committed to running the business as part of Victoria for a minimum period of four years and continuing to develop its growth.

For the year ended 31 December 2016, Serra generated audited revenues of €28.2 million (£25.2 million), EBITDA of €10.5 million (£9.4 million), and EBIT of €10.0 million (£8.9 million). Assuming the Contingent Consideration is paid in full, the Acquisition would represent a multiple of 5.4x FY2016 EBITDA.

Completion of the Acquisition is subject to customary conditions and is expected to take place in December 2017.

On completion Victoria's net debt to EBITDA ratio[1] will remain less than 2.0x, which the Board believe is a very comfortable level – especially given the Group's high level of cash generation – and well within Victoria's stated acceptable level of debt.

Geoff Wilding, Chairman of Victoria PLC, commented:

"Serra is a very important acquisition for us and one which reinforces our strategy of targeting earnings enhancing acquisitions to expand our business, in addition to our focus on organic growth. It will make an immediate positive contribution to Victoria's performance whilst diversifying our market exposure. Post-completion, nearly 40% of Victoria's earnings will come from outside the UK – continuing our transformation into a genuinely international flooring business.

"Shareholders will recall that we signalled our intention to expand into hard flooring some 12 months ago and subsequently acquired our first hard-flooring business, Australian manufacturer/distributor Dunlop Flooring, in January of this year. Since then we have conducted extensive due diligence on the sector in Europe and explored a multitude of potential opportunities, as well as recruiting a senior, director-level hard flooring expert in May of this year. Given this planning and preparatory work, Serra is the first of a number of acquisitions we expect to make in the ceramic flooring sector.

It has been some eight months since our last acquisition, Avalon/Grass Inc in the Netherlands, which has now been fully integrated within Victoria and is contributing to our performance. Our strategy of achieving scale through acquisitions and using that scale to extract operational synergies continues to deliver value for the Group and we look forward to developing the Serra business as part of Victoria."

Strategic rationale for the Acquisition

The acquisition of Serra 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 revenue growth. The Board believes that Serra is an excellent strategic acquisition in line with the Group's stated intention to further develop its hard flooring business. Some of the reasons for this view are set out below:

- Geographic diversification. Serra does not currently sell into the UK, and following completion, almost 40% of Victoria's earnings will come from outside the UK. This also creates an opportunity to introduce Serra's product into the UK.
- Ceramics is the largest flooring sector in the world. 62% of the 12.5 billion sqm of flooring sold globally each year, and 30% of all the flooring sold in Europe, is ceramic. There is significant opportunity for further acquisition-driven growth and we have already identified a number of suitable targets. These additional acquisitions will provide significant opportunity for a number of commercial, operational and financial synergies, which are expected to create further value for Victoria's shareholders – just as it has done successfully in the carpet sector.
- Serra has invested in productivity-enhancing technology, resulting in fewer than 61 employees producing 10.5 million sqm of ceramic flooring per annum.
- The existing management team, which is highly regarded by the industry, will remain with the business for a minimum of four years providing continuity.
- Like all companies acquired by Victoria, Serra 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.
- The Board does not envisage significant integration costs arising from the Acquisition.

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

On completion, the enlarged Group will have approximately 1,800 employees and operate from more than ten sites in the UK, five in Australia, two in the Netherlands, one in Belgium and two in Italy.

Notes:
1 Leverage as defined by banking covenants, which uses adjusted EBITDA calculated on a 12-month historical basis including annualised figures from acquisitions.
2. Exchange rate: £1:€1.12

- Ends -

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