VICTORIA PLC

Investor Presentation 19 June 2024

Preliminary Results for Year Ended 30 March 2024

Revenue & Earnings

REVENUE[1]

£1,256.5m

FY23 **£1,461.4m**

FY23 **£1,414.7m constant currency**

EBITDA[1]

£160.7m

FY23 **£196.0m**

FY23 **£186.1m constant currency**

OPERATING MARGIN[1]

12.8%

FY23 **13.4%**

PRE-TAX PROFIT[1]

£27.2m

FY23 **£76.9m**

NET FREE CASH FLOW/SHARE[2]

£0.92

FY23 **£1.36**

LEVERAGE[3]

4.4x

FY23 **3.4x**

Note

1. Revenue, EBITDA and EBIT shown before exceptional and non-underlying items
2. Cash flow per share based on underlying operating cash flow before interest, tax and exceptional items, and current number of shares outstanding (non-diluted)
3. Applying our lending banks' measure of financial leverage (adjusted net debt / EBITDA), adjusting to take into account the full annual contribution from acquisitions and consistent translational FX

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Executive Summary

VICTORIA PLC

Executive summary

1. A global flooring products group with a diverse range of brands and products
    - Victoria PLC is a 129-year-old global designer, manufacturer and distributor of flooring products including ceramic tiles, carpet, underlay, luxury vinyl tile (LVT), and artificial grass
2. Consistent organic growth
    - +5% CAGR since 1997 = sustained stable demand
    - Progressive margin expansion from 3% in FY2013 to 12.8% in FY2024
3. Proven acquisition & integration-led growth strategy
    - Since 2013, Victoria has successfully integrated 23 acquisitions, generating synergies leading to sustainable, above average margins and cash flow
    - Acquisitions made at attractive multiples = "Margin of Safety"
    - Large number of potential acquisition opportunities in a £51 billion industry (US & Europe)
    - Acquisition targets must satisfy strict criteria and are subject to disciplined risk management
4. Ample Liquidity
    - More than £250 million available cash and undrawn credit lines
    - Management prioritising deleveraging
    - Senior Debt: long-dated (2026 & 2028), covenant-lite bonds. Fixed interest rate. Pro forma senior secured net leverage of c. 4.0x[3] and total net leverage of 4.4x[3]

	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Underlying EBITDA	£5.1m	£15.8m	£32.3m	£45.7m	£64.7m	£96.3m	£107.2m	£127.4m	£162.8m	£196.0m	£160.7m
% margin	7.0%	12.4%	12.7%	13.8%	15.2%	16.8%	17.3%	19.7%	16.0%	13.4%	12.8%

Executive summary

1. Softer demand (15-25%, depending upon the market, below 2019 levels) throughout FY2024 due to near-term macroeconomic conditions:
   i. Inflationary pressures impacting consumer discretionary spending
   ii. Pull-forward of demand into 2020 and 2021 during Covid-19 lockdowns
2. However, fundamental sectoral drivers including continually aging housing stock with their interiors requiring repair and renovation, higher household formation, broad housing shortages, and increasingly style-conscious consumers sustain long-term, steady growth in a global flooring market believed to be worth $200 billion and growth over the last 25 years of c. 3% per annum
3. Major integration projects completed by Victoria during FY2024 are expected to deliver a £20+ million per annum increase in EBITDA
4. The Group's integration investment of the last three years finishing, lowering future capex and exceptional expenditure. Ongoing capex expected to be c.£60 million per annum
5. The Group's FY2025 financial outlook is based upon demand remaining subdued. However, each 5% increase in overall revenue, which is Victoria's long-run organic growth rate, would be expected to deliver earnings and cash flow growth of more than £25 million per annum
6. Company focused on deleveraging and looking ahead to refinancing the 2026 senior notes (bonds)

FY2024 Financial Report

VICTORIA PLC

Executive summary
Segmental performance

Underlying P&L £m	FY2024						FY2023					
	UK & Europe – soft flooring	UK & Europe – ceramic tiles	Australia	North America	Central costs	TOTAL	UK & Europe – soft flooring	UK & Europe – ceramic tiles	Australia	North America	Central costs	TOTAL
Volumes (m sqm)	132.4	43.6	22.3	7.1	-	205.4	149.9	53.9	23.3	6.1	-	233.1
Revenue	636.2	350.9	106.1	163.3	-	1,256.5	718.8	453.3	120.9	168.4	-	1,461.4
% growth	(11.5)%	(22.6)%	(12.2)%	(3.0)%	-	(14.0)%						
Gross profit	193.4	111.2	34.0	78.7	-	417.4	194.5	166.4	38.3	75.7	-	474.9
% margin	*30.4%*	*31.7%*	*32.0%*	*48.2%*	-	*33.2%*	*27.1%*	*36.7%*	*31.7%*	*45.0%*	-	*32.5%*
Underlying EBITDA[1]	82.8	60.3	13.4	11.8	(7.8)	160.7	66.9	105.8	15.3	9.3	(1.3)	196.0
% margin	*13.0%*	*17.2%*	*12.6%*	*7.2%*	-	*12.8%*	*9.3%*	*23.3%*	*12.7%*	*5.5%*	-	*13.4%*
Underlying EBIT[1]	34.6	31.8	8.7	6.8	(8.3)	73.6	27.2	77.5	10.0	6.0	(1.9)	118.8
% margin	*5.4%*	*9.1%*	*8.2%*	*4.2%*	-	*5.9%*	*3.8%*	*17.1%*	*8.3%*	*3.6%*	-	*8.1%*

Note
1. Underlying figures are presented before exceptional and non-underlying items

Executive summary
Non-underlying items

Non-underlying items, £m	FY2024 Acquisition related	FY2024 Other	FY2024 TOTAL	FY2023 TOTAL
Exceptional items				
Acquisition and disposal related costs	(1.0)		**(1.0)**	(4.0)
Reorganisation costs		(20.1)	**(20.1)**	(44.4)
Fixed asset impairment following acquisition			**-**	(47.5)
Negative goodwill arising on acquisition			**-**	90.5
Impairment of goodwill	(67.2)		**(67.2)**	(80.0)
Intangible asset impairment	(5.4)		**(5.4)**	-
	(73.6)	(20.1)	**(93.6)**	(85.4)
Other non-underlying operating items				
Acquisition-related performance plans	(6.7)		**(6.7)**	(10.3)
Non-cash share incentive plan charge		(2.7)	**(2.7)**	(3.6)
Amortisation of acquired intangibles	(39.5)		**(39.5)**	(40.3)
Unwind of fair value uplift to acquisition opening inventory	(0.6)		**(0.6)**	(10.9)
Depreciation of fair value uplift to acquisition property	(5.1)		**(5.1)**	(9.1)
Hyperinflation accounting items		22.9	**22.9**	16.7
	(51.9)	20.2	**(31.6)**	(57.5)
Finance costs				
Preferred equity – host instrument cost		(19.0)	**(19.0)**	(26.8)
Preferred equity – other items		13.6	**13.6**	(0.1)
Fair value adjustment to notes redemption option / amortisation inception derivative		1.2	**1.2**	(2.0)
Gain on bond repurchase		2.0	**2.0**	-
Unwinding of present value of deferred and fv of contingent earn-out liabilities	1.5		**1.5**	-
Mark to market adjustments on foreign exchange forward contracts		(0.2)	**(0.2)**	(0.4)
Translation difference on foreign currency loans		(24.6)	**(24.6)**	(13.3)
Hyperinflation – finance portion		(6.7)	**(6.7)**	(1.8)
Defined benefit pension		(0.4)	**(0.4)**	(0.2)
	1.5	(34.0)	**(32.5)**	(44.6)

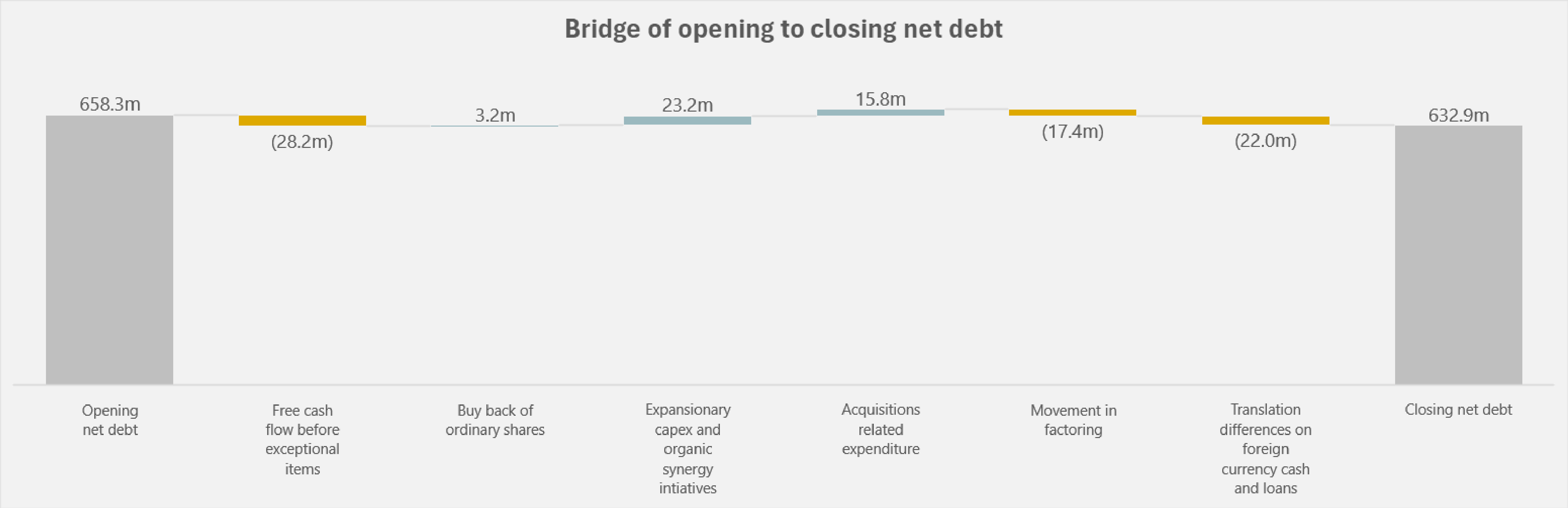
Cash items

Executive summary
Cash generation

£m	FY2024	FY2023
Revenue	*1,256*	*1,461*
% growth	*(14.0)%*	*43.2%*
Underlying EBITDA	**160.7**	**196.0**
% margin	*12.8%*	*13.4%*
Payments under right-of-use lease obligations	(35.6)	(29.3)
Non-cash items	(3.5)	(15.1)
Underlying movement in working capital	(15.2)	6.3
Operating cash flow before interest, tax and exceptional items	**106.4**	**157.8**
% EBITDA conversion[1]	82%	92%
Interest paid	(32.6)	(34.8)
Income tax paid	(2.5)	(11.4)
Capital expenditure - replacement / maintenance net of disposals	(43.0)	(40.3)
Free cash flow before exceptional items	**28.2**	**71.3**
% EBITDA conversion[1]	22%	42%
Expansionary and reorg capex	(19.2)	(54.1)
Surplus real estate asset disposal proceeds	27.9	-
Deferred consideration and earn-out payments	(14.9)	(4.6)
Exceptional cash items	(32.9)	(29.3)
Dividends	-	-

Note 1: Conversion against EBITDA on a pre-IFRS 16 basis

Executive summary
Net debt bridge



Note
1. Net debt shown before right-of-use lease liabilities, bond premia and prepaid finance costs, consistent with the measure used by our lending banks

Executive summary
Net debt

£m	FY2024	FY2023
Net cash and cash equivalents	72.8	90.4
Senior secured debt (at par)	(632.0)	(660.2)
Other loans and unsecured facilities	(72.8)	(87.5)
Finance leases and hire purchase arrangements (pre-IFRS 16)	(1.0)	(1.0)
Net debt (before obligations under right-of-use leases)	**(632.9)**	**(658.3)**
Senior secured notes (interest)	(5.2)	-
Bond premium – non-cash (related to initial value of redemption option)	(2.4)	(3.6)
Pre-paid finance costs on senior debt	5.7	7.9
Preferred equity and associated instruments (classed as financial instruments under IFRS 9)	(286.6)	(281.2)
Factoring and receivables financing facilities	(38.4)	(25.1)
Obligations under right-of-use leases (incremental to pre-IFRS 16 finance leases)	(166.8)	(171.3)
Statutory net debt (net of prepaid finance costs)	**(1,126.6)**	**(1,131.5)**
Adjusted net debt / EBITDA	**4.4x**	**3.4x**

Operational Overview

VICTORIA PLC

UK & Europe Soft Flooring – integration driving continued margin growth and market outperformance

	FY24	FY23	Growth
Volumes	132.4 million sqm	149.9 million sqm	-11.7%
Revenue	£636.2 million	£718.8 million	-11.5%[1]
Underlying EBITDA	£82.8 million	£66.9 million	+23.8%
Underlying EBITDA margin	13.0%	9.3%	+370bps
Underlying EBIT	£34.6 million	£27.2 million	+27.3%
Underlying EBIT margin	5.4%	3.8%	+170bps

Carpet & Underlay – focus on Balta integration

- Broadloom manufacturing relocation complete and fully integrated into UK operations, with slicing exercise on non-profitable sales also undertaken
- Logistics provide a sustainable competitive advantage – resulting in revenue outperforming the wider market

Rugs – operational reorganisation driving improved margins

- Manufacturing footprint focused towards the two Turkish sites for improved cost efficiency
- Surplus freehold real estate asset sales has completed, with resulting c. €32m cash inflow in FY2024

Note 1: This decline is against a +31% LFL organic growth rate the previous year

UK & Europe Ceramic Tiles – challenging macro-economic conditions

	FY24	FY23	Growth
Volumes	43.6 million sqm	53.9 million sqm	-19.0%
Revenue	£350.9 million	£453.3 million	-22.6%
Underlying EBITDA	£60.3 million	£105.8 million	-43.0%
Underlying EBITDA margin	17.2%	23.3%	-620bps
Underlying EBIT	£31.8 million	£77.5 million	-58.9%
Underlying EBIT margin	9.1%	17.1%	-800bps

- Weaker numbers against a very strong FY23, when organic growth exceeded 20%
- Operational leverage inherent in the sector temporarily depressed margins due to significantly lower production volumes
- Focus on cost rationalisation through the reformulation of tile production and right-sizing operations
- Ongoing exercise to maximise working capital efficiency and manufacturing footprint across the different geographies
- Alongside all European ceramics businesses, Victoria experienced sudden and very aggressive pricing competition from Indian ceramics manufacturers. However, in April 2024 anti-dumping and anti-subsidy petitions were filed by the industry with the US government seeking the imposition of substantial tariffs (estimated between 408% to 828%) on imports of ceramic tile from India. (A similar application is expected to the European Commission). The industry expects the US government to launch an investigation and anticipates a favourable outcome this year

Australia – stable margins despite demand softness

	FY24	FY23	Growth
Volumes	22.3 million sqm	23.3 million sqm	-3.9%
Revenue	£106.1 million	£120.9 million	-12.2%
Underlying EBITDA	£13.4 million	£15.3 million	-12.3%
Underlying EBITDA margin	12.7%	12.7%	-bps
Underlying EBIT	£8.7 million	£10.0million	-12.9%
Underlying EBIT margin	8.2%	8.3%	-10bps

- Revenue and margins under pressure with demand slowing down in certain product categories. Following double-digit organic growth in FY2023, demand was softer in Australia across all flooring categories in FY2024 due to broadly the same macro-economic factors seen in Victoria's other markets
- Underlying dynamics in the Australian market are unchanged with ongoing inwards migration and increasing household formation, and therefore we expect demand in Australia to recover as high inflation and interest rates moderate

North America – improved margins with further upside to come

	FY24	FY23	Growth
Volumes	7.1 million sqm	6.1 million sqm	15.7%
Revenue	£163.3 million	£168.4 million	-3.1%
Underlying EBITDA	£11.8 million	£9.3 million	+27.4%
Underlying EBITDA margin	7.3%	5.5%	+170bps
Underlying EBIT	£6.8 million	£6.0 million	+12.3%
Underlying EBIT margin	4.1%	3.6%	+60bps

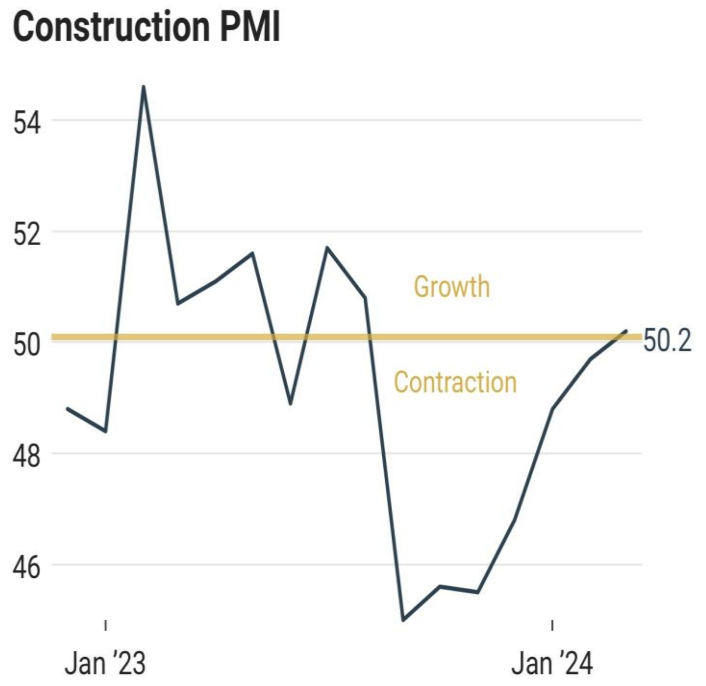
- Profit margins improved due to successful commercial excellence projects
- The east coast Cali Flooring distribution centre is now fully operational and has added to the east coast national distribution capacity which now consists of 4 DC's (Palm City, Charleston, Rome and Savannah), improving access to valuable and growing regions

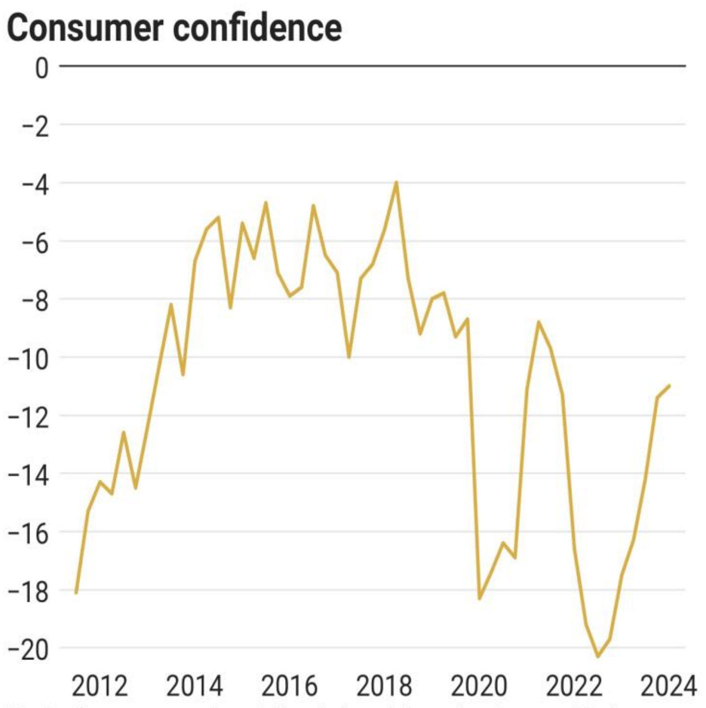
Outlook

- FY2024 bottom of the cycle?
- £20+ million of synergies underpin financial outlook
- Increasing free cash generation
- Leverage ratio to fall

VICTORIA PLC

FY2024 Trough Earnings?
Leading Indicators – UK construction outlook, consumer confidence, housing transaction outlook – improving





Net % of consumers who said level of confidence has improved in the past three months

Chart: @TimesBusiness • Source: Deloitte

Chart: The Times • Source: Bank of England and HMRC

£20+ million of synergies from integration projects

Integration of Balta: three key projects:

- Balta's broadloom carpet manufacturing has been relocated from Belgium to the Group's UK factories, lowering production and transport costs and improving customer service.
- The consolidation of the Balta rug manufacturing operation onto Victoria's large site at Sint-Baafs-Vijve, Belgium together with increasing production at the Group's modern factory in Usak, Turkey, to improve margins.
- The sale of non-core assets acquired with the Balta transaction where the opportunity for synergies with the Group's existing businesses are minimal, with the proceeds being used alongside the Group's operational cash generation to further reduce Group leverage.

Integration of Graniser Ceramics

There are two integration projects in progress at Graniser:

- Investment in new production technology and production integration with Victoria's Spanish and Italian factories have enabled Graniser to increase spare production capacity to c.8 million sqm.
- Installation of new printers & packaging lines alongside integration into Victoria's existing ceramics distribution network will increase the opportunity for higher margin export revenue.

Integration of Cali Flooring

Commercial excellence programmes have been put in place in the areas of:

- Pricing
- Procurement
- SG&A

Increasing cash generation. How and why?

Integration Projects Complete

Reduced exceptional costs

- Redundancies payments
- Restructuring costs
- £16.5 million in FY24 versus £40.8 million in FY23

Capex spending normalises

- £62.8 million Capex in FY24 versus £99.6 million in FY2023).
- Future capex c.£60 million p.a.

Increasing earnings

- Cash flow leverage (capex and interest costs 'fixed')

Working Capital Management

Optimising SKU's and improving inventory turn to generate €30 million cash

Sale of Surplus & Non-core Assets.

- £50 million+ proceeds expected in FY2025

Capital Allocation

Capital generated by the business will be used thoughtfully to:

- Reduce leverage (Priority)
- Preferred shares repurchase
- Share repurchase if valuation attractive

Leverage ratio to fall

Reason for the change in policy

Victoria has for the last 10 years maintained its leverage at around 3-3.5x EBITDA – a policy that made sense to us given:

- the stable nature of our business,
- the terms of our debt (covenant-lite, fixed-rate, long-dated bonds), and
- ultra-low interest rates.

Changed capital markets conditions, means Victoria intends to reduce the Group's net debt/EBITDA ratio ahead of refinancing the current bond issues

How?

Reducing the numerator

- Increasing operating cash flow from lower capex and reorganisation costs
- Sale of surplus & non-core assets
- Improved working capital management

Increasing the denominator

- Higher earnings from completion of integration projects
- Anticipated recovery from cyclical trough earnings

Shareholder Register

Shareholder register

Rank	Investor Name	Holding as of May 2024	% IC
1.	Spruce House Investment Mgt	23,770,000	20.7
2.	Mr Geoffrey Wilding	22,438,650	19.5
3.	KED Victoria Investments	12,500,000	10.9
4.	Vulcan Value Partners (Birmingham, AL)	9,258,346	8.2
5.	Morgan Stanley Investment Mgt	6,534,039	5.8
6.	Capital Research Global Investors Partners	5,782,164	5.1
7.	Mr S. Karim	3,005,384	2.6
8.	Orbis Investment Management	2,307,934	2.0
9.	Camelot Partners	2,209,282	1.9
10.	Hargreaves Lansdown	1,998,780	1.8
11.	JP Morgan Securities	1,756,773	1.6
12.	Columbia Threadneedle Investments	1,703,324	1.5
13.	Rodney Style	1,363,000	1.2
14.	Interactive Investor	1,259,612	1.0
15.	Ravenscroft	1,185,000	1.0
Total top 15 shareholders		95,368,964	85.4%
Total shares on issue		**113,632,873**	

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