VICTORIA PLC

Investor Presentation 26 November 2024

Results for H1 FY2025

Revenue & Earnings

REVENUE[1]

£568.8m
(-7.5% LFL variance)[2]
H1 FY24 **£624.6m**

EBITDA[1]

£50.2m
(-45.0% LFL variance)[2]
H1 FY24 **£92.7m**

EBITDA MARGIN[1]

8.8%
H1 FY24 **14.8%**

PRE-TAX PROFIT[1]

£(13.6)m
H1 FY24 **£31.5m**

NET FREE CASH FLOW/SHARE[3]

£0.28
H1 FY24 **£0.48**

LEVERAGE[4]

6.2x
H1 FY24 **3.9x**

Note

1. Revenue, EBITDA, EBIT and PBT shown before exceptional and non-underlying items (continuing operations)
2. LFL variance calculated on a constant currency basis, without adjusting for acquisitions
3. Cash flow per share based on underlying operating cash flow before interest, tax and exceptional items, and current number of shares outstanding (non-diluted)
4. 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. Soft demand due to near-term macroeconomic conditions, but fundamental sectoral drivers 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.

2. Victoria's focus is on efficiency gains and market share growth via:

   - Complete integration of recent acquisitions,
   - Forensic examination of every expense item for savings.

   Well positioned for the demand recovery with lower fixed costs, higher operational gearing, and increased market share.

3. Net operating cash flow before interest, tax and exceptional items was £31.7 million.

4. Importantly, after three consecutive years of cash being absorbed in working capital, there was a decrease of £2.1 million in H1 FY2025. This must – and will – continue to improve with specific plans being executed by all managers.

5. Victoria continued to maintain a strong liquidity position and the Group finished the period with cash and undrawn credit lines in excess of £200 million. During the year the Company has completed the sale of a property in Belgium for €39.7 million and (post the H1 balance sheet date) realised €36.8 million from the sale of Graniser, which reduced leverage by 0.5x.

6. For the five year period FY2015-2019, the Group averaged cash conversion of EBITDA to Net Free Cash Flow of 55%*, which the Board believes is a sustainable, long-term ratio and one management is focused on returning to in the near-term..

* Cash generated after replacement capex, interest, and tax as a percentage of EBITDA

Financial Report

VICTORIA PLC

Financial Report
Segmental performance

Underlying P&L (Continuing Operations) £m	H1 FY2025						H1 FY2024					
	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)	60.3	17.4	11.4	3.4	-	92.6	61.1	18.3	11.3	3.5	-	94.2
Revenue	284.8	151.4	54.7	77.9	-	568.8	318.6	166.5	54.0	85.5	-	624.6
% growth	(10.6)%	(9.1)%	1.3%	(8.9)%	n/a	(8.9)%						
Gross profit	78.6	45.6	18.3	37.2	-	179.7	101.4	63.3	17.1	41.1	-	222.9
% margin	27.6%	30.1%	33.5%	47.8%	-	31.6%	31.8%	38.0%	31.6%	48.1%	-	35.7%
Underlying EBITDA[1]	25.5	19.5	7.2	2.4	(4.4)	50.2	43.2	36.1	6.9	9.6	(3.0)	92.7
% margin	9.0%	12.9%	13.2%	3.1%	-	8.8%	13.6%	21.7%	12.8%	11.2%	-	14.8%
Underlying EBIT[1]	2.7	5.8	4.5	(0.5)	(4.8)	7.7	20.7	22.8	4.4	7.2	(3.3)	51.8
% margin	0.9%	3.8%	8.2%	(0.6)%	-	1.4%	6.5%	13.7%	8.1%	8.5%	-	8.3%

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

Financial Report
Non-underlying items

Non-underlying items, £m	H1 FY2025 Acquisition / disposal related	H1 FY2025 Other	H1 FY2025 TOTAL	H1 FY2024 TOTAL
Exceptional items				
Acquisition and disposal related costs	(0.3)		**(0.3)**	(0.7)
Reorganisation costs (cash)		(1.1)	**(1.1)**	(7.2)
Reorganisation costs (non-cash)		0.8	**0.8**	-
Gain on disposal of fixed assets and investments	2.9		**2.9**	-
Loss on disposal of subsidiaries	(6.8)		**(6.8)**	-
Intangible and tangible asset impairment		(120.0)	**(120.0)**	-
	(4.2)	(120.3)	**(124.5)**	(7.9)
Other non-underlying operating items				
Acquisition-related performance plans	0.1		**0.1**	(5.3)
Non-cash share incentive plan charge		(1.8)	**(1.8)**	(1.2)
Amortisation of acquired intangibles	(18.4)		**(18.4)**	(19.4)
Depreciation of fair value uplift to acquisition property	(3.3)		**(3.3)**	(2.7)
Hyperinflation accounting items		(0.6)	**(0.6)**	3.5
	(21.6)	(2.4)	**(24.0)**	(25.1)
Finance costs				
Preferred equity – host instrument cost		(10.4)	**(10.4)**	(14.0)
Preferred equity – warrants		7.1	**7.1**	-
Amortisation inception derivative		0.6	**0.6**	0.6
Unwinding of present value of deferred and contingent earn-out liabilities / fair value adjustment		0.7	**0.7**	(0.3)
Mark to market adjustments on foreign exchange forward contracts		(2.0)	**(2.0)**	1.4
Translation difference on foreign currency loans		(1.5)	**(1.5)**	(3.3)
Hyperinflation – finance portion		(0.2)	**(0.2)**	(1.6)
	-	(5.7)	**(5.7)**	(17.2)

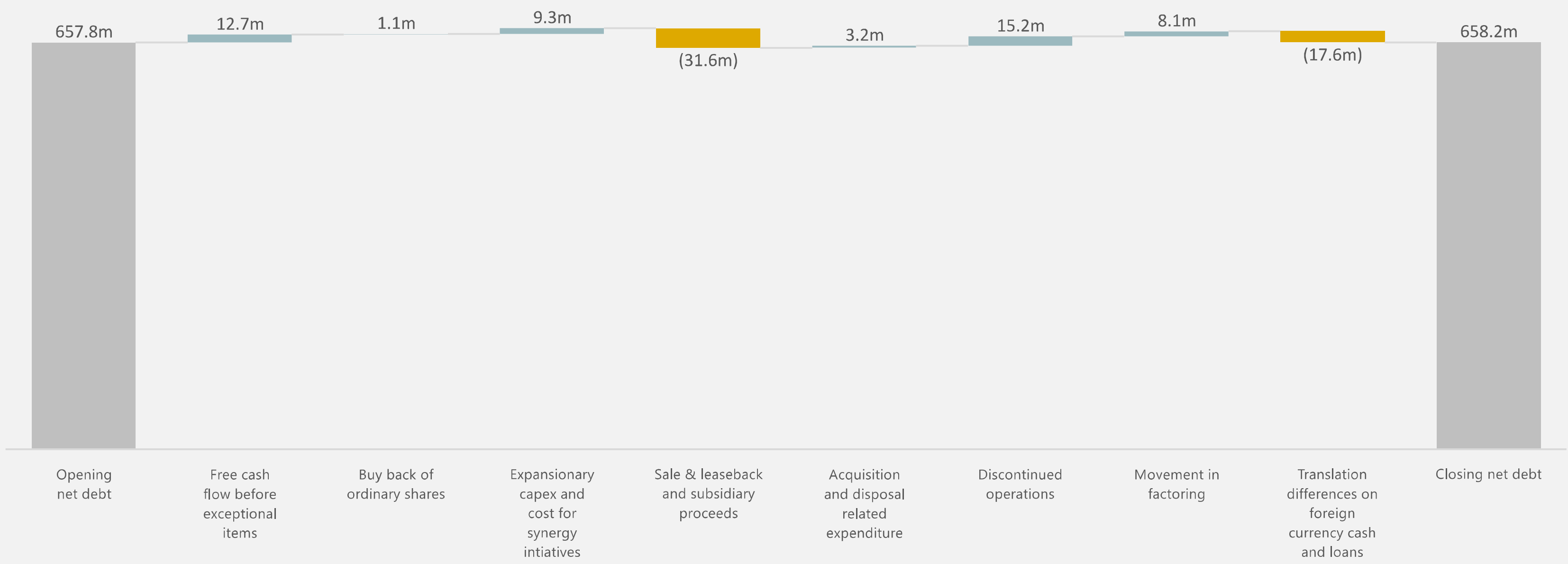
Cash items

Financial Report
Operational cash generation

£m	H1 FY2025	H1 FY2024	Full year FY2024
Revenue	*570*	*626*	*1,234*
% growth	*(9.0)%*	*(13.9)%*	*(11.9)%*
Underlying EBITDA	**50.2**	**92.7**	**159.0**
% margin	*8.8%*	*14.8%*	*12.9%*
Payments under right-of-use lease obligations	(18.9)	(16.1)	*(34.8)*
Non-cash items	(2.2)	(1.1)	*(3.4)*
Underlying movement in working capital	2.1	(20.7)	*(10.9)*
Operating cash flow before interest, tax and exceptional items	**31.7**	**54.8**	**106.4**
% EBITDA conversion[1]	92%	70%	85%
Interest paid	(17.1)	(13.1)	(29.7)
Income taxes received / (paid)	-	1.0	(2.3)
Capital expenditure - replacement / maintenance net of disposals	(27.3)	(13.6)	(42.0)
Free cash flow before exceptional items	**(12.7)**	**29.1**	**35.9**
% EBITDA conversion[1]	(37)%	37%	28%
Expansionary and synergy capex	(5.8)	(12.8)	(19.2)
Surplus real estate asset disposal proceeds	-	-	27.9
Proceeds on disposal of real estate via sale and leaseback	30.4	-	-
Deferred consideration and earn-out payments	(2.9)	(10.5)	(14.9)
Exceptional reorganisation cash items	(3.5)	(19.2)	(31.1)
Exceptional M&A cash items	(0.3)	(0.7)	(1.0)
Share buy back	(1.1)	-	(3.2)
Proceeds on disposal of business, net of cash	1.2	-	-
Dividends	-	-	-

Note
1. Conversion against continuing underlying EBITDA (pre-IFRS 16)

Financial Report
Movement in net debt



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

Financial Report
Net debt

£m	H1 FY2025	H1 FY2024	YE FY2024
Net cash and cash equivalents	68.8	91.3	72.8
Senior secured debt (at par)	(617.3)	(650.6)	(632.0)
Other loans and unsecured facilities	(83.5)	(110.3)	(72.8)
Finance leases and hire purchase arrangements (pre-IFRS 16)	(26.2)	(26.0)	(25.8)
Net debt (before obligations under right-of-use leases)	**(658.2)**	**(695.6)**	**(657.8)**
Senior secured notes (interest)	(3.9)	-	(5.2)
Bond premium – non-cash (related to initial value of redemption option)	(1.8)	(3.0)	(2.4)
Pre-paid finance costs on senior debt	5.0	6.8	5.7
Preferred equity and associated instruments (classed as financial instruments under IFRS 9)	(289.9)	(295.2)	(286.6)
Factoring and receivables financing facilities	(31.3)	(19.7)	(38.4)
Obligations under right-of-use leases (incremental to pre-IFRS 16 finance leases)	(166.9)	(137.6)	(141.9)
Statutory net debt (net of prepaid finance costs)	**(1,147.0)**	**(1,144.3)**	**(1,126.6)**
Adjusted net debt / EBITDA	**6.2x**	**3.9x**	**4.6x**

Financial Report

Self-help actions – outcomes leverage enhancing

Cost savings

£12.0m

Realised in H1 FY25

Compared to H1 FY24

Working capital

£2.1m

Inflow in H1 FY25

H1 FY24 £(20.7)m outflow

Property monetisation

£30.4m

Realised in H1 FY25

Sale and leaseback of Belgian property

Disposal of CGU

£30.9m

Realised post H1 FY25

Disposal of Graniser

Operational Overview

Cost Savings

- £12 million has been removed from fixed costs during H1 FY2025
- A further £20 million of annual savings are being executed and are outlined below

The challenging trading environment has masked the financial impact, but the changes have minimised Victoria's fixed costs whilst materially improving operational leverage

£m	Impact of Cost Reduction Projects (per annum)	
	In FY2025	In FY2026
Balta Rugs reorganisation	5.0	10.0
UK distribution integration	1.0	5.0
UK underlay integration	1.0	4.0
Spanish ceramic plant upgrade	-	3.0
Cali Flooring reorganisation	1.0	6.0
Group-wide procurement	2.0	4.0

UK & Europe – Soft Flooring

	H1 FY2025	H1 FY2024
Volumes	60.3 million sqm	61.1 million sqm
Revenue	£284.8 million	£318.6 million
Underlying EBITDA	£25.5 million	£43.2 million
Underlying EBITDA margin	*8.9%*	*13.6%*
Underlying EBIT	£2.7 million	£20.7 million
Underlying EBIT margin	*1.0%*	*6.5%*

- Soft demand across almost all markets impacted revenue and margins
- We are confident we have successfully improved our UK market position. E.g. in the last 90 days the rolling four week average order intake for the delivery of 'cut lengths' in the UK, is c.15% above the same period last year.
- Earnings impacted by the performance of Balta Rugs. Inputs cost inflation combined with below forecast volume and pressure on selling prices compressed margins. Mitigated through transference of capacity to the Group's Turkish factory alongside a reduction of more than 700 FTE in Belgium to date with further savings underway that are expected to lower costs by an additional £10 million p.a. without loss of production capacity.
- Integration of our UK distribution businesses completed with immediate savings totalling c. £5 million p.a.
- Operational integration of our two underlay businesses, expected to provide annual savings of more than £4 million.
- Expansion of the Alliance logistics platform into Northern Ireland and the Republic of Ireland – allowing Victoria to provide the same level of service to retailers as it does in the UK. Alliance continues to be a key differentiator by meaningfully enhancing our service proposition.

UK & Europe – Ceramic Tiles

	H1 FY2025	H1 FY2024
Volumes	17.4 million sqm	18.3 million sqm
Revenue	£151.4 million	£166.5 million
Underlying EBITDA	£19.5 million	£36.1 million
Underlying EBITDA margin	*12.9%*	*21.7%*
Underlying EBIT	£5.8 million	£22.8 million
Underlying EBIT margin	*3.8%*	*13.7%*

- Continued soft demand alongside competition from cheaper imported product has maintained pressure on volumes and selling prices and this is reflected in earnings for the period.

Aggressive action is being taken to mitigate the effects of low demand, whilst ensuring the business preserves its production capacity:

- Installation of a new, ultra-efficient production line in Spain. This will take about 12 months to complete but work is underway and the first stage will be delivered in mid-FY26, which will positively impact earnings and cash flow that year. However, the full benefit will be seen in the following year and is expected to improve earnings by £16-19 million, based on current market conditions.
- Full integration of the ceramics production facilities to enhance efficiency by allocating specific tile formats to the optimal plant, irrespective of geographic location.
- Post the H1 balance sheet date we sold the Turkish ceramic tile manufacturer, Graniser, in a €36.8 million transaction that will provide Victoria's ceramic tiles business continued access to cost-effective tiles whilst contributing towards the deleveraging of the Group's balance sheet by reducing leverage by approximately 0.5 times.

Australia

	H1 FY2025	H1 FY2024
Volumes	11.4 million sqm	11.3 million sqm
Revenue	£54.7 million	£54.0 million
Underlying EBITDA	£7.2 million	£6.9 million
Underlying EBITDA margin	*13.2%*	*12.8%*
Underlying EBIT	£4.5 million	£4.4 million
Underlying EBIT margin	*8.2%*	*8.1%*

- Revenue and margins achieve growth despite weak market conditions.
- All segments in carpet (synthetic and wool) and underlay have performed to budget.
- The LVT flooring segment has faced a more competitive environment. Additional product development should sustain continued growth.

North America

	H1 FY2025	H1 FY2024
Volumes	3.4 million sqm	3.5 million sqm
Revenue	£77.9 million	£85.5 million
Underlying EBITDA	£2.4 million	£9.6 million
Underlying EBITDA margin	*3.1%*	*11.2%*
Underlying EBIT	£(0.5) million	£7.2 million
Underlying EBIT margin	*(0.6)%*	*8.5%*

- Subdued demand with US mortgage rates remaining close to 7% and housing transactions sitting at 25-year lows (both key drivers of flooring sales).
- High shipping costs absorbed by the business to protect market share.

Therefore, we are taking the necessary actions to restore profitability in what remains a challenging market:

- Restructuring actions to reduce SG&A by approximately $7.5 million per annum, including a reduction in corporate and warehouse personnel, as well as other controllable expenses.
- Commercial excellence initiatives to improve profitability including minimum order quantity policies, improved inventory positioning, and pricing enhancements to achieve improved gross margin performance and reduce transportation spend.
- Cost cuts at our partner factories to improve landed product costs in several key products.
- Across the board price increases to offset the increase in COGS due to higher sea freight expenses.

The full impact of these actions is expected to impact earnings by February of 2025.

Outlook

- Macro-economic factors becoming more favourable for demand recovery

- Production capacity maintained

- Operating leverage enhanced via improved efficiency and material fixed cost reduction

- Medium-term mid-high teen EBITDA margins expected

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Macro-economic factors becoming more favourable for demand recovery

What are the key drivers of flooring demand?

- Replacement cycle – repair, maintenance, improvement (RMI) is our largest flooring market.
- Construction important, but invariably constitutes less than 10% of annual flooring demand
- Housing transactions – homeowners invest in flooring before marketing their house to improve saleability and value and after purchasing for reasons of style/taste or hygiene
- Consumer confidence –
  - employment security,
  - wage growth.
- Consumer discretionary spending power/savings –
  - lower mortgage rates,
  - wage growth,
  - lower inflation.
- Flooring is a staple product with a very long growth trend and an assured replacement cycle. Positive underlying drivers constantly increases the addressable market –
  - continually ageing housing stock with interiors requiring repair and renovation,
  - higher household formation,
  - broad housing shortages,
  - increasingly style-conscious consumers, and
  - new construction.

Growing cash generation

Reducing exceptional costs, of £3.5 million in H1 *(H1 FY2024: £19.2m)*

- Redundancies payments
- Restructuring costs

Capex spending normalised

- £28.7 million for the period. Expected to be c.£60 million for the full year

Improving Working Capital Management

- £2.1 million reduction in working capital after three consecutive years of increase. Expected to accelerate.

Sale of non-core assets

- Surplus/non-core real estate realised €39.7 million during H1 FY25
- Disposal of Graniser post balance sheet date realised €36.8 million

Growing earnings

- Self-help actions permanently reduced costs by £12 million during the period and >£35 million in the last 18 months with further savings in process

FY2015-2019, the Group averaged cash conversion of EBITDA to Net Free Cash Flow of 55%*, which the Board believes is a sustainable, long-term ratio and one management is focused on returning to in the near-term..

* Cash generated after replacement capex, interest, and tax as a percentage of EBITDA

Victoria's prospects continue to be exciting

The long-term prospects for Victoria continues to be exciting.

- Flooring is a staple product with a very long growth trend and an assured replacement cycle. Positive underlying drivers –
  - continually ageing housing stock with interiors requiring repair and renovation,
  - higher household formation,
  - broad housing shortages,
  - increasingly style-conscious consumers, and
  - new construction

  – inexorably increase demand over time.
- Material market share gains and efficiency gains by Victoria masked by the temporary fall in demand and pricing pressures
- £12 million has been removed from our fixed cost base during the period (more is planned) and more than £35 million in the last 18 months, minimising Victoria's fixed costs whilst materially improving operational leverage.
- Access to production capacity unchanged despite costs savings to enable Victoria to meet the anticipated future demand – and will meet it more efficiently than it ever has done in the past.
- We believe we have a clear path to return to mid-high teen EBITDA margins.
- In the short term, even with subdued demand profits should begin to recover with the 'self-help' work undertaken to improve efficiency and take market share.

Shareholder Register

VICTORIA PLC

Shareholder register

Rank	Investor Name	Holding as of October 2024	% IC
1.	Mr Geoff Wilding	22,438,650	19.68
2.	KED Victoria Investments	12,500,000	10.96
3.	Spruce House Investment Mgt	10,328,332	9.06
4.	Goldman Sachs International	9,403,708	8.25
5.	Vulcan Value Partners	8,946,527	7.85
6.	Morgan Stanley Investment Mgt	8,922,409	7.83
7.	Capital Research Global Investors	5,357,209	4.70
8.	Orbis Investment Mgt	3,387,538	2.97
9.	Mr M Karim	3,005,384	2.64
10.	Hargreaves Lansdown Asset Mgt	2,756,120	2.42
11.	Morgan Stanley Investment Mgt	2,517,071	2.21
12.	Camelot Capital Partners	2,457,999	2.16
13.	Alpine Capital Research	1,956,036	1.72
14.	Charles Stanley	1,606,179	1.41
15.	Columbia Threadneedle Investments	1,469,115	1.29
Total top 15 investors		**97,052,277**	**85.1**
Total shares on issue		**114,012,973**	

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