



VICTORIA PLC

## **Preliminary Results**

*Year-ended 2 April 2011*

15 June 2011

*Victoria is determined to become the leading quality floorcovering brand in both Australasia and the UK*

# Agenda

- **Alan Bullock, Group Managing Director**
  - Introduction
- **Ian Davies, Group Finance Director**
  - Financial review
- **Alan Bullock**
  - Operational review
  - Outlook
- **Question and answer session**
  - Appendix 1: Results tables
  - Appendix 2: Fast facts

# Financial Review

Ian Davies

Group Finance Director

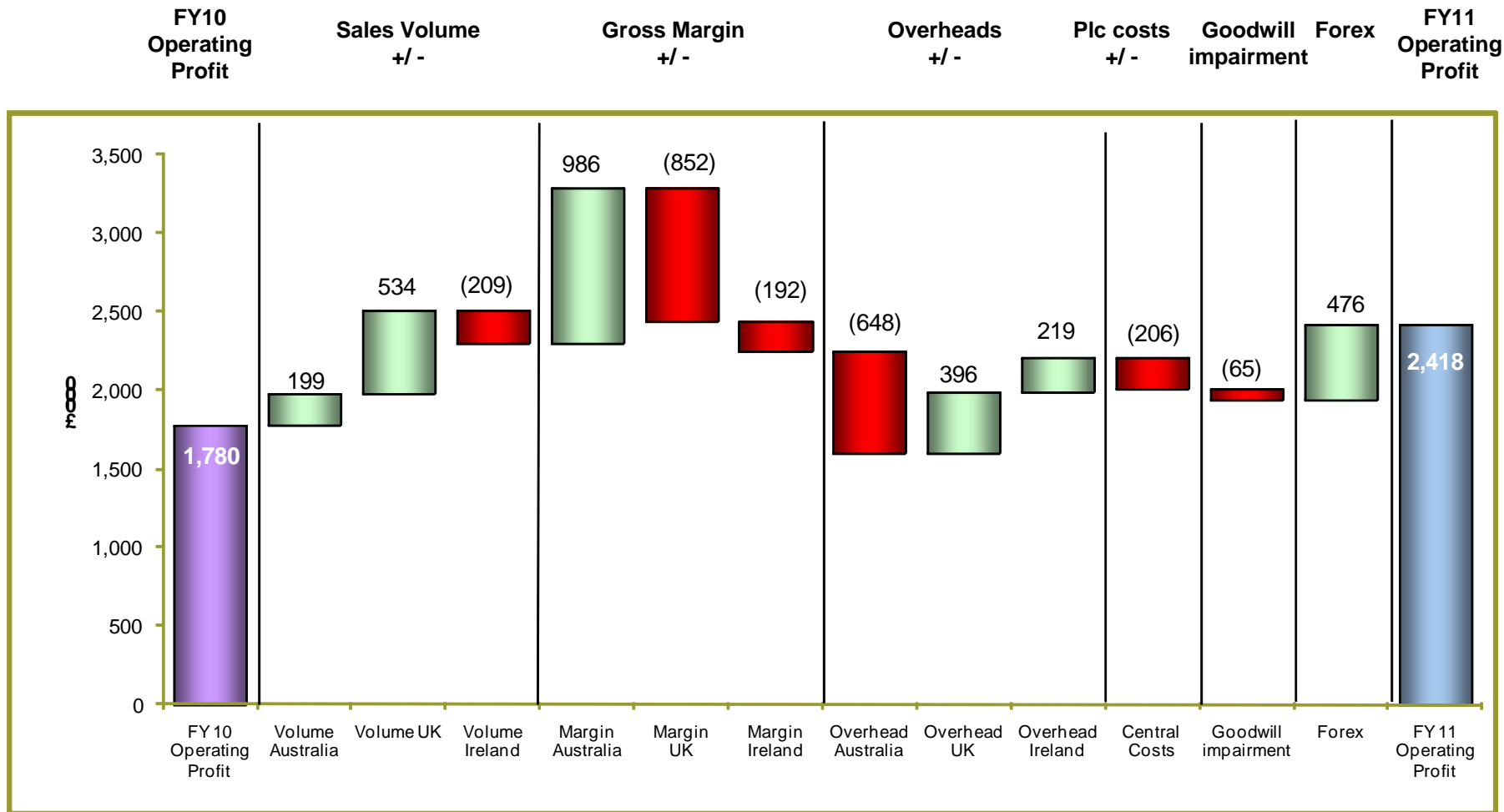
# Preliminary Results 2011

## Financial Highlights

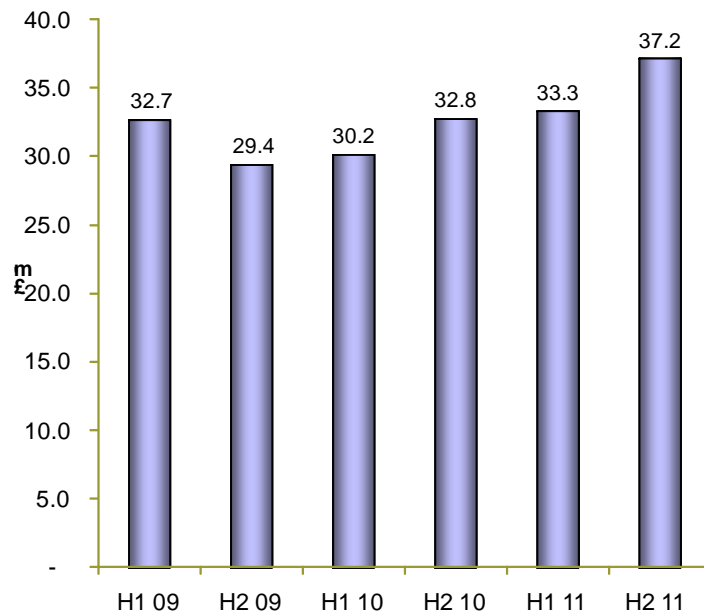
	FY11	FY10	Change
Revenue	£70.50m	£62.97m	+12.0%
Operating profit	£2.42m	£1.78m	+35.8%
Profit before tax	£1.92m	£1.09m	+76.8%
Operating margin	3.4%	2.8%	+0.6%
Basic adjusted earnings per share	18.35p	9.04p	+103.0%
Total Interim and proposed dividend	9.00p	8.00p	+12.5%

# Preliminary results

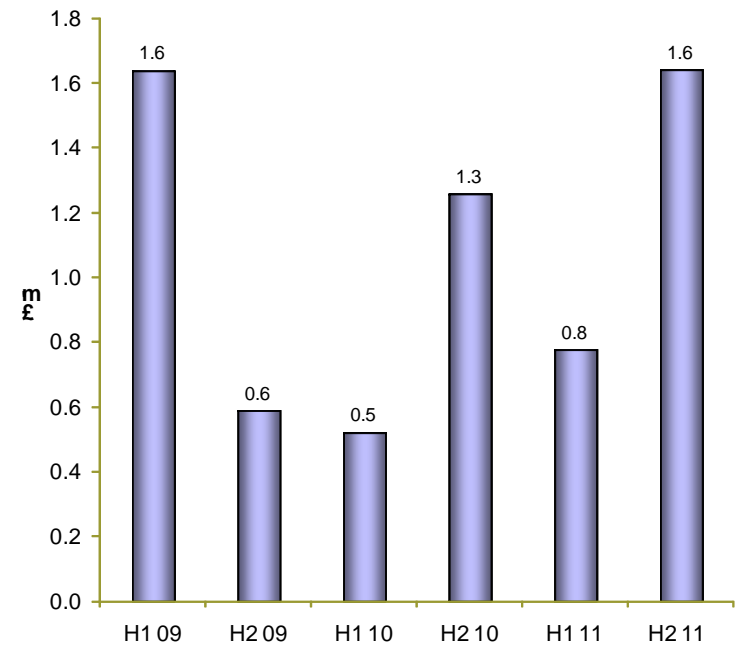
## Operating profit bridge



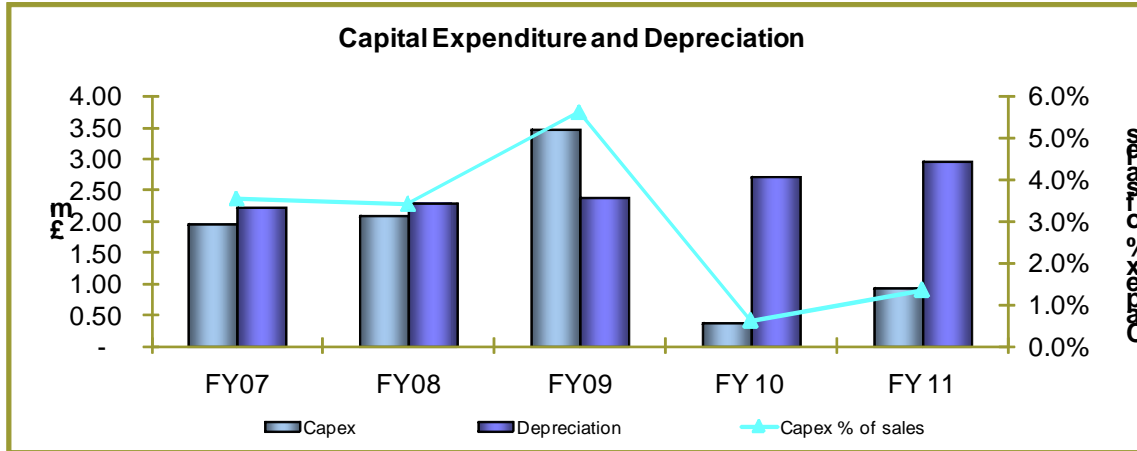
## Revenue



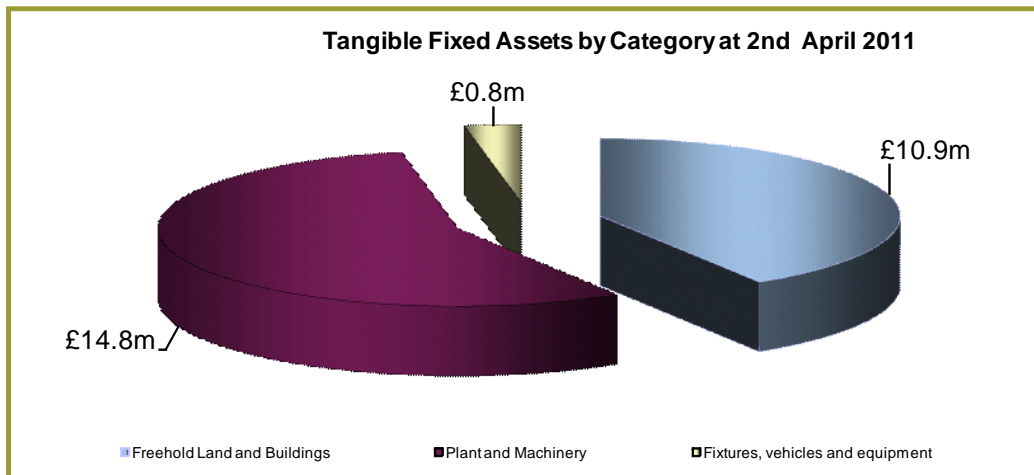
## Operating profit



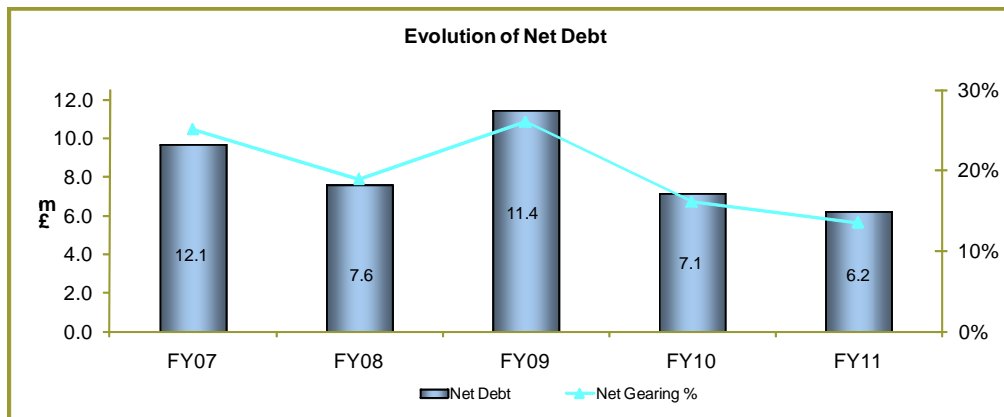
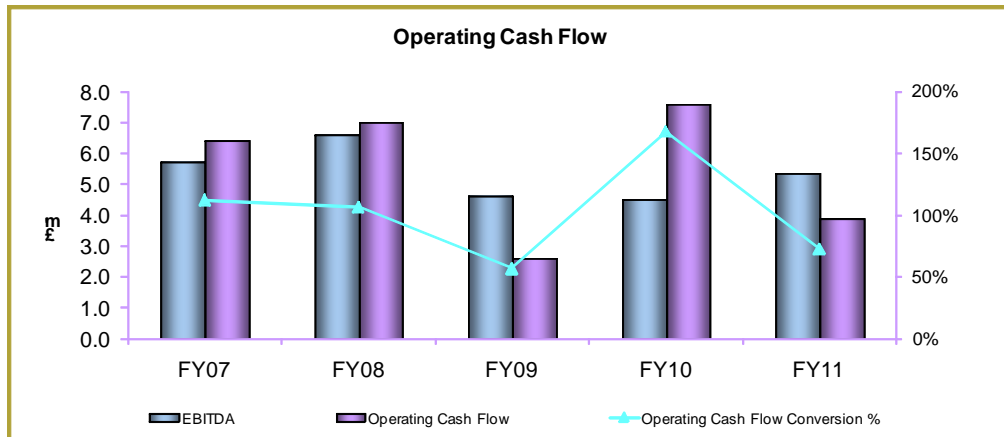
# Capital expenditure



- Group net assets of £39.76m
- Tangible fixed assets of £26.54m



# Cash flow and net debt



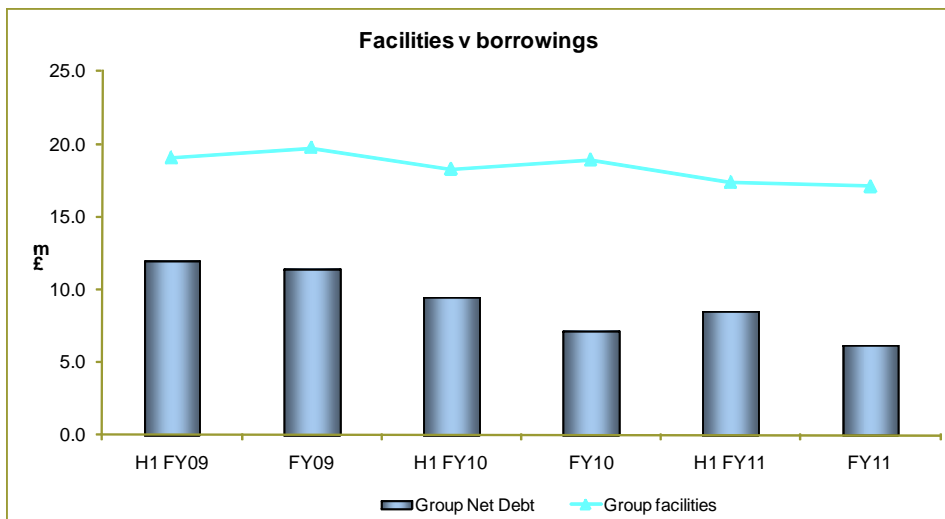
	FY11 £'m
<b>Operating profit</b>	<b>2.42</b>
Depreciation & non-cash items	3.03
Foreign exchange	0.12
Working capital	(1.67)
Interest	(0.51)
Tax	(0.89)
<b>Cash from operating activities</b>	<b>2.50</b>
Capital expenditure	(0.89)
Dividend	(0.58)
Foreign exchange	(0.10)
<b>Movement in net debt</b>	<b>0.93</b>

# Preliminary results

## Debt facilities

	FY11 £'m
Net debt at 2nd April 2011	<b>6.21</b>
Facilities at 2nd April 2011	<b>17.09</b>
Headroom	<b>10.89</b>

- The Group has significant facilities headroom.
- Net debt to EBITDA ratio of 1.15 times.
- Net gearing of 13.5%.
- Strong banking relationships continue across the Group.
- The Group is well positioned to take advantage of any potential opportunities.



# Financial summary

- The Group achieved revenue growth of 12.0% to £70.50m. aided by a 12.8% strengthening of the Australian Dollar.
- Group operating profit increased by 35.8% to £2.42m.
- Basic adjusted EPS growth of 103.0% to 18.35p.
- Borrowings of £6.21m are 13.0% below prior year
- A final dividend of 6.00p per share is proposed, taking the full year dividend to 9.00p per share; a 12.5% increase.



- The business has remained focused on profitability, cost control and tight working capital management.
- The operations are well invested with state of the art manufacturing equipment
- The Group has strengthened its financial position whilst continuing to invest in product and programmes aimed at delivering future growth

# Operational Review

Alan Bullock

Group Managing Director

# Divisional review – Australia

***“ Strong performance in period, with revenue growth and margin improvement”***



## Market background

- Australian economy has held up relatively well during the global economic downturn.
- Positive GDP growth in the year and forecast GDP growth of between 3.0% - 3.5% in 2011.
- Natural disasters in Australia and New Zealand in H2 have resulted in major downturns in the local economies of Queensland and the South Island of New Zealand.

## Sales performance

- Australia represents 61.0% of overall Group revenue.
- Revenue was up 2.1% against prior year at A\$70.80m (FY10: A\$69.36m).
- Continued growth in the sale of synthetic ranges.
- Entry into carpet tiles has started well.



# Divisional review – Australia (Cont.)

## Profitability

- Operating profit up 21.1% from A\$4.79m to A\$5.80m.
- Profit before tax up 29.5% from A\$4.15m to A\$5.37m.

## Commercial points

- Margin improvement of 2.6% reflecting:
  - Better utilisation of our two woollen spinning mills.
  - Reduced raw material prices from relative strength of Australian Dollar.
- Natural disasters impacted both the Australian and New Zealand in H2. A replacement floorcovering market may lead to increased demand in due course.
- Wool fibre and synthetic yarn prices have risen significantly in H2.
  - Effect mitigated by strength of A\$
  - Wool price increases passed on with minimal effect

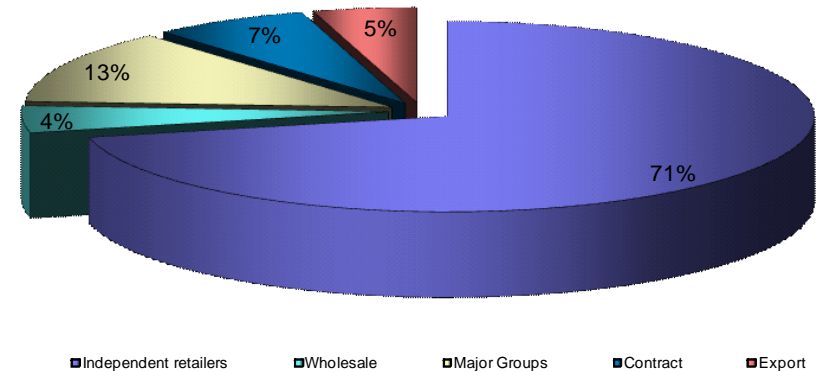


# Divisional review – United Kingdom

**“Against a difficult economic backdrop, the UK achieved both revenue and profit growth”**

## Market background

- UK economy remains sluggish.
- Housing market activity remains weak.
- Consumer confidence remains low, impacting discretionary spend on big ticket items such as carpets.



## Sales performance

- UK represents 35.5% of Group revenue.
- UK revenue grew 9.0% from £22.97m to £25.04m.
- Carpet sales were up by 8.5% from £22.42m to £24.33m.
- External yarn sales were down 11.8%

Channels to Market	% of sales FY11	Growth +/-
Independent retailers	71.4%	+18.6%
Wholesalers	4.5%	- 13.5%
Major Groups	12.6%	- 12.6%
Contract	6.9%	+20.7%
Export	4.6%	+5.4%

# Divisional review – United Kingdom

## Profitability

- Operating profit increased from £0.32m to £0.40m.
- Profit before tax was up from £0.24m to £0.30m.

## Commercial points

- Strong finish to year with Q4 sales up 25.4% on prior year:
  - New product introductions have been well received.
  - Growing traction in Insurance replacement market.
  - Product supplied in Q4 for new agreement with John Lewis to be launched in stores from April 2011
- Margin erosion in year impacted by significant raw material price rises. Carpet prices were increased in October 2010 which mitigated the impact on margins.



# Divisional review – Ireland

***“Ireland is being closed as a separate trading entity. Sales to market to continue via an agency distribution network”***

## **Market background**

- Irish economy further declines in the period.
- Still no signs that the market has reached the bottom.

Munster Carpets 

## **Sales performance**

- Ireland represents 3.5% of Group revenue.
- Revenue was down by 22.3% from €3.68m to €2.86m.
- Sales to the residential sector fell by 25.6%
- Sales to the contract market were down by 9.2%.

 Navan Carpets  
The Fine Art of Flooring

# Divisional review - Ireland

## Profitability

- Operating loss of €0.74m, compared to an operating loss in prior year of €0.58m.
- Loss before tax of €0.79m, compared to prior year loss of €0.59m.



## Restructuring of Ireland

- Decision taken to restructure Ireland:
  - Trading entity in Ireland to close.
  - Sales to Ireland will continue from the UK via an agency model.
  - Continue to promote the two well established brands of Munster and Navan Carpets.

# Divisional review – Canada

***“Our Canadian associate delivers an improved result”***

## **Market background**

- Western Canadian economy although benefitting from stronger commodity markets has been inconsistent in its slow recovery
- Focus on ‘value’ products as individuals’ debt levels are relatively high.

## **Sales performance**

- Revenue decreased by 10.5% from C\$7.19m to C\$6.43m.
- Showroom and distribution sales below prior year.
- Commercial sales ahead of prior year.

## **Profitability**

- Margin and overhead improvement more than offset lower revenues.
- Reduction in operating loss from C\$0.20m to C\$0.09m.



# Outlook

Alan Bullock

Group Managing Director

# Outlook

***“ Whilst the short term economic conditions are likely to remain difficult, plans are firmly in place to ensure Victoria becomes the leading quality flooring supplier in Australia and the UK ”***

## **Australia**

- Australian economy expecting GDP growth of 3 - 3.5% in 2011.
- We anticipate modest growth in the Australian residential and commercial markets. New Zealand market expected to remain relatively flat .
- With state of the art equipment and a strong product range, it is well placed for future growth opportunities

## **UK**

- Overall, trading conditions expected to remain uncertain with pressure on consumers' disposable incomes and rising commodity prices.
- Further price increases in April 2011 should facilitate recovery of some of the margin erosion.
- Significant additional products to be rolled out across John Lewis network
- Strategies are being developed to widen our floorcovering product offer.

# Outlook

## **Ireland**

- Underlying future sales expected to be profitable under the new agency operating model.

## **Canada**

- Modest growth in the Canadian economy anticipated in 2011.

## **Summary**

- Whilst the short term economic environment is expected to remain difficult, the Group remains very well placed to deliver against its long term goals.
- Firm plans are in place to ensure that Victoria can become the leading quality floorcovering supplier in our two core markets – Australia and the UK.

# Disclaimer

This presentation, which has been prepared by Victoria PLC (“the Company”), includes statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “plans”, “projects”, “anticipates”, “expects”, “foresees”, “intends”, “may”, “will” or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include matters that are not historical facts and include statements regarding the Company’s intentions, beliefs or current expectations. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward looking statements. Any forward-looking statements in this presentation reflect the Company’s view with respect to future events and other risks, uncertainties and assumptions relating to the Company’s operations, results of operations, growth strategy and liquidity. The Company undertakes no obligation publicly to release the results of any revisions or up-dates to any forward-looking statements in this presentation that may occur due to change in its expectations or to reflect events or circumstances after the date of this presentation.

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# Glossary

Capex	Capital expenditure
EBITDA	Earnings before interest, tax, depreciation and amortisation
EPS	Earnings per share
FY11	52 weeks ended 2 April 2011
FY10	52 weeks ended 3 April 2010
GDP	Gross domestic product
H1 / H2	First half / Second half of the financial year
IAS	International Accounting Standards
Net Gearing	Debt divided by debt plus equity

# Appendix 1

## Results tables

# Divisional results

	Revenue			Operating profit		
	FY11 £'m	FY10 £'m	Change %	FY11 £'m	FY10 £'m	Change %
United Kingdom	25.04	22.97	9.0	0.40	0.32	24.5
Ireland	2.45	3.27	(25.0)	(0.68)	(0.52)	(30.6)
Australia	43.01	36.73	17.1	3.53	2.54	39.0
Central Costs	-	-	-	(0.76)	(0.56)	(36.9)
Goodwill impairment	-	-	-	(0.07)	-	-
<b>Group</b>	<b>70.50</b>	<b>62.97</b>	<b>12.0</b>	<b>2.42</b>	<b>1.78</b>	<b>35.8</b>

# Group Balance sheet

	FY11 £'m	FY10 £'m
Intangibles, investments and deferred tax asset	1.91	2.71
Property, plant & equipment	26.54	27.46
<b>Non-current assets</b>	<b>28.45</b>	<b>30.17</b>
Current assets	36.35	31.84
Current liabilities	(19.42)	(16.71)
Non-current liabilities	(5.62)	(8.04)
<b>Net assets</b>	<b>39.76</b>	<b>37.26</b>

# Group cash flows

	FY11	FY10
	£'m	£'m
<b>Operating profit</b>	<b>2.42</b>	<b>1.78</b>
Depreciation & non-cash items	3.03	2.74
Foreign exchange	0.12	0.22
Working capital	(1.67)	2.85
Interest	(0.51)	(0.55)
Tax	(0.89)	(0.41)
<b>Cash from operating activities</b>	<b>2.50</b>	<b>6.63</b>
Capital expenditure	(0.89)	(0.35)
Dividends	(0.58)	(0.46)
Foreign exchange	(0.10)	(1.53)
<b>Movement in net debt</b>	<b>0.93</b>	<b>4.29</b>

# Earnings and Dividends per share

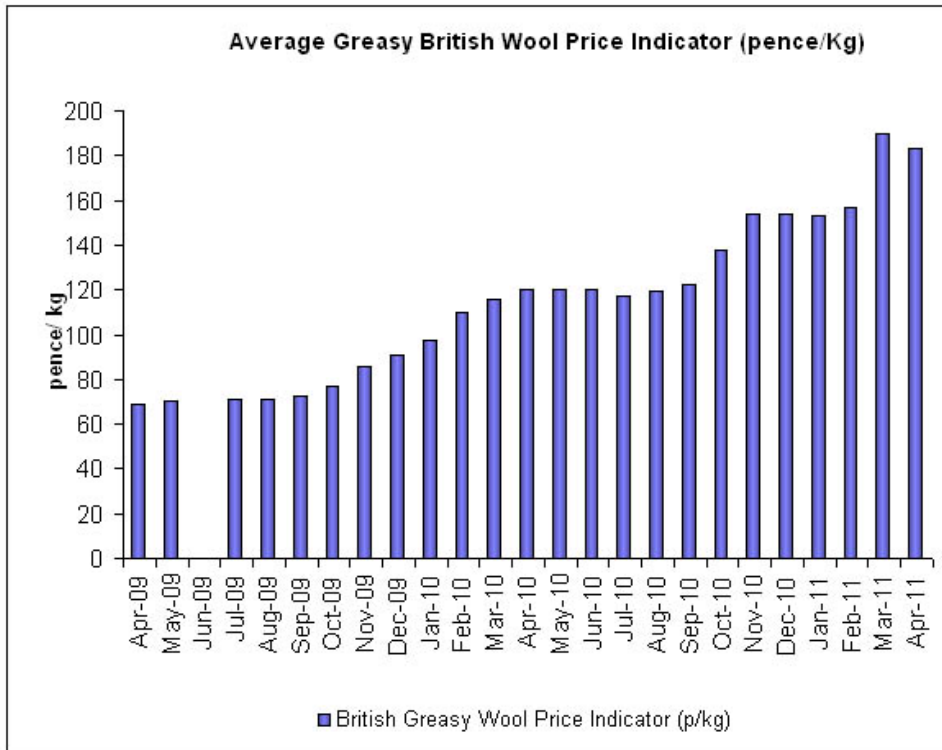
	FY11	FY10
<b>Earnings per share:</b>		
Basic adjusted EPS	18.35p	9.04p
Diluted adjusted EPS	16.61p	7.87p
<b>Dividends:</b>		
- Interim	3.00p	2.60p
- Final proposed	6.00p	5.40p

# Currency movements

	Average exchange rates			Period-end exchange rates			Spot rate at 1 Jun 2011
	FY11	FY10	%	FY11	FY10	%	
Euro	1.1688	1.1280	3.6	1.1333	1.1289	0.4	1.1422
Australian Dollar	1.6460	1.8881	(12.8)	1.5465	1.6596	(6.8)	1.5347
Canadian Dollar	1.5831	1.7396	(9.0)	1.5461	1.5420	0.3	1.5950

# Appendix 2 Wool Prices

## British Wool Price Trend



- Greasy British wool price indicator has increased from 69p/kg to 183p/kg from April 2009 to April 2011 (165.2% rise). In the current financial period, the wool price has increased by 52.5%.
- New Zealand wool prices have risen by 93.7% from April 2009 to April 2011 and in Sterling terms by 140.2%. In the current financial period, the wool price has increased by 84.4% in Sterling.

Source: British Wool Marketing Board price indicator for greasy wool

## Appendix 3

# Victoria PLC – Fast facts

**“Victoria to be the leading quality floorcovering brand in Australasia and the United Kingdom.”**

Victoria PLC is a successful and well established international manufacturer and distributor of carpets and floorcoverings to the mid to high end markets in the UK, Australia, Ireland and Canada.

**Delivering** high quality, design-led products, whether manufactured internally in modern vertically integrated facilities in both the UK and Australia or outsourced using “best of class” products of differentiation to exploit the Victoria “brand”.



**COLIN CAMPBELL**  
BROADLOOM \* AREA RUGS \* FURNITURE



## Our companies

<b>UK</b>	Victoria Carpets Limited Westwood Yarns Limited
<b>Australia</b>	The Victoria Carpet Co. Pty Ltd
<b>Ireland</b>	Munster Carpets Limited Navan Carpets
<b>Canada</b>	Colin Campbell & Sons Ltd <i>(Associate company 50% owned)</i>

**Listed on London Stock Exchange: VCP**  
with 6.94 million shares in issue.

## Key Financials FY 2011

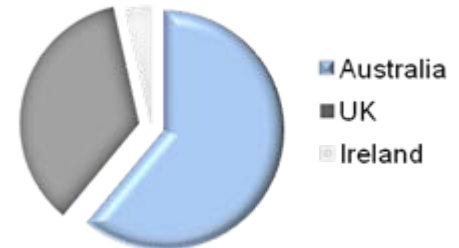
Group Revenue	£70.50m
Profit before tax	£1.92m
Earnings per share <i>(basic adjusted)</i>	18.35p
Net borrowings	£6.21m
Total Dividend paid per share	9.00p

**Key Products:**

- Tufted Carpets
- Woven Carpets
- Carpet tiles
- Rugs *(Canada)*

## Turnover FY 2011 by Division:

Australia	£43.01m
UK	£25.04m
Ireland	£2.45m



## The Board



**Nikki Beckett**



**Peter Jensen**

**Nikki Beckett**  
Chairman,  
Appointed Chairman of the  
Board of Victoria PLC in  
January 2010

**Peter Jensen**  
Senior Independent  
Non-executive Director  
Appointed to the Board in  
September 2010.



**Alan Bullock**



**Ian Davies**

**Alan Bullock**  
Group Managing Director  
Appointed to the Board of  
Victoria PLC in September  
1996 as Group Managing  
Director

**Ian Davies**  
Group Finance Director  
Appointed to the Board of  
Victoria PLC in March 2007



**Barry Poynter**



**Terry Danks**

**Barry Poynter**  
Executive Director  
Appointed to the Board in  
August 2006

**Terry Danks**  
Company Secretary  
Appointed as Company Secretary  
to Victoria PLC in 1993

## Time Line

- 1895** Victoria Carpets is founded in Victoria Street, Kirkcaldy, Scotland.
- 1954** First overseas manufacturing plant established in Dandenong, a suburb of Melbourne Australia.
- 1963** Victoria shares are first quoted on the London Stock Exchange.
- 1989** Victoria acquires Westwood Yarns in Yorkshire.
- 1995** Victoria acquires Castlemaine Spinning, a dry woollen mill in Australia, as part of its plan to own its own supply chain.
- 2002** Victoria buys the Irish contract Wilton specialist Munster Carpets.
- 2003** Victoria acquires Navan Carpets, the leading brand of residential and contract carpeting in Ireland.
- 2008** Victoria expands sales into the contract carpet market in the UK. Three year exclusive distribution agreement signed with Mannington Mills Inc., to market tiles.
- 2009** Victoria Carpets UK secured new six-year distribution agreement with Greendale Buying Group and extended service contract to warehouse, cut and distribute carpets for the John Lewis Partnership.
- 2010** Three year agreement signed with Independent to supply carpet to the insurance replacement market. Victoria Carpets Australia attained ISO 14001 Environmental Certification.
- 2011** New supply agreement with John Lewis

# Fast Facts *(continued)*

## Australia

- Established 1954, Victoria Carpets Pty. Ltd. has grown to become the second largest Australian carpet manufacturer
- The company's manufacturing base is located in Dandenong in the State of Victoria, with spinning mills in both Castlemaine and Bendigo
- Continual investment in modern equipment ensures that product quality remains first-class and that Victoria Carpets retains its reputation for excellence

## UK

- Victoria Carpets UK, established in 1895, is one of the leading carpet manufacturers in the UK
- The division's manufacturing base is located in Kidderminster and its spinning mill at Holmfirth
- Victoria Carpets sells in both the UK and overseas residential and contract markets. Sales are made through a variety of channels, with the independent retail sector accounting for the largest share within the UK market. Amongst its key customers are the John Lewis Partnership and several major buying groups

## Ireland

- The Irish business consists of two brands: Munster Carpets and Navan Carpets
- Munster Carpets specialises in the supply of high-end woven Wilton broadloom carpets and carpet tiles for the corporate/commercial sector
- Navan Carpets supply Axminster, Wilton and Tufted carpets for the residential and contract sectors in Ireland

## Canada

- Colin Campbell & Son Ltd is an associate company of Victoria Plc
- The business is a trade-only designer showroom catering to the Architect & Design (A&D) community in Western Canada with showrooms in Vancouver and Calgary. There are also aligned partners in most major cities in Canada offering our products exclusively
- Colin Campbell has been importing and distributing wool and natural floor coverings into Canada for over 55 years and are the only exclusive trade showrooms in Western Canada



# VICTORIA PLC

## Enquiries:

### **Victoria PLC**

Alan Bullock, Group Managing Director

Mobile: +44 (0) 7785 325701

Ian Davies, Group Finance Director

Mobile: +44 (0) 7770 638791

Office: +44 (0) 1562 749300

[www.victoriapl.com](http://www.victoriapl.com)

### **Citigate Dewe Rogerson**

Fiona Tooley, Director

Mobile: +44 (0) 7785 703523

Keith Gabriel, Senior Account Manager

Mobile: +44(0) 7770 788624

Office: +44 (0) 121 362 4035

Worcester Road, Kidderminster, Worcestershire DY10 1JR England  
Registered in England No. 282204