

Victoria

A clearer runway to deliver profit recovery

Victoria's (VCP's) above-consensus FY25 results show management's self-help initiatives to drive cost savings and operating efficiencies are improving profit margins in still-challenging markets. With more initiatives to come, management expects a quick recovery in profitability in the absence of a market recovery. Of great significance is the accompanying announcement that VCP's 2026 senior secured debt has been refinanced, with the near-unanimous support of bondholders extending the maturity to 2029 at a higher coupon rate following the recent extension of the revolving credit facility (RCF). These indicate debt providers are confident in VCP's recovery potential and remove any near-term liquidity concerns. Management's expected improvement in profitability and the removal of liquidity concerns are significant for VCP's equity valuation, which sits at depressed levels on cyclically low financials.

FY25 results ahead of consensus expectations

In the second consecutive year of weak markets, VCP has delivered FY25 results ahead of consensus expectations. Although revenue declined, management believes VCP has outperformed and there are signs of stabilisation in some markets. More pleasing is that management's self-help initiatives to drive cost efficiencies and improve productivity and cash flow are showing, with a year-on-year increase in profit margins in H225, for the first time since the downturn began.

Refinancing: Removes liquidity concerns

Management has announced an exchange transaction that covers all of the 2026 tranche of its senior secured debt, whereby the maturity will extend from 2026 to 2029 in exchange for a higher fixed coupon (9.875% from 3.625%). Following the recent extension of its RCF, VCP has no significant near-term debt maturities, as the earliest is the second tranche of its debt, which matures in March 2028. Therefore, despite a high level of net debt versus its market value, management has removed any near-term liquidity concerns. Completing the refinancing enables management to focus on driving profitability, cash generation and reducing debt.

Valuation: Discount on depressed financials

VCP's market value is highly sensitive to changes in applied EV/sales multiples given its debt position. If management successfully grows the profit margin, a return to long-term EV/sales multiples excluding leases of 1.1–1.4x from 1.0x in FY26e suggests a potential increase in market value of 170–570% (see Exhibit 9). If debt reduces as management expects, the upside increases.

Historical financials and consensus estimates

Year end	Revenue (£m)	EBITDA (£m)	EV/EBITDA (x)
3/24	1,226.4	159.0	8.0
3/25	1,115.2	113.7	11.2
3/26e	1,112.1	128.9	9.8
3/27e	1,153.7	161.9	7.8

Source: Company accounts, LSEG Data & Analytics (23 July 2025)

Consumer

24 July 2025

Price 73.60p
Market cap £84m

Share price performance



Share details

Code	VCP
Listing	AIM
Shares in issue	114.6m
Net cash/(debt) at 31 March 2025	£(1,183.5)m

Business description

Victoria is an international manufacturer and distributor of innovative flooring products. It designs, manufactures and distributes a range of carpet, ceramic and porcelain tiles, underlay, luxury vinyl tile (LVT), artificial grass and flooring accessories, aimed at the middle to upper segment of the market. It is the largest manufacturer of carpet in the UK and the second largest in Australia, as well as the largest manufacturer of underlay in both countries.

Bull points

- Track record of consolidating fragmented markets, entering new markets and driving margin improvements.
- Structural demand for flooring supported by ageing housing inventory and home improvement trends.
- Improving profitability and cash generation a key focus for management given high financial gearing.

Bear points

- Sensitive to changes in discretionary consumer spending (housing-related spend in particular), which can be influenced by the number of housing transactions.
- High financial gearing, albeit no near-term liquidity events.
- Negative net assets from accumulated net losses including asset impairments.

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FY25 results: Ahead of consensus expectations

Income statement: Profitability helped by management actions in tough markets

Having demonstrated positive year-on-year revenue growth in FY13–23 through a combination of organic growth and M&A, FY25 represented VCP's second consecutive year of year-on-year revenue declines. In reality, FY25 was the third consecutive year of weaker growth after the company became a clear relative beneficiary of the pandemic in FY21/22 as consumers diverted spend towards household items as they were restricted from spending money elsewhere, for example on socialising and travel, before demand began to slow in FY23.

The industry downturn has been severe, with VCP reporting a revenue decline of 14% in FY24 (originally reported and before subsequent M&A) and a further c 9% to c £1,115m in FY25 on the restated FY24 base (adjusted for discontinued activities). The reasons for the revenue downturn are well known: the COVID-19 pandemic pulled forward demand and subsequent demand was negatively affected by lower consumer confidence, higher inflation and interest rates. From a profitability perspective, higher energy and staff costs have put upward pressure on the cost base, which VCP has been unable to pass on to consumers given the lower demand. Hence, VCP reported an underlying EBITDA margin of 10.2% in FY25 versus 16.0% in FY22, albeit subsequent M&A makes a direct comparison difficult.

Across each division, management has taken proactive steps to improve profitability, cash generation and return on capital while the demand environment remains challenging, and position the company for strong growth on a demand recovery. In its Q325 trading update, management committed to £80m of cumulative cost savings by the end of FY27.

Exhibit 1: Summary financials

£m	H124R	H224R	FY24R	H125	H225	FY25
Underlying revenue	624.6	601.8	1,226.4	568.8	546.4	1,115.2
Growth y-o-y	N/A	N/A	N/A	(8.9%)	(9.2%)	(9.1%)
Gross profit	222.9	191.3	414.2	179.7	181.3	361.0
Gross margin	35.7%	31.8%	33.8%	31.6%	33.2%	32.4%
Margin change y-o-y	N/A	N/A	1.3%	(4.1%)	1.4%	(0.8%)
Underlying EBITDA	92.7	66.3	159.0	50.2	63.5	113.7
Margin	14.8%	11.0%	13.0%	8.8%	11.6%	10.2%
Margin change y-o-y	N/A	N/A	N/A	(6.0%)	0.6%	(2.8%)
Underlying EBIT	51.8	21.2	73.0	7.7	21.8	29.5
Margin	8.3%	3.5%	5.9%	1.4%	4.0%	2.6%
Margin change y-o-y	N/A	N/A	N/A	(6.9%)	0.5%	(3.3%)
Exceptional items	(7.9)	(85.1)	(93.0)	(124.5)	(83.6)	(208.1)
Non-underlying items	(25.1)	(19.7)	(15.1)	(24.0)	(22.8)	(46.8)
Reported EBIT	18.8	(83.6)	(64.8)	(140.8)	(84.6)	(225.4)

Source: Victoria, Edison Investment Research. Note: R, restated.

The key takeaways from VCP's FY25 income statement are as follows:

- Underlying revenue (£1,115m), EBITDA (c £114m) and EBIT (£30m) are ahead of consensus estimates of £1,107m, £109m and £21m respectively (source: LSEG Data & Analytics).
- The underlying revenue decline of c 9% was relatively stable between H125 and H225, and each six-month period represented a similar proportion of revenue in both years, suggesting that seasonality was consistent across the years.
- Gross profit, underlying EBITDA and underlying EBIT margins all improved year-on-year in H225 versus H224R.
- There were a high number of exceptional and underlying items. Of note were non-cash impairment charges to fixed assets including goodwill of c £186m to reflect the lower estimated value of its assets in Europe and North America.

Management has taken and continues to take a proactive stance to managing its costs and driving efficiencies while the trading environment remains challenging, as demonstrated in its financial results:

- In H125, £12m of fixed costs were permanently removed from the fixed cost base, taking the cumulative total savings to more than £35m in the prior 18 months. With the H125 results, management indicated there would be a further £20m of annual savings in the remainder of FY25 and those have been delivered, although by definition the full annual benefit will be reflected in the FY26 results.

- With the FY25 results, management confirmed its commitment to £80m in cumulative cost savings, to be delivered by the end of FY27, representing an incremental £48m in savings to be executed in the next two financial years. This is equivalent to four incremental margin points on FY25 revenue. Management expects the phasing of the run-rate benefits from the £80m cumulative cost savings will be as follows: £10m in FY25, £20m in FY26, £30m in FY27 and £20m in FY28.
- Due to the self-help initiatives, the final quarter of FY25 showed the strongest margin performance since Q124.

Moving to VCP's individual divisions, trends were mixed through H225 but were broadly more encouraging towards the end of the year.

Exhibit 2: Divisional summary

£m	H124R	H224R	FY24R	H125	H225	FY25	H1 2-year CAGR	H2 2-year CAGR
UK & EUROPE SOFT FLOORING:								
Underlying revenue	318.6	317.6	636.2	284.8	296.4	581.2		
Growth y-o-y	(14.4%)	(8.4%)	(11.5%)	(10.6%)	(6.7%)	(8.6%)	(23%)	(15%)
Underlying EBITDA	43.2	39.6	82.8	25.5	38.8	64.3		
Margin	13.6%	12.5%	13.0%	9.0%	13.1%	11.1%		
Margin change y-o-y	3.6%	3.9%	3.7%	(4.6%)	0.6%	(2.0%)		
Underlying EBIT	20.7	13.9	34.6	2.7	16.2	18.9		
Margin	6.5%	4.4%	5.4%	0.9%	5.5%	3.3%		
Margin change y-o-y	2.3%	1.1%	1.7%	(5.5%)	1.1%	(2.2%)		
UK & EUROPE CERAMIC TILES:								
Underlying revenue	166.5	154.3	320.8	151.4	128.8	280.2		
Growth y-o-y	N/A	N/A	N/A	(9.1%)	(16.5%)	(12.7%)	N/A	N/A
Underlying EBITDA	36.1	22.6	58.7	19.5	15.4	34.9		
Margin	21.7%	14.6%	18.3%	12.9%	12.0%	12.5%		
Margin change y-o-y	N/A	N/A	N/A	(8.8%)	(2.7%)	(5.8%)		
Underlying EBIT	22.8	8.5	31.3	5.8	5.8	7.7		
Margin	13.7%	5.5%	9.8%	3.8%	4.5%	2.7%		
Margin change y-o-y	N/A	N/A	N/A	(9.9%)	(1.0%)	(7.0%)		
AUSTRALIA:								
Underlying revenue	54.0	52.1	106.1	54.7	49.0	103.7		
Growth y-o-y	(15.9%)	(8.1%)	(12.2%)	1.3%	(6.0%)	(2.3%)	(15%)	(14%)
Underlying EBITDA	6.9	6.5	13.4	7.2	6.8	14.0		
Margin	12.8%	12.5%	12.6%	13.2%	13.9%	13.5%		
Margin change y-o-y	0.0%	(0.0%)	(0.0%)	0.4%	1.4%	0.9%		
Underlying EBIT	3.6	3.5	7.1	3.7	3.1	6.8		
Margin	6.7%	6.7%	6.7%	6.8%	6.3%	6.6%		
Margin change y-o-y	(0.5%)	0.4%	(0.1%)	0.1%	(0.4%)	(0.1%)		
NORTH AMERICA:								
Underlying revenue	85.5	77.8	163.3	77.9	72.1	150.0		
Growth y-o-y	5.7%	(11.1%)	(3.0%)	(8.9%)	(7.3%)	(8.1%)	(4%)	(18%)
Underlying EBITDA	9.6	2.2	11.8	2.4	5.1	7.5		
Margin	11.2%	2.8%	7.2%	3.1%	7.1%	5.0%		
Margin change y-o-y	5.2%	(2.2%)	1.7%	(8.1%)	4.2%	(2.2%)		
Underlying EBIT	7.2	(0.4)	6.8	(0.5)	2.6	2.1		
Margin	8.4%	(0.5%)	4.2%	(0.6%)	3.6%	1.4%		
Margin change y-o-y	3.8%	(3.1%)	0.6%	(9.1%)	4.1%	(2.8%)		

Source: Victoria, Edison Investment Research. Note: R, restated.

The key takeaways are as follows:

- From a revenue perspective, year-on-year growth rates improved in H225 versus H125 for UK & Europe Soft Flooring and North America but deteriorated for Australia, VCP's smallest division from a revenue perspective but its most profitable. To determine where there are signs of improving or worsening momentum (ie to take account of the different comparatives through FY24R), we show the two-year compound growth rates for each division through FY25. These show improving momentum for UK & Europe Soft Flooring, stable trends in Australia and declining momentum in North America (VCP's lowest-margin division as it is purely a distributor) from H125 to H225. Note that we cannot calculate a two-year CAGR for UK & Europe Ceramic Tiles because the year-on-year growth rates through FY24R are not available due to M&A.
- All divisions except UK & Europe Ceramic Tiles saw an improvement in underlying EBITDA margin in H225 versus H224R.

Refinancing: Removing liquidity concerns

Relative to VCP's market capitalisation of £84m, the net debt position remains higher than management believes is

optimal and, based on the company's equity value, the stock market would agree. Therefore, the announcement of an exchange transaction to extend the maturity of its 2026 super senior debt (see below) and the recent extension of the maturity of its RCF should be important in improving investor sentiment towards VCP's liquidity and positive for its equity valuation.

Exhibit 3 shows the main constituents of VCP's net debt at the end of FY25 and FY24R.

VCP's net debt position increased during FY25, primarily as its lower profitability and investment in organic growth and synergy initiatives more than offset M&A proceeds.

Exhibit 3: Victoria's net debt

£m	FY24R	FY25
Net cash and equivalents	72.8	56.6
Super senior revolving credit facility	(10.3)	(44.2)
Senior secured notes	(633.9)	(624.0)
Bank loans and other facilities	(62.4)	(50.7)
Obligations under right-of-use leases	(167.8)	(189.8)
Factoring and receivables financing facilities	(38.4)	(45.8)
Net debt before preferred equity	(840.0)	(897.9)
Net leverage ratio (net debt/EBITDA)	5.3x	7.9x
Preferred equity, associated warrants and embedded derivatives	(286.6)	(285.6)
Statutory net debt	(1,126.6)	(1,183.5)

Source: Victoria. Note: R, restated

Senior secured debt: Extending all near-term maturities at a higher coupon

At the end of FY25, VCP's senior debt consisted of two tranches: the first is €489m (c £430m) of notes with a fixed coupon of 3.625% and maturity of August 2026 and the second is €250m (c £220m) with a fixed coupon of 3.75% and maturity of March 2028. These notes had no financial maintenance covenants.

Alongside the FY25 results, management announced that it has agreed an exchange transaction with more than 90% of the note holders of the first tranche of senior secured notes, extending the maturity from August 2026 to August 2029 and exchanging them into First Priority Notes. In exchange for extending the maturity, VCP will pay a higher fixed coupon of 9.875%. VCP intends to launch a consent solicitation with the remaining note holders that will be open for 20 US business days as soon as practicable to implement the transaction. There are no financial maintenance covenants on the new notes.

Following the refinancing, VCP has no senior secured debt that matures before March 2028. This is important for the following reasons:

- From a financial perspective, with no near-term liquidity issues management can focus on delivering its self-help cost and efficiency initiatives to improve profitability and cash flow and ultimately to reduce debt.
- From a valuation perspective, the removal of near-term liquidity concerns should be positive for the group's valuation, as we demonstrate in the Valuation section of this report.

Completing this refinancing will enable management to consider alternatives for its second tranche of debt, which is trading at a significant discount to par value.

The higher interest rate on the new debt will result in downgrades to current consensus PBT estimates, in the absence of any other changes to consensus estimates, which may follow publication of the FY25 results.

Super senior RCF: Maturity recently extended

On 30 June, after the period end, management announced that it has reached agreement on a new £130m super senior RCF, which will replace its existing £150m facility that matures in February 2026. Although the price and duration of the new RCF have not been disclosed, management states that there are no maintenance covenants or drawing restrictions.

Preferred equity: Possible conversion should not negatively affect share price

Before we describe the impacts on VCP's equity valuation that have arisen from its preferred equity, we provide some background to the preferred equity.

In October 2020, VCP announced the issue of up to £175m convertible preferred equity to Koch Equity Development (KED). KED is the acquisition and investment subsidiary of Koch Industries, one of the largest privately held companies in the US, with ownership of a diverse group of companies including US carpet businesses. In November 2020, KED agreed to increase the preferred equity investment to £225m. Alongside the preferred equity, KED was awarded warrants to subscribe for 12.4m shares at a price of £3.50. At the same time, KED acquired 10% of VCP's equity in the secondary market from a long-term investor that wanted an exit.

The rationale for raising the preferred equity was to help VCP make acquisitions; £75m was issued at the outset, in October 2020, and the balance was issued in FY22. VCP's management claims the relationship has provided other benefits apart from helping to provide funding for acquisitions, including know-how in sourcing materials and with respect to acquisitions in North America.

The initial terms of the preferred equity included a dividend of 9.35% if settled in cash, or 9.85% if paid in kind (PIK) by way of issuing additional preference shares. Starting in year five, the dividend moves from a fixed rate to a spread over the three-month Libor rate. The spread starts at 9.35% and 9.85% (for cash and PIK, respectively) and increases by 1% in each subsequent year up to year nine, after which it remains flat. The dividend and spread rates were reduced by 100bp on the increased commitment in November 2021. After the sixth anniversary (ie 30 October 2026 for the first tranche of preferred equity), KED can elect to convert the outstanding preferred equity and PIK's dividends into ordinary shares at the 30 business day volume weighted average price of the ordinary shares. We should highlight that the conversion is not mandatory and therefore KED might not opt to convert the preferred equity into ordinary shares from the start of November 2026. There are two scenarios in which mandatory cash redemption of the preferred equity can occur outside the control of VCP's management: first, if VCP becomes insolvent, or second, a change in control with various conditions. The preferred equity is a perpetual instrument but VCP can choose to redeem in cash at any time, subject to a redemption premium that varies with time.

The warrants are exercisable following the third anniversary (October 2023) with certain conditions at an exercise price of £3.50, significantly higher than the current share price.

As might be expected, accounting for the instruments is relatively complicated. Put simply, the underlying host instruments sit on the balance sheet and are revalued at every reporting date. The cost of the host instrument is amortised and the increase in the value of the instrument is taken through the income statement as financial charges. In addition to the underlying host instruments, there are associated derivatives and instruments that reflect the options open to both parties, for example cash redemption by VCP and KED's option to convert. The potential dilution from the preferred equity and contractually linked warrants is included in VCP's calculation of diluted adjusted earnings per share.

At the end of FY25, the balance sheet liability for the preferred equity was valued at approximately £283m and the contractually linked warrants at c £3m, versus £274m and £12m, respectively, at the end of FY24.

The effects of the preferred equity liability on VCP's share price

As the preferred equity liability has increased over time and VCP's share price has fallen in recent years due to the deterioration in trading and increase in debt, the 'feared' potential dilution to equity holders from the possible conversion of the preferred equity by KED has also weighed on the share price as more shares would have to be issued to satisfy the potential conversion. Effectively, this has created a vicious circle, with share price declines magnifying the potential dilution from the preferred equity and so on. Therefore, more encouraging signs of an increase in profitability from internal initiatives and any revenue recovery, along with fewer concerns about financial liquidity, should be helpful in improving VCP's equity valuation, which in turn would reduce any potential dilution from the conversion of the preferred equity.

The conversion of the preferred equity should not negatively affect Victoria's share price. In November 2026, if KED chose to convert the preferred equity, it would be exchanged into ordinary shares at the prevailing share price, so the debt reduces by the same amount as the equity increases. Although the existing shareholders would own a lower percentage of the company, their shares would not be worth any less.

Valuation

In the sections above, we highlighted the following:

- signs of stabilisation in revenue, albeit it is still declining;

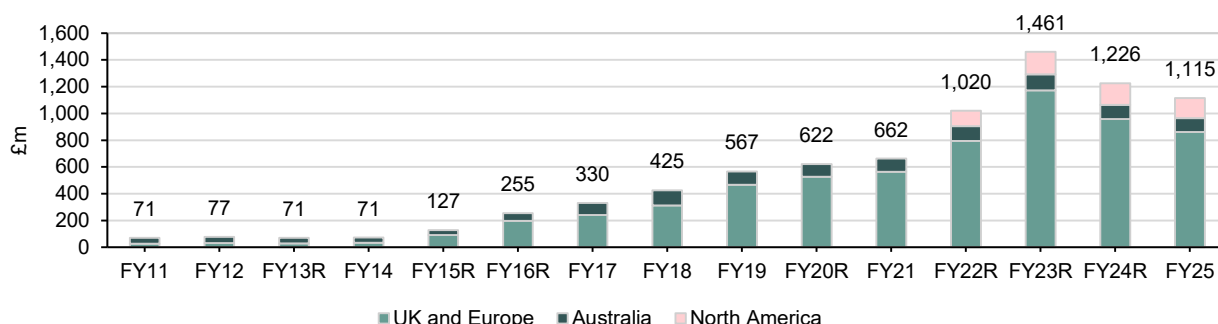
- management's focus on cost savings and operating efficiencies is helping to improve profitability and there is much more to come; and
- recent refinancing means there are no near-term liquidity concerns despite the high level of debt.

These should all be positive for VCP's valuation to recover from what appear to be depressed levels on cyclically low earnings.

Victoria has cyclically depressed earnings

First, we provide a historical context to VCP's FY25 results. The revenue decline from the peak towards £1.5bn in FY23R, which was helped by M&A and the boost from the pandemic, to £1.1bn in FY25 is striking. A direct comparison of FY25 with pre-COVID-19 levels is hindered a little by acquisitions made during the pandemic and the recent disposal of Graniser, as well as changes in foreign exchange rates. The easiest way to quantify the downturn is management's estimate that volumes in FY25 were 20–25% below 2019 levels.

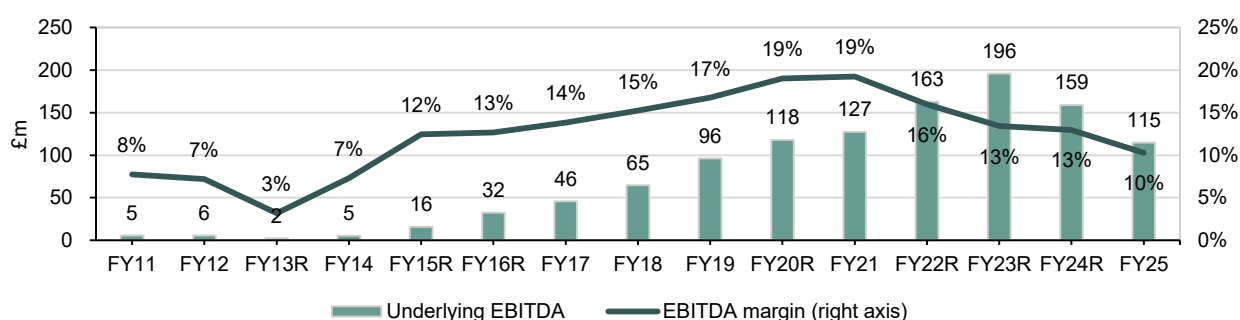
Exhibit 4: Victoria's revenue (£m)



Source: Victoria. Note: R, restated.

There has been a significant reduction in VCP's profitability in recent years given the revenue downturn and cost inflation experienced to an underlying EBITDA margin of c 10% in FY25 from c 19% in FY20. Note that the figures for FY20R onwards follow the introduction of IFRS 16, so comparing profitability before and after is a little complicated. Also, the addition of low-margin North American revenue to the portfolio is dilutive to the group's average margin. VCP's FY25 results release details FY20–25 underlying EBITDA figures on a pre-IFRS 16 basis along with prior years from FY16, which we have not shown. There is a minor difference in the levels of profitability, but there is a consistent message of much lower profitability in recent years that we show in Exhibit 4.

Exhibit 5: Victoria's underlying EBITDA (£m)



Source: Victoria, Edison Investment Research. Note: R, restated.

Therefore, there would appear to be plenty of potential to recover lost revenue and profit. Management estimates that a 5% increase in volume (5% of FY25 revenue is equivalent to c £56m) and, as stated above, volumes are down by 20–25% versus 2019, would increase earnings by £25m, equivalent to 20% of consensus EBITDA estimates for FY26 (see Exhibit 6). Management believes that its initiatives provide a clear path to return to mid-teen EBITDA margins in the absence of a revenue recovery.

Consensus forecasting low revenue growth, higher profit growth

It is clear that management expects limited revenue recovery in FY26 but a good recovery in profitability as a result of its cost and efficiency initiatives. Consensus is also taking a conservative approach to VCP's estimates, with limited revenue growth forecast in FY26 before assuming higher (c 4%) growth in FY27, with some margin recovery in both years as management's initiatives to reduce costs and improve efficiencies lead to even higher EBITDA growth.

Please note that the consensus estimates we use are before any changes that may follow publication of VCP's FY25 results.

Exhibit 6: Consensus estimates

£m	FY25e	FY25	FY26e	FY27e
Revenue	1,107.0	1,115.2	1,112.0	1,154.0
Growth y-o-y			0.5%	3.8%
EBITDA	108.9	113.7	128.9	161.9
Margin %	9.8%	10.2%	11.6%	14.0%

Source: LSEG Data & Analytics, 23 July 2025

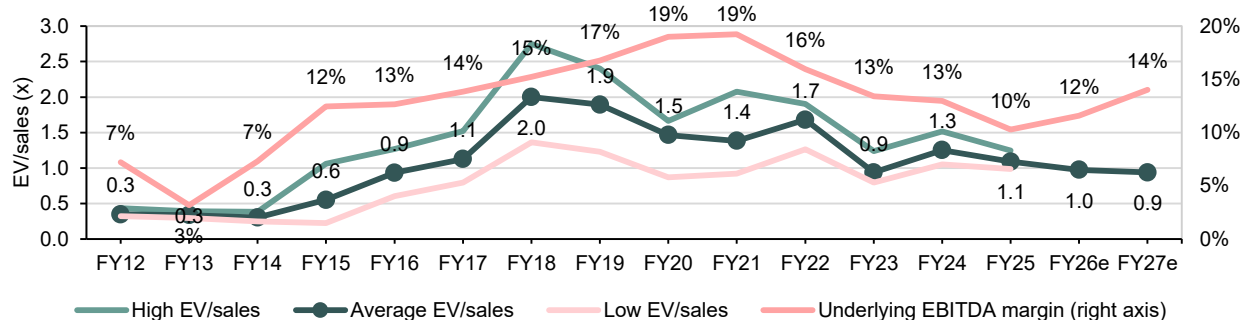
Victoria has suffered a significant de-rating on trading and liquidity fears...

The progression in VCP's EV/sales multiple over the long term shows a good relationship with its profitability: the greater VCP's profitability, the higher its multiple and vice versa. In Exhibit 7, we show VCP's historical high, average (figures quoted on middle line) and low EV/sales multiples for each financial year since FY12, and its prospective multiples for FY26 and FY27 versus its actual/forecast underlying EBITDA margin using the above consensus estimates.

Over the long term (FY12–25), VCP's average EV/sales multiple has been 1.1x, which includes much lower multiples in the earlier years (0.3x in FY12–14). If we look at more recent years when management's strategy of consolidating its markets and realising synergies began to bear fruit (ie since FY17), the average EV/sales multiple was higher at 1.4x. The peak multiples in recent years were 2.7x in FY18, 2.4x in FY19 and 2.1x in FY21, when VCP was enjoying much higher levels of profitability. Conversely, the lowest EV/sales multiples in recent years have been 0.8–0.9x.

Please note that in our analysis we exclude IFRS 16 liabilities in our calculation of enterprise value to get a better picture of VCP's valuation over a longer period.

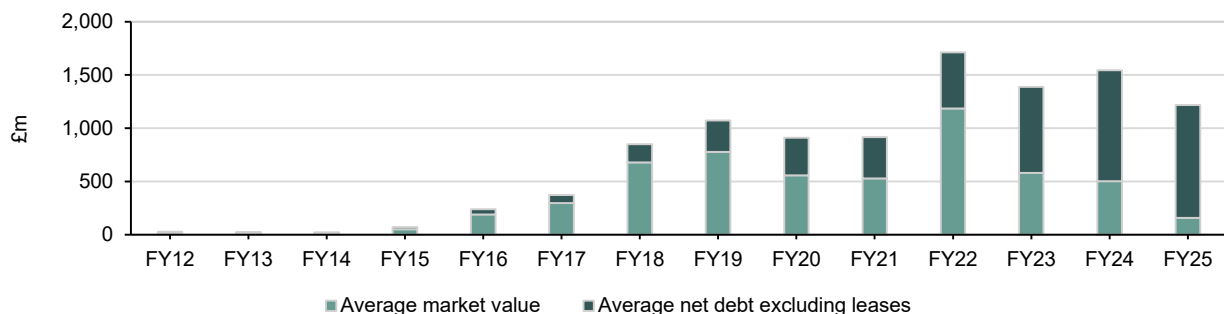
Exhibit 7: Victoria's EV/sales multiple versus profitability



Source: Victoria, Edison Investment Research, LSEG Data & Analytics (consensus estimates)

...and a transfer of value to debt from equity

The above de-rating, lower profitability and accumulation of debt have had a dramatic impact on VCP's equity valuation, which has been accentuated by the increasing value of the preferred equity liability, as described above.

Exhibit 8: Victoria's enterprise value constituents


Source: Victoria, Edison Investment Research, LSEG Data & Analytics

Where could the valuation move to?

Here, we make a number of observations. First, VCP's prospective EV/sales multiples of 1.0x in FY26 and 0.9x in FY27 are below the long-term average of 1.1x and at a higher 30% discount versus the more recent average multiple of 1.4x. With management and consensus anticipating an improvement in the adjusted EBITDA margin to the mid-teens, even in the absence of a recovery in the market and its own revenue, a higher EV/sales multiple than 0.9–1.0x would be justified.

In Exhibits 9 and 10 we show the sensitivity of VCP's market value to changes in its EV/sales multiples and consensus sales estimates for FY26 and FY27.

In both examples, we assume no change to VCP's net debt position excluding leases at the end of March 2025, which is likely too conservative given management's expectation that VCP will generate free cash flow. Also, we assume no dilution from the potential conversion of the preferred equity in 2026 at the prevailing share price as that should not affect the equity value of existing shareholders.

The analysis shows the valuation is highly sensitive to changes to existing consensus revenue estimates and any accompanying change in the applied EV/sales multiple given the net debt position. A return to the long-term average EV/sales multiple of 1.1x and using consensus FY26 and FY27 sales estimates would equate to market values of £230m and £276m, respectively. A return to an EV/sales multiple of 1.4x would imply market values of £563m and £622m, respectively. All are significantly higher than the current market value of £84m.

Exhibit 9: Victoria's market value sensitivity (£m) using consensus FY26e sales

£m		EV/sales (x)						
		0.8	1.0	1.1	1.4	1.6	1.8	2.0
Changes	(10)%	(193)	7	107	407	608	808	1,008
to	(5)%	(149)	63	168	485	697	808	1,008
consensus	0%	(104)	118	230	563	786	808	1,008
sales	5%	(60)	174	291	641	874	808	1,008
FY26e	10%	(15)	230	352	719	963	808	1,008

Source: Edison Investment Research, LSEG Data & Analytics

Exhibit 10: Victoria's market value sensitivity (£m) using consensus FY27e sales

£m		EV/sales (x)						
		0.8	1.0	1.1	1.4	1.6	1.8	2.0
Changes	(10)%	(163)	45	149	460	668	876	1,084
to	(5)%	(117)	103	212	541	760	980	1,199
consensus	0%	(71)	160	276	622	853	1,084	1,314
sales	5%	(24)	218	339	703	945	1,187	1,430
FY27e	10%	22	276	403	783	1,037	1,291	1,545

Source: Edison Investment Research, LSEG Data & Analytics

Second, if management successfully reduces VCP's net position as intended, this would suggest a transfer of value back towards its equity from debt (ie the reverse of what happened in recent years (Exhibit 8), even in the absence of any changes to the prospective EV/sales multiple. This would point to even greater returns to shareholders than those shown above.

In addition to the identified cost savings, management is taking a proactive stance on reviewing its asset base. In FY25,

this included the sale of the loss-making Turkish business, Graniser, for €37m and the sale and leaseback of a property in Belgium for £30m. Any subsequent disposals would be helpful in reducing the debt position.

Comparison versus peers

As a sense check, in Exhibit 11 we show consensus growth estimates, profitability and EV/sales multiples for VCP versus its peers. Please note the EV/sales multiples include IFRS 16 liabilities, so will differ from those quoted earlier for VCP.

Consensus is expecting low levels of revenue growth for the group and we can see VCP's profitability is broadly comparable with its two larger peers, Forbo and Mohawk Industries. VCP's prospective EV/sales multiples are in line with Forbo's but higher than Mohawk's.

Exhibit 11: Peer valuations

	Share price (local)	Currency	MV (local m)	EV (local m)	Sales growth (%)		EBITDA margin (%)		EV/sales (x)	
					FY26e	FY27e	FY26e	FY27e	FY26e	FY27e
Headlam Group PLC	86.0	GBp	69	120	1	6	1.3	4.4	0.2	0.2
Likewise Group PLC	25.5	GBp	63	93	N/A	N/A	N/A	N/A	N/A	N/A
Forbo Holding AG	902.0	CHF	1,339	1,278	0	3	15.7	16.5	1.1	1.1
Tarkett SA	16.7	EUR	1,090	1,529	N/A	N/A	N/A	N/A	N/A	N/A
Mohawk Industries Inc	116.7	USD	7,294	8,983	(0)	3	12.7	13.3	0.8	0.8
Average					0	4	9.9	11.4	0.7	0.7
Median					0	3	12.7	13.3	0.8	0.8
Victoria PLC	73.6	GBp	82	1,266	0	4	11.6	14.0	1.1	1.1

Source: LSEG Data & Analytics. Note: Prices at 23 July 2025.

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