



ALTA FOX
CAPITAL

Victoria PLC (VCP LN)

Attractive M&A Growth Story at a Value Price

Date: 8/30/2021

Current Price: £10.45/share

3-Year Base Case Target Price: £28.00/share

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Executive Summary

Alta Fox believes:

- **At current prices, shares in Victoria plc “VCP” offer investors a rare opportunity to invest alongside a highly incentivized superstar capital allocator on track to triple LTM EBITDA in 5 years.**
 - VCP currently trades at ~5x our FY25 base case EBITDA estimate which compares to its current multiple of 11x EBITDA.
- **VCP’s Chairman, Geoff Wilding, is an excellent capital allocator and operator poised to create value in a sleepy industry.** Wilding has created enormous wealth for shareholders during his tenure as Chairman of VCP through accretive M&A, *delivering over a 55% annualized TSR since 2012*. Wilding owns 19% of VCP (£230M/\$320M worth) and pays himself a modest annual salary of £64,000 with no additional LTIP participation, highly aligning his incentives with those of shareholders.
 - **This alignment manifests in VCP’s sole mission statement: “To create wealth for our shareholders.”¹**
- **VCP is still in early innings of ambitious, value-accretive M&A.** VCP has <3% market share in the European flooring market and <1% market share in the US flooring market.
 - We believe management can acquire ~£100-200M of incremental EBITDA over the next 2 years at 5-7x which would *more than double the profitability of the business in a short period of time*, without any common equity dilution.
- **Highly regarded institutions have made significant long-term investments in VCP**, which is highly unusual for a <\$2B company trading on the London AIM, **helping to lower VCP’s cost of capital and further enhancing VCP’s M&A opportunity.**
- **Favorable macro tailwinds, further operational improvements, and near-term M&A coupled with sleepy consensus expectations will result in significant upside for shareholders over the coming years.**

**Alta Fox believes VCP is worth £28/share by 2024,
representing ~170% upside from current prices and a 37% IRR**

1. https://www.victoriapl.com/corporate_governance_statement/

Why Does The Opportunity Exist?

- London AIM Listed
- Illiquid given low float (~50% insider owned)
- Minimal sell-side research coverage with assumptions that ignore capital allocation
- Misunderstood M&A opportunity
- Overlooked asset given cyclical, capital intensive industry

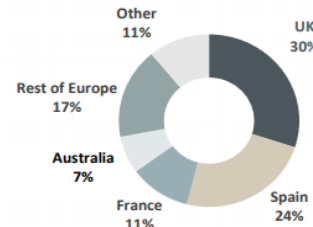
Overview: Business Description

- VCP manufactures and distributes primarily carpet, underlay (soft flooring), and tiles. The primary end markets are the UK and European residential floor remodeling markets across over 40 different brands¹. The company also has a small presence in Australia and the US.
- The company operates nine production sites across the UK, Europe, and Australia, with several distribution centers and >3,500 employees.
- Their key end market is independent retailers (mom & pops) who often buy multiple VCP brands.
 - This fragmented customer base creates significant barriers to entry as the cost for new entrants to organically acquire these customer relationships is often prohibitively expensive relative to the incremental value of each independent retailer.
 - VCP has meaningful bargaining power with this customer base that US-peers who sell primarily to big-box retailers do not.



Highly diversified geographic exposure

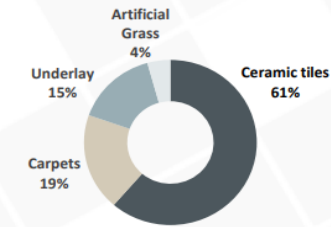
Split of EBITDA by destination country⁽¹⁾



Flexibility to produce in and serve multiple geographies

Well balanced mid- high end product portfolio

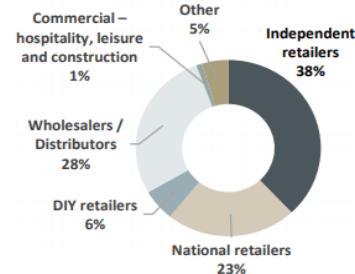
Split of EBITDA by product category⁽²⁾



Wide product offering increases cross selling opportunities, visibility and pricing power

Multi-channel customer base

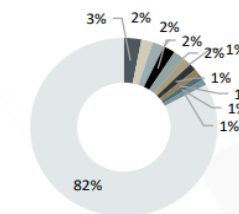
Split of revenue by customer type⁽²⁾



Largest group of customers are independent flooring retailers having brand loyalty and long term relationships

Low customer concentration

Split of revenue by key customer⁽²⁾



Top 10 customers account for 18% sales with largest customer accounting for 3%

1. <https://www.victoriapl.com/our-brands/>

Source: VCP 2021 Investor Presentation

Overview: Industry Description

- **The European flooring supplier market is highly fragmented** and generates 23B EUR in revenue at the manufacturer level¹. This implies VCP has <3% market share and Mohawk Industries (the largest global flooring manufacturer) has <10% share².
- Most of the European flooring industry is **still held by small family-run businesses passed down through generations**. This has created an opportunity for more sophisticated businesses with cheaper access to capital to outperform and take share. This dynamic has also created a strong pipeline of acquisition opportunities for VCP.
- According to former employees and competitors, **VCP is the only player today aggressively deploying capital to roll-up the fragmented European flooring manufacturing industry** (see slide 11 for more details).

1. VCP 2021 Investor Presentation
2. Company filings

Consolidator in a fragmented industry

European flooring sector is worth **€23 billion** at factory gate

Motivated sellers – retirement, capital structure under pressure

Deal structure minimises downside risk

Pro-active deal origination – Victoria actively prospects for opportunities

Synergies create strong levers for margin expansion

Better buying power on raw materials

Rationalisation of product lines and cross selling via new distribution channels

Ability to affect price increases

Distribution, warehousing and logistics

Consolidation of manufacturing capacity

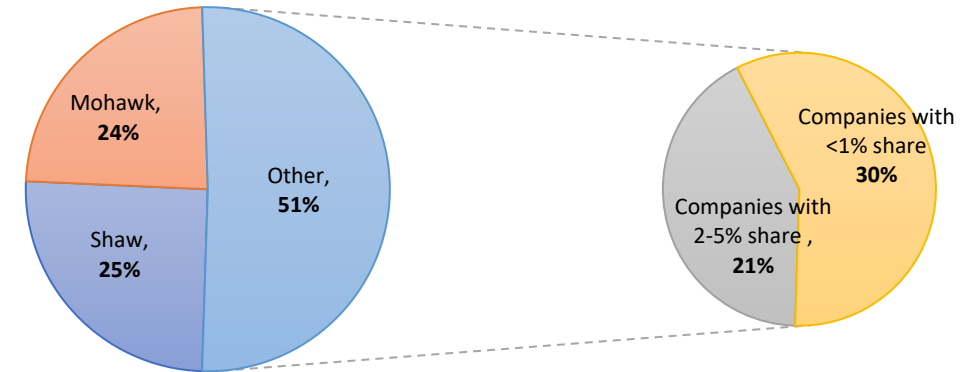
Source: VCP 2021 Investor Presentation

Overview: European Flooring vs US Flooring Markets

- **The US flooring manufacturing market is significantly more price competitive than the European manufacturing market.** This is in large part driven by the economies of scale industry leaders Mohawk (MHK) and Shaw (owned by Berkshire Hathaway) have attained through their dominant market share - they can easily afford to undercut subscale manufacturers on price to win/retain market share.
- Competitive intensity in the US is further exacerbated by retail giants like Home Depot and Lowe's that demand low prices, have their own private label brands, and control distribution limiting the bargaining power of suppliers. In contrast to the US, the European retail market is significantly more fragmented and less sophisticated by comparison.
- **The bottom line is that the European flooring market is far less competitive when compared to the US market. This has created an attractive opportunity for VCP to aggressively roll up the flooring manufacturing and distribution industry and reap the benefits of distribution and scale.**

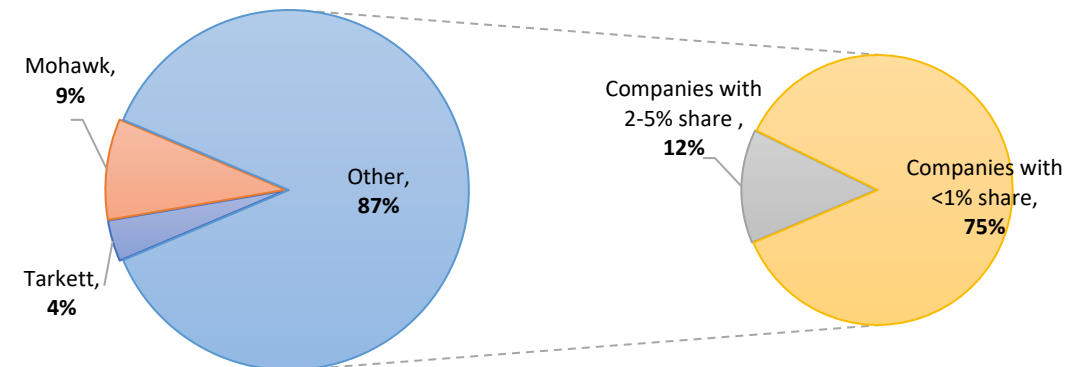
Top 2 players in the US account for ~50% of the market¹

US 2019 Flooring Manufacturing Market Revenue Share



Top 2 players in Europe account for <15% of the market^{2,3}

Europe 2019 Flooring Manufacturing Market Revenue Share



1. Source: Floor Daily 2020 annual report

2. Source: VCP 2021 Investor Presentation, Company Reports, Alta Fox Estimates

3. Note that Alta Fox intentionally uses 2019 data for a clean comparison pre-covid19's industry disruption

Main Thesis Points

Alta Fox believes:

- 1. Geoff Wilding, Chairman of VCP, is a talented and proven capital allocator, aligned with common shareholders via a substantial equity stake, and supported by an impressive management team**
2. VCP is in early innings of meaningful non-dilutive M&A that will more than double the earnings power of the business in the next 2 years
3. VCP is tightly held by well-respected investors that have provided significant M&A financing at attractive terms and offer experienced guidance at the Board level
4. Macro tailwinds favorably position VCP to see a period of significant organic growth over the next few years
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Geoff Wilding Before VCP

- Before his time at Victoria, Geoff Wilding had numerous successes in his career executing roll-up strategies in different industries.
- Originally from New Zealand, Wilding began his business career in the 1980s at a New Zealand-based investment bank.
- Wilding later started his own transport business in NZ in 1990 and began rolling up the space. He later sold the business to management-backed PE in 1996 and made 12-14x his initial investment of \$1M.
- Shortly thereafter, Wilding invested in Commssoft, an existing tech services company that he helped grow. Unfortunately, the business collapsed after the .com bubble burst as some of their major clients such as Worldcom went out of business.
- Wilding's next venture was in the Australian/New Zealand Newspaper & Magazine industry with Pacific Print in 2002. He began rolling up the industry, leveraging economies of scale. Wilding sold the business to PE in 2005 for \$190M AUD, making a 20x return on his initial investment in <5 years¹.
- Wilding later moved to the UK in the late 2000s and bought 42% of Simplify, a legal process services business. The business was sold to PE in 2014², and Wilding again made multiples of his initial investment.

1. Westfarmers 1H 2006 Presentation

2. <https://www.insidermedia.com/news/north-west/120211-simplify-deal-gives-quality-solicitors-growth-opportunities>

Geoff Wilding (Chairman of VCP)



- Geoff Wilding first got involved with VCP after meeting Alexander Anton, the great grandson of VCP's founder.
- He quickly realized the fragmented nature of both the manufacturing and distribution sides of the market and saw an opportunity to consolidate the industry.
- He fought an activist battle with the incumbent board in 2012 for full control of VCP and won thanks to the support of major shareholders, including Anton.
- After taking control of VCP with a share price around £2.00, shareholders agreed to allow Wilding to receive 50% of VCP's equity should he return £3.00 to shareholders in dividends over the next 2 years¹. Before Wilding's arrival, VCP had created negligible value in public markets, so shareholders were more than willing to agree to this incentive structure.
- Within 14 months, Wilding returned £3.00/share in dividends and exercised his option to acquire 50% ownership in VCP (which has since been diluted down through M&A which required equity financing in the early days). Today Wilding owns ~20% of the business.

1. <https://www.investorchronicle.co.uk/2015/12/11/shares/a-look-under-the-carpet-at-victoria-ph2PruCPRwRJe361cVqRcJ/article.html>

Market value of Geoff Wilding's VCP stake over time:



Geoff Wilding & Management Team Industry Checks

- SOURCE: Former employee of business acquired by VCP:

“Geoff came from a very successful background in terms of his print business in Australia. There was excitement when he came in as Victoria went through a significant process of acquiring profitable flooring businesses. It was a good model. They bought good businesses that brought good people with them. He then further invested in hiring top talent from competition.”

“He has built a good team around him. He's got a good right-hand man in the finance team with regards to Mike Scott. **Looking at the businesses that were acquired, they never rushed any deals. They were making the right acquisitions at the right prices. They were very clever regarding the portfolio of businesses they put together - they all had their own market niche that all complemented each other.**”

- SOURCE: Current UK-based competitor:

“It's quite impressive what Geoff has achieved so far. He's taken something that was stagnant and traditional and turned it into something that is quite aggressive and dynamic.”

“I don't see any reason why he couldn't continue to execute his M&A strategy. Geoff and his management team are aggressive in a traditional and conservative market. **I don't see any other big players in the U.K. flooring market that are thinking about how to really get that double-digit growth and so on. Everybody else just seems to have an attitude of, ‘we'll just tick along and we'll get what we need to.’** So yes, I wouldn't be surprised if Victoria continues to grow, develop and take share.”

- SOURCE: Current European-based competitor:

“Geoff Wilding is an amazing guy. Ultra-professional with a great background. All positive to be honest.”

“Philippe (CEO of VCP) is one of the best operators in the industry. **If you had to hand-select someone in Europe for guiding a company in the flooring industry you would select him.** Philippe has an exceptional track record at past firms. Only positive things to say and his knowledge and experiences.”

*Bolded emphasis provided by Alta Fox

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3. VCP is tightly held by well-respected investors that have provided significant M&A financing at attractive terms and offer experienced guidance at the Board level
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VCP Capital Allocation Strategy (1/2)

- Since Wilding took over the business, VCP has deployed ~ £800M into highly accretive acquisitions at 5-6x EBITDA pre-synergies¹.
- To unlock synergies, VCP leverages group buying power, distribution, and manufacturing capabilities to optimize costs for acquired companies, as well as cross-sell their products to VCP's large customer base (and vice versa). **Management estimates that they can increase EBITDA at acquired businesses by ~20%, reducing the post-synergy multiple paid down by 1x to 4-5x EBITDA.**
- **The key to the highly accretive nature of VCP's capital deployment strategy is the lack of equity financing.** They finance their deals mostly with low-cost debt (~3.70%), ~30% callable preferred financing (9.85%) from Koch industries, and ~30% through cash earn-out payments.
 - *Note that VCP has already raised the debt capital necessary to finance its future acquisition plans*

VCP's acquisition financing example:

Illustrative example: Buying £70m EBITDA

Purchase price:

£70m EBITDA (from one or more targets)
at 7x multiple: £490m

Funding:

Senior debt: 3 x £70 million EBITDA: £210m
Ordinary / Preferred Equity: £133m
Earn-out (30% of purchase price): £147m

Total funding: £490m

Source: VCP 2021 Investor Presentation

1. VCP 2021 Investor Presentation, Company filings

VCP Capital Allocation Strategy (2/2)

- Over the next two fiscal years, we expect VCP to deploy £825M into new acquisitions (including the £160 invested in FY22 so far) at 6-7x EBITDA to be conservative. **This implies that VCP will acquire £125M in EBITDA over the next two years vs. management's stated pipeline of £200M and goal of £100M in FY22¹.**
 - Our forecasts do not imply any increases to VCP's historical leverage ratio as we assume ~1/3rd of VCP's purchase price will be paid through a multi-year earn out. Moreover, VCP's debt carries no maintenance financial covenants, providing VCP flexibility to take net debt/EBITDA significantly above historical levels for the right opportunities.
- Given VCP's impressive track record of driving margin improvement, *we believe that newly acquired businesses coming on at lower margins can generally scale towards the group average over time.*
- These assumptions imply a **doubling in VCP's earnings power in the next 2 years, and a near tripling by FY25.**

VCP Organic Growth & Inorganic Growth	FY20	FY21	FY22E	FY23E	FY24E	FY25E
Organic revenue	622	662	729	765	788	812
y/y %		7%	10%	5%	3%	3%
Organic EBITDA	118	127	147	162	175	185
Organic EBITDA Margin	19.0%	19.2%	20.2%	21.2%	22.2%	22.7%
Revenue contribution from acquisitions						
FY22 Acquisitions			417	438	451	464
FY23 Acquisitions				417	429	442
Total Revenue from Acquisitions			417	854	880	906
Pro Forma EBITDA contribution from acquisitions						
FY22 Acquisitions			50	58	66	76
FY23 Acquisitions				75	86	99
Total EBITDA from Acquisitions			50	133	152	175
EBITDA Margin			12.0%	15.5%	17.3%	19.3%
Mgmt Goal (FY21 Presentation)			100			
Mgmt Pipeline (FY21 Presentation)			200			
Total VCP Pro Forma Revenue AFC Forecast			1,145	1,619	1,668	1,718
Total VCP Revenue AFC Forecast	622	662	937	1,411	1,668	1,718
Total VCP Pro Forma EBITDA AFC Forecast			197	295	328	360
Total VCP EBITDA Margin AFC Forecast			17.2%	18.2%	19.6%	20.9%
Total VCP EBITDA Model AFC Forecast	118	127	174	263	328	360
AFC EBITDA Margin	19.0%	19.2%	18.6%	18.6%	19.6%	20.9%
Net Debt (including prefs)	432	443	594	920	819	714
Total EBITDA	118	127	174	263	328	360
Net Debt / EBITDA	3.7x	3.5x	3.4x	3.5x	2.5x	2.0x

1. VCP 2021 Investor Presentation

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Koch Industries' Investment in VCP Significantly Lowers Risk

- Speculation from shorts in 2018 that VCP's access to debt capital had dried up, along with various short-term profitability headwinds helped fuel a dramatic sell-off in VCP's stock price^{1,2}. Both concerns later proved well overblown, yet it took Victoria's share price years to recover.
- **We believe the involvement of Koch Industries significantly mitigates the risk that fears surrounding VCP's access to capital surface again**, as VCP can now supplement any debt capital needs with Koch Industries' callable preferred line – the extent to which we believe could be well in excess of the stated £175M facility given the size of Koch Industries investment arm (\$30B USD).
 - While the headline rate on the preferred equity at 9.85% is not cheap, it is our view that VCP will use it as a revolver to supplement its low-cost debt and will retire the preferred once VCP has made more headway into its acquisition pipeline.
- Koch Industries owns 11% of VCP's common equity (not including their in-the-money warrants). Given their size and experience in the flooring industry, ***we do not believe it is unreasonable to factor in the possibility that Koch Industries could one day acquire all of VCP.***

1. <https://www.ft.com/content/4b952416-e1b9-11e8-8e70-5e22a430c1ad>

2. <https://www.bloomberg.com/news/articles/2018-11-09/bond-or-no-bond-victoria-plc-remains-in-short-sellers-sights>

Koch Equity Development Investment

A supportive long-term partner with demonstrated experience in industrial investments

Koch Industries

- Founded in 1940
- Owned by the Koch family
- Under the leadership of its current CEO, Charles Koch, the company has grown revenues from around US\$400m to \$115bn and is now one of the largest privately-held companies in the US
- Koch owns a diverse group of companies involved in refining, chemicals and biofuels; forest and consumer products; fertilizers; polymers and fibres; electronics, software and data analytics; automotive components; process and pollution control equipment and technologies; commodity trading; minerals; ranching; and investments
- Koch has significant experience and expertise in the flooring sector through its Invista and Stainmaster carpet businesses, predominantly focused on the US markets

Koch Equity Development ("KED")

- Koch Equity Development is Koch's acquisition and investment subsidiary and has the primary responsibility in investing the firm's excess capital
- It has invested \$30 billion since 2012
- With its long-term investment horizon, KED is an attractive partner for Victoria and will bring expertise and market access alongside its shareholding and capital contribution
- KED has high structuring and duration flexibility and a streamlined decision making process, with a minimum investment of \$100m



Source: VCP 2021 Investor Presentation

VCP's Key Shareholders are Reputable and Long-Term Focused

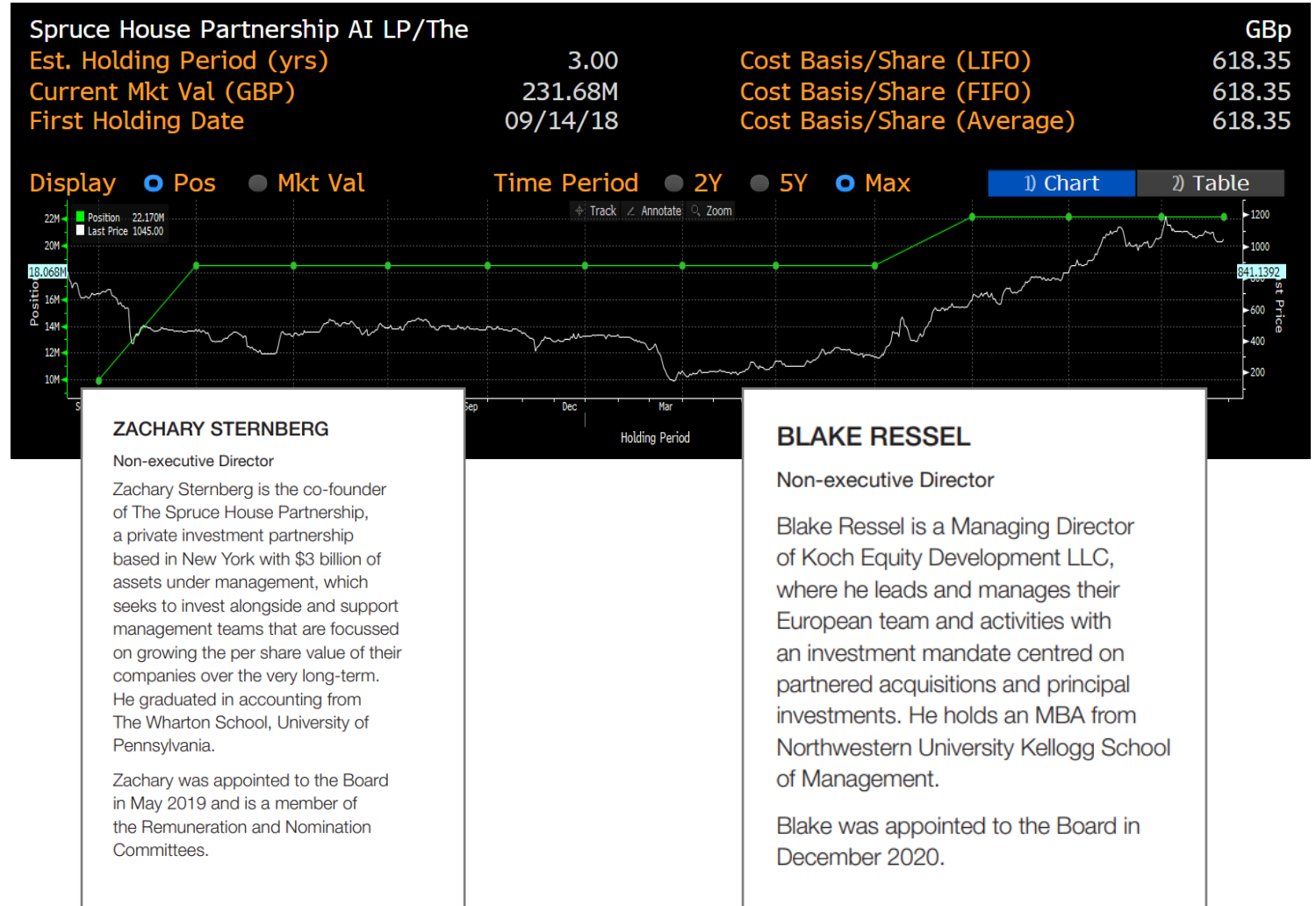
- VCP Top Shareholders:

1. Geoff Wilding = 19.2%
2. Spruce House Partners = 19.0%
→ Bought in 2018, joined Board in 2019
3. KED Victoria Investment = 10.7% (Koch Industries)
→ Bought in 2020, joined Board in 2020

Total held by insiders: ~50%

- It is highly unusual for a <\$2B company trading on the AIM to have such key strategic investors. We believe these key investors have done the due diligence that the rest of the market has not, leading to the cheap valuation in VCP's shares.
 - VCP is one of Koch Equity Development's only publicly listed investments¹
 - VCP is Spruce Houses' only non-US name of meaningful size²
- Despite making >100% on its initial investment in VCP, Spruce House, a reputable US Investment Firm known for making concentrated long-term high conviction bets, has increased its investment rather than sold down its stake.

1. Spruce House Partnership 13-F filings
2. <https://www.kochequity.com/investments>

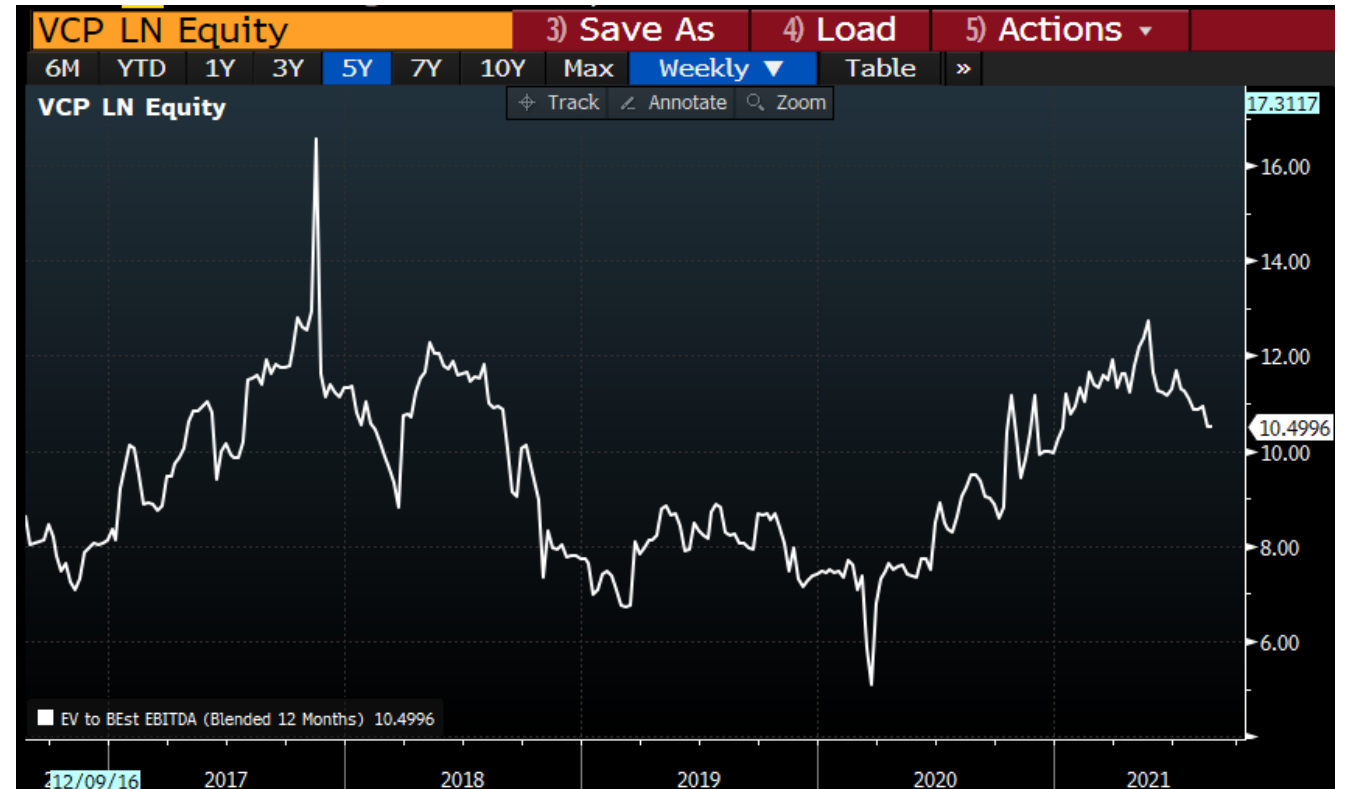


VCP's Lower Cost of Capital Warrants a Higher Multiple

- In addition to Koch Industries' meaningful investments in VCP, VCP's cost of debt has decreased dramatically. **VCP reduced the coupon payment on its debt from 5.25% to ~3.7% in early 2021** and has not only extended its 2024 500M EUR facility out until 2026 but has also raised an additional 250M EUR with a maturity date in 2028, all without any cumbersome maintenance covenants¹.
 - Since issuance, VCP's bonds have traded upwards to their current YTM of ~3.2%, suggesting that the bond market is supportive of the company and that VCP has capacity to raise further debt at even more attractive terms.
- The bottom line is that despite a lower cost of debt, Koch Industries' involvement with VCP across their capital structure and on their Board, with highly accretive M&A opportunities to be acted upon in the near-term, **VCP's forward EBITDA multiple has contracted from its 2018 highs**. We believe this is an incredible buying opportunity for new investors.

1. VCP 2021 Annual Report

VCP NTM EV/EBITDA (on consensus EBITDA)



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Flooring Sales are Primed to Enter a Meaningful Upcycle (1/2)

- A significant portion of VCP’s end-market sales is to customers remodeling the floors in their homes.
- Our research suggests that new homeowners will wait 12-24 months on average to remodel their floors after moving in as savings levels are typically depleted following down payments. The ensuing 12-24 months after a home purchase typically allow new homeowners ample time to rebuild savings to then reinvest in their homes through floor remodeling.

When comparing Mohawk Industries’ (“MHK”) organic sales growth to the growth in US housing sales volumes annually, there is no correlation in the first year, a good correlation assuming a 1-year lag, and very high correlation assuming a 2-year lag.

Note that we used MHK for our case study given its long reporting history, market leading position, and portfolio concentration in residential remodeling sales (we estimate 75%).

Change in US house sales vs change in MHK Organic Growth	
Correlation assuming no time lag	6%
Correlation assuming 1-year time lag	65%
Correlation assuming 2-year time lag	81%
Correlation assuming 3-year time lag	21%
Correlation assuming 4-year time lag	-3%

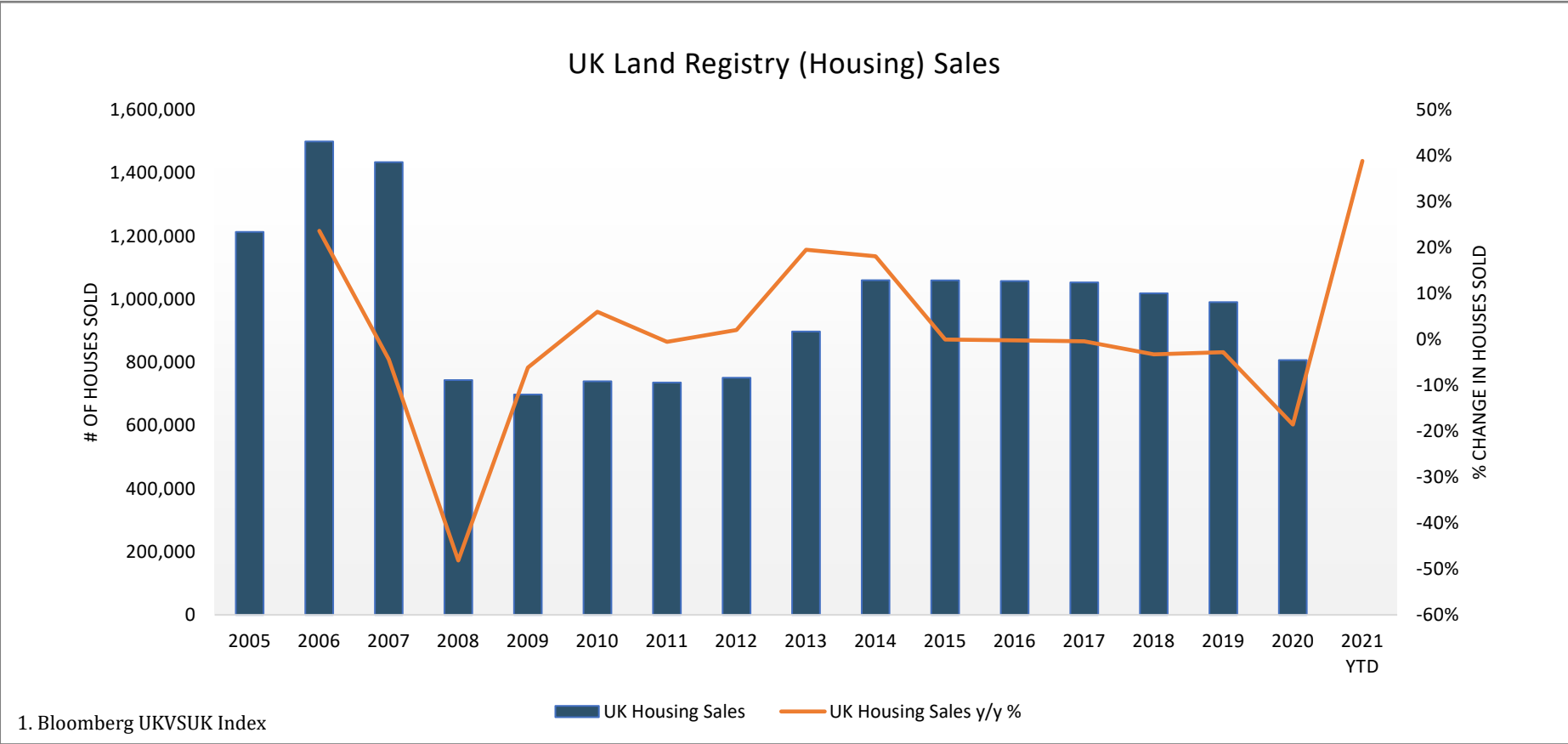
Date	US Housing Sales per year (millions)	y/y % Change in Housing Sales	MHK Organic sales growth*
12/31/2021			18.0%
12/31/2020	6.65	21%	-4.0%
12/31/2019	5.51	10%	-1.9%
12/31/2018	5.01	-10%	1.9%
12/29/2017	5.57	1%	4.1%
12/30/2016	5.52	1%	5.5%
12/31/2015	5.44	7%	4.6%
12/31/2014	5.09	5%	2.5%
12/31/2013	4.86	-1%	4.0%
12/31/2012	4.89	12%	4.2%
12/30/2011	4.35	2%	5.1%
12/31/2010	4.27	-3%	-2.0%
12/31/2009	4.40	10%	-19.7%
12/31/2008	4.01	-9%	-10.0%
12/31/2007	4.41	-31%	-4.0%
12/29/2006	6.40	-6%	3.4%
12/30/2005	6.84	-1%	15.6%
12/31/2004	6.89	6%	17.6%
12/31/2003	6.49	9%	3.1%
12/31/2002	5.97	9%	5.2%
12/31/2001	5.49	8%	1.2%
12/29/2000	5.10	0%	10.4%
12/31/1999	5.08		

*AFC estimates

1. <https://www.nar.realtor/sites/default/files/documents/2021-home-buyers-and-sellers-generational-trends-03-16-2021.pdf>

Flooring Sales are Primed to Enter a Meaningful Upcycle (2/2)

YTD housing sales in the UK are up 39% y/y and 13% over 2019 levels¹. We believe that VCP is poised to experience accelerating organic growth over the next few years following strong UK housing sales YTD.



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2. VCP is in early innings of meaningful non-dilutive M&A that will more than double the earnings power of the business in the next 2 years
3. VCP is tightly held by well-respected investors that have provided significant M&A financing at attractive terms and offer experienced guidance at the Board level
4. Macro tailwinds favorably position VCP to see a period of significant organic growth over the next few years
5. **Further operational improvements, macro tailwinds, and robust M&A, coupled with sleepy consensus expectations, will result in significant upside for shareholders over the coming years**

Alta Fox VCP Estimates vs Consensus

- We believe VCP will create significant value through accretive M&A which is not incorporated by consensus. Moreover, we believe that VCP can continue to see EBITDA margin expansion and that the company will soon benefit from a wave of remodeling growth given the recent strength in European housing sales. **The combination of these factors creates a compelling opportunity for knowledgeable investors to buy VCP shares at ~5x our FY25 EBITDA.**
 - VCP has already raised most of the capital necessary to bolt on this EBITDA and can supplement the rest with free cash flow and the issuance of callable preferred equity.
- With conservative assumptions surrounding capital allocation, organic growth, and margin expansion, **we believe VCP's reported FY25 EBITDA will be over double current consensus FY25 expectations.**

AFC vs Consensus VCP	FY20	FY21	FY22E	FY23E	FY24E	FY25E
Total VCP Pro Forma Revenue AFC Forecast			1,145	1,619	1,668	1,718
Total VCP Revenue AFC Forecast	622	662	937	1,411	1,668	1,718
Consensus Estimates			844	918	951	978
Total VCP EBITDA Model AFC Forecast	118	127	174	263	328	360
<i>AFC EBITDA Margin</i>	19.0%	19.2%	18.6%	18.6%	19.6%	20.9%
Consensus Estimates			147	165	169	174
<i>Consensus EBITDA Margin</i>			17.4%	18.0%	17.8%	17.8%
Net Debt (including prefs)	432	443	594	920	819	714
Total EBITDA	118	127	174	263	328	360
Net Debt / EBITDA	3.7x	3.5x	3.4x	3.5x	2.5x	2.0x
Market Cap		1,228	1,228	1,228	1,228	1,228
Cash		349	198	22	122	127
Debt + Preferreds		718	718	868	868	768
Operating Lease Liabilities		74	74	74	74	74
Implied EV Assuming Capital Allocation		1,670	1,821	2,147	2,047	1,942
<i>Implied EV/EBITDA on AFC #s</i>		13.1x	10.4x	8.2x	6.2x	5.4x
<i>y/y %</i>			-20%	-22%	-24%	-14%
Implied EV ex Capital Allocation		1,670	1,670	1,670	1,670	1,670
<i>Implied EV/EBITDA on Consensus #s</i>		13.1x	11.4x	10.1x	9.9x	9.6x
<i>y/y %</i>			-13%	-11%	-2%	-3%

Source: Alta Fox Internal Estimates

Base Case Valuation – AFC Conservative Assumptions

Key Assumptions

- VCP sees strong organic growth the next 2 years following the boom in housing sales.
- VCP acquires £125M in EBITDA (including 27M acquired YTD) for £825M (£160M already deployed YTD) by FY23.
- EBITDA margins (ex-operating leases) increase slightly every year as a result of increased scale and further asset optimization
- EBITDA multiple re-rates slightly to its 2018 and 2021 highs of 12x
 - *12x is well below European flooring comps James Halstead (19x NTM EBITDA) and Forbo (13x NTM EBITDA).*

Model Sheet Currency : GBP M	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25
Scenario:	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Valuation						
Sales Organic	622	662	729	765	788	812
y/y %		7%	10%	5%	3%	3%
Sales Inorganic	0	0	208	646	880	906
y/y %				210%	36%	3%
Total Sales	622	662	937	1,411	1,668	1,718
y/y %	10%	7%	41%	51%	18%	3%
EBITDA (ex-operating leases)	107	113	160	248	313	345
y/y %	11%	6%	41%	55%	26%	10%
EBITDA Margin	17%	17%	17%	18%	19%	20%
Capital Deployed			300	525	-	-
EBITDA Multiple Assumed			6.0x	7.0x		
Inorganic EBITDA Contribution			50	75		
EV/EBITDA		12.0x	12.0x	12.0x	12.0x	12.0x
Target EV		1,356	1,917	2,973	3,754	4,136
(+) cash		349	198	22	122	127
(-) debt		648	648	698	698	698
(-) preferreds		70	70	170	170	70
Target Market Cap		987	1,398	2,127	3,008	3,496
FDSO		117	120	120	126	126
Target Value/Share		8.40	11.66	17.66	23.96	27.71
Implied IRR using EBITDA			265%	62%	49%	37%
Share Price		-10.45	-10.45	-10.45	-10.45	-10.45
Future Value		8.40	11.66	17.66	23.96	27.71
Today		8/30/2021	8/30/2021	8/30/2021	8/30/2021	8/30/2021
Date Future Value Realized		9/30/2020	9/30/2021	9/30/2022	9/30/2023	9/29/2024
Total Shareholder Return			12%	69%	129%	165%

Source: Alta Fox Internal Estimates

Key Risks

- Global recession
 - While this would be a headwind for the entire industry, we believe VCP would be an opportunistic buyer of subscale assets
- VCP makes poor acquisitions
 - Unlikely given management's exceptional M&A track record to date, insiders' shareholder alignment, and a sophisticated advisory Board
- Capital deployment slows down
 - Unlikely given management's stated targets of £100M in incremental EBITDA this year with the goal of an additional £100M in FY23

Catalysts

- Continued M&A
- Upcoming earnings releases
- Sell side upgrades
- Potential uplisting to a higher tier of the LSE to improve liquidity
 - VCP is difficult for investors to trade as it is listed on the auction market of the AIM.
 - Over the last 5 years, moving from the SETSqx to the SETS tier of the LSE has historically resulted in a 42% increase in the stock price and 87% increase in average daily value traded.

SETSqx to SETS Uplisting Analysis		
	1-year average value traded post-uplist y/y %	1-year average price post-uplist y/y %
Average	87%	42%
Median	25%	22%

Source: Alta Fox Analysis

Addressing the Bear Case

- In the past, VCP bears have cast doubt on the validity of the company's FCF and adjusted financials.
 - Bears have been largely refuted as the company has continued to successfully execute accretive M&A and integrate acquisitions with strong operational results.
 - Sophisticated investors advise on VCP's M&A pipeline, provide financing, and have increased their stakes while having Board-level knowledge
- Bears also tend to fabricate a narrative that VCP's Chairman, Geoff Wilding, is somehow untrustworthy, ignoring his exceptional successes at VCP and prior ventures, pointing to a select few smirches (i.e. his involvement in Commsoft) and blowing them out of proportion.
 - Our direct calls with former co-workers, competitors, and partners have decidedly indicated that Wilding is not only trustworthy but is also an exceptional operator and capital allocator – certainly not someone to bet against.
 - Wilding is very upfront that he had one business venture that failed while he was involved (Commsoft), totally unrelated to VCP. Most of his other ventures have been significant successes. We have found Wilding's candor to be refreshing and respect his relentless focus on shareholder value.

Conclusion

- Today, investors can invest alongside Geoff Wilding for *~5x our FY25 EBITDA* estimate. **In our base, case we expect ~170% total upside from today's prices to FY25, yielding a 37% IRR over the next 3 years.** Wilding has continued to bet big on VCP, still retaining the majority of his significant equity stake.
- VCP should continue to take share organically within the fragmented flooring industry and expand margins over time.
- The investment case in VCP is significantly more compelling today than historically given:
 - VCP has had years to digest historic acquisitions, expand margins, and prove out their M&A model.
 - Koch Industries' involvement in VCP has improved VCP's access to capital, further enhanced management's credibility, and could lead to an eventual acquisition of VCP.
 - VCP has meaningfully reduced its cost of debt to *~3.70%* from *5.25%*.
 - VCP has publicly stated an ambitious M&A pipeline which it is in early innings of acquiring
- Lastly, we believe VCP has many catalysts:
 - Consensus #s are too low
 - VCP is in early innings of highly accretive M&A
 - Near-term organic numbers should be very strong attributable to our forecasted increase in floor remodeling sales
 - Potential uplisting in 2022 to a higher tier of the LSE to improve liquidity

Questions? Comments? Feedback?

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