



AO WORLD PLC

Final Results FY18

5 June 2018

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A copy of this presentation can be found on our corporate website at www.ao.com/corporate

Agenda

Welcome

Geoff Cooper, Chairman

Financial Performance

Mark Higgins, CFO

Strategic Progress

Steve Counce, CEO

Q&A

FY18 highlights

- Growing revenue and steady financial progress
- Significant achievements in building the strength of the business
- Fundamental work in articulation of strategy





Financial Performance



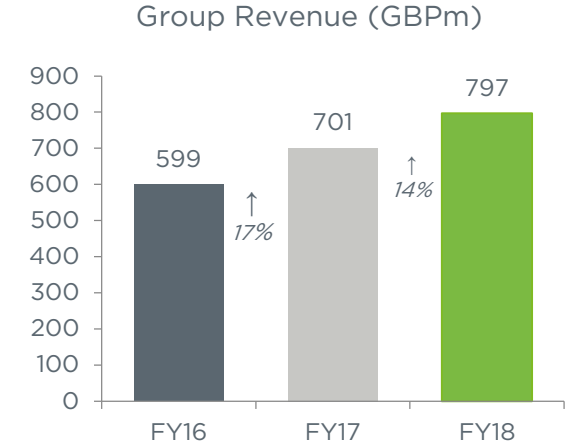
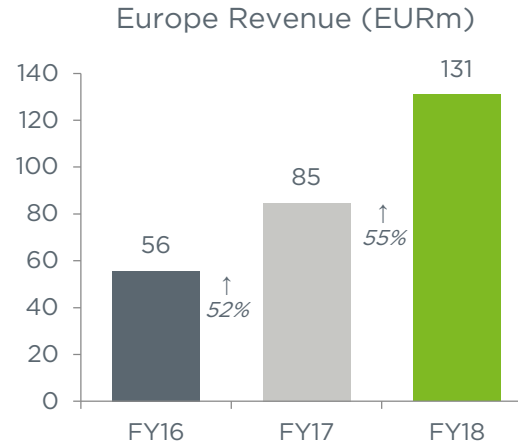
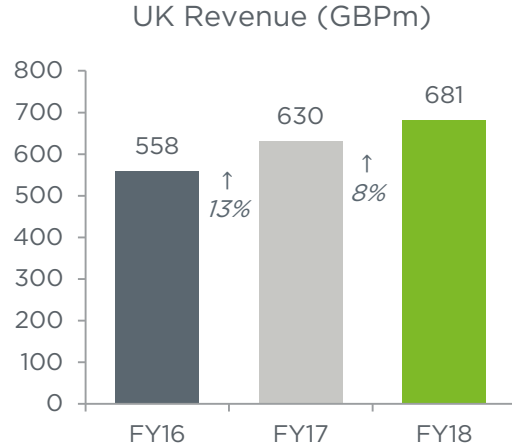
Mark Higgins
Chief Financial Officer

FY18 financial highlights



- UK AO website sales up 8.7% (total UK revenue up 8.1%)
- Europe revenue up 54.8%
- Group revenue up 13.6%
- Adjusted EBITDA:
 - UK profit reduced to £22.6m
 - Europe losses reduced to €29.6m
 - Group losses increased to £3.4m

Continued revenue growth



- Group revenue increased by 13.6% to £796.8m (FY17: £701.2m)
- Overall UK growth of 8.1% to £680.8m (FY17:£629.7m) continues to be driven by AO website sales as we consolidate our position in core UK markets
- Strong European revenue growth of 54.8% to €131.2m (FY17: €84.7m)

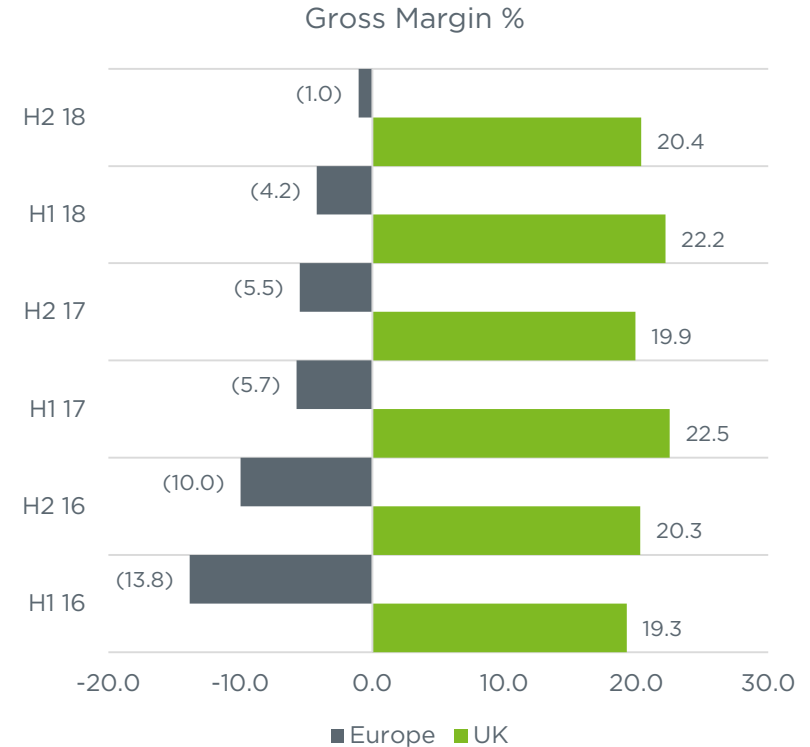
Gross margin remains on plan

UK

- Efficiency gains in delivery & trunking costs and improvements in warranty contribution offset by:
 - Competitive pricing environment in mature categories
 - Dilutive margin impact of newer categories as we build scale
- Supplier support remains strong

Europe

- Further supplier product margin progress
- Improvements in costs-to-deliver but logistics leverage will not be linear (FY19 investment in outbases)
- Further improvements as volumes/drop densities increase
- On-track against expectations set out in February '17



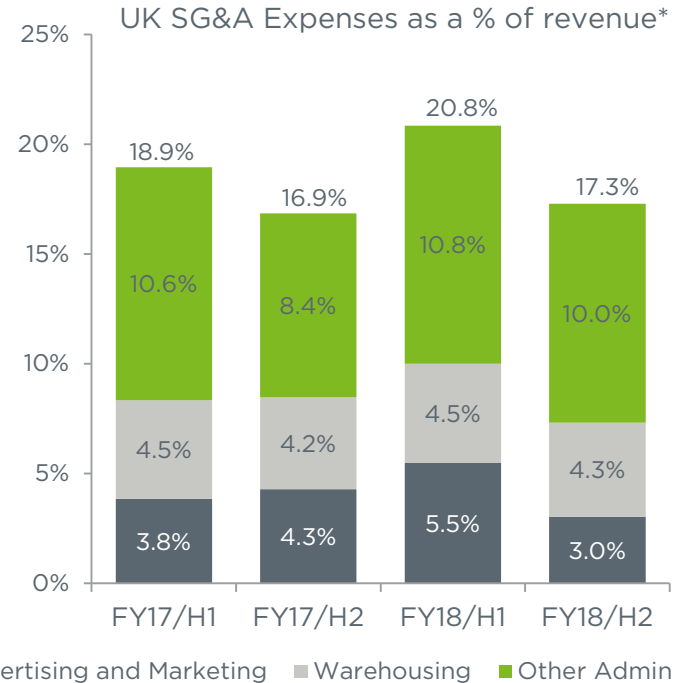
For the 12 months ending 31 March 2018

Note: Certain financial data have been rounded. As a result of this rounding, the total of data presented may vary slightly from the arithmetic totals of such data.

UK SG&A cost analysis

UK

- Warehousing costs reflecting revenue leverage in the investments in recycling and outbases evident in first half
- Marketing costs showing a significant reduction from 5.5% H1 to 3.0 % in H2
 - First half includes BGT sponsorship
 - Second half significantly lower TV advertising
 - Will resume TV advertising in FY19 following the launch of our new brand creative
- Other admin reflective of investments in IT, ecommerce and aftercare sales teams



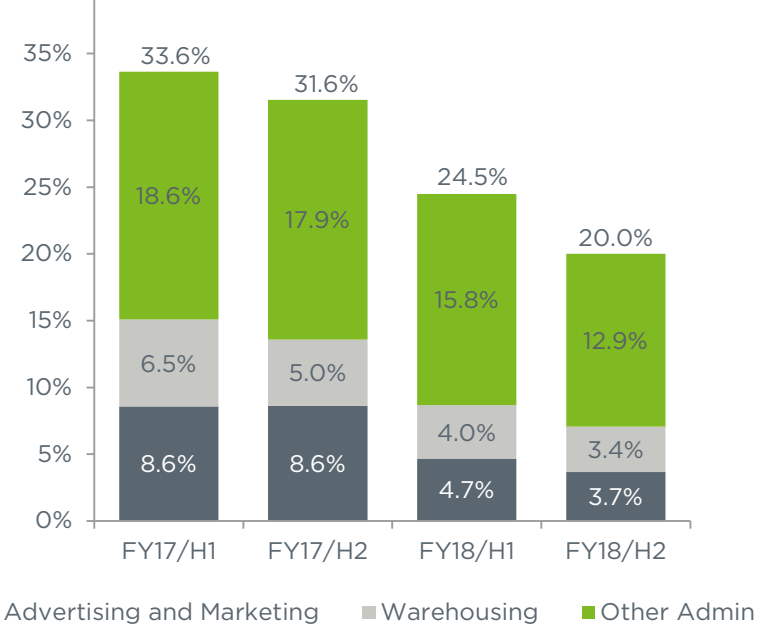
Notes
*Excludes impact of ERP share plan charges, restructuring costs and European set-up costs which are categorised as exceptional
Certain financial data have been rounded. As a result of this rounding, the total of data presented may vary slightly from the arithmetic totals of such data

Europe SG&A cost analysis

Europe

- Continue to demonstrate leverage across all cost bases with revenue growth
- Marketing costs reflective of minimal branded advertising and mostly traffic acquisition
- We expect to continue to leverage Other admin with growth

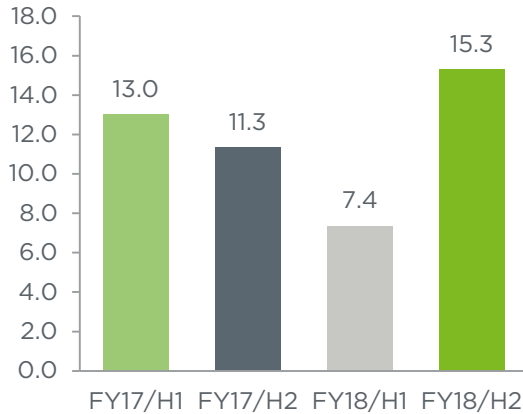
Europe SG&A Expenses as a % of revenue*



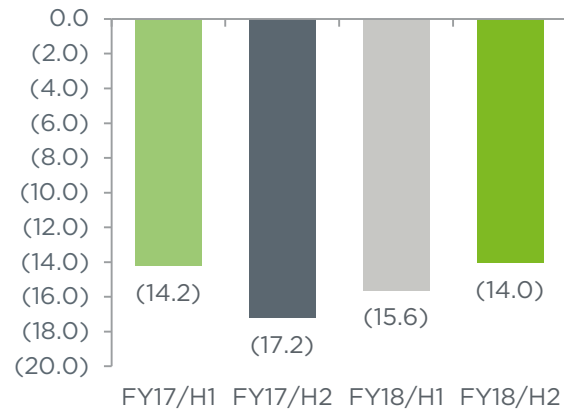
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*Excludes impact of ERP share plan charges, restructuring costs and European set-up costs which are categorised as exceptional
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EBITDA progression

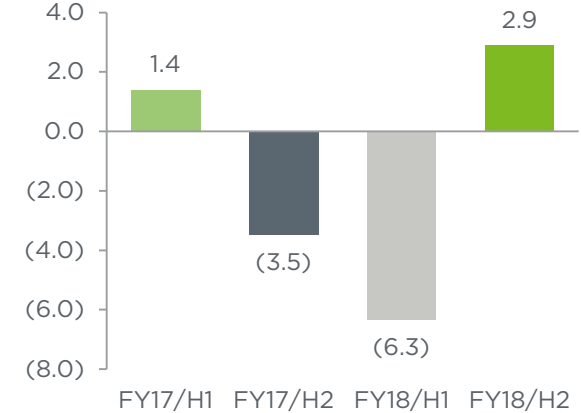
UK adj. EBITDA (GBPm)



Europe adj. EBITDA (EURm)



Group adj. EBITDA (GBPm)



- UK FY17/H2 impacted by supply chain inflation
- UK FY18/H1 impacted by TV brand sponsorship
- UK FY18/H2 reflects limited TV marketing expense
- Europe continuing leverage through cost base

Note: Certain financial data have been rounded. As a result of this rounding, the total of data presented may vary slightly from the arithmetic totals of such data.

Operating cash flow

As at 31 March (£m)	FY18	FY17
Adjusted EBITDA	(3.4)	(2.1)
Europe set-up costs	(0.3)	(0.7)
Non-cash movements	0.8	1.2
Net change working capital:		
Movement in trade & other receivables and accrued income	(21.5)	(13.3)
Movement in inventories	(8.4)	(10.3)
Movement in trade and other payables	17.1	28.9
Cash generated from / (used in) operating activities	(15.7)	3.7
Tax received/(paid)	0.3	0.2
Capex and interest received	(5.2)	(4.9)
Financing activities	(4.1)	(2.6)
Placing proceeds	48.1	-
Movement in cash	23.5	(4.0)
Net cash	52.9	29.4
Un-utilised facilities	58.6	29.5
Total liquidity	111.5	58.9

- Working capital outflow as inventory and accrued income increased faster than creditors
- Replacement Capex of £5.5m during period (FY17: £16.9m)
- £48m (net) equity placing in April '17

RCF extended to support future growth

- RCF agreed June '16 now increased to £60m
- Addition of new lender – HSBC
- RCF for working capital purposes in the UK business
- Supports growth during peak
- Significant liquidity headroom

Note: Certain financial data have been rounded. As a result of this rounding, the total of data presented may vary slightly from the arithmetic totals of such data.

FY19 Financial outlook

Trading

UK

- Market conditions expected to remain tough but we have achieved double-digit sales growth in first two months of FY19 underpinning market expectations for the full year
- Will return to investing in brand advertising in the UK following conclusion of review

Europe

- Progress continues against the plan set out at our Capital Markets Day

Capex

- Further significant investment in recycling
- Expected to be similar to FY17 with asset finance against large investments





Strategic Progress



Steve Counce
Chief Executive Officer

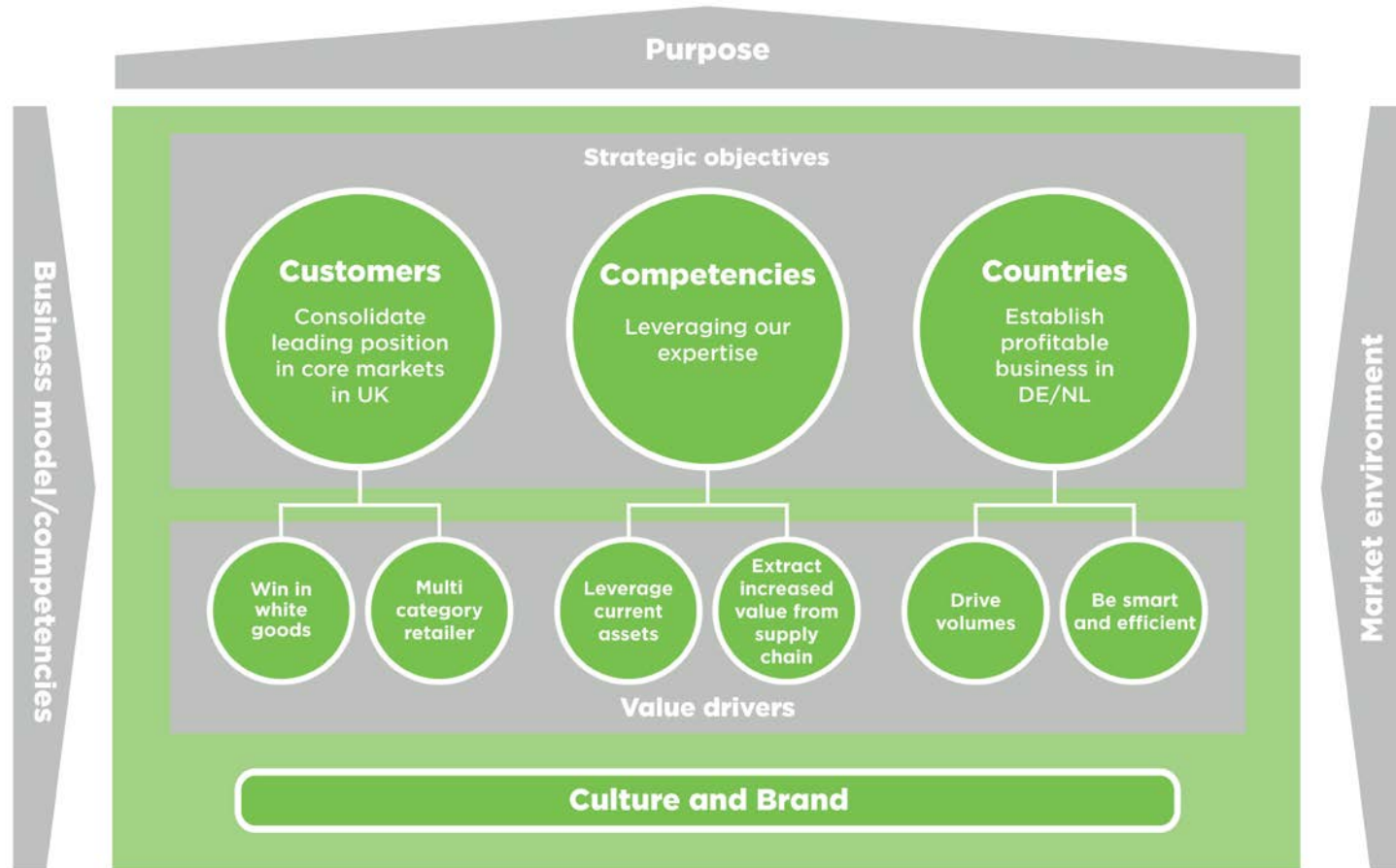
Ensuring we are aligned for growth

CEO FY18 focus:

- Our Strategy
- Our Purpose
- Our Brand



Our strategy positions us for growth



Our Purpose

- AO is an evolving business
- Been living and breathing our culture for years but to protect it we have:
 - worked to identify what drives and connects our business; and
 - articulated our Purpose in such a way so that it applies to all our competencies
- Allows us to:
 - sharpen the lens through which we operate
 - provide alignment and a renewed sense of direction and motivation

To have the **happiest customers** by **relentlessly striving** for a **better way**

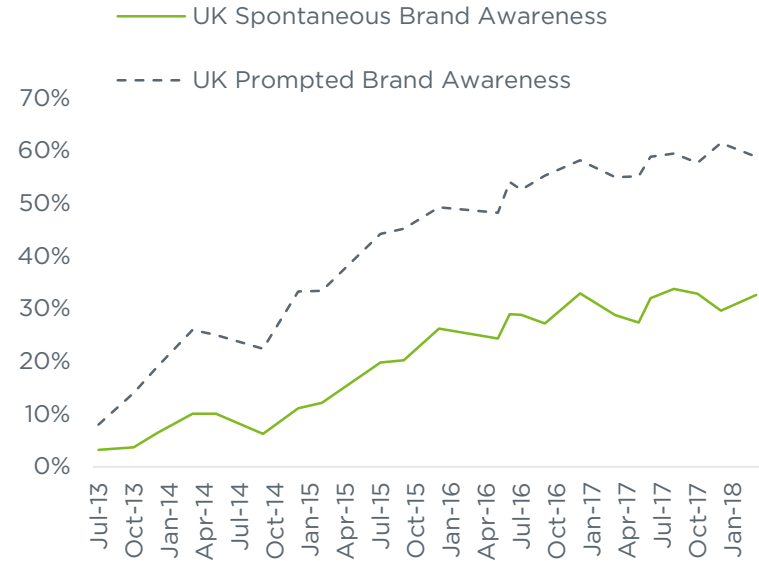
Using our Purpose to build our brand

- Our Purpose is the cornerstone of new brand campaign
- 12 month process undertaken involving extensive consumer research
- Creation of a new brand platform
- Go-live date H1/FY19



UK brand progress

- Modest increases in spontaneous and prompted brand awareness over the reporting period
- Actions required:
 - Build trust and awareness
 - Encourage trial - when customers try AO they love us



Source: Mediacom Brand Tracking survey, Large Kitchen Appliances

Strategic progress

- Customers
- Competencies
- Countries

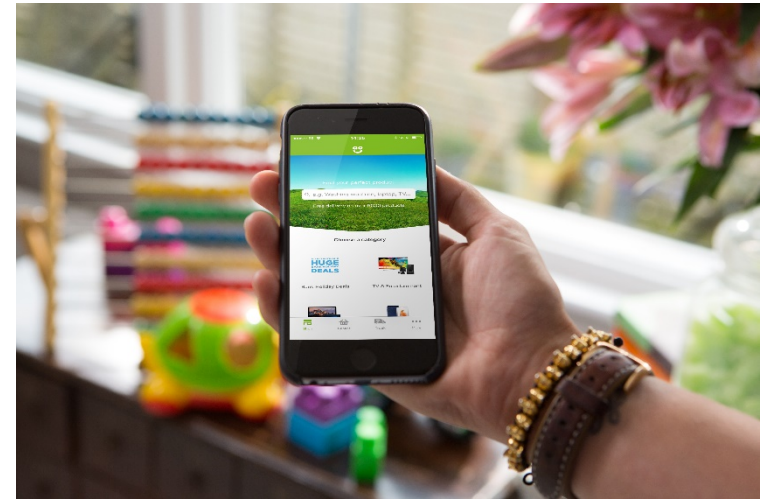


Strategic Objectives: Customers

OBJECTIVE: CONSOLIDATE LEADING POSITION IN CORE MARKETS IN THE UK

Delivering our customer objective

- Transactional Mobile App successfully launched across all territories
- Addition of complementary categories and ranges: Mobile Phones, Gaming Consoles, Smart Home and Cameras
- Introduction of great value timed-delivery slots
- New outbase opened in Bridgend September '17 to improve delivery ability and services
- Increase in UK premium installation fleet to improve lead times

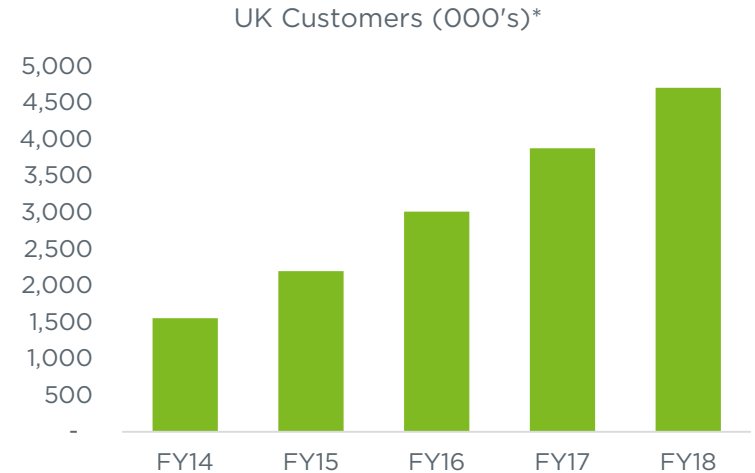


Strategic Objectives: Customers

OBJECTIVE: CONSOLIDATE LEADING POSITION IN CORE MARKETS IN THE UK

Strong UK customer metrics

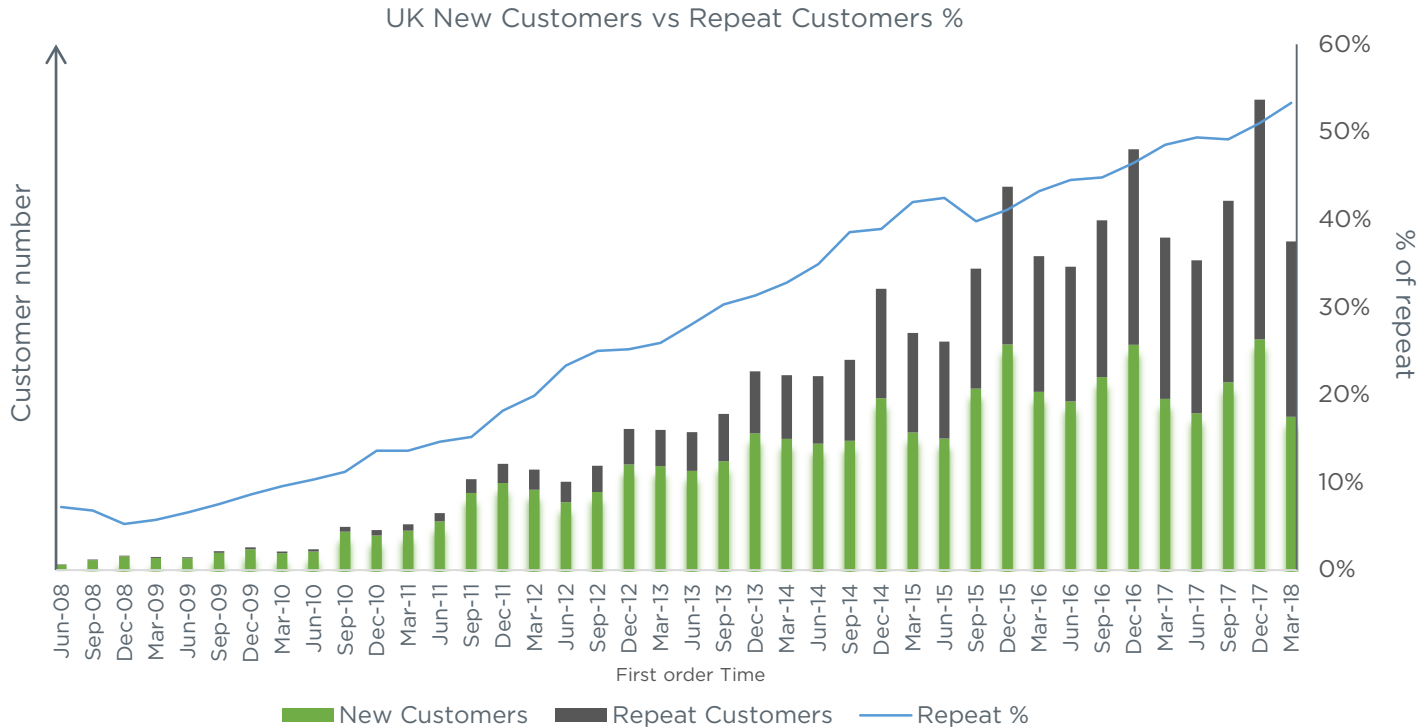
- Approaching 5 million customers who have bought from AO
- Net Promoter Score remains consistently high at >80
- Reached over 100,000 reviews on UK site Trustpilot whilst maintaining a 95% “great” or “excellent” score
- AO.com voted third best online shop by Which? (2017)



*A customer is defined as an individual who has purchased from us

Strategic Objectives: Customers

OBJECTIVE: CONSOLIDATE LEADING POSITION IN CORE MARKETS IN THE UK



Strategic Objectives: Competencies

OBJECTIVE: LEVERAGING OUR EXPERTISE

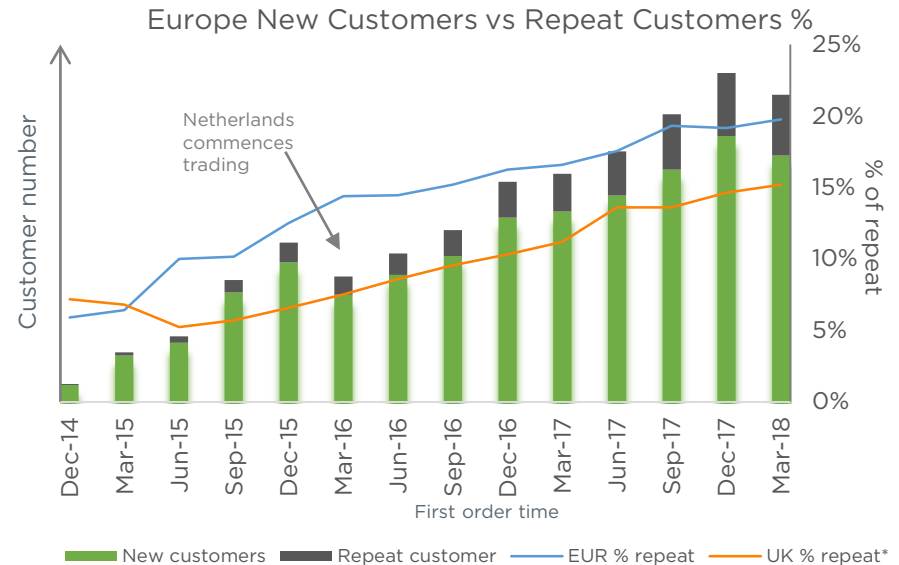
- UK recycling facility now fully operational building on vertically integrated infrastructure
- Formalisation of our B2B offering providing a sizeable incremental opportunity
- Ability to provide market-leading logistics to third parties
- Other opportunities under review



Strategic Objectives: Countries

OBJECTIVE: ESTABLISH PROFITABLE BUSINESS IN DE/NL

- All key metrics improving
- New categories rolled out
- Further enhancements to customer journey
- Leveraging Bergheim
- Culture & management structure well embedded
- Supplier support continues to build
- Growing with minimal ATL marketing investment
- On-track to achieve expectations set out at February '17 Capital Markets Day



*UK % repeat based on comparable trading period of Jun-08 to Sep-11

Summary & outlook

- Our redefined Purpose will ensure strategic priorities are driven with consistency
- Continuing to deliver our objectives:
 - Strong customer metrics in core UK business, new categories rolled-out
 - Leveraging our competencies into new opportunities
 - European operations progressing to plan
- Continuing economic uncertainty in UK
- Remain excited about the opportunities available to us

To have the **happiest customers** by **relentlessly striving** for a **better way**

Q&A
