Full year results
Year ended 31st March 2017

6th June 2017

Forward-looking statements disclaimer

This presentation contains oral and written statements that are, or may be, “forward-looking statements” with respect to certain of AO World plc’s (“AO”) plans and its current goals and expectations relating to its future financial condition, performance and results. These forward-looking statements are usually identified by words such as “believe”, “estimates”, “plans”, “projects”, “anticipates”, “goal”, “expects”, “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.

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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
Strategic & Operational Progress	Steve Caunce, CEO
Financial Review	Mark Higgins, CFO
Summary	Steve Caunce, CEO
Q&A	

FY17 Highlights

- Continued strong financial progress
- 4C's strategy on-track
- Gaining market share in all categories and countries
- Strengthened our balance sheet through a placing to raise £50m

Welcome

Our strategy

Our mission

WHAT

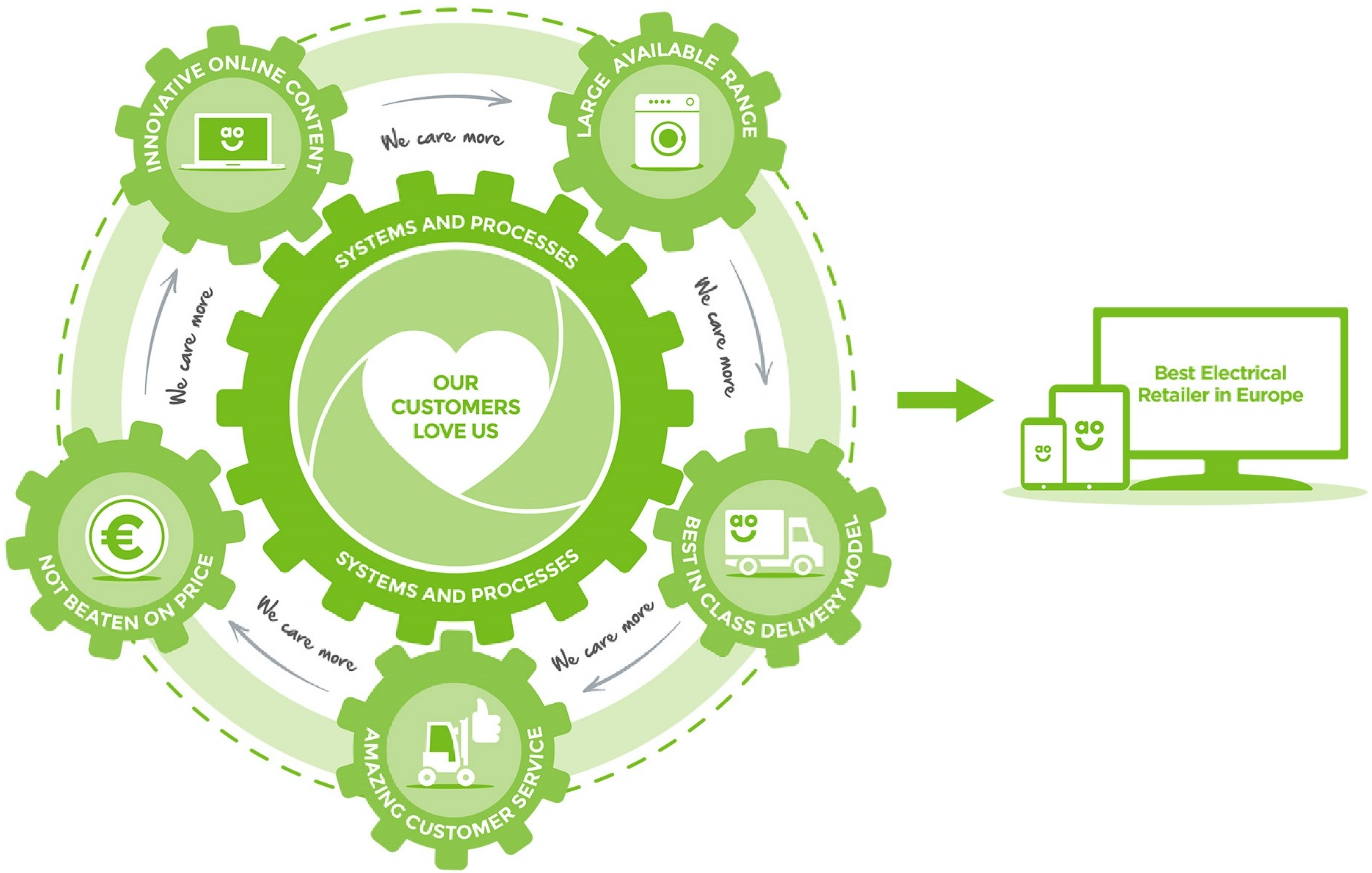
To Be The Best Electrical Retailer in Europe

HOW	WHY
Making things easy	Because we CARE more

4C's model

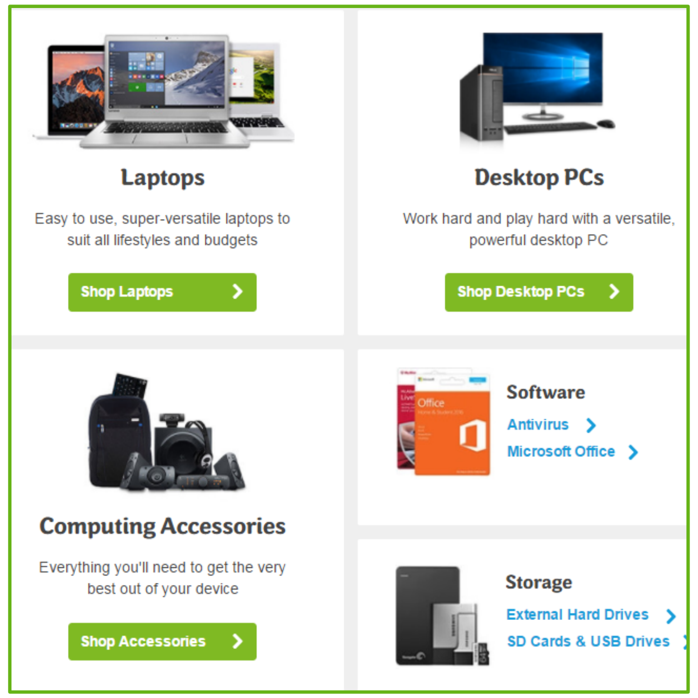
CUSTOMERS
COUNTRIES
CATEGORIES
CULTURE & BRAND
Making things easy because we care more

The AO Way


INNOVATIVE ONLINE CONTENT
We care more
LARGE AVAILABLE RANGE
We care more
SYSTEMS AND PROCESSES
OUR CUSTOMERS LOVE US
SYSTEMS AND PROCESSES
We care more
BEST IN CLASS DELIVERY MODEL
We care more
AMAZING CUSTOMER SERVICE
We care more
NOT BEATEN ON PRICE
We care more
Best Electrical Retailer in Europe

Strategic and operational progress

Building for growth



BUILDING OUR INFRASTRUCTURE

BUILDING OUR BRAND

BUILDING OUR OFFERING

BUILDING OUR SKILL SET

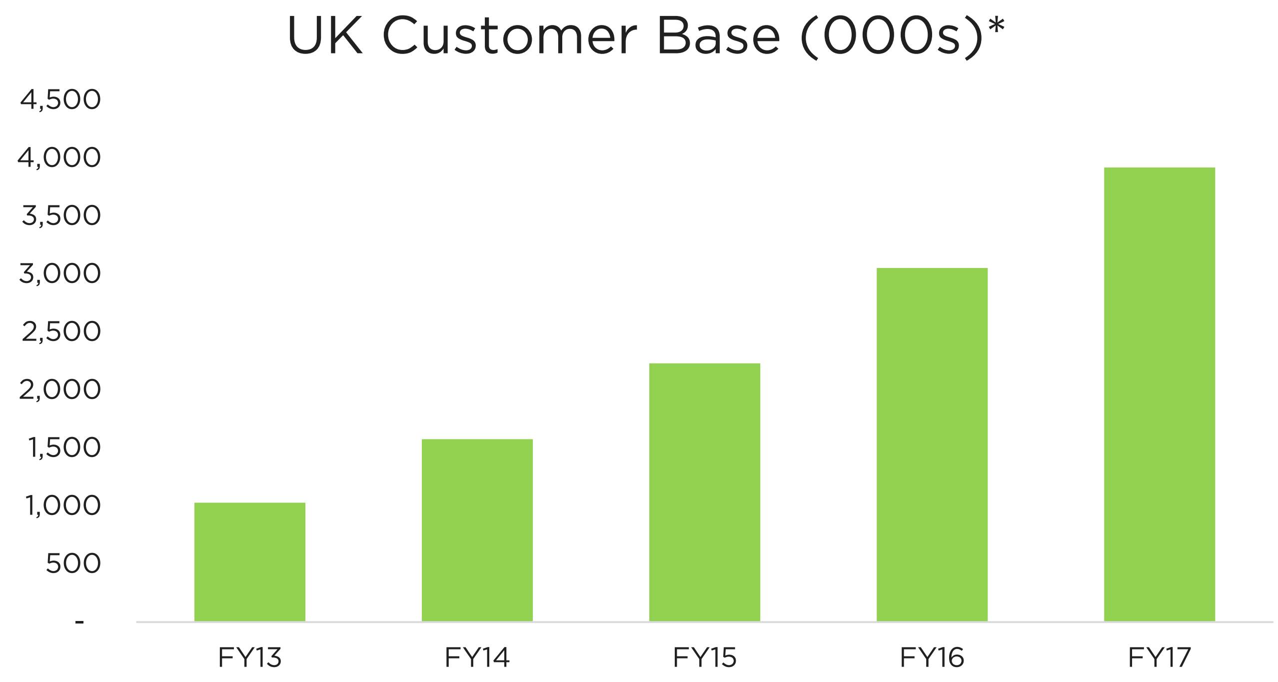
Continued growth and operational development

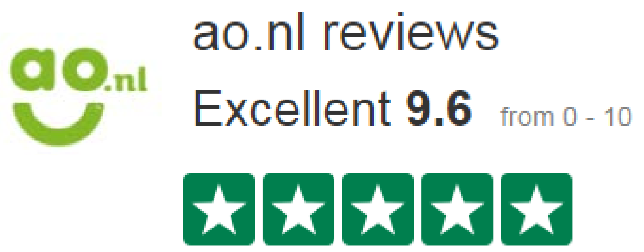
- Operational highlights
  - Continued to gain market share across countries & categories
  - European operations on-track
  - Launched Computing in UK & AV in Germany
  - Built state of the art recycling facility in Telford

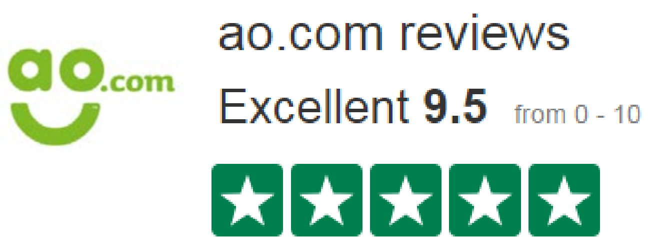
- Financial highlights
  - Total Group revenue increased by 17% to £701m (2016: £599m)
  - UK adjusted EBITDA up over 40% to £24m (2016: £17m)
  - Grown UK AO Website sales by 15% to £558m (2016: £487m)
  - European revenue up by 52% to €85m (2016: €56m)
  - Group adjusted EBITDA loss of £2m (2016: £4m loss); losses reduced by 46%
  - Strengthened our balance sheet through £50m equity raise

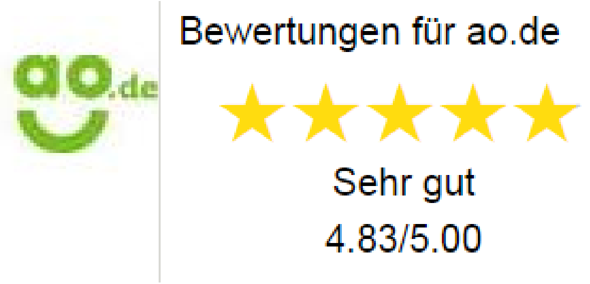
Customers continue to love The AO Way

- Group customer base over 4 million*
- Exceptional NPS levels:
  - UK: >80
  - Germany and Netherlands: >85
- Continue to enhance customer journey
  - Use of CustomerLabs
  - Launch of “MyAO”
  - Live chat / Track-your-order
- Second best Online Retailer in Which? Survey



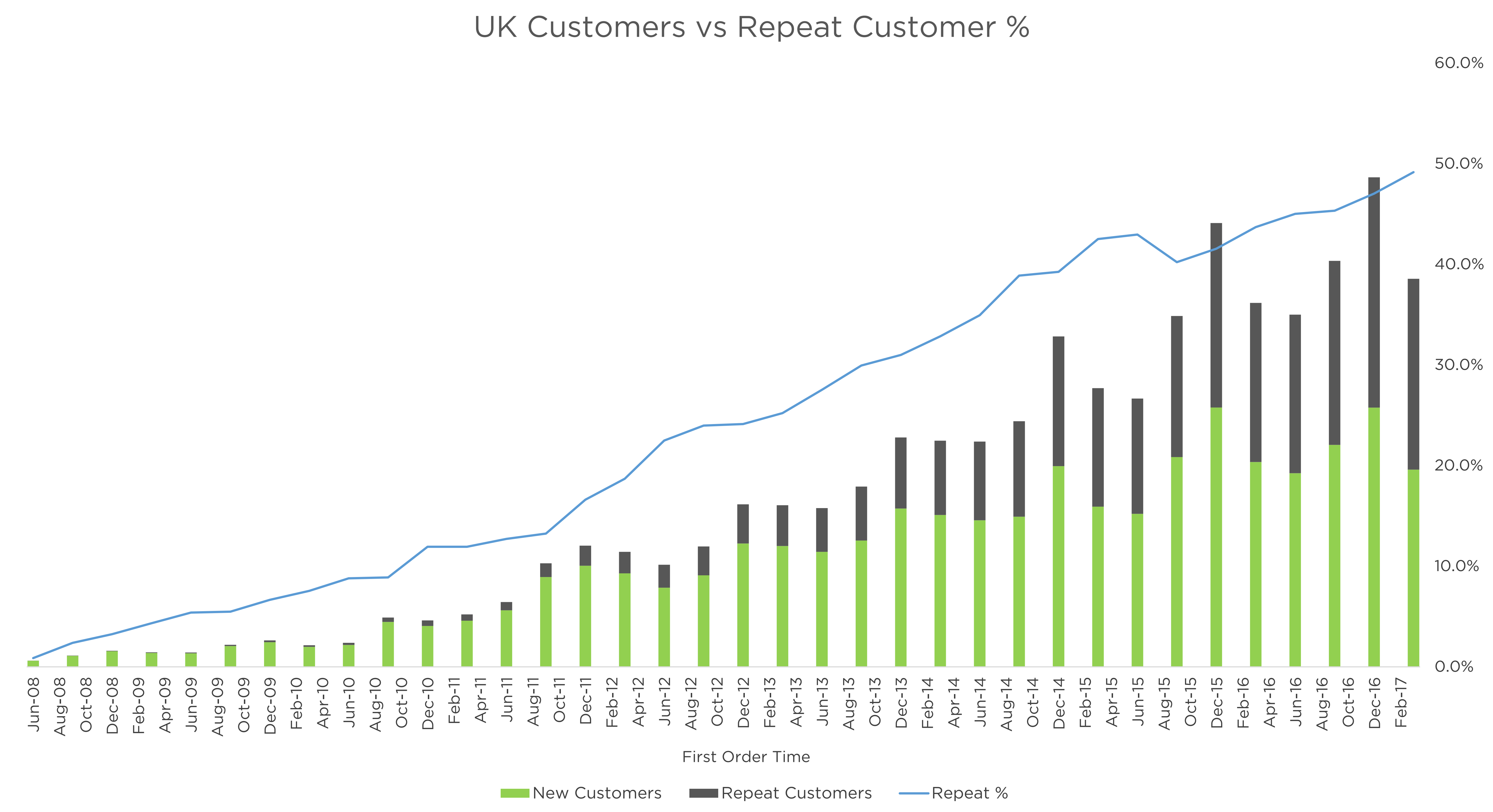






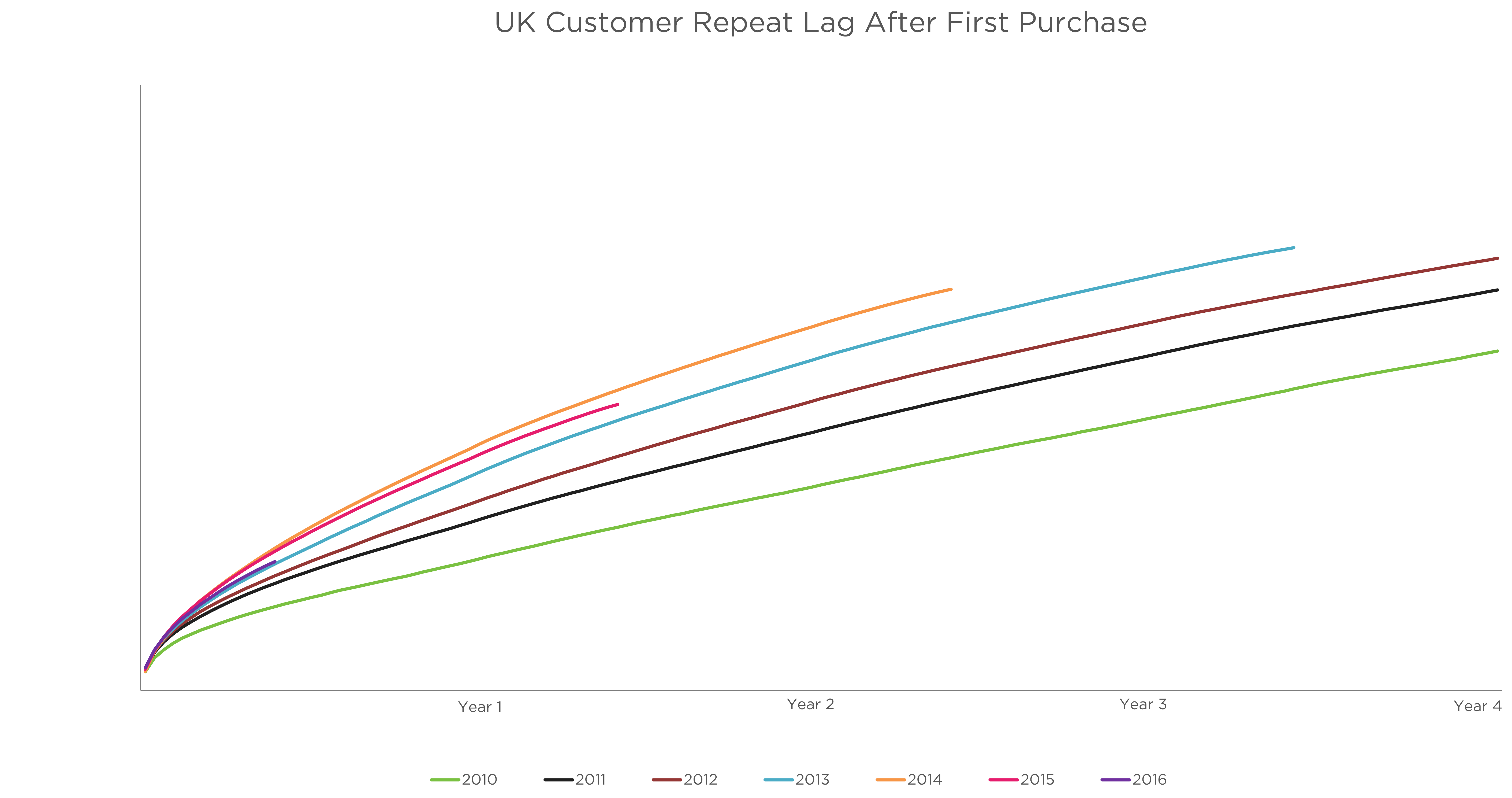
* A customer is defined as an individual customer who has purchased from us

More customers are returning



* Source: based on internal sales data. New customers is defined as a customer who has bought from us. Repeat customers is a customer who has made more than one purchase.

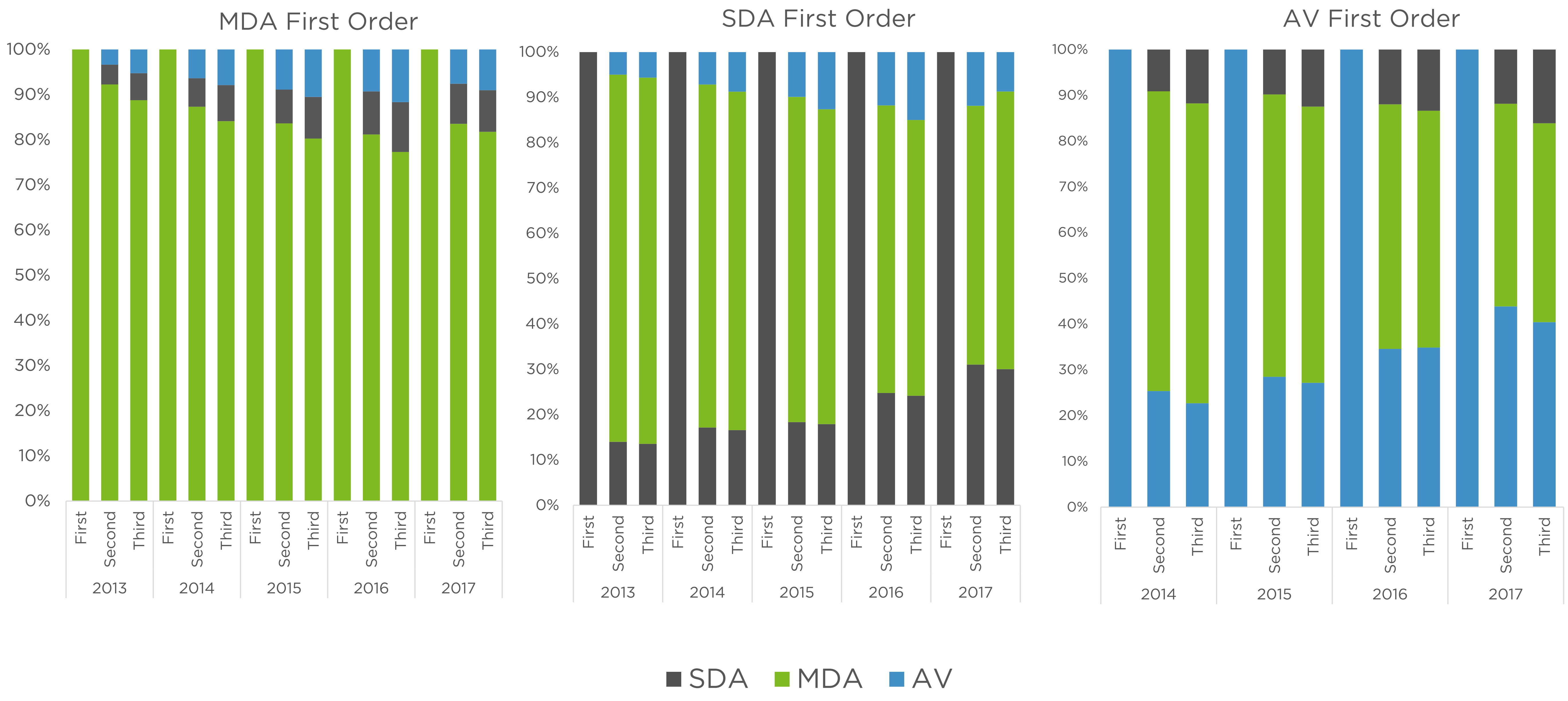
Customers continue to return quickly



* Source: based on internal sales data

Customers are buying across categories

Category unit mix by year and order type

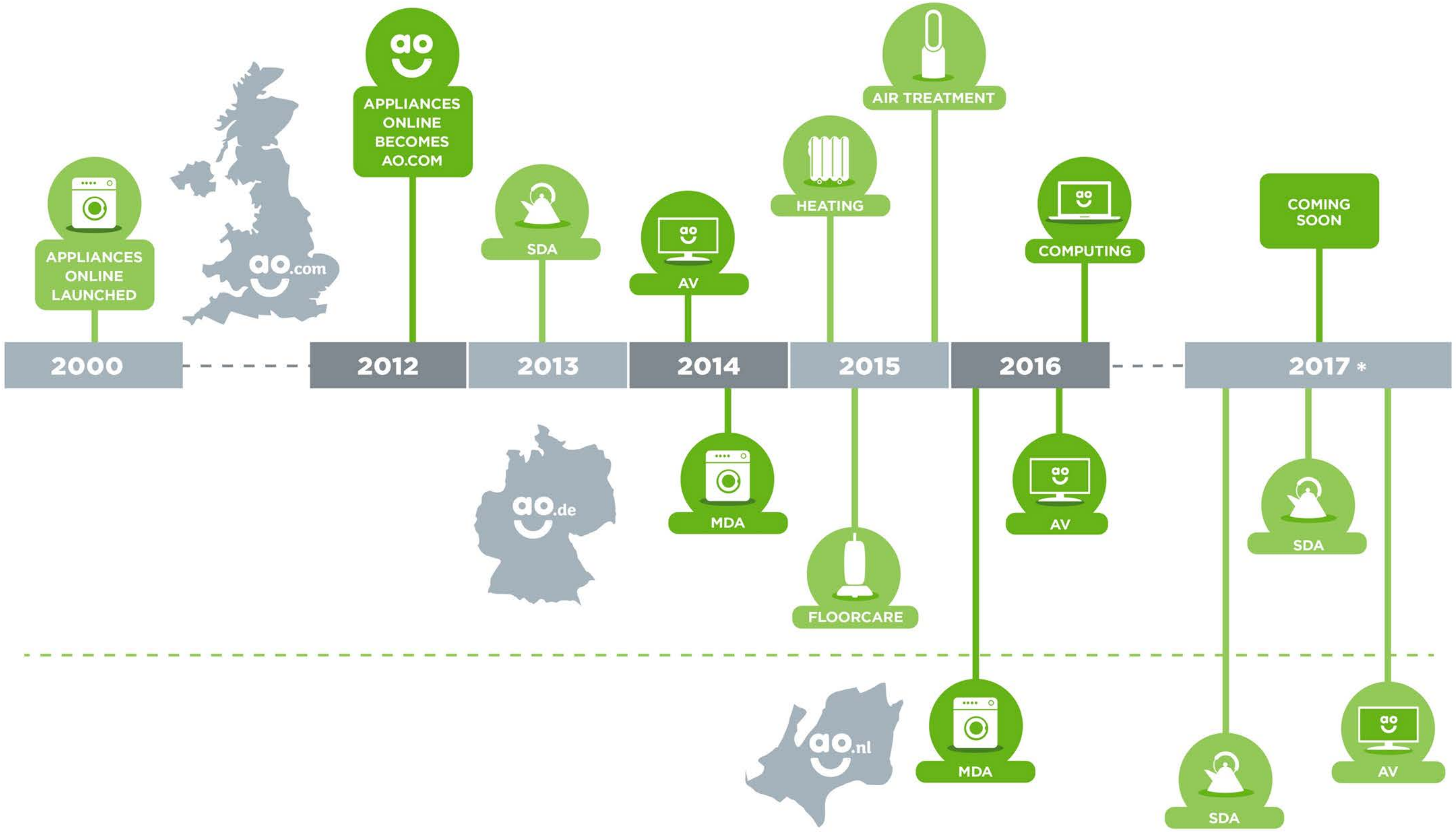


* Source: based on internal sales data

Strong Group-wide reduction in customer acquisition costs

- Progress driven by:
  - Refined online advertising strategy
  - Improved brand awareness (direct traffic)
  - Increased customer recommendations
  - Improved SEO rankings
  - Repeat business

Continuing our category roll-out strategy



*Categories currently being explored for launch in 2017

The AO Way has transformed the Computing category

- Superior product information & customer support
- Category performance has exceeded initial expectations
- Able to leverage assets and learnings across Group
- Happy customers & manufacturers
- Looking forward we will:
    - Continually improve service levels
    - Accelerate category expansion

  by applying our new capabilities to further categories

European business poised for growth

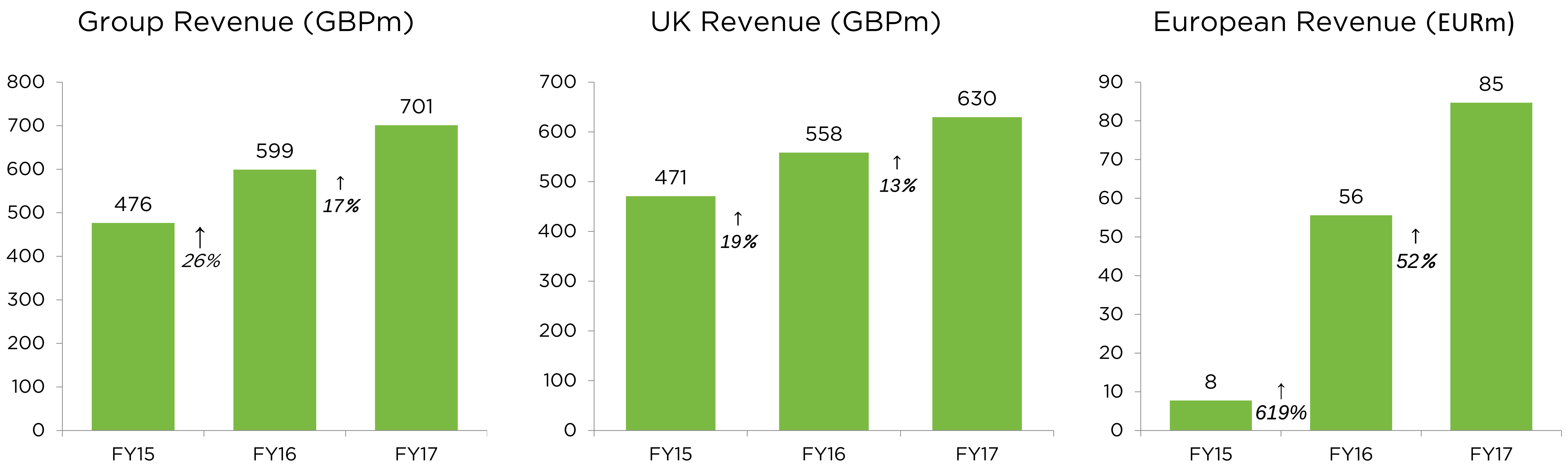
- Physical consolidation phase complete
- UK learnings applied to replicate category roll-out
- Product margin improvement
- Cost-to-deliver reducing
- Brand progression
- Acquisition cost reducing
- Culture developing The AO Way

Responsible retailing: AO Recycling

- State of the art recycling facility built in Telford
- Satisfies our WEEE recycling obligations
- Vertical integration
- Capacity to process all of AO's WEEE
- Provides further opportunities / revenue streams

Financial review

Revenue growth across all categories and countries



- Group revenue increased by 17%
- AO website sales represent c.90% of total Group revenue (2016: c.88%)
- UK revenue:
  - Growth driven by healthy mix of new and repeat customers and improving brand awareness
  - Performance hampered by challenges in MDA category in second half
- European revenue growth of 52% achieved despite low levels of promotional activity during period of physical consolidation

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.

Overall gross margin continues to improve

Product margin continues to improve through demonstration of value we bring to suppliers and customers and through European leverage

Continue with current strategy

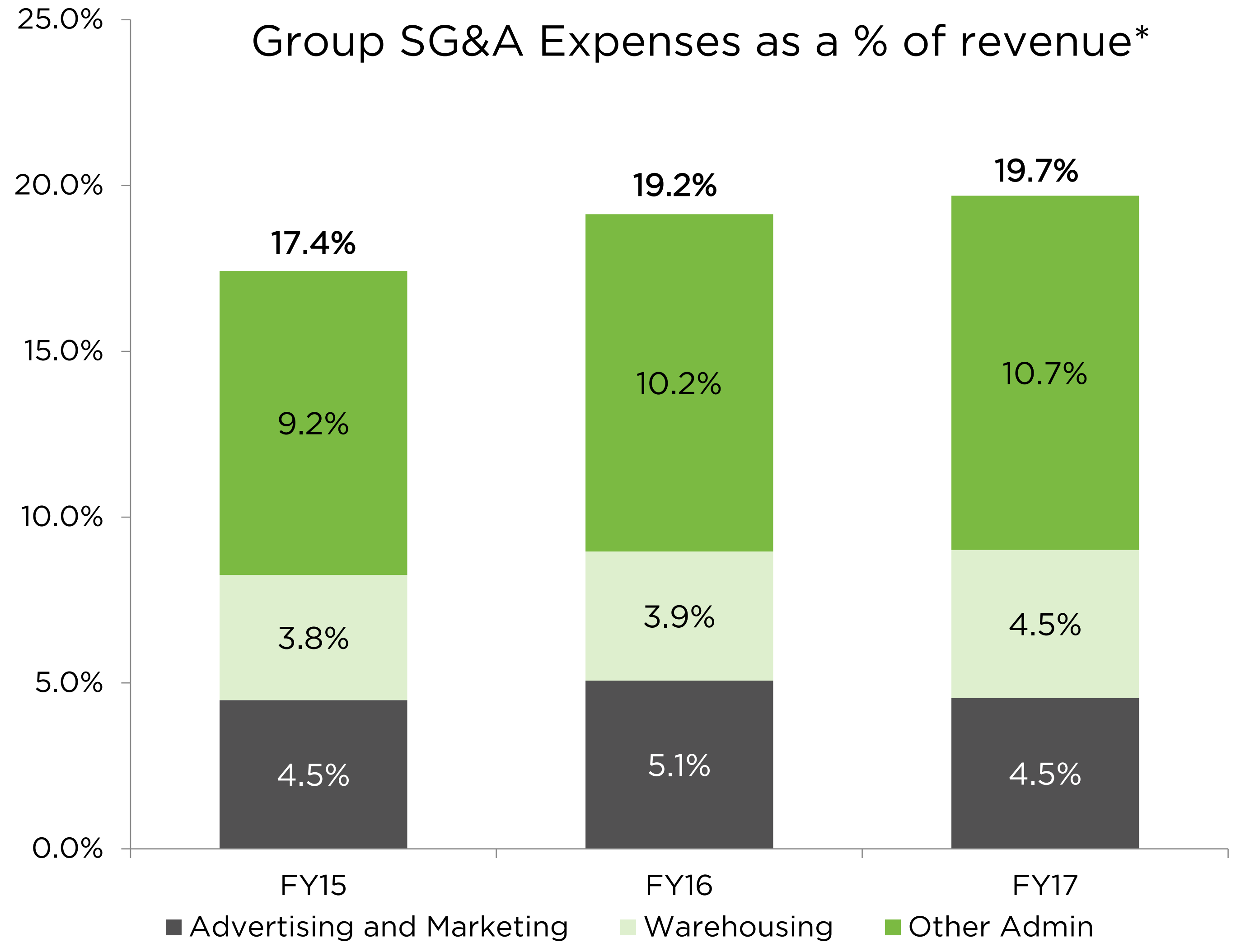
- Build on partnerships with manufacturers
- Continue to educate them on The AO Way
- Increase marketing campaigns to produce engaging content for their customers
- Build marketing support
- Leverage Group-wide media assets across territory

Group Gross Margin %

SG&A cost analysis - Group

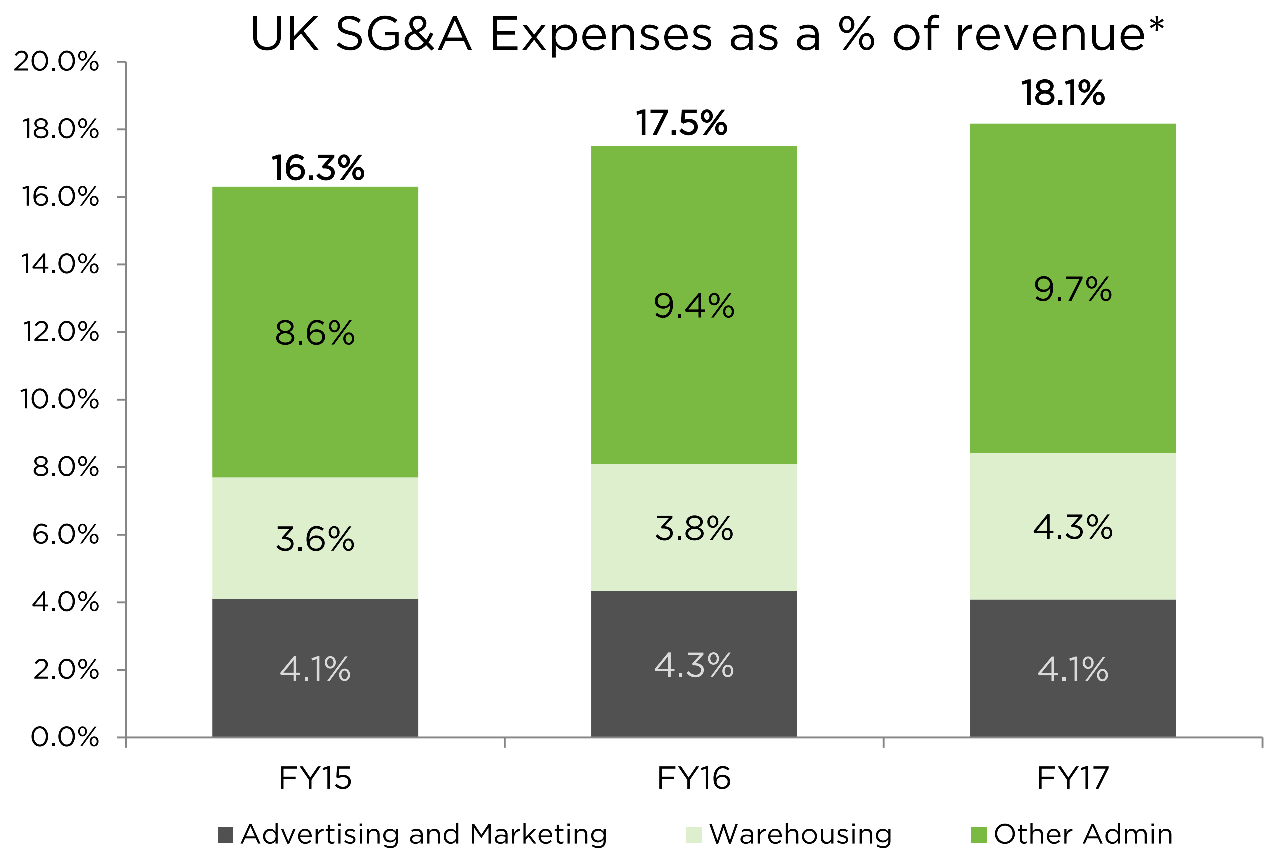
- Total SGA expenses increased to 19.7% of revenue (2016: 19.2%)*
- Driven by increases in:
  - Group warehousing costs
  - Investment in category & IT teams

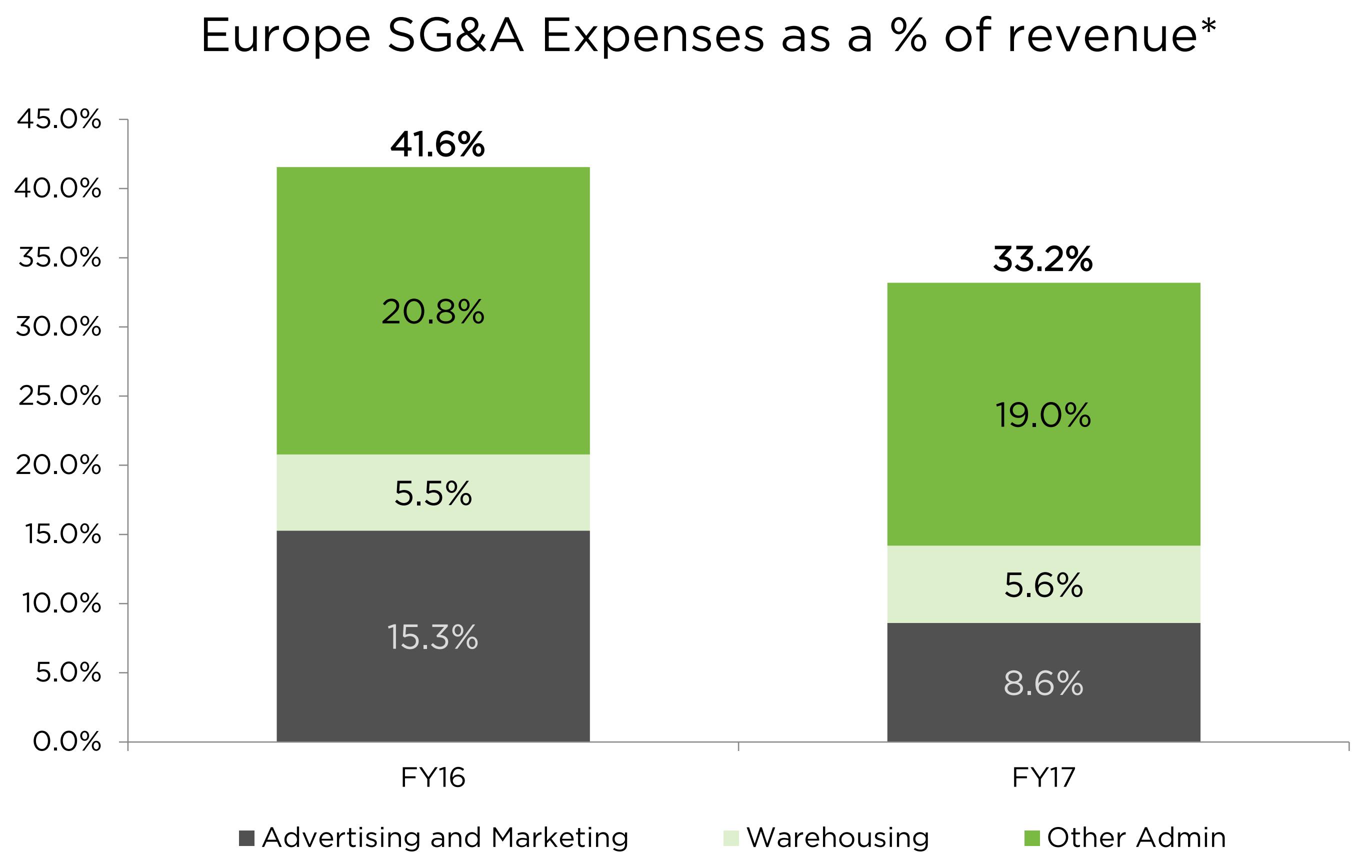
  to support and drive growth



Notes
*Excludes impact of adjustments
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.

SG&A cost analysis – UK & Europe

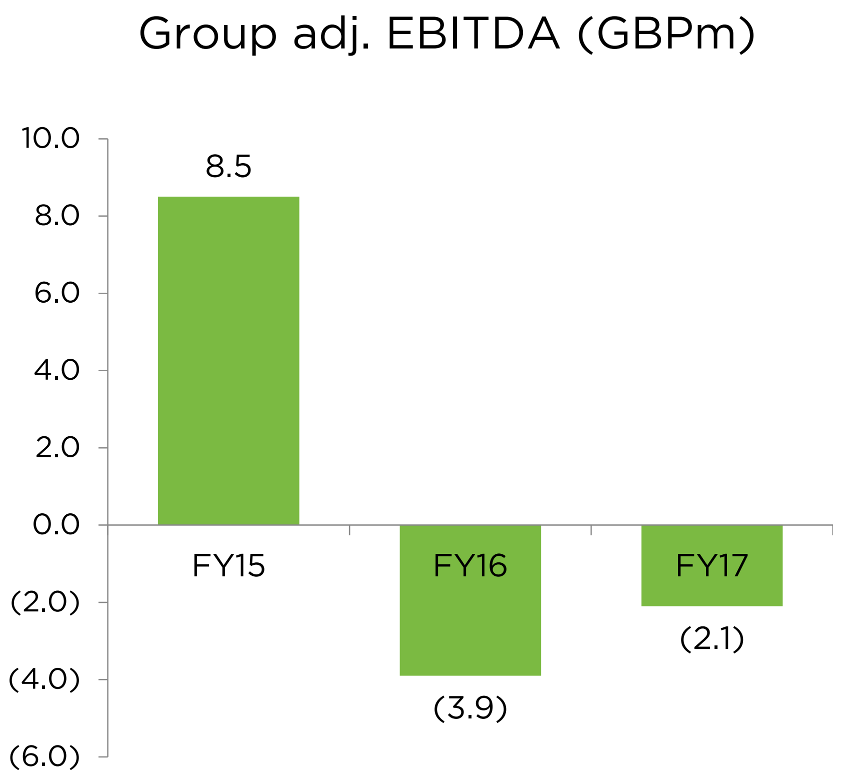


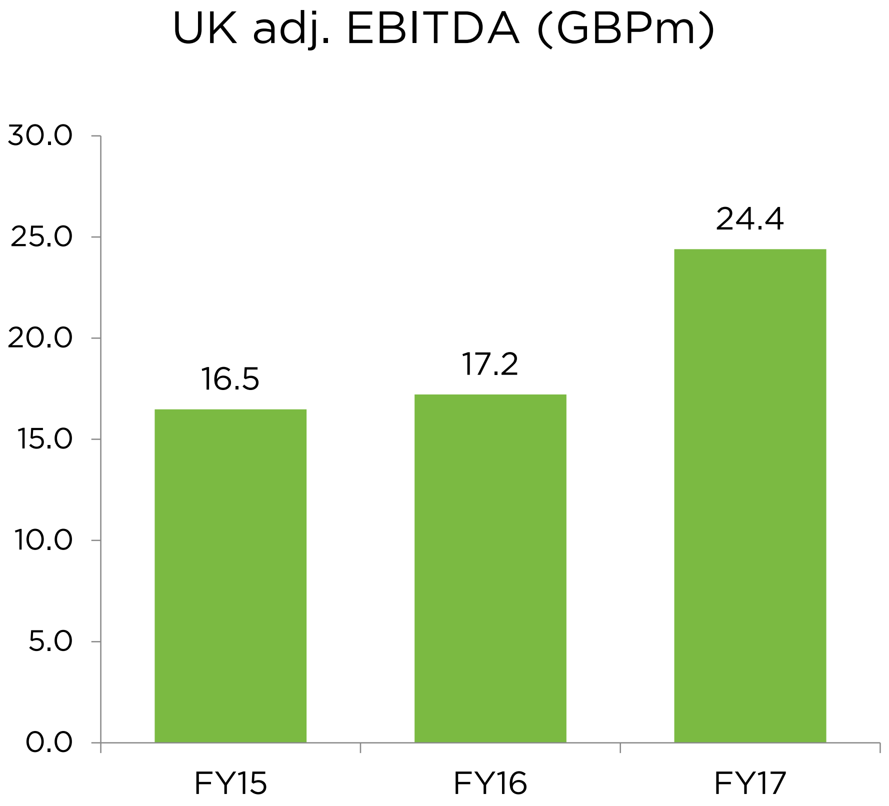


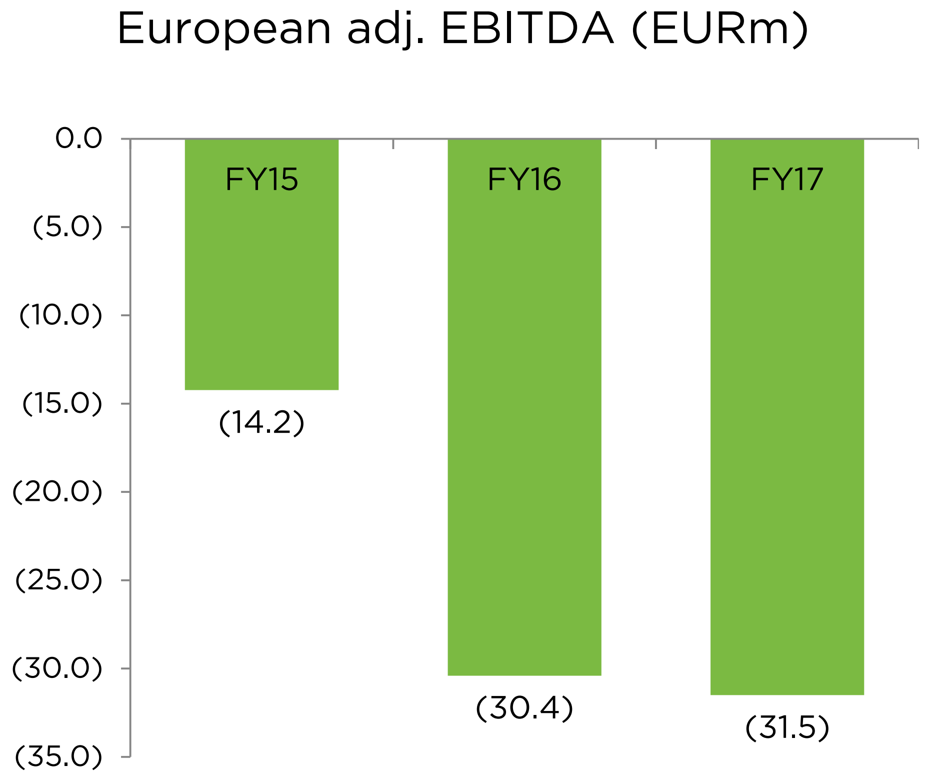
- UK advertising and marketing spend broadly unchanged
- UK "other" admin increased to 9.7% of sales as a result of investments in category & IT teams
- Europe costs reduce to 33.2% of revenue (2016: 41.6%)*
- European Advertising & marketing absolute costs held in line with strategy
- European warehousing costs increased as Bergheim fully operational

Notes
*Excludes impact of adjustments
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.

Group adjusted EBITDA reflects strong growth in UK and investment in Europe







- Significant increase in UK adjusted EBITDA of 41.8% to £24.4m driven by
  - Sales growth
  - Gross margin improvements
  - Reduction in sales and marketing expenditure (as a % of sales)
- European EBITDA losses continue to reflect early stages of operation

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)	FY 17	FY 16
Adjusted EBITDA	**(2.1)**	**(3.9)**
Europe set-up costs	(0.7)	(2.3)
Non-cash movements	1.2	0.6
Net change working capital:		
Movement in trade & other receivables and accrued income	(13.3)	(15.8)
Movement in inventories	(10.3)	(2.4)
Movement in trade and other payables	28.9	20.3
Other working capital movements	-	-
Cash generated from / (used in) operating activities	**3.7**	**(3.5)**
Tax paid	(0.2)	-
Capex and interest received	(4.9)	(6.4)
Financing activities	(2.6)	(1.6)
Movement in cash	**(4.0)**	**(11.5)**
CASH	29.4	33.4

Post balance sheet £50m gross equity raise

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.

Building for growth

- FY17 Capex of £16.9m (2016: £8.7m) comprising:
  - Logistics division trailer refresh
  - AO Recycling plant
  - Bergheim distribution centre
  - Two new UK outbases
  - £10.9m financed via finance leases

FY18 Group Guidance

Revenue

UK

- Tough consumer trading conditions experienced in Q4 FY17 expected to continue

- Evidenced particularly in Q1 FY18 due to tough prior year comparison

Europe

- Expectations set out at our Capital Markets Day: making progress against this objective

EBITDA

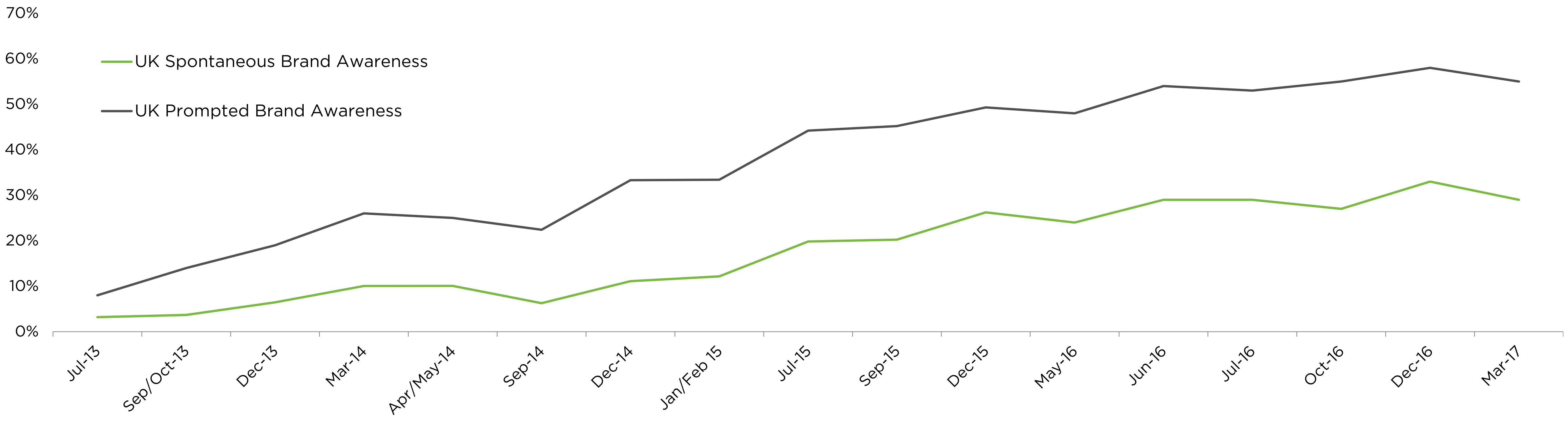
- Short term (FY18) expect strategy of continuing to invest UK profits in European operational growth to continue (at an Adjusted EBITDA level)

Capex

- Expected to return to FY15 & FY16 levels

Our brand – the future

Building brand awareness remains our greatest opportunity



- UK FY17 Performance
  - AO now a multi-category electrical retailer
  - Joint advertising campaigns with product manufacturers
  - Strong customer testimonial TV ads
  - Spontaneous and prompted brand awareness increased over the period
  - Laid the foundation for growth - more to do in FY18

Brand awareness: Our plan

What?

- Focus on own brand sales
- Become the obvious destination for electricals & raise awareness
- Make AO a household name, building on our customer sentiment
- Capitalise on our growing brand awareness

How? - By highlighting our difference

- New TV creative
- Branding our UK fleet
- Push PR & advertising through other mediums
- John Roberts to be brand champion
- Continue to protect our culture

Summary

- Infrastructure aligned for growth
- Strengthened the UK brand foundations
- Developed and innovated our offering
- Broadened our skill set

- Strong focus on further driving AO brand in the UK
- Deliver the plan we have set out for Europe
- Continue to execute our 4C’s strategy

Strategy on track – to be the best electrical retailer in Europe

Q&A

Appendix

Definitions	
Adjusted EBITDA	Profit/(loss) before tax, depreciation, amortisation, profit on disposal of fixed assets, net finance income, “adjustments” and exceptional items
Adjustments	Adjustments is defined by the Group as (i) set-up costs relating to overseas expansion namely strategic post go-live costs incurred in connection with our European expansion strategy and (ii) share-based payment charges/(credits) attributable to the exceptional LTIP awards which the Board considers one-off in nature.
UK	Defined by the Group as entities operating within the United Kingdom
Europe	Defined by the Group as entities operating within the European Union, but outside the UK
NPS	Net Promoter Score which is an industry measure of customer loyalty and satisfaction
We are on a mission to be the best electrical retailer in Europe	By best we mean having a market leading proposition and a brand that customers love

Income statement

As at 31 March (£m)	2017	2016
Revenue	**701.2**	**599.2**
Cost of sales	(572.0)	(493.3)
Gross profit	**129.2**	**105.9**
Administrative expenses	(142.4)	(116.5)
Other operating income	1.2	
Operating loss	**(12.0)**	**(10.6)**
Finance income	6.8	4.2
Finance costs	(1.8)	(0.3)
Loss before tax	**(7.0)**	**(6.7)**
Tax	(0.4)	0.6
Loss for the year	(7.4)	(6.1)

Reconciliation of Operating Loss to Adjusted EBITDA

Operating loss	(12.0)	(10.6)
European set up costs	0.7	2.3
Share based payment charge/(credit)	3.6	(0.4)
Adjusted Operating profit/(loss)	**(7.7)**	**(8.7)**
Add: Depreciation and amortisation	5.9	4.8
Less: Profit on disposal	(0.3)	0.0
Adjusted EBITDA	**(2.1)**	**(3.9)**

Balance sheet

As at 31 March (£m)	2017	2016
Non-current assets		
Goodwill	13.5	13.5
Other intangible assets	1.8	2.1
Property, plant and equipment	29.3	18.0
Trade and other receivables	39.8	29.5
Deferred tax asset	1.8	1.5
Derivative Financial asset	1.3	0.8
	87.5	65.4
Current assets		
Inventories	44.8	34.0
Trade and other receivables	41.1	34.4
Corporation tax receivable	0.2	0.7
Cash and bank balances	29.4	33.4
	115.5	102.5
Total assets	203.0	167.9
Current liabilities		
Trade and other payables	(140.2)	(109.0)
Borrowings	(3.7)	(2.2)
Provisions	(0.1)	-
	(144.0)	(111.2)
Net current liabilities	(28.5)	(8.7)
Non-current liabilities		
Borrowings	(13.7)	(5.8)
Derivative financial liability	(3.4)	(2.7)
Provision	(1.4)	(0.8)
Total liabilities	(162.5)	(120.5)
NET ASSETS	40.5	47.4