Full year results
Year ended 31st March 2017

6th June 2017
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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Please note that the Directors of the Company are, in making this presentation, not seeking to encourage shareholders to either buy or sell shares in the Company. Shareholders in any doubt about what action to take are recommended to seek financial advice from an independent financial advisor authorised by the Financial Services and Markets Act 2000.

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

To Be The Best Electrical Retailer in Europe

WHAT

To Be The Best Electrical Retailer in Europe

HOW

Making things easy

WHY

Because we CARE more
4C’s model
The AO Way

Our Customers Love Us

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

UK Customers vs Repeat Customer %

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

UK Customer Repeat Lag After First Purchase

* 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
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
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.
• 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

*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

<table>
<thead>
<tr>
<th>As at 31 March (£m)</th>
<th>FY 17</th>
<th>FY 16</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Adjusted EBITDA</strong></td>
<td>(2.1)</td>
<td>(3.9)</td>
</tr>
<tr>
<td>Europe set-up costs</td>
<td>(0.7)</td>
<td>(2.3)</td>
</tr>
<tr>
<td>Non-cash movements</td>
<td>1.2</td>
<td>0.6</td>
</tr>
<tr>
<td><strong>Net change working capital:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Movement in trade &amp; other receivables and accrued income</td>
<td>(13.3)</td>
<td>(15.8)</td>
</tr>
<tr>
<td>Movement in inventories</td>
<td>(10.3)</td>
<td>(2.4)</td>
</tr>
<tr>
<td>Movement in trade and other payables</td>
<td>28.9</td>
<td>20.3</td>
</tr>
<tr>
<td>Other working capital movements</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Cash generated from / (used in) operating activities</strong></td>
<td>3.7</td>
<td>(3.5)</td>
</tr>
<tr>
<td>Tax paid</td>
<td>(0.2)</td>
<td>-</td>
</tr>
<tr>
<td>Capex and interest received</td>
<td>(4.9)</td>
<td>(6.4)</td>
</tr>
<tr>
<td>Financing activities</td>
<td>(2.6)</td>
<td>(1.6)</td>
</tr>
<tr>
<td><strong>Movement in cash</strong></td>
<td>(4.0)</td>
<td>(11.5)</td>
</tr>
</tbody>
</table>

| **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
## Definitions

<table>
<thead>
<tr>
<th><strong>Adjusted EBITDA</strong></th>
<th>Profit/(loss) before tax, depreciation, amortisation, profit on disposal of fixed assets, net finance income, “adjustments” and exceptional items</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Adjustments</strong></td>
<td>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.</td>
</tr>
<tr>
<td><strong>UK</strong></td>
<td>Defined by the Group as entities operating within the United Kingdom</td>
</tr>
<tr>
<td><strong>Europe</strong></td>
<td>Defined by the Group as entities operating within the European Union, but outside the UK</td>
</tr>
<tr>
<td><strong>NPS</strong></td>
<td>Net Promoter Score which is an industry measure of customer loyalty and satisfaction</td>
</tr>
<tr>
<td><strong>We are on a mission to be the best electrical retailer in Europe</strong></td>
<td>By best we mean having a market leading proposition and a brand that customers love</td>
</tr>
</tbody>
</table>
# Income statement

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>701.2</td>
<td>599.2</td>
</tr>
<tr>
<td><strong>Cost of sales</strong></td>
<td>(572.0)</td>
<td>(493.3)</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>129.2</td>
<td>105.9</td>
</tr>
<tr>
<td><strong>Administrative expenses</strong></td>
<td>(142.4)</td>
<td>(116.5)</td>
</tr>
<tr>
<td><strong>Other operating income</strong></td>
<td>1.2</td>
<td></td>
</tr>
<tr>
<td><strong>Operating loss</strong></td>
<td>(12.0)</td>
<td>(10.6)</td>
</tr>
<tr>
<td><strong>Finance income</strong></td>
<td>6.8</td>
<td>4.2</td>
</tr>
<tr>
<td><strong>Finance costs</strong></td>
<td>(1.8)</td>
<td>(0.3)</td>
</tr>
<tr>
<td><strong>Loss before tax</strong></td>
<td>(7.0)</td>
<td>(6.7)</td>
</tr>
<tr>
<td><strong>Tax</strong></td>
<td>(0.4)</td>
<td>0.6</td>
</tr>
<tr>
<td><strong>Loss for the year</strong></td>
<td>(7.4)</td>
<td>(6.1)</td>
</tr>
</tbody>
</table>

Reconciliation of Operating Loss to Adjusted EBITDA

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating loss</strong></td>
<td>(12.0)</td>
<td>(10.6)</td>
</tr>
<tr>
<td>European set up costs</td>
<td>0.7</td>
<td>2.3</td>
</tr>
<tr>
<td>Share based payment charge/(credit)</td>
<td>3.6</td>
<td>(0.4)</td>
</tr>
<tr>
<td><strong>Adjusted Operating profit/(loss)</strong></td>
<td>(7.7)</td>
<td>(8.7)</td>
</tr>
<tr>
<td>Add: Depreciation and amortisation</td>
<td>5.9</td>
<td>4.8</td>
</tr>
<tr>
<td>Less: Profit on disposal</td>
<td>(0.3)</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Adjusted EBITDA</strong></td>
<td>(2.1)</td>
<td>(3.9)</td>
</tr>
</tbody>
</table>
## Balance sheet

<table>
<thead>
<tr>
<th>Non-current assets</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goodwill</td>
<td>13.5</td>
<td>13.5</td>
</tr>
<tr>
<td>Other intangible assets</td>
<td>1.8</td>
<td>2.1</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>29.3</td>
<td>18.0</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>39.8</td>
<td>29.5</td>
</tr>
<tr>
<td>Deferred tax asset</td>
<td>1.8</td>
<td>1.5</td>
</tr>
<tr>
<td>Derivative Financial asset</td>
<td>1.3</td>
<td>0.8</td>
</tr>
<tr>
<td><strong>Total Non-current Assets</strong></td>
<td>87.5</td>
<td>65.4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Current assets</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventories</td>
<td>44.8</td>
<td>34.0</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>41.1</td>
<td>34.4</td>
</tr>
<tr>
<td>Corporation tax receivable</td>
<td>0.2</td>
<td>0.7</td>
</tr>
<tr>
<td>Cash and bank balances</td>
<td>29.4</td>
<td>33.4</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>115.5</td>
<td>102.5</td>
</tr>
</tbody>
</table>

| **Total assets**                        | 203.0 | 167.9 |

<table>
<thead>
<tr>
<th>Current liabilities</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade and other payables</td>
<td>(140.2)</td>
<td>(109.0)</td>
</tr>
<tr>
<td>Borrowings</td>
<td>(3.7)</td>
<td>(2.2)</td>
</tr>
<tr>
<td>Provisions</td>
<td>(0.1)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td>(144.0)</td>
<td>(111.2)</td>
</tr>
</tbody>
</table>

| **Net current liabilities**             | (28.5) | (8.7) |

<table>
<thead>
<tr>
<th>Non-current liabilities</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrowings</td>
<td>(13.7)</td>
<td>(5.8)</td>
</tr>
<tr>
<td>Derivative financial liability</td>
<td>(3.4)</td>
<td>(2.7)</td>
</tr>
<tr>
<td>Provision</td>
<td>(1.4)</td>
<td>(0.8)</td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td>(162.5)</td>
<td>(120.5)</td>
</tr>
</tbody>
</table>

| **NET ASSETS**                          | 40.5  | 47.4  |