AO World plc

Full year results

year ended 31st March 2016

8th June 2016

Agenda

Introduction	John Roberts
Operations	Steve Caunce
Financials	Mark Higgins
Strategy	John Roberts

Q&A

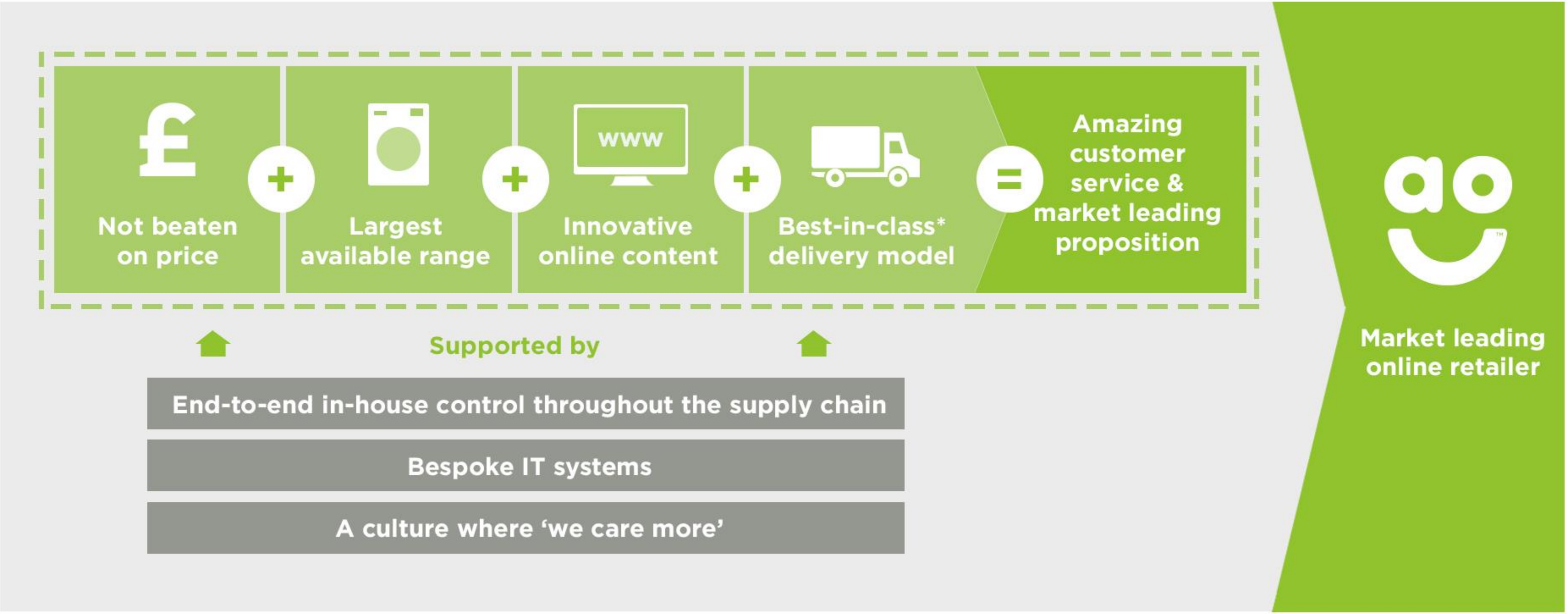
Our mission

What

To Be The Best European Electrical Retailer

How	Why
Exceptional in the moments that matter	Because we CARE more

What is our difference



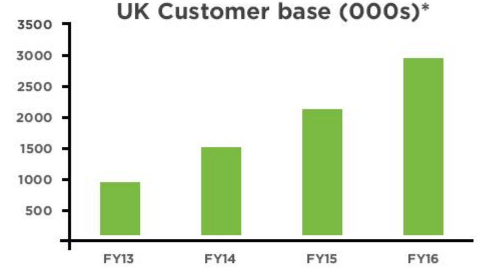
Our brand is 2½ years old with spontaneous brand awareness increasing.
We are becoming a household name, driving new and repeat business YoY

*by the best-in-class we mean the retailer who can deliver the broadest range of SKUs with the most flexible choice of delivery options

Our 4 C's

Customers

UK Customer base (000s)*

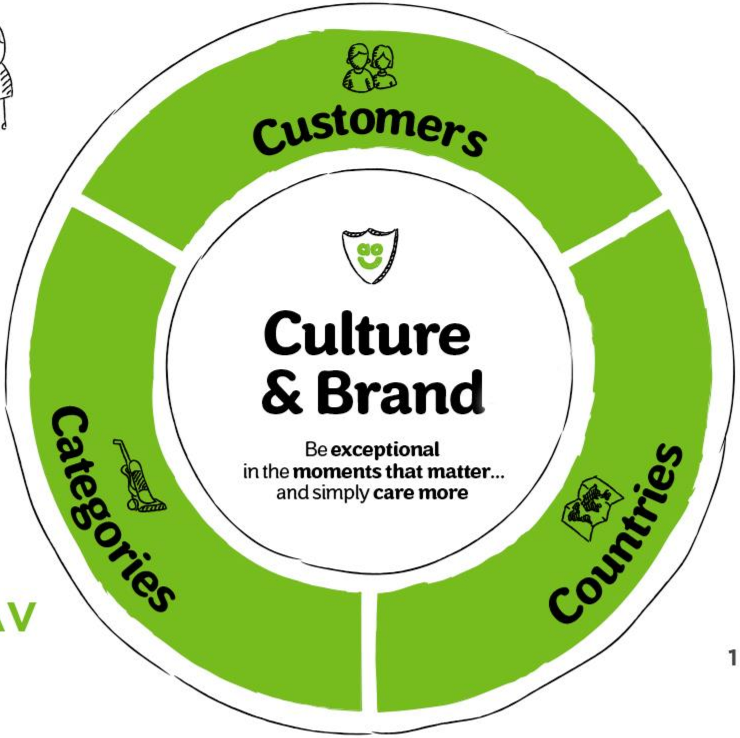


Categories

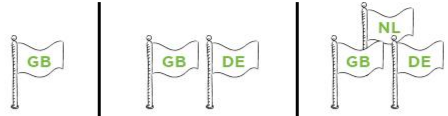
FY 2013
MDA
(1 category)

FY 2014
MDA | SDA
(2 categories)

FY 2015
MDA | SDA | AV
(3 categories)



Countries



2014
1 country

2015
2 countries

2016
3 countries

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

Operational review

Our customers love us

ao.com reviews

Rating distribution

Excellent **9.6** from 0 - 10

Verified order

Top notch delivery

The guys who delivered my machine were brilliant. They were here before the alloted time. They were very efficient and helpful and they installed my washer and took away all the packaging. I cannot praise the guys enough.

Verified order

Second time ordering!

Second time ordering from ao! Great website! next day delivery well worth the money! Very pleased with new TV!

Verified order

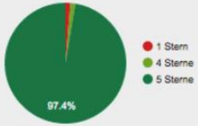
AO...Lets GO!!!!!!!!

Quick and easy and at a date and time to suit. It might be £20 cheaper on a rival website, but the delivery might then be another 8 or 10 days.
As it says on the advert....AO....Lets GO!!!!!
No messing!
Thanks AO!

NPS >80

AO Bewertungen

Hervorragend **9.7** von 0 - 10



Super

Bestellung sehr schnell erledigt. Fragen Katalog sehr übersichtlich. Bei meiner ersten Bestellung erfolgte alles wie versprochen und Dank an die freundlichen Ausliefert.

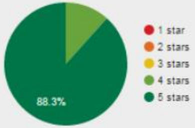
Alles super

Am Samstagabend ging unsre Waschmaschine kaputt und heute schon geliefert echt Top :) alles hat einwandfrei funktioniert werde euch weiterempfehlen :) vielen Dank

NPS >90

ao.nl reviews

Excellent **9.4** from 0 - 10



Verified order

Top!

Goed geregeld!

Verified order

top service.

Goede service netjes op tijd geleverd en aangesloten.

Verified order

Enthousiast personeel

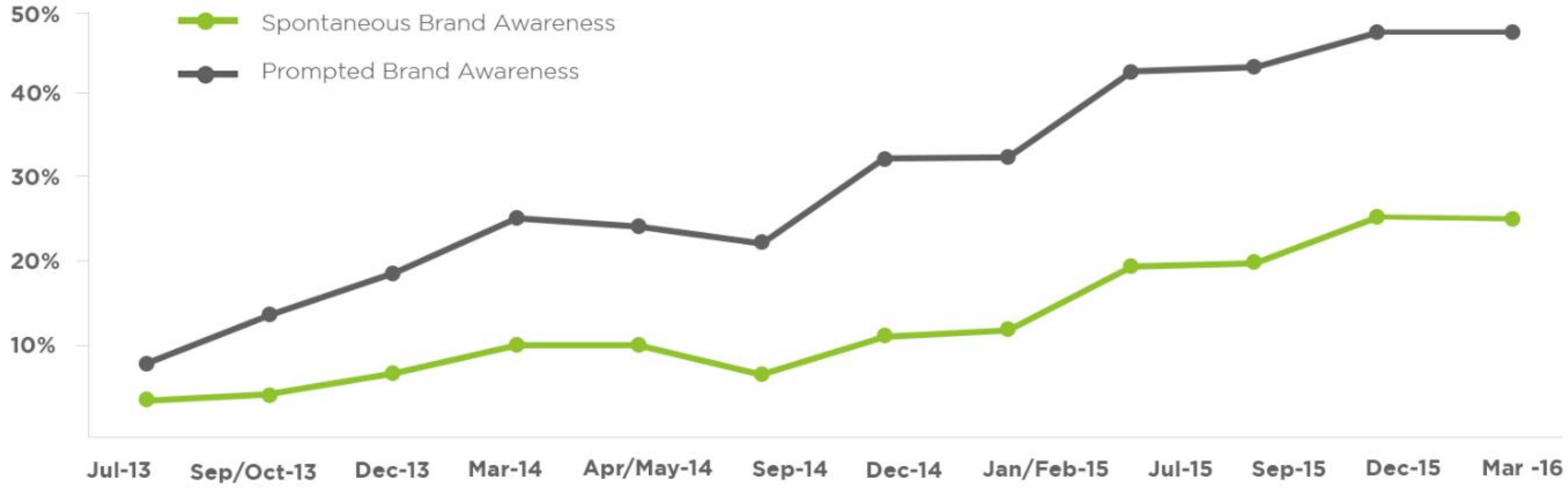
Heerlijk,alles binnengebracht zonder ergens tegen aan te botsen en de verpakking weer meegenomen. Ik vind het ,zoals dat gaat. Mijn man [fransman] kijkt z`n ogen manier van bezorgen /leveren kennen /kunnen Frankrijk

NPS >80

UK

The UK brand in numbers

Driving greater brand awareness is AO.com's biggest opportunity



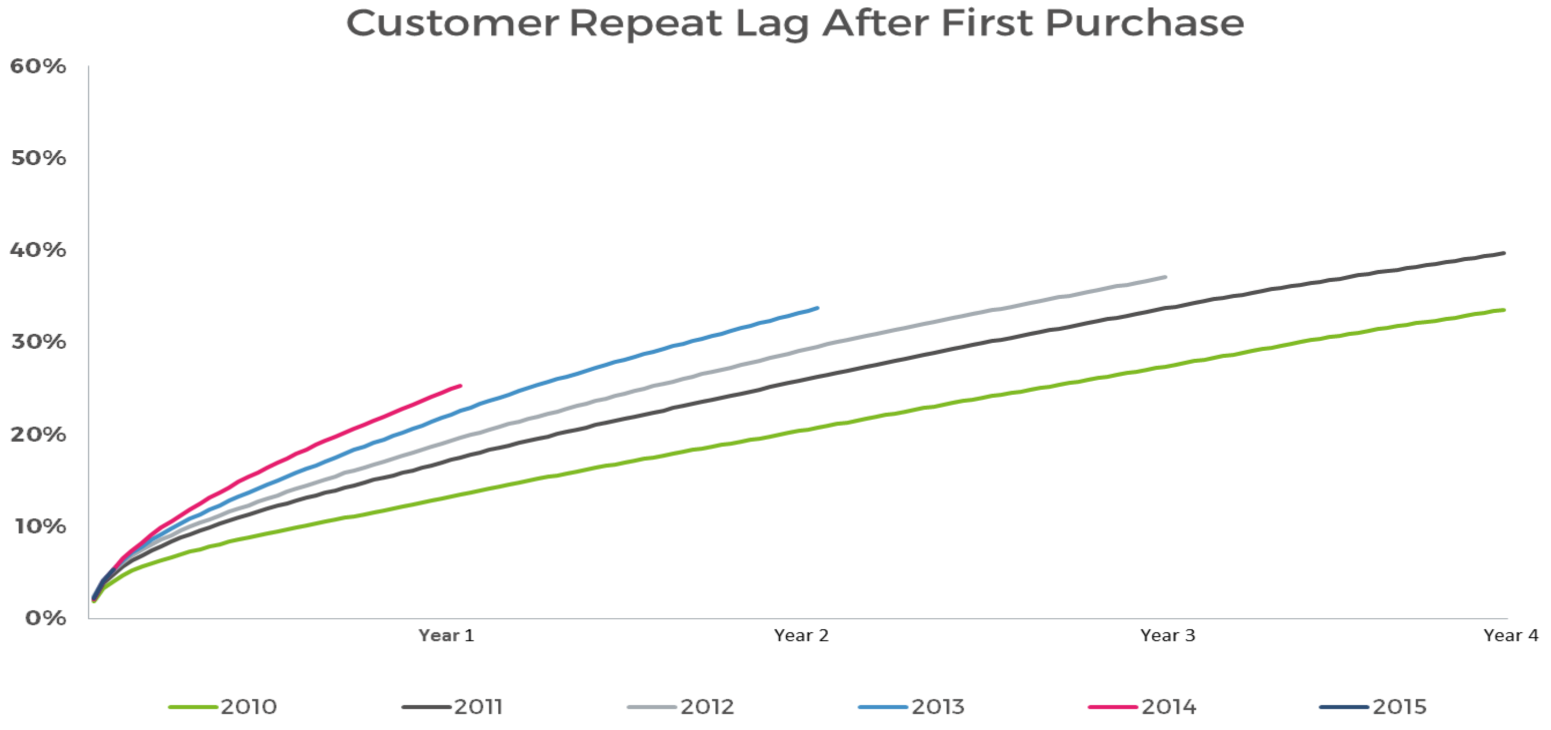
Awareness has trebled since October 13

Very low base

Huge potential to grow this

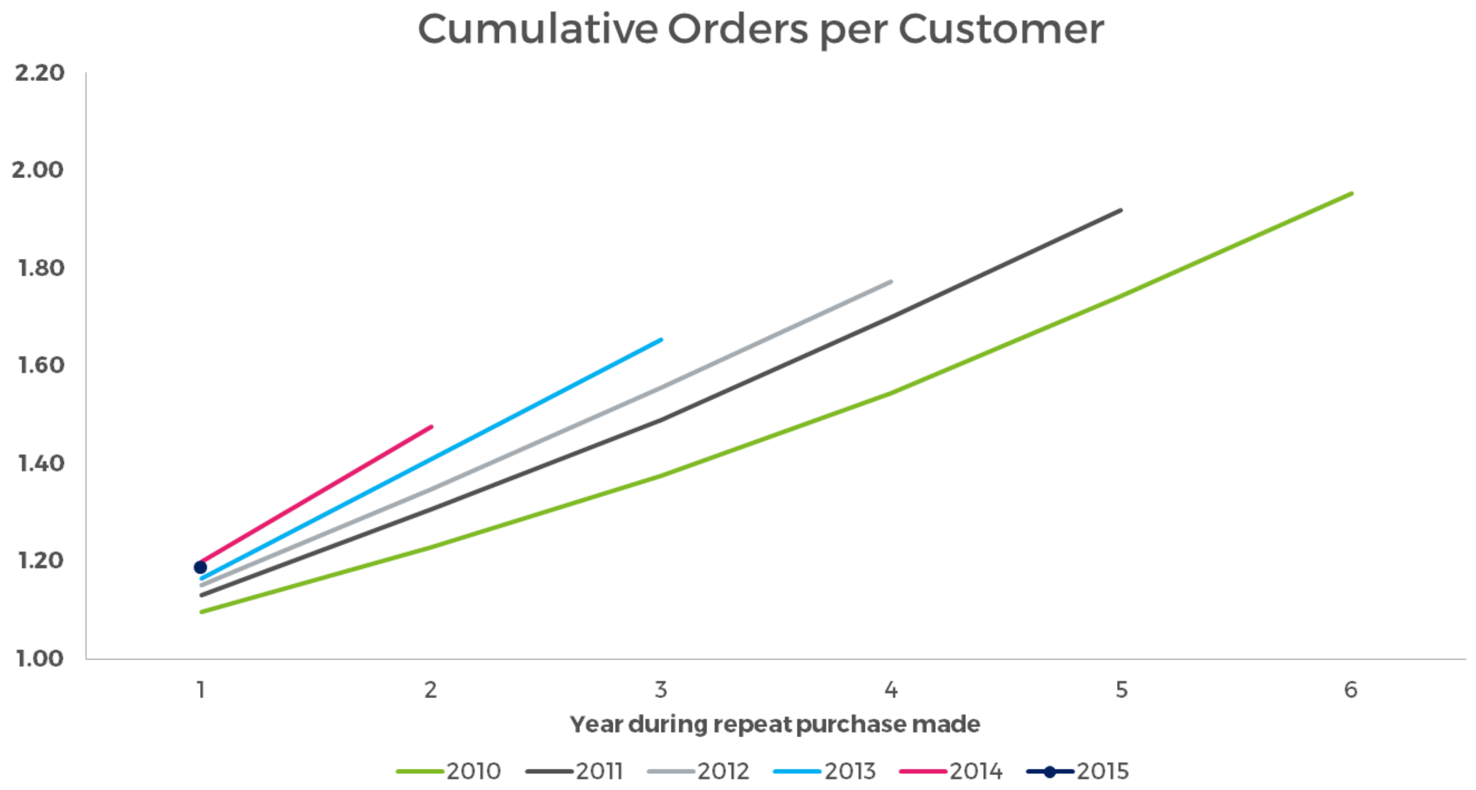
Source: A series of brand awareness surveys undertaken/executed by Mediacom

Customers are coming back more quickly



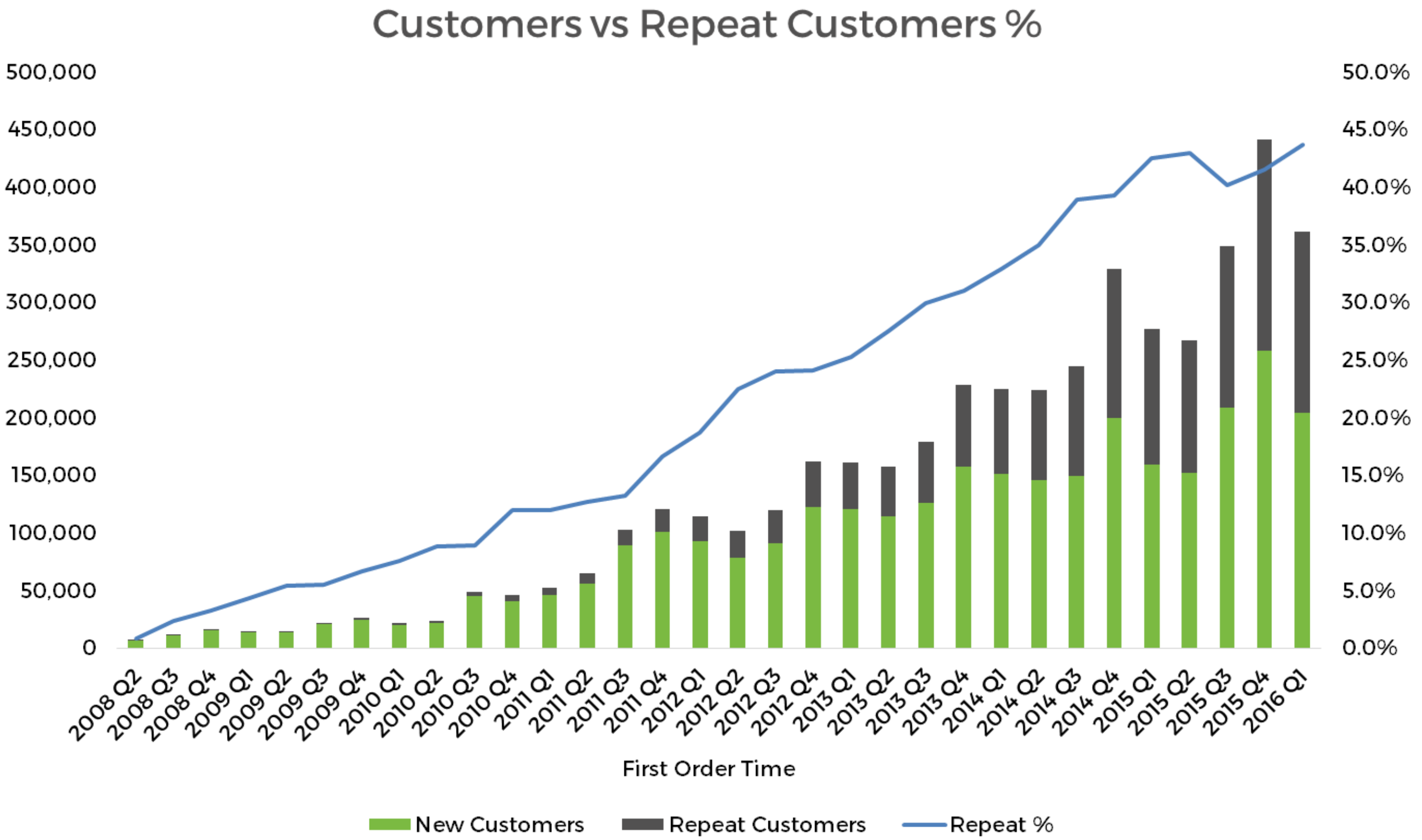
Source: Based on internal sales data

Customers are buying more often



Source: Based on internal sales data

More customers are returning



Source: Based on internal sales data

Computing

- Proposed UK launch during FY17

- Offering hardware, software and accessories

- Represents a significant category at £4.0bn*
- Opportunity to improve the market through offering customers:
  - AO's superior journey and service
  - Enriched content
  - Innovative multimedia

* Source GfK: Gross, year to 31 March 2016

Europe

Europe proposition

Germany

- Nearly 2 years old
- MDA growing – almost 2,000 SKUs
- Commenced selling Floorcare

Netherlands

- Launched AO.nl on 1st March 2016
- Leveraging our infrastructure, teams and learnings
- Encouraging start

Rationalisation

Cost base

- Improving product margin
- Logistics efficiencies
  - Employed drivers
  - Leased fleet
- Optimising traffic acquisition
- Driving efficiencies though overheads

Operation

- Move warehousing to Bergheim
- Integrate Netherlands

Europe


AO.de outbase


Netherlands
Utrecht
Hamburg
Berlin
Germany
Elsdorf/
Bergheim
Frankfurt
Munich


Distribution Centre
Outbase

Leveraging Bergheim

- European regional office and distribution centre
- 35,000 square metres
- Combines operations
- Enables us to grow German business while serving launch of neighbouring countries
- Increases current capacity by a multiple of 5
- Promotes brand presence
- Expect to be fully operational in autumn 2016

All achieved through a culture underpinned by strong core values dedicated to driving customer excellence

2012
Jumped 58 places to 5th

2013
PayPal Best Large Pure-Play Etailer of the Year

2013
4th place

2014
Customer Service Initiative of the Year

2014
4th place

2014
Paypal Overall Award for Excellence
Best Customer Experience
Best Use of Social Media
Best Use of Content

2015
Best Retailer of the Year

2015
Etailer of the Year
(Tech & Ecomm awards)

Which? annual survey July 2015

2015
JOINT NUMBER ONE ONLINE SHOP

2015
Top 10 for Customer Experience Excellence

2015
Regional Finalist UK Apprenticeships

Top 100 Apprenticeship Employer

2015
Deloitte Employer of the Year

2016
Employee Engagement – Improving Customer Experience

2016
Customer Experience Initiative of the Year

2016
AO.de
2nd best online pure-player

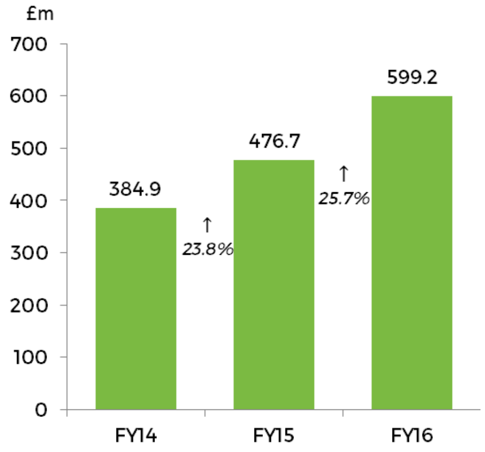
2016
Nation's Favourite Retailer of the Year

2016
Named top retailer to work for in the UK by employees (on glassdoor.co.uk)

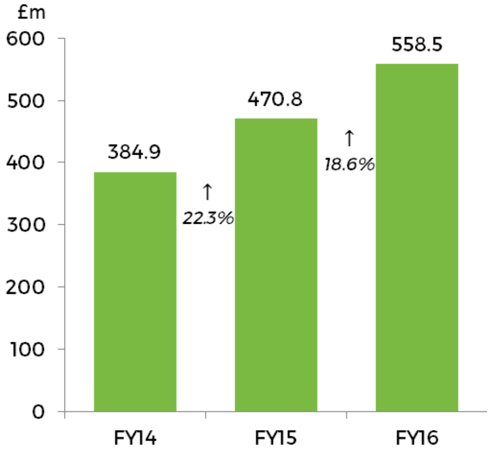
Financial review

Revenue growth

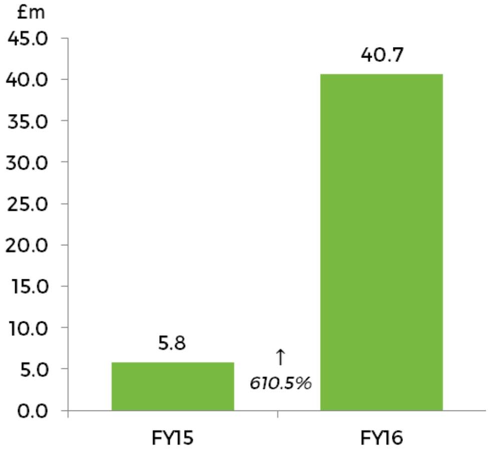
Group Revenue



UK Revenue



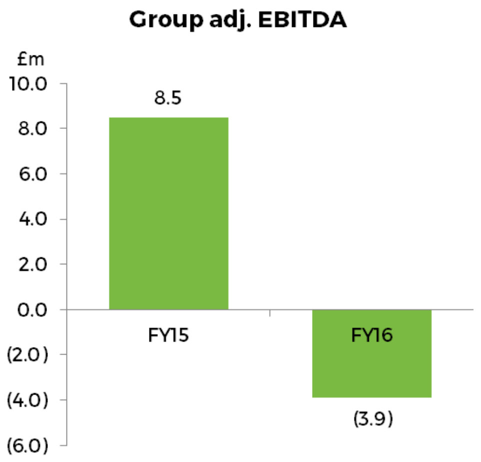
European Revenue

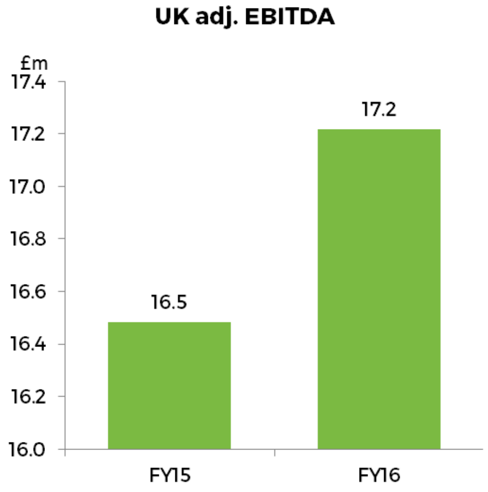


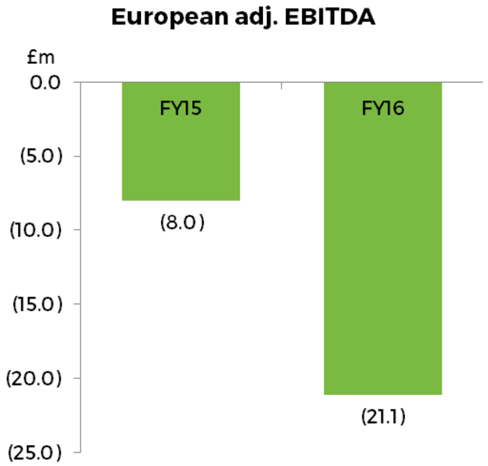
- Group revenue increased by 25.7%
- UK revenue growth supported by repeat customers and brand
- Europe rationalisation plan will slow revenue growth in short term

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

Adjusted EBITDA



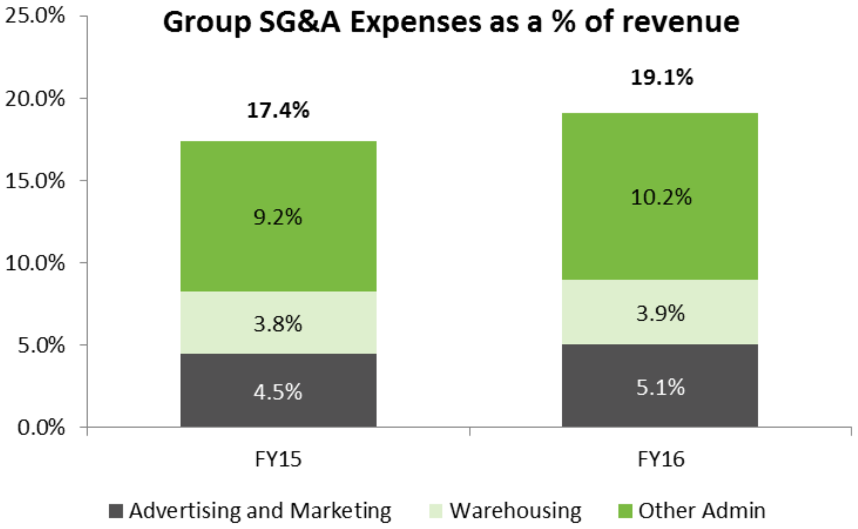




- Group adj. EBITDA includes investment in Europe
- UK adj. EBITDA significant improvement in H2
- Europe investment to scale

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

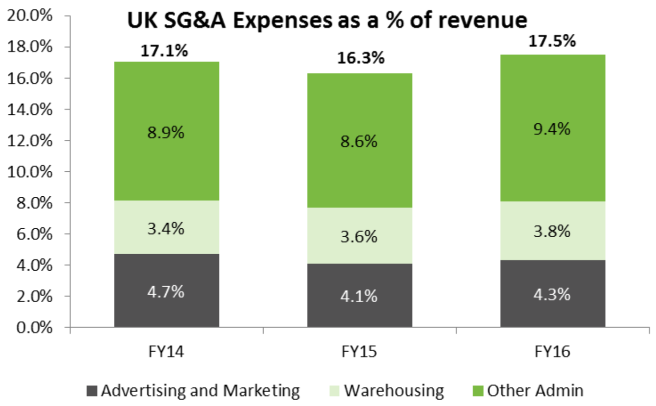
SG&A cost analysis - Group

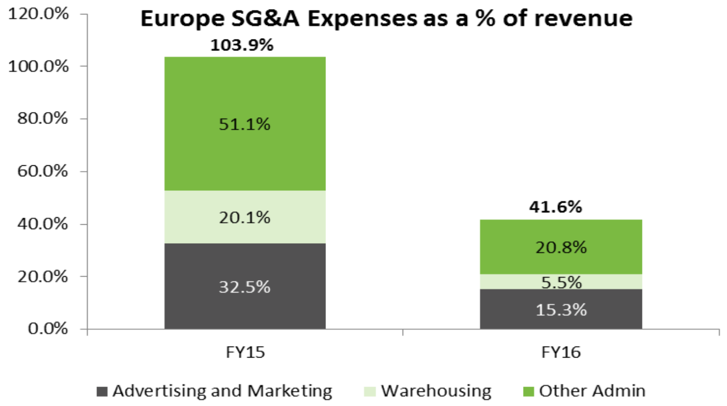


- Increased marketing expenditure on brand awareness in UK and Europe
- Increase in UK warehousing space
- Investment in overheads for new categories and countries

Notes:
- Excludes any adjustments
- Certain financial data have been rounded. As a result of this rounding, the totals of data presented may vary slightly from the actual arithmetic totals of such data.

SG&A cost analysis – UK & Europe





- Brand marketing in first half showing leverage in acquisition cost in H2
- Warehousing space and outbases increased
- Overheads increased for investment in categories, content and margin

- All costs are leveraging with scale
- Marketing cost has increased driving traffic and revenue
- Warehousing cost increased with an additional outbase
- Other overheads increase to support the scale of the operation

Notes:
- Excludes any adjustments
- Certain financial data have been rounded. As a result of this rounding, the totals of data presented may vary slightly from the actual arithmetic totals of such data.

Operating cash flow

As at 31 March (£m)	FY 16	FY 15
Adjusted EBITDA	**(3.9)**	**8.5**
Europe set-up costs	(2.3)	(4.3)
Non-cash movements	0.6	(1.5)
Net change working capital:		
Movement in trade & other receivables and accrued income	(15.8)	(12.4)
Movement in inventories	(2.4)	(15.7)
Movement in trade and other payables	20.3	25.9
Other working capital movements	-	0.8
Cash (used in) / generated from operating activities	**(3.5)**	**1.3**
Capex and interest received*	(6.4)	(10.1)
Financing activities	(1.6)	(1.4)
Movement in cash	**(11.5)**	**(10.2)**
CASH	**33.4**	**44.9**

5 year, £30m RCF now in place for UK Working Capital purposes

Notes:
* FY15 includes £4.4m of costs settled in relation to issue of new shares as a result of the IPO in March 2014
Certain financial data have been rounded. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data.

FY17 Guidance

For the year ended 31 March 2017:

UK

- Revenue £630m - £650m
- Adjusted EBITDA £21m - £25m

Europe (Germany & Netherlands)

- Revenue €90m - €110m
- Adjusted EBITDA losses €26m - €30m

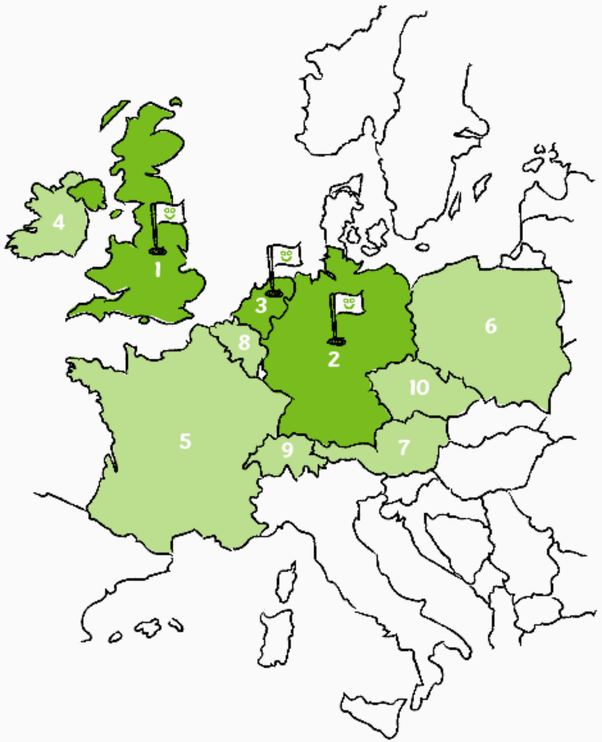
Strategy for growth and profitability

Strategy progress

Feb 14	June 16
Continue to grow UK MDA business	Continue to **gain market share** year on year
Develop UK SDA	We have continued to **gain market share** and significantly **expanded the range**
Launch NEW category	**475 Products** across TVs, Home Cinema, Audio, Blu-Ray & DVD players, digital set top boxes and accessories
Roll UK categories to Germany & surrounding countries	**We are now in** 3 countries, and in 3 categories in the UK

All underpinned by strong culture and strong brand

Realising the opportunity



Current and future potential markets

1. UK
MDA, SDA, AV: **£9.2bn**
Broader electricals: **£14.4bn**

2. Germany
MDA, SDA, AV: **£12.5bn**
Broader electricals: **£16.6bn**

3. Netherlands
MDA, SDA, AV: **£2.2bn**
Broader electricals: **£3bn**

4. Ireland
MDA, SDA, AV: **£0.4bn**
Broader electricals: **£0.4bn**

5. France
MDA, SDA, AV: **£8.1bn**
Broader electricals: **£12bn**

6. Poland
MDA, SDA, AV: **£2.2bn**
Broader electricals: **£2.7bn**

7. Austria
MDA, SDA, AV: **£1.2bn**
Broader electricals: **£1.3bn**

8. Belgium
MDA, SDA, AV: **£1.5bn**
Broader electricals: **£1.2bn**

9. Switzerland
MDA, SDA, AV: **£0.9bn**
Broader electricals: **£1.3bn**

10. Czech
MDA, SDA, AV: **£0.7bn**
Broader electricals: **£0.9bn**

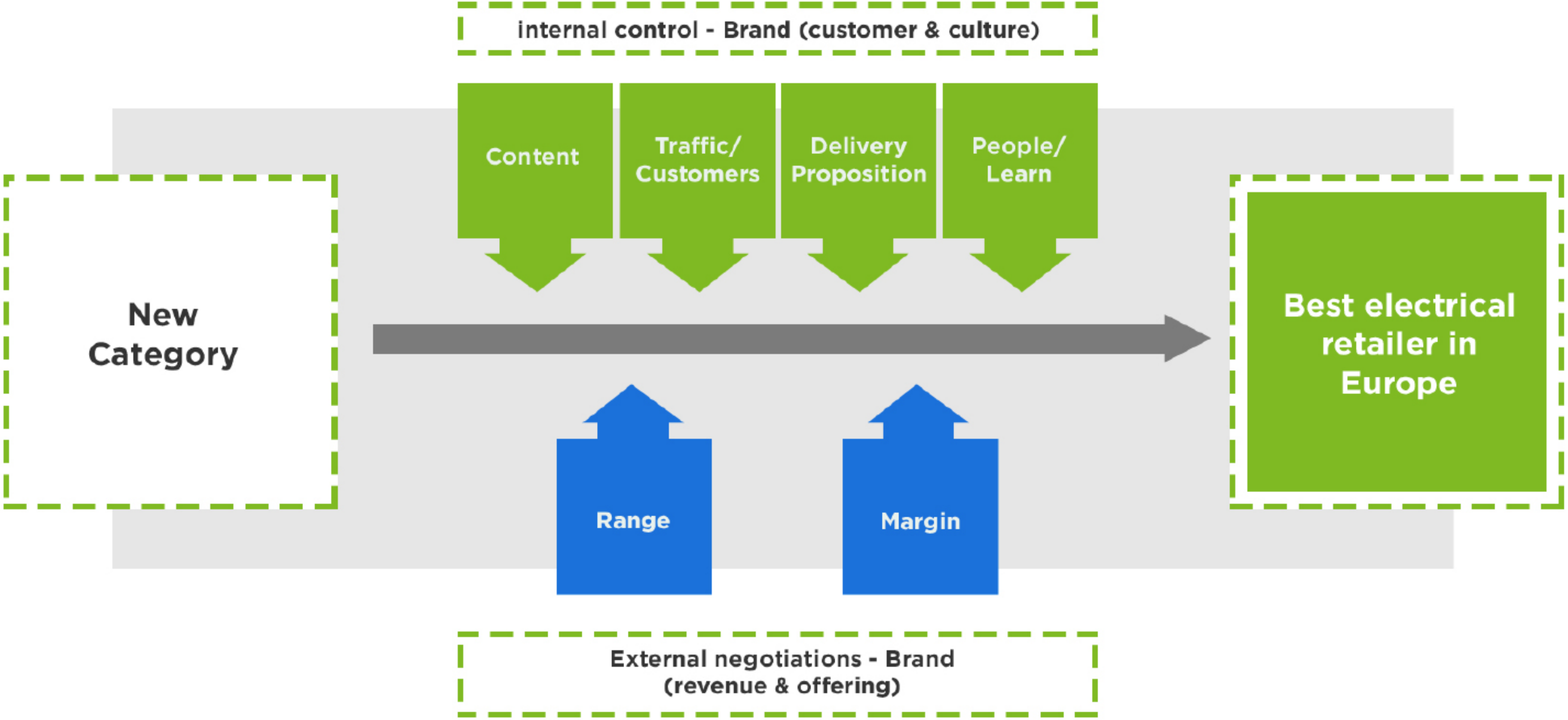
Current[1]: **£39bn**
Broader[6]: **£54bn**

Total: **£93bn**

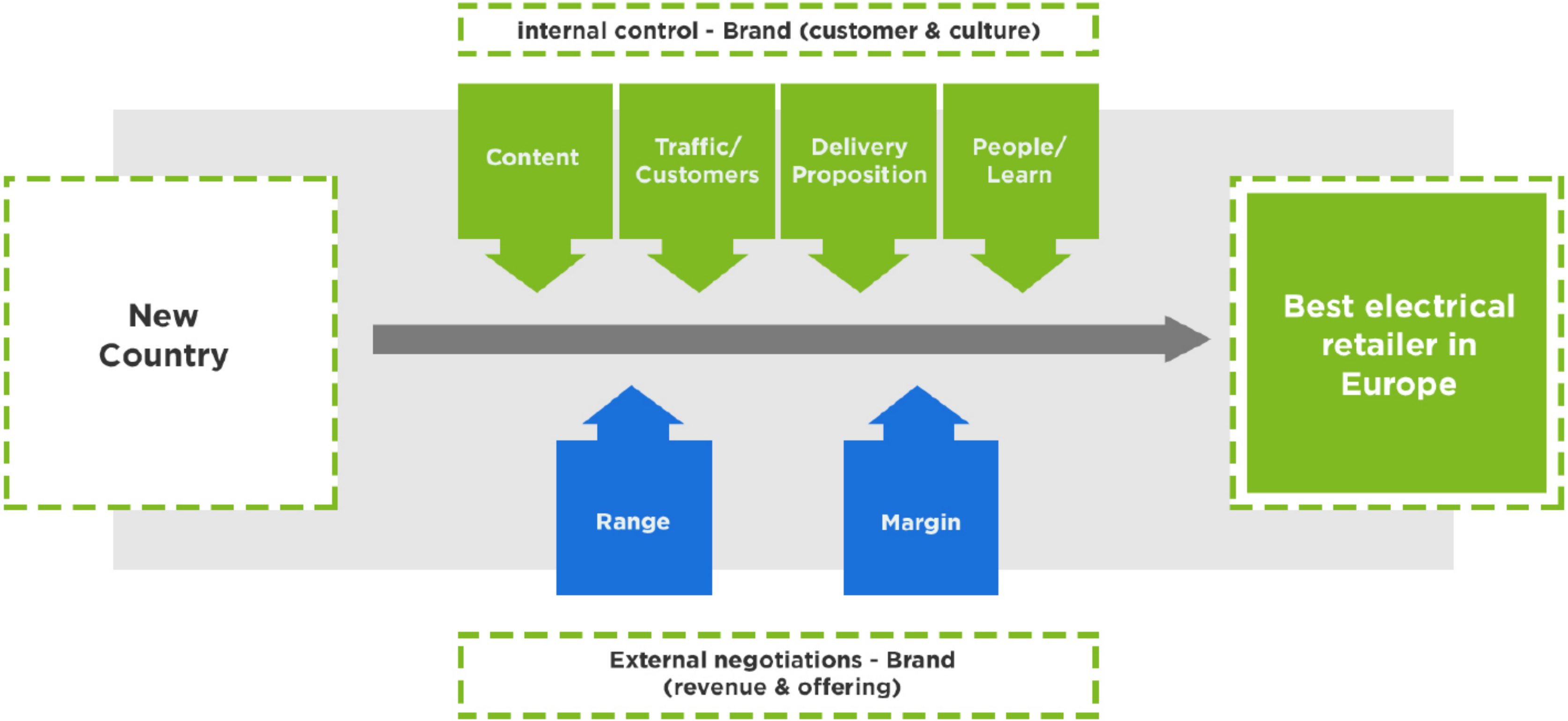
Note:
These are countries we are currently exploring, but the numbering is not indicative of our plans for rolling out the AO business in any particular order.

Sources: MDA, SDA and AV data GfK: Gross, year to 31 March 2016
Broader electricals data, Euromonitor, Gross, year to 31 December 2015

The strategy for growth



The strategy for growth



Brand strategy

- We need more consumers to be aware of us
- Making all customers aware of the breadth of our offering - journey from appliances to electricals
- We are simplifying the message and creating consistency across all customer touch points
- Drive revenue through new customers by increasing spontaneous brand awareness
- Continue to recover SEO, driving new customers to our website, generating more profitable incremental sales
- We will become a destination for information

We know where we are going

- Huge market opportunity
- Innovative & disruptive model that has been proven to work in the UK
- We think differently. By obsessing about our culture and the customer we have created a brand that customers love

Mission: To be the best electrical retailer in Europe

All achieved through a culture underpinned by strong core values and a dedication to driving customer excellence

Q&A

Appendix

Definitions	
Adjusted EBITDA	Loss/profit before tax, depreciation, amortisation, net finance costs, Adjustments and exceptional items.
Adjustments	Set-up costs relating to overseas expansion and share based payment charges / credits attributable to exceptional LTIP Awards
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)	2016	2015
Revenue	**599.2**	**476.7**
Cost of sales	(493.3)	(389.1)
Gross profit	**105.9**	**87.6**
Administrative expenses	(116.5)	(89.8)
Operating loss	**(10.6)**	**(2.2)**
Finance income	4.2	0.3
Finance costs	(0.3)	(1.0)
Loss before tax	(6.7)	(2.9)
Tax	0.6	0.4
Loss for the year	(6.1)	(2.5)

Reconciliation of Operating Loss to Adjusted EBITDA

Operating loss	(10.6)	(2.2)
European set up costs	2.3	4.2
Share based payment charge	(0.4)	2.5
Adjusted Operating profit/(loss)	**(8.7)**	**4.5**
Add: Depreciation and amortisation	4.8	3.9
Adjusted EBITDA	**(3.9)**	**8.5**

Balance sheet

As at 31 March (£m)	2016	2015
Non-current assets		
Goodwill	13.5	12.2
Other intangible assets	2.1	2.1
Property, plant and equipment	18.0	13.5
Trade and other receivables	29.5	17.1
Deferred tax asset	1.5	0.8
Derivative Financial asset	0.8	-
	65.4	**45.7**
Current assets		
Inventories	34.0	31.5
Trade and other receivables	34.4	30.3
Corporation tax receivable	0.7	0.7
Cash and bank balances	33.4	44.9
	102.5	**107.4**
Total assets	**167.9**	**153.0**
Current liabilities		
Trade and other payables	(109.0)	(86.7)
Borrowings	(2.2)	(2.1)
Provisions	(0.8)	(0.8)
	(112.0)	**(89.6)**
Net current assets/(liabilities)	**(9.5)**	**17.8**
Non-current liabilities		
Borrowings	(5.8)	(4.9)
Derivative Financial liability	(2.7)	-
Total liabilities	**(120.5)**	**(94.5)**
NET ASSETS	**47.4**	**58.6**

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