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**

Exceptional in the moments that matter

**Why**

Because we CARE more
What is our difference

Not beaten on price + Largest available range + Innovative online content + Best-in-class delivery model = Amazing customer service & market leading proposition

End-to-end in-house control throughout the supply chain
Bespoke IT systems
A culture where ‘we care more’

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

Categories

FY 2013
MDA
(1 category)

FY 2014
MDA | SDA
(2 categories)

FY 2015
MDA | SDA | AV
(3 categories)

Customers

UK Customer base (000s)*

FY13
FY14
FY15
FY16

Countries

2014
1 country

2015
2 countries

2016
3 countries

Culture & Brand

Be exceptional in the moments that matter... and simply care more

*a customer is defined as an individual UK customer who has purchased from us
Operational review
Our customers love us

ao.com reviews
Excellent 9.6 from 0 - 10

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

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

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 Ausliefer.

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

ao.nl reviews
Excellent 9.4 from 0 - 10

NPS >80
NPS >90
NPS >80
The UK brand in numbers

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

Awareness has trebled since October 13

Source: A series of brand awareness surveys undertaken/executed by Mediacom
Customers are coming back more quickly

Customer Repeat Lag After First Purchase

Source: Based on internal sales data
Customers are buying more often

Cumulative Orders per Customer

Source: Based on internal sales data
More customers are returning

Customers vs Repeat Customers %

First Order Time

Source: Based on internal sales data

New Customers  Repeat Customers  Repeat %
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 proposition

Germany

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

Netherlands

- Launched AO.nl on 1\textsuperscript{st} 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

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.
Financial review
Revenue growth

- 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

Group SG&A Expenses as a % of revenue

- 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.
• 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

<table>
<thead>
<tr>
<th>As at 31 March (£m)</th>
<th>FY 16</th>
<th>FY 15</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Adjusted EBITDA</strong></td>
<td>(3.9)</td>
<td>8.5</td>
</tr>
<tr>
<td>Europe set-up costs</td>
<td>(2.3)</td>
<td>(4.3)</td>
</tr>
<tr>
<td>Non-cash movements</td>
<td>0.6</td>
<td>(1.5)</td>
</tr>
</tbody>
</table>

**Net change working capital:**

<table>
<thead>
<tr>
<th></th>
<th>FY 16</th>
<th>FY 15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Movement in trade &amp; other receivables and accrued income</td>
<td>(15.8)</td>
<td>(12.4)</td>
</tr>
<tr>
<td>Movement in inventories</td>
<td>(2.4)</td>
<td>(15.7)</td>
</tr>
<tr>
<td>Movement in trade and other payables</td>
<td>20.3</td>
<td>25.9</td>
</tr>
<tr>
<td>Other working capital movements</td>
<td>-</td>
<td>0.8</td>
</tr>
</tbody>
</table>

**Cash (used in) / generated from operating activities**

<table>
<thead>
<tr>
<th></th>
<th>FY 16</th>
<th>FY 15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capex and interest received*</td>
<td>(6.4)</td>
<td>(10.1)</td>
</tr>
<tr>
<td>Financing activities</td>
<td>(1.6)</td>
<td>(1.4)</td>
</tr>
<tr>
<td>Movement in cash</td>
<td>(11.5)</td>
<td>(10.2)</td>
</tr>
</tbody>
</table>

**CASH**

<table>
<thead>
<tr>
<th></th>
<th>FY 16</th>
<th>FY 15</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>33.4</td>
<td>44.9</td>
</tr>
</tbody>
</table>

**Notes:**
- FY15 includes £6.4m 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.

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

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

All underpinned by strong culture and strong brand.
# Realising the opportunity

## Current and future potential markets

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>MDA, SDA, AV</th>
<th>£bn</th>
<th>Broader electricals</th>
<th>£bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>UK</td>
<td>£9.2bn</td>
<td></td>
<td>£14.4bn</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Germany</td>
<td>£12.5bn</td>
<td></td>
<td>£16.6bn</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Netherlands</td>
<td>£2.2bn</td>
<td></td>
<td>£3bn</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Ireland</td>
<td>£0.4bn</td>
<td></td>
<td>£0.4bn</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>France</td>
<td>£8.1bn</td>
<td></td>
<td>£12bn</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Poland</td>
<td>£2.2bn</td>
<td></td>
<td>£2.7bn</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Austria</td>
<td>£1.2bn</td>
<td></td>
<td>£1.3bn</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Belgium</td>
<td>£1.5bn</td>
<td></td>
<td>£1.2bn</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Switzerland</td>
<td>£0.9bn</td>
<td></td>
<td>£1.3bn</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Czech</td>
<td>£0.7bn</td>
<td></td>
<td>£0.9bn</td>
<td></td>
</tr>
</tbody>
</table>

**Total:** £93bn

**Current:** £39bn  
**Broader:** £54bn

**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 CfK. Cross, year to 31 March 2016  
Broader electricals data, Euromonitor, Cross, year to 31 December 2015
The strategy for growth

Internal control - Brand (customer & culture)

Content → Traffic/Customer → Delivery Proposition → People/Learn → Best electrical retailer in Europe

New Category

Range → Margin

External negotiations - Brand (revenue & offering)
The strategy for growth

Internal control - Brand (customer & culture)

Content -> Traffic/Customer -> Delivery Proposition -> People/Learn

New Country

Best electrical retailer in Europe

Range -> Margin

External negotiations - Brand (revenue & offering)
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
<table>
<thead>
<tr>
<th>Definitions</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted EBITDA</td>
<td>Loss/profit before tax, depreciation, amortisation, net finance costs, Adjustments and exceptional items.</td>
</tr>
<tr>
<td>Adjustments</td>
<td>Set-up costs relating to overseas expansion and share based payment charges / credits attributable to exceptional LTIP Awards</td>
</tr>
<tr>
<td>UK</td>
<td>Defined by the Group as entities operating within the United Kingdom</td>
</tr>
<tr>
<td>Europe</td>
<td>Defined by the Group as entities operating within the European Union, but outside the UK</td>
</tr>
<tr>
<td>NPS</td>
<td>Net Promoter Score which is an industry measure of customer loyalty and satisfaction</td>
</tr>
<tr>
<td>We are on a mission to be the best electrical retailer in Europe</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>As at 31 March (£m)</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>599.2</td>
<td>476.7</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(493.3)</td>
<td>(389.1)</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>105.9</td>
<td>87.6</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>(116.5)</td>
<td>(89.8)</td>
</tr>
<tr>
<td><strong>Operating loss</strong></td>
<td>(10.6)</td>
<td>(2.2)</td>
</tr>
<tr>
<td>Finance income</td>
<td>4.2</td>
<td>0.3</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(0.3)</td>
<td>(1.0)</td>
</tr>
<tr>
<td><strong>Loss before tax</strong></td>
<td>(6.7)</td>
<td>(2.9)</td>
</tr>
<tr>
<td>Tax</td>
<td>0.6</td>
<td>0.4</td>
</tr>
<tr>
<td><strong>Loss for the year</strong></td>
<td>(6.1)</td>
<td>(2.5)</td>
</tr>
</tbody>
</table>

**Reconciliation of Operating Loss to Adjusted EBITDA**

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating loss</td>
<td>(10.6)</td>
<td>(2.2)</td>
</tr>
<tr>
<td>European set up costs</td>
<td>2.3</td>
<td>4.2</td>
</tr>
<tr>
<td>Share based payment charge</td>
<td>(0.4)</td>
<td>2.5</td>
</tr>
<tr>
<td><strong>Adjusted Operating profit/(loss)</strong></td>
<td>(8.7)</td>
<td>4.5</td>
</tr>
<tr>
<td>Add: Depreciation and amortisation</td>
<td>4.8</td>
<td>3.9</td>
</tr>
<tr>
<td><strong>Adjusted EBITDA</strong></td>
<td>(3.9)</td>
<td>8.5</td>
</tr>
</tbody>
</table>
## Balance sheet

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goodwill</td>
<td>13.5</td>
<td>12.2</td>
</tr>
<tr>
<td>Other intangible assets</td>
<td>2.1</td>
<td>2.1</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>18.0</td>
<td>13.5</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>29.5</td>
<td>17.1</td>
</tr>
<tr>
<td>Deferred tax asset</td>
<td>1.5</td>
<td>0.8</td>
</tr>
<tr>
<td>Derivative Financial asset</td>
<td>0.8</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>65.4</td>
<td>45.7</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td>34.0</td>
<td>31.5</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>34.4</td>
<td>30.3</td>
</tr>
<tr>
<td>Corporation tax receivable</td>
<td>0.7</td>
<td>0.7</td>
</tr>
<tr>
<td>Cash and bank balances</td>
<td>33.4</td>
<td>44.9</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>102.5</td>
<td>107.4</td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>(109.0)</td>
<td>(86.7)</td>
</tr>
<tr>
<td>Borrowings</td>
<td>(2.2)</td>
<td>(2.1)</td>
</tr>
<tr>
<td>Provisions</td>
<td>(0.8)</td>
<td>(0.8)</td>
</tr>
<tr>
<td><strong>Net current assets/(liabilities)</strong></td>
<td>(9.5)</td>
<td>17.8</td>
</tr>
<tr>
<td><strong>Non-current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Borrowings</td>
<td>(5.8)</td>
<td>(4.9)</td>
</tr>
<tr>
<td>Derivative Financial liability</td>
<td>(2.7)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>(120.5)</td>
<td>(94.5)</td>
</tr>
<tr>
<td><strong>NET ASSETS</strong></td>
<td>47.4</td>
<td>58.6</td>
</tr>
</tbody>
</table>
Disclaimer

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