CAPITAL MARKETS DAY

February 2017

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Agenda

1. Welcome
2. Our mission, the 4C's and the AO Way
3. Why Germany and the Netherlands?
4. Our challenges
5. What next? Scalability
6. Our journey to 2020
7. Summary and Q&A

Welcome

Hosts today

Steve Caunce
Chief Operating Officer

Mark Higgins
Chief Financial Officer

Kevin Monk
Group International Director

Steve Richards
Operations Director

Alpay Guener
Retail Director

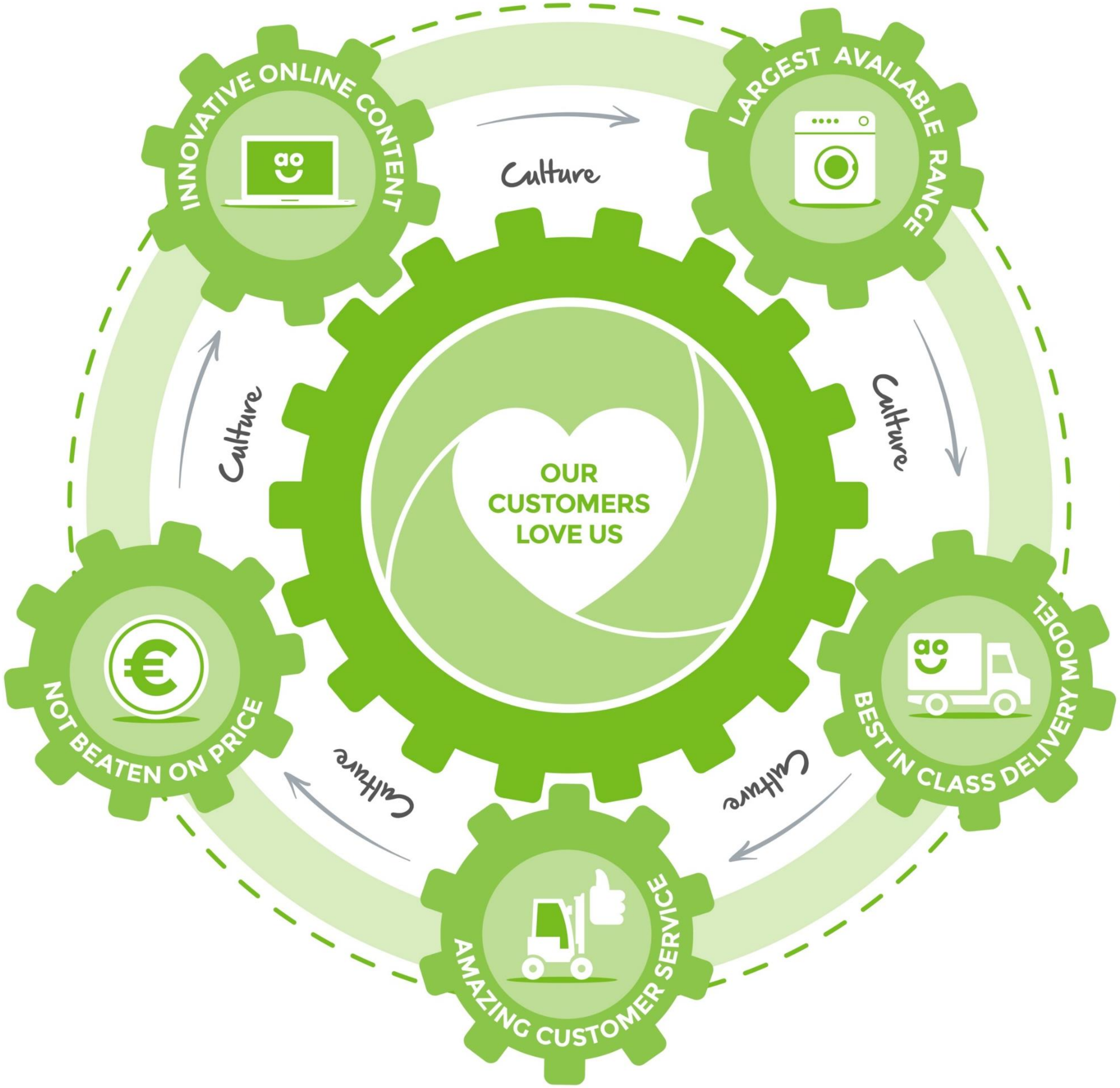
Our mission

WHAT	
To Be The Best Electrical Retailer in Europe	
HOW	**WHY**
Exceptional in the moments that matter	Because we CARE more

4C’s Model


CUSTOMERS
COUNTRIES
CATEGORIES
CULTURE & BRAND
Be exceptional in the moments that matter and simply care more

The AO Way

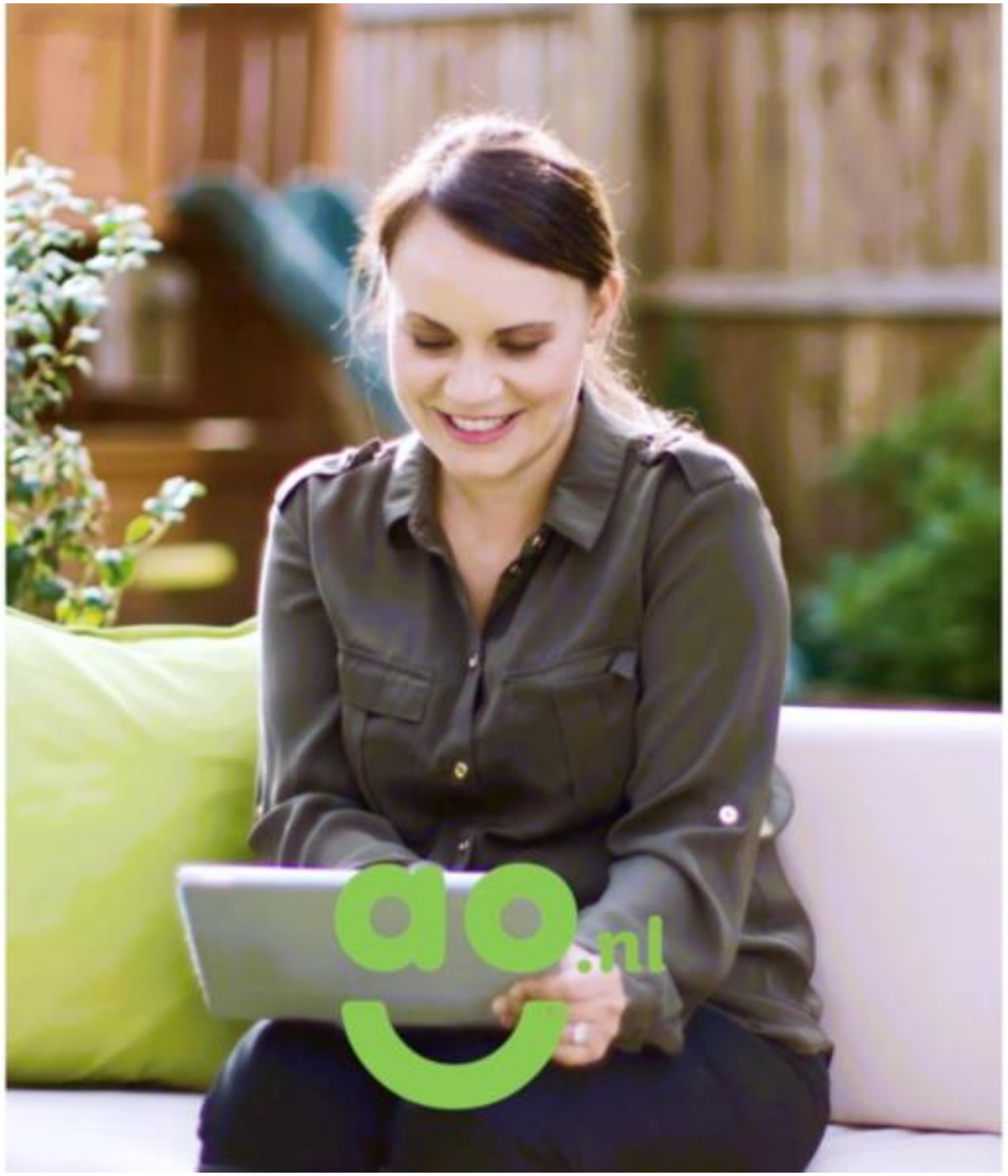


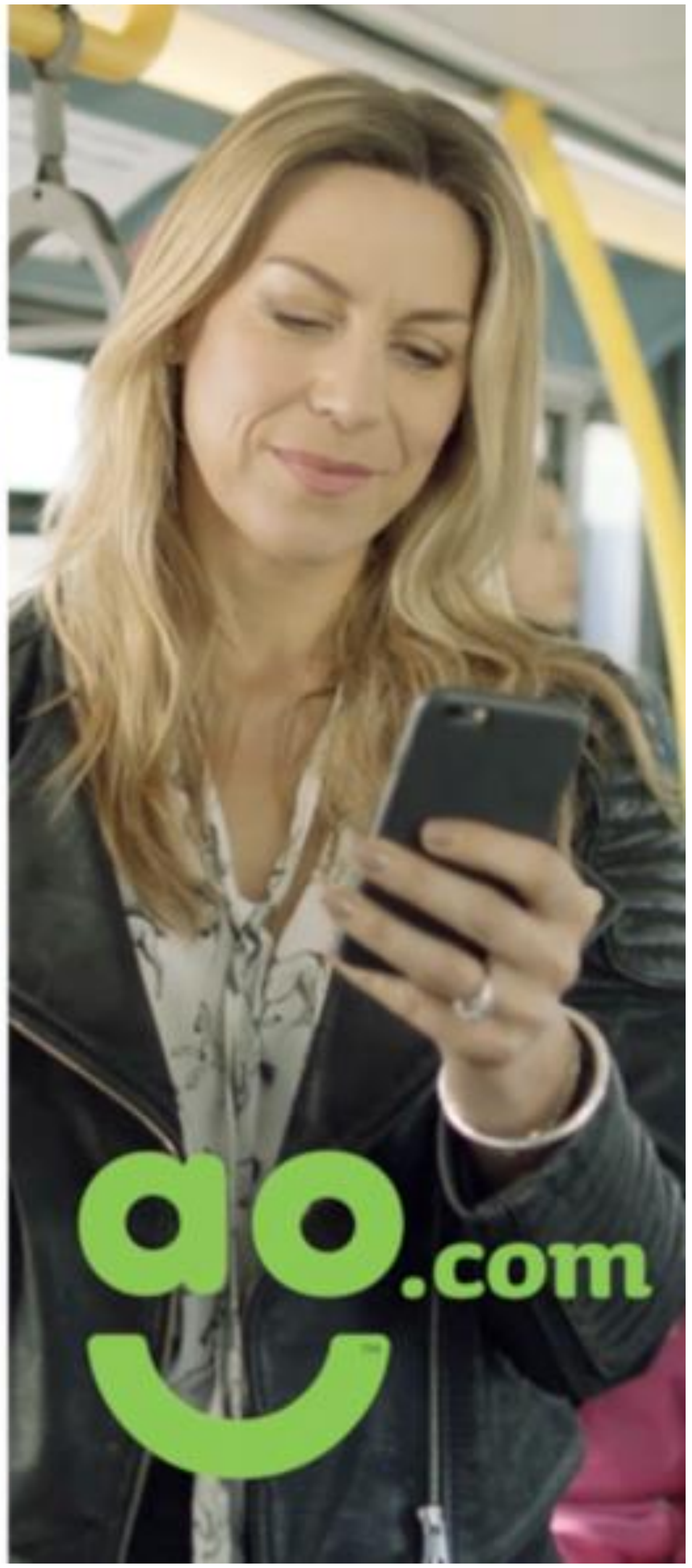
INNOVATIVE ONLINE CONTENT
LARGEST AVAILABLE RANGE
BEST IN CLASS DELIVERY MODEL
AMAZING CUSTOMER SERVICE
NOT BEATEN ON PRICE
Culture
Culture
Culture
Culture
Culture
OUR CUSTOMERS LOVE US

Best Electrical Retailer in Europe

Our business model in Europe

Order to deliver



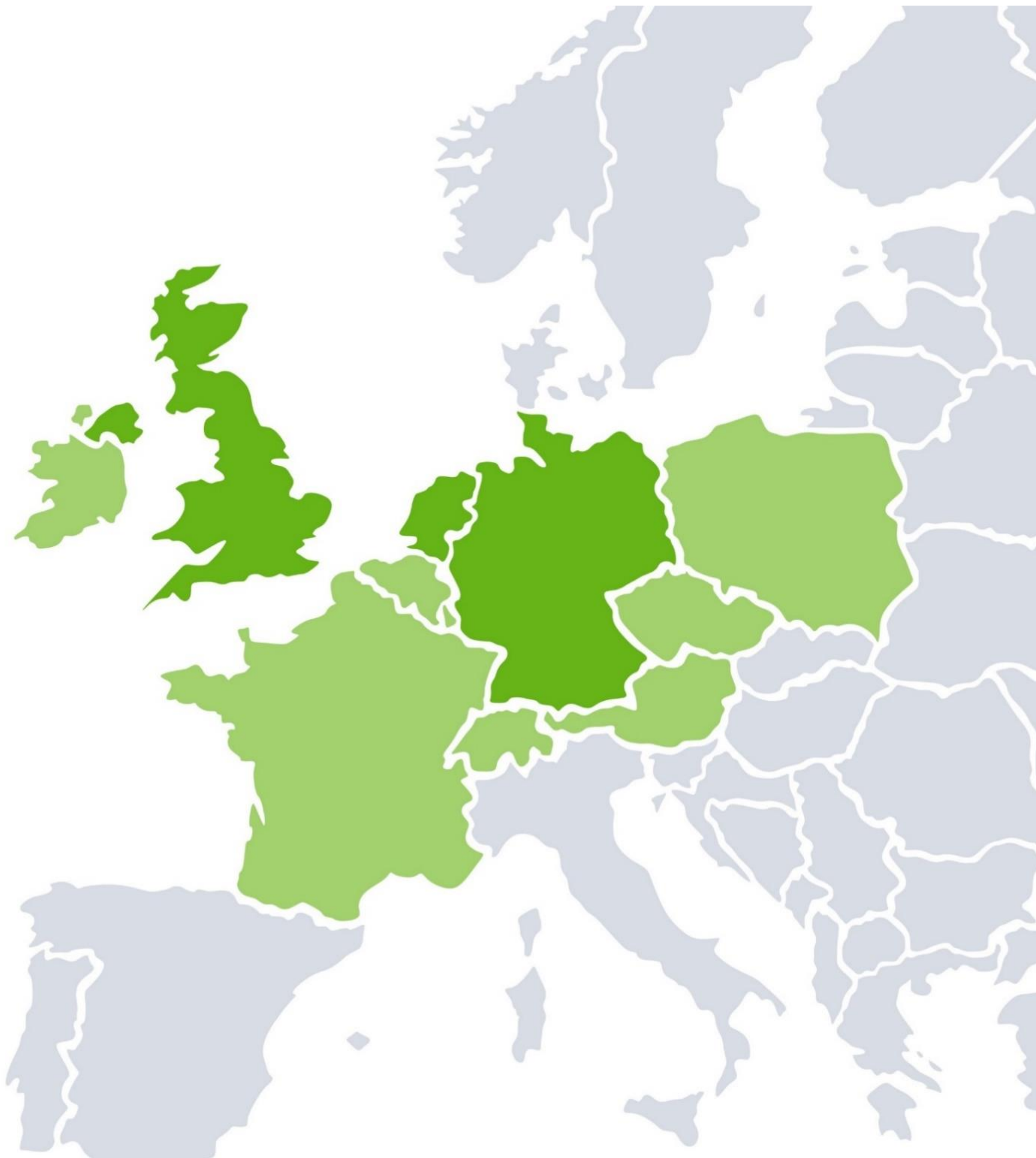


Customer opportunity - Germany

Total addressable European market of £94bn[1]

Why Germany?

- Geographically well positioned to execute strategy
- Substantial opportunity for growth:
  - Under-developed online proposition
  - MDA online penetration rate 18% (UK: 39%)[2]
  - Largest MDA, SDA, AV and Computing market in Europe[3]
  - Higher MDA APVs than UK[4]



[1]Gross market size (inc. VAT) comprising MDA, SDA & AV (year to September 2016: source GfK) and Computing and the broader electrical market comprising personal care, in-care devices, portable CE, mobile and gaming (year to December 2015: source Euromonitor) across highlighted current and future potential markets. Exchange rates are the average for the month to 14 November 2016

[2] MDA online penetration rate equates to the total value of MDA products purchased via an online channel. German online sales include delivery charges whilst UK sales do not. source: GfK year to November 16

[3] When compared to highlighted countries. source: GfK (year to September 2016) for MDA, SDA, AV and Euromonitor (year to December 2015) for Computing and the broader electrical market comprising personal care, in-care devices, portable CE, mobile and gaming. Exchange rates are the average for the month to 14 November 2016

[4] Average Product Value source: AO internal data year to November 2016

The above map highlights those countries that we currently operate in (dark green) and those which we are currently exploring (light green).

Customer opportunity - Netherlands

Why the Netherlands?

- Proximity to AO European central hub
- Relatively low start-up costs and ease of execution
- High overall online adoption rates 93.1% (UK: 92.0%)[1]
- High population density[2]
- Higher MDA APVs than UK[3]

[1] source: Worldbank 2015
[2] Compared to UK & Germany (source: Worldbank 2015)
[3] Average Product Value:source: AO internal data year to November 2016

Countries

The country bolt-on model

- Launched Netherlands March 2016 with learnings applied from Germany
  - Supplier engagement
  - Recruitment of key personnel
  - Customer acquisition
- Result
  - Smooth launch
  - Improved margins and sales growth
- Replication model
  - Further leverage of supplier relationships and AO culture
  - Accumulate experience

Our challenges

AO Customers

- Customers love the AO Way
- NPS:
    - Germany: 91
    - Netherlands: 85
- Average Trusted Shops score in Germany is 4.8 out of 5 Points
- Customer base and repeat purchase rates growing
- Proposition expanded to include:
    - AV
    - Warranty products
    - Premium installations

Our challenges

Suppliers

- Local strategy continuing to build momentum
- Successful supplier day with all major brands in both territories
- Relationships continue to improve
- Further alignment planned for 2017 to leverage AO content and media assets to unlock additional support

Manufacturer testimonial

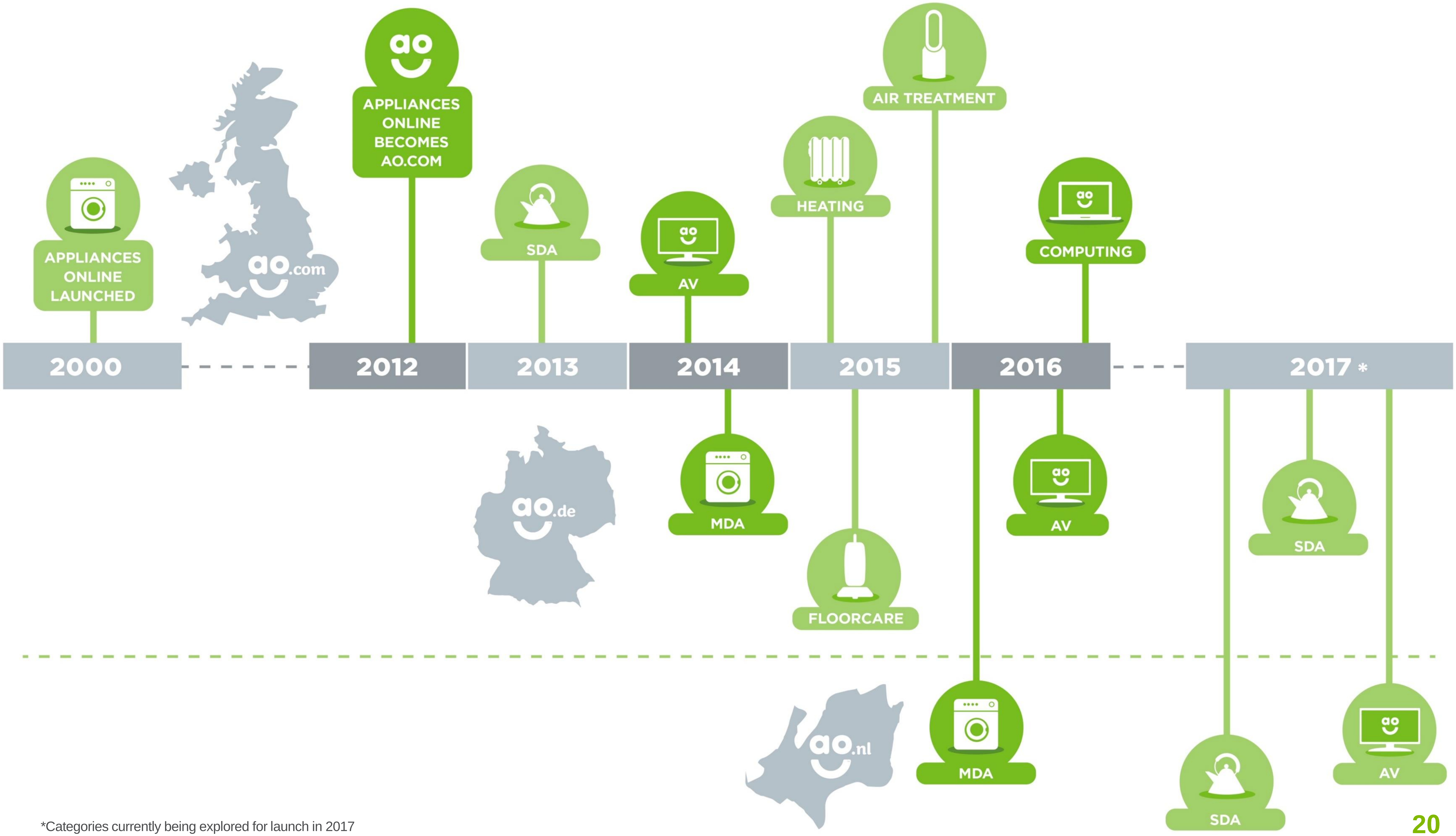
Our challenges

Culture – Building the team

Replicating the AO Way

- Central recruitment process against existing group values
- UK senior management initially based in territory
- Adapt to be respectful of different customs
- Educate through:
  - Workshops
  - Engagement events
  - Executive Team value session
  - Supplier days
- Ongoing mission to reinforce, develop and refine

Categories



*Categories currently being explored for launch in 2017

Categories

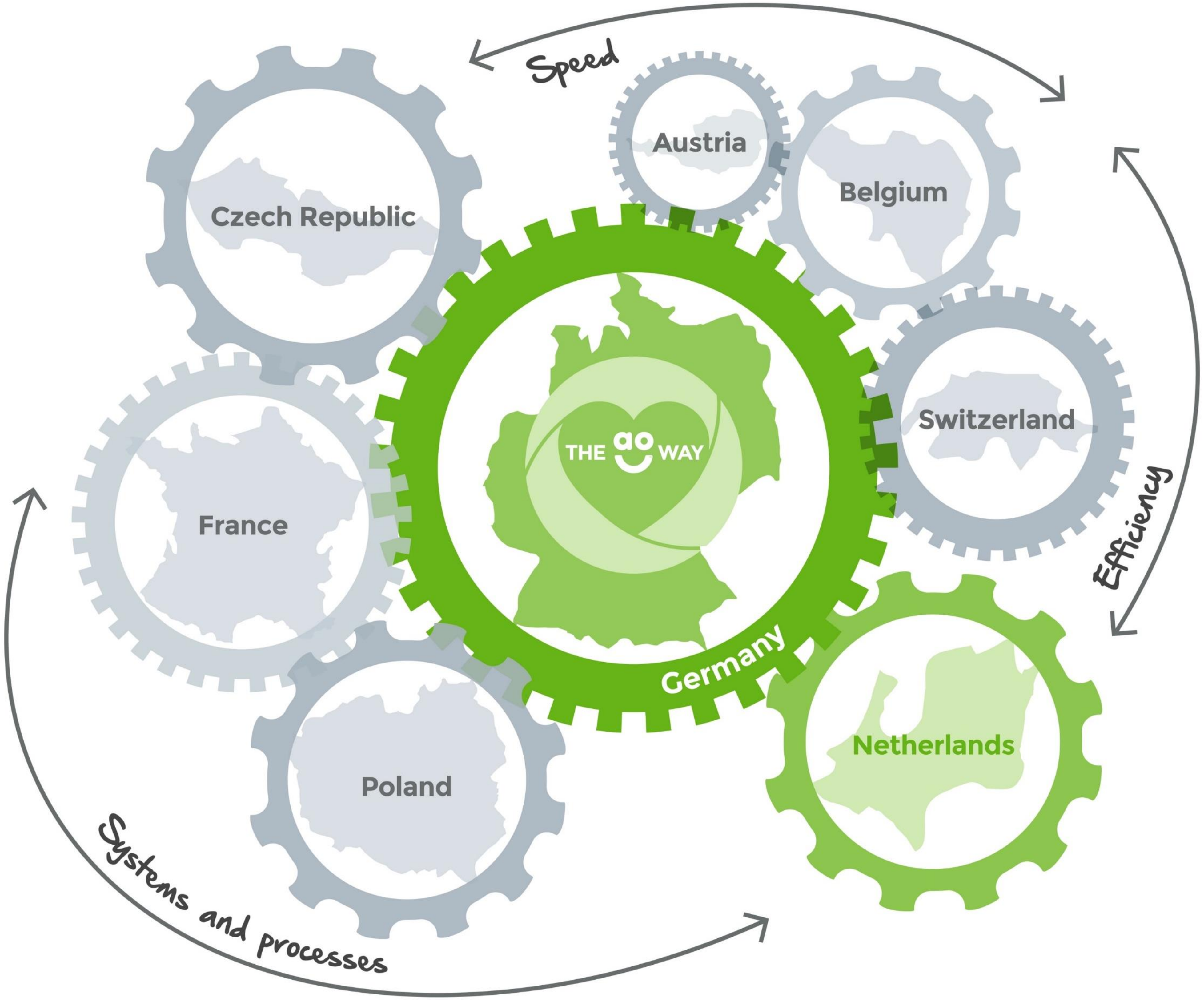
The category bolt-on model

- AV launched in Germany October 2016
- Learnings applied from UK roll-out
  - Local to local supplier engagement with AO industry expert
  - Ability to leverage/utilise UK content at low cost
  - Draw on UK knowledge and experience
- Future development
  - Grow suppliers, categories & range
  - Build revenue & margin

Brand

- Renewed focus on brand following period of consolidation through:
  - Building a solid brand foundation
  - Translating the AO way in new territories
  - Ensuring brand consistency throughout the UK and Europe
  - Increasing spontaneous brand awareness to drive traffic
  - Using AO branded green fleet only

Scalability



The growth journey

Our objective

- Profitability by 2020
  - Assumes existing territories only
  - Does not include substantial brand investment to accelerate growth
  - Leveraging our cost base
  - Achieve profitable adjusted EBITDA* run-rate by FY21
- Revenue of c.€250m
  - Target to grow the business at >30% CAGR
  - Grow sustainably

*Adjusted EBITDA is defined by the Group as profit/(loss) before tax, depreciation, amortisation, net finance income and "adjustments". Adjustments is defined by the Group as set-up costs relating to overseas expansion and share-based payment charges/credits attributable to exceptional LTIP awards which the Board considers one-off in nature.

P&L dynamics

Gross margin

- Product margin
- Logistics
- Other margin

Selling and general administrative costs

- Marketing
- Warehousing
- Other admin

Logistics

European infrastructure

- Regional Distribution Centre and customer service
- Current Outbases:
    - 4 in Germany
    - 1 in Utrecht plus customer service centre
- Future outbases identified in complementary locations

Fleet

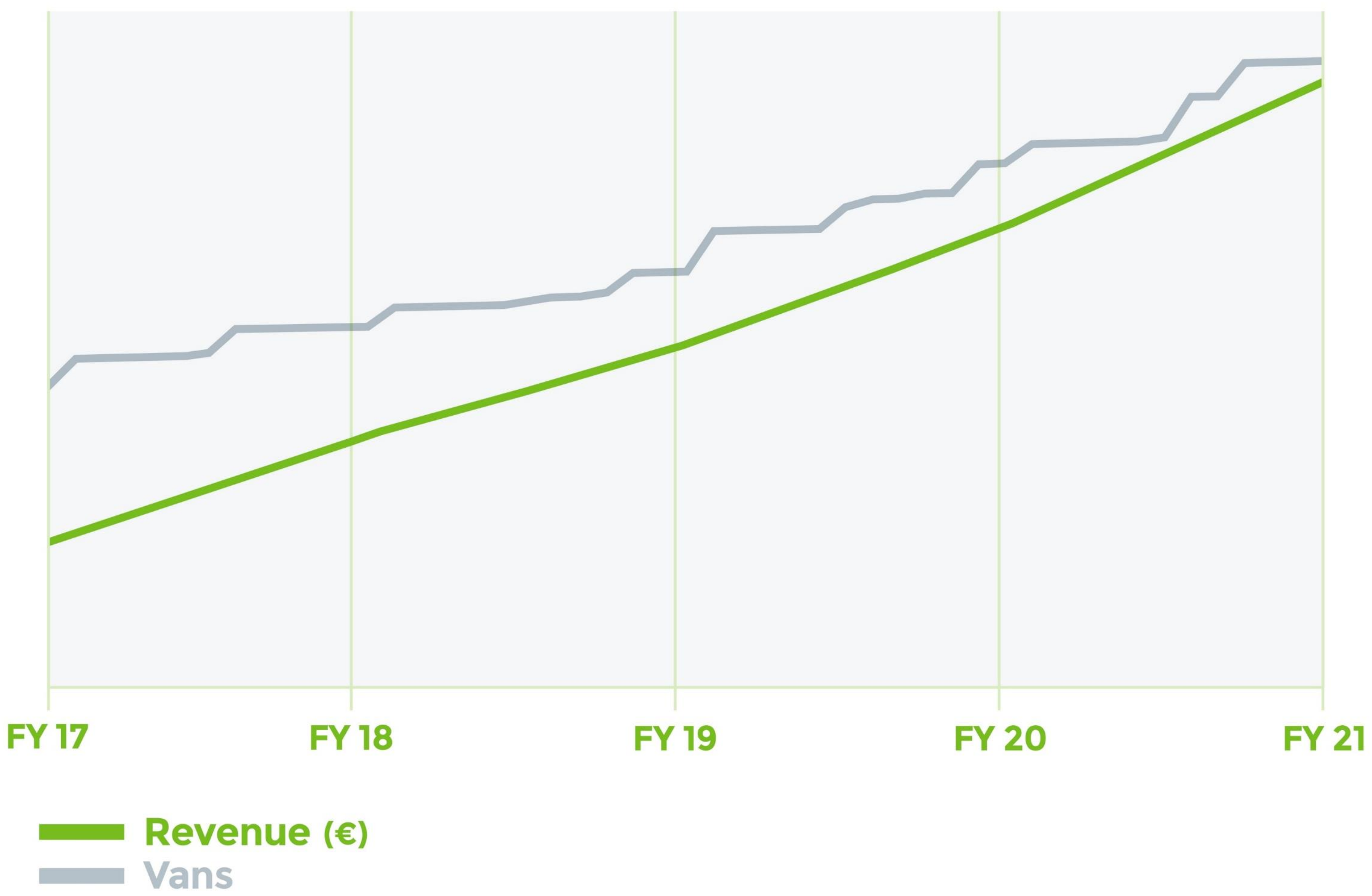
- We're in c100 delivery vehicles* making c1,000 deliveries per day
- Currently have c300 drivers
- Rhenus partnership - the SMART solution to problem postcodes

*Includes a small number of hired vehicles

Forecasted outbases by 2020

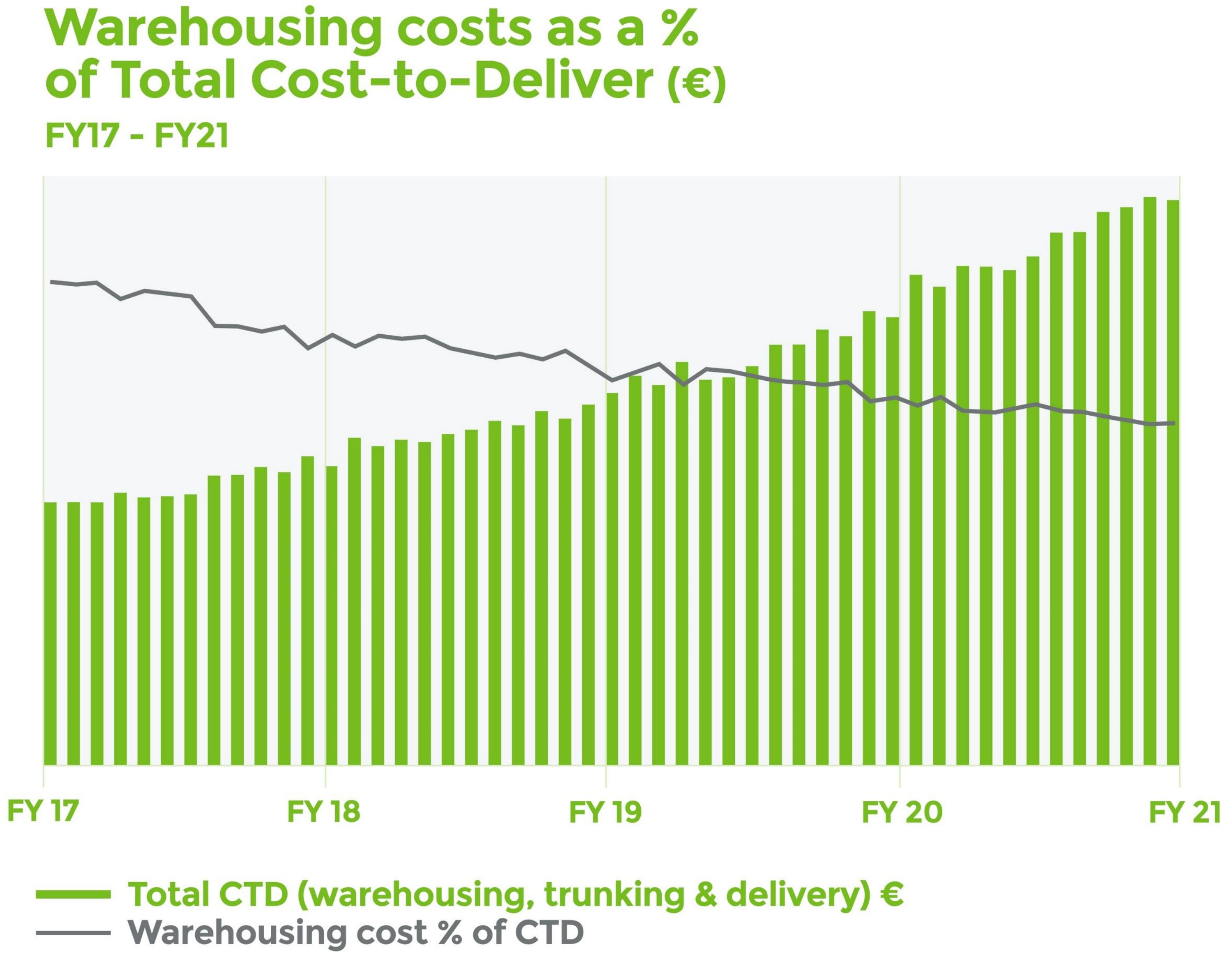
Logistics – Revenue / Vans

Revenue growth (€) v's van growth
FY17 - FY21



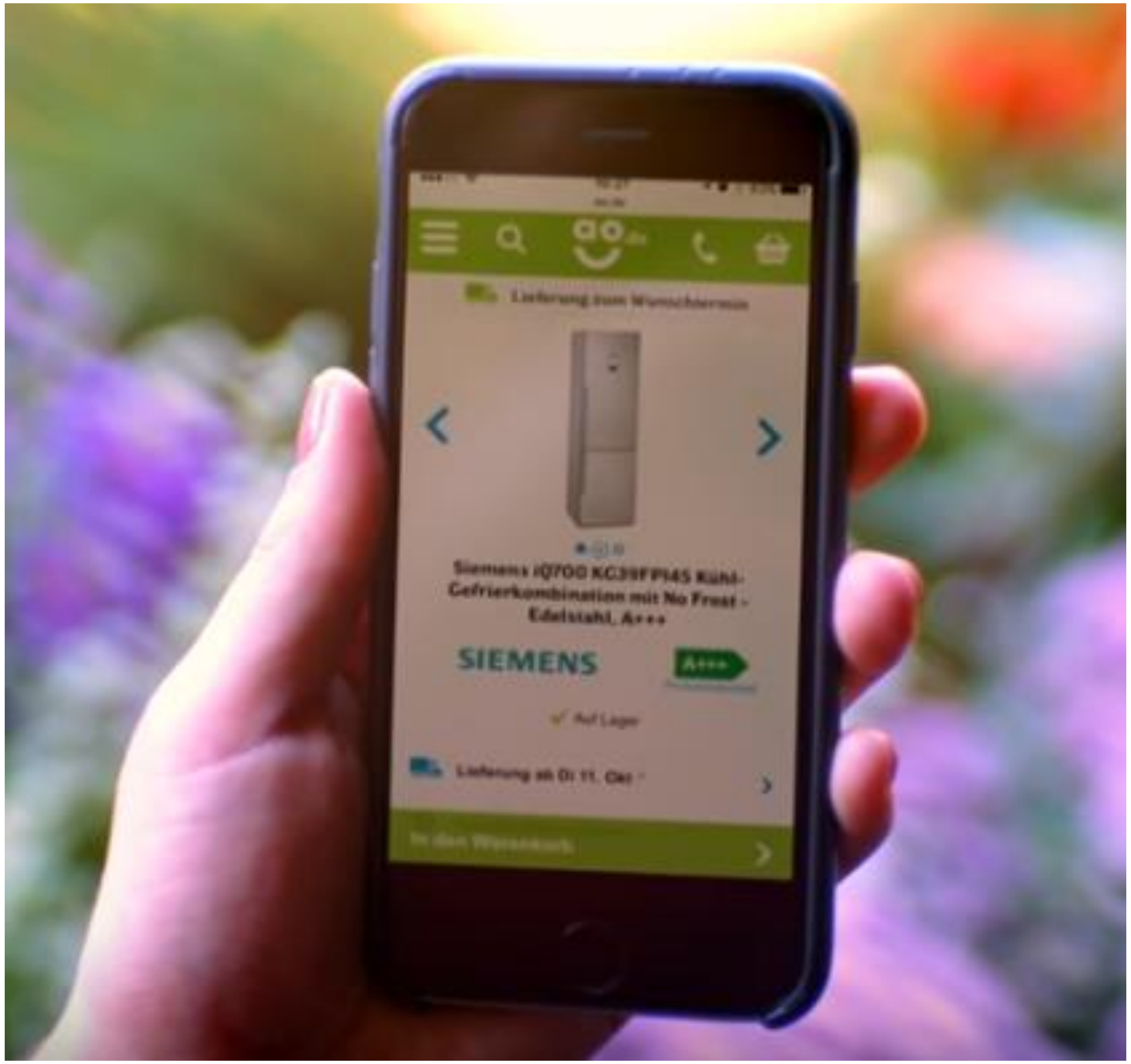
- Significant capacity for growth
- c150% growth in revenue requires a c65% increase in vans
- Efficiencies build as revenue grows

Logistics - Warehousing



Product margin journey

- 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



Building the brand and driving traffic

- Taken learnings from the UK and adapted our strategy to the market
  - Continue driving our digital performance channels (e.g. Google and affiliates)
  - Increase our SEO rankings
  - Build social media audience
  - Utilise local marketing channels e.g. direct mail and eCRM
  - Increase local and national media through PR
  - Use TV advertising tactically

P&L dynamics

Gross margin

- Product margin
- Logistics
- Other margin

Selling and general administrative costs

- Marketing
- Warehousing
- Other admin

Fixed costs largely built leveraging variable costs with scale

Our challenges

Summary

WHAT

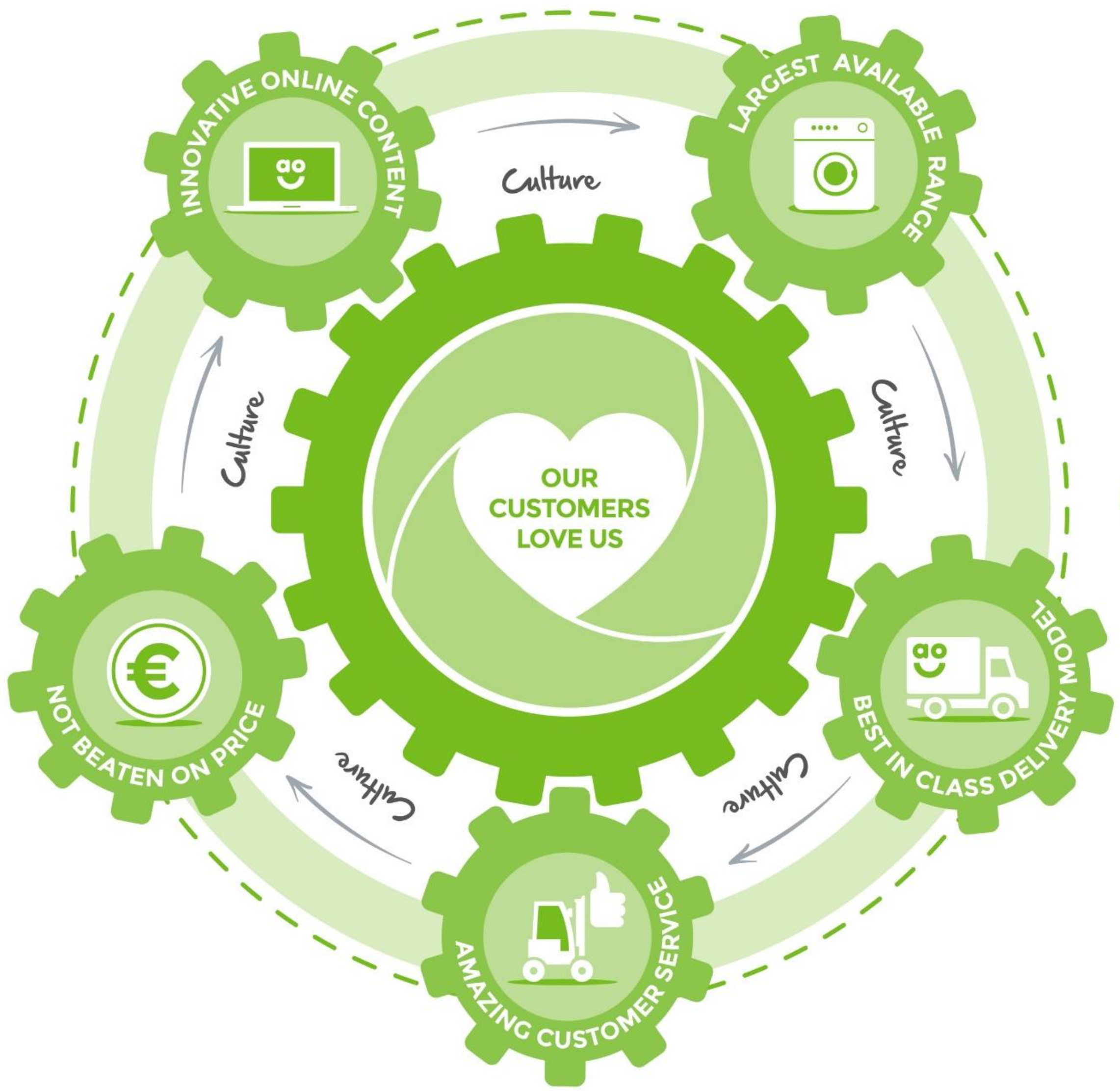
To Be The Best Electrical Retailer in Europe

HOW

Exceptional in the moments that matter

WHY

Because we CARE more



Q&A