



AO World plc

Capital Markets Day UK

October 2nd 2018

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A copy of this presentation can be found on our corporate website at www.ao.com/corporate



Welcome

Steve Caunce
CEO

Agenda

1. Welcome and purpose of the day

Steve Caunce – Chief Executive Officer

2. Strategy

Steve Caunce

3. UK Market Update

Mark Higgins - Chief Financial Officer

4. Brand Update

Michael Bates - Chief Brand & People Officer

5. UK Operations

Danny Emmett - UK Chief Operating Officer

6. Break

7. Logistics

Dave Ashwell - Managing Director Logistics

8. Recycling

Rob Sant – Managing Director AO Recycling

9. Tours and Lunch

10. Financial Dynamics

Mark Higgins

11. Summary and Q&A

Steve Caunce / Mark Higgins

Today's Hosts



Steve Caunce

Chief Executive Officer



Mark Higgins

Chief Financial Officer



Michael Bates

Chief Brand & People Officer



Danny Emmett

Chief Operating Officer, UK



Dave Ashwell

MD, AO Logistics



Rob Sant

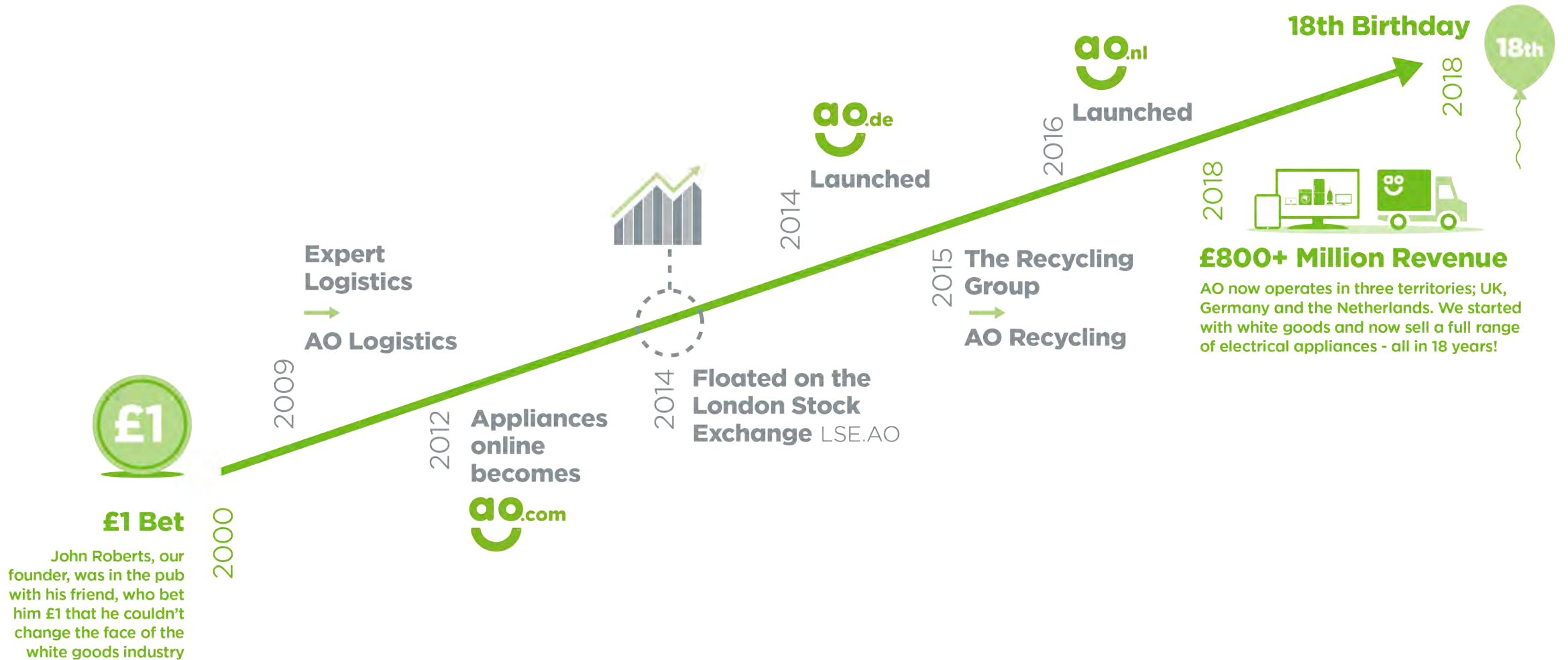
MD, AO Recycling



Strategy

Steve Caunce
CEO

AO is 18 years old



Our purpose

To have the **happiest customers** by
relentlessly striving for a **better way**

AO today...

COUNTRIES

We currently operate in the **UK**, **Germany** and the **Netherlands**



£800m+
GROUP REVENUE

CATEGORIES

6 categories with over 180 brands and 7,000 products



Based on 100,000 reviews

Around
50,000
Deliveries
a week in the UK



22
outbases

6
offices

3
warehouses

1
recycling plant



EMPLOYEES
over 2,500 across
the UK, Germany
& the Netherlands

OVER 5,000,000
CUSTOMERS*



Recycling over
700,000
fridges per annum



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

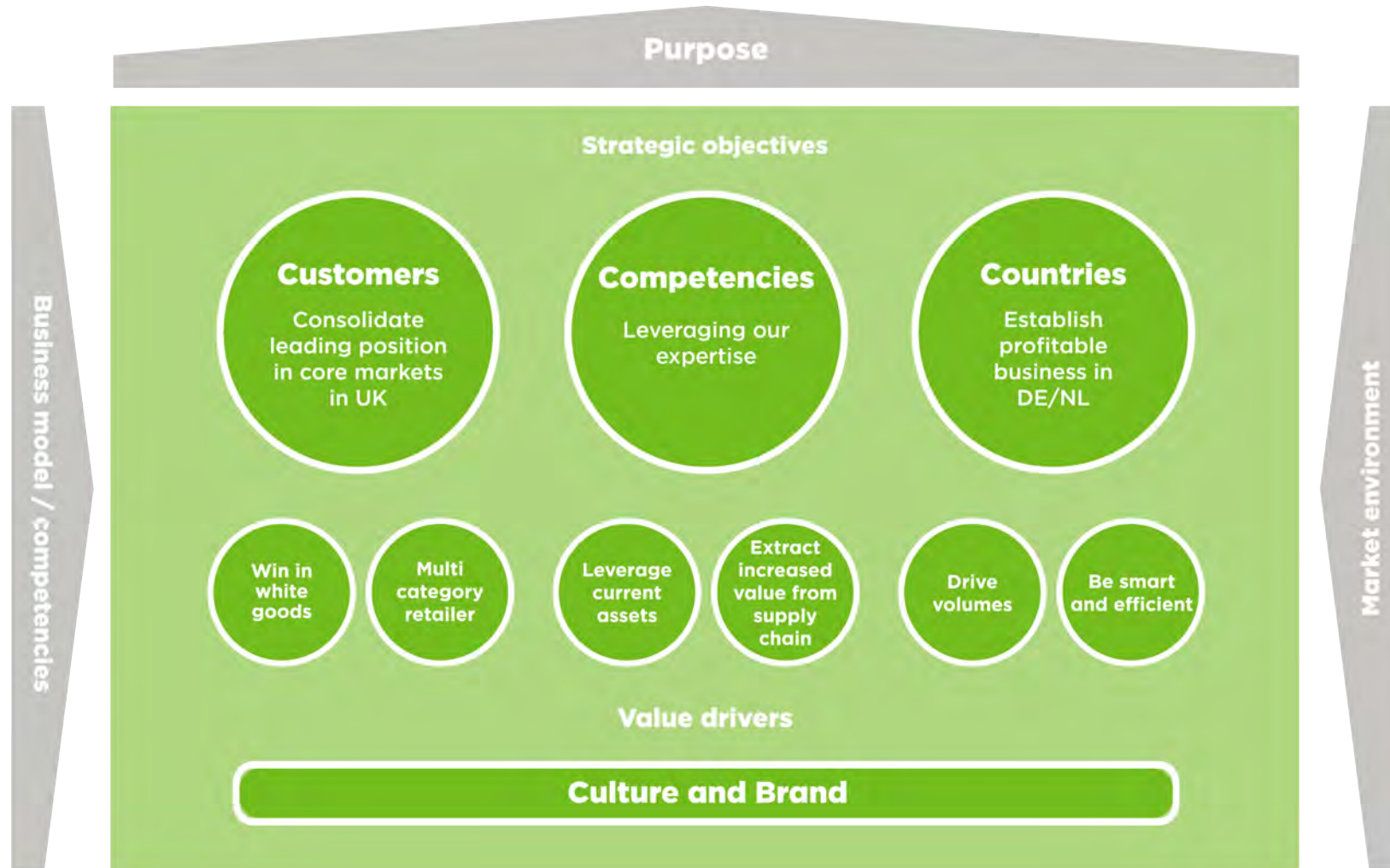
AO has evolved

From a one country
one category e-tailer



To a multi-national/
multi-category,
vertically integrated
ecosystem

Our strategy positions us for growth



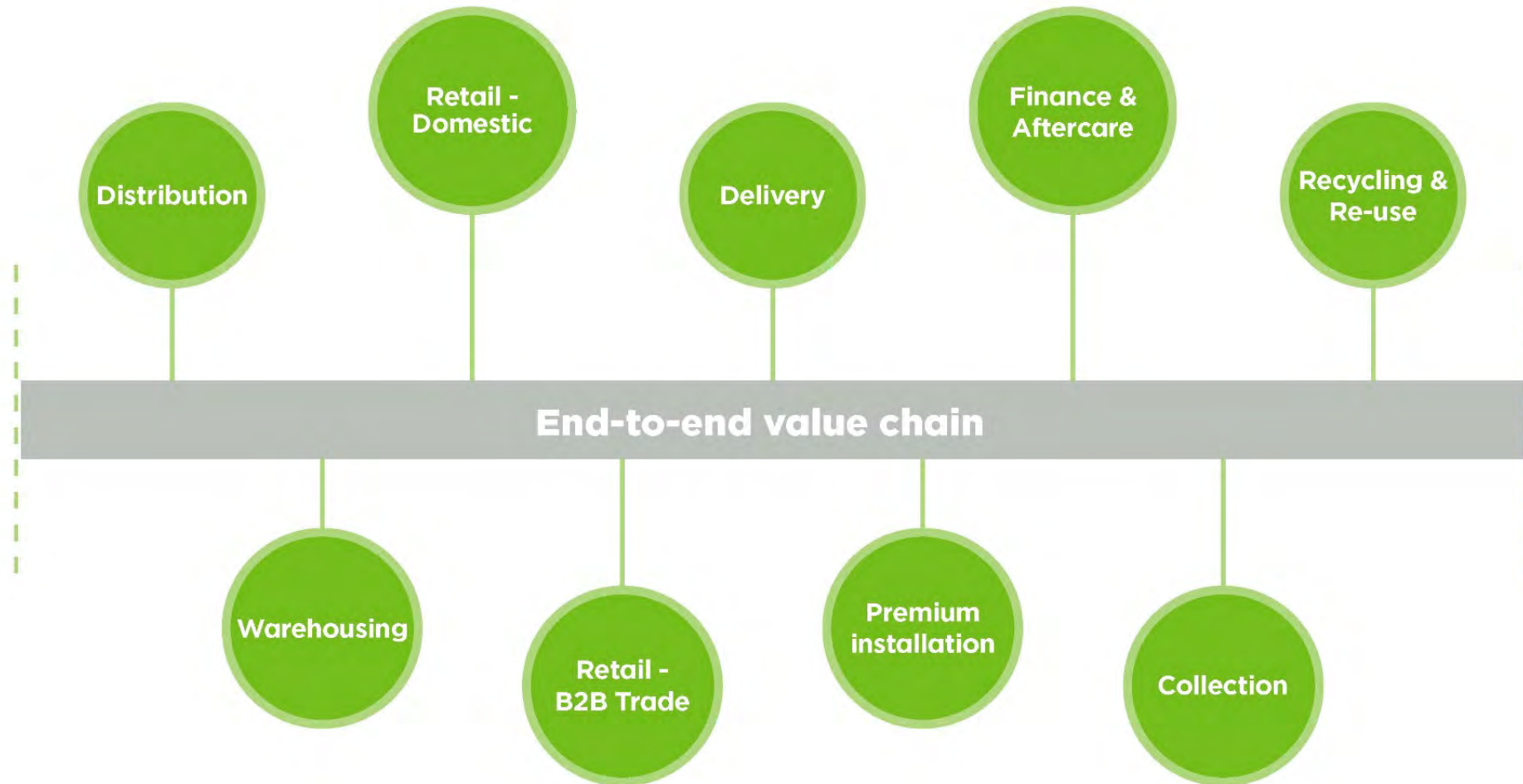
Focus of today is...



Competencies

Leveraging our
expertise

Leveraging our core competencies into our supply / value chain

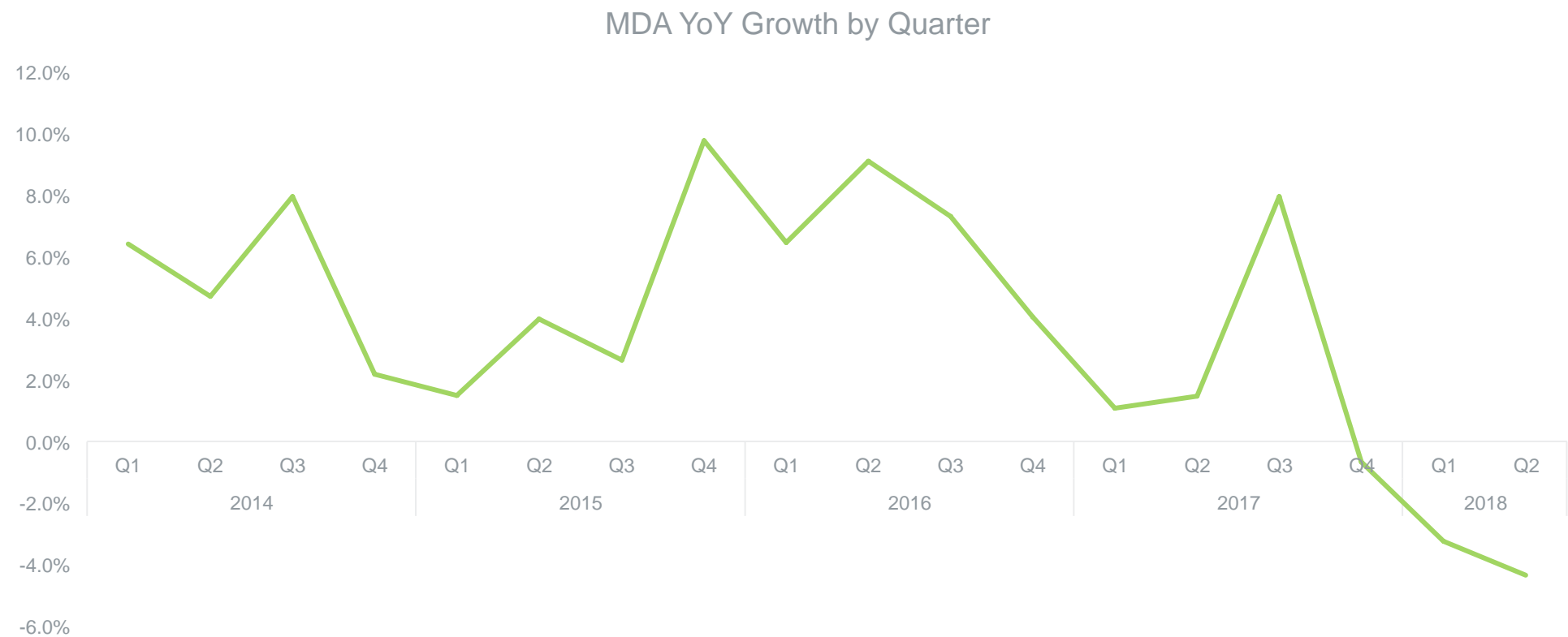




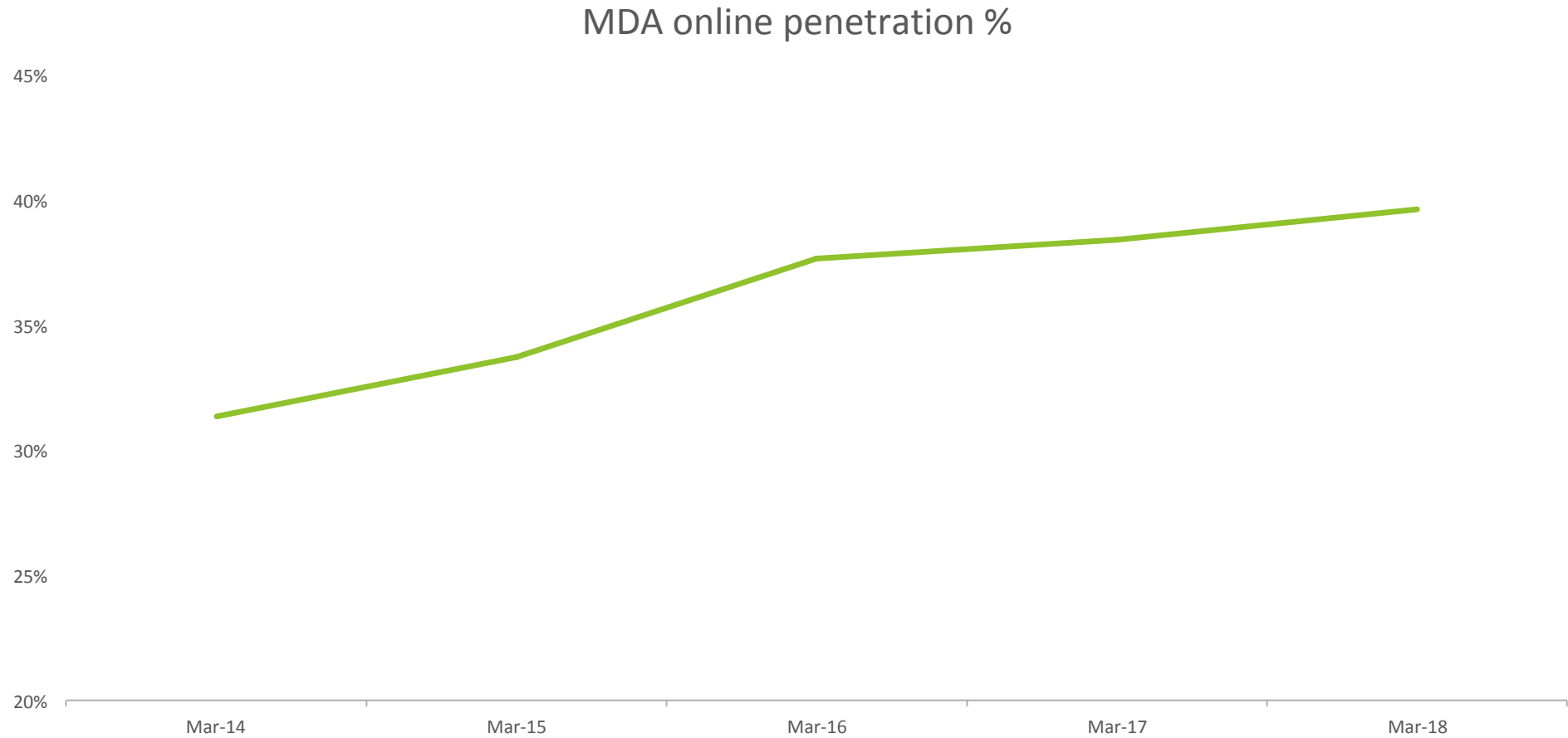
UK Market Update

Mark Higgins
CFO

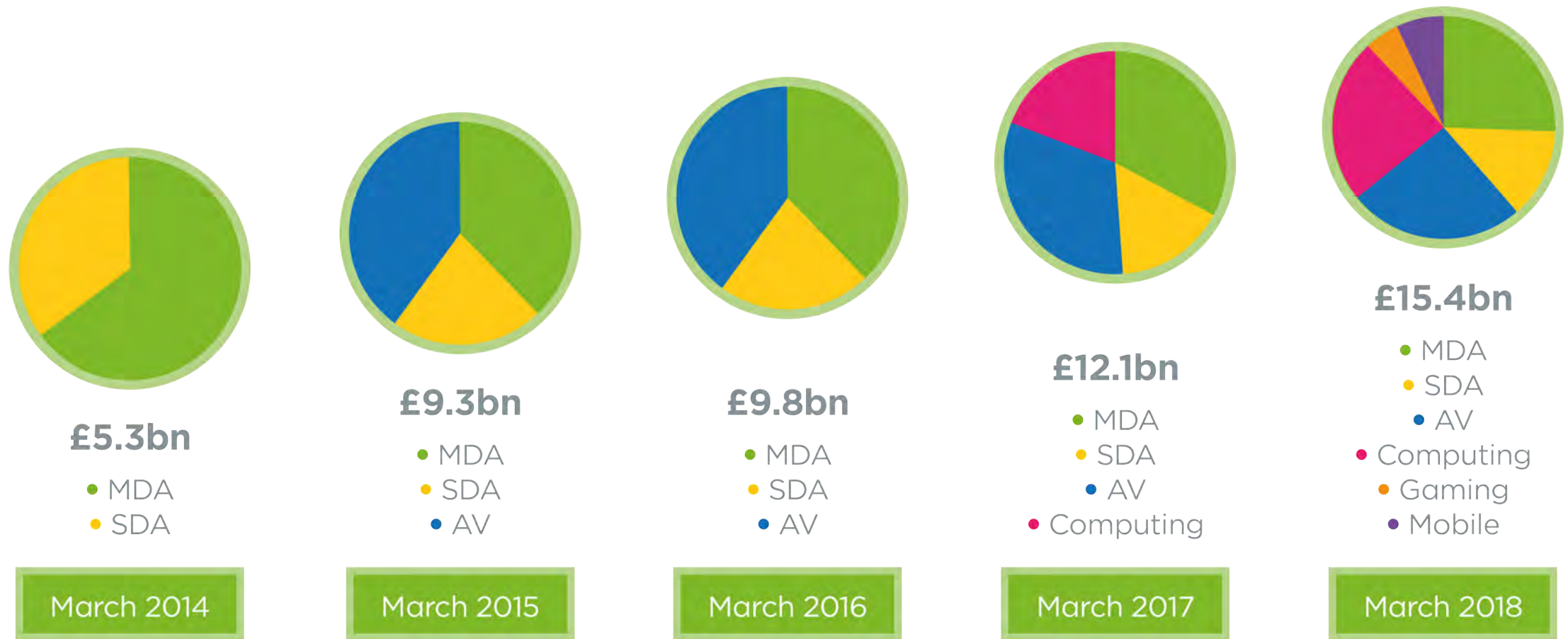
MDA Market Growth, 2014 - 2018



MDA Online Penetration, 2014 - 2018



AO's UK total addressable market has grown significantly since IPO





Delivering Tomorrow

Michael Bates
Chief Brand & People Officer

We have a big ambition

Create a brand platform to
fuel our next phase of
growth by increasing
awareness & consideration
among non-customers



Make AO more **memorable** to
electricals shoppers of Britain

So more people not only **trust**
but feel compelled to **try** and
buy from AO

The challenge: people are familiar with AO but have little understanding of the brand

Awareness

TRUST

Consideration

Non-users don't trust us as much as our competitors

Is a brand I can trust when buying large kitchen appliances

John Lewis

66%

Currys  PC World

53%



44%



33%

But to try AO is to trust AO



ao.com

Reviews (107,836) • Excellent **100,000** reviews



When we explain what we do and how we do it, AO is more impressive than people realise

I've always thought of them as just an online company but actually they're coming across this evening as all one company. They're not outsourcing anything. You feel more reassured it's all within the company.

Non-User, London

We have lots of great stories to tell

Delivery

Our own fleet

Next day delivery

Real time tracking

Direct line to driver

Range of free slots

More punctual than anyone

Service

Accredited engineers

Disconnect and recycle old appliances

100 Day Returns

We've connected appliances in one million homes

We will unpack and inspect your new products

UK call centre

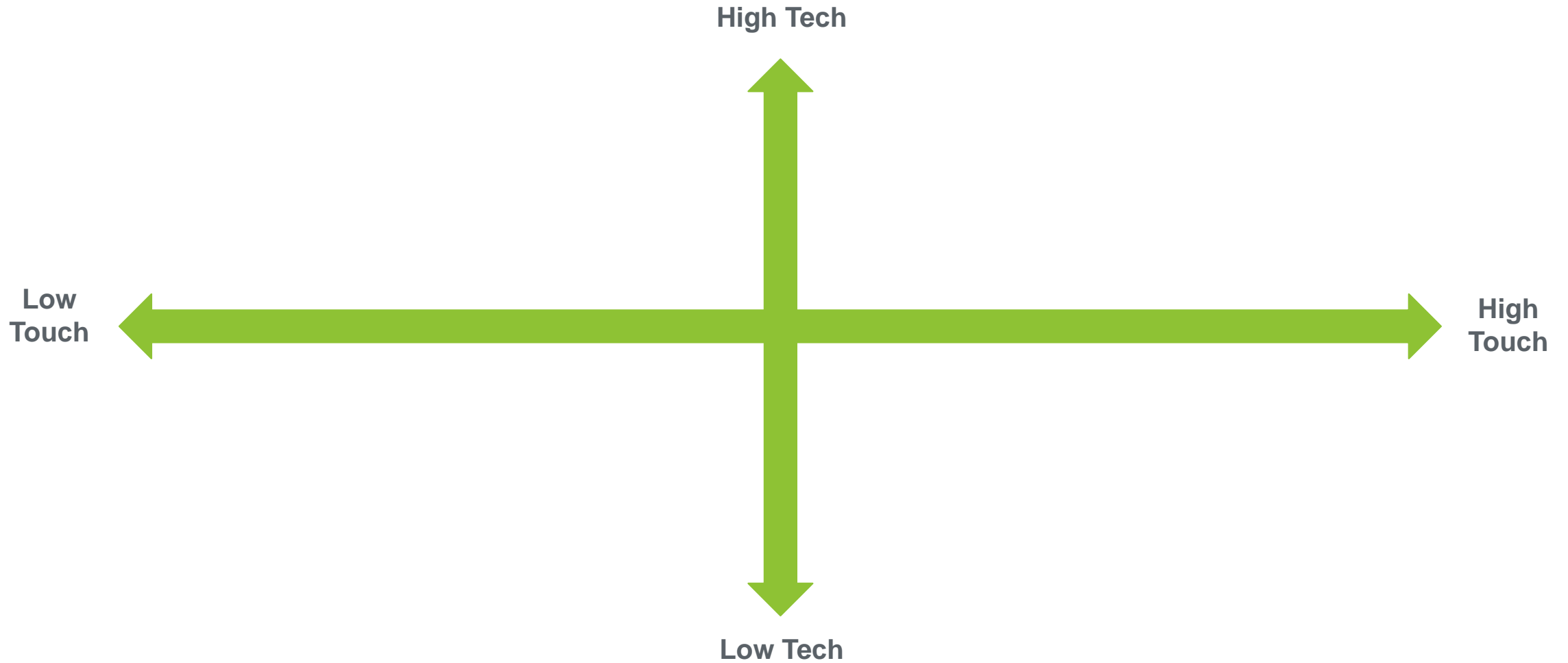
Recycling

We own and operate our own recycling facility

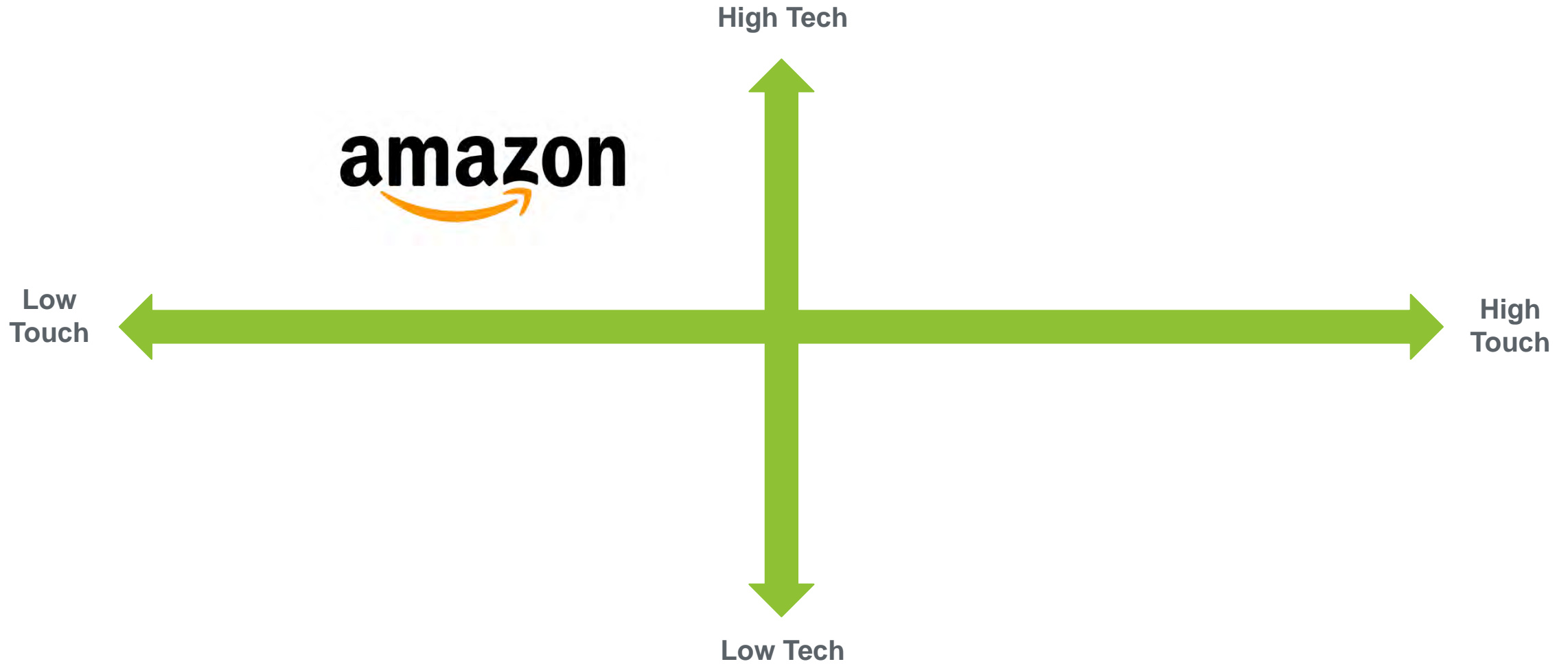
We dispose of everything we collect responsibly

We recycle over 10k fridges each week

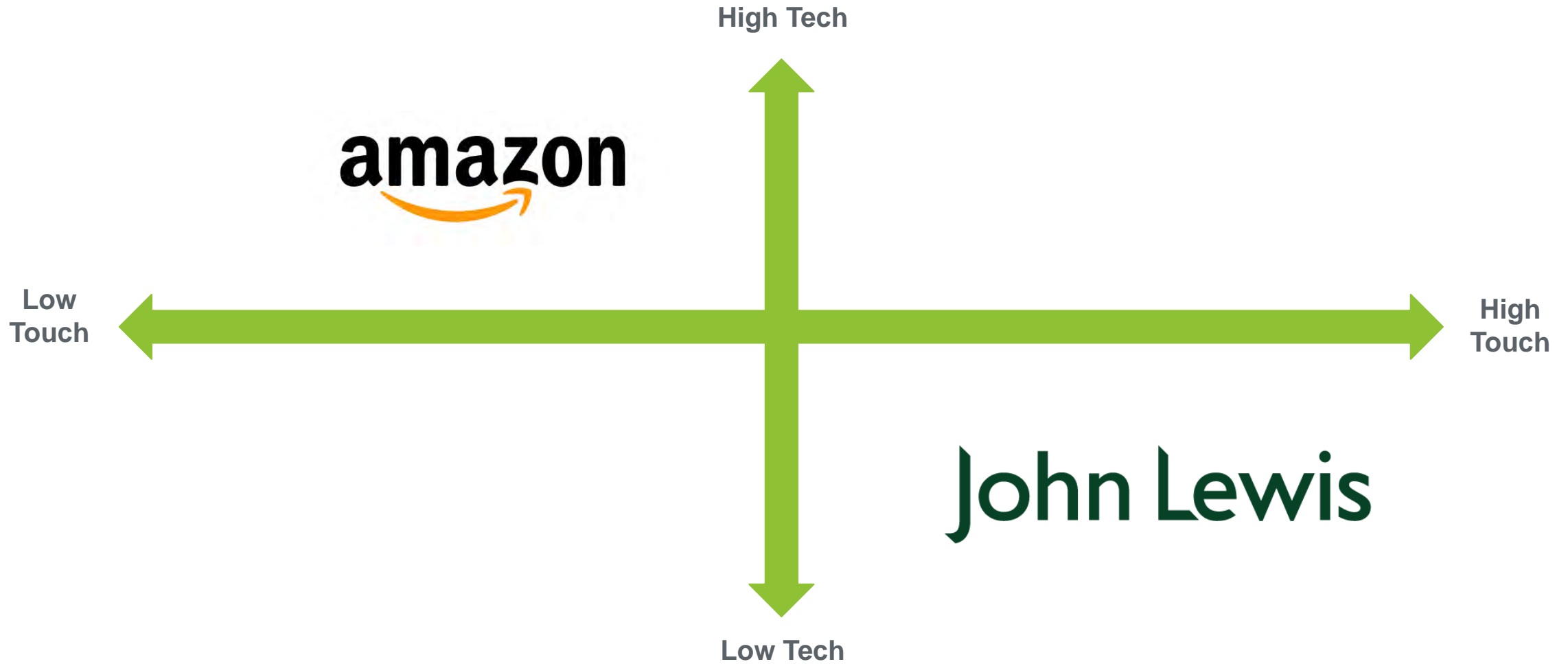
What really sets AO apart?



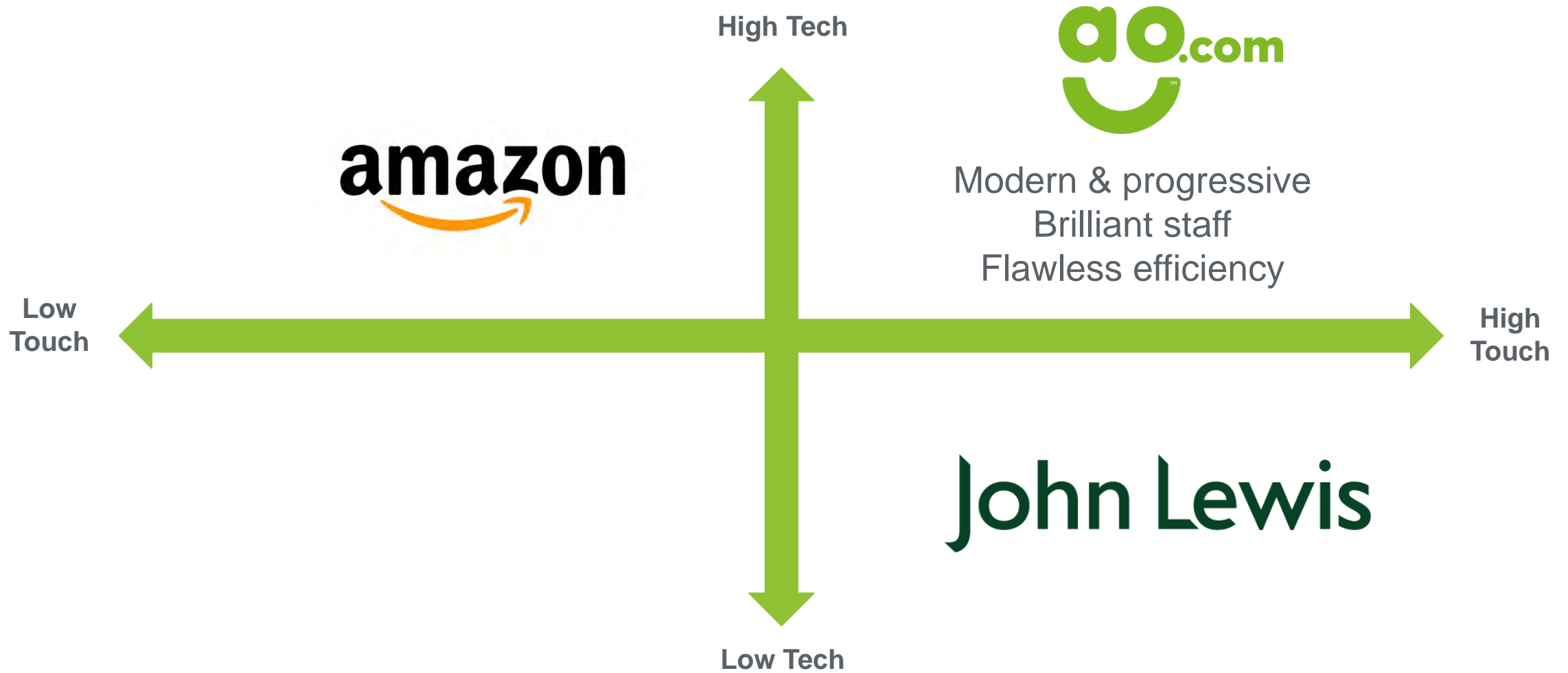
What really sets AO apart?



What really sets AO apart?



AO's unique mix of humanity & efficiency



A low-angle shot of a modern, multi-story building with a glass facade. A large, bright green smiley face logo is visible on the right side of the building. The sky is clear blue. A green rectangular box with rounded corners is overlaid in the center, containing white text.

Modern & Progressive
Brilliant staff
Flawless efficiency

A person wearing a high-visibility yellow safety vest is seen from behind, standing in a large warehouse filled with stacks of cardboard boxes. The warehouse has a high ceiling with visible structural beams and lighting fixtures. The text "SUPER. HUMAN. ENDEAVOUR." is overlaid in large white letters.

**SUPER.
HUMAN.
ENDEAVOUR.**

This became our brief

The brief



This became our brief

The brief



The new brand platform



It works on 2 levels

Delivering Tomorrow

*1. Whatever it takes to get you
whatever you need*

- Reliability when you need it most
- Delivery fleet sets us apart
- We get the job done
- No job too big

It works on 2 levels

Delivering Tomorrow

*1. Whatever it takes to get you
whatever you need*

- Reliability when you need it most
- Delivery fleet sets us apart
- We get the job done
- No job too big

*2. Vision, spirit and ambition for
a better future*

- An implicit and explicit benefit for customers
- Innovation
- Renewed purpose for our colleagues
- Environmental benefit of our working practices

Delivering Tomorrow

Whatever it takes for a better tomorrow

Core idea

Delivering Tomorrow: Our Manifesto

We are AO.

We're experts in electricals.

And we get them to you tomorrow.

We understand the importance our products play in our customers' lives.

They make tomorrow a better place.

But we don't stop there.

We want a better tomorrow for our colleagues, for our industry and for the planet.

When you're in the business of better tomorrows you hold yourself to a higher standard.

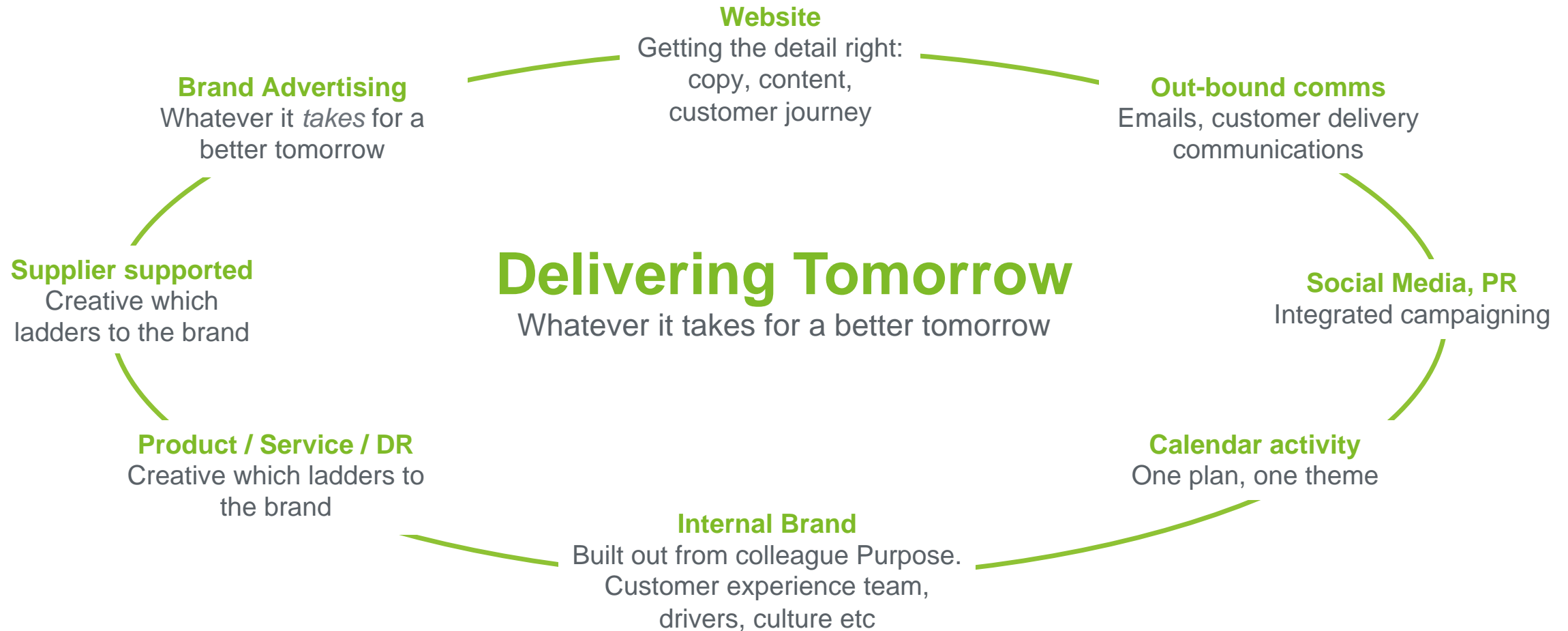
And we reach it through Super. Human. Endeavour.

To have the happiest customers

By relentlessly striving for a better way

Because that's what it takes to truly Deliver Tomorrow.

Delivering an integrated communications platform



The Campaign

Proudly Presents







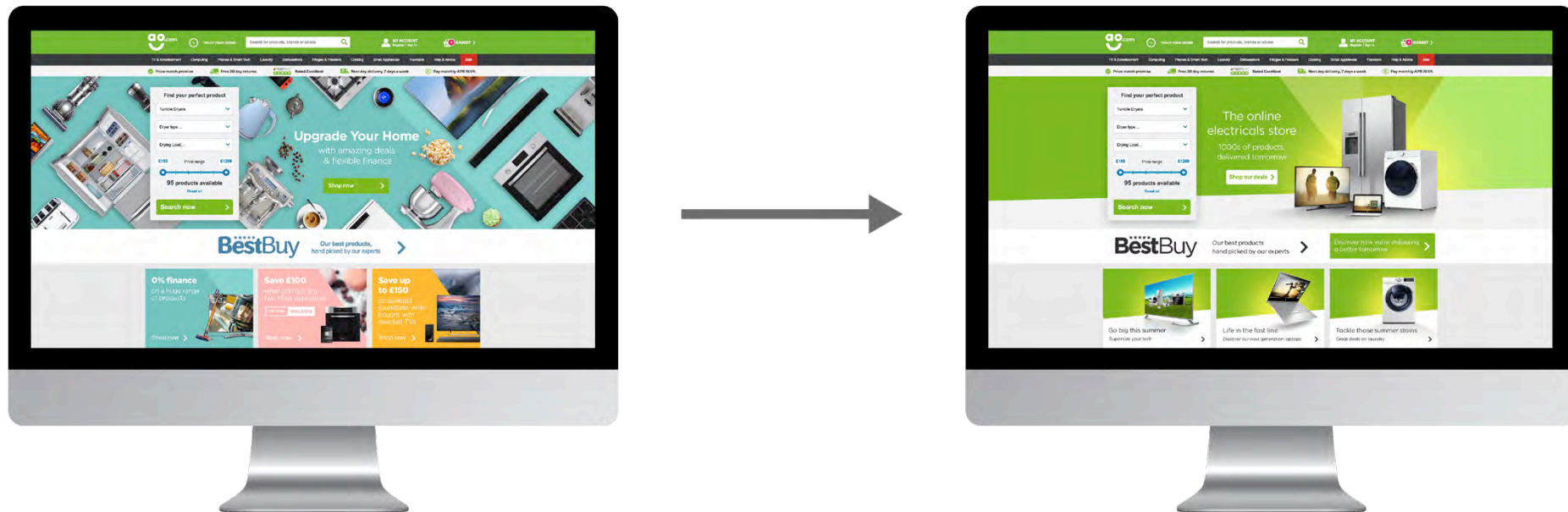
Opt-in and purchase required, delivery charges, driver availability, conditions, geographical exclusions & cut off times apply.





Was £399 Now £299 Save £100 Offer ends 03.09.18.
Charges, availability, geographical exclusions & cut off times apply.

Homepage carousel change



Find your perfect product

Tumble Dryers



Dryer type...



Drying Load...



£155

Price range

£1269



95 products available

[Reset all](#)

Search now



The online electricals store

1000s of products,
delivered tomorrow

[Shop our deals >](#)



BestBuy

Our best products hand picked by our experts



Discover how we're delivering
a better tomorrow



Unbeatable
summer deals



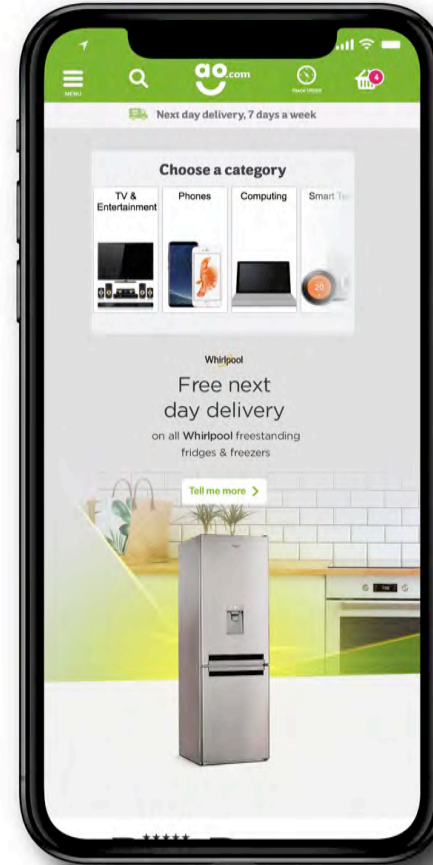
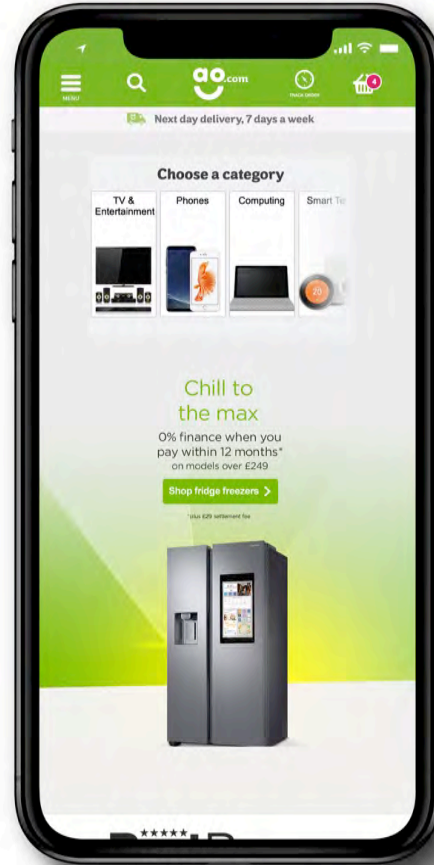
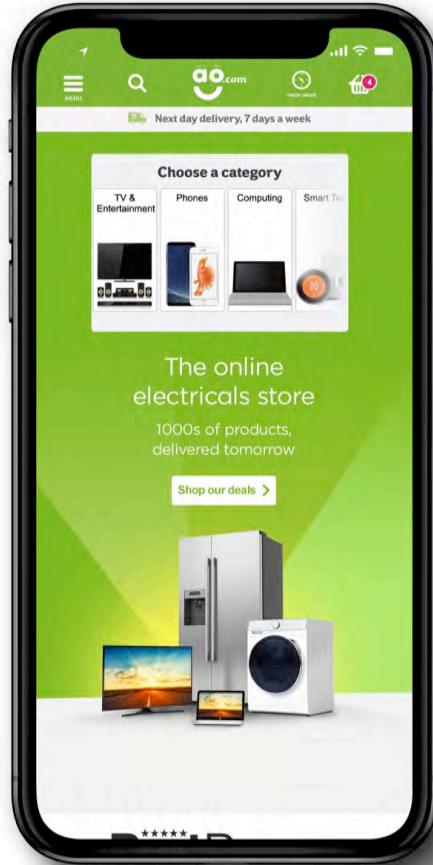
The easy way to buy
kitchen appliances



Go big
this summer



Homepage carousel: Mobile versions



Display advertising and merchandising pods

Chill to the max

0% finance when you pay within 12 months* on models over £249




Shop now >


*plus £29 settlement fee

Life in the fast lane

Discover our next generation laptops



Shop now >



Tiny tech, big help

Great deals on smart tech

>



Sun's out, salad's in!

With whirlpool fresh control

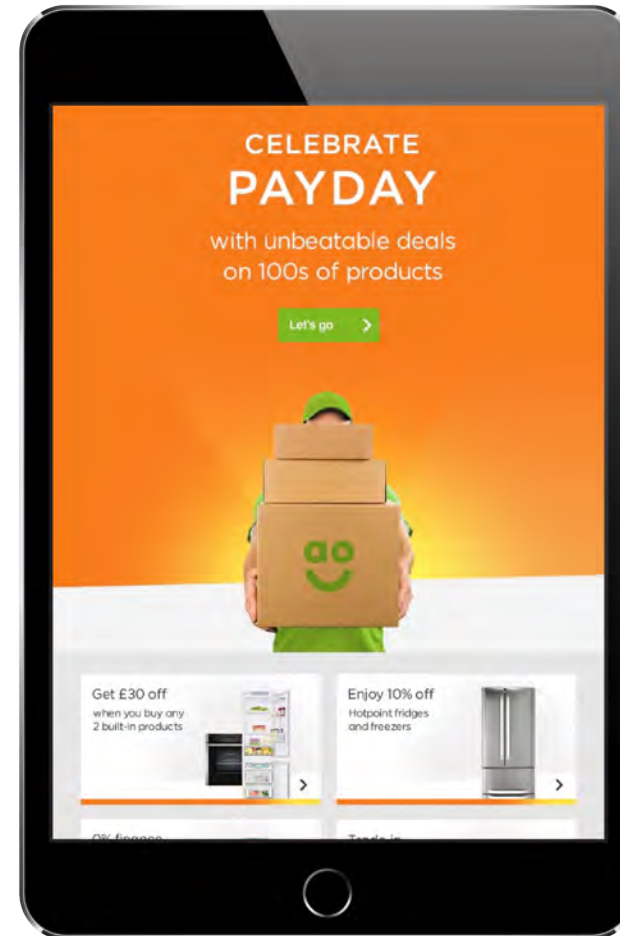
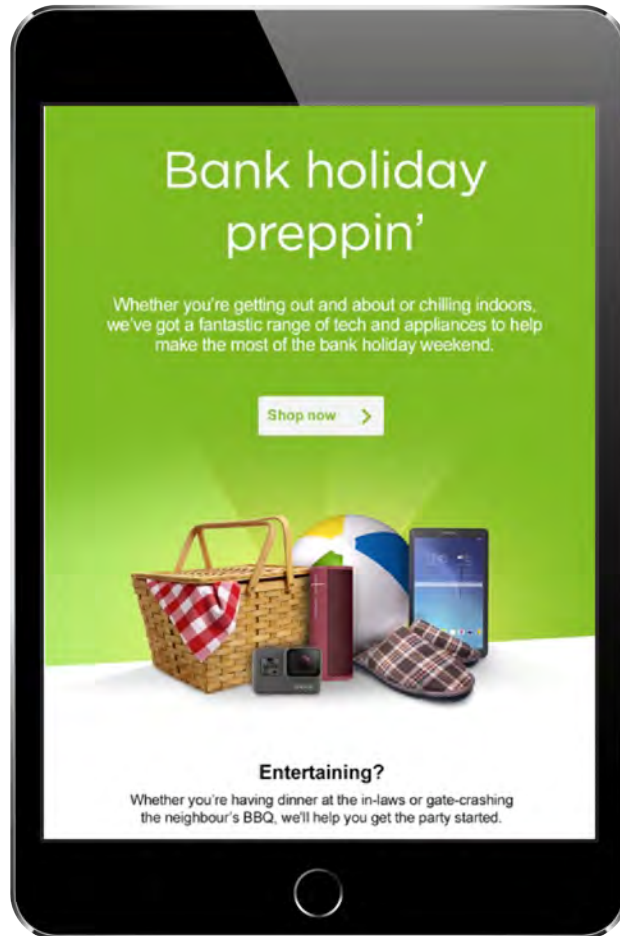


Whirlpool

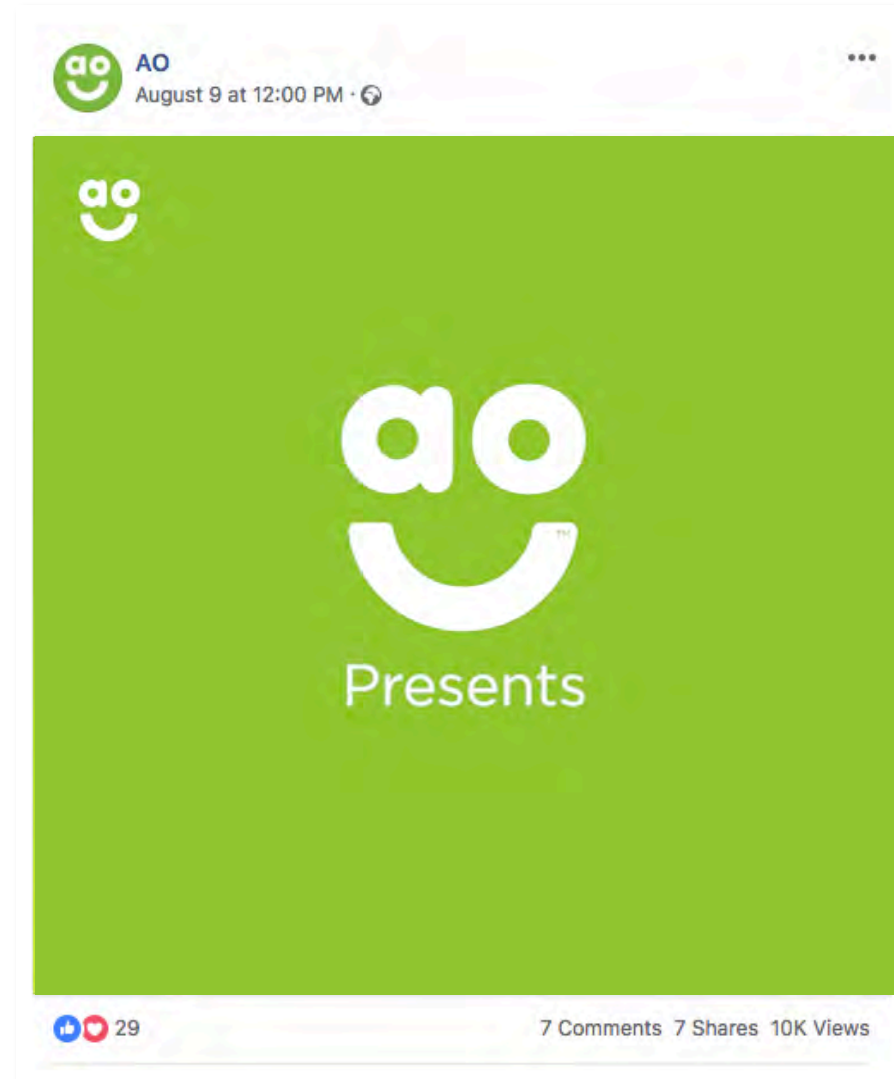
Shop now >

The online electricals store

Email CRM



Social media



Packaging



Results

Results



- Creative response to Delivering Tomorrow is extremely positive
 - The creative is extremely well-liked, memorable and different
 - Call to action after viewing is strong



- Delivering Tomorrow captures the audience's attention and delivers core brand messages - delivery and range
 - The ad very clearly communicates delivery



- Spontaneous awareness - up 2 ppts
- Spontaneous consideration - up 6 ppts



the online electricals store



UK

Danny Emmett
COO UK

Today

- Five UK business units structure
- Retail
- B2B
- Financial Services



We are now a big complex business

go
£700m+
UK REVENUE

CATEGORIES

6 categories with over
180 brands and
7,000 products



Around
50,000
Deliveries
a week in the UK



15
outbases

4
offices

2
warehouses

1
recycling plant



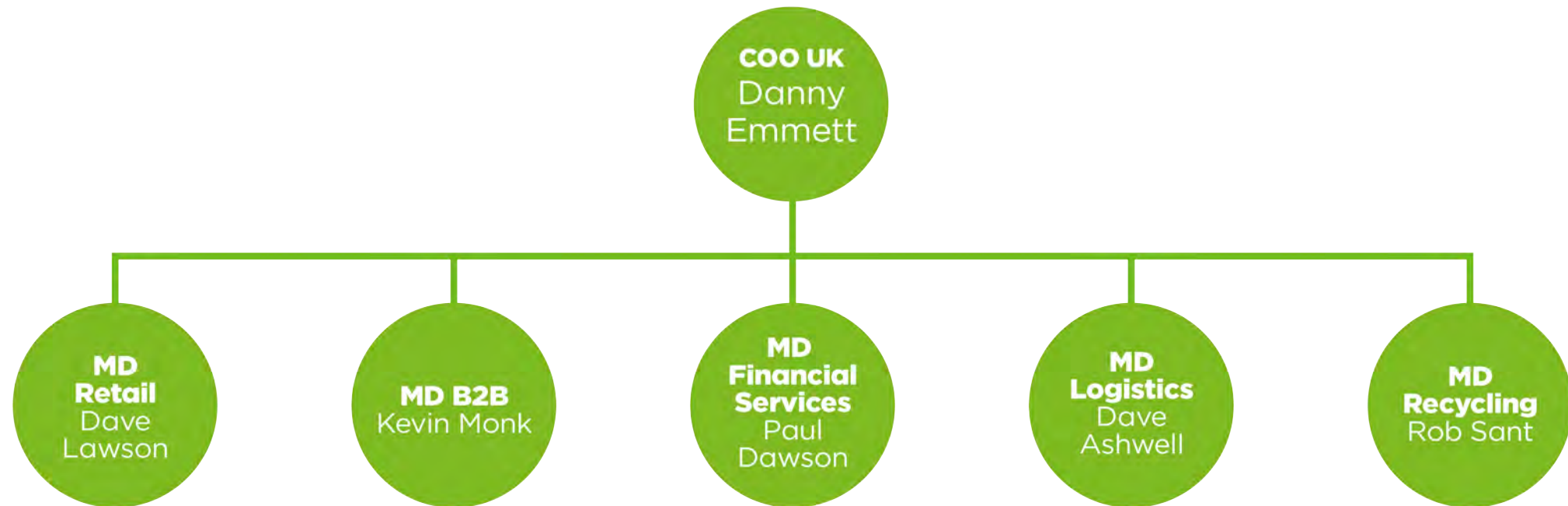
EMPLOYEES
circa 2,000
across the UK










Recycling over
700,000
fridges per annum



We have a new structure, scalable for growth



Five UK business units, all with huge potential

Retail	B2B	Financial Services	Logistics	Recycling
  <ul style="list-style-type: none">• Market leading customer satisfaction• Product focus & supplier relationships• Ecommerce & innovation	 <ul style="list-style-type: none">• Leveraging AO capability into new markets• Strategic focus• Huge growth potential	  <ul style="list-style-type: none">• Partnership with D&G for insurance• Outbound sales specialists• Developing our finance offering	 <ul style="list-style-type: none">• Leading UK home delivery specialists• Nationwide Gas/Electric Installation & product setup• Broadening to further 3rd party opportunities	 <ul style="list-style-type: none">• Largest and most efficient fridge recycling plant in UK• Plastics plant in build• 2nd Fridge plant on the way



Retail

The online electricals store

do.com

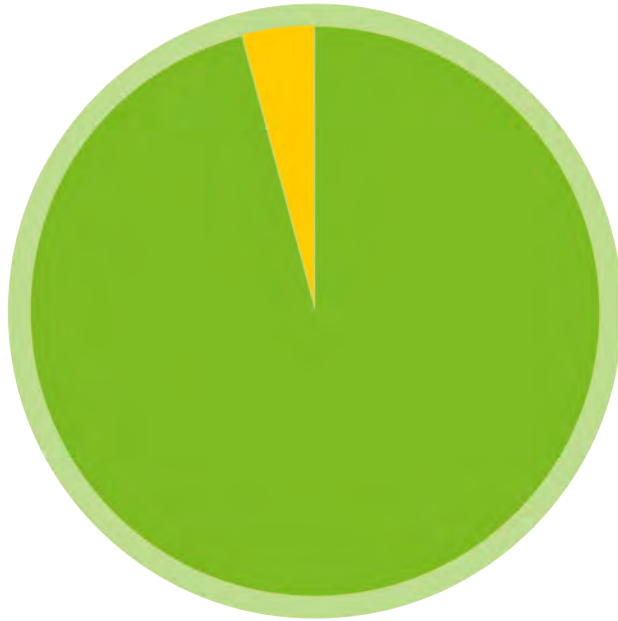


the online electricals store

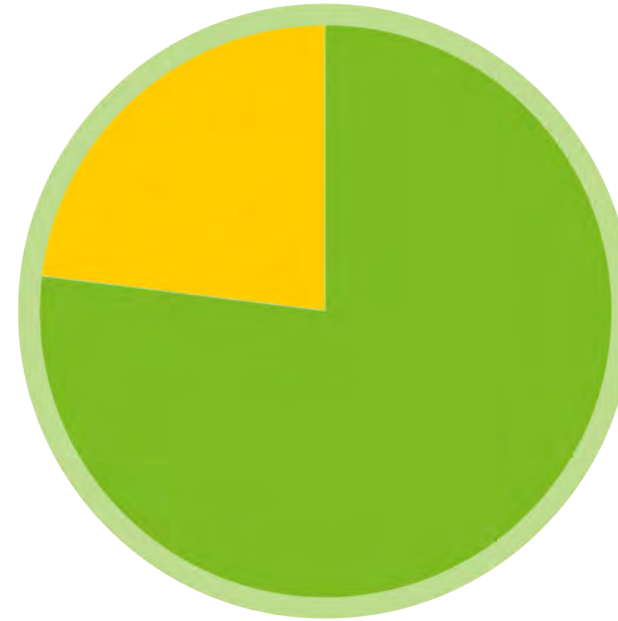
Win in white goods



Category mix of our business



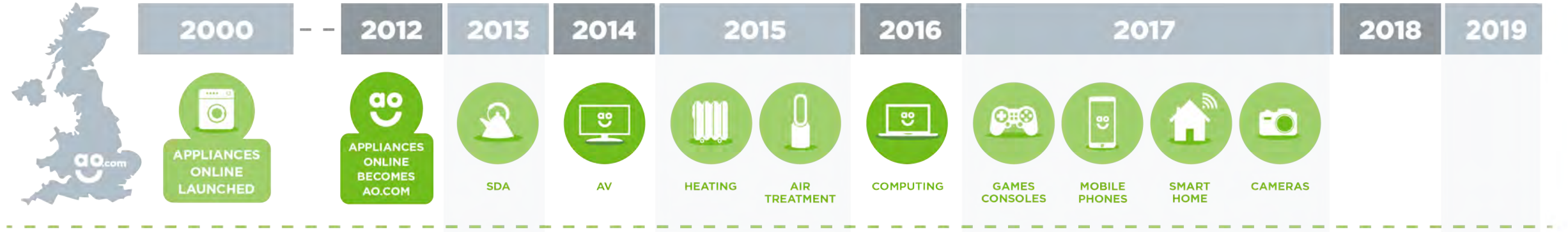
2014



2018

■ MDA
■ Other

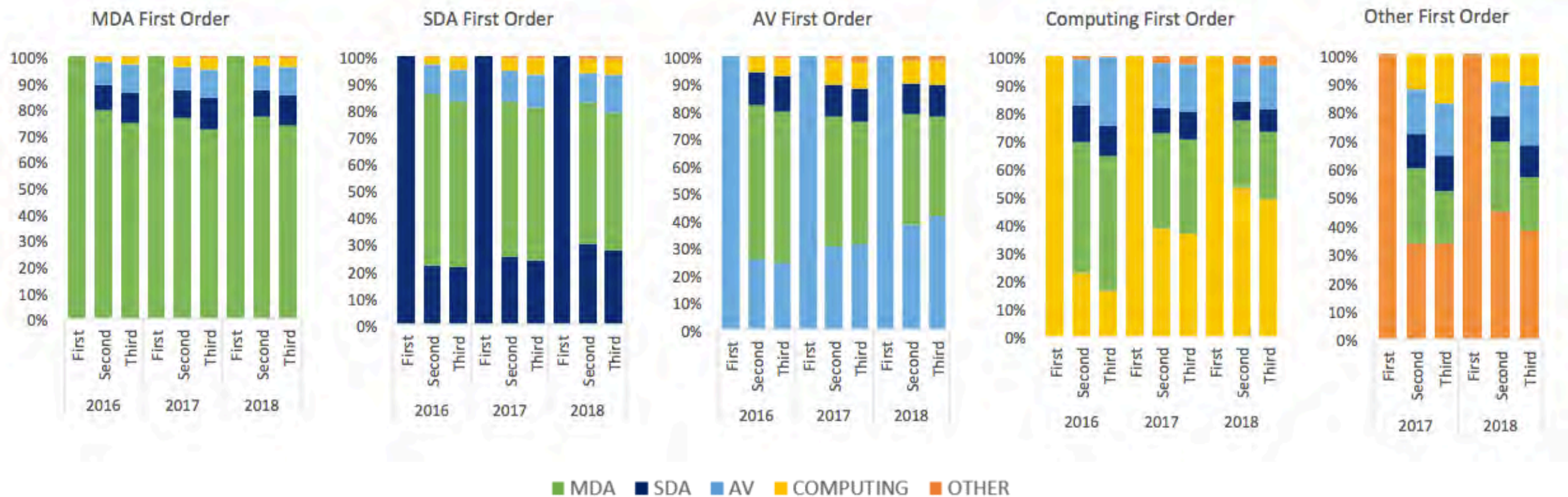
Multi Category Retailer



- Attach / Cross sell is a significant revenue and profit opportunity
- Connected world / connected families of products a driver for broader ranges
- Customers want a broader range of product categories from AO.com
- Range growth continues
- Improved Repeat rates, New customers, Share of Wallet & Purse

Repeat and cross category repeat rates remain strong

Category unit mix by year and order type



New customer drive through ATL campaign



How do we think about AO.com?



Easy to find the right product by providing content that brings products to life



The quickest and most convenient customer journey



Amazing customer service



The winning value proposition

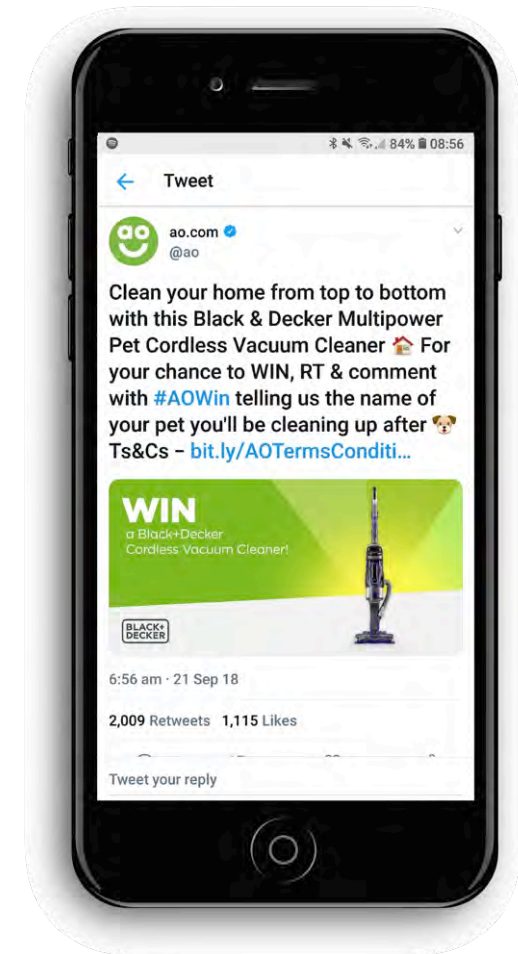
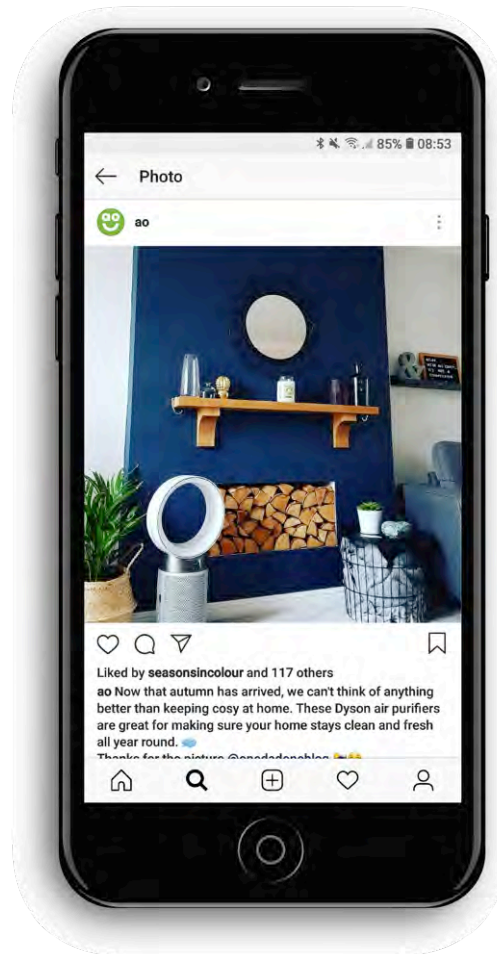
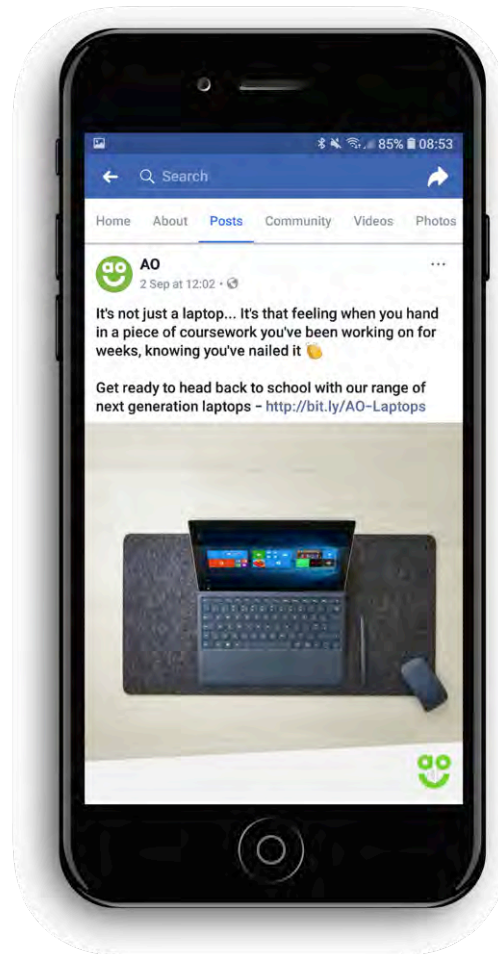


Easy to find the right
product by bringing
products to life

Market leading content across all categories



Social media a huge opportunity to bring products to life





Quickest and most
convenient customer
journey

Our plan is to create the best journey for our customers



Digital Transformation Programme

Checkout and mobile UX focus

Basket

Delivery

Details

Payment

Delivery details

Select your delivery address

Start typing your address

Select a delivery option

☒ Home Delivery

This is a piece of copy explaining what this delivery option has to offer

☐ Click & Collect

This is a piece of copy explaining what this delivery option has to offer

Select a delivery date

Wed 12th Jan £20	Thu 12th Jan £20	Fri 12th Jan £20
------------------------	------------------------	------------------------

Go to personal details

Basket

Delivery

Details

Payment

Personal details

Full name

e.g. Danny Seabra

Email

e.g. danny.seabra@ao.com

Contact number

e.g. 0123 456 789

We'll only use this number to send you updates about your order.

Proceed to payment

Basket

Delivery

Details

Payment

Payment Details

Debit / Credit [Change](#)

Card number

0000 0000 0000 0000

Expiry date

MM / YY

Security code

123 456

Name on card

e.g. JANE DOE

Is your billing address the same as your delivery address?

Yes

No

Order summary

Russell Hobbs Dishwasher 1800W 2- Stage Towler - Pushed Stainless Steel	£100.00
Estimated 4 day	£50.00
Subtotal	£150.00

To be delivered to: [Edit](#)

20 Alexander Road
E14 4AD
London

Delivery details: [Edit](#)

12th January 10:10 AM - 10:30 AM - 10:30 AM

Total to pay today **£150.00**

Continue payment

Secure Payment | Success 4/4/2018 | T&C's



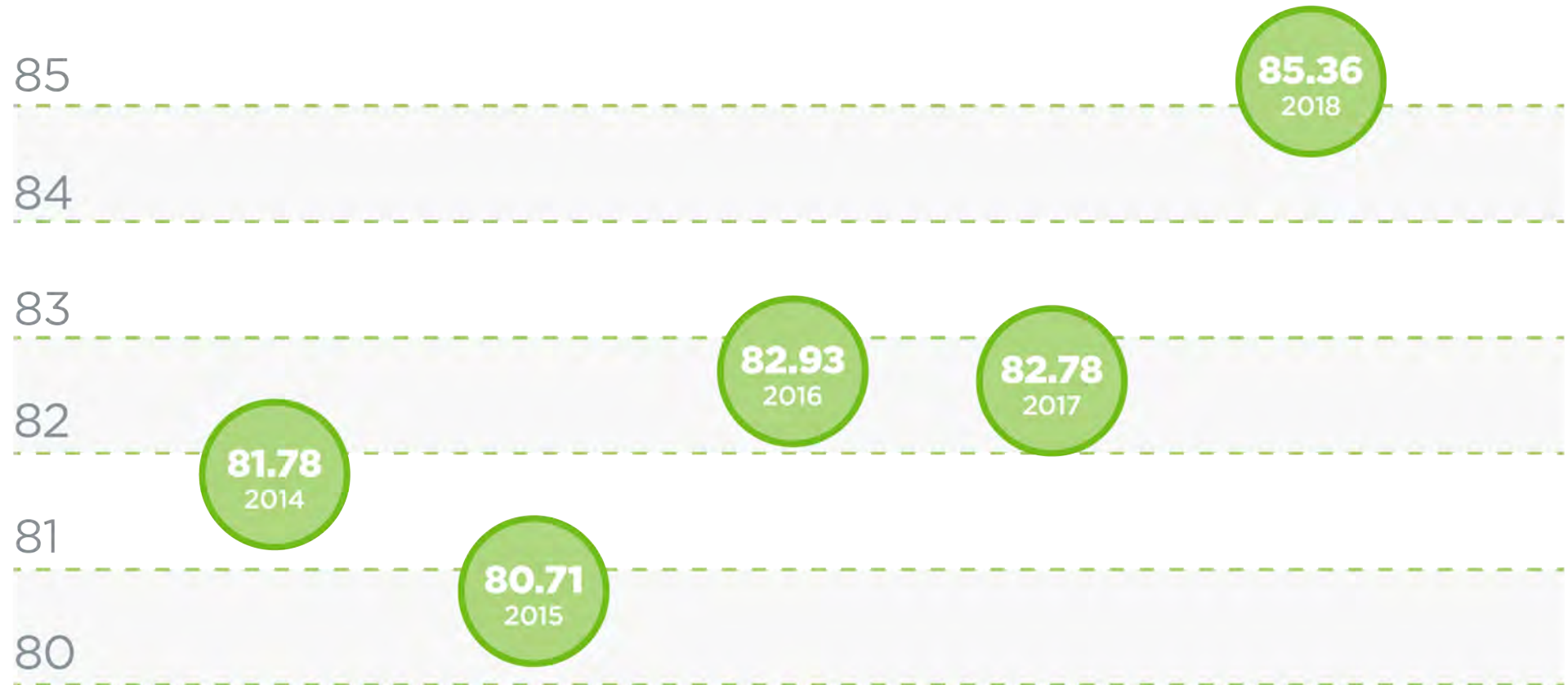
Amazing customer
service

The happiest customers...



Rated Excellent with over **100,000**
reviews from happy customers

...by relentlessly striving for a better way



Net Promoter Score greater than **80**



Winning value proposition

Strong core proposition



Free 100 day returns

FREE 100 Day
Returns



Further developing our services offering



do.com



the online electricals store



B2B

**Leveraging our competencies to
create a new vertical**

B2B to be a growth engine for AO

Leverage of Vertical Capabilities into new markets

Provide Client Management and Service

Common theme of fragmented & regional market with low levels of customer service and satisfaction



First steps for this new business

Customer demand

There is a clear demand for a better business experience when purchasing. A need for a consultative and/or personalised approach.

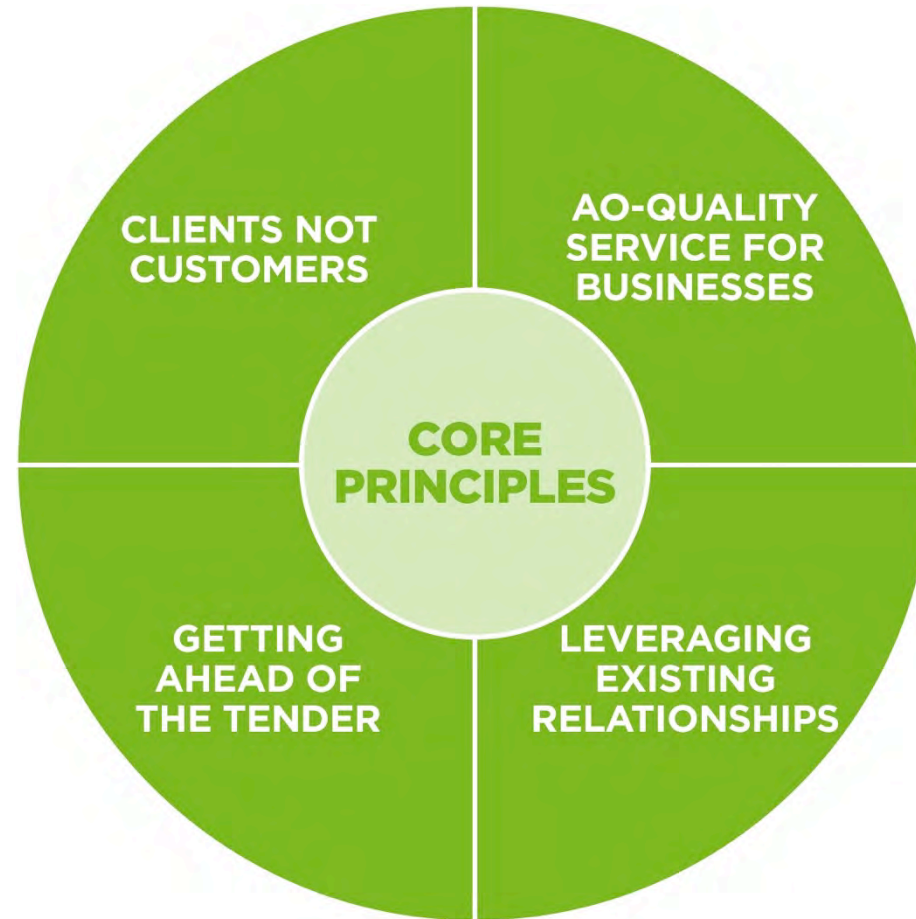
Build the team

To meet this demand we have created a dedicated division. Our future and current clients don't want a retail experience, they want to buy better and procure in ways that meet their business objectives.

Kick off our strategy

We are looking to win business proactively. We are not looking to sell to customers, we are providing value to clients. Identification of sectors and industries.

Winning clients the AO way



Leveraging our competencies to develop a Rental proposition

- Simple and affordable for customers
- Working with FCA & High Cost Credit Alliance
- Partnership with housing associations
- B2B2C
- Launch & learn

B2B Summary: Early days but promising results

- Early progress with clients
- New business pipeline encouraging
- Development of strategy / proposition by segment underway
- Supplier engagement is high, recognition of the value AO can add



Financial Services

Solutions for the happiest customers

What do we mean by Financial Services?

Our Products

- Insurance and service plans: AO Care
 - Long term partnership with D&G (AO as Agent)
- Consumer credit/ finance products
 - V12, PayPal, (AO as broker)

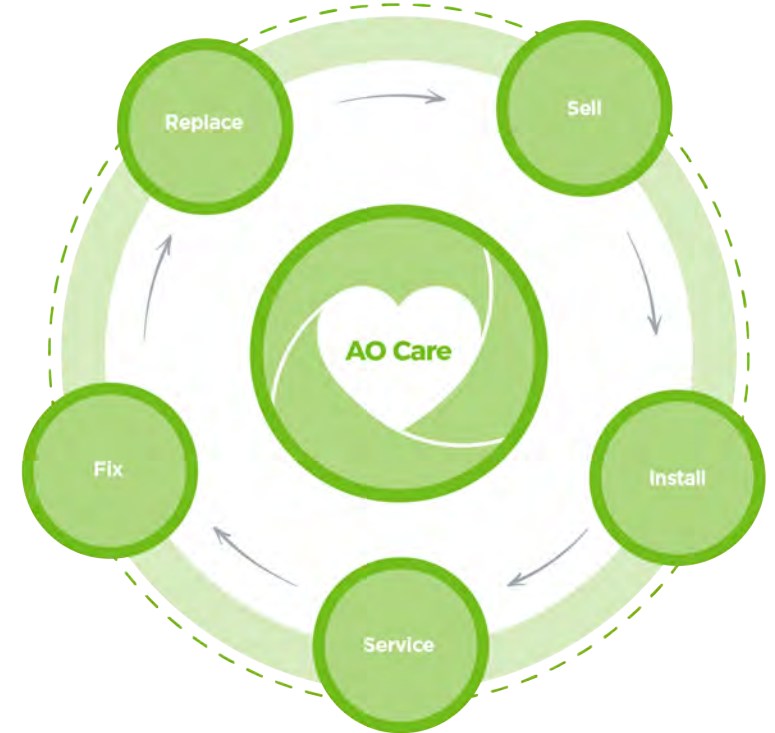
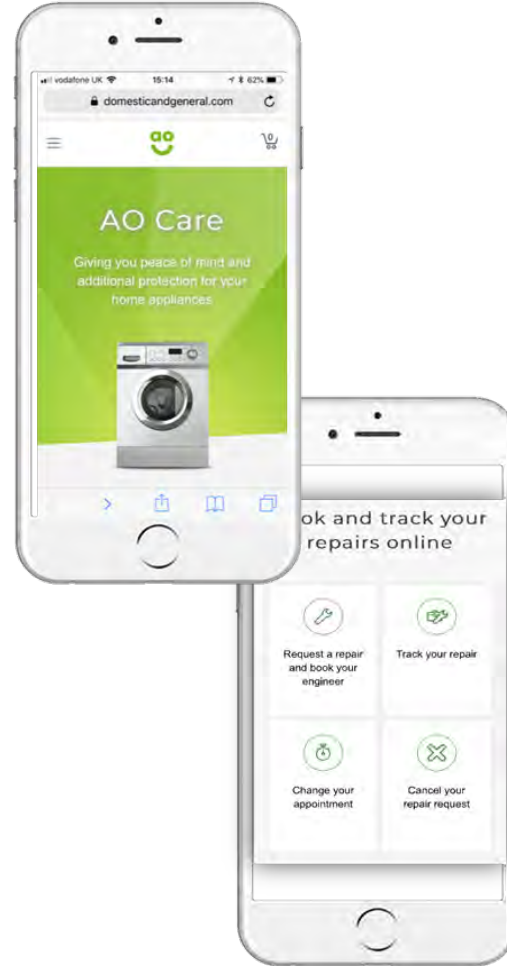
Our Capabilities

- Outbound sales & service specialists
- Highly developed best in class operational capability

Our Products: AO Care

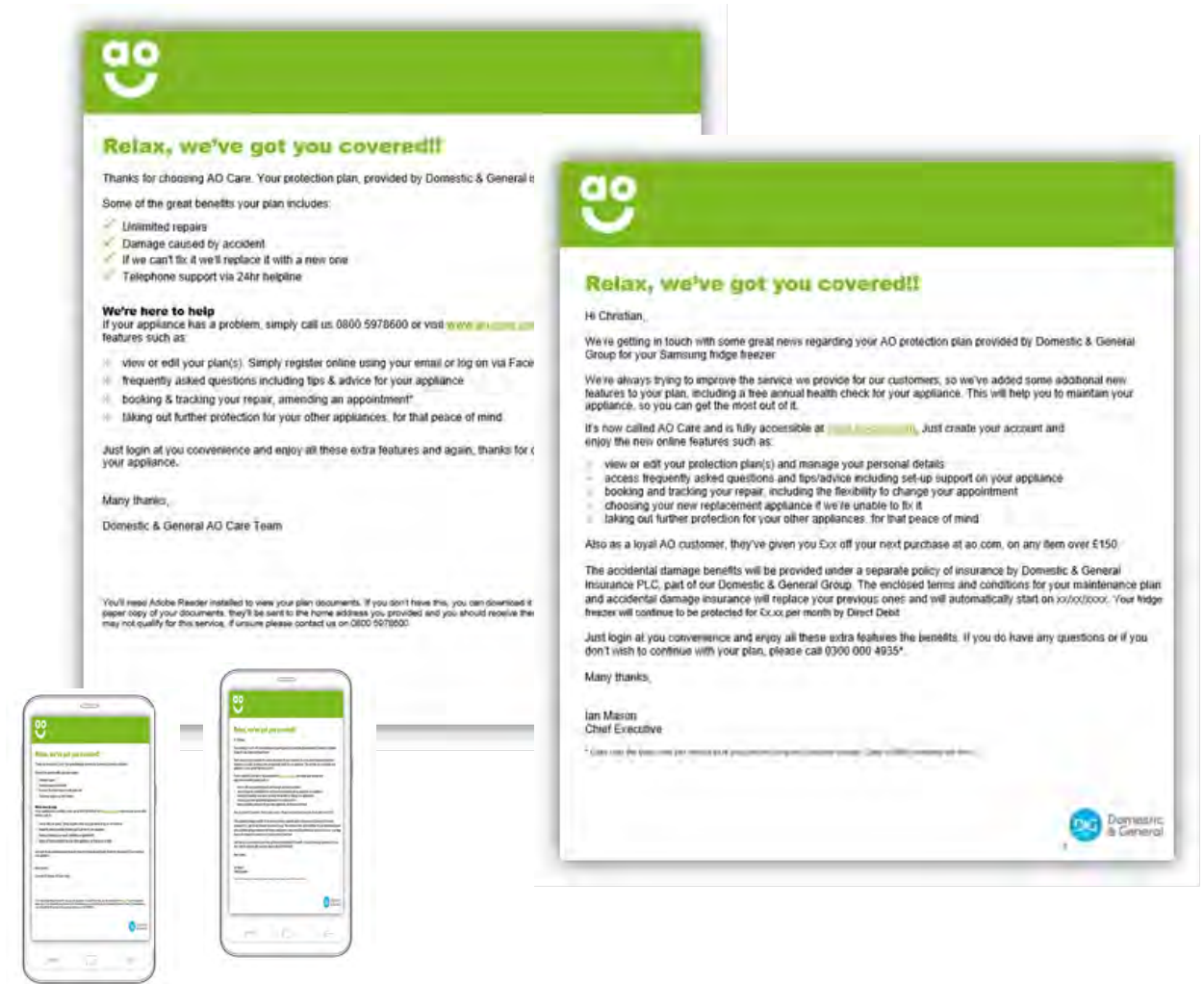
AO Care

- Demonstrates our values and excels in service delivery and care
- Digitisation of product
- Delivering not only a strong financial contribution but also an on-going, in-life point of contact with our customers
- Continues to build our relationship and generates repeat business



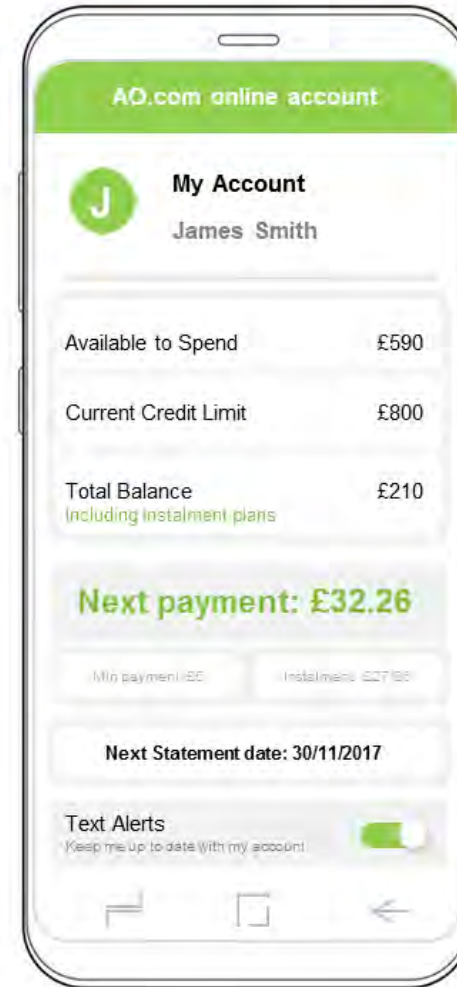
AO Care: Move to Insurance from Service Plans

- Product form becomes Insurance
- The customer base will be included in these product updates



Our Products: Customer Finance








Customer Finance proposition
under development



Our Capabilities

- Outbound sales & service specialists, contacting customers to:
 - Confirm delivery details
 - Offer applicable attach & cross sell products
 - Offer recycling
 - Offer our ao care insurance, service and support product
- A highly developed operational capability
- Recognised as best in class, resulting in opportunities to leverage this capability with D&G and other 3rd parties

Summary

Retail	B2B	Financial Services	Logistics	Recycling
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The evolution of logistics

Dave Ashwell
MD AO Logistics

The UK's best home delivery provider



The evolution of logistics

- Current industry environment
- How have we adapted
- How we are serving our customers
- How we are evolving our proposition
- How we are leveraging our assets

The changing face of UK logistics since 2014



The driver environment

- Reduction in 7.5t drivers
 - Speed of erosion has accelerated
- 3.5t drivers becoming the norm
 - Vehicle payload reduction
 - Vans rather than trucks

How have we adapted

- Drivers
 - Grown more 7.5t drivers
 - Academy
 - 3.5t vehicle evolution
- More, smaller outbases
 - Low cost operations
 - More ponds, fewer drivers needed per pond



AO 3.5t vehicle



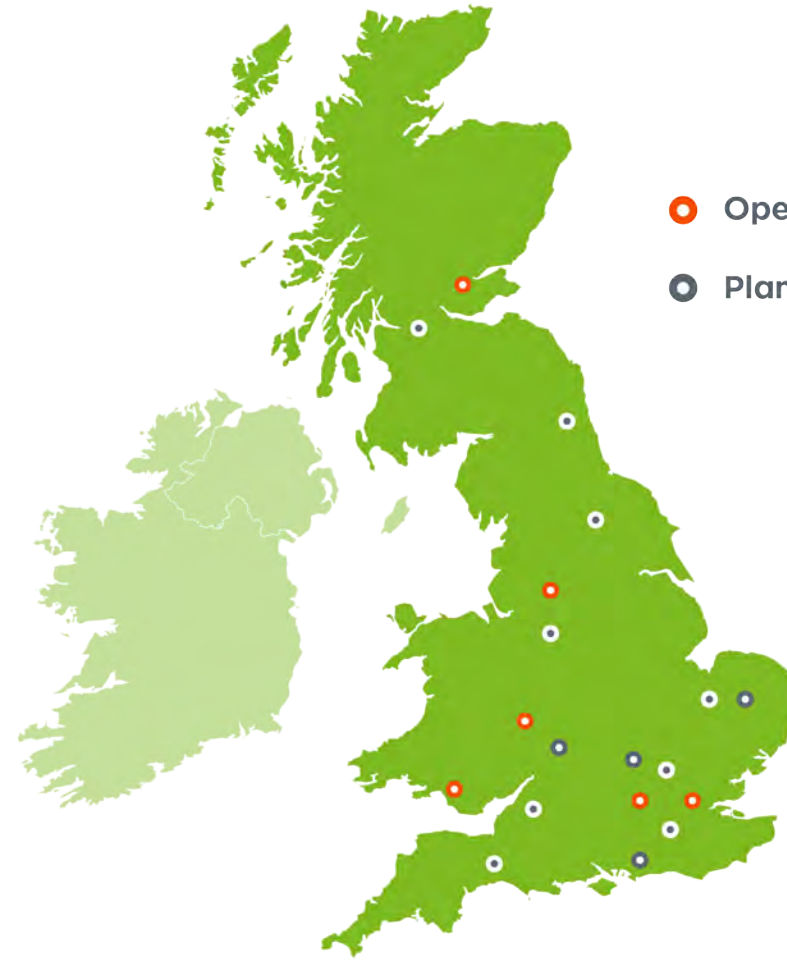
AO 3.5t high cube



Our infrastructure



2014 - 9 outbases



2018/19 - 19 outbases

- Opened since 2014
- Planned for 2018/19

Opened Alpha warehouse in 2012



Opened Omega in 2016

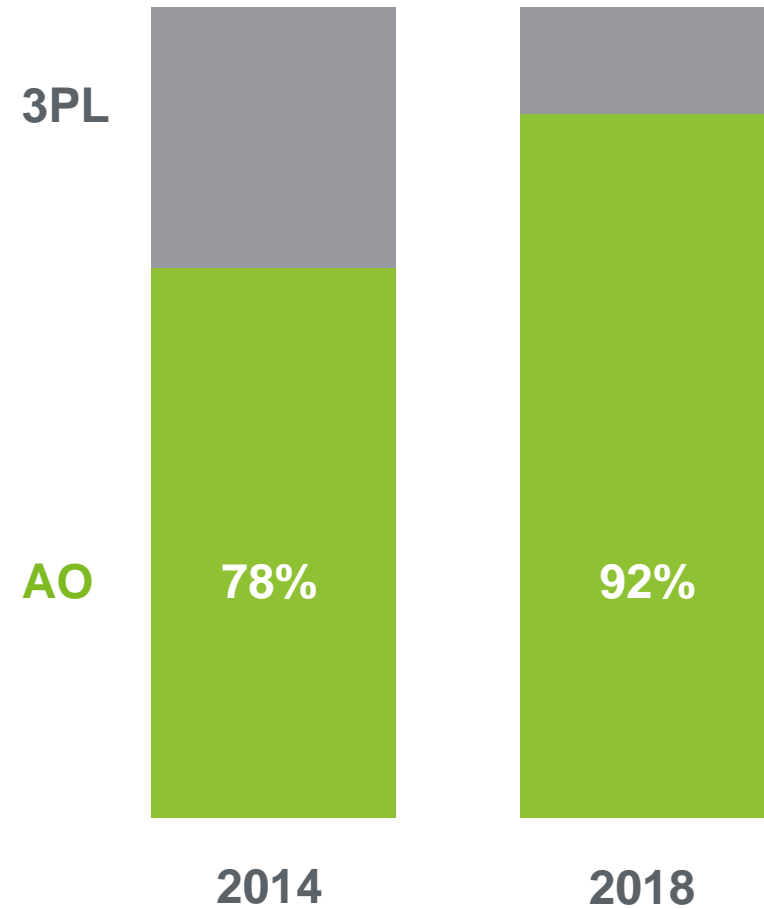


Opened Omega in 2016



Reduction in 3PL for white goods

- Growth in AO.com diminishes client volumes
- Competition issues when delivering core categories
- Removal of Argos Wet installs
- Loss of smaller clients



Our 3PL strategy

- Exploit current market demand for AO's 2-man delivery expertise through:
 - Leveraging capabilities into new categories
 - Upskilling premium engineering fleet
 - Utilising warehousing capacity



How we served our customers in 2014

Communication Communication Communication

Collection & return capability

Unrivalled customer service

Room of choice delivery

Wet installations

Every postcode, everyday

Weekend deliveries



Industry leading service levels

Unpack and inspect

Full track and trace

American SBS delivery and installation

How we serve our customers in 2018

Communication Communication Communication

Door removal and reversal

Collection & return capability

Dedicated quality team

TV installation

Unrivalled customer service

Industry leading service levels

Room of choice delivery

Unpack and inspect

Wet installations

Gas & electric installation fleet

Every postcode, everyday

Full track and trace

Weekend deliveries

Inflight customer options

Full WEEE recycling capability

Timeslots at point of order

American SBS delivery and installation

**We deliver
on all these
Complex
Promises**

How are we doing?

OTIF
scores
99.5%



NPS scores

Greater than **80**



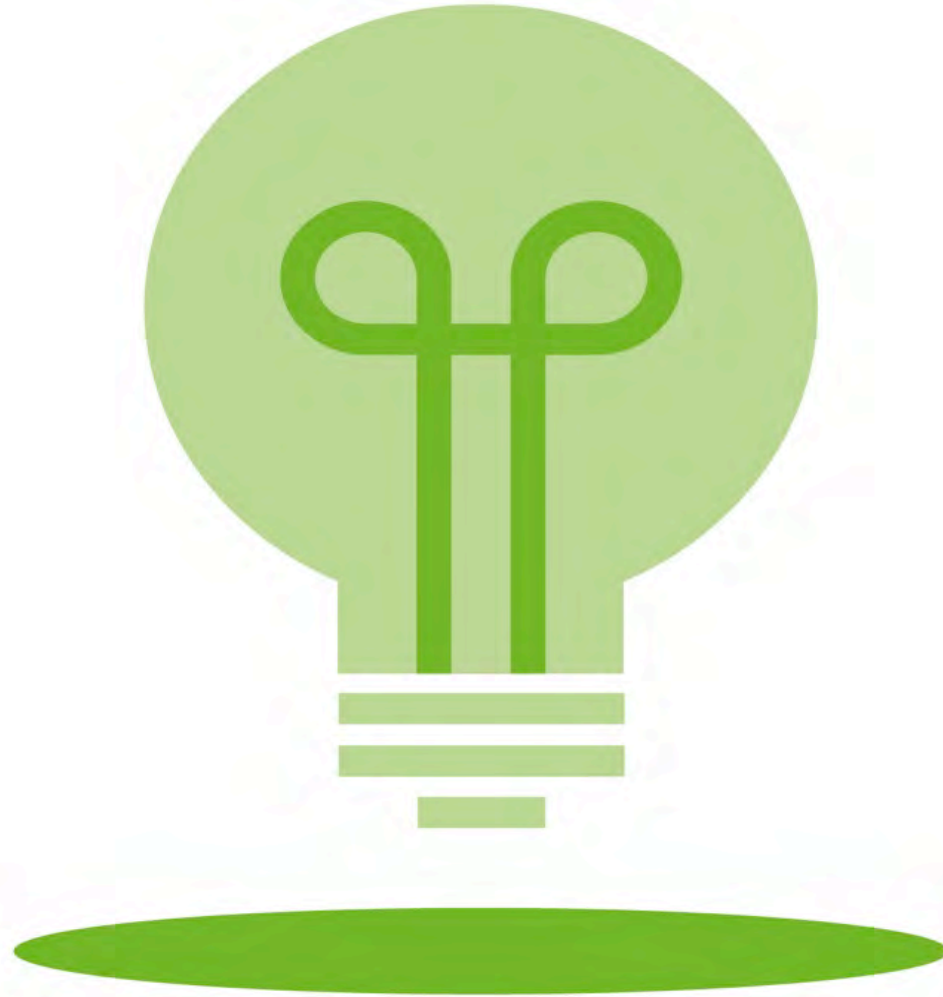
UK trustpilot score



Doorstop
damage
levels
0.12%



Service innovation



Inflight updates

×

Leave with a neighbour

☐ Any neighbour

☒ Preferred neighbour

Neighbour's address

39 Alexandra Road

Additional info (optional)

Any information you'd like us to pass on to the delivery driver

☒ I understand AO.com won't take responsibility for any lost or stolen goods

Leave at safe place

×

Leave at safe place

Choose where

Wheelie Bin

Front Porch

Rear Porch

Shed

Garage

Leave at safe place

We can leave your order in a safe place of your choosing or with a neighbour.

×

Leave at safe place

Garage

Additional info (optional)

Please leave it behind the garage in the small wooden box.
Also ring me before you come, I might be at home!

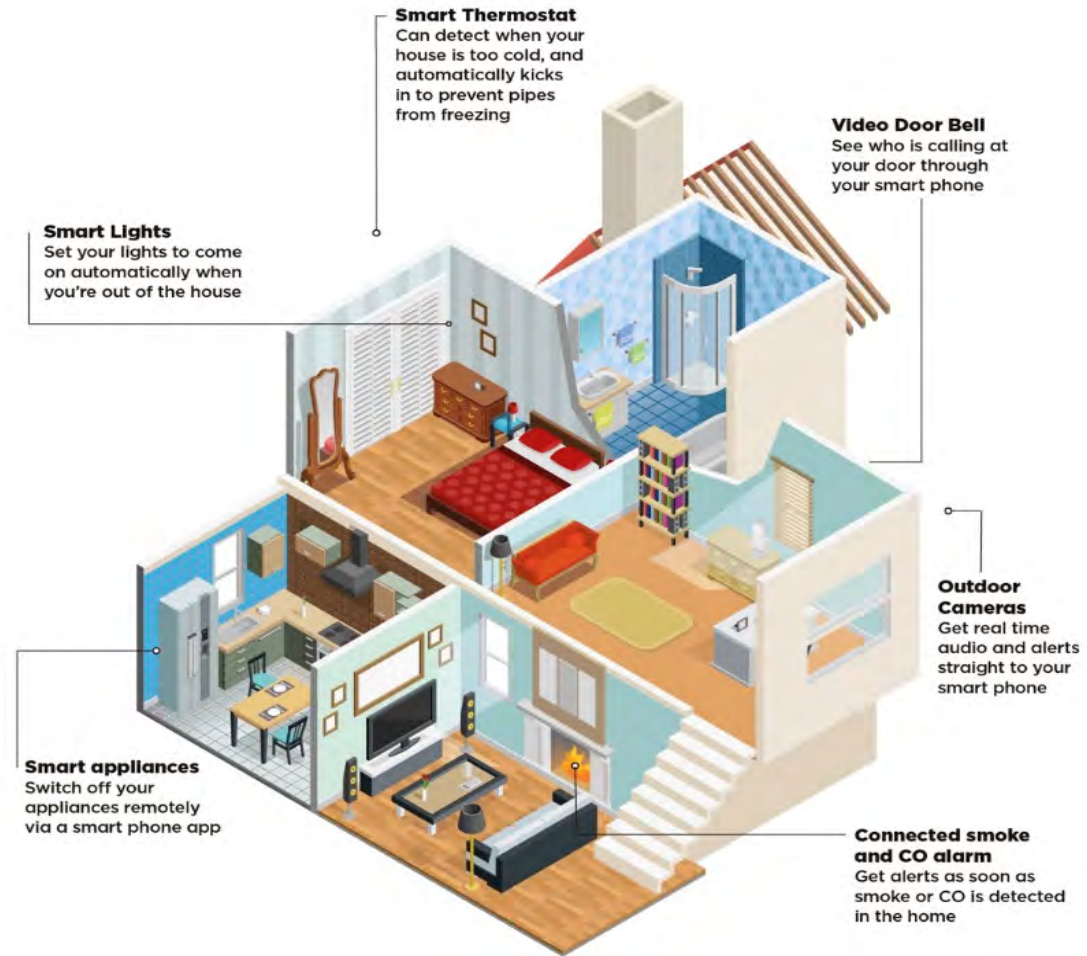
☒ I understand AO.com won't take responsibility for any lost or stolen goods

Leave at safe place

We can leave your order in a safe place of your choosing or with a neighbour.



Install smart products



AO Academy

- City & Guilds qualified centre
- New services
- Grow our own
- Satellite training
- Development opportunities
 - Feeding from internal candidates
 - Development for existing employees

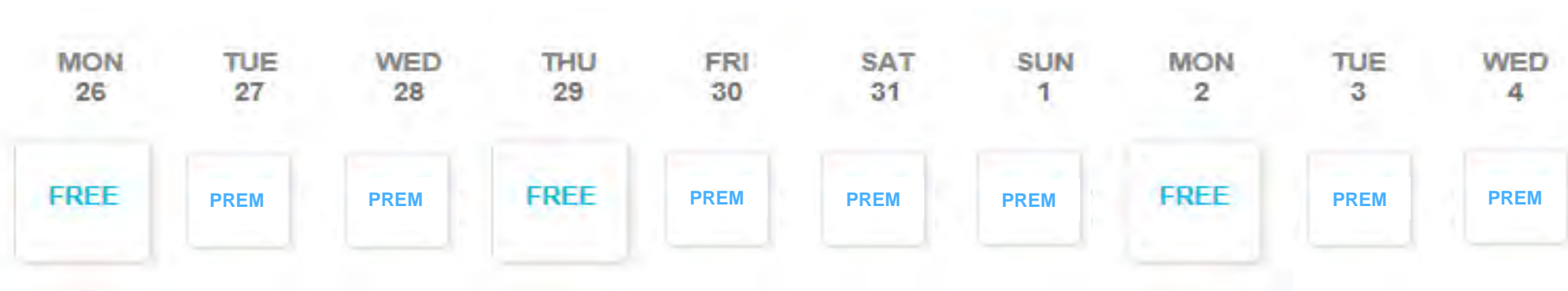


Every postcode everyday

Current proposition – Bournemouth example



New proposition – Bournemouth example



Leveraging our assets

- Capability
 - Other categories
- Efficiency
 - Fleet Intelligence System
 - Routing (new vehicles, double deckers)
 - Dynamic timeslots
- Continuous improvement



AO Recycling

Rob Sant
Managing Director AO Recycling



Why?

Short-term

Long-term

Why?

The need to invest



Customers expect
old appliances to
be taken away



Our partner commitments



AO Core
Values



Environmental
Performance



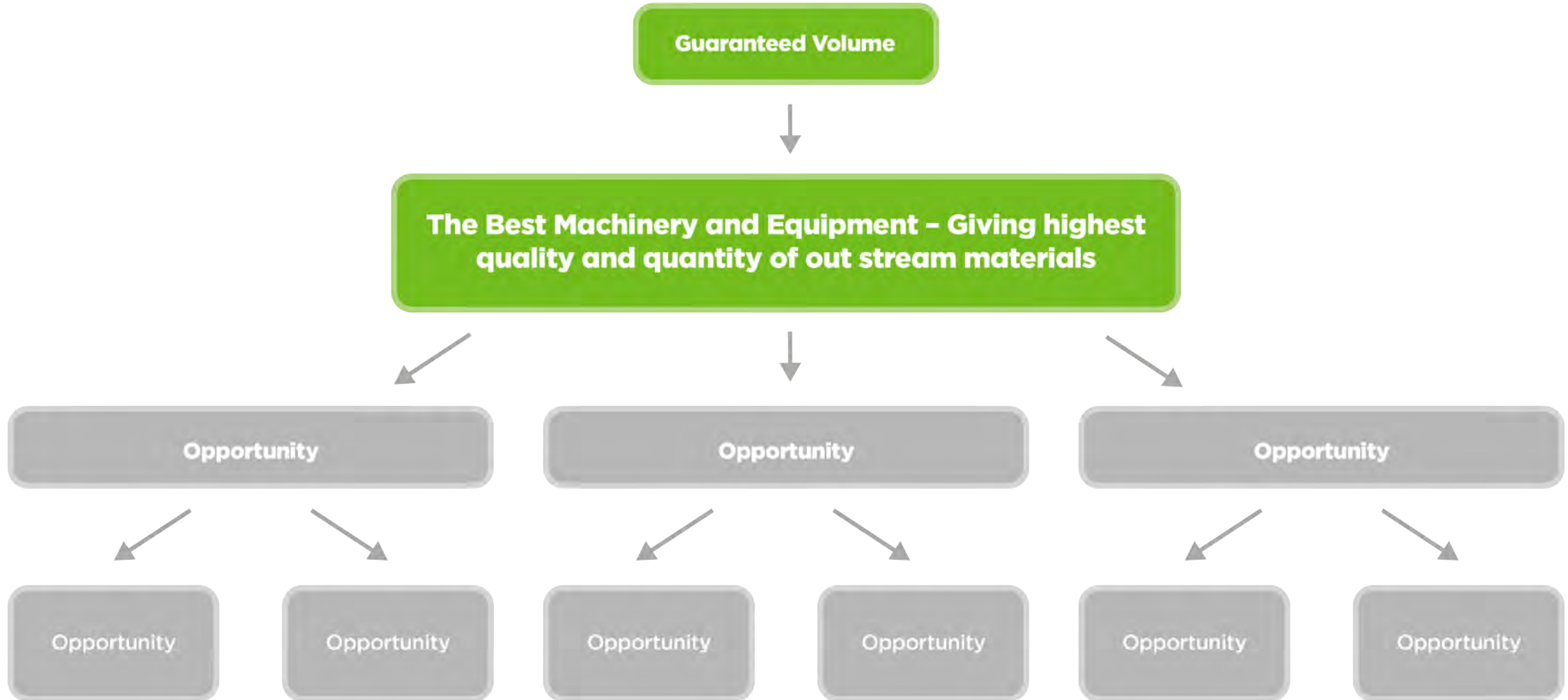
Service



Trust

Long Term Contracts

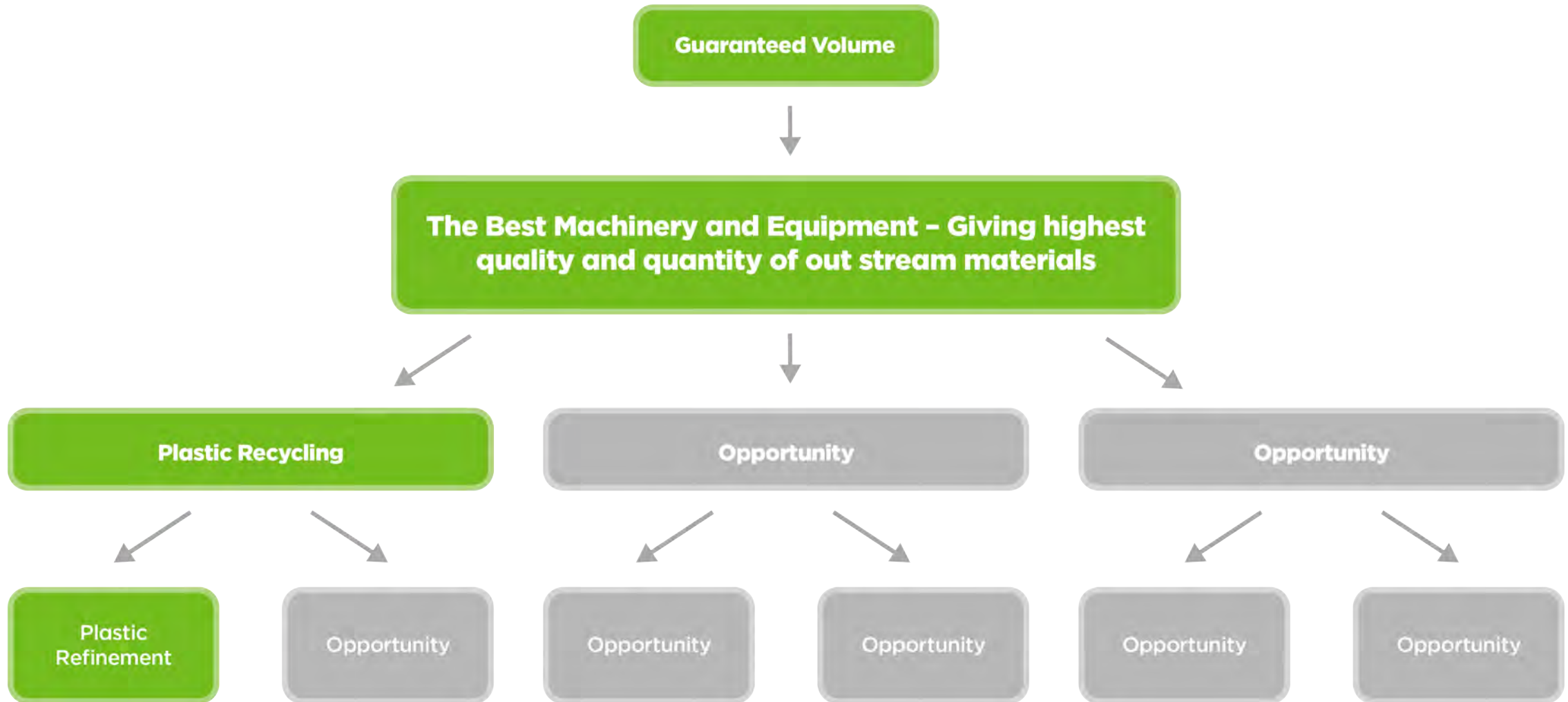
Guaranteed Volume



Plastics Opportunity



Plastic Recycling Investment





Short term

THE STORY ABOUT

AO RECYCLING

Refurbish & repair

- Refurbish and repair

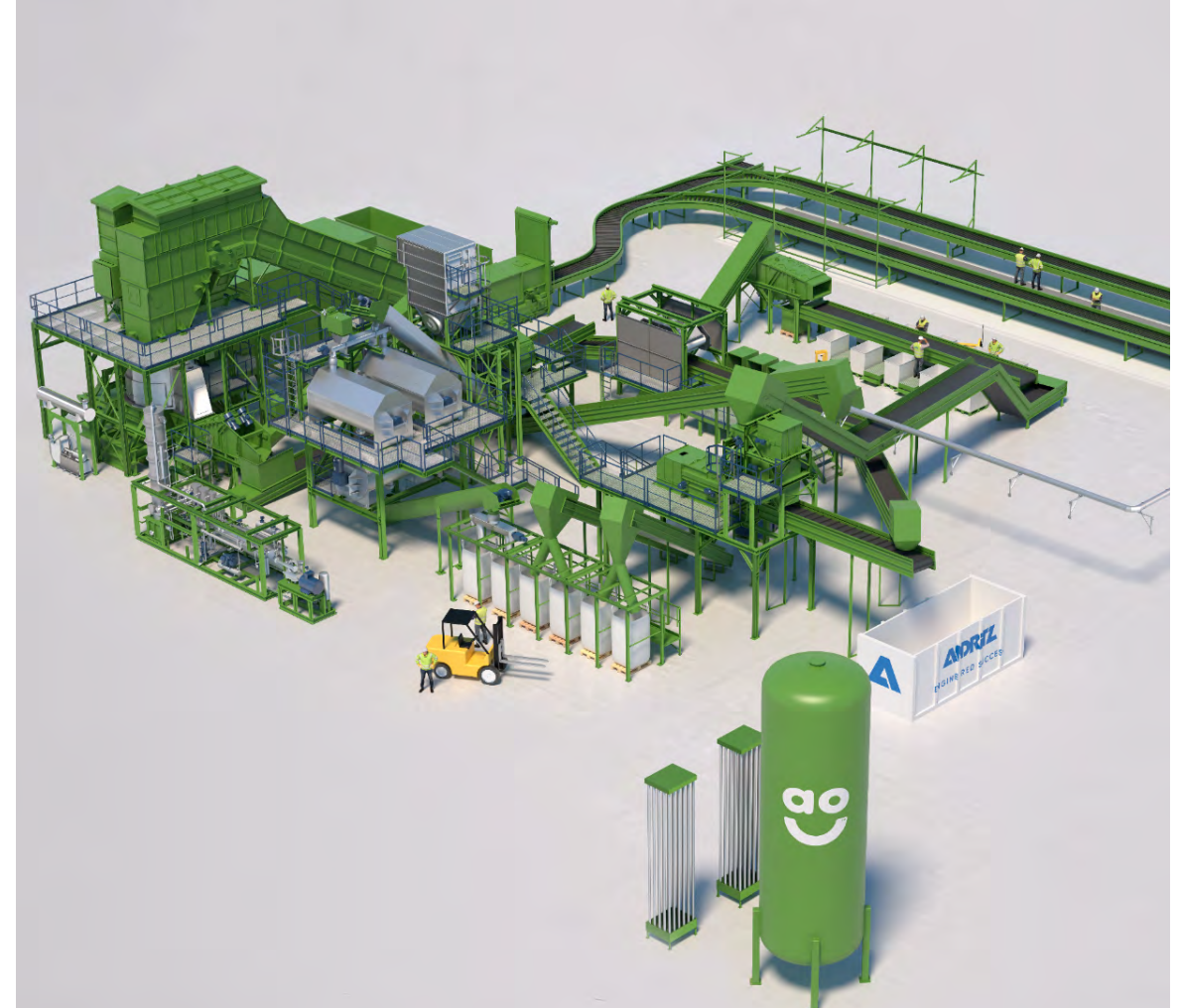


- AO Outlet



The plant

- The Most Advanced
- Recycling all categories
- Growth to 700k per annum
- 100+ fridges per hour
- Optimal reuse of materials



Plastic Recycling Facility FY20

- Opening FY20
- Great for customers and environment
- Adds value for shareholders
- Most advanced and efficient
- High Quality = High Value
- Spare capacity for growth



Coming Soon

- 2nd MDA recycling facility
- More capacity needed
- Strategically located
- Best of Telford
- Due FY20



Working with government



FY20 Summary



Telford Recycling



Telford Plastic

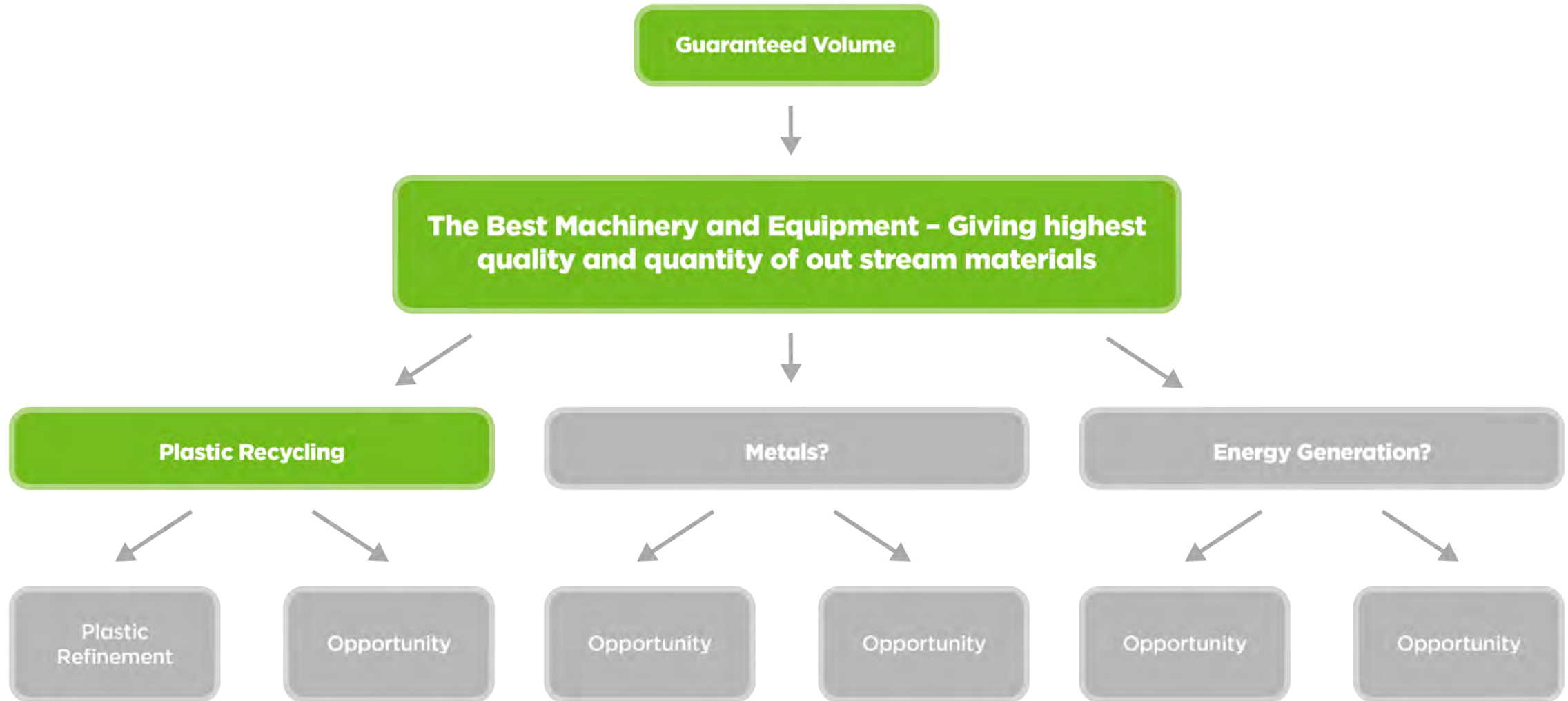


South East Recycling



Long term

Future Opportunities





Recycling the AO way



Site Tour



Financial dynamics

Mark Higgins
CFO

UK Retail

- MDA market
- Delivering Tomorrow
- New category dynamics

Logistics

- Outbase model
- Changes in vehicles

Recycling

- Plastics Plant
- 2nd Recycling plant
- Other opportunities



Summary

Steve Caunce
CEO

Summary

- Business evolution
- Competency opportunity
- Trust and legacy



Q&A

Steve Caunce CEO
Mark Higgins CFO



the online electricals store