



AO WORLD PLC

FY19 Final Results

4 June 2019

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

Agenda

Welcome

Geoff Cooper, Chairman

Financial Performance

Mark Higgins, Chief Financial Officer

Strategic Progress

John Roberts, Founder and Chief Executive Officer

Q&A

FY19 highlights

- Continued revenue growth and leverage of competencies
- Acquisition of Mobile Phones Direct Ltd further develops the Group's strategic objectives
- Review underway to leverage UK model into our German business
- Renewed energy and mindset





UK Financial Performance

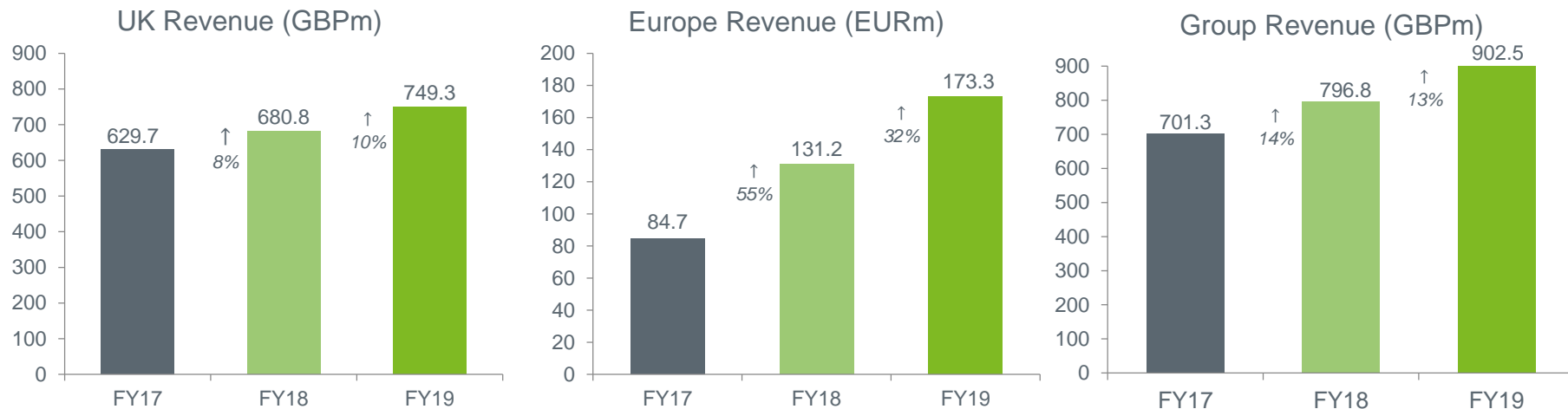
Mark Higgins
Chief Financial Officer

FY19 financial highlights



- UK revenue up 10.1% (5.7% on a like-for-like basis)
- Europe revenue up 32.2% (on a constant currency basis)
- Adjusted EBITDA:
 - UK profit increased to £27.4m
 - Europe losses increased to €31.3m
 - Group losses improved to £0.4m
- Exceptional costs of £7.3m incurred
- MPD generated revenues of £30m and contributed £1.5m to Adjusted EBITDA

Continued organic revenue growth enhanced by acquisition



- Overall UK growth of 10.1% to £749.3m (FY18: £680.8m) driven by newer categories, service and commission revenues and MPD
- Reduced revenue from ao.com as TV campaign failed to deliver anticipated growth in customers
- European revenue growth of 32.2% to €173.3m (FY18: €131.2m)
- Group revenue increased by 13.3% to £902.5m (FY18: £796.8m)

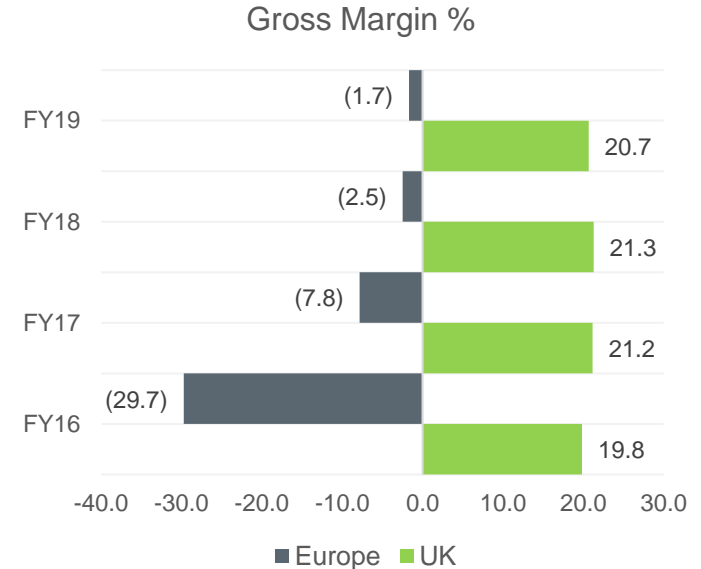
Gross margin

UK

- Strong performance from newer categories and B2B business has a dilutive impact on gross margin percentage
- Profit margin increases across all categories
- MPD has dilutive effect on gross margin but with a lower cost to serve

Europe

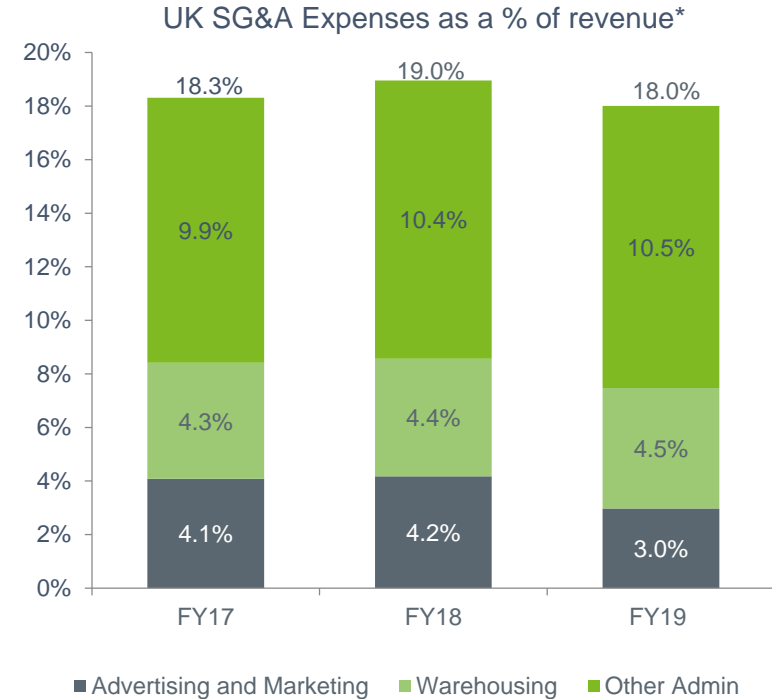
- Delivery capacity impacted by changes to German driver model during Q2 and results in some longer-term inefficiencies
- H1 progress made on product margin offset by lower than anticipated manufacturer support and action undertaken to drive volumes
- Pricing strategy brought in-line with Group and negotiations continue with manufacturers



UK SG&A cost analysis

UK

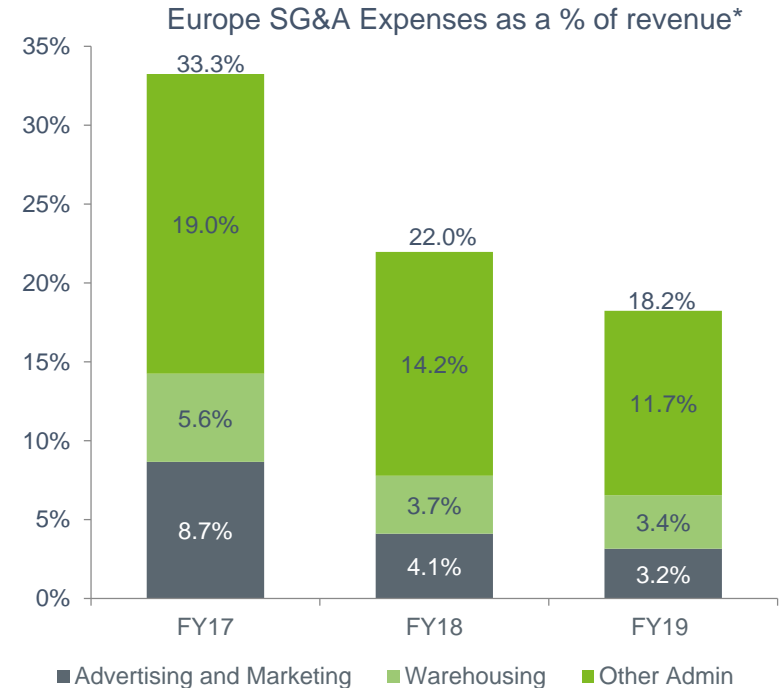
- Significant reduction in advertising expenditure against significant investment made in prior year comparable and reduction in TV advertising spend in H2
- Warehousing costs reflecting revenue leverage in the investments in three new outbases in H1
- Other admin increased to 10.5% of revenue as we invest to support the addition of new categories / also continued investment in Recycling (first full year of operation)



Europe SG&A cost analysis

Europe

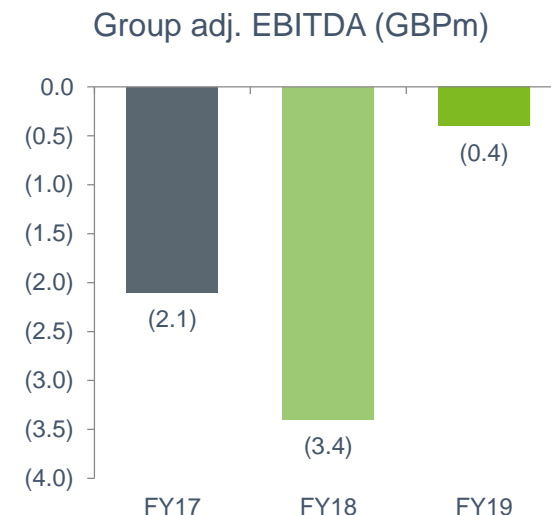
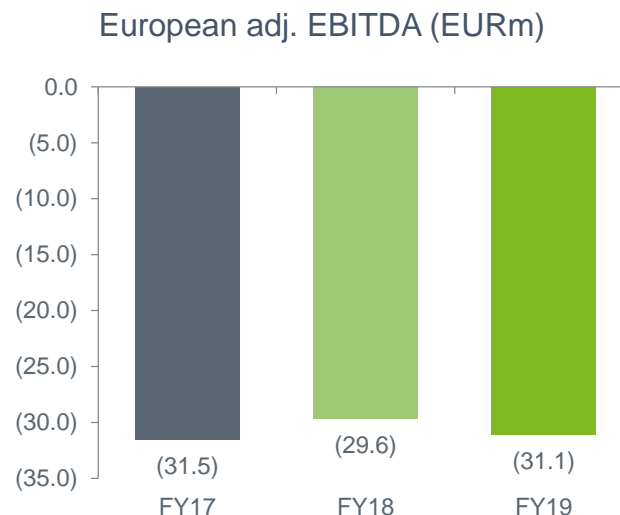
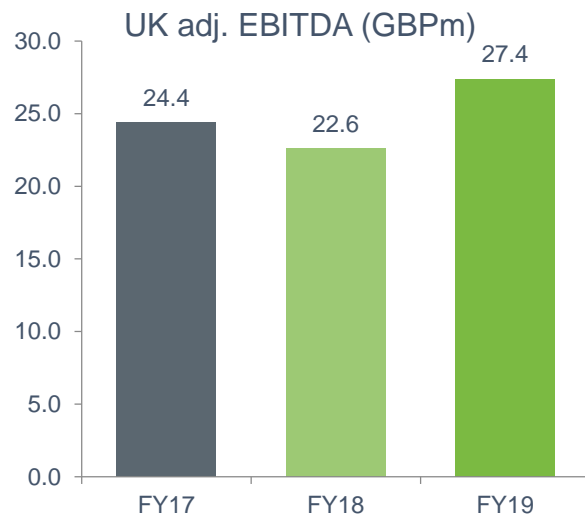
- Advertising and marketing expenses reflective of increases in acquisition costs to drive revenue but reduce as a percentage of sales
- Warehousing costs demonstrate leverage from new outbases
- Reduction in other admin costs as a percentage of sales reflecting increases in efficiencies



Notes

*Excludes impact of ERP share plan charges, restructuring costs, European set-up costs, professional fees relating to the acquisition of MPD and the cost of fulfilling a marketing contract in Germany which are categorised as exceptional. 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.

EBITDA progression



Notes

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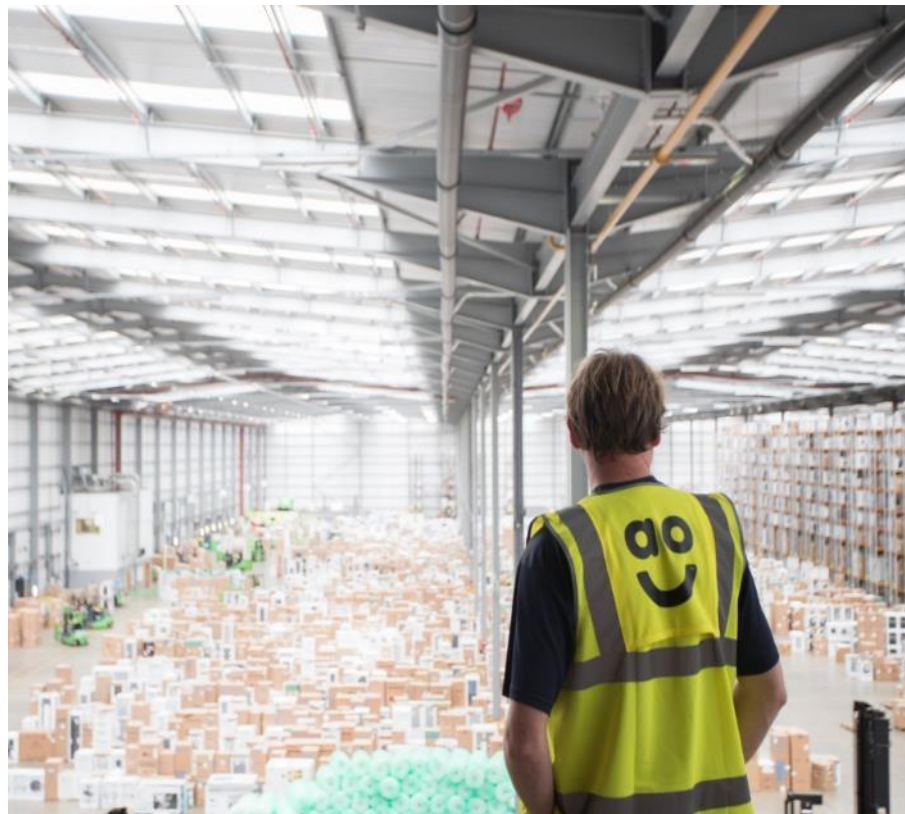
Cash flow

Year ending 31 March £m	FY19	FY18
Adjusted EBITDA	(0.4)	(3.4)
Exceptional cashflows	(5.0)	(1.4)
Europe Set up costs	0.0	(0.3)
Non cash movements	1.6	1.9
<i>Net change in Working capital</i>		
Inventories	(16.3)	(8.3)
Receivables	(10.2)	(21.4)
Payables and provisions	(5.0)	17.5
Tax received	0.8	0.3
Cash used in operating activities	(34.5)	(15.3)
Capex	(4.9)	(5.2)
Acquisition of subsidiary and non controlling inter	(6.3)	0.0
Financing activities	18.6	(1.0)
Share placing	0.0	48.1
Movement in cash	(27.1)	26.6
Opening cash	56.0	29.4
Closing cash	28.9	56.0
Unutilised facility	56.1	58.6
Total liquidity	85.0	114.6

- Exceptional cashflows in relation to restructuring, onerous contract and transaction fees re MPD in FY19
- Working capital outflow linked to stock planning ahead of original Brexit deadline
- Capex relating to continued investment in Recycling, new premises at Parklands and new outbases fit-out
- £5.9m net outflow re MPD acquisition (cash consideration less cash acquired). £0.4m purchase of first tranche of Recycling options
- Financing activities mainly new £24m loan to fund MPD acquisition less normal finance repayments
- Drawings on facility all in relation to letters of credit (all non-cash)

FY20 financial outlook

- UK
- Europe
- Capex





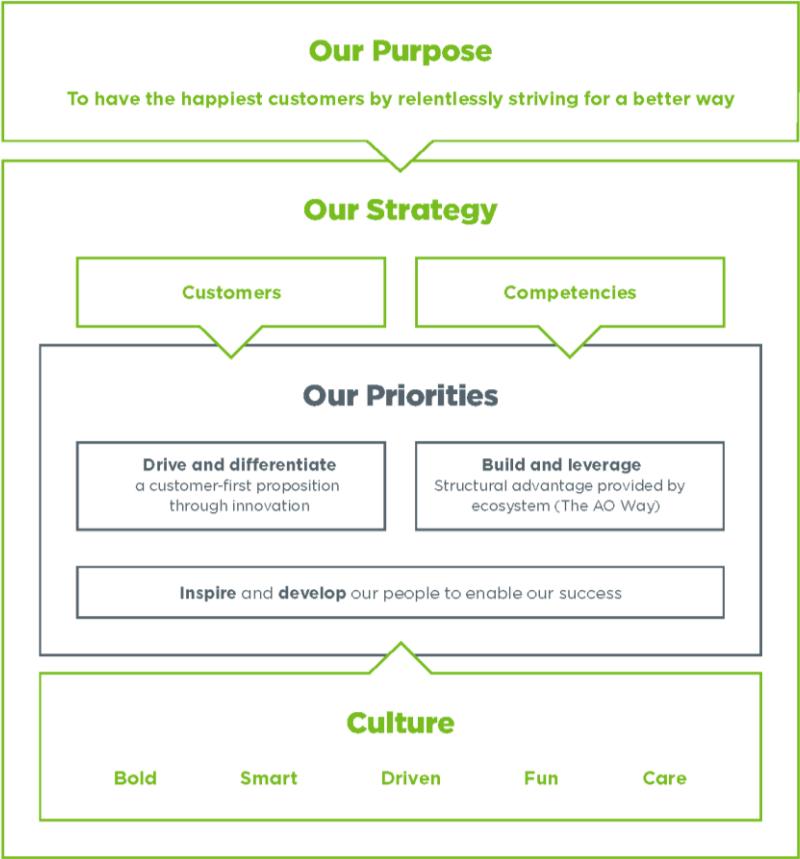
Strategic Progress

John Roberts
Founder and Chief Executive Officer

Journey from IPO



The strategy remains the same



Four areas of focus



Growth mindset





Europe



Leveraging the eco-system



Leveraging the eco-system



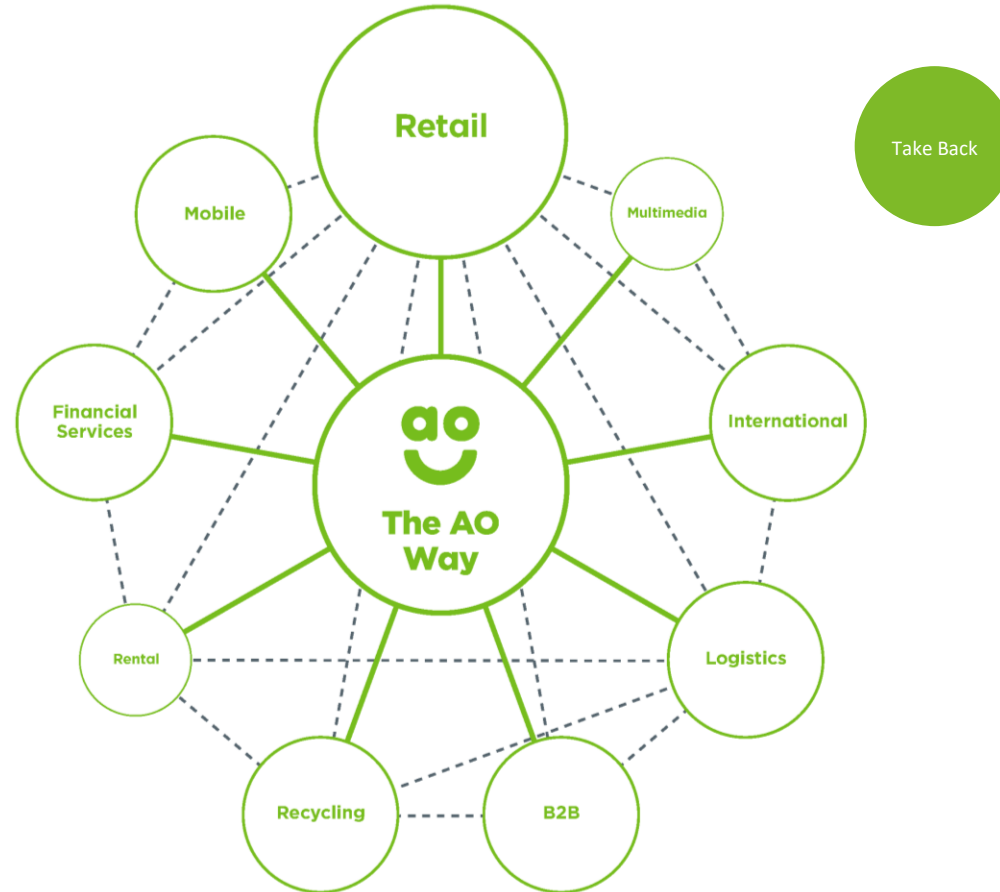
Leveraging the eco-system



Leveraging the eco-system



Leveraging the eco-system



Leveraging the eco-system



Summary



Q&A
