



One AO

FY20 Final Results

14 July 2020

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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



FY20 highlights

- Refined operating model gaining traction
- Robust management response to market turbulence
- Priority on funding and cash generation
- Group strengthened and well positioned in UK and Germany



Financial Performance

Mark Higgins

Chief Financial Officer



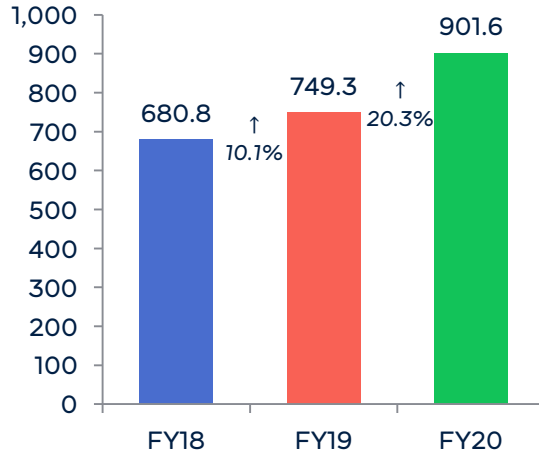
FY20 financial highlights

- Adoption of IFRS 16 (prior year restated)
- UK revenue up 20.3% (up 8.2% on a like-for-like basis excluding MPD business)
- Europe revenue down 4.6% (on a constant currency basis)
- Adjusted EBITDA :
 - UK profit increased to £40.8m
 - Europe losses decreased to €24.2m
- Group Adjusted EBITDA increased 53.6% to £19.6m
- Total liquidity headroom of £63.6m

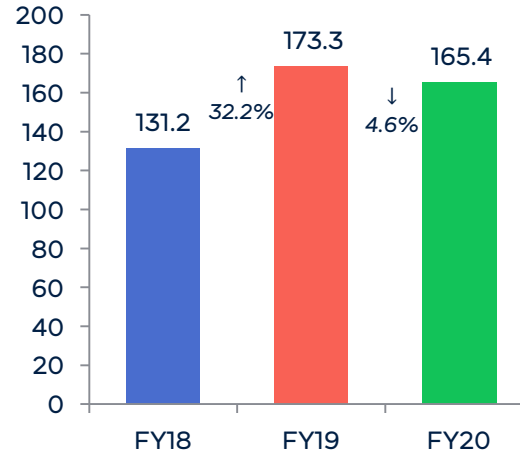


Revenue

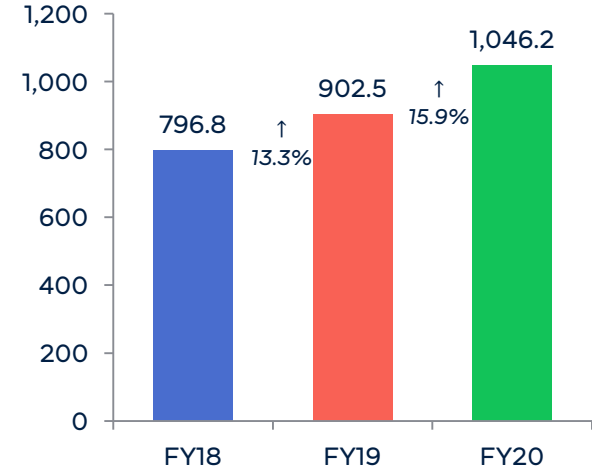
UK Revenue (GBPm)



Europe Revenue (EURm)



Group Revenue (GBPm)



- Overall UK growth of 20.3% to £901.6m (FY19: £749.3m)
- Increase in product revenue of 10.3% driven by return to growth in core MDA product category line
- European revenue reduced by 4.6% to €165.4m (FY19: €173.3m) due to the closure of AO.nl in Q3 and as we aligned our methods of attracting and converting customers with UK policy to be sustainable for the future
- Group revenue increased by 15.9% to £1.05bn (FY19: £0.9bn)

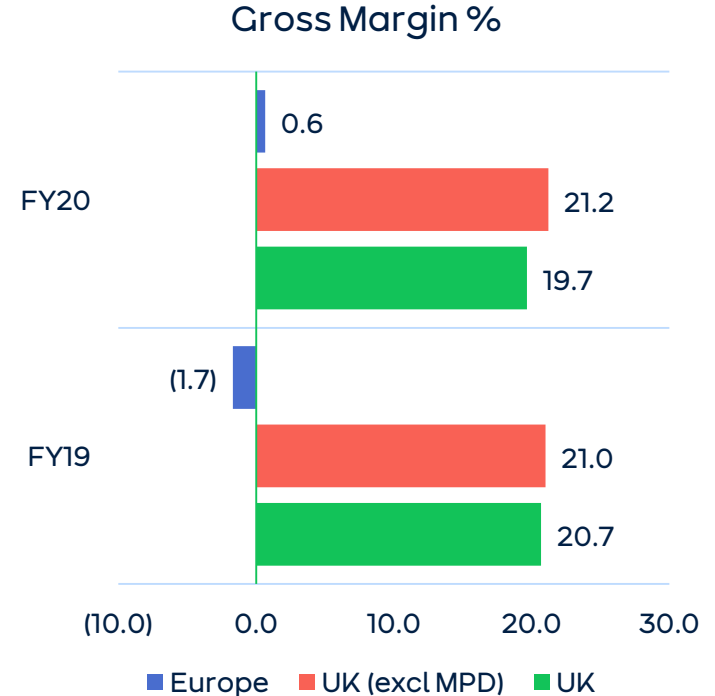
Gross margin

UK

- MPD, B2B and newer categories have a dilutive effect on gross margin
- Individual product margins in retail business increased in all categories.

Europe

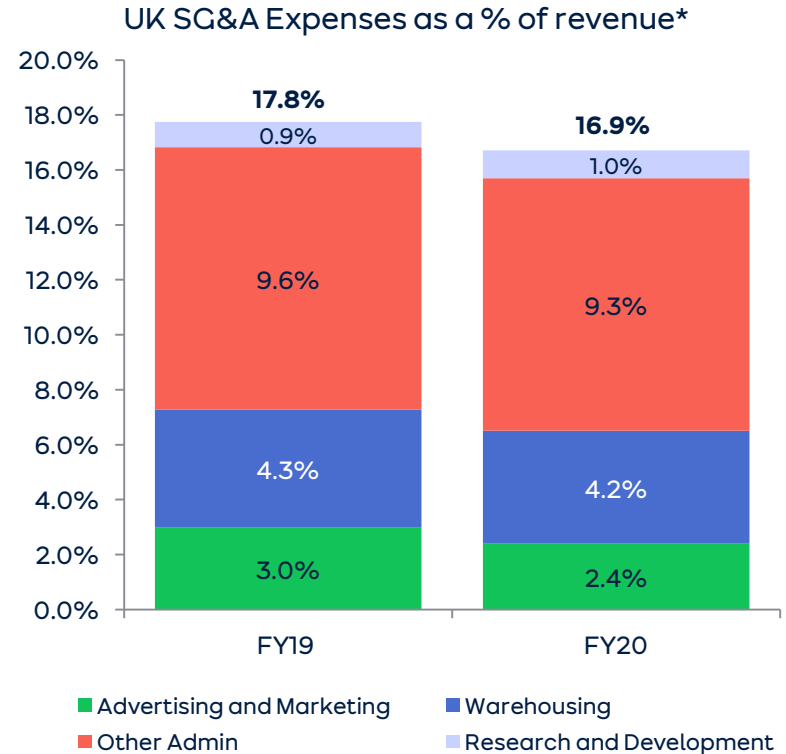
- Improvement in Germany gross margin; 0.7% loss in first half of FY20 improving to 4.0% in second half reflecting changes to pricing structure, improvements in supplier terms and efficiencies made in logistics
- Further improvements to gross margin expected as we drive efficiencies in logistics operation and deepen relationships with suppliers



UK SG&A cost analysis

UK

- Reduction in advertising expenditure against significant investment made in prior year comparable and as we explore other advertising channels
- Excluding MPD, UK other admin expenses increased to 10.0% as a percentage of sales (FY19: 9.7%) reflecting investment in One AO, inflationary costs and investment in people infrastructure
- Investment in outbases drives efficiencies
- Increase in R&D cost to £9.3m (FY19: £6.9m) as we invest in IT to support future initiatives



For the 12 months ending 31 March 2020

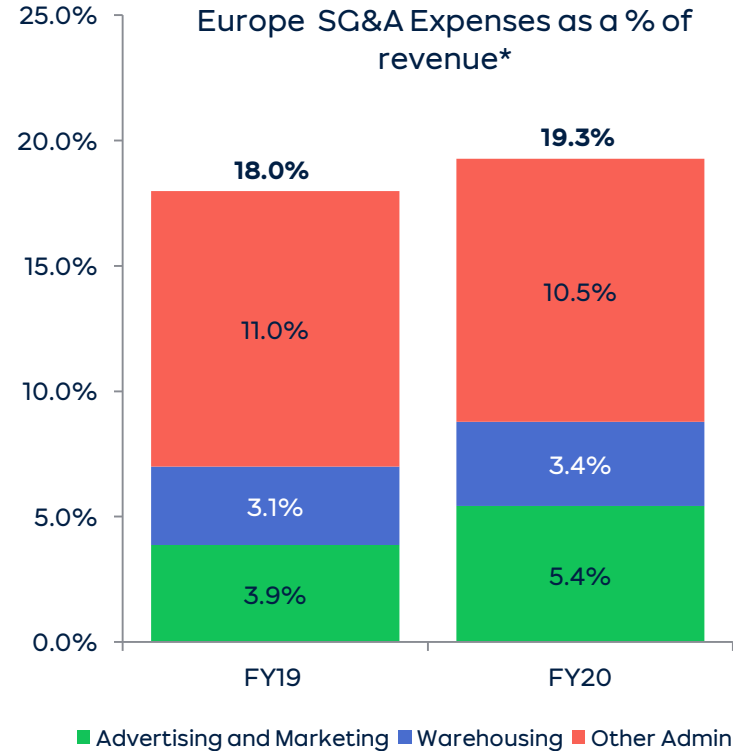
Certain financial data have been rounded. As a result of this rounding, the total of data presented may vary slightly from the arithmetic totals of such data

*Excludes impact of adjusting items

Europe SG&A cost analysis

Europe

- Increase in advertising and marketing costs reflects increases in customer acquisition costs following changes to pricing strategy
- Warehousing costs increase as a percentage following reduction in revenue and additional outbase costs
- Expect other admin costs to continue to reduce as a percentage of sales following reorganisation



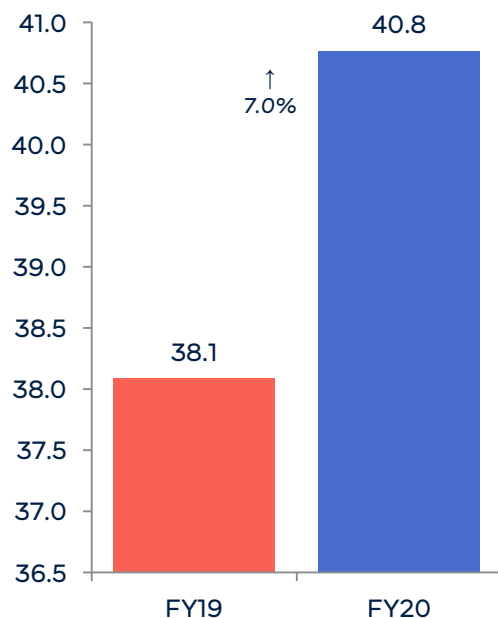
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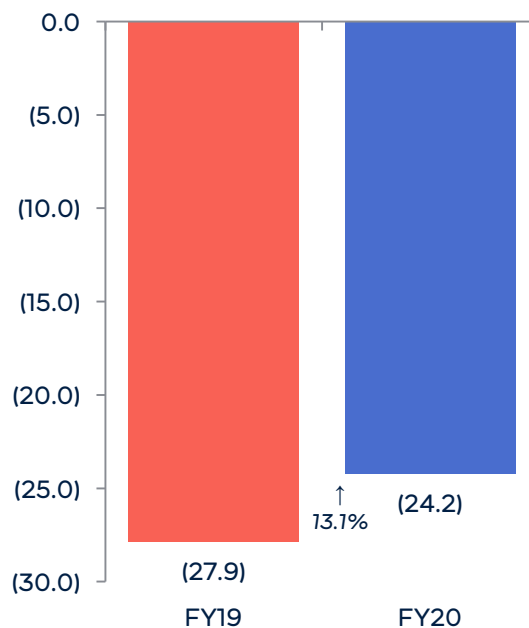
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EBITDA progression

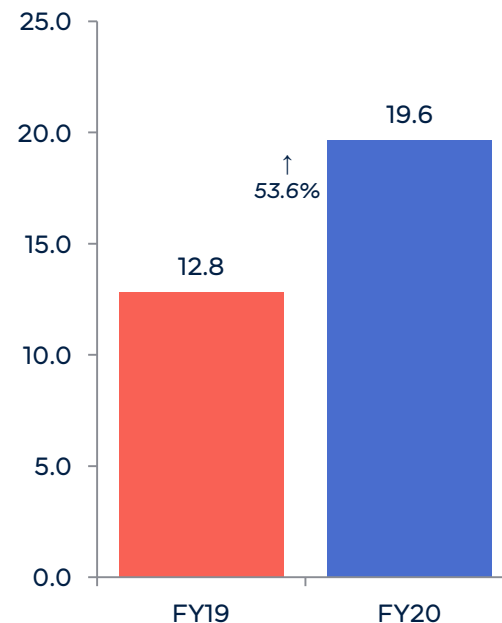
UK adj. EBITDA (GBPm)



European adj. EBITDA (EURm)



Group adj. EBITDA (GBPm)



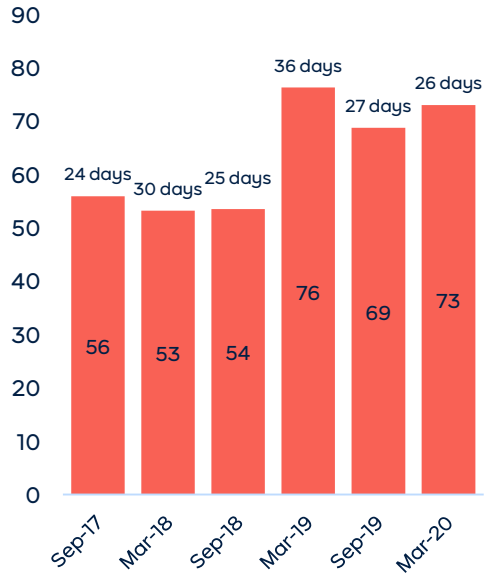
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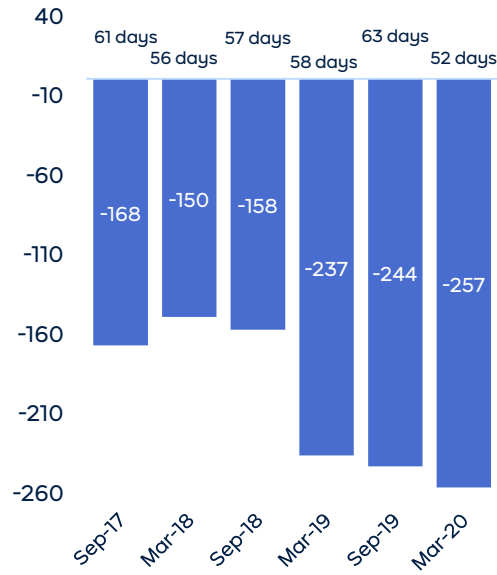
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Working capital

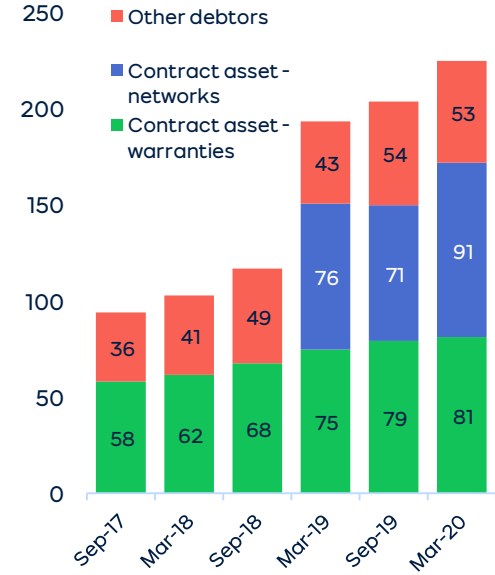
Inventories GBPM



Creditors GBPM



Debtors & contract assets GBPM



Cash flow

Year ending 31 March	FY20 £m	FY19 £m
Adjusted EBITDA	19.6	12.8
Exceptional cashflows	(2.3)	(5.0)
Non cash movements	2.1	1.6
<i>Net change in Working capital</i>		
Inventories	4.0	(16.3)
Receivables	(32.5)	(10.2)
Payables and provisions	23.1	(4.6)
Tax received	0.2	0.8
Cash generative from/(used in) operating activities	14.1	(20.9)
Capex	(7.9)	(4.7)
Acquisition of non controlling interest	(0.5)	(0.4)
Acquisition of subsidiary	-	(5.9)
Proceeds from new borrowings	-	27.0
Financing activities	(27.7)	(22.3)
Movement in cash	(22.0)	(27.1)
Opening cash	28.9	56.0
Closing cash	6.9	28.9
Unutilised facility	56.7	56.1
Total liquidity	63.6	85.0

- Increase in Capex mainly attributable to investment in new plastics recycling facility, new outbases and improvements in logistics technology
- Financing activities represent repayment of loans and lease liabilities

FY21 financial outlook

- UK
- Europe
- Capex
- Overall Group outlook



Strategic Progress

John Roberts

Founder and Chief Executive Officer



Four priorities

UK 10% MDA growth

Cash generative

Accelerate our journey
to profitability in
Europe

One AO

UK 10% MDA growth

- Double digit MDA growth achieved in final quarter
- Delivered by focusing on the fundamental basics
- Outperformed the market during FY20
- Momentum has continued into FY21



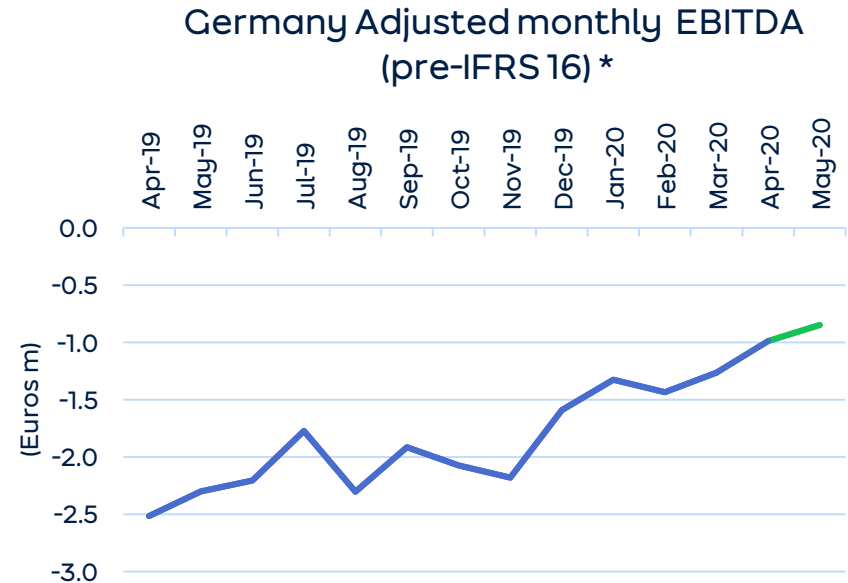
Cash generative

- Ended the year cash generative* as a group
- Driven by step change in profitability in Germany
- Netherlands closure also contributed
- Progress in the UK



Accelerate our journey to profitability in Europe

- Closed Netherlands in December 2019
- Strong progress against KPIs in Germany
- World-class NPS score of 89.2
- Profitability in Germany “when” not “if”

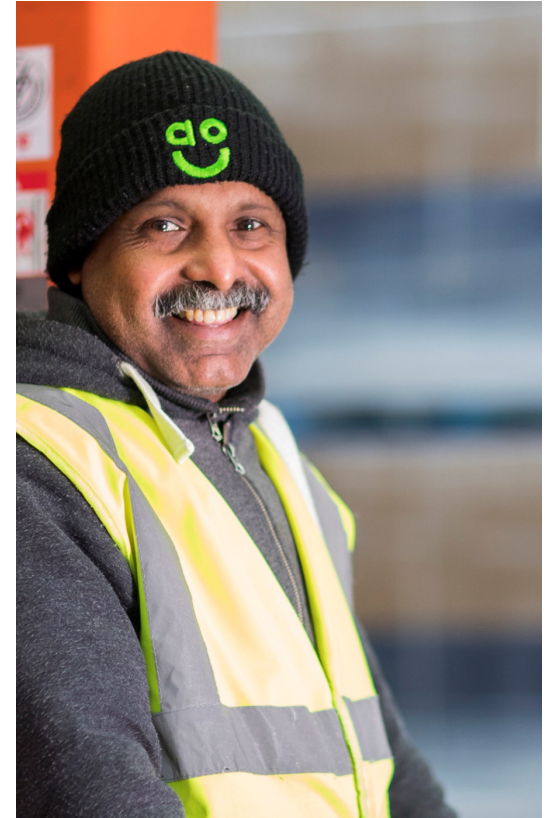


One AO



Looking forward

- Focus on our fundamentals
- Setting ourselves up for success to win for customers
- Drive the AO fly wheel
- Be the best in the world at a small number of big things



The customer proposition

- Best price
- Widest range
- Bring products to life with world class content
- Convenient delivery carried out with a smile
- Scale and repeat



Our operating model

- High tech and high touch
- Technology leverage
- Centres of expertise:
 - Digital marketing
 - Tech
 - Product teams
 - Finance
 - Commercial
 - Trading playbook
 - Operational software
- Scale



Our ecosystem

- Leverage our capabilities to drive the fly wheel
- Third party Logistics:
 - Drives scale to raise the proposition bar
- B2B:
 - Drives scale to raise the installation proposition bar
- Recycling:
 - Help create unique products for Retail
 - Brand enhancing

Our financial outputs

- Cash generative*
- Operational gearing through scale leverage
- Low capex consumption relative to growth potential
- Easily repeats into new markets with low capex
- Flexible approach to in/out-source front line operations



*Cash generative is defined as on a Group Adjusted EBITDA less debt repayment, interest, taxes and monthly share of annualised capex on a run rate basis

Covid and beyond

- Protecting our people and customers is top priority
- Significant structural shift to online
- Tailwinds
 - Online has become a habit for new customers
 - People continue to spend more time at home
 - Short term disposable income
- Headwinds
 - Less efficient operations
 - Economic backdrop
 - Volatility in global supply and demand

Summary

- Invest for growth and customer proposition:
 - Infrastructure
 - Marketing
 - Tech and automation
 - People
 - Invest ahead of the curve
- Partnership working with manufacturers
- One AO approach



Conclusion

- Proud of the AO team
- Momentum carried into FY21
- Significant structural shift to online
- AO model is fit for the future

