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
• 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)
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

Europe SG&A Expenses as a % of revenue*

<table>
<thead>
<tr>
<th></th>
<th>FY19</th>
<th>FY20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising and Marketing</td>
<td>18.0%</td>
<td>19.3%</td>
</tr>
<tr>
<td>Warehousing</td>
<td>11.0%</td>
<td>10.5%</td>
</tr>
<tr>
<td>Other Admin</td>
<td>3.1%</td>
<td>3.4%</td>
</tr>
</tbody>
</table>

*Excludes impact of adjusting items

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For the 12 months ending 31 March 2020
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## Cash flow

### Year ending 31 March

<table>
<thead>
<tr>
<th></th>
<th>FY20 £m</th>
<th>FY19 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Adjusted EBITDA</strong></td>
<td>19.6</td>
<td>12.8</td>
</tr>
<tr>
<td>Exceptional cashflows</td>
<td>(2.3)</td>
<td>(5.0)</td>
</tr>
<tr>
<td>Non cash movements</td>
<td>2.1</td>
<td>1.6</td>
</tr>
<tr>
<td><strong>Net change in Working capital</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td>4.0</td>
<td>(16.3)</td>
</tr>
<tr>
<td>Receivables</td>
<td>(32.5)</td>
<td>(10.2)</td>
</tr>
<tr>
<td>Payables and provisions</td>
<td>23.1</td>
<td>(4.6)</td>
</tr>
<tr>
<td>Tax received</td>
<td>0.2</td>
<td>0.8</td>
</tr>
<tr>
<td><strong>Cash generative from/(used in) operating activities</strong></td>
<td>14.1</td>
<td>(20.9)</td>
</tr>
<tr>
<td>Capex</td>
<td>(7.9)</td>
<td>(4.7)</td>
</tr>
<tr>
<td>Acquisition of non controlling interest</td>
<td>(0.5)</td>
<td>(0.4)</td>
</tr>
<tr>
<td>Acquisition of subsidiary</td>
<td>-</td>
<td>(5.9)</td>
</tr>
<tr>
<td>Proceeds from new borrowings</td>
<td>-</td>
<td>27.0</td>
</tr>
<tr>
<td>Financing activities</td>
<td>(27.7)</td>
<td>(22.3)</td>
</tr>
<tr>
<td><strong>Movement in cash</strong></td>
<td>(22.0)</td>
<td>(27.1)</td>
</tr>
<tr>
<td>Opening cash</td>
<td>28.9</td>
<td>56.0</td>
</tr>
<tr>
<td>Closing cash</td>
<td>6.9</td>
<td>28.9</td>
</tr>
</tbody>
</table>

### For the 12 months ending 31 March 2020

- **Unutilised facility**: 56.7
- **Total liquidity**: 63.6

*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.*

- 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

*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
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”

*Based on unaudited management accounts and on a pre-IFRS basis*
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