



FY21 Interim Results

24 November 2020

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

The background of the slide is a solid light green color. It is decorated with several thick, dark green curved segments that are arranged in a circular pattern, resembling a stylized sunburst or a flower. These segments are positioned around the central text, with some overlapping the text itself.

Welcome

Geoff Cooper
Chairman

Agenda



Welcome

Geoff Cooper, Chairman

Financial Performance

Mark Higgins, Chief Financial Officer

Strategic Progress

John Roberts, Founder and Chief Executive Officer

HY21 highlights

- Exceptional response to unprecedented trading conditions
- Laser focus on doing the right thing for customers
- Strong performances on all fronts
- Capacity and capability built to win





Financial Performance

**Mark Higgins
Chief Financial Officer**

HY21 financial highlights



- Group revenue up 58%*
 - UK up 54%
 - Germany up 82% (on a constant currency basis)
- Adjusted EBITDA (post IFRS16)
 - UK profit increased to £32.6m
 - Germany losses decreased to €4.2m
- Group PBT increased to £18.3m (HY20: £(5.9m))
- Total cash generated of £78.4m

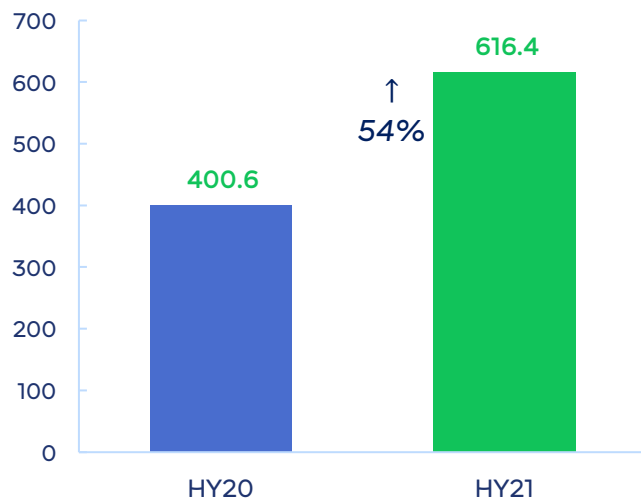
*For the prior year period, excludes the impact of our Netherlands operations
For the 6 months ending 30 September 2020

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.

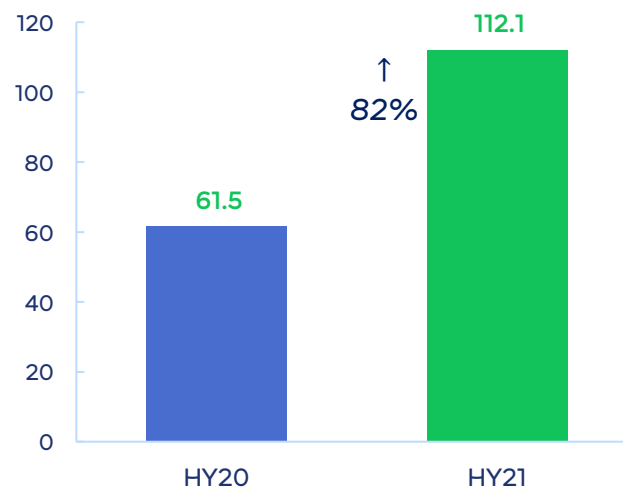
Revenue



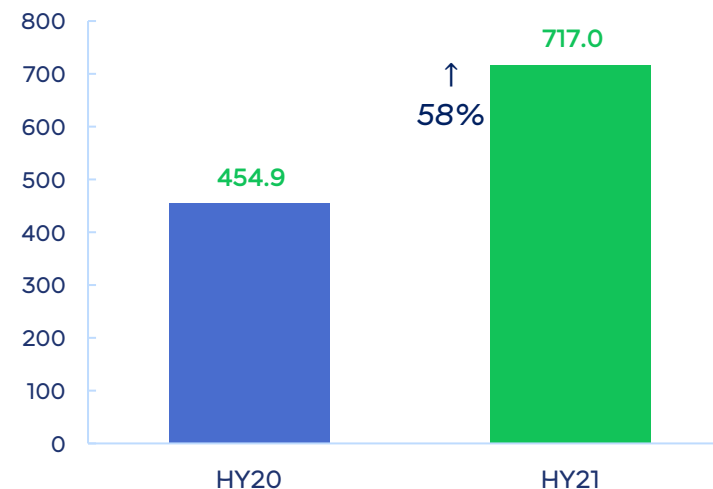
UK Revenue (GBPm)



Germany Revenue (EURm)



Group Revenue (GBPm)*



- UK growth, driven by retail, up 54%
- Germany revenue increased by 82% to €112.1m (HY20: €61.5m): new customers[‡] grew by 41% in HY21 versus 2HY20 and over 1 million customers[‡] have now shopped with ao.de
- Excluding revenue generated by our Netherlands operations in the prior year, Group revenue increased by 58% to £717.0m (HY20: £454.9m)*

[‡]A customer is defined as an individual customer who has purchased through us via ao.de

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Gross margin

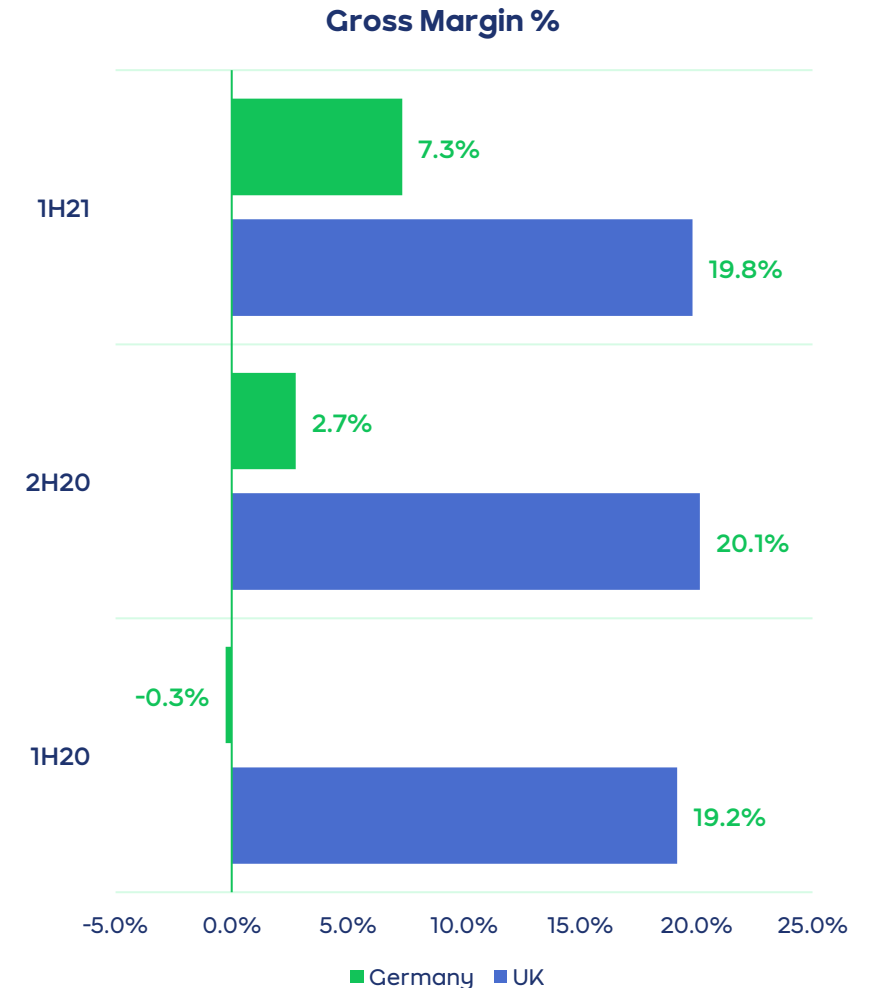


UK

- Improved buying prices and less pricing tension in the market
- Product margin increases in MDA and Non-MDA categories
- Increase in sales of AO Care products through improved conversion rates

Germany

- Significant margin progress
- Improvement in supplier terms now impacting; materially in line with the UK
- Continuing improvements in efficiencies in logistics operation with additional future opportunities

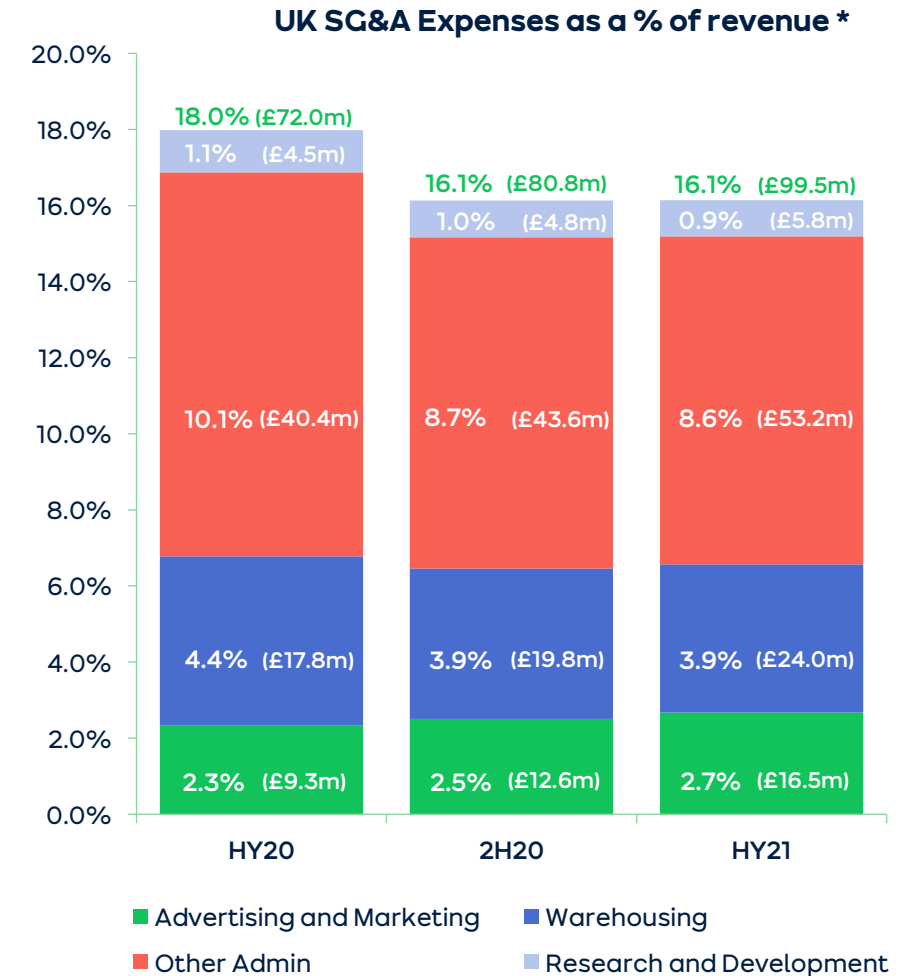


UK SG&A cost analysis



UK

- Total UK SG&A costs fall as a % of revenue against HY20
- Advertising & marketing expenses increase against prior year with higher investment in acquisition costs and targeted TV campaign
- Warehousing costs reduce as a % of revenue against HY20 as we drive efficiency and leverage our infrastructure; absolute costs increase as a result of significant investments made in our capacity to serve increased demand and costs of safer working practices
- Other admin costs continue to fall as a percentage of revenue as we gain efficiencies of scale with growth in volumes despite investment in teams across the business



For the 6 months ending 30 September 2020

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*Excludes impact of adjusting items

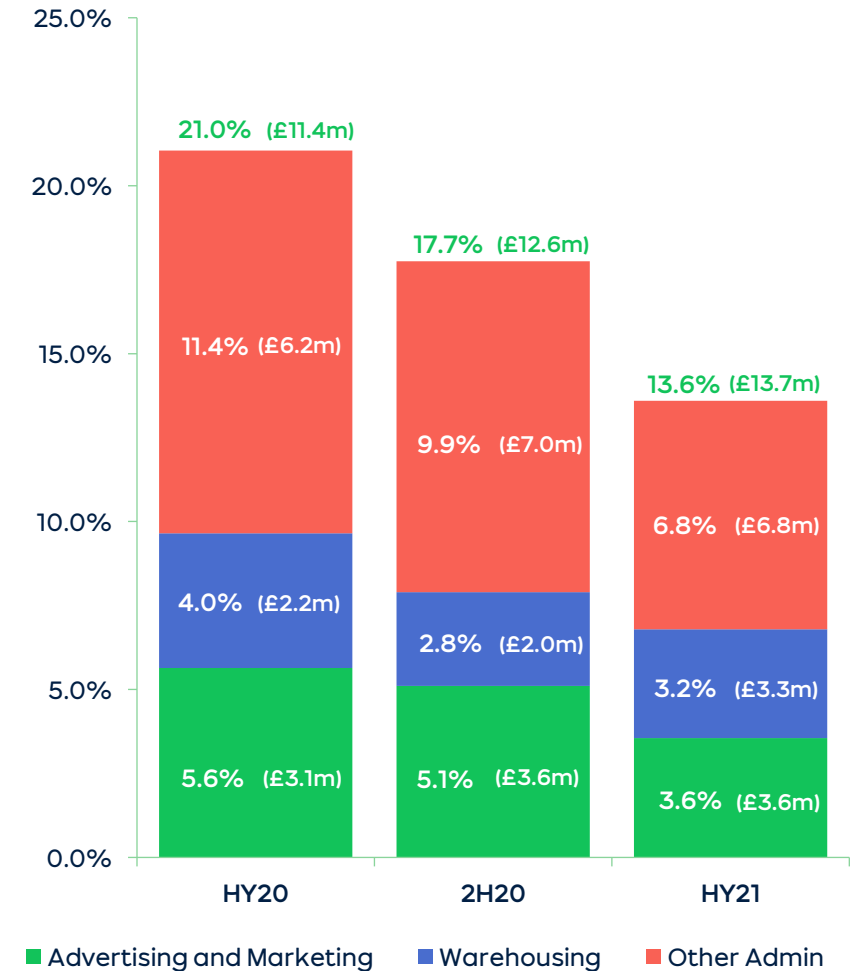
Germany SG&A cost analysis



Germany

- Total SG&A costs reduced significantly as a % of revenue
- Advertising and marketing expenses increase following increase in customer acquisition expenditure but reduce as a percentage of 3.6% of revenue as we gain efficiencies of scale
- Warehousing costs increase as we implement Covid-19 safe working practices but reduce as a percentage of sales as we leverage our infrastructure with volume increases
- Other admin costs reduce significantly as a % of revenue as we continue to leverage our UK skills and knowledge as part of our One AO approach

Germany SG&A Expenses as a % of revenue *

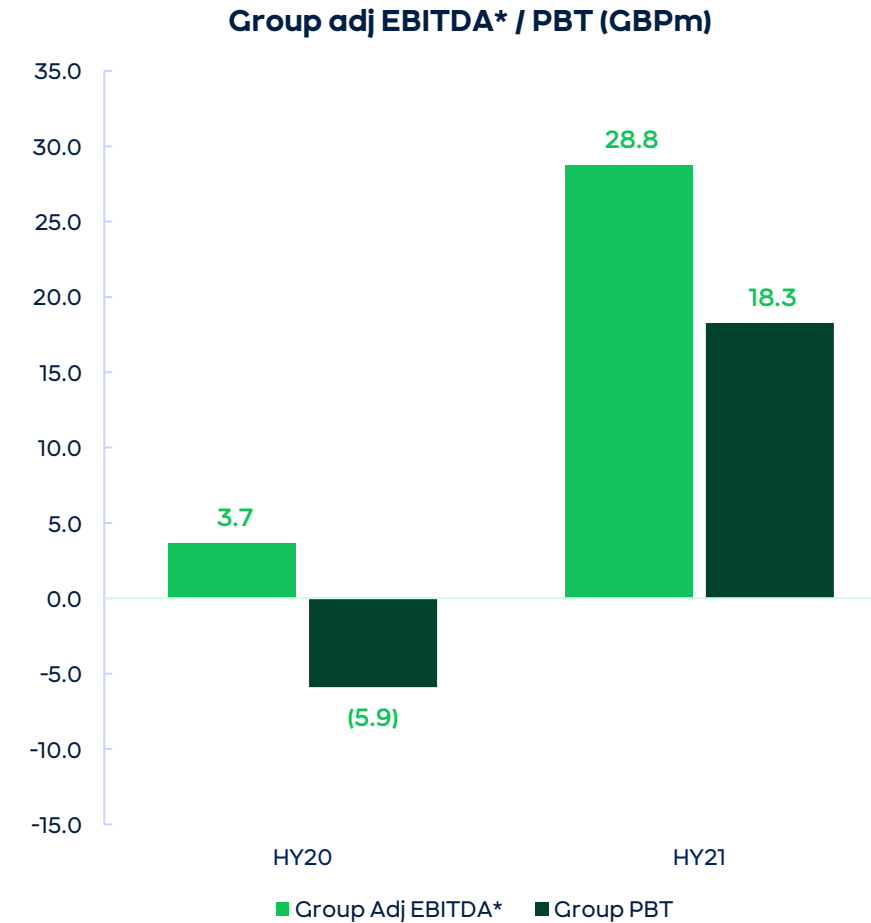
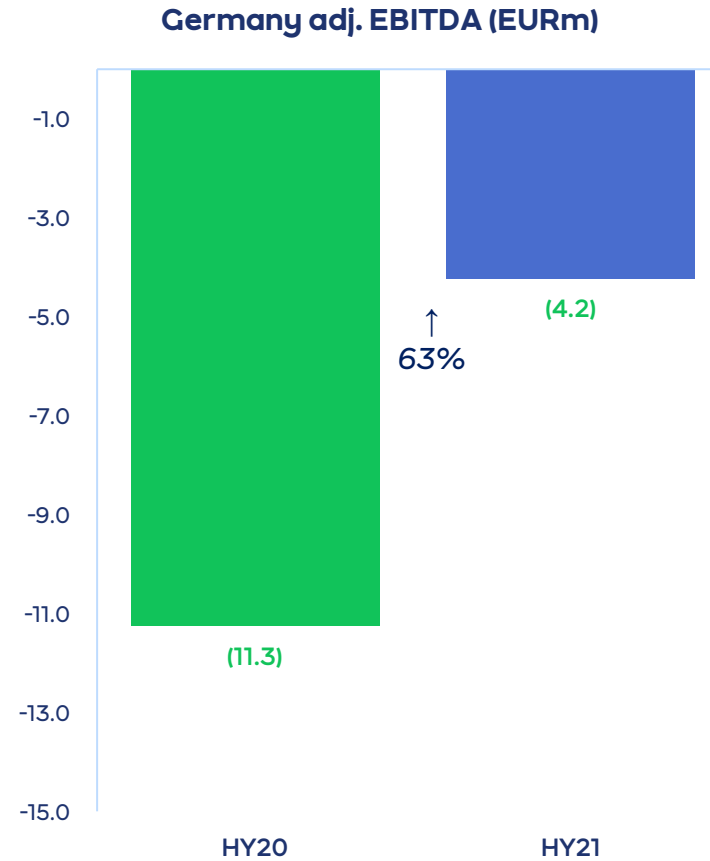
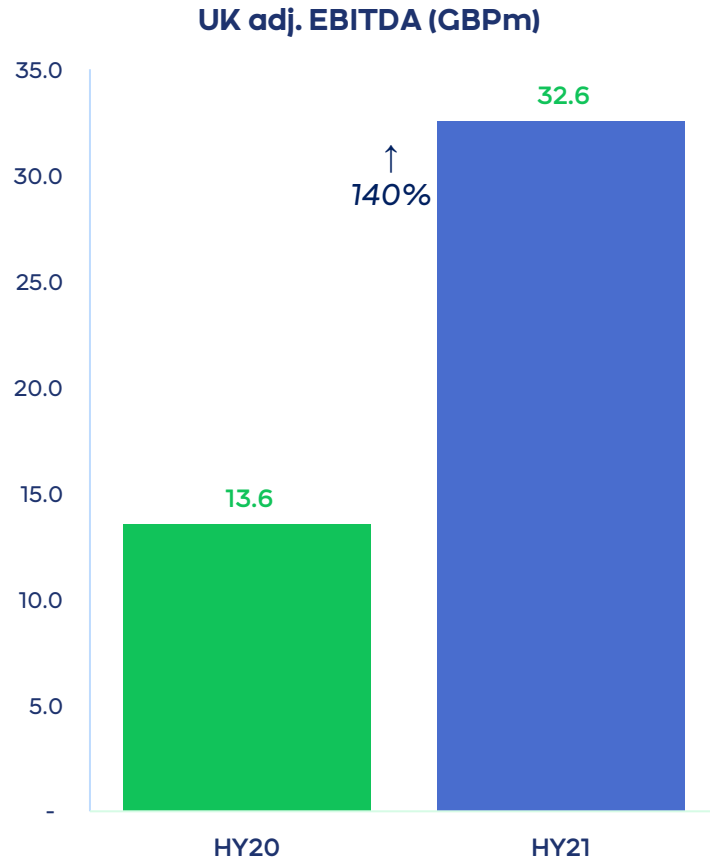


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EBITDA progression

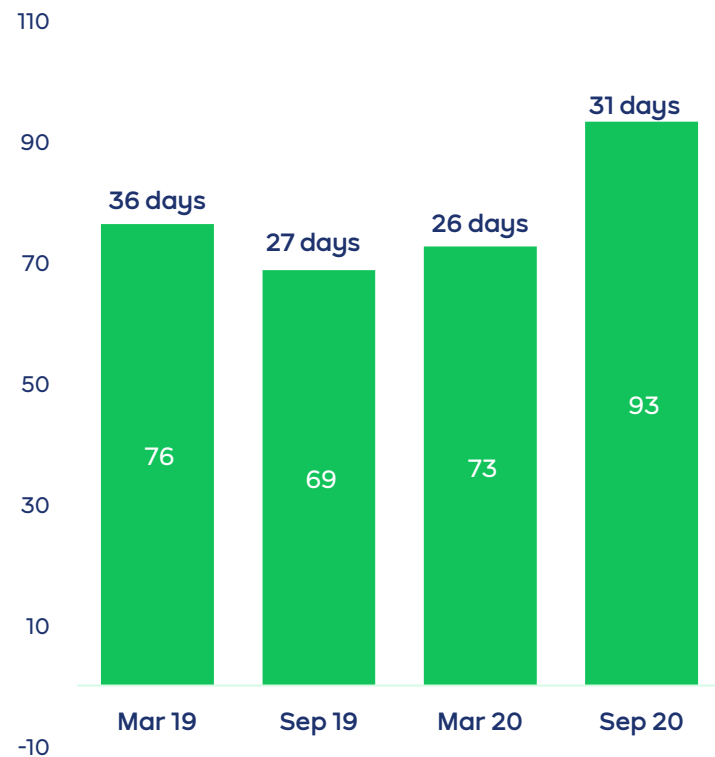


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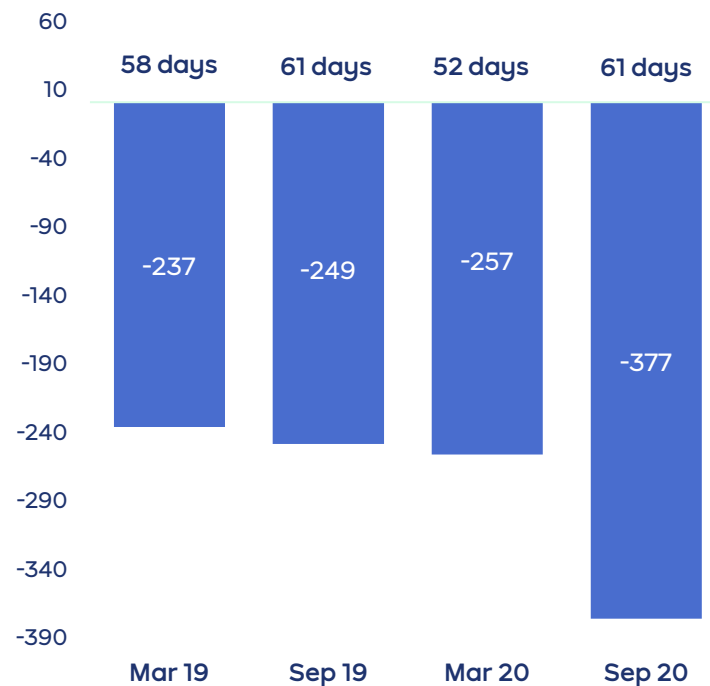
Working capital



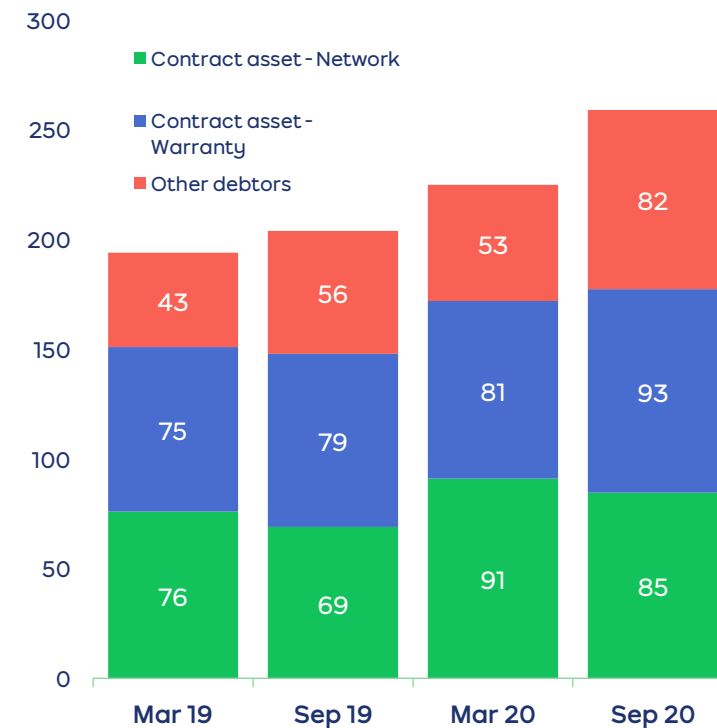
Inventories (GBPm)



Creditors (GBPm)



Debtors and contract assets (GBPm)



Cash flow



Period ended 30 September	HY21 £m	HY20 £m
Adjusted EBITDA	28.8	0.9
Exceptional cashflows	(1.0)	(0.9)
Non cash movements	1.0	0.4
<i>Net change in working capital</i>		
Inventories	(20.3)	8.0
Receivables	(31.1)	(10.1)
Payables and provisions	119.8	15.1
Taxation (paid)/ received	(1.0)	0.2
Cash generated from/ (used in) operating activities	96.2	13.6
Capex	(4.2)	(5.7)
Acquisition of non controlling interest	(0.1)	(0.5)
Financing activities	(13.4)	(12.8)
Movement in cash	78.4	(5.4)
Opening cash	6.9	28.9
Closing cash	85.4	23.4

Unutilised facility	56.1	56.7
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Total liquidity	141.5	80.1
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- Working capital driven by significant increase in volume and improved terms with several suppliers
- Capex includes completion of plastics plant in Recycling
- Financing activities principally represents repayment of lease liabilities and interest
- £20m draw on RCF repaid in October

2HY21 financial outlook



- UK
 - Run rate accelerated in Q3
 - Plan to win in Q4
- Germany
 - Expect growth rates to continue this year
- Capex
- Overall Group outlook



Strategic Progress

**John Roberts
Founder and Chief Executive**

Introduction



- A half-year like no other
- Thanks to the AO team and our partners
- Millions more customers experienced a better way to shop electricals



Investing for growth



- Doubled our capacity in HY21 with £2m cash capex
 - 1.3m sq ft of warehousing space (740k sq ft in March)
 - Currently 150,000 two-person deliveries per week (60,000 per week in March)
- Created 800 new roles since March
- Proven scalability of the business with operational gearing
- World-class NPS maintained



Permanent structural shift to online



- Anticipating a buoyant market for sustained period globally
- UK growth rates accelerating as capacity becomes available for customers
- Well positioned for market tailwinds
- Improved profit performance despite Covid-19 related safety investments
- Available cash and facilities increased from £80.1m to £141.5m YoY



Game changing progress in Europe



- Everything we expected to happen has materially come through to reality
- P&L dynamics now a lot closer to the UK
- Expect German business to be profitable for the full year FY22
- Leveraged knowledge and experience of 20 years to repeat a proven model



Customer proposition and brand



Progress

- Continued investment in creating a simple, intuitive shopping journey
- Improved customer experience: personalisation, chatbots, quicker and simpler payments
- Improved delivery capacity and service proposition
- New visual identity

Opportunities

- Further brand investment
- Mobile remains a significant opportunity
- Digital content investment – new London creative hub



Doing the right thing



- Our difference underpinned by our AO Culture
- Unique AO Value Creation Plan for all AOers
- Cradle-to-cradle appliances created from our recycling capabilities
- Long-term mindset to do what's right



AO Ecosystem



- Value of vertical integration – united behind a single strategy
- B2B business growth during lockdown reaching new customers
- AO is now an approved supplier to most major housebuilders
- AO proposition trial in five Tesco stores



Financial outputs

- Significant operational gearing
- Proven scalable model
- Structural advantage and market leading returns
- Medium term UK EBITDA margin target of c.8%
- Reinvest gains in proposition improvement
- Structural gain in cash flow



Looking ahead and summary



- Accelerated growth at the start of 2HY21
- Capitalising on investment in logistical scale
- Changes in customer behaviour will stick – cement this with amazing service
- Enormous international opportunity as the digital first retailer
- Thanks to the AO team and our partners
- Now is our time





Thank you!