



FY23 Results

John Roberts, Founder and CEO
Mark Higgins, Group CFO

5th July 2023

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



Welcome

John Roberts
Founder and CEO

Macro-economic context



**MORTGAGE
PAIN SET TO
SHAPE RATE**

RATE-SETTER: CONCERN OVER HOUSEHOLD 'RESILIENCE'

**UK car insurance costs likely to rise
for another two years, report says**

**Fear of energy price crisis
as Russia cuts gas supply**

**War in Ukraine forces reduction
in growth forecasts for Europe**

“UK supply chain pressures recede
as China’s reopening eases
shortages”

**Brexit cited as a major concern as US
business confidence in Britain drops**

Brexit has hit the economy as hard as Covid or energy crisis

“UK shop price inflation rises to
record high, industry data shows

”

Recap - FY23 strategic pivot to cash and profit



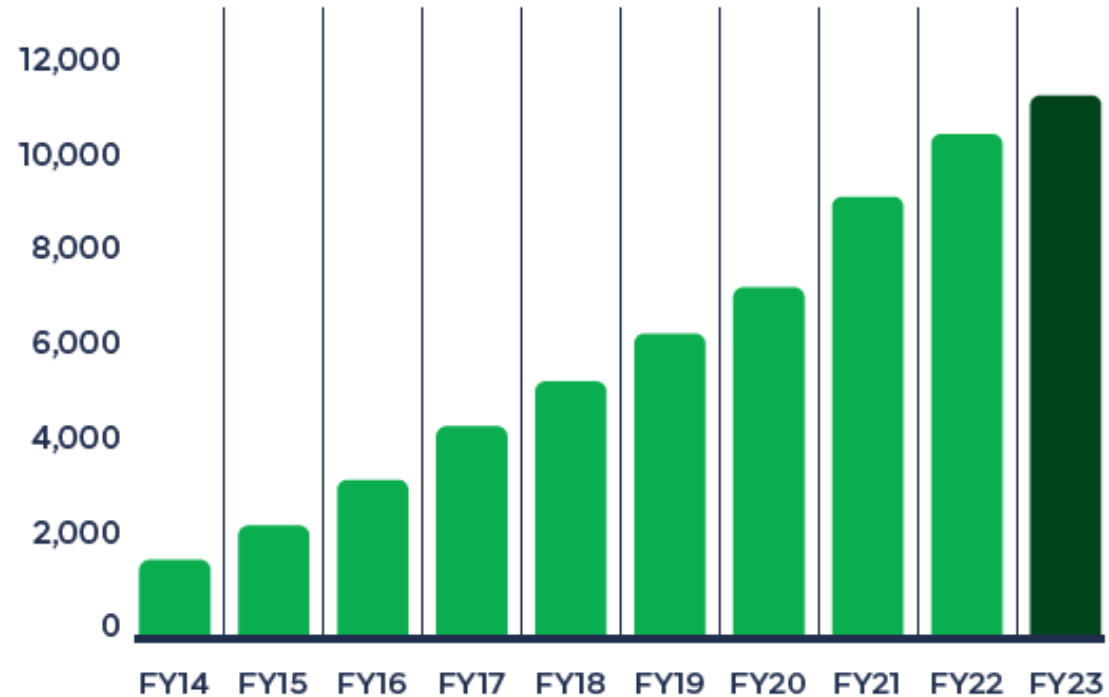
- FY23 actions delivered
 - Capital raise in July 2022 to strengthen the balance sheet
 - Closed the Germany operation quickly and efficiently with minimal cash impact
 - Removed parts of the business that didn't fit our priorities - Tesco and Housebuilders
 - Rationalisation of stocks and SKUs to focus on profitable lines of business
 - Rightsizing warehousing and logistics
 - Reduced headcount to align with a UK based business



The last word on Covid

- Over 5m new customers acquired during the Covid period
- Post-Covid online penetration will continue; now over 50%
- Covid supply chain impact largely normalised
- Building a moat around the business -it's not just what we do, it's how we do it
- FY24:
 - Profitable, cash generative growth through disciplined investment
 - Leverage the scale of our well invested, efficient model

Cumulative UK Customers⁴ ('000)



⁴ A customer is defined as an individual customer who has purchased through us via ao.com in the UK.



Financial Performance

Mark Higgins
Group CFO

FY23 Revenue Highlights

£m	FY23	FY22	YoY Change
Product revenue	875	1,114	-22%
Services revenue	56	50	12%
Commission revenue	156	157	0%
Logistics revenue	28	23	21%
Recycling revenue	24	24	-2%
	1,139	1,368	-17%

- Pivot to cash and profit has impacted revenue
- Resilient UK performance against tough economic backdrop
- Strong online MDA share at 30%
- Q1 performance in line with Board's expectations

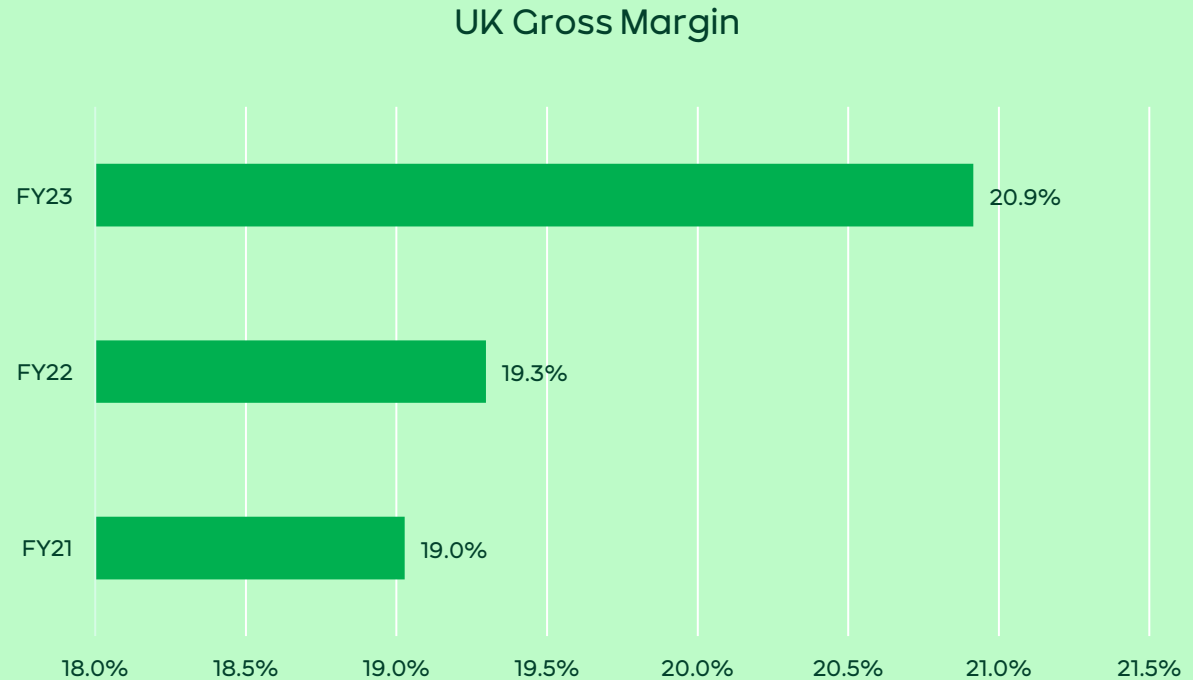
¹ CfK MDA data



UK Gross margin



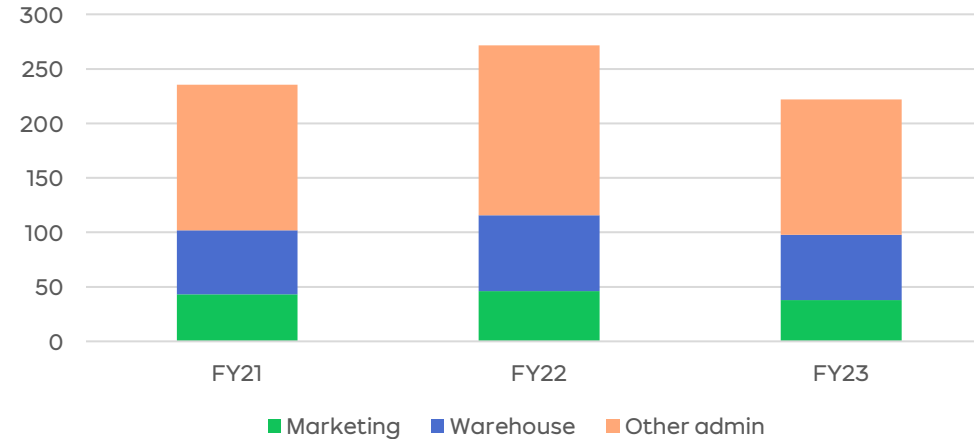
- UK margins in FY23 affected by inflationary pressures in a number of areas, specifically in delivery costs.
- Inflationary costs offset by
 - Higher product pricing
 - Introduction of delivery charges
 - Fuel price hedge



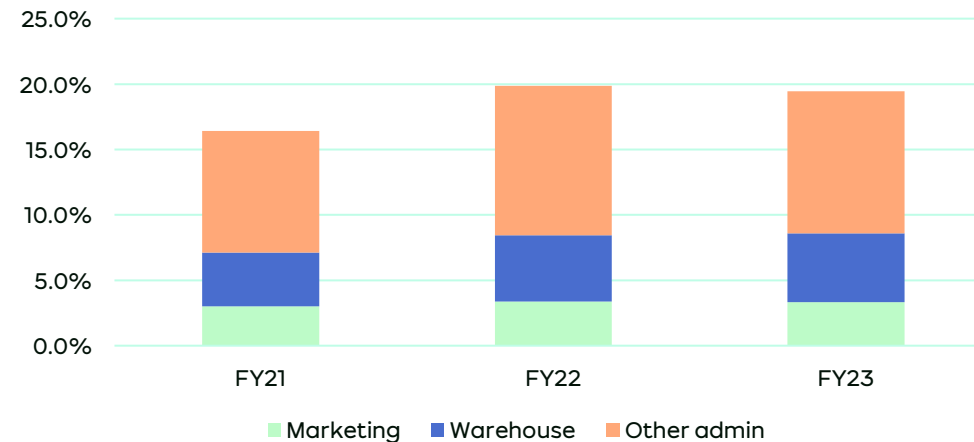
UK SG&A costs

- Cost base was set up for higher sales & complex growth
- Total cost saving YoY of £46m
- Detailed review of efficiency of acquisition spend - £8m YoY marketing spend saving
- Warehousing costs have fallen £10m YoY – third party leasing and efficiency improvements
- Benefit of strategic review of headcount in H2 of FY23
- Property rationalisation
- Fixed energy price cap into FY24

UK SG&A Costs (£m)



UK SG&A Costs %

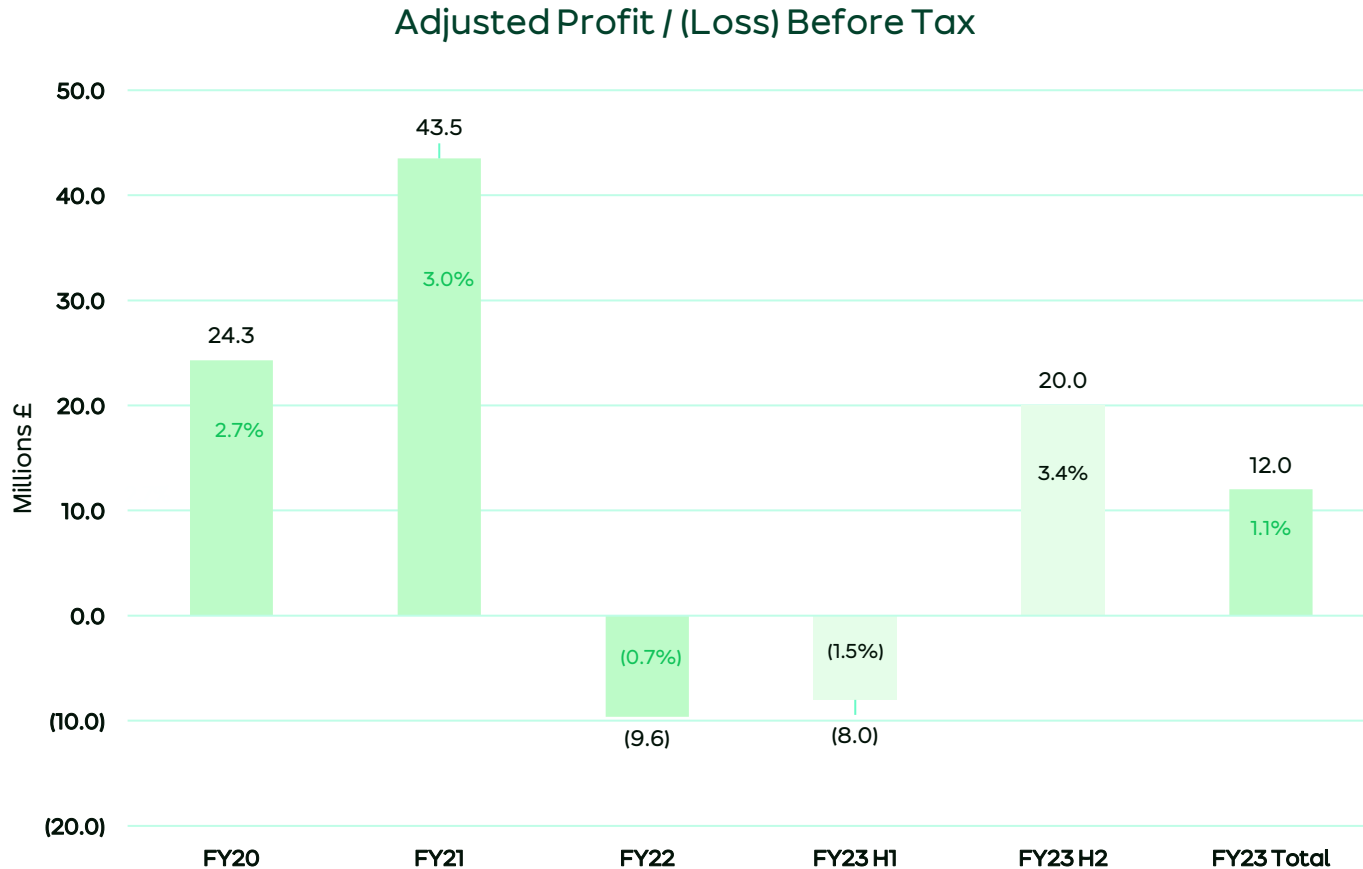


For the 12 months ending 31 March 2023

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

UK Adjusted PBT progression



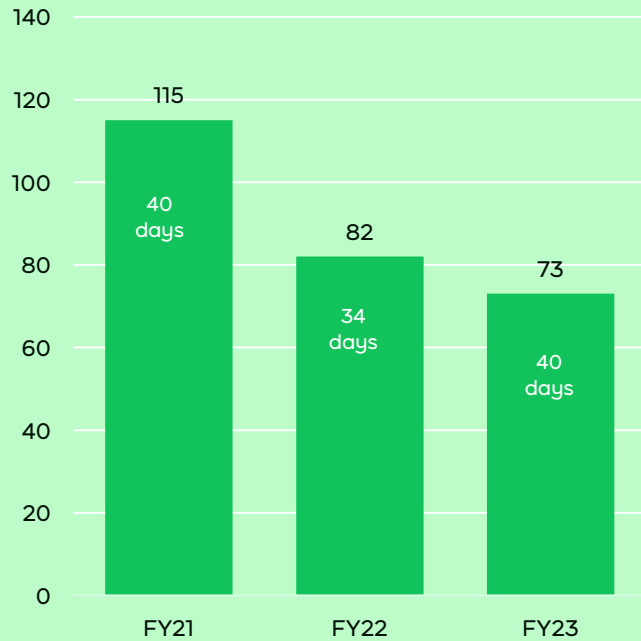
- Exceptional costs of £4.5m
- Cost structure at beginning of year set up for bigger business
- Other SG&A includes H2 savings from strategic review, including headcount reduction and rightsizing of warehouse and office space

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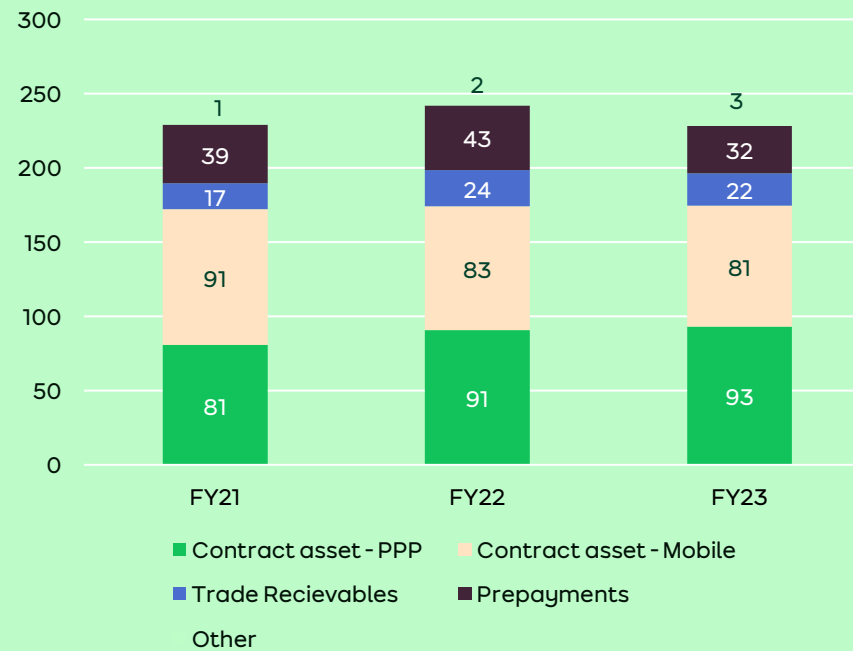
UK Working Capital



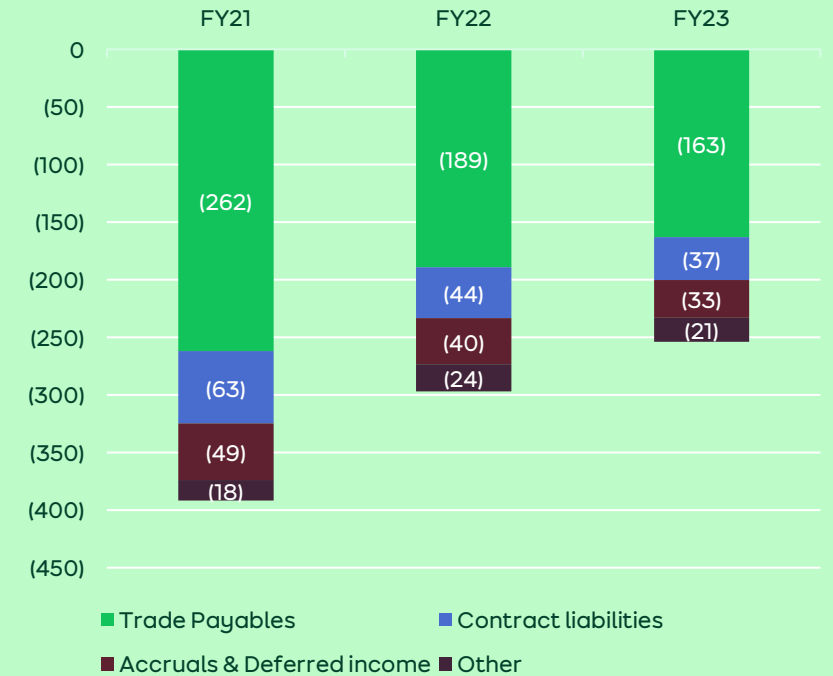
Stock (£m)



Debtors and contract assets (GBPm)



Analysis - UK payables



Cashflow and liquidity



	FY23 £'m	FY22 £'m
Adjusted EBITDA - continuing	45	22
Change in working capital	(17)	(75)
Share placing	39	0
Movement in borrowings	(35)	45
Lease repayments and interest	(25)	(27)
Other	(0)	(1)
Cashflows from discontinued operations	(8)	(11)
Opening cash	20	67
Closing cash	19	20
Available liquidity = cash plus available facility	89	50

- Net working capital outflow reduced as inventory and payables normalise
- Successful share placing in year to strengthen balance sheet
- Low capex spend of £2.2m with expectation that increases slightly in FY24
- £80m RCF renewed until April 2026 underpins liquidity
- Net funds (pre IFRS 16) of c£4m excluding operating leases
- Exit from Germany now materially completed – the cost post decision was broadly zero

FY24 financial outlook



- Consumer markets continue to be affected by cost of living challenges and volatility
- Sensible strategic pivot to profit and cash generation with growth in medium term
- Guidance FY24:
 - Group Adj. PBT c2.5%
 - Revenues -5% to flat
 - Capex of £4m
- Medium term operating ambitions:
 - Scale leverage including PBT margins from here
 - Convert profits to cash
 - Revenue growth 10+%





Outlook

John Roberts
Founder and CEO

Where do we go from here?



The UK's
most trusted
electrical retailer



- Over five million new customers impressed by the AO Way during the Covid period
- 18 years to impress the first five million customers
- Covid customer cohort is more valuable
- Continue driving the right growth at the right pace

Brand investment



Look at that lineup!

Take your pick with the UK's most trusted electrical retailer

go

Shop now at ao.com



Mirror

OVEN-READY Luke & Phil

Delivery pair save life then fit his cooker

BY DAN WARBURTON





Summary



Questions