AO World PLC

Ready to grow; let's go!

Caroline Gulliver 13th June 2024 Hannah Crowe

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Ready to grow; let's go!

AO has exited FY24E with good momentum and we anticipate AO's excellent customer service and AO Five Star membership club offer will accelerate repeat customer purchases across a broad range of electricals. This underpins our forecast revenue CAGR of 13% FY24E-FY27E and our Adj. PBT CAGR of 26% FY24E-FY27E. As a capital-light online retailer, we predict over 80% of Adj. PBT converts to free cashflow ("FCF") resulting in over £130m FCF FY25E-FY27E. We initiate coverage with a Fair Value of 140p based on a 5% cal 2025 FCF yield, equivalent to c.11x cal 2025 EV/EBITDA and c.22x cal 2025 PER, under 1x our EPS CAGR FY24E-FY26E.

AO's "Pivot to profit" strategy has worked; AO is lean and focused

In the past two years AO has refocused on its profitable UK major domestic appliances ("MDA") business and reset its unit economics in the broader £30bn electricals market. Consequently, the group has guided to c.£33m of Adj. PBT in FY24E, generated over £30m FCF and returned to revenue growth in 4Q24E. Moreover, despite headwinds, AO continues to give excellent service, with more than 500,000 Trustpilot reviews, resulting in a five-year high average rating of 4.8/5 in May 2024.

Ready to grow again, with a highly satisfied, repeat customer base

From this solid foundation, AO is focused on increasing its 16% UK MDA market share and deepening its sales in adjacent electrical categories. Building on its market-leading flexible delivery, installation and recycling offer, AO is promoting its Five Star Membership club which we see as key in driving repeat purchases across the product ranges. AO's total customer base is approaching 12m and assuming c.10% return each year, driving the annual repeat customer rate above 50%, we forecast AO's existing customers will support double digit revenue growth, leading to a doubling of Adj. PBT to c.£66m in FY27E and c.£130m of cumulative free cashflow ("FCF", FY25E-FY27E).

High growth prospects and cashflow conversion appeals: 140p Fair Value

AO offers high revenue growth, operating leverage and substantial FCF. Moreover, our blue-sky scenario analysis illustrates the potential for Adj. PBT to exceed £100m in FY27E, more than triple FY24E. We initiate coverage of AO with a 140p Fair Value equating to a cal 2025 FCF yield of 5%.

Key Financials & Valuation multiples

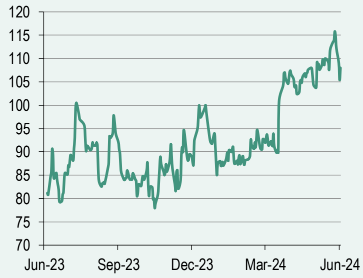
Year to 31 Mar (£m)	2022	2023	2024E	2025E	2026E
Revenue	1,368.3	1,138.6	1,038.9	1,175.6	1,328.4
Revenue growth (%)		*-16.8*	*-8.8*	*13.2*	*13.0*
Adj. EBITDA	22.4	46.2	60.0	65.3	78.0
Adj. EBITDA margin (%)	*1.6*	*4.1*	*5.8*	*5.6*	*5.9*
Adj. PBT	-9.2	12.3	33.4	38.7	51.5
Adj. PBT margin (%)	*-0.7*	*1.1*	*3.2*	*3.3*	*3.9*
Adj. diluted EPS (p)	-0.4	2.0	4.3	5.0	6.7
Adj. EPS growth (%)			*120.8*	*16.1*	*32.9*
Free cashflow		2.0	32.0	32.8	42.6
Net debt/(cash) incl leases /Adj. EBITDA (x)		1.6	0.4	(0.1)	(0.6)
EV / Sales (x, calendarised)		0.6	0.6	0.5	0.4
EV / Adj. EBITDA* (x, calendarised)		11.4	10.1	8.7	7.3
PER (x, calendarised)		28.8	22.2	17.2	13.2

Source: ED analysis; Share price at COB 12/6/24

Company Data

EPIC	**LSE: AO.**
Price (last close)	108p
52 weeks Hi/Lo	116p/62p
Market cap	£655m
ED Fair Value / share	140p
Net debt incl. leases FY24E	£25m

Share Price, p



Source: ADVFN

Description

Founded in 2000 by CEO John Roberts, AO World ("AO") has grown to be the leading online retailer of major domestic appliances ("MDA") such as washing machines and fridges with 16% market share. The company also sells a wide variety of small domestic appliances ("SDA"), televisions ("AV"), mobile phones, consumer electricals and laptops. With a focus on brilliant service and two-person delivery, installation and recycling, the group has received over 500,000 Trustpilot reviews with an impressively high average score of 4.8/5. The group has also invested in its own recycling centre ensuring customers' electronic waste is dealt with responsibly.

Next event: FY Results, 26th June

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AO World: Investment Attractions Overview

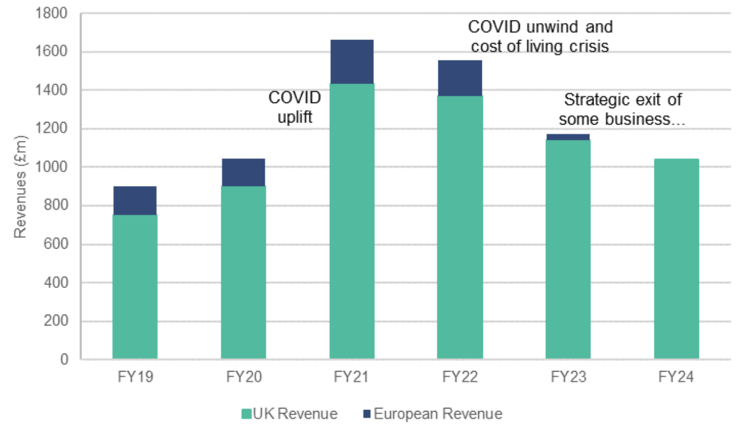
Investment Highlights	Risk Factors
• An excellent track record of UK revenue growth pre-COVID 21% CAGR FY11-FY20. • 5m additional customers shopped during COVID, experiencing AO's excellent customer service and total UK customer base is now almost 12m. • Over 500,000 Trustpilot reviews with an impressively high average score of 4.8/5. • Plenty of scope to increase both major domestic appliances ("MDA") market share of 16% and market share in the wider £30bn Electricals market. • "Pivot to profit" strategy has been successful with 2H24E PBT margin of c.3.7%. • An experienced, founder-led, management team that has been with the business through both high growth years and more challenging times.	• Macro-economic pressures on disposable income. • Irrational competitive pricing behaviour. • Cost inflation, particularly wage inflation, impacting margin expansion potential. • Supply chain disruption.
Forecast Drivers	**Valuation Overview**
• A more favourable macro-economic backdrop of improving UK consumer confidence, increasing mortgage approvals and lower inflation and interest rates. • Increasing repeat AO customers, continuing the trend of the past decade, as AO's extends its wider electricals product range and more customers join AO's Five Star membership club. • We assume revenue CAGR of 13% FY25E-FY27E, at the lower end of management's 10%-20% medium term ambition. • Operating leverage of fixed costs driving a doubling of Adj. PBT to £66m in FY27E, an Adj. PBT margin of 4.4%, below management's medium-term ambition of 5%. • Improving profitability and low capex requirements driving over £130m of cumulative free cashflow (FY25E-FY27E).	• Trading on only 0.5x EV/Sales, under 9x EV/EBITDA and c.17x PER (our forecasts, all Calendar 2025E – "Cal 25E"). • Offers higher 2-year revenue and profit growth than most peers (on our forecasts) and a strong balance sheet with financial net cash of over £30m. • The undrawn revolving credit facility of £80m was recently extended with existing lenders until April 2027, providing plenty of liquidity. • Our blue-sky scenario, modelling the upper end of management's medium-term ambition of 20% CAGR in Revenues and a 5% Adj. PBT margin in FY26E, suggests PBT could triple to over £100m by FY27E (60% above our forecast). • We initiate coverage with a Fair Value of 140p, a 5% cal 2025 FCF yield, equivalent to c.11x cal 2025 EV/EBITDA and c.22x cal 2025 PER, under 1x our EPS CAGR FY24E-FY26E.

A simpler, leaner business

The "Pivot to profit" strategy, launched in 2022, has worked

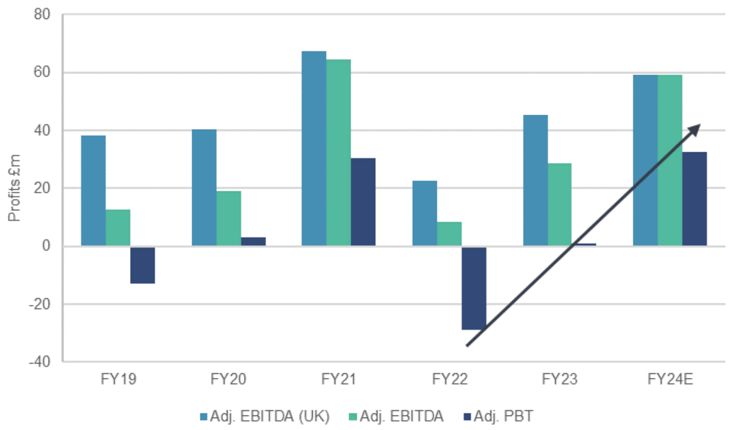
- Over the last four years, AO has dealt with the operational challenges of 60% sales growth during COVID and the subsequent unwind of supernormal growth, global supply chain disruption, abnormally high inflation in fuel, freight and wages, and a cost-of living crisis.
- AO has emerged stronger, leaner and focused on the UK having exited its loss-making German operations. AO has also reset some of its unit economics through price increases, delivery charges, changing the delivery infrastructure for smaller goods and exiting some loss-making lines and trials.
- As a result, AO has returned to revenue growth in 4Q24 and expects FY24E Adj. PBT to be "at least at the top end of £28m-£33m" guidance. This implies Adj. PBT margin of c. 3.7% in 2H24E and c.3.2% for FY24E, up 210bps yoy.

AO has exited unprofitable business in Germany and UK…



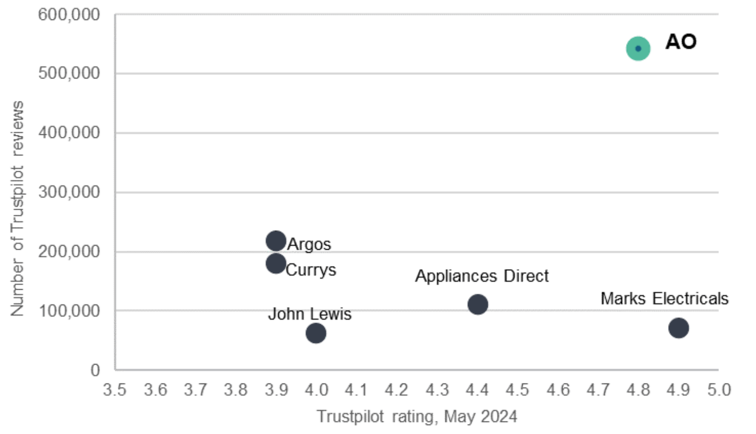
Source: Company historic data, ED forecasts and analysis

… leading to a recovery in Group profits



Source: Company historic data, ED forecasts and analysis

Rated Excellent by over 500,000 customers



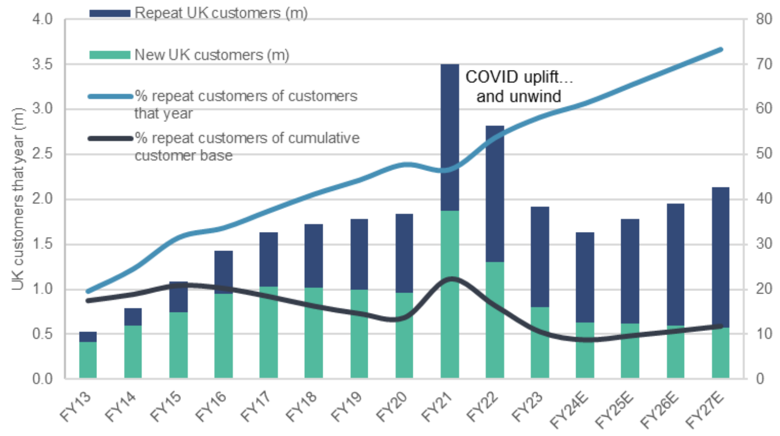
Trustpilot, ED forecasts and analysis

Ready to grow again, the "AO way"

Excellent service drives revenues, profits and cashflow

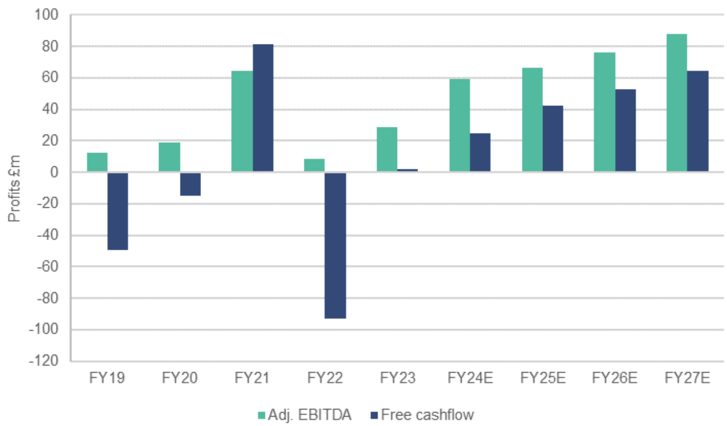
- AO has made these changes, including the retrenchment of some staff, whilst keeping its focus on excellent customer service. Having gathered over 500,000 reviews on Trustpilot, AO's average score has improved from an already high 4.6/5 in FY23 and 4.7/5 pre-COVID to 4.8/5 in May 2024.
- This excellent service is driving the percentage of repeat customers to over 50%. We anticipate that further adoption of AO's relatively new Five Star Membership club and the relaunch and extension of the SDA and other electrical ranges will drive repeat customers even higher.
- This underpins our 13% Revenue CAGR (FY24E-FY27E), which, with some operating leverage, drives 16% Adj. EBITDA CAGR and 26% Adj. PBT CAGR to £66m in FY27E. Our scenario analysis shows much greater upside if management hits the upper end of its 10%-20% Revenue CAGR ambition.

UK repeat customers driving sales growth…



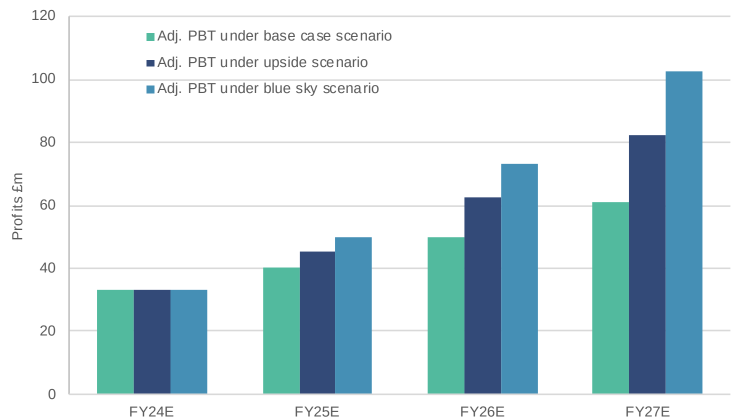
Source: Company historic data, ED forecasts and analysis

…resulting in EBITDA and free cashflow growth



Source: Company historic data, ED forecasts and analysis

Blue sky scenario analysis: FY27E PBT could exceed £100m



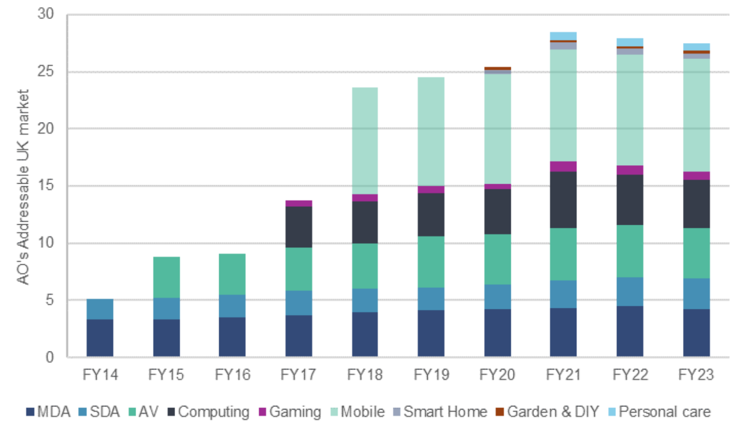
Source: ED forecasts and analysis

Introduction to AO

24 years of history

- **Humble beginnings**: AO was founded in 2000 by CEO John Roberts and started, famously, as a £1 bet in a pub. AO started selling white goods appliances ("MDA", such as washing machines, tumble dryers, dishwashers, fridges and freezers) online, with a focus on exceptional customer service.
- **Building own distribution expertise**: In 2009 AO acquired Expert Logistics to own their distribution and in 2012 AO moved to a new 360,000 square foot warehouse in Crewe.
- **Category expansion**: AO expanded into small domestic appliances ("SDA", such as microwaves and coffee machines) in 2012, audio-visual products ("AV", such as televisions) in 2014 and computing in 2016.

AO has expanded its addressable market to c.£28bn



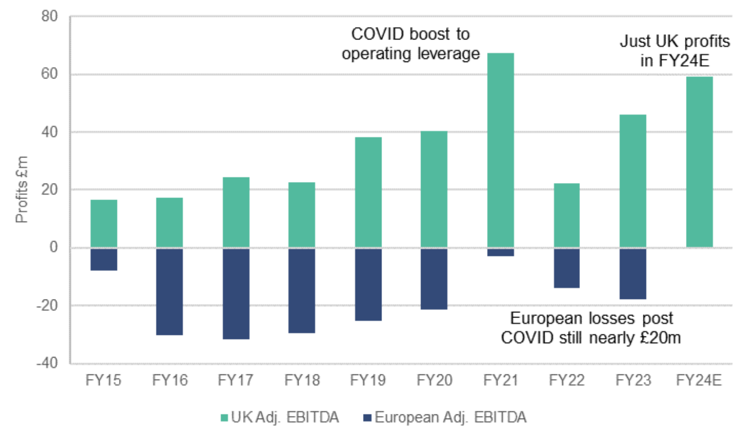
Source: Company data

10 years since IPO and back to a focus on the UK

- **IPO**: By 2013 AO had £275m UK sales and in February 2014 floated on the London Stock Exchange at 285p. The shares soared 33% on the first day of trading to 378p, valuing AO at nearly £1.6bn, over 5x EV/Sales. The company raised c.£40m to invest in European expansion and subsequently raised £50m in 2017 and £40m in 2022 through share placings.
- **European expansion and exit**: AO launched in Germany in 2014 and The Netherlands in 2016. However, the challenges of Brexit, COVID and high inflation led to AO's exit of the Netherlands in 2021 and Germany in 2023.
- **Focus on the UK:** Without the drag of c.£20m-£30m European losses, AO is on track for UK sales of £1bn and Adj. EBITDA of c.£60m in FY24E.

Source: Company data, ED forecasts

European losses no longer dragging down UK profits



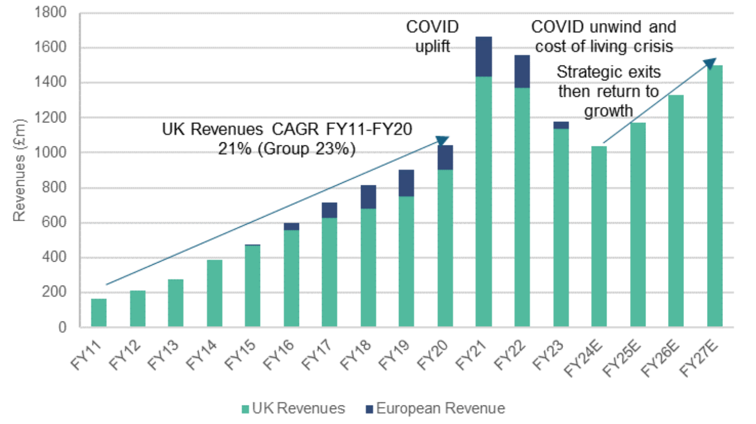
Source: Company historic data, ED forecasts and analysis

Industry context

From disruptor to online leader in UK MDA market

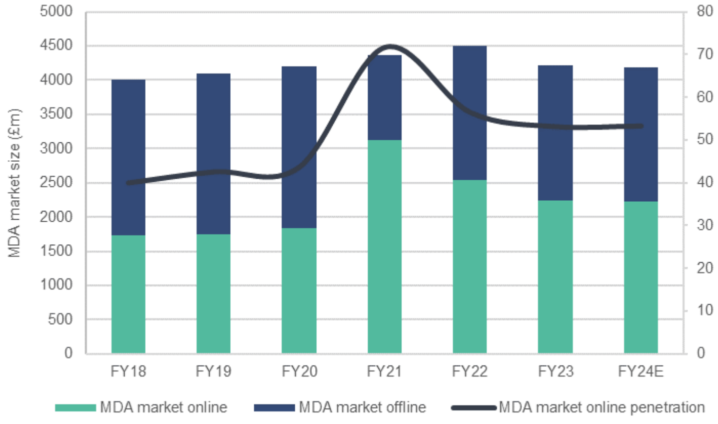
- AO began as an online disruptor in the MDA market and by 2010 had over £100m sales in a £3.2bn market, part of the c.£30bn UK Electricals market.
- Over this time, Comet, the second largest electrical retailer in the UK with 240 stores and a particular focus on white goods, had struggled in the Great Recession of 2007-2009 and ultimately went into administration at the end of 2012, giving AO the opportunity to accelerate its market share gains.
- From FY11-FY20, AO grew at a CAGR of 21% to £900m UK sales, a market share of 15.2% of the total MDA market and 34.8% of the MDA online market.
- COVID lockdowns in FY21 led to AO's UK sales leaping to £1.4bn but the COVID unwind and "Pivot to profit" has seen sales stabilise at £1bn in FY24E
- AO's focus now is to return to significant profitable growth.

AO grew revenues from £100m to £1bn FY10-FY20



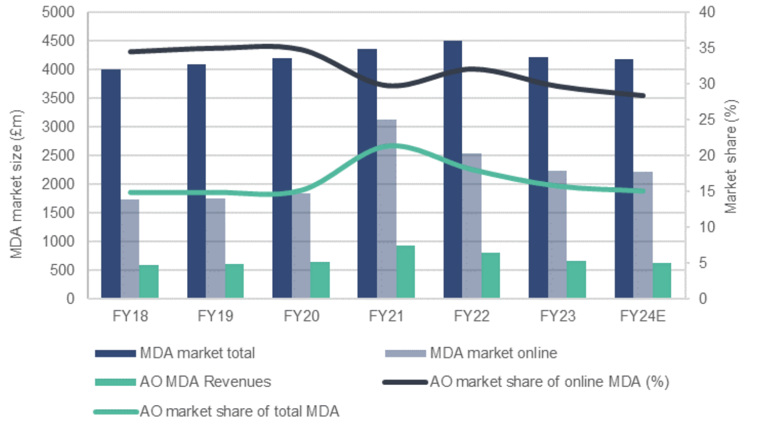
Source: GfK, ED forecasts and analysis

Post COVID MDA market has stabilised at £4.2bn, 53% online



Source: GfK, ED forecasts and analysis

AO's market share c.16% of total MDA and c.30% of online



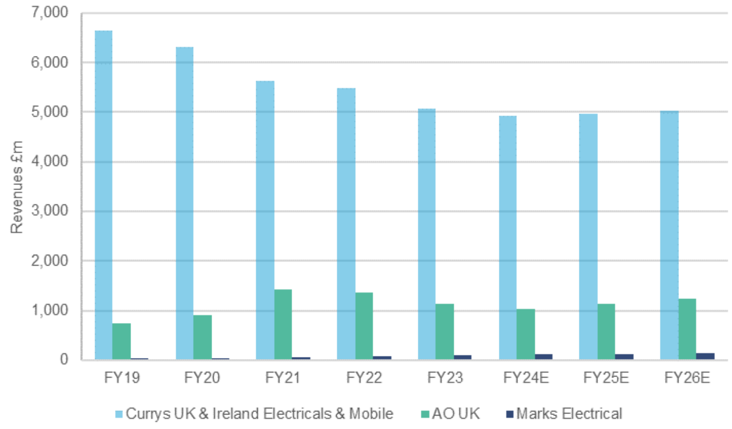
Source: GfK, ED forecasts and analysis

Competitive environment

An industry focus on improving profitability

- Selling branded electricals is a competitive market resulting in relatively low PBT margins. However, as AO has shown, it is possible to offer a better customer experience and win significant, profitable, market share.
- Market leader Currys has seen its UK electricals market share fall from 26.5% (FY20) to 24% (FY23) and there is much scope for AO to continue to win market share in MDA (from 16%) and huge potential in other categories.
- The macro-economic headwinds of weak consumer confidence, higher supply chain costs and minimum wage increases (among other headwinds) have impacted all retailers to a greater or lesser extent.
- Moreover, continuing headwinds of minimum wage inflation, no more business rates relief and potentially increasing recycling costs means that all retailers are focussed on building profitability and/or reducing losses.

AO: Not as big as Currys but still scale from £1bn sales



Source: Company historic data, ED forecasts and analysis

Specialists: Currys, Marks Electrical, Appliances Direct

- Currys is the multi-channel market leader with £4.9bn revenues (FY24E), c.300 UK stores and 45% of revenues online. Currys has faced declining UK Electrical & Mobile revenues since pre-COVID (FY19 revenues £6.6bn) and is focussed on improving profitability. UK Adj. EBIT margin was 1.1% in FY20 and has risen to an anticipated 2.9% for FY24E.
- Marks Electrical is a smaller online challenger that has grown from £31.5m of revenues in FY20 to £114m in FY24. Adj. PBT margins have been under pressure, falling from 6.6% in FY23 to 2.1% in FY24E.
- Appliances Direct is part of the Buy It Direct Group. In addition to appliances and computers the group sells bathrooms, furniture and hot tubs. Collectively the group made revenues of £354m in FY23 and a PBT loss of £13m.

Source: Forecasts are consensus

Generalists: John Lewis, Argos, Very

- John Lewis is one of the last remaining multi-channel department stores (after the exit of Debenhams, BHS and Woolworths) and offers a wide range of premium electricals and MDA. The group however has struggled (including Waitrose) and only returned to an Adj. PBT of £42m in the year ended 27 Jan 24, after an Adj. loss of £78m in FY23.
- Argos, another multi-channel generalist selling mostly entry-level and mass-market electricals, was bought by Sainsburys in 2016 and had 285 stores and 424 stores within Sainsburys as at March 2023.
- Very Group is an online generalist selling fashion, home and electricals to 3.7m value-conscious family customers, often on credit plans, generating total UK sales of £1.8bn in FY23.

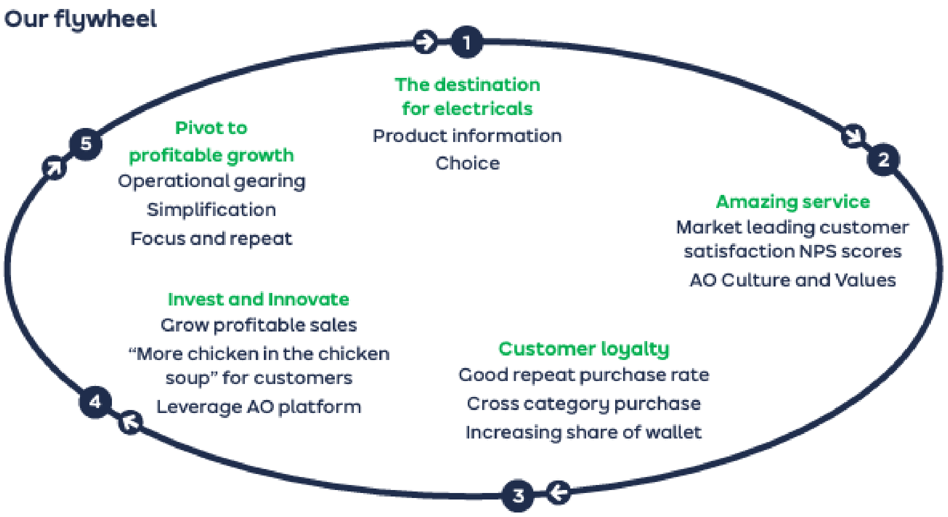
Source: Company historic data, ED forecasts and analysis

AO's Investment attractions

The destination of choice for digital electrical retailing

AO's "flywheel" for success

- From humble beginnings AO has grown to take 16% share of the £4.2bn UK MDA market and 30% of the £2.2bn MDA online market (1H24)…
- … and has won market share by a relentless focus on customer service alongside competitive prices.
- We estimate core MDA is c.80% of AO's FY24E UK product revenues (c.£630m) and c.20% of product revenues (c.£160m) are in other sub-sectors of the Electricals market, worth c.£26bn. AO's total addressable market was £27.6bn in FY23 and outside of MDA, AO had c.2% market share or less.
- In FY24E AO has re-engineered the way its sells non-MDA electricals to make it more profitable and is now ready to leverage the AO platform and offer its estimated 11.9m customers a wider product range again.



Source: Company data, GfK

AO's customer proposition

Price Match Promise
We won't be beaten on price. If you find your product cheaper, we'll refund the difference.

Delivery 7 days a week
Choose a day – and even a time slot – that suits you. It's just how we roll.

1000s of electricals
From washers to wine coolers and hobs to headphones, we've got what you need.

The AO Way
Delivery. Recycling. Installation. We go the extra mile to make you smile.

Delivery to any room
Big electricals are no good on the doorstep. It's why we deliver the bulky stuff to any room you like.

Choose a 4 hour timeslot
Don't wait in all day. Our short delivery windows suit every schedule.

30-day Returns
Changed your mind? No probs. Returns are easy- peasy.

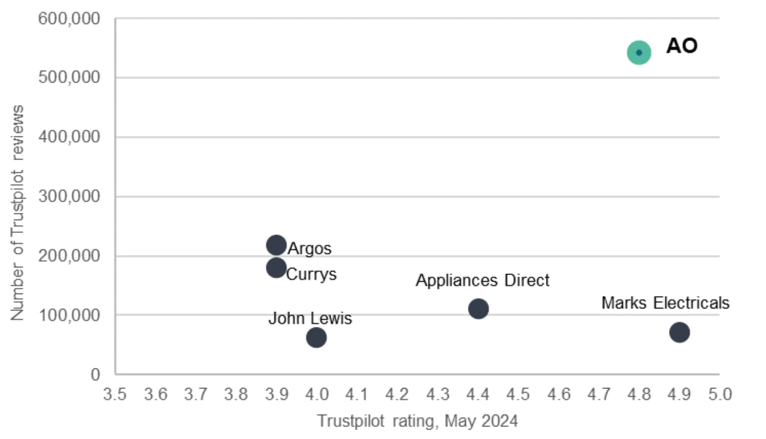
Source: Company website, May 2024

Superior customer service with premium delivery, installation, recycling and membership club

What does customer service mean to AO?

- AO has customer values that it has lived by for over 20 years, such as: “treat everyone like your Gran”; “do the right thing…always with an AO smile”; and “make decisions that would make your mum proud”.
- AO also has operational values such as: be creative and “have a growth mindset”; look for opportunities to do things better or differently; and take action, operate at speed and learn from your mistakes.
- This means that if a customer has a problem, e.g. with a delivery, “AO-ers” try and fix it in real time.
- These values have rewarded AO with a very high average Trustpilot review score of 4.8/5 and sets AO apart from its largest competitors: Currys, John Lewis and Argos, whose average Trustpilot rating is c.4* or less.

It works…Trustpilot reviews average 4.8/5

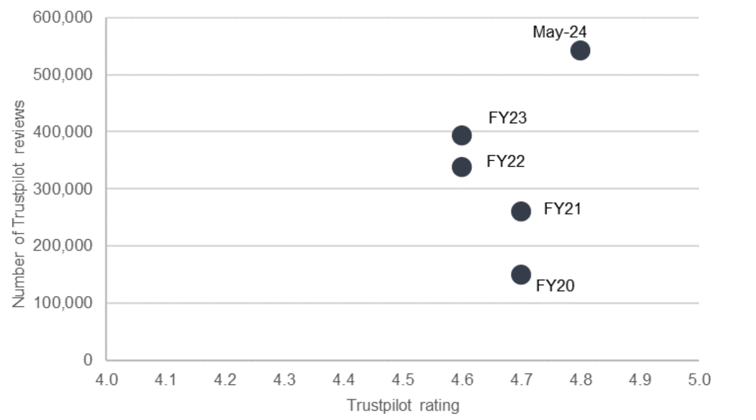


Source: Trustpilot, ED analysis

Culture comes from the top and is deeply ingrained

- This culture has been part of AO since its inception and has been led and modelled by senior management.
- FY23 was a challenge because for the first time, the company had to make redundancies (through the exit of Germany and retrenchment in the UK).
- But the company has bounced back, evidenced by its very high Net Promoter Score (“NPS”) of 85 and impressively high average score of 4.8* from over 543,000 Trustpilot reviews in May 2024.
- That AO has not only maintained its very high Trustpilot rating but improved it from FY20-May 24 as the number of reviews has increased nearly fourfold from 150,000 is testament to the deep service culture ingrained within the business.

AO’s Trustpilot reviews remain high as business scales up



Source:Trustpilot, Company data, ED analysis

Example AO Trustpilot 5* reviews…

Invited 12 hours ago

Very pleased, highly recommended

Very detailed description of items for sale, made my decisions very easy and confident. Able to choose a convenient delivery date and kept fully informed of due times. The delivery team were very cheerful and helpful and items placed in my kitchen as requested.
Cannot fault my experience, refreshing to use a well organised company, highly recommended.

Date of experience: 09 May 2024

Invited 17 minutes ago

The company just does things right

The company just does things right. The product I bought was damaged, no fault of AO, it was a fault of the manufacturer. After giving the manufacturer time to correct the issue, enough was enough and AO were great. Arranged to collect the damaged product and delivered a new one, kept me informed at all times. All of their members of staff are polite and competent, it's a pleasure to deal with them and I have used them multiple times.

Date of experience: 10 May 2024

Invited 12 hours ago

An excellent company

Ordering is simple with a call to confirm. Speed of delivery, order one day, delivered 1 day later. Communication is excellent. Delivery texts & call from driver when near. Professional, friendly, efficient. I can't fault them. The 5 star membership is worth every penny as I have bought 5 items within the year.

Date of experience: 09 May 2024

Source: Trustpilot

…illustrate why AO puts service at the heart of its offer

Invited 16 hours ago

1st time user of AO

When ordering the item the call handler very helpful. I received clear Information and subsequent email text updates. The delivery arrived in the given timescale on the 9th May 2024. I was able to choose delivery date. The young men who delivered the equipment were polite and answered clearly a question I had. I will use AO again Thank you

Date of experience: 09 May 2024

Invited An hour ago

At the risk of sounding like Craig…

At the risk of sounding like Craig David - looked on Thursday, purchased on Friday and by Saturday it was delivered and installed! The two who delivered (I wish I had their names) were just lovely - great communication letting me know approximate arrival times and were both professional and friendly.
The machine itself hasn't been used as yet as it is in a rental property but, from first look, I know this will be the one I buy when my own machine packs in!

Date of experience: 04 May 2024

Invited 2 hours ago

The delivery and connection of machine perfect

The website was easy to search and the process clear.
The delivery was a pleasure, the driver called just before 08:00 to let us know when he expected to arrive. He called again to let us know he was 10 minutes away.
They arrived cheerful and competent. They removed my old appliance, installed the new machine and tested it.
Made sure we were happy, before leaving with no mess.

Date of experience: 08 May 2024

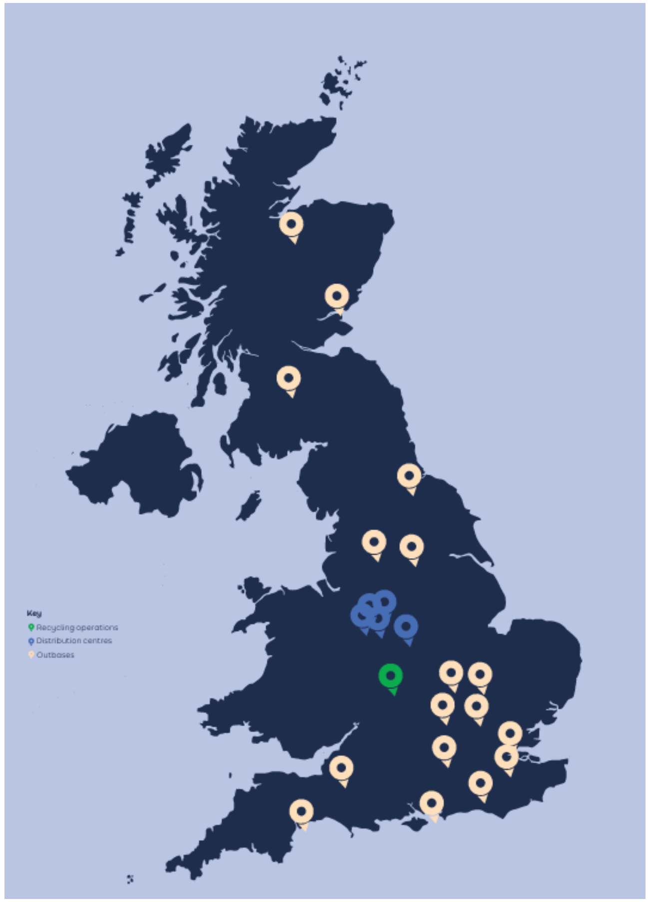
Source: Trustpilot

Key aspects of service: 2-person, next-day, delivery

Flexible next day delivery, 7 days a week

- High-quality, 2-person delivery and installation is key to success in AO's core MDA market.
- AO is able to offer nationwide next day delivery, 7 days a week, due to its scale of £1bn+ revenues and its investment in its "hub and spoke" distribution network.
- The network comprises 5 distribution centres, clustered together around Crewe, covering 1.2m square feet, together with 16 delivery depots and around 800 trucks and 300 trailers (in their signature green, which also serves as marketing for AO).
- AO's trained 2-man delivery team is a competitive advantage as not all competitors can offer their own delivery team, and in particular their own trained installers.
- Reflecting AO's expertise in 2-person delivery, AO also undertakes two-person logistics on behalf of third parties, where it has capacity, generating incremental revenues of £28m in FY23.
- By way of comparison, Currys also operates a hub and spoke distribution model given their scale, whereas Marks Electrical is small enough to offer next day delivery across most of the UK direct from its distribution centre in Leicester (last orders 6pm, for items in stock).

AO's nationwide hub and spoke distribution model



Source: Company data

Delivery costs have been rising from multiple factors

- Global supply chains have been under considerable pressure over the past few years - from COVID disruption to the Russia-Ukraine war and high inflation in freight costs, fuel and wages. The Red Sea crisis is the latest event to put upwards pressure on shipping freight costs.
- Delivery costs, both inbound and outbound, are substantial for large, heavy items such as washing machines and fridges…
- …as only a limited number of items can fit on each lorry – managed by sophisticated warehousing and distribution operating systems.

AO's c. 300 trailers deliver to the 16 regional depots…

Source: Company data

AO now charges for all deliveries, increasing profitability

- As part of its "Pivot to profit" strategy, AO introduced delivery charges for all items in 2023. This has seen Service revenues (which includes delivery and installation charges) increase 30.5% in 1H24 to £30m and has also led to gross margins improving (among other factors).
- Delivery pricing is variable, e.g. delivery of a washing machine can cost £30 for next day or the weekend and £20 for a mid-week delivery.
- Delivery is 7am to 7pm but AO's scale of business means customers can choose a 4/5-hour time slot (7am-12pm, 10am-2pm, 12pm-5pm) for an extra £25.
- Customers can also choose free delivery by joining AO's Five Star membership club (detailed later).

Source: Company data

…and then onto c. 800 trucks, acting as additional marketing

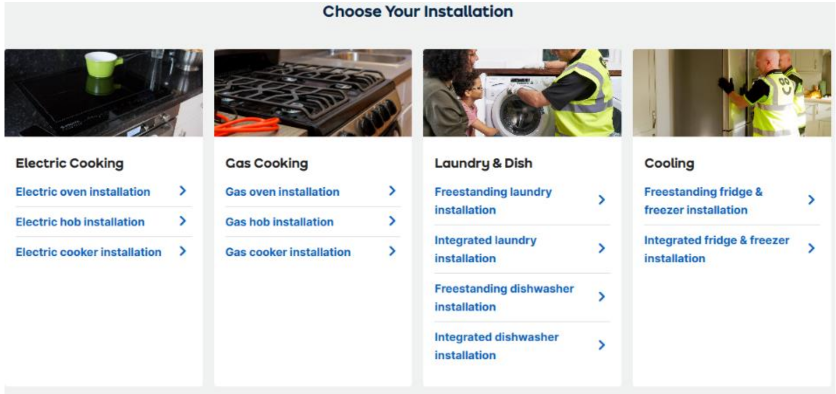
Source: Company data

Key aspects of service: Installation, recycling of old appliances and finance options

Installation and recycling

- As part of its high service culture, AO also offers installation and recycling too.
- There is a matrix of installation prices depending upon the complexity of the job. For example, a condenser tumble dryer costs just £15 to install whilst a washing machine installation is £30 and a gas cooker is £115.
- Meanwhile, AO also offers to disconnect an old appliance and "dispose of it safely and sustainably in our very own AO Recycling plant" (more on this later).
- This service typically costs £25 but is also included in the AO Five Star Membership offer (detailed later).

AO's trained staff can install everything, including gas cookers

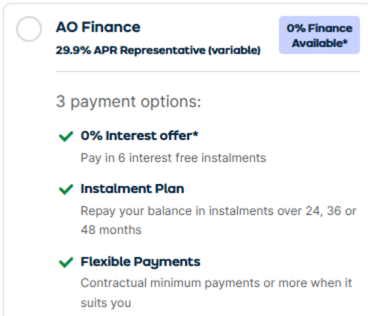


Source: Company website

Competitive financing options

- Yet another part of the competitiveness of AO's offer is its own AO Finance options, which are provided by NewDay Ltd (AO acts as a credit broker and not a lender).
- Customers can potentially get credit up to £2,500 and can choose between flexible payment plans (like a credit card) with a competitive APR of 29.9% (compared to say Very Group's APR of 44.9% or Argos's APR of 34.9%) or instalment plans of up to 4 years or 0% interest instalment plans over a shorter period such as 6 months.
- In November 2023 (1H24 results) AO had c. 500k credit customers, accounting for 10% of retail spend, with available credit of £700m.
- AO also offers "AO Care" for insurance against accidental damage and repair costs, in partnership with Domestic & General.

AO Finance offered alongside PayPal and credit/debit cards



Source: Company website

Comparing total costs for different retailers can be quite a complex task for customers

Service cost and quality is a key differentiator

- Most electricals are branded, discrete products which means once a customer has chosen the product that he/she wants to buy, service and cost are the main points of differentiation (and hence AO's focus).
- Moreover delivery, installation and recycling can add typically 10%-20% to the product cost. Note AO offers a price match promise on the product cost.
- To illustrate the range of possible service options we chose a popular mid-range Bosch free-standing washing machine: the Series 4, 9kg capacity, energy A-rated machine in white. There were two options: the WAN28259GB with a silver door rim (which AO had sold 22 of in 24 hours) and the WGG04409GB with a black door rim and details.

Example mid-range c.£500 Bosch washing machine

Note: AO offers a wide range of 20 Bosch washing machines from series 2 to 8, from 7kg to 10kg capacity, priced from £379 to £999. These had 1,403 customer reviews and an average score of 4.8/5. 7 of 20 had Five Star membership deals.

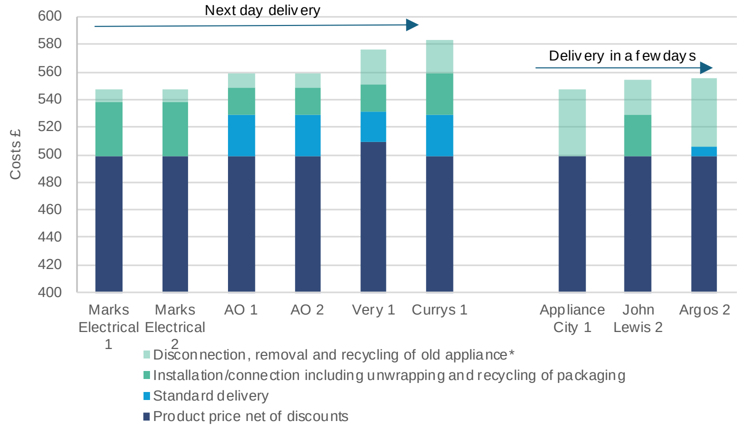
Source: Company website

Only AO could offer a 5-hour time slot for next day delivery

- AO and Marks Electrical offered both models, whilst other competitors had only one model each in stock and Appliances Direct had neither.
- Only AO, Currys, Marks Electrical and Very could offer next day delivery – a key factor if your washing machine is broken. Earliest delivery for the others was 4-6 days. Of those offering next-day, only AO was able to offer a 4/5-hour time slot (for an additional £25), which is important for busy people.
- The chart shows the product cost net of discounts (typically £599 reduced to £499), the standard delivery cost (typically £30 for next day), the installation cost (typically £20-£30) and the incremental cost for also disposing of an old appliance (typically £25 but only an incremental £10 at AO).

Source: Company websites, 24 May 2024

Product cost is very similar but service costs / options vary

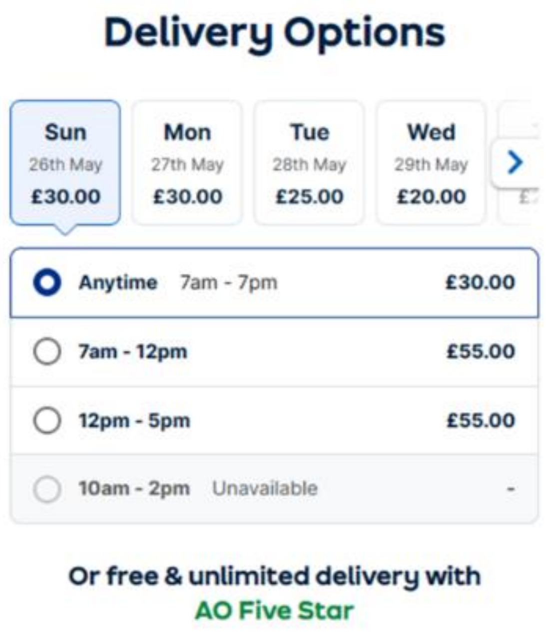


Note: Marks Electrical was running a free installation promotion on Bosch washing machines
Source: Company websites, ED analysis; 1 = silver door, 2 = black door

Multiple delivery/cost options for customers to choose from

- As already mentioned, this example is the theoretical journey of just one customer with a broken washing machine and a budget of c.£500, wanting a well-known brand. The analysis was also done on Friday 24th May, ahead of a bank holiday weekend. Nevertheless, some interesting points emerged.
- AO stood out as offering not only next day delivery (£30), but also a guaranteed time slot delivery (+£25) and lower delivery costs if prepared to wait a few days (£20 for mid-week delivery).
- Currys also offered £30 next day delivery but could not promise 4-hour delivery due to a "technical issue". Currys also offered lower cost mid-week delivery.
- Very offered a cheaper delivery cost of £21.99 for next day delivery or £14.99 for delivery 3 days later, however, Very was the only retailer not to discount the product to £499. Instead, the product was discounted to £509 (i.e. £10 more expensive), offsetting the lower delivery cost.
- Where retailers could not offer next day delivery, delivery was generally cheaper. Appliance City offered free delivery from 4 days later, Argos offered standard delivery for £6.95 from 5 days later and £19.95 if choosing a 4-hour delivery slot (7am-11am, 10am-2pm, 12-4pm or 2-6pm) and John Lewis offered free delivery from 6 days later, or £12.95 for a 4-hour delivery slot or £24.95 for a 2-hour delivery slot.
- Marks Electrical stood out as the only retailer offering free next day delivery, which it offers for customers spending over £399. Otherwise, it is £14.99 or £4.99 for small items delivered by courier (DPD or APC). Customers are not able to choose a time slot as Marks Electrical delivers direct from its central warehouse and is not of a scale to be able accommodate customer time preferences. However, customers are given a time slot the evening before, once the routes are finalised.

AO's differentiated delivery proposition including "Next-day"

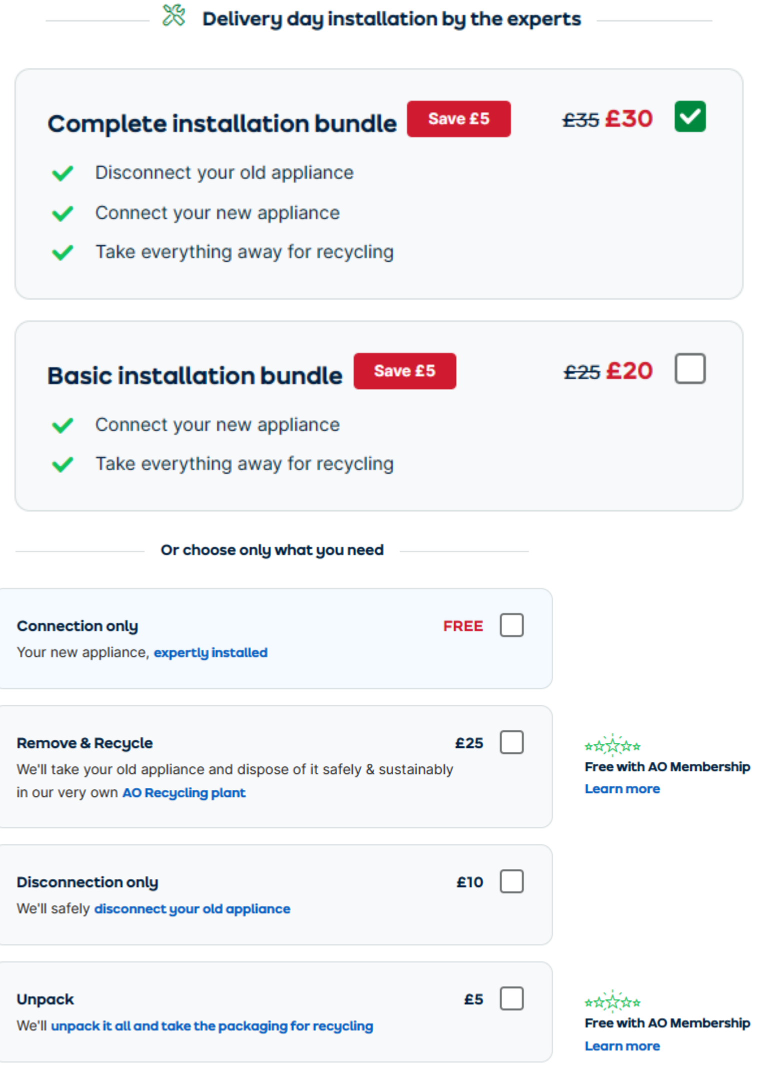


Source: Company website

AO offers the most customer choice for installation

- AO was offering good value promotions on installation - £5 off basic installation (£25 reduced to £20) and £5 off a complete installation bundle.
- AO also offers a “pick and mix” of options for customers ranging from connection only (free promotion), unwrapping and taking away packaging (£5) to disconnection only (£10), allowing customers to pay for only what they need.
- Typically, however, installation of a washing machine costs £30 (Currys, John Lewis, Very £19.99) and disposal/recycling of an old appliance costs £25 (John Lewis, Currys, Very).
- Argos and Appliance City were unusual in that they did not offer flexible options or an installation only fee, only a complete installation and recycling fee of £50/£49.
- Marks Electrical was also unusual because it was offering a promotion of free installation and recycling on Bosch free-standing washing machines (usual cost £49).
- The promotion varied depending upon the brand of washing machine (e.g. Bosch and Miele offered free installation, LG, Samsung, AEG and Siemens offered half-price installation, NEFF, Haier, Zanussi, Hoover, Candy had no installation promotion). This suggests to us it was a supplier funded (or at least part-funded) promotion.
- Importantly however, throughout the AO checkout journey, customers are told multiple times there are incremental savings to be had with AO Five Star Membership.

AO’s flexible “pick and mix” installation options



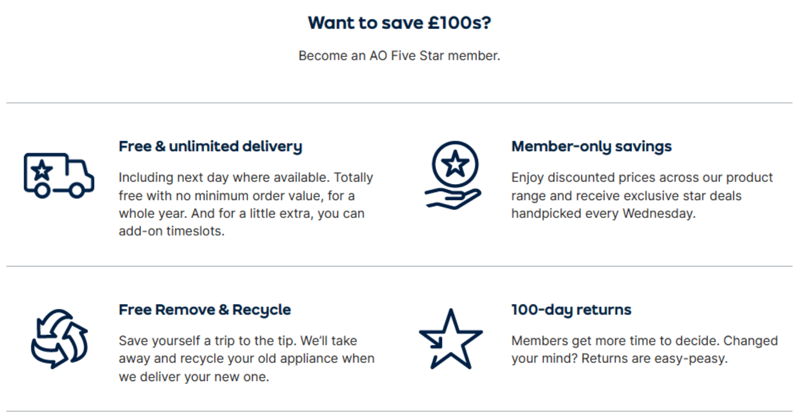
Source: Company websites

AO Five Star membership a win-win for customers and AO

AO's new membership scheme

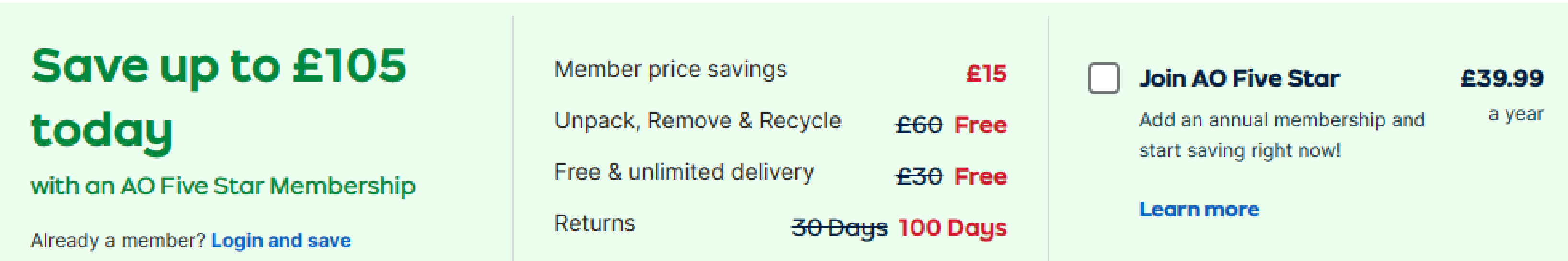
- We estimate that nearly 12 million customers have shopped with AO since its inception, however annual customers are typically 1.5m-2m as MDA products are not regular purchases. We believe the average life of a washing machine or other MDA product is 6.5-7 years.
- To leverage the trust which AO has gained from so many satisfied customers, including c.5 million over COVID, and encourage customers to visit AO more frequently and shop across a wide range of products, AO launched a membership scheme called "Five Star" in 2023.
- The membership club costs £39.99 a year to join but for that customers get free delivery, installation and recycling, and so it typically pays back after just one delivery and installation.
- The offer also includes discounts (typically £5-£30), on 1,855 products at the time of writing, across all brands and categories. In the case of our example above, there was a further £15 discount on the black-rimmed Bosch washing machine, making it the cheapest on the market.

The AO Five Star membership offer



Source: Company website

Five Star membership advertising during the checkout process



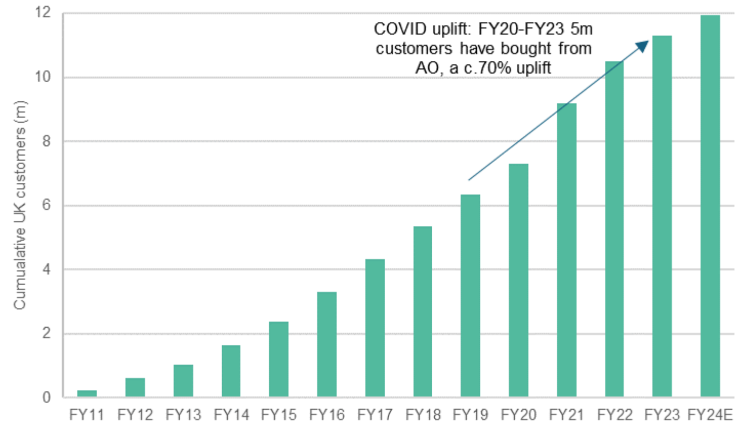
Source: Company website as at 19th May 2024; Note Currys launched "Currys' Perks", a free membership scheme in October 2021 offering some discounts & partnership offers but not free delivery

An increasingly large, loyal, repeat customer base to leverage

Winning market share on superior service takes time

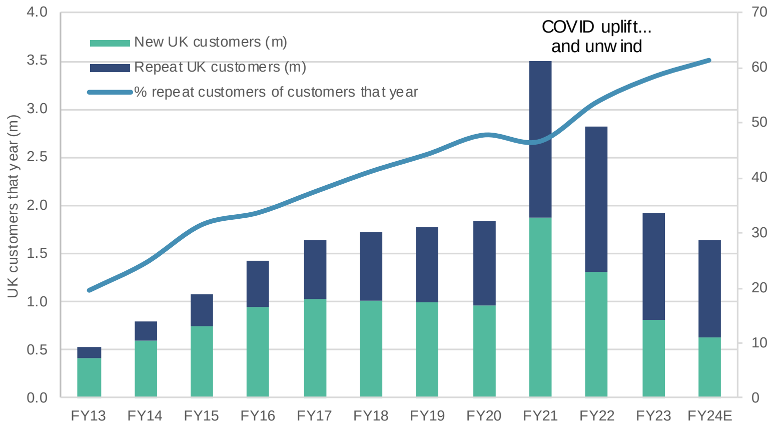
- Differentiating on service as a challenger brand can take time to convey, particularly for occasional purchases (against, say, John Lewis's reputation).
- Pre-COVID (FY19) AO's unprompted brand awareness was only 30%, and even prompted brand awareness was only c.50%.
- However, through COVID, c.5m additional UK customers shopped with AO, taking AO's cumulative UK customer base to 11.3m in FY23, + c.70%.
- With customers overwhelming pleased with their AO experience (as evidence by the 87% of Trustpilot reviews that are 5* "Excellent"), customers are increasingly likely to be repeat purchasers (over 50% in FY23).
- We estimate that even if only c.10% of AO's total customer base return each year, the repeat purchase rate will rise to over 70% by FY27E.

5m more customers have tried AO since COVID…



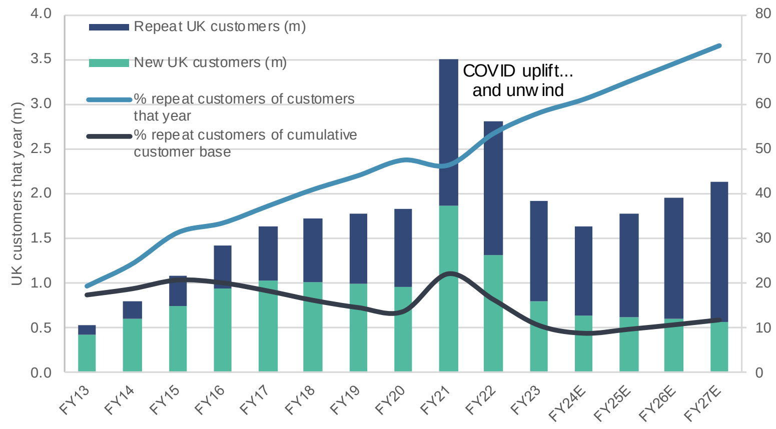
Source: Company data, ED forecasts and analysis

… and AO's repeat customers have increased to over 50%...



Source: Company data, ED forecasts and analysis

… and we estimate this trend will continue



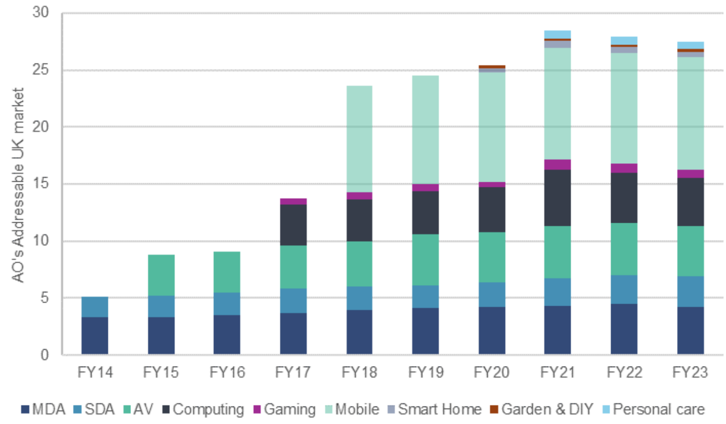
Source: Company data, ED forecasts and analysis

Opportunities outside MDA

Now profitable, AO intends to grow again outside MDA

- As mentioned earlier, we estimate that AO will make about 20% of its product revenues in FY24E from other electricals categories outside of MDA. This equates to only c.£160m of product revenues and c.£135m of commission revenues (from mobile phone contracts) from a market worth c.£26bn. Moreover, c.57% of the wider Electricals market is bought online.
- AO currently offers c.6,000 products across these sub-sectors. Televisions ("AV") is a natural adjacent category as it is a large market that can also leverage AO's 2-person delivery and installation expertise.
- Even in categories where 2-person delivery is not necessary, AO has the same opportunity to sell these products as other retailers given the product ranges are dominated by brands (e.g. an iPad, Samsung laptop, SMEG toaster, Ninja air fryer or SAGE coffee machine).
- In FY23 AO restructured its logistics operation for smaller goods to make it more efficient and profitable (having pulled back from unprofitable lines).

AO's total addressable market £27.6bn of £30bn Electricals



Source: Company data, GfK

Increased delivery options for smaller items

- In addition to its usual delivery, AO now uses DPD for some smaller items, (including some televisions and computers) and AO has teamed up with Yodel to offer a click & collect service from over 7,000 locations across the UK.
- Combined with AO's Five Star Membership this is a very compelling offer.
- For example, a Sage 'The Barista' Espresso coffee machine is on sale for £629, but has a £32 discount for members to £587. Delivery options include next-morning "Pre 12pm" for £12, Next day 7am-7pm for £6 or within 3 days for £4 – or all delivery options free with membership. Alternatively, customers can collect from a Yodel location.

Source: Company website, 26th May 2024

Mobile phone category profitability anticipated to recover

- AO operates in the c.£10bn mobile phone market through its subsidiary Mobile Phones Direct (www.mobilephonesdirect.co.uk).
- In FY23 the category was loss-making for AO as the market declined but AO was incentivised by volume-based contracts with the network providers and thus had to chase market share with promotions.
- AO has restructured its contracts since January 2024 so they are no longer volume driven and anticipates the category will become profitable again in FY24E (we anticipate a swing of c.£10m).

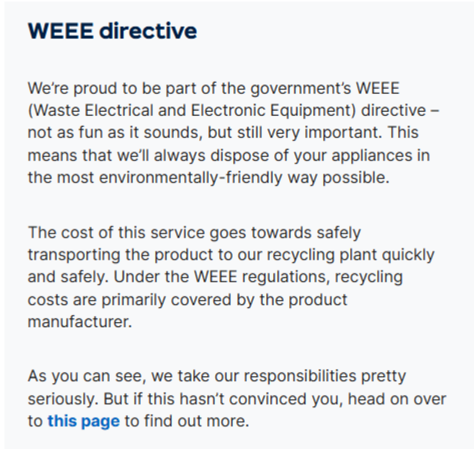
More sustainable: AO's market-leading investment in recycling

Sustainability matters…to AO and the government

- Sustainability is very important to AO, and unlike many other discretionary retail categories, which encourage buying for fashion, a washing machine, oven, even mobile phone, are considered essential to everyday life and the majority of AO's revenues are "distressed purchases".
- What to do with broken electricals is regulated under the EU Waste Electrical and Electronic Equipment ("WEEE") Directive. This Directive aims for the responsible retrieval of electrical materials from re-use and recycling.
- At present the responsibility for the collection and proper treatment of WEE is based on "collective producer responsibility". However following concern that it is not easy for households to recycle electrical products (with 155,000 tonnes of WEEE being disposed of in household waste a year) there has been a recent UK consultation to potentially change this.

Source: DEFRA

AO advertises recycling prominently on its website


WEEE directive

We're proud to be part of the government's WEEE (Waste Electrical and Electronic Equipment) directive – not as fun as it sounds, but still very important. This means that we'll always dispose of your appliances in the most environmentally-friendly way possible.

The cost of this service goes towards safely transporting the product to our recycling plant quickly and safely. Under the WEEE regulations, recycling costs are primarily covered by the product manufacturer.

As you can see, we take our responsibilities pretty seriously. But if this hasn't convinced you, head on over to **this page** to find out more.

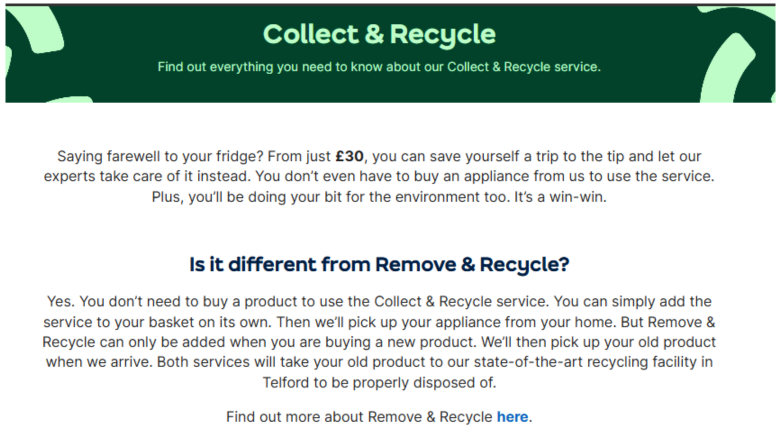
Source: Company website

Proposal: Retailers may have to offer free recycling

- One proposal is that retailers will become responsible and will have to offer free recycling, either take back on delivery (LFL product), or collection points at stores.
- Given, at present. most retailers charge for collecting and recycling old products, this could have a material impact on profitability. However, AO has a competitive advantage as it has its own recycling plant, nicknamed "Bertha".
- In addition, AO already undertakes recycling for third parties, mostly councils.

Source: DEFRA

AO offers "Collect & Recycle" for £30 too


Collect & Recycle

Find out everything you need to know about our Collect & Recycle service.

Saying farewell to your fridge? From just **£30**, you can save yourself a trip to the tip and let our experts take care of it instead. You don't even have to buy an appliance from us to use the service. Plus, you'll be doing your bit for the environment too. It's a win-win.

Is it different from Remove & Recycle?

Yes. You don't need to buy a product to use the Collect & Recycle service. You can simply add the service to your basket on its own. Then we'll pick up your appliance from your home. But Remove & Recycle can only be added when you are buying a new product. We'll then pick up your old product when we arrive. Both services will take your old product to our state-of-the-art recycling facility in Telford to be properly disposed of.

Find out more about Remove & Recycle **here**.

Source: Company website

Getting closer to manufacturing a fridge from recycled materials

End-to-end "closed-loop" recycling is becoming possible

- AO invested in "Bertha" in 2017 through the acquisition of family owned and run company "The Recycling Group". AO has since invested in its capacity and operations so it is now among the most efficient in the UK.
- Bertha is an 80-tonne state-of the art facility in Telford, Shropshire that crushes and recycles c. 100 fridges an hour, or around 700,000 a year, c. 20% of the UK's total.
- Fridges are difficult (ie costly) to recycle because they contain dangerous oils, refrigerants and pentane gases which need to be separated before the fridge can be crushed. Once this is done and the fridge is crushed the sorting equipment separates out ferrous and non-ferrous metals, plastics and insulation foam. Plastics are then further filtered by colour and other factors using water sortation and electrostatic separation methods.
- AO can sell on these plastics for reuse, some for items like door switches. However, the processing and output quality of materials is continuously improving.
- AO is now able to use some of these plastics, in partnership with key manufacturers, in creating new component parts for fridges. At the 2023 Awards in Excellence in Recycling and Waste Management AO won "Recycled Product of the Year".
- The ultimate aim is to manufacture new fridges and electricals from recycled items ("Closing the Loop").
- The site also processes other large electricals and refurbishes those machines that can be reused and resold through its outlet store "ElekDirect" (www.elekdirect.co.uk).
- To date, AO has recycled or reused over 6m fridges and appliances.

Meet "Bertha", AO's own fridge recycling facility

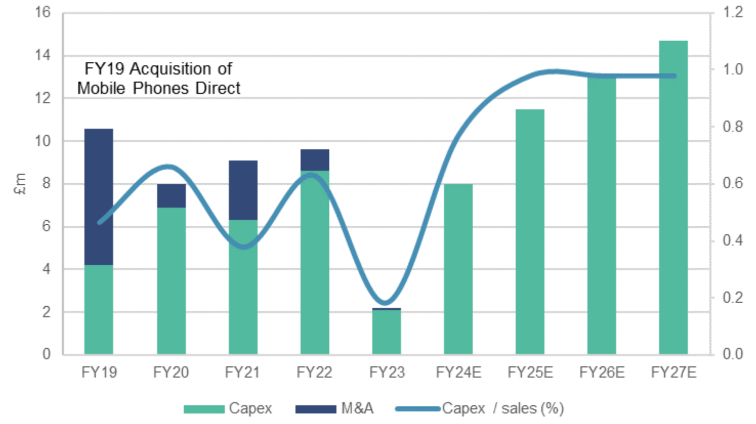
Source: Company website

Capex light and cashflow generative

As a profitable, growing business, AO generates cash

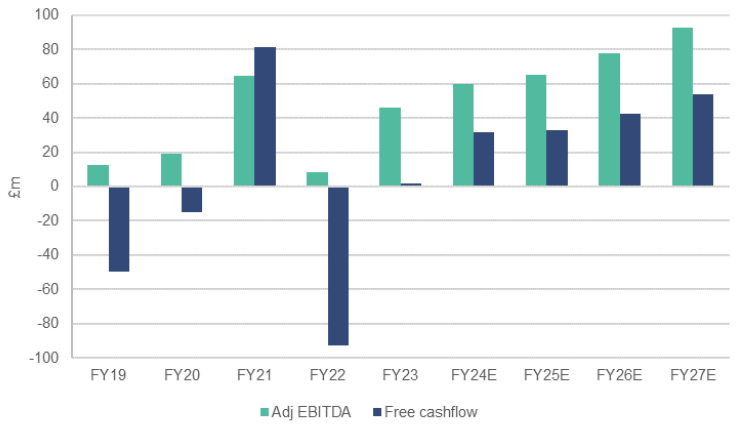
- As an online retailer with leased distribution centres and vehicles, AO is capital light with only £22m of property, plant & equipment ("PPE"), £61m of leased "Right of use assets" and £28m of acquired goodwill on its balance sheet as at November 2023 (1H24).
- Capital expenditure (on distribution and recycling) has averaged less than £6m p/a FY19-FY23, equivalent to 0.5% of sales. A further £11.4m has been spent on acquisitions FY19-FY23, mostly on the acquisition of Mobile Phones Direct in FY19.
- We allow for capex of 1% of sales or an average of £13m p/a FY25E-FY27E and still anticipate AO will generate over £30m p/a of FCF in FY24E and FY25E, growing to over £50m in FY27E, leading to a substantial cash pile to reinvest, distribute to shareholders or both.

Capex light: historically only c.0.5% of sales, assume 1%



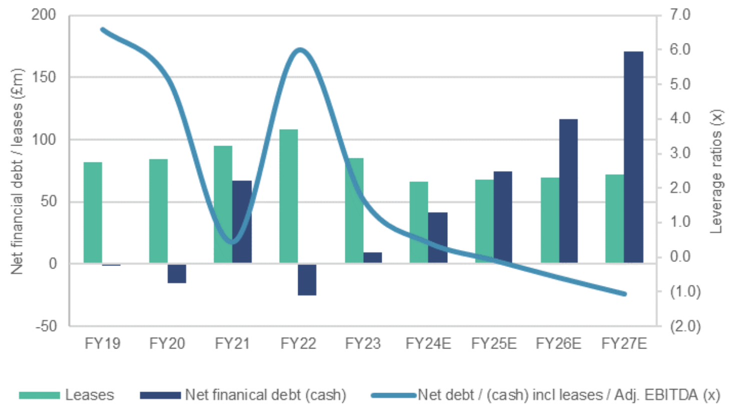
Source: Company historic data, ED forecasts and analysis

As EBITDA grows, so does free cashflow, to > £30m p/a…



Source: Company historic data, ED forecasts and analysis

…leading to a growing net cash position



Source: Company historic data, ED forecasts and analysis

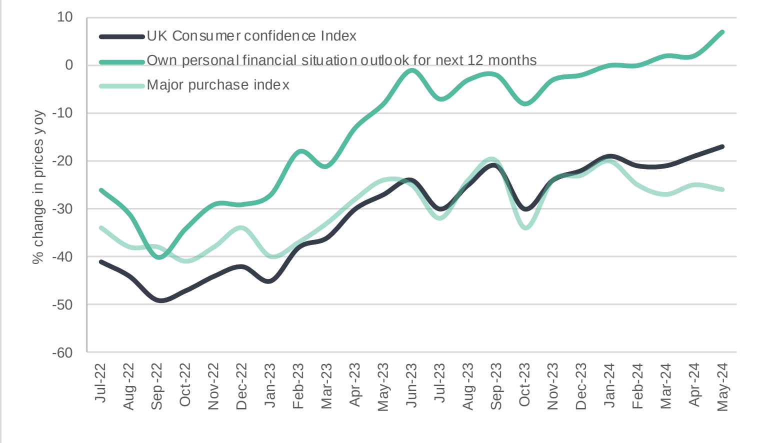
Well positioned for improving consumer confidence

UK consumers feeling more confident…

- Although typically c.65%[1] of AO's sales are considered "distressed purchases", i.e. replacement for broken machines, these are large items and household budgets are subject to macro-economic factors. Approximately 35% of revenues are also considered more discretionary.
- Thus it is helpful that UK consumer confidence is improving with the May 2024 index standing at –17, its highest level in two years with consumers significantly more positive about their own financial situation (+7), even if consumers are still reluctant about making major purchases.
- Encouragingly, the Barclaycard Consumer Spending Index reported a turn in Electronics spending (+0.8% in April after -2.8% in March) and also reported overall online sales growing 3.4% in April (outperforming stores +0.1%).

Note 1: AO estimates its currently 70%-75% given low volumes, Source: Barclays

…with improvements in own financial outlook…



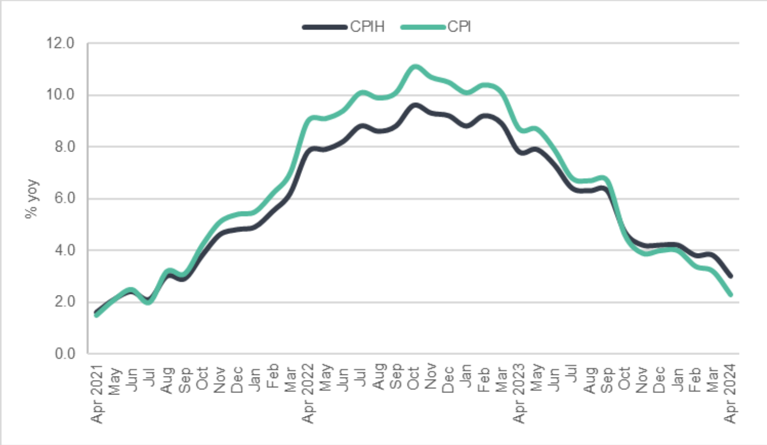
Source: GfK UK Consumer Confidence Barometer, ED

… and potential interest rate cuts …

- Underpinning this is easing inflation (CPI fell to 2.3% in April 2024, its lowest rate since July 2021) leading to expectations for interest rate cuts later in 2024 (from the current benchmark rate of 5.25% which was held flat on 9th May 2024).
- This has led to average mortgage rates falling to c.4.5% for a 2-year fixed rate mortgage and to c.4.0% for a 5-year fixed rate mortgage (in May 2024).
- There is also a more positive outlook for the housing market as average house prices stabilised at £289k in April 2024 (+1% yoy); and the number of housing transactions has picked up (to 84k in March 2024) and net new mortgage approvals rose to an 18-month high of 61,300 in March 2024.

Source: ONS, Bank of England, Halifax House Price Index

… as CPI inflation slows to 2.3%



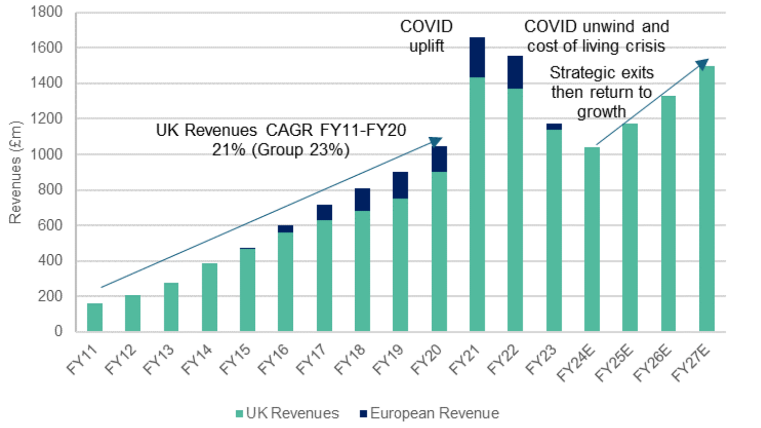
Source: ONS, ED

Financials and forecasts

AO is well positioned to grow sales 10%-20% again

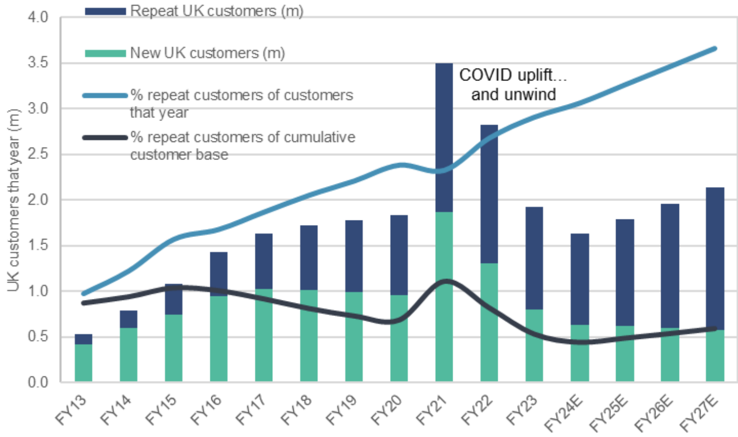
- AO has a 31st March year end and will report FY24 results on 26th June.
- Having grown UK Revenues at a CAGR of 21% FY11-FY20, AO anticipates returning to 10%-20% growth (post the COVID uplift and unwind, the cost of living crisis and the retrenchment from unprofitable product lines).
- This is driven mostly by Product revenues (c.75% of the mix), but also Commission revenues (c.14%) as AO Mobile accelerates again, Services revenues (e.g. installation and delivery charges, c.6%), Third party logistics revenues as capacity allows for (c.3%) and Recycling (c.2%).
- Continuing the trend of the past decade, we expect repeat customers to increase as a proportion to c.65% in FY25E and over 70% by FY27E as the product range expands again and membership of AO Five Star grows.

We forecast a Revenue CAGR of 13% FY24E-FY27E…



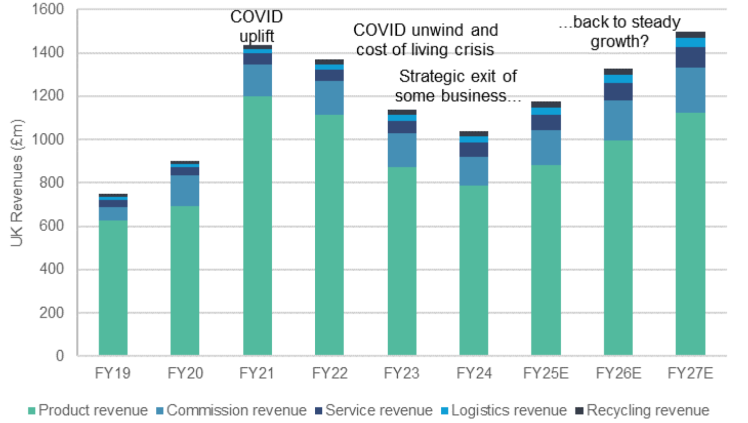
Source: Company historic data, ED forecasts and analysis

…driven increasingly by repeat customers



Source: Company historic data, ED forecasts and analysis

All parts of the business driving growth



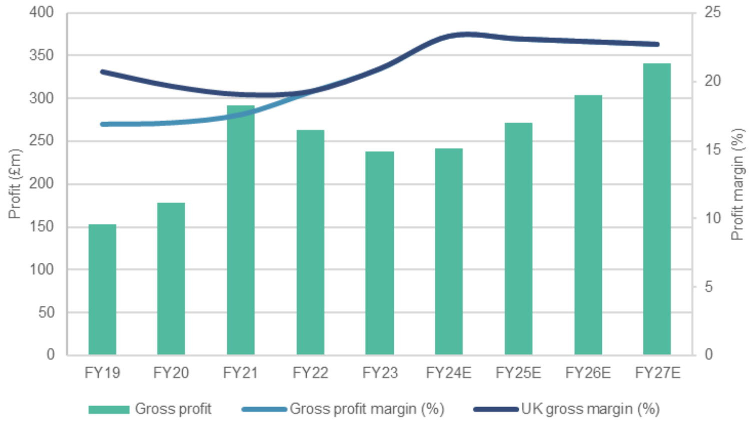
Source: Company historic data, ED forecasts and analysis

Sales growth and operating leverage drives impressive profit growth

Gross margin has recovered to above 23%

- AO's group gross margin has already risen from 17% pre-COVID (held back by lower European gross margins) to 20.9% in FY23 (as freight costs eased).
- We estimate it will recover further to 23.3% in FY24E following price increases, the roll out of delivery charges on all products and the exit of some unprofitable products (1H24 gross margin recovered 400bps to 23.5%).
- Looking ahead we forecast a minor 20bps hit to gross margin FY25E-FY27E as the product mix shifts towards lower margin mobile contracts and SDA…
- …and we anticipate more members signing up to AO Five Star.
- Therefore, driven predominantly by 13% CAGR in Revenues, we forecast 12% CAGR in gross profit FY24E-FY27E.

Gross margin slightly declines but gross profit rises

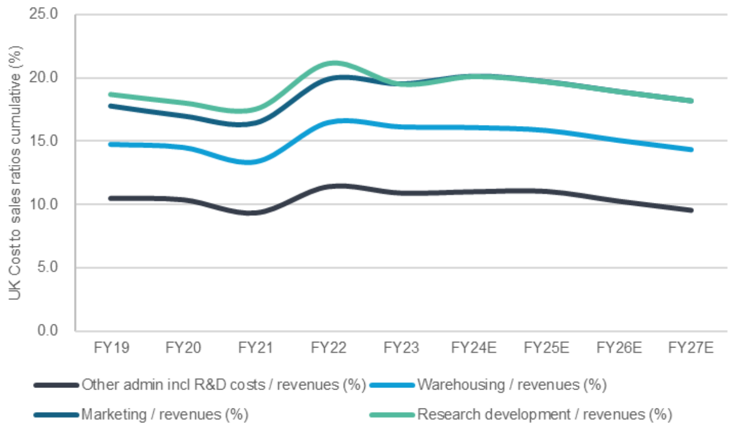


Source: Company historic data, ED forecasts and analysis

Operating costs to peak at c.20% of revenues in FY24E…

- AO's largest cost is its administration overheads at £124m in FY23; this has been impacted by universal wage inflation and includes investment in IT staff.
- This peaked at 11.6% of revenues in 1H24 given the contraction in Revenues but we anticipate it will fall to under 10% of revenues by FY27E, aided by operating leverage.
- Warehousing is AO's next biggest operating cost at £60m in FY23 or 5.3% of revenues. We anticipate 50bps of operating leverage over FY24E-FY27E.
- AO spent £38m on marketing in FY23, down from £50m during COVID. We anticipate a pickup to c.£40m in FY24E, c.4% of revenues, as AO has been investing in TV advertising and Easter marketing but the increasing mix of repeat customers should lead to some marketing leverage.

…and then leverage growing revenues

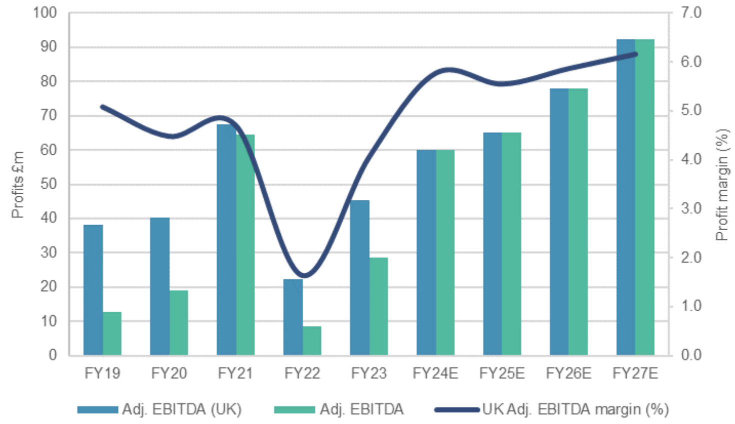


Source: Company historic data, ED forecasts and analysis

Pivot to profit strategy has worked…

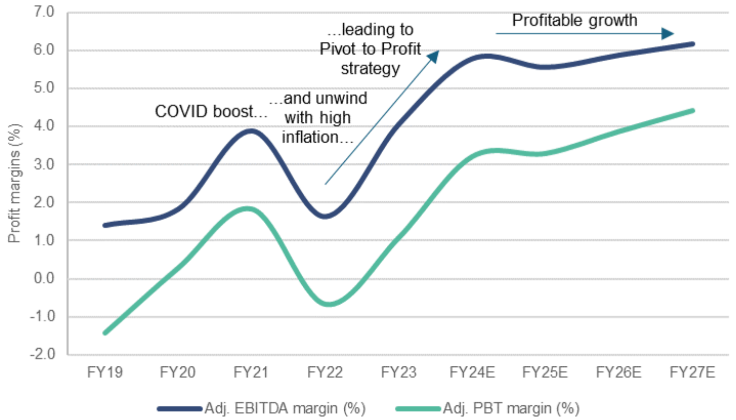
- AO delivered £27m of Adj. EBITDA in 1H24 as management's "Pivot to profit" strategy paid off.
- For FY24E we forecast 30% growth in Adj. EBITDA to £60m and then we anticipate a CAGR of 15.5% FY24E-FY27E…
- …as we forecast Adj. EBITDA margin reaching 6.2% by FY27E, driving Adj. EBITDA over £90m.
- With sales leverage over fixed and leased assets, as well as financial deleveraging, we forecast a 26% CAGR in Adj. PBT from c.£33m in FY24E to £66m in FY27E.
- We forecast Adj. PBT margins rising from 3.2% in FY24E (and 3.7% in 2H24E) to 4.4% in FY27E but there is potential for more operating leverage.

Adj. EBITDA forecast to exceed £90m by FY27E…



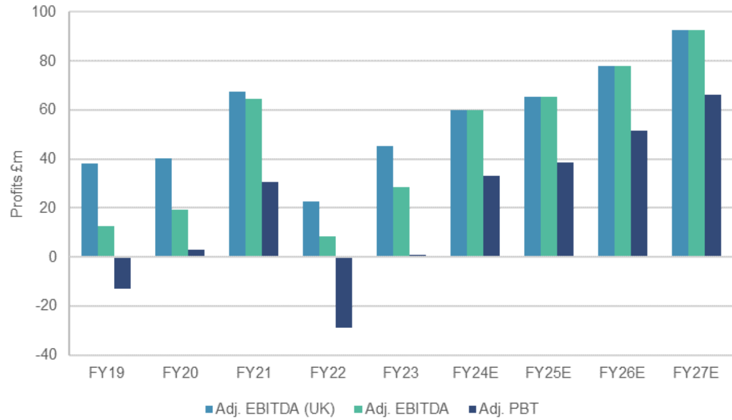
Source: Company historic data, ED forecasts and analysis

… heralding an anticipated new era of profitable growth



Source: Company historic data, ED forecasts and analysis

…and Adj. PBT forecast to double to £66m by FY27E



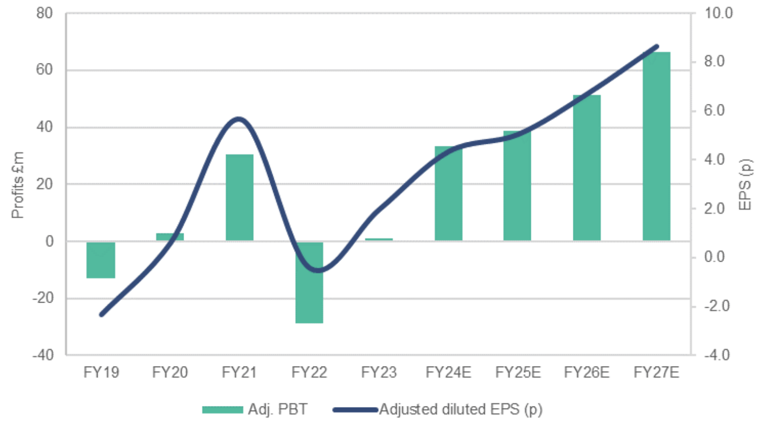
Source: Company historic data, ED forecasts and analysis

Profit growth drives cashflow and increasing net cash

Other cashflow assumptions

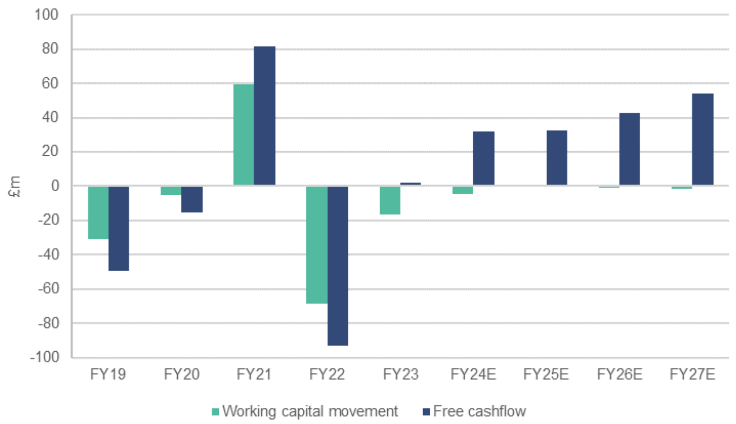
- As already mentioned, AO has a capital-light business model with capex typically 0.5% of revenues, though we allow for 1% in our forecasts.
- We assume the impact of corporation tax rising to 25% impacts AO's P&L in FY24E; but that minimal cash tax is paid in FY24E as AO can utilise some its historic tax losses accumulated (only £1.3m tax was paid in 1H24).
- AO experienced large working capital swings during COVID with a large inflow in FY21 (particularly driven by an increase in trade payables) unwinding into a large outflow in FY22. The working capital has been "rightsized" since and it was stable in 1H24. We assume a small rebuild of stock in 2H24E and then a balanced working capital position for FY25E-FY27E.

PBT growth drives similar EPS growth



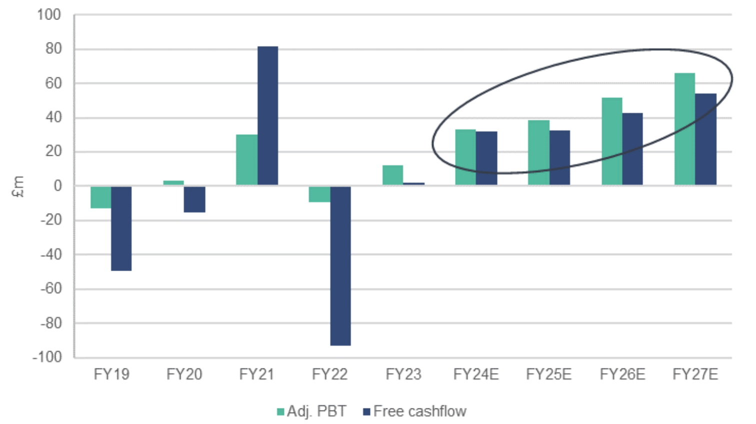
Source: Company historic data, ED forecasts and analysis

Working capital has normalised after the COVID swings…



Source: Company historic data, ED forecasts and analysis

…leading to c.80%+ PBT conversion to FCF



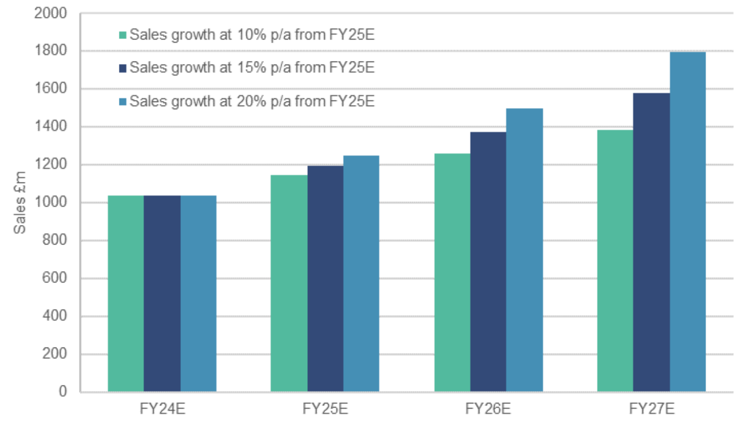
Source: Company historic data, ED forecasts and analysis

Blue sky scenario analysis

A wide range of potential growth trajectories

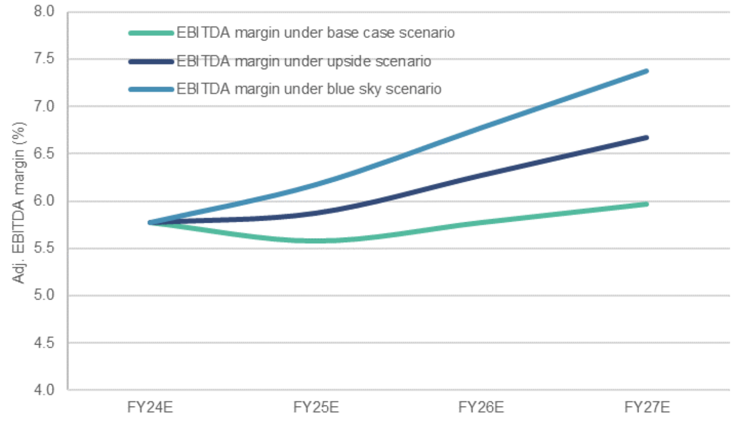
- Although the COVID unwind, global supply chain problems and the cost-of-living crisis have dented AO's growth and profitability in recent years, AO does have a pre-COVID track record of 21% CAGR in UK revenues FY10-FY20…
- …and huge market opportunity, with only 16% of the UK MDA market and less than 2% of the rest of the UK Electricals market.
- Management believes AO can return to a 10%-20% CAGR in Revenues with scale leverage in EBITDA margins, potentially up to 8% in the medium term.
- Our forecasts assume 13% CAGR in Revenues and an Adj. EBITDA margin of 6.2% resulting in £93m Adj. EBITDA and £66m Adj. PBT in FY27E.
- However, AO could achieve much more.

10%-20% CAGR implies FY27E Revenues £1.4bn to £1.8bn…



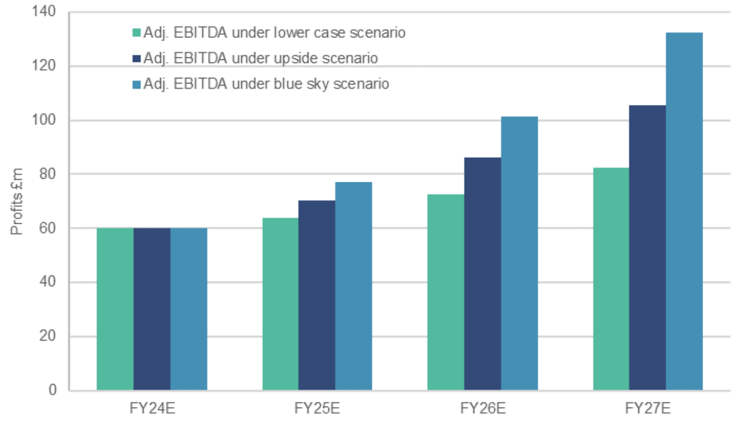
Source: ED forecasts and analysis

… scale leverage implies Adj. EBITDA margin of 6% to 7%+…



Source: ED forecasts and analysis

…resulting in FY27E Adj. EBITDA range £83m-£132m

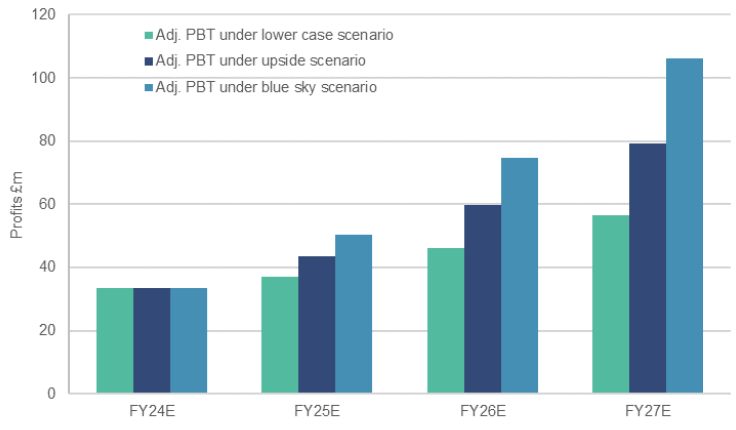


Source: ED forecasts and analysis

Higher sales growth rewarded with greater leverage too

- In our scenario analysis we model higher sales growth leading to more operating leverage as sales are driven by increasing orders from repeat customers…
- …allowing for leverage of marketing costs, as well as administration costs and some warehousing costs.
- We also assume some leverage over fixed assets (depreciation of fixed assets and right of use assets, i.e. leases), though additional deliveries will require additional lorries and drivers.
- This leverage increases with each year so that after three years we model a 140bps difference between the Adj. EBITDA margin (6.0% to 7.4%) – and we see this as a conservative assumption.

FY27E Adj. PBT could range from £56m to £106m…

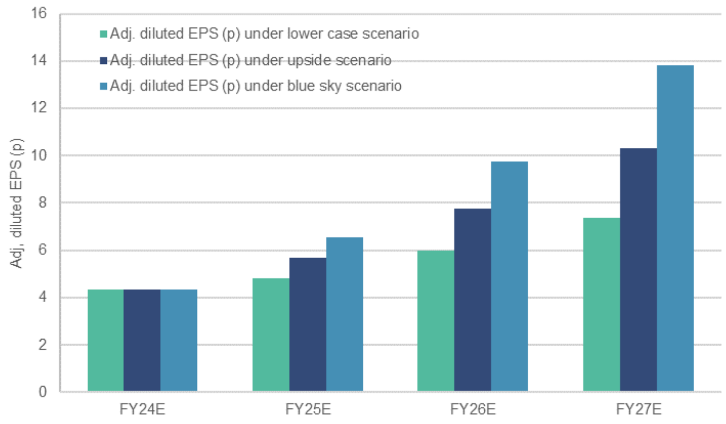


Source: ED forecasts and analysis

Club membership could drive a positive swing in Adj. EPS

- After the last few years of macro-economic disruption and weak consumer confidence, investors are understandably cautious in expecting much from the retail sector.
- UK Retail sales data in 2024 has also yet to show much benefit from improving UK consumer confidence (in part due to a particularly wet Spring),
- Nevertheless, we present these three scenarios to illustrate that Adj. PBT and Adj. EPS could be 40% and nearly 90% higher in our "upside scenario" of 15% CAGR in revenues and our "blue-sky scenario" of 20% CAGR by FY27E versus our lower-case scenario of 10% CAGR in revenues.

…leading to Adj. EPS ranging c.90% from 7.4p to 13.8p



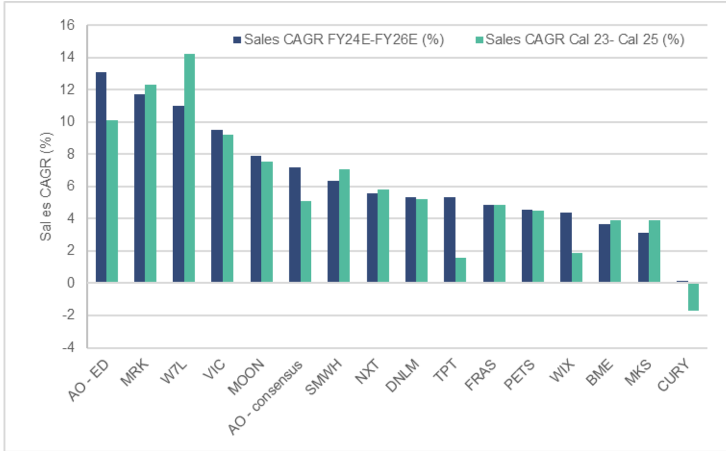
Source: ED forecasts and analysis

Valuation considerations – high growth and cashflow deserves a premium rating

Fair value considerations

- In our view, investors tend to value consumer discretionary stocks on peer group multiples looking out 18-24 months to account for different growth rates and margin recovery trajectories.
- However, peer group valuations move around through an economic cycle, as do DCF valuations which are sensitive to the assumed discount rate. It can also be difficult to accurately reflect the probability of unpredictable events that impact discretionary retailers.
- As consumers have come through the unpredictable events of COVID, wars, supply chain disruption and high inflation many retailers have had to focus on recovering profitability and cashflow. We saw a shift towards retailers with higher profit margins and more defensive characteristics being rewarded with higher valuations by investors. Now we anticipate growth appeal.

AO offers both sales growth (we estimate 13% CAGR)…

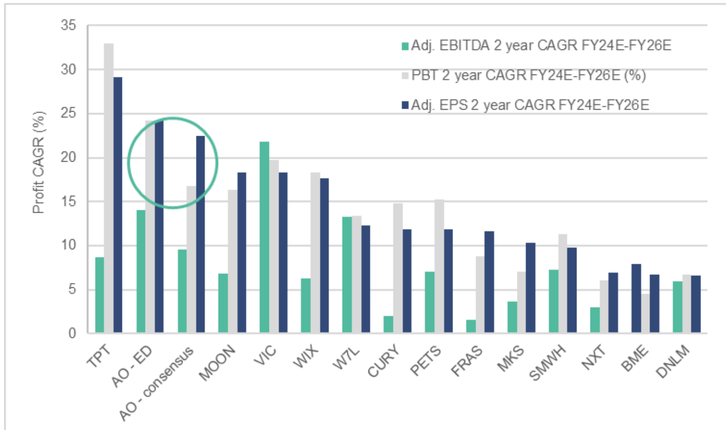


Source: Koyfin for consensus forecasts, ED forecasts and analysis

AO's leading high growth investment characteristics

- As already presented, we forecast AO will grow Revenues at a CAGR of c.13% FY24-FY26 driving a FY24E-FY26E CAGR in Adj. EBITDA, Adj. PBT and Adj. of 14%, 24% and 24% respectively.
- We note our Revenue CAGR is significantly higher than consensus (7%) and our Adj. EPS CAGR of 24% is only slightly above consensus CAGR of 22.5%.
- Consequently, we believe AO is a leader for sales-driven profit growth among a broad basket of general retailers (Marks Electrical also offers high profit growth, from a low base).
- Moreover, as presented, c.80% of AO's Adj. PBT converts to FCF.

… and profit growth (we estimate 24% CAGR EPS)

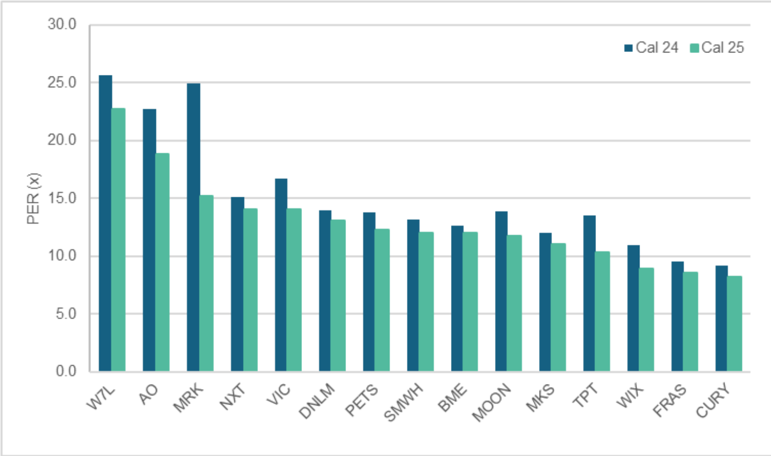


Note: excludes MRK; Source: Koyfin for consensus forecasts, ED forecasts and analysis

AO's growth-adjusted valuation below sector average

- Following AO's confident pre-close trading statement on 28 March, in which management confirmed the business has returned to profitable revenue growth in 4Q24, AO's share price has risen 25%.
- AO is currently trading on 0.6x cal 25 EV/Sales, a discount to the sector (basket) average of 1.1x; 9.0x cal 25 EV/EBITDA, a premium to the basket average of 7.2x…
- …and 19x cal 25 PER (based on consensus forecasts), a premium to the basket average of c.13x.
- Yet on a cal 25 PER/Earnings CAGR ratio ("PEG"), AO is trading on 0.8x, a c.20% discount to the sector average of 1.1x (albeit with a wide range).
- This is based on consensus estimates whereas on our forecasts, AO is trading on c.17x cal 2025 EPS and a PEG of 0.7x, a c.33% discount to the sector.

AO's 19x cal 25 consensus PER is a premium to the sector…

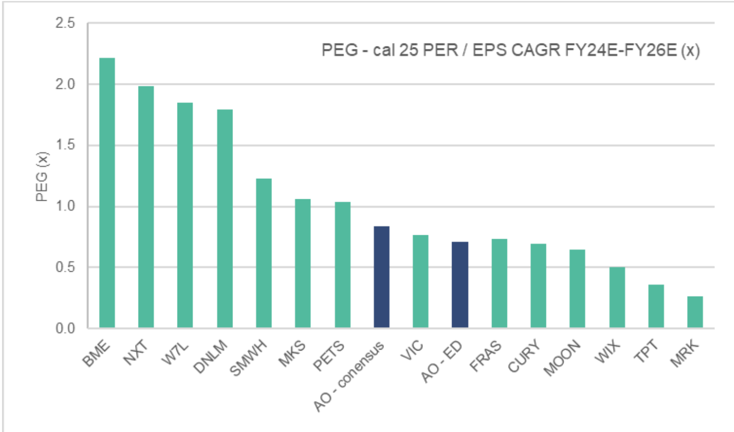


Source: Koyfin

Blue-sky scenario potential and cashflow attractions

- As mentioned, our forecasts are towards the lower-end of management's medium-term ambitions of 10%-20% revenue growth p/a and a 5% PBT margin.
- Under the upside scenario of 15% CAGR in revenues and a 4.3% PBT margin in FY26E, AO is trading on an implied 15x cal 25 PER…
- …whilst under the blue-sky scenario of 20% CAGR in revenues and a 5% PBT margin in FY26E, AO is trading on an implied 12x cal 25 PER.
- Hence given, in our view, AO's momentum is starting to build, we initiate coverage with a fair value of 140p, equating to a 5% cal 25 FCF yield, and a cal 25 PER of c.22x, just under 1x PEG.

…but reflects AO's higher growth prospects



Source: Koyfin

Selected General Retailer Growth and Margin Metrics										
Company	**Share price**	**Market cap**	**Enterprise Value**	**2 years CAGR FY24E-FY26E**				**EBITDA margin**	**PBT margin**	**Net debt / EBITDA**
	p	**£m**	**£m**	**Sales**	**EBITDA**	**PBT**	**EPS**	Cal 24, %	Cal 24,%	Cal 24, x
B&M.	473.3	4,733	6,791	3.7	7.9	4.4	5.4	15.5	9.2	2.4
Currys	79.2	879	2,065	0.2	2.0	14.8	11.8	5.9	1.5	2.3
Dunelm Group	1080	2,182	2,459	5.6	5.9	7.0	7.3	17.1	11.9	1.0
Frasers Group	874	3,784	4,354	4.8	1.6	8.8	11.7	16.0	9.3	0.6
Marks Electrical	68.5	72	65	11.7	29.8	41.4	58.1	5.0	3.5	-1.4
Marks and Spencer	302.3	6,197	8,211	3.4	4.0	8.0	10.3	10.5	5.6	1.4
Moonpig	157	540	675	7.9	6.9	16.3	18.3	26.4	15.2	1.5
NEXT	9176	11,011	12,598	5.6	3.0	6.1	7.1	21.1	16.2	1.3
Pets at Home	296.6	1,373	1,753	4.4	6.6	14.7	11.8	17.1	9.1	1.4
Topps Tiles	44	87	160	5.3	8.6	33.0	29.1	14.5	3.5	2.0
Victorian Plumbing	87.6	286	309	9.5	21.9	19.7	18.3	9.3	7.2	0.9
WH Smith	1200	1,560	2,468	6.3	5.3	10.8	9.8	18.4	8.7	2.5
Warpaint	590	458	445	11.0	13.2	13.3	12.3	24.6	22.3	-0.5
Wickes	142.6	349	921	4.4	6.3	18.3	17.7	10.8	2.8	3.4
Average				**6.0**	**9.0**	**15.6**	**16.8**	**14.6**	**8.6**	**1.3**
AO World	**108**	**622**	**666**	**7.2**	**9.6**	**16.8**	**22.5**	**6.1**	**3.5**	**0.7**

Note: All profits are adjusted for exceptionals; Source: Marketscreener, KoyFin, ED analysis (share prices at 12th June 2024)

Selected General Retail Valuation Metrics												
Company	EV/Sales (x)		EV/ EBITDA (x)		Mkt cap / PBT (x)		PER (x)		PEG	DPS yield (%)	FCF yield (%)	
	Cal 2024	Cal 2025	Cal 2024	Cal 2025	Cal 2024	Cal 2025	Cal 2024	Cal 2025	Cal 25 / CAGR 23-25	Cal 2024	Cal 2024	Cal 2025
B&M.	1.2	1.2	8.0	7.4	9.4	8.9	12.6	12.0	2.2	3.3	9.1	7.8
Currys	0.2	0.2	4.1	4.0	6.8	5.9	9.1	8.2	0.7	0.8	27.7	26.5
Dunelm Group	1.4	1.3	8.1	7.6	10.3	9.7	13.9	13.1	1.8	4.1	7.8	8.4
Frasers Group	0.7	0.7	4.5	4.5	6.8	6.3	9.5	8.5	0.7	0.0	6.3	6.2
Marks Electrical	0.5	0.5	10.3	8.1	16.5	11.8	24.9	15.2	0.3	1.5	3.9	6.9
Marks and Spencer	0.6	0.6	5.8	5.6	8.3	7.7	12.0	11.0	1.1	1.7	8.5	6.5
Moonpig	1.9	1.8	7.2	6.7	10.0	8.7	13.9	11.8	0.6	0.0	9.3	11.5
NEXT	2.1	2.1	10.1	9.7	11.5	11.0	15.1	14.1	2.0	2.4	6.2	6.3
Pets at Home	1.2	1.1	6.8	6.3	9.9	8.9	13.8	12.2	1.0	4.6	7.8	7.7
Topps Tiles	0.6	0.6	4.3	4.0	9.7	7.1	13.5	10.4	0.4	6.8	10.3	7.2
Victorian Plumbing	1.0	0.9	10.7	8.5	12.7	10.6	16.7	14.0	0.8	2.6	-1.2	7.3
WH Smith	1.2	1.2	6.8	6.6	9.0	8.1	13.2	12.0	1.2	3.0	4.0	5.7
Warpaint	4.2	3.8	17.1	15.3	19.5	17.2	25.7	22.7	1.8	1.9	2.4	3.0
Wickes	0.6	0.6	5.5	5.2	8.2	6.9	11.0	8.9	0.5	7.7	9.7	10.9
Average	**1.2**	**1.1**	**7.9**	**7.2**	**11.0**	**9.5**	**15.2**	**12.9**	**1.1**	**2.7**	**7.7**	**8.5**
AO World	**0.6**	**0.6**	**9.9**	**9.0**	**16.2**	**14.0**	**22.7**	**18.8**	**0.8**	**0.0**	**4.5**	**5.2**

Note: All profits are adjusted for exceptionals; all estimates are calendarised to a December year-end unless stated; *Source: KoyFin, Equity Development analysis (share prices at COB 12th June 2024)*

Financial Forecast tables

Key growth and margin metrics								
Year-end 31 Mar, £m	**FY20**	**FY21**	**FY22**	**FY23**	**FY24E**	**FY25E**	**FY26E**	**FY27E**
UK customers cumulative (m)	7.3	9.2	10.5	11.3	11.9	12.5	13.1	13.7
New UK customers (m)	1.0	1.9	1.3	0.8	0.6	0.6	0.6	0.6
Annual customers (m)	1.8	3.5	2.8	1.9	1.6	1.8	2.0	2.1
Repeat UK customers (m)	0.9	1.6	1.5	1.1	1.0	1.2	1.4	1.6
% repeat customers	48	47	54	58	61	65	69	73
% repeat customers of cumulative customer base	14	22	16	11	9	10	11	12
Revenue growth (%)	15.9	58.8	-17.6	-16.8	-8.8	13.2	13.0	13.0
Gross profit growth (%)	16.6	64.5	-9.9	-9.5	2.0	12.2	12.0	12.0
Adj. EBITDA growth (%)	51.2	236.0	-65.3	106.3	29.8	8.8	19.5	18.6
Adj. Operating profit (%)	-67.2	-2200.5	-115.5	-375.8	109.2	15.2	27.1	24.5
Adj. PBT growth (%)	-123.3	913.7	-130.3	-233.7	171.2	16.1	32.9	28.9
Adj. EPS growth (%)				-577.5	120.8	16.1	32.9	28.9
Gross profit margin (%)	17.0	17.6	19.3	20.9	23.4	23.2	23.0	22.8
Adj. EBITDA margin (%)	1.8	3.9	1.6	4.1	5.8	5.6	5.9	6.2
Adj. Operating margin (%)	-0.2	2.4	-0.5	1.5	3.4	3.5	3.9	4.3
Adj. PBT margin (%)	0.3	1.8	-0.7	1.1	3.2	3.3	3.9	4.4
Marketing costs / sales (%)	2.8	3.0	3.4	3.3	3.9	3.8	3.8	3.8
Warehousing / sales (%)	4.1	3.9	5.1	5.3	5.1	4.8	4.8	4.8
Admin / sales (%)	9.7	8.0	11.4	10.9	11.1	11.1	10.5	9.9
Op. costs incl D&A /sales (%)	17.5	15.9	19.9	19.9	20.0	19.7	19.1	18.5
Op costs excl D&A /sales (%)	15.3	13.8	17.7	16.9	17.7	17.6	17.1	16.6

Source: Company historic data, ED forecasts and analysis

Revenue analysis								
Year-end 31 Mar, £m	**FY20**	**FY21**	**FY22**	**FY23**	**FY24E**	**FY25E**	**FY26E**	**FY27E**
Product revenue	692.8	1200.3	1114.4	874.8	788	883	998	1127
Service revenue	35.0	54.0	50.3	56.2	64	73	83	93
Commission revenue	143.3	146.0	156.8	156.4	135	161	182	206
Logistics revenue	16.6	16.5	22.7	27.6	29	32	37	41
Recycling revenue	13.5	17.7	24.1	23.6	23	26	29	33
Total UK revenue	**901.2**	**1,434.5**	**1,368.3**	**1,138.6**	**1,038.9**	**1,175.6**	**1,328.4**	**1,501.1**
Product revenue	10.2	73.3	(7.2)	(21.5)	(9.9)	12.0	13.0	13.0
Service revenue	16.3	54.3	(6.9)	11.7	14.0	14.0	13.0	13.0
Commission revenue	134.2	1.9	7.4	(0.3)	(14.0)	20.0	13.0	13.0
Logistics revenue	8.5	(0.6)	37.6	21.6	5.0	12.0	13.0	13.0
Recycling revenue	(5.6)	31.1	36.2	(2.1)	(2.0)	12.0	13.0	13.0
UK revenue growth (%)	**20.3**	**59.2**	**(4.6)**	**(16.8)**	**(8.8)**	**13.2**	**13.0**	**13.0**
Product revenue	77	84	81	77	76	75	75	75
Service revenue	4	4	4	5	6	6	6	6
Commission revenue	16	10	11	14	13	14	14	14
Logistics revenue	2	1	2	2	3	3	3	3
Recycling revenue	1	1	2	2	2	2	2	2
Contribution to UK revenue	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Source: Company historic data, ED forecasts and analysis

Profit & Loss Summary: Revenue to operating profit								
Year-end 31 Mar, £m	**FY20**	**FY21**	**FY22**	**FY23**	**FY24E**	**FY25E**	**FY26E**	**FY27E**
Group revenue	**1045.7**	**1660.9**	**1,368.3**	**1,138.6**	**1,038.9**	**1,175.6**	**1,328.4**	**1,501.1**
Cost of sales	(867.9)	(1,368.4)	(1,104.9)	(900.3)	(795.8)	(902.9)	(1,022.9)	(1,158.9)
Gross profit	**177.8**	**292.5**	**263.4**	**238.3**	**243.1**	**272.7**	**305.5**	**342.2**
Other income	1.2	0.8	1.8	0.7	0.7			
Marketing expenses	(29.8)	(50.4)	(46.1)	(38.0)	(40.5)	(44.7)	(50.5)	(57.0)
Warehousing expenses	(42.5)	(65.6)	(69.6)	(59.8)	(52.5)	(56.3)	(63.6)	(71.9)
Research & development	(9.3)	(15.4)						
Admin costs	(101.7)	(132.2)	(156.1)	(124.1)	(115.0)	(130.6)	(139.1)	(148.1)
Adjusting items			(0.9)	(4.5)				
Total operating expenses	**(183.3)**	**(263.6)**	**(272.7)**	**(226.4)**	**(208.0)**	**(231.5)**	**(253.1)**	**(277.0)**
Add back D&A	21.1	24.6	28.6	29.1	24.2	24.0	25.6	27.2
Add back Adjusting items	2.4	10.3	1.3	4.5	0.0	0.0	0.0	0.0
Operating costs, Adj. ex D&A	**(159.8)**	**(228.7)**	**(242.8)**	**(192.8)**	**(183.8)**	**(207.5)**	**(227.6)**	**(249.7)**
Adj. EBITDA	**19.2**	**64.5**	**22.4**	**46.2**	**60.0**	**65.3**	**78.0**	**92.5**
Adj. EBITDA (UK)	**40.3**	**67.5**	**22.5**	**45.4**	**60.0**	**65.3**	**78.0**	**92.5**
Depreciation of PPE	(6.7)	(7.6)	(8.1)	(8.5)	(5.9)	(6.5)	(7.9)	(9.3)
Depreciation of ROUA	(12.2)	(14.2)	(16.7)	(18.0)	(16.0)	(15.8)	(16.4)	(16.9)
Amortisation	(2.2)	(2.8)	(3.8)	(2.6)	(2.4)	(1.8)	(1.4)	(1.0)
Depreciation & amortisation	(21.1)	(24.6)	(28.6)	(29.1)	(24.2)	(24.0)	(25.6)	(27.2)
Adj. Operating profit	**(1.9)**	**39.9**	**(6.2)**	**17.1**	**35.8**	**41.2**	**52.4**	**65.2**

Source: Company historic data, ED forecasts and analysis

Profit & Loss Summary: Operating profit to EPS								
Year-end 31 Mar, £m	**FY20**	**FY21**	**FY22**	**FY23**	**FY24E**	**FY25E**	**FY26E**	**FY27E**
Adj. Operating profit	**(1.9)**	**39.9**	**(6.2)**	**17.1**	**35.8**	**41.2**	**52.4**	**65.2**
Interest on financial debt	(1.9)	(9.8)	(0.6)	(2.3)	(1.0)	0.0	0.0	0.0
Interest on lease liabilities	(3.7)	(4.0)	(4.3)	(4.2)	(3.8)	(3.0)	(3.0)	(3.1)
Other finance costs			(0.7)	(1.2)	(1.6)	(1.6)	(1.6)	(1.6)
Interest receivable & other	10.5	4.3	2.6	2.9	4.0	2.1	3.7	5.8
Finance costs	4.9	(9.5)	(3.0)	(4.8)	(2.4)	(2.5)	(0.9)	1.1
Adj. PBT	**3.0**	**30.4**	**(9.2)**	**12.3**	**33.4**	**38.7**	**51.5**	**66.4**
Exceptional costs	(2.4)	(10.3)	(1.3)	(4.5)				
PBT	**0.6**	**20.1**	**(10.5)**	**7.8**	**33.4**	**38.7**	**51.5**	**66.4**
Tax	0.0	(3.1)	7.2	(1.2)	(8.3)	(9.7)	(12.9)	(16.6)
Adj. PAT	**3.0**	**27.3**	**(2.0)**	**11.1**	**25.0**	**29.0**	**38.6**	**49.8**
Reported PAT	0.6	17.0	-3.3	6.6	25.0	29.0	38.6	49.8
No of f/d shares (m)	477.3	482.0	485.6	564.5	576.2	576.2	576.2	576.2
Adjusted diluted EPS (p)	**0.6**	**5.7**	**-0.4**	**2.0**	**4.3**	**5.0**	**6.7**	**8.6**
DPS (p)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Source: Company historic data, ED forecasts and analysis

Cashflow								
Year-end 31 Mar, £m	**FY20**	**FY21**	**FY22**	**FY23**	**FY24E**	**FY25E**	**FY26E**	**FY27E**
Adj. EBITDA	**19.2**	**64.6**	**8.5**	**46.2**	**60.0**	**65.3**	**78.0**	**92.5**
Add back SBP charge	2.0	3.3	5.8	5.3	6.6	7.2	8.6	10.2
Change in inventories	4.0	(67.6)	41.2	9.0	(5.7)	(10.6)	(11.9)	(13.5)
Change in trade receivables	(29.0)	(35.9)	(8.3)	14.7	24.6	(14.9)	(16.6)	(18.8)
Change in trade payables	19.7	162.0	(101.8)	(43.0)	(23.5)	25.3	27.7	30.8
Change in provisions	0.4	0.9	0.6	2.7	0.0	0.0	0.0	0.0
Working capital movement	(4.9)	59.4	(68.3)	(16.6)	(4.5)	(0.2)	(0.8)	(1.5)
Exceptionals (cash)	(2.4)	(10.3)	(0.3)					
Tax paid	0.2	(2.4)	1.7	2.2	(1.3)	(9.7)	(12.9)	(16.6)
Net cash from operating activities (pre-leases)	**14.1**	**114.6**	**(52.6)**	**37.1**	**60.7**	**62.6**	**72.9**	**84.6**
Net financial interest paid	(1.4)	(2.3)	(1.6)	(3.5)	1.4	0.5	2.1	4.2
Interest paid on lease liabilities	(3.7)	(4.0)	(4.8)	(4.2)	(3.8)	(3.0)	(3.0)	(3.1)
Lease payments (principal)	(16.2)	(17.6)	(24.3)	(17.7)	(18.4)	(15.8)	(16.4)	(16.9)
Capex	(6.9)	(6.3)	(8.6)	(2.1)	(8.0)	(11.5)	(13.0)	(14.7)
M&A	(1.1)	(2.8)	(1.0)	(0.1)				
Disposals	0.1			0.1				
Capex	**(7.9)**	**(9.1)**	**(9.6)**	**(2.1)**	**(8.0)**	**(11.5)**	**(13.0)**	**(14.7)**
Discontinued ops cashflow				(7.6)				
Free cashflow	**(15.1)**	**81.6**	**(92.9)**	**2.0**	**32.0**	**32.8**	**42.6**	**54.1**
Dividends	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Share buy backs / equity issues		0.6	0.1	39.1	0.3	0.0	0.0	0.0
Other	(0.4)	(0.1)		(2.5)				
Net cashflow	**(15.5)**	**82.1**	**(92.8)**	**38.6**	**32.3**	**32.8**	**42.6**	**54.1**

Source: Company historic data, ED forecasts and analysis

Net debt metrics								
Year-end 31 Mar, £m	**FY20**	**FY21**	**FY22**	**FY23**	**FY24E**	**FY25E**	**FY26E**	**FY27E**
Gross financial debt	(21.9)	0.0	(45.0)	(10.0)	0.0	0.0	0.0	0.0
Net cash	6.9	67.1	19.5	19.1	41.4	74.2	116.8	170.9
Net financial (debt) / cash	**(15.0)**	**67.1**	**(25.5)**	**9.1**	**41.4**	**74.2**	**116.8**	**170.9**
Leases	(84.2)	(95.3)	(108.6)	(85.3)	(66.1)	(68.0)	(69.9)	(72.0)
Net (debt) / cash incl leases	**(99.2)**	**(28.2)**	**(134.1)**	**(76.2)**	**(24.8)**	**6.1**	**46.8**	**98.9**
Net financial debt (cash) / Adj. EBITDA (x)	0.8	(1.0)	1.1	(0.2)	(0.7)	(1.1)	(1.5)	(1.8)
Total net debt / (cash) / Adj. EBITDA (x)	**5.2**	**0.4**	**6.0**	**1.6**	**0.4**	**(0.1)**	**(0.6)**	**(1.1)**

Source: Company historic data, ED forecasts and analysis

Balance Sheet: Assets								
Year-end 31 Mar, £m	**FY20**	**FY21**	**FY22**	**FY23**	**FY24E**	**FY25E**	**FY26E**	**FY27E**
Property, plant and equipment	29.3	32.8	32.7	20.9	23.0	28.1	33.2	38.6
Right of use assets	64.7	74.3	86.6	69.4	52.6	54.5	56.4	58.4
Intangible assets (Goodwill)	28.2	28.2	28.2	28.2	28.2	28.2	28.2	28.2
Other intangible assets	15.8	15.6	12.2	9.6	7.2	5.4	4.1	3.0
Other financial assets	0.6				0.0	0.0	0.0	0.0
Trade and other receivables	79.2	85.3	92.4	93.3	93.3	93.3	93.3	93.3
Deferred tax assets	4.6	5.6	9.0	8.3	1.3	1.3	1.3	1.3
Non-current assets	**222.4**	**241.8**	**261.1**	**229.7**	**205.7**	**210.8**	**216.5**	**222.9**
Inventories	72.7	139.6	97.0	73.1	78.8	89.4	101.3	114.8
Trade and other receivables	134.9	166.2	169.7	137.8	113.2	128.0	144.7	163.5
Current tax assets	1.0	1.0	1.9	0.6	0.6	0.6	0.6	0.6
Cash & cash equivalents	6.9	67.1	19.5	19.1	41.4	74.2	116.8	170.9
Current assets	**215.5**	**373.9**	**288.1**	**230.6**	**234.0**	**292.2**	**363.4**	**449.8**

Source: Company historic data, ED forecasts and analysis

Balance Sheet: Liabilities								
Year-end 31 Mar, £m	**FY20**	**FY21**	**FY22**	**FY23**	**FY24E**	**FY25E**	**FY26E**	**FY27E**
Bank overdraft & s/t loans	(5.2)	0.0	(45.0)	(10.0)	0.0	0.0	0.0	0.0
Trade payables and other liabilities	(249.6)	(411.4)	(313.9)	(249.5)	(226.0)	(251.3)	(279.1)	(309.8)
Lease liabilities	(16.1)	(21.4)	(20.3)	(17.8)	(17.8)	(17.8)	(17.8)	(17.8)
Provisions	(0.7)	(0.1)	(0.4)	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)
Other financial liabilities	(0.2)							
Current liabilities	**(271.8)**	**(432.9)**	**(379.6)**	**(278.5)**	**(245.0)**	**(270.3)**	**(298.1)**	**(328.8)**
Capital employed	**166.1**	**182.8**	**169.6**	**181.8**	**194.6**	**232.7**	**281.8**	**343.8**
Bank borrowings	(16.7)							
Lease liabilities	(68.1)	(73.9)	(88.3)	(67.5)	(48.3)	(50.2)	(52.1)	(54.2)
Deferred tax liabilities	(2.6)	(2.3)	0.0		0.0	0.0	0.0	0.0
Provisions	(1.9)	(2.3)	(2.5)	(3.8)	(3.8)	(3.8)	(3.8)	(3.8)
Trade and other payables	(7.5)	(7.9)	(6.4)	(4.8)	(4.8)	(4.8)	(4.8)	(4.8)
Other financial liabilities	(0.8)							
Non-current liabilities	**(97.6)**	**(86.4)**	**(97.2)**	**(76.1)**	**(56.9)**	**(58.8)**	**(60.7)**	**(62.8)**
Net assets	**68.5**	**96.4**	**72.4**	**105.7**	**137.6**	**173.9**	**221.1**	**281.1**
Shareholders' funds	**68.6**	**96.4**	**72.4**	**105.7**	**137.6**	**173.9**	**221.1**	**281.1**

Source: Company historic data, ED forecasts and analysis

An experienced founder-led leadership team

John Roberts – Co-founder and Chief Executive Officer

- John co-founded Appliances Online ("AO") in 2000 after a friend bet him £1 he could not set up an online electrical disruptor. John has over 20 years' experience as CEO of the business from its early stage growth through managing supernormal growth during COVID.
- John stepped up to Executive Chairman in February 2017 and appointed Steve Caunce as CEO; however, two years later, in January 2019, AO announced that Caunce was stepping down and John would resume the CEO role.

Mark Higgins – Chief Financial Officer

- Mark joined AO's Board as CFO in August 2015 having been AO's Group Finance Director from 2011-2015. Over the last 13 years he has guided AO from under £200m Revenues to over £1bn and through the challenges of COVID.
- Prior to AO, Mark held senior finance roles at Enterprise Managed Services Ltd and the Caudwell Group. Mark is a member of the Chartered Institute of Management Accounts.

Geoff Cooper, Chair

- Geoff was appointed to the Board in July 2016 and has over 25 years' of experience of UK public company Board experience.
- Geoff has considerable retail and consumer-facing industry experience across the UK including as CEO of Travis Perkins (2005-2013) and as a former Non-Executive Chairman of Dunelm Group plc (2004-2015), Card Factory plc (2014-2018) and Bourne Leisure Holdings. He was also a Non-Executive Director of Informa.
- Geoff is also a member of the Chartered Institute of Management Accountants.

Chris Hopkinson, Non-Executive Director

- Chris was appointed to the Board in December 2015.
- Chris is an Executive Director of Clifton Trade Bathrooms.
- Chris holds a Masters degree in Logistics and is former City Financial Analyst.

Peter Pritchard, Non-Executive Director

- Peter was appointed to the Board in October 2022 and brings significant operational experience in the consumer sector.
- Peter was Chief Executive of Pets at Home plc (2018-2022), having joined the business as Commercial Director in 2011. Peter has also held senior positions at several well-known British retail brands including Wilkinson Stores Limited (2009-2011), Asda/Walmart Stores Inc (2001-2008), J Sainsbury plc and M&S plc.
- Peter is currently also a Non-Executive Director of Motability Operations Group plc and The Nutriment Company.

Sarah Venning, Non-Executive Director

- Sarah was appointed to the Board in November 2022.
- Sarah is currently Global Chief Digital & Data Officer at Merlin Entertainments.
- Sarah brings to the Board significant experience in digital and IT fields across retail, hospitality and transport sectors having held Director roles in this area at Pret A Manger (2019-2023), John Lewis (2012-2016) and BAA (2009-2012).
- Sarah holds an MA from Cambridge University and started her career as a management consultant at PwC.

Shaun McCabe, Non-Executive Director

- Shaun was appointed to the Board in July 2018.
- Shaun brings considerable digital, financial, retail and consumer experience to the Board having been CFO of boohoo plc (2022-2024) and Audit Chair and NED before that; CFO of Trainline (2016-2022); International Director for ASOS plc (2013-2016); CFO of Amazon Europe (2007-2013) and Trading Finance Director and other roles for Home Retail Group PLC (1999-2007).
- Shaun holds a degree in Finance & Economics and is a member of the Institute of Chartered Accountants having started his career as an accountant at EY.

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