AO World PLC

Customer-centric strategy drives H127 profits

24 September 2026

AO has delivered another strong performance in H127 with revenue expected to be up 5.5% and Adj. PBT up over 20% to £21.5m, underpinned by excellent customer service. AO has also announced the acquisition of specialist photography retailer Jessops as part of its strategy to expand into adjacent categories and give customers more reasons to shop at AO. Yet despite this, AO's PER rating remains highly attractive at under 13x Cal 2027 EPS and its stock price is significantly below our 170p Fair Value per share (equivalent to a 5.5% Cal 2027 FCF yield).

5* service drives 5.5% H127 revenue growth and 20% Adj. PBT growth

AO's customer-centric business model continues to drive results. Despite the exceptional heat over the summer, customer service has continued to be excellent as evidenced by over 1m Trustpilot reviews and a sustained 4.9/5 rating. As such revenue is expected to have grown 5.5% (in line with our 5.6% FY27E revenue growth estimate) and Adj. PBT is expected to have risen over 20% to £21.5m (implying a 3.5% margin versus 3.0% in H126). The annualisation of the operational improvements in the mobile and musicMagpie businesses have contributed to this. However, despite this strong H127 performance AO has confirmed FY27E Adj. PBT expectations are unchanged (ED est £53.5m, +5.9%), reflecting planned strategic investments and a more challenging comparative period (H226 Adj. PBT rose 20% to £33m and a 4.8% margin).

Acquisition of specialist photography retailer Jessops adds range

AO has also announced the acquisition of heritage brand Jessops from entrepreneur Peter Jones. Whilst no terms of the deal were disclosed, Jessops Europe Ltd last reported revenue of £19.8m (+6.5%) for the year ended 28 September 2025 and an operating loss of £1m from its omnichannel operations which include seven stores. Whilst the deal is small in the context of AO (c.1.5% of group revenues) it is a strategic fit and has a recommerce business, Camera Jungle, that fits with musicMagpie. We expect access to AO's scale, customers and operational expertise to drive profitability.

Trading on under 13x cal 2027 PER; Fair Value 170p per share

We make no changes to our forecasts and believe that AO's current 12.6x cal 2027 PER and c.10% FCF yield significantly undervalues AO's cash flow and growth prospects.

Key financials & valuation metrics

Year to 31 Mar (£m)	2025A	2026A	2027E	2028E	2029E
Revenue	1,137.6	1,266.6	1,337.0	1,424.1	1,517.2
Revenue growth (%)	*9.4*	*11.3*	*5.6*	*6.5*	*6.5*
Adj. PBT	43.5	50.5	53.5	62.4	71.3
Adj. PBT margin (%)	*3.8*	*4.0*	*4.0*	*4.4*	*4.7*
Adj. diluted EPS (p)	5.3	6.1	6.5	7.6	8.7
Adj. EPS growth (%)	*27*	*16*	*7*	*17*	*14*
Free cash flow*	23.2	66.3	48.8	56.4	60.6
Net cash / (debt) ^ /Adj. EBITDA (x)	(0.5)	0.2	0.4	0.9	1.4
EV / Sales (x, calendarised)		0.4	0.4	0.4	
EV / Adj. EBITDA (x, calendarised)		7.0	6.4	5.9	
PER (x, calendarised)		14.5	12.6	11.0	
Free cash flow* yield (%, calendarised)		9.6	9.9	10.8	

** pre-acquisitions; ^ including leases; Source: Company data, Equity Development, Priced as at 23/9/26*

Company data

EPIC	LSE: AO
Price (last close)	93p
52 weeks Hi/Lo	117p/83p
Market cap	£516m
ED Fair Value / share	170p
Net cash / (debt) 2026	£16m
Avg. daily volume (3m)	650k

Share price, p

Source: Investing.com

Description

Founded in 2000 by CEO John Roberts, AO World ("AO") is the leading online retailer of major domestic appliances ("MDA") such as washing machines and fridges with 17% 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 1m Trustpilot reviews with an impressively high average score of 4.9/5. The group has invested in its own recycling centre.

Next event

1H27 results, 24th November 2026

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AO World: Investment Attractions overview

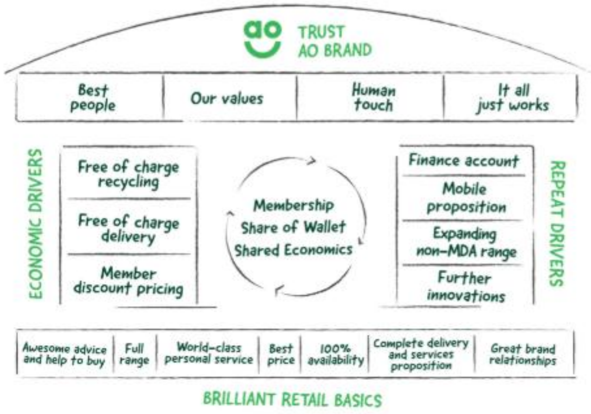
Investment Highlights	Risk Factors
• An excellent track record of UK revenue growth: 21% CAGR FY11-FY20 (pre-COVID); return to 9% growth in FY25 and 11% growth in FY26. • 720,000 additional customers in FY26, experiencing AO's excellent customer service and total historical UK customer base reached 13.3m (in FY26). • 1,060,000 Trustpilot reviews (as at 23 September 2026) with an impressively high average score of 4.9/5, the highest in the sector and a global first. • Plenty of scope to increase both major domestic appliances ("MDA") market share of 17% and market share in the wider £28bn Electricals market. • "Pivot to profit" strategy successful with FY26 Adj. PBT margin of 4.0%. • 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**
• Increasing repeat AO customers, continuing the trend of the past decade, as AO extends its wider electricals product range, and more customers join AO's Five Star membership club (which costs £39.99 per year). • We assume revenue CAGR of 6% FY26-FY29E. • Operating leverage of fixed costs, and synergies at musicMagpie, driving a c.40% increase in Adj. PBT to £71m in FY29E, an Adj. PBT margin of 4.7%, below management's medium-term ambition of 5%. • Improving profitability and low capex requirements driving over £165m of cumulative free cash flow (FY27E-FY29E).	• Trading on only 0.4x EV/Sales, c.6.5x EV/EBITDA and c.12.5x PER (our forecasts, all Calendar 2027E – "cal 2027E"). • Offers higher 2-year revenue and profit growth than most peers (on our forecasts) and a strong balance sheet with financial net cash of £80m (FY26). • The undrawn revolving credit facility of £120m was recently extended (from £80m) with existing lenders until October 2028, providing plenty of liquidity. • Our blue-sky scenario, modelling 10% CAGR in Revenues and a 5.4% Adj. PBT margin in FY29E, suggests PBT could exceed £90m by FY29E (>25% above our forecast). • **Our Fair Value of 170p/share** equates to a c.5.5% cal 2027E FCF yield, equivalent to c.11x cal 2027E EV/EBITDA and c.23x cal 2027E PER, c.1.8x our EPS CAGR FY26-FY29E.

AO's evolving strategy offers consumers choice, value and sustainability

Customer-led strategy driving growth and market share

- The last three years have seen AO reset and grow the business following the operational challenges of COVID, global supply chain disruption and significant (ongoing) cost inflation.
- In FY26 AO has extended its 5* membership program and launched new initiatives such as Switch24, its market-first mobile proposition enabling 5* members the opportunity to buy the latest iPhones, from £17 per month, interest-free for 24 months, and upgrade every two years.
- AO has also recently announced a partnership with Timpson which will lead to increased stock of trade-in phones for refurbishment and resale by musicMagpie, offering consumers choice and circular economy credentials for those preferring to buy more sustainably.

AO's shared economics and membership model

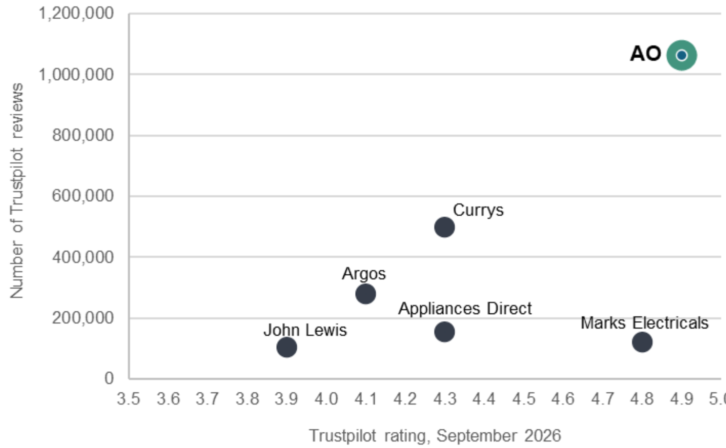


Source: Company website

Switch24, just one initiative contributing to…

Source: Company data

…AO's excellent rating of 4.9/5 stars by over 1m customers



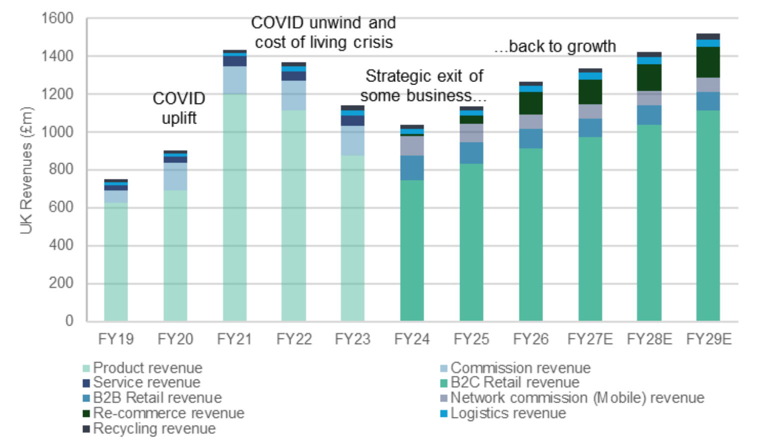
Source: Trustpilot, Equity Development

Cost discipline drives sustainable, cash-generative, profitable growth

5* strategy driving double-digit profit growth

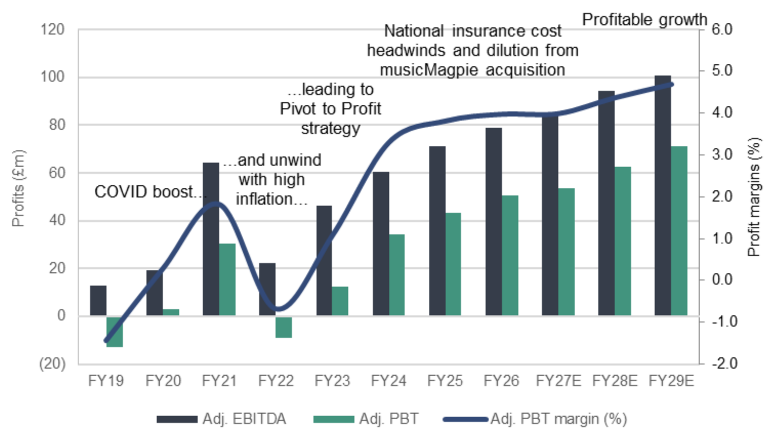
- As a result of AO's efforts to drive customer loyalty and transaction frequency, over 1 million customers have rated AO 4.9/5 on Trustpilot, a rating AO has sustained throughout the past year.
- This underpins its 9.5% B2C revenue growth in FY26 which has led to 16% Adj. PBT growth despite cost headwinds (such as NI increases), and FCF of £66m.
- FCF benefitted from a c.£20m working capital inflow, and AO ended FY26 with £16.4m net cash after leases, £80m net financial cash and over £200m available liquidity (including the undrawn £120m RCF).
- This has led to AO's intention to return a further £20m to shareholders, through a 50%/50% mix of special dividends and a share buy-back.

11.4% revenue growth to £1.27bn in FY26



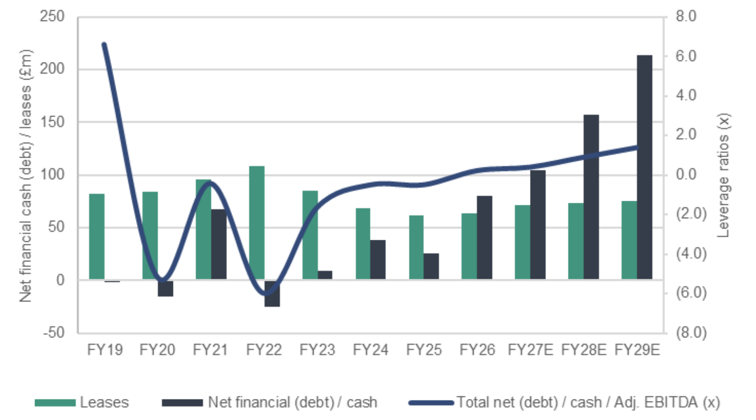
Source: Company data, Equity Development

16.1% Adj PBT growth in FY26 (12% CAGR FY26-FY29E)



Source: Company data, Equity Development

High cash conversion leading to growing net cash



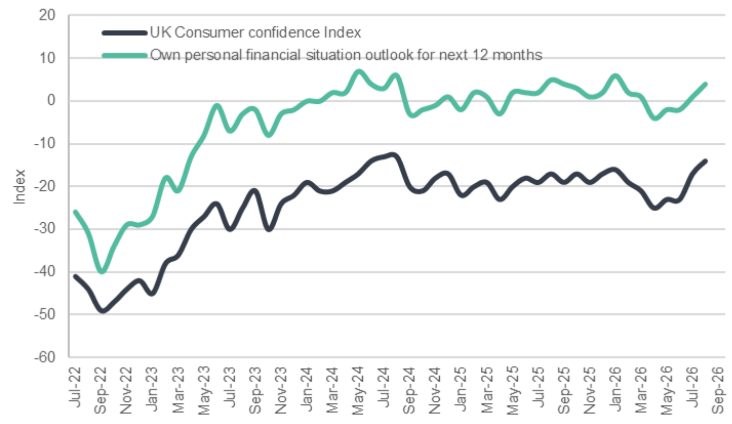
Source: Company data, Equity Development

Macro-economic background improving but cautious; AO fairly resilient

AO captures both discretionary and "distressed" spend

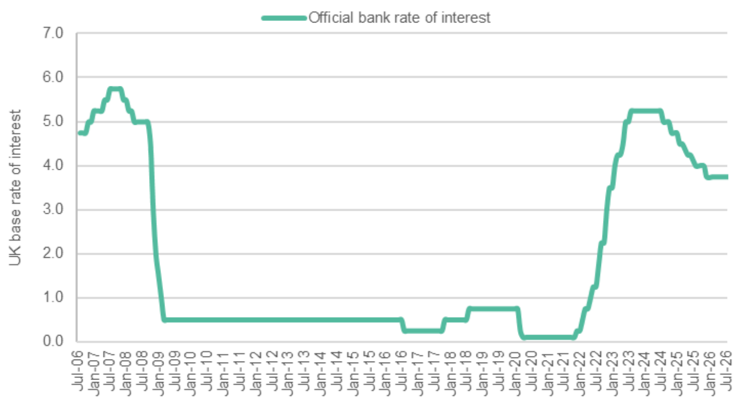
- Although c.65% of AO's sales are considered "distressed purchases" (i.e. replacement for broken machines), these are large items and consumers can trade down as well as up. Meanwhile c.35% of sales are more discretionary.
- UK consumer confidence was under pressure in H126, caused by conflict in the Middle East leading to inflation concerns. UK consumer confidence fell 9 points from -16 in January to -25 in April 2026 but rose back to -14 in August as fears eased, despite petrol pump prices rising 25% year-on-year and inflation increasing to 3.3% again.
- Meanwhile, AO has hedged c.80% of its forecast fuel usage and 100% of its electricity for FY27E (as normal).

UK consumer confidence improves over the summer



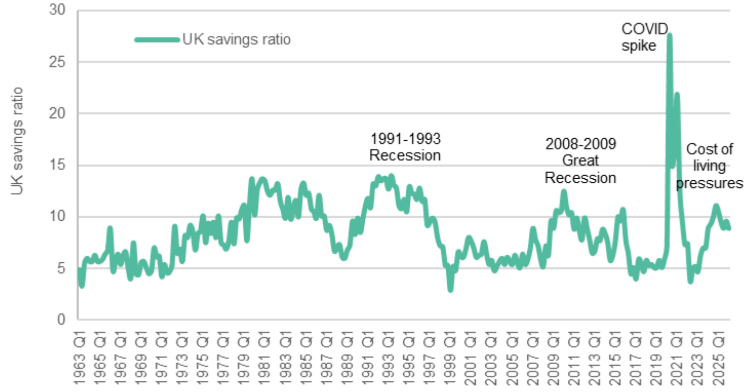
Source: GFK UK Consumer Confidence Barometer, powered by NIM, Equity Development

UK interest rates held at 3.75% in September



Source: Bank of England, Equity Development

Savings ratio remains elevated, implying potential spending power



Source: ONS data, Equity Development

Financial forecast tables

Key growth and margin metrics								
Year-end 31 Mar, £m	**2022**	**2023**	**2024**	**2025**	**2026**	**2027E**	**2028E**	**2029E**
UK customers cumulative (m)	10.5	11.3	11.9	12.6	13.3	13.8	14.3	14.8
New UK customers (m)	1.3	0.8	0.6	0.67	0.72	0.5	0.5	0.5
Annual customers (m)	2.8	1.9	1.6	1.8	2.1	1.6	1.7	1.9
Repeat UK customers (m)	1.5	1.1	1.0	1.1	1.3	1.1	1.2	1.4
% repeat customers	54	58	61	62	65	68	71	74
% repeat customers of cumulative customer base	16	11	9	9	11	8	9	10
Revenue growth (%)	-17.6	-16.8	-8.7	9.4	11.3	5.6	6.5	6.5
Gross profit growth (%)	-9.9	-9.5	2.1	13.4	14.5	5.6	6.5	6.5
Adj. EBITDA growth (%)	-65.3	106.3	31.2	17.5	10.7	8.5	10.2	6.8
Adj. Operating profit (%)	-115.5	-375.8	112.3	21.5	12.0	13.5	16.2	11.8
Adj. PBT growth (%)	-130.3	-233.7	179.7	26.5	16.1	5.9	16.6	14.3
Adj. EPS growth (%)		-577.5	110.8	26.8	16.3	7.0	16.6	14.3
Gross profit margin (%)	19.3	20.9	23.4	24.3	25.0	25.0	25.0	25.0
Adj. EBITDA margin (%)	1.6	4.1	5.8	6.3	6.2	6.4	6.6	6.6
Adj. Operating margin (%)	-0.5	1.5	3.5	3.9	3.9	4.2	4.6	4.8
Adj. PBT margin (%)	-0.7	1.1	3.3	3.8	4.0	4.0	4.4	4.7
Marketing costs / sales (%)	3.4	3.3	3.9	3.9	4.2	4.1	4.1	4.1
Warehousing / sales (%)	5.1	5.3	5.0	5.5	5.9	6.0	5.9	5.8
Admin / sales (%)	11.4	10.9	11.1	11.0	10.9	10.6	10.4	10.2
Op. costs incl D&A /sales (%)	19.9	19.9	20.0	22.4	21.1	20.8	20.4	20.2
Op costs excl D&A /sales (%)	17.7	16.9	17.7	18.0	18.7	18.6	18.3	18.3

Source: Company data, Equity Development

Income statement: Revenue to operating profit

Year-end 31 Mar, £m	2022	2023	2024	2025	2026	2027E	2028E	2029E
Group revenue	1,368.3	1,138.6	1,039.3	1,137.6	1,266.6	1,337.0	1,424.1	1,517.2
Cost of sales	(1,104.9)	(900.3)	(796.0)	(855.4)	(950.5)	(1,003.3)	(1,068.7)	(1,138.5)
Gross profit	263.4	238.3	243.3	276.1	316.1	333.7	355.4	378.6
Other income	1.8	0.7	0.6	0.1				
Marketing expenses	(46.1)	(38.0)	(40.5)	(44.4)	(53.5)	(55.1)	(58.7)	(62.5)
Warehousing expenses	(69.6)	(59.8)	(52.2)	(62.0)	(75.1)	(80.5)	(84.1)	(88.1)
Research & development								
Admin costs	(156.1)	(124.1)	(115.0)	(125.7)	(138.2)	(142.0)	(147.5)	(155.3)
Adjusting items	(0.9)	(4.5)		(22.9)				
Total operating expenses	(272.7)	(226.4)	(207.7)	(255.0)	(266.7)	(277.6)	(290.3)	(305.8)
Add back D&A	28.6	29.1	24.2	27.0	29.4	29.5	29.2	27.9
Add back Adjusting items	1.3	4.5	0.0	22.9	0.0	0.0	0.0	0.0
Operating costs, Adj. ex D&A	(242.8)	(192.8)	(183.5)	(205.1)	(237.3)	(248.2)	(261.1)	(277.9)
Adj. EBITDA	22.4	46.2	60.4	71.1	78.8	85.5	94.3	100.7
Depreciation of PPE	(8.1)	(8.5)	(5.9)	(6.6)	(9.5)	(13.0)	(10.8)	(9.5)
Depreciation of ROUA	(16.7)	(18.0)	(16.0)	(18.0)	(16.5)	(13.6)	(16.2)	(16.8)
Amortisation	(3.8)	(2.6)	(2.4)	(2.4)	(3.4)	(2.9)	(2.1)	(1.6)
Depreciation & amortisation	(28.6)	(29.1)	(24.2)	(27.0)	(29.4)	(29.5)	(29.2)	(27.9)
Adj. Operating profit	(6.2)	17.1	36.2	44.1	49.4	56.1	65.1	72.8

Source: Company data, Equity Development

Income statement: Operating profit to EPS								
Year-end 31 Mar, £m	**2022**	**2023**	**2024**	**2025**	**2026**	**2027E**	**2028E**	**2029E**
Adj. Operating profit	(6.2)	17.1	36.2	44.1	49.4	56.1	65.1	72.8
Interest on financial debt	(0.6)	(2.3)	(0.9)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Interest on lease liabilities	(4.3)	(4.2)	(3.8)	(3.1)	(2.9)	(2.8)	(3.2)	(3.3)
Other finance costs	(0.7)	(1.2)	(1.7)	(2.0)	(2.4)	(2.0)	(2.0)	(2.0)
Interest receivable & other	2.6	2.9	4.5	4.8	6.6	2.4	2.7	4.0
Finance costs	(3.0)	(4.8)	(1.9)	(0.6)	1.1	(2.6)	(2.7)	(1.5)
Adj. PBT	(9.2)	12.3	34.3	43.5	50.5	53.5	62.4	71.3
Exceptional costs	(1.3)	(4.5)		(22.9)				
PBT	(10.5)	7.8	34.4	20.6	50.5	53.5	62.4	71.3
Tax	7.2	(1.2)	(9.6)	(10.9)	(14.6)	(15.8)	(18.4)	(21.0)
Adj. PAT	(2.0)	11.1	24.8	31.2	35.9	37.7	44.0	50.3
Reported PAT	-3.3	6.6	24.8	9.7	35.9	37.7	44.0	50.3
No of f/d shares (m)	485.6	564.5	598.2	593.3	587.2	576.8	576.8	576.8
Adjusted diluted EPS (p)	-0.4	2.0	4.1	5.3	6.1	6.5	7.6	8.7
DPS, including specials (p)	0	0	0	0	0	1.8	0.0	0.0

Source: Company data, Equity Development

Cash flow statement								
Year-end 31 Mar, £m	**2022**	**2023**	**2024**	**2025**	**2026**	**2027E**	**2028E**	**2029E**
Adj. EBITDA	8.5	46.2	60.4	71.1	78.8	85.5	94.3	100.7
Add back SBP charge	5.8	5.3	6.7	7.3	7.7	8.4	9.2	9.8
Change in inventories	41.2	9.0	(6.4)	(4.2)	(2.2)	(6.7)	(6.1)	(6.6)
Change in trade receivables	(8.3)	14.7	28.8	18.3	(2.0)	(8.1)	(7.4)	(7.9)
Change in trade payables	(101.8)	(43.0)	(25.6)	(23.5)	24.8	8.0	10.5	11.1
Change in provisions	0.6	2.7	(0.6)	0.4	0.3	0.0	0.0	0.0
Working capital movement	(68.3)	(16.6)	(3.8)	(9.0)	20.9	(6.8)	(3.0)	(3.4)
Exceptionals (cash)	(0.3)			(2.1)				
Tax paid	1.7	2.2	(1.2)	(9.3)	(12.1)	(15.8)	(18.4)	(21.0)
Net cash from operating activities (pre leases)	(52.6)	37.1	60.7	58.0	95.3	71.3	82.1	86.1
Net financial interest paid	(1.6)	(3.5)	(2.4)	(1.3)	0.8	0.3	0.5	1.8
Interest paid on lease liabilities	(4.8)	(4.2)	(3.8)	(3.4)	(3.6)	(2.8)	(3.2)	(3.3)
Lease payments (principal)	(24.3)	(17.7)	(18.4)	(21.2)	(20.2)	(13.6)	(16.2)	(16.8)
Capex	(8.6)	(2.1)	(5.9)	(8.9)	(6.0)	(6.3)	(6.7)	(7.2)
M&A	(1.0)	(0.1)	(2.4)	(24.7)				
Disposals		0.1		0.1				
Capex	(9.6)	(2.1)	(8.3)	(33.5)	(6.0)	(6.3)	(6.7)	(7.2)
Discontinued ops cash flow		(7.6)	(0.1)	(0.1)				
Free cash flow	(92.9)	2.0	29.2	(1.4)	66.3	48.8	56.4	60.6
Dividends	0.0	0.0	0.0	0.0	0.0	(10.0)	0.0	0.0
Share buybacks / equity issues	0.1	39.1	0.3	(11.1)	(12.5)	(14.0)	(4.0)	(4.0)
Other		(2.5)						
Net cash flow	(92.8)	38.6	29.5	(12.5)	53.8	24.8	52.4	56.6

Source: Company data, Equity Development

Net debt metrics

Year-end 31 Mar, £m	2022	2023	2024	2025	2026	2027E	2028E	2029E
Gross financial debt	(45.0)	(10.0)	(2.1)	(1.9)	(1.7)	(1.7)	(1.7)	(1.7)
Net cash	19.5	19.1	40.1	27.4	81.3	106.1	158.6	215.2
Net financial (debt) / cash	(25.5)	9.1	38.0	25.5	79.6	104.4	156.9	213.5
Leases	(108.6)	(85.3)	(68.8)	(61.4)	(63.1)	(71.3)	(73.2)	(75.3)
Net (debt) / cash incl leases	(134.1)	(76.2)	(30.8)	(35.9)	16.4	33.1	83.6	138.2
Net financial (debt) /cash / Adj. EBITDA (x)	(1.1)	0.2	0.6	0.4	1.0	1.2	1.7	2.1
Total net (debt) / cash / Adj. EBITDA (x)	(6.0)	(1.6)	(0.5)	(0.5)	0.2	0.4	0.9	1.4

Source: Company data, Equity Development

Balance sheet: Assets

Year-end 31 Mar, £m	2022	2023	2024	2025	2026	2027E	2028E	2029E
Property, plant and equipment	32.7	20.9	20.1	27.1	39.5	32.8	28.7	26.4
Right of use assets	86.6	69.4	56.2	51.6	42.4	50.6	52.5	54.6
Intangible assets (Goodwill)	28.2	28.2	28.2	25.6	25.5	25.5	25.5	25.5
Other intangible assets	12.2	9.6	9.6	13.2	11.4	8.6	6.4	4.8
Other financial assets			0.0	0.0	0.0	0.0	0.0	0.0
Trade and other receivables	92.4	93.3	90.0	88.5	92.2	92.2	92.2	92.2
Deferred tax assets	9.0	8.3	2.9	2.2	0.0	0.0	0.0	0.0
Non-current assets	261.1	229.7	207.1	208.2	211.0	209.7	205.4	203.5
Inventories	97.0	73.1	79.5	88.5	87.4	94.1	100.2	106.8
Trade and other receivables	169.7	137.8	115.1	102.5	105.5	113.6	121.0	128.9
Current tax assets	1.9	0.6	0.0	0.0	0.2	0.2	0.2	0.2
Cash & cash equivalents	19.5	19.1	40.1	27.4	81.3	106.1	158.6	215.2
Current assets	288.1	230.6	234.7	218.4	274.4	314.0	380.0	451.1

Source: Company data, Equity Development

Balance sheet: Liabilities								
Year-end 31 Mar, £m	**2022**	**2023**	**2024**	**2025**	**2026**	**2027E**	**2028E**	**2029E**
Bank overdraft & s/t loans	(45.0)	(10.0)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Trade payables and other liabilities	(313.9)	(249.5)	(225.6)	(207.7)	(232.5)	(240.5)	(251.1)	(262.2)
Lease liabilities	(20.3)	(17.8)	(16.9)	(18.5)	(16.7)	(16.7)	(16.7)	(16.7)
Other tax liabilities			(0.6)	(0.7)	0.0	0.0	0.0	0.0
Provisions	(0.4)	(1.2)	(0.6)	(0.5)	(1.4)	(1.4)	(1.4)	(1.4)
Other financial liabilities								
Current liabilities	(379.6)	(278.5)	(243.9)	(227.6)	(250.9)	(258.9)	(269.4)	(280.5)
Capital employed	169.6	181.8	197.9	199.0	234.5	264.8	315.9	374.1
Bank borrowings			(1.9)	(1.7)	(1.5)	(1.5)	(1.5)	(1.5)
Lease liabilities	(88.3)	(67.5)	(51.9)	(42.9)	(46.4)	(54.6)	(56.5)	(58.6)
Deferred tax liabilities	0.0		0.0	0.0	(1.3)	(1.3)	(1.3)	(1.3)
Provisions	(2.5)	(3.8)	(3.9)	(4.7)	(4.1)	(4.1)	(4.1)	(4.1)
Trade and other payables	(6.4)	(4.8)	(2.5)	(5.2)	(5.7)	(5.7)	(5.7)	(5.7)
Other financial liabilities								
Non-current liabilities	(97.2)	(76.1)	(60.1)	(54.5)	(59.0)	(67.2)	(69.1)	(71.2)
Net assets	72.4	105.7	137.8	144.5	175.5	197.6	246.8	302.9
Shareholders' funds	72.4	105.7	137.8	144.5	175.5	197.6	246.8	302.9

Source: Company data, Equity Development

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