

## Back to profitable growth; let's go!

26th June 2024

AO has completed its turnaround back into profitable growth and announced FY24 Adjusted PBT of £34.3m, nearly triple FY23. This was 2%-3% ahead of our, and consensus, forecasts and equates to a 3.3% Adj. PBT margin. Having gained over 600k new customers in FY24, and with an improved mobile offer, management is confidently guiding to at least 10% revenue growth in FY25E. This is an upgrade for consensus revenue growth of c.+8% (ED +13%), though company guidance for £36m-£41m Adj. PBT is in-line with consensus (ED FY25E £38.7m).

We recently initiated on AO detailing why its excellent customer service and AO Five Star membership club offer can drive repeat customer purchases and revenues, leading to improved profit margins (see "[AO: Ready to grow; let's go!](#)"). AO has confirmed again its 5% medium-term Adj. PBT margin ambition and though we conservatively forecast 3.9% in FY26E, our blue-sky scenario analysis shows the potential for AO to triple Adj. PBT to over £100m by FY27E. We reiterate our 140p Fair Value, equating to a cal 2025 FCF yield of 5%.

### A return to profitable revenue growth in FY25E

AO's revenues fell 9% to £1,039m as anticipated in FY24 as AO refocused on its profitable UK major domestic appliances ("MDA") business (15.1% market share, -0.7% yoy) and reset its unit economics in the broader £30bn electricals market. Despite the challenging environment, Trustpilot reviews increased to over 500,000 with an even higher average rating of 4.8/5. Over 600k new customers experienced "the AO way" of exceptional customer service, as we explained in detail in our initiation note, and having returned to revenue growth in 4Q24, management is optimistic for FY25E. The company's investments in [affordablemobiles.co.uk](#), [buymobiles.net](#) and its recycling operations support long-term growth.

### Good liquidity, strong cashflow and profit potential appeals

AO has extended its £80m RCF to April 2027 and has ended FY24 with £116m of liquidity. Moreover we forecast over 80% of Adj. PBT converts into FCF. We currently forecast Adj. PBT approximately doubling to £66.5m by FY27E (a PBT margin of 4.4%) but our blue-sky scenario analysis illustrates the potential for Adj. PBT to exceed £100m in FY27E, more than triple FY24.

#### Key Financials & Valuation multiples

Year to 31 Mar (£m)	2022	2023	2024	2025E	2026E
Revenue	1,368.3	1,138.6	<b>1,039.3</b>	<b>1,175.5</b>	<b>1,328.3</b>
Revenue growth (%)		-16.8	-8.7	13.1	13.0
Adj. EBITDA	22.4	46.2	<b>60.4</b>	<b>66.6</b>	<b>79.5</b>
Adj. EBITDA margin (%)	1.6	4.1	5.8	5.7	6.0
Adj. PBT	-9.2	12.3	<b>34.3</b>	<b>38.7</b>	<b>51.6</b>
Adj. PBT margin (%)	-0.7	1.1	3.3	3.3	3.9
Adj. diluted EPS (p)	-0.4	2.0	<b>4.1</b>	<b>4.9</b>	<b>6.5</b>
Adj. EPS growth (%)			110.0	17.6	33.2
Free cashflow		2.0	29.2	32.3	42.3
Net debt/(cash) incl leases /Adj. EBITDA (x)		1.6	0.5	0.0	(0.5)
EV / Sales (x, calendarised)		0.6	0.6	0.6	0.5
EV / Adj. EBITDA* (x, calendarised)		11.4	11.1	9.4	7.9
PER (x, calendarised)		28.8	24.6	19.0	14.6

Source: ED analysis; Share price as a COB 25/6/24

#### Company Data

EPIC	LSE: AO.
Price (last close)	115p
52 weeks Hi/Lo	118p/62p
Market cap	£655m
ED Fair Value/share	140p
Net debt incl leases FY24	£31m

#### 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.

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## AO World: Investment Attractions Overview

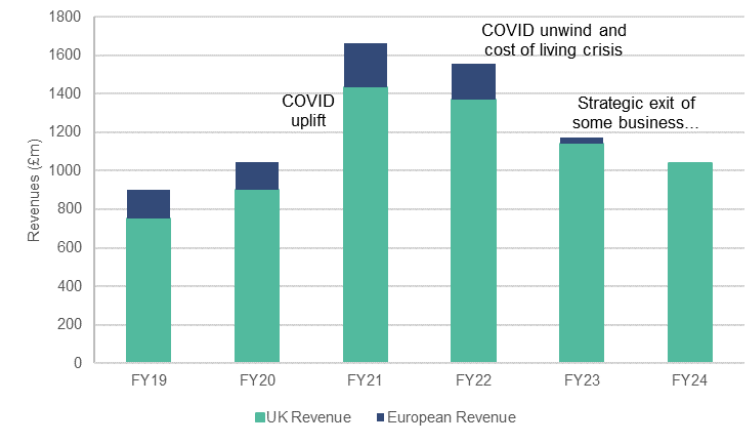
Investment Highlights	Risk Factors
<ul style="list-style-type: none"> <li>An excellent track record of UK revenue growth pre-COVID 21% CAGR FY11-FY20.</li> <li>5m additional customers shopped during COVID, experiencing AO's excellent customer service and total UK customer base is now c.12m.</li> <li>Over 500,000 Trustpilot reviews with an impressively high average score of 4.8/5.</li> <li>Plenty of scope to increase both major domestic appliances ("MDA") market share of 15% and market share in the wider £30bn Electricals market.</li> <li>"Pivot to profit" strategy has been successful with 2H24 PBT margin of 3.8%.</li> <li>An experienced, founder-led, management team that has been with the business through both high growth years and more challenging times.</li> </ul>	<ul style="list-style-type: none"> <li>Macro-economic pressures on disposable income.</li> <li>Irrational competitive pricing behaviour.</li> <li>Cost inflation, particularly wage inflation, impacting margin expansion potential.</li> <li>Supply chain disruption.</li> </ul>
Forecast Drivers	Valuation Overview
<ul style="list-style-type: none"> <li>A more favourable macro-economic backdrop of improving UK consumer confidence, increasing mortgage approvals and lower inflation and interest rates.</li> <li>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.</li> <li>We assume revenue CAGR of 13% FY25E-FY27E, at the lower end of management's 10%-20% medium term ambition.</li> <li>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%.</li> <li>Improving profitability and low capex requirements driving over £130m of cumulative free cashflow (FY25E-FY27E).</li> </ul>	<ul style="list-style-type: none"> <li>Trading on only 0.6x EV/Sales, 9.4x EV/EBITDA and c.19x PER (our forecasts, all Calendar 2025E – "Cal 25E").</li> <li>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.</li> <li>The undrawn revolving credit facility of £80m was recently extended with existing lenders until April 2027, providing plenty of liquidity.</li> <li>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).</li> <li>We reiterate our 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.</li> </ul>

## A simpler, leaner business

### The “Pivot to profit” strategy, launched in 2022, has worked

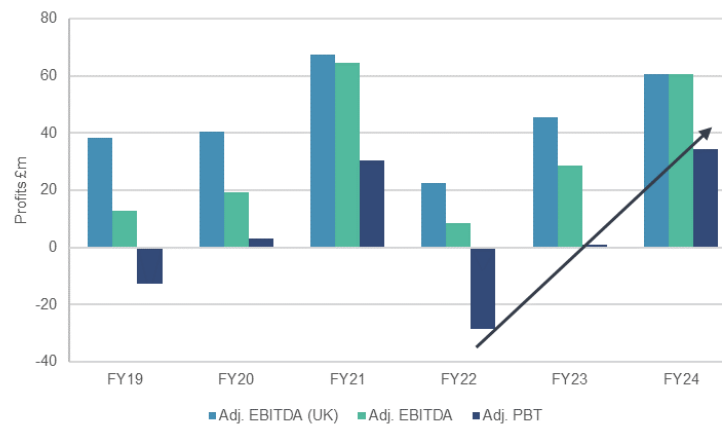
- Over the last four years, AO has dealt with the operational challenges of 60% sales growth during COVID and the subsequent unwind of supernormal growth, global supply chain disruption, abnormally high inflation in fuel, freight and wages, and a cost-of living crisis.
- AO has emerged stronger, leaner 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 tripled FY24 Adj. PBT to £34.3m. This equates to an Adj. PBT margin of c. 3.8% in 2H24E and 3.3% for FY24, up 220bps yoy.

### AO has exited unprofitable business in Germany and UK...



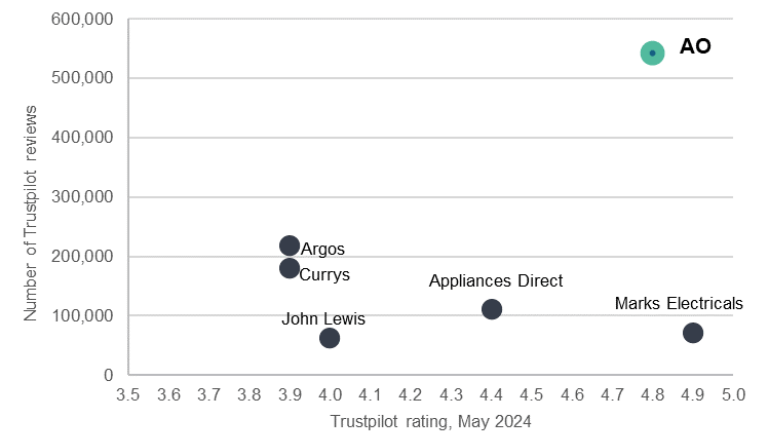
Source: Company historic data, ED forecasts and analysis

### ... leading to a recovery in Group profits



Source: Company historic data, ED forecasts and analysis

### Rated Excellent by over 500,000 customers



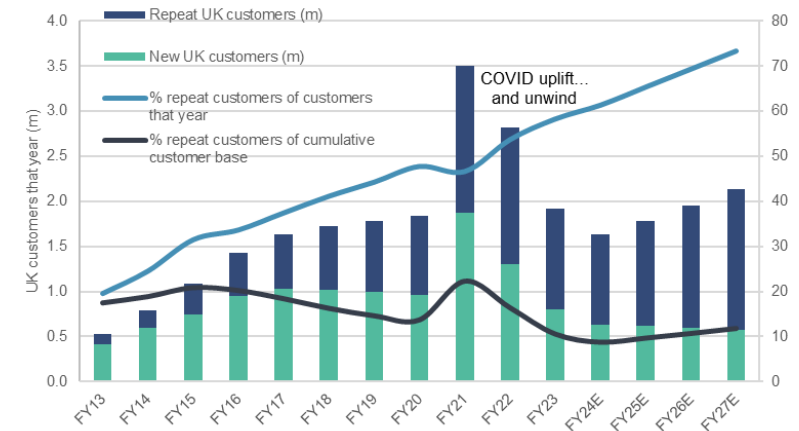
Trustpilot, ED forecasts and analysis

## Ready to grow again, the “AO way”

### Excellent service drives revenues, profits and cashflow

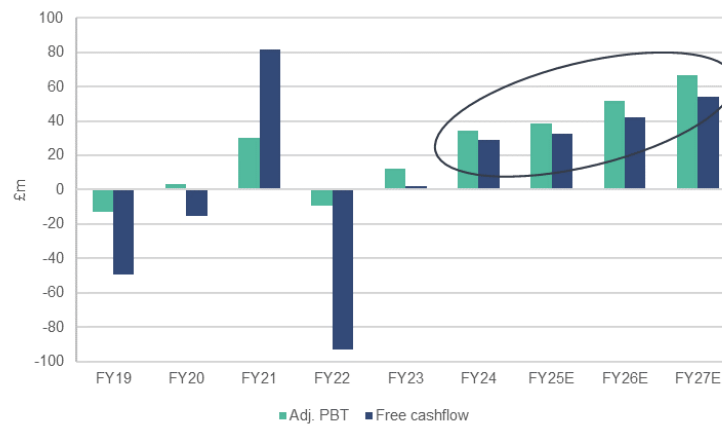
- AO has made these changes, including the retrenchment of some staff, whilst keeping its focus on excellent customer service. Having gathered over 500,000 reviews on Trustpilot, AO's average score has improved from an already high 4.6/5 in FY23 and 4.7/5 pre-COVID to 4.8/5 in May 2024.
- This excellent 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 (FY24-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...



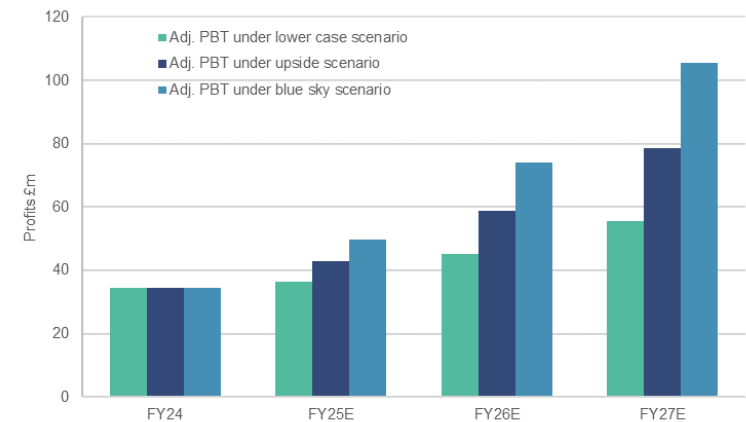
Source: Company historic data, ED forecasts and analysis

### ...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

## Changes to estimates and financial forecast tables

### Only minor changes to future revenue and PBT forecasts; still a high growth outlook

- We have made no changes to our forecast 13% Revenue growth outlook given management's guidance of double-digit growth.
- FY24 Adj. PBT came in £0.9m ahead of our forecast but given AO's comment that there has been a lag in the increase of some cost, notably in continuing wage inflation for those in lower paid operational roles, that they have seen as they enter FY25E, we have not changed our FY25E PBT estimate of £38.7m.
- This equates to a 3.3% PBT margin and sits broadly in the middle of £36m - £41m Adj. PBT guidance.
- Our diluted EPS forecasts have come down 3%-5% as the diluted share count came in higher than we expected at 598m (including 21m options).
- Capex of £8.3m was broadly as anticipated, as was free cashflow of £29m.

Year-end 31 Mar, £m	New forecasts			Old forecasts			% change		
	FY24	FY25E	FY26E	FY24E	FY25E	FY26E	FY24	FY25E	FY26E
<b>Revenue</b>	<b>1039.3</b>	<b>1175.5</b>	<b>1328.3</b>	<b>1038.9</b>	<b>1175.6</b>	<b>1328.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Revenue growth (%)	-8.7	13.1	13.0	-8.8	13.2	13.0			
<b>Adj EBITDA</b>	<b>60.4</b>	<b>66.6</b>	<b>79.5</b>	<b>60.0</b>	<b>65.3</b>	<b>78.0</b>	<b>0.7</b>	<b>2.0</b>	<b>1.9</b>
Adj. EBITDA margin (%)	5.8	5.7	6.0	5.8	5.6	5.9			
<b>Adj. PBTA</b>	<b>34.3</b>	<b>38.7</b>	<b>51.6</b>	<b>33.4</b>	<b>38.7</b>	<b>51.5</b>	<b>2.8</b>	<b>0.0</b>	<b>0.2</b>
Adj. PBT margin (%)	3.3	3.3	3.9	3.2	3.3	3.9			
<b>Adjusted diluted EPS (p)</b>	<b>4.1</b>	<b>4.9</b>	<b>6.5</b>	<b>4.3</b>	<b>5.0</b>	<b>6.7</b>	<b>-4.9</b>	<b>-3.7</b>	<b>-3.5</b>
Adj. EPS growth (%)	110.0	17.6	33.2	120.8	16.1	32.9			
Capex	8.3	11.5	13.0	8.0	11.5	13.0	3.7	0.0	0.0
Free cashflow	29.2	32.3	42.3	32.0	32.8	42.6	-8.6	-1.4	-0.7
<b>Net financial (debt) /cash</b>	<b>38.0</b>	<b>70.3</b>	<b>112.7</b>	<b>41.4</b>	<b>74.2</b>	<b>116.8</b>			
Total net debt incl leases (IFRS 16)	(30.8)	(0.4)	39.9	(24.8)	6.1	46.8			
Net financial debt (cash)/ EBITDA (x)	-0.6	-1.1	-1.4	-0.7	-1.1	-1.5			
Total net debt (cash) / EBITDA (IFRS 16) (x)	0.5	0.0	-0.5	0.4	-0.1	-0.6			

Source: Company historic data, ED forecasts and analysis

### Key growth and margin metrics

Year-end 31 Mar, £m	FY20	FY21	FY22	FY23	FY24	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	-8.7	13.1	13.0	13.0
Gross profit growth (%)	16.6	64.5	-9.9	-9.5	2.1	12.1	12.0	12.0
Adj. EBITDA growth (%)	51.2	236.0	-65.3	106.3	30.8	10.2	19.4	18.5
Adj. Operating profit (%)	-67.2	-2200.5	-115.5	-375.8	111.7	15.1	27.0	24.4
Adj. PBT growth (%)	-123.3	913.7	-130.3	-233.7	178.9	12.9	33.2	29.0
Adj. EPS growth (%)				-577.5	110.0	17.6	33.2	29.0
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	5.7	6.0	6.3
Adj. Operating margin (%)	-0.2	2.4	-0.5	1.5	3.5	3.5	4.0	4.4
<b>Adj. PBT margin (%)</b>	<b>0.3</b>	<b>1.8</b>	<b>-0.7</b>	<b>1.1</b>	<b>3.3</b>	<b>3.3</b>	<b>3.9</b>	<b>4.4</b>
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	5.0	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	19.0	18.4
Op costs excl D&A /sales (%)	15.3	13.8	17.7	16.9	17.7	17.5	17.0	16.5

Source: Company historic data, ED forecasts and analysis

Revenue analysis								
Year-end 31 Mar, £m	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Product revenue	692.8	1200.3	1114.4	874.8	798.3	894	1010	1142
Service revenue	35.0	54.0	50.3	56.2	63.1	72	81	92
Commission revenue	143.3	146.0	156.8	156.4	128.1	154	174	196
Logistics revenue	16.6	16.5	22.7	27.6	27.6	31	35	39
Recycling revenue	13.5	17.7	24.1	23.6	22.3	25	28	32
<b>Total UK revenue</b>	<b>901.2</b>	<b>1,434.5</b>	<b>1,368.3</b>	<b>1,138.6</b>	<b>1,039.3</b>	<b>1,175.5</b>	<b>1,328.3</b>	<b>1,501.0</b>
Product revenue	10.2	73.3	(7.2)	(21.5)	(8.8)	12.0	13.0	13.0
Service revenue	16.3	54.3	(6.9)	11.7	12.3	14.0	13.0	13.0
Commission revenue	134.2	1.9	7.4	(0.3)	(18.1)	20.0	13.0	13.0
Logistics revenue	8.5	(0.6)	37.6	21.6	0.0	12.0	13.0	13.0
Recycling revenue	(5.6)	31.1	36.2	(2.1)	(5.5)	12.0	13.0	13.0
<b>UK revenue growth (%)</b>	<b>20.3</b>	<b>59.2</b>	<b>(4.6)</b>	<b>(16.8)</b>	<b>(8.7)</b>	<b>13.1</b>	<b>13.0</b>	<b>13.0</b>
Product revenue	77	84	81	77	77	76	76	76
Service revenue	4	4	4	5	6	6	6	6
Commission revenue	16	10	11	14	12	13	13	13
Logistics revenue	2	1	2	2	3	3	3	3
Recycling revenue	1	1	2	2	2	2	2	2
<b>Contribution to UK revenue</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: Company historic data, ED forecasts and analysis

**Profit & Loss Summary: Revenue to operating profit**

Year-end 31 Mar, £m	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Group revenue</b>	<b>1045.7</b>	<b>1660.9</b>	<b>1,368.3</b>	<b>1,138.6</b>	<b>1,039.3</b>	<b>1,175.5</b>	<b>1,328.3</b>	<b>1,501.0</b>
Cost of sales	(867.9)	(1,368.4)	(1,104.9)	(900.3)	(796.0)	(902.7)	(1,022.7)	(1,158.6)
<b>Gross profit</b>	<b>177.8</b>	<b>292.5</b>	<b>263.4</b>	<b>238.3</b>	<b>243.3</b>	<b>272.8</b>	<b>305.7</b>	<b>342.4</b>
Other income	1.2	0.8	1.8	0.7	0.6			
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)	(52.2)	(56.0)	(63.2)	(71.5)
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)				
<b>Total operating expenses</b>	<b>(183.3)</b>	<b>(263.6)</b>	<b>(272.7)</b>	<b>(226.4)</b>	<b>(207.7)</b>	<b>(231.2)</b>	<b>(252.7)</b>	<b>(276.5)</b>
Add back D&A	21.1	24.6	28.6	29.1	24.2	24.9	26.5	28.3
Add back Adjusting items	2.4	10.3	1.3	4.5	0.0	0.0	0.0	0.0
<b>Operating costs, Adj. ex D&amp;A</b>	<b>(159.8)</b>	<b>(228.7)</b>	<b>(242.8)</b>	<b>(192.8)</b>	<b>(183.5)</b>	<b>(206.3)</b>	<b>(226.2)</b>	<b>(248.2)</b>
<b>Adj. EBITDA</b>	<b>19.2</b>	<b>64.5</b>	<b>22.4</b>	<b>46.2</b>	<b>60.4</b>	<b>66.6</b>	<b>79.5</b>	<b>94.1</b>
<b>Adj. EBITDA (UK)</b>	<b>40.3</b>	<b>67.5</b>	<b>22.5</b>	<b>45.4</b>	<b>60.4</b>	<b>66.6</b>	<b>79.5</b>	<b>94.1</b>
Depreciation of PPE	(6.7)	(7.6)	(8.1)	(8.5)	(5.9)	(5.6)	(7.3)	(8.9)
Depreciation of ROUA	(12.2)	(14.2)	(16.7)	(18.0)	(16.0)	(16.9)	(17.5)	(18.1)
Amortisation	(2.2)	(2.8)	(3.8)	(2.6)	(2.4)	(2.4)	(1.8)	(1.4)
Depreciation & amortisation	(21.1)	(24.6)	(28.6)	(29.1)	(24.2)	(24.9)	(26.5)	(28.3)
<b>Adj. Operating profit</b>	<b>(1.9)</b>	<b>39.9</b>	<b>(6.2)</b>	<b>17.1</b>	<b>36.2</b>	<b>41.7</b>	<b>52.9</b>	<b>65.8</b>

Source: Company historic data, ED forecasts and analysis



### Profit & Loss Summary: Operating profit to EPS

Year-end 31 Mar, £m	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Adj. Operating profit</b>	<b>(1.9)</b>	<b>39.9</b>	<b>(6.2)</b>	<b>17.1</b>	<b>36.2</b>	<b>41.7</b>	<b>52.9</b>	<b>65.8</b>
Interest on financial debt	(1.9)	(9.8)	(0.6)	(2.3)	(0.9)	(0.2)	(0.0)	(0.0)
Interest on lease liabilities	(3.7)	(4.0)	(4.3)	(4.2)	(3.8)	(3.1)	(3.2)	(3.2)
Other finance costs			(0.7)	(1.2)	(1.7)	(1.7)	(1.7)	(1.7)
Interest receivable & other	10.5	4.3	2.6	2.9	4.5	2.0	3.5	5.6
Finance costs	4.9	(9.5)	(3.0)	(4.8)	(1.9)	(2.9)	(1.3)	0.7
<b>Adj. PBT</b>	<b>3.0</b>	<b>30.4</b>	<b>(9.2)</b>	<b>12.3</b>	<b>34.3</b>	<b>38.7</b>	<b>51.6</b>	<b>66.5</b>
Exceptional costs	(2.4)	(10.3)	(1.3)	(4.5)				
<b>PBT</b>	<b>0.6</b>	<b>20.1</b>	<b>(10.5)</b>	<b>7.8</b>	<b>34.3</b>	<b>38.7</b>	<b>51.6</b>	<b>66.5</b>
Tax	0.0	(3.1)	7.2	(1.2)	(9.6)	(9.7)	(12.9)	(16.6)
<b>Adj. PAT</b>	<b>3.0</b>	<b>27.3</b>	<b>(2.0)</b>	<b>11.1</b>	<b>24.7</b>	<b>29.1</b>	<b>38.7</b>	<b>49.9</b>
Reported PAT	0.6	17.0	-3.3	6.6	24.7	29.1	38.7	49.9
No of f/d shares (m)	477.3	482.0	485.6	564.5	598.2	598.2	598.2	598.2
<b>Adjusted diluted EPS (p)</b>	<b>0.6</b>	<b>5.7</b>	<b>-0.4</b>	<b>2.0</b>	<b>4.1</b>	<b>4.9</b>	<b>6.5</b>	<b>8.3</b>
<b>DPS (p)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Source: Company historic data, ED forecasts and analysis

Cashflow								
Year-end 31 Mar, £m	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Adj. EBITDA</b>	<b>19.2</b>	<b>64.6</b>	<b>8.5</b>	<b>46.2</b>	<b>60.4</b>	<b>66.6</b>	<b>79.5</b>	<b>94.1</b>
Add back SBP charge	2.0	3.3	5.8	5.3	6.7	7.4	8.8	10.4
Change in inventories	4.0	(67.6)	41.2	9.0	(6.4)	(10.7)	(12.0)	(13.6)
Change in trade receivables	(29.0)	(35.9)	(8.3)	14.7	28.8	(15.1)	(16.9)	(19.1)
Change in trade payables	19.7	162.0	(101.8)	(43.0)	(25.6)	25.1	27.7	30.7
Change in provisions	0.4	0.9	0.6	2.7	(0.6)	0.0	0.0	0.0
Working capital movement	(4.9)	59.4	(68.3)	(16.6)	(3.8)	(0.6)	(1.3)	(2.0)
Exceptionals (cash)	(2.4)	(10.3)	(0.3)					
Tax paid	0.2	(2.4)	1.7	2.2	(1.2)	(9.7)	(12.9)	(16.6)
<b>Net cash from operating activities (pre leases)</b>	<b>14.1</b>	<b>114.6</b>	<b>(52.6)</b>	<b>37.1</b>	<b>60.7</b>	<b>62.6</b>	<b>72.9</b>	<b>84.6</b>
Net financial interest paid	(1.4)	(2.3)	(1.6)	(3.5)	(2.4)	0.1	1.8	3.9
Interest paid on lease liabilities	(3.7)	(4.0)	(4.8)	(4.2)	(3.8)	(3.1)	(3.2)	(3.2)
Lease payments (principal)	(16.2)	(17.6)	(24.3)	(17.7)	(18.4)	(16.9)	(17.5)	(18.1)
Capex	(6.9)	(6.3)	(8.6)	(2.1)	(5.9)	(11.5)	(13.0)	(14.7)
M&A	(1.1)	(2.8)	(1.0)	(0.1)	(2.4)			
Disposals	0.1			0.1				
<b>Capex</b>	<b>(7.9)</b>	<b>(9.1)</b>	<b>(9.6)</b>	<b>(2.1)</b>	<b>(8.3)</b>	<b>(11.5)</b>	<b>(13.0)</b>	<b>(14.7)</b>
Discontinued ops cashflow				(7.6)	(0.1)			
<b>Free cashflow</b>	<b>(15.1)</b>	<b>81.6</b>	<b>(92.9)</b>	<b>2.0</b>	<b>29.2</b>	<b>32.3</b>	<b>42.3</b>	<b>53.9</b>
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)				
<b>Net cashflow</b>	<b>(15.5)</b>	<b>82.1</b>	<b>(92.8)</b>	<b>38.6</b>	<b>29.5</b>	<b>32.3</b>	<b>42.3</b>	<b>53.9</b>

Source: Company historic data, ED forecasts and analysis

Net debt metrics								
Year-end 31 Mar, £m	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Gross financial debt	(21.9)	0.0	(45.0)	(10.0)	(2.1)	(0.2)	(0.2)	(0.2)
Net cash	6.9	67.1	19.5	19.1	40.1	70.5	112.9	166.7
<b>Net financial (debt) / cash</b>	<b>(15.0)</b>	<b>67.1</b>	<b>(25.5)</b>	<b>9.1</b>	<b>38.0</b>	<b>70.3</b>	<b>112.7</b>	<b>166.5</b>
Leases	(84.2)	(95.3)	(108.6)	(85.3)	(68.8)	(70.7)	(72.8)	(74.9)
<b>Net (debt) / cash incl leases</b>	<b>(99.2)</b>	<b>(28.2)</b>	<b>(134.1)</b>	<b>(76.2)</b>	<b>(30.8)</b>	<b>(0.4)</b>	<b>39.9</b>	<b>91.6</b>
Net financial debt (cash) / Adj. EBITDA (x)	0.8	(1.0)	1.1	(0.2)	(0.6)	(1.1)	(1.4)	(1.8)
<b>Total net debt / (cash) / Adj. EBITDA (x)</b>	<b>5.2</b>	<b>0.4</b>	<b>6.0</b>	<b>1.6</b>	<b>0.5</b>	<b>0.0</b>	<b>(0.5)</b>	<b>(1.0)</b>

Source: Company historic data, ED forecasts and analysis

Balance Sheet: Assets								
Year-end 31 Mar, £m	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Property, plant and equipment	29.3	32.8	32.7	20.9	20.1	26.0	31.7	37.5
Right of use assets	64.7	74.3	86.6	69.4	56.2	58.2	60.3	62.4
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	9.6	7.2	5.4	4.1
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	90.0	90.0	90.0	90.0
Deferred tax assets	4.6	5.6	9.0	8.3	2.9	2.9	2.9	2.9
<b>Non-current assets</b>	<b>222.4</b>	<b>241.8</b>	<b>261.1</b>	<b>229.7</b>	<b>207.1</b>	<b>212.5</b>	<b>218.5</b>	<b>225.1</b>
Inventories	72.7	139.6	97.0	73.1	79.5	90.2	102.1	115.7
Trade and other receivables	134.9	166.2	169.7	137.8	115.1	130.2	147.1	166.2
Current tax assets	1.0	1.0	1.9	0.6	0.0	0.0	0.0	0.0
Cash & cash equivalents	6.9	67.1	19.5	19.1	40.1	70.5	112.9	166.7
<b>Current assets</b>	<b>215.5</b>	<b>373.9</b>	<b>288.1</b>	<b>230.6</b>	<b>234.7</b>	<b>290.9</b>	<b>362.1</b>	<b>448.7</b>

Source: Company historic data, ED forecasts and analysis

**Balance Sheet: Liabilities**

Year-end 31 Mar, £m	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Bank overdraft & s/t loans	(5.2)	0.0	(45.0)	(10.0)	(0.2)	(0.2)	(0.2)	(0.2)
Trade payables and other liabilities	(249.6)	(411.4)	(313.9)	(249.5)	(225.6)	(250.7)	(278.4)	(309.1)
Lease liabilities	(16.1)	(21.4)	(20.3)	(17.8)	(16.9)	(16.9)	(16.9)	(16.9)
Other tax liabilities					(0.6)	(0.6)	(0.6)	(0.6)
Provisions	(0.7)	(0.1)	(0.4)	(1.2)	(0.6)	(0.6)	(0.6)	(0.6)
Other financial liabilities	(0.2)							
<b>Current liabilities</b>	<b>(271.8)</b>	<b>(432.9)</b>	<b>(379.6)</b>	<b>(278.5)</b>	<b>(243.9)</b>	<b>(269.0)</b>	<b>(296.7)</b>	<b>(327.4)</b>
<b>Capital employed</b>	<b>166.1</b>	<b>182.8</b>	<b>169.6</b>	<b>181.8</b>	<b>197.9</b>	<b>234.4</b>	<b>284.0</b>	<b>346.4</b>
Bank borrowings	(16.7)				(1.9)			
Lease liabilities	(68.1)	(73.9)	(88.3)	(67.5)	(51.9)	(53.8)	(55.9)	(58.0)
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)	(3.9)	(3.9)	(3.9)	(3.9)
Trade and other payables	(7.5)	(7.9)	(6.4)	(4.8)	(2.5)	(2.5)	(2.5)	(2.5)
Other financial liabilities	(0.8)							
<b>Non-current liabilities</b>	<b>(97.6)</b>	<b>(86.4)</b>	<b>(97.2)</b>	<b>(76.1)</b>	<b>(60.1)</b>	<b>(60.2)</b>	<b>(62.3)</b>	<b>(64.4)</b>
<b>Net assets</b>	<b>68.5</b>	<b>96.4</b>	<b>72.4</b>	<b>105.7</b>	<b>137.8</b>	<b>174.2</b>	<b>221.7</b>	<b>282.1</b>
<b>Shareholders' funds</b>	<b>68.6</b>	<b>96.4</b>	<b>72.4</b>	<b>105.7</b>	<b>137.8</b>	<b>174.2</b>	<b>221.7</b>	<b>282.1</b>

Source: Company historic data, ED forecasts and analysis



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