

# KINGFISHER PLC FINAL RESULTS

Year ended 31 January 2017



Kingfisher

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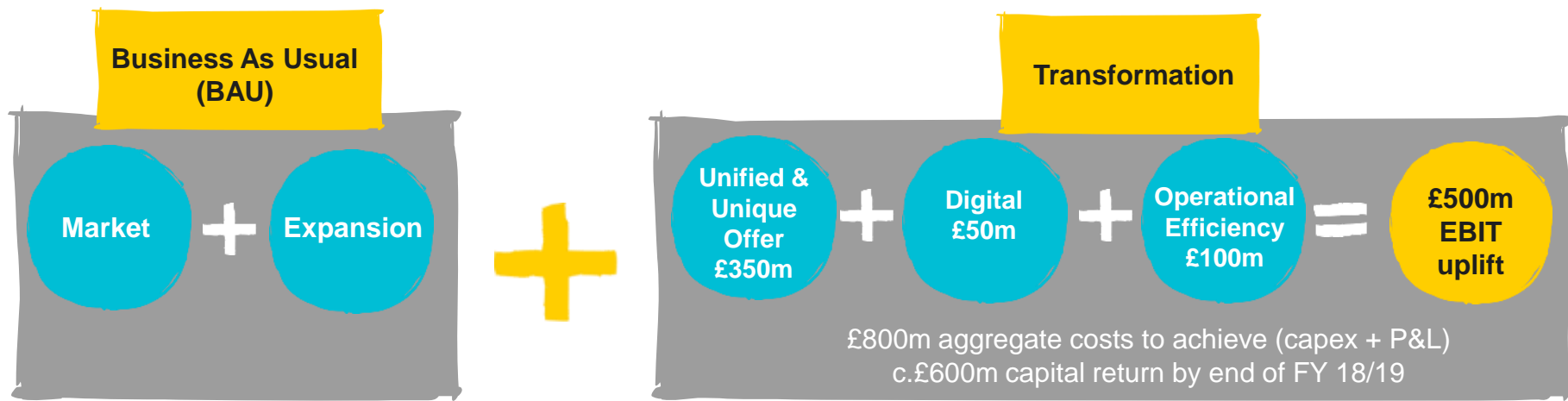
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The Company does not undertake any obligation to update or revise any forward-looking statement to reflect any change in circumstances or in the Company's expectations.



# Our 5 year plan to FY 20/21: a reminder of what we announced a year ago

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# Where we are, one year in

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## Year 1

Group results ahead on all key metrics

Strong financial position

Delivered key Year 1 strategic milestones

## Year 2 & beyond

Well set up for Year 2

Learned a lot, aware of the challenges

Reaffirming 5 year targets, remain confident in size of the prize



A family portrait of a mother, father, and young child with a dog in a rustic room. The mother is wearing a blue and white patterned dress, the father is wearing a grey t-shirt with a 'NURSERY' logo, and the child is wearing a pink shirt and blue overalls. A large blue circle with the text 'Year 1' is overlaid on the left side of the image. The background shows a doorway with a chandelier, a white chair with a backpack, and a table with a brown cloth.

Year 1

# Financial summary: income statement

	FY 16/17	FY 15/16	% YOY
Adjusted sales (£m) <sup>(1)</sup>	11,225	10,331	+1.7 <sup>(2)</sup>
Retail profit (£m) <sup>(1) (3)</sup>	847	746	+6.1 <sup>(2)</sup>
Underlying PBT (£m) <sup>(1) (3)</sup>	787	686	+14.7
Adjusted PBT (£m) <sup>(1) (4)</sup>	743	686	+8.3
Statutory PBT (£m)	759	512	+48.2
Effective tax rate <sup>(5)</sup>	26%	26%	-
Underlying basic EPS (p) <sup>(1) (3)</sup>	25.9	22.0	+17.7
Adjusted basic EPS (p) <sup>(1) (4)</sup>	24.4	22.0	+10.9

(1) Excluding China

(2) In constant currencies

(3) Before transformation costs, exceptional items, FFVR, related tax items and tax on prior year items

(4) Before exceptional items, FFVR, related tax items and tax on prior year items

(5) Before exceptional items, related tax items and tax on prior year items



# Year 1 PBT bridge

## Underlying profit

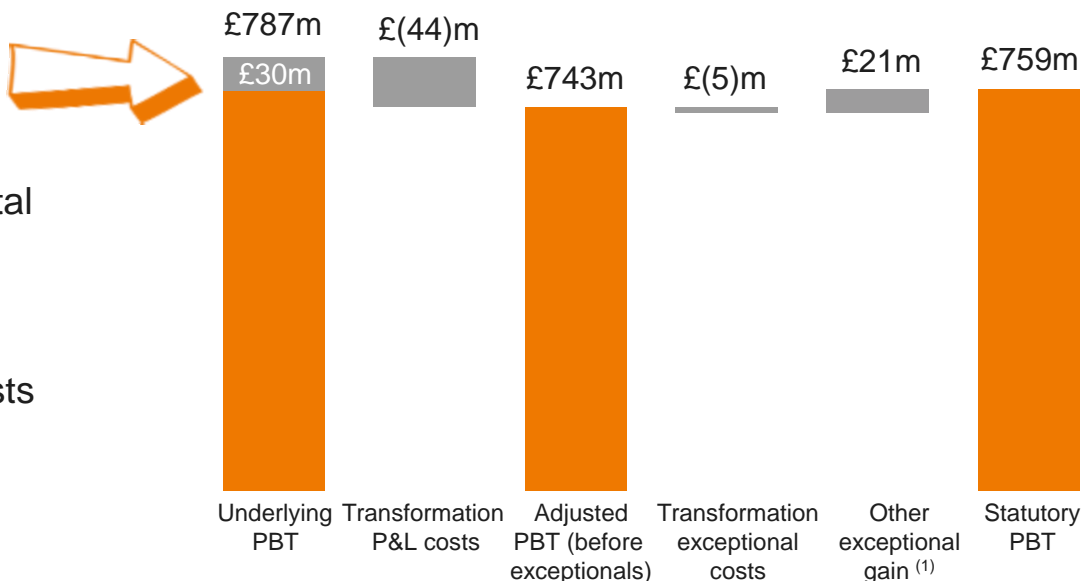
- Operational efficiency GNFR delivering earlier than plan

## Transformation P&L costs

- Driven by Unified & Unique Offer & Digital

## Exceptionals

- Few initial transformation exceptional costs reflecting lower reorganisation costs
- Overall exceptional gain driven by B&Q store closure provision release



(1) Net of £1m FFVR

# Group operational highlights

## UK & Ireland

LFL +5.9%

RP +9.9%

## France

LFL (2.7)%

RP (0.3)%

## Other International (established)

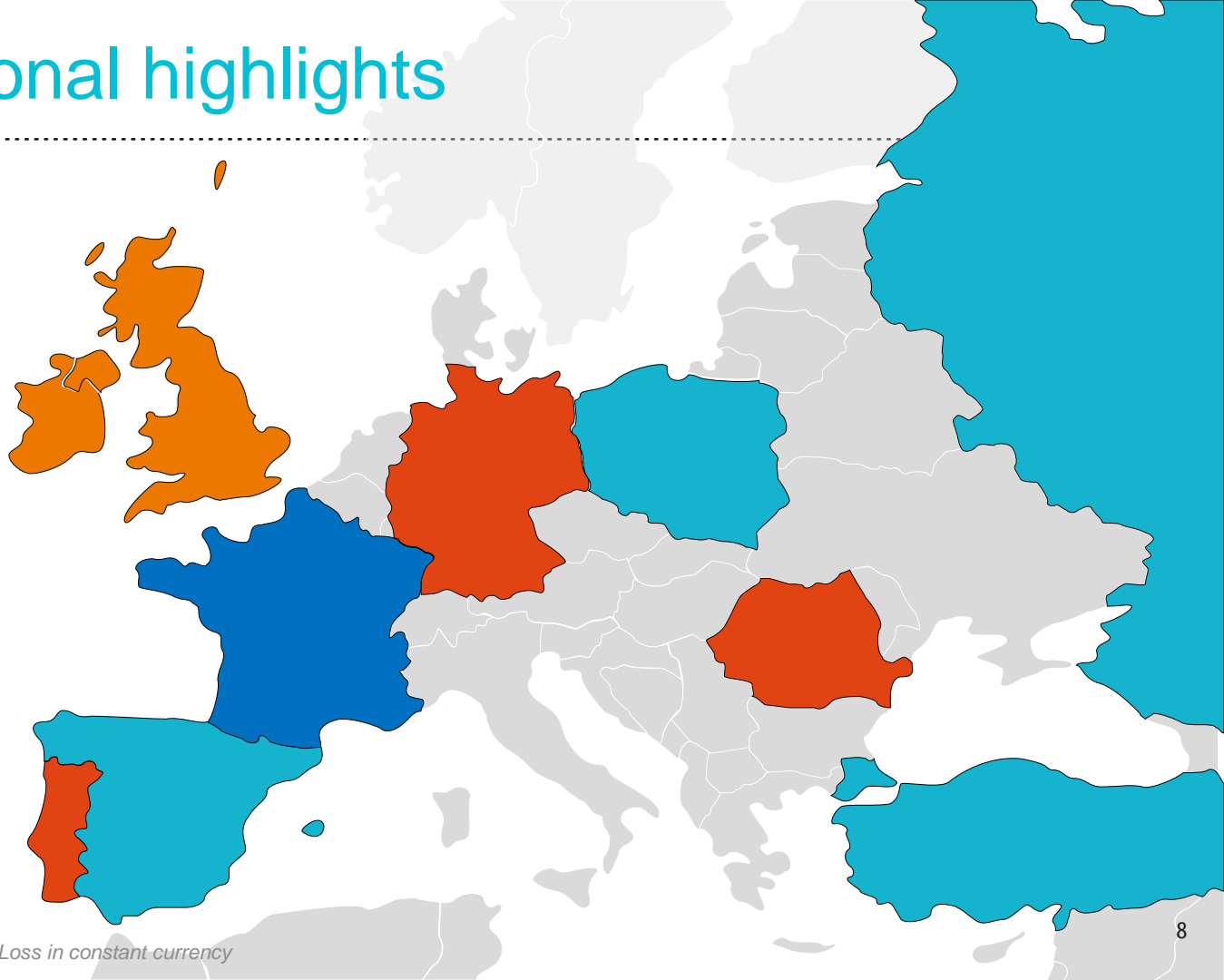
LFL +4.9%

RP +9.7%

## New country development

LFL +8.2%

RL £(16)m



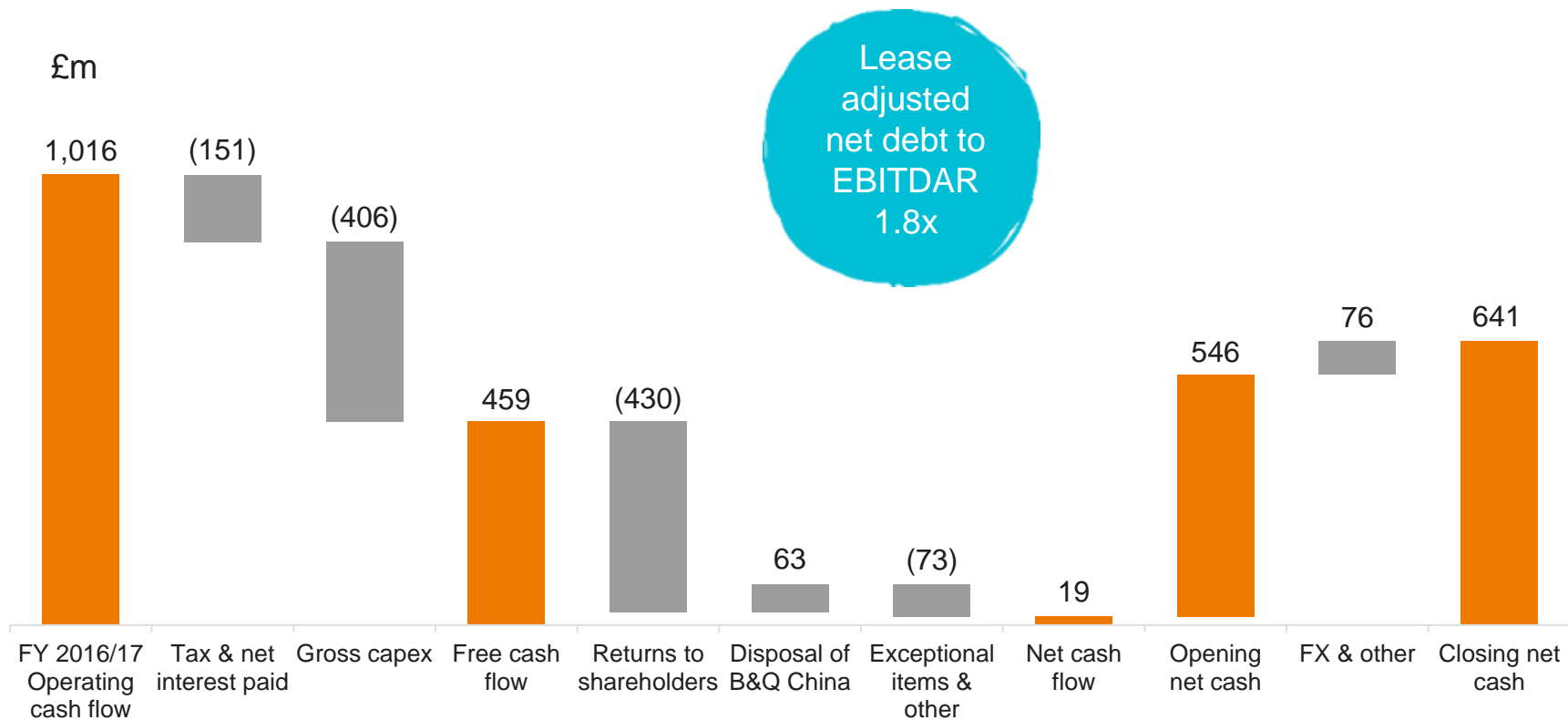


# Financial summary: cash and returns

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	FY 16/17	FY 15/16	YOY
Free cash flow (£m)	459	483	n/a
Net cash (£m)	641	546	n/a
Lease adjusted ROCE	12.5%	12.3%	+20bps
Full year ordinary dividend (p)	10.4	10.1	+3.0%
Share buyback (£m)	200	200	n/a

# Uses of operating cash flow



# Delivered key Year 1 strategic milestones

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Unified &  
Unique  
Offer

Achieve 4% unified COGS  
Deliver Offer & Supply Chain Organisation (OSC)



Digital

Complete unified IT platform roll out in B&Q <sup>(1)</sup> and start  
Castorama France roll out  
Build Digital 'Brilliant Basics' platform for B&Q



Operational  
Efficiency

Complete closure of c.15% surplus space at B&Q  
Deliver £20m benefits from unified GNFR programme



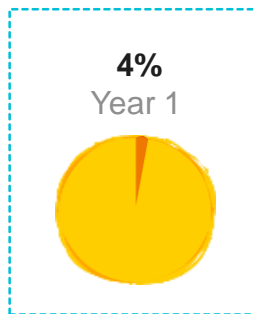
(1) Substantially complete



# Unified ranges: where we are

Unified &  
Unique  
Offer

Cumulative roll-out  
% unified COGS <sup>(1)</sup>



Year 1 delivered 4% across the year; exit rate 8%

- Unified sales, excluding clearance, slightly ahead of last year
- Cost of change and CPR <sup>(2)</sup> in line with expectations
- SKUs <sup>(3)</sup> down to 7k from 28k, suppliers down to 130 from 840
- No less choice for customers

Plans in place to deliver 20% in Year 2; gearing up for Year 3

*(1) Costs of Goods Sold; (2) Cost Price Reduction; (3) Stock Keeping Unit*



# First unique ranges landing in stores starting with outdoor and bathroom

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Based on deep understanding of customer insights

We have started to control our end to end process

We will own IP, design, quality and specifications








UNIQUE  
bathroom  
storage

Stylish, easy to  
clean

Makes the most  
of limited space  
from floor to  
ceiling

Fully  
modular, mix  
and match

Affordable,  
best quality

The image shows a modern garden shed with a corrugated metal roof and dark grey vertical siding. The shed's double doors are open, revealing a well-organized interior with various tools like a broom, a shovel, and a wheelbarrow hanging on the walls. To the right of the shed is a dark grey fence with a decorative lattice panel. The scene is set in a garden with green plants and a clear blue sky.

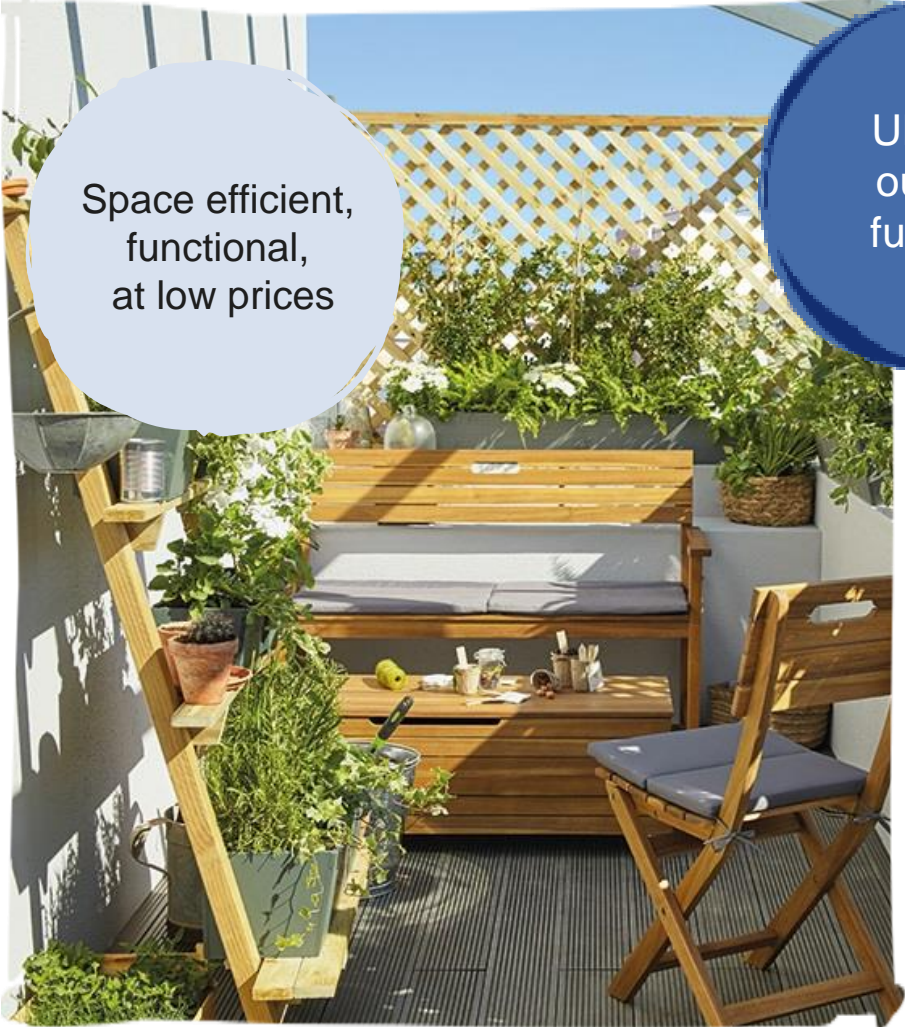
UNIQUE  
garden sheds  
and fencing

Long lasting,  
functional sheds

Easy to  
assemble, low  
maintenance

Mix and match  
modular fencing





Space efficient,  
functional,  
at low prices



UNIQUE  
outdoor  
furniture

Mix and  
match, low  
maintenance

# Where we are, one year in

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## Year 2 & beyond

Well set up for Year 2

Learned a lot, aware of the challenges

Reaffirming 5 year targets, remain confident in size of the prize





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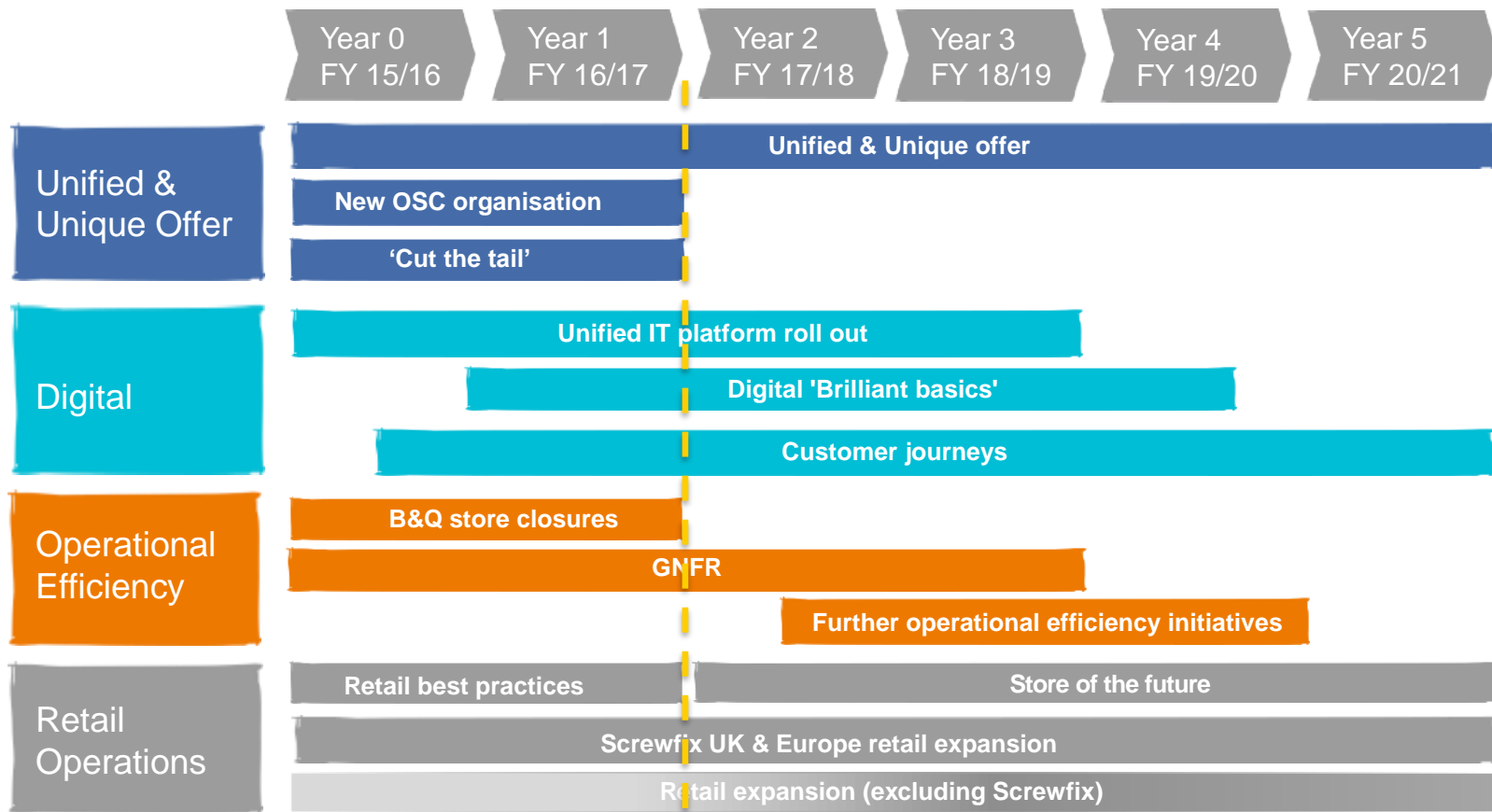




A woman with brown hair in a ponytail, wearing a grey denim shirt and black leggings, is sitting on a white plastic chair at a white table. She is writing with a black pen on a piece of paper. On the table, there is a white mug with a floral pattern. To her left, there are white shelves with various items: books, a green vase with red flowers, a framed picture, and a small plant. A black printer is on the floor next to the shelves. The background shows a large window with a view of a garden and a house. The scene is brightly lit by natural light.

Year 2 &  
beyond

# Clear long term roadmap



# Well set up to deliver Year 2 alongside preparing for Year 3

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Unified & Unique Offer	Deliver 20% unified COGS, prepare for Year 3
Digital	Deliver Year 2 of 3 year unified IT platform roll out, prepare for Year 3 Continue to roll out Brilliant Basics platform and develop customer journeys
Operational Efficiency	Unified GNFR programme - deliver benefits for Year 2, prepare for Year 3 Start detailed design of future operating model
Retail Operations	Start to develop store concept of the future Open 50 Screwfix outlets in the UK

# Key learnings taken on board, aware of the challenges

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(1) A display that shows how and where specific retail products should be placed on retail shelves or displays

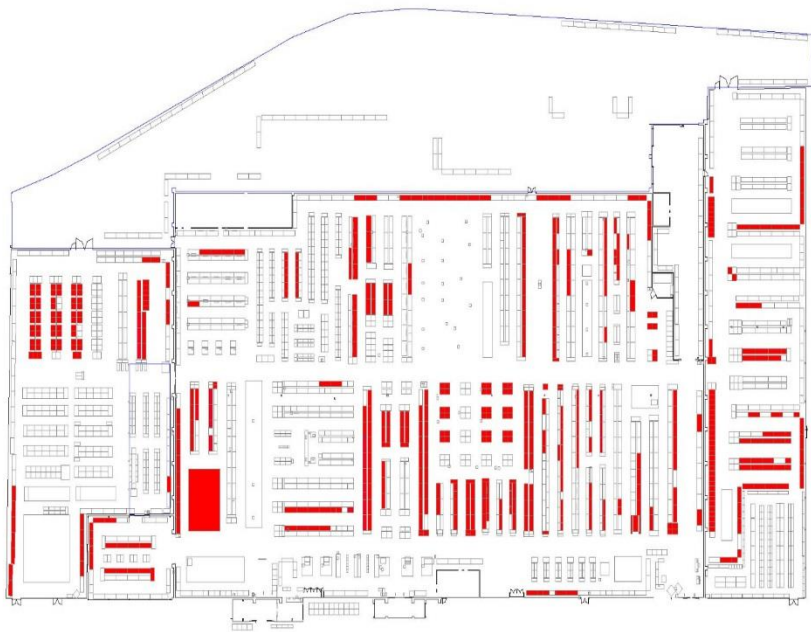


# Scale of unified & unique change for Year 2

Year 1: 3% (1) space



Year 2: 25% space



Green areas implemented in FY 16/17; Red areas to be implemented FY 17/18  
(1) Not including local range changes



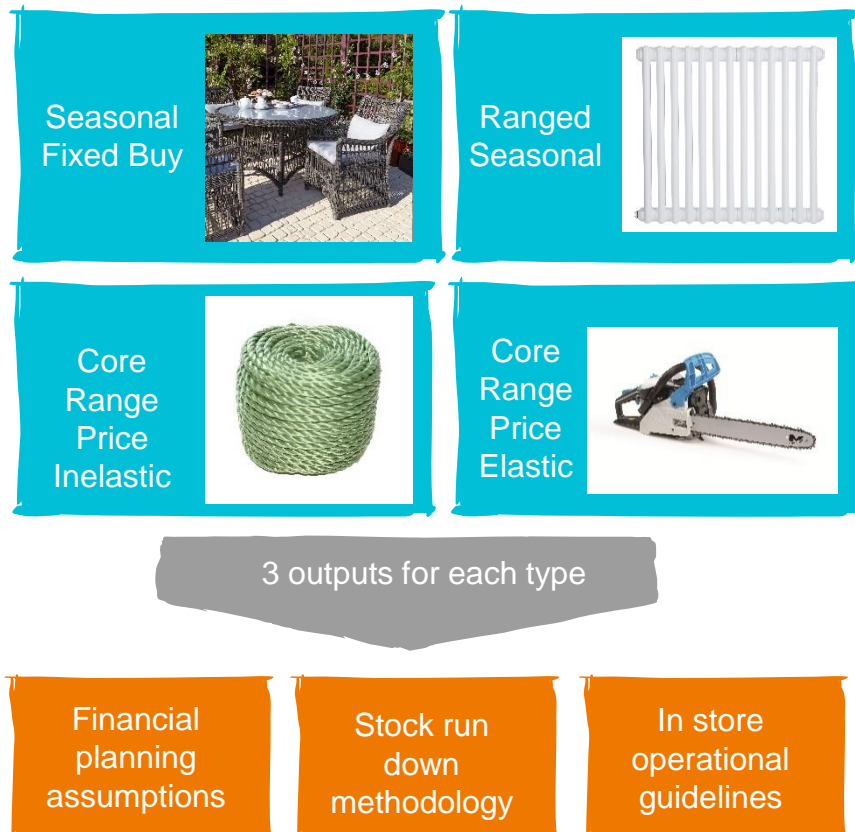
# Clearing of old ranges to make way for new ranges

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Generated group best practice 'the playbook' covering our four range types

- To maximise customer availability and proposition
- To support a consistent approach
- To minimise financial cost

Clearance has started, on track so far



# Remerchandising of new ranges

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## Merchandising planograms<sup>(1)</sup>

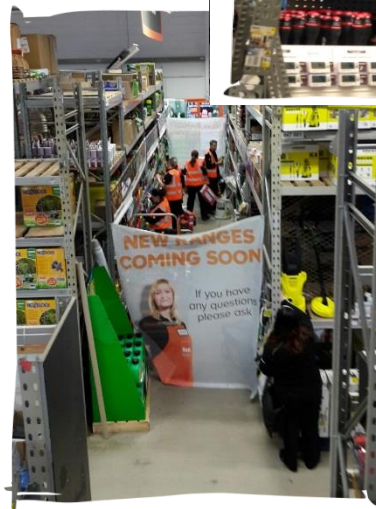
- Generated and adapted across our diversified store estate

## Physical store implementation

- Generated group best practice to cope with volume of range change e.g. MET<sup>(2)</sup> teams at B&Q
- Resourcing plans in place

## Central support functions

- Resourcing in place to manage volume of change to POS<sup>(3)</sup> and product data

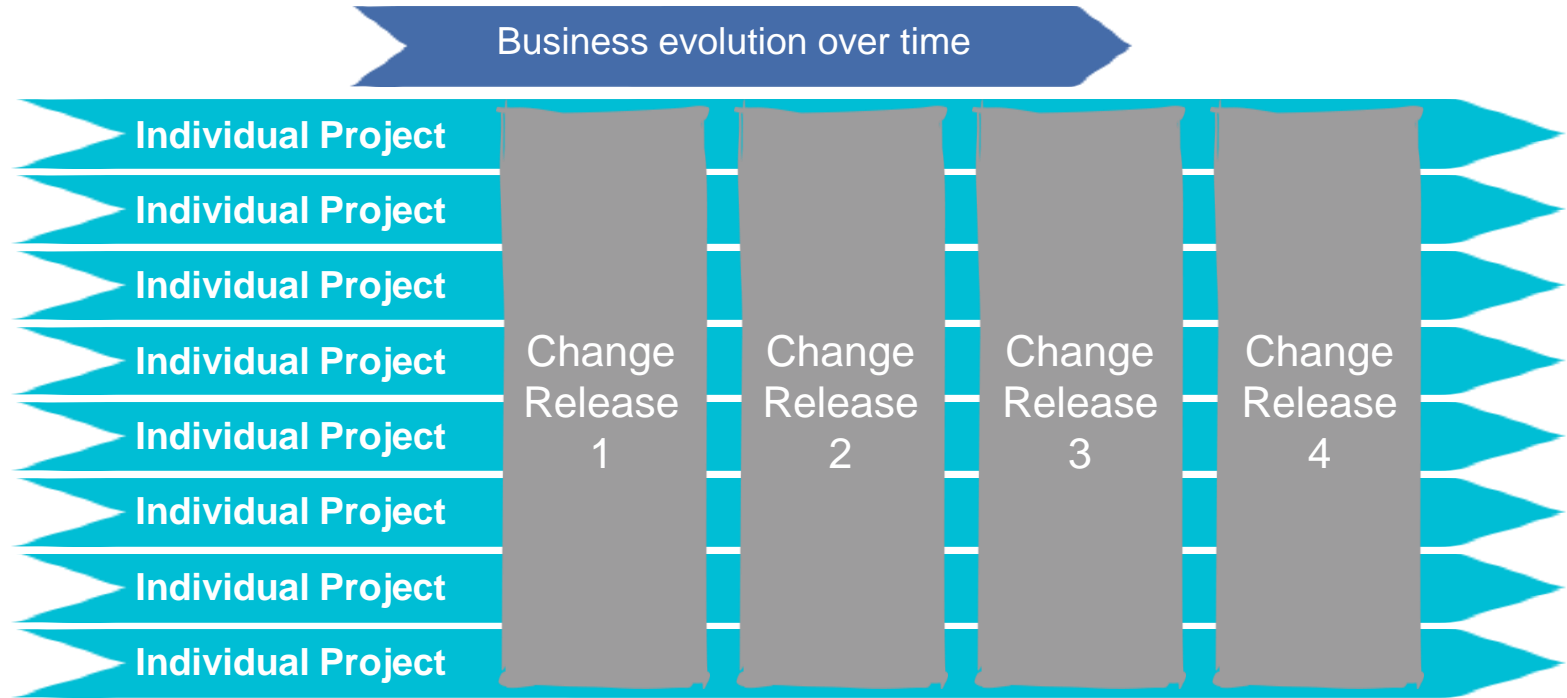


(1) A display that shows how and where specific retail products should be placed on retail shelves/displays

(2) Merchandising execution teams

(3) Point of Sale

# Phasing the volume of transformation change



- Transformation broken down into a series of sequential 'change releases'
- Each release will comprise detailed organisation, process & system changes

# France - where we are today

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- Strong number 2 market position covering c.80% of French households
- Well invested store estate
- Generating strong returns <sup>(1)</sup>
- Delivered broadly flat FY 16/17 profits despite weaker sales vs market <sup>(2)</sup>



(1) Lease adjusted ROCE of 14.8% FY 16/17

(2) Compared to Banque de France data and Ministry of Housing data on new private housing starts and planning permits

# ONE Kingfisher plan will drive our France business under ONE approach

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## Pricing

Reinvest some of our unified offer CPR <sup>(1)</sup> benefits in price making home improvement more affordable

## Proposition

Over 50% new unified and unique ranges by end of next year e.g. bathroom storage arriving in France first

## Digital

IT platform landing in Castorama enabling Brilliant Basics e.g. new mobile and site search

Supported  
by further  
GNFR  
benefits

(1) Cost Price Reduction





# Year 2 strategic milestones

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Unified &  
Unique  
Offer

Achieve 20% unified COGS

Digital

Deliver Year 2 of 3 year unified IT platform roll out alongside Brilliant Basics

Operational  
Efficiency

Deliver a further £20m benefits from unified GNFR programme

# Year 2 PBT guidance

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## Underlying profit

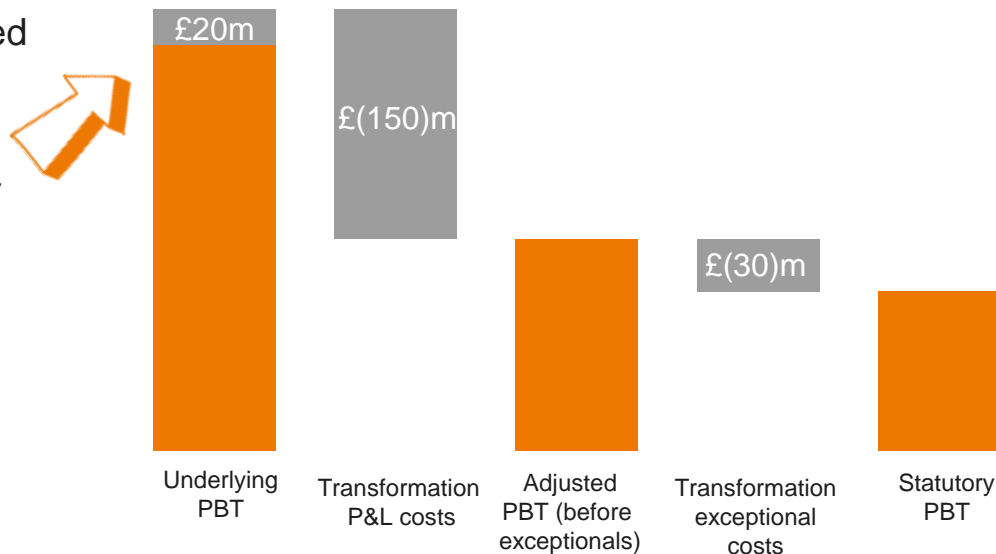
- Broadly flat gross margins assuming Unified & Unique offer CPR <sup>(1)</sup> benefits offset by clearance and price investment
- Up to a further £20m operational efficiency benefits

## Transformation P&L costs

- Up to £150m driven by Unique & Unified Offer range implementation & Digital

## Transformation exceptionals

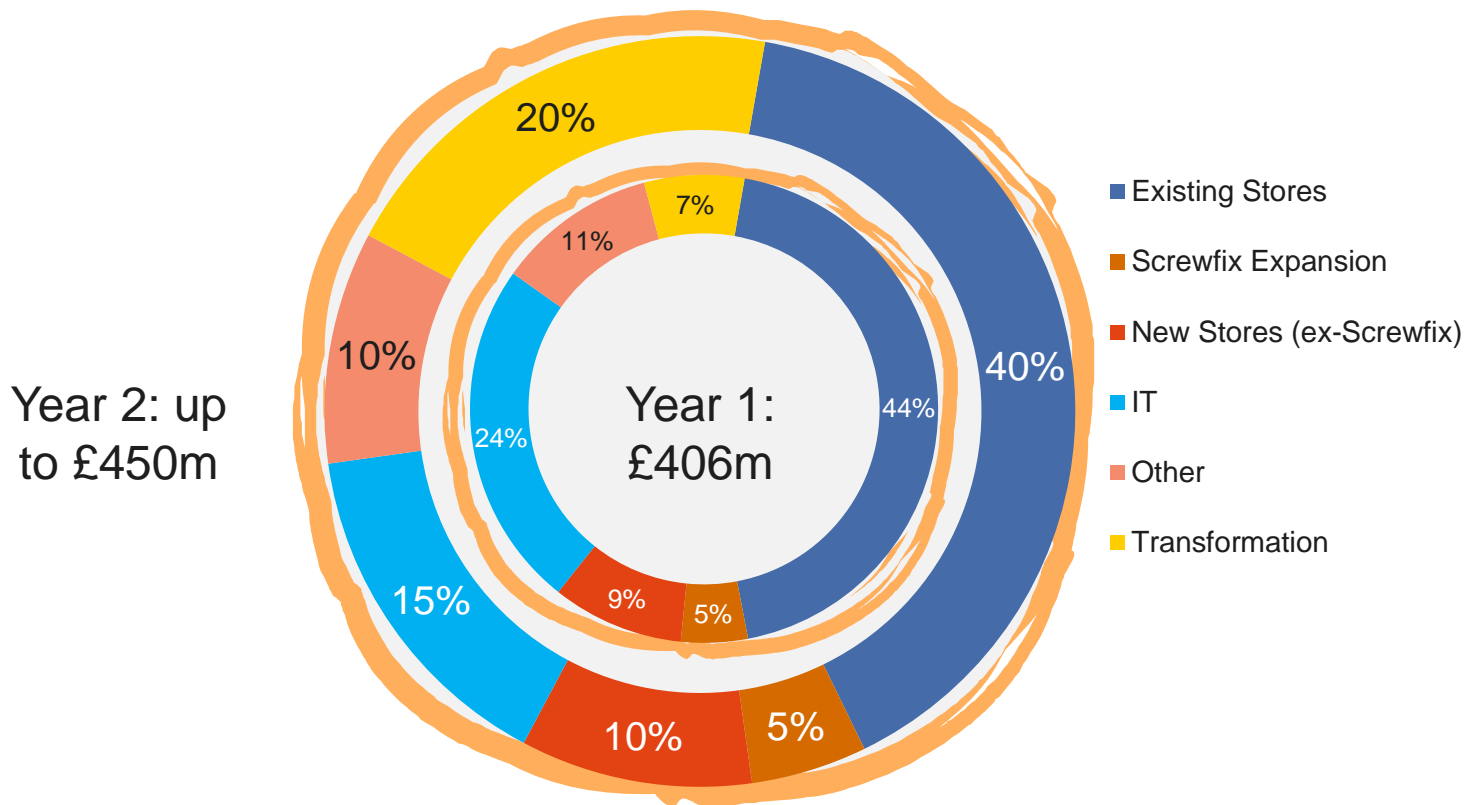
- Up to £30m driven by further reorganisation costs



(1) Cost Price Reduction

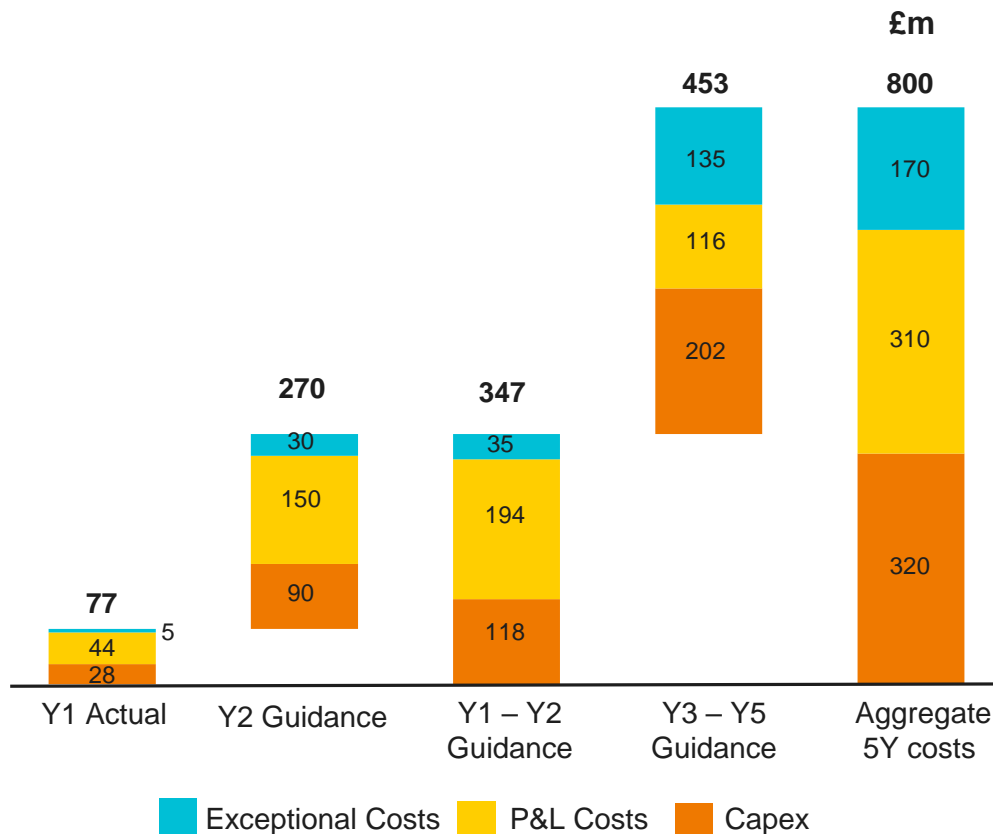
# Year 2 total capex guidance

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# Reaffirming 5 Year plan targets

- £800m total 5 year transformation costs<sup>(1)</sup>
  - Updated shape between P&L and exceptionals
  - Phasing of costs
    - P&L and capex still expected to be incurred largely in first 3 years
    - Exceptionals now expected to be incurred over 4 years (previously 3 years)
- £500m sustainable EBIT uplift by end of Year 5
- c.£600m capital return by end of FY 2018/19



<sup>(1)</sup> Transformation costs include P&L, exceptional & capex

# Where we are, one year in

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# Summary

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1:

Solid year of delivery and key learnings

2:

Confident but aware of challenges ahead, well set up

3:

Outlook – UK uncertain; France cautious

4:

Reaffirming 5 year targets, remain confident in the size of the prize



# Cautionary note regarding forward looking statements

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Questions

# FY 17/18 technical guidance

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## Income statement:

- Broadly flat gross margin assuming Unified & Unique Offer CPR benefits are offset by some price reinvestment and clearance
- Underlying profit expected to include up to a further £20m operational efficiency benefits
- Transformation P&L costs of c.£310m (previously £220m) over 5 years to FY 20/21, to be mostly incurred over first 3 years. FY 17/18 expected to be c.£150m
- Transformation exceptional costs of c.£170m (previously £270m) over 5 years to FY 20/21, to be incurred over first 4 years (previously 3 years). FY 17/18 transformation exceptional costs expected to be c.£30m
- c.1% LFL sales transference benefit from B&Q store closures
- Retail losses from new country development activity expected to be c.£15m driven by Screwfix Europe
- Group interest charge expected to be c.£5m (excluding FFVR and exceptionals)
- Effective tax rate expected to be around 26%, subject to the blend of profit within the companies' various jurisdictions

## Cash flow:

- Total capex including transformation of c.£450m total capex for FY 17/18
- Capital return of c.£600m by the end of FY 18/19 expected to be via share buyback (£200m completed in FY 16/17)

# Net debt to EBITDAR reconciliation

	FY 16/17 £m	FY 15/16 <sup>(1)</sup> £m
EBITDA <sup>(2)</sup>	1,008	941
Property operating lease rentals	399	402
EBITDAR	1,407	1,343
Net cash	(641)	(546)
Property operating lease rentals (8x) <sup>(3)</sup>	3,192	3,216
Lease adjusted net debt	2,551	2,670
Lease adjusted net debt to EBITDAR	1.8	2.0

(1) Excludes contribution from China following disposal of controlling 70% stake in April 2015

(2) Retail profit less central and transformation P&L costs before depreciation and amortisation

(3) Kingfisher believes 8x is a reasonable industry standard for estimating the economic value of its leased assets





# Lease adjusted ROCE by division

	Sales £bn	Proportion of Group sales	Capital employed (CE) £bn	<b>ROCE FY 16/17</b>	ROCE FY 15/16
UK & Ireland	5.0	44%	3.8	<b>13.3%</b>	13.1%
France	4.2	38%	1.9	<b>14.8%</b>	14.1%
Other International	2.0	18%	1.2	<b>11.1%</b>	10.2%
<b>Total</b>	<b>11.2</b>		<b>6.9</b>	<b>12.5%</b>	12.3%

# ADR programme

Kingfisher ADRs trade on OTCQX – the premier tier of the U.S. over-the-counter market under the following information:

Symbol	KGFHY
CUSIP	495724403
Ratio	1 ADR : 2 ORDs
Country	United Kingdom
Effective Date	Jan 01, 1986
Underlying SEDOL	3319521
Underlying ISIN	GB0033195214
Depository	Citi

Benefits of ADRs to U.S. investors:

- Clear and settle according to normal U.S. standards
- Offer the convenience of stock quotes and dividend payments in U.S. dollars
- Can be purchased/sold in the same way as other U.S. stocks via a U.S. broker
- Provide a cost-effective means of international portfolio diversification

For questions about creating Kingfisher ADRs, please contact Citi:

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