



Kingfisher

KINGFISHER PLC HALF YEAR RESULTS

6 months to 31 July 2017



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Well positioned in an attractive market, strong foundations for ONE Kingfisher

The European Home Improvement market

320m⁽¹⁾
homes

£240bn⁽¹⁾
market

60%⁽¹⁾ do
some home
improvement
every year

Customer
needs more
similar than
different

Kingfisher

No 1 or 2
in UK,
France &
Poland⁽²⁾

c. £7bn
buying
scale

Highly
cash
generative

Strong
balance
sheet, £3.4bn
property
valuation⁽³⁾

Returning
capital to
shareholders

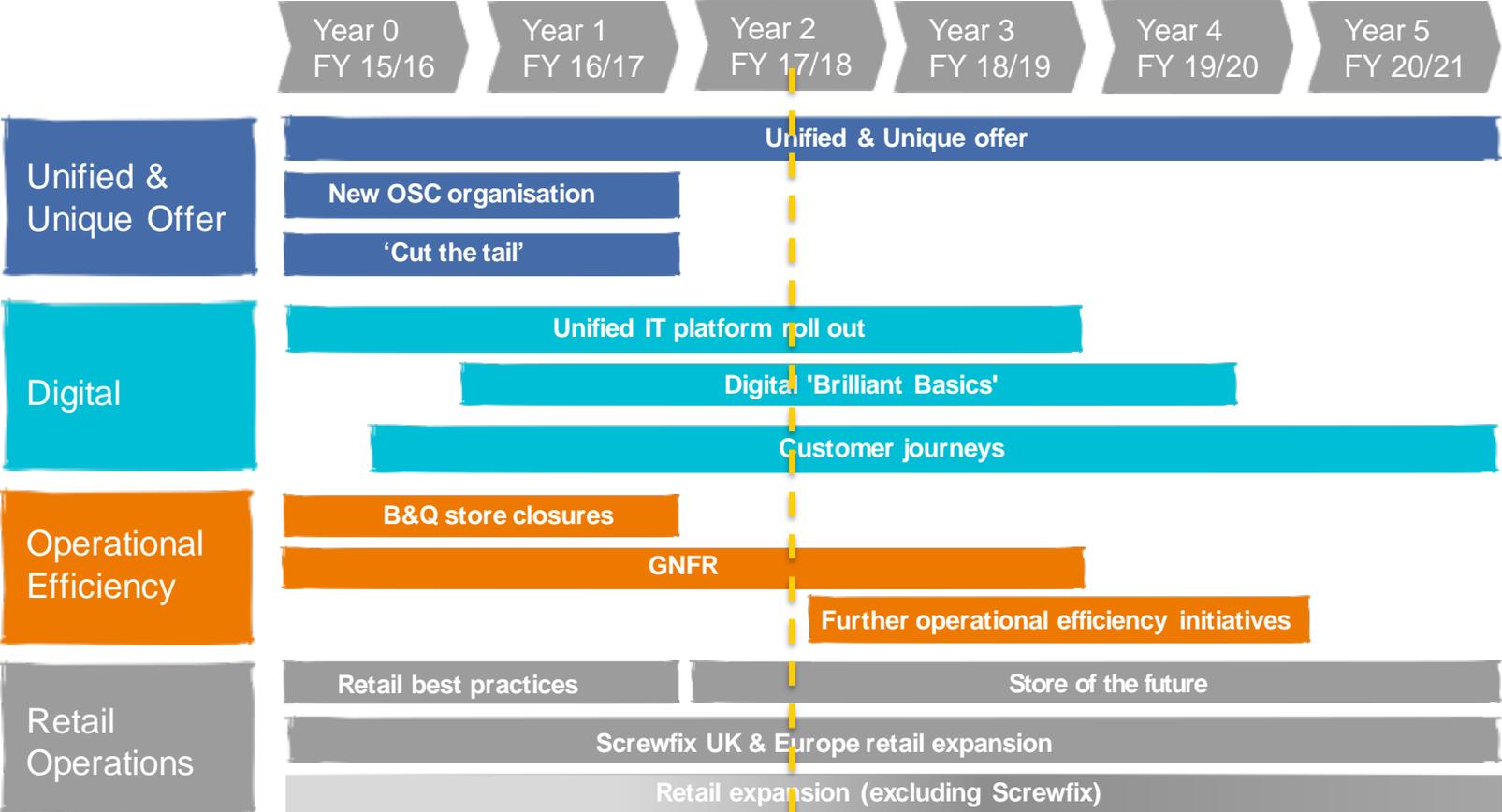
(1) As per FY 2014/15 results, adjusted for inflation as applicable

(2) UK, France & Poland represent >90% of group sales

(3) Valuation based on sale and leaseback with Kingfisher in occupancy (FY 16/17)



Clear long term roadmap: a reminder



H1 financial summary: income statement

	2017/18	2016/17	Change YOY
Sales (£m)	6,008	5,749	(1.3)% ⁽¹⁾
Gross margin	37%	37%	-
Retail profit (£m) ⁽²⁾	467	464	(4.6)% ⁽¹⁾
Underlying PBT (£m) ⁽²⁾	440	436	+0.9%
Adjusted PBT (£m) ⁽³⁾	394	418	(5.7)%
Statutory PBT (£m)	402	427	(5.9)%
Effective tax rate ⁽⁴⁾	27%	26%	(1)%
Underlying basic EPS (p) ⁽²⁾	14.5	14.2	+2.1%
Adjusted basic EPS (p) ⁽³⁾	13.0	13.6	(4.4)%

(1) In constant currencies

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

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

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



H1 group operational summary

UK & Ireland

LFL +1.1%

RP +1.7%

France

LFL (4.6)%

RP (14.6)%

Other International

(established)

LFL +0.1%

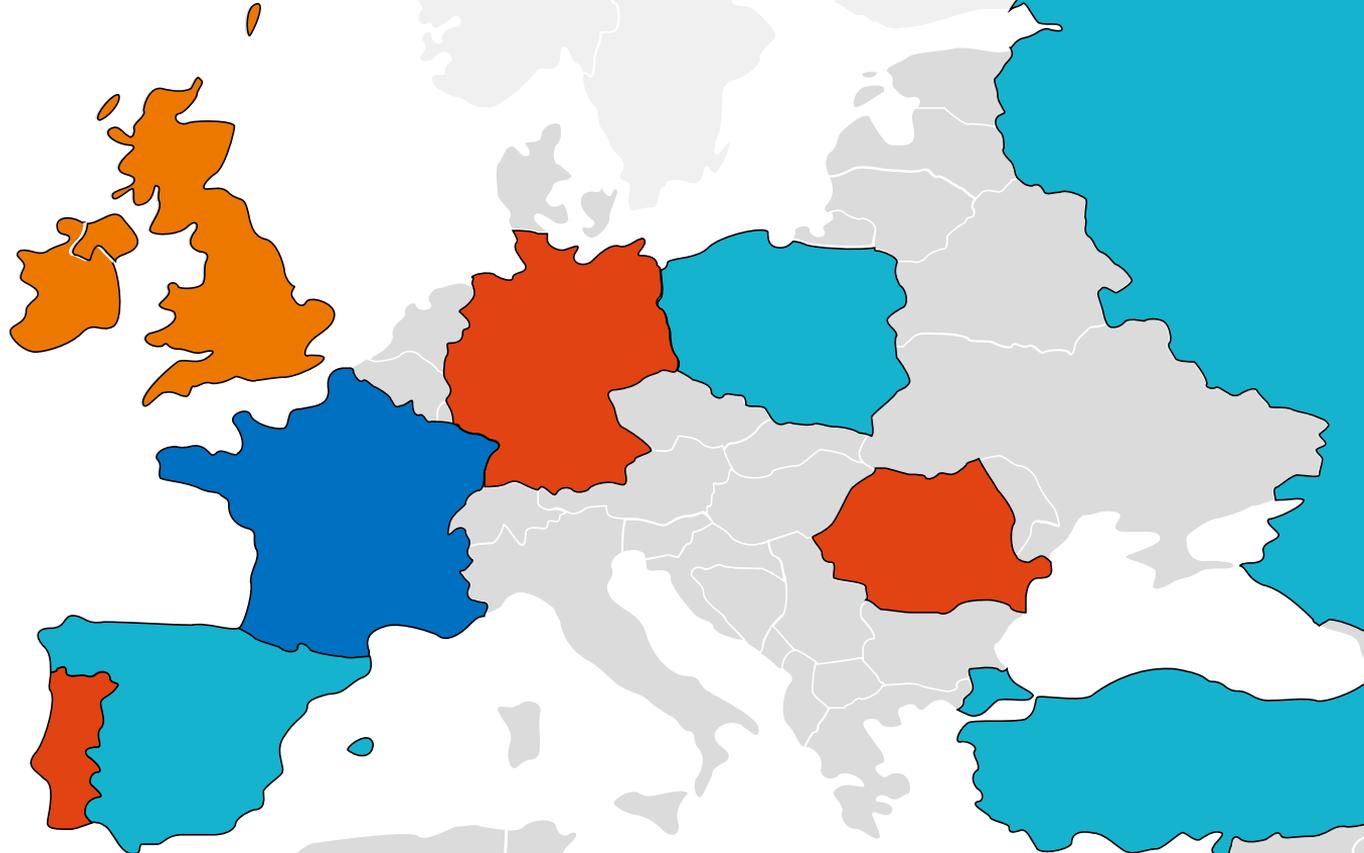
RP +3.7%

New country

development

LFL +4.7%

RL £(10)m



H1 group operational highlights

UK & Ireland
LFL +1.1%
RP +1.7%

- B&Q LFL -2.3% after c.+1% sales transference & c.-2% business disruption
- Screwfix +11.7%, strong growth in specialist trade desks & digital
- Gross margin flat

France
LFL (4.6)%
RP (14.6)%

- Continued weaker sales vs. market & c.2% business disruption
- Gross margin -30bps

Other International
(established)
LFL +0.1%
RP +3.7%

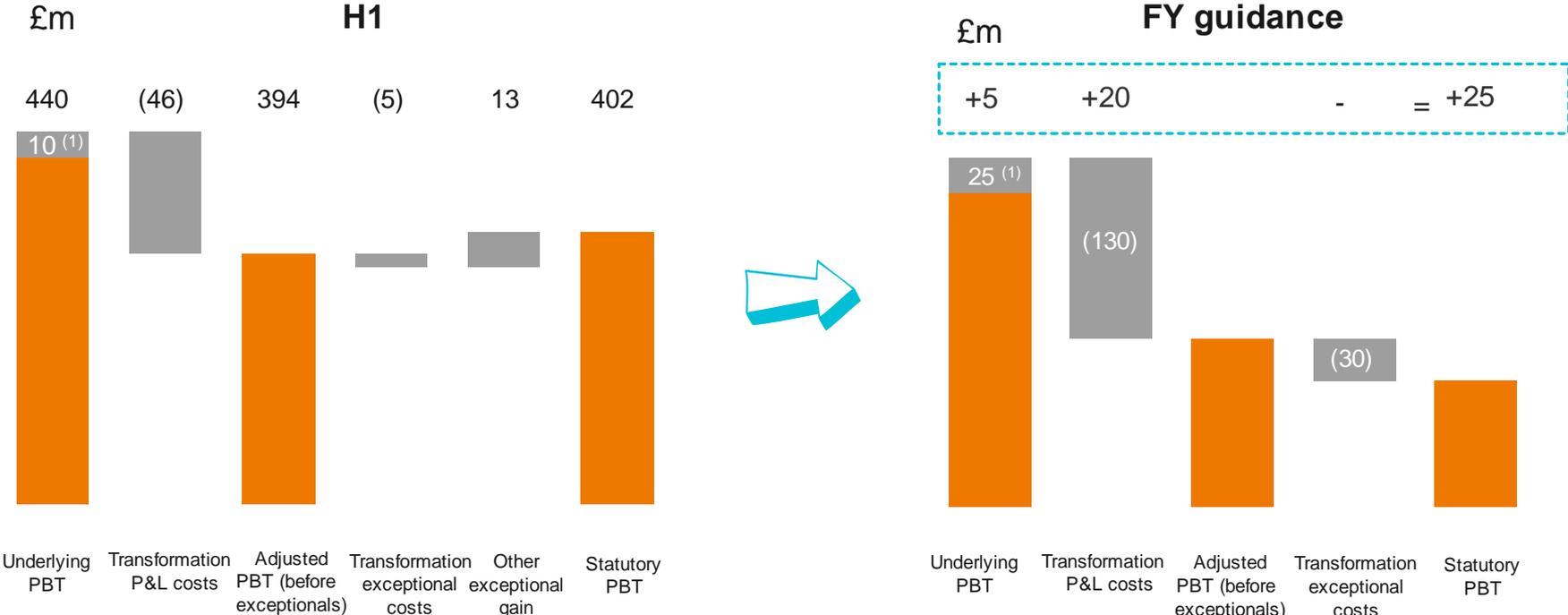
- LFL & profit performance driven by
 - Poland LFL +3.8%, good performance in supportive market
 - Gross margin -20bps

New country development
LFL +4.7%
RL £(10)m

- Losses in-line with expectations
- Acquisition agreement to strengthen position in Romania⁽¹⁾

(1) Subject to approval

H1 17/18 PBT bridge and updated FY guidance



(1) GNFR – Goods Not For Resale

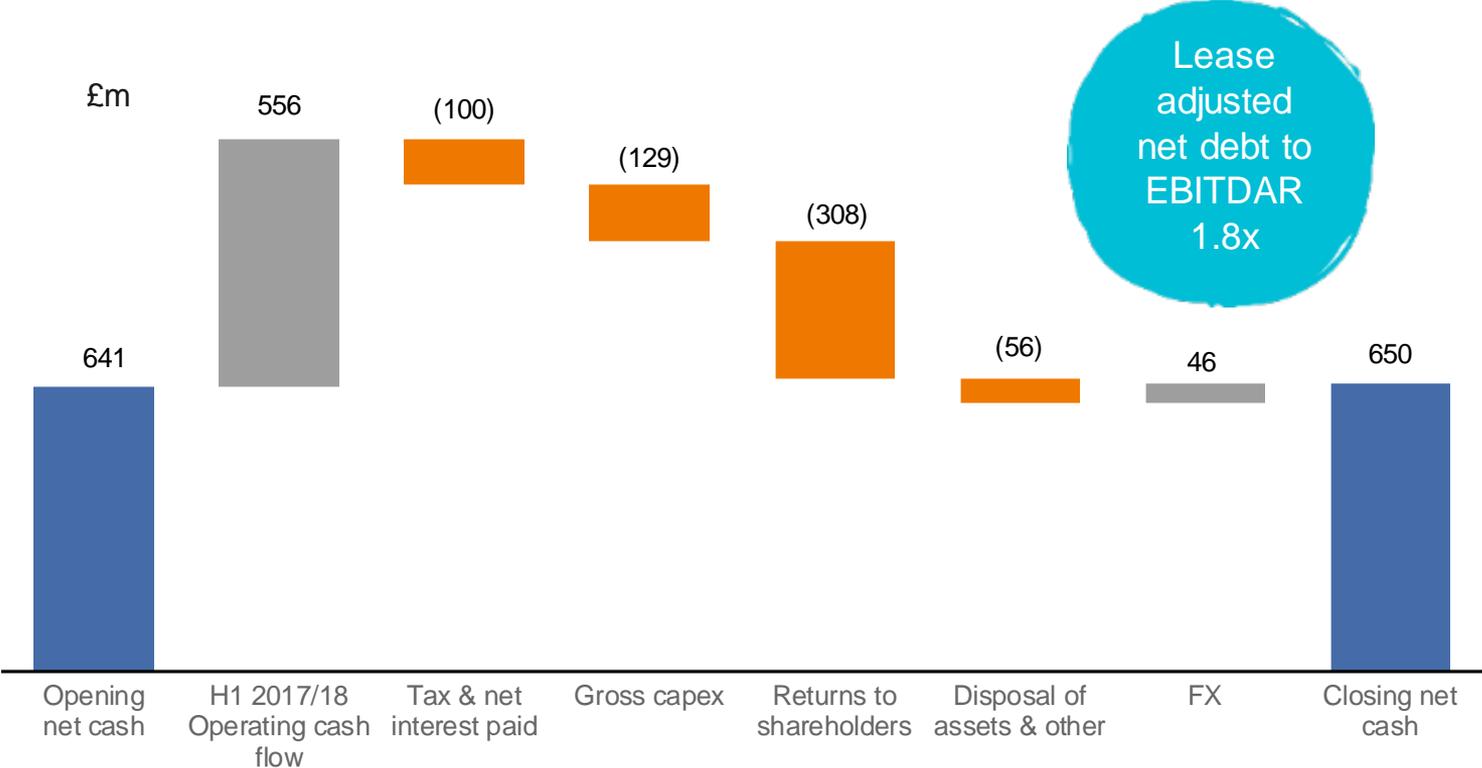


H1 financial summary: cash and returns

	2017/18	2016/17	YOY
Free cash flow (£m)	327	533	n/a
Net cash (£m)	650	898	n/a
Half year ordinary dividend (p)	3.33	3.25	+2.5%
Share buyback (£m)	149	126	n/a

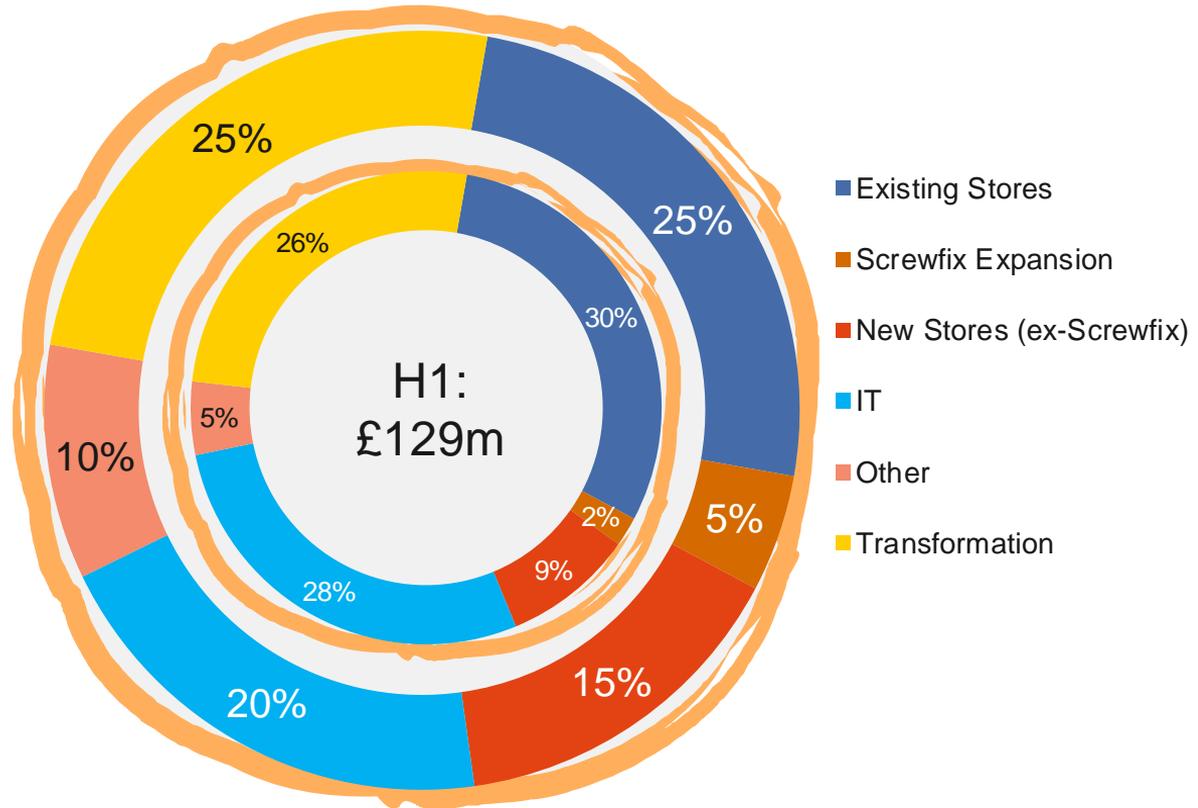


H1 uses of operating cash flow



17/18 total capex: H1 and updating FY guidance

FY 2017/18:
up to £375m





1.
ONE Kingfisher
transformation is
being delivered



2.
Our reality today

We have achieved considerable change already

Unified &
Unique Offer

We are creating a unified & unique offer based on customer needs

New ranges are being well received by customers

We are buying as ONE and seeing the benefits

Digital

IT & digital plans are continuing at pace

Operational
Efficiency

GNFR is working well

Change supported by great teams everywhere



Unified & unique offer - starting to deliver the benefits



(1) Profit uplift by FY 20/21

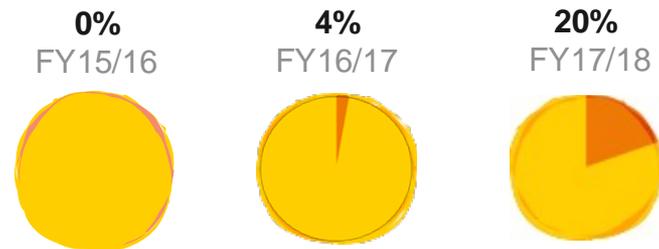
(2) Unified & unique

(3) On cumulative unified & unique ranges by end FY 17/18



We are creating a unified & unique offer based on customer needs

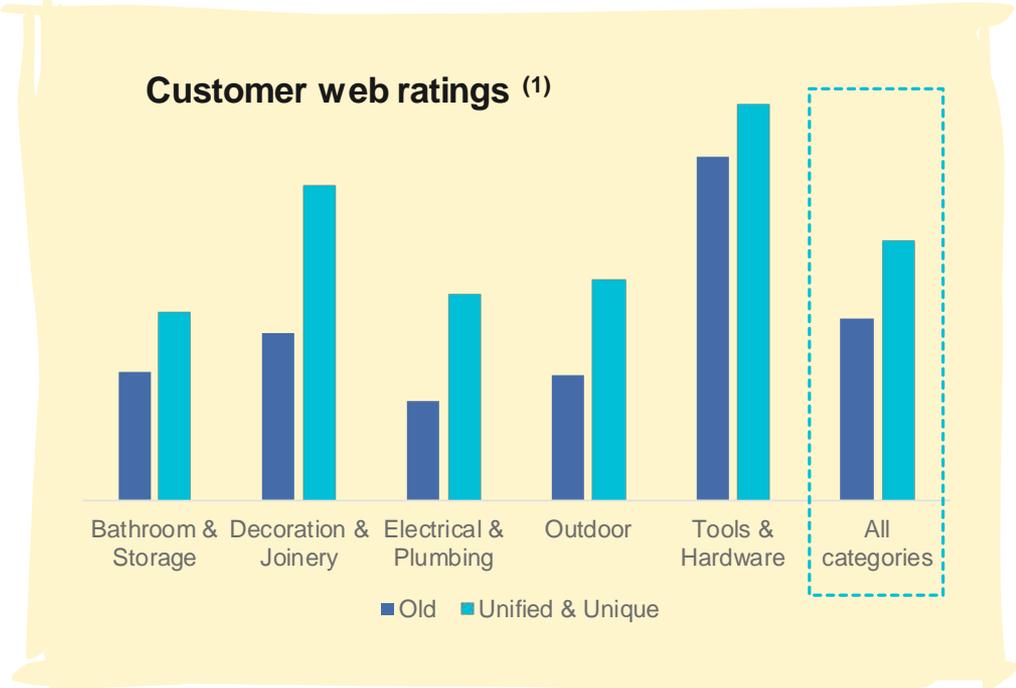
- Now at 16% unified COGS
- For FY 17/18 on track to deliver
 - 20% unified COGS (exit rate c.30%)
 - Global suppliers & SKUs reduced by c.80%⁽¹⁾ (with similar choice for customers)
- Landing first unique ranges (outdoor & bathroom)
- Some step changes in remerchandising
- Gearing up for FY 18/19



(1) Cumulative position at end of FY 17/18

New ranges are being well received by customers

- Positive feedback from both colleagues and customers, web star ratings ahead of old ranges



(1) Number of reviews c.8k unified and unique, old c.12k

Customer and colleague feedback

"Customers are really pleased with the new range ..."

B&Q colleague

"I did not expect such a high quality product for such a good price"

Customer, Poland

"I installed it myself very easily. I'm very satisfied"

Customer, France

"I recommended this product to friends already"

Customer, Romania

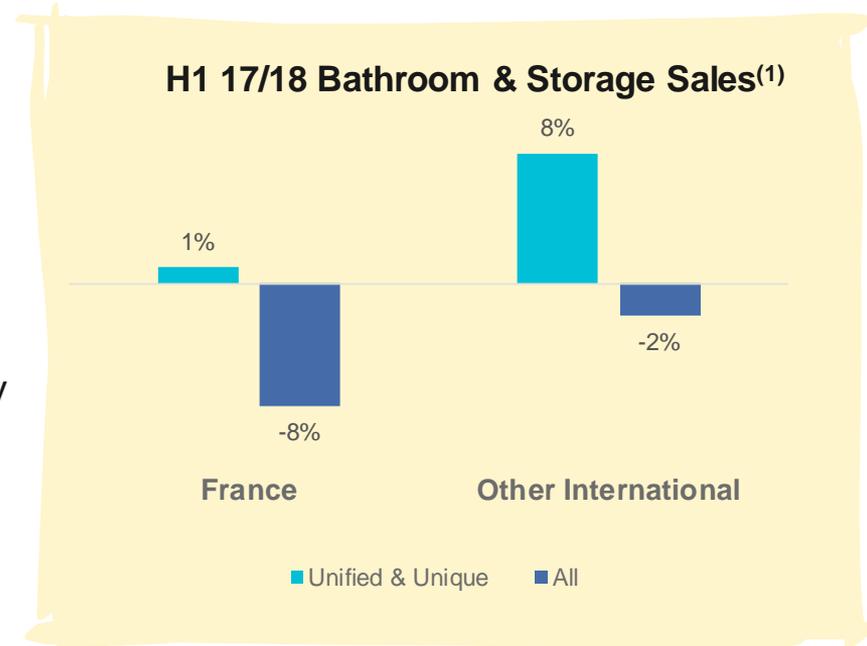
Unique case study: bathroom & storage

- Widely implemented (except UK) with great merchandising



Unique case study: bathroom & storage

- Widely implemented (except UK) with great merchandising
- New ranges outperforming old ranges and ahead of plan, driven by
 - Bathroom furniture: e.g. France +27%
 - Showers: e.g. Other International +12%
- Strong exit rates reflecting improving availability
- Strong early customer feedback focusing on quality, price & design

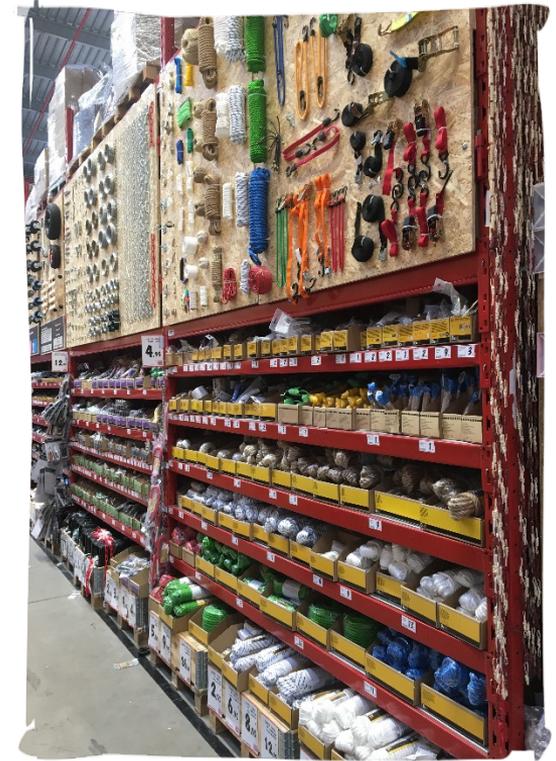


(1) Includes clearance



Unified case study: chains & ropes

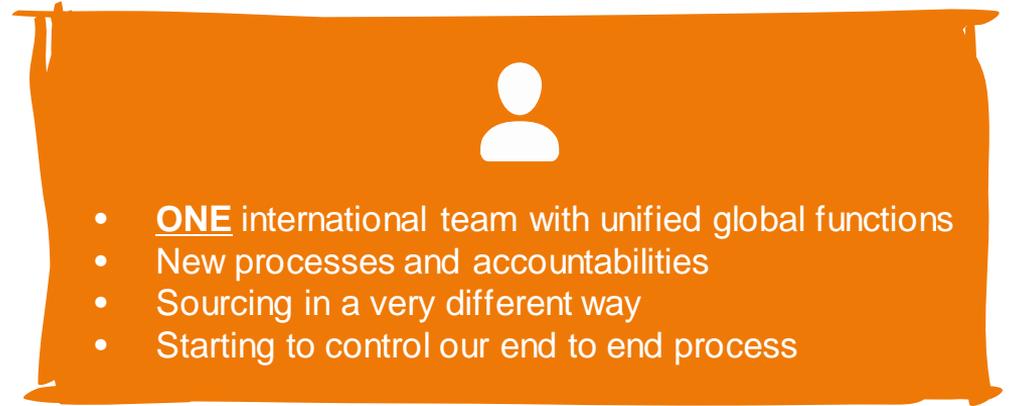
- Implemented in all markets
 - Shelf-ready packaging
 - Improved merchandising
- Nearly 10% of CPR⁽¹⁾ expected
 - To invest in better quality and lower prices for customers (e.g. Castorama France) as well as margin
 - Global SKUs down from 2,800 to 437, suppliers down from 48 to 3
- No significant sales⁽²⁾ impact despite disruption driven by
 - Clearance of old ranges (high SKU category, price inelastic)
 - Delayed arrival of new ranges



(1) Cost Price Reduction

(2) Total sales (including B&Q store closures) down 1% excluding clearance, down 3% including clearance

We are buying as ONE and we are seeing the benefits

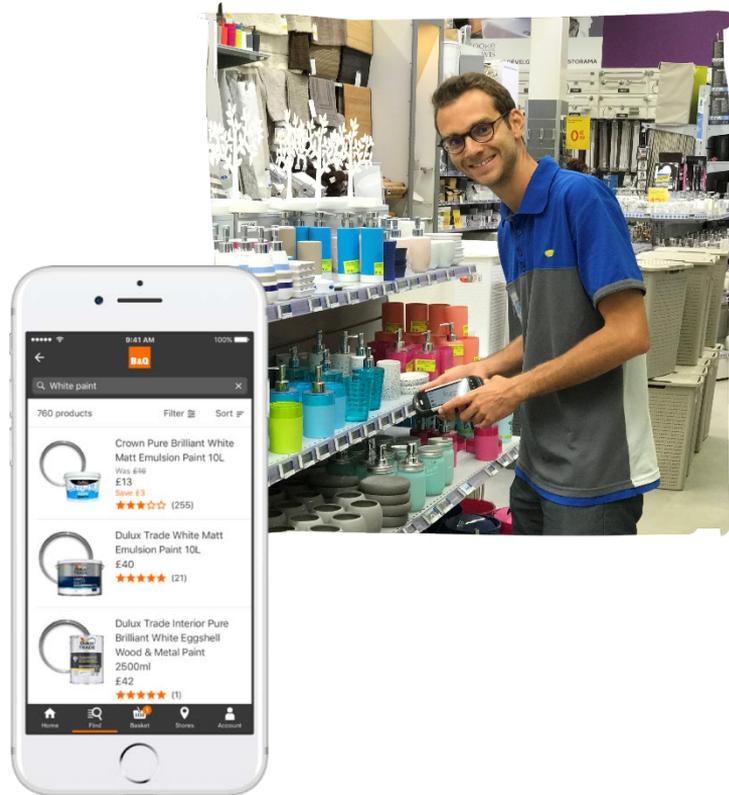


- Cost of change (after clearance) & CPR remain in-line with expectations
- Gross margins
 - +0.3% in H1 17/18 before clearance of old ranges, based on 16% unified COGS
 - Broadly flat for FY 17/18 after some price reinvestment & clearance of old ranges



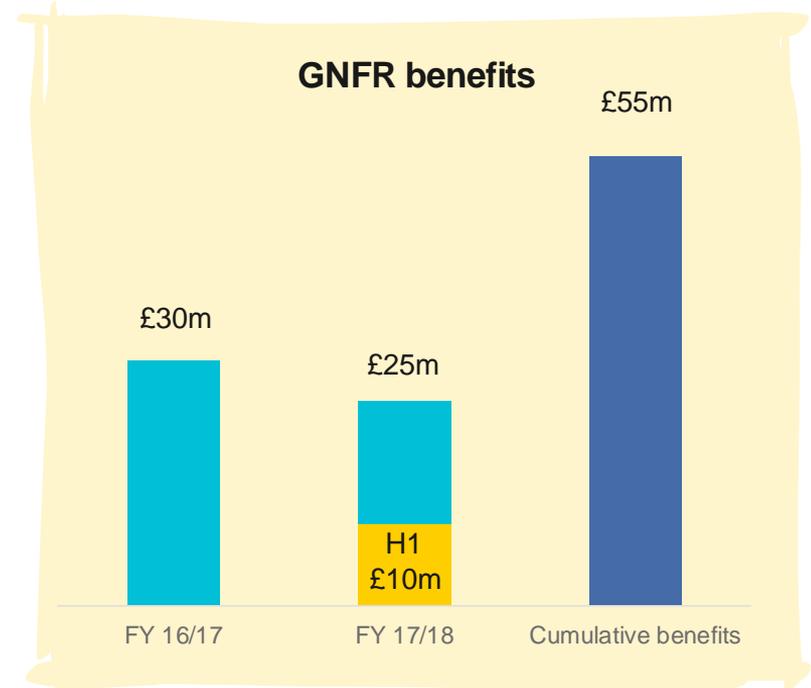
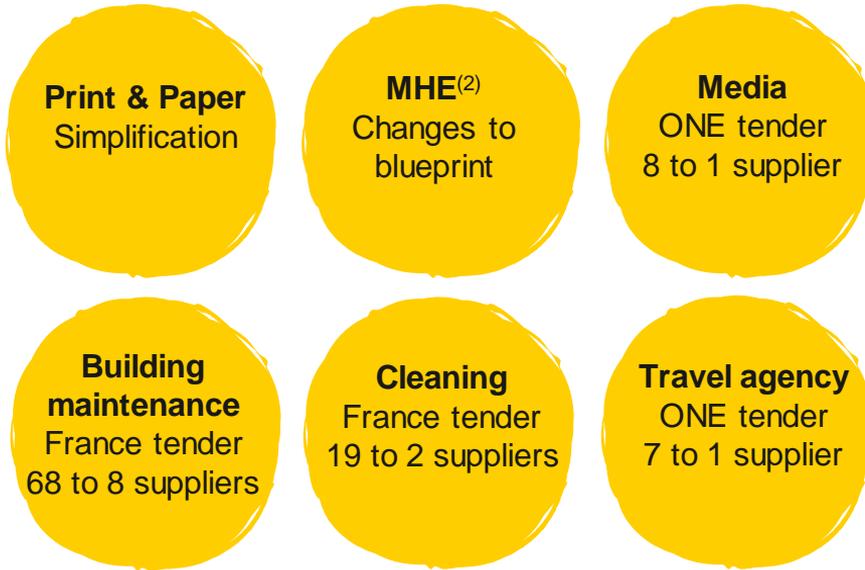
Digital - IT & digital plans are continuing at pace

- Target of £50m profit uplift by FY 20/21
- Unified IT platform is key enabler for ONE Kingfisher
 - Remains on track to be completed by end of FY 18/19
 - By end of FY 17/18, over 50% of Group sales will be operating on the new platform
- Digital plans following closely behind
 - Group online sales now at 5% (4% last year)
 - Group mobile platform built, launching soon at B&Q
 - 1 hour click and collect in all B&Q stores
 - Castorama France new website on track for H2, mobile soon after



Operational efficiency - GNFR⁽¹⁾ is working well

- Target of £100m by FY 20/21, driven by GNFR
- Unified approach is working well e.g.



(1) Goods not for resale
(2) Mechanical Handling Equipment

Change is supported by great teams everywhere

- Our 77,000 colleagues really starting to work as ONE
 - new processes and ways of working e.g. OSC
 - new tools and training e.g. unified IT platform
- Piloting new Home Improvement Academy focusing on customer needs
 - ONE learning experience to ensure ONE customer experience
- New leadership reward scheme based on higher share ownership and more global objectives vs local





1.

ONE Kingfisher
transformation is
being delivered



2.

Our reality today

Our reality today

Change is real
and is
happening at
pace

Experiencing
some business
disruption

Continuing to
adapt our
approach as we
progress

Plans in place to
support our
overall FY 17/18
performance

Remain cautious
on H2 backdrop



Experiencing some business disruption – principally reflecting product availability & clearance

1. Clearance of old & remerchandising of new ranges

- Scale of change

2. Systems & data

- Unified IT roll out
- Product data

3. New processes

- Steep learning curves
- Longer lead times



c. 2% H1 LFL impact,
overall improving trend on H1 ranges

Continuing to adapt our approach as we progress

Governance

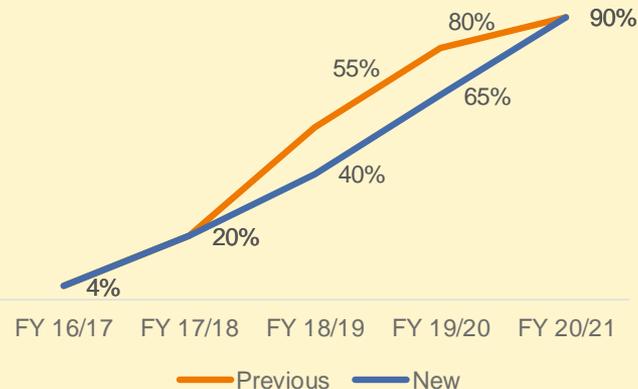
- Chief Transformation Officer now in place

Prioritisation

New phased approach e.g.

- re-phasing IT roll out pulling forward larger OpCos to start H2 this year
- defer UK unique bathroom launch to H2 17/18, launching now
- smooth phasing of unified COGS⁽¹⁾ roll out, de-risking the plan

Cumulative roll-out % unified COGS



Plans in place to support FY 17/18; remain cautious on H2 backdrop

Plans in place for FY 17/18

- Aware of the challenges
- Self-help cost initiatives in place to support overall FY 17/18 performance
- Remain comfortable with FY 17/18 consensus⁽¹⁾

Backdrop

- Remain cautious
- UK
 - Uncertain outlook
 - Mixed macro & housing indicators
- France
 - Ongoing underperformance vs market
 - ONE Kingfisher starting to address this

(1) See page 2 of RNS





1.

ONE Kingfisher
transformation is
being delivered



2.

Our reality today

H1 summary

1. Significant step up in level of transformation activity, as planned

2. H1 performance reflects some business disruption & continued weaker sales in France, offset by self-help

3. Acting on root causes of business disruption

4. Adapting our approach as we progress

5. On track to deliver FY 17/18 milestones & consensus⁽¹⁾ though remain cautious on H2 backdrop

6. Remain confident in ability to deliver 5 year plan & the benefits it will generate



(1) See page 2 of RNS

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Appendices

FY 17/18 technical guidance

Income statement:

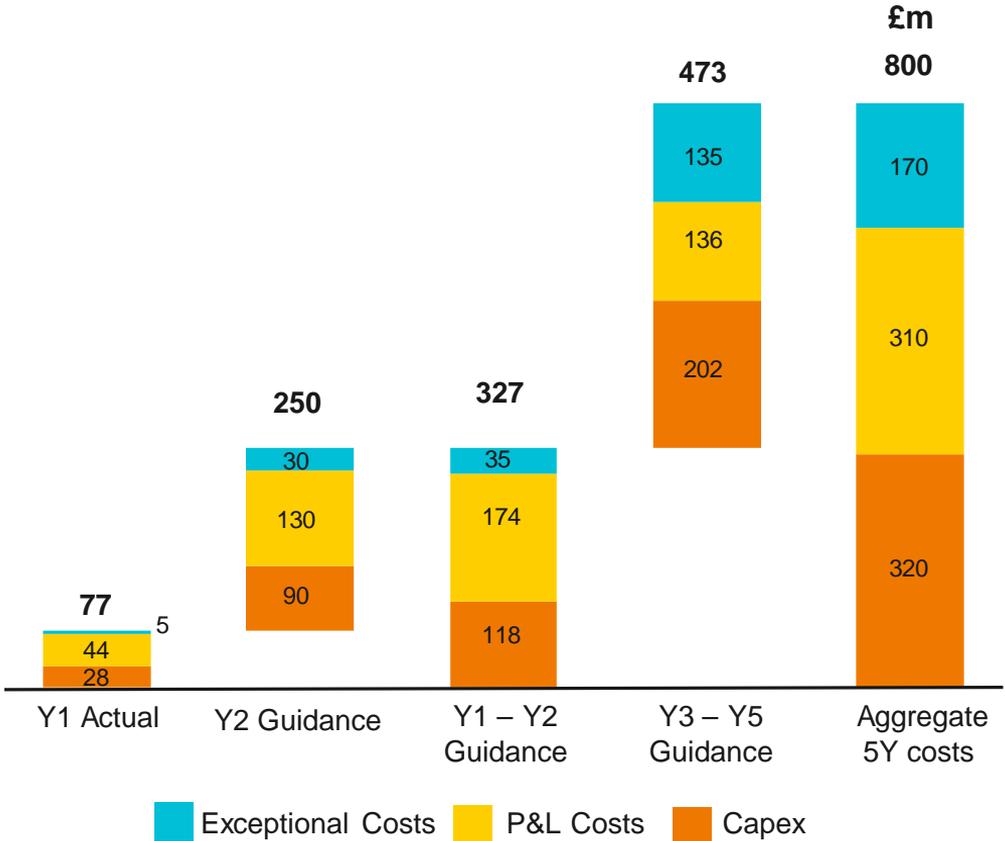
- Broadly flat gross margin assuming Unified & Unique Offer CPR benefits are offset by some price reinvestment and clearance
- Underlying profit expected to include a further c.£25m operational efficiency benefits (previously c.£20m)
- Transformation P&L costs of c.£310m over 5 years to FY 20/21, to be mostly incurred over first 3 years. FY 17/18 expected to be c.£130m (previously £150m)
- Transformation exceptional costs of c.£170m over 5 years to FY 20/21, to be incurred over first 4 years. FY 17/18 transformation exceptional costs expected to be c.£30m
- c.1% B&Q 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 less than £5m (excluding FFVR and exceptionals)
- Effective tax rate expected to be around 27%, subject to the blend of profit within the companies' various jurisdictions

Cash flow:

- Total capex including transformation of up to £375m total capex for FY 17/18 (previously £450m)
- Capital return of c.£600m by the end of FY 18/19 expected to be via share buyback (£400m completed to date)



Breakdown of £800m transformation costs



Net debt to EBITDAR reconciliation

	2017/18 Moving annual total £m	2016/17 Year end £m
EBITDA ⁽¹⁾	981	1,008
Property operating lease rentals	400	399
EBITDAR	1,381	1,407
Net cash	(650)	(641)
Property operating lease rentals (8x) ⁽²⁾	3,200	3,192
Lease adjusted net debt	2,550	2,551
Lease adjusted net debt to EBITDAR	1.8	1.8

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

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



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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