



ONE Kingfisher

19 September 2018

Kingfisher plc half year results

6 months to 31 July 2018

Disclaimer

You are not to construe the content of this presentation as investment, legal or tax advice and you should make your own evaluation of the Company and the market. If you are in any doubt about the contents of this presentation or the action you should take, you should consult a person authorised under the Financial Services and Markets Act 2000 (as amended) (or if you are a person outside the UK, otherwise duly qualified in your jurisdiction).

This presentation has been prepared in connection with the announcement of the financial results for the six months ended 31 July 2018. The financial information referenced in this presentation is not audited and does not contain sufficient detail to allow a full understanding of the financial performance of the Company. For more information, the entire text of the announcement for the six months ended 31 July 2018 can be found on the Investor Relations section of the Company's website. Nothing in this presentation should be construed as either an offer or invitation to sell or any offering of securities or any invitation or inducement to any person to underwrite, subscribe for or otherwise acquire securities in any company within the Company or an invitation or inducement to engage in investment activity under section 21 of the Financial Services and Markets Act 2000 (as amended).

This presentation is being solely made and directed at persons to whom this presentation may lawfully be communicated ("relevant persons"). Any person who is not a relevant person should not act or rely on this presentation or any of its contents.

Certain information contained in this presentation may constitute "forward-looking statements" (including within the meaning of the safe harbour provisions of the United States Private Securities Litigation Reform Act of 1995), which can be identified by the use of terms such as "may", "will", "would", "could", "should", "expect", "anticipate", "project", "estimate", "intend", "continue", "target", "plan", "goal", "aim" or "believe" (or the negatives thereof) or other variations thereon or comparable terminology. These forward-looking statements include all matters that are not historical facts and include statements regarding the Company's intentions, beliefs or current expectations concerning, among other things, the Company's results of operations, financial condition, changes in global or regional trade conditions, changes in tax rates, liquidity, prospects, growth and strategies. By their nature, forward-looking statements involve risks, assumptions and uncertainties that could cause actual events or results or actual performance of the Company to differ materially from those reflected or contemplated in such forward-looking statements. No representation or warranty is made as to the achievement or reasonableness of and no reliance should be placed on such forward-looking statements.

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.

**We are halfway through ONE Kingfisher.
It's a key stage in our transformation.**

We have the right plan.

**We face challenges and we are
addressing them.**

**And it is a time of radical change for our
industry too.**

1

The extent and pace of recent change in retail has been profound

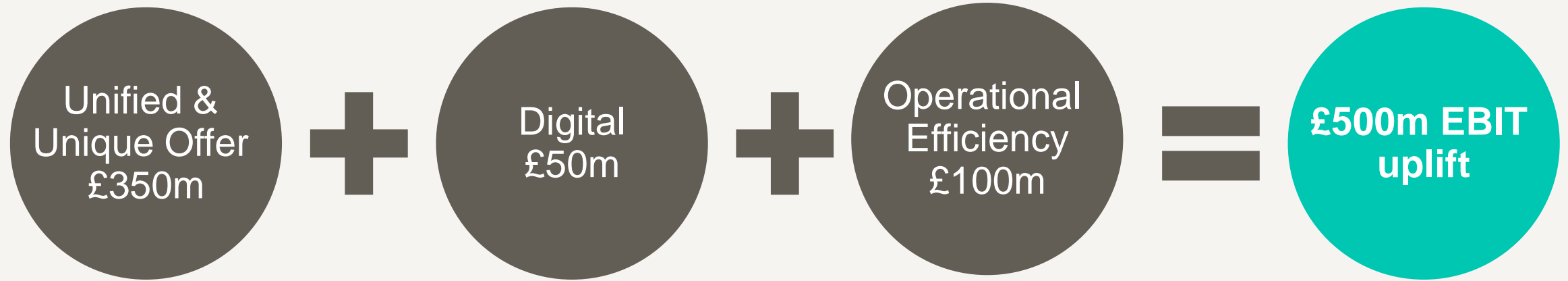


2

The potential of our transformation is huge



We have ambitious 5⁽¹⁾ year transformation targets



- Over and above what the business would have delivered without the plan
- £800m aggregate costs to achieve

On track to deliver our FY18/19 strategic milestones for the third year in a row

Unified & Unique Offer

- Deliver growth in unified & unique sales and gross margin
- Unify 40% product (COGS)

Digital

- Complete final year of unified IT platform roll out to OpCos
- Complete ecommerce roll out in France & Poland
- Market launch of first home improvement services in UK & France

Operational Efficiency

- Implement finance shared services in at least two OpCos
- Deliver £30m benefits (from unified GNFR programme and other efficiencies)

Retail Operations

- Maintain higher than retail sector colleague engagement scores

Unified & unique sales growth improving

**% Unified
& unique
sales⁽¹⁾
growth**

(3.3%)

(0.1%)

+2.2%

**% Unified
COGS**

16%

23%

42%

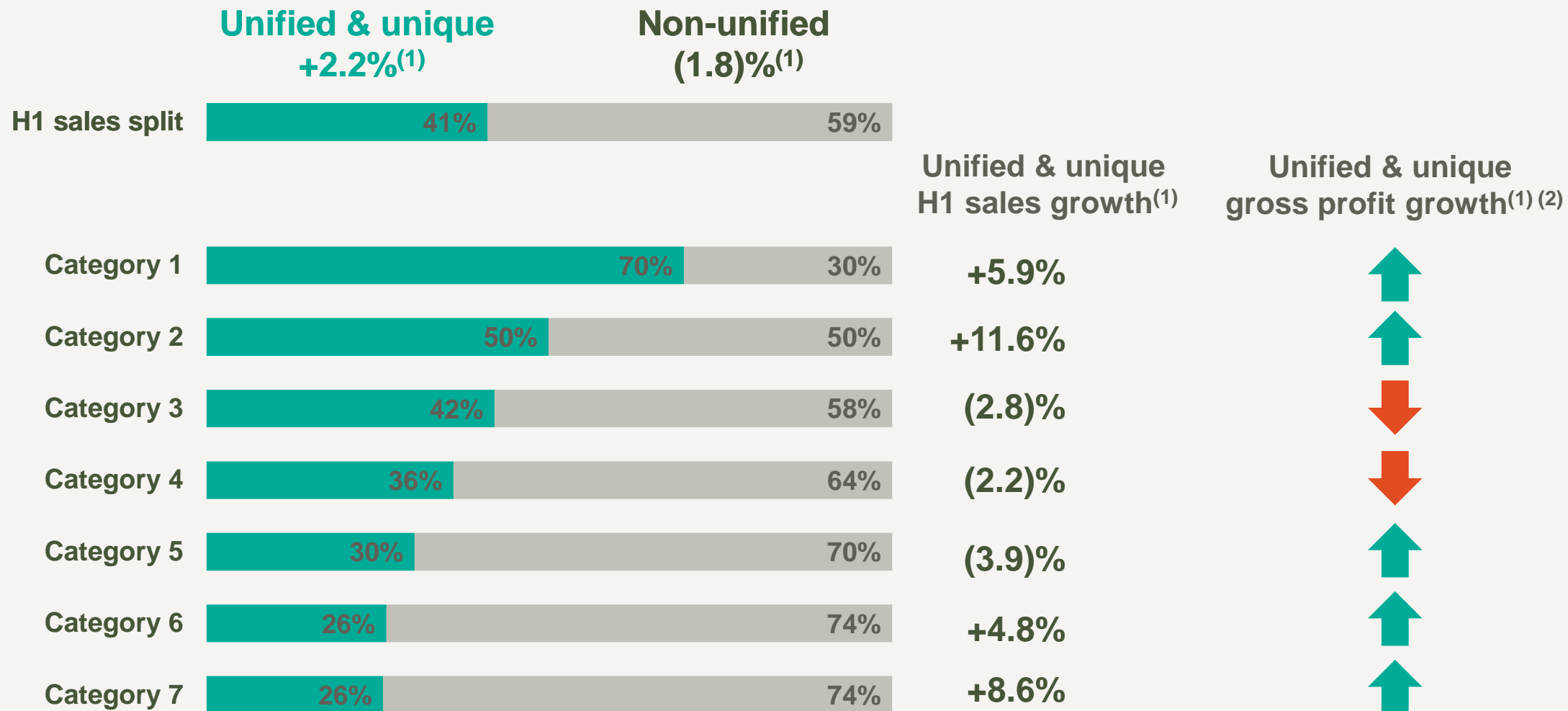
H1 17/18

FY 17/18

H1 18/19

(1) Constant currency including clearance (excludes Praktiker Romania, Screwfix Germany, Portugal and services)

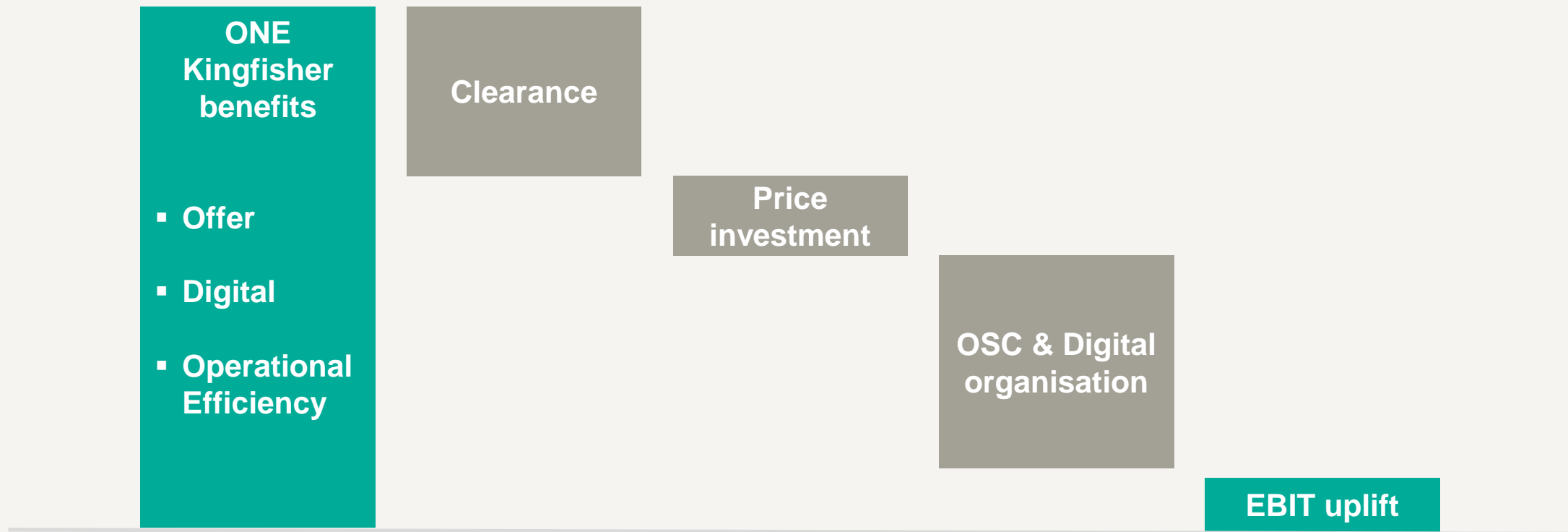
Unified & unique outperforming non-unified



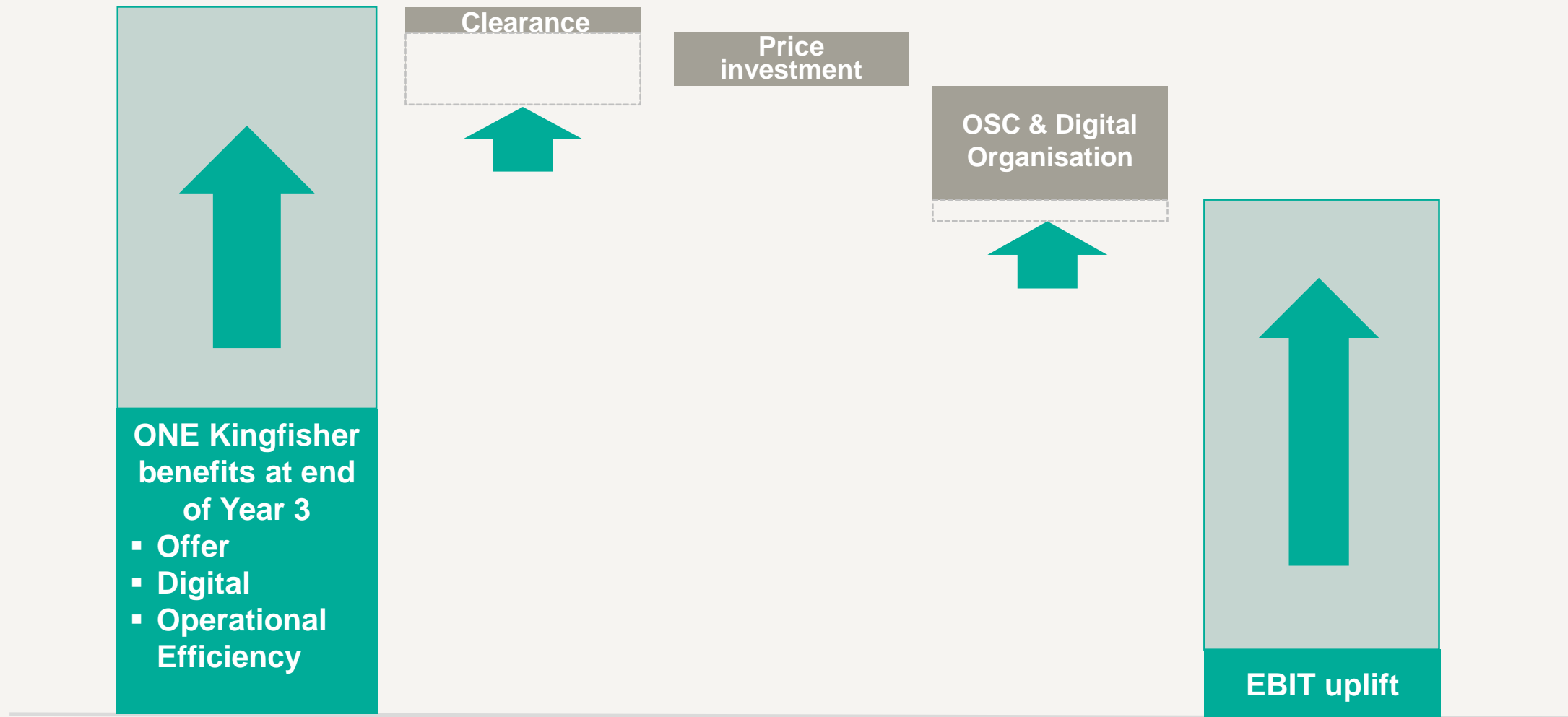
(1) Constant currency including clearance (excludes Praktiker Romania, Screwfix Germany, Portugal and services)

(2) After cost price inflation and price investment, before logistics & stock inefficiencies

We are seeing the benefits and they will come through as we leverage our scale and drive efficiency (1)



We are seeing the benefits and they will come through as we leverage our scale and drive efficiency (2)



Illustrative Year 3 scenario



Illustrative end of plan scenario



Indicative future margin

3

**Transformation
on this scale is
tough**



France – three main drivers of underperformance

Customer perception

- Behind market on overall customer satisfaction (NPS)
- Bigger perception gap with high spenders

Price

- Castorama repositioning but still above market
- Brico Dépôt maintains strong position

Transformation

- Organisational changes
- Unified IT rollout continues and new Castorama website launched – further work to improve digital content to become leading edge
- Logistics & stock inefficiencies

France – right plan, taking time to re-energise Castorama



Progress to date

- Unique & Unified starting to provide a point of differentiation, driving growth in Brico Dépôt
- Castorama pricing gap narrowing (index 101 vs. market) with unified ranges well positioned
- Unified IT platform on track
- H2 actions underway

4

**Making the right
decisions for the
business long-term**



Making the right decisions for the business long-term

- Management changes
- Stop the losses within the business
- Making the business more efficient



Summary

- We have the right plan
- Building the engine we need
- Creating scale and momentum
- Operating in a challenging environment
- Maintaining our ambition



H1 18/19

financials

H1 18/19 financial summary: income statement

	2018/19	2017/18	Change YOY
Sales (£m)	6,080	6,008	+0.6% ⁽¹⁾
Gross margin	36.4%	36.8%	(40)bps
Retail profit (£m)⁽²⁾	404	467	(14.3)% ⁽¹⁾
Underlying PBT (£m)⁽²⁾	375	440	(14.8)%
Adjusted PBT (£m)⁽³⁾	323	394	(18.0)%
Statutory PBT (£m)	281	402	(30.1)%
Adjusted effective tax rate⁽⁴⁾	27%	27%	-
Underlying basic EPS (p)⁽²⁾	12.8	14.5	(11.7)%
Adjusted basic EPS (p)⁽³⁾	11.0	13.0	(15.4)%

(1) In constant currencies

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

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

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

H1 18/19 group operational summary

UK & Ireland

LFL (0.5)%

RP +1.2%



- B&Q LFL -2.5% with good sales recovery in Q2 after exceptionally harsh weather in Q1
- Screwfix LFL +4.5%
- Gross margin -30bps

Poland

LFL +1.5%

RP +1.9%



- LFL +1.5% reflecting good performance despite new Sunday trading laws; good performance of unified ranges and unique ranges
- Gross margin +120bps

Other

LFL (1.2)%

RL £(24)m



- Romania – solid performance from Brico Dépôt; unified & unique ranges performing well; Praktiker integration underway
- Screwfix Germany – slight improvement
- Iberia, Russia, Turkey - weaker

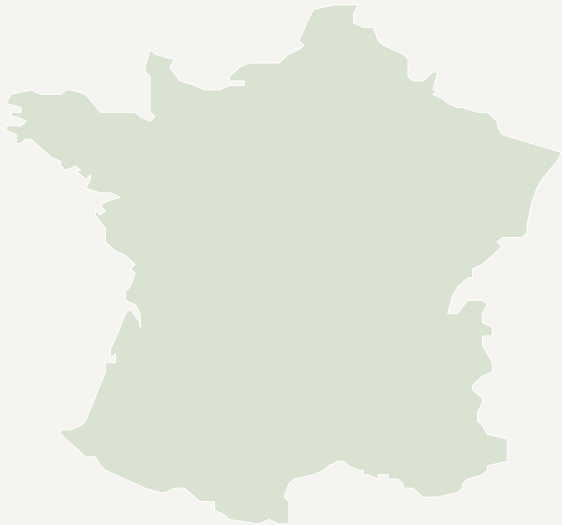
Actions in place to support H2 performance in France

France

LFL	(2.4)%
RP	(31.1)%



- Castorama LFL -5.8% reflecting weaker footfall and impact of transformation-related activity
- Brico Dépôt LFL +1.7% benefiting from new unified ranges
- Higher costs including phasing of marketing investment at Brico Dépôt
- Gross margin -60bps



Actions:

- Accelerate move to EDLP
- New customer communication approach
- Improving pricing architecture
- Reducing logistics & stock inefficiencies
- Implementing variable cost reduction

Timing:

Q3

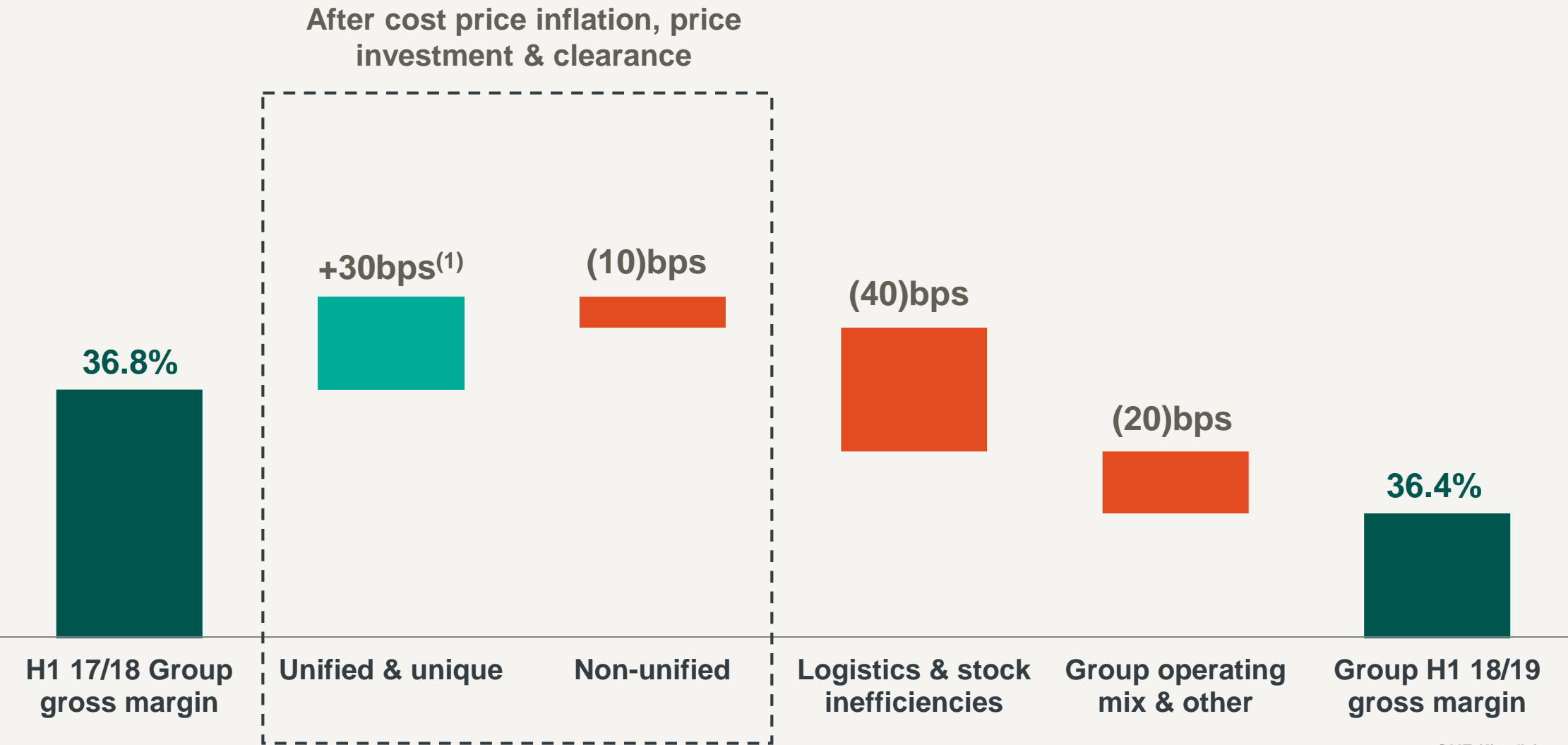
Q3

Underway

Underway

Underway

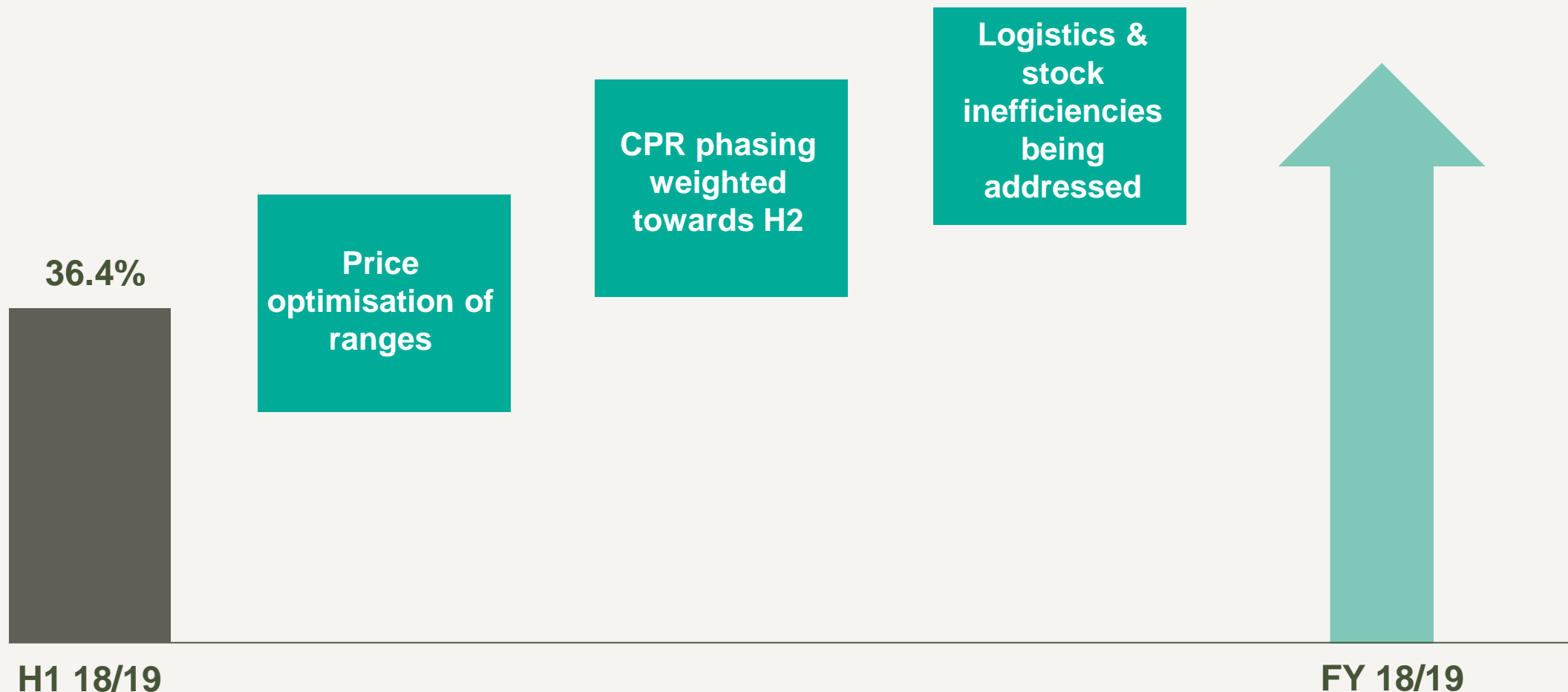
H1 Unified & unique margin benefits offset by inefficiencies which we are addressing



(1) After logistics & stock inefficiencies the Group gross margin impact is +20bps

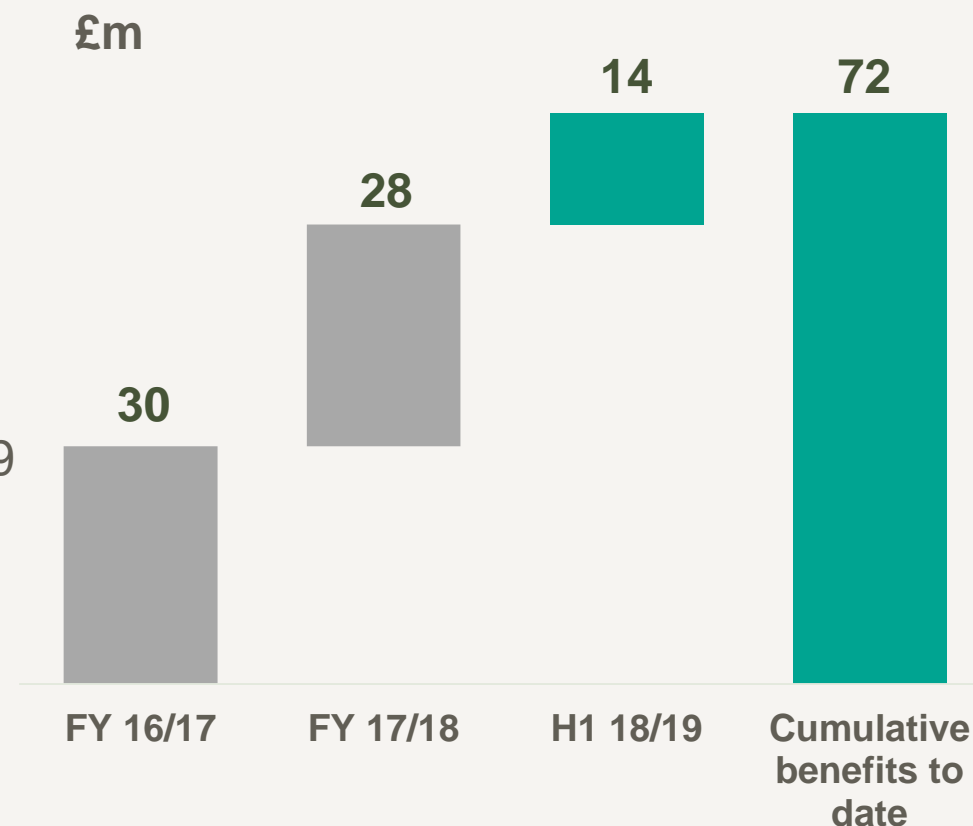
Expecting improvement in H2 margin

Expecting to grow the full year Group gross margin after clearance costs



Operational efficiency - GNFR⁽¹⁾ continuing to deliver

- Target of £100m by FY 20/21, driven by GNFR
- £72m of cumulative benefits delivered to date
- H1 18/19:
 - £8m GNFR and £6m of further operational efficiency benefits
- On track to deliver £30m of operational efficiencies in FY 18/19

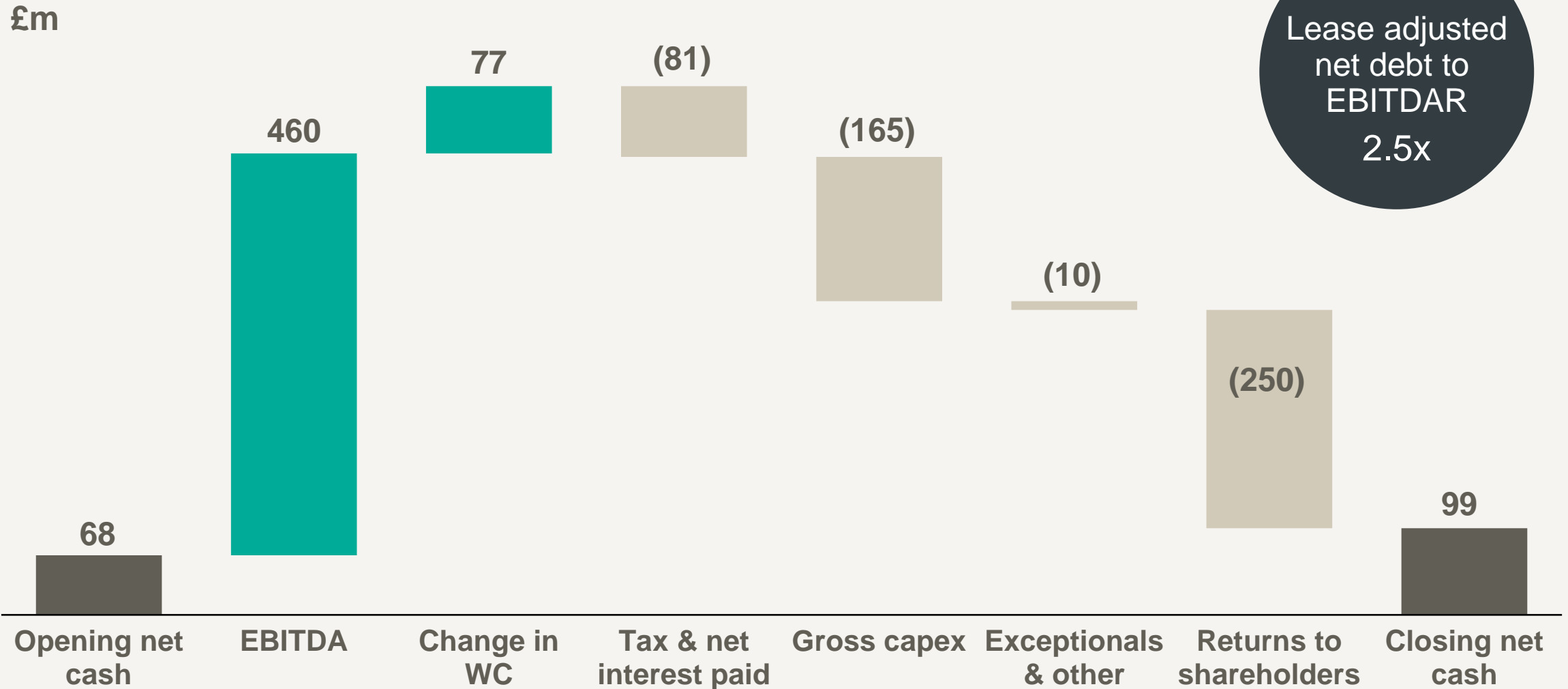


(1) Goods not for resale

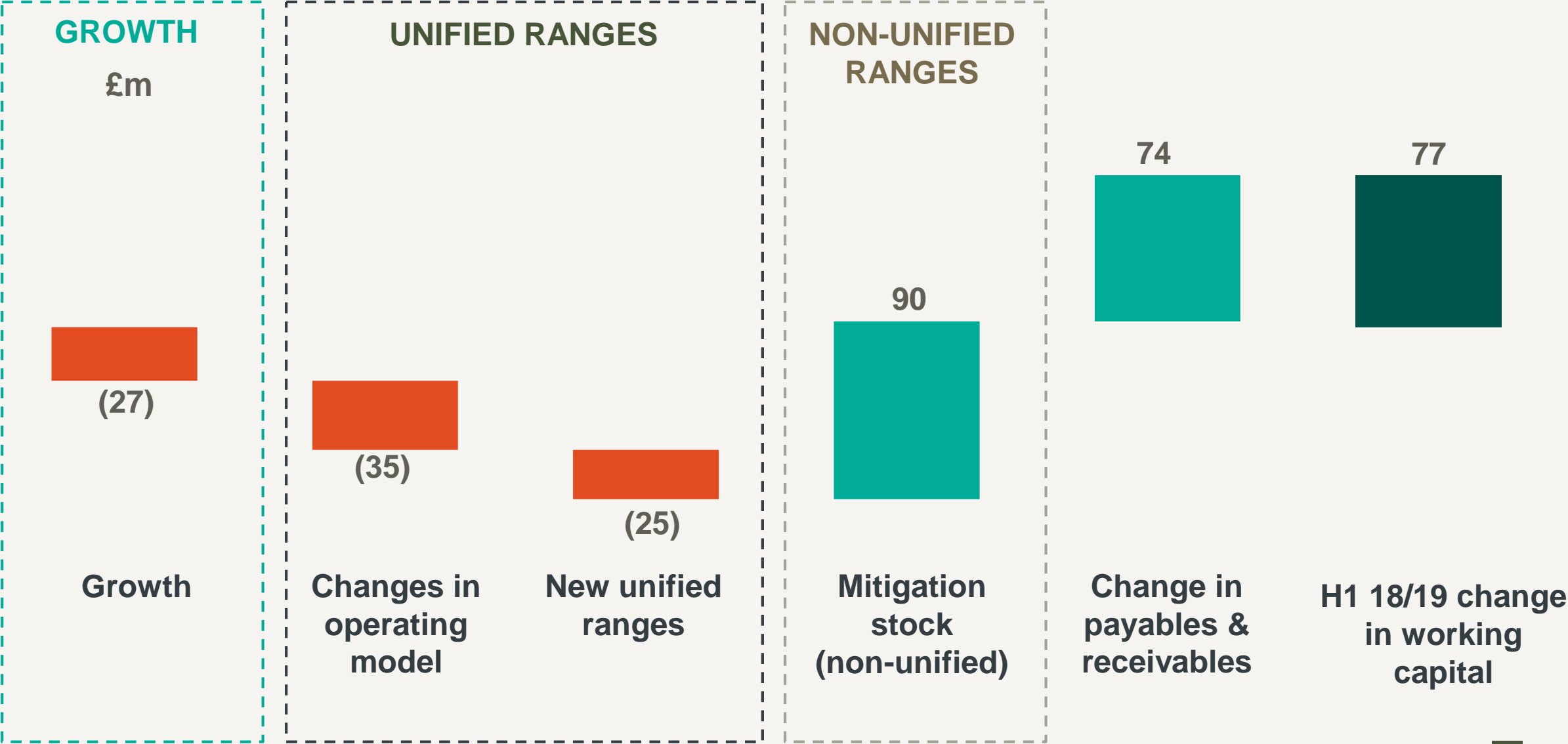
H1 18/19 financial summary: cash and returns

	2018/19	2017/18
Free cash flow (£m)	285	327
Net cash (£m)	99	650
Half year ordinary dividend (p)	3.33	3.33
Share buyback (£m)	90	149

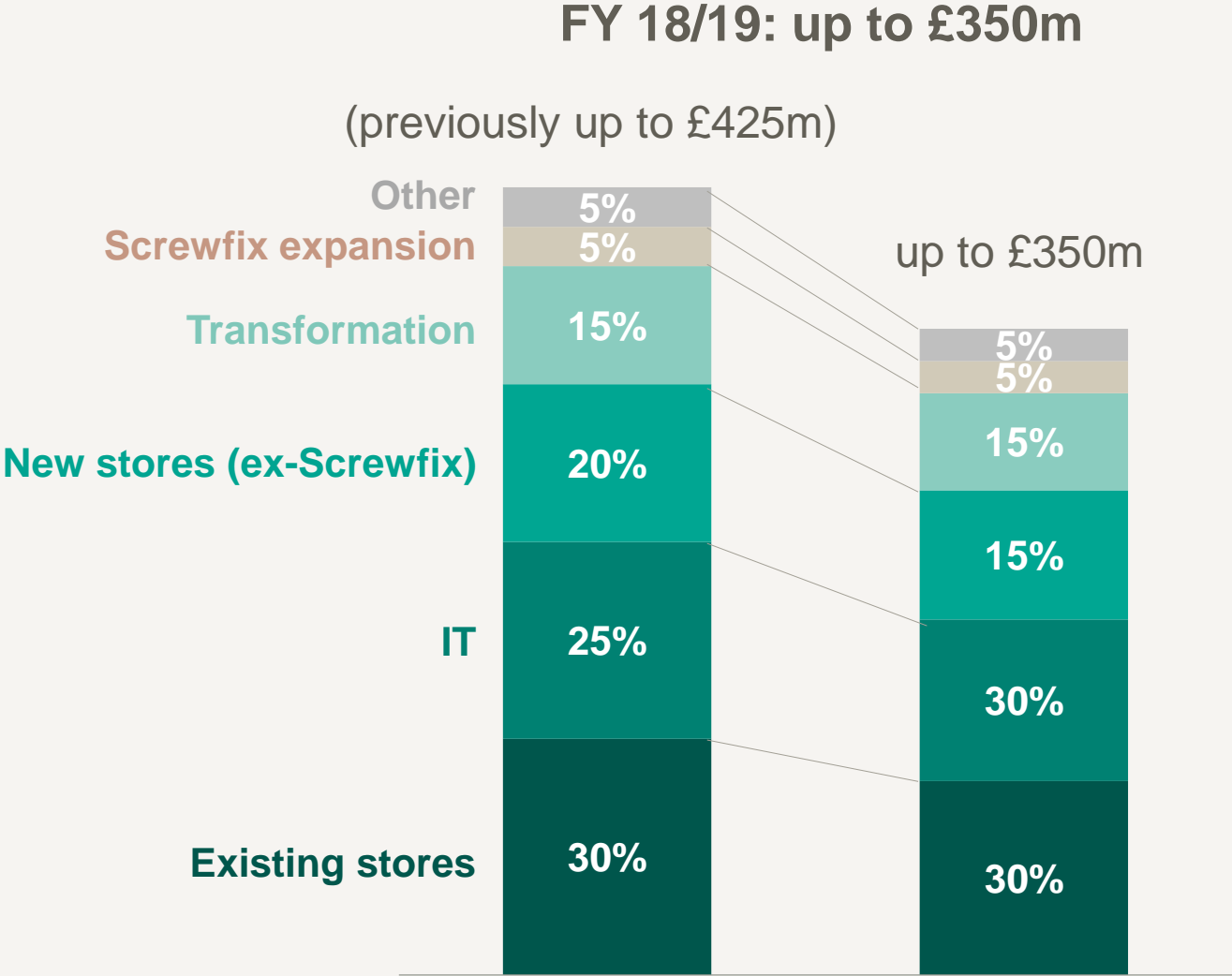
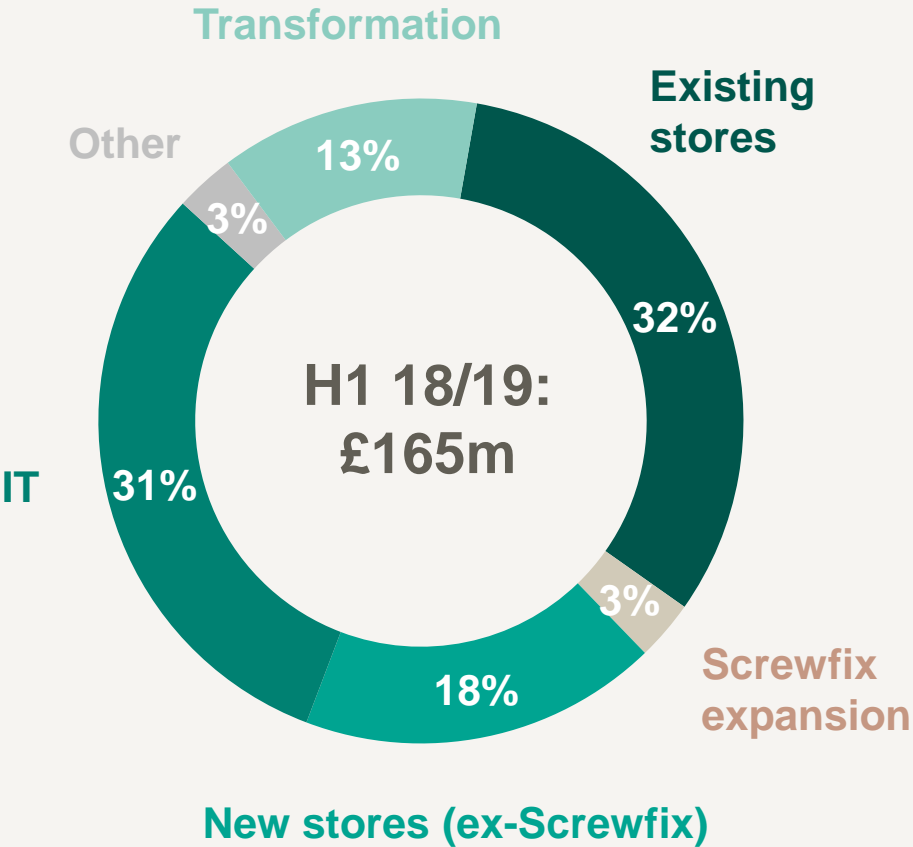
H1 18/19 uses of operating cash flow



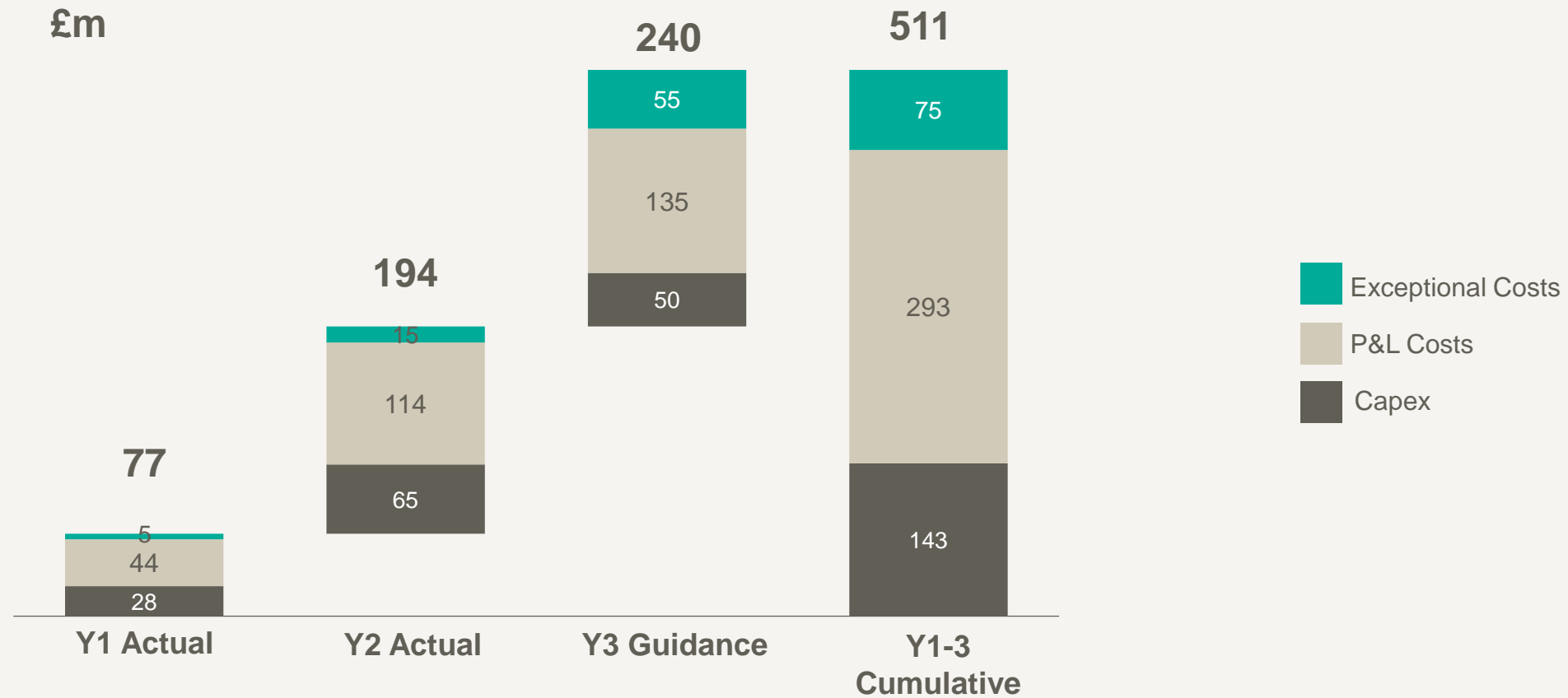
Working capital - mitigation stock reducing



Disciplined approach to capex



£800m⁽¹⁾ total transformation cost guidance unchanged



(1) Transformation costs include P&L, exceptional & capex

Financial summary

1

Unified & Unique sales and margin growth

2

Actions underway to support H2 performance in France

3

Expect to grow Group gross margin after clearance in FY 18/19

4

H1 transformation costs as expected; reaffirming total transformation costs

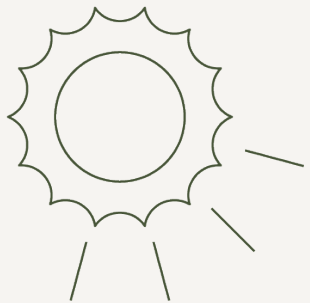
5

- Working capital - mitigation stock reducing
- Balance sheet remains strong

6

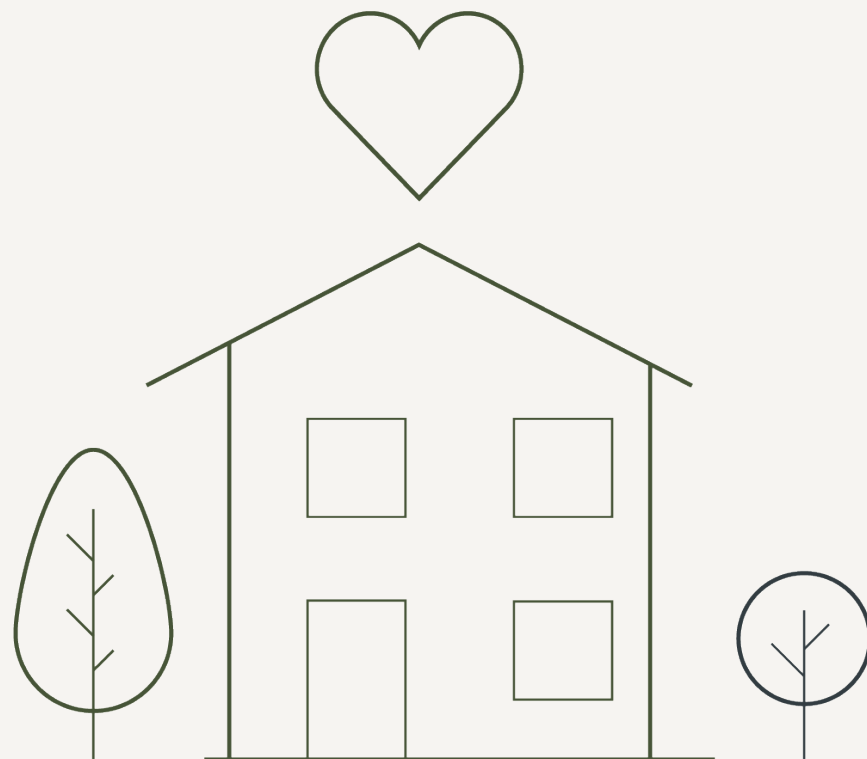
- Outlook for our main markets remains mixed
- Maintain our ambition for transformation plan





**Together we will make
home improvement
accessible.**

For everyone.

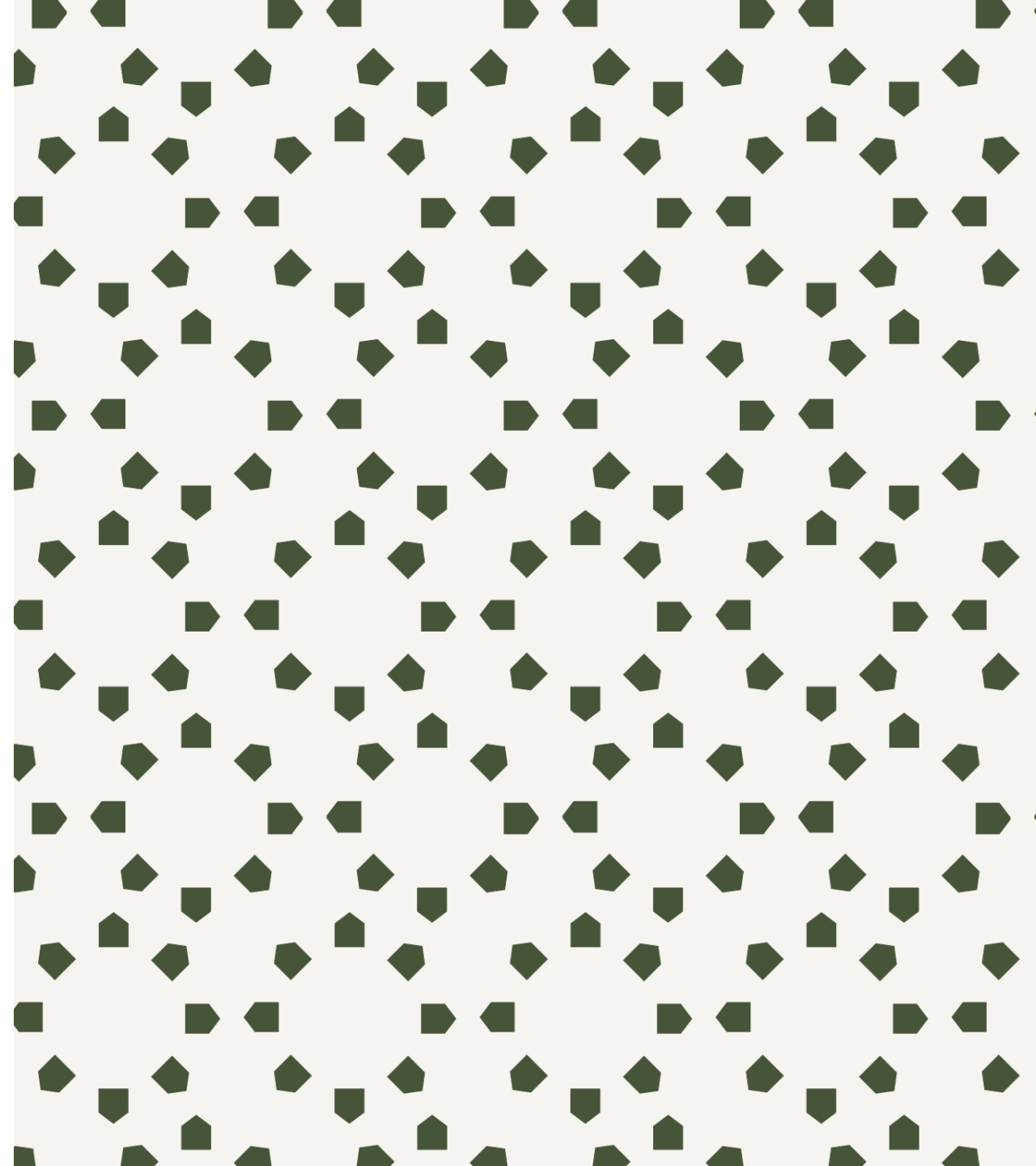


Cautionary note regarding forward looking statements

Certain information contained in this presentation may constitute “forward-looking statements” (including within the meaning of the safe harbour provisions of the United States Private Securities Litigation Reform Act of 1995), which can be identified by the use of terms such as “may”, “will”, “would”, “could”, “should”, “expect”, “anticipate”, “project”, “estimate”, “intend”, “continue”, “target”, “plan”, “goal”, “aim” or “believe” (or the negatives thereof) or other variations thereon or comparable terminology. These forward-looking statements include all matters that are not historical facts and include statements regarding the Company’s intentions, beliefs or current expectations concerning, among other things, the Company’s results of operations, financial condition, changes in tax rates, liquidity, prospects, growth and strategies. By their nature, forward-looking statements involve risks, assumptions and uncertainties that could cause actual events or results or actual performance of the Company to differ materially from those reflected or contemplated in such forward-looking statements. No representation or warranty is made as to the achievement or reasonableness of and no reliance should be placed on such forward-looking statements.

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.

Appendix



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 Kingfisher ADRs, please contact Citi:

New York

Michael O’Leary
email: michael.oleary@citi.com
Tel: +1 212 723 4483

London

Mike Woods
email: michael.woods@citi.com
Tel: +44 (0) 20 7500 2030

Contacts

Investor Relations

Tel: +44 (0)20 7644 1082

Email: investorenquiries@kingfisher.com

Media Relations

Tel: +44 (0)20 7644 1030

Email: corpcomms@kingfisher.com

Teneo Blue Rubicon

Tel: +44 (0)20 7260 2700

Email: Kfteam@teneobluerubicon.com