

TRADE PROFILE



B&Q PLC

B&Q is the UK's largest home improvement and garden retailer with 20,519 employees and 355 stores; 29 of which were acquired from administrators following the demise of Focus DIY in 2011. At nearly twice the size of its nearest competitor, B&Q's stores offer around 40,000 home improvement and garden products for three main customer groups: the everyday DIY-er; the project initiator and the trade professional, served by the TradePoint brand.

The retailer is part of Kingfisher PLC, Europe's largest home improvement retail group and the third largest in the world, with annual sales of over £11 billion. It operates nearly 1,200 stores in ten European countries under the following retail brands: B&Q, Brico Dépôt, Castorama, Koctas (a 50% joint venture in Turkey) and Screwfix.

Contact Information:

B&Q PLC

B&Q UK & Ireland Head Office
B&Q House
Chestnut Avenue
Chandler's Ford
Eastleigh
Hampshire
SO53 3LE

Tel: 02380 690 000

Web: www.diy.com
www.trade-point.co.uk

Twitter: @BandQ
@TradePointUK

Key Personnel:

Véronique Laury
Kingfisher Group CEO

Karen Witts - Kingfisher Group Chief
Financial Officer

Arja Taaveniku - Kingfisher Chief
Offer & Supply Chain Office

Emily Lawson
Kingfisher Chief People Officer

Steve Willett - Chief Digital & IT
Officer

Michael Loeve - B&Q UK & Ireland,
CEO

Helena Feltham - B&Q UK & Ireland,
HR Director

David Lowther - B&Q UK & Ireland,
Logistics and IT Director

Damian McGloughlin - B&Q UK
& Ireland, Retail Director

Trading Strategy

In December 2014, Veronique Laury - head of Kingfisher's Castorama chain - was appointed CEO of Kingfisher, succeeding Sir Ian Cheshire, who stepped down after 17 years with the business and seven at the helm. As CEO she has been tasked with expanding the company's online operations; expanding Screwfix and Bricot Dépôt into new markets such as Germany, and overseeing the planned improvement of Kingfisher's IT systems.

In early 2015, an in-depth review of Kingfisher's business and strategy concluded that it was correct to focus on the European home improvement market and that significant benefits could be achieved from developing a more common, unique and effective offer, as well as by unifying activities and standardising processes. The review also noted that there is no one clear winning format or channel in the market. See figure 1 for more details.

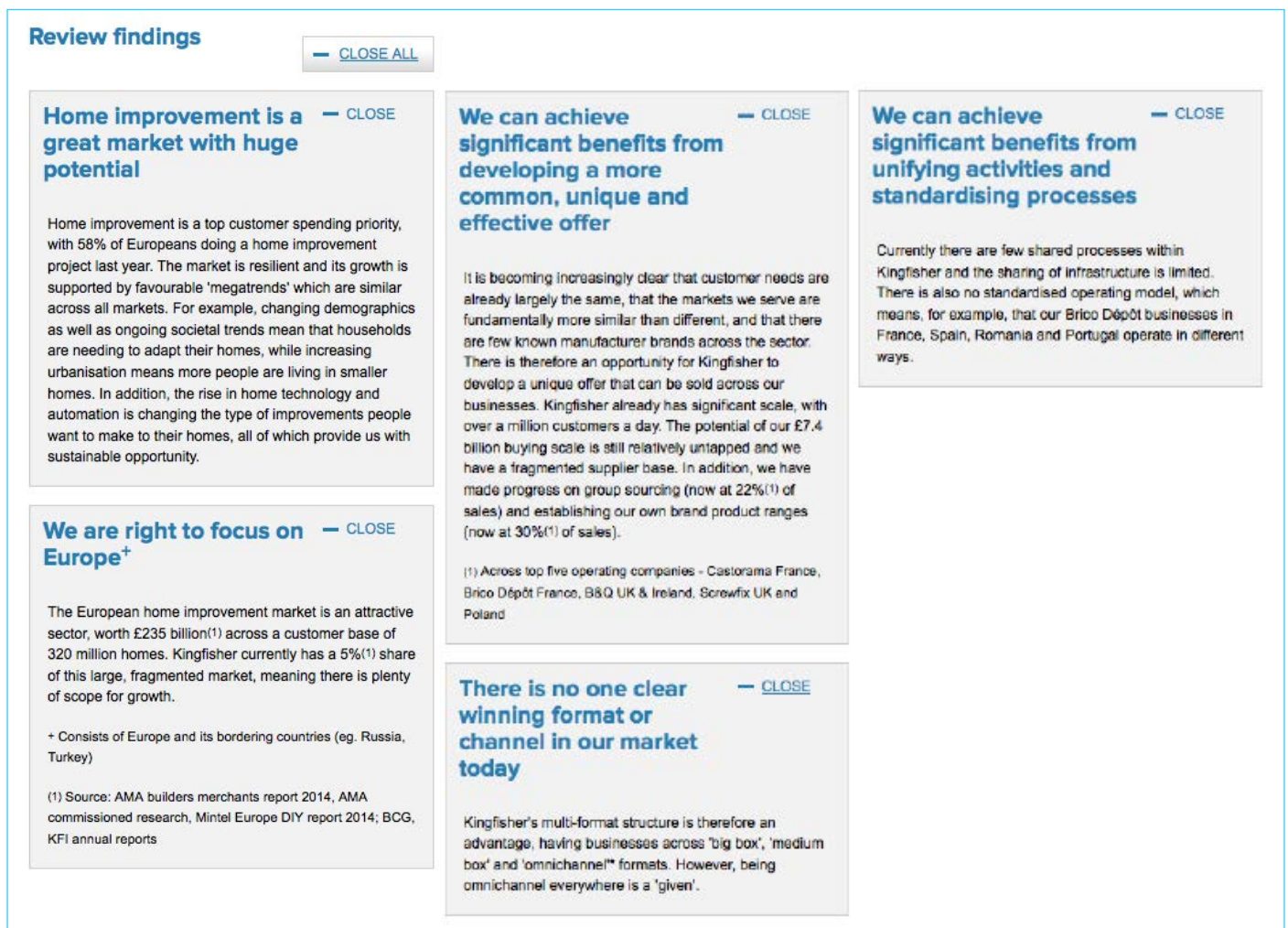


Figure 1 Review findings

Laury said of the review:

"It is clear to me that we need to organise ourselves very differently to unlock our potential". Subsequently, in March 2015, the Kingfisher leadership team announced ONE Kingfisher: a plan that it hopes 'will leverage the scale of the business by becoming a single unified company where customer needs come first'.

Trading Strategy Continued...

ONE Kingfisher's guiding principles:

1. Customer needs come first
2. Create a unique and leading offer
3. Same products across Europe presented to customers in the same way
4. Limited number of formats and omnichannel everywhere
5. Low cost always
6. One company culture

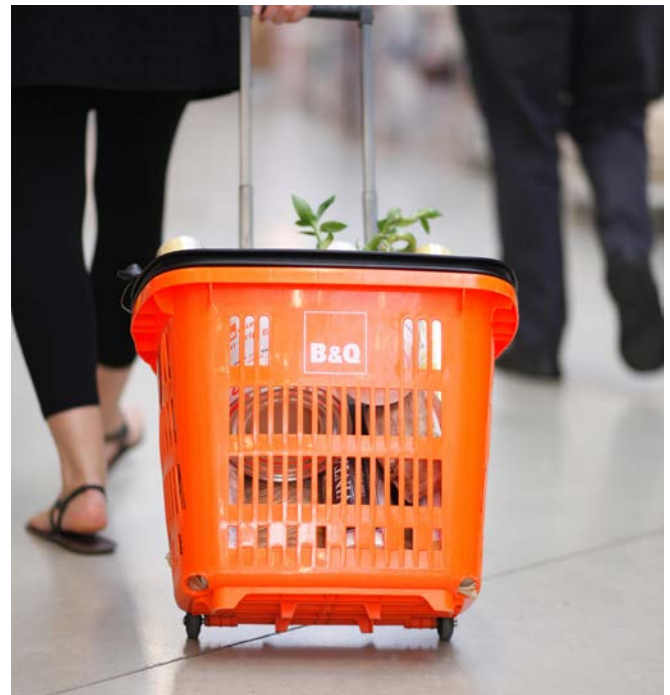
Kingfisher stated that work on the programme would be divided into the following key areas:

1) Customer and Offer: Everything will be based on our deep knowledge of customer needs and customers' shopping journey. Of a total of 393,000 products sold across the company (as of March 2015) only 7,000 products (representing 7% of sales) are currently sold in at least two operating companies. Of the 393,000 products, a large proportion relate to delisted and ex-promotional ranges which do not form part of existing retail planograms. Beyond this, driven by the knowledge that customer needs are more similar than different across geographies, planogram product ranges can be more similar in all our markets across Europe.

2) Formats/Channels: Our goal is to present the same products to customers across Europe in the same way under a simplified model. This will drive operational efficiencies whilst recognising that customer needs are evolving quickly so we need to adapt to this fast changing retail environment. Our existing channels will be managed under three formats: Big Box, Medium Box and Omnichannel, and each will be standardised across all of our markets.

3) Infrastructure & Processes: Unifying our processes and infrastructure will not only drive operating efficiencies but will also make us a simpler and more agile organisation.

4) People: To drive through these changes we have announced today a new leadership team and the need to move to a wider reorganisation of the structure of our teams in order to unlock the real potential of 'ONE' Kingfisher.



Trading Strategy Continued...

In October 2015, six months after the review findings were announced, Veronique Laury announced her first 'sharp' decisions related to the ONE Kingfisher programme. One of the most notable was the decision to close 60 B&Q stores, reducing floorspace by 15% (see Stores and Employees for more details).

Other decisions applicable to the wider group included plans to close the few loss-making stores in Europe; the development of unified garden and bathroom businesses; the pilot of a company-wide SAP IT platform in B&Q Ireland; a plan to cut the existing product tail, and the start of a Big Box revitalisation programme across Europe.

It was also revealed that a new, international leadership team with more focused cross-company roles had been established to help create a single, unified company.

Prior to the launch of the ONE Kingfisher programme, all Group companies had been participating in a four-year plan called Creating the Leader, the purpose of which was to make it easier for customers to have better, more sustainable homes. Kingfisher claimed it would

"harness our home improvement experience, our heritage as a leader in sustainability and our international scale and sourcing capability to bring new, more sustainable and more affordable products to market. By also providing our customers with project advice and new shopping channels to complement our stores, we will make it easier for them to adapt their homes to their evolving needs. Our shorthand for describing this purpose is "Better Homes, Better Lives".

Website and Click & Collect

B&Q's ecommerce website www.diy.com was relaunched in October 2014 following a £60 million investment to enable the retailer to offer its best ever online shopping experience. The site offers over 40,000 products and attracts over 3.5 million visitors a week – with over half accessing the site via a mobile device.

At the same time as the relaunch, B&Q upgraded the Reserve & Collect service to 'Click, Pay & Collect', offering over 14,000 products for next day collection. It was reported that B&Q plans to reinvent the warehouse store by rationalising its offer and introducing same-day

click-and-collect within two years. Former B&Q CEO Kevin O'Byrne said the company is focused on a great click-and-collect offer because "we need to raise our game and embrace the changes digital is bringing".

Technology

In October 2015, Kingfisher confirmed that the pilot of its new, unified, 'Easier' IT platform was progressing well and was live in seven B&Q Ireland stores. An investor presentation from October 2015 states that the new technology enables staff to provide improved customer service as the time spent on routine tasks is reduced, and customers benefit from being able to shop, order and pay using any device, anywhere, at any time. The platform will be rolled out across the UK during 2016 and it is estimated that the entire group will be using the new platform by financial year end 2018/19.



In support of the 2014 online investment B&Q also updated the in-store experience and introduced a new software programme called B&Q Spaces, which it claims has reduced the time needed to plan a new kitchen from two hours to four minutes. B&Q is thought to be considering adapting the technology for use with other ranges, such as bathrooms.

The introduction of this technological innovation to the kitchens department came as B&Q committed to withdrawing from yo-yo pricing on kitchen ranges. O'Byrne said:

"It is challenging but we have to hold our nerve and detox, we will come off those sales. The retailer with

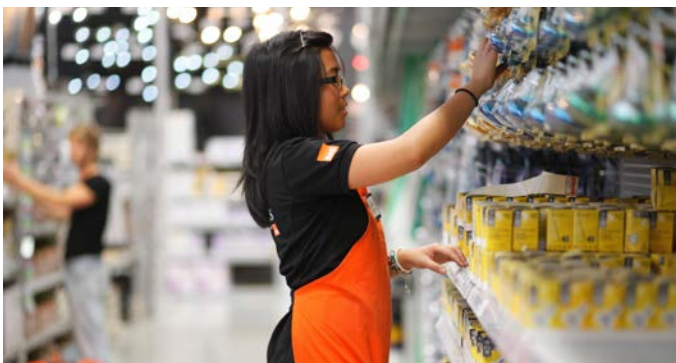
Trading Strategy Continued...

the healthiest and fastest-growing business is Ikea and it does not do yo-yo pricing.”

B&Q has also updated the paint-buying experience via its exclusive partnership with Valspar, a US paint brand. Valspar’s colour-matching technology works with almost any coloured item and a bespoke paint colour can be mixed within minutes. All the details can be stored within a database that can be accessed at any B&Q store.



Further details of Kingfisher and B&Q’s longer term strategy are expected in March 2016 when the business unveils preliminary results for the 2015-2016 financial year.



Stores & Employees

B&Q operates 355 stores across the UK and Ireland, covering 2,540,000 m² of retail selling space (as at 1st August 2015).

The retailer is currently undergoing a significant period of change, not least with its management team. In June 2015 it was announced that Michael Loeve would be taking on the role of CEO, B&Q UK & Ireland, replacing Kevin O’Byrne. Since the roll out of the new management structure, several other directors have also left the business, including Darren Blackhurst (commercial), Chris Moss (customer and marketing) and Guy Eccles (HR).

In March 2016, it was reported that the Kingfisher leadership team had been restructured after two of the three operations directors left the business. It is understood that Allain Souillard, operations director for medium box, has retired and Guy Colleau, operations director for ‘big box’, has left without another position to go to. The third member of the team, Steve Willett, has retained his role as chief digital and IT officer but is no longer operations director of omnichannel. Kingfisher has yet to comment on the changes.

Year	Store Numbers	Employee Numbers
2011	330	23,669
2012	357	23,502
2013	358	21,476
2014	360 (November 2014)	20,194
2015	355	20,519

Various initiatives have been introduced including ‘store friendly deliveries’ which make it quicker and easier for store staff to replenish, as well as roller checkouts which improve customer experience as well as scanning and database accuracy.

In recent filings with Companies House B&Q stated that it is continuing ‘to invest in design and layout of stores as well as ensuring they stock the latest products that customers want to buy’, regarding the investment as ‘integral to the continuing success of the business and helping ensure it provides customers with a store they like to shop in’.

Stores & Employees Continued...

Store closures, conversions and sell-offs:

On the 31st March 2015, B&Q announced plans to cut floorspace across the store network by around 15%. This process will take place over two years and will see the closure of approximately 60 stores and the 'right-sizing' of around six. B&Q's states that 'closures are being prioritised by the most over-spaced catchments in order to retain customers and sales'. B&Q anticipates that it will attract exceptional charges of circa £350 million as a result of the closures, mainly from onerous lease provisions.

Although the store closures were announced under Veronique Laury's leadership, plans to reduce B&Q's floorspace are not new. Back in September 2012 Sir Ian Cheshire confirmed that B&Q had embarked on a plan to 'rightsize' its store estate in order to remain competitive in an increasingly multi-channel world. A property review was understood to have revealed that as multi-channel sales grow, the optimum store size would drop to 80,000 sq ft from the average 100,000 sq ft. Cheshire said: "We're looking very carefully at every foot of space and could sublet or exit some".

In 2013 it was revealed that B&Q had agreed to share store space with supermarket chains Morrisons and ASDA at several sites. It was also confirmed that Sainsbury's and general merchandise retailer, The Range, were to take on a number of B&Q sites in their entirety. Several B&Q-Morrisons tie-ups were approved during 2014, including Bamber Bridge and Norwich, although approval was denied for a number of stores including Ipswich and Luton.

Redundancies

At this stage it is unclear how many people will be made redundant as a result of the 60 store closures announced in March 2015. Further information may be available when Kingfisher publishes its preliminary results in March 2016.

In August 2013 it was revealed that approximately 180 store staff had been made redundant following a store management restructure. Stock and service manager roles across the B&Q store network were made redundant and a new role – Deputy Manager – created. B&Q said the new structure was to "meet a number of business needs" and "having the best management structure in place to deliver the best service for our customers, and reducing the gap between management and the customer".

Around a year before, in October 2012, B&Q announced that 220 jobs were to be made redundant as part of a head office reorganisation. In a statement, the company said:

"A very different approach to creating this new organisation structure has taken place over the last few months and everyone in the team has been involved in this approach to create a more customer focused, agile, omni channel retailer. The new structure includes many new and different roles and changes to ways of working to ensure that B&Q is building sustainable jobs for the future and planning for growth. As a result of the new structure, 100 new head office roles are being created but there will be 220 redundancies."

B&Q China

In December 2014, Kingfisher announced that it was to sell a controlling 70% stake in B&Q China to Wumei Holdings Group, one of China's largest retail chains, less than a year after confirming it was looking for a strategic partner. The deal was completed in April 2015 for a total cash consideration of £140 million. Wumei Holdings operates around 650 supermarkets and 10 department stores. CEO Veronique Laury said:

"I am delighted to have found a strong retail partner who will help us to release the financial value of our business in China. This will enable us to focus our financial resources and management talent on the large and attractive European home improvement market."



Financials

Kingfisher currently segments its business into UK & Ireland, France and Other International, and does not separate out B&Q into a separate financial reporting entity. The following figures were sourced from Companies House filings and relate solely to B&Q Plc (company number 00973387).

B&Q PLC

Year	Turnover £m	Operating Profit £m	Pre-tax Profit £m	LFL Growth %	Notes
2011	3,711.7	147.7	144.7	(3.2)	Year ended 29th January 2011
2012	3,710.4	178.7	203.3	(1.0)	Year ended 28th January 2012
2013	3,637.9	123.1	(44.1)	(5.5)	Year ended 2nd February 2013
2014	3,589.5	116.0	138.6	0.2	Year ended 1st February 2014
2015	3,664.0	119.2	5.4	1.5	Year ended 31st January 2015

NB – 2013 was a 53 week reporting period

For the year ended 31st January 2015, B&Q PLC's total sales increased by £74.5 million to £3,664 million, representing a 1.5% rise in like-for-like sales. B&Q attributed this progress to several factors including re-energising the business through lower prices; simplifying in-store messages, and an increase in customer transactions as a result of targeted marketing.

Kingfisher estimates that, during the reporting period, the market for the UK's leading home improvement retailers rose by 4.8%. This was attributed to a stronger economic climate and a more buoyant housing and construction market, as well as better weather conditions compared with the previous year. Note that this figure incorporates GfK data and Kingfisher's estimates for the UK Repairs, Maintenance and Improvement market, is on a cash basis and is adjusted for discounts.

Gross profit is understood to have increased by 0.3% to £1,468.1 million, with gross profit percentage decreasing by 70 basis points following price investment activity.

Kingfisher issues trading updates on a quarterly basis but B&Q PLC's next full set of accounts are due to be filed in July 2016.

B&Q Ireland

In January 2013 B&Q Ireland sought the appointment of an examiner in an effort to save the business which had been posting significant losses due to the deteriorating economy and unsustainable rental costs. In May 2013

it was confirmed that the Irish High Court had approved the examiner's rescue plan which featured a €2.4 million investment from parent company, Kingfisher. Ultimately only one store was closed, taking the portfolio to eight, and 640 jobs were secured.

In July 2015 Kingfisher confirmed that it was planning to close its Belfast and Londonderry stores by the end of the financial year. By September 2015, B&Q issued a statement advising that it proposed to move its business to "four store locations in Northern Ireland by January 2017, with the closure of five stores". Recent figures (November 2015) showed that losses at the B&Q business in Ireland had increased sixfold to €3.1m in its last financial year, despite turnover climbing slightly to €78.5m.



Latest B&Q Trading Update

Q3 Trading update for the 13 weeks ended 31st October 2015

During Q3, Kingfisher's total sales in the UK & Ireland were up 5.5% in constant currency (+4.6% LFL) to £1,209 million reflecting a stronger UK economy. Retail profits were up 14.1% to £80 million. UK gross margins were down by 120 basis points reflecting mix effects from strong growth in Screwfix and higher sales of seasonal categories in B&Q. This was however offset by on-going cost initiatives at B&Q and the strong overall performance at Screwfix.

B&Q UK & Ireland's total sales were up 1.2% in constant currency (+2.4% LFL) to £931 million. Sales of outdoor seasonal and building products were up by 6.3%. Sales of indoor products, excluding showroom (kitchens, bathrooms and bedrooms) were up by 1.8%. Sales of showroom products increased by 0.4%.

Véronique Laury, Chief Executive Officer, said:

"Q3 trading conditions have followed a similar trend to the first half of the year, reflecting the more encouraging macroeconomic backdrop in the UK offset by a softer market in France.

"In the meantime, we continue to make good progress with our 'ONE' Kingfisher plan. The unified IT system, a key enabler of this journey, continues to progress well. In addition we have secured a further five agreements on the B&Q stores already planned for closure, taking the total to 31. I am very encouraged by development work on the first wave of the unified 'core essential' ranges, which will land in stores from next year. We now look forward to updating you on the detail of our long term strategy in early 2016."

(Issued 24th November 2015)

Kingfisher is expected to publish preliminary accounts for the financial year 2015-2016 on 24th March 2016.

Kingfisher



Latest News

7th March 2016 -

Ex B&Q boss accuses Kingfisher of arrogance

[read full article](#)

4th March 2016 -

Kingfisher restructures leadership team

[read full article](#)

26th February 2016 -

B&Q takes the lead with supplier payments

[read full article](#)

23rd February 2016 -

B&Q outsources CRM activity for the first time

[read full article](#)

23rd February 2016 -

Kingfisher CEO among retail bosses against British EU exit

[read full article](#)

18th February 2016 -

B&Q to close Motherwell store

[read full article](#)

5th February 2016 -

B&Q to increase basic pay and cut Sunday/Bank Holiday premium

[read full article](#)

Insightdiy NEWSLETTERS

Keep up to date with the latest B&Q and Kingfisher news by visiting the retailer pages on www.insightdiy.co.uk and signing up to the Insight DIY [newsletter](#).