
KING  SHER

Investor and analyst visit
13 October 2005

Ian Cheshire

CEO – B&Q

B&Q

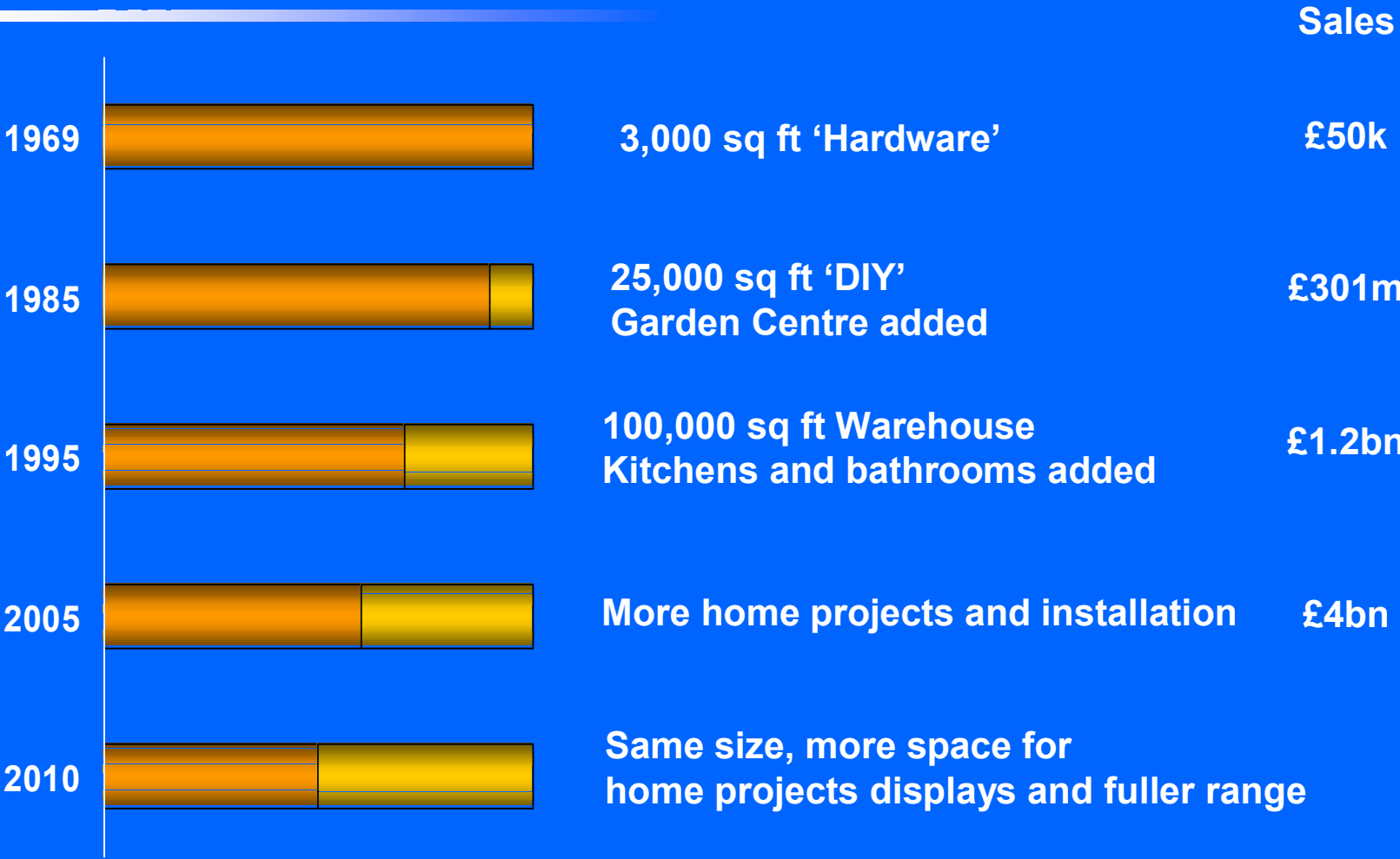


Agenda

- B&Q's evolution
 - Ranges and stores
 - Productivity and service
- B&Q Gloucester



B&Q's evolution



■ Core DIY ■ Home Projects



Evolution drives the 'virtuous circle'

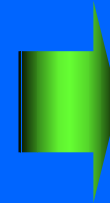


Declining markets in 2005 have interrupted the virtuous circle

	Scenario 1	Scenario 2	
Sales	£100	£98	-2%
Gross margin	£30	£28	-100bps
Costs	£(22)	£(24)	+9%
Retail Profit	£8	£4	-50%

B&Q's evolution

- Evolve ranges and stores
- Improve service
- Improve cost productivity



Higher LFL

Better ROIC

Evolve ranges and stores

Ranges

- already strong in hard DIY and gardening
 - limited ongoing review
 - some fast track edits
- strengthen showroom and decorative
 - room set merchandising
 - assisted project sales
 - some major reviews (e.g. ceramics)
 - new categories (e.g. home office)

Evolve ranges and stores

Stores

- more mini-Warehouses
- evolve big-box Warehouse
 - light touch
 - limited category change (e.g. paint)
 - reflow
 - showroom merchandising
 - full revamp
 - full store refit
- based on Gloucester, Milton Keynes, Luton and Wednesbury trials

Steve Gilman

CEO – B&Q Asia

B&Q

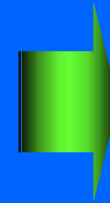


B&Q's evolution

- Evolve ranges and **stores**

- Improve service

- Improve cost productivity



Higher LFL

Better ROIC

Evolving stores

B&Q - the ultimate Home Improvement store ...

- best value
- unequalled range...and
- inspiring and innovative merchandising...with
- appropriate store environments and service

... with broader customer appeal

- male and female
- doers and catalysts
- traditional core “DIYer” and Trade
- more “Mature Maintainers and Quality DFYers”

Evolving stores

**DIY essentials,
home decor**

▶ never beaten on DIY essentials and decorative products

Garden

▶ comprehensive range of great priced, quality garden products ... excellent in-store care

**Rooms and
projects**

▶ fantastic products for major projects (DIY or DFY), Inspiring display, advice and service

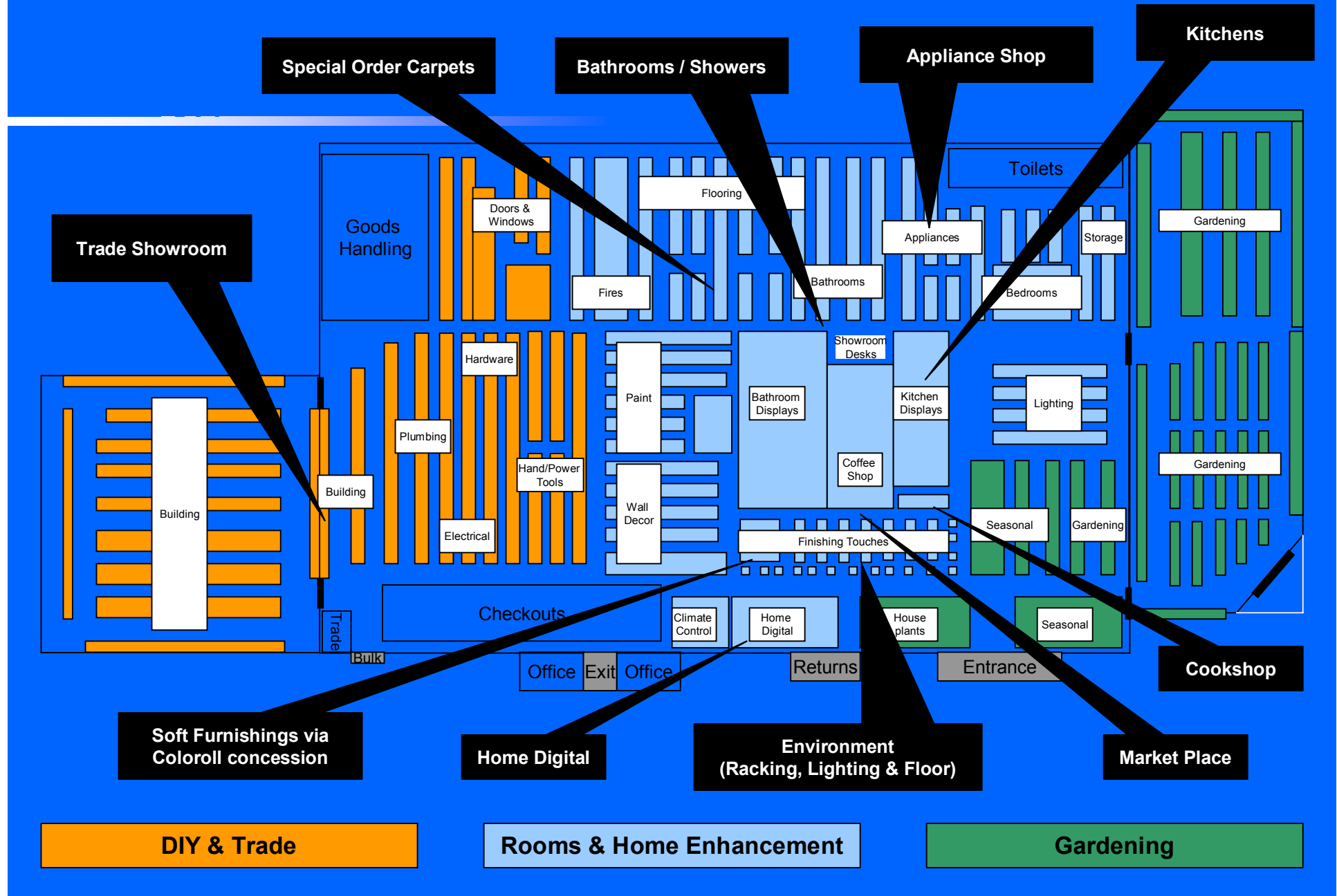
Trade

▶ quick to shop, well priced, in-stock take-away

**“New”
categories**

▶ compelling but tight offer in broader home improvement, softer environment

B&Q GLOUCESTER



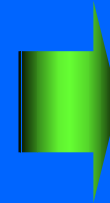
John Cleland
B&Q
Commercial Director

B&Q



B&Q's evolution

- Evolve ranges and stores
- Improve service
- Improve cost productivity



Higher LFL

Better ROIC

Evolving ranges

- review and improve current ranges
 - paint, flooring, bathroom, kitchen
- optimise space allocation
 - edit some over-ranged categories
 - re-deploy space
- introduce new home improvement ranges

Optimising space allocation

Examples from over ranged categories

Paint

- Top 3 sku's 3.7% of sales; 1.5% of space
- Top 100 95% availability – room to improve
- Top 10 sku's 56% of Paint sales – needing more space

Hardware

- Fastenings has 1600 skus in 72ft
- 80% of sales from 700 lines
- Closest competitor has 25% of B&Q's range and space

Objectives and Initial results

Objectives

- Reduce confusion and preserve real choice for customers
- Reduce complexity and improve availability
- Improve sales densities and free-up space for new categories.

Initial results

- early result from trials in four categories showing no sales disruption

Introduce new home improvement ranges

- **Soft home**
 - Bedroom furniture
 - Soft furnishings
- **Techno home**
 - Digital home
 - Climate control
- **Multi-function home**
 - Home office (later in the year)

Matt Tyson
B&Q
Operations Director

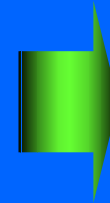


B&Q's evolution

- Evolve ranges and stores

- Improve service

- Improve cost productivity



Higher LFL

Better ROIC

Cost productivity and service

FLAT MANAGEMENT STRUCTURES

- **De-layer store management**
 - 20% fewer store managers
 - flatter structure
 - clearer accountabilities
 - clearer career path

SERVICE SQUAD

- **Improving peak time service**
 - Increasing ATV
 - Improve customer experience
- In c.200 stores by year end

Initiatives in Gloucester trial

- **Productivity**
 - replenishment
 - labour scheduling and deployment
- **Service**
 - showroom sales team
 - new incentive structure
 - service squad vs service desk
 - self checkout (future trials)

Summary

- Evolution not revolution
- Clear plans
- Experienced retail team
- Gathering pace