THOMSON REUTERS STREETEVENTS

# EDITED TRANSCRIPT

KGF.L - Full Year 2014 Kingfisher PLC Earnings Presentation

EVENT DATE/TIME: MARCH 31, 2015 / 8:00AM GMT

## CORPORATE PARTICIPANTS

**Veronique Laury** *Kingfisher plc - CEO*

**Karen Witts** *Kingfisher plc - CFO*

**Guy Colleau** *Kingfisher plc - CEO, Group Sourcing & Offer*

**Steve Willett** *Kingfisher plc - CEO, Group Productivity & Development*

## CONFERENCE CALL PARTICIPANTS

**Geoff Ruddell** *Morgan Stanley - Analyst*

**Jamie Merriman** *Sanford C. Bernstein & Co., LLC - Analyst*

**Fraser Ramzan** *Nomura - Analyst*

**Geoff Lowery** *Redburn Partners - Analyst*

**Andy Hughes** *UBS - Analyst*

**Christodoulos Chaviaras** *Barclays - Analyst*

**Simon Bowler** *Exane BNP Paribas - Analyst*

**Tony Shiret** *Espirito Santo Investment Bank - Analyst*

**Claire Huff** *RBC Capital Markets - Analyst*

**Assad Malic** *Citi - Analyst*

**Warwick Okines** *Deutsche Bank Research - Analyst*

**Caroline Gulliver** *Jefferies & Co. - Analyst*

**Rob Joyce** *Goldman Sachs & Co. - Analyst*

## PRESENTATION

**Veronique Laury** *- Kingfisher plc - CEO*

A fabulous place. With the blinds we can't see, but it's much better, because otherwise we would have to compete with the view which would have been very difficult, obviously.

So glad to welcome you today. In a moment, I will talk to you about our strategy update. But before that, I would like to hand over Karen which will cover the financial results for last year.

---

**Karen Witts** *- Kingfisher plc - CFO*

That's right. Thanks very much, though I know that you're all really waiting to hear what Vero's got to say. But if you just bear with me for a few minutes and I will take you through the 2014/2015 financial highlights, along with some developments in each of our major operations. And then, I'll move on to an update on the balance sheet and Kingfisher's uses of cash.

If we start with the financial summary. In the year to January 2015, Group sales grew by 2.9% to GBP11 billion on a constant-currency basis, with Group-wide like-for-like sales up 0.5% year on year.

Sales growth benefited from the addition of new space. During the year, we opened 74 new stores, including 64 Screwfix counters in the UK and Germany.

The results for the year reflect a mixed picture across our markets, with an improving UK market offset by less favorable backdrop in Continental Europe, with France, our biggest market, proving to be more challenging since the summer.

Adjusted profit before tax of GBP675 million was down 7.5%, reflecting these trends, and two other main drivers; namely, GBP34 million of adverse foreign exchange impact from translating foreign currency results into sterling, and an additional GBP23 million investment in new countries.

Overall, retail profit was down 1.6% on a constant-currency basis, but if you wanted to look at it excluding the cost of entering new markets, then the underlying profit was up 1.5%.

Our effective tax rate was 27%. That's 1% higher than last year, reflecting higher losses in developing countries, for which no future tax benefit is currently recognized for accounting purposes.

Adjusted earnings per share of 20.9p was 8.3% lower than last year, reflecting lower profit and the adverse foreign exchange impact.

Statutory post-tax profit was down 19.3%, reflecting both the impact of having GBP14 million of Hornbach results in last year's numbers, and also a significantly lower exceptional credit year on year. And I'll explain the exceptional items on the next slide.

The Group generated GBP450 million of free cash flow after investing GBP275 million in the business. The majority of this was returned to shareholders through a combination of annual dividend, special dividend, share buyback.

Our net cash position grew by almost GBP100 million to GBP329 million, helping to inform our view on cash returns, which I'll explain later in the presentation.

We created GBP34 million of Kingfisher economic profit, which is our measure that charges earnings with an annual cost for the capital that the business has invested. This is lower than last year, driven by a combination of adverse foreign exchange impact, higher effective tax rate, and the startup nature of investment in new countries.

The Board is proposing a final dividend of 6.85p, bringing the full-year dividend to 10p, a year-on-year increase of 1%, which is covered 2.1 times by earnings.

Now if we move on to post-tax exceptional items. We're reporting a credit of GBP71 million in the year versus GBP131 million last year. And last year, that related mainly to the successful settlement of the long-running Kesa demerger case.

This year, the GBP71 million relates to three key items. Firstly, transaction and integration costs associated with Mr. Bricolage and the agreement to sell a controlling stake in the B&Q China business. Secondly, as covered in detail in our interim results in September, we have a restructuring charge in B&Q UK & Ireland, reflecting simplification initiatives to drive productivity benefits. And thirdly, tax credits, driven by the release of prior-year provisions which have either been agreed with the tax authorities, reassessed, or time expired.

And turning now to the results by geography. In France, we added 2% new space, three new stores, and three revamps. Also pleased to say that we made good progress with Click, Pay & Collect, rolling this out to 34 of our stores in 2015 -- rolling out to 34 of our stores. And in 2015/2016, we're planning another around about 80, so that we'll be delivering the capability to customers in over half of our stores by the end of the year.

Total sales in France were GBP4.1 billion, down 1%; and like-for-like sales declined by 2.3%. This was in an ongoing soft market impacted by weak consumer confidence and a declining housing and construction sector.

However, gross margins were held broadly flat, with ongoing self-help initiatives offsetting higher levels of activity. And despite continued focus on our cost control, including lower levels of variable pay, retail profit declined by 6.5% to GBP349 million.

In Castorama, sales of GBP2.3 billion declined by 1.7%, with like-for-like sales down 1.4%, which was just slightly ahead of the Banque de France data showing sales for the DIY market down by 1.5%.

The trade market in France continued to be weak, with no obvious stimulation of new house build numbers or planning permits, which were down by 12% and 8% respectively. These trends impacted Brico Depot, which more specifically targets trade professionals and very proficient retail customers, those that we're calling 'pro'.

Brico Depot's total sales of GBP1.8 billion were broadly flat, and like-for-like sales were down 3.2%.

At this point, I'd like to draw your attention to a new section in the release called technical guidance for full-year 2015/2016. I hope you'll find it a useful addition. This guidance includes an explanation of an accounting change which impacts the phasing of French business levies over the year.

So if we move on now to the UK & Ireland. The UK & Ireland had a good year, with both B&Q and Screwfix delivering profit growth. The business has benefited from better weather, a stronger UK economy, and more buoyant housing construction.

Total sales of GBP4.6 billion were up 5.5%, and like-for-like sales were up 3.2%.

Retail profits grew strongly, up more than 16%, driven by the higher sales and a continued focus on cost efficiency.

Gross margins were down 60 basis points, largely reflecting the recognition in quarter 1 of more promotionally-led showroom sales from the last quarter of the previous year in B&Q.

B&Q in Ireland's total sales were up 1.9% to GBP3.8 billion. and like-for-like sales were up 1.4%. That's the strongest full-year positive like-for-like performance in five years.

The B&Q team has made good progress with the transformation plan. They've started to re-energize the business by simplifying in-store price messaging and highlighting great value. They've used doorbusters, so going, going, gone type promotions to drive footfall to the stores, and they've lowered prices on more than 5,000 products.

The results so far have been encouraging, helping to grow market share on a volume basis; to improve value perception of the customers; and to improve marketing awareness.

B&Q is making good progress with the productivity initiatives that we shared with you previously, including store-friendly deliveries and outsourced returns. They're aimed at making B&Q a simpler, more efficient business, with a lower operating cost model. And these initiatives will deliver discounted paybacks in less than 18 months.

B&Q also launched Click, Pay & Collect on over 14,000 products, with the release of the updated diy.com. Transacted online sales, including home delivery, are making encouraging early progress, growing 63% year on year.

And as we previously said, the B&Q team has been carrying out an in-depth property catchment analysis; and today, we're announcing that we'll be closing about 60 stores over the next two years. I'm going to provide more detail on this shortly.

Last but certainly not least in the UK, Screwfix had another excellent year, with total sales up by over one-quarter to GBP835 million in smaller trades and markets, which was up just 7%.

Screwfix opened a further 60 new outlets, taking the total to almost 400 new outlets. In fact, they'll be shortly opening the 400th store in Hinckley in Leicestershire.

Like-for-like sales were up 13.4%, driven by a strong promotional program, new ranges, and further digital and mobile development. In the current financial year, we're planning to open a further 60 net new stores.

And now on to our other international businesses. So firstly, let look at our more established business, Poland, Russia, Spain and Turkey, which together, grew sales to GBP1.8 billion, and that was up nearly 7%; and like-for-like sales were up by 2.5%.

We opened nine net new stores, mostly in Spain and Turkey, adding 6% new space. Combined retail profit was slightly up in constant currency.

In Poland, sales increased to GBP1.1 billion, with like-for-like sales up 0.4%. Gross margins improved by 50 basis points, as purchase optimization offset pricing activity, and retail profit was up 1.7% to GBP118 million.

In Russia, sales were up 19% to GBP408 million, and like-for-like sales grew by nearly 15%. By quarter 3 year-to-date, the like-for-likes were up around 10%, and then in the fourth quarter, like-for-like sales increase rose to almost 30% as customers rushed to spend rubles on durable goods.

However, retail profit declined by nearly 15%, GBP10 million, largely reflecting adverse foreign currency movements on the cost base. For example, around 60% of our stores are leased in Russia; have rentals largely denominated in US dollars or in euros. We do have hedging arrangements in place to help mitigate foreign exchange volatility, but nevertheless, with more than 80% ruble depreciation over the year, the impact of this more than offset margin gain.

In Spain, sales grew by 14%, reflecting four new Brico Depot stores opening.

And in Turkey, Koctas, our 50% joint venture, grew sales by just over 13%, GBP319 million, with like-for-like sales up more than 4%, reflecting new store openings, improvement in customer offer, and more promotional activity.

Retail profit contribution was broadly flat at GBP9 million. Preopening costs were higher compared to last year.

And still staying with our other international business but moving to new country development, let's look at Romania, Portugal and Germany, and I'll also cover B&Q China.

It's been a very active year. We've invested GBP23 million across our three new countries, and we've agreed to sell a 70% controlling stake in our Chinese business.

In Romania, we accelerated the conversion from Brico Store to Brico Depot, with 14 out of 15 stores now trading under the new banner. The business delivered sales of GBP91 million and a retail loss of GBP12 million, reflecting this year of transition.

The top left-hand picture that you can see is one of these stores near Bucharest which opened in October 2014.

In Portugal, we opened two stores this year, reflecting the first steps in our plan to expand Brico Depot across Iberia.

In Germany, we commenced a four-store pilot of Screwfix in Frankfurt, along with the launch of a countrywide website with next-day delivery. Sales and brand awareness are building nicely with an encouraging number of repeat customers. We're planning to open a further five new stores this year as we extend this trial within the Frankfurt area.

In 2015/2016, we expect the total retail losses from these three new countries to be around half of those in 2014/2015. And again, we've included this in our guidance page in section 4 of the release.

Finally, last year in B&Q China, sales declined by nearly 10% to GBP361 million, impacted by slowing Chinese property market, which was down 11% in the major cities where we operate.

We announced in December that we intend to sell a 70% stake in B&Q China to Wumei Holdings for GBP140 million in cash.

Going forward, subject to competition authority approval for the disposal, China will be accounted for as an investment. Adjusted measures for 2015/2016 and 2014/2015 comparatives would then exclude China's operating results to enable a fairer year-on-year comparison.

Now let's take a look at what's driving profitability. I've highlighted the negative impact of foreign exchange and the investment we've made in Germany, Portugal and Romania, and the difference that better market conditions in the performance in the UK and the rest of the Group, primarily France.

In the UK, we've been able to drive volume share, up 6.5%, with better, more straightforward pricing; and Screwfix has benefited from the opening of 60 outlets in 2014 and the annualization impact of [60] openings the year before.

In the margin, other than the impact from B&Q showroom promotions last year, in the UK, we managed to offset investment in pricing with better buying.

Outside of the UK, the market was more negative, particularly in France, for both the retail and pro home improvement customers. Self-help in the form of better buying helped to mitigate the impact of price and promotional activity.

Our cost control has not just been about variable cost reductions, but we've also delivered savings on costs, such as more effective advertising, cleaning costs and distribution.

At a Group level, even with investment in development, we held our total cost of sales ratio flat year on year, and our like-for-like costs reduced.

After investing in the business growth, the Group generated GBP450 million of free cash flow. This was GBP109 million lower than the previous year, driven by trading results, by lower net capital expenditure, and by adverse movement on working capital, which I'm going to explain.

The movement in working capital was primarily driven by a lower level of customer showroom deposits on kitchen, bathroom and bedroom sales in B&Q. This reflected B&Q's recent move to a simpler, everyday great-value message, with the aim of providing great prices to customers all year round, rather than having deeper promotions during the temporary sales period.

As a result, unlike last year, customer deposits were less concentrated into the UK's traditional January sale period impacting the yearend position. Overall, realized showroom sales were down around 5% over the year, but profit was slightly up.

And just to complete the picture, the year-on-year movement in working capital investment in new countries was largely driven by the accelerated conversion in Romania. At the end of the year, we were holding GBP2 billion of stock, up year on year because of development activity, trading, and the phasing of purchases.

And now on to what we did with our cash. As this slide shows, we returned GBP434 million -- therefore, the majority of our free cash flow to shareholders -- during the year in the form of the ordinary dividend, the special dividend, and share buyback.

The GBP198 million in proceeds from the disposal of the Group's shareholding in Hornbach at the start of the year drives the cash flow movement across the year.

As highlighted on the chart, our yearend position after foreign exchange and other impacts does exclude GBP57 million of cash held in B&Q China, because that was reclassified as an asset held for sale in the closing balance sheet. And it therefore also excludes the associated disposal proceeds, as this deal has not yet completed.

So if we now move on to capital discipline. And firstly, looking at the balance sheet, our balance sheet position remains strong. We're maintaining our solid investment-grade credit rating whilst investing in the business and paying a healthy annual dividend to shareholders.

Our lease-adjusted net debt to EBITDAR ratio of 2.3 times at the yearend is slightly lower than at last year's 2.4 times, reflecting higher yearend net cash and a small pension surplus versus a deficit last year.

We use our adjusted net debt to EBITDAR ratio as a guide for approximate BBB credit rating metrics, and internally, we target a range of broadly 2 to 2.5 times.

Beyond maintaining financial flexibility, we continue to look to optimize our lease-adjusted net debt position. Free cash flow last year benefited from GBP50 million of proceeds from the sale of non-operational assets, reflecting the part disposal of the first right-sized B&Q UK/[Elsevier] store in Kent, and property in France.

As you'll see on the chart, two-thirds of our GBP3.5 billion lease debt is driven by B&Q. We continue to work on various measures to reduce this, although it does take some time given that most of our stores are on long-term institutional leases with some 240 landlords.

We have been saying for some time now that B&Q has got too much space. We've now completed a review of all stores on a catchment basis, and we know which of these catchments are over-spaced or have space in the wrong locations.

So let's move on now to explain the progress that we're making in this area.

As I said, 65% of our total lease-adjusted debt is in B&Q. On the right-hand side of this chart, you can see the split of B&Q lease expiries by year. We have an average length of lease remaining of about eight/nine years.

Over nearly one-quarter of our leases technically come up for renewal over the next five years. There will naturally be a mixture of those that we want to retain and those that we would look to close.

On the handful of recently-expired leases that have been reviewed, we're encouraged by the results that we've obtained, led by Grahame Smith who recently joined as B&Q UK & Ireland Property Director.

It's early days, but we've started to achieve renegotiated leases at materially lower rents and on improved terms, such as capping lease lengths, capping future rent review increases, and moving to a monthly versus quarterly payment.

Today, we're announcing radical action to reduce our store footprint. We will be closing about 15% of surplus B&Q space, covering around 60 stores and six right-sizes over the next two years. Closures are being prioritized by the most over-spaced catchment to retain customers and thereby maximize sales transfer.

This will give rise to an exceptional item of around GBP350 million over the next two years. This will not, however, lead to a material incremental cash outflow, as it principally relates to onerous lease provision.

We anticipate the underlying profit and loss impact of the closures to be almost neutral, assuming on average an up to one-third of sales transfer. Our reasonable confidence in this figure is because of the prioritization given to the most over-spaced catchments, having recently rolled out improved omni-channel capability at B&Q, and from having similar experience during the Castorama France revitalization program.

Since most of our stores are leasehold, only a small number of the affected stores will be available for sale. Clearly, by closing leased stores, this will not remove the existing lease liability, so we continue to actively look to sublet the vacant space through a combination of outright sublets or right-sizing of our larger stores. We're already in discussion with several food and non-food retailers.

The six right-sizes are part of the previously-announced program with a supermarket group. They will take place this year, having now received a long-awaited planning permission.

Finally on capital discipline, how we utilize our cash. Let's now turn to our intentions for this financial year, with reference to our capital structure framework.

So firstly, we continue to reinvest in the business. I've mentioned earlier gross capital expenditure for the last year was GBP275 million. Of this, around 30% was invested in new stores and relocations; 30% on refreshing existing stores; and 40% on IT, supply chain and omni-channel development, as this was the first year of activity on developing a companywide SAP IT platform.

As you can see from the chart, the split will be similar in 2015/2016. However, we will be investing more, in the region of GBP350 million to GBP400 million, but still in line with our medium-term guidance. This increase will be driven by store development in the UK, France and Poland, including programs which Sarah will talk about shortly, and an extension to our home delivery facility shared by Screwfix and B&Q.

Secondly, in terms of our annual ordinary dividend, the Board has proposed a final dividend of 6.85%, resulting in a full-year dividend of 10p. This is up 1% versus last year and ahead of our EPS position.

Going forwards, we're comfortable with our dividend cover being in the range of 2 to 2.5 times, which we believe is prudent, consistent with the capital needs of the business, and in line with the market.

Thirdly, in 2014/2015, in addition to an annual dividend, we returned a further GBP200 million to shareholders by a special dividend and share buyback.

As we enter the second year of our multiyear capital returns program, we're today announcing that we intend to return another GBP200 million to shareholders in this financial year. This is also in addition to the normal annual dividend.

Around GBP30 million of shares have already been purchased, with the balance likely to be returned with the share buyback over the remainder of the year.

The decision to return the GBP200 million to shareholders next year was made before we knew the outcome of the Mr. Bricolage transaction. As you're aware, we have no incentive to hold excess capital on our balance sheet, and we'll assess the position as part of our regular capital review. We'll update you on this in due course.

So in summary, although the results for 20014/2015 were impacted by continued slower markets in France, material foreign exchange movements and investment in new country markets, we saw good growth in the UK, and continued with our self-help initiative on buying activity and cost.

Our balance sheet remains strong with the resources to invest, and we intend to return another GBP200 million of capital to shareholders this year.

Finally, in terms of the shorter-term outlook for our key markets, we remain encouraged by the improving economic backdrop in the UK, but we remain cautious on the outlook for France.

And I'll now hand over to Vero to talk to our strategic update, which I'm personally very excited to be part of.

---

**Veronique Laury** - *Kingfisher plc - CEO*

Thank you very much, Karen. So before diving into the strategy update that we will be sharing with you this morning, just before that, I wanted to talk a little bit about my philosophy, and as well about what I've been doing since I've been appointed.

For those who were with us in September, remember when I presented myself, I talked about my 26 years of experience in home improvement, and I would like to remind you of that.

But first, I would like to ask you two questions, not being for one minute an analyst or a banker, or whoever you are, but think about your home.

And the first question I would like to ask you is: Is there everything in your home you like? Is not something that you don't like, is not fit for purpose, it's not maintained properly, something you'd really be ashamed to show to somebody? Bear that in mind; have that question in your mind.

And the second question I would like to ask you is: When you are doing something with your home, in your home, whatever, you are doing it yourself or you are doing it with the help of somebody, or you're having somebody doing it for you, how do you feel about it?

Those two questions are very important, and that's why that better home, better life is behind me on the screen. It's because I think when we do home improvement, we do something very important for people. This is Kingfisher. That's what can make Kingfisher a very big company.

So back to my philosophy. What have I been doing since I've been appointed, first, I visited all the Kingfisher floors, as we say. I visited all the countries. I met all the leadership teams everywhere. I visited stores, our stores; the competition. And most importantly, I visited homes everywhere.

And my phone is full of pictures of homes in Russia, in Romania, in Spain, in Portugal, in the UK, in France. And again, it has just confirmed what I knew already that it's very much the same than it is different. And I will come back to that later on during the presentation.

The second thing I've been doing since I've been appointed is we've initiated with the Group Exec a strategy review, and we set up five big questions. And again, I will go through those questions with you, and to the answers as well, don't worry. But we thought that at the beginning of launching a 10-year strategy for Kingfisher, we needed really to come back to every single question right at the beginning.

The other thing that I've been doing is setting up new -- [thinking] and setting up the new organization. This brings the key people, the key good people that we have in that organization, as well as recruiting new talent coming in.

And then, of course, I started to interact with some of you, the external stakeholders, to understand more about what they were understanding about Kingfisher and what they were expecting from me.

What will be the agenda today? What will we be covering today? Well, first, those five questions I've just been talking about. Then we will talk a lot about that One Kingfisher, and explain, I will explain you what do we mean by that One Kingfisher.

We'll talk about the organization changes that needs to happen in order to create, to make that One Kingfisher becoming something real. And then I will talk about the first sharp decision, as I'm calling them.

So what are those key questions that we wanted to answer? There are five big questions. The first one is: Are we right to focus on the home improvement market?

Again, ahead of the 10-year strategy, of course, we are a home improvement company, but if at one point we thought that it was not big enough, we could have decided to do something else. Why not?

Second question. Are we right to focus on Europe+, because as Karen said, when we decided to move out of China, naturally, we are left in Europe. Is it big enough again to generate 10 years of growth?

Third question. Can we achieve significant benefit from developing the more common, unique and effective offer?

Fourth question. Is there winning format or channel today in the world?

And fifth question. Can we achieve significant benefit from unifying processes and activities?

So the way we go after those questions will really to be fact based. It's not about gossip; it's not about opinion. It's about having done a big piece of research, both externally and internally, to be sure that we have the hard facts in order to build our strategy on.

The way we did it is we establish what we call knowledge path. I think going forward, very important thing in the way we are working is we work on knowledge, on things gathering knowledge.

So we [did write stuff] on customers, one on offer, one of format and channel, one on infrastructure and processes; and, of course, one on people.

So to the first question, is home improvement a big enough market for the next 10 years, I'm pleased to announce to you that the answer is, yes. Yes, home improvement is a huge market with a great potential. So why?

First, before centering on the number, which makes us comfortable in the fact that saying that home improvement is a big enough market for us, what is the definition of home improvement going forward?

You won't hear us talking any more about DIY, or do-it-for-me. What do we call home improvement? Home improvement is everything, every product, every solution, every services, which ends in the home of somebody, which has closed all the offices, and all that kind of thing. But 'til it goes in the home of somebody, it's us; it's for us.

When you look at that from a target of customer point of view, we split things in a slightly different way. We are talking to the people who are doing it for themselves. Whatever, they know how to do it, what we will call a DIY-er; or they want to learn. And this is a category where we will have a lot to do, and Internet forums, the new technology, is offering lots of different ways of interact with those people who want to learn how to improve their home.

And the third category of people in that category who are doing it for themselves is people who need help. Whatever they knew, they had to start, to choose, to be delivered, or to do it for them. And the second -- that's what we will be called -- that's not a very nice name but we will try probably to find another one, the non-pro.

And then we will be talking to what we call the pro, which is people who are doing it for others. At the end of the day, they are contributing to that big home improvement market that is in front of us. But they are doing it for others. Which type of people we are putting in that category? What we were calling the very serious DIY-er.

You know, it's the person in your family who know how to do things, and when you have a problem, you're just calling him. He's not the professional but he knows how to do everything.

And then, in addition of that in that category, we will put light trade.

Why we divide those people like that? Because there are needs from both the product point of view sometimes, but more importantly, from customer shopping experience point of view, will be different. So that's the way we will see the market going forward.

So why home improvement is a great market with a huge potential? First, because home is key to people; ;home is key to people from both -- and remind of this question I've been asking to you -- from both an emotional point of view at the center of your life. That's what you like; that's why the people you like are living here, and so that's very important to everybody.

Whether you own your property or are renting it, whether it's a flat or a house, it doesn't matter. Home is something very important to the heart of people.

Second important thing about home, home is for almost every single person, is their biggest financial asset. That's what you have at the biggest part of your asset. So this is important.

This important is translating into numbers. We had last year across Europe 1,064 million people who shop for home improvement across Europe. That's massive. And we have 79% of European people who went and shopped in a home improvement store; 80% of the European population have been to home improvement. This is huge.

So first reason: Home is key to people. Second reason: Home is a top spending priority in every single country of Europe. In the most developed countries, like France, UK or Poland, it's 30% of the budget of people are spend into their home. It's far behind leisure and food, of course.

The third reason: Home improvement is a resilient market. Even we've been in the time of the heart of the crisis between 2009 and 2013, the home improvement market in Europe is, depending on the country, between minus 1.1%, for instance in Spain or Italy in the South of Europe, to 3.5% in Germany, Austria and Switzerland. And all the rest of the countries have been in the range in between in that trend. So if you compare that to other markets, the home improvement market has been extremely resilient.

But when things are going back, people, because of the reason we've been just talking about, home is so important to people, that's not the first thing that they are cutting. On the contrary. And we have a very good example with Russia right now, because people are just spending. That is something which we love.

And then, but least reason for believing in the home improvement sector, there is a natural demand because of the average age of the property.

In Europe, the average age of property is very old; is 60 years old in the UK; is 44 years old in France; and where it's the youngest one, if I can say, which is in Russia in Europe, 37 years old; which means that because of the state of the household, there is a lot of jobs to be done in those homes.

First question. Yes, home improvement. This home improvement market, in addition of that, supported that big, universal megatrend which will create more growth for us in the future.

The first one is the convergence of customer needs. I won't be long on that. Just a few examples that you will all recognize. Nowadays, we are all sleeping in IKEA quilts; we all wearing Zara clothes, if you're a woman probably. We are all drinking Starbucks Coffee. So we are living in the same way everywhere. We can say it is good or we can say it's disappointing, whatever we think about it. It's like that. This will come to the home improvement sector if somebody is doing something about it.

Demographics. This is very important for us as a home improvement company, because the way people live is impacting also the way their home is. So what are the biggest changes in demography? Household, a single household, it has raised by 80% in the last 15 years, so it's a measure of the fact that the young people are staying more in the home of their parents.

In the UK, for instance, we have 3 million people between 20 and 34 years old which are staying in their parents' home. It's 25% more than it was 10 years ago when that category of people hadn't changed in terms of numbers for the last 10 years. So changing demographics is impacting us a lot.

Urbanization. This is probably the key one. By 2050, 60% of the world population will be living in cities in the world. Today it's 54%, and in [1950] (corrected by company after the call) it was 30%. Look at that growth. And it's even more true in all the European countries.

Today in the UK it's 80% of the population which is living in cities. In France, it's 72%. So this is impacting a lot the way people live. Less space, more flats. People want more life. They need more partitions. So they need to re-conceive with the changing demography that we've just said. There is a lot of work to be done in the homes of people.

Internet, of course, can seem to be repeated and repeated again, but we haven't finished with that. Today, there is 3 billion of Internet users. In five years, we will have 4.8 billion of Internet users in the world. So it's growing. The application of Internet of home technology and connected objects is just massive. It's a huge market potential for us, but we need to untap in it.

Energy costs are rising. Energy costs have risen by 4% between 2008 and 2012. There is 11% of people in Europe who can't pay their energy bills. And when we did -- we conducted our last European research, it was in every country the main problem for people to go after in their home. So again, this is a massive market. It will be highly regulated, but we can do something about it.

Rising regulatory requirements. Of course, European is trying to harmonize for Europe lots of those rules, including about energy costs, but about the way we will do e-commerce, for instance. So again, there is opportunity for us to be integrated in those things.

And the last one but not the least, which is probably a little bit less well known, is about the sharing economy. I think that's something which has impact for all the very [de-material] businesses, like movies, like music, that sort of thing. But it has impacted more recently more established businesses, like [OTA] with Airbnb that you all know. You all know the capitalization of Airbnb.

Probably think that you don't know -- you know less about it, like BlaBlaCar, which has been created in France. It's the car sharing company which is massive. They have 1 million users a day. It's growing like mad.

So I'm sure you've read the last book of Jeremy Rifkin which is saying that sharing will become more the norm than having something. This will impact the way people will react with their homes. And as a leader, we need to look at those trends and embrace them in order to make our business better.

So that's about the first question.

The second question is: Are we right to focus on Europe+? Because you could argue with me the fact that to focus on a part of the world which is not growing that much is not very exciting. And as we've been out China, which I don't think has been surprising any of you, I've been told so many times what are you doing with China, we've been doing it, it left us with Europe.

So we thought with the Group Exec that it was the right use of our time to really deep dive and see, is there enough to after for the next 10 years. That doesn't mean that it will just be in Europe for the next 20 years, but for the next 10 years that Europe was big enough. And definitely the question is, yes.

In Europe, there is 320 million homes which, as we've seen with the 1980s, needs lots of home improvement. This is a market of GBP235 billion which is split of GBP140 billion for the non-pro I was talking about, and GBP90 billion for the pro. So this is 60/40 split.

So this is definitely a big market. Why do we think there is room for Kingfisher to grow? Because first, it's still a very, very fragmented market. In the big -- top big five countries, the big five players, whatever, if you take Germany, all the big four, they are just representing nearly 40% of the total market. It's the same in France and it is the same in the UK. But there is still a lot of multi-specialist, small doors which we can go after if we create for the customer something very different.

And us, as Kingfisher, we have very little market share. Overall in Europe, we have 5% market share, and in the countries where we are, we have 9%. So we have definitely room to grow.

So that's for Europe.

The third question we wanted to answer: Is there significant benefit from developing a more common, unique and effective offer? You won't be surprised with the answer, I'm sure. Yes, we can achieve significant benefit.

The first thing I would like to say about that is: We are not doing it to be nice to you guys. Sorry to say that. It's not just about benefits. We are doing it because from a customer point of view, it makes absolutely sense. This is the starting point of all that strategy.

As I told you, when you look at the homes of people, and I will come back to that, the needs are the same across the piece, and that's why we will achieve significant benefits. It's not just about better buying, of course, we will have better buying, but it's about creating more sales because we will provide to the people better solutions for their home improvement needs.

So really, that's the first question.

I just wanted to do a little quiz about those pictures. Can anybody --? Because there is one picture in the UK, one in France and one in Poland. You will agree with me that more or less it's the same. So this is the reason we will have significant benefit.

The top project in every country where we are and in every country in Europe are maintenance, gardening and decoration, and this is consistent across the piece. So from a customer point of view, it makes absolutely sense.

From a benefit point of view, why we think that we will have significant benefit is because there is a big price to have a more effective offer. I will talk to you a little bit about that effectiveness I talked about.

Today in Kingfisher, we have 393,000 SKUs across the piece. Among those 393,000 SKUs, 200,000 SKUs are planogram. I hope everybody understands that. I think you are familiar with the food retailers, which means that those products as a whole on a planogram, on an IT system, to be implemented in a store, which means that the rest of it doesn't.

Just, for example, the number you buy on some categories. We have today more than 4,700 light bulbs in the organization. We have [12,800 (corrected by company after the call) handtools. We have 1,000 different types of gloves. We have [1,979] (corrected by company after the call) brushes and rollers.

The bottom 50 SKUs is delivering 2% of the sales, and the top 10% of SKUs is delivering 68%. So that's what we'll go after when we are talking about having a more effective range.

Why I think we can do it? Because we already have strong assets within Kingfisher. First, we have customer knowledge, because delivering results, you don't need to do too many mistakes. The point of doing it is not seeking the likes of SKUs and just do that. It doesn't work like that. You need to start from the customer. But we know the customer because we have 1 million customers a day.

We have a big and tough scale. We are buying today for GBP7.4 billion of buying of purchase, so we have the scale. We have a very good sourcing organization that not a lot of home improvement organization have, which will help us to untap that big scale. And, of course, we make the proof that when we are developing products under our own brand, it works, because we are already selling 30% of our products through our own brands.

Fourth question. We did a lot of work in a very -- quite short period of time to see is there a winning format today, because there is a lot of questions everywhere in your head, and I'm sure in our head as well, in all the heads of all the big retailers about what are, or what is, or what are the format going forward.

We did a piece of research with the Group Exec, and I'm sorry to say I would have preferred to say, yes, there is one answer; and, yes, we will go after it. But the answer there is no answer right now.

So why there is no answer? And let's see -- let's share with you some examples.

You, of course, all seen the fabulous results from Home Depot a few weeks ago. What do they have? Big boxes when everybody is saying big boxes are dead, one of the biggest home improvement retailers in the world with fabulous results, have big boxes. And they put -- on top of that, they put a truly digital capability. But from a store perspective, they just have big boxes.

Why that come? Size. Everybody is saying size doesn't matter; you need to reduce the space everywhere that we can. Okay. Look at the size of the Apple store that they are opening in some -- all the central locations. What is the size of their stores to sell -- how many products? Look at the Primark store, the store that they are opening on the high street, the size of those stores, compared to what they have to sell in it. So size doesn't matter? Not really sure.

Convenience. Of course, there is a big trend about convenience. And in food, for instance, this is proven that this is the base concept in food. And on food, convenience is growing, growing very much.

We say no business without Internet. Another contrary example, Primark, they are not selling on Internet. And you all know the result. We all know the excitement of people when they open a store in the city. People are taking [planes] to visit their store and to buy something.

We all say big [setup] now is something we need to have. There is no way not to know where your customer are coming from, what they are doing, how they are sleeping, whatever. Zara, you can buy Zara. They didn't even know where you are living. They don't care.

So what I mean is that there is not one example to be followed. We need to find our way which will be the right one for the industry we are in, which is the way people are doing their home improvements projects, and we will.

What does that mean is that the winning formula is in innovation. All those companies I was talking about they are innovative. And it's about creating an exceptional and unique customer experience. And that's the key. This is not about the format of the site, of the Internet or non-Internet.

Having said that, we've been looking a lot at the home improvement sector, and there are things which are already given for us. So first, [home] is growing very fast in our industry, and even if it's not by the big companies, you have lots and lots of very small websites which are starting to do very, very good job and will be coming straight for us in terms of competition.

The important thing about the digital in our industry as well is about research, because it's quite complicated project. People are researching a lot of lines. So our home capability will have to be not only about selling, even if it will have to be about selling, but about all the environment around that.

Definitely, as I told you, we don't think that big box are dead, and that's why I will cover that in the first sharp initiative. We will be massively investing our big boxes that we have today, and which are delivering that set of results that Karen has been proposed.

But we will as well look at what would convenience mean for home improvement, because again, referring to that trend of urbanization, I think we need to think how we interact in addition of our web capability with people in cities. And today, home improvement has never been good at doing that. So we will do more thinking about it.

So that was for the fourth question.

The fifth question is the benefit we can achieve by unifying activities and processes; where we are today. Why we think that there is significant benefit. Because to be fair, because we've been organized as an operating company, a set of -- collection of businesses, we haven't operated like that. So we did very little.

We have few shared properties, we have little shared infrastructure, and we have no standardized store operating model. This is the picture you see that is one of the very rare examples where we are sharing between Screwfix and B&Q a warehouse, but it's one of the very rare examples in the Company. But again, it's just because the way we were organized, it was not natural to share those things.

So why we think this will have some benefits about doing that? Because we are not doing a lot of it today. It's really about effectiveness, and it's really about being more international and being able to take the biggest advantage of our people.

Because if you are, for instance, one store operating model across the piece, you can move a store manager from a B&Q store to a Castorama Poland store, or to a Castorama France store, because the way they will have to operate the store, the processes, that job description will be the same, where today, it's all different.

So having answered those questions, I do believe, I do have the confidence that we can create One Kingfisher. We want to become one company rather than a collection of businesses.

Why are we doing that? We are doing that to take full advantage of our scale, our competence, our creativity, our shared resources, and our broad geographic presence. This will be a journey. This is not a three-year plan.

How we go after it? It's not a strategy yet. It would be very big lack of humility to think that we'd be able in three months' time to reset the full strategy of a GBP10 billion business with 80,000 people. But what we've done already with the team is we've set up a clear set of guiding principles which will guide us going forward into working into that new strategy.

I leave you one minute to discover these principles before I go through each of them.

So first principle. Customers' needs come first. You can again argue with me and say: What would be the company which won't be saying the customer comes first? I think the way I'm talking about customer first, it's not about customer wants, it's about customer needs. It's a little bit different.

Just give me -- just do a little bit of demonstration at that stage which will be a little bit [interesting]. Look at those two packets. They are sugar. If I ask you how you open that piece of (inaudible). You are in the room.

So most of the retailers are doing their market survey like that. So 10 people, 10 customers, you've brought them in the room and you ask them question about how do you live, what is fine in your bathroom, what is not fine, what do you like about your garage, and they're answering. And they are true to them when they are answering, but the reality is completely different from what they are telling you.

Why? Because if I take that and I ask you how you how open it, 99% of the population, and it's proven, will say I do that and I do that. Okay? So if I'm in a room and I'm looking to those people and have to develop a product or a solution for those people, I do it on that basis. The reality is 99% of the population is first doing that and then doing that.

It makes all the difference. The way we will look at customers in the future as Kingfisher, we will not ask people what they want, we will look at the way they live in order to create the product that they need.

I will give a quote of Henry Ford which was saying -- again, those who knows (inaudible), if I would have asked people what they wanted, they would have asked for a faster horse, and he invented a car. So that's about customer needs.

Second, creating a unique and leading offer. What does that mean? That means that we won't be selecting products from the shelves of the supplier any more. We will develop, design, edit as well, because we will still have product for trading suppliers, of course, when it's needed, but we will develop, design and edit unique solutions for home improvement at lower cost.

Those solutions will be designed, they will be innovative, they will be complete, they will be stable as well. We will have a much, much stable range so people can find their products over and over. Coordinated, of course, that everything is matching with everything.

Good quality, that's very important. And sustainable. The sustainability will be fully embedded in the way we will be designing our products.

It won't be something on the side. It won't be one [positive act]. It will be completely embedded in the way we do our business, but more importantly, we are creating our product.

To do that, we will need a simpler brand structure. We will need strong management rule, range management rule. And will need, of course, a fully integrated supply chain. So that's for the second one.

Then products across Europe presented in the same way. What does that mean? As will develop the products in one place, we will develop at the same time, because we will have all that customer knowledge I was talking about. We will develop the solution and the product, but we will develop as well the way to sell it to the customer whatever is on the web, or whatever is in the store. And we will develop the full package of communication which will go with the products.

So if we do things like that, we will have the same product presented in the same way across the geography. That will mean as well that we will have the same customer experience through the different geographies. We will have the same merchandizing principle.

That doesn't mean that one size fits all. Let me give you a concrete example.

For instance, if we say when I'm talking about customer experience and merchandizing principle, if we decide we enter the store, the Kingfisher store, you will enter by bathroom, and then you have kitchen, and then you have storage, because that's the big project. And then you have decoration, blah, blah, blah. It will be the same everywhere.

The size of the flooring, for instance, won't be the same in every country. If the wood flooring is bigger in one country, the footprint of the wood flooring will be bigger (inaudible). So we will adapt, but with the same merchandizing principle and the same customer experience. And we will have local adaptation when it is required.

Fourth principle, limited number of formats and omni-channel everywhere. What does that mean? That means the limited. Why limited number of formats? This is a question of focus. I think Europe was a question of focus. We really need to focus Kingfisher on few things and doing it very, very well, with a high level of quality and demand in everything we do.

How many we will have, don't ask me the question. I don't know yet. We'll see. That will be for later. But we will have a limited number of formats.

And, of course, we have decided that we will have omni-channel everywhere. We can sell in every country in Europe, even without having stores in those countries, and we will work on it with (technical difficulty).

Low cost. This is quite new, be fair, for Kingfisher. We've been really good at lowering the cost, which is not the same. It's really about establishing a new mindset, about being a real low-cost organization. Why?

Why? Because again, it starts with the customer. If we want millions of people to be able to improve their homes, we need to reduce the price of the product that's there. This will be the key in the future to grow the potential of our home improvement business.

So if you want to lower the price, you have to lower your price, your buying price. But more importantly, you have to lower your costs. And this is not costing. It's about reengineering the business completely differently.

A bit of the unifying processes will be in that phase. The integrated supply chain will bring a lot of that as well.

And the fifth principle, which is not the easiest one to be fair with you, is the one-company culture. We have today at Kingfisher 80,000 very committed people. You all know probably that we do a big Gallup survey. We've been doing that for three years right now, and we are (inaudible) for the operating Company with the 80,000 people.

We have highly engaged staff. That's really the base of everything we will be doing in the future. But today, they are working as a separate thing. And we want now then work as one with one culture. This will be a new mindset.

So we think that that One Kingfisher I've been talking about for 10 minutes now will unlock the real potential of our Company. And, of course, it will drive more value, more shareholder value, but more customer value as well, and probably more colleague value as well.

So how we will drive that better value? Because we will get higher sales. We will get higher sales through a better offer, a more unique offer, better operation, because of a lot of that plan is about reducing among the business the number of SKUs.

And it's the amount of effort that you put in every SKU, whatever it's -- at the buying level, whatever, it's in the supply chain organization. And more importantly, at store level, you reduce and you concentrate the power of your people on less. It will be about lowering the price as well. It will make our business much more [saleable], so higher sales.

Maintain growth margin rate. At that stage, ask me other question. I will keep on that one because, of course, we will decrease the price of the products and we will get some benefit by adding that much more effective range, but we will have to do price investment at the same time. And the assumption that we've been taking from now is that this will be offset.

Lower cost; lower cost by higher volume per SKU critical; higher efficiency. Less write-offs because of our range will be much more stable. And as you know, today, we are doing range review in every country where we will be doing in one go the future; and, of course, a simpler operating model. And of course, we will keep the capital discipline that Karen will be -- has been talking about going forward.

So we are confident that this beginning of strategy will drive -- will improve our financial results going forward.

So to do that, we need to organize ourselves very differently, and that's the key thing. We are about to implement big changes in that organization. The way we were organized was -- and again, there is nothing wrong with that. We've done what everything we can do with an organization organized by operating company. And I think we've produced massive (technical difficulty) during the last 10 years with that organization, and it was fine. But if we want to move to that One thing we've been talking about and bring Kingfisher to another step of its evolution, we have had to do something about the organization.

So we were organized on every topic by operating company. We will be organized going forwards differently. So let me take every single string.

Customer. Of course, it will be unified as well (inaudible). Why? Because the knowledge of the customer by definition will start in the operating company, and you can't create that sort of company I was talking about if you have your people on the shop floor in the store who are not with you by understanding really what their customer needs.

So we will have them to do research, to go to visit the home. What will be different is we will gather all of that in one place and we will use it as one. We will take insight from all that knowledge collecting in Russia, Poland, in Romania, and we will use it -- we will have a universal vision of the customer.

Offer. Again, we have one point where we will be creating that unique offer. We will be developing the products. We will do all the quality. We will do all the design, the buying. We will do everything in one go.

On the edges, when it's required and when it's needed, the local team will ask first to take that offer which we [did as one], and to adapt it locally. But then, they will have to complement it at the edges.

Let me make you a very concrete example. Windows, for instance; there is no way we will have the same windows across the piece. When you go into the countries, the size of the window in the flats in Moscow are not the same as that in the cities. So we won't have the common offer, the unique offer on the windows. It will be done locally. But the biggest part, as soon as we've seen that the customer needs were the same, it will be done as one.

Formatting channels, it will be fully unified, as I've been [tolded] you. We'll have decided how many formats do we want. We'll know the layout, the brands, merchandising principles. All of that will be done as one. And we will have focus and effectiveness in doing it.

One of the very big advantages of doing that as well is you can expand much quicker with less costs and with much quicker return on capital because you can decide to just open one big box store in one country. You don't need to recreate a head office; no need to recreate anything. You have your store. It's done. You just adapt to the local country and you put the local team in it and it's done.

Infrastructure and processes. There is no need to localize all of that. It will be fully unified. And people, of course, it will be both. We will have set of principle which is about One Kingfisher, culture, mindset, reward, for HR processes, will be the same across the piece. But of course, all the management needs to be done on the ground with the people, by the operating company.

So, probably, one of the questions that you have in mind about that, but at least some of the people inside the organization have that in mind, and let's be true to that, is there not a risk of losing the reality because you are very big company with 80,000 people, and you can lose the [Company] with the reality. And definitely the answer is, no, not, because customer knowledge will be always at the core of everything we do and it was our kind of barrier not to do silly things.

The offer will still be localized when it's needed. We are not stupid. We will sell to people what they need, and even if it's local we will sell it. And of course, we will have a strong management on the ground because people in stores will have a simpler operation, a simpler business to operate, and they will be able to be really excellent at what they do.

It's a big change. Yes, it's a big change. Are we afraid to do that change? No, we are not. We are not, because we did it before. We did it at the country level. When I joined Castorama France in 2006, there were 13 regions. Everybody was explaining me that you can't sell the same stuff in the North of France and the South of France. 10 years after, it's over. We have one big central organization, one integrated supply chain, and we've been deliver more growth, more profit, with less SKUs, higher efficiency.

So it's completely doable. It's much bigger this time, of course, but as soon as it makes sense from a customer point of view, there is no issue about it. Of course, it will need -- it will require a little bit of work, as you can imagine, but we are a strong team and we will be doing it.

So lastly, I wanted to share with you, but probably not least, we are getting on with that agenda [we state]. It's not about talking. As you've seen, it's not a full set of strategies. We are still working very hard to continue to build that journey going forward. You will have a lot more to come, but we've already decided quite a lot of things.

I think I need to do a little bit of explanation about the first sharp initiative. I've been told, to be fairly honest, by my English colleagues that the word sharp was not very nice in English, and I decided to keep it. What does that mean?

What does that mean? That means tough and quick. It's not short term. You won't hear me talking about short term, because from now, every single decision that we will be taking for that business will be towards that journey of becoming the leading home improvement company in 10 years.

So it's not about short term action. It's about the way we will be looking at things is we categorize what we are doing in three buckets, let's say. The first bucket is prepare for the future. In a less elegant way I am saying we clean the floor, just clean the floor.

Then second bucket do more of the good that we have. We are already doing some good stuff in Kingfisher. Screwfix is performing extremely well. We have lots of things which are doing well. We've be opening a new concept store in Henin Beaumont a few months ago. This store is growing by 35%. So we know how to do a good big box. We know how to do omni-channel retail. So let's do more of the good that we have in the Group already.

And then there is a third bucket which is create the new, that new story that I have been talking to you about for the last hour.

So we will look at the way we do things like that, and we've been taking the first sharp decision with (inaudible). For customers, what have we been deciding already on customers? We have already started to develop the unified garden and bathroom business across Europe, which puts -- short teams from now, they will extend very soon, but they have started -- all that customer needs what I was talking, we've started; it's ongoing. And this is in the bucket of creating the future. We are already starting to create that future. It will take a little bit of time, but it has started.

Offer. We have develop a plan to cut the tail of existing products. It's key. This is on the bucket of cleaning, preparing for future. We have a lot to do about that.

With the Group Exec, each of the Group Exec members are responsible for one of those facts. So we have already made all the analyses about where is the sale, in which of the companies, how many still are we talking about, in which category; we have all that data already. And now, we are putting a plan together. It will be a three-year plan for that to resolve that problem.







THOMSON REUTERS

It would be -- of course, at the same time, we will have to write and to establish strong range management rules in order not to come back to that situation again and again, for sure.

Format and channels, as you've seen in the release this morning, we've taken quite a strong decision about B&Q. We'll be closing 15% of the space of B&Q. I think, again, I don't think that has been a surprise for any of you. That's something we've been talking about for quite a long time.

It's not an easy decision to take, of course. And to be fair, on a more personal note, just being appointed as the new CEO of Kingfisher, taking that kind of tough decision is not the easiest and isn't the easiest thing to do, but we had to do it.

It's really not about shrinking the UK and not believing in the home improvement market in the UK any more. I'm a big believer that there is a huge market down here. People want to have a better home improvement offer in that country, and we will invest massively into refurbishing the B&Q store, as in the catchment as we are closing the store.

So it's really joined. We will be closing stores. And at the same time, we will be revitalizing stores. So we will as well close a few loss-making stores that we have in the rest of Europe. It's a handful, but it's a healthy situation; what is not working, we just get on with things. We give the time of things to work, but when it's not working, it's not working. We have to get on with it.

And we will start that big revitalization program I was talking, of course, in the UK, but in Poland as well. And we will be continuing it in France, as we already stated.

We will extend the omni-channel trial in Germany. We opened four stores last year and we will open five more. I'm sure we will be very pleased to answer your questions on that subject.

Infrastructure and processes. What are those first sharp decisions? We are piloting this unified IT platform, and we are already -- or the tests will be starting on normally June 29. I don't think that I shouldn't say that, but --. And we are already looking to accelerate, because this is critical to have that IT platform across the businesses in order to develop our full omni-channel capability across our business.

And we've taken that decision to unify our GNFR buying. It's GBP1.2 billion; I think something we can go quite easily after. And Karen will be taking that project into her leadership.

And on people finally, I've finalized a new leadership team and a wider organization structure that I will share with you just right now.

So I hope with that set of sharp initiatives that you will have the impression that things have started already.

So last but not least, again, we will be, the Group Exec, new, international leadership team, with more focused cross-company roles and deeper competence.

What that new team is about? First, it's about the mixture between existing people, people who know home improvement very well. That's critical if you want to build that One Kingfisher I was talking about. But with new people coming from outside with new competencies, new points of view.

This will be a complete fully international team, and that's something very important to me. If we want to be leading, we need to be a truly international company. And the fact that we will be bringing more and more international people within the Company at every level will be the key of success.

It's about competence and experience, and I will get that coming to Arja, our new Chief Offer & Supply Chain Officer. It's about focus on people. As you will notice, we will have a Chief People Officer within the Group Exec. I think that's very critical for 80,000 people business.

A big focus on operations. We will have three heads of operations running for each of them a format. We want the focus on operations. It's about excellence, it's about quality in everything we do, it's about delivery and it's about execution. We really need to be world class in those areas and we need to have people who will drive that focus everywhere. The CEOs of the country will report into those operations directors for sure.

Digital is a key, and that's why I wanted to appoint Chief Digital & IT Officer which will be leading that agenda for us at the Group Exec. Still, of course, (inaudible), but you all know right now.

So that will be the team. So you know, of course, Karen; you know Steve, you know Guy and Alain. And Arja Taaveniku will join us. She will join us at the beginning of May. It has been announced in her previous company today as well. She has been spending 22 years at IKEA running most of the big businesses in IKEA, developing the offer, and she will complete the team.

On the HR, I hoped to be able to disclose this today, but I'm not able to do it, but we've made some very good progress. So the team will be fully completed very soon.

So in summary, I hope that you will be with me to say that European market has a great potential; to be with me that we have now a clear set of principles which will help us to unlock the real potential of Kingfisher; that we are organized very differently this time; and we are getting, with all of this with pace. And, of course, we will update you as our ideas and progress are developing.

Thank you very much.

---

## QUESTIONS AND ANSWERS

**Unidentified Company Representative**

Ladies and gentlemen, we would now like to take some questions. We do have two roaming mics. Please wait for a microphone to reach you and please state your name and where you are from.

For the sake of fairness, please limit yourself to one question only. We will come back to you for any supplementary questions should we have time.

Many thanks.

---

**Geoff Ruddell** - *Morgan Stanley - Analyst*

Geoff Ruddell, Morgan Stanley. Could I just get some more details on the 60 store closures and particularly the split between the big stores and the smaller stores?

In the past, I think that some of the view has been that the over-spacing was that the big stores were too big, but not necessarily you had too many stores. Could you just explain your thoughts on where the excess space is, please?

---

**Veronique Laury** - *Kingfisher plc - CEO*

I will pass on to Karen in a few minutes, but I think I will give you the number about the number of stores.

I think the way we've done it is more by catchment. So what we've been is we've been looking at catchment and we've been closing the stores which were not necessary, and we were working with how the sales plan work and really work together on these big site things to deepen what you are doing with [them].

The reality is we have too many big stores with each other. If you take Manchester, for instance, we have too many big stores. But it's not the [size store in this].

If you compare it to what we have in Castorama, France, we don't have as many big stores in the UK that we have in France. So the size of the store is not the problem. The problem is to have a lot of big stores in the same areas.

Karen?

---

**Karen Witts** - *Kingfisher plc - CFO*

I think Veronique answered that. It's a mixture of size of the stores. It's not true to say that the very big stores are bad. We've got some very well-performing big stores. It really is a case about doing the catchment analysis and working out where we should be.

So it's a mixture, but as you would imagine, these 60 stores actually tend to have lower on average sales than the other ones would have.

---

**Geoff Ruddell** - *Morgan Stanley - Analyst*

How many of the 60 would be the old B&Q warehouses rather than (inaudible)?

---

**Karen Witts** - *Kingfisher plc - CFO*

It's a mixture of all three types that we've got.

---

**Jamie Merriman** - *Sanford C. Bernstein & Co., LLC - Analyst*

Jamie Merriman, Bernstein. On the organizational restructuring, can you talk a little bit about how that will filter down to things like buying and supply chains? So for example, for big box, does this mean that the way the common product is you'll now have one team who'll be thinking about big box stores across Europe, or is it still you'll have a team for B&Q versus Castorama?

---

**Veronique Laury** - *Kingfisher plc - CEO*

We haven't worked all those details yet. This is the very beginning of that story. And of course, I'm waiting for Arja to arrive in order to think with the team the full plans about how we will do it.

What is sure is part of the offer will be done, will be created in whatever. It's not one place physically, but by one team. But we will always have some local teams in order, first, to take that offer and adapt to the local country, and as well to complement with the local product that we need to have.

---

**Fraser Ramzan** - *Nomura - Analyst*

Fraser Ramzan, Nomura. Just going back to your slide 30 about your financial principles, higher sales, maintain gross margin rates, I'm getting the sense that this is very much the beginning of your 10-year vision. So while that is your financial aspiration, it's not necessarily what we should be thinking about in terms of not the current financial year, but next financial year.

As you get into the detail of your plan and you're clearing out 50% of the tail of your range, you can have some very big wobbles in your margin metrics. You're not saying to us we expect the gross margin to be flat going forward, are you?

**Veronique Laury** - *Kingfisher plc - CEO*

Well, I think where we are is we don't have all those numbers yet. The cleaning thing that you are talking about, we already looked at it. We know already how many SKUs are we talking, how many stores are we talking. We are confident that we can absorb that in the way we are running the business right now. And because of the way we will be doing it going forward, we won't recreate that; we will work in a completely different way.

**Fraser Ramzan** - *Nomura - Analyst*

Okay. And the capital side of that equation, so I think you said you're going to invest a lot of money in B&Q and in the big box format across Europe. Is that covered in the GBP350 million to GBP400 million medium-term guidance, or again, are we at day 1 at the moment?

**Karen Witts** - *Kingfisher plc - CFO*

We're at day 1 at the moment, but we've said that for this financial year, 2015/2016, we will up our capital expenditure by about GBP100 million, but we will still be within that envelope of GBP350 million to GBP400 million. We established that envelope, I think it was about three years ago now; and to be fair, we've barely reached the bottom end of it in every year that we've reported.

So we have actually the capacity within that amount to invest more in CapEx, but the shape of our CapEx isn't necessarily going to change very much. We have typically spent 60% to 70% of our overall capital envelope on the stores, whether they're new stores or whether it's revamp.

And if I just maybe just to go back to a point you made about cutting the tail and the range. I think one of the things that we need to think about is a lot of that is de-listed stock. It's big numbers of ones and twos of SKUs, big numbers, low value, and a lot of it already is very highly provided for.

**Fraser Ramzan** - *Nomura - Analyst*

Understood. Thank you.

**Geoff Lowery** - *Redburn Partners - Analyst*

Geoff Lowery, Redburn. In terms of your work on productivity, IT platform infrastructure, etc., this seems like very big stuff in the context of a group your size, moving towards common platform, etc. Is the savings opportunity in the tens or hundreds of millions from this through time?

**Veronique Laury** - *Kingfisher plc - CEO*

I think you can call it that. We won't confirm about the number of millions, but [Steve] how big it is.

**Unidentified Company Representative**

I think -- at this point in time, we're not going to give total guidance on that. But quite frankly, if we didn't think it was significant, we wouldn't be progressing it. So I think we'd probably be in the upper end of your spectrum, not necessarily at the bottom end of the spectrum.

In terms of the change, yes, the IT process change has been going on for roughly a year at the moment and we are heading towards the pilot on June 29. I would say actually early July because it's looking a bit tight (laughter). But we'll be (inaudible), I think. So I think we're progressing quite well on that. And the pilot will be in Ireland. We'll do eight stores in Ireland basically testing the whole thing end to end in a live environment.

**Geoff Lowery** - *Redburn Partners - Analyst*

And while you have the mic, just on Screwfix, you're doing another 60 stores this year in the UK. What's your long-run pipe look like at Screwfix? Is it 500/600/700?

**Steve Willett** - *Kingfisher plc - CEO, Group Productivity & Development*

The answer is we need to come back. So what's happening at the moment is I think what we last declared was late 400s. What we're finding is we've been adding into smaller catchments, and as we're adding into smaller catchments, we're getting higher market shares.

So what we're doing at the moment, quite frankly, is we're redoing all our models, and we're probably looking to put some guidance, probably back in September in terms of where we are. But at the moment, my belief is it's higher than late 400s.

**Geoff Lowery** - *Redburn Partners - Analyst*

Thank you.

**Andy Hughes** - *UBS - Analyst*

Andy Hughes, UBS. Just with the 60 store closures at B&Q, clearly, you had the opportunity to recreate Brico Depot in the UK and you decided not to do that. Why is that?

**Veronique Laury** - *Kingfisher plc - CEO*

(laughter). It reminds me probably of a conversation that we had already. Again, before doing something -- entering a new format in the UK, again, it is a healthy management and focus that I was talking about. We saw that we need first to address B&Q and to make it work, and to add a new format right now wouldn't be the best idea for the business.

So I think, again, on the format thing, I'm being really clear with you, things are very open. We really don't know what we will be doing with the format that we have. But we thought that it was more important really now to address B&Q and to make that big revitalization program for the non-pro customer and putting the best of what we have in the Group within the UK. But it requires (inaudible) some of the [stay] that we have there.

**Andy Hughes** - *UBS - Analyst*

Okay. Just as a follow-up, on kitchens, you note that there's a unified garden and bathroom plan, but why not kitchens? Is that just too local a business, or are there issues you've got to address in the UK?

**Veronique Laury** - *Kingfisher plc - CEO*

I've done two already. You are asking already for three (laughter). No. I think we -- definitely, kitchen will be a business that we can fully unify, to be fair; even easier than bathroom. But because of the complexity of that business, we didn't think that it was one of the easiest ones to pick up right at the beginning.

We haven't developed our plan yet about what are the categories and how far we will go to drive that unified. We will come back to you. But that's part of what we should be doing in the next week, with the arrival of Arja as well. But kitchen will be definitely a unified business; no doubt.

**Andy Hughes** - *UBS - Analyst*

Great. Thank you.

**Christodoulos Chaviaras** - *Barclays - Analyst*

Christodoulos Chaviaras, Barclays. My question is on the price investment that you talked about during your presentation but you haven't quantified. Should we assume that back in October when we had a B&Q Investor Day that price investment was 1% to 2% over (technical difficulty)? But clearly, now B&Q management is different, should we expect a different level of price investment? And also, what sort of volume growth you are seeing with the price investment that you've already done.

**Veronique Laury** - *Kingfisher plc - CEO*

I will answer on the first part of your question. I think it will be different. What you are talking about that price investment, it was really limited to one operating company, and it was really about buying better and better buying to the customer.

What I'm talking about in that 10-year journey, I'm talking about price investment, is that because you develop your own offer completely different way, with raw material, with industrial processes, it's not about reducing the price by 1%. That's not what I'm talking about. It's totally different. So I wouldn't associate (technical difficulty) we've been doing whatever it is in B&Q, or in Castorama France as well where they've been doing some pricing investment with what we want to do with (inaudible). Very different.

Does that make sense?

**Christodoulos Chaviaras** - *Barclays - Analyst*

Yes. But you also mentioned in the release that you have done price investments; you've seen some volume growth.

**Veronique Laury** - *Kingfisher plc - CEO*

Yes, definitely.

**Christodoulos Chaviaras** - *Barclays - Analyst*

And I guess this will be something that will be happening over the next couple of years, unless I'm wrong.

**Veronique Laury** - *Kingfisher plc - CEO*

Yes. We'll continue on that, but what I'm talking in that strategy is something which is much bigger than what we've been doing. We've been doing it on the scale which was manageable from a resource point of view.

Karen, you want to say a few words about the volume growth in B&Q?

**Karen Witts** - *Kingfisher plc - CFO*

I think one of the things that we did say was we wanted to grow volume share in B&Q and then that would be translated ultimately into value share. And that's clearly what we've seen happening over the course of this year. We updated you in terms of the volume share growth at H1 and that's continued for B&Q, and indeed for Screwfix, too, into the full year. But our volume share in the UK in the last year grew by 6.5% and our value share grew by 5.5%. So we'll continue to work on getting the right level of pricing for our customers by looking at our elasticity model.

But we're not going to stop investment. What's been done has been good and has achieved results.

---

**Veronique Laury** - *Kingfisher plc - CEO*

What it means, what you just highlighted, the fact that when you are talking to millions of people you are mass market retailer; when you reduce the price, you get some volume [upside]. The question is how much (technical difficulty) in order to make a profit.

---

**Simon Bowler** - *Exane BNP Paribas - Analyst*

Simon Bowler, Exane. You've very kindly given an absolute number for your common buying for GNFR. I get the sense that today we're not going to get anything in terms of cost of goods, common buying, either percentage or absolute number. Is that something we should expect going forward? So previously, it's been the talk about moving towards 50% common buying. Is that still the target, or should we expect updates?

---

**Veronique Laury** - *Kingfisher plc - CEO*

You are talking about GNFR or non?

---

**Simon Bowler** - *Exane BNP Paribas - Analyst*

For non, so for goods for sale.

---

**Veronique Laury** - *Kingfisher plc - CEO*

For GNFR. So, yes. I think -- Karen?

---

**Karen Witts** - *Kingfisher plc - CFO*

What we've said for GNFR is the number that we gave was the opportunity, and that's the amount that we spend on goods not for resale, GBP1.2 billion. And we've said if we actually buy these goods in a more unified way, then we expect to achieve some benefit from leveraging our scale in a way that we only do partially just now.

If you're talking about goods for resale, then certainly, part of the strategy again is about unification and creating unique product. So again, we've got GBP7 billion, more than GBP7 billion of goods for resale, and by unifying, then we'll achieve benefits there as well.

---

**Simon Bowler** - *Exane BNP Paribas - Analyst*

And is there anything in terms of percentages or absolute [multiple speakers]?

---

**Karen Witts** - *Kingfisher plc - CFO*

No. We haven't given any guidance on that now.

---

**Simon Bowler** - *Exane BNP Paribas - Analyst*

Is that something we might expect going forward? Is it a piece of ongoing work or --?

---

**Karen Witts** - *Kingfisher plc - CFO*

I think, as we update you, we will give you the KPIs that we'll work towards as we move through this review phase.

---

**Simon Bowler** - *Exane BNP Paribas - Analyst*

Okay. Thanks.

---

**Tony Shiret** - *Espirito Santo Investment Bank - Analyst*

Tony Shiret, Espirito Santo. Is this SKU count reduction going to apply to Castorama as well? Because I think most of it's been the Dunkirk store and seen 55,000 SKUs, and we're expecting Antibes to have more than that. Is this going to show a different way of trading the large Castorama stores?

And as a related point, you haven't actually said how you're going to revitalize the big box stores. Can you give us some ideas about if I went in a big box store in the UK in two years' time how I would realize it had been revitalized?

---

**Veronique Laury** - *Kingfisher plc - CEO*

So your first question, two things. First, when we are talking about the SKU reduction, we are talking about the SKU reduction at the level of the Group. And as I told you, it was 400,000, amongst which (technical difficulty), they are there. We start with IT in the IT system, in the supply chain, but they are not creating real [sales] actually.

So it doesn't mean that for the customer we will by definition diminish the number of SKUs which the customer will be able to afford through the store or the web. We haven't done that work yet.

What is the answer? To be fair, I don't know. But what I know is that today in Castorama, you are talking that example; you are 55,000 in the Dunkirk store. In Castorama overall, you are more than 80,000, so they have a big [sense to be cut] as well. But in Poland, you have another 80,000 SKUs; and in B&Q, you have another 80,000 SKUs.

And what I know is that among those one 80,000 plus one 80,000 plus one 80,000, probably we will end with 80,000, but it will be once 80,000 and not 3 times 80,000. So that's part of the answer.

On the number of SKUs that we will put in front of the customer, to be fair, we will completely -- what is clear to us is we won't miss customer needs, which means that we won't stop to sell a product because it is a slow seller if it's absolutely needed to complete the project, because when you do that, you kill your business.

So of course, we will still have some very slow-sell SKUs, but if they need it, from a customer point of view, to complete a project. But where we can really [edit] things, and that's my clothes example that I was talking about, we have a law, even in this operating company, dozens of different clothes which are not covering different needs. We can really (inaudible). So is that --?

**Tony Shiret** - *Espirito Santo Investment Bank - Analyst*

Sorry. Will there be a change in Castorama then, is what I'm really asking?

**Veronique Laury** - *Kingfisher plc - CEO*

Yes, of course.

**Tony Shiret** - *Espirito Santo Investment Bank - Analyst*

So it will be - look, fundamentally different?

**Veronique Laury** - *Kingfisher plc - CEO*

Yes, it will. As the new offer will develop, for instance, the bathroom and the garden, it will change as much in Castorama as it will change in the other operating companies.

**Tony Shiret** - *Espirito Santo Investment Bank - Analyst*

Okay. And revitalizing the big boxes, how are you going to do it?

**Veronique Laury** - *Kingfisher plc - CEO*

We will be doing it now on the base of what we have, what is the best format that we have in the Group, which is the new store that we've been opening in Henin. And we will work on that base for both UK; continue to evolve that in France and in Poland and Russia as well.

**Tony Shiret** - *Espirito Santo Investment Bank - Analyst*

Sorry. The new store where?

**Steve Willett** - *Kingfisher plc - CEO, Group Productivity & Development*

Henin. The new store that we've been opening eight months ago, four months ago? It's really -- it's close on the head office, north of France. Antibes will be next the version of it.

**Tony Shiret** - *Espirito Santo Investment Bank - Analyst*

Okay. So everything is going to become Castorama, France, sort of thing?

**Veronique Laury** - *Kingfisher plc - CEO*

What?

**Tony Shiret** - *Espirito Santo Investment Bank - Analyst*

Everything is going to become Castorama, France?

---

**Veronique Laury** - *Kingfisher plc - CEO*

It won't become France because it will be in the UK or in Poland by definition. We haven't decided what we will be doing with the brand, to be fair. We will need definitely a simpler brand structure. The important thing is we will propose to the UK customer a much unique and better proposition that they are dying for.

---

**Tony Shiret** - *Espirito Santo Investment Bank - Analyst*

Will B&Q still exist in two years' time?

---

**Veronique Laury** - *Kingfisher plc - CEO*

I don't know.

---

**Claire Huff** - *RBC Capital Markets - Analyst*

Claire Huff, RBC. A quick question on Screwfix, please. It's obviously been performing very well and you've still got strong ambition to roll out another 60 stores this year. Are you seeing any cannibalization on sales from B&Q in the areas that you're opening a Screwfix? And I wondered what the product overlap and SKU overlap is between the two formats.

---

**Steve Willett** - *Kingfisher plc - CEO, Group Productivity & Development*

The cannibalization -- sorry. This is an old one that we've been talking about probably for about five or seven years, to be fair, and we keep doing exercises looking at cannibalization between the two formats. And quite frankly, we can never find anything within points of statistical analysis. If it is anything, it's like sub percentage points.

The primary issue quite frankly is they're different customer sets generally. Screwfix customers are either trade or they're serious hobbyists is probably a better word; and DIY customers are more non-pro, as Vero was saying.

So we don't see a lot of cannibalization, and quite frankly now, Screwfix is past B&Q, and most of the catchments that we're now opening up into basically haven't got B&Qs in them. So almost the point at which you would be cannibalizing has gone. So I think we're past -- I don't think there is a lot of cannibalization.

There is an overlap to TradePoint, but again, you find the overlap to TradePoint, each TradePoint is usually locked into general builders' type work whereas Screwfix is much more focused on plumbers/electricians.

So again, there is a bit of overlap and we do see the [customers] shop in both formats, but they buy different things.

---

**Claire Huff** - *RBC Capital Markets - Analyst*

Thanks.

---

**Assad Malic** - *Citi - Analyst*

Assad Malic, Citi. Just coming back to the store closures, if I could get more clarity in terms of how you're actually going to progress that. Are you looking to sublet all of them? Are there any that are coming up for natural lease expiry? Or will you just shut the stores and right off the lease liability in terms of a check to the landlord, please?

---

**Karen Witts** - *Kingfisher plc - CFO*

Yes. Well, you take this very much on a store-by-store basis, and of course, just coming out of the stores doesn't take away our long-term lease liability. So definitely, we want to be looking to either sublet the whole place, or indeed to right-size or downsize and sublet some of the space.

You saw from the chart that I put up that we've got about 20% of our leases that come up for renegotiation where the lease ends over the next five years, and we will make decisions about whether or not to stay in them, whether or not to come out. And every year, there is a certain number of stores where the leases are expiring and we make the decision on some of our stores' leases whether to carry on or come out.

---

**Assad Malic** - *Citi - Analyst*

If you look back at the subletting before, it's taken quite a while to just come out at 2% of space. What gives you the confidence now in terms of being able to sublet the vast majority of that 60 stores? Is there a pipeline that you've built up now?

---

**Karen Witts** - *Kingfisher plc - CFO*

Well, I think what we've learned is that there isn't an easy answer to subletting. Yes, you're right. It's taken us a long time to get the eight sublets that we've been speaking about for a couple of years. I would say that we were talking then about the food retailers, and the food retailers, the big food retailers were in a different space to the space that they were in two or three years ago.

The way that we're doing this, we are giving ourselves the time to be patient when it comes to subletting or right-sizing. We are taking a prudent approach to the exceptional items. We said GBP350 million of exceptional items over two years, a vast part of that relates to onerous lease provisions.

---

**Assad Malic** - *Citi - Analyst*

Okay. Thank you.

---

**Warwick Okines** - *Deutsche Bank Research - Analyst*

Warwick Okines, Deutsche Bank. I was wondering if I could just continue on the same line and just try and understand a bit more about this B&Q store reformatting. Firstly, on the revitalizations, how many are you actually planning to do this year?

And then on the 60 stores, could you give some sense of how many of those stores are on lease expiries in the next five years as per your chart on page 14?

---

**Karen Witts** - *Kingfisher plc - CFO*

Okay. Well, in terms of the 60 stores, and we're going to do this over two years, 30 and 30. And the majority of these would not be stores where the leases come up for expiry within the next five years.

---

**Warwick Okines** - *Deutsche Bank Research - Analyst*

And on the revitalizations, how many do you plan to do this year?

---

**Karen Witts** - *Kingfisher plc - CFO*

The same number.

---

**Warwick Okines** - *Deutsche Bank Research - Analyst*

Okay. And just back on the 60, could you say that the split between stores that have bulky goods only consent and more variable consent? Just to get a sense of where that space --

---

**Karen Witts** - *Kingfisher plc - CFO*

Sorry, Warwick. I didn't hear you.

---

**Warwick Okines** - *Deutsche Bank Research - Analyst*

Yes. To what extent are those 60 stores you're planning to close bulky goods consent only?

---

**Steve Willett** - *Kingfisher plc - CEO, Group Productivity & Development*

I don't think we have the split with us at the moment.

---

**Warwick Okines** - *Deutsche Bank Research - Analyst*

Okay. Thank you.

---

**Caroline Gulliver** - *Jefferies & Co. - Analyst*

Caroline Gulliver, Jefferies. Can I just come back to your pricing strategy again? And I appreciate it's early days and you're still waiting for Arja to join. But from a Group perspective and perhaps a holistic perspective, in your experience, do you think EDLP with perhaps weekend door-busters is a better strategy than a more promotional high-low pricing? Or just generally, what do you think is most successful?

---

**Veronique Laury** - *Kingfisher plc - CEO*

It's a good question. You make me laugh because it's one of the things that we are often asked. I think in general, in principle, let me answer in principle, because of the way home improvement works for people, we are not selling food; you buy food almost every week; you do a bathroom project every seven years. So I think in principle, EDLP works better for people because they want to buy the product at the right price when they need it. So I think that's the principle.

So the more we can be close to that and we can do every day good value with high-quality products, the better it is. And of course, at one point, we can animate trading by some activities. But in principle, I think that will be the direction.

To be fair, there are some of our businesses which are already like that. If you take Russia, for instance, they are already a full EDLP strategy. I think B&Q on the latest -- this year, have moved again a little bit more closer to that.

So again, that will be part of that One Kingfisher strategy to align the operating company, because today, we have very different pricing strategy across countries.

---

**Rob Joyce** - *Goldman Sachs & Co. - Analyst*

Rob Joyce, Goldman Sachs. Just a quick one on the GBP350 million again. How do we think about that in cash terms? Am I right in thinking that's the maximum you could pay out across the duration of these leases if you don't sublet and the cash would actually come out more slowly?

---

**Karen Witts** - *Kingfisher plc - CFO*

Most of this is what I would call not new cash. So it's not incremental. We would be paying out these rental flows in any case, assuming that we didn't sublet.

But clearly, as I said, the GBP350 million primarily relates to the lease provisions. The quicker we can sublet or right-size, the better, and that certainly will make a difference to the overall utilization of that provision. But we have -- as said, it isn't an easy thing to do, to do these sublets and right-sizes, even though we've got -- we've actually got some ongoing at the moment that we can't speak about, but we're not assuming that there's a silver bullet there that takes it away.

But this is not about new incremental cash largely. There's a little element in there that's about redundancy payments, but the vast majority is the lease provision.

---

**Rob Joyce** - *Goldman Sachs & Co. - Analyst*

So no upfront big cash hit then we should be thinking of?

---

**Karen Witts** - *Kingfisher plc - CFO*

No.

---

**Rob Joyce** - *Goldman Sachs & Co. - Analyst*

Thank you.

---

**Veronique Laury** - *Kingfisher plc - CEO*

We have just five minutes more. I'll just make a precision about the revitalization program because I think I didn't answer right to your question. Your question was how many we will be doing this year. No? I think, and I will give -- I will let Guy a chance to explain what we are doing.

We will be testing once more the UK, in Russia and in Poland by March 2016 in order to then develop it. And, Guy, if you want to say a word about the revitalization.

---

**Guy Colleau** - *Kingfisher plc - CEO, Group Sourcing & Offer*

Yes. Just to add, I think the first thing for us is to have the -- to increase the value proposition. So the work we have to do across the piece and the four countries to extend our concept from the (inaudible) will be the work we'll do during this year.

So 2015 will be the year of preparing, working on the layout, the range, and all the merchandising proposition across the four operating companies. So our objective is to be able to open in each country in 2016, probably March/April, the first stores; to be the first guidance for all the companies to roll out the concept.

But as usual, and I think Vero spoke before, it was achieved in Casto 10/12 years ago, the first store has to be -- work on the detail to be sure that we reach as soon as possible and create an [increase] point which is the good one to roll out the store. So we need a year to prepare the [sales] for that.

---

**Veronique Laury** - *Kingfisher plc - CEO*

And it will be a European store, not a French one.

---

**Guy Colleau** - *Kingfisher plc - CEO, Group Sourcing & Offer*

Yes. It will be one in Russia, one in France, one in UK and one in Poland at the same time.

---

**Veronique Laury** - *Kingfisher plc - CEO*

Whatever the name on it is.

Close? Thank you very much. Thank you for your attention. Have a good day and see you soon.

---