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CORPORATE PARTICIPANTS

Arja Taaveniku *Kingfisher plc - Chief Offer & Supply Chain Officer*

Karen Witts *Kingfisher plc - CFO*

Sarah Levy *Kingfisher plc - Group IR Director*

Steve Willett *Kingfisher plc - Chief Transformation Officer*

Veronique Laury *Kingfisher plc - CEO*

CONFERENCE CALL PARTICIPANTS

Andrew Hughes *UBS Investment Bank*

Geoff Lowery *Redburn (Europe) Limited*

Geoffrey Ruddell *Morgan Stanley*

Georgina Johanan *JP Morgan Chase & Co*

James Grzinic *Jefferies LLC*

Richard Chamberlain *RBC Capital Markets*

Simon Bowler *Exane BNP Paribas*

Simon Irwin *Credit Suisse AG*

Tony Shiret *Whitman Howard*

Tushar Jain *Goldman Sachs Group Inc.*

Warwick Okines *Deutsche Bank AG*

PRESENTATION

Operator

Good day, and welcome to the Kingfisher plc Half Year Results Q&A Conference Call. Today's conference call is being recorded. (Operator Instructions) I would now like to turn the conference over to Ms. Levy. Please go ahead.

Sarah Levy - *Kingfisher plc - Group IR Director*

Good morning, everyone. This is Sarah Levy here welcoming you to our Q&A conference call. I'm joined by Veronique Laury, CEO; Karen Witts, CFO; Arja Taaveniku, Chief Offer and Supply Chain Officer; and Steve Willett, Chief Transformation Officer.

Before I hand it over for questions, we wanted to announce that we will have a Capital Markets Event on Friday, the 3rd of November. This will be in Farnborough just outside London. The event will showcase some of next year's unified and unique ranges, alongside more detail on our digital strategy. Details will be provided shortly.

So we are assuming that you have already had a chance to listen to our audio webcast, which has been available on our website since 7:30 this morning. So this is now your opportunity to ask questions. So over to you.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) We will now take our first question from Simon Irwin from Credit Suisse.

Simon Irwin - *Credit Suisse AG*

Could I just ask a question or 2 about inventory and gross margins? The first half inventory levels are up, I think, 17% year-on-year. Can you just talk us through the kind of volume and FX impacts there, and whether you are going to have to run the business under ONE Kingfisher with kind of higher levels of inventory in the medium term? And then maybe if you can just talk a little bit more about dollar sourcing impact this year, and how you see that progressing into next?

Karen Witts - *Kingfisher plc - CFO*

Simon, I should probably answer that one. It's Karen here. Yes, if you think about our inventory, it sits higher than it was this time last year. And there's probably 3 dimensions to that. So the first dimension is actually the translation effect of foreign exchange on our inventory levels. I think the second thing is that we've got more inventory because, actually, we've got some growth in our business, particularly coming through from Screwfix, and new stores in Poland. And then the remainder of it is some impact from having higher costs, so that's related to your second question around the dollar impact. So for sure, we have seen some cost price increases which are related to the devaluation of the pound. And then, finally, we actually are running with what I would call a little bit of buffer stock, higher stock levels. And on that aspect, I'm comfortable with the fact that we are running at those stock levels because it's new stock, it's good stock. Then just in terms of your question around gross margin and the impact of foreign exchange in general, I guess, on that. Well, our gross margins are flat. We're still guiding to flat gross margin for the full year. So we are managing the foreign exchange headwinds that we're faced with. And clearly, we're not alone in this. And it's something that we have been used to managing, albeit perhaps not to the same extent as we've seen this year. We are in a relatively good position, I would say, compared with some other organizations because we do have this opportunity to work with our suppliers. And by consolidating our supplier base, actually, that allows us to negotiate a bit more on price, not just unit cost price reduction, but actually offsetting some of the impacts of the foreign exchange headwinds. Then our stores' headwinds are largely related to the devaluation of the pound and therefore U.K. based. We have had some modest price increases in our U.K. businesses.

Simon Irwin - *Credit Suisse AG*

Right. And dollar impact should roll off when, in the first half next year or a bit earlier?

Karen Witts - *Kingfisher plc - CFO*

Well, I mean it depends what happens to the dollar going forward. And I think we tend to be hedged out about 6 to 9 months, so we're smoothing any impacts anyway. But we will see the impact into next year.

Simon Irwin - *Credit Suisse AG*

Okay. And can I just ask a question about morale in the business? I noted Vero's comments on the webcast. Obviously, you have lost a reasonable number of senior staff in the first half this year. Do you think there's any kind of impact on kind of changed management or morale within the business? Or do you just think that they are kind of largely kind of people-related issues or and sorry, individual-related issues? And by and large, do you think that the business is kind of buying into the new plan?

Veronique Laury - *Kingfisher plc - CEO*

So I think there are probably 2 questions in your question. I'm going to answer because you are talking about few individuals in the senior leadership, and then you are asking a question about the overall morale of the company. And I think that it might be 2 different things. I think related to that question about people who left the business, I think it's a mixture of things. I think for some people, it's just the kind of natural life that they had good opportunity outside of the business, which actually is a good sign that people within Kingfisher are interesting other people. And the mixture of people that, for whatever reason, it's not about not agreeing with the strategy, but sometime, what we are doing right now is really demanding and hard, and for some people, it's not the right timing for them as well. So this is a mixture of personal-professional things. And to be fair, Simon, when you've got such a big strategic change, you will always lose people. And actually, I'm not seeing that as a bad signal, but as a good signal. And then, overall, the morale of the teams, including the leadership teams, it's really hard work to work in Kingfisher right now, and I don't think anybody would say something else. But actually, I think over the last year, we've done big step in explaining, communicating, engaging people into the new strategy. And I think the best thing for people, especially people in stores and people in the operating company, but in the OSC organization, is just to start to see the results of what they are doing. So in a way, it's not about me or even the group execs saying to people. But when you start to see those new ranges being welcomed by the customer, you see sales growth, this is the best thing for the morale of our team. So what I'm looking for is to have more of them, so the morale is increasing. But all in all, if you look at the engagement score, we are running survey, actually, by the end, it's a little bit late right now because it's something we had in January this year, which is, 6, 7 months. The engagement score that we had was improving slightly, so which means that we've managed to go through that big transformation hard work without making it worse. Actually, we are working on a new tool that is going to give us, a new engagement tool that is going to give us a kind of almost real-life engagement tool. We should be implementing this in January next year or December this year. So all in all, I think we're fine. We are fine. But it's hard work. We have highs and lows, availability issue in store that we have been facing in H1. By definition, people in store, they are not pleased to say to the customer that we don't have the product that they want. But at the same time, I think they see that when we have the product, really customers are buying it, they like it. And there is a big -- you've seen the video within the script, I imagine, but the people in store are really behind it.

Operator

We will now take our next question from Richard Chamberlain from RBC.

Richard Chamberlain - *RBC Capital Markets*

I just got a couple of questions, please. On the U.K. side of the business, can you just talk through what drove the lower costs in the first half? And then, in France, Slide 22, you say that the digital platform is being accelerated. I just wondered whether you're expecting that to cause any further range disruption. And also, what the plans are for Brico Depot? And I know you're clearly planning to upgrade the Casto website at some point in the second half. But what are the plans for Brico online?

Karen Witts - *Kingfisher plc - CFO*

Okay, Richard, I'll take the first question about the lower costs in the U.K. I think, over the years we have shown actually, we are quite good at what we call self-help. And although we got quite a lot of fixed costs in our overall cost structure, we can flex things like bonuses, and we do flex things like bonuses. So what we've seen is in accordance with the sales performance, we've paid out less bonuses, and we've actually taken a look at some of the other costs like things like marketing to optimize our spend there. Then I think an important thing to mention is the work that we're doing on GNFR, that's Goods Not For Resale, and that's going very well in the U.K. and that was actually part of the reason for our slight beat to consensus this morning. We have upgraded our GNFR forecast for the full year from GBP 20 million to GBP 25 million. GBP 10 million of that came through in the first half and quite a bit of that came through from the U.K. And that came from a multitude of things. We had a single global media tender. We've been working on the cost of call centers. We've been looking at standardization and consolidation of print and paper requirements across the group. So there is cost reduction work which is in the other operating companies as well, but it's probably most visible in the U.K.

Richard Chamberlain - *RBC Capital Markets*

Okay. And on the online? Yes

Steve Willett - *Kingfisher plc - Chief Transformation Officer*

Okay. So on digital and IT, if we talk about Casto France, I think we've already said we're progressing with the roll-out in Casto France. We've already put it in the stores. We turned finance on, and we're moving on to do some of the back-office supply chain stuff. And then the latter piece of that, basically, is to put the digital platform live, which we'll do basically at the back end of this year. But it will have a more material effect from a digital proposition point of view for Casto France into '18. On Brico, I think in the results presentation, we said we are moving the implementation of Brico forward. So we're moving forward Brico and Poland to basically start the rollout in this year, and we'll be aiming to finish Brico in the first half of next year, which will upgrade their digital capabilities. We're doing that. We're actually already making progress with Brico at the moment with digital. But to be fair, to make the step change we want, then we do need to get the IT platform in place.

Richard Chamberlain - *RBC Capital Markets*

Okay, great, Steve. Karen, just going back on the bonus point you mentioned in the U.K. So it sounds like you've paid slightly less in the U.K., was that broadly offset by higher bonus accrual in Poland this year? Because it sounds like that had a negative impact on the Poland profit in the first half.

Karen Witts - *Kingfisher plc - CFO*

Yes, well, Poland is a smaller business than our U.K. businesses. And within the U.K., Screwfix performed very well, so we were absolutely paying bonuses. So for areas where the sales performance has been good, then we've paid the bonuses. And where the sales performance has been weaker, then people understand that the bonuses are not paid. But net-net, we were using that leverage to offset softness on the sales line where necessary.

Operator

We will now take the next question from Geoff Ruddell from Morgan Stanley.

Geoffrey Ruddell - *Morgan Stanley*

I think I understood on the presentation online that you said you had 44 new unique and unified ranges come through, and that 2/3 of those have seen sales growth in the half. Is that correct?

Veronique Laury - *Kingfisher plc - CEO*

Yes.

Geoffrey Ruddell - *Morgan Stanley*

And is that in volume or value terms?

Arja Taaveniku - *Kingfisher plc - Chief Offer & Supply Chain Officer*

That's in volume.

Geoffrey Ruddell - *Morgan Stanley*

That's in volume. And what have you done on pricing on those ranges?

Arja Taaveniku - *Kingfisher plc - Chief Offer & Supply Chain Officer*

This is Arja speaking. We've done some price investment, as we said, in France particularly, focused on making Casto France more competitive. I think Vero mentioned that in her presentation. That's the main price investment that has been done.

Geoffrey Ruddell - *Morgan Stanley*

But could you give us a sort of view on average, how much the pricing, are the prices down 3% or 5% or just give us some sort of guidance?

Arja Taaveniku - *Kingfisher plc - Chief Offer & Supply Chain Officer*

We don't give that.

Karen Witts - *Kingfisher plc - CFO*

To some extent, just one of the benefits of some of the new unified and unique ranges coming through is actually, we're building them to be very affordable. And a good example of that, which actually is also in the presentation, is the new bathroom range, which is a fantastic range. It's really good quality, and it's really good price. But it's not a case of cutting the price there, it's actually been built to come in at a really strong price point.

Arja Taaveniku - *Kingfisher plc - Chief Offer & Supply Chain Officer*

I think Vero also mentioned in the presentation that the price index for Casto has moved 4 points from 108 to 104, which makes us all the time more in line with, as a first step, in line with the market. And then, of course, hopefully, in the long-term, and more competitive as such.

Geoffrey Ruddell - *Morgan Stanley*

Okay. And then, finally, just on this. Could you say what's happened to the space allocated to these ranges? I mean, are these all just basically going into exactly the same amount of space before or are some of these getting more or less space than they had previously?

Arja Taaveniku - *Kingfisher plc - Chief Offer & Supply Chain Officer*

It's slightly different, depending on which operating company. For example, bathroom, in the big ones, like B&Q, it's basically in the same space as it is today because it was already have -- slightly different in different stores, obviously, in B&Q. Then we have in our Brico Depot concepts, it has been given more space because we haven't earlier merchandised bathrooms in the way we do now. For example, we would show complete rooms in a few of our Brico Depot stores, which is not the normal merchandising concept for Brico. So it's different in different operating companies how space has changed. But all in all, it hasn't changed a lot. It's not an increase due to space increase, it's not.

Operator

We will now take our next question from Geoff Lowery from Redburn.

Geoff Lowery - *Redburn (Europe) Limited*

Two questions, please. Firstly, in terms of France, you underperformed the market by about 4% in the first half. Given what you've done around online price and improving availability, at what point do you think we can think about you tracking the markets again? And then the second question is in terms of B&Q and property. You've obviously done the 60 or so store closures very efficiently. How do we think about the B&Q space footprint from here? And what sort of rent reductions are you seeing from landlords as you work through the pile of lease renewals?

Veronique Laury - *Kingfisher plc - CEO*

Okay, I'm going to take it, it's Vero speaking, I'm going to take the first question, Geoff. I think you're right. As I said in the so we're still underperforming the market in France, definitely. As I said at the year-end results, we are not doing any tactical stuff, and we are addressing the issue we are facing with our plan. Actually, as you've seen it, we've done few things already. I think Arja mentioned in pricing, we've invested quite a lot in France in terms of pricing. We are reinvigorating the offer with our 44 new ranges, especially in Brico Depot. As Arja said as an example, you take bathroom, we've implemented new ranges which is much better than the ranges that we have, from an offer perspective, but from a merchandising perspective as well. And on the digital, I think the IT platform is now in Casto, as Steve said, and the digital new website would be ready by the end of this year. So actually, the truth is we start to see some benefits, especially in volume growth, in the new categories. It doesn't compensate yet the price investment all the time. I think, for me, the big step is going to be when we are going to launch the new website because, if you remember, I really insisted on that a few months ago that, that was for me one of the major elements of our lack of competitiveness in France. So also, you questioned how long it will take to see that coming through. I think we need to have some work to do from a marketing point of view to really tell the customer, (A), that the new range is there; (B), to communicate not on a high-low strategy, but on an everyday low price strategy, which we will, but we will do that when the new website is going to be launched, because we will have to communicate as well about that new website. So we plan with Marc, who is the CEO of doing quite a lot of activity by the beginning of next year. I think that should come in through in the course of next year, to be honest, not before. Even though we are seeing in numbers signs of, as an example, we had the traffic, the number of customer that grow in Casto last month, which hasn't happened for quite a while.

Geoff Lowery - *Redburn (Europe) Limited*

And B&Q property?

Karen Witts - *Kingfisher plc - CFO*

Yes. Well, just talking about the store closures that we have done, Geoff, we're also pleased as not just have we closed the stores, but we've actually secured most of the lease exits now. So we've got 61 of those actually secured, 58 complete, 3 contracted, and just a handful, 4, that we're still working on. The rent reduction obviously varies property by property. But I guess, on average, what we've seen in terms of the renewals that we have done recently, our rent reductions are maybe in the range of 2.5% to 3.5%. And at the moment, we are comfortable that we closed the stores that we wanted to close in the U.K., but we are constantly reviewing our property portfolio. And over the next 4 to 5 years, about 25% of the estate comes up for lease renewal. And we've actually got a governance process in place here that determines the way that we look at each and every lease to make a decision as to what we want to do with it.

Operator

We will now take our next question from Andrew Hughes from UBS.

Andrew Hughes - *UBS Investment Bank*

A couple of questions. I've got a question about the phasing of the GBP 350 million over the 5 years. Should we assume broadly the same phasing as the percentage unified under the new phasing? Or do you have some ranges give you a much bigger saving than others and there's some phasing of price investment over that period?

Karen Witts - *Kingfisher plc - CFO*

Okay. So the phasing of the GBP 350 million isn't linear. And we said that back a couple of years ago, at the Capital Markets Day, and we said that in the first early part of the plan, because of the way that the unified range was rolling out and the amount of clearance costs that we would be bearing as we clear through old ranges, then you wouldn't expect a lot of margin expansion in that early part of the plan. And that's why for this year, we're guiding to flat gross margins. But clearly, as you go out through the later parts of the plan and the clearance has been done, then we can allow the benefits to come through. In terms of the new phasing that we're talking about today, I mean that is smoothing. It's not changing the endpoints at all, and it's not changing the GBP 350 million. And I think it's best if we update on that at our full year results, but we're doing that really from the point of view of risk mitigation. So whether you view that as an upside or a downside really depends on your view of risk in the plan already. But if we have a smoother rollout of unified, then we'll also have a smoother phasing of clearance and a smoother phasing of implementation costs.

Arja Taaveniku - *Kingfisher plc - Chief Offer & Supply Chain Officer*

Adding to that Andrew, about the cost price reductions, a year ago we said that we had started with the easy categories and the quick wins. In hindsight, that was probably not the easiest category in terms of the SKU count, for example, in light bulbs and so forth. At this point, and we also presented some of the CPRs, both in the half year last year and in the Capital Market Day repeated, we talked about the light bulbs, we talked about the air treatment and kitchen sinks, where we show the different mix picture of CPRs. And added with the currency effects, today, I see no reason to have a different picture than we have had. So we are consistent on the GBP 350 million on year 5 because the continuous tender negotiations, we see that we remain confident with this GBP 350 million on year 5.

Karen Witts - *Kingfisher plc - CFO*

And the benefits today are coming through as planned.

Arja Taaveniku - *Kingfisher plc - Chief Offer & Supply Chain Officer*

They are coming through as planned. So the CPR is not a concern of ours.

Andrew Hughes - *UBS Investment Bank*

All right. Because I mean just looking at what you've said for the current year, I mean if you exclude clearance, you've got this 30 basis point gross margin gain, and that's on what looks like about a 15% uplift in your unified ranges. So going from 15% to 90% is a sort of multiple of 6x. So take 6 times 30 basis points, it's under 200 basis points of gross margin gain, which doesn't come to GBP 350 million. It comes to just over GBP 200 million.

Karen Witts - *Kingfisher plc - CFO*

So the first thing is, it's not linear. And the second thing is, we made this quite simplistic when we were describing it. So we said that, broadly, the GBP 350 million equated to a net 5% cost price reduction on our buying base of GBP 7 billion. So if you wanted to look at that another simplistic way, which I think is the way that you've described to me is that, that would mean that, over the time frame of the plan, we'd be looking for 3 percentage points of gross margin expansion. That would be, however, if it were all to come from cost price reduction. And actually, in reality, there's going to be a mix of margin rate expansion, that's right; and also, some sales uplift, particularly from the unified ranges. And we'll also expect to see in our mix more own brand. So in H1, it's coming through as planned, the margins are flat. We're forecasting flat for the full year. And as you saw, I hope, in the presentation, we're seeing some early examples of positive customer feedback on those new ranges and good sales growth already, although it's very early days.

Andrew Hughes - *UBS Investment Bank*

Okay. So we're not losing chunks of that GBP 350 million in France, where you mentioned additional price investment?

Karen Witts - *Kingfisher plc - CFO*

No, we are not.

Operator

Our next question comes from Tushar Jain from Goldman Sachs.

Tushar Jain - *Goldman Sachs Group Inc.*

Just 2 questions. In terms of the volume uplift on 44 ranges, the 2/3 had a volume uplift. I was just wondering, is there anything specific to highlight why there was no volume uplift or less than expected on the rest of the 1/3 of the ranges. And just touching on the availability issue, as you move from 20% to 65%, how we should be thinking about the potential negative impact on the like-for-like sales. I mean, there was negative 2% in the first half. Does it goes down and probably zero as you learn from and the program progresses?

Arja Taaveniku - *Kingfisher plc - Chief Offer & Supply Chain Officer*

So I will start with the volume uplift on the 2/3 of the ranges. I mean, you have very different picture on very different ranges. Clearly, the best volume uplifts we have had on the unique bathroom ranges. And this is most probably what we can foresee also going forward that the unique ranges will drive more. And I think we mentioned in the earlier webcast that, for example, showers have a volume uplift of 9% overall. You will see different things on different ranges depending on how big of a change we do to the market, both in terms of the offer and, of course, at what price levels we have put it there. So you will not have one consistent volume uplift on all the ranges.

Veronique Laury - *Kingfisher plc - CEO*

And the thing as well is that we are still in early days. So in some of those categories, we've been implementing for 2 months, and we are looking at H1 numbers, which means that those numbers are impacted with a clearance effect and lots of different things. That's why we are kind of not cherry-picking the numbers. We've tried to be quite inclusive in the numbers. If you take bathroom, we've included U.K. so you have the feeling that it works overall. But you need to keep in mind that, in all those numbers, this is very early days. And we don't have any range that has been going on for 6 months without clearance in any country so far. Okay, on the other question about the 55% to 40%, I think that has been the decision of smoothing down because of the disruption we've been facing. So we are not changing the plan at all. I think we are going to deliver the 90% COGS that we've planned originally. We are smoothing it a little bit to reduce the disruption that we've been facing right now. We will have anyway, by the end of next year, an exit rate about 60%, which means that the job is done. Why we have that? It's because it's a phasing issue. We are looking at implementing the ranges when it makes sense from a business point of view. And if the range are ready at a time, which is peak, as an example, we are not going to implement those ranges at peak season; and the peak can be different from different category. This is what leads us to that

40% at least. It's not that the OSC team led by Arja are not doing the work. They are actually doing the work. It's just an implementation and so forth, it has consequences of the COGS because, as you know, we are measuring the COGS number.

Tushar Jain - *Goldman Sachs Group Inc.*

Got it. No, I was just wondering like when I look into next year, should I be expecting a 2% or that kind of magnitude impact from availability as you move from 20% to 40% and then from 40% onwards?

Veronique Laury - *Kingfisher plc - CEO*

I think let me first answer the question that you are not going to ask, which is what is going to happen in H2? Because I think it's important for you to see how things are going. I think in H2, we've taken some decisions, and we've explained that on the video. So first, we have a new transformation team, led by Steve, that is managing things in a different way. We've been learning from our first 6 months. Then we have some availability issues in B&Q when we switch off the F&R system into B&Q, those have disappeared right now. And again, I think we had the teams with Arja who are very new and so they are getting on with the work. They are doing things for the second time right now which, of course, is going to easing. Anyway, we still have in H2 a big volume of change, with a lot of range that have high number of SKUs, little elasticity, what this is going to be to clearance, you take door handles and knobs, the sealants and that kind of things, power tool accessories. So what we see in H2 is that probably there is not very much less disruption, but we are solving things. And what has happened in H1, because we understand the root cause, are not going to continue. But probably, we expect similar level, a little bit less. When it goes to next year, again, I think next year is going to be a very big year for us again, I think that's really challenging. What will happen is that, what has been implemented, from an availability point of view, this year should be okay. As I said, the IT platform problems are going to be resolved. So I think we are getting to fix most of the issue. I won't promise you have any disruption next year. It should be more around 1% something than 2% that we are facing right now, but there will still be disruption next year, let's be honest.

Operator

We will now take our next question from Warwick Okines from Deutsche Bank.

Warwick Okines - *Deutsche Bank AG*

I just wanted to come back to that clearance cost of 30 basis points in the first half of the year. I appreciate the range clearance changes over the next few years by category. But given that you've smoothed the implementation, is it fair to assume that, that 30 bps is a reasonable guess for the next couple of years in terms of drag on the gross margin?

Karen Witts - *Kingfisher plc - CFO*

I think in the same way as the categories vary, and we get different cost price reduction on the different categories as we implement, we're going to have different clearance costs on different categories as well, and we're going to have different implementation costs on different categories. And some of this will depend on whether or not you're talking about bathrooms or something like nuts, bolts and screws. So where we've got high SKU count within categories, then that actually is a bit more difficult to clear and remerchandise than some of the other things. But we've taken that all into consideration in our plans, so our plan actually has the clearance in it that corresponds with the category rollout.

Warwick Okines - *Deutsche Bank AG*

Okay. So from the categories you plan to do next financial year, are those, on average, higher SKU count than this year or no?

Arja Taaveniku - *Kingfisher plc - Chief Offer & Supply Chain Officer*

It's all a mixture.

Karen Witts - *Kingfisher plc - CFO*

It's a mixture.

Warwick Okines - *Deutsche Bank AG*

Okay. So you can't, at this stage, say whether you're expecting higher or lower clearance costs next year?

Karen Witts - *Kingfisher plc - CFO*

We're not going to say. I think what we're saying is that we're in line with delivering the gross margins, which includes the cost price reduction and the clearance costs that we expected. We'll update a bit more on next year when we get to the full year results. We're still on track and committed to our overall deliverable. And it's not a front-loaded plan, so in these early years of the plan, there will be more clearance than at time you've got 90% of your range, 80% to 90% of your range unified.

Arja Taaveniku - *Kingfisher plc - Chief Offer & Supply Chain Officer*

And we have given the information that we have, an exit rate this year of around 30%, and next year around 60%. And of course, that drives also the clearance construction.

Warwick Okines - *Deutsche Bank AG*

Yes, okay. And a different topic, I think on the webcast you mentioned there was less CapEx spend on existing stores as part of the full year plan on CapEx. Could you just maybe explain a little bit more why there's less spend on existing stores, and whether that ties in with your best practice store trials that are going on?

Karen Witts - *Kingfisher plc - CFO*

Yes, there's a couple of reasons. I mean as I've probably said over the years, it's difficult to predict when you're looking at properties exactly when you're going to get your permits, etc. in place. So some of the update just relates to a bit of some slippage on some of the negotiations that we've got on our pipeline. But as well as that, what we actually said in the release was that, this year, we really want to focus on the transformation of the stores from the inside, so through the offer. There's a lot of activity going on in this organization, as you've heard. So of course, in the background, or not so much in the background here, but not in the figures that you see, we're working very hard on concept, on format. The pilot stores that you referred to are actually doing very well, but we are just, as Vero said, we're constantly sort of slightly adjusting this plan as we go along, and we'll be focusing on the offer this year, so that results in a bit less CapEx.

Warwick Okines - *Deutsche Bank AG*

Right. So sort of risk mitigation?

Karen Witts - *Kingfisher plc - CFO*

We intend to do that. Sorry?

Warwick Okines - *Deutsche Bank AG*

It's sort of risk mitigation?

Veronique Laury - *Kingfisher plc - CEO*

Not really.

Karen Witts - *Kingfisher plc - CFO*

Not really, no, because I think we just wanted to make sure that we are building, if you like, revamping the best stores that we can possibly revamp.

Veronique Laury - *Kingfisher plc - CEO*

Yes, I think like many other retailers, we need to think about what is the future of a store. And when I say future, I'm not talking 10 years ahead, I'm talking 2 years ahead. I'm sure you've seen, like all of us, that Toys"R"Us was going bust, which is a big retailer. So I think all of us, we are just thinking about, in the new digital world, we're building the digital capability. And I think it's not about mitigating risks. It's about spending the money in a way that we're sure makes perfect sense for the future. And I think, as Karen said, we are right now, we are working about what is going to be our store format strategy. And as soon as we've got that, I think we will update you on that one by the year-end, because I think we will be ready to. Then, we will be able, if we want to, to spend probably more money. But as Karen say, there is no point revamping stores in a way that we are not sure will suit for the future. So this is where we are, but it's not about managing risk really, it's just spending the right money where it's needed in a good way.

Operator

Our next question comes from Tony Shiret from Whitman Howard.

Tony Shiret - *Whitman Howard*

Just a couple of things. Just following on from Warwick's question and the tone of your answer. Is there a wider exercise going on at the moment in terms of looking at the sort of viability of the physical estate? I mean, that sounds like something sort of new and different from what you've said in the past. And the second question is a bit more of an information one. I just wondered if you could tell us where the current levels of online sales are within B&Q and Castorama and how that's moved year-on-year?

Karen Witts - *Kingfisher plc - CFO*

Okay. I don't think so, but if it was me that gave that impression about the viability of physical estate, it certainly not what I thought I was saying, Tony. I think we are comfortable with the estate that we've got. We've closed the stores that we wanted to close. We're growing where we believe that there are good business opportunities to grow. So we're still absolutely rolling out our Screwfix stores, and we've opened a couple of stores in Poland. Clearly, every store has got to earn its keep in our portfolio, and that's why we do our portfolio reviews in the way in which I explained. And all I'm saying is that we have the opportunity, because of the length of the leases and when the lease renewals come out, to look at stores and make the right decision about what we want to do in terms of lease renewals. The concept work is going well, and our revamped stores are performing well.

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Veronique Laury - *Kingfisher plc - CEO*

Yes.

Steve Willett - *Kingfisher plc - Chief Transformation Officer*

Okay. Well, on digital participation, I think we said in the presentation, the group digital sales are now about 5%. And that's up from about 4% last year, so we've seen about a percentage point growth. And for B&Q, it's about 4% in H1, that grew by about 17%, and France is about 1%, which is growing reasonably well, but it's small numbers at the moment, but we'll accelerate obviously when we can get the digital platforms in there.

Operator

Our next question comes from James Grzinic from Jefferies.

James Grzinic - *Jefferies LLC*

I had 2 questions, one for Karen and one for Arja. Karen, can you perhaps be more specific on the magnitude of bonus and marketing savings at B&Q in H1? Maybe if you can combine the 2, you could give us the pound amount, that would be very helpful. And for Arja, can you perhaps give us specifically what's happened in terms of sale response across the unified offer? So the 16% of COGS that have been unified rather than picking a specific unique category, it would be great to understand what will happen in value terms across all of the piece of change.

Karen Witts - *Kingfisher plc - CFO*

Okay. I will be specific in saying that the beats to consensus largely came from costs and largely came from the U.K., and so that was a number of around GBP 10 million, and that included what we did on bonuses and certainly on GNFR. And we've upgraded our view of what we can get from GNFR benefits for the 2 years that follow, that's all I really want to stay on that.

Arja Taaveniku - *Kingfisher plc - Chief Offer & Supply Chain Officer*

Yes, and James, on the sales response, on the 16%, it's been broadly flat, excluding the clearance on total, and slightly down [including clearance]. (corrected by company after the call) [CC2]And bearing in mind that these are the total numbers and you, for example, have the B&Q store closures in this, so with different results in different projects of course.

Operator

Our next question comes from Simon Bowler from Exane.

Simon Bowler - *Exane BNP Paribas*

I just wanted to come back to, actually, the second quarter or even kind of first half revenue trends that we've seen in the U.K. in particular. And I just wondered to what extent they surprised yourself or how that was versus your own internal expectations. And you've obviously mentioned within the reports there in terms of uncertainty around the outlook, and I just wondered if you could update for anything you may have seen within the business from a U.K. macro perspective.

Karen Witts - *Kingfisher plc - CFO*

Okay. So starting with that last point. No, we're not really seeing any strong indication within the business around what's happening in the U.K. macro, we're cautious on that because I think we are in a time of geopolitical uncertainty. But our customers' buying habits are pretty much, not showing a sign of change. And I think you can see with really some very strong sales growth in Screwfix, in particular. You said was I surprised by the sales trends in the U.K. I think from about quarter 3 last year, we were flagging that this was a very big year in terms of transformation. And that our transformation was likely to have a few bumps along the way, and that's what we've seen. We've seen a few bumps along the way and we reckon that the impact of disruption, if you like, on our business so far has been in the region of about 2%. In terms of other, what did we expect and what we didn't expect in the U.K., the sales transference from the closed stores in B&Q is coming through still as we had planned it to do, so we've got about plus 1% on sales transference there.

Operator

We will now take our final question from Georgina Johanan from JPMorgan.

Georgina Johanan - *JP Morgan Chase & Co*

Just 2 quick ones on France, please. And first of all, you commented that traffic in store had been up for the first time in a while. I was just wondering if you could sort of comment on what you think is driving that in the sense that is it market driven or perhaps you've increased marketing spend to highlight the new sort of unique bathroom ranges in store and so on? So anything around that would be helpful. And then second of all, you've talked a lot about disruption, but apologies if I missed it, I don't think you've sort of mentioned and updated on some of the disruption that you were seeing from local suppliers in France. And I just wondered if you could give an update on that, please.

Veronique Laury - *Kingfisher plc - CEO*

Okay. So on the first one, I think to answer your question, it's not about increasing marketing spend, because we haven't. At this stage, I think we are doing what we need to do in stores, but we haven't been investing massively in terms of marketing because as I said it, I think we will be doing something probably a little bit more global when we will have the new website up and running because a lot of the marketing spend needs to be online right now. Certainly, it's market driven. As you know, we've underperformed the market for a few months now. So probably, what we are doing, we are taking more share out of this market. But I think nothing significant from a marketing spend. So we haven't been pushing to get to that traffic, the slight traffic growth. It's more about implementing what we said we would from a ONE Kingfisher plan perspective. And then you have the teams, the teams in the operating company, both Brico and Casto, are really focused on doing the right thing for the customer. So we are bringing them new means and tools to be able to do it better.

Arja Taaveniku - *Kingfisher plc - Chief Offer & Supply Chain Officer*

On your second question, Georgina, I guess your question is, if there has been no disruption from local suppliers in France. First of all, we are definitely reducing the suppliers radically, that's without doubt. It goes without saying. The thing is that we've been, what I believe, very fair with suppliers. We give them all the opportunity to re-tender, and the ones that are competitive in the tenders, they will win the business. So it's not like everyone has lost their business. And we are very keen on running open and transparent processes for the categories. And the suppliers that have won the business are very happy. Then the suppliers that we are delisting, we, of course, have a contracted agreement with them to supply to them where we are bringing in the new ranges. So the delisting of local suppliers in France has not been a main cause of disruption.

Operator

I will now turn the call back to Ms. Levy for additional or closing remarks.

Sarah Levy - *Kingfisher plc - Group IR Director*

No specific remarks. I just want to thank you very much for your questions and to remind you our next results will be our Q3 sales update in November. And as I said earlier, more details will be coming in terms of our Capital Markets Event, which we have scheduled or decided on for the 3rd of November. Thank you very much.

Operator

Thank you. That will conclude today's call. Thank you for your participation. Ladies and gentlemen, you may now disconnect.

[MG1]28:40

[CC2]COMPANY CORRECTION