Kingfisher plc 2021-22 full year results presentation transcript – 22 March 2022

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12 months ended 31 January 2022

Speakers:

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Slide: Divider slide (TG)

Good morning.

Thank you to everyone who has made the time to join us here at the London Stock Exchange and those of you dialling in online.

On behalf of our Group Executive and Board, I would like to start by saying thank you to all our teams for helping to deliver a record financial year for our Group. And they continue to deliver incredible work in a general environment that stays challenging. We are extremely proud to be part of that team.

Before I begin, I would like to comment on the shocking and deeply concerning events that have been unfolding in Ukraine. Our thoughts today are with the people in Ukraine and in Eastern Europe impacted by the conflict. Since the start of the crisis, we immediately offered our aid. Castorama Poland and Brico Dépôt Romania are volunteering colleagues from local stores to help refugees at the border, donating essential items, and fundraising. Kingfisher and all its banners are working with charities such as the International Red Cross, and we are matching further donations from colleagues. We are part of the international effort, and stand ready to help further in any way we can. I will talk more on what the Ukraine crisis means for our business a bit later.

Slide: Welcome & agenda (TG)

Let's move to the agenda. I'll start the presentation with an update on our operational and strategic progress.

Bernard will then present our financial performance and outlook before we open the meeting for Q&A.

Slide 5: Key messages (TG)

To the key messages on slide 5, and we have had a year of record revenue and profits. Sales of 13.2 billion pounds are up 10% on a like for like basis, and adjusted pre-tax profits of 949 million pounds are up 21% year on year.

We are continuing to gain share in our key markets, growing significantly faster than the industry.

We have managed very effectively, and continue to manage, the challenges faced by all retailers around cost inflation and product availability. As a proof point, the Group's gross margin increased by 30 basis points in the year, while all banners have an excellent price index vs their closest peers.

We are now over two years into our new strategy and execution is ahead of schedule. With our business in a strong position, and our industry benefiting from new longer-term trends, we are accelerating our investments for growth in multiple areas of the business.

And finally, we remain focused on providing attractive returns to our shareholders, with over 550 million pounds being returned over the last year. We have raised our full year dividend by 50% and will complete the final tranche of our 300 million pounds buyback by May.

Looking forward, we are confident that our continued strong execution, supported by our investments and new demand-drivers, are positioning us for faster growth.

Slide 6: Building a track record of delivery against our financial priorities (TG)

On slide 6, you can see that Kingfisher is building a track record of delivering against our financial priorities.

We have grown at over twice the rate of the market over the last two years, with Kingfisher's sales CAGR between 2019 and 2021 at 10%, vs 4% for our addressable home improvement market.

Our aim is to grow profit in line with sales, and then gradually faster over time. Over two years, we have expanded our PBT margin by 250 basis points to 7.2%.

We have generated strong free cash flows, with 42% compound growth.

And we have returned over 780 million pounds to shareholders over the last two financial years through dividends and buybacks. These attractive returns reflect our strong cash generation, as well as our confidence in continued delivery. We have done this while maintaining our focus on reinvestment in the business and keeping an efficient capital structure.

Slide 7: Delivering on value and effectively managing near-term operational pressures (TG)

Turning to slide 7, and we are committed to deliver value for our customers, while also effectively managing the near-term operational challenges that continue to impact our industry and markets.

First, let's cover the Ukraine crisis and what it means for us. We have no direct business exposure. In September 2020 Kingfisher completed the sale of Castorama Russia to Russian DIY chain Maxidom. Today we have no operations in the country, nor do we provide sourcing to Maxidom.

On March 1st we took the decision to stop selling the limited number of products directly sourced from Russian and Belarusian suppliers across the Group, and those products have been removed from our shelves.

On the indirect side, we are engaging with our suppliers to ensure materials or components are no longer sourced from Russia or Belarus. Overall, the situation is being managed very tightly by Kingfisher, with minimal disruption to date on our supply chain.

Regarding inflation, in common with other businesses, we are seeing higher than normal CPI, caused by rising prices for raw materials, energy, wage increases and higher freight costs. We have managed these impacts very effectively, and you can expect the same from us this year.

We are as well very proud of the way our supply chain and logistics teams have managed the challenges faced by all companies over the last 18 months. While product availability has been below normal levels, we have worked tirelessly with our suppliers to protect our 'best seller' ranges, which saw improved availability during the year. This has supported our market share gains.

In this inflationary environment, Kingfisher is strongly committed to deliver on value for our customers. Firstly, we have invested tens of millions of pounds in the last few years in our overall price positioning, meaning that even after inflation, we remain price leaders in our industry. Our price index is at 100 or lower across the Group, and this is a big competitive advantage in this environment.

Furthermore, our customers have access to lower-price products via our own exclusive brand ranges, which represent 45% of Group sales.

We have some of the industry's best hard discounters in Brico Dépôt France and Iberia, who together are 20% of Group sales.

Let's also remember that DIY is by essence very competitive in a more challenging environment where people want to do more things themselves to save money. And our energy-saving products – 10% of Group sales today – will support our customers as they look to mitigate the impact of rising energy costs.

Finally on costs, we have many important cost reduction programmes in train across the business, and these are delivering significant mitigations against inflation. The COVID crisis has also taught us how to rapidly flex our cost base when we need to, which again is a key advantage in times of uncertainty.

Slide 8: Enduring focus on the home has strengthened our industry (TG)

Moving to slide 8, you will be familiar with the supportive market trends I set out last year.

We conducted extensive consumer surveys in our markets over the last few weeks, and updated these again since the start of the Ukraine conflict. The results indicate that the overall trends continue to endure, with home improvement considered as ones of the key areas of consumer spending 'safeguarded' by worried customers.

Activity in DIY and trade continues to be driven by more working from home – with 40% in the UK, France and Poland continuing to work from their houses and spend more on home improvement. Younger generations remain engaged with their newly-found DIY skills, and we are seeing robust demand from recent house movers – with over half of them planning to undertake more home improvement this year than in 2021. There is also a clear and emerging focus on sustainable home products and energy efficiency, which I will talk to later.

Activity levels remain above pre-pandemic levels in the UK and France, and future spend intent remains high.

Balancing these positive results, recently there has been rising concern about the state of personal finances. Against this backdrop, our focus on delivering on value for customers is essential.

Finally, our survey shows that 97% of tradespeople are currently working – this is the highest level seen since 2017. Furthermore, 85% of trade also has more work in the pipeline.

Central to all our insights is that the 'home nesting' trend that has emerged over the last two years is here to stay.

Slide 9: Well placed to capture DIFM/trade growth & resurgence in DIY (TG)

Turning to slide 9, which shows our revenue split by DIY and DIFM (or 'Do It For Me'), which are those projects and tasks that typically a require a tradesperson to undertake them. This is a new and important disclosure.

Last year we saw strong growth from both our DIY and DIFM/trade business. Our Group revenue is evenly split across the two groups, with even splits also across the UK, France and Poland.

In the five years before the COVID crisis, we saw a very gradual shift of customer preferences from DIY towards DIFM/trade, changing by less than one percentage point.

This changed during the pandemic as customers favoured DIY for its 'social distancing', lower cost, leisure and wellbeing qualities, strengthened by more people working from home. While customers are becoming more comfortable with tradespeople in their homes, as you can see from the table on the right, DIFM/trade activity within our markets is still below pre-pandemic levels.

While Kingfisher has embraced the resurgence in DIY, our outperformance of the market has been driven by our DIFM and trade business. We have seen a strong performance of Screwfix and TradePoint, we have launched new trade-focused own brand ranges, and we have invested in our showroom products and installation services, as well as our broader store and online services portfolio (including our NeedHelp marketplace).

We are well positioned to capture the growth potential of both DIY and DIFM/trade, and we are executing on plans to further increase trade customer engagement. More on this later.

Slide 10: We continue to drive strong customer growth and retention (TG)

Slide 10 outlines how our strategic progress is resulting in new customer growth and retention, which is contributing to our market share gains.

Growth in new customers was strong last year, with our acquisition of new known customers up 28% on pre-pandemic levels.

As you can see here, we are retaining the sales of new customers acquired in 2020. In the 12 months following their first shop, we retained 114% of customer spend – meaning their cumulative spend over one year was 114% of their spend in their first month as a customer. This highlights the importance of getting to know customers directly, because it gives us more levers in order to further grow this spend.

Our known customers tend to spend more than customers that we can't identify – their average basket across the Group is 25% higher than the overall average. And across Kingfisher, each banner is focused on growing their known customer bases – through loyalty schemes (like the B&Q Club card) as well as customer accounts for e-commerce.

Finally, our data at TradePoint shows that trade customers shop more frequently than retail B&Q customers, and have a 60% higher basket. Another proof point to support our investments for growth in the trade segment.

Slide 11: Responsible Business in everything we do (TG)

Turning to slide 11, and our commitment and passion to lead our industry in Responsible Business practices.

Our colleagues recognise Kingfisher as a great place to work, ranking us within the top 10% of global retailers for employee NPS. Following the great results of this year, we have decided to continue to share the success of our plan with all our colleagues, through a new all-colleague share plan, launching later this year.

We are becoming a more diverse and inclusive company, and each of our banners and Group functions is executing on their own Inclusivity action plan, with targets that are linked to remuneration.

We are also fully committed to playing our part in tackling climate change. We have achieved a 25% reduction in Scope 1 & 2 emissions vs FY 16/17, and remain on track to achieve our approved science-based 2025 targets, which are aligned to a 1.5°C trajectory. We're also on track with our ambitions to achieve 100% responsibly-sourced wood and paper.

Another key ambition of ours is to help our customers to build greener, healthier homes that are more affordable. 44% of Group sales already come from products creating a more sustainable home, and we are announcing today a new and ambitious target to increase this to 60% in 2025. Our own brand capability gives us a platform to achieve this goal, with sustainability being at the centre of new product development. We are also looking at ways to play a bigger role in 'circular economy' initiatives, including reconditioning returned products for re-sale. Last year we launched innovative such programmes at Screwfix and Castorama France.

Finally on communities, we wish to contribute to fix bad housing which remains such a pressing issue in the markets in which we operate. We achieved our target of helping one million people with the greatest housing needs, four years ahead of schedule. We are now doubling this target to help at least two million people by 2025.

Slide 12: France – foundations set for more profitable growth (TG)

Turning now to France on slide 12. As you can see in the top part of this slide, we have made significant changes in France over the last two years. The focus has been to fix historical issues in our operations, by implementing new trading approaches, improving our price positioning, and addressing significant technology and supply chain challenges from previous years.

I can confirm we're on track to complete all final fixes this year, especially on our product range and logistics network. Castorama's range has evolved rapidly over the last two years, and 7,300 new SKUs have been added to the assortment with more local and OEB brands.

We're also continuing to enhance Brico Dépôt's discounter credentials, through continuous improvement of its price index and through optimising its range of products. This includes introducing many new ‘specialist discount’ own brands, to increase differentiation against general home improvement peers.

We are progressing well with a fundamental reorganisation of the logistics network in France. We have now reduced our distribution centre space by 19% over the last 18 months. This programme is resulting in shorter lead-times, better customer service, more efficient levels of inventory, and also lower greenhouse gas emissions – while also contributing positively to our gross margin, which is up 60 basis points in France.

Finally, we will complete the last phase of SAP implementation at Brico Dépôt later this year.

In parallel, we have made broader strategic progress in France over the last two years – including the acceleration of our e-commerce business, where sales are over 250% higher than two years ago, adapting our store footprint through compact store and rightsizing tests, and ongoing cost and inventory reduction programmes.

Our actions to date have had a big impact in our stores and online, with a strong improvement in customer NPS. They are also driving an improved top and bottom-line performance. And we continue to grow our market share in France, which is the ultimate proof of our progress.

You have seen many presentations on the issues with France in the past years. My message here is that we are fully on track with our actions to fix the problems, we have strengthened our banners in every department, and we are now in a good place to drive more profitable growth going forward.

Slide 13: Accelerating investments for growth (TG)

Turning to slide 13 and our growth agenda.

We are over two years into our new strategy, and we have made strong progress on the core areas shown on this slide – e-commerce, our own brands, the growth of our trade business, our mobile and service innovations, and adapting our stores. Delivery is ahead of schedule.

This is allowing us to now accelerate investments to capitalise on several attractive growth opportunities, including our scalable e-commerce marketplace, the expansion of Screwfix in the UK and France, new store openings in Poland, and our plans to increase our trade customer base.

Looking forward, these investments will drive further market share growth, along with faster growth in sales, profit and free cash flow.

Let me now spend a few minutes providing more detail on each of these focus areas.

Slide 14: Taking e-commerce to the next level

Moving to slide 14, our e-commerce sales have almost tripled on a 2-year basis, with penetration up 10 percentage points to 18%. And our digitally-enabled sales now represent 26% of sales. Here I mean the sales coming from direct e-commerce channels as well as digital orders in-store for click & collect and home delivery. This new KPI helps us measure how well we are adapting to changing customer behaviours.

Our e-commerce growth has been enabled by our successful move to a store-based picking and fulfilment model, with 91% of the Group’s e-commerce orders picked in store last year. This is 89%

excluding Screwfix. This underlines the importance of our store assets, enabling levels of speed and convenience that are unrivalled by pureplay online businesses.

The customer preference for click & collect remained strong last year, even after the lifting of COVID restrictions, and this continues to be our most significant e-commerce channel. Click & collect accounted for 87% of all e-commerce orders, and 73% of all e-commerce sales. We continued to develop and further increase the speed of this service with the roll-out of click & collect lockers in Castorama Poland stores, and have started testing these at B&Q. We also invested in car park seamless collection capabilities in France and in Poland.

We believe that faster home delivery can be a significant market share driver for us. In August last year, we launched Screwfix 'Sprint', offering one-hour delivery to customers. The services currently covers over one third of UK postcodes, with an average delivery time of around 45 minutes and a fastest delivery time to date of an incredible 8 minutes. Customer response has been very positive and we will extend Sprint's geographic coverage in the UK this year. We are also benefiting from valuable lessons as we explore faster delivery in other banners.

Looking ahead, we remain committed to delivering strong growth in e-commerce sales through providing faster speed and convenience. We are moving towards home delivery for full store ranges, and towards faster click & collect and last-mile delivery options. In Poland, we are completing the roll-out of our new Group digital stack, enabling stronger digital capabilities.

Slide 15: A new and scalable marketplace to unlock share growth (TG)

We also believe we can add significant value for customers by offering them more product choice. Which leads us to slide 15.

Earlier this month, we launched our first e-commerce marketplace, on B&Q's DIY.com, using scalable technology developed with Mirakl. This will dramatically accelerate the product choice that we can provide our customers.

Our initial offer comes from carefully selected third-party sellers in four home improvement categories – wallpaper, lighting, power tools and lastly, a new category for B&Q, small domestic appliances. Within the next six months, we expect that 100,000 home improvement SKUs will be available on the marketplace across many new and extended categories, adding to B&Q's current online offer of around 40,000 products. We then plan to rapidly expand SKUs after that.

We are in a good place to take advantage of the retail phenomenon that is online marketplaces. Our banners have top one or two market positions, and they already drive significant online traffic. B&Q for example saw over 300 million visits to its website last year, ranking it 13th out of all UK retail websites. Our banners have strong and trusted brands; and we are able to leverage our store assets and logistics network to offer delivery, pick-up and return options for customers and our suppliers.

Our existing strong traffic means that customer acquisition cost is low, and we expect the platform to generate attractive incremental profits over time.

From the outset, we have invested in technology and talent that deliver scalability, which will allow us to deploy it into our other markets relatively quickly and at a lower cost. We are excited by this prospect and are looking forward to updating you with its progress.

Slide 16: Winning with our own exclusive brands (TG)

Moving to slide 16 and our own exclusive brands, or OEB, a core component of our 'Powered by Kingfisher' strategy.

Our OEB ranges are continuing to perform strongly, with LFL sales up 19% on a 2-year basis, slightly outperforming non-OEB ranges. At 5.9 billion pounds, they represent 45% of Group sales, which was stable year on year, even as we also introduced a wider range of branded products.

OEB is critical in the way we deliver on value in the current inflationary environment. They offer outstanding quality for significant cheaper prices than branded products, and this is 45% of our sales.

OEB ranges have also seen a generally higher availability than non-OEB ranges, which has been supportive of our market shares gains.

We are increasingly leveraging the scale of the Group to provide differentiated and specialised products for our trade, discounter and general home improvement banners. During the year we created an additional portfolio of 32 new and redeveloped OEB brands. Some of our OEB ranges, such as Magnusson and Titan, are significantly outperforming sales volumes of major branded competitors.

Last year we also completed the roll-out of our new OEB kitchen range in all key markets – our largest Group-wide range launch so far. This has received exceptionally strong customer feedback on design, innovation and value for money. It has already become one of our top-performing categories and a strong contributor to our banners' growing market share. It achieved double-digit LFL growth last year, despite periods of COVID-related restrictions in-store.

Finally, OEB is supporting the delivery of our Responsible Business goals. 55% of our OEB sales are sustainable home products, and we now plan to expand this significantly to support the Group sales target I mentioned earlier.

Slide 17: Capturing the trade customer opportunity (TG)

Next to slide 17. Trade customers represent a 50 billion pounds addressable opportunity for Kingfisher in the UK, France and Poland. Earlier on in the presentation I told you that DIFM and trade represent 50% of our sales, and that we have significantly outperformed the market here over the last two years.

Screwfix is continuing to grow in the UK and Ireland, with a record of 70 new stores last year. This takes us to a total of 790 in the UK and Ireland. Our plans for this year are even more ambitious, with a pipeline of over 80 stores, and we remain confident in reaching our target of at least 1,000 over the next two to three years.

In France, Screwfix launched as a pureplay last April. Early results have been very encouraging. Web traffic is ahead of expectations, and our customer NPS score for delivery is already on a par with Screwfix UK. Screwfix's supply chain development in France is advancing well and we are planning to open our first physical stores there in the second half of this year, followed by a more ambitious roll-out in 2023.

Last year we relaunched TradePoint, our trade-focused banner in B&Q, and it has made excellent progress. Our focus on TradePoint's loyalty programme, new trade-specific ranges, and online experience, has resulted in more engagement from existing customers and strong new customer growth. LFL sales outperformed the rest of B&Q, growing 20% last year, and by 33% on a 2-year basis, with revenues of over 830 million pounds. Our target is now to reach over 1 billion of sales. TradePoint has counters in just over half of B&Q's estate, and we plan on further expanding penetration in 2022, as well as opening our first counters in Ireland.

Beyond B&Q, there is a significant opportunity to leverage the expertise gained at Screwfix and TradePoint to increase trade penetration across all our other 'big-box' retail banners. Each of our banners is executing on ambitious plans to target trade customers. These include trialling new store layouts and concepts, creating more trade-focused OEB ranges, offering a more user-friendly and integrated digital experience, increasing the speed and convenience of order pick-ups, and further developing our trade loyalty programmes. We have also established a centre of excellence to share best practices on trade among us.

Overall, we see stronger trade penetration as a significant opportunity to drive faster and profitable sales growth.

Slide 18: Mobile-led innovation and increased focus on services/DIFM (TG)

Now to slide 18.

Customers are using mobile more than ever to shop home improvement, and this channel continues to be the fastest growing for us. Mobile sales are up by 300% on a 2-year basis.

Last year, we launched the new Castorama France and Screwfix apps. The new Screwfix app has been downloaded 2 million times. It has a number of innovative new features, including geolocation, to speed up in-store pick-ups, and we have integrated Screwfix's one-hour delivery service, Sprint.

At B&Q, we've rolled out new self-checkout terminals in 110 stores. We are ahead of our expectations in transactions in these stores, resulting in great customer satisfaction and meaningful efficiency gains. We are also in the early stages of implementing self-checkout terminals in France and Poland.

And following the successful introduction of our Group-developed 3D design tool for kitchens and bathrooms, we have extended the technology to enable customers to create online 3D designs of modular storage.

We have increased project affordability through initiatives such as tool hire, and enhanced customer credit propositions. For example, at B&Q we have made kitchen and bathroom installation costs available within our interest-free financing offer.

Installation services are available in all B&Q UK & Ireland store since last August, and are proving very successful. Adding to this, our online services marketplace, NeedHelp, was rolled out in B&Q and Poland last year, leveraging Kingfisher's strong relationships with tradespeople. NeedHelp achieved a 60% increase in the number of completed jobs last year.

Finally, in 2022, we will trial an energy-saving service at B&Q to diagnose and fit energy efficiency solutions in customers' homes.

Slide 19: Adapting our store footprint to support growth (TG)

To slide 19.

We continue to increase our store numbers, while aiming to reduce the average size per store. We are doing this by opening more ‘compact stores’ and ‘medium-box’ stores, and by ‘rightsizing’ a relatively small proportion of our larger format ‘big-box’ stores.

Compact stores are an important driver for continued market share growth in urban areas. Last year we tested 20 new compact stores across the UK, France and Poland. These tests took place in urban retail parks, high streets and in supermarkets.

Included in these tests were five ultra-compact Screwfix stores. This innovative new format has been developed to take the core Screwfix range into spaces unable to cater for the full traditional trade offer. We’ll monitor these tests carefully before committing to further roll-outs.

In Poland, we have established a significant long-term expansion plan, with a combination of big, medium and smaller boxes. We opened seven new stores last year – a record for Poland. We plan to open even more stores this coming year, reinforcing Castorama’s number one position in the market.

And we continue to be excited by the potential of the franchise business model. Last month we were pleased to open our first franchise store under the B&Q banner in the Middle East, with one more to open in Q2. These stores are operated and staffed by the Al-Futtaim Group.

Turning to our ‘big box’ stores, last year we completed three rightsizing trials at B&Q, with a further two at Castorama France, the first rightsizes for our French business.

The B&Q results have been very good, with space reductions of 15 to 30% all taken over by discounter retailers. Since reopening, the stores have exceeded our performance expectations, with strong sales retention and improved profitability.

Following on from these trials, we have now finalised our assessment of our property portfolio and future space requirements across Kingfisher. We are announcing today that up to 40 ‘big-box’ stores across B&Q and Castorama France will be rightsized over the next 10 years. This will include a reallocation of space to e-commerce operations and ‘dark stores’. The space reduction equates to circa 3 to 4 percent of the combined selling space of B&Q and Castorama France. We expect to be able to carry these out within our medium-term capital expenditure guidance.

Slide 20: Financial priorities underpinned by attractive strategic drivers (TG)

To summarise here on slide 20, we are ahead of schedule with our ‘Powered by Kingfisher’ plan, and we are now accelerating investments for growth.

To remind you of our financial priorities, first, we will continue to prioritise top line growth and sales growth ahead of the market.

Next we will grow adjusted PBT in line with sales, as we reinvest scale benefits to drive the top line. As this materialises, we will aim to grow PBT gradually faster than sales over time.

And finally, we will generate strong free cash flow through greater capital efficiency and financial discipline. As demonstrated last year, this will underpin shareholder returns though our progressive dividend policy and, where there is surplus capital, share buybacks or special dividends.

With my update now concluded, let me hand over to Bernard.

Slide 21: Divider slide (BB)

Thank you Thierry, and clearly launching marketplace with a bang. Good morning everyone.

Slide 22: Key financials (BB)

I will start with slide 22 and the key financials for the year.

Kingfisher had another year of strong financial performance.

In constant currency, total sales were up 9.7% to £13.2bn. LFL sales were up 9.9% compared to the prior year and up 18.1% versus 2 years ago.

We generated gross profit of £4.9bn, driven by strong sales growth and a 30 basis points increase in gross margin. This increase was supported by our effective management of inflation and by savings in logistics and inventory holding costs.

In constant currency, retail profit increased by 16.7% to £1,148m, with retail profit margin up 50 basis points to 8.7%.

Adjusted pre-tax profit increased by 20.9% to £949m, with the corresponding margin up 80 basis points to 7.2%.

Free cash flow was strong at £385m. While EBITDA was up year-on-year, the year-on-year reduction reflects, as expected, the reversal of positive working capital movement from last year and a step-up in the growth element of our investments. By comparison our free cash flow two years ago was £191m.

Our cash position remains strong, with £809m in cash. Our net debt – which includes IFRS 16 leases – is just under £1.6bn, with net leverage of 1 time EBITDA.

Slide 23: Geographic summary (BB)

Moving to slide 23, and the performance of our major geographies. All year-on-year variances are in constant currency.

Starting with the UK and Ireland, where sales grew by 13.4% including a 1.5% contribution from net space growth.

LFL sales at B&Q grew by 12.3%, and 26.9% on a 2-year basis. TradePoint outperformed the rest of B&Q, with LFL sales up 20%, and up 33% on a 2-year basis. Big-ticket categories, like kitchens and bathrooms, continued to perform strongly.

LFL sales at Screwfix grew by 10.9%, and by 18.2% on a 2-year basis, reflecting continued strong demand from trade customers.

B&Q and Screwfix both grew their market share in the year.

UK & Ireland retail profit increased by 16.7% to £794m. Retail profit margin increased 30 basis points to 12.2%, with a better operating costs-to-sales ratio.

Gross margin rate decreased by 60 basis points, largely reflecting changes in channel and category mix and one-off logistics spend. This was partially offset by our effective management of inflation.

Operating costs increased by 9.6%, largely due to higher costs associated with strong trading, store openings, inflation, digital investments, and the reversal of temporary COVID-related cost savings in the prior year.

Turning to France, sales grew by 9%.

On a LFL basis, France sales grew by 9.3%, and by 14.8% on a 2-year basis. This includes a 1% negative impact from COVID-related temporary store closures during the first half of the year at Castorama. LFL sales did benefit from the gradual opening of more stores on Sundays.

Retail profit increased by 28% to £221m, with a 70 basis points increase in the retail profit margin.

The Gross margin rate increased by 60 basis points, reflecting reductions in logistics and inventory holding costs, a higher OEB weighting at Brico Dépôt, and our effective management of inflation. This was partially offset by an upweighting of special promotions, or 'arrivages', more trading events, and category mix.

Operating costs increased by 8.5%. This was mainly due to higher costs associated with strong trading and additional Sunday openings, and the reversal of temporary COVID-related cost savings in the prior year.

Performance in Poland was impacted by store closures for over five weeks in the first quarter. This had an impact of around 6% on LFL sales. As a result, LFL sales growth was lower at 0.3%, up by 5.3% on a 2-year basis. Space growth contributed 4.7% to total sales.

Poland's gross margin rate increased by 50 basis points, largely reflecting our effective management of inflation.

Retail profit decreased by 1.5% to £135m, with growth in gross profit offset by an increase in operating costs of 10%. Higher operating costs were driven by an acceleration in space growth and store opening costs, in addition to operating cost inflation.

In Iberia, LFL sales increased by 23.2%, and by 14.6% on a 2-year basis. Retail profit of £12m was £9m higher than prior year.

Romania reduced its retail loss to £11m, driven by strong trading despite the impact of COVID-related trading restrictions throughout the year. Note that Romania's sales and retail loss include one extra month of results for January 2022, as we aligned the business to Kingfisher's reporting calendar. On a comparable basis, excluding this additional month, the retail loss would have been £8m, a 35% improvement from the prior year, and strong progress from the £23m loss recorded two years ago.

'Other' consists of the consolidated results of our new businesses – NeedHelp, Screwfix International, and franchise agreements. Due to these businesses being in their early investment phase, a combined retail loss of £10m was incurred as they scale up for growth.

Our Turkish JV contributed an equity accounted retail profit of £7m, up 8.8% in constant currency.

Slide 24: Group retail profit bridge (BB)

To slide 24 and the movement in Group retail profit. In constant currency this was up £145m or 16.7%.

LFL sales growth and the increase in gross margin rate contributed £429m.

Inflation-related operating cost increases were limited to £71m, or 2%.

Strong trading and higher digital costs drove our operating costs up. This was partially offset by cost savings as part of our strategic cost reduction programme, for a net impact of £106m.

Therefore, on a comparable basis, operating costs only increased by 4.9% versus a 9.9% increase in LFL sales.

Net space growth contributed £28m of retail profit, mainly driven by Screwfix, the permanent closure of eight Castorama France stores last year, and the disposal of our loss-making Russian business.

As mentioned in my previous slide, investments in the development of our new businesses cost us £10m in the year.

Finally, while COVID-related costs were lower this year, the prior year benefited from significant non-recurring cost savings, with a net impact of £106m. Temporary savings included discretionary savings such as marketing, advertising and travel, as well as employment support programmes in France, Poland and Iberia.

Slide 25: Summary cash flows (BB)

To slide 25 and the summary of cash flow movements during the year.

We generated an EBITDA of over £1.6bn in the period. The working capital outflow of £215m is the result of an increase in inventory of £359m, partially offset by a net increase in payables of £144m.

As expected, the increase in inventory was largely due to inflation, growth of our business including store expansion, the rebuild of stock levels ahead of peak trading periods in H1 2022, as well an earlier Chinese New Year at the end of January. I also remind you that we had very low inventory in the prior year.

The net increase in payables largely reflects the timing of inventory and GNFR purchases.

In line with our guidance we increased our capital expenditure in H2 as we accelerated investments for growth. Our full year capex was £397m or 3% of sales.

Free cash flow for the period was £385m. The 'adjusting & other' outflow of £114m includes a £64m payment made in H1 last year to HMRC in relation to a European Commission state aid challenge. This is also recorded as a receivable while we contest it. Dividends of £254m were paid in relation to the FY 20/21 final and FY 21/22 interim dividends, and we realised £157m of the £300m share buyback programme announced last year.

Overall, this resulted in a negative net cash flow of £140m.

Slide 26: Net debt and liquidity (BB)

Moving to slide 26, and our current liquidity and financial position.

As of the 31st of January we had over £1.3bn of total liquidity available, including over £800m of cash and an undrawn sustainability-linked credit facility of £550m.

Having repaid both our fixed term loans of €50m and £50m in H2, our remaining financial debt is minimal.

Net leverage was 1 time EBITDA at the end of the year, below our medium-term target of a maximum of 2 times.

Slide 27: Cost optimisation remains a key area of focus (BB)

Let me now move to some observations on costs and cash generation before completing my remarks with the outlook for the year.

Moving to slide 27.

We remain focused on optimising our costs. This is important in the current heightened inflationary environment.

At the start of 2020, we started multiple cost-reduction programmes, managed jointly by our banners and Group functions.

Some examples of these programmes include improving store productivity through better use of technology, including the roll-out of self-checkout terminals, continued savings in our Goods Not for Resale purchases, expansion of our shared services activities and reducing dual-running costs between Group and banners. The latter was achieved by re-organising our commercial operating model.

As Thierry mentioned, we have also significantly reduced distribution centre space in France, one of our many supply chain initiatives. And we continue to renegotiate our leases as appropriate, completing 34 B&Q lease regears in the year, achieving an average rental reduction of over 20%.

Overall, we achieved a 100 basis-point reduction in our Group operating costs-to-sales ratio on a constant currency basis.

We continue to manage the impact of inflation well. Our Group gross margin increased by 30 basis points last year, while clearly retaining our price leadership position in our markets.

Better value OEB products, 45% of our sales, give customers a wider variety of price points to choose from. We also benefit from banner and Group scale, with many long-term supplier relationships. And we continue to hedge energy and currency to increase stability in what is clearly a volatile environment.

The lessons learned from the pandemic have been invaluable, providing us with the experience and confidence that, if need be, we are able to rapidly flex our cost base in negative market growth scenarios. Some examples of areas with room for adjustment are reducing overtime and temporary staff numbers, changes in performance-related incentive payments, and quickly adjusting discretionary spend such as marketing & advertising.

Finally and if needed, we would carefully review the pacing of range reviews and investments.

In summary, we remain committed to delivering mitigations against inflation pressures, and actively managing our operating costs in the year ahead.

Slide 28: Attractive returns opportunity (BB)

Moving to slide 28, which highlights Kingfisher's attractive returns opportunity.

In 2021 we delivered on all our financial priorities and generated nearly £400m of free cash flow, twice the number of two years ago.

In terms of capital allocation, our priority remains reinvestment in compelling organic or inorganic growth opportunities. Last year, over 60% of capex was growth-focused, equating to around £240m. This is 20% higher than growth capex in the prior year.

Our overall target capex is unchanged at 3 to 3.5 percent of sales per year on average. As previously guided, over the next two years we expect to be at the upper end of that range, as we accelerate investments for growth.

Our balance sheet remains strong and we believe this is important at this time of uncertainty.

We want to sustainably grow dividends and we increased dividends by 50%, reflecting our confidence in the business.

The Board also determined there was surplus capital available for distribution to shareholders. As a result, during the year we launched a £300m share buyback programme. We expect to complete the final £75m tranche by May.

In summary, the compelling strategic drivers of the business provide an opportunity to deliver attractive earnings growth and shareholder returns.

Slide 29: FY 22/23 outlook (BB)

Finally, moving to slide 29, and our outlook for the year ahead. Further technical guidance can be found in the appendix on slide 36.

We have made an encouraging start to our first quarter, against strong comparatives. Like-for-like sales to date are down 8.1%, representing growth of 16% on a 2-year basis.

Our performance in these early weeks of the year indicate a very healthy retention of the demand and revenue uplift from the prior two years. Trading in all banners is encouraging, including in Poland and Romania which have traded strongly in the most recent weeks. In the UK and France, growth was impacted by storms in February. However, the week commencing 15 March 2020 was impacted by all stores in France closing following the start of the national lockdown. Taking all this together, we believe that underlying trading is more in line with our Q4 21/22 2-year LFL.

Our product availability is good ahead of the upcoming peak trading period, and current big-ticket demand is strong, with the showroom order book for B&Q and Castorama France standing at +72% year on year, and +79% on a 2-year basis.

We are obviously mindful of the current heightened macroeconomic and geopolitical uncertainty. Irrespective of this, you can continue to expect from us a focus on top line growth, on market share gains, and on strong and consistent execution. We are accelerating our investments for growth, with P&L investments of circa £25m in new businesses such as Screwfix France and B&Q's e-commerce marketplace. New store openings, largely in Screwfix and Poland, are expected to contribute circa 1.5% to total sales growth.

In this inflationary environment, we will continue to effectively manage our gross margin and be active and responsive in our approach to managing our operating cost base.

As a result of this, we are comfortable with the current consensus of sell-side analyst estimates for FY 22/23 adjusted profit before tax.

With that, let me now hand back to Thierry to summarise.

Slide 30: Divider slide

Slide 31: Summary (TG)

Thanks Bernard. To now briefly summarise here on slide 31.

2021 was a year of record revenue and profits, made possible by the strong execution of our strategy and the incredible dedication of our colleagues.

We are gaining share in our markets. We are delivering on value for our customers, which has never been so important as in this inflationary environment. We have effectively managed product availability and inflationary pressures in the last year and you can expect the same from us in 2022.

Delivery of our strategic priorities is ahead of schedule and we are accelerating our investments for growth.

Looking forward, our investments, our continued strong execution, and new demand-drivers, give us confidence in the significant long-term growth opportunity for the Group.

Thank you all for listening this morning. Bernard and I would now be happy to answer any questions. Over to you Maj.