Kingfisher plc Half Year Results 2023 – Presentation Transcript – 19 September 2023

Speakers:

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TG: Good morning. Welcome to everyone here in person at the London Stock Exchange and also to those of you joining online. First of all, on behalf of my colleagues in our Group Executive and our Board, I would like to begin by thanking each of our 80,000 colleagues across the Group for their commitment and dedication. They continue to work hard and to deliver in an environment that stays very demanding. We are proud of them and proud to be part of this team.

TG: Now turning on to our agenda for today on Slide 3, I will start the presentation with the key highlights and trends from the half, and Bernard will then provide a detailed review of our financial performance and outlook for the year. I will then update you on our operational and strategic progress as well as our priorities for the second half. We'll then be happy to take your questions.

TG: Starting off on Slide 4 with the key messages. Like-for-like sales of minus 2.2% were slightly ahead of expectation against the backdrop of unseasonal weather and ongoing macroeconomic challenges in our markets. We delivered an adjusted Profit Before Tax of £336mfor the half. And by region, U.K. & Ireland sales were better than expected with B&Q and Screwfix both delivering positive like-for-like growth and gaining market share. This was a strong performance given the volatile weather and challenging macro.

TG: In France, we saw similar external factors but a 10-year low of consumer confidence impacted market growth. In this environment, Castorama performed well with Brico Dépôt slightly weaker. And in Poland, we faced very strong comparatives throughout H1, but saw the trading environment deteriorate in Q2 due to the macro. This led to weaker-than-expected sales and also to some impact on our gross margin.

TG: By category, we saw some encouraging trends. Our core and big-ticket categories, which were 78% of our sales, were down by just 1% year-on-year. And crucially, the sales volumes of those categories showed an improving trend through the period. I will come back to the seasonal category sales shortly, but clearly, the weather impacted performance here.

TG: On the broader picture, we continue to invest for growth. We'll provide the detail on this later in this presentation. But I'm very pleased with our progress, for example in e-commerce and marketplace around our use of AI and data, the development of the trade proposition and the expansion of Screwfix.

TG: Reflecting our H1 performance and the trading environment in our markets, we have updated our full year PBT guidance to £590m. We remain comfortable with our guidance of over £500m of free cash flow for the year, and underpinning this confidence, we are announcing today a new £300m share buyback programme starting early next month. We have completed £600m of buyback and

paid £900m of dividends over the last 4 and a half years, demonstrating our commitment to shareholder value.

TG: Now turning to Slide 5 and the more detailed highlights. Overall sales were resilient despite the impact on our market from the weather and macro with total sales down 1% and like-for-like sales down 2.2%. In Q2, like-for-like sales were down by 1.2%, showing momentum from the previous quarter. This was largely driven by better U.K. weather conditions in May and June, which helped us recover some of the lost seasonal sales from Q1.

TG: Core and big-ticket sales also improved in Q2, and we saw a clear trend of customers switching from outdoor to indoor projects compared to 2022. Like-for-like sales for Q3 to date are minus 2.4%. Against the trend in Q2, we see continued positive momentum in the U.K. & Ireland, a slight slowdown in France and a small improvement in Poland.

TG: E-commerce continued to perform well with sales up 7.1%, reaching 16.8% penetration and up 1.2 points year-on-year. This was supported by ongoing strength in marketplace with B&Q marketplace sales reaching 33% in July as a proportion of its total online sales. We delivered adjusted PBT of £336m, lower than our guidance of £350m for the half.

TG: U.K. & Ireland and France were slightly ahead of expectations; the latter due to good cost control, but this was more than offset by a lower-than-expected profit from Poland, and I will come back to this shortly. Free cash flow of £346m was in line with expectations, supported by the unwinding of prior year working capital positions, as previously guided. And finally, we returned more than £260m to shareholders in H1 through dividends and buybacks. Along with the buyback programme announced today, we have also declared an interim dividend of 3.8 pence, in line with last year.

TG: Moving now to Slide 6 and looking at performance by category. 22% of our sales in H1 were from seasonal categories. This includes products such as outdoor furniture, barbecues, but also outdoor paints and fencing. Like-for-like seasonal sales were down 5.9% in the half. Many of our markets experienced unseasonal weather in H1, especially in March and July in the U.K. and France, and June in Poland.

TG: While there were some patches of good weather, overall, this was a heavy impact on trading with double-digit declines in sales of seasonal categories in March and July. The important takeaway is that sales and volumes sold for our core product and big-ticket categories have been increasingly resilient, including the benefit from some transference by customers to indoor projects. These trends are encouraging for the second half of the year where the seasonal weighting is lower.

TG: Turning to Slide 7 and a summary of the trading conditions we faced in our main markets. In the U.K. & Ireland, we saw mixed but overall negative indicators on the macroeconomic position and the housing market. Yet, as of now, we continue to see a very resilient customer along with repairs and maintenance, which drives the majority of our sales. We are observing a clear consumer trend of “improve, not move”, which is supporting robust demand from the trade segment.

TG: Like-for-like sales in the U.K. were up 1.7% year-on-year. We have spoken about seasonal weather impact, but most encouragingly, our core and big-ticket sales demonstrated strength, up 2.8% year-on-year and with Q2 sales accelerating from Q1. In France, we saw a macroeconomic

environment that remains challenging, but unlike the U.K., consumer confidence is at a 10-year low, impacted by the perception of overall inflation and also by strikes and protests during the period. All these factors adversely affected home improvement market growth in H1.

TG: Against that context, we were pleased with the resilient performance of Castorama, again supported by core and big-ticket sales, and Brico Dépôt was weaker with like-for-like sales down 5%. Its performance was also impacted by the national strikes in Q1, a heavier impact of weather on its seasonal sales and the reallocation of a portion of its marketing budget to digital. This was well intentioned, but ultimately not successful in relation to in-store traffic, and our approach has been corrected since mid-July. The business also saw lower cross-selling from its special 'arrivages' promotions.

TG: And finally, in Poland, we faced a very challenging trading environment. For context, it's worth remembering that we had a very strong H1 in Poland last year where like-for-like was plus 25.9% and, therefore, trading against strong comparators. However, the environment of high inflation and interest rates has had a big impact on the Polish consumer, resulting in weaker demand for our products in Q2 than we had anticipated.

TG: On Slide 8, I would like to provide more detail on our diagnosis of the performance in Poland and how we are reacting to it. Like-for-like sales were down 10.9% in H1 for the reasons outlined on the previous slide. To calibrate this performance, evening out the high comparative from last year, the 2-year like-for-like of Poland in H1 was plus 12.2%. On market share, as expected, we lost some of the exceptional gains from last year, but our share remains up over a 2-year period. So not a bad performance in this context, but we had expected a better Q2.

TG: Our price index remains competitive and is being kept below key peers. Stock availability is above 98%. Our gross margin was 170 basis points lower year-on-year. This was mainly driven by two factors, both reflections of the trading environment in H1: first, while we remain disciplined in our promotional activities, customer participation in the normal cadence of our promotions was higher; and second, clearance related to lower sales of specific ranges that has been purchased at a higher cost price. And this latter point also impacted performance in August, but will not recur.

TG: And on operating costs, this increased by 9.3% year-on-year driven, as expected, by increases in pay rates and energy costs, new store openings and higher technology spend. New stores contributed around one third of the cost increase. For context, inflation rates in the Polish economy were at around 15% for H1, and we also had a one-off charge in Q2 of over £5m related to ineffective FX hedges from lower stock purchases. Overall, retail profit decreased by 64% year-on-year, lower than we had expected.

TG: As a result, we are taking decisive actions on cost. Since the fourth quarter of last year, we have been working hard to align costs according to market conditions. These actions were accelerated from June, which will further benefit us in the second half. And we are securing additional purchase price reductions, further reducing our store staff numbers and incentive levels, lowering discretionary spend and re-phasing certain investments, including opening fewer stores. For example, as of 31st of July, store staff numbers are down 7% year-on-year. We're also planning for a total of 5 new stores this year versus 7 previously.

TG: In H2, the opex comparative becomes a little easier with a lower year-on-year impact from staff and energy cost inflation and no further impact expected from ineffective FX charges. Overall, we

are clear on what we need to do to navigate through the near-term environment in Poland. Longer term, our conviction remains high on the growth potential of this market and for our banner.

TG: We are number 1 in the market and the most popular home improvement brand with an outstanding customer proposition. We'll talk later about marketplace and trade, two levers of the Kingfisher strategy which we believe are significant growth drivers for Poland. And we remain confident in the medium-term store opening plan that we discussed in our full year results, targeting up to 80 medium and compact stores over the next 5 years.

TG: Now let me hand over to Bernard to take you through the financials in detail.

BB: Thank you, Thierry, and good morning, everyone.

BB: To Slide 10 and the key financials for the half year. Total sales in constant currency were down 1% to £6.9bn, reflecting resilience across both retail and trade channels, particularly in the U.K. & Ireland. Like-for-like sales were down 2.2% with Q2 showing an improvement on Q1. We generated gross profit of £2.5bn with gross margin down 40 basis points. This movement reflects higher customer participation in promotional activity in France and Poland, higher clearance costs and stock provisions and some impact from our sales mix in Poland.

BB: In constant currency, retail profit decreased by 23% to £433m with retail profit margin down 180 basis points to 6.3%. While gross profit was up in the U.K., this was more than offset by lower gross profit in other regions. We also saw higher operating costs in the U.K. and Poland, largely due to staff pay rates and energy costs.

BB: Adjusted PBT decreased by 28.8% to £336m. Free cash flow of £346m was in line with our expectations and supported by the unwind of working capital outflows from the prior year, as previously guided. And our total liquidity position remains strong at over £800m. Our net debt, which is mainly comprised of lease debt, is just under £2.2bn with net leverage of 1.6x EBITDA.

BB: Moving to Slide 11 and the performance of our major geographies. All year-on-year variances are in constant currency. Starting with the U.K. & Ireland, we delivered good like-for-like growth of 1.7% with the trend accelerating from minus 0.8% in Q1 to plus 4.1% in Q2. This was supported by significant improvement in seasonal sales with more favorable weather in May and June. Space and acquisitions contributed 2.1%, mainly from new store openings at Screwfix and the acquisition in March of Screwfix Spares. Overall sales in the U.K. & Ireland increased by 3.8%.

BB: Looking by banner, like-for-like sales at B&Q increased by 1% with sales improving significantly in Q2. Core and big-ticket sales were up 2.7% with an acceleration in Q2 supported by improving volume trends. B&Q also saw strong growth in its e-commerce sales, up 19% year-on-year, driven by marketplace.

BB: TradePoint delivered a good performance in the half against robust prior year comparatives. Like-for-like sales were down 1.8% with penetration of B&Q sales reducing slightly to 20%. TradePoint sales were impacted by the proactive decision to switch off instant vouchers during big-ticket promotional events in support of profitability and investments in promotions on the retail side. Despite this change, new TradePoint membership sign-ups increased by 37% year-on-year.

BB: At Screwfix, like-for-like increased by 3.1% with growth in all categories and significant market share gains in the half. Space growth and the acquisition of Screwfix Spares contributed circa 6% for total sales growth of 9.2%. U.K. & Ireland gross margin was flat versus last year, reflecting the effective management of inflation and favorable channel mix impacts from the strong growth of B&Q's e-commerce marketplace. This was offset by higher clearance costs and stock provisions.

BB: Retail profit decreased by 9.8% to £306m with an increase in gross profit more than offset by higher operating costs, up 8.9%. This was, for a large part, driven by cost inflation, including increases in staff and energy costs. Higher technology spend and costs associated with 59 new stores also added to the increase. Cost increases were partially offset by reductions achieved as part of our strategic cost reduction program.

BB: Turning to France. Like-for-like sales were down 3.8% with trading impacted by a challenging consumer environment and unseasonal weather conditions through the half. As we said in May, our Q1 sales were impacted by national strike action, which resulted in lower footfall to many of our stores, especially at Brico Dépôt. The like-for-like trend improved slightly in Q2, driven by an uplift in seasonal category sales.

BB: At Castorama, our like-for-like sales were down 2.7%, which was a resilient performance in light of the environment. Core and big-ticket sales were down 0.9% with positive growth in many key categories. Brico Dépôt like-for-like sales decreased by 5%, as described earlier by Thierry.

BB: The gross margin in France decreased by 30 basis points, largely reflecting the higher weighting of sales at Brico towards 'arrivages', together with higher clearance costs. Retail profit decreased by 21.9% to £104m with a 100 basis points decrease in the retail profit margin.

BB: Operating costs decreased by 1.5% due to the flexing of variable costs together with cost reductions achieved as part of our strategic cost reduction program. This was substantially offset by wage inflation and by higher energy costs and technology spend.

BB: With regards to Poland, Thierry has already covered the drivers of its performance in detail. In Iberia, like-for-like sales decreased by 1.2%. Retail profit of £3m was half of the prior year number, reflecting lower sales and gross margin and slightly higher operating cost, up 1.7%.

BB: Romania sales decreased by 8.4%, reflecting strong prior year comparatives. Like-for-like sales were down 4.9% with trends improving in Q2. The retail loss increased to £10m, primarily reflecting lower sales and gross margin and slightly higher operating costs, up 1%.

BB: 'Other' consists of the consolidated results of our new businesses, Screwfix International, NeedHelp and franchise agreements. A combined retail loss of £10m was realised compared to £30m in the prior year. The loss was largely driven by Screwfix France as the business invested in the opening of stores.

BB: Our Turkish joint venture, Koçtaş, contributed a retail profit of £5m, up £1m from prior year. However, as I will explain in the next slide, this was more than offset by higher Koçtaş-related interest in the half.

BB: To Slide 12 and the movement in adjusted PBT for the Group. In constant currency, this was down £142m or 29.7% for the half. Lower like-for-like sales at constant gross margin contributed

£55m to the decline. The lower like-for-like gross margin rate, as already described, contributed a further £25m to the overall decrease.

BB: Staff and energy inflation was £88m, largely driven by increases in pay rates together with significantly higher energy costs. As a reminder, the year-on-year inflation of pay rates is higher in H1 than H2 due to the timing of pay increases last year. Energy inflation follows a similar cadence this year due to the higher rates last year at which energy exposures were hedged for H1.

BB: Other cost inflation and technology spend, which includes depreciation and IT assets, had an impact of £39m. We realised one-off charges of just under £10m in relation to the accounting for ineffective foreign exchange hedges. Over £5m of this related to Poland linked to lower product purchases than we had originally expected. We were able to partially offset these cost increases through flexing our staffing levels and variable costs, together with savings achieved as part of our strategic cost reduction program. And we'll provide a little more detail on this in the next slide.

BB: The net increase in operating costs, excluding costs related to new stores and new businesses, was £54m. The year-on-year movement in profit contribution from our new stores and new businesses was £5m. This was mainly driven by our new stores at Screwfix in the U.K. & Ireland.

BB: And finally, our non-retail profit items were £13m higher year-on-year. This comprises £10m higher central costs, which includes the impact of one-off insurance deductibles related to fire and subsidence claims in the U.K. and Poland. In addition, interest and tax related to our Koçtaş joint venture was £11m higher, reflecting accounting adjustments linked to high inflation and interest rates in Turkey. These items were partially offset by £7m lower net finance cost.

BB: On Slide 13, I'd like to cover our management of gross margin and operating costs in a little more detail. We delivered a Group gross margin rate that was very slightly lower than our expectation with resilience in the U.K. margin offset by impacts in France and Poland that were largely driven by the trading environment. We maintained competitive price indices across our banners either below or close to 100. While we continued the disciplined approach to promotions, we saw higher customer participation in the activities that we run. Together with the impact of higher clearance and stock provisions and sales mix in Poland, our overall gross margin was 40 basis points lower.

BB: Looking to the second half of the year, we expect to see a steeper easing of input cost inflation in H2, and we continue to see constructive results from our longer-term cost negotiations with suppliers. Maritime freight costs have also eased significantly, which will be a benefit in H2 and into the first half of next year. Our foreign exchange exposures from U.S. dollar purchases this year are fully hedged. As we said in our full year results, the impact of our hedges remains a headwind this year. Finally, we will continue to maintain our focus on competitive pricing while managing product cost inflation effectively.

BB: Turning to opex, we achieved £83m of operating cost reduction in H1, as I've set out on the previous slide. We're continuing to increase staff productivity with the number of FTEs in the Group reducing by 2,700 year-on-year, partially offsetting increases in pay rates. While our overall energy costs increased year-on-year, driven by the timing of our hedges, we managed to offset some of this through 12% lower energy consumption. Measures included installing air source heat pumps in Screwfix stores, further rollouts of LED lighting and better controls over store temperatures.

BB: We also continue to deliver on our longer-term cost initiatives across the Group, including far-sourcing one of our larger call centers. We also leveraged our scale to drive substantial savings in our Goods Not For Resale. This included renegotiating and optimizing spend in IT, advertising and marketing, cleaning, security and facilities management. In addition, range review costs were tightly managed.

BB: In H2, we will continue to flex our cost base to align to trading conditions while continuing with our more strategic initiatives. As mentioned, we will benefit from the easing of cost inflation as we annualise pay increases given in H2 last year and also as our energy hedges start to roll off. Finally, we are taking a disciplined and more pragmatic approach to our investments, for example, by re-phasing the timing of certain range reviews along with our planned store openings in Poland and Screwfix France.

BB: To Slide 14 and the summary of cash flow movements during the half. We generated EBITDA of £712m. There was a working capital inflow of £84m driven by a net increase in payables of £173m, partially offset by an increase in inventory of £89m. The increase in inventory reflects typical inventory growth at the half year stage versus the year-end. I will comment on our inventory management in more detail on the next slide.

BB: The increase in payables was as expected, reflecting more normalized purchasing patterns compared to prior periods. Capital expenditure in the half was £164m, and free cash flow was £346m. We continue to expect more than £500m of free cash flow for the year, supported by the continued unwind of prior year working capital positions. Dividends of £165m were paid in relation to the final dividend for full year 22/23, and a further £99m was returned to shareholders via our previous buyback programme. Overall, this resulted in a net cash increase of £51m.

BB: Turning to Slide 15 and a little more detail on inventory management. Our net inventory was 2% lower year-on-year despite lower-than-expected seasonal sales in H1. The impact of inflation was more than offset by our strategic reduction initiatives and lower purchasing. Inventory in volume is 11% lower year-on-year. All categories, excluding seasonal, are reducing in line with our expectation, and we achieved this while improving product availability to the highest levels seen since before the pandemic.

BB: Our AI-powered supply chain visibility tool, which provides our banners with real-time and end-to-end visibility of products from factory to store, is now live in France, Iberia and Romania. And we are already seeing early evidence of this improving availability and forecasting, which in turn drives shorter lead times and better inventory turn. We expect to roll out this solution to all remaining banners in H2. Overall, we are on track to reduce inventory this year, and we see a significant multiyear opportunity from a structural reduction of inventory levels.

BB: Moving to Slide 16 and our current liquidity and financial position. As of the 31st of July, we had over £800m in total liquidity available, including £317m of cash and an undrawn credit facility of £550m. As a reminder, the facility is linked to sustainability and community-based targets with most of it expiring in May 2026. Our financial debt consists of two fixed term loans totaling £100m, which were taken out in H2 last year to top up our liquidity and help manage our working capital cycle. Net leverage was 1.6x EBITDA as of the 31st of July, below our maximum threshold of 2x.

BB: To Slide 17 and a reminder of the simplicity and consistency of our approach to capital allocation. Our first priority is reinvestment in the business to support profitable long-term growth. Our target gross capex is 3 to 3.5% of sales per year to drive our organic growth. Our aim is to grow dividends progressively over time, and our target dividend cover range remains at 2.25 to 2.75x based on adjusted earnings per share. We may move outside of this target range from time to time, and it's likely that we'll do so this financial year.

BB: And we have a clear track record of returning surplus capital to shareholders. We completed our second £300m buyback programme last month. We have returned over £1.5bn of capital to shareholders since full year 19/20 while keeping leverage below our maximum threshold of 2x EBITDA. We are pleased to announce today that in addition to the interim dividend, which we are holding flat at 3.8 pence, we will buy back a further £300m of our shares starting from early next month.

BB: Finally, moving to Slide 18 and our outlook and guidance for the full year. Further technical guidance can be found in the appendices on Slide 34. Like-for-like sales for the third quarter to date are down 2.4%. Compared to our sales trend in Q2, we are seeing continued positive momentum in the U.K. & Ireland with good demand from Do-It-Yourself and Do-It-For-Me/trade customers and improved weather since mid-August. This is supporting growth in both core and big-ticket and seasonal category sales.

BB: In France, we have seen a slight slowdown in the sales trend, reflecting continued weak consumer sentiment in the country. And in Poland, we have seen a small improvement in the sales trend relative to Q2. Core and big-ticket category volumes for the Group show continued improvement in the year-over-year trend versus Q1 and Q2.

BB: More broadly, for H2, we will maintain disciplined trading and competitive price initiatives in all of our banners. We further expect an easing of year-on-year inflation related to Cost Of Goods Sold, staff and energy costs. You can also expect from us a continued focus on managing our operating costs in accordance with demand levels.

BB: Finally, to reflect our H1 performance and the trading environment in our markets, we are updating our full year adjusted PBT guidance to circa £590m. We remain confident in generating more than £500m of free cash flow for the year, which is reflected in our new £300m share buyback programme.

BB: With my review completed, let me now hand back over to Thierry.

TG: Thank you, Bernard. Moving to an update on our operation and strategic progress, and I would like to start on Slide 20 by sharing some results from our recent surveys of retail and trade customers. We conduct regular and extensive surveys in the U.K., France and Poland, allowing us to check the pulse of our markets. Overall, comparing to our results in April, we saw improvements on forward indicators of consumer sentiment and home improvement activity and an increased uptake in repairs and maintenance work, which is supportive for the pipeline of trade people.

TG: In all our key markets, the percentage of consumers who believe their personal finances will get worse in the next year has gone down. This is encouraging, especially in Poland, but we know that French consumers remain the least confident of the 3 markets. This improving indicator

translates into an increase in the number of consumers who intend to do more DIY to improve their homes in the next 12 months, particularly in the U.K. Underpinning this, we believe, is a stabilisation of macroeconomic indicators and personal finances as well as supportive industry trends, including energy and water efficiency and a now stable trend of more working from home.

TG: The surveys also show a notable increase in maintenance and repair projects completed in the last 12 months and a higher intention to take up this type of home improvement activity. We see this in our own sales this year with more consumers “improving, not moving”, to maintain and protect the value of their homes. We also see this trend supporting robust demand from the trade segment.

TG: Our surveys show that 93% of tradespeople in the U.K. are working, which compares to 91% in March. 80% have more work in the pipeline, which has been stable for many months, and 83% of tradespeople are just as busy or busier than this time last year. So overall, we are encouraged by the behaviors and forward intentions that we have seen in these survey results.

TG: Now to Slide 21. Our resilience in the fast-moving and often challenging environment reflects the strong foundations of the Kingfisher Group. We are a well-balanced business with diverse banners across a broad geographic presence. And within most of these markets, we hold the first or second market position. We maintain a balanced exposure to Do-It-Yourself and Do-It-For-Me/trade customers, and a very high retention of new customer spend. Over half of our sales remain linked to essential repairs and maintenance, and in an environment of fewer housing transactions, we clearly see many customers investing to protect the value of their homes.

TG: As ever, we remain focused on retail fundamentals. We have refreshed our overall ranges and launched many new own exclusive brands tailored to our banners' needs. Product availability is at the highest since pre-pandemic, and we continue to deliver value to our customers through price-freeze campaigns, price reductions on key ranges and through our OEB and discount banners. We have maintained competitive price indices across our banners while managing cost inflation effectively, and we expect this to continue. We are encouraged by what we have seen in H1 and in our current trading with regards to improving volume trends in our core and big-ticket categories.

TG: Earlier this year, we refreshed our Powered by Kingfisher strategy to ensure data, trade, culture and agility were given increased prominence and focus. Doing so also gave us better alignment with our investment for growth in multiple areas of the business. We continue to make strong progress against these strategic priorities, which, as a reminder, are listed here on Slide 22, and I would like to spend a few minutes taking you through some of the more significant areas of progress.

TG: Starting with Slide 23, we are pleased with the progress of Screwfix expansion outside the U.K.. Ireland has been a great test case for the model of building brand awareness and critical mass through an online-only offering before committing to a physical estate. We opened our first store in Ireland in late 2019 after operating as a pure-play online business for 4 years. We now have 36 stores with strong sales growth.

TG: In France, we are continuing to make positive steps in a market that provides us with very large growth potential. We opened our first stores last year and now have 9 stores trading in Northern France with a further 2 stores due to open next week. Our brand awareness is increasing strongly,

and we are focused on building this further. We are expanding our ranges to give customers more choice with 14,000 SKUs now available to our customers. In particular, our own exclusive brands are landing well with French customers.

TG: We're also expanding our services by launching rade credit in H2 and testing Sprint 1-hour home delivery in Lille, giving customers more convenience options. And we are doing this while maintaining a very strong price index, and as you can see from the bottom of the slide, customer satisfaction scores and feedback are very encouraging so far. Our plan in H2 is to further develop these key elements of our customer proposition to support the sales evolution of our stores. As such, we now plan to open up to 20 new stores this year rather than the 25 previously guided.

TG: And finally, we are excited to be launching Screwfix in Q3 as a pure-play online retailer in Continental Europe with delivery via our French distribution center. We will expand over time our delivery service across Europe to up to 20 new countries. And the first wave will include Poland, Spain, Belgium and the Netherlands. Customers will be able to access the Screwfix offering and brand in 4 languages with full visibility on pricing in their own local currency. So while there are no plans for physical stores in these countries in the near term, this is a low risk and exciting step towards expanding one of the U.K.'s most popular retail brands into new markets.

TG: Moving to Slide 24 and the progress of our e-commerce marketplace. Expanding customer choice through this proposition is a key driver of our ambition to reach 25% e-commerce sales penetration for the Group. We are at 16.8% today, up 1.2 points on last year and nearly 10 points higher than 4 years ago. Overall, we are very pleased with the progress made on marketplace. Since the launch of B&Q last year, we now offer customers of diy.com over 700,000 additional SKUs across more than 20 core categories through over 750 third-party merchants.

TG: And as we grow our range, we have seen a significant increase in customer traffic and conversion. 30% of marketplace customers are new to diy.com, and 10% of customers who purchased a marketplace product went on to make a purchase from our first-party range. Indeed, most of our best-selling marketplace products are ones that complement our first-party offering, which demonstrates the power of the proposition.

TG: Marketplace sales at B&Q reached 33% of its total online sales in July. In Iberia, where we launched the proposition late last year, we are already at 11%. And with a take rate of 10% to 15%, the revenue contribution of marketplace is now meaningful and enough to move the dial upwards on B&Q’s gross margin rate. As the business scales further and we launch in other banners at a low incremental cost, we are excited about the profit opportunity here.

TG: Our plans going forward remain ambitious. We will reach 1 million SKUs at B&Q and leverage our new partnership with Octopia, one of the biggest marketplace merchant aggregators in Europe. We are preparing to expand the technology into France and Poland in 2024. And finally, we are trialing additional B2B services for merchants, leveraging our scale and resources to tap into what could be another interesting profit pool. As a reminder, our long-term ambition is for the Group, excluding Screwfix, to generate 40% of its total e-commerce sales from marketplace.

TG: On Slide 25, I'm equally excited to share how we are leveraging AI and data at Kingfisher to unlock a new stream of revenue, profit and productivity. Our progress here has accelerated rapidly over the last year with tangible financial benefits starting to come through. And I want to touch on four areas briefly.

TG: Firstly, we are driving top line growth through increased use of AI-powered recommendations such as best product and personalisation engines. Currently live at B&Q and Screwfix, early results are showing improved conversion rates of over 100% with these engines, generating as much as 10% of B&Q's online sales in a given month.

TG: Secondly, we are using AI-driven tools to optimise markdowns and clearance processes. Through the use of real-time data on stock quantities and product margin, we can employ algorithms that determine optimal markdowns and clearance offers rather than the blanket network-wide approaches. The aim here is higher margins, better sell-through of seasonal stock and improved efficiency in range changes. Although we are at early stages, pilots at B&Q in H1 delivered a very encouraging gross margin improvement on clearance products.

TG: Bernard has already discussed how we are using AI and data to optimise our supply chains. Our new supply chain visibility solution is already improving our forecasting, availability and visibility of out-of-stock items. And we believe this will support structurally lower inventory over time.

TG: And finally, we are using data to build new revenue streams. We discussed in March the opportunity to offer advertising to third-party merchants through retail media. This is now live in Castorama and Brico Dépôt France. And we also initiated partnerships with CitrusAd and Unlimitail, the new European retail media joint venture between Carrefour and Publicis. We see the potential for this income stream to reach up to 3% of the Group's e-commerce sales.

TG: We have moved very fast on AI and data, and we are excited by the progress here. This is a real demonstration of the culture and agility of Kingfisher as well as showing how the power of the Group can drive stronger results from our banners.

TG: And finally, here on Slide 26, an update on the progress of our trade strategy. The trade or 'pro' market is a key one for Kingfisher. Demand from this customer segment has been a source of resilience for us in recent years. And as I've said before, expanding trade customer penetration is a significant driver of sales density and profit growth.

TG: We have already covered our international growth plans for Screwfix. And in the U.K. & Ireland, our aim is for over 1,000 stores from 884 today. Elsewhere, we are making solid progress. At B&Q, we have opened 18 new TradePoint counters, expanding its presence to around two-thirds of the B&Q estate. TradePoint, at 20% of B&Q's sales, is one of our best-performing banners over the last 4 years and is targeting over £1bn of sales in the medium term from over £830m last year.

TG: During H1, we launched tests of dedicated trade zones in 27 stores at Castorama Poland and Brico Dépôt France, bringing dedicated product, services and colleagues to trade customers. And early results in both banners are very encouraging. We're also piloting dedicated trade sales partner roles to build more personal relationships. Over time, we believe this will enable us to capture a greater share of wallet of our trade customers.

TG: We continue to leverage our strength in OEB to develop and launch trade-focused products, for example our Flomasta plumbing range, which is performing well in the U.K. We are also enhancing our services to trade people, including more tool rental services, more flexible payment and finance options and more delivery services such as direct to site.

TG: On the digital side, we stimulated a significant increase in customer awareness of Screwfix's 1-hour delivery service following a very successful marketing campaign in the U.K. Following this, national awareness levels of our Sprint service moved from 25% to 40%. We're also leveraging our focus on data to provide personalised and tailored offers to customers.

TG: And finally, we are developing our loyalty programmes. TradePoint saw a 37% increase in new sign-ups in H1. And at Poland and Brico Dépôt France, we are trialing new loyalty schemes with early results showing a significant increase in frequency of shop and average basket size. Our trade and Do-It-For-Me sales penetration at Kingfisher is already at around 50%, but there is significant runway for the trade segment, and we have made positive early steps in this journey.

TG: And turning now to Slide 27, I would like to set out our 4 main priorities for the second half. First, we'll continue to maintain disciplined trading along with a competitive price index. This requires careful monitoring of market conditions and consumer sentiment and, as ever, to manage cost inflation efficiently.

TG: Two, we want to continue the strong operational momentum that we have seen in the U.K. Over the last 4 years, our U.K. banners have acted as test cases for many of our Group strategic initiatives to the marketplace, AI and data, OEB, trade, e-commerce fulfillment and also new store formats. This is clearly showing in the consistent results of B&Q, TradePoint and Screwfix.

TG: Then three, as Bernard discussed, we are continuing to actively manage our costs across the business, ensuring alignment to the top line. This is important across the overall Group, but for reasons discussed today, there will be a strong focus in Poland and France.

TG: And finally, we are focused on accelerating key elements of our strategy, which we believe will move the needle on our financial performance. And this includes driving higher trade penetration, further developing our marketplace proposition, extending the rollout of Screwfix into new geographies and accelerating retail media and the use of AI across our business. We also remain focused on structurally reducing our inventory supported by AI and data.

TG: While we are clear on our near-term priorities, on Slide 28, I would like to remind you of the outcomes we are aiming for from our investment for growth. First and foremost, we are focused on growing sales ahead of our markets. This is through a combination of like-for-like growth, driven by our strategic areas of focus, and net space growth from expanding our presence, notably in Screwfix and Castorama Poland.

TG: We believe adjusted Profit Before Tax will grow faster than sales in the medium term as we continue to focus on cost productivity driving sales benefit and through higher-margin initiatives such as marketplace and retail media. And this is a business that should continue generating healthy levels of cash. We expect 400 to 500m of free cash flow next year, followed by in excess of £500m for the following years. And this will be supported by profit growth across each of our banners.

TG: While we'll continue to invest capital to drive our growth, we will also continue to return excess capital to shareholders, as we have shown today with our new buyback commitment. So overall, we remain very aware of near-term challenges, but also very positive on the medium to long-term outlook for home improvement growth in our markets. And we are confident in our ability to grow market share and deliver on these objectives.

TG: Now to quickly summarise on Slide 29. Although in H1, we delivered a sales performance that was slightly better than expectations, this was against a backdrop of volatile and unseasonal weather and clear macroeconomic challenges in many of our markets. Highlights included the performance of our U.K. banners, the improving volume trend in our core and big-ticket categories, and the ongoing resilience of the trade segment supported by the consumer trend of “improve, not move”.

TG: Our adjusted Profit Before Tax results show resilience in the U.K. and France, but challenges in Poland, which we are addressing. So to better reflect our H1 results and the trading environment in our markets, we have updated our profit guidance for this year and set 4 key priorities for the second half. We're investing for growth and making strong progress against our strategic priorities, and we remain very positive on the medium to long-term outlook and expect to begin our new share buyback programme early next month.

TG: Thank you all for listening this morning, and Bernard and I would now be happy to answer any questions. So over to you, Maj.