Final results for the year ended 31 January 2024

Financial summary	2023/24	2022/23	% Total Change Reported	% Total Change Constant currency*	% LFL* Change Constant currency
Sales	£12,980m	£13,059m	(0.6)%	(1.8)%	(3.1)%
Gross profit	£4,776m	£4,795m	(0.4)%	(1.6)%	
Gross margin %*	36.8%	36.7%	10bps	10bps	
Operating profit	£580m	£723m	(20.0)%		
Statutory pre-tax profit (PBT)	£475m	£611m	(22.3)%		
Statutory post-tax profit	£345m	£471m	(26.7)%		
Statutory basic EPS	18.2p	23.8p	(23.5)%		
Net increase/(decrease) in cash±	£84m	£(555)m	n/a		
Total dividend(1)	12.40p	12.40p	-		
Adjusted metrics					
Retail profit*	£749m	£923m	(18.9)%	(19.5)%	
Retail profit margin %*	5.8%	7.1%	(130)bps	(130)bps	
Adjusted pre-tax profit (PBT)*	£568m	£758m	(25.1)%		
Adjusted post-tax profit*	£415m	£589m	(29.2)%		
Adjusted basic EPS*	21.9p	29.7p	(26.4)%		
Free cash flow*	£514m	£(40)m	n/a		
Net debt*(2)	£(2,116)m	£(2,274)m	n/a		

** See page 6 for further details on non-GAAP measures and other terms; ± Net increase/(decrease) in cash and cash equivalents and bank overdrafts*

FY 23/24 highlights

- Total sales -1.8% and LFL -3.1%. Q4 LFL -4.3%
- Positive UK & Ireland sales, alongside consistent market share gains. France and Poland sales impacted by more challenging consumer backdrop
- Sequential quarterly improvement in volume trend in 'core' categories as retail price inflation tapers
- E-commerce sales penetration up to 17.4% (FY 22/23: 16.3%), supported by strong marketplace sales growth at B&Q
- Adjusted PBT and free cash flow delivered in line with guidance. Statutory PBT down 22.3% to £475m
- Commenced new £300m share buyback programme (c.£50m completed to date). Proposed total dividend for FY 23/24 maintained at 12.40p per share, in line with FY 22/23

Key strategic priorities will drive market share and our medium-term financial priorities

- **Grow by building on our different banners:**
  - Screwfix UK & Ireland: up to 40 new stores planned in FY 24/25; medium-term target of >1,000
  - Screwfix France: up to 15 new stores planned in FY 24/25; potential for >600 stores over time
  - Castorama Poland: targeting up to 75 medium-box and compact store openings over next 5 years
  - Net space growth to drive an uplift in sales of c.+1.5% to +2.5% per annum over medium term
- **Accelerate e-commerce through speed and choice:** launching new e-commerce marketplaces in France and Poland, following strong results at B&Q. Ambition for e-commerce to reach 30% sales penetration, one third of which represents high margin marketplace gross sales
- **Build a data-led customer experience:** embedding data and AI-powered solutions and retail media across the Group to drive incremental revenue, profit and cash. Ambition for retail media revenues to reach up to 3% of the Group's total e-commerce sales
- **Develop our trade business:** continued success in the UK & Ireland; strong results from trade proposition tests in France and Poland – accelerating roll-out in FY 24/25. Aiming for >£1bn sales at TradePoint UK & Ireland, and to double trade penetration in France and Poland over medium term

A clear plan to take France to the next level

- Initiating a new plan to simplify French organisation and significantly improve performance and profitability of Castorama
- Medium-term retail profit margin target for France of c.5% to 7%

FY 24/25 outlook and guidance *(see Section 1 for further details)*

- Current trading: Q1 24/25 LFL sales (to date)[3] -2.3%
  - Improved sales trend in the UK & Ireland, France and Poland, compared to Q4 23/24
  - Improved volume trend in all three categories: core, 'big-ticket' and seasonal
- Outlook for FY 24/25:
  - Expect repairs, maintenance and renovation on existing homes to provide resilience, but cautious on overall market outlook given lag between housing demand & home improvement demand
  - Continued effective management of product costs and retail prices
  - Expect c.£120m of additional cost reductions and productivity gains to partially offset higher pay rates and technology investments
  - Expect FY 24/25 adjusted PBT of c.£490m to £550m[4] and free cash flow of c.£350m to £410m
- **Strongly positioned for growth in 2025 and beyond** – more agile, significant cost taken out across the Group, and confidence in multiple profitable growth drivers over the medium term. Targeting free cash flow of c.£450m in FY 25/26, followed by >£500m per annum from FY 26/27

Thierry Garnier, Chief Executive Officer, said:

"Despite all the macroeconomic and consumer challenges in our markets over the past year, we have stayed focused on our customers and our long-term strategy. I am immensely proud of all our teams for their efforts. In the UK & Ireland, B&Q, TradePoint and Screwfix each delivered resilient sales and market share growth – in particular very strong gains at Screwfix. In France, where the market has been impacted by low consumer confidence, we have made significant adjustments to the cost base and started to embed e-commerce marketplace and trade customer initiatives similar to those successfully implemented in the UK. And in Poland, where we faced strong comparatives and a tough economic backdrop, sales trends are gradually improving in line with the consumer environment.

"We continue to execute against our strategic priorities at pace, with high conviction in our multiple growth opportunities. The success of our marketplaces in the UK and Iberia is well ahead of our expectations, with launches also planned in France and Poland this year. We have continued the international expansion of Screwfix, with 22 stores now open in France and encouraging results so far. Our trade proposition trials in France and Poland, as well as our data, AI and retail media initiatives, are also delivering positive results – encouraging us to accelerate their roll-out. We are also today outlining a new plan to simplify the French organisation and significantly improve the performance and profitability of Castorama France, which includes restructuring and modernising the store network.

"Looking forward, we remain confident in the attractive growth prospects of the home improvement industry and our ability to grow ahead of our markets. In the short term, while repairs, maintenance and renovation activity on existing homes continue to support resilient demand, we are cautious on the overall market outlook for 2024 due to the lag between housing demand and home improvement demand. Against this backdrop we will remain agile and focused on what is within our control – leveraging our strategy to deliver market share growth, driving productivity gains, and managing our costs and cash effectively.

"In line with this view, we reaffirm our medium-term financial priorities, focused on growth, cash generation and attractive returns to shareholders."

FY 23/24 results summary

- **Sales** -1.8% (in constant currency) and **LFL sales** -3.1%
  - Q4 LFL sales -4.3%, broadly in line with Q3 LFL -3.9%
- **Sales by region:**
  - **UK & Ireland*** LFL +0.8%: Positive performance, supported by resilient e-commerce and trade customer sales. Market share gains at B&Q, TradePoint and Screwfix
  - **France*** LFL -5.9%: Weak market driven by low consumer confidence. Castorama performing in line with market; weaker at Brico Dépôt but improved trend in Q4
  - **Poland** LFL -9.5%: Performance impacted by weak trading environment, against very strong comparatives; improving sales trend since Q2. Gained market share YoY in Q4; full year share remains up versus FY 21/22

- **Sales by category:**
  - **Core and 'big-ticket'** sales*: LFL -2.4%, 82% of sales. Sequential quarterly improvement in volume trend in 'core' categories (77% of total sales volume)
  - **Seasonal** sales*: LFL -5.9%, 18% of sales. Sales affected by unseasonal weather during the year
- **Gross margin %** +10 basis points to 36.8% (FY 22/23: 36.7%) reflecting effective management of inflation and supplier negotiations, partially offset by higher customer participation in promotional activity in France and Poland
- **Retail profit** -19.5% in constant currency to £749m (FY 22/23: £923m), reflecting lower gross profits in France and Poland, and higher operating costs* in the UK & Ireland and Poland largely due to higher pay rates and energy costs, as expected
- **Statutory PBT** -22.3% to £475m (FY 22/23: £611m), reflecting lower operating profit, including the impact of £76m of net store impairments reflecting revised future projections
- **Adjusted PBT** -25.1% to £568m (FY 22/23: £758m), reflecting lower retail profit and higher central costs* and share of JV interest and tax, partially offset by lower net finance costs
- **Free cash flow** of £514m, up £554m (FY 22/23: £(40)m), reflecting the unwind of working capital outflows from the prior year, and lower capital expenditure
- **Net increase in cash** of £84m (FY 22/23: net decrease in cash £555m), reflecting higher free cash flow, partially offset by £397m returned to shareholders via ordinary dividends and share buybacks
- **Net debt** down to £2,116m (31 January 2023: £2,274m), including £2,367m of lease liabilities under IFRS 16, reflecting the net increase in cash. **Net debt to EBITDA*** of 1.6x (31 January 2023: 1.6x)
- **Total dividend** per share proposed of 12.40p (FY 22/23: 12.40p)

Reaffirming our medium-term financial and capital allocation priorities

Kingfisher operates in attractive markets, with positive longer-term structural trends underpinning the medium to longer-term growth outlook (including more working from home and the focus on energy efficiency), giving us confidence in further market growth potential.

Kingfisher is a more agile and lean organisation that is strongly positioned to deliver profitable growth through self-help and operating leverage.

Building on our industry's attractive growth prospects, and supported by the application of Kingfisher's strategic priorities, the Group's medium-term financial and capital allocation priorities are as follows:

Financial priorities:

- **Sales to grow ahead of our markets:**
  - LFL sales growth driven by our strategic focus areas including e-commerce and marketplace, OEB, trade penetration; and
  - Sales impact of c.+1.5% to +2.5% from annual net space growth over the medium term, primarily driven by Screwfix and Castorama Poland
- **Adjusted pre-tax profit to grow faster than sales:**
  - Supported by scale benefits, higher margin initiatives, operating cost leverage, and multi-year structural cost reduction opportunities
- **Strong cash generation to drive growth investment and shareholder returns:**
  - Free cash flow of c.£450m in FY 25/26, followed by >£500m per annum from FY 26/27, supported by profit growth and ongoing inventory self-help measures

Capital allocation priorities:

- Organic and 'bolt-on' inorganic growth opportunities that accelerate our strategy. Target gross capex of c.3% of total sales per annum, focused on delivering against attractive organic growth opportunities
- Maintain an efficient capital structure, with a more prudent position in times of macroeconomic uncertainty; maximum net leverage (net debt to EBITDA) of 2.0x over the medium term
- Building on our strong track record of shareholder returns – over £1.6bn of dividends and share repurchases from FY 19/20:
  - A progressive and sustainable ordinary dividend policy, with target dividend cover* of 2.25-2.75x
  - Any surplus capital to be returned via share buybacks or special dividends

Strategy highlights – delivering against our strategic priorities at pace

For a detailed update on the progress we are making against our strategic plan, 'Powered by Kingfisher', please refer to Section 4 of this release. The highlights are as follows:

1) Grow by building on our different banners:

- B&Q's trade-focused banner, TradePoint, opened 21 new trade counters, extending its presence within the B&Q store network to 209 (67% of stores)
- Screwfix opened 51 stores in the UK & Ireland for an overall total of 922 stores; up to 40 new stores planned in FY 24/25
- Screwfix also opened 15 stores in France for an overall total of 20 stores, with positive customer feedback and momentum. Up to 15 new stores planned in FY 24/25, with two stores opened post year-end
- Launched Screwfix as a pure-play online retailer in six European countries (Poland, Spain, Belgium, the Netherlands, Sweden and Austria)
- Five new Castorama stores opened in Poland for an overall total of 102 stores. Targeting up to 75 new medium-box and compact store openings over the next five years

2) Accelerate e-commerce through speed and choice:

- Total e-commerce sales* of £2.3bn, an increase of 6.4% YoY supported by strong marketplace sales growth at B&Q
- E-commerce sales penetration* of 17.4% (FY 22/23: 16.3%). Ambition to reach 30% sales penetration
- Optimised click & collect (C&C) picking routines driving a significant decrease in pick times; 93% of first-party e-commerce orders picked in-store (FY 22/23: 91%)
- Growing adoption of last-mile fulfilment options, including increased use of Screwfix *Sprint* (one-hour home delivery), C&C lockers in Poland, and a new Screwfix partnership with *Deliveroo*
- Continued strong growth of e-commerce marketplace proposition at B&Q and Brico Dépôt Iberia*. B&Q marketplace gross sales* of £154m for the year, reaching 38% marketplace participation* in January 2024. Launching similar, tailored e-commerce marketplaces in France and Poland
- Signed strategic partnerships with *Octopia*, *Channel Advisor*, *ShoppingFeed*, *BeezUp*, *Linnworks* and *Just Applications*. Provides access to thousands of additional marketplace merchants globally, supporting our marketplace roll-outs in France and Poland

3) Build a data-led customer experience:

- Implemented AI-powered product recommendation and personalisation engines in the UK, France and Romania; B&Q now generates c.10% of its e-commerce sales from product recommendations
- Deployed data and AI-driven tools to optimise promotions, markdowns and clearance; roll-out at B&Q since Q2 delivering gross margin improvement. Further banner roll-outs planned in FY 24/25
- Developed and implemented end-to-end supply chain visibility tool to support lower inventory levels and faster replenishment cycles, now live in all markets. Sharing inventory data with suppliers resulting in substantial reductions in average lead-times and minimum order quantities
- Accelerating retail media (advertising) proposition; now live at B&Q, Castorama France and Brico Dépôt France. Signed Group partnerships with *CitrusAd* for technology and *Unlimitail*, the new retail media joint venture between *Carrefour* and *Publicis*, for sales support

4) Differentiate and win through own exclusive brands (OEB):

- OEB products continuing to drive affordability, product innovation and reduced environmental impact, and carrying a higher gross margin % on average than branded products
- Total OEB sales* of £5.7bn; 45% of Group sales (FY 22/23: 45%)
- OEB LFL sales -4.6%, impacted by performance of outdoor and 'big-ticket' categories (kitchen, bathroom & storage)
- Resilient performance from OEB ranges within our tools & hardware and building & joinery categories
- Developed and commenced roll-out of *Green Star* product marker, making it easier for customers to identify and purchase products that have a reduced impact on the environment

5) **Develop our trade business:**
   - TradePoint LFL sales +0.7%, following a strong H2 performance (LFL +3.6%) and outperforming B&Q retail
   - Dedicated TradePoint sales partners now recruited in 39 stores, with positive early results showing an uplift in sales to trade customers. Business-to-business sales up c.25%
   - TradePoint sales of £834m represent 22% of B&Q sales (FY 22/23: 22%); medium-term target of >£1bn of TradePoint sales
   - Accelerating development of trade proposition in France, Poland, Iberia and Romania. Testing and rolling out new trade loyalty programmes, dedicated trade zones (in 42 stores), the introduction of new trade-focused services (e.g., finance deals) and new trade sales partners, and the continued curation of pro-specific product ranges. Very encouraging results to date on sales and trade customer penetration. Aiming to double trade penetration in France and Poland over medium term

6) **Roll out compact store formats:**
   - Opened 9 new compact stores in the UK, France and Poland for a total of 27 active tests
   - High street compact store tests (e.g., 'B&Q Local' in the UK and 'Casto' in France) continue to deliver encouraging learnings and results. Testing in locations outside of major cities in FY 24/25
   - Small retail park concepts in Poland ('Castorama Smart') being adapted and iterated to find optimum blueprint
   - Brico Dépôt France opened its first two compact stores; an innovative 1,000 sqm format

7) **Lead the industry in Responsible Business and energy efficiency:**
   - Continuing to prioritise pay awards to help colleagues manage higher costs of living
   - New target established for more than 20,000 colleagues to complete an apprenticeship, traineeship or external qualification by 2030
   - Reduced carbon footprint for own operations (scope 1 and 2 emissions) by 62.0% against a FY 16/17 base year, remaining ahead of our 1.5°C aligned science-based target
   - Reduced intensity of scope 3 emissions from the supply chain and customer use of products by 41.6% against a FY 17/18 base year, exceeding our 2025 target
   - Leveraging OEB capabilities to build products that reduce impact on the environment. Kingfisher's Sustainable Home Products (SHP) sales were £6.4bn, representing 49% of Group sales (FY 22/23: 47%)
   - 10% of Group sales from energy and water-saving products (FY 22/23: 10%)

8) **Human, agile and lean:**
   - Employee Net Promoter Score (eNPS) of 57, up three points YoY, setting Kingfisher within the top 5% of worldwide retailers
   - Progress made in transitioning to a more agile and modular technology operating model; moving from physical data centres to the cloud through a new strategic partnership with *Google*
   - Continuing to deliver on multi-year structural cost reduction programmes to partially offset costs of inflation, expansion and space changes, and our investment requirements over the medium term
   - Decrease in net inventory of 4% YoY (in constant currency) driven by lower purchasing, a reduction in seasonal and 'buffer' stock, product mix and strategic reduction initiatives; partially offset by cost inflation and new stores. Inventory in units (volume) down 4% YoY and product availability up 2% YoY
   - Actions underway to further optimise supply chain and inventory management

The remainder of this release consists of eight main sections:
1) Financial performance summary and current trading & outlook
2) Trading review by division
3) France performance and profitability plan
4) Strategy update
5) Technical guidance for FY 24/25
6) Financial review (and, in part 2 of this announcement, the condensed financial statements)
7) Glossary
8) Forward-looking statements

Footnotes

[(1)] The Board has proposed a final dividend per share of 8.60p (FY 22/23 final dividend: 8.60p), resulting in a proposed total dividend per share of 12.40p in respect of FY 23/24 (FY 22/23: 12.40p). The final dividend is subject to the approval of shareholders at the Annual General Meeting on 20 June 2024.
[(2)] Net debt includes £2,367m of lease liabilities under IFRS 16 in FY 23/24 (FY 22/23: £2,444m).
[(3)] 'Q1 24/25 LFL sales (to date)' represents the period from 4 February 2024 to 23 March 2024 compared against the equivalent period in the prior year (i.e., 5 February 2023 to 25 March 2023). The figures are provisional and exclude certain non-cash accounting adjustments relating to revenue recognition.
[(4)] Guidance assumes current exchange rates.

Non-GAAP measures and other terms

Throughout this release '*' indicates the first instance of a term defined and explained in the Glossary (Section 7). Not all the figures and ratios used are readily available from the unaudited final results included in part 2 of this announcement. Management believes that these non-GAAP measures (or 'Alternative Performance Measures'), including adjusted profit measures, constant currency and like-for-like (LFL) sales growth, are useful and necessary to assist the understanding of the Group's results. Where required, a reconciliation to statutory amounts is set out in the Financial Review (Section 6).

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Final results announcement and data tables

This announcement and data tables for FY 23/24 can be downloaded from the Investors section of our website at www.kingfisher.com/investors.

Results presentation

We will host an in-person results presentation for pre-registered analysts and investors today at 09.00 (UK time) at the London Stock Exchange, 10 Paternoster Square, London, EC4M 7LS. A simultaneous live video webcast of the presentation and Q&A will also be available via the Investors section of our website at www.kingfisher.com, and subsequently available on demand.

For enquiries, please email investorenquiries@kingfisher.com.

Financial calendar

Q1 24/25 trading update	21 May 2024
Annual General Meeting	20 June 2024±
Half year results	17 September 2024±
Q3 24/25 trading update	25 November 2024±

± *Dates are provisional and may be subject to change*

American Depository Receipts

Kingfisher American Depository Receipts are traded in the US on the OTCQX platform: (OTCQX: KGFHY) www.otcmarkets.com/stock/KGFHY/quote.

Section 1: Financial performance summary and current trading & outlook

Income statement summary

£m	2023/24	2022/23	% Total Change Reported	% Total Change Constant currency	% LFL Change Constant currency
Sales	**12,980**	**13,059**	(0.6)%	(1.8)%	(3.1)%
Gross profit	**4,776**	**4,795**	(0.4)%	(1.6)%	
Retail profit:					
UK & Ireland	**555**	**603**	(8.0)%	(8.0)%	
France	**139**	**195**	(28.8)%	(29.7)%	
Poland	82	148	(44.5)%	(47.4)%	
Iberia	6	9	(34.6)%	(35.5)%	
Romania	(18)	(10)	n/a	n/a	
Other±	(30)	(30)	n/a	n/a	
Turkey (50% joint venture)	15	8	n/a	n/a	
Other International*	**55**	**125**	(56.0)%	(57.5)%	
Retail profit	**749**	**923**	(18.9)%	(19.5)%	
Central costs	(60)	(49)	(22.9)%		
Share of JV interest and tax	(16)	(4)	n/a		
Operating profit (before adjusting items*)	**673**	**870**	(22.6)%		
Net finance costs	(105)	(112)	+6.1%		
Adjusted PBT	**568**	**758**	(25.1)%		
Adjusting items	(93)	(147)	n/a		
Statutory PBT	**475**	**611**	(22.3)%		

± 'Other' consists of the consolidated results of Screwfix International, NeedHelp, and results from franchise and wholesale agreements.

Quarterly LFL sales

	% LFL Change				
	Q1 23/24	Q2 23/24	Q3 23/24	Q4 23/24	FY 23/24
UK & Ireland	**(0.8)%**	**+4.1%**	**+1.1%**	**(1.6)%**	**+0.8%**
- B&Q	(1.6)%	+3.3%	+1.1%	(1.8)%	+0.4%
- Screwfix	+0.7%	+5.6%	+0.9%	(1.4)%	+1.4%
France	**(4.1)%**	**(3.5)%**	**(8.6)%**	**(8.0)%**	**(5.9)%**
- Castorama	(3.1)%	(2.3)%	(6.7)%	(8.0)%	(4.8)%
- Brico Dépôt	(5.2)%	(4.8)%	(10.6)%	(7.9)%	(7.1)%
Other International	**(8.1)%**	**(9.3)%**	**(7.6)%**	**(4.9)%**	**(7.7)%**
- Poland	(10.3)%	(11.5)%	(9.0)%	(6.6)%	(9.5)%
- Iberia	+2.5%	(4.2)%	(3.9)%	(0.8)%	(1.8)%
- Romania	(7.8)%	(2.7)%	(3.0)%	+0.4%	(3.3)%
Group LFL	**(3.3)%**	**(1.2)%**	**(3.9)%**	**(4.3)%**	**(3.1)%**
Total e-commerce sales[(1)]	**+4.6%**	**+9.5%**	**+7.4%**	**+4.0%**	**+6.4%**

H1/H2 LFL sales by core and 'big-ticket' vs seasonal

	% LFL Change					
	Core and 'big-ticket'	Seasonal	H1 23/24	Core and 'big-ticket'	Seasonal	H2 23/24
UK & Ireland	**+2.8%**	**(2.1)%**	**+1.7%**	**(0.5)%**	**+1.7%**	**(0.2)%**
- B&Q	+2.7%	(3.2)%	+1.0%	(0.4)%	+0.7%	(0.2)%
- Screwfix	+3.0%	+4.4%	+3.1%	(0.6)%	+5.5%	(0.2)%
France	**(2.1)%**	**(8.5)%**	**(3.8)%**	**(7.9)%**	**(10.3)%**	**(8.3)%**
- Castorama	(0.9)%	(7.0)%	(2.7)%	(7.3)%	(7.6)%	(7.3)%
- Brico Dépôt	(3.4)%	(10.8)%	(5.0)%	(8.5)%	(14.1)%	(9.3)%
Other International	**(8.6)%**	**(9.3)%**	**(8.8)%**	**(5.6)%**	**(11.4)%**	**(6.4)%**
- Poland	(10.8)%	(11.3)%	(10.9)%	(6.6)%	(15.9)%	(7.9)%
- Iberia	+0.2%	(6.4)%	(1.2)%	(1.1)%	(10.6)%	(2.4)%
- Romania	(6.1)%	(1.3)%	(4.9)%	(4.7)%	+14.5%	(1.6)%
Group LFL	**(1.0)%**	**(5.9)%**	**(2.2)%**	**(3.8)%**	**(5.9)%**	**(4.1)%**
Proportion of sales	*78%*	*22%*		*86%*	*14%*	

Trading in Q4 23/24

LFL sales were down by 4.3% in Q4, broadly in line with Q3 (LFL -3.9%). We saw more resilience in our tools & hardware, surfaces & décor and building & joinery product sales relative to the performance of other categories. The standout performance was in the seasonal ranges of our EPHC (electricals, plumbing, heating & cooling) category, showing a significant sequential improvement in the sales trend from Q3. E-commerce sales were up by 4.0% in Q4, driven by the strong growth of our e-commerce marketplaces in B&Q and Brico Dépôt Iberia, together with good online sales growth at both banners in France.

Our overall performance in Q4 was significantly affected by weak market growth in December in the UK & Ireland and France. In the **UK & Ireland**, trading in November was in line with the Q3 trend, followed by a weaker December, resulting in slower building & joinery, EPHC and 'big-ticket' category sales. We then saw a recovery in January to the same trend as November. Core and 'seasonal' category sales were positive in January, offset by weaker 'big-ticket' sales. B&Q, TradePoint and Screwfix all grew faster than their respective markets in Q4, as measured by the *British Retail Consortium (BRC)*, *Barclays* and *GfK*.

In **France**, trading in November was slightly improved over the Q3 sales trend, before deteriorating in December and recovering again in January. Against the backdrop of weak consumer sentiment in France throughout the quarter, as expected, both Castorama and Brico Dépôt performed broadly in line with the market. Brico Dépôt delivered a sequential sales trend improvement in Q4 across its core, 'big-ticket' and seasonal categories, exiting the year in January with its best monthly LFL sales performance since August 2023.

In **Poland**, Castorama improved on its sales trend of Q3 and delivered YoY market share gains in the quarter (as measured by *GfK*) for the first time in FY 23/24. **Iberia** and **Romania** also saw a sequential improvement in their Q4 sales trends, driven by core and seasonal categories.

Current trading

Q1 24/25 LFL sales (to date)(2) are down by 2.3%. Trading in the UK & Ireland is ahead of the sales trend in Q4 23/24, with positive core and seasonal category sales YoY offset by weakness in 'big-ticket' sales. In France, trading is consistent across all three categories, with the overall sales trend ahead of Q4. In Poland, we have seen an improvement in the sales trend relative to Q4, with positive 'big-ticket' and seasonal category sales YoY.

Core, 'big-ticket' and seasonal volumes for the Group are all showing an improvement versus the YoY volume trends in Q4.

Outlook for FY 24/25

To support our planning for FY 24/25, we have assessed various scenarios for the growth of our **total addressable home improvement markets** in the UK & Ireland, France and Poland in 2024, versus 2023. The "high case" and "low case" scenarios are noted below, in constant currency and including expected market space growth:

	Our expectation of total addressable home improvement market % change in 2024 (YoY)	
	Low case	*High case*
UK & Ireland	Low-single digit decline	Flat
France	Mid-single digit decline	Low-single digit decline
Poland	Flat	Low-single digit growth

In the **UK & Ireland**, we observe a relatively resilient consumer, and continue to expect repairs, maintenance and existing home renovation to be supportive. However, we are mindful of the continued uncertainties facing households (including from employment and mortgage rates), and also a nine to 12-month lag, on average, between housing demand and the realisation of home improvement spend. As a result, our outlook for the UK & Ireland home improvement market in 2024 is low-single digit % decline to flat YoY.

In **France**, we continue to see subdued consumer confidence and a weak housing market, supporting our home improvement market outlook of a mid-single digit % to low-single digit % decline YoY.

In **Poland**, inflation and interest rates have come down versus their peaks in 2023, and consumer confidence is gradually improving, with potential for further improvement as households benefit from real wage growth this year. Our outlook for the home improvement market in Poland is therefore flat to low-single digit % growth YoY.

Against this backdrop, we will continue to focus on growing ahead of our markets by leveraging our key strategic priorities. Furthermore, we remain committed to the effective management of product costs and retail prices, as we have demonstrated in recent years. We are targeting c.£120m of additional cost reductions and productivity gains this year, to partially offset higher pay rates and technology investments.

As a result of the above, we expect FY 24/25 adjusted PBT of c.£490m to £550m, and free cash flow of c.£350m to £410m.

Footnotes

(1) Total e-commerce sales are first-party e-commerce sales plus marketplace gross sales. References to digital or e-commerce sales growth relates to growth in constant currency and covers the total Group.

(2) 'Q1 24/25 LFL sales (to date)' represents the period from 4 February 2024 to 23 March 2024 compared against the equivalent period in the prior year (i.e., 5 February 2023 to 25 March 2023). The figures are provisional and exclude certain non-cash accounting adjustments relating to revenue recognition.

Section 2: Trading review by division

Note: all commentary below is in constant currency.

UK & IRELAND

£m	2023/24	2022/23	% Reported Change	% Constant Currency Change	% LFL Change
B&Q	3,849	3,835	+0.4%	+0.3%	+0.4%
Screwfix	2,538	2,365	+7.3%	+7.3%	+1.4%
Total sales	**6,387**	**6,200**	**+3.0%**	**+3.0%**	**+0.8%**

Retail profit	**555**	**603**	**(8.0)%**	**(8.0)%**
Retail profit margin %	8.7%	9.7%	(100)bps	(100)bps

UK & Ireland sales increased by 3.0% (LFL +0.8%) to £6,387m, supported by resilient e-commerce and trade customer sales. Core categories performed well, supported by an improving underlying volume trend through the year, while retail sales in 'big-ticket' categories (i.e., kitchen and bathroom & storage) weakened in H2. Seasonal categories were impacted by adverse weather patterns during the year, particularly in Q1 and Q4, but notably improved in H2 relative to the first half of the year. B&Q, TradePoint and Screwfix all gained market share (as measured by *BRC*, *Barclays* and *GfK*), strengthening their competitive positions in the UK home improvement market. Gross margin % increased by 40 basis points, reflecting effective management of inflation and favourable channel mix impacts due to the strong growth of B&Q's e-commerce marketplace.

Retail profit decreased by 8.0% to £555m (FY 22/23: £603m, at reported rates), due to higher operating costs. Operating costs increased by 8.0%, driven by cost inflation, including YoY increases in staff and energy costs, higher costs associated with 45 net new store openings (YoY), and higher technology spend. Cost increases were partially offset through structural savings achieved by our cost reduction programme. Retail profit margin % decreased by 100 basis points to 8.7% (FY 22/23: 9.7%).

B&Q total sales increased by 0.3% (LFL +0.4%) to £3,849m, with LFL sales growth in surfaces & décor and tools & hardware categories and resilient sales in building & joinery and outdoor. Sales trends slowed in H2 (LFL -0.2%), particularly in Q4, with a weaker performance seen in 'big-ticket' categories and warmer weather impacting the sales of EPHC (electricals, plumbing, heating & cooling). B&Q's total e-commerce sales increased by 21.5% YoY, driven by the strong growth of B&Q's marketplace. B&Q's e-commerce sales penetration was 13% (FY 22/23: 11%; FY 19/20: 5%). The business opened one medium-box (small retail park) and two compact '*B&Q Local*' stores in the year, and closed all eight of its grocery concession stores. As of 31 January 2024, B&Q had a total of 311 stores in the UK & Ireland.

B&Q's trade-focused banner, **TradePoint**, delivered a good performance supported by resilient demand from trade customers. LFL sales for TradePoint were up 0.7%, despite tough comparatives, with penetration of B&Q sales at 22% (FY 22/23: 22%). A strong performance was seen in the surfaces & décor and tools & hardware categories. In H2, TradePoint's LFL sales improved to +3.6%. Sales to trade customers of 'big-ticket' categories also improved in the second half of the year, with resilient sales of bathroom & storage. TradePoint opened 21 new counters in the UK & Ireland, extending its presence within the B&Q store network to 209 stores (67% of stores).

Screwfix total sales increased by 7.3% (LFL +1.4%) to £2,538m, driven by resilient demand from trade customers. Good performance was seen across most categories, with tools & hardware, building & joinery and outdoor performing particularly well. Sales trends slowed in H2 (LFL -0.2%) largely due to a weak market in December and unseasonably warmer weather throughout the period. The business gained significant market share in the year. Screwfix's e-commerce sales increased by 1.6% YoY, with e-commerce sales penetration of 57% (FY 22/23: 60%; FY 19/20: 33%), reducing slightly YoY due to the increasing adoption of in-store digital browsing tablets.

Space growth and acquisitions contributed c.6% to total Screwfix sales. Screwfix opened 51 new stores, including 46 in the UK and five in Ireland, and closed one store in the UK, bringing its total to 922 as of 31 January 2024. Screwfix plans to open up to 40 new stores in the UK & Ireland in FY 24/25, remaining on track to reach its medium-term goal of over 1,000 stores.

In March 2023, the business acquired the stock, intellectual property, contracts and fixed assets of Connect Distribution Services Limited (renamed Screwfix Spares), a leading retailer of appliance spares, accessories and consumables to tradespeople and consumers. Since acquisition, Screwfix Spares has performed in line with expectations, contributing c.1.8% to total Screwfix sales growth. Monthly sales accelerated in H2, with the business reaching a profit-making position by the end of the year.

Further progressing its international expansion plans, Screwfix opened 15 stores in France in the year (with 20 stores in total as of 31 January 2024), and plans to open up to 15 stores in FY 24/25. The results for **Screwfix International** are captured in *'Other International'* – see below for further information.

FRANCE

£m	2023/24	2022/23	% Reported Change	% Constant Currency Change	% LFL Change
Castorama	2,219	2,302	(3.6)%	(4.8)%	(4.8)%
Brico Dépôt	2,027	2,150	(5.7)%	(6.9)%	(7.1)%
Total sales	**4,246**	**4,452**	**(4.6)%**	**(5.8)%**	**(5.9)%**

Retail profit	**139**	**195**	**(28.8)%**	**(29.7)%**
Retail profit margin %	3.3%	4.4%	(110)bps	(110)bps

France sales decreased by 5.8% (LFL -5.9%) to £4,246m, with the trading environment impacted by low consumer confidence, particularly in the second half of the year. In H2, LFL sales were -8.3%, with market weakness reflected broadly across all categories. Unseasonal weather conditions also impacted the performance of seasonal categories during the year (LFL -9.2%). Gross margin % decreased by 10 basis points, reflecting the higher weighting of sales towards special promotions (*'arrivages')* at Brico Dépôt, largely offset by effective supplier negotiations and lower distribution costs and shrinkage rates. Gross margin % increased by 20 basis points in H2.

Retail profit decreased by 29.7% to £139m (FY 22/23: £195m, at reported rates), with lower gross profit somewhat offset by lower operating costs. Operating costs decreased by 2.9% due to the active flexing of variable costs, and structural savings achieved by our cost reduction programme. This was partially offset by cost inflation, including YoY increases in pay rates and energy costs, together with higher technology spend. In H2, in response to the weaker trading environment, the business accelerated several structural cost reduction initiatives and strengthened its actions around staff costs and discretionary spend, resulting in an operating cost reduction of 4.4% YoY. Retail profit margin % decreased by 110 basis points to 3.3% (FY 22/23: 4.4%, at reported rates).

Castorama total sales decreased by 4.8% (LFL -4.8%) to £2,219m, broadly in line with the market against a challenging consumer backdrop. Sales trends slowed in H2 (LFL -7.3%), reflecting the weaker trading environment in that time period. Market weakness was reflected broadly across the categories, with EPHC also lapping strong sales of heating and energy efficiency products in the prior year. Volume trends YoY in core and 'big-ticket' categories improved in Q4, compared to Q3. Castorama's e-commerce sales increased by 4.9% YoY, with e-commerce sales penetration of 6% (FY 22/23: 5%; FY 19/20: 2%). As of 31 January 2024, Castorama had a total of 95 stores in France.

Brico Dépôt total sales decreased by 6.9% (LFL -7.1%) to £2,027m, a weaker performance relative to Castorama. Performance in H1 was impacted by a reallocation of a portion of its marketing budget to digital, which proved unsuccessful and was corrected in mid-July. Sales trends slowed in Q3 (LFL -10.6%) as the trading environment weakened, with Brico Dépôt more exposed than Castorama due to a relatively higher category weighting towards building materials and EPHC, with plumbing, heating and insulation products also impacted by milder weather and strong comparatives. Sales trends improved in Q4, notably in EPHC and bathroom & storage, with Brico Dépôt's sales broadly in line with the market

(LFL -7.9%). For the year, e-commerce sales increased by 14.7%, the fastest first-party (1P) e-commerce sales* growth rate of all banners in the Group. E-commerce penetration reached 5% (FY 22/23: 4%; FY 19/20: 2%). Brico Dépôt opened two stores during the year, with a total of 125 stores in France as of 31 January 2024.

OTHER INTERNATIONAL

	2023/24	**2022/23**	**% Reported Change**	**% Constant Currency Change**	**% LFL Change**
Sales (£m)					
Poland	1,694	1,734	(2.3)%	(7.4)%	(9.5)%
Iberia	371	373	(0.5)%	(1.8)%	(1.8)%
Romania	269	285	(5.6)%	(6.4)%	(3.3)%
Other±	13	15	n/a	n/a	n/a
Other International	**2,347**	**2,407**	**(2.5)%**	**(6.5)%**	**(7.7)%**
Retail profit (£m)					
Poland	82	148	(44.5)%	(47.4)%	
Iberia	6	9	(34.6)%	(35.5)%	
Romania	(18)	(10)	n/a	n/a	
Other±	(30)	(30)	n/a	n/a	
Turkey (50% JV)	15	8	n/a	n/a	
Other International	**55**	**125**	**(56.0)%**	**(57.5)%**	
Retail profit margin %					
Poland	4.8%	8.5%	(370)bps	(370)bps	
Other International	**2.3%**	**5.2%**	**(290)bps**	**(280)bps**	

± 'Other' consists of the consolidated results of Screwfix International, NeedHelp, and results from franchise and wholesale agreements.

Other International total sales decreased by 6.5% (LFL -7.7%) to £2,347m, reflecting tough prior year comparatives across all geographies (FY 22/23 LFL +11.2%). Retail profit decreased by 57.5% to £55m (FY 22/23: £125m, at reported rates), largely reflecting the retail profit decline in Poland in H1 (£59m). Retail profit margin % decreased by 280 basis points to 2.3% (FY 22/23: 5.2%, at reported rates).

Poland total sales decreased by 7.4% (LFL -9.5%) to £1,694m, against strong prior year comparatives (FY 22/23 LFL +13.8%) and a challenging trading environment. Market weakness was reflected broadly across the categories, with EPHC lapping very strong prior year comparatives. Sales trends improved in H2 (LFL -7.9%, versus H1 LFL -10.9%), supported by core category sales, and in line with a gradual improvement in the consumer environment. The business exited the year with Q4 LFL of -6.6%, compared to the 'trough' second quarter of -11.5%, and sales trends have continued to improve into the new financial year. Castorama's market share remained above FY 21/22 levels for the full year and, on a YoY basis, gained share in Q4 (as measured by *GfK*). Castorama's e-commerce sales decreased by 32.6% YoY, following some temporary disruption arising from the implementation of its new digital technology stack in H1. E-commerce sales penetration was 3% (FY 22/23: 5%; FY 19/20: 2%).

Space growth contributed c.2% to total Poland sales. Castorama opened five stores in FY 23/24 (three big-box, one medium-box and one compact 'Castorama Smart' store), bringing its total to 102 stores in Poland as of 31 January 2024.

Gross margin % decreased by 20 basis points, reflecting higher customer participation in promotional activity and sales mix. This was largely offset by effective management of inflation and supplier negotiations, and a lower stock provision movement compared to the prior year. Gross margin % increased by 150 basis points YoY in H2. Retail profit decreased by 47.4% to £82m (FY 22/23: £148m, at reported rates) due to a lower gross profit and an increase in operating costs. Despite adjusting variable costs to the challenging environment and realising further savings from our structural cost reduction programme, operating costs increased by 5.6%. This was driven by high cost inflation (including YoY increases in pay rates and energy costs), higher technology spend, higher costs associated with five new store openings (YoY), and charges related to ineffective foreign exchange hedges. In H2, the business strengthened its cost initiatives by further flexing staffing levels, lowering discretionary spend, and rephasing certain investments (including fewer store openings), resulting in operating costs being limited to an increase of 1.7% YoY. Retail profit margin % decreased by 370 basis points to 4.8% (FY 22/23: 8.5%, at reported rates), with the H2 retail profit margin % improving sequentially to 5.8%, 80 basis points lower YoY (H2 22/23: 6.6%, at reported rates).

Iberia total sales decreased by 1.8% (LFL -1.8%) to £371m. Core and 'big-ticket' category sales were resilient (LFL -0.4%), while seasonal categories (LFL -8.0%) were impacted by unseasonal weather from Q1 onwards. The development of Iberia's trade proposition supported good YoY growth in its building & joinery and kitchen categories. Retail profit decreased to £6m (FY 22/23: £9m, at reported rates), reflecting lower sales and gross margin %, partially offset by lower operating costs, down 0.8% YoY.

Romania total sales decreased by 6.4% to £269m (LFL -3.3%), against strong prior year comparatives (FY 22/23 LFL +7.8%) and a challenging trading environment. Sales trends improved in H2 (LFL -1.6% vs H1 -4.9%), driven by an improvement in core and seasonal category sales, with LFL sales in Q4 slightly positive (+0.4%). Sales in the EPHC category were particularly strong, with a resilient performance in outdoor and bathroom & storage. Romania's retail loss increased to £18m (FY 22/23: £10m reported retail loss), reflecting lower sales and gross margin %. Operating costs decreased by 3.1%, with cost inflation more than offset by our structural cost reduction initiatives including reduced energy usage in stores.

In **Turkey**, Kingfisher's 50% joint venture, Koçtaş, contributed £15m of retail profit (FY 22/23: £8m, at reported rates). The increase in retail profit largely reflects accounting under high inflation, and was more than offset by related higher interest rates recorded in our share of Koçtaş' interest and tax. The overall contribution of Koçtaş was therefore a net loss of £1m (FY 22/23: £4m net profit contribution). Net of store closures, the business added 13 new stores (one big-box and 12 compact) in their financial year to 31 December 2023, bringing its total store count to 368.

'Other' consists of the consolidated results of **Screwfix International**, **NeedHelp**, and **franchise and wholesale** agreements. Due to these businesses being in their early investment phase, a combined retail loss of £30m (FY 22/23: £30m reported retail loss) was recorded, largely driven by Screwfix France as the business invested in the opening of new stores. **Screwfix** has a total of 20 stores in operation in France as of 31 January 2024, having opened 15 in FY 23/24. Sales from these stores continue to show an encouraging trend, supported by an expanded product range of c.14k SKUs*, and the launch of third-party trade credit and *Sprint* one-hour home delivery. The business also launched as a pure-play online retailer in six additional European countries in Q3. As reported in our half-year results in September, our two B&Q **franchise** stores in Saudi Arabia have now closed, and we are re-focusing efforts on wholesale and franchise agreements in other markets. We currently have **wholesale** agreements in place in three countries in Europe and the Middle East, whereby certain OEB products are supplied to its retailers.

RETAIL BANNER EMPLOYEES, STORE NUMBERS AND SALES AREA

	Employees (FTE) at 31 Jan 2024	Store numbers at 31 Jan 2024	Sales area[1] (000s m²) at 31 Jan 2024
B&Q	15,187	311	2,210
Screwfix	9,919	922	56
UK & Ireland	**25,106**	**1,233**	**2,266**
Castorama	9,878	95	1,153
Brico Dépôt	7,820	125	877
France	**17,698**	**220**	**2,030**
Poland	11,740	102	851
Iberia	1,804	31	195
Romania	2,178	32	230
Other[2]	255	20	1
Other International	**15,977**	**185**	**1,277**
Total	**58,781**	**1,638**	**5,573**

[1] Screwfix sales area relates to the front of counter area of an outlet.
[2] 'Other' consists of Screwfix International, NeedHelp, and franchising and wholesaling.

Kingfisher

Section 3: France performance and profitability plan

Background

In June 2020, we set out a plan to 'fix' strategic and operational issues faced by our banners in France, emanating from previous years. This included putting in place new leadership and teams, making significant improvements in our technology, supply chain and logistics operations, and restoring more local autonomy to manage the business needs and requirements of our banners in France (including broadening product ranges, implementing new trading approaches, and investing in price at Brico Dépôt). Castorama also closed nine underperforming stores.

In September 2022 we said that the 'fixes' in France were largely complete – resulting in clear differentiation between Castorama and Brico Dépôt, more competitive prices, better product availability, higher levels of customer satisfaction, and a significant improvement in our sales performance relative to the market (as measured by *Banque de France** data). These measures also enabled us to successfully navigate the banners through the COVID pandemic, as well as more recent macroeconomic and consumer challenges.

Over the last four years we have also put into place more strategic initiatives, consistent with our 'Powered by Kingfisher' strategy, to move forward the long-term customer propositions for Castorama and Brico Dépôt. These included accelerating the e-commerce capabilities of our French banners (including the creation of a 'hub' store network to facilitate faster fulfilment, and introducing more C&C options) and further differentiating Castorama and Brico Dépôt's offer through leveraging Kingfisher's OEB capabilities. In addition, we have started to develop the trade customer proposition at both banners, trialled new compact store formats, started a new retail media business, and developed more comprehensive in-store and digital services for our customers, including through the use of Kingfisher's data and AI capabilities.

Our French banners have also been active in structurally lowering their cost base across multiple areas, including in supply chain and logistics, property, GNFR and overheads. Over £150m of cost has been structurally removed from the businesses over the last four years. Furthermore, against the backdrop of an uncertain consumer environment in more recent times, they have continued to actively manage variable costs to better align to trading conditions. This has included strengthened actions around staff costs and discretionary spend, which in H2 23/24 resulted in an operating cost reduction of 4.4% YoY, despite significant pay rate and energy inflation.

Taking France to the next level – a new plan focused on simplicity, performance and profitability

With our banners well positioned both strategically and operationally, we are today announcing a new plan for Castorama and Brico Dépôt, designed to drive the next level in our performance and profitability in France.

The plan is centred on three focus areas:

- **Simplifying the France organisation**,
- **A clear and actionable plan for Castorama**, and
- **Building on the exciting potential of Brico Dépôt**

These actions support a **medium-term retail profit margin target for France of c.5% to 7%**, and are explained in detail below.

Simplifying the France organisation

With clear strategies in place for Castorama and Brico Dépôt, the time is right to simplify the structure in France to make banner decision-making more agile – similar to the proven model in the UK & Ireland:

- Effective from the end of April 2024, the 'France'-level management structure will be dissolved, allowing our banners more autonomy and speed to make operational decisions and allowing for more streamlined head office operations
- France-level joint operational responsibilities including human resources, finance and supply chain will be transferred to the two banners where appropriate

- A limited number of cross-banner functions will be managed across banners to maintain joint synergies where efficient; for example, in the area of retail media
- Leadership changes:
  - **Alain Rabec**, CEO of France, will retire at the end of September 2024. Alain joined Kingfisher in October 2019 and has overseen the significant progress made by both banners described above. We thank Alain for his many contributions to Kingfisher and wish him well
  - **Pascal Gil** will become CEO of Castorama France at the end of April 2024. He will remain a Kingfisher Group Executive team member. Pascal started his career at Castorama France, before leading Brico Dépôt Iberia and then Brico Dépôt France, before taking the role of CEO of Castorama Poland in April 2022. Details of Pascal's successor as CEO of Castorama Poland will be announced in due course
  - **Laurent Vittoz** will continue as Managing Director of Brico Dépôt, supported by Alain Rabec who will remain on the Kingfisher Group Executive team until his retirement

A clear and actionable plan for Castorama France

Despite making significant progress over the last four years, Castorama's retail profit margin % remains lower than the Group average, and also that of Brico Dépôt France.

We have developed a plan with **three core priorities** to boost Castorama's performance, strengthen its resilience, and drive up its profitability over the medium term: **(1) restructuring and modernising the store network**, **(2) improving operating margin efficiency** and **(3) growing sales densities**.

1) Restructuring and modernising the store network

Castorama operates 95 stores in France, of which **we have assessed approximately one third as our lowest performing stores**. We are today announcing a store restructuring and modernisation plan to address these stores over the medium term. In FY 24/25, we will commence work on 13 of our lowest performing stores under one of four main pathways:

- **Rightsizing –** we have identified several 'big-box' stores across the low-performing Castorama portfolio where we have surplus space. This is based on our analysis of store economics, but also demand in the local area, proximity to other stores, and the number of stores we need to achieve national coverage for home deliveries, as part our e-commerce strategy. Over the last two years we successfully rightsized two Castorama stores with encouraging results. These rightsizings resulted in an average space reduction of c.25% (taken over by discounter retailers, thereby driving incremental traffic), sales density improvements of c.40%, and a c.600 basis points improvement in the stores' retail contribution margin % and an anticipated payback on investment within four years. We will commence the rightsizing of three Castorama stores in FY 24/25
- **Modernising store formats** – we successfully carried out a pervasive Castorama store refit in FY 23/24. Over a six-month period between September 2022 and March 2023, we modernised the Castorama Englos store by reorganising the layout from 130 aisles to just six key areas, making the customer journey simpler while creating a fresh and 'open plan' store environment, with a focus on design inspiration and home improvement projects. Significant improvements were also made to in-store digital and fulfilment services, the trade customer experience, and showcasing our energy efficiency ranges and services. We expect payback of our investment within four years. The refreshed Englos store has delivered strong results including significantly improved sales growth, strong 'big-ticket' sales, higher customer traffic and NPS scores, and in FY 23/24 became one of Castorama's top 10 performing stores. We are planning to repeat the refit successfully applied at Englos to one further Castorama store in FY 24/25, with six additional low-performing stores benefiting from a refresh
- **Brico Dépôt transfer** – over the last three years, Castorama has successfully converted two of its low-performing stores into the more profitable Brico Dépôt format. Our Pontault-Combault conversion saw a reduction of selling space of c.50%, a more than doubling of sales densities and a significant uplift in profitability. While these conversions have delivered encouraging results, there is a limit to the number of Castorama transfers that can be completed given the size of Castorama stores (relative to Brico Dépôt) and the proximity to existing Brico Dépôt stores. We are planning to transfer one Castorama store to a Brico Dépôt format in FY 24/25
- **Franchising** – the franchise model is commonplace in the French home improvement industry, and in French retail in general. Under the model, Castorama would transfer the management of store operations to a franchisee partner, along with the right to use the Castorama brand, in exchange for a

royalty fee. The franchisee would also leverage Kingfisher's capabilities, including its store technology systems, leading OEB product ranges (via wholesale), and Group buying scale. All store operating costs – such as staff and property costs – would transfer to the franchisee. The franchisee's focus would be to grow sales, reduce shrinkage and improve operating efficiencies to drive higher profitability. Longer term, franchising also gives us the optionality to expand our footprint in geographic 'white spaces' and smaller catchments in a capex-light manner. We are planning to test the franchise model in two Castorama stores in the next 12 months, with an immediate focus on finding the right franchise partner and optimising commercial and financial terms

2) Improving operating margin efficiency

The second core priority for Castorama is to further improve operating efficiency through strengthening its cost reduction plan, leveraging Kingfisher's AI and data-driven solutions, and scaling Kingfisher's higher margin initiatives around e-commerce marketplace and retail media:

- **Strengthening cost reduction plan** – as discussed above, Castorama France has made strong progress in lowering its cost base across multiple areas. Significant opportunity remains to become even leaner. Our focus areas include:
  - **Store productivity –** further optimising store operations in line with seasonal changes in demand, and process improvements through increased use of technology such as self-checkout terminals and use of electronic labels
  - **Procurement & other costs –** continuing to reduce energy usage, strengthening security measures in-store to reduce shrinkage, and adopting optimised, system-enabled procurement practices to drive buying efficiency and scale
  - **Head office costs** – more efficient head office operations, in line with the simpler management structure in France
  - **Supply chain and logistics –** further increasing the use of cross-docking sites to facilitate the movement of inventory from manufacturers to stores (with little or no storage required at distribution centres), and the reduction of logistics space through inventory reduction
- **Leveraging markdown, clearance and promotional effectiveness solutions** – Castorama plans to implement Kingfisher's AI-driven solutions in FY 24/25. Following successful implementation at B&Q in FY 23/24, these solutions have resulted in improved sales, gross margin % and sell-through of stock. Please refer to *'Build a data-led customer experience'* in Section 4 for further details
- **Scaling higher margin initiatives** – in FY 23/24, we signed a Group-wide partnership with *CitrusAd* to enable advertising for product display and sponsored search. Castorama was the first banner to launch this proposition, generating advertising income through its retail media. In H2 23/24, Castorama began marketing retail media to all its suppliers. We believe retail media has the future potential to reach up to 3% of e-commerce sales as it scales – please refer to *'Build a data-led customer experience'* in Section 4 for further details. Following successful launches at B&Q and Brico Dépôt Iberia, Castorama France launched its e-commerce marketplace in March 2024, and will prioritise scaling up the proposition in FY 24/25 to deliver sales of 3P products, incremental 1P sales, increased traffic, new customers to Castorama and, over time, a high incremental profit contribution. Please refer to *'Accelerate e-commerce through speed and choice'* in Section 4 for further details

3) Growing sales densities

The final core priority is to leverage Kingfisher's capabilities in OEB, e-commerce marketplace, trade and energy efficiency to grow sales densities:

- **Wider ranges and marketplace** – Castorama will leverage Kingfisher's OEBs, as well as leading national and international brands, to significantly extend its product offer over the next three years with a focus on key categories where they have market share leadership, ranges where there is scope for differentiation, and energy efficiency ranges. This will be complemented by additional 3P SKUs made available via the launch of Castorama's e-commerce marketplace, significantly expanding Castorama's current offer of c.70k products
- **Growing trade penetration –** Castorama will leverage Kingfisher's trade 'Centre of Excellence' to grow trade customer penetration, and has developed a plan to increase the pace of trade tests, supported by the launch of a trade loyalty programme in FY 24/25. In H1, Castorama will test dedicated trade counters and sales partners in up to 20 stores

- **Capture demand for green renovation –** Castorama will focus on offering new energy efficiency product ranges and services to make green renovation projects easier and more accessible for customers, including introducing new project design and funding simulation tools. Over time, energy and water efficiency product zones will be installed in stores with dedicated staff showcasing our ranges and services. In-home 'energy audit' services will be made available from all stores and online in early FY 24/25 to help customers identify opportunities to save energy in their homes through the purchase of our products. In FY 24/25, we will pilot customer service initiatives to make state subsidies easier for customers to access. We will also extend our network of installers to support renovation projects

Building on the exciting potential of Brico Dépôt

Brico Dépôt is one of the world's leading discount home improvement retailers. As described above, significant work has taken place to restore Brico Dépôt's 'discounter DNA' – including introducing new value-oriented ranges, investing in price and trading events – and the business has a much leaner operating model.

As the business now enters its next stage of growth, Brico Dépôt has aligned its strategy across **four key priorities** to further enhance its performance:

- **Driving LFL sales –** Brico Dépôt will broaden its product ranges by introducing more OEBs at lower price points, and more products aimed specifically at the trade customer and energy efficiency. To strengthen its price leadership, the business will seek to further invest in price in certain key ranges. The business will also strengthen its promotional activities to boost in-store traffic and sales conversion, including the return of its annual printed catalogue and more loyalty-driven marketing
- **Capturing the trade opportunity –** growing trade customer penetration is a priority for Brico Dépôt. The business launched 24 trade tests in FY 23/24 to provide a differentiated proposition to trade customers including dedicated trade desks, customer service experts and a new trade loyalty programme. Early results have been very positive, more than doubling trade sales penetration in the 24 stores. The programme will be rolled out to the entire Brico Dépôt France network in FY 24/25. Please refer to *'Develop our trade business'* in Section 4 for further details
- **Testing and optimising the 1,000 sqm compact store format –** Brico Dépôt successfully opened its first compact store in Cahors, France, followed by a further store opening in H2. The concept allows customers to access the entire core Brico Dépôt range (c.11k SKUs) in an area of under 1,000 sqm, with a separate space to allow larger and bulk purchases to be collected. Customer reaction has been positive to date, with the focus in FY 24/25 on optimising the proposition. Please refer to *'Roll out compact stores'* in Section 4 for further details. Assuming the format is validated, Brico Dépôt France is well positioned to penetrate more of the geographic 'white spaces' that exist in France. Brico Dépôt may also consider the franchising model as an option for the expansion of its network
- **Further improving costs and productivity –** Brico Dépôt has started to deploy numerous projects to accelerate store productivity including electronic price labels in our stores (to allow price changes to be implemented more efficiently) and the implementation of self-checkout terminals. These projects will be rolled out across the Brico Dépôt France network in FY 24/25. We are also continuing to optimise store colleague operating models, with a more tailored approach to serving seasonal changes in demand. In addition, with the support of Kingfisher, the business is continuing to drive structural cost savings in the areas of supply chain and logistics and GNFR. Please refer to *'Human, agile and lean'* in Section 4 for further details

Section 4: Strategy update

Better Homes. Better Lives. For Everyone. At Kingfisher, we believe a better world starts with better homes and we strive to help make that happen.

Put simply, our strategic plan – **'Powered by Kingfisher'** – aims to maximise the benefits of combining our **distinct retail banners** (which serve a range of different customer needs) with the **scale, strength and expertise of the Kingfisher Group**.

The differentiation of our retail banners across trade (Screwfix, TradePoint), discounters (Brico Dépôt France, Brico Dépôt Iberia), and more general DIY* needs (B&Q, Castorama France, Castorama Poland, Brico Dépôt Romania, Koçtaş) is a unique strength for us; more so in a more volatile and uncertain world. Equally, Kingfisher's scale and resources are a critical source of competitive advantage for our banners, providing product development and supply (through our industry-leading own exclusive brands), access to leading-edge technology, digital and data capabilities, as well as international support, sourcing and buying scale.

We are continuing to invest for growth in multiple areas of the business, underscoring our confidence in the medium to longer-term outlook for home improvement growth in our markets. We are pleased with the progress we have made over the last year, against the backdrop of what remains an extraordinarily challenging macroeconomic and consumer environment in our markets.

The following section covers the progress made in FY 23/24 against our strategic plan:

a) **Grow by building on our different banners**
b) **Accelerate e-commerce through speed and choice**
c) **Build a data-led customer experience**
d) **Differentiate and win through own exclusive brands (OEB)**
e) **Develop our trade business**
f) **Roll out compact store formats**
g) **Lead the industry in Responsible Business and energy efficiency**
h) **Human, agile and lean**

a) Grow by building on our different banners

Our retail banners occupy number one or two positions in our key markets. These banners address a diverse range of customer needs, each operating different models tailored to these needs, with clear positionings and plans. Our goal is to grow by building on our different formats in existing and new markets, leveraging the power of Kingfisher. We believe net space growth will drive an uplift in sales of c.+1.5% to +2.5% per annum over the medium term.

B&Q

- Successfully rolled out new 'B&Q Local' sub-branding across its high street stores, with 10 such stores currently open across London. 'B&Q Local' stores address the customer needs of immediacy and convenience in locations with high footfall. We will continue to optimise the format's offer and trading strategy in FY 24/25
- Opened two new 'B&Q Local' stores in FY 23/24 and closed all eight of its 'grocery concession' format store tests
- We believe there are around 50 catchments or geographic 'white spaces' in the UK where B&Q is currently under-represented. Please refer to *'Roll out compact store formats'* below for further details of B&Q's evolving store footprint

TradePoint

- B&Q's trade-focused banner, TradePoint, opened 21 new trade counters in FY 23/24, extending its presence within the B&Q store network to 209 (67% of stores)
- TradePoint will begin tests in FY 24/25 to increase TradePoint's presence in smaller stores. Please refer to *'Develop our trade business'* below for further details of TradePoint's progress

Screwfix – UK & Ireland

- Opened 51 stores, including 46 in the UK and five in the Republic of Ireland, bringing the total number of stores to 922 in both countries as of 31 January 2024
- Planning for up to 40 new stores in the UK & Ireland in FY 24/25, keeping it on track to reach its medium-term goal of over 1,000 stores

Screwfix – International

- Screwfix is very well positioned to address the light-trade segment in France, which has an estimated total market size of c.€30bn. During the year, Screwfix opened 15 stores in France, bringing its total to 20 stores in operation as of 31 January 2024 (with a further two stores opened post year-end)
- Pleased with the customer reaction to date, with the business recording strong store net promoter scores (on par with Screwfix UK stores), and national brand awareness on par with our closest competitor in France. During the year we expanded our product range to c.14k SKUs, and widened our proposition by launching third-party trade credit and *Sprint* one-hour home delivery services
- Planning to open up to 15 stores in FY 24/25 with a continued focus on growing brand awareness
- Assuming the success of the format is confirmed, we see the potential for more than 600 stores in France over the longer term
- Launched Screwfix as a pure-play online retailer in six European countries (Poland, Spain, Belgium, the Netherlands, Sweden and Austria) leveraging Screwfix's distribution centre in France for fulfilment. Encouraged by the initial reactions and we continue to refine our proposition for these markets. Over the longer term, we intend to serve up to 20 European countries via this approach

Castorama France

- Please refer to *'France performance and profitability plan'* in Section 3 for further details

Brico Dépôt France

- As one of the home improvement industry's best hard discounters, Brico Dépôt France is well positioned to penetrate more of the geographic 'white spaces' that exist in France
- Opened its first two compact stores in FY 23/24 – an innovative 1,000 sqm format. Positive customer reaction to the format to date, with a focus in FY 24/25 on optimising the proposition

Castorama Poland

- Opened five stores in FY 23/24 (three big-box, one medium-box and one compact 'Castorama Smart' store). Planning to open a further five stores in FY 24/25
- Castorama plans to address the attractive market growth opportunity and significant 'white spaces' in Poland through the opening of up to 75 medium-box and compact stores over the next five years

Koçtaş (Kingfisher's 50% joint venture in Turkey)

- We believe the longer-term growth opportunity for the home improvement industry in Turkey is significant. Net of store closures, Koçtaş added 13 new stores (one big-box and 12 compact) in their financial year to 31 December 2023, bringing its total store count to 368

b) Accelerate e-commerce through speed and choice

We will continue to grow our e-commerce sales and participation, with the ambition of reaching 30% of Group sales from e-commerce channels (one third of which from marketplace). We will do this by offering our customers 'speed' – faster fulfilment of orders through leveraging our store estate – and 'choice' – broader product choice, including via our e-commerce marketplace propositions. This will be supported by the ongoing modernisation and simplification of our technology landscape, which is unlocking the rapid development of more customer-centric and personalised mobile apps, digital tools and services.

FY 23/24 performance highlights

- Total e-commerce sales, which include gross sales from third-party (3P) e-commerce marketplace transactions, as well as 1P e-commerce sales, reached £2.3bn in FY 23/24, an increase of 6.4% YoY (in constant currency). Driven by strong marketplace sales growth at B&Q and higher 1P e-commerce sales at Screwfix and both banners in France
- Overall e-commerce sales penetration was 17.4% (FY 22/23: 16.3%; FY 19/20: 7.9%)
- Click & collect (C&C) sales up 1% YoY, accounting for 67% of total e-commerce sales (FY 22/23: 71%) and 88% of 1P e-commerce orders (FY 22/23: 87%)

- Home delivery sales up 20% YoY, reflecting the development of our e-commerce marketplace and same-day delivery propositions
- 93% of the Group's 1P e-commerce orders were picked in-store (FY 22/23: 91%); excluding Screwfix: 87% (FY 22/23: 89%)
- Mobile sales up 8% YoY, accounting for 59% of our 1P e-commerce sales (FY 22/23: 55%). Mobile app sales up 41% YoY
- Marketplace GMV* of c.£200m for B&Q (includes VAT and returned and cancelled orders). B&Q marketplace gross sales of £154m for the year, representing marketplace participation of 31% in FY 23/24 (i.e., B&Q's marketplace gross sales divided by B&Q's total e-commerce sales). Marketplace participation of 13% at Brico Dépôt Iberia

Leveraging our store estate to offer customers speed and convenience

- **Store-based fulfilment –** moving to store-based picking and fulfilment over the last four years has been critical in enabling us to serve customers more efficiently. 53 B&Q stores are being used as 'digital hubs' for fulfilling home deliveries, serving nearly 100% of the UK. These hub stores were selected based on their catchment and the depth of their in-store range. During the year we made order preparation even faster by carrying out an extensive benchmark of C&C practices across our banners, with recommendations for improvement by an external party. This has driven significant decreases in pick times across the Group. We also made enhancements to our digital colleague apps, resulting in optimised picking routes and more accurate stock levels being displayed online. This contributed towards an 8% reduction in online order cancellations at B&Q and Castorama France
- **Click & collect –** our banners continued to make enhancements to their respective C&C customer journeys to improve speed and convenience. C&C is our most popular online fulfilment option and our new store format trials are also increasing C&C options for customers, particularly our high street compact stores. Castorama Poland now defaults all C&C orders to collection from its store locker network, increasing customer convenience with 24/7 collection availability
- **Home delivery –** we are gradually introducing more options around same-day, next-day and specific-day delivery options. We continue to expand the Screwfix *Sprint* service in the UK (which offers delivery direct to home or site within one hour), which is now available in 334 stores, covering around 45% of UK postcodes. During the year, Screwfix began advertising the proposition widely through television, radio, press, website and in-store campaigns, resulting in a significant increase in customer awareness of the service, and recruiting more than 25k customers using it for the first time, contributing to an increase in *Sprint* sales of over 100% YoY. The offer has proven particularly popular in London, accounting for more than 60% of Sprint orders. In November 2023, Screwfix partnered with *Deliveroo* to offer a limited range of Screwfix products on-demand
- **Online customer journey –** to enhance our customers' online experience, we have simplified our technology architecture, enabling changes to be made faster to our technology products and platforms. During the year we implemented *Fasterize*, a software-as-a-service solution, in Castorama France following successful implementation in Brico Dépôt France, leading to a 30% improvement in Castorama's web and mobile speed and page-load times, and a 10-point improvement in customer NPS. In FY 23/24, Brico Dépôt France's 1P e-commerce sales grew the fastest of all our banners in the Group. Our priority in FY 24/25 is to deliver core architectural modernisation to our search and browse pages (from the homepage through to product pages) across B&Q, Castorama France and Castorama Poland. This will drive further site speed improvements for our customers

Offering our customers more choice on what they shop and how they shop

- **Customer payment options –** implemented 'Buy Now, Pay Later' and 'Pay in Instalments' options, available via *PayPal*, in the UK and France. At B&Q, we implemented a new third-party credit solution offering flexible credit, allowing customers to decide when and how they repay their credit loans
- **Mobile –** mobile remains our largest and fastest-growing channel (versus desktop and tablet). During the year we tested various mobile and app-exclusive events to drive sales and further mobile penetration. For example, in Q4 Castorama France launched app-exclusive offers which increased e-commerce participation by 25% YoY, with app sales accounting for almost half of all e-commerce sales during the promotion. Earlier in the year Screwfix integrated *Braze*, a 3P customer relationship management (CRM) platform, into the Screwfix app to deliver personalised offers and deals for their most frequent trade customers. Our key mobile priorities for FY 24/25 are to further improve app capabilities across the Group, and optimise our mobile marketing and trading strategies

- **Marketplace –** during the year we continued to scale our e-commerce marketplaces at B&Q and Brico Dépôt Iberia, leveraging the Kingfisher platform built in conjunction with our key partners *Mirakl* and *Salesforce*. We are building leading marketplace propositions for our customers by directly connecting with the best global home improvement merchants, leveraging strategic partnerships with third-party aggregators such as *Octopia*, *Channel Advisor*, *ShoppingFeed*, *BeezUp*, *Linnworks* and *Just Applications*. At B&Q, there are now approximately 1,100 carefully selected 3P merchants live on *diy.com*, with products across all home improvement categories, enabling B&Q to offer over 1.2 million additional home improvement SKUs compared to its previous 1P offer of c.40k products. In FY 24/25, B&Q aims to reach c.2 million SKUs. Brico Dépôt Iberia's marketplace is also growing rapidly, reaching 100k SKUs via over 150 merchants
- **Marketplace strengthening our 1P business** – the diversity of SKUs offered by the marketplace is highly complementary to our existing 1P offer. Bed frames and mattresses were among our top-selling marketplace products in FY 23/24, making furniture one of the largest categories, both in sales and in assortment size (c.100k products). In FY 23/24, 50% of people who purchased a marketplace product were new customers who had never shopped with B&Q before. We also saw that approximately 10% of customers who purchased a 3P marketplace product for the first time subsequently purchased a 1P product on *diy.com*. As the marketplace matures and customers become more familiar with using it, we expect this 'transference' rate to continue growing, increasing the strategic value for our banners
- **Marketplace priorities** – Kingfisher developed its marketplace technology with low-cost scalability in mind. Following the successful launch at B&Q in March 2022, e-commerce marketplaces were subsequently rolled out at Brico Dépôt Iberia in November 2022 and at Koçtaş, our 50% joint venture, in Q1 23/24. We successfully launched Castorama France's e-commerce marketplace earlier this month, which we believe will drive higher sales densities, and greater resilience and profitability over the medium term. Please refer to *'France performance and profitability plan'* in Section 3 for further details. We are also aiming to launch marketplace at Castorama Poland in the coming months. Our priorities this year also include the opening of B&Q's marketplace to non-UK sellers as well as the launch of a retail media proposition for marketplace sellers. Over the longer term, our ambition is to reach 30% e-commerce sales penetration, with one third of this representing marketplace gross sales

c) Build a data-led customer experience

Powered by Kingfisher, our banners are leveraging data and artificial intelligence (AI) to build customer-centric tools and solutions, support better commercial decision-making and higher productivity, thereby unlocking significant new sources of revenue, profit and cash. In addition, with c.1bn customer visits per annum across our e-commerce touchpoints, we believe that many of our suppliers – including leading national and international home improvement brands – could become advertisers. Over time, we see the potential for retail media revenues to reach up to 3% of the Group's total e-commerce sales.

We are seeing strong results from our in-house data and AI capabilities, and are continuing to invest in these areas. We have adopted more efficient ways of working to allow us to test and learn quickly. To support internal development, we have invested in new technologies including *Nucleus*, our Group-wide data platform which gives us simpler access to Kingfisher's data via a centralised repository. We have also developed an in-house AI engine called *Athena*. *Athena* helps Kingfisher manage and integrate multiple AI technologies, allowing us to quickly adopt new AI tools as they are developed.

We have aligned our data strategy across four key pillars: **top-line growth**, **strengthening margin**, **streamlining operations** and **new income streams**.

<u>Top-line growth</u>

- **Recommendation and personalisation engines** – Kingfisher has developed a suite of solutions to offer best product options across multiple channels (including web and app) in multiple formats such as 'frequently bought together' carousels, 'substitute products' or direct personalised offers based on customer shopping trends and preferences. During the year we introduced these recommendation engines to B&Q (including TradePoint), Screwfix, Castorama France and Brico Dépôt Romania. B&Q, where the solutions have been in place the longest, has seen over 10% of its e-commerce sales derive from product recommendations. Our recommendation engine has driven a more than 100% increase in web sales from product recommendations compared to our legacy third-party solutions. Results in-app have also been strong, generating twice the conversion of web recommendations

- **Customer marketing –** during the year, B&Q and Screwfix deployed new CRM capabilities powered by *Braze*, enabling the management of customer relationships through specific promotions and personalised offers sent by email, SMS and in-app notifications. Screwfix subsequently ran multiple app-based campaigns offering incentives based on shopping frequency, with very strong results
- **E-commerce support –** in Q3, Castorama France launched *'Hello Casto'*, a new digital virtual assistant that uses generative AI, powered by our in-house AI engine, *Athena*. Customers can converse directly with *'Hello Casto'* online and receive tailored advice and recommendations for their home improvement projects. In February 2024, *'Hello Casto'* received industry recognition, having been awarded the Gold Prize for Innovation by the French e-commerce trade association, *FEVAD*

Strengthening margin

- **Optimising markdowns and clearance –** Kingfisher has developed powerful new AI-based solutions to support the optimisation of markdown and clearance processes in-store and online. These tools were piloted at B&Q during H1 and, following successful early results, fully implemented during H2. The pilots delivered encouraging gross margin % improvements, while also increasing the sell-through of seasonal stock and improving the efficiency of range changes. We plan to roll out at Castorama France in FY 24/25, followed by Castorama Poland
- **Promotional effectiveness –** our AI capabilities were also leveraged to develop solutions to forecast, assess and optimise promotional effectiveness. Using AI to simulate the potential impact of different promotional levers allows our banners to compare the efficacy of various promotional mechanics and measure performance on a consistent basis. Following implementation at B&Q, over 300 events have been planned using this solution since launch, resulting in improved sales, gross margin % and sell-through of stock. Roll-out to other banners is planned in FY 24/25, starting with Castorama France and then Castorama Poland

Streamlining operations

- **Supply chain transparency –** earlier this year Kingfisher developed a supply chain visibility tool (SVT) to provide our banners with real-time and end-to-end visibility of products, from receipt at origin ports all the way to arriving at stores. This transparency over the supply chain enables our banners to reduce inventory levels and replenishment cycles by optimising the time between products being ordered and arriving at stores and distribution centres. Over time, we believe this will result in higher product availability, lower inventory days, less working capital requirements and higher profitability. The tool has been implemented in all our markets across the Group, with live reporting helping our teams to pinpoint issues and identify resolutions quickly, allowing availability challenges to be addressed more efficiently
- **Forward visibility –** SVT is also enabling our banners to provide forward visibility to our suppliers by sharing our data and allowing collaborative planning. We are currently sharing data with 45 OEB vendors representing approximately 30% of OEB sales. So far this has resulted in substantial reductions in average lead-times and minimum order quantities, and a reduction in inventory days for the in-scope OEB vendors
- **Demand forecasting –** Kingfisher also developed a forecasting algorithm powered by AI for use initially at our French banners, to improve demand forecast accuracy. Early results are encouraging, showing a significant improvement in forecast accuracy. In FY 24/25 we aim to embed these new capabilities into more of our banners

New income streams

- **Retail media –** we believe there is a significant opportunity to create a proposition for 3P vendors who want to purchase advertising through retail media and use data to improve their offering
- During the year we established a Group partnership with *CitrusAd*, a market-leading technological solution that Kingfisher will use to manage the advertising proposition for 3P vendors. To accelerate our plans, in H1 we also partnered with *Unlimitail*, a new European retail media joint venture between *Carrefour* and *Publicis*, to provide advertising sales support in France, Poland and Iberia
- Our retail media operations were launched at Castorama France in H1, and went live at B&Q in H2, with multiple vendors now advertising via our e-commerce channels. Other banners will follow suit in FY 24/25. Our priorities also include launching a retail media proposition for marketplace sellers
- Over time, we see the potential for retail media revenues to reach up to 3% of the Group's total e-commerce sales

Kingfisher

d) Differentiate and win through own exclusive brands (OEB)

Our OEB product development is a significant source of value for our retail banners and their customers. OEBs provide us with the ability to differentiate ourselves from the rest of the market by delivering simple and innovative solutions at affordable prices, with a focus on reducing environmental impact. OEBs also carry a higher gross margin (on average) than branded products. We aim to grow our OEB sales further as we bring even more innovative and affordable solutions to our customers.

FY 23/24 performance highlights

- Total OEB sales of £5.7bn, representing 45% of Group sales (FY 22/23: 45%)
- We consider this a resilient penetration rate considering our focus on offering more choice through a wider range of local and international branded products, including from our e-commerce marketplace proposition
- LFL sales of our OEB ranges were down 4.6%, impacted by the performance of outdoor and 'big-ticket' categories (kitchen, bathroom & storage), with both categories having a relatively higher weighting towards OEB products. We saw a resilient performance from OEB ranges within our tools & hardware and building & joinery categories
- Key five OEBs (*GoodHome*, *Erbauer*, *Cooke & Lewis*, *Verve* and *Magnusson*) contributed 21% of total Group sales (FY 22/23: 20%)
- In FY 23/24, 60% of OEB product sales were Sustainable Home Products (SHPs) (FY 22/23: 56%) and our target is to reach 70% by FY 25/26. Please also refer to '*Lead the industry in Responsible Business and energy efficiency'* below for further details on how we are leveraging our OEBs to drive further SHP growth, while supporting efforts to reduce our scope 3 emissions footprint
- **Range review successes** – our recent OEB range reviews have landed well with customers. One of the most successful range refreshes carried out in the last 12 months was *GoodHome* baths, delivering sales growth of c.6% YoY following the launch of the new range. Our refreshed OEB wood fencing ranges were also successfully implemented in our French banners in the year, with positive sales results versus the predecessor ranges
- **Award-winning OEB** – our industry-leading OEB design capabilities continue to be recognised internationally, with our *Cascabel* kitchen tap and *Neva* decking solutions both winning prestigious *Red Dot* design awards in the year

We continue to focus on OEB development with our three strategic pillars in mind: **innovation**, **affordability** and **reducing environmental impact.** All new product launches and range reviews stringently address each of these three pillars

- **Innovation** – whatever task our customers are aiming to complete, we seek to make it easier for them. We do this by acquiring a deep understanding of their needs and frustrations, and filling the gap in the market today. Our focus on innovation through product development is achieved by measuring how well the product does the job it is designed to do, and how the product is simplifying or enhancing the experience for our retail and trade customers. A recent example is our *'Air Tech'* technology featured in the *Erbauer* 16oz claw hammer, which reduces shock and vibration from use. *Erbauer* is now Kingfisher's number one brand for tools, ahead of several renowned international brands. Other examples include our *GoodHome* vinyl flooring solution with its easy-to-install 'click' installation system, and our *GoodHome 'EasyRoll'* wallpaper which only requires water for application, removing the need for glue. Our recently launched *Site* workwear product lines for female trade professionals has been very successful, building on customer insights to serve a previously unsupported segment of the market
- **Affordability –** we aim to reach millions of customers by providing the most affordable solutions in the market. We target our OEB products to be, on average, 15-30% cheaper than branded products. For example, our *GoodHome* durable paints and *Erbauer* combi drills are both c.30% cheaper versus their equivalent branded products, and are significantly outpacing them on sales growth. We achieve this by strengthening the offer in the lowest selling price quartile and opening price points, and using value engineering to gain manufacturing efficiencies and economies of scale. For example, during the year we re-engineered our *GoodHome* garden furniture range which enabled us to relocate production from China to Turkey, leading to lower manufacturing costs and reduced delivery lead-times
- **Reducing environmental impact –** we are committed to providing solutions to our customers to help them live more sustainably. We continue to embed environmental considerations at the core of the OEB proposition, all the way from the product design and development phase, through to the

procurement and manufacturing phase. By doing this, we aim to empower customers to make a sustainable choice without compromising on cost or comfort

- Our **Sustainable Home Products** (SHPs) aim to either help our customers reduce the impact of their homes on the environment (such as water-saving taps or loft insulation) or to reduce the impact on the environment because of their input materials or how they are manufactured (for example, FSC-certified timber, peat-free compost or recycled plastic). Through our OEB team's design and development work, we are focused on driving up product attributes that meet these requirements. As an example, our new *GoodHome* paintbrush handle and roller are manufactured with 100% recycled plastic, a first in the industry. In H1 we launched *Naturéa* by *GoodHome*, our first paint range containing resins made from renewable raw materials (as opposed to fossil fuels)
- In FY 23/24, we launched our ***Green Star*** product marker programme at B&Q, Screwfix and Castorama Poland for an initial 8.5k SKUs, with the aim of making it easier for customers to identify and purchase products that have a reduced impact on the environment. Our priority in FY 24/25 is to extend the *Green Star* marker to a broader population of SKUs, and continue the roll-out to all our banners

e) Develop our trade business

Trade customers are an integral part of the home improvement ecosystem and a key priority for Kingfisher. Trade customers tend to visit more frequently and spend more than the average retail customer. The significant opportunities to engage further with trade customers include the further roll-out of trade counters and expansion across our banners, range expansion and improved merchandising, building deeper relationships with trade customers, new services, loyalty programme optimisation and digital enhancements. We are aiming to reach more than £1bn of sales at TradePoint in the UK & Ireland, and double trade sales penetration in France and Poland, over the medium term.

Screwfix is the UK's number one 'light-trade' retailer. In FY 23/24, the business continued to expand, opening 46 stores in the UK, five in Ireland and 15 in France. As of 31 January 2024, Screwfix operated 922 stores in the UK & Ireland, and 20 stores in France where it launched in April 2021 (with its first store opening in October 2022). In Q3, Screwfix launched as a pure-play online retailer in six additional European countries. Please refer to *'Grow by building on our different banners'* above for further details.

Through B&Q's trade-focused banner, TradePoint, we have created a blueprint for our ambitions in 'heavier trade'. In FY 23/24 the business delivered £834m in sales, outperforming B&Q retail with LFL sales of +0.7%, representing 22% of B&Q's total sales (FY 22/23: 22%). TradePoint has a strong plan to drive its annual sales to more than £1bn in the medium term, centred around growing its customer base and increasing its share of trade customer spend through a greater focus on project-related spend. The business is also increasingly focused on growing its business-to-business (B2B) sales, catering to trade federations, professional housebuilders and small and medium-sized enterprises, with sales in this area up c.25% YoY.

More broadly, we are leveraging our success and learnings to increase trade customer penetration across our other retail banners. We recognise the unique needs of trade customers and have therefore aligned our trade strategy across six key pillars: **stores**, **range and price**, **people**, **services**, **loyalty** and **digital**. Progress against these pillars is described below.

Stores

- TradePoint opened 21 new trade counters in FY 23/24, extending its presence within the B&Q store network to 209 (67% of stores)
- Castorama Poland tested *'CastoPro'* in five stores, with dedicated entrances in three of the stores, providing a dedicated space to bring together key trade ranges and serve trade customers. The business plans for a further 10 *'CastoPro'* areas in FY 24/25
- Launched tests in 37 stores across Castorama France, Brico Dépôt France, Iberia and Romania to provide a differentiated proposition to trade customers including dedicated customer service experts. Early results have been very positive – for example, more than doubling trade sales penetration in 24 Brico Dépôt France stores. These tests will be expanded to more stores in FY 24/25, including a roll-out to the entire Brico Dépôt France network

Range and price

- Leveraging our strength in OEBs to develop and launch trade-focused products for our banners. In FY 23/24 we launched our *Fortress* paint and paint tools ranges, offering a higher durability than traditional paints as well as high-specification paint accessories. Customer reaction and sales have been strong to date. We also tailored our *Site* workwear product lines to be more suitable for female trade professionals. Our plumbing-focused OEB *Flomasta* range continues to perform well in the UK with over 500 SKUs to support key plumbing and heating engineer needs, with planned expansion into our other banners in FY 24/25
- Continuing to add trade-specific branded products to our assortment for trade customers; for example, *OX* hand tools and *Bosch* power tool accessories at TradePoint, in line with customer demand

People

- We believe that dedicated trade colleagues can help us capture a greater share of trade customer spend, while providing feedback loops to help optimise our offer. Dedicated TradePoint sales partners have been recruited in 39 stores to date, aiming to build more direct and personalised relationships with trade customers. Early results have been positive, supporting TradePoint's uplift in LFL sales in H2 to +3.6% (versus H2 LFL of -0.2% for B&Q as a whole)
- A similar approach is being taken in certain Brico Dépôt France and Castorama Poland stores, where we have designated dedicated customer service experts to engage with trade customers, introduce them to trade-specific benefits, and encourage sign-ups to their loyalty programme tests. We have seen positive early results in these 'pilot' stores, resulting in greater frequency of visits by trade customers and higher basket values. As noted above, trade sales penetration has more than doubled in 24 Brico Dépôt France stores where we have piloted this approach. We will extend the roll-out of this approach to more stores in the UK, France and Poland in FY 24/25, including all Brico Dépôt France stores

Services

- **Tool rental** – in December 2023, in partnership with *SpeedyHire*, B&Q made tool hire accessible to all its customers nationwide with the launch of a new online tool hire service. The *SpeedyHire* concessions in B&Q stores have closed, with some space reserved as display areas to promote the new order-to-home service. In France, Castorama France partners with *Loxam* at 41 stores to provide trade customers with heavy machinery and job specific tools, delivered both in-store and nationwide via home delivery. Following a successful trial, Castorama Poland has expanded the trials of its *CastoRent* tool rental service to 26 stores, providing low-cost access and increasing customer exposure to our *Erbauer* and *MacAllister* brands
- **Fulfilment** – during the year, nationwide crane delivery was rolled out at Brico Dépôt France with very strong results. Direct-to-site delivery, next-day delivery and 'timed delivery' slots all continue to be tested and further explored across the Group, according to trade customer demand
- **Waste management** – our responsible waste services in partnership with *AnyJunk* and *LoveJunk* are delivering positive results in the UK
- **Payment facilities and financing –** payment facilities and cashflow are key considerations for our trade customers to successfully operate their businesses. In Brico Dépôt France, a deferred payment trial is in the process of rolling out alongside the national launch of a trade loyalty programme *'Special Pros'*. Dedicated third-party financial products for trade and B2B customers are also being explored and deployed in Castorama Poland and Brico Dépôt Iberia

Loyalty

- We recognise the importance of loyalty programmes to trade customers, with trials now live in all markets and plans to extend to more stores in FY 24/25
- **TradePoint** – loyalty programme continues to be attractive to trade customers, with active members +6% YoY. The loyalty card is now available on *Apple Wallet* for easier scanning and faster checkout
- **Castorama France** – currently trialling a loyalty programme similar to TradePoint
- **Brico Dépôt France** – launched a trade loyalty programme in FY 23/24 in 24 stores with strong results. The programme has now rolled out nationwide, following a national marketing campaign in February 2024. The cashback programme gives a 2% discount on purchases
- **Castorama Poland** – during the year, the *'CastoPro'* loyalty programme was successfully trialled across 18 stores. Early results showed that these stores outperformed similar sized stores without a loyalty offer. The loyalty programme was extended to all Castorama Poland stores in February 2024

- **Brico Dépôt Iberia –** the *'BricoPro'* loyalty programme in Brico Dépôt Iberia continues to grow successfully, with sales to trade customers up c.180% since launch, and significant sales growth YoY from comparable customers
- **Brico Dépôt Romania –** launched cashback trials via trade loyalty programme

Digital

- Our C&C and online propositions help trade customers plan and prepare for their projects so that tools and materials are available when and where they need them
- Screwfix *Sprint* continues to deliver essential items to trade customers within one hour, available exclusively through the Screwfix app
- As our loyalty programmes develop, personalisation is a key focus area, leveraging our expanding data and analytics expertise to bring more relevant offers and content to known trade customers. Please refer to *'Build a data-led customer experience'* above for further details
- Castorama Poland is planning the launch of a trade loyalty app in FY 24/25, giving customers access to a virtual *'CastoPro'* loyalty card, displaying their active discount level and spend required to reach the next discount tier

f) Roll out compact store formats

Our home improvement banners operate over 2,000 stores across eight countries in Europe. They play an integral role in meeting the demand for fast fulfilment via e-commerce channels, whether through C&C or delivery, to where the customer wants it. Compact stores are also playing an increasingly crucial role in addressing the consumer need for convenience. Through compact store expansion, our ambition is to grow market share, optimise our overall store footprint, and to grow sales densities and store profitability.

A common denominator through the plans of many of our businesses is that compact stores are a key enabler for expansion. We are convinced of the need for a wider network of smaller and more easily accessible stores, and believe compact stores unlock the opportunity for rapid expansion into smaller cities and geographic 'white spaces' where larger stores are not suitable.

While compact store growth will increase our overall store numbers, our aim is to reduce the average size of our stores. We aim to achieve this over time by opening more compact stores (less than 2,000 sqm), rebalancing any larger size new store opening programmes (e.g., at Castorama Poland) to mostly focus on medium-box stores (2,000 to 6,000 sqm), and 'rightsizing' or repurposing space within many of our larger format big-box stores (more than 6,000 sqm).

We are making good progress in testing different concepts in different catchments to unlock the compact store opportunity. We now have 27 active tests across three markets and five retail banners (B&Q, Screwfix, Castorama France, Brico Dépôt France and Castorama Poland), with nine additional test stores opened in FY 23/24. The compact stores are in a variety of locations including high streets, small retail parks, industrial estates and dense urban areas.

- **High street tests** (300-1,000 sqm) – continue to deliver encouraging learnings and results. We have 14 high street concept stores open in the UK, France and Poland, including five stores with two or more full years of trading. B&Q opened two new 'B&Q Local' stores in FY 23/24 for a total of 10, seeing high C&C participation (three to four times higher than non-compact stores) and growth of customers new to B&Q. Similar concepts are being tested at Castorama France (three 'Casto' stores) and Castorama Poland (one 'Express' store). Across all three markets, we continue to iterate the store tests accounting for local customer needs as we create an optimum blueprint. In FY 24/25, B&Q will test in towns and cities outside of London
- **Small retail park tests** (800-2,000 sqm) – live at Castorama Poland under the 'Castorama Smart' sub-banner, since June 2021. The format allows us to bring our core offer into smaller footprints and catchments, while offering a stronger showroom inspiration and more complete project journey than is possible within high street stores. We have a total of six such stores operating across Poland in a variety of catchments, with one new 'Smart' store opened in FY 23/24 (and one more planned for FY 24/25). The format continues to be adapted and iterated according to learnings
- **Screwfix compact stores –** Screwfix continues to test its ultra-compact format stores ('Screwfix Collect') to enable expansion into more urban locations. Trials in central London are delivering encouraging results, giving customers greater convenience and access to the full Screwfix range via

next day C&C. A total of five 'Collect' stores were in operation as of 31 January 2024, with four opened in FY 23/24, and we expect to test more in the coming year

- **Brico Dépôt compact stores –** in June 2023, Brico Dépôt France launched its first compact store in Cahors, France, followed by a further store opening in H2. The concept allows customers to access the entire core Brico Dépôt range (c.11k SKUs) in an area of under 1,000 sqm, with a separate space to allow larger and bulk purchases to be collected. The format also alleviates various pain points in the customer journey, saving customers time and effort by removing the need to take large or bulk items from shelves or navigating aisles with heavily-loaded trolleys. Assuming the format is validated, Brico Dépôt France is well positioned to penetrate more of the geographic 'white spaces' that exist in France. Customer reaction has been positive to date, with a focus in FY 24/25 on optimising the proposition

g) Lead the industry in Responsible Business and energy efficiency

*We are committed to leading our industry in responsible business practices and energy efficiency. Building on our strong Environmental, Social, and Governance (ESG) credentials, our 'Powered by Kingfisher' strategy sets out four priority areas for Responsible Business where we can maximise our positive impact on the lives of our **customers**, **colleagues**, **communities**, and the **planet**. As the 'green homes' agenda accelerates, we see considerable potential for our Sustainable Home Products.*

Our priorities are underpinned by our commitment to 'Responsible Business Fundamentals'. These are the topics and impacts we measure and manage, to ensure we continue to operate responsibly across our business. We have clear policies in each of these areas, including health and safety, responsible sourcing, cybersecurity and data protection, and ethical conduct, to ensure we take a consistent best practice approach across our banners.

We continue to make strong progress against our **four Responsible Business priorities**, with key updates noted below.

Colleagues: Becoming a more inclusive company

- **Remuneration and support** – we continue to closely monitor the cost of living in each of our markets and, accordingly, put measures in place to support colleagues in our stores and head offices. During the year we implemented timely salary increases in each of our markets and responded swiftly to changes to the National Minimum Wage or local equivalent, helping Kingfisher remain one of the most competitive employers on retail store colleague pay. Our focus on optimising colleague reward saw 2023 employee Net Promoter Scores (eNPS) for reward rise by 12 points, and wellbeing scores increase by 6 points. We are working towards implementing measures to ensure even greater pay transparency. A key part of this approach is to adopt EU Pay Transparency Directive legislation in line with local legislative considerations
- **Colleague engagement –** we track colleague engagement through frequent surveys and listening forums at banner and Group, including through our 17 Affinity Networks. Our colleague satisfaction scores remain within the top 5% of worldwide retailers
- **Gender representation** – we continue to work towards our gender representation targets of 40% women in management roles and 35% women in senior leadership roles by FY 25/26. During the year we made significant progress, reaching 28.6% women in our senior leadership team (FY 22/23: 25.8%) and 39.6% in management roles (FY 22/23: 38.9%). While we are making good progress, we continue to strengthen our actions and focus on this area across the Group. In the UK, our latest Gender Pay Gap report, to be published in April 2024, shows a reduction in the median hourly pay gap from 1.1% to 0.8%
- **Ethnic representation –** we have set a target of doubling our ethnic diversity in the UK for group executive team members and their direct reports, from 8% to 16% by 2030. In line with the Parker Review's recommendations (in the UK) for ethnic diversity targets to be set for 2027, we've set an interim target of 12.5% by 2027
- **Colleague learning and development –** we continue to invest significantly in opportunities for colleagues to learn and grow with us. Having surpassed our previous learning target of providing 5 million hours of skills for life learning by 2025, we have established a new target: "by 2030, more than 20,000 colleagues will have completed an apprenticeship, traineeship or external qualification". During the year, B&Q and Screwfix were both listed in the Top 100 Apprenticeship Employers in the UK

- **Hiring to support growth ambitions –** we continue to invest in talent and capability to support our growth ambitions, recruiting deep functional expertise in key areas such as trade, e-commerce, marketplace, data, and technology, including the creation of two in-house engineering centres, one in Cluj, Romania, and one at our shared services centre in Krakow, Poland, as well as the creation of a new retail media team in France. In the context of strong competition for talent in our markets, our attrition levels, and the time it takes to hire new colleagues remain either in line with, or better than, retail industry benchmark levels

Planet: Helping to tackle climate change and becoming Forest Positive

Scope 1 and 2 carbon reduction targets
- Our near-term 1.5°C-aligned science-based scope 1 and 2 carbon reduction target is to reduce emissions from our own operations by 37.8% by FY 25/26, as approved by the Science Based Targets initiative (SBTi) in 2021. We see this as the first step towards achieving our net-zero target (for our own operations) by FY 40/41
- We continue to exceed this near-term target, reducing the carbon footprint from our own operations by 62.0% since FY 16/17 (FY 22/23: 51.0%)
- A key driver for the sustained reductions in our operational emissions is the decarbonisation of our logistics network, and switching to more efficient vehicles across our delivery fleets (e.g., Screwfix switching from diesel to hydrotreated vegetable oil, and Castorama France switching from diesel to biomethane)
- We have also significantly reduced emissions from our property portfolio through the adoption of energy efficiency measures, including investing in on-site renewable energy and replacing gas and fossil fuel-based heating systems in our stores (e.g., the installation of air source heat pumps at Screwfix stores)

Scope 3 carbon reduction targets
- Our scope 3 science-based target requires us to achieve a 40% reduction (per £'million turnover) from purchased goods and services and use of sold products by 2025, against a FY 17/18 base year. Our efforts are focused on raw materials used in the manufacturing of our products, emissions from the manufacturing process, and emissions from customer use of our products
- In FY 23/24, we reduced the intensity of our scope 3 emissions from the supply chain and customer use of products by 41.6% since FY 17/18, exceeding our 2025 target. This reduction in carbon emissions has been driven through a change in our sales mix, the decarbonisation of energy grids within our banner countries, and our continued work on vendor and product decarbonisation
- Earlier in the year, we became a founding member of a new collaborative taskforce, initiated by *EDRA/GHIN* (the global trade bodies for home improvement retailers), to help the sector reduce its scope 3 emissions

Forest Positive
- Kingfisher has a strong heritage in sustainable forestry and the responsible sourcing of wood and paper. In FY 23/24, 97% of the wood and paper used in our products was responsibly sourced (FY 22/23: 94%), including 100% of catalogue paper (FY 22/23: 100%)
- We therefore remain on track to achieve our target of 100% by FY 25/26
- As a founding member of the *Forest Allies* initiative (in 2021), we have continued our partnership with the *Rainforest Alliance*, investing in six forest projects in key tropical sourcing regions. These cover 190,000 hectares of community-managed forests and contribute towards the protection of more than 2.5 million hectares of protected areas
- We also continue to invest in local forest partnerships, including B&Q and Screwfix extending their work with *The Woodland Trust* to restore, create and protect native woodland and forests in the UK

Customers: Helping to make greener, healthier homes affordable
- In FY 23/24, £6.4bn of sales, representing 49% of Group sales (FY 22/23: 47%), were from Sustainable Home Products (SHPs). This has more than doubled since we established the programme in FY 11/12, and our target is to reach 60% by FY 25/26
- Our SHPs include our OEB as well as national and international branded products. Through our OEB portfolio, we are able to drive progress against our SHP target and embed environmental considerations through all stages of our product development process

- For example, we phased out peat-based compost at B&Q (Kingfisher's biggest seller of compost by volume) and are now working to remove peat from all our OEB bagged-compost across the Group. We have also removed solvents from more paint lines – e.g., through the launch of *Naturéa*, Kingfisher's first bio-based paint
- An important subset of our SHPs are our energy and water-saving products. In FY 23/24, these represented 10% of Group sales (FY 22/23: 10%). We see considerable longer-term potential across all our markets as the 'green homes' agenda accelerates, and as our customers continue to look for opportunities to reduce the impact of their homes on the environment
- We are developing opportunities to further increase our engagement with customers in this area. Examples include launching free energy-saving diagnostic tools at B&Q and Brico Dépôt France, and expanding our range of OEB energy-saving products to support customers in improving energy efficiency at home and to save money in the process
- During the year we launched our *Green Star* product marker programme at B&Q, Screwfix and Castorama Poland for an initial 8.5k SKUs, with the aim of making it easier for customers to identify and purchase products that have a reduced impact on the environment. *Green Star* marked products are selected from our SHP range, with a stand-out environmental feature or benefit that can be easily explained to and understood by customers. The claim is then verified by relevant external third-parties. Our priority in FY 24/25 is to extend the *Green Star* marker to a broader population of SKUs, and continue the roll-out to all our banners

Communities: Fighting to fix bad housing

- We surpassed our FY 25/26 target of reaching 2 million people whose housing needs are greatest, through our charitable partnerships and banner Foundations. We have reached a total of 3.2 million people since FY 16/17 through our community projects
- Our banner Foundations partner with national charities including *Shelter* and *Macmillan* in the UK, *Fondation Abbé Pierre* in France, and *Habitat for Humanity* in Poland and Romania
- This year, the Screwfix Foundation celebrated its 10th anniversary, raising over £10m since launch and with nearly 2,200 organisations receiving a donation
- The Brico Dépôt Romania Foundation's *'Hope build'* project (alongside *Habitat for Humanity*) received an award in the 2023 Romanian CSR Awards Gala, and B&Q's *'Raise the Roof'* campaign was awarded 'Challenge Event of the Year' at the 2023 Business Charity Awards in the UK
- During the year we supported global relief efforts across the world, including providing financial donations in response to natural disasters in Turkey, Syria, Libya and Morocco

Governance and Reporting

Our Responsible Business Committee (RBC) supports and oversees the delivery of Kingfisher's Responsible Business strategy. This includes monitoring performance against the Responsible Business priorities. Our Group Climate Committee meets quarterly to monitor the Company's approach to meeting its climate commitments and assessing climate-related risks and opportunities. For more information on Responsible Business governance, please refer to our 2023/24 Annual Report.

Responsible Business measures are integrated into our long-term incentive plan (known as the Kingfisher Performance Share Plan), which is granted to members of our senior leadership team. The performance conditions attached to the vesting of awards include a 25% weighting on ESG measures. Kingfisher also has a £550m sustainability-linked revolving credit facility, which enables us to benefit from a lower interest rate when we deliver on ambitious sustainability and community-based targets under the Group's Responsible Business plan.

In June 2023, we published our 2022/23 Responsible Business Report, detailing the progress we made across the four priorities of our Responsible Business strategy. We also published our inaugural Responsible Business Databook which captures current and historical data, as well as performance against our priorities. We report on financial impacts of climate-related risks and opportunities in line with the approach set out by the Task Force on Climate-related Financial Disclosures (TCFD). Our FY 23/24 Responsible Business Report will be published in Q2 24/25.

We continue to rank highly in external benchmarks and indices. Highlights include *MSCI* ('AAA' score), *Sustainalytics* (second out of 42 in home improvement retail), *FTSE4Good* (score of 4.3 out of 5), *CDP*

Climate Change ('A-' leadership score) and *Workforce Disclosure Initiative* (88% score, compared to average consumer discretionary score of 60%).

h) Human, agile and lean

To deliver the best possible service to our customers and ensure our colleagues are engaged, fulfilled and able to realise their full potential, we are building a culture based on trust, agility, inclusion and curiosity. We have adopted a 'done is better than perfect' mindset to move faster and with more agility, given the rapidly changing environment in which we do business. And we continue to focus on becoming leaner and more productive, as well as lowering our same-store inventories.

Human

- We are continuing to listen to our colleagues and measure their engagement across the Group, through formal and informal mechanisms. These include our 17 Affinity Networks and the Kingfisher Colleague Forum
- Every Kingfisher colleague was asked to share their feedback via a colleague engagement survey in the summer of 2023. We heard from 87% of colleagues (up 4% YoY), with colleagues sharing 280,000 comments. Our Employee Net Promoter Score (eNPS) of 57 improved by three points YoY. All banners completed at least two colleague surveys last year, enabling better visibility and management of engagement levels
- Good progress is being made on delivering on our inclusion plans. During the year we launched a Group-wide allyship campaign, called *'Together. Stronger'*. The campaign sets clear minimum standards and expectations on inclusive behaviours and educates on the importance of everyday allyship. Colleagues complete mandatory training on non-inclusive behaviours and how to tackle them, and have been invited to make personal commitments to being a better ally
- During the year, Kingfisher's 'Diversity in Tech Network' was recognised at the *Women in Tech Employer Awards,* winning the Best Employer Network category, and at the *European Diversity Awards* as Outstanding Network of the Year. Our LGBTQ+ Affinity Network was also shortlisted in the *Diva Awards*, the *Bank of London Rainbow Honours*, and the *European Diversity Awards* in recognition of its impact

Agile

- One of the benefits of 'Powered by Kingfisher' is that our Group can easily leverage learnings across the business to ensure our banners can move with speed and agility. For example, our 'Centres of Excellence' enable technologies, resources and best practices to be quickly implemented elsewhere, such as our marketplace or trade initiatives. Kingfisher has 'Centres of Excellence' in supply chain, trade, compact stores, customer services, data, technology, and e-commerce & marketplace
- Across our technology infrastructure, we are leveraging strategic partnerships (such as with *Google, Amazon Web Services* and *Microsoft Azure* for cloud data) to enable a seamless migration from traditional data centres to a multi-cloud approach. This has led to enhanced speed, performance and resilience of our technology systems
- During the year we bolstered our internal engineering capabilities, adding software engineers in our Krakow (Poland) centre and opening our first engineering centre in Cluj (Romania), allowing us to be more agile in responding to customer demands

Lean – cost reduction and productivity

Multi-year structural cost reduction programme

We continue to make strong progress in lowering our cost base across multiple areas of the business. The net savings from these programmes continue to partially offset the costs of inflation, expansion and space changes, and the investment requirements of our business over the medium term. They are also key to unlocking targeted profitability improvements in France. In FY 23/24, we made progress in several areas:

- **Supply and logistics** – Kingfisher's supply and logistics teams continue to optimise our distribution centre and logistics networks. In France, Castorama and Brico Dépôt have reduced distribution centre space by 28% over the last four years in line with changes to their supply routes to market for near-sourced products

- **GNFR* optimisation** – category managers with Group-wide responsibilities and local procurement teams continue to optimise c.£2.5bn of GNFR spend through around 230 cost reduction projects. During the year, B&Q changed its customer service call centre provider and adopted call centre automation in certain instances to lower costs. The Group also realised lower IT hosting costs through our strategic partnership with *Google*, and lower SAP support costs through switching third-party support providers. Brico Dépôt France realised cost savings from decommissioning legacy IT operating systems
- **Overheads** – savings were realised across Group and banner head offices, including through the expanded use of our shared service centre (SSC) in Krakow, Poland. During FY 23/24, our SSC expanded its software engineering and data capabilities, facilitating a lower level of reliance on third-party contractors
- **Property** – excluding Screwfix, the Group completed 17 lease renewals and renegotiations in FY 23/24, with an average net rent reduction of 19% alongside improved lease terms. In addition, our rightsized big-box stores continue to deliver positive results. We have completed nine rightsizings over the last three years, including seven at B&Q and two at Castorama France. These completed rightsizings saw an average space reduction of c.30%, which in general was taken over by grocery retailers, thereby bringing incremental footfall to the vicinity of the stores. Since reopening, the stores have exceeded our performance expectations, with sales density improvements of up to 50%, improved profitability, and reductions in energy consumption of over 50%. Our plan is to rightsize up to 20 more B&Q stores over the medium to longer term, and accelerate rightsizings at Castorama France. Please refer to *'France performance and profitability plan'* in Section 3 for further details

Productivity
In addition to our more structural cost reduction programmes, we are also focused on raising productivity levels – i.e., adapting and improving existing processes and workflows to deliver greater cost efficiency. Examples include:

- **Store productivity** – during the year we deployed various initiatives across our banners to reduce stock shrinkage, including strengthening entrance/exit security, product tagging and the secure storage of high-value items
- **Labour productivity** – we are continuously optimising store operating models through the improvement of operating procedures and greater use of technology. Across all our banners we are redesigning processes and enhancing systems to improve the time taken to complete tasks such as picking, collection, and replenishment. This includes time and motion optimisation of C&C and home delivery order preparation. We have implemented formal store staffing templates to reduce management time spent on managing staffing needs. Additionally, we are leveraging improved benchmarking and forecasting to support more flexible workforce planning
- **Self-checkout terminals** – we have seen increased customer adoption of self-checkout terminals across B&Q, Castorama France and Castorama Poland. This has enabled colleagues to be redeployed to other areas of our stores, including picking for e-commerce orders. Self-checkout terminals are currently being piloted in Brico Dépôt France and Iberia
- **Supply and logistics** – at Screwfix, significant productivity improvements are being realised through new automated processes at our flagship logistics site in Trentham. Over 25% of weekly volumes in Trentham is now processed using automated technology, resulting in a 150% pick-rate improvement compared to standard processes, and thereby generating meaningful cost savings. At Castorama Poland, we improved truck utilisation by 16% through using equipment that enabled us to better load trucks, saving on transport costs and removing the equivalent of 3,500 road journeys
- **Overheads** – Our SSC in Krakow, Poland, continues to focus on reducing costs through greater use of automation – for example, using bots to analyse and chase overdue accounts receivables

Lean – inventories
Structurally reducing our inventory levels and improving inventory turn is a major priority over the medium term. To unlock efficiencies in our supply chain and inventory management, all our banners are deploying actions to structurally reduce same-store inventory. We are doing this by leveraging data to improve our planning and forecasting, optimising our replenishment systems (e.g., re-adjusting for shorter supplier lead-times), and developing stronger ranging principles.

For example, as described in *'Build a data-led customer experience'*, earlier this year Kingfisher developed a supply chain visibility tool (SVT) to provide our banners with real-time and end-to-end visibility of products, from receipt at origin ports all the way to arriving at stores. This transparency over the supply chain is enabling our banners to reduce inventory levels and replenishment cycles by optimising the time between products being ordered and arriving at stores and distribution centres. Over time, we believe this will result in higher product availability, lower inventory days, less working capital requirements and higher profitability.

More recently we have implemented a tactical action plan on product supply and availability in light of the current crisis in the Red Sea. We are working with our freight providers to secure shipping container capacity. We have successfully shipped our OEB outdoor stock according to our original plan and, to date, these shipments represent c.75% of our full 'buy' for the season. We have also protected ongoing supply through pulling forward product orders where appropriate, and quickly reflecting more accurate shipping lead-times in replenishment systems.

FY 23/24 performance summary

- **Net inventory –** total net inventory decreased by 4% (£132m) to £2,914m (FY 22/23: £3,046m in constant currency; £3,070m in reported rates). This was driven by lower purchasing, a reduction in seasonal and 'buffer' stock, product mix and strategic reduction initiatives; partially offset by product cost inflation and new stores
- **Same-store inventory** – as of 31 January 2024, same-store net inventory* was 5% (£160m) lower YoY in constant currency
- **Inventory in units (volume)** – as of 31 January 2024, inventory in units (volume) was down 4% YoY
- **Net inventory days** – increased by 1% YoY
- **Product availability** – overall and 'best seller' product availability significantly improved YoY, both up over 2% to above 96%

Medium-term financial and capital allocation priorities

Medium-term financial priorities

Building on our industry's attractive growth prospects, and supported by the application of Kingfisher's strategic priorities, the Group's medium-term financial and capital allocation priorities are as follows:

- **Sales to grow ahead of our markets:**
  - LFL sales growth driven by our strategic focus areas including e-commerce and marketplace sales growth, OEB sales growth and higher trade customer penetration; and
  - Sales impact of c.+1.5% to +2.5% from annual net space growth over the medium term, primarily driven by Screwfix and Castorama Poland
- **Adjusted pre-tax profit to grow faster than sales:**
  - Supported by scale benefits, higher margin initiatives, operating cost leverage, and multi-year operating cost reduction opportunities
- **Strong cash generation to drive growth investment and shareholder returns:**
  - Free cash flow of c.£450m in FY 25/26, followed by >£500m per annum from FY 26/27, supported by profit growth and ongoing inventory self-help measures

Capital allocation priorities

The Group's objectives in managing capital are to:

- Invest in the business where economic returns are attractive
- Maintain a solid investment grade credit rating
- Safeguard the Group's ability to continue as a going concern and retain financial flexibility
- Provide attractive returns to shareholders

We allocate capital, subject to strict returns criteria, to organic and 'bolt-on' inorganic growth opportunities that accelerate our strategy. Our target gross capital expenditure is c.3% of total sales per annum, focused on delivering against attractive organic growth opportunities.

To maintain a solid investment grade credit rating, our maximum net debt to EBITDA is 2.0 times over the medium term. To retain financial flexibility, we aim to maintain strong liquidity headroom (including cash, cash equivalents and committed debt facilities), which is currently set at a minimum of £800m. Total liquidity as of 31 January 2024 includes an undrawn revolving credit facility of £550m and cash of £353m (net of bank overdrafts).

Our target ordinary dividend cover range is 2.25 to 2.75 times, based on adjusted basic earnings per share. We may move outside of this target range, temporarily, from time to time. Overall, our aim is to grow the ordinary dividend progressively over time. If surplus capital remains after having achieved all the above objectives, the Board will return surplus capital to shareholders via a share buyback programme or special dividends.

Dividend for FY 23/24

The Board has proposed a final dividend per share of 8.60p. This results in a proposed total dividend per share of 12.40p in respect of FY 23/24, which is in line with the prior year (FY 22/23: 12.40p) and equates to a dividend cover of 1.8 times.

The final dividend is subject to shareholder approval at the Annual General Meeting on 20 June 2024, and if approved will be paid on 25 June 2024 to shareholders on the register at close of business on 17 May 2024. The shares will go ex-dividend on 16 May 2024.

Share buyback programme

In line with our capital allocation policy described above, in September 2023 the Board determined that a further £300m of surplus capital was available to return to shareholders, via a share buyback programme. As of 31 January 2024, we had repurchased c.£50m worth of shares under this programme and expect the second tranche of the programme to begin soon.

Including shares bought back under the previous £300m programme, we repurchased c.£160m worth of shares in FY 23/24.

Section 5: Technical guidance for FY 24/25

Please refer to Section 8 for further details regarding forward-looking statements.

Income statement

- Space
  - Sales impact of c.+1.5% from net space growth, mainly from Screwfix UK & Ireland and Castorama Poland
- New businesses
  - 'Other'[1] retail losses of c.£30m (FY 23/24: £30m)
- Depreciation and amortisation
  - Anticipate c.£680m (FY 23/24: £641m)
- Central costs
  - Anticipate c.£65m (FY 23/24: £60m)
- Share of JV interest and tax
  - Anticipate c.£20m (FY 23/24: £16m)
- Net finance costs
  - Anticipate c.£115m (FY 23/24: £105m)
- Adjusted PBT
  - Full year adjusted PBT of c.£490m to £550m[2]
- Tax rate
  - Group adjusted effective tax rate* of c.27% (FY 23/24: 27%)

Cash flow

- Capital expenditure
  - Targeting gross capex of c.£360m (FY 23/24: £363m; c.2.8% of total sales)
- Free cash flow
  - Anticipate c.£350m to £410m for the year (FY 23/24: £514m)
- Share buybacks
  - Continuation of current £300m share buyback programme (c.£50m completed to date)
- Dividends
  - Dividend policy target cover range of 2.25 to 2.75 times, based on adjusted basic earnings per share. We may move outside of this target range, temporarily, from time to time

(1) 'Other' consists of the consolidated results of Screwfix International, NeedHelp, and results from franchise and wholesale agreements, recorded within the 'Other International' division.
(2) Guidance assumes current exchange rates.

Section 6: Financial review

A summary of the reported financial results for the 12 months ended 31 January 2024 is set out below. To be read in conjunction with the condensed financial statements included in part 2 of this announcement.

Financial summary	2023/24	2022/23	% Total Change Reported	% Total Change Constant currency	% LFL Change Constant currency
Sales	£12,980m	£13,059m	(0.6)%	(1.8)%	(3.1)%
Gross profit	£4,776m	£4,795m	(0.4)%	(1.6)%	
Gross margin %	36.8%	36.7%	10bps	10bps	
Operating profit	£580m	£723m	(20.0)%		
Statutory pre-tax profit (PBT)	£475m	£611m	(22.3)%		
Statutory post-tax profit	£345m	£471m	(26.7)%		
Statutory basic EPS	18.2p	23.8p	(23.5)%		
Net increase/(decrease) in cash[(1)]	£84m	£(555)m	n/a		
Total dividend	12.40p	12.40p	-		
Adjusted metrics					
Retail profit	£749m	£923m	(18.9)%	(19.5)%	
Retail profit margin %	5.8%	7.1%	(130)bps	(130)bps	
Adjusted pre-tax profit (PBT)	£568m	£758m	(25.1)%		
Adjusted pre-tax profit margin %*	4.4%	5.8%	(140)bps		
Adjusted post-tax profit	£415m	£589m	(29.2)%		
Adjusted basic EPS	21.9p	29.7p	(26.4)%		
Free cash flow	£514m	£(40)m	n/a		
Net debt[(2)]	£(2,116)m	£(2,274)m	n/a		

(1) Net increase/(decrease) in cash and cash equivalents and bank overdrafts.
(2) Net debt includes £2,367m of lease liabilities under IFRS 16 in FY 23/24 (FY 22/23: £2,444m).

Total **sales** decreased by 1.8% on a constant currency basis, to £12,980m, reflecting a resilient performance in core categories, particularly in the UK & Ireland, and the adverse impact of weaker 'big-ticket' sales in the latter part of the year and unseasonal weather on seasonal category sales. By geography, a positive sales performance in the UK & Ireland was offset by lower sales in France, where the trading environment was impacted by low consumer confidence, particularly in the second half of the year. Sales were also lower in Poland, Iberia and Romania, where we faced tough comparatives and a weak consumer environment. On a reported basis, which includes the impact of exchange rates, total sales decreased by 0.6%.

LFL sales of -3.1% excludes a +1.3% sales impact from a net increase in space, driven by Screwfix store openings in the UK & Ireland and Castorama in Poland, and the acquisition of assets of Connect Distribution Services Limited (renamed Screwfix Spares). During the year, we opened 76 new stores (including 49 stores in the UK, five in Ireland, 17 in France including 15 Screwfix stores, and five in Poland). We closed one Screwfix store and eight grocery concession stores in the UK, and one Brico Dépôt store in Romania.

Gross margin % increased by 10 basis points on a constant currency and reported basis, reflecting effective management of inflation and supplier negotiations, partially offset by higher customer participation in promotional activity in France and Poland. In H2, gross margin % increased on a constant currency basis by 60 basis points. Group **gross profit** decreased by 1.6% in constant currency.

In constant currency, **retail profit** decreased by 19.5%, largely reflecting lower gross profits in France and Poland, and higher operating costs in the UK & Ireland and Poland. On a reported basis, retail profit decreased by 18.9%. **Operating costs** increased by 2.7% on a constant currency basis, largely reflecting cost inflation, including YoY increases in pay rates and energy costs, as expected, as well as higher technology spend, higher costs associated with space growth and new store openings, and charges related to ineffective foreign exchange hedges in H1. The increase in operating costs was partially offset through flexing our staffing levels and variable costs, and structural savings achieved by our cost reduction programme. In H2, our banners in France and Poland strengthened their actions on cost management, resulting in operating costs being limited to an increase of 1.3% YoY. The Group's **retail profit margin %** decreased by 130 basis points on a constant currency basis to 5.8% (FY 22/23: 7.1%, at reported rates). In H2, retail profit margin % decreased on a constant currency basis by 70 basis points to 5.2%.

Adjusted pre-tax profit decreased by 25.1% to £568m (FY 22/23: £758m), reflecting lower retail profit, higher central costs (including the impact of insurance claim deductibles in the UK & Ireland and Poland) and higher share of JV interest and tax (reflecting accounting under high inflation and related higher interest rates in our joint venture Koçtaş), partially offset by lower net finance costs. **Adjusted pre-tax profit margin %** decreased by 140 basis points to 4.4% (FY 22/23: 5.8%).

Statutory pre-tax profit decreased by 22.3% to £475m (FY 22/23: £611m). This reflects lower operating profit, including the impacts of impairments (see adjusting items below).

A reconciliation from the adjusted basis to the statutory basis for pre-tax profit is set out below:

	2023/24 £m	2022/23 £m	Increase/ (decrease)
Retail profit (constant currency)	**749**	930	(19.5)%
Impact of exchange rates	**-**	(7)	n/a
Retail profit (reported)	**749**	923	(18.9)%
Central costs	**(60)**	(49)	(22.9)%
Share of interest and tax of joint ventures & associates	**(16)**	(4)	n/a
Net finance costs	**(105)**	(112)	+6.1%
Adjusted pre-tax profit	**568**	758	(25.1)%
Adjusting items before tax	**(93)**	(147)	n/a
Statutory pre-tax profit	**475**	611	(22.3)%

Net finance costs of £105m (FY 22/23: £112m) consist principally of interest on IFRS 16 lease liabilities. The YoY decrease was largely due to higher interest income on cash deposits.

Adjusting items after tax were a total charge of £70m (FY 22/23: charge of £118m), as detailed below:

	2023/24 £m Gain/(charge)	2022/23 £m Gain/(charge)
Net store asset impairment charges	**(76)**	(139)
Operating model restructuring	**(11)**	-
Release of France and other restructuring provisions	**-**	3
NeedHelp goodwill impairment	**(8)**	-
Romania goodwill impairment	**-**	(16)
Release of Castorama Russia disposal warranty liability	**-**	4
Profit on disposal of Crealfi associate investment	**2**	-
Profit on exit of properties	**-**	1
Adjusting items before tax	**(93)**	(147)
Prior year and other adjusting tax items	**23**	29
Adjusting items after tax	**(70)**	(118)

In consideration of our FY 23/24 performance, we have revised future projections for a number of stores across the Group's portfolio. This has resulted in the recognition of £76m of net store impairment charges in the year. Impairment charges of £104m have been recorded principally in France, Romania and the UK, partially offset by impairment reversals of £28m principally in the UK. During the year, the Group commenced formal consultations with employee representatives regarding a proposed restructuring of the Group technology operating model. Charges of £11m have been recorded, primarily related to this programme. The total cost of the programme is expected to reach c.£15m by FY 24/25. An impairment charge of £8m has been recorded relating to the goodwill originally recorded on the acquisition of NeedHelp in FY 20/21, principally driven by revised financial projections. On 30 June 2023, the Group completed the disposal of its 49% interest in its French associate investment Crealfi S.A., resulting in a gain on disposal of £2m.

Prior year and other adjusting tax items relate principally to deferred tax credits recorded in respect of the impairment and restructuring expenses noted above, movements in prior year provisions to reflect a reassessment of expected outcomes, agreed positions with tax authorities and items that have time-expired. Please refer to note 6 of the condensed financial statements.

Taxation
The Group's adjusted effective tax rate (ETR) is sensitive to the blend of tax rates and profits in the Group's various jurisdictions. It is higher than the UK statutory rate because of the amount of Group profit that is earned in higher tax jurisdictions. The adjusted ETR, calculated on profit before adjusting items, prior year tax adjustments and the impact of future rate changes, is 27% (FY 22/23: 22%). The adjusted ETR is higher than the prior year rate primarily due to the increase in the UK statutory tax rate which took effect on 1 April 2023. Other factors include the impact of a lower share of Group profit from Poland (statutory tax rate of 19%), and increased losses in territories in which tax credits are not recognised.

The statutory effective tax rate includes the impact of adjusting items (including prior year tax items). The impact of these result in a statutory effective tax rate of 27%.

	Pre-tax profit £m	**Tax £m**	**2023/24 %**	Pre-tax profit £m	Tax £m	2022/23 %
Adjusted effective tax rate	**568**	**(153)**	**27%**	758	(169)	22%
Adjusting items	**(93)**	**23**		(147)	29	
Statutory effective tax rate	**475**	**(130)**	**27%**	611	(140)	23%

In FY 21/22, Kingfisher paid £64m (including interest) to HM Revenue & Customs in relation to the European Commission's 2019 state aid decision concerning the UK's controlled foreign company tax rules. The General Court of the European Union dismissed several of the appeals in June 2022 and the decision is now pending with the European Court of Justice. The Group continues to recognise the amounts paid, together with a further £4m of accrued repayment interest, as a non-current tax asset, based on its assessment that its appeal will ultimately be successful. Please refer to note 12 of the condensed financial statements.

The statutory tax rates applicable to this financial year and the expected statutory tax rates for next year in our main jurisdictions are as follows:

	Statutory tax rate 2024/25	Statutory tax rate 2023/24
UK	25%	24%
France	26%	26%
Poland	19%	19%

Adjusted basic earnings per share decreased by 26.4% to 21.9p (FY 22/23: 29.7p), which excludes the impact of adjusting items. **Basic earnings per share** decreased by 23.5% to 18.2p (FY 22/23: 23.8p).

	Earnings[(1)] £m	**2023/24 EPS pence**	Earnings[(1)] £m	2022/23 EPS pence
Adjusted basic earnings per share	**415**	**21.9**	589	29.7
Adjusting items before tax	**(93)**	**(4.9)**	(147)	(7.4)
Prior year and other adjusting tax items	**23**	**1.2**	29	1.5
Basic earnings per share	**345**	**18.2**	471	23.8

(1) Earnings figures presented reconcile adjusted post-tax profits to statutory post-tax profits.

Dividends
The Board has proposed a final dividend per share of 8.60p (FY 22/23 final dividend: 8.60p). Taken alongside the interim dividend already paid of 3.80p, this results in a proposed total dividend per share of 12.40p in respect of FY 23/24 (FY 22/23: 12.40p). The final dividend is subject to shareholder approval at the Annual General Meeting on 20 June 2024, and if approved will be paid on 25 June 2024 to shareholders on the register at close of business on 17 May 2024. The shares will go ex-dividend on 16 May 2024. A dividend reinvestment plan (DRIP) is available to shareholders who would prefer to invest their dividends in the Company's shares. The last date for receipt of DRIP elections is 4 June 2024.

Management of balance sheet and liquidity risk and financing

Management of cash and debt facilities
Kingfisher regularly reviews the level of cash and debt facilities required to fund its activities. This involves preparing a prudent cash flow forecast for the medium term, determining the level of debt facilities required to fund the business, planning for repayment or refinancing of debt, and identifying an appropriate amount of headroom to provide a reserve against unexpected outflows and/or impacts to cash inflows. To retain financial flexibility, we aim to maintain strong liquidity headroom (including cash and cash equivalents, and committed debt facilities), which is currently set at a minimum of £800m.

Net debt to EBITDA
As of 31 January 2024, the Group had £2,116m (FY 22/23: £2,274m) of net debt on its balance sheet including £2,367m (FY 22/23: £2,444m) of total lease liabilities.

The ratio of the Group's net debt to EBITDA was 1.6 times as of 31 January 2024 (1.6 times as of 31 January 2023). At this level, the Group has financial flexibility whilst retaining an efficient cost of capital. The Group's maximum net debt to EBITDA is 2.0 times over the medium term. Please refer to *'Medium-term financial and capital allocation priorities'* in Section 4 for further details.

Net debt to EBITDA is set out below:

	2023/24 £m	2022/23 £m
Retail profit	**749**	923
Central costs	**(60)**	(49)
Depreciation and amortisation	**641**	582
EBITDA	**1,330**	1,456
Net debt	**2,116**	2,274
Net debt to EBITDA	**1.6**	1.6

Credit ratings
Kingfisher holds a BBB credit rating with Fitch, (P) Baa2 rating with Moody's, and a BBB rating with Standard and Poor's. The Outlook is Stable across all three agencies.

Revolving credit facility
The Group has a £550m Revolving Credit Facility (RCF) agreement in place with a group of its relationship banks, linked to sustainability and community-based targets, of which c.£50m expires in May 2025 and c.£500m expires in May 2026. As of 31 January 2024, this RCF was undrawn.

Term loans
In FY 22/23, the Group entered into two fixed term loans: £50m maturing in December 2024 and £50m maturing in January 2025, with the latter linked to the Group's sustainability and community-based targets. In FY 23/24, the two term loans were extended to June 2025 and January 2026 respectively.

Covenants
The terms of the committed RCF and both term loans require that the ratio of Group operating profit (excluding adjusting items) to net interest payable (excluding interest on IFRS 16 lease liabilities) must be no less than 3:1 for the preceding 12 months as at the half and full year-ends. As of 31 January 2024, Kingfisher was compliant with this requirement.

Total liquidity
As of 31 January 2024, the Group had access to over £900m in total liquidity, including cash and cash equivalents of £353m (net of bank overdrafts) and access to a £550m RCF.

Free cash flow
A reconciliation of free cash flow is set out below:

	2023/24 £m	2022/23 £m
Operating profit	**580**	723
Adjusting items	**93**	147
Operating profit (before adjusting items)	**673**	870
Other non-cash items(1)	**673**	612
Change in working capital	**118**	(469)
Pensions and provisions	**(5)**	(20)
Net rent paid	**(474)**	(454)
Operating cash flow	**985**	539
Net interest received/(paid)	**9**	-
Tax paid	**(117)**	(130)
Gross capital expenditure	**(363)**	(449)
Free cash flow	**514**	(40)
Ordinary dividends paid	**(237)**	(246)
Share buybacks	**(160)**	(337)
Share purchase for employee incentive schemes	**(24)**	(9)
Disposal of Castorama Russia	**-**	8
French tax authority payment	**-**	(34)
Disposal of Crealfi S.A. and acquisition of assets of Connect Distribution Services Limited	**6**	-
Disposal of assets and other(2)	**(15)**	4
Net cash flow*	**84**	(654)
Opening net debt	**(2,274)**	(1,572)
Movements in lease liabilities	**71**	(41)
Other movement including foreign exchange	**3**	(7)
Closing net debt	**(2,116)**	(2,274)

(1) Includes depreciation and amortisation, share-based compensation charge and pension operating cost.
(2) Includes adjusting cash flow items (principally comprising restructuring costs), partially offset by proceeds from the issue of new shares, dividends from joint ventures and associates, and disposal of assets.

Operating profit (before adjusting items) was £197m lower than last year, reflecting lower retail profit, higher central costs and higher share of JV interest and tax. The working capital inflow of £118m was primarily driven by a decrease in net inventory of £132m, reflecting lower purchasing, a reduction in seasonal and ‘buffer’ stock, product mix and strategic reduction initiatives; partially offset by product cost inflation and new stores. Due to more normalised purchasing patterns compared to prior years, the movement in payables was broadly stable, decreasing by £8m. Receivables increased by £6m.

Gross capital expenditure was £363m, decreasing by 19% (FY 22/23: £449m). Of this expenditure, 35% was invested in refreshing, maintaining and adapting existing stores (including renewable energy initiatives), 18% on new stores, 34% on technology and digital development, 7% on range reviews and 6% on other areas including supply chain investment.

Overall, free cash flow for the year was £514m (FY 22/23: £(40)m). Net debt as of 31 January 2024 (including IFRS 16 lease liabilities) was £2,116m (FY 22/23: £2,274m).

A reconciliation of free cash flow and net cash flow to the statutory net movement in cash and cash equivalents and bank overdrafts is set out below:

	2023/24 £m	2022/23 £m
Free cash flow	**514**	(40)
Ordinary dividends paid	**(237)**	(246)
Share buybacks	**(160)**	(337)
Share purchase for employee incentive schemes	**(24)**	(9)
Disposal of Castorama Russia	**-**	8
French tax authority payment	**-**	(34)
Disposal of Crealfi S.A. and acquisition of assets of Connect Distribution Services Limited	**6**	-
Disposal of assets and other[1]	**(15)**	4
Net cash flow	**84**	(654)
Issue of fixed term debt	**-**	99
Net increase/(decrease) in cash and cash equivalents and bank overdrafts	**84**	(555)

[1] Includes adjusting cash flow items (principally comprising restructuring costs), partially offset by proceeds from the issue of new shares, dividends from joint ventures and associates, and disposal of assets.

Return on capital employed (ROCE*)
In FY 23/24, Kingfisher's post-tax ROCE was 7.8% (FY 22/23: 10.9%). The decrease was driven by lower profits in all geographic divisions. Kingfisher's weighted average cost of capital (WACC) was 8.8% (FY 22/23: 9.3%). ROCE by geographic division is analysed below:

	Sales £bn	Proportion of Group sales	Capital employed (CE) £bn	Proportion of Group CE	**ROCE 2023/24**	ROCE 2022/23
UK & Ireland	6.4	49.2%	2.9	45.4%	14.5%	16.3%
France	4.2	32.7%	1.7	27.0%	5.9%	8.4%
Other International	2.4	18.1%	1.4	22.3%	3.9%	9.1%
Central			0.4	5.3%		
Total	**13.0**		**6.4**		**7.8%**	10.9%

Property
Kingfisher owns a significant property portfolio, the majority of which is used for trading purposes. A formal valuation of the portfolio was undertaken by external professional valuers in October 2023. Based on this exercise, on a sale and leaseback basis with Kingfisher in occupancy, the value of the property portfolio was £2.7bn (FY 22/23: £2.8bn). This is compared to a net book value of £2.2bn (FY 22/23: £2.2bn) recorded in the financial statements (including investment property and property included within assets held for sale). Balance sheet values were frozen as of 1 February 2004, on transition to IFRS.

	2023/24 £bn	**2023/24 Yields**	2022/23 £bn	2022/23 Yields
France	1.3	8.6%	1.4	8.1%
UK	0.5	7.5%	0.5	7.2%
Poland	0.7	8.3%	0.7	8.0%
Other	0.2	n/a	0.2	n/a
Total	2.7		2.8	

Pensions
As of 31 January 2024, the Group had a net surplus of £99m (FY 22/23: £137m net surplus) in relation to defined benefit pension arrangements, of which a £212m surplus (FY 22/23: £251m surplus) was in relation to the UK scheme. The net surplus has reduced primarily due to the UK scheme, where asset losses were greater than the reduction in the accounting liability; the latter arising mainly from a higher discount rate (net of inflation). As part of the funding valuation exercise completed in the prior year, the Trustee and Kingfisher agreed to cease annual employer contributions from August 2022 to July 2025. The accounting valuation is sensitive to a number of assumptions and market rates which are likely to fluctuate in the future. Please refer to note 9 of the condensed financial statements.

Section 7: Glossary

Alternative Performance Measures (APMs)

In the reporting of financial information, the Directors have adopted various Alternative Performance Measures (APMs), also known as non-GAAP measures, of historical or future financial performance, position or cash flows other than those defined or specified under International Financial Reporting Standards (IFRS). These measures are not defined by IFRS and therefore may not be directly comparable with other companies' APMs, including those used by other retailers. APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measurements.

APM	Closest equivalent IFRS measure	Reconciling items to IFRS measure	Definition and purpose
Adjusted basic earnings per share (EPS)	Basic earnings per share	A reconciliation of adjusted basic earnings per share is included in the Financial Review (Section 6) and note 7 of the condensed financial statements	Adjusted basic earnings per share represents profit after tax attributable to the owners of the parent, before the impact of adjusting items (see definition below), divided by the weighted average number of shares in issue during the period. The exclusion of adjusting items helps provide an indication of the Group's ongoing business performance.
Adjusted effective tax rate	Effective tax rate	A reconciliation to the statutory effective tax rate is set out in the Financial Review (Section 6)	The adjusted effective tax rate is calculated as continuing income tax expense excluding tax adjustments in respect of prior years (including the impact of changes in tax rates on deferred tax), significant one-off tax settlements and provision charges/releases and the tax effects of adjusting items, divided by continuing profit before taxation excluding adjusting items. Prior year tax items represent income statement tax relating to underlying items originally arising in prior years, including the impact of changes in tax rates on deferred tax. The exclusion of items relating to prior years, and those not in the ordinary course of business, helps provide an indication of the Group's ongoing rate of tax.
Adjusted pre-tax profit (PBT)	Profit before taxation	A reconciliation of adjusted PBT is set out in the Financial Review (Section 6)	Adjusted PBT is used to report the performance of the business at a Group level. This is stated before adjusting items. The exclusion of adjusting items helps provide an indication of the Group's ongoing business performance.
Adjusted pre-tax profit (PBT) margin %	No direct equivalent	Refer to definition	Adjusted PBT is used to report the performance of the business at a Group level and is separately defined. Adjusted PBT margin % represents adjusted PBT as a percentage of sales. It is a measure of overall business profitability.
Adjusted post-tax profit	Profit after tax	A reconciliation of adjusted post-tax profit is set out in the Financial Review (Section 6) and note 7 of the condensed financial statements	Adjusted post-tax profit is used to report the after-tax performance of the business at a Group level. This is stated before adjusting items. The exclusion of adjusting items helps provide an indication of the Group's ongoing after-tax business performance.

APM	Closest equivalent IFRS measure	Reconciling items to IFRS measure	Definition and purpose
Adjusting items	No direct equivalent	Not applicable	Adjusting items, which are presented separately within their relevant income statement category, include items which by virtue of their size and/or nature, do not reflect the Group's ongoing trading performance. Adjusting items may include, but are not limited to: non-trading items included in operating profit such as profits and losses on the disposal, closure, exit or impairment of subsidiaries, joint ventures, associates and investments which do not form part of the Group's ongoing trading activities; the costs of significant restructuring and incremental acquisition integration costs; profits and losses on the exit of properties, impairments of goodwill and significant impairments (or impairment reversals) of other non-current assets; prior year tax items (including the impact of changes in tax rates on deferred tax), significant one-off tax settlements and provision charges/releases and the tax effects of other adjusting items; financing fair value remeasurements i.e., changes in the fair value of financing derivatives, excluding interest accruals, offset by fair value adjustments to the carrying amount of borrowings and other hedged items under fair value (or non-designated) hedge relationships. Financing derivatives are those that relate to hedged items of a financing nature.
Central costs	No direct equivalent	Not applicable	Central costs principally comprise the costs of the Group's head office before adjusting items. This helps provide an indication of the Group's ongoing head office costs.
Constant currency	No direct equivalent	Not applicable	Constant currency changes in total sales, LFL sales, gross profit, gross margin %, retail profit, retail profit margin % and operating costs reflect the year-on-year movements after translating the prior year comparatives at the current year's average exchange rates. These are presented to eliminate the effects of exchange rate fluctuations on the reported results.
Core and 'big-ticket' category sales±	No direct equivalent	Not applicable	Core and 'big-ticket' category sales include the sales from non-seasonal products across all our categories, including 'big ticket' sales (i.e., kitchen, bathroom & storage). It is used as a measure of our non-seasonal related performance, which is the majority of Group sales.
Dividend cover	No direct equivalent	Not applicable	Dividend cover represents the ratio of earnings to dividends. It is calculated as adjusted basic earnings per share divided by the total (full year) dividend per share. It is used as an indication of how sustainable dividend payments are.

APM	Closest equivalent IFRS measure	Reconciling items to IFRS measure	Definition and purpose
E-commerce sales penetration %	No direct equivalent	Refer to definition	E-commerce sales penetration % represent total e-commerce sales as a percentage of sales. For the purpose of this calculation only, sales are adjusted to replace marketplace net sales with marketplace gross sales. It is used to track the success of our e-commerce strategy.
First-party e-commerce sales	No direct equivalent	Refer to definition	First-party e-commerce sales are total first-party sales (excluding VAT) derived from online transactions, including click & collect (C&C). This includes sales transacted on any device, however not sales through a call centre. Sales (and related commissions/fees) from products supplied by third-party e-commerce marketplace vendors are excluded. It is used to measure the performance of our first-party e-commerce business across the Group.
Total e-commerce sales	No direct equivalent	Refer to definition	Total e-commerce sales are first-party e-commerce sales plus marketplace gross sales. References to digital or e-commerce sales growth relates to growth in constant currency. It is used to measure the performance of all e-commerce business (first-party and third-party) across the Group.
EBITDA	Profit before taxation	A reconciliation of EBITDA is set out in the Financial Review (Section 6)	EBITDA (earnings before interest, tax, depreciation and amortisation) is calculated as retail profit less central costs and before depreciation and amortisation. This measure is widely used in calculating the ratio of net debt to EBITDA, and is used to reflect the Group's leverage.
Free cash flow	Net increase in cash and cash equivalents and bank overdrafts	A reconciliation of free cash flow is set out in the Financial Review (Section 6)	Free cash flow represents the cash generated from operations (excluding adjusting items) less the amount spent on interest, tax and capital expenditure during the year (excluding asset disposals). This provides a measure of how much cash the business generates that can be used for expansion, capital returns and other purposes.
Gross margin %	No direct equivalent	Refer to definition	Gross profit represents sales from the supply of home improvement products and services (excluding VAT), less the associated cost of those sales. Gross margin % represents gross profit as a percentage of sales. It is a measure of operating performance.
LFL	Sales	Refer to definition	LFL (like-for-like) sales growth represents the constant currency, year-on-year sales growth for stores that have been open for more than one year. It is a measure to reflect the Group's performance on a comparable basis.
Marketplace gross merchandise value (GMV)	No direct equivalent	Refer to definition	Marketplace GMV is the total transaction value (including VAT) from the sale of products supplied by third-party e-commerce marketplace vendors. It is used to measure the performance of our e-commerce marketplace, and is the

APM	Closest equivalent IFRS measure	Reconciling items to IFRS measure	Definition and purpose
			basis on which our commissions from third-party vendors are determined.
Marketplace gross sales	No direct equivalent	Refer to definition	Marketplace gross sales is the transaction value (excluding VAT) from the sale of products supplied by third-party e-commerce marketplace vendors. Returned and cancelled orders are excluded. It is used to measure the performance of our e-commerce marketplace.
Marketplace net sales	No direct equivalent	Refer to definition	Marketplace net sales are commissions (excluding VAT) earned on e-commerce marketplace transactions, together with other service fees. This is included within sales. Commissions are determined based on GMV. It is used to measure the performance of our e-commerce marketplace.
Marketplace participation %	No direct equivalent	Refer to definition	Marketplace participation % represents marketplace gross sales as a percentage of total e-commerce sales. It is used to track the success of our marketplace strategy and performance.
Net debt	No direct equivalent	A reconciliation of this measure is provided in note 11 of the condensed financial statements	Net debt comprises lease liabilities, borrowings and financing derivatives (excluding accrued interest), less cash and cash equivalents and short-term deposits, including such balances classified as held for sale.
Net cash flow	Net increase in cash and cash equivalents and bank overdrafts	A reconciliation of net cash flow is set out in the Financial Review (Section 6) and in note 11 of the condensed financial statements	Net cash flow is a measure to reflect the total movement in the net debt balance during the year excluding the movement in lease liabilities, exchange differences and other non-cash movements.
Operating costs	No direct equivalent	Not applicable	Operating costs represent gross profit less retail profit. This is the Group's operating cost measure used to report the performance of our retail businesses.
Own exclusive brands (OEB) sales	No direct equivalent	Refer to definition	OEB refers to our portfolio of own exclusive brands across seven core categories – surfaces & décor, tools & hardware, bathroom & storage, kitchen, EPHC (electricals, plumbing, heating & cooling), building & joinery, and outdoor. OEB sales are sales of own exclusive brand products. It is used to measure the performance of OEB across the Group.
Retail profit	Profit before taxation	A reconciliation of Group retail profit to profit before taxation is set out in the Financial Review (Section 6) and note 3 of the condensed financial statements. There is no statutory	Retail profit is stated before central costs, adjusting items and the Group's share of interest and tax of JVs and associates. This is the Group's operating profit measure used to report the performance of our retail businesses.

APM	Closest equivalent IFRS measure	Reconciling items to IFRS measure	Definition and purpose
		equivalent to retail profit at a retail banner level	
Retail profit margin %	No direct equivalent	Refer to definition	Retail profit is the Group's operating profit measure used to report the performance of our retail businesses and is separately defined above. Retail profit margin % represents retail profit as a percentage of sales. It is a measure of operating performance.
ROCE	No direct equivalent	Refer to definition	ROCE (return on capital employed) is the post-tax retail profit less central costs, excluding adjusting items, divided by capital employed excluding historic goodwill, net debt and adjusting restructuring provision. The measure provides an indication of the ongoing returns from the capital invested in the business. Capital employed is calculated as a two-point average. The calculation excludes disposed businesses.
Same-store net inventory	Inventory	Refer to definition	Same-store net inventory movement represents the constant currency, year-on-year change in net inventory before the impact of store openings and closures. It is a measure to reflect the Group's inventory management on a comparable basis.
Seasonal category sales±	No direct equivalent	Refer to definition	Seasonal category sales include the sales from certain products within our outdoor, electricals, plumbing, heating & cooling (EPHC) and surfaces & décor categories. It is used as a measure of the performance of our sales that are subject to the season we are in, or prevailing weather conditions.

± Indicates the inclusion of new APMs during FY 23/24. The new APMs in the table above have been introduced to track the performance of our core and 'big-ticket' and seasonal category sales.

Other Definitions

Banque de France data for DIY retail sales (non-seasonally adjusted). Includes relocated and extended stores. https://webstat.banque-france.fr/fr/#/node/5384398. As of and including January 2023, we took the decision to suspend the communication of Castorama France and Brico Dépôt France monthly sales figures to *Banque de France* and the internal index of FMB (*Fédération des Magasins de Bricolage* – our trade association). In November 2023, we restarted the communication of monthly sales figures to both associations, including the retrospective resubmission of September and October 2023 sales data.

'Do It Yourself' (DIY) sales include products that facilitate self-undertaken home improvement projects and tasks, including paint, lighting, tools and hardware, and garden maintenance.

'Do It For Me' (DIFM) sales include products and services used in home improvement projects and tasks that predominantly require a tradesperson to undertake, including kitchens, bathrooms, tiling, wardrobes, windows and doors, certain electrical and plumbing activities, and installation services.

France consists of Castorama France and Brico Dépôt France.

GNFR (Goods Not For Resale) covers the procurement of all goods and services a retailer consumes (including ocean freight, energy, media buying, cleaning, and security).

Iberia consists of Brico Dépôt Spain and Brico Dépôt Portugal.

Other International consists of Poland, Iberia, Romania, 'Other', and Turkey (Koçtaş JV). 'Other' consists of the consolidated results of Screwfix International, NeedHelp, and results from franchise and wholesale agreements.

SKU (Stock Keeping Unit) is defined as the number of individual variants of products sold or remaining in stock. It is a distinct type of item for sale, such as a product and all attributes associated with the item type that distinguish it from others. These attributes could include, but are not limited to, manufacturer, description, material, size, colour, packaging and warranty terms.

UK & Ireland consists of B&Q in the UK & Ireland and Screwfix in the UK & Ireland.

Section 8: Forward-looking statements

You are not to construe the content of this announcement as investment, legal or tax advice and you should make your own evaluation of the Company and the market. If you are in any doubt about the contents of this announcement or the action you should take, you should consult a person authorised under the Financial Services and Markets Act 2000 (as amended) (or if you are a person outside the UK, otherwise duly qualified in your jurisdiction).

This announcement has been prepared in relation to the financial results for the 12 months ended 31 January 2024. The financial information referenced in this announcement is not audited and does not contain sufficient detail to allow a full understanding of the results of the Group. Nothing in this announcement should be construed as either an offer or invitation to sell or any offering of securities or any invitation or inducement to any person to underwrite, subscribe for or otherwise acquire securities in any company within the Group or an invitation or inducement to engage in investment activity under section 21 of the Financial Services and Markets Act 2000 (as amended) (or, otherwise under any other law, regulation or exchange rules in any other applicable jurisdiction).

Certain information contained in this announcement may constitute "forward-looking statements" (including within the meaning of the safe harbour provisions of the United States Private Securities Litigation Reform Act of 1995), which can be identified by the use of terms such as "may", "will", "would", "could", "should", "expect", "anticipate", "project", "estimate", "intend", "continue", "target", "plan", "goal", "aim", forecast, or "believe" (or the negatives thereof) or other variations thereon or comparable terminology. These forward-looking statements are based on currently available information and our current assumptions, expectations and projections about future events. These forward-looking statements include all matters that are not historical facts and include statements which look forward in time or statements regarding the Company's intentions, beliefs or current expectations and those of our Officers, Directors and employees concerning, amongst other things, the Company's results of operations, financial condition, changes in global or regional trade conditions (including a downturn in the retail or financial services industries), competitive influences, changes in tax rates, exchange rates or interest rates, changes to customer preferences, the state of the housing and home improvement markets, share repurchases and dividends, capital expenditure and capital allocation, liquidity, prospects, growth and strategies, litigation or other proceedings to which we are subject, acts of war or terrorism worldwide, work stoppages, slowdowns or strikes, public health crises, outbreaks of contagious disease, environmental disruption or political volatility. By their nature, forward-looking statements are not guarantees of future performance and are subject to future events, risks and uncertainties – many of which are beyond our control, dependent on actions of third-parties, or currently unknown to us – as well as potentially inaccurate assumptions that could cause actual events or results or actual performance of the Group to differ materially from those reflected or contemplated in such forward-looking statements. For further information regarding risks to Kingfisher's business, please consult the risk management section of the Company's Annual Report (as published). No representation, warranty or other assurance is made as to the achievement or reasonableness of, and no reliance should be placed on, such forward-looking statements.

The forward-looking statements contained in this announcement speak only as of the date of this announcement and the Company does not undertake any obligation to update or revise any forward-looking statement to reflect any new information, change in circumstances, or change in the Company's expectations to reflect events or circumstances after the date of this announcement or to reflect the occurrence of unanticipated events.