Kingfisher plc Full Year 2023/24 Results – Presentation Transcript – 25 March 2024

Speakers:

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TG: Good morning. Welcome to everyone here at the London Stock Exchange, and also to those joining online. I would like to begin by warmly thanking our colleagues across the Group for their continued hard work and commitment. I am immensely proud of all our teams for their focus and contributions against a challenging backdrop – helping us to deliver for our customers and drive our long-term strategy.

TG: Turning to our agenda for today, on slide 2. I will start the presentation with the key messages and financial highlights for the year. Bernard will then run through our performance in more detail, and cover our outlook and guidance for the year ahead. I will then provide an update on our strategy, including details on our new plan for France. As usual, we will be happy to take your questions after the presentation.

TG: To slide 3 and our key messages today. Our financial performance for the year was in line with our guidance, which we revised at our Q3 results. Against a backdrop of high inflation and elevated costs of living, we saw contrasting results in our banners. We delivered a positive sales performance in the UK and Ireland, with our three banners – B&Q... Screwfix... and TradePoint – consistently gaining market share. And in France and Poland, as we have reported, sales were impacted by the more challenging consumer environment in those markets.

TG: We have stayed focused, and continued to execute against our strategic priorities at pace. In particular, we are making significant progress in the areas of Screwfix, e-commerce marketplace, data, retail media and trade. These are all key drivers of sustained market share gains and our medium-term growth ambitions. We are also today announcing a clear plan to take France to the next level –simplifying the organisation and significantly improving the performance and profitability of Castorama France.

TG: Turning to the short term, and the year ahead... we expect repairs, maintenance and renovation on existing homes – which are typically around 80% to 85% of our sales – to continue to support resilient demand. While we start to see early positive momentum for housing demand across our markets, 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 are focused in 2024 on what we can control. This is leveraging our strategy to deliver market share growth... driving productivity gains... and continuing to manage our costs and cash effectively.

TG: Overall, our consistent execution over the last four years means we are now strongly positioned for growth in 2025 and beyond. We have made significant structural changes in how we operate – we are more agile and more lean, and we have a high conviction in the multiple growth drivers we are already investing in.

TG: Turning now to slide 4 and the financial highlights for the year. Overall sales of -1.8% were resilient, despite the conditions in France and Poland. This was supported by our positive performance in the UK and Ireland. We analyse our business by three broad categories – seasonal, big-ticket and our core categories. Core represented 77% of Group volumes and two thirds of Group sales last year. Through the year, we saw a sequential improvement – quarter after quarter – in the volume trend of these core categories as price inflation tapered. And this is still the case when we look at current trading versus the fourth quarter. This is an important and encouraging trend in the context of 2024.

TG: E-commerce growth has also been very encouraging, supported by the strong progress of our marketplace at B&Q which has reached £200m in GMV, in less than two years of operations. Our overall e-commerce sales now represent 17.4% of the Group. That is more than twice the level of 2019, which shows how far we have come.

TG: We delivered adjusted profit before tax of £568m, and strong free cash flow of £514m. And finally, we continue to build on our track record of attractive shareholder returns, with around £400m returned through dividends and buybacks in the year. Let me now hand over to Bernard to take you through the financials in more detail.

BB: Thank you Thierry. Good morning everyone. To slide 6 and the key financials for the year. As you've just heard, total sales in constant currency were down 1.8% to just under £13bn.

BB: We generated gross profit of £4.8bn, down 1.6%, with gross margin up 10 basis points. This reflected our active management of inflation and supplier negotiations, partially offset by higher customer participation in promotional activity in France and Poland, particularly in the first half of the year. In H2, the Group's gross margin was 60 basis points higher YoY.

BB: In constant currency, retail profit decreased by 19.5% to £749m. This reflected lower gross profits in France and Poland, and higher operating costs in the UK and Poland, largely due to staff pay rates, energy costs, and technology spend.

BB: The retail profit margin was 130 basis points lower, at 5.8%. In H2, the margin decreased by just 70 basis points YoY, with our banners in France and Poland expanding their actions on cost management. After central costs and our share of joint venture interest and tax, Adjusted PBT decreased by 25.1% to £568m.

BB: We generated free cash flow of £514m, supported by the unwind of working capital outflows from the prior year, as well as lower capital expenditure. And our total liquidity position remains strong, at over £900m. Net debt, mainly comprised of property leases, was just over £2.1bn, with net leverage of 1.6 times EBITDA, unchanged from prior year.

BB: Moving to slide 7, and looking at our performance by category. 16% of our sales were from big-ticket categories, which include kitchen and bathroom sales. LFL sales in this category were 3.8% lower, largely reflecting market weakness in France and Poland. 18% of our sales were from seasonal categories. This includes products such as outdoor furniture, barbecues, and heating and cooling products. LFL sales in these categories were 5.9% lower, driven by adverse weather in our markets. This included poor conditions in spring, and an unusually warm start to autumn.

BB: In our core categories, which account for the majority of our Group sales and volumes, we saw relatively resilient demand trends with LFL sales lower by just 2.1%. As Thierry mentioned, we

saw a sequential improvement of the volume trend as price inflation tapered through the year. We see this as an encouraging trend, which has continued into the start of 2024.

BB: Over the next few slides we'll take a closer look at our performance by region. All YoY variances are in constant currency.

BB: Starting with the UK & Ireland, here on slide 8. We delivered LFL growth of 0.8% supported by resilient e-commerce and trade customer sales. Space and acquisitions contributed an additional 2.2%, mainly from store openings at Screwfix and the acquisition of Screwfix Spares in March. Total sales in the UK & Ireland increased by 3.0%.

BB: Looking by banner, LFL sales at B&Q increased by 0.4%. This was driven by core category sales, supported by robust demand from trade customers and the strong growth of marketplace. B&Q's marketplace participation was 31% for the year, with overall e-commerce penetration reaching 13%, up from 11% last year. TradePoint delivered a good performance, with LFL sales up 0.7% for the year, accelerating in H2 to plus 3.6%. TradePoint penetration of B&Q sales remained at 22% for the year. Customer engagement and loyalty at TradePoint continued to strengthen, with active membership up 6% YoY.

BB: At Screwfix, LFL sales increased by 1.4%. The business saw a good performance across most categories, supported by robust demand from trade customers. Space growth and the acquisition of Screwfix Spares contributed circa 6%, for total sales growth of 7.3%. B&Q, TradePoint and Screwfix all saw consistent market share gains in the year, strongly so at Screwfix.

BB: Gross margin for the UK & Ireland increased by 40 basis points, reflecting the effective management of inflation, and favourable channel mix impacts due to the growth of B&Q's marketplace. While H1 gross margin was flat, H2 margin increased by 80 basis points YoY. Operating costs increased by 8%. This was driven by increases in staff and energy costs, higher technology spend, and costs associated with new stores. The increase was partially offset through structural savings achieved by our cost reduction programme. Retail profit for the UK & Ireland was 8% lower at £555m, with the increase in gross profit more than offset by higher operating costs.

BB: Moving to slide 9, and our performance in France. LFL sales were 5.9% lower for the year, with the trading environment impacted by low consumer confidence, particularly in the second half. Within this, seasonal sales were impacted by adverse weather conditions, with LFL sales 9.2% lower.

BB: Looking by banner, Castorama's performance was broadly in line with the market, with LFL sales down 4.8%. At Brico Dépôt, LFL sales were 7.1% lower. Its 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 slowed further in Q3 as the trading environment weakened, but rebounded in the fourth quarter with a sales performance in line with the market.

BB: Gross margin for France decreased by 10 basis points, reflecting the higher weighting of sales towards special promotions at Brico Dépôt, largely offset by effective supplier negotiations and lower distribution costs and shrinkage rates in H2. Gross margin increased by 20 basis points in H2. Operating costs decreased by 2.9% due to the active flexing of variable costs, and structural savings achieved by our cost reduction programme; both of which were expanded in the second half in response to the weaker trading environment. Operating costs were 4.4% lower in H2. Retail profit was 29.7% lower at £139m, driven by Brico Dépôt. France's retail profit margin was 110 basis points lower for the year, at 3.3%.

BB: Turning to slide 10 and the performance of Castorama Poland. LFL sales were 9.5% lower, against strong prior year comparatives and a challenging trading environment, particularly in the first half of the year. Sales trends improved in Q3 and Q4, supported by core category sales, in line with a gradual improvement in the consumer environment. On a YoY basis, Castorama gained market share in Q4, and sales trends have continued to improve in current trading.

BB: Gross margin for Poland decreased by 20 basis points for the year. This reflected higher customer participation in promotional activity and an adverse sales mix; partially offset by Castorama's effective management of inflation, supplier negotiations and a lower stock provision movement compared to the prior year. This was especially the case in H2, with gross margin up by 150 basis points YoY.

BB: Operating costs were 5.6% higher for the year due to increases in pay rates, energy costs, higher technology spend, and costs related to 5 new stores. This was partially offset by strengthened cost reduction actions including the flexing of staffing levels, lowering discretionary spend and the rephasing of certain investments. These actions resulted in operating costs being limited to a 1.7% increase in H2. Retail profit for the year was 47.4% lower at £82m, with a retail profit margin of 4.8%, 370 basis points lower YoY.

BB: Turning now to slide 11. The performance of the UK & Ireland, France and Poland are shown here in summary. Looking now at some of our other markets. First, in Brico Dépôt Iberia, where LFL sales were 1.8% lower. Core and 'big-ticket' categories were resilient, but the business saw weak seasonal sales due to adverse weather in the year. Retail profit decreased to £6m.

BB: At Brico Dépôt Romania, LFL sales were 3.3% lower against strong prior year comparatives and a challenging trading environment. Sales trends improved in H2, and the business exited the year with a positive LFL in the fourth quarter. Retail loss increased to £18m, reflecting lower sales and gross margin, partially offset by lower operating costs.

BB: 'Other' consists of the consolidated results of our new businesses – Screwfix International, NeedHelp, and franchise and wholesale agreements. A combined retail loss of £30m was realised, in line with the prior year. The loss was largely driven by Screwfix France, as the business invested in opening stores and building brand awareness. Our Turkish joint venture Koçtaş contributed a retail profit of £15m, up £7m from prior year. However, this was offset by higher Koçtaş-related interest in the year as a result of inflation accounting.

BB: To slide 12 and the full year movement in adjusted PBT for the Group. In constant currency this was down 25.1% for the year to £568m. Lower LFL sales at a constant gross margin rate contributed £150m to the decline. The gross margin rate improvement of 10 basis points added £12m. Increases in pay rates and energy cost inflation amounted to £148m, which was weighted more to the first half due to the phasing of inflation in the prior year. Other cost inflation and technology spend, which includes depreciation on IT assets, had an impact of £66m.

BB: We were able to substantially offset these cost increases through the active flexing of our staffing levels and variable costs, together with structural savings achieved by our cost reduction programme. Overall, the net increase in operating costs, excluding new stores and new businesses, was £38m for the year. In H1, we recognised one-off and non-cash charges of £10m in relation to ineffective foreign exchange hedges, which was linked to lower product purchases. Over £5m of this related to Poland. The YoY movement in profit contribution from our new stores and new businesses was £5m. This was mainly driven by Screwfix in the UK & Ireland.

BB: And finally, our non-retail profit items were £17m higher YoY. This included £11m more on central costs, plus £12m of additional interest and tax at Koçtaş, reflecting accounting adjustments linked to high inflation and interest rates in Turkey. These items were partially offset by £7m lower net finance costs, due to higher interest income on cash deposits.

BB: On slide 13 we have replicated the profit bridge for H2. In constant currency, pre-tax profit was 19.4% lower at £232m, which was an improvement on the H1 movement given a stronger gross margin rate and accelerated cost actions, somewhat offset by the impact of a larger decline in YoY sales. Gross margin improved in all key markets in H2, for an increase of 60 basis points in total for the Group. This was driven by our effective management of inflation and supplier negotiations, more normalised promotional activity, and a lower stock provision movement in Poland YoY. This resulted in a £37m profit contribution. And as a result of our accelerated actions, net operating costs excluding new stores and new businesses were £7m lower YoY.

BB: This leads us to slide 14 and an overview of our ongoing work to lower our cost base and increase productivity levels. At the start of 2020, we initiated a multi-year cost reduction programme covering all our retail banners and Group functions. These efforts have delivered a combined £356m in LFL operating cost reductions over the last three years, completely offsetting operating cost inflation. This number doesn't cover the significant savings realised in Costs Of Goods Sold from optimising our distribution centre space and logistics networks. For example, in France, Castorama and Brico Dépôt have reduced distribution centre space by 28% over the last four years.

BB: Despite this, there is still much more we can do. We're continuing to increase labour productivity. Last year, the number of FTEs in the Group reduced by approximately 2,600. In stores, we are enhancing productivity by deploying technology such as self-checkout terminals and electronic price labels. We are also leveraging data to improve store processes, and implementing new best practices to reduce stock shrinkage.

BB: In property, we continue to negotiate favourable lease terms. Last year we completed 17 lease renegotiations across the Group, excluding Screwfix, realising an average net rent reduction of 19%. And results from our rightsized stores have exceeded expectations, seeing an average space reduction of 30%, improved sales densities, and improved profitability. We plan to rightsize up to 20 more B&Q stores over the medium to longer term, and accelerate rightsizings at Castorama France, as Thierry will touch on later.

BB: Across our Group and banner head offices we are also seeing savings on overhead expenditure, including through the expanded use of our shared services centre in Poland. This is allowing us to be more efficient at our head offices. Last year we invested in software engineering and data capabilities in-house, facilitating more agility in responding to customer demands and a lower level of reliance on third-party contractors. We also decommissioned older and more costly legacy IT systems.

BB: And we continue to optimise our circa £2.5bn of Goods Not For Resale purchases with a range of projects, led by category managers that operate across banners, and local procurement teams. There are 230 such projects currently in train. We expect to continue driving cost savings and efficiencies. In the coming year we have line of sight to an additional £120m of cost reductions, helping to offset against expected inflation.

BB: To slide 15 and a summary of cash flow movements in the year. We generated EBITDA of over £1.3bn, lower by 8.7% YoY. As expected, we saw a working capital inflow of £118m. This was driven by a £132m reduction in inventory, 4% lower YoY, reflecting lower purchasing, a reduction in seasonal and buffer stock, product mix, and our ongoing strategic reduction initiatives. This was partially offset by the impact of product cost inflation and new stores. Payables were

broadly stable YoY, lower by £8m, due to more normalised purchasing patterns. Receivables increased by £6m, resulting in a net overall movement of £14m.

BB: Capital expenditure for the year was £363m, representing 2.8% of sales. This was approximately 20% lower YoY, driven by lower tech and digital spend, and some rephasing of our store and range review investments. Free cash flow for the year was £514m. We paid ordinary dividends of £237m, and a further £160m was returned to shareholders via our share buyback programmes. This included circa £50m related to the first tranche of our ongoing £300m programme. Overall, we saw a net increase in cash of £84m.

BB: Moving on to our outlook and guidance for the year ahead. Starting here on slide 17, with a reminder of Kingfisher's sales by customer spend category. Typically, the majority of our sales are linked to repairs and maintenance. This type of activity is less discretionary in nature, driven by essential demands. As such, we tend to see resilience in associated product sales, and more limited volatility.

BB: Then there is the renovation of existing homes. More recently we've observed a clear trend of "improve, not move", with consumers investing to protect the value of their homes in an environment of fewer housing transactions and relatively high employment levels and savings ratios. We saw this trend clearly in the UK last year, particularly with trade demand at Screwfix and TradePoint. In addition, trends such as more working from home and growing interest in energy efficiency provide reinforcement for renovation-linked demand.

BB: The balance of 10 to 15% of our typical annual sales are linked to renovation work following a house move. Our analysis suggests that recent home movers are likely to spend one-and-a-quarter to two-and-a-half times more on home improvement than the average home improver within 18 months of moving, providing some support for our big-ticket sales.

BB: Moving to slide 18. To give you an insight into our scenario planning processes, we'd like to present our view on the outlook for home improvement in our markets this year.

BB: 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 a couple of things. First, the continued uncertainties facing households, including from employment and mortgage rates, and second, a 9 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 somewhere between a low-single digit decline to flat YoY.

BB: In France, we continue to see subdued consumer confidence and a weak housing market. This supports our home improvement market outlook of a mid-single digit decline in a low case, and low-single digit decline in a high case.

BB: And finally, in Poland, more recently we have started to see inflation and interest rates come down versus their peaks in 2023, and consumer confidence is slowly improving – with potential for further improvement as households benefit from real wage growth this year. We therefore expect the home improvement market in Poland to be somewhere between flat and low-single digit growth YoY.

BB: In the appendices you will find the results from our recent survey of retail and trade customers in the UK, France and Poland, which we run regularly to check the pulse of our markets. Overall, these surveys highlight a gradual improvement in sentiment but still some caution on retail and trade consumer intentions in the short term.

BB: Finally, to slide 19, and bringing our market outlook together with our guidance for the full year. Further technical guidance can be found in the appendices. To summarise the previous slide, we expect repairs, maintenance and existing home renovation to provide resilience, but we are cautious on the overall market outlook in FY 24/25 given the lag between housing demand and home improvement demand.

BB: In Q1 to date, we have seen Group LFL sales of -2.3%, with improved sales trends in all regions compared to the fourth quarter. For the year ahead you can continue to expect from us a focus

on growing ahead of the market by leveraging our key strategic priorities. Thierry will cover these in more detail shortly.

BB: In terms of trading, as we have demonstrated very well in recent years, we will continue our effective management of product costs and retail prices, while maintaining competitive price indices. We are also targeting an additional £120m in opex reductions and productivity gains this year, to partially offset higher pay rates and technology investments. Taken together, we expect full year adjusted PBT of £490m to £550m, and free cash flow of £350m to £410m. With my review complete, let me now hand back to Thierry.

TG: Thank you, Bernard. Now, moving on to an update on our strategy. I would like to start on slide 21 with a reminder of Kingfisher's equity story. Home improvement – which includes DIY, Do It For Me and trade channels – is an attractive industry.

TG: Our addressable markets are worth around £160bn, with many structural long-term growth drivers. These include an ageing housing stock across our European markets, which supports repairs, maintenance and renovation, as well as an increasing need for greener and more efficient homes. We also see many supportive socio-economic trends.

TG: There is a high level of home ownership across the core customer groups in our markets. We continue to notice a sustained trend of more working from home, and a budding generation of young DIYers, post-Covid.

TG: We then believe Kingfisher has many distinct competitive advantages that enable us to win in this market. Firstly - we maintain leadership across all our key geographies, with number one or two positions. These are achieved through diverse banners and formats which resonate with customers across general DIY, trade and the discount market.

TG: We have group scale and resources which power our banners – from product development and supply, and technology and buying. Our own exclusive brands – accounting for around half our sales – are a treasure for Kingfisher. They enable differentiation and innovation at affordable prices for customers – and a higher margin for us.

TG: We now have a powerful digital proposition, supported by a strong store network and our leading-edge technology infrastructure. Combined - this creates our best-in-class omni-channel offering. And we are a pioneer in leading our industry in responsible business and energy efficiency.

TG: Leveraging these advantages, Kingfisher represents a compelling returns opportunity. We have multiple growth drivers, from the expansion of Screwfix, e-commerce and marketplace, retail media and trade.

TG: We are a highly cash-generative business, with a strong balance sheet and we have a strong track record of paying dividends and returning surplus capital to shareholders. Since 2019 we have returned over £1.6bn. That is around one third of our market cap today. Simply put, we believe our market, our competitive advantages, our strategy and growth drivers, and our record of delivering attractive returns, make Kingfisher a compelling investment opportunity.

TG: Achieving this potential means keeping our focus on the long term, and continuing to execute against our strategic priorities at pace. Many of you will be familiar with our strategic pillars, listed here on slide 22. I will speak to some of these in more detail shortly.

TG: Overall - we are pleased with our progress in all these key areas. Together they support our goal of powering our distinct retail banners with the strength, scale and expertise of the Kingfisher Group.

TG: On slide 23, we summarise the application of our strategic priorities across our banners to achieve their full potential. With each of our banners having clear and distinct plans, the role of Kingfisher is to provide product, technology, scale and expertise where it makes sense, to accelerate their strategies for the benefit of our customers.

TG: As you can see from the bottom of this slide, our disciplined approach gives priority to our highest returning opportunities – the expansion of Screwfix and the store opening programme in Castorama Poland.

TG: Over the next few slides, I will talk to a handful of our strategic priorities, covering progress made to date and the significant potential we see in the future. Starting here on slide 24 with our first pillar – Grow by building on our different banners. In our key markets, we have identified white spaces and catchments where our banners are currently under-represented.

TG: At B&Q, we now have ten stores under the B&Q Local branding, leveraging our compact high street format to penetrate more urban areas. We believe there are over 50 white spaces to go after in the UK. B&Q trade-focused banner, TradePoint, expanded into 21 additional stores last year, now present in more than two thirds of B&Q's network. In the coming year we will begin testing counters for smaller B&Q stores to increase our presence in this part of the estate.

TG: Screwfix continues to grow at pace. Last year it opened 51 stores in the UK and Ireland. And with a total of 922 stores it is firmly on track to its goal of over one thousand stores in those countries. We expect to open up to 40 new stores this year. Screwfix also opened a further 15 stores in France, for a total of 20 stores at the end of January and we are encouraged by the results so far. More on this shortly.

TG: Poland remains a significant and an exciting opportunity for Kingfisher. There is significant white space in the country, with potential for all Castorama formats, in particular, our medium-box and compact stores. We see scope to add up to 75 such stores over the next five years and intend to open a further five, this year.

TG: And finally - Brico Dépôt is well-positioned to penetrate more white space in France with its leading discount format. It opened its first two compact stores last year, with a one thousand square metre format.

TG: Over the medium term, we believe net space growth will drive an uplift in sales of circa 1.5% to 2.5% per annum.

TG: To slide 25 and a deeper look at the opportunity for Screwfix International where we are building on the industry-leading convenience model for trade customers developed in the UK.

Last year we focused on building the foundations for the business in France, and we are making good progress. We opened 15 more stores, and expanded our range to around 14 thousand SKUs.

TG: We are really pleased with the customer reaction so far. Across a customer base that has already reached 70 thousand, we have seen strong NPS scores and strong repeat customer trends, with approximately half of our sales to trade customers. We believe the key to long-term success in France is leveraging our competitive advantages and all the things that make Screwfix great in the UK.

TG: Our brand awareness is now already on par with our closest peer in France, within only 18 months of opening our first stores. Our sales densities are already higher. And building on our existing presence in France, we are applying Kingfisher's local expertise, scale and own exclusive brands. We plan to open up to 15 new stores in Northern France this year. And we have a clear roadmap to profitability, with a measured approach to the pace of store openings in the coming years.

TG: We are clear that the focus is further building brand awareness, scaling up sales store densities and further refining the model. Assuming the success of the format is confirmed, we see potential for more than 600 stores in France. And over time, we also see scope to extend our presence into more European countries, adopting our online-first approach.

TG: On slide 26 we have set out Screwfix's store sales evolution in France - versus the UK. Unsurprisingly, year 1 store sales are lower in France versus the UK, where the brand is one of the most well-known across general retail. However, we expect a steeper maturity curve as our brand continues to develop in France, and as we build on our 70 thousand customers and win more of their wallet spend. Overall, we are confident in achieving a positive retail contribution in year 4 of a Screwfix France store. We believe this will become faster as awareness and consumer adoption grows over time – as it did in the UK.

TG: Turning to our marketplace proposition, on slide 27. I mentioned in my opening remarks the strength of our e-commerce performance this year. Much of this is down to the success of our

marketplace at B&Q, and also in Iberia. In less than two years, B&Q has reached £200m of GMV. Its gross sales from marketplace were 31% of online sales, and it continues to grow strongly – reaching 38% in January.

TG: At B&Q we offer customers an additional 1.2 million SKUs from hundreds of selected merchants. This supports our own first-party proposition of 40 thousand SKUs in-store and online. Merchants are choosing us for our high levels of traffic, our trusted retail brands and our sophisticated back-end capabilities and services. And with this virtuous circle, we are taking more share of traffic and attracting new customers, with 50% of marketplace customers new to B&Q.

TG: We apply a 10% to 15% take rate across our marketplace sales. With a relatively low cost to serve, marketplace is already delivering strong returns, and the potential for further growth is very significant.

TG: Turning to slide 28, and our ambitions for e-commerce and marketplace. In the UK, we aim to reach two million SKUs at B&Q – providing significant additional choice for our customers. This year we will also on-board selected non-UK merchants to expand options from international brands. And we are really excited about extending our success to France and Poland. With the technology already built, this can be done at a minimal cost.

TG: Last week, Castorama France launched its marketplace. The business is planning to scale at pace, leveraging new strategic partnerships already signed with various aggregators. Over time we expect to offer more than 500 thousand additional SKUs. Castorama Poland will launch its marketplace in H2.

TG: E-commerce is a major growth opportunity for Kingfisher. Our ambition is now to reach online sales penetration for the Group of 30%, with one third coming from these high-margin marketplace sales.

TG: To slide 29. Another area where we have moved at pace is retail media. We have built a proposition to give merchants the opportunity to advertise, utilise data, and improve their

offering. This is supported by new partnerships to accelerate our capabilities in technology and sales. In H1 last year we launched retail media in our two banners in France, followed by B&Q in H2, with multiple vendors now advertising via our e-commerce channels.

TG: Our priorities this year include expanding into Screwfix, Castorama Poland, Iberia and Romania. We will also launch a retail media proposition for marketplace sellers. Over time, we see the potential for retail media revenues to reach up to 3% of our e-commerce sales – and we are really excited about the opportunity here.

TG: Finally, our trade or Pro strategy, here on slide 30. This is a key priority for Kingfisher and is already delivering very positive results as we extend our proposition into France and Poland.

TG: Through TradePoint in the UK, we have created a blueprint for our ambitions in heavier trade. The banner is now present in 67% of B&Q's store network. Last year we recruited dedicated sales partners in 39 stores to build more direct and personalised relationships with our trade customers. And we are already seeing positive early results, with TradePoint delivering £834m in sales last year, and like-for-like sales in H2 of +3.6%. The business outperformed B&Q as a whole and gained market share.

TG: We are extending our learnings here to other banners across the Group. In France we have launched tests at 24 Brico Dépôt stores, with dedicated trade zones, colleagues and a new loyalty programme. Already in these stores we have seen a doubling of trade sales penetration, and we have recruited more than five thousand customers to our loyalty programme. Given this early success, we have begun a nationwide roll-out to all Brico Dépôt stores, while in parallel, stepping up our trade proposition at Castorama France this year.

TG: Similarly in Poland, we are testing CastoPro zones – a store-in-store concept similar to TradePoint with separate entrances to the store, supported by a new loyalty programme and dedicated sales partners. Early results show that trade penetration of our five pilot stores is significantly higher than the Poland average, and we are seeing trade customers shop three times more frequently and with much higher baskets. This year we intend to expand the store-

in-store pilots to ten additional locations in Poland, supported by a national roll-out of our Pro loyalty programme.

TG: Over the longer term, these plans support our ambitions to increase TradePoint sales to over £1bn, and to double our trade penetration in France and Poland.

TG: Turning now to France. Starting with slide 32, and we have established strong foundations in France over the last four years. The fix France phase started in September 2019. We quickly started to improve the offer of both banners, bringing back local and international brands to meet customer needs better. We re-introduced dynamic trading events and promotional offers. We put in place new leadership and filled critical roles and teams. And we started to reorganise the entire logistics network in France, as well as addressing the key IT pain points of 2019.

TG: In 2020 we started implementing our new Powered by Kingfisher strategy. As you know, we fundamentally rebalanced how the banners worked with Kingfisher Group, giving them greater autonomy and agility. We enhanced further the offer of both Castorama and Brico Dépôt, leveraging Kingfisher's OEB to provide differentiation between the two, and we invested in price at both banners, strengthening their price positioning and perception.

TG: We also started to test adaptations to the store estate, giving us the insights we need to make longer-term decisions around rightsizings, modernisations, transferring Castorama stores to Brico Dépôt and compact formats. In parallel - we have brought significant new e-commerce and data capabilities to France, preparing the banners for the next phase of their journey. Finally, over £150m of cost has been structurally removed from the businesses in the last four years.

TG: As a result of all these actions, we have created a clear differentiation between our two banners, more competitive prices, strong product availability and significantly improved customer satisfaction. As a consequence, we have now corrected the significant under-performance against the market that we were experiencing back in 2019.

TG: So, the time is therefore right to take France to the next level, and this is summarised here on slide 33. First, we are simplifying the overall structure of the organisation by dissolving our

Kingfisher France structure. This will move decision-making power clearly to the banners, making us more agile. And it will eliminate some duplication of work at banner and France-level, releasing some efficiencies. This simplified structure will reflect how we run our businesses in the UK & Ireland.

TG: Alain Rabec, CEO of France, will retire at the end of September 2024. Alain joined Kingfisher in October 2019 and has overseen much of the significant progress I highlighted on the previous slide. I would like to take this moment to thank Alain for his many important contributions, and wish him well for his retirement.

TG: As part of this we have announced that Pascal Gil will become CEO of Castorama France at the end of April. Pascal started his career at Castorama France, before leading Brico Dépôt and then becoming CEO of Poland. Details of Pascal's successor in Poland will be announced in due course.

TG: Second, we have constructed a clear and actionable new plan for Castorama. We will restructure and modernise the store network, improve operating margins, and grow sales densities.

TG: Finally, we will strengthen the discounter DNA of Brico Dépôt to drive like-for-like sales. The business aims to capture trade demand, roll out new store formats, and improve productivity.

TG: Based on this plan, our target is to reach a retail profit margin for France of circa 5% to 7% in the medium term. We expect to achieve 5% through self-help and the actions I will set out over the next few slides. And if the French market environment becomes more positive, we believe this can move to 7% with the operating leverage in the business.

TG: Starting with Castorama on slide 34. Despite significant progress over the last four years, the margin of Castorama remains lower than Group average, and also that of Brico Dépôt.

TG: We have developed a plan with three core priorities to boost Castorama's performance, starting with restructuring and modernising the store network. We are focused here on one third of the

estate which we have assessed as the lowest performing Castorama stores. Our plan is to address these stores via four main pathways – rightsizing, modernisation, transferring to Brico Dépôt, and franchising. I will explore these pathways in the following slides, and 13 stores will be addressed during this year.

TG: Second, we will focus on operating margin efficiency for the whole Castorama network. This means strengthening our cost reduction plan, and leveraging our investments in data and AI to optimise promotions, markdowns and clearance. As discussed, we will also scale our retail media and marketplace offerings to generate additional income streams.

TG: We also believe there is significant opportunity to grow sale densities across Castorama. This can be achieved with broader product choice, supported by marketplace, and also by growing trade penetration and capturing demand for energy efficiency and green renovations.

TG: And finally, we intend to achieve this with no material step-up in capex. The investment required is within the Group's capex guidance of 3%of sales and will be spread over the next three to five years. We see an internal rate of return of over 25% on these investments, and payback within three to four years. We are not assuming any release of value from our freehold stores.

TG: To slide 35, and the first pathway for Castorama's lowest performing stores – rightsizing. Over the last two years we have successfully rightsized two Castorama stores. This resulted in space reductions of around 25%, and a material uplift in sales densities. On average that saw a 600 basis points improvement in the retail contribution margin of those two stores. We have identified three stores where we will commence rightsizing this year, with a targeted payback on investment within four years.

TG: Second, we are modernising our store formats. We successfully carried out a pervasive store refit last year at our Castorama store in Englos, near Lille. We reorganised the layout, breaking from the format of 130 aisles and moving instead to six core areas focused on inspiration and projects. The refit took six months to complete, and we completed the work while the store was open. We expect payback of our investment within four years.

TG: Results have been strong, with significantly improved sales growth, strong big-ticket sales, and higher customer traffic and NPS scores. The store has now become one of Castorama France's top 10 performing stores. We are planning to roll out this successful approach to one Castorama store this year, with six additional low-performing stores benefiting from a refresh.

TG: On slide 37 you can see how we have upgraded the look and feel of Englos, creating a more inspirational space and improving the overall customer experience, including in-store digital and fulfilment services. We are looking forward to show you this renewed concept in person, as part of our store tour event in July. We hope to see many of you there.

TG: Slide 38 shows how value can be created in specific situations by transferring Castorama stores to our more profitable Brico Dépôt format. Over the last three years we successfully transferred two low-performing stores to Brico. Our Pontault-Combault conversion, shown on this slide, saw a reduction in selling space of 50%– with sales densities increasing by more than 100%, and a material uplift in store profitability. We are planning to transfer one Castorama France store to a Brico Dépôt format this year.

TG: Finally, to franchising, on slide 39. We have followed closely the very common practice of franchising in French retailing. And we believe there are significant benefits for both Castorama and our potential franchisees. The franchisee would operate the store, with right of use of the Castorama brand for a royalty fee. They would also be able to leverage Kingfisher's capabilities – including our store technologies, our buying scale and access to our OEB product via wholesale.

TG: All store operating costs – such as staff and opex – would transfer to the franchisee. We believe that the model would improve store profitability, and provide an attractive income stream for Kingfisher. We are planning to test franchises in two Castorama stores in the next twelve months. Longer term, this model also gives us the option to expand our footprint with limited capex.

TG: To slide 40, and Brico Dépôt, our industry's leading hard discounter. We believe there is significant and exciting potential for this business, and our plan will capitalise on the extensive

work we have done to restore Brico's discounter DNA. We will drive like-for-like sales by further strengthening ranges, brand awareness and our price positioning.

TG: As I mentioned earlier, Brico will expand its trade proposition to the entire store network this year following very positive results in 24 stores. We are also testing and optimising Brico's innovative one thousand square meter format. The business opened its first two compact stores this year, and customer reaction has so far been positive. Brico is well positioned to penetrate more white spaces that exist in France, and over time we see franchising as another option for capital-light footprint expansion.

TG: At last, improving store productivity is a big focus for Brico Dépôt. We are starting by optimising functions and creating a simpler management structure. There is then significant opportunity to leverage technology and data to be more efficient in how we run the stores and deploy our colleagues. Overall, there is much to look forward to in France and we are excited about the possibilities ahead. We expect a significant improvement in profitability over the medium-term.

TG: Finally, to summarise today's presentation. Starting on slide 42. 2023 was a challenging year. However, we are pleased with the fast progress made against our strategic initiatives, which are structurally changing our business for the future. This is reflected particularly in our resilient UK performance.

TG: For 2024, our approach is to be realistic on market growth given the lag between housing and home improvement demand. But putting the market environment to one side, we have much to look forward to in the year ahead. That is leveraging our strategy to deliver sustained market share growth, driving productivity gains and managing our costs and cash effectively. We are also energised by our plans to improve performance and profitability in France.

TG: And to slide 43, the business is strongly positioned for growth in 2025 and beyond. I have been clear that as a business we must not rely on the macro environment to drive our performance. Our very consistent approach in the last four years has been to structurally change our business on the inside, transform the offer for our customers and focus our capital selectively on profitable growth opportunities.

TG: The box on the left provides a few examples of how we have repositioned the business since 2019. We have rebalanced the relationship and responsibilities of our banners and our Group functions. We have shifted our e-commerce strategy to leverage our store estate to drive our impressive online growth. And have transformed our tech infrastructure, while also investing in the use of data and AI.

TG: We have adopted a culture of test and learn, which has enabled us to successfully adopt new approaches and formats with minimised risk. And our colleagues are highly engaged and believe in what we are doing. Our employee net promoter score continues to increase and is within the top 5% of worldwide retailers. As you have seen from Bernard, we have also removed significant cost across the Group – with more efficiency opportunities still ahead of us.

TG: Now moving to the middle box in this slide, we have also significantly enhanced our customer offer. We have done this with new stores and formats in all our key markets. Through more choice, thanks to our now proven marketplace model and industry-leading OEB products. We have seen a real step-change in our e-commerce proposition, offering our customers speed and convenience. And we have invested in price to provide better value for money, with a price index of 100 or better at all our banners. We have also invested for our trade customers, with new ranges and dedicated experts. And as I have set out today, we have focused our investments in key growth opportunities.

TG: On the right of the slide, you can see a summary of the financial ambitions related to these opportunities. All this means we are confident about the medium-term growth prospects for Kingfisher. The strategic drivers of the business support our ability to deliver an attractive top line, earnings growth and cash generation, which in turn supports strong shareholder returns, as you can see here on slide 44.

TG: Next year – financial year 25/26 – we aim to generate free cash flow of c.£450m. And beyond 2025, we aim to deliver in excess of £500m of free cash flow per annum, supported by our profit growth and inventory self-help measures.

TG: We are keeping a disciplined approach to capital allocation. While we will continue to invest to support our strategy, we have revised our medium-term capital expenditure target to c.3% of total sales. This is reduced from our previous target of 3% to 3.5%.

TG: We have a clear track record of delivering attractive returns to our shareholders. Through dividends and buybacks, we have returned over £1.6bn to shareholders in the last five years. And we are committed to our approach to return surplus capital.