Kingfisher plc 2020-21 full year results presentation transcript – 22 March 2021

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12 months ended 31 January 2021

Speakers:

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Bernard Bot (BB), CFO, Kingfisher plc

Slide: Divider slide (TG)

Good morning everyone. Thank you for joining us today. I am Thierry Garnier, CEO of Kingfisher and I'm joined by our CFO, Bernard Bot. I hope everyone is staying healthy during these difficult times and hopefully it won't be long before we are able to meet in person again.

Slide: Welcome & agenda (TG)

Before I start, on behalf of our Group Executive and Board, I would like to express my sincere thanks to all our teams for their incredible efforts in the most testing of circumstances. We are extremely proud to be part of that team and inspired by their commitment every day.

Our agenda for today will start with an update on our operations and strategic progress. Bernard will present our financial performance and outlook before we open the meeting for Q&A.

Slide: Key Messages (TG)

On slide 5 I would like to set out the key messages. The home improvement markets we operate in are attractive and resilient and have supportive new longer-term drivers.

Current market trends, some of which have been brought forward by the COVID crisis, offer us opportunities and we are emerging from the COVID crisis stronger with a clear improvement in our competitive position, along with strong new customer growth and a step change in digital adoption.

We have made good progress fixing issues from previous years, although there is still work to do. And our new strategy is delivering. Our distinct retail banners are now empowered and much more agile, supported by Kingfisher's scale, strength and expertise.

And finally, we have set out clear financial priorities for the group supported by a set of key drivers.

Slide: Strong financial progress in FY 20/21 (TG)

On slide 6, I am pleased to report strong financial progress for the period with like for like sales up 7.1% and profit before tax and free cash flow strongly higher. Our competitive positioning is clearly improving in all key markets with market share growth at B&Q, Screwfix and Castorama France. We have strong current trading momentum with Q1 like for like to date up 24.2% supported by continued e-commerce sales growth of over 150%.

Finally, I would like to confirm we are resuming dividend payments with a proposed total dividend per share of 8.25p and we are establishing a progressive and sustainable dividend policy. I'll come back to this later.

Slide: Attractive market with new longer-term industry support (TG)

Turning to slide 7, with a total addressable spend of £130bn, the home improvement markets in which we operate are attractive, growing and have many structural drivers supporting long term growth. It is a relatively high margin industry, resilient against e-commerce pure play competitors and has proven robust through previous economic downturns. The key point on this slide however is that over the course of the COVID crisis we have seen the development of new longer-term trends that are clearly supportive of our industry.

During lockdown our homes have effectively been transformed into hubs where we work, exercise, entertain and rest. Longer term we believe that more working from home is here to stay. There is no doubt that the trend of flexible working arrangements has accelerated forward many years. Over time these factors will lead to material changes such as more wear and tear on the home and the need to organise living space differently, thereby creating a structurally supportive shift for home improvement.

One of the most interesting things we have seen in the last year is also the emergence of new cohorts of young DIYers with a big increase in motivation, new skills and enthusiasm for DIY. Recent surveys we undertook across our markets highlight that 18 to 34 year olds have done more home improvement than any other age group with 20% doing DIY for the first time, 55% doing more than they have previously done and 65% more confident to take on home improvement and learn new DIY skills. All of this is very encouraging for the future of our industry.

Slide: Market trends offer us opportunities (TG)

Moving on to slide 8 we can see some of the wider market trends which our strategy seeks to address. The COVID crisis has led to a surge in e-commerce. The acceleration of our capabilities in this area heavily leveraging our stores has facilitated significant online growth across our retail banners.

Smaller and more localised store formats are also becoming vital to serving the increased customer demands for speed and convenience. While Screwfix is already addressing this shift, there is a huge opportunity for our other banners to widen their reach.

Across Europe discounter format stores have been growing in line with a rising focus on value for money. Our own exclusive brands or OEB products, now 44% of group sales enable us to capture this trend. In addition, we are well placed in this area of the market with our Brico Dépôt discounter banner as well as our overall focus on attractive price positioning.

The COVID crisis has seen a pause of the trend towards 'do it for me' due to social distancing and also engagement with DIY as a cheaper and popular activity. We expect the 'do it for me' shift to remain gradual over the medium term and we are well positioned to benefit with Screwfix, TradePoint and Brico Dépôt and our acquisition in November 2020 of NeedHelp, one of Europe's leading services marketplaces. And being a responsible business is a priority for Kingfisher and during COVID has become more important than ever before. Customers are increasingly aware of what companies do for their colleagues and of the environmental impact of their purchasing choices.

Slide: Our strategic direction and key strengths (TG)

Turning to slide 9, let me briefly remind you of our 'Powered by Kingfisher' strategic direction.

First our retail banners are not the same and this is a strength. We see differentiation as an advantage more than ever in a world that is volatile and uncertain. We have a clear vision for our customer proposition based on e-commerce with stores at the centre, a mobile-first experience and a compelling services offer.

We will power our banners through Kingfisher's scale, resources and expertise enabling them to serve their customers better. And we will become simpler and leaner doing less, landing it faster and reducing our cost and inventory. Across the bottom of the slide you will also see the key strengths which underpin our strategy.

Slide: We are emerging from the COVID crisis stronger (TG)

Slide 10 outlines the reasons we believe we are emerging from the pandemic a stronger business. And this is thanks to the extraordinary work of our teams during these challenging times and the way in which we have embraced our new strategy and the agility we have shown in managing the crisis. The rollout of our plans is fully on track. The crisis has pushed us to be bolder and several elements of our strategy are ahead of schedule. We believe we have seen at least two years' worth of acceleration in e-commerce. Supported by our stores and rapid changes to our operating model, we have met an extraordinary surge in demand with group e-commerce sales of nearly £2.3bn up 158% in 2020 and now 18% of our sales.

Throughout the crisis we have remained committed to doing the right thing by our colleagues, customers and communities. We have done this by enhancing our safe operating standards, ringfencing and donating PPE, supporting our colleagues and rewarding frontline staff and developing our plans to help tackle climate change and deforestation. We also made significant repayments of government support. This includes foregoing UK and Irish furlough and business rates relief worth £150m and repaying in full government-supported debt in the UK and France worth over £1.1bn.

Our customer net promoter scores show a sharp increase in the awareness and reputation of our banners and along with a reconnection with DIY I mentioned earlier, we also saw a step-change in digital adoption across our banners with ten million new customers shopping with us online. The crisis has also underlined the longer-term opportunity to manage our costs and inventory with greater efficiency. We took multiple actions in 2020 and believe we can be even bolder in this area. All this is reinforced by a stronger balance sheet supported by disciplined cash management. Our net leverage is 0.9x EBITDA and we have access to over £2.2bn in total liquidity.

Slide: We are making progress fixing issues from previous years (TG)

Turning to slide 11, while we continue to leverage some of the strengths developed by Kingfisher in past years such as group sourcing and buying, OEB and a common SAP platform, we entered into 2020 faced with many issues from previous years. You can see the significant progress we have made so far. We have rebuilt our teams, rebalanced our commercial operating model, reduced time and resources on non-critical activities and empowered our banners to adopt new trading approaches. These actions have had a very positive impact on our business. They have also set the path for the implementation of our new plan and helped us to respond to the challenges of the crisis. Looking at France, we have made great strides forward in repairing our business there. From new leadership and operational teams, addressing all the pain points of Casto SAP implementation, underlying improvements to the French supply chain and the benefits from many other initiatives noted here.

We have also reignited Brico credentials as one of the most powerful discounter brands in Europe in home improvement. The proof is in our like for like growth and even more importantly our performance relative to market. Castorama grew its share for the first time in several years. However, there is still work to do in France, in particular around our range rebuild at both banners and as well as further efficiencies with our supply chain.

Slide: Clear strategy and actions to drive share growth (TG)

Let me now turn to slide 12 and our actions to drive share growth in our key markets. Our distinct banners address diverse customer needs, and this is a strength. All our banners have a clear positioning and plan. Conscious of time in the following slides we will take a closer look at B&Q, Screwfix and Castorama France.

The role of Kingfisher Group is to support our banners to serve the customers better. These are the key group powers on the right-hand side of the page.

Slide: B&Q and TradePoint – revitalised and well positioned (TG)

Starting with B&Q and TradePoint on slide 13, the team did an excellent job managing unprecedented levels of demand in 2020 while moving all their key priorities forward at pace.

E-commerce sales grew by 117% and penetration doubled to 10%. This was supported by rapid changes to its operations and a focus on picking from our stores for click and collect. We successfully launched next day delivery from store and have started several innovative trials for last-mile delivery.

The group next-gen digital stack was fully implemented without disruption and now supporting enhanced mobile and web capabilities. Our new OEB ranges are performing very well and B&Q kitchen proposition is back, supported with design and installation in B&Q stores and is gaining market share in the UK. Our pricing has remained very competitive, indexing clearly below competitors and we also benefited from the introduction of targeted and localised trading events.

B&Q has seen a material rise in its online customer base and is enhancing its mobile-first and service capabilities. The business is testing self-checkout, scan and go and tool hire concessions at TradePoint through Speedy Hire. B&Q also continues to test new compact store concepts as well as concessions in two Asda stores and we opened two medium box stores.

These strategic initiatives and the outstanding execution by the B&Q team resulted in a like for like growth of 13%, market share gains, strong new customer growth and a significant improvement in store customer NPS.

Slide: B&Q and TradePoint – 2021 focus areas (TG)

On slide 14 we have outlined B&Q key areas of focus for this year. Firstly, we'll continue rebuilding inventory and availability ahead of peak trading periods. We are already well placed in this regard. We will also build on the progress we have made in e-commerce with more ranges available for online orders and faster delivery options.

Ranges will be strengthened further with more choice through brands and through OEB. And we are excited to launch NeedHelp in B&Q which will cover all services excluding kitchen and bathroom installation for the time being. We are also relaunching our TradePoint banner which grew sales by over 10% last year and is nearly 20% of B&Q sales.

Following some early successes this year, we will look to open more compact stores and extend our rightsizing test.

Slide: Screwfix – positioned for next stage of growth (TG)

Turning to slide 15, Screwfix has been a phenomenal growth story with the sales CAGR of 14% over five years, one store opened per week on average over the same period and an exceptionally high return on capital employed.

In 2020 Screwfix exceeded £2bn of total sales with like for like sales growth of 6.6%. The business has also seen a step-change in new customer acquisition with net customer growth of 16% and online customer numbers up 146%. 11 million customers shopped with us in 2020, one in five in the UK adult population.

The team adjusted its operating model overnight during the first lockdown, shifting to nearly 100% online and mobile is now the biggest channel in the business accounting for 62% of online transactions. Pricing continues to be competitive and we are indexing below our closest peer. Finally, our expansion plans remain on track with 38 new stores in the UK and Republic of Ireland in 2020. As part of this we are trialling an innovative new compact format in central London.

Slide: Screwfix – 2021 focus areas (TG)

To slide 16 and Screwfix is ready for the next stage of its growth. Following the identification of further opportunities in catchment areas we now see a roadmap to over 900 stores in the UK and Ireland versus our previous target of 800 in just the UK.

Moreover, we are now planning to enter new international markets, starting in the first half of this year with online first expansion. In parallel, we are constantly working to improve the business model with digital resources. This means investment in additional fulfilment capacity to support our growth, upgrades to our IT platform to further enhance the customer proposition and a new mobile app featuring convenient mobile-first collection and last-mile delivery options.

Building on 2020 we'll continue strengthening ranges with OEB tailored for the professionals together with targeted investment in price.

Slide: Castorama France – significant progress 'repairing' in 2020 (TG)

Moving now to Casto France on slide 17, I'm happy to report that our repair, modernise and expand approach is making significant progress, stopping several years of market share decline in 2020 and so far in 2021 the business has continued to grow faster than the market.

Starting with repair, we addressed 18 key pain-points related to our SAP rollout which contributed to improved operational performance.

The business acquired a significant number of new customers with associated repairs to brand equity as evidenced by a substantial improvement in both store and website customer NPS. The team has been rebuilding ranges both brands and OEB with 5,000 new SKU introduced.

In terms of modernising, the group next-gen digital stack has been fully implemented allowing us to enhance click and collect and delivery from store services. We launched a new website with visual search functionality and a new mobile app while strengthening our partnership with NeedHelp.

Slide: Castorama France – 2021 focus areas (TG)

While Casto is making strong progress on the top line and market share, here on slide 18 I would like to highlight two areas of focus for 2021.

Firstly, optimising our supply chain. We are now in the process of reducing our warehouse footprint and reducing distance to store through the consolidation of the supply network of our two banners.

We believe this will provide benefits to our customers and longer-term efficiency savings. Second, the range, we made very good progress in 2020. However more needs to be done to broaden choice within ranges to answer our customer needs. I believe we are still 12 to 18 months away from repairing Casto's assortment.

The same can be said for Brico Dépôt discounter model where we are trimming the number of ranges available to drive volume in key ranges and in turn offer even better prices.

Overall excellent progress and still work to do.

Slide: Group 'powers': E-commerce (TG)

Moving on to slide 19 and the progress we have made in reinforcing the group 'powers' starting with e-commerce. Here we believe our e-commerce progress has accelerated by at least two years. Moreover, the digital customer adoption we have seen makes us even more confident in the growth opportunities that lie ahead. Back in mid-2019, online sales penetration was 7% and we had limited capacity of 40,000 click and collect picks per week across B&Q and Casto France. Store to home delivery was more or less non-existent.

This has been completely transformed over the course of 2020 with penetration now at 18%. Group e-commerce sales grew by 158% and by 144% excluding Screwfix. Click and collect sales has become the largest and fastest growing fulfilment channel at group level with 226% growth. Supported by our newly implemented group digital stack, our platform has scaled rapidly and is now supporting 500,000 click and collect orders per week across B&Q and Casto France. Stores now sit firmly at the centre of our e-commerce proposition providing support for a very significant proportion of retail online orders.

We have now rolled out digitally enabled picking for all fulfilment routes for B&Q and Casto France and introduced a digital hub model at B&Q where 56 stores service the vast majority of our home delivery orders. We expanded our last-mile delivery options. Our partnership with DPD has enabled next day delivery by B&Q with 98% of the UK population. B&Q, Casto France and Poland are trialling click and collect lockers and we have implemented drive-through and car park collections in France.

Looking ahead, we remain committed to delivering strong growth in e-commerce sales through providing speed, convenience and choice to our customers. Our key focus this year will be implementing a new IT and digital operating model, to increase our agility and lower costs. Overall, we are moving towards home delivery for full store ranges with faster last-mile options. In Poland, we are rolling out the new group digital stack enabling stronger digital capabilities. In Casto France we are implementing the same digital hub model used at B&Q. And finally, we are continuing to explore the merits of building a marketplace model which could further support our e-commerce ambitions.

Slide: Group 'powers': Own exclusive brands (OEB) (TG)

Turning to slide 20, Kingfisher's OEB product sales are now £5.3bn up 7.5% last year and represents 44% of our total sales. OEB provides a strong point of differentiation for our retail banners and here I mean affordability, functionality and innovation and sustainability as well as supporting our gross margin. In 2020 we saw a strong increase in the awareness of our brands and our five leading OEB brands alone contributed around a quarter of our total group sales. The rollout of Kingfisher's new OEB kitchen range completed in B&Q in H1 2020 and will complete in France and Poland this month. Sales growth of B&Q kitchens in H2 2020 was at strong double digits and this was despite the closure of some store showrooms from early 2021 due to lockdown restrictions.

Looking ahead, the move to our new commercial operating model is driving focus on innovative OEB product development, on sourcing and engineering as well as enabling faster speed to market. We plan to extend our ranges and tailor them to the specificities of our different banners' customers. We are making great progress with OEBs, a powerful enabler of profitable sales growth.

Slide: Group 'powers': Mobile-first capabilities and services (TG)

Now onto mobile which is at the centre of our customers' home improvement journey. Mobile is our fastest growing order channel, up by over 200% last year, now accounting for 56% of our online orders.

We made good progress during the year in optimising the user experience. You have already heard about the new app and website at Casto France. Both B&Q and Brico Dépôt Iberia are also trialling mobile scan and go technology for customers enabling a speedier store checkout process. We continue to test and launch new service propositions across our banners.

B&Q has restarted kitchen and bathroom installations now in all UK mainland stores and the early take-up is encouraging. B&Q established a virtual sales model during the year for kitchen and bathroom with thousands of sessions conducted in January. Our new 3D tool for kitchen and bathroom design is currently being trialled in some of our retail banners. With our new OEB range, strong price positioning and all these new services we feel good about our prospects in the kitchens market.

We are trialling a comprehensive tool hire service in partnership with Speedy Hire. To date we have opened 14 Speedy concessions within TradePoint. We are also in the process of trialling new self-checkout terminals at B&Q.

Lastly, we are excited about our acquisition of NeedHelp. Business is growing fast and targeting expansion in the UK and in Poland in 2021 supported by our retail banners.

Slide: Group 'powers': Store formats and footprint evolution (TG)

Moving to slide 22, our 1,400 stores play a central role in our industry providing our customers with inspiration, visualisation, expertise, projects and customised services. They also play a crucial role in meeting the customer demands for convenience and speed. These customer needs drive both the shift online and the need for smaller stores.

Over the next few years, we plan to increase our overall store count while in parallel reducing their average size. We will achieve this by a combination of opening more compact stores, rebalancing towards medium box stores and rightsizing some of our larger format big box stores. On this slide you will see all the tests we have completed in 2020, including compact stores at B&Q and Casto France, store in store concessions within Asda and one new Screwfix compact format. Early results look encouraging.

With regards to rightsizing, we have selected a small number of big box stores to be tested for rightsizing at B&Q and Casto France this year with the possibility of widening this over the longer term. B&Q Canterbury is the first of these tests which completed this month. Around 30% of space in Canterbury has been taken over by Aldi and we expect to save 33% of store costs. Disruption to sales has been low.

We also believe in partnerships and I have mentioned Speedy Hire and Asda. Earlier this month, we also signed a franchise agreement with the Al-Futtaim Group to expand B&Q into the Middle East with a first step being the opening of two B&Q franchise stores in Saudi Arabia later this year. We are excited by the potential of all these tests.

Slide: Group 'powers': Responsible Business (TG)

Onto slide 23, our commitment is leading our industry in responsible business practices. As you have heard this commitment has been at the forefront of our response throughout the COVID crisis and during the year we set out four priority areas in this field.

Firstly colleagues, earlier I went through our actions throughout the crisis to do the right thing by our colleagues during these extraordinary times. We were also proud to launch our 1+1 all-colleagues share plan with over 9,000 colleagues electing to participate, 75% of whom are from our stores. Next our planet, we are making very good progress in reducing greenhouse gas emissions. As a result, we have reviewed our plans and agreed new targets with appropriate capital investment to move to a science-based target that is consistent with a 1.5 degree trajectory.

We have made our updated submission to SBTi and are awaiting their approval. If, and when approved, we understand this will put Kingfisher among only 2% of retailers worldwide to have approved 1.5-degree science-based targets. In addition, as part of our commitment to be 'forest positive' by 2025, we have partnered with the Rainforest Alliance and become a founding member of its 'Forest Allies' initiative.

With customers we continue to help make greener, healthier homes affordable. Last year approximately 40% of our total group sales came from sustainable products including new examples like LED lighting and low-flow taps. And with our commitment to communities, last year as part of our response to the pandemic, we dedicated more time and resources to our local communities and healthcare authorities.

We made over £5.5m of community investments on top of which our colleagues and customers raised £2.7m. We also launched a network of charitable foundations to support the fight against bad housing. We have supported nearly 800,000 people since 2016. We are involved with some fantastic initiatives in responsible business which are crucial components of our strategy.

Slide: Group financial priorities (TG)

We have made significant progress with our 'Powered by Kingfisher' plan. On slide 24 I would now like to set out our financial priorities.

We will prioritise top line growth and grow sales ahead of the market. We aim to grow adjusted PBT in line with sales growth as we reinvest scale benefits and cost savings to drive the top line. As this materialises, we will aim to grow PBT gradually faster than sales over time.

We will generate strong free cash flow with greater capital efficiency and financial discipline. This will underpin shareholder returns through our new progressive dividend policy announced today which has a target cover of 2.25 to 2.75x and is effective from this year. We are committed to maintaining an efficient capital structure while keeping a prudent position at this time of uncertainty. While the progress we make may not be linear, our mindset is firmly on market share and top line growth, on profit growth and cash generation.

Slide: Key drivers (TG)

Finally, to slide 25, let me summarise the key drivers of the delivery of our financial priorities. E-commerce sales growth and sales penetration, OEB sales growth, new compact stores across our markets, big-box rightsizing at B&Q and Casto France, costs and same-store inventory reduction and our progress in responsible business. We will report our progress on these drivers going forward.

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

Slide: Divider slide (BB)

Thank you, Thierry and good morning, everyone.

Slide: Key financials (BB)

Starting with slide 27 and the key financials. The group performed strongly last year. Total sales were up 6.8% to over £12.3bn with like for like sales up 7.1%. We generated gross profit of £4.6bn up 6.9% driven by sales growth and a flat gross margin of 37.1%. Retail profit increased by 27.4% to just over £1bn with the retail profit margin increasing by 130 basis points to 8.1%.

Adjusted pre-tax profit increased by 44.4% to £786m. This number includes non-recurring net cost savings related to the COVID pandemic of £85m in the year. Excluding these the increase was around 29%. Statutory pre-tax profit increased to £756m reflecting strong operating growth and significantly lower pre-tax exceptional adjusting items of £30m. Statutory post-tax profit was £592m.

Free cash flow in part supported by temporary working capital movements was £938m.

Our strong cash position reduced net debt to £1.4bn with net leverage at 0.9x EBITDA.

Slide: Geographic summary (BB)

Turning to slide 28 and the performance of our major geographies.

Starting with the UK and Ireland like for like sales increased by 10.7% driven by strong trading from Q2 onwards. A net total of 41 new stores were opened contributing a further 1.6% of sales.

Like for like sales at B&Q grew by 13% reflecting core DIY demand and a strong performance from TradePoint. Showroom categories remained broadly stable despite long periods of physical showroom closures and grew at strong double digit in H2.

Like for like sales at Screwfix grew by 6.6%. Growth accelerated through the year with Q4 up 14.7%. UK and Ireland's retail profit increased by 36.3% to £681m. Retail profit margin increased 210 basis points to 11.9% with UK gross margin up 80 basis points and a better operating cost to sales ratio.

In France like for like sales increased by 5.1% reflecting strong trading from Q2 onwards and a significantly strengthened competitive position of both banners. Total sales only grew 3.2% because of lost sales from the closure of eight Castorama stores. Gross margin rate decreased by 120 basis points mainly reflecting more trading events at both banners, more special promotions or *arrivages* and higher supply and logistics costs from COVID and from external disruptions at the start of 2020. Retail profit increased by 7.9% to £181m with a 20 basis points increase in the retail profit margin supported by lower operating cost to sales ratio.

Poland which kept its stores open throughout the period saw stronger demand from Q2 onwards following COVID related lower footfall in Q1. Like for like sales grew 4.9% and total sales grew 8% reflecting three new store openings. Gross margin rate decreased 60 basis points reflecting changes in mix, price positioning and higher distribution costs. Retail profit in Poland declined slightly to £146m with higher gross profit unable to make up a 9.4% increase in operating cost. This was driven by space growth, wage and general inflation, incremental COVID related costs and additional frontline staff bonuses.

Iberia's like for like sales were down 7%. The banner was more severely impacted by COVID restriction in H1, however H2 like for like sales recovered strongly at +10.8%. Despite weaker sales, the business grew its retail profit to £3m. Romania reduced its retail loss by c.40% to £14m driven by higher demand across all product categories and a full year benefit from the rebranding of former Praktiker stores to Brico Dépôt.

Slide: Group retail profit bridge (BB)

Moving to slide 29 and a movement in group retail profit. In constant currency this was up £216m or 27.4%. The gross profit increase of £297m was largely driven by the 7.1% increase in like for like which added £317m.

Net space growth contributed a further £17m with a contribution of new Screwfix and Poland stores somewhat offset by the closure of eight Castorama France stores. COVID related supply and logistics costs mainly in France and the contribution of Russia were both negative.

Onto operating costs, we managed to contain inflation related cost increases to £48m or 1.4% year on year. Costs related to net space growth in a year were £8m. Excluding inflation and space items operating costs increased by £25m or 0.7% year on year against a 7.1% increase in like for like sales. Included in this are higher variable costs associated with higher sales levels, staff cost increases from headcount and frontline staff bonuses and incremental COVID related costs. This was mostly offset by cost reductions achieved in the year, some of which, as I mentioned earlier, were non-recurring benefits due to the COVID crisis. In terms of more sustainable cost reductions, I will talk to this shortly.

Slide: Exceptional adjusting items (BB)

Let me now take you through the pre-tax exceptional adjusting items for the year of £30m. We recognised asset impairments and exit costs of £27m related to the disposal of Russia in September. The disposal also resulted in an additional non-cash charge of £49m largely due to the transfer of cumulative foreign exchange losses from reserves. Upward revisions to store performance projections resulted in a reversal of impairments of £42m. A profit of £13m was recorded on the disposal of a property in the UK.

And finally, other exceptional items contained a restructuring charge of £16m related to our commercial operating model partially offset by the release of a warranty's liability held in relation to the B&Q China disposal in 2014.

After these exceptional adjusting items our statutory pre-tax profit was £756m.

Slide: Summary cash flows and net debt (BB)

Slide 31 highlights a year of very strong cash generation for the group. We generated EBITDA of £1.5bn in the year. The working capital inflow of £376m reflects a £86m decrease in inventory and a net £290m increase in payables.

The inventory reduction was due to the strong levels of demand seen in H2, alongside more focused inventory management initiatives. The increase in payables was largely driven by timing of stock purchases and higher payroll and VAT creditors also associated with stronger sales.

The payables position is expected to reverse during the course of this year. After rental payments, tax, interest and gross capex, free cash flow for the year was £938m up by £747m. The net cash movement after exceptionals and other was £942m.

Slide: Significant liquidity headroom and solid financial position (BB)

Now moving to slide 32 and our current liquidity and financial position. As of 18 March, we had over £2.2bn of total liquidity available including over £1.4bn of cash and £775m of undrawn RCF facilities. This is after redeeming £600m issued under the CCFF programme in H1 and repaying our €600m French term facility in December 2020. Our financial debt which excludes £2.4bn of lease liabilities was £109m as of 31st January.

Finally, to net leverage, over the medium term we are targeting c.2x net debt to EBITDA which we have lowered from our previous target of 2 to 2.5x. This is in line with adjusted rating agency credit metrics and supports our target of solid investment grade credit rating. As a result of our strong cash position, net leverage strengthened by over one turn to 0.9x EBITDA.

Through 2021 we expect this to move up as some of our working capital positions unwind, but generally we expect it to remain lower than 2x in the short term. This provides us with the liquidity headroom we require during this period of heightened uncertainty. Overall, we are in a very sound financial footing.

Slide: Group 'powers': Costs & same-store inventory reduction (BB)

Switching gears for a moment on slide 33, let me highlight the plans to drive cost and same-store inventory reduction which are well under way and show encouraging early results. We believe there are significant opportunities across Kingfisher to reduce costs by being simpler and more efficient.

During the year we launched programmes in key areas which are being managed jointly by our banners and group functions. These included reorganising our commercial operating model, testing and deploying store productivity initiatives, great automation launching various IT and GNFR procurement initiatives.

We also continue to re-gear our leases as appropriate re-negotiating nine B&Q leases in the year for an average rental reduction of 25%. Overall, in a volatile year we achieved a 30 basis points reduction in a group operating cost to sales ratio on a constant currency basis.

In sourcing and buying, we continued to deliver cost price efficiencies by leveraging our scale and particularly in our OEB product base. We are also renewing strategic partnerships with our top 20 to 30 international brands which will drive further benefits. And we achieved lower levels of clearance in the year through our focused approach to ranging. All these contributed to a stable gross margin.

Overall, the net savings of our ongoing cost reduction programmes are expected to partially offset the cost of inflation, expansion and space changes as well as the investment requirements of our business over the next few years.

Finally, while stock availability has been strained from the COVID crisis and volatile demand levels, we have seen a general improvement in our inventory health mainly due to a reduction in range review activity and lower delisted stock.

Despite a challenging environment we implemented various inventory reduction initiatives during the year contributing towards a £50m reduction of same store net inventory and a 10% improvement in average net inventory days. While our immediate focus is to rebuild stock levels ahead of peak trading periods in 2021, our work to sustainably reduce same store inventories continues. This includes work to remove and redeploy slow moving inventory together with more robust planning and forecasting.

Slide: FY 20/21 sales evolution and current trading (BB)

To slide 34 and a brief reminder of the evolution of group like for like and e-commerce growth last year. Trading in the first quarter started positively reflecting early benefits from our focus and fix actions.

From mid-March 2020, we were significantly impacted by the lockdown measures in the UK and France resulting in our decision to voluntarily close in-store browsing and purchasing for several weeks. This allowed us to protect colleagues and customers while we established safe operating protocols.

In Q2 2020 group like for like trends improved significantly following the phased reopening of stores in the UK and France. Sales growth both in store and online remained strong for the remainder of the year as we delivered on many elements of our strategy to satisfy demand levels. The momentum has continued into the new financial year with like for like sales for Q1 to date up 24.2%.

We are, however, mindful of the continued uncertainty related to COVID in continental Europe. We have some stores temporarily closed in France due to regional confinement measures and a new national lockdown has been announced in Poland albeit all our stores there remain open. Thus far this has not had a significant impact on trading in either country.

Slide: FY 21/22 outlook and guidance (BB)

Finally moving to slide 35 where we'll go over our outlook and guidance for the full year 21/22. Further technical guidance can be found in the appendix on slide 42. Recognising that these are highly unusual and uncertain times, on a one-off basis we would like to provide more specific guidance where we can, to help frame expectations for the year ahead. This all assumes there is no adverse change in COVID related confinement measures, for example, any new lockdown restrictions which may result in further store closures.

Given the profile of our trading during FY 20/21, we expect distinct performances in the two halves of the year. In H1 21/22 we expect low double-digit like for like sales growth supported by the continued delivery of our strategic objectives. For H2 21/22 our planning scenarios show a wider range of outcomes with like for like sales to decline by between -15 to -5% given the strong performance in the comparable prior year period and the uncertainty over the macro-economic and consumer environment.

On a two-year basis these planning scenarios represent H2 like for likes of -1 to +11%. In line with our financial priorities, we are targeting to grow rebase adjusted PBT in line with total sales on a constant currency basis. For the purpose of this guidance, rebase means removing £85m of non-recurring net cost savings from FY 20/21 profit as you can see on this slide.

With our strategic progress we are well positioned to capitalise on the positive long-term trends in our industry and are confident of the continued outperformance of our wider markets.

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

Slide: Summary (TG)

Thanks Bernard.

I will now briefly summarise here on slide 37. We operate in attractive markets and see supportive new longer-term drivers for our industry. This creates additional opportunities for us. The COVID crisis has pushed us to move faster and to be bolder and we are a stronger business as a result.

Our competitive position has clearly improved, and we have seen strong new customer growth and a step-change in digital adoption. While there is still more to do, there has been significant progress in addressing historic issues. Our new strategy is delivering with our distinct retail banners now empowered and much more agile supported by the scale of strength and expertise of the Kingfisher Group.

And lastly, we have set out our financial priorities that will deliver attractive shareholder returns.

Thank you for your time. I would now like to invite any questions. Over to you operator.