Kingfisher plc 2019-20 full year results presentation transcript - 17 June 2020

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12 months ended 31 January 2020

Speakers:

Thierry Garnier (TG), CEO

Bernard Bot (BB), CFO

Slide 4: Welcome & agenda (TG)

Good morning and thank you for joining us today. I'm Thierry Garnier, the CEO of Kingfisher, and I am here with our CFO, Bernard Bot.

Unfortunately, we cannot meet in person today. However, I am very happy to finally be able to update you on our full year results and our longer-term direction for Kingfisher.

As outlined on page 4, our agenda for today will start with an update on the Covid-19 response plan and latest trading performance. Bernard will then share the full year results and the latest view of our mitigation actions and liquidity situation. I will then present our diagnostic of the situation as we found it in 2019 – and talk about Kingfisher's new strategic direction and priorities. We will then open up the meeting for Q&A.

We have a lot to cover today and it will be a slightly longer presentation than you are used to. But I think it is important that we spend time on these topics.

Slide 5: A strong and experienced management team (TG)

Since I joined Kingfisher at the end of September, I have spent my time and my energy deep in the business with my colleagues, our customers, and our suppliers. I am passionate about retail and I have learned a lot.

It was my immediate priority and I am pleased to announce that our Group Executive Team is now complete and has been hard at work through the crisis.

As you can see on page 5, we have seven new appointments since September. This is an experienced team of executives with impressive track records, with a combination of experience both inside Kingfisher and in other sectors such as hospitality, electronics retail, grocery and consumer goods. I am confident that this team has what it will take to deliver on our ambitions for Kingfisher.

Slide 6: Managing the impact of COVID-19 on the business (TG)

As we were faced with COVID-19, our priority was to take care of our people, our customers and our communities.

Page 6 is a summary of the actions we have taken to manage the impact of COVID-19 on the business. We have already published a lot of detail on our actions as we have gone through the crisis.

We have acted responsibly, above all else. All stores in our largest markets had essential status from day 1. But we decided to keep them shut at the start of confinement and reopened only when it was safe to do so. We have also been ringfencing and donating PPE to healthcare workers.

We have been agile and have reacted fast. We made changes overnight to our operating models, for example launched new click & collect and drive-through options that became leading practices in our markets.

We have made a lot of progress in e-commerce while leveraging our stores for picking and fulfilling orders. E-Commerce surged up to 4 times in April and continues to see strong growth.

We have protected the financial position of the company by taking decisive action on costs, accessing government support, and securing additional funding facilities.

In short, we are on a very sound footing. And in fact, the crisis has put extra momentum behind some of our new strategic priorities. I will come back to this.

Before I move on, let me say that I was humbled by the dedication and hard work of our teams. They have been the driving force behind our ability to manage through this crisis. I want to say a big thank you to each one of my colleagues.

Slide 7: Latest sales performance (TG)

On page 7, the chart on the left shows the Group LFL and E-commerce growth over the past 15 weeks. The sales profile in March and early April reflects our decision to close stores for several weeks. You can also see the strong e-commerce growth I referenced before. Then, once stores started to re-open – in the later part of April – we have seen very strong LFL sales. We saw a significant surge in categories such as outdoor, building materials, paint, garden and flooring & tiling. Demand in May and June continues to be strong.

This partly reflects pent-up demand post re-opening. But it is now clear that Home Improvement is proving resilient through COVID-19, due to the specific nature of this crisis: customers are spending more time at home, with fewer leisure options, travelling less and turning to DIY.

Slide 8: Actions underway – 'Focus and Fix' in 2020 (TG)

Moving to page 8. For 2020, we have decided on 8 immediate priorities to be extremely disciplined. I have already discussed the first two priorities around COVID-19 and our Group Executive team.

Third is stabilising our French business and this remains a pressing priority. We have been fixing IT and supply chain issues, strengthening the supply chain team, and in October last year appointed a new experienced CEO for France. Availability and indeed LFL sales improved significantly before COVID-19.

Fourth is the new trading approach we implemented in Q4. We have selectively re-introduced trading events and have invested in Screwfix prices, with good early results. We have plans to relaunch installations in B&Q in 2020.

Fifth is finding a better balance between local and Group. We have launched two taskforces to rebalance our Group commercial and IT operating models. This will allow our banners to tailor their ranges to local needs, but also continue to realise Group scale benefits in branded buying, own product and technology.

Sixth, it is critical to continue to build our e-commerce capabilities. Our direction is to increasingly rely on stores to fulfil most of our e-commerce orders via click-&-collect and home delivery from stores.

Seventh is about focus. We must do fewer things, but do them better. We have stopped several non-core initiatives and IT projects. We have slowed the rate of range reviews. Implementing the planned exit from Russia is also part of refocussing our energy and resources. We hope to be in a position to share more soon.

And lastly, cost reduction is a near and long term priority under our new strategy. COVID-19 is reinforcing our focus here.

Slide 9: Impact of 'Focus and Fix' on Q4 19/20 & early 20/21 (TG)

Moving to Page 9, a few quick comments on our Q4 and February performance. Our new trading approach, better availability in France, and reintroduction of some local ranges were key to our performance. Many of these actions have been the result of the Group empowering the Banners.

In particular, I was pleased that our performance in France has been improving, with +2.5% LFL for Castorama and +4.3% LFL for Brico. Our banners did slightly better than the market in February.

We also managed to improve LFL performance in Poland despite a soft market.

So we are making progress, but there is much work to do. And of course, we are mindful of the significant uncertainty in the current environment.

Let me now handover to Bernard.

Slide 10: FY 2019/20 Results (BB)

Thank you Thierry, and good morning everyone.

Slide 11: Key point summary (BB)

Let me turn to slide 11 and an overview of our performance since the start of last year.

Overall, Kingfisher's financial performance for the year 19/20 was disappointing.

We saw a decline in Group sales of 0.8% in constant currency. Growth in Screwfix, Poland and Romania was offset by declines in B&Q, France, Russia and Iberia.

Group gross margin percentage was flat, in line with guidance.

Overhead costs were broadly flat, with higher costs from inflation, digital and store openings in Screwfix and Poland, offset by lower transformation spend.

Free cash flow was lower than prior year at £191m. Net leverage was maintained at 2 times and we ended up the year net cash positive.

Despite a disappointing first nine months, our performance in Q4 and in the first six weeks of this financial year was more encouraging.

Turning to the impact of COVID-19, as of mid-March, we started to be impacted by the pandemic. We took immediate and effective action to control our costs and protect cash, while also arranging access to significant additional liquidity facilities.

As already announced, the Board has decided that no final dividend will be proposed given the ongoing uncertainty around COVID-19.

This uncertainty also means that we are not able to quantify with confidence the impact of COVID-19 on our expectations for this financial year.

Slide 12: FY 19/20 key financials (BB)

Slide 12 is a dashboard of the key financials of the past year. Let me touch on our profits and return metrics here.

Starting with retail profit, this was £786m, down 3.9% with retail profit margin down 20 basis points to 6.8%.

Adjusted pre-tax profit was down 5.2% to £544m. Statutory pre-tax profit was £103m, after £441m of exceptional items. Statutory profit after tax was £8m.

Our Return on Capital Employed was flat at 8.6%, with the decline in profit offset by the impact on capital employed of property impairments.

Slide 13: FY 19/20: reallocation of costs (BB)

On to slide 13. The purpose of this table is to explain two reallocations of costs that we have made in our results to bring them into line with the latest status of the business and our new strategy.

Starting with the central support costs, which include the costs of central offer & sourcing and supply chain & logistics, which are normally allocated to Kingfisher's retail banners. We have updated our allocation based on the level and type of support provided. Although neutral at Group retail profit level, this has resulted in a change to reported retail profits by geography, with the principal effect of more costs being allocated to Poland and fewer to the UK.

The second reallocation relates to transformation P&L costs. As promised in our half-year results, we are no longer reporting transformation P&L costs separately, and have removed Underlying PBT as a key performance measure. To effect this change we have reallocated transformation P&L costs to retail profit and central costs, on the basis of where the costs were incurred or who the beneficiary was. With the launch of our new strategy, any further 'start-up' or incremental costs of change will not be carved out in the future.

For comparability, the prior year has also been restated and you can find the reallocation table within the appendices to this presentation.

Slide 14: Group gross margin % flat, in line with guidance (BB)

On to slide 14 and gross margin for 19/20. At 37%, gross margin was flat both at reported and constant rates, in line with the guidance we gave at the start of 2019.

Sourcing and buying benefits of 80 basis points were offset by net pricing and trading initiatives, incremental clearance, and logistics and stock inefficiencies, mainly in Castorama France.

You may recall that at H1 the gross margin percentage was up 60 basis points. While we continued to deliver sourcing benefits in H2 our margin was impacted by our new trading approach. Promotion based trading events helped deliver a positive Q4 LFL sales performance. In line with expectations, clearance remained elevated, reflecting significant range change across the Group including the new kitchens range at B&Q.

Slide 15: FY 19/20 exceptional items (BB)

Let me now take you through the exceptional charges for the year of £441m, of which approximately £300m is non-cash.

Going down the middle column, the first significant item is a £67m net restructuring charge, which as you may recall was booked in the first half of last year. These costs related to our plans to close 11 stores in France and 19 Screwfix Germany outlets.

In relation to Russia, we recognised a £130m charge mainly attributable to store asset write-downs. Russia is now classified as 'held for sale' on our balance sheet, and the sales process is ongoing.

The charge of £118m relates to store impairments in B&Q, Castorama France and Iberia, reflecting financial performance in FY 19/20 and lower freehold market values. Exceptional costs of £39m in Romania reflect store and goodwill impairments.

The next item relates to taxes in France, totalling £50m. About half of this relates to our settlement with the French Tax Authority, as disclosed back in Q3. In addition, a provision for £26m has been booked for an uncertain position in relation to a multi-year business tax in France.

Finally, other exceptional items of £44m relate mainly to IT modules and digital tools that will not be rolled out or have been discontinued.

After all exceptional items, statutory profit before tax was £103m.

To note, we re-ran our impairment tests in light of the coronavirus crisis, and we concluded that the impact was not material.

Slide 16: FY 19/20 geographic summary (BB)

To slide 16, and the performance of our major geographies. There are slides in the appendix detailing the performance of each of our retail banners.

To summarise, sales performance was mixed, with LFL sales slightly down in the UK, weaker in France, Russia and Iberia, and up in Poland and Romania.

Profit in the UK, which accounted for around two thirds of Group retail profit, was slightly up, offset by a 9.7% decline in France and 7.7% decline in Poland, with the losses from the other remaining geographies £4m higher at £28m.

Slide 17: FY 19/20 summary cash flows (BB)

Slide 17 provides an overview of cash flows.

We generated nearly £1.3bn of EBITDA and paid £469m of net rent. Working capital showed an outflow of £127m. This reflected an increase in stock of £70m, most of which related to store expansion in Screwfix and Poland, and a net decrease in the combined debtors and creditors position of £57m.

After capital expenditure, tax and interest payment, free cash flow for the year was £191m.

Income from property disposal was largely driven by a small number of sale & leaseback transactions at B&Q. Exceptional cash outflows related mainly to stores closures and the settlement with the French Tax Authority.

After dividends, net cash flow was positive £3m.

Slide 18: Managing the financial impact of COVID-19 (BB)

Turning to slide 18 let me summarise how we have managed the financial impact of COVID-19 to date.

The three months to April 30 was a tale of two halves, with trading to March 14 continuing the positive trends of Q4, followed by a significant impact from COVID-related disruption. Overall, Group sales were down 24% in the quarter.

Since the start of the crisis we have taken significant and effective action to quickly adapt our operating model, reduce our costs, and protect our cash.

Access to liquidity has been a key priority in these uncertain times. Today, we have over £3bn of cash resources available and this provides us with substantial headroom should we be faced with a prolonged period of reduced sales, even if this is currently not expected.

And with nearly all our stores open for in-store purchasing, I am encouraged by our recent trading. Group LFL sales for Q2 to-date are up nearly 22%. However, given the uncertainty in the external environment, we cannot quantify the impact of COVID-19 on our expectations for this year, and therefore no specific financial guidance has been provided.

Slide 19: Actions taken to reduce costs and preserve cash (BB)

Moving to slide 19, a reminder of some of the key initiatives we have taken on costs and cash.

As these have been well covered in our Q1 release I will not go through the slide in detail. However, let me point out a couple of updates.

With regards to furloughing, by the end of May we had approximately 10% of our colleagues covered by these programmes as our stores reopened. With the exception of those who are vulnerable and/or at a higher risk of infection, all remaining colleagues in France and Romania returned from furlough on 1 June, with remaining colleagues in the UK and Spain expected back by the 1 July. From this date we have decided to no longer claim under the furlough programmes in the UK and France, including for the higher risk population who have not yet returned.

With regards to capital expenditure, while we acted quickly at the start of the crisis to stop non-essential and development spend, we are reviewing our capital expenditure plans on a case-by-case basis, maintaining tight control in case we need to act quickly again.

Finally, we have decided to no longer make use of opportunities to defer tax payments and we will pay the balance of what was due in the coming weeks.

Slide 20: Significant liquidity headroom and solid financial position (BB)

Now moving to slide 20 and our current liquidity and financial position.

Over the last three months we arranged access to nearly £1.4bn of additional liquidity facilities, including a term facility guaranteed by the French State, access to the Bank of England's CCFF programme, plus an additional RCF of £250m.

This comes on top of the existing RCF facilities totaling £775m.

Currently, including around £730m of cash generated by the business since the beginning of the year, cash at bank is c.£2bn. This includes drawn amounts of approximately £535m from the French term facility and £600m from 11-month commercial paper issued under the CCFF. While both these amounts are not expected to be needed – even under our worst case COVID-19 scenario – they could be required should the pandemic be significantly more prolonged or severe.

Including around £1bn of undrawn RCFs, total liquidity that the Group can access is over £3bn.

I am also happy to report that, as of April 30, we held our inventory balance flat year-on-year, despite a 24% reduction in sales in Q1. Our inventory balance was further helped by strong sales in May, with the balance now lower than a year ago. Due to the durable nature of our goods we have not recorded any meaningful stock provisions and we are working hard to ensure good availability despite exceptional demand levels over the last month.

Finally, we started the year with limited financial debt and a leverage ratio at the lower end of our medium term target range.

Slide 21: FY20/21 trading year to date (BB)

Turning to my final slide. As I said earlier we are not able to quantify the impact of COVID-19 on expectations for this full year. This slide however summarises our performance to-date.

As already mentioned, Q1 sales were significantly impacted by COVID-19 with Group LFL sales down 24.8%. Encouragingly we have seen a strong sales recovery in Q2 following store reopenings, with Q2 Group LFL sales up 21.8% to date.

Our Q1 gross margin was down year on year. This was almost entirely linked to COVID-19 factors, mainly reflecting the fixed nature of some of our logistics costs and a greater relative share of home delivered sales. With regards to pricing and promotions, our price index has remained below 100 in all of our key retail banners, and we have had less promotional-based activity relative to the fourth quarter of last year.

And as I set out before, we have taken significant actions to reduce costs and preserve cash this year, including controlling our capex.

As a result of these actions and the strong recovery of sales in May, our net cash inflow since January 31 is approximately £730m. This is a material improvement on the £250m outflow referred to in our Q1 trading update. This movement reflects the relative improvement in our sales trends over the last 5 weeks, as well as from our actions to preserve cash, some of which are timing-related.

With that, let me now hand back to Thierry.

Slide 22: 'Powered by Kingfisher' (TG)

Thank you Bernard. While managing COVID-19 has been our most urgent priority, it would equally be a mistake not to prepare the company for the future. Kingfisher needs a new direction. Our new plan is called 'Powered by Kingfisher'.

Slide 23: Our strengths (TG)

Kingfisher is a leading Home Improvement business in Europe. And I want to start by recognising some of our fundamental strengths. This is on page 23.

The markets we are in, are attractive

All our markets have been growing in the past 6-7 years and this is expected to continue. Customers remain passionate about improving their homes and demand indicators are stable. In retail, this is quite a good situation to be in. And given the specific nature of the COVID-19 crisis, Home Improvement is proving resilient.

Home Improvement has higher profit margins than many other retail sectors such as Grocery. We do have growing online competition. But Home Improvement is partly insulated vs. online pure-plays. Because of the specific nature of DIY, the importance of advice and design expertise and the bulky nature of many of our products, we see a clear role for stores. Plus, as we've seen during COVID-19, stores are an asset to enable e-commerce.

It's clear that we have leading positions in all our key markets, and awareness of our banners is stronger than ever.

We have strong commercial assets, including our 8 Group sourcing offices and own exclusive brands.

Our 77,000 colleagues are knowledgeable, skilled and have been with us for over 7 years on average.

Our credentials in responsible business practices are industry-leading, especially when it comes to the sustainable sourcing of wood and paper.

And finally, we have a portfolio of distinctly positioned banners.

These banners can address diverse customer needs and segments. I will talk more about this shortly.

Slide 24: Situation in 2019 – key achievements from past 4 years (TG)

Looking back at the past 4 years, I can see some clear achievements as listed on Page 24 and we can build on these.

Kingfisher has leveraged its scale to deliver sourcing and buying improvements.

Kingfisher has built design and sourcing capabilities for its own exclusive brands. Bathroom and power tools are great examples. Investments were made to improve the price competitiveness in B&Q and Castorama France. Our index today is at 100 or lower vs. peers. More than £100m in GNFR and operational savings have been delivered.

A common SAP template has been fully deployed in B&Q and rollout is in progress for other banners. There have been some execution delays, but the underlying template is robust.

Kingfisher established a finance shared services centre in Poland, a good first step to driving back-office scale benefits.

Slide 25: Situation in 2019 – diagnosis (TG)

At the same time, we must recognise that Kingfisher's performance in the last 3 to 4 years has been disappointing. But here I believe that many of the issues were self-inflicted. Let me be direct and share my diagnostic with you on page 25.

As a Group, Kingfisher not only tried to 'do things together' but tried to 'become One'. There is absolutely no doubt, that there is much we can do together, and that we should leverage our scale intelligently. But Kingfisher is comprised of distinctive retail banners addressing diverse customer needs. We should not aim to 'become One', with the same range, the same proposition, same marketing or same merchandising.

The local-Group operating model was imbalanced. Many key customer-facing decisions such as range creation, pricing, promotions were centralised. As a result, the positioning of our banners was diluted.

In the end, the proposition weakened and banners lost the agility to respond to local customer needs.

Over time, trying to 'become One' with such diverse banners ended up creating an overly complex operating model. With duplication of activities, inefficiencies and an increase in central costs.

Kingfisher became overly product-led vs. being retail-led. It focused time, energy and capital on centralised product development. We need great product development, but it should be balanced with investment in the retail proposition.

And lastly, Kingfisher attempted to do too much, too fast. There were multiple large initiatives running in parallel such as changes to range, IT systems, supply chain and organisation. And we must recognise that France was the most affected.

These issues directly impacted the Group's results, with declines in LFL sales and market share. Excluding Screwfix, E-commerce participation moved from less than 1% to just 3% over 4 years. And last, significant costs and inventory were added into the business.

Slide 26: Continuing shifts in the market provide opportunities (TG)

Let me now discuss markets shifts on page 26

The shift towards online is clear in Home Improvement. Our markets are at different stages but all are experiencing the impact of this change. And of course, there has been a further acceleration of this trend during COVID-19.

Then there is a gradual shift towards smaller stores. Smaller and centrally located stores are increasingly meeting the need for convenience and speed.

In mature markets like the UK and France, discounters have been growing in Home Improvement.

And finally, there has been a shift towards Do-it-For-Me as urbanisation and incomes have grown. But it is also constrained, for example due to limited supply of tradespeople, and our data shows that the shift is very gradual. What we are seeing here recently, is that COVID-19 has somewhat depressed demand for Do-it-For-Me and favoured DIY.

We also see new trends and innovation in this field with service platforms like NeedHelp.

Slide 27: Customers share some needs – but are not ‘one’ (TG)

My primary focus in recent months has been to get close to our customers. What strikes me is that we need to be really nuanced in how we think about customer needs across our markets. As you can see on page 27, there are indeed some shared needs across our markets. This enables us to develop great own products and sell them across our banners.

But it is wrong to assume a ‘one size fits all’ approach. If you take a category like Painting, you will discover that frequency of re-painting is different – once every two and a half years in the UK but once every eight years in France on average. Budgets and price points are much lower in the UK than France. And the colours and brands sold are different across our markets. I could talk to many other categories where we can see differences.

Not to mention that there are different customer segments such as pro or extremely budget-conscious shoppers.

The world is not ‘One’. The customer is not ‘One’ and is not becoming ‘One’ in the future. This is a key principle behind our new strategy.

Slide 28: Distinct banners addressing diverse customer needs (TG)

Moving now to page 28 to talk about Kingfisher banners. Each banner has its own DNA, its tailored proposition and operating model to best serve its target customers.

We operate general home improvement banners such as B&Q and Castorama. They offer broad choice and are positioned competitively on price.

We have trade-focused banners in Screwfix and TradePoint. Their proposition is specifically designed for the pro, and designed to guarantee convenience and speed.

We also have Brico Depot in France and Iberia where we operate a discounter model. What drives success here is tight ranges, great availability, basic levels of service and unbeatable prices. And supported by a much lower-cost operating model. We believe Brico Depot can reclaim its DNA as a true discount model, which has great potential.

Slide 29: Our strategic direction (TG)

Let me summarise our strategic direction on page 29

Firstly, Kingfisher banners are not the same. This is a strength.

They address diverse customer needs, operate different models and each will have a clear positioning and plan.

We will ‘power’ these banners as a Group

The role of the Group is to enable our banners to serve their customers better

We have a clear vision to build customer propositions for the future

E-commerce with stores at the centre, more compact stores, OEB-led differentiation, a mobile-first experience and a compelling services offer are at the heart of this vision

A balanced local-group operating model and agile culture will support this direction

We will build a culture led by trust. We will adopt a ‘done is better than perfect’ mind-set to test and learn.

We will lead the industry with our Responsible Business practices.

We will be simpler and leaner

This means doing less, landing it faster, and reducing our costs and inventory.

Slide 30: Kingfisher banners are not the same. This is a strength (TG)

So let me now move to page 30 and bring this to life:

We are an expert in Home Improvement but our banners address diverse customer needs. It is important that we fortify each banner’s role and proposition.

A more balanced local-group operating model is key as I have talked about. We will make sure our banners can make the decisions they need to in order to serve their customers better.

Slide 31: Each banner has a clear positioning – and set of priorities (TG)

We have been working on clear priorities for all our banners. In the interest of time, let me pick-up on two of them - Screwfix and Castorama France – on page 31.

Screwfix is a unique retail model. Customers genuinely value the proposition and returns are very strong. There is clear potential for further growth and we have a 'Turbo' plan for Screwfix.

Firstly, we plan to open more stores and to maximise our share in the UK & Ireland. We are constantly looking at the return-on-investment from new stores and improving store operations. This is allowing us to unlock new locations more profitably.

We also have plans to significantly improve the Screwfix proposition with targeted price investments (which we started in 2019), extended ranges and innovative delivery options.

There is also a large opportunity for Screwfix to expand internationally. We are confident that this model can work outside the UK and we are looking at asset-light ways to start with. We are starting to prove this in Ireland. I can confirm that the opportunities are clear, but today it is too early to share all the details.

I am fully committed to investing in Screwfix.

Castorama France has been underperforming for many years. My view is that some of the issues are Castorama specific and some have been inflicted by the Group strategy. For example, fewer trading events, delisting of higher-end products, and IT and supply chain disruption.

On the positive side, we can build on Castorama's enduring brand equity. The Castorama brand reputation has also improved given their responsible actions and agility during the crisis.

As mentioned earlier, our near-term priority is to fix the basics in the team structure, IT and availability. As you saw, we have early encouraging results.

Medium term, we must position Castorama to grow again. We are taking e-commerce very seriously and we made significant progress during COVID-19. We will strengthen our ranges through OEB and with broader choice. We will re-introduce trading events and re-invest in services. In parallel, we will drive cost and inventory reduction.

Let me also briefly comment on Iberia here. While there has been interest in the business, we have reviewed the original decision to exit. Brico Depot is well positioned as a discounter in the market. And we believe our new strategic direction can take this already-profitable business, forward.

Slide 32: We will 'power' these banners as a Group (TG)

It is important for our distinct banners to have their own priorities, but we will continue to unlock value from doing things together as a Group. And as I said, there are many achievements from the past years that we can build on – for example OEB, our sourcing offices, our SAP IT platforms, our shared services in Poland.

And these are our Group 'Sources of Power' as outlined on page 32:

Let me start with our own exclusive brands. We have strong design and sourcing capabilities in place, and already developed very successful own exclusive brands. They allow us to offer differentiation, great value and will bring growth and better margin.

Linked to this, we have a strong sourcing and buying organisation on which we can build further.

On to Technology: It is critical to use the scale of the Group to invest together in strong technology platforms. It will remain an important area of investment in the future like for many other retailers. As a Group, we are able to strike global partnerships in this field.

Next is how we will use Group Shared Services: We see further opportunities here.

We are also establishing several Kingfisher centres of excellence to set the right ambition and accelerate innovation in key strategic areas. These include e-commerce, digital customer journeys, customer data, store concepts, services and supply chain. We speak here about very small teams of experts who can move fast.

And lastly, our Group gives a framework for our people, our culture and our values, which is a strength.

This is the role of the Group.

Slide 33: 'Powered by Kingfisher' - Group priorities (TG)

Our new plan, as on page 33, has two different horizons.

In 2020, our immediate priority is to fix the business and manage COVID-19, which will require focus and discipline.

Looking further forward, we also have seven strategic priorities to simplify our business and bring Kingfisher back to growth. This is where we will put our time, energy and resources.

As I mentioned we have launched taskforces to redesign the commercial and IT operating model. Let me now give you some colour on the other priorities.

Slide 34: A clear vision to build customer propositions for the future (TG)

To page 34, we have a clear vision for how we will build tomorrow's customer propositions. This vision is informed by the shifts that we see in the market and customer needs.

A key priority is to grow e-commerce sales, fast. And here there are two significant shifts in our strategy:

The first one is that we will leverage our stores as the primary way of picking and fulfilling orders – including click & collect, drive-through, lockers, and same day / next day home deliveries. In the past couple of months, we have made rapid progress on this front and we need to sustain it.

And the second shift is that we will fully prioritise the rollout of the Group e-commerce technology stack.

In addition, looking to the future, we are also beginning to explore the potential for a marketplace offering; but it is very early days.

Next is about building a mobile and service led customer experience. Services are another reason why stores will remain key in our sector, and our offer must be compelling. This includes making sure we're market leading on existing services such as timber cutting and paint mixing. But also evolving our offer to a full suite of design, planning, visualisation and installation services.

We will also lead with mobile and leverage customer data and analytics to improve how we serve customers.

Our own exclusive brands are also a key part of this vision. We will continue to grow our OEB participation from a base of 39% today. To do this, we will shift our focus from unification of ranges towards own exclusive branded product. We will deliver even better value-for-money to our customers, which is important as we enter a tough economic cycle. And we will make sure our OEB portfolio is supporting each banner's proposition – for DIY, for trade, for discounter banners.

And we will test compact store concepts and adapt our store footprint. We already have high-ROI new store opportunities that we will continue to invest in, especially Screwfix and Poland. Beyond this, we are increasing our trials of compact store concepts. We are also aware our big-box stores will need to evolve. This will include e-commerce, 'dark store' space, customer experience and advice, and rightsizing when required. And finally, we are exploring store-in-store, concessions and franchise partnerships.

Slide 35: Simpler and leaner (TG)

On page 35, we have a clear cost and inventory reduction programme and we are committed to it. As you can see, it covers the full range of operating costs at Group and in our banners.

On buying and sourcing, Kingfisher delivered efficiencies in the past. There is further potential for upside. We will renew strategic partnerships with the top 20-30 international brands, drive engineering and sourcing benefits in our own exclusive brands and reduce the level of clearance in the business.

Significant excess inventory has been built up over the years, and we have a clear plan to reduce it.

Slide 36: Lead the industry in 'Responsible Business' practices (TG)

Moving to page 36.

Kingfisher has a long history of leading the industry on responsible business practices. I would like to take this a step further. We have chosen four areas of focus:

(1) To help tackle climate change by becoming forest-positive by 2025.

(2) To help make greener, healthier homes affordable.

(3) To contribute to fixing bad housing.

(4) And to become an even more inclusive company by building skills for life.

We have clear targets associated with each of these areas, as you can see on the slide. And for the first time, we are linking a part of our bonus incentives to these commitments.

Slide 37: COVID-19 reinforces our strategic direction and pushes us to be bolder (TG)

To page 37. We started to prepare our new plan before the COVID-19 crisis. Reflecting on the last three months I am convinced that COVID-19 reinforces our strategic direction. In fact, it pushes us to be bolder.

Let me start with our customers. As people emerge from confinement into economic downturn, we will see a fresh search for value. We already offer a price index of 100 or less vs closest competitors in all key banners, and we will use the power of our OEB and our discounter banners to do more.

Customers have new Home Improvement needs as they spend more time at home - new ways to use their space or adjust to long-term working from home.

And of course being recognised as a responsible business is even more important than before.

Then we have seen a further acceleration towards online. And the past few weeks have proven the importance of putting stores at the centre of e-commerce. And this is the key reason behind our strong e-Commerce growth across banners during the crisis.

And it is more important than ever to be lean and focused. We must retain the agility we have shown during the crisis. This means we must "test and learn" fast. And empowering our banners has been a real source of this agility.

In parallel, COVID-19 pushes us to be bolder in our existing cost reduction plans.

Slide 38: Committed to returning Kingfisher to growth (TG)

Moving to page 38. Beyond our immediate priorities, let me be clear that in retail, everything starts with topline growth.

Our ongoing financial priorities are firstly to focus on sales growth in all retail banners. We will also drive benefits from buying, sourcing and product development. And in parallel reduce costs and inventory.

In the end, our focus will be to grow like-for-like sales and absolute retail profit.

Capital investment will be subject to strict returns criteria. We aim to maintain an investment grade credit rating.

We recognise the importance of dividends to shareholders and will review this as COVID-related impacts become clearer.

Slide 39: Summary (TG)

Finally to page 39, let me tell you the things I really want you to take away.

Our near term priority is still managing the impacts of COVID-19 on our colleagues, our customers, and our operations. We are very mindful of the significant uncertainty that exists, and we are working hard to be prepared for all scenarios.

Looking forward, I believe that the opportunity for Kingfisher is significant. The Home Improvement market is a good market to be in and Kingfisher has many strengths.

Our banners are not the same. This is a strength. And we have a clear new strategic direction – 'Powered by Kingfisher'. I am more convinced by this direction after the few past weeks of managing through this crisis with our teams.

We have a strong new Group Executive team.

We are committed to operate with new standards of execution discipline. This will mean remaining focused on the most high-value initiatives.

As you have seen this morning, our early actions have delivered encouraging results.

There is much to do but we are excited about the opportunities that are ahead of us. And as a team, we are committed to returning Kingfisher to growth.

Slide 40: Q&A (TG)

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