

12 months ended 31 January 2021

---

**Speakers:**

Thierry Garnier (TG), CEO, Kingfisher plc

Bernard Bot (BB), CFO, Kingfisher plc

Richard Chamberlain, RBC

Simon Irwin, Credit Suisse

Warwick Okines, Exane BNP Paribas

Anne Critchlow, Société Générale

James Grzanic, Jefferies

Kate Calvert, Investec

Tony Shiret, Panmure Gordon

Lorenzo Margiotta, Bank of America

Paul Rossington, HSBC

---

**Note:** text in square brackets indicates edits made directly by Kingfisher for clarification purposes

**RICHARD CHAMBERLAIN:** Thank you. Morning guys, morning Thierry. Three questions from me please to kick things off. First of all, can you maybe touch on any sort of recent survey work that you've done that's giving you any sort of indications about consumers' intentions to carry on spending on DIY in major markets? That's the first one. The second one is on the sort of new international plans for Screwfix. I wondered if you would just touch on how that will be different from what we've seen in the past, for instance in Germany? And then the third one is maybe if you can just flesh out a little bit more on the relaunch of TradePoint, maybe give a little bit more colour particularly in terms of what you're doing in terms of ranging that business differently? Thanks a lot.

**TG:** Yeah, thank you Richard. Thank you for your questions. I would say firstly the customer surveys are very important and very interesting for us. We ran a comprehensive two sets of surveys, one last year, September/October and we did it again earlier this year in February. I think the first thing I mentioned in my introduction and I would like to refer again is the most interesting thing is we see a new generation of DIYers. A cluster of 18 to 34 years old. For 20% of them they did DIY for the first time. And on top of the 20%, 55% of them did more DIY in 2020 than in the past and a very significant proportion explaining they are learning new skills and are enjoying it. In our surveys asking on 2021, overall we have as well a much higher proportion of people saying they will do more

home improvement in 2021 than in 2020, still back in February [2021]. So that's for the first question.

I would say on Screwfix, we discussed that on previous calls, we have clearly two directions. First, learning from Germany as you refer to and Ireland, we consider we should start online first before opening stores and on the other side we will look at countries we know already. We learned from Germany as well the supplier relationship. We had limited teams, capabilities. We did not build supplier relationships before already entering this country. Therefore, we consider starting in a country we know well when we have teams, when we have existing supplier relationships and from where we have existing supply chains will be more appropriate candidates. So that will be the two directions, starting with online first before opening stores and two, to look at countries where we have a strong supplier relationship already there.

Now on TradePoint, I think TradePoint is very important for us and let me say as well that TradePoint is addressing a very different customer than Screwfix. Screwfix is really targeting electricians, plumbers, rather targeting smaller parcels, while TradePoint is more on timber, building materials, paint and even kitchens. So we have seen a very good year in 2020 and key actions are on ranging. We are rebuilding additional ranging at TradePoint. We are recruiting. In the past month we saw very strong recruitment activities through our loyalty card programmes. We have rebuilt the team in the past months and we are now fully ready to relaunch this business. We have a new plan on our loyalty programme because loyalty programmes are very critical for trade. So we have now a good team and a clear plan in place.

**SIMON IRWIN:** Good morning gentlemen and congratulations on the numbers. A couple of questions for you. Firstly, can you just give us a sense about how you see the margin opportunity in France and what those levers will be in the medium term? And the second is, can you give us a bit of a sense of the kind of components of demand as you saw them last year in terms of your small basket retail customers on a project related and trade related and how the three kind of interact and what your thoughts are around those three groups going forwards?

**TG:** Yeah, thank you Simon. Maybe a few words about the action we are doing in France. We said several times that probably France was the country and the banners that was the most disrupted and impacted by the 'ONE Kingfisher' strategy around range that has been significantly reduced at Casto, new IT, new supply chain, overall a strong demotivation of the two teams that were convinced that Casto and Brico had probably no long term future versus other banners. So I think we really did good progress in 2020 and I refer to some acceleration. Probably in France we had made some acceleration versus our initial plan. We have a very strong team. We rebuilt two small management boards for Casto and Brico. We have recruited on our supply chain significant new experts and we are in a good place now. You know that at group level we have decided to rebalance our group banner operating model. I'm happy to say that in March [2021] we totally completed

across the group this new commercial operating model including in France and it helped a lot France the past months.

We have decided to stop non-critical IT projects to focus on SAP for Casto. It has been fully implemented. We have implemented a new e-commerce group digital stack into Castorama with very good feedback on the customer NPS. We have made, I mentioned that a few minutes ago, a lot of innovation on e-commerce, store picking, click and collect, drive through, home delivery. On the range and sincerely I'm relatively happy with what we've done in 2020 because we went fast, so I think we really did a big improvement in repairing the range. As I mentioned probably we need 12 to 18 more months to be fully happy with the range we have at Casto and at Brico. And therefore we saw strong growth in like for like. We saw market share gains at Castorama. Recruitment of customer NPS, so all that was very positive.

So then answering your question, for me looking at France, I would set up the same priorities and timeline. The first is top line growth. In retail I strongly believe that to create value, you need to make sure the top line is there and that you have a strong speed and you grow market share. That's the first priority in France. To make sure we are the right speed and gaining consistently market share. Then over time, we will grow our margin when we are confident that the top line growth is where we want to be. But I confirm that we are optimistic on the profit margin in France and that we'll be able to rebuild a stronger profit margin over time.

On your other question on project, trade and DIYers, I would say we have been still impacted by the lockdown, so meaning you have people that are afraid to have trade people inside their home, so the 'do it for me' part of the business has still been impacted especially during H1 and at Screwfix. So a bit less trade trends. And clearly the boom and the largest trend is around new DIYers – I would say beginner DIYer. I know people that do painting, decoration, flooring, but not necessarily very large projects. And because the showrooms have been closed in the past weeks in the UK, as well the big projects are still growing, but a bit more impacted, that is your projects. So clearly what we saw in the past months is the demand around new DIYers starting a new project with a slightly more constraint on 'do it for me' and on the large projects. Even though, just to mention large project, B&Q and the French team they have been very innovative and fast. We have built a much stronger virtual appointment, virtual design capabilities and we are selling many, many kitchens and bathrooms online now, which is good news for the future.

**SIMON IRWIN:** Great, thank you very much.

**WARWICK OKINES:** Yeah, good morning. Thank you for the presentation. I had two separate questions. The first is on the store carve-up or the store reduction of size in the UK that you've done so far. Could you just give us a sense of what you're expecting sales to do when you take 30% out of the floorspace? Just give us a sense of densities or overall revenue impact you're modelling through

please? That will be useful. And secondly on Brico Dépôt, you've talked for some time now about it being a powerful discount format that perhaps lost its way a little bit. You mentioned in your presentation trimming the ranges. I was wondering whether you could maybe give us a sense of what the SKU reduction might look like and what areas you'd like to really concentrate the range please?

**TG:** Yeah, thank you Warwick. I think on the right sizing and you take the example of 30% of sales square metres, I think it's probably a good average for us, I would say we should be between zero and 30. We should have clearly less sales impact than square metres. You still have a bit of impact. You cannot reduce your square metres and have absolutely no impact on sales. So according to our experience we have some impact but much less than the reduction of sales. So that's clearly the kind of KPI we will build over time, what is the impact on your sales, what is the cost reduction you are able to do, what is the impact of margin, what is the contribution of the partner you are bringing in or what you are doing with your square metres. We are still there in the test and learn mode. We consider it's a very important topic. We have some time to answer it, so we are running consistently tests in 2021 and in the coming years and we want really to set up clear KPIs and understanding so that we will come back with a more longer term plan on right sizing.

Brico Dépôt, to start with the range, in the past years the number of SKUs were probably five years ago at 12,500 SKUs and gradually moved up to 17,000 SKU. So without coming back to 12,500 we consider we should decrease a bit our ranges. I'll give you a small example. For example, all the screws categories in the past we had probably 30 to 40% less SKUs than today, but the presentation was in bulk with the very large conditioning, totally different to the one you can see today in the store and we lost probably 20 to 30% of sales on this category because of the change of the range. We really moved from a discounter to a kind of general DIY offer and that was not right for Brico Dépôt. So we have a very expert team in Brico Dépôt. They exactly know what they want to do category by category. Typically for screws we are coming back to very different ranges, very different presentation, but you understand we need some time to move from this DIY offer to discount offer. Probably we need 12 to 18 months in addition to today to be really fully where we want to be with Brico. And the other area on the range I would comment on Brico is our private label, our OEB. We have today exactly the same OEB between Casto and Brico and for some categories it's not relevant and we will adjust, we will tailor our OEB offer to make sure we can differentiate more between Brico and Casto and as well on prices.

**BB:** And Warwick, Bernard here, maybe just to frame a little bit the rightsizing discussion and maybe I'm repeating things you know, but it is really, it applies to B&Q and Casto [France], it's much less of an issue in the other banners and if you look at B&Q their 300 stores, it's about a third of those that are big boxes. And then admittedly Casto they have 93 stores and the majority are. But within those, most of the B&Q and Casto stores are well located, have good sales densities and are profitable. So really it affects those stores where that doesn't apply and that's where we're testing

and looking what works best over the next couple of years and then take those learnings and gradually invest in the right sizing programme.

**WARWICK OKINES:** Understood. Thanks very much both of you.

**TG:** Thank you Warwick.

**ANNE CRITCHLOW:** Thank you, good morning. I've got two questions please on own exclusive brands. First of all, where would you like to see that get to in terms of percentage of sales? What might be the ideal level? And then secondly what's the gross margin differential between own exclusive brands and third-party brands? For example, is it say 5% percentage points more than that?

**TG:** Yes, thank you Anne. Today, we have reached 44% of the Group sales for OEB, and that's pretty impressive, and then, I must admit that not only the job done in 2020 but all the past years by building, you know, sourcing offices, designers, engineers across the Group, and that's really a Group, well, we call it 'Group Power' to be able to produce OEB. We have clearly an ambitious plan. I would not give you a precise target today but we consider we can continue to grow from 44%. We will not grow to 100%, you know, they are very strong brands, very strong vendors, and we need as well to have choice and open our ranges to many vendors, but we consider we can still grow from 44%.

As you mentioned, the margin of OEB category by category, is above the average of our business, so we have a clear margin contribution from OEB that's why our plan by growing OEB is as well, not only to push ourselves to provide differentiation, but as well to provide more margin, but I can't give you any figures for now.

**ANNE CRITCHLOW:** Okay, thank you.

**TG:** Thank you, Anne.

**JAMES GRZINIC:** Yes, thank you and good morning to you. I've just two quick ones. I guess firstly coming back to Simon's question, Thierry, are you basically saying that once you have concluded that piece of work on those French ranges, and you're fully happy with those, that the key driver to grow profits ahead of sales is in place, is that how we should be thinking about it? And secondly, in terms of Screwfix International, is the timeline of moving from purely online to multi-channel, the sort of the two-year gap that we saw in Ireland, shall we be thinking about that in terms of you opening stores, I presume in Poland, France and Iberia?

**TG:** Thank you, James. I would say just to clarify the French point, I would say firstly, we need to be happy with the top line, and the 12 to 18 months is really around rebuilding ranges. In our plan, we say we want first to repair and reconsider on range, it's not repaired yet. But I will not commit today that the 12 to 18 months is my commitment to grow the profit margin in France. I want to make sure the top line is where we want to be before we start to drive strongly higher profit margin.

On Screwfix first, I didn't mention any specific countries. I mentioned the countries where we have the existing operation from Kingfisher. Again, we want to establish a brand. We want to make sure the range we are starting with online, the reaction to customer is good and well understood, and as soon as we have that we will consider physical operations.

**JAMES GRZINIC:** Okay, thank you.

**KATE CALVERT:** Good morning everyone, a couple from me. First, just going back to the rightsizing programme, can you give an idea of the number of stores of that sort of third big boxes in B&Q that you think you could rightsize, and then the other thing, could you give a bit more detail of the online operations within the 56 B&Qs? I mean, how much has it impacted the existing sales area of those stores? And then the final question is on France, gross margin, obviously it was down 120 bps, but how much of that do you think you might be able to take back in the current year FY 22? Thanks very much.

**TG:** Yes thank you, Kate. Rightsizing - let me step back a minute to give you the global picture. We do not feel we have a kind of rightsize issue everywhere across the Group. Again, if I take one by one, you see Screwfix small stores. Brico Dépôt, we are more around 6-7k sqm. Poland is not a problem either, and Romania, Iberia again, are more around 6-8k sqm stores. So, the question is really very much about Castorama [France] and B&Q, and if you look at B&Q for example, we have a large part of B&Q Estate that I would qualify as medium box that are 4-6k sqm stores, and today, they are performing extremely well. You know, sales density, profit, the supply chain to support those medium-box stores of B&Q, are all very strong and very good, and we will open more medium boxes looking forward.

Now, when you look at the larger B&Q big box, again, you have very, very strong and successful ones. We're not far from London. If you go to New Malden, it's a very big store, very successful, very profitable and there is no, I would say, not much job to do on this one to reduce the size. So, it's part of the Estate. It's exactly the job we are doing with our 'test and learn.' We want to do more tests to learn more in the coming probably two years' time, to set up a clearer and stronger longer-term plan on rightsizing at B&Q and Casto France, and it's a bit early to come with a detailed and strong plan with the number of stores, capex and results. We discussed a few minutes ago what are the impacts, what is impact on sales when you reduce [square metres by] 30%. What is [the] impact on margin and cost. We gave you some indication on Canterbury that is very encouraging. So, depending on

those 'test and learn' [rightsizings], we will be able to come back to you with clearer numbers later on.

I think your question on hubs and dark stores are very interesting, very, very important for us. The 56 [B&Q] hubs are stores that have been chosen for two reasons; because of their location, so because we wanted to cover a large part of the UK and we today covered 98% of the UK population; but at the same time that our large ranges, and that some are surface space available to run a kind of dark store without reducing the store area. So today, it's really a store where we have large warehouses and we build a small dark stores, small warehouses inside their existing operation and therefore, being able to cater probably regularly over 1,000 orders, or 1,500 orders a day, which is pretty good for a store operation.

As for France, maybe I will let Bernard comment further on the margin question.

**BB:** Thank you, Kate, and thank you, Thierry. I mean, the answer again, as Thierry said, is the key focus is really on building the top line and growing that top line, and then over time with that build the ROP margin, maybe a little bit less of a focus on the gross margin. So, if you look at what the gross margin did over the year, -120 basis points, really driven by more trading events in both banners, more arrivages, but also some higher supply and logistics cost, and I think those trading events and arrivages have done us well in terms of our market performance, growing ahead of the market at Castorama and good growth in Brico, so that is important for us.

So once that momentum gets going, we believe we can get more leverage and grow the ROP margin, and what will also continue or contribute to that, is the focus on operating cost and the savings initiatives that we're pursuing. So in that combination, strong top line growth and then over time, build the ROP margin. And then the only piece I would say that is potentially more temporary is the higher supply and logistics costs, where we had more one-off type. In fact, on some of the strikes at the beginning of the year and then we had some COVID-related costs during the year, and those will not recur.

**TONY SHIRET:** Thank you very much. Just some simple ones to kick off with. First of all, you alluded to the reduction in Castorama's range under 'ONE Kingfisher', so bearing in mind your comments about taking some time to get the range sorted in France, what was the actual SKU count when you arrived in Castorama, and what is the SKU count going to be in two years' time? And secondly, why or when is NeedHelp going to open in France? So that's the second question. A third question, sorry to labour, online ranges, could you tell us what the SKU count is in the online ranges in the UK and France, and whether there any online exclusives i.e. are you trying to use online to widen the range, or just to fulfil people's orders who want to order online rather than come in store? Thank you.

**TG:** Thank you, Tony. So on Casto [France], the figures we saw and we mentioned in the previous month, is we lost about 20% of the SKU between 2016 and 2019. At that point, Casto ranges was about 55,000 SKUs so therefore, you can see where we have to go but again, I could say I'm pretty happy with the progress of the past month and we are moving fast, and I'm really comfortable when I say twelve to eighteen months that we'll be back to where we want, and it's not only just adding a few SKU, sometimes it's a change of layout. It's more complicated than just adding a few SKU on the shelf. So I am very happy with the job done by the team, we are moving very fast on this area.

NeedHelp, we are already in France. We are partnering with NeedHelp for a few years. We started with NeedHelp and we are broadening our partnership in France on more services. We are pushing communication campaigns on our website. The big thing for us this year is to start NeedHelp in the UK and in Poland. To give you the additional information, we have just been starting some testing in B&Q for a few weeks, in one or two regions of B&Q. So it's just, just early again test, but the big story for us it's as well to start in the UK and in Poland.

Online today the range is firstly focused on store. I would put Screwfix aside. I mean, if I look at B&Q, it's really to deliver the full store range on click and collect and home delivery from store. We have a few exclusive range online, that are delivered directly by vendors, but they are a relatively small number of SKUs. At Screwfix the model is slightly different because we have a very large central warehouse in Trentham, where we have about 25-30,000 SKUs that are not in stores. In Screwfix you have 11,000 SKUs, and in addition to that, you have 25-30,000 SKUs in this central warehouse in order to deliver to all of our customers, that's for the online range and again, our first focus is around speed. So fast click and collect and fast home delivery from store operation at the moment.

**LORENZO MARGIOTTA:** Hey guys. Well done on the results and thanks for taking the question, just a simple one. In the financial priorities, you're talking about top line growth ahead of the market, could you maybe just give us an idea of what you see as the sort of mid-term growth in your markets, maybe by B&Q, Screwfix, France, if we sort of set aside COVID, so maybe from 2022 onwards or whatever, how you think about the growth?

**TG:** Hi there, Lorenzo, thank you for your comment and your question. Let me start and I will as well ask Bernard to complete. I think one key thing, so we are again, we are very interested really to see new supportive trends, and again, we try to take it very coolly. I think the first one is around more working from home. We see clearly, in the future people working a bit more from home. I don't know if it's 10, 5, 15 or 20%, but this will have a material impact on many businesses and including on our business. It will be more wear and tear, people reorganising their space, and I think the second big trend is the new DIYer we saw during the lockdown. We all see people doing more cooking at home and, we saw a lot of people doing more DIY, and when we try when you learn new skills usually, part of it is staying and we believe part of it will stay with us. So, we could have ups and

downs in the short term, but in the medium term we feel there are new supportive trends. Maybe, Bernard, if you want to [add]?

**BB:** Yes. Hi, Lorenzo, if you look at some of the more structural drivers, there's obviously population growth, there's an aging housing stock, you know on average they are 50 to 60 years old in the markets that we are. We're also seeing an increase in the housing starts and all that is supportive. If we then do some statistics, if we look at the period 2009, 2019, what we've seen is that the home-improvement growth is larger, grows ahead of the consumer expenditure in most markets. So that's the structural drivers and then, I would say, adding up some very supportive trends that we see which may accelerate that.

**LORENZO MARGIOTTA:** Thank you, very clear.

**TG:** Thank you, Lorenzo.

**RICHARD CHAMBERLAIN:** Thank you. I wonder if can just ask a follow up, Thierry, just a quick one on going back to the French EBIT margin. I appreciate that you've said repeatedly that the focus is going to be on top line etcetera at least short term, but I wondered if you can just give us a sense of the current sort of spread in margin between Castorama and Brico Dépôt, and any sort of sense whether you would expect that gap to close over time? And then my sense is probably the biggest opportunities is on the Castorama side, but any more colour on that would be very helpful. Thanks.

**TG:** Yes, Richard, you're right to say and again, we have been very clear in the past that the French businesses are made of two very different animals. We have Brico Dépôt again, discounter, higher sales density, higher profit margin; and Castorama with indeed a lower profit margin, but Castorama is profitable.

So, in my view again, you have two different stories. I think Brico at this level should really focus on top line growth. Brico's plan is around constant cost improvement, constant work on the cost base in order to invest part of it on its top line, to continue to have as today, a very strong price index and to even to improve it.

Why we have more opportunity at Casto? You are right to say that we have much more opportunity at Casto, sincerely it's difficult for us to give more granularity and detail at this point, but Casto is profitable and we are seeing much more opportunities. As soon as we are clear about the top line, because you know in retail we have seen so many mistakes where with the wrong price positioning, with the wrong time on cost cutting, the wrong focus. You need first to make sure you have the customer with you. You are recruiting customers. You have the traffic back, and then, you can do many things on the profit part, but we need a bit more time to answer that.

**RICHARD CHAMBERLAIN:** Sure, sure, okay great, thank you.

**TG:** Thank you, Richard.

**PAUL ROSSINGTON:** Good morning, can you hear me?

**TG:** Yes very well, yes, Paul.

**PAUL ROSSINGTON:** Thank you. Well done on the numbers today, gentlemen, one question from me please. One presumes that against the increase in demand driven by COVID-19 you've seen a reduction in the markdown activity in your key markets, and if you could confirm if that's the case or not that would be great, and also, I'm just wondering what you think is going to happen to markdown activity or promotional intensity, once we get out of COVID-19 whether that's this year or next year? Thank you very much.

**TG:** Yes. Thank you, Paul. Again, a few answers and probably Bernard will give you additional figures. Let's start two things, first on the clearance and markdown. A few years ago, I think during the peak of the 'ONE Kingfisher' time, we went up to 75 large range reviews per year, and we saw it was too much, too much disruption in store, probably even the quality of the job. We were just unable to manage so many range reviews at the same time across multiple countries and therefore, we ended up with self-impact and a large, a larger amount of clearance and markdown.

So, since last year, we consider with my management team that 45-55 range reviews per year is the right number. We need range reviews. It's a way to bring innovation and refresh our ranges, but we need to make it in an organised way and that's where we are for 2020, and this is our target for 2021. So, because first off, this reduction of the number of range reviews and plus the fact that we are making them more efficiently, we saw in 2020, and that's our expectation looking forward, a bit less clearance and markdown cost.

Just one caveat is, in 2020 and early 2021 we are rolling out our new kitchen range, and that's probably the most expensive of the markdown because this is the heaviest changes. You need to change a large part of the store. It will be the showroom, to clean the previous ranges. So still, 2020 and 2021 has been impacted by kitchen clearance. Maybe, Bernard, you want to comment on this one?

**BB:** Yes. Paul, maybe to add a few things I mean, if you go back to this year you'll see it's a mix. So we had higher full price sales and lower clearance in B&Q but then in some of the other banners, as we just highlighted for France, we did do more trading events. We had more arrivages in support. So, it really depends on the specifics and the specific market environment, and also, while in some instances that may be a plus, the counter of being in a COVID environment is the supply and logistics

cost and some additional cost you have because of that, some of which also impacts the margin. So there, as always in the margin there are puts and takes.

**PAUL ROSSINGTON:** Thank you. Can I just follow up though on one. Have you seen any increase in promotional activity from Leroy Merlin, or would you expect to?

**TG:** Well, I would say, I put aside lockdown period because during lockdown period, as Bernard mentioned, for some time we have been just cancelling advertising campaign, because we just felt it was not right. So, outside those periods, we see I would say rather stability. We have very good competitors. They are doing their job and they are as well pushing a lot of promotion advertising, but we would rather see a stable situation. We don't see a rise or a decrease of the promotional activities outside lockdown times.

**PAUL ROSSINGTON:** Thank you very much.

**TG:** Thank you. Thank you very much. So, thank you everyone. It was really a pleasure for Bernard and I to be with you, to share those results, to share our strategic views and as well to exchange and answer your questions. Thank you for all of your questions. We are really looking forward to getting together as soon as we can and when the time is right. So, thank you for today and for your support and questions, and talk to you soon. Take care, bye-bye.