

Kingfisher is hosting a capital markets day for institutional investors and analysts from 9am to 1pm today in London, UK

Kingfisher announces 5 year transformation to deliver £500m sustainable annual profit uplift ⁽¹⁾ by the end of Year 5 over and above ‘business as usual’
Also announcing capital return of c£600m over the next 3 years in addition to the annual ordinary dividend

Véronique Laury, Kingfisher Chief Executive Officer, said:

“Following an in depth review of Kingfisher’s business last year alongside in depth studies of our customers’ home improvement needs, the leadership team announced the ‘ONE’ Kingfisher plan. This plan will leverage the scale of the business by becoming a single, unified company where those customer needs always come first.

“We are excited to now reveal our new strategy and our focus over the next five years based on the three key pillars of creating a unified, unique and leading home improvement offer, driving our digital capability and optimising our operational efficiency.

“With a clear roadmap now in place alongside clear long term targets, the size of the five year opportunity is significant. We do acknowledge the challenges ahead, however having already made good progress since March last year, and with 80,000 committed colleagues, we feel confident about our plan and look forward to moving on to the first year of our transformation.”

Our 5 year transformation

Our transformation plan is over and above ‘business as usual’. By this we mean that we expect pre-transformation performance to be broadly in line with the macroeconomic backdrop in our respective markets. We will have limited expansion, the focus of which, in the medium-term, will be Screwfix Europe.

We will track our progress against a set of financial KPIs and operational milestones and we will update as we progress.

Key financials

- Expected to deliver £500m sustainable annual profit uplift by end of year 5
- Pre-exceptional reported profit expected to be impacted, net of operational efficiency benefits, by c£(50)m in Year 1 and £(70)-(100)m in Year 2
- Total expected cash cost of £800m (transformation capital expenditure + transformation P&L costs + P&L exceptional costs)
- Will deliver improved ROCE
- Intend to return c£600m of capital to shareholders over the next three years (expected to be via share buyback), in addition to the annual ordinary dividend

Comprising 3 strategic pillars

1. Creating a <u>unified, unique & leading offer</u> based on customer needs	- Expected to generate £350m sustainable annual profit uplift by end of year 5; total cash cost £480m - Uplift broadly equates to 5% reduction in cost of goods sold; assumes higher sales from price reinvestment and a more unique & leading offer will be offset by range clearance and implementation costs - Very encouraging results from the first wave of our unified core essential offer, supporting the business case
2. Driving our <u>digital</u> capability	- Expected to generate £50m sustainable annual profit uplift by end of year 5; total cash cost £210m - Consists of 2 programmes; - Investing in our core e-commerce platforms, leveraging our Screwfix best in class capability ('Brilliant Basics') - Building capability to enable us to unlock more of our customers' complex home improvement journeys
3. Optimising our <u>operational efficiency</u>	- Expected to generate £100m sustainable annual profit uplift by end of year 5; total cash cost £110m - Biggest opportunity is in unifying c.90% of £1.2bn goods not for resale (GNFR) spend (combination of cost savings & working in a simpler, more effective way)

Summary transformation technical guidance

Income statement	
P&L costs	£220m over 5 years (including range implementation)
Exceptional costs	£270m over 5 years (Unified Offer & Supply Chain organisation set up + Unified common processes)
Reported profit (before exceptionals)	+£500m by end of year 5 (over and above 'business as usual') Net impact over the first 2 years: Year 1 c.£(50)m; Year 2 £(70)-(100)m
Cash flow	
Transformation capital expenditure	£310m over 5 years (Unified & Unique offer store equipment & IT + Digital)
Total capital expenditure	c£500m per annum over next 3 years (including 'business as usual')
Capital return	c£600m over next 3 years expected to be via share buyback

Announcement and presentations

Presentations by the leadership team will be webcast. They will be followed by short seminars covering the 3 strategic pillars in more detail. There will be no update on current trading. This announcement and the presentations can be downloaded from www.kingfisher.com or viewed on the Kingfisher IR iPad App. We can be followed on twitter @kingfisherplc with the CMD results tag #KGFCMD.

Financial calendar update

Reflecting the long term nature of 'ONE' Kingfisher, Q1, Q2 and Q3 trading updates will continue to provide detail on sales performance but not retail profit.

Enquiries

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(1) This does not constitute a profit forecast for Year 5 (FY 20/21) as it refers solely to the transformation and not to 'business as usual'. The £500m is pre-tax and at current exchange rates.

Forward-looking statements

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