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Kingfisher plc

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Kingfisher sales slide as new boss stops "distracting" projects

Kingfisher plc (LON:KGF) sales were further bent out of shape in the third quarter as new chief executive Thierry Garnier said the retailer's priorities are to fix "operational issues" in France and halting a number of his predecessor's projects.

After eight weeks "immersed" in the business, Garnier said it is "clear that there is much to do" and his early assessment was an ill-disguised criticism of the previous leadership, including that "we have not found the right balance between getting the benefits of group scale and staying close to local markets".

READ: Kingfisher appoints Carrefour executive Thierry Garnier as new boss

"We are suffering from organisational complexity, and we are trying to do too much at once with multiple large-scale initiatives running in parallel," he added, saying this had disrupted sales and distracted the business from focusing on customers.

Sales in the three months to 31 October of £2.96bn were down 3.1% year on year, or down 3.7% on a like-for-like basis, compared to LFL sales down 4% in the second quarter and up 0.8% in the first.

This reflected continuing "disruption" from the new product ranges introduced by previous boss Véronique Laury, along with lower promotional activity and "softer market conditions" in its main markets.

UK and Irish LFL sales were up 0.4% at constant currencies but down 1% on a LFL basis, with the B&Q chain down 3.4% and Screwfix up 3.7%.

France continued to be the problem, with "ongoing operational challenges" blamed, down 6.1% with both Castorama and Brico Dépôt down by a similar amount, while Russia, Iberia and Poland were also declining.

Price: 202.5

Market Cap: £42.73 m

1 Year Share Price Graph

Share Information

Code:		KGF
Listing:		LSE
52 week	**High**	**Low**
	268.2	**185.9**
Sector:		**Retail**
Website:		**www.kingfisher.com**

Company Synopsis:
Kingfisher is Europe's leading home improvement retail group and the third largest in the world, with leading market positions in the UK, France, Poland, Turkey and China.

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Garnier, who has already appointed a new chief financial officer, a new CEO of the French business and repositioned interim CFO John Wartig as chief transformation and development officer, said the first priority is to fix issues in IT and the supply chain in France as well as to "refocus our efforts".

This will include "stopping or pausing" various initiatives to concentrate on stabilising performance, while the Frenchman works on drawing up a longer-term plan to "refocus on our customers, simplify our model, embrace digital and return our business to growth".

Market unimpressed
Shares in Kingfisher fell more than 7% to below 194p.

Analysts at UBS, which have a 'sell' rating on the shares, said the LFL sales were much worse than the consensus forecast for a 1.4% decline and so suggested this miss and the "potential ongoing pressure" in the fourth quarter "could result in downgrades" to full-year the underlying PBT consensus.

Independent retail analyst Nick Bubb said "much effort and work has gone on the fruitless pursuit of the much-vaunted synergies over the years", with Laury seen as "not up to the job" and preceding boss Ian Cheshire "shafted by the French when he tried to knock heads together".

On Garnier's chances of finally getting to grips with the sprawling group, he said: "The issue now is whether the new guy tries to break the group up but with Screwfix slowing down the time may have gone."

Richard Hunter at Interactive Investor said the transformation plan "has simply not been transformative to date", with directors bemoaning the organisational complexity but thwarted as competitors "move on quickly, leaving groups such as Kingfisher running to stand still".

"Unfortunately the near-term outlook from the company is equally bleak and the new CEO will have the combined challenges of both assimilating Kingfisher's culture for himself as well as making the necessary improvements to the company's fortunes."

Julie Palmer at Begbies Traynor said the board will know that a change in CEO does not mean an instant change in fortunes for an organisation as large as Kingfisher.

"The advantage for Thierry Garnier is that this poor performance will give license for him to put his own mark on the organisation. Bold changes will be needed across the board to entice people back into store and to generate a bug for DIY once more - and in a climate where disposable income is low, there should be a market opportunity to create demand for people looking to renovate their homes at a lower cost."

-- Adds share price and broker comment --