

Head-to-Head: Kingfisher vs Home Depot

Both Buy Rated, Kingfisher offers greater potential upside from European macro recovery

- **Head-to-Head: Kingfisher vs Home Depot** — This is the latest report in a series from Citi Research comparing major sector players. Here, we provide a head-to-head analysis of Kingfisher and Home Depot, two of the largest global DIY retailers, on the basis of financial metrics, valuation, investment cases, geographic exposure and market outlook.
- **And the Winner is....** — While both stocks are attractive and we reiterate our Buy ratings, we conclude that **Kingfisher** is the winner. While Home Depot has stronger operational metrics, the US market is already 12 months into a strongly recovering and less operationally geared housing market. We believe Kingfisher offers a better risk/reward profile and potentially greater upside given its high levels of operational gearing into a recovering Europe and UK market. This stance is consistent with Citi's recent Global Equity Strategy view, where we upgraded Europe ex-UK to Neutral and UK to Overweight, with the US downgraded to Underweight.
- **Key Differentiators** — Kingfisher is more geographically diverse, has further opportunities on space expansion and is exposed to higher growth and fragmented emerging markets where there remain market share opportunities. Home Depot's growth opportunities are more limited but it drives higher EBIT margins (c10.6% vs 6.9% at FY 2012) and ROIC (16.6% vs 9.1% at FY 2012) given better sales densities and improvement in the supply chain as well as leveraging SG&A. HD also returns a significant amount of cash to its shareholders, with >2% dividend yield and an estimated \$8bn buybacks this year.
- **Kingfisher Investment Case** — We rate KGF Buy as it should be the beneficiary of strong market positions, material efficiency gains from direct sourcing initiatives and International growth. Strong cash generation remains supportive of future cash returns and our forecast agenda implies CAGR EPS of +10% across FY14-16E.
- **Kingfisher Valuation** — We roll forward our price target, lifting it to 500p based on KGF holding a sector large-cap EV/EBIT of 12x out to Jan 2016E (ETR 27%).
- **Home Depot Investment Case** — We reiterate our Buy rating on HD as we see a clear organic runway through market share gains and capitalizing on improving trends while maintaining expense discipline. Furthermore, the company is signalling its belief in the business through more aggressive share buybacks. We are most constructive on: 1) SSS strength through operational execution, 2) operating margin lift on supply chain/technology initiatives, and 3) robust FCF generation and returns of shareholder capital. This drives CAGR EPS of +20% across FY14-16E
- **Home Depot Valuation** — Our target price of \$90 is based on 18x FY16E EPS estimates, in line with its historic average multiple.

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See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

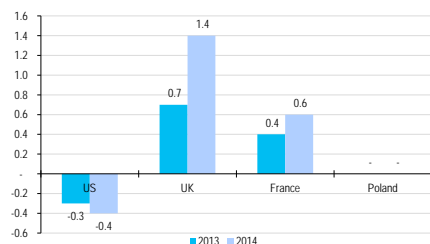
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Kingfisher vs Home Depot: Executive Summary

Figure 1. Citi GDP changes since start of year



Source: Citi Economists

Kingfisher and Home Depot are both widely known DIY retailers operating in different geographies with dominant market positions. Both names are Buy rated by Citi, with Home Depot benefitting from strength in the US housing market and Kingfisher more exposed to a European demand recovery.

This report highlights the different geographic positions, market share history and indexed financials.

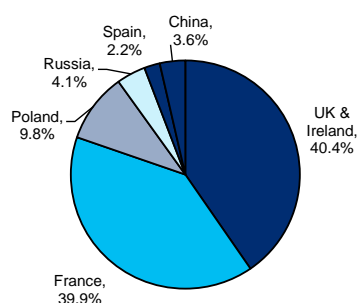
While both stocks are attractive and we reiterate our Buy ratings, we conclude that **Kingfisher** is the winner. While Home Depot has stronger financial and operational metrics, the US is already 12 months into a strongly recovering housing market. We believe Kingfisher offers a better risk/reward profile given its potential high levels of operational gearing into a recovering Europe and UK market. This stance is consistent with Citi's recent Global Equity Strategy view where we upgraded Europe ex-UK to Neutral and UK to Overweight, with the US downgraded to Underweight.

Market positioning

US sales account for 90% of Home Depot where it has market share of 22%. Kingfisher is more geographically diverse, exposed to a mixture of mature western European and higher growth emerging markets. UK and France together account for c80% of group sales with market shares of c35% and 25%.

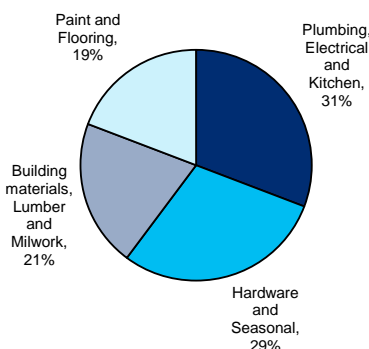
Kingfisher is less exposed to the overall trade and house building side of the market and much more focused around the consumer decorative and home improvement market compared to Home Depot

Figure 2. Kingfisher – Sales split by Geography



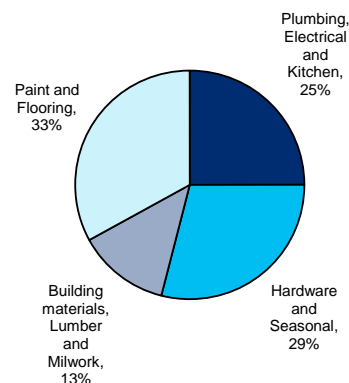
Source: Company reports, Citi Research

Figure 3. Home Depot – Product Split



Source: Company reports, Citi Research

Figure 4. Kingfisher – Product Split



Source: Company reports, Citi Research

Financial Metrics

Looking over the recent history (c.2007 onwards) Kingfisher has generally shown more stable LFL sales trends while Home Depot has seen a much sharper improvement driven by the quicker recovery in the US housing market. Kingfisher also has a c.200-300bp higher gross margin, but opex to sales is c.600bps higher. This is predominantly due to a higher rent/sales ratio. Overall the operational gearing of KGF is therefore 3.5x vs 2.0x at Home Depot, meaning that it is more geared to an improvement in the sales trajectory.

Figure 5. Summary Financial Comparison

	EBIT%	ROIC%	FY 2012 Opex/Sales %	Capex/Sales %	5yr Historic Sales CAGR	5yr Historic EPS CAGR
Kingfisher	6.9%	9.1%	28.2%	3.0%	2.3%	14.5%
Home Depot	10.6%	16.6%	21.9%	1.8%	-0.7%	6.2%

Source: Citi Research

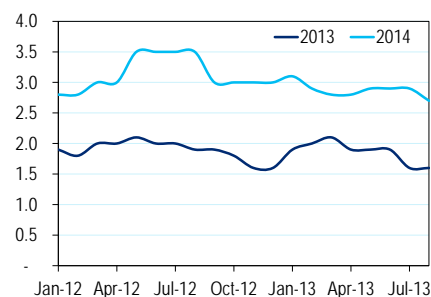
Home Depot's higher EBIT margin also means that the ROIC has averaged 13% over the last 5 years, significantly above Kingfisher's 9%.

Macro Backdrop

While the US housing market recovery is strongly underway, European markets have been more stagnant through early 2013. Recently there has been a significant improvement in outlook for European economies and Citi's economists have been raising GDP forecasts for UK and France in particular but revising down US GDP growth expectations – albeit it off a much higher absolute GDP growth yoy%.

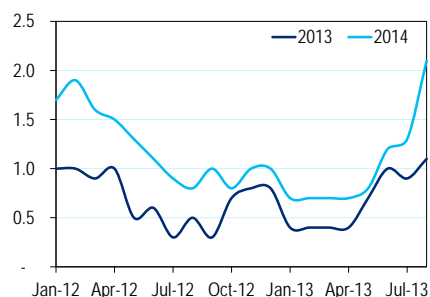
This stance is consistent with Citi's recent Global Equity Strategy view where we upgraded Europe ex-UK to Neutral and UK to Overweight, with the US downgraded to Underweight.

Figure 6. Citi GDP Forecasts US



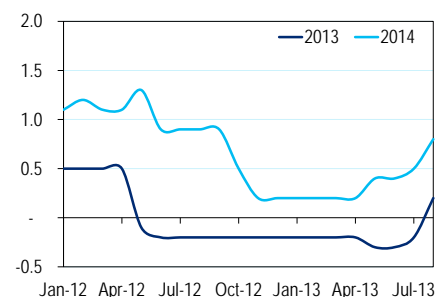
Source: Citi Economists

Figure 7. Citi GDP forecasts UK



Source: Citi Economists

Figure 8. Citi GDP Forecasts France

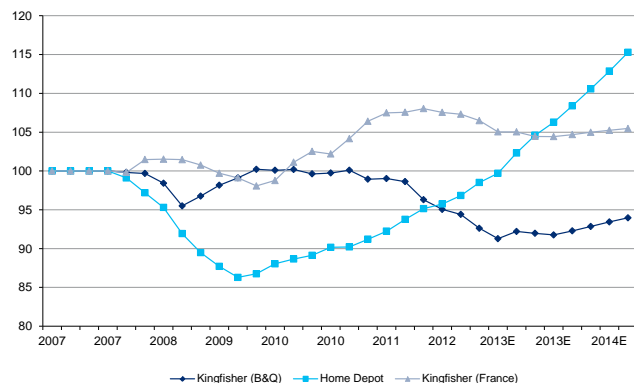


Source: Citi Economists

Citi Forecasts

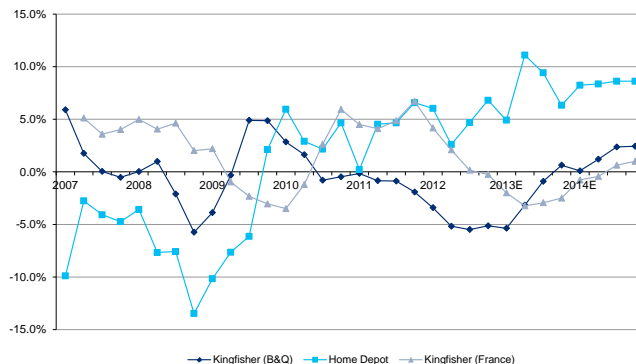
Home Depot shows a very steep improvement in LFL Gross profit post the financial crisis mainly driven by same store sales growth.

Figure 9. LFL Gross Profit (rebased to 2008)



Source: Company Reports, Citi Research estimates

Figure 10. LFL Gross Profit change %



Source: Company Reports, Citi Research estimates

In 2012-2015e we forecast much stronger EPS CAGR at Home Depot (21% vs 9.8%) due to higher SSS growth, operating leverage and a share buyback. While we have not explicitly forecast strong LFL growth, operational leverage or share buy backs for Kingfisher we believe the improving macro environment creates scope for all these elements to come through in the medium term.

Figure 11. Comparison of Citi Forecasts, 2012-2015e

2012-2015e	Home Depot	Kingfisher
Sales Growth	+7.6% CAGR 2012-15e driven almost entirely by SSS growth	+4.3% CAGR, with +3% due to space expansion and c1% due to LFL sales growth, predominantly in the UK where we forecast +2% LFL sales growth in 2014e and in 2015e
Gross Margin	+40bps driven by supply chain improvements	+100bps underpinned by group wide sourcing initiatives
EBIT Margin	+210bps operating margin lift on supply chain initiatives	+90bps as we don't forecast significant operating leverage
EBIT Growth	+16.6% CAGR 2012-15e given leverage on SSS growth	+5.6% CAGR 2012-15e given leverage on SSS growth and gross margin improvements
EPS Growth	+21% CAGR 2012-15e with c+ 4% per annum due to ongoing share buyback programme of c. \$5bn pa.	+10% CAGR 2012-15e. We do not explicitly forecast any cash return to shareholders but think it is likely in next 12-24 months

Source: Citi Research

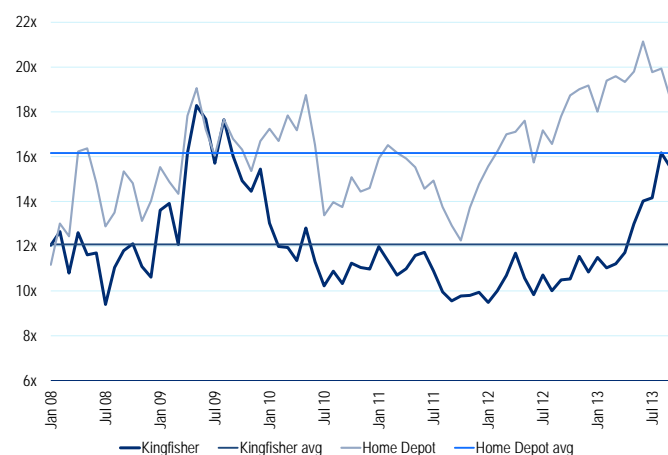
Valuation

Home Depot has traded at a c33% premium to Kingfisher over the last 5 years and a broadly similar EV/EBIT multiple over the same period, which partly reflects the heavy de-gearing of Kingfisher's balance sheet from 2006 and a subsequent de-rating. More near term, the PE premium has narrowed to 20%, with Home Depot trading on a 15% premium to its 5 year PE average and 28% for Kingfisher.

Even on EV/EBIT both names are trading on the same multiple of about c11.0x for calendar 2014 and c10% above historic averages.

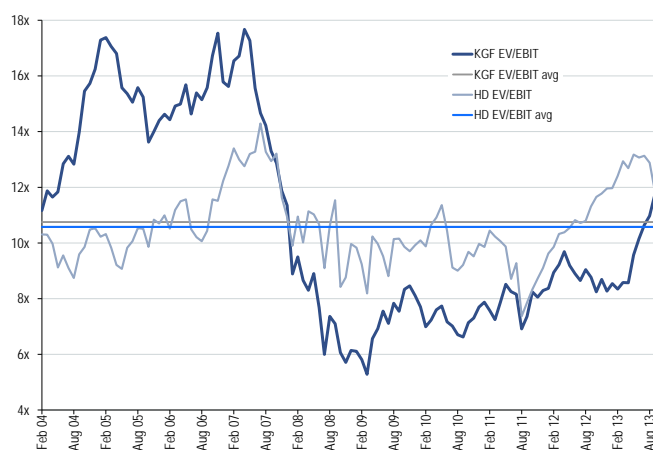
Our target price of 500p for Kingfisher assumes a 12x Jan 2016E EV/EBIT. Our target price of \$90 for Home Depot is based on an 18x PE to FY16E EPS estimates, in line with its historic average multiple.

Figure 12. Home Depot vs Kingfisher PE (x)



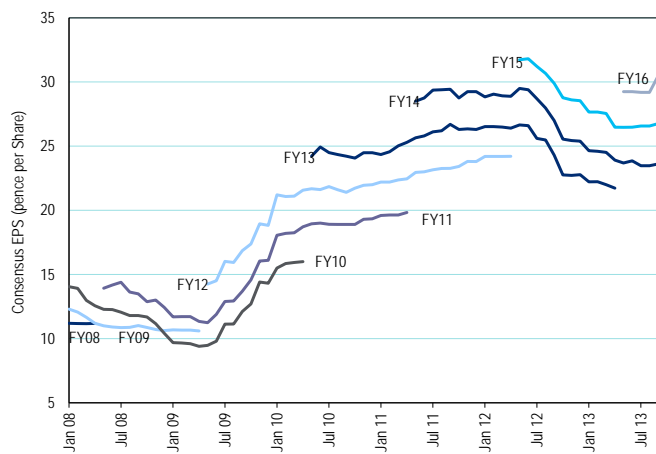
Source: Citi Research

Figure 13. Home Depot vs Kingfisher EV/EBIT (x)



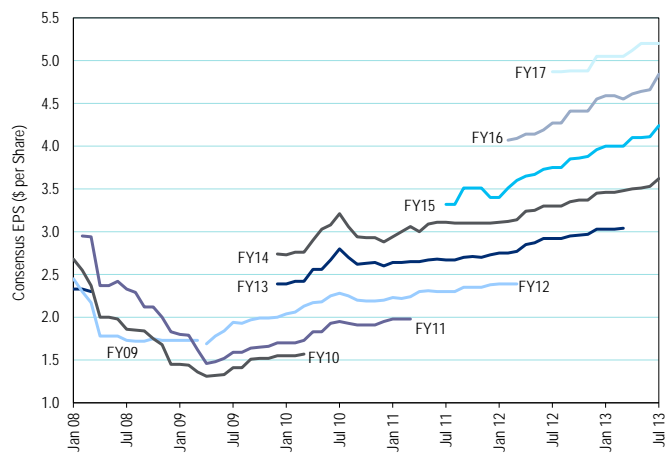
Source: Citi Research

Figure 14. Kingfisher – Consensus EPS



Source: Datastream

Figure 15. Home Depot – Consensus EPS



Source: Datastream

Bull Head-to-Head

Figure 16. Bull Head-to-Head

	Home Depot	Kingfisher
Buy Thesis	We reiterate our Buy rating on HD as we see a clear organic runway through market share gains and capitalizing on improving trends while maintaining expense discipline. Furthermore, the company is signaling its belief in the business through more aggressive share buybacks and investments in technology enhancements. We are most constructive on: 1) SSS strength through operational execution, 2) operating margin lift on supply chain/technology initiatives, and 3) robust FCF generation and returns of shareholder capital.	KGF should be the beneficiary of strong market positions, material efficiency gains from direct sourcing initiatives and International growth. Strong cash generation remains supportive of future cash returns and our forecast agenda implies CAGR EPS of +10% across FY 14E - FY 16E. We see further upside from 1. Step up in housing transactions in the UK assisted by government led schemes, 2. Recovery within the French DIY market and 3. Further cost efficiencies, particularly within Poland
Investor Pushback	Although most signs point to ongoing strength based on the co's execution and consumers spending more on their homes there is a concern about the higher interest rate environment along with the stock's valuation. Indeed, when rates rose 50bps in the spring, HD mgt told us anecdotally there was a pull back in refs. At the stock's current valuation we have to continue to see HD exceed expectations on comp in order for the stock to continue to go up. However, interest rates are still extremely low and it will take some time to see higher rates move the needle. Further we think HD's execution will allow it to continue to take market share which would partially offset any slowdown.	Main pushback has been 1) Weak underlying macro trends predominantly in France and volatile LFL trends in the UK; 2) Some doubt over KGF's ability to drive further margin improvement from Direct Sourcing/Common product enhancements given its higher than expected level of margin reinvestment in FY 14
What is Changing in the Story	The biggest changes include: 1) a rising interest rate environment which could impact housing demand (-), 2) the potential turnaround of Lowes, which could be alter the competitive landscape (and possibly result in investors switching from HD to LOW) (-), and 3) recently inflected Pro business (with the smaller pro comping positively for the first time this past Q) (+).	Changes in the investment debate: 1) Improving trading conditions in underlying European markets; 2) Growing belief that mangement will return surplus cash to shareholders; 3) Refocus on the self-help margin story
Upcoming Catalysts	We see little in the way of catalysts other than 1) upcoming housing data (turnover, inventory, prices), 2) Home Depot earnings in November.	Data points around French DIY Retail Sales, UK Housing market. 3Q Trading update 28 November.
Our Estimates	We forecast 3 year EPS CAGR of 21% which assumes Sales CAGR of 7.6% and gross margins improving by +40bp over the period. We expect this to results in EBIT margins increasing to 13.5% by FY16E from 10.6% in FY 13	We forecast 3 year EPS CAGR of 9.8% which assumes Sales CAGR of 4.3% and gross margins improving by 100bp over the period. We expect this to result in EBIT margins increasing to 7.8% by FY16E from 6.9% in FY 13
Valuation and Risk	We arrive at our 12-month PT of \$90 using a forward P/E. Based on a forward P/E methodology, we apply a 18x multiple to our FY16 estimates, and discounting it back one year yielding a PT of \$90. We believe this multiple is justified given HD's 3-year historical range of 27.6x to 10.2x, and average multiple of 18x forward earnings. We are using FY16 EPS estimates as we think that is when we can reach peak sales, comps and operating margins driven by a better credit environment that we think can improve significant and drive the next leg of growth over the next 12 to 24 months.	KGF still strades at a c10% EV/EBIT FY 15E discount to its FTSE 100 peers. Given prospects for strong EPS growth next year, medium term potential for cash returns and ongoing strategic initiatives we believe this valuation gap is unjustified. Our price target of 500p is based on Jan 2016E EV/EBIT of 12x.

Source: Citi Research

Financial Summary Head-to-Head

Figure 17. Financial Summary Head-to-Head

	Home Depot	Kingfisher
Historical (last 5yrs)		
Sales CAGR	<input type="checkbox"/> -0.7% Sales declined in the -HSD during the U.S. housing bubble, but has been growing in the +LSD to +MSD over the last 3 years.	<input checked="" type="checkbox"/> 2.3% LFLs have been volatile but Kingfisher has grown top line through space expansion.
Operating Margin (avg)	<input checked="" type="checkbox"/> 8.7% Operating margins have improved through investments in the supply chain.	<input type="checkbox"/> 6.3% Operating margins have improved through self-help strategies around gross margin improvement and cost efficiencies.
EPS CAGR	<input type="checkbox"/> 6.2%	<input checked="" type="checkbox"/> 14.5%
ROIC (avg)	<input checked="" type="checkbox"/> 12.7% HD has posted double digit ROIC annually for at least the last 10 years.	<input type="checkbox"/> 8.8% ROIC's have steadily improved as group has shed underperforming assets and improved margins
FCF margin % (avg)	<input checked="" type="checkbox"/> 6.3%	<input type="checkbox"/> 3.6%
Forecast (CY13E - CY15E)		
Sales CAGR	<input checked="" type="checkbox"/> 7.6% We expect sales to accelerate modestly from FY13 and maintain a +HSD pace over the next 3 years.	<input type="checkbox"/> 4.3% We expect some improvement in sales growth over the next few years from UK and France recovery
Operating Margin (avg)	<input checked="" type="checkbox"/> 12.5% We expect improvement in operating margin driven by supply chain improvements and cost cutting.	<input type="checkbox"/> 7.4% We expect improvement in EBIT margin driven by better sales and gross margin expansion.
EPS CAGR	<input checked="" type="checkbox"/> 20.9% We expect increased earnings growth driven by strong same store sales	<input type="checkbox"/> 9.8% Driven by improving LFLs in the UK and some modest recovery in France and gross margin increases of +30-+50bp per annum
ROIC (avg)	<input checked="" type="checkbox"/> 20.1%	<input type="checkbox"/> 9.6%
FCF margin % (avg)	<input checked="" type="checkbox"/> 7.3%	<input type="checkbox"/> 3.9%
Cash Returned to Shareholders	<input checked="" type="checkbox"/> 82.3% Continues to return cash via dividends and share buybacks.	<input type="checkbox"/> 23.0% On agenda and KGF has indicated it will return cash to shareholder only when balance sheet in surplus
Current Dividend Yield	<input type="checkbox"/> 2.1% HD has increased annual dividends at a CAGR of +6.5% over the last 5 years.	<input checked="" type="checkbox"/> 2.6%
Market Share		
Domestic Operation	<input type="checkbox"/> 22.6% US market share has grown to 22.6% in 2012 from 22.4% in the prior year.	<input checked="" type="checkbox"/> 36.0% UK Market share is 36%, French market share is 24%. Poland market is 39%. Market leader in core regions.
Rest of Europe	<input type="checkbox"/> 0.0%	<input type="checkbox"/> 24.0% French market share is 24%.
Emerging Markets	<input type="checkbox"/> 0.0%	<input type="checkbox"/> 39.0% Poland market is 39%.
Geographic Exposure (LTM)		
North America	<input type="checkbox"/> 100.0%	<input checked="" type="checkbox"/> 0.0%
Western Europe	<input type="checkbox"/> 0.0%	<input type="checkbox"/> 80.0% France, UK, Spain
Greater China	<input type="checkbox"/> 0.0%	<input type="checkbox"/> 5.0% Loss making
Emerging Markets	<input type="checkbox"/> 0.0% In 2012, HD completely exited the Chinese market.	<input type="checkbox"/> 15.0% Poland, Russia, Turkey
Valuation		
Avg NTM P/E (5yrs)	<input type="checkbox"/> 16.2x	<input checked="" type="checkbox"/> 12.1x
P/E (Consensus 12month forward)	<input type="checkbox"/> 18.6x HD is currently trading at a 15% premium to its historical 5-year average based on consensus estimates.	<input type="checkbox"/> 15.5x Kingfisher is trading at a 28% premium to its historic average
EV/EBIT (CY 2014E)	<input type="checkbox"/> 11.0x	<input type="checkbox"/> 10.8x
Premium/(Discount) Relative Valuation	HD is currently trading at 20% PE premium over KGF's next year's consensus estimates.	

Source: Citi Research

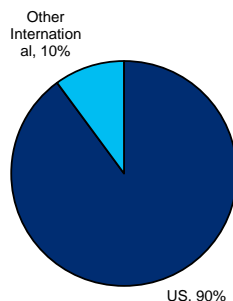
Company Positioning

Sales/EBIT mix by geography

Kingfisher is more geographically diverse

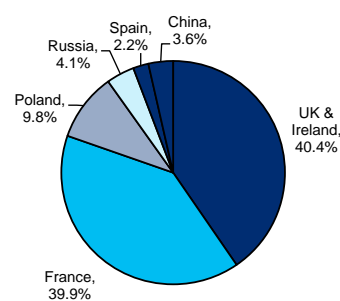
The most striking difference when comparing both businesses is the mix of sales by geography. Unsurprisingly perhaps Home Depot still has very little exposure to non-domestic sales, with the US accounting for c90% of group sales and the remainder made up across Canada, China and Mexico. HD entered the Canadian market in 1994 and the Mexican market in 2001. The company entered the Chinese market in 2006, but completed exited it in 2012 as its DIY business model did not resonate with China's Do-It-For-Me culture.

Figure 18. Home Depot – Sales split



Source: Company reports

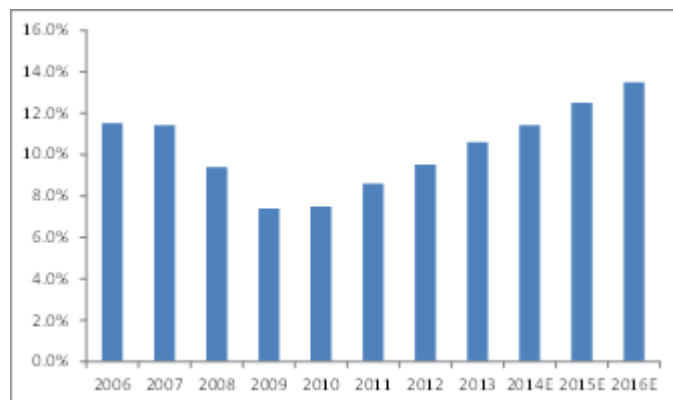
Figure 19. Kingfisher – Sales split



Source: Company reports

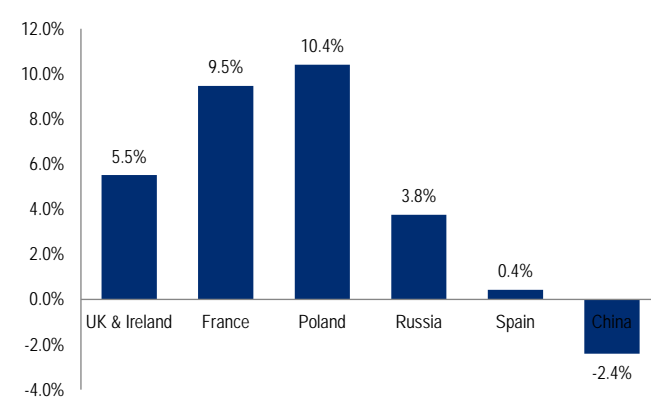
While the majority of Kingfisher's sales are predominantly Europe, it is more geographical diverse vs Home Depot, with exposure to both mature Western European markets such as the UK and France (together c 80% of group sales) but also Eastern Europe and emerging markets such as Poland and Russia. In addition Kingfisher also has a joint venture in Turkey and owns a stake in German DIY retailer Hornbach.

Figure 20. Home Depot – EBIT Margin % (Fiscal Years)



Source: Company Reports, Citi Research estimates

Figure 21. Kingfisher – EBIT margin by Geography % (FY 2013)



Source: Company Reports, Citi Research

There is a large deviation in operating margins across Kingfisher's core divisions with France and Poland achieving 9.5% and 10.4% EBIT margins respectively and the UK & Ireland at around 5.5% given the over-spaced store portfolio and associated higher property costs. For Russia and Spain, these are relatively immature in terms of Kingfisher's development but Russia is showing considerable growth and in theory should achieve margins similar to France and Poland rather than the UK over time.

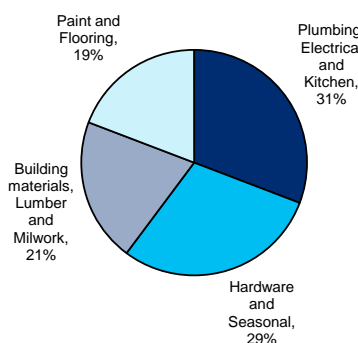
At the group level the blended operating margin is 7.0% below the 11% for Home Depot. Home Depot does not disclose the split between its domestic and international operating margins.

Product Mix

Interestingly the main observation is that Home Depot is more upweighted in Plumbing/Electrical/Kitchen and Building material categories vs Kingfisher and less on the more decorative side with Kingfisher having a much higher proportion of its sales in decorative, paint and flooring categories.

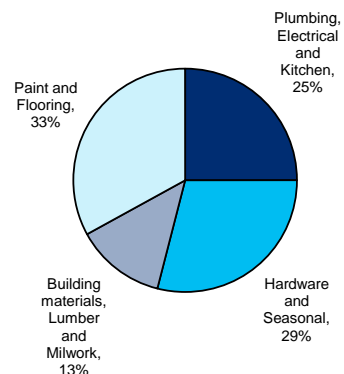
In trying to explain the difference in product mix, we would probably make the point that Kingfisher is less exposed to the overall trade and housebuilding side of the market and much more focused around the consumer decorative and home improvement market compared to Home Depot.

Figure 22. Home Depot – Product Mix



Source: Company Reports, Citi Research

Figure 23. Kingfisher – Product Mix



Source: Company Reports, Citi Research

Market Share

Both have strong market shares in Domestic segments although Kingfisher has greater geographic distribution and prospects for market share gains in under penetrated territories.

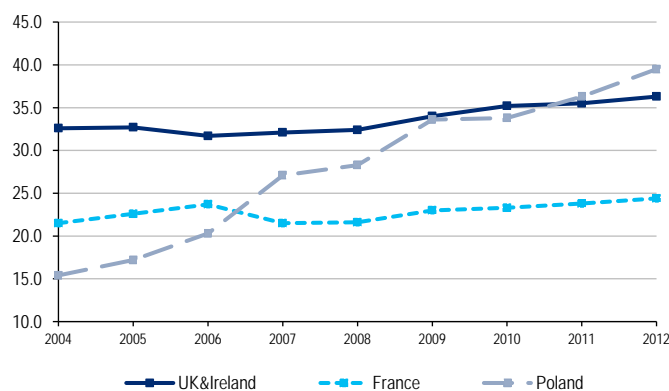
Both Kingfisher and Home Depot are market leaders in their key domestic markets

Kingfisher is the market leader in its three core regions of UK, France and Poland. In the UK & Ireland it had a market share of c36% in 2012. Market share growth has been steady yoy since 2004 (apart from 2006). Within this market KGF is the clear leader with the second largest Homebase with c13.0% market share. It is worth noting however that the UK has a high level of overlap from players such as Dunelm, The Range and B&M which carry some DIY products, but do not necessarily appear in DIY market share breakdowns.

France is the more interesting dynamic given that both Kingfisher and competitor Adeo have approximately 24% market share each and therefore together account for almost 50% of the DIY market. This has led to a more stable pricing environment.

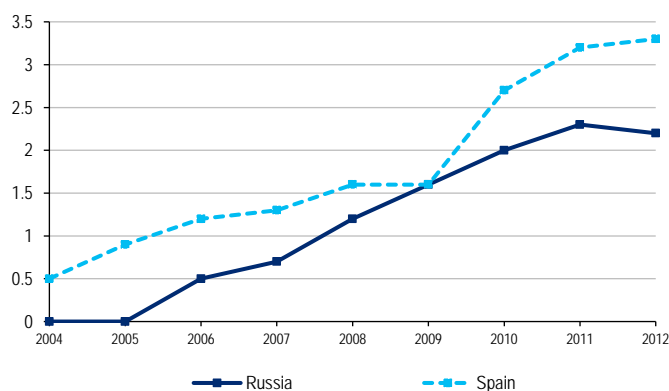
Looking across the markets, the US remains relatively fragmented with the top 5 players having a combined market share of 43% vs c60% for UK and France. Poland has the highest concentration, with the top 5 players accounting for 80% of the market and Russia and Spain highly fragmented at 18% and 26% respectively.

Figure 24. KGF Market Share – UK, France and Poland



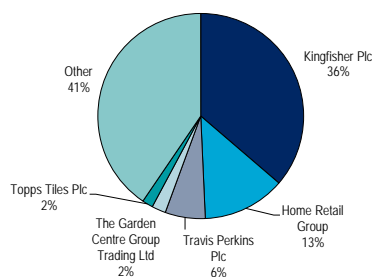
Source: Euromonitor

Figure 25. KGF Market share Russia, Spain



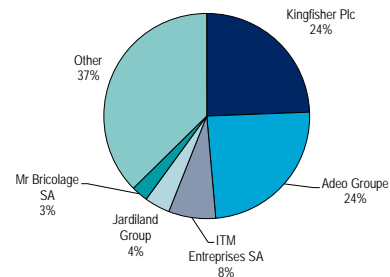
Source: Euromonitor

Figure 26. UK Market Players



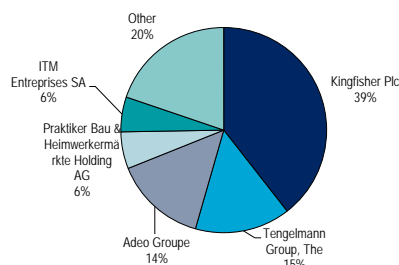
Source: Euromonitor

Figure 27. France Market Players



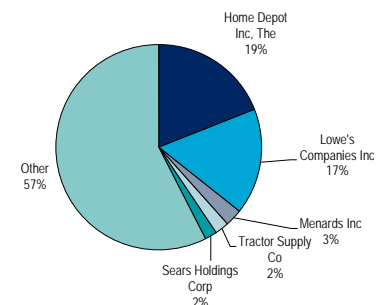
Source: Euromonitor

Figure 28. Poland Market Players



Source: Euromonitor

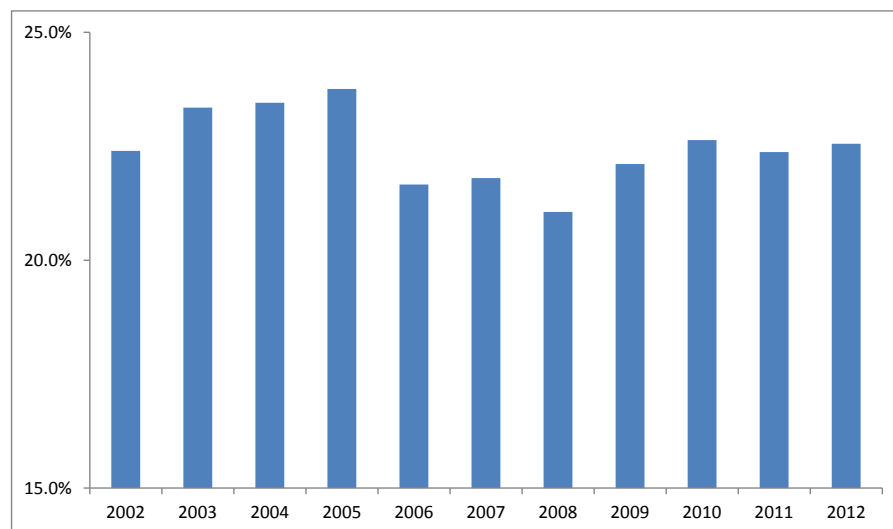
Figure 29. US Market Players



Source: Euromonitor

The U.S. home improvement market is highly fragmented and competitive, with HD having approximately 23% of market share in 2012, followed by LOW at approximately 17%. According to the U.S. Department of Commerce, total sales of the Building Material and garden Equipment and Supplies Dealers Subsector (NAICS 444) was \$294bn in 2012. HD competes with other big box home improvement centers, regional and national hardware stores, paint stores, lumber yards, garden centers, warehouse clubs, and other smaller retailers. The majority of the competition is based on quality of customer service, price, store location and appearance, and quality and availability of products.

Figure 30. HD's Market Share in the U.S.



Source: Company reports, US Dept of Commerce, Citi Research

Online penetration for both retailers remains at low single digit %

Online Market Growth – Online sales account for approximately 2% of HD's total sales. The Home Depot has implemented a number of interconnected retail projects in response to changing customer shopping preferences, in 2012 Home Depot:

- Made upgrades to its website including more user-friendly navigation, better appearance and responsiveness,
- Began construction of a distribution center to support DTC fulfillment, added customer call centers, and
- Introduced Buy Online/Return in Store and Buy Online/Ship to Store capabilities in addition to Buy Online/Pick-Up in Store already in place.

Online sales penetration for Kingfisher is c3% and is a channel which only really lends itself to online for a selected number of product categories. Kingfisher has made a number of changes to its website over the last few years including:

- Extended the B&Q online offer (20,000 extra products available for Home Delivery)
- Extended Screwfix website to over 20 European countries
- Launched upgraded websites in Turkey and Brico Depo
- Launched pilot of 'click & collect' in Castorama France

In addition H2 2013/14 should see Kingfisher launch upgraded websites into Poland, Spain and China, 'click & collect' in Turkey and extend the UK Tradepoint website to main shop floor categories e.g. kitchens.

Financial Comparison

Financial comparison needs to be seen in context of different geographical weightings

Indexed financials of Home Depot and Kingfisher can be found in Figure 31 and Figure 32 respectively. Clearly Home Depot is significantly larger, with group revenues approximately 4.5x times the size of Kingfisher.

We think the financial comparison of these two companies also needs to be seen in the context of the fact that both have very little geographic overlap with each other and this has clear ramifications in terms of levels of competitor activity, property/staff costs and product pricing.

Figure 31. Home Depot – Financial Summary (\$m)

Approx. Calendar Year \$m										5 Year Historical CAGR/ Avge	12 - '15E Growth CAGR/Avge
Home Depot	2007	2008	2009	2010	2011	2012	2013e	2014e	2015e		
Total Company Revs	77,349	71,288	65,955	67,997	70,395	74,754	79,588	86,168	93,062	-0.7%	7.6%
Same store Sales %	-6.7%	-8.7%	-6.6%	2.9%	3.4%	4.6%	7.6%	8.0%	8.0%	-0.9%	7.9%
Gross Margin %	33.4%	33.7%	33.9%	34.3%	34.5%	34.6%	34.7%	34.9%	35.0%	34.2%	34.7%
Change %	0.5%	0.3%	0.2%	0.3%	0.2%	0.1%	0.2%	0.1%	0.1%		
Opex % sales (ex dep)	21.8%	23.7%	23.9%	23.3%	22.8%	21.9%	21.2%	20.3%	19.5%	23.1%	20.3%
EBIT Margin	9.4%	7.4%	7.5%	8.6%	9.5%	10.6%	11.4%	12.5%	13.5%	8.7%	12.5%
EPS Growth %	-13.5%	-21.9%	-9.7%	26.8%	21.8%	24.1%	19.9%	22.1%	20.5%	6.2%	20.9%
ROIC	13.4%	10.7%	10.4%	12.1%	14.0%	17.1%	18.2%	20.2%	22.0%	12.7%	20.1%
Rent % sales	1.0%	1.1%	1.2%	1.2%	1.1%	1.1%	1.1%	1.1%	1.1%		
Capex/Depreciation	2.1	1.0	0.6	0.7	0.8	0.8	0.9	0.9	0.9		
Depreciation % sales	2.2%	2.5%	2.6%	2.4%	2.2%	2.1%	2.2%	2.1%	2.0%		
Capex % sales	4.6%	2.6%	1.5%	1.6%	1.7%	1.8%	1.9%	1.9%	1.8%		
FCF/EBITDA %	23.5%	51.0%	61.6%	46.2%	64.3%	57.2%	49.8%	51.5%	49.3%		
Net debt/EBITDA	1.5	1.6	1.4	0.9	1.3	1.1	1.2	1.0	0.9		
Stock Turn	4.2	4.2	4.2	4.3	4.4	4.8	5.0	5.2	5.2		
Working Capital Days	51.6	53.5	51.3	51.6	50.2	44.0	41.2	38.4	38.4		

Source: Company Reports, Citi Research estimates

Figure 32. Kingfisher – Financial Summary (£m)

Approx. Calendar Year £m										5 Year Historical CAGR/Avge	12 - '15E Growth CAGR/Avge
Kingfisher	2007	2008	2009	2010	2011	2012	2013e	2014e	2015e		
Total Company Revs	9,363	10,025	10,502	10,450	10,831	10,501	10,969	11,377	11,902	2.3%	4.3%
LFL Sales %	3.7%	-2.9%	-0.9%	-0.7%	1.8%	-2.2%	-0.9%	0.9%	1.5%	-1.0%	0.5%
Gross Margin %	34.8%	35.1%	36.2%	37.4%	37.7%	37.4%	37.6%	38.1%	38.4%	36.8%	38.0%
Change %	-0.2%	0.4%	1.0%	1.2%	0.3%	-0.3%	0.2%	0.5%	0.3%		
Opex % sales (ex dep)	27.7%	27.9%	27.9%	28.4%	28.0%	28.2%	28.2%	28.2%	28.3%	28.1%	28.2%
EBIT Margin	4.8%	4.4%	5.8%	6.7%	7.5%	6.9%	7.0%	7.5%	7.8%	6.3%	7.4%
EPS Growth %	-5.3%	-2.0%	48.2%	23.5%	21.1%	-9.3%	8.1%	12.4%	9.1%	14.5%	9.8%
ROIC	6.9%	6.9%	8.4%	9.5%	10.1%	9.1%	9.3%	9.7%	10.0%	8.8%	9.6%
Rent % sales	3.7%	3.9%	3.8%	3.9%	4.0%	4.1%	4.1%	4.1%	4.1%		
Capex/Depreciation	2.1	1.5	1.0	1.3	1.4	1.3	1.4	1.5	1.4		
Depreciation % sales	2.5%	2.6%	2.5%	2.3%	2.2%	2.4%	2.4%	2.4%	2.4%		
Capex % sales	5.3%	3.9%	2.4%	3.0%	3.1%	3.0%	3.4%	3.5%	3.4%		
FCF/EBITDA %	-14.6%	43.7%	76.2%	29.9%	30.6%	31.5%	35.7%	40.3%	43.4%		
Net debt/EBITDA	2.3	1.4	0.3	na	na	na	na	na	na		
Stock Turn	3.6	3.6	4.0	3.9	3.7	3.3	3.2	3.3	3.3		
Working Capital Days	10.1	(3.5)	(18.2)	(12.0)	1.0	11.0	10.5	12.8	14.8		

Source: Company Reports, Citi Research estimates

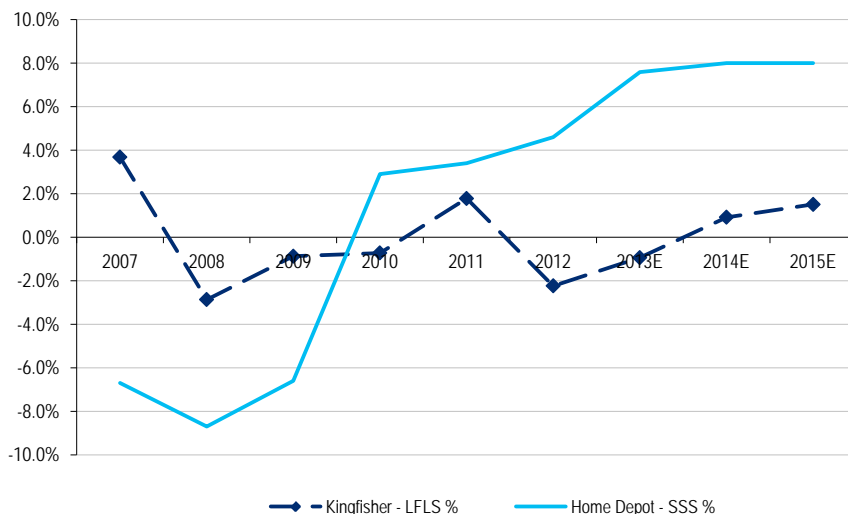
We set out our thoughts below:

Kingfisher has shown more stable LFL trend, although recovery has been sharper at Home Depot

- **LFL/Same Store Sales:** Generally Kingfisher as a group has shown a more stable LFL trend although Home Depot has seen a sharper recovery, led by a quicker recovery in US housing. Conversely Kingfisher has been much more susceptible to a slow down in both UK related housing and consumer spending

Over the last five years Home Depot has delivered sales CAGR of -0.7% (mainly through FY 2007- 09) vs +2.3% for Kingfisher.

Figure 33. HD vs KGF LFL sales

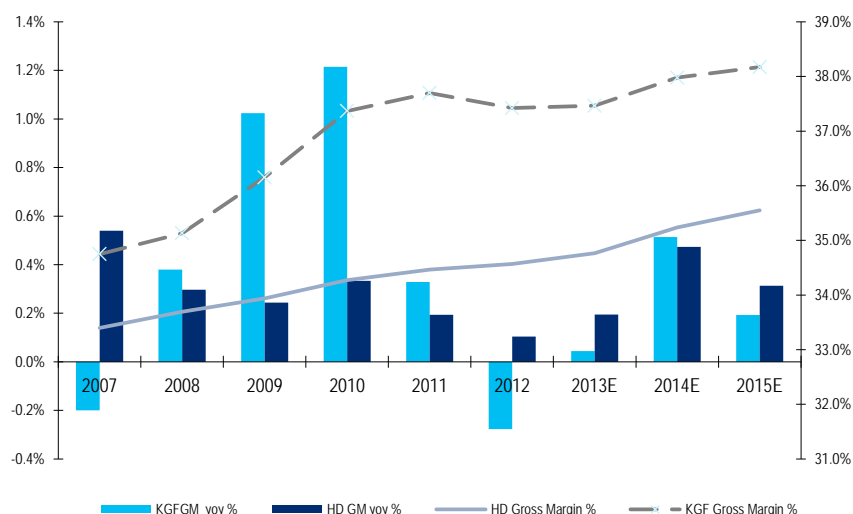


Source: Company Reports, Citi Research estimates

Kingfisher gross margins are c200-300bp higher vs Home Depot

■ **Gross margins:** On average Kingfisher's gross margins are c 200-300bp higher vs Home Depot and this has increased over time as Kingfisher has grown its proportion of direct sourcing. Over the last 5 years Home Depot has added +130bp to its gross margin vs +260bp at Kingfisher given its benefits from improvements in direct sourcing. The other point to make on gross margins is that we think that Kingfisher's pricing is relatively higher to cover large fixed overheads (rent etc).

Figure 34. HD vs KGF Gross margin %

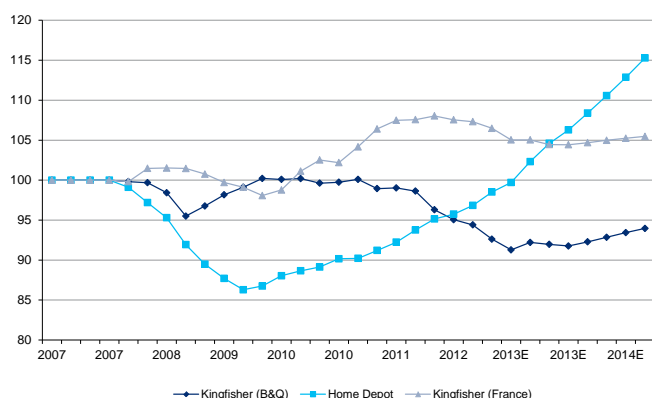


Source: Company Reports, Citi Research estimates

We think the benefits of Kingfisher's focus on direct sourcing and common product s to date can be summarized in Figure 35 & Figure 36. In particular the LFL gross profit chart highlights Kingfisher's LFL gross profit vs Home Depot over the 2008 –

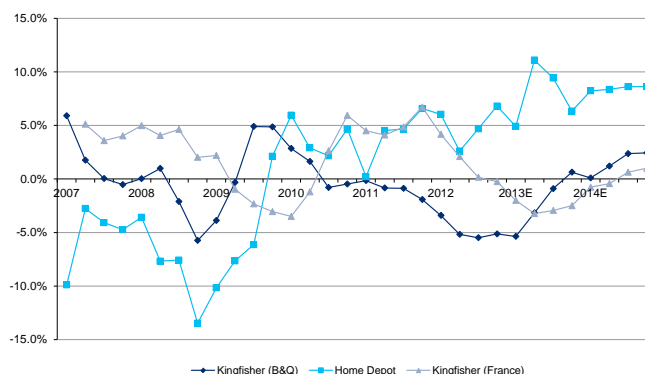
2011 period with benefits less visible in later years given the subdued consumer environments across Europe. However Home Depot shows a very steep improvement in LFL gross profit post the financial crisis mainly driven by same store sales growth.

Figure 35. LFL Gross Profit (rebased to 2008)



Source: Company Reports, Citi Research estimates

Figure 36. LFL Gross Profit change %

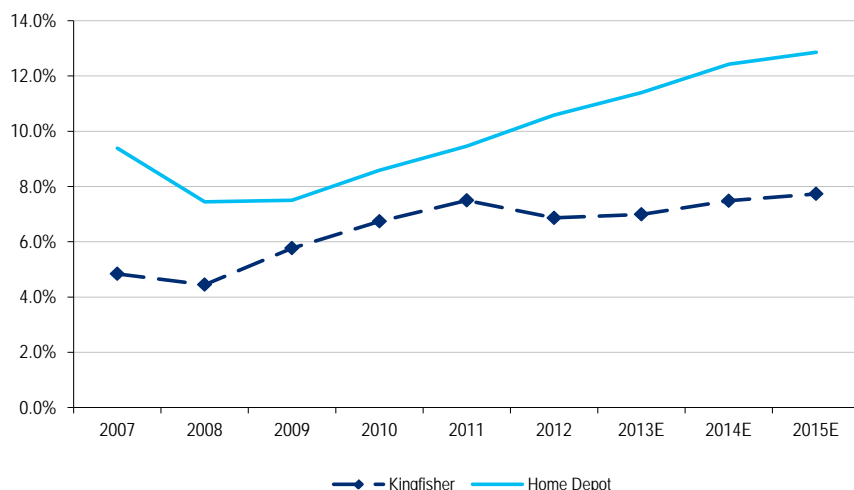


Source: Company Reports, Citi Research estimates

Kingfisher EBIT margins are c440bp below Home Depot's

■ **EBIT margins:** Despite higher gross margins, Kingfisher's EBIT margins are on average c 440bp lower vs Home Depot. Over the last 5 years Home Depot has added +120bp to its EBIT margin vs +210bp at Kingfisher. Clearly in more recent years, the gap has expanded as Home Depot has benefitted from positive LFL and therefore operating leverage while Kingfisher has seen a weaker macro backdrop impact margins.

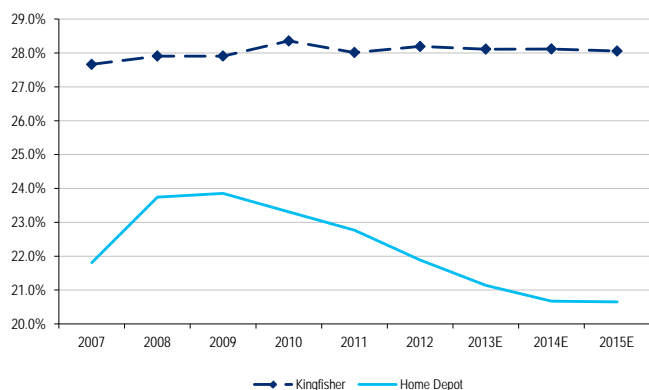
Figure 37. HD vs KGF EBIT margin %



Source: Company Reports, Citi Research estimates

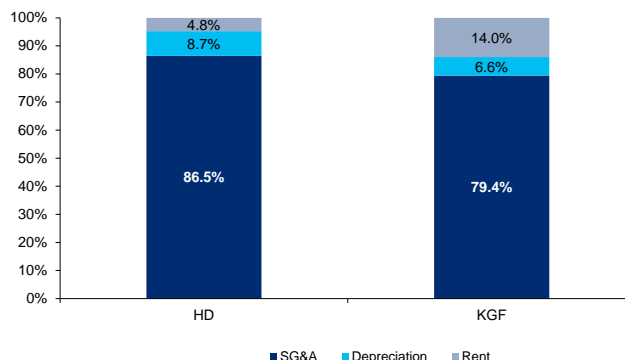
However the difference in EBIT margins is also down to two things, in our view: Lower sales densities (as we have highlighted previously in the note) and higher opex/sales ratio given property costs. While sales densities at Kingfisher are on average about 16% lower than Home Depot, Kingfisher's opex/sales ratio is about 700 bp higher than Home Depot – See Figure 38.

Figure 38. HD vs KGF Opex/Sales %



Source: Company Reports, Citi Research estimates

Figure 39. Split of Operating costs



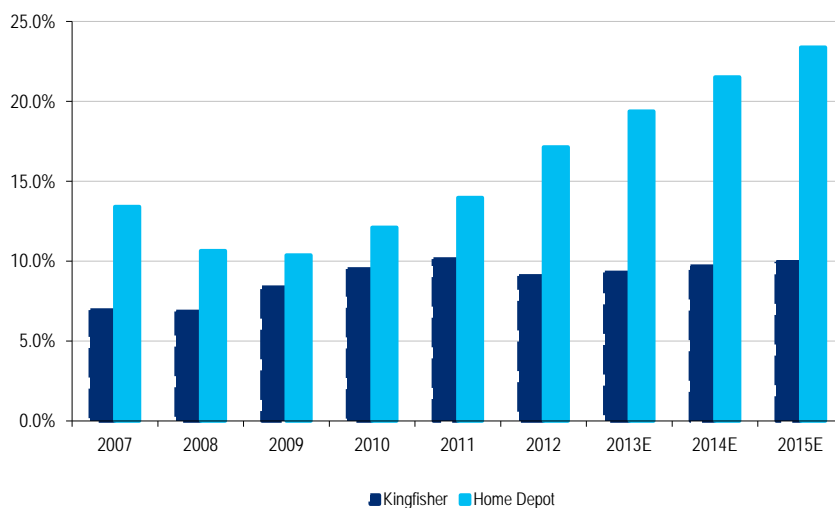
Source: Company Reports, Citi Research

Lower sales densities, higher property costs account for a large part of the margin differential

As Figure 39 shows a large reason in our view for the difference in Opex is down to operating lease costs. For Kingfisher 90% of the UK estate is leasehold, with 70% freehold for France. This compares to 90% freehold base for Home Depot. Operating leases as % of sales make up 4.1% of sales in FY 2012 in Kingfisher versus just 1.1% for Home Depot, accounting for the lion's share in difference at the EBIT margin level in our view. This differential in EBIT margins is further reflected in ROIC below.

- **ROIC%:** As a result of improving EBIT margins, and strong cash generation funding share buybacks, Home Depot has seen a slight premium in its ROIC versus Kingfisher. ROIC for Kingfisher has averaged 9% over the last 5 years vs 13% at Home Depot.

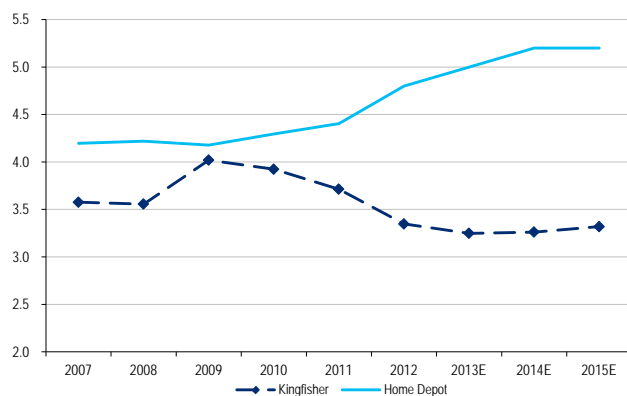
Figure 40. HD vs KGF ROIC*



Source: Company Reports, Citi Research estimates * Lease adjusted, ex-Goodwill

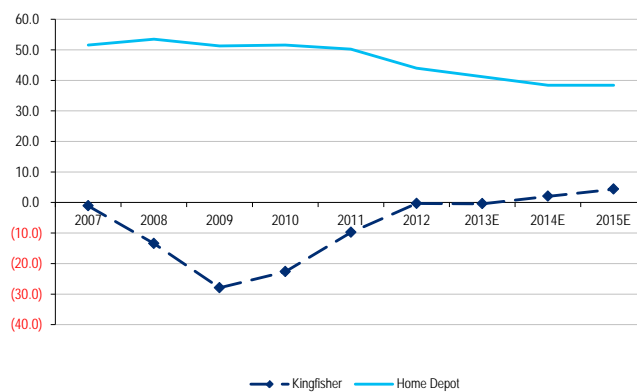
- **Working Capital** - Working capital days at HD has declined over 10 days in the last 3 years, which is a result of the company's ongoing focus to improve its supply chain.

Figure 41. Kingfisher vs Home Depot – Stock Turn



Source: Company Reports, Citi Research estimates

Figure 42. Kingfisher vs Home Depot – Working Capital days



Source: Company Reports, Citi Research estimates

Macro Outlook

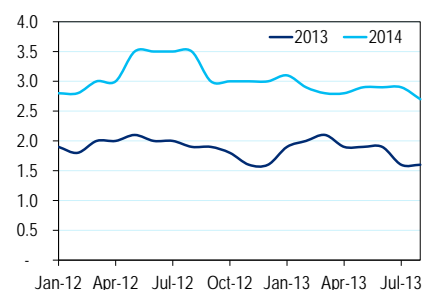
Kingfisher is in the very early stages of housing recovery improvement in its markets

While the US housing market recovery is strongly underway, European markets have been more stagnant through early 2013. Recently however we argue that more positive data on the UK housing market and some stabilisation of macro conditions within France and Poland could present further upside to Kingfisher earnings vs Home Depot, particularly as we believe Kingfisher's margins are at depressed levels.

We think this is underpinned by economic data which continues to improve across Europe. PMI's for the Eurozone and UK are both above 50 and Citi's economists have been raising GDP forecasts for UK and France in particular but revising down US GDP growth expectations – albeit it off much higher absolute GDP growth yoy%.

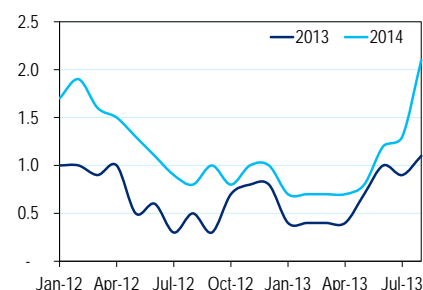
This stance is consistent with our recent Global Equity Strategy view where we upgraded Europe ex-UK to Neutral and UK to Overweight, with the US downgraded to Underweight. See [Global Equity Strategy - Upgrading UK And Europe Ex-UK, Downgrading US](#)

Figure 43. Citi GDP Forecasts US



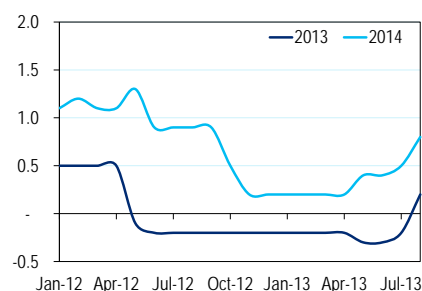
Source: Citi Economists

Figure 44. Citi GDP forecasts UK



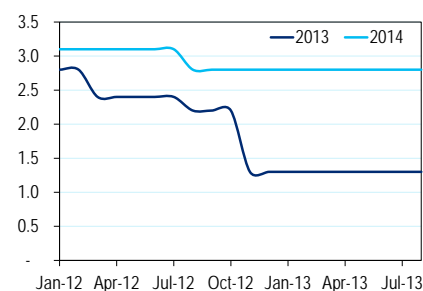
Source: Citi Economists

Figure 45. Citi GDP Forecasts France



Source: Citi Economists

Figure 46. Citi GDP Forecasts Poland



Source: Citi Economists

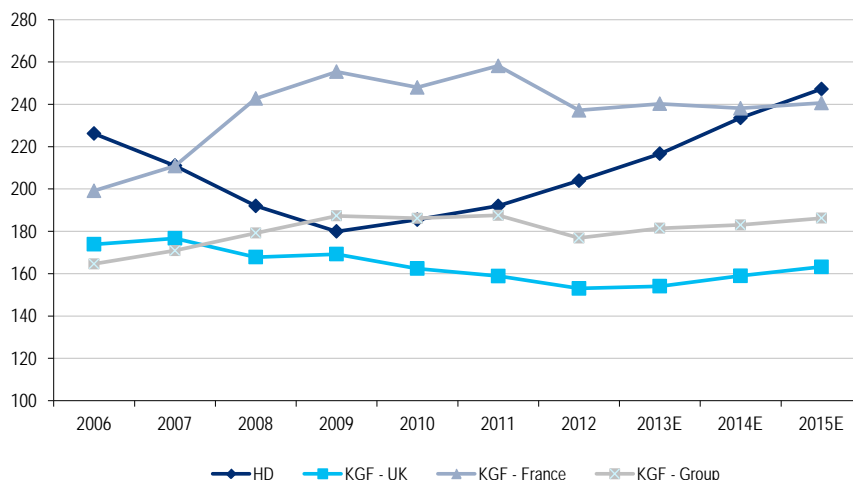
And we have recently upgraded our UK Household Cashflow Forecasts

In our latest sector report we upgraded our UK Household Available Cashflow forecasts for both 2014 and 2015 given a more positive mix of employment, wage inflation and a lowering of the savings ratio. This drove HAC LFL of +2.5% for 2014 and +3.5% for 2015. As a result we expect Kingfisher's earnings to be highly linked to the improvement in Household Available Cash. Our full sector note can be found here: [Pan-Euro General Retail – HAC, Online & Valuation - Not Over Yet](#)

This view is somewhat underpinned by comparison of sales densities across Home Depot and Kingfisher, as shown in Figure 12 where UK sales densities are trading 8% below their 7 year average, France sales densities are in line with their average and for Home Depot, 9% above historic sales densities.

Interestingly Kingfisher France has demonstrated the most stable sales densities and they are higher than those currently being achieved by Home Depot, albeit our forecasts into 2014 and 2015 anticipate some convergence here.

Figure 47. Sales densities compared



Source: Company Reports, Citi Research estimates *\$/£=1.56

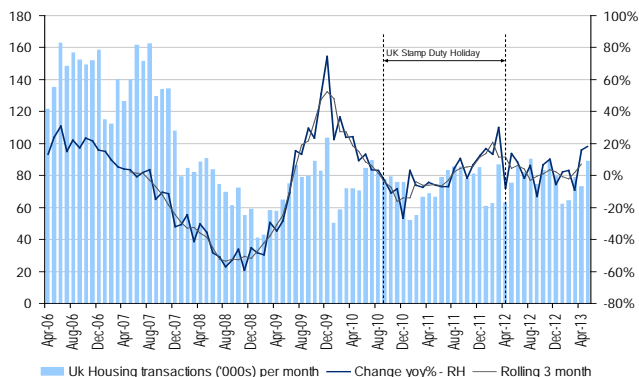
In particular for Kingfisher we would highlight three points:

Kingfisher should be a beneficiary of rising housing transactions

■ **Benefits from the UK Help to Buy Mortgage Guarantee Scheme** – While the UK is already showing some signs of house price recovery, housing transactions volumes remain c50% below peak levels (Figure 48 & Figure 49) and more stringent mortgage requirements as well as restricted consumer cashflow has meant that first time buyer activity has been low (Figure 50).

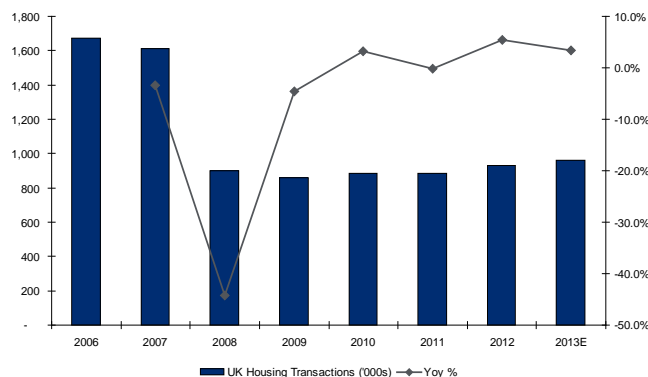
- We believe the Help to Buy Mortgage Guarantee Scheme could be a source of further upside. This comes into effect in January 2014 and we estimate could add at least 2% LFL to Kingfisher's UK & Ireland business in FY 2015 and 5% in FY 2016, driving potential group EPS upgrades of 3% in FY 2015 and 6% in FY 2016 (see our 'Looking Up, 25 July 2013 for more detailed analysis).

Figure 48. UK Housing Transactions – Monthly



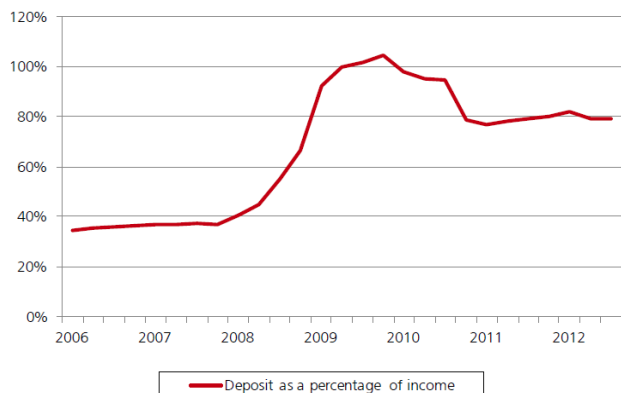
Source: Datastream

Figure 49. UK Housing Transactions – Annual



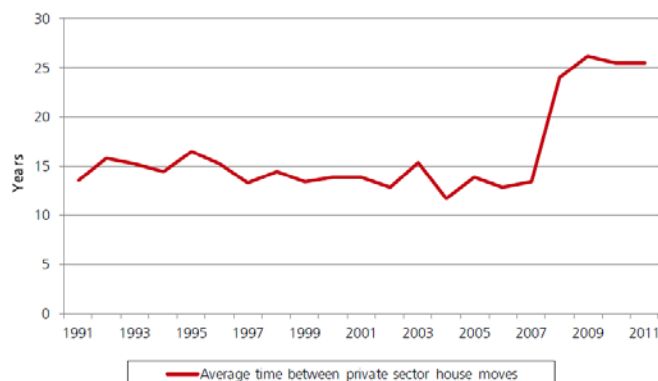
Source: Citi Research Estimates and Datastream

Figure 50. First-time buyer deposit as % of income



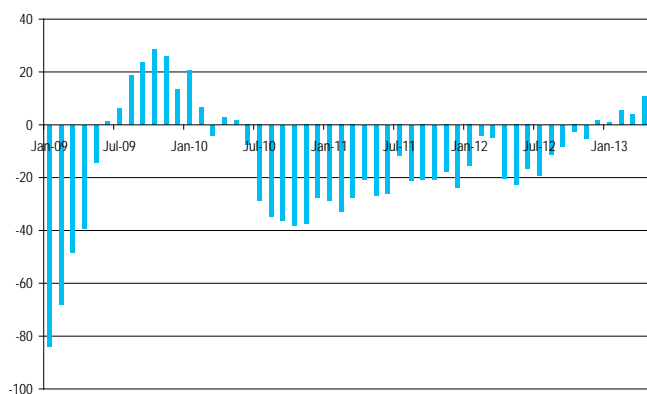
Source: HM Treasury

Figure 51. Average time between private sector house moves



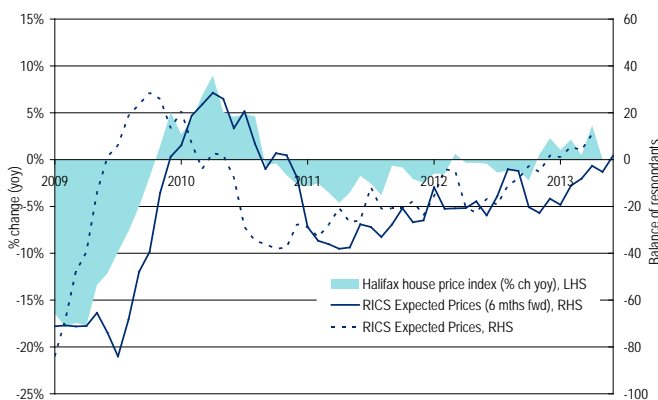
Source: HM Treasury

Figure 52. RICS – Price Net Expectations (Jan 09 – present)



Source: Citi Research, RICS

Figure 53. Halifax House Prices vs. RICS Price Expectations (6m fwd)



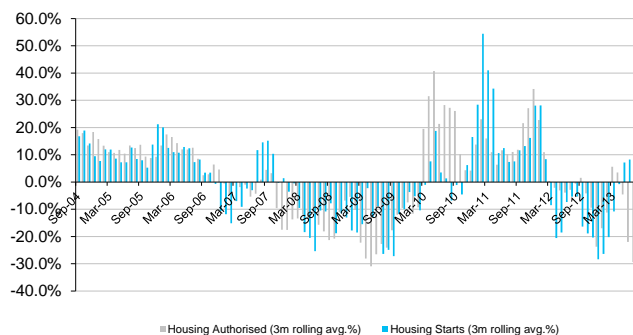
Source: Citi Research, RICS, Halifax

Recovery in the French construction market...

■ **Increasing Optimism on KGF France** – While we expect the market to remain concerned on France, most recent data points on the housing market have shown some stabilization, Banque De France trends have generally improved and comparatives get softer from H2 onwards. In addition we continue to expect a large focus on costs.

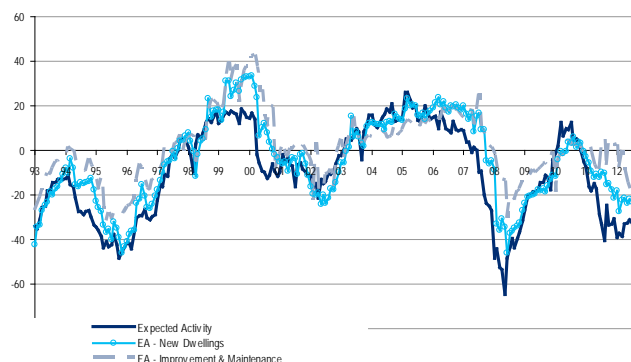
- The housing data can be seen in Figure 54 and showed an improvement into 2Q after a decline in new housing starts in France in 1Q (-11% yoy). Q2 was +8.3%.
- The national statistic building and construction opinion surveys, which gauge a measure of sentiment within the industry, (Figure 55) do show some bottoming of sentiment indicators within the last three months.

Figure 54. French housing data has seen tentative signs of stability



Source: INSEE – France

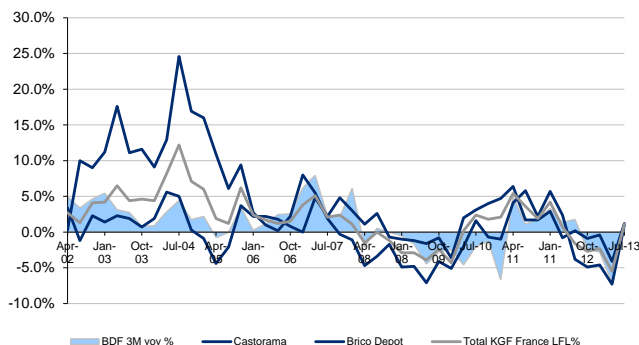
Figure 55. Building and construction opinion surveys



Source: INSEE – France

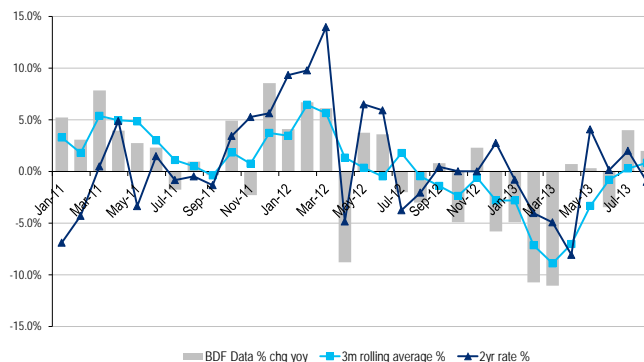
The performance of KGF France vs the BDF (Banque De France) DIY monthly sales can be found in Figure 56. On the whole over the last 10-year period we think that KGF France tends to outperform the French DIY market on average by about 100bp

Figure 56. Kingfisher: Castorama LFL and Brico Depot LFL vs Banque De France 3m yoy%



Source: Banque De France and Company Reports

Figure 57. Banque De France data has seen modest stability



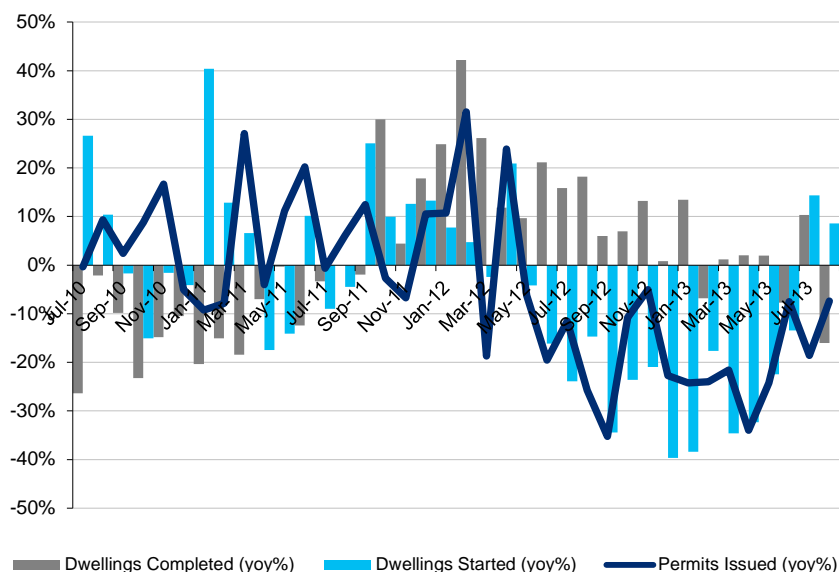
Source: Banque De France

...and the Polish consumer DIY and trade markets

■ **Poland, Small Signs of Stabilisation** – Recent data points suggest some stabilization in the housing data but still no recovery. We believe cost opportunities over the medium term for Poland remain significant given it has twice the number of staff/m2 compared to Castorama France, this should be assisted by the ramping up of national distribution in Poland through 2013/14.

- Poland is now showing signs of stabilising from point of view of dwellings started with a small uptick in permits issued, as shown in Figure 58. While we are reluctant to read too much into this, clearly we are more optimistic on Kingfisher taking market share here given its sharper pricing focus.

Figure 58. Poland Dwellings Data



Source: Poland Central Statistics Office

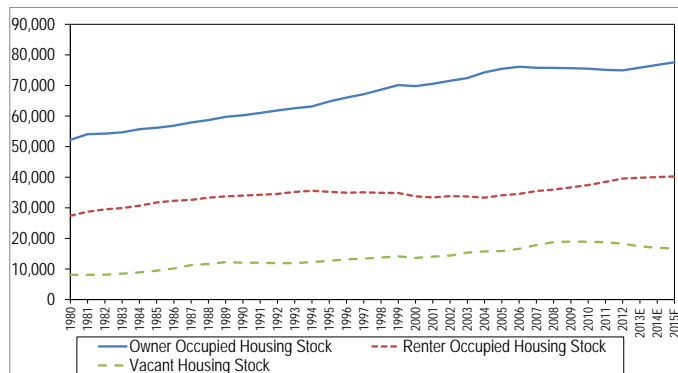
US Housing

The US has seen strong yoy improvements in both housing starts and house prices, underpinned by better affordability vs the last 15 years

Most recent data points indicate significant y/y improvement in the US housing market. In July, median existing home prices increased +13.7% y/y, the 17th consecutive month of y/y price increase. At the same time, housing starts have increased +20.9% y/y driven by a decline of -20.6 y/y in housing inventory levels.

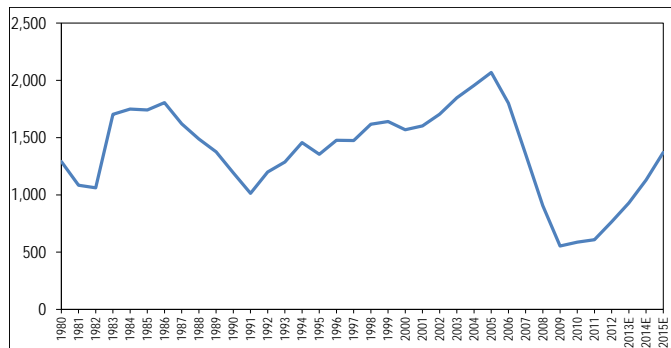
Will Randow, Citi's Building and Housing analyst is bullish on U.S. housing, with an expectation of 20%+ CAGR in total housing starts to a ~1.4m mid-cycle rate by 2015, driven by easing in the lending environment and tight supply. Increasing consumer confidence and payrolls are expected to support recovery in home prices, while home affordability is currently over 20% better than the past 15 years despite a recent rise in mortgage interest rates.

Figure 59. U.S. Housing Stock



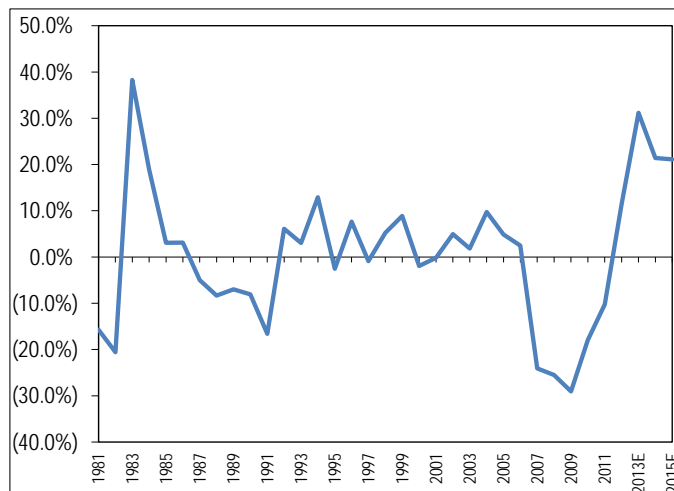
*in thousands
Source: Citi Research

Figure 60. Total U.S. Housing Starts (Single + Multifamily)



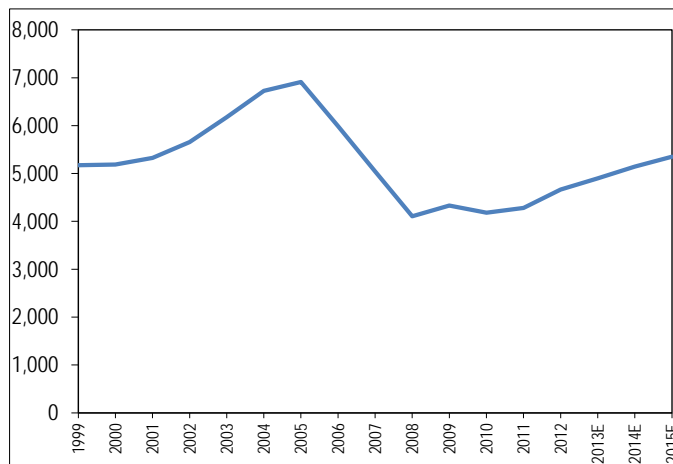
*in thousands
Source: Citi Research

Figure 61. Total U.S. Housing Completions (Single + Multifamily)



Source: Citi Research

Figure 62. Total U.S. Existing Home Sales, Break Adj (Single + Multifamily)



*in thousands

Source: Citi Research

Figure 63. U.S. Housing Scorecard

	Most Recent Data Point	Last Year's Data Point	% Change Year Ago
Median Existing Home Sales Price	213,500	187,800	13.7%
Private Fixed Residential Investment (SAAR, Bil. \$)	511.7	425.7	20.2%
Private Housing Starts (SAAR, Thous. Units)	896.0	741.0	20.9%
PCE Durable Goods (SAAR, Bil.\$)	1,264.0	1,195.7	5.7%
NAHB/Wells Fargo HMI	59.0	37.0	59.5%
Existing Home Sales (SAAR, Thous)	5,390.0	4,600.0	17.2%
NAHB RMI	55.0	45.0	22.2%
Months of Inventory (# of Months)	5.0	6.3	-20.6%
Homeowner Vacancy (% Vacancy)	1.9%	2.1%	-0.2%

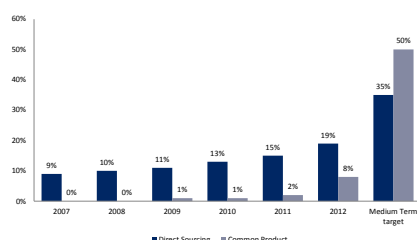
Source: U.S. BLS, U.S. Census Bureau, NAR, NAHB, Citi Research

Recent Trading/Operational Highlights

Kingfisher

Kingfisher has successfully grown its trade business and improved direct sourcing

Figure 64. Direct Sourcing and Common Product penetration (% of sales)



Source: Company Reports

While China has continued to be a problem child

Strengths

- **Direct Sourcing/Common product** – Kingfisher has continued to grow the proportion of directly sourced sales, which for the year ending January 2013 accounted for 19% of sales with the group reaffirming their medium target of 35% of sales. Alongside this Common Product sales penetration has also started to gain traction and now accounts for 8% of sales with a medium term target of 50% common product. Opportunities still remain in Poland and small territories, where direct sourcing penetration while growing strongly still remain very low.
- **Cost control** – The group has demonstrated strong cost control against a background of soft macro and weather related trading conditions.
- **Screw Fix/Trade Point** – These have been strong growth drivers for the UK business, with Screwfix sales growing from c£180m to nearer £600m over the last 10 years and with EBIT margins of c8%. TradePoint has also seen strong growth, utilizing excess space within B&Q stores and now accounts for c20% of B&Q sales.
- **Russia** – This is showing real potential, with opportunities longer term to deliver similar double digit EBIT margins to that being delivered across Poland. Russia is still small, with forecast sales of c€500m for January 2014, but we estimate EBIT from Russia could account for c4-5% of group EBIT by January 2016. Russia is now the fourth largest business unit by sales within Kingfisher.
- **Balance sheet** – This is a key strength for Kingfisher, with the group having deleveraged from a peak debt position of £1.6bn in 2007/08 to a net cash position of £38m at January 2013. Consequently lease adjusted net debt/EBITDAR has also reduced to 2.2x from 4.1x over the same period.

Weaknesses

- **Poland** – A mis-step in strategy to move consumer aspirational too quickly has resulted in a rebasing of gross margins through FY 2012 (-110bp). More recent data has shown an improving trend in both gross margin and LFL sales, with market share gains.
- **UK** – Some volatility in trading strategy and admitted bad weather has impacted the UK business substantially. This was not helped by some bad decisions around common product range changes, which in FY 2012 resulted in a substantial hit to gross margin due to elevated levels of clearance. The UK business is also currently moving its kitchen/bathroom business away from a Hi-Lo seasonally revolving business to more EDLP (Every Day Low Price) which has been slower to resonate with consumers.
- **China** – This has been a problematic division for a number of years although the group has managed to stem losses predominantly through exiting sites and sub-letting space to food retailers. We still expect China to lose about £7m for January 2014. Management is trialling a new DFM model based solely on a showroom format and has indicated that if it does exit China it will not do so at a loss. We value the freehold property in China at £400m (17p.share).

Home Depot has focused heavily on improving customer service and improving operational efficiency within its supply chain

Home Depot

Strengths

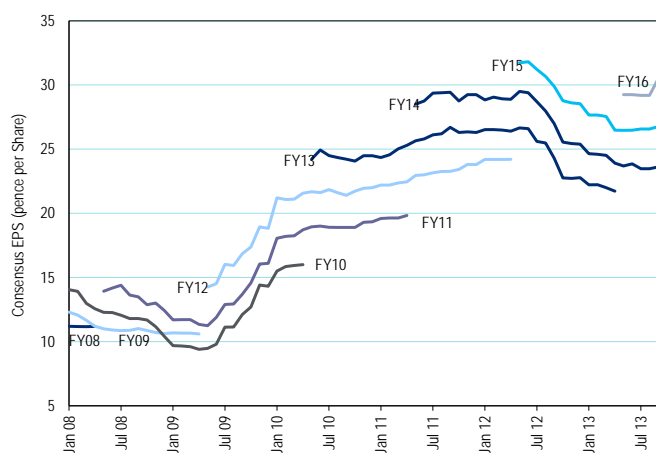
- **Improved Productivity and Efficiency** – HD continues to make investments to optimize its supply chain network and inventory management. In 2012, HD completed the mechanization of its network of 18 Rapid Deployment Centers (RDC). Mechanization of RDCs allows HD to aggregate orders from multiple store locations into a single vendor purchase order which can then be rapidly and efficiently allocated to individual stores upon arrival at the RDC. HD also operates 33 bulk distribution centers in the US and Canada, and 36 conventional distribution centers in the US, Canada and Mexico. HD estimates that the improved supply chain can contribute 20bps of gross margin expansion over the period to 2015. Encouragingly, management recently highlighted that their transformation of the supply chain is only 1/3rd complete and there is still notable opportunity to improve store productivity as well as continue to manage SG&A.
- **Recent Acceleration of Cash Return to Shareholders** – HD most recently issued \$3.25bn in senior notes which it used to refinance \$1.25bn of senior notes due in December, 2013 as well as repurchase an additional \$2bn in shares in 2013 (~+\$0.01 to full year EPS). The incremental repurchase will bring full year share repurchases to an estimate of over \$8bn.
- **Improved Customer Service** – HD continues to improve customer service levels through investments in IT and retraining store associates. The company anticipates reaching 60% of store labors hours being dedicated to customer-facing activities by the end of 2013, up from 57% in 2012.
- **Strong Leadership** – We continue to believe HD's management team is one of the strongest across retail based on its early investment in its supply chain and its ongoing commitment to drive top line and make the operation more efficient.
- **Wide Product Assortment** – HD remain focused on providing a wide assortment of products. On average, an HD store carries approximately 30,000-40,000 of national and private-label products.
- **Interconnected Retail** – HD has invested heavily in interconnected retail initiative. In 2012, the company made improvements to its website, began construction of a new distribution center to support growth of the direct-to-consumer channel, opened customer call centers in Utah and Georgia, and introduced Buy Online/Return in Store and Buy Online/Ship to Store capabilities.

Home Depot could see more price competition from Lowes as it turns its business around

Weaknesses

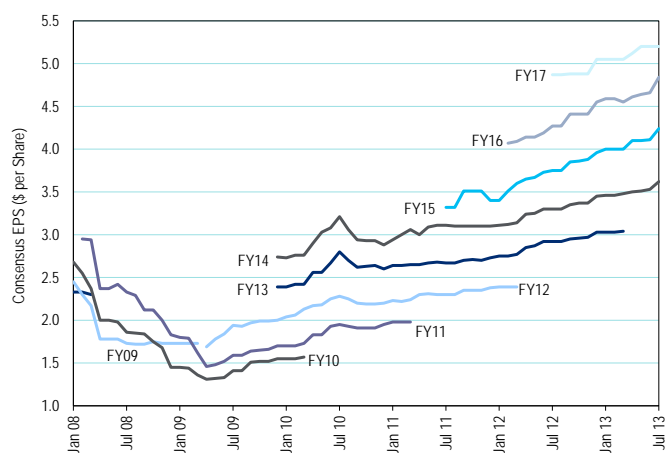
- **Exposure to Housing and Interest Rate Environment** – HD's financial performance is highly correlated with the health of the housing environment and interest rates. Management have noted anecdotally that there was a drop in refinances when interest rates rose 50bps in the spring.
- **Potential Negative Impact From a Successful Turnaround at LOW** – While not complete, LOW is seeing meaningful benefits to sales and gross margin from value resets. We think there is potential for more price competition as LOW turns its business around. In the most recent quarter (~2Q), LOW achieved SSS of +9.6% vs. HD's +11.4% US SSS, which is the smallest gap since 3Q11.

Figure 65. Kingfisher – Consensus EPS



Source: Citi Research, Datastream

Figure 66. Home Depot – Consensus EPS



Source: Citi Research, Datastream

Citi Financial Forecasts

FY13-15E CAGR revenues +4.3%, EPS CAGR +10%

For Kingfisher as whole we forecast FY13-15E CAGR revenue growth of 4.3% driven by recovery in LFL growth within the UK and French businesses and ongoing space expansion within International as the group builds out its Polish, Russian and Spanish operations. This assumes group gross margin progress of +20bp in January 2014 increasing to +50bp in January 2015. We forecast overall group EBIT margins to increase by 90bp over the three year forecast period and overall this drives EPS CAGR of 10%.

January 2014E PBT unchanged at £765m, EPS 23.8p, +8% yoy

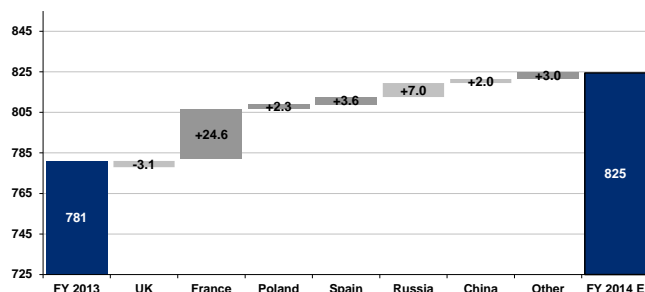
More specifically for January 2014 we forecast PBT of £765m (EPS 23.8p, +8% yoy). Compositionally we are forecasting B&Q LFL sales -1% for the year although within this we assume H2 LFLs -1.3%. We are forecasting gross margins up +20bp reflecting some focus on B&Q reinforcing its pricing message on some of its key product lines, underpinned by self-help sourcing initiatives. Combined with a +13% increase in Screwfix profits this drives overall UK & Ireland EBIT of £235m, broadly flat yoy.

For France we assume a LFL of -2.4% (-3% in H2) and forecast gross margins up 30bp, driving France EBIT to £422m, up +6% yoy. For the group as a whole, we forecast group trading profit of £825m and Group PBT of £765m. This translates to EPS growth of +8% yoy.

FY 2015E PBT £860m, EPS 26.8p, +12% yoy

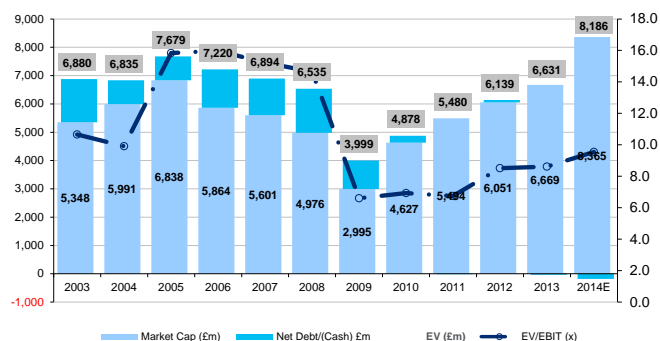
For FY 2015E, our PBT estimate is £860m, EPS 26.8p, +12% yoy.

Figure 67. Kingfisher trading profit bridge. 2014E



Source: Company Reports, Citi Research

Figure 68. Restructured balance sheet



Source: Company Reports, Citi Research

FY13-15E CAGR revenues +7%, EPS CAGR +20%

For **Home Depot** we expect the company to grow revenues at +7% CAGR over the next three years, material acceleration on the -0.7% CAGR over the past 5 years. This should drive CAGR EPS of +21% over the next three years vs +6% over the past 5 years.

Specifically for FY 2014 we forecast same store sales +7.6%, gross margins increasing 20bp, with some cost leverage driving EBIT margins higher by 80bp yoy. Overall we expect this to drive EBIT growth of 15% yoy, with c\$8.6bn of share buy backs driving overall EPS growth of +20 yoy.

Valuation

There is very little gap in valuation from an EV/EBIT perspective, although on PEs the Home Depot premium to Kingfisher has narrowed from 33% to 20%

Home Depot has traded at a c25% premium to Kingfisher over the last 5 years and a broadly similar EV/EBIT multiple over the same period which partly reflects the heavy de-gearing of Kingfisher's balance sheet from 2006 and a subsequent de-rating.

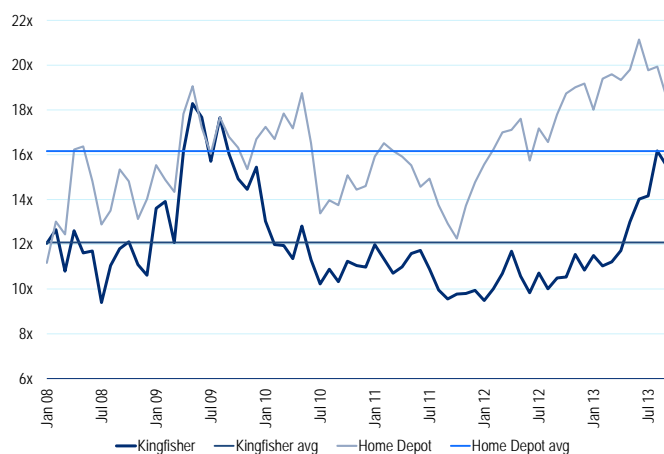
Figure 69. Home Depot PE relative to Kingfisher



Source: Citi Research

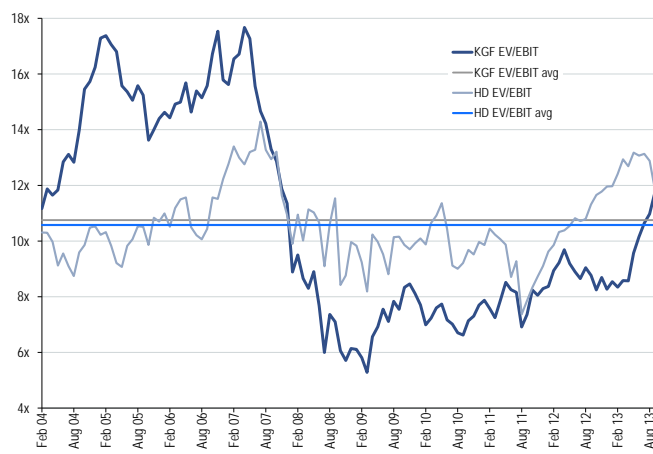
More near term, the PE premium has narrowed to 20%, with Home Depot trading on a 15% premium to its 5 year PE average and 28% for Kingfisher. Even on EV/EBIT both names are trading on the same multiple of about c11x for calendar 2014 and both about c10% above their historic average.

Figure 70. Home Depot vs Kingfisher PE(x)



Source: Company Reports, Citi Research

Figure 71. Home Depot vs Kingfisher EV/EBIT (x)



Source: Company Reports, Citi Research

While certainly on paper Home Depot's financial metrics look stronger than Kingfisher's, and offer a higher EPS growth profile over the next three years (+20.9% for HD vs +10% for KGF), we would argue that Kingfisher has higher levels of operational gearing and is a more geared play on Europe and UK macro recovery.

Figure 72. Home Depot – Statistical Abstract (priced 13, September 2013)

Year to Feb	EBIT (\$mil)	PBT (\$mil)	Tax Rate	CY EPS	PE (x)	Div/Sh (\$)	Div Yld (%)	EV/ Sales	EV/ EBIT	EV/ EBITDA
2012A	6,661	6,068	36.0%	\$2.48	30.3	\$1.08	2.6	1.7	17.7	14.4
2013A	7,911	7,299	36.5%	\$3.07	24.4	\$1.16	2.3	1.6	14.9	12.5
2014E	9,073	8,440	37.1%	\$3.68	20.5	\$1.56	2.1	1.5	13.0	10.9
2015E	10,762	10,159	38.0%	\$4.50	16.9	\$1.56	2.3	1.4	11.0	9.4
2016E	12,565	11,962	38.0%	\$5.43	14.0	\$1.56	2.7	1.3	9.4	8.2
YTD								1M	3M	12M
MV (\$m)	107,938	Shares (m)		1,460	Abs %		20.44	-5.31	-6.29	31.05
EV (\$m)	118,203				Rel %		5.94	-2.21	-5.36	15.28

Note: Year ending February. Source: Company Reports, Citi Research estimates

Figure 73. Kingfisher – Statistical Abstract (priced 13 September 2013)

Yr to Jan	EBIT (£m)	PBT (£m)	Tax Rate	EPS (p)	PE (x)	Net Div (c)	Div Yld (%)	EV/ Sales	EV/ EBIT	EV/ EBITDA
2011A	704	670	29.0%	20.1	20.2	7.1	1.7	0.92	13.6	10.2
2012A	812	800	28.0%	24.3	16.8	8.8	2.2	0.90	11.9	9.2
2013A	721	715	27.0%	22.0	18.6	9.5	2.3	0.91	13.3	9.9
2014E	769	765	26.5%	23.8	17.2	10.3	2.5	0.86	12.3	9.2
2015E	856	860	26.5%	26.8	15.3	11.0	2.7	0.81	10.8	8.2
2016E	924	932	26.0%	29.2	14.0	12.0	2.9	0.75	9.7	7.4
YTD								1M	3M	12M
MV (£m)	9,325	Shares (m)		2,339	Abs %		35.45	15.73	26.79	49.21
EV (£m)	9,288				Rel %		19.81	7.11	22.33	22.6

Source: Citi Research estimates

Financial Models - Kingfisher

Figure 74. Kingfisher – Quarterly Divisional Performance, 2008 – 2014E

2013-2014E		1QA	2QA	H1A	3QE	4QE	2HE	FYE
B&Q	LFL %	-5.6%	2.0%	-1.7%	-1.5%	-1.5%	-1.5%	-1.6%
	GM (bp)	0	71	30	20	20	20	25
	LFL GP%	-5.6%	3.9%	-0.9%	-1.0%	-1.0%	-1.0%	-0.9%
France	LFL %	-5.5%	0.9%	-2.3%	-3.0%	-2.7%	-2.8%	-2.5%
	GM (bp)	10	-30	0	30	95	60	29
	LFL GP%	-5.3%	0.0%	-2.3%	-2.2%	-0.1%	-1.2%	-1.7%
2012-2013A		1QA	2QA	H1A	3QA	4QA	2HA	FYA
B&Q	LFL %	-11.7%	0.1%	-6.0%	-4.0%	-6.4%	-5.1%	-5.6%
	GM (bp)	120	-187	-40	50	-58	0	-23
	LFL GP%	-8.9%	-4.9%	-7.0%	-2.7%	-7.8%	-5.1%	-6.2%
France	LFL %	0.7%	-1.6%	-0.6%	-2.7%	-2.2%	-2.5%	-1.4%
	GM (bp)	40	0	10	70	-47	15	12
	LFL GP%	1.8%	-1.6%	-0.3%	-0.9%	-3.5%	-2.1%	-1.1%
2011-2012A		1QA	2QA	H1A	3QA	4QA	2HA	FYA
B&Q	LFL %	1.5%	-5.5%	-2.0%	-0.9%	-2.5%	-1.7%	-1.8%
	GM (bp)	-5	42	20	50	29	40	31
	LFL GP%	1.4%	-4.4%	-1.5%	0.4%	-1.7%	-0.6%	-1.0%
France	LFL %	5.4%	3.6%	4.5%	1.9%	4.2%	2.9%	3.7%
	GM (bp)	90	155	130	80	-135	-15	59
	LFL GP%	8.0%	8.0%	8.2%	4.2%	0.3%	2.5%	5.4%
2010-2011A		1QA	2QA	H1A	3QA	4QA	2HA	FYA
B&Q	LFL %	-2.8%	-4.6%	-3.7%	-5.1%	-0.3%	-2.9%	-3.3%
	GM (bp)	90	196	144	110	30	73	112
	LFL GP%	-0.5%	0.4%	0.0%	-2.3%	0.5%	-1.0%	-0.4%
France	LFL %	0.2%	2.4%	1.3%	1.8%	2.1%	1.9%	1.5%
	GM (bp)	100	240	170	140	-124	20	99
	LFL GP%	2.9%	9.2%	6.0%	5.7%	-1.4%	2.5%	4.3%
2009-2010A		1QA	2QA	H1A	3QA	4QA	2HA	FYA
B&Q	LFL %	2.9%	0.0%	1.4%	5.7%	-3.5%	1.3%	1.3%
	GM (bp)	80	210	150	-60	330	126	141
	LFL GP%	5.1%	5.6%	5.5%	4.0%	5.0%	4.7%	5.2%
France	LFL %	-2.9%	-3.9%	-3.4%	-2.4%	-4.2%	-3.3%	-3.4%
	GM (bp)	0	0	0	0	0	0	-13
	LFL GP%	-2.9%	-3.9%	-3.4%	-2.4%	-4.2%	-3.3%	-3.7%
2008-2009A		1QA	2QA	H1A	3QA	4QA	2HA	FYA
B&Q	LFL %	-8.1%	-1.0%	-4.6%	-8.7%	-5.9%	-7.4%	-5.8%
	GM (bp)	300	20	150	150	-230	-30	60
	LFL GP%	-0.7%	-0.5%	-0.8%	-5.0%	-11.7%	-8.1%	-4.3%
France	LFL %	-1.5%	0.0%	-0.7%	-1.2%	-2.9%	-2.0%	-1.3%
	GM (bp)	30	240	140	50	100	80	120
	LFL GP%	-0.7%	6.6%	3.1%	0.2%	-0.2%	0.2%	1.9%

Source: Company Reports, Citi Research estimates

Figure 75. Kingfisher – Quarterly Forecasts, 2013-2014E (£m's)

January year end	2013A							2014E						
	1QA	2QA	1HA	Q3A	Q4A	2HA	Full Year	1QA	2QE	1HE	Q3E	Q4E	2HE	Full Year
Sales														
B&Q	968.0	1,022.7	1,990.7	906.0	780.3	1,686.3	3,677.0	913.0	1,044.0	1,957.0	887.5	766.9	1,654.4	3,611.4
Screwfix	136.6	136.7	273.3	149.0	144.7	293.7	567.0	155.0	158.0	313.0	165.5	158.3	323.8	636.8
Total UK	1,104.6	1,159.4	2,264.0	1,055.0	925.0	1,980.0	4,244.0	1,068.0	1,202.0	2,270.0	1,053.0	925.2	1,978.2	4,248.2
Castorama	593.0	606.9	1,199.9	590.0	517.1	1,107.1	2,307.0	597.0	697.0	1,294.0	621.6	540.5	1,162.1	2,456.1
Brico Depot	496.0	510.1	1,006.1	491.0	389.9	880.9	1,887.0	482.0	530.0	1,012.0	514.3	407.9	922.2	1,934.2
Total France	1,089.0	1,117.0	2,206.0	1,081.0	907.0	1,988.0	4,194.0	1,079.0	1,227.0	2,306.0	1,135.9	948.4	2,084.3	4,390.3
Poland	236.0	277.0	513.0	288.0	228.0	516.0	1,029.0	240.0	317.0	557.0	308.3	237.0	545.3	1,102.3
Other	135.0	192.0	327.0	185.0	148.0	333.0	660.0	159.0	230.0	389.0	238.3	184.3	422.7	811.7
Rest Of Europe	371.0	469.0	840.0	473.0	376.0	849.0	1,689.0	399.0	547.0	946.0	546.6	421.3	967.9	1,913.9
China	67.0	101.0	168.0	96.0	110.4	206.4	374.4	76.6	117.4	194.0	108.1	114.7	222.7	416.7
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Asia	67.0	101.0	168.0	96.0	110.4	206.4	374.4	76.6	117.4	194.0	108.1	114.7	222.7	416.7
DIY Total	2,631.6	2,846.4	5,478.0	2,705.0	2,318.4	5,023.4	10,501.4	2,622.6	3,093.4	5,716.0	2,843.6	2,409.6	5,253.2	10,969.2
EBIT														
B&Q	64.5	60.5	125.0	45.0	17.0	62.0	187.0	37.9	79.6	117.5	45.7	18.5	64.2	181.7
Screwfix	10.5	9.5	20.0	14.0	13.0	27.0	47.0	12.1	11.4	23.5	15.6	14.2	29.8	53.3
Total UK	75.0	70.0	145.0	59.0	30.0	89.0	234.0	50.0	91.0	141.0	61.3	32.7	94.0	235.0
Total France	78.0	113.0	191.0	140.0	66.0	206.0	397.0	66.0	125.0	191.0	150.8	79.8	230.6	421.6
Poland	21.0	33.0	54.0	34.0	19.0	53.0	107.0	14.0	40.0	54.0	36.3	19.0	55.3	109.3
Other	(9.0)	28.0	19.0	27.0	6.0	33.0	52.0	(9.0)	27.0	15.0	29.9	20.6	50.6	65.6
Rest of Europe	12.0	61.0	73.0	61.0	25.0	86.0	159.0	5.0	67.0	69.0	66.3	39.6	105.9	174.9
China	(5.0)	(1.0)	(6.0)	(3.0)	0.0	(3.0)	(9.0)	(7.0)	0.0	(7.0)	0.0	0.0	0.0	(7.0)
Total Asia	(5.0)	(1.0)	(6.0)	(3.0)	0.0	(3.0)	(9.0)	(7.0)	0.0	(7.0)	0.0	0.0	0.0	(7.0)
DIY Total	160.0	243.0	403.0	257.0	121.0	378.0	781.0	114.0	283.0	394.0	278.3	152.2	430.5	824.5
LFLs														
B&Q	-11.7%	0.1%	-6.0%	-4.0%	-6.4%	-5.1%	-5.6%	-5.6%	2.0%	-1.7%	-1.5%	-1.5%	-1.5%	-1.6%
Screwfix	10.2%	7.6%	8.9%	9.6%	10.4%	10.0%	9.5%	1.7%	5.5%	3.6%	0.0%	0.0%	0.0%	1.8%
UK	-10.1%	0.9%	-4.2%	-2.3%	-4.3%	-3.2%	-3.8%	-4.9%	2.3%	-1.0%	-1.3%	-1.3%	-1.3%	-1.2%
Castorama	-0.8%	0.2%	-0.3%	-0.9%	-0.4%	-0.7%	-0.5%	-4.1%	1.8%	-1.1%	-2.5%	-2.4%	-2.5%	-1.8%
Brico Depot	2.4%	-3.8%	-0.9%	-4.9%	-4.6%	-4.8%	-2.7%	-7.3%	-0.4%	-3.8%	-3.5%	-3.0%	-3.3%	-3.5%
France	0.7%	-1.6%	-0.6%	-2.7%	-2.2%	-2.5%	-1.4%	-5.5%	0.9%	-2.3%	-3.0%	-2.7%	-2.8%	-2.5%
Poland	-4.3%	-3.9%	-4.1%	-7.0%	-4.3%	-5.9%	-5.0%	-4.2%	3.2%	-0.2%	-0.1%	-0.1%	-0.1%	-0.1%
China	-6.0%	-3.7%	-4.7%	3.5%	5.0%	4.3%	0.3%	9.5%	10.7%	10.2%	4.0%	2.1%	3.0%	6.4%
EBIT/sales														
B&Q	6.7%	5.9%	6.3%	5.0%	2.2%	3.7%	5.1%	4.2%	7.6%	6.0%	5.2%	2.4%	3.9%	5.0%
Screwfix	7.7%	6.9%	7.3%	9.4%	9.0%	9.2%	8.3%	7.8%	7.2%	7.5%	9.4%	9.0%	9.2%	8.4%
France	7.2%	10.1%	8.7%	13.0%	7.3%	10.4%	9.5%	6.1%	10.2%	8.3%	13.3%	8.4%	11.1%	9.6%
Rest of Europe	3.2%	13.0%	8.7%	12.9%	6.6%	10.1%	9.4%	1.3%	12.2%	7.3%	12.1%	9.4%	10.9%	9.1%
Total Asia	-7.5%	-1.0%	-3.6%	-3.1%	0.0%	-1.5%	-2.4%	-9.1%	0.0%	-3.6%	0.0%	0.0%	0.0%	-1.7%
DIY Total	6.1%	8.5%	7.4%	9.5%	5.2%	7.5%	7.4%	4.3%	9.1%	6.9%	9.8%	6.3%	8.2%	7.5%
EBIT growth														
B&Q	-12.8%	-33.5%	-24.2%	-2.2%	-37.0%	-15.1%	-21.4%	-41.2%	31.6%	-6.0%	1.6%	8.9%	3.6%	-2.8%
Screwfix	0.0%	0.0%	17.6%	40.0%	117.0%	68.9%	42.5%	15.1%	19.8%	17.4%	11.1%	9.3%	10.2%	13.3%
UK	-9.6%	-29.3%	-20.3%	5.4%	-9.0%	0.0%	-13.6%	-33.3%	30.0%	-2.8%	3.8%	9.0%	5.6%	0.4%
France	1.3%	-8.9%	-5.0%	-9.1%	8.2%	-4.2%	-4.6%	-15.4%	10.6%	0.0%	7.7%	20.9%	11.9%	6.2%
Rest of Europe	-42.9%	-17.6%	-23.2%	-3.9%	-23.1%	-10.4%	-16.8%	-58.3%	9.8%	-5.5%	8.6%	58.6%	23.2%	10.0%
International	-50.0%	-21.1%	-25.6%	-8.7%	-27.5%	-15.3%	-20.2%	-128.6%	6.7%	-7.5%	14.3%	58.6%	27.6%	11.9%
DIY Total	-8.0%	-18.7%	-14.8%	-6.0%	-5.8%	-6.0%	-10.7%	-28.8%	15.2%	-2.2%	8.3%	25.7%	13.9%	5.6%

Source: Company Reports, Citi Research estimates

Figure 76. Kingfisher – P&L, 2008 – 2016E (£m's)

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13A	2013/14E	2014/15E	2015/16E
UK									
Sales	4,478.3	4,330.8	4,441.7	4,333.0	4,338.0	4,244.0	4,248.2	4,381.5	4,500.8
- LFL	2.8%	-4.0%	0.7%	-2.8%	-0.7%	-3.8%	-1.2%	2.0%	2.0%
- Growth	4.4%	-3.3%	2.6%	-2.4%	0.1%	-2.2%	0.1%	3.1%	2.7%
EBIT	152.0	129.0	217.0	243.0	271.0	234.0	235.0	259.5	274.9
- ROS%	3.4%	3.0%	4.9%	5.6%	6.2%	5.5%	5.5%	5.9%	6.1%
- Growth	-18.0%	-15.1%	68.2%	12.0%	11.5%	-13.6%	0.4%	10.4%	5.9%
France									
Sales	3,224.0	3,888.0	4,241.8	4,204.0	4,470.0	4,194.0	4,390.3	4,460.4	4,604.9
- LFL	2.5%	-1.3%	-3.4%	1.5%	3.7%	-1.4%	-2.5%	-0.4%	1.1%
- Ccy	1.4%	17.3%	10.0%	-3.5%	1.5%	-6.9%	4.6%	-1.3%	0.0%
- Growth	9.1%	20.6%	9.1%	-0.9%	6.3%	-6.2%	4.7%	1.6%	3.2%
EBIT	237.0	283.0	322.0	348.0	416.0	397.0	421.6	450.4	478.0
- ROS%	7.4%	7.3%	7.6%	8.3%	9.3%	9.5%	9.6%	10.1%	10.4%
- Growth	15.5%	19.4%	13.8%	8.1%	19.5%	-4.6%	6.2%	6.8%	6.1%
International									
Sales	1,661.0	1,806.0	1,819.0	1,913.0	2,023.4	2,063.4	2,330.7	2,534.7	2,796.0
- LFL	9.2%	-0.2%	0.7%	-0.9%	3.2%	-0.6%	2.7%	1.4%	1.4%
- Growth	16.0%	8.7%	0.7%	5.2%	5.8%	2.0%	13.0%	8.8%	10.3%
EBIT	109.0	91.0	125.0	171.0	188.0	150.0	167.9	203.6	228.4
- ROS%	6.6%	5.0%	6.9%	8.9%	9.3%	7.3%	7.2%	8.0%	8.2%
- Growth	-3.8%	-16.5%	37.4%	36.8%	9.9%	-20.2%	11.9%	21.2%	12.2%
Retail Total									
Sales	9,363	10,025	10,502	10,450	10,831	10,501	10,969	11,377	11,902
- LFL	3.7%	-2.4%	-0.9%	-0.7%	1.8%	-2.2%	-0.9%	0.9%	1.5%
- Growth	7.9%	7.1%	4.8%	-0.5%	3.6%	-3.0%	4.5%	3.7%	4.6%
Total Retail Trading Profit	498	503	664	762	875	781	825	914	981
- ROS%	5.3%	5.0%	6.3%	7.3%	8.1%	7.4%	7.5%	8.0%	8.2%
- Growth	-1.1%	1.0%	32.0%	14.8%	14.8%	-10.7%	5.6%	10.8%	7.4%
Property	na	na	na	na	na	na	na	na	na
JV interest and tax	-5	-16	-17	-17	-20	-18	-14	-15	-15
Central Costs	-40	-41	-41	-41	-43	-42	-41.5	-42.5	-42.5
Operating Profit	453.0	446.0	606.0	704.0	812.0	721.0	769.0	856.0	923.9
Net Interest	-67	-78	-59	-34	-12	-6	-4	4	8.1
Clean Pre-tax	386.0	368.0	547.0	670.0	800.0	715.0	765.0	860.0	932.0
Tax (%)	31.3%	29.9%	30.2%	29.0%	28.0%	27.0%	26.5%	26.5%	26.0%
Tax charge	(121.0)	(109.9)	(165.2)	(194.3)	(224.0)	(193.1)	(202.7)	(227.9)	(242.3)
Earnings (Pre-exceptional)	263.0	258.0	384.7	478.7	577.0	523.0	565.3	635.1	692.7
Shares (m)	2351.0	2354.0	2369.0	2387.0	2375.0	2373.0	2373.0	2373.0	2373.0
EPS (p) (diluted)	11.2	11.0	16.2	20.1	24.3	22.0	23.8	26.8	29.2
EPS growth	-5.3%	-2.0%	48.2%	23.5%	21.1%	-9.3%	8.1%	12.4%	9.1%
DPS (p)	7.25	5.33	5.50	7.07	8.84	9.46	10.30	11.00	12.00

Source: Company Reports, Citi Research estimates

Figure 77. Kingfisher – Cashflow, 2008 – 2016E (£m's)

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14E	2014/15E	2015/16E
Trading Profit	453	446	606	704	812	721	769	856	924
Depreciation	234	265	260	238	237	248	260	272	284
Working Capital	-36	215	318	-141	-187	-178	-50	-50	-50
Exceptionals Minorities etc	-105	-59	-54	-57	-47	-37	-30	0	0
Generated from operations	546	867	1130	744	815	754	949	1078	1158
Net interest	-66	-89	-63	-19	-8	-4	-4	4	8.1
Share of Associates	0	0	0	0	0	0	0	0	0
Net Dividends	-249	-125	-125	-129	-178	-221	-226	-248	-263
Corporation Tax	-81	-77	-151	-133	-148	-129	-203	-228	-242
Tax and returns on investment	-396	-291	-339	-281	-334	-354	-433	-472	-497
Capital Spend	-499	-390	-256	-310	-338	-316	-375	-400	-400
Acquisitions and Investments	-30	0	0	0	-73	0	0	0	0
Investments	-101	0	148	0	-39	0	0	0	0
Disposals	167	546	59	87	9	17	0	0	0
Investing Activities	-463	156	-49	-223	-441	-299	-375	-400	-400
Shares Issued	0	0	0	0	0	12	0	0	0
Other (FX Non Cash Movements)	21	-177	12	24	-25	13	0	0	0
Reduction (Increase) in Net Debt	-292	555	754	264	15	126	141	206	261
Year-End Net Debt	-1559	-1004	-250	14	-88	38	179	385	646
Shareholders' Funds	4713	4783	4945	5452	5719	6148	6484	6868	7295
Gearing %	33.1%	21.0%	5.1%	-0.3%	1.5%	-0.6%	-2.8%	-5.6%	-8.9%

Source: Company Reports, Citi Research estimates

Figure 78. Kingfisher – Balance Sheet, 2008 – 2016E (£m's)

	2008	2009	2010	2011	2012	2013	2014E	2015E	2016E
Cash and marketable securities	218	1157	1260	731	587	398	610	816	1077
Accounts receivable	533	508	494	513	531	545	545	545	545
Inventory	1873	1792	1545	1791	1844	2083	2133	2183	2233
Total other current assets	17	140	82	60	27	42	42	42	42
Current assets	2641	3597	3381	3095	2989	3068	3330	3586	3897
Net tangible fixed assets	3698	3699	3612	3632	3667	3748	3863	3991	4107
Investments	29	24	24	32	55	66	66	66	66
Other financial assets	283	296	364	363	402	450	450	450	450
Total financial assets	4010	4019	4000	4027	4124	4264	4379	4507	4623
Net goodwill	2532	2396	2395	2395	2397	2399	2399	2399	2399
Other non-current assets	220	219	70	86	123	166	166	166	166
Total assets	9403	10231	9846	9603	9633	9897	10274	10658	11085
Accounts payable	2238	2362	2374	2519	2356	2430	2481	2481	2481
Short-term debt	191	389	647	196	367	99	99	99	99
Total other current liabilities	146	244	373	383	311	306	306	306	306
Current liabilities	2575	2995	3394	3098	3034	2835	2886	2886	2886
Long-term debt	1620	1907	883	577	375	332	332	332	332
Net deferred tax liability	318	226	197	238	269	303	303	303	303
Other non-current liabilities	70	183	319	151	169	198	198	198	198
Total other non-current liabilities	2008	2316	1399	966	813	833	833	833	833
Total provisions	96	122	98	79	59	73	73	73	73
Total liabilities	4679	5433	4891	4143	3906	3741	3792	3792	3792
Minority interest - accumulated	11	15	10	8	8	8	8	8	8
Preferred equity	0	0	0	0	0	0	0	0	1
Common equity	4713	4783	4945	5452	5719	6148	6484	6868	7295
Shareholders' equity	4713	4783	4945	5452	5719	6148	6484	6868	7295
Shareholders' funds	4724	4798	4955	5460	5727	6156	6492	6876	7303
Liabilities and shareholders' funds	9403	10231	9846	9603	9633	9897	10284	10668	11095

Source: Company Reports, Citi Research estimates

Financial Models – Home Depot

Figure 79. Home Depot – P&L, 2008-2016E (\$m's)

	2008	2009	2010	2011	2012	2013	2014E	2015E	2016E
Net Sales	77,349.0	71,288.0	65,955.0	67,997.0	70,395.0	74,754.0	79,588.5	86,168.1	93,061.5
Cost of Merchandise Sold	51,516.6	47,268.0	43,571.0	44,693.0	46,133.0	48,912.0	51,948.1	56,116.2	60,490.0
Gross Profit	25,832.4	24,020.0	22,384.0	23,304.0	24,262.0	25,842.0	27,640.3	30,051.9	32,571.5
Operating Expenses:									
Selling, General and Administrative	16,868.4	16,925.0	15,732.0	15,849.0	16,028.0	16,363.0	16,833.0	17,501.8	18,147.0
Depreciation & Amortization	1,702.0	1,785.0	1,703.0	1,616.0	1,573.0	1,568.0	1,734.0	1,787.5	1,859.0
Total Operating Expenses	18,570.4	18,710.0	17,435.0	17,465.0	17,601.0	17,931.0	18,567.0	19,289.4	20,006.0
Operating Income (EBIT)	7,262.0	5,310.0	4,949.0	5,839.0	6,661.0	7,911.0	9,073.3	10,762.5	12,565.5
Interest Income (Expense), Net	(622.0)	(606.0)	(658.0)	(515.0)	(593.0)	(612.0)	(663.0)	(662.9)	(662.9)
Earnings Before Income Tax	6,640.0	4,704.0	4,291.0	5,324.0	6,068.0	7,299.0	8,410.4	10,099.6	11,902.6
Provision for Income Taxes	2,419.5	1,708.0	1,577.0	1,953.0	2,185.0	2,662.0	3,122.3	3,837.8	4,523.0
Net Income from Cont Ops	\$4,220.5	\$2,996.0	\$2,714.0	\$3,371.0	\$3,883.0	\$4,637.0	\$5,288.0	\$6,261.7	\$7,379.6
EPS from Cont Ops - Diluted	\$2.27	\$1.78	\$1.60	\$2.03	\$2.48	\$3.07	\$3.69	\$4.50	\$5.43
Diluted weighted average common shares	1,856.0	1,686.0	1,692.0	1,658.0	1,567.8	1,508.0	1,433.8	1,390.4	1,359.4
Dividend Declared Per Share	\$0.88	\$0.92	\$0.92	\$0.96	\$1.08	\$1.16	\$1.56	\$1.56	\$1.56
Effective Tax Rate	39%	52%	57%	47%	44%	38%	42%	35%	29%
Growth rates									
Revenue growth	-2.1%	-7.8%	-7.5%	3.1%	3.5%	6.2%	6.5%	8.3%	8.0%
Cost of goods sold growth	-2.9%	-8.2%	-7.8%	2.6%	3.2%	6.0%	6.2%	8.0%	7.8%
Total Operating Expense Growth	9.6%	0.8%	-6.8%	0.2%	0.8%	1.9%	3.5%	3.9%	3.7%
Depreciation growth	8.1%	4.9%	-4.6%	-5.1%	-2.7%	-0.3%	10.6%	3.1%	4.0%
SG&A growth	9.8%	0.3%	-7.0%	0.7%	1.1%	2.1%	2.9%	4.0%	3.7%
Operating income growth	-19.5%	-26.9%	-6.8%	18.0%	14.1%	18.8%	14.7%	18.6%	16.8%
Net income growth	-22.1%	-29.0%	-9.4%	24.2%	15.2%	19.4%	14.0%	18.4%	17.9%
EPS growth	-13.5%	-21.9%	-9.7%	26.8%	21.8%	24.1%	19.9%	22.1%	20.5%
Margin analysis									
Gross Profit Margin	33.4%	33.7%	33.9%	34.3%	34.5%	34.6%	34.7%	34.9%	35.0%
Operating Profit Margin	9.4%	7.4%	7.5%	8.6%	9.5%	10.6%	11.4%	12.5%	13.5%
Net Income Margin	5.5%	4.2%	4.1%	5.0%	5.5%	6.2%	6.6%	7.3%	7.9%
As a % of sales									
Cost of sales	66.6%	66.3%	66.1%	65.7%	65.5%	65.4%	65.3%	65.1%	65.0%
Selling, General & Administrative Expenses	21.8%	23.7%	23.9%	23.3%	22.8%	21.9%	21.2%	20.3%	19.5%
	2.37%	1.93%	0.11%	-0.54%	-0.54%	-0.88%	-0.74%	-0.84%	-1.50%
Share Buyback Analysis									
Share Repurchases \$ (million)	\$10,796.3	\$70.0	\$213.0	\$2,607.1	\$3,500.0	\$4,000.0	\$8,546.0	\$5,000.0	\$5,000.0
Share Repurchases, Number of Shares	292.7	2.4	7.7	80.8	90.8	64.0	108.6	55.6	50.0
Net Income	\$4,220.5	\$2,996.0	\$2,714.0	\$3,371.0	\$3,883.0	\$4,637.0	\$5,288.0	\$6,261.7	\$7,379.6
Share Count	1,856.0	1,686.0	1,692.0	1,658.0	1,567.8	1,508.0	1,433.8	1,390.4	1,359.4
Share Count ex repurchases	2,148.7	1,688.4	1,699.7	1,738.8	1,658.6	1,572.0	1,542.4	1,445.9	1,409.4
EPS	\$2.27	\$1.78	\$1.60	\$2.03	\$2.48	\$3.07	\$3.69	\$4.50	\$5.43
Repurchase % of EPS Growth	87.5%	0.5%	4.2%	22.0%	30.6%	20.9%	42.3%	21.2%	4.4%
Source: Company Reports, Citi Research estimates									

Figure 80. Home Depot – Cashflow, 2008-2016E (\$m's)

	2008	2009	2010	2011	2012	2013	2014E	2015E	2016E
Cash Flows from Operating Activities:									
Net Earnings	\$4,395.0	\$2,260.0	\$2,661.0	\$3,338.0	\$3,883.0	\$4,535.0	\$5,288.0	\$6,261.7	\$7,379.6
Adjustments Required to Reconcile Net Earnings to Net Cash									
Provided by (Used in) Operating Activities:									
Depreciation and Amortization	1,906.0	1,902.0	1,806.0	1,718.0	1,682.0	1,684.0	1,734.0	1,787.5	1,844.6
Stock-Based Compensation Expense	207.0	176.0	201.0	214.0	215.0	218.0	250.0	296.6	296.6
Impairment Charges	0.0	743.0	163.0	0.0	0.0	97.0	97.0	97.0	97.0
Changes in Assets & Liabilities, net of acquisitions									
(Increase)/Decrease in Accounts Receivable and Other	116.0	121.0	(23.0)	(102.0)	(170.0)	(143.0)	170.6	(101.2)	(106.1)
(Increase)/Decrease in Merchandise Inventories	(491.0)	743.0	625.0	(355.0)	256.0	(350.0)	320.4	(402.0)	(841.1)
(Increase) in Notes Receivable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(Increase) in Other Current Assets	109.0	(7.0)	4.0	12.0	159.0	93.0	(674.1)	(119.6)	(125.3)
Increase in Accounts Payable and Accrued Liabilities	(465.0)	(646.0)	59.0	(133.0)	422.0	698.0	(128.7)	421.0	441.8
Increase in Deferred Revenue	(159.0)	(292.0)	(21.0)	10.0	(29.0)	121.0	0.0	0.0	0.0
Increase in Income Taxes Payable + Sales Tax Payable	0.0	262.0	(174.0)	(85.0)	14.0	87.0	0.0	0.0	0.0
Increase in Deferred Income Taxes	(348.0)	(282.0)	(227.0)	104.0	170.0	107.0	0.0	0.0	0.0
Increase in Other Long-Term Liabilities	186.0	306.0	(19.0)	(61.0)	(2.0)	(180.0)	0.0	0.0	0.0
Other	271.0	242.0	70.0	(75.0)	51.0	8.0	0.0	0.0	0.0
Change in Working Capital	(781.0)	447.0	294.0	(685.0)	871.0	441.0	(311.8)	(201.8)	(630.7)
Net Cash (Used in) Provided by Oper. Activities - Cont'g Ops.	5,727.0	5,528.0	5,125.0	4,585.0	6,651.0	6,975.0	7,057.2	8,241.1	8,987.1
Cash Flows from Investing Activities:									
CapEx, net of non-cash capital expenditure	(3,558.0)	(1,847.0)	(966.0)	(1,096.0)	(1,221.0)	(1,312.0)	(1,500.0)	(1,606.0)	(1,712.3)
Purchase of Assets from Off-Balance Sheet Financing Arrangement	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payments for Businesses Acquired, net	(13.0)	0.0	0.0	0.0	(65.0)	(170.0)	(170.0)	(170.0)	(170.0)
Proceeds from Sales of Businesses, net	8,337.0	0.0	0.0	0.0	101.0	0.0	0.0	0.0	0.0
Proceeds from Sales of Property and Equipment	318.0	147.0	178.0	0.0	56.0	50.0	50.0	50.0	50.0
Investment (net of proceeds and purchase)	(326.0)	(29.0)	33.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	12.0	(12.0)	0.0	84.0	0.0	0.0	0.0	0.0	0.0
Net Cash (Used in) Provided by Investing Activities - Cont'g Ops.	4,770.0	(1,741.0)	(755.0)	(1,012.0)	(1,129.0)	(1,432.0)	(1,620.0)	(1,726.0)	(1,832.3)
Cash Flows from Financing Activities:									
(Repayments) issuance of CP/Revolver obligations, net	1,734.0	(1,732.0)	0.0	0.0	0.0	0.0	5.0	0.0	0.0
(Reductions in) Additions to Long-Term Debt	(20.0)	(313.0)	(1,774.0)	(31.0)	966.0	(32.0)	2,156.0	0.0	0.0
Proceeds from Long-Term Borrowings, net of discount	0.0	0.0	0.0	998.0	1,994.0	0.0	3,477.0	0.0	0.0
Repayments of Long-Term Debt	(20.0)	(313.0)	(1,774.0)	(1,029.0)	(1,028.0)	(32.0)	(1,321.0)	0.0	0.0
Repurchase of Common Stock	(10,815.0)	(70.0)	(213.0)	(2,608.0)	(3,470.0)	(3,984.0)	(8,546.0)	(5,000.0)	(5,000.0)
Proceeds from Sale of Common Stock, net	276.0	84.0	73.0	104.0	306.0	784.0	784.0	784.0	784.0
Cash Dividends Paid to Stockholders	(1,709.0)	(1,521.0)	(1,525.0)	(1,569.0)	(1,632.0)	(1,743.0)	(2,236.7)	(2,169.0)	(2,120.6)
Other (inclu. Minority Interest Contributions to Partnership)	(105.0)	(128.0)	(64.0)	(347.0)	(218.0)	(59.0)	(59.0)	(59.0)	(59.0)
Net Cash (Used in) Provided by Financing Activities	(10,639.0)	(3,680.0)	(3,503.0)	(4,451.0)	(4,048.0)	(5,034.0)	(7,896.7)	(6,444.0)	(6,395.6)
Increase (Decrease) in Cash and Equivalents	(142.0)	107.0	867.0	(878.0)	1,474.0	509.0	(2,459.5)	71.1	759.1
Effect of Exchange Rate Changes on Cash	(1.0)	(45.0)	35.0	2.0	(32.0)	(2.0)	0.0	0.0	0.0
Cash and Equivalents, Beginning of Period	600.0	457.0	519.0	1,421.0	545.0	1,987.0	2,494.0	34.5	105.6
Cash and Equivalents, End of Period	\$457.0	\$519.0	\$1,421.0	\$545.0	\$1,987.0	\$2,494.0	\$34.5	\$105.6	\$864.7

Source: Company Reports, Citi Research estimates

Figure 81. Home Depot – Balance Sheet, 2008 – 2016E (\$m's)

	2008	2009	2010	2011	2012	2013	2014E	2015E	2016E
Assets:									
Cash and Cash Equivalents	\$457.0	\$519.0	\$1,421.0	\$545.0	\$1,987.0	\$2,494.0	\$34.5	\$105.6	\$864.7
Short-Term Investment	\$0.0	\$6.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Accounts Receivable, Net	1,259.0	972.0	964.0	1,085.0	1,245.0	1,395.0	1,224.4	1,325.7	1,431.7
Merchandise Inventories	11,731.0	10,673.0	10,188.0	10,625.0	10,325.0	10,710.0	10,389.6	10,791.6	11,632.7
Other Current Assets	1,227.0	1,192.0	1,327.0	1,224.0	963.0	773.0	1,447.1	1,566.7	1,692.0
Current Assets of Disc Ops	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Current Assets	14,674.0	13,362.0	13,900.0	13,479.0	14,520.0	15,372.0	13,095.6	13,789.6	15,621.2
Property and Equipment, Gross	36,412.0	36,477.0	37,345.0	38,385.0	38,975.0	38,491.0	38,610.4	38,764.0	38,917.5
Accumulated Depreciation	8,936.0	10,243.0	11,795.0	13,325.0	14,527.0	14,422.0	14,472.0	14,525.5	14,582.6
Property and Equipment, Net	27,476.0	26,234.0	25,550.0	25,060.0	24,448.0	24,069.0	24,138.4	24,238.5	24,334.9
Goodwill, Net (Cost in Excess of FV of Net Assets Aqd)	1,209.0	1,134.0	1,171.0	1,187.0	1,120.0	1,170.0	1,170.0	1,170.0	1,170.0
Other Assets	623.0	398.0	223.0	260.0	430.0	473.0	473.0	473.0	473.0
Assets of Disc Ops	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Assets	\$44,324.0	\$41,164.0	\$40,877.0	\$40,125.0	\$40,518.0	\$41,084.0	\$39,016.1	\$39,810.0	\$41,738.1
Liabilities:									
Short-Term Debt/Revolver	1,747.0	0.0	0.0	0.0	0.0	0.0	5.0	5.0	5.0
Accounts Payable	5,732.0	4,822.0	4,863.0	4,717.0	4,856.0	5,376.0	5,247.3	5,668.3	6,110.1
Accrued Salaries and Related Expense	1,094.0	1,129.0	1,263.0	1,290.0	1,372.0	1,414.0	1,414.0	1,414.0	1,414.0
Sales Taxes Payable	445.0	337.0	362.0	368.0	391.0	472.0	472.0	472.0	472.0
Deferred Revenue	1,474.0	1,165.0	1,158.0	1,177.0	1,147.0	1,270.0	1,270.0	1,270.0	1,270.0
Income Tax Payable	60.0	289.0	108.0	13.0	23.0	22.0	22.0	22.0	22.0
Current Installment of Long-Term Debt	300.0	1,767.0	1,020.0	1,042.0	30.0	1,321.0	0.0	0.0	0.0
Other Accrued Expenses	1,854.0	1,644.0	1,589.0	1,515.0	1,557.0	1,587.0	1,587.0	1,587.0	1,587.0
Current Liabilities of Disc Ops	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Current Liabilities	12,706.0	11,153.0	10,363.0	10,122.0	9,376.0	11,462.0	10,017.3	10,438.3	10,880.1
Total Long-Term Debt (excluding current installments)	11,383.0	9,667.0	8,662.0	8,707.0	10,758.0	9,475.0	12,952.0	12,952.0	12,952.0
Other Long-Term Liabilities	1,833.0	2,198.0	2,140.0	2,135.0	2,146.0	2,051.0	2,051.0	2,051.0	2,051.0
Deferred Income Taxes	688.0	369.0	319.0	272.0	340.0	319.0	319.0	319.0	319.0
Minority Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Assets of Disc Ops	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minority Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Liabilities	26,610.0	23,387.0	21,484.0	21,236.0	22,620.0	23,307.0	25,339.3	25,760.3	26,202.1
Total Shareholders' Equity:	17,714.0	17,777.0	19,393.0	18,889.0	17,898.0	17,777.0	13,676.8	14,049.7	15,536.0
Total Liabilities and Shareholders' Equity	\$44,324.0	\$41,164.0	\$40,877.0	\$40,125.0	\$40,518.0	\$41,084.0	\$39,016.1	\$39,810.0	\$41,738.1

Source: Company Reports, Citi Research estimates

Appendix

Self-Help Strategies

Kingfisher

The self-help focus has been stronger at Kingfisher vs Home Depot

We summarise the two main strategies which have underpinned the development of Kingfisher's business model since 2008.

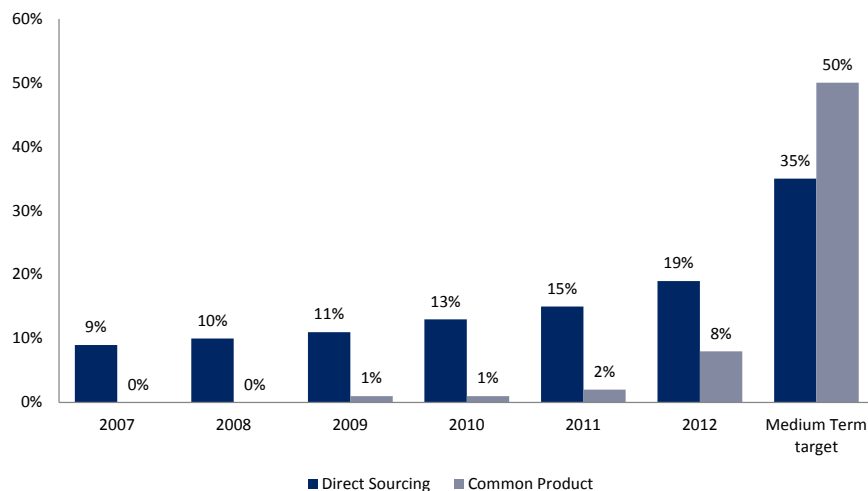
Delivering Value

- This was announced in 2008 and was a four year programme (ended January 2012) featuring self-help initiatives to target an improvement in cash returns from every part of the group.
 - **Improved profitability:** Over the period adjusted PBT more than doubled, up from £357m in January 2008 to £807m in January 2012 (adjusted EPS growth of +137%). Retail trading margins increased by 290bp to 8.1%
 - **ROC improvements:** Groups measure of ROC increased from 5.8% to 10.7%
 - **Sourcing benefits:** Grew direct sourcing capability, growing annual direct sourced shipments from \$821m to \$1,456m, representing around 15% of total Group sales
 - **Balance sheet deleveraged:** Reduced financial net debt from £1.6bn to £88m over the period,, with a subsequent improvement in credit rating.

Creating the Leader

- This was set out in March 2012 covering four areas (Easier, Common, Expand and One Team)
 - **Easier:** This has been achieved through launching omni-channel platforms in Screwfix, trialling new 'easier' store formats, emphasizing affordability credentials through 'handy prices' in the UK.
 - **Common:** To build innovative and common brands, driving 35% of group sales directly sourced and 50% of all product sales to be common in the medium term. Group is also focusing on driving efficiency gains through SGA optimization from consolidate media buying programmes across the group, packaging reductions and upweighted distribution and cross docking facilities in Poland, Spain and Turkey.
 - **Expand:** Part of this includes looking at UK right sizing opportunities, with the remainder focused on driving new space growth predominantly across France, Poland, Russia and Spain.
 - **One Team:** Focus on delivering a new sustainability plan around becoming 'Net Positive'.

Figure 82. Kingfisher – Direct Sourcing and Common Product penetration (% of sales)



Source: Company

2008-2011 highlights the extent of outperformance from Kingfisher given its self-help strategies

Creating the Leader is a 5 year plan, with its goals set out in 2012, Kingfisher indicated that the financial benefits should be higher LFL sales, higher gross margins and more cost efficiencies than would have been delivered without the programme.

At the time Kingfisher indicated that this would create an additional £300m of annualized retail profit in the 5th year (January 2017), net of price investment and based on the size of the business and market conditions at the time. This was broken down as:

- 2% LFL outperformance, adding profit at the gross margin rate
- 1% higher gross margin (post reinvestment)
- 1% reduction in cost to sales ratio

Home Depot

Home Depot has carried out work around improving customer service, labor scheduling and improved stock management

In 2012, HD has initiated projects to improve customer shopping experience including:

1. Retraining all U.S. store associates on its Customers FIRST program prior to the Spring selling season.
2. The roll out of First Phone Junior to all stores. The First Phone Junior combines the communication abilities of a phone with product and inventory lookup features.
3. The implementation of the Store to Store feature. The Store to Store feature allows associates to look up and reserve inventory at other store locations as well as complete the sales transaction.
4. Opened new customer call centers to support HD's interconnected retail.

At the end of calendar 2012, approximately 57% of HD's labor hours were customer-facing, up from 53% in the prior year. The company anticipates increasing the percentage to 60% by the end of calendar 2013.

Home Depot Inc

(HD.N; US\$76.02; 1)

Investment strategy

We rate HD Buy as we see a clear organic runway for growth, believe the company is well positioned for share gains, maintained expense discipline and is signaling belief in the business through share buybacks. We are most constructive on: 1) expected SSS outperformance through operational execution, 2) continued market share gains, 3) OM% lift on supply chain/tech initiatives, 4) robust FCF generation and returns of shareholder capital. LT earnings growth should also benefit from expansion in existing international markets, such as Mexico and China, and into new territories such as Central and South America.

Valuation

We arrive at our 12-month PT of \$90 using a forward P/E. Based on a forward P/E methodology, we apply a 18x multiple to our FY16 estimates, and discounting it back one year yielding a PT of \$90. We believe this multiple is justified given HD's 3-year historical range of 27.6x to 10.2x, and average multiple of 18x forward earnings. We are using FY16 EPS estimates as we think that is when we can reach peak sales, comps and operating margins driven by a better credit environment that we think can improve significant and drive the next leg of growth over the next 12 to 24 months.

Risks

Risks to HD achieving our target price include: 1) A deceleration in SSS on weaker end markets, share losses and execution missteps, 2) significant deterioration in the pricing environment on increased competitive pressures, and 3) reduction in share repurchases in an effort to conserve capital if the environment deteriorates.

Positive risks to HD exceeding out PT include: 1) a more robust than expected recovery in housing markets, 2) an acceleration of share gains vs. prior trends, 3) an acceleration in the SSS spread vs. LOW on improved execution in the company's supply chain and IT initiatives.

Kingfisher PLC

(KGF.L; £4.00; 1)

Investment strategy

We argue that KGF should be the beneficiary of strong market positions, material efficiency gains from direct sourcing initiatives and International space growth, underpinned by a strong balance sheet. Near-term forecast volatility due to adverse weather, French macro and softer UK trading remain risks, but our forecast agenda for FY14E, assuming little top-line improvement in demand for core UK and French markets, still drives an average 10%+ p.a. EPS growth for FY14E and FY15E. Furthermore, this should result in an improvement in both Economic Profit and Return on Capital for Kingfisher in the medium term, alongside cash generation. We believe sector valuation metrics are likely to expand once the market focuses back on the core margin and cost story. Buy recommendation maintained.

Valuation

Given what we see as prospects for strong EPS growth next year, £650m of net cash by FY16E, medium-term potential for cash returns and the ongoing strategic initiatives, we believe KGF should trade closer to its UK large-cap peers. Our price target of 500p is based on a Jan 2016E EV/EBIT multiple of 12x assuming Kingfisher can hold a sector large-cap multiple.

Risks

We would highlight in particular Kingfisher's dominant strategic positions in the UK and France, successful track record (particularly in the UK) and rapid growth patterns in its development markets (Poland and Russia) as primary drivers of the group's risk profile.

The following risks may cause the share price to deviate significantly from our target price:

- > Kingfisher's earnings remain linked primarily to the UK and French consumer spending patterns, which may slow.
- > Specifically little recovery in the UK Housing market could directly affect DIY demand patterns.
- > Changes in retail planning legislation could restrict Kingfisher's store opening ambitions.
- > Kingfisher's ability to drive higher common product purchasing across the group is in early stages of development and as yet unproven.

If the impact on the company from any of these factors proves to be greater than we anticipate, the stock will likely have difficulty achieving our financial and price targets. Conversely, if any of these factors proves to have less of an effect than we anticipate, the stock could materially outperform our targets.

Notes

Appendix A-1

Analyst Certification

The research analyst(s) primarily responsible for the preparation and content of this research report are named in bold text in the author block at the front of the product except for those sections where an analyst's name appears in bold alongside content which is attributable to that analyst. Each of these analyst(s) certify, with respect to the section(s) of the report for which they are responsible, that the views expressed therein accurately reflect their personal views about each issuer and security referenced and were prepared in an independent manner, including with respect to Citigroup Global Markets Inc and its affiliates. No part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that research analyst in this report.

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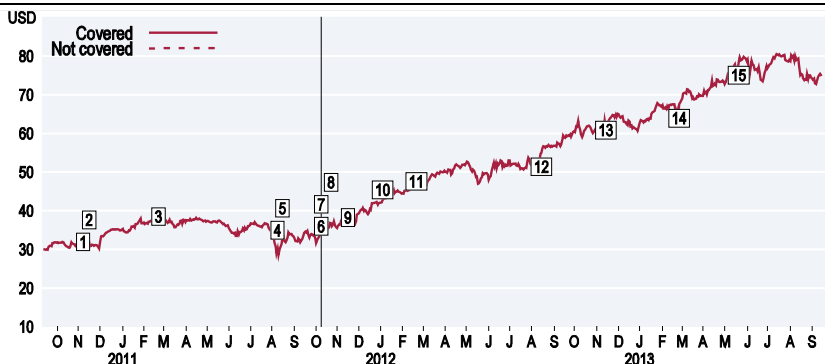
Home Depot Inc (HD)

Ratings and Target Price History

Fundamental Research

Analyst: Kate McShane, CFA

Covered since October 24 2011



Date	Rating	Target Price	Closing Price
1 8-Nov-10	1M	*\$37.00	31.49
2 16-Nov-10	1M	*\$36.00	31.71
3 22-Feb-11	1M	*\$46.00	38.09
4 9-Aug-11	1M	*\$39.00	30.15
5 16-Aug-11	1M	*\$41.00	33.12

* Indicates change

Date	Rating	Target Price	Closing Price
6 8-Oct-11	Stock rating system changed		
7 8-Oct-11	*1	41.00	33.92
8 24-Oct-11	1	*\$44.00	36.70
9 16-Nov-11	1	*\$46.00	37.84
10 4-Jan-12	1	*\$49.00	42.74

Date	Rating	Target Price	Closing Price
11 21-Feb-12	1	*\$58.00	46.92
12 15-Aug-12	1	*\$62.00	55.00
13 14-Nov-12	1	*\$72.00	61.47
14 26-Feb-13	1	*\$77.00	67.56
15 21-May-13	1	*\$90.00	78.71

Rating/target price changes above reflect Eastern Standard Time

Home Depot Inc (HD)

Ratings and Target Price History

Best Ideas Research

Relative Call (3 Month)

Analyst: Kate McShane, CFA

Covered since October 24 2011



* Indicates change

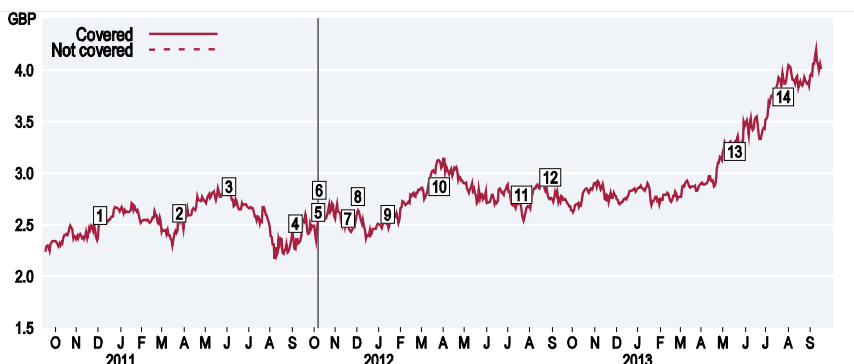
Rating/target price changes above reflect Eastern Standard Time

Kingfisher PLC (KGF.L)

Ratings and Target Price History

Fundamental Research

Analyst: Assad M Malik
Covered since July 25 2013



	Date	Rating	Target Price	Closing Price
1	3-Dec-10	1M	*3.00	2.55
2	25-Mar-11	1M	*3.30	2.57
3	3-Jun-11	1M	*3.50	2.80
4	6-Sep-11	1M	*3.00	2.28
5	7-Oct-11	Stock rating system changed		

* Indicates change

	Date	Rating	Target Price	Closing Price
6	8-Oct-11	*1	3.00	2.55
7	18-Nov-11	1	*2.80	2.49
8	2-Dec-11	1	*3.00	2.64
9	13-Jan-12	*2	*2.75	2.52
10	27-Mar-12	2	*3.15	3.12

	Date	Rating	Target Price	Closing Price
11	20-Jul-12	2	*3.00	2.64
12	30-Aug-12	*1	*3.30	2.76
13	17-May-13	1	*3.85	3.31
14	25-Jul-13	1	*4.55	3.92

Rating/target price changes above reflect Eastern Standard Time

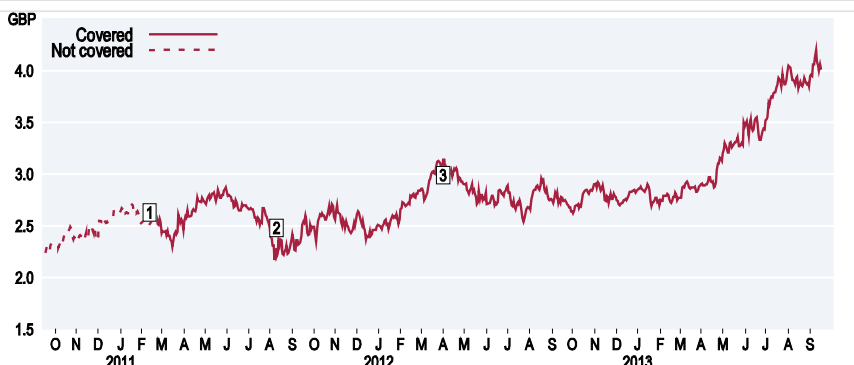
Kingfisher PLC (KGF.L)

Ratings and Target Price History

Best Ideas Research

Relative Call (3 Month)

Analyst: Assad M Malik
Covered since July 25 2013



	Date	Rating	Target Price	Closing Price
1	11-Feb-11	*ADD MP	-	2.52

* Indicates change

	Date	Rating	Target Price	Closing Price
2	10-Aug-11	*REM MP	-	2.20

	Date	Rating	Target Price	Closing Price
3	2-Apr-12	*ADD MP	-	3.14

Rating/target price changes above reflect Eastern Standard Time

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12 Month Rating

Relative Rating

Data current as of 30 Jun 2013

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