



*FY16
Preliminary
Results*

halfords



Introduction

Jill McDonald

Financial Performance

Jonny Mason

*Operational Review &
Strategic Progress*

Jill McDonald

Financial Guidance

Jonny Mason

Questions

Highlights



Solid service-led sales performance

Market share in Retail motoring and cycling grew overall

Confident in long-term growth prospects for cycling

Strong improvements in customer and colleague metrics

Good progress on Moving Up A Gear strategy

Debt target of 1x EBITDA, with a range of up to 1.5x for appropriate M&A



Financial Performance

Jonny Mason
Chief Financial Officer

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Group Income Statement

	FY16 £m	FY15 £m	Change
Revenue	1,021.5	1,004.9	+1.7%
Gross Profit	543.1	535.1	+1.5%
Operating Costs	(458.6)	(450.5)	+1.8%
EBIT	84.5	84.6	-0.1%
EBIT Margin %	8.3%	8.4%	-13bps
EBITDA	114.6	109.9	+4.3%
EBITDA Margin %	11.2%	10.9%	+28bps
Net Finance Costs	(3.0)	(3.5)	-14.3%
PROFIT BEFORE TAX	81.5	81.1	+0.5%
Basic Earnings Per Share	33.2p	32.7p	+1.5%
Effective Tax Rate	20.5%	21.5%	

Notes:

1) All numbers represent performance for the 52 weeks to 1 April 2016 and are before non-recurring items.

2) Comparatives are for the 52 weeks to 27 March 2015.

Retail Income Statement

	FY16 £m	FY15 £m	Change
Revenue	868.5	857.9	+1.2%
Gross Profit	444.8	442.0	+0.6%
Gross Margin	51.2%	51.5%	-30 bps
Operating Costs	(363.0)	(359.3)	+1.0%
EBIT	81.8	82.7	-1.1%
EBIT Margin	9.4%	9.6%	-18bps
EBITDA	106.0	102.4	+3.5%
EBITDA Margin	12.2%	11.9%	+30bps

Notes: All numbers are presented before non-recurring income of £1.7m in FY16 and £0.3m in FY15

Retail Revenues

Total Retail	LFL %
Motoring	+2.5
Car Maintenance	+3.4
Car Enhancement	+1.0
Travel Solutions	+2.8
Cycling	-0.9
Total	+1.3

Online Retail sales grew by 1.4% and represented 12.1% of sales. Circa 90% of online sales were collected in store.

Service-related sales increased by 8.5%

Notes:

1. Like-for-like sales growth is calculated at constant currency rates
2. Revenue from non-LFL stores amounted to £5.2m in FY16

Retail Operating Costs

	FY16 £m	FY15 £m	Change
Store Staffing	103.0	99.7	+3.3%
Store Occupancy	138.3	139.3	-0.7%
Warehouse & Distribution	45.7	43.5	+5.0%
Support Costs	76.0	76.8	-1.0%
Total	363.0	359.3	+1.0%
Depreciation / Amortisation	24.2	19.7	+22.8%
Rent*	86.1	87.4	-1.5%

*Net of sublet income

Autocentres Income Statement

	FY16 £m	FY15 £m	Change
Revenue	153.0	147.0	+4.1%
LFL%	+2.5%	+5.3%	
Gross Profit	98.3	93.1	+5.6%
Gross Margin	64.3%	63.3%	+90 bps
Operating Costs	(94.5)	(89.3)	+5.8%
EBIT	3.8	3.8	-
EBIT Margin	2.5%	2.6%	-12bps
EBITDA	8.6	7.6	+13.2%
EBITDA Margin	5.6%	5.2%	+36bps

Cash Flow and Net Debt

	FY16 £m	FY15 £m
Group Underlying EBITDA	114.6	113.3
Working capital	(11.2)	25.3
Capex	(38.5)	(39.6)
Finance costs and tax	(19.4)	(20.2)
Acquisition	-	(14.0)
Dividend	(32.4)	(28.4)
Other	0.8	1.4
Reduction in Net Debt	13.9	37.8



Operational Review and Strategic Progress

Jill McDonald
Chief Executive

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Performance Summary

Service-related sales



Car parts and workshop products



Connectivity and dash cams



Cycling



Transition to 3-day-a-week deliveries



Acquisition of Tredz and Wheelies



Motoring Market Update



Increasing number of cars

Average age of car remains around 7.5 years

Growing complexity of cars and car parts

Cycling Market Update



Market stabilising gradually

Weather impacts on timing of customer purchase

Participation still low – scope for new cyclists

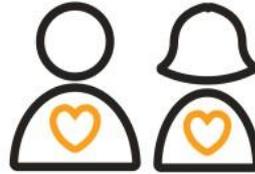
Increased spend from existing cyclists

Significant government spend on infrastructure

Strategy Recap



Putting Customers in
the Driving Seat



Service in our
DNA



Building on our
Uniqueness



Better Shopping
Experience



Fit for the Future
Infrastructure

Putting Customers in the Driving Seat



15% of Retail sales now matched to customers

Email campaigns increasingly tailored to customers

Using opening price points to improve value perception



Customer service metrics improved significantly

New services introduced



Full time colleagues



Gears Training



Colleague turnover





Placed 18th in the Sunday Times Best Big Companies to Work For



Winner of the Mainstream Retailer of the Year category in the BikeBiz Awards 2015

Winner of Best Partnership in the Community – National CSR Awards



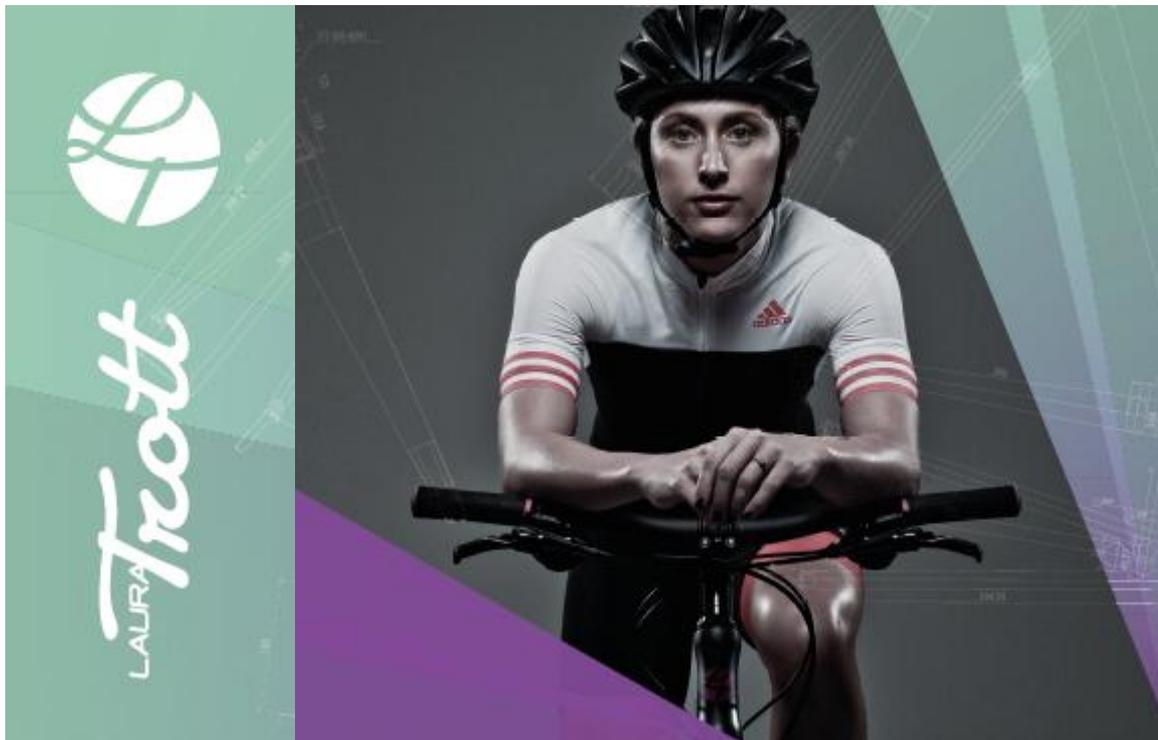
Building on our Uniqueness



Building on our Uniqueness



Building on our Uniqueness





Halfords website & fulfilment
upgrades H2 2016

Store of the Future at design
phase

Better Shopping Experience: Store of the Future



Builds upon previous refresh design success



Leverages technology for colleagues and customers



Supports our service proposition

Reflects new brand look and feel



Good progress in IT application development

25 lease renegotiations
3 relocations / right-sizes



3-day a week deliveries to store working well

Long-term supply chain requirements reviewed

Supply chain infrastructure to be developed to enable growth...

...but no significant change to on-going opex or capex guidance

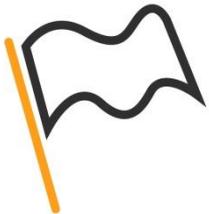
Autocentres



Be First Choice for Motorists



Give a Service that Customers Come Back For



Run a Grand Prix Operation That We Are Proud Of



Leverage the Halfords Brand and Group Capabilities

Autocentres



11 centres opened and 24 refreshed

Online booking revenue up 19%

Introduced more customer-focused opening hours

Training and people investments

Acquisition of Tredz and Wheelies

The logo for Tredz features a red square icon with a white stylized 'Z' shape inside, followed by the word 'tredz' in a lowercase, black, sans-serif font with a registered trademark symbol.The logo for Wheelies features the word 'Wheelies' in a bold, black, sans-serif font. The letter 'i' is stylized with a blue, curved shape above it.

Online UK-wide retailer of premium bikes and PACs, trading as Tredz

UK's largest provider of bike replacement for insurers, trading as Wheelies

Combined sales of £32m* and EBITDA of £2.4m*. Initial consideration of £18.4m

Strategically relevant bolt-on acquisition, which will operate standalone

Cycle Republic



11 stores now open, six of which are in London

0.5% of Group sales in FY16

Total store & online capex for FY15 to FY17 of around £5m (4% of Group capex in the same period)

Cycle Republic



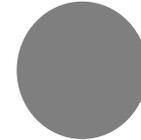
Halfords

Cycle Republic

ATV of Bikes



ATV of PACs



Cycle Republic

The screenshot shows the Cycle Republic website homepage. At the top, the logo "cycle republic" is displayed in a dark grey header. Below the logo is a navigation menu with links for "Home", "Cycling", "Accessories", "Lampowers", "Bike Maintenance", "Cycle Services", "Advice and Guides", and "About Us". A search bar is located on the right side of the header.

Below the navigation menu, there are three promotional banners:

- FIT GUARANTEE**: Ready to get the best fit?
- FREE DELIVERY OVER £100**: Ready to get the best fit?
- 360 RETURN SERVICE**: Ready to get the best fit?

The main content area features several promotional tiles:

- A large tile on the left with the text "CY FINANCE AVAILABLE ON ALL BIKES OVER £399*" and a "SHOP NOW" button.
- A tile for "SAVE 50% ON ALL SHOES" with a "SHOP NOW" button.
- A tile for "NEW RANGE IN STORE" featuring a cyclist wearing a helmet and a "SHOP NOW" button.
- A tile for "BOARDMAN NEW MODELS IN STOCK" with an image of a cyclist on a road bike.

Below these tiles, a dark red banner contains the text "Check out the new Boardman Filo range in store and online now!".

The bottom section of the page features four more promotional tiles:

- A tile for "CUSTOM TOWER" with an image of a building.
- A tile for "SAVE 50%" featuring a teal cycling jersey.
- A tile for "MAGFLEX COIL LOCK" featuring a red and black bike lock.
- A tile for "NEW RANGE IN STORE" featuring a black cycling vest.



Financial Guidance

Jonny Mason
Chief Financial Officer

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Financial Targets

1

Grow sales faster than the market

2

Group EBITDA margin broadly flat over the next few years

3

Grow the dividend every year with 2x cover on average over time

4

Net Debt target of 1x EBITDA with a range up to 1.5x

Capital Allocation Priorities

Pre-conditions of maintaining a strong balance sheet and operating in line with the debt framework

1

Investment for growth

2

Pay and grow the dividend

3

Appropriate M&A

4

Surplus cash returned to shareholders

FY17 Financial Guidance

All of the following guidance is in respect of the Group and includes the acquired Tredz and Wheelies businesses:

Profit Before Tax unchanged on FY16*

Depreciation & amortisation charge circa £34m**

Net finance costs circa £3m

Tax rate circa 20%

* Based on an assumption of a US Dollar to Sterling exchange rate of \$1.50

** Does not include any amortisation arising on consolidation of Tredz and Wheelies

FY17 Capital Expenditure



Capital expenditure circa £45m

Retail refreshes

Cycle Republic stores and website

Autocentre openings and refreshes

Distribution and IT improvements, especially EPOS and a resource planning system



Summary

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Chief Executive Officer

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Summary



Solid service-led sales performance

Market share in Retail motoring and cycling grew overall

Confident in long-term growth prospects for cycling

Strong improvements in customer and colleague metrics

Good progress on Moving Up A Gear strategy

Debt target of 1x EBITDA, with a range of up to 1.5x for appropriate M&A



Questions

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Appendices

Group Components

FY16	Retail £m	Autocentres £m	Amortisation £m	Group £m
Revenue	868.5	153.0	-	1021.5
Gross Profit	444.8	98.3	-	543.1
Operating Costs	(363.0)	(94.5)	(1.1)	(458.6)
EBIT	81.8	3.8	(1.1)	84.5
EBITDA	106.0	8.6	-	114.6

FY15	Retail £m	Autocentres £m	Amortisation £m	Group £m
Revenue	857.9	147.0	-	1,004.9
Gross Profit	442.0	93.1	-	535.1
Operating Costs	(359.3)	(89.3)	(1.9)	(450.5)
EBIT	82.7	3.8	(1.9)	84.6
EBITDA	102.4	7.6	-	109.9

Note: All numbers are before non-recurring items

Group Balance Sheet

	FY16 £m	FY15 £m	YOY £m	Change
Goodwill and Intangible Assets	362.9	356.8	+6.1	+1.7%
Property, Plant & Equipment	107.3	103.8	+3.5	+3.4%
Derivative Financial Instruments	4.2	3.8	+0.4	+10.5%
Net Working Capital	36.1	27.6	+8.5	+30.8%
Net Debt	(47.9)	(61.8)	-13.9	-22.5%
Other Creditors	(57.2)	(62.5)	-5.3	-8.5%
Net Assets	405.4	367.7	+37.7	+10.3%
<i>Inventories</i>	157.9	149.3	+8.6	+5.8%

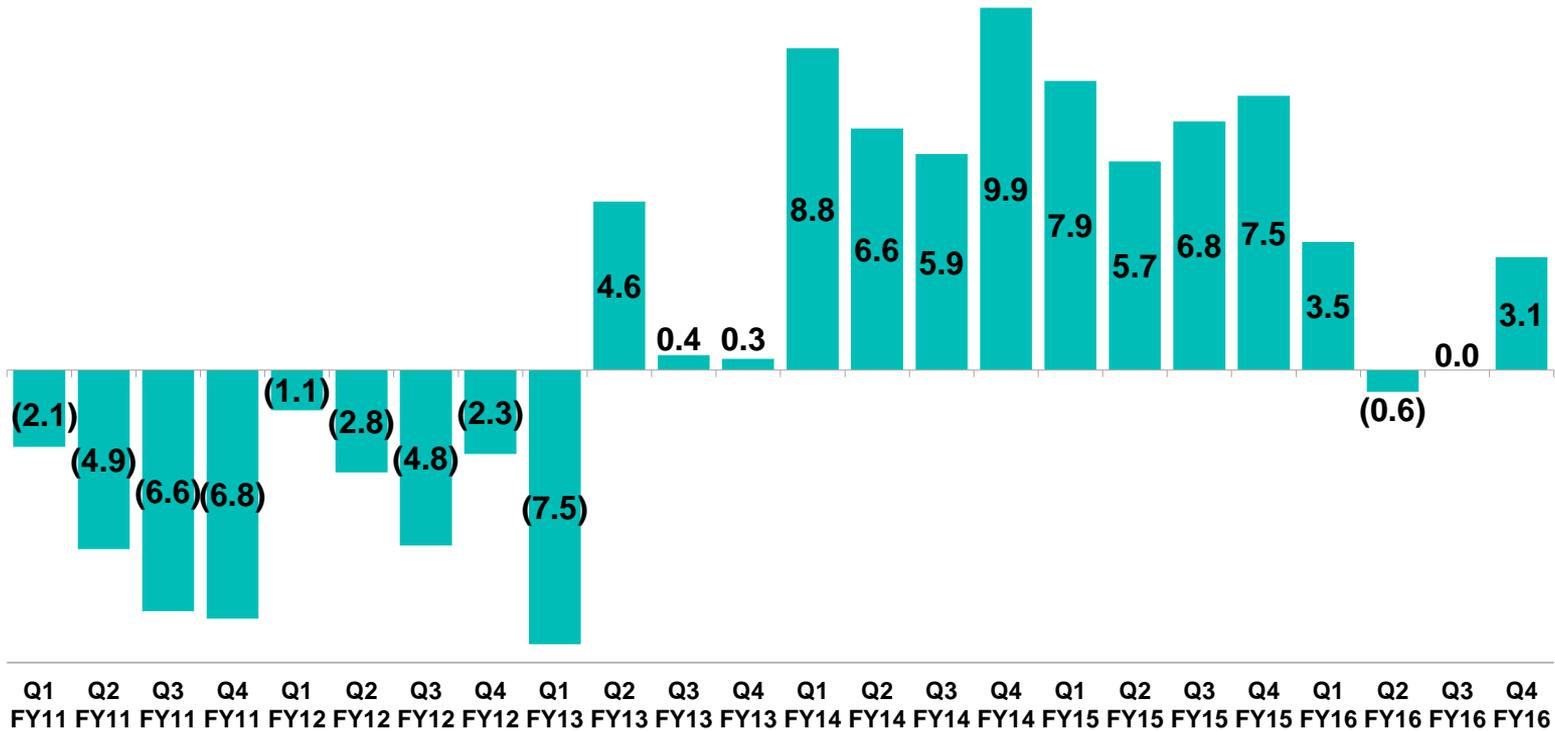
Cash flow and Net Debt

Operating Cashflow	£m	Free Cashflow	£m	Net Debt	£m
EBIT	82.8	Operating Cashflow	103.7	Opening Net Debt	(61.8)
Depreciation/ Amortisation/ Loss On Disposal	30.5	Capital Expenditure	(38.5)	Free Cashflow	45.4
Employee Share Scheme	3.0	Net Finance Costs	(2.2)	Dividends	(32.4)
Working Capital	(11.2)	Taxation	(17.2)	Lease/Other	(1.8)
Provisions/Other	(1.4)	Other	(0.4)	Purchase of own shares	2.7
Operating Cashflow	103.7	Free Cashflow	45.4	Closing Net Debt	(47.9)

Net debt to EBITDA reduced from 0.6x to 0.4x

Full year dividend up 3.0% to 17.0p

Retail LFLs



Retail in-store services

Motoring fitting	Motoring checks / top-ups	Cycling
3Bs for cars/vans	Summer	Service and repair
Roof box / cycle carriers	Winter	Accessory fitting
Audio	Oil	Free build
Dash cams		
Number plates		
2Bs for motorbikes		
Windscreen chip repair		

Retail Portfolio – FY16 space



Notes:

- 1) Excluding Cycle Republic
- 2) Ground floor only, including back of house

Retail Portfolio – Lease Expiries

	Expiries
FY16 and earlier ¹	27
FY17	14
FY18	15
FY19	24
FY20	41
Total expiries by end FY20	121

Average remaining lease length: 6.4 years

Notes:

1) At 1 April 2016 there were 27 leases that had already expired that were yet to be renegotiated

Autocentres Portfolio

	Centres
Acquired	223
FY11	230
FY12	250
FY13	283
FY14	303
FY15	305
FY16	314

Average remaining lease length: 6.7 years

Forward-Looking Statements

Included in this presentation are forward-looking management comments and other statements that reflect management's current outlook for future periods

These expectations are based on currently available competitive, financial, and economic data along with our current operating plans and are subject to risks and uncertainties that could cause actual results to differ materially from the results contemplated by the forward-looking statements.

The forward-looking statements in this presentation should be read in conjunction with the risks and uncertainties discussed in the Halfords Annual Report and Accounts.

Contact and Newsflow

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Next newsflow:

14 July 2016: Q1 trading update