



Halfords Group plc

*J.P. Morgan London
Small/Mid Cap
Conference 2016*

halfords

Highlights

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***Introduction
to Halfords
and the
markets it
operates in***

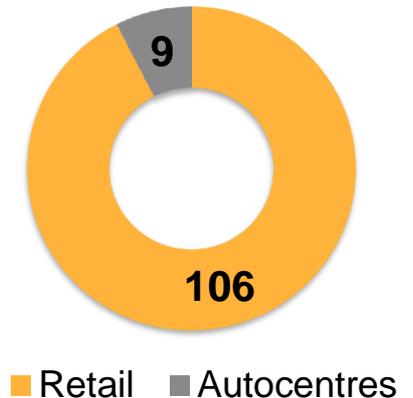
The UK's leading retailer of motoring, cycling and leisure products and a leading independent operator in garage servicing and auto repair

RETAIL		FY16: £869m sales, £106m EBITDA	462 main chain stores across the UK and ROI
		c.8,000 colleagues	12 Cycle Republic and 4 Tredz shops



AUTOCENTRES		FY16: £153m sales, £9m EBITDA	314 centres across the UK
		c.2,000 colleagues	Acquired February 2010

FY16 EBITDA £m



Halfords Group Revenue Split

**Car
Maintenance**



**Car
Enhancement**



**Travel
Solutions**



Autocentres



Cycling



55%

15%

70%
motoring

30%
cycling



**CAR
MAINTENANCE**
*the highest-margin
category*

Includes 3Bs
(bulbs, blades &
batteries), oils,
tools and winter

**CAR
ENHANCEMENT**
*the lowest-margin
category*

Includes sat nav
GPS, audio, DAB
Radio, car cleaning
and styling

**TRAVEL
SOLUTIONS**
*the average-margin
category*

Includes child-
safety seats,
camping and roof
boxes

CYCLING
*below Retail average
margin*

Includes cycles,
parts, accessories,
clothing, repair &
service

80%

*of customers
want advice or
service with
their purchase*

85%

*of cycling
customers
also buy from
motoring*

98%

*of Retail stores
are profitable*

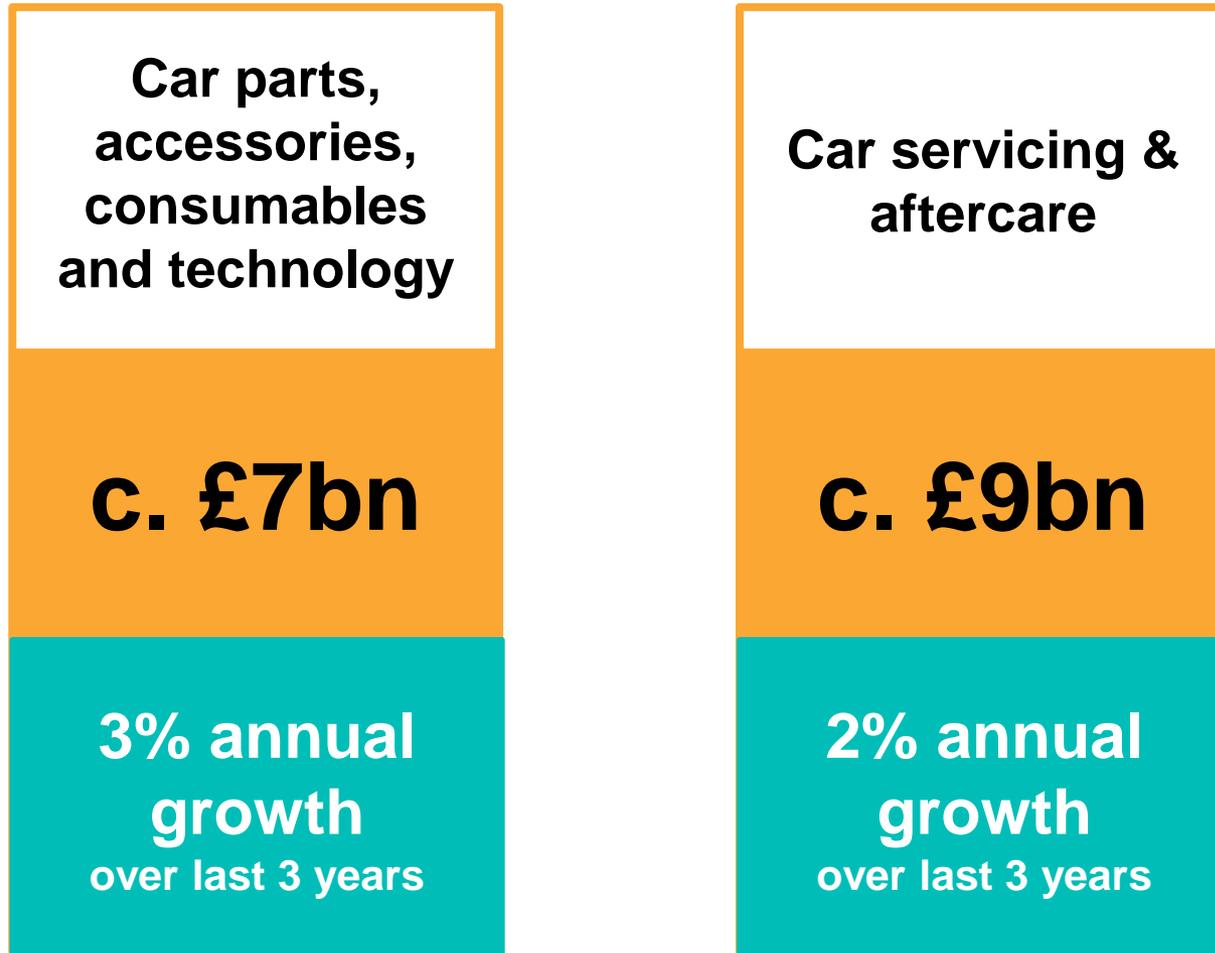
90%

*of online
purchases are
collected in
store*

Service-led retailer

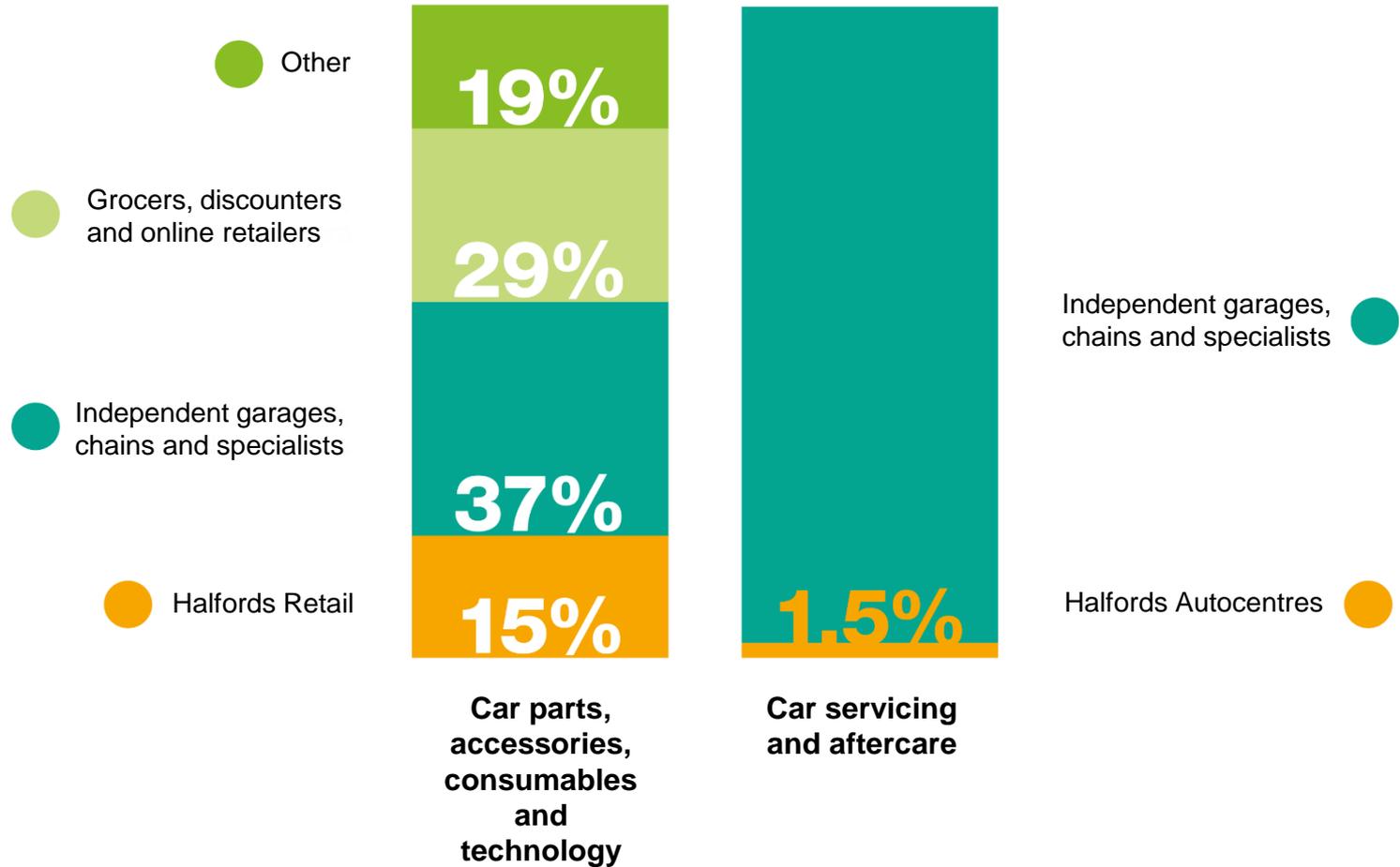
Stores are an asset

High cross shop between motoring and cycling



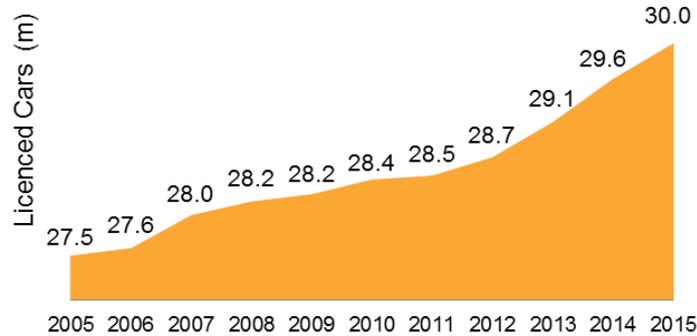
Note: Market size represents annual sales and the growth rates are in respect of 2012-2015
Source: Halfords estimates

Motoring market share

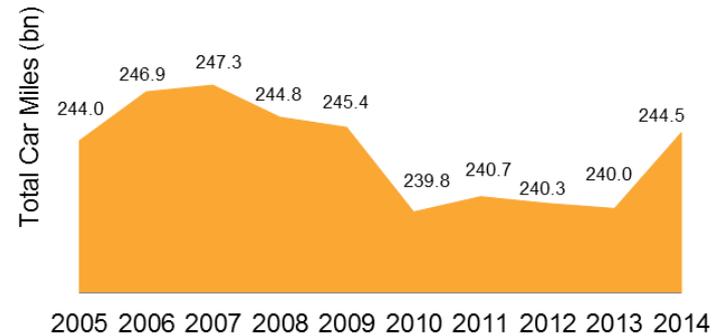


Motoring market indicators

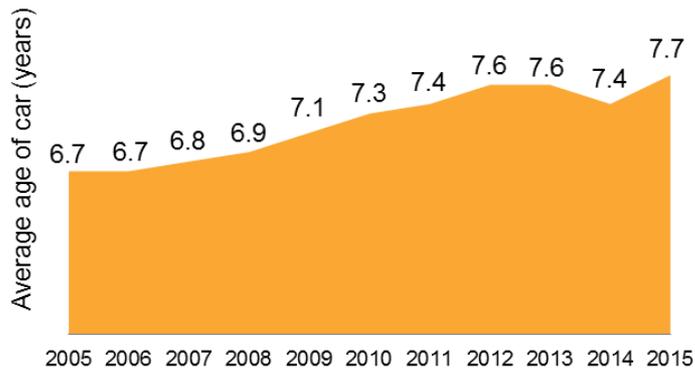
More cars...



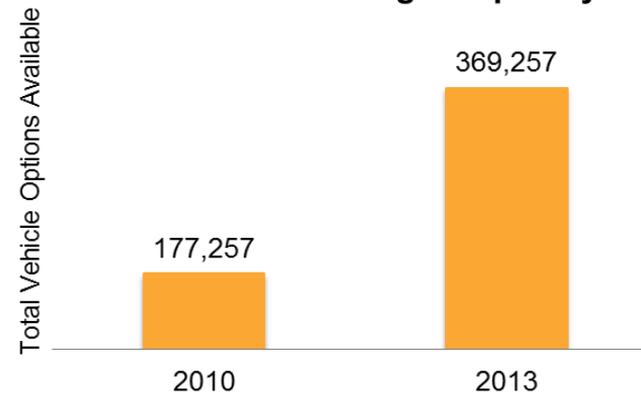
...starting to be driven more



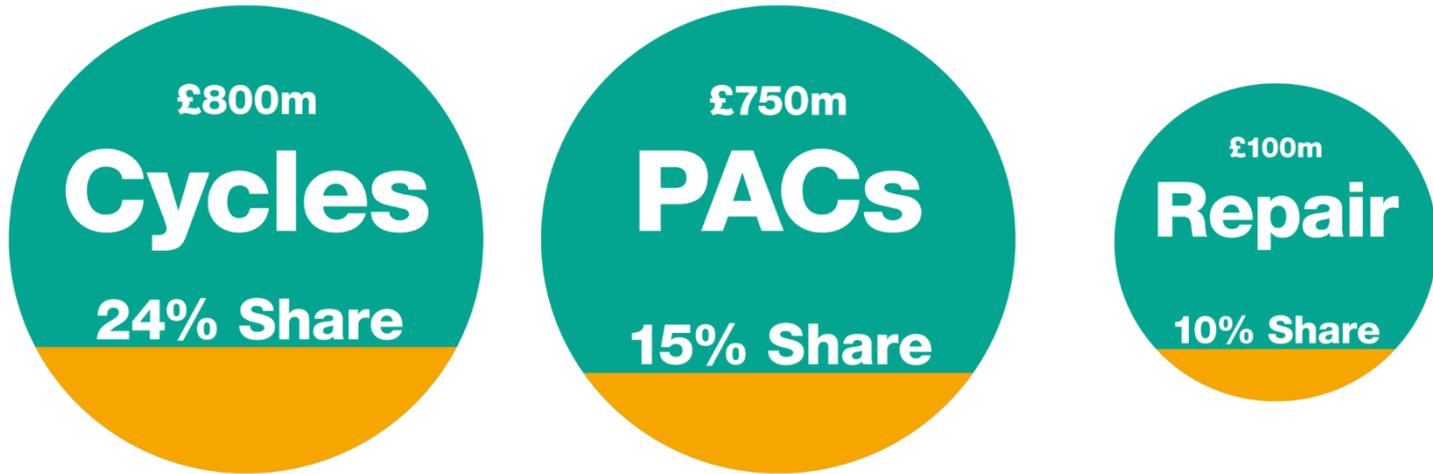
Average age of around 7.5 years...



...and increasing complexity



Source: Department for Transport National Statistics, BCA Used Car Market Report, SMMT



Note: Market size figures are annual market sales including VAT
Source: Halfords estimates

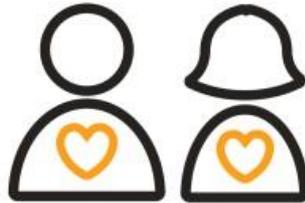


*Moving Up
A Gear
strategy*

Moving Up A Gear strategy



Putting Customers in
the Driving Seat



Service in our
DNA



Building on our
Uniqueness



Better Shopping
Experience



Fit for the Future
Infrastructure



25% of Retail sales now matched to customers (vs. 3% last year)

Email campaigns increasingly tailored to customers

Using opening price points to improve value perception

New brand positioning:
For Life's Journeys



Customer service metrics improved significantly

New services introduced

People measures improved

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







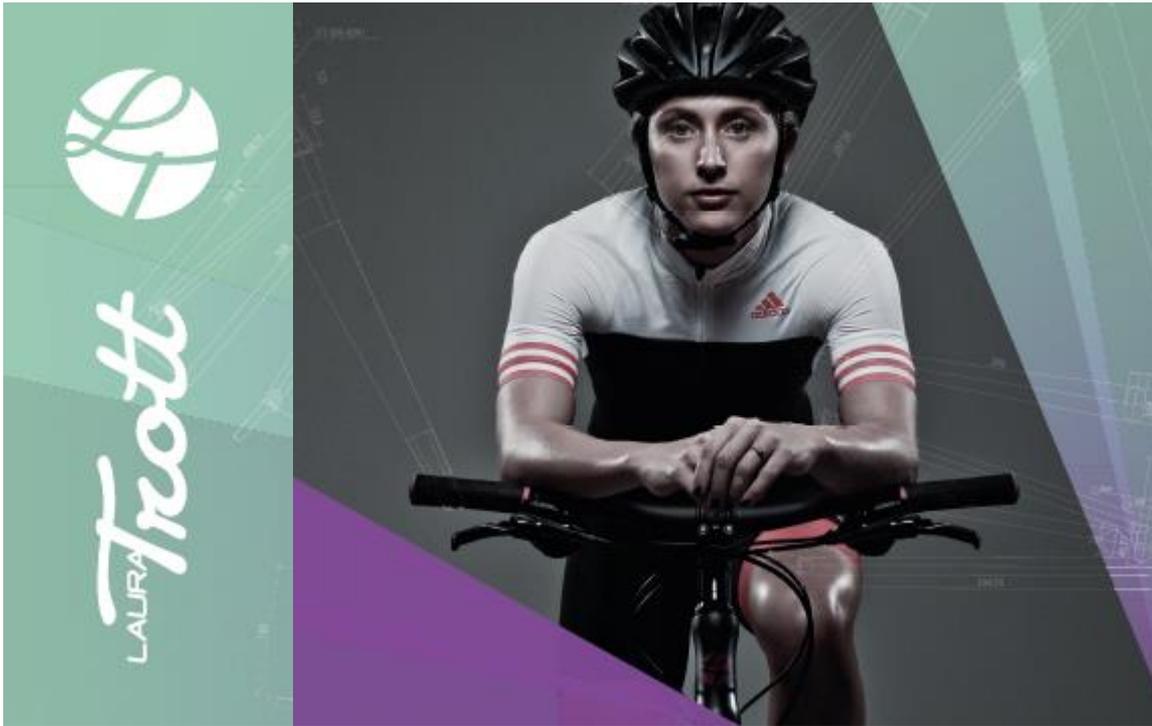
Orla Kiely cycling and leisure range launched in May 2016



WIGGINS



Wiggins range of bikes for toddlers to teenagers
launched online and in store in July 2016



Trott range of limited edition performance bikes for women launched in stores and online in July 2016



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 and 3 relocations / right-sizes in FY16



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



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



11 centres opened and 24 refreshed in FY16

Online booking revenue up 19% in FY16

Introduced more customer-focused opening hours

Training and people investments



tredz[®]



Wheelies

Acquired in May 2016 for £18.4m plus deferred consideration

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



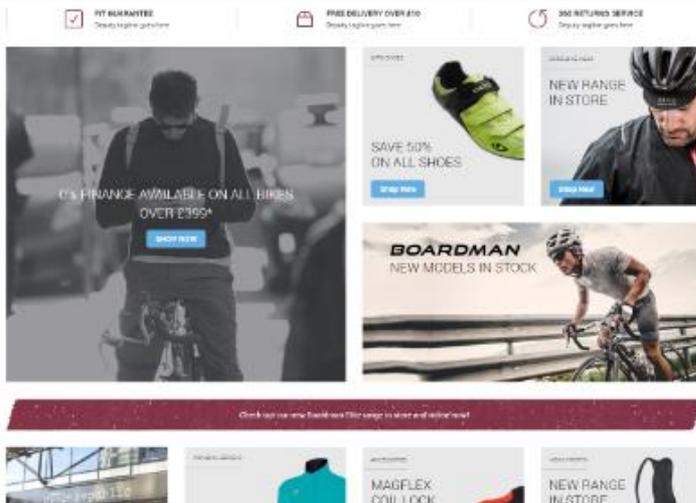
First store opened in December 2014

12 stores now open, 7 of which are in London

0.5% of Group sales in FY16



Transactional website launched in August 2016



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

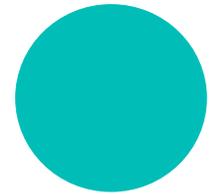
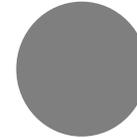


Halfords

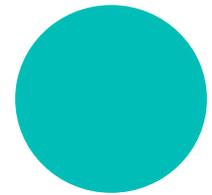
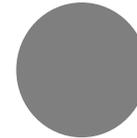
Cycle Republic

Tredz & Wheelies

ATV of Bikes



ATV of PACs





***FY16
performance***



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

3-day-a-week deliveries to stores working well

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 EPS	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 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

Note: FY15 numbers are in respect of the 53 week period



Financial Targets and Capital Allocation

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

* Halfords principally operates in two markets: motoring and cycling. Management currently anticipates these markets to grow by 2-3% and 3-5% per annum respectively on average over the next few years

** Excluding impact of movement in foreign currency exchange rates

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



Capital expenditure circa £45m

Retail refreshes

Cycle Republic stores and website

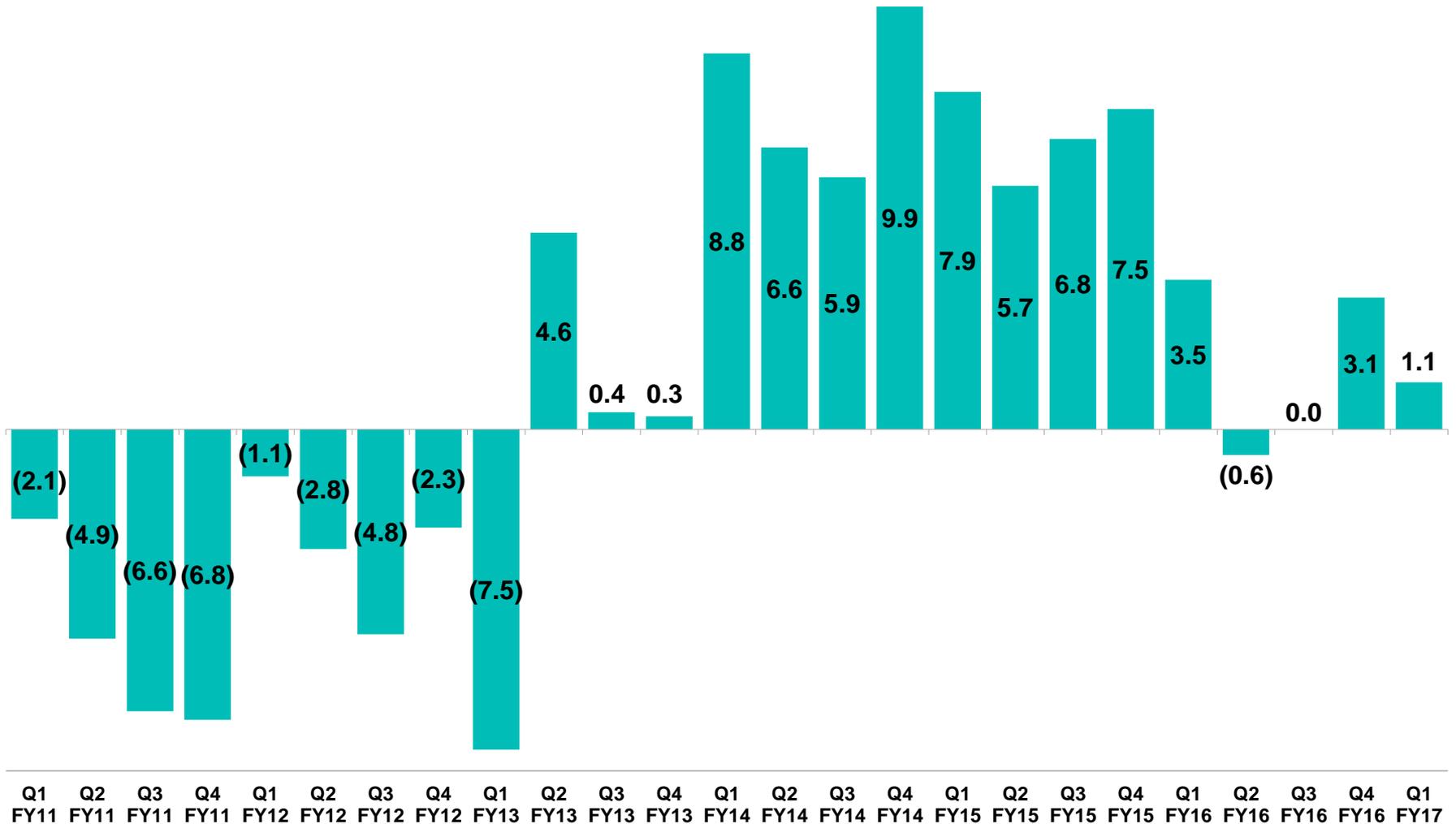
Autocentre openings and refreshes

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



Appendices

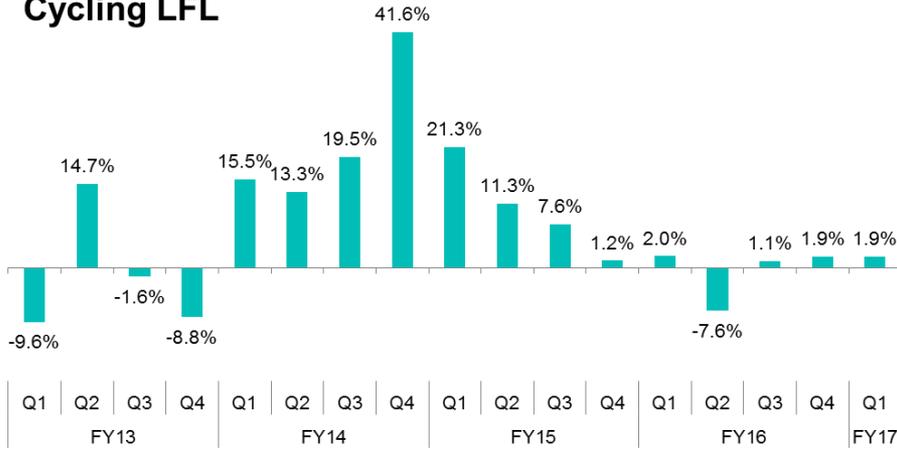
Retail LFLs



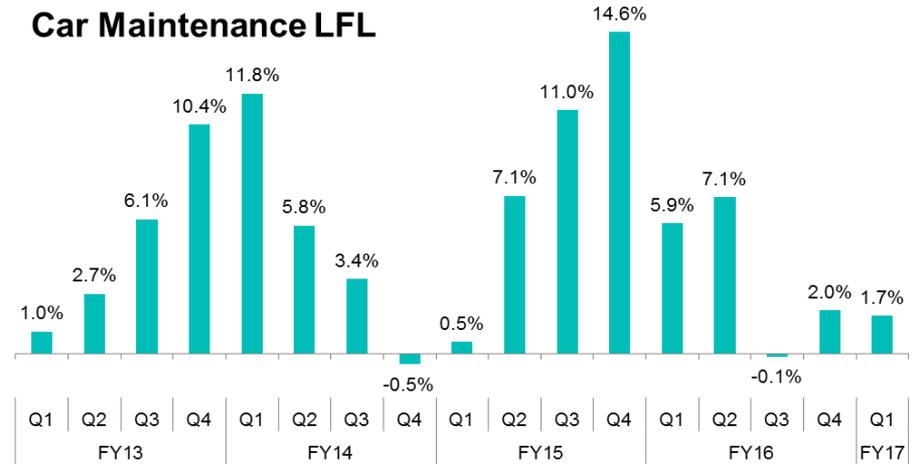
Note: From FY17 onwards, Q1 is a 20 week period, incorporating the summer peak period for cycling. In previous years Q1 represented a 13 week period. Q3 is a 15 week period incorporating the Christmas peak trading period.

Retail LFLs

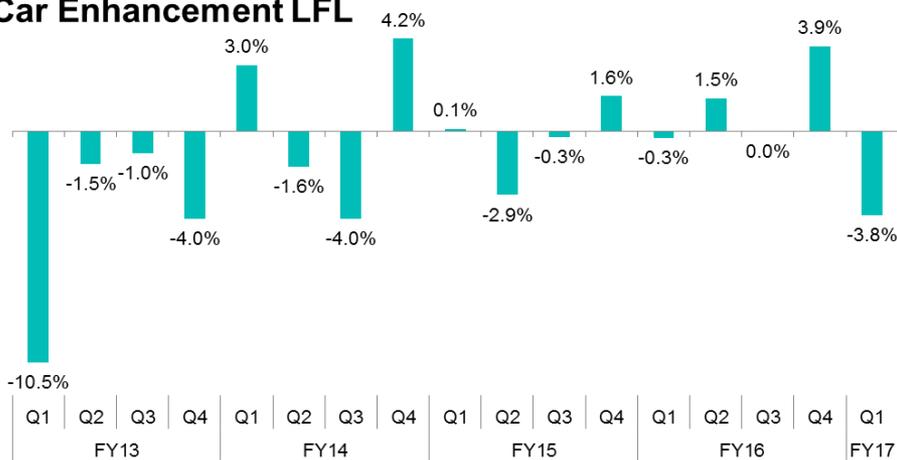
Cycling LFL



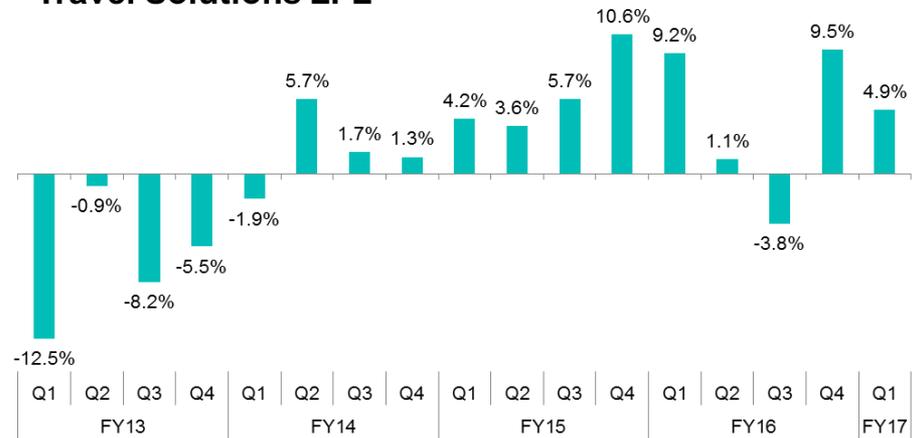
Car Maintenance LFL



Car Enhancement LFL



Travel Solutions LFL



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

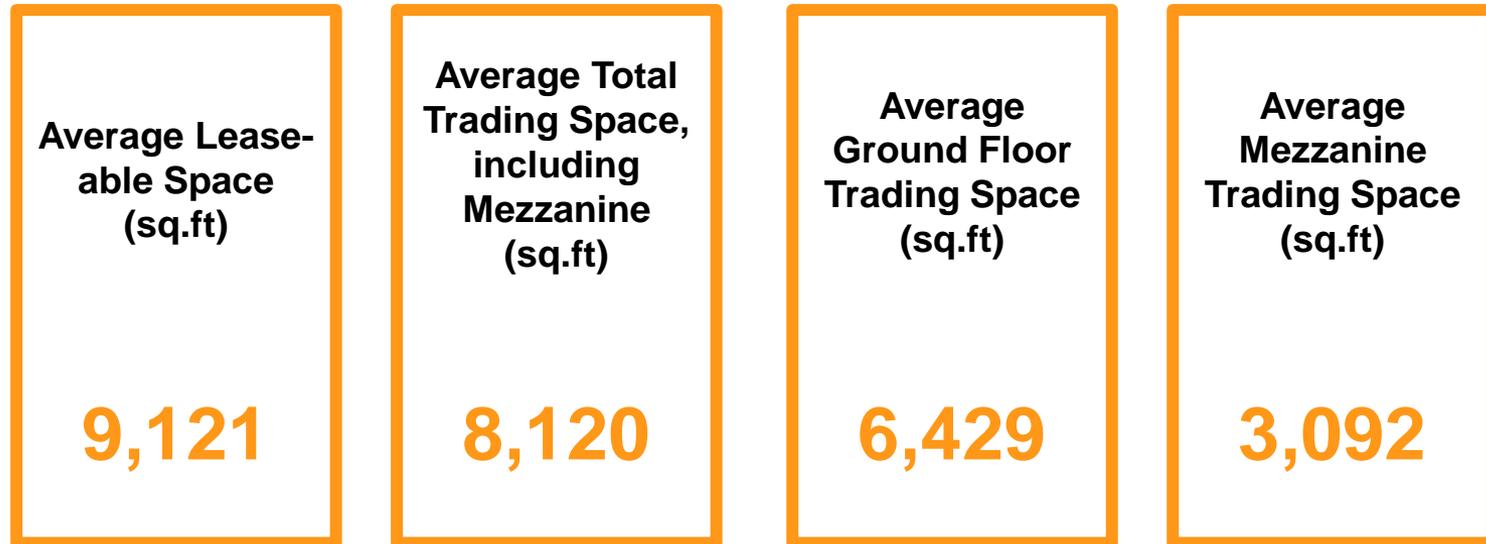
Full year dividend up 3.0% to 17.00p

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		

Bike brands available in Halfords and Cycle Republic

	Halfords only	Halfords and Cycle Republic	Cycle Republic only
<p>Own brands</p> <p>c.90% of cycle revenue</p>	<p>apollo</p>	<p>carrera</p> <p>BOARDMAN</p> <p><i>Pendleton</i></p> <p>EI FOLLOW YOUR INSTINCTS</p>	
<p>Third party brands</p> <p>c.10% of cycle revenue</p>		<p>V.O.O.D.O.O.</p> <p>Quella</p> <p>Whistle</p> <p>RALEIGH</p> <p>DAHON</p> <p>TIFOSI</p> <p>PINARELLO</p> <p>mongoose</p> <p>Whistle</p> <p>KOTOL</p> <p>cinelli</p>	<p>BASSO</p> <p>gocycle</p> <p>HAIBIKE</p>

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

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

Average remaining lease length: 6.7 years

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.

For further information, please go to www.halfordscompany.com or contact

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