

**halfords**  
*driving*  
**the top line**

Preliminary Results 2014



## Introduction

## Financial Performance

*Andrew Findlay*

## Trading and Strategy

*Matt Davies*

## Questions



# Andrew Findlay

*Chief Financial Officer*

# Financial Highlights

*Group Revenue up 7.9% to £939.7m*

*Retail Gross Margin of 51.8%, down 144bps in line with guidance*

*Profit Before Tax up 1.1% to £72.8m*

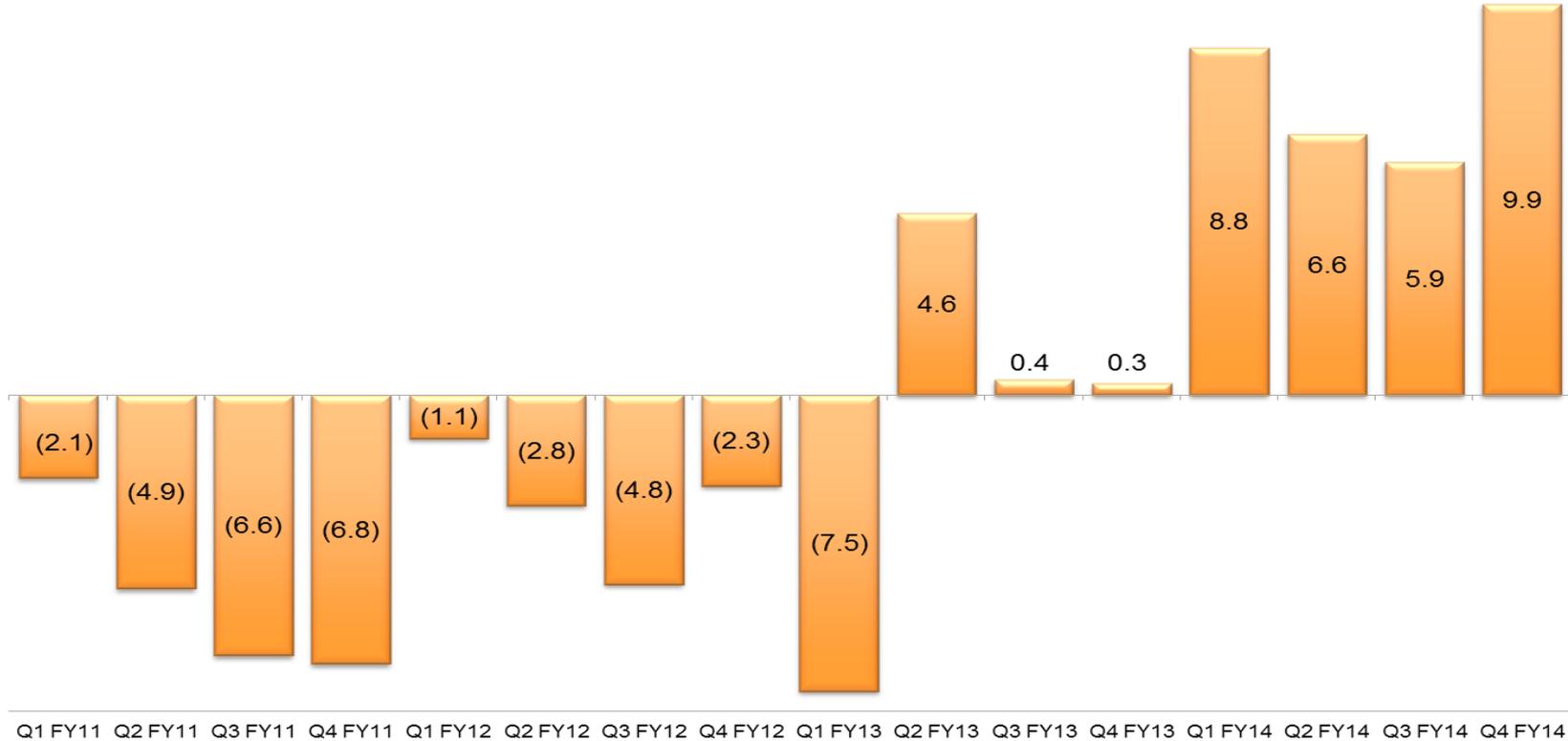
*Basic Earnings Per Share up 4.0% to 28.8p*

*Net Debt down at £99.6m*

*Free Cashflow of £39.5m, after a one-off tax settlement of £21.0m*

*Final Dividend of 9.1p per share, unchanged*

# Retail LfLs (%)



**Notes:** Q3 in FY12, FY13 and FY14 shown as 15-week periods. Q4 in FY12, FY13 and FY14 shown as 11-week periods

# FY14 Retail Revenues

Total Retail	LFL %
Cycling	+19.4
Car Maintenance	+4.9
Car Enhancement	-0.1
Travel Solutions	+2.1
<b>Total</b>	<b>+7.6</b>

Online Retail	Proportion of Online Retail Sales %	Proportion of Total Retail Sales %	Total Revenue Growth %
Home Delivery	11.8	1.3	+11.2
Click & Collect	88.2	10.0	+18.6
<b>Total</b>	<b>100.0</b>	<b>11.3</b>	<b>+17.7</b>

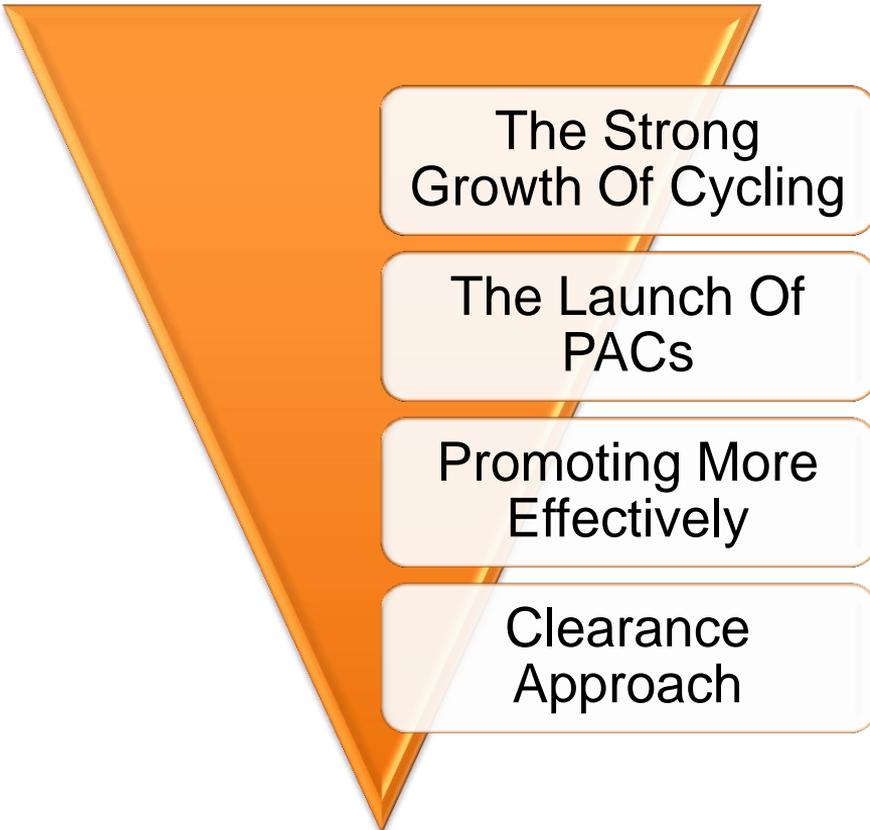
Notes: All numbers shown are before non-recurring items

# Retail Performance

	FY14 £m	FY13 £m	Change
Revenue	803.1	745.5	+7.7%
Gross Profit	416.2	397.0	+4.8%
Gross Margin	51.8%	53.3%	-144bps
Operating Costs	(341.0)	(323.4)	+5.4%
<b>EBIT</b>	<b>75.2</b>	<b>73.6</b>	<b>+2.2%</b>
EBIT Margin	9.4%	9.9%	
<b>EBITDA</b>	<b>93.6</b>	<b>94.6</b>	<b>-1.1%</b>
EBITDA Margin	11.7%	12.7%	

Notes: All numbers shown are before non-recurring items

# Gross Margin % Influences



The Strong  
Growth Of Cycling

The Launch Of  
PACs

Promoting More  
Effectively

Clearance  
Approach



In-store  
Services

The Strength of  
Car  
Maintenance

# Retail Operating Costs

	FY14 £m	FY13 £m	Change
Store Staffing	92.4	85.1	+8.6%
Store Occupancy	139.7	140.1	-0.3%
Warehouse & Distribution	33.7	28.5	+18.2%
Support Costs	75.2	69.7	+7.9%
<b>Total</b>	<b>341.0</b>	<b>323.4</b>	<b>+5.4%</b>
Depreciation/Amortisation/Impairment	18.8	21.8	

Notes: All numbers shown are before non-recurring items

# Autocentres Performance

		FY14 £m	FY13 £m	Change
Revenue		136.6	125.8	+8.6%
Gross Profit		88.0	80.1	+9.9%
Gross Margin		64.4%	63.7%	+78bps
Operating Costs	Core Centres	(57.9)	(56.9)	+1.8%
	New Centres	(19.4)	(11.3)	+71.7%
	Support	(6.4)	(5.6)	+12.5%
	<b>Total</b>	<b>(83.7)</b>	<b>(73.8)</b>	<b>+13.4%</b>
<b>EBIT</b>		<b>4.3</b>	<b>6.3</b>	<b>-31.7%</b>
EBIT Margin		3.1%	5.0%	
<b>EBITDA</b>		<b>7.5</b>	<b>8.8</b>	<b>-14.8%</b>
EBITDA Margin		5.5%	7.0%	

Notes: All numbers shown are before non-recurring items. Core centres defined as those centres acquired in February 2010

# Cashflow and Net Debt

OPERATING CASHFLOW	£m	FREE CASHFLOW	£m	NET DEBT	£m
EBIT	77.8	Operating Cashflow	106.8	Opening Net Debt	(110.6)
Depreciation/ Amortisation/ Loss On Disposal	25.4	Capital Expenditure	(26.7)	Free Cashflow	39.5
Employee Share Scheme	1.0	Net Finance Costs	(6.7)	Dividends	(27.7)
Working Capital	(5.3)	Underlying Taxation	(14.3)	Lease/Other	0.3
Provisions/Other	7.9	One-off Taxation	(21.0)	Buyback: Treasury	(1.1)
		Other	1.4		
<b>OPERATING CASHFLOW</b>	<b>106.8</b>	<b>FREE CASHFLOW</b>	<b>39.5</b>	<b>CLOSING NET DEBT</b>	<b>99.6</b>

***Net Debt: EBITDA of 1.0:1***

**Notes:** All numbers shown are before non-recurring items

# FY15 Guidance

<b>Retail Gross Margin</b>	A decline of 25-75bps
<b>Retail Operating Costs</b>	4-5%
<b>Retail Capital Expenditure</b>	c.£35m
<b>Autocentres EBITDA</b>	Up on FY14
<b>Autocentres Capital Expenditure</b>	c.£8m
<b>Net Finance Costs</b>	Down on FY14
<b>Effective Tax Rate</b>	21-22%

**Notes:** All numbers shown are before non-recurring items. Guidance is provided on a 52-week basis in a 53-week year

# Summary

## *Financial Performance*

A significant top-line performance from Retail

Retail gross margins in line with guidance

Enhanced investment in Retail and Autocentres

Strong cash generation and reducing Net Debt to EBITDA

c.2x dividend cover over the medium term

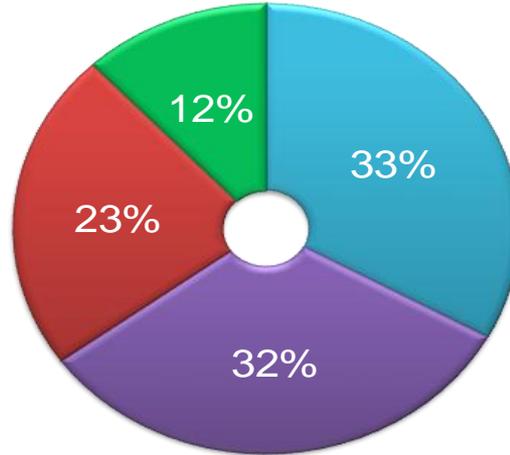
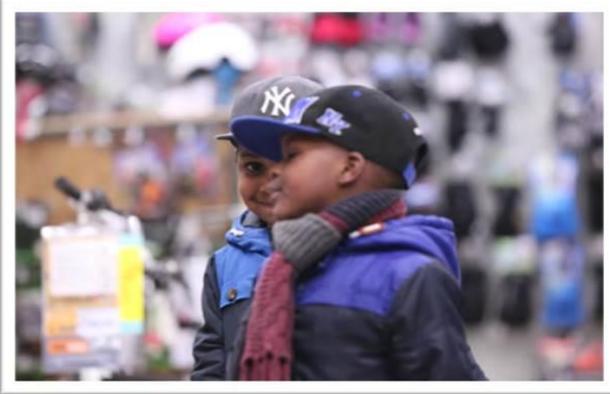


# Matt Davies

*Chief Executive*



# Our Retail Sales Performance



- Cycling
- Car Maintenance
- Car Enhancement
- Travel Solutions

*Product Availability*

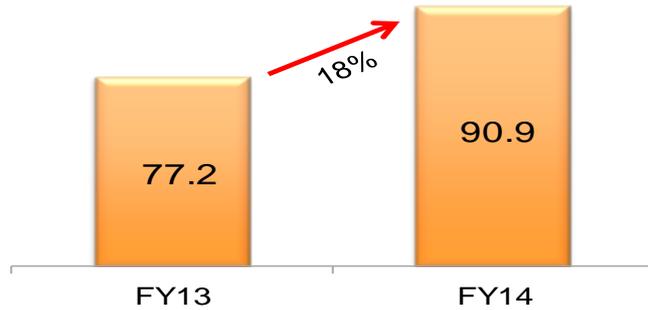
*An Improving Omnichannel Offer*

*Favourable Conditions*

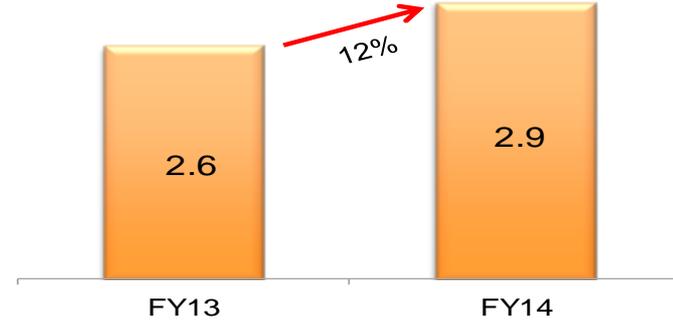
*Our Colleagues*

# Some Retail Successes...

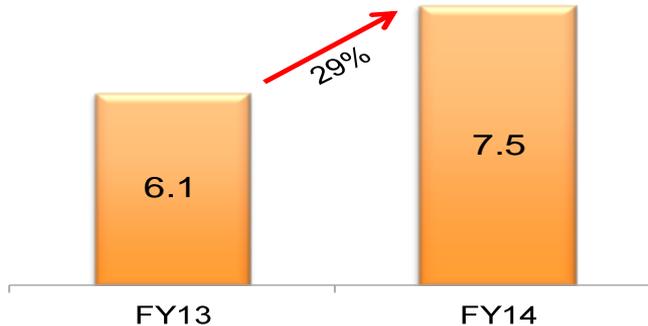
Online Sales (£m)



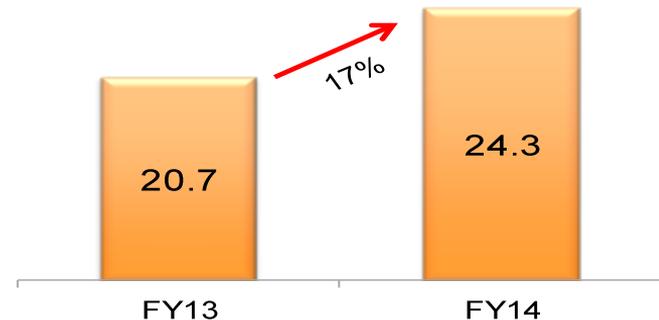
3Bs Jobs (m)



Cycle Repair Sales (£m)



Total Service Income (£m)



# Getting Into Gear



**Supporting**  
drivers of  
every car



**Inspiring**  
cyclists of  
every age



**Equipping**  
families for their  
leisure time



**service  
revolution**



**stores fit  
to shop**



**the 'h'  
factor**



**21<sup>st</sup> century  
infrastructure**



**click with the  
digital future**

**Helping and Inspiring Customers with  
their Life on the Move**



**Supporting  
drivers of  
every car**

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*3Bs Centres: at the core of  
Car Maintenance*

*A Focus On Workshop*

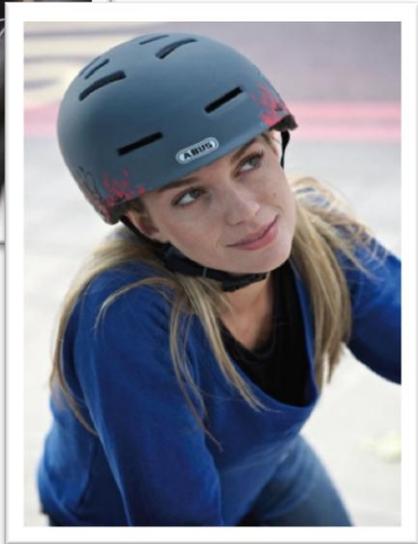
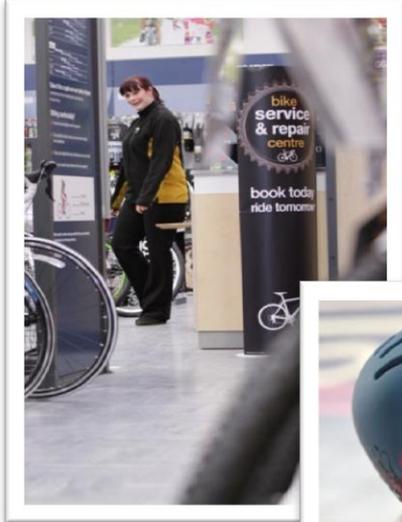
*Increasingly Compelling Promotions*

*Car Parts Direct: 130,000 SKUs*



**Inspiring  
cyclists of  
every age**

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*Early Success In PACs*

*Capability To Drive Growth*

*Range Refreshes: Boardman And Apollo*

*Capturing Opportunities In Key Markets*

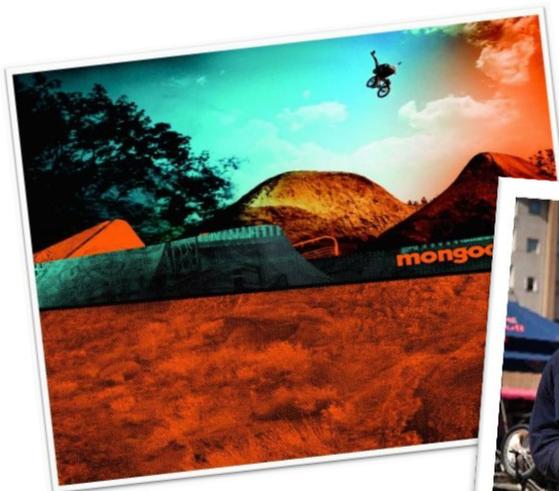
*Cycle Repair: A Changing Approach*



Inspiring  
cyclists of  
every age

halfords  
**driving**  
the  
**top line**

**mongoose®**





**Inspiring**  
cyclists of  
every age

halfords  
**driving**  
the  
**top line**





Inspiring  
cyclists of  
every age

halfords  
the driving  
top line

## Our Major Cycle Brands

Two  
Years  
Ago

apollo  
carrera  
boardman  
performance/design/quality  
V.O.O.D.O.O.

Today

apollo  
carrera  
boardman  
performance/design/quality  
V.O.O.D.O.O.

RALEIGH  
Pendleton  
PINARELLO  
mongoose

Teona



**Equipping**  
families for their  
leisure time

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*Roof Storage: Single Pricing*

*Impulse Promotions*

*Camping : A Focus on  
Families And Festivals*

# Community Engagement



*Over 20,000 Children Attended  
A Kids Bike Workshop In FY14*



*Great Links With The Scouts,  
Cubs And UK Youth*

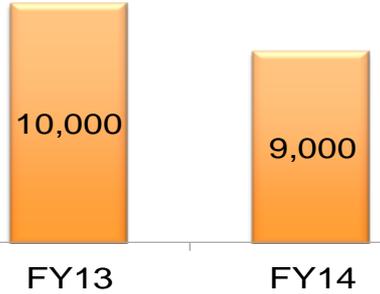


*Over 10,000 Bikes To Africa  
Generating £1.5m In New Sales*





**Retail Colleagues**



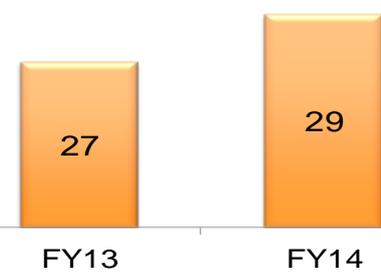
**% Full Time**



**Weekly Contract Hrs**

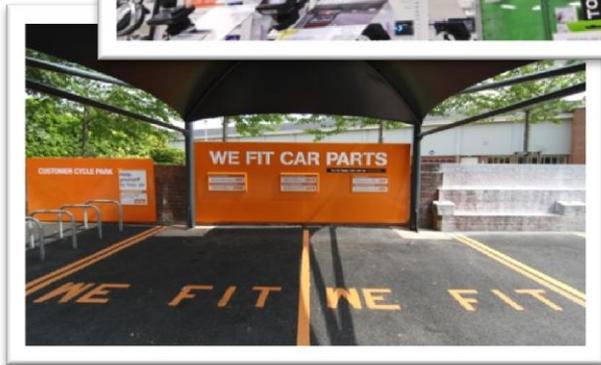


**Colleague Age**





# stores fit to shop



*Around 80 Stores Refreshed by  
March 2015*

*A Significant Change Programme  
With Material Levels Of Disruption*

*Refreshes Will Comprise  
A Range Of Models*



# 21<sup>st</sup> century infrastructure



*New Leadership In Supply Chain*

*Out-Of-Hours Deliveries*

*Trialling More-Frequent Delivery To Stores*

*6pm Cut-Off For Next Day Delivery*

*Supply Review: Underpinning Our Offer*



# 21<sup>st</sup> century infrastructure

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*A Step Change In Capability*

*Technology To Improve Our  
Service Offer*

*FY14: Fixing The Basics*

*SAP Upgrade Complete:  
Optimisation Key To Unlocking Opportunities*



# click with the digital future



*Phase One: Complete  
Further Upgrades In FY15*

*Mobile/Tablet Orders Up 95%  
38% Of Orders Vs 24% Last Year*

*Checkout completion up c.9%  
Conversion up c.20%*

# Milestones: Colleagues

	FY14 Target	FY14 Achieved		FY15 Target	FY16 Target
<b>3-Gears</b>	All qualifying colleagues through G1			50% of colleagues through G2	80% of colleagues through G2
					Two G3 colleagues per store
<b>Reduce % Of Colleagues Leaving Within 3 Months</b>				<12.5%	<10%
<b>Colleague Engagement</b>					>85%

# Milestones: Operational

	FY14 Target	FY14 Achieved		FY15 Target	FY16 Target
Autocentres Opened	20-30	23		10-15 (revised)	10-15 (revised)
Launch PACs					
Annual PACs Sales Growth				20%	20%
Cycle Repair Sales Growth	25%	29%		25%	25%
Improved Cycle Departments	100	100		180	180
Stores In A Refreshed Format	10-15	27		c.50	c.70
Launch New Retail Website					
Mobile & Tablet-optimised Site Launched					

# Milestones: Customers

	FY14 Target	FY14 Achieved		FY15 Target	FY16 Target
<b>Retail Net Promoter Score</b>	>60%	72%		>75% (revised)	>75% (revised)
<b>Stores working stock outside peak trading hours</b>	25%	33%		Majority of stores	

# Autocentres



*H2 Initiatives Driving The FY15 Focus*

*Leveraging The Relationship  
With Retail*

*New Leadership For The Business*

# Autocentres



*Addressing Significant Opportunities,  
Such As Female Motorists*

*Focusing On Quality New Centres*

*Incremental Investment Required To  
Underpin The Strategy*



# Summary



*A Good Year But Early Days*

*Encouraging Signs From Our Strategy*

*Specialist Credentials:  
The Core Of Our Identity*

*Growth Earlier Than Anticipated*

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Preliminary Results 2014

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Appendices

# Group Income Statement

	FY14 £m	FY13 £m	Change
Revenue	939.7	871.3	+7.9%
Gross Profit	504.2	477.1	+5.7%
Operating Costs	426.4	399.0	+6.9%
<b>EBIT</b>	<b>77.8</b>	<b>78.1</b>	<b>-0.4%</b>
EBIT Margin %	8.3%	9.0%	-68bps
<b>EBITDA</b>	<b>101.1</b>	<b>103.4</b>	<b>-2.3%</b>
EBITDA Margin %	10.8%	11.9%	-106bps
Net Finance Costs	(5.0)	(6.1)	-18.0%
<b>PROFIT BEFORE TAX</b>	<b>72.8</b>	<b>72.0</b>	<b>+1.1%</b>
Basic Earnings Per Share	28.8p	27.7p	+4.0%
Effective Tax Rate	23.4%	25.3%	-193bps

Notes: All numbers shown are before non-recurring items

# Group Components

<b>FY14</b>	<b>Retail £m</b>	<b>Autocentres £m</b>	<b>Amortisation £m</b>	<b>Group £m</b>
Revenue	803.1	136.6	-	939.7
Gross Profit	416.2	88.0	-	504.2
Operating Costs	(341.0)	(83.7)	(1.7)	(426.4)
<b>EBIT</b>	<b>75.2</b>	<b>4.3</b>	<b>(1.7)</b>	<b>77.8</b>
<b>EBITDA</b>	<b>93.6</b>	<b>7.5</b>	<b>-</b>	<b>101.1</b>

<b>FY13</b>	<b>Retail £m</b>	<b>Autocentres £m</b>	<b>Amortisation £m</b>	<b>Group £m</b>
Revenue	745.5	125.8	-	871.3
Gross Profit	397.0	80.1	-	477.1
Operating Costs	(323.4)	(73.8)	(1.8)	(399.0)
<b>EBIT</b>	<b>73.6</b>	<b>6.3</b>	<b>(1.8)</b>	<b>78.1</b>
<b>EBITDA</b>	<b>94.6</b>	<b>8.8</b>	<b>-</b>	<b>103.4</b>

*Notes: All numbers shown are before non-recurring items*

# Group Balance Sheet

	FY14 £m	FY13 £m	YOY £m	Change
Goodwill and Intangible Assets	342.2	342.2	-	-
Property, Plant & Equipment	95.2	90.6	+4.6	+5.1%
Derivative Financial Instruments	(2.1)	1.7	-3.8	-223.5%
Net Working Capital	36.9	42.1	-5.2	-12.4%
Net Debt	(99.6)	(110.6)	+11.0	-9.9%
Other Creditors	(46.5)	(67.3)	+20.8	+30.9%
<b>Net Assets</b>	<b>326.1</b>	<b>298.7</b>	<b>+27.4</b>	<b>+9.2%</b>
<i>Inventories</i>	<i>150.2</i>	<i>133.2</i>	<i>+17.0</i>	<i>+12.8%</i>

# Capital Expenditure

	FY14 £m	FY13 £m
Store Portfolio <sup>1</sup>	13.9	5.8
Infrastructure Systems	9.7	5.0
Other	0.8	2.4
<b>Retail</b>	<b>24.4</b>	<b>13.2</b>
<b>Autocentres</b>	<b>6.0</b>	<b>5.6</b>
<b>TOTAL</b>	<b>30.4</b>	<b>18.8</b>

**Notes:** 1) Before capital contributions deferred over the period of the lease

# Retail Portfolio – FY14 Space

Average Leaseable Space <sup>1</sup> (sq.ft)	Average Total Trading Space, including Mezzanine (sq.ft)	Average Ground Floor Trading Space (sq.ft)	Average Mezzanine Trading Space (sq.ft)
9,174	8,122	6,499	3,051

**Notes:** 1) Ground floor only, including back of house

# Retail Portfolio – Lease Expiries

	Expiries
FY15	22
FY16	24
FY17	18
FY18	16
<b>Total Expiries</b>	<b>80</b>

**Average remaining leases (total portfolio): 6.8 years**

# Autocentres Portfolio

	Centres
Acquired	223
FY11	230
FY12	250
FY13	283
<b>FY14</b>	<b>303</b>

**Average remaining leases: 7.7 years**

# Contact and Newsflow

For further information, please go to  
[www.halfordscompany.com](http://www.halfordscompany.com) or contact

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Next newsflow:

10 July: Q1 Interim Management Statement

# 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.