Arkadin Managed Calls

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ANNOUNCER: Hello and welcome to today's Halfords' Third Quarter Interim Management statement. Throughout the call all participants will be in listen only mode and afterwards there'll be a question and answer session and, just to remind you, this call is being recorded. Today, I'm very happy pass you over to the Halfords' Management Team. Gentlemen, please begin.

MATT DAVIES: Thanks a lot. Morning everyone, thank you very much for joining the call today, I know it's a very busy day. I'm Matt Davies, Chief Executive of Halfords, and with me is Andrew Finlay, our Finance Director.

If I start by giving you a brief overview of this morning's statement and then very happy to take questions, so headlines:

Overall Group Revenues were up 6.6% in the period. If we look first at our retail business our like for like sales increased by 5.9% reflecting better in-store execution, a renewed customer first promotional stance as well as the appeal of our cycling offer.

If we start first with Cycling: cycling sales were up 19.5% year on year, with every part of our cycling category in growth, so I think a real sparkling performance. Premium Bikes Sales were up 30.8% and in what was an absolutely crucial time of the year, kids' bikes sales were up by just short of 15%. If I picked out one of the areas of cycling that I was most delighted with, and that's the new range of Boardman bikes. Very, very strong reaction from customers and from press, but the key is in the sales numbers and Boardman volumes have doubled in the period versus the prior year; so we're delighted with that.

I think another real factor that drove our cycling performance this year, was that there was no promotional disadvantage for customers delaying the pick-up of children's bikes until Christmas Eve, so I think this customer first and led strategy really helped parents maintain that Christmas surprise.

Moving away from Cycling to the Auto Business: if I start with Car Maintenance. As you'd expect the really mild weather didn't help us with demand of winter products down, whilst sales of blades, bulbs and batteries grew marginally; as we lacked a tough comparative. However, our customers really took up the gifting of workshop tools through some really strong offers.

Longer term consumer awareness of our unique fitting service was significantly raised through a major TV and radio advertising campaign. Three B's fitting reached around 100,000 jobs in the week before Christmas, while Three B's fitting penetration was also really strong with the highest ever weekly penetration, on record, achieved twice in December.

Moving to Car Enhancement, our like for like sales fell by 4%, predominantly impacted by an 11.9% decline in sat nav sales; that we believe reflect the ongoing market dynamics. There were some good performing areas, so if I take Car Cleaning; that did well with sales up by 7.2%.

Onto Travel Solutions, sales grew by 1.7% with growth in Travel Equipment accompanied by some great customer engagement in our seasonal and kits offers.

Our Online Retail Sales grew by 13.8% representing a record 11.7% of total retail revenues. Christmas Eve saw our highest ever volume of online orders with Christmas Day our highest ever value of online orders. During the period 88% of our online transactions were picked up in store, we completed the first phase of the re-launch of Halfords.com in November delivering a much better shopping experience for our customers. We're due to complete the second phase around spring of this year.

So that's the Retail Business, if I turn to Auto Centres we opened a further four sites and closed one in the period. We delivered 9.2% total sales growth and there was also an improved like for like sales performance in the period with a supporting, marginally positive, like for like growth.

The key thing for me though is I'm really pleased to announce the appointment of Andy Randall who will lead the business as the new Managing Director of Auto Centres. Andy joins us in March from his role at Skin, where he has been the CEO for the last eight years of a rapidly growing Skin Clinic chain; I'm sure a few people might have used the chain. Before Skin, Andy was actually Managing Director of Staples UK and held various senior roles in both Virgin and the Boots Group. This is actually a return to Halfords for Andy, who worked in both our retail and garage businesses in the 1990s.

Just to conclude: our retail performance reflected better in-store execution, a renewed customer first promotional stance and it was really powered by a sparkling cycling performance. The weather did not help us but we still delivered a robust top line performance.

Our Retail Gross Margin was adversely impacted by the mix of sales towards cycling, although our expectations and all of our guidance for the full year remain unchanged. Our Getting Into Gear Programme is progressing well. We refreshed a further 12 stores in the period. Launched our website and we'll give you a much more complete update on Getting Into Gear progress with our full year results.

Finally, and I think really importantly, Auto Centres will soon have new leadership, taking the business through the next phase of its journey.

Thanks for listening and Andrew and I are now very happy to take any questions.

ANNOUNCER: Thank you. Ladies and Gentlemen, if you wish to ask a question could you please press zero and then one on your phone keypad now, in order to enter the queue and then after you're announced, please ask your question and if you find your question has been answered, before it's your turn to speak, simply press zero two to cancel, and there'll be a brief pause while questions are being registered.

Our first question is from the line of Jonathan Pritchard at Oriel Securities; please go ahead, your line is open.

MATT DAVIES: Morning Jonathan.

JONATHAN PRITCHARD: Morning, it's a question in two halves about We Fit really. You weren't blessed with the best weather conditions to coincide with your advertising campaign, can you just tell us a little bit about how awareness has risen and whether you think there's a bit of pent up demand there. Secondly, on the cycling side in terms of repairs etc. Did that satisfy you this year or is that something still that's a work in progress?

MATT DAVIES: If I deal with the last part of the question. Cycle Repair is a huge focus for us and there's quite a lot of work that we are doing to build our capability in cycle repair and introduce more expertise into the business. We set a very clear 25% growth target in terms of our presentation and that is the target that we are working to. Andy, is there anything you want to add to that on Cycle Repair?

ANDREW FINLAY: In terms of Three B's, undoubtedly our advertising campaign would have been more effective if we had seen some harsh winter weather over the period. Having said that, it is a core strategic objective for us and it is great to have seen record penetration and some record levels of fitting, but that's a core strategic investment area for us, Jonathan.

JONATHAN PRITCHARD: Understood. Thanks a lot.

ANNOUNCER: Our next question is from the line of Adam Cochrane at UBS; please go ahead with your question, you line is open.

MATT DAVIES: Hi, Adam.

ADAM COCHRANE: Hi, good morning. The first question is really you've maintained your guidance in the statement but you're mentioning Q3 that the gross margin was maybe slightly below where you expected. Does that mean it's just moving towards the upper end or lower end of the guidance range?

On the costs, is the higher than expected sales performance is then not really any additional OPEX attached to that? Secondly, on the store refits, how many of the cycling and other store refits were completed in time for the peak period and is there anything you can give us on how they performed compared to your normal stores, please.

MATT DAVIES: If I pick up the store refit aspect of the question and let Andrew pick up the rest of the question. By the end of the year we will have 25 full refreshes launched on top of the roughly 100 cycling mezzanines that we dressed and released space to support a broader accessory, predominantly clothing offer; a few months ago.

In terms of financial performance, we have a day scheduled in March. I think we had to move the date because next we are doing something and everybody wanted to go the next one and we were worried that we would all feel sad and lonely; we are now unattending so that date is now in the diary and what we will try and do is give everybody a full update as is possible.

ANDREW FINLAY: Hi, Adam. The original guidance we gave at the beginning of the year was a decline in gross margin in the Retail Business of around 125 to 175 basic points. We further gave guidance, at the interims, around the fact that we anticipated our margin to be in the better half of that range i.e. between the 125 to 150. Effectively, we are still in that better end of the range but we are nearer towards the 150 mark than maybe the consensus is of mid-range. That’s what happening on margin.

With respect to costs, we are still within the guidance of five to six, we did see a small uptick in some of the variable costs given the strong performance that we saw in the period, but we are still within that five to six range and we are continuing to invest in Auto Centres, which is a key to the growth strategy there.

ADAM COCHRANE: Just on the bit you said earlier, Matt. The store refits; how many were actually done in time for this Christmas trading period?

MATT DAVIES: Yes. About half the 25, they are not a major driver, Adam, at all of our performance given the number relative to the size of the overall business.

ADAM COCHRANE: Okay, but would it be about half of the cycling bits as well?

MATT DAVIES: No, in terms of the cycling areas, there was around 100 mezzanines that we dressed earlier in the year. In terms of the rest of the cycle offers, there's been some work that we've done on segmentation, which has improved the shopability of cycling which will absolutely have helped our cycle sales, but there's also a lot of other work that we have done which will have driven cycle sales: a lot of new ranges that are starting to hit, the Boardman Range, Apollo Range, some kids' bike ranges.

A much, much sharper promotional stance where we focused on 10% off weekends and drove our promotions in a way that we were still very happy for customers to get best value, but leave their bike with us until Christmas Eve. Visibly what we were dong last year, which was you could only get the deal if you were willing to take your bike away. That's really the whole focus of Halfords now, which is what's right for our customers and then we have to challenge ourselves as a business how to deliver that, so you saw tens and tens of thousands of bikes having to be built and collected from our stores over those final few days, running up to Christmas, which was a huge logistical challenge for us, but we coped admirably.

ADAM COCHRANE: Okay, so you'd say that the physical reformatting of those hundred cycling departments was one of the smaller drivers of the cycling performance compared to the other actions you are taking.

MATT DAVIES: Cycling has had a huge amount of focus. It was very clear when we communicated the strategy that we felt that that's where we could exploit our growth and that is precisely what we have done. If you looked at pretty much every cycling department across the business, and compared it to last Christmas, it will have moved on either from a space perspective, a range perspective or disparity of offer and that remains a core focus for us; while maintaining our absolute destination status for Auto.

That is what we are managing hand in hand, but when it comes to the weather that we experienced over the past couple of months and the lack of a winter, one shouldn't assume that this is necessarily good for cycling at this time of year because actually a winter would have brought more footfall into our stores and I think especially around some of the sharp promotions we had on kids' bikes and we would have sold more bikes.

ADAM COCHRANE: Okay, thank you.

MATT DAVIES: Thanks a lot.

ANNOUNCER: Our next question is from the line of John Stephenson at Peel Hunt; please go ahead your line is now open.

MATT DAVIES: Morning, John.

JOHN STEPHENSON: Hi, morning. Just three questions please. First up on packs, I don't know if you can talk about the performance maybe both in store and online. In terms of cycling overall, I don't know if you got a sense of how much you've outperformed the market by; any sort of idea of market performance relative to yours? Finally, just on the overall retail performance, you've talked about much better execution in-store, Q2, Q3. How do you plan to move things on for spring/summer and Easter?

MATT DAVIES: In terms of the Packs Performance, we got good growth from Packs online. We have bolstered the team, centrally, which is focusing on Packs for spring or summer, but it was not a key driver of our online or in-store performance.

In terms of cycling outperformance and how we did relative to the market, we just do not have data which either tells us anything definitively. It's really poorly researched but the last set of data that I saw, and I cannot remember where it was from, suggested that we are gaining some share at the expense of the independent, but there again I also read something which said that the independent cycle sector was really strong and was growing.

You have to look at the sheer quantum of these numbers and the sheer quantum of bikes which sit behind these numbers and assume that there has been some market shares gained. If I take Boardman, we are selling, this year, double the number of Boardman bikes that we sold last year. Those bikes have to be coming from somewhere else so I am really comfortable that we are making progress across cycling.

The final part of the question in terms of what are we doing for spring and Easter, are the same. A lot more of the same, there is going to be more new ranges, particularly focused around Carrera and some of the older kids' bikes, where we really looked to introduce a higher degree of specialism and authority in the older kids' bikes.

There is a lot of work we are doing on packs to move packs forward to if you take the clothing aspect of packs which was in only a small proportion of the estate last spring, you will see that broadly trebling in terms of quantum of stores that have a more comprehensive cycle clothing offer and then we have some big plans for the Tour de France, which is in Yorkshire this year and we are well set up to deliver some incredibly competitive offers on bikes. Worth remembering though that Easter is now in April, so clearly that will have a bearing in terms of final weeks of the year, but I think we are well set up, John.

JOHN STEPHENSON: Okay, I guess a late Easter is generally, a better chance of some decent weather anyway so can't be any worse than last year.

MATT DAVIES: It was not great early for us last year, but then it was absolutely brilliant for us as the summer progressed. We cannot control the weather exactly as we have not been able to control this winter, I think the key thing is that we are opportunistic and able to make hay when the sun shines and that is what I think we did really well this summer.

JOHN STEPHENSON: Okay, all right. Thanks a lot, Matt, cheers.

MATT DAVIES: Thanks, John.

ANNOUNCER: Our next question is from the line of Dan Homan at Citi; please go ahead with your question, your line is now open.

MATT DAVIES: Hi, Dan.

DAN HOMAN: Morning guys.

ANDREW FINLAY: Morning.

DAN HOMAN: Two questions, first online. Could you tell us how much was picked up in the stores?

MATT DAVIES: Yeah, I think it was 88%.

DAN HOMAN: Okay, so still running very high.

MATT DAVIES: Yes.

DAN HOMAN: In terms of Sat Nav, you said it declined very rapidly. What proportion of sales are sat navs at the moment?

MATT DAVIES: Andy, do you want to?

ANDREW FINLAY: Hi Dan, how are you? It is worth, just on sat navs specifically; because I know in the past I have talked about a hope that, at some point, the decline will start levelling off as we start to see the replacement cycle really kick in. I think it is fair to say that we have not really seen that yet, but I think the other point that I want to flag up is the latest market numbers that we have seen, flowing from John's question around cycling, the sat nav market is well researched and we have seen numbers through to the end of November, which show us gaining around 3% market share vis-à-vis everybody else, so we are trading hard in a category which is still going backwards.

MATT DAVIES: Just on the numbers, sat navs around a third and it's been pretty consistent at that level, a third of car enhancement revenues.

DAN HOMAN: Okay, thank you.

ANDREW FINLAY: Thanks a lot, Dan.

ANNOUNCER: Our next question is from the line of Chris Chaviaras at Barclays; please go ahead with your question, your line is open.

MATT DAVIES: Morning, Chris.

CHRIS CHAVIARAS: Good morning, guys. Two questions for me. Is it possible to tell us what the fitting penetration exactly is now and how much do you make on it? You used to give, in the past, the amount of money that you were making on that. The second question on kids' bikes, I know that kids' bikes were big in Q3 are they a smaller proportion in Q4, usually?

MATT DAVIES: Great, Andy do you want to pick those questions up?

ANDREW FINLAY: On fitting penetration we reached just about 41%, so that's up around 180 bases points on last year, which is a great result. As a proportion of our servicing, our servicing comes around 11% up on the equivalent period of Q3. We will give you the full number and what we received on service income in the time of the full year. It's 11% up that we saw on the comparative last year.

MATT DAVIES: What I would add in terms of fitting penetration is one of the things that we have to balance, as a business, is the level of fitting penetration and the investment that we make to drive that fitting penetration, so that's something that we will keep constantly under review. We also need to be very aware that in areas like TV, where we put money into TV, to the extent that the weather does not go in our favour, that investment is going to be less effective in the short term.

ANDREW FINLAY: The question in terms of kids' bikes, yes.

MATT DAVIES: That all answered?

CHRIS CHAVIARAS: Yeah, the fitting penetration. In terms of the kids' bikes, I didn't get you there?

ANDREW FINLAY: Could you repeat the question there, Chris?

MATT DAVIES: Are kids' bikes less important for us going forward? It's still a really important part of our business. We have got to be really on the button when it comes to kids' bikes but I feel that our older kids' offer and by older kids I really mean 9 to 12, it probably will not be until early Summer, around June time, we will take a huge step forward in terms of competence and capability as we introduce across our core ranges some phenomenally specced bikes for older children, that are every bit as good as some of the niche bikes that are incredibly expensive available in the market place at the moment.

ANDREW FINLAY: Just about proportions, Chris, the kids' bikes obviously have a higher proportion of our cycle sales during this gifting period, Christmas time than it does in the rest of the year.

CHRIS CHAVIARAS: Okay, cool. Thank you very much that.

MATT DAVIES: Thanks a lot.

ANNOUNCER: Our next question is from the line of Geoff Ruddle at Morgan Stanley; please go ahead with your question, your line is open.

GEOFF RUDDLE: Yeah, morning guys.

MATT DAVIES: Morning Geoff, how are you?

ANDREW FINLAY: Morning

GEOFF RUDDLE: Very well, thank you. Congratulations, another very good statement.

MATT DAVIES: Thank you.

GEOFF RUDDLE: It is pretty clear now, much to my surprise, that you managed to get some very good LFL growth into the business, and I was wondering, clearly that starts to give you the chance to create some operating leverage over time. I was wondering what your preference would be to what to do with that. Are you more interested in trying to drive that down to the bottom line, or are you more interested in re-investing back in the business to produce further LFL growth in due course.

MATT DAVIES: Our responsibilities as management of this business are very, very clear and that is to drive profit and cash, for our shareholders, over the cycle, but to do that in a sustainable way. We want to make sure that we set Halfords up such that year in, year out the business can be generating strong profitability and cash for its shareholders. If you go back to what I said, I think it was last May; I set a very, very clear expectation that for the period through to March 2016, profits would not exceed the levels of our PBT for the year to March 2013. I think that PBT was around £72-£73 million and that is still the case. Does that answer the question?

GEOFF RUDDLE: Yeah, thank you. Just following on from that, I was reading The Metro this morning and there was an advert in there from ASDA, which was highlighting Castrol GTX price, I think they were charging £12, you were charging £25, Tesco was charging £20 and Wilko was charging £21. Do you feel you need to invest further in the gross margin in order to close those kinds of price gaps, or do you think that is just a one-off promotional type situation?

MATT DAVIES: Yes, we have run some phenomenal oil promotions over recent weeks. As we all know, from time to time ASDA, Tesco, Halfords will have a particularly strong promotion on one particular product and then our job is to throw that into the mix and to decide how to react, but in terms of our pricing strategy, we are very comfortable that that's contained within the guidance that we have provided.

GEOFF RUDDLE: That's great, thanks very much and congratulations again.

MATT DAVIES: Thanks a lot, Geoff, cheers.

ANNOUNCER: Just to remind all participants that if you wish to ask a question, could you please press zero and then one on your phone keypad now in order to enter the queue.

We now go over to the line of Chris Chaviaras at Barclays again; please go ahead, your line is open.

MATT DAVIES: Hi, Chris.

CHRIS CHAVIARAS: Hi, sorry.

MATT DAVIES: Back again.

CHRIS CHAVIARAS: Yeah, I miss you already. Just picking up on the last comment that, Matt, you made on. You still stick with your expectation of not exceeding fiscal year 13's PBT in fiscal year 16. At this point, I guess you should feel comfortable with where consensus is which is not that far from that £52 million, maybe 69 or so, which would then prompt the question of assuming that you continue to do well in terms of sales and having 85% of your costs as fixed, which means operational levels by definition, if indeed sales are good, what will you be doing then with the money? Will you be investing for the longer term growth? How shall we think about that?

MATT DAVIES: Look, in terms of the strategy that we communicated, it involves, I think a fairly significant repositioning of this business to make sure that we can generate sales growth sustainably and that will be through to the bottom line. Given that, at this stage, I do not propose to update what we communicated then which was very, very clearly and that this is a three year repositioning, and that we do not expect our profitability to return to FY13 levels until FY16. All I would add is that, clearly, if you look at our LTVs and the way our LTVs are structured, that drives us to exceed that and clearly that has been put in place to make sure everyone's interests are aligned. We would quite like to get those.

CHRIS CHAVIARAS: No, I get that could be a little bit conservative potentially given that this year you have done quite a lot better than many people will have expect.

MATT DAVIES: All I would add, Chris, is there is an awful lot changing as we fundamentally reposition this business so that we can generate sustainable sales growth which feeds through into profitability. To be clear we are here to drive profitability and cash for our shareholders, but to do that sustainably and over the medium term.

CHRIS CHAVIARAS: Okay, thank you.

MATT DAVIES: Thanks a lot.

ANNOUNCER: Our next question is from the line of Mark Photiades of N+1 Singer; please go ahead, your line is open.

MATT DAVIES: Morning, Mark.

MARK PHOTIADES: Morning guys. Just a few quick questions actually, firstly on the training programme and the gears programme, could you maybe give us an up on what percentage of your colleagues are now through Gear One and if any are through Gear Two at the moment. Second, on the Auto Centres could you just talk us through the pipeline for Q4 and then finally just on online, could you maybe give us any stats on conversion rates this year versus last year; implemented the new website and maybe could you just refresh on the second stage of your online strategy coming in the spring.

MATT DAVIES: Let me pick up the Gears question and then I'll let Andrew pick up the Auto Centre question and talk through the pipeline and then I will pick up the online question.

In terms of Gears, it is progressing well. Pretty much all of our colleagues have now completed their Gear One training. About 5,000 colleagues, which represents about 60% of our colleague base, have completed their Gear One training. We have also taken thousands of colleagues through specific training in Three B's fitting and we are seeing now thousands of colleagues starting to work their way through Gear Two.

A key point to note though, is that, as I said last time, people won't have completed Gear Two until the new financial year so the pay increment of around 8%, which flows in when you move from Gear One through to Gear Two, will feed into the next financial year and based on the progress that we're making, that will drive a significant cost uplift into the business and our challenge is then to leverage that increase in enhanced expertise to drive sales, which is exactly what the strategy has been and is, Mark. Auto Centres, Andrew?

ANDREW FINLAY: Yeah, so I think Q4 is key for us, it's a key MOT period so it's really going to be leveraging off the work we've done over the last quarter, so we've got new uniforms going into the Centre, we've got an increased focus on service. We've re-launched the bonus scheme for our techinicians to be focused on utilisation and service for our customers. We will be opening a couple more Centres in the quarter but it's a very, very strong focus on the March period.

We'll have some ad campaigns out there emphasising our brakes for life, our MOT deals and our service pricing, which we'll be putting out in around February time. We'll be having some roadshows with our technicians, the first of which we did in November which had a great result. There's a continuation of the things that we've done in the business in Q3 to maintain the momentum, but you're right, Q4 is important for us in Auto Centres and we're absolutely geared up to deliver a good result.

MATT DAVIES: In terms of last question, Mark, and the website and conversions and what does the next phase look like. It's very early days; we are seeing an increased conversion at the moment. Our conversion rate on Christmas Day was actually the highest we'd seen in three years and the conversion rate overall for Christmas week was the second highest that we've seen ever, so early days but we're happy with what we are seeing on conversion.

In terms of the next phase of the re-launch, it's all around community, it's all around the language that we're using in areas of our site beyond cycling, where we've focused already, and it's about some investments in some software that will serve our product images that are faster and more comprehensive. We shouldn't see that as then complete, I think we will then be in good place from an online perspective but it will require continued investment to make sure that we keep up with customers' expectations. I think what we've all seen across retail this Christmas, in areas like fashion retail, a huge jump in customers propensity and willingness to shop online and that's going to make every retailer reflect on how they invest appropriately in that area to make sure that we can, not just stay up with the pack, but make sure we're leading the way.

MARK PHOTIADES: Great, okay, thanks guys, well done.

MATT DAVIES: Thanks, Mark.

ANNOUNCER: We go over to Kate Calvert at Investec; please go ahead, your line is open.

KATE CALVERT: Morning everyone.

MATT DAVIES: Hi Kate.

KATE CALVERT: Morning, I've got two questions for you. First you mentioned that the Three B fittings had a very good week pre-Christmas, how did that impact the in-store service while everybody was outside, and are there any lessons to be learnt going forward from that. The second question, returning to the Three Gears Training Programme; how do you envisage the phasing of the Gear Two stage being completed by your staff going through next year? Will a lot of them complete it by the beginning of the year, or will it be very much weighted towards the second half.

MATT DAVIES: Thank you, so if I pick up the first question and let Andrew pick up the second question. In terms of Three B's and how we coped and kept our customer service going, our metrics suggest that we didn't miss much of a beat. Now, having said that I think we're challenging ourselves around if we really did have a harsh winter and with that level of cycle sales, would we have been able to deliver the service and consistency that we would have aspired to our customers, well that would have placed more of a challenge but I think because we didn't see that Winter weather, we didn't really miss a beat. In terms of the Gears?

ANDREW FINLAY: Yeah, the Gears, thanks Kate. We expect at Gear Two, we've a fair proportion of our colleagues that have completed Gear One have already enrolled in Gear Two. It will drip in through the year, so what that means is we will see a pay increment on the completion of those Gear Two colleagues, dripping through FY15. For example, around half of our colleagues in Auto have already enrolled in Gear Two already, so we'll see them drip through from the beginning of the year, throughout the year.

KATE CALVERT: Well it sounds as if the increase will be more weighted to the second half then?

ANDREW FINLAY: To a certain extent yes, but obviously now we're through our peak period, obviously the emphasis will be on colleagues to get through the training. Clearly, they'll be some sign off procedures to ensure they pass the Gear Two standard, but it will fall through into FY15.

MATT DAVIES: As Andrew said our focus is on getting people through that level of training. We want people through sooner rather than later.

KATE CALVERT: Okay, great, thanks very much.

MATT DAVIES: Thanks, Kate.

ANNOUNCER: The next question is from Tushar Jain at Bank of America Merrill Lynch; please go ahead, your line is open.

TUSHAR JAIN: Yeah, good morning everyone.

MATT DAVIES: Morning

TUSHAR JAIN: Good morning. Just a quick question on Auto Centres; I'm not sure if you've commented but you're underlining like for like fields to be declined a little bit in that particular segment. Is it just over there or here has a been a lower performance or under performance in that region?

ANDREW FINLAY: In Auto Centres for the 41 weeks we've seen a decline, but in Q3, which we are reporting today, we're seeing a marginal uplift about 0.1% like for like. We're continuing to invest in that business, the guidance hasn't changed; we still anticipate a decline in the profits in the Auto Centres business. We are very much focused on improving our service within the centres and opening new centres to grow our market share, and as I said earlier, we've got lots of plans to enhance the trading performance within that business but we'll continue to invest throughout Q4 to grow that business for the future.

TUSHAR JAIN: Okay, great. Noted, thanks.

MATT DAVIES: Thank you.

ANNOUNCER: Gentlemen, as there are no further questions in the queue, may I please pass the call back to you to close.

MATT DAVIES: Thank you very much for attending the call, I know it's been a very busy morning and as always if there's any questions then please don't hesitate to get hold of Craig, who's always happy to have somebody to talk to and I'll hopefully catch up with people soon. Thanks very much, bye.

ANNOUNCER: This now concludes the call. Thank you all very much for attending. We will now disconnect all of your lines.