

HALFORDS GROUP PLC

***FY19 INTERIM RESULTS***

NOVEMBER 8<sup>TH</sup> 2018



**halfords**

## Introduction

Graham Stapleton, CEO

## CEO update

Graham Stapleton, CEO

## H1 financial performance & outlook

Adam Phillips, Group Strategy & IR Director

## Summary

Graham Stapleton, CEO

## Q&A





# ***CEO UPDATE***

***Graham Stapleton, CEO***

- Group revenue +2.5% LFL
- Gross margin improved
- Underlying PBT of £30.5m, down £6.3m; broadly in line with our expectations and principally reflecting one-off and timing impacts in operating costs
- Free Cash Flow of £34.2m, up 10%
- Net Debt at 0.7 times EBITDA; interim dividend up 3%
- Full year guidance reconfirmed



- Good performance from less discretionary categories
- Market share gains
- Service-related sales and online sales grew faster than total sales
- Good progress on our Autocentres transformation; on track for second year of profit growth
- New strategy launched internally and externally with good early progress



# To **inspire and support** a **lifetime** of **motoring and cycling**

**1**

**Inspire** our customers through a differentiated, super specialist shopping experience

**2**

**Support** our customers through an integrated, unique and more convenient services offer

**3**

Enable a **lifetime** of motoring and cycling

**1**

**Inspire** our customers through a differentiated, super specialist shopping experience

- A business more focused on what it is really known for – its core motoring and cycling offer
- Products and services with features and benefits that are only available at Halfords
- A more innovative online site, complementary and inspiring store environment and in-store tablet, screen and mobile experience

**2**

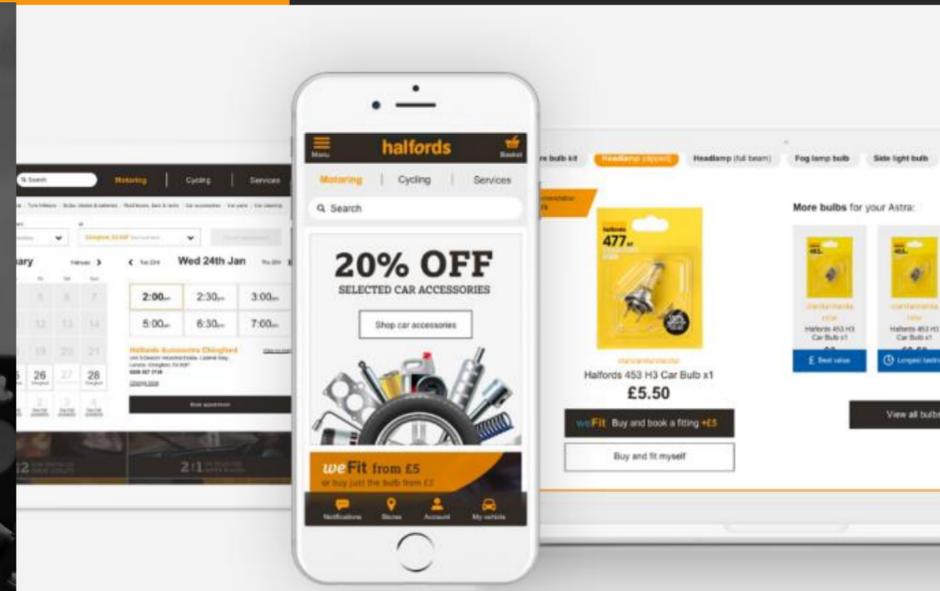
**Support** our customers through an integrated, unique and more convenient services offer

- An integrated, unique and more convenient services offer
- A broader range of services, more easily accessed from one single website
- 1,000 convenient service locations via a choice of mobile, stores or garages
- A market leader in electric bike and car servicing
- Increased awareness by leveraging the Halfords brand

**3**Enable a **lifetime** of motoring and cycling

- A more focused and targeted approach to loyalty at a Group level
- Accelerating the development of our CRM programme
- Fully leveraging our Single Customer View and increasing the investment in customer data management

- Customer strategy supported by:
  - Investments in IT and digital
  - A more dynamic property strategy
- Equal focus on driving operational efficiencies
- Capex to increase from prevailing guidance of c.£40m to between £40m and £60m and self funded over the life of the plan
- Test and learn approach to investments, with robust gating process



## 1

**Inspire** our customers through a differentiated, super specialist shopping experience



Initial optimisation of space implemented in all Retail stores

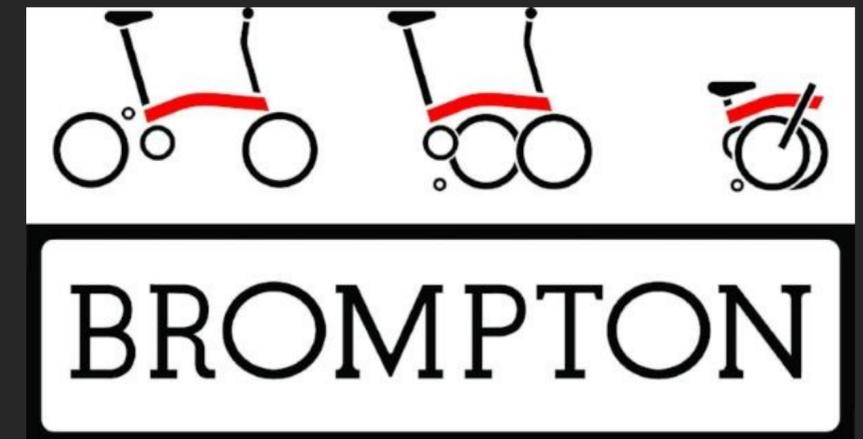
**GOOD**  
Halfords  
Essentials

**BETTER**  
Halfords

**BEST**  
Halfords  
Advanced



Own label development; car bulbs is the first new range launched

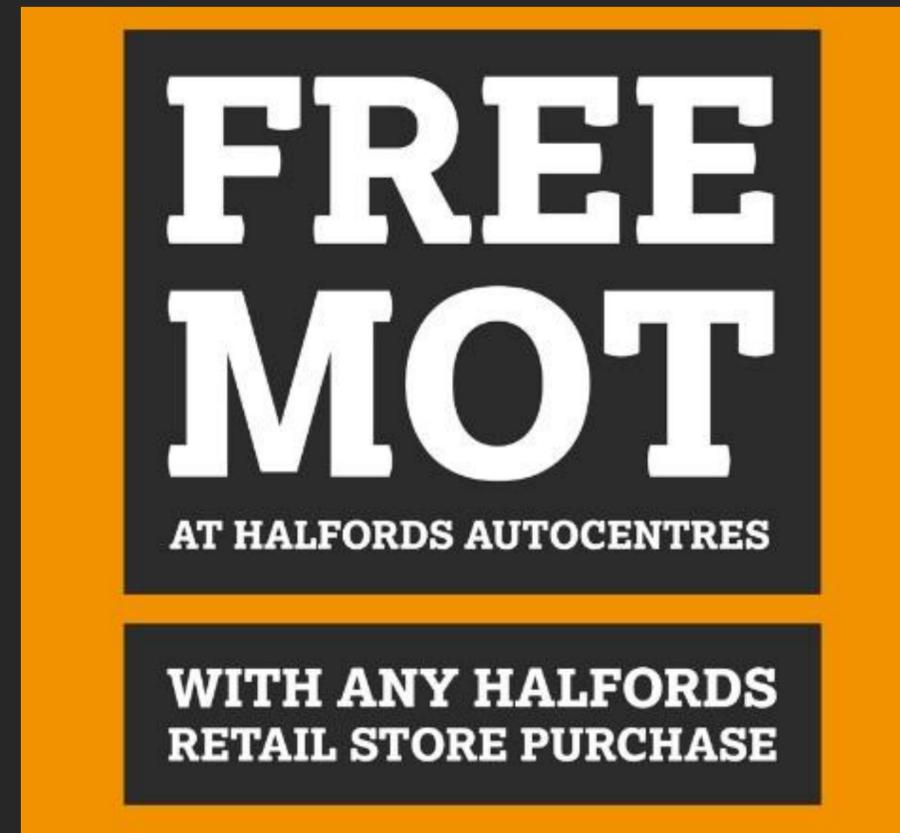


Strengthening of cycling offer through partnership with Brompton



3

Enable a **lifetime** of motoring and cycling



Cross-group MOT promotion, bringing new customers from Retail into Autocentres

# ***H1 FINANCIAL PERFORMANCE***

***Adam Phillips, Group Strategy & IR Director***

Revenue	£599.9m	↑	+1.9% YoY +2.5% LFL	+£11.2m YoY
Gross profit	£296.3m	↑	+3.5% YoY	+£10.0m YoY
Underlying PBT	£30.5m	↓	-17.1% YoY	-£6.3m YoY
Basic Underlying EPS	12.4p	↓	-16.2% YoY	-2.4p YoY
Free Cash Flow	£34.2m	↑	+10.0% YoY	+£3.1m YoY
Interim Ord. Dividend	6.18p	↑	+3.0% YoY	+0.18p YoY

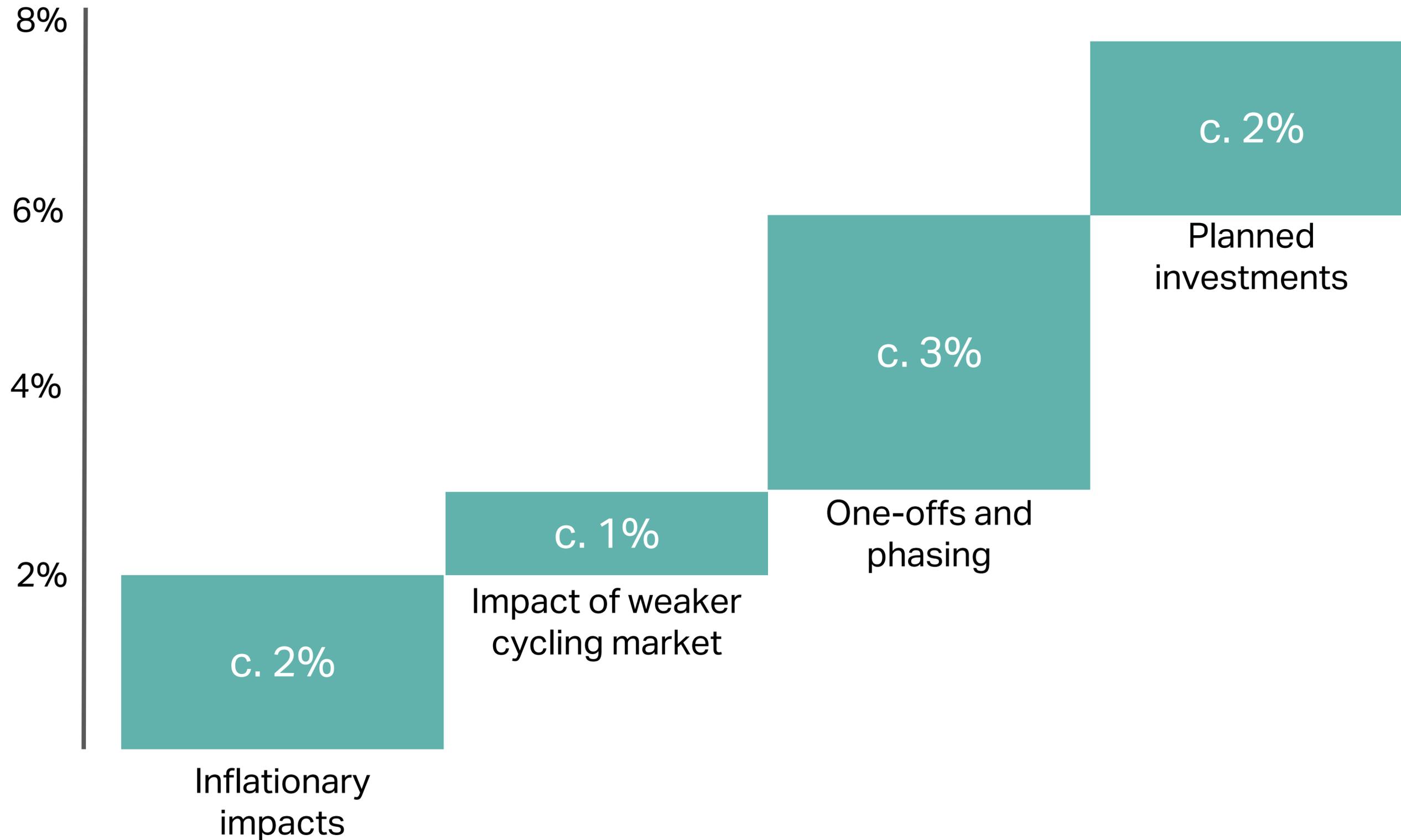
**Notes:**

1) All numbers represent performance for the 26 weeks to 28 September 2018 and are before non-recurring items.

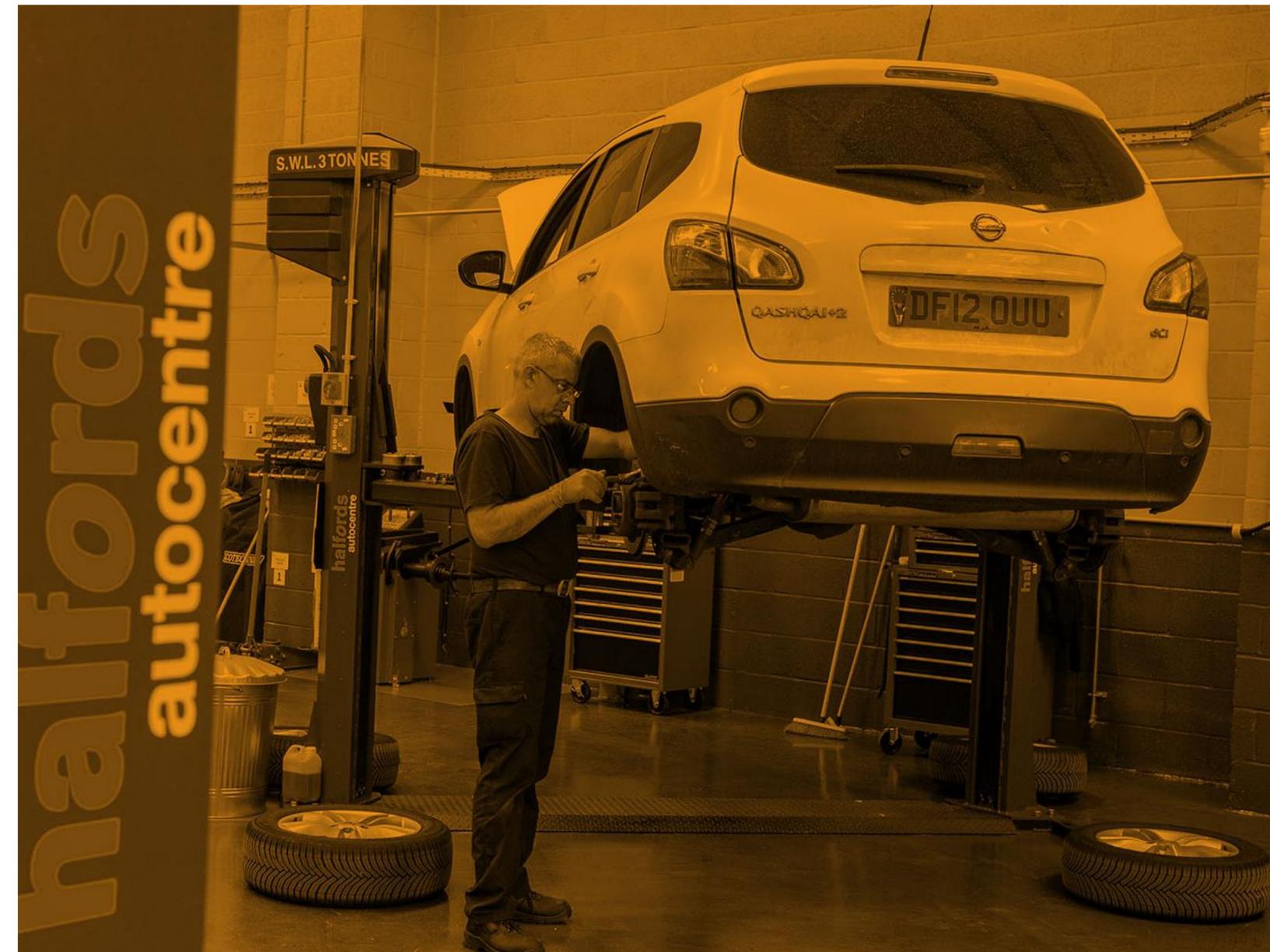
Revenue	£519.8m	+1.7% YoY +2.3% LFL
Gross margin	£242.2m	+3.6% YoY
Operating costs	£211.4m	+8.0% YoY
Underlying EBIT	£30.8m	-18.7% YoY
Underlying EBITDA	£44.6m	-12.4% YoY

**Notes:**

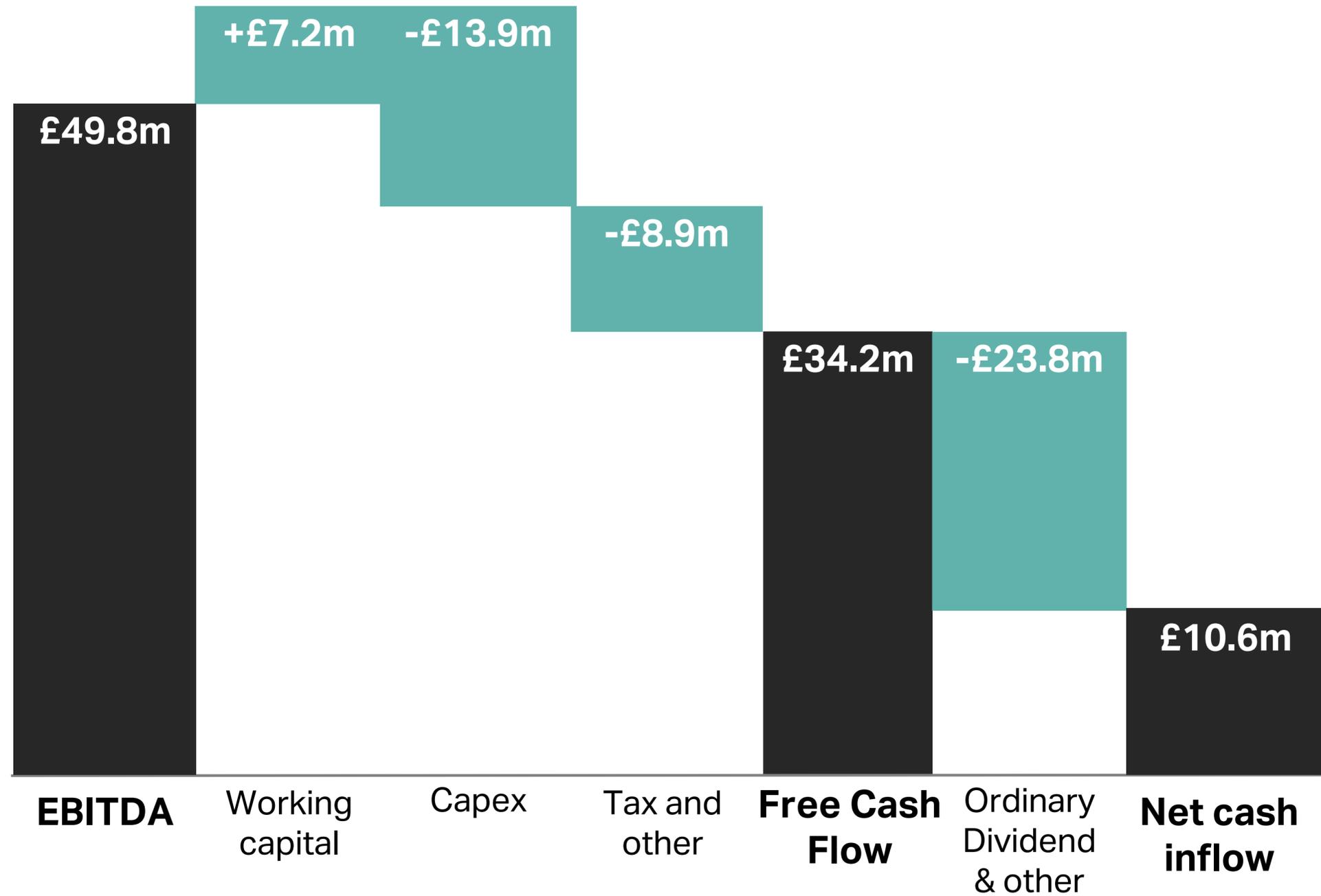
1) All numbers represent performance for the 26 weeks to 28 September 2018 and are before non-recurring items.



Revenue	£80.1m	+3.1% YoY +3.3% LFL
Gross profit	£54.1m	+2.9% YoY
Operating costs	£51.8m	+1.4% YoY
Underlying EBIT	£2.3m	+53.3% YoY
Underlying EBITDA	£5.2m	+30.0% YoY

**Notes:**

1) All numbers represent performance for the 26 weeks to 28 September 2018 and are before non-recurring items.

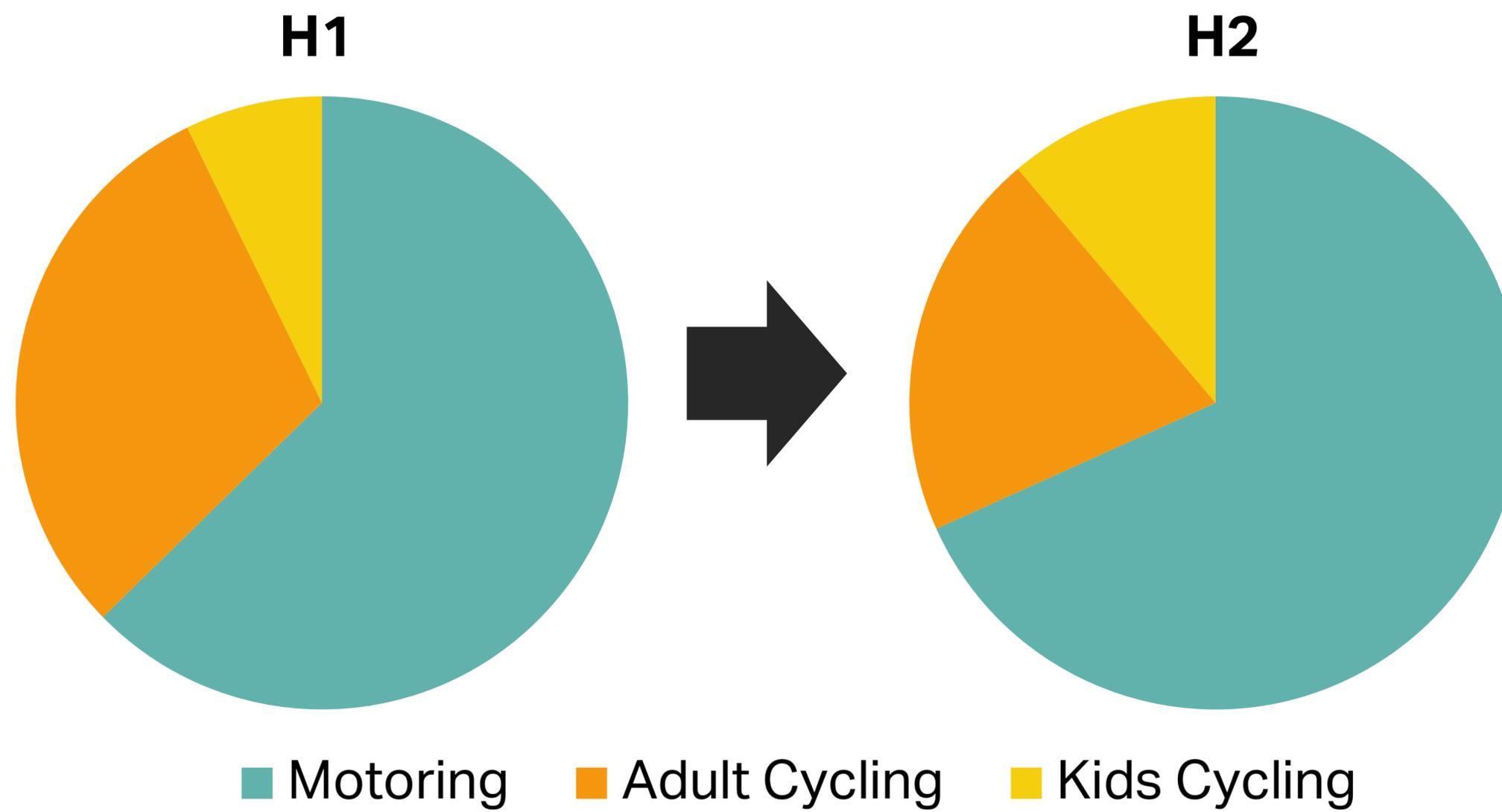


**Net debt of £77.2m representing 0.7 times underlying EBITDA**

# ***FINANCIAL OUTLOOK***

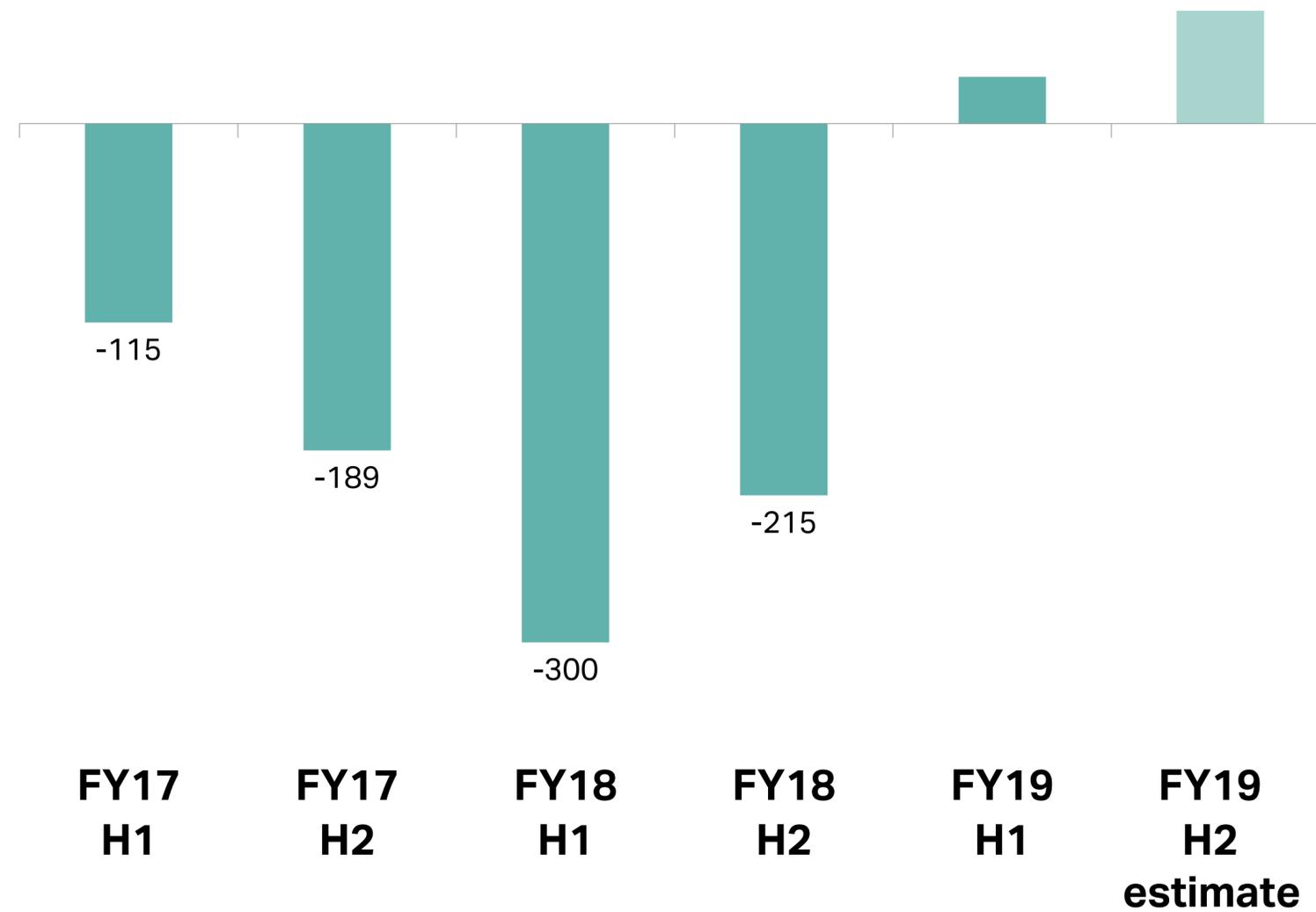
*Adam Phillips, Group Strategy & IR Director*

A greater mix of less discretionary sales in H2



c.£3m FX benefit in H2

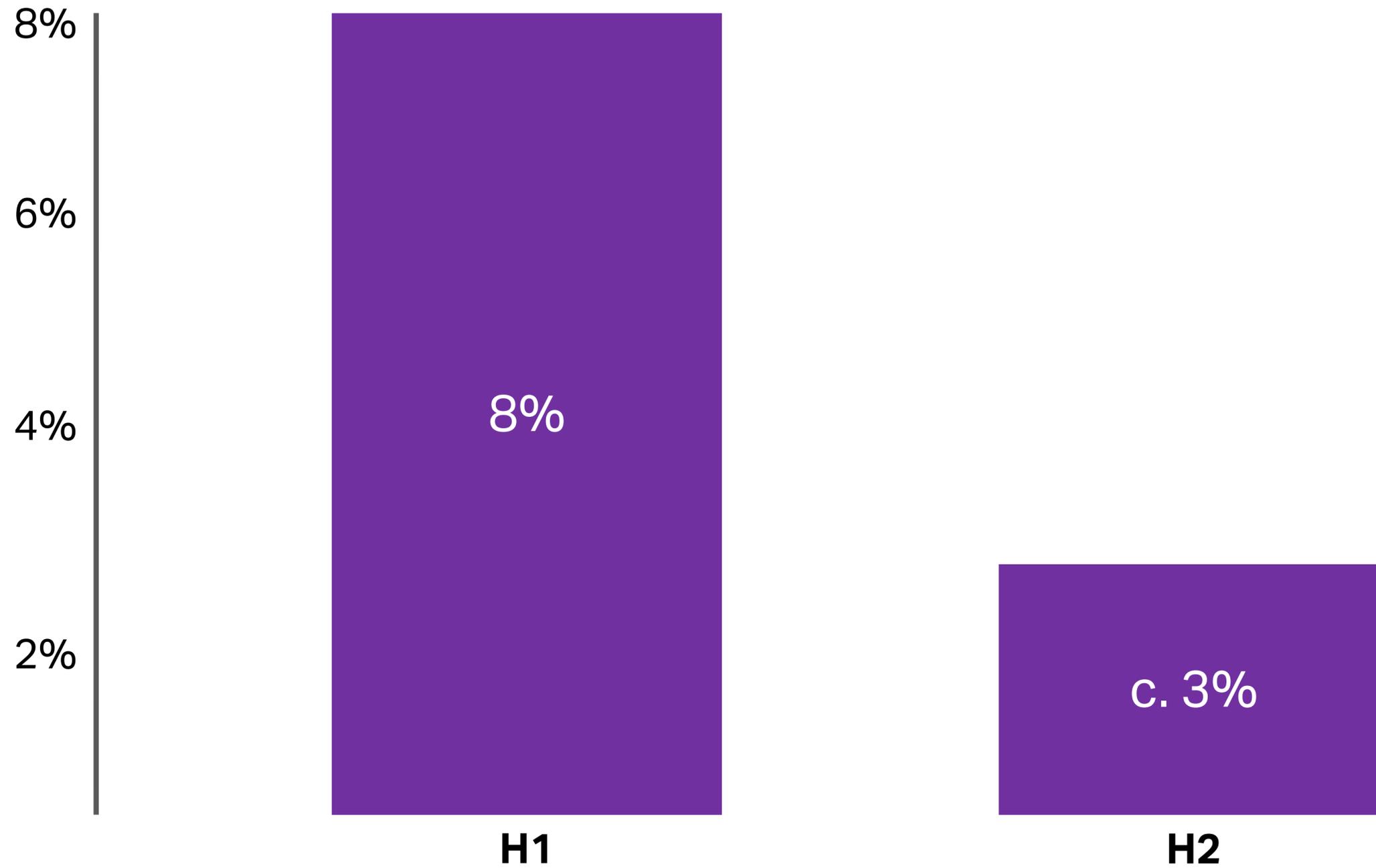
## Impact\* of GBP:USD exchange rate on COGS\*\*



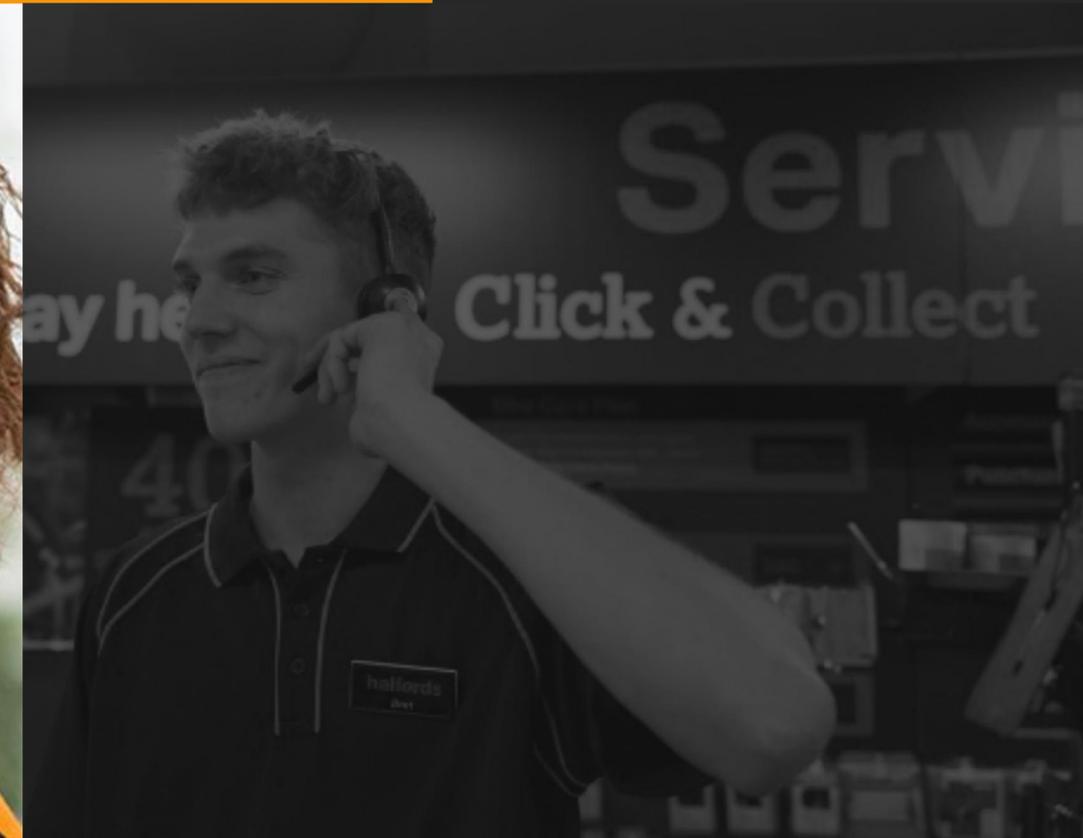
\* Expressed as YOY movement in gross margin in basis points

\*\* COGS refers to 'cost of goods sold'

Lower operating cost growth in Retail



- No change to financial guidance
- Full year outlook is reconfirmed: we continue to anticipate FY19 Underlying Profit Before Tax to be broadly unchanged from FY18
- Profit growth in H2 anticipated, reflecting:
  - Sales mix towards less discretionary categories
  - c. £3m of FX benefit
  - lower Retail operating cost growth (H2 c.3% vs H1 8%)
- Guidance is subject to trading performance over the peak Christmas period, and assumes average winter weather





**SUMMARY**

*Graham Stapleton, CEO*

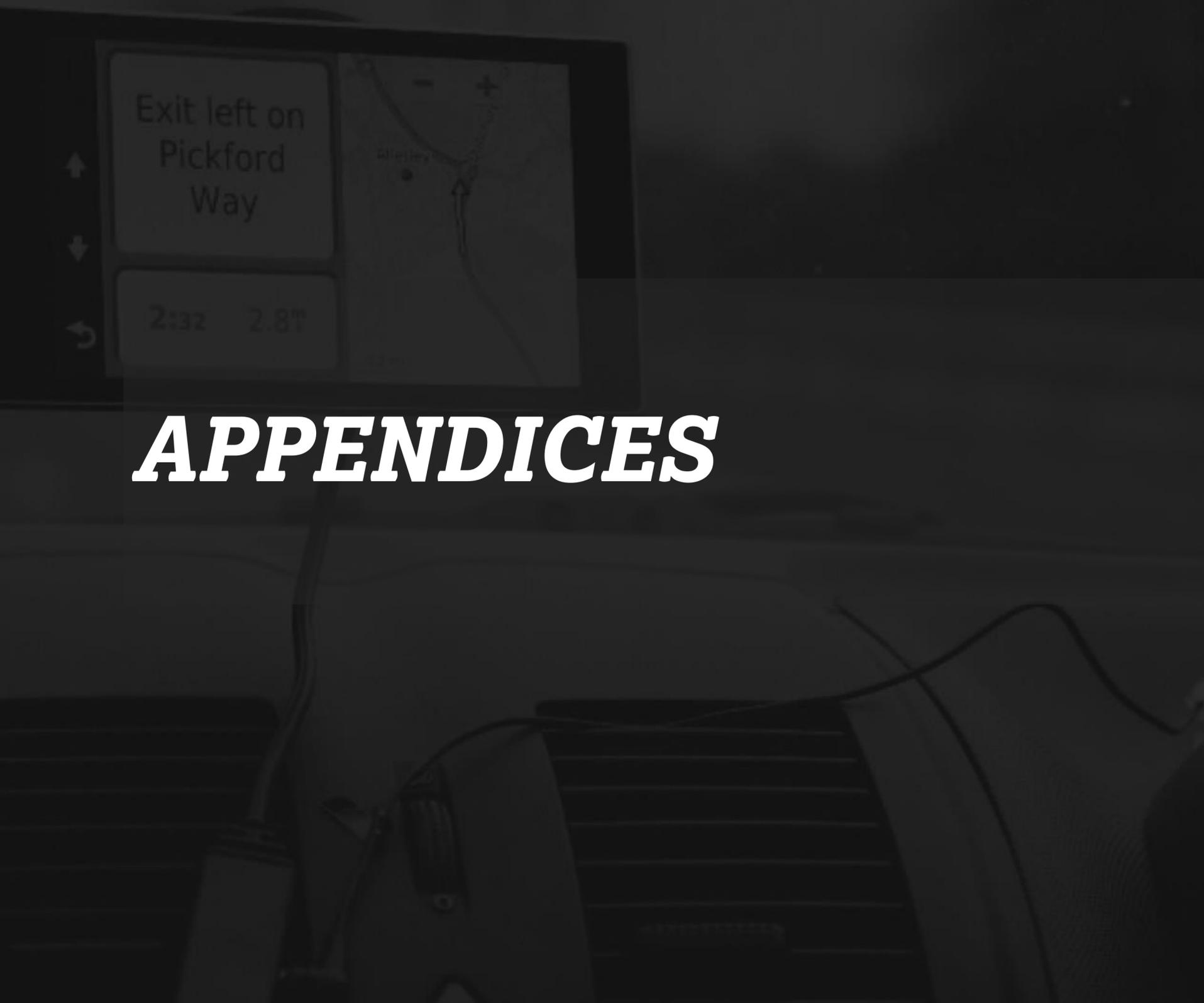
- Robust trading in challenging conditions
- Underlying PBT in H1 broadly in line with our expectations
- Strong cash generation
- Full year profit guidance maintained
- New strategy launched; momentum building





# Q&A

*To **inspire** and  
**support** a **lifetime** of  
motoring and cycling*



# ***APPENDICES***

**1**

Grow sales faster than the markets in which we operate

**2**

Increased Free Cash Flow over the period FY19 to FY21 compared to previous 3 years

**3**

Grow the ordinary dividend every year

**4**

Net debt target of 1.0x EBITDA with a range of up to 1.5x for appropriate M&A

**1** Maintaining a prudent balance sheet

**2** Investment for growth

**3** Grow the ordinary dividend

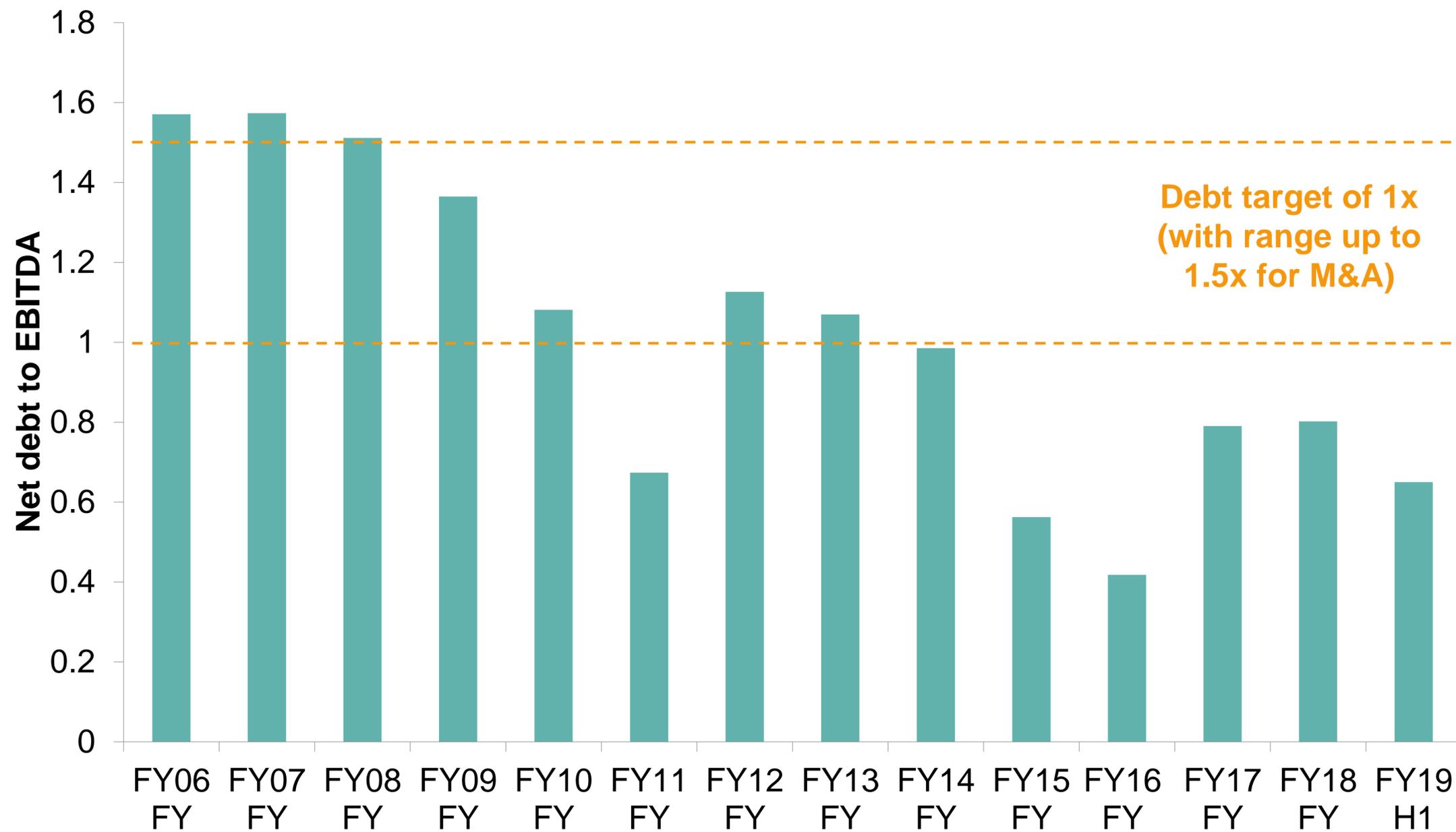
**4** Appropriate M&A

**5** Surplus cash returned to shareholders



**6 years**  
Average remaining lease length

**196**  
Number of leases expiring or with breaks in next 3 years



For further information, please go to  
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Next newsflow:  
22 January 2019: Q3 trading update