

# Investor Presentation

Spring 2012



# The History Of Halfords

*that's helpful that's* **halfords**

1892:  
Founded  
In  
Birmingham

1965:  
Becomes  
Part Of  
Burmah  
Group

1984:  
Becomes  
Part Of  
Ward  
Group

1989:  
WWG  
Acquired  
By Boots

2002:  
Acquired  
By CVC

2004:  
Floated  
On LSE

2010:  
Acquired  
Nation-  
wide  
Auto-  
centres

# The Investment Case

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*The UK's leading retailer of automotive and leisure products and leading independent operator in garage servicing and auto repair*



*Strong Cash  
Generation  
And A Robust  
Balance Sheet*

*The Market  
Leader In Core  
Categories*

*A Clear  
Strategy For  
Growth*

# The Group At A Glance

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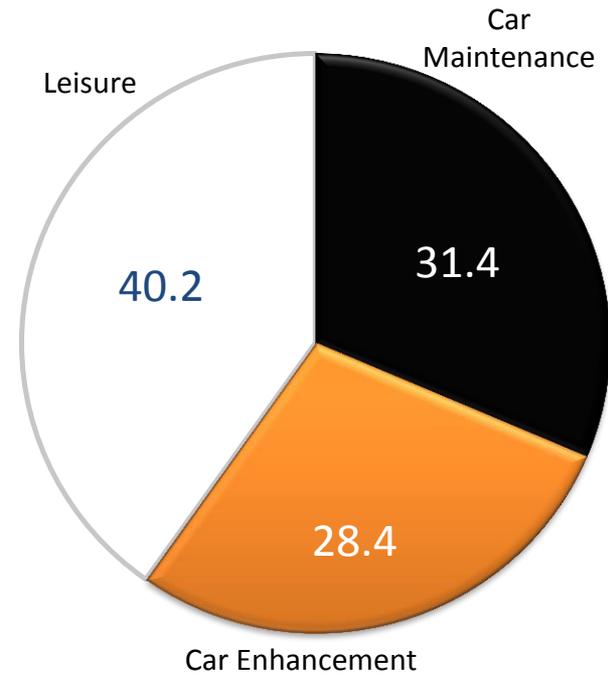
## Retail

- FY11 £770m sales, £124m operating profit
- 467 stores across the UK and ROI
- Truly multi-channel
- 89% of FY11 Group sales

## Autocentres

- FY11 £98m sales, £7m operating profit
- c.250 Autocentres across the UK
- Bringing scale to the proposition
- 11% of FY11 Group sales

FY11 Retail Sales %



*All numbers shown are before non-recurring items*

The highest-margin category

Category strengths:

- Needs driven demand
- Established brand is natural destination for customers
  - Huge range and national availability
  - Leveraged through in-store services

*A resilient and needs-based category*

*Largely fragmented competition*



## The lowest-margin category

- *Service overlay with fitting of Audio and Sat Nav*
  - *Opportunities in DAB in medium to long term*
    - *Managing for cash*
- *Fitting is a growth opportunity and a USP against the competition*



## *Margin broadly in line with the Retail average*

- *Cycling twice the size of Travel Solutions*
- *The most compelling growth opportunity*
- *Consistent growth in camping as Halfords becomes known for “life on the move”*
- *Positive underlying trends in cycle market – sustainability, fitness, transport costs, family, London 2012*



# The Retail Proposition

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## Dominant Range Offer

- Particularly in CM, CE & Cycling
- Combination of own label and 3<sup>rd</sup>-party brands



## Compelling Value

- Economies of scale vs. independents
- Global sourcing



## Service Differentiation

- **wefit** and **werepair**
- Do It For Me – replacing Do It Yourself



*The Proposition Driven By Price, Service and Innovation*

# The Retail Strategy

*that's helpful that's* **halfords**

*A consistent and effective strategy for managing the business*

Extending range and service advantage

Investing in store portfolio

Ongoing focus on cost control

Leveraging the Halfords brand in  
multi-channel

# Value Through Service

that's helpful that's **halfords**

## Central to Halfords proposition

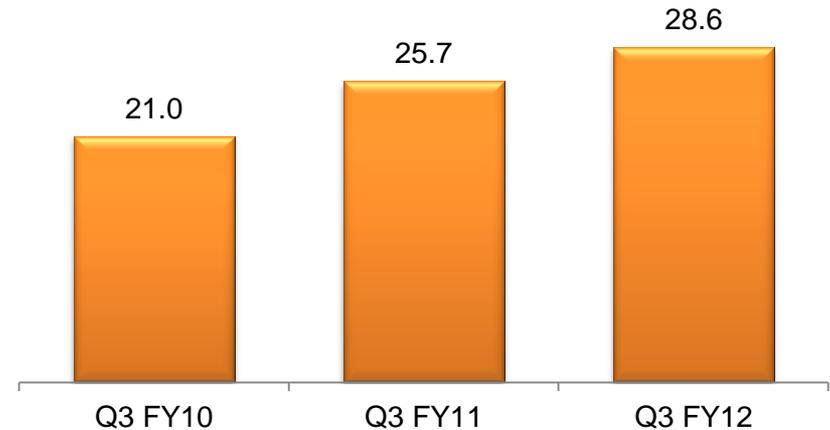
- Expert advice and information
- Products lend themselves to added-value services
- Competitive strength vs. online

## Growth in revenue

- Fitting penetration levels up
- Increased levels of attachment

## Extending range and service advantage

3Bs fitting penetration (%)



# Value Through Range

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- Ranges led by comprehensive private label assortment
- Leading brands stocked in key categories
- Broad spread of price points
- Offices across Asian region source c.40% of sales
- Full choice of complementary accessories



**Extending range  
and service advantage**

# Value From The Retail Portfolio

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- Wide UK representation
- 53 short-term-payback refreshes completed in H1
- c.140 lease expiries over the next 5 financial years
- London stores – exploring the potential



Investing in the  
store portfolio

# Value Through Cost Control

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## Operating Costs

- Strong cost-control culture at Halfords
- Procurement disciplines
- Benefits of new distribution network being realised
- H1 store payroll flat – fitting & services improved



## Sourcing

- New product areas – Cambodia, Vietnam, Tunisia
- In-region expertise



Ongoing focus on  
cost control

# Creating Value Online

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## The Customer Experience

- Online penetration over 10% of Retail sales at Q3; 33m visitors YTD, up 4%
- A true multichannel retailer – 87% store collected
- Rebalanced promotional activity

## Online Development

- Mobile optimised site
- Shopping app launched
- Replatformed site



Leveraging the Halfords brand in multi-channel

# Autocentres

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Purchased  
February  
2010 for  
£73.2m

The leading  
UK provider  
of MOT, car  
servicing and  
repairs

Highly-  
trained staff  
and latest  
diagnostic  
equipment

Dealership  
quality  
service at  
more  
affordable  
prices



*As Credible As A Franchise Dealer  
As Cost-Effective As An Independent*

# The Autocentres Strategy

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*A consistent and effective strategy for managing the business*

Managing and growing service advantage

Maintaining a low-cost structure

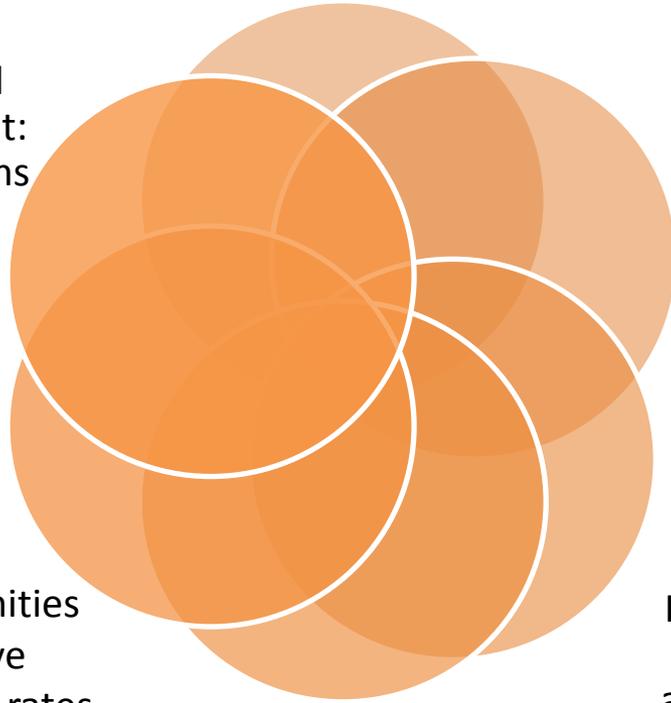
Investing in new centres

Leveraging the Halfords brand

# Autocentres' Opportunities

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1% market share of  
a £9bn market



Self-funded  
centre rollout:  
>400 locations

Increasing  
technological  
complexity of  
cars favours the  
scale players



Opportunities  
to drive  
utilisation rates  
of technicians  
and ramps

Increasing  
brand  
awareness

**brakes4life**

Halfords.com is  
the footfall  
driver

**Save up to 30%**  
on branded tyres when  
you book online

**MICHELIN Continental BRIDGESTONE HANKOOK**

FIND OUT MORE

# Autocentres' Progress

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- *Rebrand completed Q4 FY11*
- *National media campaign in Q4 FY11*
- *Advertising on TV for the first time*
- *Over 25 centres opened since acquisition*
- *Head Office relocation*
- *Investment for sustainable growth*



	LFL growth
Q1	+2.1%
Q2	+3.1%
Q3	+10.9%



# Key Messages

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