

**HALFORDS GROUP PLC**  
***FY21 PRELIMINARY RESULTS***  
**17<sup>TH</sup> JUNE 2021**

**halfords**

***FY21 Financial Performance  
and FY22 Outlook***

Lorraine Woodhouse, CFO

***Strategic Update***

Graham Stapleton, CEO

***Summary***

Graham Stapleton, CEO

***Q&A***





# ***FY21 FINANCIAL PERFORMANCE***

*Lorraine Woodhouse, CFO*

- Strong Group revenue growth
- Gross margin improvements offsetting mix effects
- Tight cost control and falling as a % of revenue
- Strong profit growth driven by revenues, gross margin and tight cost control
- Good Free Cash Flow with robust cash position

**Group Sales Growth**

**+13.1%**

(LFL revenue +13.9%)

**Underlying Costs as %  
revenue\***

**-3.1 ppts**

(Underlying costs\* +5.6% YoY)

**Net Cash**

**£58.1m**

(£131.3m YoY)

**Group Gross Margin**

**50.8%**

(-34bps YoY)

**Group PBT\***

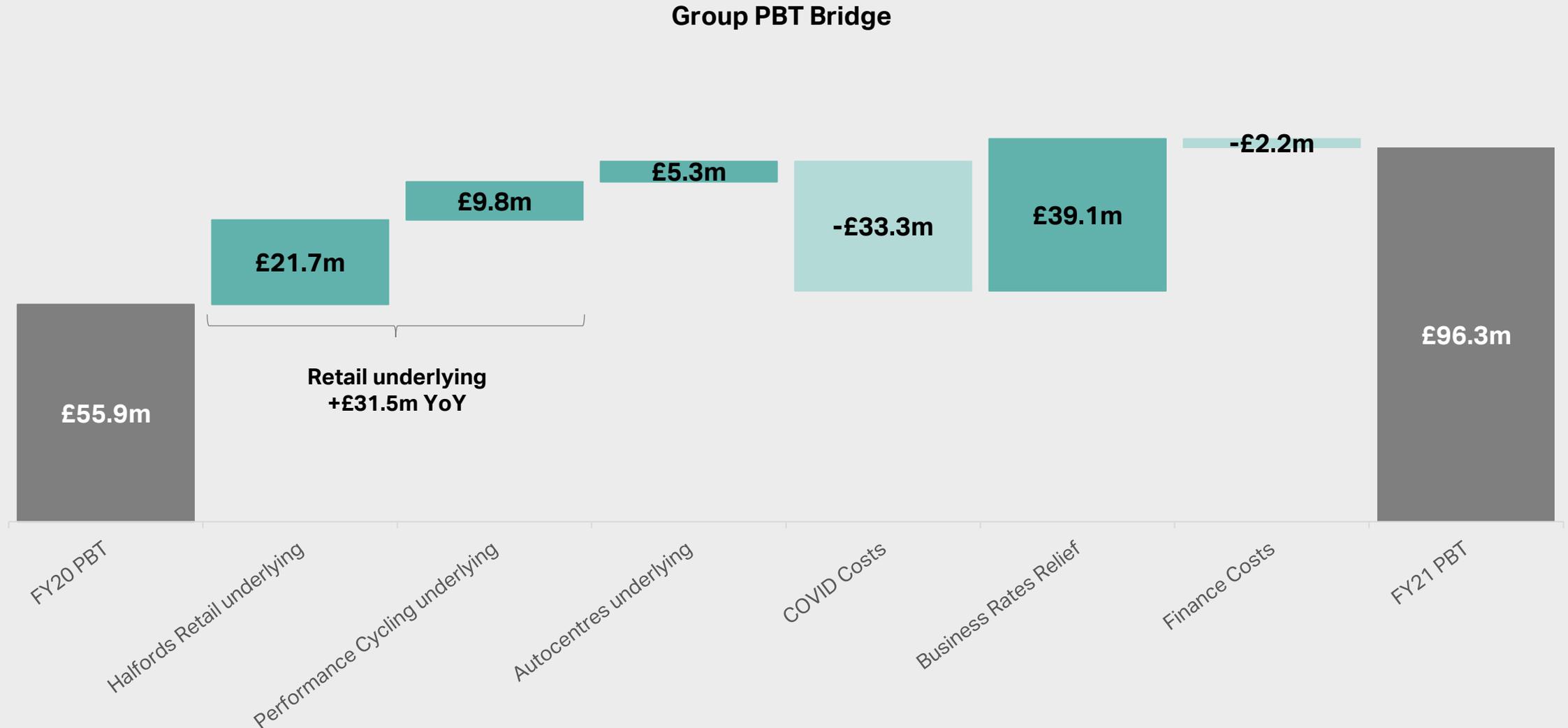
**£96.3m**

(+£40.4m YoY)

\*pre-IFRS 16 and before non-underlying items

**Non-underlying items, largely arising due to store and garage closures, amounted to £35.0m. Impact of adopting IFRS 16 was a credit of £3.2m.**

	FY21	vs. FY20
Revenue	£1,292.3m	+13.1% YoY +13.9% LFL
Non-Underlying items	-£35.0m	
Impact of adopting IFRS 16	£3.2m	
PBT after Non-Underlying items post-IFRS 16	£64.5m	
Basic Underlying EPS pre-IFRS 16	40.7p	+60.5% YoY
Free Cash Flow	£145.3m	+£90.7m YoY
Proposed final dividend	5p	+19%YoY



**Note: Underlying numbers exclude business rates relief and COVID-19 costs. COVID-19 costs include £10.5m of furlough, which was repaid to the UK Government in H2, and £3.1m of lost rebates.**

**Retail performance driven by strong revenue growth, underlying margin improvements and tight cost control**

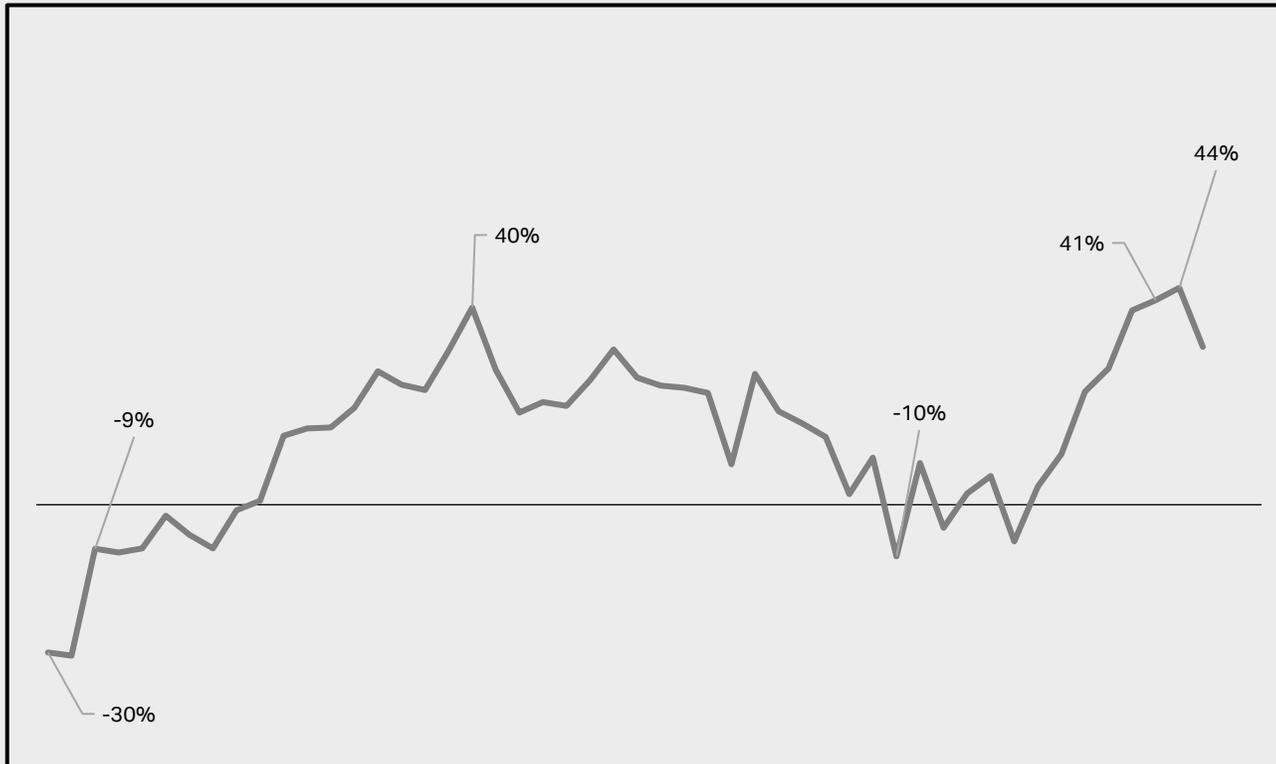
Revenue	£1,039.8m	+9.4% YoY +14.6% LFL
Gross Margin	48.3%	+10bps YoY
Operating Costs*	£410.6m	+1.6% YoY
Underlying EBIT*	£91.4m	+68.9% YoY

**Note:** \*numbers reported on a pre-IFRS 16 basis

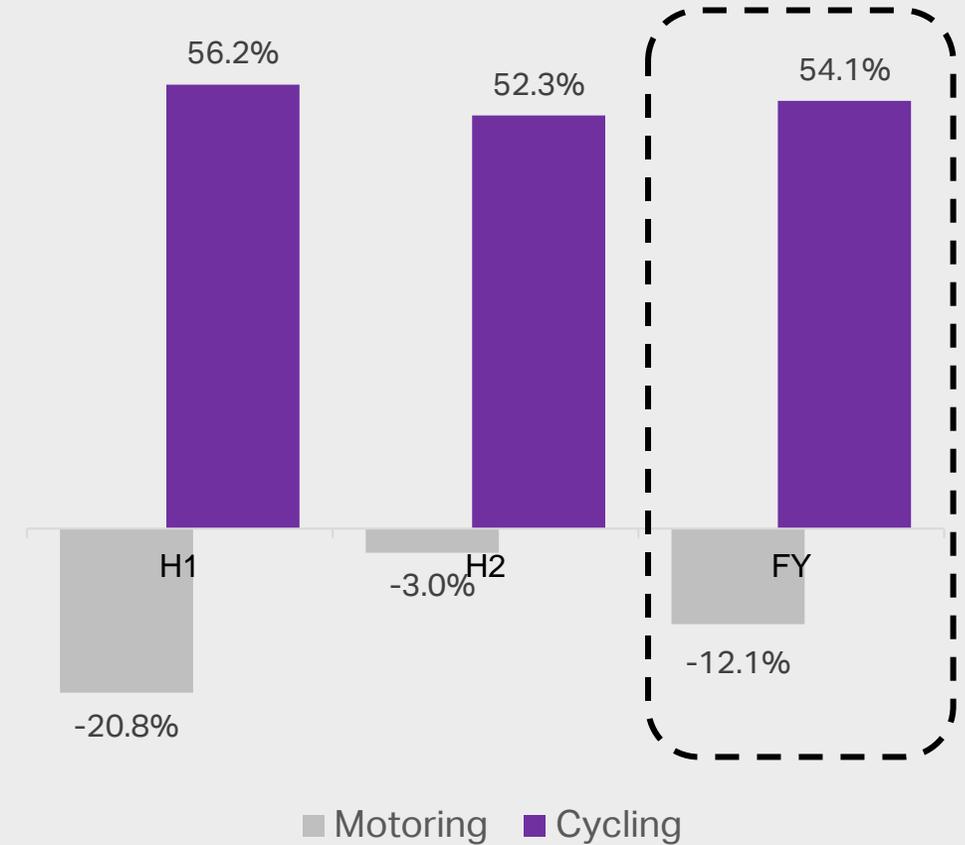


**We experienced a volatile and unpredictable trading environment throughout FY21, making operating the business extremely challenging**

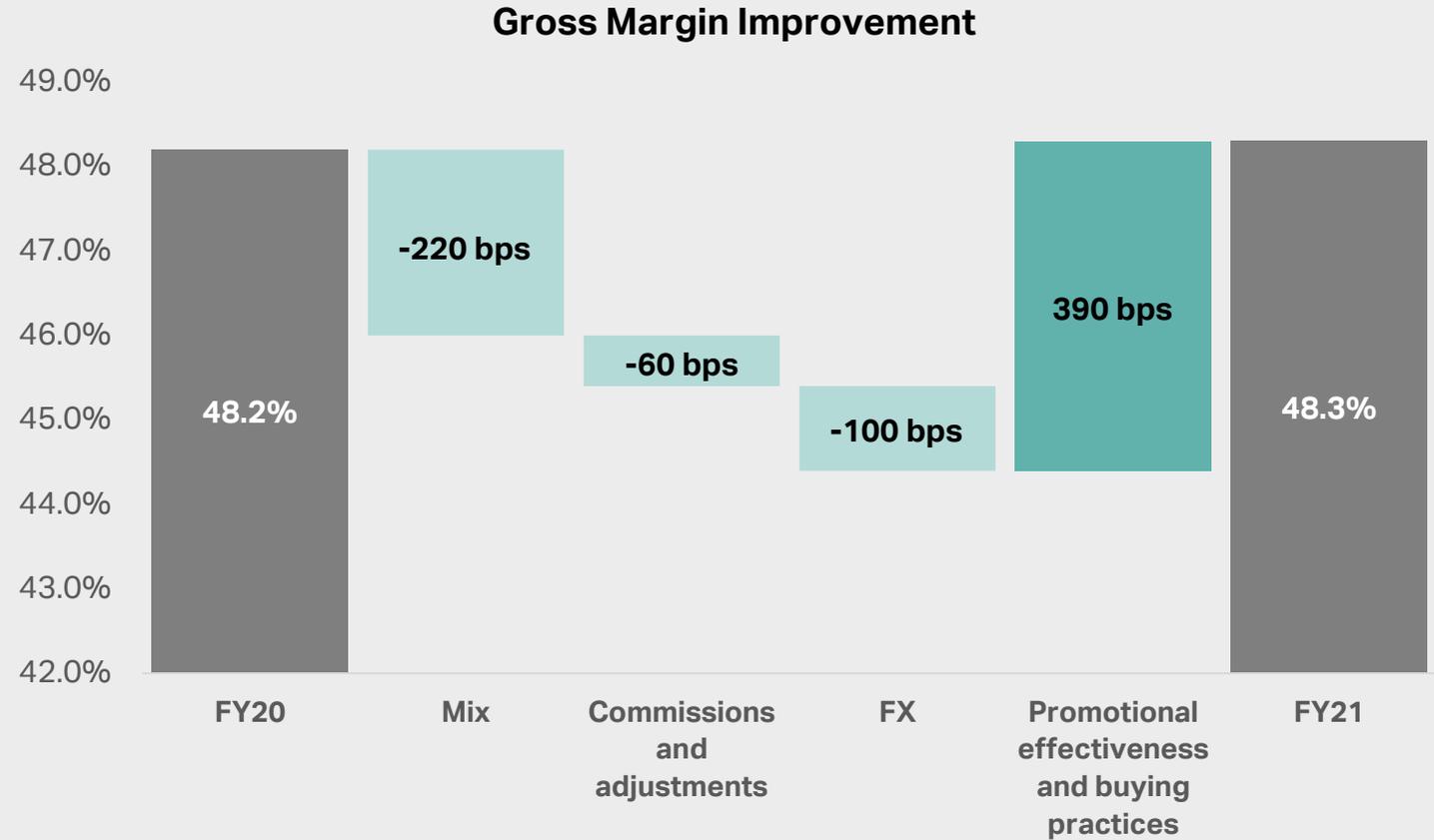
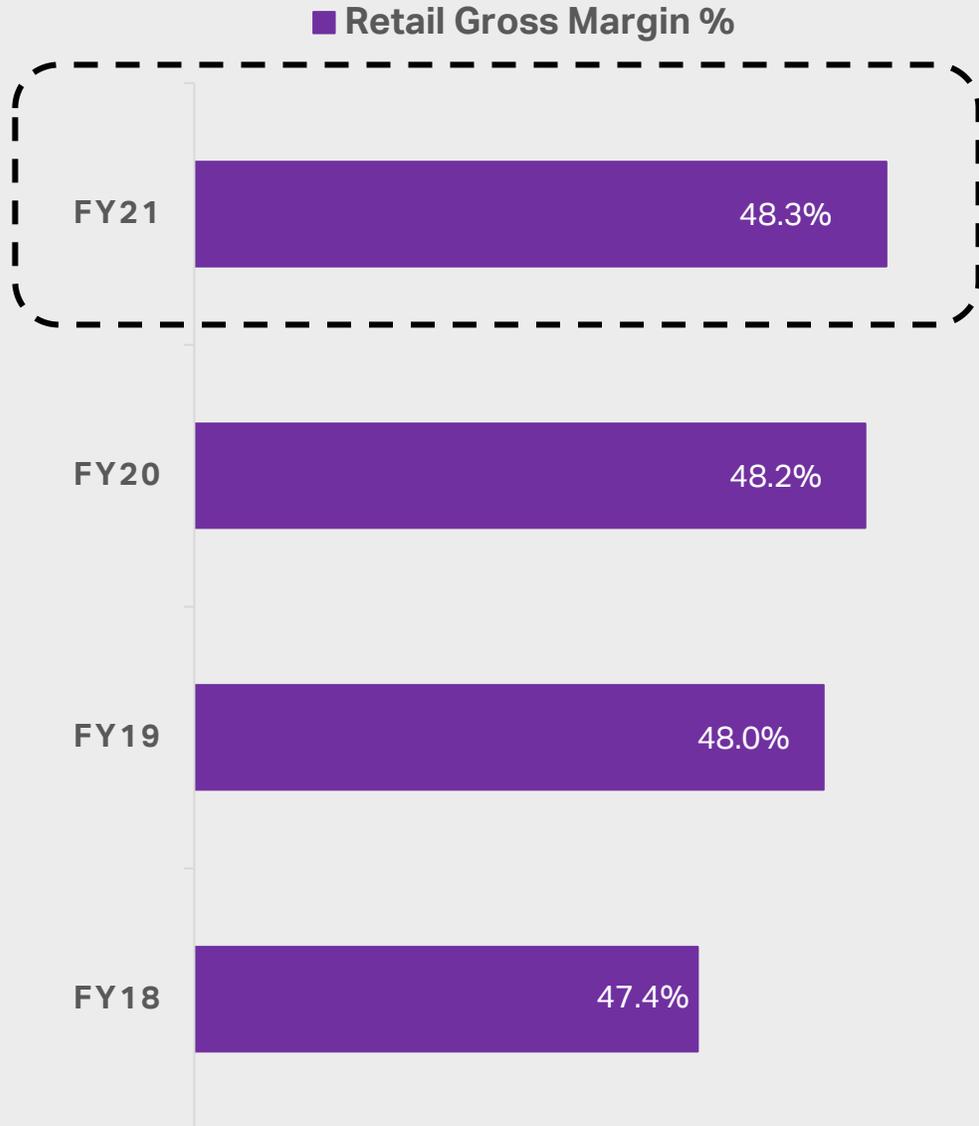
**Retail Weekly LFL Trend**



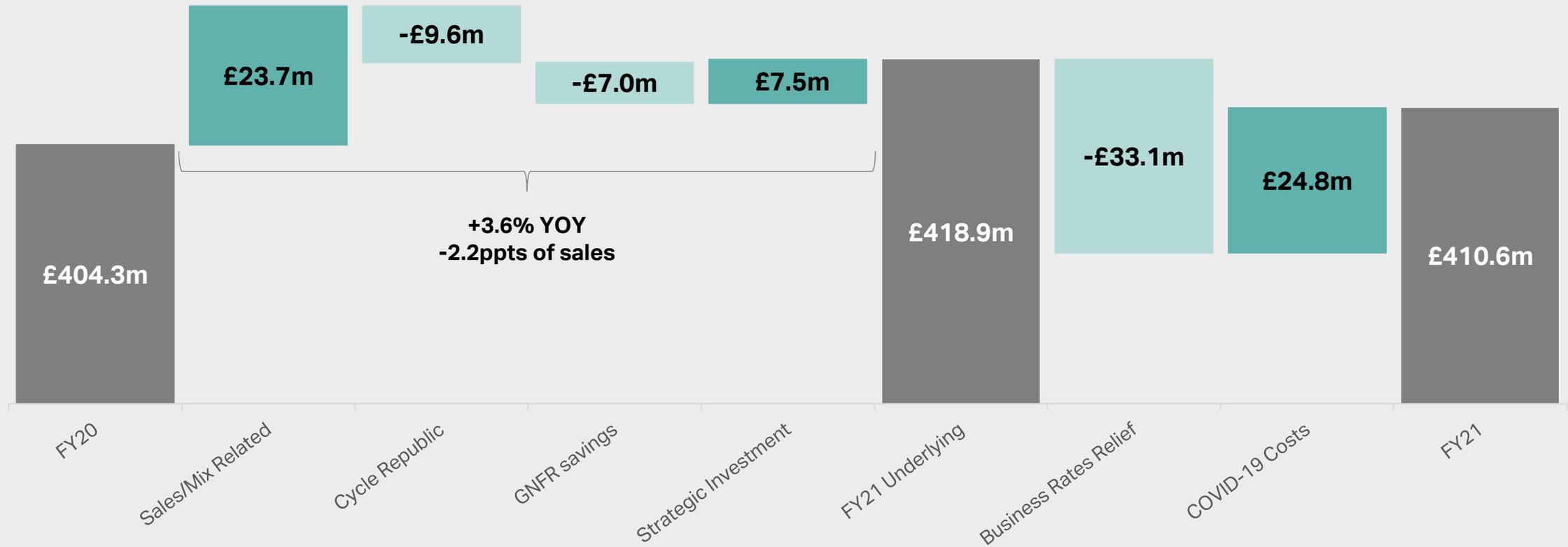
**Retail LFL Sales Growth**



# Significant margin gains in Cycling mitigated the adverse mix effect of declining higher-margin Motoring sales

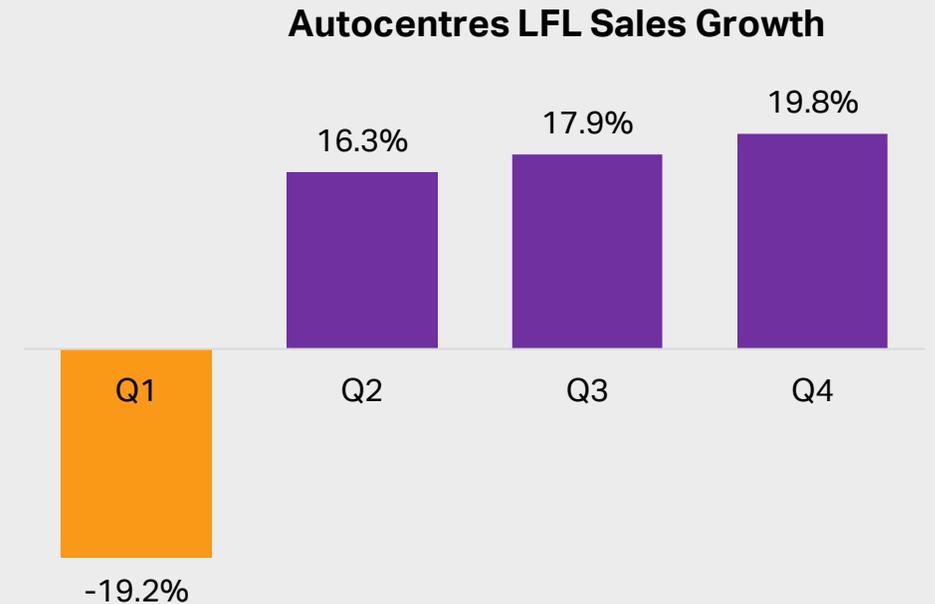


**Retail Operating Costs Bridge**

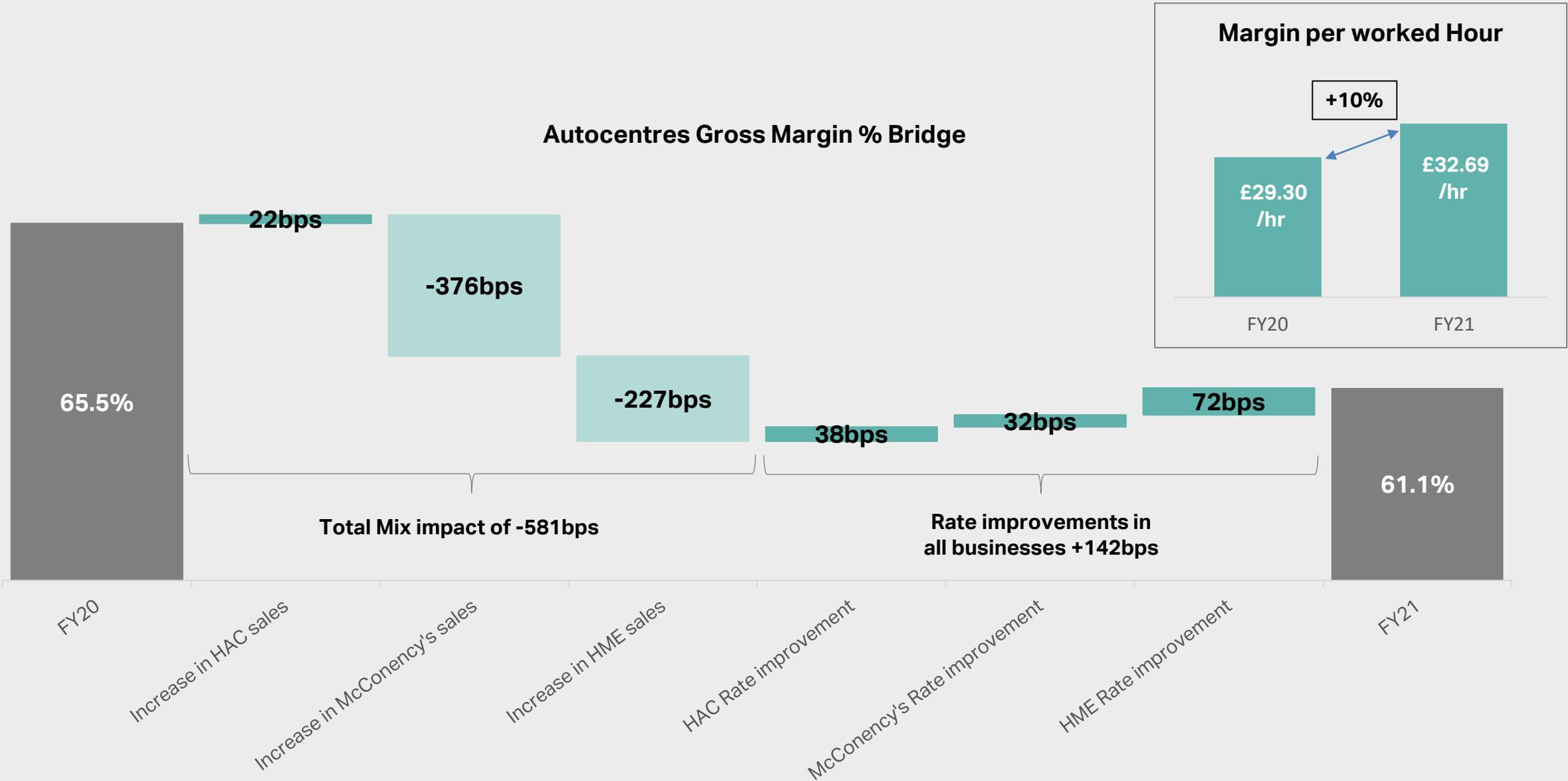


# Autocentres performance rebounded after a lockdown-impacted Q1, as we took share and grew our business organically and through acquisition

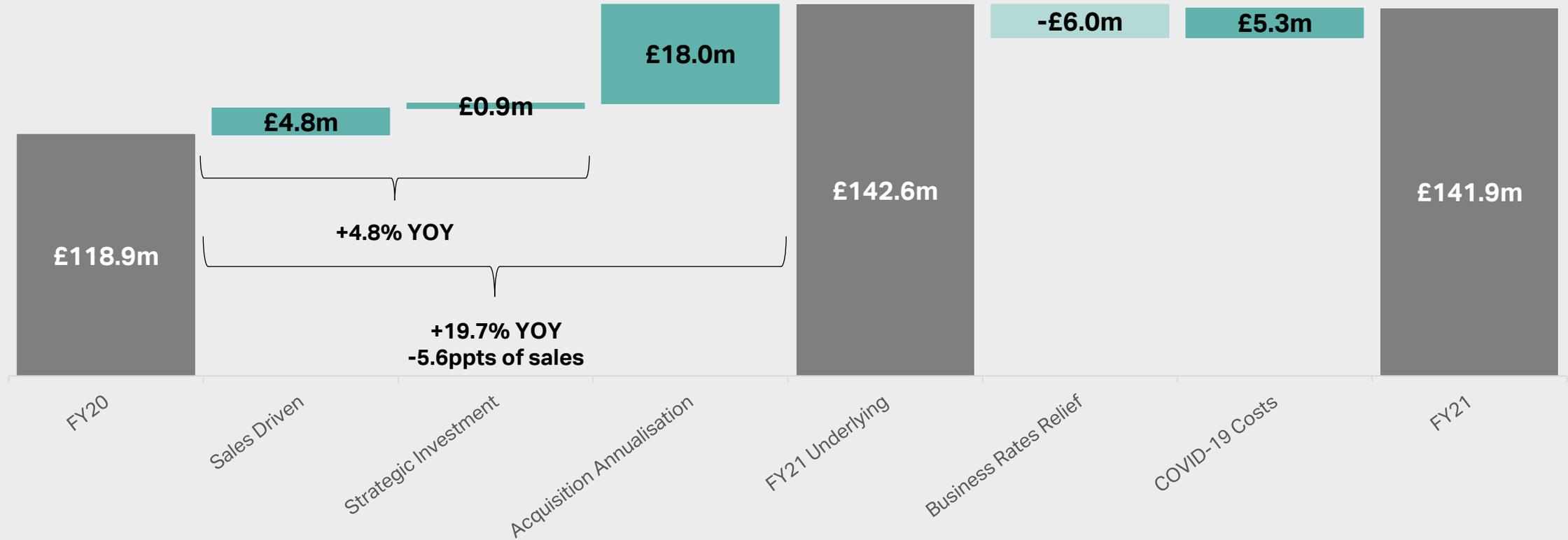
Revenue	£252.5m	+31.6% YoY +9.7% LFL
Gross Margin	61.1%	-440 bps
Operating Costs*	£141.6m	+19.1% YoY
Underlying EBIT*	£12.7m	+89.6% YoY



**Significant underlying rate improvements partly offset the mix impact of significant growth in businesses with lower, but improving, margins**



**Autocentres Operating Costs Bridge**



**Autocentres recorded an underlying EBIT of £12.7m, 89.6% higher than last year**

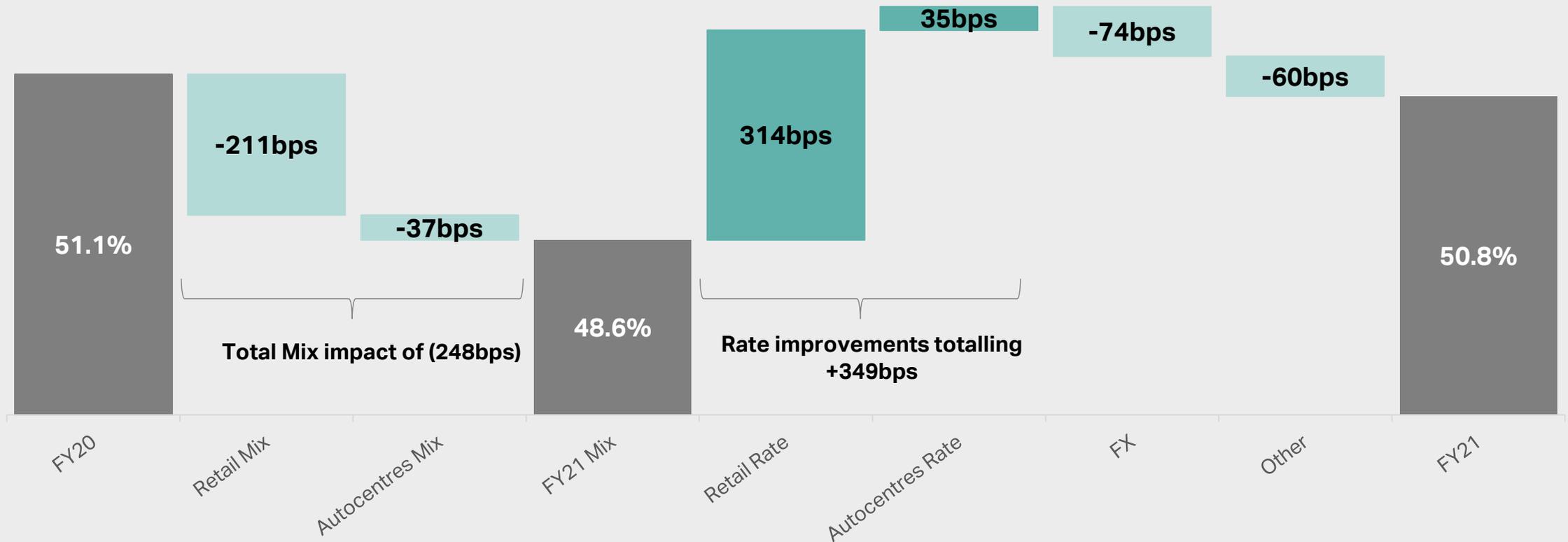
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**Note:** \*numbers reported on a pre-IFRS 16 basis



**For the Group overall, significant underlying rate improvements offset the adverse mix impact of strong Cycling growth and acquisitions**

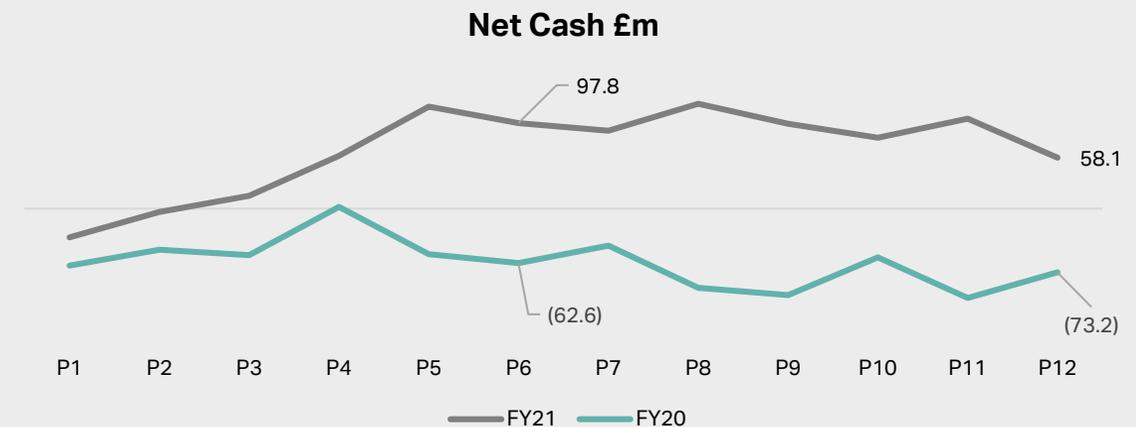
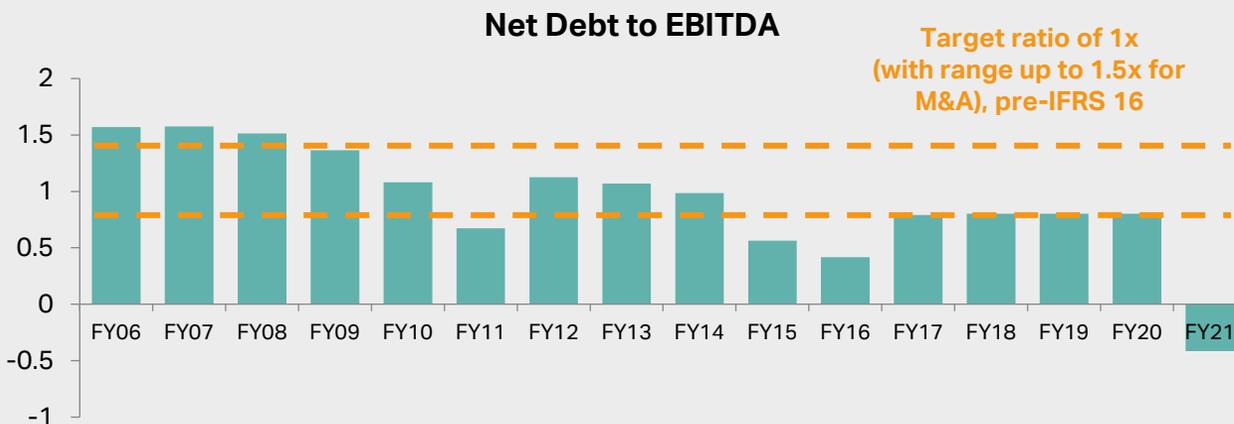
**Group Gross Margin % Bridge**



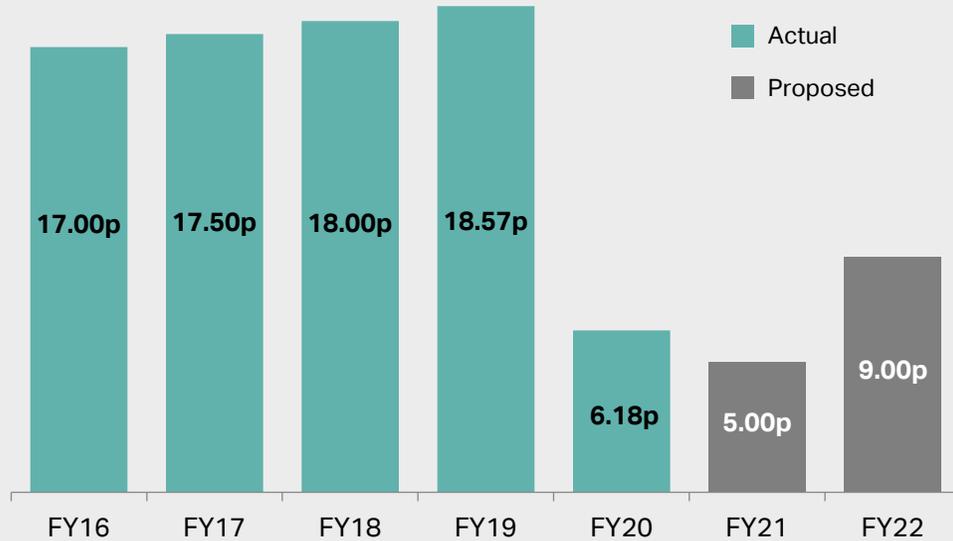
# Strong cash performance, some of which will unwind in FY22, leaves the Group in a good position to invest in the strategy in FY22

	FY21 £m	FY20 £m	YOY £m
<b>EBIT</b>	<b>64.5</b>	<b>23.3</b>	<b>41.2</b>
Depreciation & Amortisation	39.7	40	-0.3
Working Capital	43.4	48.7	-5.3
Provisions Movement	32.6	-3.1	35.7
Employee Share Scheme	6.4	1	5.4
<b>Operating Cash Flow</b>	<b>186.6</b>	<b>109.9</b>	<b>76.7</b>
Capex	-28.0	-34.1	6.1
Net Finance Costs	-5.5	-2.4	-3.1
Taxation	-10.8	-16.3	5.5
Other	3.0	-2.5	5.5
<b>Free Cash Flow</b>	<b>145.3</b>	<b>54.6</b>	<b>90.7</b>

FY21 working capital inflow benefitted by approximately £36m from lower-than-normal stock levels and the timing of creditor payments.



### Dividend per share



- Proposed final DPS for FY21 of 5p
- Targeting full year DPS for FY22 of 9p
- Progressive dividend policy thereafter

### Capital Allocation Priorities

- 1 Maintaining a prudent balance sheet
- 2 Investment for growth
- 3 M&A focussed on Autocentres
- 4 Progressive dividend policy
- 5 Surplus cash returned to shareholders

## Current trading

FY22 9 weeks YTD  
(2 year LFL Sales)

Group	+17.9%
Retail	+20.9%
- Motoring	+6.6%
- Cycling	+42.0%
Autocentres	+6.6%

**Positive momentum  
carried forward YTD**

## FY22 Outlook

### Tailwinds

- More regular motoring journeys
- Staycation trends driving high demand for Touring products
- Cycling demand robust

### Headwinds

- Volatile and uncertain trading environment
- Supply and labour challenges likely to persist
- Consumer caution and greater value expectation

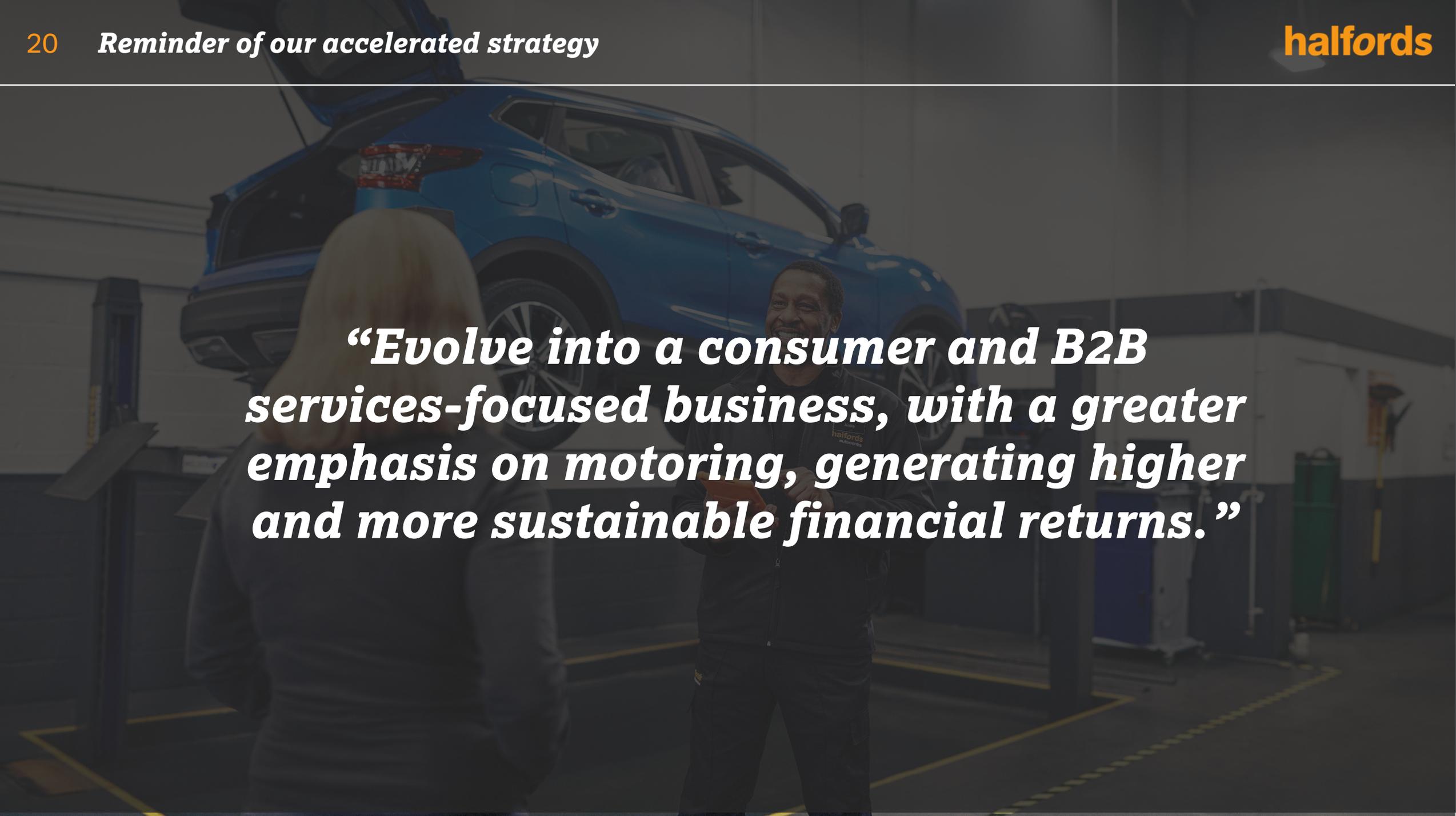
- Working capital – unwind of c.£36m in FY22
- Accelerate our transformation
  - Investment in Retail Motoring pricing
  - Capex £50m-60m
- Targeting PBT, post-IFRS 16, above £75m<sup>1</sup> and full year DPS of 9 pence

1. This includes £11m of business rates not levied

# STRATEGY UPDATE

Graham Stapleton, CEO





***“Evolve into a consumer and B2B services-focused business, with a greater emphasis on motoring, generating higher and more sustainable financial returns.”***

**Group B2B**

Sales Growth YOY %

**+40.0%**

% of Group Sales

**17.9%**

(+3.4pts YOY)

**Group Services**

**+23.0%**

**28.7%**

(+2.3pts YOY)

**Group Online**

**+110.0%**

**44.0%**

(+21pts YOY)

**To *Inspire* and *Support*  
a *Lifetime*  
of *motoring* and *cycling*.**

**1** Inspire our customers with a differentiated, super-specialist offer



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



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



**Underpinned by:**

Focus on **Cost and Efficiency**

Investment in our **Colleagues**

*In July 2020, we highlighted the need to moderate our near term plan in light of the unprecedented impact and extreme uncertainty of the COVID-19 pandemic.*

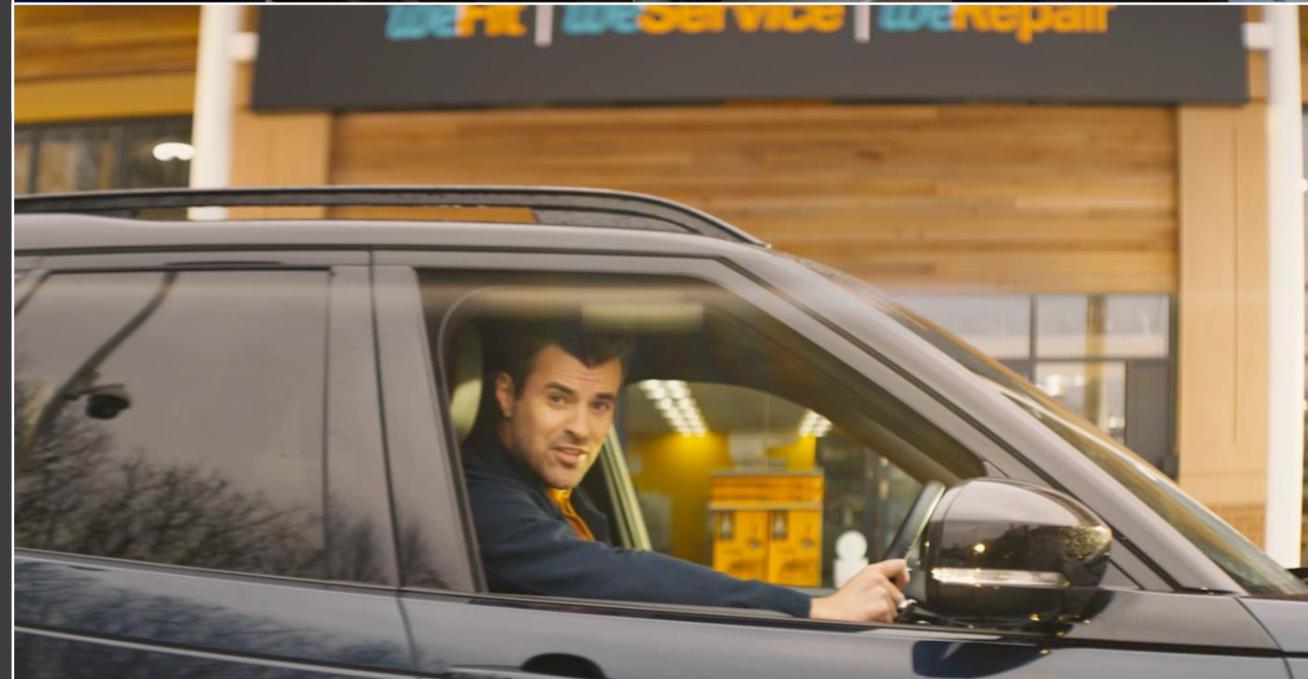
*The emphasis of our short-term plans were to build foundations from which to transform:*

1. Continue to transform and build a unique and **market-leading position in motoring services.**
2. Enhancing our Group web platform and **digital customer experience**, to create an even more differentiated and specialist proposition.
3. A **focus on cost and efficiency**, creating a leaner and more profitable business.
4. **Invest in our Colleagues'** welfare, engagement and development.

## 25 *Strategic Highlights*

Continue to build a unique and market-leading position for **motoring services**

- Increased the scale of our Halfords Mobile Expert to 143 vans, 14 hubs and over 250 technicians achieving +200% growth.
- Acquired Universal Tyres adding 20 garages and 89 vans to expand our commercial coverage. We now have over 180 commercial vans.
- Continue to invest in our Technology:
  - 'PACE2' in McConechy's garages
  - ToTD integrated into our Group website
  - WeCheck app in Retail
- Launched our first Group motoring services campaign contributing to increased awareness of our offer and a +28% uplift in it's consideration scores.
- Cycling Services grew +50% through market leading share of Government 'fix your bike' scheme and our national network of super-specialist technicians.



Enhancing our Group web platform and **digital customer experience**, to create an even more differentiated and specialist proposition

- Over 160 customer enhancements to our Group website.
  - 'Email me when back in stock'
  - Frequently bought with adding additional items to 20% of baskets
  - Bookable bike slots
  - Self-service portals and chatbots
  - Online sales 44% of Group and conversion up +37% YoY
- Centralised customer contact from our 404 retail stores achieving a call answer rate of over 95%, despite a 4x increase in contact during the pandemic.
- Enhanced customer experience across the Group:
  - Retail NPS +1.8 YoY
  - Autocentres NPS +3.8 YoY



### Fast Product Finder

Enter your reg number below to only shop the products that will fit your car, motorbike or van

Vehicle

Registration Number

Be advised that by entering your VRN we will check if your MOT is due soon

[I don't know my vehicle registration number](#)

### Local Products & Services

Enter your postcode to start shopping local products and services

Postcode

### Top Trending Near You

On Offer				
570 views today	454 views today		279 views today	93 views today
Xiaomi Mi Pro 2 Electric Scooter ...	Halfords Essential Group 1/2/3 Child...	Free Air Con Check	Halfords Roof Mount Bike Rack	Halfords A 2 Bike Tow
★★★★★ (191)	★★★★★ (971)	★★★★★ (36)	★★★★★ (244)	★★★★★
£499.00 <del>£599.00</del> SAVE £100.00	£40.00	0	£30.00	£289.99

## THE FUTURE IS ELECTRIC

### Welcome to Halfords Electric!

Here, you'll find everything you need to know about electric cars, bikes and scooters, including the latest products, services, news and advice. Electric is the future of transport and there's never been a better time to go electric. Here at Halfords, we have a mission to provide you with all the advice, guidance and support you need as you make the eco-friendly transition. *Let's help support a sustainable future!*

Start your journey here...

Electric Bikes



Electric Scooters



Electric Cars



## 27 **Strategic Highlights**

A focus on cost and efficiency, creating a leaner and more profitable business

- Cycling profitability improvements of +680bps:
  - Simplifying our ranges and componentry
  - Promotional effectiveness
- Established HME hubs now profitable.
- Sustainable working capital improvement of £20m
- Closed 80 low-returning stores and garages, leading to an annualised profit increase of circa £12m.
- Negotiated 19 Retail store leases achieving an average -30% rent reduction.
- Delivered GNFR cost reductions of £7m



Investment in our **Colleagues**

- Prioritised colleague safety, including PPE and COVID protocols for stores and garages totalling £11m.
- Supported our colleagues financially with over £4m of initiatives and schemes provided during the pandemic.
- We launched a Wellbeing hub to support colleagues on a range of issues affecting their mental and physical health
- Recruited and trained colleagues, investing £1.7m across the group in our super-specialist services.



## FY21: Strengthening the foundations of the business

### Improved Economics

- Cycling gross margin +680bps, alongside supply chain efficiencies
- Autocentres +180bps net margin improvement.

### Property and Costs

- GNFR and procurement saving over +£7m
- 80 location closures +£12m
- Rent Reductions -30%

### Improved Customer Experience

- 160 digital enhancements resulting in a +37% conversion uplift
- Centralised customer contact with CAR >95%
- Retail NPS +1.8points, HAC NPS +3.8 points

### Growth in Resilient Markets

- B2B Sales +40% YoY
- Service sales +23% YoY

### Strengthened Balance Sheet

- Net cash of £58.1m
- Working capital improvements of £20m

## FY22: Transforming the customer experience



A woman with blonde hair tied back, wearing a dark blue Halfords uniform, is looking down at a tablet device. She is standing next to a blue car with the driver's side door open. The background is a blurred car dealership setting. The text "OUR STRATEGIC FOCUS FOR FY22" is overlaid in white, bold, italicized font across the center of the image.

***OUR STRATEGIC FOCUS FOR FY22***

Having transformed the economics of our business over the last 18 months, we have built strong foundations from which we will now transform the customer experience.

In FY22, we will scale our Services business even further, making progress towards our medium-term target of 550 garages and on the way to becoming the UK's largest and most trusted garage services provider.

By the end of FY22, a seamless, consistent and convenient customer experience will begin to emerge through Fusion, and the launch of our motoring loyalty club will provide a mechanism for rewarding our most valuable customers.

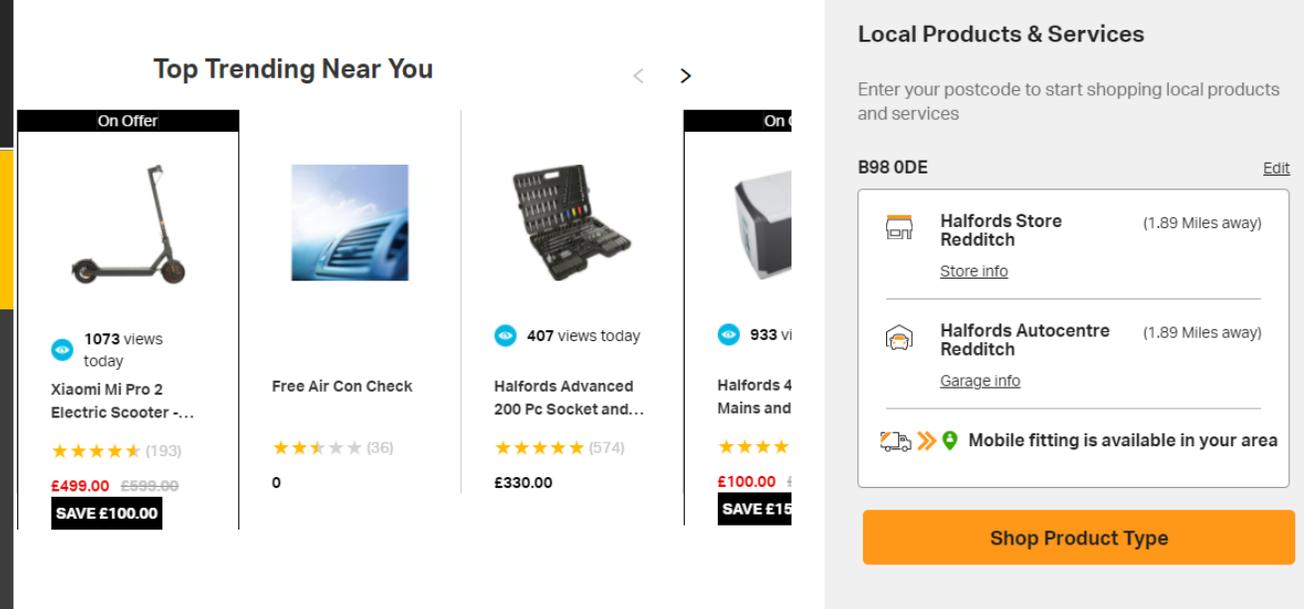


***“A different business will begin to emerge by the end of FY22”***



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

- **Project Fusion** – exciting opportunity to provide a seamless, digital customer experience
  - 2-3 test towns
  - Destination Retail store and new garage formats
- **Further Digital enhancements**
  - Greater personalisation for customers
  - Enabler to accelerate cross-shop opportunities
- 'Peloton 2' will see an investment in our PACs range in stores through:
  - Ranges and space optimised
  - Will enable colleagues to provide full package solutions to suit customers needs



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

- **HME** – continue to scale our proposition;
  - 200 vans, more technicians and hubs
  - Achieve UK coverage of 80%
  - Greater range of services
- **Autocentres** will take the next steps in becoming the UK's largest independent provider of automotive services, maintenance and repairs pushing towards our medium term target of 550 garages.
- Grow our B2B commercial garage share by leveraging our acquisitions of McConechy's and Universal Tyres.
- **Electric** – position Halfords as the leading voice in E-mobility through
  - Investing in training and technology
  - New products and services



Enable a **lifetime** of motoring and cycling

- **Loyalty** – we will launch a unique market-leading motoring services club.
- **Cross Shop** – Continues to be a lucrative opportunity
  - Initiatives to drive awareness of the benefits of shopping across the Group
  - Continue to enhance the digital customer experience establishing cross-shop as a recurring customer behaviour
- **ESG** – **accelerate progress on our four priorities:**
  - Electrification
  - Net Zero commitment
  - Diversity & Inclusion
  - Product, Packaging and Waste Management



### Investment in our **Colleagues**

- Our frontline colleagues will benefit from the biggest investment in skills to-date, investing nearly £3m in Services training to deliver 40,000 skills across the business, enhancing our super-specialist credentials.
- By the end of FY22, more than 2,000 of our 6,000 store and garage colleagues will be trained to service electric cars, bikes and scooters.
- Transition to a new Group operating and reward model, better aligning to our Group strategy and our One Halfords Family values.



## Cost and Efficiency

- Maximise opportunities in Rent negotiations
- Established workstreams continue to target efficiency and cost reductions;
  - We Operate 4 Less
  - One-way
  - LED lighting
  - GNFR and procurement
  - Working capital and stock turn



**FY21: Foundations**

**FY22: Transformation**

**Property and Cost**

**Inspire**

- **Fusion Concept stores**
- **Even better Digital customer experience**
- **Peloton 2**

**Improved Economics**

**Support**

- **Bigger HME and Garage business**
- **Accelerate leadership in E-mobility**
- **Bigger Commercial business**

**Improved Customer Experience**

**Lifetime**

- **New Loyalty scheme**
- **More customers shopping across the Group**
- **Greater ESG focus**

**Growth in Resilient Markets**

**Colleagues**

- **More super-specialist colleagues**

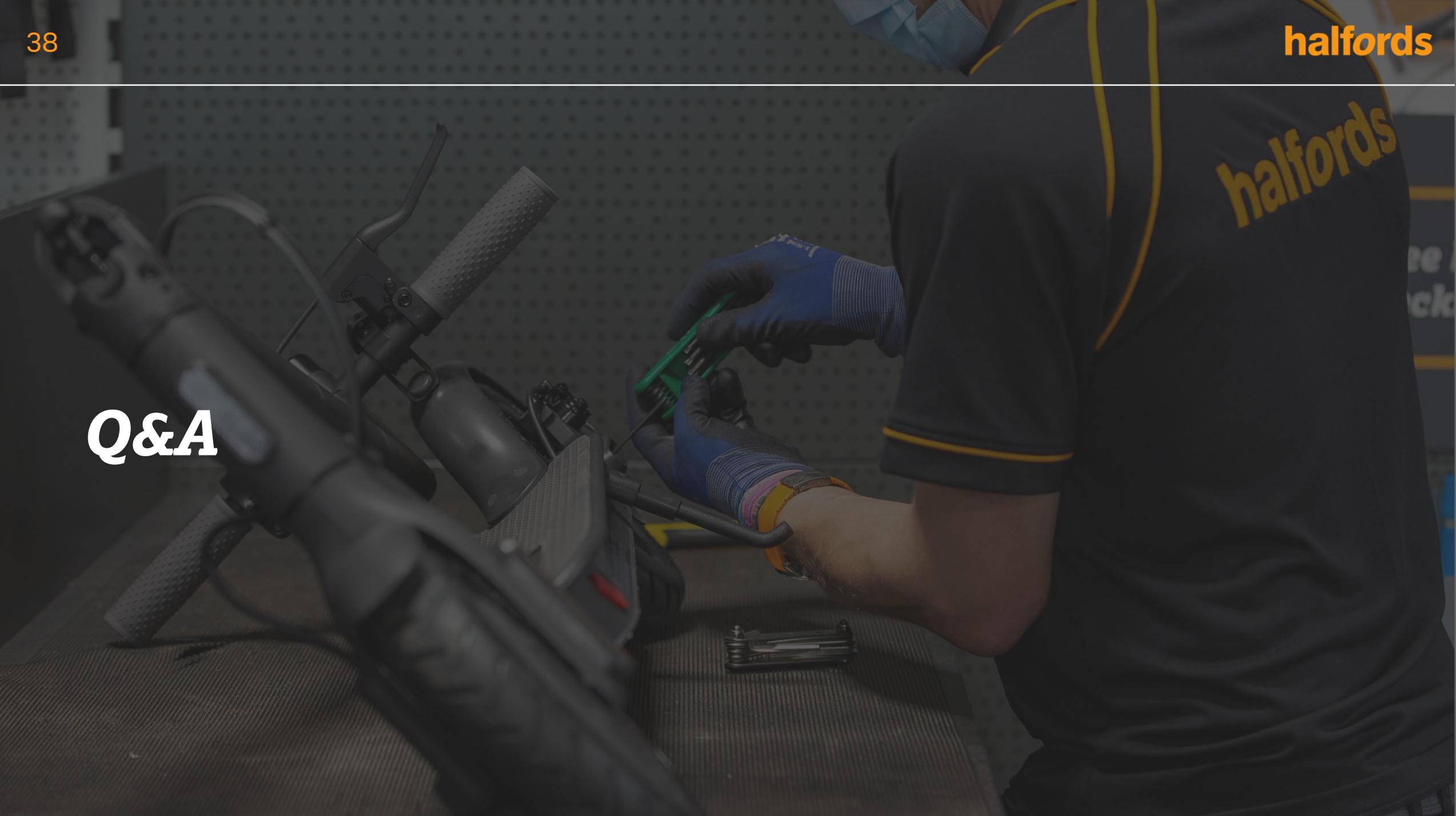
**Strengthened Balance Sheet**

**Cost and Efficiency**

- **Rent Reductions**
- **We Operate 4 Less**
- **GNFR & Procurement**



Q&A





### ***Contact and Newsflow***

For further information, please go to  
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#### **Next newsflow:**

8<sup>th</sup> September 2021: FY22 20-week trading update