



FY17 Preliminary Results

25 May 2017



Market & performance update

CEO - Jill McDonald

Financial performance and financial guidance

CFO - Jonny Mason

Summary

Chairman - Dennis Millard

Questions

FY17 highlights



**Strong progress across
Moving Up A Gear
strategic pillars**



**Market share growth in
motoring and cycling**



**Service-related sales
growth of 11.1%**



**Enhanced customer
data driving incremental
sales**



**Group online sales
up 30.5%***



**Expanded Group's
reach and capabilities**

*Including the impact of the acquired Tredz & Wheelies. Excluding the acquired businesses, LFL Group online sales grew 11.5%.

1

Grow sales faster than the market*



2

Group EBITDA margin broadly flat prior to impact of FX



3

Grow the ordinary dividend every year**



4

Net Debt target of 1x EBITDA with a range up to 1.5x***

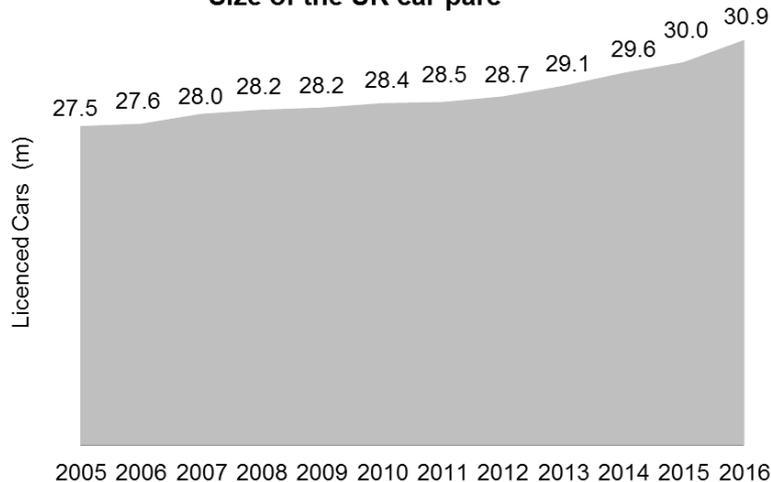


* Halfords principally operates in two markets: motoring and cycling. Management currently anticipates these markets to grow by 2-3% and 3-5% per annum respectively on average over the next few years

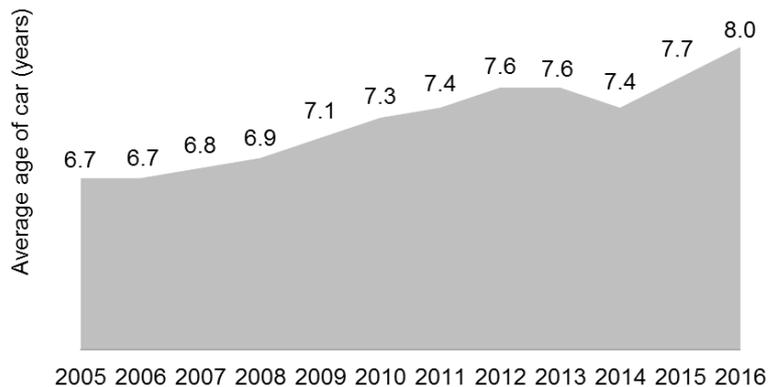
** With a coverage of 2 times on average over time, prior to impact of FX

*** This target was published in June 2016 with guidance that it will be arrived at over time. In FY17 net debt moved from 0.4x to 0.8x

Size of the UK car parc



Average age of UK car parc



Market share gains during the year

Strong positions in fragmented markets

Increasing complexity of cars and parts

Continued trend from ‘Do it Yourself’ to ‘Do it For Me’

Our target market is the “second life of the car”

Anticipate market growth of 2-3% per annum on average over time



Market share gains during the year

Strong positions in fragmented markets

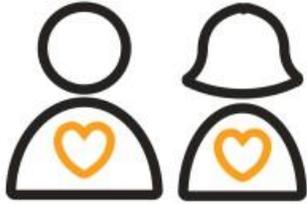
Fundamentals driving market growth

E-bikes growth opportunity

Market prices moving up due to Sterling depreciation against US dollar

Anticipate market growth of 3-5% per annum on average over time

Moving Up A Gear strategy



Service in our
DNA



Better Shopping
Experience



Building on our
Uniqueness



Putting Customers in
the Driving Seat



Fit for the Future
Infrastructure



Over 30 motoring and cycling services

Service-related sales up 11.1%

Lowest ever colleague turnover (33%)

Target “Gears” programme levels met

Apprenticeship scheme growing

New services in FY17 - more in FY18



Headsets to support colleagues and improve customer service



Agile web development

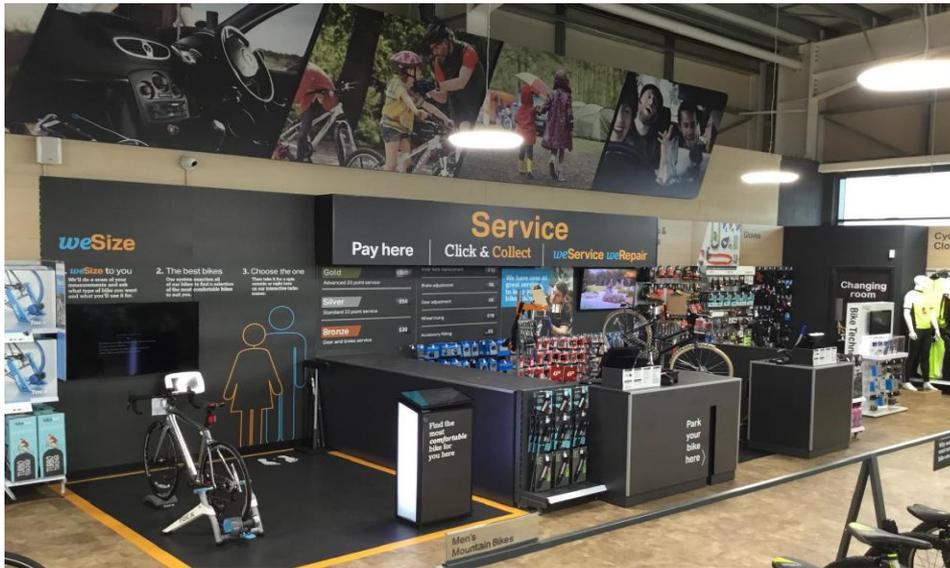


15 Cycle Republic stores and website



Launch of new store refresh concept





Evolution of successful previous concept

- Strong sales uplifts and feedback so far
- 5 updated store refreshes in FY17
- Around 30 to follow in FY18
- “Lite” version being developed





Boardman wins awards



New motorcycling range launched



Market leading retailer and fitter of dash-cams



Improved our Tradecard offer



Successful Wiggins range and e-bikes launched



Grew child seat sales twice as fast as the market



Complementary bolt-on M&A in both cycling and motoring



Tredz acquisition means we can now service all customer segments

Tredz & Wheelies performing well since acquisition with sales up 22% in FY17



Tyres on the Drive investment to enhance service and convenience credentials

Putting Customers in the Driving Seat



Single customer view phase 1 complete

5.3 million email addresses gathered

46% Retail customer sales match rate



1.2m incremental visits to the website

Sales attributable to personalised email campaigns up 19%



Delivered “Dayforce” resourcing tool

New third party warehouse in Daventry



Piloting i-serve technology in-store

Single view of stock completed

Continued focus on “We Operate for Less” programme

Autocentres



Long-term investment in colleagues:

- New technician pay grading scheme
- Apprenticeship programme growing

Improved offer to customers:

- Sunday & Bank holiday opening
- Electric and hybrid vehicle servicing



A year of transition:

- Actions underway to improve profitability including review of operating model

Summary



Service-led sales growth

Continued market share gains

Strong strategic progress

Acquisitions performing well

Strengthening of services proposition



***FY17
Financial
Performance
&
Financial
Guidance***

Group Financial Highlights

Revenue:	£1,095.0m	↑	+7.2% YoY +2.7% LFL	+£73.5m YoY
Underlying EBITDA:	£108.7m	↓	-5.1% YoY	-£5.9m YoY
Underlying PBT:	£75.4m	↓	-7.5% YoY	-£6.1m YoY
Basic Underlying EPS:	30.3p	↓	-8.7% YoY	-2.9p YoY
Ord. Dividend:	17.51p	↑	+3.0% YoY	Ord Dividend Cover 1.73

c.£14m
gross
impact of
Sterling
devaluation

£37.7m
Free Cash
Flow

Special
dividend of
10 pence per
share paid
Feb 2017

Net Debt
£85.9m
representing
0.8x EBITDA

Notes:

- 1) All numbers represent performance for the 52 weeks to 31 March 2017 and are before non-recurring items.
- 2) Relevant comparatives are for the 52 weeks to 1 April 2016.

Retail Financial Highlights



Revenue: £938.4m



+8.0% YoY
+3.1% LFL

Gross Margin: 48.6%



-260 bps
YoY

Operating costs: £379.8m



+4.6% YoY
+2.4% LFL

Underlying EBIT: £76.8m



−£5.0m YoY

Underlying EBITDA: £101.1m



−£4.9m YoY

Notes:

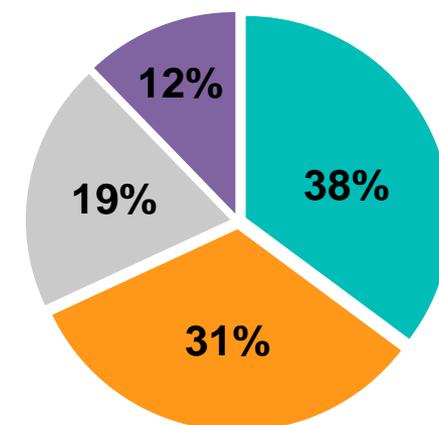
1) All numbers represent performance for the 52 weeks to 31 March 2017 and are before non-recurring items.

2) Relevant comparatives are for the 52 weeks to 1 April 2016.

3) Like-for-like sales represent revenue from Retail stores open for at least a year and online sales, but excluding prior year revenue from Retail stores closed during the year, at constant foreign exchange rates

Retail Sales

	FY17		11 weeks to 31/03/17	15 weeks to 28/04/17
	Total Sales	LFL Sales	LFL Sales	LFL Sales
Retail	+8.0%	+3.1%	-1.2%	+3.9%
Motoring	+1.8%	+2.0%	-2.5%	+0.9%
Car Maintenance	+2.9%	+3.1%	-1.7%	+0.2%
Car Enhancement	-2.9%	-2.8%	-6.1%	-1.8%
Travel Solutions	+7.8%	+7.9%	+2.1%	+9.5%
Cycling	+18.2%	+5.1%	+2.2%	+11.1%
Retail online sales	+30.5%	+6.3%		
Service-related sales	+11.1%			

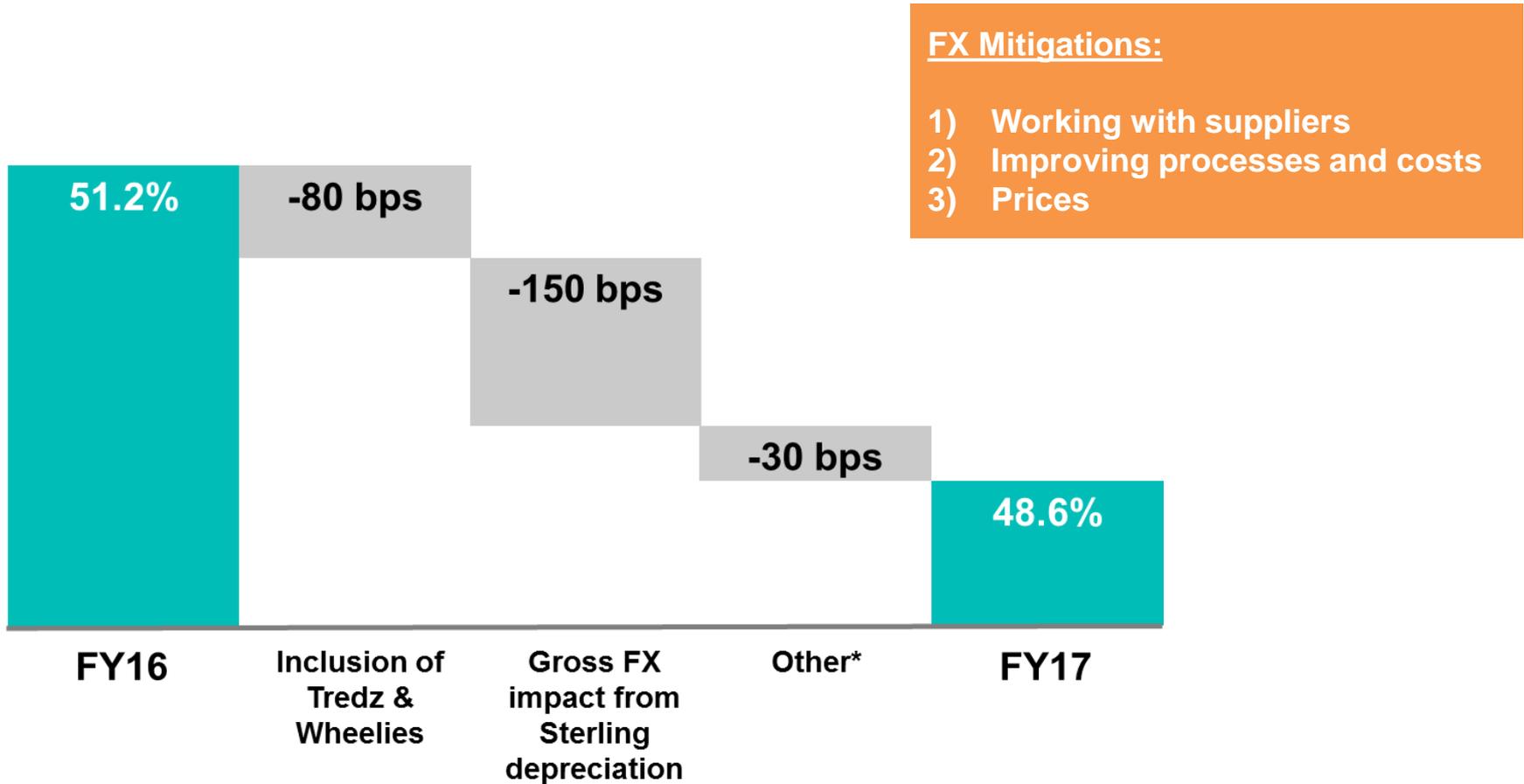


■ Cycling
■ Car Maintenance
■ Car Enhancement
■ Travel Solutions

Notes

- 1) Like-for-like sales represent revenue from Retail stores open for at least a year and online sales, but excluding prior year revenue from Retail stores closed during the year, at constant foreign exchange rates.
- 2) The 15 week period to 28 April 2017 is a more representative final trading period, including the Easter benefit in the current and comparative periods.

Retail Gross Margin – decline of 260 bps as expected



*The net of the adverse mix impact of faster cycling sales and the cycling promotion in the first half, partially offset by the accretive mix impact of service-related sales and the early benefits of FX mitigation.

Retail Operating Costs – grew as expected

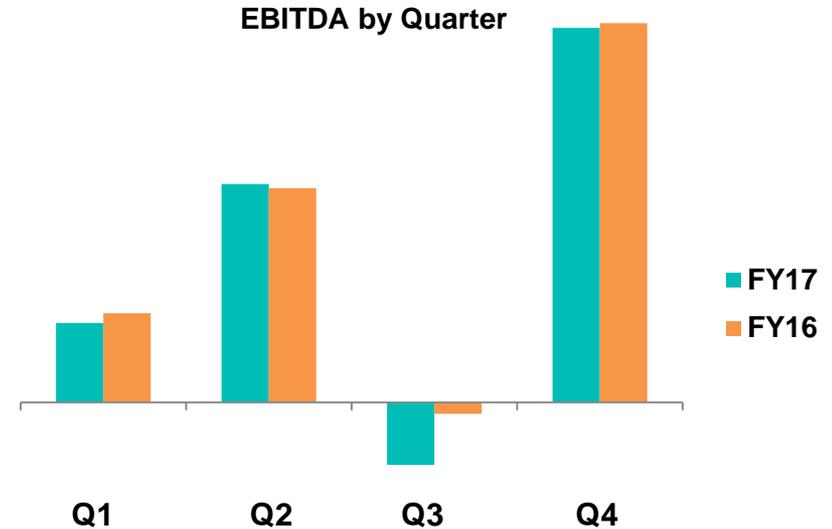


Shop colleagues*:	£110.2m	↑	+7.0% YoY
Store Occupancy:	£138.6m	↑	+0.2% YoY
Warehousing & Distribution:	£45.4m	↓	-0.7% YoY
Support costs:	£77.4m	↑	+1.8% YoY
Sub total:	£371.6m	↑	+2.4% YoY
Tredz & Wheelies:	£8.2m		
Sub total:	£379.8m	↑	+4.6% YoY

* Shop colleague costs increased primarily due to the impact of the National Living Wage, additional hours and Gears pay increases in the year.

Autocentres Financial Highlights

Revenue:	£156.6m	↑	+2.4 YoY +0.6% LFL
Gross Margin:	65.1%	↑	+80 bps YoY
Operating costs:	£99.8m	↑	+5.6% YoY
Underlying EBIT:	£2.2m	↓	-£1.6m YoY
Underlying EBITDA:	£7.6m	↓	-£1.0m YoY

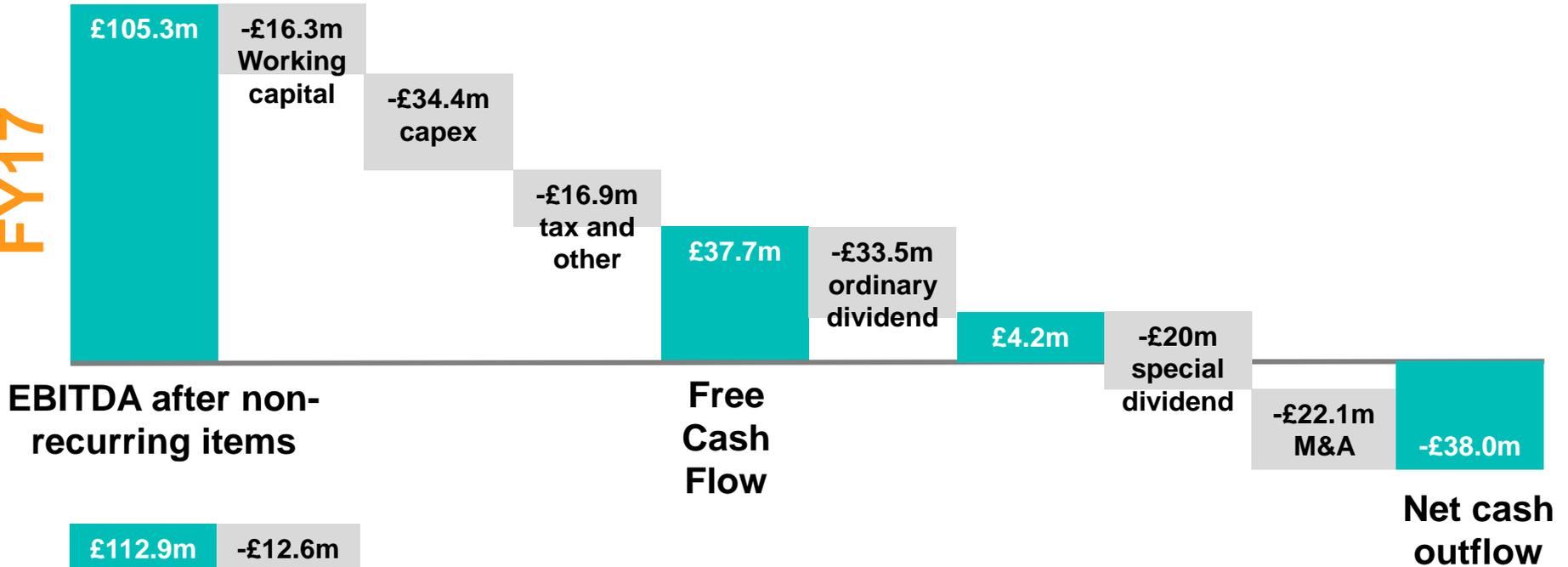


* All numbers represent performance before non-recurring items.

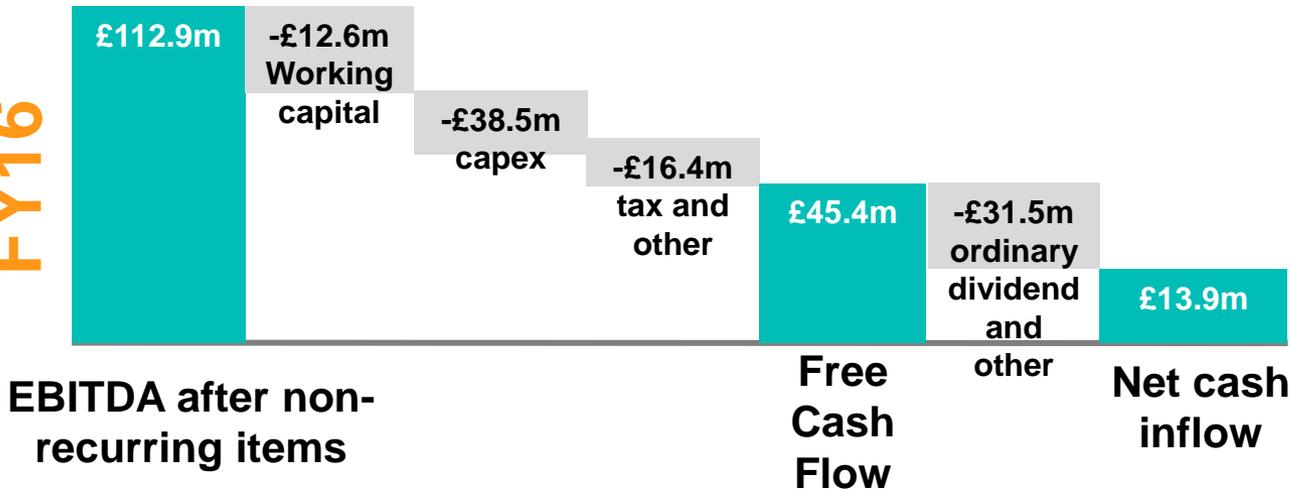
** The quarters in the graph above represent four thirteen week quarters rather than matching our external trading reporting periods.

Another strong year of cash flow

FY17



FY16



Stock increased because of FX and to support trading





Financial targets unchanged:

- Grow sales faster than markets
- EBITDA margin broadly flat*
- Grow Ordinary dividend every year**
- Net debt target of 1x EBITDA

No change to capital allocation priorities

FX impact brings a significant cost headwind, but mitigation plans gaining traction

Continued strategic progress and operational improvements

We anticipate FY18 profit to be in line with current market expectations

* Excluding the impact of FX

** With a coverage of 2 times on average, pre the impact of FX.



Summary

**Good
direction
set to drive
growth**

**Strong and
engaged
team in
place**

**Clear
strategic
progress
made**

**No change
to financial
targets**



Q&A



Appendices

Group Income Statement

	FY17 £m	FY16 £m	Change
Revenue	1,095.0	1,021.5	+7.2%
Gross Profit	558.6	543.1	+2.9%
Operating Costs	(481.5)	(458.6)	+5.0%
Underlying EBIT	77.1	84.5	-8.8%
EBIT Margin %	7.0%	8.3%	
Underlying EBITDA	108.7	114.6	-5.1%
EBITDA Margin %	9.9%	11.2%	
Net Finance Costs	(1.7)	(3.0)	
Underlying Profit Before Tax	75.4	81.5	-7.5%
Basic Underlying Ordinary EPS	30.3p	33.2p	-8.7%
Effective Tax Rate	21.0%	20.5%	

Notes:

- 1) All numbers represent performance for the 52 weeks to 31 March 2017 and are before non-recurring items.
- 2) Comparatives are for the 52 weeks to 1 April 2016.

Retail Income Statement

	FY17 £m	FY16 £m	Change
Revenue	938.4	868.5	+8.0%
Gross Profit	456.6	444.8	+2.7%
Gross Margin	48.6%	51.2%	-260bps
<i>Gross Margin exc. Tredz & Wheelies</i>	<i>49.4%</i>	<i>51.2%</i>	<i>-180bps</i>
Operating Costs	(379.8)	(363.0)	+4.6%
Underlying EBIT	76.8	81.8	-6.1%
EBIT Margin	8.2%	9.4%	
Underlying EBITDA	101.1	106.0	-4.6%
EBITDA Margin	10.8%	12.2%	

Note: All numbers are presented before non-recurring expenditure of £3.4m in FY17 and £1.2m in FY16

Group Balance Sheet

	FY17 £m	FY16 £m	YOY £m	Change
Goodwill and Intangible Assets	394.1	362.9	+31.2	8.6%
Property, Plant & Equipment	102.8	107.3	-4.5	-4.2%
Investments	8.1	-	8.1	100%
Derivative Financial Instruments	3.7	4.2	(0.5)	-11.9%
Net Working Capital	24.7	8.4	+16.3	+194.0%
Net Debt	(85.9)	(47.9)	(38.0)	+79.3%
Other Creditors	(40.0)	(29.5)	(10.5)	+35.6%
Net Assets	407.5	405.4	+2.1	+0.5%
<i>Inventories</i>	191.1	157.9	+33.2	+21.0%

Cash flow and Net Debt

Operating Cashflow	£m	Free Cashflow	£m	Net Debt	£m
Underlying EBIT	77.1	Operating Cashflow	90.0	Opening Net Debt	(47.9)
Non-recurring operating expenses	(3.4)	Capital Expenditure	(34.4)	Free Cashflow	37.7
Depreciation, Amortisation and loss on disposal	31.8	Net Finance Costs	(0.8)	Finance lease payments/loan fee amortisation	(1.5)
Employee Share Scheme	1.0	Taxation	(15.3)	Proceeds from issue of shares	1.4
Working Capital	(16.3)	Fair value gain on derivatives	(1.8)	Dividends	(53.5)
Provisions	(0.2)			Acquisition of subsidiary	(18.0)
				Purchase of investment	(4.1)
Operating Cashflow	90.0	Free Cashflow	37.7	Closing Net Debt	(85.9)

Net debt to EBITDA at 0.8x

Full-year Ordinary Dividend up 3.0% to 17.51p

Group Cash Flow

	FY17 £m	FY16 £m
Underlying EBITDA	108.7	114.6
Non-recurring operating expenses	(3.4)	(1.4)
Change in inventories	(33.2)	(8.6)
Change in receivables	2.3	(4.9)
Change in payables	14.6	2.3
Change in provisions	(0.2)	(1.4)
Other	1.2	3.1
Operating Cash Flow	90.0	103.7
Capital Expenditure	(34.4)	(38.5)
Finance costs, tax and other	(17.9)	(19.8)
Free Cash Flow	37.7	45.4
Acquisitions	(22.1)	-
Dividends	(53.5)	(32.4)
Other	(0.1)	0.9
Net cash (out)/inflow	(38.0)	13.9

Note: The depreciation of Sterling against the US Dollar increased inventories and payables by c.£14m and c.£5m respectively.

Group Components

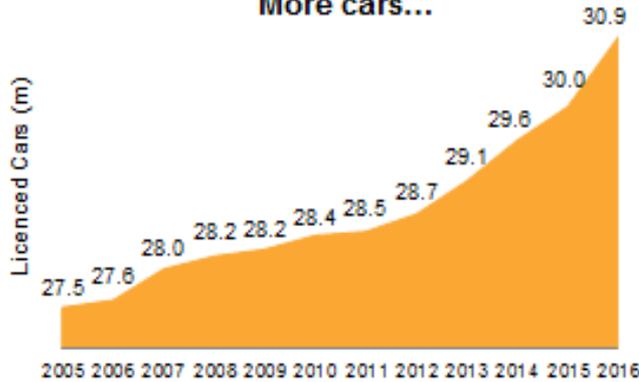
FY17	Retail £m	Autocentres £m	Amortisation £m	Group £m
Revenue	938.4	156.6	-	1,095.0
Gross Profit	456.6	102.0	-	558.6
Operating Costs	(379.8)	(99.8)	(1.9)	(481.5)
EBIT	76.8	2.2	(1.9)	77.1
EBITDA	101.1	7.6	-	108.7

FY16	Retail £m	Autocentres £m	Amortisation £m	Group £m
Revenue	868.5	153.0	-	1021.5
Gross Profit	444.8	98.3	-	543.1
Operating Costs	(363.0)	(94.5)	(1.1)	(458.6)
EBIT	81.8	3.8	(1.1)	84.5
EBITDA	106.0	8.6	-	114.6

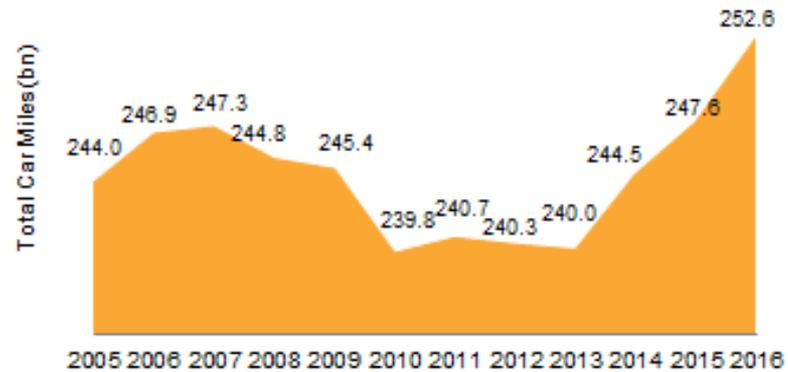
Note: All numbers are before non-recurring items

Motoring market indicators

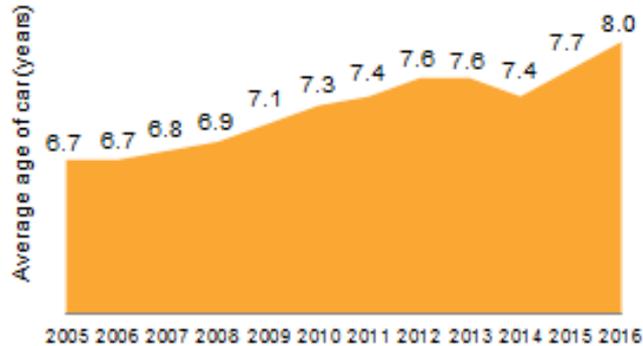
More cars...



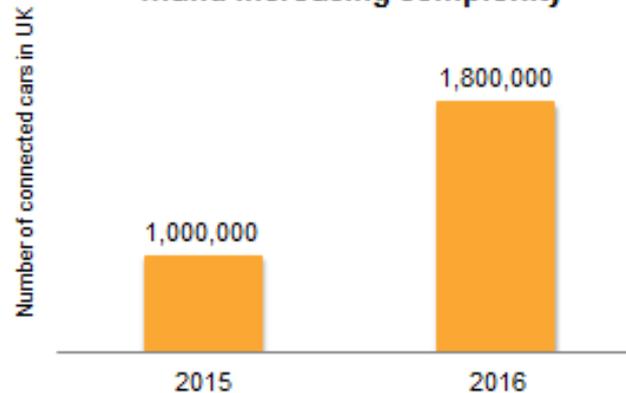
...starting to be driven more



Average age of around 8.0 years...



...and increasing complexity



Source: Department for Transport National Statistics, BCA Used Car Market Report, SMMT, Statista

Retail in-store service menu

weCheck		
Car check	FREE	
Bike check	FREE	
weDemo		
Dash cam set up	FREE	
Sat nav set up	FREE	
Child seats	FREE	
weRepair		
Bikes		
Windscreen chip		
weSize		
Bikes	FREE	
weBuild		
Bikes	FREE	
Trailers		
weTopUp		
Oil	FREE	
Screenwash	FREE	
Air con		
weService		
Bikes		
weMix		
Paint		
weFit		
Mirror glass		
Wiper blades - single		
- pair		
Number plates		
Wheel trims		
Bulbs - other		
- headlight		
Dog guards		
Batteries - standard		
Roof bars		
Roof boxes		
Cycle carriers		
Car audio		
Dash cam & sat		
nav hardwire		
DVD hardwire		
Handsfree kits		

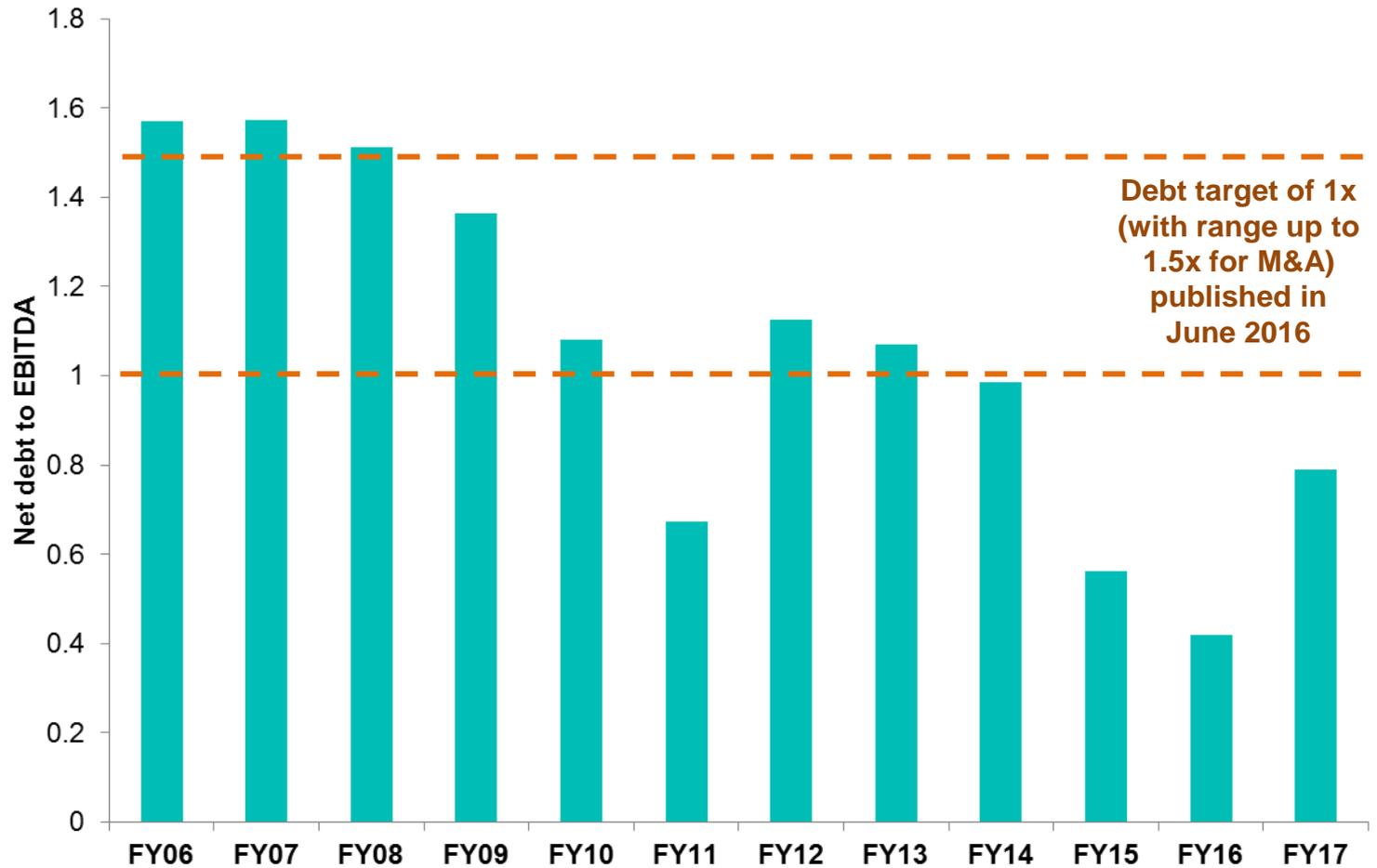
New Motoring services in FY18:

- Ad-blue top-up
- Car key fob repair

Trial of Cycling services in FY18:

- Bike personalisation
- Bike radio frequency identification tagging

Net debt to EBITDA



Pre-conditions of maintaining a strong balance sheet
and operating in line with the debt framework

1

Investment for growth

2

Pay and grow the ordinary dividend

3

Appropriate M&A

4

Surplus cash returned to shareholders

Bike brands available across the Group

	Halfords only	Halfords and Cycle Republic	Cycle Republic only	Tredz and Wheelies
Own brands c.90% of cycle revenue	<p>apollo</p>	<p>Carrera</p> <p>BOARDMAN WIGGINS</p> <p>OLIVE AND ORANGE <i>Pendleton</i> <small>By ORLA KEELY</small></p>		
Third party brands c.10% of cycle revenue		<p>V.O.O.D.O.O. TIFOSI</p> <p><i>Quella</i> mongoose</p> <p>Whistle cinelli KONA</p> <p>DAHON RALEIGH</p>	<p>BASSO</p> <p>gocycle</p> <p>HAIBIKE</p>	<p>GIANT</p> <p>SPECIALIZED</p> <p>cannondale</p> <p>CUBE</p> <p>SCOTT</p>

Group site portfolio

	FY15	FY16	FY17
Halfords Retail	463	462	460
Halfords Autocentres	305	314	313
Cycle Republic	4	10	15
Tredz	-	-	4
Total	772	786	792

	Number of Autocentres
Acquired	223
FY11	230
FY12	250
FY13	283
FY14	303
FY15	305
FY16	314
FY17	313

	Average remaining lease length
Retail	6.6 years
Autocentres	6.7 years

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.

For further information, please go to www.halfordscompany.com or contact

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Next newsflow:

5th September 2017: Trading update for the 20 weeks to 18 August 2017