



HALFORDS GROUP PLC
FY20 INTERIM RESULTS
7TH NOVEMBER 2019



halfords

H1 FY20 Performance

Loraine Woodhouse, CFO

Strategy Update

Graham Stapleton, CEO

Financial Guidance

Loraine Woodhouse, CFO

Q&A



halfords
James

H1 FY20 PERFORMANCE

Lorraine Woodhouse, CFO

- Positive cycling sales growth; increased share in our core motoring categories
- Group service-related sales, Online, B2B and Financial Services all delivered strong sales growth
- Autocentres transformation on track to deliver third consecutive year of profit growth
- Acquisition of McConechy's Tyre Service
- Halfords Mobile Expert rollout with strong customer ratings; acquisition of Tyres on the Drive
- Focus on cost and efficiency delivered significant savings
- Significant progress against our strategic objectives

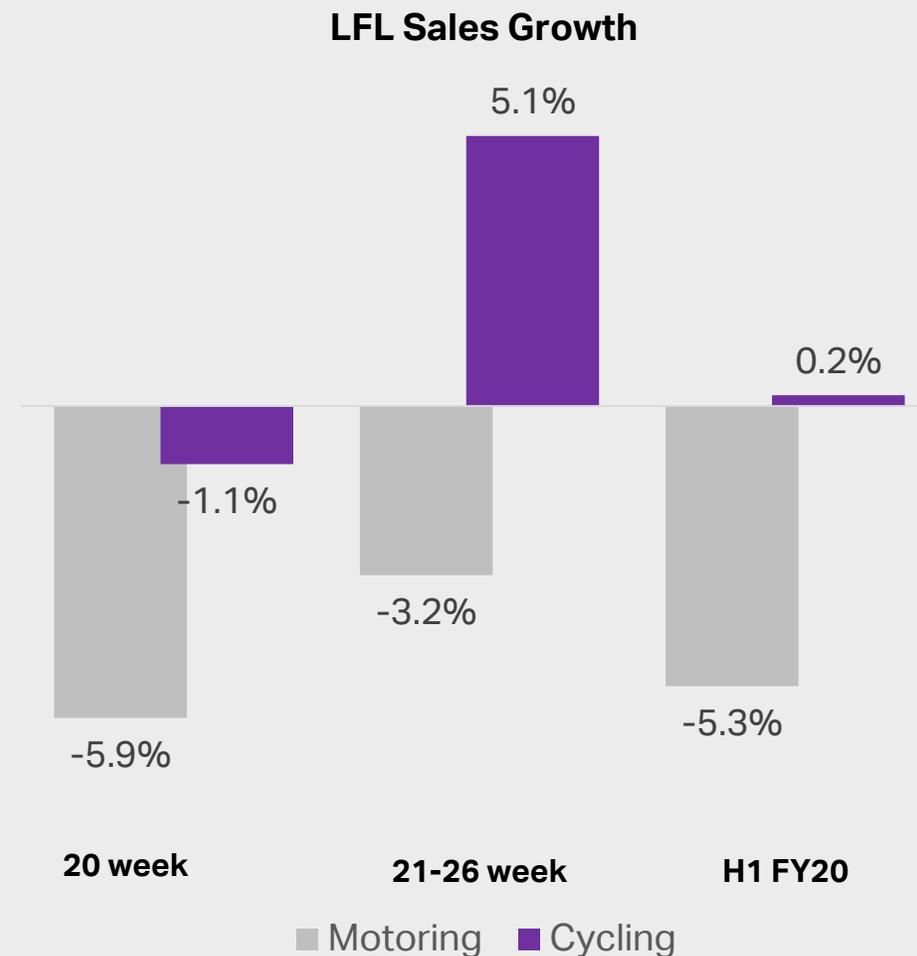


Revenue	£582.7m		-2.9% YoY -2.4% LFL
Gross Margin	50.1%		+70 bps
Operating costs*	£264.6m		+0.1% YoY
Underlying PBT*	£25.9m		-15.1% YoY
Basic Underlying EPS*	10.4p		-16.1% YoY
Free Cash Flow**	£44.2m		+29.2% YoY

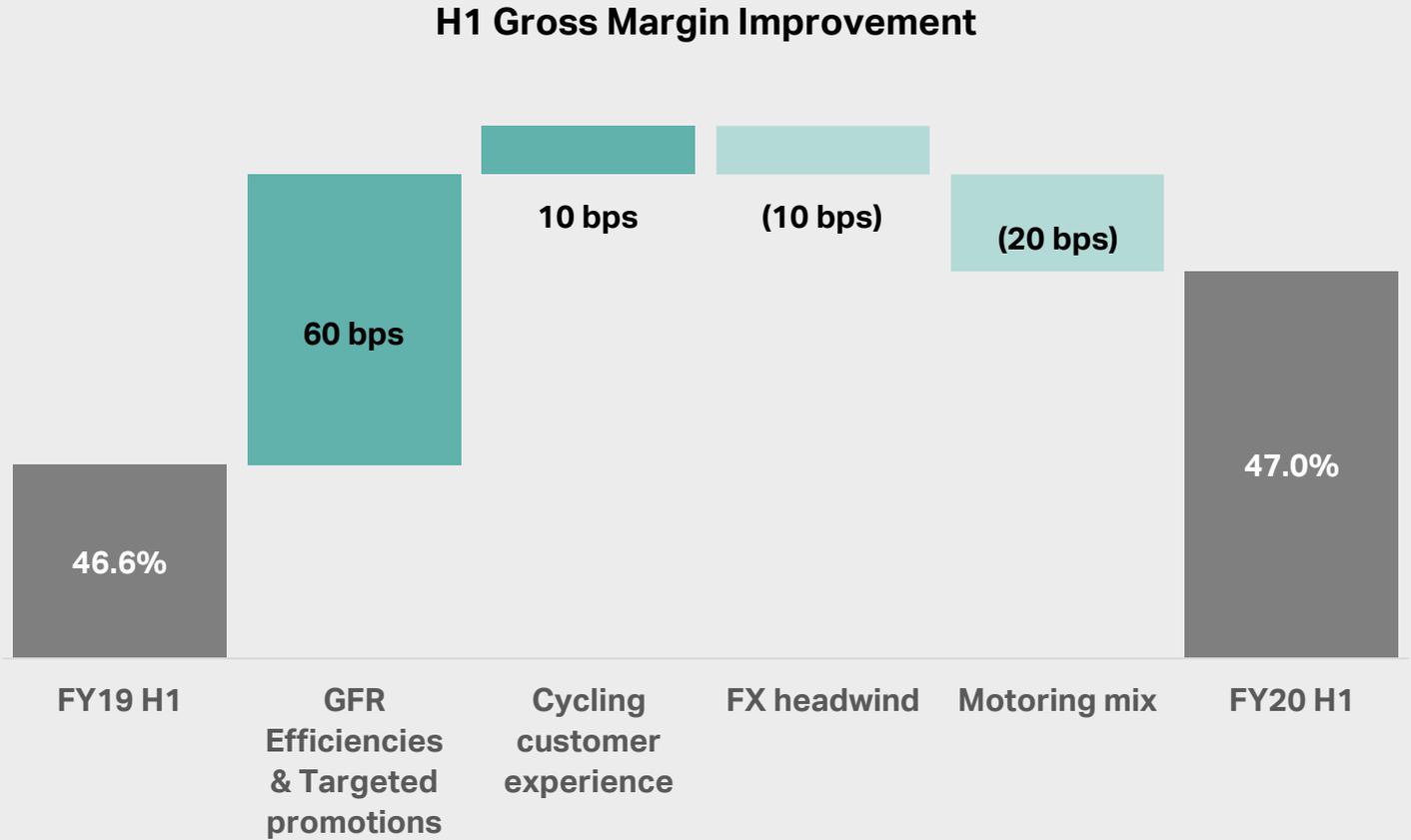
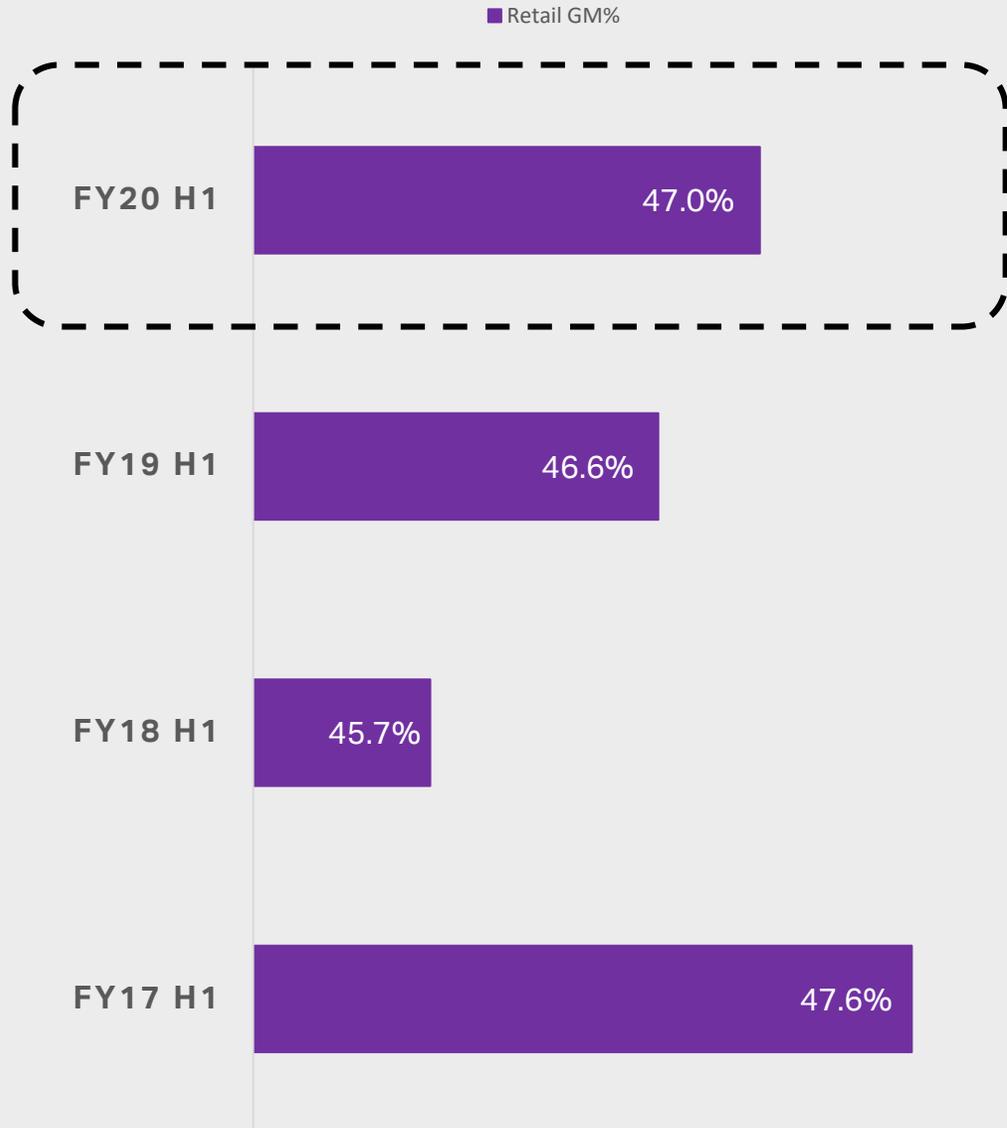
Note: * numbers are reflected on a pre-IFRS 16 basis, appendix 1 & 2 for post-IFRS 16 overview

** Free Cash Flow has been adjusted for the post period end payment run

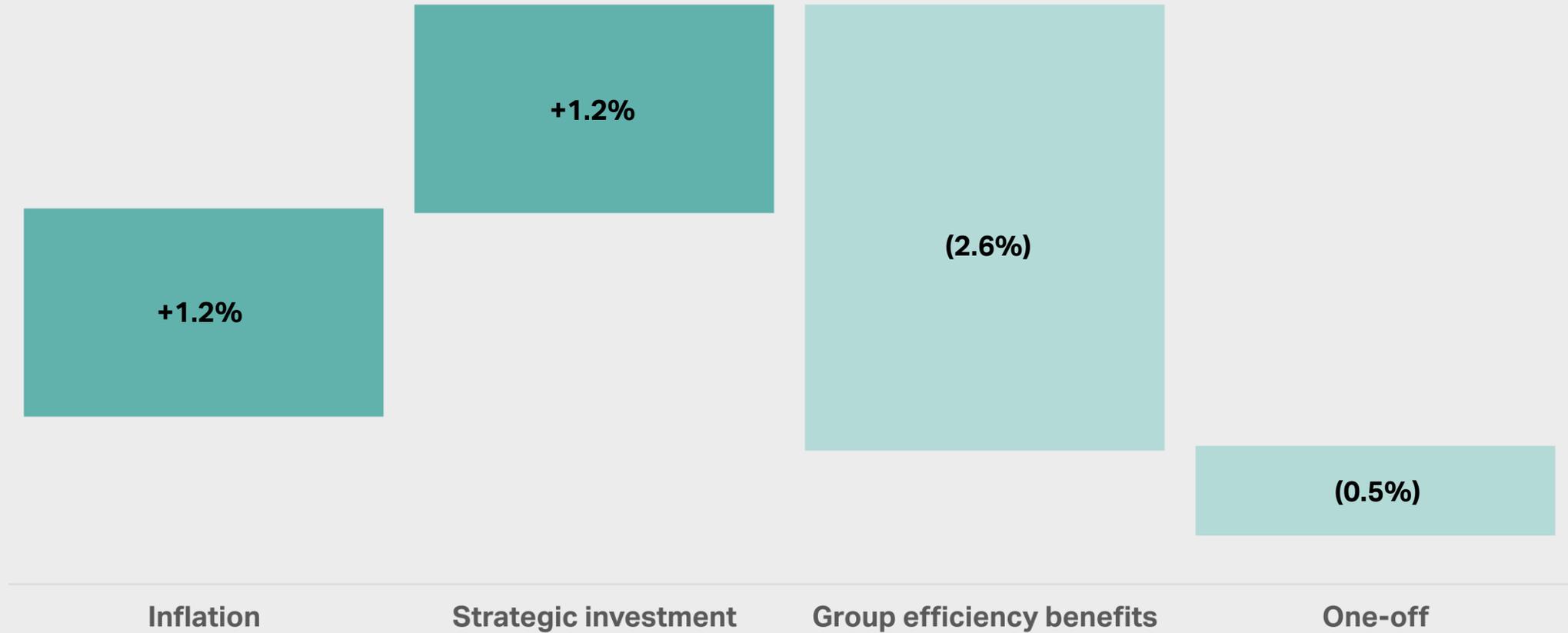
Revenue	£500.0m	-3.8% YoY -3.1% LFL
Gross Margin	47.0%	+40 bps
Operating Costs*	£210.0m	-0.7% YoY
Underlying EBIT*	£25.0m	-18.8% YoY



Note: *numbers are reflected on a pre-IFRS 16 basis

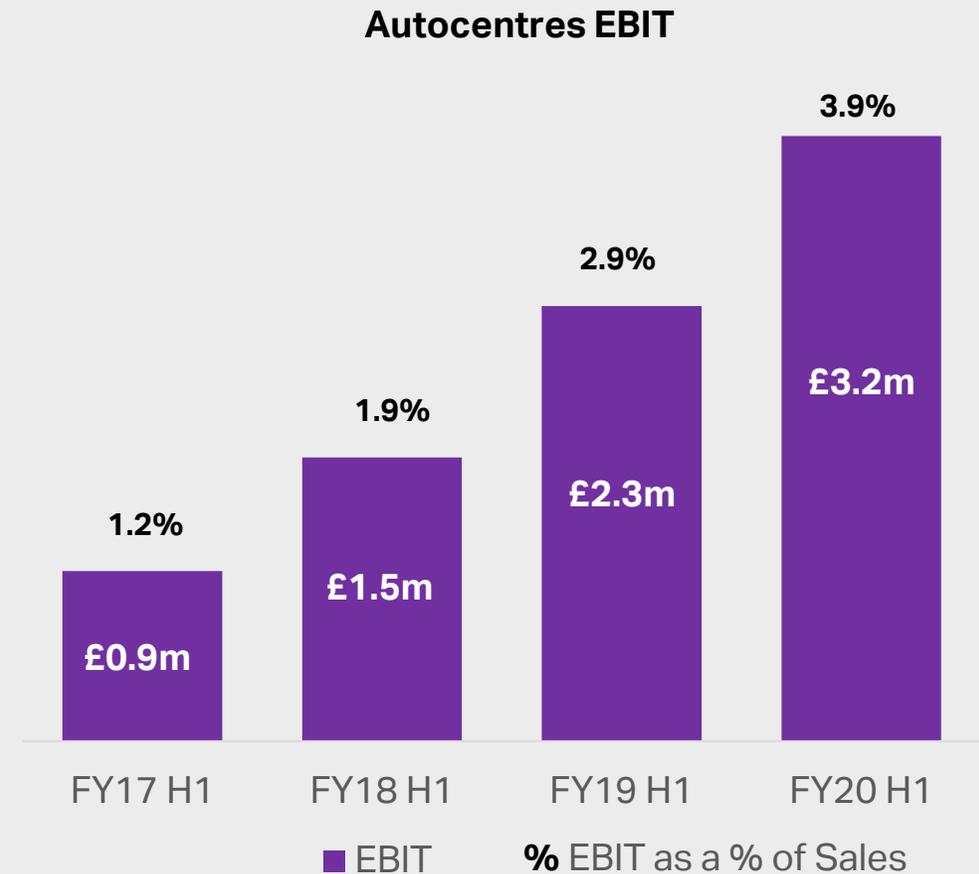


Retail operating cost movement year-on-year

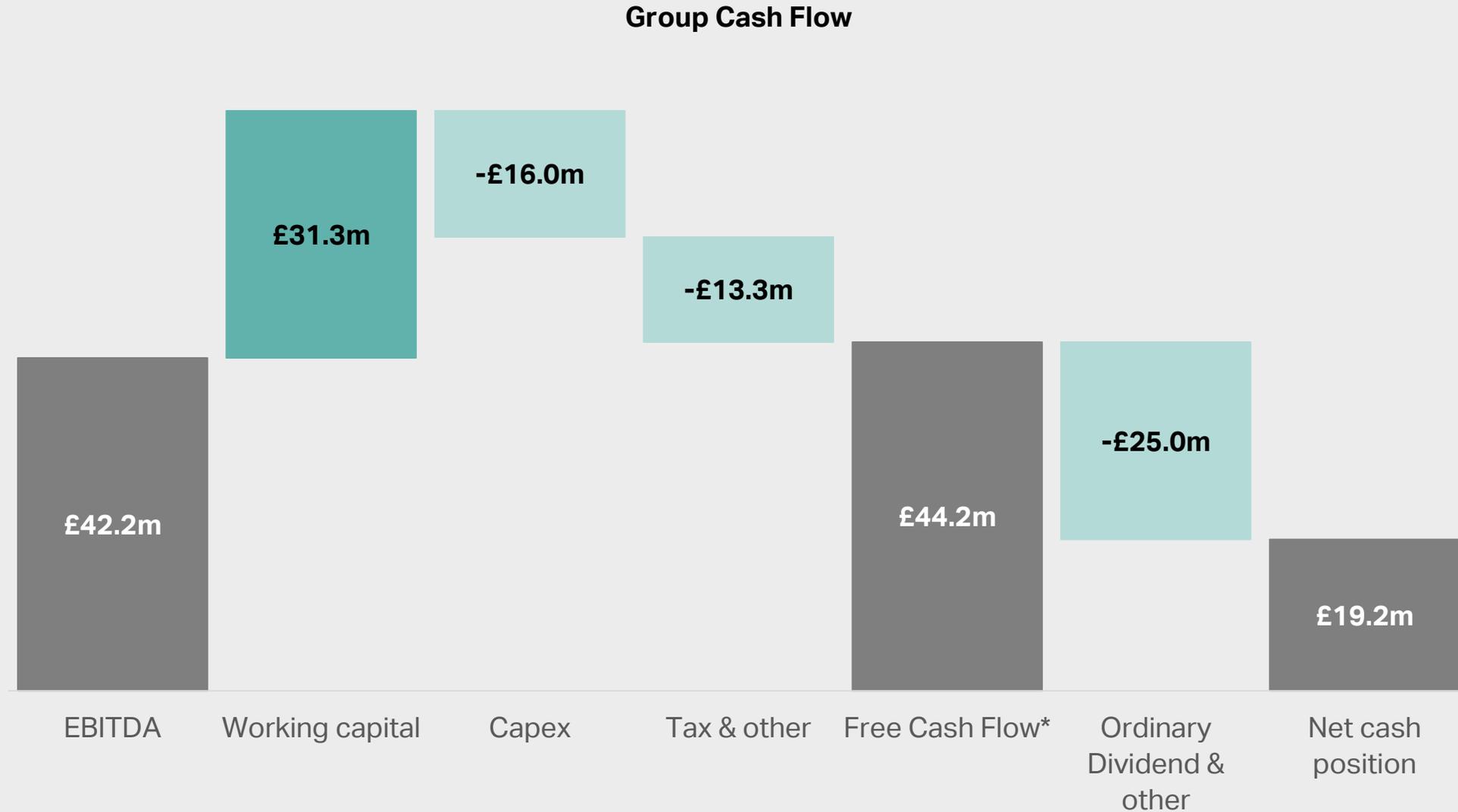


Note: numbers are reflected on a pre- IFRS 16 basis; "+" = increase and "-" = reduction

Revenue	£82.7m	+3.2% YoY +2.1% LFL
Gross Margin	68.6%	+110 bps
Operating Costs*	£53.5m	+3.3% YoY
Underlying EBIT*	£3.2m	+39.1% YoY

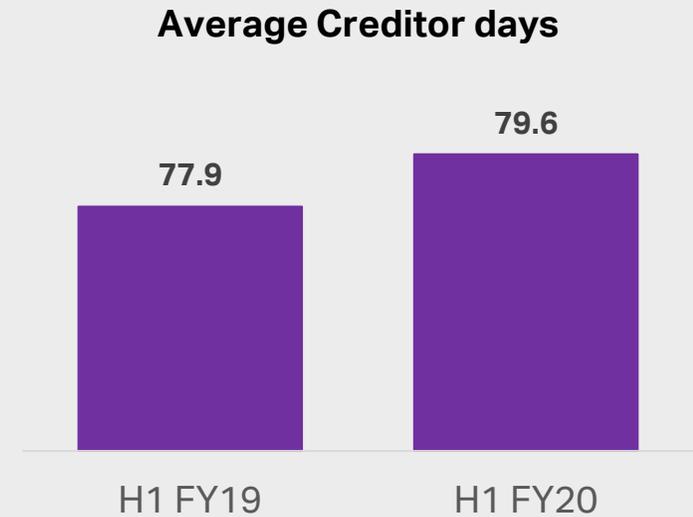
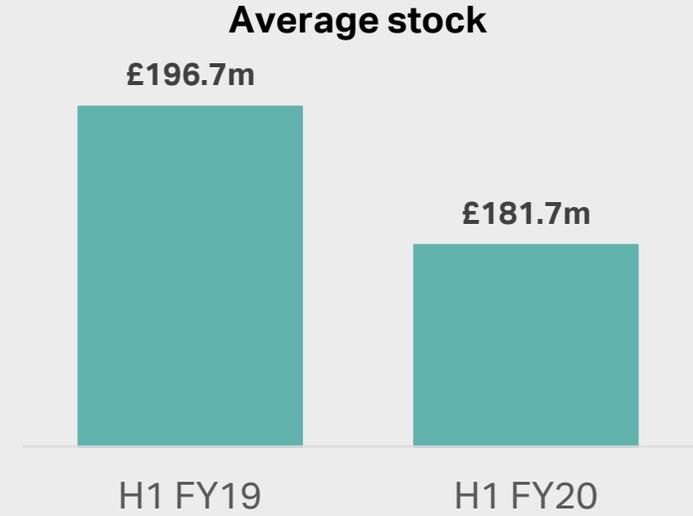


Note: *numbers are reflected on a pre-IFRS 16 basis

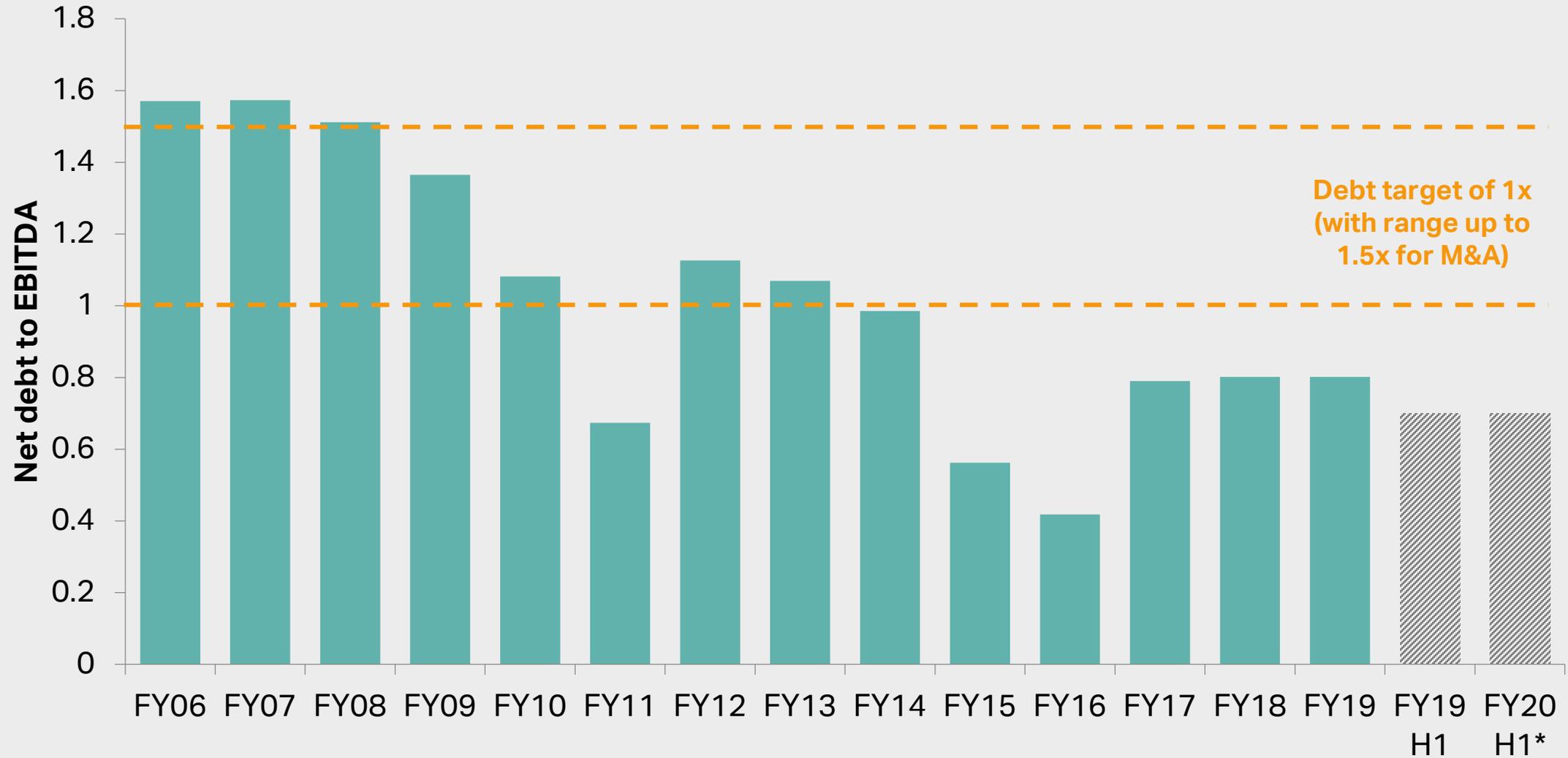


Note: * Free Cash Flow has been adjusted for the post period end payment run

Free Cash Flow movement year-on-year



Note: * Free Cash Flow has been adjusted for the post period end payment run



Debt target of 1x
(with range up to
1.5x for M&A)

Note: * for the purpose of this ratio net debt for FY20 has been adjusted for the post period end payment run

Dividend pence per share (p)



- Interim dividend of 6.18 pence paid on 17th January 2020 to shareholders on the register at the close of business on 6th December 2019

- Market share gains in both motoring and cycling
- Group services, online and B2B delivering strong growth
- Margin gains; strong cost control
- Autocentres remain on track to deliver third consecutive year of profit growth
- Strong Group cash generation
- Acquisition of McConechy's Tyre Service and Tyres on the Drive

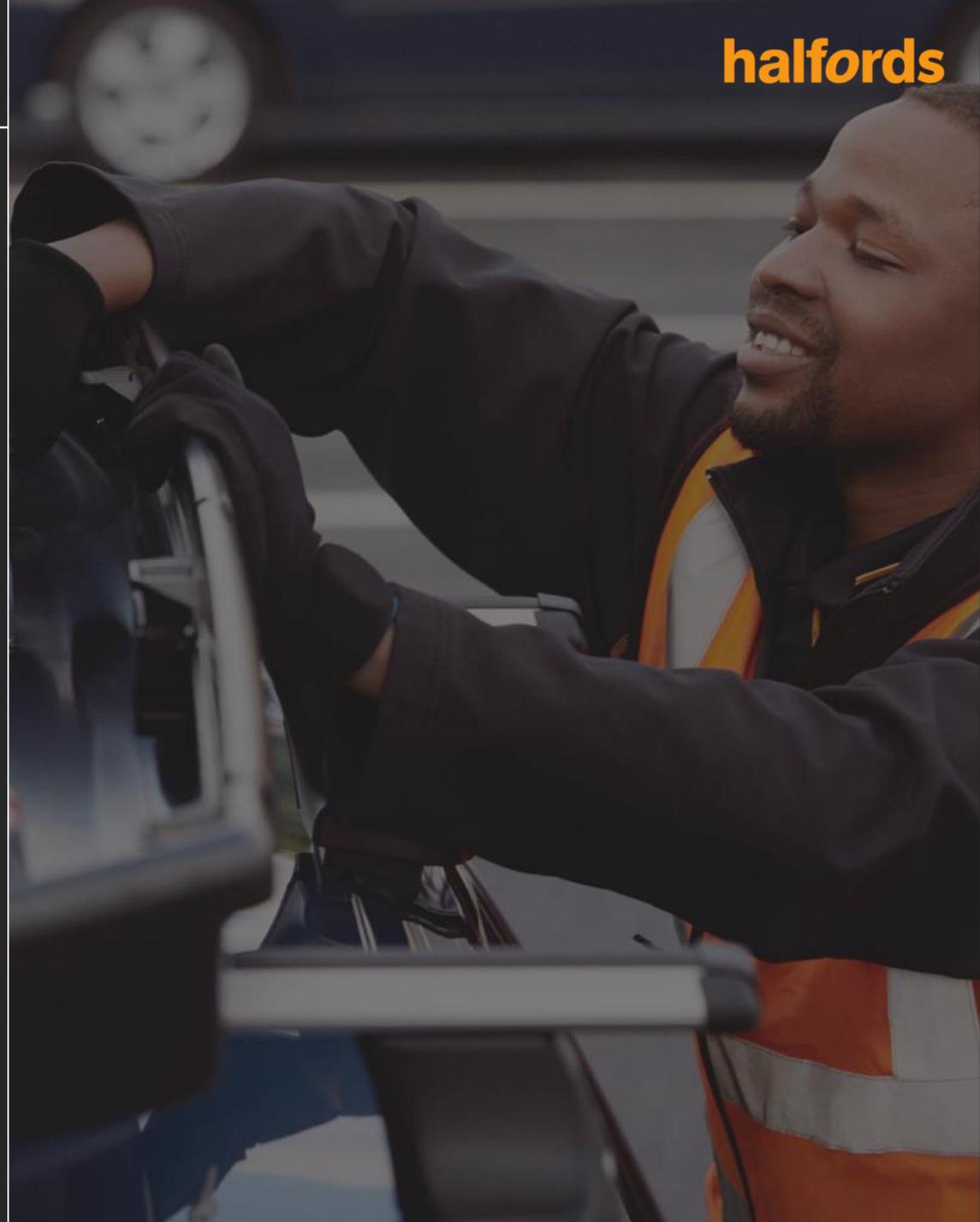


STRATEGY UPDATE

Graham Stapleton, CEO

Halfords is the UK and Ireland's leading retailer of motoring and cycling products and services

- UK and Ireland's leading retailer of motoring and cycling products and services.
- Trusted brand with over 125 years of heritage
- Market leading brand awareness in our retail business
- Over 20 million customers visit us each year
- Largely recognised as a retailer of products



Today, we have a nationwide coverage of the UK offering customers motoring and cycling products and services

317

Garages

halfords
autocentre

448

Retail Stores

halfords
retail

halfords

halfords

»» Mobile Expert »»

8

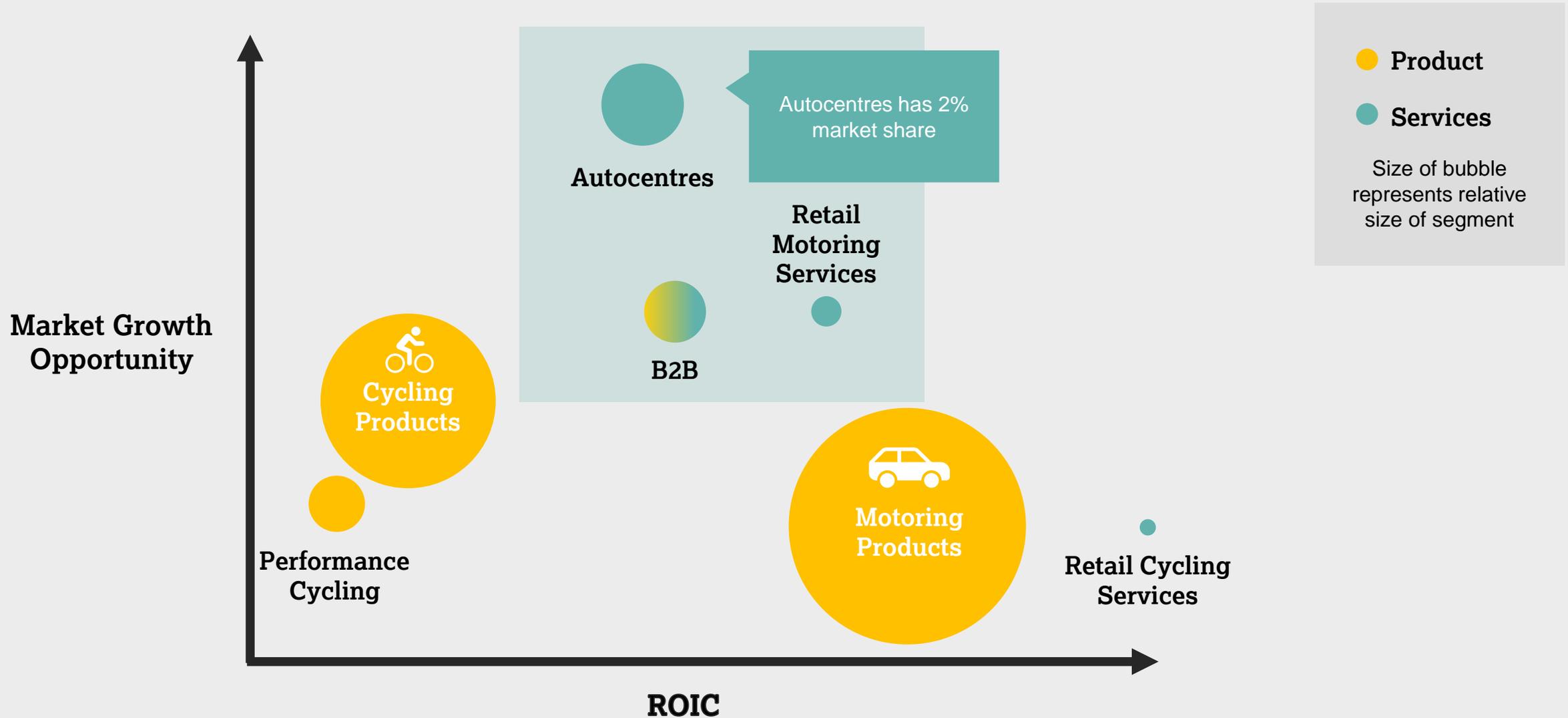
Vans

cycle
republic

26

Performance
Cycling Stores

tredz



Note: This graph is indicative only and bubbles are relative to each other
Source: Internal analysis, Companies House, Society of Motor Manufacturers and Trading

**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



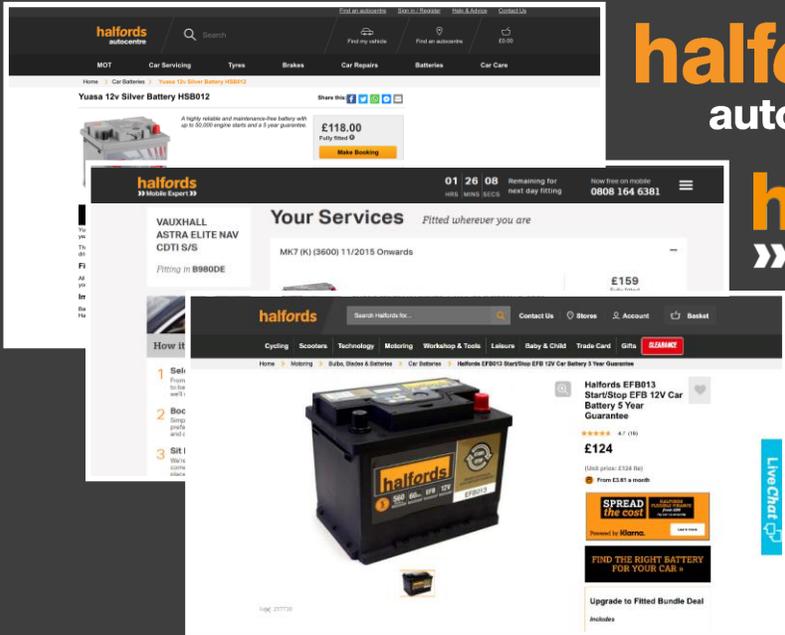
3 Enable a **lifetime** of motoring and cycling





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

Before

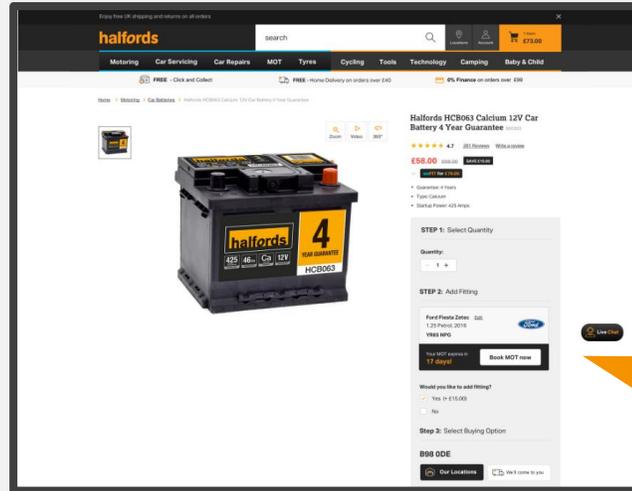


halfords
autocentre

halfords
» Mobile Expert »

halfords
retail

After



halfords

Step 3: Select Buying Option

B98 ODE

Our Locations We'll come to you

Nearest Available Location:

Retail store
Distance: 0.64 miles away
Collect from 16:00 on Tuesday 6th August

Earliest Availability:

Autocentre Garage
Distance: 10.64 miles away
Drop off today

Before



After



Our range of innovative products delivered a 30% increase in sales of exclusive motoring and cycling products



**2**

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

Our customers rate our proposition highly and is bringing new customers to the Group, particularly younger and female customers

- Delivering strong customer satisfaction scores
- Introducing new customers to the Group
- Attracting a different customer to our traditional automotive services business



Halfords Mobile Expert
Reviews 1,778 • Excellent

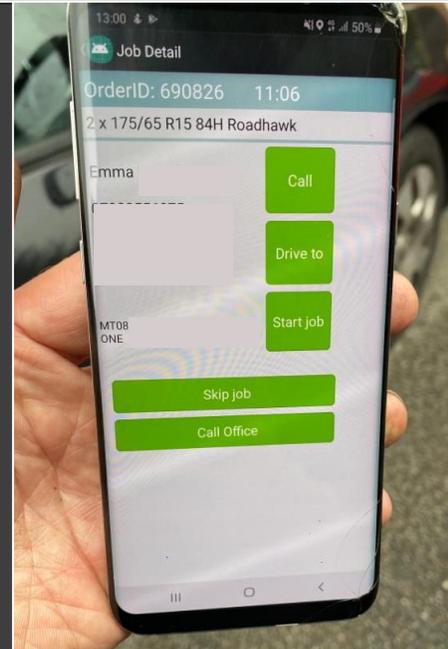


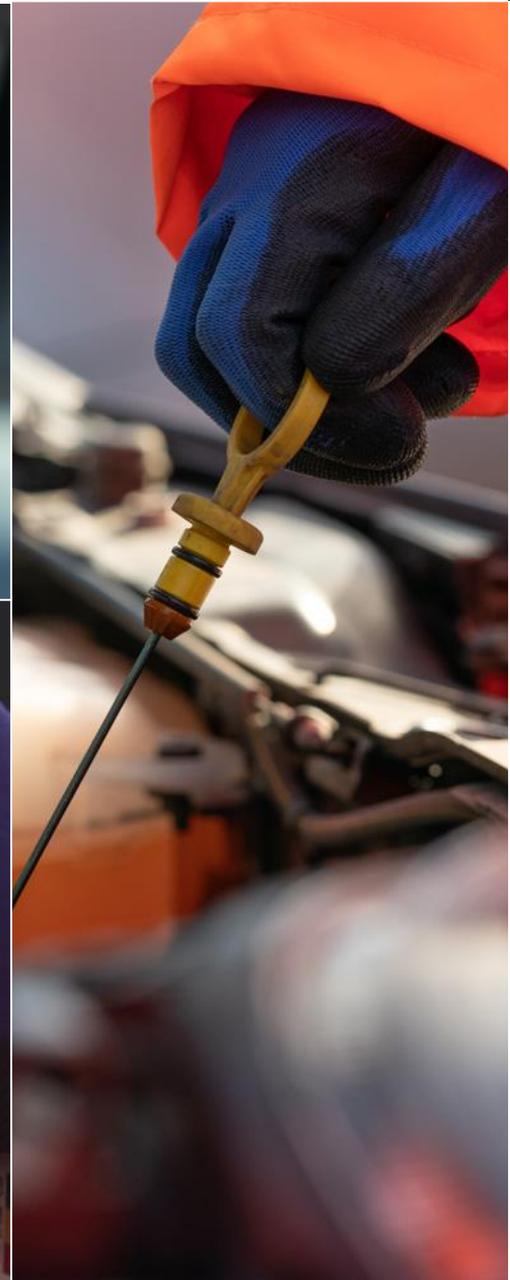
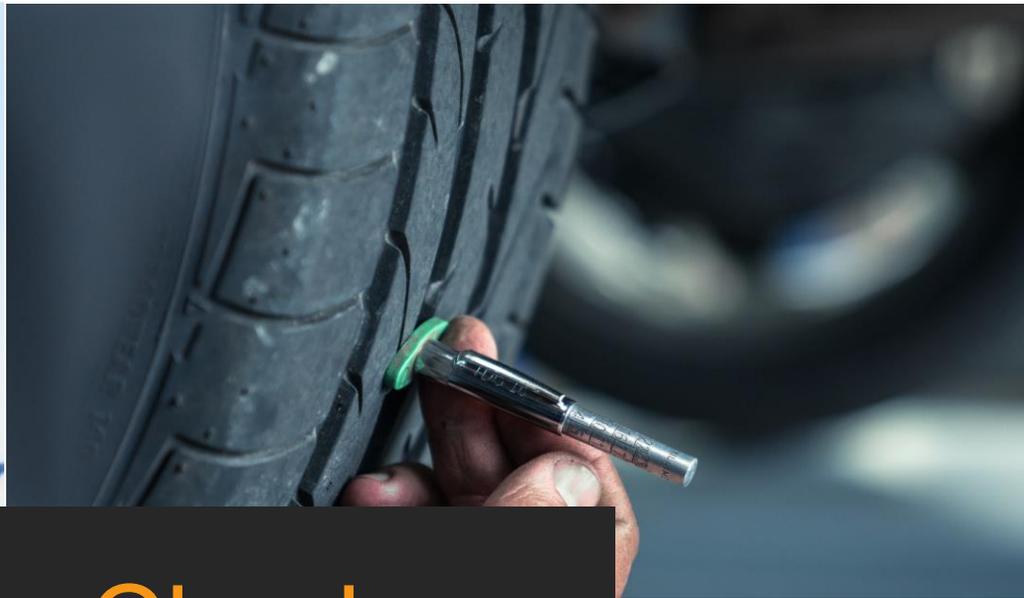
"Flawless, professional service"
"Hassle free and professional"
"Perfect example of Halfords quality"

...leveraging best-in-class proprietary software

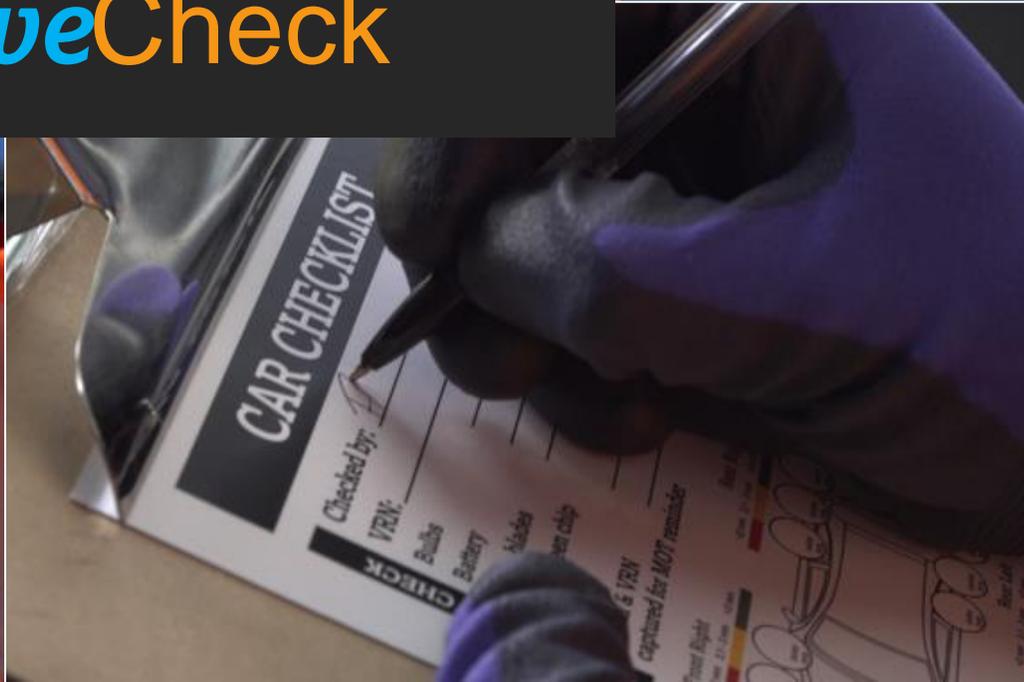
...targeting a healthy mix of tyre replacement and other services

...leveraging the Garage assets of the business





weCheck







3

Enable a **lifetime** of motoring and cycling

Accelerated investment in financial services offer giving us double-digit growth year-on-year and access to a new customer demographic

SPREAD
the cost

£2.88 per month
HALFORDS FLEXIBLE FINANCE

Karcher K2 Full Control Pressure washer

halfords
for life's journeys

Powered by **Klarna.**

SPREAD
the cost

HALFORDS FLEXIBLE FINANCE
*from £99**

Powered by **Klarna.**

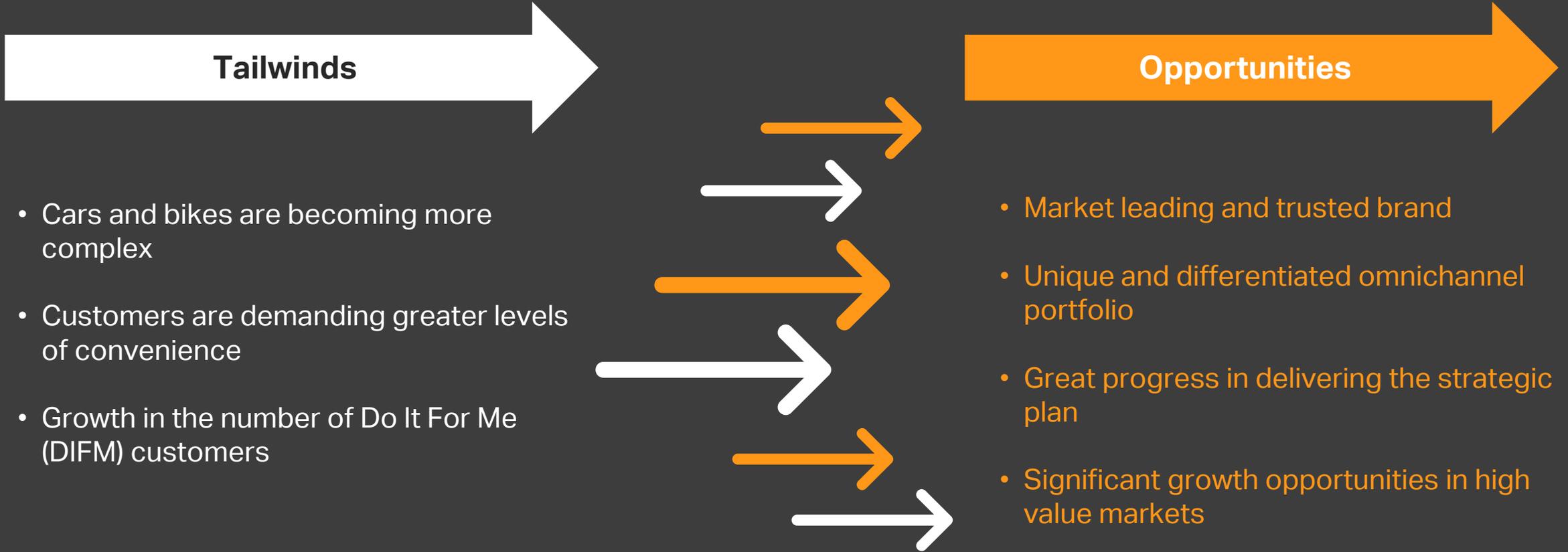
Powered by **Klarna.**

Powered by

- Much of the investment funded from cost and efficiency savings:
 - Goods for resale
 - Rent savings in Retail
 - Savings in distribution costs
 - Reduction in electricity costs
 - Selling and Administrative costs

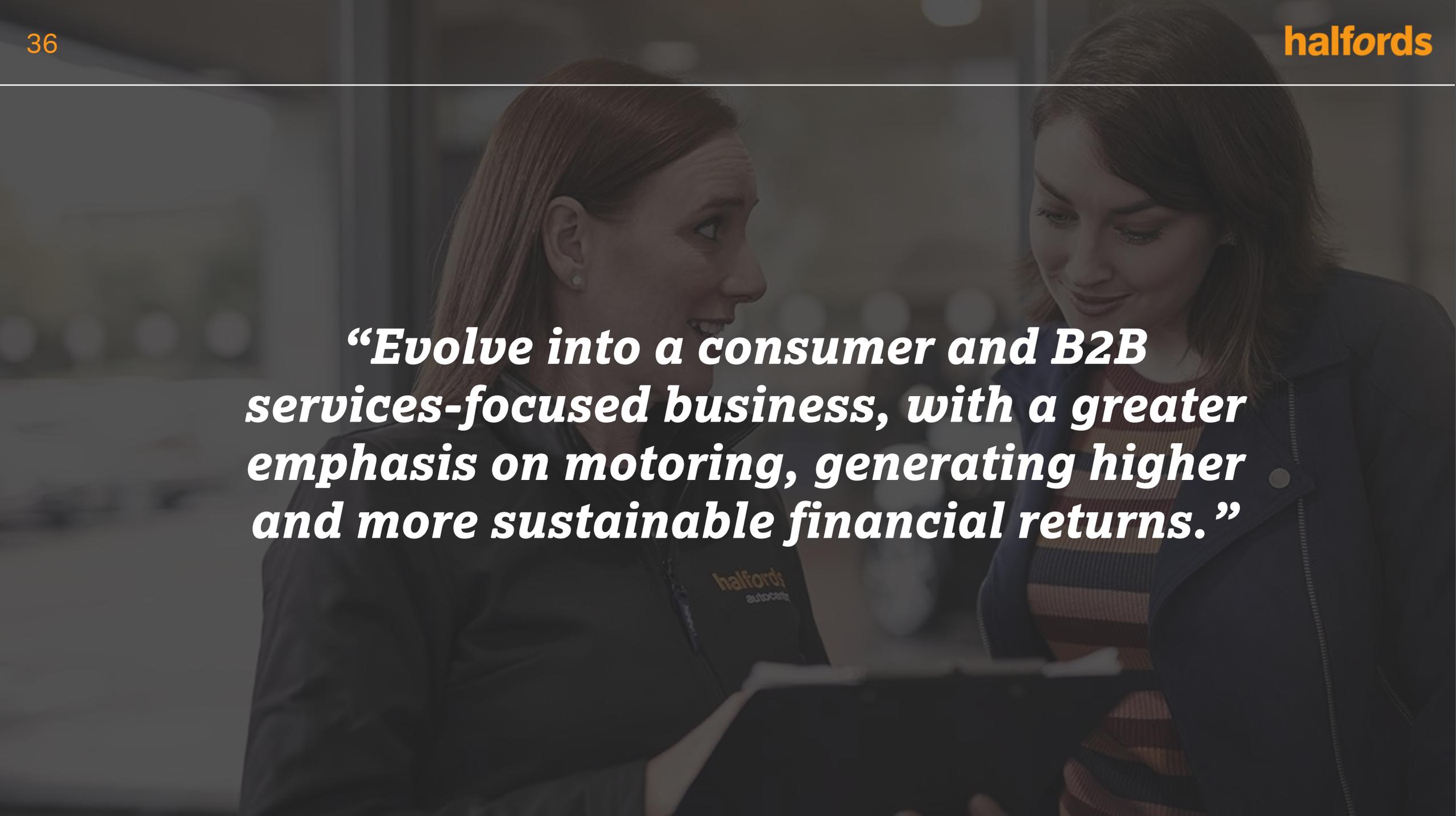


- ***Market leading and trusted brand***
- ***Unique and differentiated omnichannel portfolio***
- ***Great progress in delivering the strategic plan***
- ***Significant growth opportunities in high value markets***

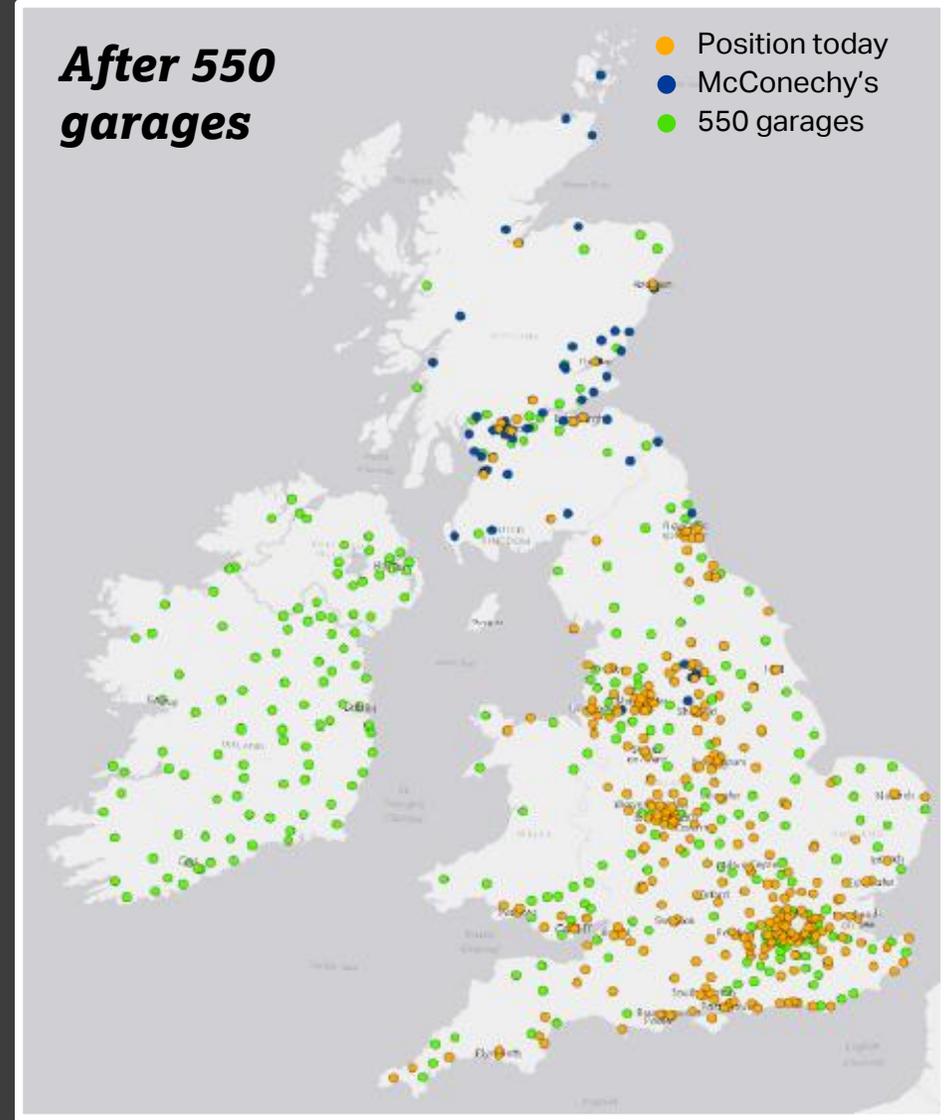
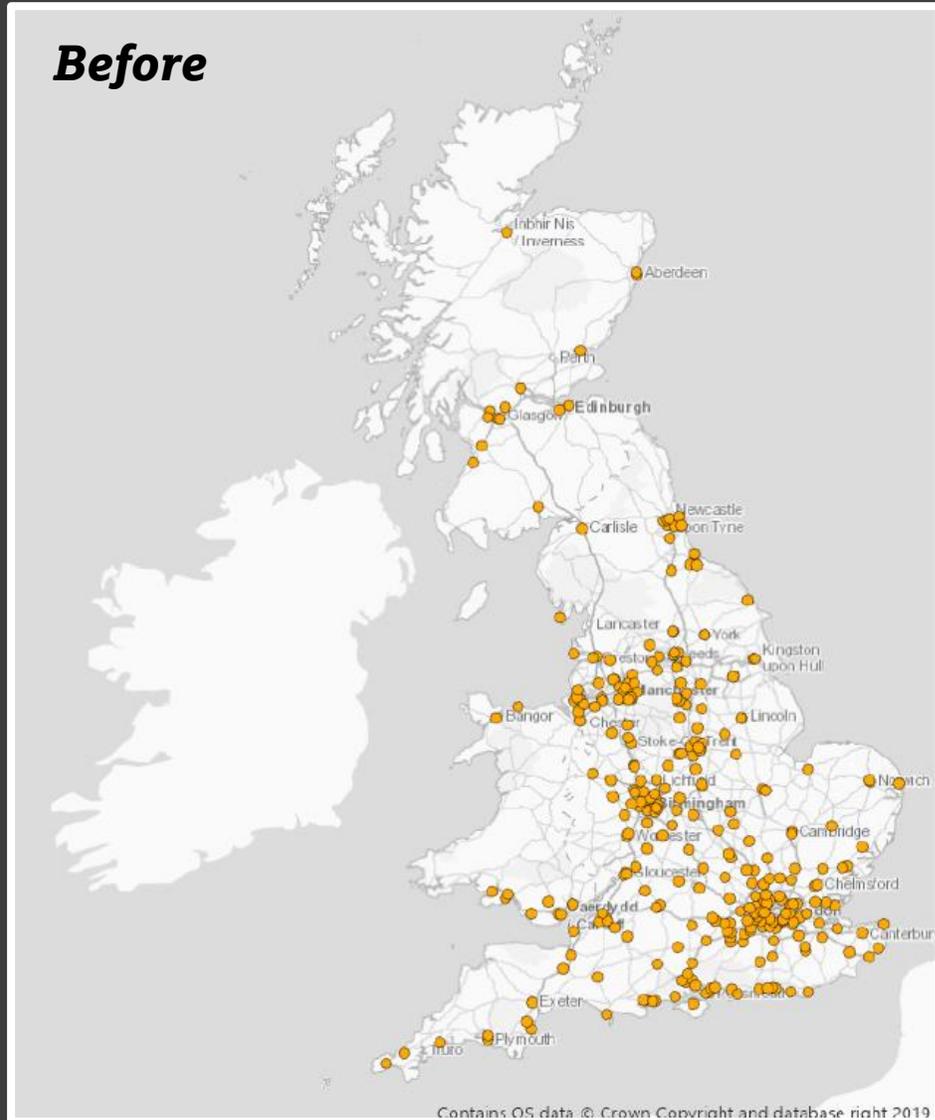




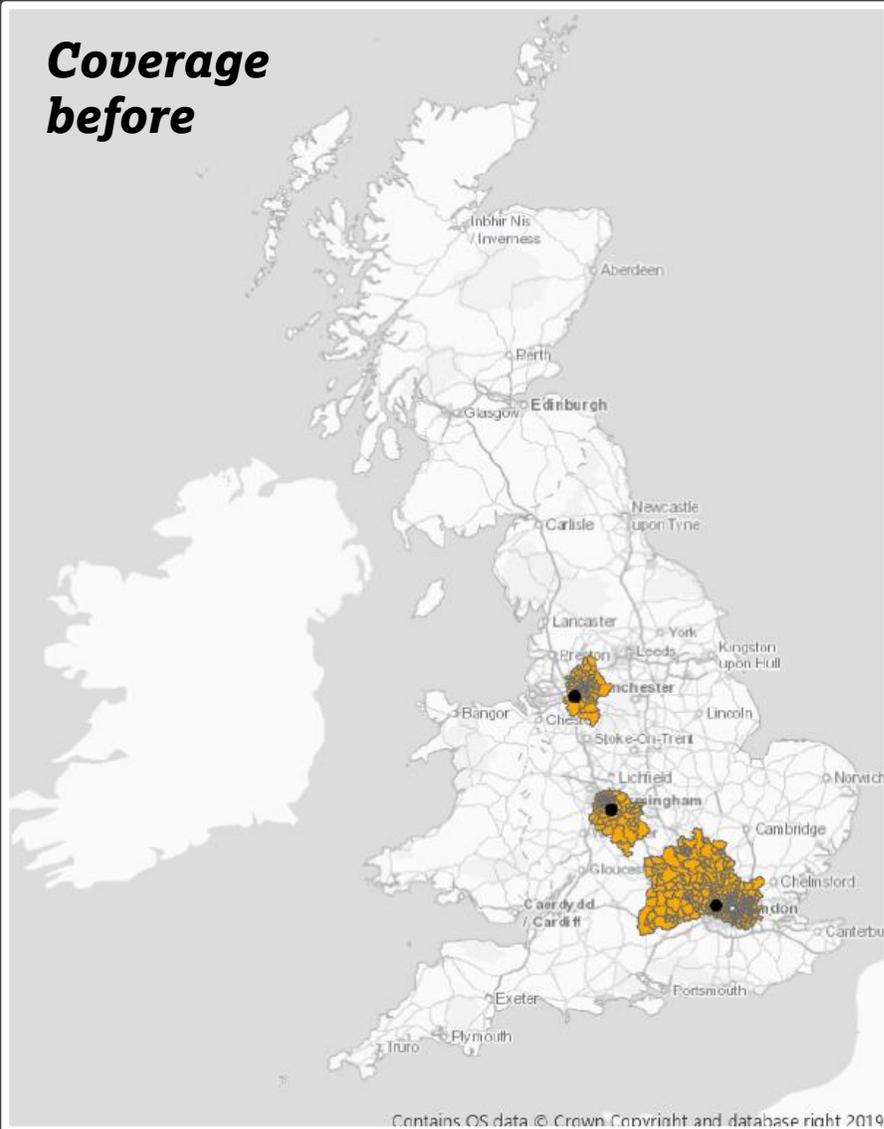
Accelerating the Strategy

A photograph of two women in Halfords jackets looking at a tablet. The woman on the left is wearing a dark jacket with the Halfords Autocare logo. The woman on the right is wearing a dark jacket over a striped top. The background is a blurred indoor setting.

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

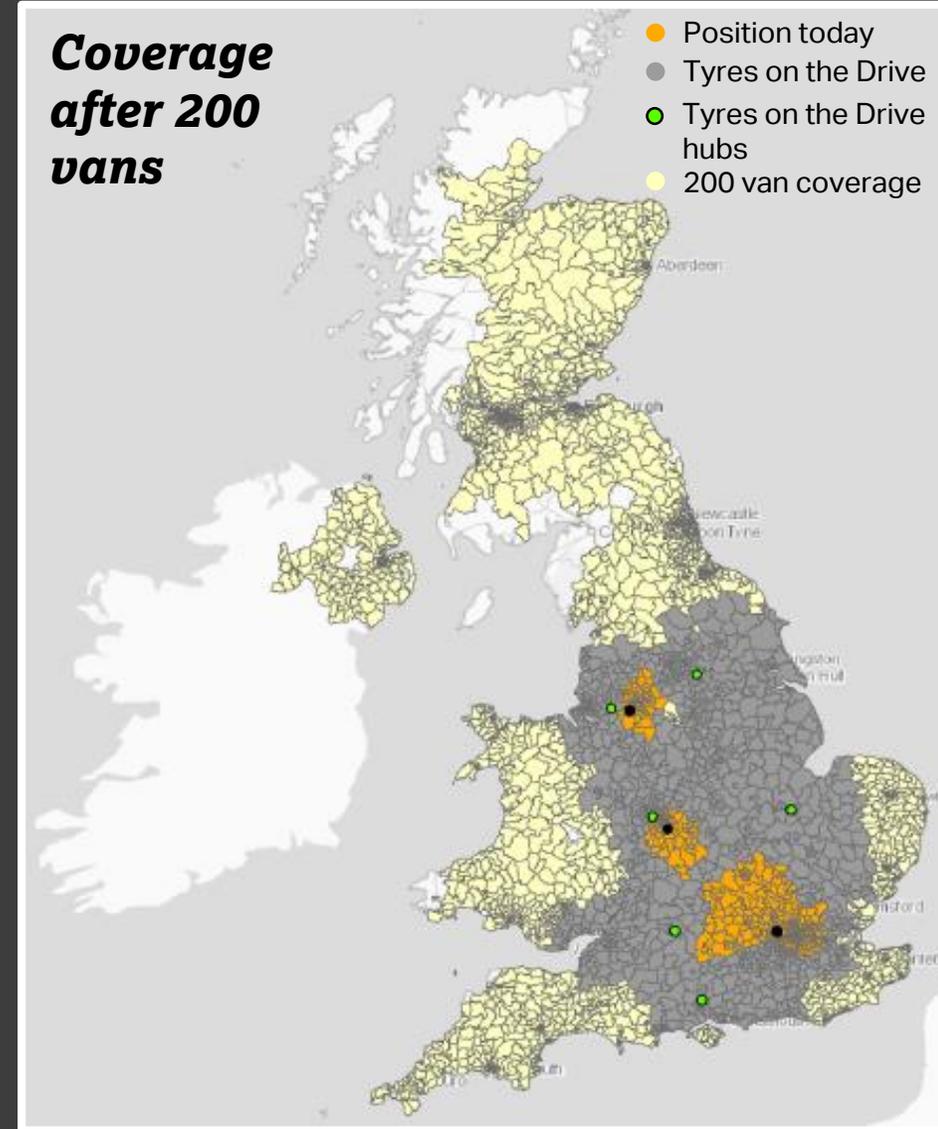


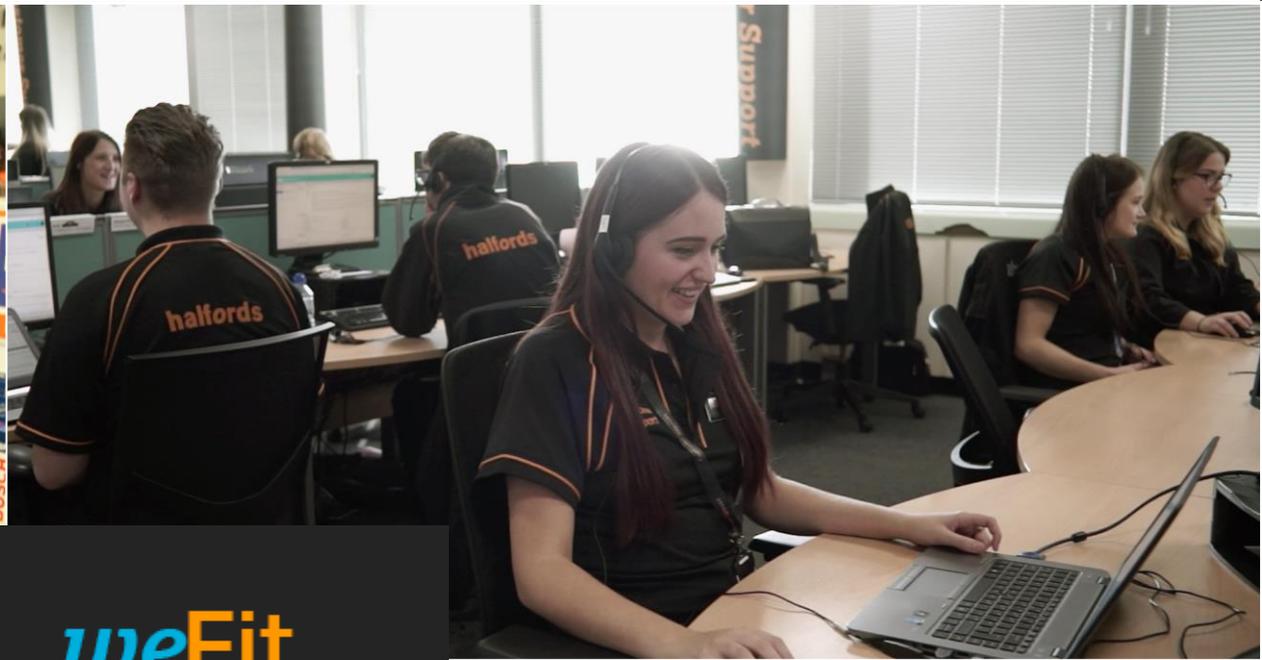
Coverage before



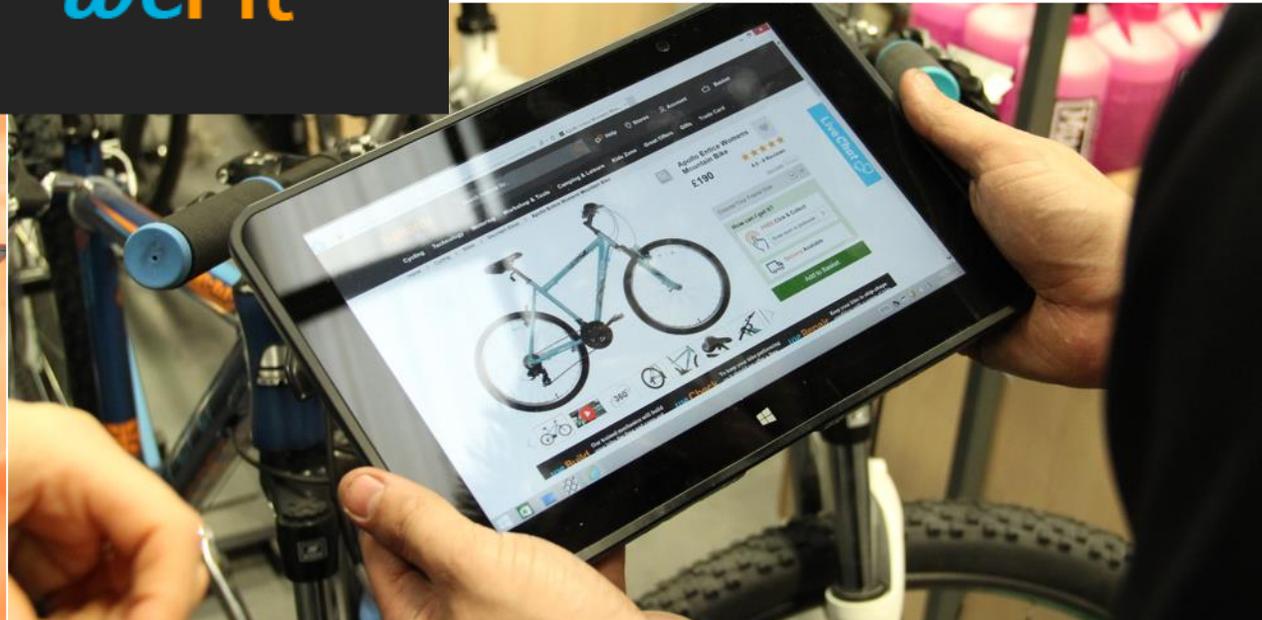
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Coverage after 200 vans

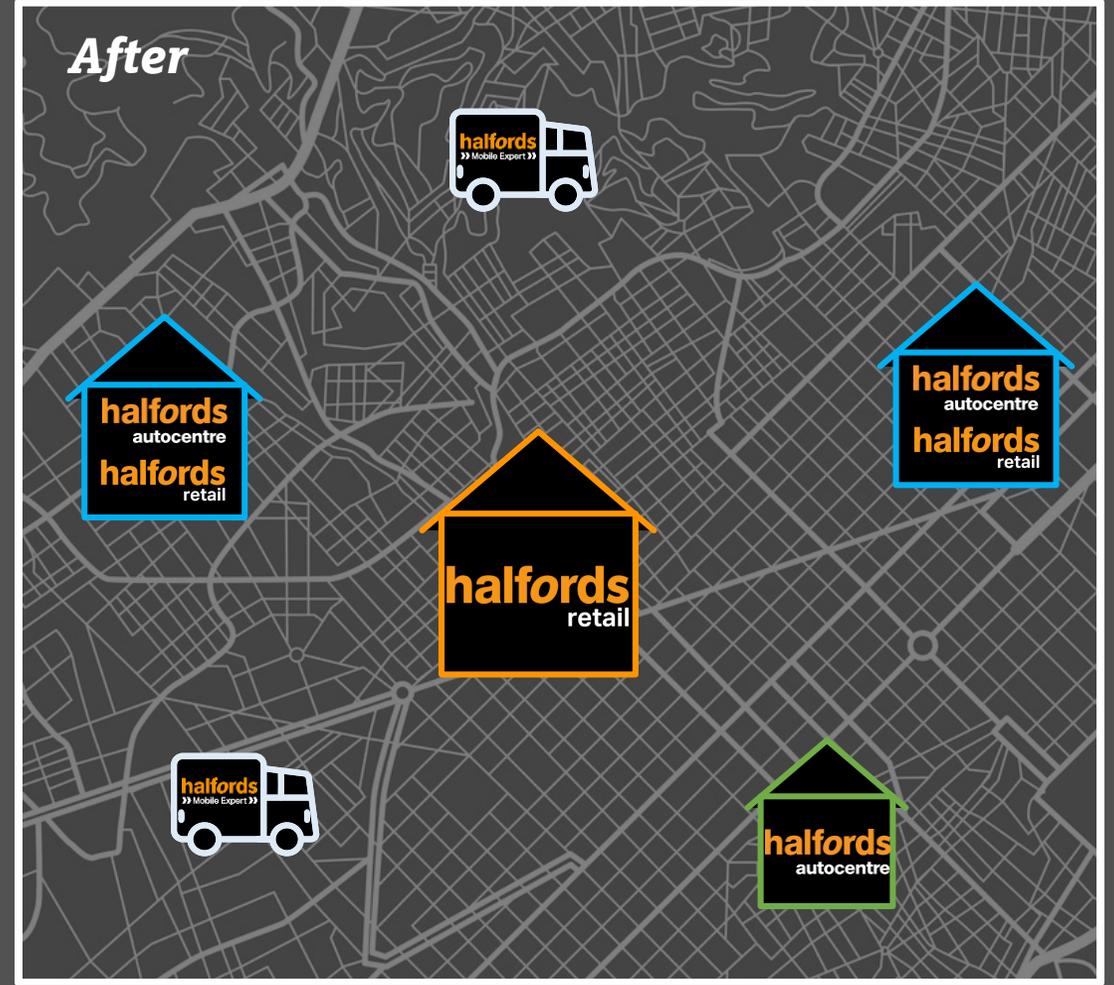
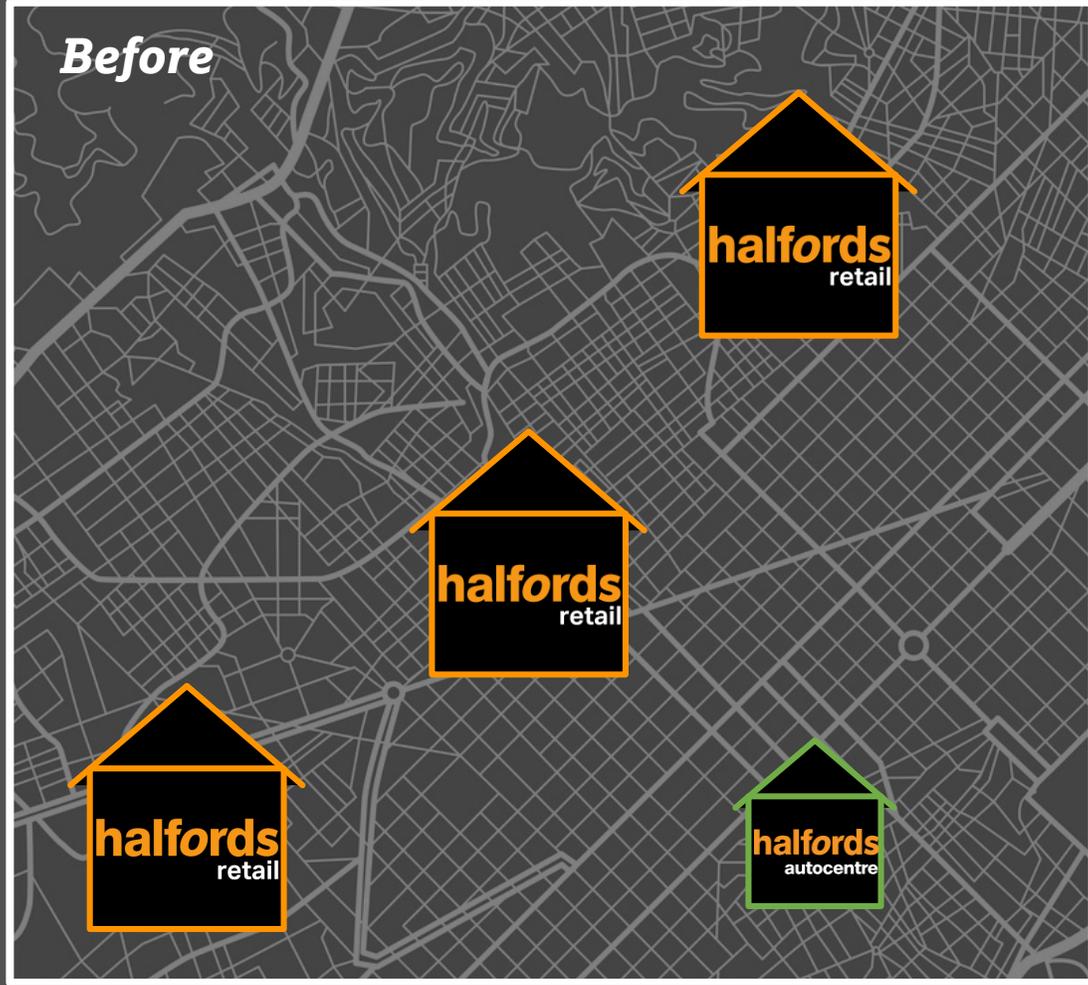




halfords *weFit*



We will trial a more inspirational, convenient, integrated and digitally enabled customer experience within a location



Infrastructure

- Investment in a new customer contact centre and tools to deliver 'best in class' customer contact
- Development of a digital services customer and colleague management system
- Continued investment in B2B systems and infrastructure

People

- Investment in colleagues to underpin our Services offering and ensure we retain the right skills in the right locations

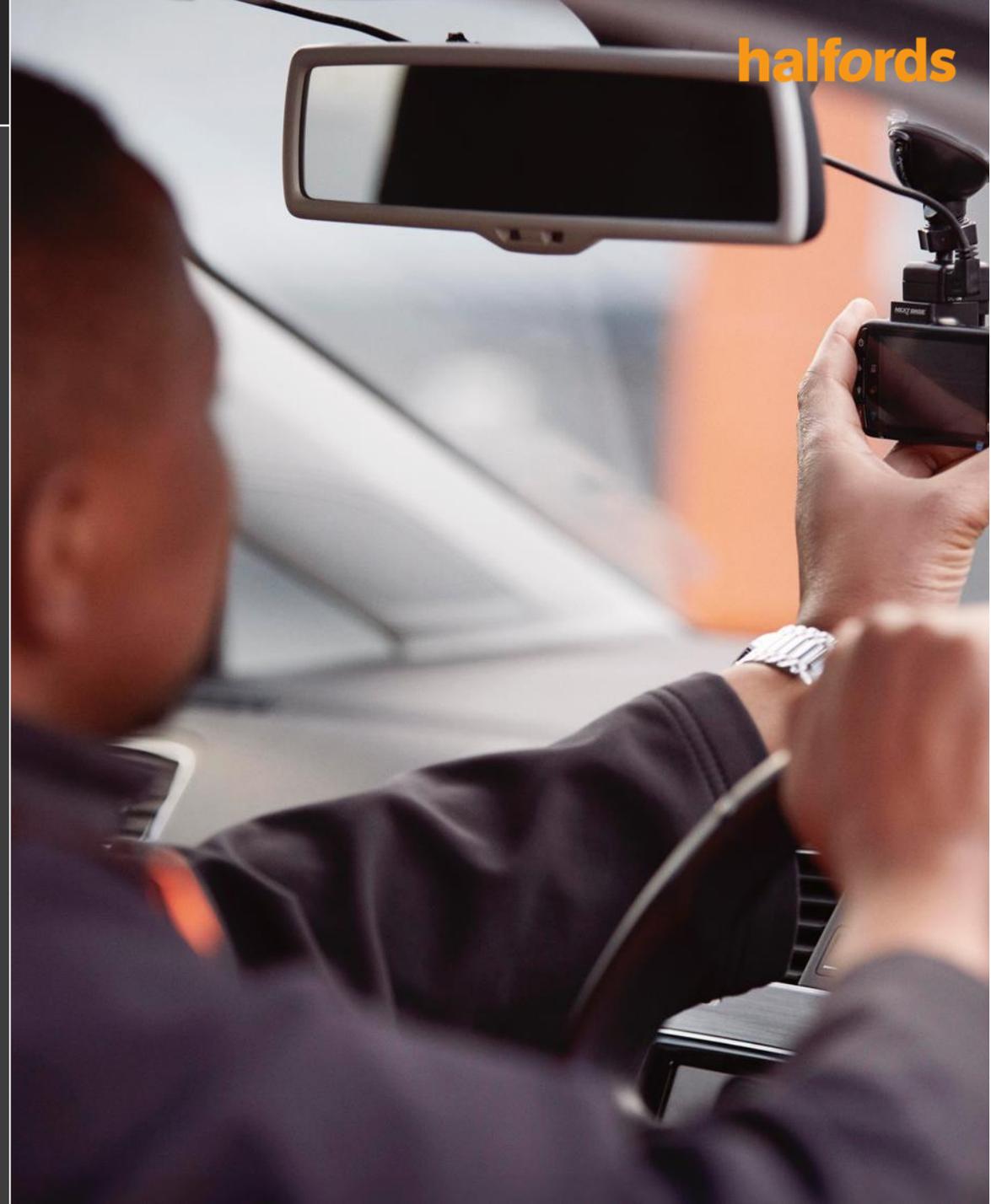
Acquisition

- To accelerate the growth in Autocentres, we will need to support organic growth with appropriate acquisitions
- Successfully integrating McConechy's Tyre Service and Tyres on the Drive acquisitions

Marketing

- Investment in marketing to drive awareness of our services, with an increased focus on social and digital marketing

- Delivering cost and efficiency benefits across the Group:
 - Supply chain
 - Property portfolio
 - Procurement
- Strategic buying alliance with Mobivia
- Improving the profitability of our cycling products business





Customers, Colleagues, Shareholders

...significantly more convenient services proposition

...services consistently delivered, when and where they want them

...better access to technical advice and expertise

...a market leading digital customer experience both online and in stores, garages and mobile



...clarity and focus across the Group

...excitement around accelerated investment and growth

...investment in expertise and specialism

...cross-Group career opportunity



...sustainable profit growth and improved ROIC

...greater focus on areas of significant growth opportunity

...less exposure to the volatility of FX, weather and consumer sentiment

...higher barriers to entry for our competitors



- Acceleration of the existing plan
- It will mean:
 - Service-related sales will double as a % of Group sales
 - Autocentres will represent a larger proportion of our Group profit
 - Continued reduction in fixed costs
 - Lower exposure to recent headwinds



Accelerated Investment

- Optimise our new Group website
- Integrate our McConechy's acquisition and increase to 400 garages
- Integrate our Tyres on the Drive and grow to 100 vans
- Scale our WeFit services
- Trial a new shopping experience in two locations



Supported by

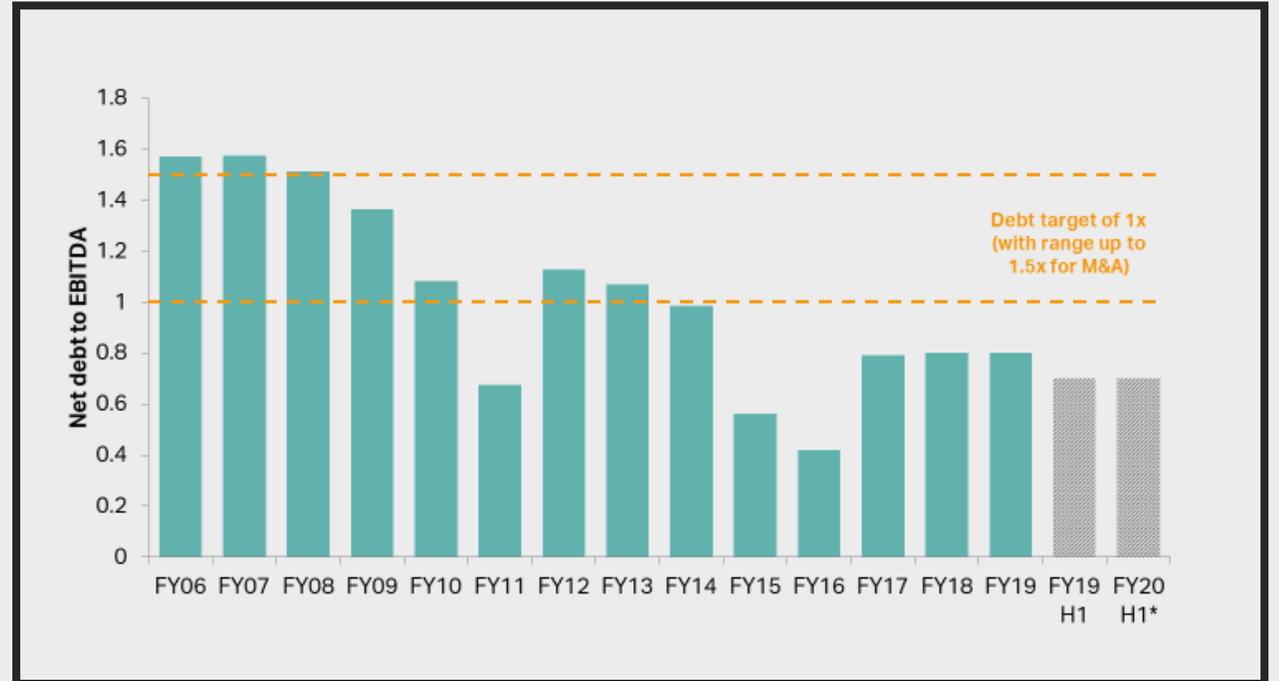
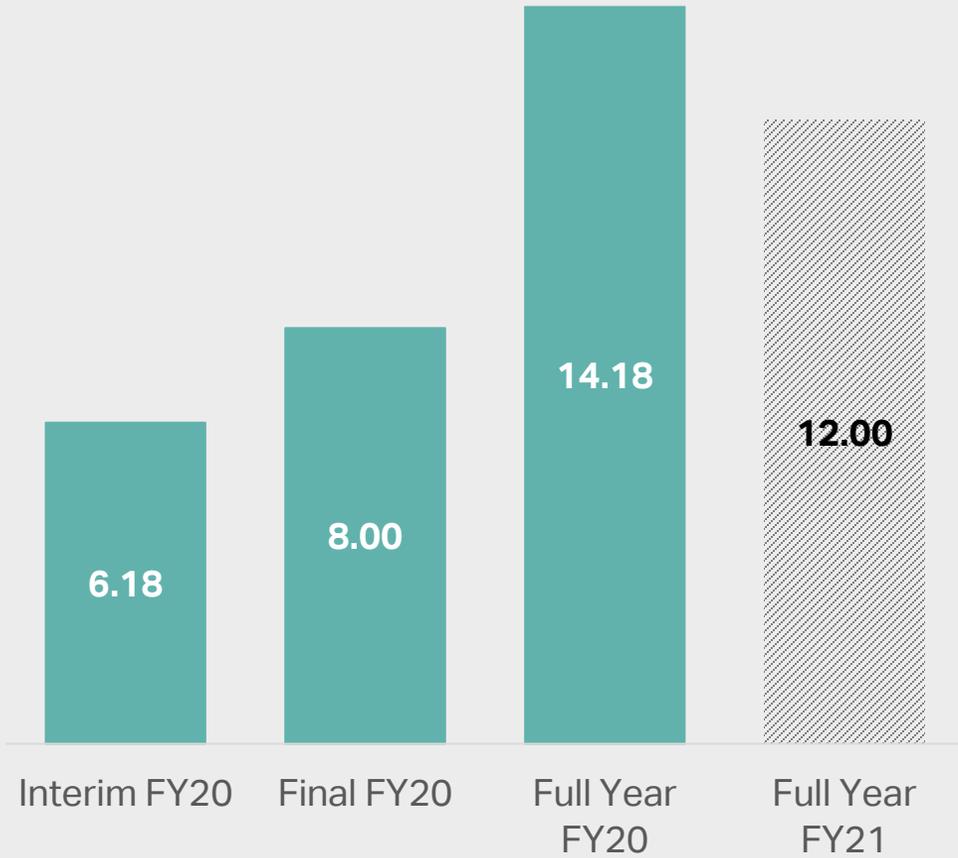
- Improving profitability in our cycling products business and continuing the delivery of strong cost efficiencies across the Group

A man and a woman are riding bicycles on a paved path. The man is on the left, wearing a light-colored shirt and dark shorts. The woman is on the right, wearing a dark shirt and light-colored pants, and has a basket on her front handlebars. They are both wearing helmets. The background shows a beach and a pier in the distance. The image is in grayscale with a dark overlay.

FINANCIAL OUTLOOK

Lorraine Woodhouse, CFO

Dividend pence per share (p)



Profit

- Re-confirm FY20 (pre-IFRS 16, 52-week) PBT guidance £50m - £55m

Cash Flow

- H2 FY20 Cash Flow impacted by additional capital / acquisition costs (c.£11m) + additional restructuring costs (c.£2m - £3m)

Capex

- FY20: Additional c.£11m (including acquisition) from McConechy's and Tyres on the Drive
- FY21: No change to existing CMD capex guidance; appropriate acquisitions in support of strategy

FY21 Profit

- FY21 operating cost base will increase to enable investment in services business
- FY21 PBT guidance provided at prelims

	M	T	W	T	F	S	S
							1
	2	3	4	5	6	7	8
	9	10	11	12	13	14	15
	16	17	18	19	20	21	22
	23	24	25	26	27	28	29

Today

"A low financial return consumer products-focused business, with an equal emphasis on motoring and cycling"

Future

"A consumer and B2B services-focused business, with a greater emphasis on motoring, generating higher and more sustainable financial returns."

A man wearing a grey helmet, a blue denim jacket over a light-colored t-shirt, and khaki pants is riding a silver bicycle. He is looking forward and slightly to the left. The background is a blurred brick wall and a dark doorway with a small light inside. The overall scene is in motion, suggesting a city street.

APPENDICES

Income statement impact

Rent	£45.9m
Depreciation	(£36.2m)
Operating profit adjustment	£9.7m
Interest	(£5.4m)
Profit before tax adjustment	£4.3m

Balance Sheet impact

Right-of-use asset	£370.0m
Profit before tax adjustment	£427.1m

- The Group has initially applied IFRS 16 at 30 March 2019
- A right-of-use lease asset and a lease liability is included on the balance sheet, and depreciation and interest has been charged to the income statement instead of existing rental charges and operating expenses
- Discount rates ranging between 1.14% to 3.94% have been applied based on UK Government Gilt rates of an appropriate duration and adjusted by an indicative credit premium
- The Group has adopted the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of applying IFRS 16 is recognised in Retained earnings at the date of initial application.

Revenue	£582.7m		-2.9% YoY -2.4% LFL
Gross Profit	50.1%		+70 bps
Operating costs*	£254.9m		-3.5% YoY
Underlying PBT*	£30.2m		-1.0% YoY
Basic Underlying EPS*	12.2p		-1.6% YoY
Free Cash Flow**	£44.2m		+29.2% YoY

Note: * numbers are reflected on a post-IFRS 16 basis

** Free Cash Flow has been adjusted for the post period end payment run

1 Maintaining a prudent balance sheet

2 Investment for growth

3 Maintain the ordinary dividend

4 Appropriate M&A

5 Surplus cash returned to shareholders



Contact and Newsflow

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

Neil Ferris

Corporate Finance Director
neil.ferris@halfords.co.uk
Mobile: +44 (0)7483 360675

Next newsflow:

16th January 2020: FY20 Q3 trading update