

halfords

for life's journeys

FY18 Interim Results

Introduction

Dennis Millard – Chairman

CEO update

Jonny Mason – Interim CEO

H1 financial performance & outlook

Adam Phillips – Corporate Finance Director

Summary

Jonny Mason – Interim CEO

Q&A

A photograph of two children walking away from the camera on a paved path. The child on the left is wearing a red raincoat and yellow boots, holding a colorful umbrella. The child on the right is wearing a blue and red patterned raincoat and white sneakers. In the background, there are several tents, a wheelchair, and bare trees, suggesting a rainy day at a camp or festival.

CEO update
Jonny Mason – Interim CEO

H1 Operational highlights

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- **Steady trading performance in challenging conditions**
- **Gained market share in both motoring and cycling**
- **Continued strategic progress**
- **Further strengthening of our unique services proposition**



H1 Financial highlights

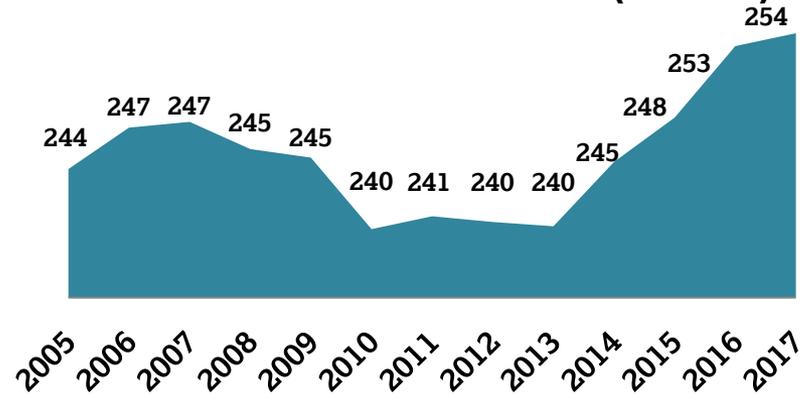
- Total Group sales +3.8%, Retail +4.5% and Autocentres -0.6%
- Retail Motoring +1.9% LFL and Cycling +2.0% LFL
- £15m increase in cost of goods from the weaker pound
- Profit before tax of £36.8m, down £4m year-on-year
- Net Debt at 0.8 times EBITDA, Interim dividend up 3%



The motoring market

- Growing used car parc
- 75% of consumers prefer someone to do their car maintenance for them*
- Increasing complexity of cars will accelerate the DIFM** trend

Total UK car miles driven (billions)

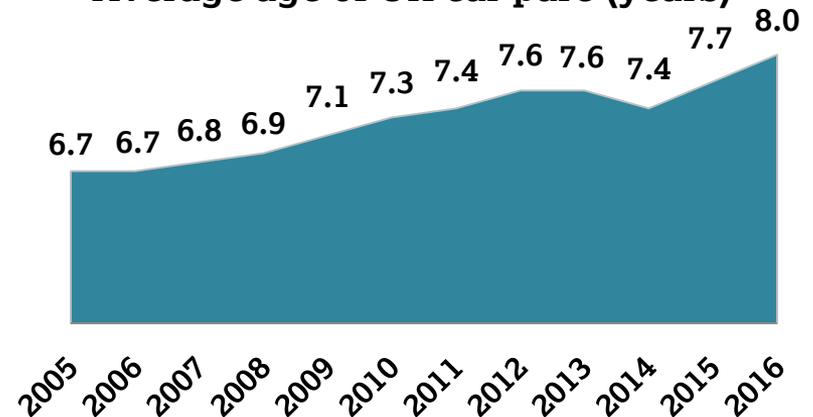


Source: Department for Transport National Statistics.

Halfords' position in it

- Training colleagues to deal with increasing complexity
- Growing services proposition
- Market share gains

Average age of UK car parc (years)



Source: Department for Transport National Statistics.

*Source: Halfords internal research.

** DIFM refers to 'do it for me'.

The cycling market

- Price rises to offset FX-related cost inflation; lower volumes
- Independents and smaller chain operators closing shops
- Fast growth in e-bikes, attracting new customer segments
- Market fundamentals remain strong



Halfords' position in it

- Strongest operator in the market
- Scale and direct sourcing benefits
- Gained market share



Moving Up A Gear strategy



**Service in our
DNA**



**Better Shopping
Experience**



**Building on our
Uniqueness**

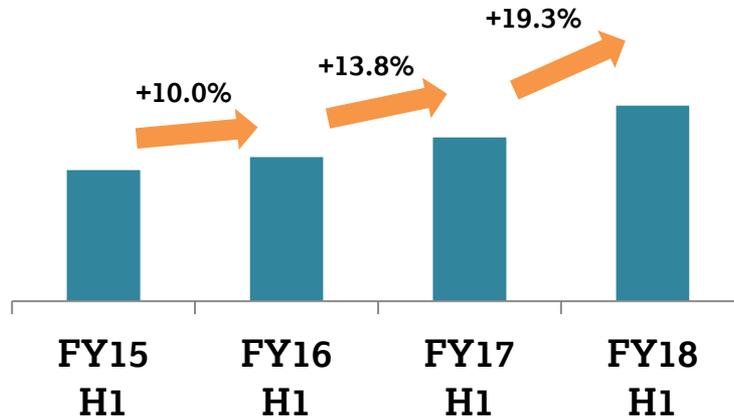


**Putting Customers
in the Driving Seat**



**Fit for the Future
Infrastructure**

Service-related Retail sales



- Service-related Retail sales* up 19.3% (+35.7% 2-year growth)
- Over 50% of Group sales have a clearly identifiable service element**
- Retail colleague turnover down 7 percentage points in three years
- Headsets enhance service delivery for all colleagues and customers

*Service-related Retail sales are defined as the income from the sale of fitting and repair services plus the associated product revenue.

**Includes non-chargeable services, such as child seat fitting or bike build.



Better Shopping Experience

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- Store network remains fundamental to delivery of our services
- 40 stores refreshed in latest format by the end of this month
- Over 85% of Halfords.com orders collected in-store
- Cycle Republic roll-out continues with 18 operational to date
- Improvements to Group websites contributing to online sales growth of 11%



Building on our Uniqueness

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for life's journeys

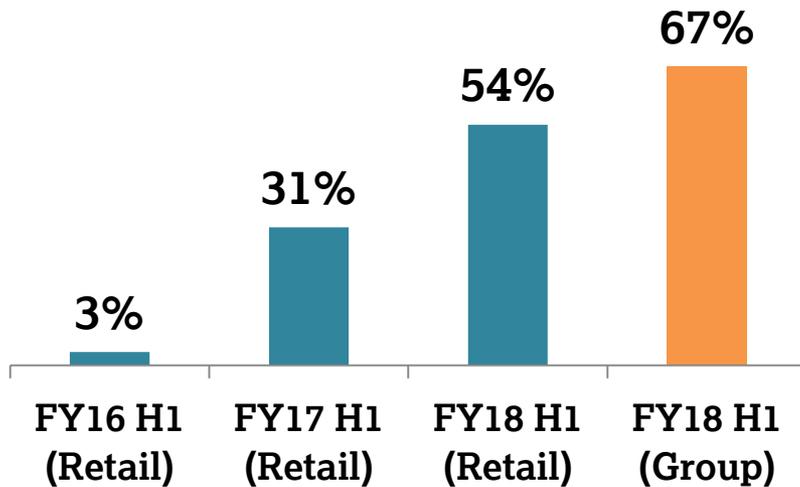


- New in-store services including ad-blue top-up, key fob repair and fuse fitting
- Own-brand Carrera and Pendleton electric bikes launched
- Tradecard sales +21% as we continued to grow awareness
- 'Cycle 2 work' sales in strong growth, evidencing unique breadth of Group cycling proposition
- Halfords Mobile Expert trial launched



Putting Customers in the Driving Seat

Transactions-to-customers match rate



- 54% of Retail transactions matched to customers, up from 3% two years ago
- 67% of Group transactions matched to customers
- Smart analytics such as product recommendation and guided selling recently introduced
- Enhanced customer insights starting to drive incremental spend





- **Third distribution centre in Daventry fully operational and delivering benefits**
- **Increased 'store-friendly' deliveries improving efficiency**
- **Next day click & collect and home delivery launched**
- **Single view of stock enhancing accuracy of stock availability**
- **Shop till hardware and software replacement on target for next year**



- Focus on service, maintenance, repair and direct tyre sales
- Gross margin and profit up
- Colleague turnover improvements resulting from pay grading changes
- Electric and hybrid vehicle servicing
- Implementing best practice into underperforming garages following the operational review
- Update on progress in May 2018



H1 financial performance & outlook

Adam Phillips – Corporate Finance Director

Group financial highlights

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Revenue:	£588.7m		+3.8% YoY +1.5% LFL	+£21.4m YoY
Underlying EBITDA:	£54.9m		-3.9% YoY	-£2.2m YoY
Underlying PBT:	£36.8m		-9.8% YoY	-£4.0m YoY
Basic Underlying EPS:	14.8p		-10.8% YoY	-1.8p YoY
Interim Ord. Dividend:	6.0p		+3.0% YoY	

Notes:
1) All numbers represent performance for the 26 weeks to 29 September 2017 and are before non-recurring items.

Retail financial highlights



Revenue: £511.0m

+4.5% YoY
+1.9% LFL

Gross Margin: 45.7%

-182 bps
YoY

Operating costs: -£195.8m

+2.6% YoY

Underlying EBIT: £37.9m

-£3.9m YoY

Underlying EBITDA: £50.9m

-£2.8m YoY

Notes:

1) All numbers represent performance for the 26 weeks to 29 September 2017 and are before non-recurring items.

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

Retail sales

	Total sales	LFL sales
Retail	+4.5%	+1.9%
Cycling	+7.0%	+2.0%
Motoring	+1.8%	+1.9%
Car Maintenance	+2.0%	+2.2%
Car Enhancement	-2.1%	-2.0%
Travel Solutions	+6.9%	+7.1%

Service-related sales
+19.3%

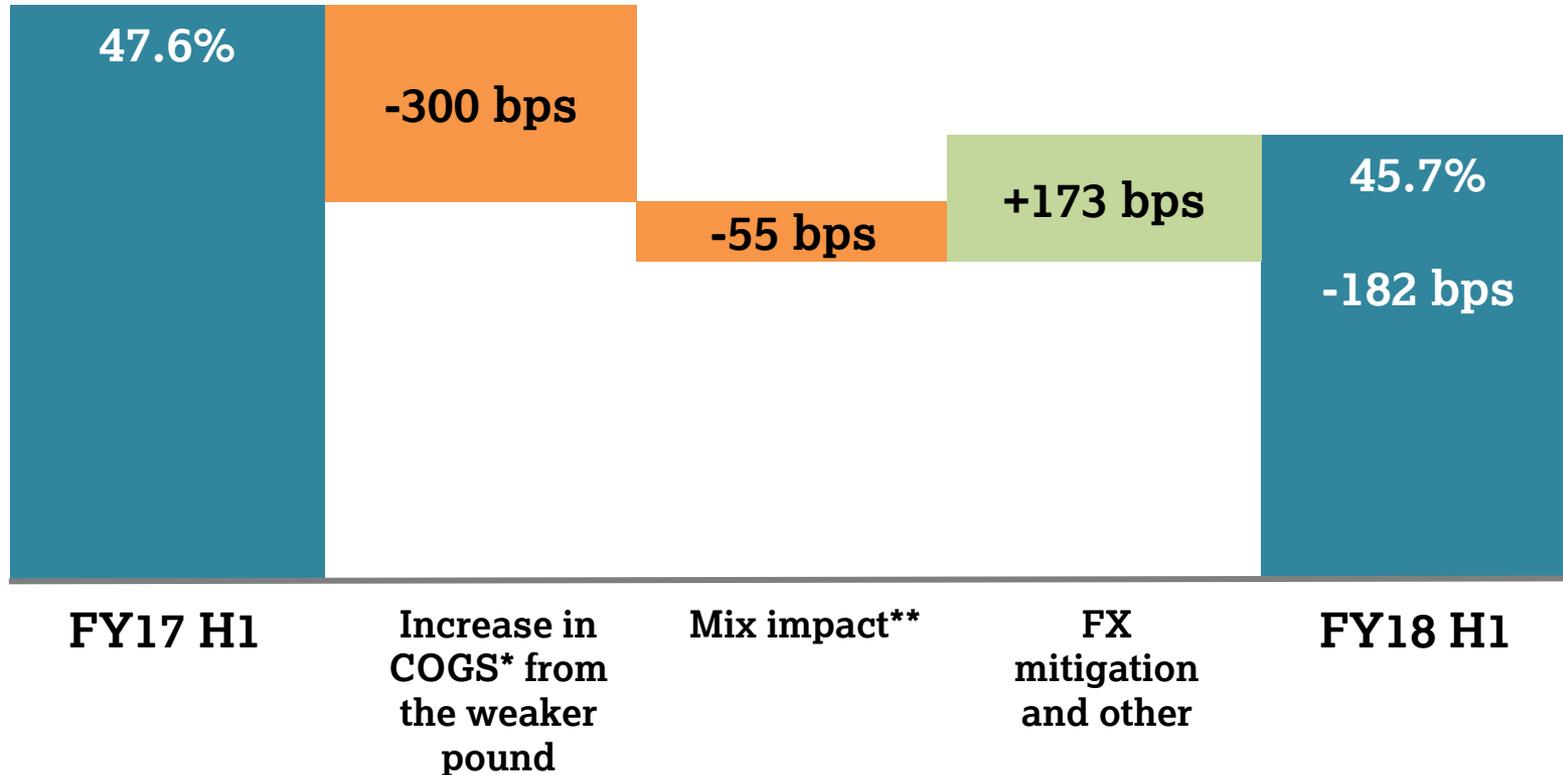
Online sales
+8.9%



Notes

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

Retail gross margin



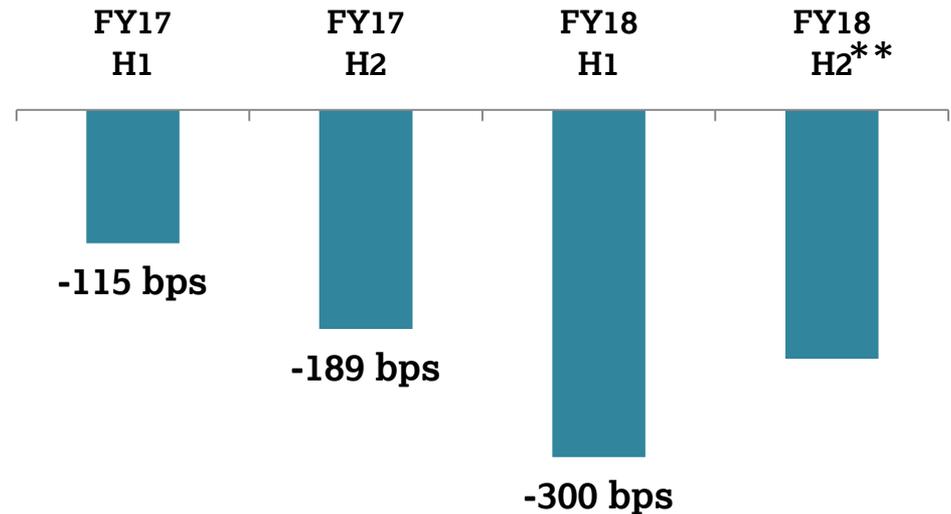
*COGS refers to 'cost of goods sold'.

**This comprises:

- a) Circa 20 bps from the net of the adverse mix impact of faster cycling sales, partially offset by the accretive mix impact of higher service-related Retail sales and lower sat nav sales; and
- b) Circa 35 bps from the first-time inclusion of Tredz and Wheelies for the period prior to the annualisation of the acquisition.

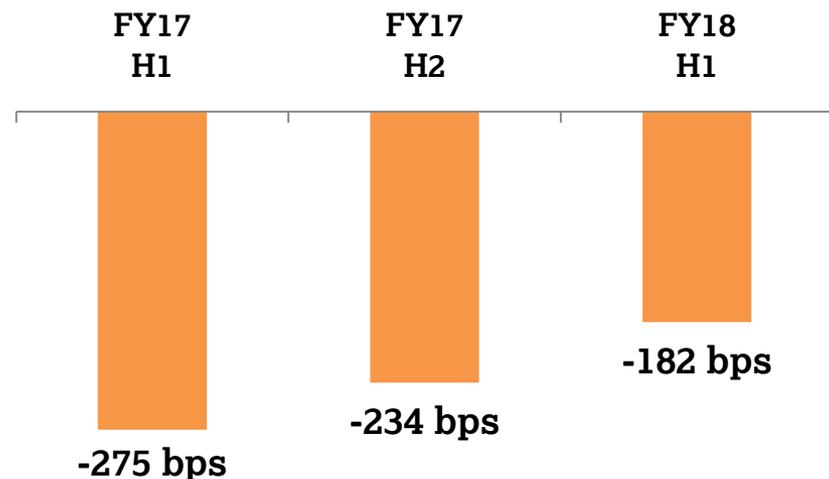
- The impact of the weaker pound on COGS has increased each half year since the EU referendum
- Impact peaked in H1 FY18 and recedes in H2
- No further impact in FY19 assuming current exchange rates

Impact of weaker pound on COGS*



- At the same time, the overall Retail gross margin movement has improved each half year
- This reflects the successful implementation of the mitigation plans and other trading

Retail gross margin year-on-year



* COGS refers to 'cost of goods sold'.

** Estimate based on over 90% of FY18 US Dollar requirements hedged.

Autocentres financial highlights

Revenue: £77.7m

-0.6% YoY
-1.3% LFL

Gross Margin: 67.7%

+270 bps YoY

Operating costs: -£51.1m

+2.4% YoY

Underlying EBIT: £1.5m

+£0.6m YoY

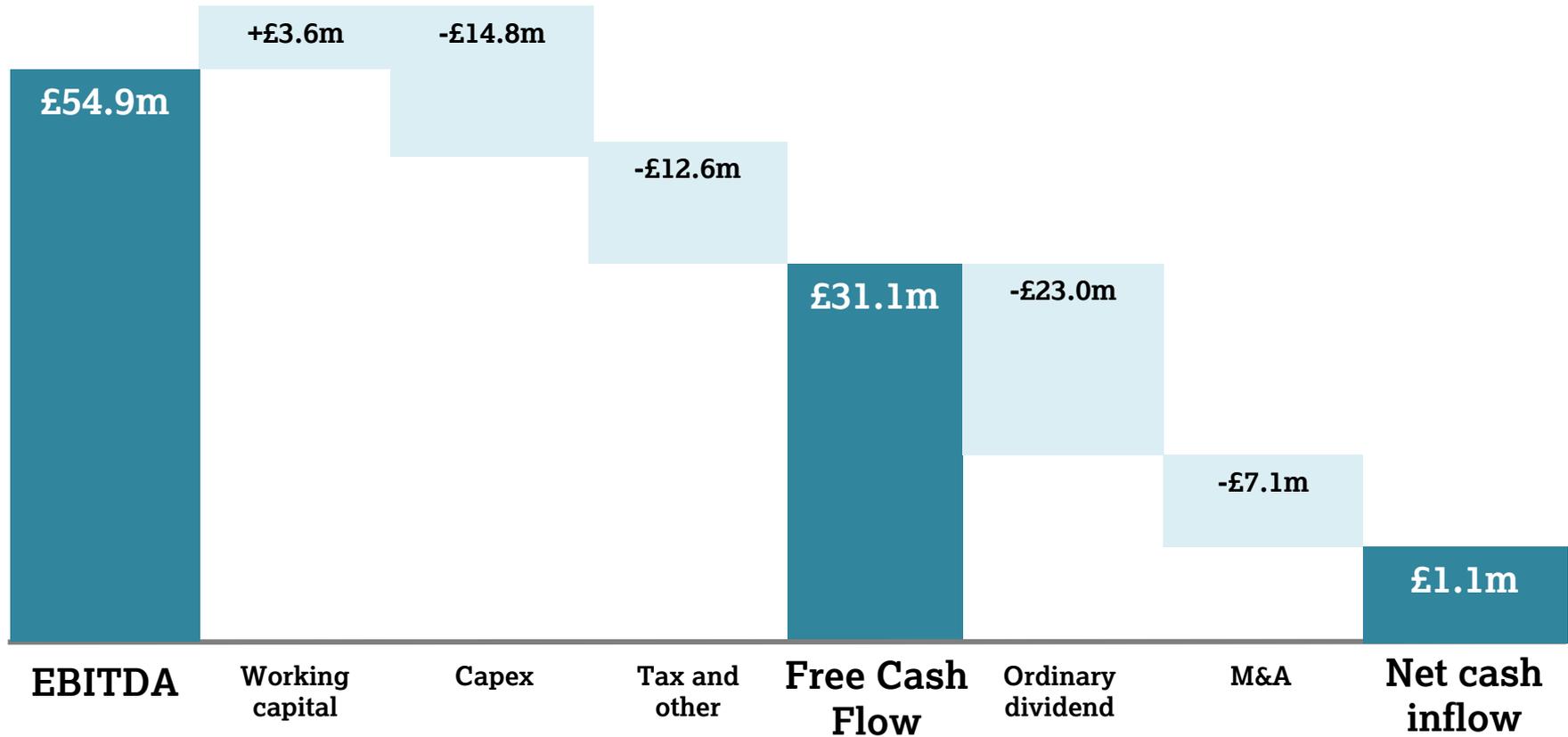
Underlying EBITDA: £4.0m

+£0.6m YoY



Notes:
1) All numbers represent performance for the 26 weeks to 29 September 2017 and are before non-recurring items.

Cash flow



- **Impact of weaker pound on cost of sales recedes in H2; no further impact in FY19 assuming current exchange rates**
- **No change to financial guidance for FY18 or the medium term financial targets**
- **We anticipate FY18 PBT to be in line with current market expectations**



Summary

Jonny Mason – Interim CEO

- **Good trading performance in challenging conditions**
- **Gained market share in both motoring and cycling**
- **FX mitigation plans in place and working well**
- **Continued delivery of strategic progress**
- **Further strengthening of our unique services proposition**
- **Exciting plans for H2**



Appendices

Group income statement

	H1 FY18 £m	H1 FY17 £m	Change
Revenue	588.7	567.3	+3.8%
Gross Profit	286.3	283.4	+1.0%
Operating Costs	(248.0)	(241.6)	+2.6%
Underlying EBIT	38.3	41.8	-8.4%
EBIT Margin %	6.5%	7.4%	
Underlying EBITDA	54.9	57.1	-3.9%
EBITDA Margin %	9.3%	10.1%	
Net Finance Costs	(1.5)	(1.0)	
Underlying Profit Before Tax	36.8	40.8	-9.8%
Basic Underlying Ordinary EPS	14.8p	16.6p	-10.8%
Effective Tax Rate	20.3%	20.5%	

Retail income statement

	H1 FY18 £m	H1 FY17 £m	Change
Revenue	511.0	489.1	+4.5%
Gross Profit	233.7	232.6	+0.5%
Gross Margin	45.7%	47.6%	-182 bps
Operating Costs	(195.8)	(190.8)	+2.6%
Underlying EBIT	37.9	41.8	-9.3%
EBIT Margin	7.4%	8.5%	
Underlying EBITDA	50.9	53.7	-5.2%
EBITDA Margin	10.0%	11.0%	

Group balance sheet

	H1 FY18 £m	H1 FY17 £m	YOY £m	Change
Goodwill and Intangible Assets	394.5	391.8	+2.7	+0.7%
Property, Plant & Equipment	102.5	101.6	+0.9	+0.9%
Investments	8.1	-	+8.1	-
Derivative Financial Instruments	(4.9)	8.3	-13.2	-
Net Working Capital	49.0	40.5	+8.5	+20.1%
Net Debt	(84.8)	(64.8)	+20.0	+30.1%
Other Creditors	(58.7)	(62.0)	-3.3	-5.3%
Net Assets	405.7	415.4	-9.7	-2.3%
<i>Inventories</i>	<i>206.0</i>	<i>176.6</i>	<i>+29.4</i>	<i>+16.6%</i>

Cash flow and net debt

Operating Cashflow	£m	Free Cashflow	£m	Net Debt	£m
Underlying EBIT	38.3	Operating Cashflow	57.7	Opening Net Debt	(85.9)
Non-recurring operating expenses	(0.5)	Capital Expenditure	(14.8)	Free Cashflow	31.1
Depreciation, Amortisation and loss on disposal	16.7	Net Finance Costs	(0.8)	Proceeds from issue of shares	0.1
Employee Share Scheme	(0.2)	Taxation	(7.9)	Dividends	(23.0)
Working Capital	3.6	Fair value gain on derivatives	(2.3)	Acquisition of subsidiary	(5.1)
Provisions	(0.2)	Arrangement fees on loans	(0.8)	Purchase of investment	(2.0)
Operating Cashflow	57.7	Free Cashflow	31.1	Closing Net Debt	(84.8)

Net debt to EBITDA at 0.8:1
Interim dividend of 6.0 up 3.0%

Group cash flow

	H1 FY18 £m	H1 FY17 £m
Underlying EBITDA	54.9	57.1
Non-recurring operating expenses	(0.5)	(1.5)
Change in inventories	(14.9)	(18.7)
Change in receivables	1.2	(5.7)
Change in payables	17.3	17.1
Change in provisions	(0.2)	(0.4)
Other	(0.1)	1.4
Operating Cash Flow	57.7	49.3
Capital Expenditure	(14.8)	(15.5)
Finance costs, tax and other	(11.8)	(10.8)
Free Cash Flow	31.1	23.0
Acquisitions & Investments	(7.1)	(18.0)
Dividends	(23.0)	(22.3)
Other	0.1	0.7
Net cash inflow/(outflow)	1.1	(16.6)

Group components

FY18 H1	Retail £m	Autocentres £m	Amortisation £m	Group £m
Revenue	511.0	77.7	-	588.7
Gross Profit	233.7	52.6	-	286.3
Operating Costs	(195.8)	(51.1)	(1.1)	(248.0)
EBIT	37.9	1.5	(1.1)	38.3
EBITDA	50.9	4.0	-	54.9

FY17 H1	Retail £m	Autocentres £m	Amortisation £m	Group £m
Revenue	489.1	78.2	-	567.3
Gross Profit	232.6	50.8	-	283.4
Operating Costs	(190.8)	(49.9)	(0.9)	(241.6)
EBIT	41.8	0.9	(0.9)	41.8
EBITDA	53.7	3.4	-	57.1

Note: All numbers are before non-recurring items.

Retail operating costs



Store colleagues:

£58.7m

+4.1% YoY

Store Occupancy:

£71.4m

+2.9% YoY

Warehousing & Distribution:

£25.3m

+4.1% YoY

Support costs:

£40.4m

-0.7% YoY

Total:

£195.8m

+2.6% YoY

Notes:
1) Tredz and Wheelies' costs have been allocated to the above categories in both the current and prior year.

Motoring in-store service menu

SERVICE & NUMBER PLATE PRICE LIST

CAR MAINTENANCE

Top-Up

Screenwash Top-Up	FREE
AdBlue	£2
Oil Top-Up	£2

Blades

Wiper Blade - Single	£2
Wiper Blade - Pair	£4

Bulbs

Car Headlight Bulb	£8
Car Bulbs Others	£5

Batteries

Car Battery (Standard)	£15
Start/Stop Car Battery Fitting (AGM / EFB)	£25

Glass

Mirror Glass	£2
Windscreen Chip Repair	£25

MOTORCYCLE BULBS AND BATTERIES

Bulbs

Motorcycle/Scooter Headlamp Bulb Fit	£8
Motorcycle/Scooter Other Bulb Fit	£5
Scooter Battery Fit	£10

Air Con

Air Con Recharge Only	£30
Air Con Recharge AND Clean	£40

IN CAR TECHNOLOGY

Car Audio	
Audio Head Unit (ISO Adaptors Extra)	£30

Hands Free	
Hands Free Kit Fit	£50

Dash Cam	
Hardwire fit	£30

Sat Nav	
Sat Nav Set Up And Demo	FREE
Hardwire fit	£30

Speakers	
Speakers (Pair)	£30

TRAVEL SOLUTIONS

Child Seats (Set up and demo)	FREE
Wheel Trims	£5
Dog Guards	£7
Roof Bars	£15
Roof Box	£15
Roof Box & Roof Bars	£25
Cycle Carrier Assembly & Fit	From £15
Trailer Assembly	£50

Number plates (Printing Only)

Standard number plate	£16
Special font	+ £2
Plate border	+ £2
Euroflag	+ £2
Road legal emblem / flag	+ £3

Special order plates	From £20
Vintage Plates	From £20
Vehicle specific sized plates	From £30

Number plates (Fitting Only)

Single Number Plate - Stick On + Pads	£3
Pair of Number Plates - Stick On + Pads	£5
Single Number Plate - Drilled + Fixings	£6
Pair of Number Plates - Both Drilled + Fixings	£9
Pair of Number Plates - Combination Fit + Fixings	£8

OTHER

Key fob battery replacement	£5
Headlight Restoration	£15

Cycling in-store service menu

weRepair

WHILE YOU WAIT
WITHIN 48 HOURS*

Tyres & wheels

Inner tube &/or tyre replacement.....	£10	✓
Puncture protection (slime service per wheel).....	£6	✓
Wheel truing.....	£10	✓
Wheel build / spoke replacement.....	£25	✓
Hub service.....	£15	✓

Brakes

Brake service - cable type (including replacement inner cables).....	£18	✓
Hydraulic disc brake service each (replace fluid & bleed system).....	£20	✓
Brake cable (single) - replace and adjust.....	£9	✓
Brake blocks - fit and adjust (front or rear).....	£6	✓
Fit new free-wheel or cassette (wheel only).....	£8	✓

Gears

Drivetrain clean.....	£15	✓
Gear adjustment (with existing cable).....	£6	✓
Gear service (including replacement inner cables).....	£18	✓
Gear cable - replace and adjust (single).....	£8	✓
Chain fitting.....	£8	✓
Front / rear mech fit.....	£15	✓
Bottom bracket replacement.....	£25	✓
Crank set replacement.....	£15	✓

Electric bikes

Electric bike battery service.....	£15	✓
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General jobs

Handlebar grips replacement.....	£5	✓
Handlebar retaping - road bike.....	£10	✓
Fork service (basic forks).....	£20	✓
Comprehensive fork service (includes strip & rebuild).....	From £75	✓
Stem replacement (New).....	£8	✓
Gear shifter replacement (each) (New).....	£10	✓



weFit accessory fitting

Free fitting on accessories when bought with a new bike

Bottle and cage.....	£3
Kick stand.....	£4
Bar ends.....	£5
Computer.....	£5
Lights (single or set).....	£5
Pedals (pair).....	£5
Saddle or seat post.....	£5
Luggage rack.....	£8
Mudguards.....	£8
Child seat trailer buggy.....	£10

weService

Bike build

Free build & safety checks on all Halfords bikes

12"-16" wheel (bike not purchased at Halfords).....	£20
16" wheel and above (bike not purchased at Halfords).....	£40

Bike Care Plans

We maintain & service your bikes so you don't have to. Includes an annual silver service & free fitting on parts including inner tubes to fix your punctures.

Kids 1 year (20" wheel size and below).....	£15
Adult 1 year.....	£25
Adult 3 year.....	£50
Premium adult 1 year (bikes over £500).....	£35
Premium adult 3 year (bikes over £500).....	£70
Electric bike 1 year (New).....	£40
Electric bike 3 year (New).....	£80

Price and guarantee

All work is quoted in advance and carries a 6 month guarantee on labour and a 12 month guarantee on parts (excluding wear and tear and misuse†). You will receive a free check over and estimate before any work is carried out. All prices exclude parts, except where stated.

Bike condition

Before bringing your bike in for repair or service please ensure it is clean; this will ensure our service team can efficiently and quickly complete the work. Dirty bikes are harder to work on and may attract a supplementary cleaning charge.

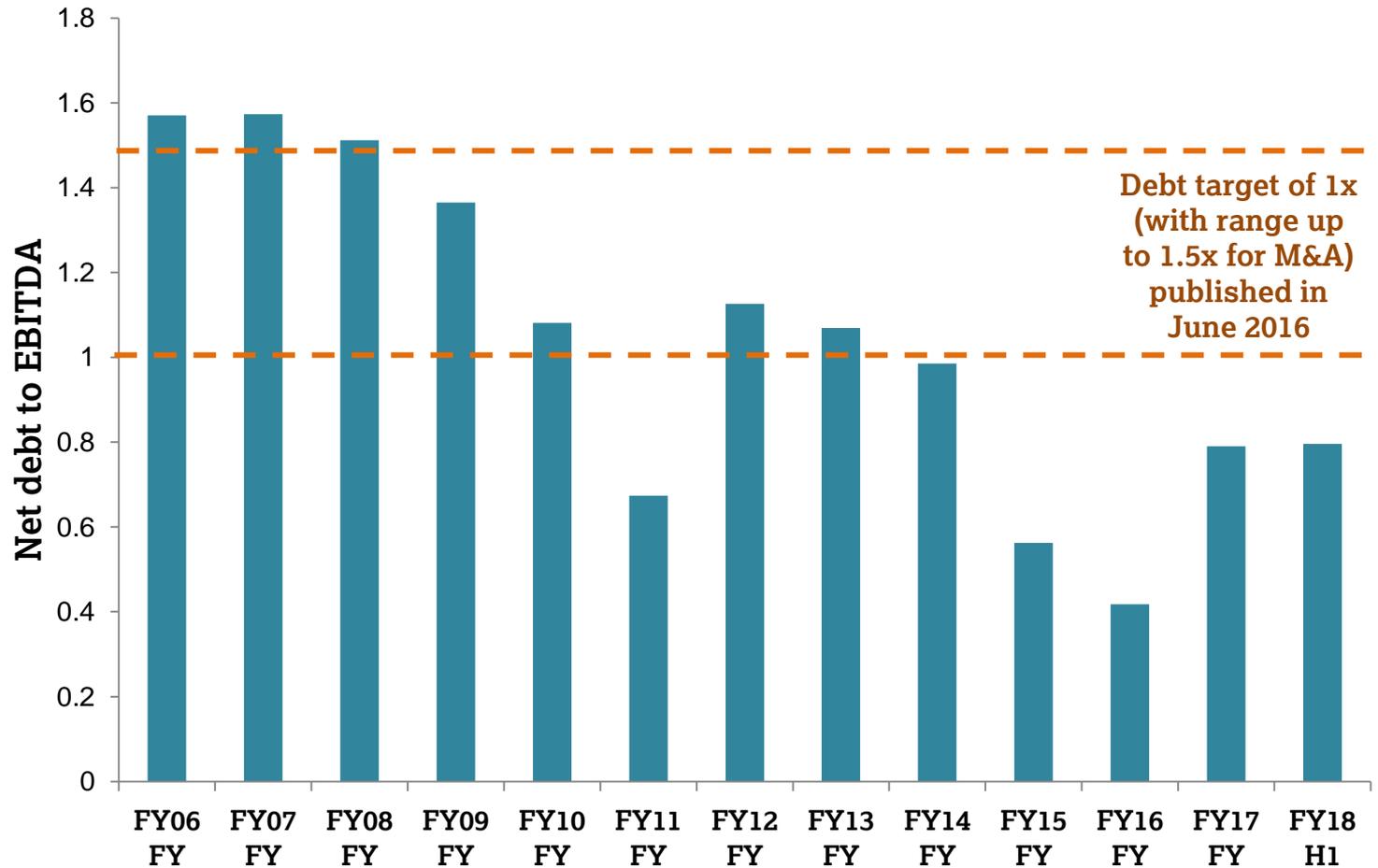
Bike storage

We will store your bike for up to one week after the repair collection date. After this time, there will be a storage charge of £2 per week.

Terms and conditions

*if purchased from Halfords.
^Subject to parts availability.
†Your statutory rights are not affected.

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

Group site portfolio

	FY16	FY17	FY18 to date*
Halfords Retail	462	460	460
Halfords Autocentres	314	313	315
Cycle Republic	10	15	18
Tredz	-	4	4
Total	786	792	797

	Number of Autocentres
Acquired	223
FY11	230
FY12	250
FY13	283
FY14	303
FY15	305
FY16	314
FY17	313
FY18 H1	315

	Average remaining lease length
Retail	6.5 years
Autocentres	6.6 years

* As of 9 November 2017

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:

18 January 2018 – Q3 trading update