halfords

driving the top line

Site Visit 2014

Getting Into Gear

service revolution

the 'h' factor

stores fit to shop

21st century infrastructure

click with the digital future

Emma Fox

Commercial Director

Rob Swyer

Retail Director

Andrew Findlay

Group Finance Director

Questions

Lunch

Store Tour

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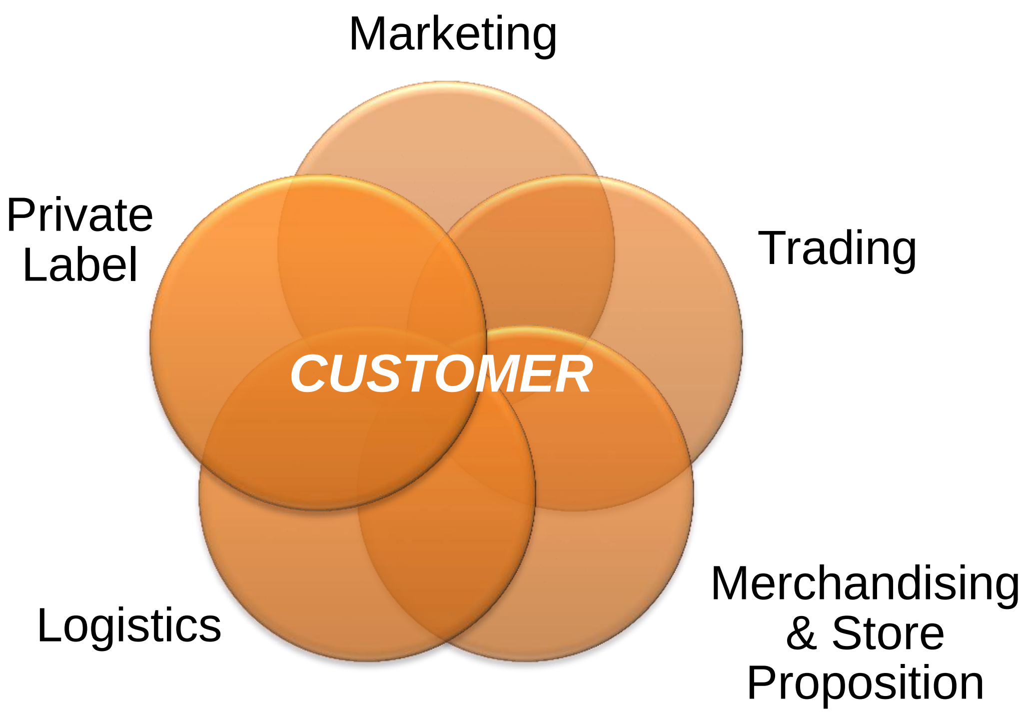
Emma Fox

Commercial Director

My Background



Formula For Growth:
Customer Promises

ACHIEVED THROUGH FOUR CUSTOMER PROMISES

- PRICES YOU CAN TRUST
- QUALITY YOU CAN TRUST
- RANGE YOU CAN RELY ON
- SERVICE THAT WOWS

the 'h' factor

Supporting drivers of every car

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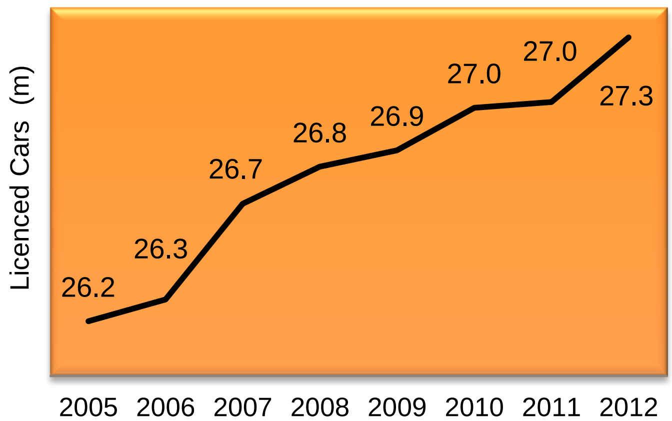
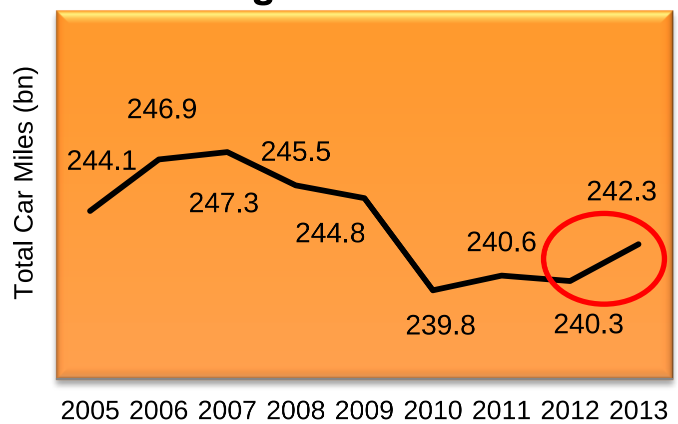
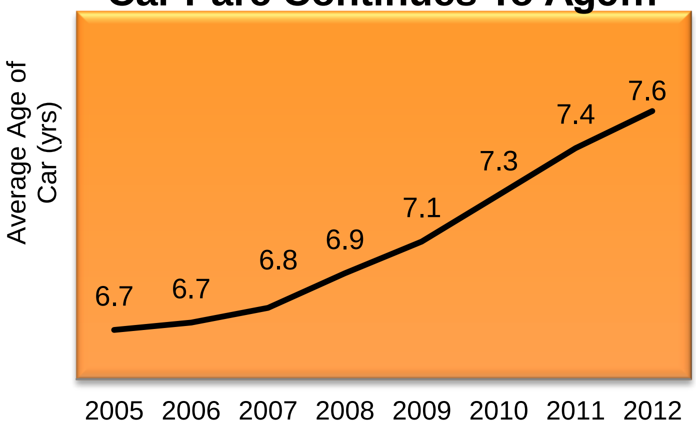
More Cars…



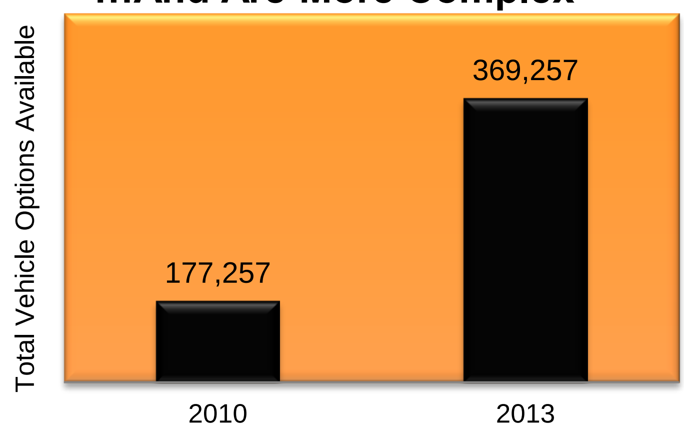
…Starting To be Driven More



Car Parc Continues To Age…



…And Are More Complex



Vauxhall Adam

- 72 versions
- 7,290 possible combinations of options

Source: Department for Transport, BCA Used Car Market Report 2013, CAP

the 'h' factor

Supporting drivers of every car

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Car Maintenance

- 3Bs: opportunities to sustain growth
- Exploiting the changes in technology
- Increasing car-specific consumables

Car Maintenance

halfords ADVANCED

halfords essentials

- Workshop: a focus on quality, the right range and leveraging a more-aggressive promotional strategy
- Lifetime quality guarantee on *Halfords Advanced* socket sets
- Introducing *Halfords Essentials:* a clear private-label hierarchy

Car Enhancement

digitalradio

- DAB: a longer-term play
- Partnership with suppliers such as *Pure* important for innovation in Audio
- Sat Nav will remain challenged

Equipping families for their leisure time

halfords

- Wearable fitness technology is a growing trend
- Camping now focused on two key markets: families and festivals
- Roof storage: single pricing

the 'h' factor

Inspiring cyclists of every age

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A step change in our premium range

New brands and extended ranges this summer

Boardman at the heart of our premium range

the 'h' factor

Inspiring cyclists of every age

halfords driving the top line

- Largest relaunch of own-label brands
- *Apollo:* the UK's biggest bike brand
- *Carrera:* 2nd-largest bike brand
- Junior bikes: a step change in the offer

the 'h' factor

Inspiring cyclists of every age

halfords driving the top line

- PACs at the core of our Cycling strategy
- Building further capability
- Larger ranges extended across our stores

Inspiring cyclists of every age

halfords driving the top line

Low cost finance available
on any bike over £399.99

- Cycle credit: adding value for customers
- *A Summer Of Cycling*: in-store and online
- *TDF* ranges across *Boardman*, *Pendleton* and *Carrera*

click with the digital future

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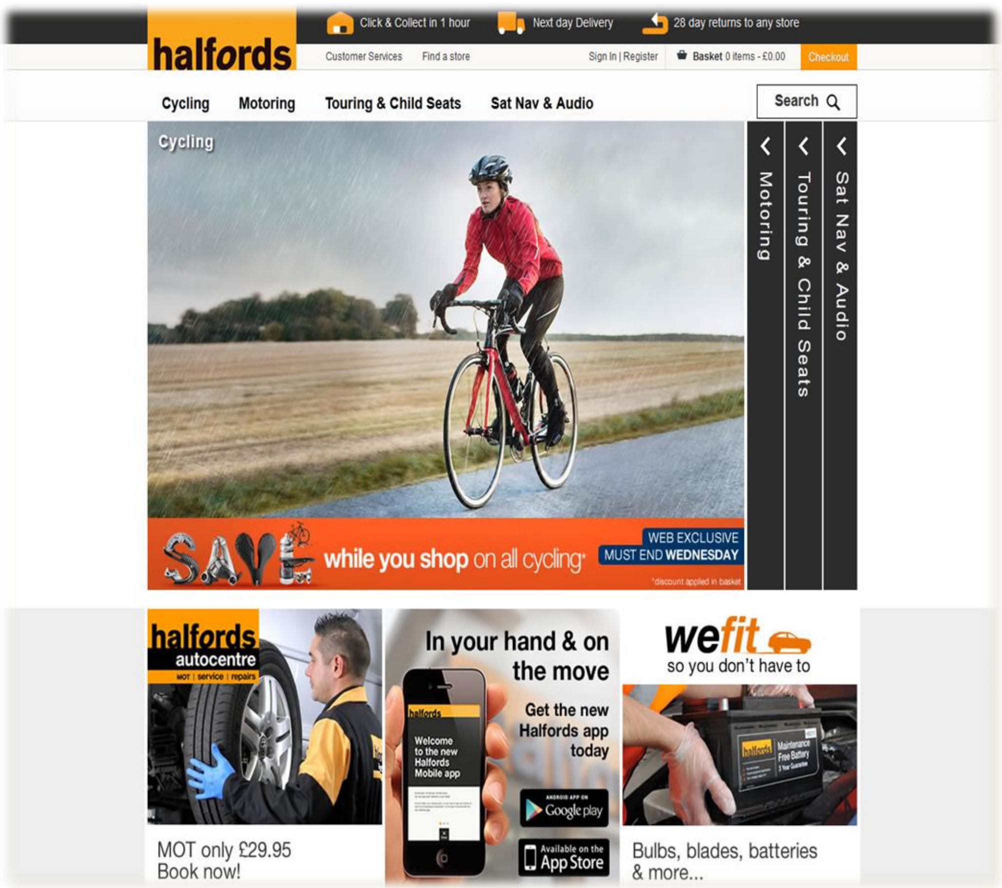

- Phase 1 of redesign completed: great customer feedback
- Halfords app relaunched
- Two further site updates to enhance customers' experience
- Tablets in store

Community Engagement

- Increasing the number of kids' bike clubs
- Partnership with the *Scouts Association*
- *Re~Cycle* partnership goes from strength to strength
- Halfords very much a part of the community

Commercial Summary

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- Category growth based on a customer-focused strategy
- Car Maintenance and Cycling opportunities
- Online Retail: a good start, more to do
- Community engagement underpinning our specialist credentials

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Rob Swyer

Retail Director

My Background

Getting Into Gear:

Giving Clarity To Every Colleague In Every Store

- We're all colleagues: one team
- Genuine concern for colleagues
- Committed to our local communities

- Linking the omnichannel world
- Unrivalled auto fitting
- Industry-leading cycle repair & service
- One Halfords

- Full, clean, inspiring stores
- Continuous improvement
- Acting like an owner

- Always going the extra mile
- Passion for solving customer issues

service revolution

Key Focus: A Great Place To Work

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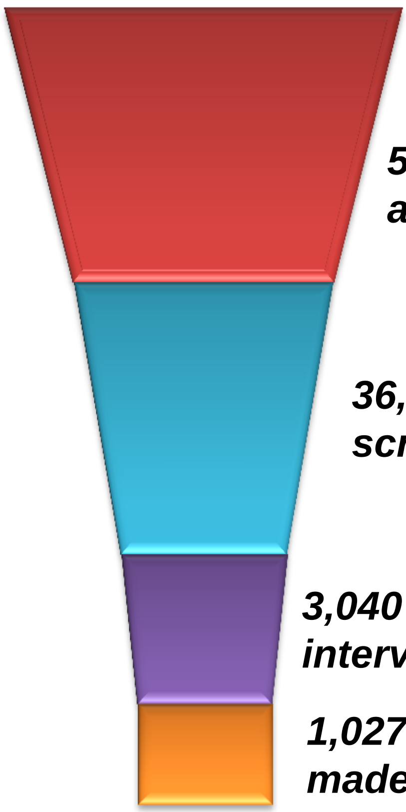
RECRUITMENT



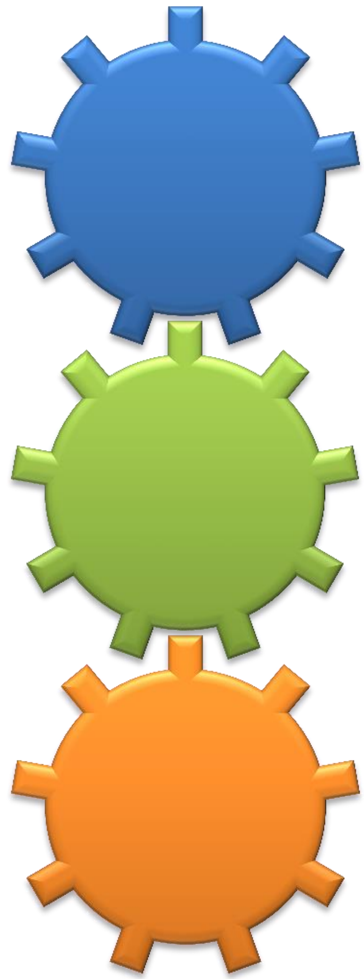
54,835 online applications

36,727 screened

3,040 telephone interviews

1,027 offers made

GEARS



- Recruit, Retain And Recognise Colleagues
- Embed *3-Gears*
- Focus On Engagement
- Drive Colleague Development

Key Focus: Stores To Be Proud Of

Strengthening Operational Standards

Driving Continuous Improvements In Store

Supporting The Refresh Programme

service revolution

Key Focus: WOW Every Customer

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Customer Is The
Most Important Person

Solving Customer Issues Based
On Passion And Knowledge

Colleague Appearance

service revolution

Key Focus:

Services That Make Us The Best

the driving top line halfords

- 3Bs
- Travel Solutions fitting
- Cycle Repair

Stores Fit To Shop

- Deliver Better Standards In Existing Stores
- Develop The Refresh Concept
- Execute The Rollout Programme

A Framework For Stores To Be Proud Of

1. Invite Me In

stores fit to shop

A Framework For Stores To Be Proud Of

driving the top line halfords

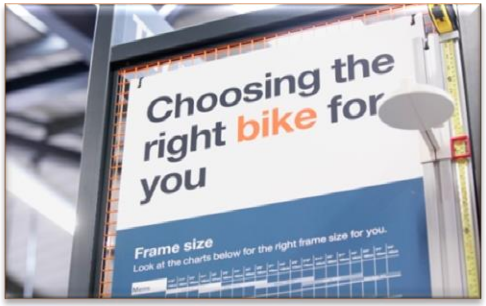
*2. Showcase **we**fit / Cycle Repair*

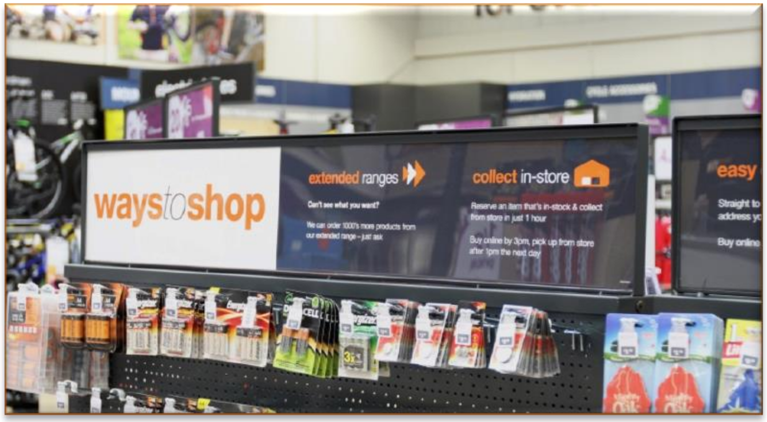
stores fit to shop

A Framework For Stores To Be Proud Of

driving the top line

3. Customer Guidance





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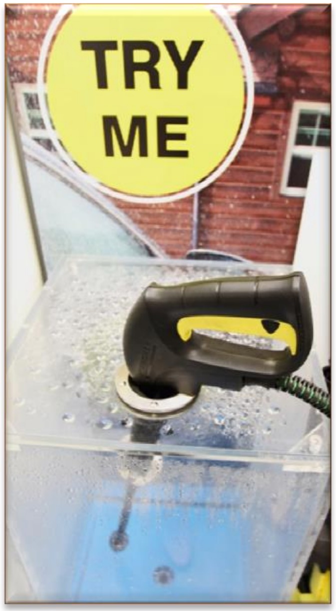
A Framework For Stores To Be Proud Of

driving the top line

4. Reallocation Of Space

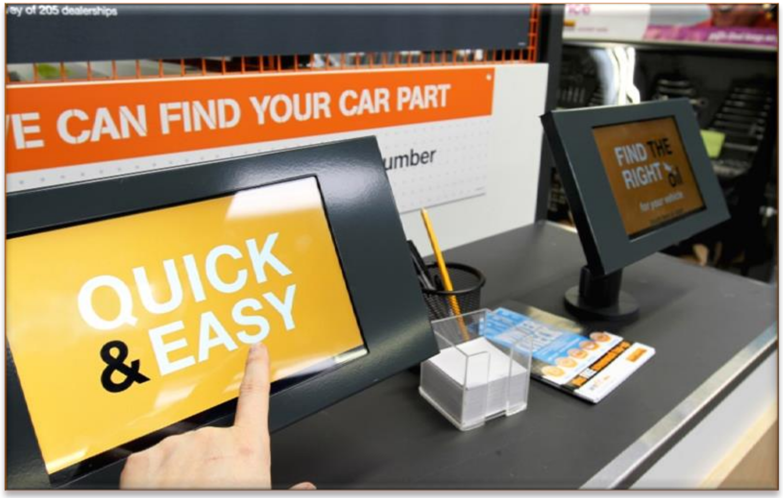
A Framework For Stores To Be Proud Of

5. Enliven Customer Journey



A Framework For Stores To Be Proud Of

6. Relevant Digital Touch-points



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A Framework For Stores To Be Proud Of

7. Showcase Colleagues

A Framework For Stores To Be Proud Of

8. Communicate Value

A Framework For Stores To Be Proud Of

9. Considerate Customer Experience

A Framework For Stores To Be Proud Of

10. Category Icons & Stories

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The Transformation At Coventry

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Before

After

The Transformation At York

Before

After

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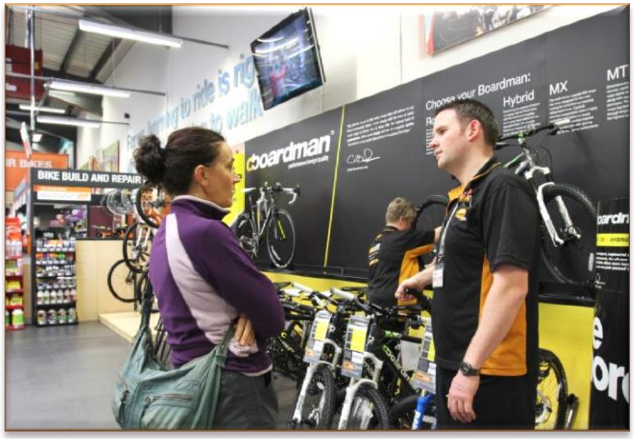
The Transformation At Evesham

Before

After



Service and Stores: Summary

- Driving Retail Standards In Every Store
- Embedding A Strong Service Culture Through Colleagues
- Executing The Refresh Programme
- Continuing To Develop The Refresh Concepts

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Andrew Findlay

Group Finance Director

Key Considerations

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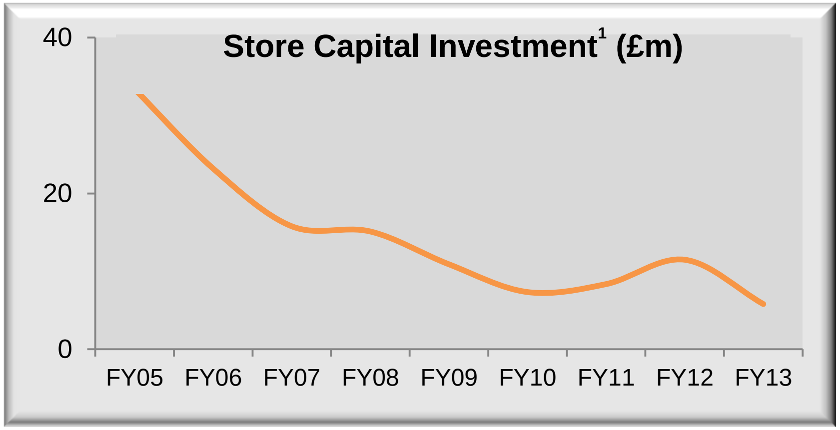
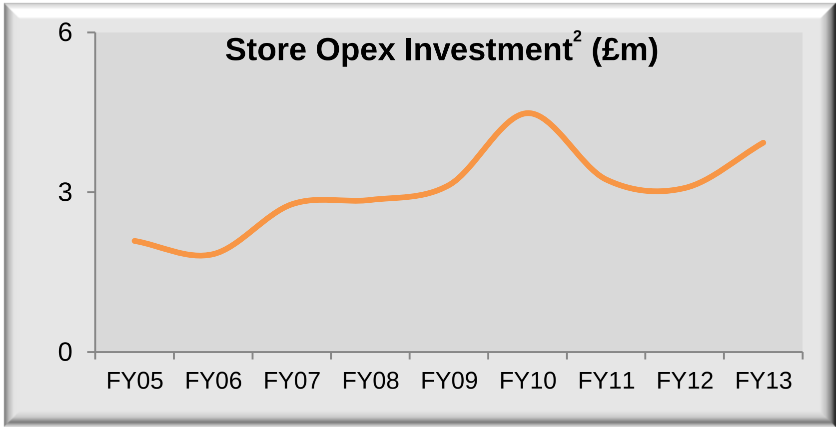
A Background Of Under-investment

We have to invest in our store network to remain relevant and grow

Nine-Year History Of Store Under-Investment

	ACTIVITY / CAPITAL INVESTMENT
Stores Opened / Relocated	c.120 stores
Most Recent Material Programmes	c.90 stores from flat to L-shaped mezzanines FY05-FY08 c.80 light-touch store refreshes FY12
Average Catch-up Investment[1]	c.£2m
Average Investment in Refits, Resizes and Relocations	c.£5m





***Notes**: 1. Excludes IT investment in store only 2. Excludes any general store-related costs, e.g. telephone, service charges, minor branch equipment (chairs, utensils etc.)*

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Good Progress So Far

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FY14 Refreshed Stores
3 trial stores
c.15 additional stores
1 mezzanine-store extension
1 *Cycleworld* + *Invite Me In*
c.5 right-sizes/relocations in refreshed format

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Good Progress So Far

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Rollout Drivers
Capability in place
‘Full Fat’, ‘Light’ and ‘Invite Me In’ models established
Clear selection criteria
Accepted store design format
Standardised conversion plan embedded

Performance To Date

The three trial stores were completed in July 2013, and have since been measured on a Relative LfL[1] basis

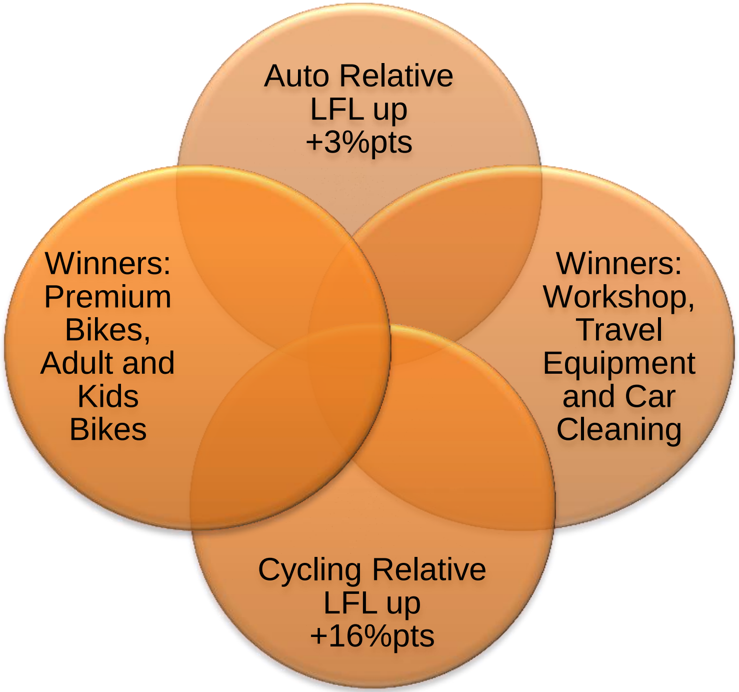
Coventry: flat store - below par store prior to conversion, ranked in bottom 10%, now ranked in top 20%

Evesham: gallery mezzanine - Car Maintenance moved upstairs, Cycling downstairs, ranked mid table

York: L-shaped mezzanine format - already a high-performing store

	Store Ranking[2]		
	Pre-conversion average	Post-conversion average	Change
Coventry	438	82	+ 356
Evesham	228	137	+ 91
York	20	12	+ 8

Relative LFL +6.5%



***Notes**:*

1. Relative LFL measures the store's like-for-like ((“LfL”) sales performance post conversion, as a variance to the store's LfL sales performance before conversion, as a variance of the same measures for a control group of stores. Figures shown up to 21 February 2014

2. Ranking - based on overall BAU Retail scorecard which includes sales (incl. value-added sales), customer feedback (Net Promoter Score, Mystery Shop results and concerns) and colleagues (retention and absence). Figures shown up to the end of January 2014

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Investment Costs

Capital Investment	Highest Cost Scenario Per Store
Refresh ('look & feel' elements) *Key costs: joinery, main contractor, furniture and store equipment*	c. 85%
Catch-Up *Key costs can include: flooring, warehouse construction, colleague area, new racking*	c.15%
TOTAL	**c.£190-210K**

Emulating Evesham would also require one-off opex investments of up to c.£35-40k per store

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Investment Costs

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Cost Mitigation
Full Fat vs Light Models
‘Cycleworld’ and ‘Invite Me In’
Investment On A Store-by-store Basis
A BLEND OF REFRESH MODELS

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Rollout Programme

We have a comprehensive store-selection process based on both quantitative and qualitative data

Store
(sales, margin, mix of sales etc.)

Property
(lease length, format, age, condition etc.)

Market
(demographics/ competition)

Financial
(NPV + IRR)

Balanced list of stores to refresh

Year	Refreshed Stores (circa)
FY14	25
FY15	55
FY16	70
TOTAL	**150**

Summary: Financials

- We have to do this
- Growth is the prime consideration
- Good progress to date with a robust rollout programme ahead
- We won't touch store again for at least five years

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Matt Davies

Chief Executive

Key Messages From Today

- New Commercial Thinking Driving Our *'H' Factor*
- Colleagues: Central To Delivering Our *Service Revolution*
- Good Progress With *Stores Fit To Shop:* Meeting Expectations
- *Getting Into Gear*: Going To Plan, A Great Platform For Growth

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Appendices

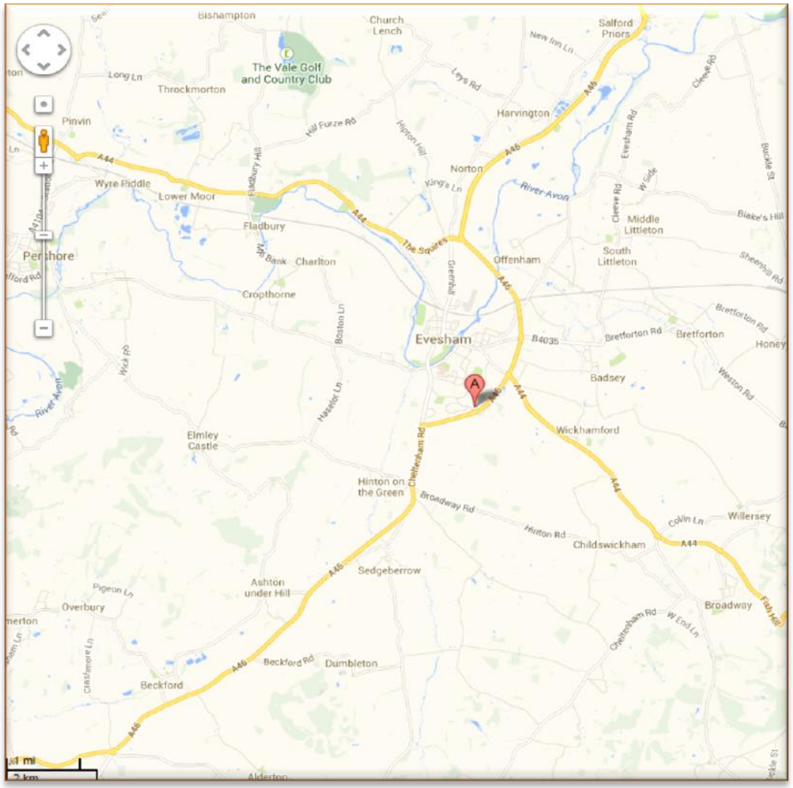
Relative LFL Calculation: An Example

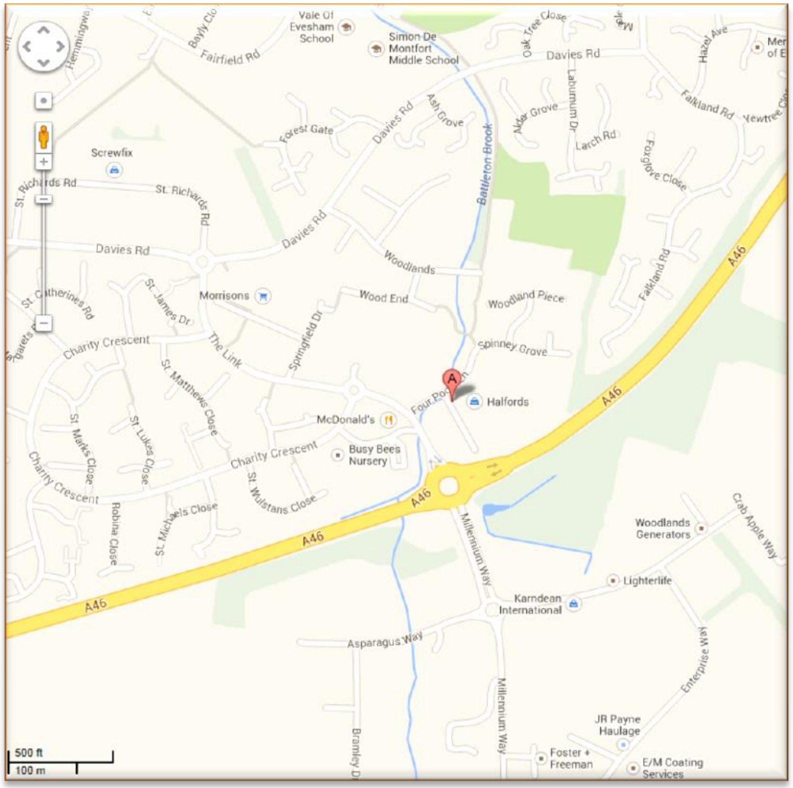
An illustration of how pre vs. post vs. control like-for-like sales (Relative LFL) have been calculated. Figures used are for illustration purposes only

	Like-For Like Sales		
	Pre-conversion Weeks 1-11	Post-conversion Weeks 18+	Change
A: Trial Stores	+2%	+7%	+5%
B: Control Stores	+2%	+3%	+1%
Relative LFL (A-B)	-	-	+4%

Halfords Evesham

A: Four Pools Retail Park, Four Pools Lane, Evesham, Worcestershire WR11 1DJ





Retail Capital Expenditure FY14-FY16:
unchanged expectations

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	(£m circa)
Store Portfolio	50
IT & Digital	38
Other	12
TOTAL	**100**

Stores	(circa)
Store Refreshes	150
Rightsizes and Relocations	23-30
Cycle departments	all stores
Colleague Training Facilities	10

Retail Portfolio Space

Average Leaseable Space[1] (sq.ft)	Average Total Trading Space, including Mezzanine (sq.ft)	Average Ground Floor Trading Space (sq.ft)	Average Mezzanine Trading Space (sq.ft)
9,355	8,109	6,425	3,069

Notes: *1) Ground floor only, including back of house.*
All data as at H1 FY14

Contact and Newsflow

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

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Mobile: +44 (0)7712 888 807

Next Newsflow

22 May - Preliminary Results

Forward-Looking Statements

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.