

**halfords**  
*driving*  
**the top line**

Interim Results FY15



## Financial Performance

*Andrew Findlay*

## Retail Trading and Strategy

*Matt Davies*

## Autocentres Strategy

*Andy Randall*

## Questions





# Andrew Findlay

*Chief Financial Officer*

# Financial Highlights

*Group Revenue up 6.8% to £524.1m*

*Retail Gross Margin of 50.6%, down 65bps*

*Profit Before Tax up 10.8% to £49.4m*

*Basic Earnings Per Share up 14.2% to 20.1p*

*Operating Cashflow of £86.1m, funding the acquisition and capex*

*Net Debt down at £70.3m*

*Interim Dividend up 5.8% to 5.5p per share*

# H1 FY15 Retail Revenues

Total Retail	LFL %
Cycling	+16.0
Car Maintenance	+3.7
Car Enhancement	-1.4
Travel Solutions	+3.9
<b>Total</b>	<b>+6.8</b>

Online Retail	Proportion of Online Retail Sales %	Proportion of Total Retail Sales %	Growth %
Home Delivery	7.6	0.9	-28.8%
Click & Collect	92.4	11.2	+19.7%
<b>Total</b>	<b>100.0</b>	<b>12.2</b>	<b>+13.7%</b>

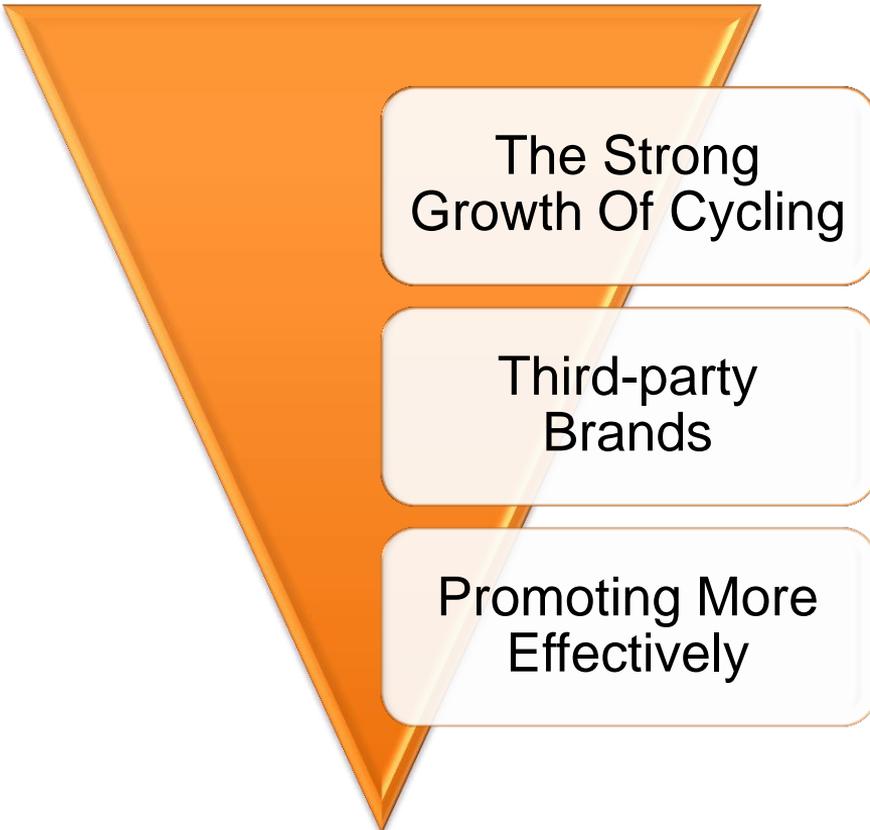
Notes: All numbers shown are exclusive of third party sales from the acquired Boardman business.

# Retail Performance

	H1 FY15 £m	H1 FY14 £m	Change
Revenue	451.9	424.0	+6.6%
Gross Profit	228.6	217.3	+5.2%
Gross Margin	50.6%	51.2%	-65bps
Operating Costs	(178.4)	(171.0)	+4.3%
<b>EBIT</b>	<b>50.2</b>	<b>46.3</b>	<b>+8.4%</b>
EBIT Margin	11.1%	10.9%	
<b>EBITDA</b>	<b>60.2</b>	<b>55.7</b>	<b>+8.1%</b>
EBITDA Margin	13.3%	13.1%	

Notes: All numbers shown are inclusive of the acquired Boardman business but before non-recurring items

# Gross Margin % Influences



The Strong  
Growth Of Cycling

Third-party  
Brands

Promoting More  
Effectively



In-store  
Services

Lower  
Clearance  
Activity

# Retail Operating Costs

	H1 FY15 £m	H1 FY14 £m	Change
Store Staffing	49.2	46.3	+6.3%
Store Occupancy	68.6	70.5	-2.6%
Warehouse & Distribution	19.7	16.9	+16.8%
Support Costs	40.9	37.3	+9.7%
<b>Total</b>	<b>178.4</b>	<b>171.0</b>	<b>+4.3%</b>
Depreciation/Amortisation/Impairment	10.0	9.4	

*Notes: All numbers shown are inclusive of the acquired Boardman business but before non-recurring items*

# Autocentres Performance

	H1 FY15 £m	H1 FY14 £m	Change
Revenue	72.2	66.6	+8.4%
LFL%			+4.4%
Gross Profit	46.1	43.3	+6.5%
Gross Margin	63.8%	65.0%	-124bps
Operating Costs	(44.5)	(41.0)	+8.5%
<b>EBIT</b>	<b>1.6</b>	<b>2.3</b>	<b>-30.4%</b>
EBIT Margin	2.2%	3.5%	
<b>EBITDA</b>	<b>3.4</b>	<b>3.9</b>	<b>-12.8%</b>
EBITDA Margin	4.7%	5.9%	

Notes: All numbers shown are before non-recurring items.

# Cashflow and Net Debt

OPERATING CASHFLOW	£m	FREE CASHFLOW	£m	NET DEBT	£m
EBIT	51.2	Operating Cashflow	86.1	Opening Net Debt	(99.6)
Depreciation/ Amortisation/ Loss On Disposal	12.9	Capital Expenditure	(15.3)	Free Cashflow	47.1
Employee Share Scheme	1.1	Net Finance Costs	(1.6)	Dividends	(17.7)
Working Capital	20.6	Taxation	(7.4)	Lease/Other	(0.3)
Provisions/Other	0.3	Other	(0.7)	Purchase of own shares	0.2
		Acquisition	(14.0)		
<b>OPERATING CASHFLOW</b>	<b>86.1</b>	<b>FREE CASHFLOW</b>	<b>47.1</b>	<b>CLOSING NET DEBT</b>	<b>(70.3)</b>

Notes: All numbers shown are before non-recurring items

# FY15 Guidance

<b>Retail Gross Margin</b>	A decline of 25-75bps
<b>Retail Operating Costs</b>	c.5-6%
<b>Retail Capital Expenditure</b>	c.£35m
<b>Autocentres EBITDA</b>	Up on FY14
<b>Autocentres Capital Expenditure</b>	c.£8m
<b>Net Finance Costs</b>	c.£3.5m to £4.5m
<b>Effective Tax Rate</b>	21-22%

**Notes:** All numbers shown are before non-recurring items. Guidance is provided on a 52-week basis in a 53-week year

# Summary

## Financial Performance

A Significant Top-line Performance From Retail

Retail Gross Margins And Operating Costs In Line With Guidance

Strong Growth In Profit Before Tax

Continued Investment In Retail And Autocentres

Strong Cash Generation And Reducing Net Debt To EBITDA

Recognising The Importance Of Dividend To Shareholders



# Matt Davies

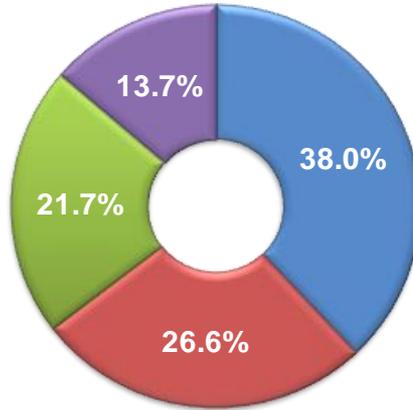
*Chief Executive*



# Retail Sales Performance



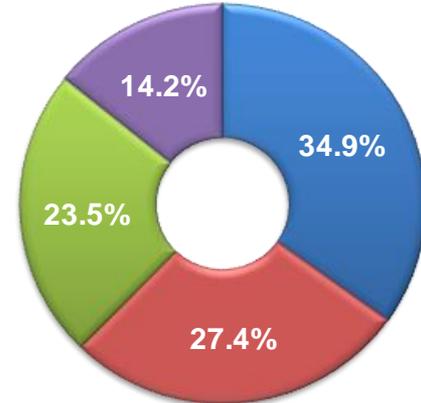
**H1 FY15**  
*Proportion Of Retail Sales*



 Cycling\*

 Car Enhancement

**H1 FY14**  
*Proportion Of Retail Sales*



 Car Maintenance

 Travel Solutions



Notes: \*H1 FY15 Cycling revenues include those from Boardman Bikes, acquired on 4 June 2014

# Performance Highlights

**Car  
Cleaning  
Sales**

UP

13%

**Workshop  
Tool  
Sales**

UP

15%

**3Bs  
Fitting  
Sales**

UP

16%

**Online  
Completion  
Rate**

UP

19%

**Premium  
Bikes  
Online**

UP

90%

# Getting Into Gear



**Supporting**  
drivers of  
every car



**Inspiring**  
cyclists of  
every age



**Equipping**  
families for their  
leisure time



**service  
revolution**



**stores fit  
to shop**



**the 'h'  
factor**



**21<sup>st</sup> century  
infrastructure**



**click with the  
digital future**

*Helping and Inspiring Customers  
with their Life on the Move*



**Supporting  
drivers of  
every car**

**halfords**  
*the driving*  
**top line**

# halfords

**CAR PARTS DIRECT**



**MOTORISTS  
UP HERE &  
DOWN HERE**

130,000 SKUs

In-store, Online Or Via The  
Halfords Mobile App

Most In-store Orders Delivered  
Within 90 Minutes



Inspiring  
cyclists of  
every age

halfords  
**driving**  
the top line

**boardman**  
performance/design/quality

*“Meticulously designed, engineered and tested to the toughest standards, the all-new Boardman Performance Series offers more innovation and more precision, so you can push yourself to Be More.”*

  
Chris Boardman MBE

be  
m



ROAD

CX

HYBRID

MTB

The Acquisition of Boardman Bikes



Inspiring  
cyclists of  
every age

halfords  
**driving**  
the top line



Focusing On Aerodynamics

Selected Stores and  
Click & Collect

Enhancing  
The Authority Of The Range



Inspiring  
cyclists of  
every age

halfords  
the driving  
top line



apollo



Kona

carrera



FOLLOW YOUR  
INSTINCTS

RALEIGH

Pendleton

V.O.O.D.O.O.

PINARELLO

boardman  
performance/design/quality

mongoose

Our Major Cycle Brands



stores fit  
to shop

halfords  
*driving*  
the top line

halfords  
cycle republic 





stores fit  
to shop

halfords  
the *driving*  
top line



Leveraging Space Harder To  
Drive Organic Sales

Making The Product Range  
More Relevant To Local Customers

Increasing Logical Adjacencies

Future Proofing The Product Range



# 21<sup>st</sup> century infrastructure

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Improving Availability Further

Platform To Reduce Inventory Levels

Reliance On Couriers Reduced

# Retail Summary



Building A Sustainable Platform

Improving Our Auto & Cycling  
Authority

Strategy Progressing In Line  
With Plan





# Andy Randall

*Managing Director, Halfords Autocentres*



# A Core Part Of The Business



**Supporting**  
drivers of  
every car



**Inspiring**  
cyclists of  
every age



**Equipping**  
families for their  
leisure time

**Autocentres Is A Clear And Natural Fit With  
*Supporting Drivers Of Every Car***

# Why I Joined Autocentres



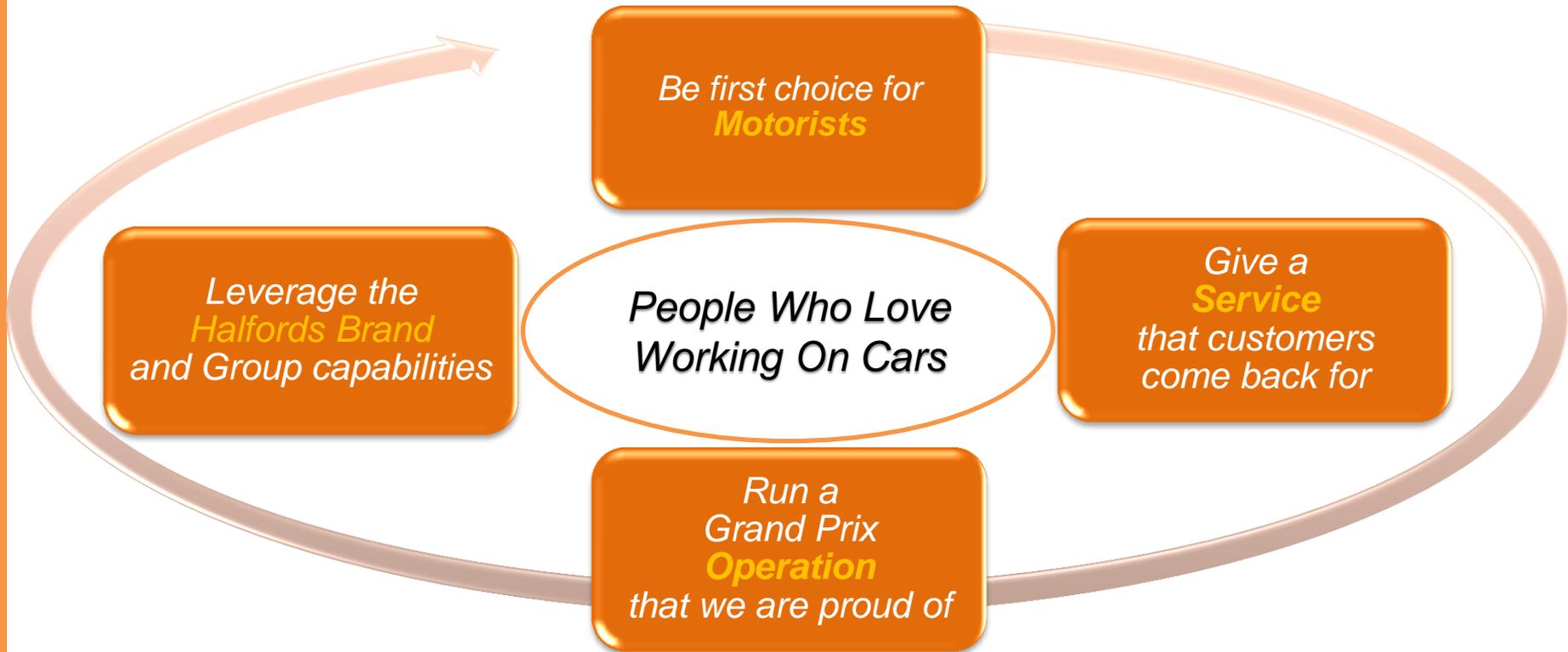
Good Business With  
Significant Share Potential

Clear Growth Opportunities

Will Leverage An Improving  
Halfords Brand

Building Trust Will Engage  
Loyal Customers

# Building Trust



# Be First Choice For Motorists



The Digital Experience

Seamless Customer Journey

Simple Pricing

Clear Offers

# Give A Service That Customers Come Back For



*Industry-leading  
Customer Service*



*Pride In Our  
Technical Capability*



*A Focus On Customer-  
Service Feedback*



# Run A Grand Prix Operation



Consistent Processes

Centres To Be Proud Of

Next Generation Centres



# Leverage The Halfords Brand And Group Capabilities



Group-wide  
Promotional  
Strategy

Common  
Product Offers  
& Pricing

Parts Supply

New Product  
Development

# We Love Working On Cars



# Concept Centres



# Concept Centres



# Summary



A Core Business With A *Right To Win*

Improved Execution Based On  
*Building Trust*

Customers & Colleagues At  
*The Heart Of The Strategy*

The *Top Line*,  
*Efficiencies* and *Utilisation*

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**the top line**

Questions

**halfords**  
*driving*  
**the top line**

Appendices

# Group Income Statement

	H1 FY15 £m	H1 FY14 £m	Change
Revenue	524.1	490.6	+6.8%
Gross Profit	274.7	260.6	+5.4%
Operating Costs	223.5	212.8	+5.0%
<b>EBIT</b>	<b>51.2</b>	<b>47.8</b>	<b>-7.1%</b>
EBIT Margin %	9.8%	9.7%	+26bps
<b>EBITDA</b>	<b>63.6</b>	<b>59.6</b>	<b>+6.7%</b>
EBITDA Margin %	12.1%	12.1%	-5bps
Net Finance Costs	(1.8)	(3.2)	-43.8%
<b>PROFIT BEFORE TAX</b>	<b>49.4</b>	<b>44.6</b>	<b>+10.8%</b>
Basic Earnings Per Share	20.1p	17.6p	+14.2%
Effective Tax Rate	21.0%	23.6%	-254bps

Notes: All numbers shown are before non-recurring items

# Group Components

H1 FY15	Retail £m	Autocentres £m	Amortisation £m	Group £m
Revenue	451.9	72.2	-	524.1
Gross Profit	228.6	46.1	-	274.7
Operating Costs	(178.4)	(44.5)	(0.6)	(223.5)
<b>EBIT</b>	<b>50.2</b>	<b>1.6</b>	<b>(0.6)</b>	<b>51.2</b>
<b>EBITDA</b>	<b>60.2</b>	<b>3.4</b>	<b>-</b>	<b>63.6</b>

H1 FY14	Retail £m	Autocentres £m	Amortisation £m	Group £m
Revenue	424.0	66.6	-	490.6
Gross Profit	217.3	43.3	-	260.6
Operating Costs	(171.0)	(41.0)	(0.8)	(212.8)
<b>EBIT</b>	<b>46.3</b>	<b>2.3</b>	<b>(0.8)</b>	<b>47.8</b>
<b>EBITDA</b>	<b>55.7</b>	<b>3.9</b>	<b>-</b>	<b>59.6</b>

Notes: All numbers shown are before non-recurring items

# Group Balance Sheet

	H1 FY15 £m	H1 FY14 £m	YOY £m	Change
Goodwill and Intangible Assets	357.6	341.0	+16.6	+4.9%
Property, Plant & Equipment	93.2	93.3	(0.1)	-0.1%
Derivative Financial Instruments	2.1	(2.6)	+4.7	+180.8%
Net Working Capital	16.9	7.5	+9.4	+125.3%
Net Debt	(70.3)	(57.5)	(12.8)	-22.3%
Other Creditors	(48.9)	(70.4)	+21.5	+30.5%
<b>Net Assets</b>	<b>350.6</b>	<b>311.3</b>	<b>+39.3</b>	<b>+12.6%</b>
<i>Inventories</i>	148.9	140.3	+8.6	+6.1%

# Capital Expenditure

	H1 FY15 £m	H1 FY14 £m
Store Portfolio <sup>1</sup>	6.9	5.4
Infrastructure Systems	3.0	5.2
Other	1.4	0.9
<b>Retail</b>	<b>11.3</b>	<b>11.2</b>
<b>Autocentres</b>	<b>1.2</b>	<b>2.7</b>
<b>TOTAL</b>	<b>12.5</b>	<b>14.2</b>

**Notes:** 1) Before capital contributions deferred over the period of the lease

# Retail Portfolio – H1 FY15 Space

Average Leaseable Space <sup>1</sup> (sq.ft)	Average Total Trading Space, including Mezzanine (sq.ft)	Average Ground Floor Trading Space (sq.ft)	Average Mezzanine Trading Space (sq.ft)
9,138	8,122	6,499	3,051

**Notes:** 1) Ground floor only, including back of house

# Retail Portfolio – Lease Expiries

	Expiries
FY15	13
FY16	16
FY17	22
FY18	17
FY19	13
<b>Total Expiries</b>	<b>81</b>

**Average remaining leases (total portfolio): 6.8 years**

# Autocentres Portfolio

	Centres
Acquired	223
FY11	230
FY12	250
FY13	283
FY14	303
<b>H1 FY15</b>	<b>298</b>

**Average remaining leases: 7.7 years**

# Contact and Newsflow

For further information, please go to  
[www.halfordscompany.com](http://www.halfordscompany.com) or contact

## **Craig Marks**

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Next newsflow:

21 January 2015: Q3 Interim Management Statement

# 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.