



# Interim Results

*Financial Year 2013*



**Financials**

Andrew Findlay

**Business Update**

Dennis Millard

**Q&A**



**Group revenue up** despite tough Q1 conditions

**Retail gross margin broadly flat** as expected

**Further top-line growth in Autocentres** underpins investment

**Strong group cash flows** with a maintained dividend

**Strategic progress** in line with our plans





# Andrew Findlay

*Finance Director*



# HY Financial Highlights

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**Group Revenue** up 0.4% to £455.6m

**Retail Gross Margin** down 19bps to 52.5%

**Profit Before Tax** down 23.4% to £41.9m

**Earnings Per Share** down 18.2% to 16.2p

**Group Inventories** down 13.3% to £132.9m

**Net Debt** £107.9m, down £32.8m

**Underlying Free Cash Flow** of £59.5m, up 47.3%

**Interim Dividend** of 8.0p per share maintained

## Notes

All numbers shown are before non-recurring items.

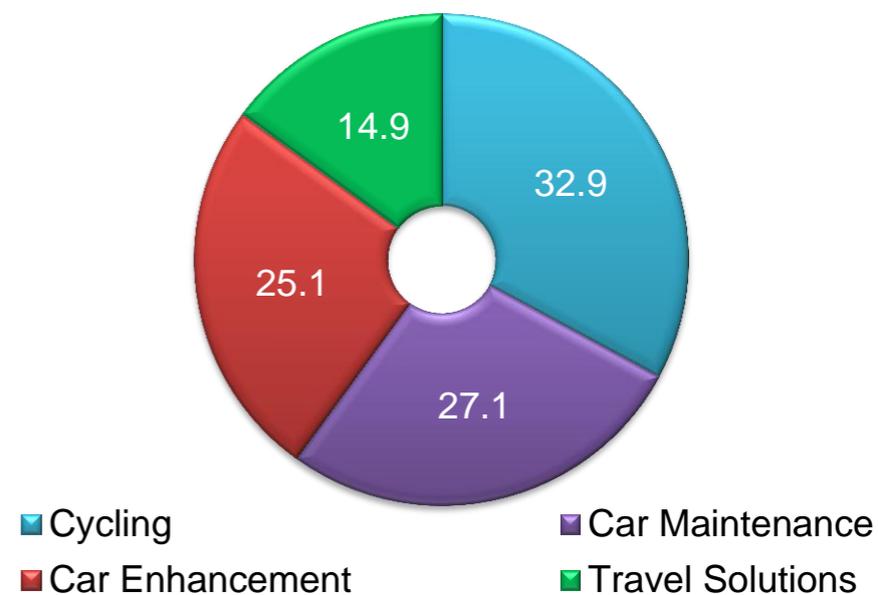
Earnings Per Share is defined as basic earnings per share before non-recurring items.



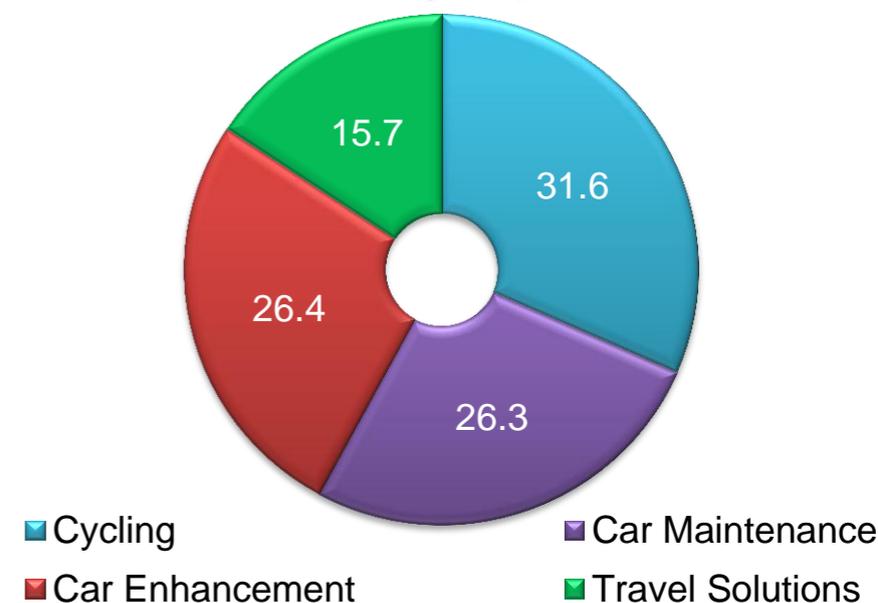
Total Retail	HY13 LFLs	2Q13 LFLs
Cycling	+1.9%	+14.7%
Car Maintenance	+1.8%	+2.7%
Car Enhancement	-6.0%	-1.5%
Travel Solutions	-6.6%	-0.9%
<b>Total</b>	<b>-1.6%</b>	<b>+4.6%</b>

Online Retail	HY13 LFLs	2Q13 LFLs
	+21.3%	+30.0%

### HY13 Category Sales %



### HY12 Category Sales %



# Retail Performance

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	HY13 £m	HY12 £m	Change
Revenue	393.0	400.6	-1.9%
Gross Profit	206.3	211.0	-2.2%
Gross Margin	52.5%	52.7%	-19bps
Operating Costs	(164.3)	(156.0)	+5.3%
<b>Operating Profit</b>	<b>42.0</b>	<b>55.0</b>	<b>-23.6%</b>
Operating Margin	10.7%	13.7%	-300bps

## Notes

All numbers shown are before non-recurring items.



## Adverse

Strong Cycling performance

Cash-accretive promotional activity

Other weather-sensitive areas

## Favourable

Growing importance of Car Maintenance

Car Enhancement mix impact

Continued supply-chain leverage



# Retail Operating Costs

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	<b>HY13 £m</b>	<b>HY12 £m</b>	<b>Change</b>
Store Staffing	42.5	39.8	+6.8%
Store Occupancy	69.9	70.6	-1.0%
Warehouse & Distribution	14.4	13.8	+4.4%
Support Costs	37.5	31.8	+17.9%
<b>Total</b>	<b>164.3</b>	<b>156.0</b>	<b>+5.3%</b>
Depreciation/ Amortisation/ Impairment	13.3	13.0	+2.3%

## Notes

All numbers shown are before non-recurring items.

Depreciation, Amortisation and Impairment charges relate to intangible assets and Property, Plant and Equipment



	£m
<b>Opening Stock</b>	<b>152.0</b>
<i>Planned reduction of over-stocked lines</i>	<i>-7.8%</i>
<i>Exit of aged and redundant lines</i>	<i>-3.0%</i>
<i>Increased demand for Cycling</i>	<i>-2.6%</i>
<b>Closing Stock</b>	<b>131.6</b>
<i>% change</i>	<i>-13.4%</i>

Closely-managed stock purchasing targeting a reduction of prior-year overstocks

Improved focus on range-change exit planning

Review and exit of very slow-moving & obsolete lines

Stronger-than-expected demand, particularly in Cycling



# Autocentres Performance

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		<b>HY13 £m</b>	<b>HY12 £m</b>	<b>Change</b>
Revenue		62.6	53.4	+17.2%
Gross Profit		40.0	35.5	+12.7%
Gross Margin		63.9%	66.5%	-260bps
Operating Costs	<i>Acquired Centres</i>	<i>(28.7)</i>	<i>(27.6)</i>	+4.0%
	<i>New Centres</i>	<i>(5.0)</i>	<i>(2.4)</i>	+108.3%
	<i>Support</i>	<i>(3.0)</i>	<i>(2.5)</i>	+20.0%
	<b>Total</b>	<b>(36.7)</b>	<b>(32.5)</b>	<b>+12.9%</b>
<b>Operating Profit</b>		<b>3.3</b>	<b>3.0</b>	<b>+10.0%</b>
Operating Margin		5.3%	5.6%	-30bps

## Notes

All numbers shown are before non-recurring items

New centres are defined as those opened subsequent to the acquisition of Nationwide Autocentres in February 2010.



# Capital Expenditure

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	<b>HY13 £m</b>	<b>HY12 £m</b>
Retail Portfolio <sup>1</sup>	2.3	5.0
Retail Infrastructure Systems	1.2	1.2
Warehouse & Distribution	1.0	0.5
Retail Other	0.1	0.0
<b>Total Retail</b>	<b>4.6</b>	<b>6.7</b>
<b>Autocentres</b>	<b>1.5</b>	<b>1.6</b>
<b>TOTAL GROUP</b>	<b>6.1</b>	<b>8.3</b>

## Notes

1. Before capital contributions deferred over the period of the lease



# Cashflow and Net Debt

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<b>OPERATING CASHFLOW</b>	<b>£m</b>	<b>FREE CASHFLOW</b>	<b>£m</b>	<b>NET DEBT</b>	<b>£m</b>
Operating Profit	44.5	Operating Cashflow	78.3	Opening Net Debt	(139.2)
Depreciation/ Amortisation	13.7	Capex	(8.0)	Free Cashflow	59.5
Employee Share Scheme	0.7	Net Finance Costs	(2.0)	Lease/Other	(0.1)
Working Capital	19.9	Taxation	(8.8)	Buyback: Cancellation	(0.9)
Provisions/Other	(0.5)			Dividends	(27.2)
<b>OPERATING CASHFLOW</b>	<b>78.3</b>	<b>FREE CASHFLOW</b>	<b>59.5</b>	<b>CLOSING NET DEBT</b>	<b>(107.9)</b>

## Notes

All numbers shown are before non-recurring items



# Full-Year Guidance & Planning Assumptions

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Retail LFLs <i>(reflecting planning assumptions only)</i>	H2 0% to -5%
Retail Operating Costs – Underlying Increases	+c.4%
Retail Operating Costs – Investing For Growth	+c.£6m
Retail Gross Margin	Broadly flat
Retail Capital Expenditure	Up to £20m
Autocentres Operating Profit	In line with FY12
Autocentres Capex	c.£5m
Net Finance Costs	Marginally up on FY12
Effective Tax Rate	25-26%
<b>Group Profit Before Tax <i>(reflecting planning assumptions only)</i></b>	<b>£66m to £70m</b>

## Notes

All numbers shown are before non-recurring items





# Dennis Millard

*Chairman*



**We help  
and inspire our  
customers with their  
life on the move**



**friend** of the  
**motorist**



**best cycle**  
shop in town



starting point for  
great  
**getaways**



enablers

**Portfolio**

**Web**

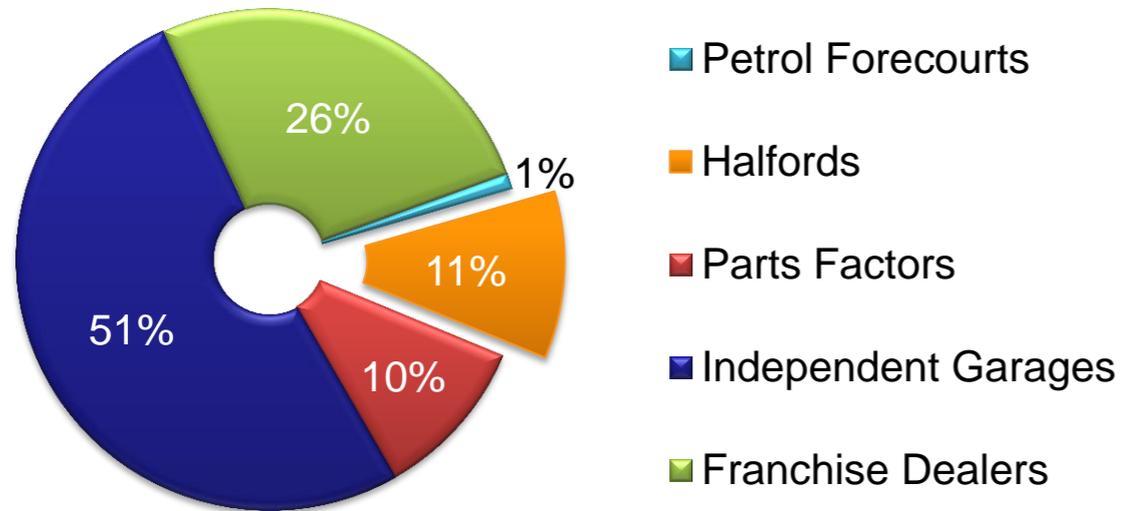
**Operations**

**Marketing**

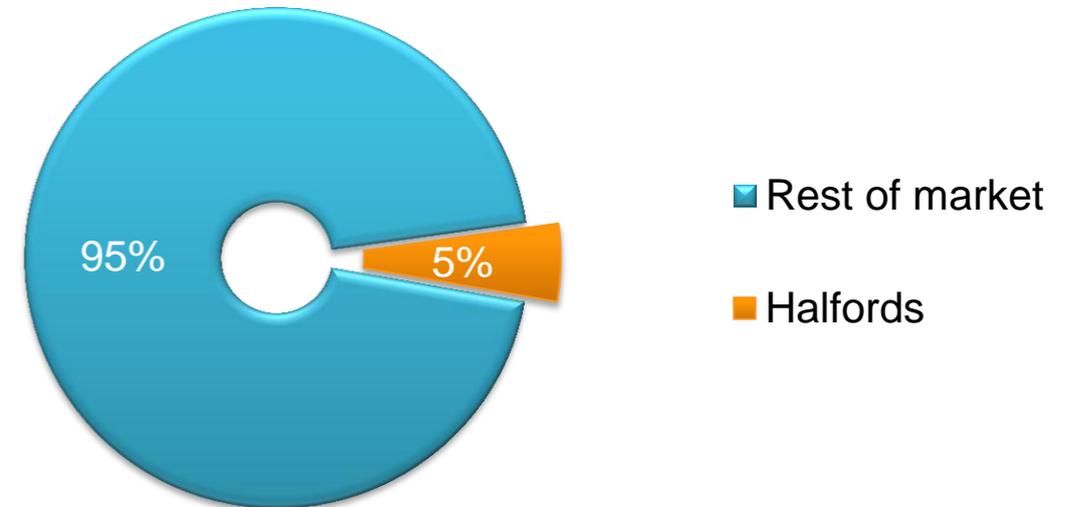
**People**

# Growth Opportunity Examples

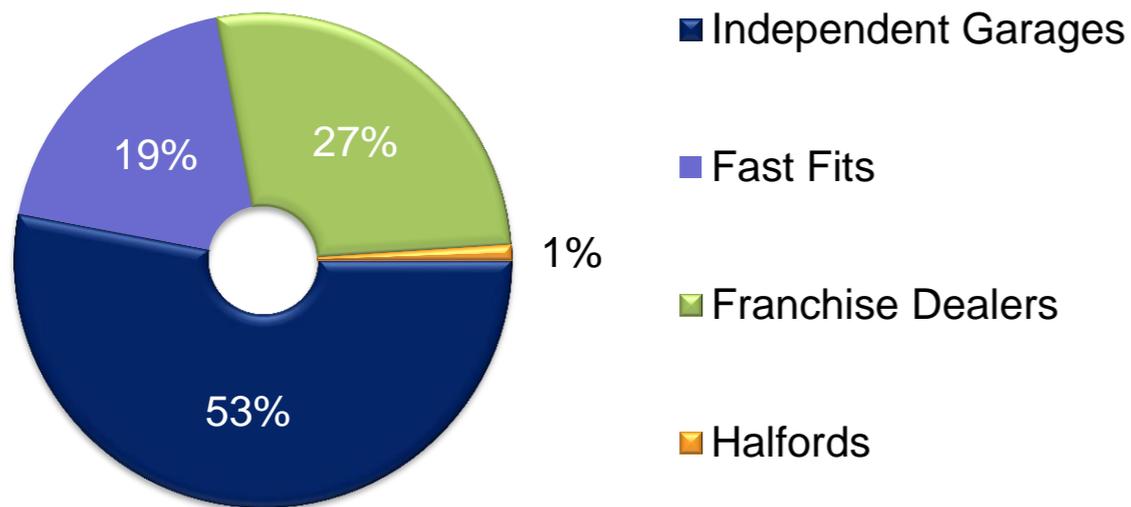
## 3Bs c.£950m (Parts & Labour)



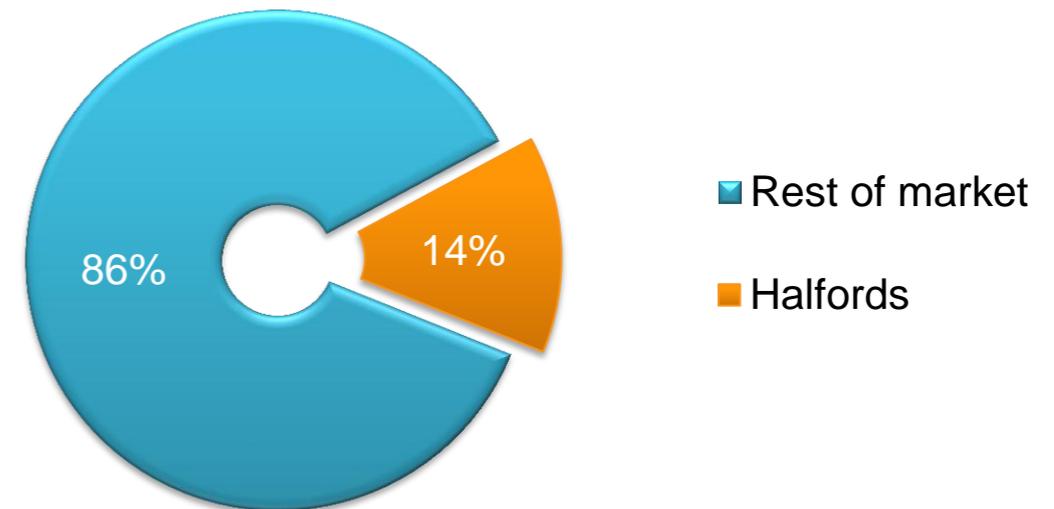
## Cycle Repair c.£85m



## Car Aftercare c.£8-10bn



## Cycling Parts, Accessories & Clothing c.£615m



# Friend of the Motorist

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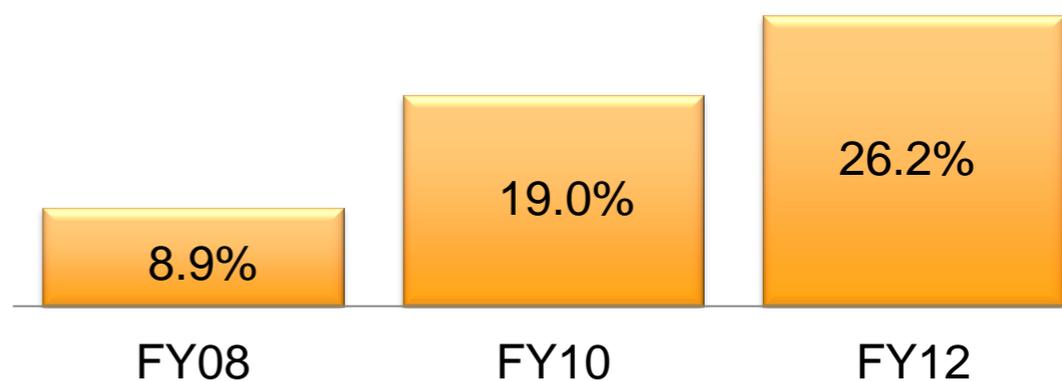
friend of the  
**motorist**

## Retail

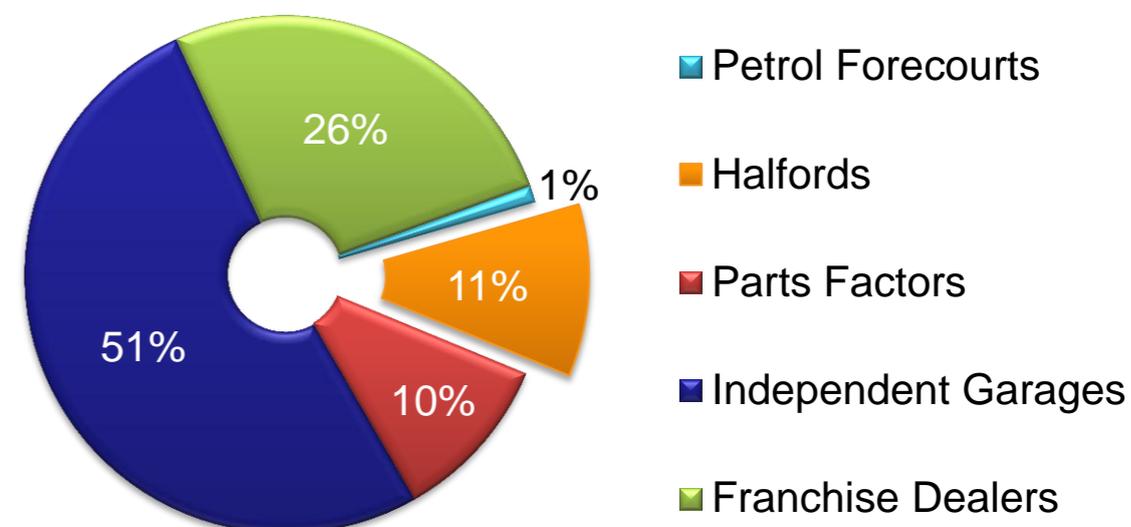
H1

- Our 3Bs now cover 97% of the UK car parc
- Over 450 fitters recruited
- 6,000 colleagues retrained
- Sustained TV & radio advertising
- September – fitting at 30.9% v 22.9% a year ago

### Halfords 3Bs Fitting Penetration



### 3Bs Market c.£950m (Parts & Labour)



Strong H1 Progress In The Fitting Opportunity

## Autocentres

H1

- 265 Autocentres
- Trialed Sunday opening
- Upgraded tyre-fitting equipment
- Created Business Development function
- Trialed e-diary booking system

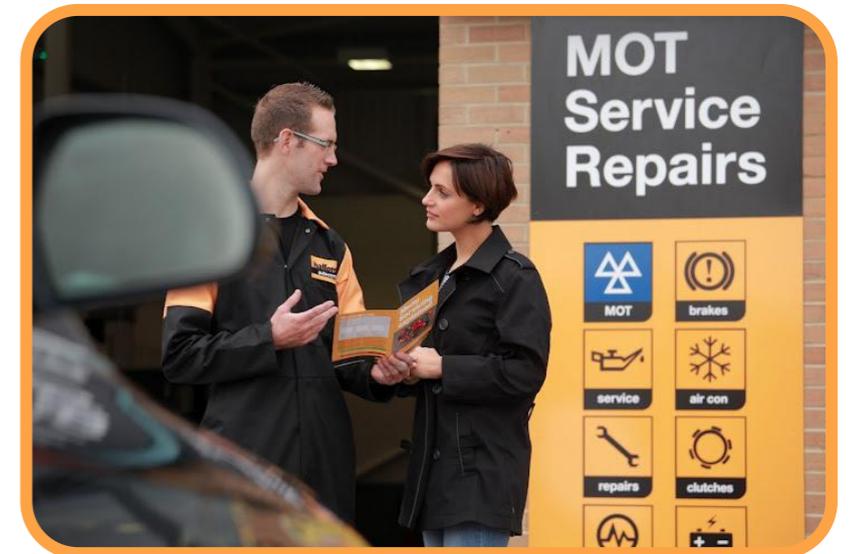


Six Consecutive Quarters Of LfL Growth



H2

- 3Bs: TV and radio advertising through the winter
- Add up to 25 more centres
- Re-platform the Autocentres website
- Launch the e-diary booking system



Executing Key Opportunities

# Best Cycle Shop In Town

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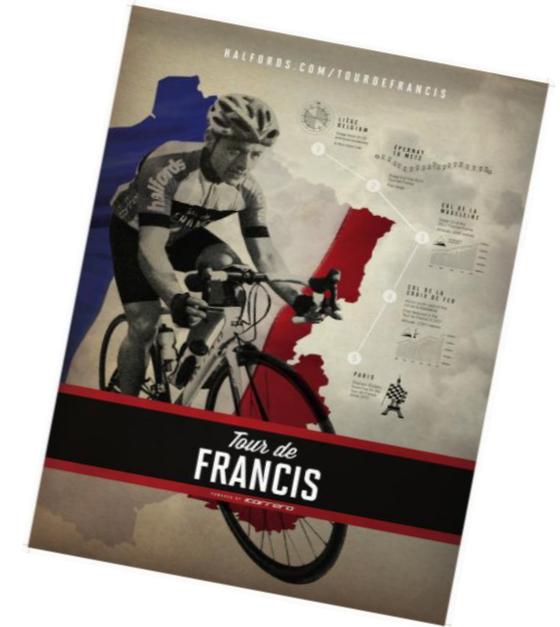


**best cycle**  
shop in town

## Cycles

H1

- *Pendleton* range launched
- High-end brands – *Cinelli* and *Tifosi*
- £1,000 *Carrera Virago* launched
- New range of 23 kids *Apollo* character bikes
- Extended range of children's scooters
- Innovative TV idents around TdF coverage
- Cycle repairs +37%



Capitalising On Events and Trends



**best cycle**  
shop in town

## Cycles

H2

- Potential for a new *Pendleton* range for 2013
- New *Boardman* sub-£500 range
- Introduce new *Turbo Trainer* range
- Launch RADIO BMX range
- *Boardman* and *Voodoo 29ers* and *Fixies*
- Trials of upgraded cycle-repair process and capability



Focusing On Areas On Opportunity



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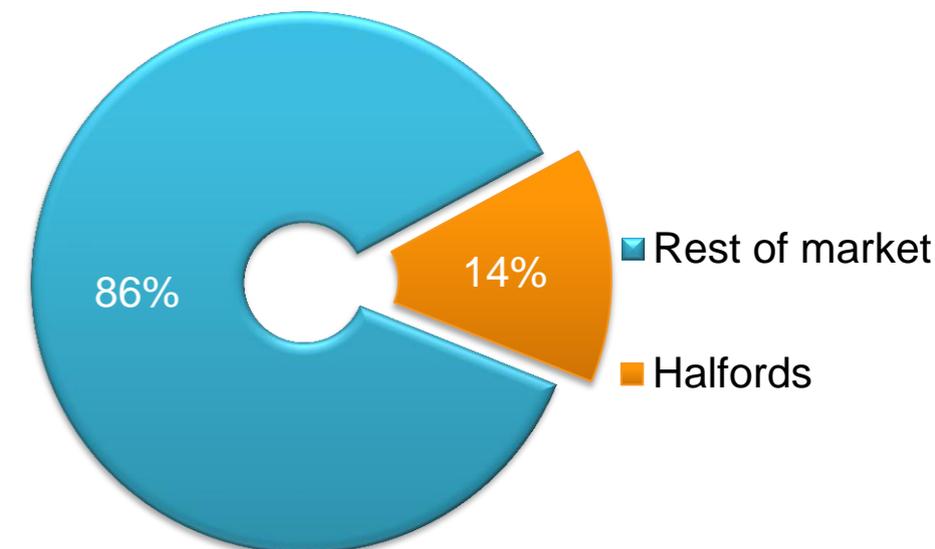
# Best Cycle Shop In Town

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## Cycle Parts, Accessories & Clothing

H1

- Recruited commercial team
- Agreements with c.170 leading brands such as *SRAM* and *Adidas*
- Split website into Cycles, Accessories and Clothing
- Wholesale preparations for PACs launch next year



Putting the Structures In Place



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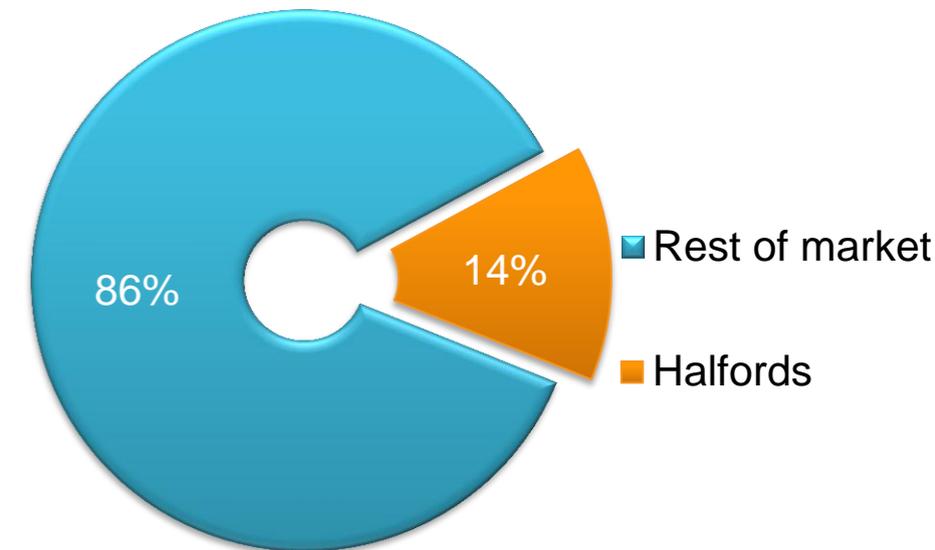
# Best Cycle Shop In Town

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## Cycle Parts, Accessories & Clothing

H2

- 13,000 SKUs ready for launch
  - Clothing up from 200 to 4,000 lines
  - Parts up from 750 to 6,000 lines
- Significant increases of our premium brands
- Focus online initially



Material Opportunities in  
£615m PACs Market



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# Great Getaways

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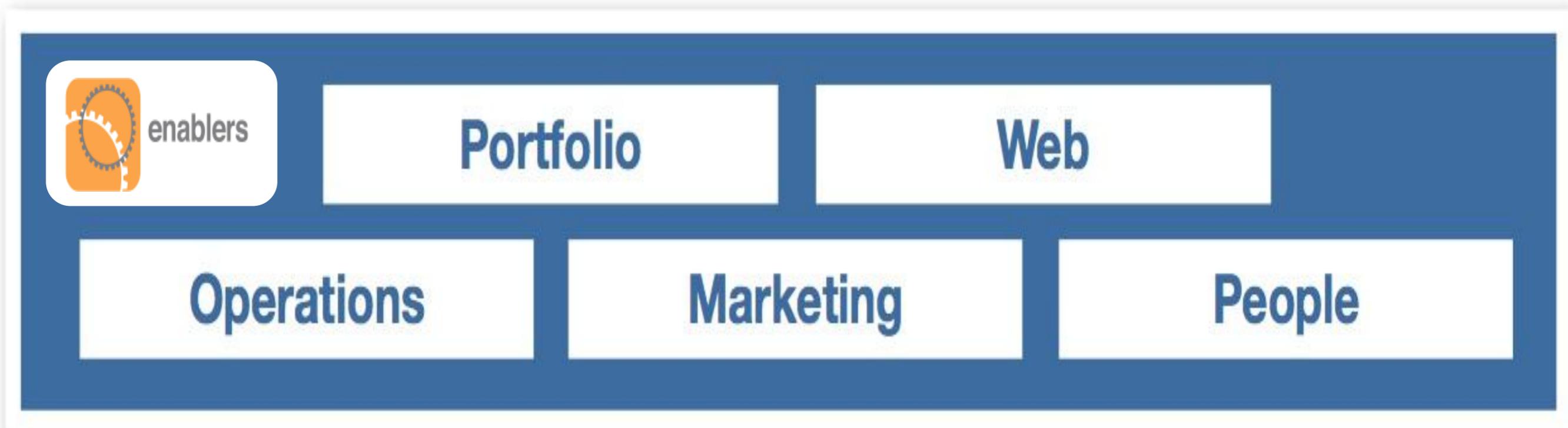
starting point for  
great  
**getaways**

- Our **wefit** offer drove roofbar-fitting sales up 4.5% in H1
- Introducing *Aventura*, a new camping brand
- Adding leading brands
- Invest in *Exodus* roofbox brand
- Increase DAB range and fitting capability

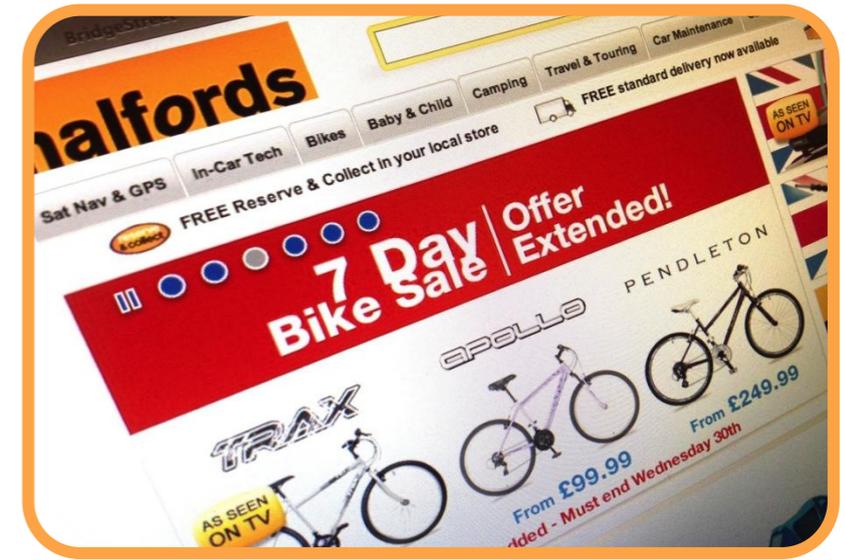


Delivering Compelling Brands and Solutions





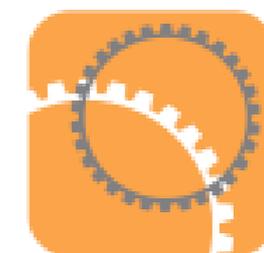
- Reorganisation of web team
- New 24-hr Reserve & Collect fulfillment offer
  - Nearly 90% of online purchases
- Launched dynamic e-mails
- Growing presence on *Facebook* and *Twitter*
- Replacing the site-search engine



- Five stores today, several planned for opening
- Testing concepts – experimental at this stage
- Formats differ between stores
- Testing:
  - Space
  - SKUs
  - Customer interaction
  - Category locations



A Range of Concepts and Stores



**enablers**

- Head Office renamed Support Centre
- Customer engagement training for nearly 9,000 colleagues
- Customer Services Manager – trialing in in 25 stores
- Till-receipt system – capturing customer feedback
- Fundamentally reviewing:
  - store rotas
  - hours
  - training needs



Restarting The Service Journey



enablers

- Colleague Engagement survey:
  - 12,000 responses
  - 8,000 individual comments
- Opening regional training centres
- Introducing NVQs for store colleagues
- Investment in Autocentre apprentice scheme



Focusing on Colleague Engagement



enablers



Improved performance

Progress with strategic initiatives

Solid programme of strategic activity in H2

H2 Retail planning assumptions unchanged

Robust balance sheet underpinned by strong cash generation





# Interim Results

*Financial Year 2013*



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great  
getaways



# Appendices



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# Group Income Statement

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	<b>HY13 £m</b>	<b>HY12 £m</b>	<b>Change</b>
Revenue	455.6	454.0	+0.4%
Gross Profit	246.3	246.5	-0.1%
Operating Costs	(201.8)	(189.6)	+6.4%
<b>OPERATING PROFIT</b>	<b>44.5</b>	<b>56.9</b>	<b>-21.8%</b>
Operating Profit %	9.8%	12.5%	-270bps
Net Finance Costs	(2.6)	(2.2)	+18.2%
<b>PROFIT BEFORE TAX</b>	<b>41.9</b>	<b>54.7</b>	<b>-23.4%</b>
Basic Earnings Per Share	16.2	19.8	-18.2%
Effective Tax Rate	25.4%	26.9%	-150bps

## Notes

All numbers shown are before non-recurring items



# Group Components

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<b>HY13</b>	<b>Total Retail £m</b>	<b>Autocentres £m</b>	<b>Amortisation £m</b>	<b>Group £m</b>
Revenue	393.0	62.6	-	455.6
Gross Profit	206.3	40.0	-	246.3
Operating Costs	(164.3)	(36.7)	(0.8)	(201.8)
<b>OPERATING PROFIT</b>	<b>42.0</b>	<b>3.3</b>	<b>(0.8)</b>	<b>44.5</b>

<b>HY12</b>	<b>Total Retail £m</b>	<b>Autocentres £m</b>	<b>Amortisation £m</b>	<b>Group £m</b>
Revenue	400.6	53.4	-	454.0
Gross Profit	211.0	35.5	-	246.5
Operating Costs	(156.0)	(32.5)	(1.1)	(189.6)
<b>OPERATING PROFIT</b>	<b>55.0</b>	<b>3.0</b>	<b>(1.1)</b>	<b>56.9</b>

## Notes

All numbers shown are before non-recurring items



# Group Balance Sheet

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	<b>HY13 £m</b>	<b>HY12 £m</b>	<b>YOY £m</b>	<b>Change</b>
Goodwill and Intangible Assets	342.8	345.7	(2.9)	-0.8%
Property, Plant & Equipment	91.4	98.5	(7.1)	-7.2%
Derivative Financial Instruments <sup>1</sup>	(0.9)	2.0	(2.9)	-145.0%
Net Working Capital	35.2	53.8	(18.6)	-34.6%
Net Debt	(107.9)	(140.7)	32.8	+23.3%
Other Creditors <sup>2</sup>	(68.5)	(72.0)	3.5	+4.9%
<b>NET ASSETS</b>	<b>292.1</b>	<b>287.3</b>	<b>4.8</b>	<b>+1.7%</b>
<i>Inventories</i>	132.9	153.3	(20.4)	-13.3%

## Notes

1. Foreign Currency Contracts
2. Tax liabilities, provisions and lease incentives



# HY13 Retail Store Portfolio

	Mezzanine	Flat	Compact	Metro	Total
<b>OPENING NUMBER OF STORES (3.83m ft<sup>2</sup>)</b>	243	159	34	31	467
<b>CLOSING NUMBER OF STORES (3.82m ft<sup>2</sup>)</b>	244	158	34	31	467
Re-gears in situ	2	2	-	-	4

- Relocations: Durham, Chingford (latter also downsized)
- Downsizes: Ipswich, Cheltenham
- Re-gears: Stafford, Coventry, Norwich, Dartford



# Autocentre Portfolio

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HY13	
Opening number of centres	260
New centres	5
Closing number of centres	265
Today	269
FY13 Target	Up to 290



**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 2012 Annual Report and Accounts.

