

# Preliminary Results 52 Weeks to 1<sup>st</sup> April 2011

City Presentation  
9<sup>th</sup> June 2011



*that's helpful that's* **halfords**

**David Wild**  
Chief Executive

# Introduction



£150
£185
£215
£250
£265
£280
£300

# Agenda

- Introduction - David Wild
- Financials - Andrew Findlay
- Growth Strategy - David Wild
- Current Trading and Outlook
- Summary
- Questions

# Overview of Results

## Acquisition and cost control drives earnings and dividend growth

- Solid performance in challenging environment
- Clear focus on cost and margin management
- Resilient performance in Car Maintenance and **wefit** services
- Year of significant operational progress
- Autocentres rebranded and relaunched
- Completed exit from Central Europe
- Share buy back programme

**Sound foundation for the year ahead**

**Andrew Findlay**

Finance Director

# Financials

# Group Financial Highlights

- Revenue £869.7m +4.6%
- PBT before non-recurring items<sup>1</sup> £125.6m +7.2%
- PBT £118.1m +7.7%
- Basic EPS before non-recurring items<sup>1</sup> 43.2p +8.8%
- Effective tax rate 27.6%
- Net debt £103.2m down £52.3m
- Dividend 22.0p +10.0%

**Earnings per share<sup>2</sup> up 8.8%  
despite difficult trading**

## Notes

1. Non-recurring items of £7.5m (FY11) and £7.4m (FY10)
2. Basic EPS before non recurring items

# Group Components

**FY11**

Excluding non-recurring items<sup>1</sup>

	<b>UK/ROI £m</b>	<b>Central Europe £m</b>	<b>Total Retail £m</b>	<b>Auto Centres £m</b>	<b>Amortis- ation<sup>2</sup> £m</b>	<b>Group £m</b>
<b>Revenue</b>	769.7	1.9	771.6	98.1	-	869.7
<b>Gross profit</b>	419.9	0.1	420.0	65.0	-	485.0
<b>Net operating expenses</b>	(296.2)	(0.5)	(296.7)	(58.0)	(2.2)	(356.8)
<b>Operating profit</b>	123.7	(0.4)	123.3	7.0	(2.2)	128.1

**FY10**

Excluding non-recurring items<sup>1</sup>

	<b>UK/ROI £m</b>	<b>Central Europe £m</b>	<b>Total Retail £m</b>	<b>Auto Centres £m</b>	<b>Amortis- ation<sup>2</sup> £m</b>	<b>Group £m</b>
<b>Revenue</b>	812.2	5.9	818.1	13.5	-	831.6
<b>Gross profit</b>	441.7	2.1	443.8	8.9	-	452.7
<b>Net operating expenses</b>	(319.8)	(4.6)	(324.4)	(8.3)	(0.3)	(333.0)
<b>Operating profit</b>	121.9	(2.5)	119.4	0.6	(0.3)	119.7

Notes:

1. Non-recurring items of £7.5m (FY11) and £7.4m (FY10)
2. Reflects amortisation charge arising on the acquisition of Nationwide Autocentres

# Retail UK/ROI

Excluding non-recurring items<sup>1</sup>

	<b>FY11</b> £m	<b>FY10</b> £m	<b>Growth</b> %
<b>Revenue</b>	769.7	812.2	-5.2%
<b>Gross profit</b>	419.9	441.8	-5.0%
<b>Gross margin %</b>	<b>54.5%</b>	<b>54.4%</b>	<b>+16bps</b>
<b>Net operating expenses</b>	(296.2)	(319.9)	-7.4%
<b>Operating profit</b>	123.7	121.9	+1.5%
<b>Operating profit %</b>	<b>16.1%</b>	<b>15.0%</b>	<b>+106bps</b>

**Reduced costs drives  
106 bps improvement  
in operating margins**

Notes:

1. Non-recurring items of £7.5m (FY11) and £7.4m (FY10).

# Retail UK/ROI Sales & Margin

## LFLs by Category

Car Maintenance

Car Enhancement

Leisure

FY11

FY10

+0.6%

+8.1%

-12.3%

-14.5%

-3.0%

+12.2%

## Sales by Category

Car Maintenance

Car Enhancement

Leisure

FY11

FY10

31.4%

29.6%

28.4%

30.7%

40.2%

39.7%

FY10 Gross Margin

Sales Mix Impact

Margin decline

FY11 Gross Margin

*Improvement*

54.4%

+82bps

-66bps

54.5%

*+16bps*

# Retail UK/ROI Operating Costs

Key Retail Costs <sup>1</sup>	FY11 £m	FY10 £m	Growth %
Store Staffing	78.1	86.8	-10.0%
Store Occupation	135.4	142.0	-4.6%
Warehouse Distribution	27.5	27.8	-0.8%
Support Costs	55.2	63.2	-12.7%
<b>Total</b>	<b>296.2</b>	<b>319.8</b>	<b>-7.4%</b>
Depn/Amortn/Impairment <sup>2</sup>	21.6	23.4	

“Underlying” FY11 cost base c.£ 300m

**Cost & productivity focus offsets  
inflationary pressures**

## Notes

1. Key costs are stated before non recurring expenses
2. Depreciation, Amortisation and impairment charge in relation to intangible assets and Property/Plant and Equipment

# Autocentres

Excluding non-recurring items

	FY11 £m	FY10 <sup>1</sup> Proforma £m	Growth %	FY10 Reported £m
Revenue	98.1	97.3	+0.8%	13.5
Gross profit	65.0	64.9	+0.1%	8.9
<i>Gross margin %</i>	66.3%	66.8%	<i>-51bps</i>	<i>65.5%</i>
Net operating expenses	(58.0)	(56.5)	+2.4%	(8.3)
Operating profit	7.0	8.4	-15.6%	0.6
<i>Operating profit %</i>	7.2%	8.6%	<i>-140bps</i>	<i>4.9%</i>

**Retail customers defer work  
and fleets consolidate**

Notes

1. Proforma performance for 52 weeks ending 1 April 2010

# Group Balance Sheet

	FY11 £m	FY10 £m	YOY £m	Growth %
<b>Goodwill and intangible assets</b>	346.7	348.7	-2.0	-0.6%
<b>Property, plant and equipment</b>	102.6	102.9	-0.3	-0.3%
<b>Derivative financial instruments<sup>1</sup></b>	(2.0)	2.2	-4.2	-191%
<b>Net working capital</b>	47.6	49.9	-2.3	-4.6%
<b>Cash and borrowings</b>	(103.2)	(155.5)	+52.3	-33.6%
<b>Creditors<sup>2</sup></b>	(69.3)	(69.7)	+0.4	-0.6%
<b>Net assets</b>	322.4	278.5	+43.9	+15.8%
<b>Inventories</b>	147.6	138.5	+9.1	+6.6%

Notes:

1. Foreign currency contracts.
2. Tax liabilities, provisions and lease incentives.

# Capital Expenditure

	FY11	FY10
	£m	£m
New stores and relocations	3.6	3.6
Store refresh/downsizes	4.8	3.8
<b>Total portfolio</b>	<b>8.4</b>	<b>7.4</b>
Distribution centre	3.4	6.7
Group infrastructure systems	4.2	5.8
Autocentres	6.2	0.1
Other	0.6	0.1
Central Europe	-	0.4
<b>Total capital expenditure</b>	<b>22.8</b>	<b>20.4</b>

**Group has low capital expenditure requirement**

# Cash Flow and Net Debt

Operating cash flow		Free cash flow		Net debt	
	£m		£m		£m
Operating profit	120.6	Op. cash flow	146.3	Net debt 3.4.10 <sup>1</sup>	(155.5)
Dep/Amortisation	25.0	Capex	(22.1)	Free cash flow	54.7
Employee share scheme	2.4	Net finance costs	(2.1)	Lease/Other	(0.5)
Working capital	2.9	Taxation	(25.7)	Consideration	(1.9)
Provisions/Other	(5.8)	Dividends/Shares	(41.7)		
<b>Op cash flow</b>	<b>146.3</b>	<b>Free cash flow</b>	<b>54.7</b>	<b>Net debt 01.04.11</b>	<b>(103.2)</b>

- Funding
- £300m Rolling credit facility in place
  - 4 year term to Nov 2014. One year extendable

**Year end net debt represents 0.67x EBITDA**

## Notes

1. Including Head Office finance lease £11.8m (2010 £12.0m)

# Share Buyback

- Buyback commenced April 7
- 5.3m of shares purchased by 3 June
- Average price 386.4p
- Earnings enhancing

## Debt metrics:

Adjusted net debt<sup>1</sup>: EBITDAR

Net Debt: EBITDA

	FY11	FY10 <sup>2</sup>
Adjusted net debt <sup>1</sup> : EBITDAR	3.22x	3.55x
Net Debt: EBITDA	0.67x	1.03x

**Buyback progressing**

## Notes

1. Adjusted Net Debt = Net Debt + Capitalised Rent; EBITDAR = (EBITDA + rent)
2. Proforma figures based on full year ownership of Autocentres

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**David Wild**  
Chief Executive

# Growth Strategy



# Challenging consumer environment

## What customers are feeling

- Rising costs of everyday purchases
- Uncertainty about jobs
- Reluctance or inability to borrow
- Higher transport costs

## What customers are doing

- Making careful choices on spending
- Using technology to compare prices
- Waiting for bargains
- Buying innovative products
- Demanding better service

# Retail growth strategy

Consistent and effective strategy for growth

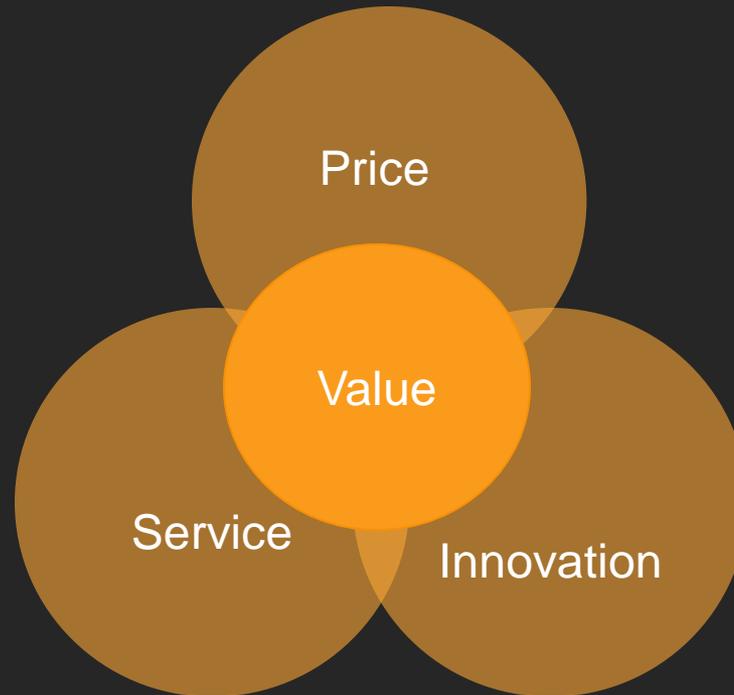
**Extending range  
and service advantage**

**Investing in store portfolio**

**Ongoing focus on  
cost control**

**Leveraging the Halfords  
brand in multi-channel**

# Our response



**Creating value for our customers**

# Range - value Through Brands

Halfords  
Exclusive  
Brands

Cycles



Car  
Maintenance



Sat Nav



Travel  
Solutions



In Car  
Entertainment



Leading  
Brands

Cycles



Car  
Maintenance



Sat Nav



Travel  
Solutions



In Car  
Entertainment



Extending range  
and service advantage

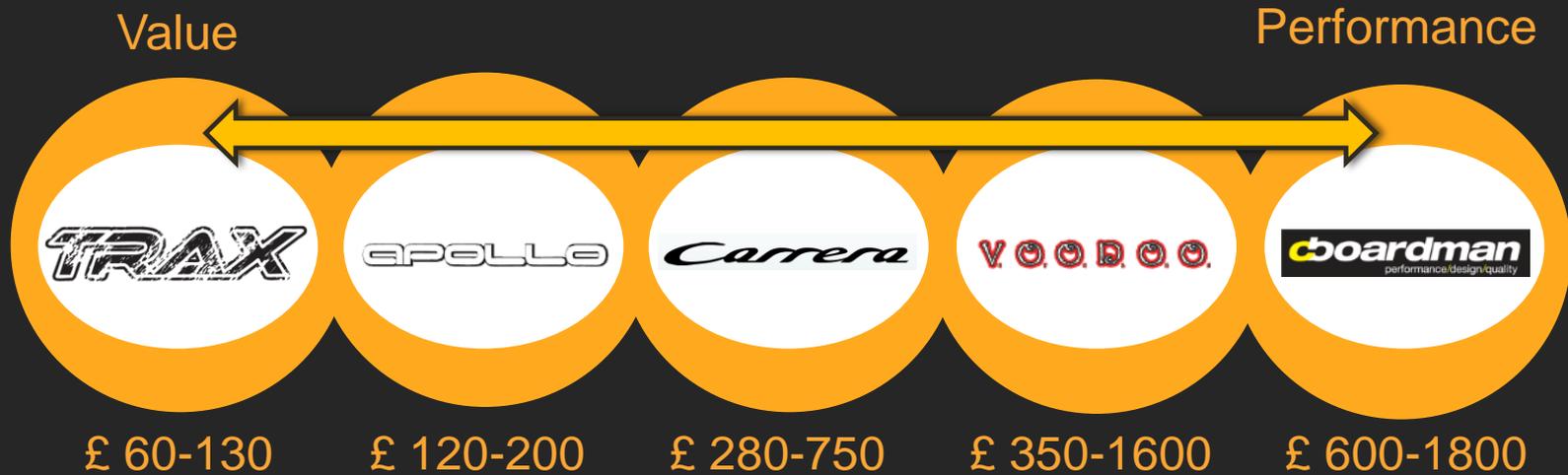
# Range - value through brands

- Price architecture gives customer choice
- Purchasing efficiency reduces prices and enhances margins
- Specification control enables better value
- Differentiation online and in store



Extending range  
and service advantage

# Range - value across the cycle market



- New ranges - Better designs
- All exclusive
- Bikes for every occasion
- Value through Halfords design and build

Extending range  
and service advantage

# Value in Car Maintenance

The Halfords logo is displayed in a white rectangular box centered within a large orange circle. The word "halfords" is written in a bold, lowercase, sans-serif font.

halfords

The Halfords Advanced logo is displayed in a white rectangular box centered within a large orange circle. The word "halfords" is in a bold, lowercase, sans-serif font, and "ADVANCED" is in a bold, uppercase, sans-serif font below it.

halfords  
ADVANCED

The Bosch logo is displayed in a white rectangular box centered within a large orange circle. It features the Bosch symbol (a circle with an 'H') on the left, followed by the word "BOSCH" in a bold, uppercase, sans-serif font, and the tagline "Invented for life" in a smaller font below it.

 **BOSCH**  
Invented for life



- Focus on consumable products not hard parts
- Unparalleled car parc coverage
- Complexity of technology causes inflation
- Fragmented and declining competition
- Needs based and web resilient

Extending range  
and service advantage

# Range - value through brands



**Urban Escape**



**Exodus**



**Pampero**



**Halfords Advanced**

**Extending range  
and service advantage**

# Value through Global Sourcing

- Low cost and agile supply chain
- Close working relationship with manufacturers and component producers
- Offices across Asian region source 40% of sales
- New product areas – Cambodia, Vietnam, Tunisia



Extending range  
and service advantage



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# In-store Services

Extending range  
and service advantage

# Value through Service

## Central part of Halfords Proposition

- Expert advice and information
- Products lend themselves to added value services
- Trend from DIY to “Do it For Me” in Car Maintenance
- Competitive strength of independents especially in bikes
- Key differentiator vs online and non-specialist retailers

**we fit**

**we repair**

**we assemble**

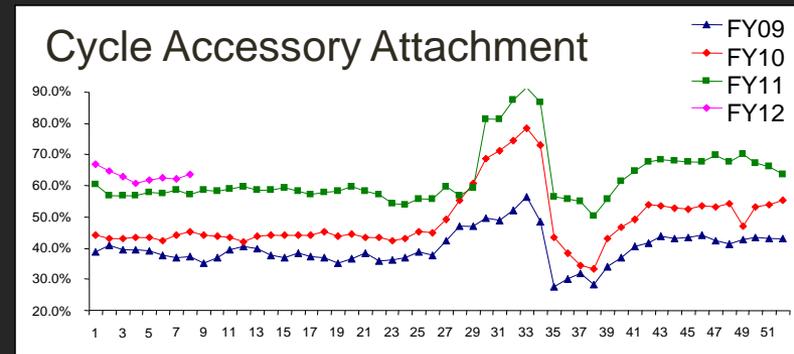
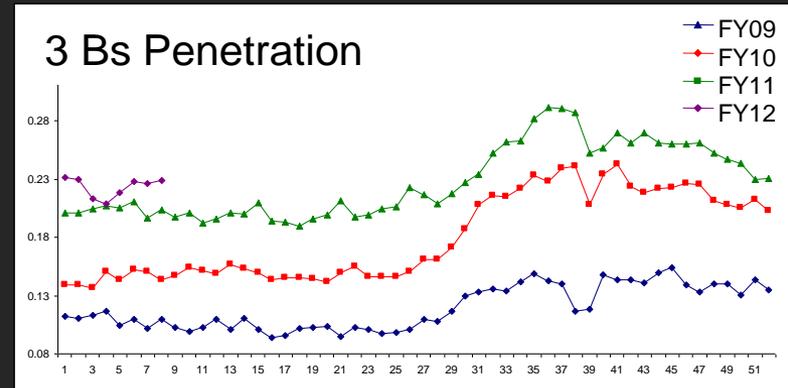


Extending range  
and service advantage

# Value through Service

## Growth in service

- Continued rise in 3Bs fitting
- Still 57% unaware
- Bike Care Plan +28.3%
- Improved weekend colleague availability
- Increases in attachment



Extending range  
and service advantage

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# Investing in the Store Portfolio

Investing in the store portfolio

# Value from store portfolio

## Refresh and Reconfiguration

- Categories rebalanced, locally tailored and easier to shop
- Comprehensive Car Maintenance range
- Increased Cycle and Cycle Accessories offer
- Travel and Car Enhancement zones
- Some ranges reduced, e.g. Styling, Accessories and Mechanical Parts
- Space for Leisure
- 26 stores completed
- 50 targeted FY12



Investing in the  
store portfolio

# Value from store formats

- New store opportunities limited
- Format flexibility is key in London

## Pilot stores

- Halfords branded
- High footfall locations
- Ranges target local demographic
- Cycling and “best of the rest”



Investing in the  
store portfolio

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# Cost Control

Ongoing focus on  
cost control

# Value through Cost Control

- 2 Year efficiency programme completed
- Strong cost control culture in Halfords
- Limited scope for further major interventions in stores and logistics
- Priority around occupancy costs
- Some inflation difficult to avoid
- Need for investment in key growth areas



Ongoing focus on  
cost control



*life on the move* **halfords**

# Leveraging brand in Multi-channel

Leveraging Halfords  
brand in multi-channel

# Value through added service

## True Multi-channel Retailer

- Halfords range benefits from expert advice and fitting service
- >86% web transactions involve a store visit
- Customers make additional purchases
- Collection rates up YOY

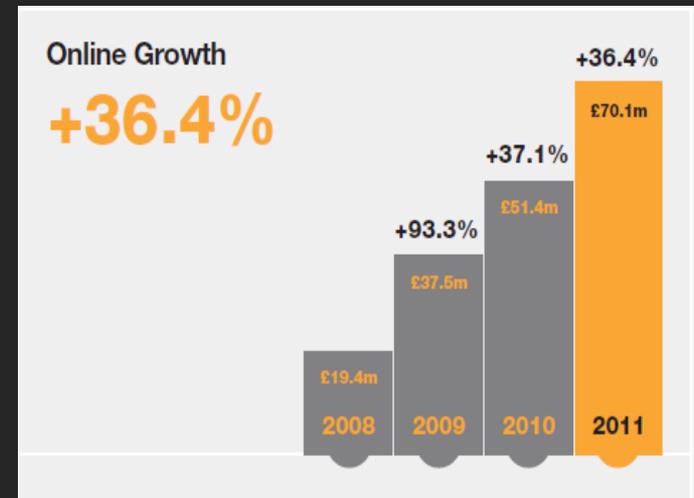


Leveraging Halfords  
brand in multi-channel

# Creating value Online

## Online growth

- 40.5m Visitors (+10.5m)
- Still only 9% of all sales
- Significantly higher ATV
- Customers research online first
- Pipeline of Autocentres customers

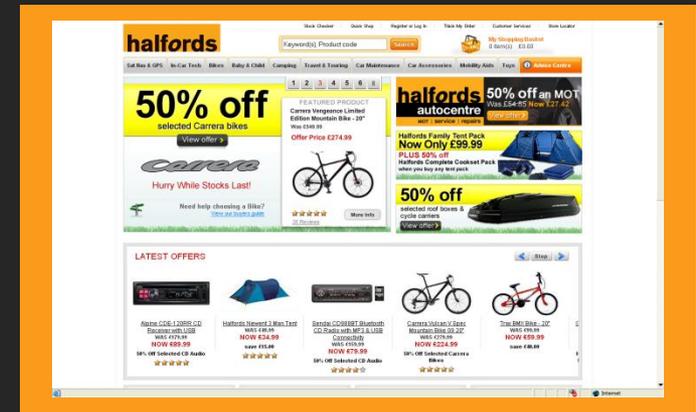


Leveraging Halfords  
brand in multi-channel

# Value through online development

## Creating value online

- Mobile site launched in Aug 2010, now 15% of traffic
- 6,000 bundles delivering accessory sales
- 53,000 customer reviews and 25,000 Ask and Answers
- Websphere investment for better user experience and growth
- Shopping app in development



Leveraging Halfords brand in multi-channel

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# Halfords Autocentres



# Creating Value through Autocentres

## Refurbished and rebranded Halfords Autocentres

- Encouraging sales since relaunch
- Continuous radio advertising campaign
- Leveraging Halfords.com traffic through promotional activity
- Targeted marketing campaign
- New centre openings
- Fleet sales potential
- Tyres opportunity



Maintaining and growing service Advantage

Investing in new Centres

Maintaining low cost structure

Leveraging the Halfords brand

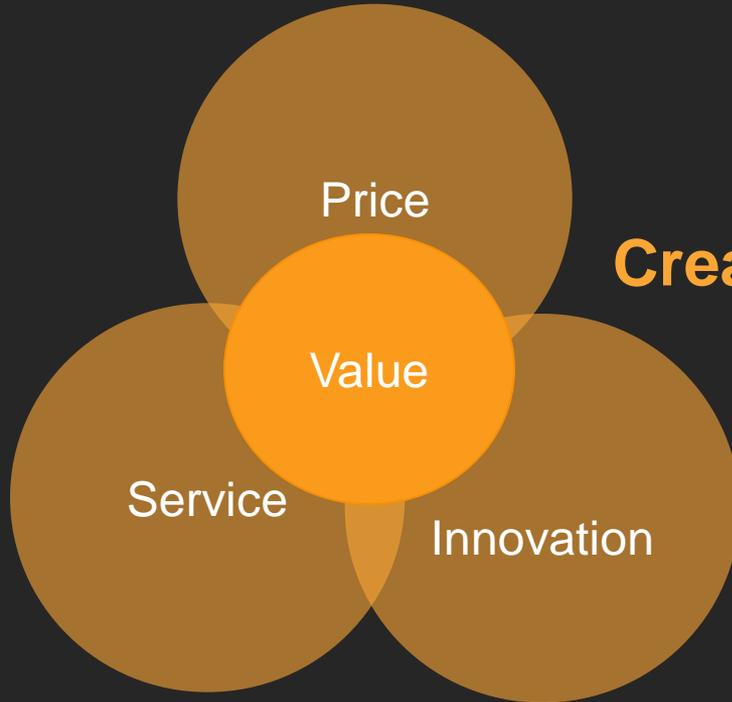
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**That's Helpful**

Leveraging the  
Halfords brand

# Telling customers about our value



Creating value for our customers

*that's helpful that's* **halfords**

# 'that's helpful that's halfords'

- Strategy supported by new brand campaign
- Reinforces Halfords unique service proposition
- National 'that's helpful' radio campaign launched end of February for Autocentres
- National 'that's helpful' TV campaign launched Easter for Retail business

*that's helpful that's* **halfords**

Leveraging the  
Halfords brand

# 'that's helpful' advert

**50% off**  
selected deals

*Guide to Camping and Touring 2011*

tents and tent packs | gazebos | camping accessories | cycle carriers | roof bars and boxes | motoring essentials

*that's helpful that's* **halfords**

## Great getaway deals

**2 Person Pop-Up Tent**  
No kits, instant pop-up tent ideal for festivals. Straps to put away into easy carry bag.  
**WAS £29.99** **£10 off** **now £19.99**

**4 Person Dugdale Tent**  
Perfect for families and couples looking for more space - with front storage and groundsheet.  
**WAS £99.99** **50% off** **now £49.99**

**Family Tent Pack**  
The family tent and accessories pack has 2 separate bedrooms and a sleeping ledge living area - perfect for families.  
**WAS £209** **All this for only £99.99**

**Pack includes:**  
4 x sleeping bags (normally £20.96) + 2 x double airbeds (normally £29.99) = all fits in one handy storage bag

**Single Roof Mount Cycle Carrier\***  
Take your bike with you safely, securely and easily.  
**WAS £59.99, £39.99** **50% off** **now £34.99**

**Rear High Mount Cycle Carrier\***  
Climb on to 2 bikes with self-protective frame holder and metal straps for a more secure fitting.  
**WAS £109.99, £89.99** **50% off** **now £84.99**

**470L Roof Box\*\***  
Equivalent to a large car boot\* with a load capacity of 80kg and amphibious design.  
**WAS £479.99, £239.99** **50% off** **now £239.99**

**we fit** We can fit your cycle carrier, roof bars and roof boxes for you to help you on your way

halfords.com

*that's helpful that's* **halfords**

**50% off**  
selected getaway deals

**FREE £10 GIFT VOUCHER**  
WHEN YOU SPEND £50 OR MORE

**50% off**  
selected roof boxes and cycle carriers

**3-2**  
car sharing

**50% off**  
selected car accessories

**50% off**  
selected bicycles

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# 'that's helpful' advert



*life on the move* **halfords**

# Current Trading and Outlook

## Current Trading

- Current trading: 9 weeks to 3<sup>rd</sup> June 2011
  - Halfords Retail +0.8%
    - Car Maintenance - 3.0%
    - Car Enhancement -10.6%
    - Leisure +11.1%
  - Autocentres +1.2%

## Outlook

- Challenging consumer environment
- Strong plan, creates value through price, innovation and service
- Pressures on Gross Margins and Operating Costs increasing
- A solid platform for medium term growth

# Summary

- FY11 EPS of 43.2p +8.8%
- Continued cash generation, dividend +10%, £75m share buyback
- Retail growth strategy driving value for customers
- Autocentres relaunch and roll-out progressing well
- Launch of new advertising campaign covering both divisions
- Sound start to FY12 in tough trading climate

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A photograph of two mountain bikers riding on a dirt trail. The trail is surrounded by tall, dry grass and scattered rocks. In the background, there are evergreen trees and a large, hazy mountain range under an overcast sky. The overall scene is misty and atmospheric.

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# Questions

# Appendices

- Group Income Statement
- Retail revenue bridge
- Non recurring expenses
- Retail Store Portfolio

# Group Income Statement

Excluding non-recurring items <sup>2</sup>	FY11 £m	FY10 <sup>1</sup> £m	Growth %
<b>Revenue</b>	869.7	831.6	+4.6%
<b>Gross profit</b>	485.0	452.7	+7.1%
<b>Net operating expenses</b>	(356.8)	(333.0)	+7.2%
<b>Operating profit</b>	128.1	119.7	+7.0%
<b><i>Operating profit %</i></b>	<b>14.7</b>	<b>14.4</b>	<b>+34bps</b>
<b>Net finance costs</b>	(2.5)	(2.6)	-3.8%
<b>Profit before tax</b>	125.6	117.1	+7.2%
<b>Basic EPS (pence) (before non- recurring items<sup>2</sup>)</b>	43.2p	39.7p	+8.8%
<b>Effective tax rate</b>	27.6%	29.8%	

## Notes

1. Includes 44 days post acquisition of Nationwide Autocentres
2. Non-recurring items of £7.5m (FY11) and £7.4m (FY10)

# Retail Revenue Bridge

	FY11 %	FY10 %
Underlying LFL sales growth	-4.9	+0.7
Easter adjustment	+0.6	+0.6
<b>Reported LFL sales growth</b>	<b>-5.5</b>	<b>+1.3</b>
Currency <sup>1</sup>	-0.4	+0.3
Net new space	+0.2	+1.3
<b>Retail sales growth</b>	<b>-5.7</b>	<b>+2.9</b>
Europe impact	+0.5	-0.1
<b>UK/ROI Sales Growth<sup>2</sup></b>	<b>-5.2</b>	<b>+2.8</b>

## Notes

1. Translation of non-sterling denominated revenues.
2. Excludes Central Europe

# Non-Recurring Expenses

	FY11	FY10
	£m	£m
<b>Non-recurring expenses</b>	<b>7.5</b>	<b>7.4</b>

- FY11 – provision for potential liabilities in respect of guarantees provided by Halfords to landlords of properties leased to Focus DIY which entered into administration in May 2011.
- FY10 – costs relating to the closure of the Group’s seven store pilot in Central Europe

# Retail Portfolio by Store Type

<b>Retail Space</b> 3,845,443 ft <sup>2</sup>	<b>Mezzanine</b>	<b>Flat</b>	<b>Compact</b>	<b>Metro</b>	<b>Bikehut</b>	<b>Total</b>
<b>Opening Number</b>	240	166	29 <sup>1</sup>	32 <sup>1</sup>	2	469
<b>New Store</b>	2	1	0	2	0	5
<b>Relocations</b>	2 <sup>2</sup>	1	0	0	0	3
<b>Closures</b>	1	6	0	0	1	8
<b>Closing Number</b>	243	159	29	34	1	466

## Notes

<sup>1</sup> Reclassification of 4 stores from Compact to Metro in FY11

<sup>2</sup> Relocations previously classified as Flat moved to Mezzanine