

halfords
driving
the top line

Interim Results 2013



Introduction

Financial Performance

Andrew Findlay

Trading and Strategy

Matt Davies

Questions



Andrew Findlay

Finance Director

Financial Highlights

- *Group Revenue* up 7.7% to £490.6m
- *Retail Gross Margin* of 51.2%, down 124 bps in line with expectations
- *Profit Before Tax* up 6.4% to £44.6m
- *Basic Earnings Per Share* up 8.6% to 17.6p
- *Net Debt* down at £57.5m
- *Free Cashflow* up 23.0% to £73.2m
- *Interim Dividend* of 5.2p per share

H1 FY14 Retail Revenues

Total Retail	LFL %
Cycling	+14.2
Car Maintenance	+8.8
Car Enhancement	+0.6
Travel Solutions	+2.1
Total	+7.7

Online Retail	Proportion of Online Retail Sales %	Proportion of Total Retail Sales %	Total Revenue Growth %
Home Delivery	12.2	1.4	+22.9
Pick-up In Store	87.8	10.1	+16.1
Total	100.0	11.5	+16.9

Notes: All numbers shown are before non-recurring items

Retail Performance

	H1 FY14 £m	H1 FY13 £m	Change
Revenue	424.0	393.0	+7.9%
Gross Profit	217.3	206.3	+5.3%
Gross Margin	51.2%	52.5%	-124bps
Operating Costs	(171.0)	(164.3)	+4.1%
EBIT	46.3	42.0	+10.2%
EBIT Margin	10.9%	10.7%	
EBITDA	55.7	53.3	+4.5%
EBITDA Margin	13.1%	13.6%	

Notes: All numbers shown are before non-recurring items

Gross Margin % Influences

Dilutive

Clearance Approach

Promoting More Effectively

The Growth Of Cycling

Accretive

In-store Services

The Strength of Car
Maintenance

Retail Operating Costs

	H1 FY14 £m	H1 FY13 £m	Change
Store Staffing	46.3	42.5	+8.9%
Store Occupancy	70.5	69.9	+0.9%
Warehouse & Distribution	16.9	14.8	+14.2%
Support Costs	37.3	37.1	+0.5%
Total	171.0	164.3	+4.1%
Depreciation/Amortisation/ Impairment	9.4	11.3	-16.8%

Notes: All numbers shown are before non-recurring items

Autocentres Performance

		H1 FY14 £m	H1 FY13 £m	Change
Revenue		66.6	62.6	+6.4%
Gross Profit		43.3	40.0	+8.3%
Gross Margin		65.0%	63.9%	+114 bps
Operating Costs	<i>Core Centres</i>	(28.8)	(28.7)	+0.3%
	<i>New Centres</i>	(8.5)	(5.0)	+70.0%
	<i>Support</i>	(3.7)	(3.0)	+23.3%
	Total	(41.0)	(36.7)	+11.7%
EBIT		2.3	3.3	-30.3%
EBIT Margin		3.5%	5.3%	
EBITDA		3.9	4.5	-13.3%
EBITDA Margin		5.9%	7.2%	

Notes: All numbers shown are before non-recurring items

Cashflow and Net Debt

OPERATING CASHFLOW	£m	FREE CASHFLOW	£m	NET DEBT	£m
EBIT	47.8	Operating Cashflow	92.2	Opening Net Debt	(110.6)
Depreciation/ Amortisation/ Loss On Disposal	12.7	Capital Expenditure	(11.3)	Free Cashflow	73.2
Employee Share Scheme	0.2	Net Finance Costs	(3.2)	Dividends	(17.6)
Working Capital	31.4	Taxation	(7.0)	Lease/Other	0.7
Provisions/Other	0.1	Other	2.5	Buyback: Treasury	(3.2)
OPERATING CASHFLOW	92.2	FREE CASHFLOW	73.2	CLOSING NET DEBT	(57.5)

Refinancing Completed In The First Half

FY14 Guidance

Retail Operating Costs	5-6%
Retail Gross Margin	A decline of 125-175bps
Retail Capital Expenditure	c.£32m
Autocentres EBITDA	Down on FY13
Autocentres Capital Expenditure	c.£6m
Net Finance Costs	Marginally down on FY13
Effective Tax Rate	23-24%

Summary

Financial Performance

- A strong revenue performance in Retail
- Retail gross margins in line with expectations
- Autocentres investment continues
- The Retail top line leveraging earnings accretion
- Strong cash generation and lower gearing



Matt Davies

Chief Executive

Helping and Inspiring Customers With Their Life On The Move

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top line**



Supporting
drivers of
every car

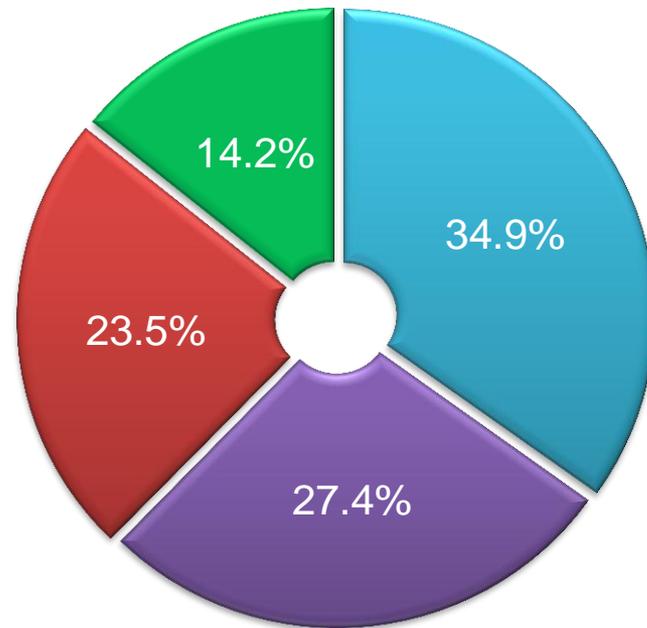


Inspiring
cyclists of
every age



Equipping
families for their
leisure time

First-Half Sales Performance



- Cycling
- Car Maintenance
- Car Enhancement
- Travel Solutions

H1 Cycling Performance



Inspiring
cyclists of
every age

- Many new additions to our cycle offer
 - An extended *Pendleton* range
 - *Boardman* team carbon bike
 - £199 *Apollo* road bike
 - Junior *Carrera* road bike
 - *Apollo* Kids and new BMX
- Active trading stance
- Ensuring proper levels of stock
- A new marketing approach



H1 Cycling Performance

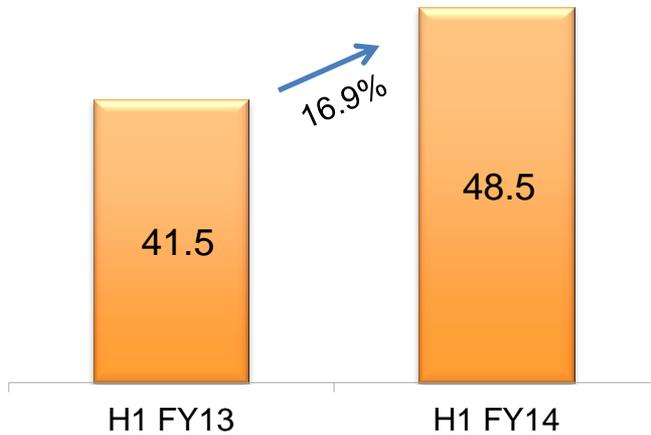


Inspiring
cyclists of
every age

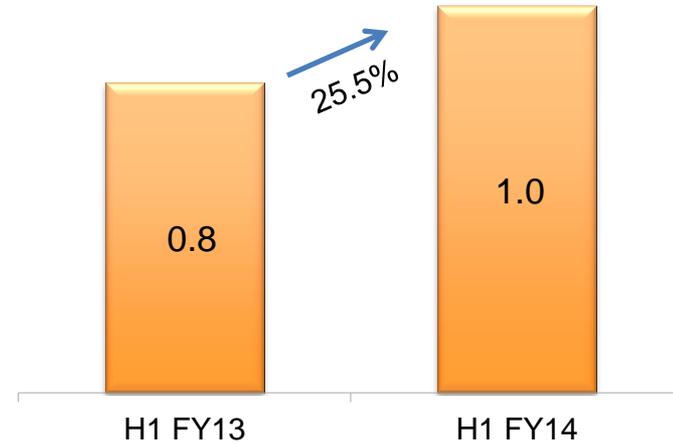
- *Re~Cycle*
- Kids workshops
- Cycle Repair
- Partnership with Sky
- Mechanics team
- PACs

Retail Successes

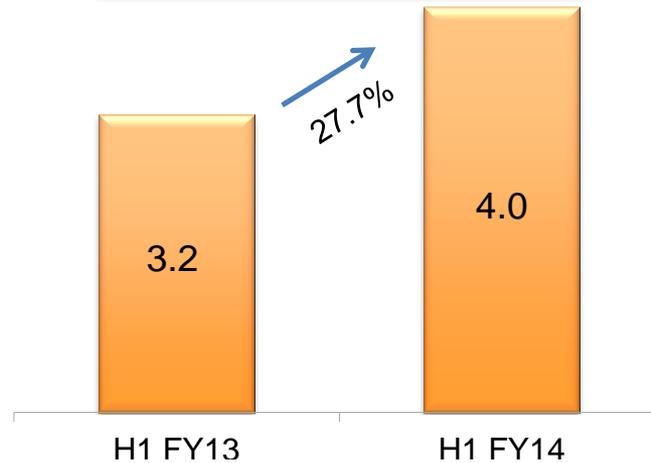
Online Sales (£m)



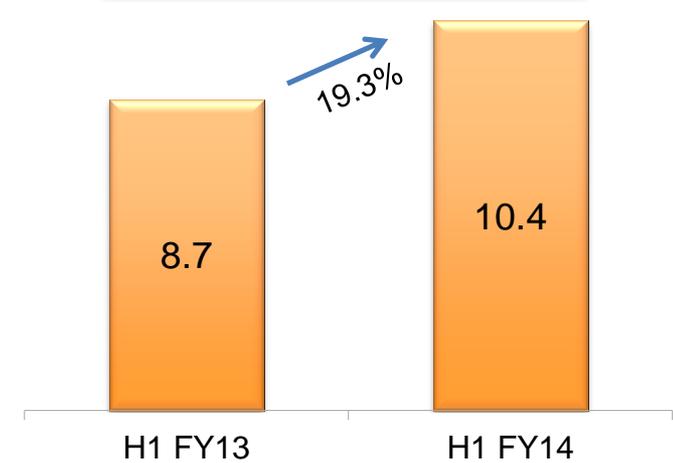
3Bs Jobs (m)



Cycle Repair Sales (£m)



Service Income (£m)



Getting Into Gear 2016



**service
revolution**



**the 'h'
factor**



**stores fit
to shop**



**21st century
infrastructure**



**click with the
digital future**



- Recruitment centralised

- Training
 - Launched *3-Gears*: most colleagues already progressing through Gear 1
 - Launched *Aspire*: a focused development programme

- Store vs. payroll cost incentives

- Mystery shopping



- On-shelf availability
 - Improved by over 200 basis points
- Store-friendly deliveries
 - Auto
 - Cycling
- Clearance approach
- New leadership



Centres of Authority

- 3Bs
- Batteries
- Torches



stores fit to shop

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**stores fit
to shop**

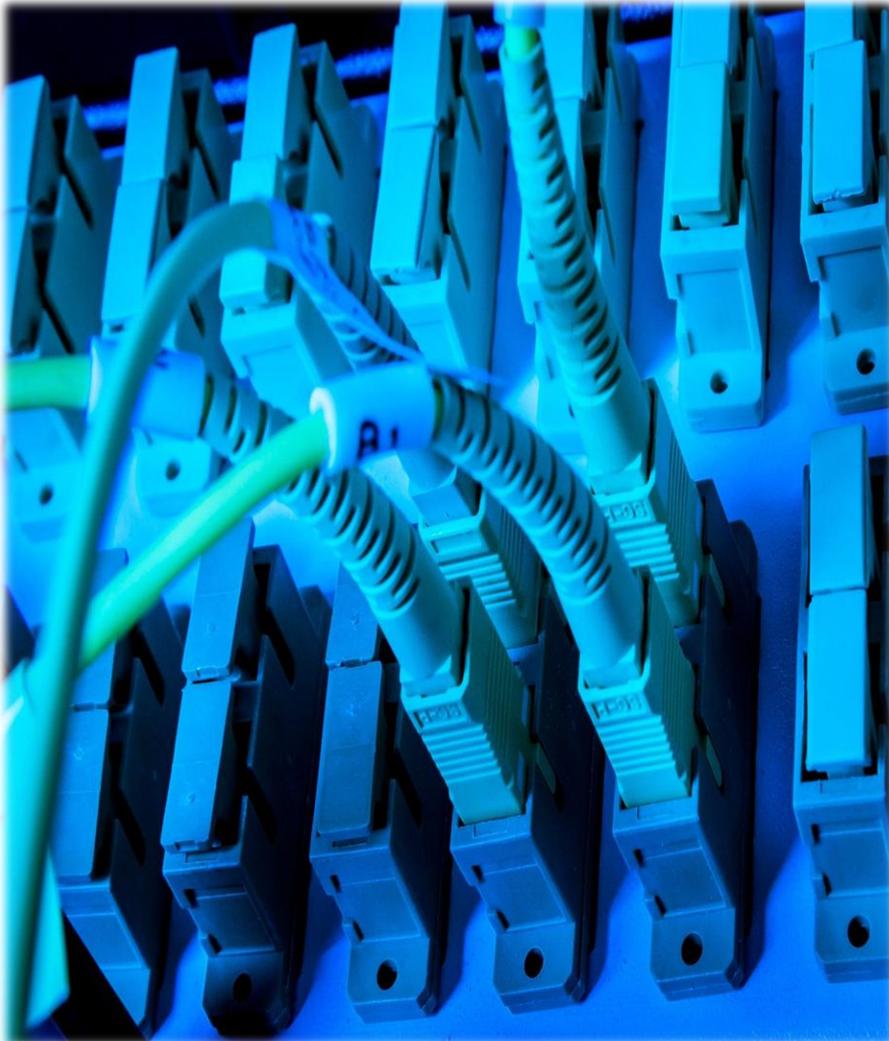
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More Than 25 Refurbished Stores By The End Of March



21st century infrastructure

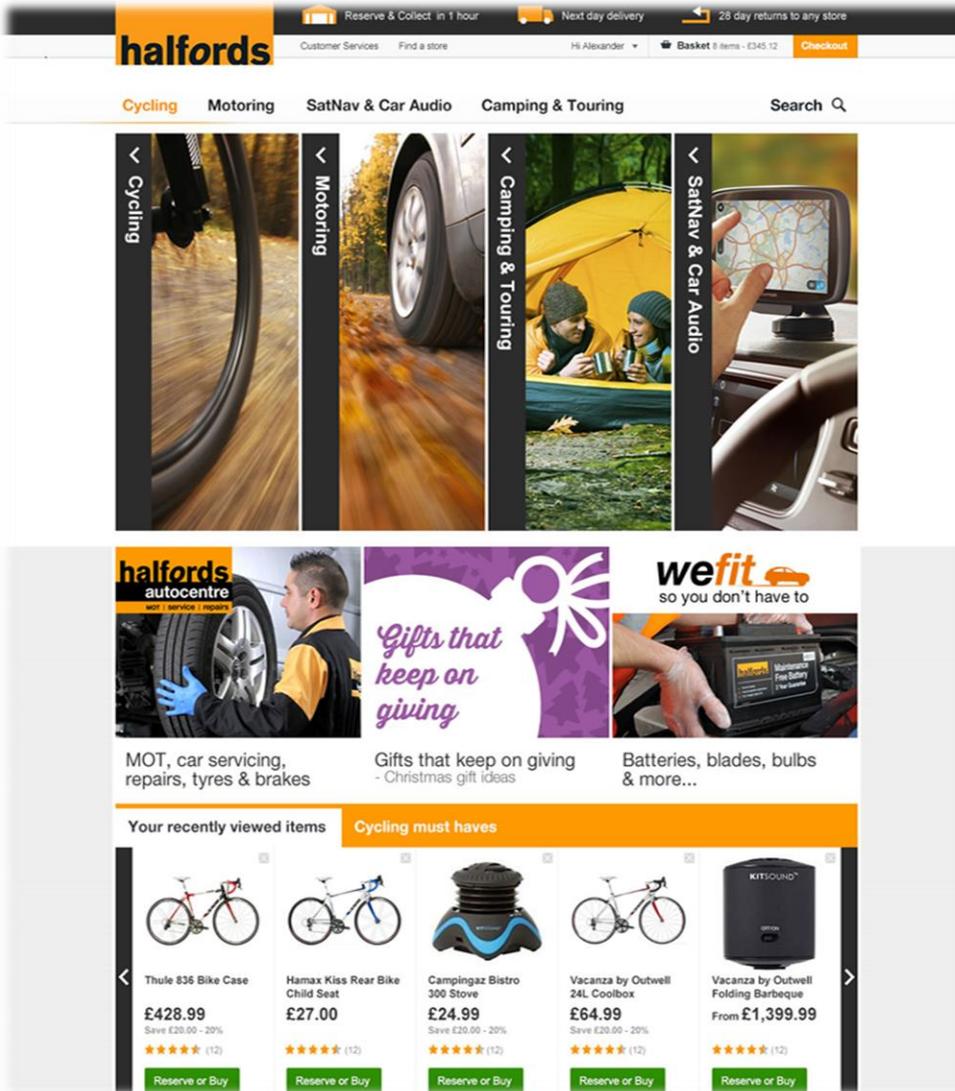


- New chip & PIN devices
- Laptops in store
- New hand-held terminals in the DC in H2

- SAP upgrade: appointed provider, technical upgrade first



click with the digital future



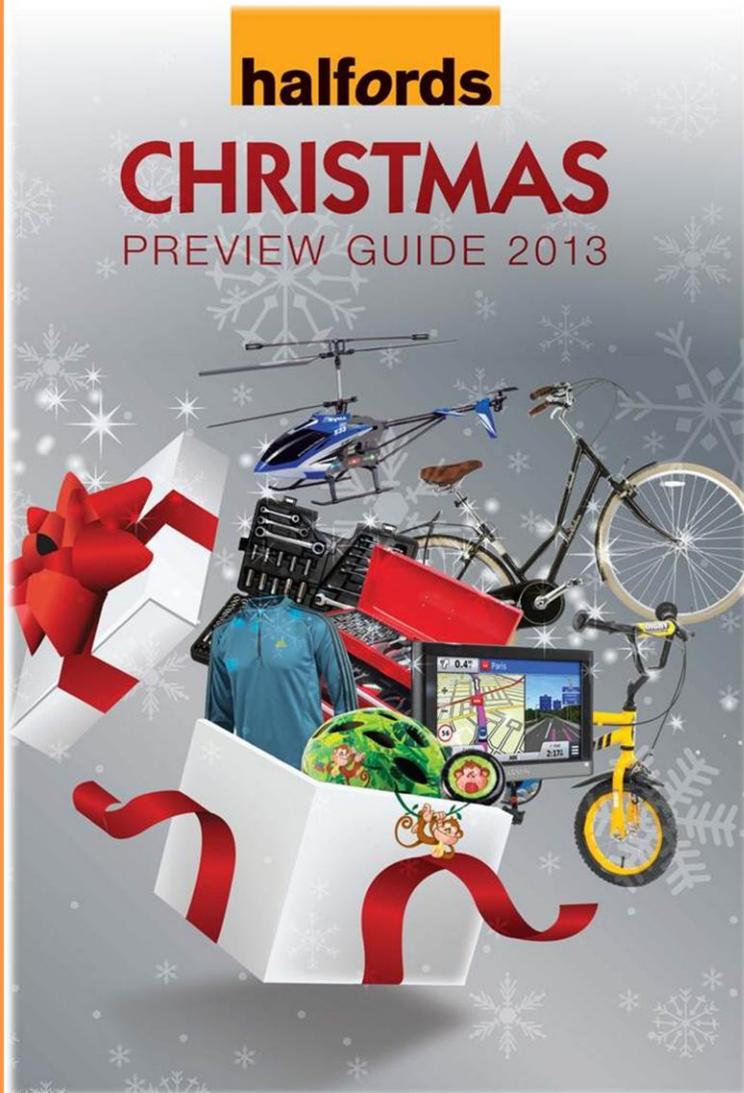
Phase One

- New home page
- Four product verticals
- Simplified check-out
- Pay for online orders in store
- Rewritten content
- Significant expansion of video content

Phase Two

- My Account
- Social network changes

The Categories in H2



- *Boardman* Partnership
 - 2014 *Boardman* performance series
- New adult *Apollo* range
- Kids
 - *Pendleton* girls
 - Personalised *Apollo*s
- Car Enhancement:
 - DAB Digital Radio
- Car Maintenance:
 - 3Bs fitting

Car Maintenance in H2

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WorstFavour



Exclusions apply

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we fit 
Cheaper than a favour



Autocentres



- Enhancing the end-to-end customer experience
- Investment focus
 - centres
 - infrastructure
 - support for colleagues
- New Autocentres CEO to be appointed

Summary



- A strong H1 performance
- Categories in good shape and performing well
- Taking advantage of market opportunities
- *Getting Into Gear*: much groundwork done at pace
- Early signs are encouraging
- Autocentres: exploit opportunities

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Interim Results 2013



Appendices



Group Income Statement

	H1 FY14 £m	H1 FY13 £m	Change
Revenue	490.6	455.6	+7.7%
Gross Profit	260.6	246.3	+5.8%
Operating Costs	212.8	201.8	+5.5%
EBIT	47.8	44.5	+7.4%
EBIT Margin %	9.7%	9.8%	-2bps
EBITDA	59.6	57.8	+3.1%
EBITDA Margin %	12.1%	12.7%	-54bps
Net Finance Costs	(3.2)	(2.6)	+23.1%
PROFIT BEFORE TAX	44.6	41.9	+6.4%
Basic Earnings Per Share	17.6	16.2	+8.6%
Effective Tax Rate	23.6%	24.8%	-120bps

Notes: All numbers shown are before non-recurring items

Group Components

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)
EBIT	46.3	2.3	(0.8)	47.8
EBITDA	55.7	3.9	-	59.6

H1 FY13	Retail £m	Autocentres £m	Amortisation £m	Group £m
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
EBIT	42.0	3.3	(0.8)	44.5
EBITDA	53.3	4.5	-	57.8

Notes: All numbers shown are before non-recurring items

Group Balance Sheet

	H1 FY14 £m	H1 FY13 £m	YOY £m	Change
Goodwill and Intangible Assets	341.0	342.8	(1.8)	-0.5%
Property, Plant & Equipment	93.3	91.4	1.9	+2.1%
Derivative Financial Instruments	(2.6)	(0.9)	(1.7)	+188.9%
Net Working Capital	7.5	32.3	(24.8)	-76.8%
Net Debt	(57.5)	(107.9)	50.4	-46.7%
Other Creditors	(70.4)	(65.6)	(4.8)	+7.3%
Net Assets	311.3	292.1	19.2	+6.6%
<i>Inventories</i>	140.3	132.9	7.4	+5.6%

Capital Expenditure

	H1 FY14 £m	H1 FY13 £m
Portfolio ¹	5.4	2.3
Infrastructure Systems	5.2	1.2
Other	0.9	1.1
Retail	11.5	4.6
Autocentres	2.7	1.5
TOTAL GROUP	14.2	6.1

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

Retail Portfolio – H1 FY14 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.

Retail Portfolio – Lease Expiries

	Expiries
H2 FY14	16
FY15	28
FY16	24
FY17	18
FY18	13
Total Expiries	99
% of Retail Portfolio	21

Average remaining leases (total portfolio): 7.5 years

Autocentres Portfolio

	Centres
Acquired	223
FY11	230
FY12	250
FY13	283
H1 FY14	296

Average remaining leases: 7.5 years

Contact and Newsflow

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

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Next newsflow:

16 January: 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.