

halfords
driving
the top line

Preliminary Results FY15



Introduction

Dennis Millard

Financial Performance

Andrew Findlay

Strategic Progress and Trading Highlights

Dennis Millard and Emma Fox

Questions





Andrew Findlay
Chief Financial Officer

Financial Highlights

Group Revenue exceeds £1bn, a year earlier than targeted

Group EBITDA up 8.7% to £109.9m, with EBITDA margins also up

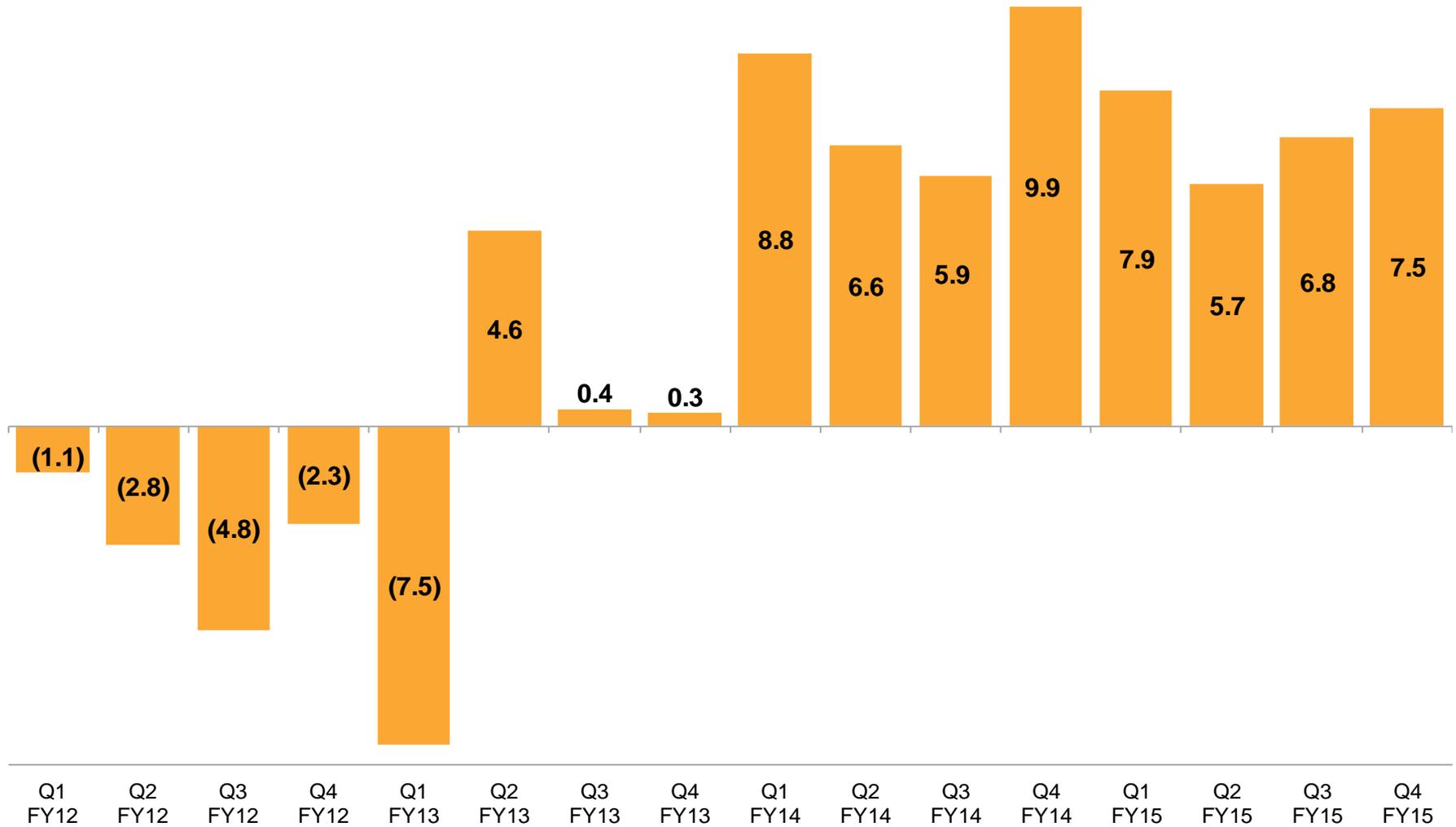
Profit Before Tax up 11.4% to £81.1m

Basic Earnings Per Share up 13.8% to 32.7p

Net Debt at 3 April 2015 down at £61.8m with net debt:EBITDA at 0.6x

Full year dividend of 16.5p, up 15.4%

Retail LFLs (%)



FY15 Retail Revenues

Total Retail	LFL %
Cycling	+11.4
Car Maintenance	+8.5
Car Enhancement	-0.5
Travel Solutions	+5.4
Total	+7.0

Online Retail	Proportion of Online Retail Sales %	Proportion of Total Retail Sales %	Growth %
Home Delivery	8.9	1.1	-14.0%
Click & Collect	91.1	11.1	+18.1%
Total	100.0	12.2	+14.3%

Notes:

- 1) All numbers are exclusive of third party sales from the acquired Boardman business. FY15 represents the 52 weeks to 27 March 2015.
- 2) Revenue from non-LFL stores and the acquired Boardman Bikes business amounted to £2.9m in FY15.

Retail Performance

	FY15 £m	FY14 £m	Change
Revenue	857.9	803.1	+6.8%
Gross Profit	442.0	416.2	+6.2%
Gross Margin	51.5%	51.8%	-30bps
Operating Costs	(359.3)	(341.0)	+5.4%
EBIT	82.7	75.2	+10.0%
EBIT Margin	9.6%	9.4%	+27bps
EBITDA	102.4	93.6	+9.4%
EBITDA Margin	11.9%	11.7%	+28bps

Notes: All numbers include the acquired Boardman business, but are before non-recurring items. FY15 represents the 52 weeks to 27 March 2015.

Retail Operating Costs

	FY15 £m	FY14 £m	Change
Store Staffing	99.7	92.4	+7.9%
Store Occupancy	139.3	139.7	-0.3%
Warehouse & Distribution	43.5	33.7	+29.1%
Support Costs	76.8	75.2	+2.1%
Total	359.3	341.0	+5.4%
Depreciation / Amortisation	19.7	18.4	+7.1%

Product mix becoming bulkier...



Cycling
+32% 2yr LFL



Workshop
+32% 2yr LFL



Cycle carriers
+23% 2yr LFL



Sat Nav
-11% 2yr LFL

Online sales growing...



Order & Collect* volumes +39%**
Online sales now above £100m

Increased cube volume throughput

Increased use of couriers

Replenishment frequency changing...



In two years, Retail LFL +14.5% with product availability improved

* Order & Collect and Reserve & Collect make up Click & Collect. Order & Collect represents items that are not in a store when the customer places their order.

** In FY15 prior to introduction of more frequent deliveries.

Autocentres Performance

	FY15 £m	FY14 £m	Change
Revenue	147.0	136.6	+7.6%
LFL%	+5.3%	-0.1%	
Gross Profit	93.1	88.0	+5.8%
Gross Margin	63.3%	64.4%	-109bps
Operating Costs	(89.3)	(83.7)	+6.7%
EBIT	3.8	4.3	-11.6%
EBIT Margin	2.6%	3.1%	-56bps
EBITDA	7.6	7.5	+1.3%
EBITDA Margin	5.2%	5.5%	-32bps

Notes: All numbers are before non-recurring items. FY15 represents the 52 weeks to 27 March 2015.

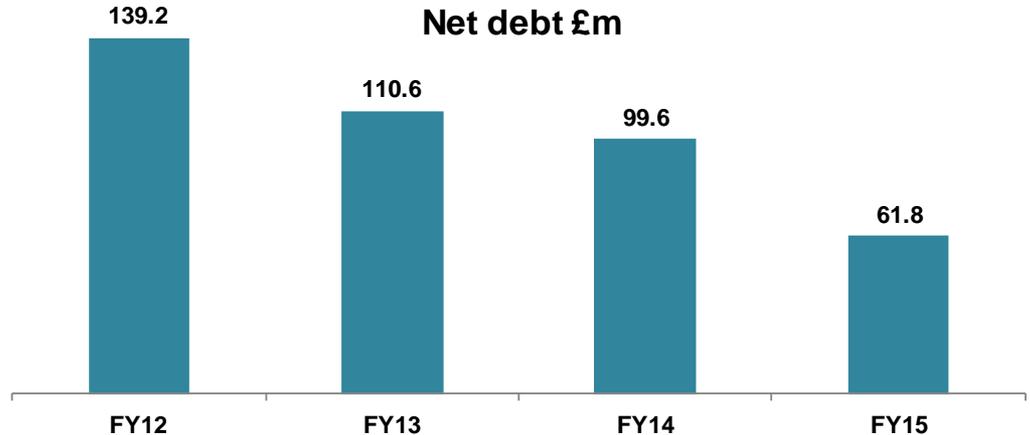
Cashflow and Net Debt

FY15 Cashflow £m



Debt facility amended to £170m and extended to November 2019

Net debt £m



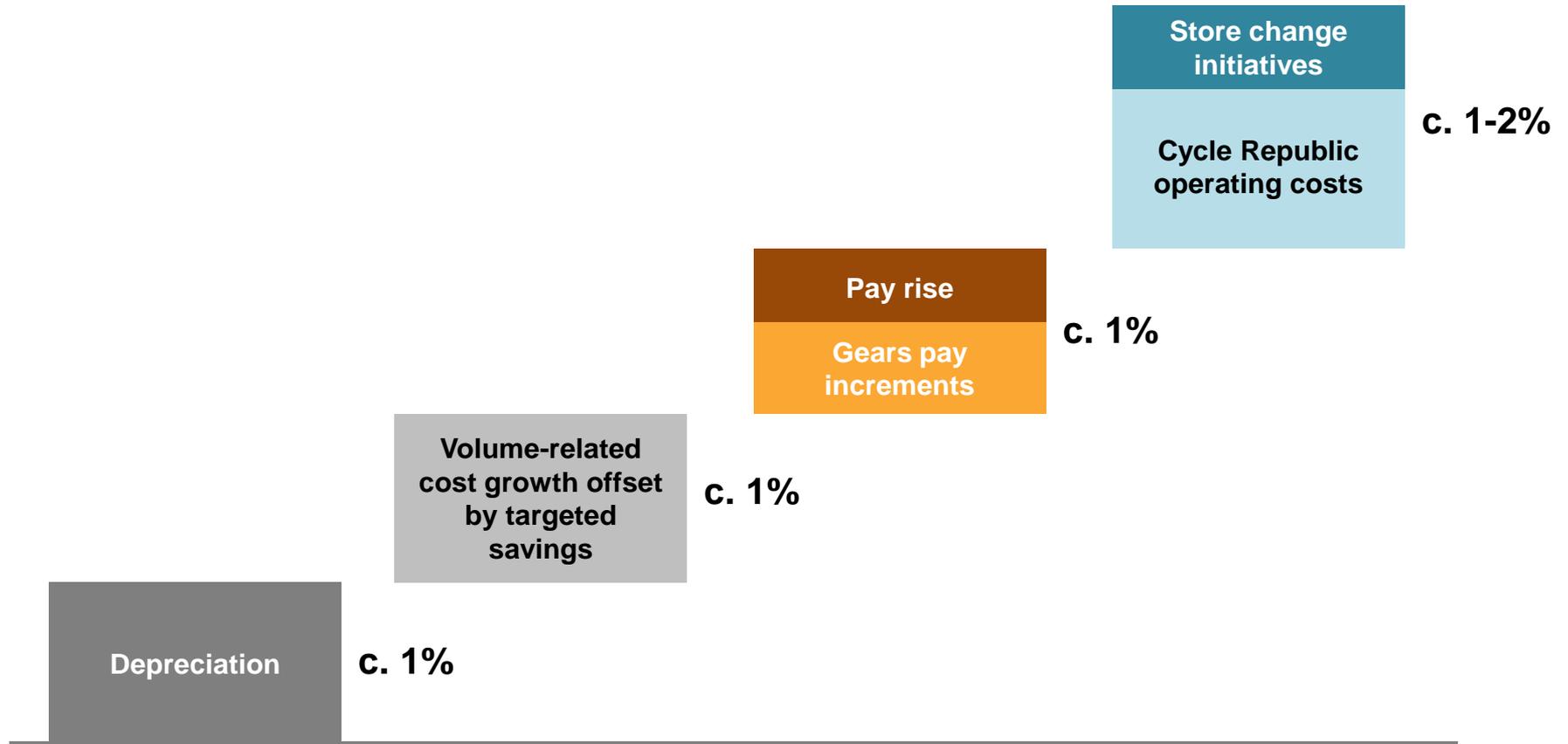
Net debt to EBITDA at 0.6x versus 1.0x in FY14

Notes: All reference to FY15 on this page represents the 53 weeks to and the financial position as at 3 April 2015.

FY16 Guidance

Cycle Republic sales growth	c. 1%
Retail Gross Margin	A decline of 25-75bps
Retail Operating Costs	4 - 5%
Retail Capital Expenditure	c. £45m
Autocentres EBITDA	Low double-digit % increase on FY15
Autocentres Capital Expenditure	c. £8m
Group depreciation charge	c. £30m
Net Finance Costs	c. £3m
Effective Tax Rate	c. 20%

FY16 Retail Opex Guidance



Summary of Financial Performance

The significant top-line performance from Retail continues...

... and is now reflected in earnings growth

Strong cash generation and reducing Net Debt

Full year dividend up 15.4%

Continued focus on sales-driving activity in FY16



Dennis Millard
Chairman

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



21st century
infrastructure

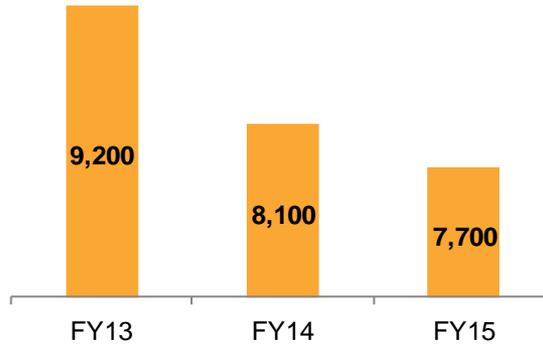


click with the
digital future

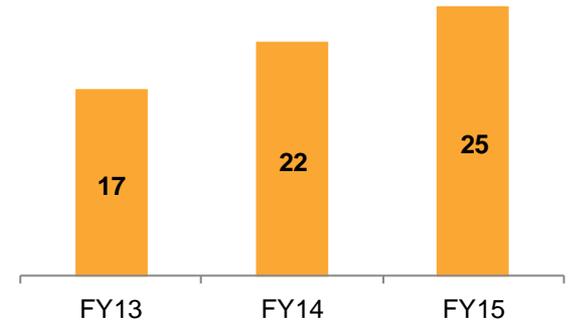
*Helping and Inspiring Customers
with their Life on the Move*



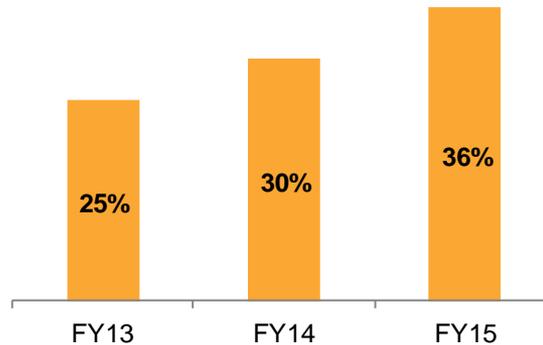
Retail colleagues¹



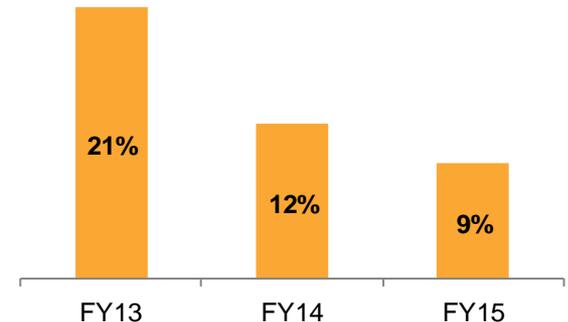
Weekly Contract Hours²



% Full Time



3-month turnover³



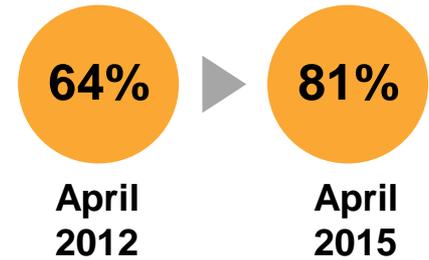
- Notes:**
- 1) As at the end of each year presented
 - 2) The average contracted hours per week for store colleagues
 - 3) The proportion of Retail colleagues that leave within 3 months of joining, for the final quarter of each year presented



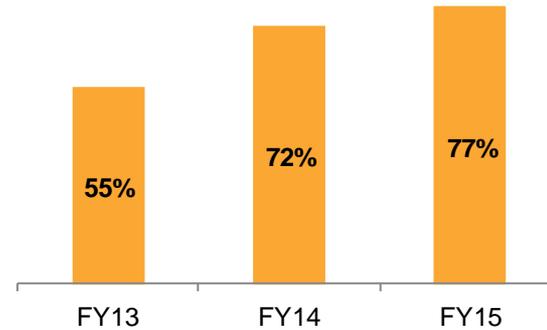
Gears training¹

Gear 1	96%
Gear 2	46%
Gear 3	over 300

Colleague Engagement²



Net Promoter Score³



- Notes:**
- 1) The Gear 1 and Gear 2 statistics represent the proportion of eligible colleagues that had qualified by the end of FY15
 - 2) Halfords Retail, including stores, support centre and warehouse and distribution.
 - 3) The net promoter score presented above represents the score for the final quarter of the year



stores fit to shop

halfords driving the top line



Store refreshes

halfords cycle republic



Strengthening our authority in Auto and Cycling...



Expanding our community involvement...



9,000 cubs have learned about bike maintenance

12,000 children taught bike maintenance and safety at school

20,000 children and parents attended our free bike workshops

Launched a new scheme to donate re-conditioned bikes and helmets to schools

Launched Retail apprenticeship scheme



21st century infrastructure



click with the digital future

halfords **driving the top line**

Tablets in store

SAP upgrade

Increased social media presence

Website design refresh

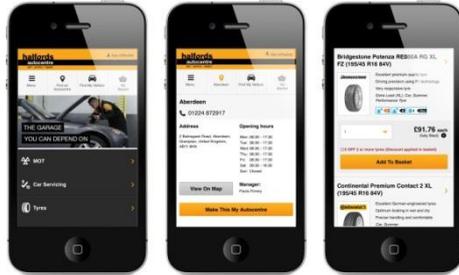
Continual online developments



Autocentres strategy



Autocentres progress



Online and technological enhancements



Concept centre trial

Great 8.5 from 0 - 10



Review company

8406 reviews on Trustpilot | Latest review 94 minutes ago

Early progress in customer service measures



Closer working with Retail

Autocentres focus for FY16



10-15 new centres

Light touch refresh programme

Productivity and utilisation

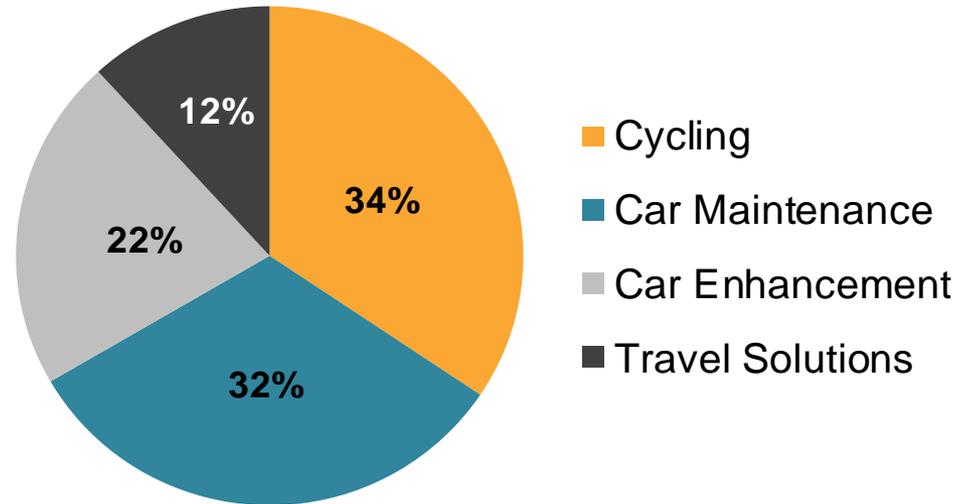
Customer retention





Emma Fox
Commercial Director

Retail Sales Performance



New products and brands ✓

Customer service and expertise ✓

Better online ✓

Momentum built ✓

Retail Performance Highlights



Older children's bike sales +40.5%



Premium bikes sales +24.9%



#1 oil brand



Online sales exceeded £100m



Strengthened authority in core categories



Newness and innovation

Looking ahead...



New range launches

Boardman accessories

Cycle department refreshes

Colleague training

Cycle Republic: stores and online

Looking ahead...



Supporting
drivers of
every car



Equipping
families for their
leisure time

halfords
driving
the top line



**New products and extended
range**

**New and improved
merchandising**

Festival pop-up shops

Harness trend for Do It For Me

**Bundle promotions and package
solutions**



Summary



**Strong top line growth, with
Group sales exceeding £1bn**

**Improved specialist authority in
Auto and Cycling**

**Strategy embedded, progressing
well and with great momentum**

Building a sustainable platform



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Preliminary Results FY15

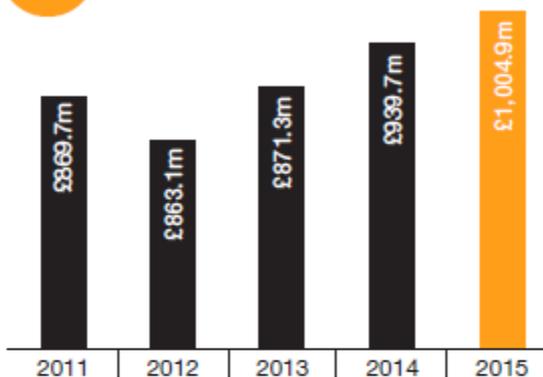
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Appendices

5 year Group results summary

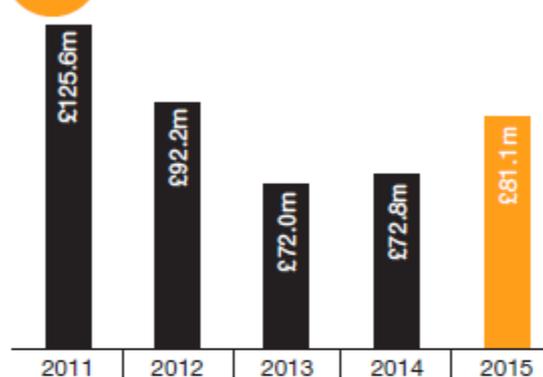
Revenue
£m

+6.9%



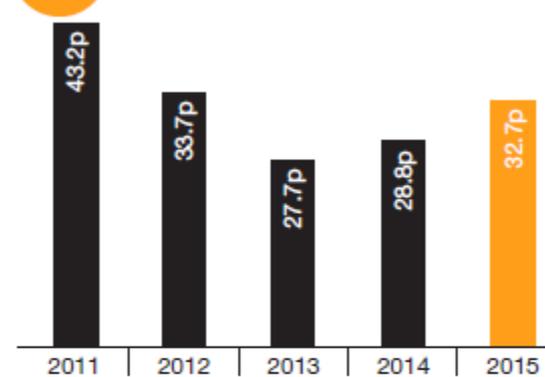
Underlying profit before tax
£m

+11.4%



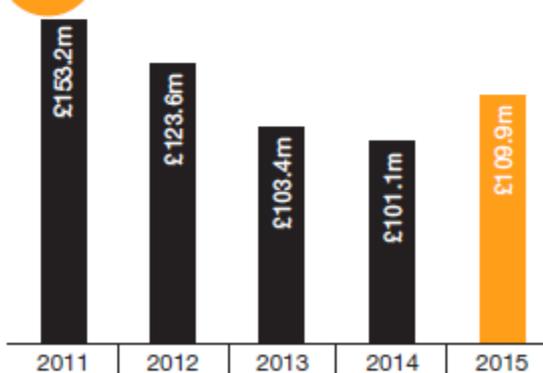
Underlying basic earnings per share
pence

+13.8%



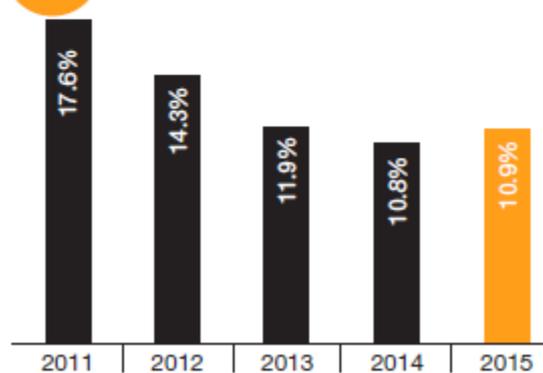
Underlying EBITDA
£m

+8.7%



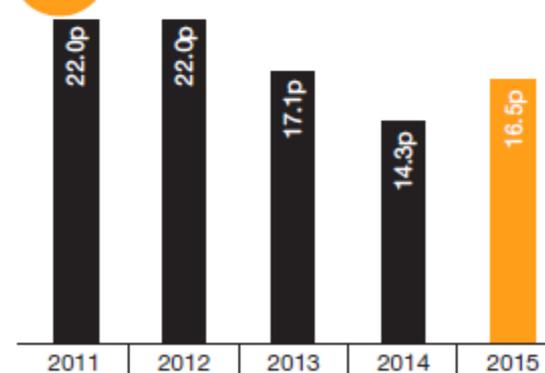
EBITDA margin
%

+18bps



Dividend per ordinary share
pence

+15.4%



Milestones

	FY15 Target	FY15 Achieved	FY16 Target
3-Gears	40-50% of colleagues through G2	46%	G2: 80% of colleagues G3: 2 colleagues in most stores
Reduce % Of Colleagues Leaving Within 3 Months	<12.5%	9%	maintain FY15 levels
Colleague Engagement	n/a	n/a	>85%
Retail Net Promoter Score	>75% (revised)	77%	maintain FY15 levels
Autocentres Opened	10-15 (revised)	9	10-15
PACs	20% sales growth	8%	20% sales growth
Cycle Repair Sales Growth	25%	18%	25%
Improved Cycle Departments	180	353	already complete
Stores In A Refreshed Format	c.50	45	c.75
Stores working stock outside peak trading hours	Majority of stores	no longer relevant following introduction of more frequent deliveries	

Group Income Statement

	FY15 £m	FY14 £m	Change
Revenue	1,004.9	939.7	+6.9%
Gross Profit	535.1	504.2	+6.1%
Operating Costs	(450.5)	(426.4)	+5.7%
EBIT	84.6	77.8	+8.7%
EBIT Margin %	8.4%	8.3%	+14bps
EBITDA	109.9	101.1	+8.7%
EBITDA Margin %	10.9%	10.8%	+18bps
Net Finance Costs	(3.5)	(5.0)	-29.5%
PROFIT BEFORE TAX	81.1	72.8	+11.4%
Basic Earnings Per Share	32.7p	28.8p	+13.8%
Effective Tax Rate	21.5%	23.5%	

Notes: All numbers represent performance for the 52 weeks to 27 March 2015 and are inclusive of third party sales from the acquired Boardman business but before non-recurring items

Group Components

FY15	Retail £m	Autocentres £m	Amortisation £m	Group £m
Revenue	857.9	147.0	-	1,004.9
Gross Profit	442.0	93.1	-	535.1
Operating Costs	(359.3)	(89.3)	(1.9)	(450.5)
EBIT	82.7	3.8	(1.9)	84.6
EBITDA	102.4	7.6	-	109.9

FY14	Retail £m	Autocentres £m	Amortisation £m	Group £m
Revenue	803.1	136.6	-	939.7
Gross Profit	416.2	88.0	-	504.2
Operating Costs	(341.0)	(83.7)	(1.7)	(426.4)
EBIT	75.2	4.3	(1.7)	77.8
EBITDA	93.6	7.5	-	101.1

Notes: All numbers represent performance for the 52 weeks to 27 March 2015 and are inclusive of third party sales from the acquired Boardman business but before non-recurring items

Group Balance Sheet

	FY15 £m	FY14 £m	YOY £m	Change
Goodwill and Intangible Assets	356.8	342.2	+14.6	+4.3%
Property, Plant & Equipment	103.8	95.2	+8.6	+9.0%
Derivative Financial Instruments	3.8	(2.1)	+5.9	+281.0%
Net Working Capital	27.6	47.2	-19.6	-41.5%
Net Debt	(61.8)	(99.6)	+37.8	+38.0%
Other Creditors	(62.5)	(56.8)	-5.7	-10.0%
Net Assets	367.7	326.1	+41.6	+12.8%
<i>Inventories</i>	149.3	150.2	-0.9	-0.6%

Notes: All numbers represent the balance sheet position at the end of the financial year, which for FY15 means 3 April 2015, the end of the 53 week period.

Cashflow and Net Debt

OPERATING CASHFLOW	£m	FREE CASHFLOW	£m	NET DEBT	£m
EBIT	87.6	Operating Cashflow	142.2	Opening Net Debt	(99.6)
Depreciation/ Amortisation/ Loss On Disposal	27.4	Capital Expenditure	(39.6)	Free Cashflow	66.4
Employee Share Scheme	1.4	Net Finance Costs	(3.1)	Dividends	(28.4)
Working Capital	25.3	Taxation	(17.1)	Lease/Other	(0.9)
Provisions/Other	0.5	Other	(2.0)	Purchase of own shares	0.7
		Acquisition	(14.0)		
OPERATING CASHFLOW	142.2	FREE CASHFLOW	66.4	CLOSING NET DEBT	(61.8)

Notes: All numbers represent the 53 weeks to 3 April 2015.

Capital expenditure

	FY15 ² £m	FY14 £m
Store Portfolio ¹	18.5	13.9
Infrastructure Systems	11.8	9.7
Other	0.4	0.8
Retail	30.7	24.4
Autocentres	6.8	6.0
TOTAL	37.5	30.4

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

2) FY15 capital expenditure represents the 53 weeks to 3 April 2015

Capital expenditure FY14-FY16

	FY14 actual £m	FY15 ² actual £m	FY16 estimate £m	Total estimate £m
Store Portfolio ¹	13.9	18.5		
Infrastructure Systems	9.7	11.8		
Other	0.8	0.4		
Retail	24.4	30.7	c. 45.0	c. 100.0
Autocentres	6.0	6.8	c. 8.0	c. 20.0
TOTAL	30.4	37.5	c. 53.0	c. 120.0

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

2) FY15 capital expenditure represents the 53 weeks to 3 April 2015

Retail¹ Portfolio – FY15 space

Average Lease-able Space ² (sq.ft)	Average Total Trading Space, including Mezzanine (sq.ft)	Average Ground Floor Trading Space (sq.ft)	Average Mezzanine Trading Space (sq.ft)
9,121	8,120	6,429	3,092

Notes:

1) Excluding Cycle Republic

2) Ground floor only, including back of house

Retail Portfolio – Lease Expiries

	Expiries
FY14	6
FY15	12
FY16	18
FY17	15
FY18	16
Total Expiries	67

Average remaining leases (total portfolio): 6.7 years

Autocentres Portfolio

	Centres
Acquired	223
FY11	230
FY12	250
FY13	283
FY14	303
FY15	305

Average remaining leases: 6.9 years

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.

Contact and Newsflow

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Next newsflow:

15 July 2015: Q1 trading update