HALFORDS GROUP PLC

FY19 PRELIMINARY RESULTS

MAY 21ST 2019

halfords

Agenda

CEO Update
Graham Stapleton, CEO

FY19 Financial Performance & FY20 Outlook
Loraine Woodhouse, CFO

Summary
Graham Stapleton, CEO

Q&A

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CEO UPDATE

Graham Stapleton, CEO

FY19 Group Financial Summary

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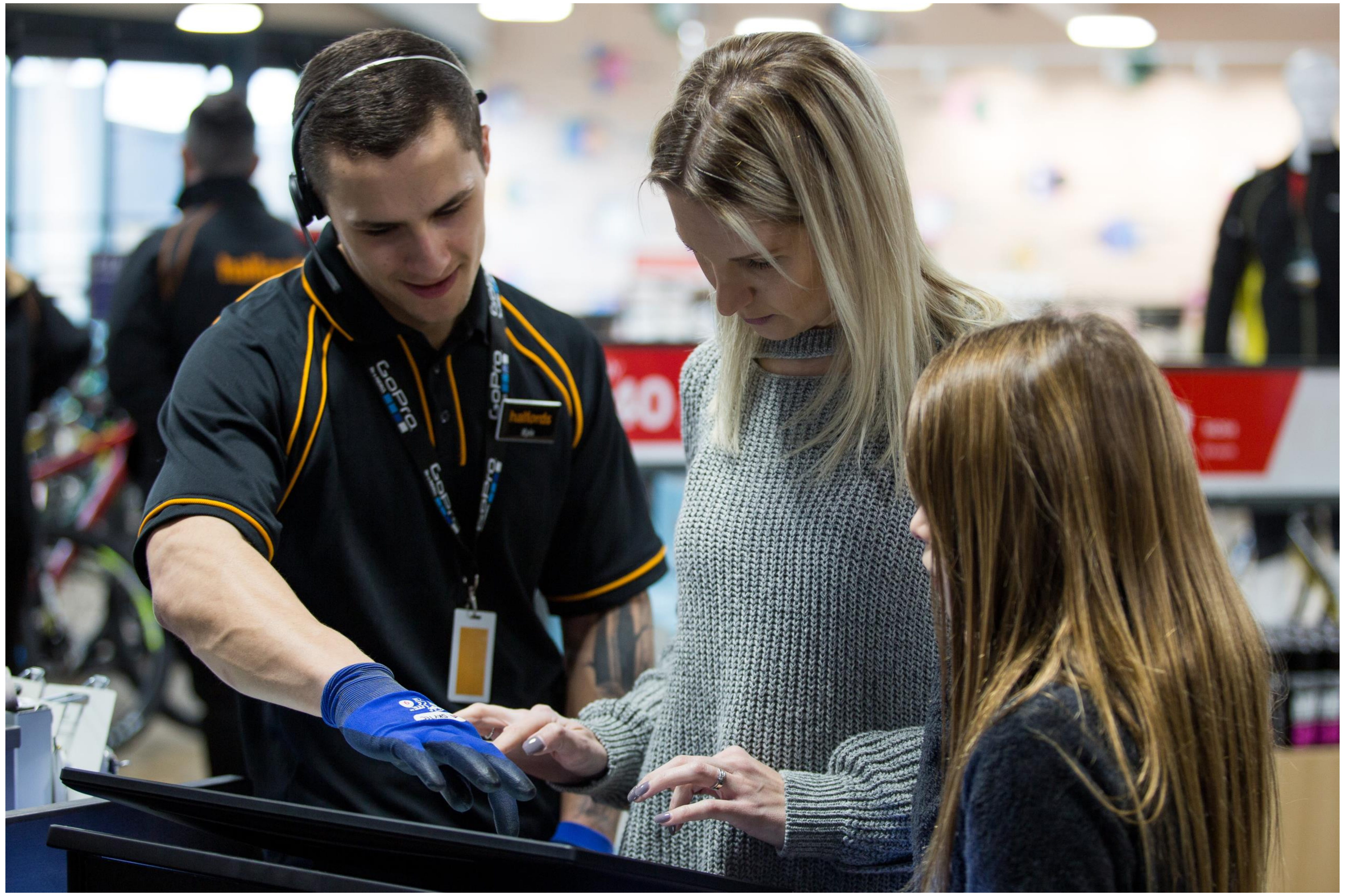
- Group revenue +1.1% LFL; Retail +0.8% and Autocentres +2.6%
- Gross margin improved by 70bps
- Operating costs well controlled in H2; Full year cost growth 4.3%
- Underlying PBT of £58.8m, down £12.8m year-on-year
- Strong cash generation with Free Cash Flow up £1.2m
- Group stock reduction of £11.9m against prior year
- Net Debt maintained at 0.8 times EBITDA
- Full year dividend up 3%



FY19 Operational Highlights

- Positive progress against strategy set out at CMD
- Strengthening market leadership in Cycling
- Autocentres second consecutive year of profit growth
- Continuing to increase the number of services and for our customers; Group service related sales represent 24% of overall sales
- Group online sales growth, with continued reliance on our physical estate; online sales growth +9.5%
- Financial Services sales growth of 30%
- Sunday Times' Best Big Companies To Work For – Top 20

FY20 Outlook

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- FY20 Profit Before Tax broadly in line with FY19*
- Consumer confidence and the economic environment remain challenging
- Greater emphasis on cost control and efficiency key to underpinning profit growth in FY21
- Strategy remains the right direction for Halfords
- Capital investment c. £35m in FY20; revenue investment to support the strategy to be self-funded
- Free Cash Flow in line with our medium-term financial targets

*assumes average weather and consumer and economic outlook in line with that experienced in the second half of FY19

FY19 FINANCIAL PERFORMANCE & FY20 OUTLOOK

Loraine Woodhouse, CFO

Retail Financial Overview

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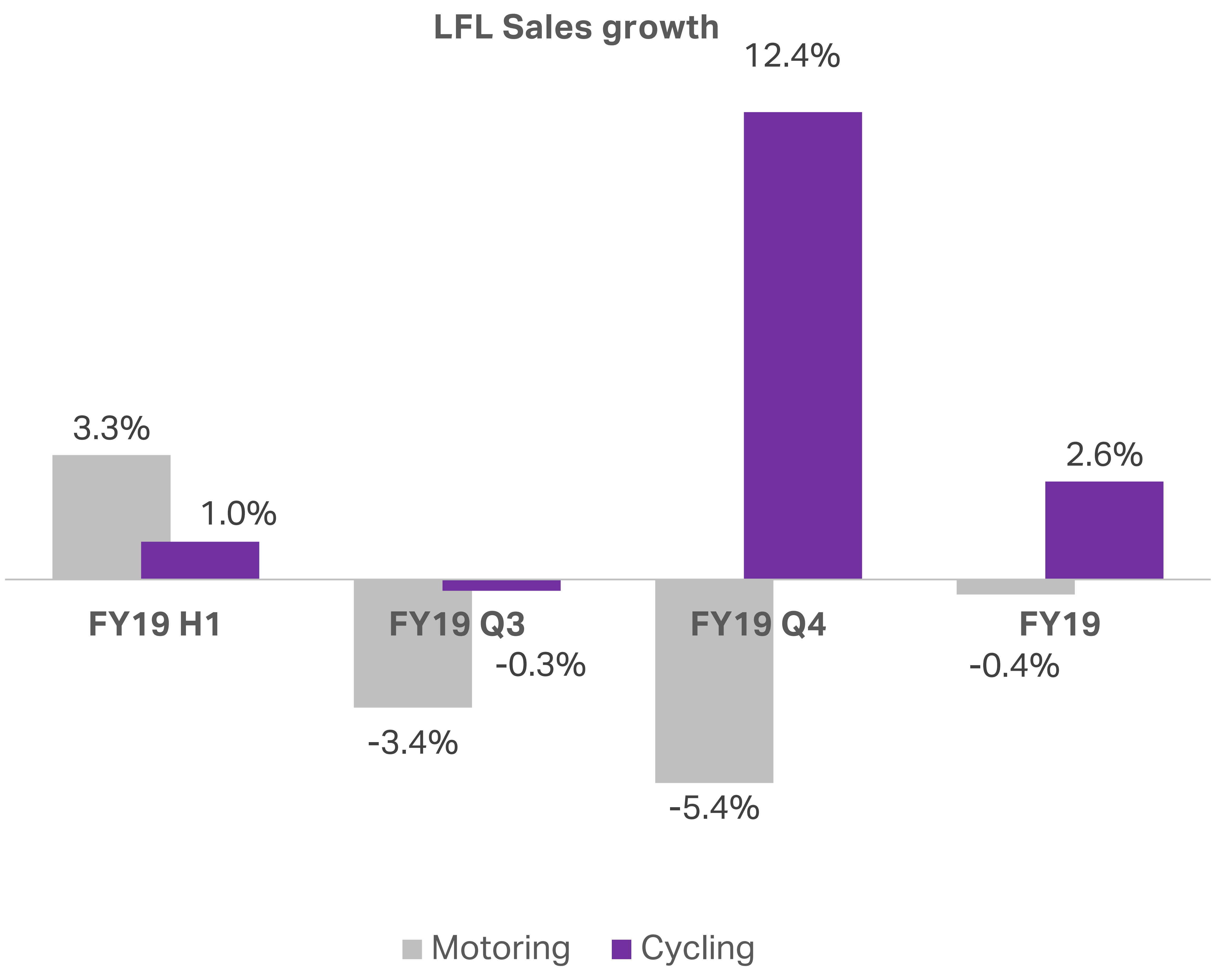
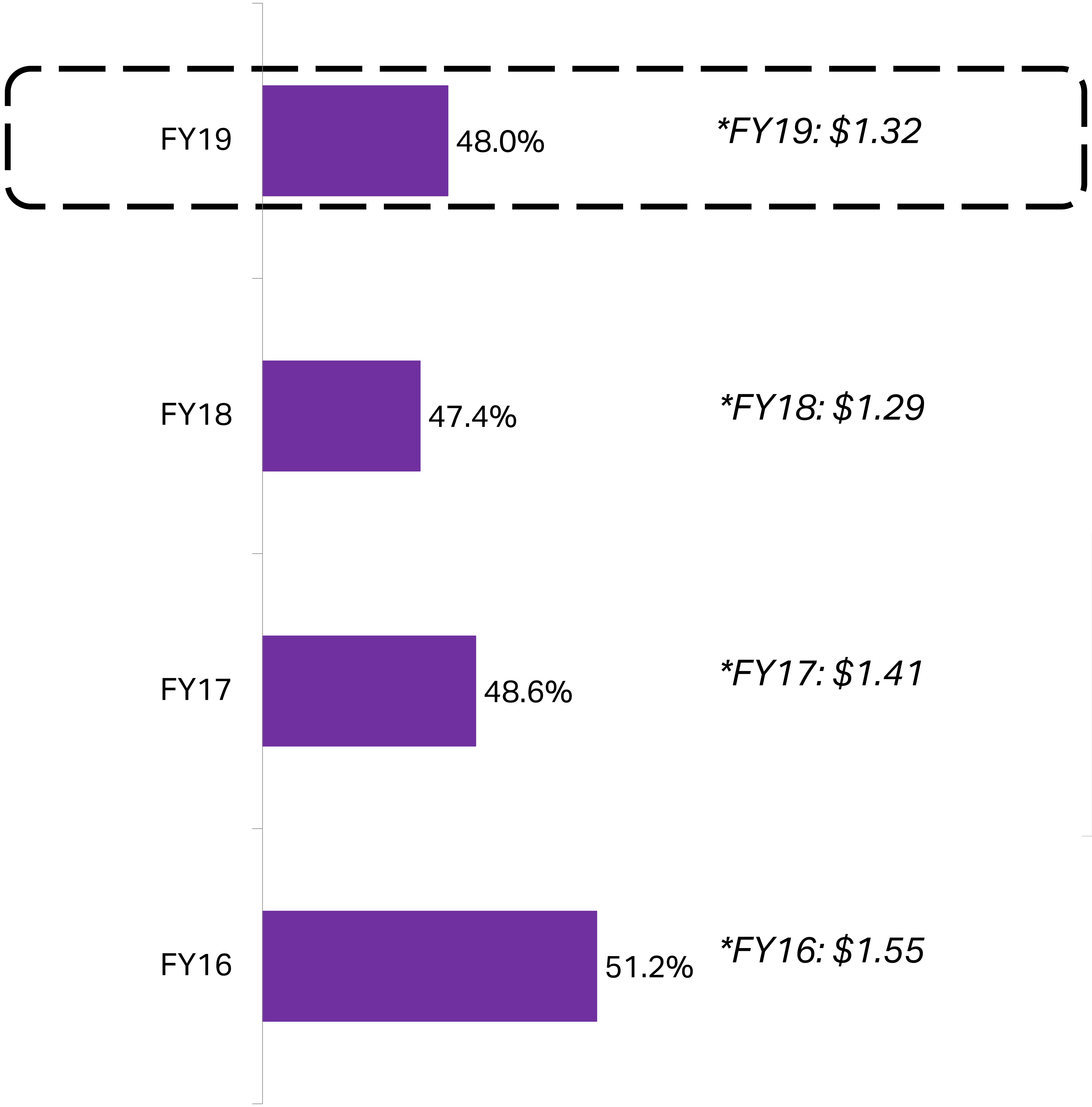
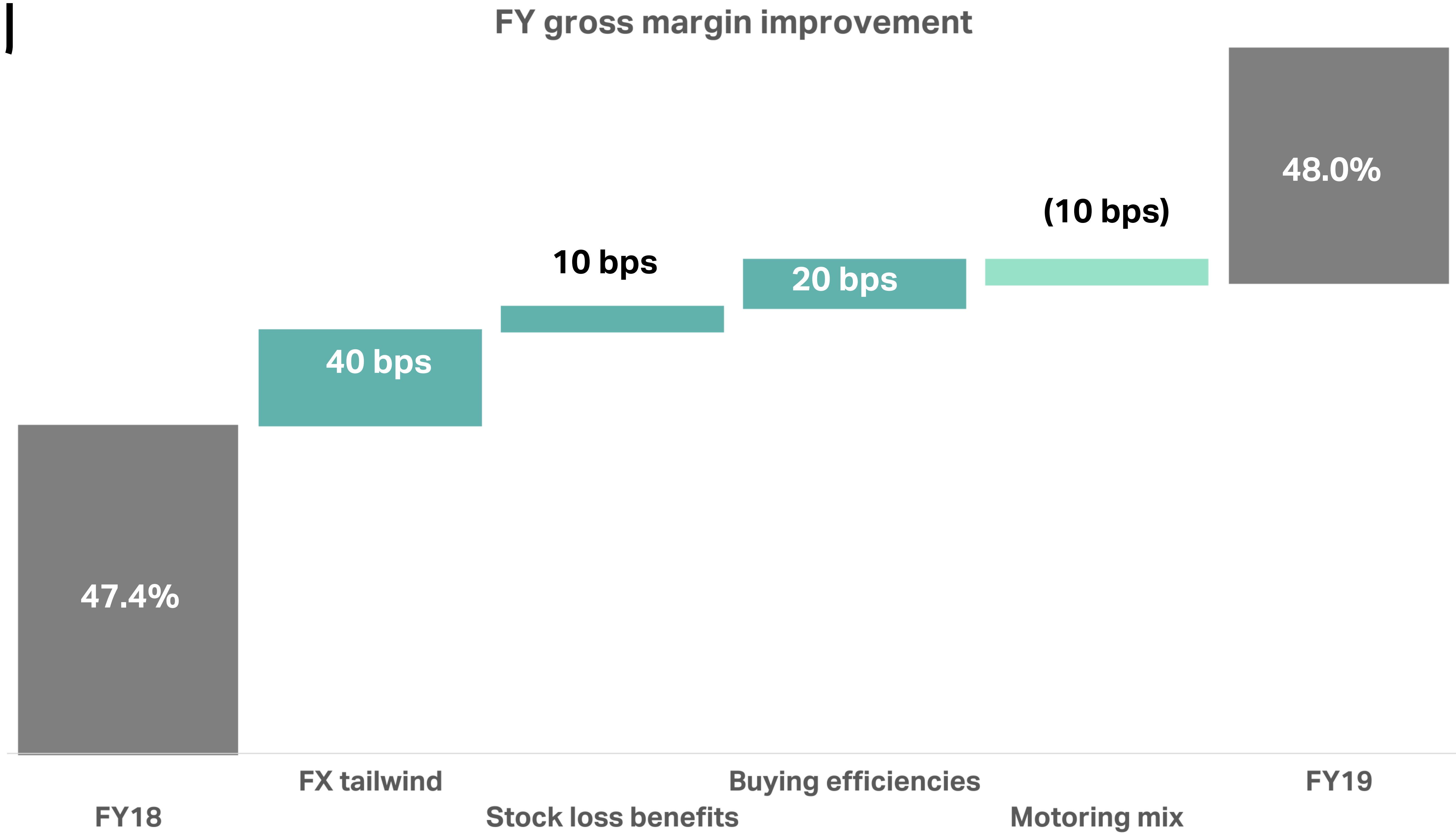
Revenue	£977.2m	+0.0% YoY +0.8% LFL
Gross margin	48.0%	+60bps
Operating costs	£410.5m	+5.0% YoY
Underlying EBITDA	£87.1m	-12.0% YoY
Underlying EBIT	£58.8m	-19.0% YoY



Retail Gross Margin





*Average USD$ rate

Retail Operating Costs

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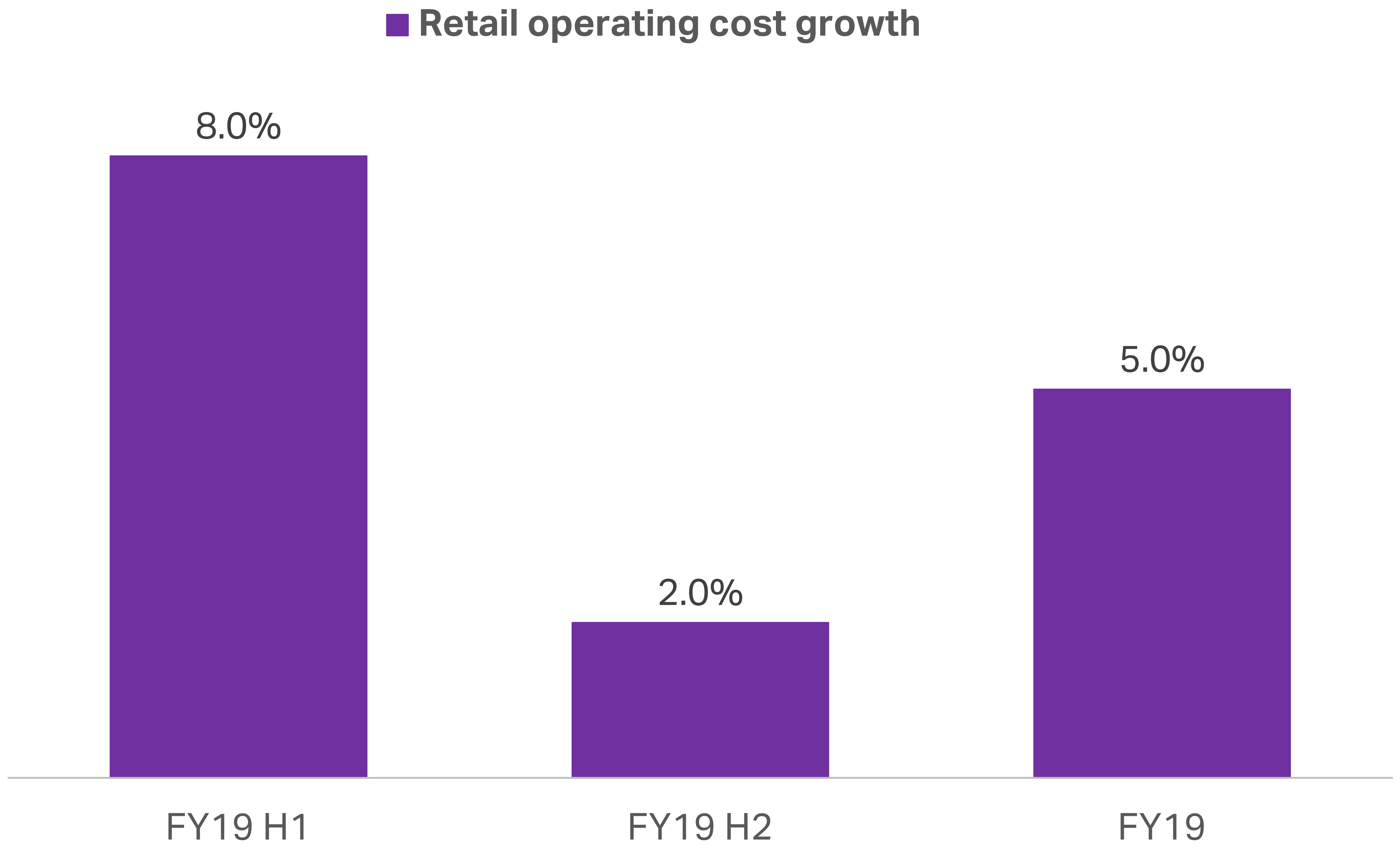

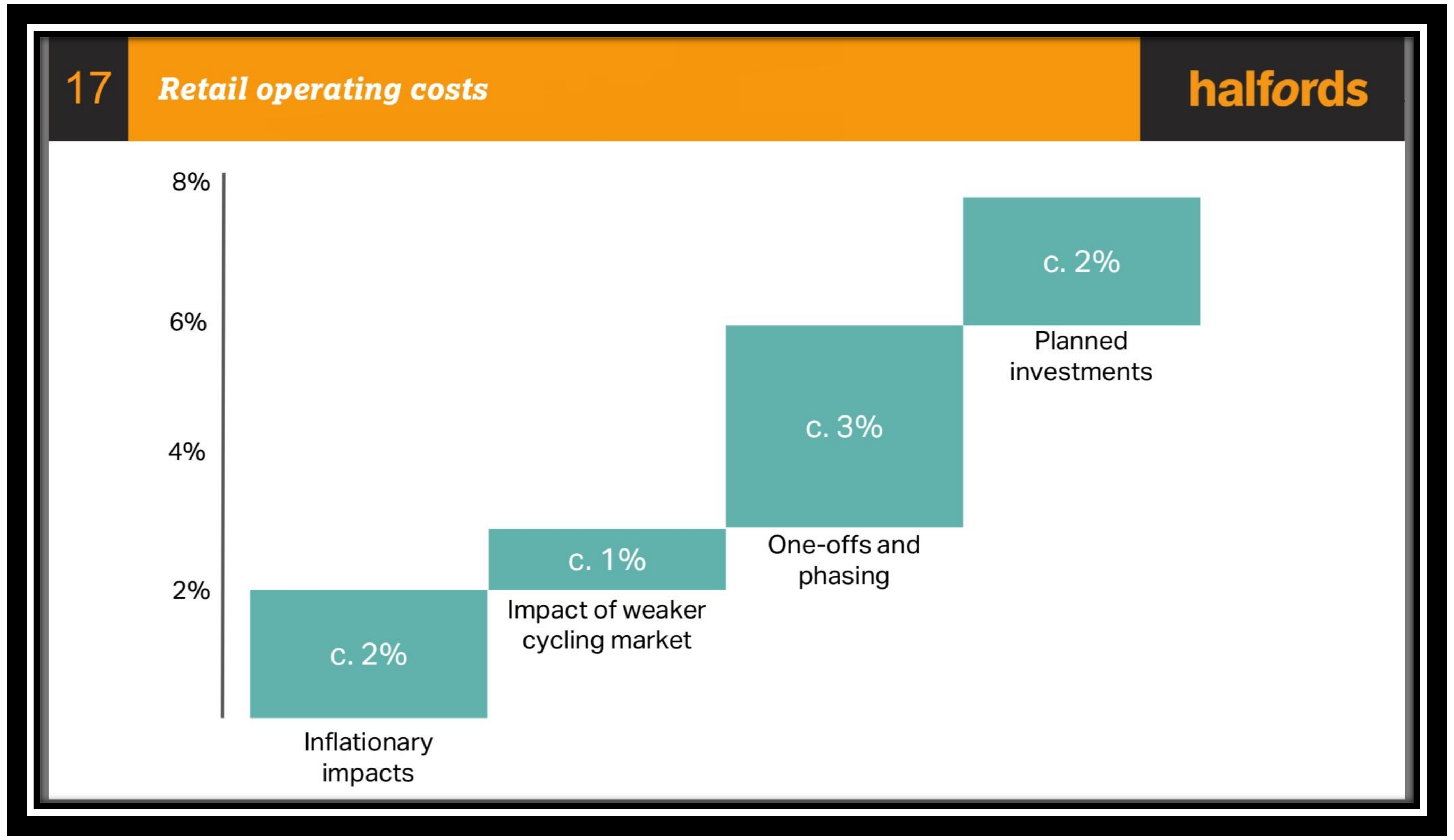

Extract from interim results presentation: November 2018

Autocentres Financial Overview

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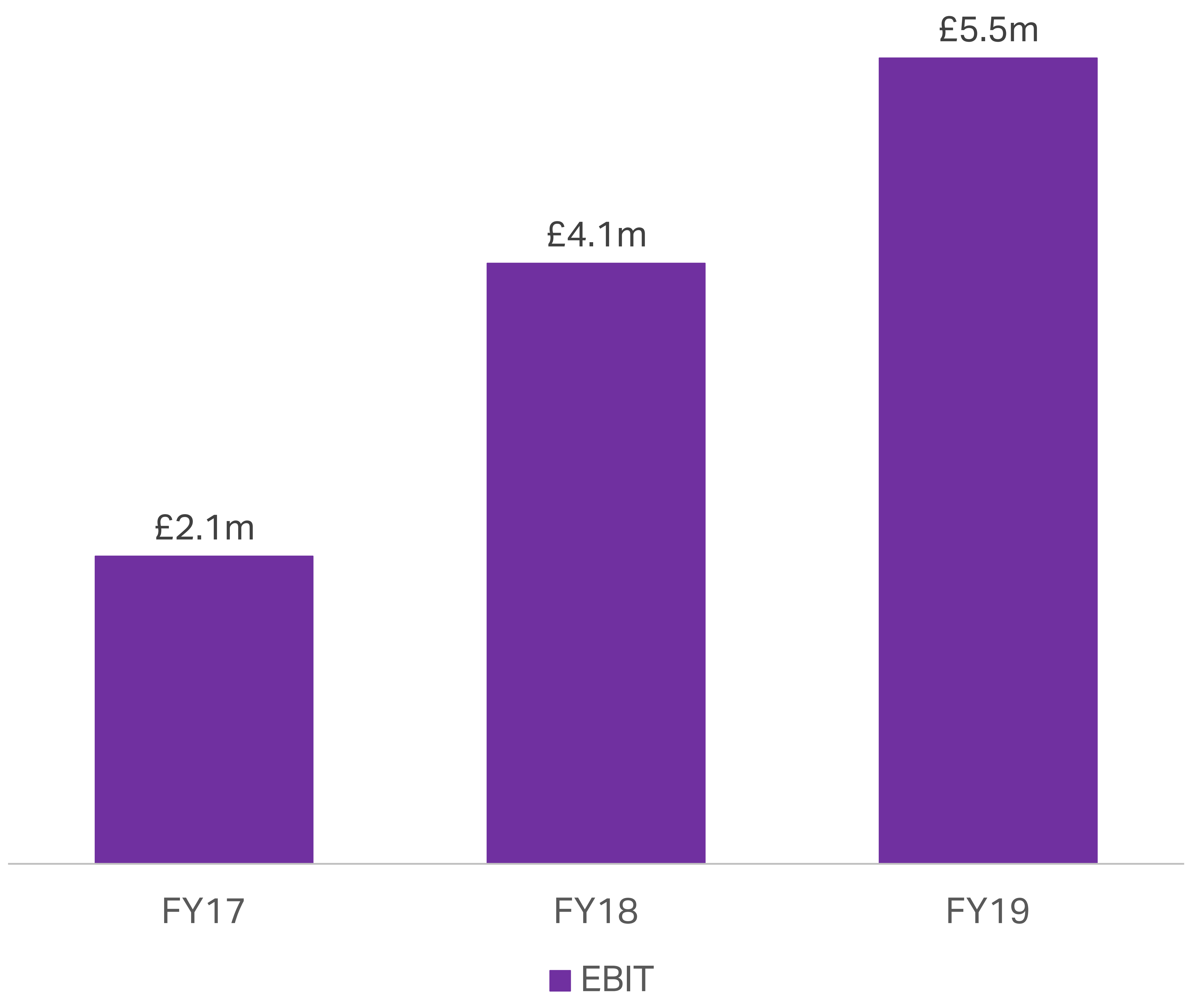
Revenue	£161.4m	+2.2% YoY +2.6% LFL
Gross margin	68.0%	+50bps
Operating costs	£104.2m	+1.7% YoY
Underlying EBITDA	£11.1m	+5.7% YoY
Underlying EBIT	£5.5m	+34.1% YoY



Group financial overview

Revenue	£1,138.6m	↑	+0.3% YoY +1.1% LFL
Gross profit	£579.0m	↑	+1.5% YoY
Underlying PBT	£58.8m	↓	-17.9% YoY
Basic Underlying EPS	24.5p	↓	-17.2% YoY
Free Cash Flow	£42.7m	↑	+2.9% YoY
Full Year Dividend*	18.57p	↑	+3.0% YoY

Notes:

** Full year proposed ordinary dividend .*

Group Cash Flow

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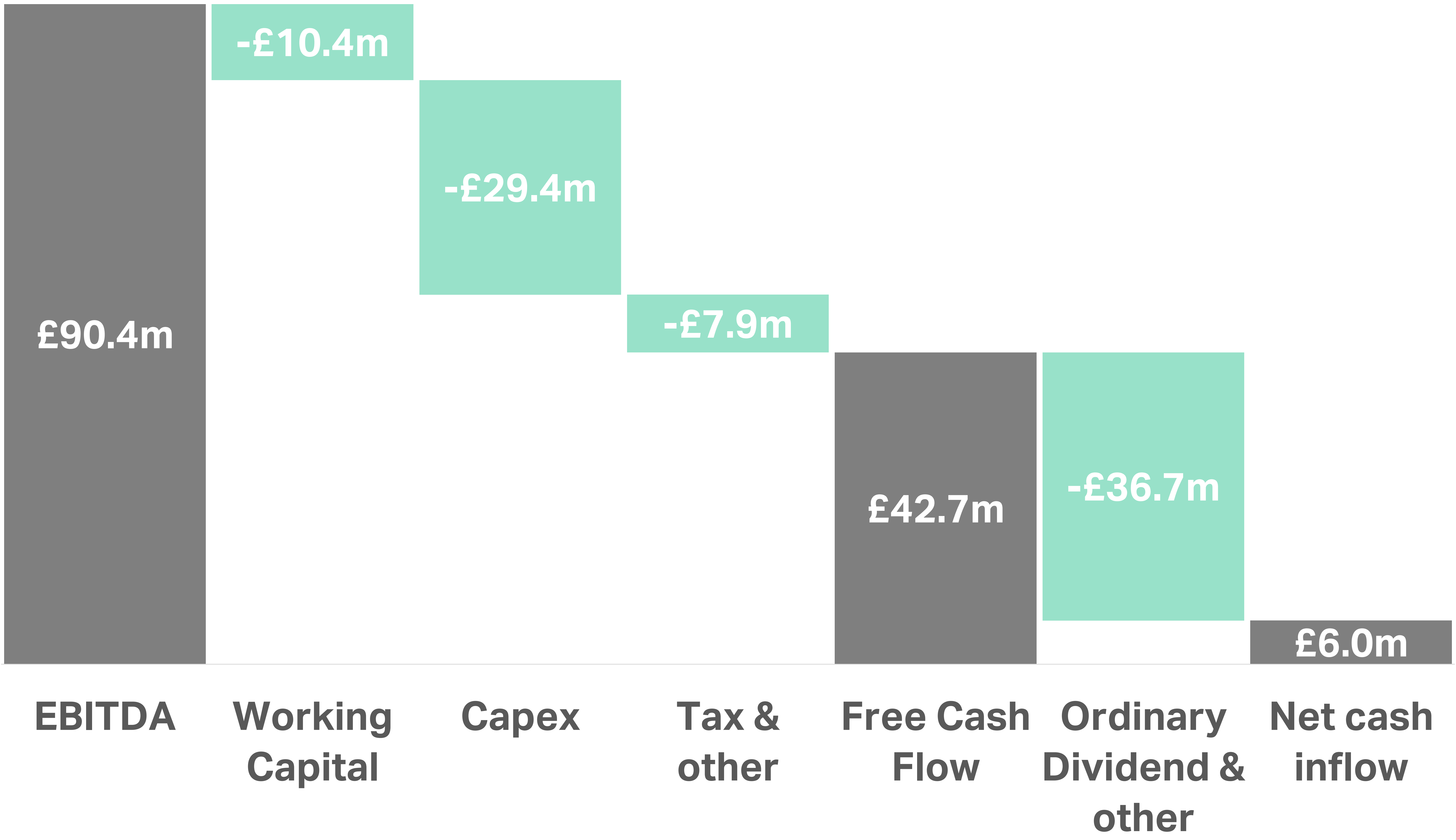

Group Cash Flow – movement year-on-year

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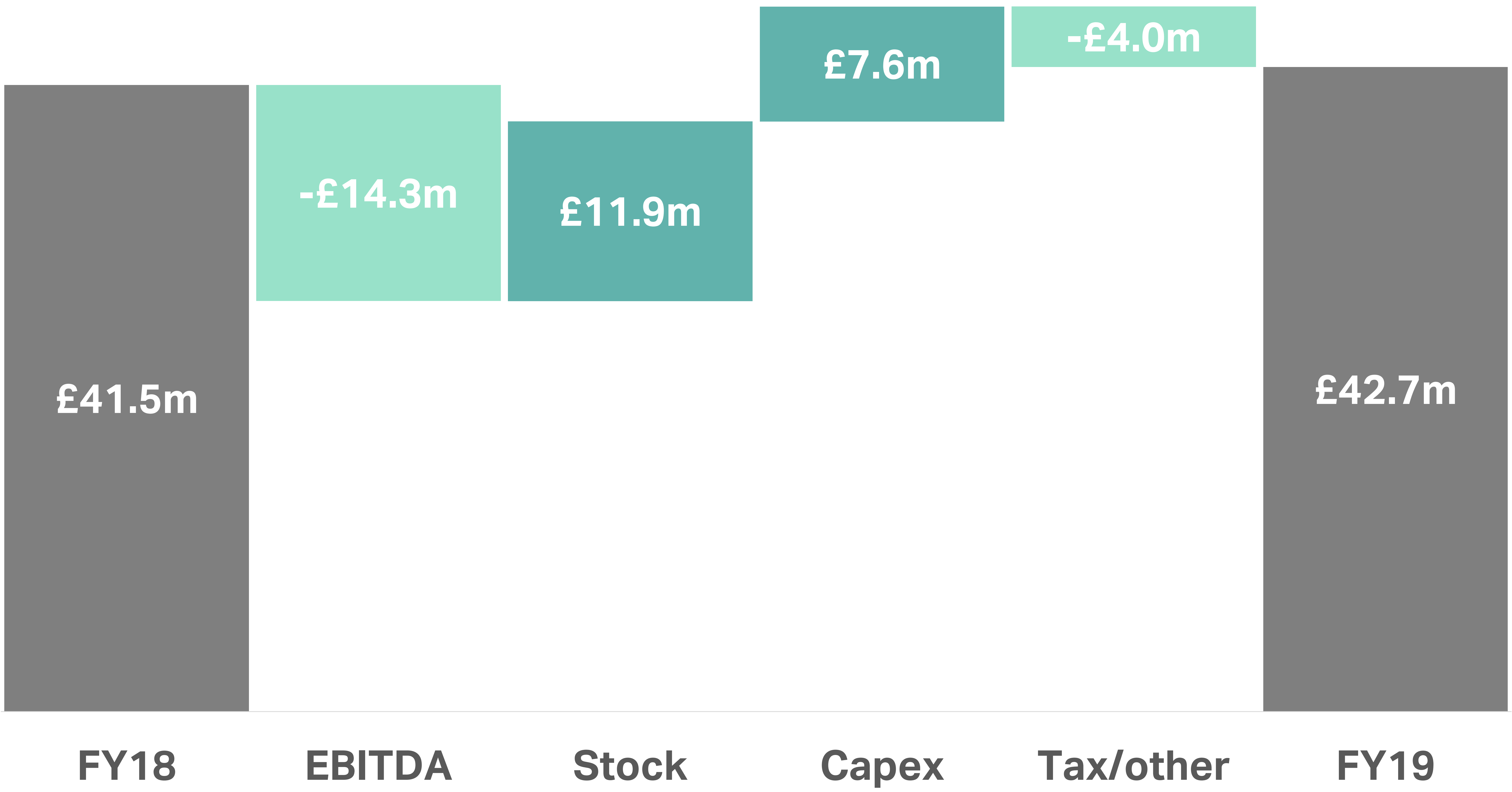

Net Debt

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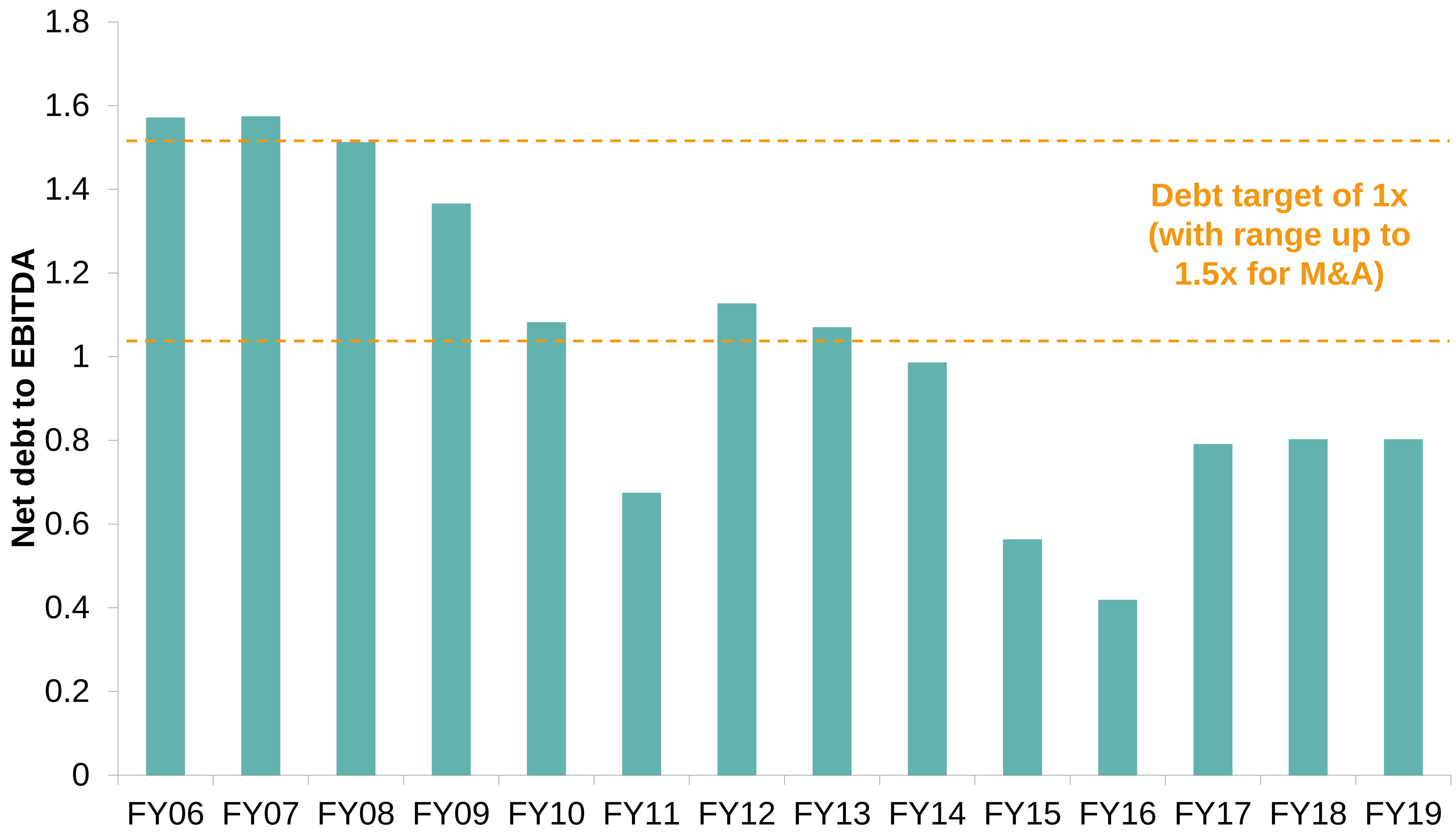

FY20 Guidance

- FY20 Profit Before Tax to be broadly in line with FY19*
- Expect underlying sales growth to be muted in FY20, given the current challenging economic backdrop and consumer environment
- Expect underlying cost growth in FY20 to be lower than FY19 despite inflation
- Operating cost increases driven by strategic investment will be self-funded through rigorous cost efficiency plans
- Capital investment estimated to be c.£35m
- Confident in our ability to generate consistent levels of Free Cash Flow; underpinned by working capital efficiencies
- Greater emphasis on reducing cost base and maximising Group efficiencies will underpin profit growth in FY21

*assumes average weather across the year and a consumer and economic outlook broadly similar to that experienced in the second half of FY19

SUMMARY

Graham Stapleton, CEO

Summary

- Positive sales growth despite a tough retail backdrop
- Strong cash generation supporting the full year dividend
- Underlying Profit Before Tax disappointing, but in line with guidance given in January
- FY20 Profit Before Tax to be broadly in line with FY19
- CMD Strategy continues to be the right direction for Halfords with a greater emphasis towards cost and efficiency

Q&A

APPENDIX

Medium-term financial targets

1. Grow sales faster than the markets in which we operate
2. Increased Free Cash Flow over the period FY19 to FY21 compared to previous 3 years
3. Grow the ordinary dividend every year
4. Net debt target of 1.0x EBITDA with a range of up to 1.5x for appropriate M&A

Capital allocation priorities

1. Maintaining a prudent balance sheet
2. Investment for growth
3. Grow the ordinary dividend
4. Appropriate M&A
5. Surplus cash returned to shareholders

Contact and newsflow

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

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Next newsflow:

4th September 2019: FY20 20 week trading update