

## Halfords Group plc

### Strong sales growth, investment in TyresOnTheDrive.com, special dividend

Halfords Group plc (“the Group”), the UK’s leading retailer of motoring, cycling and leisure products and services and a leading independent operator in vehicle servicing, maintenance and repairs, today updates the market on its trading performance for the 15-week period to 13 January 2017, an investment in TyresOnTheDrive.com and a special dividend.

	Q3 (15 weeks) % change	Year-to-date (41 weeks) % change
<b>TOTAL REVENUE</b>		
<b>Halfords Group</b>	<b>+11.4%</b>	<b>+8.1%</b>
Retail	+13.1%	+9.0%
Autocentres	+1.1%	+2.7%
<b>LIKE-for-LIKE (LFL) REVENUE</b>		
<b>Halfords Group</b>	<b>+5.9%</b>	<b>+3.5%</b>
Retail	+7.0%	+4.0%
<i>Motoring</i>	+6.8%	+3.2%
<i>Car Maintenance</i>	+8.4%	+4.6%
<i>Car Enhancement</i>	+0.6%	-2.0%
<i>Travel Solutions</i>	+15.4%	+9.1%
<i>Cycling</i>	+7.4%	+5.5%
Autocentres	-0.6%	+0.4%

#### Key points

- Group revenue +11.4%, with Retail LFL +7.0% and Autocentres LFL -0.6%
  - Growth in all Retail categories as we continue to execute our “Moving up a Gear” strategy
  - Strong LFL service-related sales growth of +13.7% and Group online sales LFL of +16.3%
  - Promotional activity as planned and similar year-on-year, gross margin in line with expectations
  - In Motoring, continued growth in fitting services alongside strong performances in batteries, dashcams and child seats
  - In Cycling, sales growth in both bikes and PACs<sup>4</sup> helped by new ranges. Cycle Republic and Tredz continued to grow strongly
  - In Autocentres, we continued to enhance our customer proposition through extended opening hours and new technician pay grading, reflected by improving customer metrics
  - Further strategic progress with the first “Store of the Future” concept store opened in Derby, continued improvements in customer data and the Dayforce IT project roll-out, to improve the efficiency of shop colleagues
- Operating agreement signed with TyresOnTheDrive.com alongside a minority investment
- Special dividend of 10 pence per share to be paid in February 2017

#### Financial outlook and guidance

There is no change to our expectation of Group Profit Before Tax for the current financial year, which is in line with market consensus. We anticipate that, following the investment in TyresOnTheDrive.com (“TOTD”) and the special dividend announced today, net debt to EBITDA will be circa 0.8 times at the end of this financial year. We have developed detailed plans in response to the increase in costs from adverse FX movement and we are confident that we will be able to fully mitigate the impact over time.

#### Investment in TyresOnTheDrive.com

Halfords today announces that it has entered into an operating agreement with TOTD, a UK mobile tyre fitting business, to develop opportunities together to leverage each others’ capability and expertise. The agreement includes projects to deliver certain sales and cost synergies and the opportunity for Halfords to trial a broader mobile delivery proposition for its motoring services. In parallel with the agreement, Halfords has acquired a minority stake in TOTD for up to £8m.

#### Capital structure and special dividend

Having expanded the Group’s capabilities in both motoring and cycling in recent months, through the Tredz, Wheelies and TOTD investments, the Board does not expect to undertake further acquisitions in the near future. Accordingly the Board has approved a special dividend of 10 pence per share, totalling approximately £20m, as part of our progress towards our previously stated net debt target of 1 times EBITDA. This special dividend will be paid on 17 February 2017 to shareholders on the register at the close of business on 27 January 2017.

**Jill McDonald, Chief Executive, commented:**

"I am very pleased with the strong sales performance across our business in the important third quarter of the year. We continue to make good progress implementing our "Moving up a Gear" strategy which will enable us to capitalise on the long term growth opportunities in our markets. We benefited from growth in new ranges, our unique "wefit" services and great execution by our colleagues over the busy peak period."

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**Notes**

1. This announcement contains inside information.
2. Like-for-like sales represent revenues, including those attributable to Click & Collect, from UK and Irish stores and UK autocentres trading for greater than 365 days, plus online revenues from direct deliveries. Where appropriate, revenues denominated in foreign currencies have been translated at constant rates of exchange.
3. The Motoring category of sales comprises the aggregate of Car Maintenance, Car Enhancement and Travel Solutions.
4. "PACs" refers to Parts, Accessories and Clothing, for Cycling.

**Conference Call**

There will be a conference call for investors and sell-side analysts at 9:00am today. For details of the call please contact Teneo Blue Rubicon.

**Reporting Calendar**

We will report our annual results for the 52 weeks ending 1 April 2017 on 25 May 2017. Thereafter we will next report on the 20 weeks ending 18 August 2017 on 5 September 2017.

**About Halfords Group**

Halfords is the UK's leading retailer of motoring, cycling and leisure products and, through Halfords Autocentres, is also one of the UK's leading independent operators in vehicle servicing, maintenance and repairs. Customers shop at 460 Halfords stores and 13 Cycle Republic shops in the UK and Republic of Ireland and at halfords.com for pick-up at their local store or direct home delivery. Halfords Autocentres operates from 313 sites nationally and offers motorists high-quality MOTs, repairs and car servicing at affordable prices. Customers can also shop at three Tredz stores and a Giant store in South Wales as well as online at tredz.co.uk and wheelies.co.uk for cycling products and direct home delivery.

Halfords employs approximately 11,000 colleagues and sells around 9,000 product lines in store, increasing to around 165,000 Retail products online. The Retail offering encompasses significant ranges in car parts, cycling products, in-car technology, child seats, roof boxes and camping equipment. Halfords' own cycling brands include *Apollo*, *Carrera*, *Boardman*, *Pendleton*, *Wiggins* and *Trott* cycles, augmented by a range of other brands of cycles and accessories, including *Kona*, *Mongoose*, *Raleigh* and *Pinarello* and, through Tredz, a wide range of premium brands including *Giant*, *Specialized*, and *Cannondale*. In Motoring, the *Halfords Essentials* and *Halfords Advanced* ranges are sold alongside brands such as *General Electric*, *Bosch*, *Garmin*, *TomTom*, *Karcher*, *Thule* and *Autoglym*. Halfords offers customers expert advice and a fitting service called 'wefit' for car parts, child seats, satellite navigation and in-car entertainment systems, and a 'wepair' service for cycles.

[www.halfords.com](http://www.halfords.com)[www.cyclerepublic.com](http://www.cyclerepublic.com)[www.tredz.co.uk](http://www.tredz.co.uk)[www.halfordsautocentres.com](http://www.halfordsautocentres.com)[www.boardmanbikes.com](http://www.boardmanbikes.com)[www.wheelies.co.uk](http://www.wheelies.co.uk)[www.halfordscompany.com](http://www.halfordscompany.com)**About TyresOnTheDrive.com**

Established in 2011, TOTD is a fast-growing operator that fits customers' tyres at homes or at work, reaching 85% of the UK population. It achieves first class customer service through its convenient and professional proposition, based upon an online platform developed in house by an experienced management team. Since its inception TOTD has achieved compound average sales growth of 92%. Halfords will account for TOTD as a sub-20% minority investment. For more details on TOTD and its services visit [www.tyresonthedrive.com](http://www.tyresonthedrive.com).

**Cautionary Statement**

This report is based on information from unaudited management accounts and contains certain forward-looking statements with respect to the financial condition, results of operations, and businesses of Halfords Group plc. These statements and forecasts involve risk, uncertainty and assumptions because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. These forward-looking statements are made only as at the date of this

announcement. Nothing in this announcement should be construed as a profit forecast. Except as required by law, Halfords Group plc has no obligation to update the forward-looking statements or to correct any inaccuracies therein.