



# halfords

CAPITAL MARKETS DAY  
2023

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LEVERAGING OUR PLATFORM

***Welcome***

**halfords**

**Graham Stapleton**

Group Chief Executive Officer



**Let's meet**  
**today's presenters...**



**Jo Hartley**  
Group Chief  
Financial Officer



**Karen Bellairs**

Group Chief Customer  
& Commercial Officer





**Rob Keates**  
Group Chief Operating  
Officer



**Chris McShane**

Director, Avayler

# Today's Agenda

**1**

Our journey  
since 2018

**2**

Mid-term plan:  
leveraging the  
platform

**3**

Mid-to-long-term  
plan: further  
transformation

**4**

Avayler

**5**

Summary  
and Q&A



# halfords

CAPITAL MARKETS DAY  
2023

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LEVERAGING OUR PLATFORM

# Underlying PBT forecast to grow to £90m-£110m over the mid-term, and to £130-150m in the mid-to-long-term with positive free cashflow throughout the period

## **£50-60m PBT**

- £1.6bn sales
- 3-4% operating margin

**FY23**

## **c.£90-110m PBT**

- £1.9bn sales
- Gross margin maintained
- 5.5% operating margin
- Positive free cash flow generation
- Growth in ROCE >15%

**Mid-term**

## **c.£130-150m PBT**

- £2.2bn sales
- 6.5% operating margin
- Positive free cash flow generation
- Growth in ROCE >20%

**Mid-to-long-term**

# halfords

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Our journey since 2018

# In 2018 Halfords was a store and industry-focused, traditional retailer

## 2018

Predominantly a **retail products** business with a low services mix

A **small B2B and commercial** business

Separate **collection of brands** across disconnected and fragmented channels

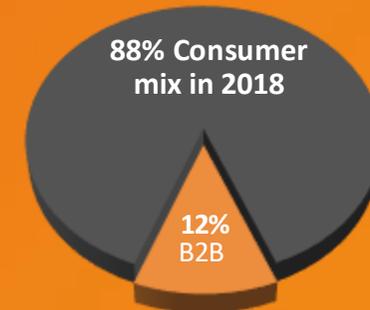
A great brand with **strong heritage** and **good awareness**

Fantastic, **engaged colleagues**

Predominantly a products business



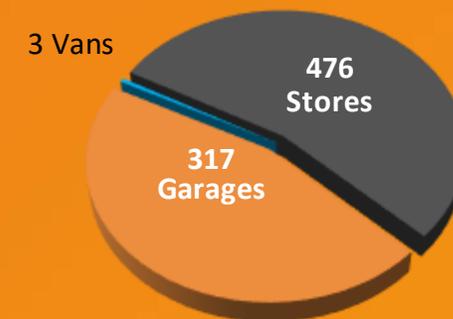
Small B2B and commercial business



Disconnected and fragmented channels



Store-focused operating model



\*Revenue from the services and attached product.

After significant customer, competitor, and market research, we set out our new purpose...

“

To *inspire* and *support* a  
*lifetime* of motoring and cycling.

”

We have a clear strategy that we are delivering...

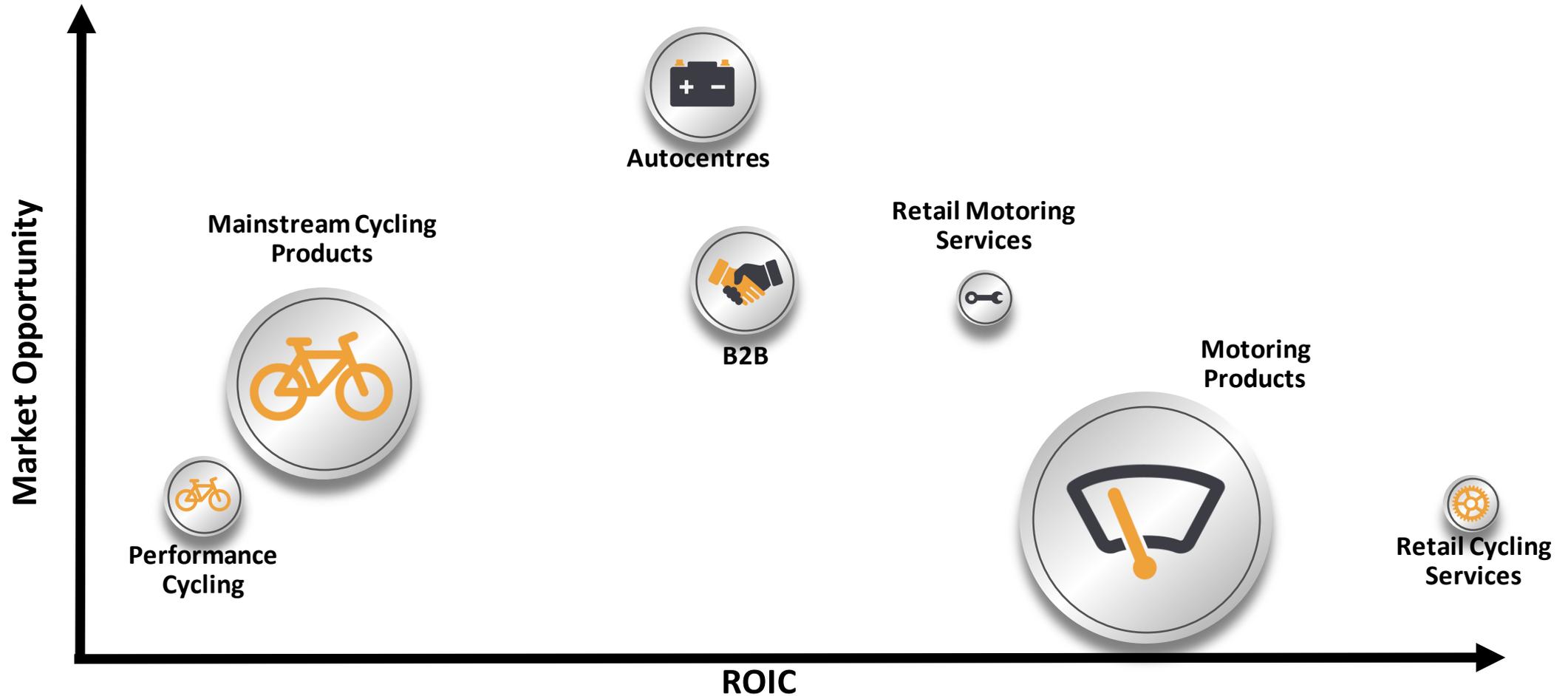
“

To evolve into a *consumer and B2B services-focused* business,  
with a greater emphasis on *motoring*,  
generating higher and more sustainable financial  
returns.

”

# Our strategy was designed to drive more compelling financial returns

Reminder of the 2019 segment bubble chart



Bubble sizes are indicative of scale of business in FY19

# Since 2018, we have transformed the way customers are able to shop for Halfords products and services

2018



Halfords Autocentre website



Halfords Mobile Expert website

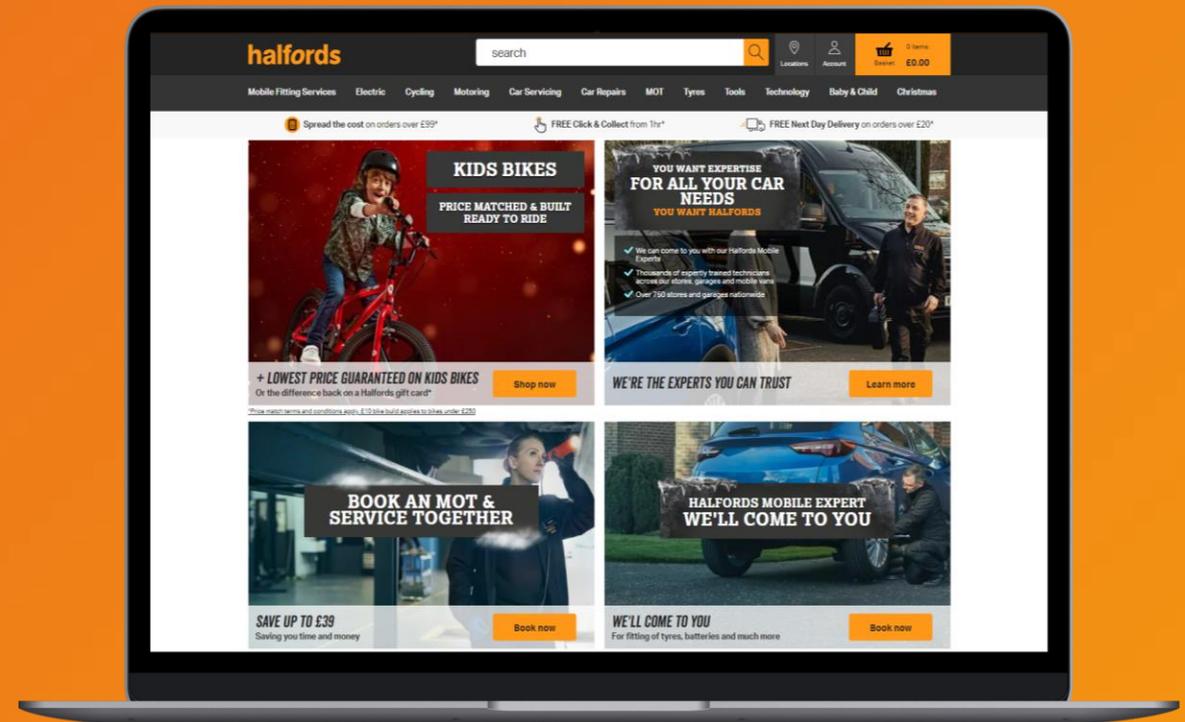


Halfords Retail website



Today

## One Halfords Group website



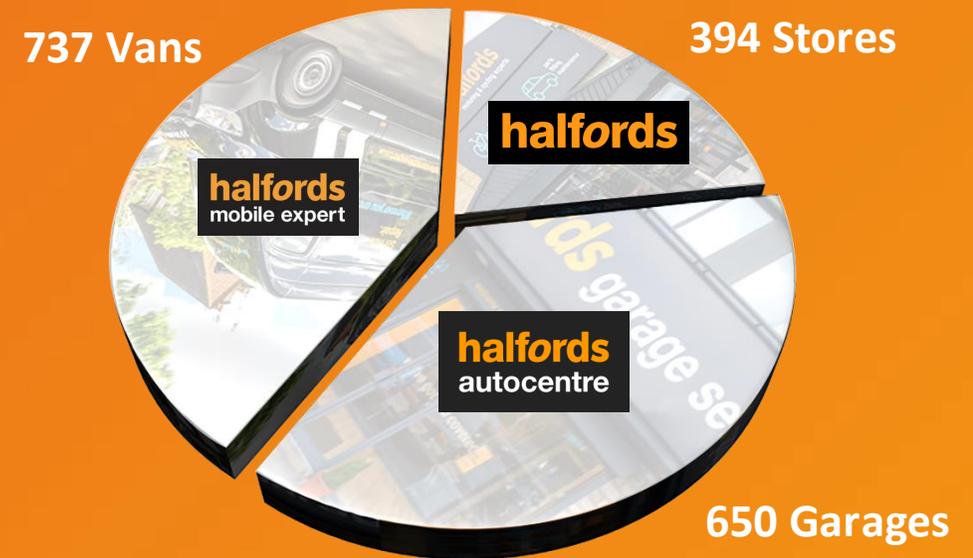
# We have significantly changed our channel mix and halved drivetime for services

**2018**



**796 service locations**  
**30-minute drivetime**

**Today**

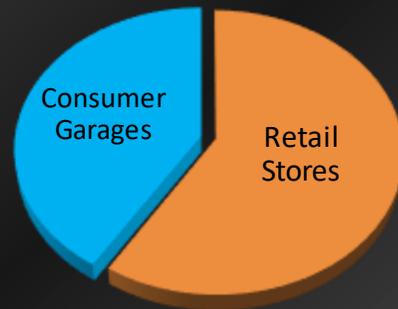


**1,781 service locations**  
**Under 20-minute drivetime**

# We are the UK's biggest motoring and cycling services provider

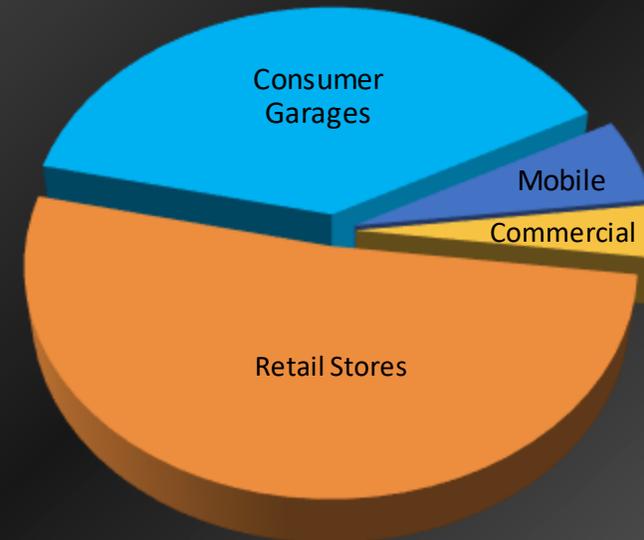
**2018**

7m service jobs



**Today**

10m+ service jobs



# Unique, own-brand product innovation



**Biggest...**  
One of the UK's  
biggest engine  
oil brands

**Largest...**  
Apollo and  
Carrera are two of  
the UK's largest bike  
brands

**Fastest...**  
One of the fastest  
growing budget  
Own-brand tyres  
in the UK

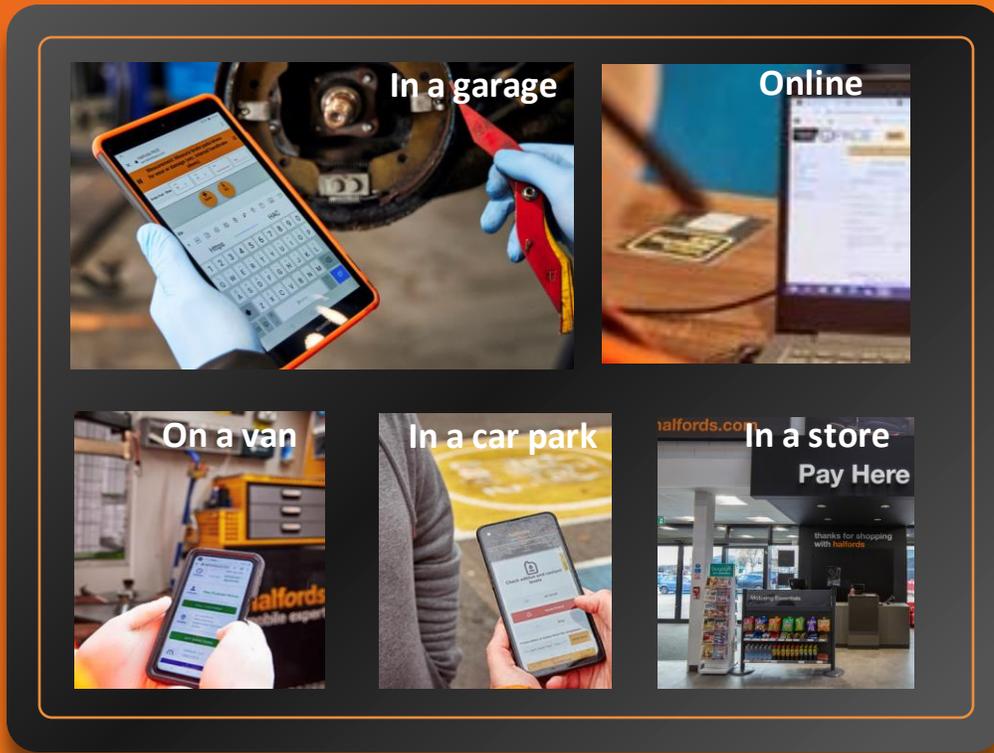
**Multiple awards**  
for our own-brand propositions



# Having invested in our data platform, we can get to know our customers' cars and bikes better than they do

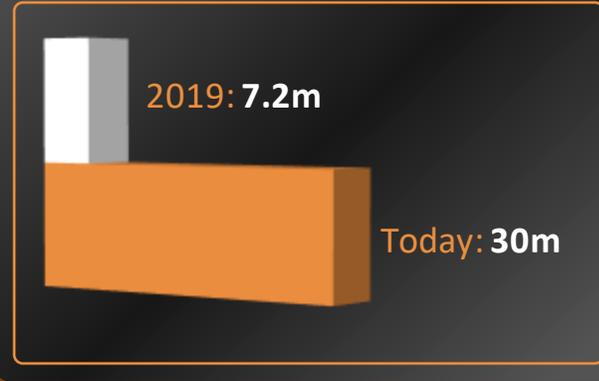
Collecting customer and vehicle data cross-channel

Analysing data

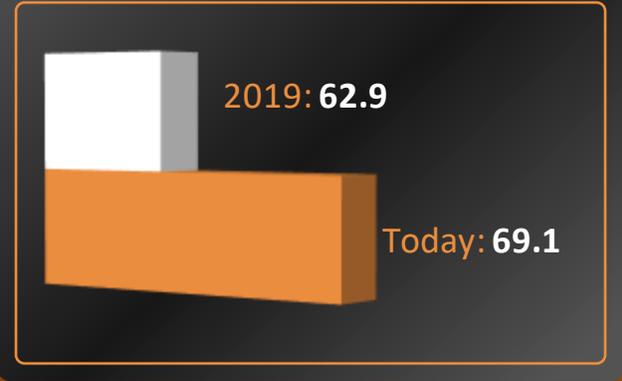


# Our customer and data strategy is delivering

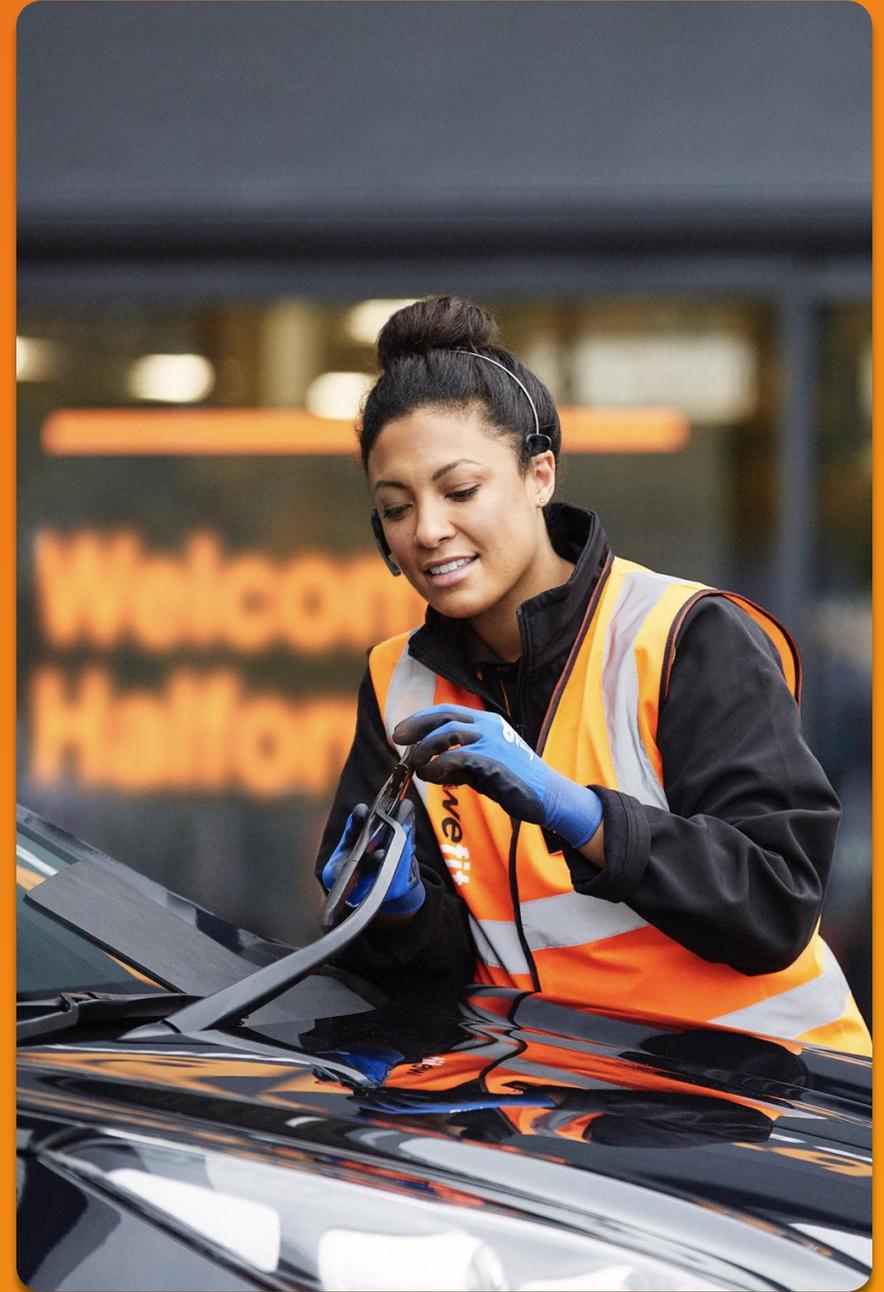
Known Customers



Net Promoter Score



Vehicle Records



# We have a track record of delivering a more cost-effective and efficient business since 2018



**£20m**  
*savings*

From retail rent and rates savings, closing over 80 retail stores.

**+7%** sales densities



**>£10m**  
*saving*

From restructure and organisational design.



**>£30m**  
*savings*

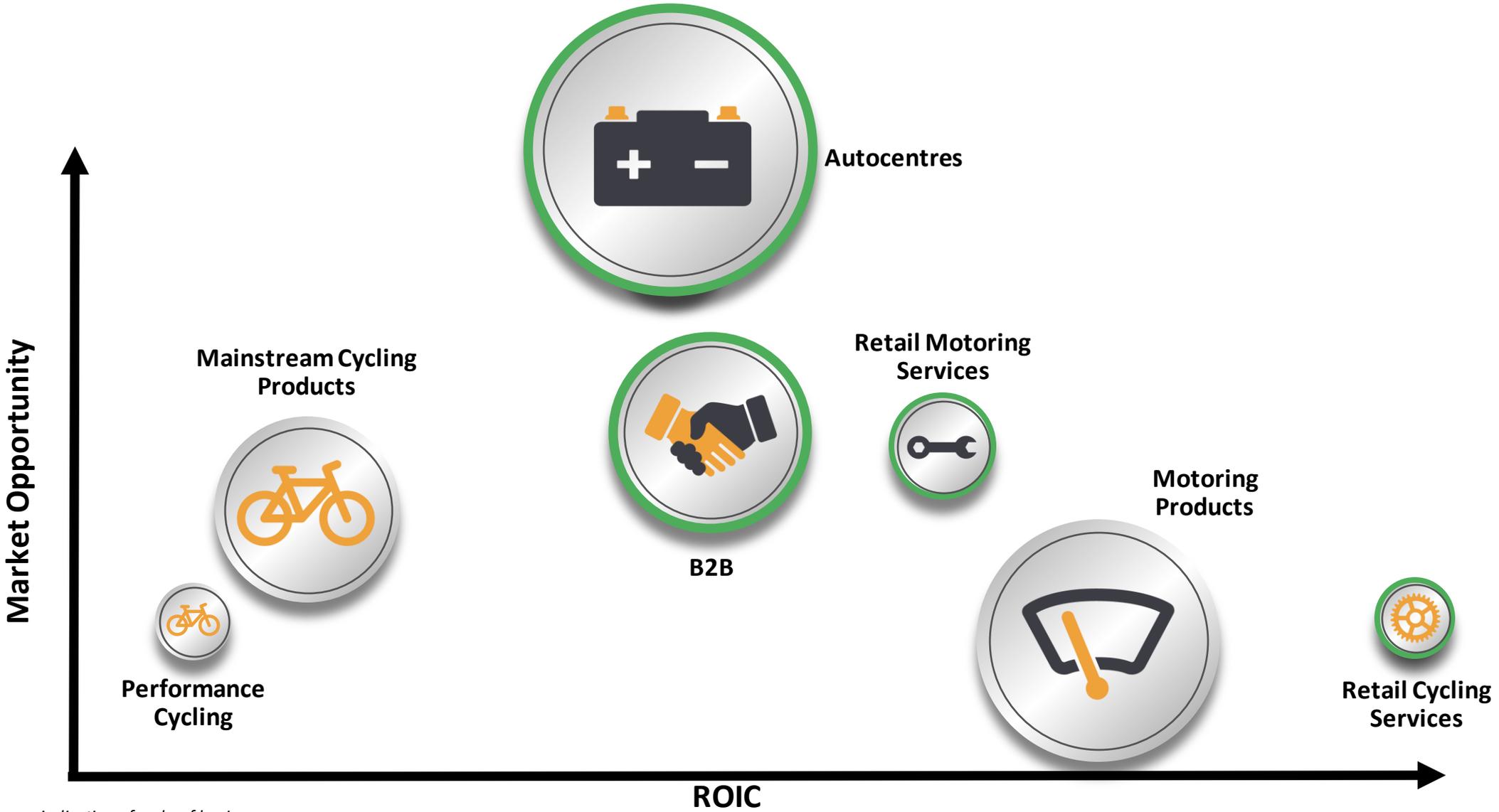
Through our “goods not for re-sale” efficiency programme.

# We have significantly grown our revenue, particularly in the more profitable parts of our business

	<b>FY19</b>	<b>FY23</b>
<b>Group Revenue</b>	<b>£1.1bn</b>	<b>c.£1.6bn</b>
<b>Revenue from Services</b>	<b>24% of Group</b>	<b>c.47% of Group</b>
<b>Revenue from Motoring</b>	<b>66% of Group</b>	<b>c.77% of Group</b>
<b>Revenue from B2B</b>	<b>12% of Group</b>	<b>c.22% of Group</b>



# Autocentres and B2B now represent a more significant proportion of the Group



Bubble sizes are indicative of scale of business

# We have created a much more resilient operating platform



*% of B2B revenue*

**FY19: 12%**

**FY23: 22%**



*% of needs-based revenue*

**FY19: 49%**

**FY23: 62%**



*% of Group COGS bought in USD \$*

**FY19: 35%**

**FY23: 23%**



## A reminder of the key messages.....

**1**

We have *increased revenues by 40%* and more than *doubled the size* of our B2B and services business.

We have developed a *unique, digital and data-enabled* omnichannel platform.

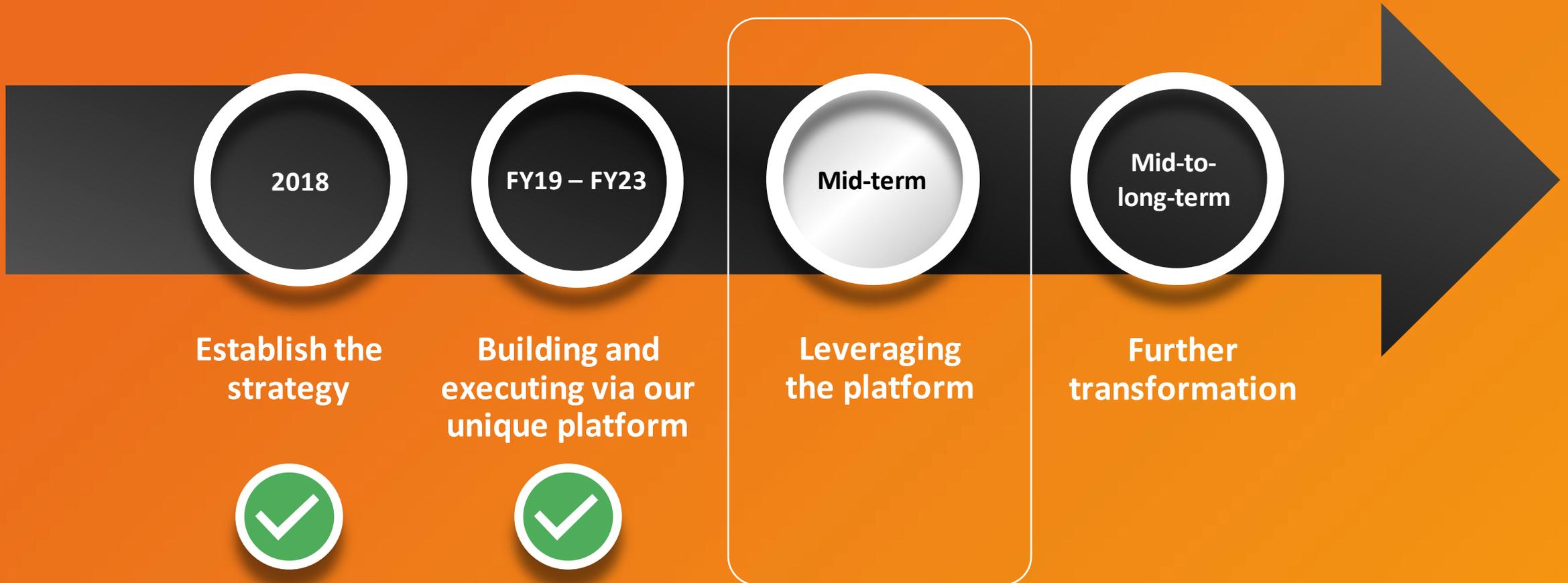
**2**

A combination of core market recovery, and leveraging our investments and platform will deliver *£1.9bn of revenue, £90-£110m PBT, and 5.5% operating margin* in the mid-term.

**3**

There is potential for *further significant transformation* in the mid-to-long-term, *increasing revenues to £2.2bn, PBT to £130-£150m, operating margin to 6.5%, and ROCE to >20%.*

# The next phase of our plan will leverage our platform – with a focus on operating margin and return on capital



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Mid-term plan: leveraging the platform

# ***Our mid-term plan – leveraging the platform***

**halfords**

**Jo Hartley**

Group Chief Financial Officer

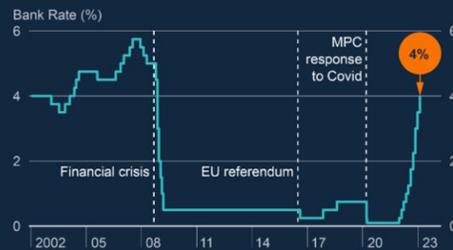


# It has never been harder to forecast...

The recent Monetary Policy Report highlighted how uncertain the macro-economic environment remains. Forecasting, therefore, remains particularly challenging.

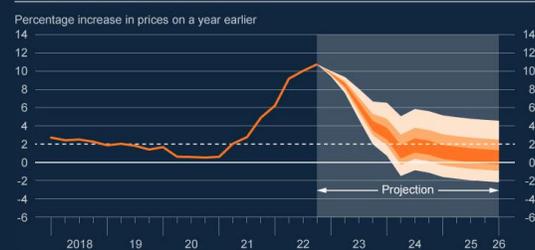
# 1

We have raised interest rates to help inflation return to our 2% target



# 2

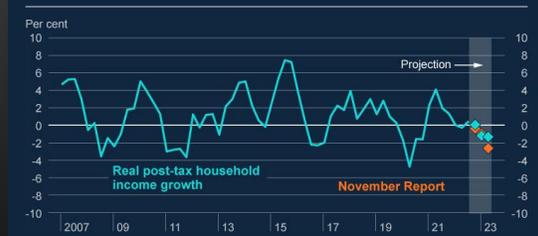
Chart 1.4: CPI inflation projection based on market interest rate expectations, other policy measures as announced



# 3

Chart 2.13: Real household income growth has slowed since the beginning of 2021 and is expected to fall further in the near term reflecting high energy prices

Four-quarter real household income growth <sup>(a)</sup>



**Note:** all references to FY23 should be taken as **indicative and** are not a “pre-close”.  
All references to future years should not be taken as formal company guidance.

# Forecast mid-term growth is supported by external forecasts of how markets will behave and factors that are more within our control

## ***British Cycling Association***

Used to quantify cycling market size, and forecast.

## ***GFK***

Used to quantify motoring product and tyre market sizes.

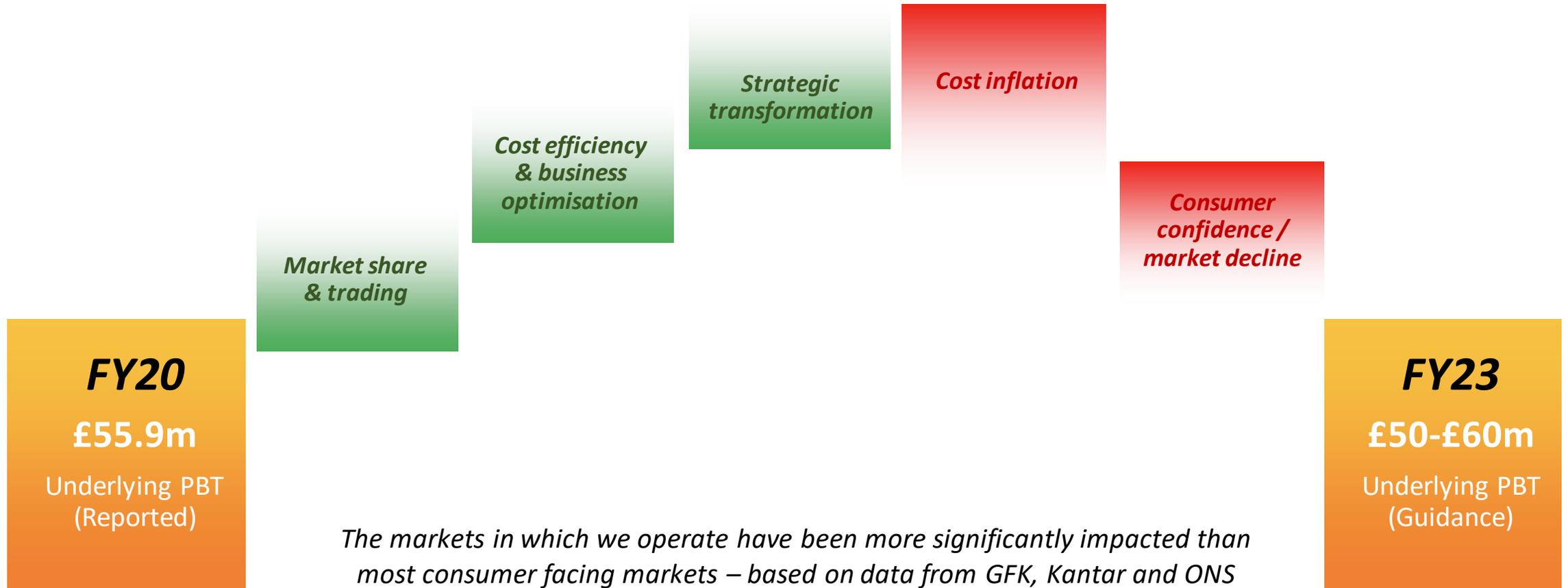
## ***GIPA & SMMT data***

Used for motoring product, motoring servicing market, and tyre market forecasts.

## ***Cost-saving plans***

Supported by strong track record of cost delivery over the last 5 years.

# Our significant growth since FY20 has been offset by exceptional cost and market headwinds

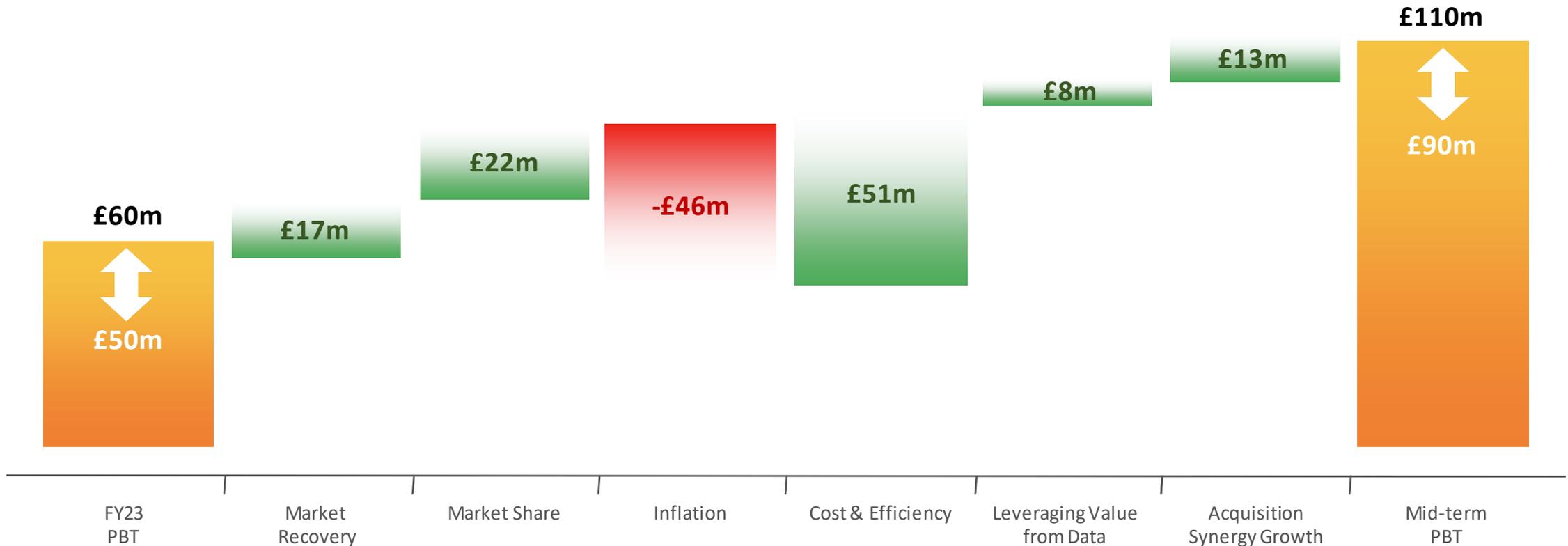


# Underlying PBT forecast to grow to £90m-£110m over the mid-term

## Group PBT Bridge - FY23 to mid-term

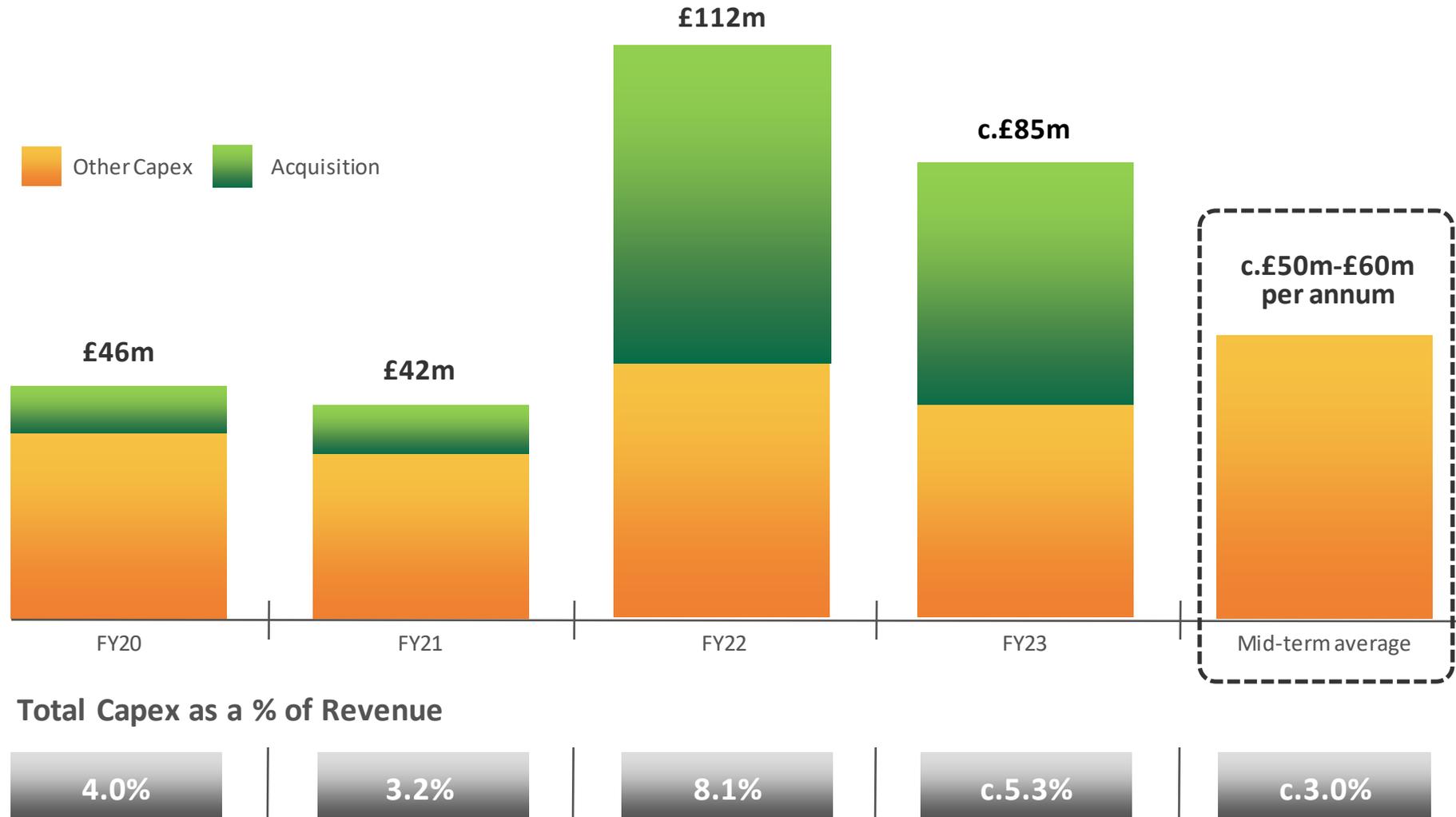
Group Revenue c.£1.6bn  
Operating Margin c.3-4%

Group Revenue c.£1.9bn  
Operating Margin c.5.5%

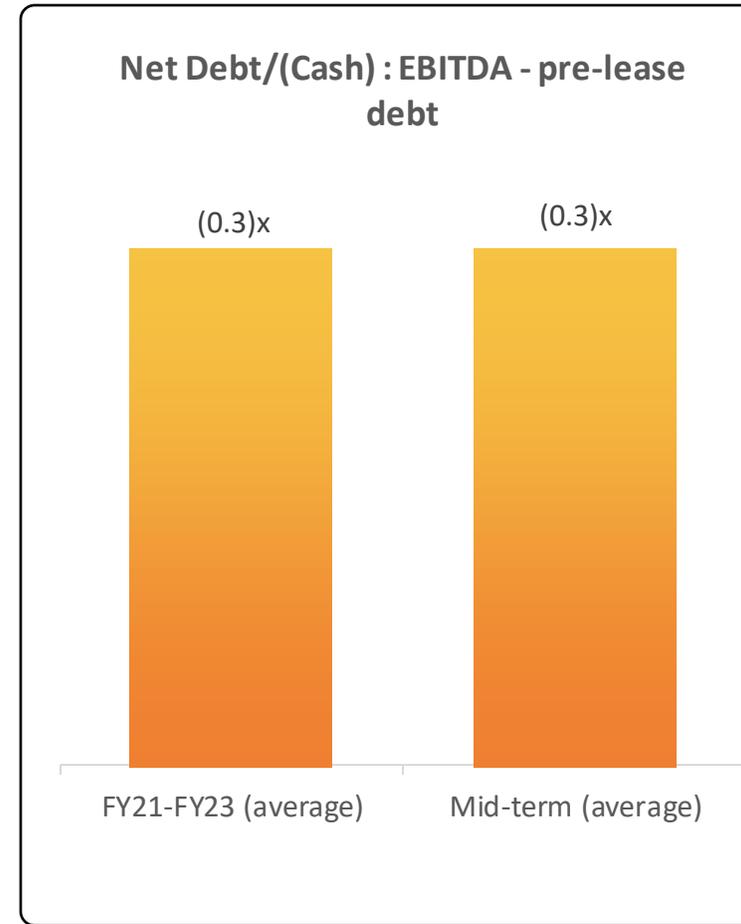
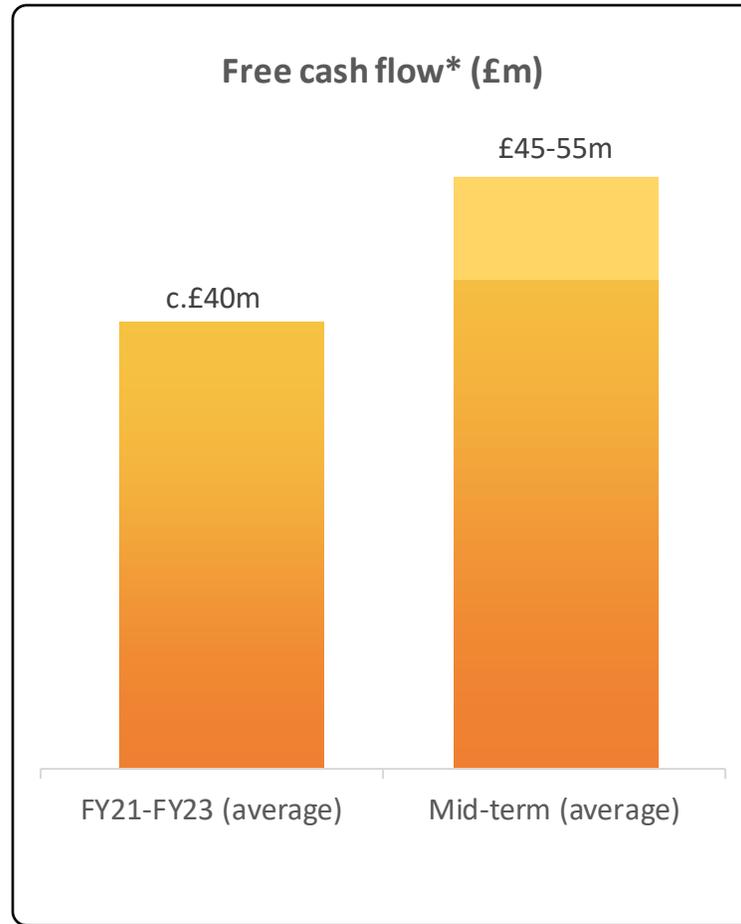


\*FY23 as per current guidance

# Looking forward, capital expenditure is expected to fall from the transformational peaks in FY22 and FY23

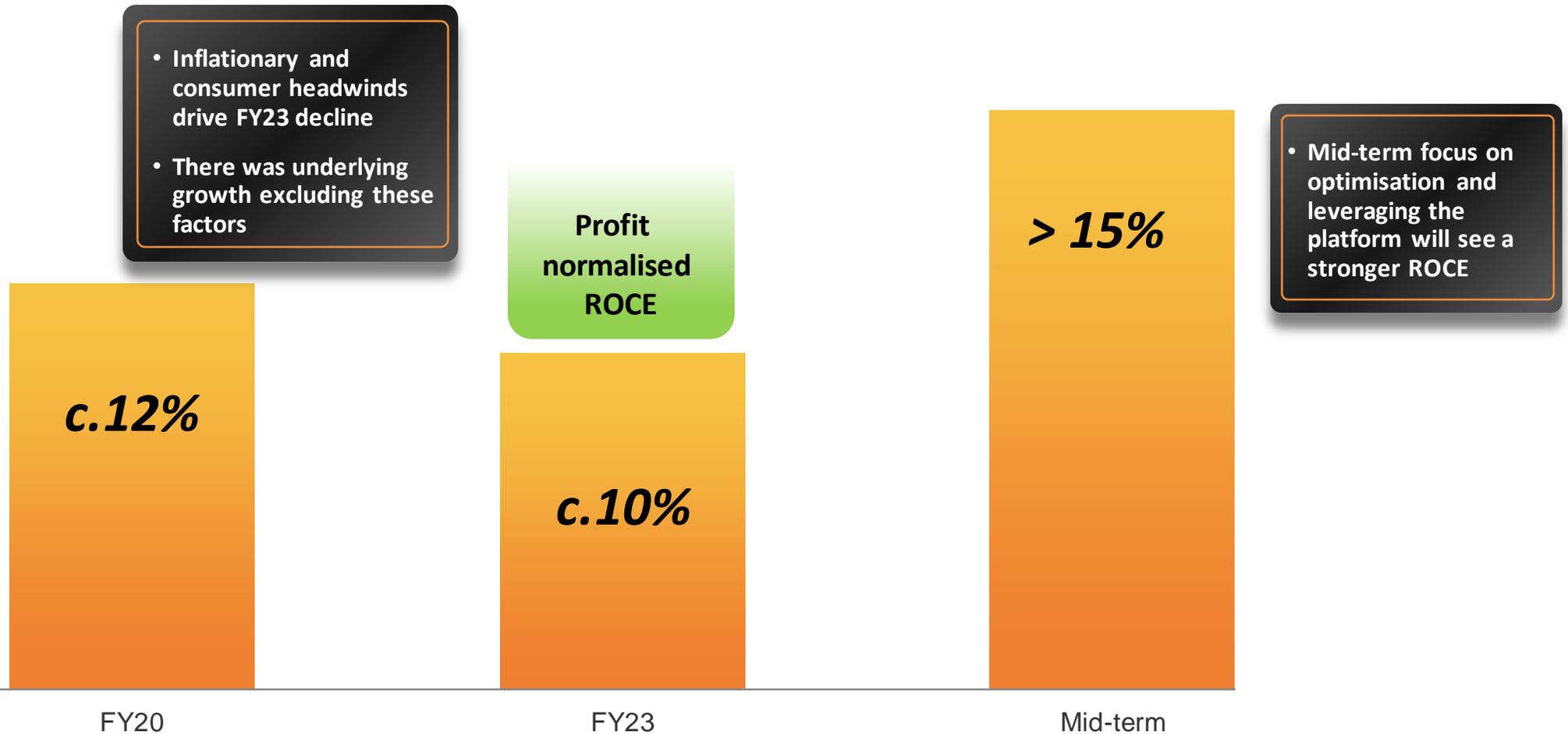


## We expect strong cash generation in the mid-term



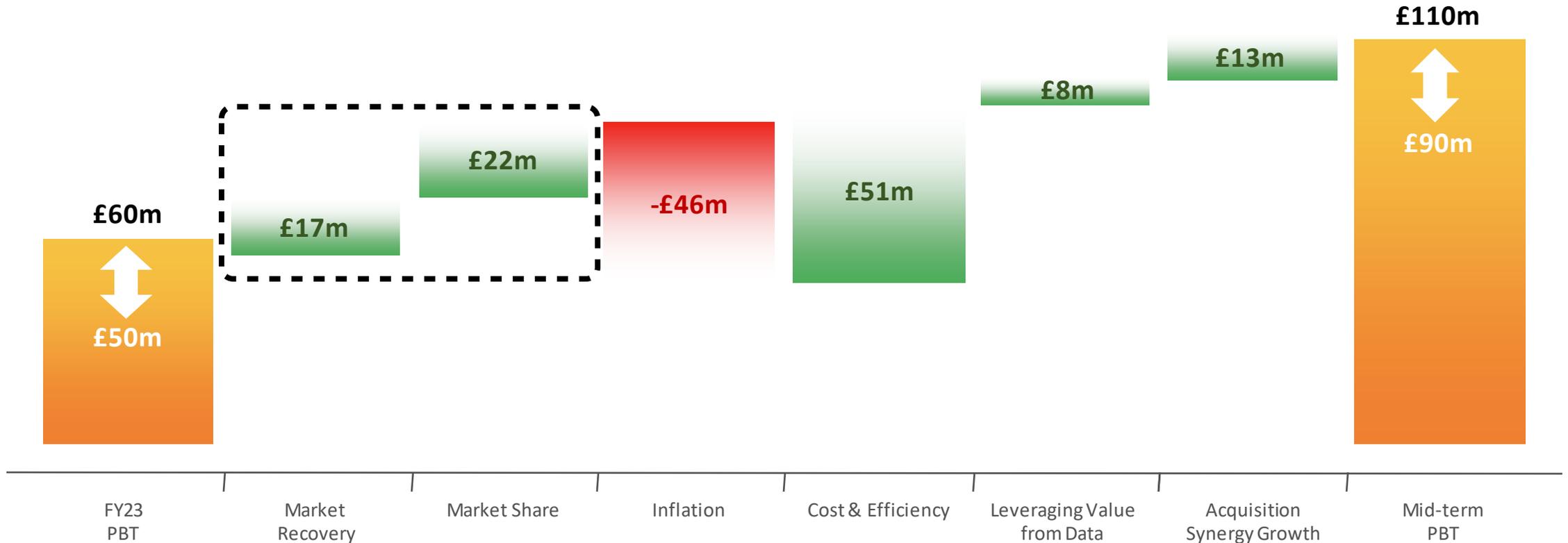
*(Cash flow before dividends and acquisition expenditure)*

## ROCE is expected to reach over 15% in the mid-term



# Market recovery and market share growth

Group PBT Bridge - FY23 to mid-term



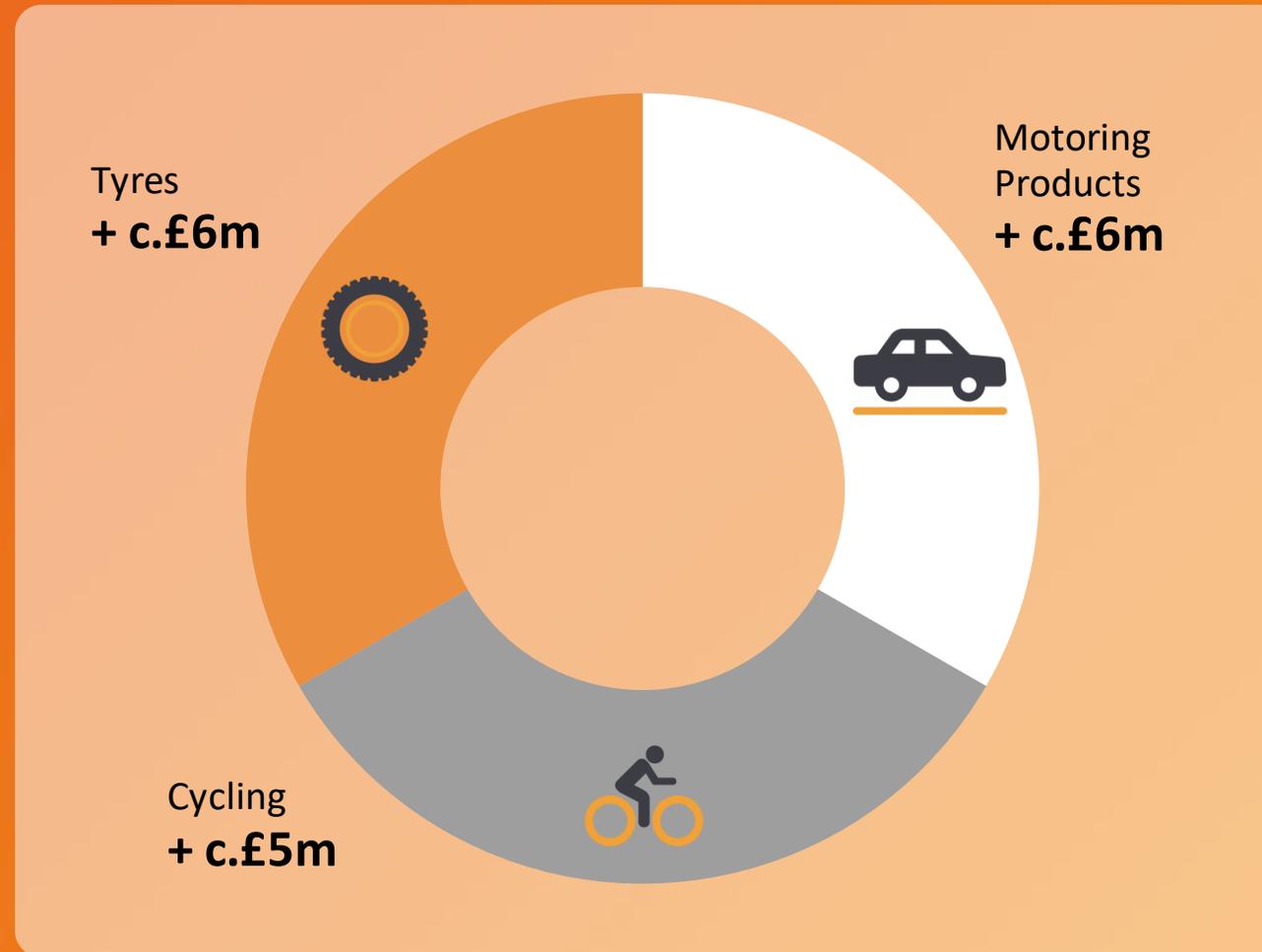
# The cycling and consumer tyre markets remain significantly depressed compared to pre-COVID

	<b>Retail</b>		<b>Autocentres</b>	
	<b>Retail Motoring</b> 	<b>Cycling</b> 	<b>Consumer Tyres</b> 	<b>Motoring Servicing</b> 
<b>Market Size</b>	c.£4bn	c.£1.2bn	c.£2.2bn	c.£9bn
<b>Market Volumes vs pre-COVID</b>	Broadly flat	c.-24%	c.-14%	c.+4%
<b>Approximate Volume Share</b>	c.41.8%	c.37.0%	c.9.5%	c.3.5%

Source - British Cycling Association, GFK, GIPA, SMMT, DVSA, Halfords estimates

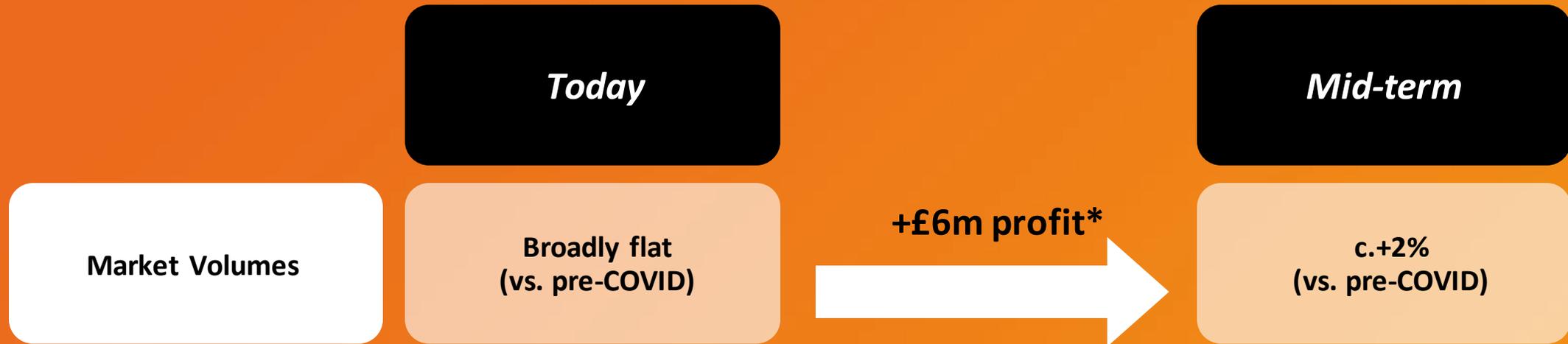
Retail motoring share as per GFK data, which audits 7 categories in which we participate. We have recently started participating in Kantar's wider survey of the motoring market, in which Halfords currently accounts for less than one third of customers yearly spend on motoring products.

# We expect c.£17m of profit growth as markets recover





# Modest growth in the motoring products market forecast to deliver c.£6m profit growth in the mid-term

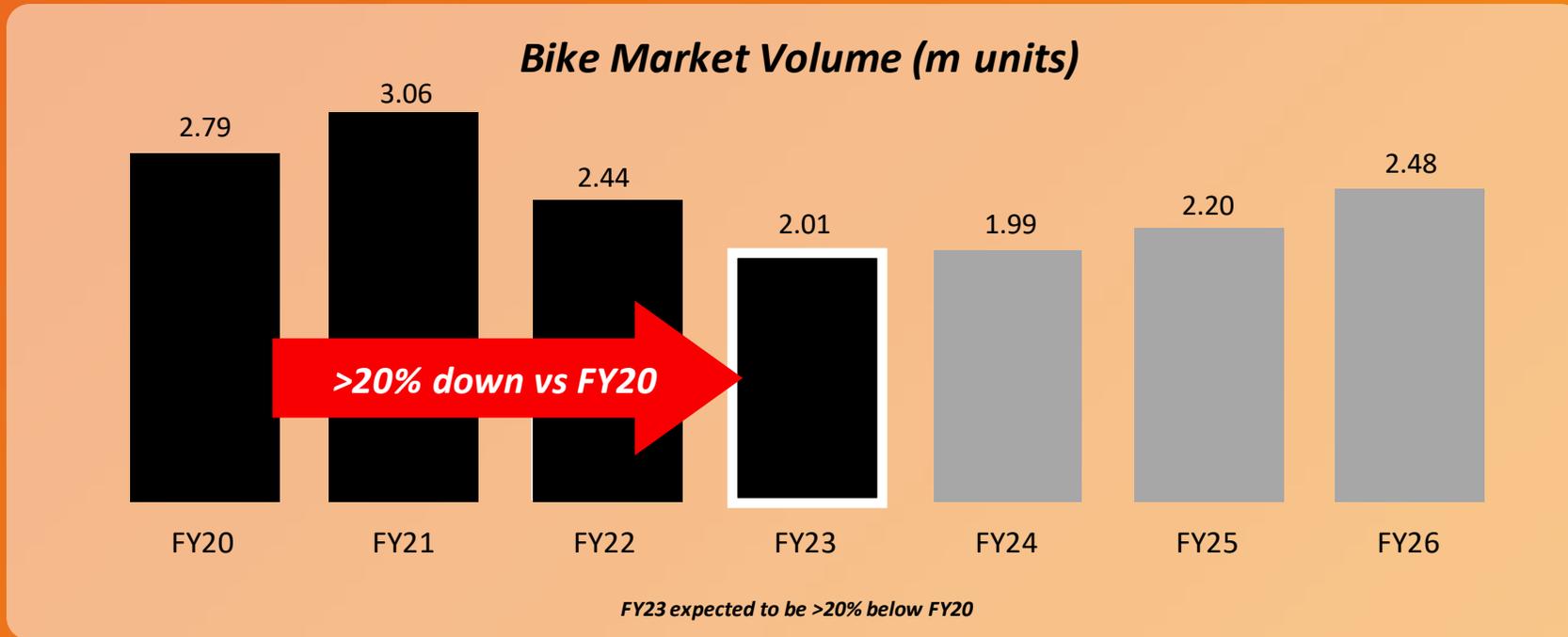


- Market Overall market grows +2% vs pre-COVID levels by the mid-term.
- GIPA indicates the car parc ages from 7.9 years to 9.7 years, leading to more cars within aftermarket segment and an expanding market for motoring products.

*\*Sensitivity - every 1ppt market change equal to approximately +/-£3m profit  
Source – GFK / GIPA, Halfords estimates*

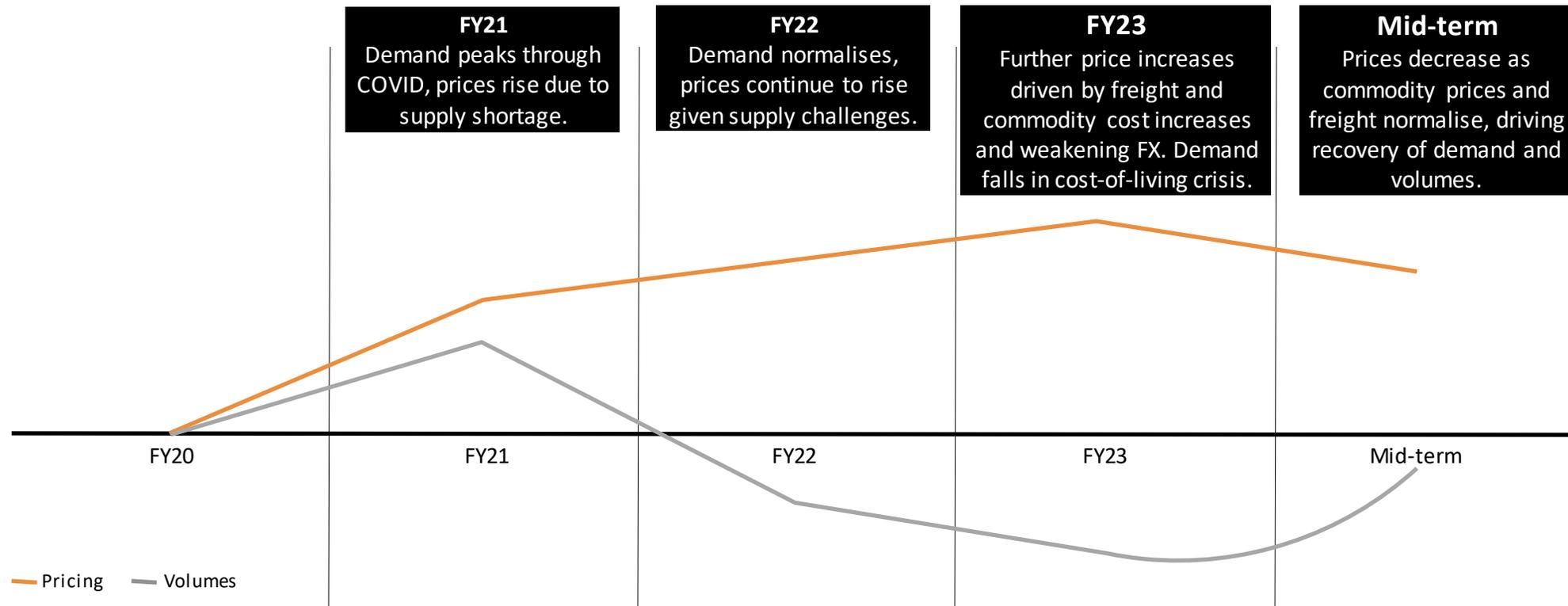


The **cycling market** is currently experiencing a deep depression. External forecasts indicate it will materially recover.





# Cycling volumes have declined vs FY20 while prices have increased materially. Looking forward we expect market recovery will require some price deflation.



**FY21**  
Demand peaks through COVID, prices rise due to supply shortage.

**FY22**  
Demand normalises, prices continue to rise given supply challenges.

**FY23**  
Further price increases driven by freight and commodity cost increases and weakening FX. Demand falls in cost-of-living crisis.

**Mid-term**  
Prices decrease as commodity prices and freight normalise, driving recovery of demand and volumes.

Cycling Market - Price and Volumes indexed to FY20

Source - British Cycling Association, Halfords estimates



# Recovery in the **cycling market** is expected to drive c.£5m profit growth in the mid-term

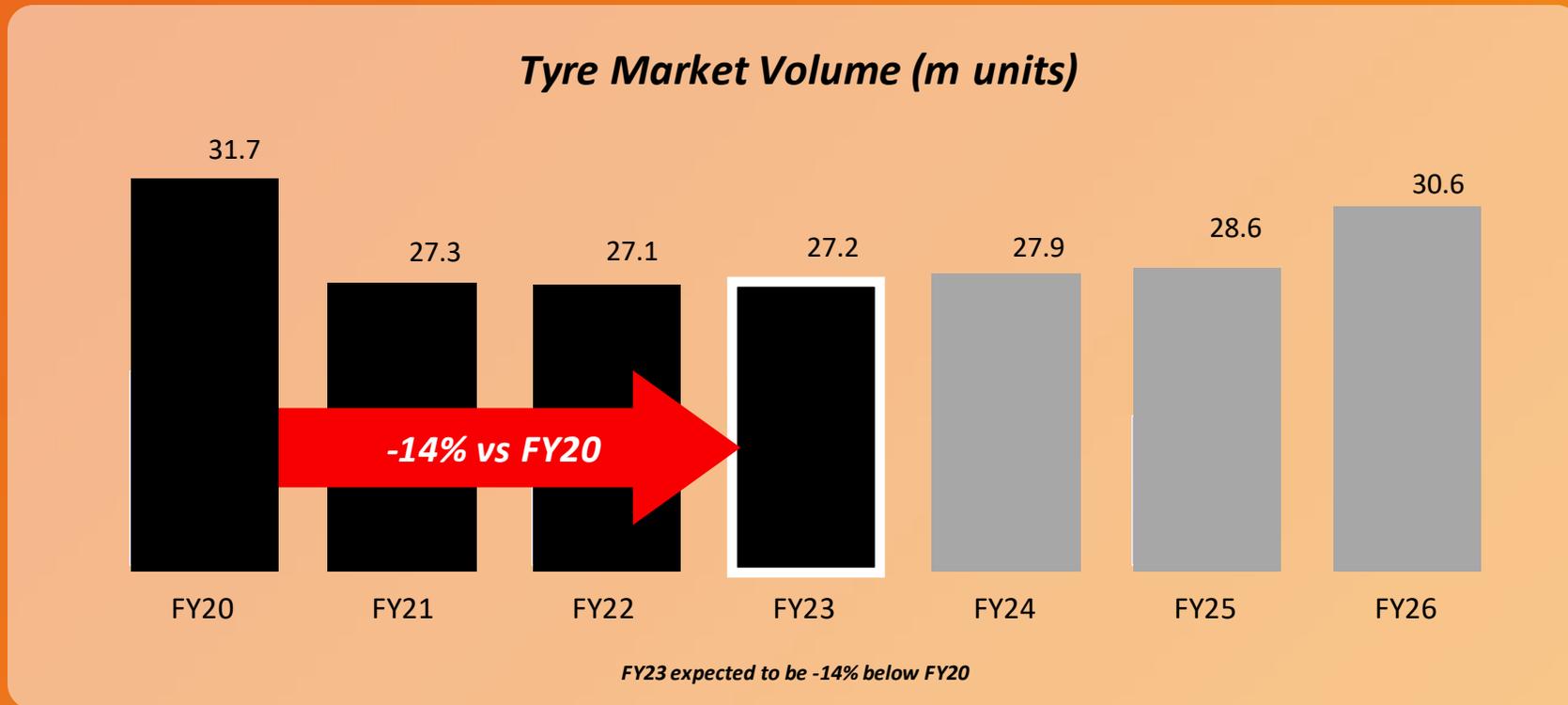


- Price investment drives volume growth across the market.

*\*Sensitivity - every 1ppt market change equal to approximately +/-£0.4m profit  
Source - British Cycling Association, Halfords estimates*

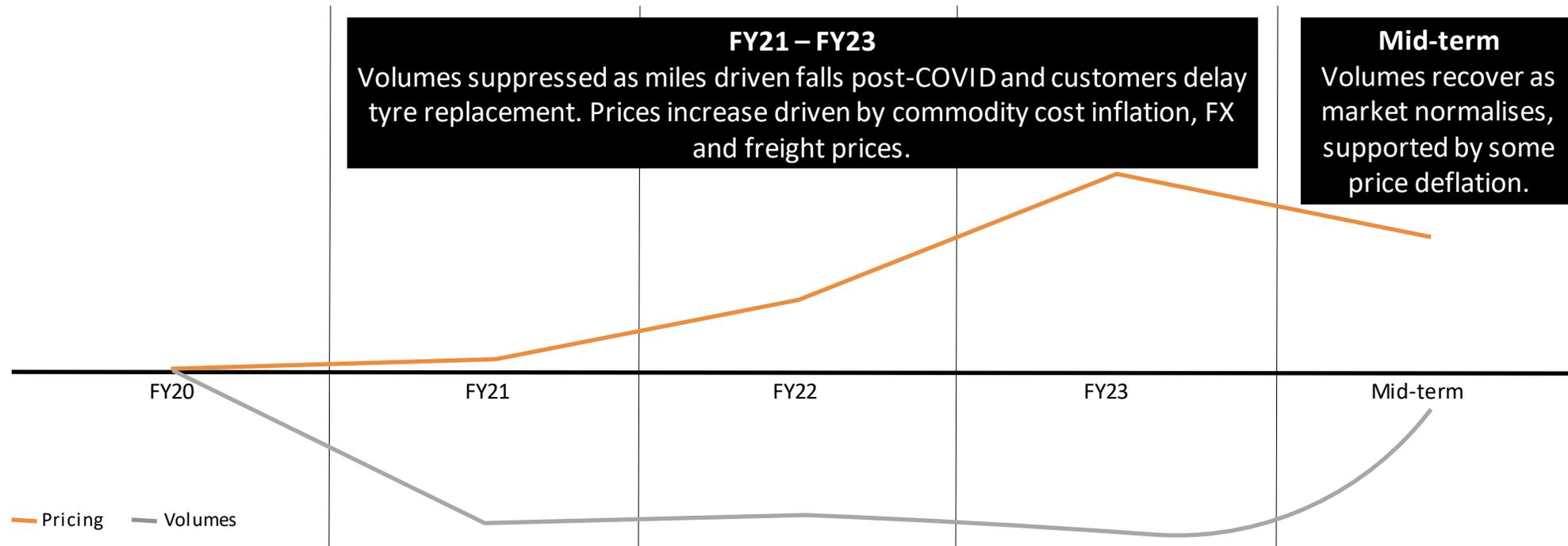


The **consumer tyre market** is currently experiencing a deep depression. External forecasts indicate it will materially recover.





**Consumer tyre volumes have remained consistently below pre-COVID levels. Since FY20 there has been significant retail price inflation. Some market deflation is assumed to drive mid-term volume recovery.**

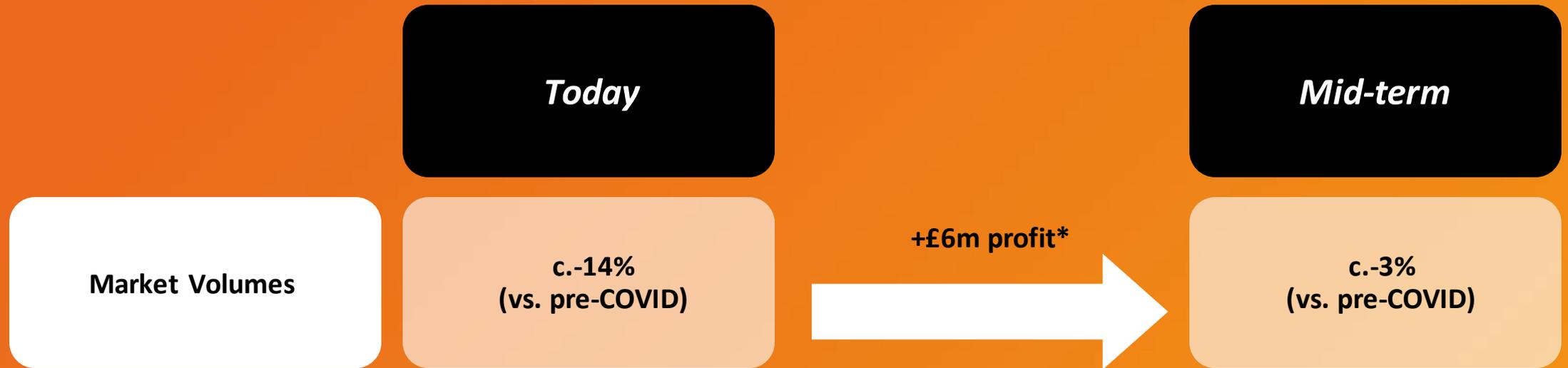


**Tyre Market - Price and Volumes indexed to FY20**

Source - GFK, GIPA, SMMT, DVSA, Halfords estimates



# Recovery in the **consumer tyre market** is expected to drive c.£6m of profit growth in the mid-term



- Market recovers to -3% vs pre-COVID in the mid-term
- Based on GIPA forecast of miles travelled reaching 97% of pre-COVID levels

*\*Sensitivity - every 1ppt market change equal to approximately +/-£0.6m profit  
Source - GFK, GIPA, SMMT, DVSA, Halfords estimates*



# The resilient motoring servicing market is expected to stay broadly flat

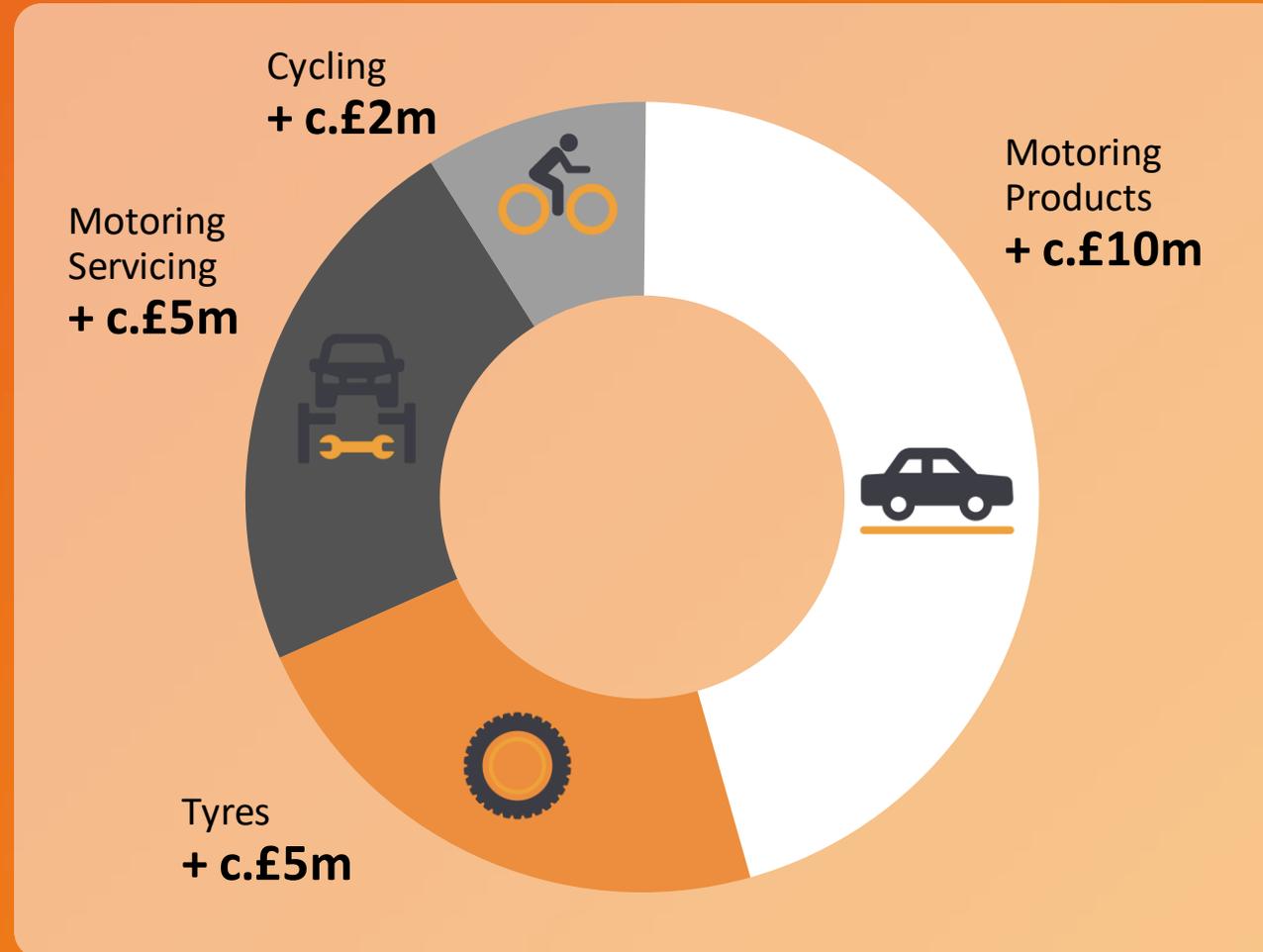


- SMMT forecast the car parc to remain broadly flat in the mid-term.

*\*Sensitivity - every 1ppt market change equal to approximately +/-£1m profit*

*Source - DVSA, Halfords estimates*

# A further c.£22m of profit growth is expected from volume market share gains

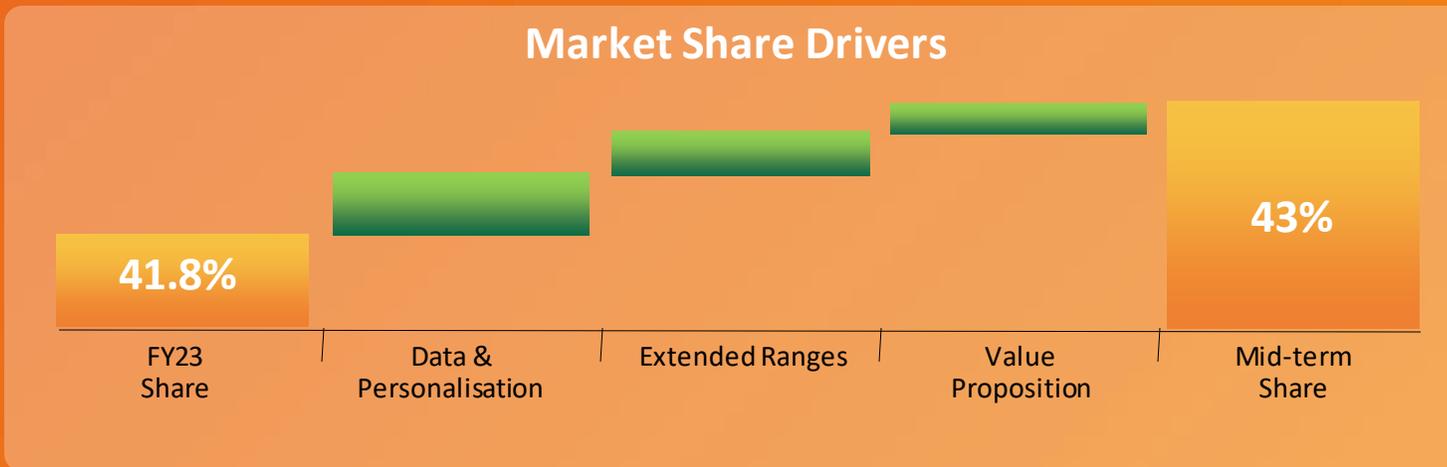




# Market share growth in motoring products is forecast to deliver c.£10m profit growth in the mid-term



Share Gains From	
General Retailers	✓
Online Retailers	✓✓



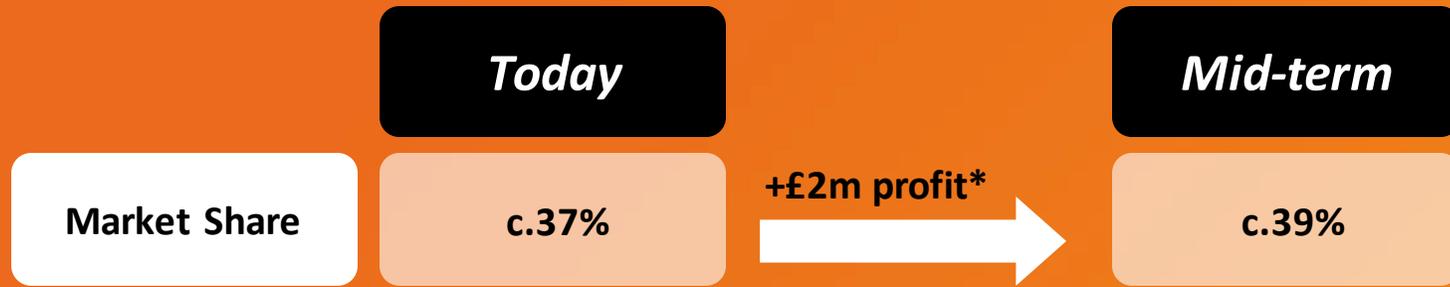
- Improved personalisation and CRM, supported by Motoring Club, drives incremental spend and visit frequency.
- Extended ranges launched in low share categories at competitive prices e.g., car parts.
- Improved value proposition through growth of own brand, enhanced promotional activity and increasing proportion of products sold with fitting or other services.

\*Sensitivity - every 1ppt market share change equal to approximately +/-£10m profit

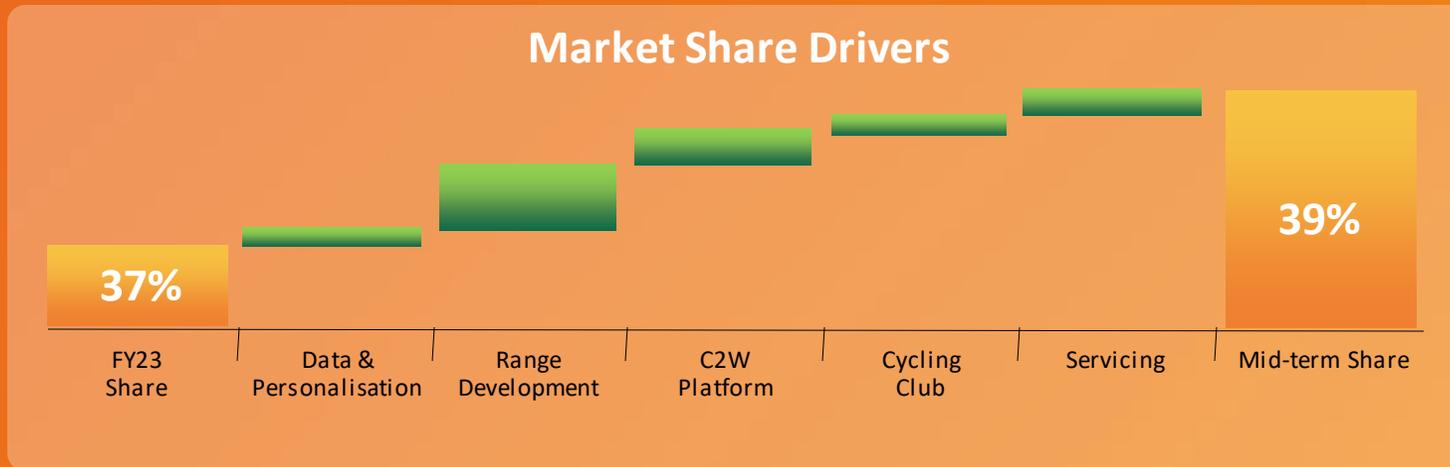
Source – GFK, Halford estimates



# Cycling market share growth is forecast to deliver £2m profit growth in the mid-term



Share Gains From	
Independents	✓✓
Generalists	✓
Mid Market	✓



- Improved personalisation and CRM drives greater spend and visit frequency.
- Range development and premiumisation of adult and E-bikes. No change to legal status of E-scooters assumed.
- Growth in Cycle To Work through digital platform enhancements, making it easier for companies and employees to benefit from the scheme.
- Launch of cycling loyalty club.
- Enhanced cycle servicing proposition.

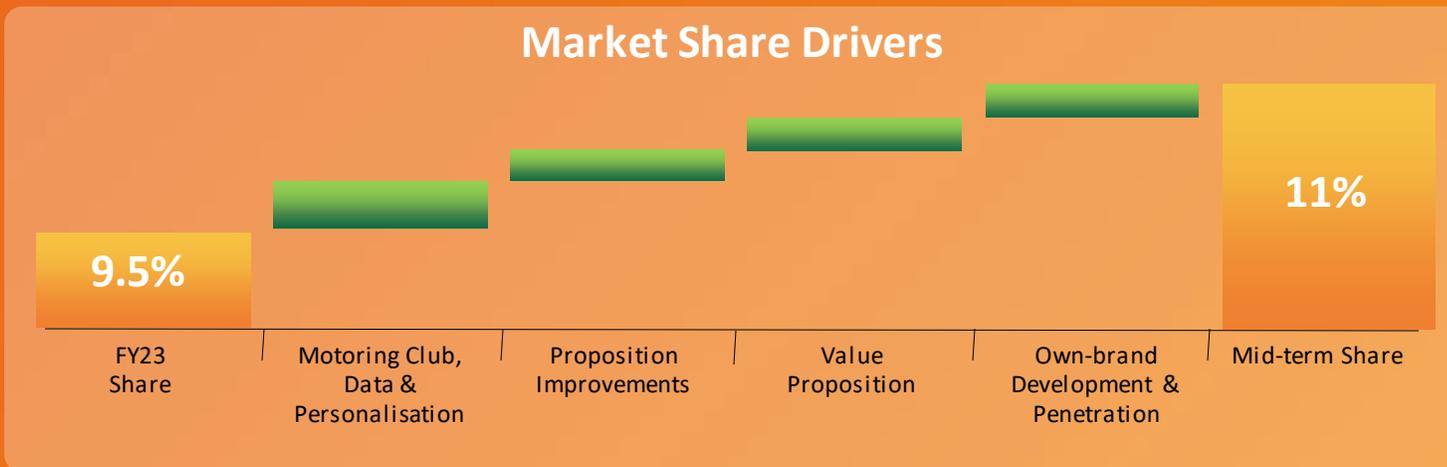
\*Sensitivity - every 1ppt market share change equal to approximately +/-£1m profit  
 Source - British Cycling Association, Halfords estimates



# Consumer tyre market share growth is forecast to deliver £5m of profit growth in the mid-term



Share Gains From	
National Garage Chains	✓
Local Garages	✓✓



- Data and personalisation expands customer base, supported by Motoring Club.
- Propositional changes including “same day” tyre fitting (bookable online).
- Improved value proposition through enhanced promotional activity and increasing financial services penetration.
- Development of own-brand tyres, growing customer accessibility and choice.

\*Sensitivity - every 1ppt market share change equal to approximately +/-£3.5m profit

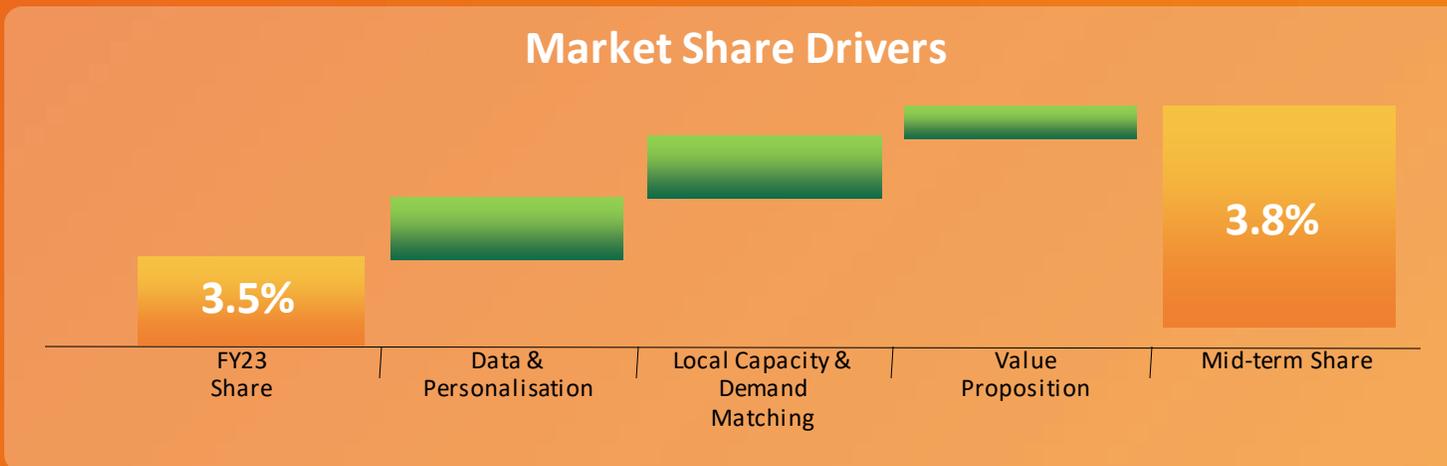
Source - GFK, Halfords estimates



# Share growth in the resilient motoring servicing market is forecast to deliver £5m profit growth



Share Gains From	
Local Garages	✓



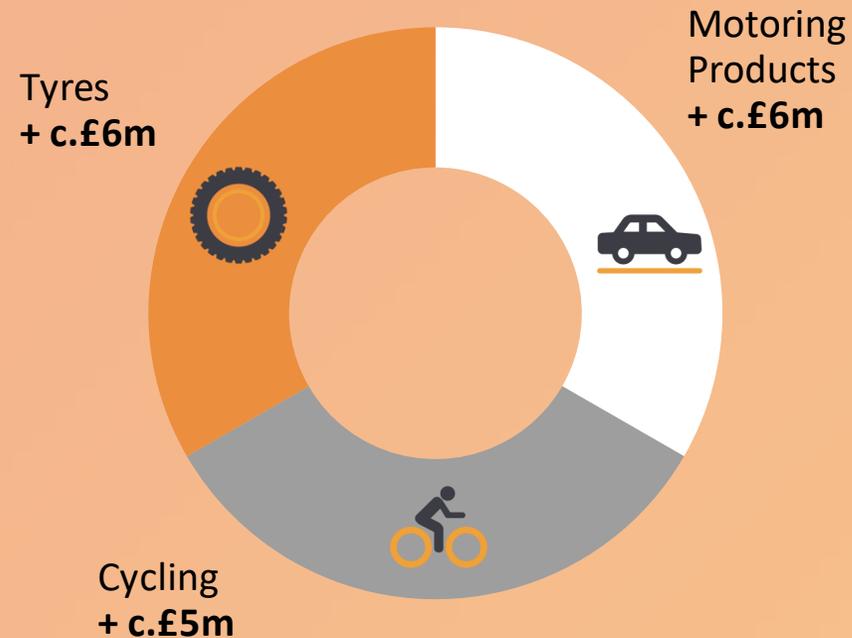
- Demand growth driven by rewarding loyalty through Motoring Club, car park referrals from retail estate and driving personalisation through CRM.
- Matching local demand and capacity through a new utilisation model.
- Improved value proposition through enhanced promotional activity and increasing financial services penetration.

\* Sensitivity - every 1ppt market share change equal to approximately +/-£16m profit

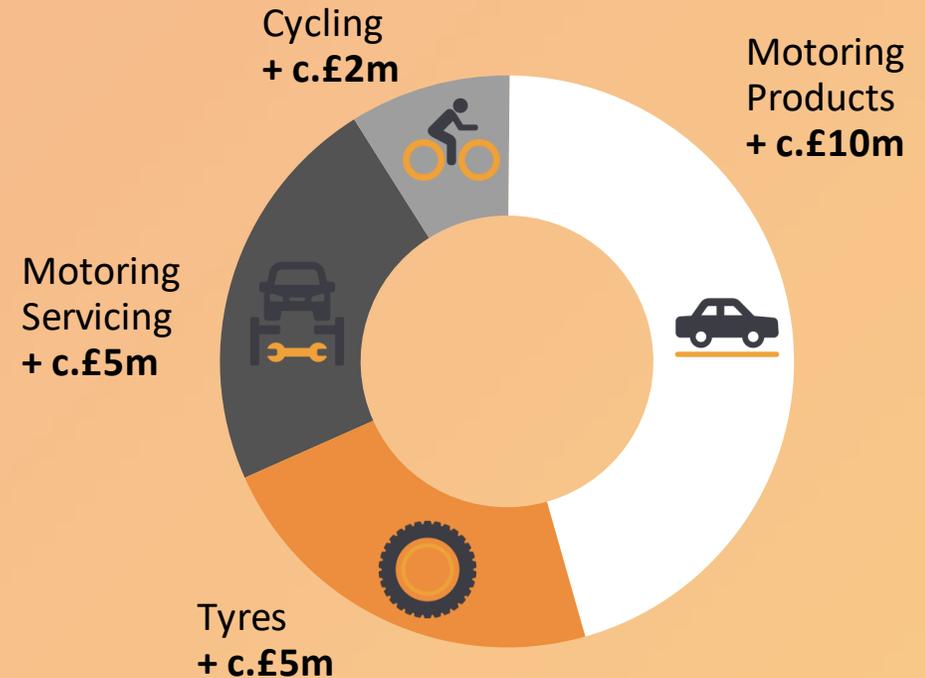
Source - Halfords estimates

# £39m of profit growth expected from externally forecast market recovery, and increasing market share

## Market Recovery - +£17m profit growth

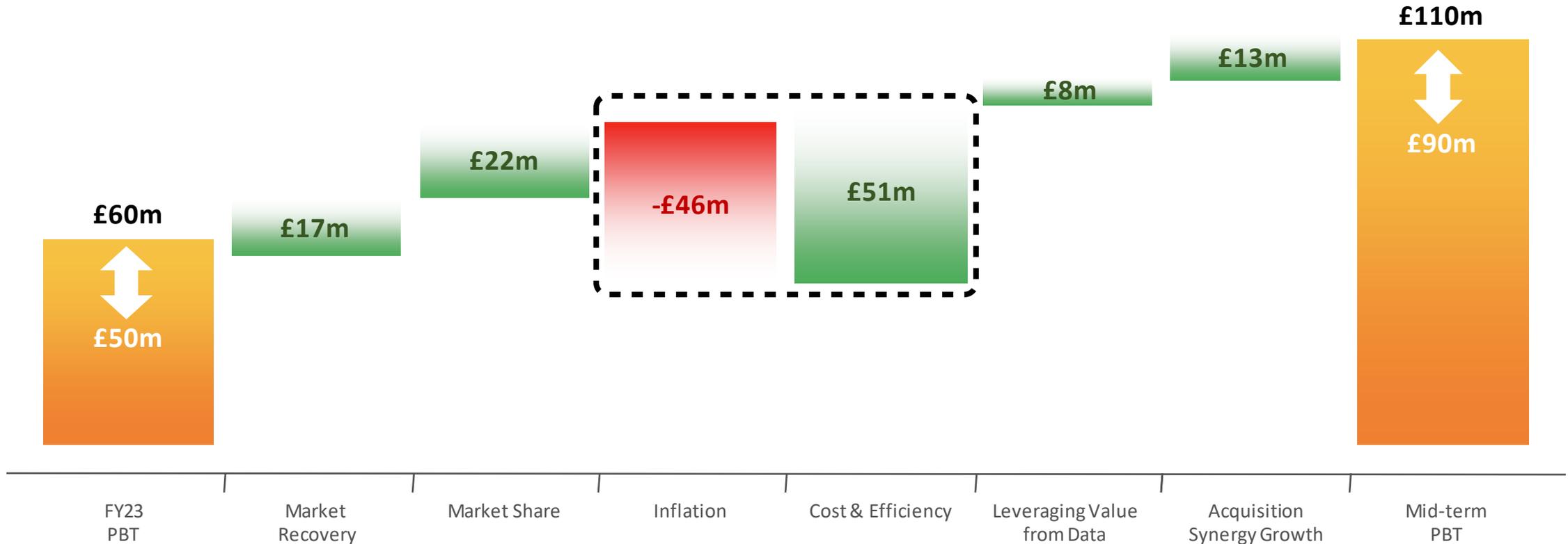


## Market Share - +£22m profit growth



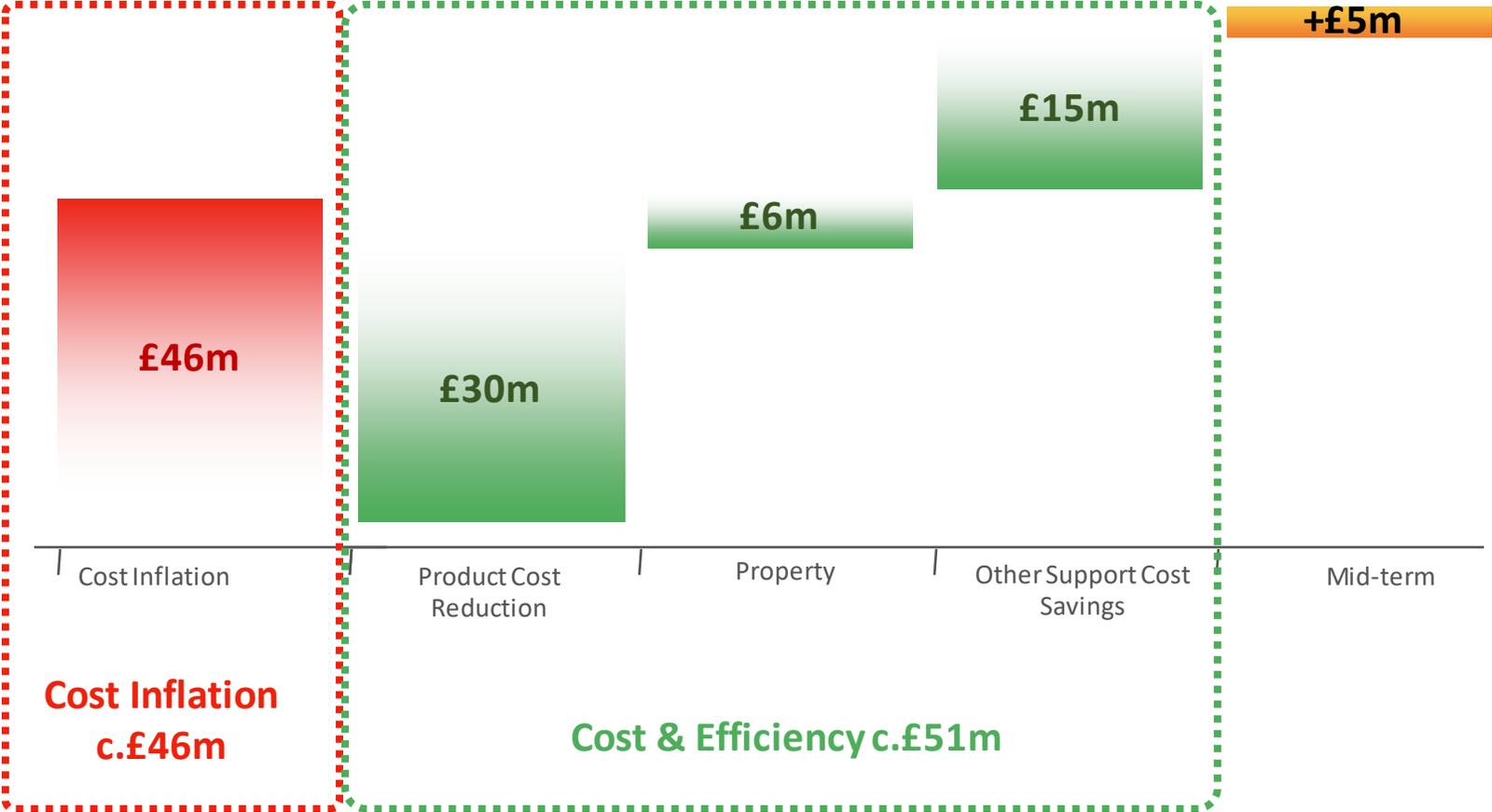
# Cost and efficiency

Group PBT Bridge - FY23 to mid-term



\*FY23 as per current guidance

# Cost efficiencies more than offset inflation over the mid-term



# We expect c.£46m of cost increase in the mid-term...



## *FX Rate*

Assumed at \$1.23  
throughout plan



## *Utilities*

Broadly back to  
FY22 levels



## *Wages*

4% average per  
annum vs FY23



## *Freight*

Assumed -20%  
reduction vs FY23



...offset by c.£51m of cost savings



***Product cost  
reduction***

c. 3.5% cost  
of goods



***Retail  
property savings***

Up to 20 closures  
10% saving on lease  
renewals



***Other efficiency  
programmes***

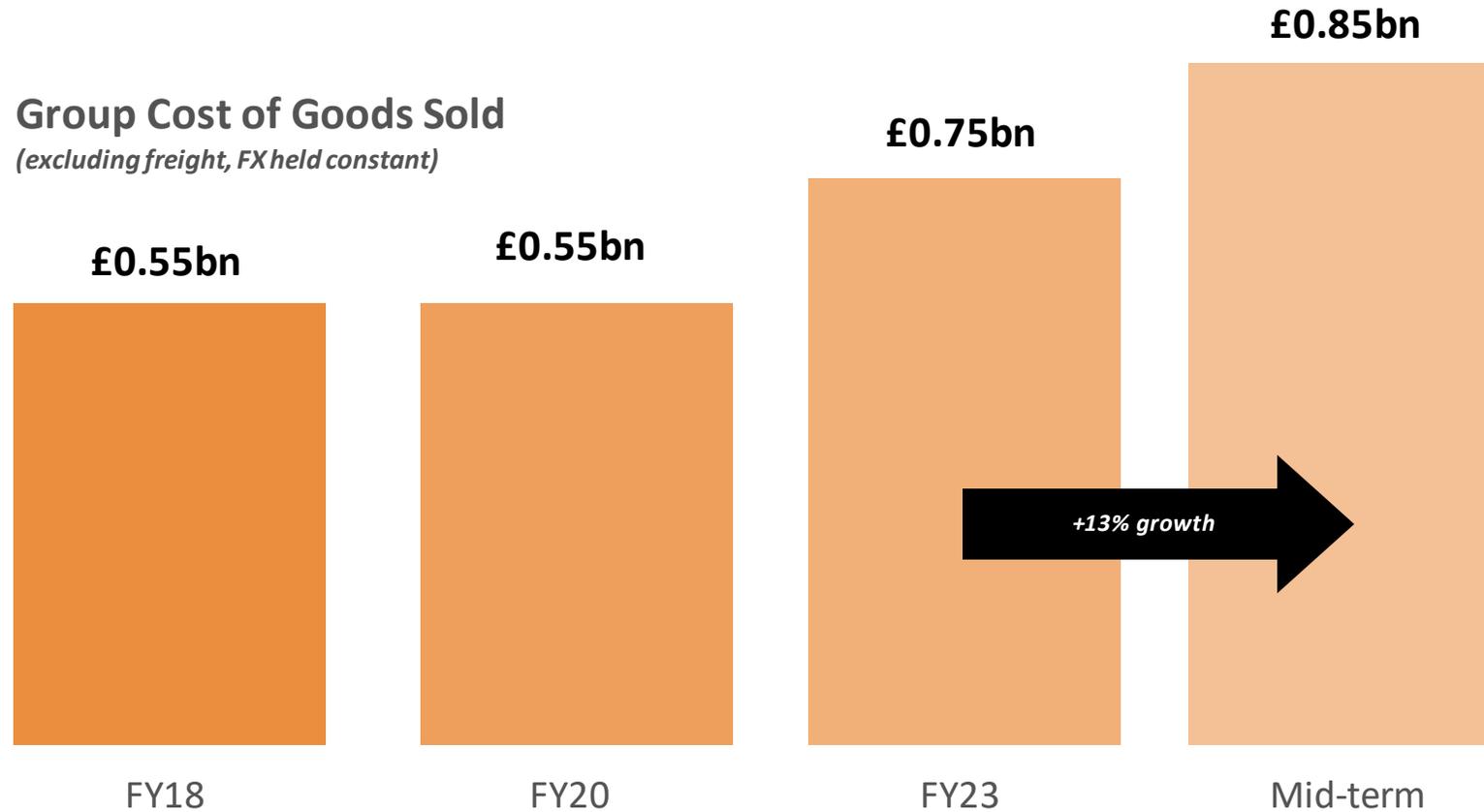
Support costs, org  
design, W&D, store and  
garage costs



# Product costs represent the largest part of the cost base and the most significant opportunity looking forward



**Group Cost of Goods Sold**  
*(excluding freight, FX held constant)*



**400+**  
Suppliers

**£0.8bn+**  
Spend p.a.

**+6%**  
Product cost inflation  
vs FY21



# An externally supported group-wide better-buying programme is in place to deliver targeted savings



## *Strategic Supplier Partnerships*

Partnering with key suppliers over the long-term to drive:

- Growth and value – more for more
- Innovation and creativity
- Supply chain flexibility
- Sustainability supporting ESG agenda

*Top 20 suppliers represent 50% of the cost of goods sold*

## *Value Engineering*

Revisiting the formulation and componentry of own-brand products to reduce cost.

*4% reduction in costs delivered historically through individual product re-engineering*

Underpinned by investment enhancing a data-based approach to supplier management and negotiation.



# An externally supported group-wide better-buying program is in place to deliver targeted savings



## *Own-Brand Growth*

Targeted increases in own-brand penetration, delivering lower COGS and higher margin through:

- Increasing the proportion of goods sourced directly through Halfords' Hong Kong sourcing office
- Increased use of supplier tenders

*Own-brand margins >2%pts higher due to lower cost of goods sold*

## *Group-Buying Synergies/scale*

Leveraging the enlarged scale of the group to reduce cost prices:

- Consolidation of the supply base
- Group-wide agreements across retail/garages/mobile

*Our supplier base have seen 36% increases in the cost of goods purchased since FY20*

Underpinned by investment enhancing a data-based approach to supplier management and negotiation



# Compelling reasons to believe in significant opportunity to reduce the cost of goods that we sell



Data-enabled better-buying program underway, supported by 3rd party consultants



Negotiations strengthened as Halfords offers suppliers unparalleled growth opportunities following investment in physical and digital infrastructure and launch of loyalty club



Targets supported by external benchmarks

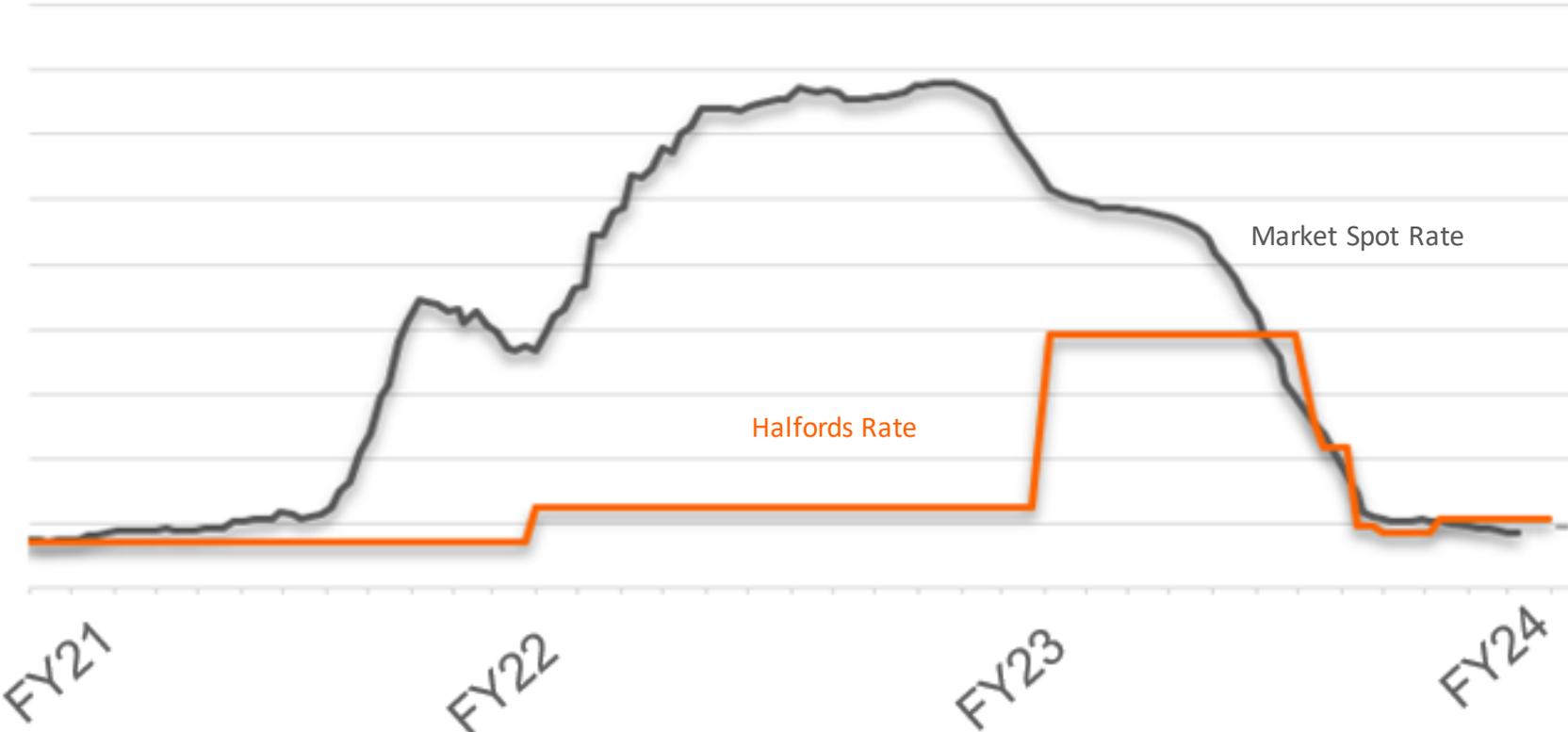
**£30m**

**Targeted reduction over mid-term**

**3.5%**

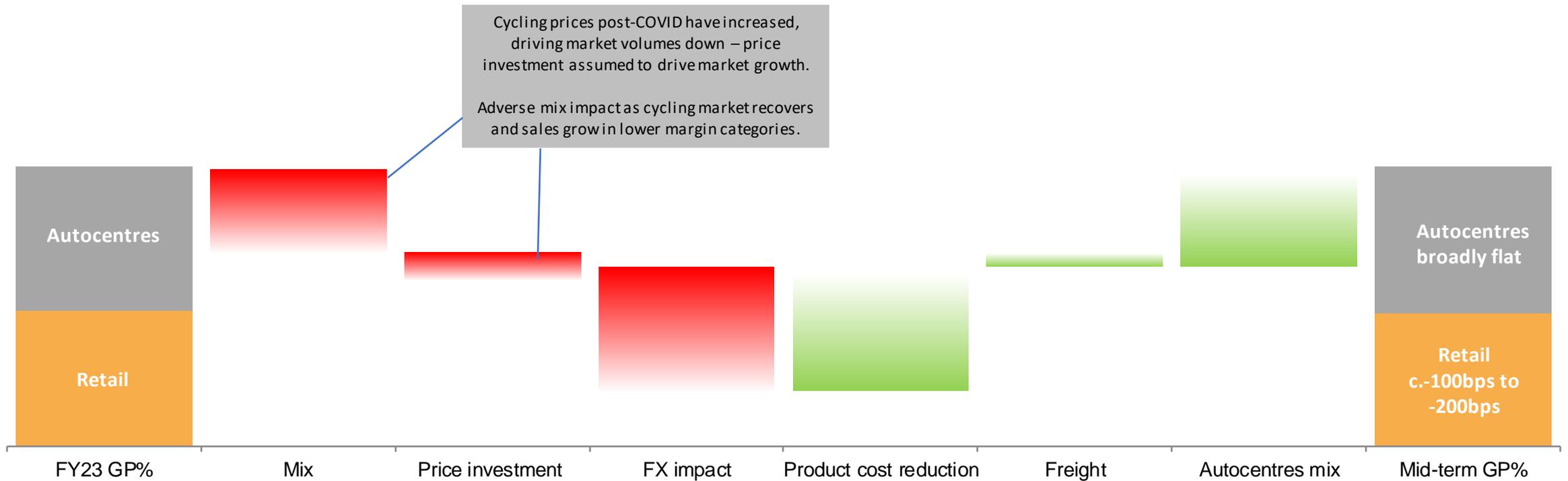
**Cum. mid-term COGS reduction**

# Freight markets are forecast to normalise close to pre-COVID levels



# We expect to maintain gross margin % over the mid-term

Group Gross Margin (%) Bridge - FY23 mid-term



# £6m of savings from reducing the rent of our retail store portfolio

	<i>Stores</i>		
	<b>FY18</b>	<b>FY23</b>	<b>Mid-Term</b>
<b>Locations</b>	480	c.394	c.380
<b>Lease Renewals p.a.</b>		c.40	c.45
<b>Average Saving (%)</b>		c.-15%	c.-10%
<b>Average Lease Length</b>	>5.7yrs	c.3yrs	c.<3yrs

- Retail portfolio costs will be reduced through lease renewals and/or closures.
- Flexibility will be retained within the store base.
- Our assumption on garages is that we will broadly hold the number of garages flat, and have not assumed a saving on rent.
- Retail densities expected to improve by >15% following a double-digit increase in sales, and c.4% reduction in store numbers.



# Our strong track record of over-delivering on cost and efficiency targets means we're well placed for the mid-term



## Central Support Costs

- Rationalisation of GNFR supplier base
- Introduction of Group Data Platform and related efficiencies
- Consolidation and efficiencies in organisational design
- Optimisation of contact centres

**c.£8m**



## Warehouse & Distribution

- Warehouse Management System
- Customs and Duty Platform
- Small, frequent-pick automation

**c.£3m**

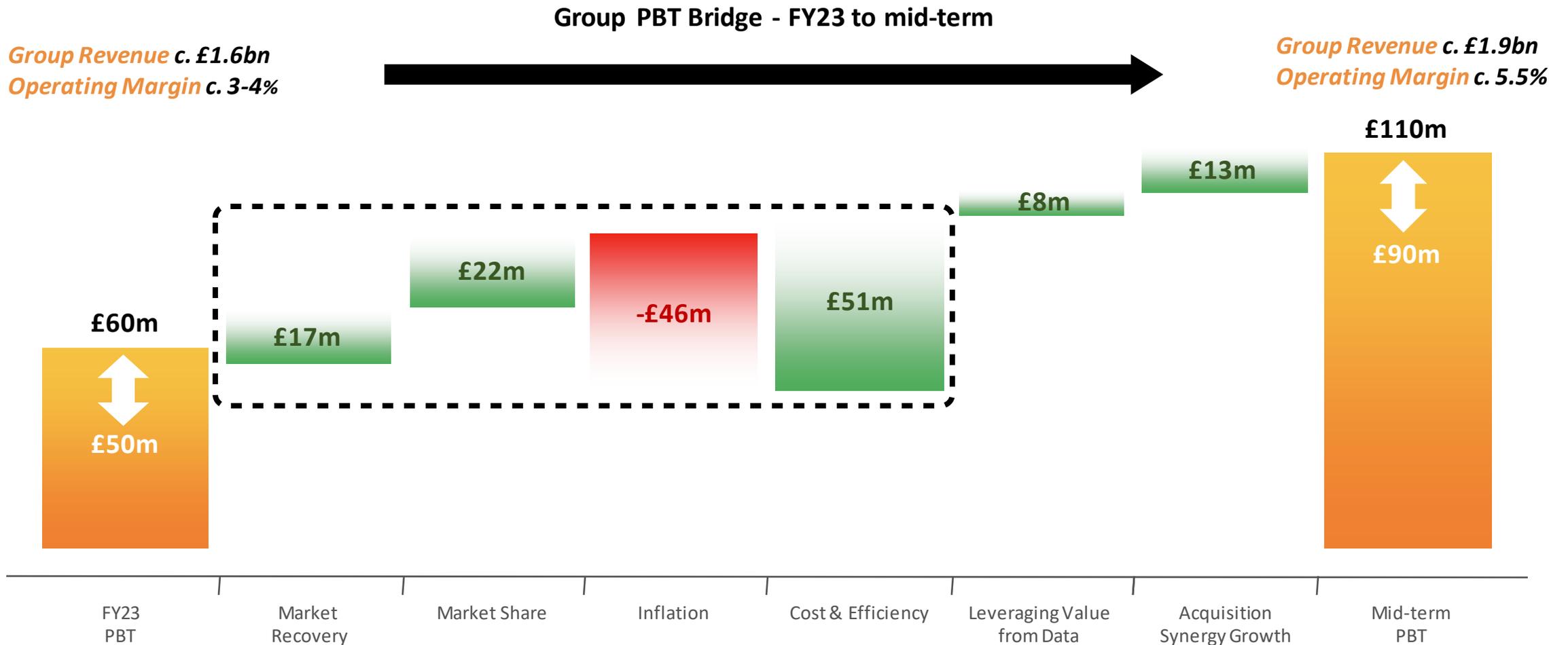


## Store & Garage Operating Costs

- Energy consumption reductions through building management systems and LED
- Continuation of established "We Operate For Less" program
- Improved garage utilisation

**c.£4m**

# Our cost and market assumptions drive >£40m of profit growth in the mid-term



\*FY23 as per current guidance

# Mid-term plan: leveraging the platform - summary

**1**

FY23 & FY24 expected profit suppressed by market and inflationary headwinds.

*Mid-term PBT forecast to grow to £90m-£110m* as markets recover, we grow market share, and focus on cost reduction.

**2**

*Capex expected to fall to £50-60m per annum in the mid-term* (c.3% of revenue).

No significant M&A expected as we focus on leveraging the platform we have created.

**3**

Investment returns have been suppressed by current market and inflationary pressures.

*Return on Capital Employed is expected to grow to over 15% in the mid-term*, supported by stronger cash generation.

# *Leveraging data and lifetime value*

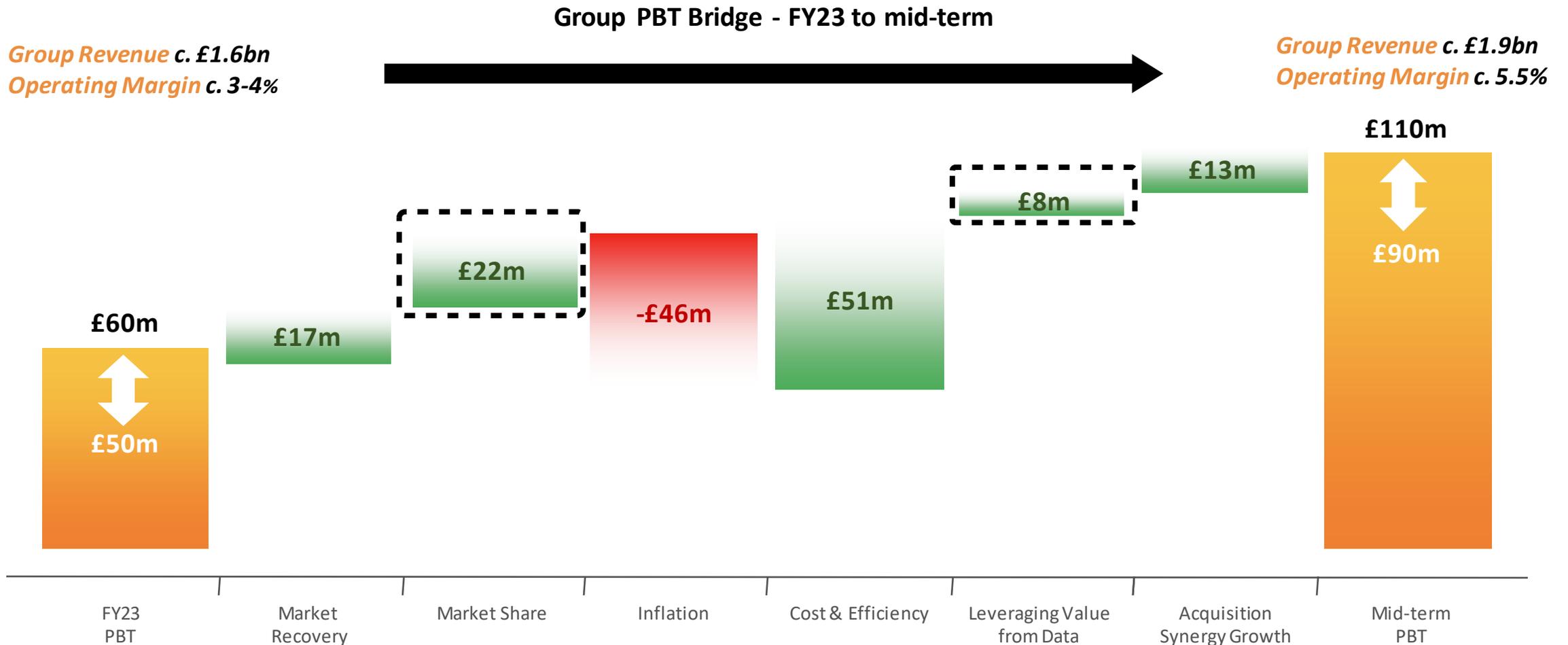
**halfords**

**Karen Bellairs**

Group Chief Customer & Commercial Officer



# The value that data and lifetime is expected to have on our mid-term performance



# Sophisticated data collection with multiple feeds from our customers and their vehicles



**Name**  
**Address**  
**Email**  
**Phone**  
**Mailable status**  
**Age**  
**Income**  
**Gender**  
**Life stage**  
**CRM engagement levels**  
**Purchase history**  
**Products purchased**  
**Channels shopped**  
**Payment method**  
**Car and bike service history**  
**Products fitted**

**Service work recommendations**  
**Service work taken**  
**Value of service work taken**  
**Nearest store, garage**  
**Most used store, garage**  
**Web browse history**  
**Web conversion**  
**Vehicle registration number**  
**Motoring Club membership details**  
**Motoring Club engagement**  
**Motoring Club redemption**  
**Customer service interactions**  
**NPS scores**  
**Propensity to respond**  
**Propensity to spend on category**  
**Segment type**

# Sophisticated data collection with multiple feeds from our customers and their vehicles

## Vehicle condition

Car make model mileage

Vehicle registration number

MOT advisories

Tyre tread

Mileage

MOT due

Service due

MOT fail criteria

Brake pad condition

Wiper blade condition

Bulb condition

Body condition e.g., chips

Wheel alignment



## Engine health diagnostics

Fluid levels

Suspension

Service history (Halfords delivered)

WeCheck assessments

Fitting needs related to product purchase

Purchase history

Next likely product purchase

Compatible product for car  
– what you need

Car seats that fit your car

WeFit health assessment

WeFit history – how we've  
changed your car

# How we collect our data is diverse and unique

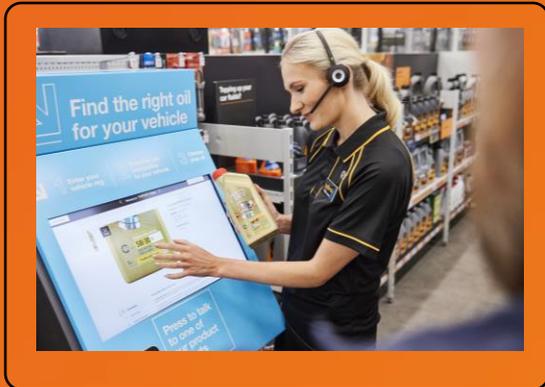


Capturing the sheer volume and scale of customers to our stores and website

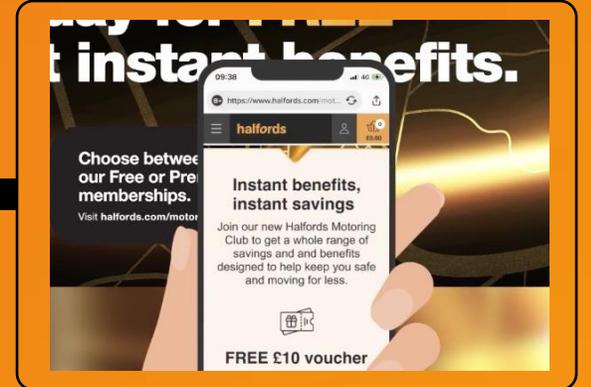
**Web: 131m annual visits**

**Retail stores: 31.5m annual transactions**

# How we collect our data is diverse and unique



Investment in infrastructure systems and software to enable collection, including our own technology  
**Avayler**



# How we collect our data is diverse and unique



The unrivalled quality of data captured from being inside customers' cars differentiates us from our competitors

**Garages & mobile vans:  
5m annual service jobs**

**Retail car parks:  
3.8m annual service jobs**

# How we collect our data is diverse and unique

**35m**

vehicle records checked

**16m**

vehicle registration numbers



Nearly half the U.K. car parc.

# The growth in data collection over the past 5 years has been truly transformative

Vehicle registration numbers



Email records



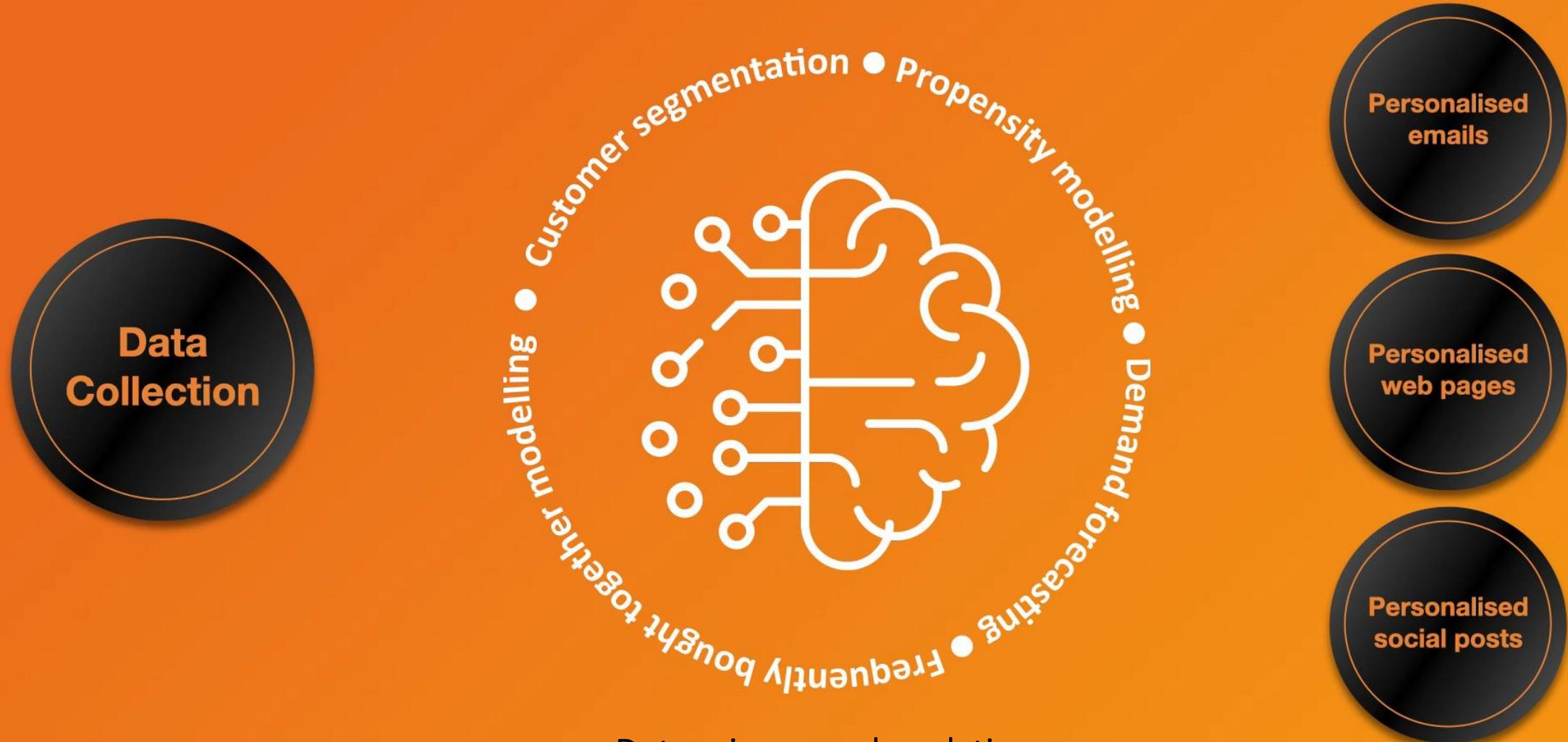
Visible customers



Sales linked to customer records

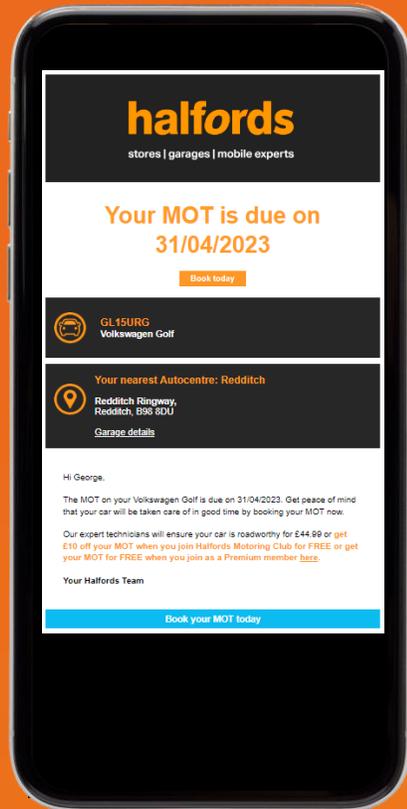


# Our advancing analytics capability and data science transforms this unique data

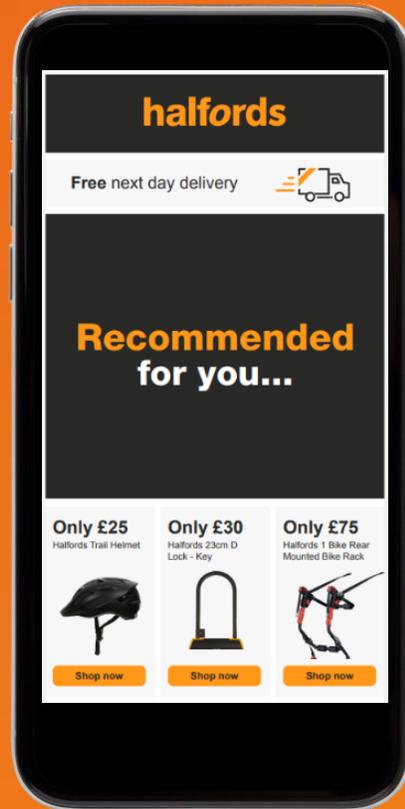


Data science and analytics

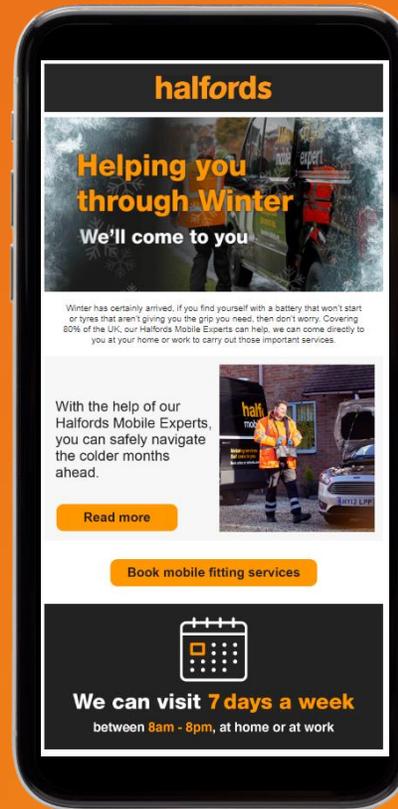
# Powering intelligence and personalisation across our customer touchpoints



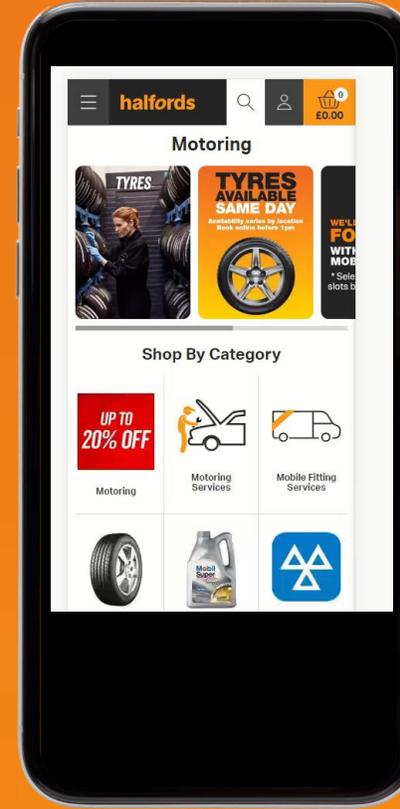
MOT reminder email



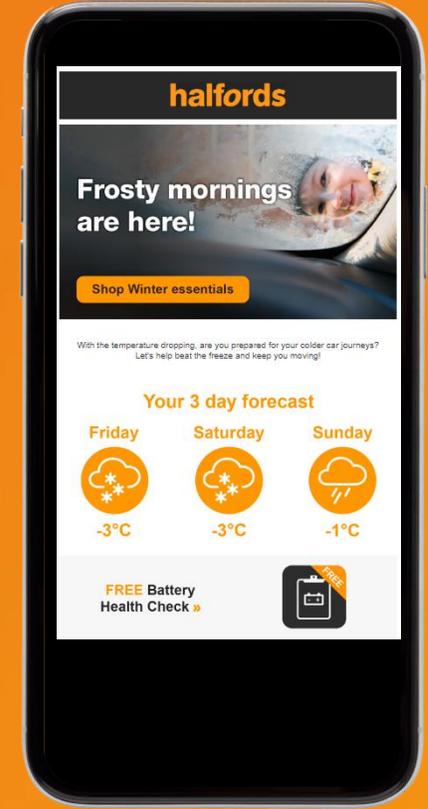
Cycling product recommender



Halfords Mobile Expert email



Tyre web personalisation



Weather personalisation email

# Using data to create personalised experiences is growing significant value for the Group

**1.5x**

Increase in conversion  
of web pages

**£282m**

CRM sales v £60m FY19

**1.5x**

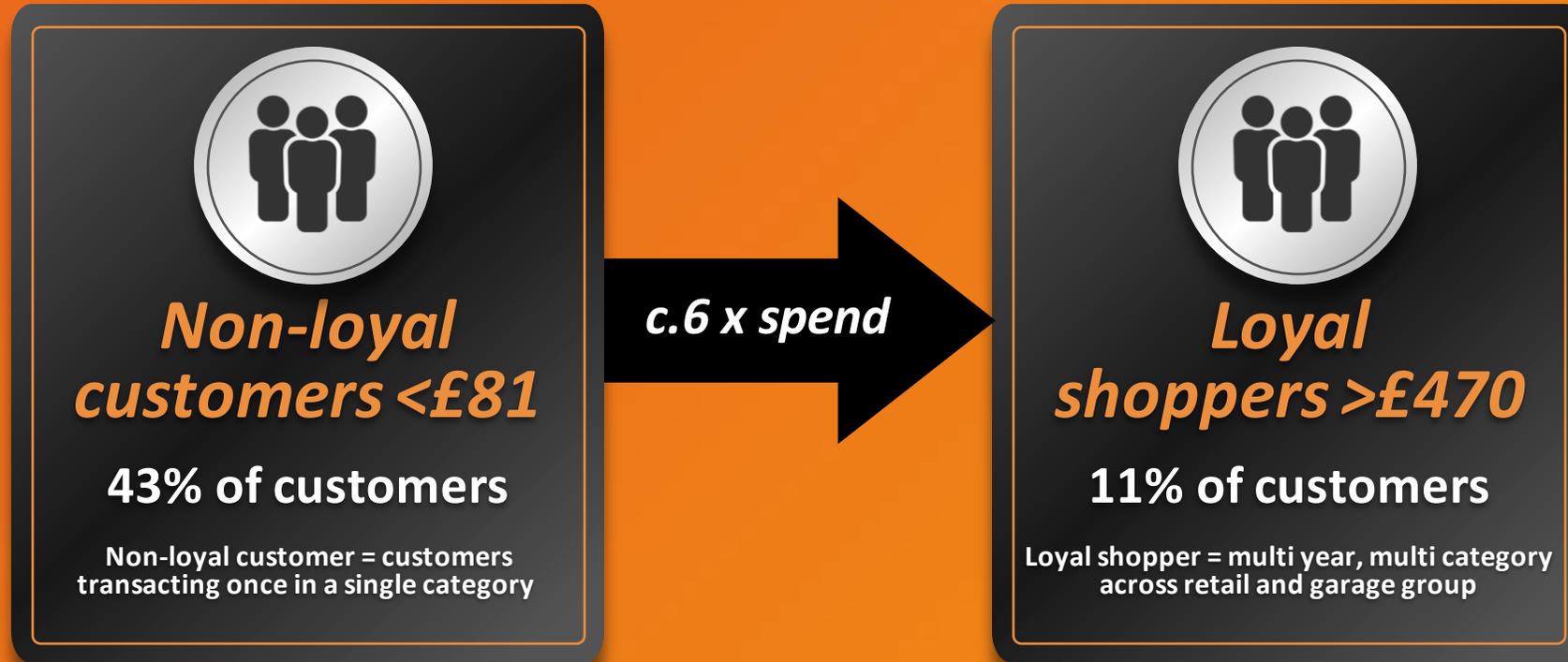
Spend per customer  
with opt-in\*

**2.4x**

Spend per customer  
with opt-in and VRN  
capture\*



# Growing lifetime value is key to our strategy, and we have both headroom to grow and confidence in the prize

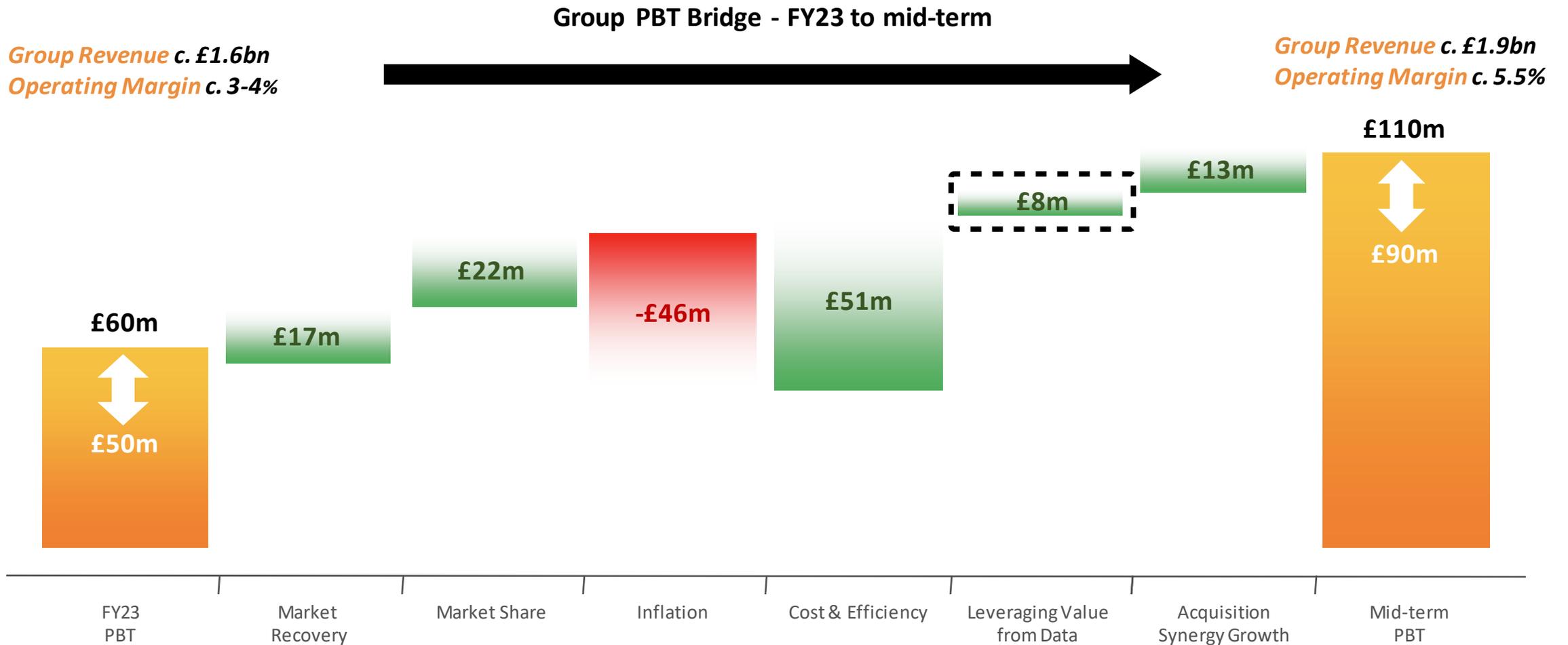


**1% pt movement drives £77m revenue**

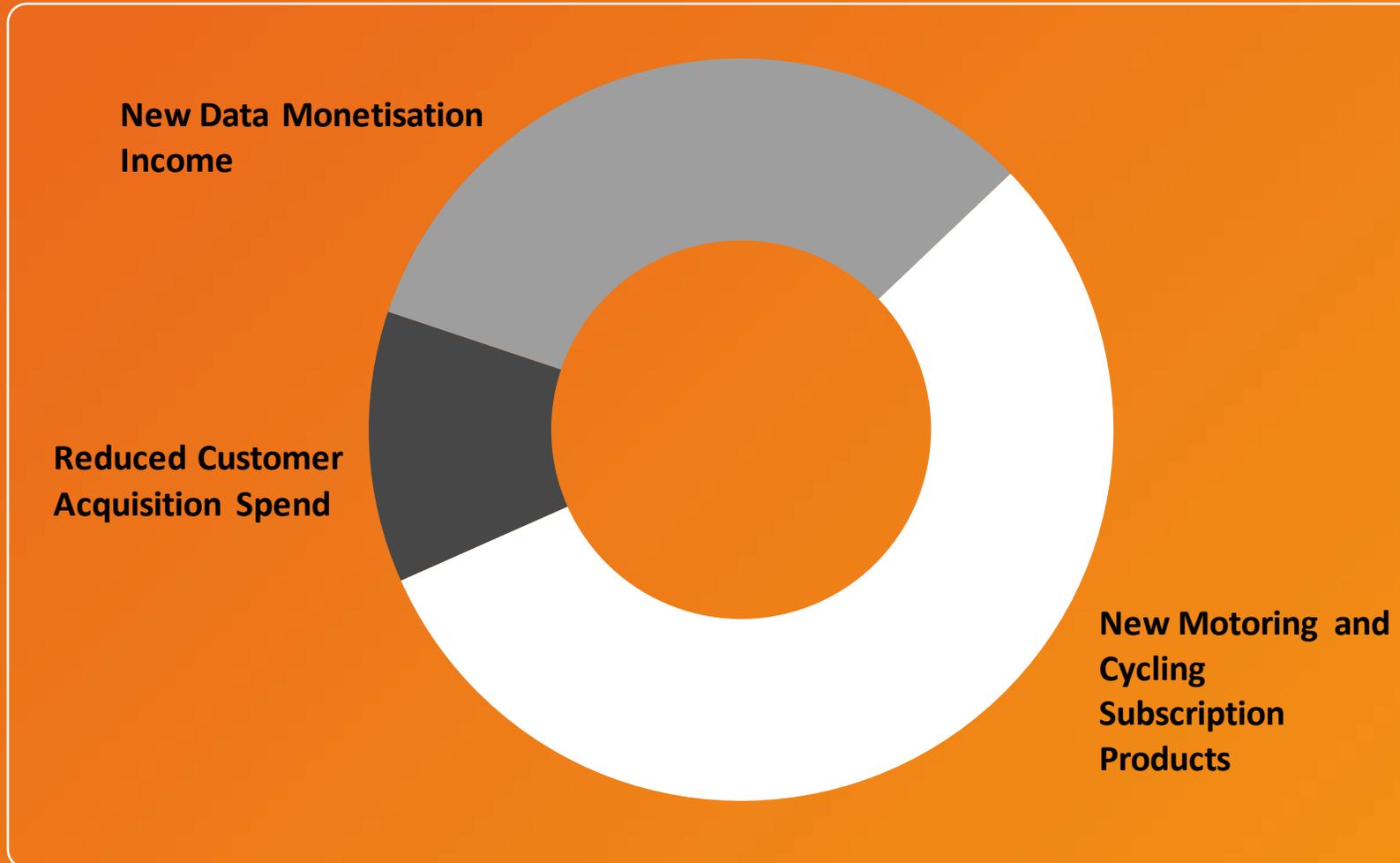
All figures measured over a 3-year period



# The value that data and lifetime will have on our mid-term performance



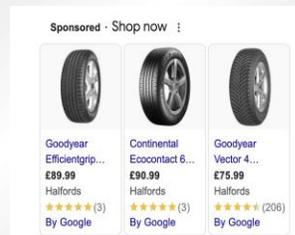
# Leveraging data over the mid-term is expected to unlock a discreet and incremental £8m PBT



# Club Membership will unlock lower acquisition costs for the Group

## From...

Spending on expensive traditional advertising such as outdoor and paid Google listings.



Higher cost per acquisition



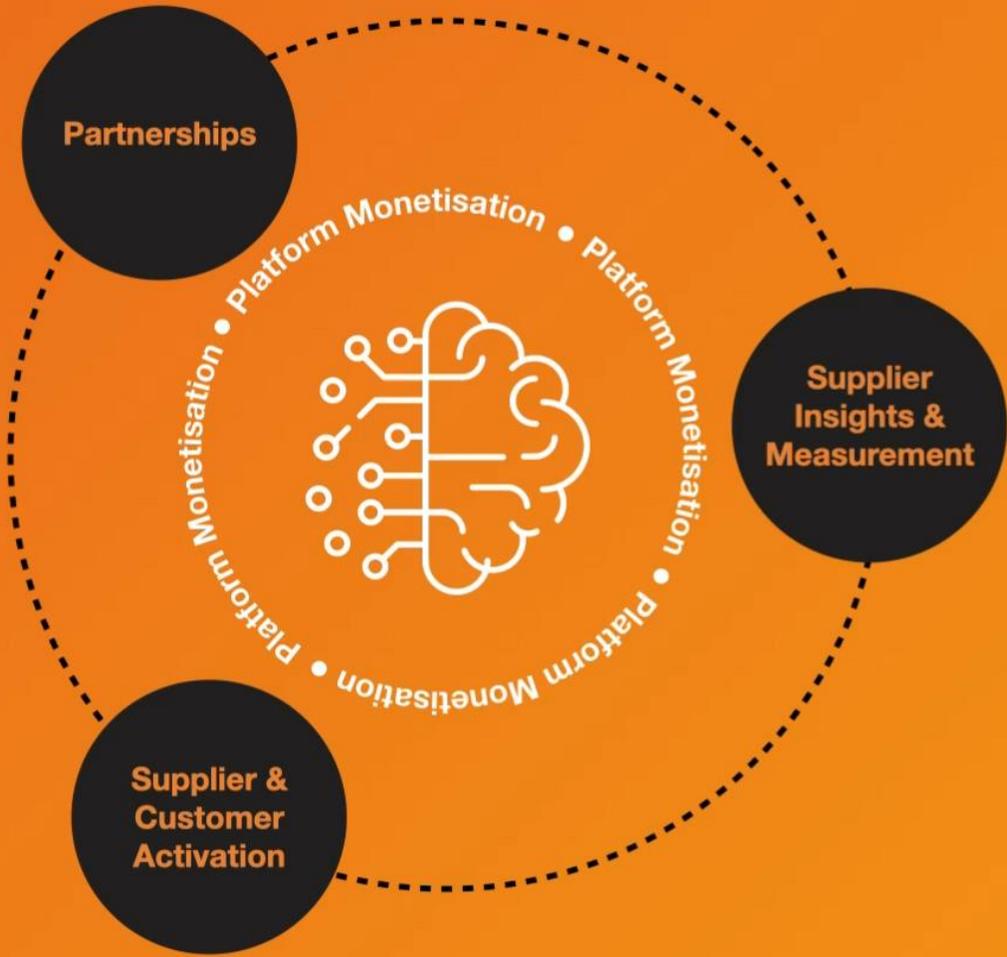
## To...

Using Halfords stores & website to refer customers to our garage services business through the Motoring Club.



Lower cost per acquisition

# A new monetisation income from leveraging our unique data platform



# A roadmap for future subscription propositions

## *Motoring consumables*



## *Cycle care service*



## *Cycling Club*

**halfords  
cycling  
club**

# A case study: Motoring Club

**Great savings that keep you moving.**

**halfords motoring club**

**Join for FREE**

**Join today for FREE and get instant benefits.**

Choose between our Free or Premium memberships.

Visit [halfords.com/motoringclub](https://halfords.com/motoringclub) or scan here

Club Benefits	Free	Premium
MOT deals	£10 OFF MOT	FREE MOT
10-Point vehicle health check	1 x FREE	2 x FREE
£10 welcome voucher	✓	✓
Priority phone & email contact	✓	✓
Your personal digital garage	✓	✓
Digital wallet loyalty card	✓	✓
FREE fitting (includes pair of brake pads)	✓	✓
5% OFF member pricing in motoring	✓	✓
FREE next day delivery (online orders)	✓	✓
Priority booking slots with HME	✓	✓

# In its first year, Motoring Club is delivering strong results

**1.7m**

Highly engaged members

**New**

and younger customers

**7.4%**

Paid subscription mix

**+4pts**

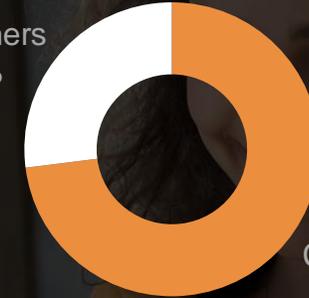
Record NPS scores

**15%**

*cross-shop*  
vs c.4%  
non-members

## Members New to Halfords Group

New Customers  
27%



Existing Customers  
73%

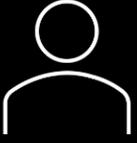
## Members New to Garage Services

Existing Customers  
20%



New Customers  
80%

# We are enjoying tangible benefits from valuable Motoring Club members

Customer Type	Subscription Revenue	Shop Frequency	Average Spend per Visit*	Customer Numbers	Revenue Uplift per Customer	Revenue Vs Non-Loyalty
 Non-Member	£0	2.1x 	£36 			
 Free Member	£0	3.2x 	£44 	1.58m	£63	+£98.8m
 Paying Loyalty Member	£44	5.1x 	£65 	116k	£245	+£30.7m

\*Excludes subscription revenues. All values exclude VAT. Customer numbers for full financial year. All other numbers from customers signing up during first 6 months and behaviour up to week 52.

# We have high ambitions for future membership growth

***Now***

**1.7m members**

**7.4% subscription**



***Mid-term***

**4-6m members**

**8-10% subscription**

# Data and lifetime summary

**1**

We have built a **Unique Data Platform**.

With **30m** visible customers, and **16m** vehicle registration numbers, we know more about our customers and their vehicle needs than they do.

**2**

Driving breadth of shop and multi-year retention from **personalisation drives value**.

**c.6 x more value** from a loyal cross-shopper.

Underpinning **market share growth**.

**3**

**Incremental £8m PBT** from reducing cost per acquisition, monetisation and subscriptions.

**Motoring Club is a case study** for changing customer behaviours and is expected to grow to **4-6m members** in the mid-term.

# *Leveraging garage services*

**halfords**

**Rob Keates**

Group Chief Operating Officer



# Key headlines

# 1

Grow garage services annual EBIT to

**£40-50m**

in the *mid-term*.

# 2

**£13m**

Of this profit growth delivered from synergy growth in *National and Lodge acquisitions*.

# 3

Drive *utilisation* in both acquired and existing garages, underpinning profitable market share growth.

Our garage services business is at the very centre of our strategy

“

To evolve into a *consumer and B2B services-focused* business, with a greater emphasis on *motoring*, generating higher and more sustainable financial returns.

”

# We have transformed our autocentres business over the last four years

## *Original Core Autocentre Model*



- Paper-based systems
- Decentralised buying
- Autonomous and separate business
- Inconsistent customer journeys and operational practices

**2018**

## *New Core Autocentre Model*



- Digital platform - Avayler
- Centralised, aggregated buying
- Integrated into the Halfords Group single website
- Consistent, digitalised, customer and operational practices

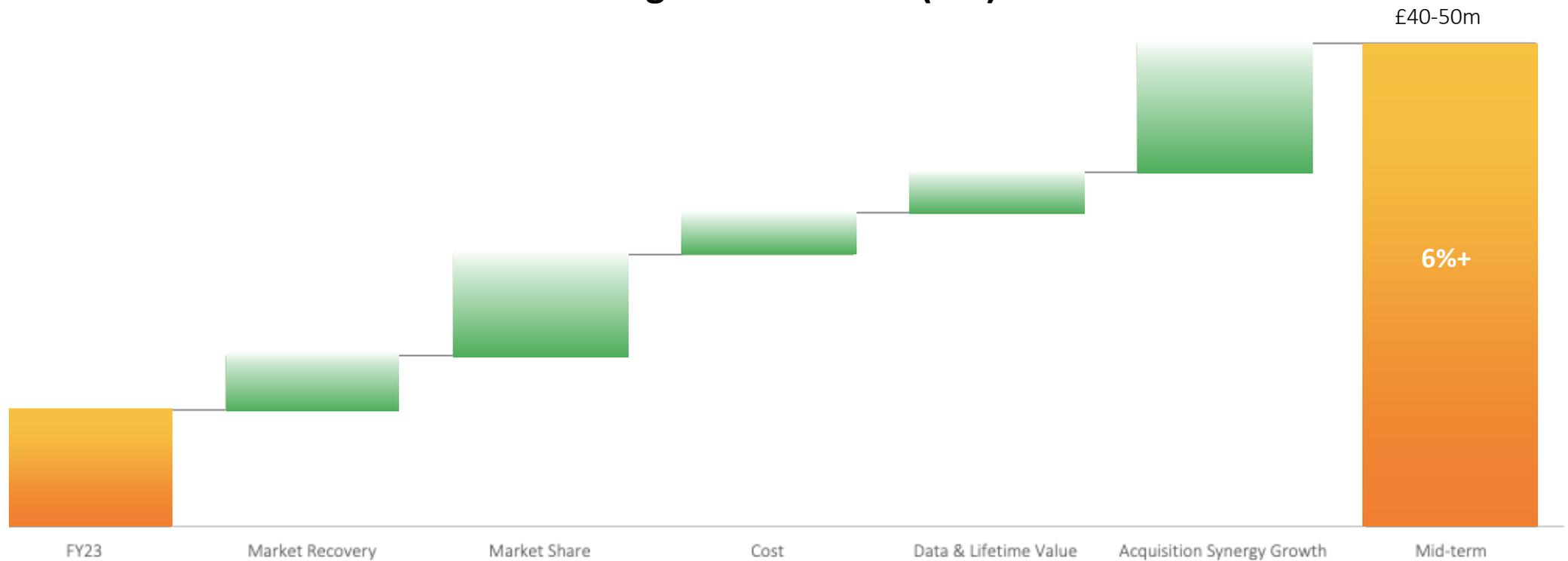
**Today**

# In our core Halfords autocentres business, we have a proven blueprint for profit growth

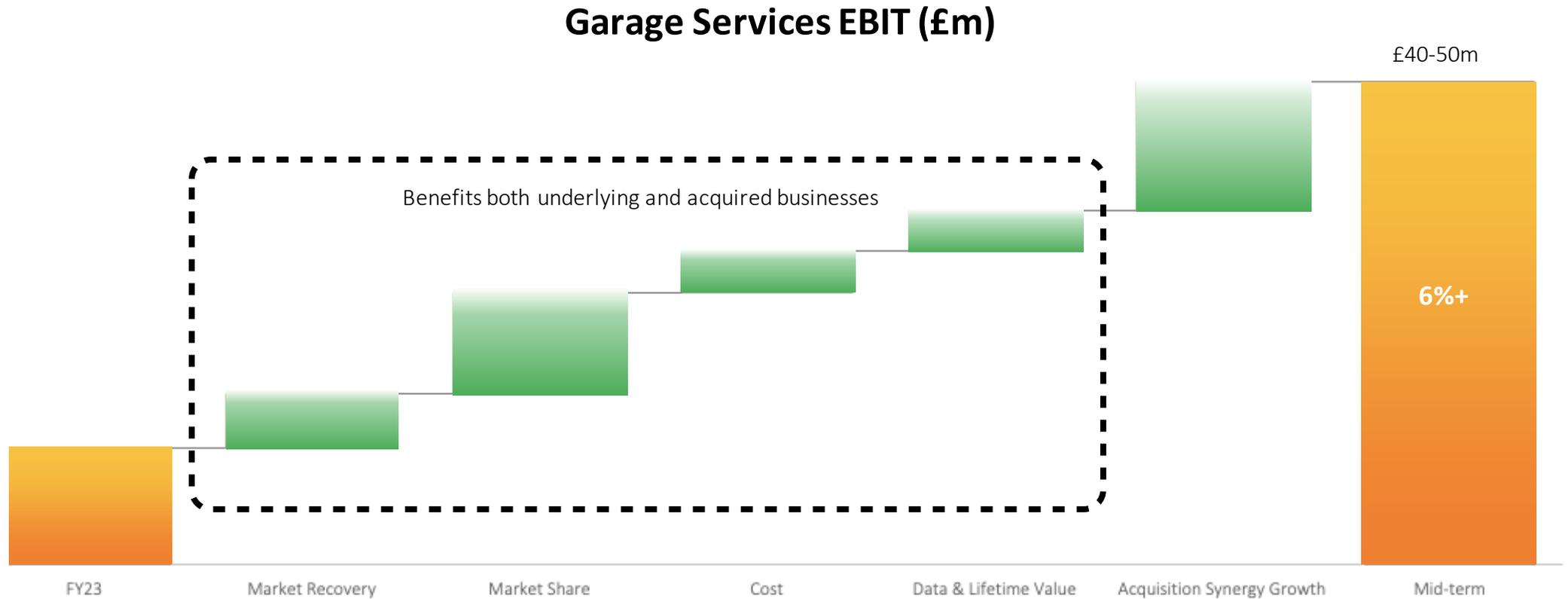
<b>halfords autocentre</b>	<b>FY18</b> 316 garages	<b>FY22</b> 306 garages
Sales	£158m	£196m
Margin	£45.6m	£55.8m
Costs	£41.5m	£44.4m
Costs %	26.3%	22.7%
<b>EBIT</b>	<b>£4.1m</b>	<b>£11.3m</b>
EBIT %	2.6%	5.8%

**Our ambition is to grow garage services to £40-50m EBIT  
in the mid-term, with an operating margin of 6%+**

### Garage Services EBIT (£m)

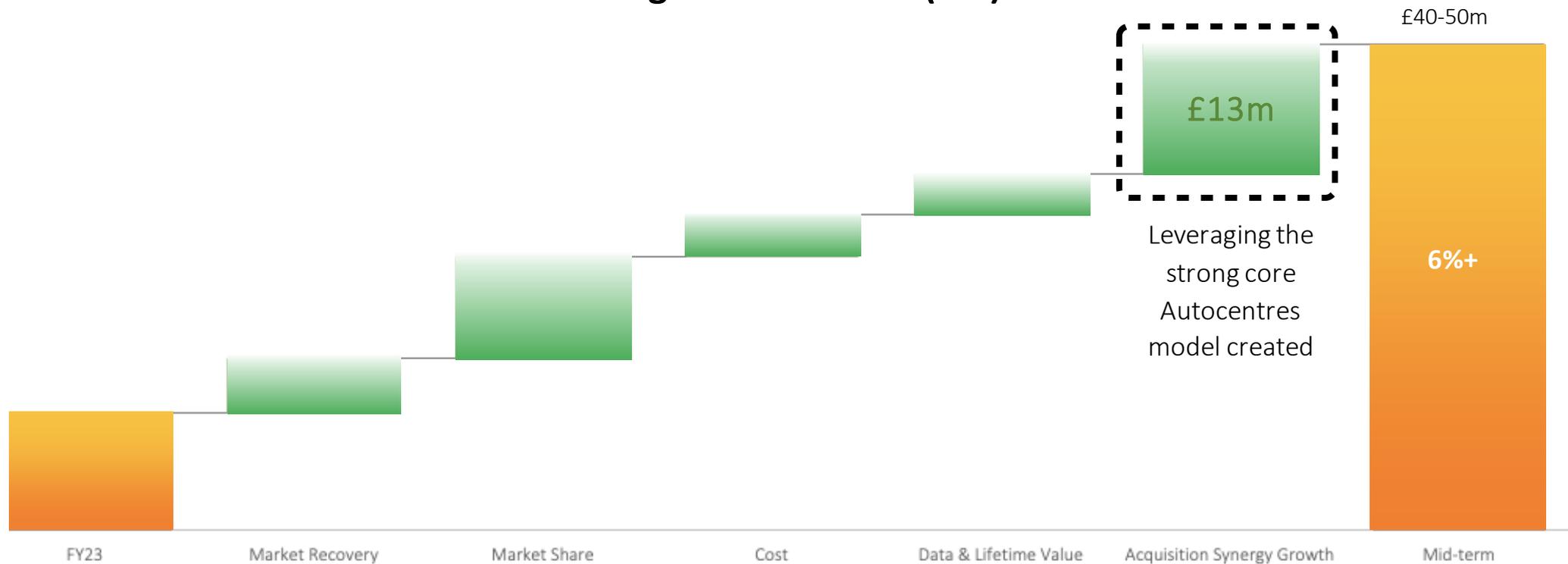


# Garage services are expected to benefit from the key pillars of the mid-term plan



# We will first focus on the £13m we are expecting to be contributed from our acquisition synergy growth over the mid-term

## Garage Services EBIT (£m)



## Key headlines

# 1

Grow garage services  
annual EBIT to  
**£40-50m**  
in the *mid-term*.

# 2

**£13m**  
Of this profit growth  
delivered from synergy  
growth in *National and  
Lodge acquisitions*.

# 3

Drive **utilisation** in  
both acquired and existing  
garages, underpinning  
profitable market share  
growth.

# We have a clear vision on how we believe our acquisitions will create value

Grow  
scale



Increasing our scale is expected to create **buying and cost synergies.**

National  
coverage  
- reduced  
drivetime



Creating more convenience through more locations is expected to **increase our share.**

Leverage  
core  
Autocentres  
platform



Implementing our operating model and Avayler is expected to **transform the performance of** garage services.

Expand  
capabilities



Expanding our capabilities is expected to give us **an improved offer and a bigger market** to exploit our platform.

# To achieve growth we have successfully completed a series of strategic acquisitions

Garages: 650  
Vans: 737

Acquisition of  
Lodge Tyre



FY23

Acquisition of  
National Tyres



FY22

Acquisition of Tyres  
On The Drive, &  
McConechy's



FY21

Acquisition of  
Universal Tyre



FY20

Halfords Mobile  
Expert launched



FY18

Garages: 316  
Vans: 0

# We expect to deliver against the acquisition business case in the mid-to-long-term



## 1 Acquisition business case

“Our base case expected EBITDA for National in the first full year..., assuming the tyre market returns .... is c.£5.9m pre-synergies”

“Synergies of c.£18m by year 5, with a third achieved in year 1.”

## 2 Current progress

### Objective

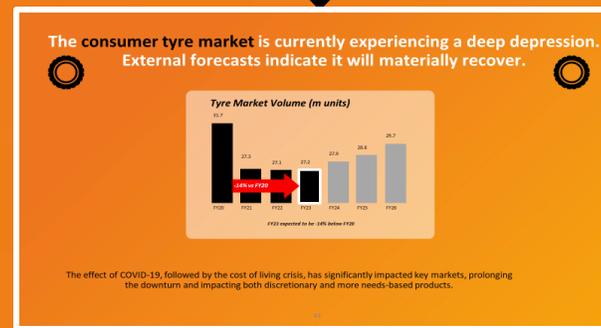
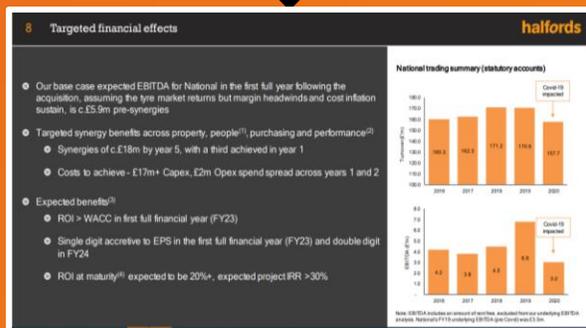
A third of synergies in year 1  
£18m of synergies by maturity  
£5.9m base case EBITDA

### Status

Complete
On track
Delayed

## 3 Updated forecast

Delivery of the acquisition business case **will be achieved**, but now in the **mid-to-long term**. We will focus on both **synergies** and **improving the underlying business performance**.



# Our synergy plan is on track and has delivered over £6m of benefit, in line with our original plan

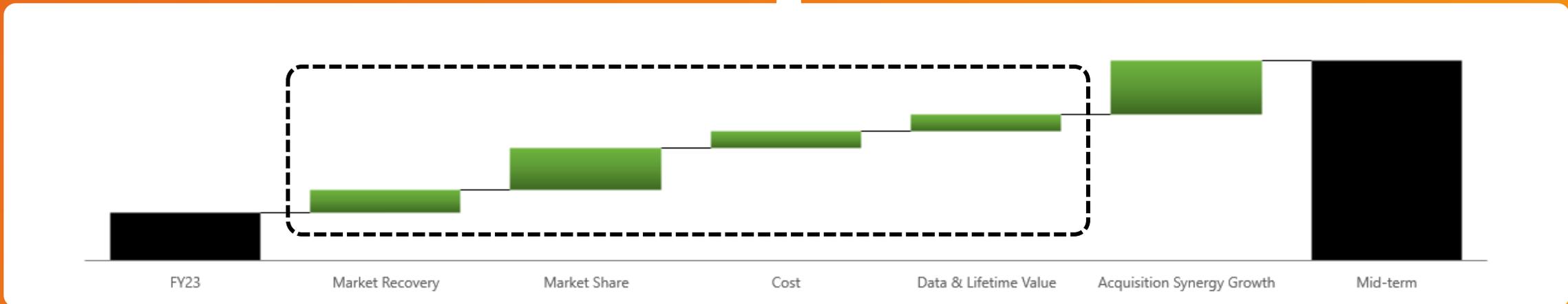


	Value area	Synergy plan	Progress	Key successes		FY23 synergy delivered	Mid-to-long term synergy value
	Grow scale (Purchasing)	Tyre & parts economies of scale		<b>£5m+</b> Annualised savings negotiated	<b>128,000</b> Wholesale tyres to HAC group	<b>£6m+</b>	<b>£18m+</b>
		Halfords to use Viking network					
		Halfords GNFR contracts					
	National coverage (People & property)	Exit underperforming sites		<b>£1m</b> Annualised head office saving	<b>26</b> Sites merged or closed		
		Technician redeployment					
		Consolidation of central support roles					
	Leverage core platform (Performance)	Integration into Halfords.com		<b>100%</b> Garages using Avayler	<b>27%</b> Growth in National SMR		
		Rollout of Avayler system					
	Expand capabilities Other synergies	Synergies from group fleet business		<b>17%</b> YoY growth in fleet revenue	<b>SAME DAY</b> Tyre booking		
		Improved Halfords tyre proposition					

# We also have a range of initiatives for National to drive the recovery of the underlying business



Market recovery	Market share	Cost initiatives	Data
<ol style="list-style-type: none"><li>1. Recovery of market from -14% in FY23 to c.-3% pre-COVID by the mid-term</li></ol>	<ol style="list-style-type: none"><li>1. Increase SMR growth &amp; install more MOT lanes</li><li>2. Implement local demand &amp; capacity matching</li><li>3. Expanded B2B group fleet offering</li></ol>	<ol style="list-style-type: none"><li>1. Further GFR &amp; GNFR tenders</li><li>2. Acquisition cost savings from local retail referrals</li></ol>	<ol style="list-style-type: none"><li>1. Rollout of Halfords Motoring Club</li><li>2. Specific tyre based loyalty offers</li></ol>



# Lodge performance in-line with business case, with the commercial tyre market proving resilient



## 1 The Market



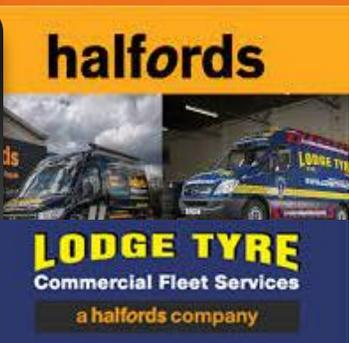
- Replace and manage tyres on large commercial vehicles
- Total market value >£800m
- Primarily a B2B market serviced by mobile technicians

## 2 Synergies Delivered



- **Commercial tyre UK market leader**
- Combined and consolidated infrastructure
- Deeper tyre manufacturer partnerships
- Nationwide coverage

## 3 What's Next



- Further expansion to grow reach
- Implement Avayler software
- Build our brand execution
- **On plan to deliver the acquisition business case**



# In summary our synergy plans are on track, with £13m anticipated in the mid-term

## 1 National

c.£6m synergies delivered in FY23

c.£10m additional synergy growth in mid-term

c.£18m total synergies delivered by the mid-to-long term

## 2 Lodge tyre

Synergy plan on track (FY23 acquisition)

c.£3m of synergy growth in mid-term

c.£4m total synergies delivered by the mid-to-long term

## 3 Combined outlook

c.£13m of additional synergy growth in mid term

c.£22m of total synergies delivered by the mid-to-long term

Full acquisition business case delivered for both businesses in mid-to-long-term

Our synergy plan is on track and has delivered over £6m of benefit, in line with our original plan

Value Area	Synergy Plan	Progress	Key successes	Total synergy delivered	Mid-to-long term synergy value
Grow scale (Purchasing)	Tyre & parts economies of scale Halfords to use Viking network Halfords GNR contracts	100%	£5m+ Annualised savings negotiated 128,000 Wholesale tyres to H&M group	£6m+	£18m+
National coverage (People & process)	Exit underperforming sites Technician redeployment Consolidation of several support roles	100%	£1m Annualised head office saving 26 Sites merged or closed		
Leverage core platform (Performance)	Integration into Halfords.com Rollout of Aveter system	100%	100% Garage using Aveter 27% Growth in National SMR		
Expand capabilities (Other synergies)	Synergies from group fleet business Improved Halfords tyre proposition	100%	17% YoY growth in fleet revenue SAME DAY Tyre building on H&M		

Lodge performance in-line with business case, with the commercial tyre market proving resilient

1 The Market	<ul style="list-style-type: none"> <li>Replace and manage tyres on large commercial vehicles.</li> <li>Total market value &gt;£30bn.</li> <li>Primarily a B2B market serviced by mobile technicians</li> </ul>
2 Synergies Delivered	<ul style="list-style-type: none"> <li>Commercial tyre UK market leader</li> <li>Combined and consolidated infrastructure</li> <li>Deeper tyre manufacturer partnerships</li> <li>Nation-wide coverage</li> </ul>
3 halfords	<ul style="list-style-type: none"> <li>Further expansion to grow reach.</li> <li>Implement Aveter software.</li> <li>Build our brand execution.</li> <li>On plan to deliver the acquisition business case.</li> </ul>

We also have a range of initiatives for National to drive the recovery of the underlying business

Market recovery	Market share	Cost initiatives	Data
<ol style="list-style-type: none"> <li>Recovery of market from -24% in FY23 to c.-20% pre-COVID by the mid-term</li> </ol>	<ol style="list-style-type: none"> <li>Increase SMR growth &amp; install more MCHT lanes</li> <li>Implement local demand &amp; capacity matching</li> <li>Expanded B2B group fleet offering</li> </ol>	<ol style="list-style-type: none"> <li>Further GFR &amp; GNR tenders</li> <li>Acquisition cost savings from local retail referrals</li> </ol>	<ol style="list-style-type: none"> <li>Rollout of Halfords Monrovia Club</li> <li>Specific tyre based loyalty offers</li> </ol>

## Key headlines

# 1

Grow garage services  
annual EBIT to  
**£40-50m**  
in the *mid-term*.

# 2

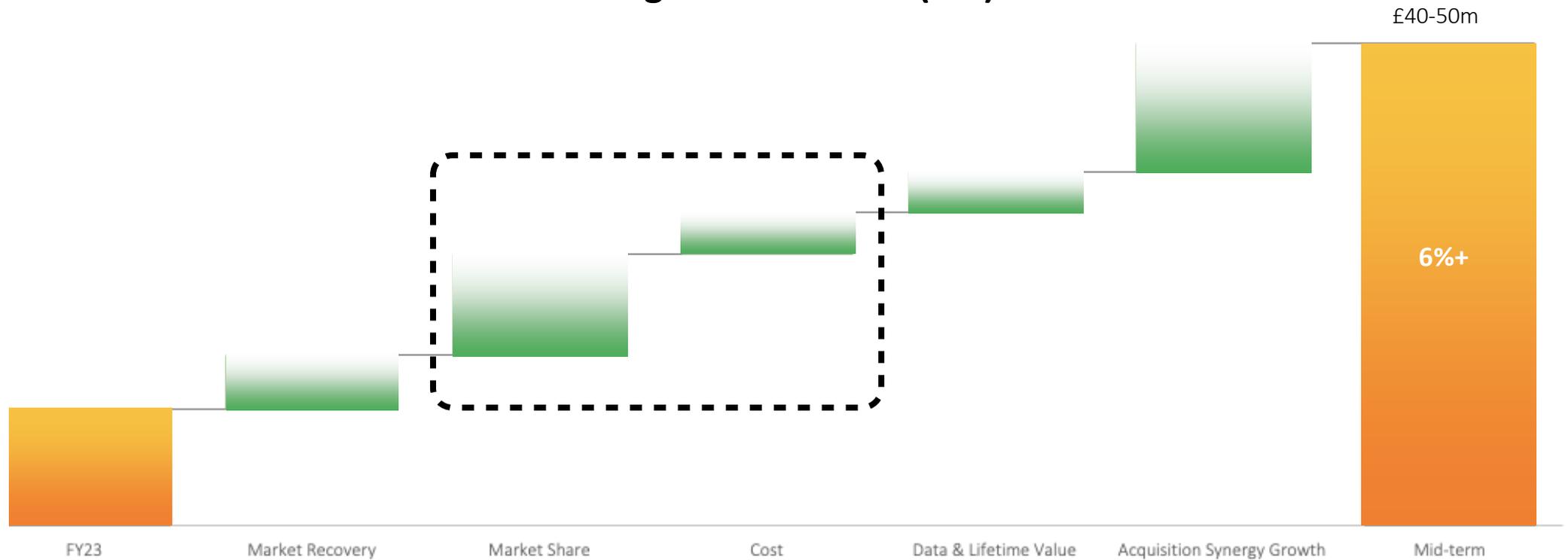
**£13m**  
Of this profit growth  
delivered from synergy  
growth in *National and  
Lodge acquisitions*.

# 3

Drive *utilisation* in  
both acquired and existing  
garages, underpinning  
profitable market share  
growth.

# Utilisation underpins the profit growth driven by cost savings and market share increases

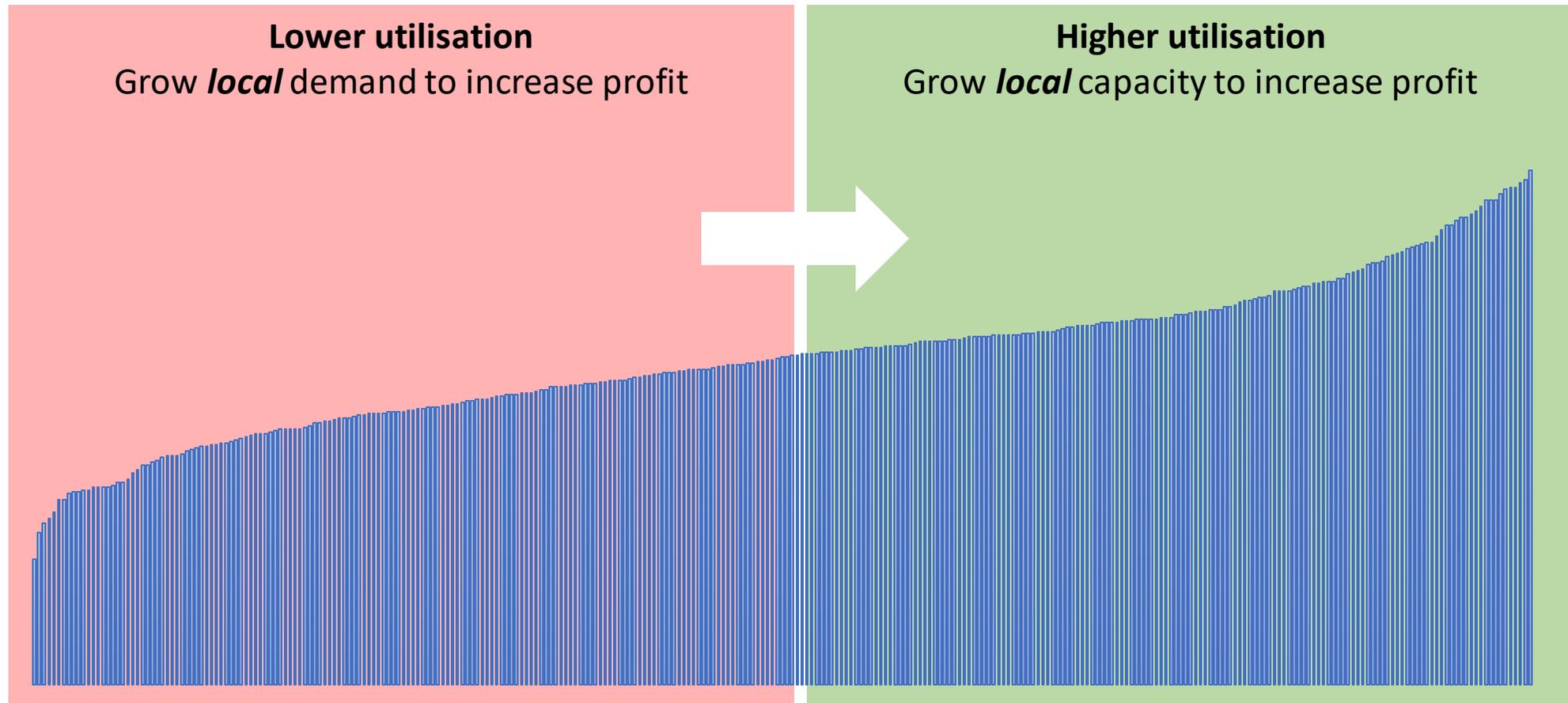
## Garage Services EBIT (£m)



# We are focused on local utilisation as a core driver of profit growth in both our acquired and existing garages



# Utilisation drives profit performance, and we can measure at a garage level to enable *local-level* plans focused on capacity and demand



Utilisation by individual garage

# Our platform gives us a unique ability to execute capacity and demand growth at a local level

## Traditional garage business



### Creating demand



- National advertising and acquisition.
- National price discounting
- National fleet account focus
- Difficult to forecast seasonal demand



## New Halfords localised model



### Creating local demand



- Local referrals from store to garage
- Local dynamic price promotion
- Local targeted fleet client growth
- Predictable reoccurring Motoring Club customers



### Creating capacity



- Reliant on standard recruitment activity
- No visibility of capacity or utilisation
- Paper based workflows



### Creating local capacity



- Local sharing of group colleagues across stores, garages & vans
- Local forecasting of demand using data science enabling local matching to capacity
- Digitised consistent operational processes
- Live capacity & utilisation tracking

# Leveraging garage services - summary

# 1

Grow garage services annual EBIT to

**£40-50m**

in the *mid-term*.

# 2

**£13m**

Of this profit growth delivered from synergy growth in *National and Lodge acquisitions*.

# 3

Drive **utilisation** in both acquired and existing garages, underpinning profitable market share growth.

***Summary:  
Our mid-term plan –  
leveraging the platform***

**halfords**

**Graham Stapleton**

Group Chief Executive Officer



# Our mid-term plan is compelling and built on clear assumptions

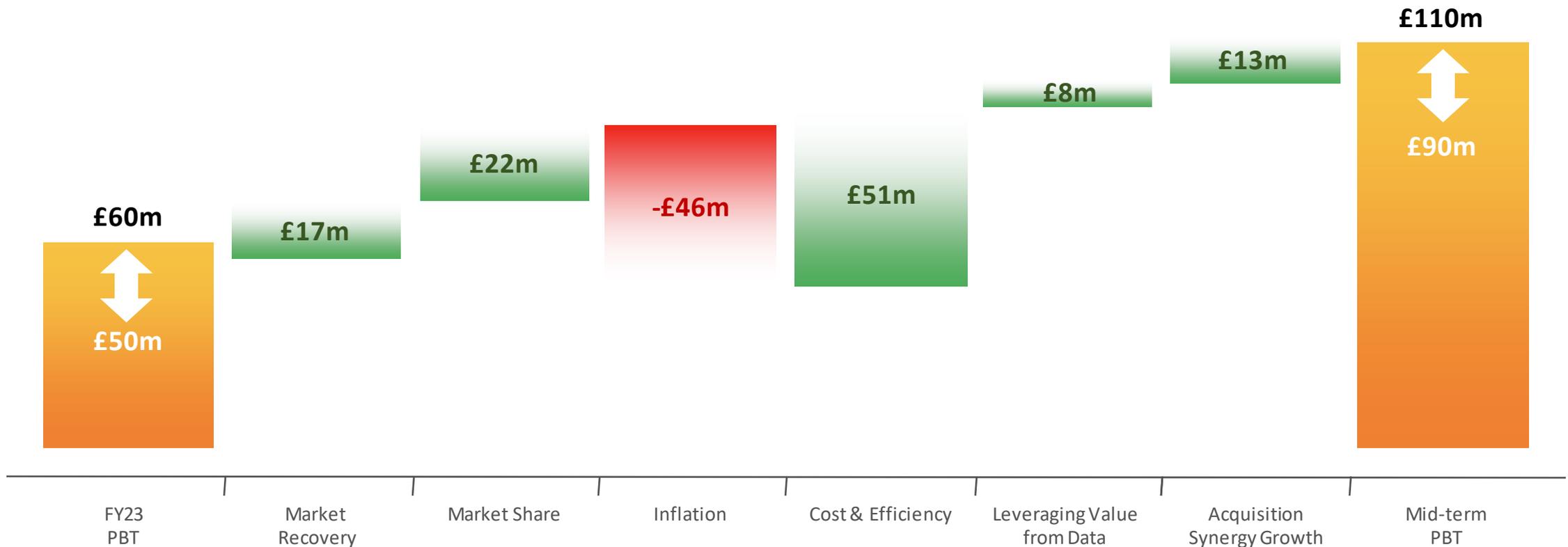


# Leveraging our current platform will deliver strong returns in the mid-term

## Group PBT Bridge - FY23 to mid-term

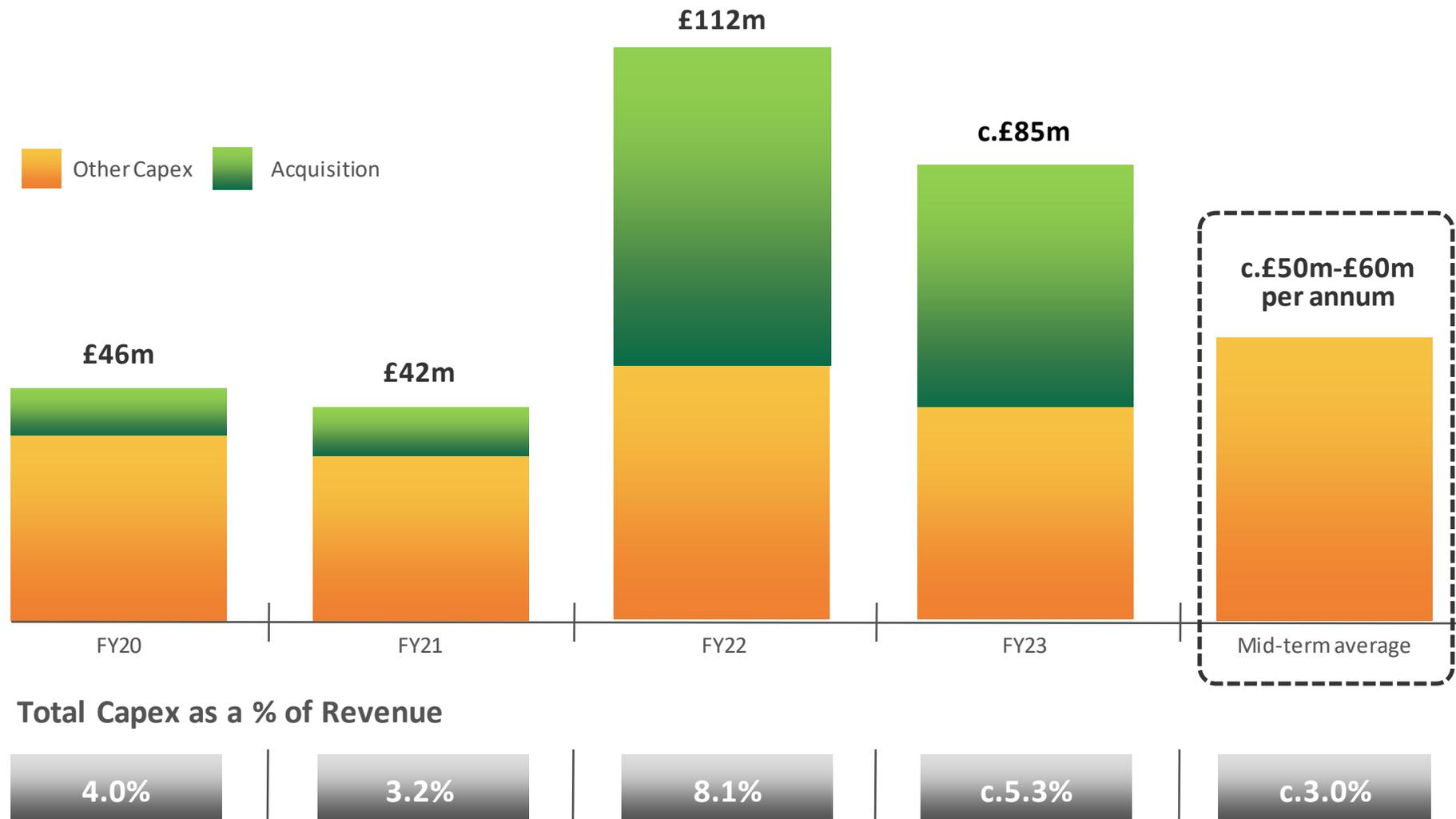
Group Revenue c.£1.6bn  
Operating Margin c.3-4%

Group Revenue c.£1.9bn  
Operating Margin c.5.5%

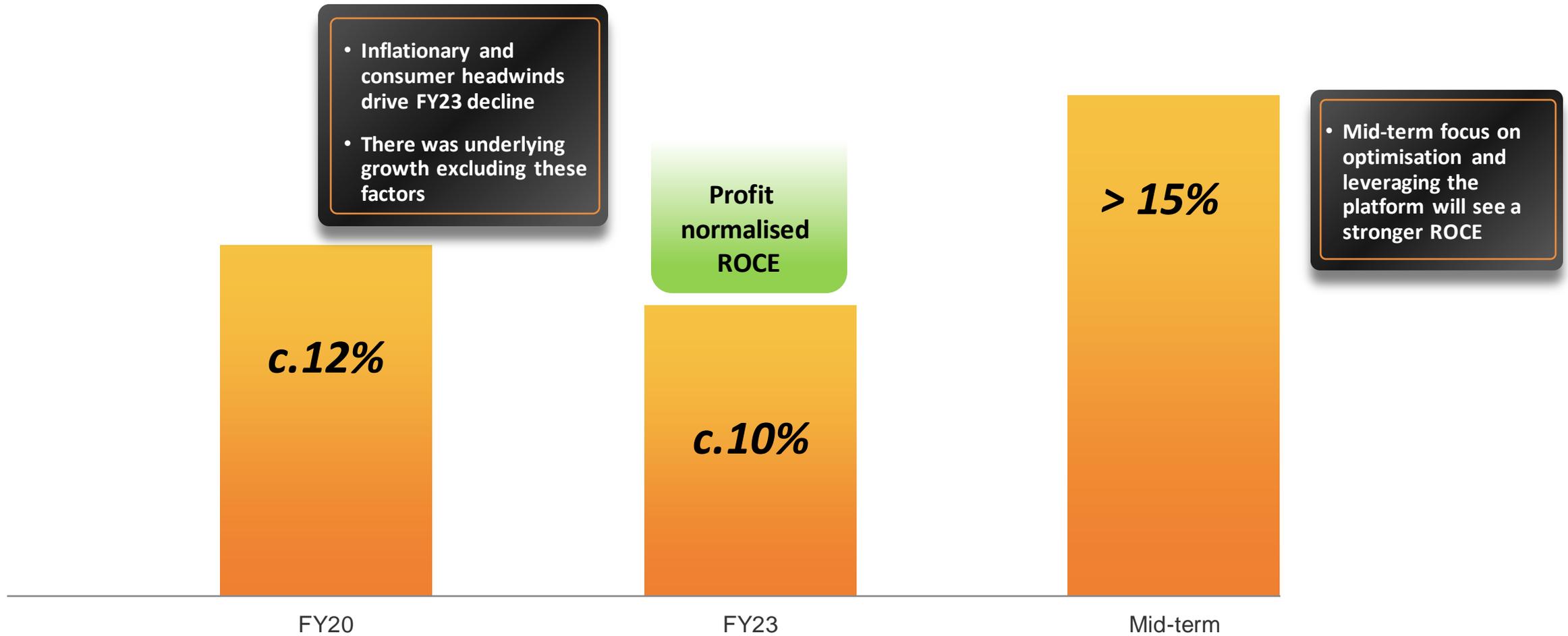


\*FY23 as per current guidance

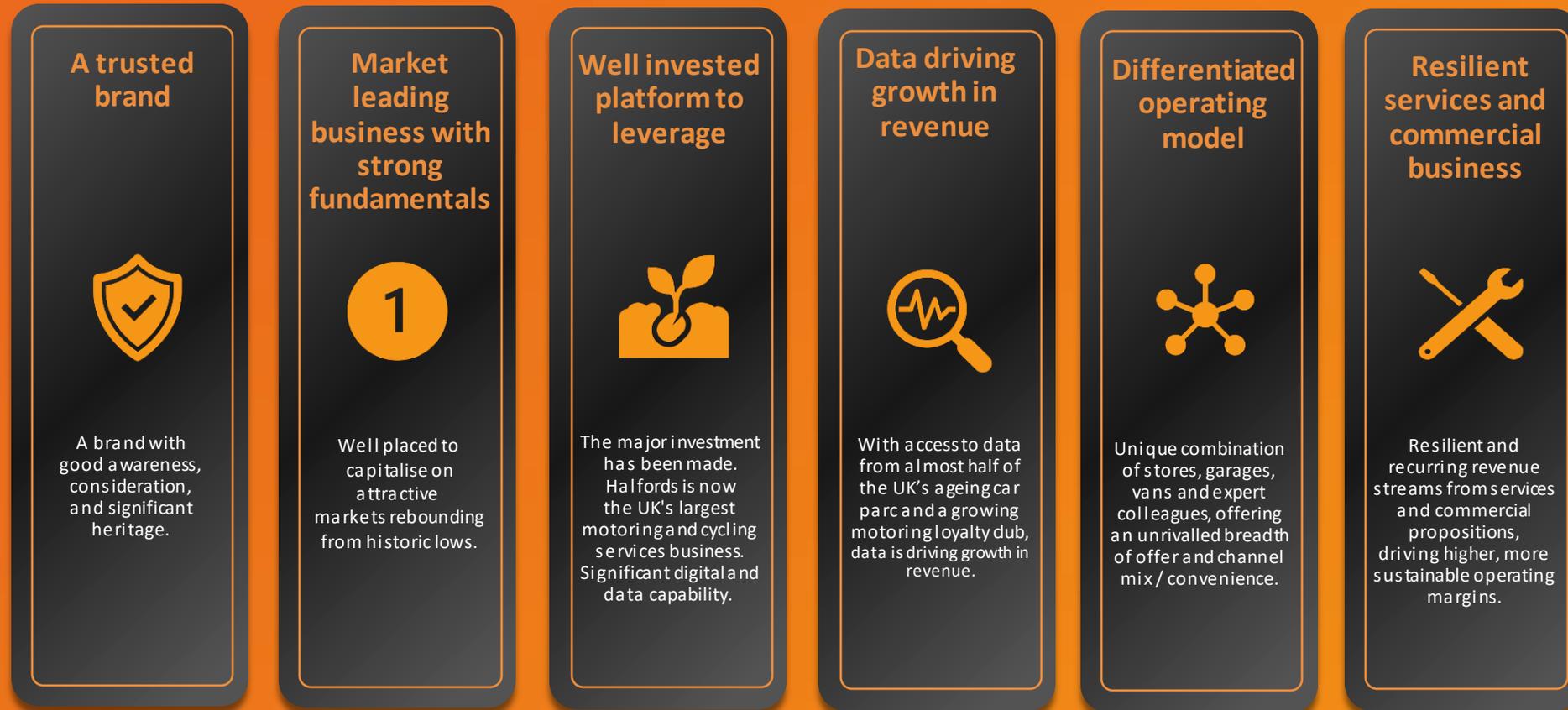
# Leveraging our current platform will deliver strong returns in the mid-term



# Leveraging our current platform will deliver strong returns in the mid-term



# We believe Halfords represents an attractive investment case in the mid-term



Underpinned by further opportunities to drive cost and efficiency, and generate cash, leading to a strong balance sheet and supporting the distribution of dividends to shareholders.

# halfords

1

2

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Mid-to-long-term plan: further transformation

# The business and platform we have created lends itself to even more significant opportunity in the mid-to-longer term

**c.£90-110m  
PBT**

- £1.9bn sales
- 5.5% operating margin
- >15% ROCE
- Positive free cash flow

Mid-term



**c.£130-150m  
PBT**

- £2.2bn sales
- 6.5% operating margin
- >20% ROCE
- Positive free cash flow

Mid-to-long-term

# Research has highlighted trends that are important to our customers



## Customers want convenience

Customers are looking for ultimate convenience and to access products and services at a time and location to suit them.



## “Do It For Me”

Many customers do not have the time, desire or know-how to carry out repairs and maintenance on their cars and bikes.



## Value

Customers today want the best combination of quality, service and price.

# Halfords are well placed to capitalise on the key market trends



## Transition to electric

As the UK moves to more sustainable modes of transport, all forms of electric mobility are increasing.



## Changing UK car parc

The age of the UK car parc is increasing from 7.9 years in 2019 to a forecast 9.7 years in 2026. In addition, cars will increasingly be owned and operated by businesses, rather than consumers, meaning B2B relationships will be key.

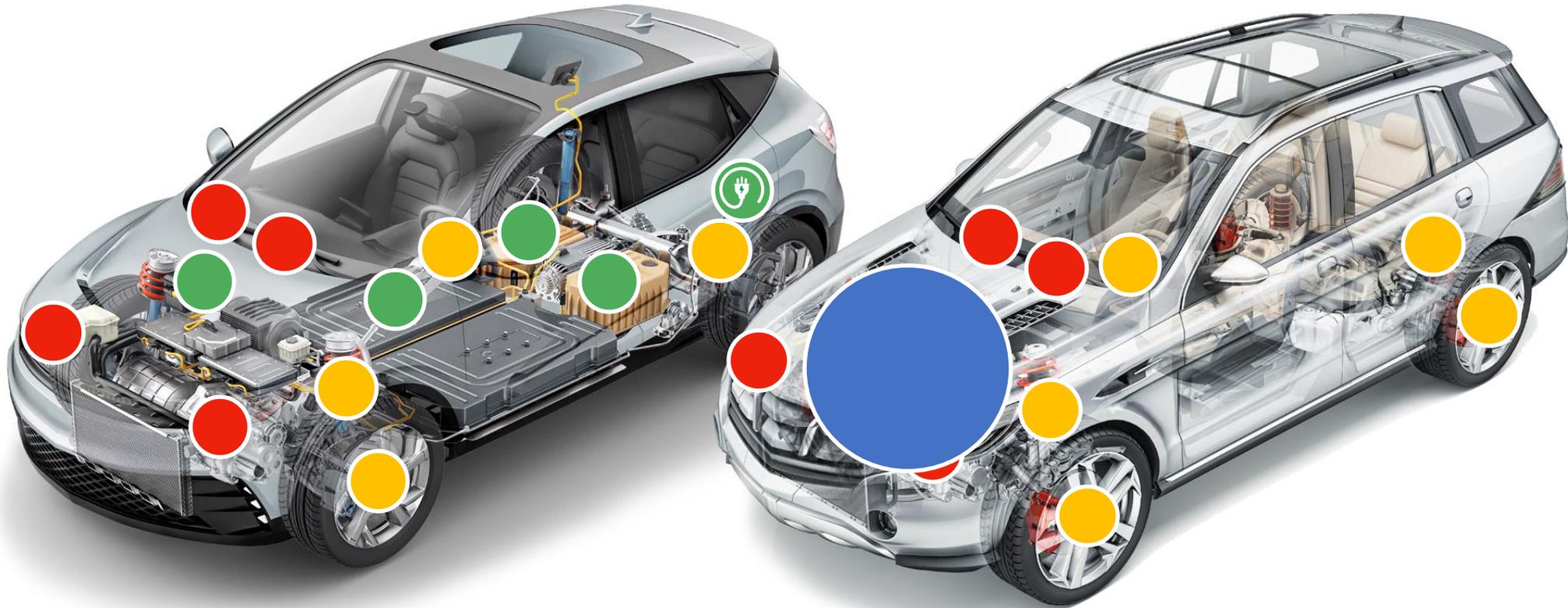


## Cycling infrastructure

Government investment in cycling infrastructure underpins the future strength of the cycling market.

## Electric car

## Traditional mechanical car



# Halfords are well placed to capitalise on the key market trends



## Transition to electric

As the UK moves to more sustainable modes of transport, all forms of electric mobility are increasing.



## Changing UK car parc

The age of the UK car parc is increasing from 7.9 years in 2019 to a forecast 9.7 years in 2026. In addition, cars will increasingly be owned and operated by businesses, rather than consumers, meaning B2B relationships will be key.



## Cycling infrastructure

Government investment in cycling infrastructure underpins the future strength of the cycling market.

# Three key areas of opportunity in the longer term

1

The *UK's one-stop-shop* for motoring ownership.



2

The *UK's servicing destination* for all types of electric transport.



3

A *unique local* motoring and cycling offer.



The platform we have created enables us to expand into more areas of the motoring market - something customers both want and expect from us

1

The *UK's one-stop-shop* for motoring ownership.



2

The *UK's servicing destination* for all types of electric transport.



3

A *unique local* motoring and cycling offer.



# Customers today must interact with multiple businesses to operate their cars. This adds both complexity and cost to the customer journey.



A customer's ownership journey	What a customer has to do	Who they have to do it with	Annual cost (£)*
On day one, to drive away	Car leasing		£2,800-£4,600
	Car insurance		£250-£600
In the first week	Re-fuelling		£900-£2,700
	Breakdown cover		£25-£90
	Buying a child seat		£50-£260
In the first year	Service and MOT		£50-£350
	Breakdown recovery and battery replacement		£60-£185
	Repair after small crash		£60-£300
	Replacement of flat tyre		£50-£200
	Extended warranty, windscreen		£160-£500
	Chip repair and replacement		£50-£200
	<b>Total</b>		<b>~£4,500 – £10,000</b>

# Customers today must interact with multiple businesses to operate their cars. This adds both complexity and cost to the customer journey



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	Extended warranty, windscreen		£160-£500
	Chip repair and replacement		£50-£200
	<b>Total</b>		

Source: Halfords research, indicative analysis

# Customers like the concept of a 'one-stop-shop' for motoring and believe the Halfords brand is a good fit

**75%**

of customers found the proposition of a 'one-stop-shop' appealing.

**Majority**

of customers saw Halfords as a good brand fit for this proposition.

“

**A brand that provides a range of products and services to meet all of your motoring needs.**

”

# The motoring market is fragmented, disjointed and confusing for customers



# In the future, we intend to provide products and services that provide a one-stop-shop for all vehicle ownership needs





**£3.5bn**

Warranty market



**£1.8bn**

Breakdown market

“

We believe Halfords **can support motoring customers throughout their vehicle ownership** – broadly doubling our addressable motoring market.

From £15bn to £28bn.

”



**£0.4bn**

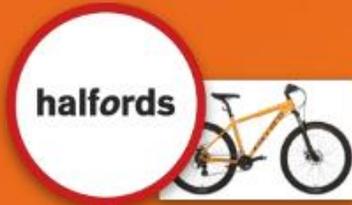
Pass-through insurance market



**£3.2bn**

Body repair market

# We cover all aspects of bike ownership...



Service



Repair



Accessories

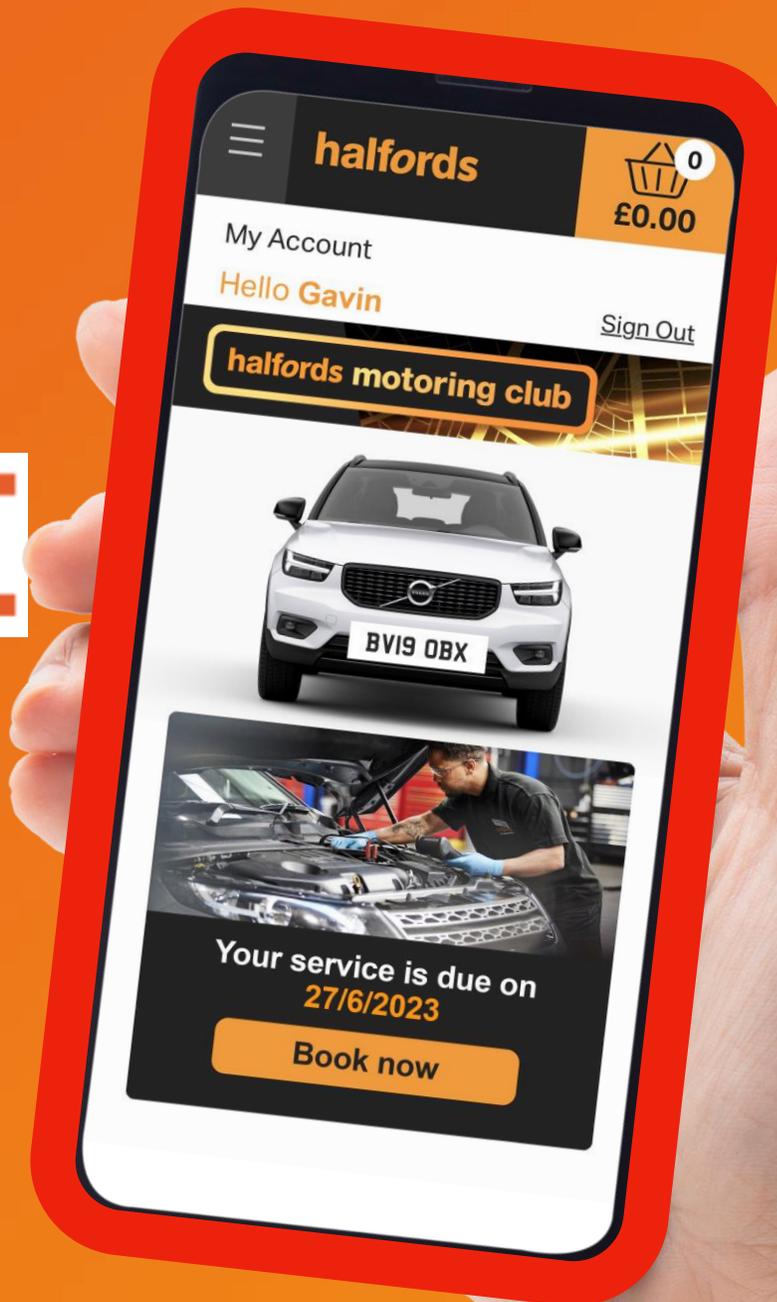


“

Using **Motoring Club** to drive future revenue through new **‘one-stop-shop’** categories.

”





# 'One-stop-shop' unlocks significant value



## *Economies of scale*

and even greater relevance to supply partners.



## *Better leverage fixed costs*

Enables us to better leverage the fixed costs and investments we have made.



## *Increases our brand relevance*

and proportion of services, recurring and predictable revenue.

# Next, is establishing a market-leading position in the servicing of electric mobility

1

*The UK's one-stop-shop* for motoring ownership.



2

The *UK's servicing destination* for all types of electric transport.



3

A *unique local* motoring and cycling offer.



# We already have significant scale, capability and expertise for servicing electric mobility

## Scale

*UK's biggest electric/hybrid servicing network.*



## Capability

*2,000 trained technicians For e-servicing, maintenance & repair.*



## Operational Infrastructure

*Diagnostic software and equipment for the majority of our consumer garages.*

*4 Automotive training academies.*



# Our mid-to-long-term ambition to build a market-leading position is clear



## **Resource and Capability**

We plan to increase resource & capability in our stores & garages with **100% of our technicians** trained in EV.



## **Mobile Servicing**

We intend to **leverage** capabilities, offering electric servicing and maintenance at **locations convenient to our customers.**



## **e-Bike & e-Scooter Retailer**

We believe we will **grow** our market-leading position and associated services. Further enhanced through Cycling Club.

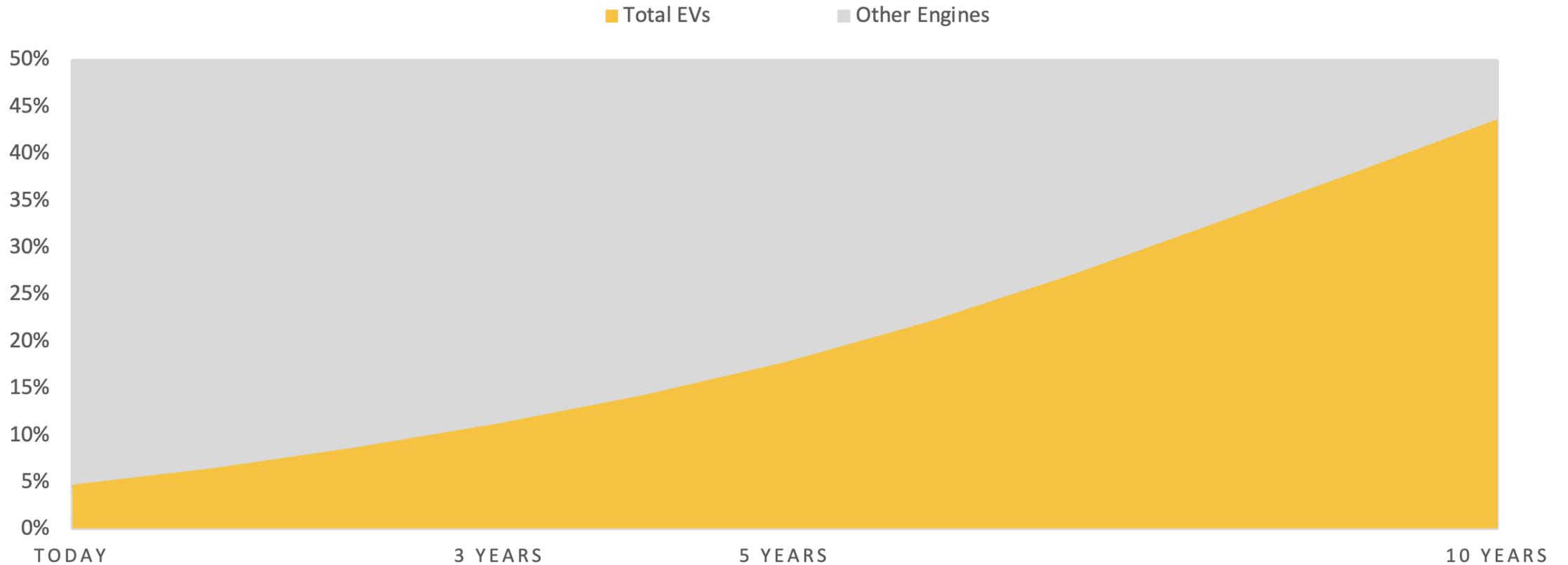


## **Halfords Brand**

As the used EV car parc increases, we aim to build a **Halfords brand position** as the destination for **servicing** all types of electric transport.

In the mid-to-long-term, we believe the electric car parc will have aged enough to present a scaled independent servicing aftermarket

### UK car parc



# Through Project Fusion, we have learnt the value of town-based shopping for both our customers and our business

**1**

The *UK's one-stop-shop* for motoring ownership.



**2**

The *UK's servicing destination* for all electric mobility.



**3**

A *unique local* motoring and cycling offer.





# In FY23 we rolled out the most capital-efficient parts of Fusion to 50 towns in our estate

## *Upgrading the retail car park service provision and introducing a referral model*



## *Solution selling*



# We believe there is an opportunity for a Fusion town experience in more than half of our locations across the UK

## FY22

Fusion town concept tested in Halifax and Colchester.



## Today

Capital-efficient elements of Fusion rolled out to 50 towns.



## Mid-term

Capital-efficient elements expected to be rolled out to a majority of UK towns/geographies in the estate, taking the total to 150.



## Mid-to-long-term

50 of our towns expected to become full Fusion (lite) destinations. 25 towns per year in the outer years of the plan.



 Fusion test stores  Capital efficient elements  Fusion Lite destinations

# In the mid-to-long-term, our consumer channels are expected to play even more distinct roles and offer even greater servicing convenience

350 Stores



- A reduction in the estate is anticipated, with the remaining stores ensuring that **86%** of the population are within a 20 minute drive.

>800 Garages



- Our current garage estate already serves **90%** of the population within a 20 minute drive.
- Growth to **800** will enable us to grow our market share across SMR and tyres.

>800 Vans

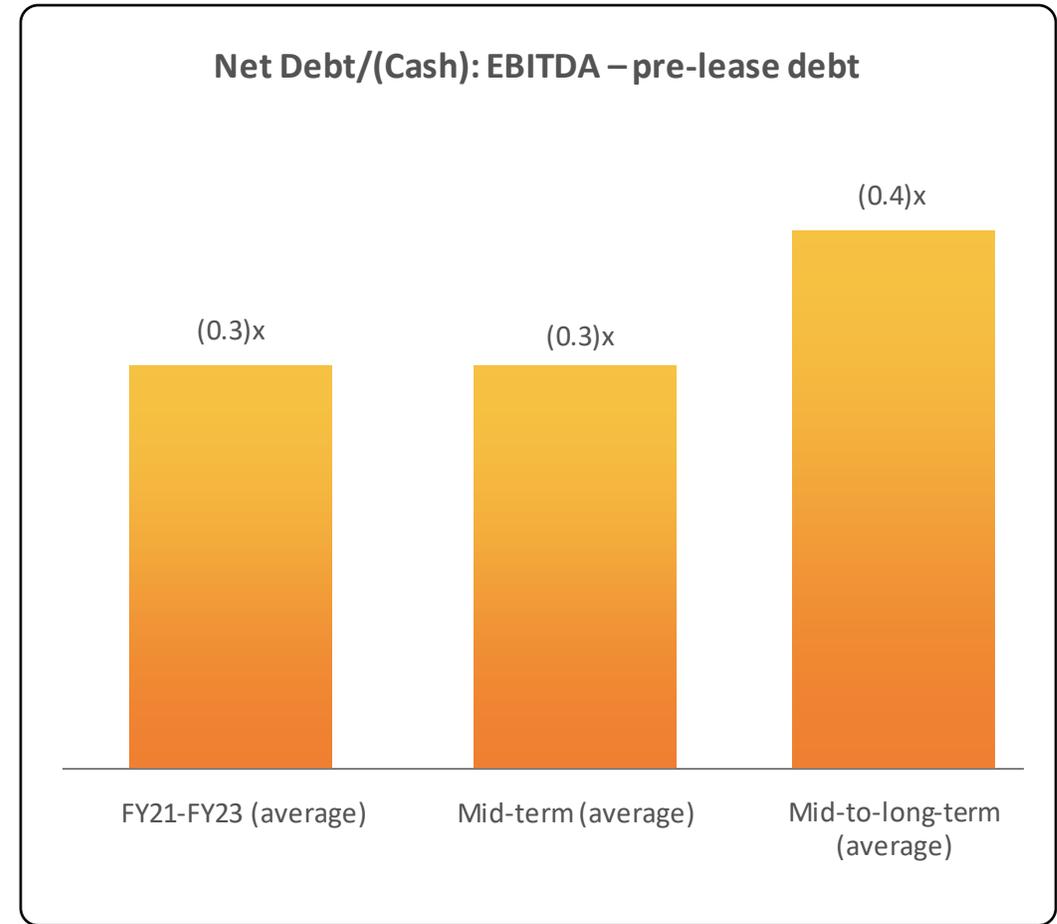
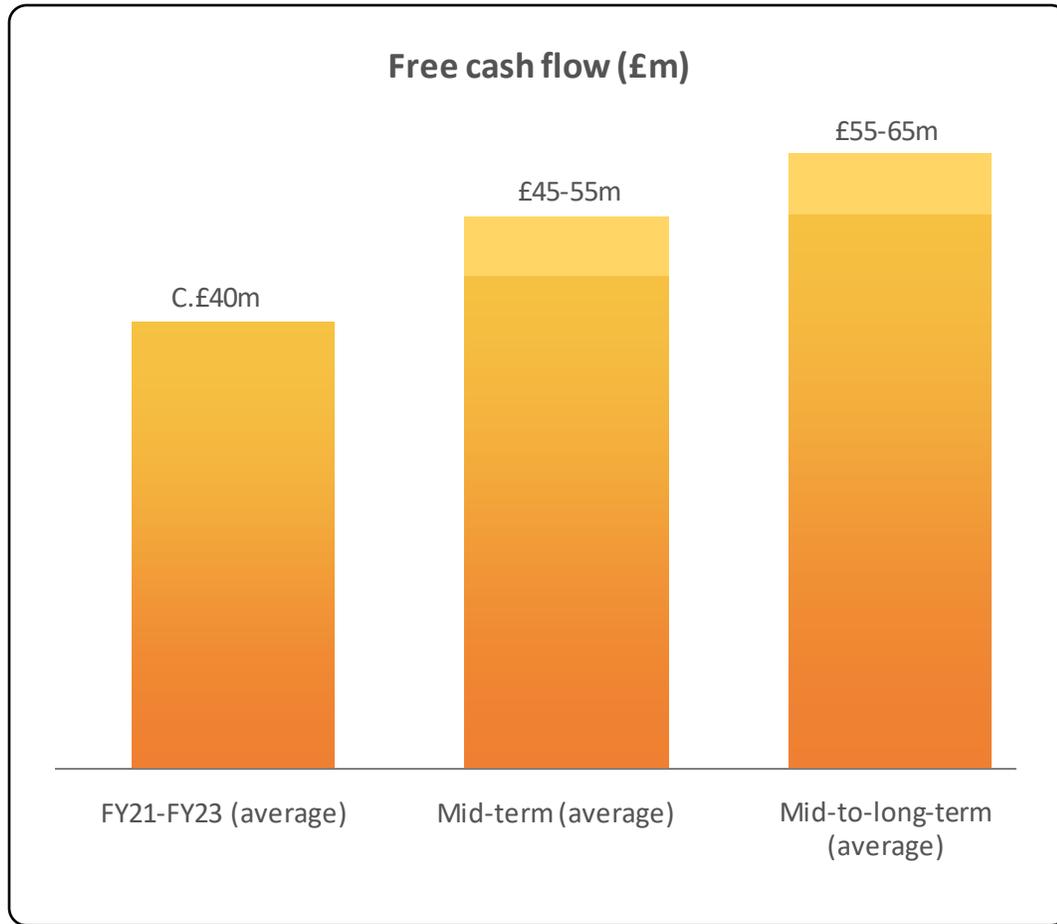


- To ensure over **90%** of the population are within reach of our vans.

# In the mid-to-long-term, capital expenditure is forecast to increase to £90m-£110m per annum - as we invest in Fusion Lite and further garage openings

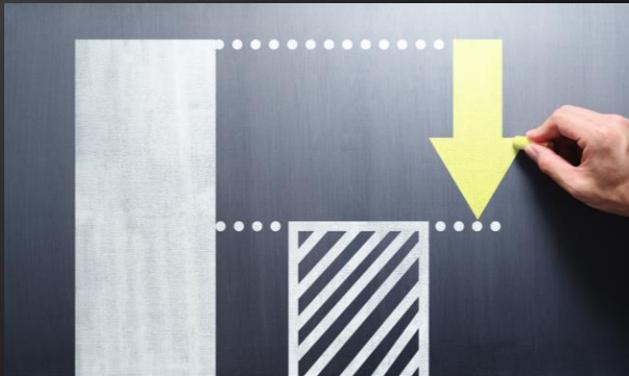


# Despite our increase in capital expenditure, we will continue to generate positive free cash flow in the mid-to-long-term



# Our strategy continues to be underpinned by a relentless focus on cost, and support for our outstanding colleagues

## *Cost and efficiency*



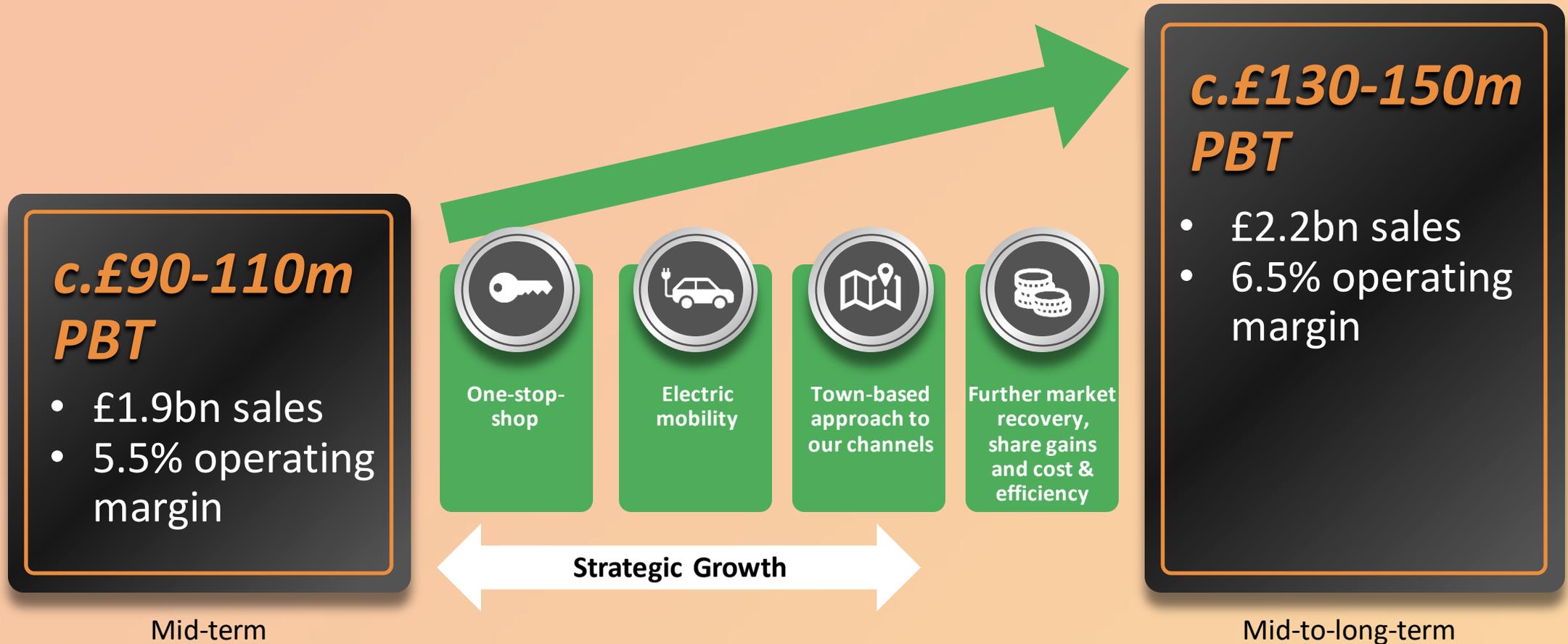
- Outsourcing
- Automation and Artificial Intelligence
- Strategic review of supply chain

## *Our colleagues*



- Rewarding and retaining our existing talent and their skills and expertise
- Investing in colleagues' further training and development

# The mid-to-long-term strategic opportunities are expected to deliver further growth



# We are clear that there are further transformation opportunities that will create additional shareholder value



# halfords

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Avayler

# *Introducing Avayler Halfords' SaaS business*

**Avayler**

**Chris McShane**

Director, Avayler



The image features a sunset or sunrise over a hazy, mountainous landscape. The sky is a gradient of orange and yellow, fading into a darker blue at the top. The mountains are silhouetted against the light. The text is overlaid on this background.

# Avayler

**Tech-powered transformation**

## What is Avayler?

# Customer Centric Service Management Software – Built from Halfords Autocentre PACE & Tyres on the Drive Technology

Our mission is to help ambitious businesses put their customers at the heart of their operations by digitalising service delivery, optimising processes and facilitating new routes to market.

## Built by the Automotive Industry, For the Automotive Industry

What does Avayler deliver for its customers:

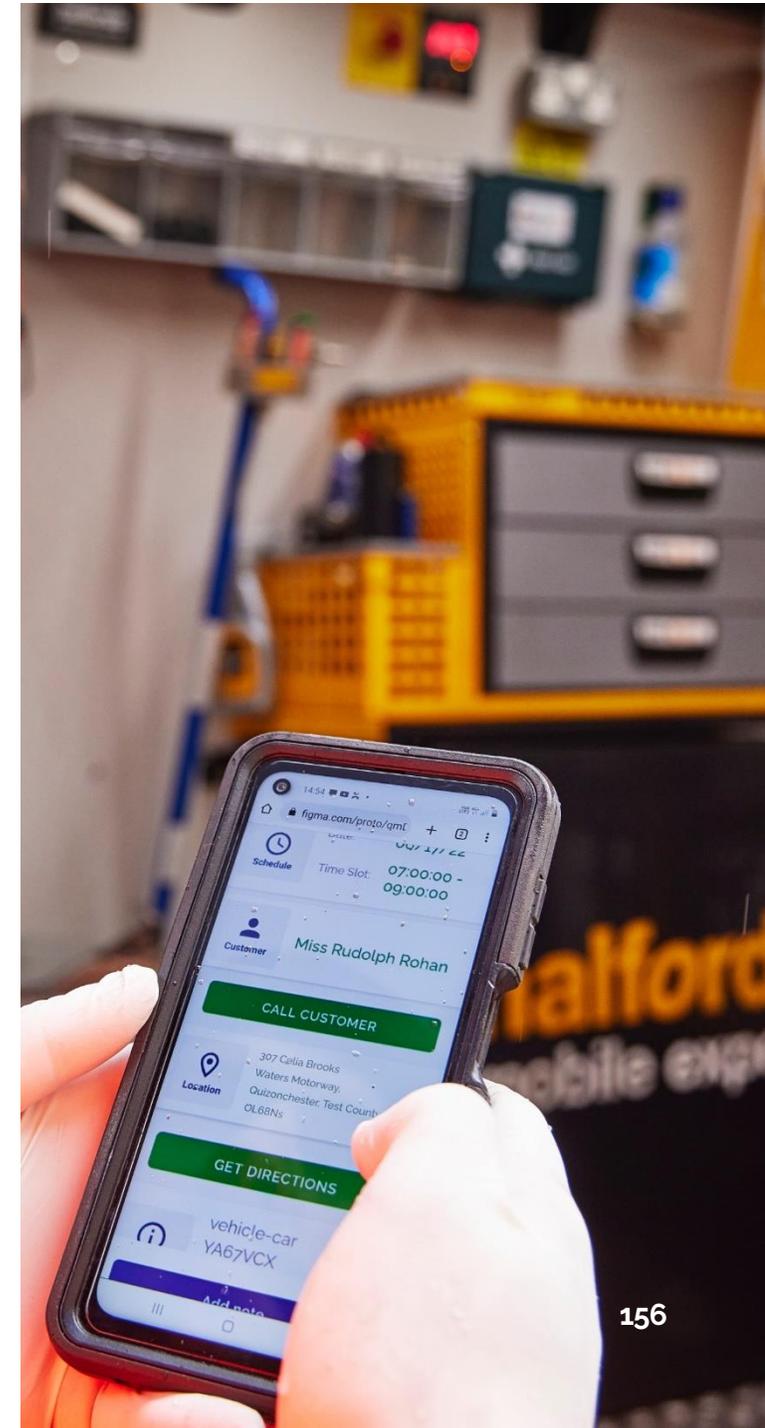
Deliver fully digital customer journey

Increase transparency & visibility across business

Streamline processes related to service delivery

Increase service margin & offset ops costs

Be an industry leader with greater market share



# The automotive service/aftermarket industry faces many challenges and market forces that Avayler can help solve



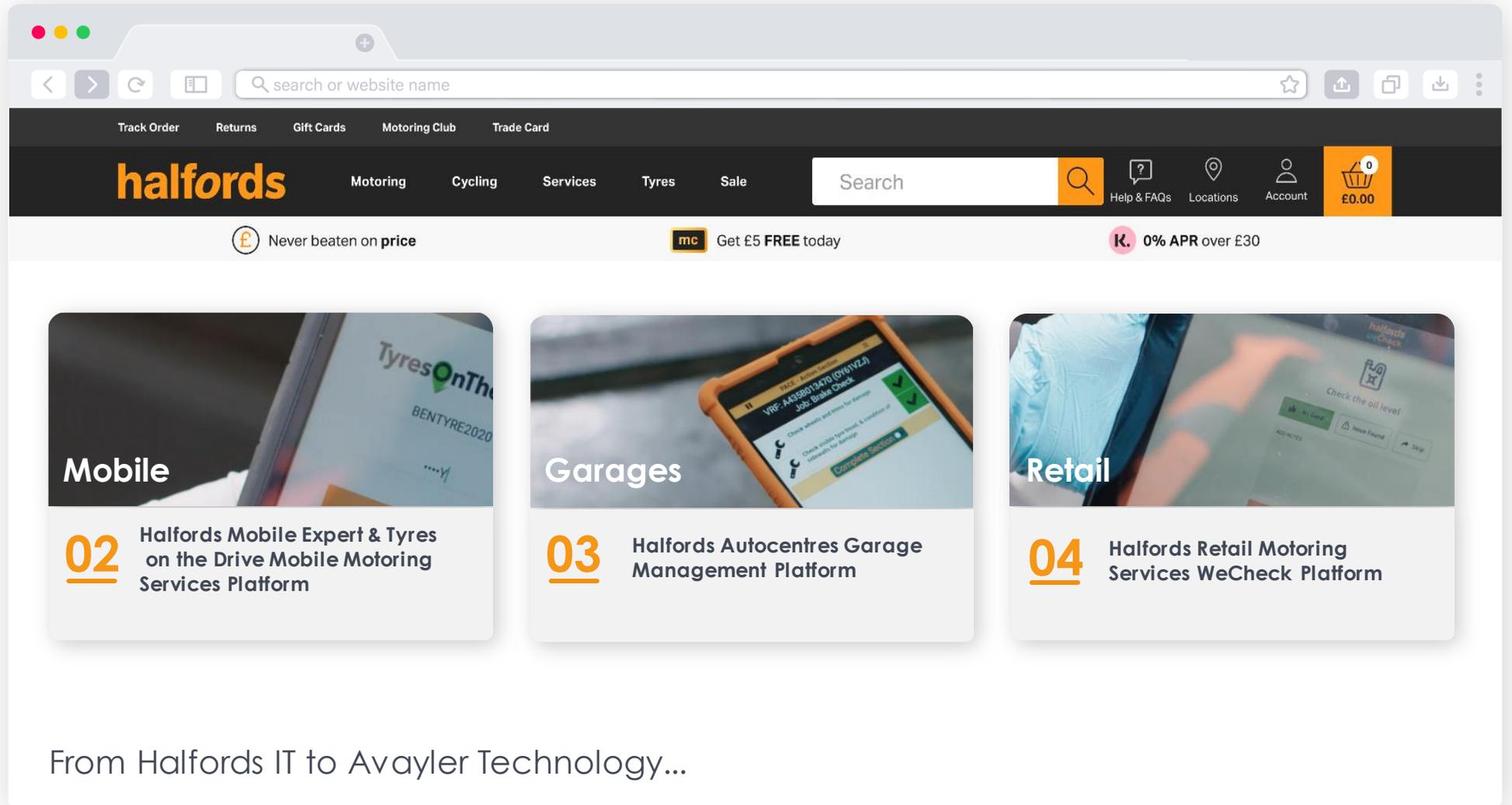
Halfords creates compelling customer experience and delivers operational excellence with an end-to-end, developed in-house platform

# 01

## Halfords.com eCommerce Platform

(The online Customer Journey)

Offers customers the ability to omni-channel shop for and book automotive services

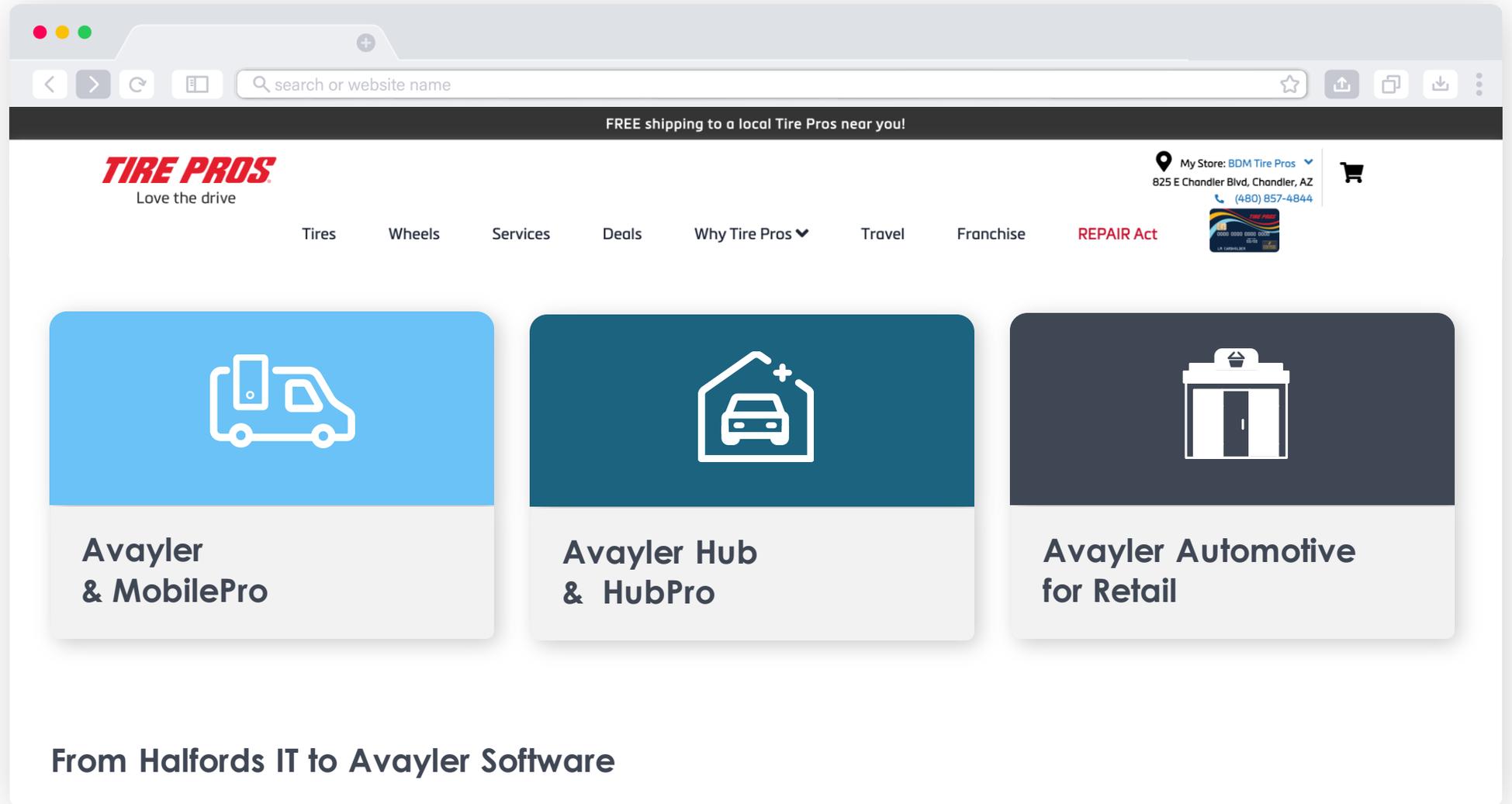


From Halfords IT to Avayler Technology...

# Avayler is born from Halfords technology

## Customer eCommerce Platform

(can integrate into any customers' front end online customer journey)



Avayler's unique selling points make the solution highly attractive to large automotive service businesses

### Industry Unique Selling Points



#### Omni-Channel

The only solution on the market that manages & optimises automotive services at any location – mobile, garages, retail store & fleet locations



#### Built By Operators (In the Automotive Industry)

Avayler was built by a garage & automotive service business to directly solve their pain points

### Feature / Product Unique



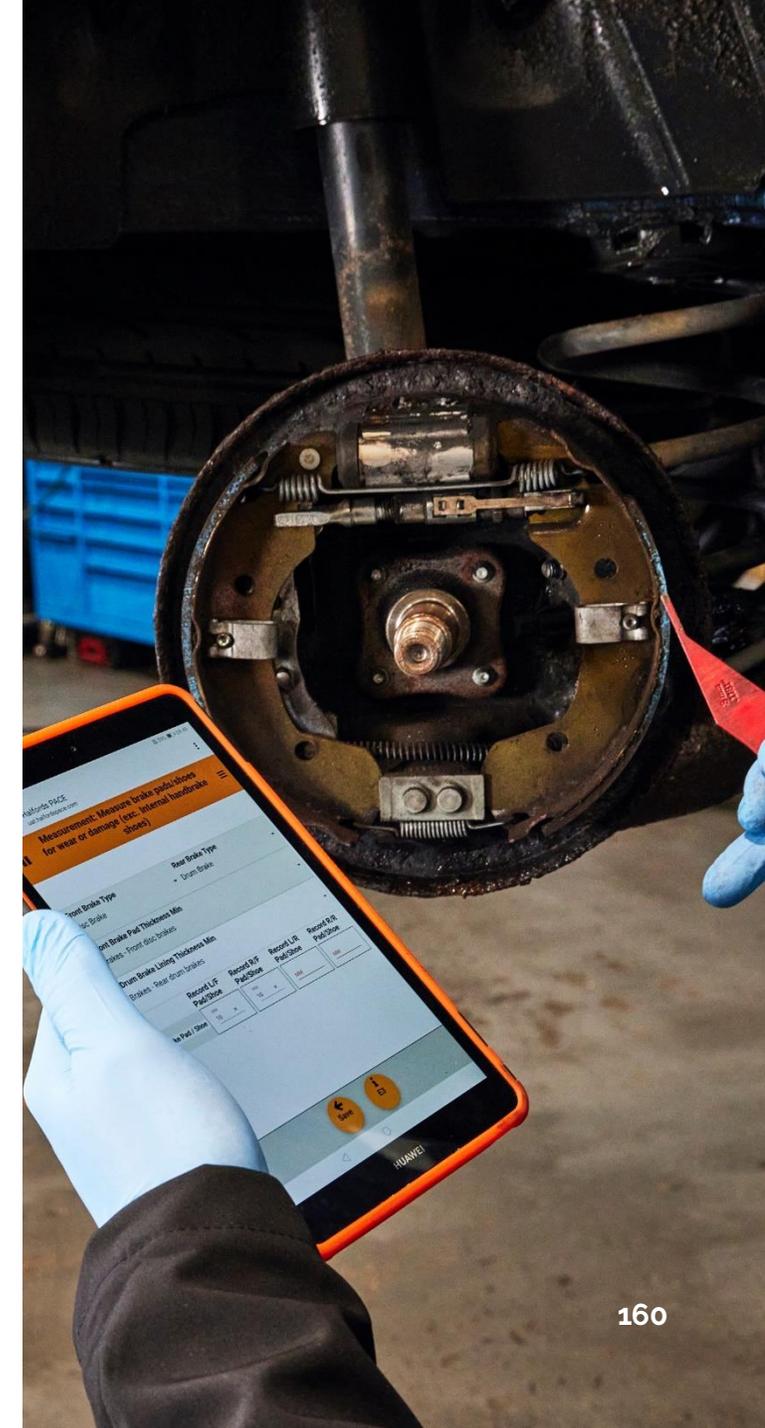
#### Dynamic Pricing

While other solutions offer dynamic pricing, Avayler's dynamic pricing is the only automotive solution that leverages technician location, job times & other factors to optimise route density & job profitability



#### Automatic Parts Bidding

Avayler is the only automotive solution to provide automotive price bidding, sourcing parts from multiple vendors & surfacing best prices and delivery SLA for customers



The automotive software competitive landscape is disparate, where Avayler is an omni-channel end-to-end solution

**Avayler enables the automotive service journey end-to-end with touchpoints across all automotive operational technologies**

	Automotive Front of House	Automotive Order Management Systems (OMS)	Garage Management Systems	Digital Vehicle Inspection (DVI)	Mobile Delivery	Retail Garage Service Enablement
Garages					N/A	N/A
Mobile		N/A	N/A			N/A
Retail			N/A	N/A	N/A	

# The Market Opportunity

And why we are well  
placed to deliver it

Avayler

# Over 500,000 automotive repairers in EU, US and UK alone provide significant market opportunity for Avayler

Data provisioned for Avayler by:



Further expansion opportunities in other automotive territories



## United States

Total Automotive Repairers:  
**278,532**



## United Kingdom

Total Automotive Repairers:  
**33,335**



## Europe

Total Automotive Repairers:  
**206,722**

37,817 - France      9,629 - Portugal  
49,626 - Germany    40,182 - Spain  
47,345 - Italy  
22,123 - Poland



## Total

Total Automotive Repairers:  
**>500,000**  
(as per slide data)



**...even more  
opportunity in  
mobile & retail**

# Economic Model Growth Plan

And why it is accretive  
to Halfords

Avayler

# Avayler's targeted enterprise sales strategy ensures large client wins



Enterprise clients of >£250m turnover & >300 garages



English Speaking Territories & Existing Relationships

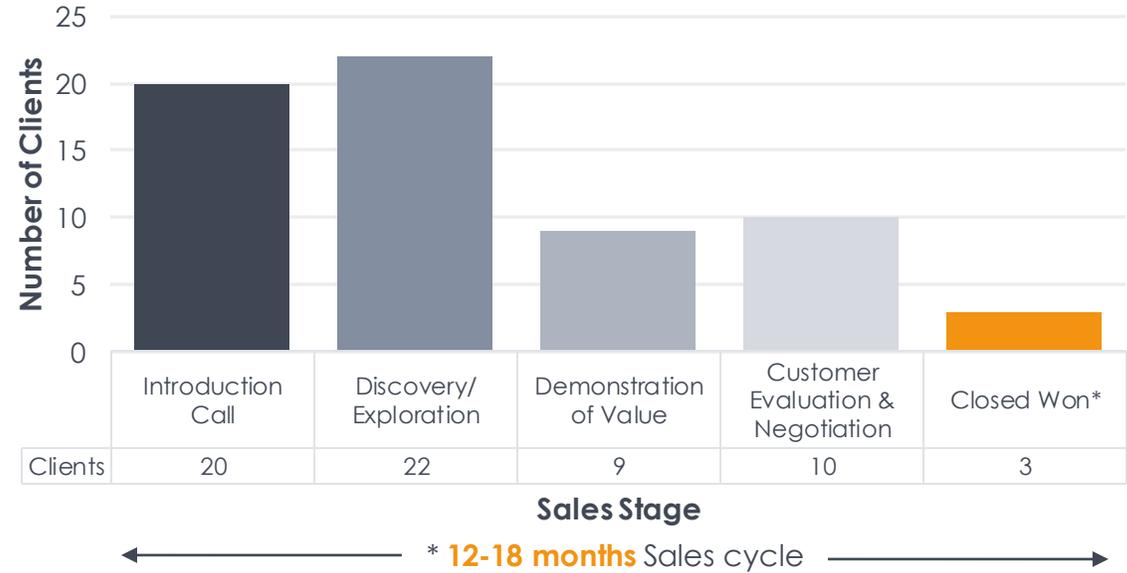


Land and Expand Strategy, Clients with Existing & Planned Mobile & Garage Services



Future State: Partnership Model targets non-English speaking territories

Avayler Advanced Pipeline of Enterprise Clients



## Current Avayler Clients:



80,000 garages  
United States



18,000 installers  
United States



1,970 garages  
Germany, Spain, France, Portugal

# Avayler economic model brings Halfords committed, recurring & profitable revenue



Long Term Contracts  
3+ years



Monthly Per Van/Garage Fee  
or Per Transaction Fee



Fixed Set Up & Configuration  
Fees



Minimum Committed  
Revenues

## Committed Revenue

### License Revenues

- Monthly licences options – per van or per transaction
- Minimum # of licences or transactions per contract per year
- Long term contracts (3+ years)

### Configuration & Setup

- Upfront configuration & integration cost
- Customizable additions paid for by customer
- Hypercare add-on paid for by customer (24/7 support)

## Additional / Optional Revenue

### Consultancy

- Operational & technology consultancy
- Project based work
- Scope of work agreed up front with customer

← Secure, profitable SaaS recurring revenue →

## Why are we ringfencing our software business?



Enable entrepreneurial start up business mentality.



Create optionality for future investment potential.



Talk to shareholders more effectively.



Create innovative and distinct software culture.



Ring fence investment to support early-stage growth.



Attract the best software talent.



Report Avayler financials separately to clearly demonstrate its value.

## Avayler is forecast to deliver significant value to Halfords in the mid to long term

### Avayler mid to long term forecast

Metric	FY23	FY24 (in forecast)	Mid-term	Mid-to-long-term
Annual Recurring Revenue (ARR)	c.£2m	£5-6m	£14-20m	£25-35m
EBIT	£-	£(2-3)m	£2-4m	£5-8m
EBIT Margin %	0%	(20)-(40)%	15-20%	20-25%
Number of Enterprise Clients	3	5	10	14
Number of Territories	2	3	4	5
Number of Employees	c.70	c.100	c.120	c.120

### Capital Expenditure

- In total Halfords has invested c.£11M to date (last 3 years) on development of Avayler technology and supported garage growth and profitability from £4.1M-£11.3M
- Halfords historic annual capex spend on Avayler platforms on average is c.£4m per year
- Avayler annual capex spend on Avayler platforms going forward, including Halfords internal spend, on average c.£6m per year

## Avayler positioned to add significant value to Halfords Group



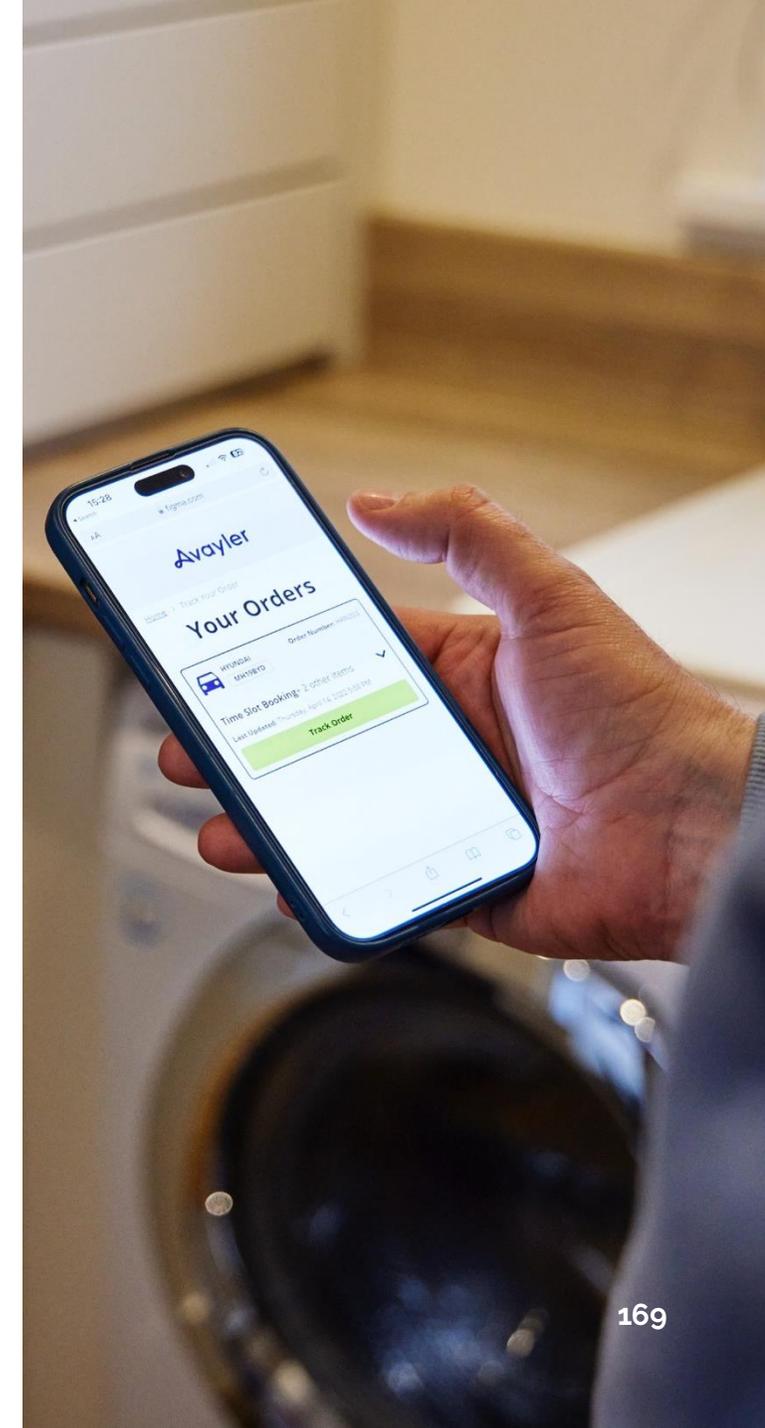
Halfords have invested **significant capital** in developing an industry leading automotive technology platform which provides a **unique omnichannel** industry solution to the market.



Avayler now has **major clients** across the US and Europe and an **advanced pipeline** of enterprise clients enables further growth.



With **strong Annual Recurring Revenue (ARR)**, **high operating margins** and a **good return on capital**, Avayler is expected to **add significant value** to the Halfords business in the mid to long term.



**GREG BELL**

P R E S I D E N T , T I R E P R O S

# halfords

1

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Summary and Q&A

# *Summary*

**halfords**

**Graham Stapleton**

Group Chief Executive Officer



# We have a clear set of financial aspirations for the mid-to-long term...

	FY23		Mid-term		Mid-to-long-term
Group revenue	£1.6bn		£1.9bn		£2.2bn
PBT	£50-60m		£90-110m		£130-150m
Operating margin (%)	c.3-4%		c.5.5%		c.6.5%
Capex including M&A (average per annum)	c.£85m		£50-60m		£90-110m
ROCE (%)	c.10%		>15%		>20%
Free cash flow (average per annum)	c.£40m (FY21-FY23 average)		£45-55m		£55-65m
Net debt/(cash):EBITDA (pre-lease debt, average p.a.)	(0.3)x (FY21-FY23 average)		(0.3)x		(0.4)x

# Updated capital allocation priorities

FY23 full year dividend intended to be 10p per share

*FY23 dividend intended to be 10p per share (3p + 7p).*

*This reflects balance sheet strength and confidence in mid-to-long-term prospects.*

*Dividend policy going forward targets dividend cover of 1.5x-2.5x (based on underlying profit after tax).*

*Capex expected to be in the range of £50-60m p.a. in the mid-term, assuming no material acquisitions.*

*Mid-to-long-term, capex (including acquisitions) expected to grow to an average of £90-110m p.a.*

## Capital allocation priorities



Maintaining a prudent balance sheet



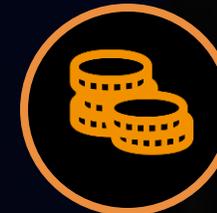
Investment for growth



M&A focused on Autocentres



Dividend covered by 1.5x – 2.5x underlying profit after tax



Surplus cash returned to shareholders

# The investment case for the mid-to-long-term reflects further exciting growth opportunities as we continue our transformation

**A trusted brand**  
*that can stretch to adjacent markets*



A brand with significant heritage

*that can stretch to adjacent markets and enable Halfords to become a One-stop-shop for motoring and cycling ownership.*

**Market leading business with strong fundamentals**

1

Well placed to capitalise on attractive markets rebounding from historic lows

*and to become the market leader in servicing electric mobility.*

**Well invested platform to leverage**



The major Investment has been made. Halfords is now the UK's largest motoring services network and has significant digital and data capability.

**Data driving growth in revenue**  
*and unique competitive advantage*



With access to data from almost half of the UK's ageing car parc and a growing motoring loyalty club, **data is driving growth in revenue.**

*Halfords can predict vehicle needs and build customer relationships like no one else.*

**Differentiated operating model**  
*optimised across towns*



Unique combination of stores, garages and vans

*brought together to create a unique local motoring and cycling multi-channel offer.*

**Resilient services and commercial business**



Resilient and recurring revenue streams from services and commercial propositions, driving higher operating margins.

**Avayler – a growing SaaS business**



*A growing Software-as-a-Service business attracting compelling Revenue-based multiples.*

Underpinned by further opportunities to drive cost and efficiency, a strong balance sheet and capital discipline

# Summary

*Since 2018 we have increased revenues by 40% and doubled the size of our B2B services business.*

*We have developed a unique, digital and data-enabled omnichannel platform.*

*We plan to deliver £1.9bn of revenue, £90-£110m PBT, and 5.5% operating margin in the mid-term, through a combination of our core markets recovering; growing market share; acquisition synergies maturing; and using scaled and rich customer and vehicle data to drive customer lifetime value.*

*There is significant scope for further transformation in the mid-to-long-term by unlocking the full potential of the Halfords brand in adjacent markets; electric servicing; and a unique local town experience.*



Q&A

**halfords**

# Contact and Newsflow

For further information, please go to

**[www.halfordscompany.com](http://www.halfordscompany.com)**

or contact:

**Andy Lynch**

Head of Investor Relations and Corporate Finance

[andrew.lynch@halfords.co.uk](mailto:andrew.lynch@halfords.co.uk)



# *Appendix*

# Cautionary statements

*This presentation is provided for information only and is solely for use at the Halfords Group plc (“Halfords”) Capital Markets Day held on 18 April 2023. It does not contain all of the information that is material to an investor.*

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# Glossary of Terms

Term Used	Meaning
“Free cash flow”	Cash flow before dividends and acquisition expenditure
“Return on Capital Employed” or “ROCE”	Return on capital employed defined as underlying EBIT / capital employed (including goodwill, pre-IFRS16)
“Gross Margin”	Sales, less cost of goods sold (including freight and FX movements)
“PBT”	Underlying profit before tax, before exceptional items
“EBIT”	Underlying earnings before interest and tax, before exceptional items
“Car parc”	The number of cars in the UK
“SCV”	Single Customer View
“CRM”	Customer Relationship Management
“Needs-based revenue”	Sales that are considered “less discretionary” based on Halfords assumptions
“SaaS”	Software as a Service
“SMR”	Service, Maintenance and Repair
“National Tyres” or “National”	Axle Group – including National Tyres, Viking, etc.
“Garage Services”	The Group of Autocentres companies, including Halfords Mobile Expert, and our consumer and commercial garage businesses
NPS	Net Promoter Score
VRN	Vehicle registration number
“2018”	References to “2018” financial information are as at FY19 unless otherwise stated
“Platform”	Our physical and digital infrastructure