



*FY16  
Preliminary  
Results*

**halfords**



## *Introduction*

Jill McDonald

## *Financial Performance*

Jonny Mason

## *Operational Review & Strategic Progress*

Jill McDonald

## *Financial Guidance*

Jonny Mason

## *Questions*

# Highlights



**Solid service-led sales performance**

**Market share in Retail motoring and cycling grew overall**

**Confident in long-term growth prospects for cycling**

**Strong improvements in customer and colleague metrics**

**Good progress on Moving Up A Gear strategy**

**Debt target of 1x EBITDA, with a range of up to 1.5x for appropriate M&A**



# *Financial Performance*

Jonny Mason  
Chief Financial Officer

**halfords**

# Group Income Statement

	FY16 £m	FY15 £m	Change
Revenue	1,021.5	1,004.9	+1.7%
Gross Profit	543.1	535.1	+1.5%
Operating Costs	(458.6)	(450.5)	+1.8%
<b>EBIT</b>	<b>84.5</b>	<b>84.6</b>	<b>-0.1%</b>
EBIT Margin %	8.3%	8.4%	-13bps
<b>EBITDA</b>	<b>114.6</b>	<b>109.9</b>	<b>+4.3%</b>
EBITDA Margin %	11.2%	10.9%	+28bps
Net Finance Costs	(3.0)	(3.5)	-14.3%
<b>PROFIT BEFORE TAX</b>	<b>81.5</b>	<b>81.1</b>	<b>+0.5%</b>
Basic Earnings Per Share	33.2p	32.7p	+1.5%
Effective Tax Rate	20.5%	21.5%	

## Notes:

1) All numbers represent performance for the 52 weeks to 1 April 2016 and are before non-recurring items.

2) Comparatives are for the 52 weeks to 27 March 2015.

## Retail Income Statement

	FY16 £m	FY15 £m	Change
Revenue	868.5	857.9	+1.2%
Gross Profit	444.8	442.0	+0.6%
Gross Margin	51.2%	51.5%	-30 bps
Operating Costs	(363.0)	(359.3)	+1.0%
<b>EBIT</b>	<b>81.8</b>	<b>82.7</b>	<b>-1.1%</b>
EBIT Margin	9.4%	9.6%	-18bps
<b>EBITDA</b>	<b>106.0</b>	<b>102.4</b>	<b>+3.5%</b>
EBITDA Margin	12.2%	11.9%	+30bps

**Notes:** All numbers are presented before non-recurring income of £1.7m in FY16 and £0.3m in FY15

## Retail Revenues

Total Retail	LFL %
Motoring	+2.5
Car Maintenance	+3.4
Car Enhancement	+1.0
Travel Solutions	+2.8
Cycling	-0.9
<b>Total</b>	<b>+1.3</b>

**Online Retail sales grew by 1.4% and represented 12.1% of sales. Circa 90% of online sales were collected in store.**

**Service-related sales increased by 8.5%**

**Notes:**

1. Like-for-like sales growth is calculated at constant currency rates
2. Revenue from non-LFL stores amounted to £5.2m in FY16

## Retail Operating Costs

	FY16 £m	FY15 £m	Change
Store Staffing	103.0	99.7	+3.3%
Store Occupancy	138.3	139.3	-0.7%
Warehouse & Distribution	45.7	43.5	+5.0%
Support Costs	76.0	76.8	-1.0%
<b>Total</b>	<b>363.0</b>	<b>359.3</b>	<b>+1.0%</b>
Depreciation / Amortisation	24.2	19.7	+22.8%
Rent*	86.1	87.4	-1.5%

\*Net of sublet income

## Autocentres Income Statement

	FY16 £m	FY15 £m	Change
Revenue	153.0	147.0	+4.1%
LFL%	+2.5%	+5.3%	
Gross Profit	98.3	93.1	+5.6%
Gross Margin	64.3%	63.3%	+90 bps
Operating Costs	(94.5)	(89.3)	+5.8%
<b>EBIT</b>	<b>3.8</b>	<b>3.8</b>	<b>-</b>
EBIT Margin	2.5%	2.6%	-12bps
<b>EBITDA</b>	<b>8.6</b>	<b>7.6</b>	<b>+13.2%</b>
EBITDA Margin	5.6%	5.2%	+36bps

## Cash Flow and Net Debt

	FY16 £m	FY15 £m
Group Underlying EBITDA	114.6	113.3
Working capital	(11.2)	25.3
Capex	(38.5)	(39.6)
Finance costs and tax	(19.4)	(20.2)
Acquisition	-	(14.0)
Dividend	(32.4)	(28.4)
Other	0.8	1.4
<b>Reduction in Net Debt</b>	<b>13.9</b>	<b>37.8</b>



# *Operational Review and Strategic Progress*

Jill McDonald  
Chief Executive

**halfords**

# Performance Summary

Service-related sales



Car parts and workshop products



Connectivity and dash cams



Cycling



Transition to 3-day-a-week deliveries



Acquisition of Tredz and Wheelies



# Motoring Market Update



Increasing number of cars

Average age of car remains around 7.5 years

Growing complexity of cars and car parts

# Cycling Market Update



Market stabilising gradually

Weather impacts on timing of customer purchase

Participation still low – scope for new cyclists

Increased spend from existing cyclists

Significant government spend on infrastructure

## Strategy Recap



Putting Customers in  
the Driving Seat



Service in our  
DNA



Building on our  
Uniqueness



Better Shopping  
Experience



Fit for the Future  
Infrastructure

# Putting Customers in the Driving Seat



15% of Retail sales now matched to customers

Email campaigns increasingly tailored to customers

Using opening price points to improve value perception

# Putting Customers in the Driving Seat





Customer service metrics improved significantly

New services introduced



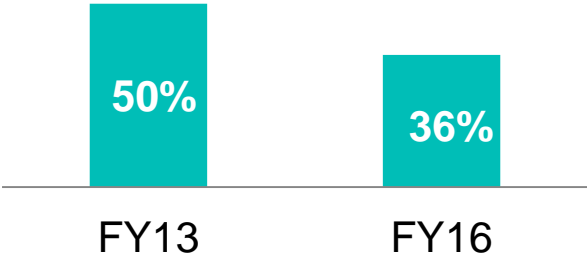
Full time colleagues



Gears Training



Colleague turnover





Placed 18<sup>th</sup> in the Sunday Times Best Big Companies to Work For



Winner of the Mainstream Retailer of the Year category in the BikeBiz Awards 2015

Winner of Best Partnership in the Community – National CSR Awards



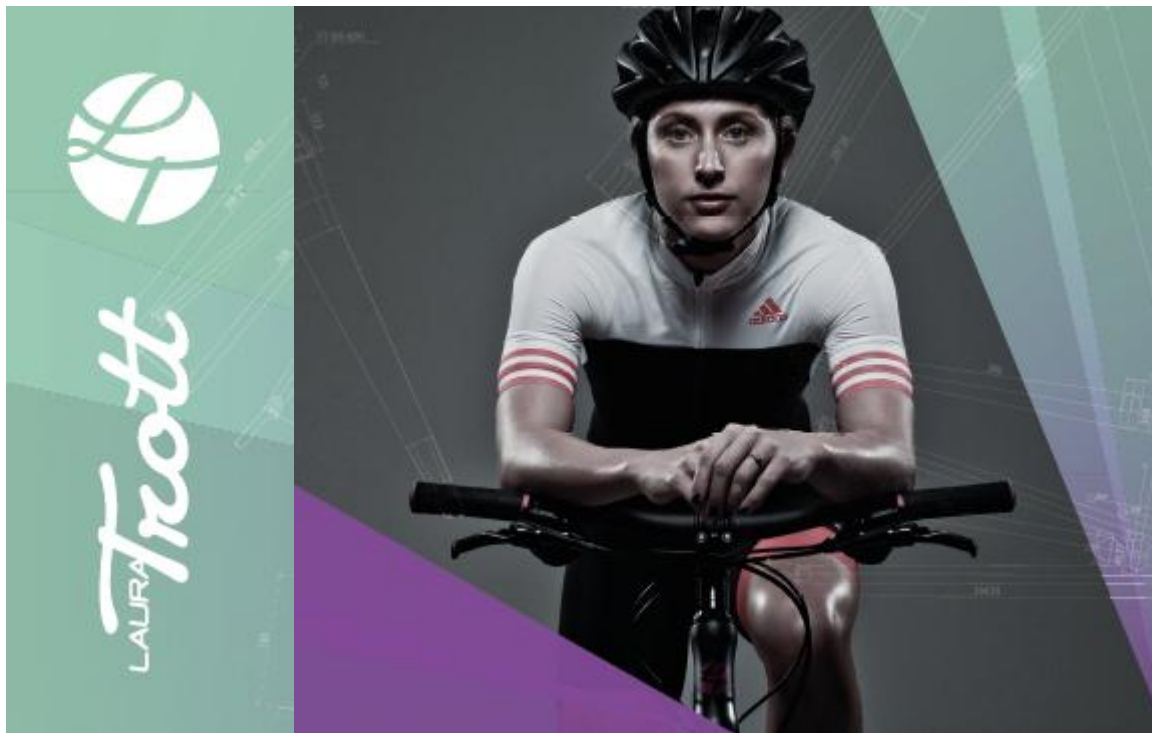
# Building on our Uniqueness



# Building on our Uniqueness



## Building on our Uniqueness



**halfords**

## Better Shopping Experience



Halfords website & fulfilment  
upgrades H2 2016

Store of the Future at design  
phase

# Better Shopping Experience: Store of the Future



**Builds upon previous refresh design success**



**Leverages technology for colleagues and customers**

**Supports our service proposition**



**Reflects new brand look and feel**



Good progress in IT application development

25 lease renegotiations  
3 relocations / right-sizes



**3-day a week deliveries to store working well**

**Long-term supply chain requirements reviewed**

**Supply chain infrastructure to be developed to enable growth...**

**...but no significant change to on-going opex or capex guidance**

# Autocentres



Be First Choice for Motorists



Give a Service that Customers Come Back For



Run a Grand Prix Operation That We Are Proud Of



Leverage the Halfords Brand and Group Capabilities

# Autocentres



11 centres opened and 24 refreshed

Online booking revenue up 19%

Introduced more customer-focused opening hours

Training and people investments

## Acquisition of Tredz and Wheelies



Online UK-wide retailer of premium bikes and PACs, trading as Tredz

UK's largest provider of bike replacement for insurers, trading as Wheelies

Combined sales of £32m\* and EBITDA of £2.4m\*. Initial consideration of £18.4m

Strategically relevant bolt-on acquisition, which will operate standalone

# Cycle Republic







11 stores now open, six of which are in London

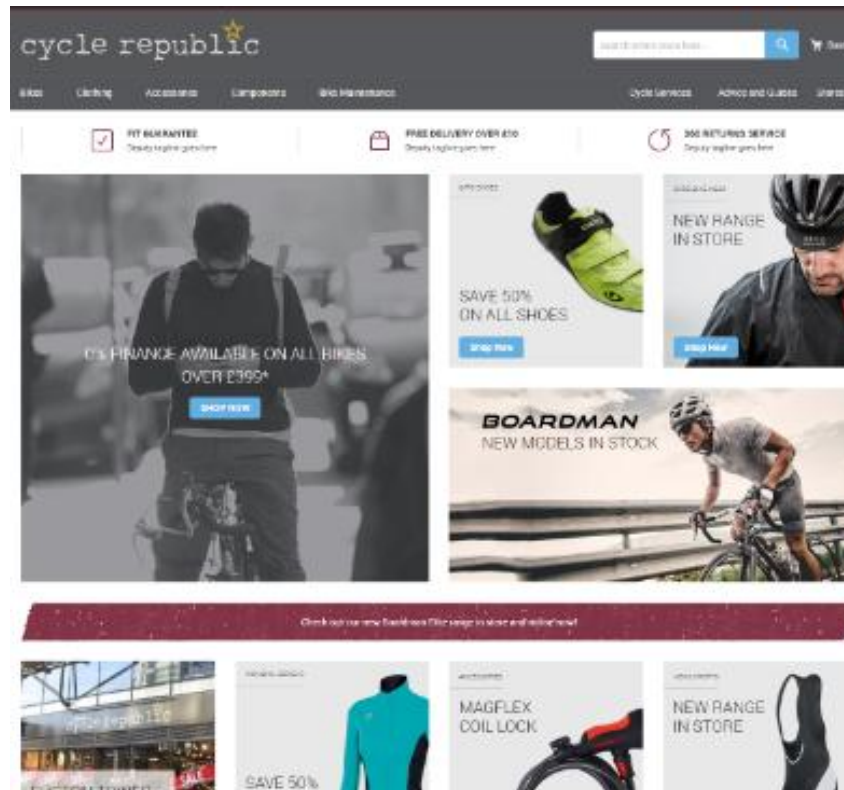
0.5% of Group sales in FY16

Total store & online capex for FY15 to FY17 of around £5m (4% of Group capex in the same period)

# Cycle Republic



	Halfords	Cycle Republic
ATV of Bikes		
ATV of PACs		





# *Financial Guidance*

Jonny Mason  
Chief Financial Officer

**halfords**

## Financial Targets

**1**

Grow sales faster than the market

**2**

Group EBITDA margin broadly flat  
over the next few years

**3**

Grow the dividend every year  
with 2x cover on average over time

**4**

Net Debt target of 1x EBITDA with a  
range up to 1.5x

# Capital Allocation Priorities

Pre-conditions of maintaining a strong balance sheet  
and operating in line with the debt framework

**1**

Investment for growth

**2**

Pay and grow the dividend

**3**

Appropriate M&A

**4**

Surplus cash returned to  
shareholders

## FY17 Financial Guidance

All of the following guidance is in respect of the Group and includes the acquired Tredz and Wheelies businesses:

**Profit Before Tax unchanged on FY16\***

**Depreciation & amortisation charge circa £34m\*\***

**Net finance costs circa £3m**

**Tax rate circa 20%**

\* Based on an assumption of a US Dollar to Sterling exchange rate of \$1.50

\*\* Does not include any amortisation arising on consolidation of Tredz and Wheelies

# FY17 Capital Expenditure



Capital expenditure circa £45m

Retail refreshes

Cycle Republic stores and website

Autocentre openings and refreshes

Distribution and IT improvements, especially EPOS and a resource planning system



# *Summary*

Jill McDonald  
Chief Executive Officer

**halfords**

# Summary



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**Strong improvements in customer and colleague metrics**

**Good progress on Moving Up A Gear strategy**

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*Questions*

**halfords**



# *Appendices*

# Group Components

<b>FY16</b>	<b>Retail £m</b>	<b>Autocentres £m</b>	<b>Amortisation £m</b>	<b>Group £m</b>
Revenue	868.5	153.0	-	1021.5
Gross Profit	444.8	98.3	-	543.1
Operating Costs	(363.0)	(94.5)	(1.1)	(458.6)
<b>EBIT</b>	<b>81.8</b>	<b>3.8</b>	<b>(1.1)</b>	<b>84.5</b>
<b>EBITDA</b>	<b>106.0</b>	<b>8.6</b>	<b>-</b>	<b>114.6</b>

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

**Note:** All numbers are before non-recurring items

## Group Balance Sheet

	FY16 £m	FY15 £m	YOY £m	Change
Goodwill and Intangible Assets	362.9	356.8	+6.1	+1.7%
Property, Plant & Equipment	107.3	103.8	+3.5	+3.4%
Derivative Financial Instruments	4.2	3.8	+0.4	+10.5%
Net Working Capital	36.1	27.6	+8.5	+30.8%
Net Debt	(47.9)	(61.8)	-13.9	-22.5%
Other Creditors	(57.2)	(62.5)	-5.3	-8.5%
<b>Net Assets</b>	<b>405.4</b>	<b>367.7</b>	<b>+37.7</b>	<b>+10.3%</b>
<i>Inventories</i>	157.9	149.3	+8.6	+5.8%

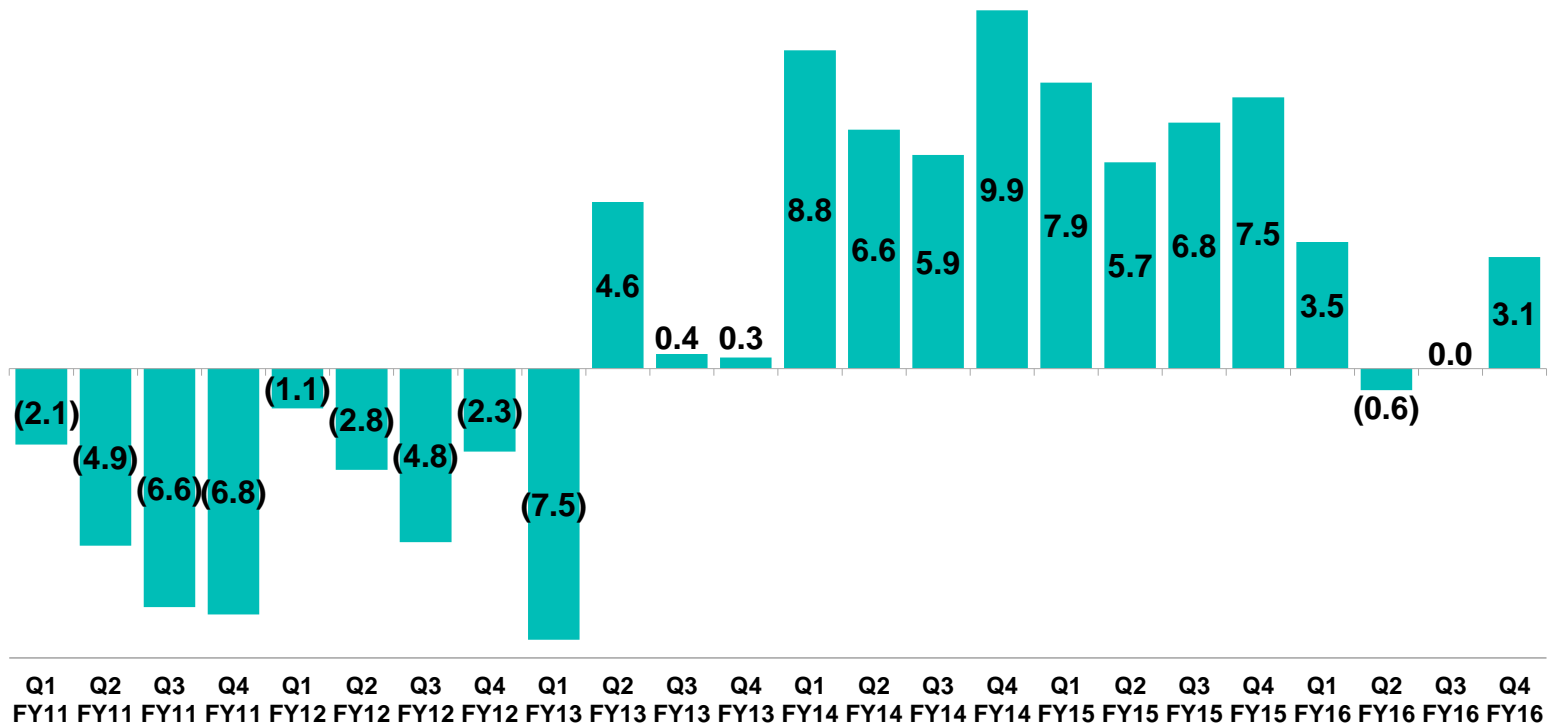
## Cash flow and Net Debt

Operating Cashflow	£m	Free Cashflow	£m	Net Debt	£m
EBIT	82.8	Operating Cashflow	103.7	Opening Net Debt	(61.8)
Depreciation/ Amortisation/ Loss On Disposal	30.5	Capital Expenditure	(38.5)	Free Cashflow	45.4
Employee Share Scheme	3.0	Net Finance Costs	(2.2)	Dividends	(32.4)
Working Capital	(11.2)	Taxation	(17.2)	Lease/Other	(1.8)
Provisions/Other	(1.4)	Other	(0.4)	Purchase of own shares	2.7
<b>Operating Cashflow</b>	<b>103.7</b>	<b>Free Cashflow</b>	<b>45.4</b>	<b>Closing Net Debt</b>	<b>(47.9)</b>

Net debt to EBITDA reduced from 0.6x to 0.4x

Full year dividend up 3.0% to 17.0p

# Retail LFLs



## Retail in-store services

Motoring fitting	Motoring checks / top-ups	Cycling
3Bs for cars/vans	Summer	Service and repair
Roof box / cycle carriers	Winter	Accessory fitting
Audio	Oil	Free build
Dash cams		
Number plates		
2Bs for motorbikes		
Windscreen chip repair		

## Retail Portfolio – FY16 space

**Average Lease-  
able Space  
(sq.ft)**

**9,121**

**Average Total  
Trading Space,  
including  
Mezzanine  
(sq.ft)**

**8,120**

**Average  
Ground Floor  
Trading Space  
(sq.ft)**

**6,429**

**Average  
Mezzanine  
Trading Space  
(sq.ft)**

**3,092**

**Notes:**

- 1) Excluding Cycle Republic
- 2) Ground floor only, including back of house

## Retail Portfolio – Lease Expiries

	Expiries
FY16 and earlier <sup>1</sup>	27
FY17	14
FY18	15
FY19	24
FY20	41
<b>Total expiries by end FY20</b>	<b>121</b>

**Average remaining lease length: 6.4 years**

**Notes:**

1) At 1 April 2016 there were 27 leases that had already expired that were yet to be renegotiated

## Autocentres Portfolio

	Centres
Acquired	223
FY11	230
FY12	250
FY13	283
FY14	303
FY15	305
<b>FY16</b>	<b>314</b>

**Average remaining lease length: 6.7 years**

## Forward-Looking Statements

Included in this presentation are forward-looking management comments and other statements that reflect management's current outlook for future periods

These expectations are based on currently available competitive, financial, and economic data along with our current operating plans and are subject to risks and uncertainties that could cause actual results to differ materially from the results contemplated by the forward-looking statements.

The forward-looking statements in this presentation should be read in conjunction with the risks and uncertainties discussed in the Halfords Annual Report and Accounts.

## Contact and Newsflow

For further information, please go to [www.halfordscompany.com](http://www.halfordscompany.com) or contact

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Next newsflow:

14 July 2016: Q1 trading update