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Halfords Pre-Close Trading Statement Analysts Call 7th April 2011



Retail



Commitment to provide greater clarity

- LFL “Sales Anchors”: Car Maintenance, Car Enhancement and Leisure
- FY11 UK/ROI revenue: c.£769m
- FY11 Underlying cost base c.£300m.
- **Cost split:**
 - Store Staff c.26%
 - Warehouse & Distribution costs c.9%
 - Store Occupation c.46%
 - Support costs c.19%
- **Current operational gearing:**
 - W&D & Store Staff – c.1% of LFL sales movement = 0.5% aggregate cost movement
 - Store occupation – Rent/rates/power/property services
 - Support costs predominantly fixed – some discretion
 - FY12 Bonus – on target payout c.£4m (inc within store staff & support costs)
- FY12 Capex around £20m



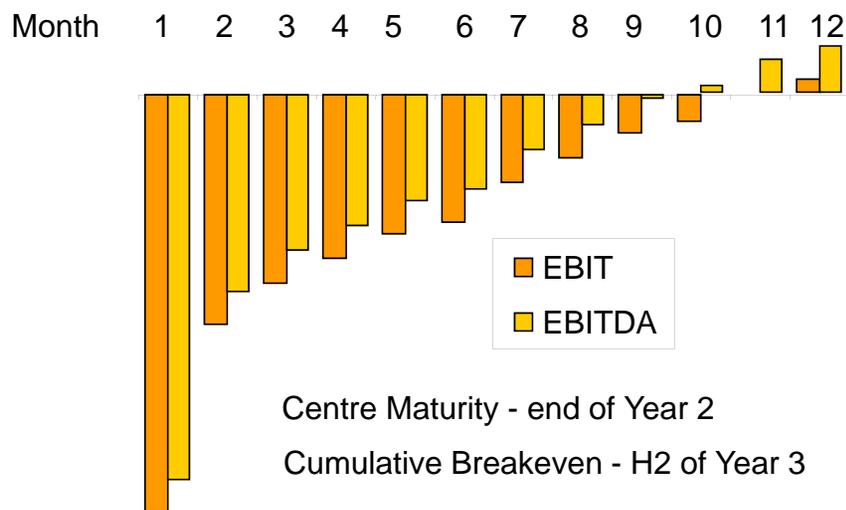
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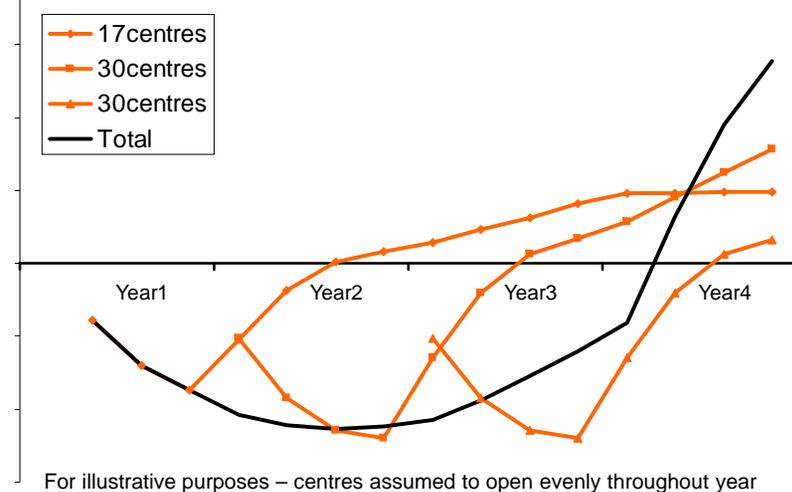
High operational gearing - cash generative business

- FY11 revenue c.£98m
- Gross profit c.66%
- Operating costs (inc labour) – predominantly fixed
- Typical mature centre currently generates c.£40k of annualised EBIT
- FY12 EBIT start up losses from new centres c.£1m
- FY12 capex around £5m – self funded

Typical centre 1 year EBIT profile



Illustrative EBIT profile of expansion programme



Capital return



£75m share buyback

- Highly cash generative business
- Opportunity and capacity now for capital return
- Year end FY11 net debt expected to be c.£105m
- Debt metrics (pre buy back):

	<u>FY11(est.)</u>
○ Adjusted net debt: EBITDAR ¹	c.3.3x
○ Net debt: EBITDA	c.0.7x
- Finance charge for FY12 post buyback c.£6.5m subject to rates / timing
- Buyback starts today
- Dividend policy maintained

Notes ¹ Adjusted net debt = net debt plus capitalised rent; Ebitdar = (Ebitda + rent)

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