



# **HALFORDS GROUP PLC**

## **INVESTOR STORE VISIT – 8<sup>th</sup> OCTOBER 2009**

**Halfords  
Unit 6  
Broadground Lane  
Tottenham  
N15 4QD**

# Strategic Growth Plan



## Core UK business provides continued growth opportunities

- Extending range and service advantage
- Investing in the Store Portfolio
- Ongoing focus on cost control
- Leveraging the Halfords brand in multi-channel



## To illustrate the growth potential for Halfords core UK category proposition

- Introduction
- Automotive
- Leisure
- Colleague Management
- Summary
- Open Session

# Halfords Team



- David Wild Chief Executive Officer
- Nick Wharton Chief Financial Officer
- Andy Torrance Store Operations & Logistics Director
- Tony Newbould Investor Relations Officer
- Lynn Hayzelden General Manager: Marketing
- Andy Hamilton Divisional Manager : South

# Car Maintenance



- Long term attractive market
  - ◆ Increasing car parc
  - ◆ Ageing car parc positive for demand
  - ◆ Manufacturer innovation
- Attractive economic model
  - ◆ Above average gross margins
  - ◆ Range innovation drives ATV
  - ◆ Range now actively marketed
- Market leader through range authority, availability & fitting capability
- Market consolidation continues in substantial market (c.£1Bn)



# Car Enhancement



- Wide ranging category from resilient car cleaning staples to accessories & technology
- Market drivers
  - ◆ Cleaning & accessories mirror car parc
  - ◆ On-going innovation drives technology market
- Advantaged proposition
  - ◆ Strong own brand
  - ◆ Scale & flexible sourcing
  - ◆ Range breadth and exclusivity
  - ◆ Set up & demo / Technology fitting
- Accessorisation expanding technology margins



# Cycles



- Long term attractive market
  - ◆ Health/leisure
  - ◆ Sustainability
  - ◆ Economy/commuting
- Market leadership with further opportunities
- Significantly advantaged proposition
  - ◆ Own brand led assortment
  - ◆ In-store service
  - ◆ Comprehensive accessory range & increasing attachment rates
  - ◆ Scale & agile sourcing
  - ◆ Halfords.com
- Bike Care plan growing
- Independent bike distributor consolidation





# Premium Cycle Opportunity



- Boardman fastest growing premium bike brand
  - ◆ 'Best in Class' Awards
  - ◆ Long term exclusive arrangement
  - ◆ Leverages supply chain capability to offer great value
  - ◆ Volume 3 x 2008 levels, 5 times Halfords average ATV
  - ◆ Trained colleagues
- Leverage Boardman to widen premium offer
  - ◆ Accessory assortment widened in-store
  - ◆ Enhanced service model
  - ◆ 2000 additional accessories on web
- Further opportunities in sub-categories, via store specific ranging
  - ◆ Town & Trail
  - ◆ Folding bikes
  - ◆ Hybrid performance
- Cycle2Work leadership





# Travel Solutions / Camping



- Market dynamics underpinned by growth in domestic holidays
- Market leadership in established auto related categories
  - ◆ Roof boxes, bars and cycle carriers
  - ◆ Pets on the Move, Safety & Continental Motoring
- Increasingly diversified into camping
  - ◆ Sub-shop environment improves conversion and drives basket size
  - ◆ Opportunity to extend equipment range
  - ◆ Urban Escape premium brand established
  - ◆ Fragmented competition
- Child Seats now a core category
  - ◆ Market leadership apart from first-born
  - ◆ UK birth rate increasing
  - ◆ ROSPA fitting accreditation enhances credibility
  - ◆ Range opportunities on line and in-store



# Labour Productivity Management



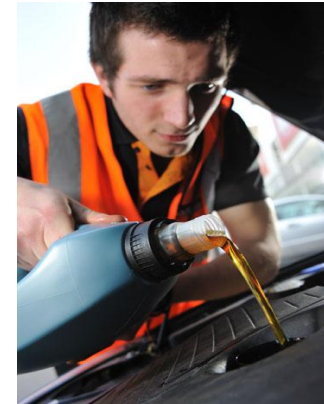
- Objectives

- ◆ Optimise colleague & skill allocation across store/week
- ◆ Deliver payback on eVolve systems investment
- ◆ Offset inflationary pressures
- ◆ Increase fitting resource & availability



- Progress – Financial Year 09

- ◆ Develop core rotas
- ◆ Gap identification process
- ◆ Formal consultation (1,000 colleagues)
- ◆ Up-weight service & selling skills training



- Delivery – Financial Year 10

- ◆ Targeted savings banked
- ◆ Fitting penetration increased (FY09 +20%, Q1 FY10 +25%)
- ◆ Ongoing opportunity to leverage productivity





## Unique offer and differentiated service proposition

- Natural destination for Automotive & Leisure products
- Core categories provide growth opportunities, in-store and via [halfords.com](https://www.halfords.com)
- Broad competitive set with Halfords delivering market leading package
- Consolidation opportunity in fragmented markets characterised by weak independents

# Appendix – Tottenham Store



## Tottenham Store is representative of the Halfords estate

### Physical

- Opened 8 December 2000
- Square mezzanine store (c. 100 in chain)
- Retail space (sq ft) - ground 8,639, mezzanine 2,703 (Rental space – 12,000)
- Low cost refresh 2007 (£30k investment)

### Financial

- Turnover ranking – 38
- Fitting penetration +27% yr on yr (growth rate c.250<sup>th</sup> in company)
- Bike Care Plan Penetration +87% yr on yr (c. 200<sup>th</sup>)
- Technology accessory attachment ratio + 125% yr on yr (c. 225<sup>th</sup>)

### Operational

- C. 50% of colleagues impacted by rota review (11 of 25)
- Rotas aligned to weekend increasing weekend allocation by 7%
- Fixed labour element reduced by c. £45,000, c. 8% of store base
- Underlying labour investment reduced by c. 4%