

16th March 2020

Halfords Group plc
Proposed closure of Cycle Republic and Boardman Performance Centre

Halfords Group plc ("Halfords" or "The Group") today announces a proposal to close the operations of Cycle Republic and the Boardman Performance Centre ("Cycle Republic") following a strategic review of the Group's cycling businesses.

Our proposal links directly to our strategic update in November 2019. At the time, we outlined our intent to improve the profitability of our cycling business and the proposed closure of Cycle Republic reflects the challenging economics of a store-based dedicated performance cycling operation. Exiting a low-returning, stock intensive business allows us to improve our return on capital whilst freeing up investment and resources to continue to drive our services-focused strategy, with an emphasis on accelerating the growth of our motoring businesses. The proposed closure is expected to be marginally accretive to earnings in FY21 and will also enhance cashflow and net debt on an ongoing basis, principally through lower working capital requirements.

Performance Cycling is an important category for Halfords. We currently serve the enthusiast cycling market through Tredz, a predominantly online business, and through Cycle Republic, a commuter led, store and online offer. Going forward, we believe we will better serve this market by singularly focusing our investment and resources into the Tredz brand, which has both a differentiated and specialist customer proposition and a superior business model in this part of the cycling market.

With investment in the Tredz business, alongside our core Halfords Retail cycling business, we believe we will be uniquely placed to serve both the enthusiast and the mainstream customer in a more economic way than we do today.

From today we will launch a consultation process with the 226 colleagues affected by the proposal, with a view to mitigating redundancies where possible. We are also actively exploring opportunities to sell the sites as a going concern. Subject to the outcome of current negotiations and consultation, the stores are expected to close during the first half of FY21.

The proposed closure does not affect the previously stated profit guidance for FY20. In the year ended 29 March 2019 Cycle Republic made a loss of £4.3m, with the FY20 loss expected to be materially smaller. The gross assets attributable to Cycle Republic were £27.0m as at 27 September 2019, which includes £14.4m relating to a right of use asset under IFRS16. There will be pre-tax exceptional costs associated with the implementation, subject to the outcome of the consultation process, which are currently estimated to be £25-35m, with the majority being cash costs. The majority of these cash costs relate to the existing retail store lease arrangements and therefore will be incurred over the period of the remaining leases, which have an average length remaining of 4.9 years. All numbers provided are on a pre-IFRS16 basis, unless otherwise stated. A further update will be provided in Halfords Preliminary Results release on 2 June 2020.

Graham Stapleton, CEO said:

"The Board has come to the difficult, but necessary, decision to propose the closure of Cycle Republic, our retail store-focussed performance cycling brand.

This proposal is not a reflection of the hard work of our Cycle Republic colleagues, who I would like to thank for their commitment and passion in serving our customers. We are now moving into a

period of consultation with impacted colleagues with a view to mitigating as many redundancies as possible.

Going forward we propose to focus our investment and resources in Halfords and Tredz, through which we will deliver market-leading specialist propositions for both mainstream and enthusiast cyclists via a business model that improves our overall economics."

Enquiries

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Conference Call

There will be a conference call for investors and sell-side analysts beginning at 10.30am today (UK time). The participant dial-in is +44 (0)333 300 0804 or 0800 358 9473 (toll free). The PIN is 52437927#.

Reporting Calendar

On 2 June 2020 we will report our annual results for the 53 weeks ending 3 April 2020 along with an update on our plans for FY21.

Notes to Editors

www.halfords.com

www.cyclerepublic.com

www.halfordscompany.com

www.boardmanbikes.com

www.halfordsautocentres.com

www.tredz.co.uk

Halfords is the UK's leading provider of motoring and cycling services and products. Customers shop at 446 Halfords stores, 26 Performance Cycling stores (trading as Cycle Republic, Tredz, Boardman and Giant), 369 garages (trading as Halfords Autocentres) and have access to 75 mobile service vans (trading as Halfords Mobile Expert). Customers can also shop at halfords.com, cyclerepublic.com and tredz.co.uk for pick up at their local store or direct home delivery, as well as booking garage services online at halfordsautocentres.com.

Cautionary Statement

This report contains certain forward-looking statements with respect to the financial condition, results of operations, and businesses of Halfords Group plc. These statements and forecasts involve risk, uncertainty and assumptions because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. These forward-looking statements are made only as at the date of this announcement. Nothing in this announcement should be construed as a profit forecast. Except as required by law, Halfords Group plc has no obligation to update the forward-looking statements or to correct any inaccuracies therein.