

14 January 2021

Halfords Group plc

Q3 Trading Update: Financial Year 2021

Strong LFL momentum continued in a challenging operating environment.

Autocentres LFL revenue up 21.1%, with strong performances from key areas of strategic importance (online, services, B2B)

Halfords Group plc ("Halfords" or the "Group"), the UK's leading provider of Motoring and Cycling products and services, today announces its Q3 trading update for the 13 weeks to 1 January 2021 ("the period").

Key financials

	Q3 (13 weeks) % change	Year-to-date (39 weeks) % change
TOTAL REVENUE		
Halfords Group	+11.5%	+10.0%
Retail	+7.7%	+5.5%
Autocentres	+30.5%	+35.6%
LIKE-for-LIKE ("LFL" REVENUE)		
Halfords Group	+11.7%	+9.0%
Retail	+9.8%	+9.4%
Motoring	-8.4%	-18.2%
Cycling	+35.4%	+49.1%
Autocentres	+21.1%	+6.6%

Key highlights

- Strong trading performance across the quarter with Group LFL sales growth of +11.7%, comprising Retail LFL +9.8% and Autocentres LFL +21.1%.
- Autocentres sales up +30.5%, reflecting a significant increase in market share, driven by our best-in-class digital operating model, our first group-wide motoring campaign and expansion of our unique Halfords Mobile Expert vans proposition.
- In Retail;
 - Cycling LFL growth of +35.4% driven by continued strength in Adult Mechanical, e-bikes and e-scooters, despite global container shortages and port congestion impacting availability.
 - Motoring LFL sales down -8.4%, a pleasing performance relative to UK traffic volumes being approximately -25% lower than pre-pandemic levels as a result of lockdowns.
 - Our performance cycling business, Tredz, continued to see high levels of demand, growing +51.2% LFL over the quarter, indicating a high retention of customers from Cycle Republic, which we exited in March 2020.
 - LFL rates as we exited the quarter were lower than quarter averages as increased lockdowns weakened demand and supply chain disruption delayed stock arriving into the business.
- We continued to perform well in areas of strategic focus:

- Net Promoter Score (“NPS”) improvements accelerated in Q3, up +4.3 points year-on-year, driven primarily by improved customer journeys across all of our channels.
 - Group Service-Related Sales growth of +31% with strong demand for motoring services and cycle repair mitigating the impact of lower traffic volumes.
 - Group online growth of +76%, reflecting accelerated investment in our web platform and the continued customer shift towards this channel.
 - B2B growth of +44%, with very strong growth in our Cycle to Work scheme supported by good growth in our Fleet business.
 - Improved Cycling profitability, on track to exceed our target of improving Cycling gross margin by 300bps in FY21
- In November 2019 we highlighted our intention to reshape our property portfolio, to enable us to deliver a more integrated and flexible customer and services proposition and to assist in creating a more cost-efficient business. We indicated this may result in closing up to 10% (c. 80 sites) of our property estate, whilst simultaneously growing our fleet of Mobile Expert vans. Since then, we have closed 33 sites (including 22 Cycle Republic stores, after exiting the business) and will be closing a further 47 financially low-returning stores and garages before the end of the financial year. The additional closures will result in an annualised P&L benefit of over £6m after an exceptional cost in FY21 of £25m-£30m. Of this, we anticipate exceptional cash costs, including lease payments, of £10m-13m in FY21 and FY22, which will be offset by working capital reductions, tax savings and improved profit contribution.
 - We successfully completed the refinancing of a £180m revolving credit facility in December 2020, welcoming three new banks into the syndicate.

Graham Stapleton, Chief Executive Officer, commented:

“We are pleased to have delivered a strong performance under hugely challenging circumstances, including our best ever Christmas week. Despite a large reduction in traffic on the roads, our strategically important Autocentres business saw significant growth, with particularly strong demand for the services of our growing fleet of Halfords Mobile Expert vans.

We are currently carrying out over half a million services and repair jobs on cars and bikes each month, and therefore continue to play an essential role in keeping the UK moving during this pandemic.

Throughout the crisis we are privileged to have been able to offer free checks and discounts to 239,000 NHS workers, teachers and Armed Forces staff to help them keep their vehicles safe and roadworthy.

The health and safety of our colleagues and customers remains our number one priority and I would like to offer my sincere thanks for their unwavering loyalty and support.”

Outlook

The UK government announced a third national lockdown on 4 January 2021. As an essential retailer and services provider, our portfolio of stores, garages and Mobile Expert vans will remain open and continue to support key workers and customers with their journeys. The scale and extent of this lockdown will inevitably impact demand for our motoring products and services, with fewer car journeys being made across the UK. Although we currently anticipate a less severe impact on motoring demand relative to the spring lockdown, the cycling market is seasonally smaller during Q4 and may not fully offset the impact on motoring.

We remain confident in the financial strength and operational agility of our business to navigate the ongoing challenges arising from COVID-19. Our significant progress this year will ensure that we start financial year 2022 with a stronger platform for growth but, nevertheless, the immediate financial impact in Q4 is uncertain. We do not believe it appropriate to provide profit guidance at this stage but we currently intend to issue a pre-close statement during March 2021. Our position with respect to business rates relief and the Coronavirus Job Retention Scheme is still under review and we will provide an update when the COVID-19 situation becomes clearer.

Enquiries

Investors & Analysts (Halfords)

Lorraine Woodhouse, Chief Financial Officer

Neil Ferris, Corporate Finance Director

+44 (0) 7483 360 675
neil.ferris@halfords.co.uk

Andy Lynch, Head of Investor Relations

+44 (0) 1527 513189
andrew.lynch@halfords.co.uk

Media (Powerscourt)

+44 (0) 20 7250 1446

Rob Greening

halfords@powerscourt-group.com

Lisa Kavanagh

Conference Call

There will be a conference call for investors and sell-side analysts beginning at 9:00am today (UK time). A copy of the transcript of the call will be available at www.halfordscompany.com in due course. For further details please contact Powerscourt on the details above.

Notes to Editors

www.halfords.com www.halfordscompany.com www.tredz.co.uk

Halfords is the UK's leading provider of motoring and cycling products and services. Customers shop at 440 Halfords stores, 3 Performance Cycling stores (trading as Tredz and Giant), 367 garages (trading as Halfords Autocentres and McConechy's) and have access to 121 mobile service vans (trading as Halfords Mobile Expert and Tyres on the Drive). Customers can also shop at halfords.com and tredz.co.uk for pick up at their local store or direct home delivery, as well as booking garage services online at halfords.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