Halfords

Halfords FY27 Interim Results

Retail Investor Presentation 2026

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Transcript

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SLIDE 1

Good morning everyone, and welcome to the Halfords Group Interim Results for the 26 weeks ending the 2nd October 2026.

I am Henry Birch the Chief Executive of Halfords, and joining me today is Jo Hartley, our Chief Financial Officer.

SLIDE 2

I am pleased to be announcing a very strong set of results today.

We have seen fantastic progress across all of our key metrics, across both our divisions, with lfl sales up over 7%, margin accretion, customer growth, market share growth and excellent cash generation all culminating in 66% growth in underlying PBT.

We have had the positive benefit of an early and warm summer reflected in our trading, and we have tried to be as transparent as possible on this point throughout this presentation. But it is important to note, that as a business we were set up to succeed and capitalised on the opportunity and that, even without the weather benefit, we have made really positive underlying progress.

And it's the combination of that strong underlying progress and our expectations for the remainder of the year that give us the confidence to increase our earnings guidance for the year, to increase our interim dividend, and to move into the "Evolve" phase of our strategy, with a major investment in a new, national distribution centre for our Retail business.

SLIDE 3

So turning to today's agenda, Jo will take us through the detail of our H1 performance, I will talk to our strategic progress and the start of our Evolve phase, followed by our outlook and then Q&A. So with that, I would like to hand over to Jo.

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Thank you, Henry, and good morning everyone.

SLIDE 5

So starting with the headlines, I am very pleased with our performance in the first half.

We delivered like-for-like sales growth of 7.1%, with good growth across both Retail and Autocentres.

Underlying operating margin increased by 140 basis points to 4.6%, underlying PBT increased by 66% to £39 million, and return on capital increased by 530 basis points to 18.9%.

We also generated strong free cash flow and ended the half with a materially increased net cash position.

So, a very strong set of financial results across the board.

As Henry mentioned, the early and warm summer clearly benefited our performance, and I'll now move on to separate the benefit of the weather from the underlying progress we've made.

SLIDE 6

Our best estimate is that weather in the first half added approximately £8 million to underlying profit, although inevitably there is some judgement involved in that assessment.

We can't assume we'll see the same favourable weather conditions again, or that we will see the same level of incremental profit if we do.

But as this slide shows, even after adjusting for the seasonal benefit, like-for-like sales grew by 5.6%, underlying operating margin increased by 60 basis points to 3.8%, underlying PBT increased by 31.9% to £31.0 million, and return on capital was 16.9%, remaining well above our cost of capital.

So, while the weather clearly contributed to a very strong headline result, the adjusted numbers also demonstrate substantial underlying improvement across the business.

SLIDE 7

Let me now provide a little more detail on the shape of the result.

Revenue increased by 6.7% to £953 million, with growth across both Retail and Autocentres.

The difference between reported revenue growth and like-for-like growth largely reflects store and garage closures completed last year.

Gross margin increased by 120 basis points to 52.6% reflecting effective pricing and promotional activity, support from foreign exchange and favourable mix into seasonal categories. It is worth noting that the H1 margin is yet to fully reflect the impact of increased oil prices and as such we expect margin growth to moderate in H2.

Operating costs increased by 6.2%, slightly below revenue growth, and therefore reduced as a percentage of sales.

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This reflects the benefits of operating leverage and continued cost discipline, despite wage and fuel inflation, a higher provision for incentive payments and continued investment in the business.

And as a result, underlying operating margin increased to 4.6%, and underlying PBT increased from £23.5 million to £39 million

Reported PBT was £35.5 million, after £3.5 million of non-underlying costs, including initial expenditure relating to our new distribution centre as we begin to move into the Evolve phase of our strategy.

SLIDE 8

This bridge shows the key drivers of our year-on-year profit improvement.

There are three important messages from this bridge.

First, we're seeing real benefits from the improvements we've made to the business. Stronger trading, Fusion and operational efficiencies are all contributing to profit growth.

Second, we're delivering that improvement despite some significant cost pressures. Inflation remains a headwind, although at more moderate levels than in recent years. We've also recognised substantially higher incentive costs. Our strong first-half performance has led to a higher annual bonus provision than at the same point last year, and the higher share price has resulted in higher costs associated with our long term incentive awards due to vest over the coming years. Alongside this, we've continued to invest in the business, supported by the strength of our performance.

And third, we've been very deliberate about separating out the weather benefit. Excluding the estimated £8m benefit from the exceptionally warm summer, underlying PBT grew by 32% to £31m. Including weather, profit increased by 66% to £39m.

So weather has undoubtedly helped, but I think this bridge gives a good indication of the underlying progress we're making through our Optimise strategy.

SLIDE 9

Turning to Retail, revenue increased by 7.3% to £572 million, with like-for-like sales growth of 7.7%. The performance was broad based, with Motoring like-for-like sales increasing by 7.3%, and Cycling increasing by 8.3%.

Retail benefited most directly from the warm and dry summer, particularly in Cycling, camping and touring, and car air-conditioning services. We're also seeing encouraging results from our category management work and improvements to the online customer journey, supporting stronger sales growth.

Gross margin increased by 130 basis points to 50.6%, reflecting more effective pricing, less promotional activity, growth in higher-margin retail services, favourable foreign exchange and the timing of cost price increases in oil-related categories. While we are really pleased with this result,

as we flagged at the prelims, following significant gross margin expansion over the last 2 years, we are not assuming further increases in gross margin rate as we look further forward.

Operating costs increased by 6.9%. Despite wage inflation, higher incentive costs and continued investment in brand, technology and capability, cost growth remained below revenue growth.

As a result, underlying operating profit increased by 46.1% to £30.1 million, and operating margin increased from 3.9% to 5.3%.

We estimate that the warm dry summer added around £6 million to Retail operating profit.

After adjusting for the seasonal benefit, operating margin was approximately 4.3% - an encouraging step towards our medium-term ambition of a sustainable 5% to 6% Retail operating margin, which Henry will cover in more detail later.

Its worth noting here that we shouldn't expect progress to be entirely linear. We'll need to absorb further inflation and continue investing in the proposition, but the weather-adjusted result gives us confidence that category management, services, digital improvements and more disciplined trading can deliver sustainable growth in sales densities and operating margins.

SLIDE 10

Moving now to Autocentres, where performance was also strong.

Excluding Avayler, revenue increased by 5.9% to £380.2 million, with like-for-like sales growth of 6.1%, driven by both consumer garages, supported by a stronger tyre market, and commercial fleet services.

We continued to grow the amount of Additional Work Identified and sold on each vehicle that came into our garage, gained tyre market share and increased income per tyre through better attachment of services such as wheel alignment and warranties.

Gross margin increased by 110 basis points to 55.5%, reflecting improved pricing and a more favourable sales mix.

Operating costs increased by 5.0%, below revenue growth, despite labour inflation and continued investment in the estate.

Importantly, labour costs as a percentage of sales reduced by more than 200 basis points year on year, reflecting better garage utilisation and our continued focus on having the right technician, doing the right job, in the right location. Fusion and more targeted investment in equipment, technology and garage leadership are also supporting this progress.

As a result, underlying operating profit increased by more than 60% to £16.1 million, and operating margin increased from 2.8% to 4.2%.

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Seasonal services, particularly air-conditioning, contributed approximately £2 million to that performance. Excluding this benefit, operating margin was approximately 3.7%, an important step towards our medium-term ambition of 5% to 6%, which Henry will cover in more detail later.

Finally, on Avayler, revenue was broadly stable and the operating loss increased to £2.3 million as we continued to invest in the platform. Avayler remains an important technology platform for Halfords, particularly as we modernise the systems supporting our garage and mobile operations. That said, revenue from external customers has been slower to materialise than originally anticipated. In light of the continued losses being generated by Avayler, a review of the business is being performed in the second half of the year.

SLIDE 11

Turning now to cash and the balance sheet.

We ended the half with net cash of £40.1 million, a significant increase both year on year and from the FY26 year-end position.

The principal driver was strong profit generation, supported by effective underlying working capital management.

We generated £38.0 million of free cash flow in the period, while continuing to invest in the business and fund the dividend.

Cash capital expenditure was £25.6 million and cash on non underlying items was a small credit in the period.

Including lease liabilities, net debt reduced to £207 million, from £228.7million at the end of FY26. We retain significant flexibility in our lease portfolio with the average retail lease length now 2.2 years, and the average garage lease length now 4 years.

We also retain access to our £180 million revolving credit facility, which runs to April 2029 and was undrawn throughout the period.

The strength of the balance sheet provides considerable financial flexibility. It allows us to fund attractive organic investment, maintain an appropriate dividend and begin the next phase of our strategy, while remaining comfortably within our leverage guardrail.

SLIDE 12

This slide brings us back to the four financial outcomes we committed to when we launched Fit for the Future.

We've delivered strong sales growth, improved operating margins, increased profitability and, importantly, significantly improved returns on capital.

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We've deliberately shown the weather-adjusted numbers alongside the headline results. Weather has undoubtedly helped us, but even excluding that benefit, we've delivered 5.6% like-for-like sales growth, 60 basis points of operating margin expansion and 32% growth in underlying profit.

And our return on capital, at 16.9% excluding weather, is comfortably above our cost of capital.

These are first-half results, and we expect some moderation in the second half, particularly as we continue to invest to drive continued momentum.

But the underlying progress we are making is really encouraging. We're beginning to see the benefits of the changes we've made through Optimise, with stronger sales, better productivity and improved operating leverage.

SLIDE 13

When we launched the Fit for the Future Strategy this time last year, we set clear financial guardrails, committing to an annual cash investment envelope of £55 million to £65 million, covering both capex and non-underlying project costs.

At that point, we assumed we'd lease or externally finance the capital investment in our new distribution centre.

Given the strength of our balance sheet, we've looked again at that decision. Funding the assets ourselves delivers significantly better returns than leasing them, creating greater value for shareholders.

So, with that clear focus on returns, we've decided to fund the £40 to £50 million of capital investment directly over the next three years, outside our existing £55 to £65 million annual investment envelope. The associated non-underlying operating costs of £35 to £45 million will remain within the guardrails previously set.

We expect the new distribution centre to deliver low to mid teens of millions profit benefit at maturity, and therefore returns significantly above our cost of capital.

And importantly, we can fund this investment while remaining comfortably within our leverage guardrail throughout the Evolve phase of our plan.

So this is a deliberate decision to fund the new distribution centre ourselves given the superior returns, while maintaining financial discipline across the rest of the business.

SLIDE 14

And that brings me to our capital allocation priorities, which are outlined on this slide, and remain unchanged.

We're focused on maintaining a strong balance sheet, investing where we see attractive returns, and delivering a sustainable dividend to shareholders.

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And in that context, the Board is declaring an interim dividend of 3.5 pence per share, compared with 3 pence last year. That reflects our strong first-half performance, cash generation and confidence in the outlook

So, stepping back, I'm really pleased with the progress we've made in the first half.

Better execution is helping us attract more customers, grow volumes and sales, and generate more profit and cash — even after allowing for the benefit of the weather.

And that, in turn, gives us the capacity to reinvest in the business and support further growth.

It's that combination of stronger performance and a healthy balance sheet that gives us the confidence to upgrade our profit expectations for the year, increase the dividend and commit to significant investment as we move into the Evolve phase of our strategy - and we'll continue to do that with discipline and a clear focus on returns.

With that, I'll hand back to Henry, who'll take you through the progress we're making against the strategy and our priorities and outlook for the rest of the year.

SLIDE 15

Thank you Jo. So turning now to our strategic progress.

SLIDE 16

A year ago, badged as Fit for the Future, we set out the 3 phases of our strategy, Optimise, Evolve and Scale. We are really pleased with our progress and I wanted to update on actions we have taken within our Optimise phase and then talk about the start of our Evolve phase and what that entails.

SLIDE 17

You may remember that at our prelims in June we had a greater focus on our strategic progress in our Garages business, and similarly today there will be more focus on our retail business.

SLIDE 18

But to briefly cover our Garages, I wanted to start by reminding you of the key components of our Optimise plan.

First, we said we would grow garage-level contribution through our Fusion programme, increasing capacity in our existing garage footprint, optimising our operating model and making better use of the referral opportunities between our retail car park and garage within a local area.

Second, we would drive utilisation by better matching the supply of labour to customer demand for services in our garages, and focusing on having the right technician doing the right job in the right location, across the estate.

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And third, we would prioritise our garage workforce, deploying technicians more flexibly, improving retention, and growing the next generation of talent with our market leading apprenticeship programme.

SLIDE 19

And we've made some great steps forward across all of these areas, which have cumulatively resulted in the 3.7% weather-adjusted operating margin we're reporting for HY27, as Jo has already outlined.

More specifically – we have 121 Fusion sites now trading, and are on track to complete the programme by the end of the financial year. Fusion has been hugely effective in driving sales and profitability and demonstrates our ability to deploy capital in our estate to good effect driving a typical payback within 2 years.

Moving on to utilisation, we have continued to make good progress on reducing labour cost as a percentage of sales, which is down more than 200bps year on year, even with the backdrop of a 4% increase in the living wage.

And finally, we have seen really good progress on Additional Work Identified, or AWI, which now represents around a quarter of revenue in our consumer garages. And we have also delivered strong growth in tyres. Although the overall tyre market continues to be subject to volatility, volumes grew in the first half. And beyond that, we have grown our market share, including through strong growth in Fleet following the exit of a major competitor. Although slightly lower margin, fleet work provides a reliable and recurring source of revenue that can complement our consumer garage business and help us to manage supply and demand more effectively to achieve better levels of utilisation. And alongside this, we have further grown income per tyre through high-value services such as wheel alignment.

We have talked previously about how, alongside other chains, our Garages business competes both with dealerships and single independent owner operator garages. From a price and proposition point of view, Halfords offers a branded service with expert technicians at a significant discount to dealerships and slightly more expensive than the independents. To differentiate further, we have recently introduced a 2 year guarantee on parts and labour and a year's free breakdown cover on any car that we service. To my mind that is a pretty compelling proposition and a real reason to switch to Halfords. More broadly, we've got a clear view of the levers that improve garage profitability, and confidence that we are able to pull them effectively to drive further operating margin gains in the future.

SLIDE 20

Which brings me to the medium term operating margin target of 5-6% that we have talked about previously. Recent performance gives us even more confidence that this is eminently achievable – and we are making good progress towards it as I have just described. Looking ahead, the biggest lever continues to be further progress on utilisation, with further benefit from the maturation of Fusion and continuing to drive AWI and optimise our tyres business. And these levers apply equally across both our consumer garages and our commercial fleet services business.

So our garages business is in good shape with over 6% sales growth, an improving operating margin with a clear pathway to our target, and over the longer term a real opportunity to scale up efficiently.

SLIDE 21

As Jo outlined, Retail had an exceptional H1 and we are both really pleased with performance and excited about what more we can achieve. Our retail trading benefitted from the weather but, crucially, we were able to seize the opportunity and capitalise on it and in doing so, take market share. That is the sign of a retail business on its game. So yes, we have had some benefit from the weather, but much of our momentum comes from self-help initiatives and our Optimise programme.

SLIDE 22

First, we are rolling out a programme of category management, driving sales densities and improved margin. At the heart of this is a forensic focus on pricing and promotion, on ranging, customer trends and preferences, own brand development and channel and marketing mixes. We are building new capability within our business and it is starting to pay off in terms of results.

Second, the vast majority of customers who cross the threshold of one of our stores is either looking for advice or a service attached to one of our products such as a battery or wiper blade fitting, a new headlight, or the attachment of a roof box. In our categories, we are unique in our ability to sell a product with an attached service, giving us a differentiated competitive advantage and a higher overall margin. So we are developing how we improve and expand the services we offer and developing training for our colleagues.

And third, a large proportion of customer journeys begin online but are fulfilled in store or in garage. 80% of our online orders are collected in store, and many of our store sales start with research on our website. Our digital platform helps our customers to get the right solutions and brings our unique touchpoints and assets closer together. So digital is an important feeder of store and garage performance, but it is also a transactional channel in itself.

But to pull all of this together, we are now going to show a short video.

SLIDE 23 - VIDEO

SLIDE 24

So turning to category management, the proof of the pudding is whether our efforts are actually delivering results. And the short and longer answer is yes. We are at the beginning of our category management journey – a full category relaunch takes up to 18 months to execute – but we have seen a 5% plus sales and margin uplift in the categories we have trialled in stores as part of Wave 1, which covers about 15% of retail sales and includes workshop, flagship cycling and cycling parts & accessories.

But there is still more to do in these and other categories, with a plan to have relaunched c.60% of our ranges by the end of FY28 with associated benefits building from there. It is premature to extrapolate Wave 1 success across the whole programme but early signs are very encouraging and we are getting real traction and creating momentum.

SLIDE 25

In retail services, we have taken steps to drive services growth and profitability ahead of expanding the range of services on offer in our car parks. These small changes have already had an impact, with services growth ahead of product sales and a marked increase in profit per job. We saw particularly strong growth in bike servicing and repair as well as dashcam fitting in H1, and we're now moving into trials on new service offers including security and diagnostics.

On the digital side, we are a genuinely omnichannel business with a website which is a transactional channel, a booking platform and a research tool, and it is unusual for a customer journey not to touch both our digital and physical channels.

Our online channel is starting from a lower level of maturity than our physical operations but we are continuing to strengthen our foundations, improving customer journeys and driving increased conversion, and Group online sales growth in the period was just under 6%.

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Similar to Garages, we want to set out a target operating margin for our retail business. Over the medium term, and based on both Optimise and the new distribution centre we are announcing today, we believe we can also take this to between 5 and 6%. Key building blocks include scaling our category management approach to around 60% of our range, expanding an optimised services offer and, critically, investment in a simplified retail supply chain operation, which I'll talk more about shortly. Today, we have a very well-run retail business but we feel there is more to go at and are confident we can get there.

SLIDE 27

Finally, turning to Group initiatives where I'm going to focus on our investment in the Halfords brand.

SLIDE 28

A year ago when we set out our strategy and plans, we identified a need to invest in the Halfords brand. Our brand is well-recognised, but research data showed that, because of a lack of investment historically, it was losing relevance and resonance. We have a powerful brand with a lot of touch points with emotional connection – from a baby seat to a first bike for a child to rescuing a school run or holiday trip that has faltered.

But we also know that many people don't recognise the breadth of our offer, the services that we offer, and that we can meet so many different customer demands particularly for those with a "do it for me" mindset. We have started investment in our brand with a new brand platform and it will

help underpin our medium and longer term growth aspirations. TV is a much smaller part of the marketing mix these days, but video remains important and we wanted to show an example of some of the work we are doing.

SLIDE 29 – VIDEO

SLIDE 30 – VIDEO

SLIDE 31

When we set out our Fit for the Future strategy last year, we made the observation that there were areas where we could drive structural efficiencies and attractive returns on capital - underpinning what we termed our Evolve phase to drive growth over the medium and long term.

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Our assessment was that, before embarking on any capital programme, we needed to demonstrate improved performance in our core business and we needed to exercise discipline and transparency in deploying capital.

SLIDE 33

As we have previously highlighted, we feel there is a transformative and attractive opportunity to re-cast our retail supply chain by consolidating our warehouse footprint, shown on the slide, into a single, purpose-built distribution centre. This is a significant project but one which will have very clear and traceable returns on investment and is a well-worn path for many retailers. Indeed, at a former company, we undertook a very similar project driving clear and positive returns.

We have identified our site and signed a lease for a new distribution centre in Coventry, which we expect to open in FY30. It will drive an improved customer proposition, it will deliver a better colleague experience and it will generate significant shareholder value, with low to mid-teens millions of pounds benefit annually at maturity.

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Finally, I wanted to summarise our performance and turn to our outlook.

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We are very pleased with progress so far this year. We have executed against our strategic priorities very effectively, driving positive change in all our key financial metrics. We have benefitted from weather, but we have shown that we are a business on its game, capable of taking opportunities as they present themselves. And it is the confidence in our momentum that has driven the upgrade in our underlying PBT guidance for the year to between 60 and 65million.

Having delivered £39m of PBT already, this means we are expecting FY27 profit performance to be H1 weighted. Sales growth has returned to more typical levels in October and November, and we

are planning to reinvest some of that first half outperformance in H2 to drive sustainable future growth.

We are clear on the path to a 5 to 6% operating margin in both of our business units, and, importantly, our strategic momentum is giving us confidence to make the right decisions for the longer-term success of the business, including the investment in our retail supply chain we have just described

SLIDE 36 –

Over the last 5 or 6 years, Halfords has been subject to volatility in its trading, whether from weather, the consumer outlook or industry or market dynamics. Over the next few years, we may well experience periods of volatility, but we are building a business that is structurally more efficient and profitable, that is more resilient and delivers a higher quality of earnings. Our results today are an early indication that our mission is working.

Halfords is performing better, the structural improvements are working, the earnings potential is greater than we've seen historically, and we have the confidence and discipline to invest for the next phase of growth. We definitely have much more to do, but we are encouraged by progress so far.

SLIDE 37

Thank you for listening today and we would now be happy to take any questions you may have.

Q&A:

Moderator:	Thank you very much for the presentation. We've had a number of questions coming through. First question, how much of the profit growth came from better margins and how much from higher sales?
Jo Hartley:	Thank you. We were absolutely delighted to deliver 66% growth in profit in the first half of the year. Within that, we saw our gross margin grow by 120 basis points, which means that around 10 million of our profit growth came from margin expansion.
Moderator:	Thank you. And you're mentioning the weather affecting performance. Do you not think this can be replicated?
Henry Birch:	So one of the questions we asked ourselves was what is normal weather? And clearly you can look back 5, 10 years and come up with a view on what kind of average weather is. But the trend that we're all seeing is that weather is getting more and more extreme. Having said that, we tried to be as scientific as possible in terms of looking at what we'd seen in previous years and what we had seen this year, which was how we came up with that number of 8 million profit benefit. Now I should stress that is still an

estimate. Whether that gets replicated going forwards or not really is kind of dependent on weather patterns, but what we're definitely not in the business of is predicting the weather.

Moderator: Thank you. Cycling sales have been strong. Are you seeing customers return for higher value bikes and accessories or is growth mainly coming from more everyday purchases?

Henry Birch: So in terms of our cycling business, that grew over 8% in the period. So really, really strong growth. And what actually was encouraging about that was that when we think about our cycling business, it's both selling actual bikes and then the parts and accessories. Actually, we saw broadly similar levels of growth in both of them. Where we've seen actually encouraging growth in particular is around the more premium bikes and particularly e-bikes. So electric bikes are generally getting lighter, they're getting cheaper, the battery performance is improving and our electric bike performance year on year actually grew 45%, so fairly significant. If you look at e-bikes as a percentage of overall bikes that we sell, it's about 25%. So still a minority, but growing. And it's something that we're really encouraged by when we look at our cycling business moving forwards is that we think electric bikes will continue to sell well.

Moderator: Thank you. Do you think customers see Halfords as a proper online option or do they still go to Amazon for things like car parts or accessories?

Henry Birch: So when we think about Halfords and the digital part of our business, it is not just a transactional channel like you might think of Amazon or other online operators. We think about digital and our online piece as being a key part of Halfords overall. And the reality is a lot of our customers will come to our website, they will conduct research, they may buy stuff from us, but a lot of them will then actually go to our stores or our garages either to get a service because obviously you can't conduct a battery fit or a wiper blade fit digitally, you have to get that done in a garage or in a store. And also because they want to actually pick up the product. So about 80% of our online orders are picked up in store. So when we think about who we're competing with online, yes, in some categories we are competing with the likes of Amazon, but our sweet spot and where we really differentiate is that combination of products and services, which is something that you can't deliver just digitally.

But obviously we're always keeping an eye on what's going on in the digital world and making sure that price wise that we're representing good value. But we feel strongly that as I say, our differentiation is the fact that we've got both products and services and we have that whole ecosystem of digital, of stores, garages, and indeed mobile, our mobile service where we actually come to you and your house for changing your tyres or getting your car serviced on your drive.

Moderator: Thank you. You said October and November returned to more normal sales growth. What does normal look like for Halfords now? And are you seeing any signs of customers cutting back?

Henry Birch: So look, I think it's important to say that we have obviously upgraded our profit guidance for the year, the balance of the year to come. So we have a good degree of confidence in terms of performance over the next now, whatever it is, 4 or 5 months. We're not seeing the same levels that we saw from the hot summer. We've been very clear about that, but the actions that we've been taken, the momentum that we've got in the business continues. If you look more broadly at the economy and the consumer outlook, there are commentators out there who are pointing to potentially a more kind of inflationary environment to oil prices going up and being sustained, potentially energy prices going up. We haven't seen that yet in terms of our customer behaviour. And in fact, one of the metrics that we look at is the number of miles driven each year in the UK.

And if you look at the number of miles driven in the year to June of this year, when actually you did have those elevated petrol prices, diesel up at £2 a litre, actually miles on the road grew by 2% in that period. So I think we haven't seen any indications yet, but to be clear, that doesn't mean to say that there won't be coming, but at the moment we're pretty confident. I should also point out that about 30% of our business is B2B. So that's not consumers, that's businesses. And in most cases, those are revenues that they're committed to. So whether it's a fleet on the road that they're getting serviced or getting their MOTs done, those are reliable recurring revenues. So that's about 30% of our overall revenues.

Moderator: Great. Thank you. You're investing more in marketing and technology in the second half. How will you judge whether that spend is bringing customers back and generating sales? Is the investment likely to mean higher costs for a few years before we see the benefit?

Henry Birch: So we've been able to invest in the second half because of our outperformance in the first half of the year. And some of that has been accelerating investment that because we've had additional profits, we've been able to invest in the second half, which the idea is that that will then drive momentum in the business and growth in the business going forwards. Now, it's important to note that that growth and that momentum doesn't all come immediately. So some of it is investment in our brand marketing that we saw on the video, and that is really underpinning longer term growth. And likewise, in terms of some of the investments we're making in technology and in data, they will underpin longer term growth. But the idea is that we can exit this year having invested in the business, putting it in good shape and continue that momentum into the next financial year while still laying a path to longer term growth in years to come.

And those are investment decisions that we've made, albeit we do have some flexibility to flex up and down in the course of the remainder of this year should we want to.

Moderator: The new distribution centre is a big commitment, £40 million to £50 million of capital spending plus 35 to £45 million of operating costs. When should shareholders start to see the benefits and what could delay them?

Jo Hartley: Yeah, so the new distribution centre is going live in FY30. As you say, it's a significant investment for Halfords, but one which we're absolutely confident will generate really attractive returns. We think it'll add profit in the range of low to mid-teens of millions and those benefits will start to realise from FY30 and grow to mature in FY32. So we're really excited about the programme that we're embarking upon.

Moderator: Great. Thank you. And are you happy with your physical footprint? Do you see any opportunities to shrink or grow your estate?

Henry Birch: So we are very happy with our physical footprint at the moment. If I take both sides of the business, maybe one at a time, we've currently got 366 retail stores. That's down a couple of stores year on year. Now the reason for that is either leases expiring or landlords wanting to exit. All of our stores at the moment are profitable and we don't envisage any closure programme. Our stores are really important in terms of giving customers access to Halfords. And ultimately what we do is we sell products and services and many of those people want to be physically present. They can't be done online and therefore we need to have those physical outlets. The fact that we've got 366 stores up and down the country is something that is very difficult to replicate for a competitor. So we're really happy with our retail estate and we don't really see that changing either up or down significantly over the coming years.

In terms of garages, we've got just under 500 garages. We did make some closures last year and that was really rebalancing the estate. We made an acquisition a few years ago where we had some duplication in market. So it was really just making sure that, as I say, we had the right balancing and calibration of that estate. Over the medium term and longer term, we see an opportunity to actually grow that number of garages, whether that's through organic openings or through acquisitions, I think is still to be determined, but we're excited about the opportunity that our garages business gives us in terms of being able to scale up, have more garages and ultimately grow that garages business.

Moderator: Can you tell us whether you've considered expanding into Europe?

Henry Birch: So Europe is not something that we've contemplated. I suppose first and foremost, we think that there is a huge amount of opportunity both in the UK

and in the Republic of Ireland where we have about 12 stores, 15 stores in the Republic of Ireland. We think there's plenty to aim at in those two markets. So we haven't really been looking at Europe and obviously operating in Europe brings some kind of complexity, so it's definitely not on our horizon in the short term.

Moderator: Thank you. You've increased the interim dividend. If the business keeps performing well, should shareholders expect the dividend to keep growing too?

Jo Hartley: Really pleased that the board have declared an interim dividend of 3 1/2 p per share up from 3 pence per share at the half year last year. And that really reflects our confidence in the future. We've got a very clear dividend policy that the dividend will be covered 1 1/2 to 2 1/2 times by profit after tax, and that gives us plenty of scope to continue to move the dividends as profits increase looking forward.

Moderator: Great. Thank you. Looking ahead, where do you see the biggest opportunities to grow profits over the next few years?

Henry Birch: So what I'm really excited about is that actually we've got opportunities throughout our business and in both of our operating divisions, so both in retail and in garages as well. And I think we've mapped out today operating margin targets for both retail and garages. So we think we've got steps we're going to take and results that we're going to drive over the medium term to drive the margin, drive profit. So one of the things, as I say, that really excites me is that we're not short on opportunity in Halfords today.

Moderator: Thank you. And an important question. It's Black Friday weekend. What's the CEO's top pick for customer shopping this weekend?

Henry Birch: So my top pick, I've got a few actually. So probably I would say the best value, the best selling bike of all time in the UK is the Carrera Vengeance and enormously popular, really great kind of hybrid bike, hybrid between road and mountain bike. And we've currently got that at £325, so a reduction, a really brilliant quality bike. We've also got a bunch of e-bikes on sale starting at £420, so reduced from £600. But if you want to take the spend up a bit more towards 800, £900,000, you can get a more modern, more integrated battery. So those absolutely brilliant. You won't be surprised to hear that our top selling item at the moment going into winter is our 5 litre bottle of Halford's screen wash that you can get for £5, or you can get the more advanced range at about £12, which is berry flavoured.

It goes to minus 20 in terms of doesn't freeze at that and it has rain repellent on it as well. So what hopefully you'll see there is actually come to Halfords, we sell a range of products. We talk about good, better, best. And that indeed is something we're looking to do when I was talking about category

management before is making sure that there are not only options for customers, but actually the benefits are clearly laid out. I should also say not just Black Friday, but for Christmas, we have a brilliant 200-piece socket set, which is enormously popular both with trade professionals, but also with more kind of DIY enthusiasts. And I believe we've got a special on that at the moment for Black Friday. So yeah, do go out and get those.

Moderator: Thank you very much. These were all the questions for today. Handing back to you, Henry, for closing remarks.

Henry Birch: Brilliant. Well, we really appreciate people listening today, and I just wanted to say thank you to all of you who are shareholders who are supporting us as well, and hopefully customers as well. We really appreciate your business on both fronts and your support on both fronts. We're really pleased to have delivered, I think, a really strong first half with profit growth up 66%, really good growth in both parts of our business, and we look forward to continued success and hopefully your continued support. So thank you very much.