



HALFORDS GROUP PLC

FY19 INTERIM RESULTS

NOVEMBER 8TH 2018



halfords

Introduction

Graham Stapleton, CEO

CEO update

Graham Stapleton, CEO

H1 financial performance & outlook

Adam Phillips, Group Strategy & IR Director

Summary

Graham Stapleton, CEO

Q&A





CEO UPDATE

Graham Stapleton, CEO

- Group revenue +2.5% LFL
- Gross margin improved
- Underlying PBT of £30.5m, down £6.3m; broadly in line with our expectations and principally reflecting one-off and timing impacts in operating costs
- Free Cash Flow of £34.2m, up 10%
- Net Debt at 0.7 times EBITDA; interim dividend up 3%
- Full year guidance reconfirmed



- Good performance from less discretionary categories
- Market share gains
- Service-related sales and online sales grew faster than total sales
- Good progress on our Autocentres transformation; on track for second year of profit growth
- New strategy launched internally and externally with good early progress



*To **inspire and support** a **lifetime** of motoring and cycling*

1

Inspire our customers through a differentiated, super specialist shopping experience

2

Support our customers through an integrated, unique and more convenient services offer

3

Enable a **lifetime** of motoring and cycling

1

Inspire our customers through a differentiated, super specialist shopping experience

- A business more focused on what it is really known for – its core motoring and cycling offer
- Products and services with features and benefits that are only available at Halfords
- A more innovative online site, complementary and inspiring store environment and in-store tablet, screen and mobile experience

2

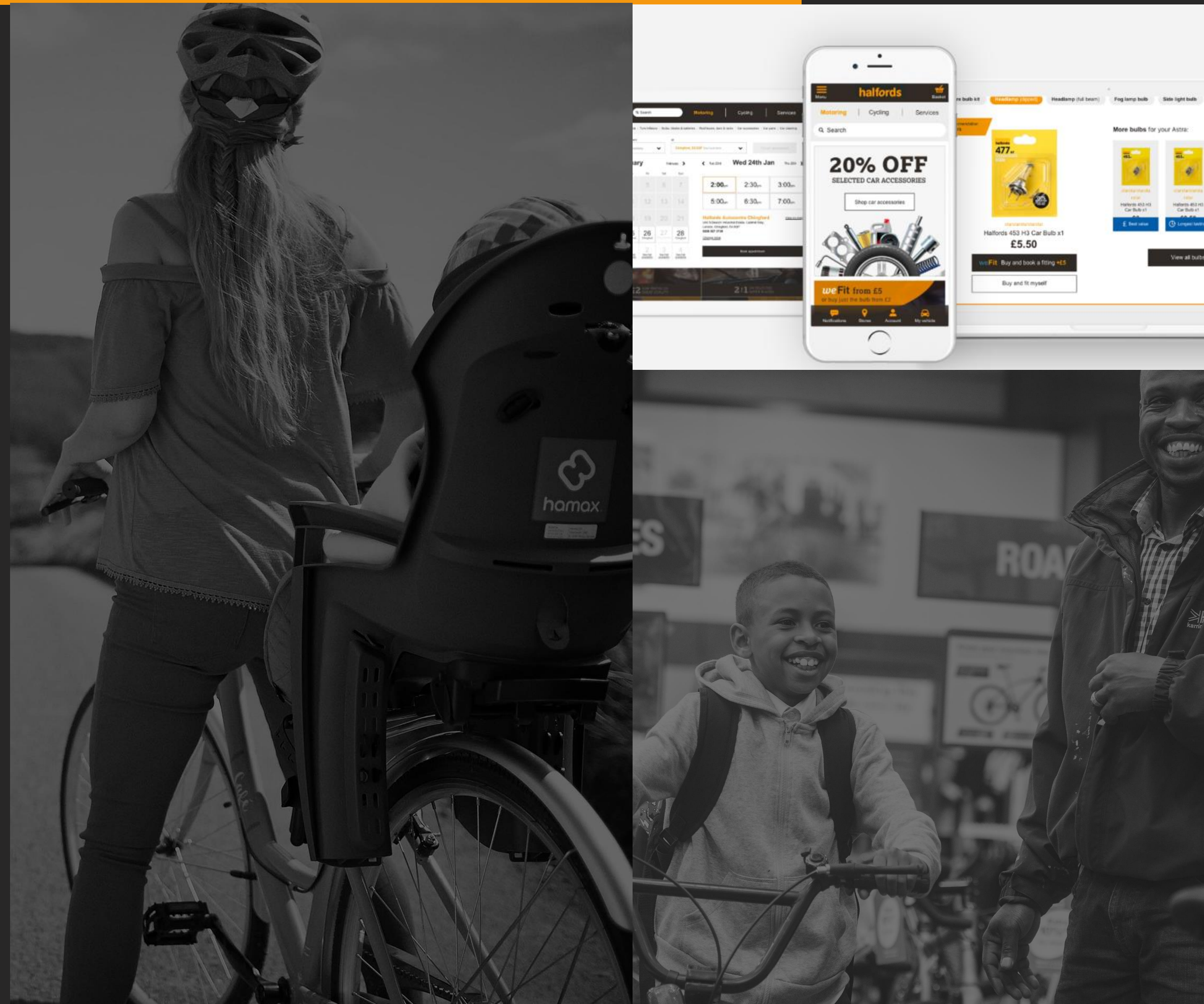
Support our customers through an integrated, unique and more convenient services offer

- An integrated, unique and more convenient services offer
- A broader range of services, more easily accessed from one single website
- 1,000 convenient service locations via a choice of mobile, stores or garages
- A market leader in electric bike and car servicing
- Increased awareness by leveraging the Halfords brand

3Enable a **lifetime** of motoring and cycling

- A more focused and targeted approach to loyalty at a Group level
- Accelerating the development of our CRM programme
- Fully leveraging our Single Customer View and increasing the investment in customer data management

- Customer strategy supported by:
 - Investments in IT and digital
 - A more dynamic property strategy
- Equal focus on driving operational efficiencies
- Capex to increase from prevailing guidance of c.£40m to between £40m and £60m and self funded over the life of the plan
- Test and learn approach to investments, with robust gating process



1

Inspire our customers through a differentiated, super specialist shopping experience



Initial optimisation of space implemented in all Retail stores

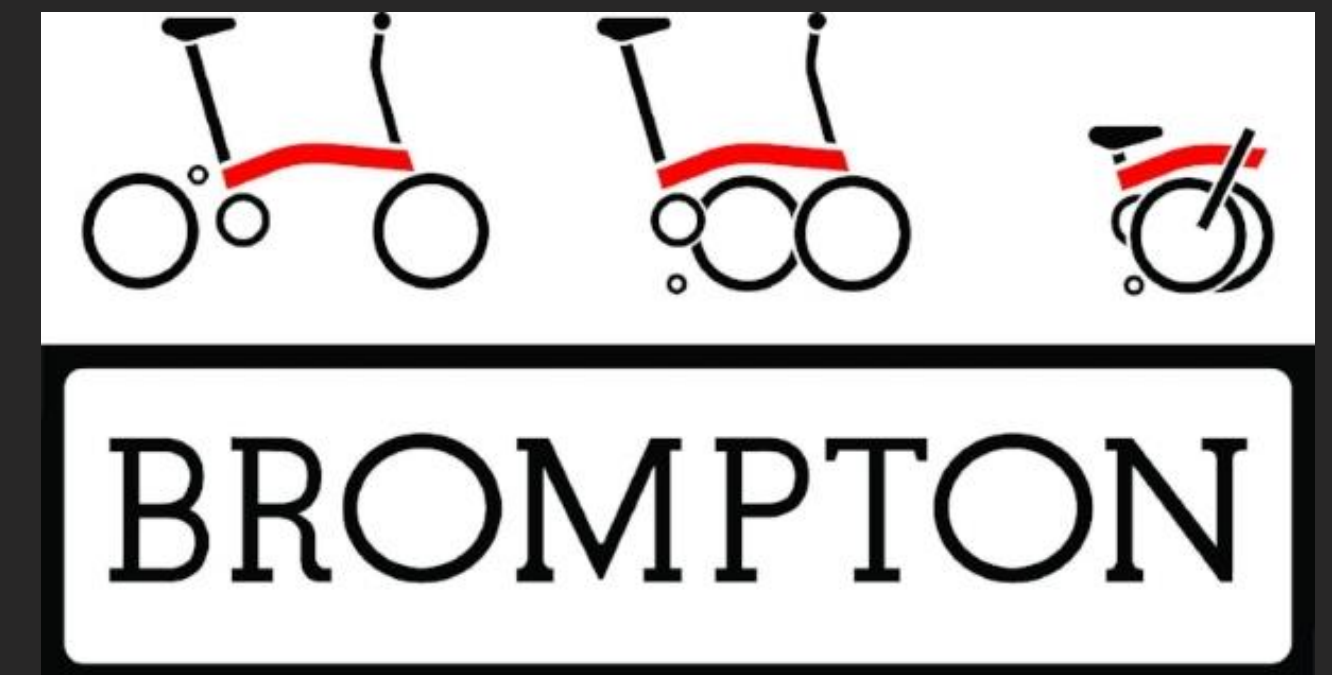
GOOD
Halfords
Essentials

BETTER
Halfords

BEST
Halfords
Advanced



Own label development; car bulbs is the first new range launched



Strengthening of cycling offer through partnership with Brompton

2

Support our customers through an integrated, unique and more convenient services offer

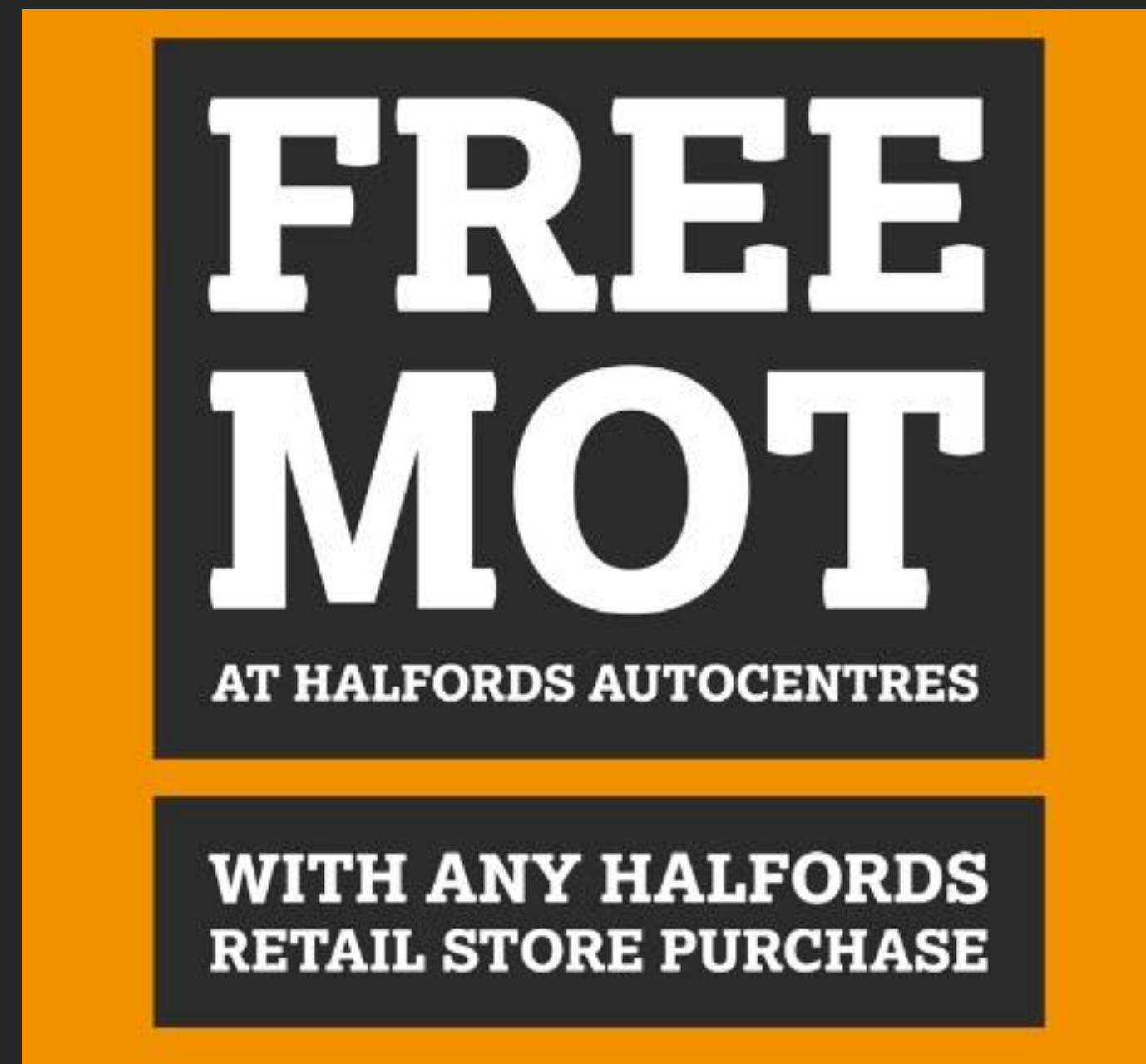


Financial services trial in Retail and Autocentres



3

Enable a **lifetime** of motoring and cycling



Cross-group MOT promotion, bringing new customers from Retail into Autocentres

H1 FINANCIAL PERFORMANCE

Adam Phillips, Group Strategy & IR Director

Revenue	£599.9m	↑	+1.9% YoY +2.5% LFL	+£11.2m YoY
Gross profit	£296.3m	↑	+3.5% YoY	+£10.0m YoY
Underlying PBT	£30.5m	↓	-17.1% YoY	-£6.3m YoY
Basic Underlying EPS	12.4p	↓	-16.2% YoY	-2.4p YoY
Free Cash Flow	£34.2m	↑	+10.0% YoY	+£3.1m YoY
Interim Ord. Dividend	6.18p	↑	+3.0% YoY	+0.18p YoY

Notes:

1) All numbers represent performance for the 26 weeks to 28 September 2018 and are before non-recurring items.

Revenue

£519.8m

+1.7% YoY
+2.3% LFL

Gross margin

£242.2m

+3.6% YoY

Operating costs

£211.4m

+8.0% YoY

Underlying EBIT

£30.8m

-18.7% YoY

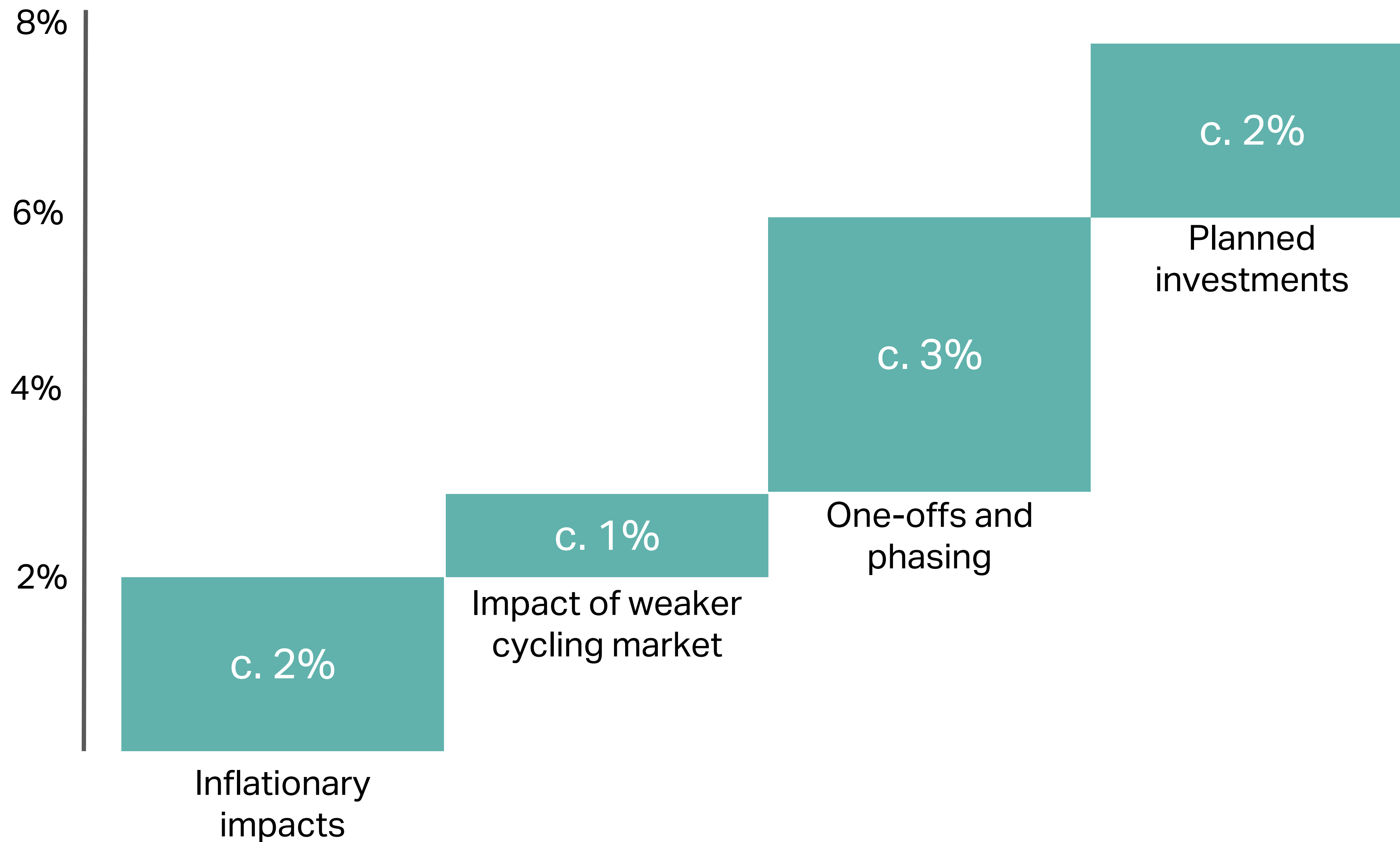
Underlying EBITDA

£44.6m

-12.4% YoY



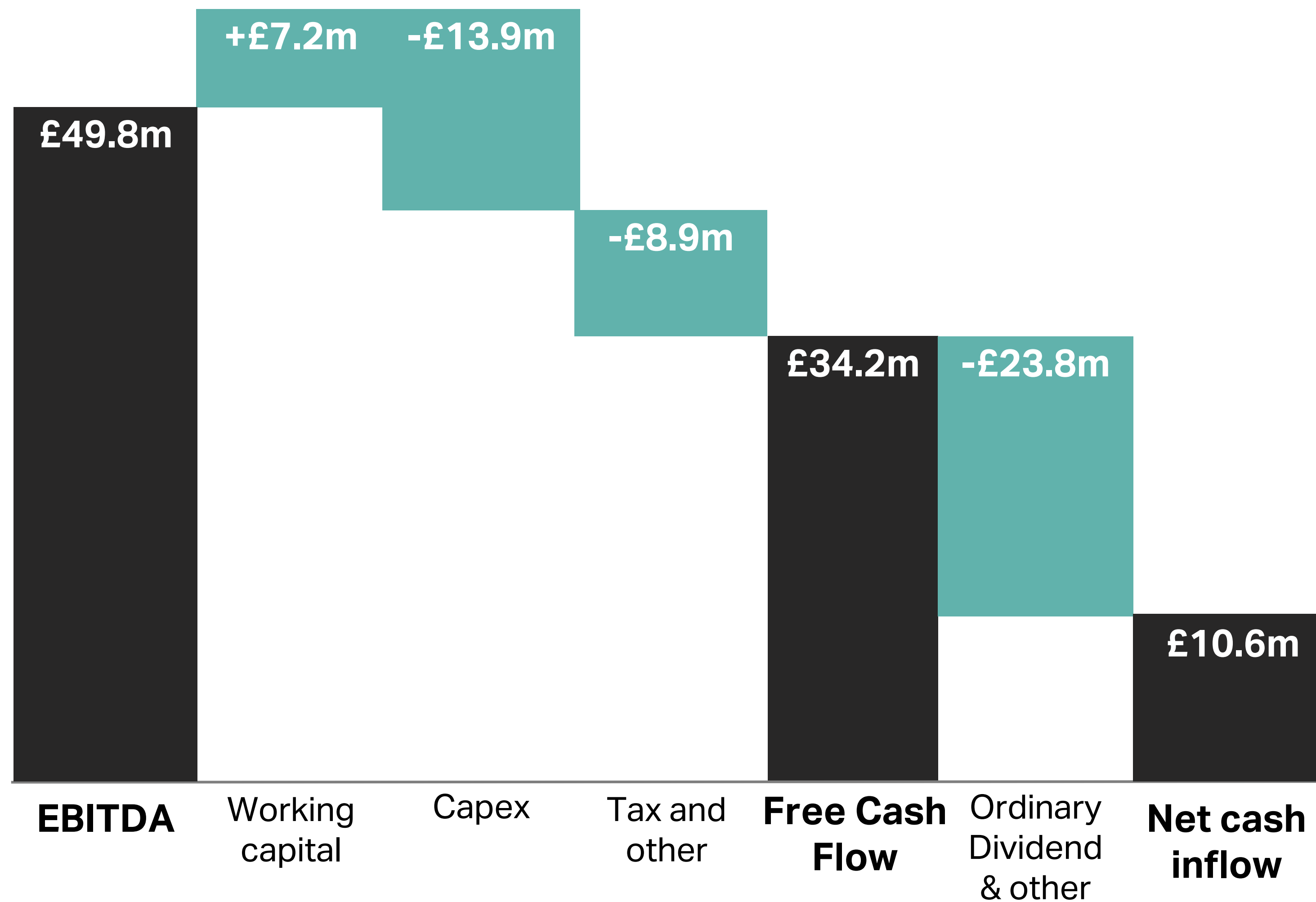
Notes:
1) All numbers represent performance for the 26 weeks to 28 September 2018 and are before non-recurring items.



Revenue	£80.1m	+3.1% YoY +3.3% LFL
Gross profit	£54.1m	+2.9% YoY
Operating costs	£51.8m	+1.4% YoY
Underlying EBIT	£2.3m	+53.3% YoY
Underlying EBITDA	£5.2m	+30.0% YoY



Notes:
1) All numbers represent performance for the 26 weeks to 28 September 2018 and are before non-recurring items.

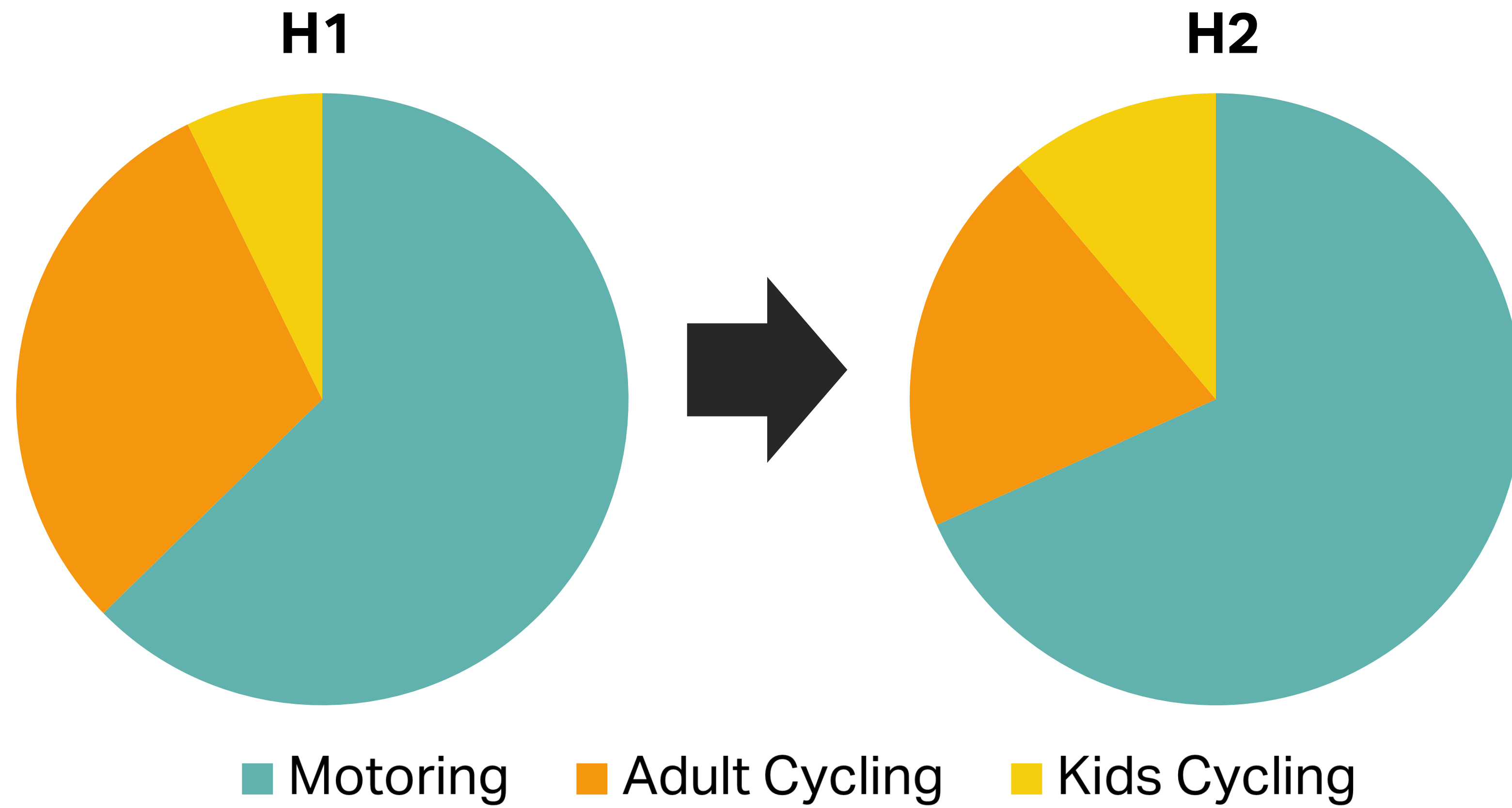


Net debt of £77.2m representing 0.7 times underlying EBITDA

FINANCIAL OUTLOOK

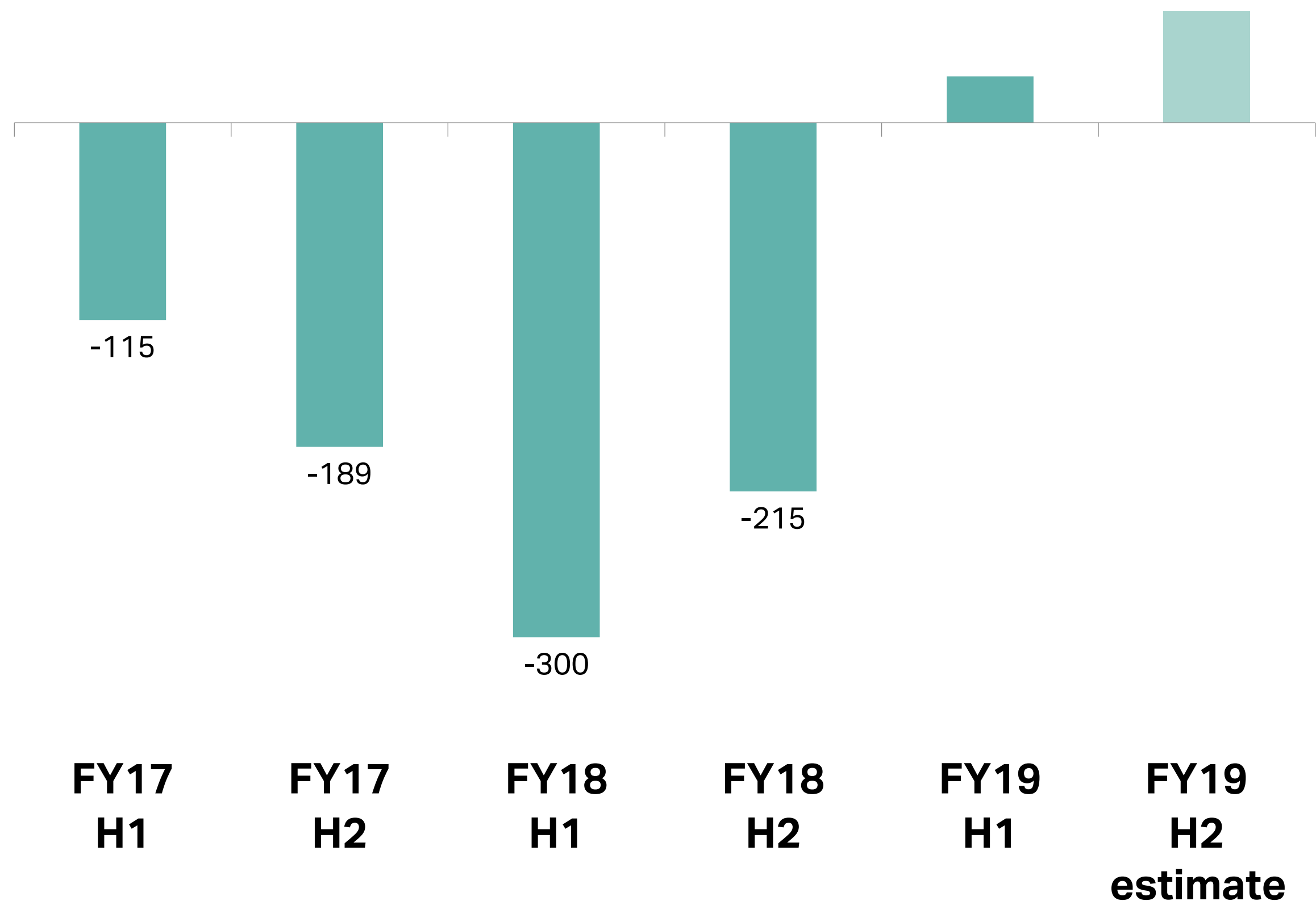
Adam Phillips, Group Strategy & IR Director

A greater mix of less discretionary sales in H2



c.£3m FX benefit in H2

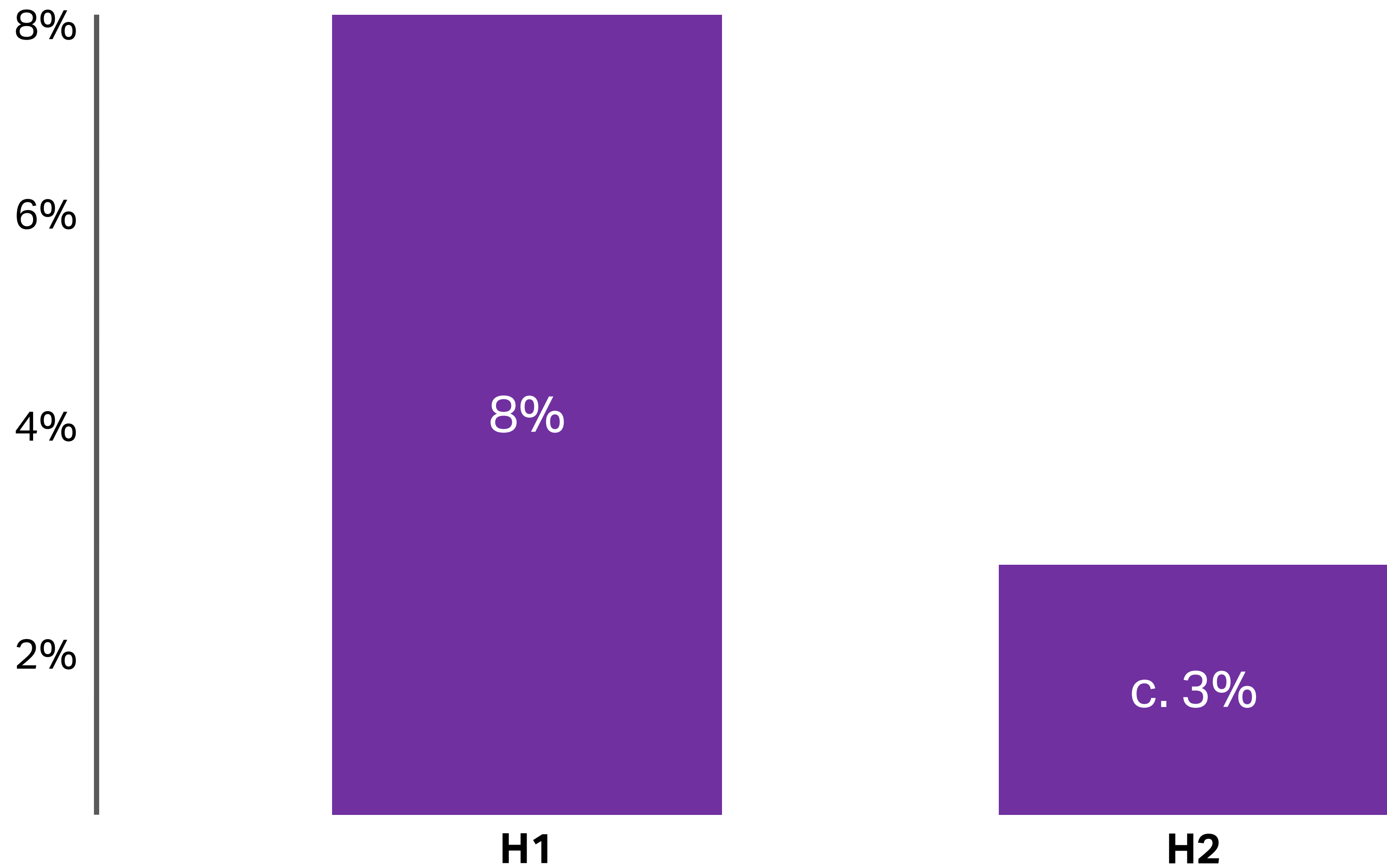
Impact* of GBP:USD exchange rate on COGS**



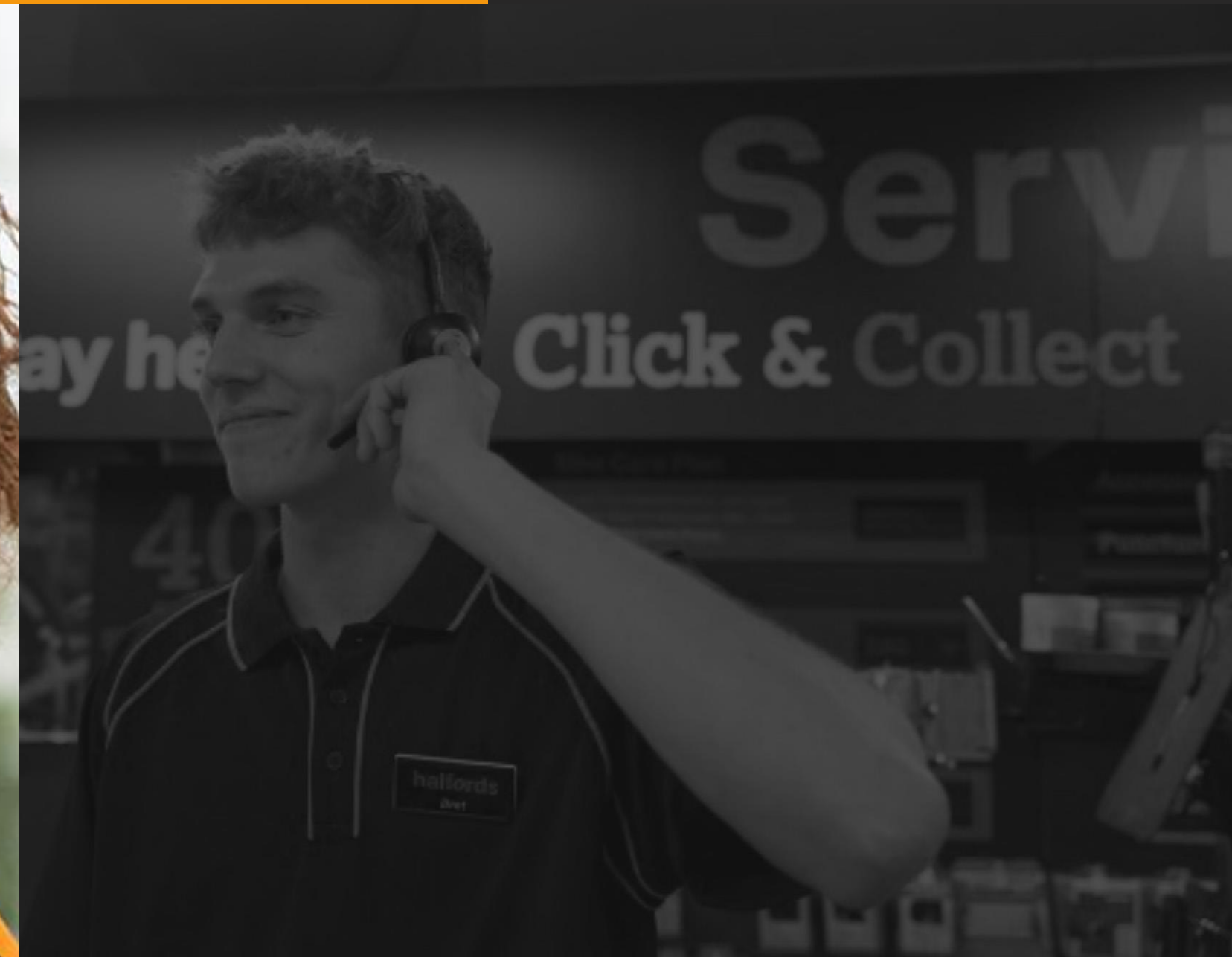
* Expressed as YOY movement in gross margin in basis points

** COGS refers to 'cost of goods sold'

Lower operating cost growth in Retail



- No change to financial guidance
- Full year outlook is reconfirmed: we continue to anticipate FY19 Underlying Profit Before Tax to be broadly unchanged from FY18
- Profit growth in H2 anticipated, reflecting:
 - Sales mix towards less discretionary categories
 - c. £3m of FX benefit
 - lower Retail operating cost growth (H2 c.3% vs H1 8%)
- Guidance is subject to trading performance over the peak Christmas period, and assumes average winter weather



A grayscale photograph of a man and a woman riding bicycles on a paved path. The man is on the left, wearing a helmet and sunglasses, looking back over his shoulder. The woman is on the right, also wearing a helmet, looking forward. She has a basket on her handlebars. They are riding on a paved path with a low wall and a beach in the background. The image is dark and serves as a background for the text.

SUMMARY

Graham Stapleton, CEO

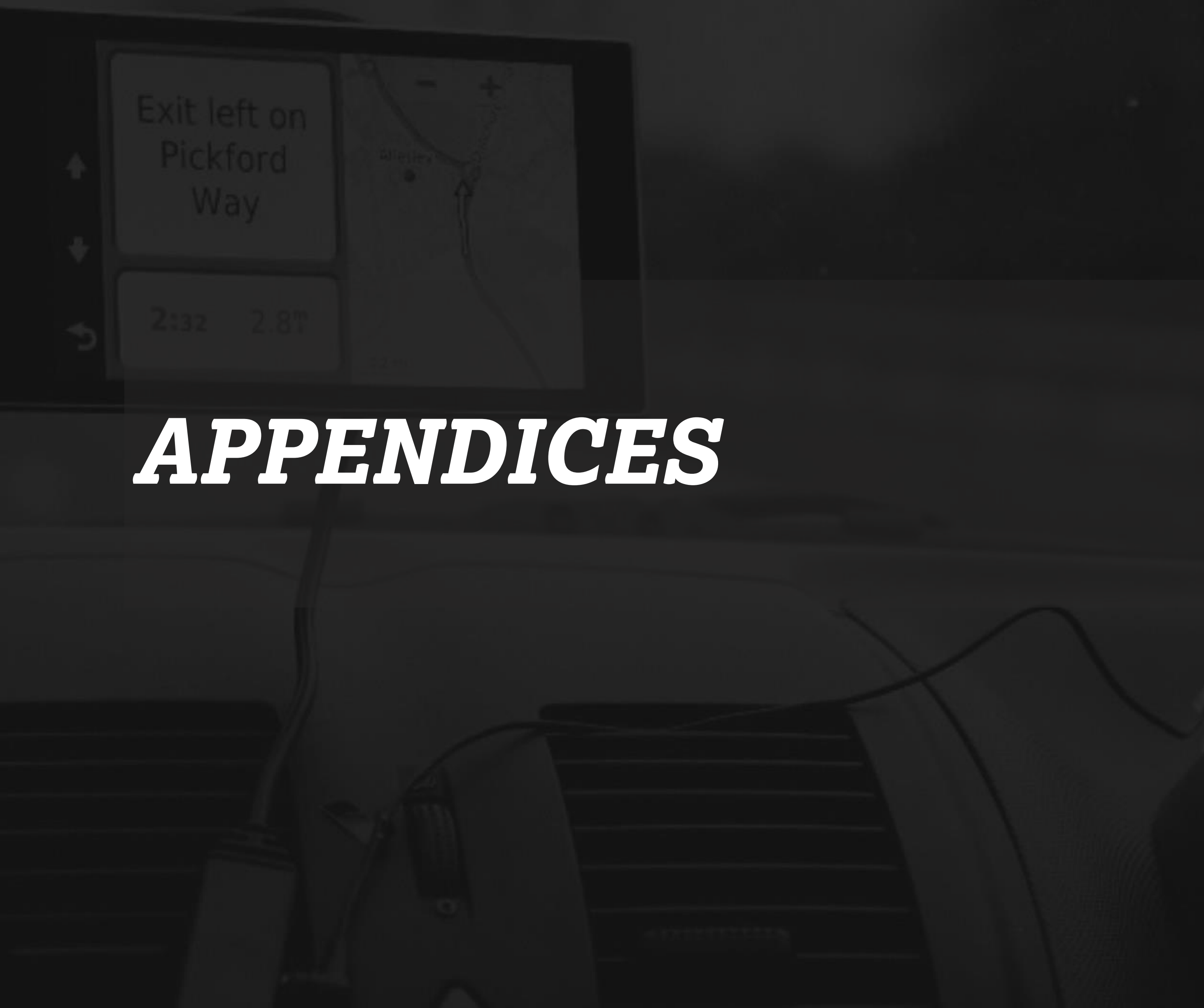
- Robust trading in challenging conditions
- Underlying PBT in H1 broadly in line with our expectations
- Strong cash generation
- Full year profit guidance maintained
- New strategy launched; momentum building





Q&A

*To **inspire** and
support a **lifetime** of
motoring and cycling*



APPENDICES

1

Grow sales faster than the markets in which we operate

2

Increased Free Cash Flow over the period FY19 to FY21 compared to previous 3 years

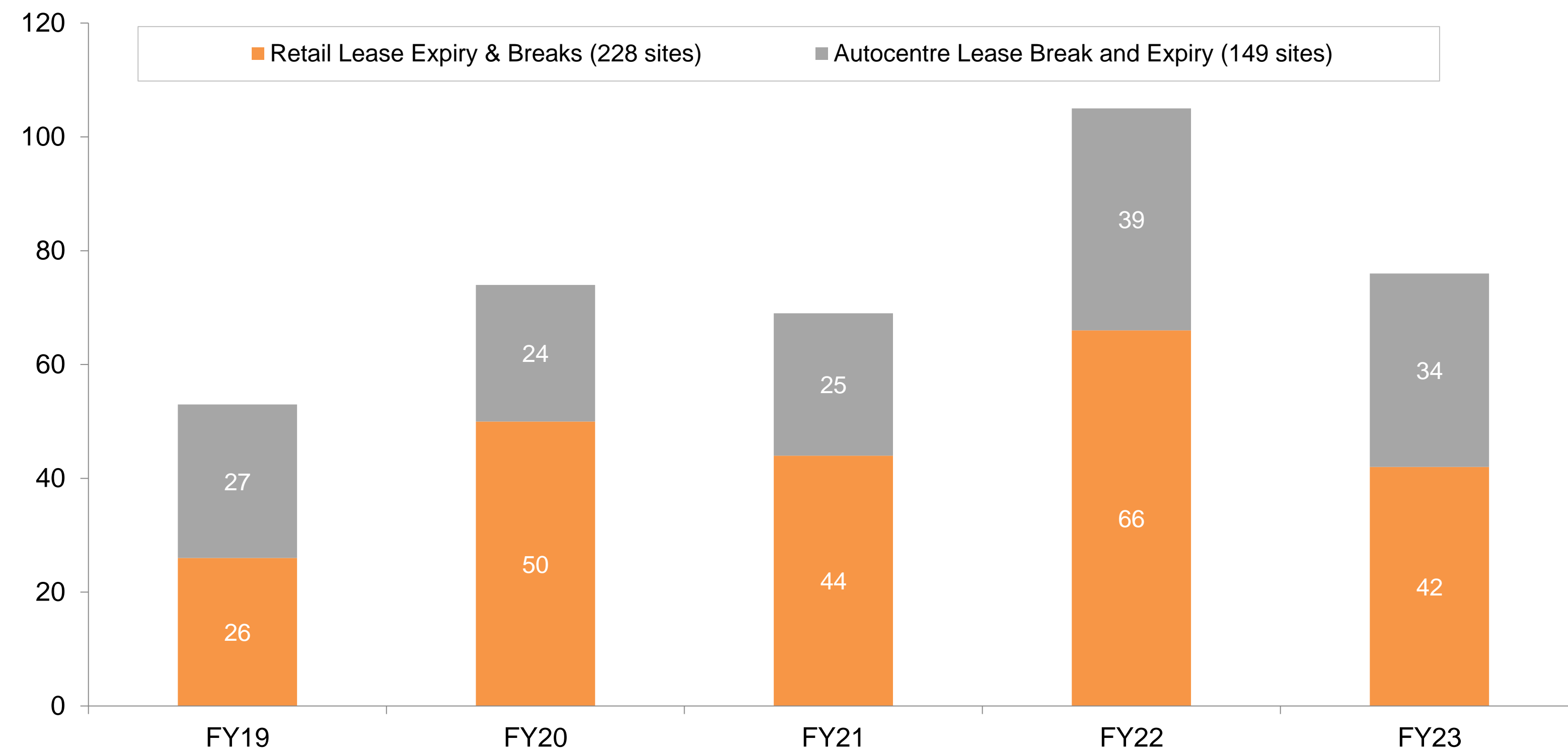
3

Grow the ordinary dividend every year

4

Net debt target of 1.0x EBITDA with a range of up to 1.5x for appropriate M&A

1**Maintaining a prudent balance sheet****2****Investment for growth****3****Grow the ordinary dividend****4****Appropriate M&A****5****Surplus cash returned to shareholders**

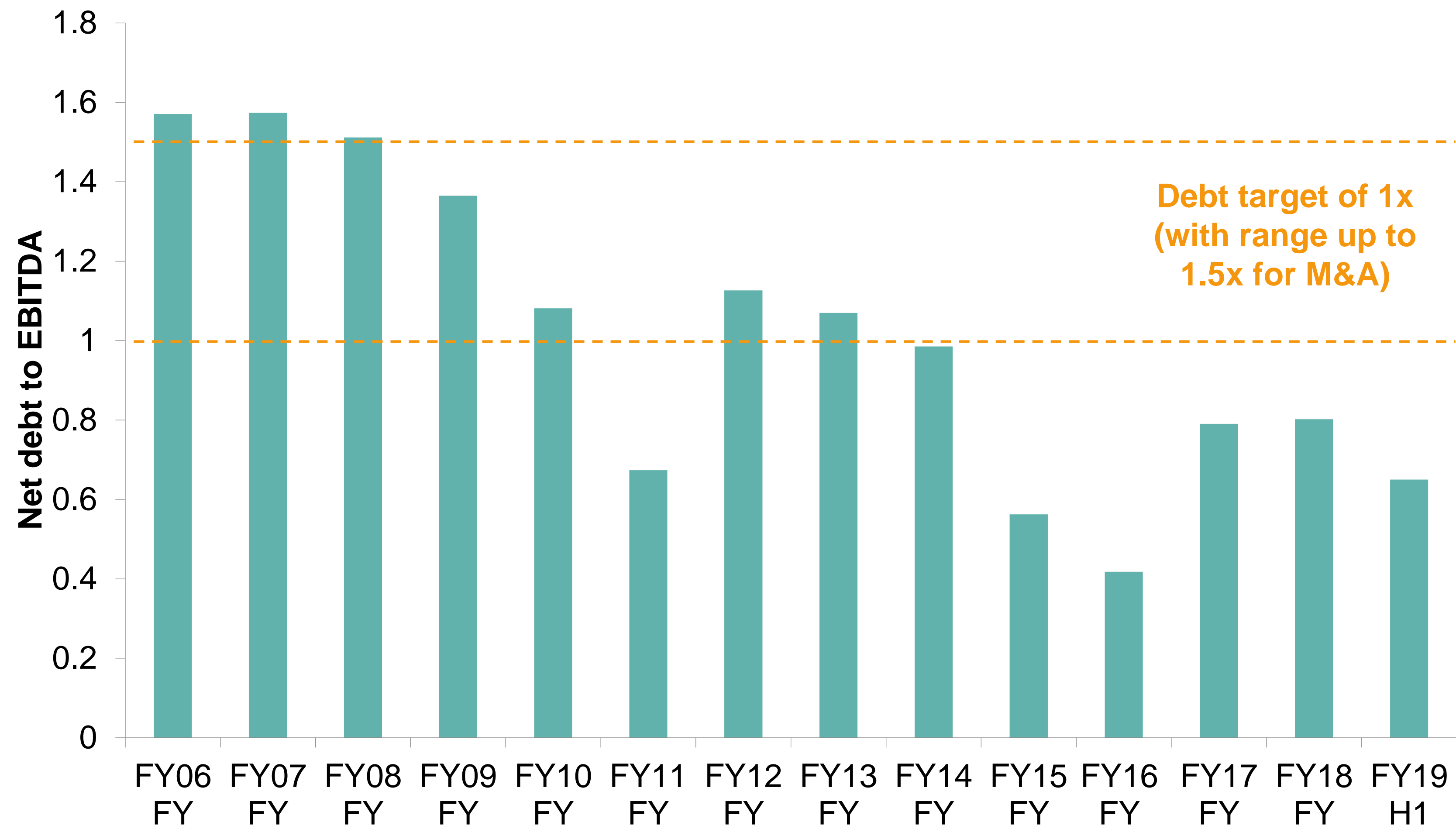


6 years

Average remaining lease length

196

Number of leases expiring or with breaks in next 3 years



For further information, please go to
www.halfordscompany.com
or contact:

Adam Phillips

Group Strategy & Investor Relations Director
adam.phillips@halfords.co.uk
Mobile: +44 (0)7703 890142

Next newsflow:
22 January 2019: Q3 trading update