



Halfords Group plc

*J.P. Morgan London
Small/Mid Cap
Conference 2017*

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Introduction to Halfords and key markets

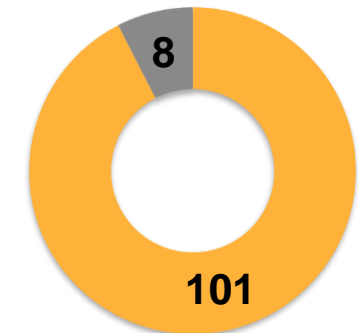
The UK's leading retailer of motoring, cycling and leisure products and a leading independent operator in garage servicing and auto repair

| | | | |
|--------|---|---------------------------------|---|
| RETAIL |  | FY17: £938m sales, £101m EBITDA | 460 main chain stores across the UK and ROI |
| |  | c.8,000 colleagues | 17 Cycle Republic and 4 Tredz shops |



| | | | |
|-------------|---|-------------------------------|---------------------------|
| AUTOCENTRES |  | FY17: £157m sales, £8m EBITDA | 315 centres across the UK |
| |  | c.2,000 colleagues | Acquired February 2010 |

FY17 EBITDA £m



■ Retail ■ Autocentres

Halfords Group Revenue Split

**Car
Maintenance**



**Car
Enhancement**



**Travel
Solutions**



Autocentres



Cycling



53%

14%

67%
motoring

33%
cycling

Key Characteristics of Halfords

80%

*of customers
want advice or
service with
their purchase*

98%

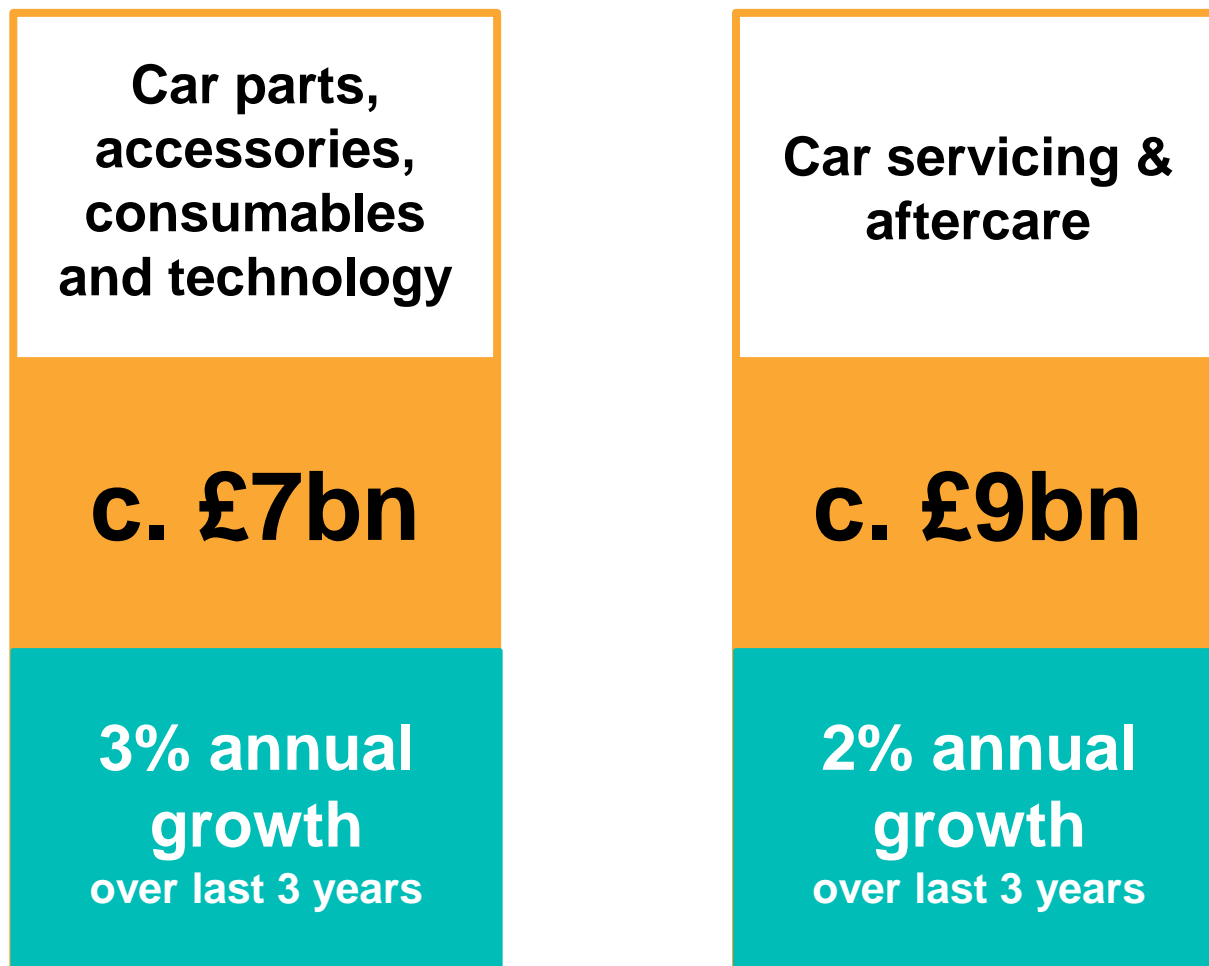
*of Retail stores
are profitable*

85%

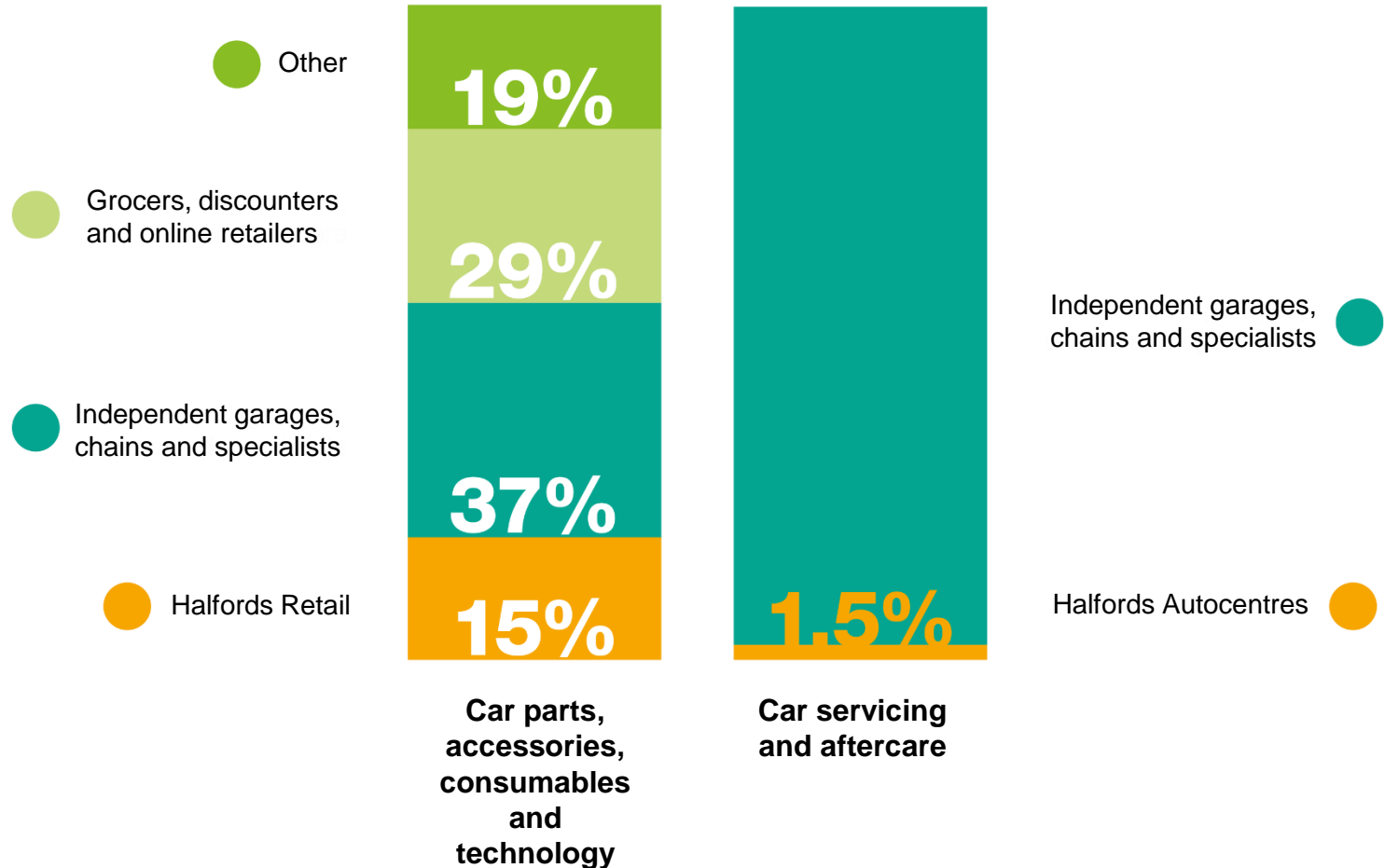
*of online
purchases are
collected in
store**

Service-led retailer
Stores are an asset

* This statistic relates to Halfords.com sales

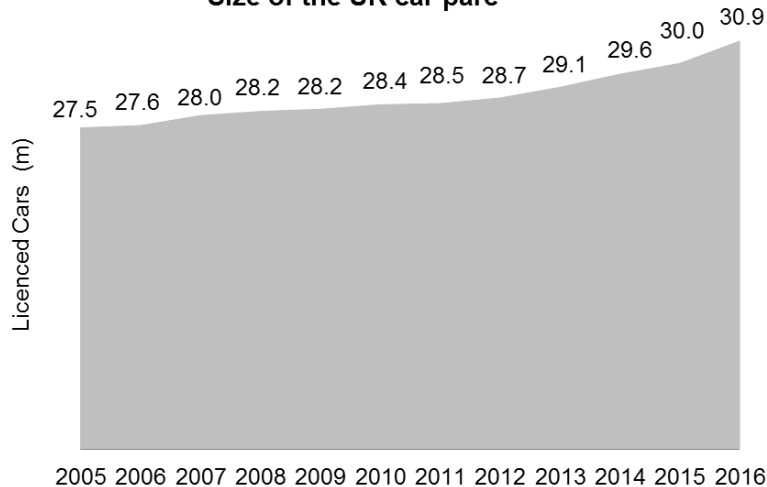


Motoring market share



Motoring market trends

Size of the UK car parc



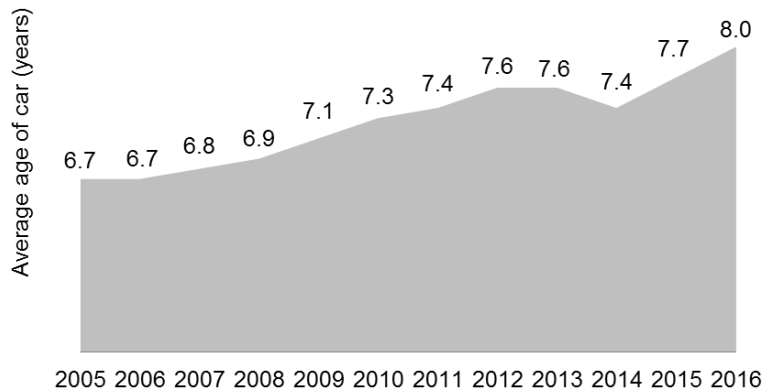
Increasing complexity of cars and parts

Continued trend from 'Do it Yourself' to "Do it For Me"

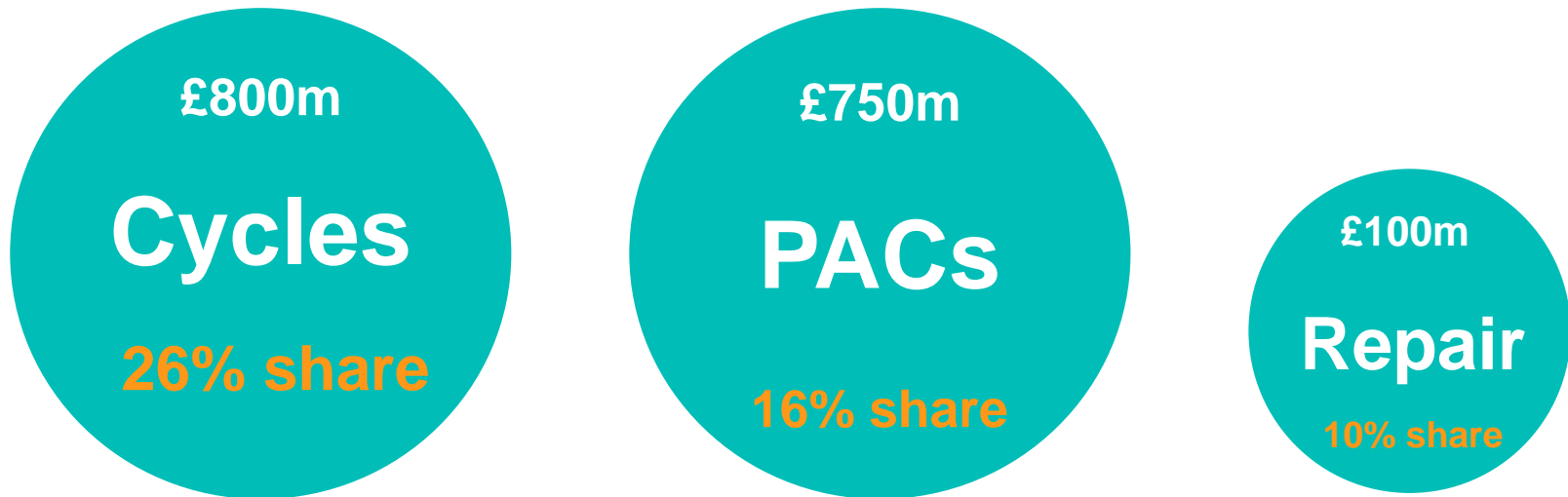
Our target market is the "second life of the car"

Anticipate market growth of 2-3% per annum on average over time

Average age of UK car parc



Source: Department for Transport National Statistics



Cycling market trends



Fundamentals driving market growth

E-bikes growth opportunity

Market prices moving up due to Sterling depreciation against US dollar

Anticipate market growth of 3-5% per annum on average over time



Moving Up A Gear strategy

Highlights



**Strong progress across
Moving Up A Gear
strategic pillars**



**Market share growth in
motoring and cycling**



**Service-related Retail
sales growth of 18%**



**Enhanced customer
data driving incremental
sales**



**Group online sales
up 11%**



**Expanded Group's
reach and capabilities**

Moving Up A Gear strategy



Service in our
DNA



Better Shopping
Experience



Building on our
Uniqueness



Putting Customers in
the Driving Seat



Fit for the Future
Infrastructure



Over 30 motoring and cycling services

Service-related Retail sales up 18%

Lowest ever colleague turnover (33%)

Target “Gears” programme levels met

Apprenticeship scheme growing

New in-store services in FY18



We have over 30 in-store services across motoring and cycling

weCheck

| | |
|------------|------|
| Car check | FREE |
| Bike check | FREE |

weDemo

| | |
|-----------------|------|
| Dash cam set up | FREE |
| Sat nav set up | FREE |
| Child seats | FREE |

weRepair

Bikes
Windscreen chip

weSize

| | |
|-------|------|
| Bikes | FREE |
|-------|------|

weBuild

| | |
|----------|------|
| Bikes | FREE |
| Trailers | |

weTopUp

| | |
|------------|------|
| Oil | FREE |
| Screenwash | FREE |
| Air con | |

weService

Bikes

weMix

Paint

weFit

Mirror glass

Wiper blades - single
- pair

Number plates

Wheel trims

Bulbs - other
- headlight

Dog guards

Batteries - standard

Roof bars

Roof boxes

Cycle carriers

Car audio

Dash cam & sat
nav hardwire

DVD hardwire

Handsfree kits

New motoring services in FY18:

- Ad-blue top-up
- Car key fob repair
- Fuse fitting

Trial of cycling services in FY18:

- Bike personalisation
- Bike radio frequency identification tagging



Headsets to support colleagues and improve customer service



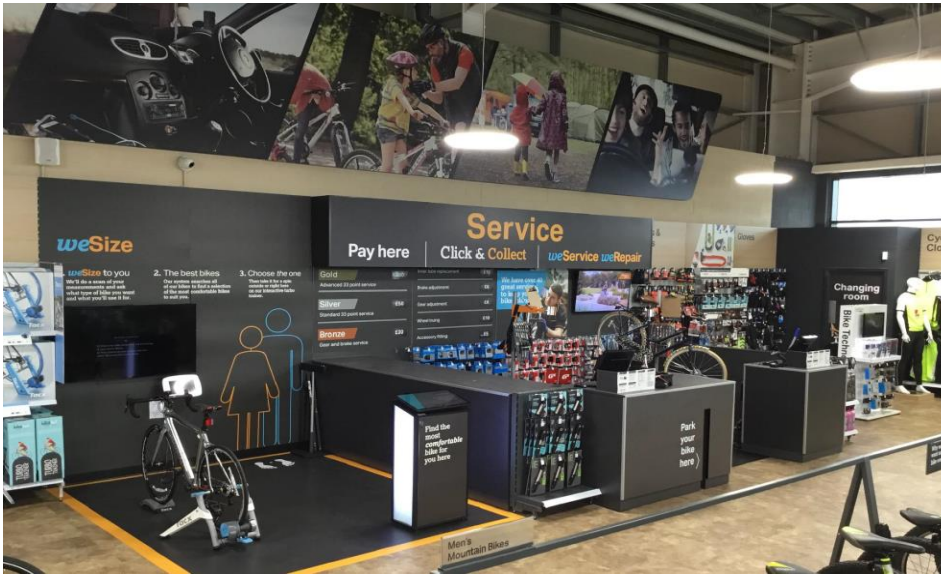
Agile web development



17 Cycle Republic stores and website

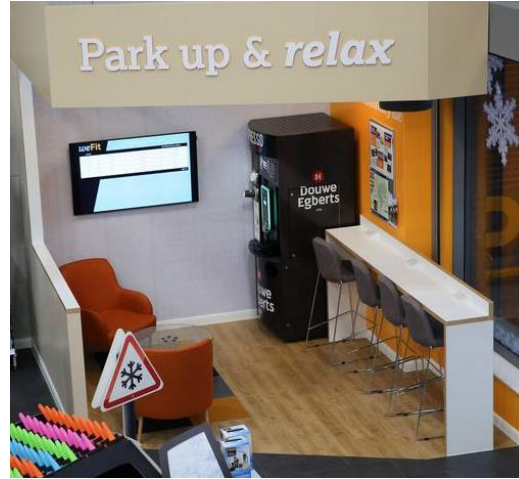


Launch of new store refresh concept



Updated store refresh concept:

- Evolution of successful previous concept
- Strong sales uplifts and feedback so far
- 5 updated store refreshes in FY17
- Around 40 to follow in FY18
- “Lite” version developed



New Features:

- Electric vehicle charging points
- “Park up and Relax” lounge
- Digital booking timetable
- Colleague headsets
- Dedicated hubs for Tradecard and Click & Collect



Boardman wins awards



New motorcycling range launched



Market leading retailer and fitter of dash-cams



Improved our Tradecard offer



Successful Wiggins range and e-bikes launched



Grew child seat sales twice as fast as the market in FY17



Complementary bolt-on M&A in both cycling and motoring

Tredz acquisition means we can now service all cycling customer segments

Tredz & Wheelies performing well since acquisition with sales up over 20%

Tyres on the Drive investment to enhance service and convenience credentials

Putting Customers in the Driving Seat



Single customer view phase 1 complete

Email traffic up triple digit percent

50% Retail customer sales match rate

Over 1m additional website sessions

Open rates of email campaigns at 35%





Delivered “Dayforce” resourcing tool

New third party warehouse in Daventry



Piloting i-serve technology in-store

Single view of stock completed

Continued focus on “We Operate for Less” programme

Autocentres



Long-term investment in colleagues:

- New technician pay grading scheme
- Apprenticeship programme growing

Improved offer to customers:

- Sunday & Bank holiday opening
- Electric and hybrid vehicle servicing



A year of transition:

- Actions underway to improve profitability including review of operating model



Financial Guidance

Financial Targets

1

Grow sales faster than the market*

2

Group EBITDA margin broadly flat prior to impact of FX

3

Grow the ordinary dividend every year**

4

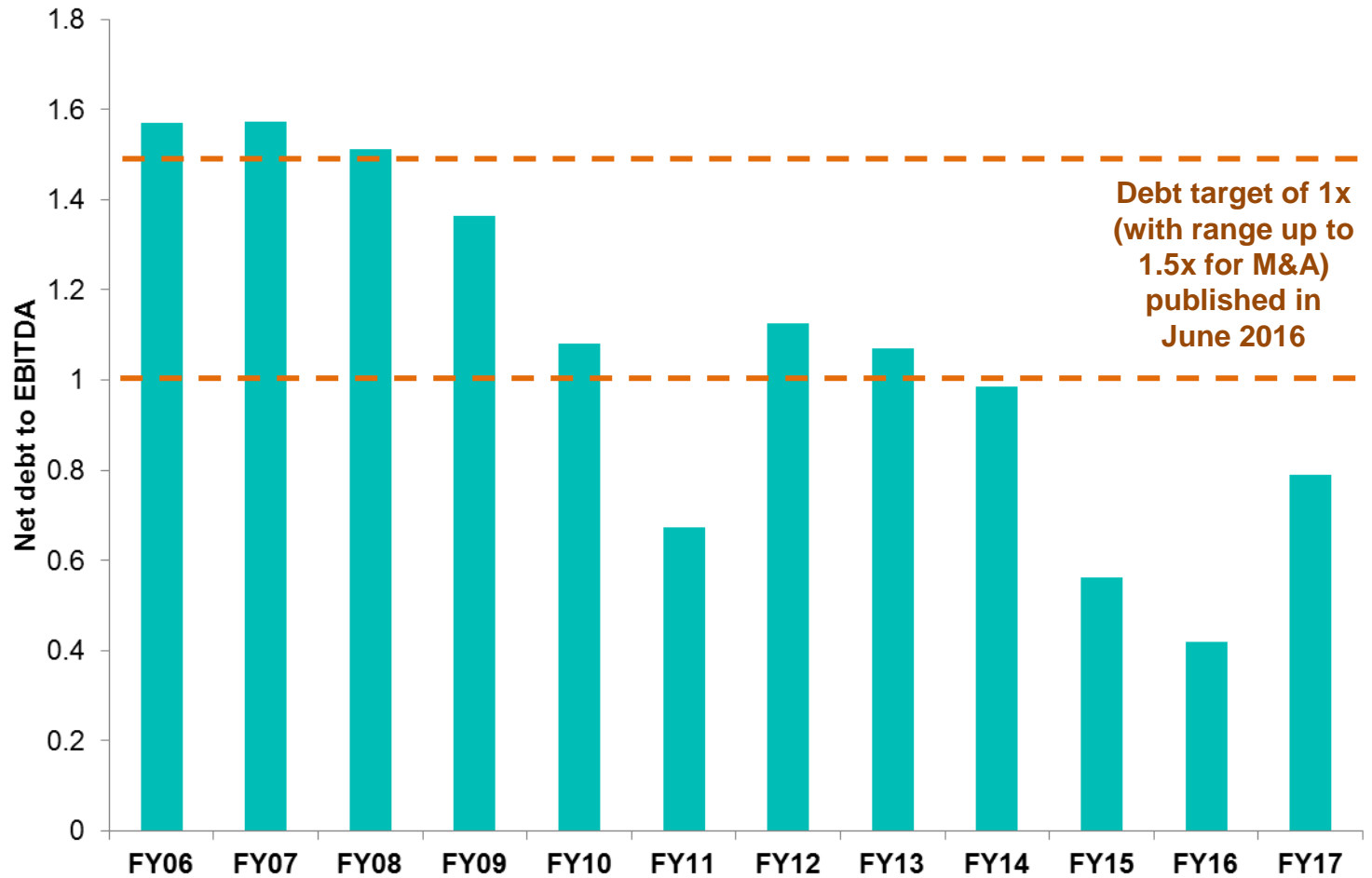
Net Debt target of 1x EBITDA with a range up to 1.5x***

* Halfords principally operates in two markets: motoring and cycling. Management currently anticipates these markets to grow by 2-3% and 3-5% per annum respectively on average over the next few years

** With a coverage of 2 times on average over time, prior to impact of FX

*** This target was published in June 2016 with guidance that it will be arrived at over time. In FY17 net debt moved from 0.4x to 0.8x

Net debt to EBITDA



Pre-conditions of maintaining a strong balance sheet
and operating in line with the debt framework

1

Investment for growth

2

Pay and grow the ordinary dividend

3

Appropriate M&A

4

Surplus cash returned to shareholders

All of the following guidance is in respect of the Group:

Capital Expenditure circa £40m

Depreciation & Amortisation charge circa £33m

Effective Tax Rate circa 20%

A woman with long blonde hair is loading a car with beach gear. She is standing next to the open rear door of a dark-colored car. On the roof rack, there is a colorful striped beach towel, a bag of 'Instant Life Lumpwood Char', and a blue bag. In the background, a man in a pink shirt and a child in a blue shirt are walking on a sandy dune. The scene is set in a grassy field with sand dunes in the background.

FY17 Financial Performance

Group Financial Highlights

| | | | | |
|-----------------------|-----------|---|------------------------|----------------------------|
| Revenue: | £1,095.0m | ↑ | +7.2% YoY +2.7% LFL | +£73.5m YoY |
| Underlying EBITDA: | £108.7m | ↓ | -5.1% YoY | -£5.9m YoY |
| Underlying PBT: | £75.4m | ↓ | -7.5% YoY | -£6.1m YoY |
| Basic Underlying EPS: | 30.3p | ↓ | -8.7% YoY | -2.9p YoY |
| Ord. Dividend: | 17.51p | ↑ | +3.0% YoY | Ord Dividend Cover 1.73 |

c.£14m
gross
impact of
Sterling
devaluation

£37.7m
Free Cash
Flow

Special
dividend of
10 pence per
share paid
Feb 2017

Net Debt
£85.9m
representing
0.8x EBITDA

Notes:

1) All numbers represent performance for the 52 weeks to 31 March 2017 and are before non-recurring items.

2) Relevant comparatives are for the 52 weeks to 1 April 2016.

Retail Financial Highlights



Revenue: £938.4m



+8.0% YoY
+3.1% LFL

Gross Margin: 48.6%



-260 bps
YoY

Operating costs: £379.8m



+4.6% YoY
+2.4% LFL

Underlying EBIT: £76.8m



-£5.0m YoY

Underlying EBITDA: £101.1m



-£4.9m YoY

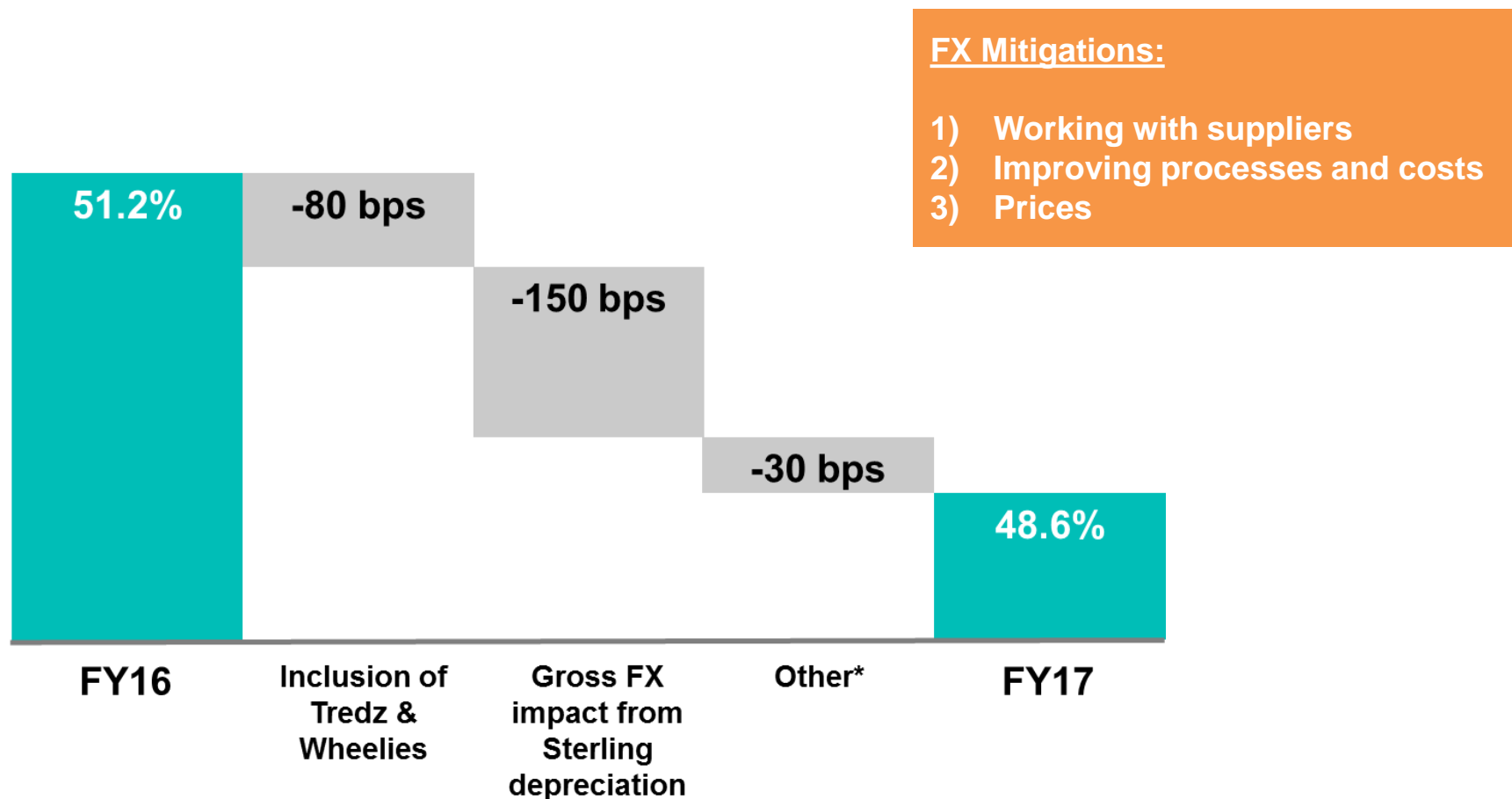
Notes:

1) All numbers represent performance for the 52 weeks to 31 March 2017 and are before non-recurring items.

2) Relevant comparatives are for the 52 weeks to 1 April 2016.

3) Like-for-like sales represent revenue from Retail stores open for at least a year and online sales, but excluding prior year revenue from Retail stores closed during the year, at constant foreign exchange rates

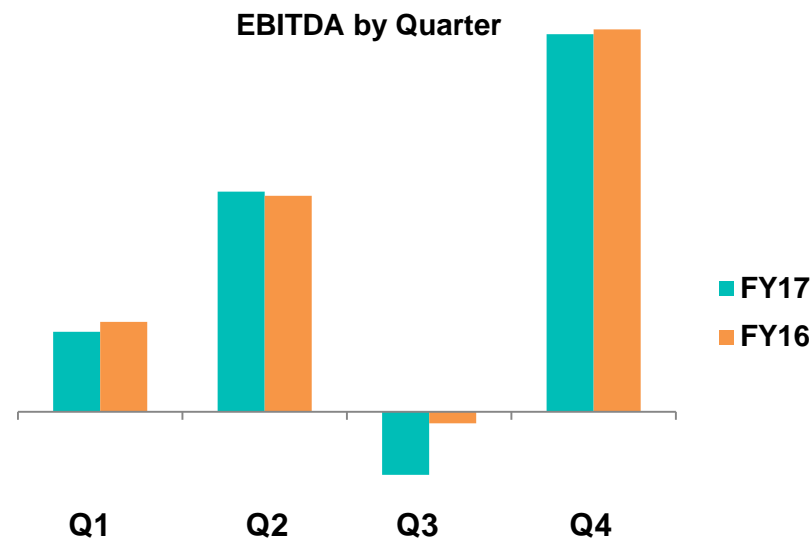
Retail Gross Margin – decline of 260 bps as expected



*The net of the adverse mix impact of faster cycling sales and the cycling promotion in the first half, partially offset by the accretive mix impact of service-related sales and the early benefits of FX mitigation.

Autocentres Financial Highlights

| | | | |
|--------------------|---------|---|-----------------------|
| Revenue: | £156.6m | ↑ | +2.4 YoY +0.6% LFL |
| Gross Margin: | 65.1% | ↑ | +80 bps YoY |
| Operating costs: | £99.8m | ↑ | +5.6% YoY |
| Underlying EBIT: | £2.2m | ↓ | -£1.6m YoY |
| Underlying EBITDA: | £7.6m | ↓ | -£1.0m YoY |



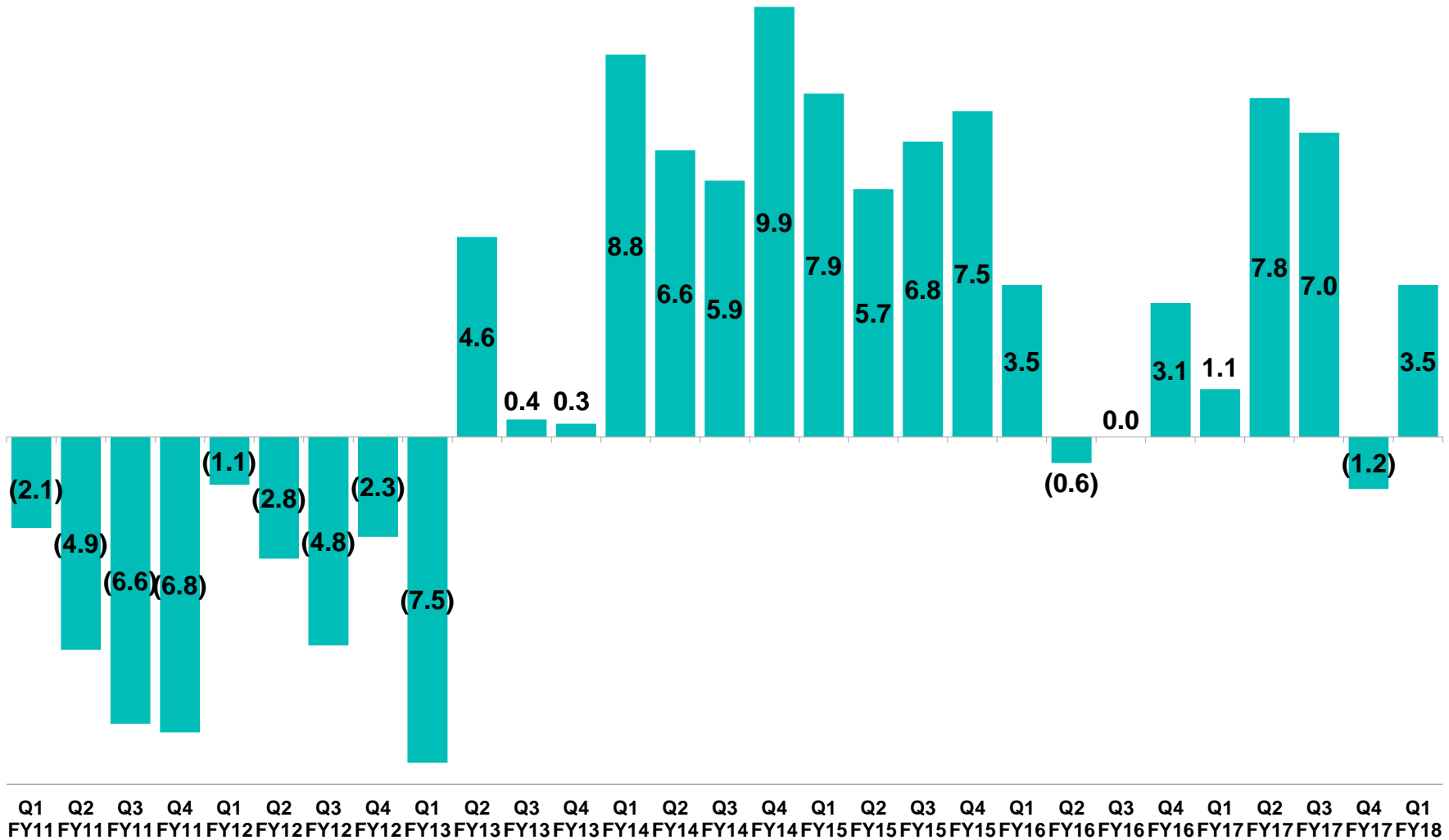
* All numbers represent performance before non-recurring items.

** The quarters in the graph above represent four thirteen week quarters rather than matching our external trading reporting periods.



Appendices

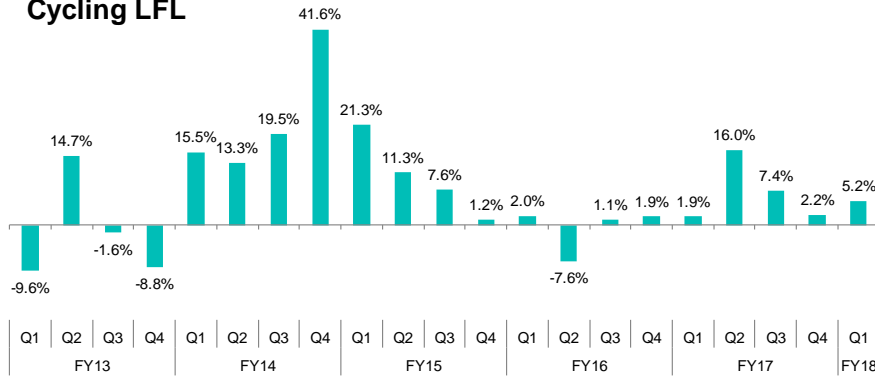
Retail LFLs



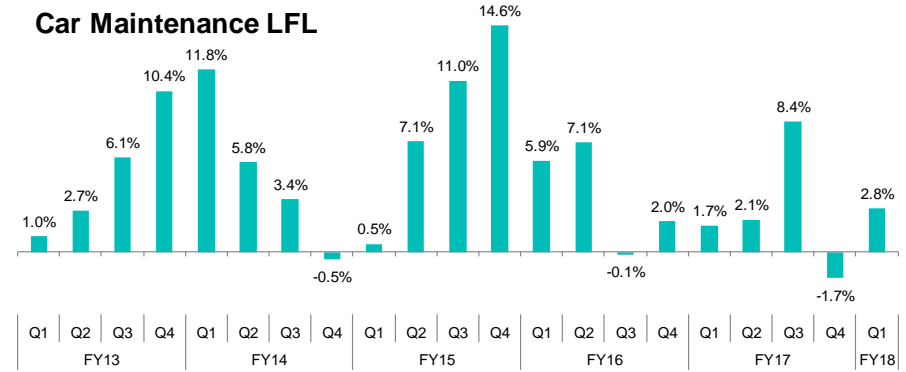
Note: From FY17 onwards, Q1 is a 20 week period, incorporating the summer peak period for cycling. In previous years Q1 represented a 13 week period. Q3 is a 15 week period incorporating the Christmas peak trading period.

Retail LFLs

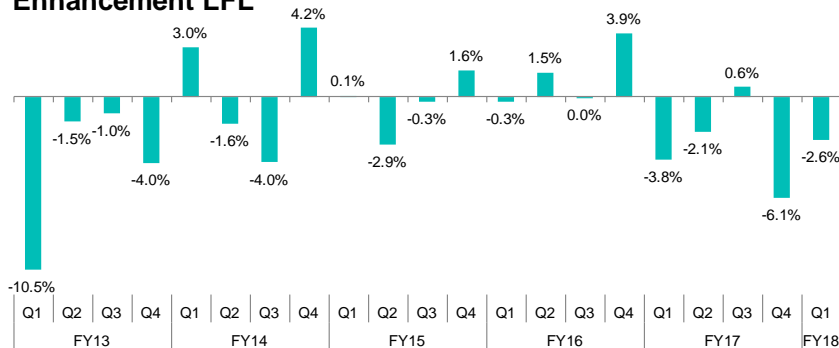
Cycling LFL



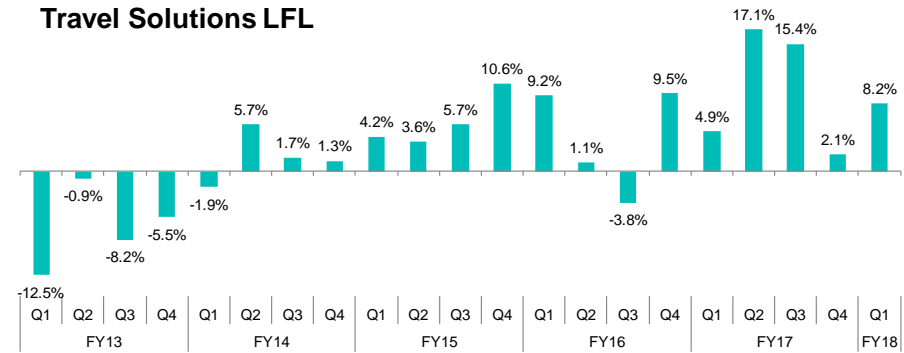
Car Maintenance LFL



Car Enhancement LFL



Travel Solutions LFL



Group Components

| FY17 | Retail £m | Autocentres £m | Amortisation £m | Group £m |
|-----------------|----------------------|---------------------------|----------------------------|---------------------|
| Revenue | 938.4 | 156.6 | - | 1,095.0 |
| Gross Profit | 456.6 | 102.0 | - | 558.6 |
| Operating Costs | (379.8) | (99.8) | (1.9) | (481.5) |
| EBIT | 76.8 | 2.2 | (1.9) | 77.1 |
| EBITDA | 101.1 | 7.6 | - | 108.7 |

| FY16 | Retail £m | Autocentres £m | Amortisation £m | Group £m |
|-----------------|----------------------|---------------------------|----------------------------|---------------------|
| Revenue | 868.5 | 153.0 | - | 1021.5 |
| Gross Profit | 444.8 | 98.3 | - | 543.1 |
| Operating Costs | (363.0) | (94.5) | (1.1) | (458.6) |
| EBIT | 81.8 | 3.8 | (1.1) | 84.5 |
| EBITDA | 106.0 | 8.6 | - | 114.6 |

Note: All numbers are before non-recurring items

Group Balance Sheet

| | FY17 £m | FY16 £m | YOY £m | Change |
|----------------------------------|--------------|--------------|--------------|---------------|
| Goodwill and Intangible Assets | 394.1 | 362.9 | +31.2 | 8.6% |
| Property, Plant & Equipment | 102.8 | 107.3 | -4.5 | -4.2% |
| Investments | 8.1 | - | 8.1 | 100% |
| Derivative Financial Instruments | 3.7 | 4.2 | (0.5) | -11.9% |
| Net Working Capital | 24.7 | 8.4 | +16.3 | +194.0% |
| Net Debt | (85.9) | (47.9) | (38.0) | +79.3% |
| Other Creditors | (40.0) | (29.5) | (10.5) | +35.6% |
| Net Assets | 407.5 | 405.4 | +2.1 | +0.5% |
| <i>Inventories</i> | <i>191.1</i> | <i>157.9</i> | <i>+33.2</i> | <i>+21.0%</i> |

Cash flow and Net Debt

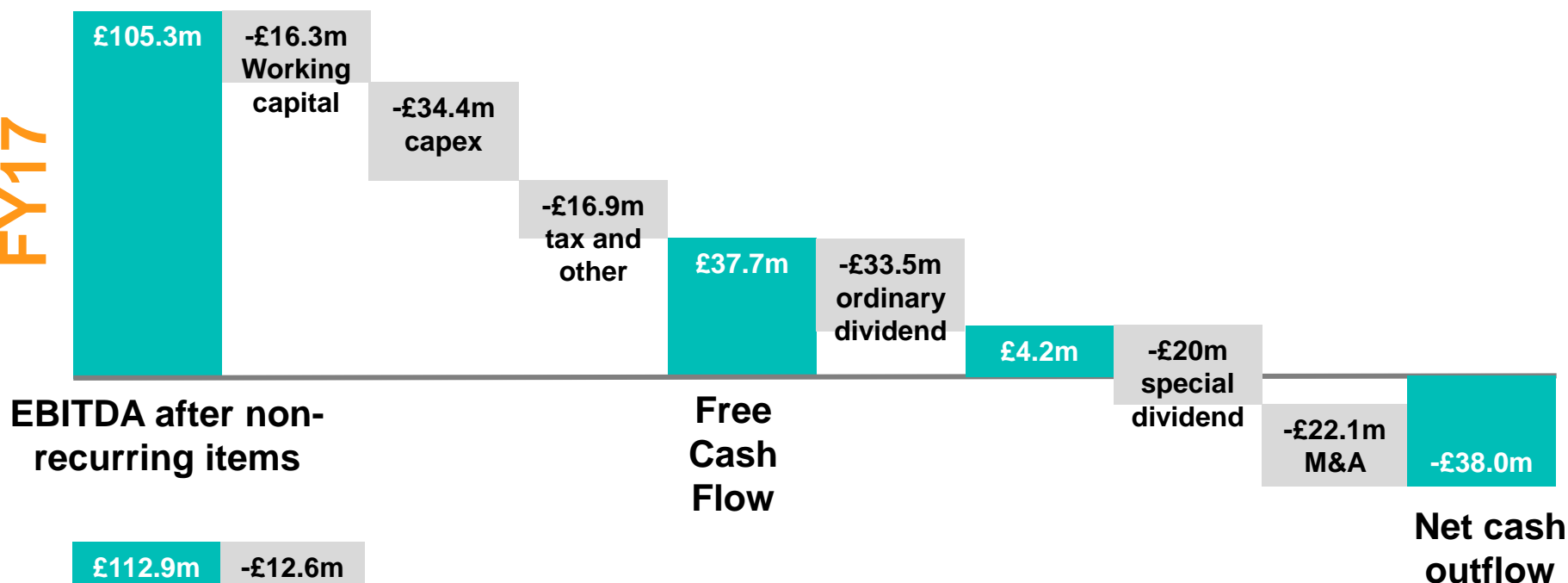
| Operating Cashflow | £m | Free Cashflow | £m | Net Debt | £m |
|---|-------------|--------------------------------|-------------|--|---------------|
| Underlying EBIT | 77.1 | Operating Cashflow | 90.0 | Opening Net Debt | (47.9) |
| Non-recurring operating expenses | (3.4) | Capital Expenditure | (34.4) | Free Cashflow | 37.7 |
| Depreciation, Amortisation and loss on disposal | 31.8 | Net Finance Costs | (0.8) | Finance lease payments/loan fee amortisation | (1.5) |
| Employee Share Scheme | 1.0 | Taxation | (15.3) | Proceeds from issue of shares | 1.4 |
| Working Capital | (16.3) | Fair value gain on derivatives | (1.8) | Dividends | (53.5) |
| Provisions | (0.2) | | | Acquisition of subsidiary | (18.0) |
| | | | | Purchase of investment | (4.1) |
| Operating Cashflow | 90.0 | Free Cashflow | 37.7 | Closing Net Debt | (85.9) |

Net debt to EBITDA at 0.8x

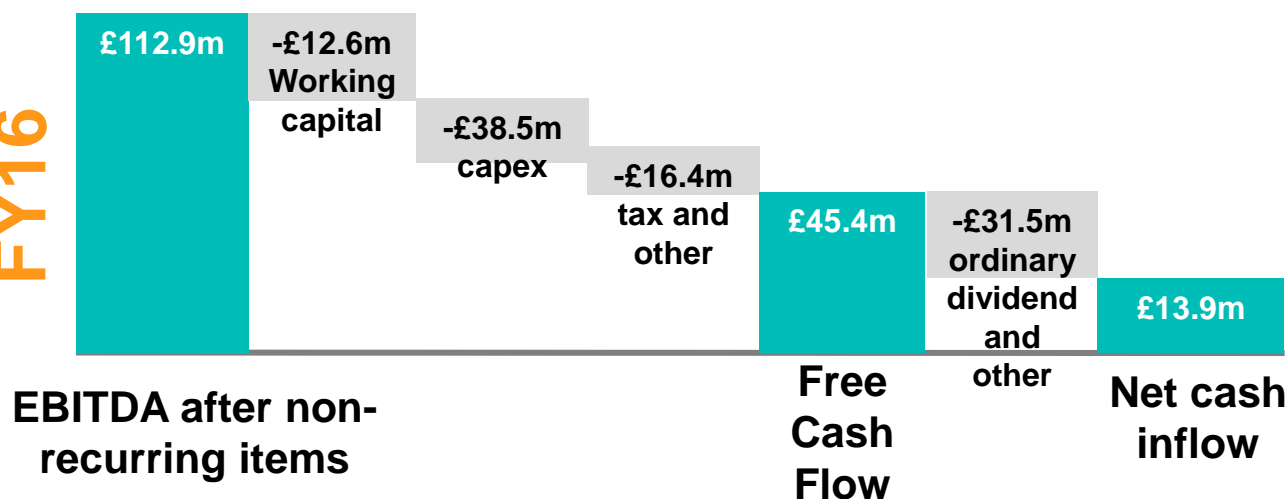
Full-year Ordinary Dividend up 3.0% to 17.51p

FY17 vs. FY16 Cash Flow

FY17



FY16



Halfords Retail Categories



CAR MAINTENANCE

*the highest-margin
category*

Includes 3Bs
(bulbs, blades &
batteries), oils,
tools and winter



CAR ENHANCEMENT

*the lowest-margin
category*

Includes sat nav
GPS, audio, DAB
Radio, car cleaning
and styling



TRAVEL SOLUTIONS

*the average-margin
category*

Includes child-
safety seats,
camping and roof
boxes



CYCLING

*below Retail average
margin*

Includes cycles,
parts, accessories,
clothing, repair &
service

Bike brands available across the Group

| | Halfords only | Halfords and Cycle Republic | Cycle Republic only | Tredz and Wheelies |
|--|---------------|--|--|--|
| Own brands c.90% of cycle revenue | apollo |      | | |
| Third party brands c.10% of cycle revenue | |          |     |      |

Group site portfolio

| | FY15 | FY16 | FY17 |
|----------------------|------------|------------|------------|
| Halfords Retail | 463 | 462 | 460 |
| Halfords Autocentres | 305 | 314 | 313 |
| Cycle Republic | 4 | 10 | 15 |
| Tredz | - | - | 4 |
| Total | 772 | 786 | 792 |

| | Number of Autocentres |
|-------------|-----------------------|
| Acquired | 223 |
| FY11 | 230 |
| FY12 | 250 |
| FY13 | 283 |
| FY14 | 303 |
| FY15 | 305 |
| FY16 | 314 |
| FY17 | 313 |

| | Average remaining lease length |
|-------------|--------------------------------|
| Retail | 6.6 years |
| Autocentres | 6.7 years |

Forward-Looking Statements

Included in this presentation are forward-looking management comments and other statements that reflect management's current outlook for future periods

These expectations are based on currently available competitive, financial, and economic data along with our current operating plans and are subject to risks and uncertainties that could cause actual results to differ materially from the results contemplated by the forward-looking statements.

The forward-looking statements in this presentation should be read in conjunction with the risks and uncertainties discussed in the Halfords Annual Report and Accounts.

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

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