



HALFORDS GROUP PLC

**Investor Presentation
National Distribution Centre
Coventry
7 October 2010**

Agenda



- Group Strategic Vision David Wild
- Pre-Close Trading Statement David Wild/Nick Wharton
- Questions and Answers David Wild/Nick Wharton
- Warehouse and Distribution Strategy Andy Torrance
- Tour of the National Distribution Centre

Group Strategic Vision



Halfords Group generates long-term sustainable growth

- Grow retail operating profit at 8% CAGR extending market leadership
- Develop multi-channel sales and improve net margin
- Expand Halfords brand in UK automotive aftermarket
- Leverage retail capabilities in other similar out-of-town, speciality sectors
- Explore international growth opportunities, but not at expense of UK
- Maintain efficient balance sheet and progressive dividend

Ambition to deliver medium-term earnings growth of 15% CAGR

Pre-Close Trading Statement Background



“Cautious regarding economic backdrop in 2010¹”

- Challenging comparatives
- Tough consumer environment
- Distribution centre re-configuration
- Store rostering programme
- Far East supply
- Spring/Summer promotion



Cost initiatives developed to mitigate challenging revenue progression

Halfords Retail Context



Broad offer and market position provides revenue protection

LFL Growth %	H1 FY11	H1 FY10	Full Year FY10
Total Retail	-4.5	+1.7	+1.3
Car Maintenance	+0.6	+5.1	+8.1
Satellite Navigation	-16.4	-25.6	-24.8
Camping	+6.4	+5.9	+7.7
Cycling	-1.4	+20.2	+15.1

Pre-Close Category Overview



Car Maintenance

- Attractive market – needs driven
- 30% **wefit** growth
- Most profitable category
- Tools availability impacted by supply challenges

LFL Growth %	H1 FY11	H1 FY10	Full Year FY10
Car Maintenance	+0.6	+5.1	+8.1
Camping	+6.4	+5.9	+7.7
Satellite Navigation	-16.4	-25.6	-24.8

Camping

- Successful season underpinned by domestic vacations
- Clean stock exit

Satellite Navigation

- Continued market decline
- Halfords market share increases
- Accessorisation protects profitability
- Ongoing innovation – Tom Tom Live



Pre-Close Category Overview



Cycling

- Long-term market growth
 - ◆ Health
 - ◆ Economy
 - ◆ Sustainability
- Trading challenges:
 - ◆ Apollo relaunch
 - ◆ Price competitiveness
 - ◆ Town & Trail growth at the expense of Mountain Bikes
 - ◆ Accessory availability
- Strong Boardman growth +40%



	H1 FY11	H1 FY10	Full Year FY10
LFL Growth %			
Cycling	-1.4	+20.2	+15.1



Multi-Channel



Dot com represents fast growing profitable channel

Strategic Opportunity

- Accesses “web only” customers
- Drives footfall to stores through Reserve & Collect
- Shop window for customer research
- Own brand model protects profitability
- Cost effective marketing medium

FY11 Progress

- Sales growth Q2 51% (YTD: 59%)
- Visitor growth 48%
- Faster profitability growth
- Order and Collect exceeding expectations
- Enhanced useability of site
 - ◆ Top 30 in IMRG Hitwise Hot Shops list



Second Half Trading Stance



Stronger trading stance in response to tougher market conditions

- Impactful tactical activity and promotional overlays
- Strengthening of peak trading base plan
- Supplier investment to strengthen deals
- Up-weighted marketing
- Enhanced web activity
- Stock investment backing our key seasonal areas





Nick Wharton
Finance Director

Operating Costs



Costs and productivity focus offsets revenue and inflationary pressures

Store Labour

- £4m¹ pa reduction from optimised rotas
- Service metric progress continues
- More flexible cost base established

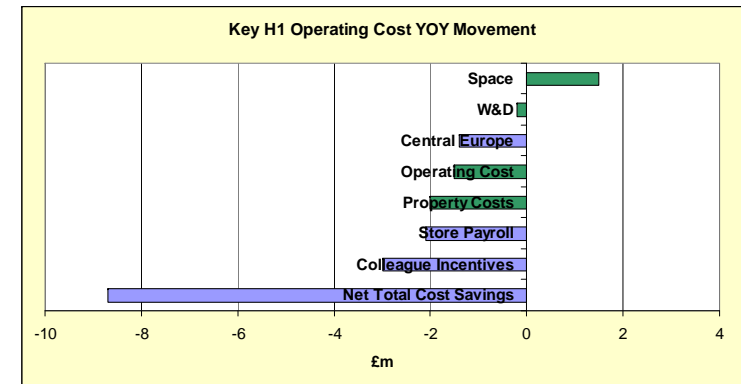
Property Costs

- Historically low settlements
- 147 outstanding (Average length 1.2 years)
- Re-gear reduction potential
- Depreciation maturity

Incentive payments

- Re-based in line with earnings growth ambition

Warehouse and Distribution



Long-term sustainable

Short-term sustainable

H1 Service Metrics	YOY
Wefit jobs	+20%
Batteries	+20%
Bulbs	+48%
Blades	+33%
Bike Care Plan	+32%
Penetration	
Cycle Accessories	20%
Sat Nav Accessories	61%

Note: 1. Total savings now estimated at £6m since FY09

Sustainably lower and more flexible operating cost base

Balance Sheet Management



Ongoing Commitment to Balance Sheet efficiency

Capital Expenditure

- Disciplined investment centred on high returns
- Group has low capex requirement

Working Capital

- Group generates small working capital inflows
- H1 stock investment to secure peak inventory

Debt/Re-financing

- Optimal debt c.1.5x EBITDA (3.5x Capitalised)
- Bank debt negotiations well progressed
 - ◆ Strong bank support
 - ◆ Pricing at low-end of market
 - ◆ Existing covenants maintained



David Wild
Chief Executive Officer

Halfords Autocentres



Autocentres gaining share in challenging market

Revenue

- Growing fleet business
 - ◆ New customers
 - ◆ Increased penetration
- Growing customer share
- Customer ATV decline

Operating margins

- Gross margins pressured by:
 - ve Enhanced tyre participation
 - ve Trading down
 - +ve Group sourcing benefits
- Ongoing productivity gains
- Tight control of costs

Customer offer

- Increased customer retention and satisfaction
- Investment in sales skills training



On track to deliver Business Plan Operating Profit

Halfords Autocentres



Three-year development plan on track

- New centres
 - ◆ Strong pipeline established
 - ◆ 6 centres opened to date
 - ◆ 10-15 centres in FY11
 - ◆ Confidence high for 25-30 openings in FY12

- Re-branding
 - ◆ Cost effective re-branding model established
 - ◆ Customer service road tested
 - ◆ 28 centres re-branded to date further 120 by Christmas
 - ◆ Completion Feb 2011, prior to broadscale advertising



Group Financial Guidance



Group on track to deliver earnings growth

- Balance of year prudently predicated on -3% like-for-like
- Broadly flat retail gross margin for the year
- Sustainable cost reductions in place
- H1 PBT £67m - £69m, representing 12% YOY growth at the mid-point
- Revenues uncertain: Planning scenarios in range of market expectations

Ambition to deliver medium-term earnings growth of 15% CAGR

Summary



- Tough consumer environment: negative LFL sales
- Sales disruption from cost saving initiatives
- Halfords Retail
 - ◆ More compelling marketing/promotion programme in H2
 - ◆ Continued focus on cost savings
- Autocentres
 - ◆ Fleet and customer share gains in challenging market
 - ◆ 3-year development plan remains on track
- H1 PBT £67m - £69m, representing 12% YOY growth
- Strong foundation for full year growth



Questions and Answers

David Wild
Nick Wharton



Distribution Centre

Andy Torrance

Store Operations & Logistics Director

Distribution Reconfiguration Overview



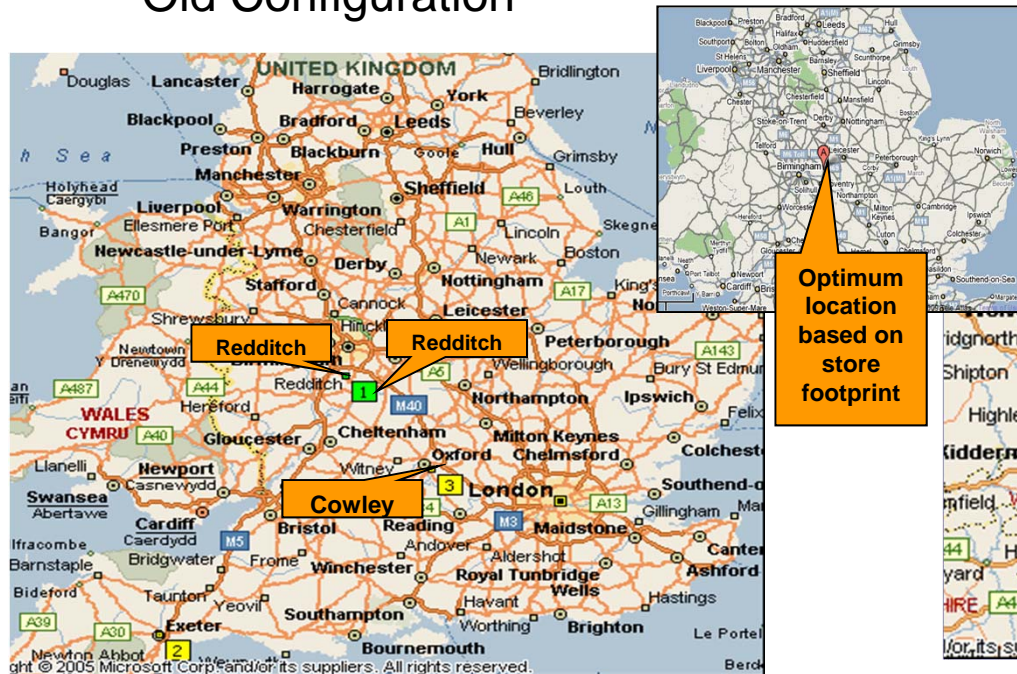
- Historic 3 DC infrastructure sub-optimal:
 - ◆ Location
 - ◆ Physical constraints
- Migration to optimal configuration:
 - ◆ Coventry NDC located at centre of gravity
 - ◆ Dedicated cycle warehouse at Redditch site
 - ◆ Investment in proven automation
- Programme to manage risk to base business
 - ◆ Flexible contract termination
 - ◆ Inventory pre-positioning



Distribution Reconfiguration Overview

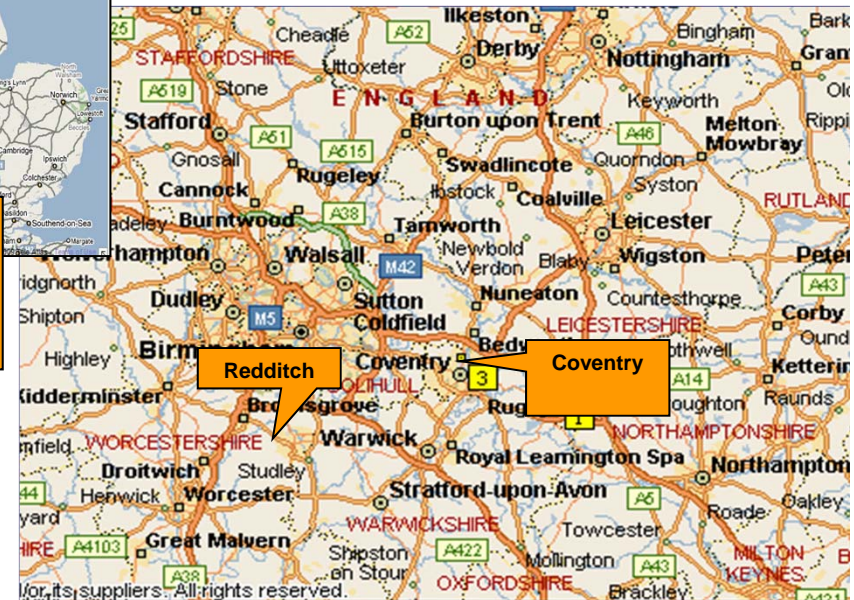


Old Configuration



- Redditch1 240k sq ft
- Redditch 2 140k sq ft
- Cowley 300k sq ft
- Redditch to Cowley 70 miles

New Configuration



- Redditch 240k sq ft
- Coventry NDC 320k sq ft
- Redditch to Coventry 32 miles

Distribution Centre



Logistics reconfiguration delivers significant savings

- Operating cost improvement, £4m pa from:
 - ◆ Reduced space costs
 - ◆ Rebased pay rates and working practices
 - ◆ Optimal centre of gravity saves 2m road kms
 - ◆ Productivity gains through proven technology
 - ◆ Increased fleet efficiency through double decker trailers
- Other benefits
 - ◆ Store friendly deliveries improves retail productivity
 - ◆ Improved delivery accuracy



Nature of cost savings supports high confidence in delivery

Distribution Centre



Transition Experience

- Challenges anticipated with mitigating actions
- Significant short-term small parts disruption
 - ◆ Data take-on
 - ◆ Pick by voice stability
 - ◆ Operator learning curve
- c.3% Revenue disruption over 6-week period
- Limited brand impact



Current Position

- Store availability recovered
- Anticipated benefits now on stream
- Store deliveries operating to schedule
- Permanent colleagues recruited





Questions and Answers

Andy Torrance

Distribution Centre Tour



A	B	C
David Wild Mark Shirley	Nick Wharton Lee Tevlin	Andy Torrance Tony Newbould
Gillian Hilditch	David Jeary	Ben Spruntulis
Ed Wright	Paul Rossington	Andy Wade
Jamie Bajwa	John Stevenson	Nick Bubb
Isabel Green	Charlie Muir-Sands	Sanjay Viryathi
Andrew Mobbs	Assad Malic	Ramona Tipnis
Mark Photiades	Kate Calvert	John Cummins
Nick Hawkins	Jonathan Pritchard	Ted Truscott
Uzo Ekwue	Mira Bhogaita	Matt Hall
Joanne Rands	Bilquis Ahmed	Peter Smedley
George Viney	Ian McDonald	Matthew McEachran



Appendix

Pre-Close Trading Statement