

# FY22 Preliminary Results

Halfords Group PLC

16<sup>th</sup> June 2022





# Agenda

## FY22 Financial Performance

Loraine Woodhouse

## FY22 Strategic Update

Graham Stapleton

## Focus on FY23

Jo Hartley

## Summary

Graham Stapleton

## Q&A





The background of the slide is a photograph of a Halfords store. A large sign above the entrance reads 'halfords' in a bold, lowercase font, with 'weFit | weService | weRepair' underneath in a smaller, lighter font. A person wearing a dark Halfords uniform is standing next to a silver car, which has a roof rack on top. The car is parked in front of the store. The overall image is slightly dimmed to make the text stand out.

# halfords

weFit | weService | weRepair

# FY22 FINANCIAL PERFORMANCE

*Loraine Woodhouse*

## Basis of financial information

- Covers the 52-week period from 3 April 2021 to 1 April 2022
- All comparators are on a two-year basis unless otherwise stated
- All figures are post-IFRS 16



## Strong financial performance on all metrics.

### Strong Group Revenue Growth\*

Group Sales Growth  
Yo2Y\*

**19.9%**

(LFL revenue +16.7%)

### Gross Margin Expansion\*

Group Gross Margin\*

**52.7%**

(+157bps Yo2Y)

### Tight Cost Control in an Inflationary Environment\*

Costs as % revenue\*\*

**+0.4ppts**

(Costs\* +20.9% Yo2Y)

### Significant Profit Growth vs Pre-Pandemic\*

Group PBT\*

**£89.8m**

(+£32.9m Yo2Y)

### Strong Cash Position

Cash + Cash equiv.\*\*\*

**£46.1m**

-£20.9m outflow

\*All comparisons are vs FY20, before non-underlying items and post-IFRS 16.

\*\* Costs include £11m of business rates relief. Excluding relief costs grew 23.0%.

\*\*\* Closing Cash and Cash Equivalents as per Balance Sheet; excludes IFRS16 leases.



**Strong EPS growth and proposed final dividend of 6.00p.  
Non-underlying credit reflects provision releases.**

	<b>FY22</b>	<b>vs. FY20</b>	<b>vs. FY21</b>
<b>Revenue</b>	<b>£1,369.6m</b>	<b>+19.9% Yo2Y +16.7% LFL</b>	<b>+6.0% YoY +2.0% LFL</b>
<b>Underlying Profit Before Tax ("PBT")</b>	<b>£89.8m</b>	<b>+£32.9m Yo2Y +57.8% Yo2Y</b>	<b>-£9.7m YoY -9.7% YoY</b>
<b>Non-Underlying Items</b>	<b>+£6.8m</b>		
<b>PBT after Non-Underlying items</b>	<b>£96.6m</b>		
<b>Basic Underlying EPS</b>	<b>35.5p</b>	<b>+39.8% Yo2Y</b>	<b>-14.9% YoY</b>
<b>Cash and Cash Equivalents*</b>	<b>£46.1m</b>	<b>+£109.9m Yo2Y</b>	<b>-£20.9m YoY</b>
<b>Proposed final dividend</b>	<b>6.00p</b>		

**Note:** \*total net debt excluding leases.



FY22 Group PBT driven by strong performances across all areas of the business.



Note: numbers exclude business rates relief of £11.0m, shown in a separate bar



## Retail performance driven by revenue growth and underlying margin improvements.



	FY22	vs. FY20	vs. FY21	
Revenue	£1,001.6m	+5.4% Yo2Y +15.2% 2LFL	-3.7% YoY -0.6% LFL	
Gross Margin	51.0%	+277bps Yo2Y	+270bps YoY	Gross margin has grown significantly driven by Cycling optimisation.
Operating Costs*	£420.9m	+6.4% Yo2Y	+5.7% YoY	
Underlying EBIT*	£89.8m	+43.0% Yo2Y	-13.4% YoY	EBIT has grown +£27m driven by gross margin and improvements in the underlying efficiency of the business.

**Note:** \*numbers include business rates relief of £9.6m (FY22), £33.1m (FY21), and nil (FY20).

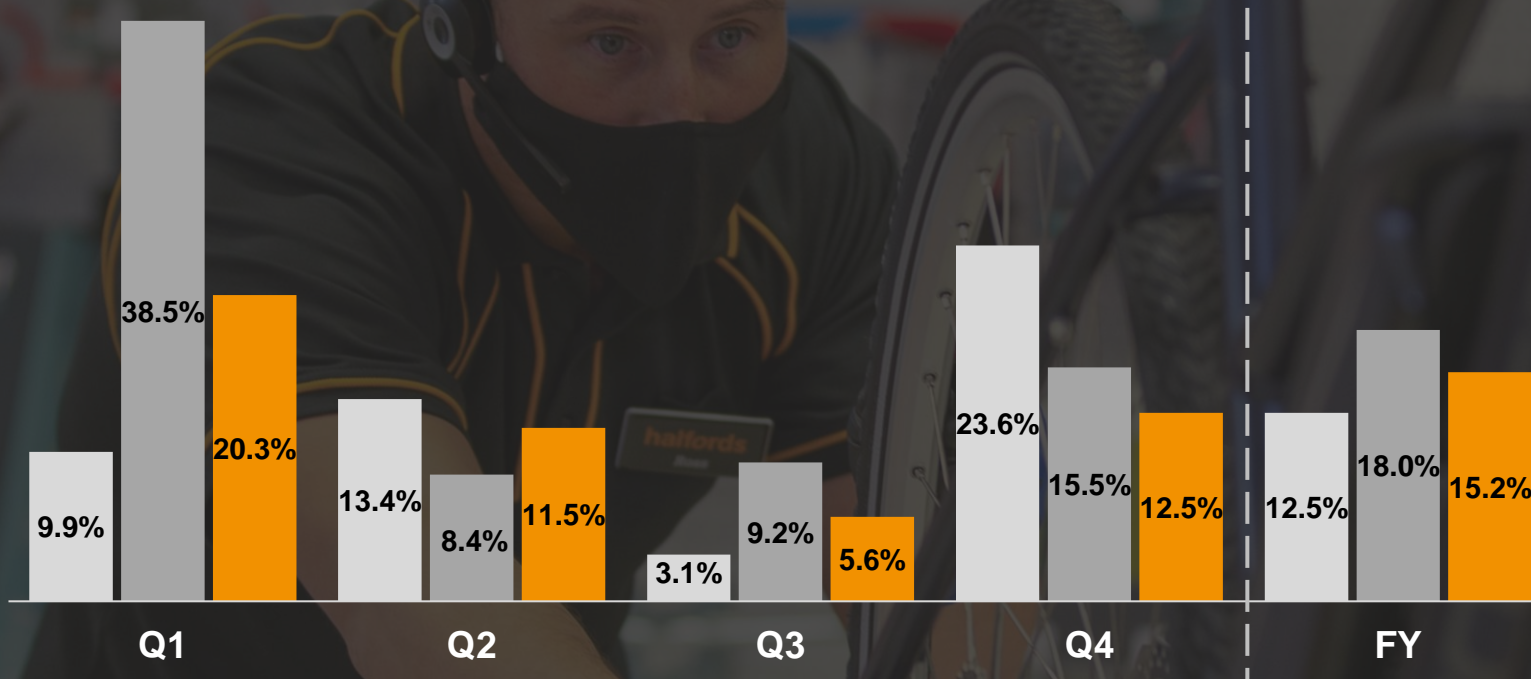


Retail has performed well all year but sales were volatile across quarters.



### Halfords Retail Sales - 2 Year LFL %s

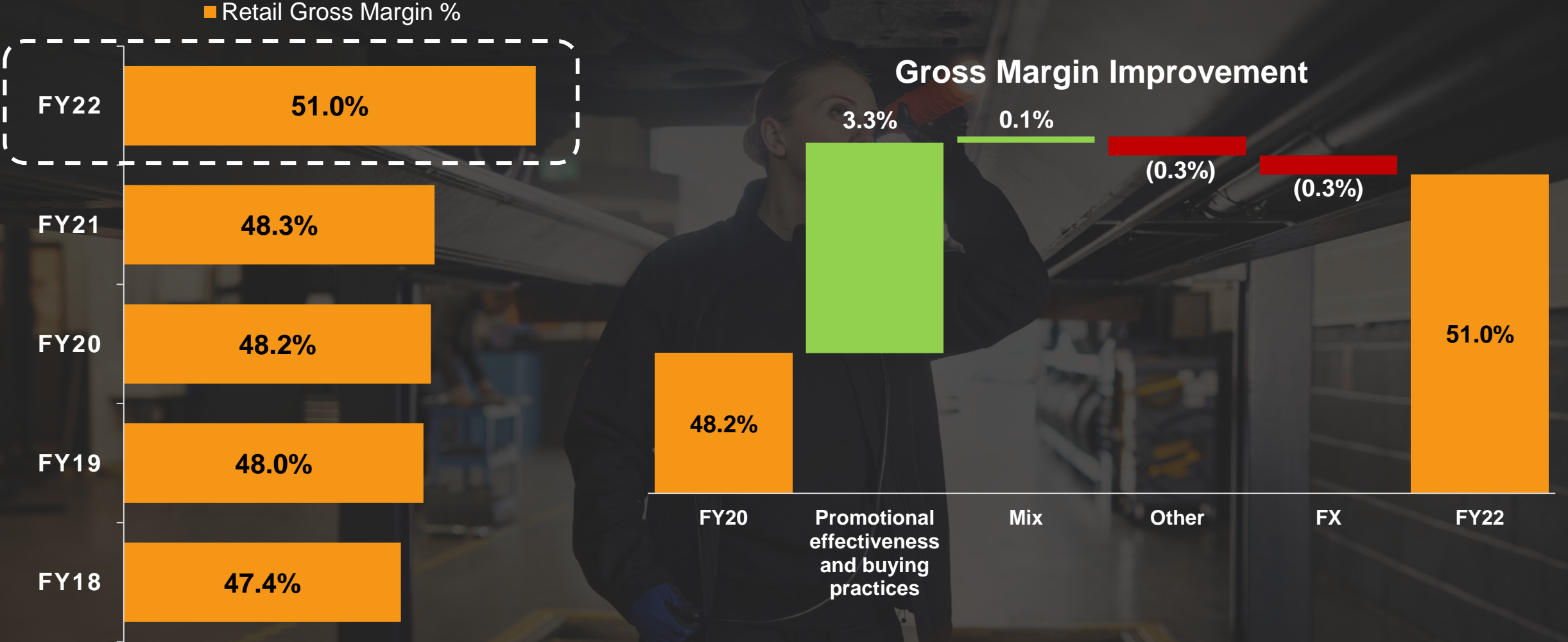
■ Motoring ■ Cycling ■ Total



- LFL performance has been strong but with volatility from quarter to quarter.
- Cycling was more challenging in H2 with supply disruption and cost of living beginning to impact demand.
- Motoring recovery has been very strong reflecting market share growth of +380bps.



Strong growth in retail gross margin as category mix normalises to pre-pandemic levels.





Underlying Retail Costs managed well; targeted investment in our longer term transformation programme.



Retail

### Retail Costs Bridge



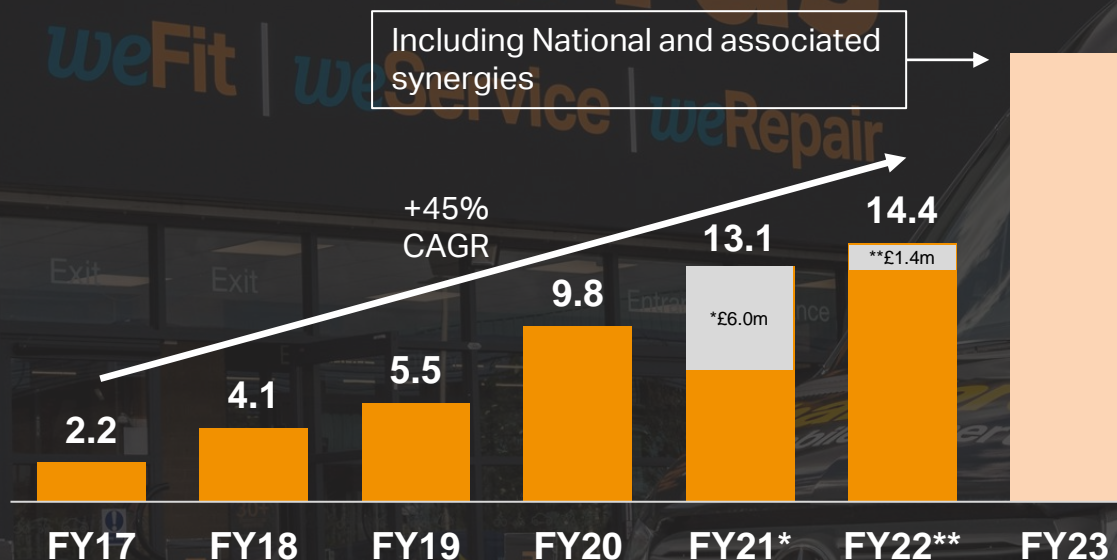


# Strong profitability growth in the Autocentre Group.



Autocentres

## Autocentres EBIT



	FY22	vs. FY20	vs. FY21
Revenue	£368.0m	+91.9% Yo2Y +23.4% 2LFL	+45.7% YoY +12.6% LFL
Gross Margin	57.3%	-815bps Yo2Y	-380bps YoY
Operating Costs*	£196.6m	+69.7% Yo2Y	+39.2% YoY
Underlying EBIT	£14.4m	+46.9% Yo2Y	+9.9% YoY

halfords  
autocentre

halfords  
mobile expert

McCONECHY'S  
TYRE & EXHAUST CENTRES

Universal  
TYRE & AUTOCENTRES

NATIONAL  
TYRES AND AUTOCARE  
Going the EXTRA mile

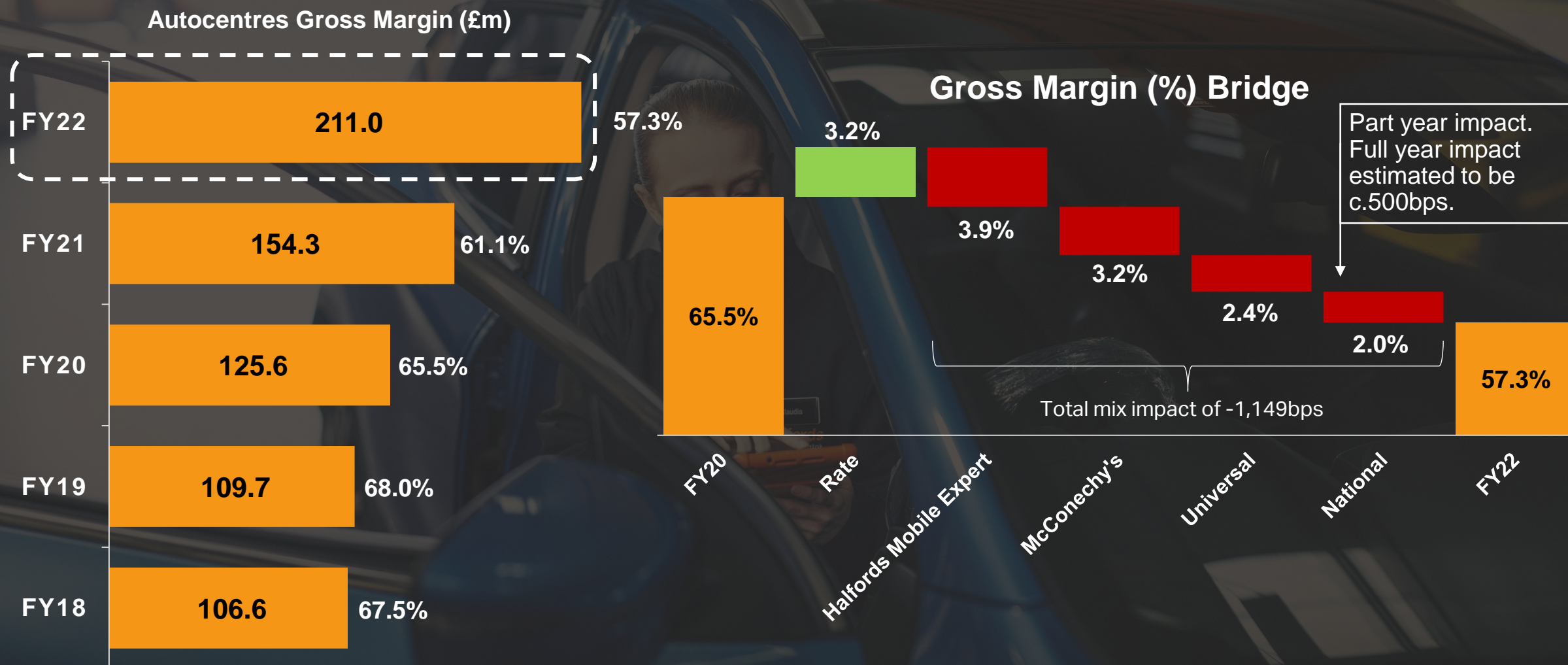
Avayler



Autocentres Gross margin (£) growing, with rate dilution driven by a different business model within our acquisitions.



Autocentres





## Our cash position remains strong despite working capital normalisation.

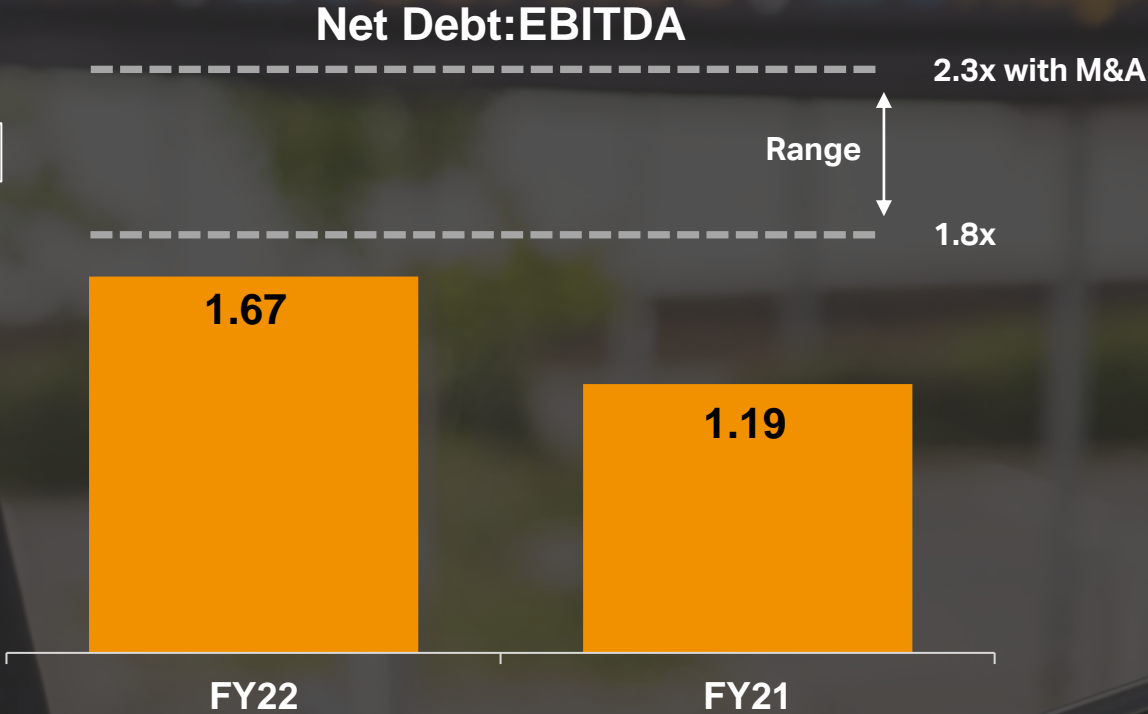


	FY22	FY21	YoY
<b>Profit After Tax</b>	<b>77.7</b>	<b>53.2</b>	<b>24.5</b>
Depreciation, Amortisation & Loss on Disposal of Assets	107.8	120.2	(12.4)
Working Capital	(70.0)	49.0	(119.0)
Taxation	6.7	0.5	6.2
Net Finance Costs	11.3	15.0	(3.7)
Provision Movements/Other	(13.0)	34.2	(47.2)
<b>Operating Cash Flow</b>	<b>120.5</b>	<b>272.1</b>	<b>(151.6)</b>
Acquisitions and Proceeds from Held for Sale Assets	(51.0)	(11.5)	(39.5)
Capex	(47.3)	(27.5)	(19.8)
<b>Cash Used in Investing Activities</b>	<b>(98.3)</b>	<b>(39.0)</b>	<b>(59.3)</b>
Proceeds from Issue of Share Capital	61.6	-	61.6
Capital lease payments	(76.0)	(85.9)	9.9
Finance Costs Paid, including IFRS16 lease interest	(9.2)	(15.5)	6.3
Dividends Paid	(16.5)	-	(16.5)
Repayment of Borrowings	-	(180.0)	180.0
Other	(3.0)	-	(3.0)
<b>Cash Used in Financing Activities</b>	<b>(43.1)</b>	<b>(281.4)</b>	<b>238.3</b>
<b>Cash Movement in Period</b>	<b>(20.9)</b>	<b>(48.3)</b>	<b>27.4</b>
Opening Cash and Cash Equivalents	67.0	115.3	(48.3)
<b>Closing Cash and Cash Equivalents</b>	<b>46.1</b>	<b>67.0</b>	<b>(20.9)</b>

FY22 has seen a working capital outflow against FY21's inflow. This represents the normalisation of inventories alongside a large VAT payment early in FY23.



Net debt increase reflects leases associated with National;  
debt remains well within target structure.





## Proposed final dividend of 6.00p per share.

### Proposed final Dividend per Share



### Capital Allocation Priorities



Maintaining a prudent balance sheet



Investment for growth



M&A focused on Autocentres



Progressive dividend policy



Surplus cash returned to shareholders





build  
repair  
electric

# halfords

motoring & cycling experts



parts  
fitting  
maintenance





# FY22 STRATEGY UPDATE

*Graham Stapleton*





A woman in a dark Halfords uniform jacket and blue gloves is inspecting the underside of a car in a garage. She is holding a flashlight in her right hand, illuminating the car's components. The background shows the interior of a garage with various tools and equipment.

To **Inspire** and **Support**  
a **Lifetime** of motoring and cycling.

Our Purpose

## Our Group Strategy

**Inspire** our customers with a differentiated, super-specialist offer.

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

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

### Underpinned by:

A Focus on **Cost and Efficiency**.

Investment in our **Colleagues**.

Our **ESG Commitments**.



## Reminder of our accelerated strategy

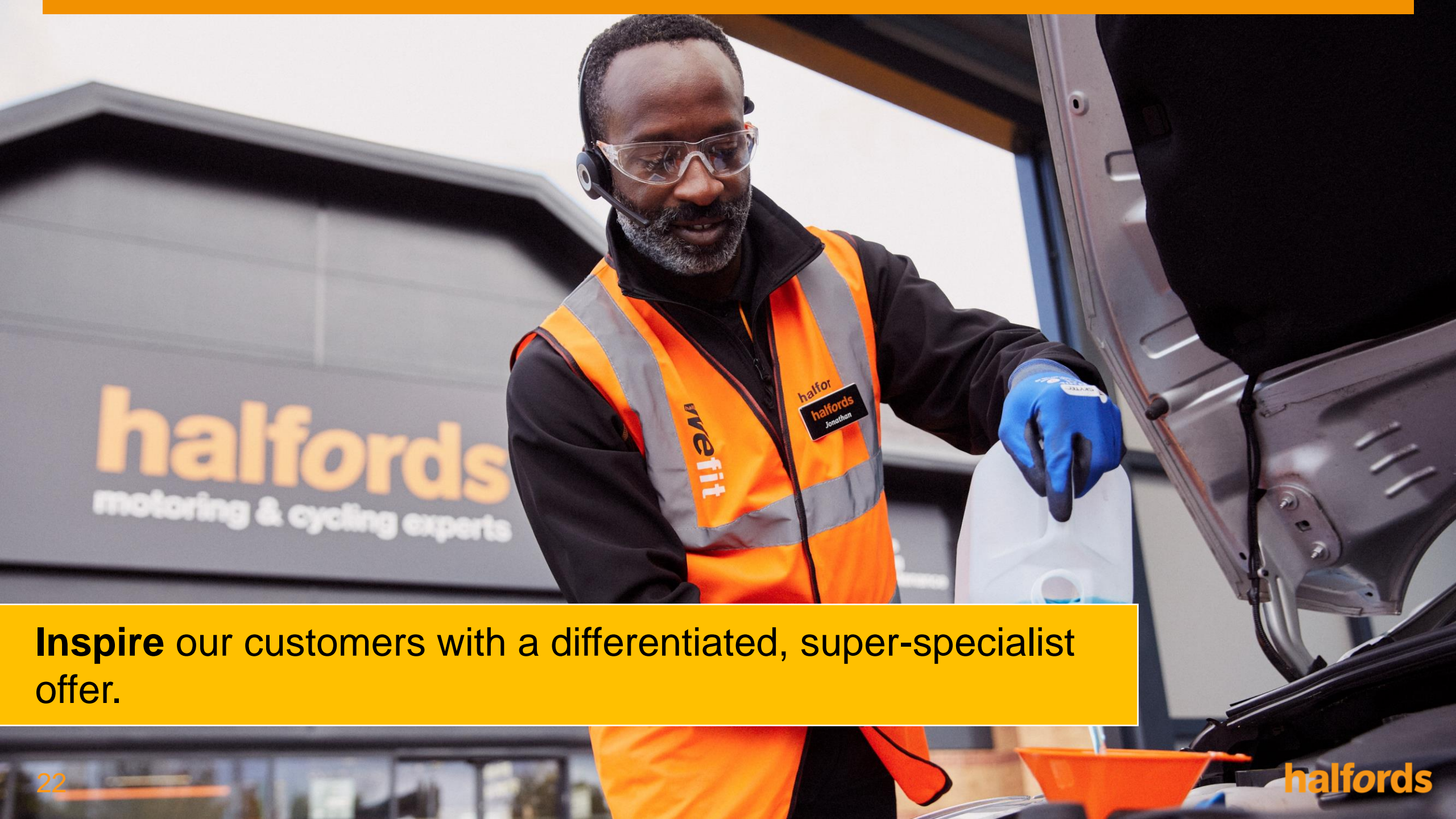
***“Evolve into a consumer and B2B services-focused business, with a greater emphasis on motoring, generating higher and more sustainable financial returns.”***



Progress against our strategy has created a very different business.

	FY20	FY22
Revenue	£1.1bn	£1.4bn (+19.9%)
Revenue from Services	£0.3bn (26% of Group)	£0.5bn (39% of Group)
Revenue from Motoring	£0.75bn (65% of Group)	£1.0bn (70% of Group)
Revenue from B2B	£0.17bn (15% of Group)	£0.3bn (20% of Group)
Fixed and Mobile Locations	918 (371 Garages, 472 stores, 75 Vans)	1,451 (606 Garages, 400 Stores, 445 Vans)
NPS	62.4	68.4 (+6pts)





**Inspire** our customers with a differentiated, super-specialist offer.



## Fusion transforms the customer experience by investing in the physical and digital infrastructure.

Fusion trial towns at Colchester and Halifax:

- New format Retail store, updated Garage and extended HME offer.
- Underpinned by *super-specialist* technology and training.
- Customer experience at heart of proposition.



Fusion Net Promoter Score

**+9pt**

Fusion Average Transaction value vs. estate

**+7%**

Fusion Cross shop vs estate

**40%**

Fusion % of Autocentres sales generated from a Retail referral\*

**20%**

Fusion Halifax Garage Sales Rank

**3rd**  
(from 214<sup>th</sup>)

\*against a typical 4% referral rate.





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## Providing customers with access to new markets and new services.

Offering a *differentiated* service to our customers:

- UK's biggest E-bike trial scheme.
- Multi-award winning own brand bikes and exclusive ranges of motoring products.
- Electric Charging partnership – the first mainstream retailer to offer end-to-end charging solution for homes.
- Entry into second-hand bike market through “Bike Xchange”.



### Electric vehicle home charging

Our electric experts make home charging simple. We are here for everything from installation to energy supply all in one place.

halfords | BOXT







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



**We have transformed the scale of our business, making it more convenient for customers to access our services**

### Consumer Business

- Three acquisitions; National\*, Iverson Tyres and Havebike.
- “WeCheck” app launched in Retail, enabling colleagues to book directly to Garage or HME.
- Trained 2,000 colleagues in Electric Services.

### Commercial Business

- *Integrated* McConechy's Tyres.
- 192 Commercial vans in operation.

### Acquisition Timeline

Oct FY20

**TyresOnTheDrive**

70 Consumer Vans

Nov FY20

**McCONECHY'S**  
TYRE & EXHAUST CENTRES

60 Garages  
100 Commercial Vans

Mar FY21

**Universal**  
TYRE & AUTOCENTRES

20 Garages  
89 Commercial Vans

Dec FY22

**IVERSON TYRES LTD**

4 Garages

Dec FY22

**NATIONAL**  
TYRES AND AUTOCARE  
Going the EXTRA mile

234 Garages  
68 Vans  
8 Warehouses

Mar FY22

**havebike...**  
WILL RIDE

7 Vans



## National is our largest and most valuable acquisition undertaken.

- Acquired National Tyres for £62m consideration.
- Deal included 234 sites, 68 vans and 1,200 colleagues.
- Tyre Shopper is a leading UK online value Tyre retailer.
- A wholesale distribution network of 8 warehouses.
- Significant synergies expected - reaching £18m of EBITDA at maturity, with 1/3 delivered in year 1 across purchasing, performance and property.



**Tyre Shopper**

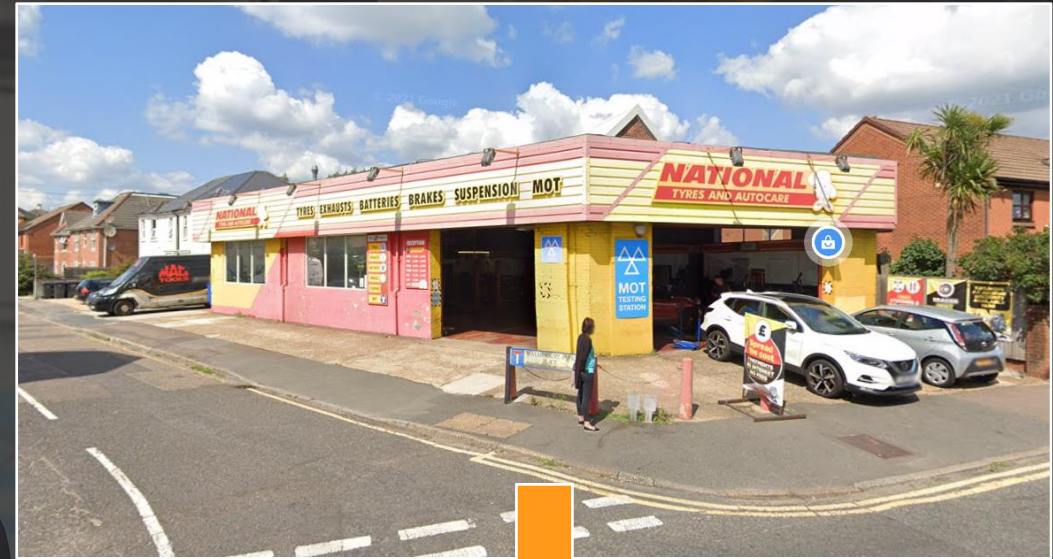
**VIKING**  
WHOLESALE TYRES





## Significant progress and already realising anticipated synergies per business case.

- Purchasing synergies delivered:
  - Significant benefit from Halfords Group freight contract
  - Aligned to Group purchasing contracts
- Performance synergies will begin FY23:
  - **Avayler** implemented during Q3
  - MOT equipment roll-out to key locations
- Created 10 super-centres
- Rebrand and refurbishing of estate started.





Our HME business is now scaled, offering a **convenient** and **best-in-class** service.

- Grown fleet from 7 to 253 vans in two years, providing National coverage.
- Carried out 320,000 jobs through FY22, driving revenue growth of +44% YoY.
- Rated “excellent” by over 220,000 Trustpilot reviews.

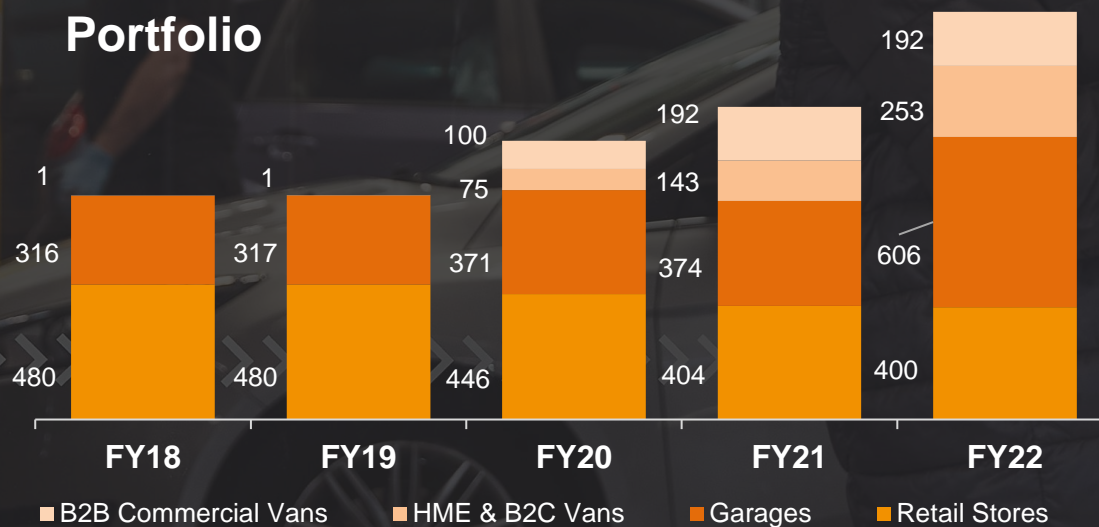




...and we are now the **unique** market leader, offering customers the largest and most **convenient** motoring service network in the UK.

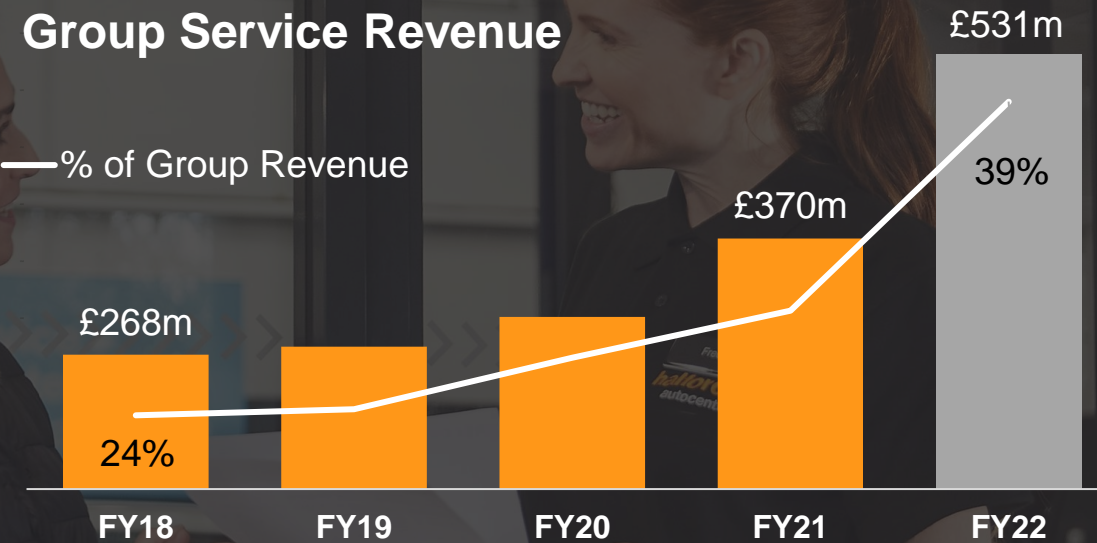
- Almost 40% Group revenues now Services
- 8m services carried out in FY22.
- Every fixed location has specialist EV Service technicians.

### Portfolio



### Group Service Revenue

— % of Group Revenue



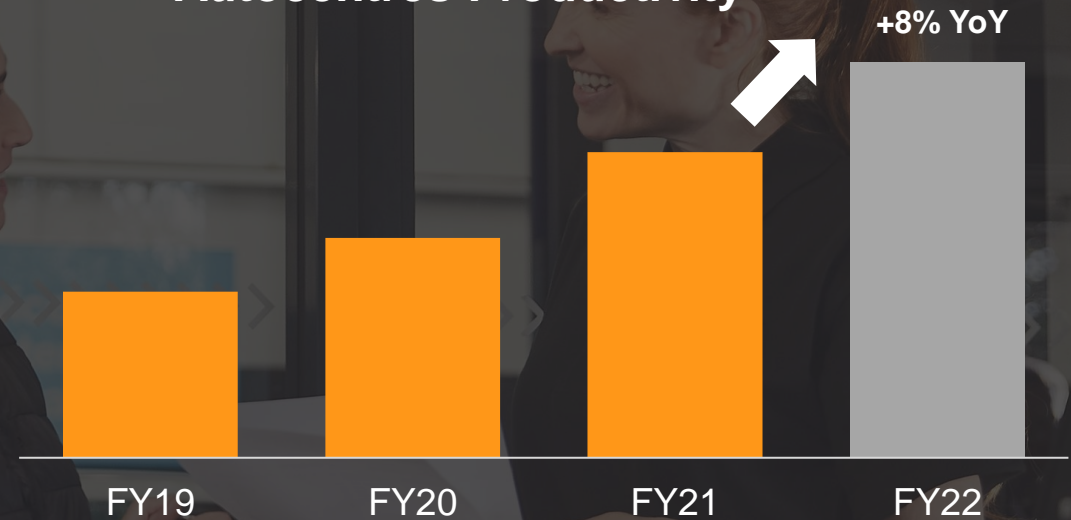
1,451 fixed and mobile service locations



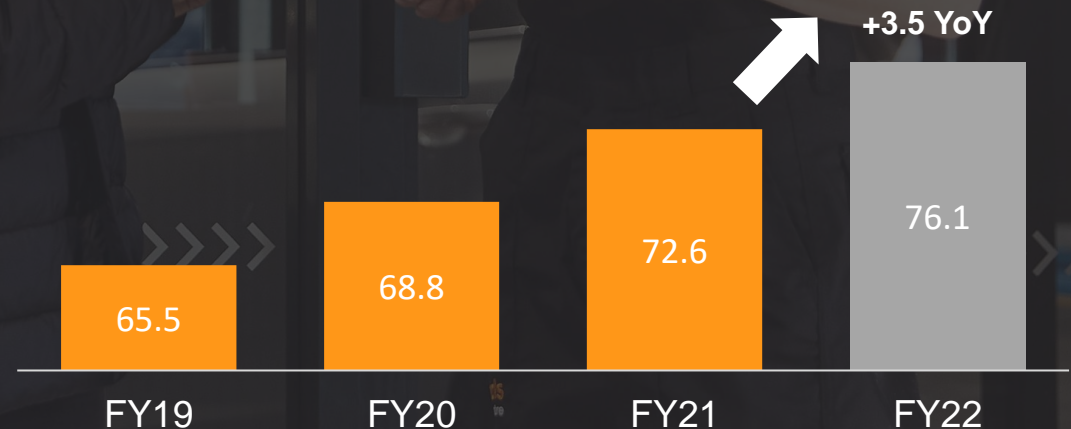
**Avayler underpins the success of our services business, at the same time as giving access to SaaS revenue streams.**

- Driven significant performance improvement in our business – both productivity and customer satisfaction
- Well placed to sell in the SaaS market, leveraging our *unique* position as an “operator”
- Entry into the Software as a Service market through the launch of **Avayler Commercial**.
- Signed with a large US client ATD and we are now also supporting Tirebuyer.
  - ATD – 80,000 garage partners across the US
  - Tirebuyer – 14,000 mobile outlets

### Autocentres Productivity



### Autocentres Customer Satisfaction (NPS)





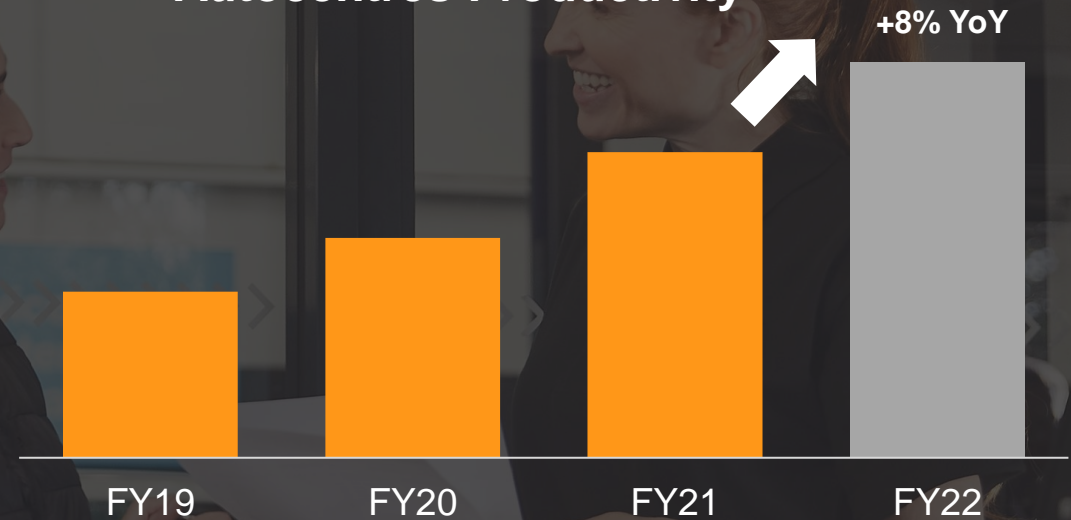




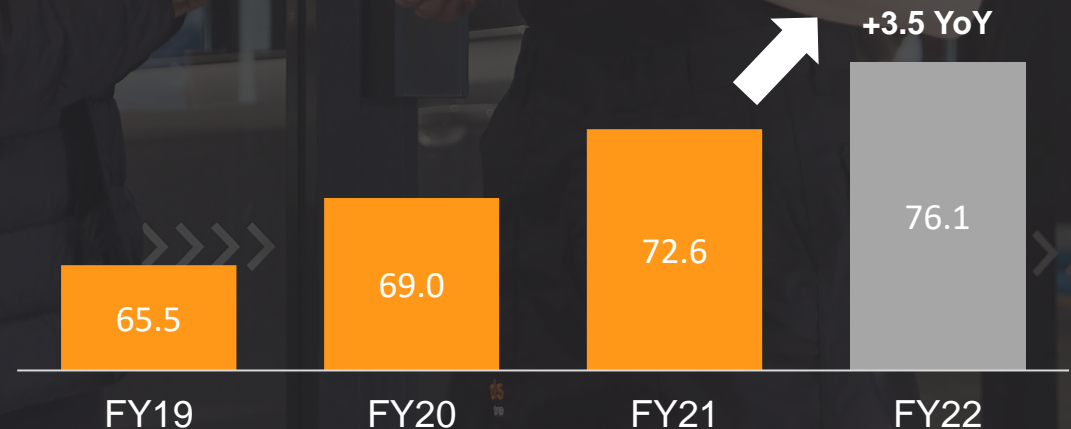
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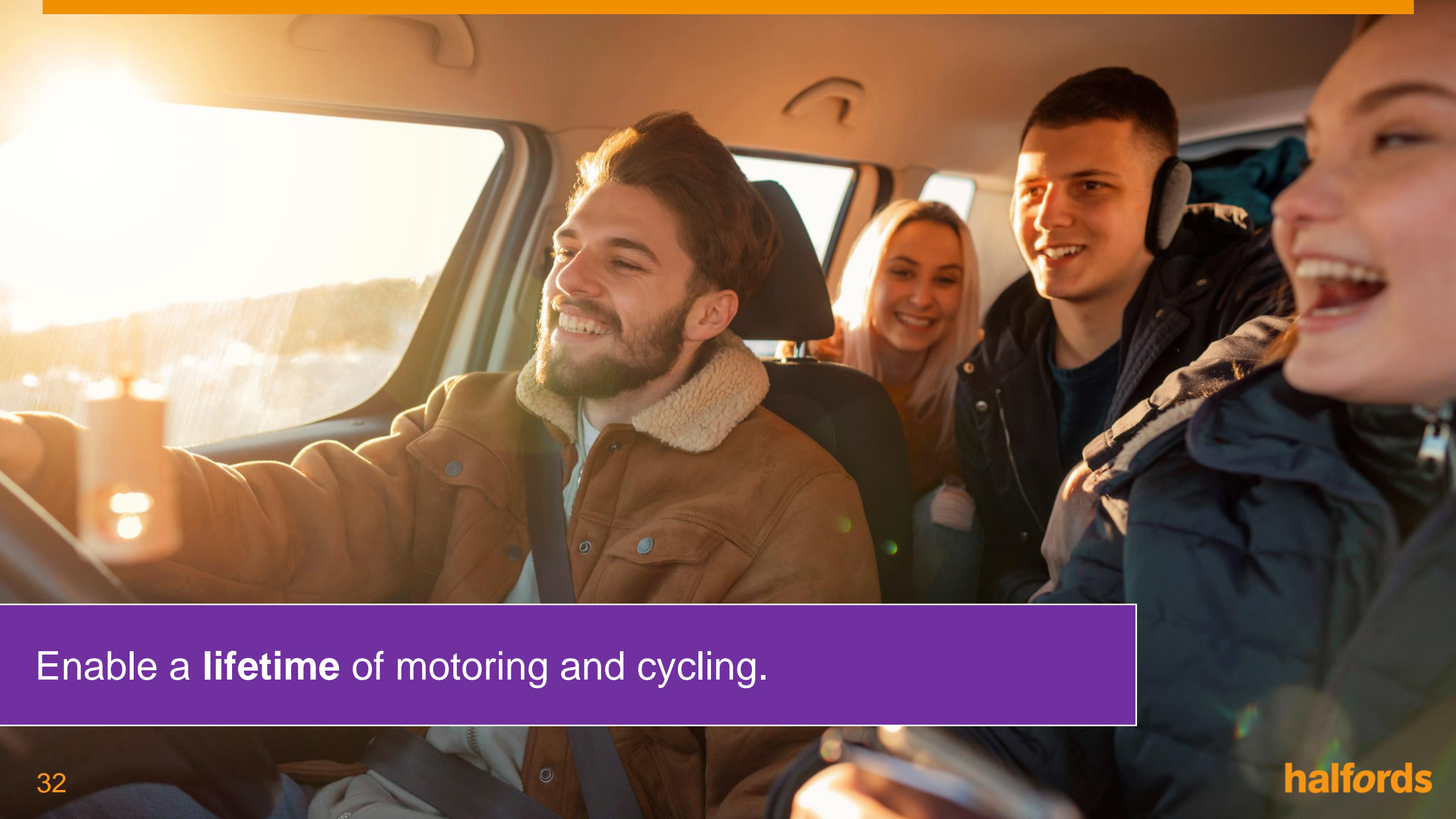
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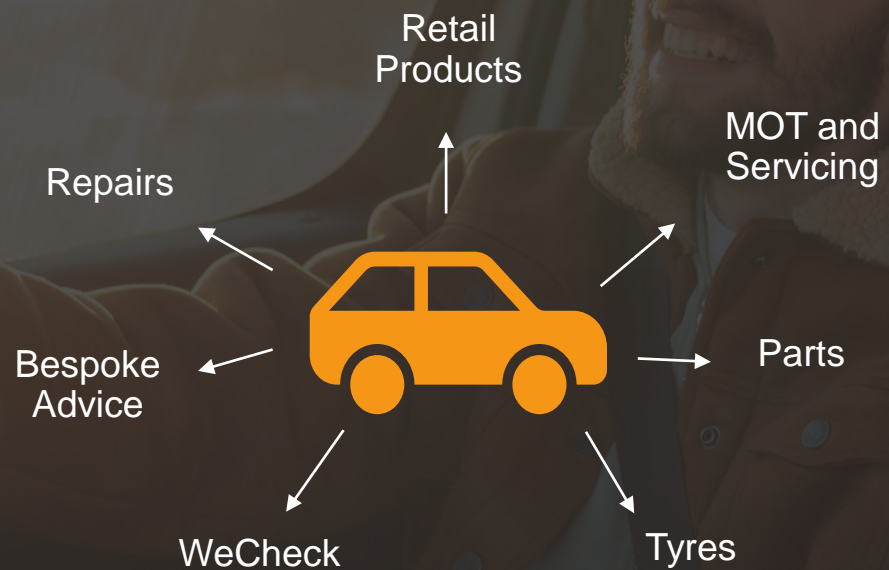


Enable a **lifetime** of motoring and cycling.

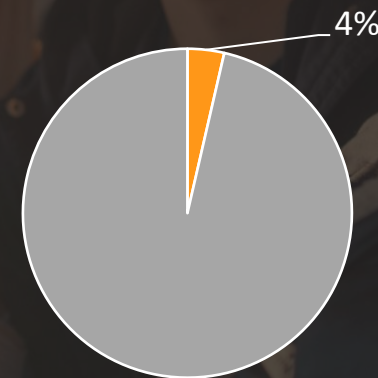


Despite our breadth of offer, our existing cross shop is low.

Our breadth of offer should enable greater cross shop and Lifetime time value.



Only 4% of customers currently shop across the Group



## Creating *lifetime* value with customers across the life of a car.

Customers that shop the breadth of categories across the Group spend up to 3.4x more



Customers engaged over 1+ years spend more than 2.5x more.





Helping to keep our customers moving,  
keep them safe and saving money.

Customers can chose from two  
membership types.

Club Benefits	Free	Premium
<b>MOT offer</b>	<b>£10 OFF MOT</b>	<b>FREE MOT</b>
10 point car check	1 x FREE	2 x FREE
£10 welcome voucher <small>*£20 minimum spend on free membership</small>	✓	✓
Dedicated customer support	✓	✓
Your personal digital garage	✓	✓
5% OFF motoring products and services	✓	✓
1 x FREE fitting in our stores A pair of wipers, bulbs or a battery	✓	✓
FREE next day delivery	✓	✓
<a href="#">Learn more</a>	<a href="#">Join for FREE</a>	<a href="#">Go Premium</a>

Both membership types allow us  
access to rich vehicle data through an  
easy multi-channel sign-up process.

**Rewards & Benefits**

Your Motoring Club | Special Offers

Scan the QR code to receive your benefits in our stores and garages

**PREMIUM member** | Account 7272301153  
Kimberly Lawrence

PREMIUM membership renews 17/03/2023

[Add to Apple Wallet](#) | [Add to Google Pay](#)

**Motoring Club Savings**

5% off Motoring Products & Services | Applied (£2.00)

Choose which offer to redeem:

Free MOT\* | ☒

Apply £10 off Voucher\* | ☐

**Total Savings** | £39.99

\*Only one exclusive offer can be used per transaction

**Order Summary**

Subtotal | £4.99

Recurring Monthly Payment: Halfords Motoring Club | £4.99

Slot Price | £0.00

**Total Price (inc. VAT)** | £4.99

[Continue Shopping](#)

**We've created a unique market leading platform from which the Group can build significant opportunities in the future.**

- The launch of our market-leading, multichannel, Motoring loyalty club.
  - Bespoke **advice, offers and savings** across the lifetime of a vehicle.
  - Free and Premium subscription options offering different levels of rewards, advice and savings.

New to Halfords  
Group database

**27%**

Members new to  
Halfords Garages

**81%**

MOT bookings  
new to Group

**61%**

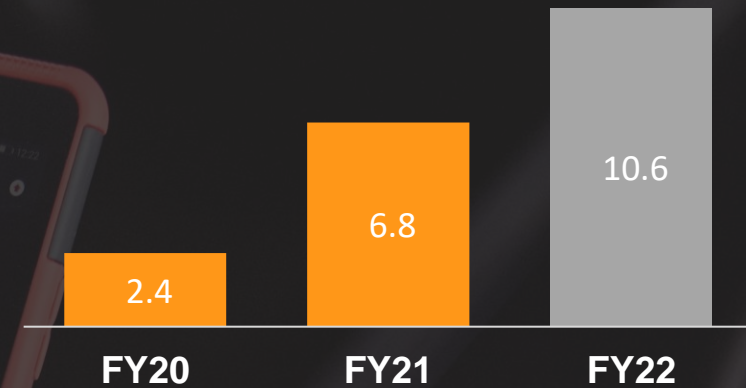




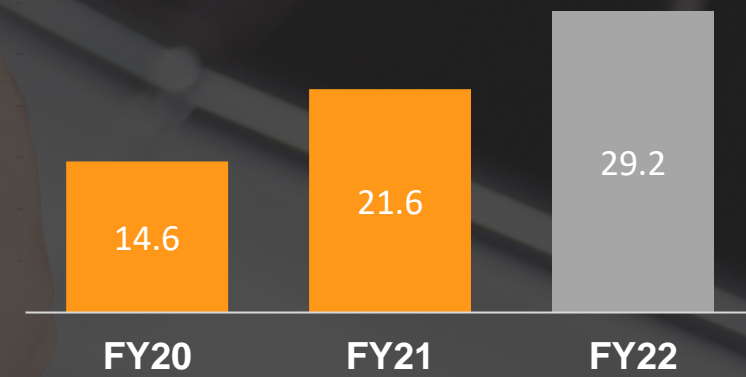
## We continue to remove cost and improve underlying profitability.

- Our store closure programme has delivered our trade transfer assumptions and reduced anticipated lease obligations.
- Settled 69 Retail lease renewals, **at an average saving of 26%.**
- Over £7.6m of GNFR savings, including freight and energy delivered in year.
- Store efficiency programmes saved £1.5m through 20 initiatives.
- Savings have enabled reinvestment in our transformation.

### Cumulative\* Retail Rent Saving



### Cumulative\* GFNR Savings Achieved



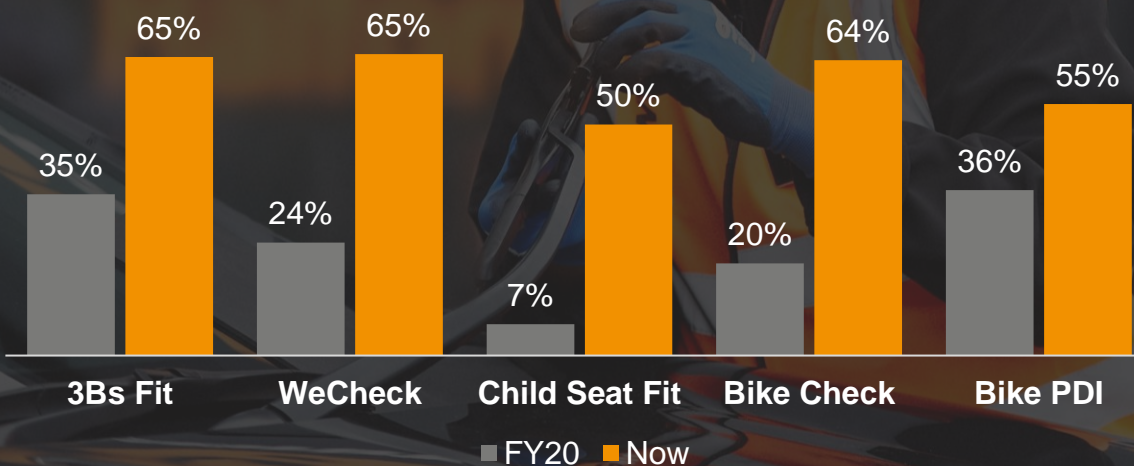
\* Cumulative since FY20

## Our super-specialist colleagues offer market-leading advice and knowledge.

### Increasing our specialist skills base

- Transitioned to a new **Group operating and reward model**.
- £2.5m invested in **training and upskilling** colleagues.

% of Retail Colleagues trained in Services



### Supporting our Colleagues

- 100 mental health first aiders trained.
- “Here to Help” fund providing £0.4m of support to colleagues in need.
- Wagestream launched giving colleagues access to wages when they need them.

**Your money**  
when you need it

Download Wagestream



halfords  
autocentre  
McCONECHY'S  
a halfords company  
**halfords**



**Our ESG priorities are complementary to our Group strategy, in particular our goal to be market-leader in electric vehicle servicing.**



**Market-leading provider of electric vehicle services, supporting the UK's transition to electric mobility.**



**Science-based targets for carbon reduction approved by the SBTi.**



**Reduced Scope 1 and 2 carbon emissions by 25%.**



**Reduced virgin plastic use in our plastic packaging by 17%.**



**Launched Colleague Network Groups and ran Diversity & Inclusion Masterclasses for our Senior Leadership Team.**



**Refreshed our Global Sourcing Code**



Progress against our strategy has created a very different business.

	FY20	FY22
Revenue	£1.1bn	£1.4bn (+19.9%)
Revenue from Services	£0.3bn (26% of Group)	£0.5bn (39% of Group)
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NPS	62.4	68.4 (+6pts)



# FOCUS ON FY23

*Jo Hartley*

**halfords**  
mobile expert

Motoring services  
that come to you.  
Book online at [halfords.com](https://www.halfords.com)



**Our current strategy leaves us better placed to navigate through the challenging times ahead, but the journey isn't complete.**

**The Strategy is Delivering**

**Growing proportion of "needs-based" revenue**



**Cycling represents less than a third of Group sales**



**B2B revenue more predictable**





We have sharpened our strategic priorities to focus on what matters most for customers whilst carefully managing our cost base.

## Supporting Customers



Non-discretionary and needs based spend.



Best value across the breadth of our offer.

## Business Focus



Efficiency and Profitability.



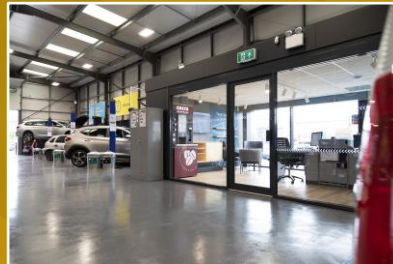
Transformation continues against our existing strategy.



# Inspire our customers with a differentiated, super-specialist offer.

## Roll out capital efficient Fusion investment.

- Train colleagues in 'Solution Selling'.
- Car park referrals and managers in up to 100 Retail sites.
- Roll out further 3Bs and Click and Collect Hubs in Retail.
- Capacity increased in Autocentres through additional colleagues.



**Provide customers with access to broader and deeper range of car parts.**



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

### Grow Avayler.



### Optimise HME



### Integrate National

By the close of FY23:

- PACE implemented in all sites.
- All sites live on Halfords.com.
- Increased colleague headcount across network.
- MOT equipment roll out sites currently without testing capability.
- Rebranding continues.



**Progress towards our medium-term targets of 800+ garages and 500 commercial vans.**

# Enable a **lifetime** of motoring and cycling.

## Accelerate and optimise the Loyalty platform.

- Target 0.5m to 1m memberships using new VRN data to optimise and grow club benefits.
- Test premium membership targeting 10% mix.



Club Benefits	Free	Premium
	Access a great range of benefits worth £35	£49 a year or £4.99/month Be ready for anything with benefits worth over £100
MOT offer	£10 OFF MOT	FREE MOT
10 point car check	1 x FREE	2 x FREE
£10 welcome voucher <small>*£20 minimum spend on free membership</small>	✓	✓
Dedicated customer support	✓	✓
Your personal digital garage	✓	✓
5% OFF motoring products and services		✓
1 x FREE fitting in our stores A pair of wipers, bulbs or a battery		✓
FREE next day delivery		✓
<a href="#">Learn more</a>	<a href="#">Join for FREE</a>	<a href="#">Go Premium</a>





## A Focus on Cost and Efficiency.



In year cost savings of +£15m across the Group.



Launch the Group Data Platform driving efficiency and greater analytical capability.



## Investment in Our Colleagues.



Increased investment in training.



Investment in apprentices in Autocentres.



## Our ESG Commitments.



Support the growth of the e-mobility market by growing our share of e-sales as a percentage of total sales.

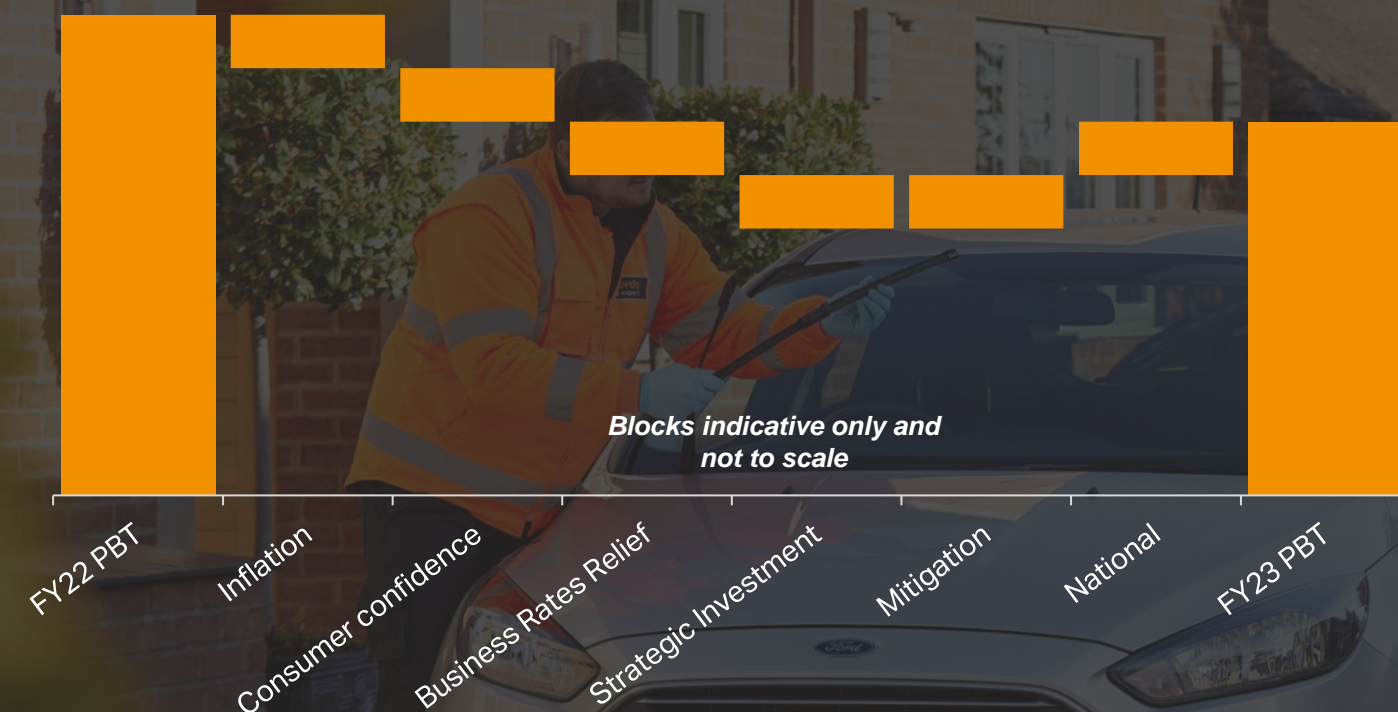


Further reductions in carbon emissions and virgin plastics.



**We've mitigated several challenges already, but uncertainty remains in the consumer environment and inflationary backdrop.**

### Drivers of profitability FY22 vs FY23



### Outlook

- National acquisition in-line with business case.
- Business rates relief in FY22 non-recurring.
- Strategic investment held in motoring pricing.
- Inflation in freight, utilities and COGS significant, but partially mitigated.
- UK consumer confidence declining.

• **PBT range of £65m - £75m.**

- Capex of £45m-50m, plus up to £15m on National.



## Summary

- FY22 was a year of significant progress, with our ambition to become a **motoring services-focused business** being realised, at pace.
- **We are now a more resilient business** with a higher proportion of needs-based spend, which in turn, will help us navigate a challenging year ahead.
- We have significant opportunities to further **Inspire**, and **Support** a **Lifetime** of motoring and cycling for our customers.



# Q&A