

FY22 Interim Results

Halfords Group PLC

10th November 2021



Agenda

FY22 H1 Financial Performance and Outlook

Loraine Woodhouse, CFO

Strategic Update

Graham Stapleton, CEO

Summary

Graham Stapleton, CEO

Q&A





FY22 FINANCIAL PERFORMANCE

Loraine Woodhouse, CFO

Basis of financial information

- ✓ Covers the 26-week period from 3 April to 1 October 2021
- ✓ All comparators are on a two-year basis unless otherwise stated
- ✓ All figures are now post-IFRS 16



Strong financial performance on all metrics.

Strong Group revenue growth*

Group Sales Growth*

+19.2%

(LFL revenue +14.2%)

Strong gross margin improvements*

Group Gross Margin*

51.7%

(+167bps Yo2Y)

Tight cost control in an inflationary environment*

Costs as % revenue**

-1.2ppts

(Costs* +16.0% Yo2Y)

Strong profit growth driven by revenues, gross margin and tight cost control

Group PBT*

£57.9m

(+£27.7m Yo2Y)

Strong cash position

Cash + Cash equiv.***

£92.0m

+£25.0m generated

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

** Costs include £9.2m of business rates relief. Excluding relief costs grew 19.6%, increasing +0.3ppts as a % of revenue

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

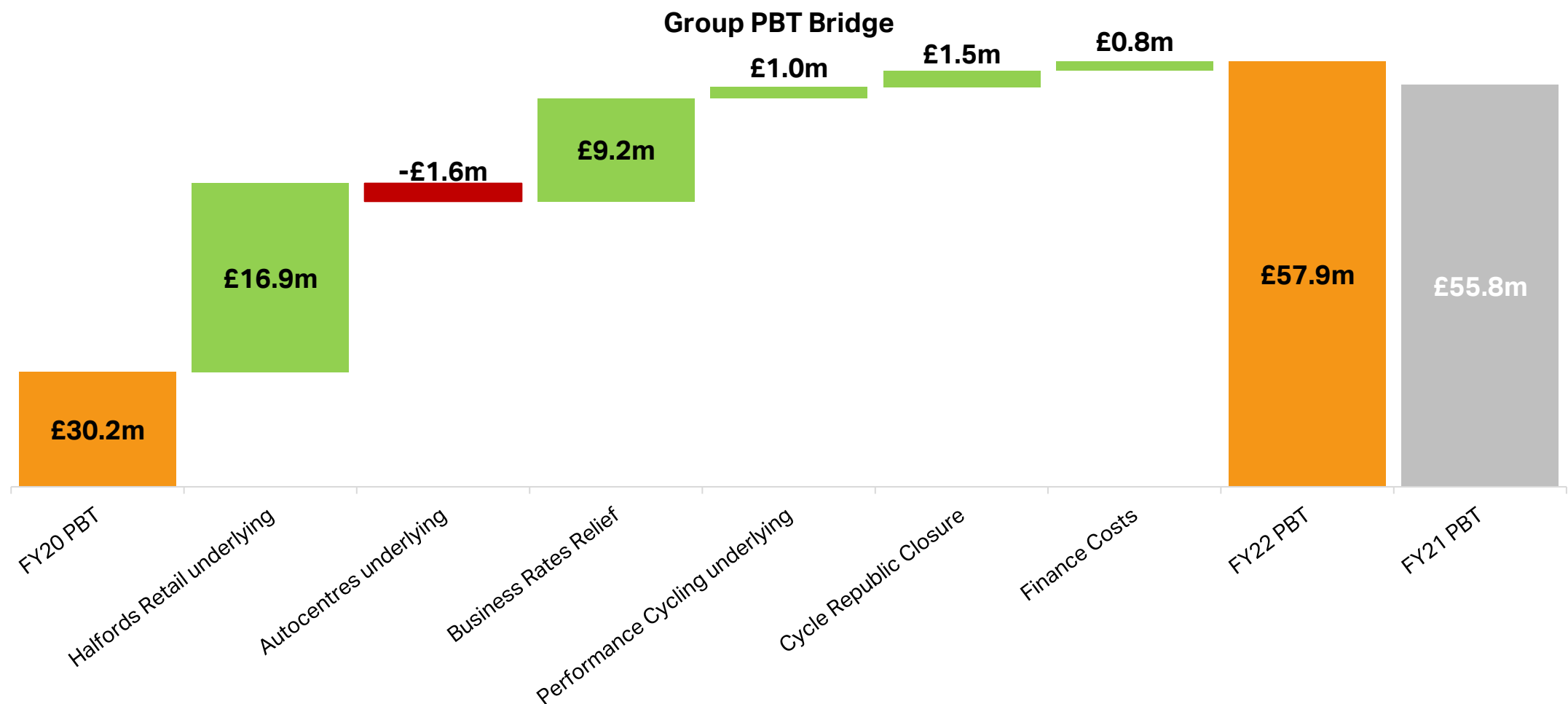
Strong EPS growth and interim dividend of 3p. Non-underlying credit reflects provision releases.

	H1 FY22	vs. FY20	vs. FY21
Revenue	£694.8m	+19.2% Yo2Y +14.2% LFL	+8.7% YoY +15.6% LFL
Underlying Profit Before Tax “PBT”	£57.9m	+£27.7m Yo2Y +91.7% Yo2Y	+£2.1m YoY +3.8% YoY
Non-Underlying Items	+£6.4m		
PBT after Non-Underlying items	£64.3m		
Basic Underlying EPS	24.0p	+96.7% Yo2Y	+4.3% YoY
Movement in Cash and Cash Equivalents	£25.0m	+£13.4m Yo2Y	+£30.9m YoY
Proposed final dividend	3p		



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FY22 Group PBT driven by strong performances across Retail; Autocentres impacted in Q1 by MOT deferment.



Note: Underlying numbers exclude business rates relief of £9.2m

Retail performance driven by strong revenue growth;
underlying margin improvements.

	H1 FY22	vs. FY20	vs. FY21
Revenue	£538.7m	+7.7% Yo2Y +14.0% 2LFL	+2.8% YoY +7.0% LFL
Gross Margin	50.6%	+360bps Yo2Y	+370bps YoY
Operating Costs*	£211.4m	+5.1% Yo2Y	+14.0% YoY
Underlying EBIT	£61.2m	+80.5% Yo2Y	+1.5% YoY

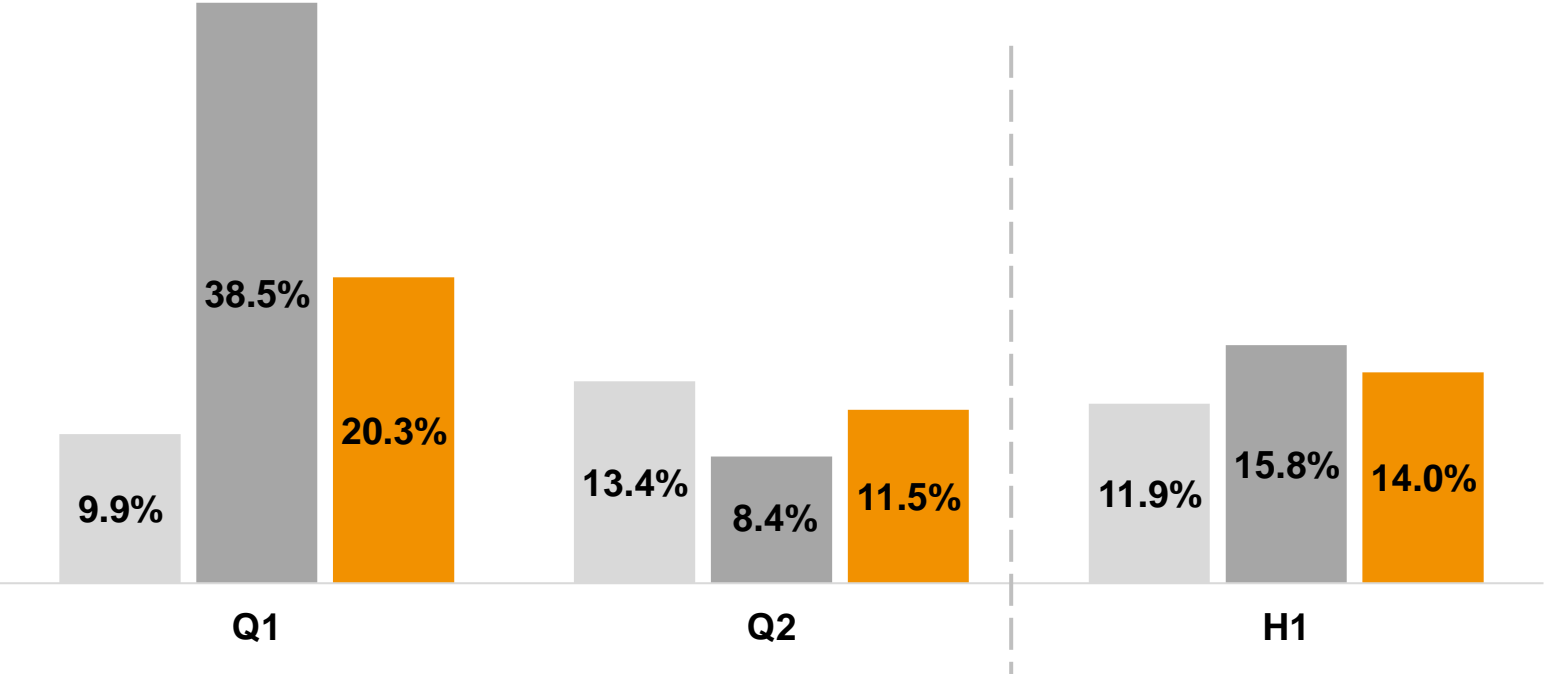
Note: *numbers include £7.9m of business rates relief



Retail Motoring strong in H1;
Cycling continues to be volatile.

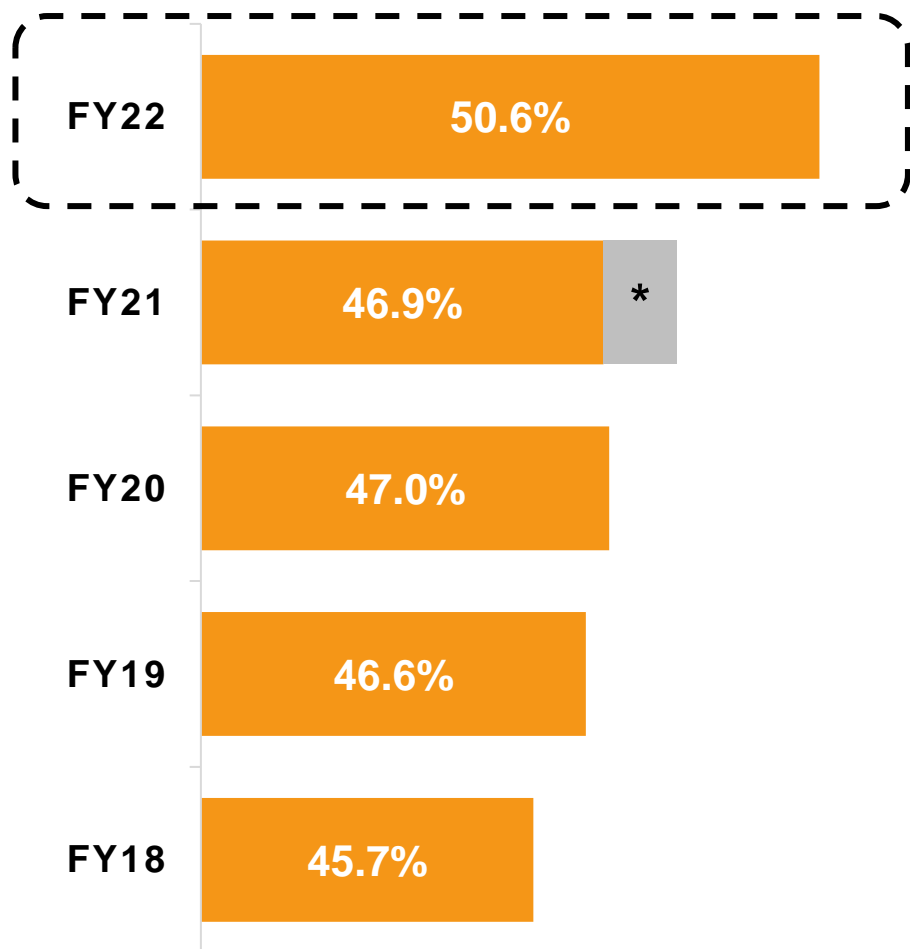
Halfords Retail 2 Year LFL %s

■ Motoring ■ Cycling ■ Total



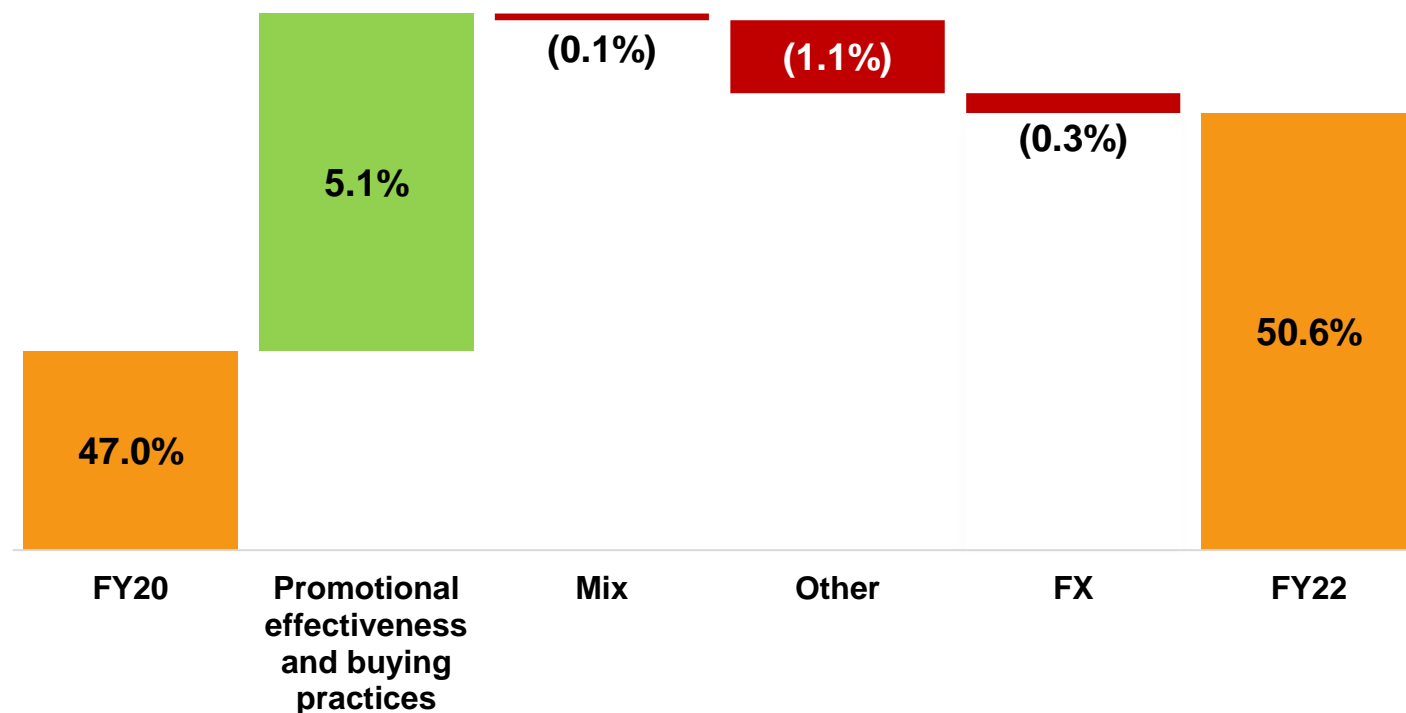
The improvements in Cycling GM% are evident as category mix normalises.

■ Retail Gross Margin %



* Impact of mix shift

Gross Margin Improvement



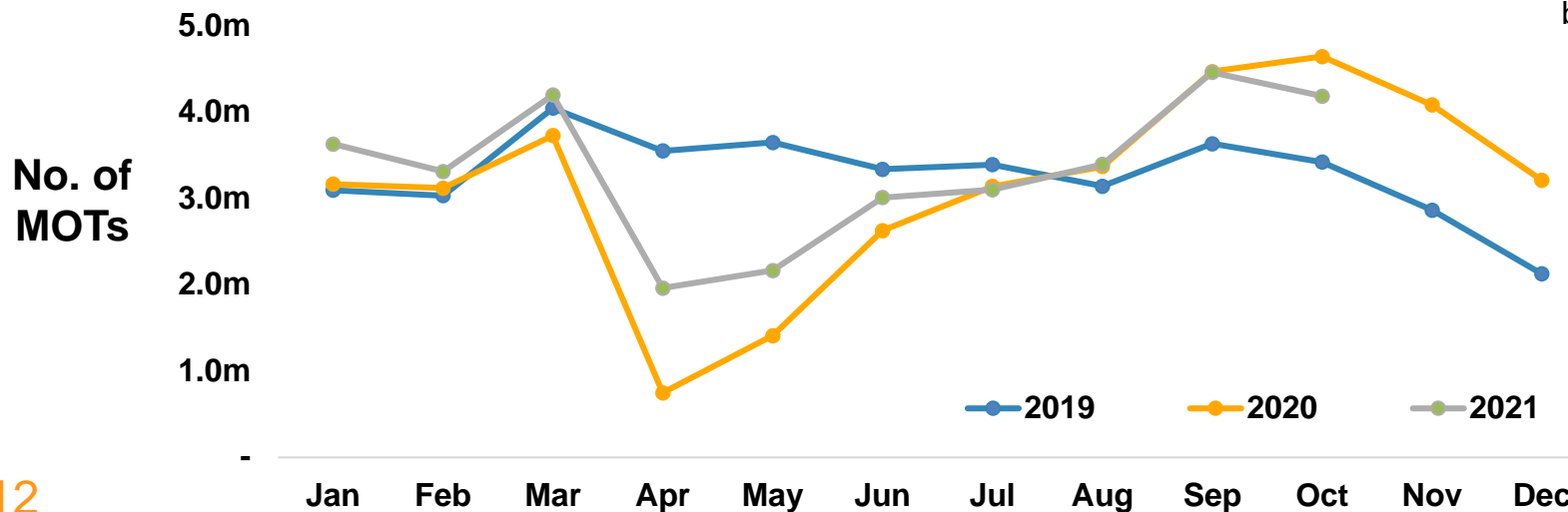
Retail Costs managed well; investment in our transformation programme.



MOT deferrals impacted H1 profitability in Autocentres; acquisitions have driven strong revenue growth.

	H1 FY22	vs. FY20	vs. FY21
Revenue	£156.1m	+88.8% Yo2Y +15.5% 2LFL	+36.1% YoY +70.1% LFL
Gross Margin	55.6%	-1300bps Yo2Y	-500bps YoY
Operating Costs*	£83.1m	+57.7% Yo2Y	+28.2% YoY
Underlying EBIT	£3.7m	-7.5% Yo2Y	-21.3% YoY

MOT Demand



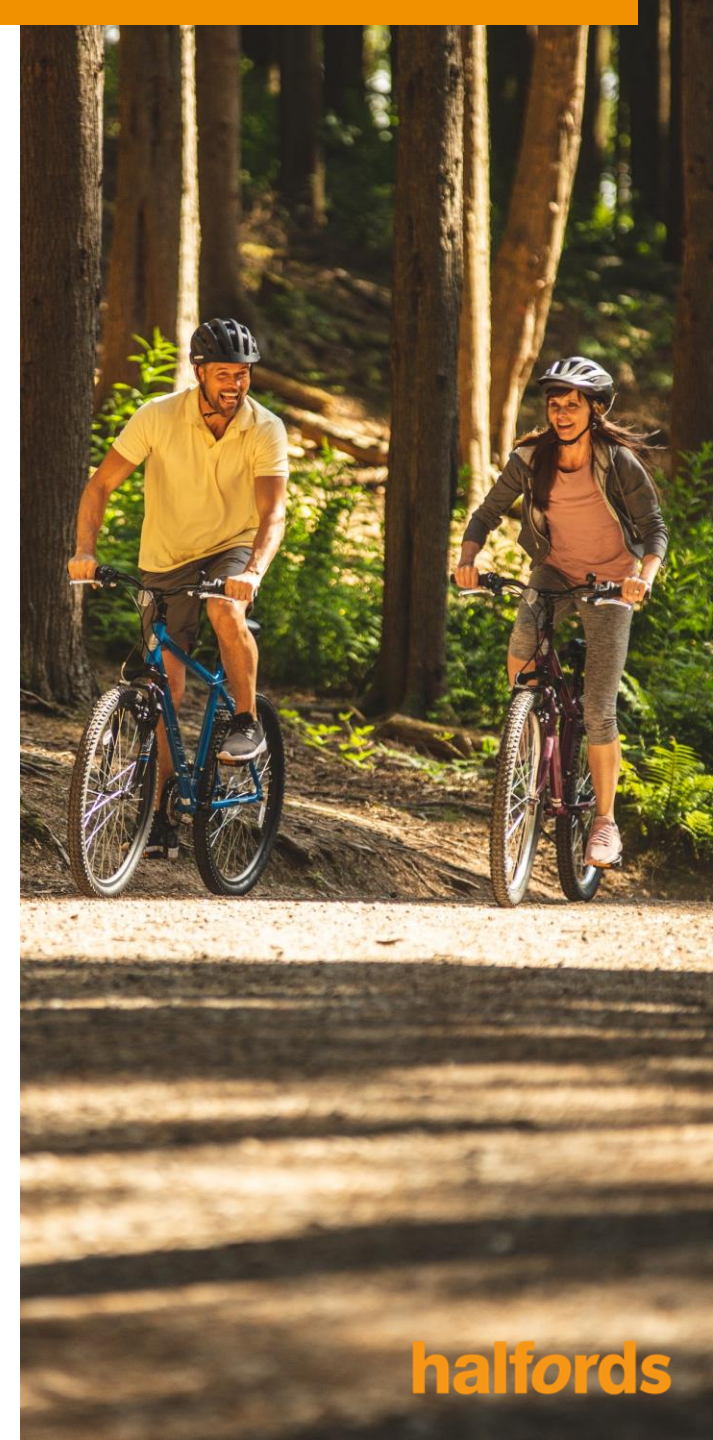
Note: *number includes £1.3m of business rates relief



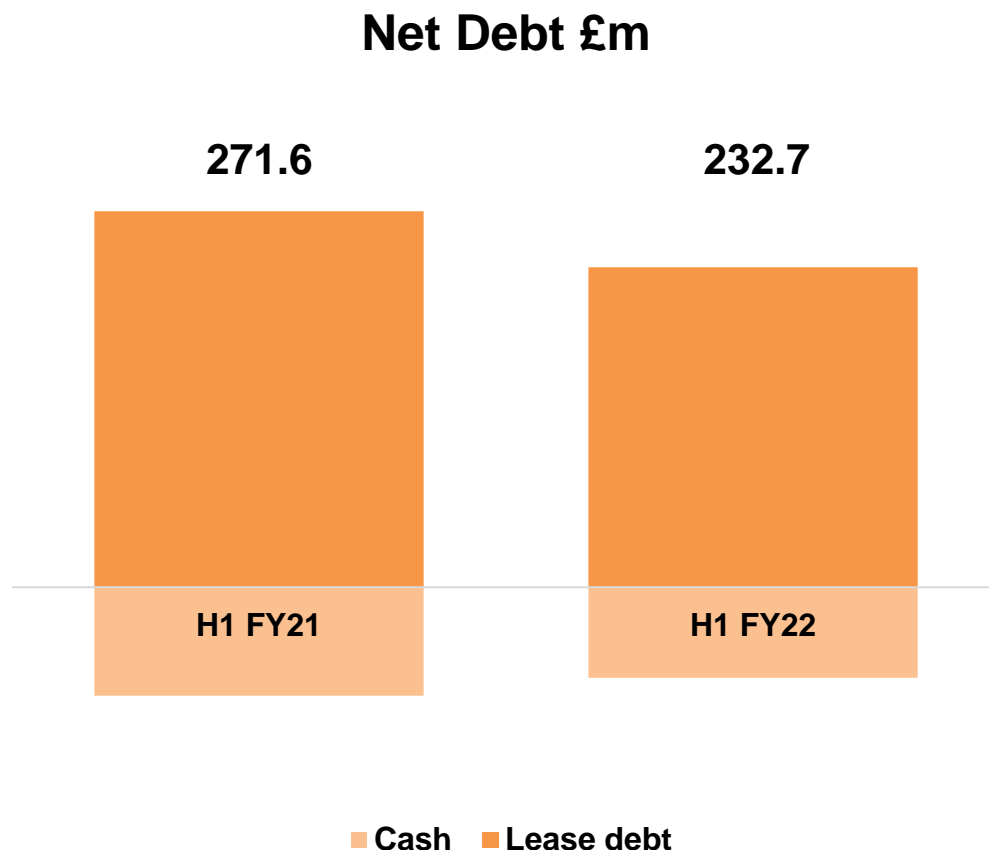
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Our cash position remains strong, albeit still flattered by an abnormally low working capital position.

	H1 FY22	H1 FY21	YoY
Profit After Tax	52.7	45.0	7.7
Depreciation, Amortisation & Loss on Disposal of Assets	52.0	51.8	0.2
Working Capital	(12.1)	97.3	(109.4)
Taxation	(5.3)	(3.0)	(2.3)
Net Finance Costs	5.8	7.9	(2.1)
Provision Movements/Other	9.0	30.7	(21.7)
Operating Cash Flow	102.1	229.7	(127.6)
Sales for Held for Sale Asset	7.5	-	7.5
Capex	(27.3)	(11.9)	(15.4)
Cash Used in Investing Activities	(19.8)	(11.9)	(7.9)
Payment of Leases	(42.8)	(39.0)	(3.8)
Finance Costs Paid	(5.5)	(7.7)	2.2
Dividends Paid	(9.9)	-	(9.9)
Repayment of Borrowings	-	(180.0)	180.0
Other	0.9	3.0	(2.1)
Cash Used in Financing Activities	(57.3)	(223.7)	166.4
Cash Movement in Period	25.0	(5.9)	30.9
Opening Cash and Cash Equivalents	67.0	115.3	(48.3)
Closing Cash and Cash Equivalents	92.0	109.4	(17.4)



Net debt reduces; capital allocation priorities remain unchanged.

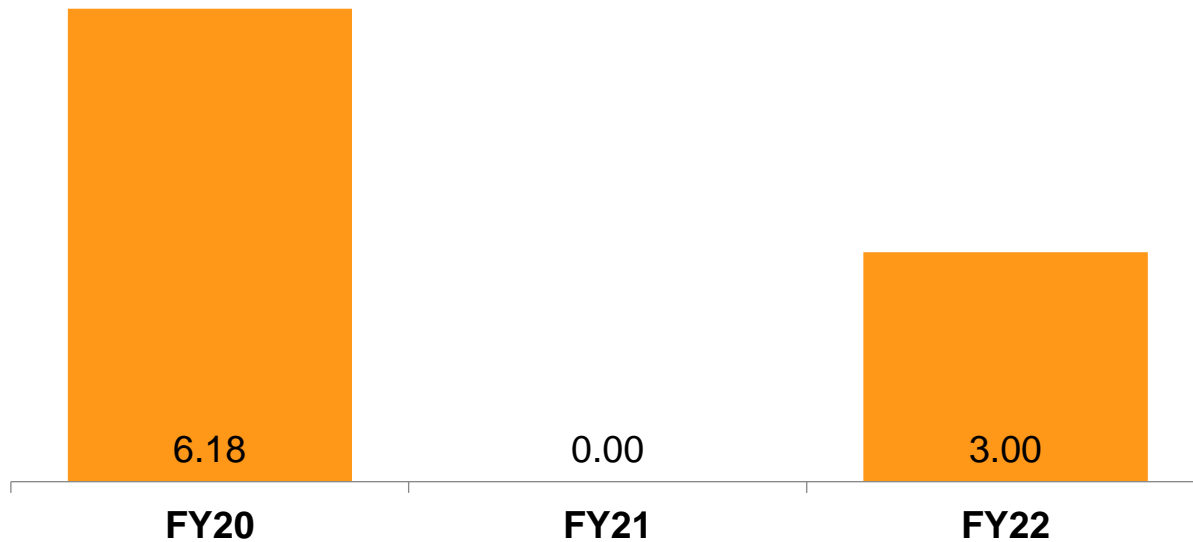


Capital Allocation Priorities

- 1 Maintaining a prudent balance sheet
- 2 Investment for growth
- 3 M&A focused on Autocentres
- 4 Progressive dividend policy
- 5 Surplus cash returned to shareholders

Declared interim dividend of 3p per share.

Interim Dividend per Share

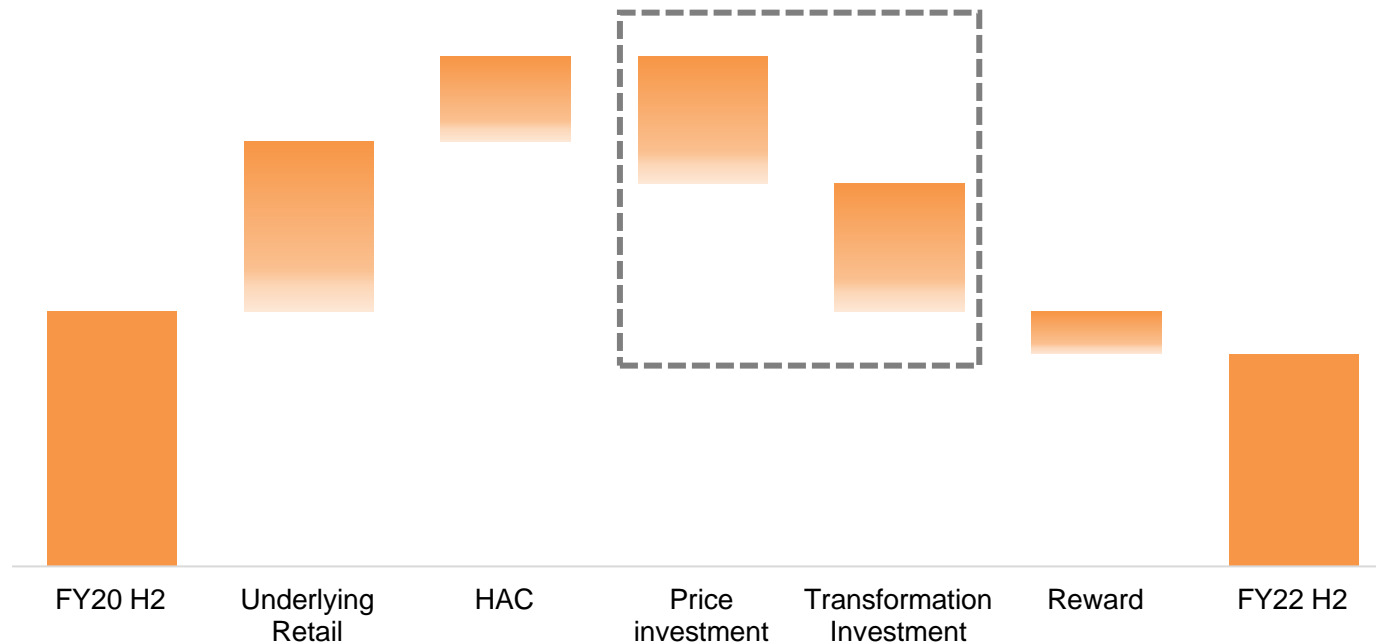


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Upgrading full year underlying PBT profit guidance.

Drivers of profitability H2 FY22 vs H2 FY20



Outlook

- Strong H1 performance, with sales momentum carried forward into H2.
- Investment in motoring pricing and higher transformation costs through H2.
- Profit outlook upgraded to £80m - £90m.
- Working capital H2 outflow.
- Capital Expenditure of £50m - £60m.

**Upgrading PBT target
post-IFRS 16 to £80-£90m¹.**

A more resilient business model will help us in a challenging medium-term environment.

Tailwinds

- Greater resilience in revenue streams as Services and B2B continue to grow.
- Underlying business more profitable.
- Hedging polices reduce level of risk and uncertainty.
- Foreign Exchange rates have moved favourably.
- Improved stock availability.

Headwinds

- Inflation within labour, logistics, energy and cost of goods.
- Challenging labour markets.
- Consumer caution and greater value.



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weFit | weService | weRepair

FY22 STRATEGY UPDATE

Graham Stapleton, CEO





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

Our Group Purpose

Our Group Strategy, announced in September 2018, remains as relevant today as it was then

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:

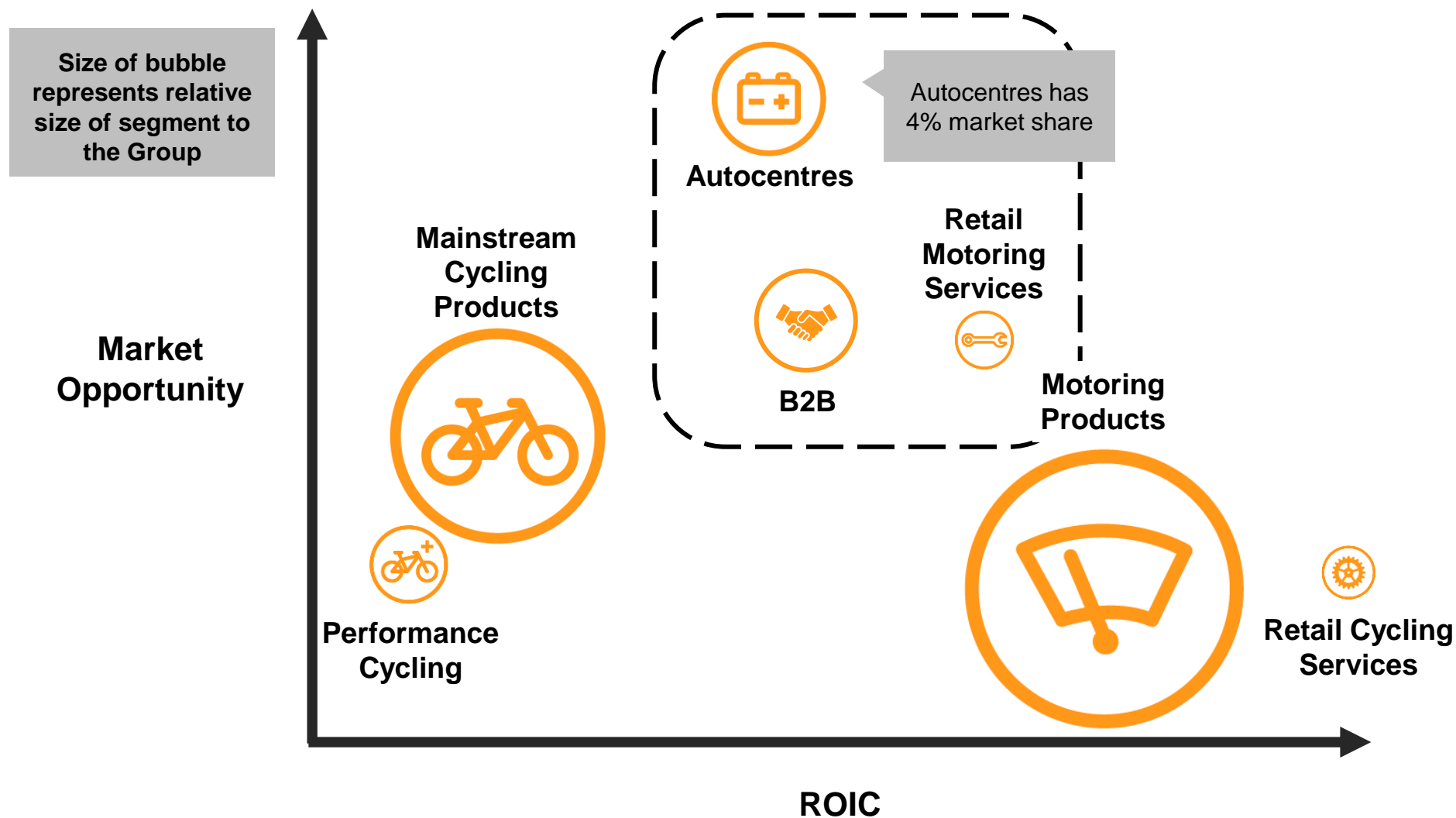
A Focus on **Cost and Efficiency**

Investment in our **Colleagues**

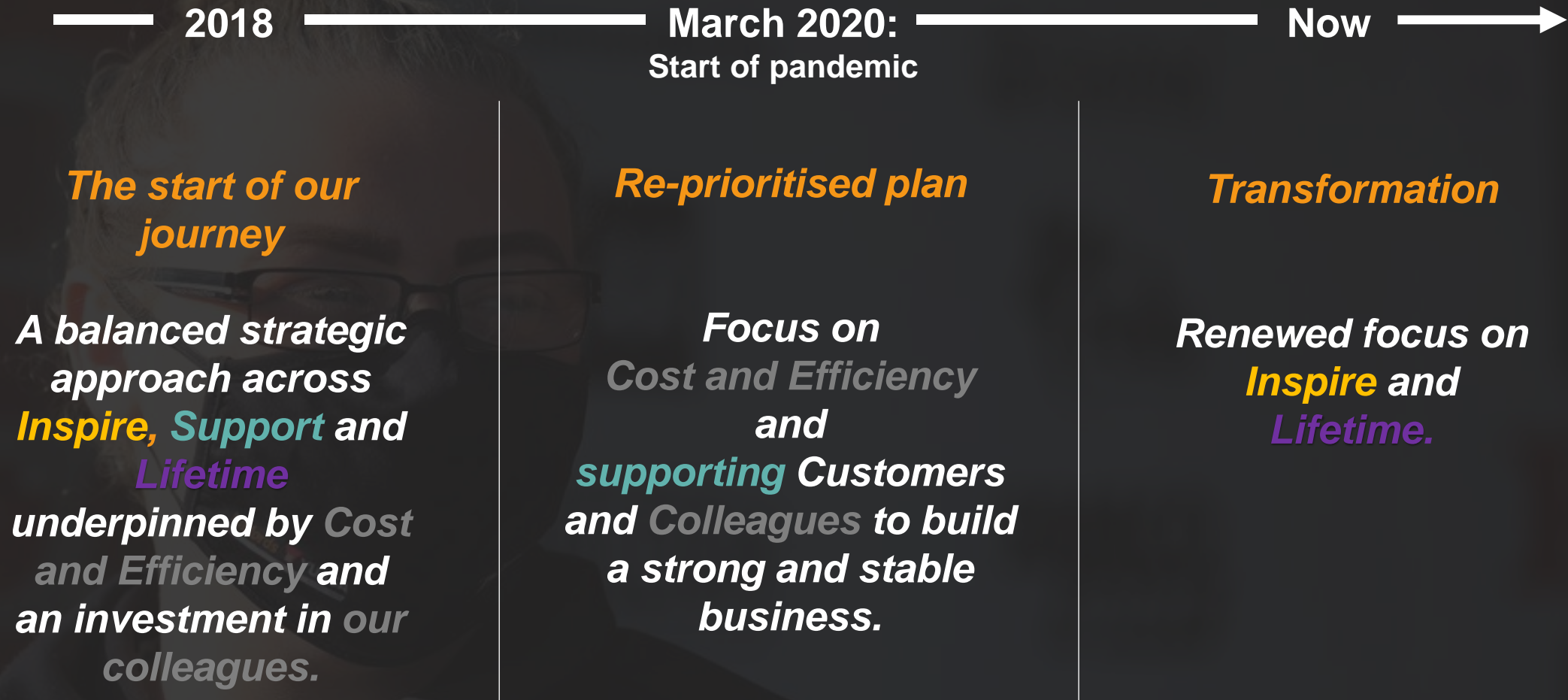
Reminder of our accelerated strategy

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

Services and B2B offer higher financial returns in markets with strong growth opportunities

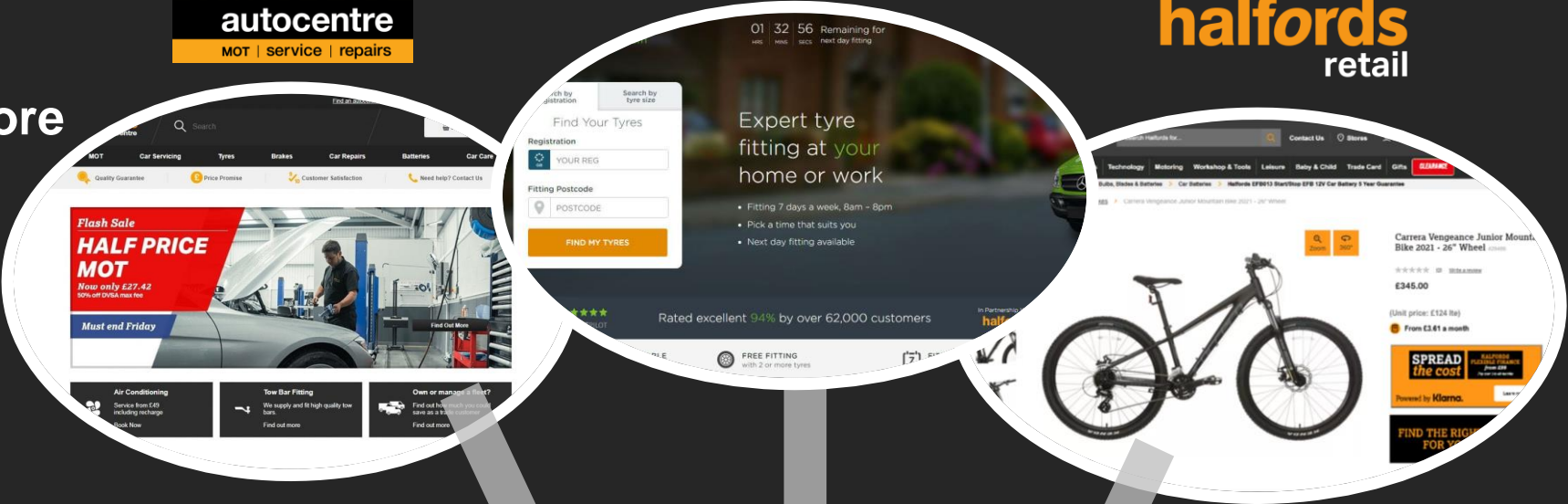


COVID-19 meant that we re-prioritised our strategic focus.

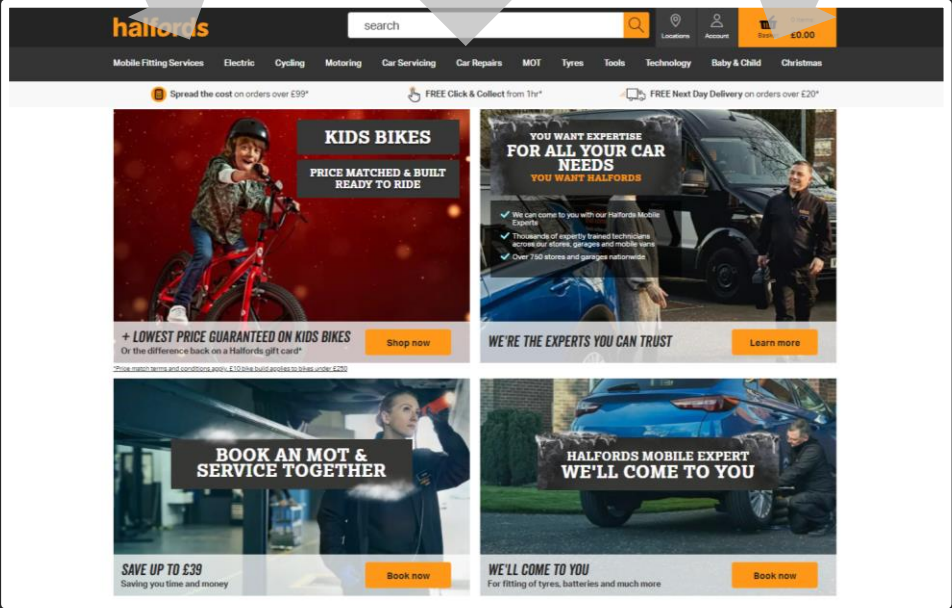




Before

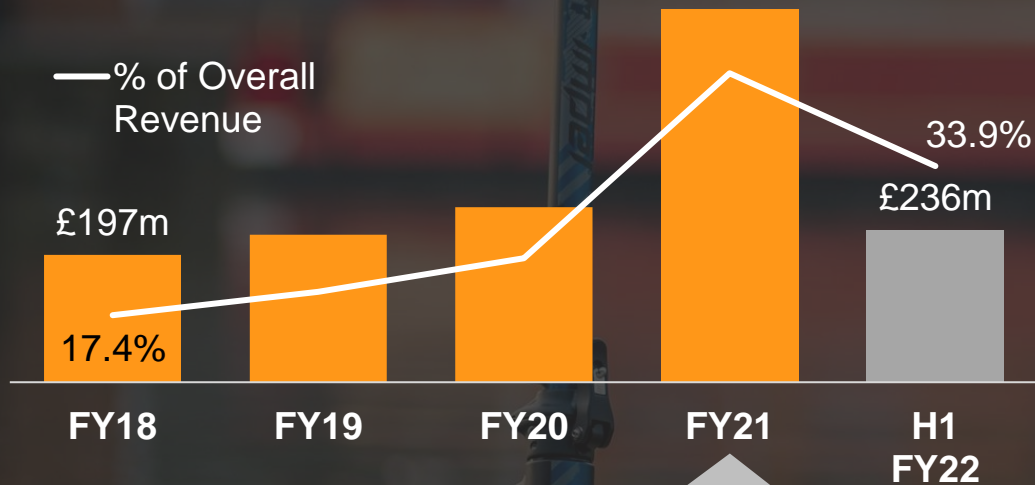


After



Our Inspire Pillar has changed the way customers shop.

Group Digital Revenue



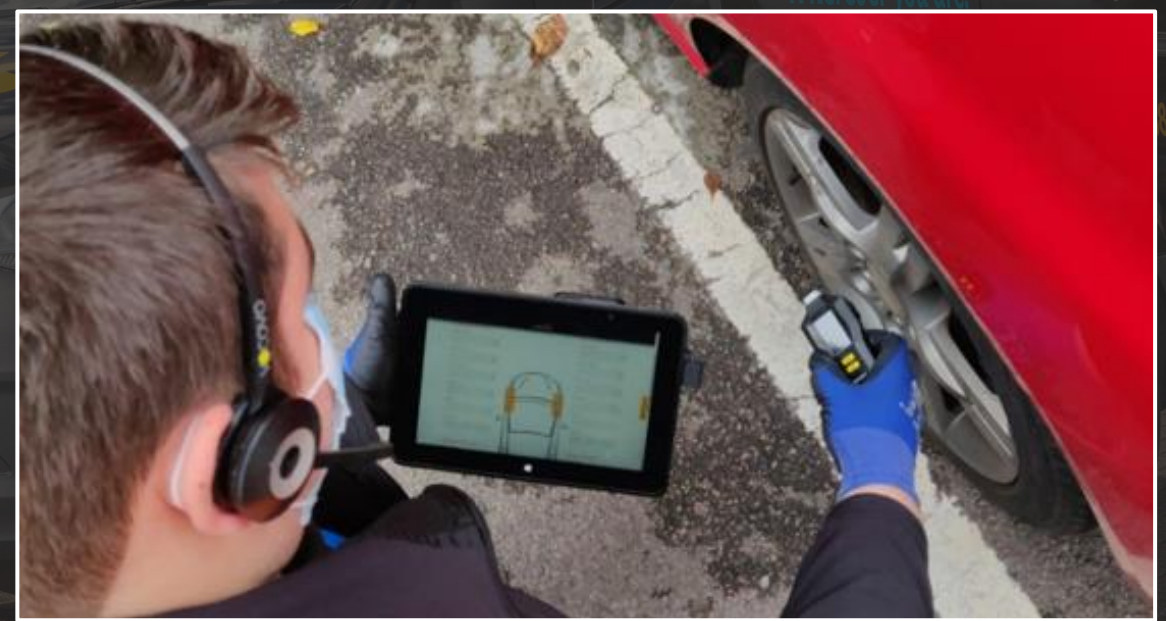
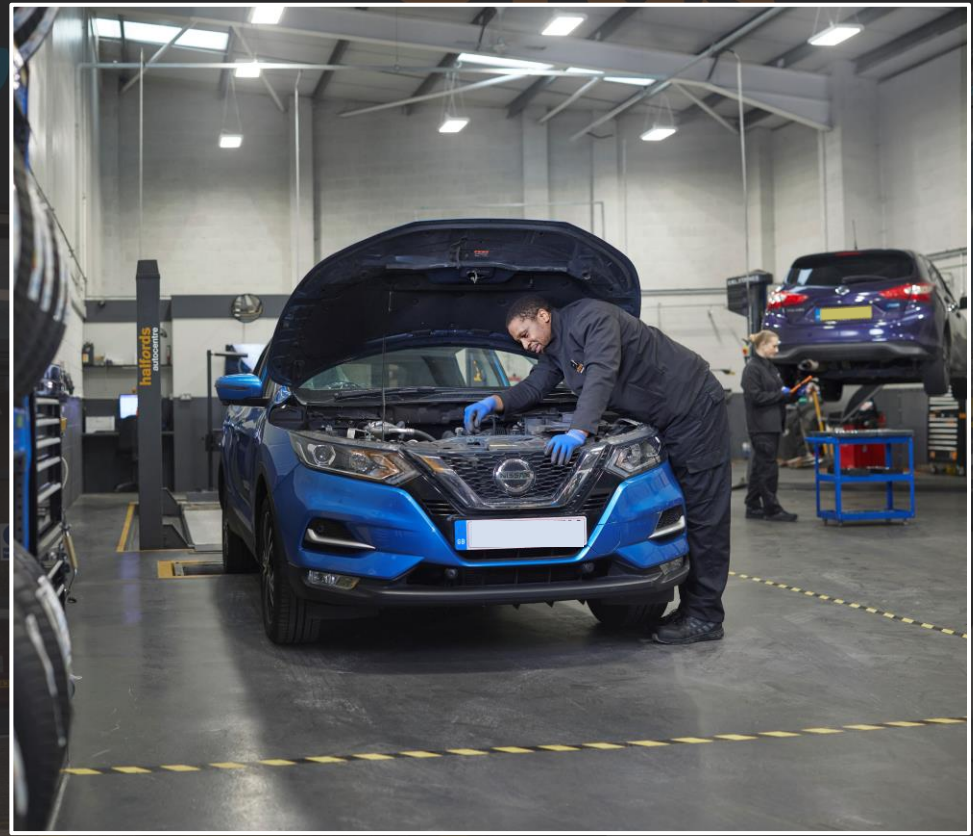
Peak impact after COVID-19.
80% of transactions were still fulfilled in stores.

Progress since 2018

- **Launched our Group web platform** giving customers access to all our products and services on one website.
- More customers now shop across the Group digitally.
- **Innovative and exclusive own brand product ranges** including E-bikes, E-scooters and Child Travel.
- Project Peloton reviewed our entire Cycling offer leading to **significant improvements in profitability**.

Group Services

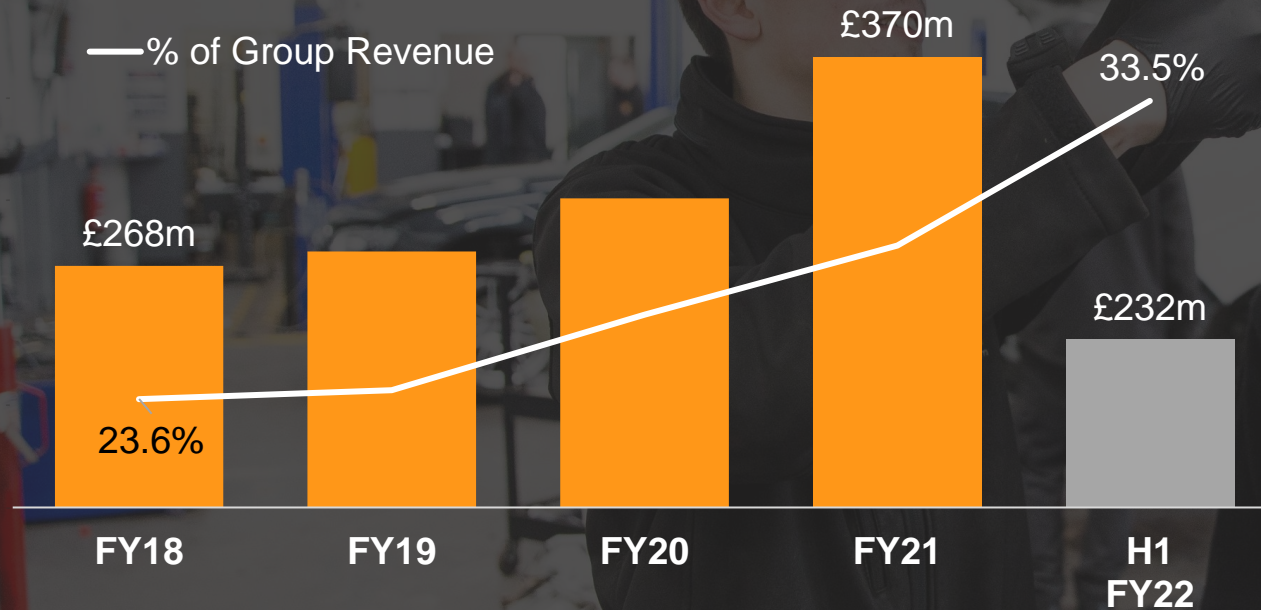
Garages



'WeFit' in Retail stores

We have transformed our Services business.

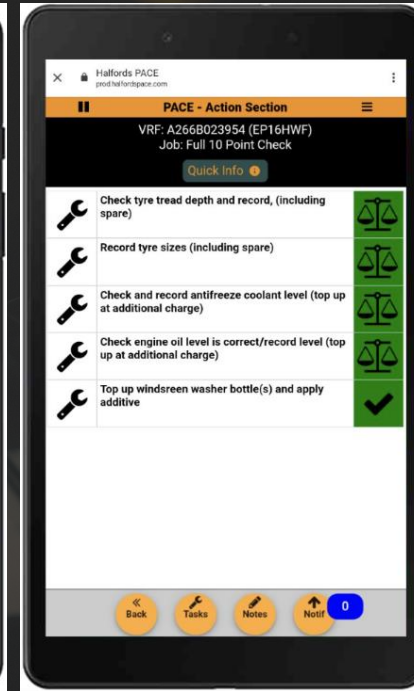
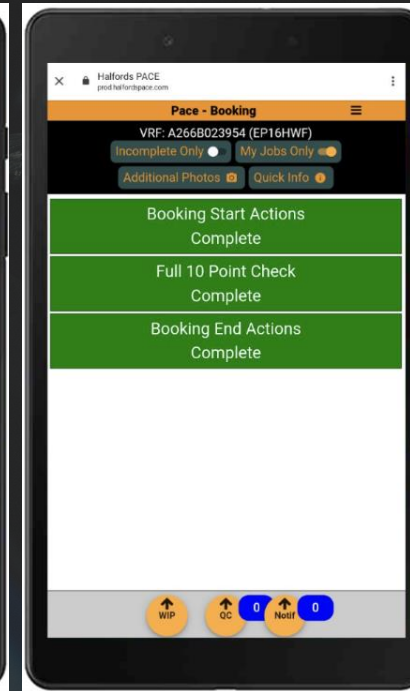
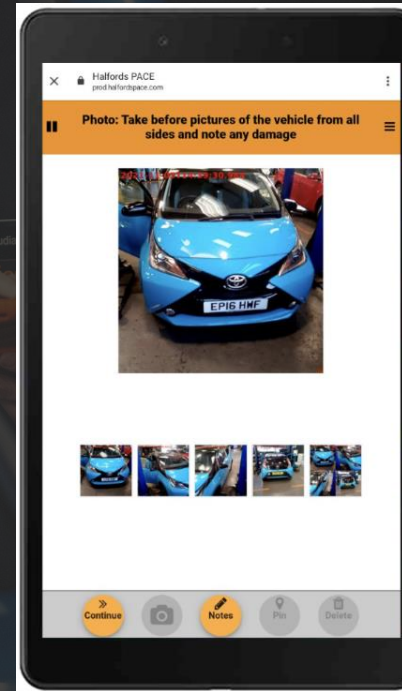
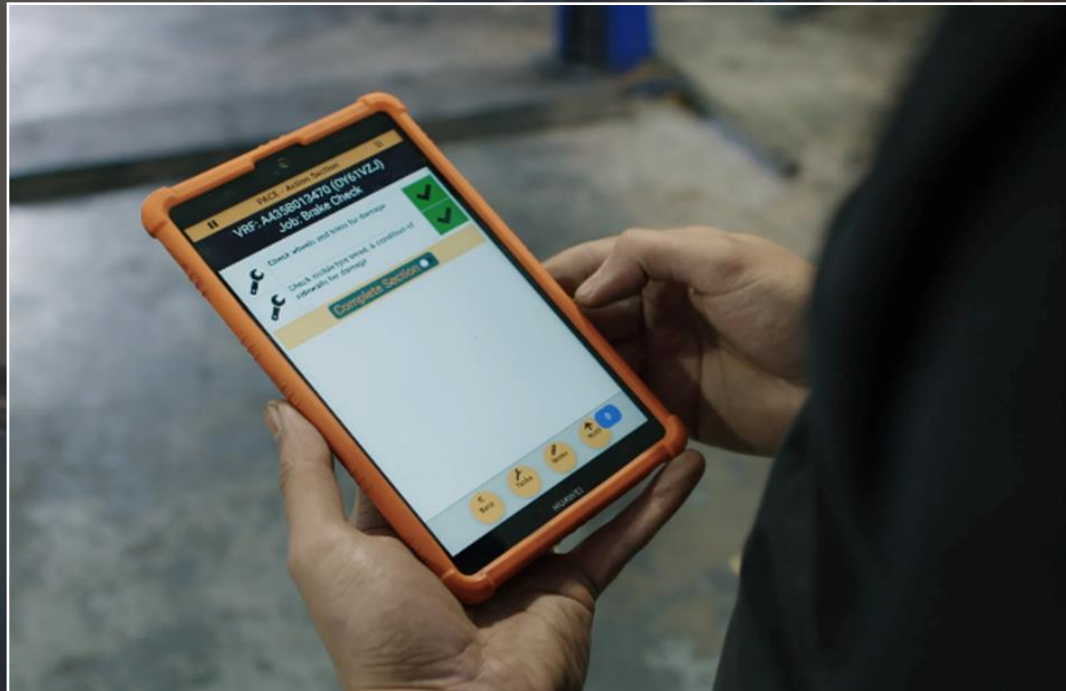
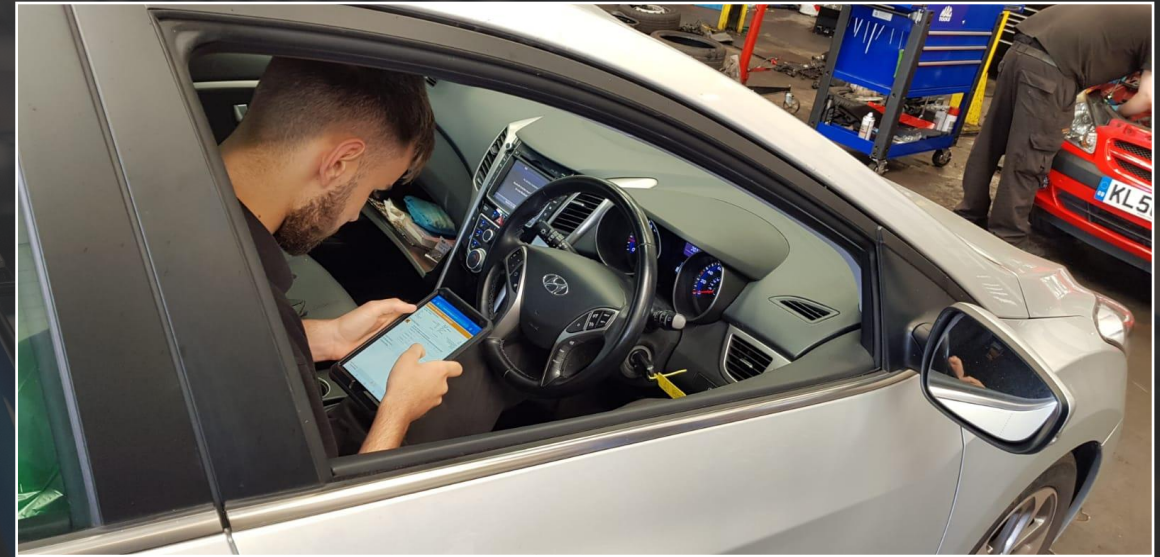
Group Service Revenue



- Halfords Mobile Expert:
 - Service offering to customers at home or at work.
 - Grown from 1 van to a fleet of **over 170**.
 - From tyre fitting to offering 19 additional services.
- Three Garage Services acquisitions:
 - **Tyres on the Drive** (60 vans and technology).
 - **McConechy's** (60 centres and 100 vans).
 - **Universal** (20 centres and 89 vans).
- **Launched a Group media campaign** to drive awareness of our integrated motoring services offer.
- Cycling Services have **grown +35% over two years**.

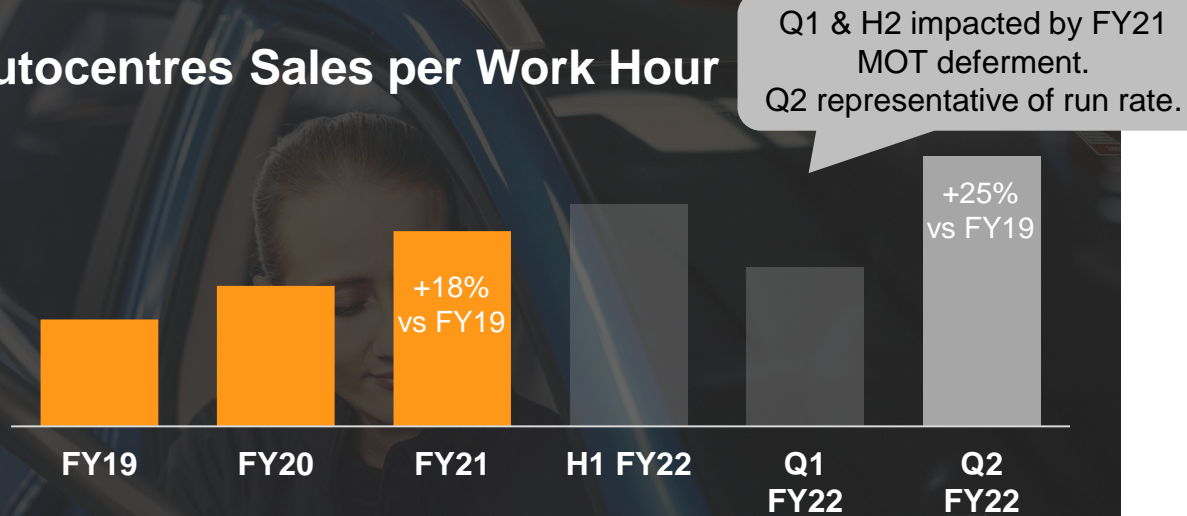
PACE

- Market leading in-garage digital operating platform.
- Putting a tablet in every technician's hands to deliver best-in-class service.
- Reducing paper and optimising workflow in garages with an integrated booking feature.

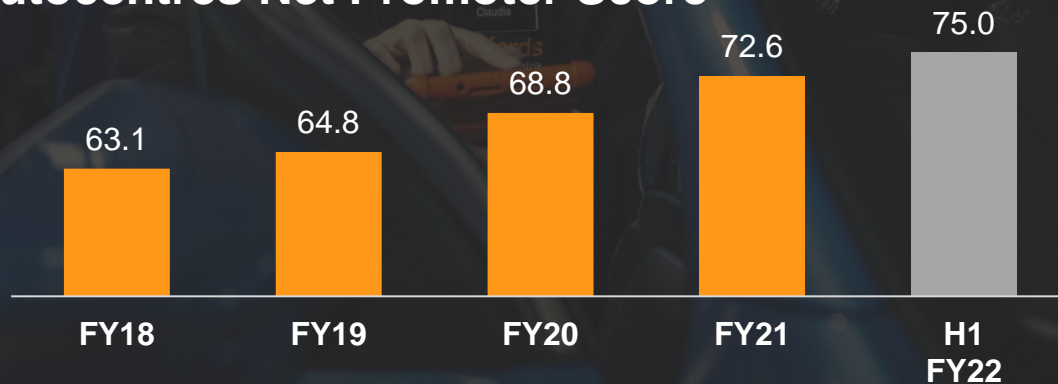


PACE has transformed the productivity and customer experience of our business.

Autocentres Sales per Work Hour



Autocentres Net Promoter Score



A fully digitalised garage operation

- **Efficiently allocates time and technicians sales** per worked hour.
- **Enhanced digital customer experience** resulting in **record levels** of customer satisfaction.
- **Centralises procurement across the estate** to the most profitable group purchasing strategy.

B2B is an important and growing revenue stream that leverages our existing assets.

B2B Revenue

— % of Group



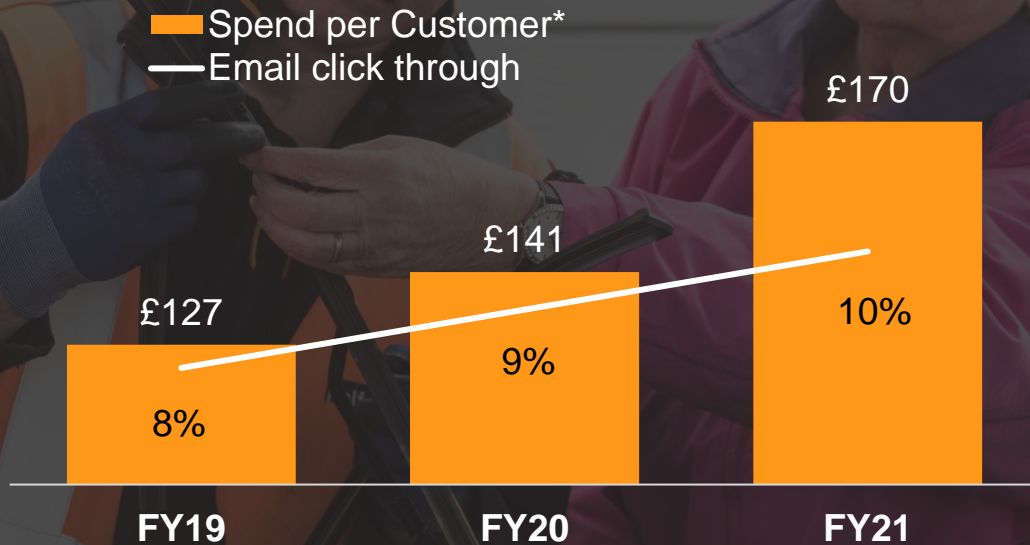
Our Progress since 2018

- Our B2B business has doubled since FY18 and represents a growing proportion of our revenues.
- A fleet of over 190 Commercial vans allows us to grow our share of the Commercial and Fleet markets.
- A market-leading, award winning C2W scheme benefitting from increased spending limits.
- A partnerships and gift card business with increased reach and wider product offers.



Lifetime is the least developed but will release significant value in the future.

CRM Engagement

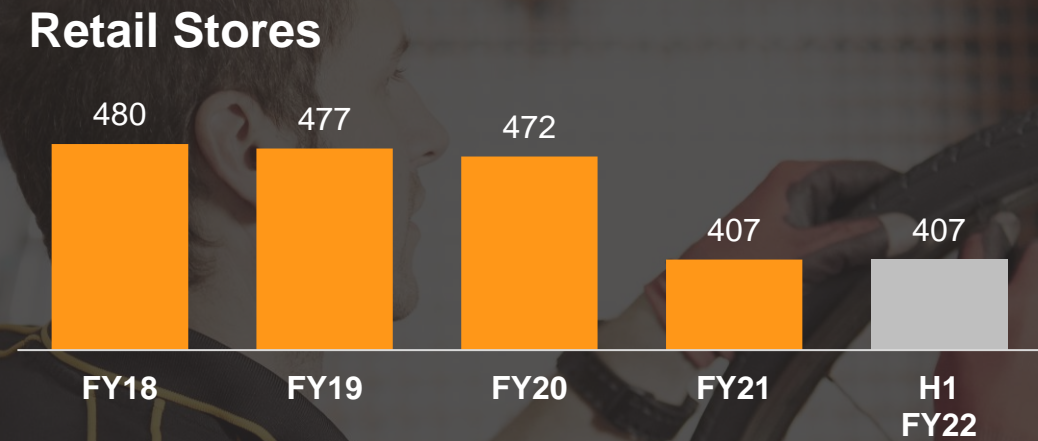


* Spend per customer who have opted in, been emailed and shopped within the last 12 months.

Our Progress since 2018

- Building the foundations of our customer lifetime experience has driven improved customer interaction and satisfaction.
- We have built our Single Customer View giving us a **holistic view of our 30m customers**.
- Our CRM programme is seeing better customer engagement.
 - Customers actively engaging with our database spend more **growing +33% to £170**.
 - Customers opening our emails has grown each year.
- **Launched our 'WeCheck' app** to digitally capture information from our motoring WeCheck services.

We have improved the profitability of the underlying business.



Progress since 2018

- We have closed 10% of estate **saving £9m.**
- **Lowered working capital requirements by over £30m** since 2018.
- Improved Cycling gross margins by **over +680bps** over 2 years.
- **Group GNFR savings of over £20m** from a focus on Group procurement policies and efficiency.

Our colleagues are a point of differentiation and we now have more super-specialist expertise.

Progress since 2018

- New Retail operating model, delivering an additional 1.4m customer facing hours.
- Centralised customer contact from our entire network of Retail stores, improving the call answer rate.
- Significantly increased our investment in training and development – nearly doubling since FY18.



Strategic Focus in FY22

We're here to
help – even on
Sundays!

This year, Inspire continues to transform the customer experience.

Our Progress This Year

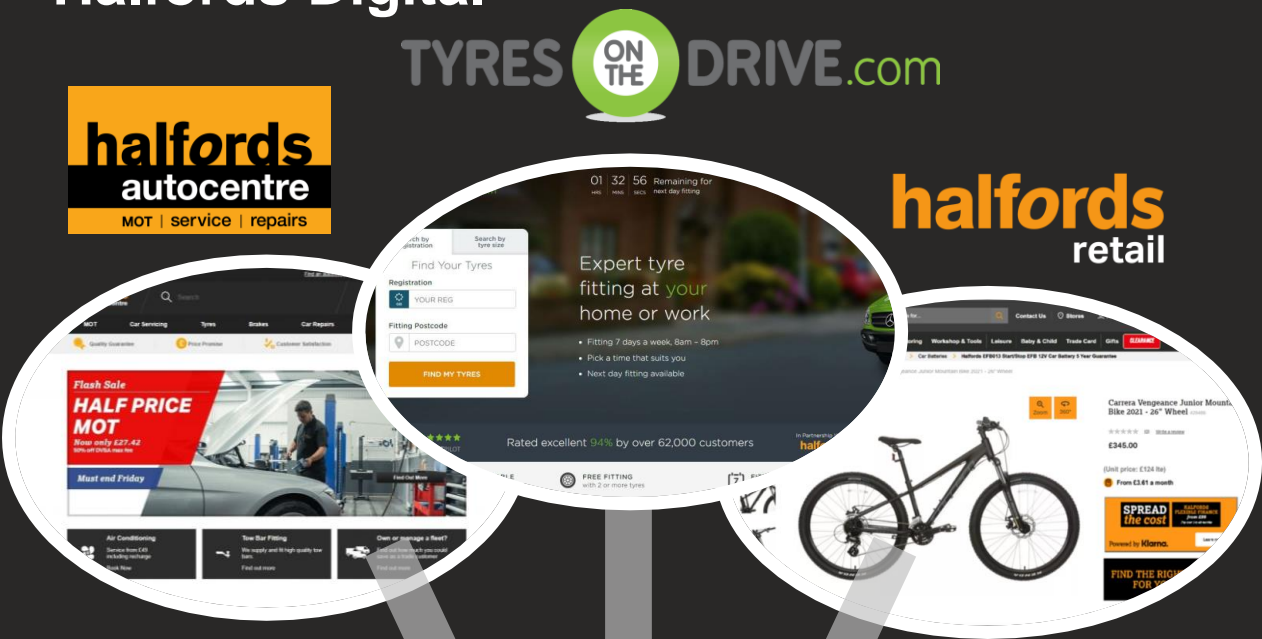
- **Further Digital enhancements** including a customer portal to enable van and order tracking.
- **Project 'Peloton 2'**, our investment in Cycling Parts, Accessories and Clothing.
- **New and innovative ranges of Boardman, Voodoo and Carrera E-bikes launched.**
- **Project Fusion landed at Colchester** demonstrating strong cross shop and net promotor score results.

Focus for H2

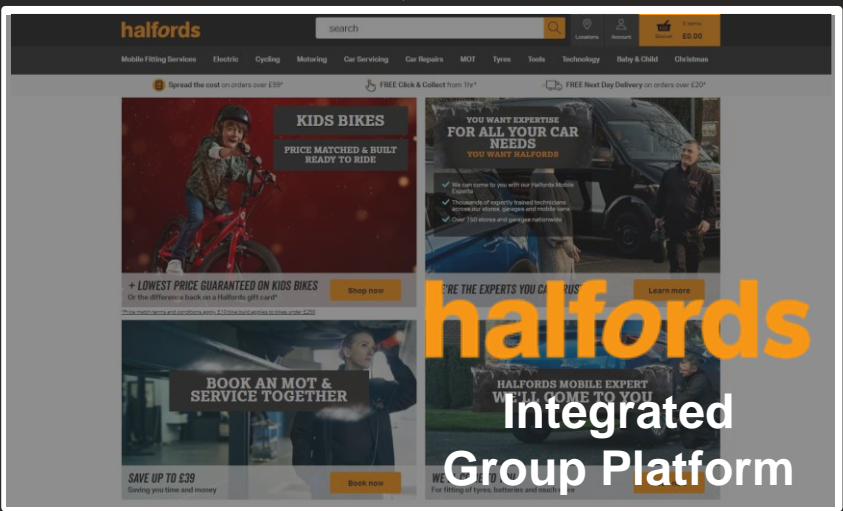
- Further enhancements to our digital proposition and web platform to encourage cross shop.
- Roll out **Project 'Peloton 2'** to all stores.
- **Fusion trials extended to a second town** during November.



Halfords Digital



Halfords Physical (Fusion)



Our revolutionary Fusion towns help customers shop across our retail stores, garages and our mobile offer.

Retail Store Exterior



Mobile Expert Van



Garage Exterior



Retail Store Interior



WeFit Bays in the Car Park



Garage Interior



Support continues to see significant progress driving Services further.

Our Progress This Year

- **HME**
 - **172 vans** against our full year target of 200.
 - Two new fitting services launched.
- **Integration of our acquisitions**
 - **All McConechy's sites now rebranded and refurbished.**
 - **All Universal sites operating on PACE** our digital platform.
- **Electric**
 - Over 1,300 colleagues across the Group trained in Electric Services.
 - **188 stores offering E-bike trials** to customers.

Focus for H2

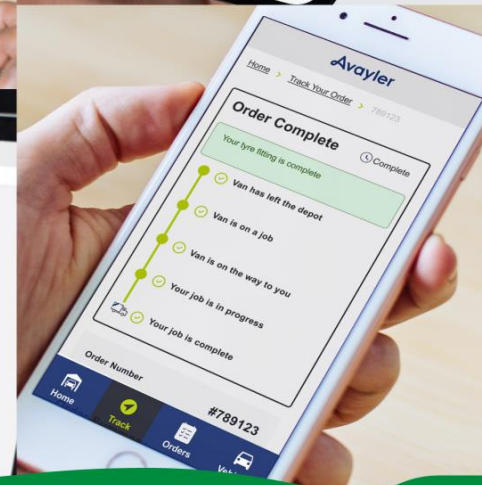
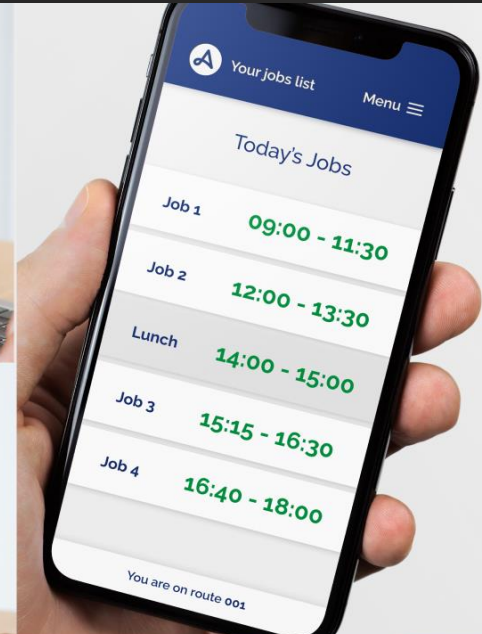
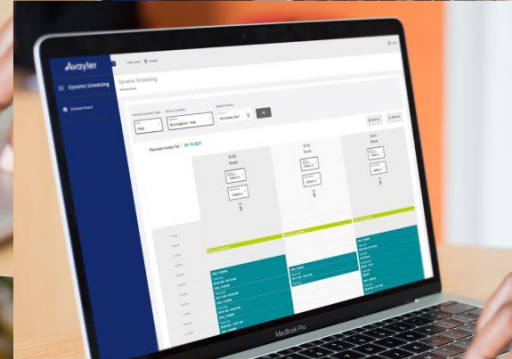
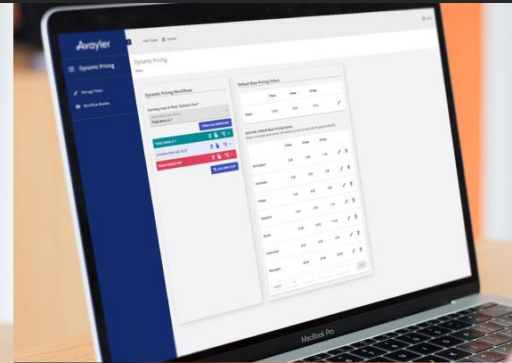
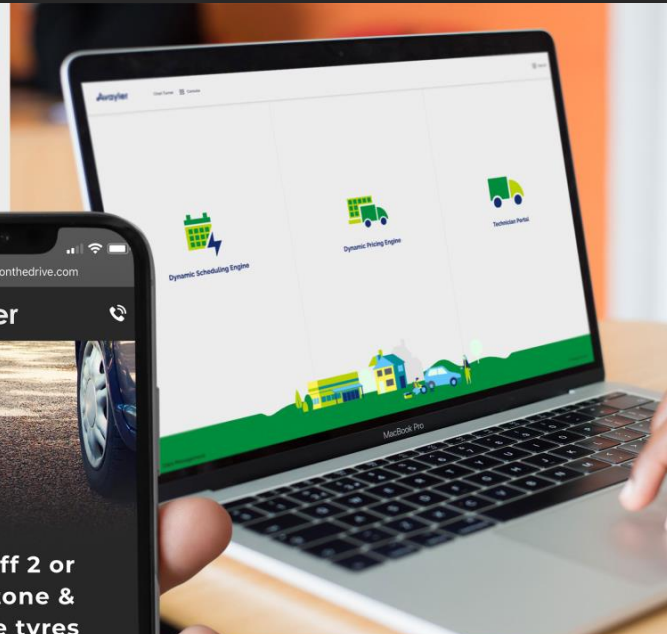
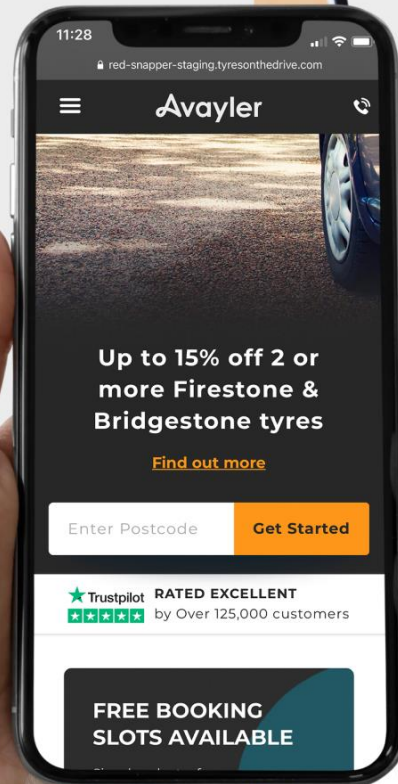
- Continue to scale our HME business to **200 vans achieving 80% UK coverage.**
- Continue to scale our Autocentres business towards our **medium term target of 550 garages.**
- **Electric**
 - 2,000 colleagues across the Group will be trained in Electric Services.
 - We will **complete the rollout of customer E-bike trials.**
 - **EV ChargePoint installation** launched later this month.

We've entered new B2B markets that offer international growth opportunities.

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Avayler

- Unify your omni-channel CX
- Optimise service delivery end-to-end to under
- Give customers the freedom of choice
- Maximise service margins and efficiencies
- Empower colleagues to be the best sales people
- Provide an Amazon experience with your service delivery



We've entered new B2B markets that offer international growth opportunities.

Our Progress This Year

- Avayler, our proprietary software, was launched in July to our first customer, American Tire Distributors Inc. and is an exciting extension to the Halfords B2B offer.
- Avayler utilises our existing digital technology, packaged and sold to businesses across the globe.



Focus for H2

- Avayler has seen strong interest and development of our next new product, 'Avayler Hub', will arrive in FY23.
- Avayler Mobile will be now be deployed across Tirebuyer and their mobile brand Treadsy.
- Continue to grow our B2B business by leveraging our acquisitions and grow our Commercial business further.



We will introduce a market-leading, multi-channel, Motoring loyalty club.

Focus for FY22

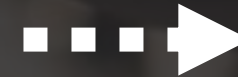
- A market-leading, **Motoring loyalty club** will launch at the end of FY22 putting the customer and their car at the centre of our club.
 - Bespoke advice, offers and savings across the lifetime of a vehicle.
 - Leveraging our unique, market-leading breadth of offer.



ESG remains a core part of our strategy and represents a significant strategic commercial opportunity.

Focus for FY22

- Continued progress on our ESG plan, including:
 - Launch partnership with 3rd party to provide customers with **EV home-charging solution**.
 - The use of electricity from **100% renewable sources**.
 - **Further reductions in virgin plastic use**, beyond the 8% delivered in H1.



Cost and Efficiency

Our Progress This Year

- Settled 28 Retail rent negotiations **at 25% below existing.**
- Our **FY23 energy requirements have been purchased**, mitigating risk of future rises.
- Our procurement of freight has **mitigated significant additional charges.**
- **Investment in DC infrastructure and hardware** including a new bike build area and devices improving productivity and colleague engagement.

Focus for H2

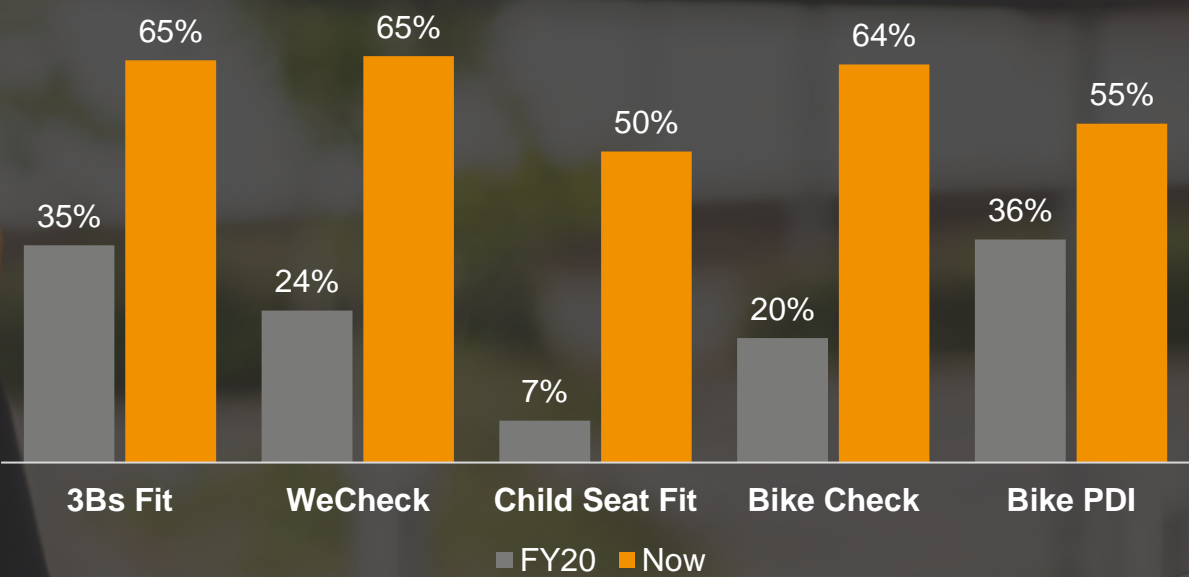
- Utilise our hedging policies to **mitigate risk and take advantage of favourable markets.**
- Established workstreams continue to target **efficiency and cost reductions:**
 - We Operate 4 Less
 - One-way
 - LED lighting
 - GNFR and procurement
 - Working capital and stock turn
 - Rent negotiations

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

This year

- Transitioned to a **new Group operating and reward model**, better aligning to our Group strategy and our One Halfords Family values.
- Significant investment in **training and upskilling** our colleagues.
- Every single customer-facing colleague can now deliver a minimum of 6 skills.

% of Retail Colleagues trained in Services - some examples



The scale of our change

We have doubled the number of motoring services locations...

FY18

Retail Stores 480

Garages 316

1 HME Van

4 Websites

H1
FY22

Retail Stores 404

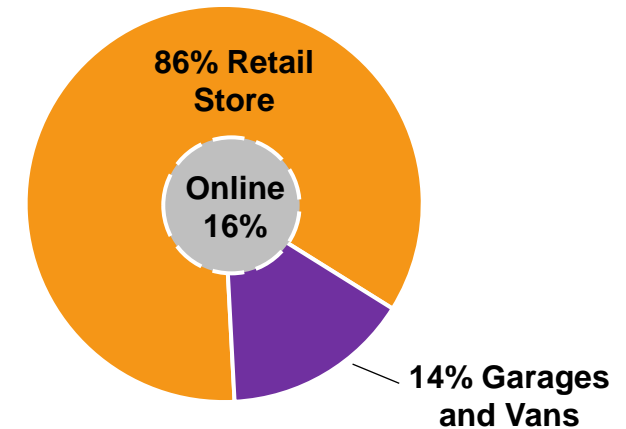
Garages 374

HME and Commercial Vans 364

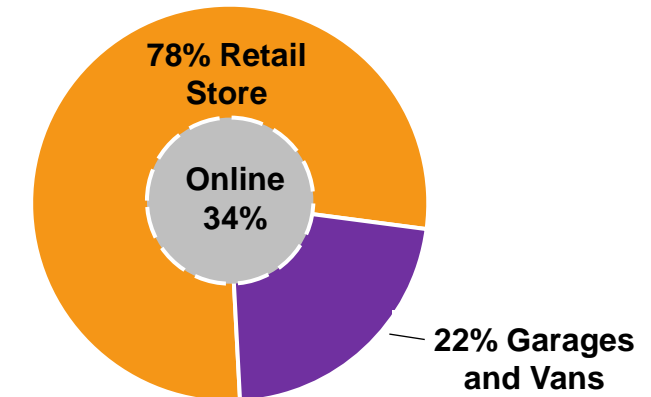
1 Website

...and our revenue sources have shifted as a result.

FY18

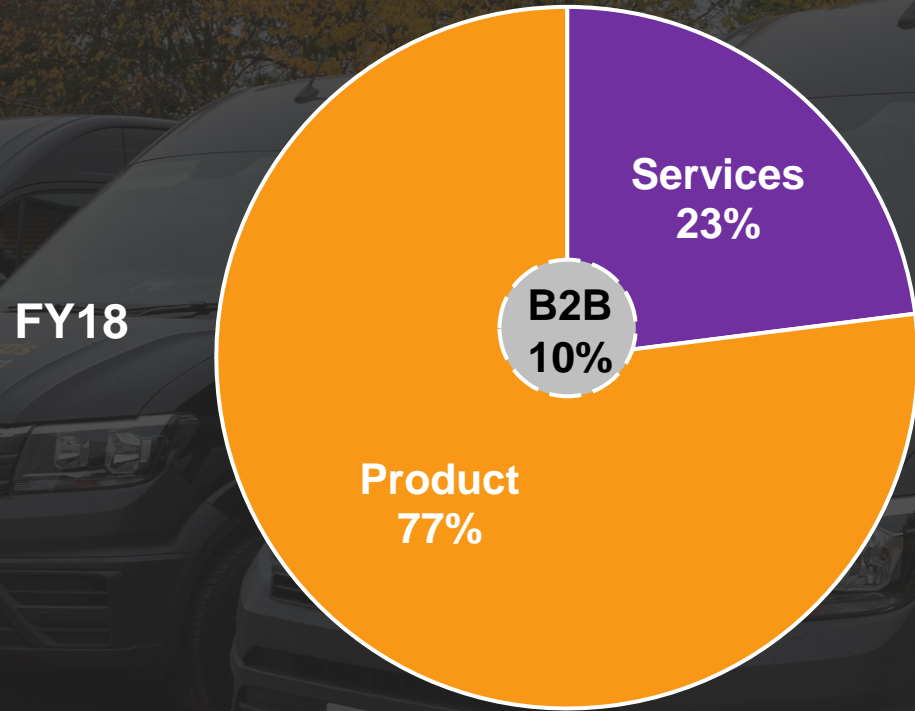


H1
FY22

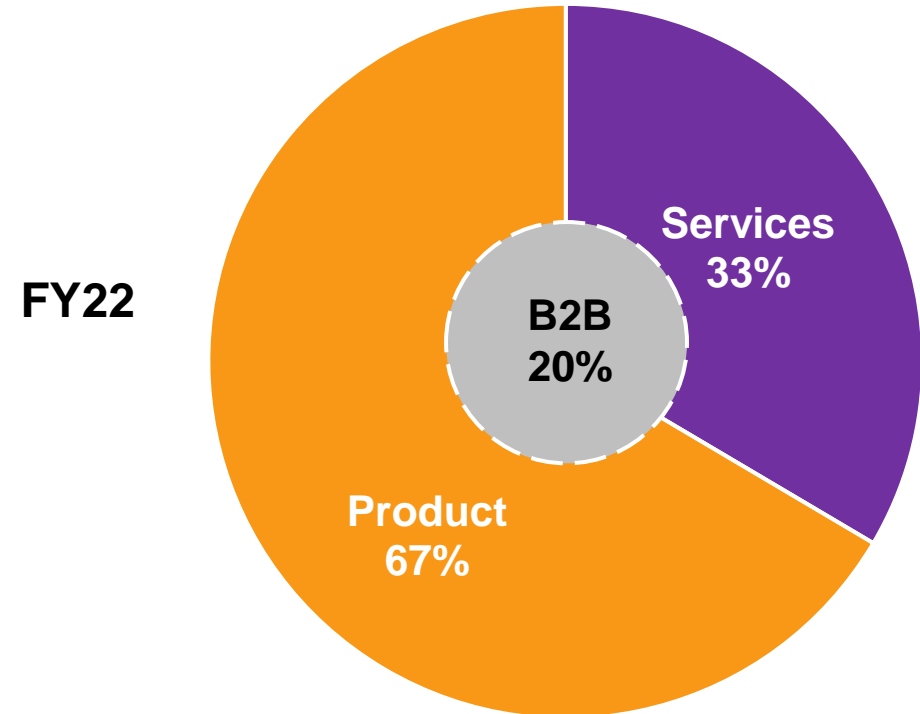


The scale of our change

Customers are responding to our greater scale and convenience...



...resulting in both our Services and B2B businesses growing significantly...



...which together now account for approximately half of Group revenue.

Summary

- We are making significant progress in changing the shape and scale of our business.
- Despite the impact of a global pandemic, our ambition to become a **consumer and B2B, services-focused business** is being realised, at pace.
- We have generated a strong platform from which to further transform this year, **inspiring** more customers, and building better, stronger, and longer-lasting **lifetime** relationships with them.

A Halfords technician, wearing a blue uniform with yellow accents and blue gloves, is working on a motorcycle handlebar in a workshop. The technician is using a green tool to adjust a component on the handlebar. The background shows a grey pegboard wall. The Halfords logo is visible on the technician's sleeve.

Q&A



Contact and Newsflow

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or contact:

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Next newsflow:

13 January 2022: FY22 Q3 trading update