



halfords
motoring & cycling experts



FY22 Preliminary Results

Halfords Group PLC

16th June 2022



Agenda

FY22 Financial Performance

Lorraine Woodhouse

FY22 Strategic Update

Graham Stapleton

Focus on FY23

Jo Hartley

Summary

Graham Stapleton

Q&A





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weFit | weService | weRepair

FY22 FINANCIAL PERFORMANCE

Lorraine 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.**

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

Note: *total net debt excluding leases.

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

Group PBT Bridge



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
Operating Costs*	£420.9m	+6.4% Yo2Y	+5.7% YoY
Underlying EBIT*	£89.8m	+43.0% Yo2Y	-13.4% YoY

Gross margin has grown significantly driven by Cycling optimisation.

EBIT has grown +£27m driven by gross margin and improvements in the underlying efficiency of the business.

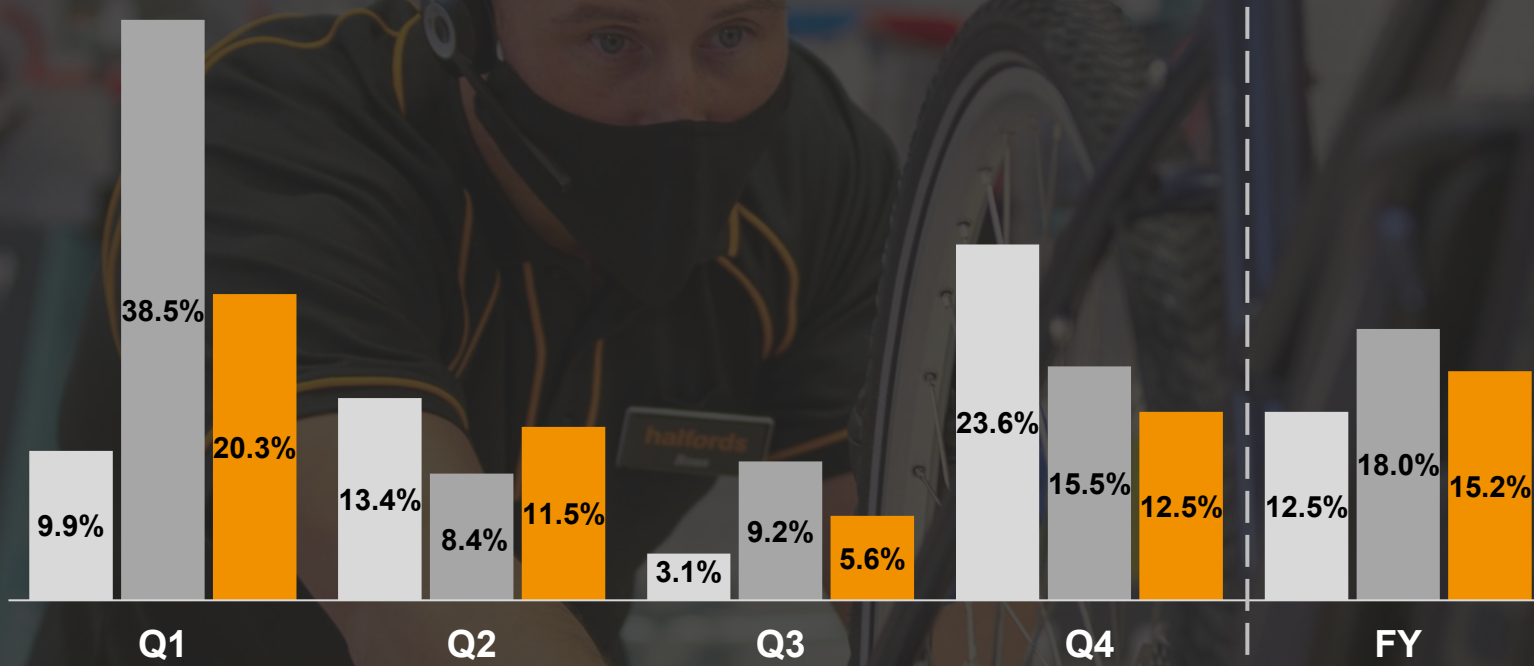
Note: *numbers include business rates relief of £9.6m (FY22), £33.1m (FY21), and nil (FY20).

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



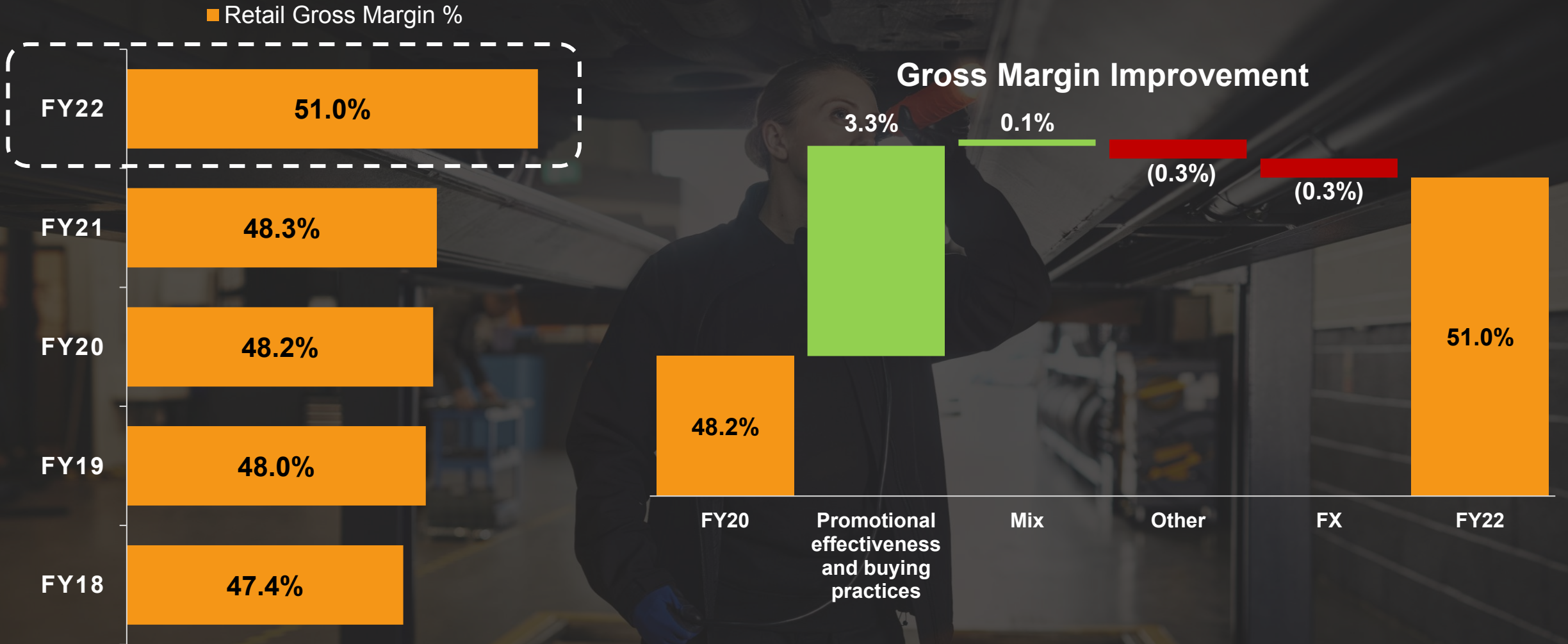
Halfords Retail Sales - 2 Year LFL %s

■ 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.



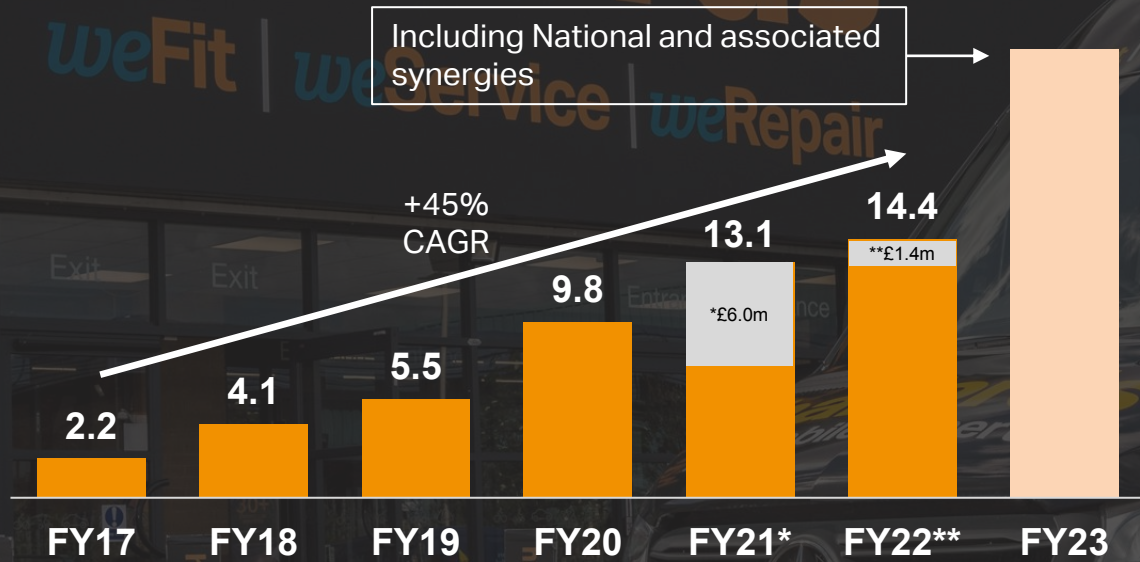
Retail Costs Bridge



Strong profitability growth in the Autocentre Group.



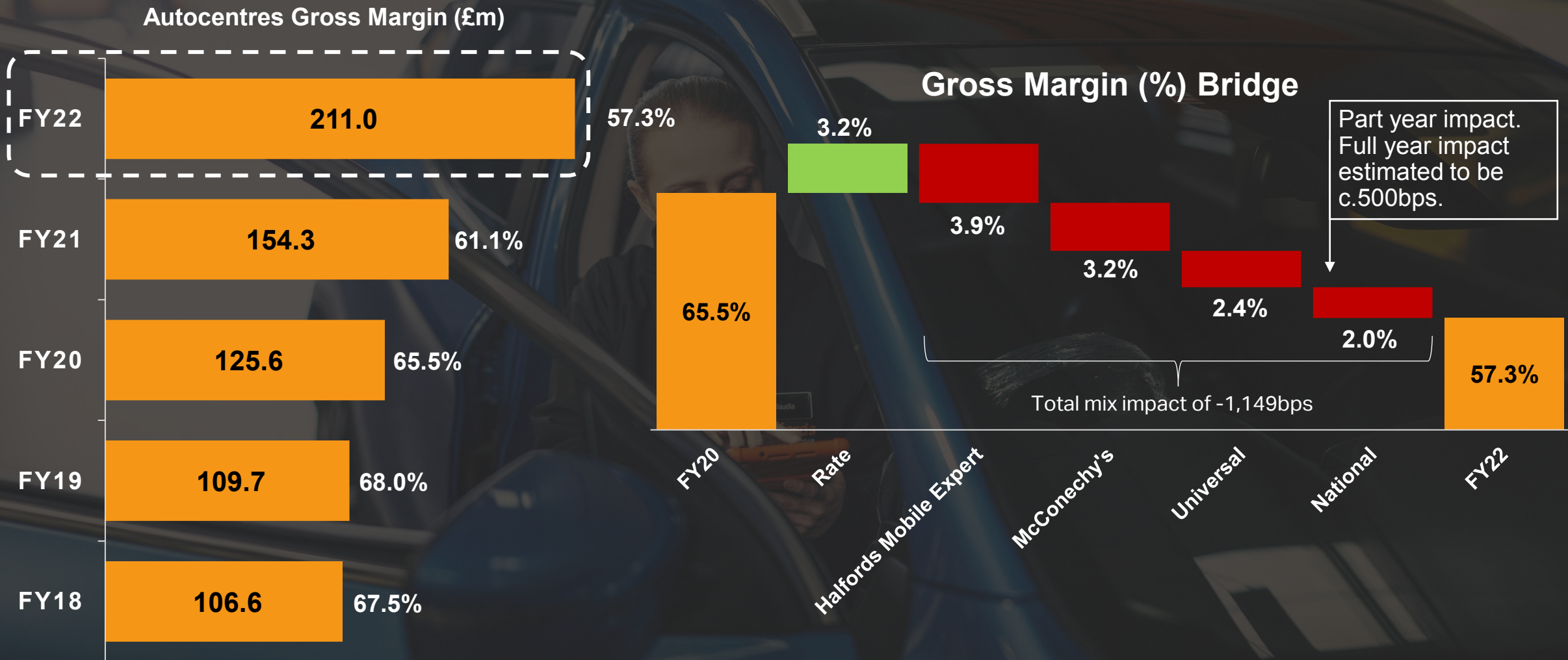
Autocentres EBIT



	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



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



Our cash position remains strong despite working capital normalisation.



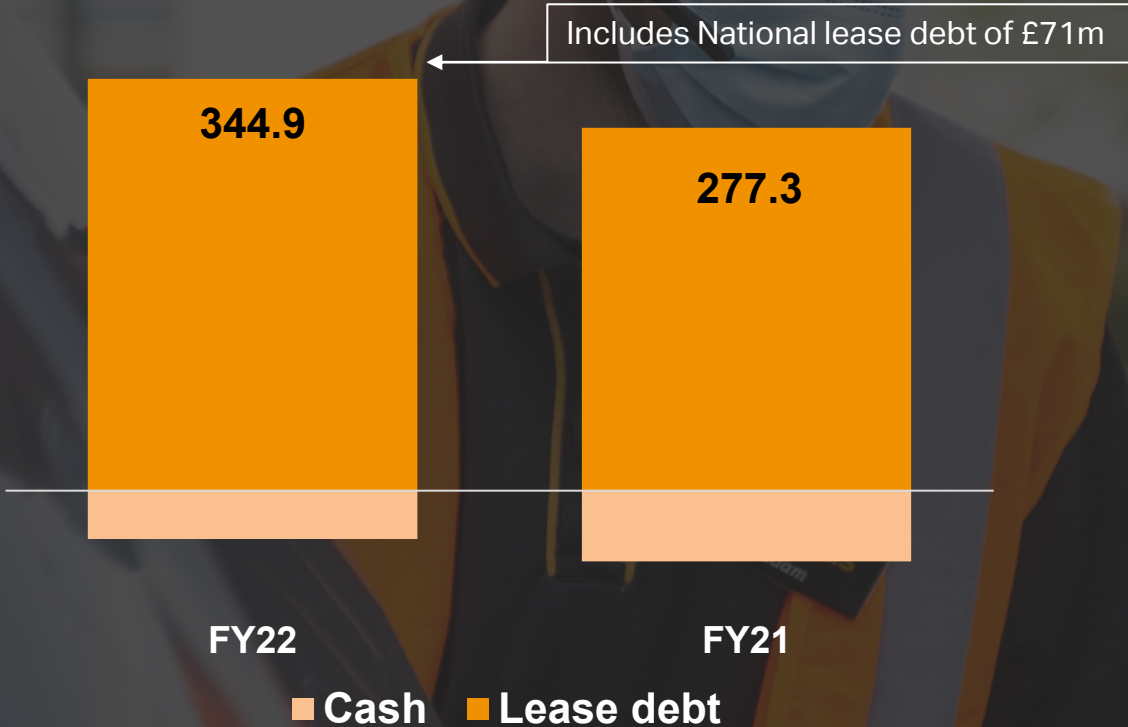
	FY22	FY21	YoY
Profit After Tax	77.7	53.2	24.5
Depreciation, Amortisation & Loss on Disposal of Assets	107.8	120.2	(12.4)
Working Capital	(70.0)	49.0	(119.0)
Taxation	6.7	0.5	6.2
Net Finance Costs	11.3	15.0	(3.7)
Provision Movements/Other	(13.0)	34.2	(47.2)
Operating Cash Flow	120.5	272.1	(151.6)
Acquisitions and Proceeds from Held for Sale Assets	(51.0)	(11.5)	(39.5)
Capex	(47.3)	(27.5)	(19.8)
Cash Used in Investing Activities	(98.3)	(39.0)	(59.3)
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)
Cash Used in Financing Activities	(43.1)	(281.4)	238.3
Cash Movement in Period	(20.9)	(48.3)	27.4
Opening Cash and Cash Equivalents	67.0	115.3	(48.3)
Closing Cash and Cash Equivalents	46.1	67.0	(20.9)

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.

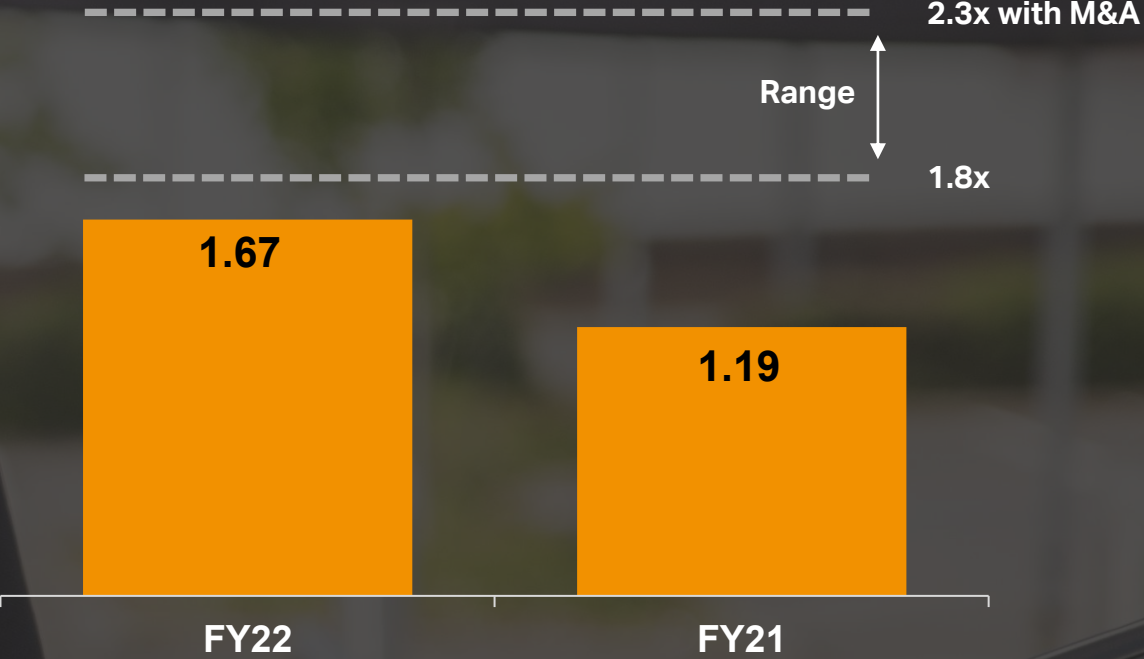
Net debt increase reflects leases associated with National; debt remains well within target structure.



Net Debt £m



Net Debt:EBITDA



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

FY22 STRATEGY UPDATE

Graham Stapleton





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 % of Autocentres sales generated from a Retail referral*

20%

Fusion Average Transaction value vs. estate

+7%

Fusion Halifax Garage Sales Rank

3rd
(from 214th)

Fusion Cross shop vs estate

40%

*against a typical 4% referral rate.

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

The Halfords BIKE XCHANGE
Trade In ↗ Trade Up ↘ Save



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



70 Consumer Vans

Nov FY20



60 Garages
100 Commercial Vans

Mar FY21



20 Garages
89 Commercial Vans

Dec FY22



4 Garages

Dec FY22



234 Garages
68 Vans
8 Warehouses

Mar FY22



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.



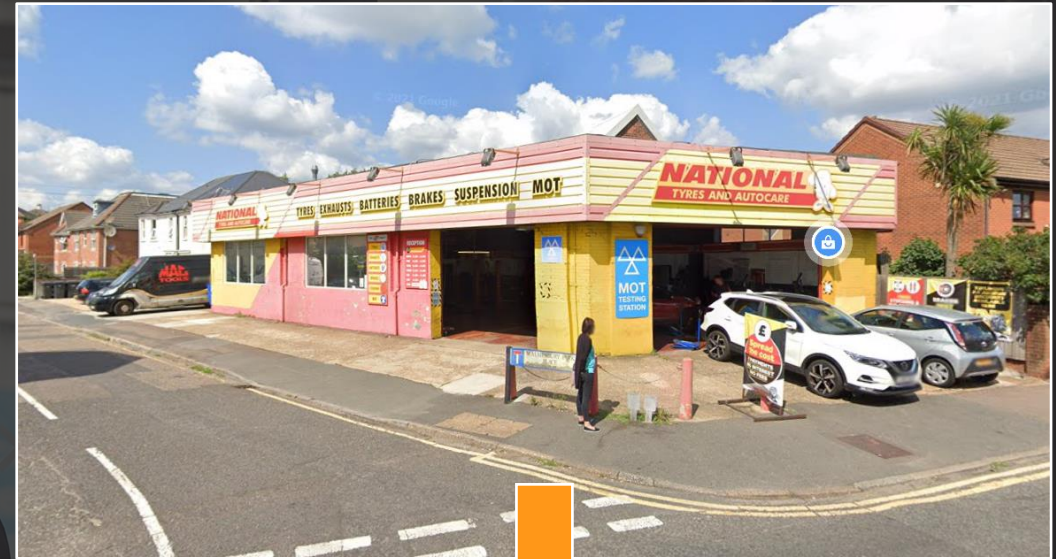
Tyre Shopper

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.

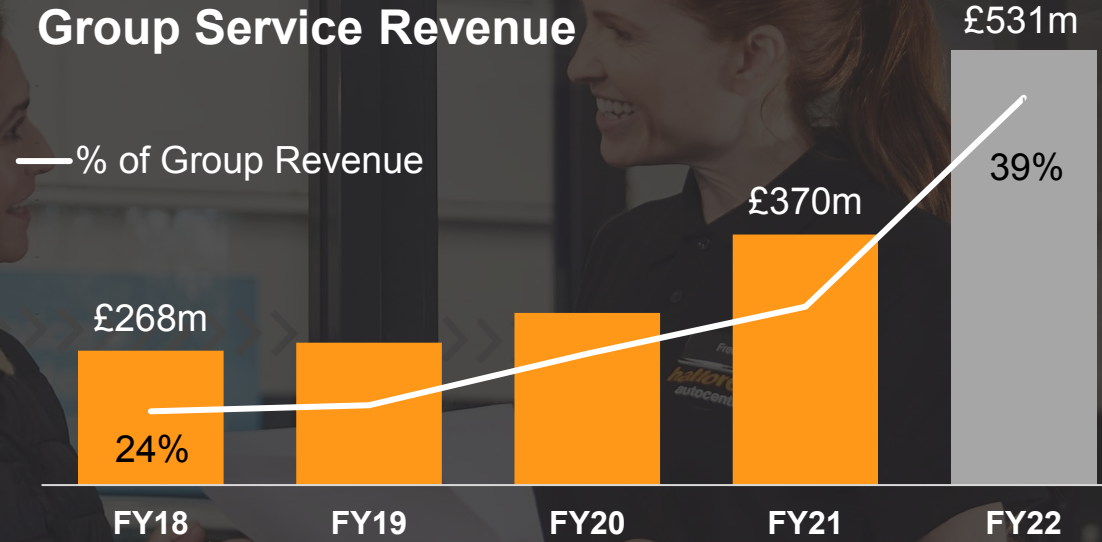
- Grown fleet from 7 to 253 vans in two years, providing National coverage.
- Carried out 320,000 jobs through FY22, driving revenue growth of +44% YoY.
- Rated “excellent” by over 220,000 Trustpilot reviews.



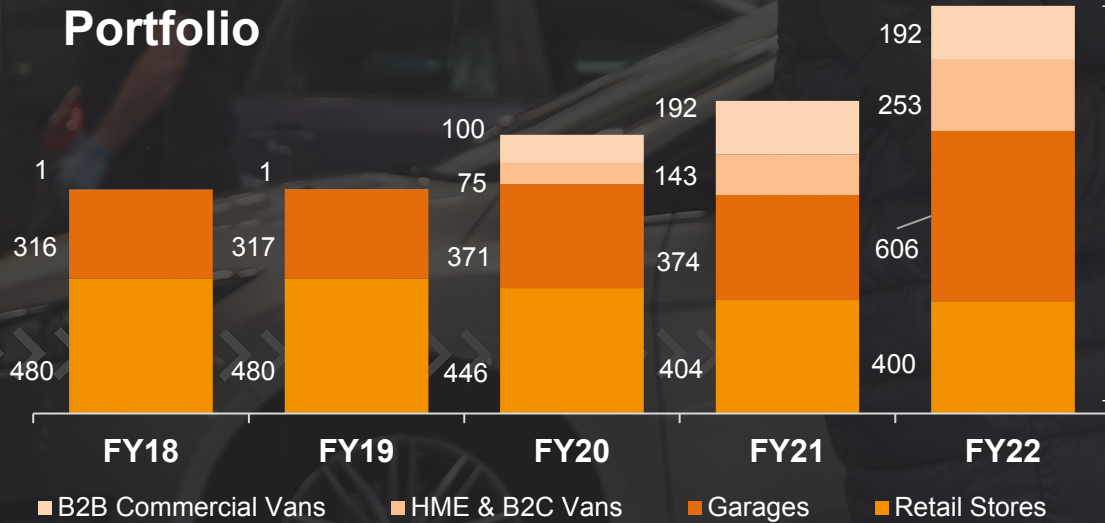
...and we are now the *unique* market leader, offering customers the largest and most *convenient* motoring service network in the UK.

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

Group Service Revenue



Portfolio

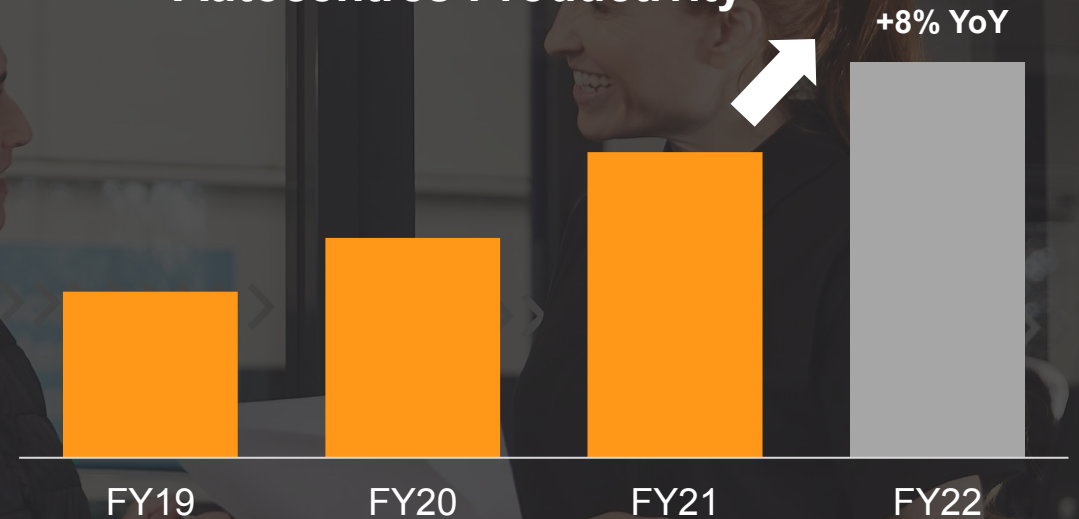


1,451 fixed and mobile service locations

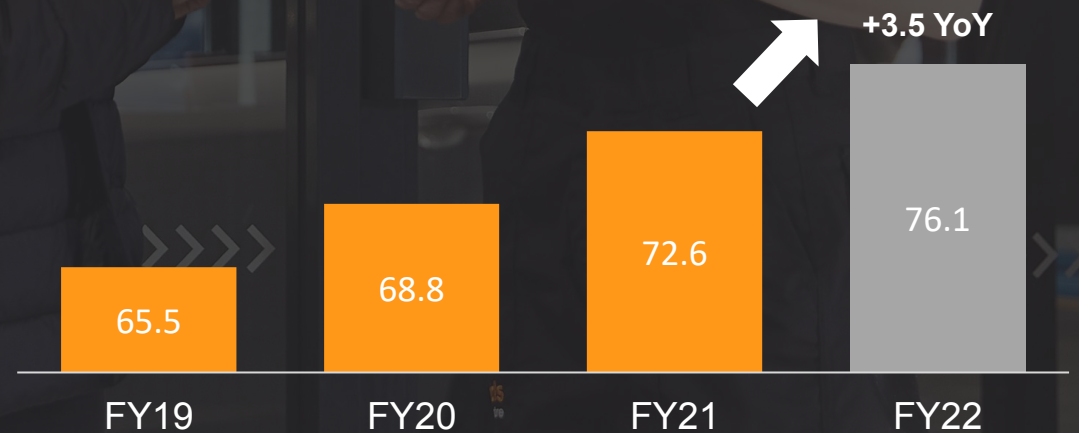
Avayler underpins the success of our services business, at the same time as giving access to SaaS revenue streams.

- 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)



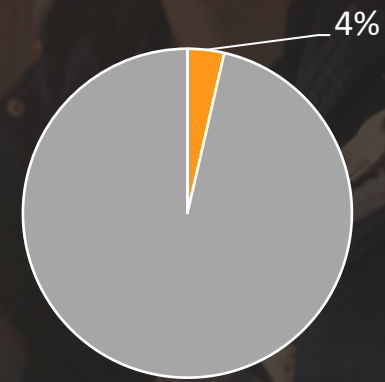
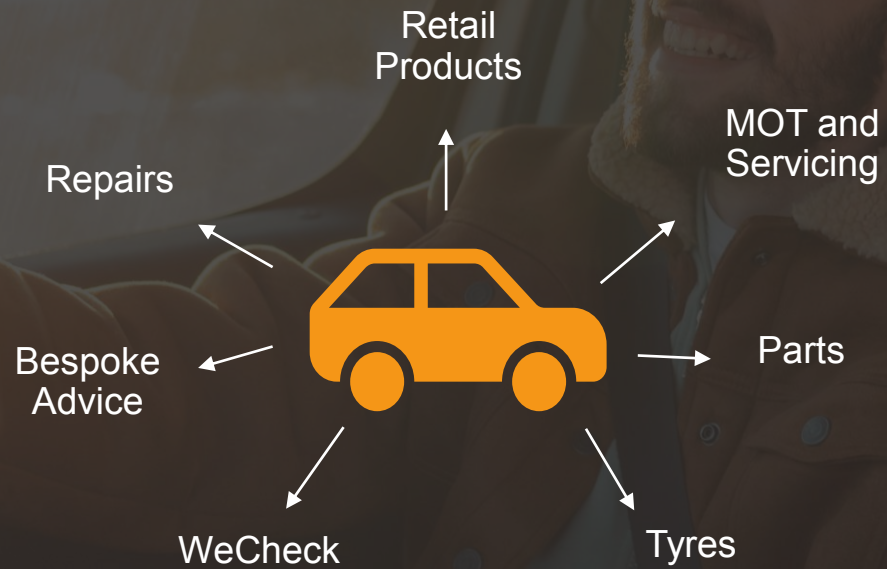


Enable a **lifetime** of motoring and cycling.

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

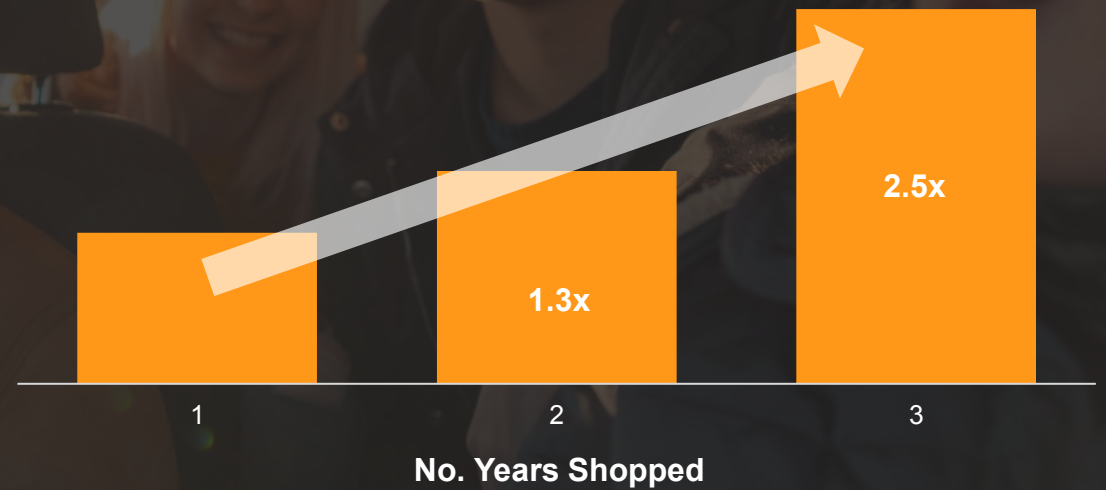


Creating *lifetime* value with customers across the life of a car.

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.

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

The screenshot displays three membership options side-by-side:

- Club Benefits:** A list of benefits including MOT offer, 10 point car check, £10 welcome voucher, dedicated customer support, personal digital garage, 5% OFF motoring products, 1 x FREE fitting, and FREE next day delivery. A 'Learn more' button is at the bottom.
- Free:** Access to a great range of benefits worth £35. Includes £10 OFF MOT and 1 x FREE. A 'Join for FREE' button is at the bottom.
- Premium:** £49 a year or £4.99/month. Be ready for anything with benefits worth over £100. Includes FREE MOT and 2 x FREE. A 'Go Premium' button is at the bottom.

The screenshot shows the 'Rewards & Benefits' screen with a QR code and member information:

- Section: **Rewards & Benefits**
- Buttons: **Your Motoring Club** (selected), **Special Offers**
- Text: Scan the QR code to receive your benefits in our stores and garages
- QR Code: A large QR code for scanning.
- Member Info: **PREMIUM member** Kimberly Lawrence, **Account** 7272301153
- Text: **PREMIUM membership renews 17/03/2023**
- Buttons: **Add to Apple Wallet**, **Add to G Pay**

The screenshot shows the 'Motoring Club Savings' screen with an offer and order summary:

- Section: **Motoring Club Savings**
- Offer: **5% off Motoring Products & Services** (Applied £2.00)
- Text: Choose which offer to redeem:
- Options: **Free MOT*** (checked), **Apply £10 off Voucher*** (unchecked)
- Total Savings: **£39.99**
- Text: *Only one exclusive offer can be used per transaction
- Section: **Order Summary**
- Summary: Subtotal £4.99, Recurring Monthly Payment: Halfords Motoring Club £4.99, Slot Price £0.00
- Total Price (inc. VAT): **£4.99**
- Button: **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

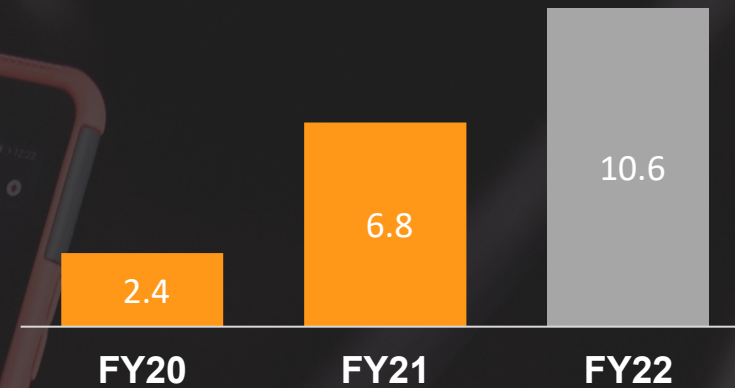
61%



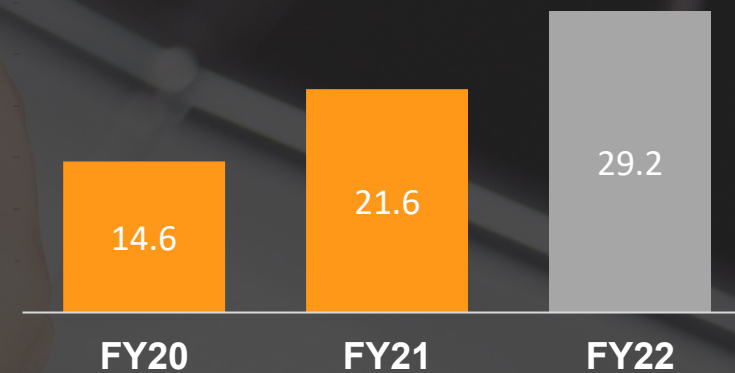
We continue to remove cost and improve underlying profitability.

- 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

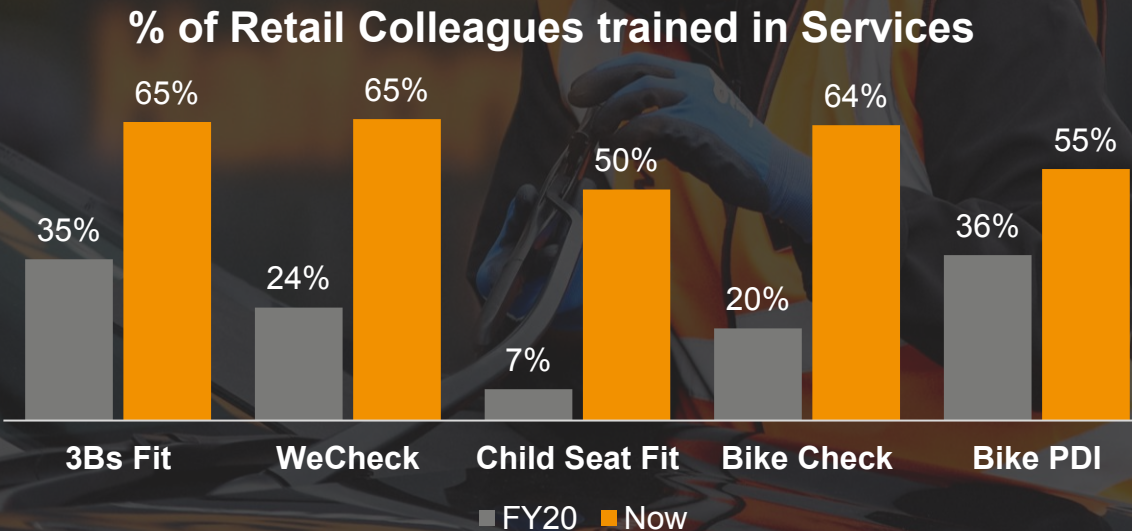


* Cumulative since FY20

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.



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)
Revenue from Motoring	£0.75bn (65% of Group)	£1.0bn (70% of Group)
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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.

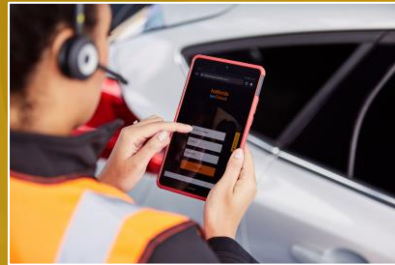


Transformation continues against our existing strategy.

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.



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.



Optimise HME



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		✓
Learn more	Join for FREE	Go Premium



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

