

Chairman's Statement

Key facts from the year

£58.8m

Underlying Profit Before Tax

£42.7m

Free Cash Flow

18.57p

Full-year ordinary dividend

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Keith Williams
Chairman

Initial views of Halfords Group

Having joined the Group in July 2018, this is my first statement as Chairman and I would like to take this opportunity to say how excited I am to be a part of the Halfords Group. This is a business that has good foundations, a strong heritage and market leading positioning in many of its categories. The new strategy looks to leverage these strengths by creating a more specialist, unique and differentiated shopping experience for our customers, with a convenient and easy to shop service offering that allows us to build lifelong relationships with our customers.

In a year which has been tough for many retail businesses, the passion, dedication and “can do” attitude of the colleagues within our business has been admirable. The year has also seen a number of changes in the executive leadership team; principally our new Chief Financial Officer, Loraine Woodhouse, who joined the business in November 2018. Loraine brings strong expertise and has made a great early impression on the team.

As incoming Chairman, I would like to take this opportunity to thank Dennis Millard for his hard work and dedication to the business during his nine-year tenure at Halfords and wish him all the best for future. Similarly, I

would like to thank Claudia Arney for her considerable contribution in nine-years as a Non-Executive Director and to extend a warm welcome to Jill Caseberry as a new Board director.

FY19 Performance

Throughout the year, Brexit dominated the headlines and the retail and consumer environment suffered as a result. Despite the tough back drop, the Group delivered positive like-for-like sales growth of +1.1% in the year.

Our Retail performance was impacted by milder winter temperatures and a more cautious customer in the year. This resulted in a sharp drop in profits for the year and a disappointing shortfall in profit versus our expectation. Nonetheless, investment in our services proposition, and an improved product offering in a number of categories, E-Bikes, for example, resulted in good growth in a number of product areas.

Autocentres performance was significantly improved in the year, with underlying EBIT growing 34.1% year-on-year. Strong revenue growth, with improvements in margin and tight cost control, led Autocentres to a second year of profit growth.



Underlying Profit Before Tax of £58.8m, was down £12.8m year-on-year, principally reflecting the milder winter weather, weakened consumer confidence during the run up to Christmas, cost inflation and strategic investment.

Notwithstanding the profit challenge, Free Cash Flow in the year was ahead of the previous year. Given the cash generative position of the business, the Board has recommended a final dividend payment of 12.39 pence, taking the full-year ordinary dividend to 18.57 pence, up 3.0% year-on-year.

To Inspire and Support a lifetime of motoring and cycling

The new strategy, presented in September 2018, is detailed within this report (pages 24 to 27). We have a clear and simple customer objective – inspiring and supporting a lifetime of motoring and cycling.

The strategy will ensure that we remain focused on our core motoring and cycling offers, enabling customers to buy products and services with features and benefits that

they not only desire but are only available at Halfords. Looking ahead, customers will be able to access a broader range of services more easily from a single integrated website and more convenient locations. Finally, customers will enjoy building relationships with Halfords for the long term as they are encouraged to explore and benefit from all that we do in both motoring and cycling over their lifetime.

- **Inspire** our customers through a differentiated super-specialist shopping experience
- **Support** our customers through an integrated, unique and more convenient services offer
- Enable a **lifetime** of motoring and cycling

The year ahead

The economic backdrop continues to be challenging, with no real certainty on the timing or form of Brexit. Regardless of the environment, longer term Halfords Group remains in a strong position, with a talented group of colleagues who remain focused on delivering an outstanding customer experience. Under the leadership of a new executive team, the business will focus on delivering against its strategic objectives and returning to a position of long-term sustainable growth.

Keith Williams

Chairman
21 May 2019

