

25 March 2020

Halfords Group plc
("Halfords" or "The Group")

Current trading and COVID-19 update

Halfords is providing an update today on the impact of the COVID-19 pandemic on its business, along with the measures it is taking to actively manage the risks to its customers and colleagues. Each day we are learning more about the effects of the pandemic as well as evolving government interventions. We are modelling a range of scenarios to understand the potential impact on sales, profit and cashflow and to support decisions on mitigating actions. Whilst we are confident that the post-pandemic future of the business remains strong, trading in the near term is likely to be severely impacted.

Supporting our customers and colleagues

The health and safety of our customers and colleagues remains our top priority and we are committed to supporting them and our wider communities at such a difficult time. As the UK's largest independent provider of motoring and cycling services, we have an essential role to play in keeping the UK moving. Each month, we carry out more than a quarter of a million motoring jobs in our retail stores, over 100,000 jobs in our garages and approximately 12,500 motoring jobs at people's homes or workplaces using our fleet of mobile vans. Every month we see over 50,000 vehicles with serious safety defects and a further 100,000 vehicles with issues requiring attention. Many key workers rely on us to keep their motor fleet running, including the Ministry of Defence, the British Transport Police and several large UK utility companies. Alongside this, we carry out over 200,000 bike builds, services and repairs every month and over 40% of the Government backed Cycle2Work scheme in the UK is delivered through our Retail business. Halfords is uniquely positioned to keep the UK's cars and bikes on the road and safe to drive or ride, providing vital support to emergency workers, fleet operations, key workers and the general population as they travel for essential supplies and, where required, attend places of work.

We are committed to playing our part, but only if we can ensure the health and safety of our colleagues and customers, and we are able to comply with government policy. We have been designated by the Government as a provider of essential services and so we have the legal flexibility to remain open across the entire business. As it currently stands, our Autocentres garages and Mobile vans are open and, within Retail, we are working through a plan to provide partial store coverage from later this week. We will continue to take orders online on both Halfords.com and Tredz.co.uk, offering either a home delivery service or Click and Collect once branches are reopened.

Current trading

Recent trading has been in line with expectations, and, in fact, very strong in the last couple of weeks, but delivery of the FY20 profit outturn is dependent on sales performance in the final two weeks of the financial year. Post the Government's latest announcement on measures to protect the public, we are working through our operational plans. We are seeking to strike a balance between providing essential motoring and cycling services to the UK public alongside guaranteeing the personal safety of our customers and colleagues. Given the latest Government guidance we believe there is a high likelihood that sales will drop sharply and, if so, that the shortfall will have an impact on profitability, such that FY20 underlying profit before tax, on a 52-week and pre-IFRS16 basis, could be at the lower end of, or slightly below, the current guidance range of £50-55m.

At this early stage in the pandemic, it is not possible to provide meaningful guidance on earnings in FY21. Our focus now is on taking every step necessary to secure future value for colleagues and shareholders.

Financing

The Group has access to substantial liquidity through a £180m revolving credit facility (RCF) and a £20m overdraft facility, provided by a syndicate of major banks, expiring in September 2022. We have drawn down on the RCF in full and now have approximately £118m of cash on deposit. Total liquidity is therefore £138m, including the overdraft facility. The Group continues to expect that it will satisfy its covenant requirements at the FY20 year-end. We are in active dialogue with our existing lending syndicate to provide additional flexibility to support Halfords through this period of uncertainty.

Outlook and mitigating actions

Despite an improvement in recent sales performance, we expect that volumes could now see a material reduction. We have modelled a range of disruption scenarios, with our median scenario assuming significant sales declines for the three-month period from April to June, followed by weakness for the remaining nine months. Over the course of the full year, this would result in a sales decline of 25% (c. £300m) with the most material impact being seen in the first quarter of the new financial year.

In response, the Board is taking a series of immediate measures to preserve cash, including, but not limited to:

- Suspension of the dividend, resulting in a cash saving of approximately £24m in FY21.
- As announced by the UK Government, business rate relief for the whole of FY21. This currently applies to the retail estate only, saving approximately £26m per year.
- Negotiations with landlords regarding rent relief, including an immediate switch to monthly payments from quarterly.
- Where stores and garages are closed, we will access Government support on salary payments.
- Reduced purchases of goods not for resale (GNFR), including lower marketing spend.
- Postponing capital commitments: Our capital spend for FY21 will be well below current guidance of £40-60m. We are currently planning for capital spend in FY21 to be in the range of £10-15m, but this will remain under review as the situation evolves.
- Optimising working capital, including changes to the timing and amount of stock purchases.

- Deferral of VAT payments to March 2021.

Based on the median sales scenario, and the measures we have outlined above, we are confident that we can operate within our existing debt facilities throughout FY21.

Given the rapidly changing situation, there is no certainty on the severity or duration of the impact on the business and so we are not providing formal profit guidance for FY21 at this time. The Group will continue to consider its funding options on an ongoing basis.

Halfords is a resilient business with a healthy balance sheet, substantial liquidity and strong cash flow. The Group has a core role to play in providing essential motoring and cycling services to the nation, at this critical time but also more generally. We have an experienced management team and the capability to adapt and respond quickly to changing market conditions. The Board remains confident in the strategy over the longer term and believes the Group will be well positioned to benefit from the normalisation in trade.

We will update the market as events evolve.

Graham Stapleton, CEO said:

"In such difficult times the health and safety of our colleagues and customers remains our top priority and we continue to take all appropriate action in line with government advice. Halfords has an essential role to play in keeping the country moving, providing vital support to emergency workers, fleet operations, key workers and the general population as they travel for essential supplies and, where required, attend places of work.

While significant uncertainty exists on the impact of COVID-19, we are taking immediate and significant measures to contain our costs and protect our financial position. We have a strong balance sheet, with significant liquidity headroom and low levels of financial debt.

This is an unprecedented challenge for all of us, but I am confident that the actions we are taking to successfully navigate the current situation will put the business in a position of strength, enabling us, over the medium term, to refocus on our strategic transformation.

Finally, I would like to thank all our fantastic colleagues and customers for their incredible support during this challenging period."

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www.tredz.co.uk

Halfords is the UK's leading provider of motoring and cycling services and products. Customers shop at 446 Halfords stores, 26 Performance Cycling stores (trading as Cycle Republic, Tredz, Boardman and Giant), 369 garages (trading as Halfords Autocentres) and have access to 75 mobile service vans (trading as Halfords Mobile Expert). Customers can also shop at halfords.com, cyclerepublic.com and tredz.co.uk for pick up at their local store or direct home delivery, as well as booking garage services online at halfordsautocentres.com.

Cautionary Statement

This report contains certain forward-looking statements with respect to the financial condition, results of operations, and businesses of Halfords Group plc. These statements and forecasts involve risk, uncertainty and assumptions because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. These forward-looking statements are made only as at the date of this announcement. Nothing in this announcement should be construed as a profit forecast. Except as required by law, Halfords Group plc has no obligation to update the forward-looking statements or to correct any inaccuracies therein.

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