

Below is a focused comparison of Halfords' FY24 and FY25 annual reports, based on the uploaded reports. Report A is FY24, Report B is FY25.

## 1. Executive summary

- **Comparable underlying profit improved, but statutory profit deteriorated sharply.** On Halfords' preferred comparable basis, underlying PBT rose from **£36.1m to £38.4m**, up **6.4%**. But on continuing operations only, underlying PBT fell from **£43.1m to £38.4m**, and reported PBT swung from a **£38.8m profit to a £30.0m loss** because FY25 contained **£68.4m of non-underlying charges**, mainly impairment. This matters because operating progress existed, but headline profit was overwhelmed by asset write-downs. **Mixed to negative.**
- **Gross margin improved materially, but not all of it dropped through.** Group gross margin rose from **48.5% to 50.7%**, helped by pricing, better buying and FX, yet underlying EBIT fell on the continuing basis from **£56.2m to £49.5m** because labour inflation and reinstated incentives absorbed part of the gain. This matters because it shows strong commercial execution, but also a structurally heavier cost base. **Mixed.**
- **Cash generation and balance sheet strength improved clearly.** Free cash flow improved from **£29.4m to about £43.0m**, and Halfords moved from **£8.1m net debt excluding leases to £10.1m net cash excluding leases**. Total net debt including leases fell from **£315.3m to £261.3m**. This matters because it gives the group more resilience against consumer weakness and wage inflation. **Positive.**
- **Retail improved commercially, Autocentres slowed on the continuing basis.** FY24 was driven by a very strong Autocentres profit recovery, with underlying EBIT rising from **£5.7m to £20.8m**. In FY25, Autocentres continuing underlying EBIT fell to **£15.7m**, while Retail remained the larger profit engine, although FY25 retail underlying EBIT was still slightly below FY24 after incentive reinstatement. This matters because the profit mix is shifting again, and the garage growth story is still real but less clean than the narrative alone suggests. **Mixed.**
- **Fusion moved from promising trial to central operating model.** In FY24 Fusion was still framed as a successful trial in towns such as Colchester and Halifax, with at least **25 towns** planned. In FY25 it became the flagship strategy, with **50 Fusion sites live**, "significantly exceeding expectations", "double site-level profitability" and rollout towards about **150 locations**. This matters because the report gives Fusion a much bigger role in future returns. **Positive, but execution-dependent.**
- **The Motoring Club became much more economically important.** Membership rose from **3.4m to 5.0m**, and the club's role in garage demand deepened, from **39% of MOTs** in FY24 to **almost half**, with FY25 saying **51% of MOTs** were booked by members and Premium subscriptions generating **£18m** of annual revenue. This matters because customer data, retention and cross-sell are now more tangible rather than merely strategic talking points. **Positive.**
- **The tone became more confident about self-help, but also more candid on safety and impairment.** FY24 was framed around tough markets, low confidence and waiting for recovery. FY25 still acknowledged a weak consumer backdrop, but described results as "excellent" and placed more weight on controllables, balance sheet strength and

differentiated assets. At the same time, FY25 added a new principal risk on health and safety and disclosed two colleague deaths, which is a major seriousness signal. **Mixed.**

- **A major presentation issue remains the FY24 discontinuing of tyre supply operations.** FY25 repeatedly steers readers toward comparing FY25 with FY24 “total operations” rather than FY24 continuing operations, because outsourced tyre supply costs still sit inside the ongoing business. That is a fair point, but it also makes year-on-year reading harder and gives management more choice over which comparative to emphasise. **Mixed, and worth scrutiny.**
- **Risk disclosure expanded in FY25, especially around supply chain and safety.** FY25 adds a standalone principal risk for **health and safety**, broadens supply chain risk to include tariffs, climate events and 3PL dependency, and moves health and safety into a dedicated section. This matters because it suggests a more operationally complex business, especially as the group leans further into garages and fleet services. **Negative in risk profile, positive in disclosure quality.**
- **Leadership changed at the top.** Graham Stapleton exited and Henry Birch took over as CEO in April 2025. FY25 therefore reads partly as a handover report: supportive of the inherited strategy, but more operational, more asset-focused and less expansive about optionality such as EV servicing and Avayler valuation upside. This matters because narrative style changed alongside leadership, not just trading. **Unclear, but important.**

## 2. Financial changes

Metric	FY24	FY25	Change	What changed	Why it matters
Revenue	£1,696.5m	£1,715.2m	+1.1%	Sales still grew, but slowly	Shows resilience, not strong top-line momentum
LFL sales	+5.0%	+2.5%	-2.5 ppts	Growth slowed	Demand softened, especially after prior-year catch-up and inflation effects
Gross profit	£822.6m	£869.1m	+5.7%	Margin and buying improved	Commercial execution improved meaningfully
Gross margin	48.5%	50.7%	+2.2 ppts	Better buying, pricing and FX gains	One of the strongest underlying positives in the comparison

<b>Metric</b>	<b>FY24</b>	<b>FY25</b>	<b>Change</b>	<b>What changed</b>	<b>Why it matters</b>
Underlying EBIT, continuing ops	£56.2m	£49.5m	-11.9%	Lower despite better gross margin	Labour inflation and incentives consumed gains
Underlying EBITDA, continuing ops	£183.4m	£180.6m	-1.5%	Broadly stable	Cash earnings held up better than EBIT
Net finance expense	£13.1m	£11.1m	-15.3%	Lower finance drag	Helped cushion operating pressure
Underlying PBT, continuing ops	£43.1m	£38.4m	-10.9%	Down on statutory continuing basis	Important because this is the IFRS-style like-for-like continuing comparison
Underlying PBT, total ops	£36.1m	£38.4m	+6.4%	Up on management's preferred comparable basis	Better reflects the outsourced tyre supply cost continuing in substance
Reported PBT	£38.8m	-£30.0m	Down £68.8m	Swung to loss	Dominated by impairment and other non-underlying items
Underlying EPS	15.1p	13.8p	-8.6%	Down	Profit pressure still visible per share despite cash improvement
Dividend per share	8.0p	8.8p	+10.0%	Dividend increased	Signals board confidence, though it sits awkwardly beside a reported loss
Free cash flow	£29.4m	c.£43.0m	+46%	Stronger cash conversion	One of the most important improvements in FY25
Net cash from	£177.9m	not directly quoted in	n/a	Appears strong again in FY25, but the	Avoid over-comparing without

Metric	FY24	FY25	Change	What changed	Why it matters
operating activities, continuing ops		retrieved excerpts		retrieved evidence is stronger on free cash flow than operating cash	the full FY25 cash flow line
Net debt excl leases	-£8.1m	+£10.1m net cash	+£18.2m	Balance sheet strengthened	Important for resilience and capital allocation flexibility
Total net debt incl leases	£315.3m	£261.3m	Improvement £54.0m	Lease-adjusted leverage reduced	Clear balance sheet repair

## Main financial movements and interpretation

### Revenue growth slowed, but gross profit quality improved.

FY24 revenue rose strongly, helped by inflation, share gains and the annualisation of Lodge. In FY25 revenue still rose, but only by 1.1%, with LFL growth down to 2.5%. The more impressive change is that gross margin expanded by 2.2 points to 50.7%, supported by pricing, better buying and FX. That suggests a better quality of earnings mix, even if top-line momentum was modest. Factual change: slower sales growth, better margin. Presentation change: FY25 leans hard into gross margin and cost savings as proof of control. Implication: Halfords is relying more on self-help than market recovery.

### Underlying profit is better than the statutory result suggests, but not as strong as the headline 6.4% growth first appears.

The critical comparability issue is the FY24 tyre warehousing and distribution operation, which was classified as discontinued. Halfords argues that FY24 total operations is the proper comparator for FY25 because outsourced tyre distribution costs remain embedded in the ongoing business. On that basis, underlying PBT improved from £36.1m to £38.4m. On continuing operations only, however, underlying PBT actually fell from £43.1m to £38.4m. Factual change: both statements are true depending on basis. Presentation change: FY25 prominently foregrounds the better total-operations comparison. Implication: investors should be careful not to over-credit underlying progress without noticing the basis shift.

### The biggest negative is the jump in non-underlying charges.

FY25 non-underlying items were **£68.4m**, versus **£4.3m** in FY24 continuing operations. The most important element was **£49.1m impairment of non-current assets**, mainly retail goodwill, driven by a higher discount rate and forecasts reflecting higher Employers' NICs and National Living Wage from FY26. There were also closure-related costs and restructuring costs. Factual change: a huge increase in exceptional charges. Presentation change: the impairment is framed mainly as non-cash and rate-driven. Reasonable additional interpretation: this is not only a discount-rate story. It is also a signal that expected cash generation from parts of retail is less robust after labour cost resets and estate review.

### Cash and balance sheet improved meaningfully.

Free cash flow improved to about **£43.0m** from **£29.4m**, and net cash excluding leases moved

to **£10.1m** from **£8.1m net debt**. Management attributes this to disciplined working capital and cash management. That looks credible and is supported by the balance sheet bridge. This is one of the clearest positives in FY25.

#### **Capex and investing cash outflow rose.**

FY24 continuing investing cash outflow was **£46.2m**. FY25 continuing investing cash outflow rose to **£57.2m**, and property, plant and equipment purchases rose to **£31.9m** from **£21.9m**. That fits with continued investment in Fusion, systems and estate changes. Positive if returns follow, but worth watching given labour cost pressure.

#### **Dividend increased despite a statutory loss.**

FY24 full-year dividend was **8.0p**, down from FY23. FY25 rose to **8.8p**. That signals confidence in cash generation and underlying earnings quality, but it also means the board is asking readers to look through a large statutory loss. That is defensible, but not costless in credibility terms.

#### **Going concern remains comfortable, though the stress language changes.**

FY24 viability disclosure said the business could withstand a sustained sales reduction of **over 19%** and still remain within facilities and covenants. FY25 says sales would need to fall by **more than 12%** before the first covenant is broken in the going concern test, but it also says the group has a **£180m committed RCF** expiring in 2028 and no material uncertainty. These are not directly comparable because FY24 is a three-year viability scenario and FY25 cites a 12-month going-concern covenant test. The disclosure is still supportive overall, but readers should not treat 19% and 12% as like-for-like deterioration.

### **3. KPI movements**

<b>KPI</b>	<b>FY24</b>	<b>FY25</b>	<b>Change</b>	<b>Management explanation</b>	<b>Assessment</b>
Like-for-like sales growth	5.0%	2.5%	-2.5 ppts	Consumer backdrop remained weak	Notable slowdown, but still positive in difficult markets
Gross margin	48.5%	50.7%	+2.2 ppts	Better Buying, pricing, FX	One of the best FY25 indicators, shows execution strength
Underlying EPS	15.1p	13.8p	-1.3p, -8.6%	Lower profit on continuing basis	Negative, and less flattering than the underlying PBT total-ops narrative
Dividend per share	8.0p	8.8p	+0.8p, +10%	Stronger confidence in performance and financial position	Positive signal, but slightly aggressive beside reported loss
Free cash flow	£29.4m	c.£43.0m	+£13.6m, +46%	Working capital discipline, cash management	Highly noteworthy, supports balance-sheet narrative

KPI	FY24	FY25	Change	Management explanation	Assessment
Net debt / EBITDA ratio	1.7x	not retrieved numerically in excerpt	n/a	FY25 narrative says year-end net cash excluding leases	Direction clearly improved even if the exact ratio was not retrieved in the excerpts
Customer NPS	65.5	67.5	+2.0 pts	Better customer delivery across channels	Positive, and consistent with stronger customer proposition
Motoring Club members	3.4m	5.0m	+1.6m, +47%	Strong customer resonance, retention and cross-shop	Strategically very important, arguably one of the biggest improvements in the report
Service-related sales	51% of revenue	still above half, amount shown at £888.6m	increase in amount	Continued strategic pivot to services	Important because it underpins resilience thesis, though the exact FY25 percentage was not clearly retrieved in the KPI excerpt
Colleague engagement	72%	75%	+3 ppts	Broad colleague response, 95% participation	Positive reversal after prior-year decline
Scope 1 and 2 emissions vs FY20 baseline	-24%	-32%	improved vs baseline	New decarbonisation approach, though absolute emissions increased in-year	Mixed, because baseline progress improved but absolute emissions still rose

### KPI view

The most important KPI pattern is that **customer and cash KPIs improved while earnings-per-share weakened**. That usually means management is successfully improving mix, margin and retention, but still operating within a cost-heavy environment. The strongest cluster is Motoring Club growth, NPS, free cash flow and gross margin. The weaker cluster is EPS and, on the continuing basis, underlying PBT.

A second pattern is that FY25 places more emphasis on **operational KPIs that support the services strategy**, such as service-related sales, engagement, safety processes and service jobs, and slightly less emphasis on blue-sky optionality. That is a meaningful narrative choice, not just layout.

## 4. Management narrative and tone

### What changed in tone

FY24's Chair statement is cautious and recovery-oriented. It says market conditions were **"worse than we anticipated"** and looks ahead to **"when markets finally recover."** The message is: the strategy is right, the environment is poor, and Halfords is building a platform for a better period later.

FY25's Chair statement is more self-confident and more control-focused. It calls FY25 **"an excellent result in difficult conditions"**, says the group has an **"even stronger financial position"** and stresses **"controlling the controllables"**, Fusion, data and asset optimisation. The external backdrop is still described as weak, but the centre of gravity shifts from waiting for recovery to executing self-help.

The CEO tone also changes because the CEO changes. Graham Stapleton in FY24 defends strategy with a "resilient performance" framing. Henry Birch in FY25 writes more like a new owner-operator, spending time explaining what attracted him to the business, why the "differentiated ecosystem" matters and why the assets can support "significant growth and value creation". That is more promotional, but also more strategic in an investor-facing sense.

### Shifts in emphasis

#### More prominent in FY25

- Fusion as the core operating model, not just a promising initiative.
- Motoring Club as an economic engine, not just a data and loyalty tool.
- Financial resilience, cash generation and capital discipline.
- Safety, colleague protection and frontline abuse.

#### Less prominent in FY25

- Capital Markets Day framing and medium-term optionality language.
- EV servicing destination and "one-stop shop" opportunity framing. FY24 devoted whole sections to these future growth themes. FY25 is noticeably more grounded in delivery and returns.
- Avayler valuation upside rhetoric. FY24 called it a SaaS business with attractive valuation multiples. FY25 still includes Avayler, but it is less narratively dominant.

### Summary judgement on tone

The later report is **more confident about internal execution, more operationally focused, and more explicit about resilience.** It is also **more candid about serious downside items,** especially safety and impairment. That combination makes the report feel more mature, though the choice to foreground the friendlier total-operations comparator means readers still need to stay alert to framing.

## 5. Directors' report and governance differences

### Substantive disclosure changes

- **CEO succession became the key governance event.** FY25 records Graham Stapleton stepping down and Henry Birch taking over from 15 April 2025. That is the most important board-level change.
- **Health and safety became a new principal risk in FY25.** That is a substantive governance change, not just drafting. It sits alongside the new dedicated Health and Safety section and the disclosure of two colleague fatalities.
- **Going concern and viability remain supportive, but FY25 is more explicit about Autumn Budget labour costs.** FY25 says the assessment included the impact of NIC and wage changes. That is a real governance and forecasting change because it explicitly links policy decisions to solvency headroom testing.
- **Capital allocation became more visibly backed by cash strength.** FY24 defended a reduced dividend. FY25 raises the dividend and stresses a stronger financial position and net cash excluding leases. That is both a financial and governance signal.

### Structural or drafting changes

- FY25 has a **shorter, more focused structure**, including standalone **People of Halfords** and **Health and Safety** sections. That elevates workforce and operational risk visibility. FY24 had a broader, more thematic layout around “Unique”, “Digital and data-enabled” and “Future”.
- FY25’s governance presentation feels more integrated with operating reality. Committees remain broadly similar, but the narrative around executive committees, finance governance and disclosure governance is more explicit in the retrieved excerpts.

### Possible implications

- The governance regime appears to be adapting to a more complex services and fleet business, where **operational safety, labour, compliance and outsourcing dependencies** matter more than they did when Halfords was more retail-led.
- The FY25 impairment and estate review suggest management and the board have reset assumptions around parts of the retail estate. That is not a governance failure, but it does imply a more sober view of future cash generation.

### 6. Other notable differences

- **Reporting perimeter and comparability remain awkward because of FY24 discontinued operations.** This is one of the most important technical issues in the whole comparison. Readers need to distinguish carefully between continuing-ops comparison and total-ops comparison.
- **Estate mix changed.** Retail stores fell from **387** to **375** total locations if the FY25 breakdown of 373 Halfords Retail plus 2 Performance Cycling stores is used. Autocentres/commercial locations fell from **639** to **632**. Vans rose from **768** to **784**. That supports the idea of active estate optimisation rather than simple footprint growth.
- **FY25 impairment is concentrated in retail goodwill.** That matters because it hints that the retail leg of the group, while profitable, is where valuation optimism has reduced most sharply.

- **Supply chain risk disclosure broadened materially.** FY25 includes tariffs, climate events, ageing distribution infrastructure and third-party logistics failure. FY24 already referenced Viking closure, Bond outsourcing, FX hedging and cost reduction, but FY25 feels broader and more stressed.
- **Colleague safety and frontline abuse are much more prominent.** Body-worn cameras appear in the Chair’s statement and risk disclosure. This is a material change in narrative emphasis and operational reality.
- **CRM and data disclosure changed in nature.** FY24 highlighted **18.3m vehicle registration numbers** and **45m vehicle records checked**, whereas FY25 highlights **c.12m vehicle contact records** and Motoring Club monetisation. Those are not like-for-like measures, so any simple data-asset comparison would be unsafe.

## 7. Red flags and points for follow-up

### 1. Large goodwill and asset impairment in FY25

Evidence: FY25 non-underlying items were £68.4m, including £49.1m impairment, mainly retail goodwill.

Why it matters: It may indicate a structural reset in retail return expectations, not just a technical discount-rate move.

Follow-up question: **How much of the impairment would remain if discount rates were unchanged and only the updated wage and NIC assumptions were applied?**

### 2. Underlying profit improvement depends on management’s chosen comparator

Evidence: FY25 underlying PBT is up 6.4% on FY24 total operations, but down 10.9% versus FY24 continuing operations.

Why it matters: The strategic progress is real, but presentation choice affects perceived momentum.

Follow-up question: **What is management’s best estimate of FY25 profit growth on a fully normalised apples-to-apples basis after adjusting for outsourced tyre distribution economics?**

### 3. Autocentres continuing EBIT fell in FY25

Evidence: Continuing underlying EBIT in Autocentres dropped from £20.8m to £15.7m.

Why it matters: This complicates the simple “garage strategy is powering ahead” message.

Follow-up question: **How much of the Autocentres EBIT decline was due to outsourcing-related comparability, labour inflation, incentive reinstatement and mix?**

### 4. Two colleague fatalities and a new principal risk on safety

Evidence: FY25 explicitly states two colleagues died in Commercial Fleet Services and introduces health and safety as a new principal risk.

Why it matters: This is a major operational and governance issue.

Follow-up question: **What specific operational changes, accountability measures and timeline has the board set in response to these incidents?**

### 5. Dividend increased despite a reported loss

Evidence: Dividend rose from 8.0p to 8.8p while reported PBT moved to a £30.0m loss.

Why it matters: It suggests confidence, but also a willingness to ask investors to ignore

statutory earnings.

Follow-up question: **What payout logic did the board use, and how does it reconcile dividend growth with the impairment-led statutory loss?**

6. **Retail profitability still looks more fragile than the tone suggests**

Evidence: FY25 retail underlying EBIT was still slightly below FY24, despite margin improvement and cost savings, because wage inflation and incentive reinstatement offset gains.

Why it matters: Retail is still a large part of the group and is where the impairment landed.

Follow-up question: **What are the hurdle rates and payback assumptions for retail-space relays, store renewals and Fusion-linked retail investment?**

7. **Stress-test language is supportive, but not directly comparable year to year**

Evidence: FY24 viability cites over 19% sales downside tolerance, while FY25 going concern cites over 12% decline before first covenant breach.

Why it matters: A casual reader might misread this as deterioration or improvement without understanding the different bases.

Follow-up question: **Can management provide a like-for-like bridge between the FY24 and FY25 downside assumptions, including time horizon and covenant definitions?**

## 8. Overall assessment

The **most meaningful differences** between the two reports are:

1. Comparable underlying performance improved, but statutory performance collapsed because of very large FY25 non-underlying charges.
2. Cash generation and balance sheet strength improved materially.
3. Gross margin strengthened sharply, showing good commercial control.
4. Fusion moved from pilot idea to the core engine of the operating model.
5. Motoring Club became much more economically meaningful.
6. FY25 became more operationally focused and more self-help oriented in tone.
7. FY25 added a new principal risk on health and safety and disclosed two fatalities.
8. CEO leadership changed from Graham Stapleton to Henry Birch.
9. Retail appears to be carrying more impairment risk than the upbeat strategic tone alone might imply.
10. The FY24 discontinued-operations issue remains central to understanding comparability.

### **Does the later report suggest improving health, deteriorating health or a mixed picture?**

Overall, it suggests a **mixed but improving operational picture**. Cash, margin, customer KPIs and strategic execution improved. Statutory profit quality deteriorated badly because management reset asset values and acknowledged higher future labour costs. A sophisticated

reader would likely conclude that the business is **operationally stronger but not yet cleanly through its structural and cost challenges.**

**Is the management narrative more credible, less credible or unchanged?**

Slightly **more credible overall**, because FY25 is more grounded in operational execution and more candid on serious issues like safety and impairment. But credibility is tempered by the heavy use of the more flattering total-operations comparator.

**What would a sophisticated reader be most likely to notice?**

They would notice the tension between three things: **better cash and customer metrics, a large impairment-driven statutory loss, and a management team still presenting strategic progress with confidence.** That tension is the central analytical point of the comparison.

**Potentially overlooked changes**

- FY25's report architecture is materially different, with less "storytelling around future adjacency" and more emphasis on execution, safety and finance.
- FY25 says Fusion sites achieve **double site-level profitability** on average and target payback in about **2 years**, which is much stronger language than FY24's "excellent financial results" in trial towns.
- FY25 says over **80% of service events** take place in retail stores, highlighting how important retail remains to the services model even as garages dominate the narrative.
- FY25 raises visibility on workforce abuse and uses body-worn cameras, which speaks to a harsher frontline operating environment.
- FY25 introduces a **Salesforce CRM upgrade** as a next step, suggesting the data agenda is shifting from data accumulation to activation and personalisation.
- FY24's investor case leaned harder on **EV servicing** and **Avayler as a SaaS opportunity**. FY25 de-emphasises both, which may indicate a more disciplined focus on nearer-term returns.