

next

JULY 2019



Income Statement

next

£m	July 2019	July 2018	Brand Full Price + 4.3%	Estimate at Jan 2019 + 1.7%
Total sales	<u>2,059</u>	<u>1,986</u>	+ 3.7%	
Operating profit	341	330	+ 3.1%	
Interest	<u>(21)</u>	<u>(19)</u>		
Profit before tax	320	311	+ 2.7%	
Taxation	<u>(59)</u>	<u>(57)</u>		
Profit after tax	<u>261</u>	<u>254</u>		
EPS (underlying)	199.5p	185.6p	+ 7.5%	
Ordinary dividends per share	57.5p	55.0p	+ 4.5%	

The financial information presented excludes IFRS 16

£m	July 2019	July 2018	Change in cash
Profit before tax	320	311	
Depreciation / disposals	61	62	
Capital expenditure	(65)	(58)	
Working capital / other	(28)	(75)	+ 47
Tax paid	(70)	(69)	
ESOT	(35)	(31)	
Cash flow before distribution	<u>183</u>	<u>140</u>	+ 43

£m

July 2019

July 2018

Capital expenditure

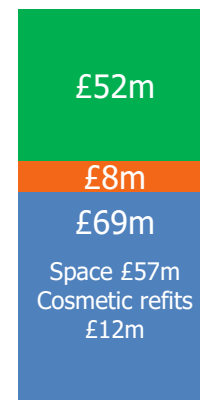
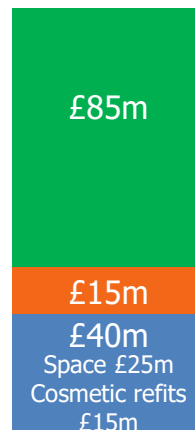
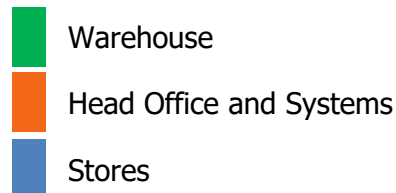
(65)

(58)

Full year view

Jan 2020^(e)
£140m

Jan 2019
£129m



£m	July 2019	July 2018	
Profit before tax	320	311	
Depreciation / disposals	61	62	
Capital expenditure	(65)	(58)	
Working capital / other	(28)	(75)	
Tax paid	(70)	(69)	
ESOT	(35)	(31)	Average Price
Buybacks	(280)	(275)	£55.59
Net cash flow	<u>(97)</u>	<u>(135)</u>	

Balance Sheet

next

£m	July 2019	July 2018	
Fixed assets and investments	575	561	<i>Eid timing</i> + 3%
Goodwill and intangibles	45	43	<i>Fabled stock</i> + 1%
Stock	584	543	<i>Underlying</i> + 4%
Debtors / receivables	1,309	1,282	+ 7.6%
Creditors / derivatives	(914)	(901)	
Dividends payable	(140)	(142)	
Pension surplus	142	163	
Net debt	<u>(1,193)</u>	<u>(1,137)</u>	
Net assets	<u>408</u>	<u>412</u>	

The financial information presented excludes IFRS 16

Balance Sheet

next

£m	July 2019	July 2018	
Fixed assets and investments	575	561	
Goodwill and intangibles	45	43	
Stock	584	543	
Debtors / receivables	1,309	1,282	+ £27m

Online
receivables

July 2019
£1,186m

+ 4%

July 2018
£1,142m

+ £44m

Credit sales

July 2019

+ 4%

July 2018

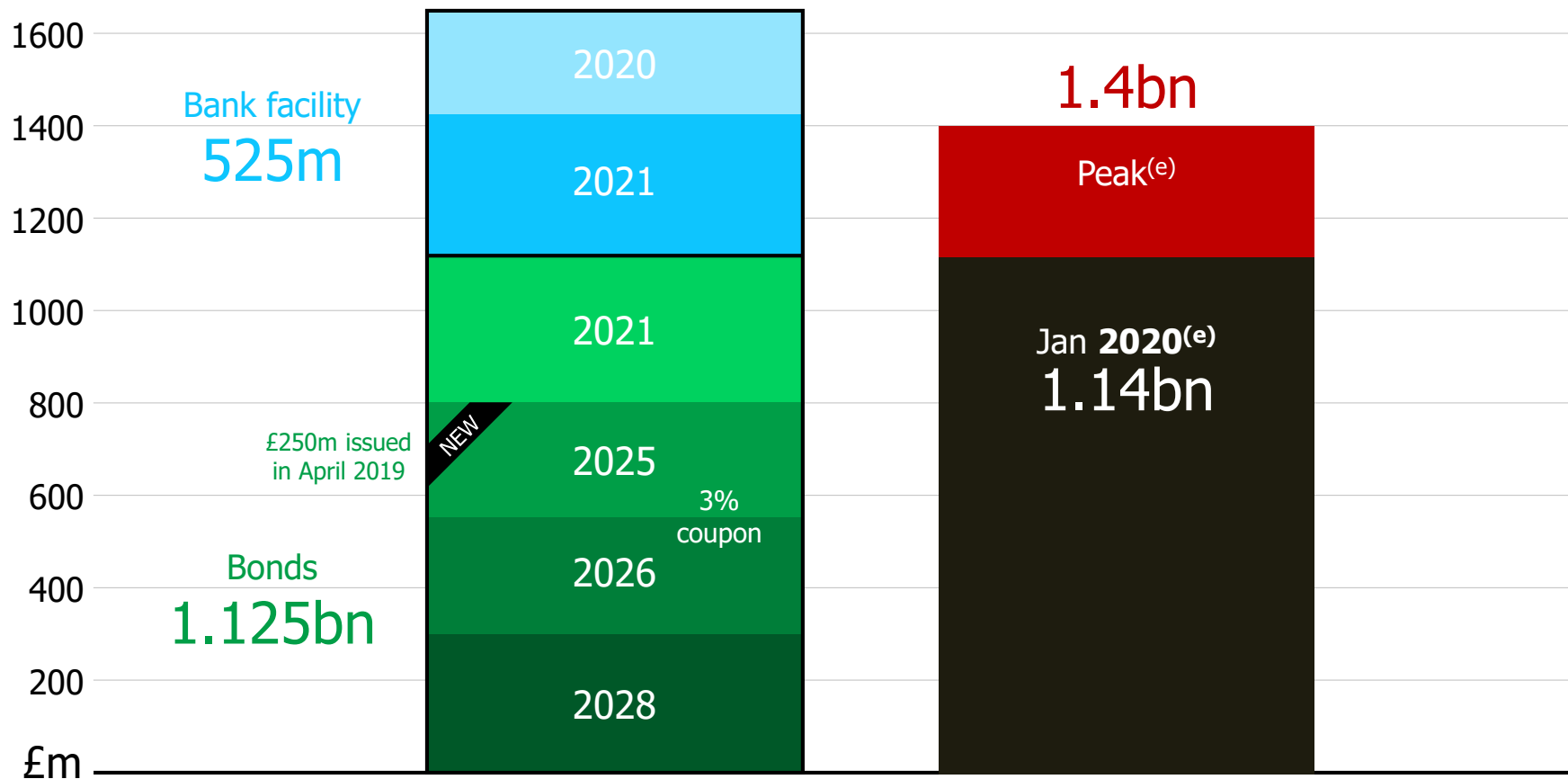
Balance Sheet

next

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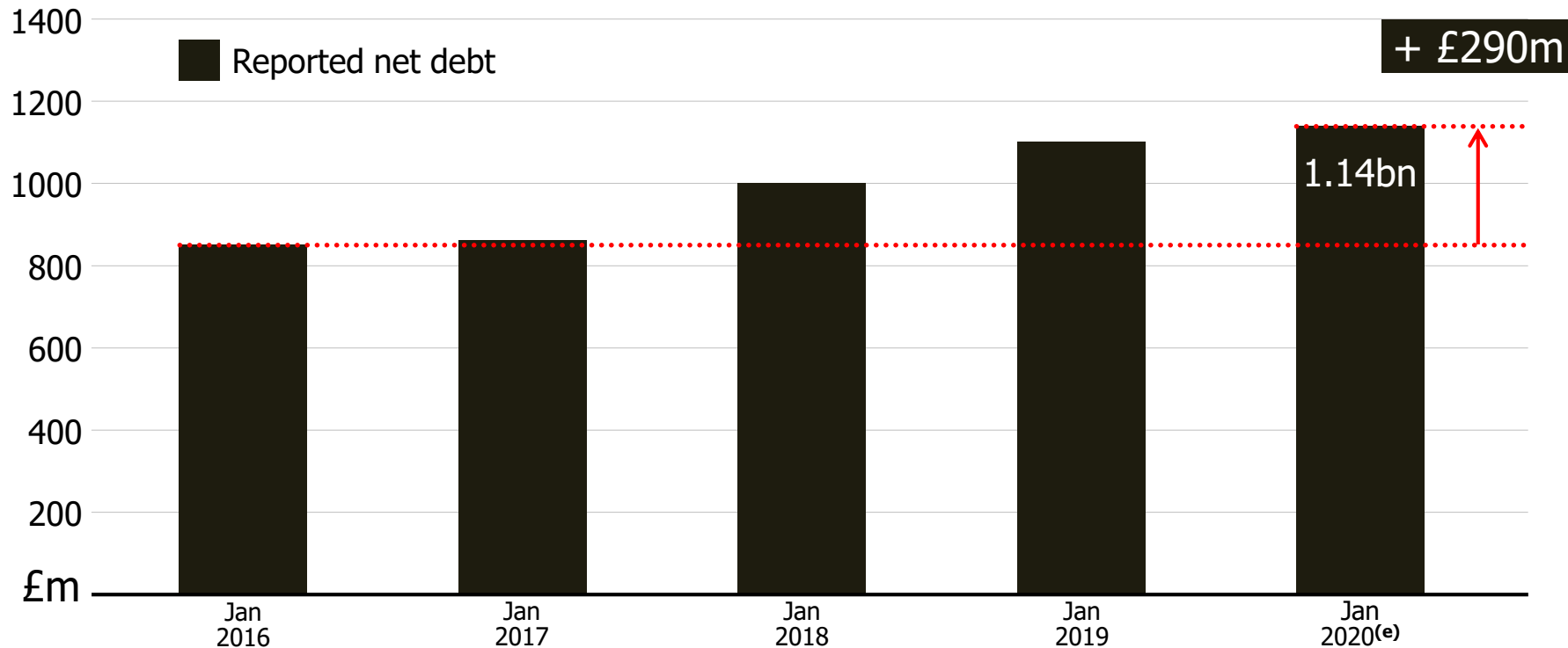
Funding Requirements

next



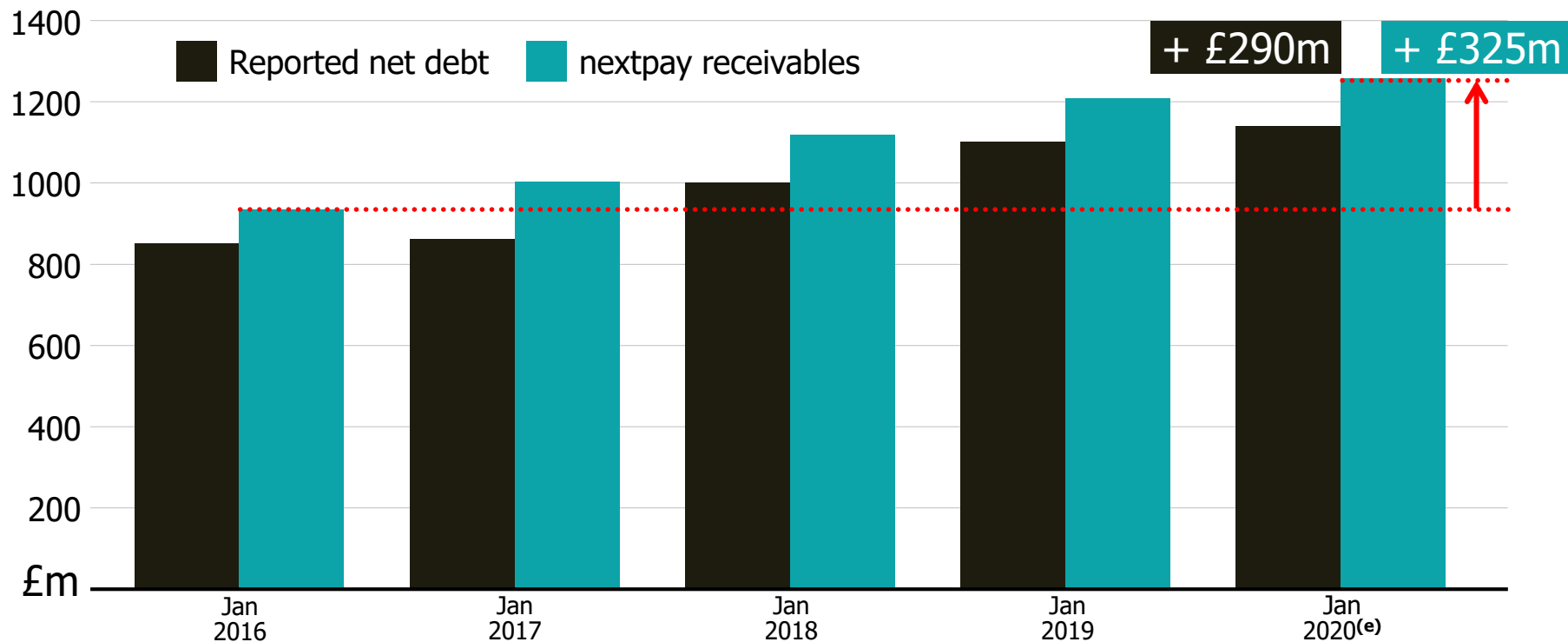
Reported Net Debt

next



Reported Net Debt & nextpay Receivables

next

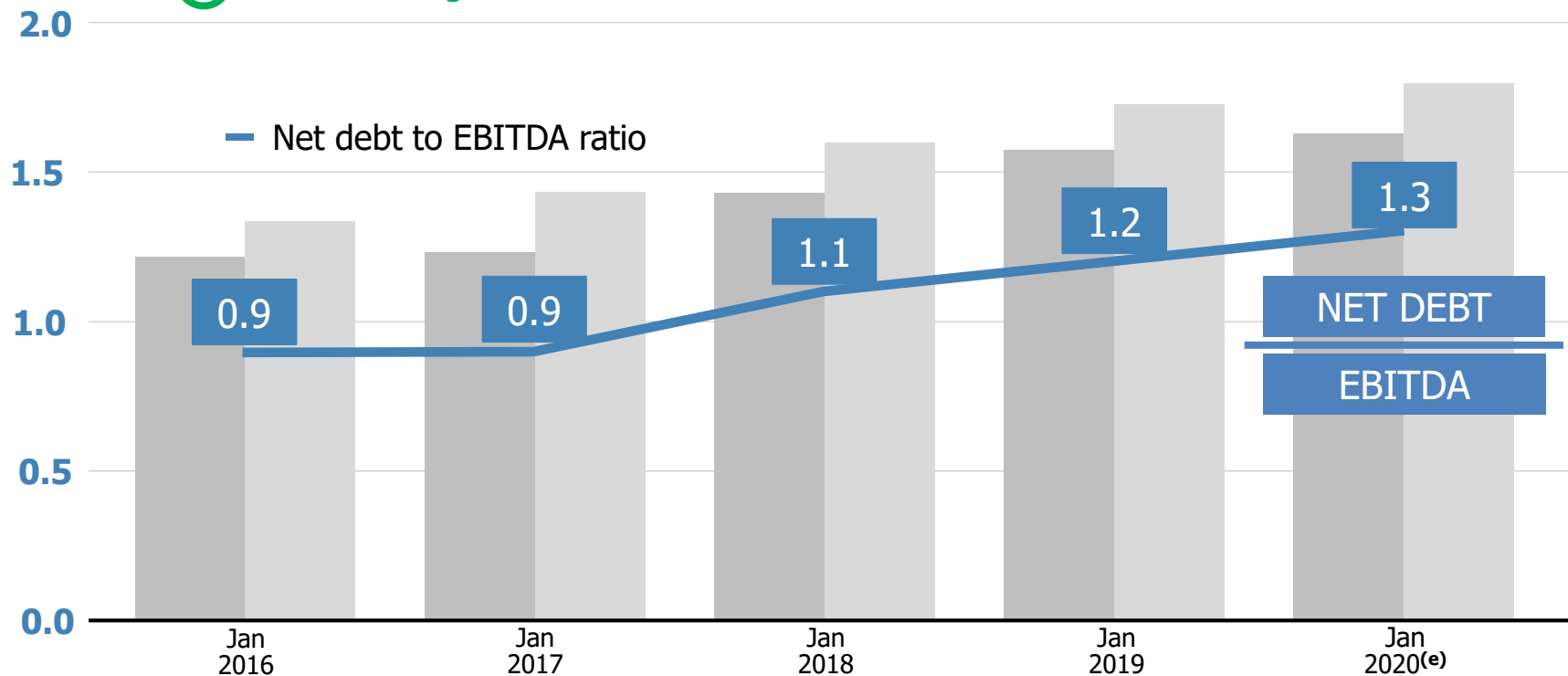


Reported Net Debt & EBITDA

next



Investment grade



Reported Net Debt, Lease Debt & EBITDAR Ratio

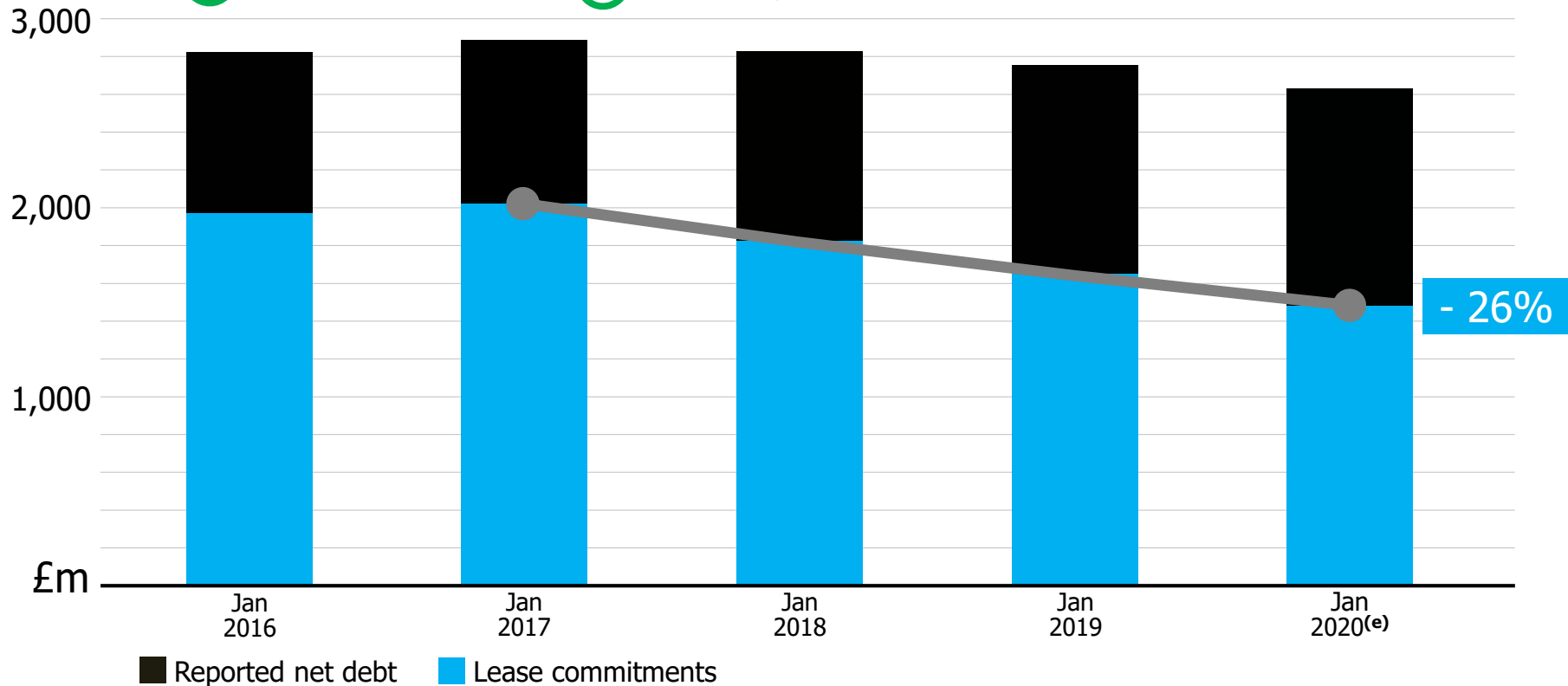
next



Investment grade



Declining lease commitment



Reported Net Debt, Lease Debt & EBITDAR Ratio

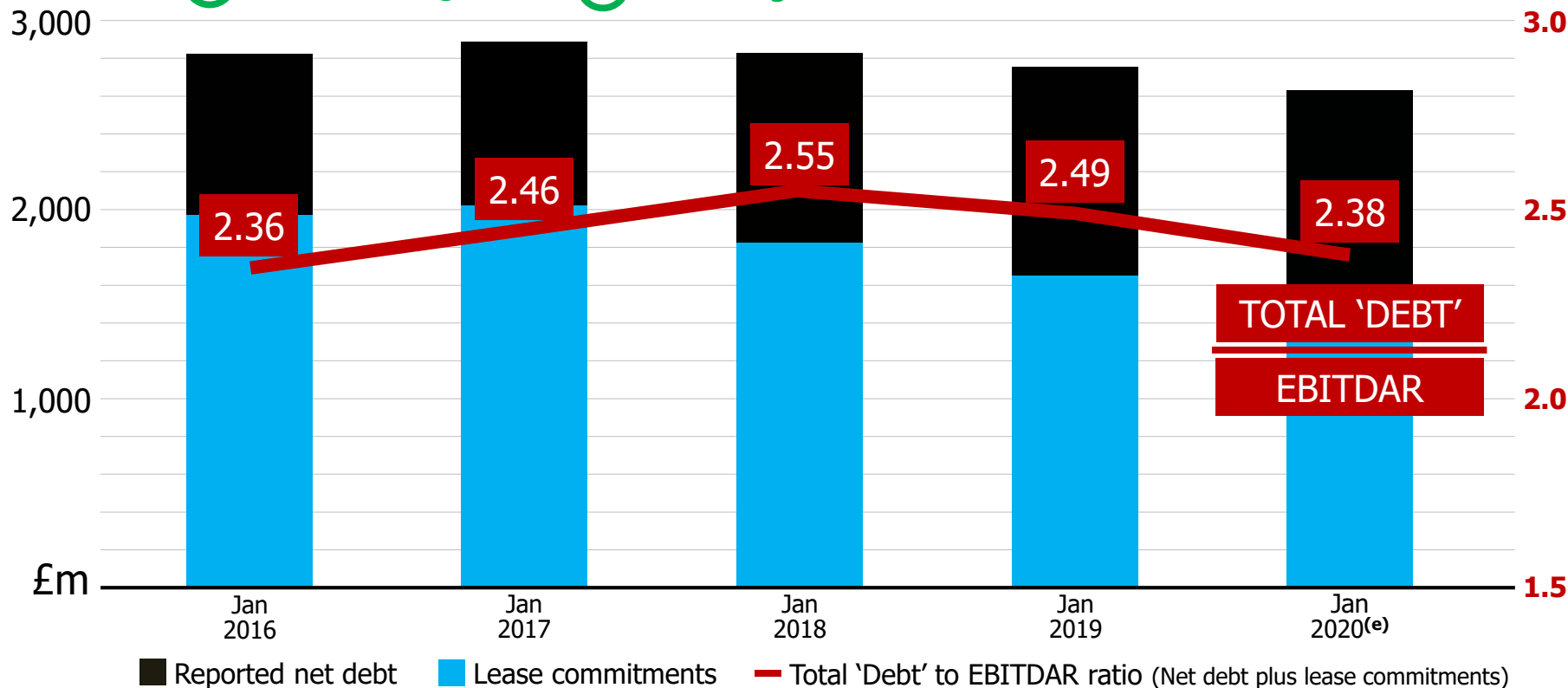
next



Investment grade



Declining lease commitment



Debt to Equity Yield Ratio (FTSE 100)

next



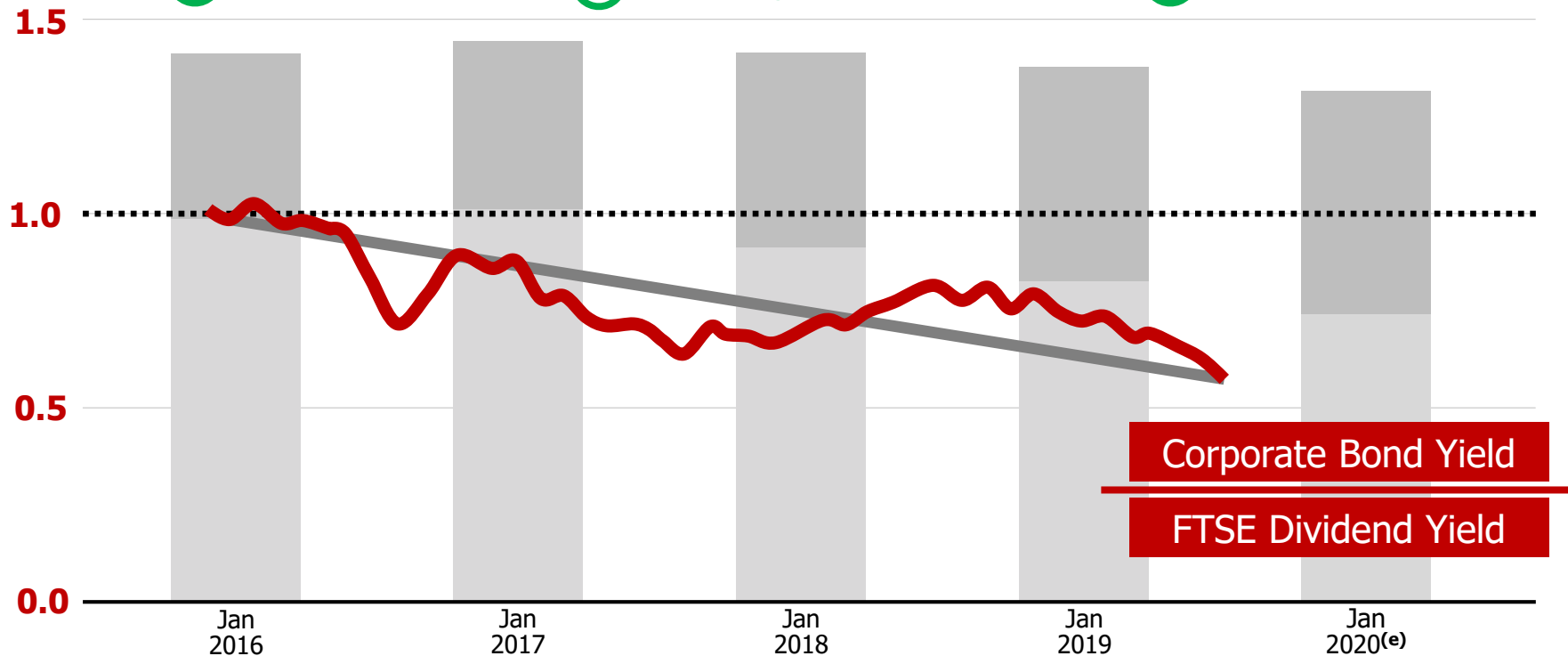
Investment grade



Declining lease commitment



Cheaper debt



Source: Refinitiv datastream – FTSE Dividend Yield (FTSE 100 Dividend Yield), Corporate Bond Yield (iBoxx BBB 5-10 year Corporate Bond Yield)

Debt to Equity Yield Ratio (FTSE 100)

next



Investment grade



Declining lease commitment



Cheaper debt



Source: Refinitiv datastream – FTSE Dividend Yield (FTSE 100 Dividend Yield), Corporate Bond Yield (iBoxx BBB 5-10 year Corporate Bond Yield)

How should we fund consumer receivables?

£1
growth in
consumer
receivables

funded
by

85p debt
15p equity

Subject to profit performance

A blue-tinted photograph of a modern building facade with large glass windows and the word 'next' repeated in a sans-serif font across different levels. The image serves as a background for the text.

next

Divisional Analysis

Online

Retail

Finance

Divisional Analysis

Online



Online : Sales Analysis

next

£m	July 2019	July 2018		Full Price
Total sales	1,005	892	+ 12.6%	+ 11.9%
Operating profit	177	163		



Full price sales analysis

	Increase on last year	
NEXT Brand UK	+ £17m	+ 4%
LABEL *	+ £41m	+ 26%
UK total	+ £58m	+ 9%

* Now includes longstanding third-party brands sold in our Home division, historically reported within NEXT

Online : Sales Analysis

next

£m	July 2019	July 2018		Full Price
Total sales	1,005	892	+ 12.6%	+ 11.9%
Operating profit	177	163		



Full price sales analysis

Increase on last year

UK total	+ £58m	+ 9%
Overseas	+ £36m	+ 21%
Total	<u>+ £94m</u>	<u>+ 12%</u>

Online : Sales Analysis

next

£m	July 2019	July 2018		Full Price
Total sales	1,005	892	+ 12.6%	+ 11.9%
Operating profit	177	163		



Customer growth

	Full price sales	Average customers
UK total	+ 9%	+ 11%
Overseas	+ 21%	+ 25%
Total	<u>+ 12%</u>	<u>+ 14%</u>

Online : Sales Analysis

next

£m	July 2019	July 2018		Full Price
Total sales	1,005	892	+ 12.6%	+ 11.9%
Operating profit	177	163		




Customer growth

	Full price sales	Average customers
UK credit	+ 5%	+ 2%
UK cash	+ 30%	+ 25%
UK total	<u>+ 9%</u>	<u>+ 11%</u>

Online : Profit Analysis

next



£m	July 2019	July 2018		Full Price
Total sales	1,005	892	+ 12.6%	+ 11.9%
Operating profit	177	163	+ 8.4%	
% to sales	17.6%	18.3%		

Margin movement


Bought-in gross margin - 0.1%

Markdown - 0.1%

Achieved gross margin - 0.2%

Online : Profit Analysis

next



£m	July 2019	July 2018		Full Price
Total sales	1,005	892	+ 12.6%	+ 11.9%
Operating profit	177	163	+ 8.4%	
% to sales	17.6%	18.3%		

Achieved gross margin	- 0.2%
Warehouse & distribution	- 0.9%
Catalogues & photography	+ 1.2%
Marketing & systems	- 1.0%
Central costs	+ 0.2%
Margin movement	<u>- 0.7%</u>

Warehouse & distribution

International	- 0.4%
Capacity & ASP*	- 0.3%
Cost of living	- 0.2%

* ASP – average selling price

Divisional Analysis

Retail



Retail : Profit Analysis

next



£m	July 2019	July 2018		Full Price
Total sales	874	925	- 5.5%	- 3.9%
Operating profit	56	73	- 23.5%	
% to sales	6.4%	7.9%		

Margin movement

Bought-in gross margin	+ 0.2%
Markdown	0.0%
Stock loss	- 0.1%
Achieved gross margin	<u>+ 0.1%</u>

Retail : Profit Analysis

next



£m	July 2019	July 2018		Full Price
Total sales	874	925	- 5.5%	- 3.9%
Operating profit	56	73	- 23.5%	
% to sales	6.4%	7.9%		
Achieved gross margin	+ 0.1%			
Store payroll	0.0%			
Store occupancy	- 1.2%			
Warehousing & distribution	- 0.4%			
Margin movement	<u>- 1.5%</u>			

Retail : Space

next



Full price sales from new space + 1.0%

Changes in store sq. ft. as at Jan 2020^(e)

	No. of stores	<i>Sq. ft.</i>
Mainline relocations	10	+ 260k
Mainline closures	(6)	(140k)
Clearance stores	(2)	(20k)
		<hr/>
		+ 100k

Observed transfer of trade 25%



2020 rent negotiations

Full year estimate

Stores	37
Average rent reduction*	- 28%
Term	4.2 years
Average profit	26%

* Includes amortisation of unspent capital contributions or rent free periods over the lease length

Retail : Space

next



Sheffield relocation

The Moor



Rent ~~100~~ 60 (after concessions)

Fargate



Rent 100 (indexed)

Divisional Analysis

NEXT Finance



NEXT Finance : Sales & Profit Analysis

next

£m

July 2019 July 2018

Interest income

134

122

+ 9.9%

Bad debt

(19)

(26)

Avg. receivables
balance + 5.2%

Overheads

(21)

(18)

1% APR
increase + 4.7%

Cost of funding

(18)

(17)

Profit

76

61

NEXT Finance : Sales & Profit Analysis

next



£m	July 2019	July 2018	
Interest income	134	122	+ 9.9%
Bad debt	(19)	(26)	- 25.9%


Prior year provision growth (£3m)

Improved recovery of defaulted debt (£4m)

Decrease in bad debt charge (£7m)

NEXT Finance : Sales & Profit Analysis

next



£m	July 2019	July 2018	
Interest income	134	122	+ 9.9%
Bad debt	(19)	(26)	- 25.9%
Overheads	(21)	(18)	
Cost of funding	(18)	(17)	
Profit	76	61	+ 24.6%
Annual return on capital employed*	15.3%	14.2%	

** Figures exclude cost of funding and are for the year to Jan 2020^(e) and Jan 2019*



 Insights

NEXT Finance

Customer maturity

Risk profile

Customer growth



Customer maturity

Risk profile

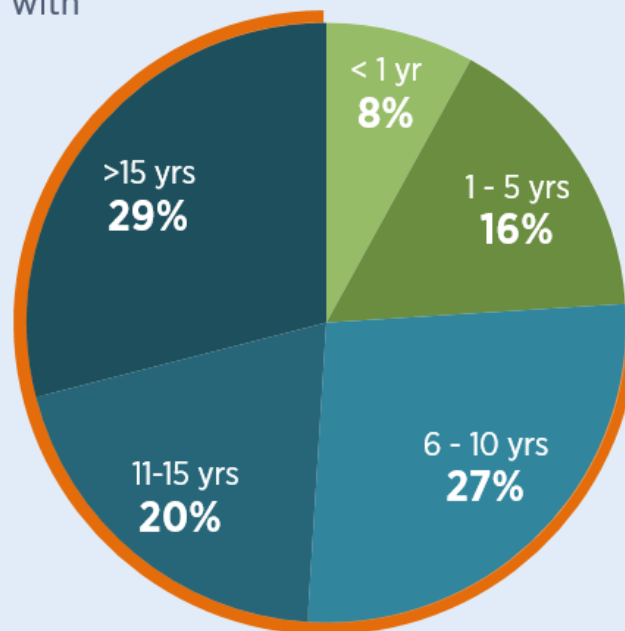
Customer growth

Customer Maturity Profile

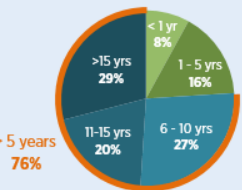
% of customers by length of trading

No. of years traded with
a next**pay** account

> 5 years
76%



Customers who shopped with us in the 12 months to July 2019



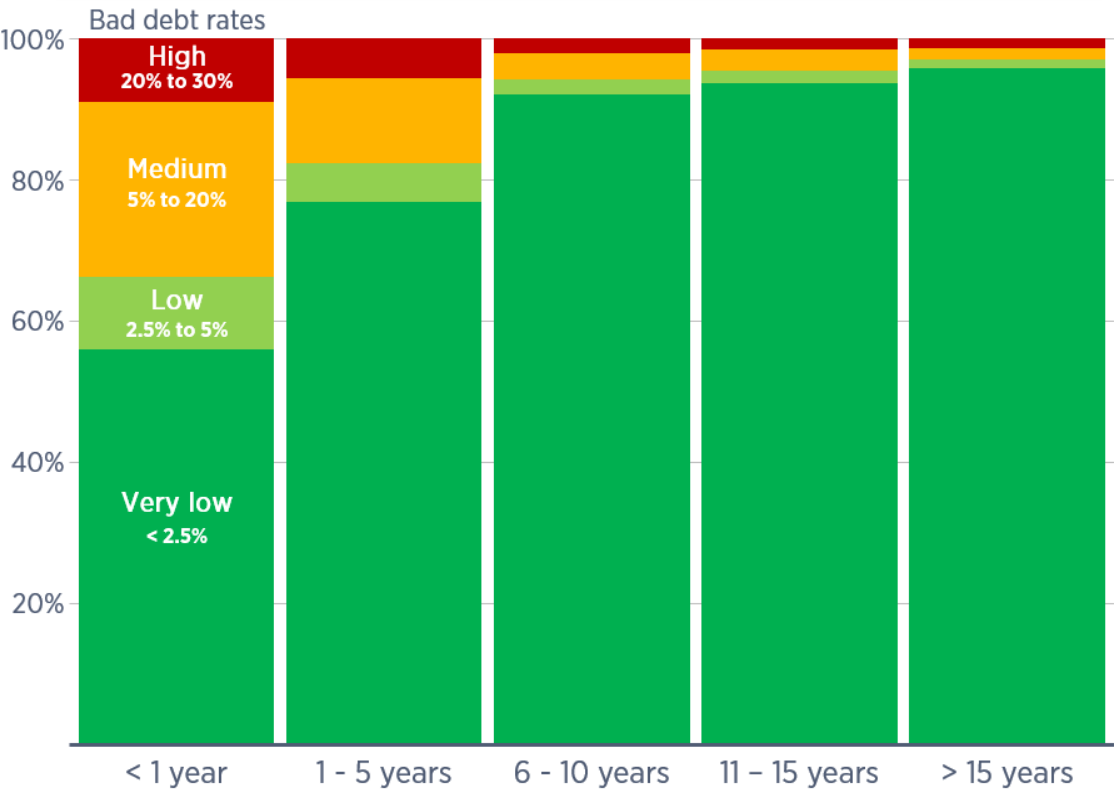
Customer maturity

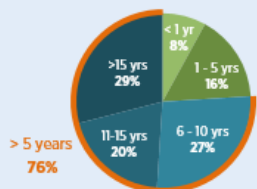
Risk profile

Customer growth

Customer Risk Profile

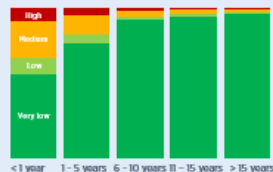
Delphi risk banding at July 2019





Customer maturity

Customer %

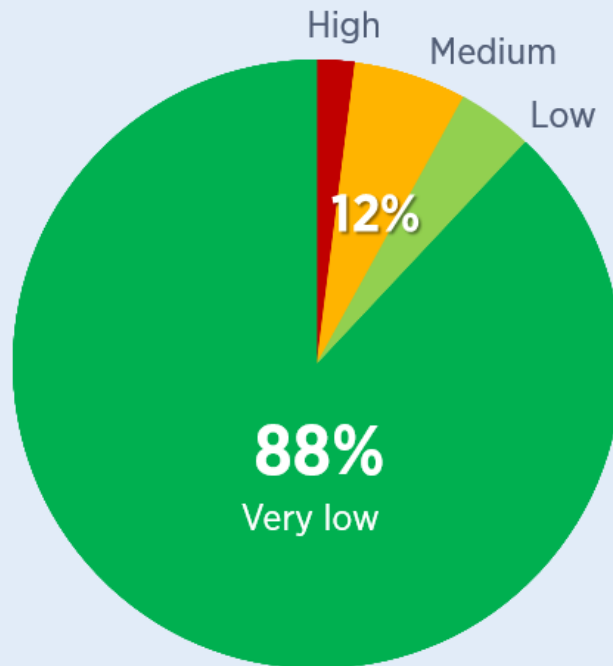


Risk profile

Customer growth

Sales Risk Profile

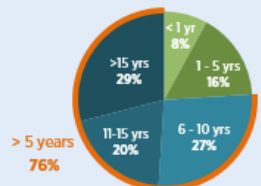
Delphi risk banding at July 2019



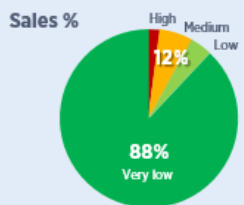
Customers who shopped with us in the 12 months to July 2019

Delphi risk scoring provided by Experian

NEXT Finance



Customer maturity

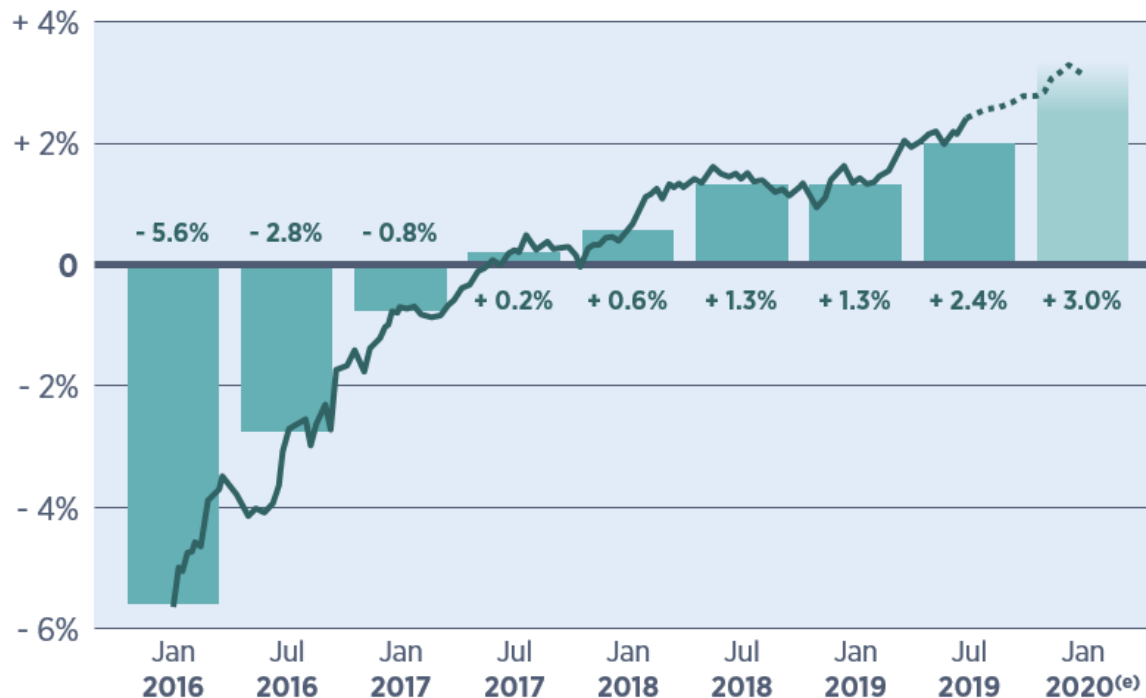


Risk profile

Customer growth

Customer Growth

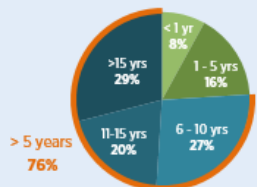
Annual change % UK active credit customers
Jan 2016 to Jan 2020^(e)



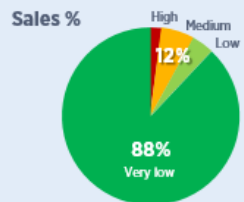
Customers who shopped with us in the 12 months to July 2019

Delphi risk scoring provided by Experian

NEXT Finance



Customer maturity

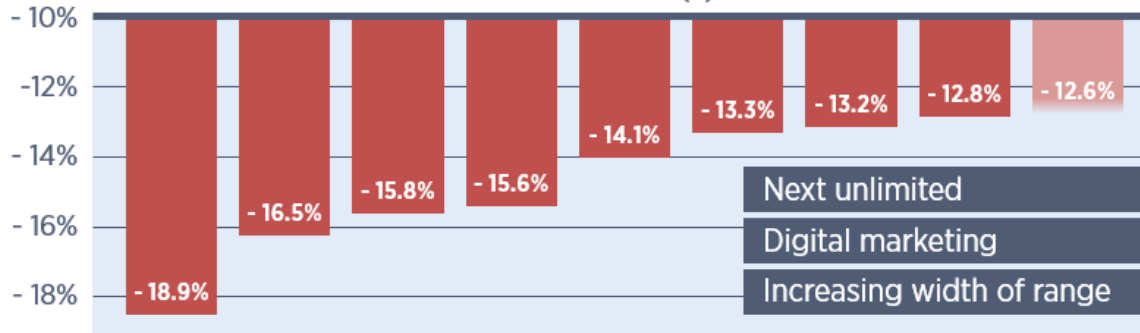


Risk profile

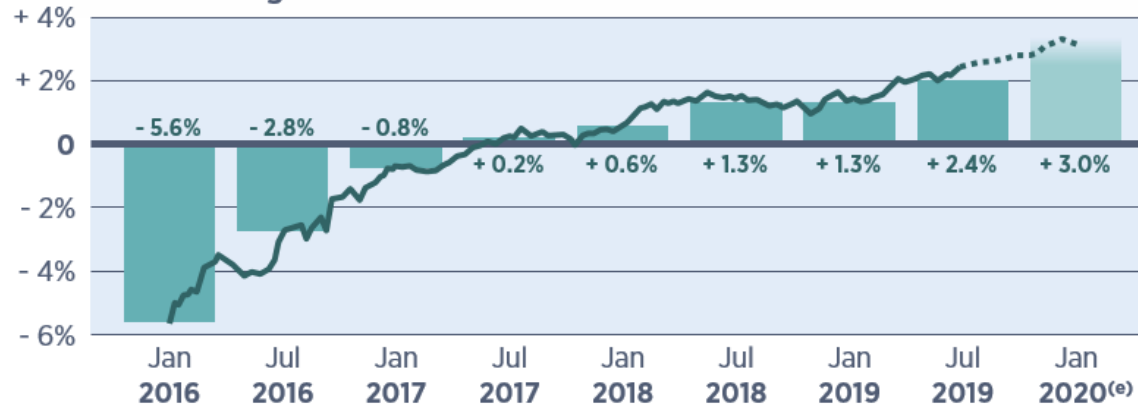
Customer growth

Customer Growth

Customer attrition rate Jan 2016 to Jan 2020(e)



Annual change % UK active credit customers Jan 2016 to Jan 2020(e)



Customers who shopped with us in the 12 months to July 2019

Delphi risk scoring provided by Experian

Why is so much business going online?



HOME DELIVERY?

Order by midnight

Try before you buy

Easy returns

but...

50% of orders via stores



PRICE?

£3.99 delivery charge

Why is so much business going online?



HOME DELIVERY?



PRICE?

CHOICE?

next

THE
POWER
OF
CHOICE



Small store

Newark



Large store

Manchester Arndale



Own brand

NEXT Online



Aggregator

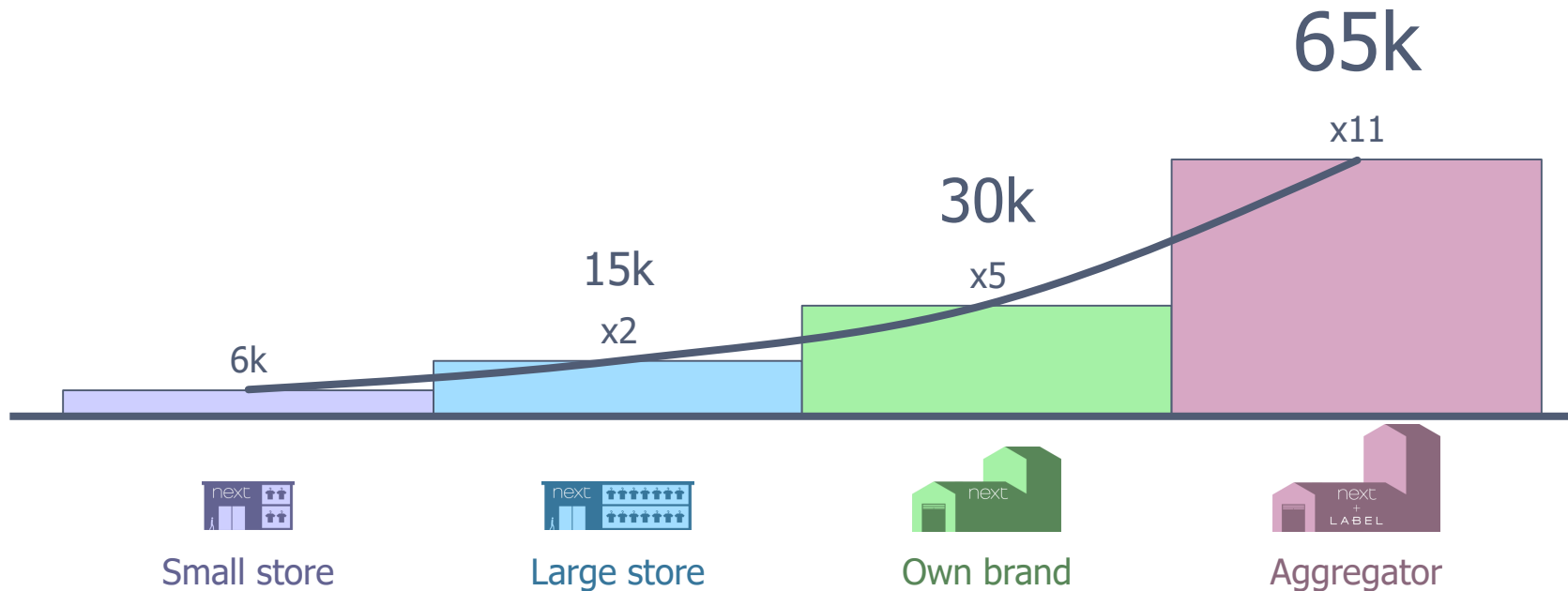
NEXT & LABEL Online

next

THE
POWER
OF

CHOICE

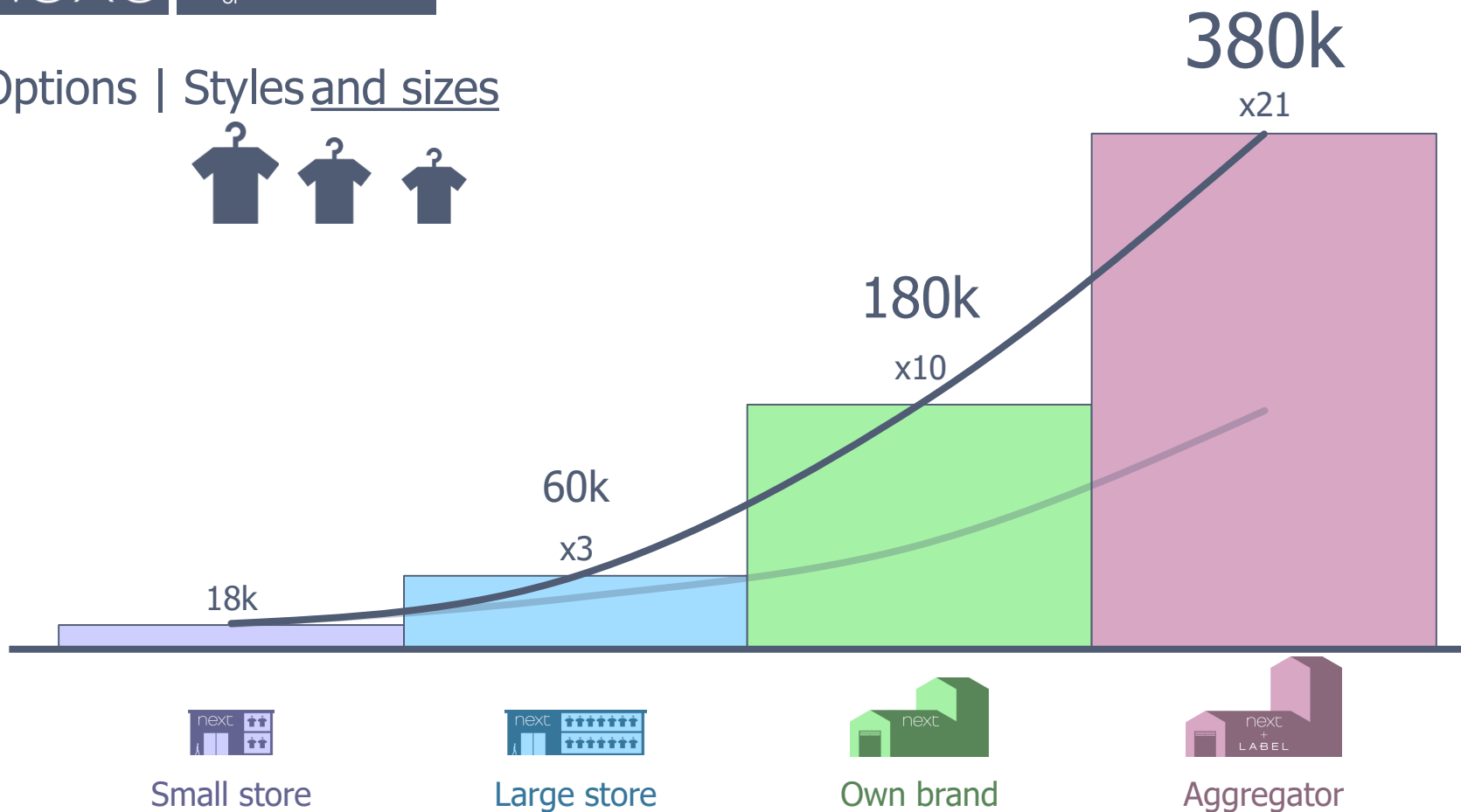
Options | Styles



next

THE
POWER
OF
CHOICE

Options | Styles and sizes



Small store



Large store



Own brand



Aggregator

next

THE
POWER
OF
CHOICE

Options | Styles and sizes

50 styles
in 10 sizes

5 styles
in 5 sizes

7, 8, 9, 10 & 11



Small store



Large store



Own brand

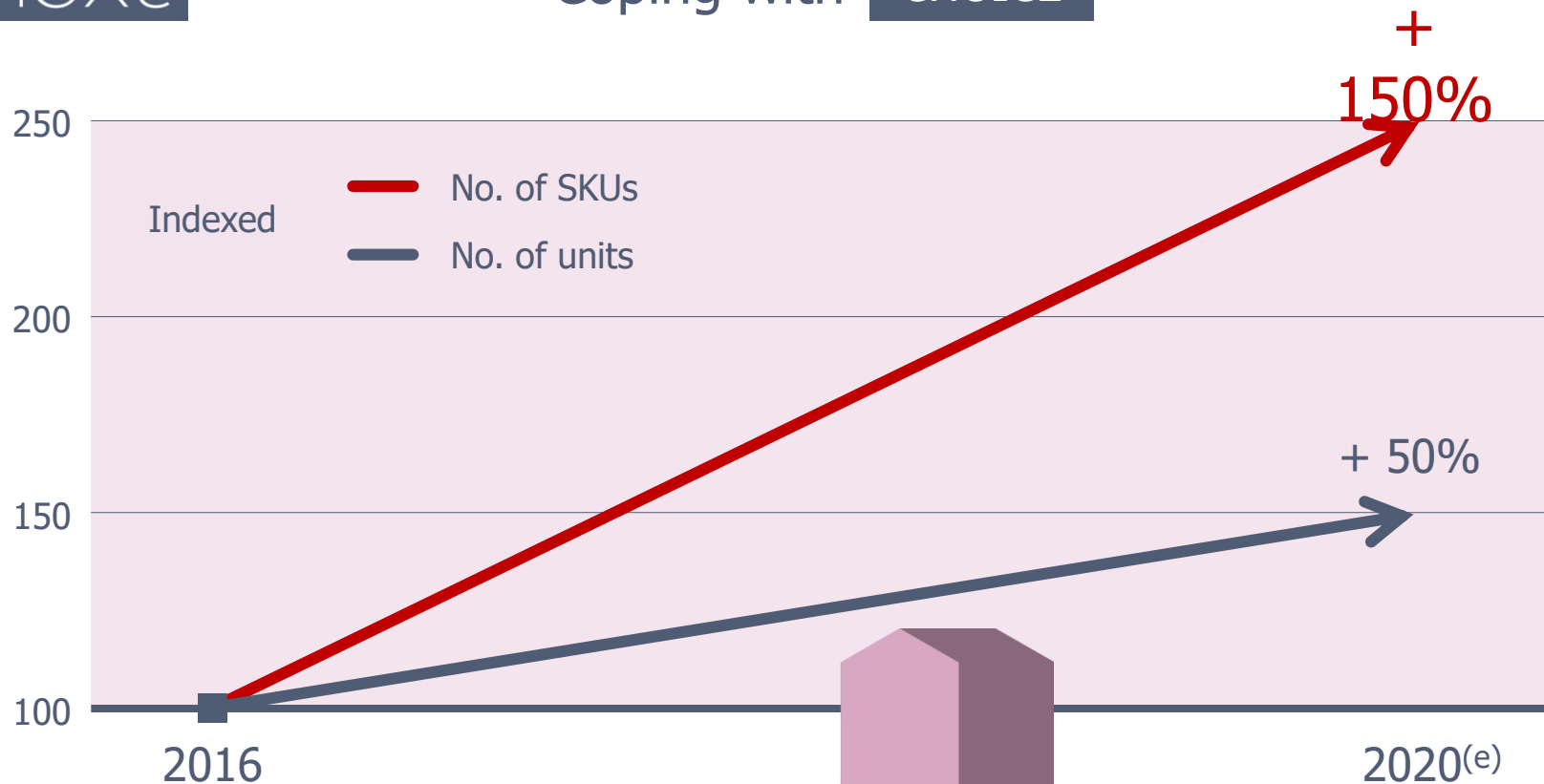


Aggregator

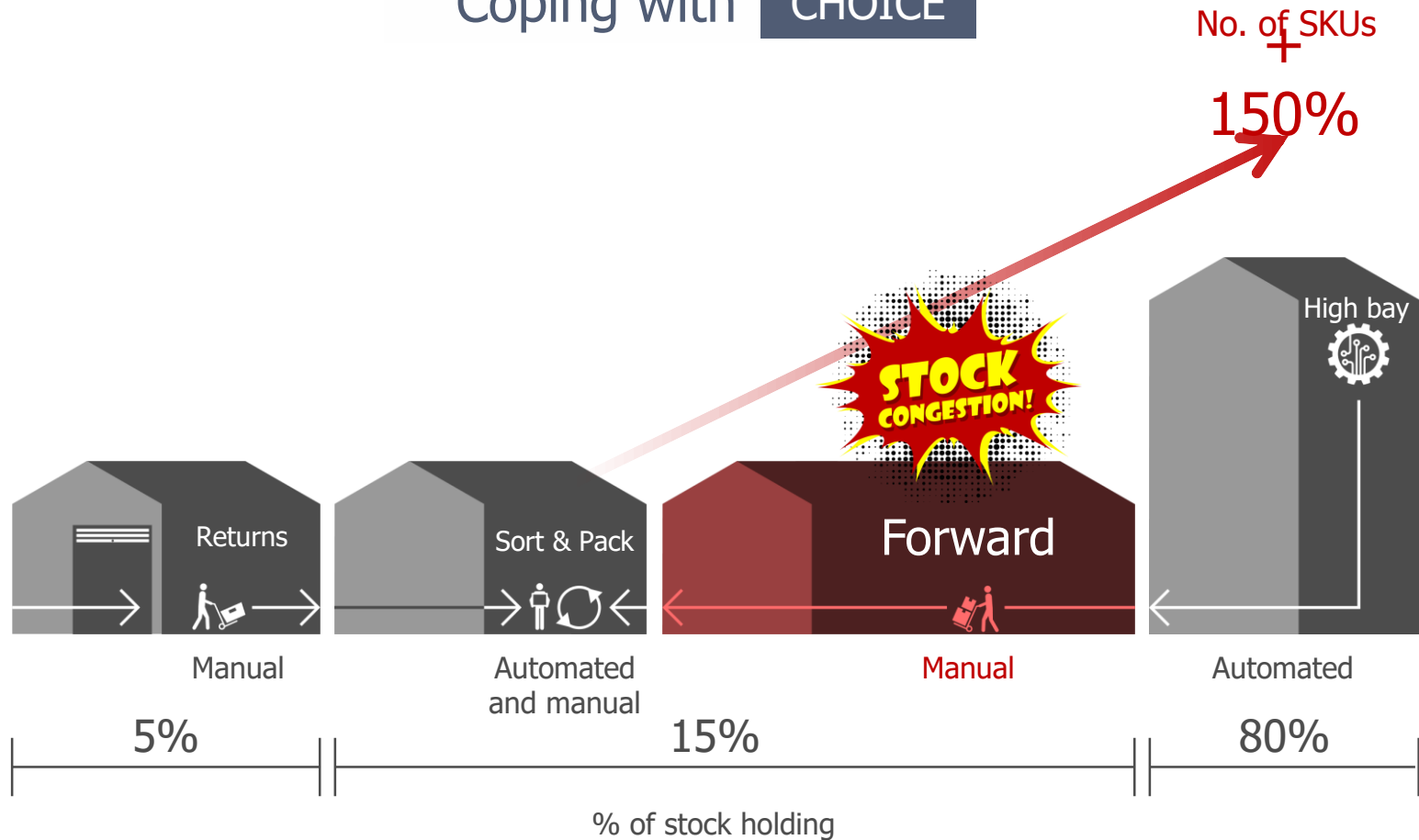


next

Coping with CHOICE



Coping with CHOICE



Coping with CHOICE

QUICK FIX

Remote storage

Just in time high bay to forward

PROBLEMS

Increased costs

Service level deterioration

SOLUTIONS

AW19

Physical forward + 15%
+ software development + 25%

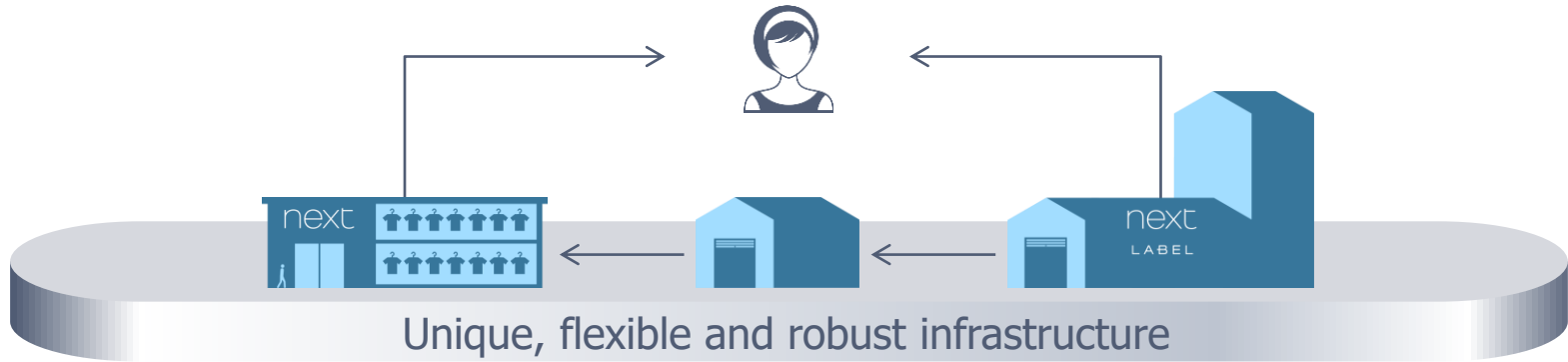
SS20

Returns capacity + 80%



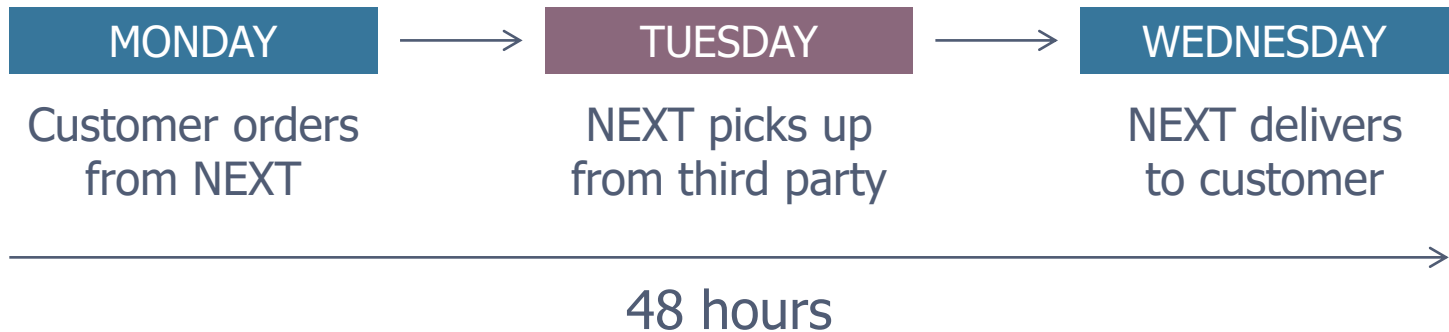
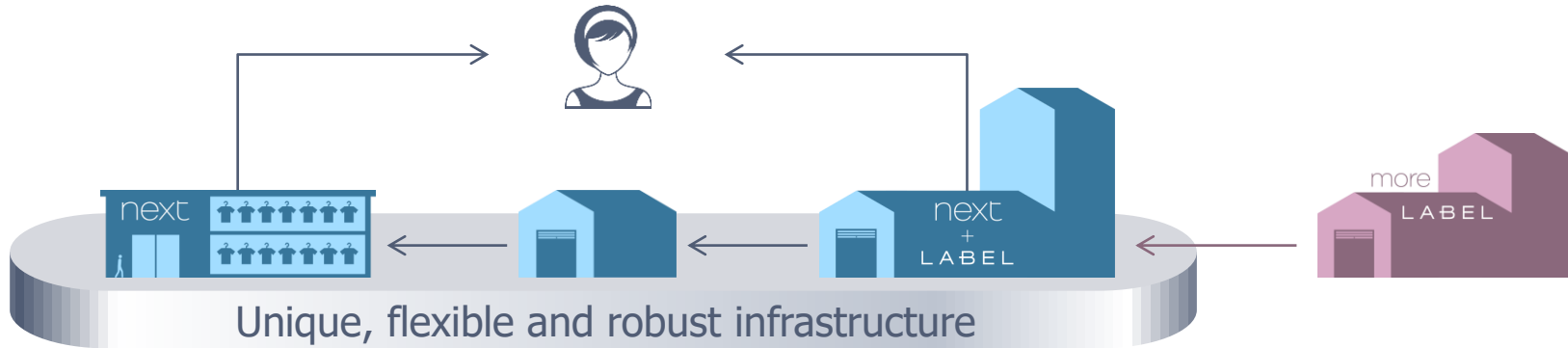
NEXT Online Platform

CHOICE



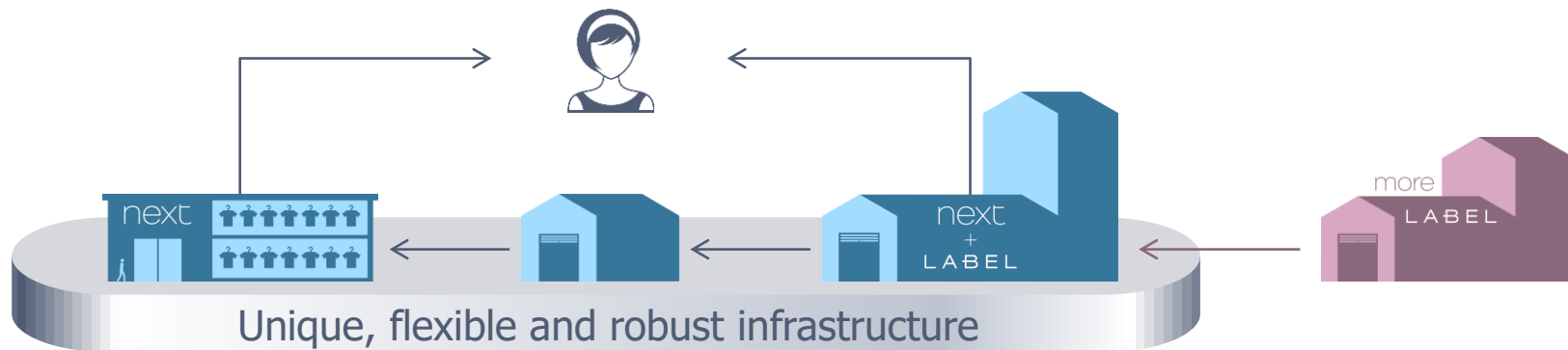
NEXT Online Platform Plus

MORE CHOICE



NEXT Online Platform Plus

MORE CHOICE



Control service
levels

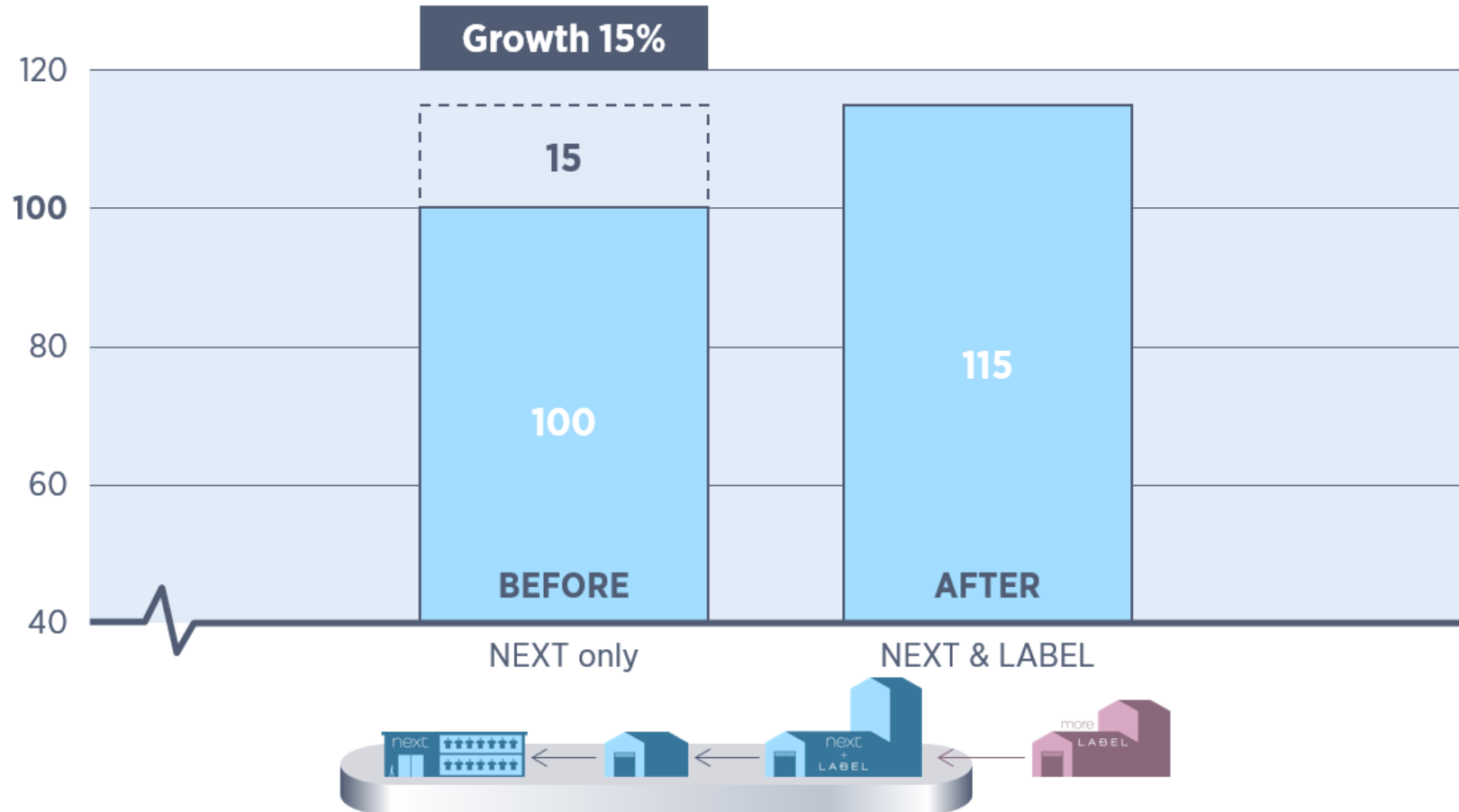


Access to store
network

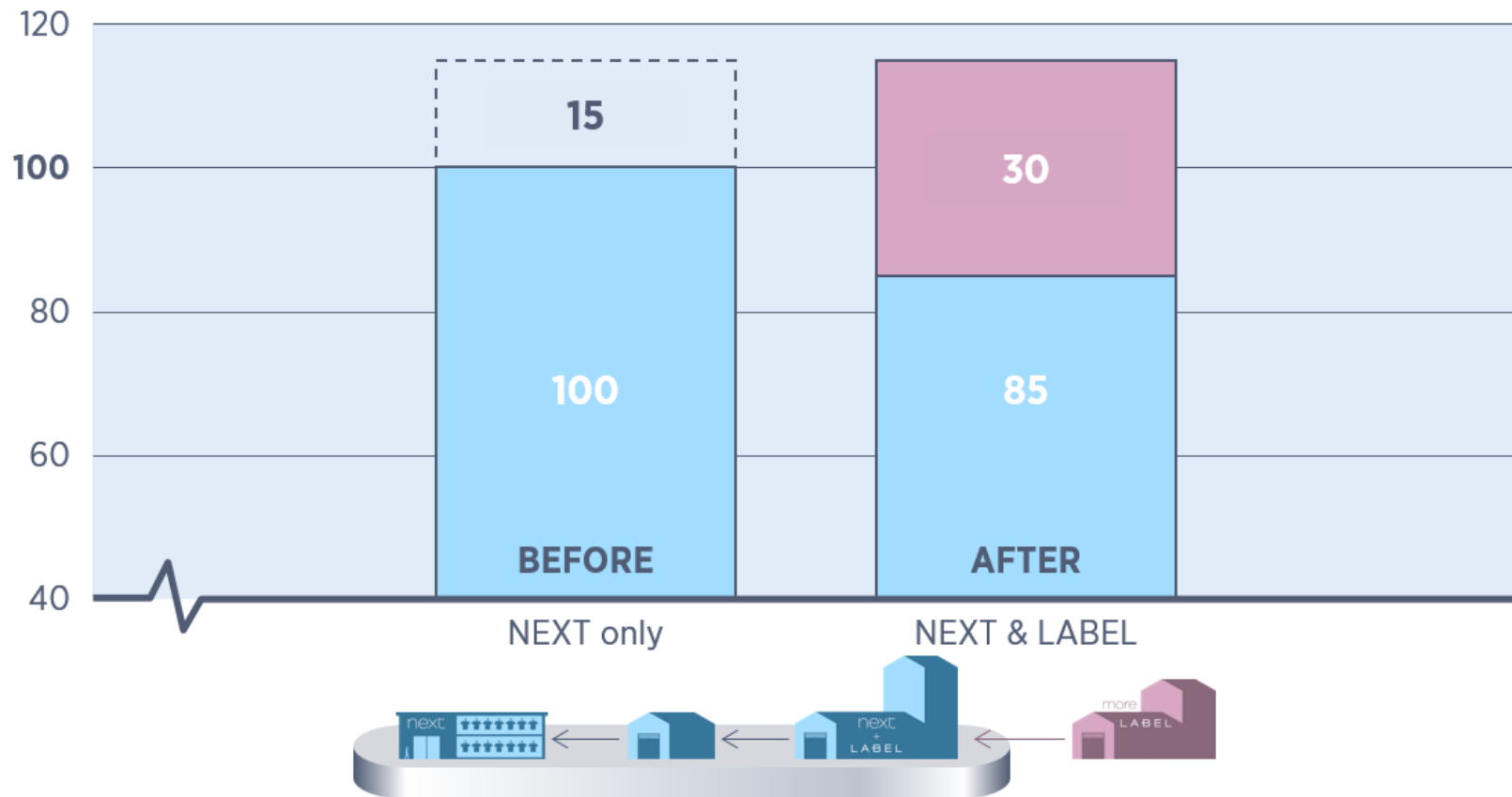


Delivery consolidation
& cost saving

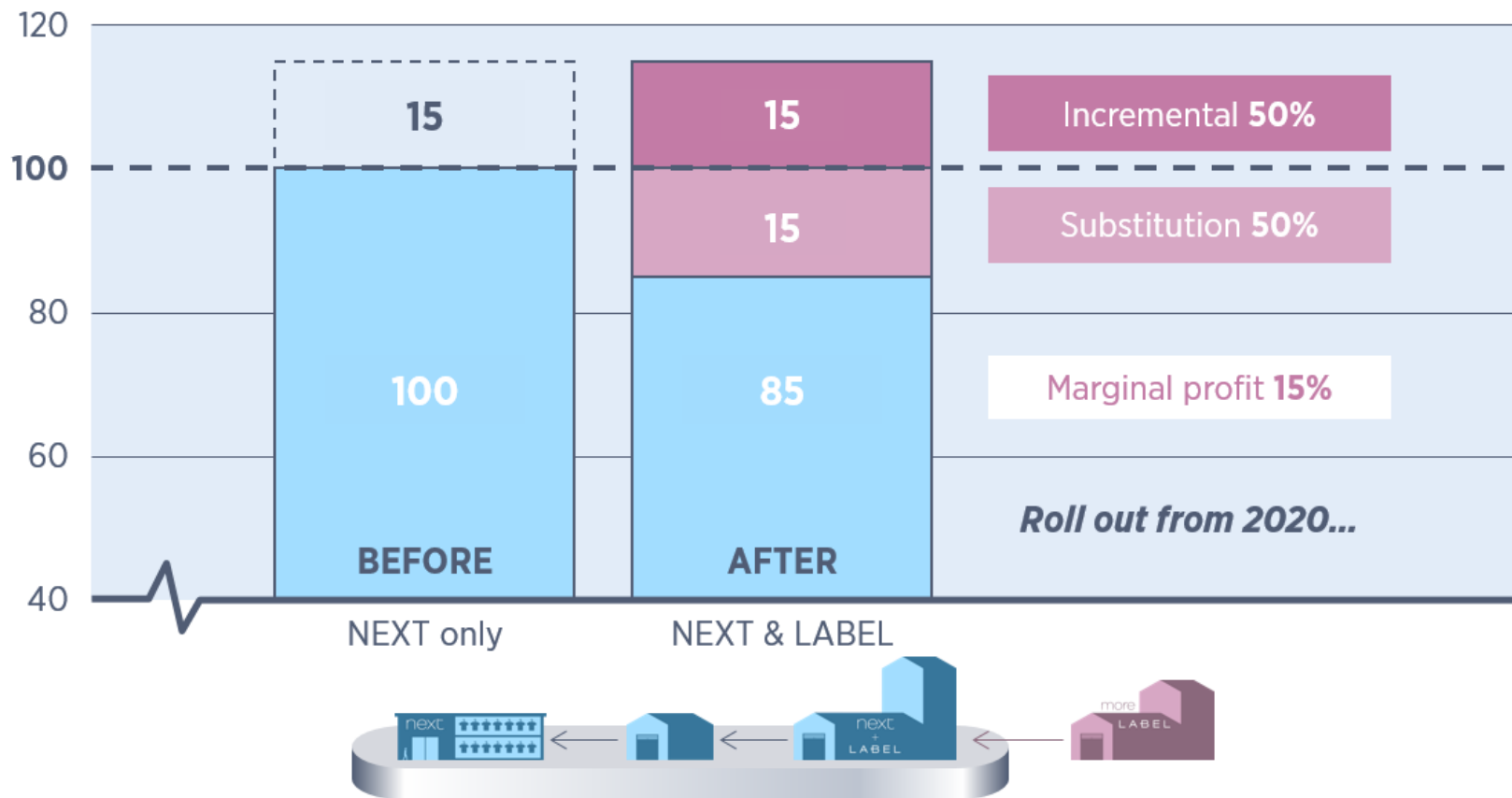
Impact on Sales from Platform Plus



Impact on Sales from Platform Plus

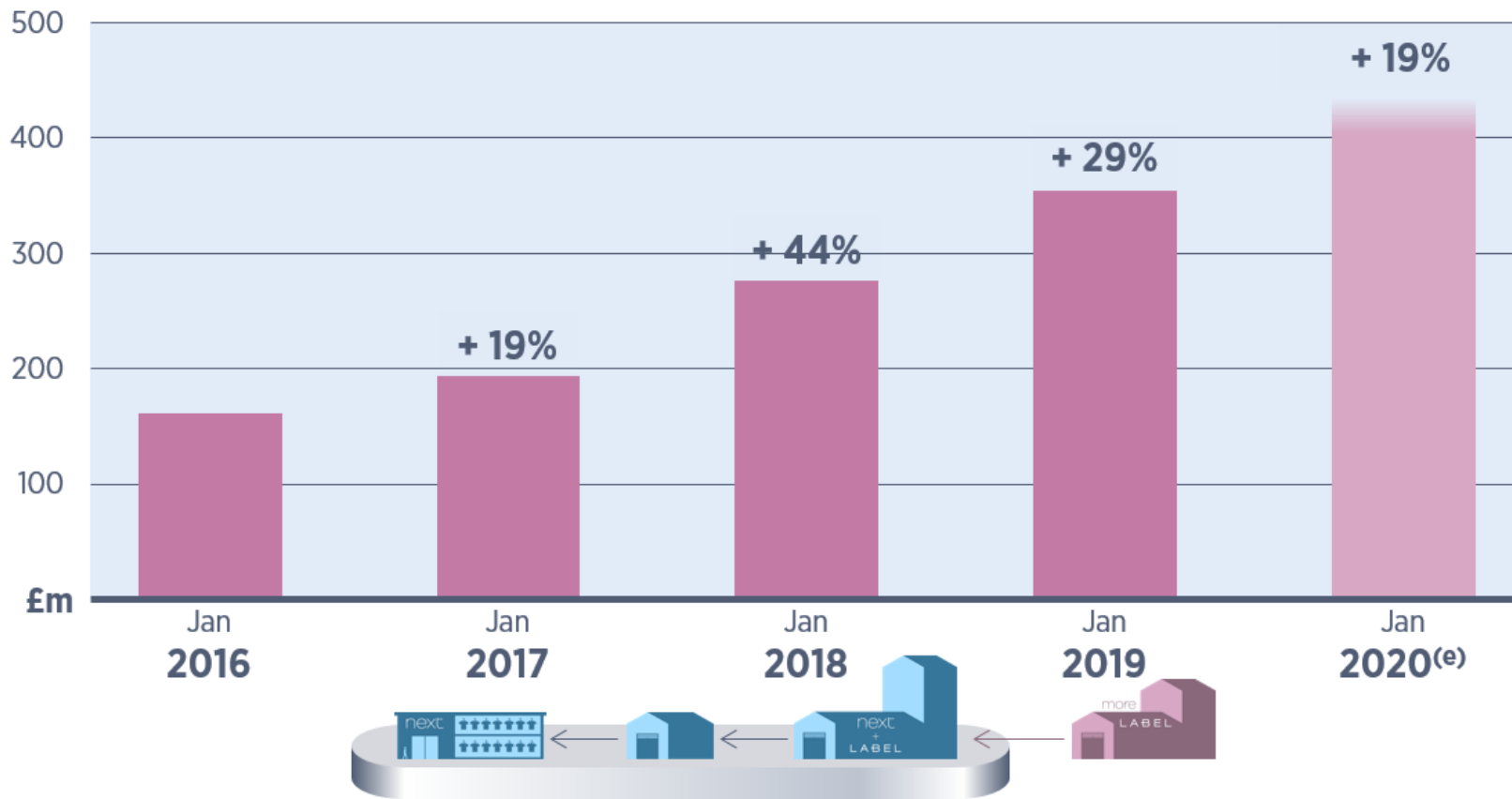


Impact on Sales from Platform **Plus**



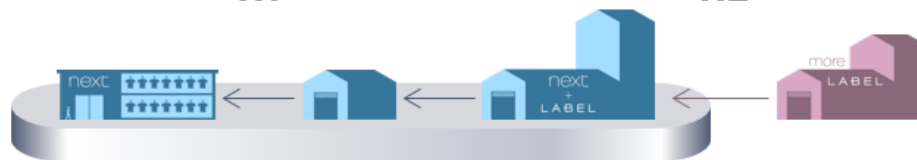
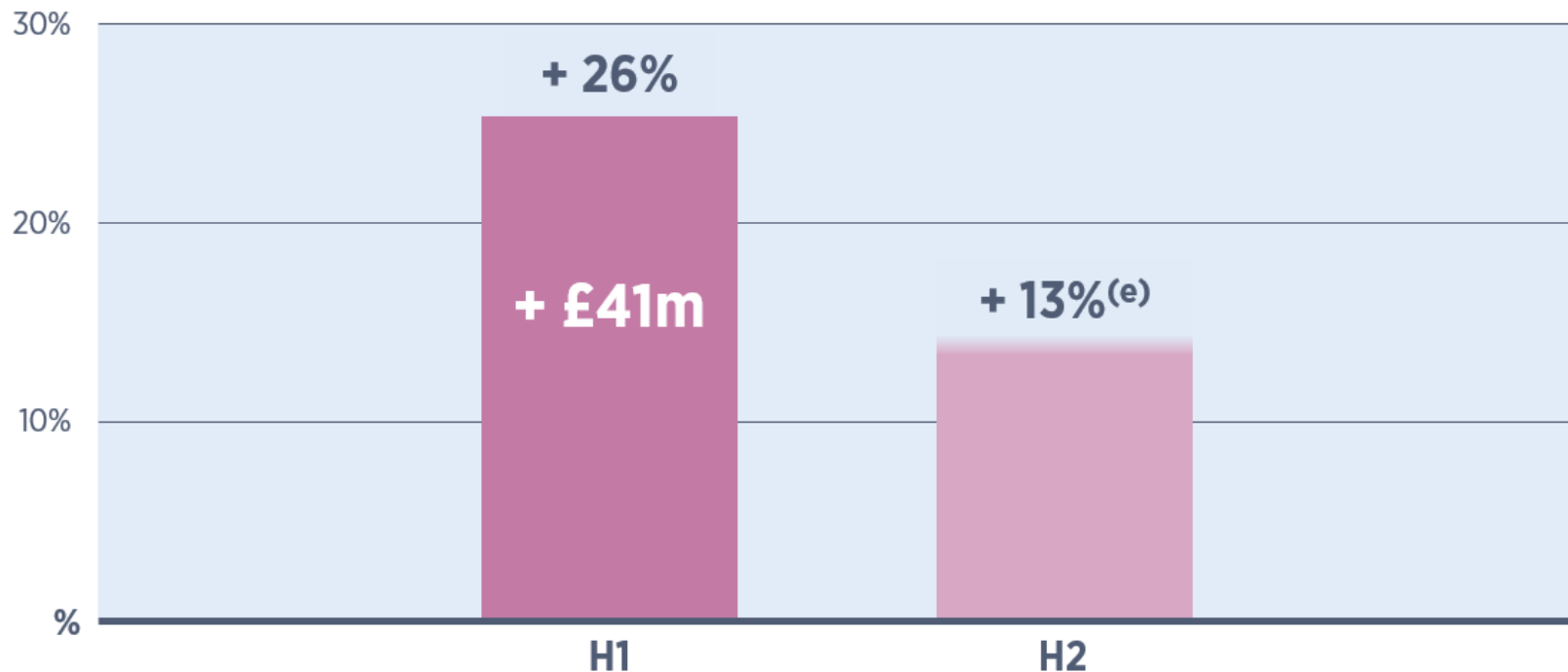
LABEL UK Full Price Sales History

2016-2020^(e)



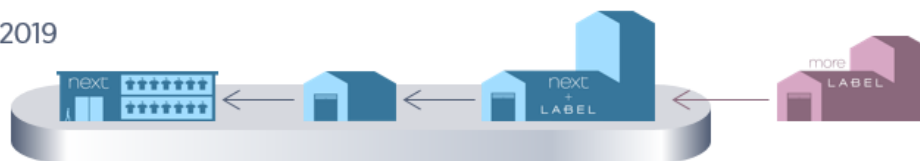
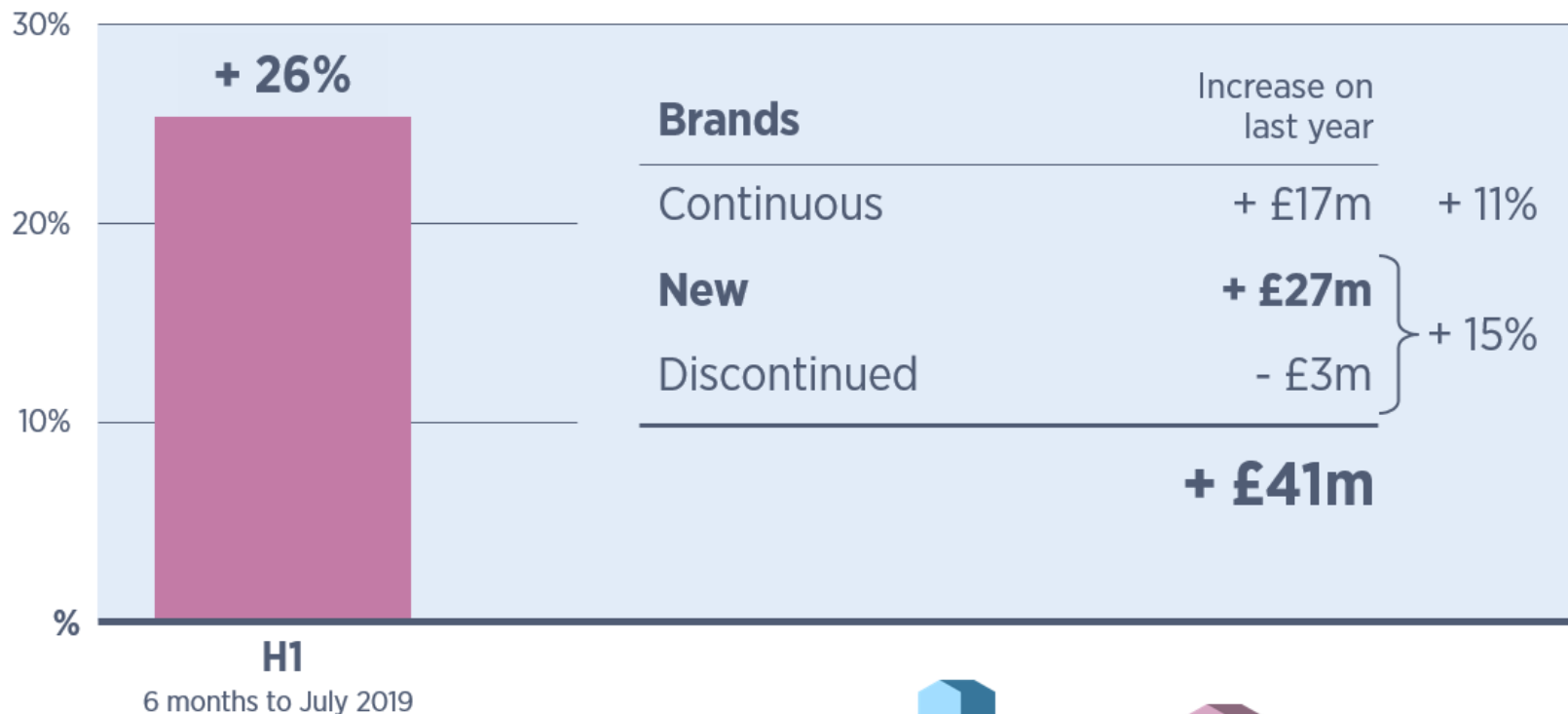
LABEL UK Full Price Sales History

2019/20^(e)



LABEL UK Full Price Sales Growth

H1 2019/20^(e)





 Insights

Overseas

Sales

Geography

Customer maturity



Overseas

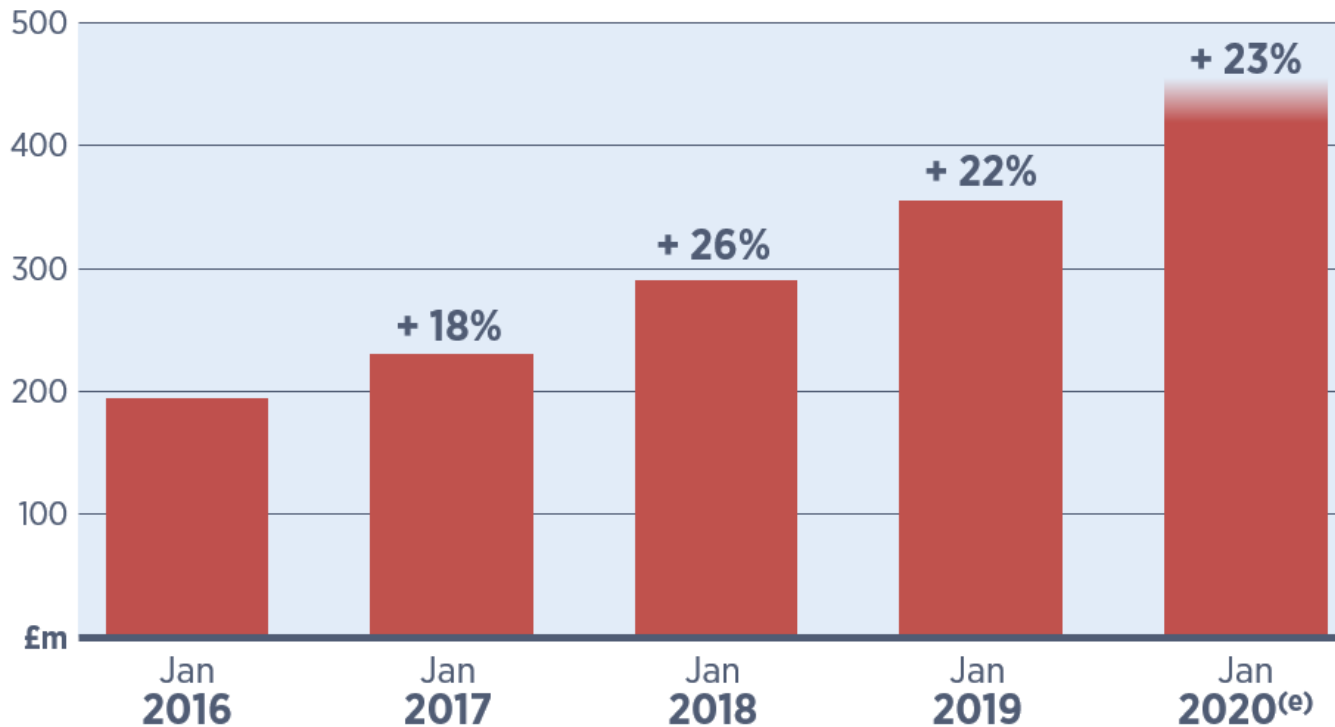
Sales

Geography

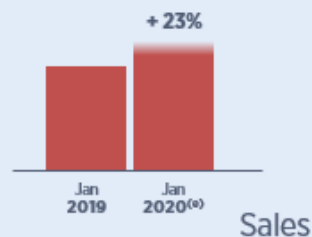
Customer maturity

Sales

Online full price sales growth 2016-2020^(e)



Overseas

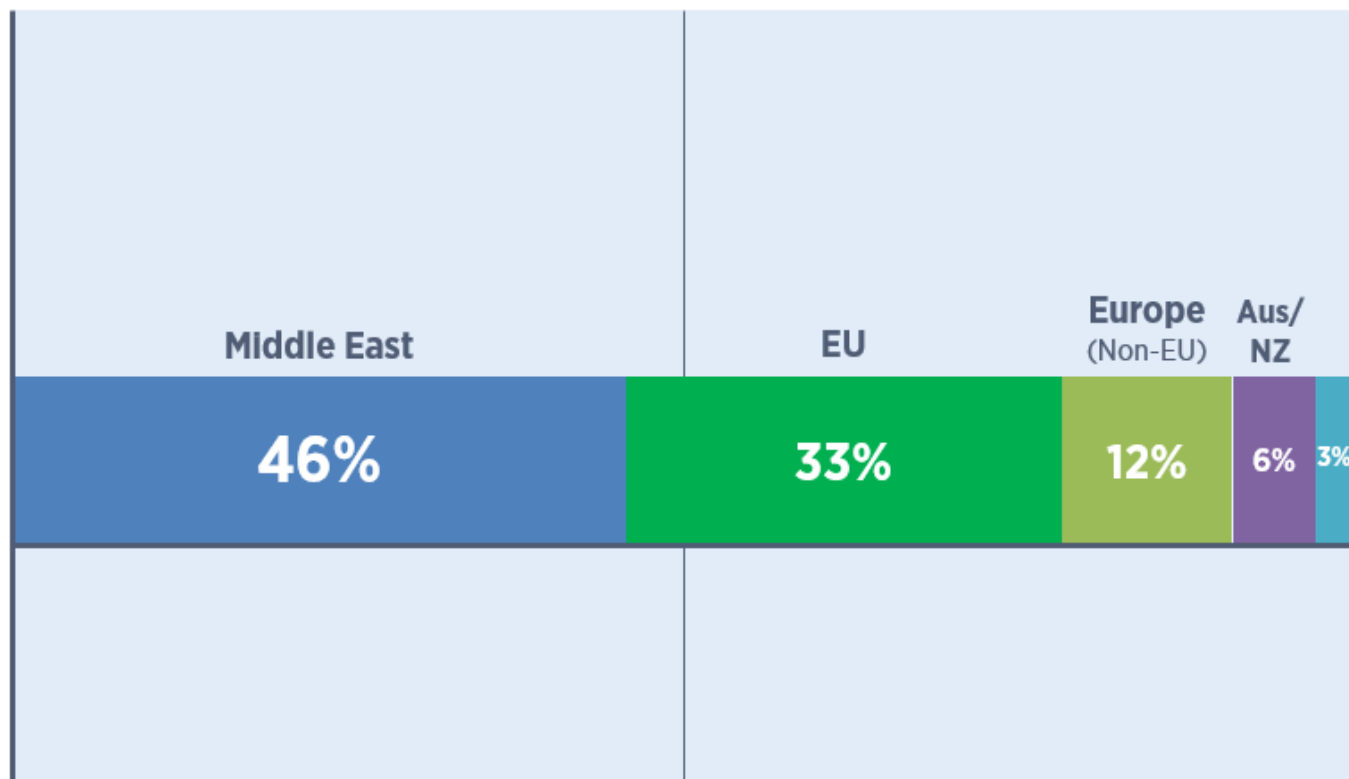


Geography

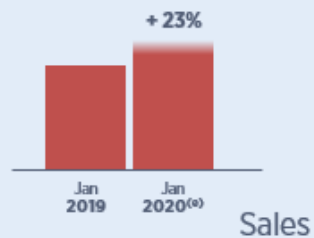
Customer maturity

Geography

SS19 full price sales participation by region



Overseas

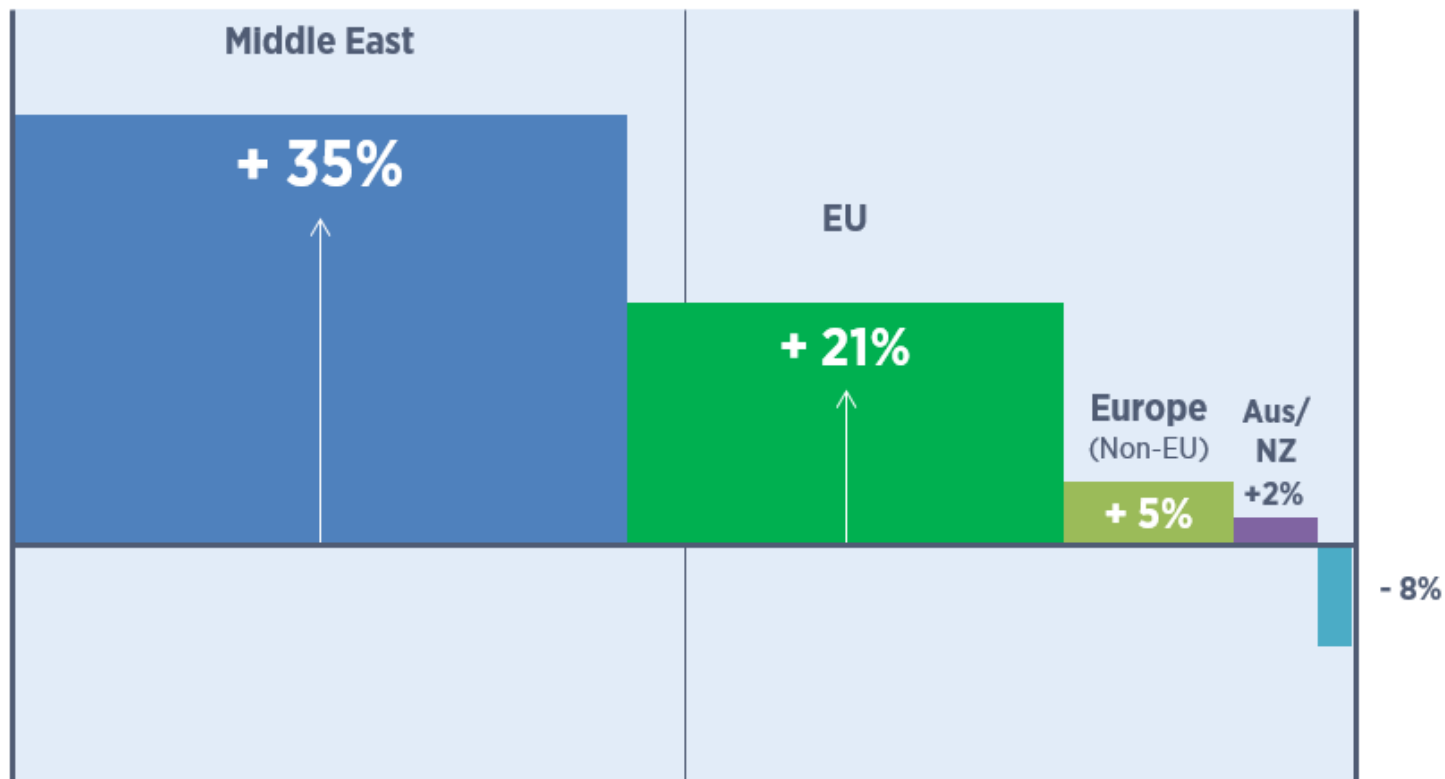


Geography

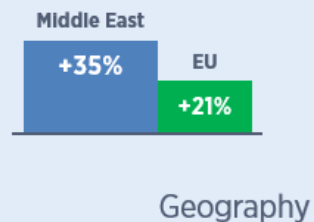
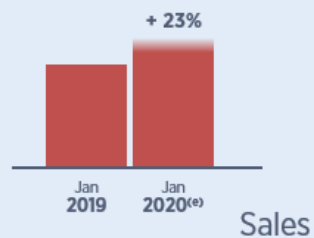
Customer maturity

Geography

SS19 full price sales growth by region



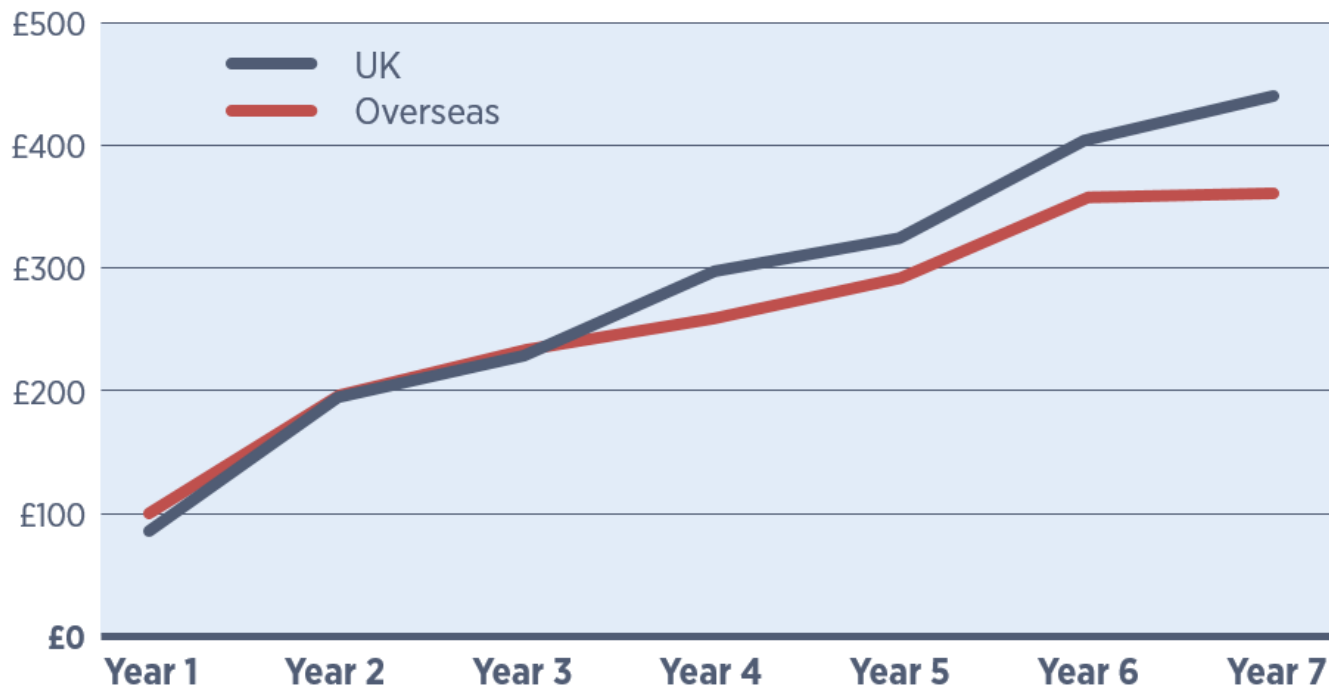
Overseas



Customer maturity

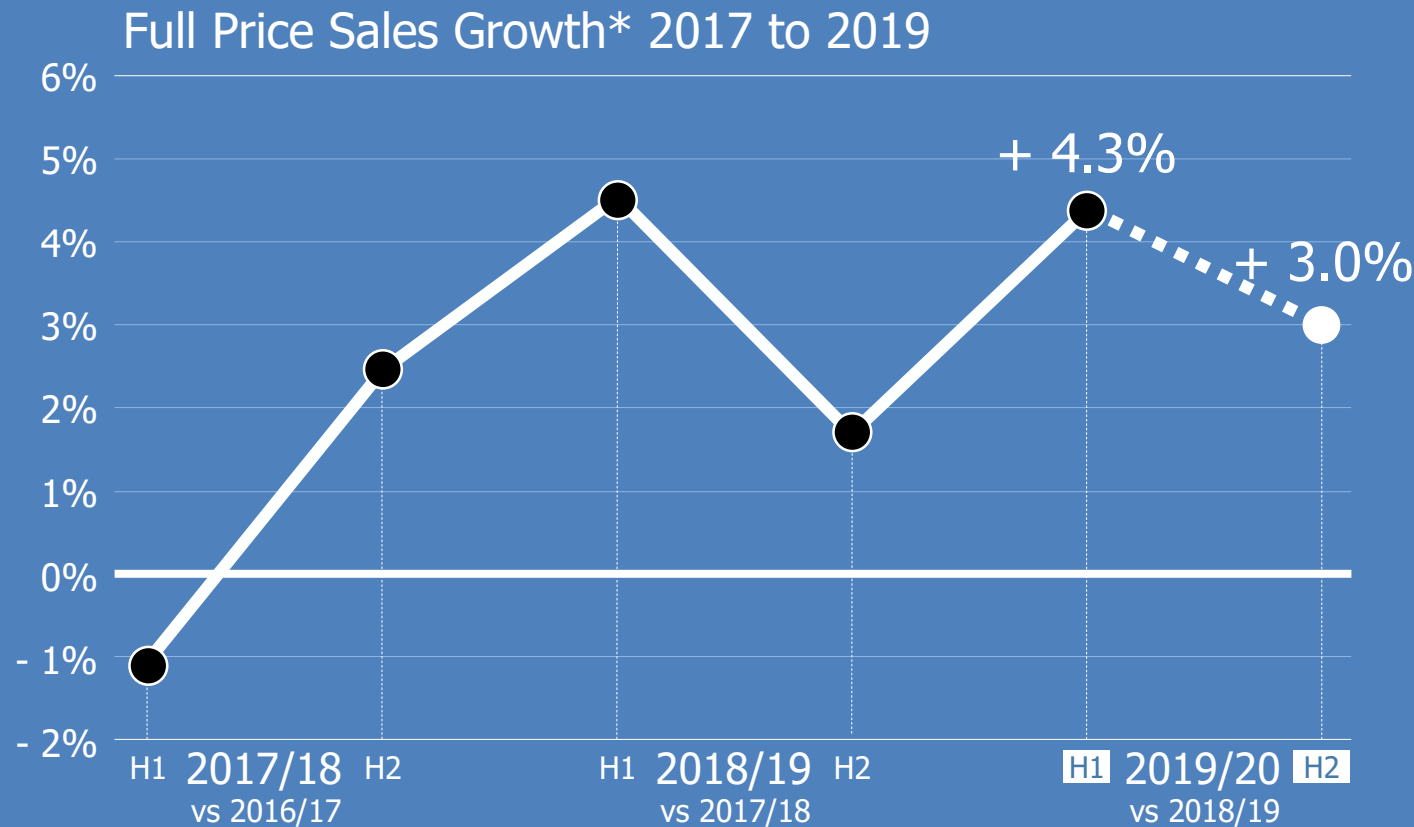
Customer Maturity

Average spend by year

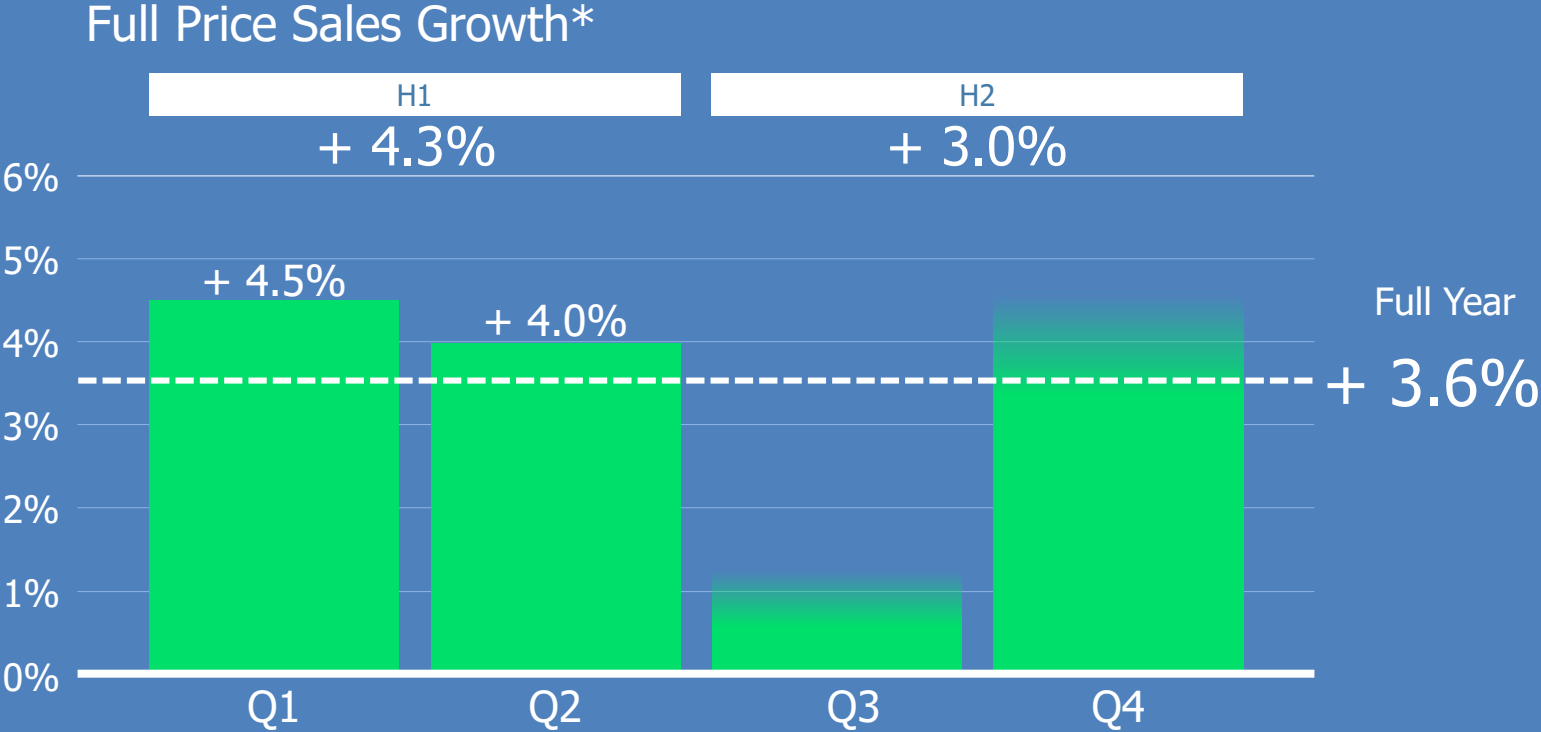


2019/20^(e)

Brand Central Guidance



* Including total interest income



* Including total interest income

Retail	Online	Finance	Brand
- 5%	+ 12%	+ 8%	+ 3.6%
- £88m	+ £200m	+ £20m	+ £132m

Full year Brand full price sales

+ 3.6%

Profit before tax

+ 0.3%

£725m

Growth in EPS

+ 5.2%

£4.58

Ordinary dividend yield*

+ 3.5%

TSR underlying (at constant PE ratio)

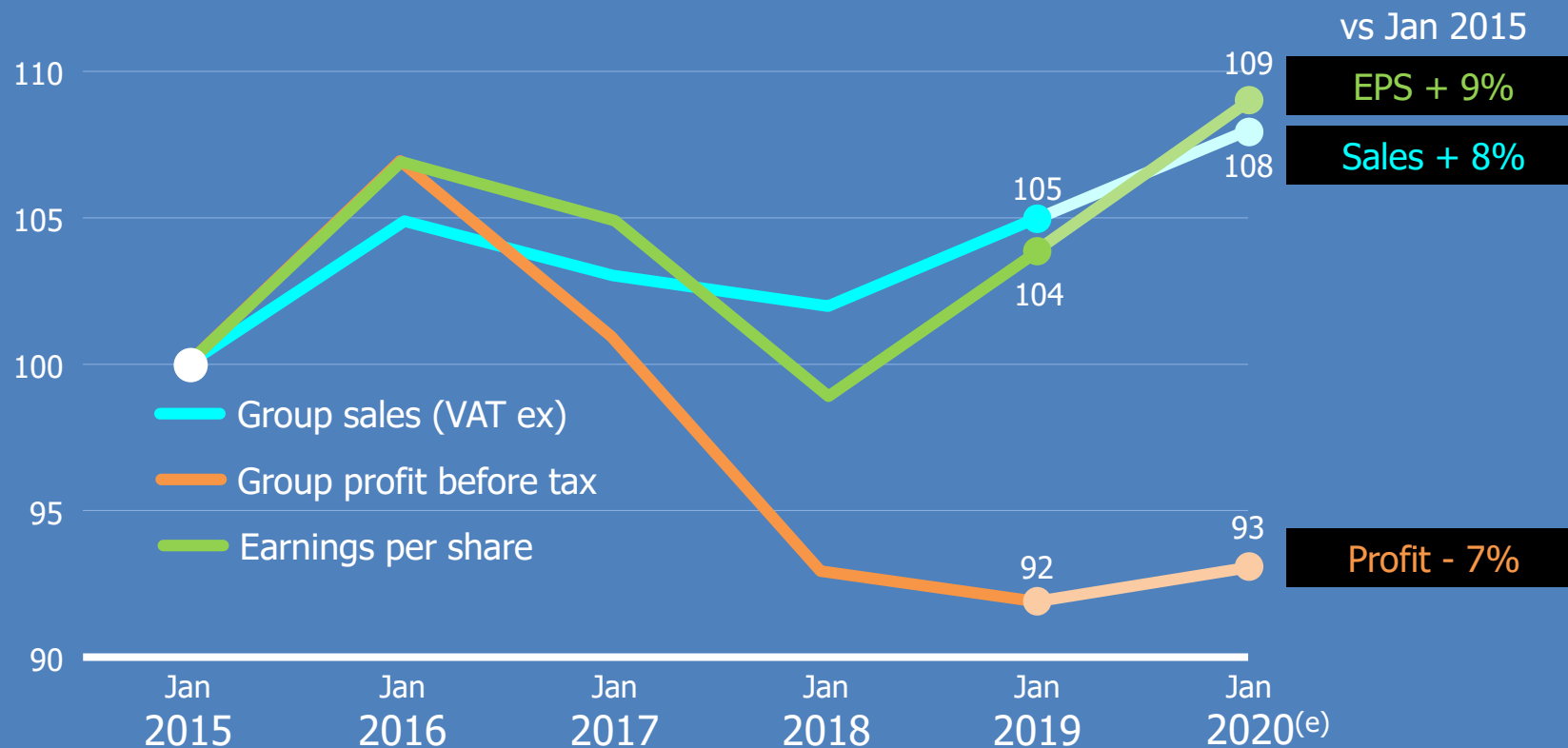
+ 8.7%

* Based on a share price of £49.40, the average share price during February 2019

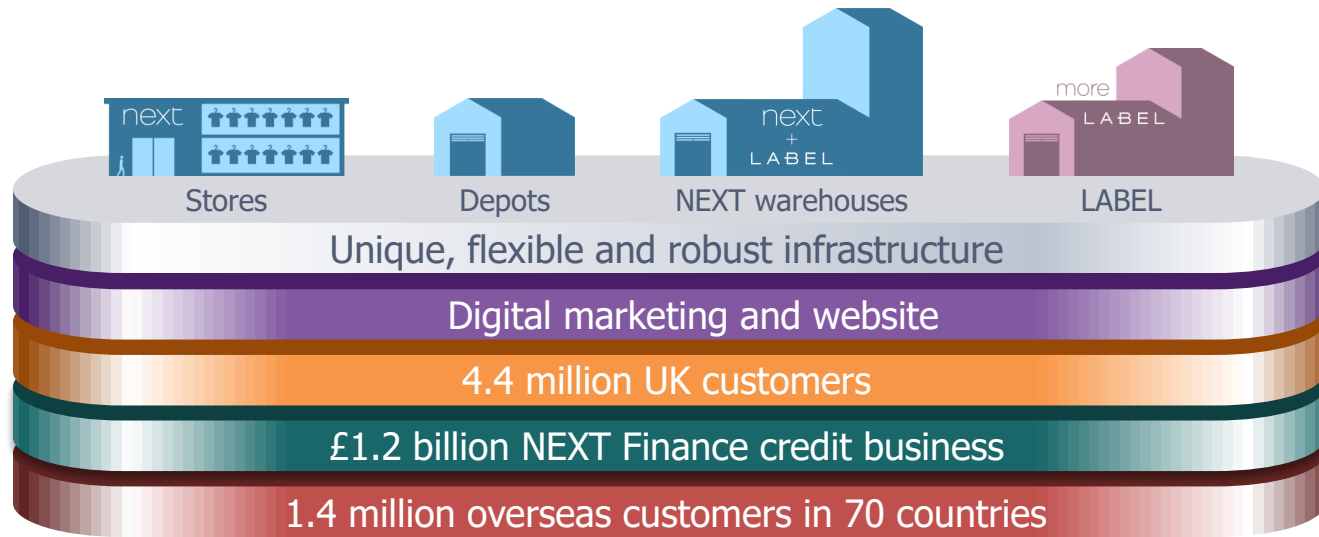
Sales, Profits and EPS 5 Year View

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* Indexed from January 2015



1st choice
for clothing and
homeware



Most profitable
3rd party route
to market



Choice and
service to be
proud of

Five Principles

Add value

Play to our strengths

Make a margin

Make a return on capital

Deliver EPS