

next

J U L Y 2 0 1 8



Income Statement

next

£m	July 2018	July 2017		Brand Full Price
Total sales	1,986	1,914	+ 3.8%	+ 4.5%
Operating profit	330	325	+ 1.6%	
Interest	(19)	(16)	- £3m	
Profit before tax	311	309	+ 0.5%	
Taxation	(57)	(57)		
Profit after tax	254	252	+ 0.8%	
EPS (underlying)	185.6p	176.9p	+ 4.9%	
Ordinary dividends per share	55.0p	53.0p	+ 3.8%	

Cash Flow

next

£m	July 2018	July 2017
Profit before tax	311	309
Depreciation / disposals	62	63
Capital expenditure	(58)	(54)
Working capital / other	(75)	(14)
Tax paid	(69)	(48)
ESOT	(31)	(25)
Cash flow before distribution	<u>140</u>	<u>231</u>

Cash Flow

next

£m

July 2018

July 2017

Capital expenditure

(58)

(54)

Jan 2019^(e)

£130m

Jan 2018

£104m

- Warehouse
- Head Office and Systems
- Stores

£40m

£12m

£78m

Space £66m
Cosmetic
refits £12m

£141/sq.ft.

£11m

£15m

£78m

Space £56m
Cosmetic
refits £22m

£142/sq. ft.

Cash Flow

next

£m

July 2018

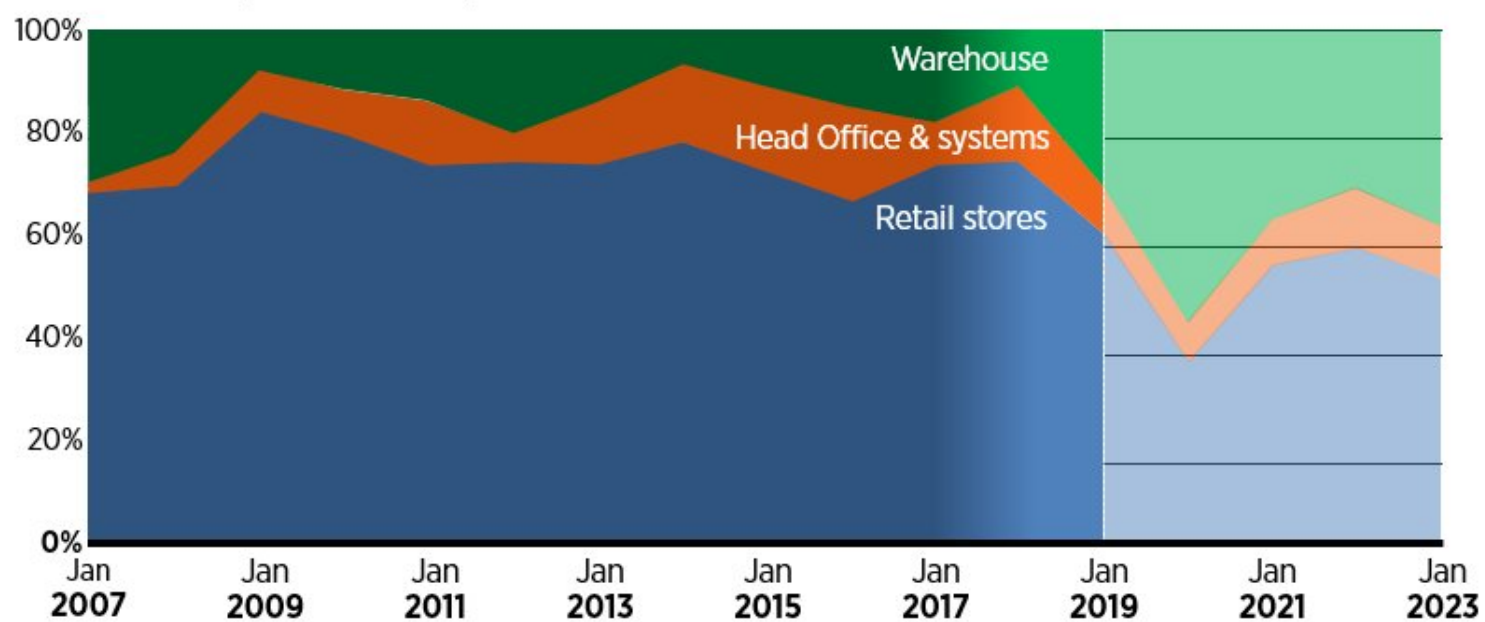
July 2017

Capital expenditure

(58)

(54)

Participation of capex



Cash Flow

next

£m

July 2018

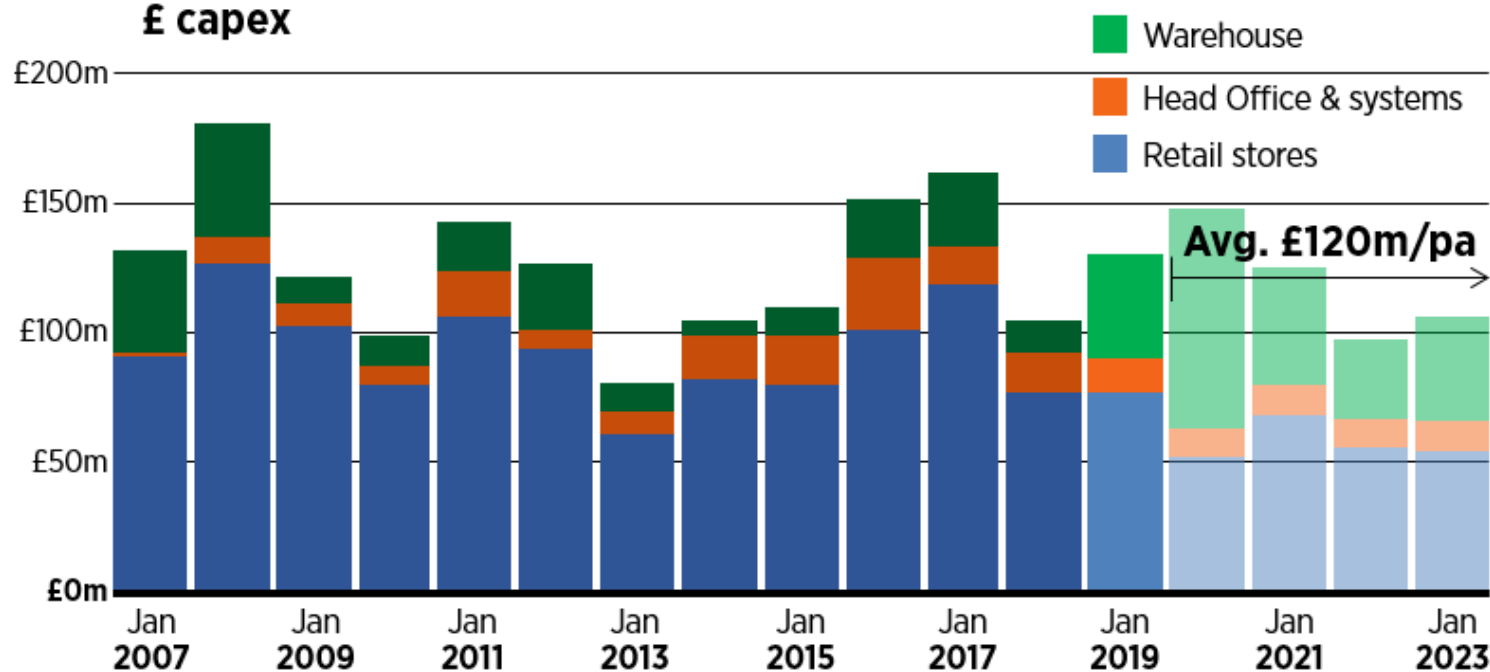
July 2017

Capital expenditure

(58)

(54)

£ capex



Cash Flow

next

£m	July 2018	July 2017
Profit before tax	311	309
Depreciation / disposals	62	63
Capital expenditure	(58)	(54)
Working capital / other	(75)	(14)
Tax paid	(69)	(48)
ESOT	(31)	(25)
Special dividends / buybacks	(275)	(64)
Net cash flow	<u>(135)</u>	<u>167</u>

Balance Sheet

next

£m	July 2018	July 2017	
Fixed assets and investments	561	572	
Goodwill and intangibles	43	43	
Stock	543	493	+ 10.1%
Debtors	1,282	1,126	+ £156m

**Online
debtors**

**July 2018
£1,142m**

+ 15%

July 2017
£997m

+ £145m

**Full year
credit sales**

**12 months to
July 2018**

+ 11%

July 2017

Underlying payment days **+ 6%**

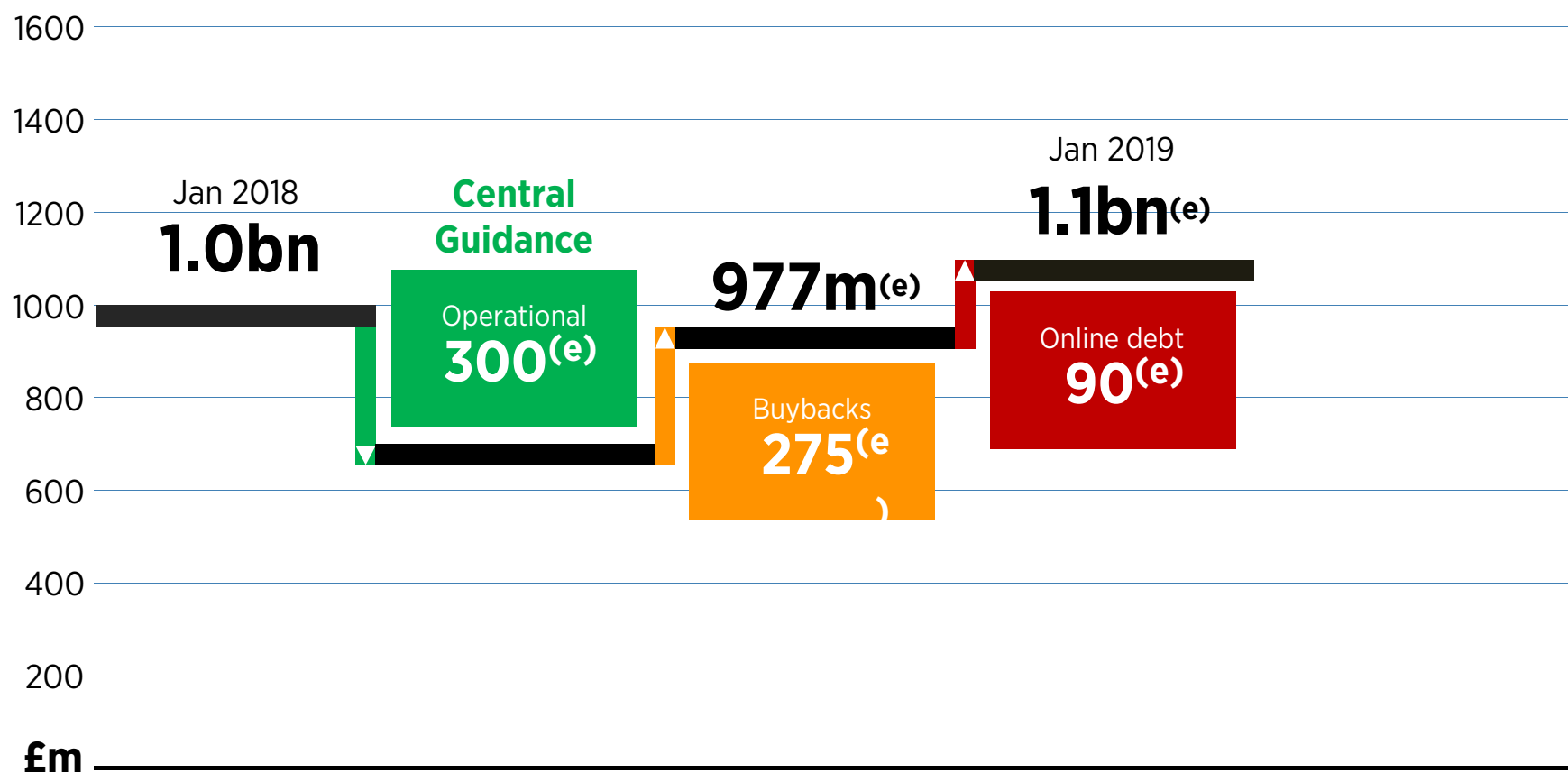
Balance Sheet

next

£m	July 2018	July 2017
Fixed assets and investments	561	572
Goodwill and intangibles	43	43
Stock	543	493
Debtors	1,282	1,126
Creditors / derivatives	(901)	(964)
Dividends payable	(142)	(213)
Pension surplus	163	65
Net debt	<u>(1,137)</u>	<u>(692)</u>
Net assets	<u>412</u>	<u>430</u>

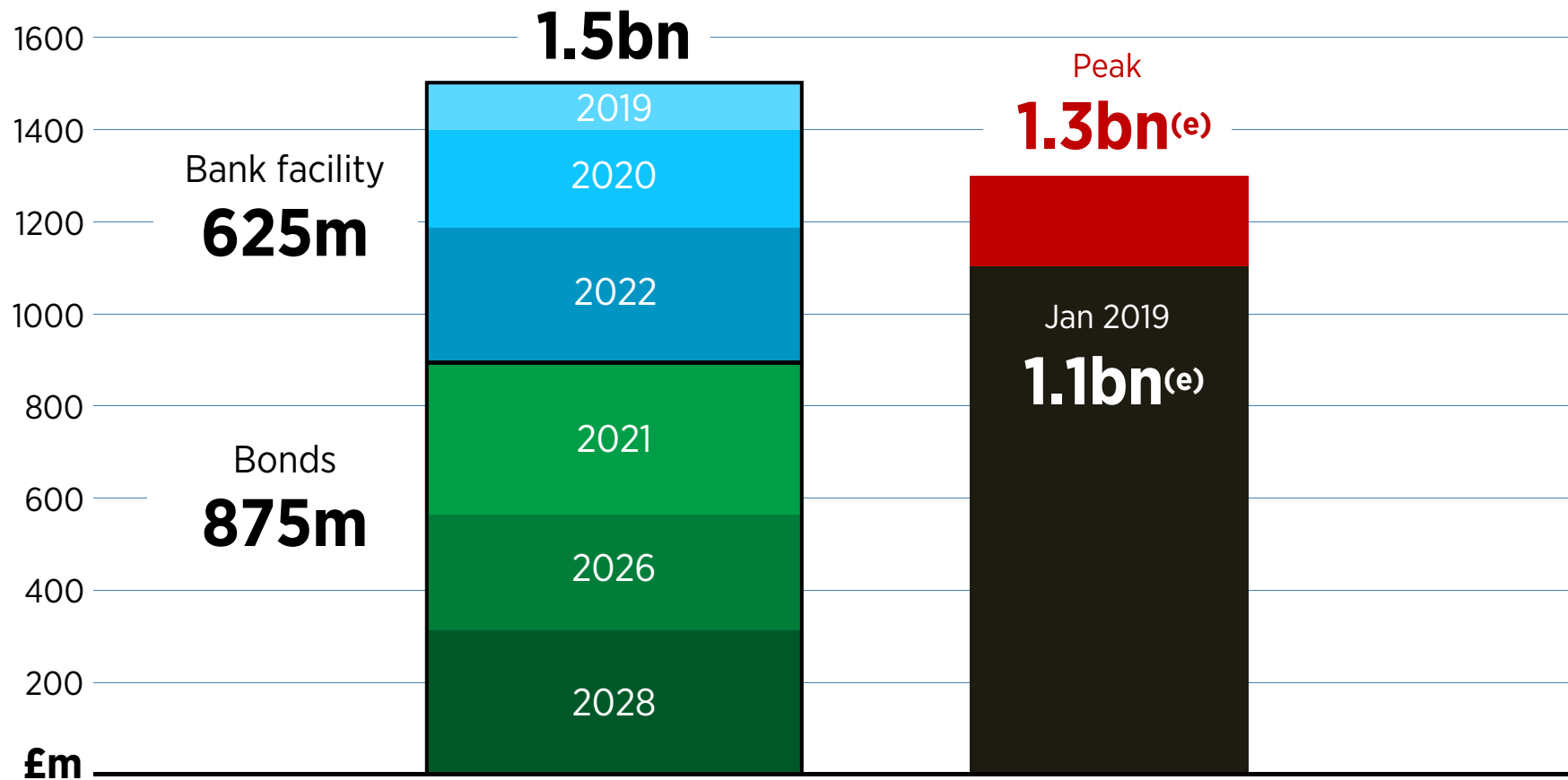
Full Year Debt and Cash Flow Jan 2018 to Jan 2019^(e)

next



Funding Requirements

next





Divisional Analysis

Divisional Analysis

next

Profit £m	July 2017	
Retail	90	← - 5 Change in cost allocation
Online	217	
Other activities	18	
Group EBIT	325	

Divisional Analysis

next

Profit £m	July 2017
Retail	95
Online	212
Finance	
Other activities	18
Group EBIT	325

- 77

Separate the finance business

Divisional Analysis

next

Profit £m	July 2017	
Retail	95	
Online	135	
Finance	77	
Other activities	18	
Group EBIT	325	

- 18 **Transfer of interest**

A curved arrow points from the 'Other activities' row to the 'Finance' row, indicating a transfer of interest. The value '- 18' is placed between the two rows, and the text 'Transfer of interest' is to the right.

Divisional Analysis

next

Profit £m	July 2018	July 2017
Retail	73	95
Online	163	135
Finance	58	59
Other activities and interest recharge	36	36
Group EBIT	330	325

Divisional Analysis

next

Profit £m **July 2018**

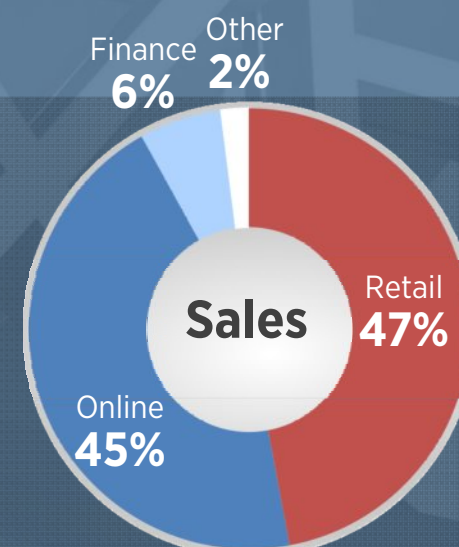
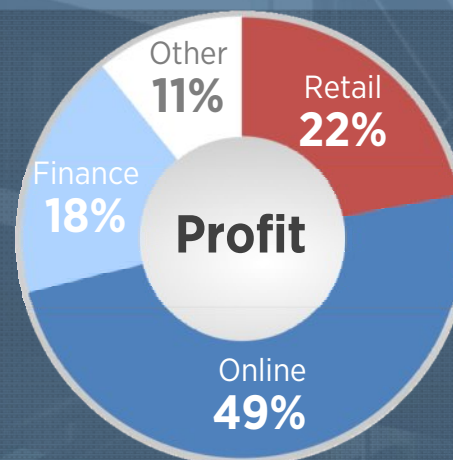
Retail **73**

Online **163**

Finance **58**

Other activities **36**
and interest recharge

Group EBIT **330**



Retail

next
HOME

Dudley Merry Hill

Retail : Sales Analysis

next

£m	July 2018	July 2017		Full Price
Total sales	925	993	- 6.9%	- 5.3%
Operating profit	73	95 Restated		

Sq. ft. 000's

Total

Sales from new space + **0.7%**

Jan 2018

8,271

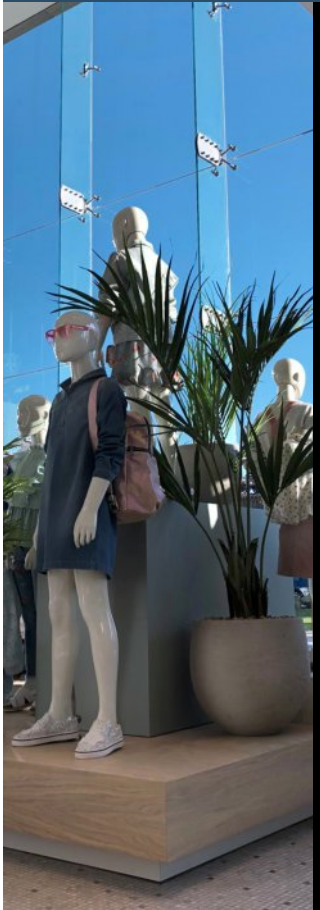
New mainline

154

Concessions

64

218



Retail : Sales Analysis

next

£m	July 2018	July 2017		Full Price
Total sales	925	993	- 6.9%	- 5.3%
Operating profit	73	95 Restated		

Sq. ft. 000's

Total

Sales from new space + **0.7%**

Jan 2018

8,271

New mainline

218

Mainline closures

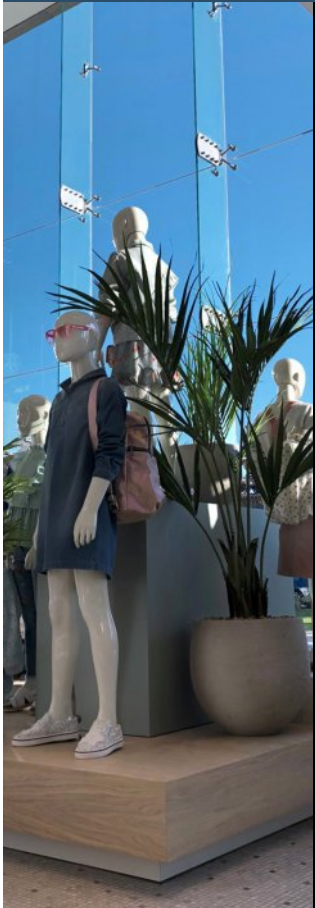
(111)

Clearance closures

(65)

Jan 2019

8,313

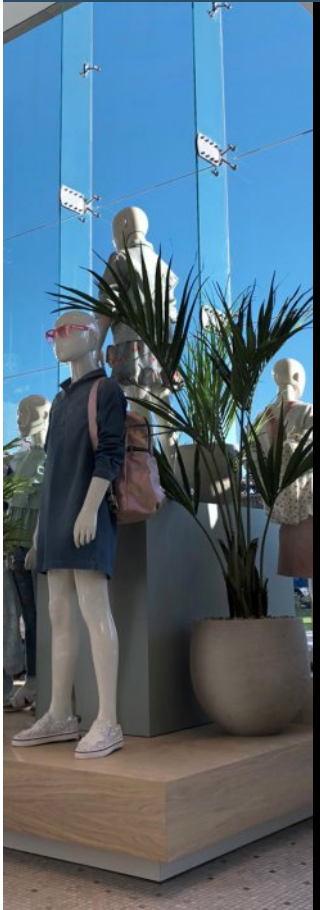


Retail : Sales Analysis

next

£m	July 2018	July 2017		Full Price
Total sales	925	993	- 6.9%	- 5.3%
Operating profit	73	95 Restated		

	Sq. ft. 000's	No. of stores	NBC £	NBC %
Closed	(176)	22	£5.4m	14%
Mainline closures	(111)	15	£3.2m	13%
Clearance closures	(65)	7	£2.2m	15%



Retail : Sales Analysis

next

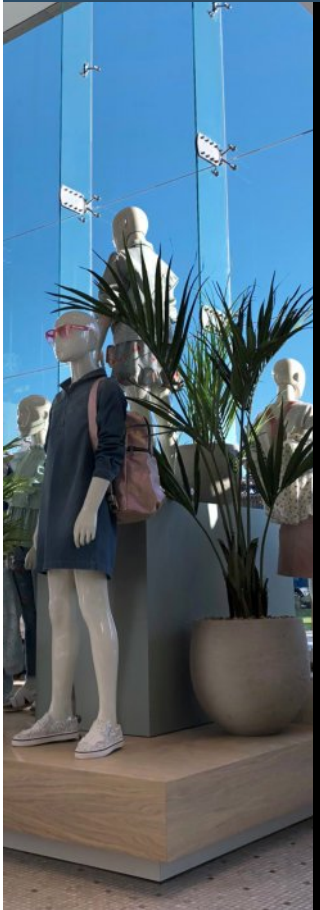
Transfer of trade

Chester

Sales	Pre	Post
Greyhound	£4m	£0m
Others	£18m	£19m
Total sales	£22m	£19m

Transfer of trade **>25%**

Profit	£3.9m	£4m
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Retail : Sales Analysis

next

Transfer of trade

Dumfries

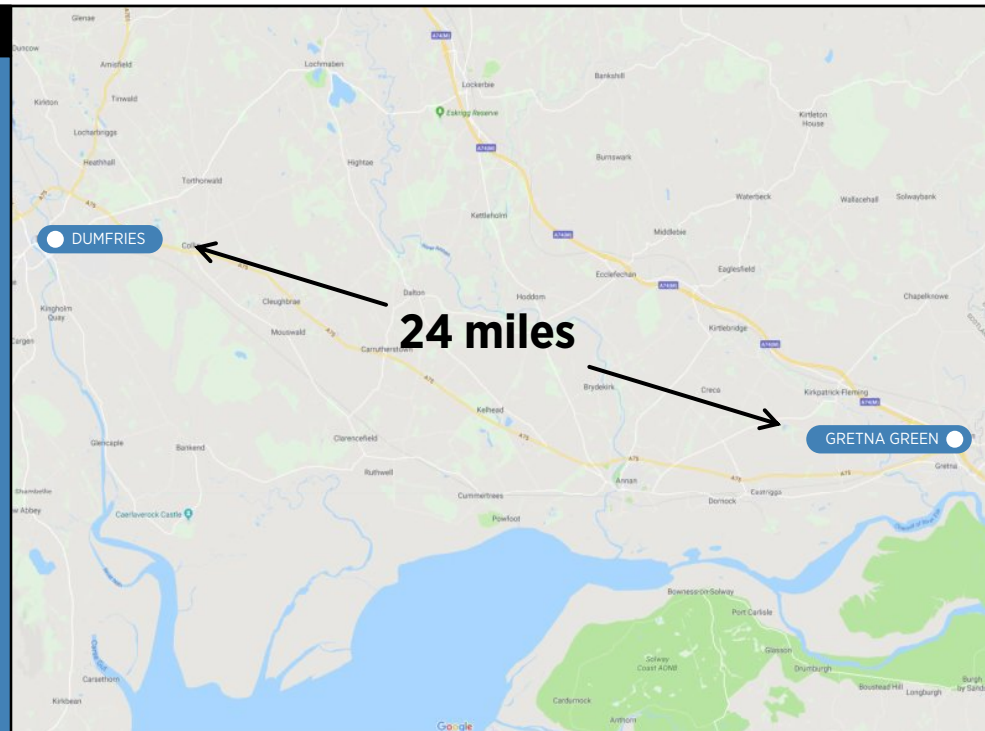
Sales

Pre
£1.9m

Post
£0m

Transfer
of trade

0%



Retail : Sales Analysis

next

2018/19^(e) Lease Renewals

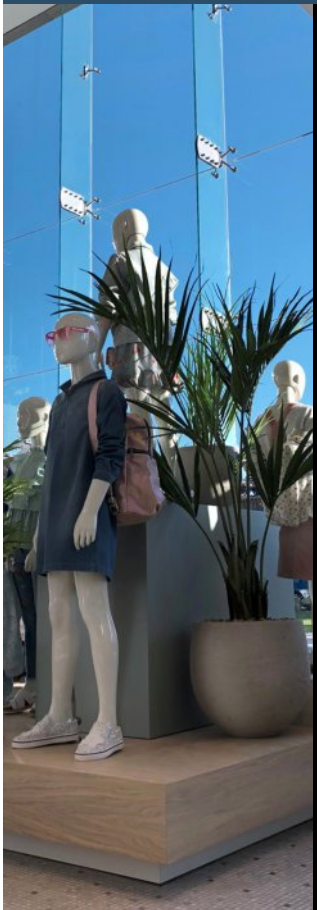
	Before	After
Gross rent (33 stores)	£10.0m	£7.2m - 28%
Concession income	-	- £0.4m
	<hr/>	<hr/>
	£10.0m	£6.8m - 32%
Net rent to sales	9.1%	→ 6.2%

Average lease length

5 years

Average profit

26%



Retail : Profit Analysis

next

£m	July 2018	July 2017		Full Price
Total sales	925	993	- 6.9%	- 5.3%
Operating profit	73	95	- 23.0%	
% to sales	7.9%	9.6%		

Margin movement

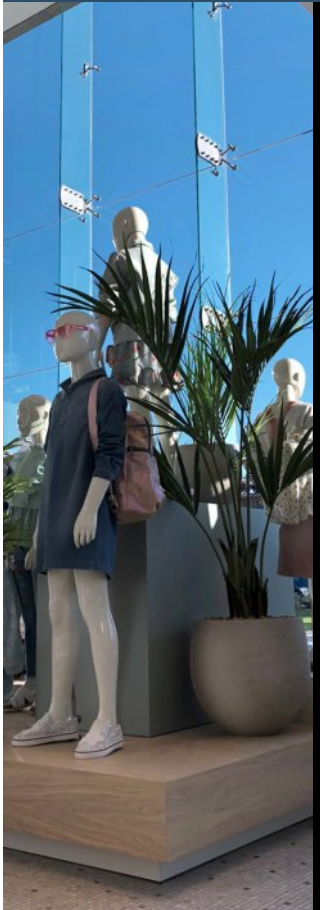
Bought-in gross margin + 0.2%

Markdown + 1.1%

Achieved gross margin + 1.3%

Sale stock - 23%

Markdown sales - 19%

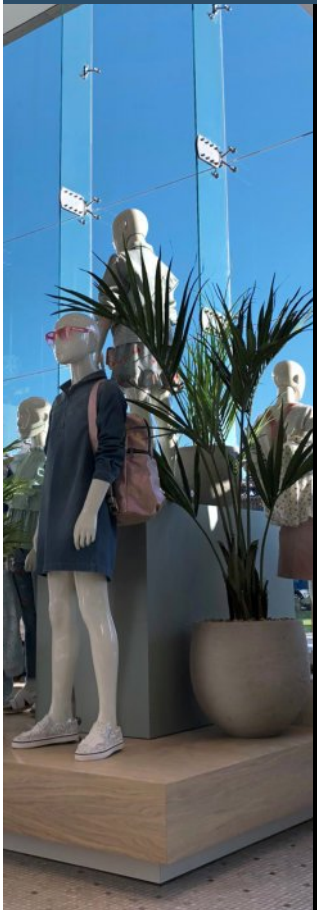


Retail : Profit Analysis

next

£m	July 2018	July 2017		Full Price
Total sales	925	993	- 6.9%	- 5.3%
Operating profit	73	95	- 23.0%	
% to sales	7.9%	9.6%		

Achieved gross margin	+ 1.3%
Store payroll	+ 0.1%
Store occupancy	- 1.7%
Warehousing & distribution	- 0.5%
Central costs	- 0.9%
Margin movement	<u>- 1.7%</u>



Online



Online : Sales Analysis

next

£m	July 2018	July 2017		Full Price (Excl. Interest)
Total sales	892	764	+ 16.8%	+ 16.0%
Operating profit	163	135 ^{Restated}		

Full price sales analysis

	Increase on last year		Q2
NEXT Brand UK	+ £47m	+ 11%	+ 7%
LABEL	+ £30m	+ 24%	+ 21%
UK total	+ £77m	+ 14%	+ 10%

Online : Sales Analysis

next

£m	July 2018	July 2017		Full Price (Excl. Interest)
Total sales	892	764	+ 16.8%	+ 16.0%
Operating profit	163	135		

Full price sales analysis

Increase on last year

UK total	+ £77m	+ 14%
Overseas	+ £32m	+ 22%
Total	<u>+ £109m</u>	<u>+ 16%</u>

Online : Sales Analysis

next

£m	July 2018	July 2017		Full Price (Excl. Interest)
Total sales	892	764	+ 16.8%	+ 16.0%
Operating profit	163	135		

Full price sales analysis

	Increase on last year		Avg. customers	
UK total	+ £77m	+ 14%	+ 3%	4.1m
Overseas	+ £32m	+ 19%	+ 19%	1.1m
Total	+ £109m	+ 15%	+ 6%	5.2m

Constant Currency

Online : Sales Analysis

next

£m	July 2018	July 2017		Full Price (Excl. Interest)
Total sales	892	764	+ 16.8%	+ 16.0%
Operating profit	163	135		

Full price sales analysis

	Increase on last year		Avg. customers
UK credit	+ £59m	+ 13%	+ 1%
UK cash	+ £18m	+ 19%	+ 6%
UK total	+ £77m	+ 14%	+ 3%

Online : Profit Analysis

next

£m	July 2018	July 2017		Full Price (Excl. Interest)
Total sales	892	764	+ 16.8%	+ 16.0%
Operating profit	163	135	+ 21.2%	
% to sales	18.3%	17.6%		

Margin movement

Bought-in gross margin - 1.1%

Markdown + 0.9%

Achieved gross margin - 0.2%

Sale stock - 12%

Markdown sales - 6%



Online : Profit Analysis

next

£m	July 2018	July 2017	
Total sales	892	764	+ 16.8%
Operating profit	163	135	+ 21.2%
% to sales	18.3%	17.6%	

Achieved gross margin	- 0.2%	
Warehouse & distribution	- 0.9%	
Catalogues & photography	+ 1.4%	
Marketing & systems	+ 0.5%	Full Year - 0.3%
Central costs	- 0.1%	
Margin movement	+ 0.7%	



Online

Focus on...

- Digital marketing and the website experience
- LABEL
- Overseas
- Warehousing, infrastructure and capex



Digital Marketing

next

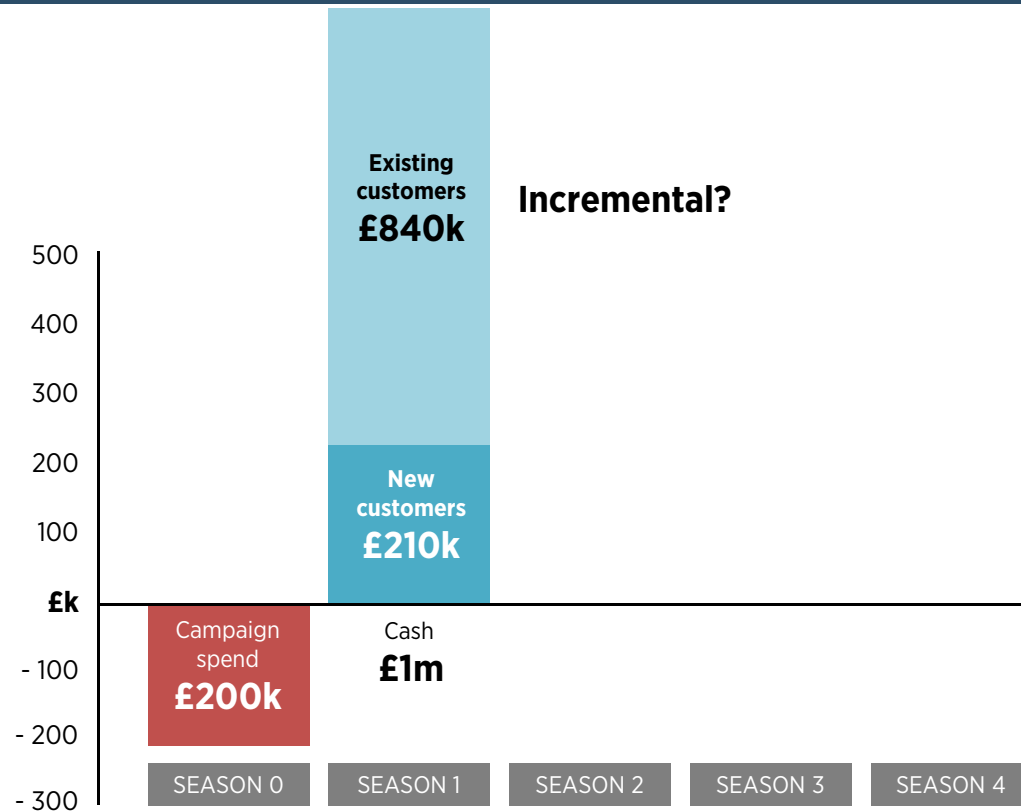


Full Year 2018^(e)

UK digital marketing	£28m	+ 125%	+ £16m
Direct mail, TV & other offline	£11m	- 51%	H1 IRR
Personnel	£11m	+ 19%	>75%
Overseas marketing	£8m	+ 17%	
Total	£58m	+ 13%	+ £7m
Catalogue & creation savings			(£11m)
Net saving			(£4m)

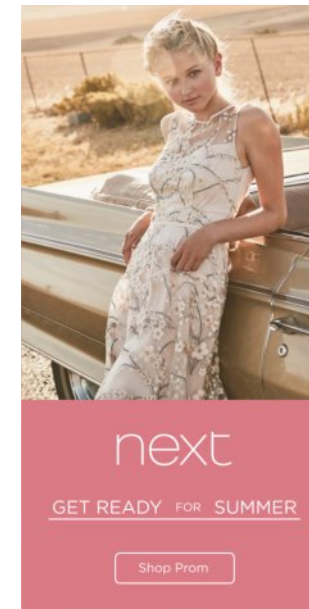
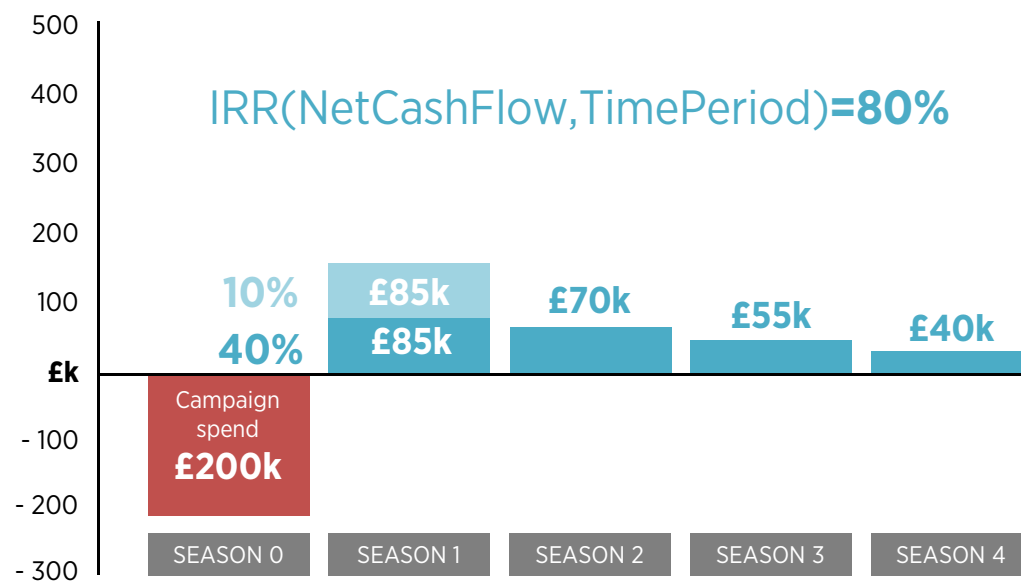
Digital Marketing

next



Digital Marketing

next



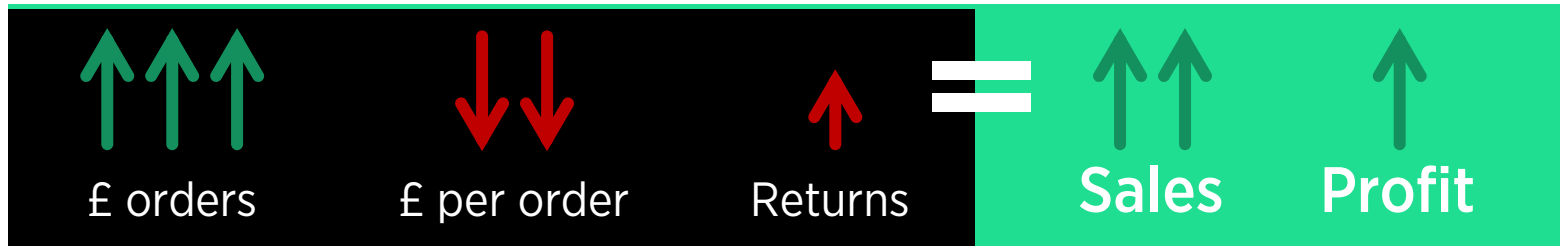
Next Unlimited

next

next**unlimited**
THE ANNUAL DELIVERY PASS

YEAR 1
>5%

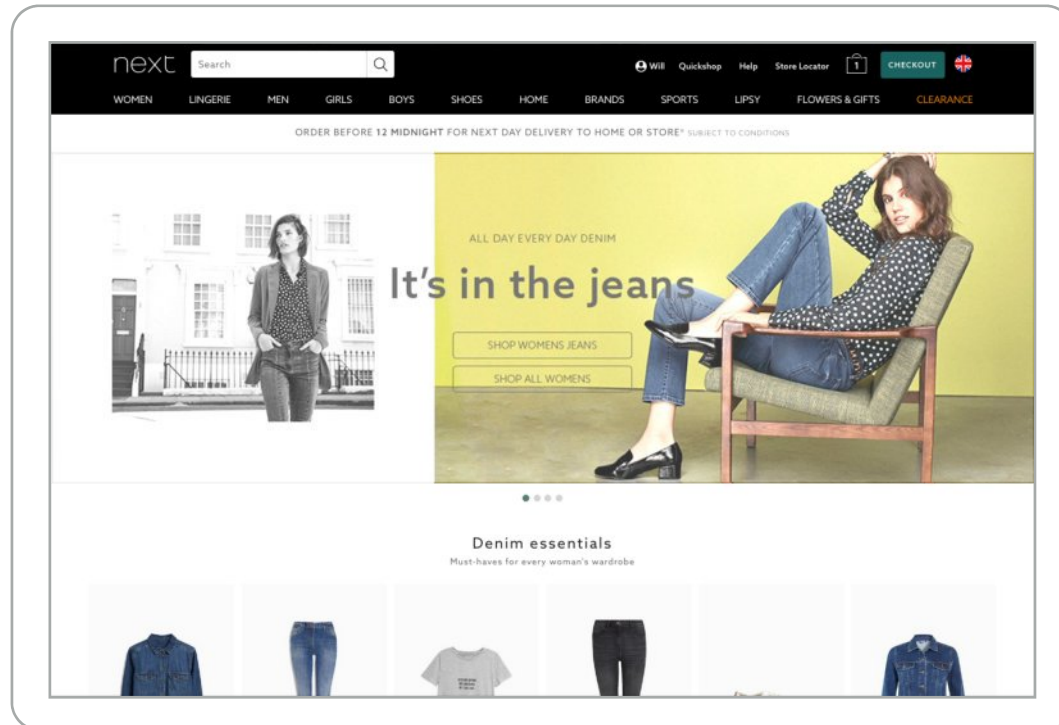
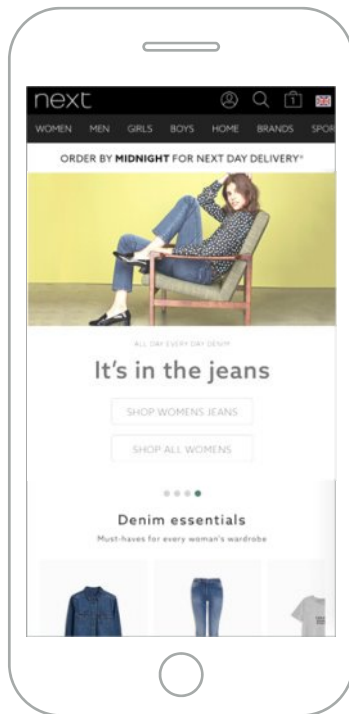
85%
RENEWAL RATE



380,000 customers

Website Experience

next



Website Experience

next

Q3 2017	Q4 2017	Q1 2018	Q2 2018
Product personalisation	Fast registration and checkout	New search banners - UK	Personalised promotions
	Find in store	Targeted marketing	No order nextpay account
		International mobile now 24 countries	
			Save for later – International
			New search banners - International

Website Experience

next

Q3 2018	Q4 2018	Q1 2019	Q2 2019
next 3Step - credit	New spreads design	Variable next 3Step	<u>RoW</u> website
A.I. search engine	Personalised search	Guest checkout	Enhanced payments - International
Personalised home pages	A.I. search – International		Mobile/tablet redesign – International
New Sale site	Search for similar	Mobile/tablet redesign – UK	
Abandoned bags – International			

Online

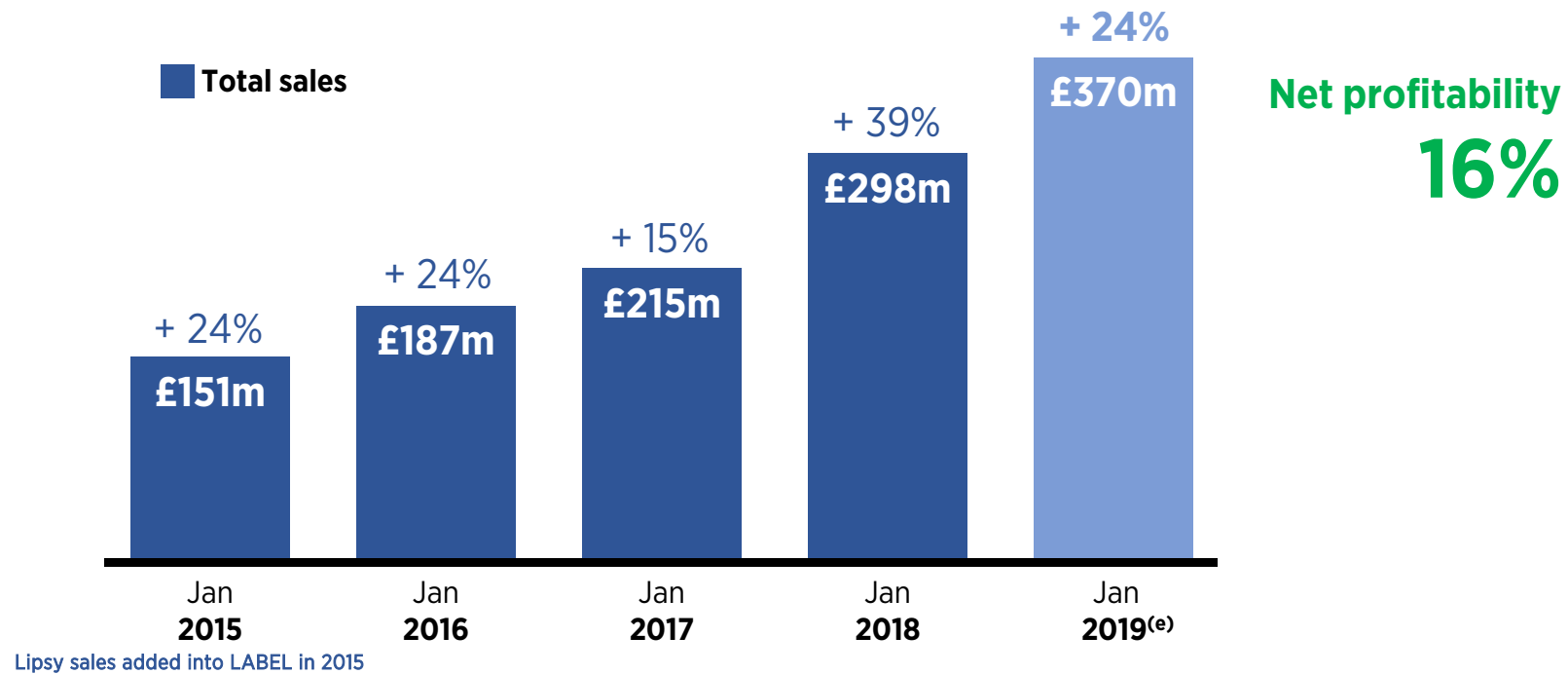
Focus on...

- Digital marketing and the website experience
- **LABEL**
- Overseas
- Warehousing, infrastructure and capex



LABEL

next



LABEL

next

EST. 1892
Abercrombie
& Fitch
NEW YORK

Boden

Calvin Klein

DIESEL

EA7
EMPORIO ARMANI

FRENCH CONNECTION

GLAMOROUS

hype.
LODS

ISSEY MIYAKE

JIGSAW

KAREN MILLEN

LIPSY
LONDON

MINT VELVET



OASIS

Phase Eight

QUIZ

REPLAY

Superdry

TOMMY HILFINGER

UGG
australia

VANS
OFF THE WALL

wonderbra

yumi

Zibi
LONDON
Love the moment

+ 24%

£370m

- New brands
- More choice within brands
- More Commission brands

H1 Sales Growth

+ 30%

+ 19%

Jan
2019^(e)

Commission

Wholesale

Online

Focus on...

- Digital marketing and the website experience
- LABEL
- **Overseas**
- Warehousing, infrastructure and capex



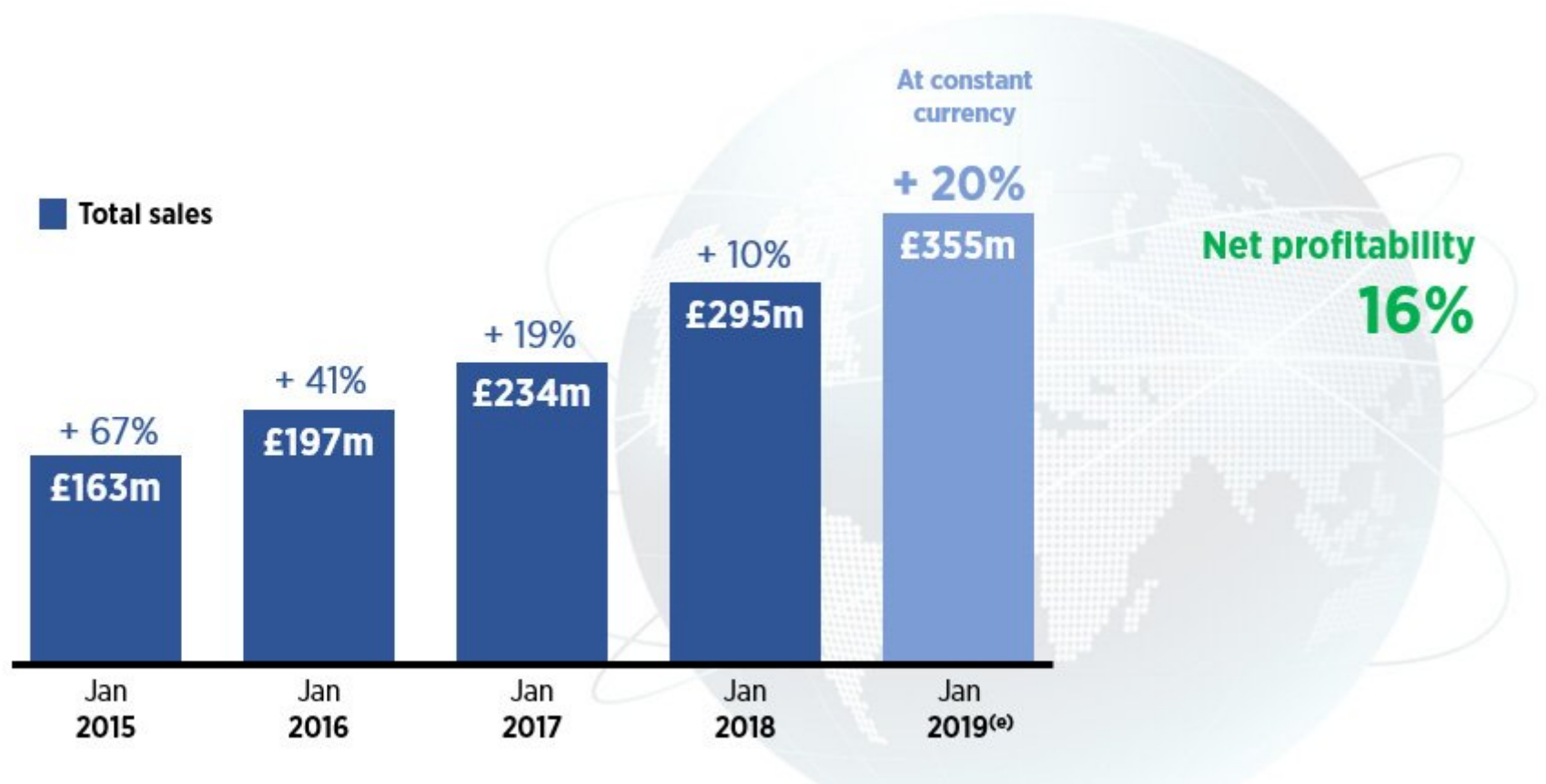
NEXT Overseas Growth Jan 2015 to Jan 2019^(e)

next



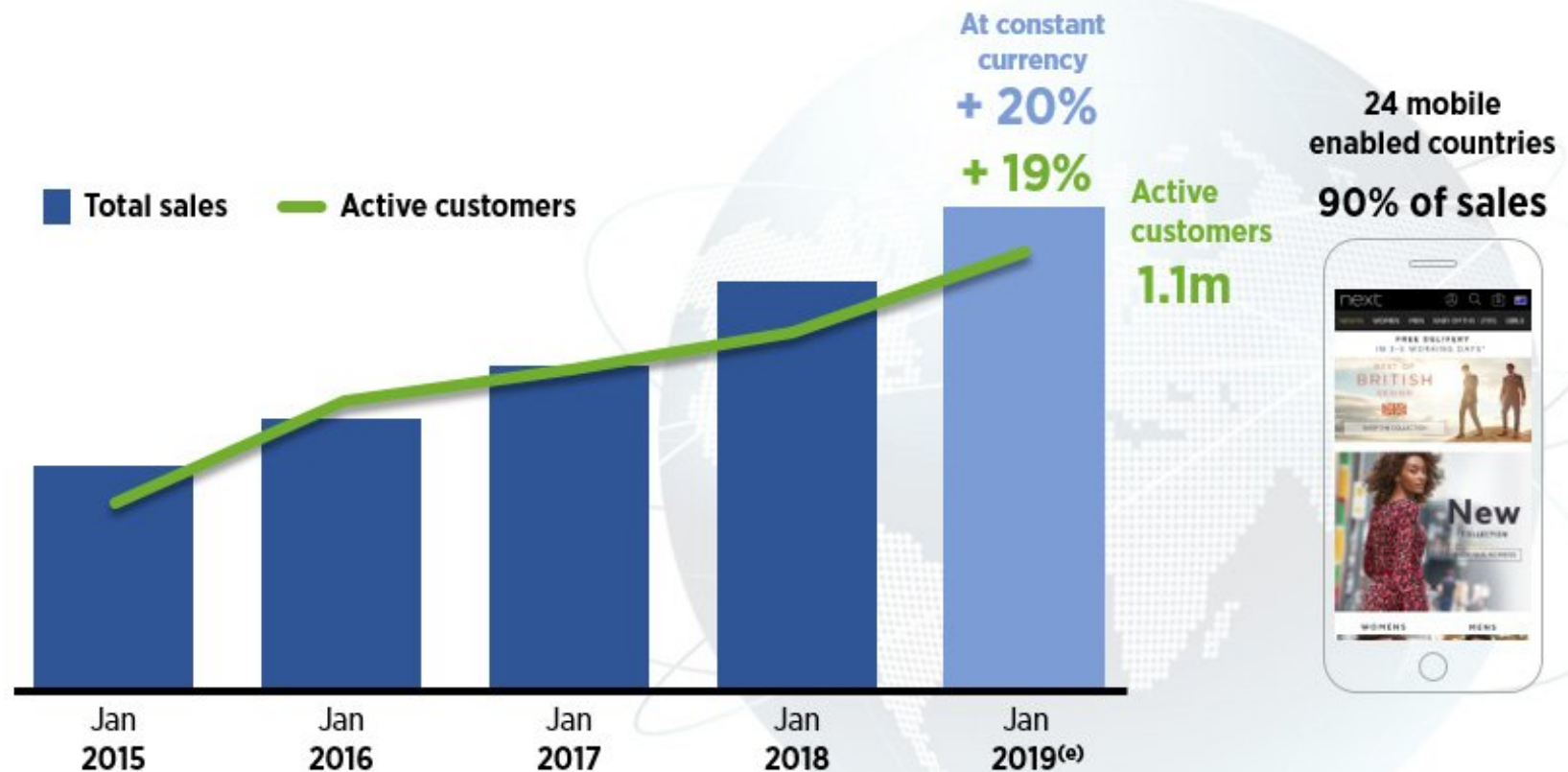
NEXT Overseas Growth Jan 2015 to Jan 2019^(e)

next



NEXT Overseas Growth Jan 2015 to Jan 2019^(e)

next



Online

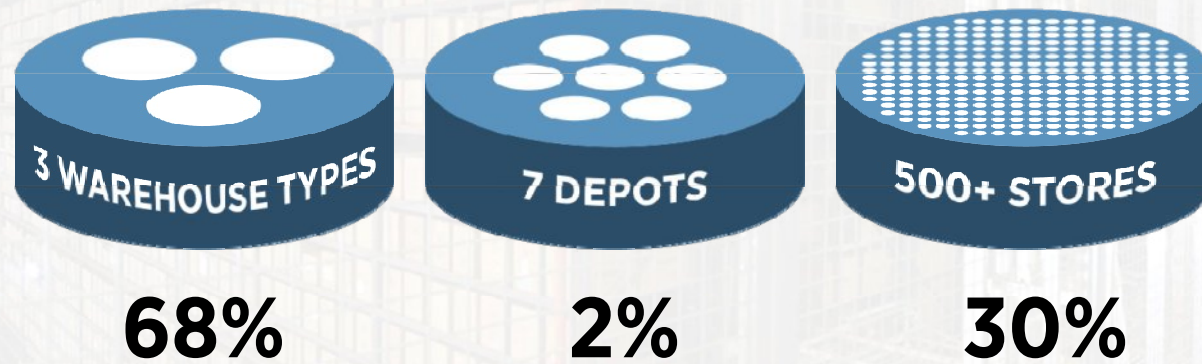
Focus on...

- Digital marketing and the website experience
- LABEL
- Overseas
- **Warehousing, infrastructure and capex**



Warehousing, Infrastructure and Capex

next



Stock holding

Warehousing, Infrastructure and Capex

next

August **2016**



Warehousing, Infrastructure and Capex

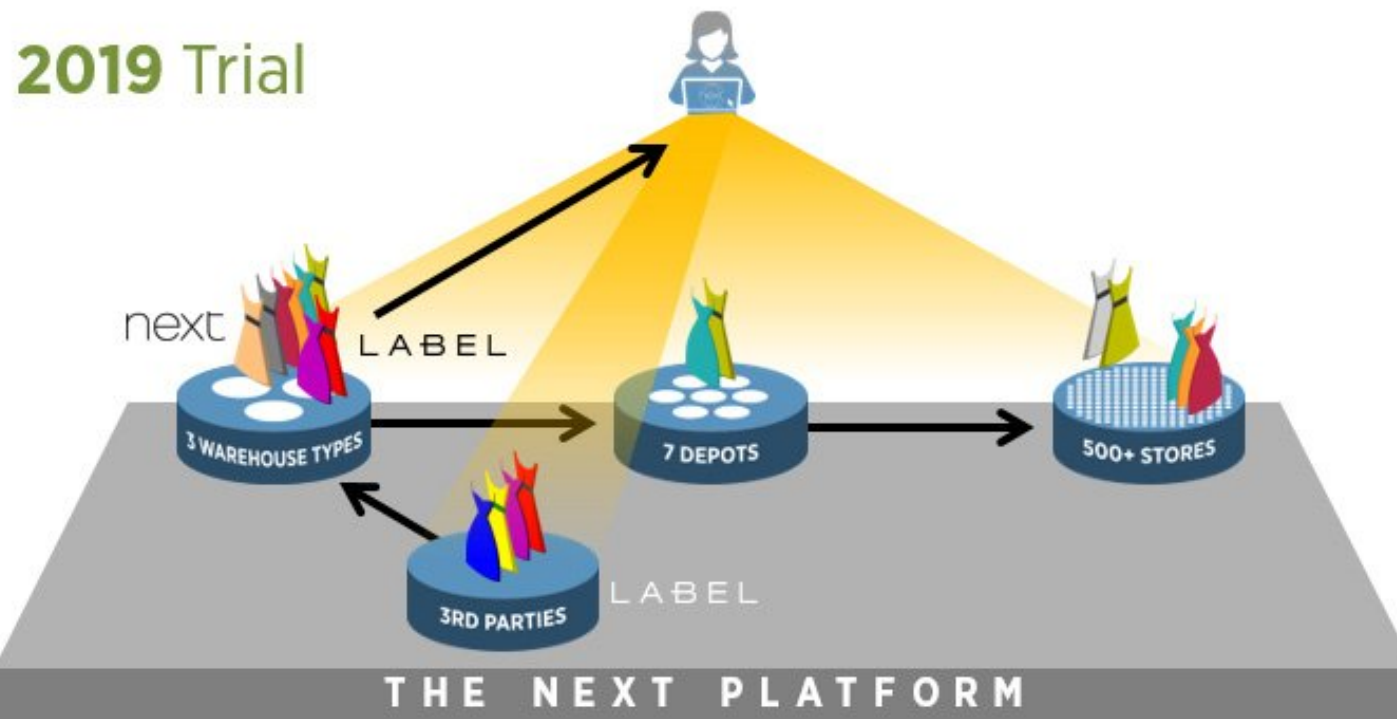
next

August 2018



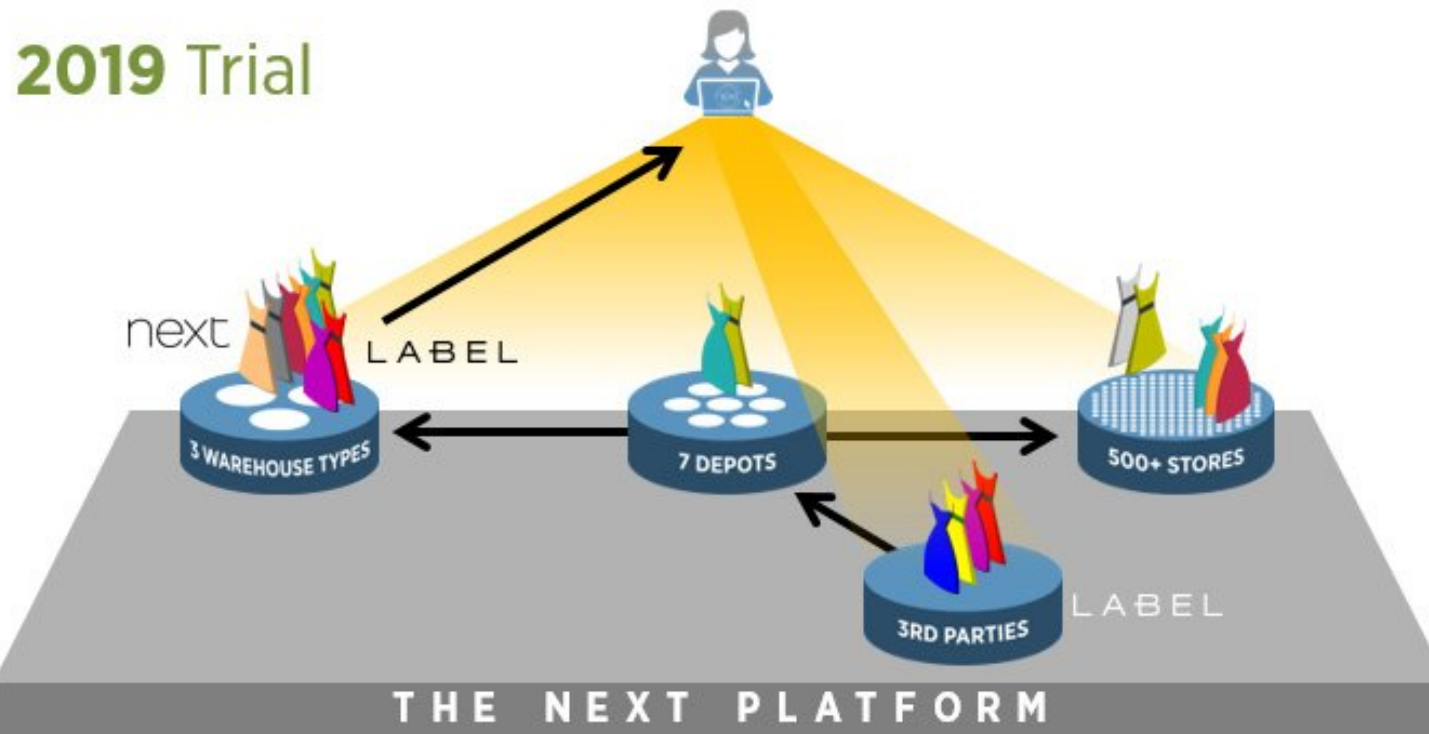
Warehousing, Infrastructure and Capex

next



Warehousing, Infrastructure and Capex

next



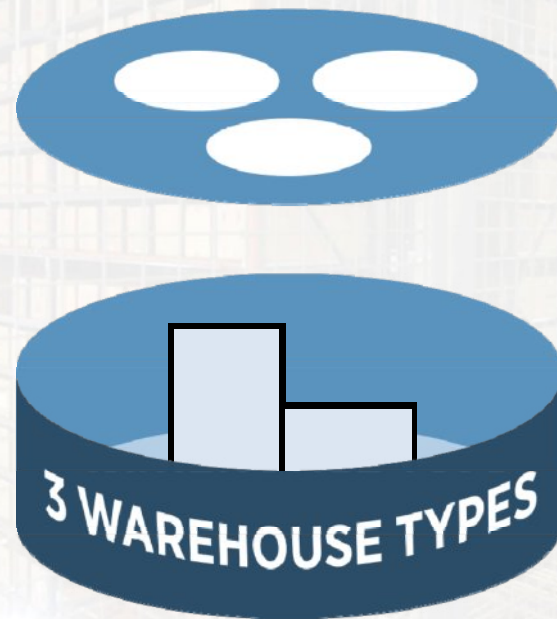
Warehousing, Infrastructure and Capex

next



Warehousing, Infrastructure and Capex

next

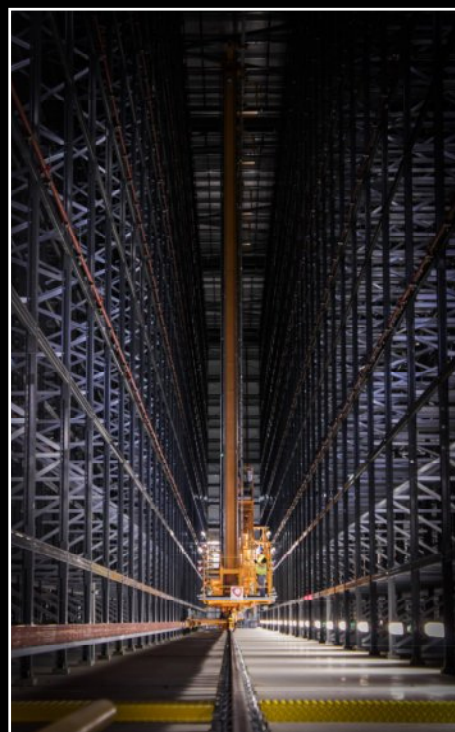


Warehousing, Infrastructure and Capex

next

Reserve

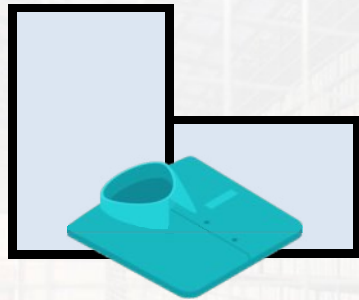
80%



Forward
20%

Warehousing, Infrastructure and Capex

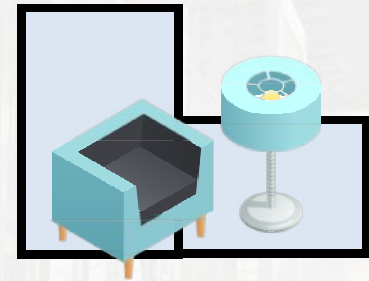
next



Elmsall & Dearne Valley
Boxed



Stadium
Hanging






Doncaster & Dearne Valley
Palletised



RETURNS CENTRE

Warehousing, Infrastructure and Capex




next

		Current utilisation	4 year capex plan	Capacity growth
 Boxed	Reserve	83%	£132m	+ 43% *
	Forward	99%		+ 123%
 Hanging	Reserve	76%	£36m	+ 55% *
	Forward	90%		+ 28% *
 Palletised	Reserve	74%	£19m	+ 35% *
	Forward	99%		+ 32% *
	Other		£13m	
	Total		£200m	* Brand growth

Warehousing, Infrastructure and Capex

next

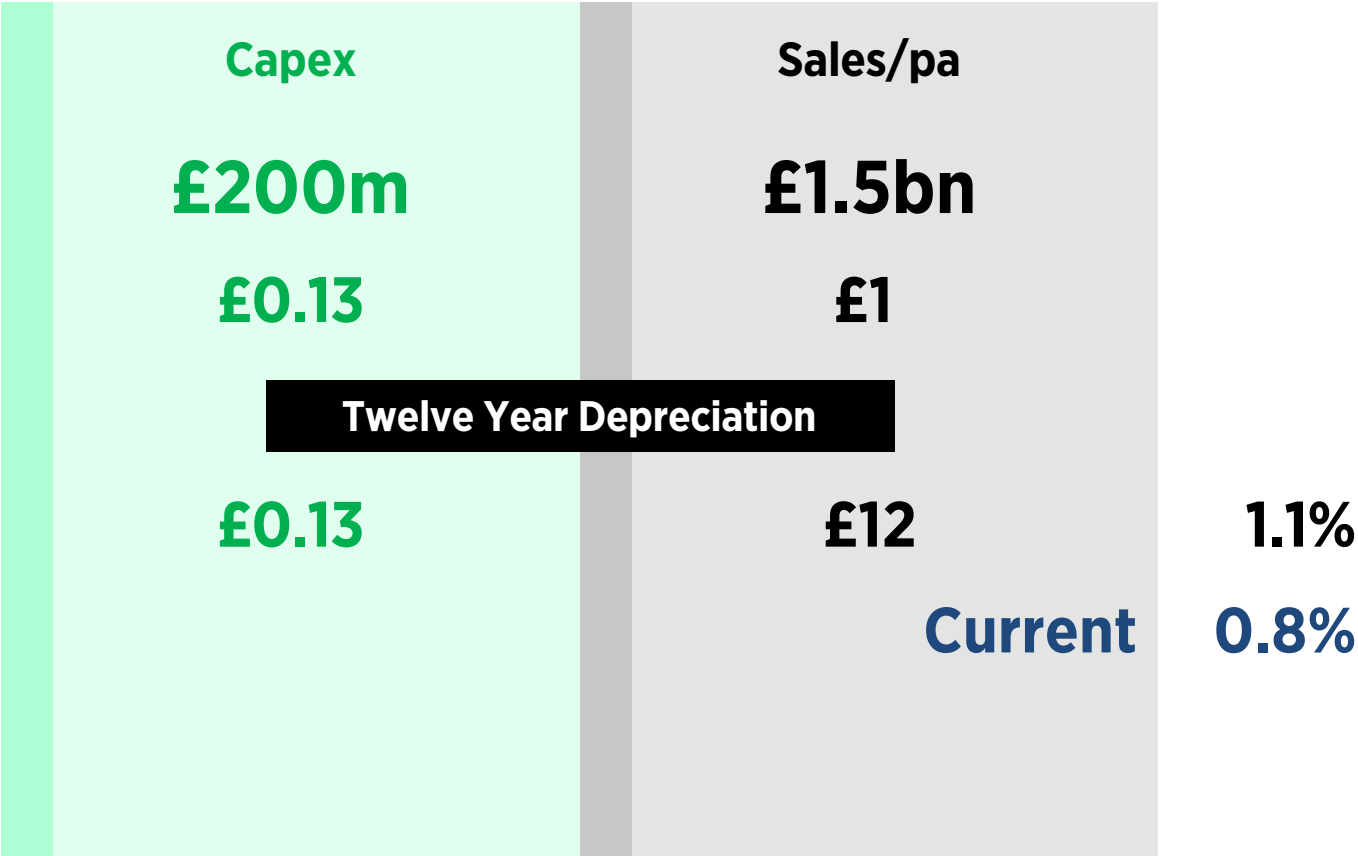
4 year
capex plan

 Boxed	£132m	
 Hanging	£36m	+ £1.5bn sales capacity
 Palletised	£19m	

Total **£200m**

Cost of Capital of Warehouse Investment

next



Cost of Capital of Warehouse Investment


next

Capex	Sales/pa
£200m	£1.5bn
£0.13	£1
Average Cash Margin 19%	
£0.13	£0.19 Profit/pa
IRR= >75%	

NEXT Finance



NEXT Finance : Full Year Sales & Profit Analysis^(e) next



£m	Jan 2019 ^(e)	Jan 2018	
Interest income	252	223	+ 12.8%
Bad debt	(51)	(37)	
Overheads	(38)	(33)	
Cost of funding	(40)	(41)	
Profit	<u>123</u>	<u>112</u>	



NEXT Finance : Full Year Sales & Profit Analysis^(e) next

£m

Jan 2019^(e)

Jan 2018

Interest income

252

223

+ 12.8%

Average balance

+ 12.6%^(e)

Credit sales

+ 8.0%^(e)

Payment days

+ 3.0%^(e)

NEXT Finance : Full Year Sales & Profit Analysis^(e)

£m

Jan 2019^(e)

Jan 2018

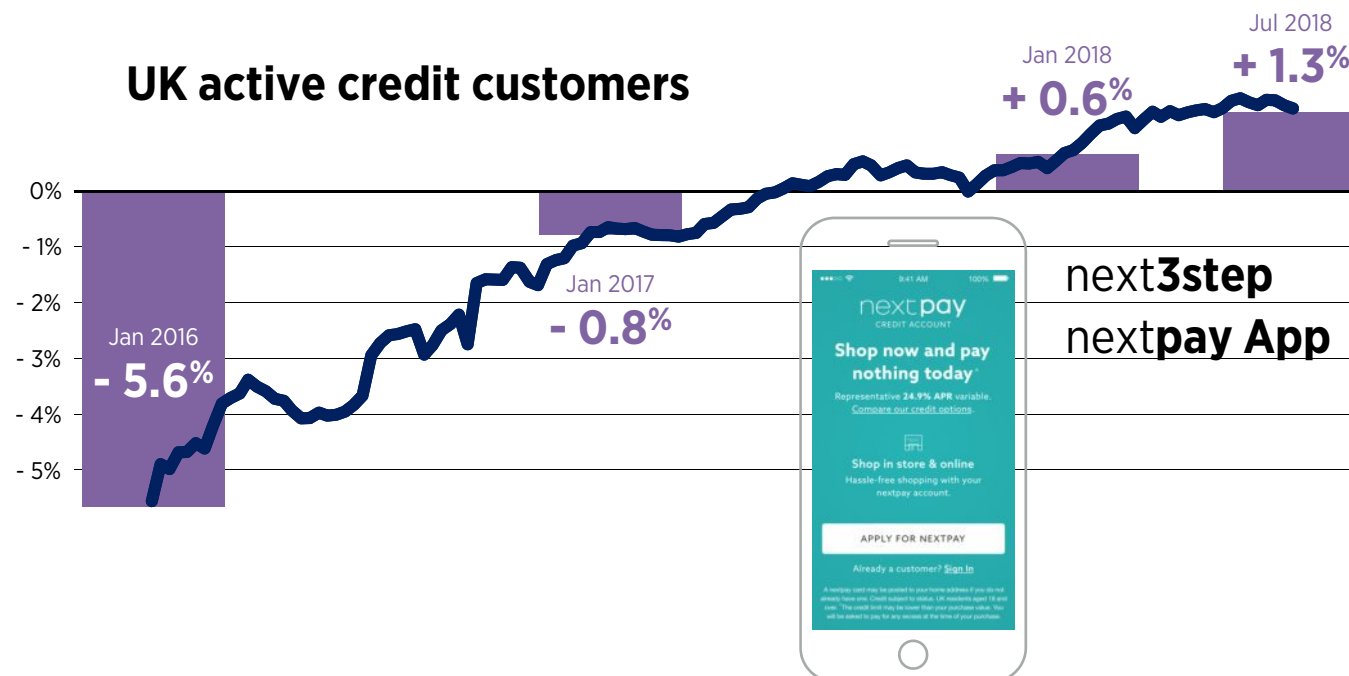
Interest income

252

223

+ 12.8%

UK active credit customers



NEXT Finance : Full Year Sales & Profit Analysis^(e)



£m	Jan 2019 ^(e)	Jan 2018	
Interest income	252	223	+ 12.8%
Bad debt	(51)	(37)	+ 36.0%

Increase + £14m

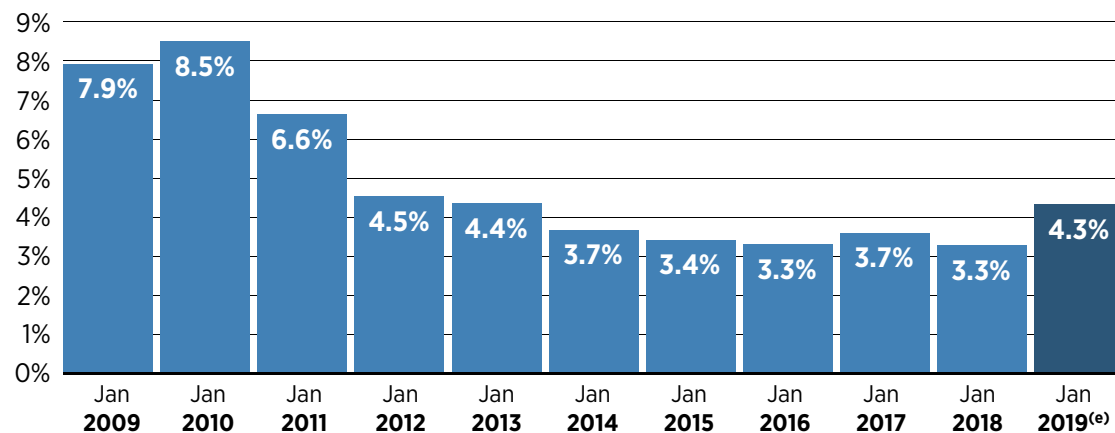
Balance growth + £5m

Bad debt rate + £9m

NEXT Finance : Full Year Sales & Profit Analysis^(e) *next*

£m	Jan 2019 ^(e)	Jan 2018	
Interest income	252	223	+ 12.8%
Bad debt	(51)	(37)	+ 36.0%

Bad debt as a % of average debt balance

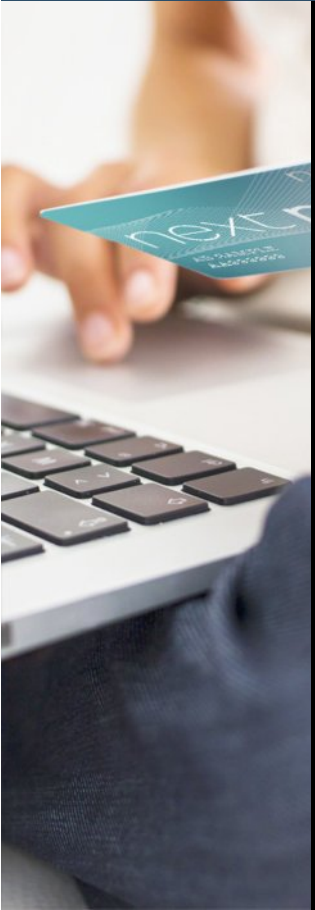


NEXT Finance : Full Year Sales & Profit Analysis^(e)

£m	Jan 2019 ^(e)	Jan 2018	
Interest income	252	223	+ 12.8%
Bad debt	(51)	(37)	+ 36.0%
Overheads	(38)	(33)	
Cost of funding	(40)	(41)	- 0.3%

Average balance	£1.1bn	£1.0bn
Group rate	3.5%	4.0%

NEXT Finance : Full Year Sales & Profit Analysis^(e)



£m	Jan 2019 ^(e)	Jan 2018	
Interest income	252	223	+ 12.8%
Bad debt	(51)	(37)	+ 36.0%
Overheads	(38)	(33)	
Cost of funding	(40)	(41)	
Profit	123	112	+ 9.7%

Average balance **£1.1bn** £1.0bn

Return on capital employed **10.7%** 11.0%

Outlook

next

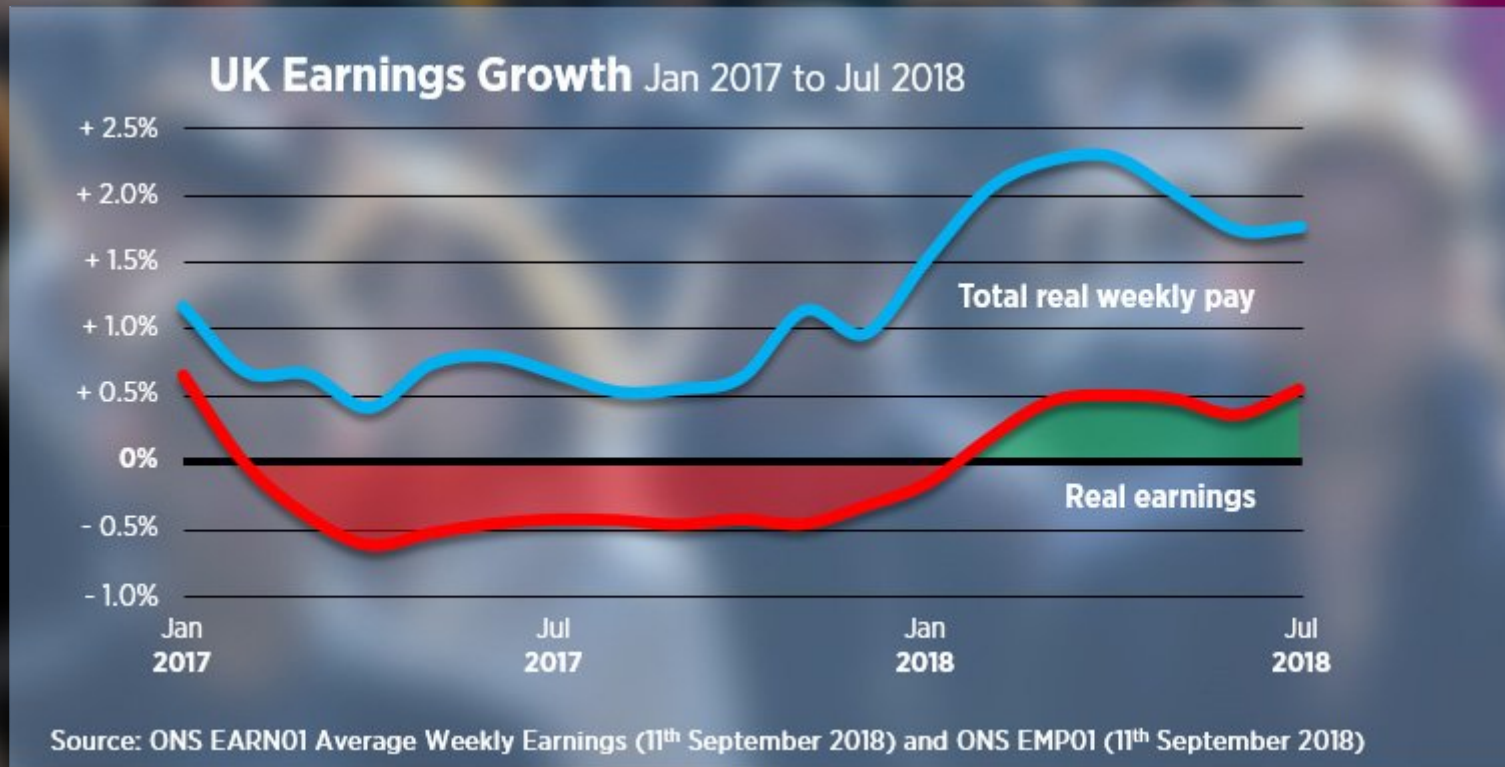
**Economic
Environment**

**Clothing
Environment**

**Structural
Change**

Economic Environment

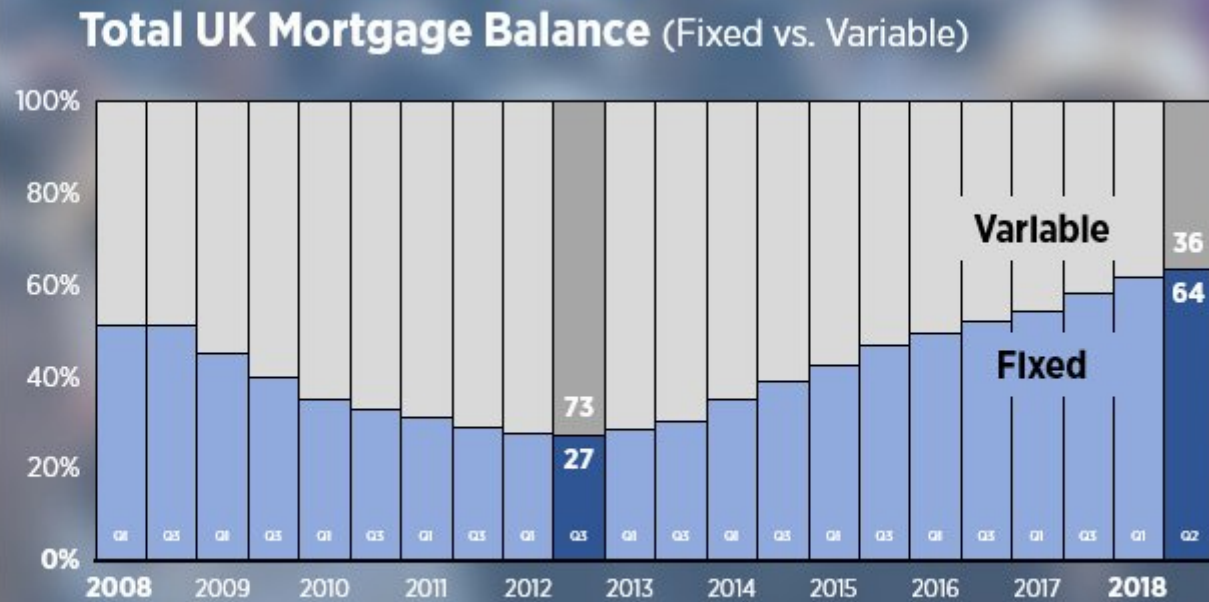
next



Total Real Weekly Pay calculated as: Total Employees (MGRN in EMP01, ONS 11th September 2018) x Real AWE 2015 £ (A2FD in EARN01, ONS 11th September 2018).

Economic Environment

next



Source: BoE, Mortgage Lenders and Administrators Statistics (11th September 2018)

Clothing Environment

Structural Change

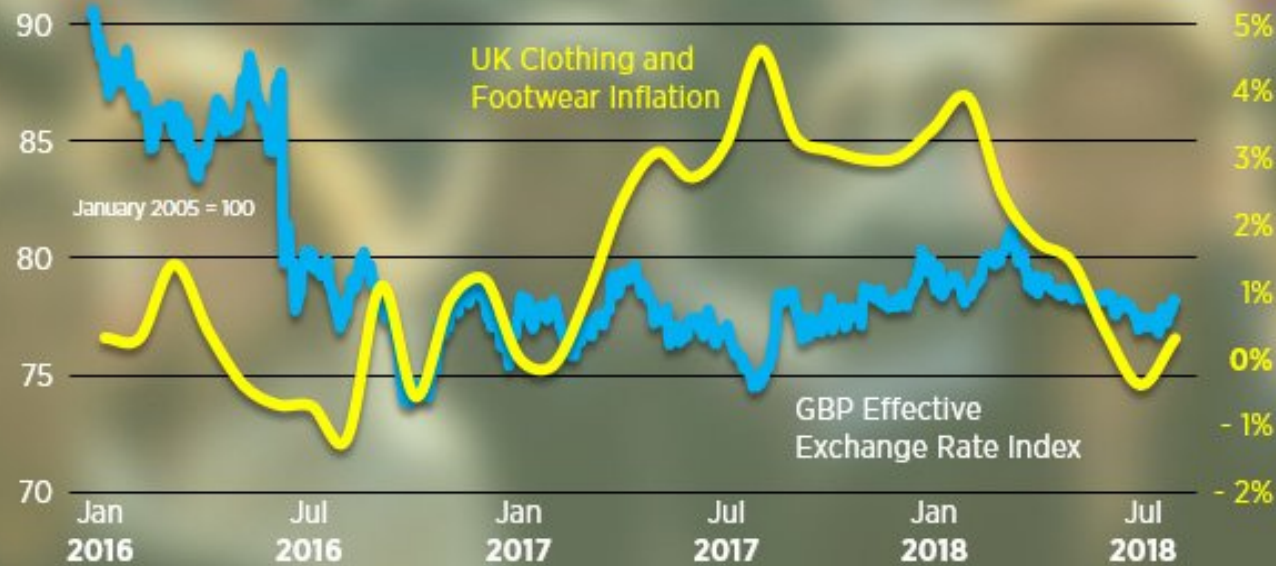
Clothing Environment

next

Economic
Environment

Structural
Change

Exchange Rate Index and Clothing Inflation



Source: BoE, Effective Exchange Rate Index: XUDLBK67 (11th September 2018)
ONS, Clothing and Footwear Actual (19th September 2018)

Economic
Environment

Structural
Change

Costing Rates

Buying season	£/USD costing rate	Strength of £ vs previous year	Average selling price variance
Spring & Summer 2018	\$1.26	- 9%	+ 2%
Autumn & Winter 2018	\$1.32	+ 5%	~ 0%
Spring & Summer 2019	\$1.35	+ 7%	~ 0%
Autumn & Winter 2019	\$1.32	+ 0%	~ 0%

Covered to January 2020

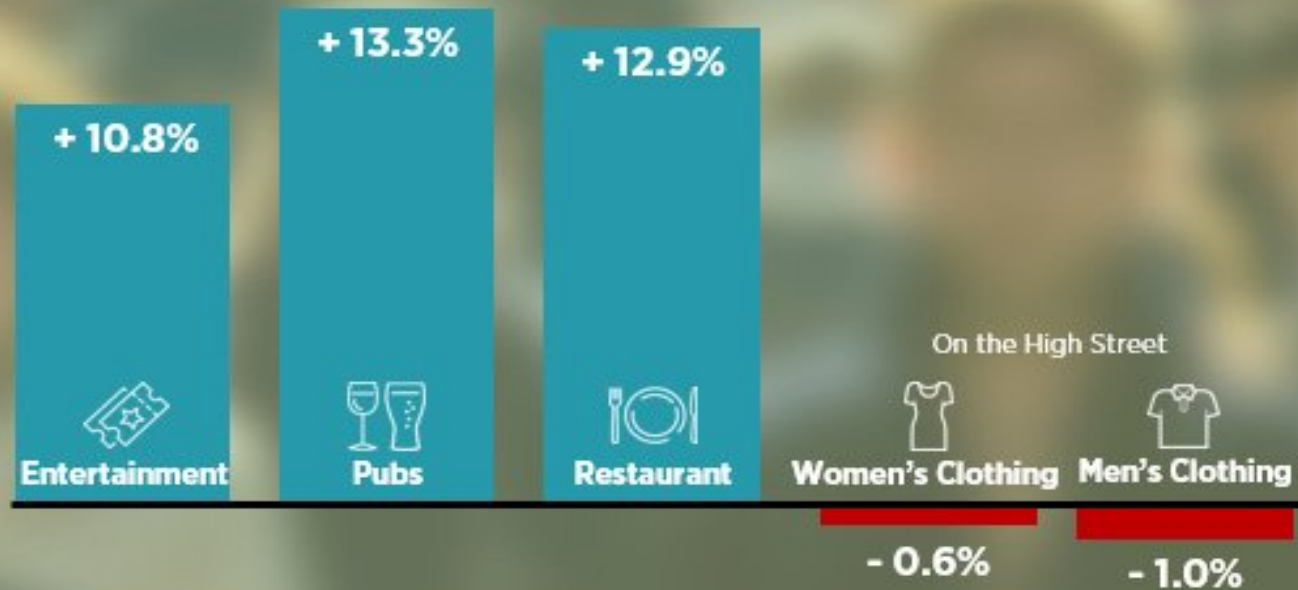
Clothing Environment

next

Economic
Environment

Structural
Change

Sector Growth 2017 vs 2016



Source: Average of monthly Barclaycard UK spend data from July 2016 to August 2017

Clothing Environment

next

Economic
Environment

Structural
Change

Sector Growth 2018 vs 2017



Source: Average of monthly Barclaycard UK spend data from July 2016 to August 2018

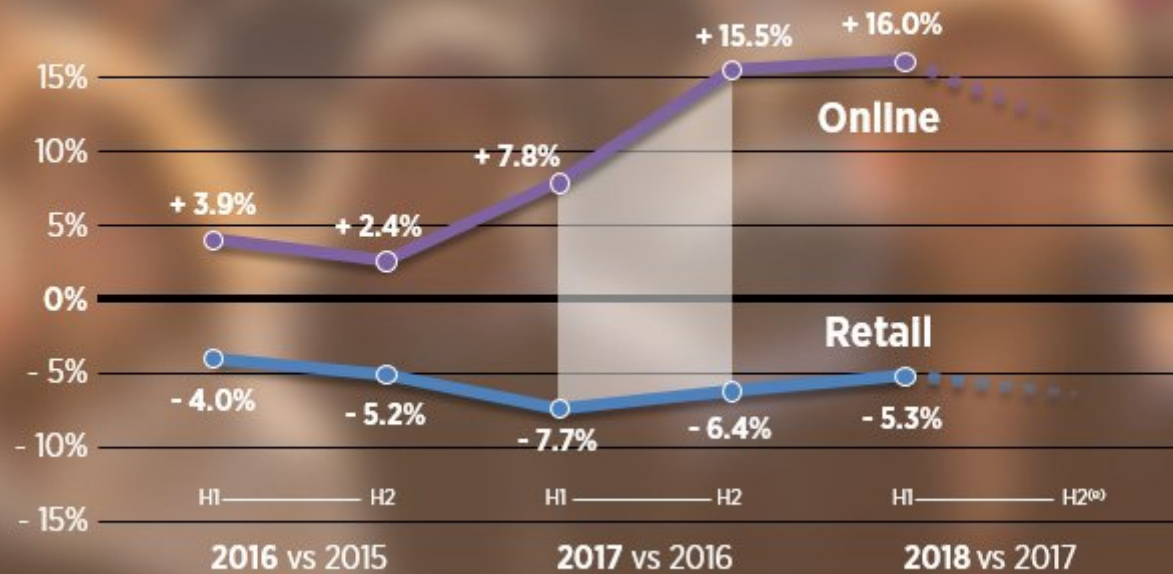
Structural Change

next

Economic
Environment

Clothing
Environment

Full Price Sales Movement 2016/17 to 2018/19^(e)



Structural Change

next



Full Price Sales Movement 2018/19^(e) + 3%



Including Interest Income

Central Guidance | Full Price Sales 2018/19^(e)

next

Retail	Online	Brand
- £112m	+ £219m	+ £107m
- 6%	+ 13%	+ 3%

Central Guidance | 2018/19^(e)

next

Full year Brand full price sales

+ 3%

Profit performance



Central Guidance | 2018/19^(e)

next

Full year Brand full price sales

+ 3.0%

Profit before tax

+ 0.1%

£727m

Growth in EPS

+ 5.0%

437.7p

Ordinary dividend yield*

+ 3.4%

TSR underlying (at constant PE ratio)

+ 8.4%

* Based on a share price of £48.95, the average share price during February 2018

next

J U L Y 2 0 1 8

Brexit?

Retail in an Online World

NEXT's Online Platform

Capital Discipline and Cash Generation

Direction of Travel





next



next