

next | JULY 2014



# Income Statement

next

£m	July 2014	July 2013		Full Price
Revenue	<u>1,850</u>	<u>1,677</u>	+ 10.3%	<b>+11.5%</b>
Operating profit	<b>339</b>	285	+ 19.0%	
Interest	<u>(15)</u>	<u>(13)</u>		
Profit before tax	<b>324</b>	272		
Taxation	<u>(66)</u>	<u>(55)</u>		
Profit after tax	<u>258</u>	<u>217</u>	+ 18.6%	
EPS	<b>173.3p</b>	142.1p	+ 22.0%	

# Income Statement

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Profit before tax	<b>324</b>	272		
Taxation	<u>(66)</u>	<u>(55)</u>		
Profit after tax	<u>258</u>	<u>217</u>	+ 18.6%	
Ordinary interim dividend	<b>50.0p</b>	36.0p		
Ordinary dividend full year (e)	<b>150.0p</b>	129.0p	+ 16.3%	



# Cash Flow

next

£m	July 2014	July 2013
Profit before tax	324	272
Depreciation / disposals	57	61
Capital expenditure	(54)	(53)
Working capital / other	(16)	(13)
Tax paid	(75)	(75)
ESOT	(36)	(63)
Special dividends paid	(149)	-
Share buybacks	(105)	(170)
Net cash flow	<u>(54)</u>	<u>(41)</u>



# Cash Flow

next

£m

July 2014

July 2013

Profit before tax

324

272

Depreciation / disposals

57

61

## Capital expenditure

### Full Year

Jan 2015(e)

£117m

Jan 2014

£105m

Warehouse & other

£34m

£22m

Refurbishments

£12m

£13m

New & extended

£71m

£70m

# Cash Flow

next

£m

July 2014

July 2013

Profit before tax

324

272

Depreciation / disposals

57

61

## Capital expenditure

### Full Year

Warehouse & other

Refurbishments

New & extended

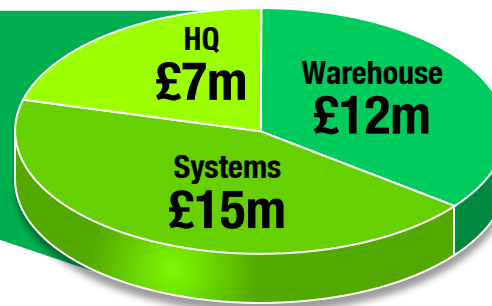
Jan 2015(e)

£117m

£34m

£12m

£71m



# Balance Sheet

next

£m	July 2014	July 2013
Fixed assets	513	536
Goodwill and intangibles	44	45
Stock	428	372
Debtors	780	716
Creditors	(867)	(847)
Dividend payable	(212)	(111)
Pension surplus	69	68
Buyback commitment	(62)	(48)
Net debt	(571)	(533)
Net assets	<u>122</u>	<u>198</u>



# Balance Sheet

next

£m	July 2014	July 2013	
Fixed assets	513	536	
Goodwill and intangibles	44	45	
Stock	428	372	
Debtors	780	716	+ 9%

## Directory debtors

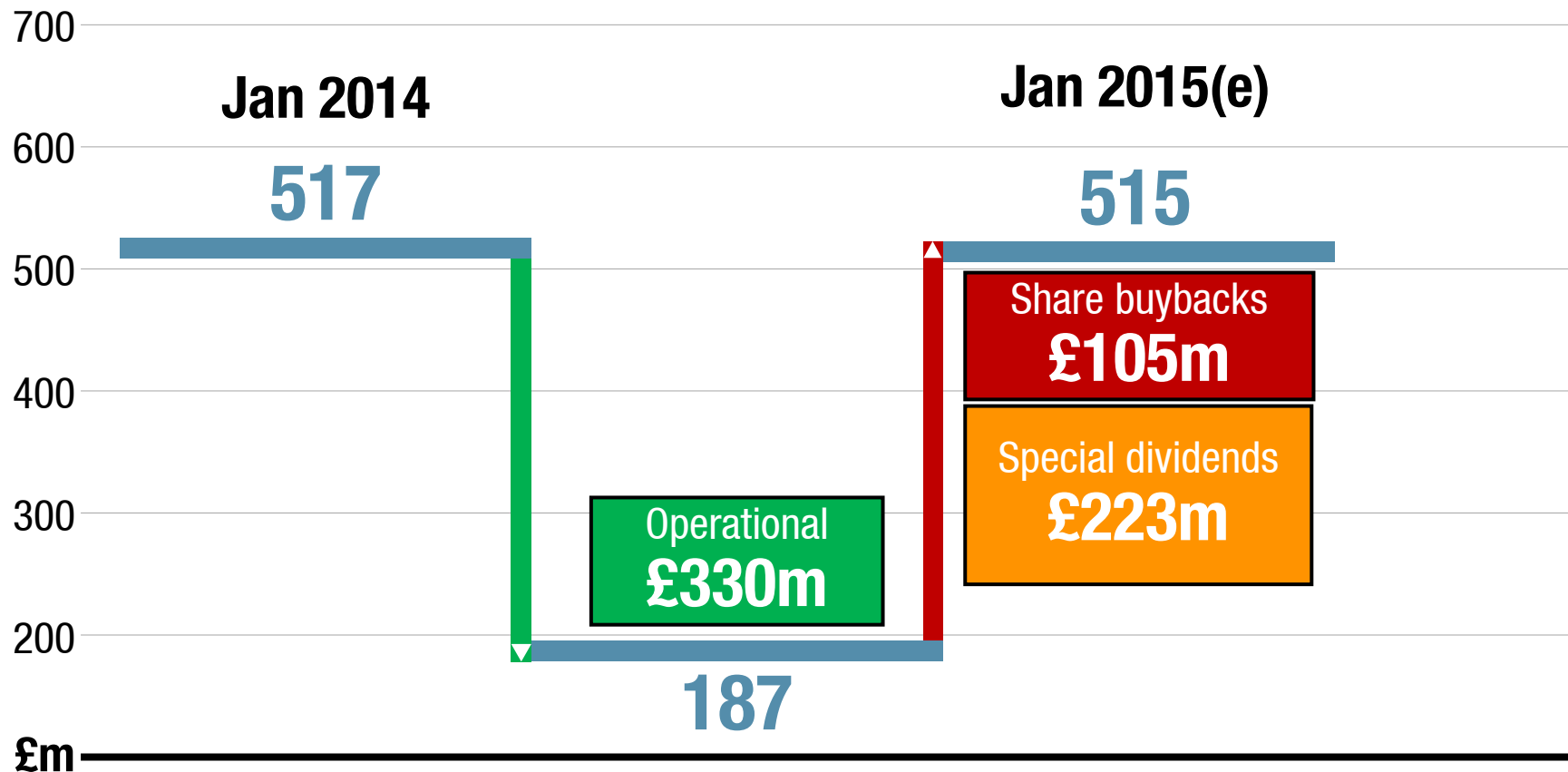


## Credit sales increase



# Full Year Debt, Cash Flow and Buybacks

next



# Retail







# Retail : Sales Analysis

next

£m	July 2014	July 2013	
<b>Revenue</b> (statutory sales)	<b>1,075.6</b>	1,000.6	+ 7.5%
<b>Operating profit</b>	<b>152.3</b>	124.3	

## Sales from new space

Sales growth from net space	3.8%
Average net space growth (sq. ft.)	4.4%
Return on space	86%



# Retail : Profit Analysis

next

£m	July 2014	July 2013	
Revenue (statutory sales)	1,075.6	1,000.6	+ 7.5%
Operating profit	152.3	124.3	+ 22.6%
% to revenue	14.2%	12.4%	

Full Price  
+ 9%

Markdown  
- 4%

## Margin movement

Markdown	+ 0.3%
Bought-in gross margin	+ 0.2%
Achieved gross margin	<u>+ 0.5%</u>

Lower  
stock  
for Sale

- 1%



# Retail : Profit Analysis

next

£m	July 2014	July 2013	
<b>Revenue</b> (statutory sales)	<b>1,075.6</b>	1,000.6	+ 7.5%
<b>Operating profit</b>	<b>152.3</b>	124.3	+ 22.6%
% to revenue	<b>14.2%</b>	12.4%	

## Margin movement

Achieved gross margin	+ 0.5%
Store payroll	+ 0.2%
Store occupancy	+ 0.9%
Warehouse	+ 0.2%
Margin movement	<u>+ 1.8%</u>



# Directory



# Directory : Sales Analysis

next

£m	July 2014	July 2013	
<b>Revenue</b> (statutory sales)	<b>694.3</b>	597.6	+ 16.2%
<b>Operating profit</b>	<b>172.1</b>	156.1	

## Sales analysis

UK

Overseas

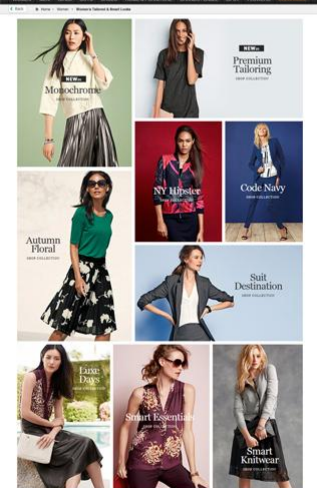
Sales growth

Contribution to growth

+ 10.8%

+ 5.4%

+ 16.2%



# Directory : Sales Analysis

next

£m

July 2014 July 2013

**Revenue** (statutory sales) **694.3** 597.6 + 16.2%

**Operating profit** **172.1** 156.1

## Active customers

Increase on  
last year

Contribution to  
customer growth

UK credit

2,700k

- 80k

UK cash

810k

+ 190k

Overseas

430k

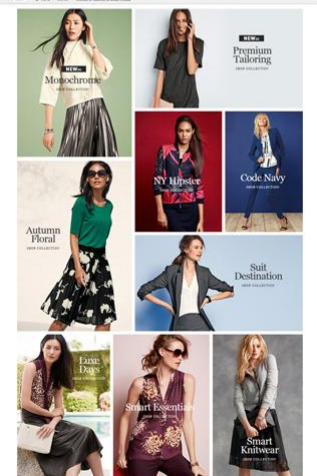
+ 210k

Active customers

3.9m

+ 320k

+ 9%



# Directory : Profit Analysis

next

£m	July 2014	July 2013	
<b>Revenue</b> (statutory sales)	<b>694.3</b>	597.6	+ 16.2%
<b>Operating profit</b>	<b>172.1</b>	156.1	+ 10.2%
% to revenue	<b>24.8%</b>	26.1%	

Full Price  
**+ 16%**

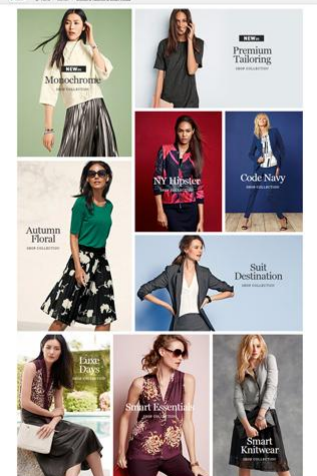
Markdown  
**+ 15%**

## Margin movement

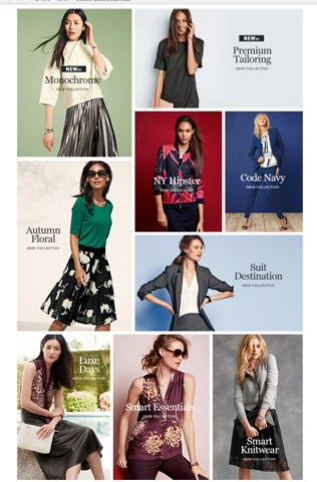
Markdown	- 0.2%
Bought-in gross margin	- 0.1%
Achieved gross margin	<u>- 0.3%</u>

**Higher  
stock  
for Sale**

**+ 26%**







# Directory : Profit Analysis

next

£m	July 2014	July 2013	
<b>Revenue</b> (statutory sales)	<b>694.3</b>	597.6	+ 16.2%
<b>Operating profit</b>	<b>172.1</b>	156.1	+ 10.2%
% to revenue	<b>24.8%</b>	26.1%	

## Margin movement

Achieved gross margin	- 0.3%
Interest income	- 0.5%
Marketing	- 0.4%
Creation and print	- 0.3%
Central overheads	+ 0.2%
Margin movement	<u>- 1.3%</u>



A low-angle, upward-looking photograph of a large tree. The trunk is thick and textured, rising from the bottom right towards the top right. The canopy is filled with dense foliage in bright yellow and orange hues, with some blue sky visible through the branches. The word "Growth" is superimposed in large white letters across the middle of the image.

# Growth



# Five Growth Drivers

New space	2.4%	Total Retail + 4.7%	Total NEXT Brand sales + 10.7%
Existing stores	2.3%		
Directory UK	3.2%	Total Directory + 6.0%	
Directory overseas	2.0%		
Brands	0.8%		

# Stores July 2014

New  
space

**Stores Jan 2014**

**541**

**New**

**3**

**Resites**

**4**

**Extensions**

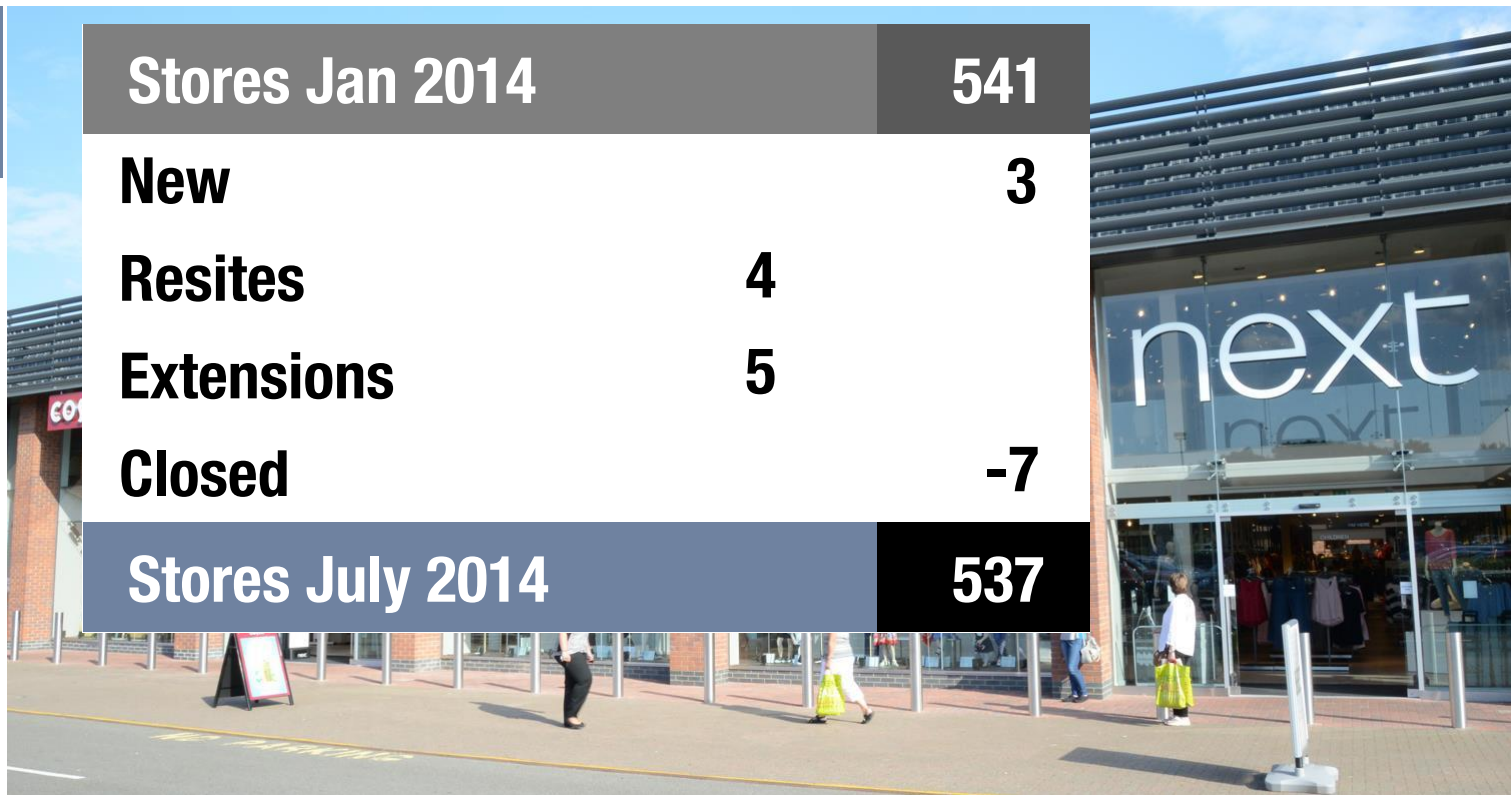
**5**

**Closed**

**-7**

**Stores July 2014**

**537**



# Stores Jan 2015(e)

New  
space

**Stores Jan 2014**

**541**

**Avg. sq. ft.**

**New**

**12**

**Resites**

**9**

**Extensions**

**8**

**Closed**

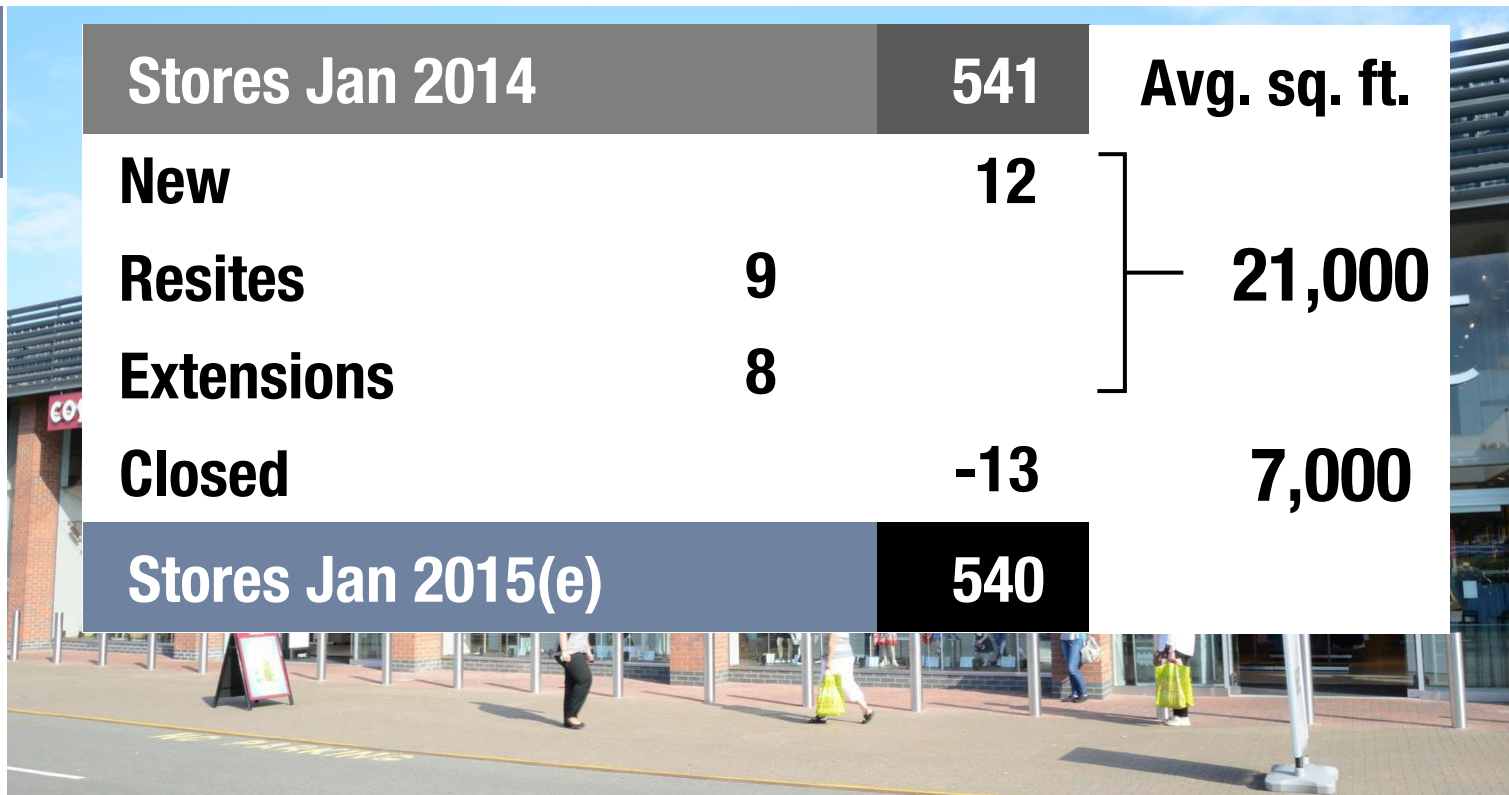
**-13**

**21,000**

**7,000**

**Stores Jan 2015(e)**

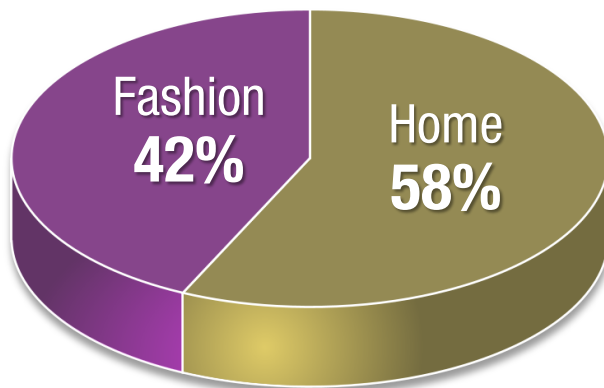
**540**



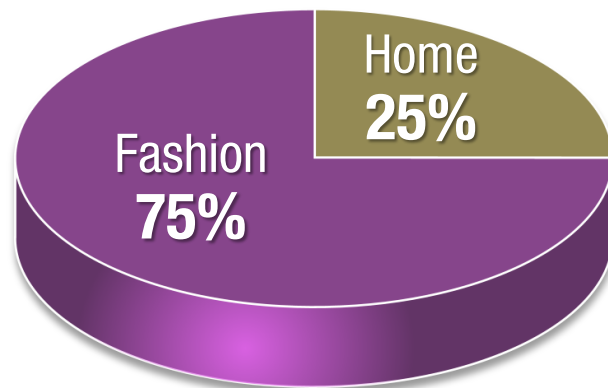
# Jan 2015(e) Space Allocation

New  
space

New sq. ft.  
**+ 350,000(e)**



Total sq. ft.  
**7,360,000(e)**





Large Format

New  
space

70% of new space



# Large Format

New  
space

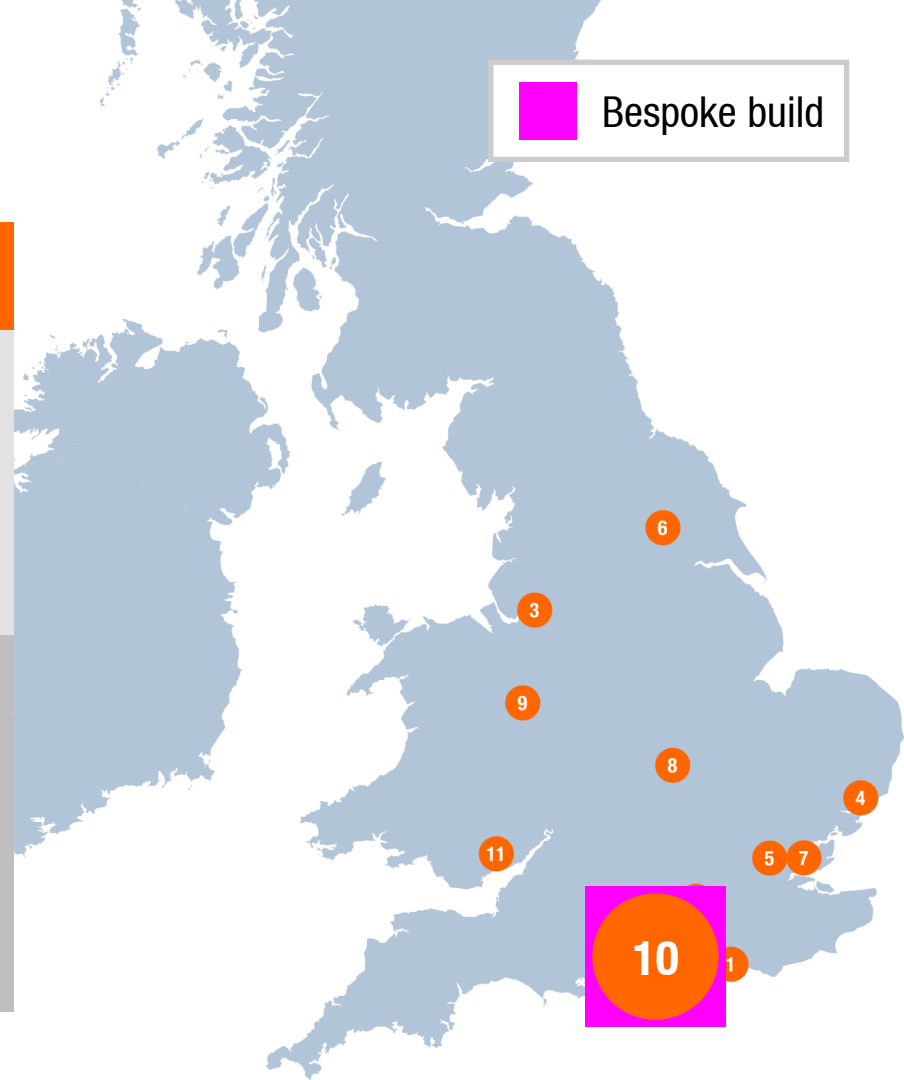
**11 open**

1. Shoreham
2. Camberley
3. Warrington
4. Ipswich
5. Romford
6. York
7. Basildon
8. Northampton
9. Shrewsbury
10. Hedge End
11. Cwmbran

**2014**



Bespoke build





## Hedge End

**58,000 sq. ft.**

**Appraised turnover £19.5m**

**Appraised profit £3.4m**

**Appraised payback 35 months**

**Forecast turnover £21m**

# Large Format

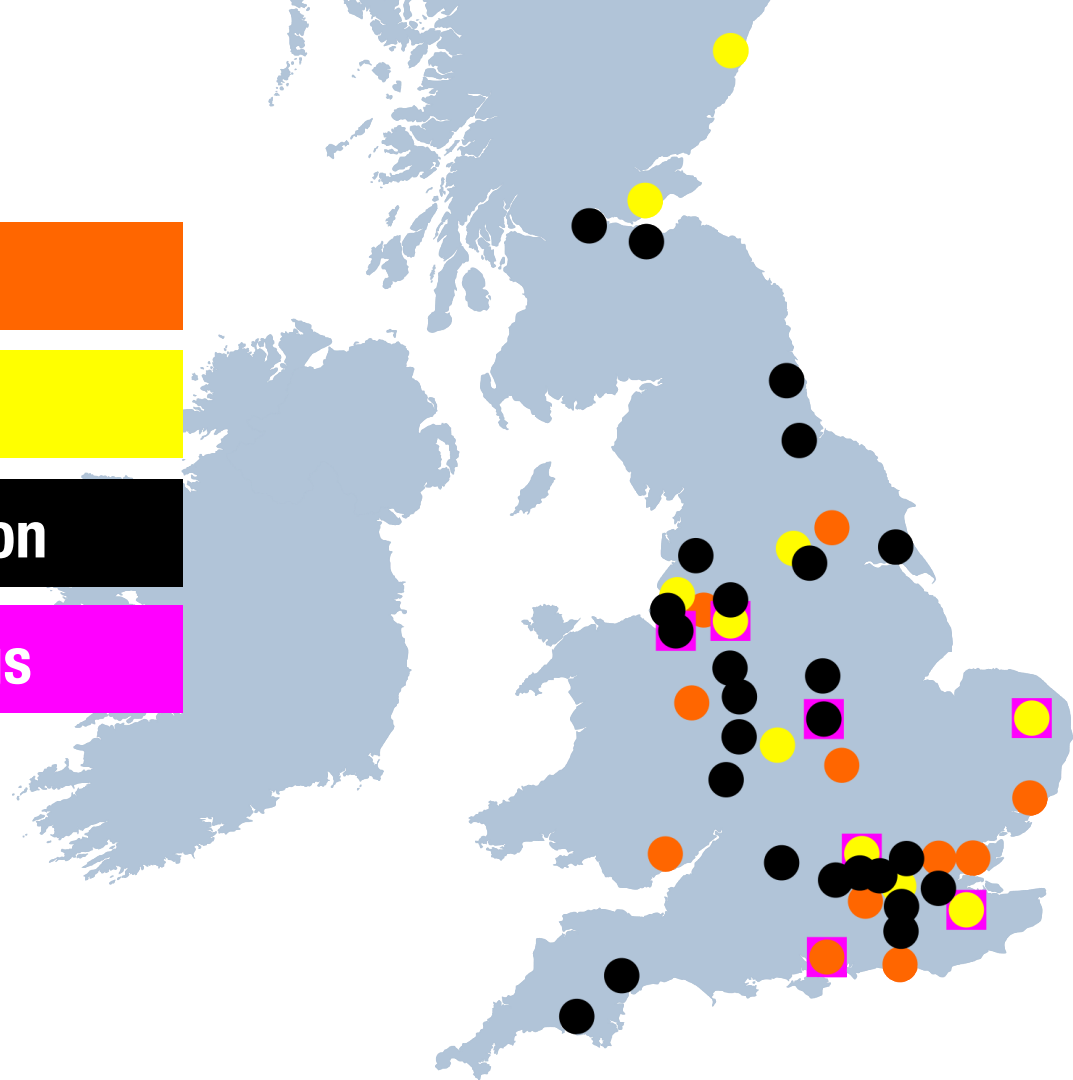
New  
space

**11 open**

**10 planned**

**26 under negotiation**

**7 bespoke buildings**



# Town Centre Projects

New  
space

**Skipton**

**Old store sales**  
**£1.4M**

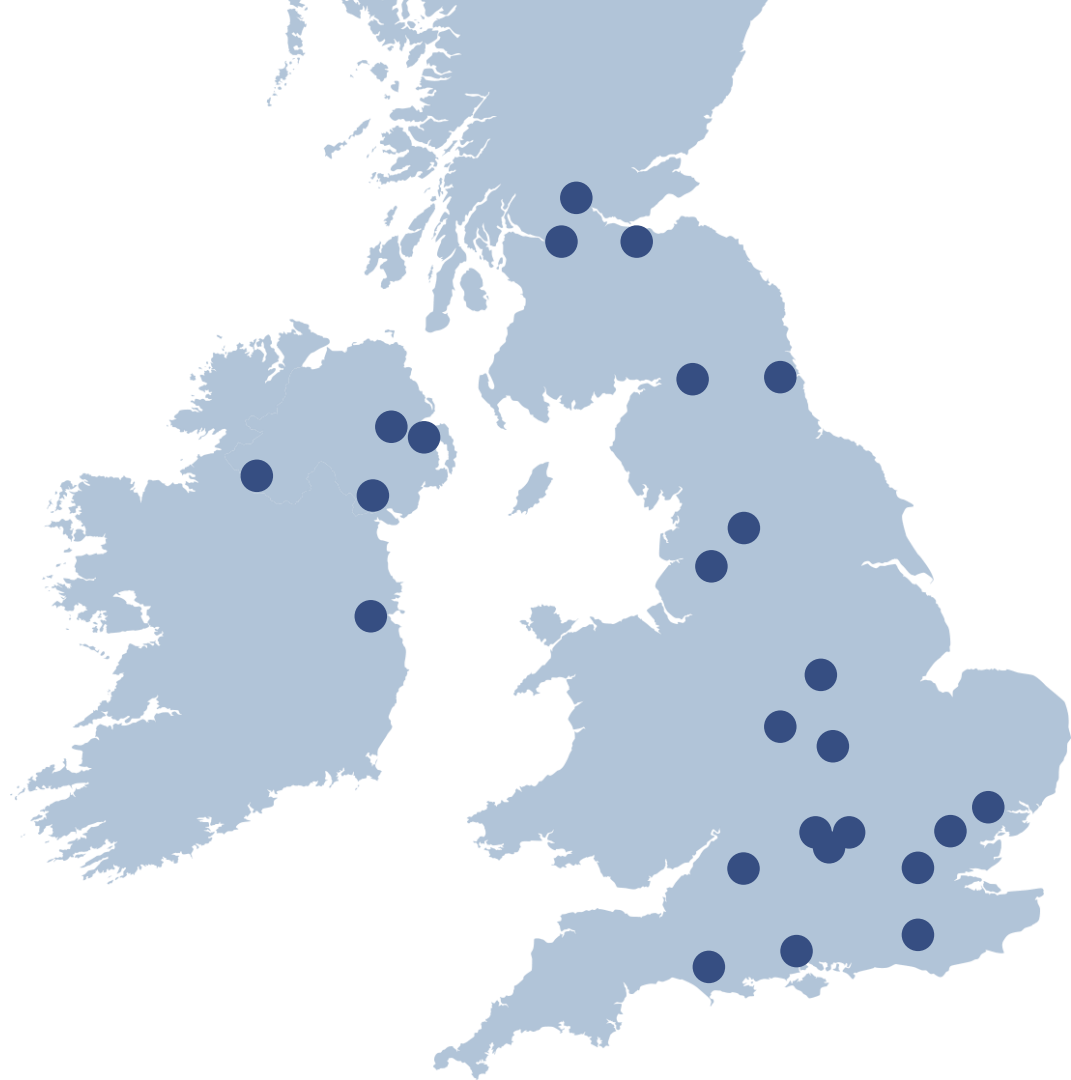
**New store sales**  
**£3.4M**



# Town Centre Projects

New  
space

25 proposals





# New Space Performance\*

New  
space

**Total**

**Sales  
v target  
+ 12%**

**Payback  
(months)  
15**

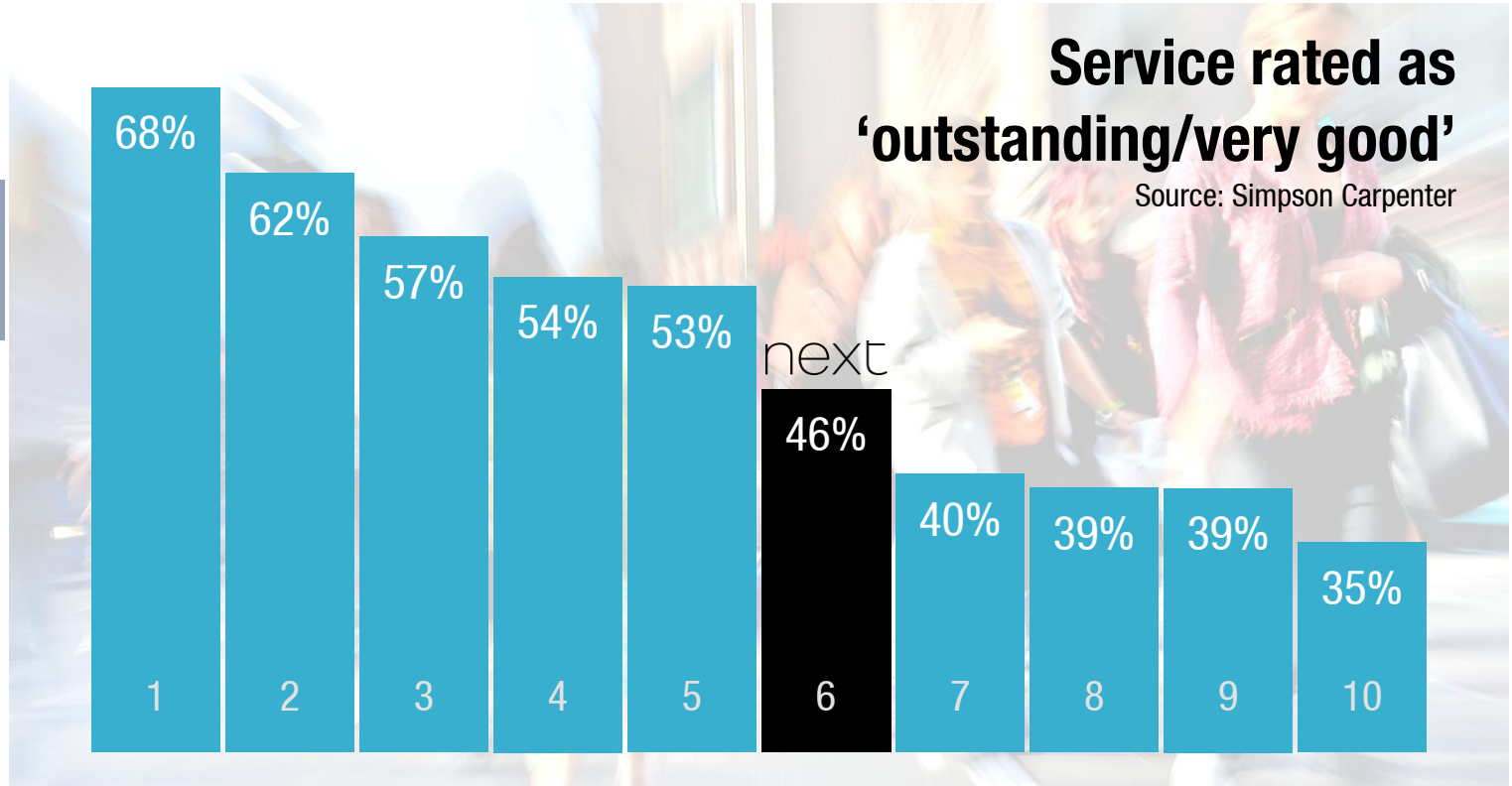
**Store  
profit %  
24%**



\* Forecast for stores opened or extended in the last 12 months

# Service June 2013

Existing  
stores





# Service Improvements

Existing  
stores

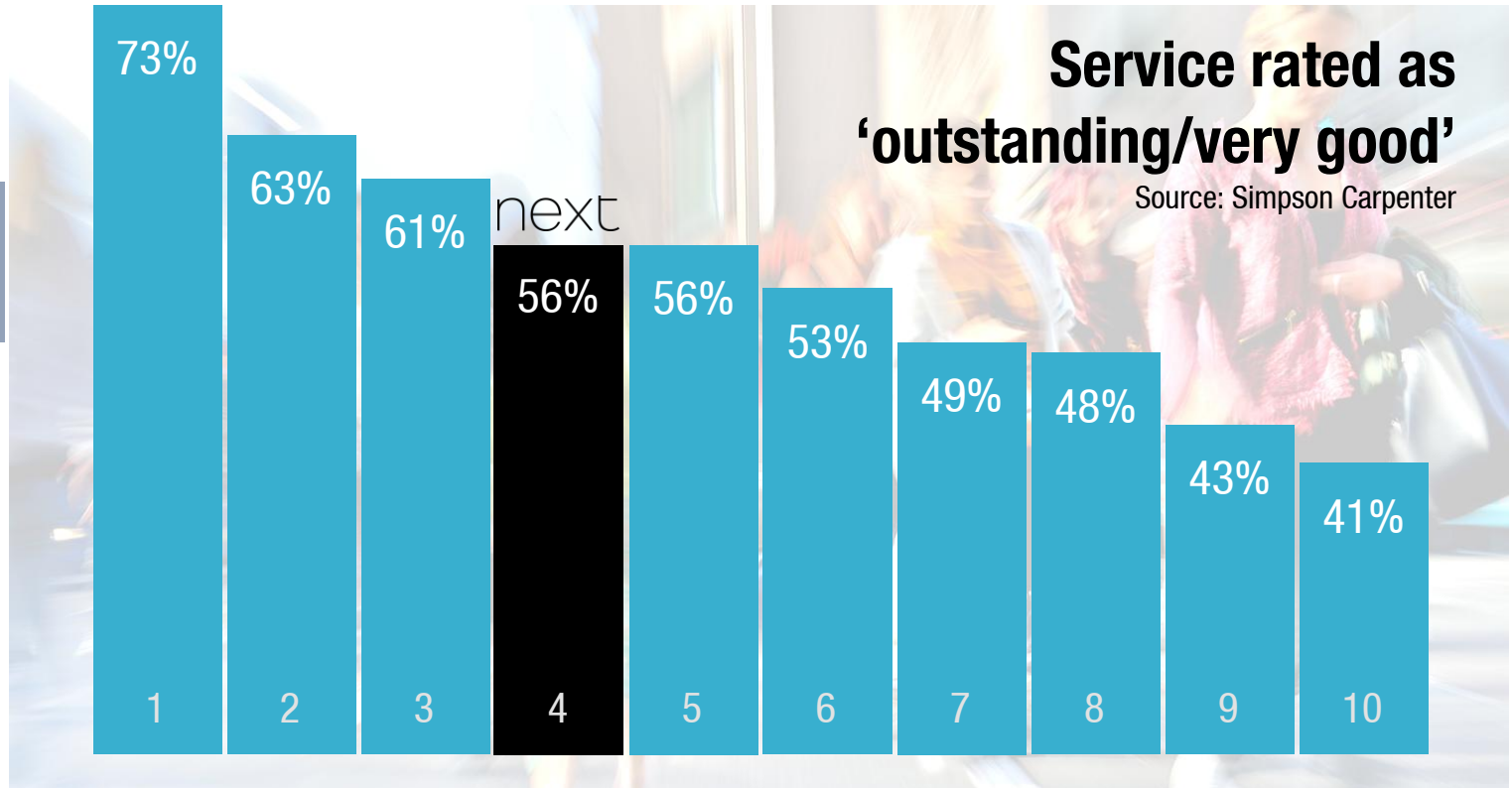
**Changed...**

**Recruitment**  
**Staff bonus scheme**  
**Training**  
**Appraisal system**  
**Manhour planning**  
**Rates of pay**



# Service June 2014

Existing  
stores



# Transitional Stock

Existing  
stores

# Transitional stock



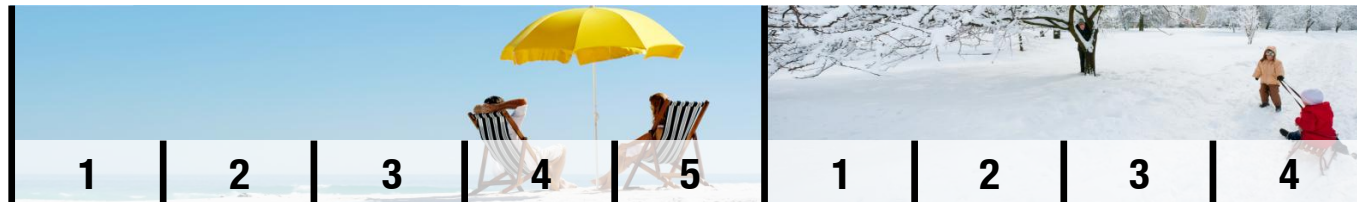
# Transitional Stock

## 2013

Spring / Summer

Autumn / Winter

Existing  
stores



## 2014

Spring

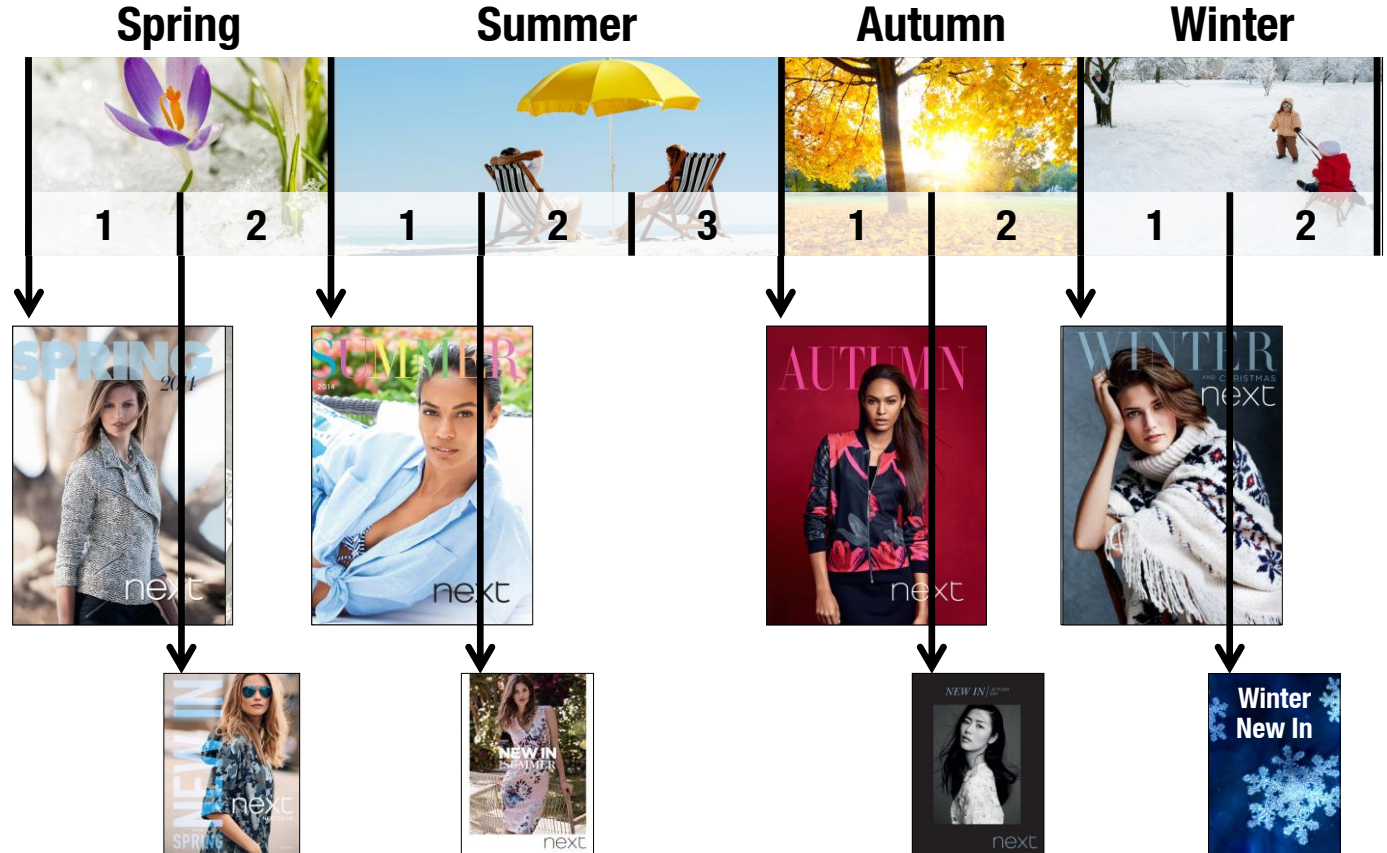
Summer

Autumn

Winter



# 2014 Publications



## Next Day to Store

Directory  
UK

October 13 **FREE**

May 14

September 14

No. of stores

Coverage

327

72%

406

83%

490

94%

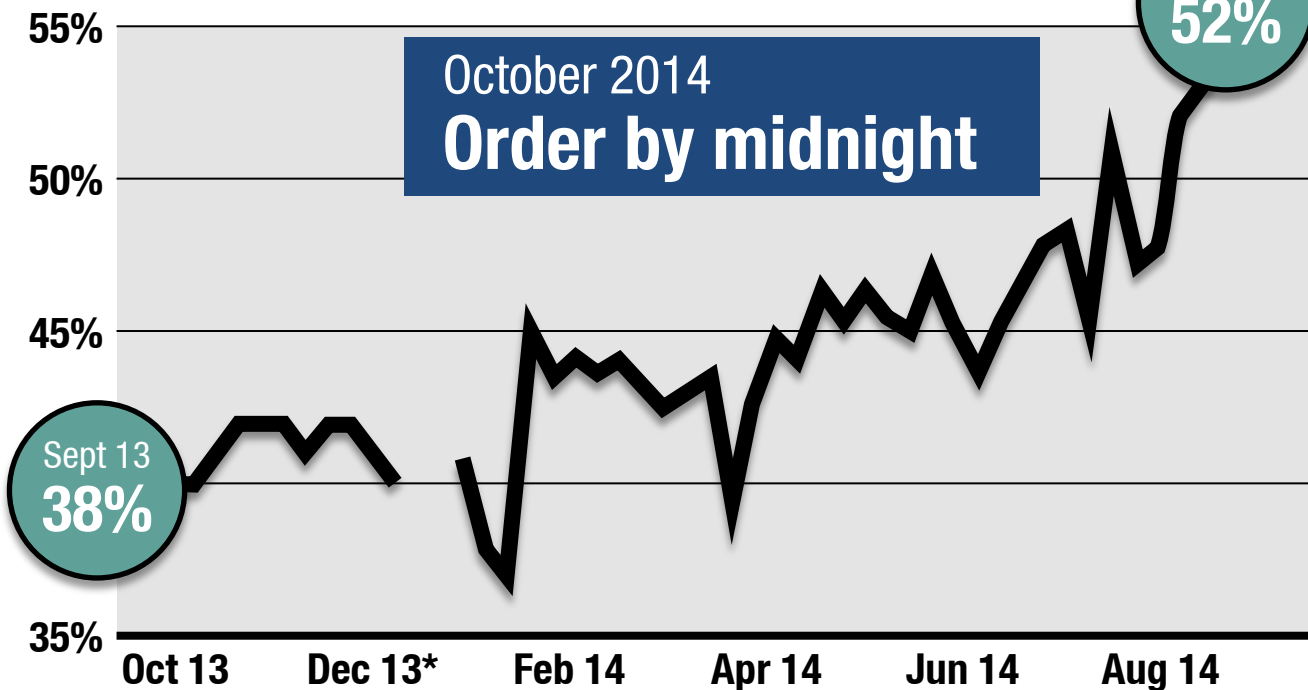




# Next Day to Store

**~30%**  
of Directory UK sales

## % orders delivered to store



\*Next day to store not available during end of season Sale 2013

Directory  
UK

### 14 New countries

-  China
-  Saudi Arabia
-  Oman
-  Egypt
-  Malta
-  Cyprus
-  Brazil
-  Belarus
-  Lebanon
-  Libya
-  Azerbaijan
-  Bosnia
-  Serbia
-  Macedonia

### 14 New local languages

- French
- Polish
- Spanish
- Hebrew
- Mainland Chinese
- Arabic
- Ukrainian
- Slovak
- Slovene
- Czech
- Japanese
- Dutch
- Italian
- Romanian

### 3 New tender types



### 14 New domestic currencies

- |                    |                   |
|--------------------|-------------------|
| UAE Dirham         | Danish Krone      |
| Singaporean Dollar | Turkish Lira      |
| Qatari Riyal       | Indian Rupee      |
| Lithuanian Lita    | Swiss Franc       |
| Romanian Leu       | Kuwaiti Dinar     |
| Bulgarian Lev      | Gibraltar Pound   |
| Croatian Kuna      | Malaysian Ringgit |

# Overseas Sales

**2011/12**

**2012/13**

**2013/14**

**2014/15(e)**

**£33m**

**£54m**

**£101m**

**£150m+**

**Profit**

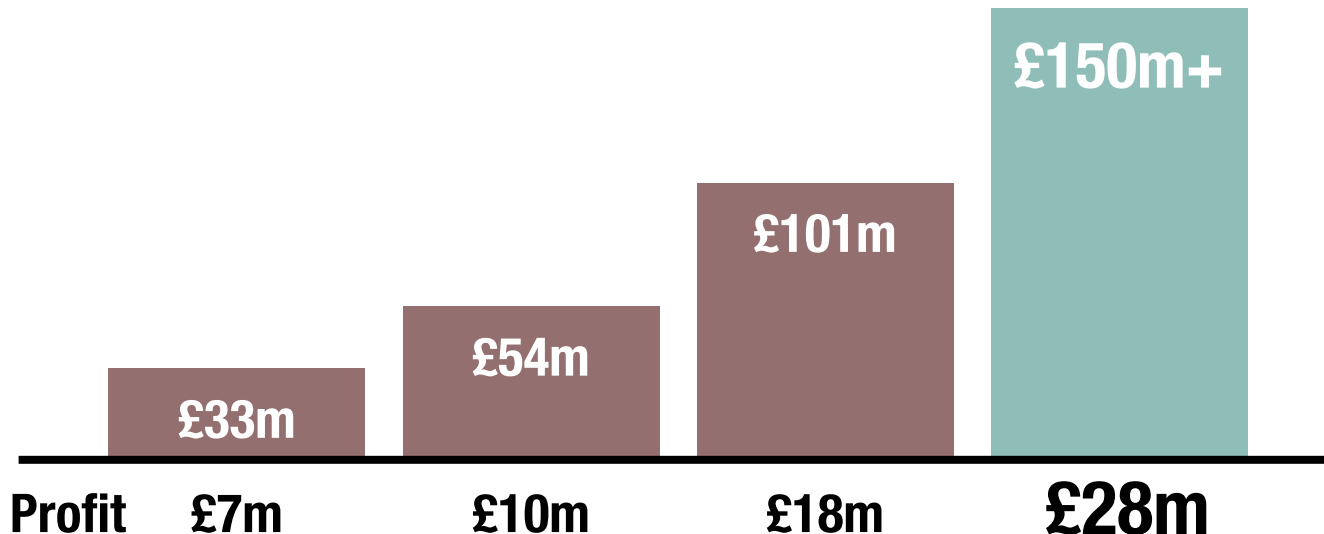
**£7m**

**£10m**

**£18m**

**£28m**

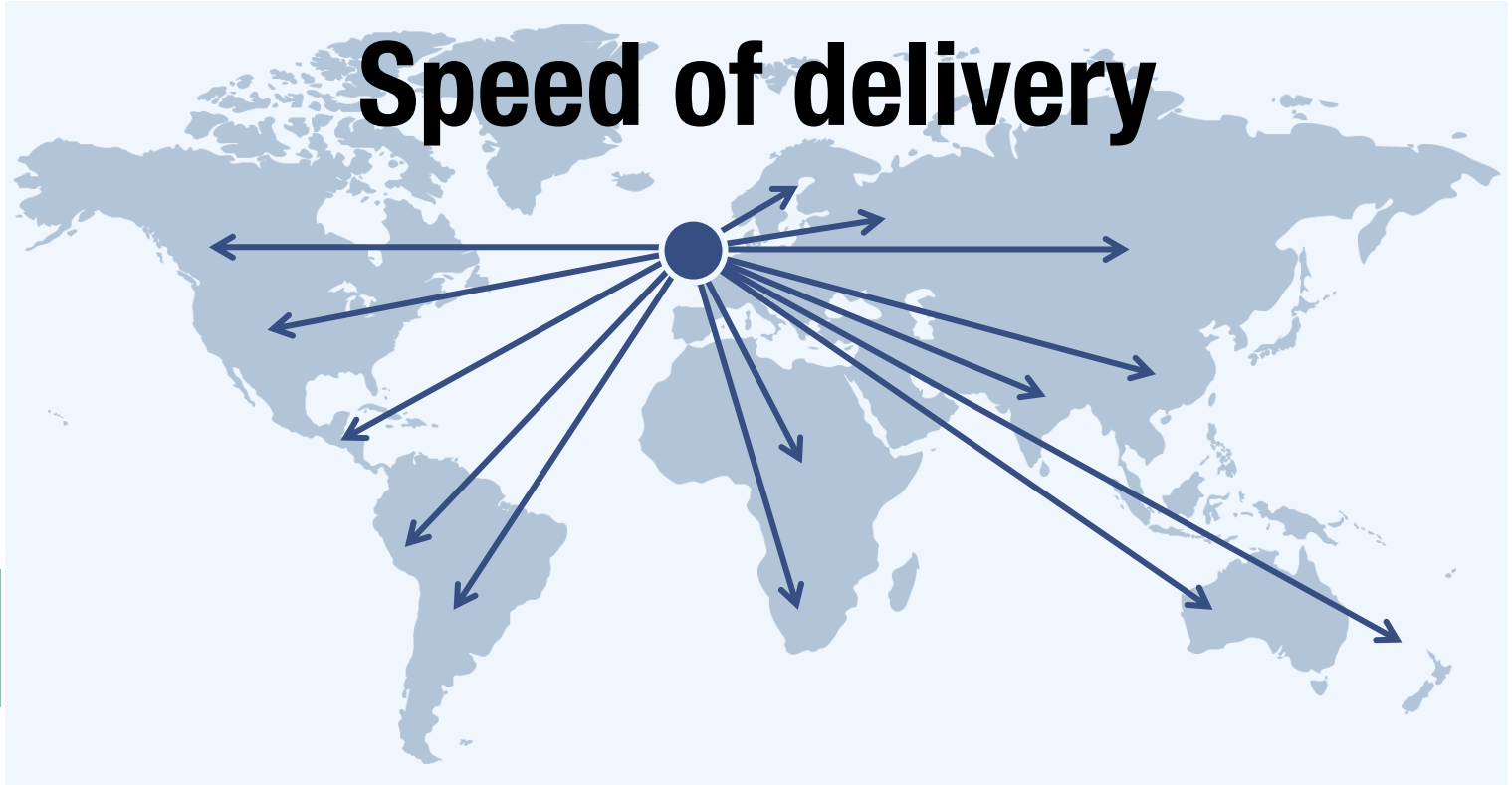
**Directory  
overseas**



# Overseas Sales

**Speed of delivery**

**Directory  
overseas**





# Speed of Delivery

**Northern Ireland**

**10pm**  
for next day  
October 2014

**October 2014**

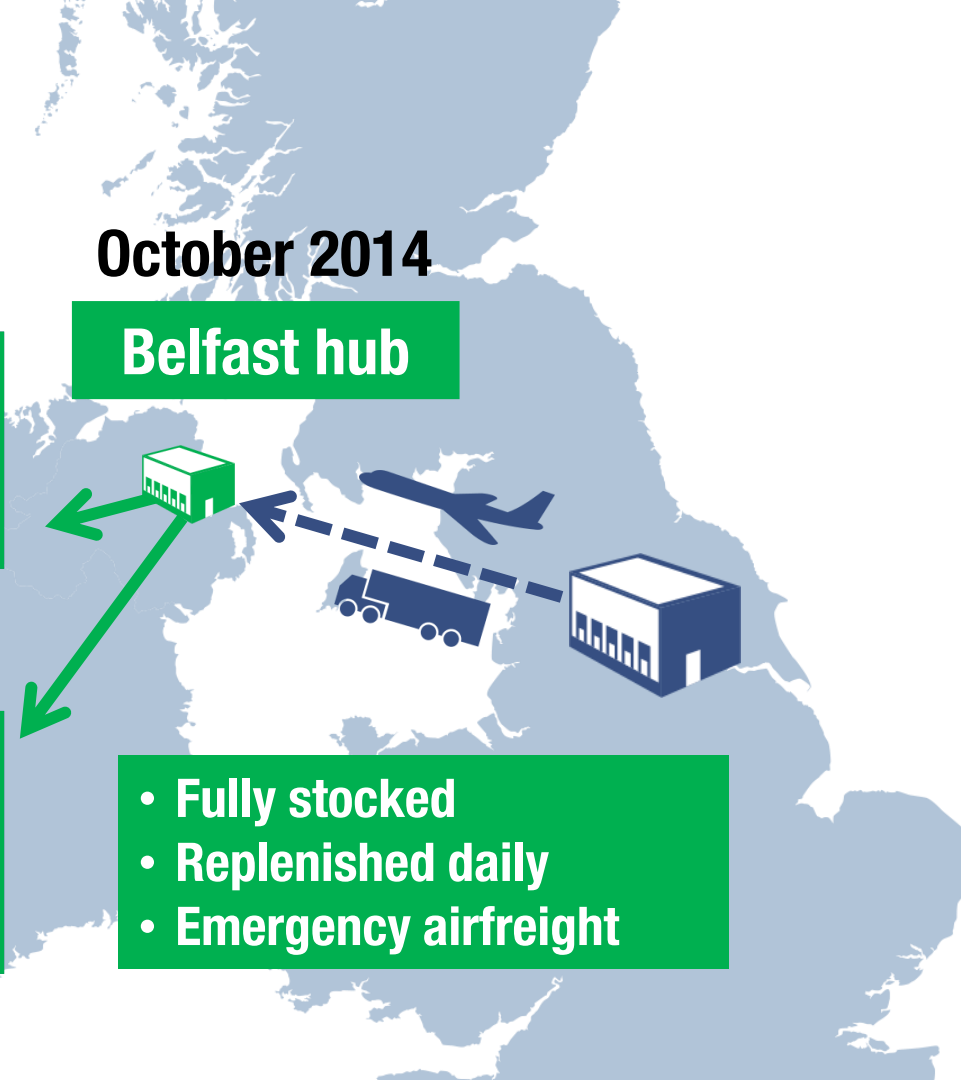
**Belfast hub**

**Eire**

**10pm**  
for next day  
December 2014

- Fully stocked
- Replenished daily
- Emergency airfreight

**Directory  
overseas**



# SS14 Label Trial

**400,000 books**

**Profitable**

**No evidence  
of deflection**

**Brands**

LABEL



# Commercial Terms

**Wholesale  
or  
Commission**

L A B E L

Brands



# Advantages to Brand Partners

**4m customer base**  
**NEXT delivery service**  
**Deliveries to store**  
**Catalogue production**  
**Price integrity**

**Brands**

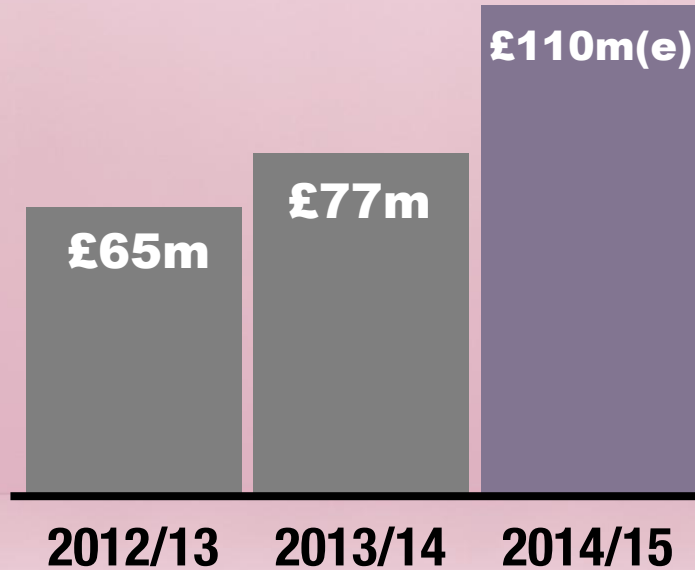
L A B E L





# Branded Sales

**Profit\* ~15%**

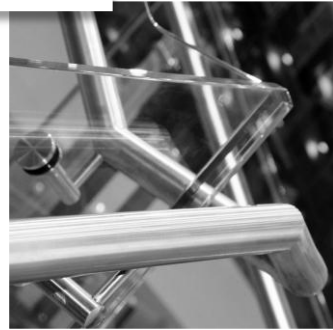
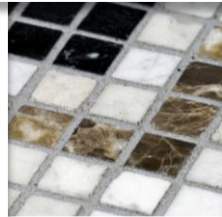
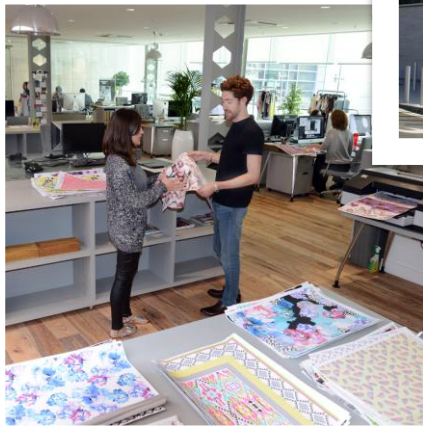
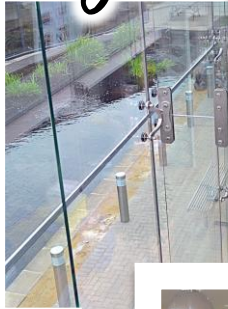
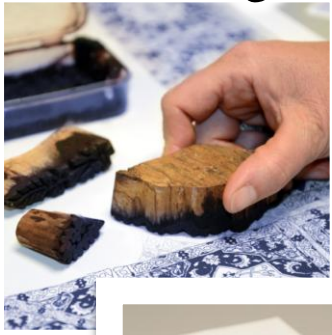


\* Exc. start up costs and interest income

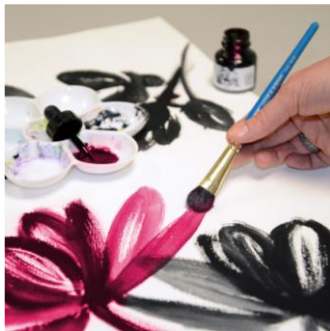


**Brands**

# Better by design



Better  
by design



next



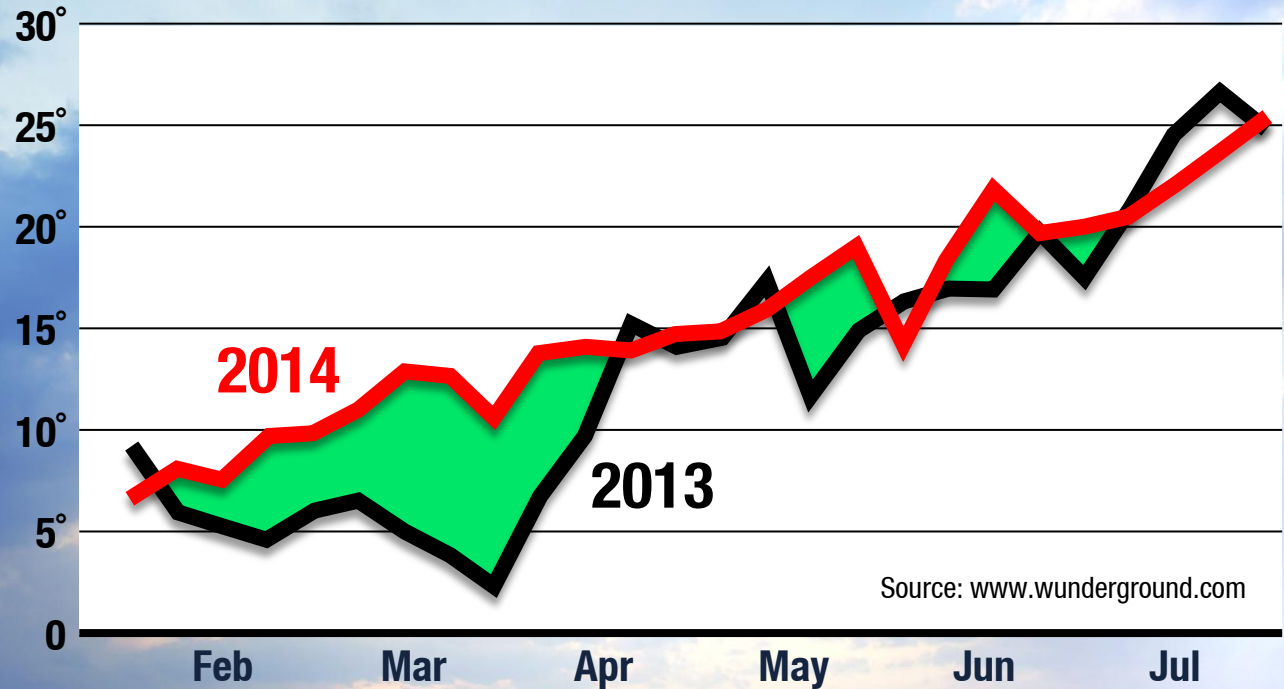


# Outlook

- Economic environment
- Sales growth
- Profit guidance

# The Weather

## Average UK daytime temperature





# The UK Economy

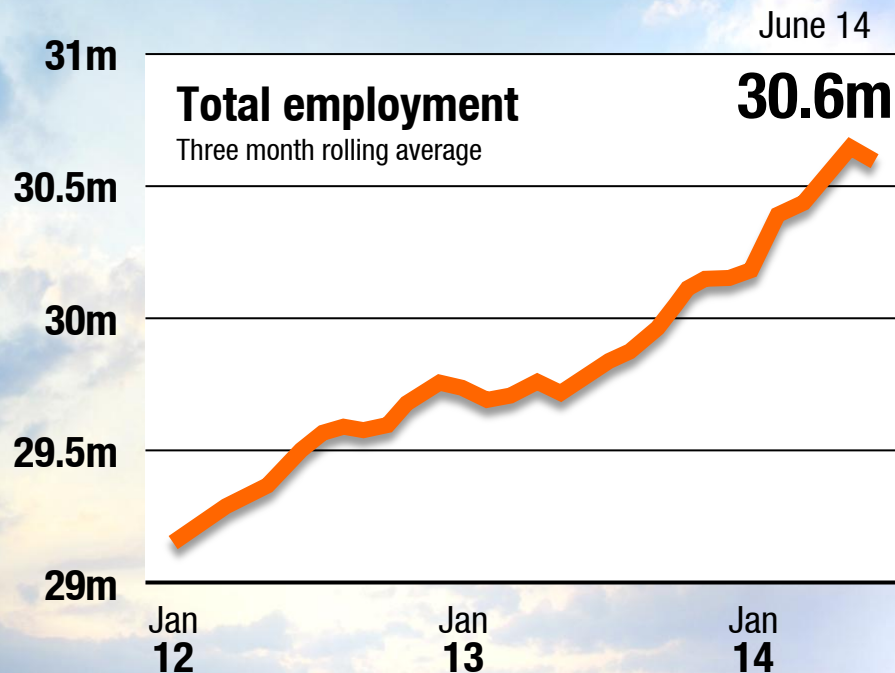
Employment

Credit

Housing

Real wages

Interest rates



Source: ONS, August 2014

# The UK Economy

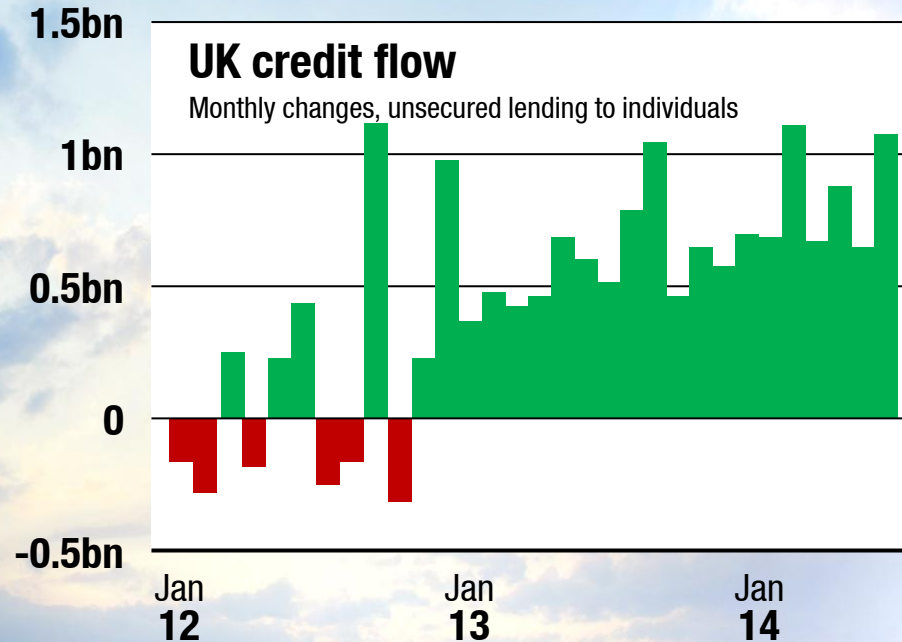
Employment

Credit

Housing

Real wages

Interest rates



Source: Bank of England, September 2014

# The UK Economy

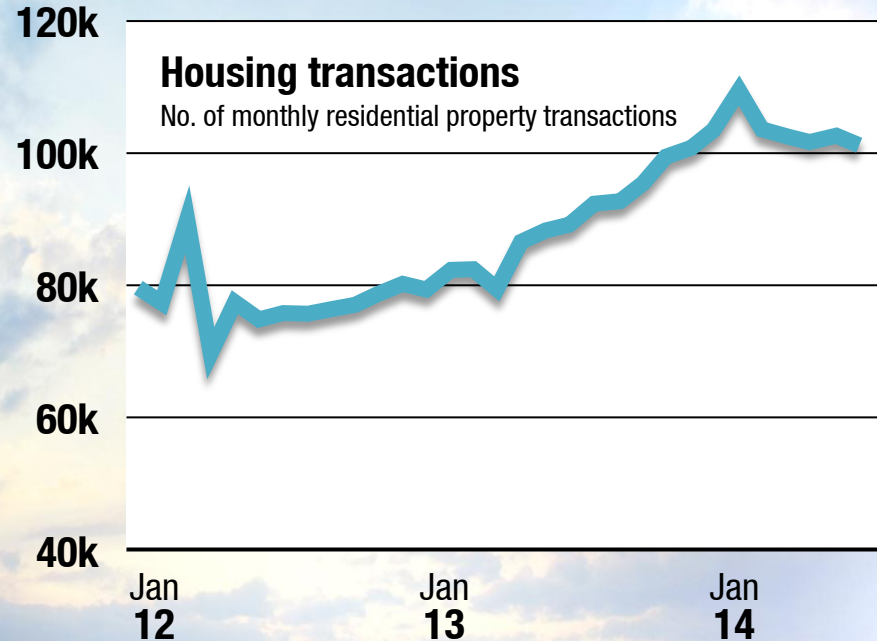
Employment

Credit

Housing

Real wages

Interest rates



Source: HMRC, August 2014

# The UK Economy

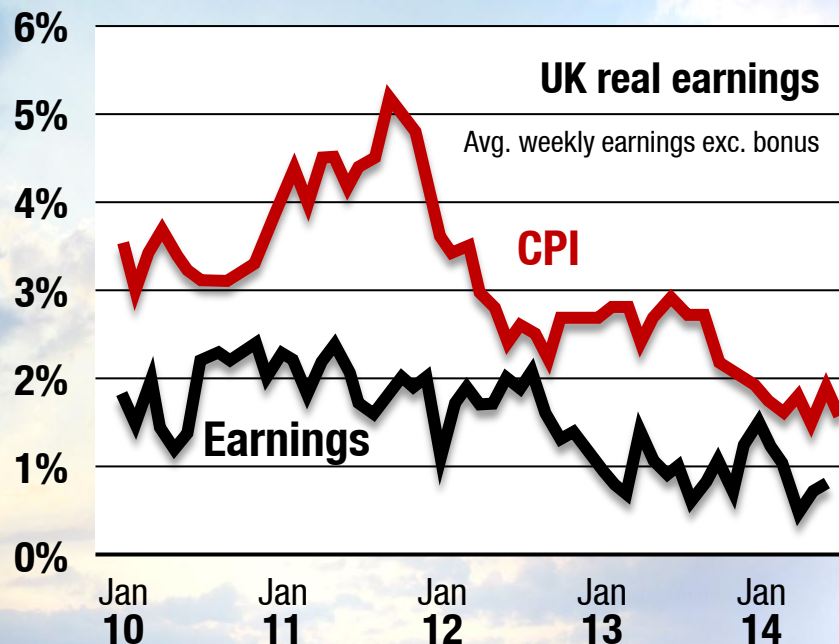
Employment

Credit

Housing

Real wages

Interest rates



Source: ONS, August 2014

# The UK Economy

Employment

Credit

Housing

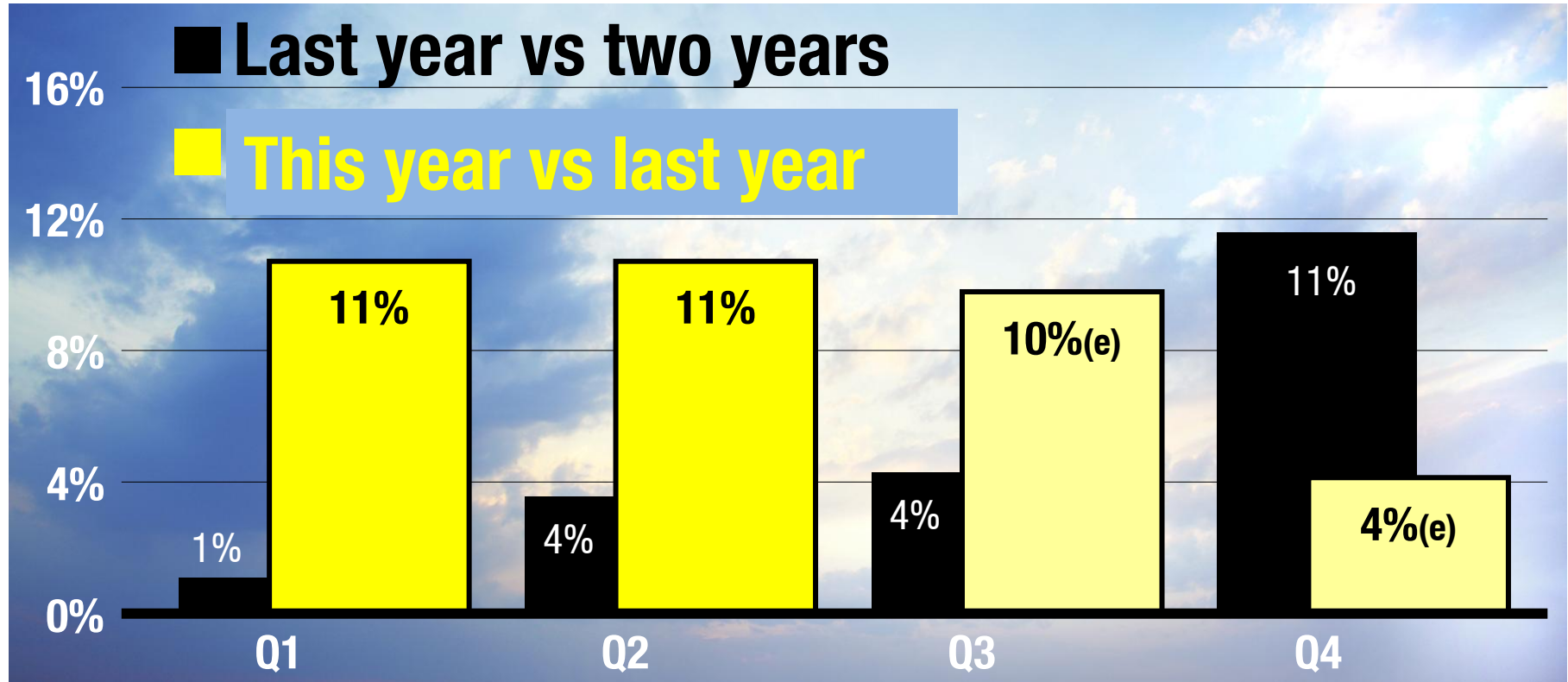
Real wages

Interest rates

**...still low**

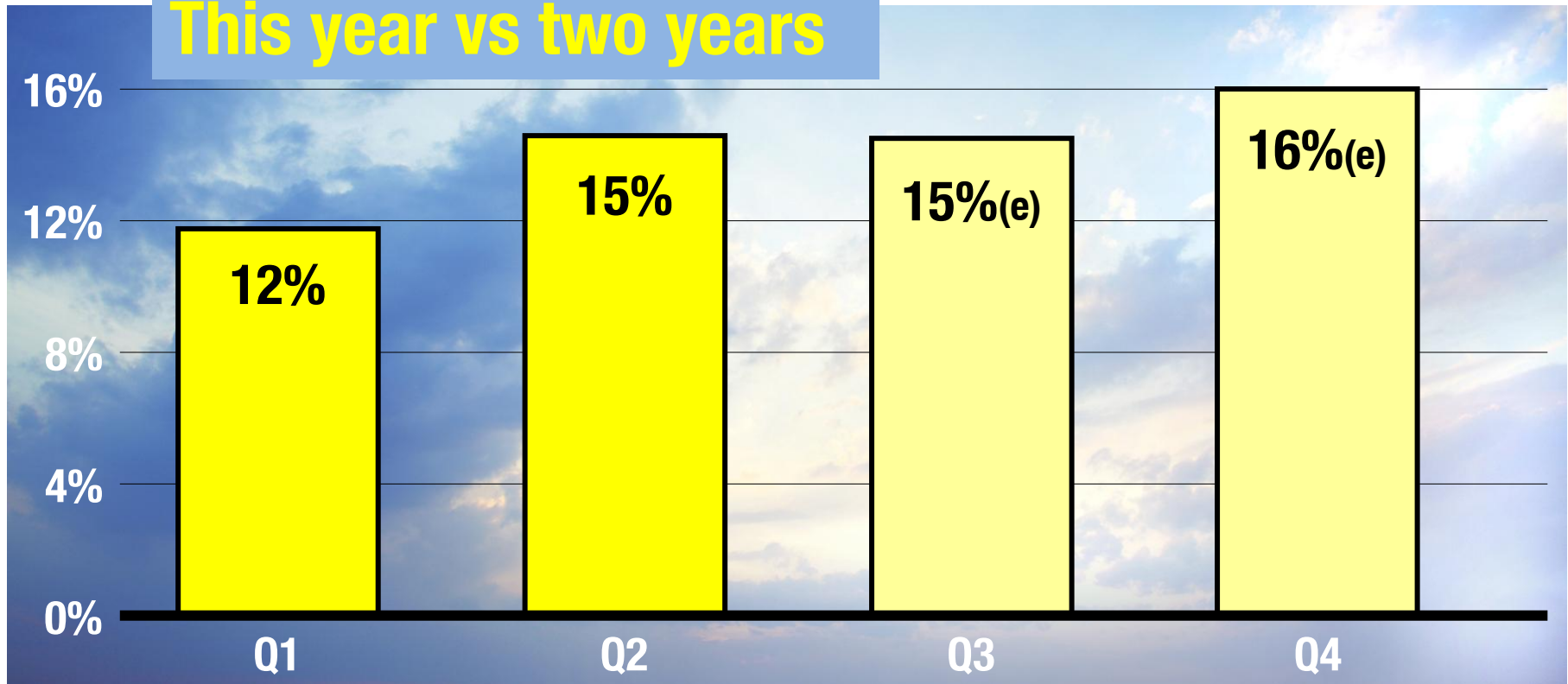


# Brand Sales Growth by Quarter



# Brand Sales Growth by Quarter

**This year vs two years**



# Sales and Profit Guidance 2014/15

next

**Full year Brand sales**

**+ 7%**

to

**+ 10%**

**Profit before tax**

**£775m**

to

**£815m**

**Growth in profit**

**+ 11%**

to

**+ 17%**

**Buyback enhancement**

**~ +2%**

**Growth in EPS**

**+ 13%**

to

**+ 19%**

**Ordinary dividend yield\***

**~ +2%**

**Special dividend yield\***

**~ +2%**

**TSR underlying (at constant PE ratio)**

**+ 17%**

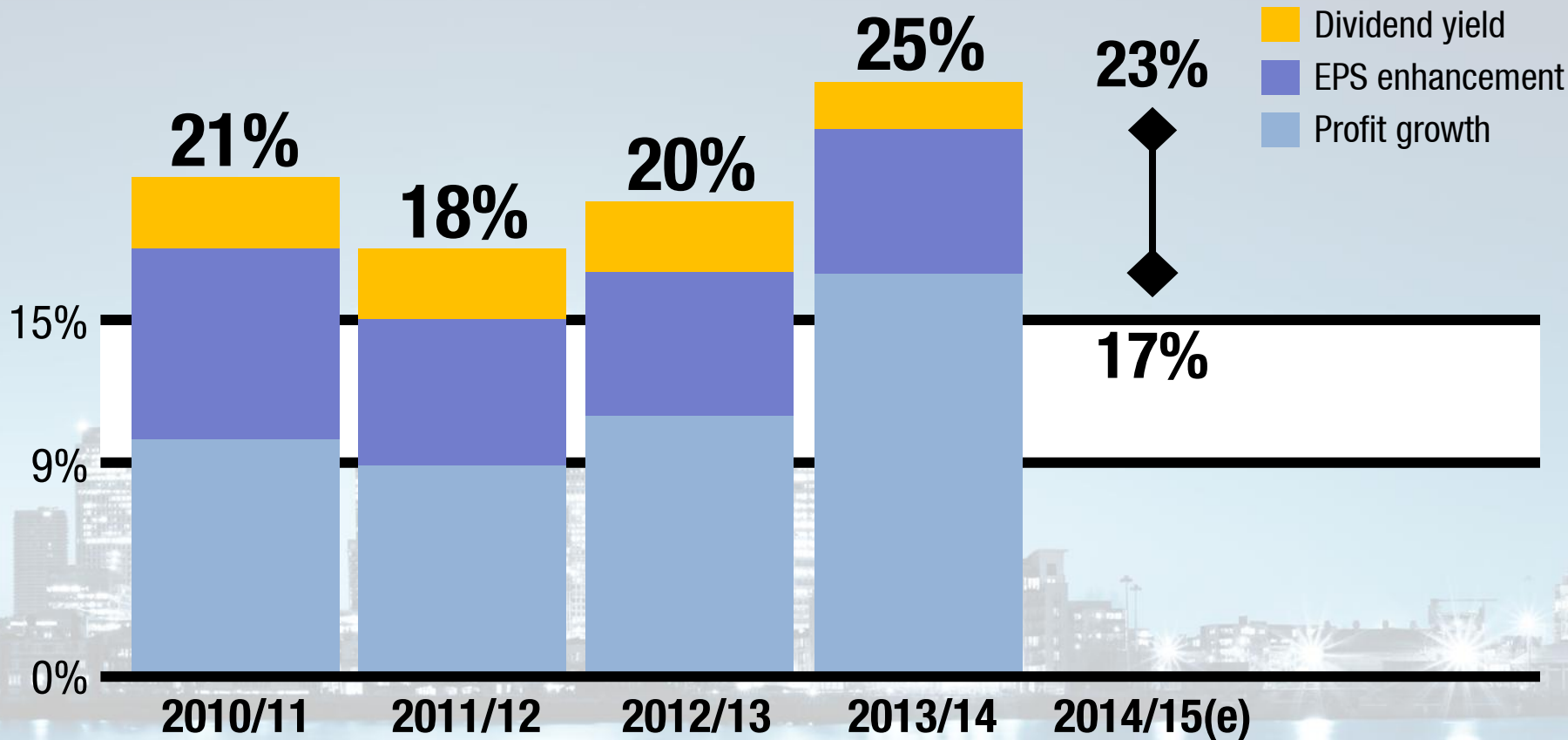
to

**+ 23%**

\* Based on a share price of £70

# Long Term TSR Assuming constant PE ratio

next





next | JULY 2014

