

next

JANUARY

2019



# Income Statement

next

£m	2019	2018	Brand Full Price + 3.1%	Estimate at Jan 2018
Total sales	<u>4,221</u>	<u>4,118</u>	+ 2.5%	+ 1.0%
Operating profit	<b>762</b>	760		
Interest	<u>(39)</u>	<u>(34)</u>		
Profit before tax	<b>723</b>	726	- 0.4%	- 2.8%
Taxation	<u>(133)</u>	<u>(134)</u>		
Profit after tax	<u><b>590</b></u>	<u>592</u>		
EPS (underlying)	<b>435.3p</b>	416.7p	+ 4.5%	
Ordinary dividends per share	<b>165p</b>	158p	+ 4.4%	

# Cash Flow

next

£m	2019	2018	Change in cash
Profit before tax	723	726	- 3
Depreciation / disposals	123	124	- 1
Capital expenditure	(129)	(104)	- 25
Working capital / other	(80)	(170)	+ 90
Tax paid	(144)	(106)	- 38
ESOT	(46)	(26)	- 20
Cash flow before distribution	<u>447</u>	<u>444</u>	+ 3

£m

Capital expenditure

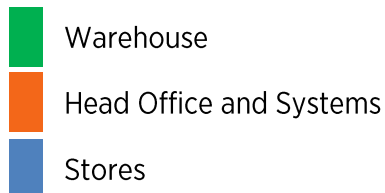
2019  
(129)

2018  
(104)

Jan 2020<sup>(e)</sup>  
**£150m**

Jan 2019  
**£129m**

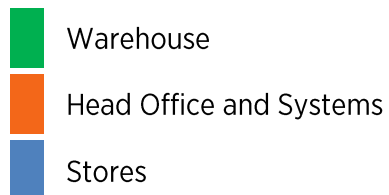
Jan 2018  
**£104m**



£m

## Capital expenditure

Jan 2019      Jan 2020<sup>(e)</sup>      Jan 2021<sup>(e)</sup>      Jan 2022<sup>(e)</sup>      Jan 2023<sup>(e)</sup>



5 year estimate at  
25<sup>th</sup> Sept 2018

**£610m**

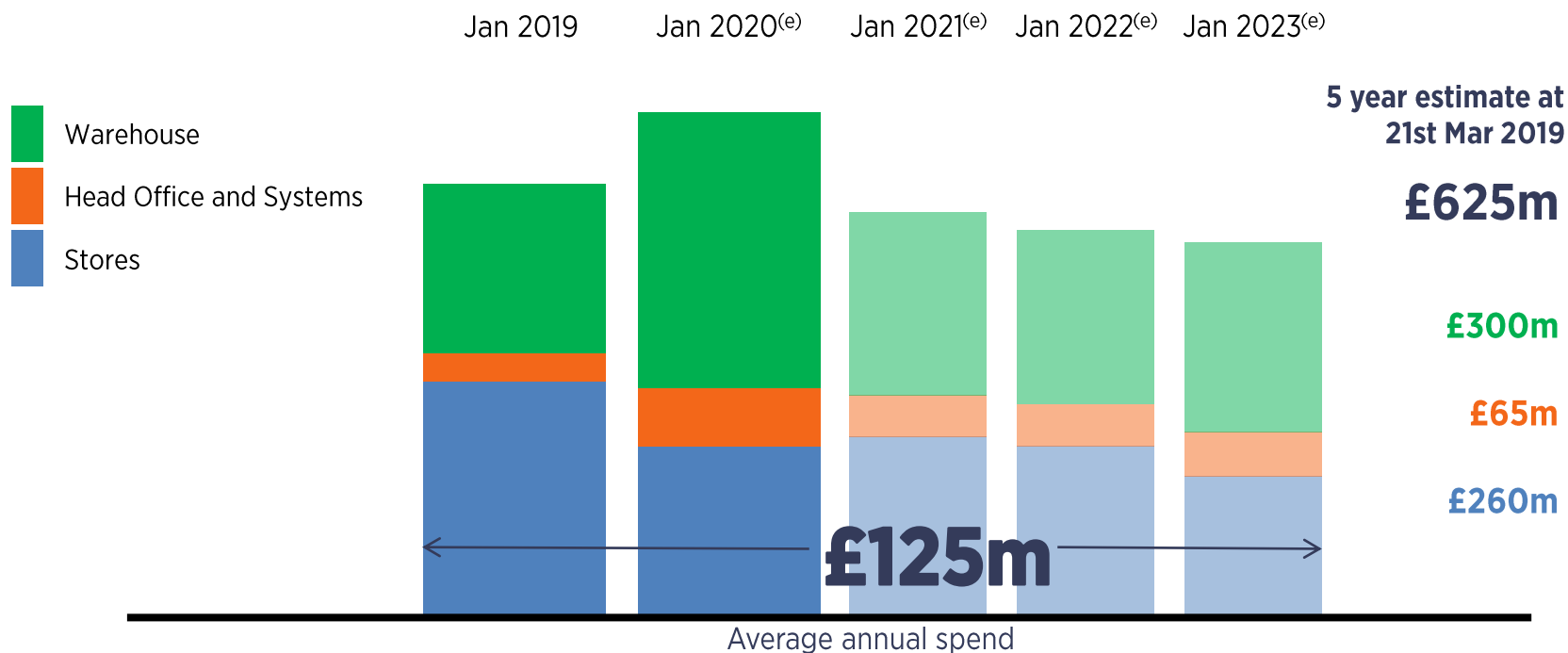
**£240m**

**£60m**

**£310m**

£m

## Capital expenditure



£m	2019	2018
Profit before tax	723	726
Depreciation / disposals	123	124
Capital expenditure	(129)	(104)
Working capital / other	(80)	(170)
Tax paid	(144)	(106)
ESOT	(46)	(26)
Ordinary dividends	(216)	(224)
Buybacks / special dividends	(325)	(361)
Net cash flow	<u>(94)</u>	<u>(141)</u>

# Balance Sheet

next

£m	2019	2018	
Fixed assets and investments	570	561	Chinese New Year 2%
Goodwill and intangibles	43	43	Stock cover 5%
Stock	526	490	+ 7.4%
Debtors	1,340	1,248	
Creditors / derivatives	(954)	(963)	
Pension surplus	125	106	
Net debt	(1,096)	(1,002)	
Net assets	<u>554</u>	<u>483</u>	



# Balance Sheet

next

£m	2019	2018	
Fixed assets and investments	570	561	
Goodwill and intangibles	43	43	
Stock	526	490	
Debtors	1,340	1,248	+ £92m

Online  
debtors

Jan 2019  
£1,207m

+ 8%

Jan 2018  
£1,117m

+ £90m

Full year  
credit sales

12 months to  
Jan 2019

+ 8%

Jan 2018

# Balance Sheet

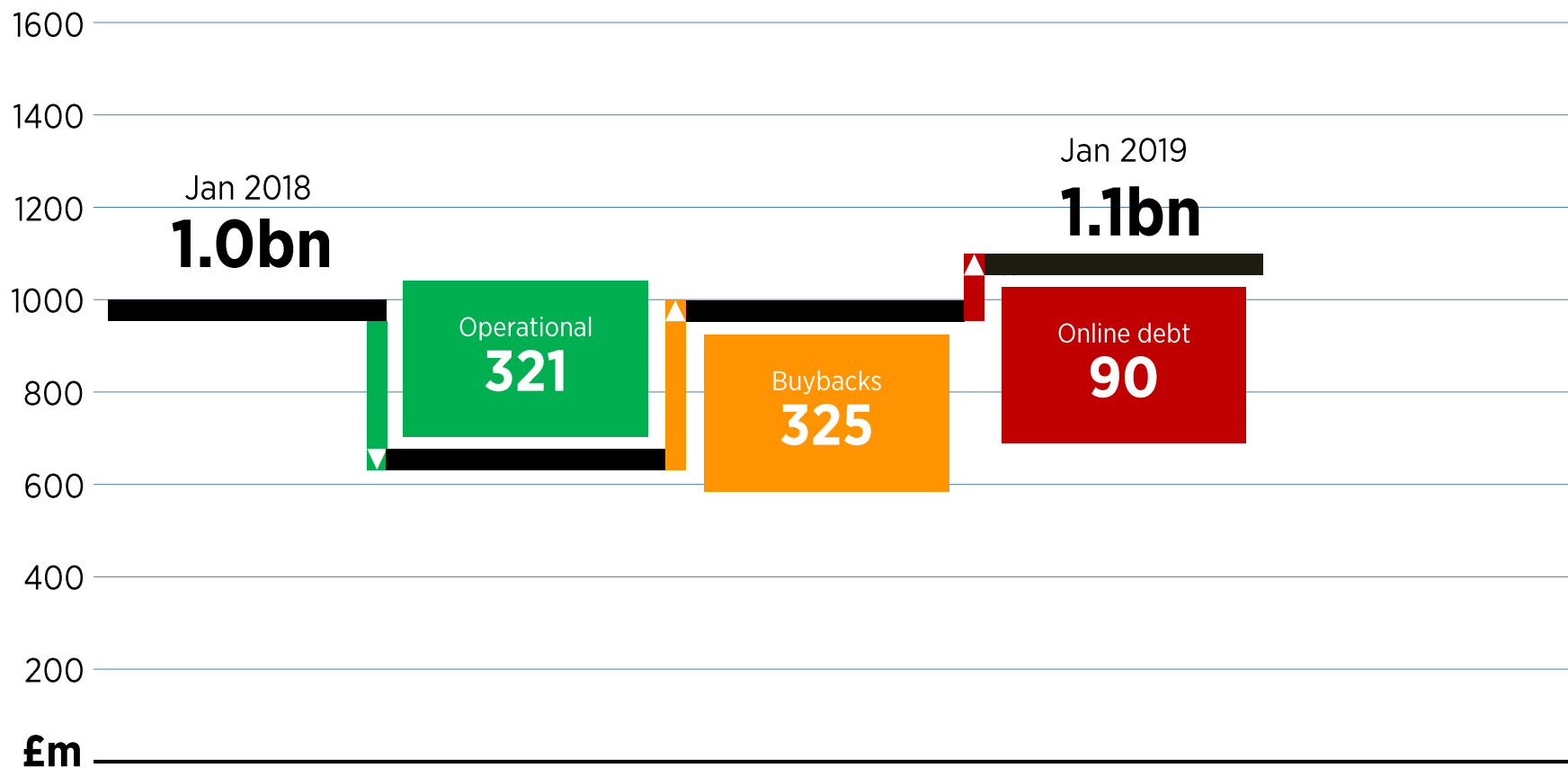
next

£m	2019	2018
Fixed assets and investments	570	561
Goodwill and intangibles	43	43
Stock	526	490
Debtors	1,340	1,248
Creditors / derivatives	(954)	(963)
Pension surplus	125	106
Net debt	(1,096)	(1,002)
Net assets	554	483

# Full Year Debt and Cash Flow

Jan 2018 to Jan 2019

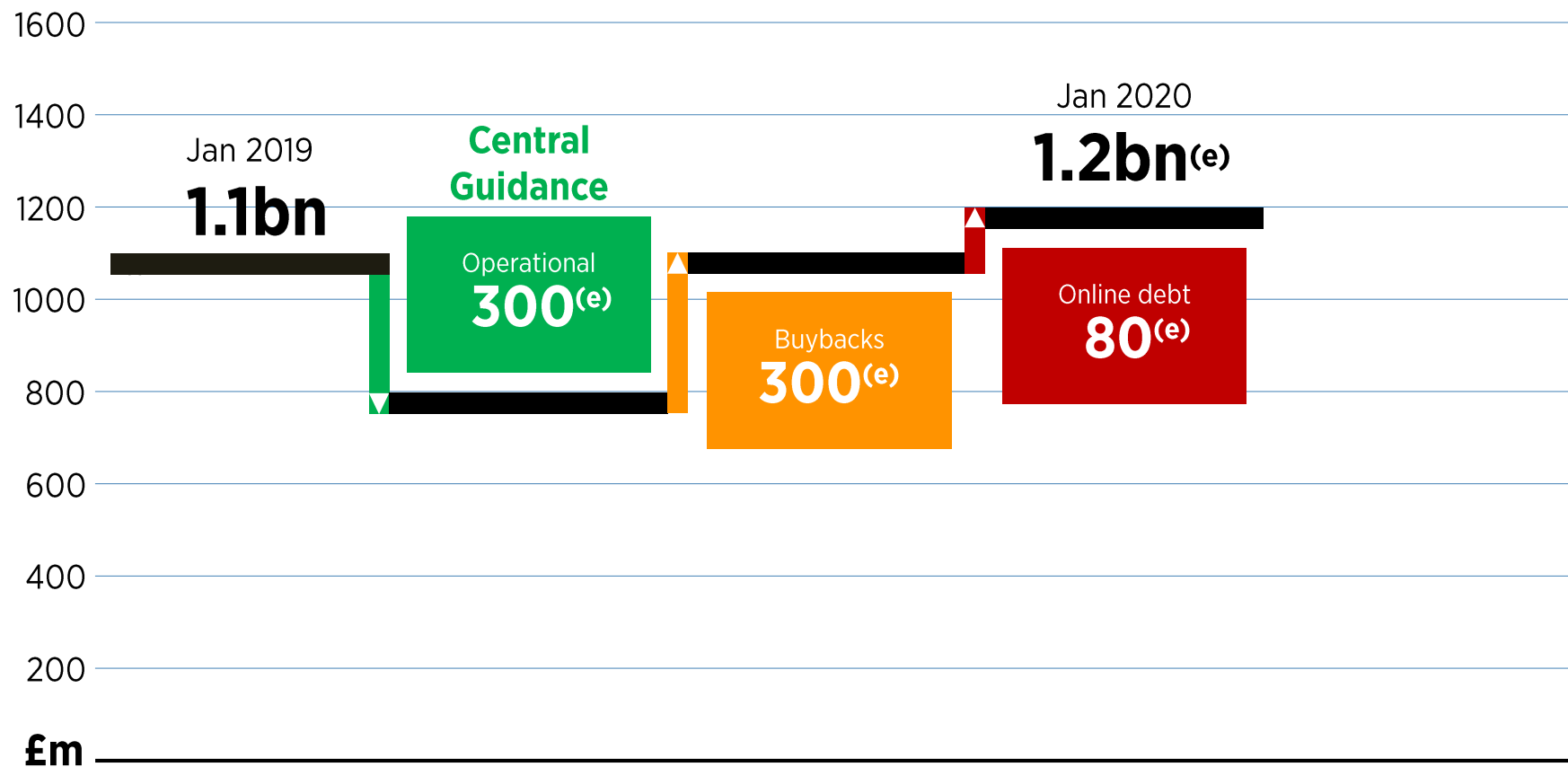
next



# Full Year Debt and Cash Flow

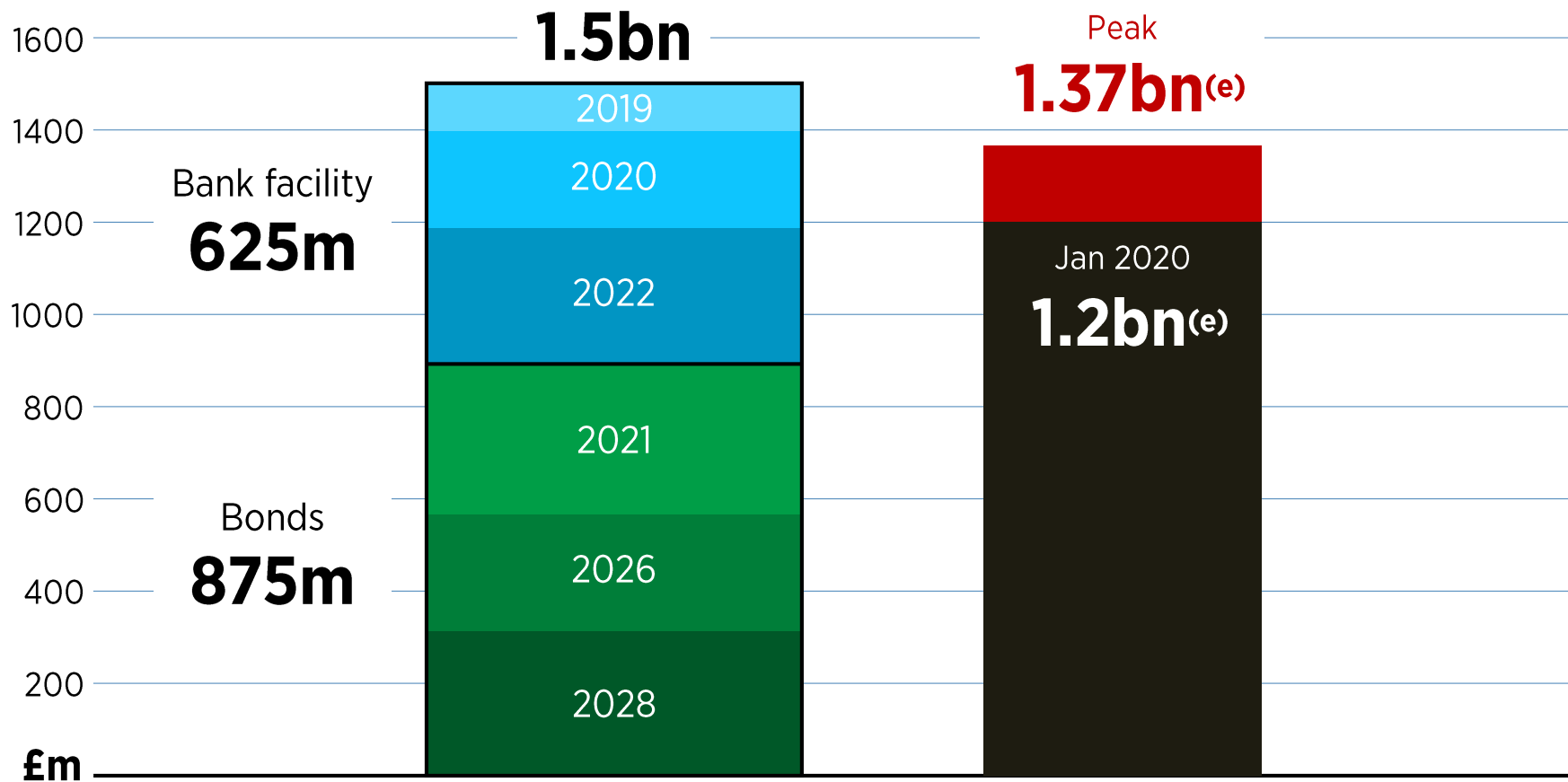
Jan 2019 to Jan 2020<sup>(e)</sup>

next



# Funding Requirements

next



# Retail



# Retail : Sales Analysis

next



£m	2019	2018		Full Price
Total sales	1,955	2,123	- 7.9%	- 7.3%
Operating profit	212	269		

Sales from new space + 0.6%

Sq. ft.	Jan 2019	Jan 2020 <sup>(e)</sup>
New mainline	+ 206k	+ 160k
Mainline closures	(112k)	(60k)
Clearance closures	(71k)	(50k)
	<u>+ 23k</u>	<u>+ 50k</u>

# Retail : Sales Analysis

next



£m	2019	2018		Full Price
Total sales	1,955	2,123	- 7.9%	- 7.3%
Operating profit	212	269		

Sales from new space + 0.6%

Sq. ft.	Jan 2019
New mainline	+ 206k
Mainline closures	(112k)
Clearance closures	(71k)
	<u>+ 23k</u>

## Observed transfer of trade

Total turnover	Transferred	% transferred
£31m	£8m	25%

## Rent negotiations (28 lease renewals)

Avg. rent reduction *	- 29%
Term	5 years
Avg. profit	26%

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



# Retail : Profit Analysis

next



£m	2019	2018		Full Price
Total sales	1,955	2,123	- 7.9%	- 7.3%
Operating profit	212	269	- 21.0%	
% to sales	10.9%	12.7%		

## Margin movement

Bought-in gross margin + 0.2%

Markdown + 0.5%

**Achieved gross margin** **+ 0.7%**

Sale stock - 13%

Markdown sales - 11%

# Retail : Profit Analysis

next



£m	2019	2018		Full Price
Total sales	1,955	2,123	- 7.9%	- 7.3%
Operating profit	212	269	- 21.0%	
% to sales	10.9%	12.7%		

Achieved gross margin + 0.7%

Store payroll + 0.1%

Store occupancy - 2.0%

Warehousing & distribution - 0.6%

**Margin movement** - 1.8%

A man and a woman, both in business attire, are seated at a white table. The woman, on the left, has long brown hair and is wearing a teal blazer over a white top. She is smiling and looking towards the laptop. The man, on the right, has short dark hair and is wearing a blue patterned shirt and a dark tie. He is leaning forward, pointing at the laptop screen with his right hand. The laptop is open on the table, and its screen is visible. The background shows a white wooden chair and a white wall with a door.

**Online**



# Online : Sales Analysis

next



£m	2019	2018		Full Price
Total sales	1,919	1,672	+ 14.7%	+ 14.8%
Operating profit	353	310		

## Full price sales analysis

Increase on last year

NEXT Brand UK	+ £75m	+ 8%
LABEL *	+ £80m	+ 29%
<b>UK total</b>	<b>+ £155m</b>	<b>+ 13%</b>

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

# Online : Sales Analysis

next



£m	2019	2018		Full Price
Total sales	1,919	1,672	+ 14.7%	+ 14.8%
Operating profit	353	310		

## Full price sales analysis

	Increase on last year		Avg. customers
UK total	+ £155m	+ 13%	+ 5%
Overseas	+ £64m	+ 22%	+ 22%
<b>Total</b>	<b>+ £219m</b>	<b>+ 15%</b>	<b>+ 8%</b>

# Online : Sales Analysis

next



£m	2019	2018		Full Price
Total sales	1,919	1,672	+ 14.7%	+ 14.8%
Operating profit	353	310		

## Full price sales analysis

	Increase on last year		Avg. customers
UK credit	+ £109m	+ 11%	+ 1%
UK cash	+ £46m	+ 21%	+ 11%
<b>UK total</b>	<b>+ £155m</b>	<b>+ 13%</b>	<b>+ 5%</b>

# Online : Profit Analysis

next



£m	2019	2018		Full Price
Total sales	1,919	1,672	+ 14.7%	+ 14.8%
Operating profit	353	310	+ 13.8%	
% to sales	18.4%	18.5%		

## Margin movement

Bought-in gross margin - 1.2%

Markdown + 1.0%

**Achieved gross margin** - 0.2%

Sale stock - 1%

Markdown sales + 4%

# Online : Profit Analysis

next



£m	2019	2018		Full Price
Total sales	1,919	1,672	+ 14.7%	+ 14.8%
Operating profit	353	310	+ 13.8%	
% to sales	18.4%	18.5%		

Achieved gross margin	- 0.2%
Warehouse & distribution	- 1.0%
Catalogues & photography	+ 1.3%
Marketing & systems	- 0.2%

## Margin movement

**- 0.1%**

### Warehouse & distribution

International	- 0.3%
NEXT Unlimited	- 0.3%
Cost increases	- 0.4%




# NEXT Finance



# NEXT Finance : Sales & Profit Analysis

next



£m	2019	2018	
Interest income	250	223	+ 12.1%
Bad debt	(52)	(37)	
Overheads	(37)	(33)	+ 12.5%
Cost of funding	(40)	(41)	Average debtor balance
Profit	<u>121</u>	<u>112</u>	

# NEXT Finance : Sales & Profit Analysis

next



£m	2019	2018	
Interest income	250	223	+ 12.1%
Bad debt	(52)	(37)	+ 39.0%

Market conditions £7m

Credit limit increase £3m

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**Bad debt rate £10m**

Balance growth £5m

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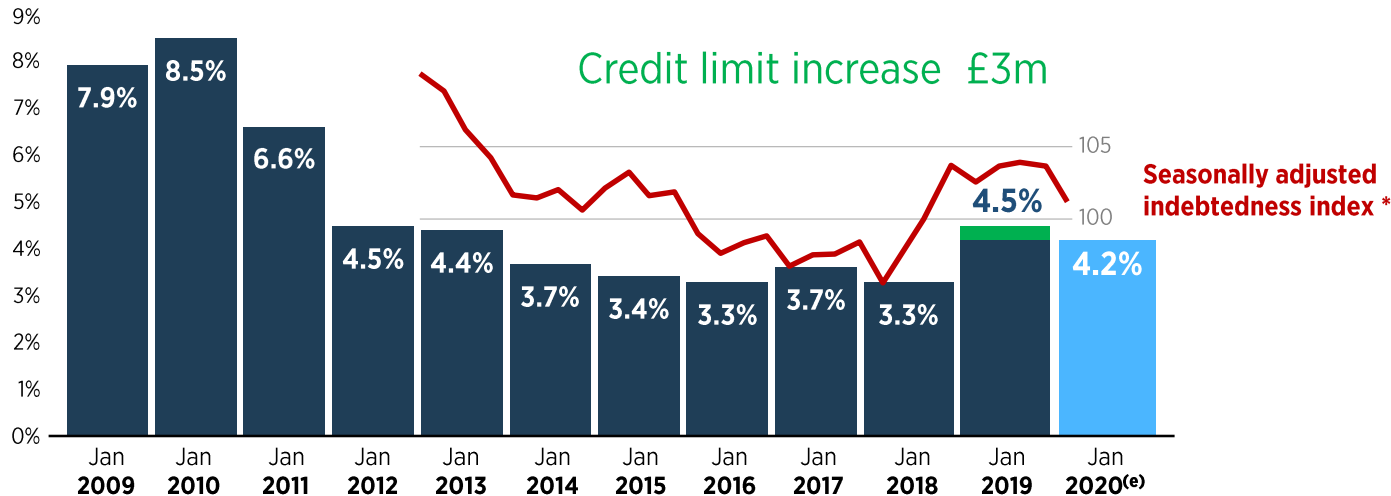
**Increase in bad debt £15m**

# NEXT Finance : Sales & Profit Analysis

next

£m	2019	2018	
Interest income	250	223	+ 12.1%
Bad debt	(52)	(37)	+ 39.0%


## Bad debt as a % of average debt balance



\* From Experian Consumer Credit Index

# NEXT Finance : Sales & Profit Analysis

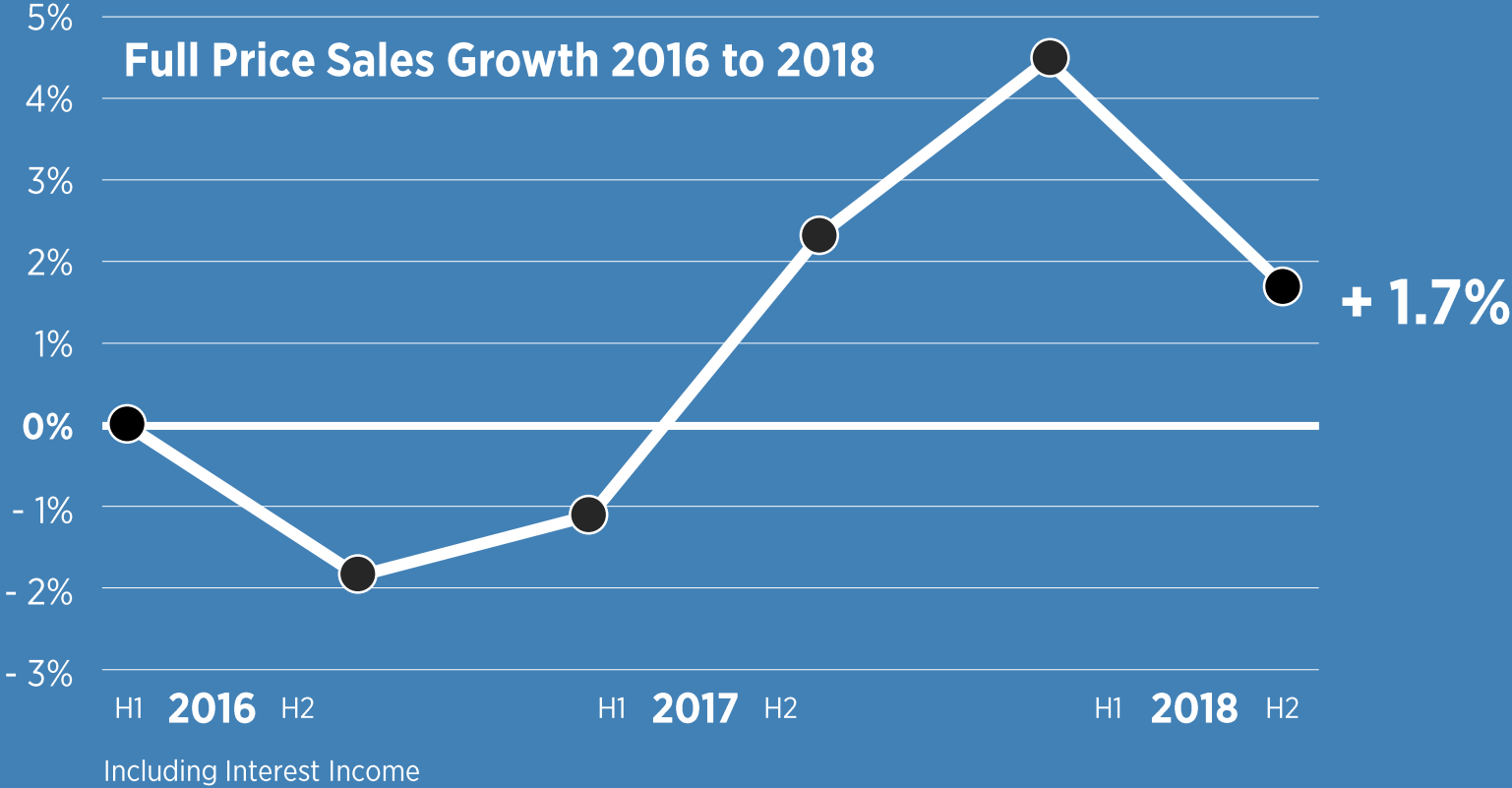
next

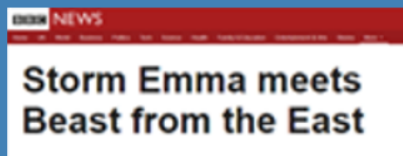
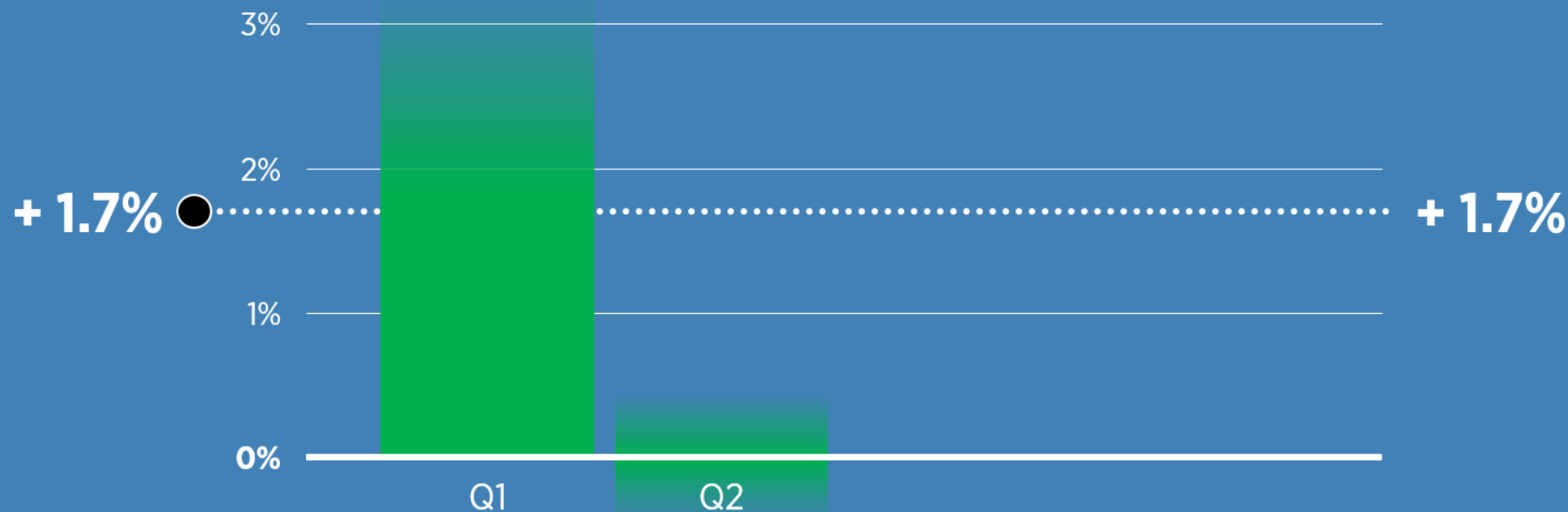


£m	2019	2018	
Interest income	250	223	+ 12.1%
Bad debt	(52)	(37)	+ 39.0%
Overheads	(37)	(33)	
Cost of funding	(40)	(41)	
Profit	121	112	+ 8.4%

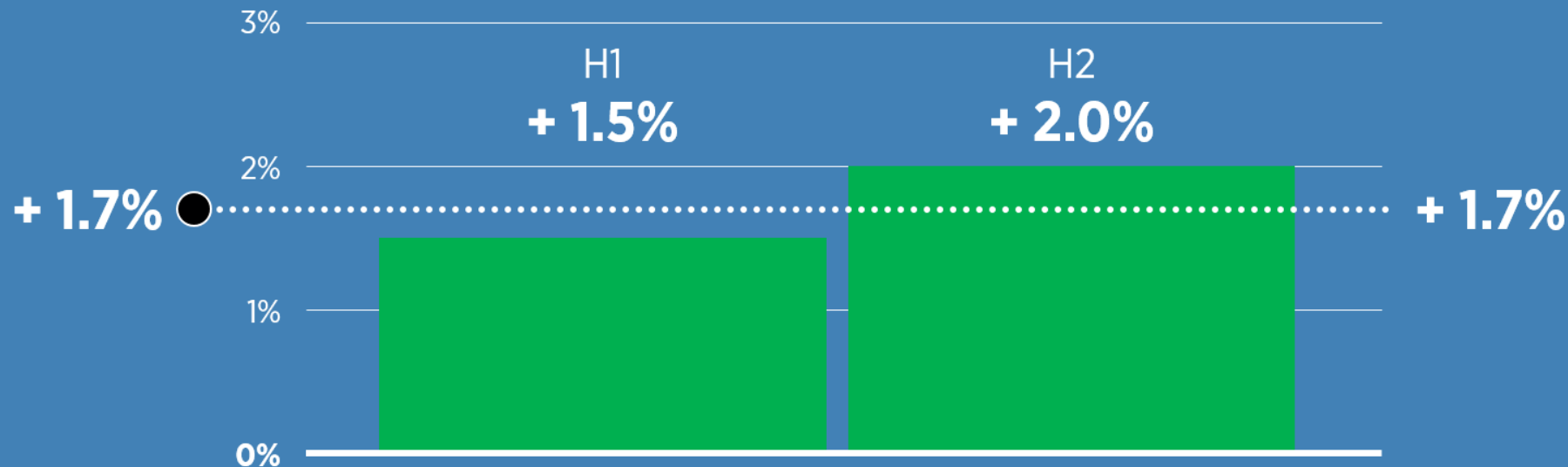
Average outstanding debt	£1.1bn	£1.0bn
Return on capital employed	10.6%	11.0%

# **Brand Central Guidance 2019/20<sup>(e)</sup>**









Including Interest Income

Retail

**- 8.5%**

- £146m

Online

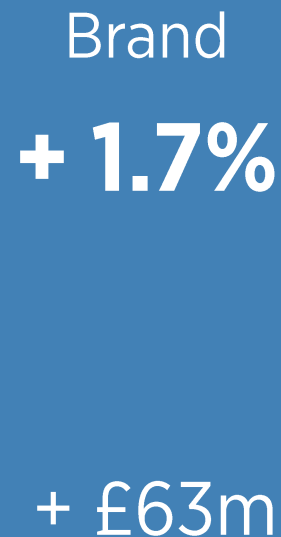
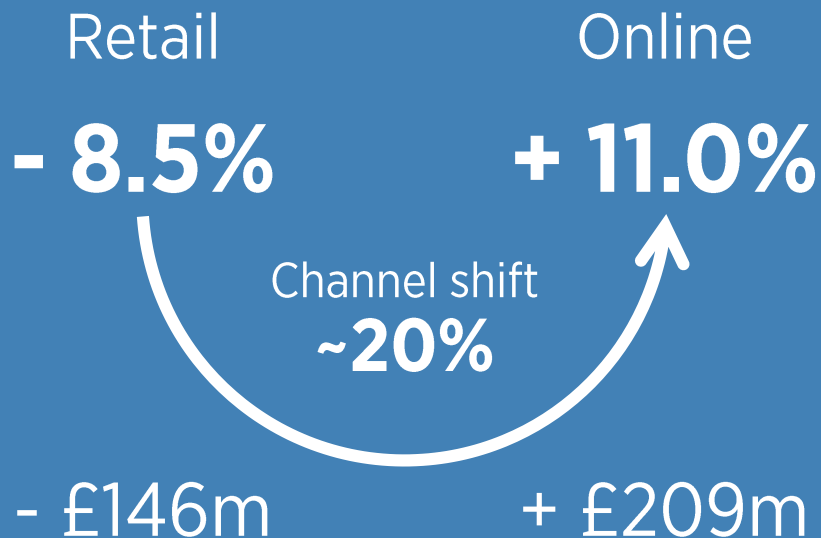
**+ 11.0%**

+ £209m

Brand

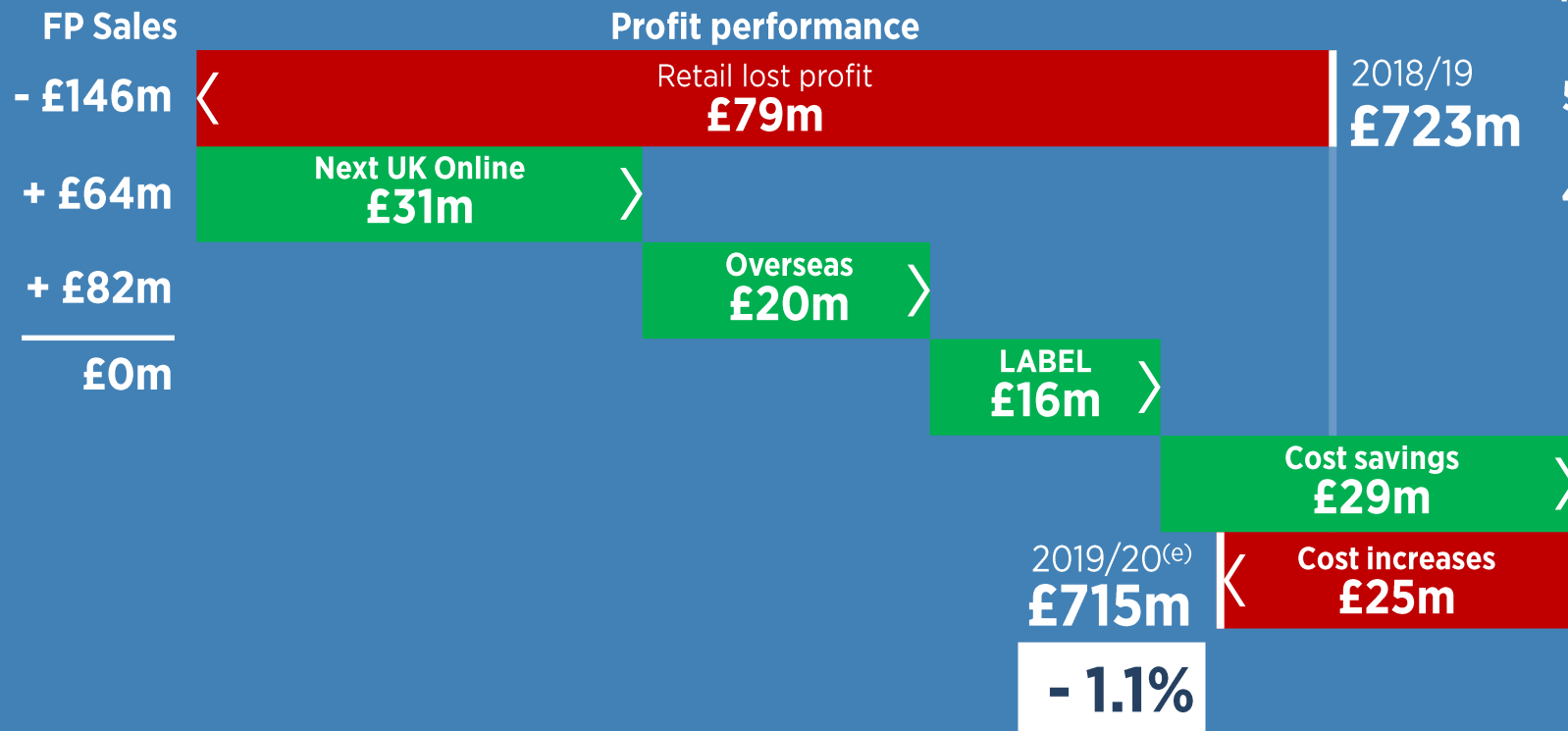
**+ 1.7%**

+ £63m



## Full year Brand full price sales

+ 1.7%



Margin before overheads

54%  
48% - 6p

**Full year Brand full price sales**

**+ 1.7%**

**Profit before tax**

**- 1.1%**

**£715m**

**Growth in EPS**

**+ 3.6%**

**£4.51**

**Ordinary dividend yield\***

**3.5%**

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

**7.1%**

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

# 2030?

## The Long View

### 1950s



### 1960s 1970s

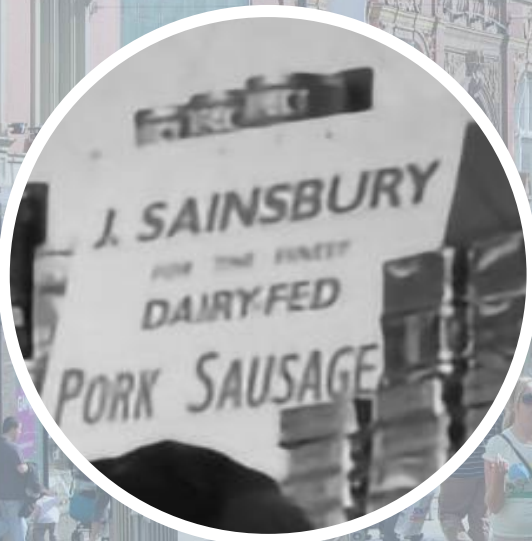




2030?

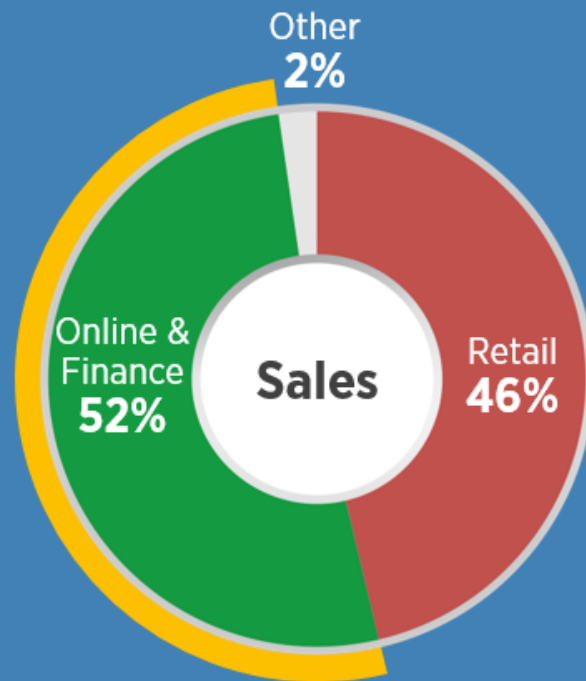
1950s

1960s 1970s



# NEXT PLATFORM

## STRESS TEST



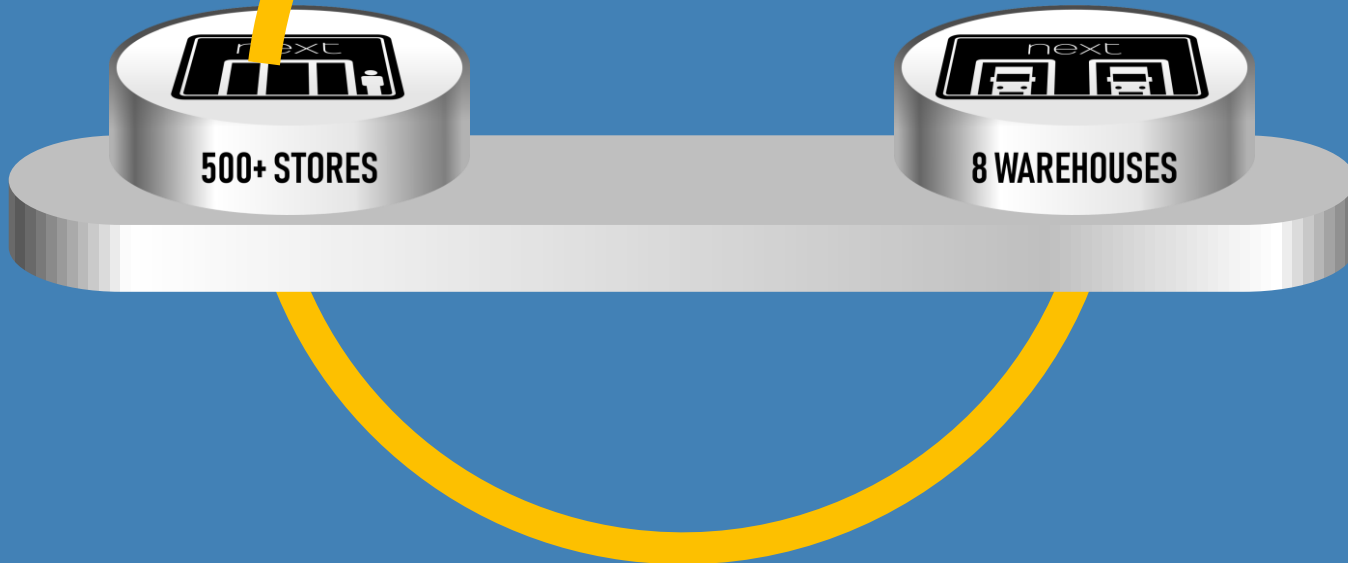


# NEXT Platform

**50%** of Orders

Free

Convenient



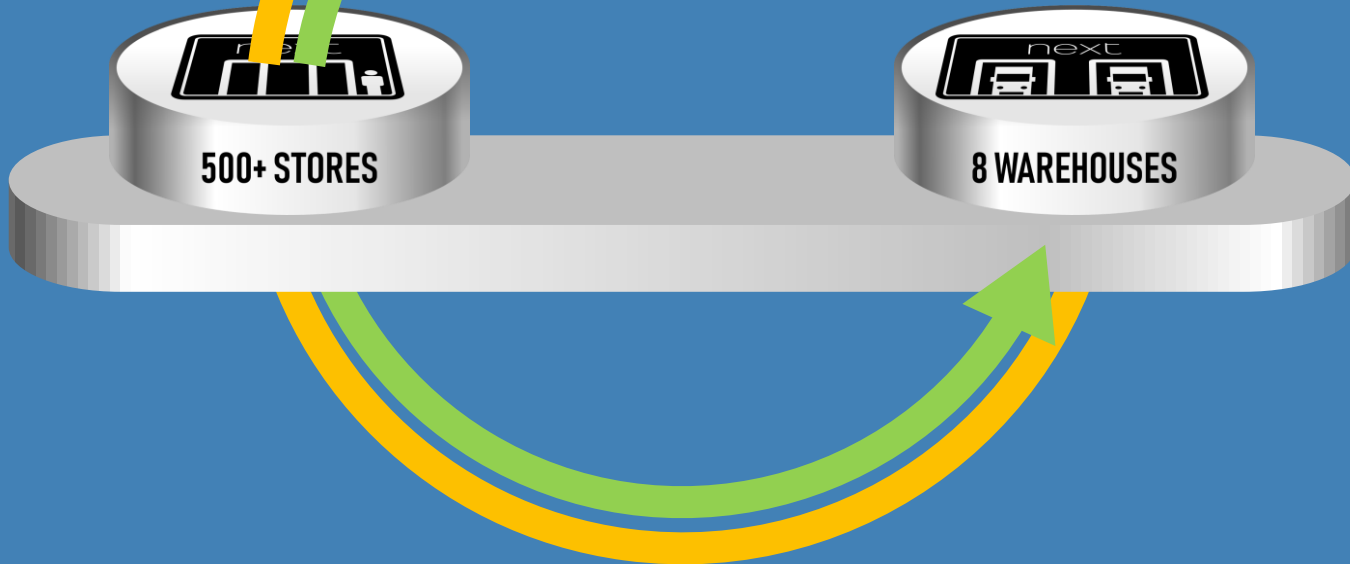
# NEXT Platform

**35%** Sales

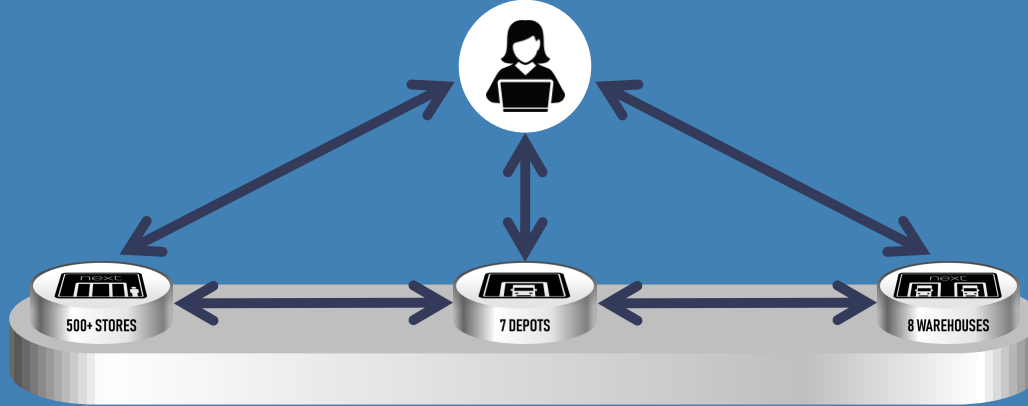
Free

Convenient

**>80%**  
Returns



# NEXT Platform



**2018**

**Annualised  
sales estimate**

Warehouse to store

Return to store

Store to home

Store to store

Collect today

**£60m**

**2019 focus**

Improving returns

15 days → 2 days



Simple packing in  
store

Pack on Monday for  
Thursday delivery

# NEXT Platform



LABEL



500+ STORES



7 DEPOTS

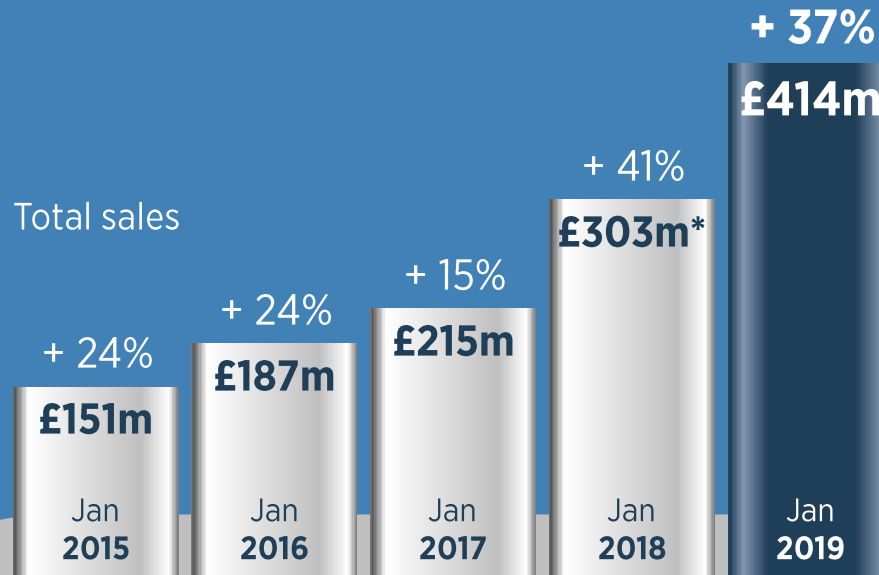


8 WAREHOUSES

# LABEL

Jan 2019

Profit	£66m
Net profitability	16%



## LABEL



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

# Competition?

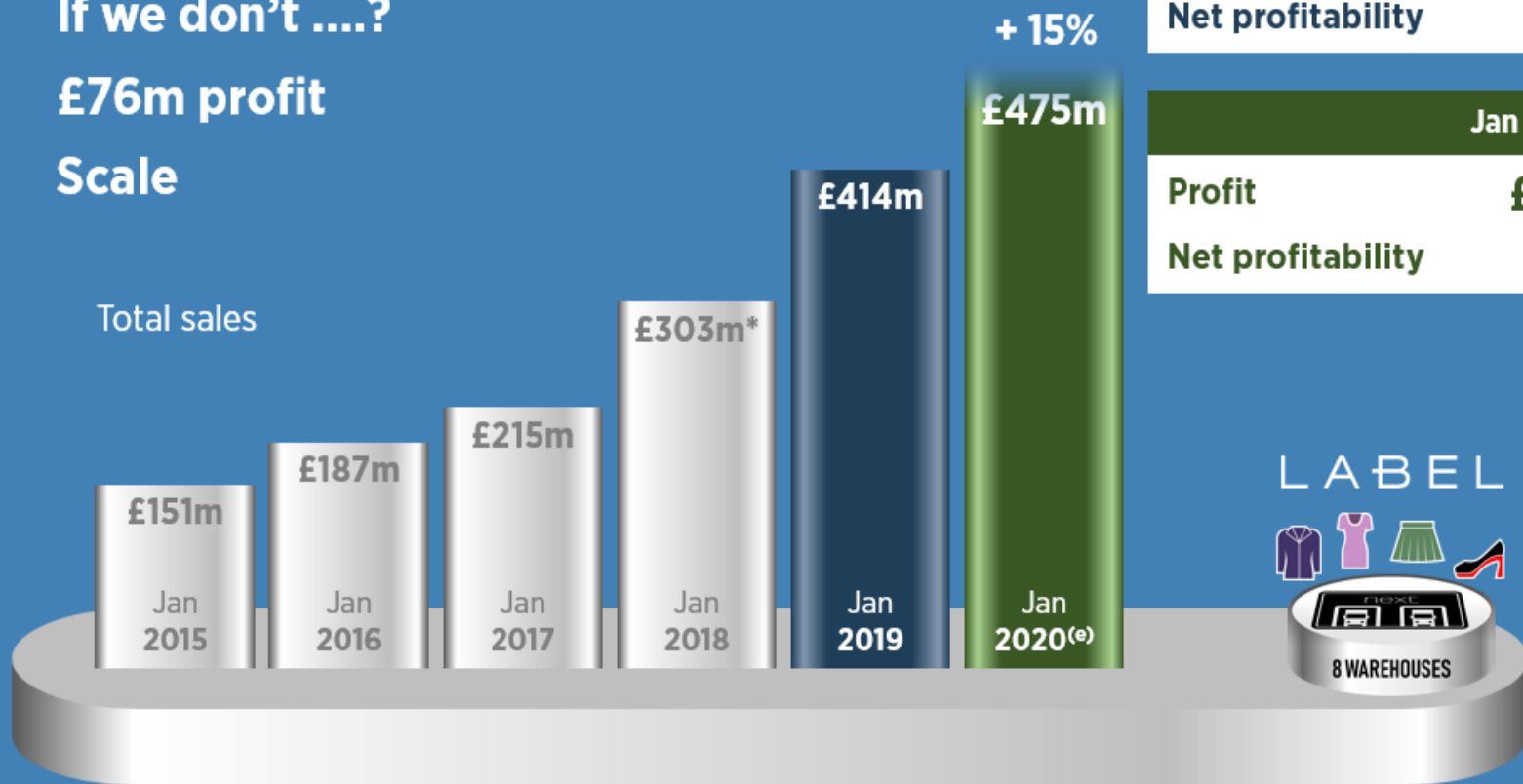
If we don't ....?

£76m profit

Scale

## LABEL

Total sales



Jan 2019

Profit **£66m**

Net profitability **16%**

Jan 2020(e)

Profit **£76m**

Net profitability **16%**

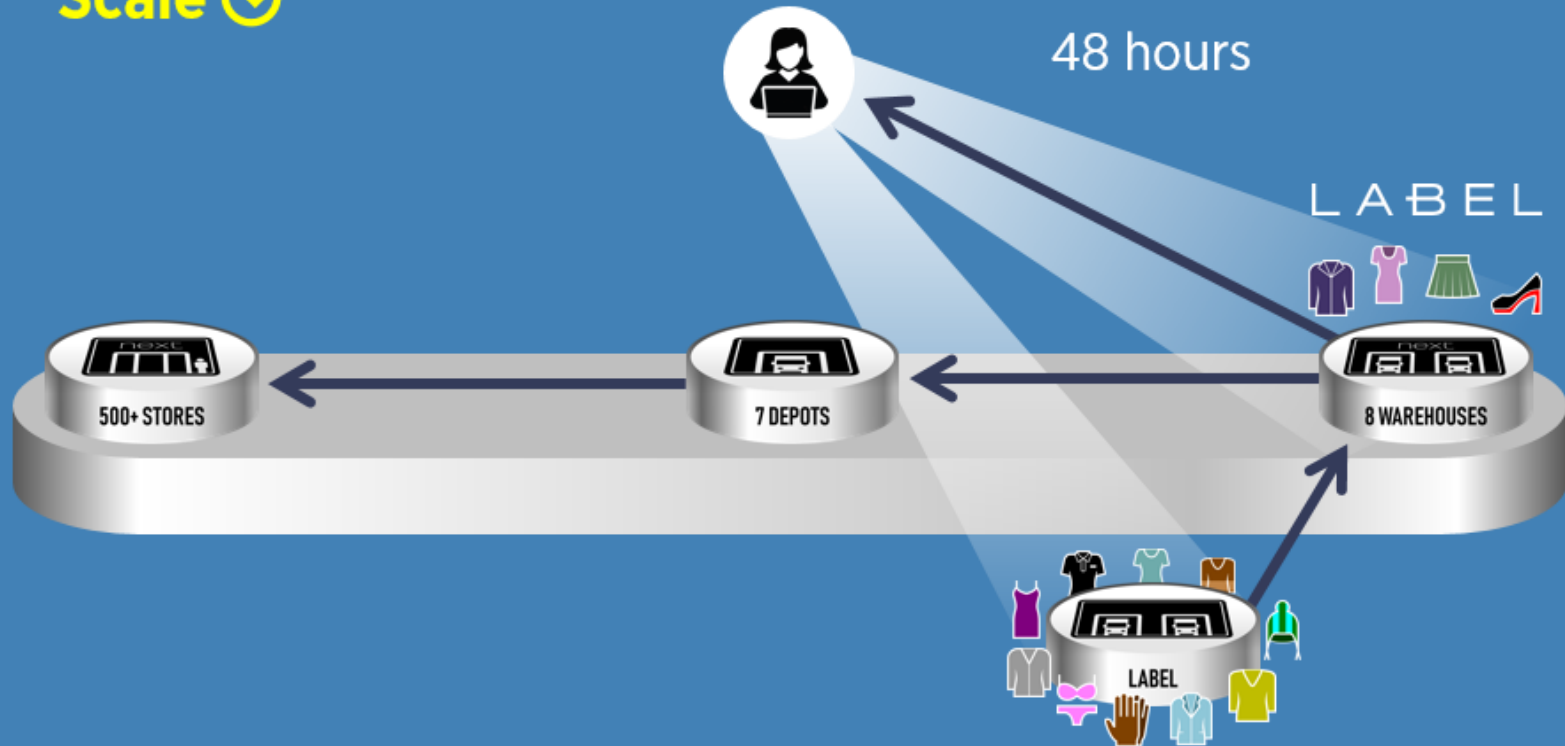
## LABEL



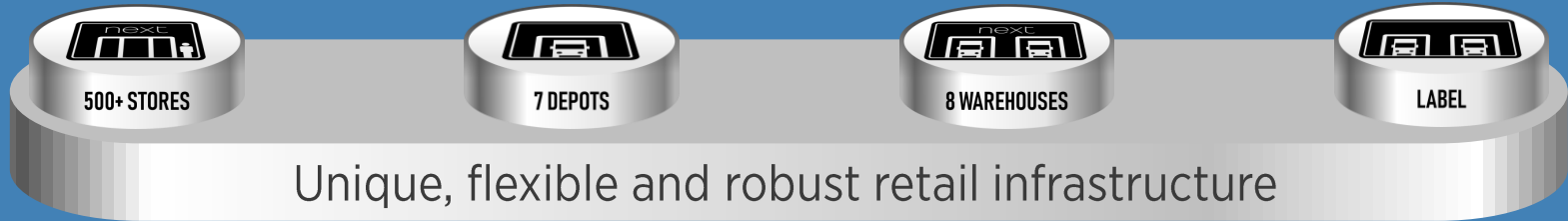
\* Now includes longstanding third-party Brands sold in our Home division, historically reported within NEXT

# LABEL

Scale ✓



## NEXT Platform



## More than a **Marketplace**



Consolidated costs



Quality of service



Delivery to store



# NEXT Platform **Plus**



500+ STORES



7 DEPOTS



8 WAREHOUSES

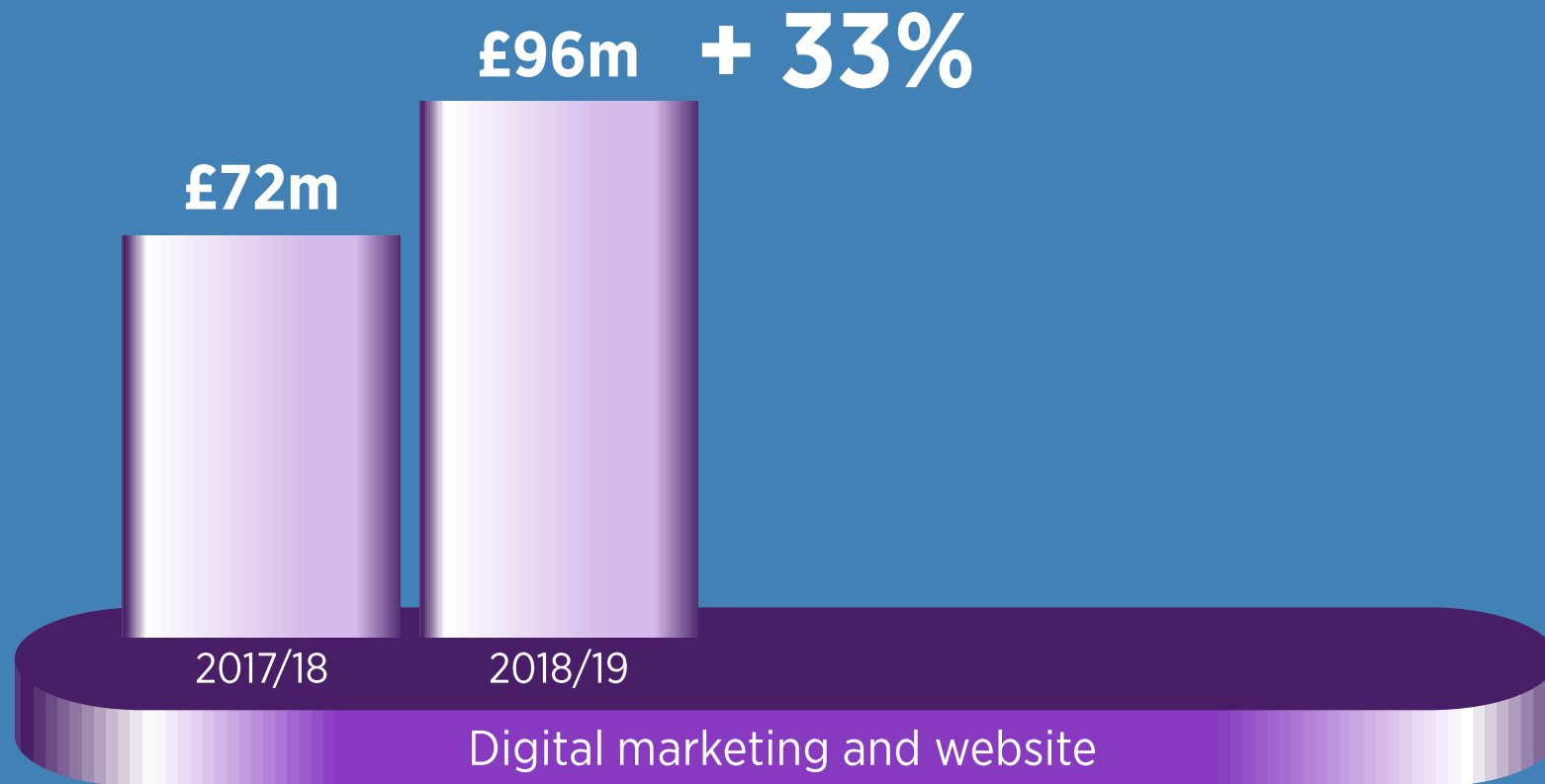


LABEL

Unique, flexible and robust retail infrastructure

Digital marketing and website

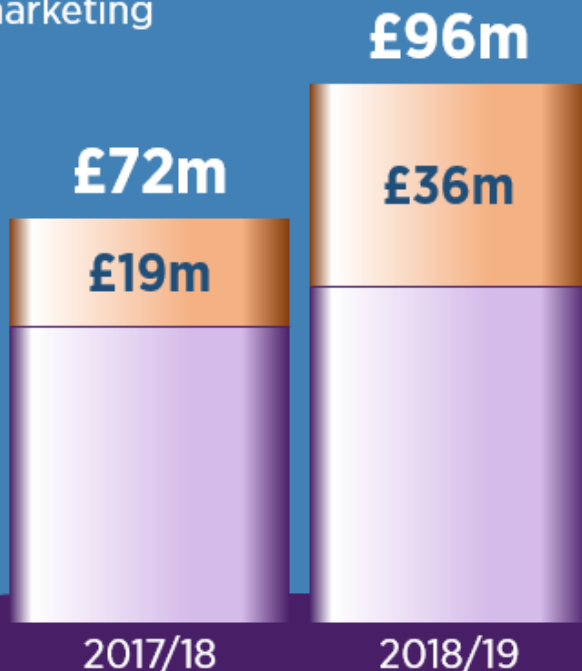
## Marketing and Systems



# Marketing and Systems

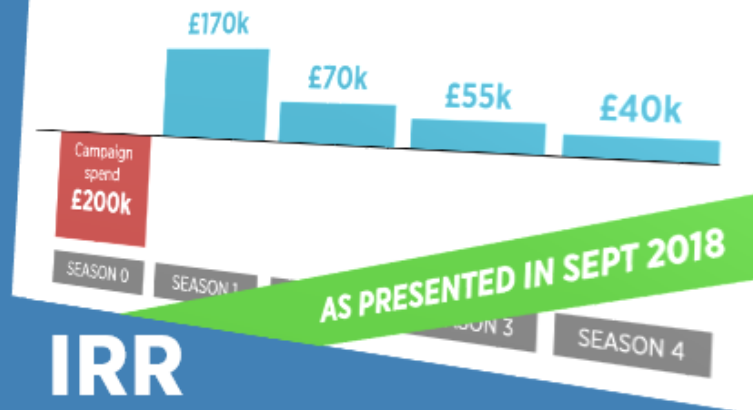
Digital marketing

Digital marketing



Digital marketing and website

IRR(Net Cash Flow, Time Period)=80%



IRR

UK

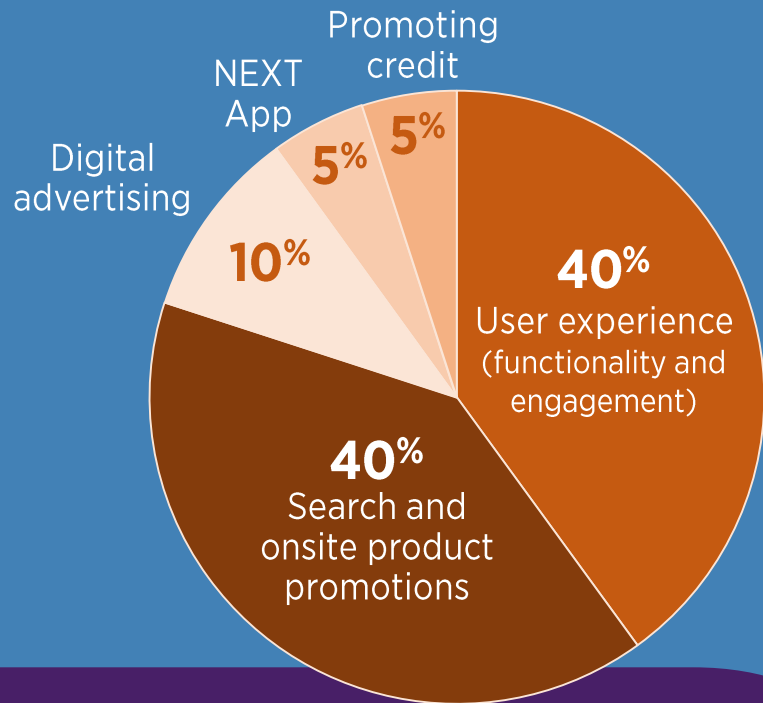
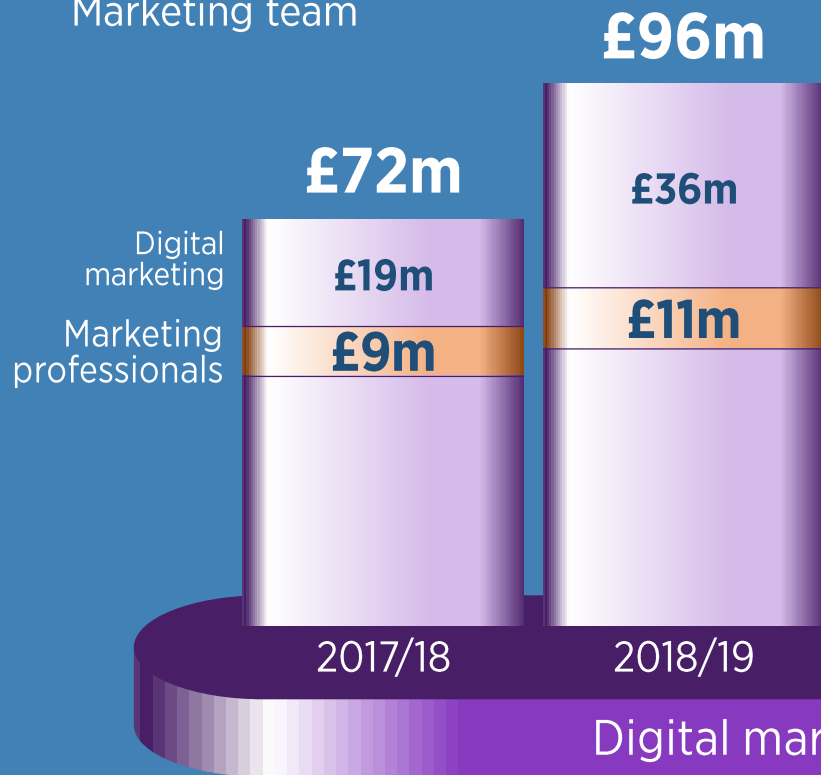
98%

Overseas

380%

# Marketing and Systems

Marketing team



Digital marketing and website

# Marketing and Systems

Systems team

**£96m**

**£72m**

Digital  
marketing

**£19m**

Marketing  
professionals

**£9m**

Systems

**£44m**

**£36m**

**£11m**

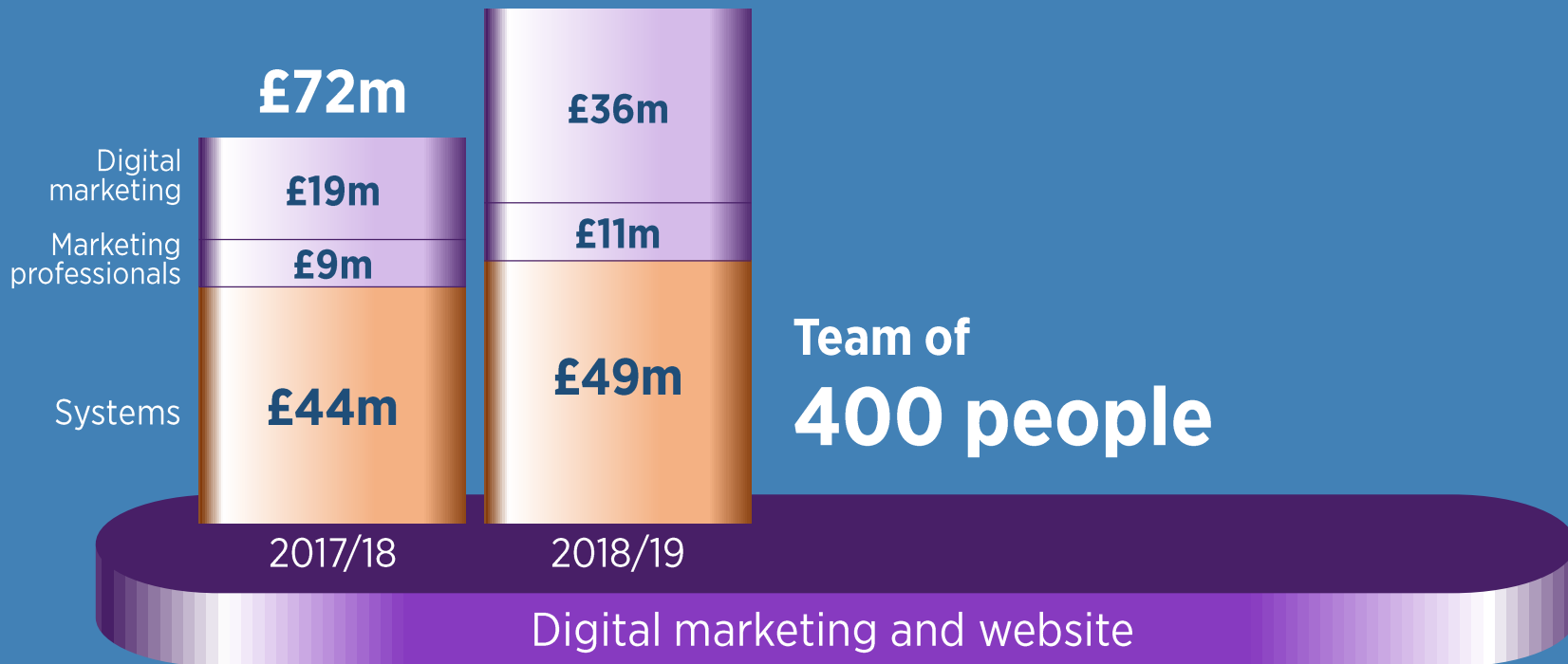
**£49m**

Team of  
**400 people**

2017/18

2018/19

Digital marketing and website



# Marketing and Systems

2019/20<sup>(e)</sup>

£115m<sup>(e)</sup>

+ 20%

£96m

£72m

Digital  
Marketing  
Marketing  
Professionals

£19m

£9m

Systems

£44m

£36m

£11m

£49m

£46m

£12m

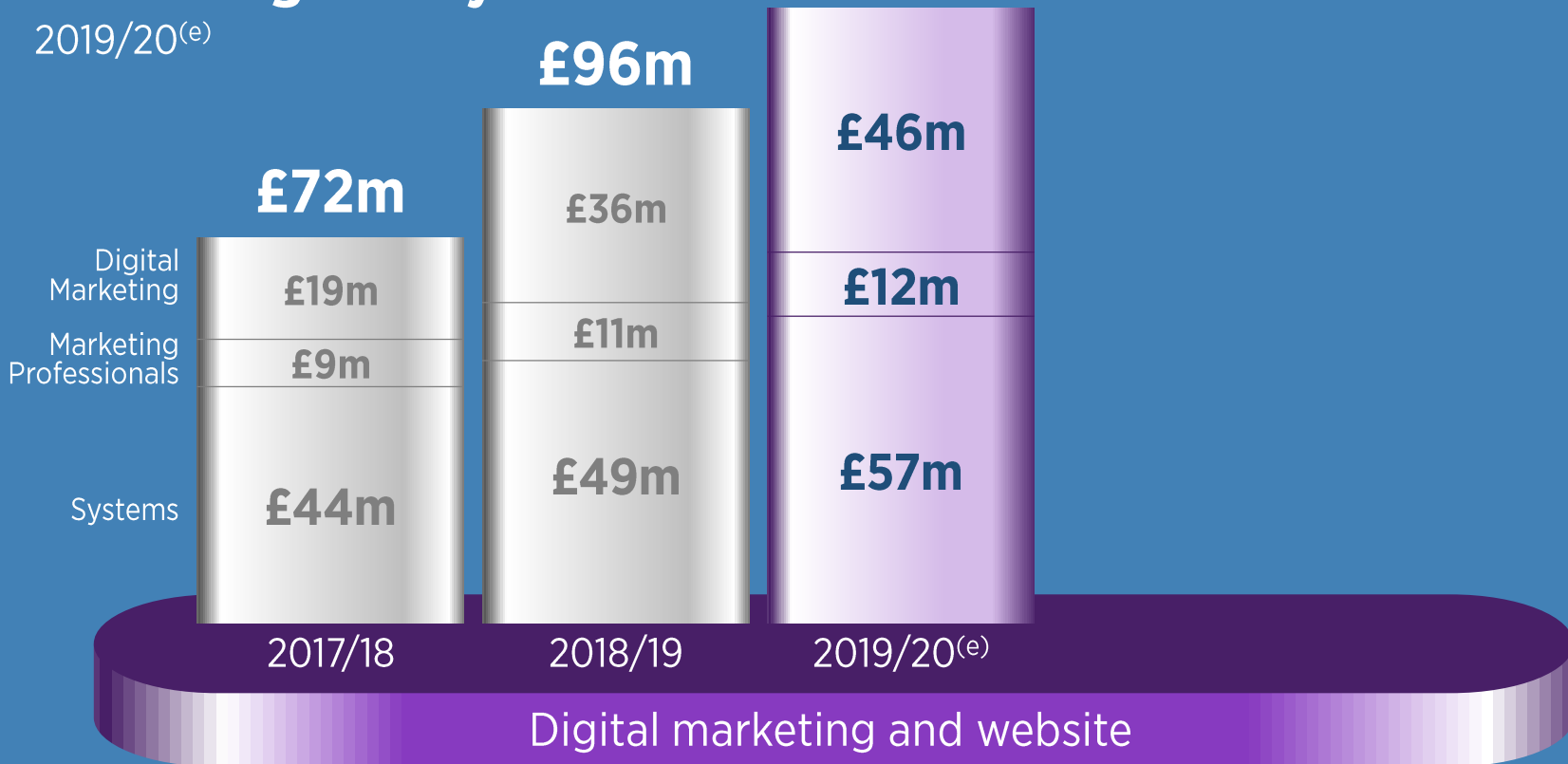
£57m

2017/18

2018/19

2019/20<sup>(e)</sup>

Digital marketing and website



# Marketing and Systems

2015/16 - 2019/20<sup>(e)</sup>

+ 150%

£115m<sup>(e)</sup>

£46m

2015/16

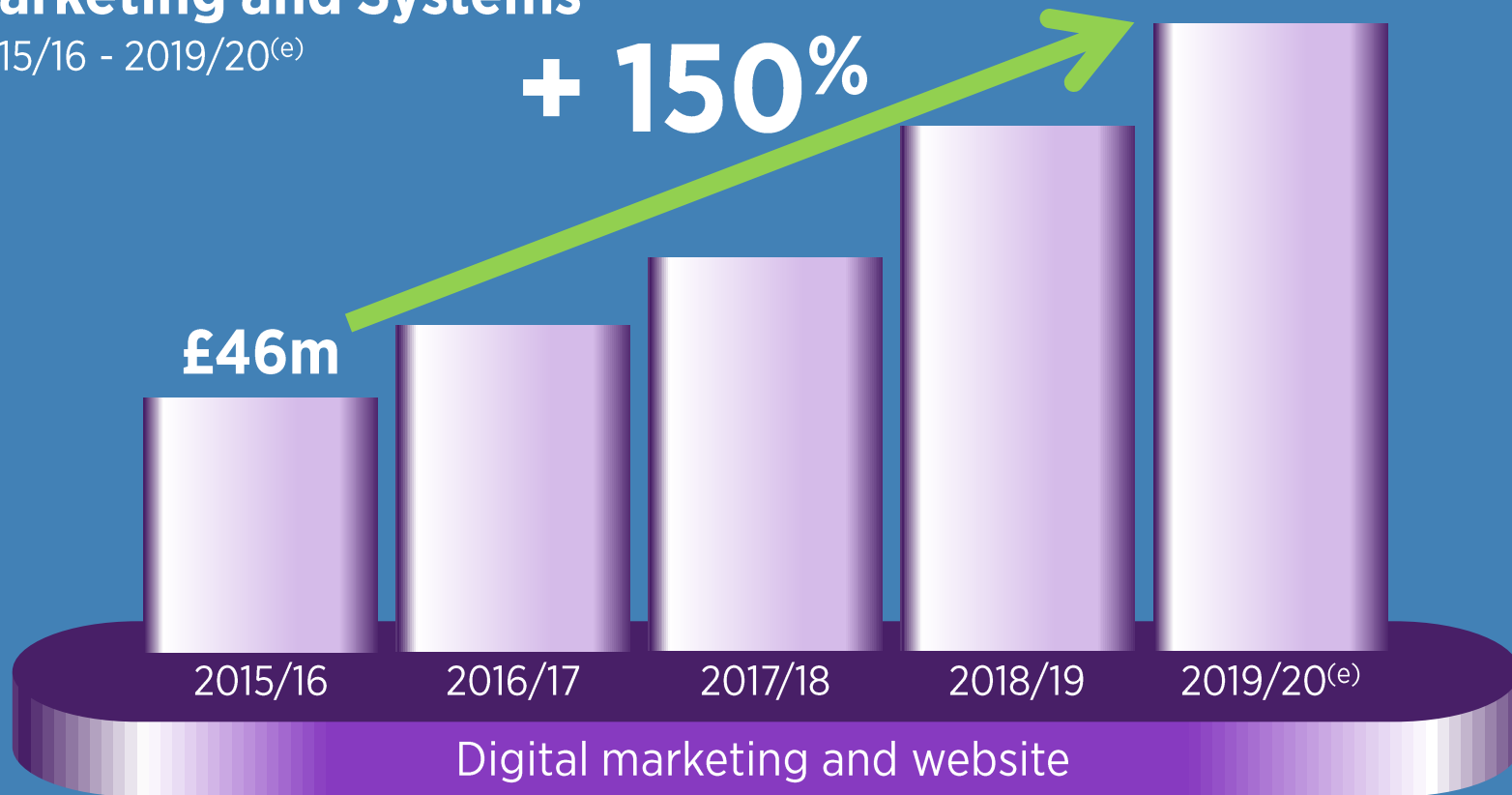
2016/17

2017/18

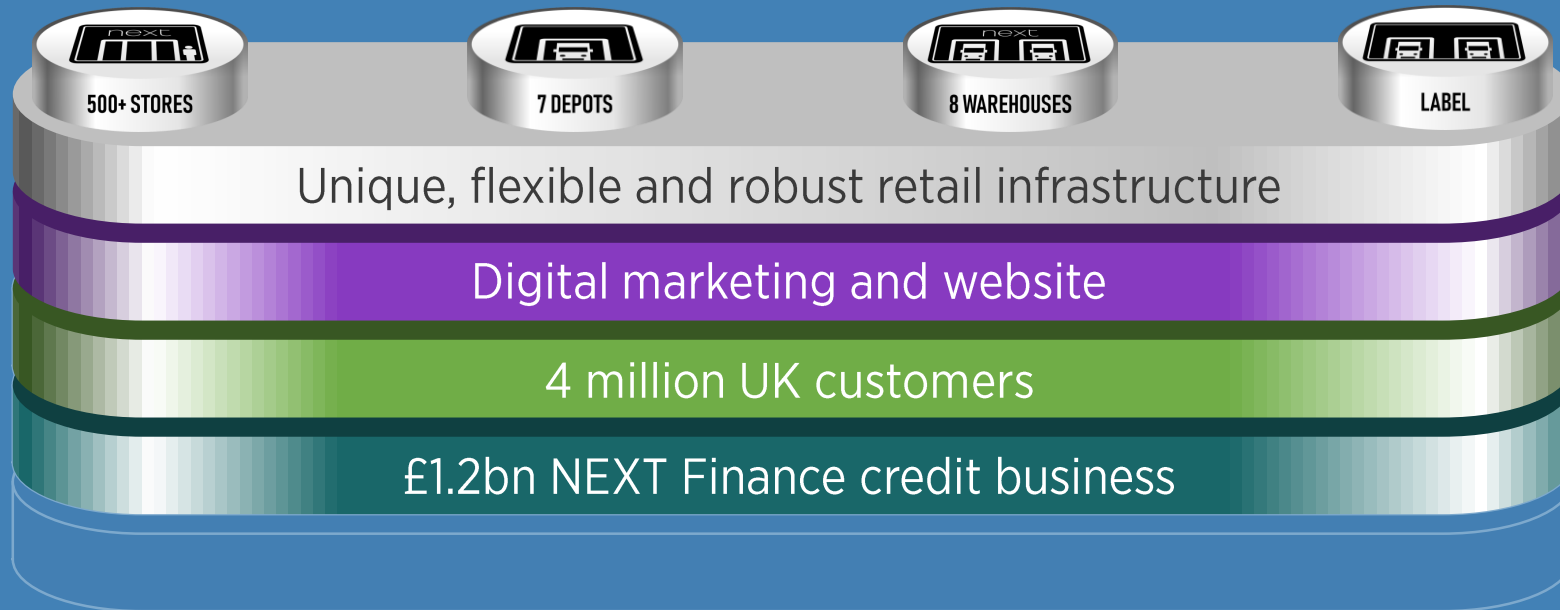
2018/19

2019/20<sup>(e)</sup>

Digital marketing and website



# NEXT Platform **Plus**





# NEXT Platform **Plus**



**For UK customers**

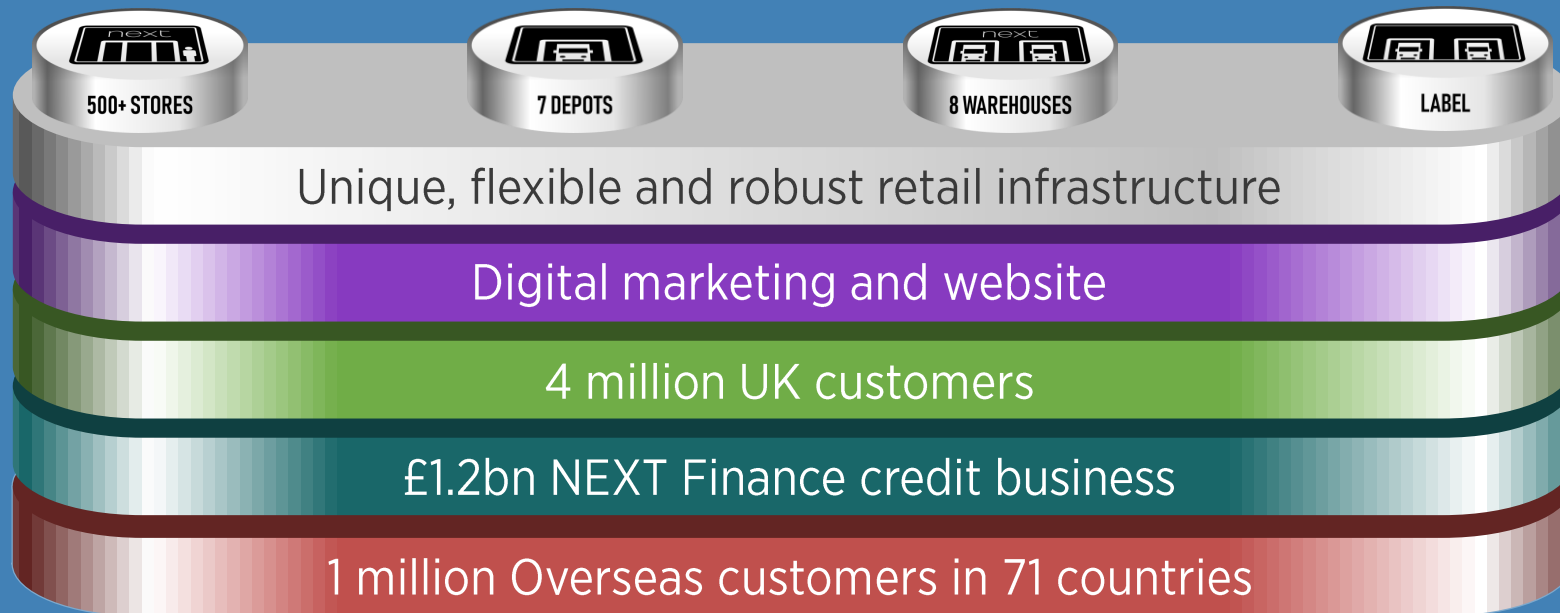
**First choice for  
clothing and homeware**



**For partners**

**Most profitable 3<sup>rd</sup>  
party route to market**

# NEXT Platform **Plus**



# Overseas

Jan 2019

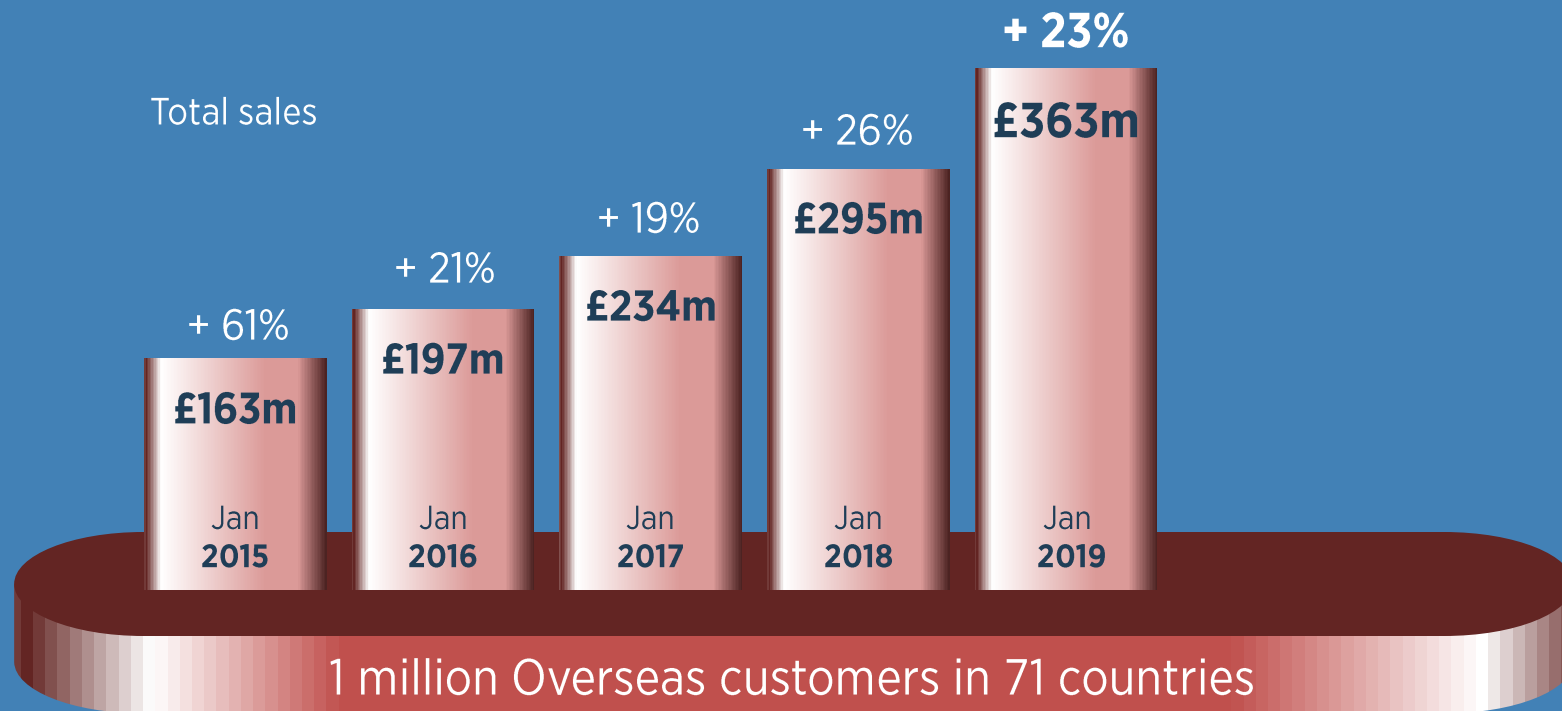
Profit

**£58m**

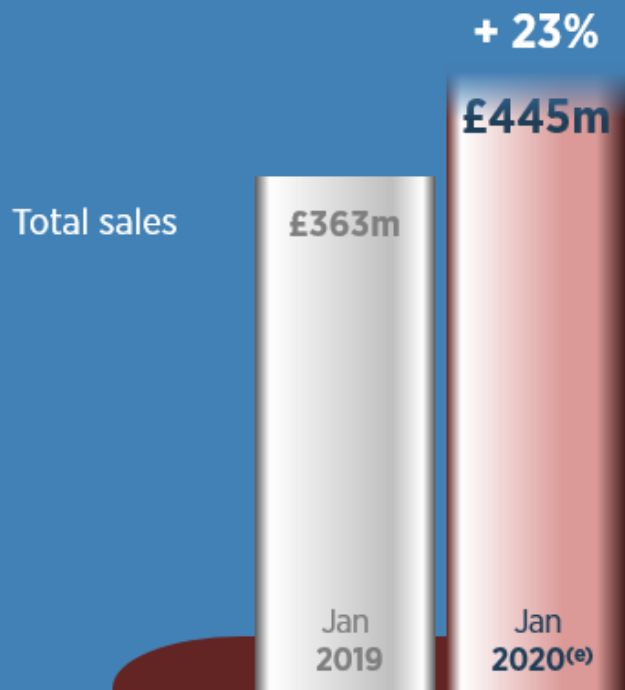
Net profitability

**16%**

Total sales



# Overseas



1 million Overseas customers in 71 countries

Jan 2019

Profit **£58m**

Net profitability **16%**

Jan 2020<sup>(e)</sup>

Profit **£72m**

Net profitability **16%**

# Overseas

Total sales



Profit

£72m

Net profitability

16%



Jan 19 options  
+ 70%

- UK replication
- Overseas App

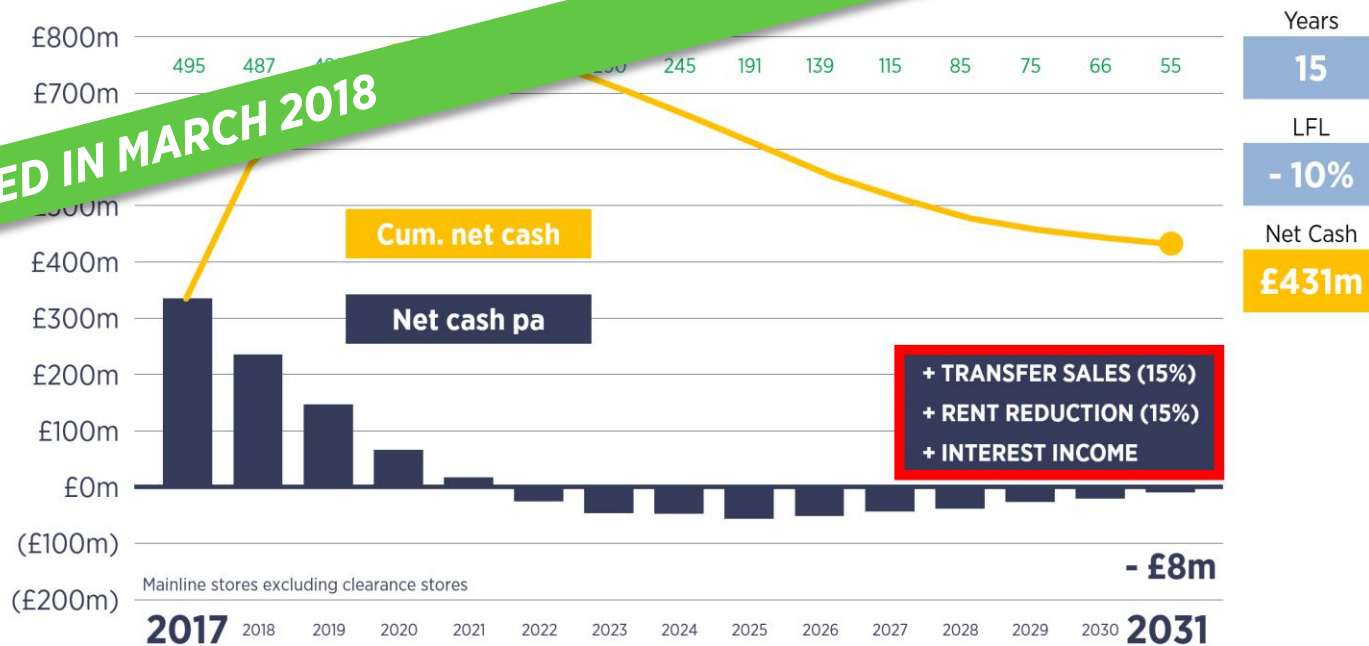
1 million Overseas customers in 71 countries

# **15 Year Retail Stress Test**

# 15 Year Retail Stress Test

## Store Portfolio | Stress Test

next





# 15 Year Retail Stress Test

Model assumptions

Sales	Closures	Transfer of Trade	Payroll
Retail LFL <b>- 10%</b>	At lease end: Profitability    Renewal term <b>&gt;20%</b> 5 years <b>&gt;15%</b> 3 years <b>&gt;4%</b> Hold over	<div>£ transfer</div> <div><b>2 stores</b> within 5 miles <b>25%</b></div> <div><b>A store</b> within 5 miles <b>20%</b></div> <div><b>A store</b> within 10 miles <b>10%</b></div>	<b>80%</b> variable with sales

**2019** \*   2020   2021   2022   2023   2024   2025   2026   2027   2028   2029   2030   2031   2032   **2033**

\* Financial Year 2019/20<sup>(e)</sup>

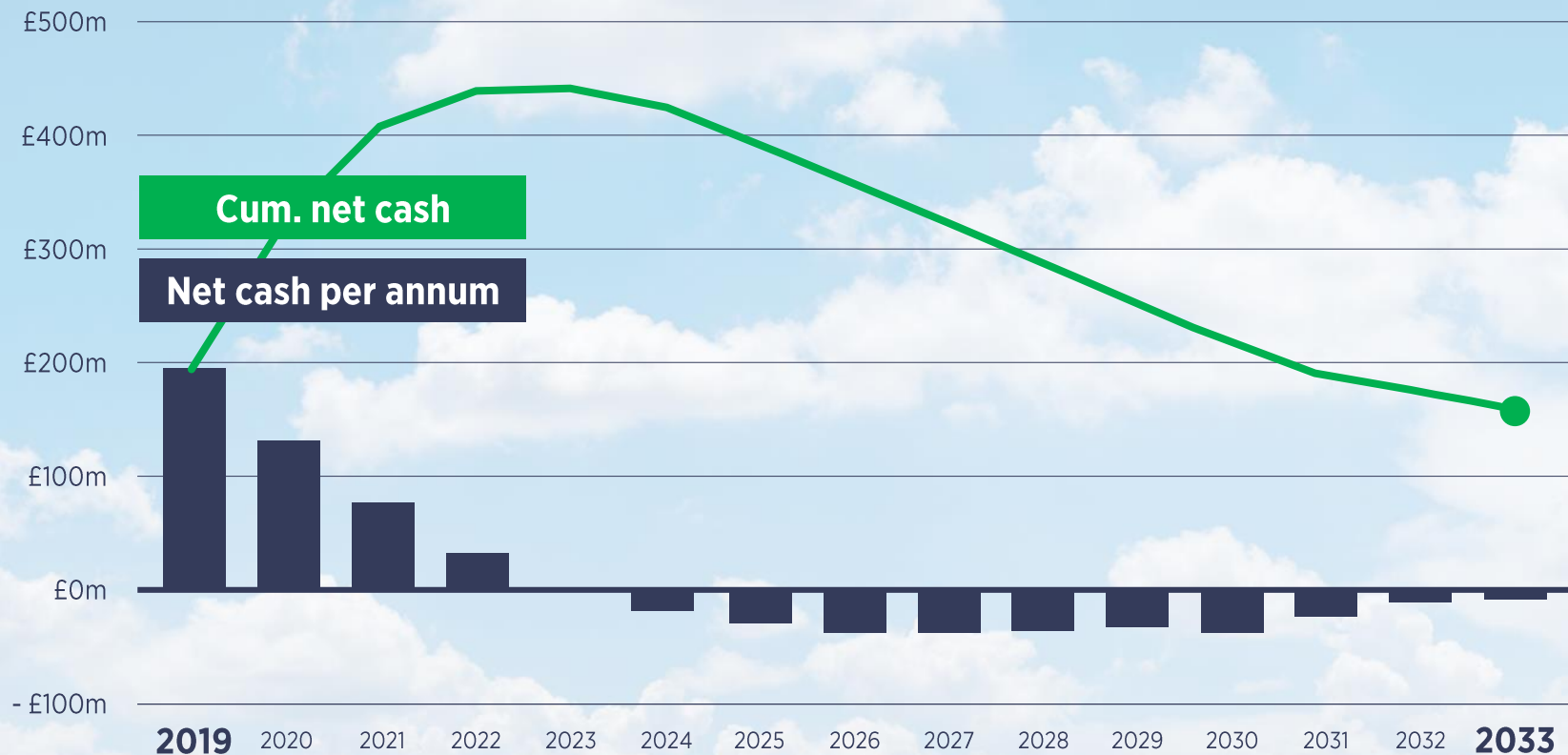
# 15 Year Retail Stress Test

Cum. net cash

**£160m**

No. of stores

**50**



*All assumptions have been detailed in the CEO report. Pre-tax.*

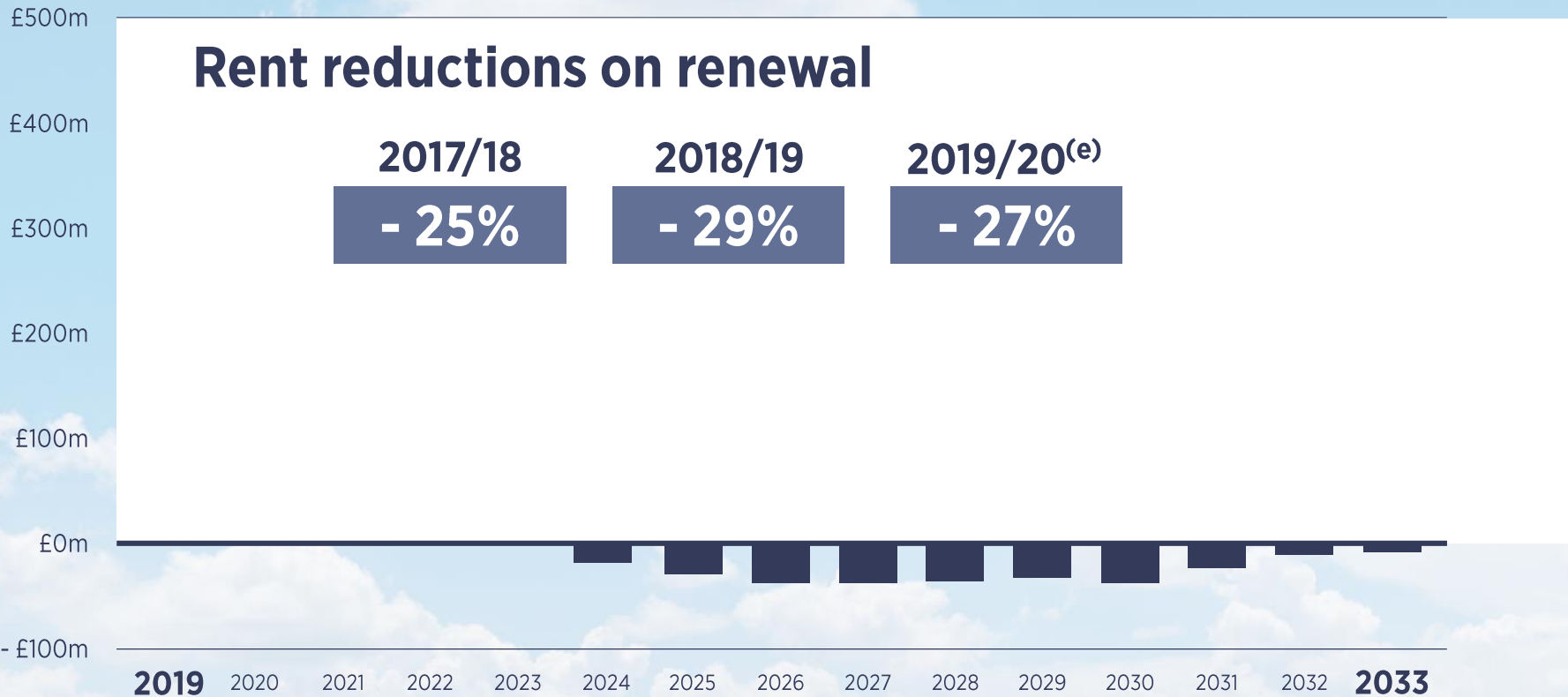
# 15 Year Retail Stress Test

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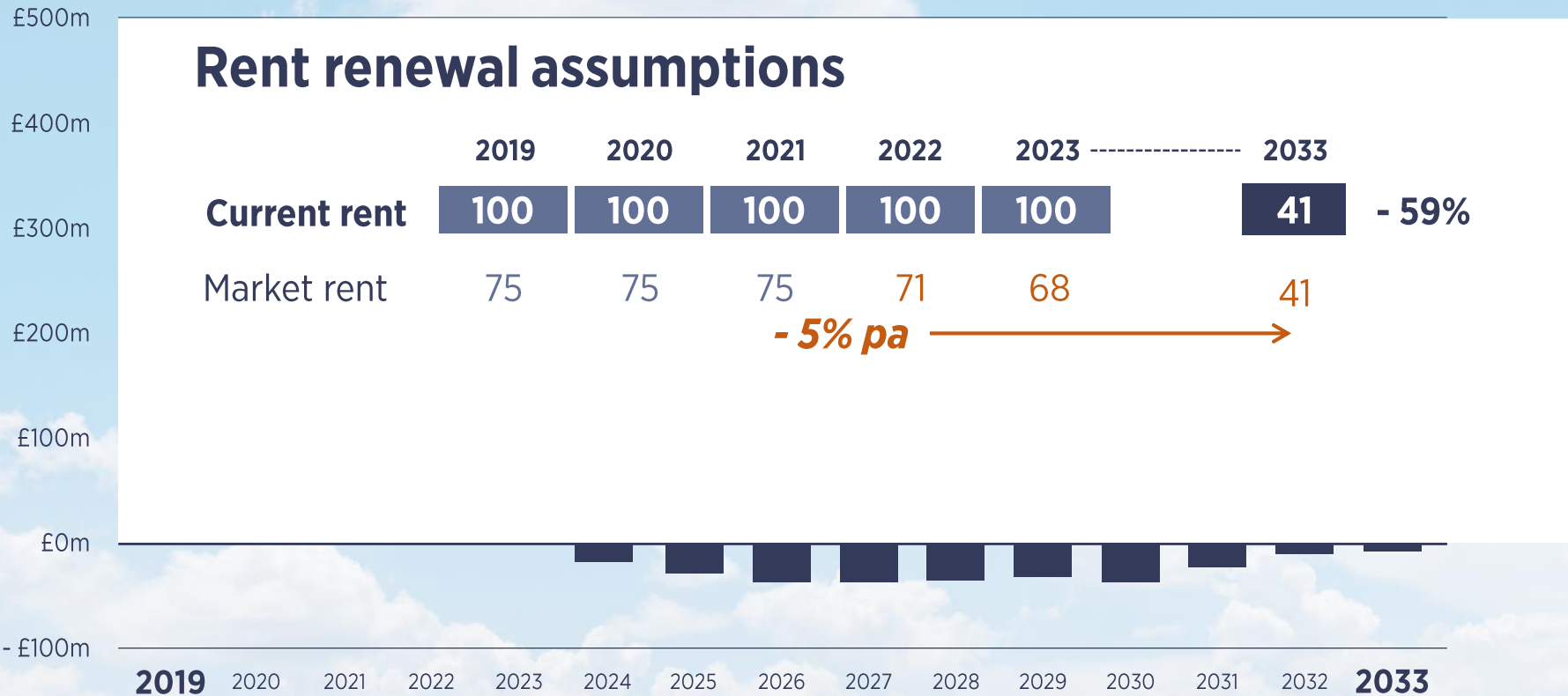
# 15 Year Retail Stress Test

Cum. net cash

£160m

No. of stores

50



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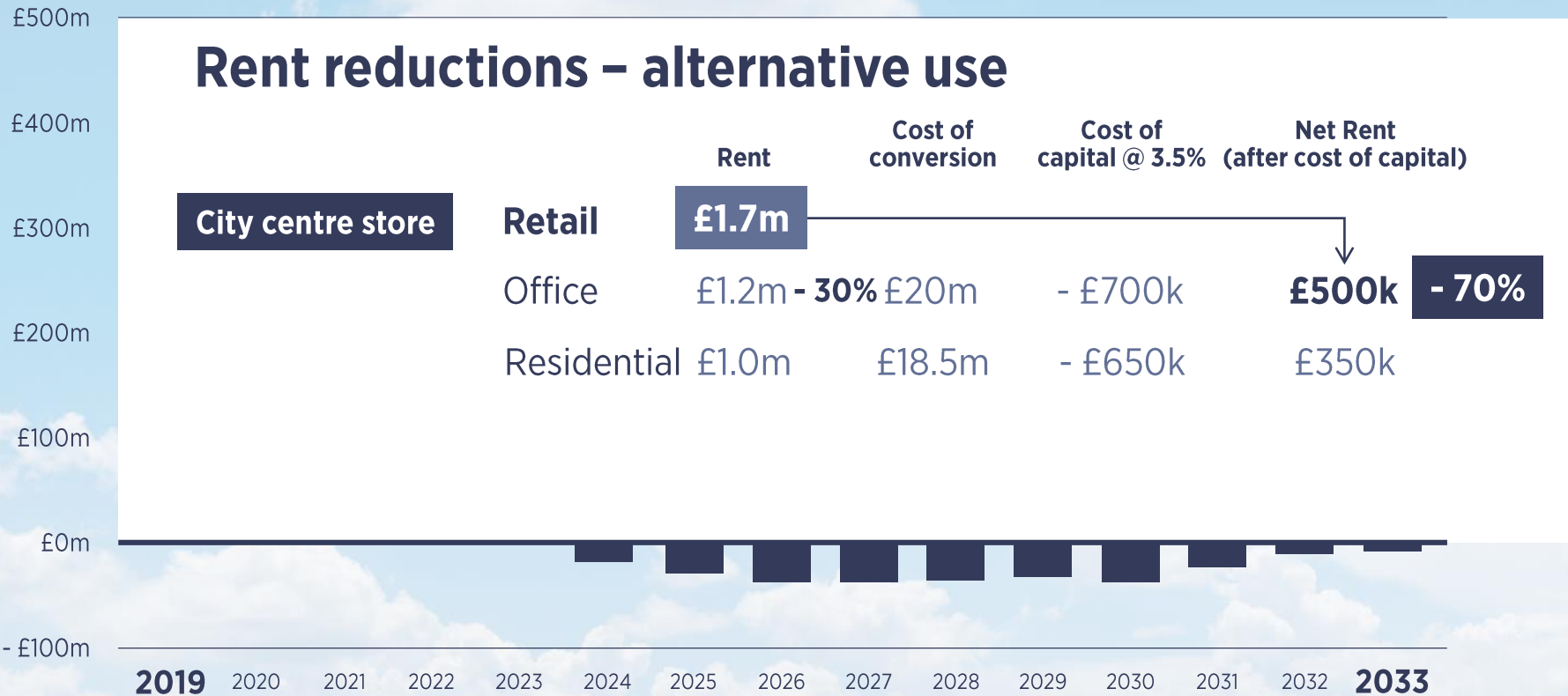
# 15 Year Retail Stress Test

Cum. net cash

£160m

No. of stores

50



All assumptions have been detailed in the CEO report. Pre-tax.

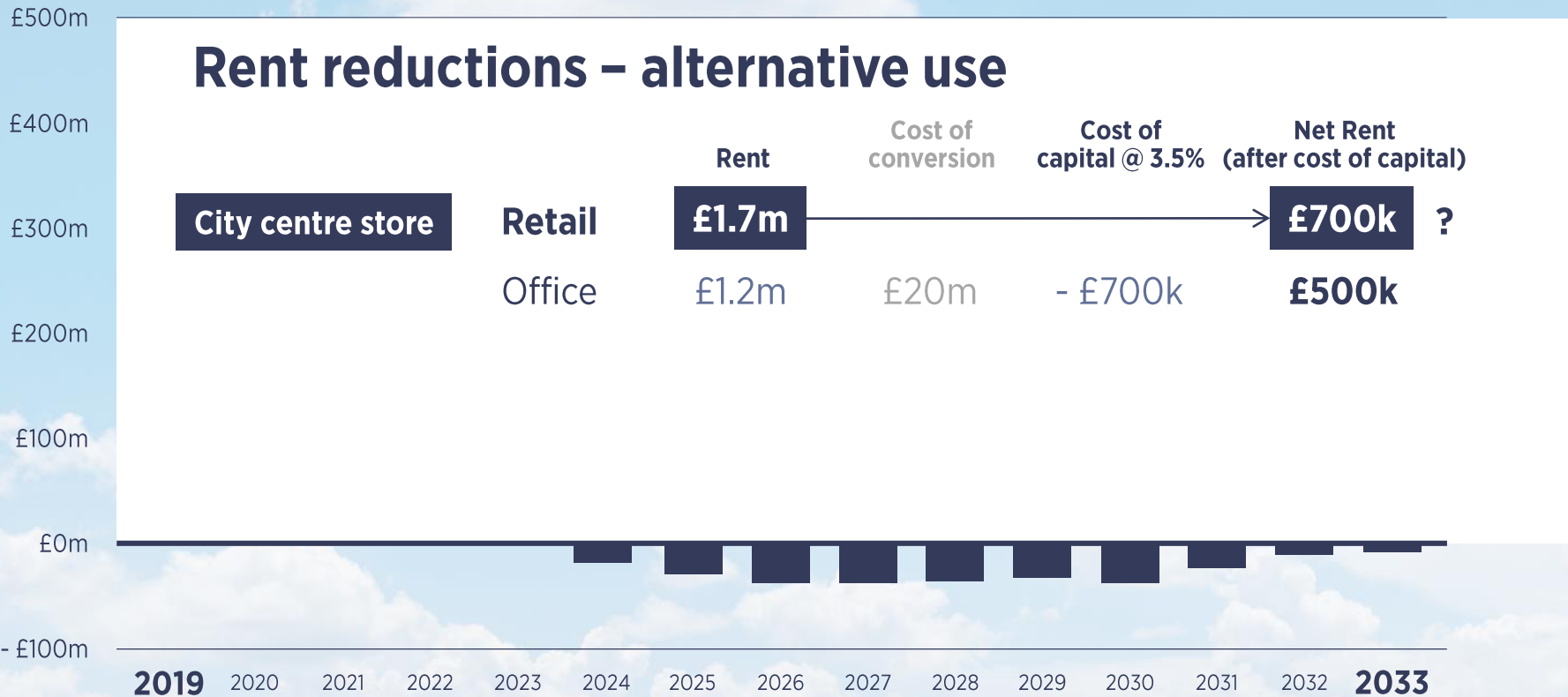
# 15 Year Retail Stress Test

Cum. net cash

£160m

No. of stores

50



All assumptions have been detailed in the CEO report. Pre-tax.

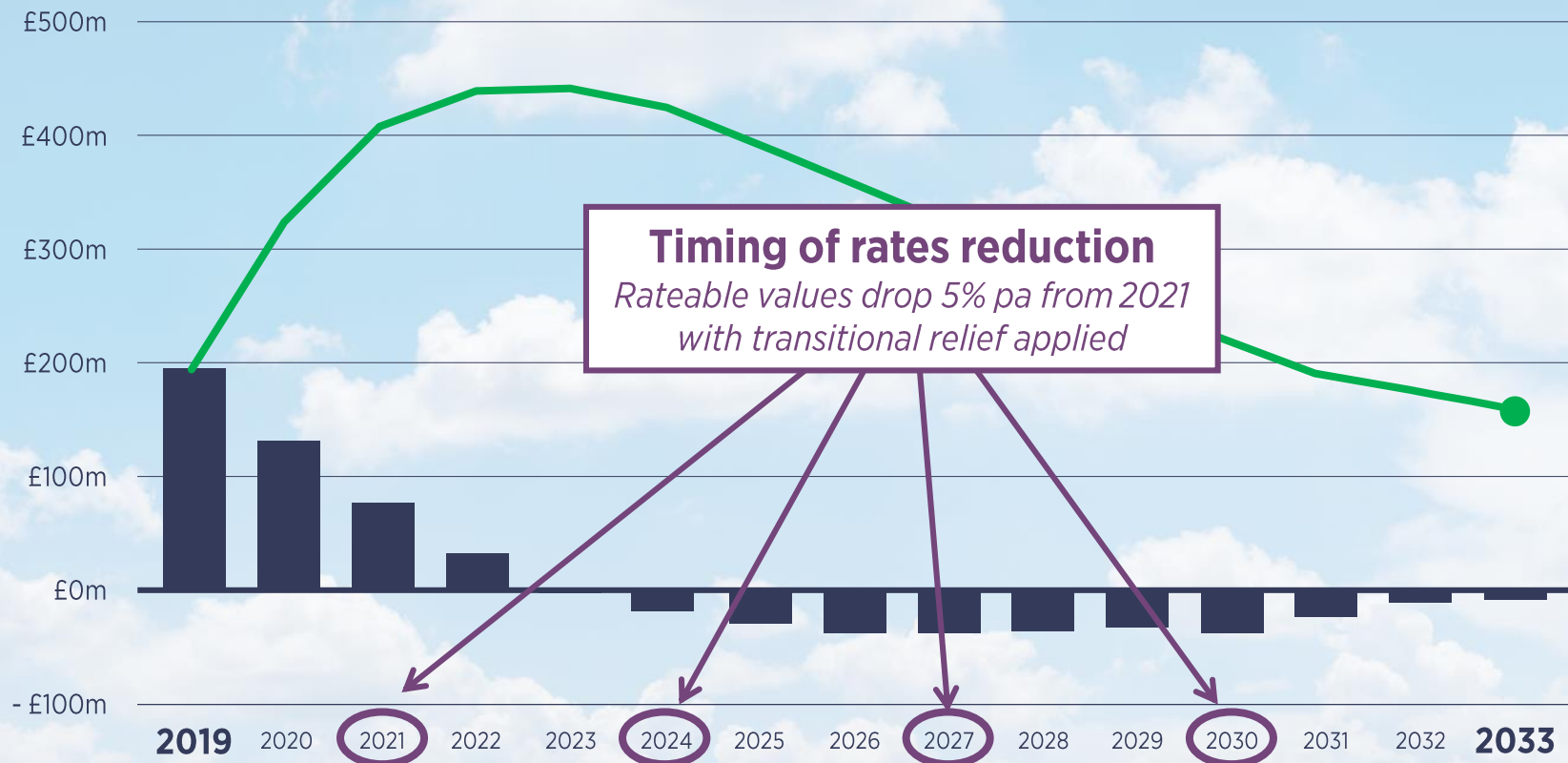
# 15 Year Retail Stress Test

Cum. net cash

**£160m**

No. of stores

**50**



All assumptions have been detailed in the CEO report. Pre-tax.



# 15 Year Retail Stress Test

Cum. net cash

£160m

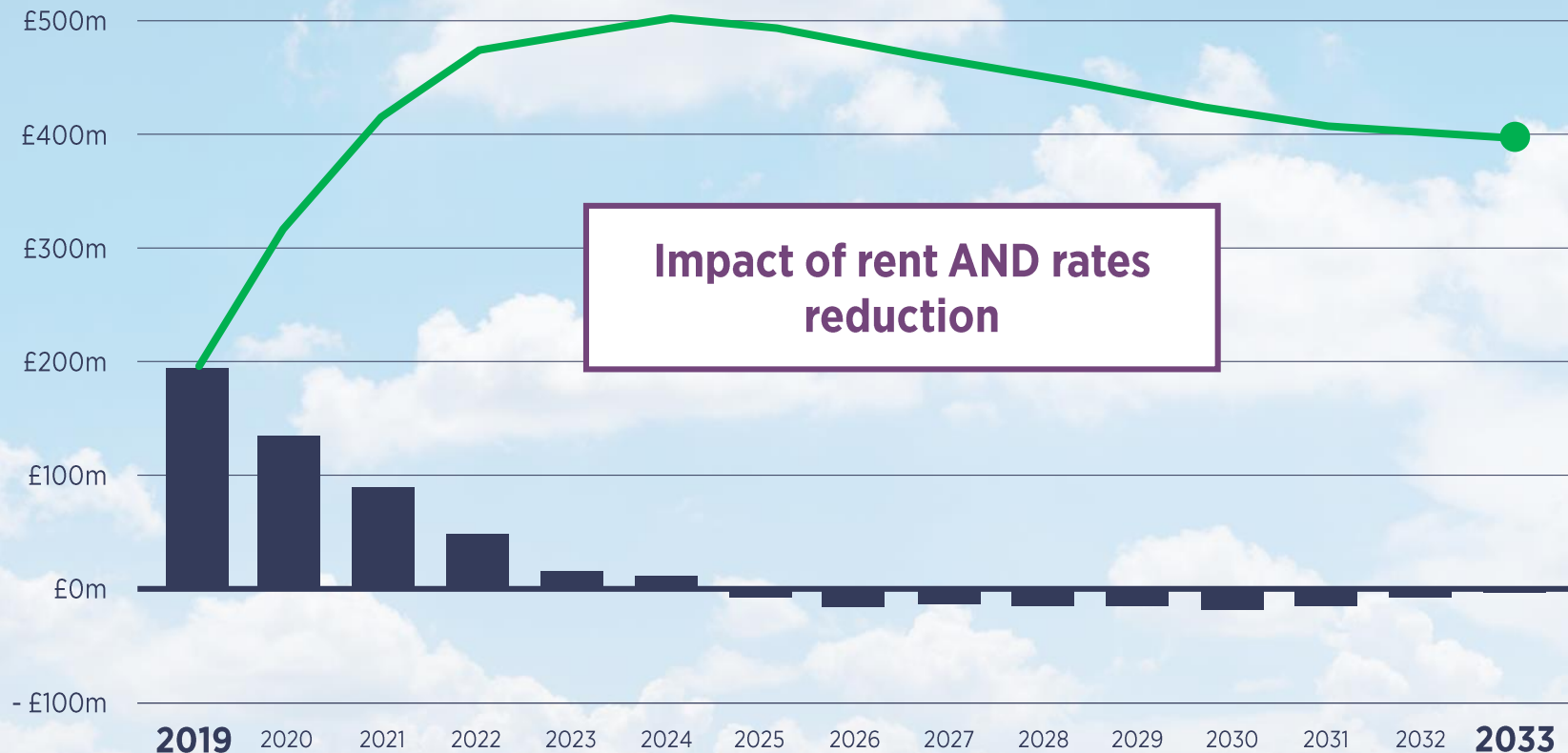
£400m

No. of stores

50

150

Rent renewals - 5% pa / rateable values - 5%



All assumptions have been detailed in the CEO report. Pre-tax.

# 15 Year Group Stress Test

Online and Retail

Cum. net cash

£160m

£400m

No. of stores

50

150

## Online Assumptions

15 year growth (CAGR)\*

Constant margins

Next UK online

+ 4.8%

20%

UK Label

+ 8.4%

16%

Overseas

+ 12.2%

16%

Online total

+ 7.5%

- Post debtor funding
- Post capex
- Pre shareholder return
- Pre tax

\* Compound Annual Growth Rate

2019

2020

2021

2022

2023

2024

2025

2026

2027

2028

2029

2030

2031

2032

2033

\* Compound Annual Growth Rate. All assumptions have been detailed in the CEO report. Pre-tax.

# 15 Year Group Stress Test

Online and Retail

Cum. net cash

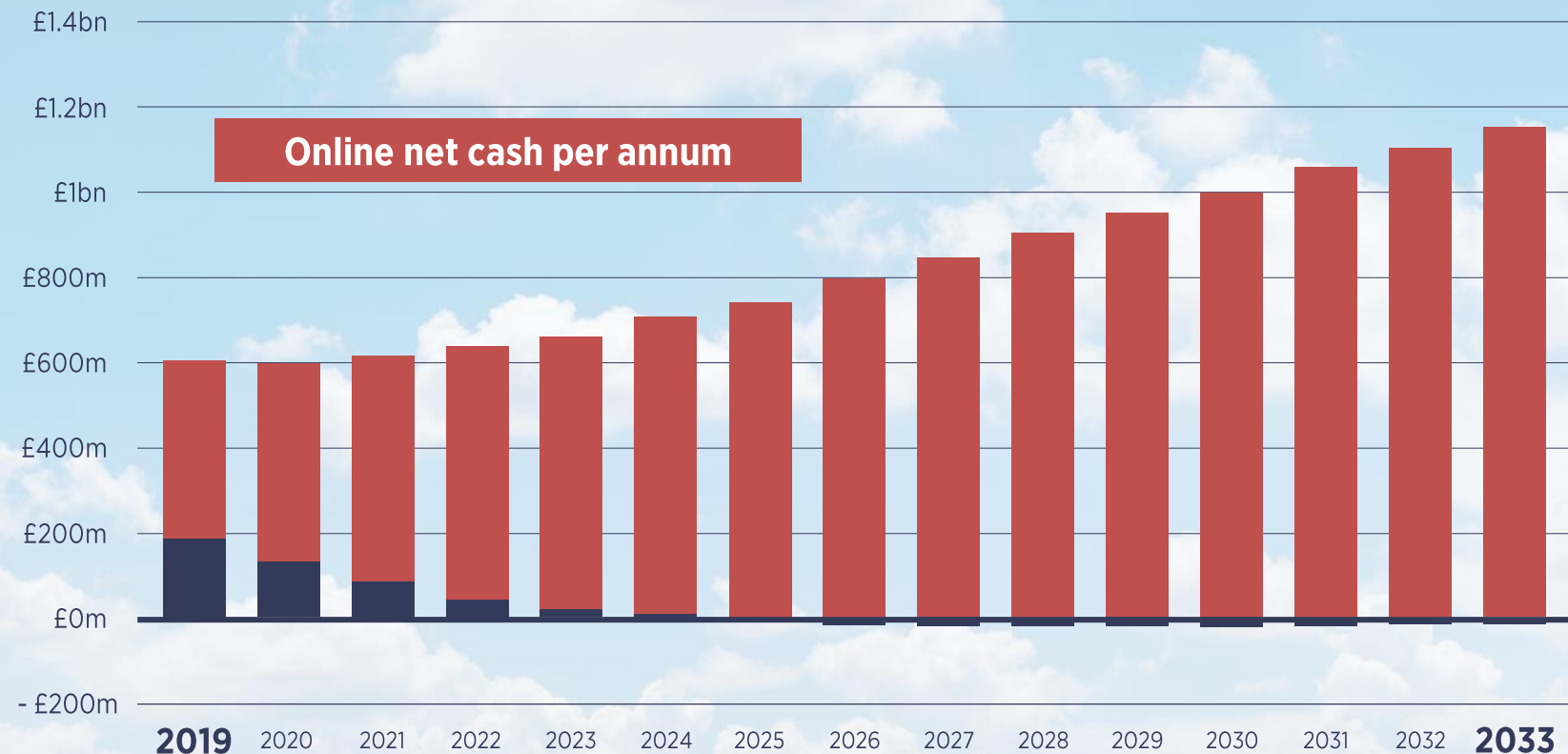
£400m

£12bn

No. of stores

150

150



# 15 Year Group Stress Test

Online and Retail

Cum. net cash

£12bn

£12bn

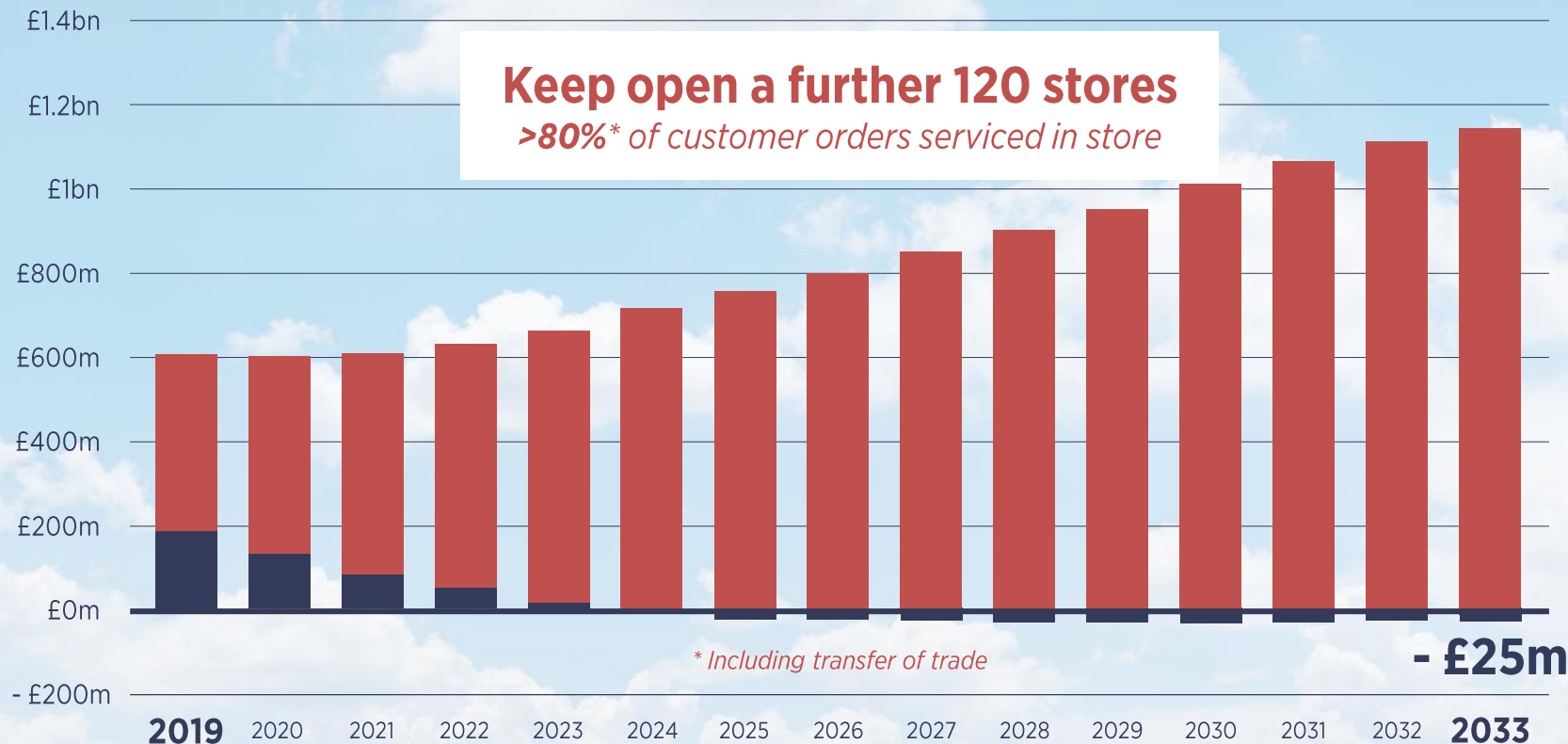
No. of stores

150

270

**Keep open a further 120 stores**

*>80%\* of customer orders serviced in store*



# 15 Year Group Stress Test

No. of stores

**270**

Cum. net cash

**£12bn**

**15 year Group CAGR\* + 3.0%**

**Years 1-5 + 2.4%**

**Years 6-10 + 3.1%**

**Years 11-15 + 3.6%**

**2019** 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 **2033**

*\* Compound Annual Growth Rate*

# 15 Year Group Stress Test

Cum. net cash

**£12bn**

No. of stores

**270**

*A scenario...*

**NOT A PLAN**

**NOT A FORECAST**

**NOT GUIDANCE**

*...but it is important*

**15 year Group CAGR\* + 3.0%**

**2019** 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 **2033**

*\* Compound Annual Growth Rate*



A photograph of a dirt path winding through a forest. The path is covered in fallen leaves and leads towards a bright light source, likely the sun, which is creating a strong lens flare and illuminating the scene. The trees are tall and thin, with some showing autumn foliage. The overall atmosphere is serene and natural.

**A** way through the woods

next

JANUARY

2019

