



# next

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YEAR END STATEMENT  
JANUARY 2010

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# Income Statement

next

£m	2010	2009	
Revenue	<u>3,406</u>	<u>3,272</u>	+4%
Operating profit	530	478	+11%
Interest	<u>(25)</u>	<u>(49)</u>	
Profit before tax	505	429	
Taxation	<u>(141)</u>	<u>(127)</u>	
Profit after tax	<u>364</u>	<u>302</u>	
EPS	188.5p	156.0p	

# Income Statement

next

£m

2010

2009

Revenue

3,406

3,272

+4%

Operating profit

530

478

+11%

## One Offs

### Increase to profit

Extra (53<sup>rd</sup>) week      £7m

NSL provision      £2m

**Total      £9m**

### Decrease to profit

London Olympics      £5m

Int'l goodwill      £2m

Int'l impairment      £3m

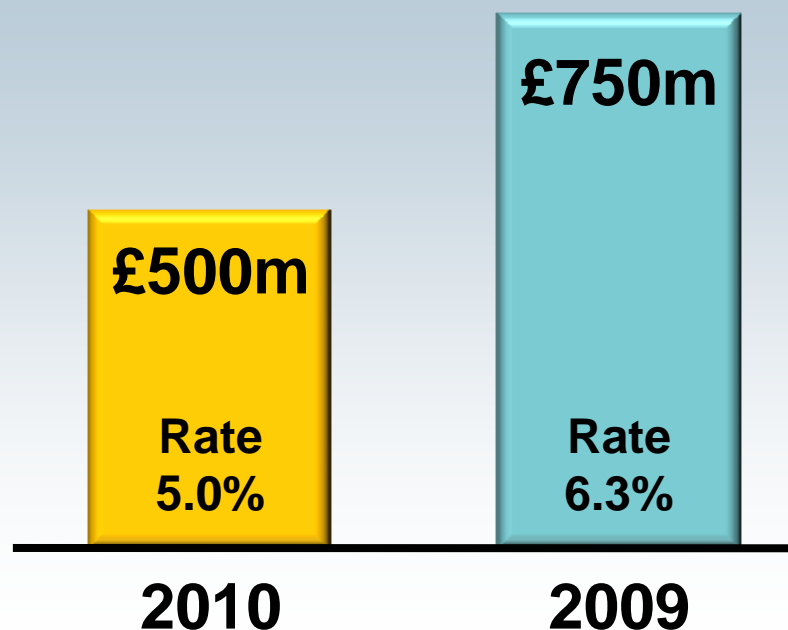
**Total      £10m**

# Income Statement

next

£m	2010	2009
Revenue	<u>3,406</u>	<u>3,272</u>
Operating profit	530	478
Interest	(25)	(49)

## Average Debt Balance



# Income Statement

next

£m	2010	2009	
Revenue	<u>3,406</u>	<u>3,272</u>	+4%
Operating profit	530	478	+11%
Interest	<u>(25)</u>	<u>(49)</u>	
Profit before tax	505	429	+18%
Taxation	<u>(141)</u>	<u>(127)</u>	
	28.0%	29.5%	
Profit after tax	<u>364</u>	<u>302</u>	
EPS	188.5p	156.0p	+21%



# Income Statement

The Times, 20<sup>th</sup> April 2009

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## Opinion

# Two facts to turn you into an optimist

It will be a difficult year but the gloomsters are wrong: the worst of the recession is probably over

Simon Wolfson



**M**oderation in print is harder than it looks. So an article suggesting that things are not as bad as the gloomsters would have us believe, without saying the recession is over, is a real challenge. But that is my view. The recession will still take a while to end but the worst is probably over. At the beginning of this year Next plc forecast that its like-for-like sales would be down for the rest of the year — and we still believe that will be the case.

people are claiming benefits — and this is a headache for Government — the larger labour market means that the impact on national earnings will not be as extreme as expected.

In effect new entrants to the labour market will replace some of the spending lost from the unemployed. This will be of little comfort to those who lose their jobs; but it will be important to the general health of our economy and soften the blow of rising joblessness.

Alongside more encouraging employment statistics it appears that the problem of bad debts is not quite the catastrophe the markets were expecting. A key indicator of this is that defaults on mortgages are nothing like as high as the depressed prices of mortgage-backed securities would suggest.

Mortgage-backed securities are large pools of mortgages lumped together by banks and sold on to

that's more than one in five. That is simply not happening: repossession rates are still well below 1 per cent.

Unlike the recession of the early 1990s interest rates have fallen, making defaults even less likely. Yet AAA mortgage-backed securities are trading at 93p in the pound: this price implies a default rate of more than 40 per cent.

The conclusion must be that mortgage-backed securities are now trading at way below reasonable value. In time, the smart money will take advantage of this and banks will see the market value of their assets

**Bad debt is not quite the catastrophe the markets had been expecting**

increase. This will free up the banks to lend more money and, slowly but surely, the banking sector will come

public finances and here the outlook is not at all good. With revenue falling and expenditure set to rise to nearly 45 per cent of GDP our national debt will increase to more than a trillion pounds. This could undermine any recovery and burden the country with years of stagnation as we try to pay off the debt. The risk is that increased taxation will sap the economy's lifeblood. Furthermore the state of government finances may continue to weaken the pound, stoking inflation as imports become more expensive.

There are three key messages for the Chancellor in the run up to the Budget. First, the measures taken to stabilise the banking sector are slowly beginning to bear fruit — things are not as bad as some had foretold. Second, don't splurge money on a wasteful stimulus package. The £15 billion VAT giveaway was helpful in containing

Rate  
5.0%

2010

Rate  
6.3%

2009

+21%

# Balance Sheet

next

£m	2010	2009
<b>Fixed assets</b>	<b>582</b>	617
<b>Goodwill</b>	<b>47</b>	55
<b>Stocks</b>	<b>309</b>	319
<b>Debtors</b>	<b>617</b>	623
<b>Creditors</b>	<b>(886)</b>	(842)
<b>Derivatives</b>	<b>4</b>	66
<b>Pension fund deficit</b>	<b>(50)</b>	(69)
<b>Buyback commitments</b>	<b>(90)</b>	-
<b>Net debt</b>	<b>(400)</b>	(629)
<b>Net assets</b>	<b>133</b>	140

- 3%

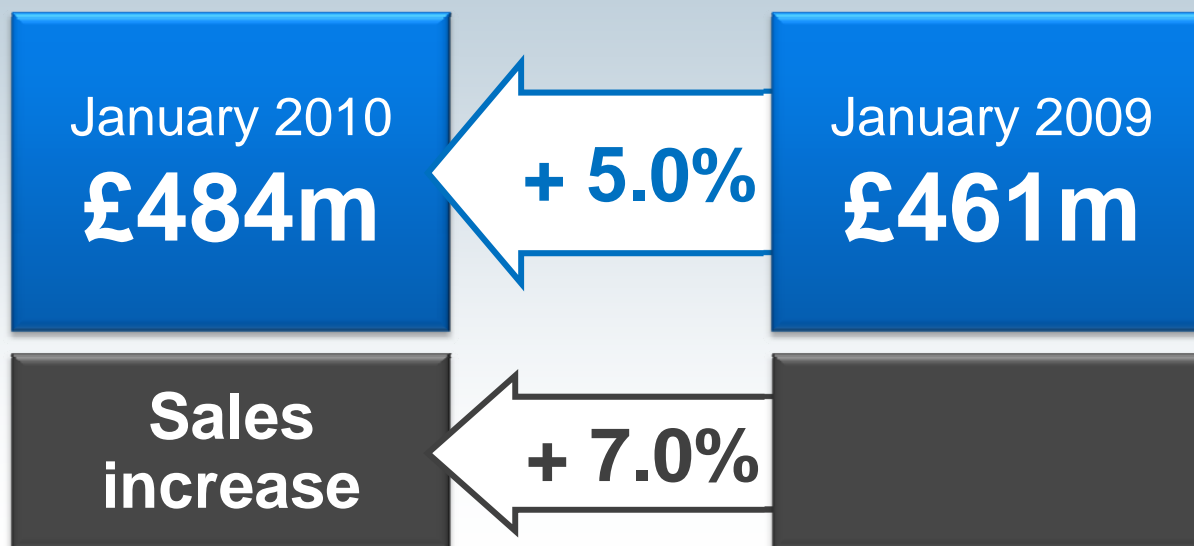
- 1%

# Balance Sheet

next

£m	2010	2009	
Fixed assets	582	617	
Goodwill	47	55	
Stocks	309	319	
Debtors	617	623	- 1%

## Directory Debtors





# Balance Sheet

next

£m	2010	2009
Fixed assets	582	617
Goodwill	47	55
Stocks	309	319
Debtors	617	623
Creditors	(886)	(842)
Derivatives	4	66
Pension fund deficit	(50)	(69)
Buyback commitments	(90)	-
Net debt	(400)	(629)
Net assets	133	140

+ 5%

# Cash Flow

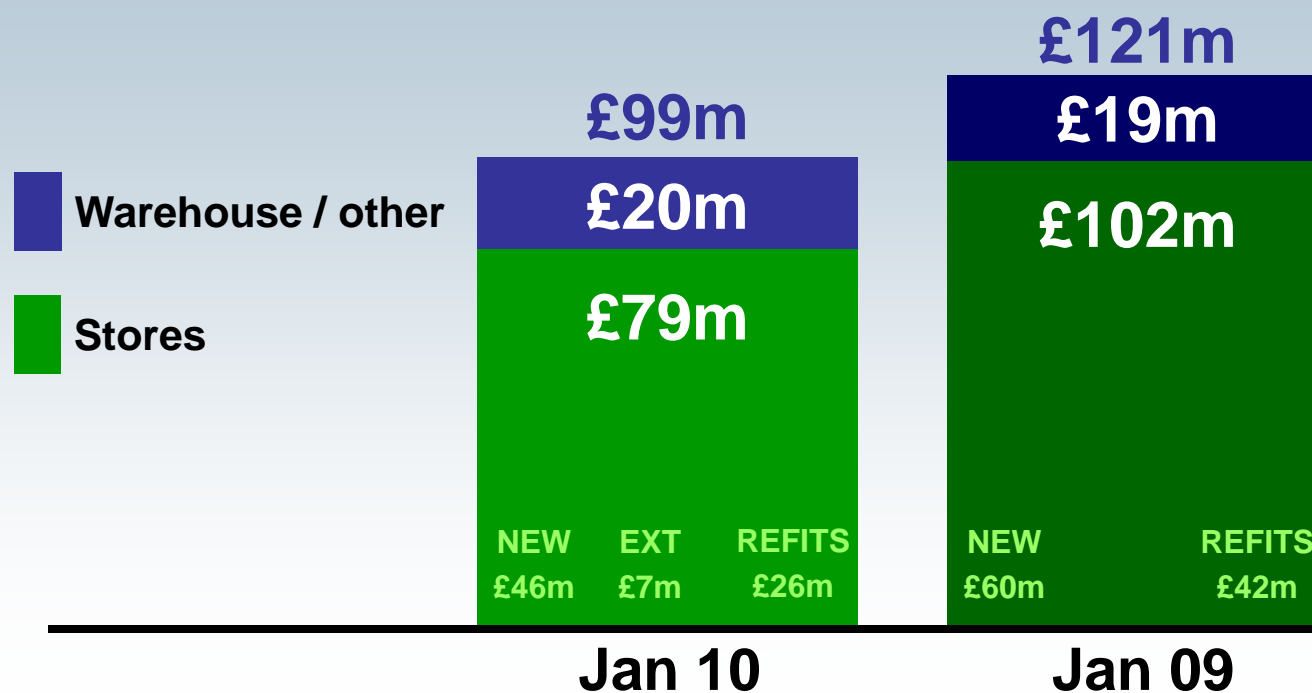
next

£m	2010	2009
Profit before tax	505	429
Depreciation / impairment	136	123
Capital expenditure	(99)	(121)
Acquisitions	-	(14)
Working capital / other	13	(18)
Dividends paid	(109)	(107)
Tax paid	(115)	(126)
Share buybacks	(102)	(55)
Net cash flow	229	111

# Cash Flow

next

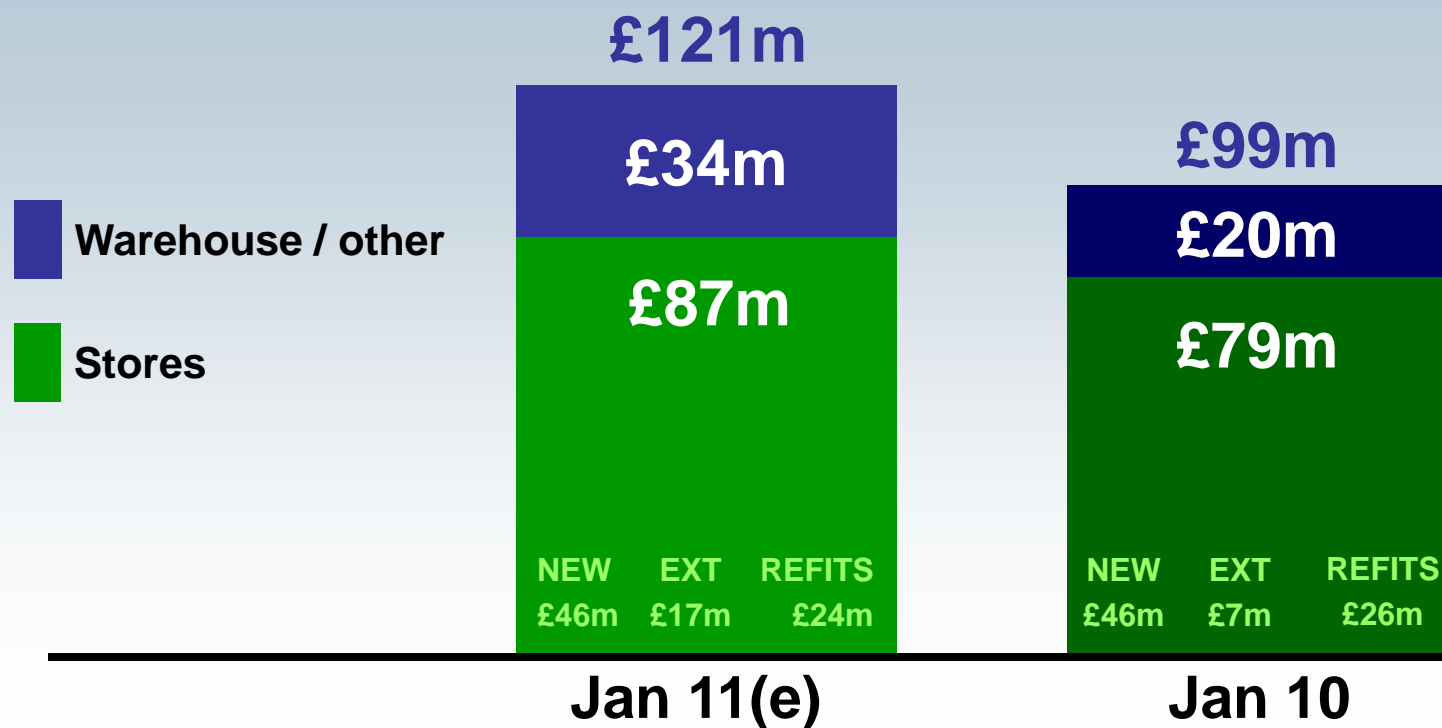
£m	2010	2009
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Depreciation / impairment	136	123
<b>Capital expenditure</b>	<b>(99)</b>	<b>(121)</b>



# Cash Flow

next

£m	2010	2009
Profit before tax	505	429
Depreciation / impairment	136	123
Capital expenditure	(99)	(121)



# Cash Flow

next

£m	2010	2009
Profit before tax	505	429
Depreciation / disposals	136	123
Capital expenditure	(99)	(121)
Acquisitions	-	(14)
Working capital / other	13	(18)
Dividends paid	(109)	(107)
Tax paid	(115)	(126)
Share buybacks	(102)	(55)
Net cash flow	<u>229</u>	<u>111</u>
Operational cash flow	331	166

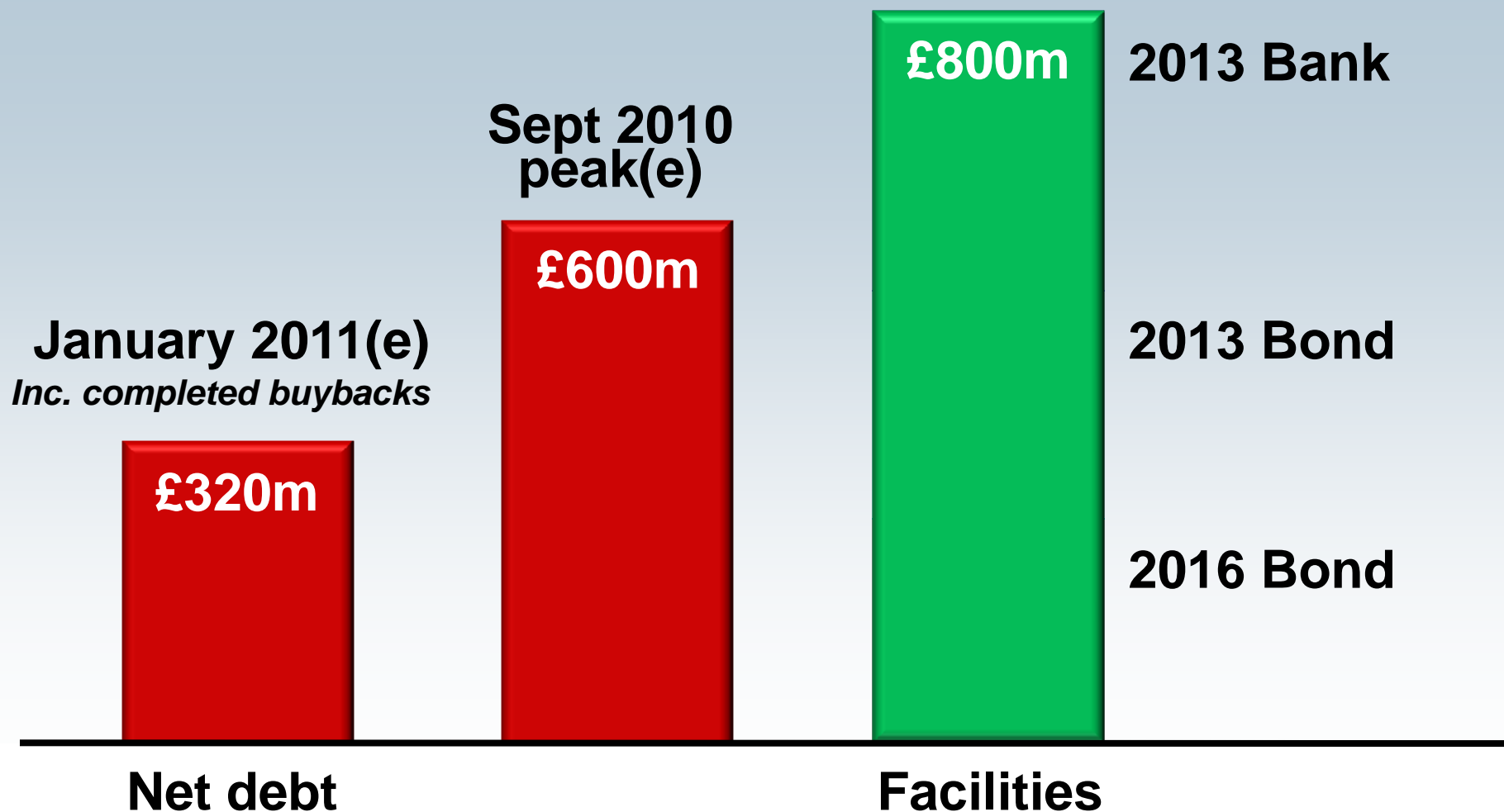
# Cash Flow

next

£m	2010	2011(e)
Profit before tax	505	
Depreciation / disposals	136	
Capital expenditure	(99)	(121)
Acquisitions	-	
Working capital / other	13	(70)
Dividends paid	(109)	(132)
Tax paid	(115)	(150)
Share buybacks	(102)	
Net cash flow	<u>229</u>	



## Net debt 2010



# Cash Generation and Buybacks

next

Shares purchased since 4<sup>th</sup> Jan 2010

Cash used £190m

Earnings  
enhancement

**5.0%**

Dividend  
saving(e)

**£6.8m**

# Dividends

next

Jan 2011(e)

At least  
10%  
increase

Jan 2010

66p

COVER  
2.8x

Jan 2009

55p

COVER  
2.8x

Retail average

2.4x

FTSE 100 average

1.8x

# next

# RETAIL

YEAR END STATEMENT  
JANUARY 2010





£m	2010	2009	
Revenue	2,274	2,198	+ 3.5%
Operating profit	324	289	+ 12.2%
% to revenue	14.2%	13.1%	



# Retail

next



£m	2010	2009	52 v 52
Revenue	2,274	2,198	+ 2.0%
Operating profit	324	289	+ 12.2%
% to revenue	14.2%	13.1%	



# Retail : Sales Analysis

next



£m	2010	2009	52 v 52
Revenue	2,274	2,198	+ 2.0%
Operating profit	324	289	+ 12.2%
% to revenue	14.2%	13.1%	

## Sales Analysis

Inc. Directory

52 week full price LFL	+ 0.5%
Net sales from new space	+ 3.2%
52 week full price sales	+ 3.7%
Impact of extra week	+ 1.5%
Markdowns	- 1.7%
Total Sales	+ 3.5%

+ 1.7%

# Retail : Profit Analysis

next



£m	2010	2009	
Revenue	2,274	2,198	+ 3.5%
Operating profit	324	289	+ 12.2%
% to revenue	14.2%	13.1%	

## Margin Movement

FX impact	- 5.0%
Better sourcing	+ 3.7%
VAT reduction	+ 0.5%
Lower freight	+ 0.4%
Bought in gross margin	- 0.4%

# Retail : Profit Analysis

next



## Margin Movement

Bought in gross margin	- 0.4%
Markdowns	+ 1.4%
Achieved gross margin	+ 1.0%

# Retail : Profit Analysis

next



£m	2010	2009	
Revenue	2,274	2,198	+ 3.5%
Operating profit	324	289	+ 12.2%
% to revenue	14.2%	13.1%	

## Margin Movement

Achieved gross margin	+ 1.0%
Rent	0.0%
Rates	- 0.1%
Depreciation	- 0.1%
Utilities & other	+ 0.5%
Occupancy	+ 0.3%

# Retail : Profit Analysis

next



£m	2010	2009	
Revenue	2,274	2,198	+ 3.5%
Operating profit	324	289	+ 12.2%
% to revenue	14.2%	13.1%	

## Margin Movement

Achieved gross margin	+ 1.0%
Occupancy	+ 0.3%
Branch payroll	0.0%
Warehouse & distribution	+ 0.5%
Overheads / other	- 0.7%

# Retail : Space Expansion

next



	Stores	Sq Ft (k)
January 2009	510	5,506

New Mainline	11	83
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New Home	9	104
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Re-sites (11)	0	89
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Extensions (10)	0	26
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Closed	(13)	(45)
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January 2010	517	5,763	+ 4.7%
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New Store Performance	Mainline	Home	Total
Performance vs target	+ 15%	+ 43%	+ 20%
Payback (months)	12	14	13
Net branch contribution	21%	19%	21%



# Retail : Space Expansion

next



	Stores	Sq Ft (k)	
New Mainline	8	70	
New Home	12	150	
Re-sites (11)	(1)	70	
Extensions (12)	0	50	
January 2011(e)	536	6,103	+ 5.9%
January 2010	517	5,763	

# next


## DIRECTORY

YEAR END STATEMENT  
JANUARY 2010



# Directory : Sales Analysis

next



£m	2010	2009	
Revenue	873	816	+ 7.0%
Operating profit	184	158	+ 16.4%
% to revenue	21.0%	19.3%	

## Sales Drivers

2010

2009

Active customers

2.28m

2.20m

+ 3.6%

Printed pages

3,968


3,960

+ 0.2%



# Directory : Sales Analysis

next




£m	2010	2009	52 v 52
Revenue	873	816	+ 5.0%
Operating profit	184	158	+ 16.4%
% to revenue	21.0%	19.3%	

## Sales Drivers

	2010	2009	
Active customers	2.28m	2.20m	+ 3.6%
Printed pages	3,968	3,960	+ 0.2%

# Directory : Profit Analysis

next




£m	2010	2009	
Revenue	873	816	+ 7.0%
Operating profit	184	158	+ 16.4%
% to revenue	21.0%	19.3%	

## Margin Movement

Bought in gross margin	- 0.4%
Markdowns	+ 0.9%
Achieved gross margin	+ 0.5%

# Directory : Profit Analysis

next



£m	2010	2009	
Revenue	873	816	+ 7.0%
Operating profit	184	158	+ 16.4%
% to revenue	21.0%	19.3%	

## Margin Movement

Achieved gross margin	+ 0.5%
Bad debt reduction	+ 0.7%
Service charge	- 0.3%
Book creation / marketing	+ 0.7%
Warehouse & distribution	+ 1.0%
Other	- 0.9%



1. Direct trading in 36 countries

2. Delivery operations robust



\$5



€5

3. Advantages over Retail

- Low start up costs
- Low fixed overheads
- Central stock location
- Scalability

Turnover  
2009/10

£2.5m

Turnover(e)  
2010/11

£7.0m



£m	2010	2009	
Revenue	64.2	68.6	- 6.4%
Operating profit	1.2	9.0	- 87.4%
% to revenue	1.8%	13.2%	

Profit	Trading profit	One offs	Operating profit 2010
International	6.1	-4.9	1.2

- Franchise partners LFL sales - 7%
- Central Europe LFL sales - 14%
- Poor start for Scandinavian stores



£m	2010	2009	
Revenue	64.2	68.6	- 6.4%
Operating profit	1.2	9.0	- 87.4%
% to revenue	1.8%	13.2%	

Profit	Trading profit	One offs	Operating profit 2010
International	6.1	- 4.9	1.2
NextDirect.com*	0.8	- 1.3	- 0.5
Total	<u>6.9</u>	<u>- 6.2</u>	<u>0.7</u>

\* Within Directory



£m	2010	2009	
Revenue	64.2	68.6	- 6.4%
Operating profit	1.2	9.0	- 87.4%
% to revenue	1.8%	13.2%	

Profit	Operating profit 2010	Operating profit 2011(e)
International	1.2	6.0
NextDirect.com*	- 0.5	1.4
Total	<u>0.7</u>	<u>7.4</u>

\* Within Directory



£m	2010	2009	USD
Intra-group sales	534.0	600.7	- 23.4%
Operating profit	35.7	32.0	+ 11.5%

- Increased competition
- Lower commission income
- Includes £2m profit share release
- 2010/11(e) profits circa £30m



£m	2010	2009	
Revenue	145.6	161.9	- 10.1%
Operating profit	6.0	5.1	+ 19.1%
% to revenue	4.1%	3.1%	

- Profits up and ahead of expectations
- Contracts renewed and new business won
- Expect some sales and profit growth in 2010/11



£m	2010	2009
<b>Lipsy</b>	<b>0.1</b>	(1.4)
<b>Property</b>	<b>0.3</b>	0.8
<b>Associates</b>	<b>0.9</b>	0.9
<b>Group / other</b>	<b><u>(22.0)</u></b>	<b><u>(14.5)</u></b>
<b>Total</b>	<b><u>(20.7)</u></b>	<b><u>(14.2)</u></b>



£m	2010	2009
		Part year
<b>Sales</b>	<b>27.8</b>	8.3
<b>Profit</b>	<b>0.1</b>	(1.4)

- Profit includes £400k of integration costs





£m	2010	2009 Part year
Sales	27.8	8.3
Profit	0.1	(1.4)

- Profit includes £400k of integration costs
- 13 stores open



£m	2010	2009 Part year
Sales	27.8	8.3
Profit	0.1	(1.4)

## New Store Performance


- Performance v target + 6%
- Payback (months) 21
- Net branch contribution 15%





£m	2010	2009 Part year
Sales	27.8	8.3
Profit	0.1	(1.4)

- 11 stores planned for 2010/11
- 2010/11(e) profits circa £2m



£m	2010	2009
Lipsy	0.1	(1.4)
Property	0.3	0.8
Associates	0.9	0.9
<b>Group / other</b>	<b>(22.0)</b>	<b>(14.5)</b>
<b>Total</b>	<b><u>(20.7)</u></b>	<b><u>(14.2)</u></b>





next

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OUTLOOK

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YEAR END STATEMENT  
JANUARY 2010

# Better Than Expected...

next

Jan'08

29.4m

Jan'10

2.5m

NO. OF EMPLOYED  
DOWN 500K

+51%

-1.8%

NO. OF UNEMPLOYED  
UP 900K

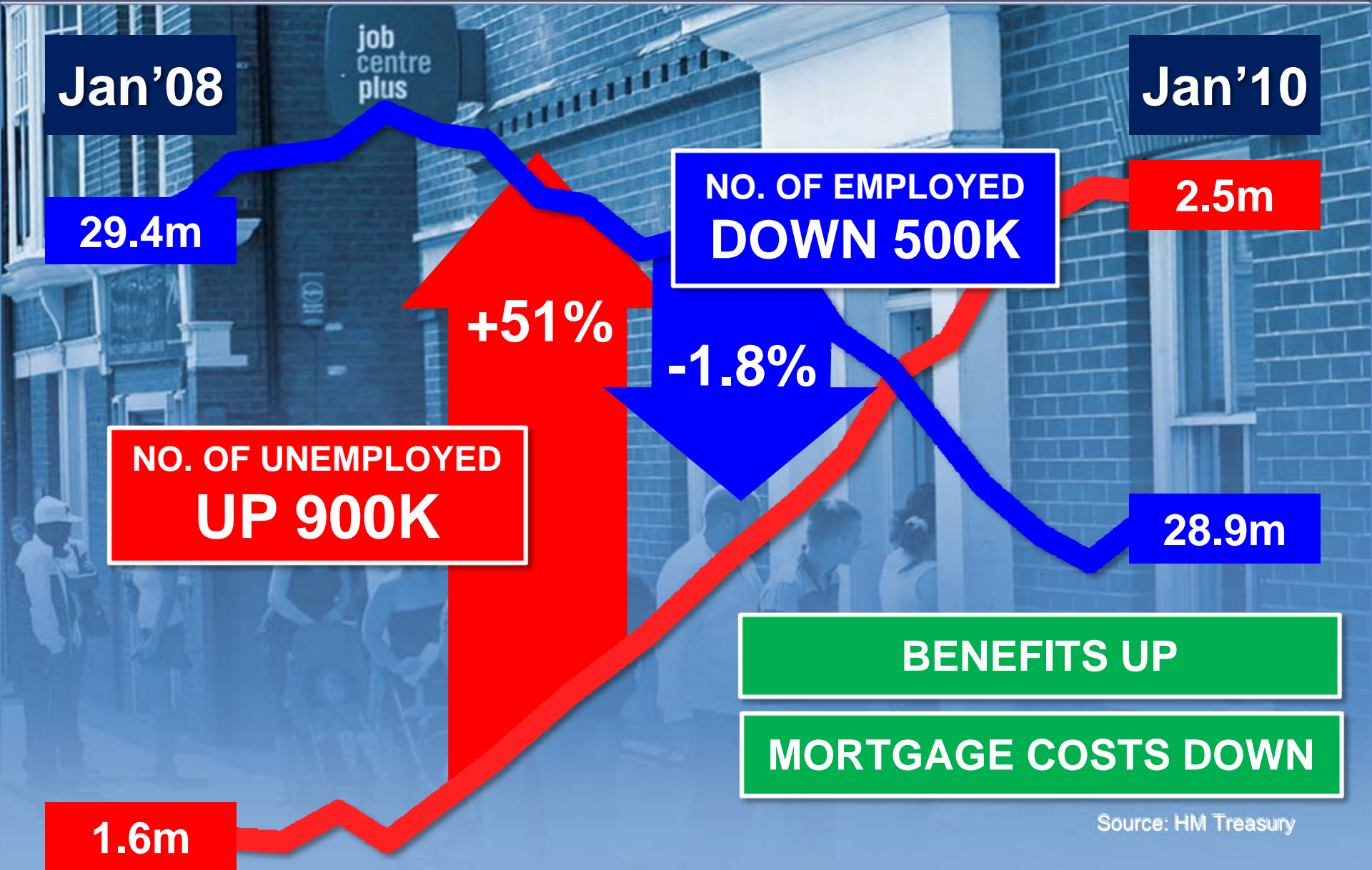
28.9m

BENEFITS UP

MORTGAGE COSTS DOWN

1.6m

Source: HM Treasury





# BUT... Interest Rates Annualise

next

Average Mortgage Interest Rate

8%

6%

4%

2%

0%

JAN

MAR

MAY

JUL

SEP

NOV

JAN

MAR

MAY

JUL

SEP

NOV

JAN

2008

2009

10

Source: Bank of England



# THE CHALLENGE... Gov't Debt

next



Tax  
increases?

Spending  
cuts?

Job  
losses?

# Quarterly Retail Full Price LFLs\*

next

Tougher comparisons going forward



\* Excluding VAT

# Next Sales Outlook for 1<sup>st</sup> Half

next

**LFL Retail (VAT inc)\***

**- 1.5% to + 1.5%**

**Total Retail (VAT inc)**

**+ 1.5% to + 4.5%**

**Directory (VAT inc)**

**+ 2.0% to + 5.0%**

\* Like for like sales excluding Direct sales



# Next Sales Outlook for 1<sup>st</sup> Half

next

**LFL Retail (VAT ex)\***

**- 2.5% to + 0.5%**

**Total Retail (VAT ex)**

**+0.5% to + 3.5%**

**Directory (VAT ex)**

**+ 1.0% to + 4.0%**

\* Like for like sales excluding Direct sales

# Annual Sales and Profit Scenario

(NOT forecast!)

next

*IF.....*

Annual LFL Retail (VAT ex)

- 2%

Annual Total Retail (VAT ex)

Flat (52 vs 53)

Annual Directory (VAT ex)

Flat (52 vs 53)

*THEN... Group profit*

+7%

# next

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YEAR END STATEMENT  
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**Better design**

**Growth opportunities**

**Good cost control**

**Strong cash generation**

- New product development
- Profitable new space
- Increase UK Directory sales
- NextDirect.com
- 5% EPS growth (buybacks)
- 10%+ dividend increase





# next

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YEAR END STATEMENT  
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In summary

**Continued  
progress  
expected in  
an uncertain  
environment**

