
next
January 2011

Income Statement

next

£m	2011	2010	
Revenue	**3,454**	3,406	**+ 1.4%**
Operating profit	**575**	530	**+ 8.5%**
Interest	(24)	(25)	
Profit before tax	**551**	505	**+ 9%**
Taxation	(150)	(141)	
Profit after tax	**401**	364	
EPS	**221.9p**	188.5p	**+ 18%**
Dividend per share	**78p**	66p	**+ 18%**

Balance Sheet

next

£m	2011	2010	
Fixed assets	599	582	
Goodwill	47	47	
Stocks	368	309	+ 19%
Debtors	645	617	
Creditors	(904)	(863)	
Pension surplus / (deficit)	56	(50)	
Buyback commitments	(49)	(109)	
Net debt	(530)	(400)	
Net assets	232	133	

Balance Sheet

next

£m	2011	2010	
Fixed assets	599	582	
Goodwill	47	47	
Stocks	368	309	
Debtors	645	617	+ 5%

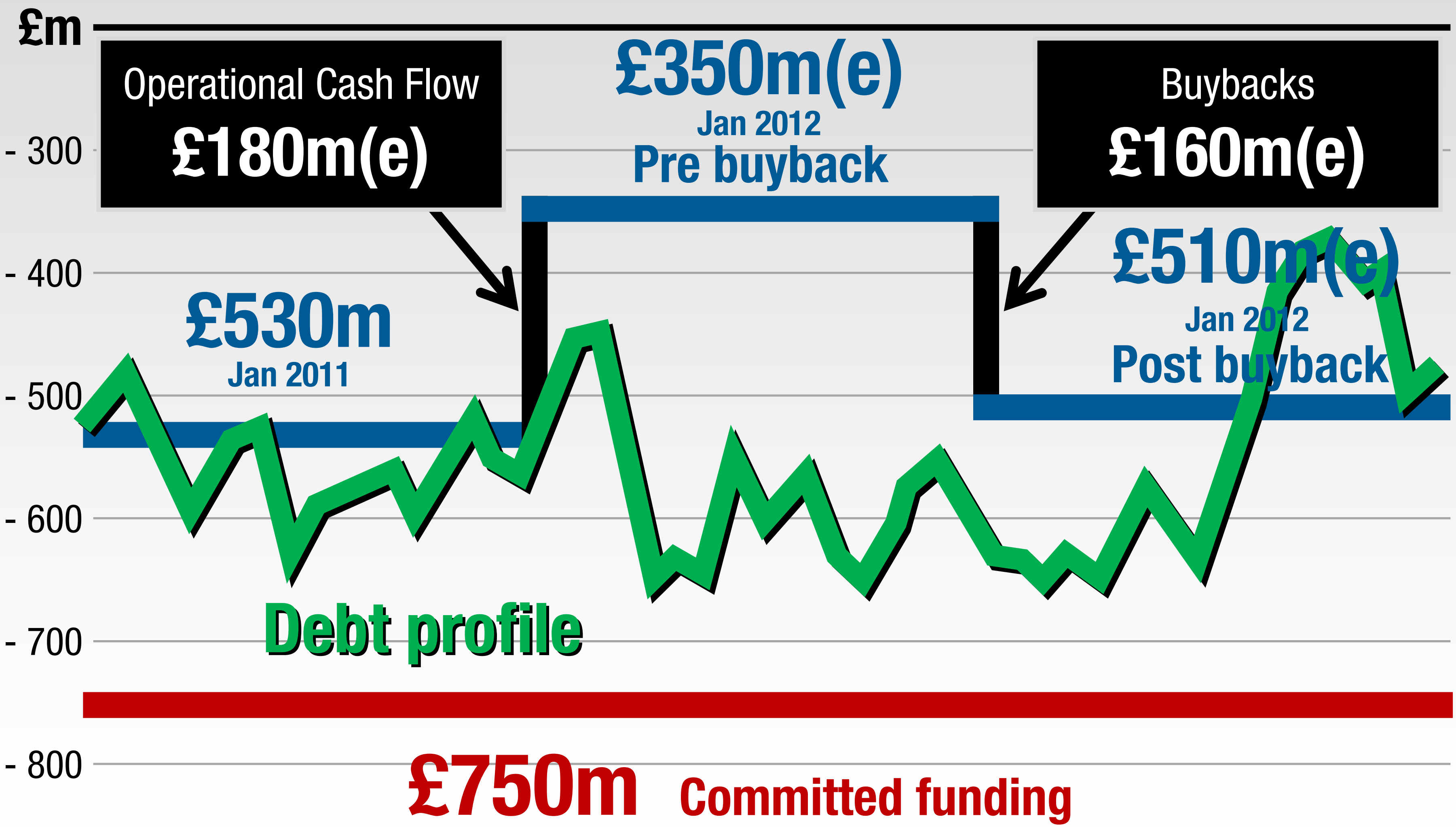
Directory Debtors

January 2011 £500m ← + 3.2% ← January 2010 £484m

Annual Sales Increase

January 2011 ← + 7.1% ← January 2010

Net Debt



£m
- 300
- 400
- 500
- 600
- 700
- 800
Operational Cash Flow
£180m(e)
£350m(e)
Jan 2012
Pre buyback
Buybacks
£160m(e)
£510m(e)
Jan 2012
Post buyback
£530m
Jan 2011
Debt profile
£750m
Committed funding

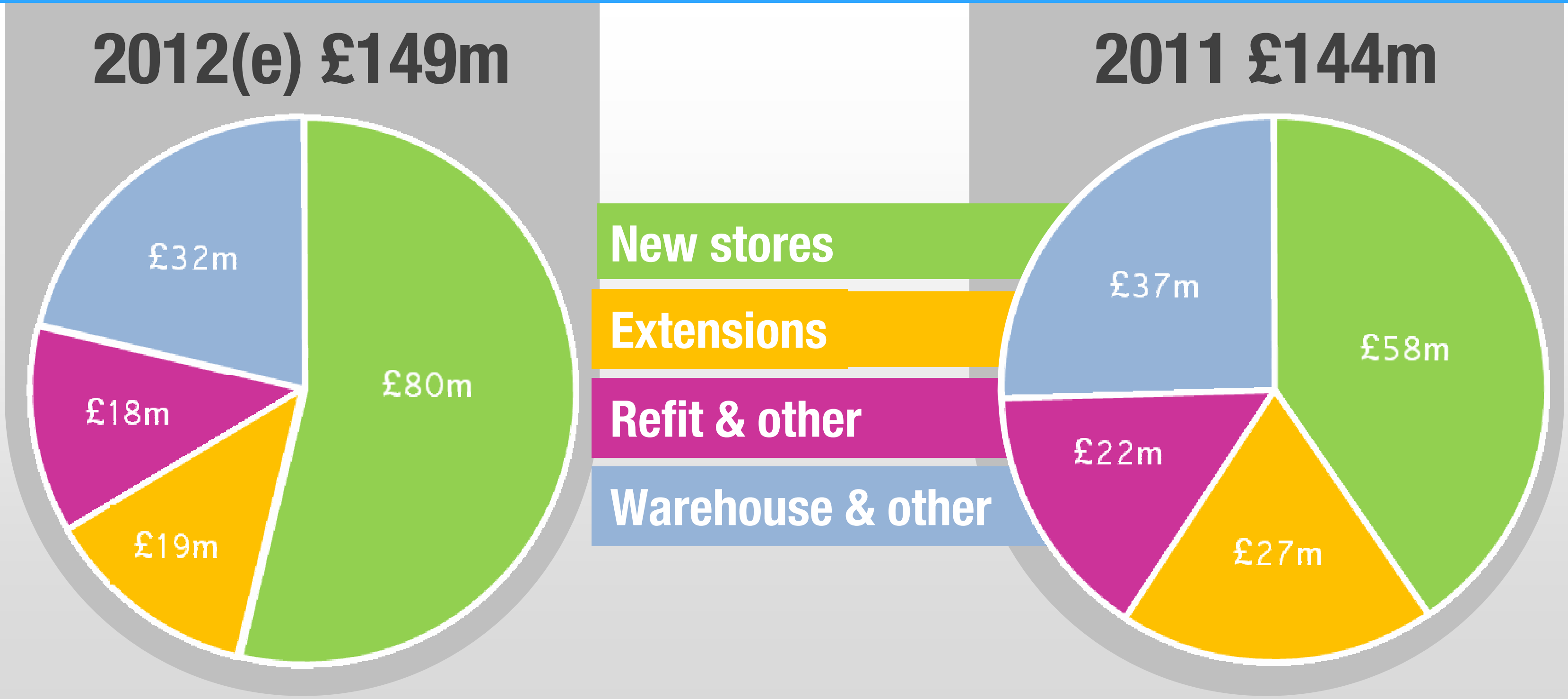
Cash Flow

next

£m	2011	2010
Profit before tax	551	505
Depreciation / impairment	130	136
Capital expenditure	(144)	(99)
Working capital	(45)	51
ESOT, Pension & NSL	(128)	(38)
Dividends paid	(130)	(109)
Tax paid	(142)	(115)
Share buybacks	(222)	(102)
Net cash flow	(130)	229

Cash Flow

£m	2011	2010
Profit before tax	**551**	505
Depreciation / impairment	**130**	136
Capital expenditure	**(144)**	(99)



Retail

Retail : Sales Analysis

next

£m	2011	2010	
Revenue (Stat Sales)	**2,222.1**	2,274.2	- 2.3%
Operating profit	**328.8**	324.0	+ 1.5%
% to revenue	14.8%	14.2%	

Sales analysis

Total sales	- 2.3%
Adjust for 53rd week	+ 1.3%
52 week comparison	- 1.0%

Retail : Profit Analysis

£m	2011	2010	
Revenue (Stat Sales)	**2,222.1**	2,274.2	- 2.3%
Operating profit	**328.8**	324.0	+ 1.5%
% to revenue	14.8%	14.2%	

Margin movement

Bought in gross margin	+ 1.0%
Markdowns and other	- 0.4%
Achieved gross margin	+ 0.6%

Retail : Profit Analysis

next

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Revenue (Stat Sales)	**2,222.1**	2,274.2	- 2.3%
Operating profit	**328.8**	324.0	+ 1.5%
% to revenue	14.8%	14.2%	

Margin movement

Achieved gross margin	+ 0.6%
Branch payroll	0.0%
Occupancy	- 0.6%
Central overheads	+ 0.6%

Retail : Space Expansion

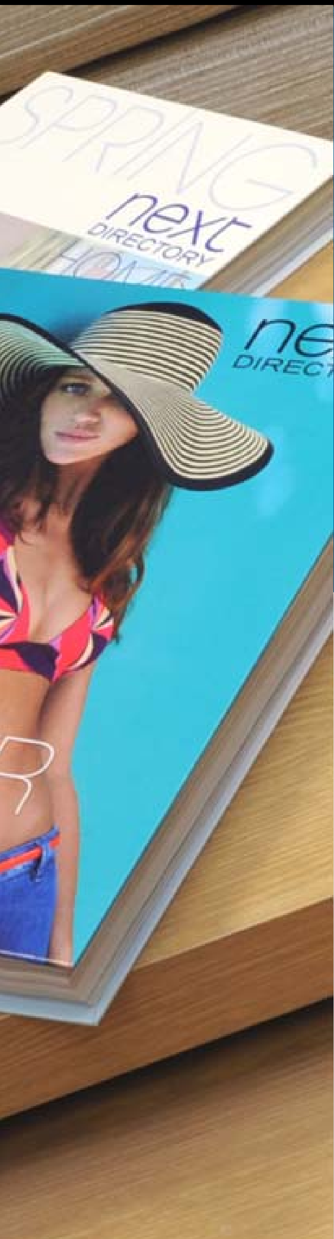
	Stores	Sq. Ft.	
Jan 2010	**517**	**5,763**	
New	**8**	**69**	
Closed	**(11)**	**(79)**	
Re-sites (9)	**-**	**106**	
Extensions (19)	**-**	**53**	
	(3)	**149**	
Home stand alone (1)	**11**	**161**	
Jan 2011	**525**	**6,073**	**+ 5.4%**

	Mainline	Home	Total
Sales vs target	+6%	+12%	**+8%**
Payback (months)	16	17	**17**
Store profit	19%	20%	**19%**

Directory


SPRING
next
DIRECTORY
HOME
SUMMER
next
DIRECTORY
SUMMER
2011
NEW SHAPES
next

Directory : Sales Analysis



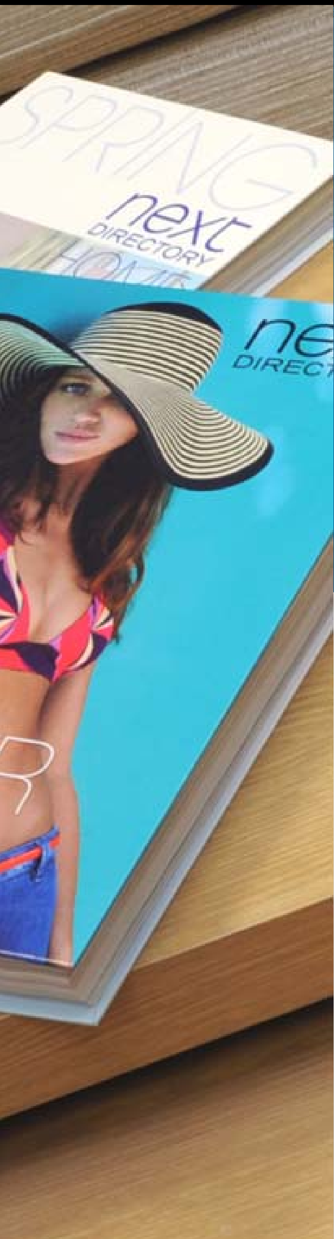
£m	2011	2010	
Revenue (Stat Sales)	935.5	873.2	+ 7.1%
Operating profit	221.9	183.6	+ 20.9%
% to revenue	23.7%	21.0%	

Sales analysis

Total sales	+ 7.1%
Adjust for 53rd week	+ 1.8%
52 week comparison	+ 8.9%

Directory : Sales Analysis

next



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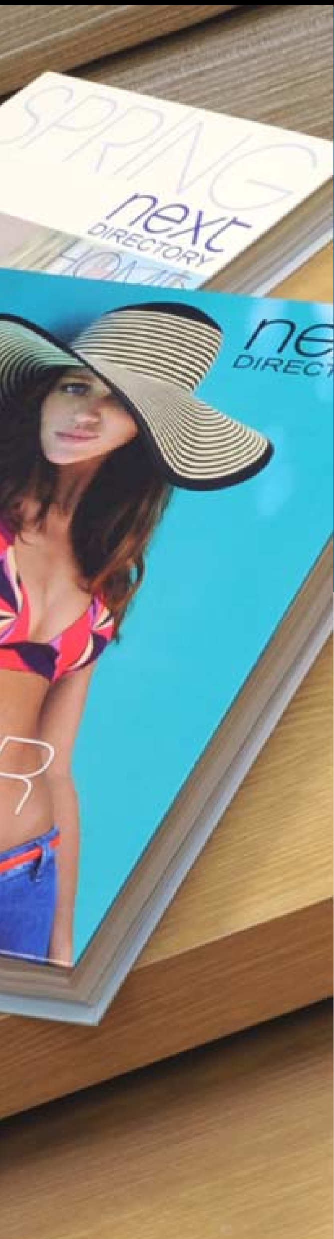
Revenue (Stat Sales)	935.5	873.2	+ 7.1%
Operating profit	221.9	183.6	+ 20.9%
% to revenue	23.7%	21.0%	

Sales drivers

Credit	2,464	2,284	+ 8%
Cash	267	148	+ 81%
Active customers (000's)	2,731	2,432	+ 12%
Printed pages	4,084	3,968	+ 3%

Directory : Profit Analysis



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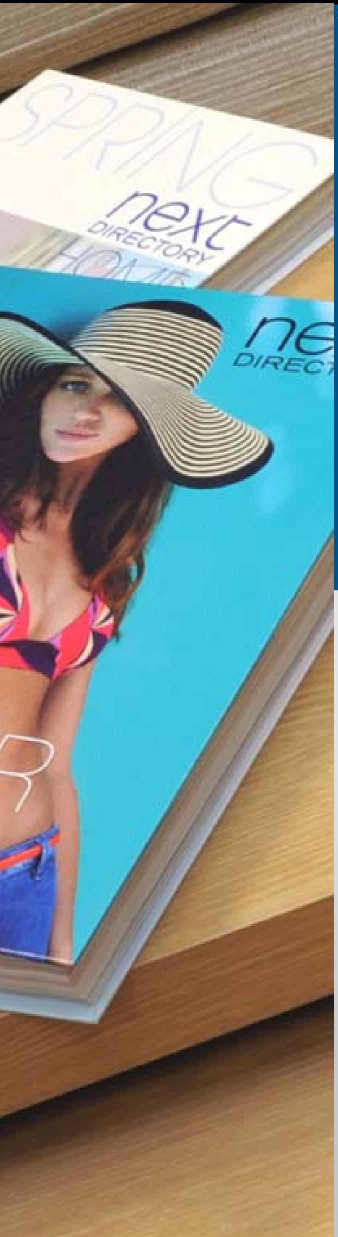
Margin movement

Bought in gross margin	+ 1.3%
Markdowns	+ 0.0%
Achieved gross margin	+ 1.3%

Directory : Profit Analysis



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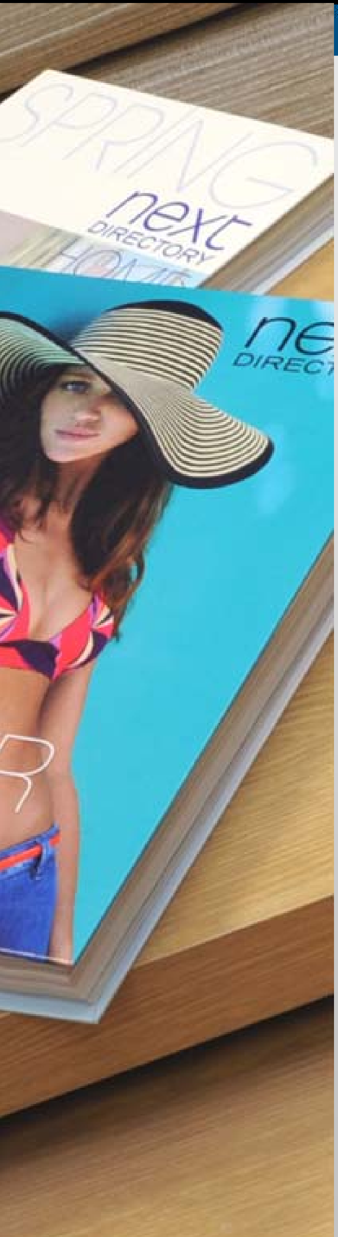
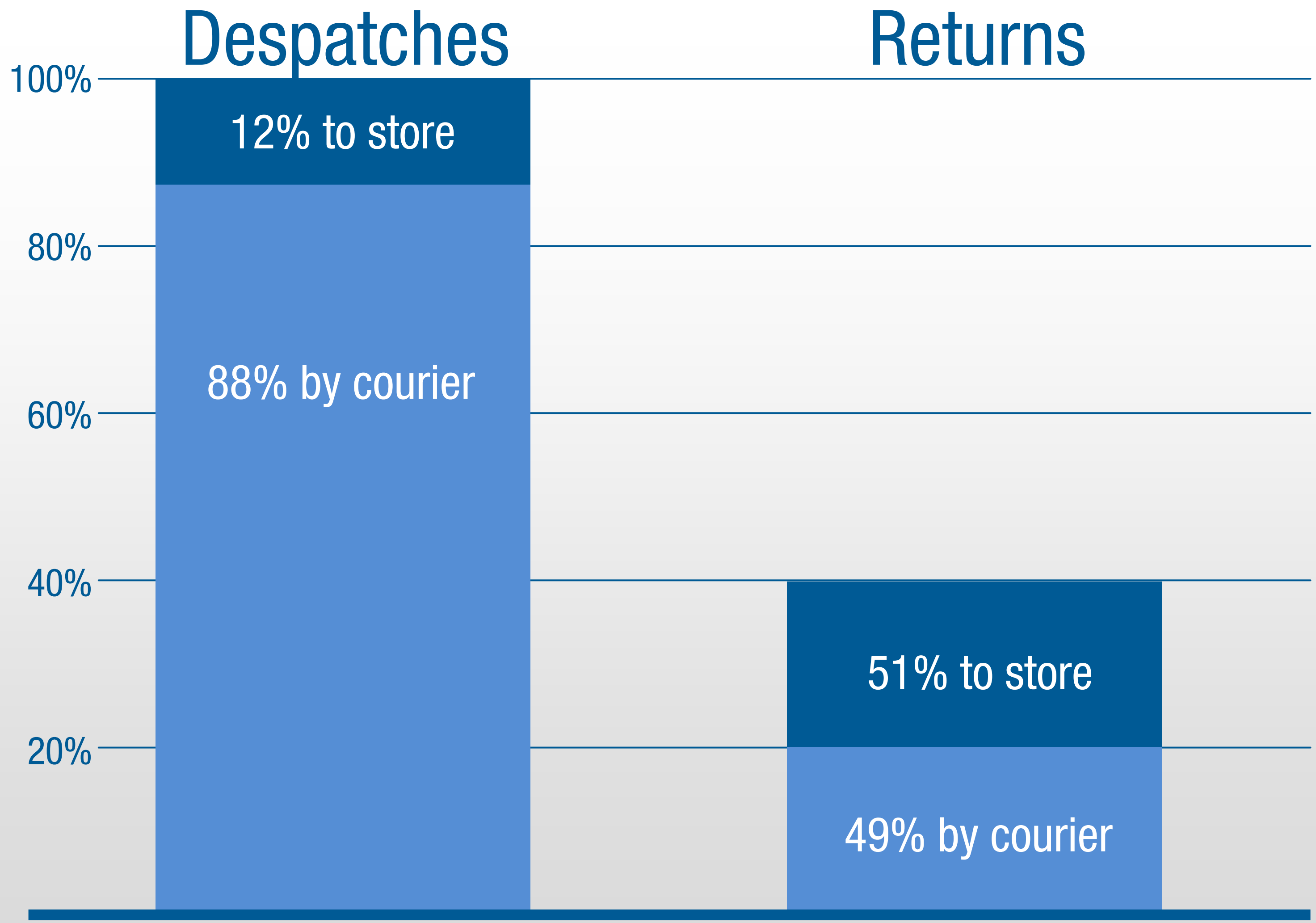
Operating profit	**221.9**	183.6	+ 20.9%
% to revenue	23.7%	21.0%	

Margin movement

Achieved gross margin	+ 1.3%
Bad debt reduction	+ 0.6%
Service charge	- 0.6%
Warehouse & distribution	+ 1.0%
Central overheads	+ 0.4%

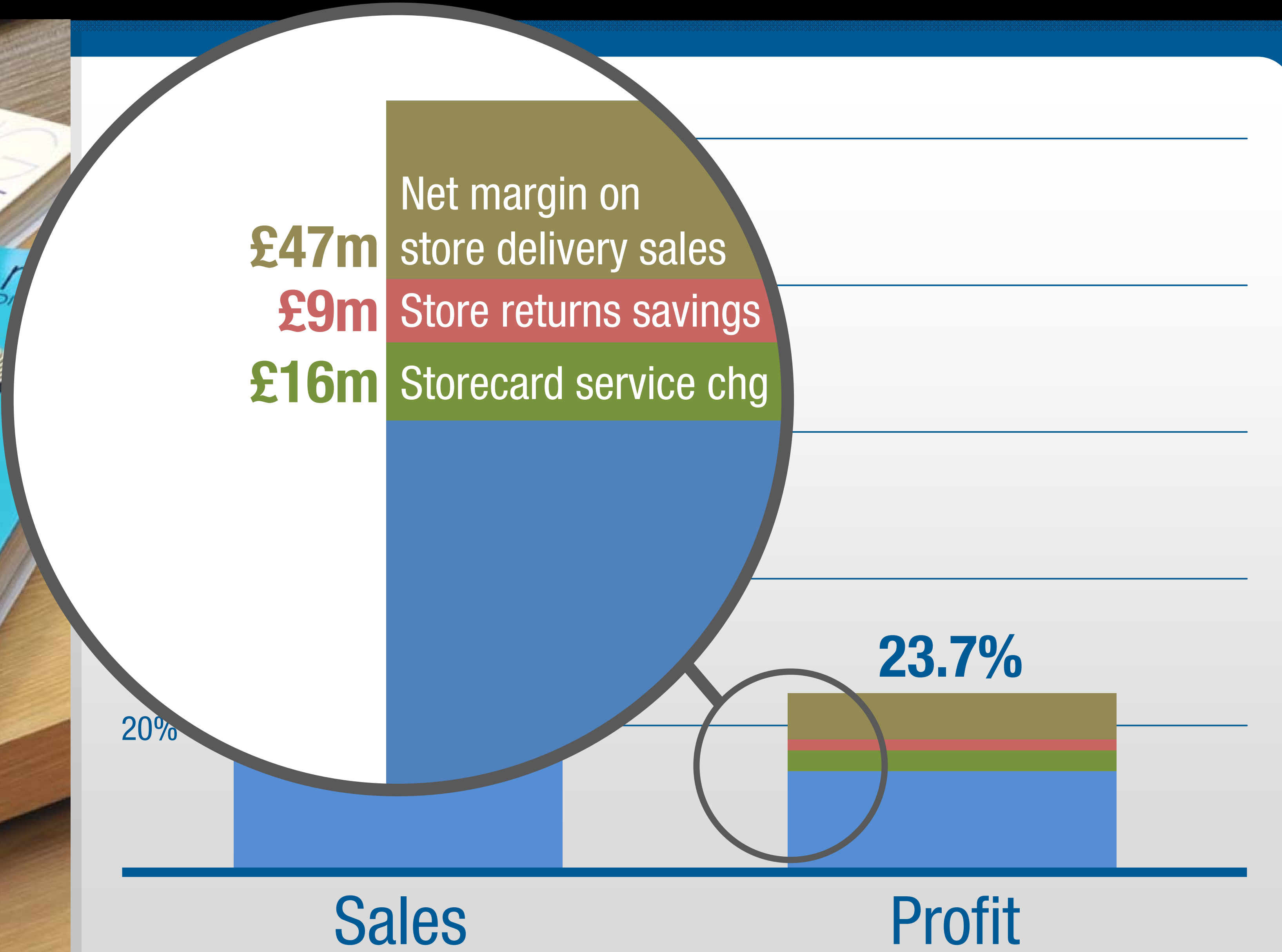
Directory : Sales and Profit Analysis





Directory : Sales and Profit Analysis

next



Retail Overseas

next

£m	2011	2010	
Franchise income	**49.9**	48.7	
Wholly owned	**17.4**	15.5	
Total revenue	**67.3**	64.2	+ 4.8%
Profit excl. write offs	**7.0**	6.1	+ 14.3%
Write offs	**(1.2)**	(4.9)	
Operating profit	**5.8**	1.2	

- Franchise LFLs - 4%
- Wholly owned LFLs - 1%
- Profit forecast 2011/12(e) £6m

Sourcing

£m	2011	2010	
Intra-group sales	**505.7**	529.9	- 4.6%
Operating profit	**26.7**	35.7	- 25.2%

- Extremely competitive sourcing environment
- Lower commission rates circa £6m
- Current year expectations circa £20m

Lipsy

£m	2012(e)	2011	2010	
Revenue	56.1	44.7	27.8	+ 61%
Trading profit	5.0	3.4	1.0	+ 250%
Amortisation	(0.9)	(0.9)	(0.9)	
Profit share	(2.1)	(1.5)	0.0	
Operating profit	2.0	1.0	0.1	

14 new stores

▪ Sales vs target	+ 14%
▪ Payback (months)	15
▪ Store profit	18%

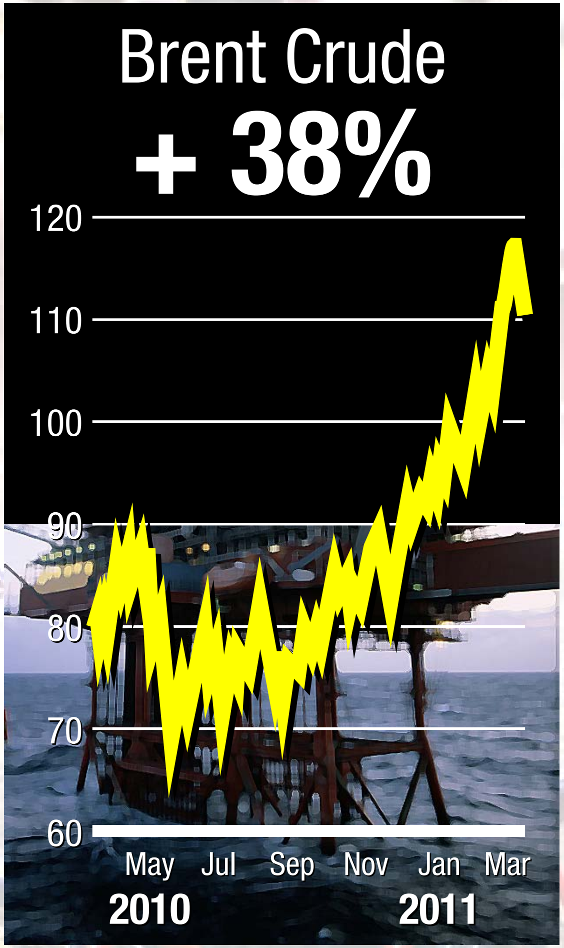
The Year ahead

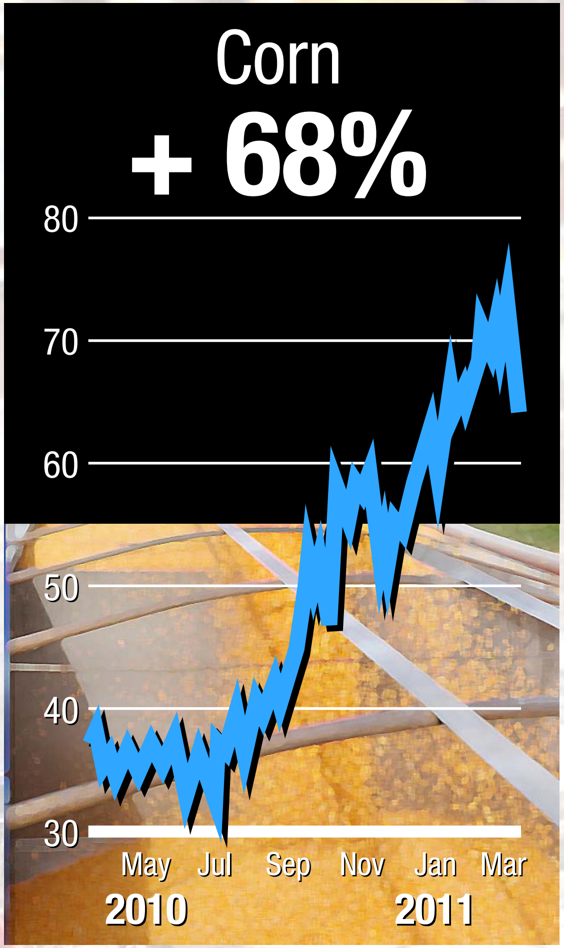
Economic Outlook for Consumers

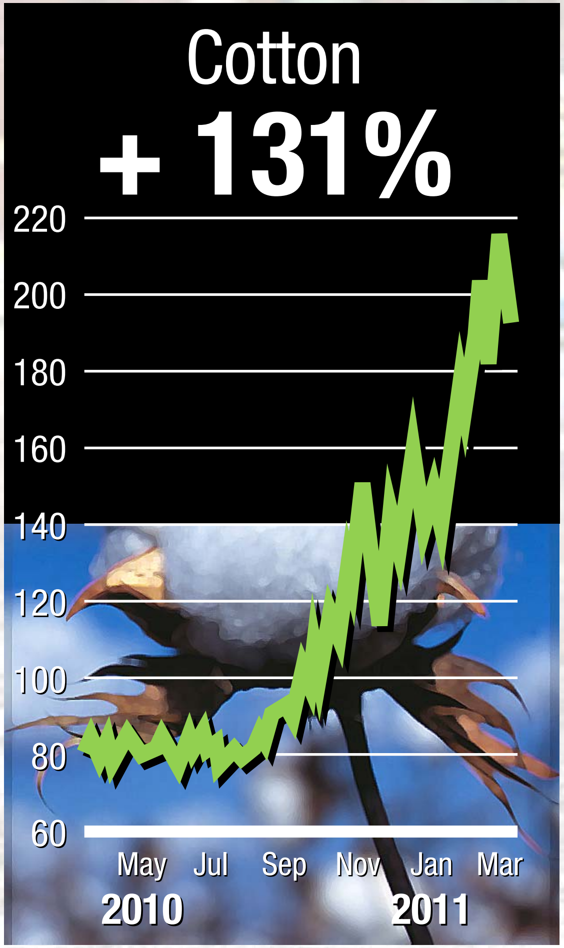
next

- Rising taxation
- Public sector job cuts
- Low credit growth
- General inflation

Economic Outlook for Consumers







General inflation

UK Household Inflation 2011

next

£	Jan 11 Inflation	UK Annual Consumption	Annualised Effect*
Transport	7.7%	125 Bn	10 Bn
Food & Drink	6.3%	115 Bn	7 Bn
Housing	2.1%	193 Bn	4 Bn
			21 Bn

* Assuming Jan 11 inflation rate for full year 2011

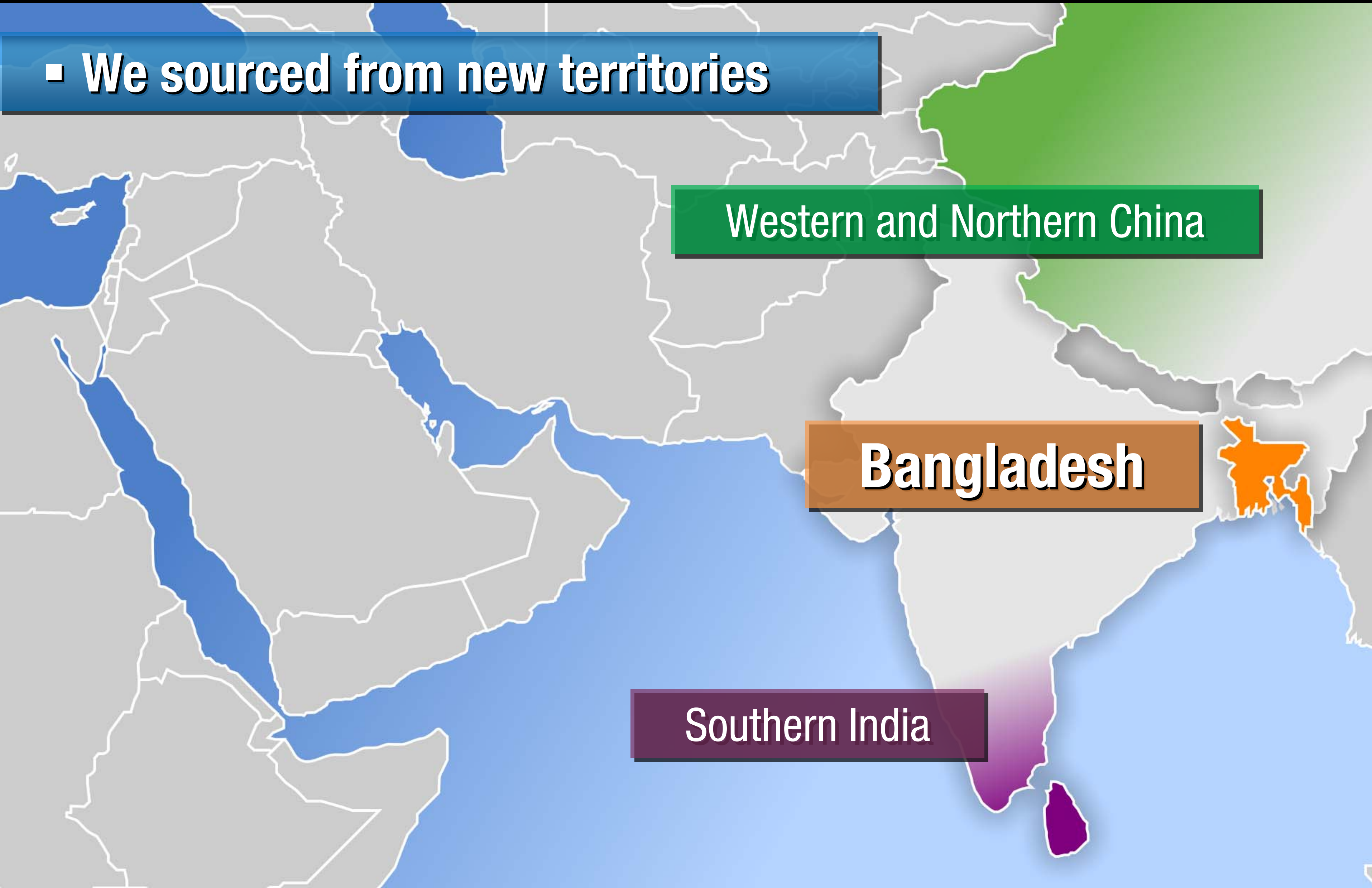
Source: Office of National Statistics

Next Price Inflation?

Action to Reduce Prices

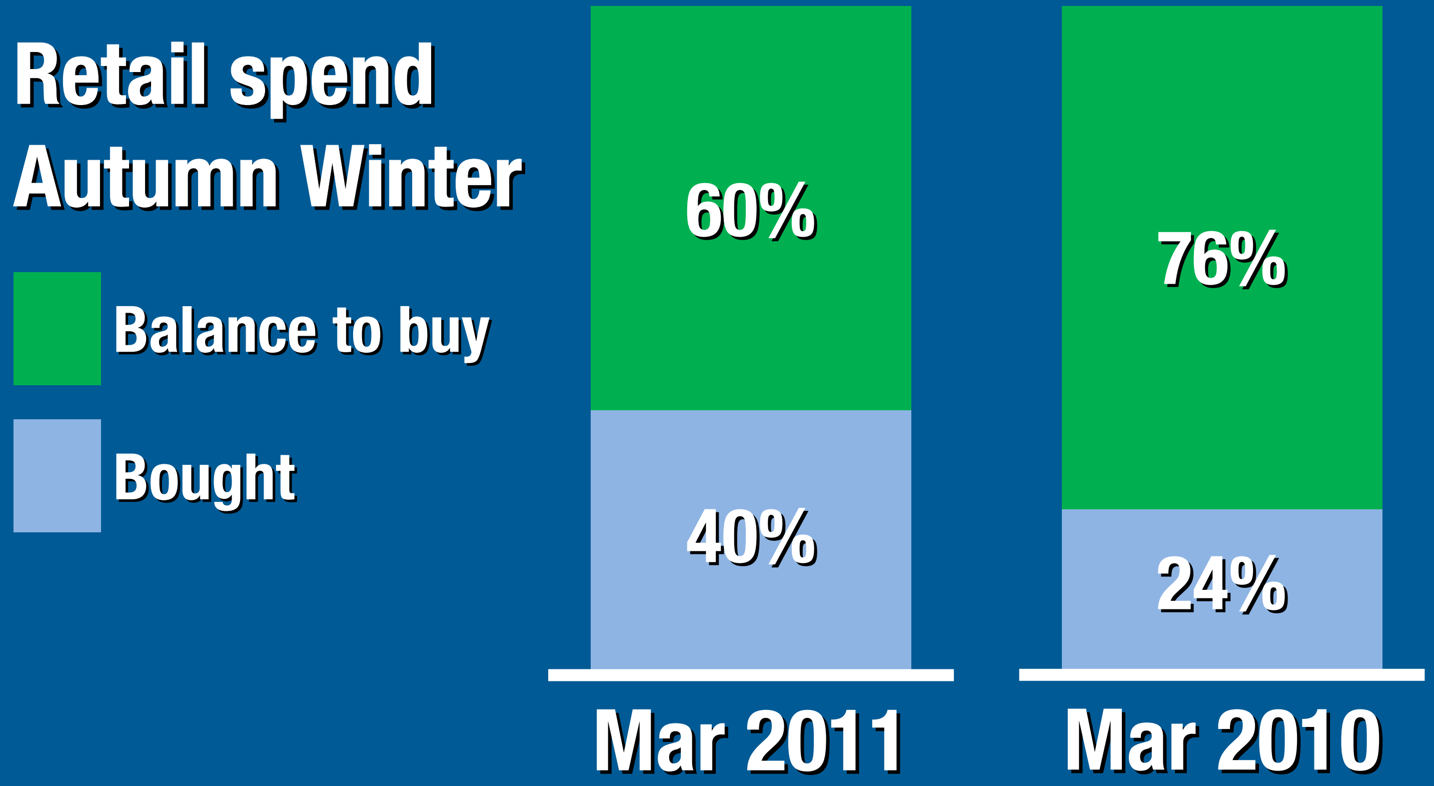
next

- We sourced from new territories



Action to Reduce Prices

- Bigger buys, bought earlier



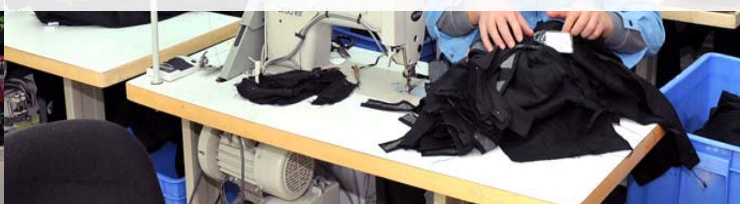
Action to Reduce Prices

next

- Expanded production in Next factories

Next Sourcing factories (Production at RSP)

	Sri Lanka		China		Total
Current	£96m	Current	£14m		£110m
Planned	£117m	Planned	£28m		£145m
Growth	+22%	Growth	+100%		+32%



Action to Reduce Prices

- We sourced from new territories ☑
- Bigger buys, bought earlier ☑
- Expanded production in Next factories ☑

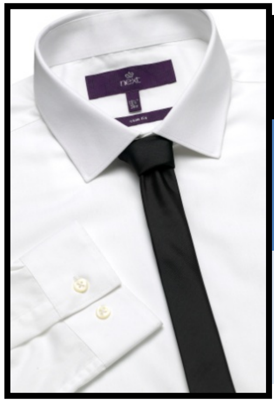
	v 2010
SS11 ASP bought	+ 8%
SS11 ASP sold to date	+ 6%
AW11 ASP estimated	+ 8% to + 10%

Calculating Elasticity

- Few LFL products
- LFL item price change – impact is varied

Womenswear bootcut jean

WAS	NOW	PRICE INC.	UNITS	SALES
£18	£20	+11%	- 1%	+10%



Menswear white shirt

WAS	NOW	PRICE INC.	UNITS	SALES
£20	£22	+10%	- 28%	- 21%

Calculating Elasticity

- LFL item price change – impact is varied

Basket of 20 items	
Price increase	+ 14%
Unit decrease	- 15%
Elasticity	**- 1.1**

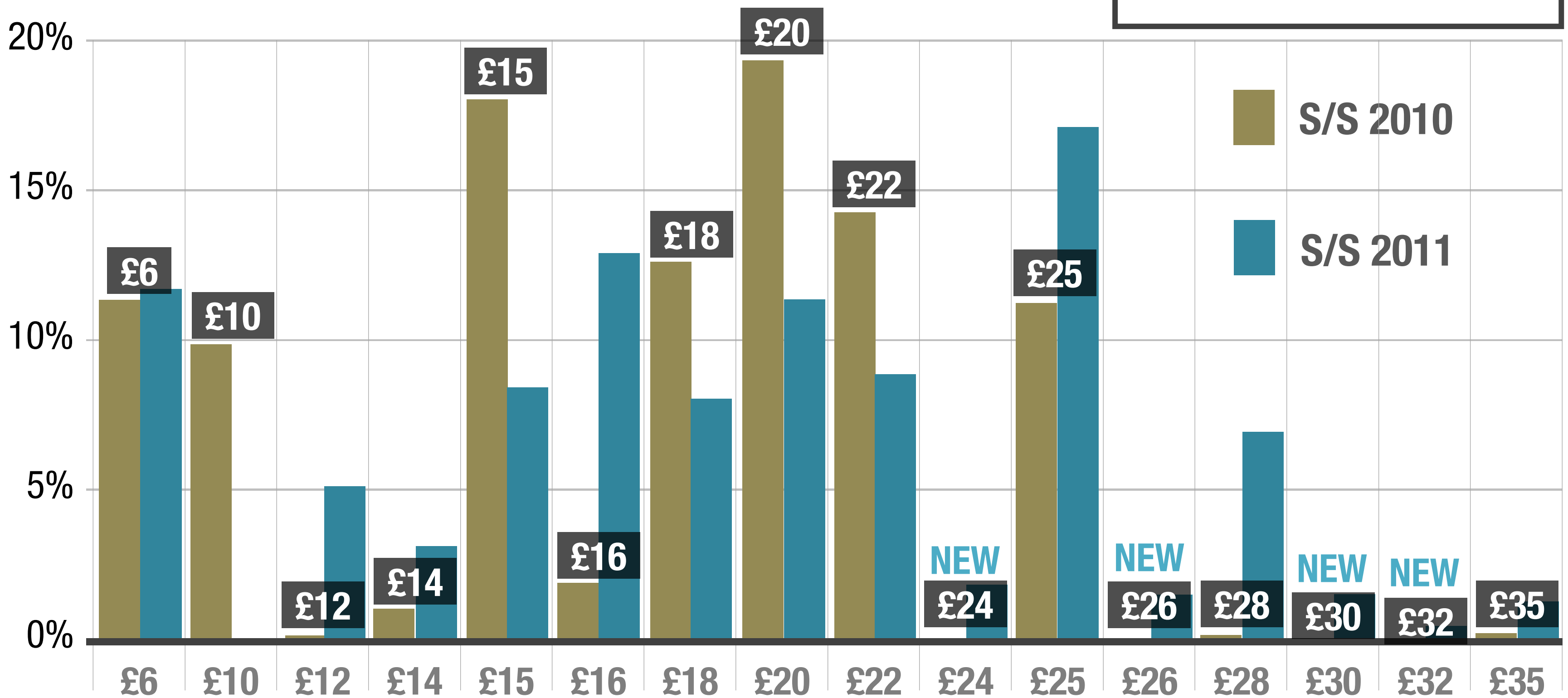
Calculating Elasticity

▪ Price architecture and ASP

ASP SS10 to SS11

+8%

Mens Jersey - Sales participation %



AW10 Retail Divisional Sales Performance

next

AW10
v AW09

- Ranges well received
- Market research positive
- Few missed trends

Womenswear : A Missed Opportunity

next

- **Supply issues**

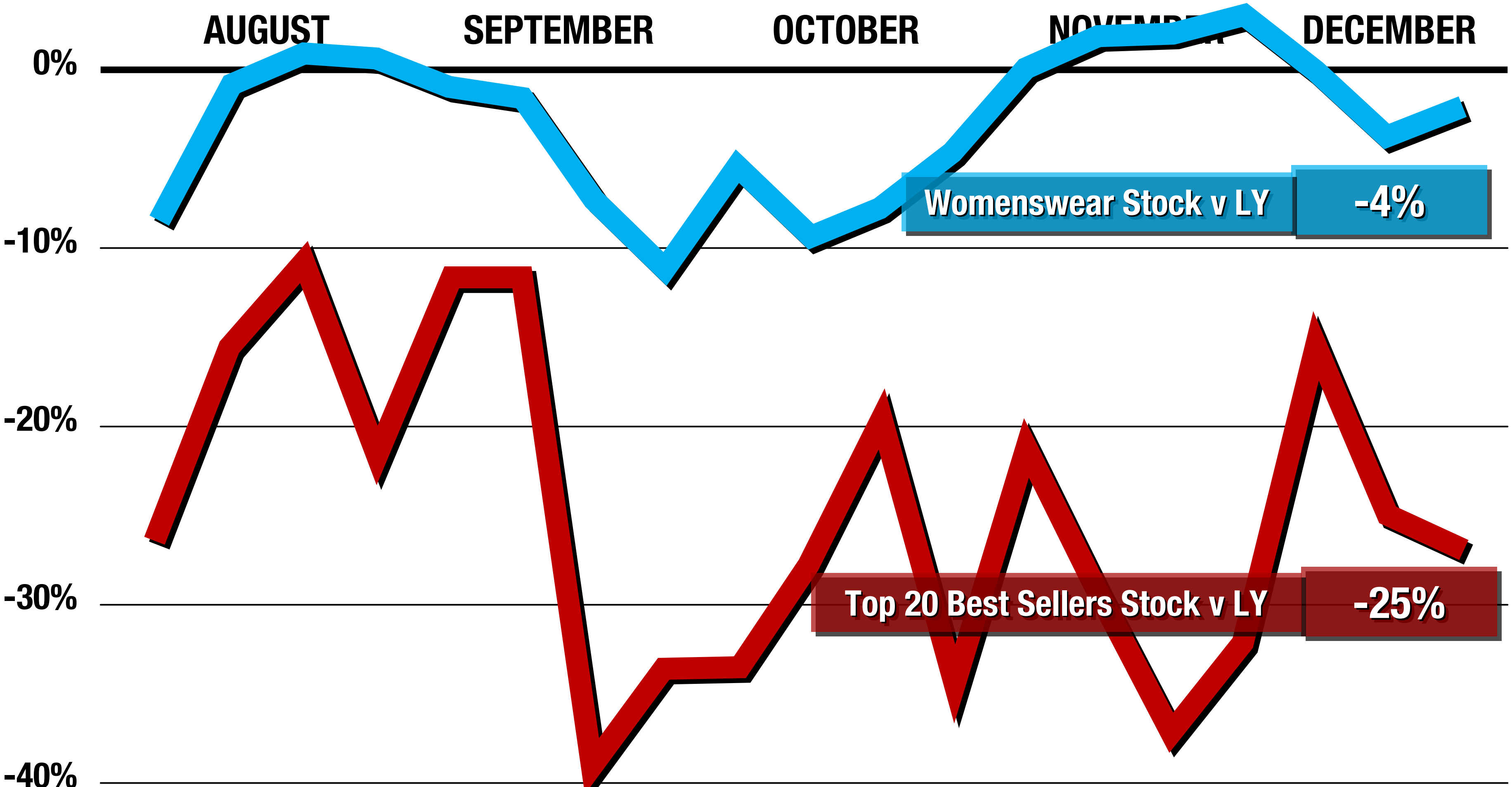
AW10 Denim

-£5m

Womenswear : A Missed Opportunity

next

- **Poor best seller availability**



Womenswear : A Missed Opportunity

next

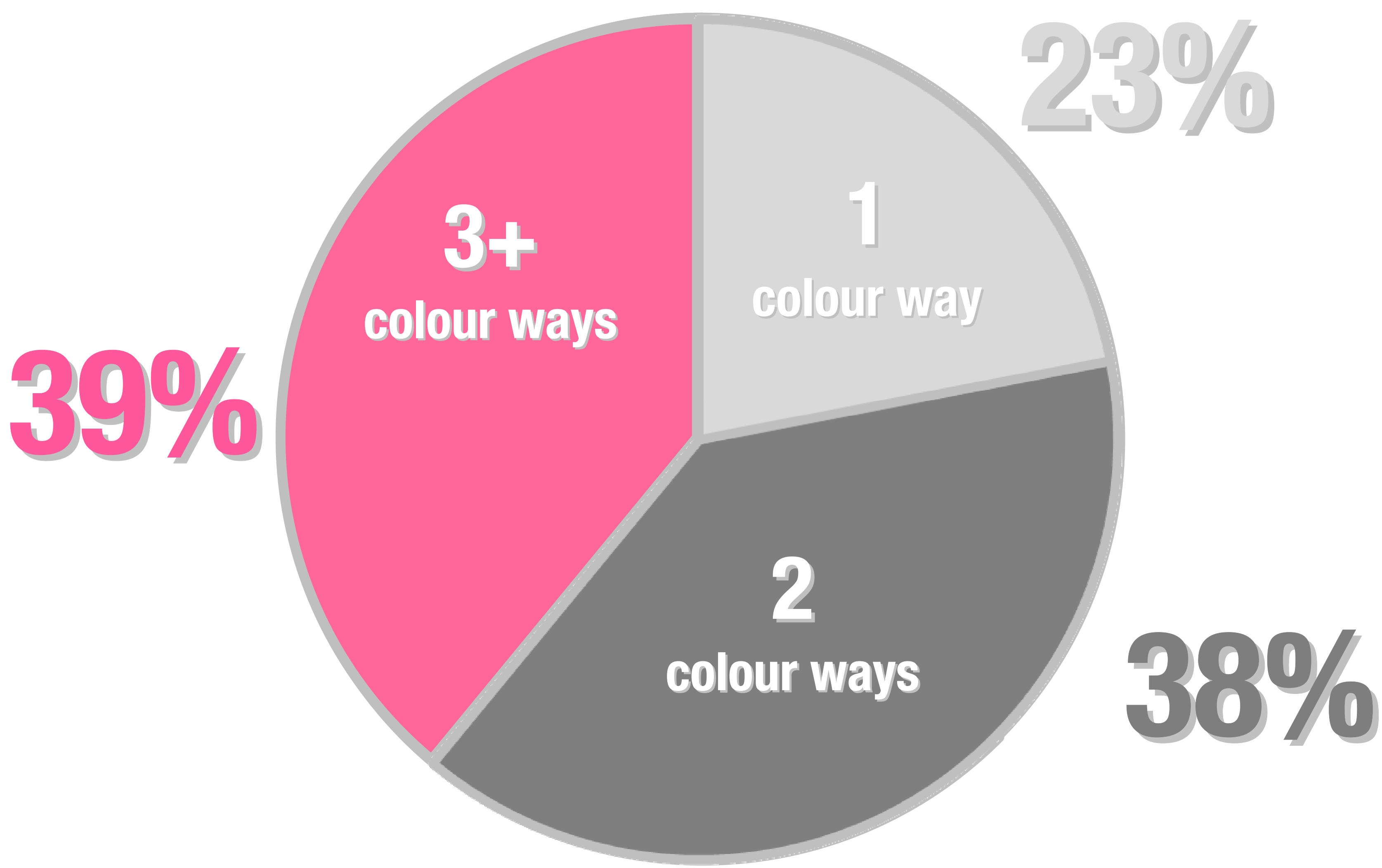
- Too few best seller colourways

Phase 1 = sold out in 3 weeks

Other colour ways too late

Putting it Right in 2011 “Power Programmes”

Womenswear split by colour ways SS11



Cost Focus

next

£67m

2010/11

Examples:
Gross Margin,
Retail operations,
bad debt,
Directory
operations,
etc.

2011/12(e)

Examples:
Payroll (ASP),
air freight, UID,
duty refund,
etc.

2010/11
Net Savings

2011/12(e)
Net Savings

Extra Costs

Savings

Examples:
air freight, rent and
rates, cost of living, etc.

2010/11

£30m

Examples:
margin erosion of VAT
increase, rent and rates,
cost of living,
etc.

2011/12(e)

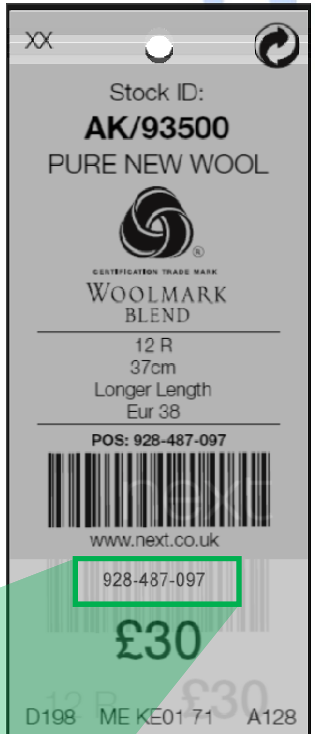
Cost Control Opportunities

OLD

9 Digit POS

Black trouser

Size 12 R



928-487-097

NEW

15 Digit POS

Black trouser

Size 12 R

Item No. 000416

928-487-097-000416

- Identify fraudulent returns
- Eliminate discount and refund fraud
- Numerous stock handling benefits

More Efficient Use of Stock

next

1. Customer orders item from Directory
2. Item not found in warehouse
3. Surplus in store
4. Pick it in store
5. Order delivered via Directory
6. Sale deducted from store target

New Space : Home Stand Alones

next HOME

2011

STORES	44
SQ FT K	627
MAT £m	169

Shoreham Project – AUGUST 2011

Sheds | Fencing | Paving | Aggregates | Plants

Garden tools | Bird care | Planters and pots | Indoor tools

Wood care | Fillers and sealants | Branded paint

New Product

Service Developments

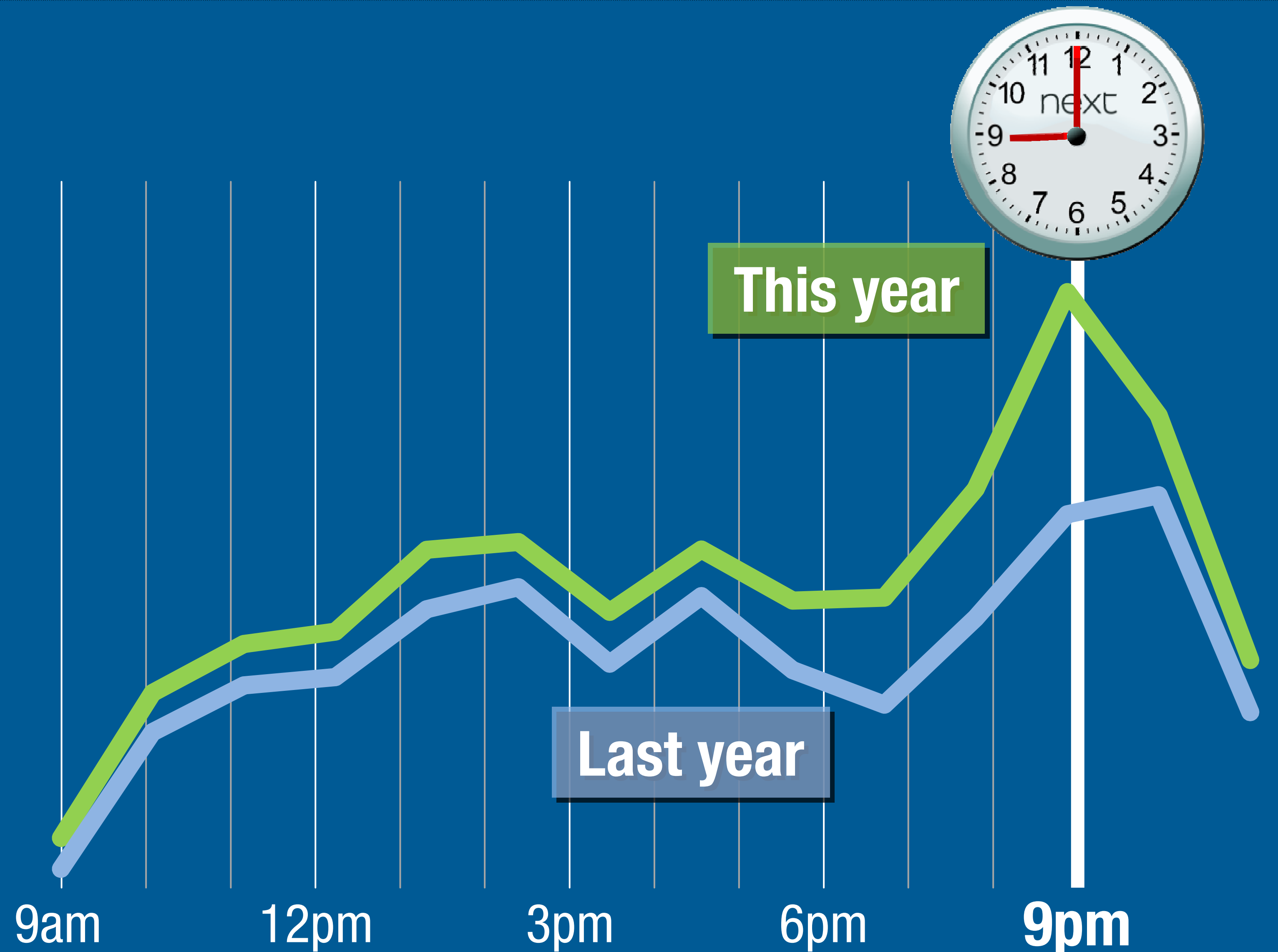
next

▪ Cash accounts	SS10
▪ 5 day sofa delivery for stocked sofas	AW10
▪ Deliver to alternative address	AW10
▪ Order up to 9pm for next day delivery	AW10

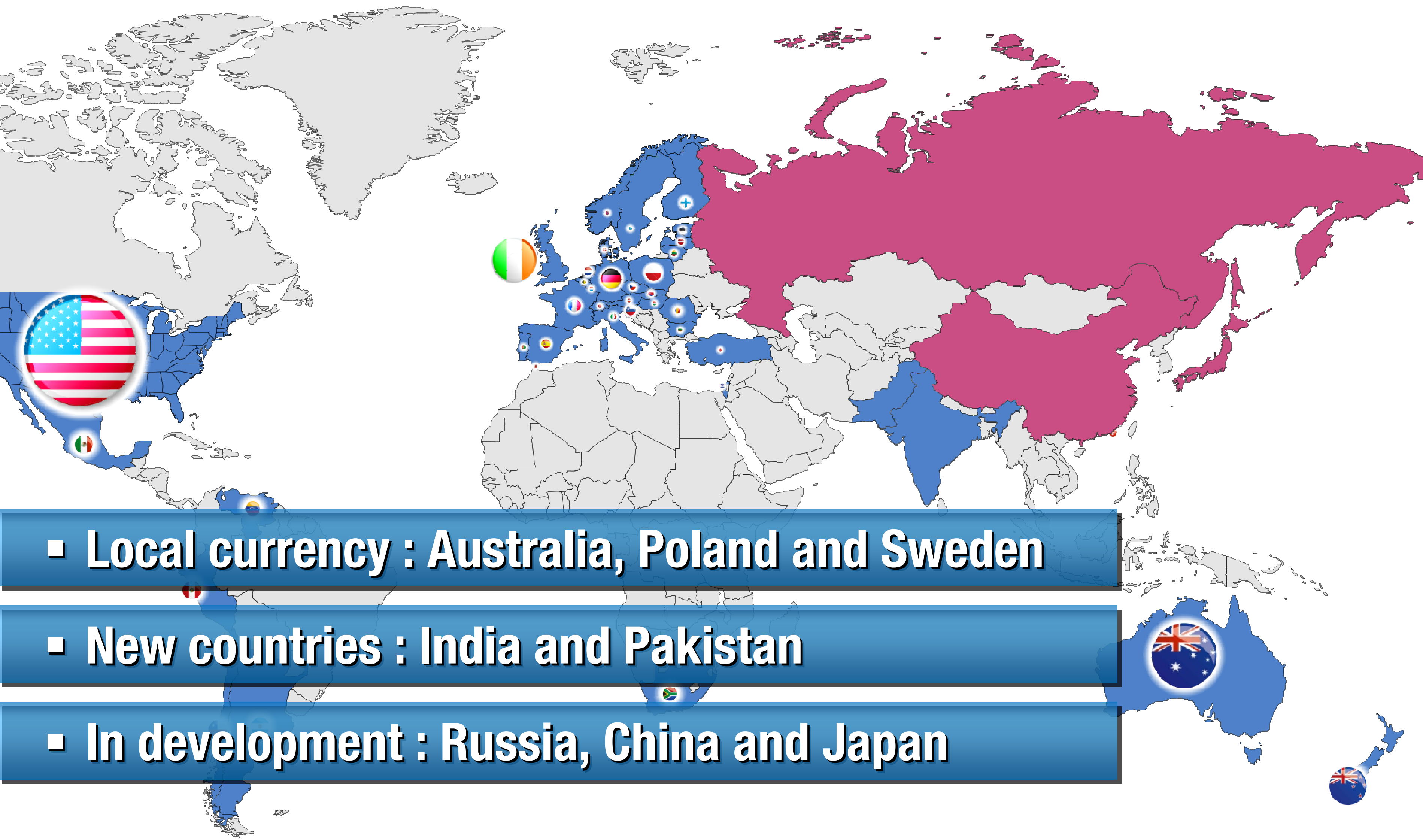
2008
5pm

October
2010
9pm

Service Demand



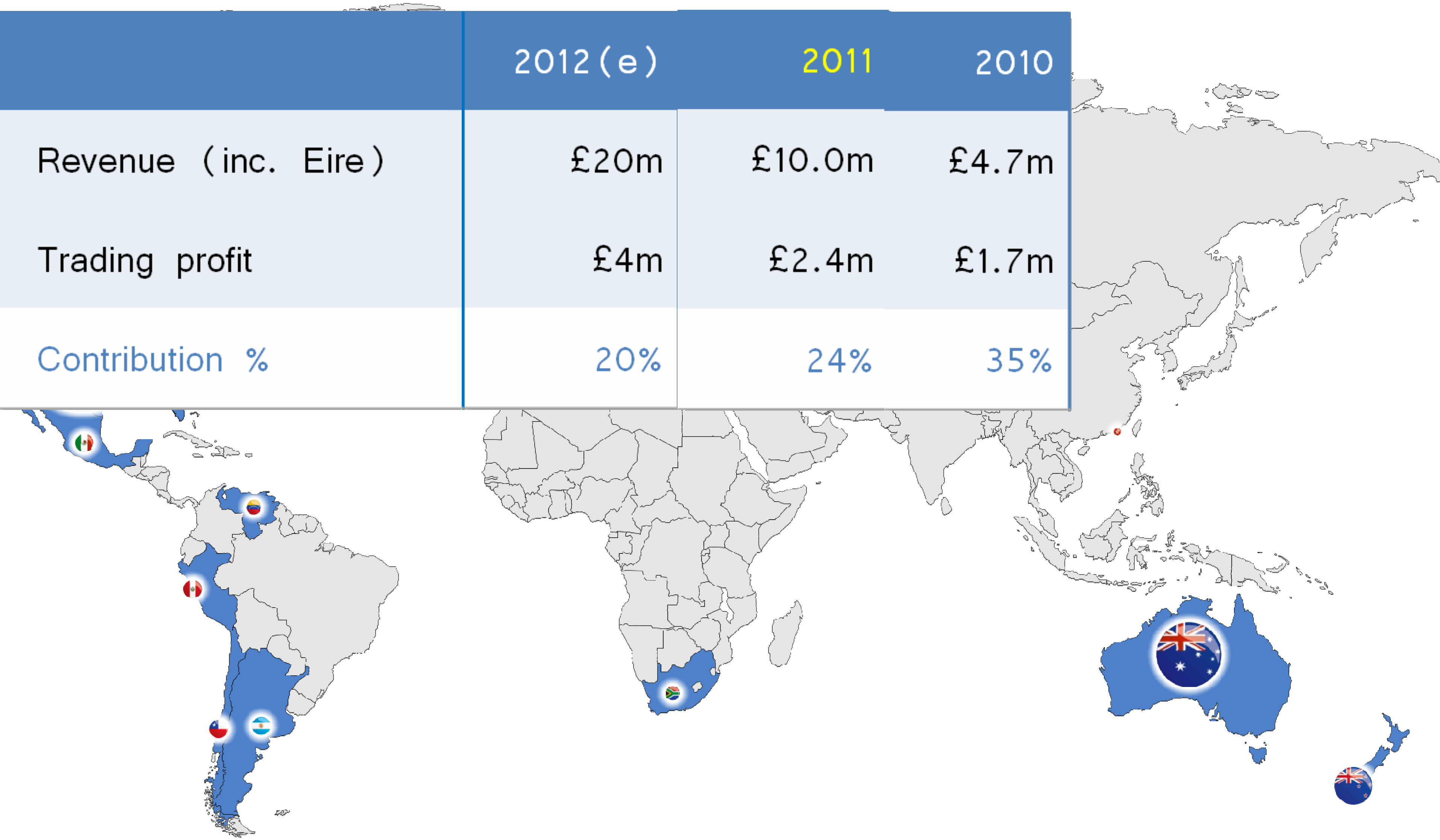
Next Directory Overseas



- Local currency : Australia, Poland and Sweden
- New countries : India and Pakistan
- In development : Russia, China and Japan

Next Directory Overseas

	2012 (e)	2011	2010
Revenue (inc. Eire)	£20m	£10.0m	£4.7m
Trading profit	£4m	£2.4m	£1.7m
Contribution %	20%	24%	35%



Brand Outlook for 2011/12 - Estimate

next

If...

Full Year Brand Sales (VAT ex)	- 0.5%		+ 2.5%

Then...

Profit before tax	£520m	to	£570m
Variance to last year	- 5.5%	to	+ 3.5%
Buyback enhancement	+ 5.0%	to	+ 5.0%
Growth in EPS	- 0.5%	to	+ 8.5%
Current dividend yield	+ 4.0%	to	+ 4.0%
TSR (assuming constant PE ratio)	+ 3.5%	to	+ 12.5%

In Summary

- Another challenging year in 2011
- Continued focus on cost control
- Opportunities for new space
- Further growth from Directory
- Strong cash flows


next


next


next
January 2011