

Income Statement

next

£m	July 2016	July 2015	Comparable Weeks	
Total sales	<u>1,957</u>	<u>1,907</u>	+ 2.6%	+ 1.8%
Operating profit	360	362		Brand
Interest	<u>(18)</u>	<u>(15)</u>		
Profit before tax	342	347		



Income Statement

next

£m	July 2016	July 2015		Comparable Weeks
Total sales	1,957	<u>1,907</u>	Full Price + 0.4%	- 0.3%
Operating profit	360	362	- 0.4%	Brand
Interest	(18)	<u>(15)</u>		
Profit before tax	342	347	- 1.5%	
Taxation	(69)	<u>(70)</u>		
Profit after tax	273	<u>277</u>		
EPS (underlying)	188.6p	187.1p	+ 0.8%	
Ordinary dividends per share	53.0p	53.0p		

£m	July 2016	July 2015
Profit before tax	342	347
Depreciation / disposals	59	57
Capital expenditure	(77)	(81)
Working capital / other	(70)	(84)
Tax paid	(71)	(70)
ESOT	(15)	(40)
Cash flow before distribution	<u>168</u>	<u>129</u>

£m

July 2016

July 2015

Capital expenditure

(77)

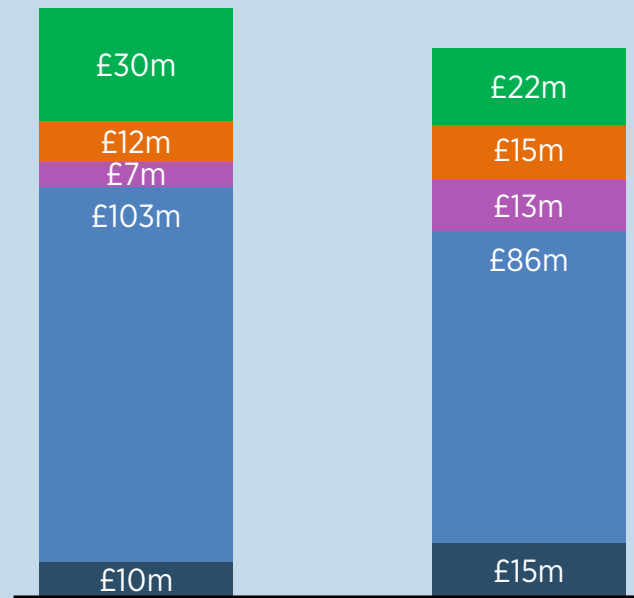
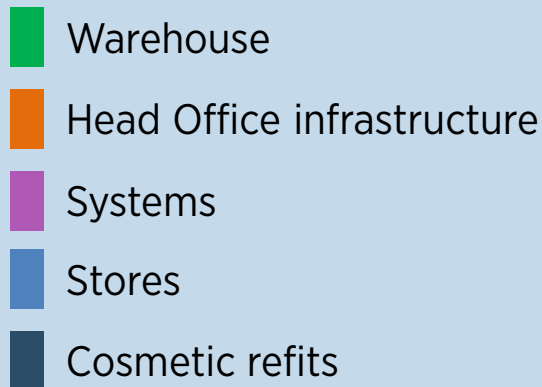
(81)

Jan 2017 (e)

£162m

Jan 2016

£151m



£m	July 2016	July 2015
Profit before tax	342	347
Depreciation / disposals	59	57
Capital expenditure	(77)	(81)
Working capital / other	(70)	(84)
Tax paid	(71)	(70)
ESOT	(15)	(40)
Special dividends paid	(88)	(163)
Share buybacks	(176)	-
Net cash flow	<u>(96)</u>	<u>(34)</u>

Balance Sheet

next

£m	July 2016	July 2015
Fixed assets and investments	560	530
Goodwill and intangibles	43	44
Stock	491	451
Debtors	1,077	926
Creditors / derivatives	(854)	(896)
Dividends payable	(150)	(237)
Pension (deficit) / surplus	(35)	37
Net debt	(946)	(549)
Net assets	<u>186</u>	<u>306</u>

Balance Sheet

next

£m	July 2016	July 2015	
Fixed assets and investments	560	530	
Goodwill and intangibles	43	44	
Stock	491	451	+ 8.9%
Debtors	1,077	926	+ £151m

**Directory
debtors**

July 2016
£953m

+21%

July 2015
£790m

+ £163m

**Credit
sales**

July 2016

0%

July 2015

Balance Sheet

next

£m

July 2016

July 2015

Funding Level

95%

107%

Assets

665

605

+ 60

Liabilities

(700)

(568)

- 132

Pension (deficit) / surplus

(35)

37

Net debt

(946)

(549)

Net assets

186

306

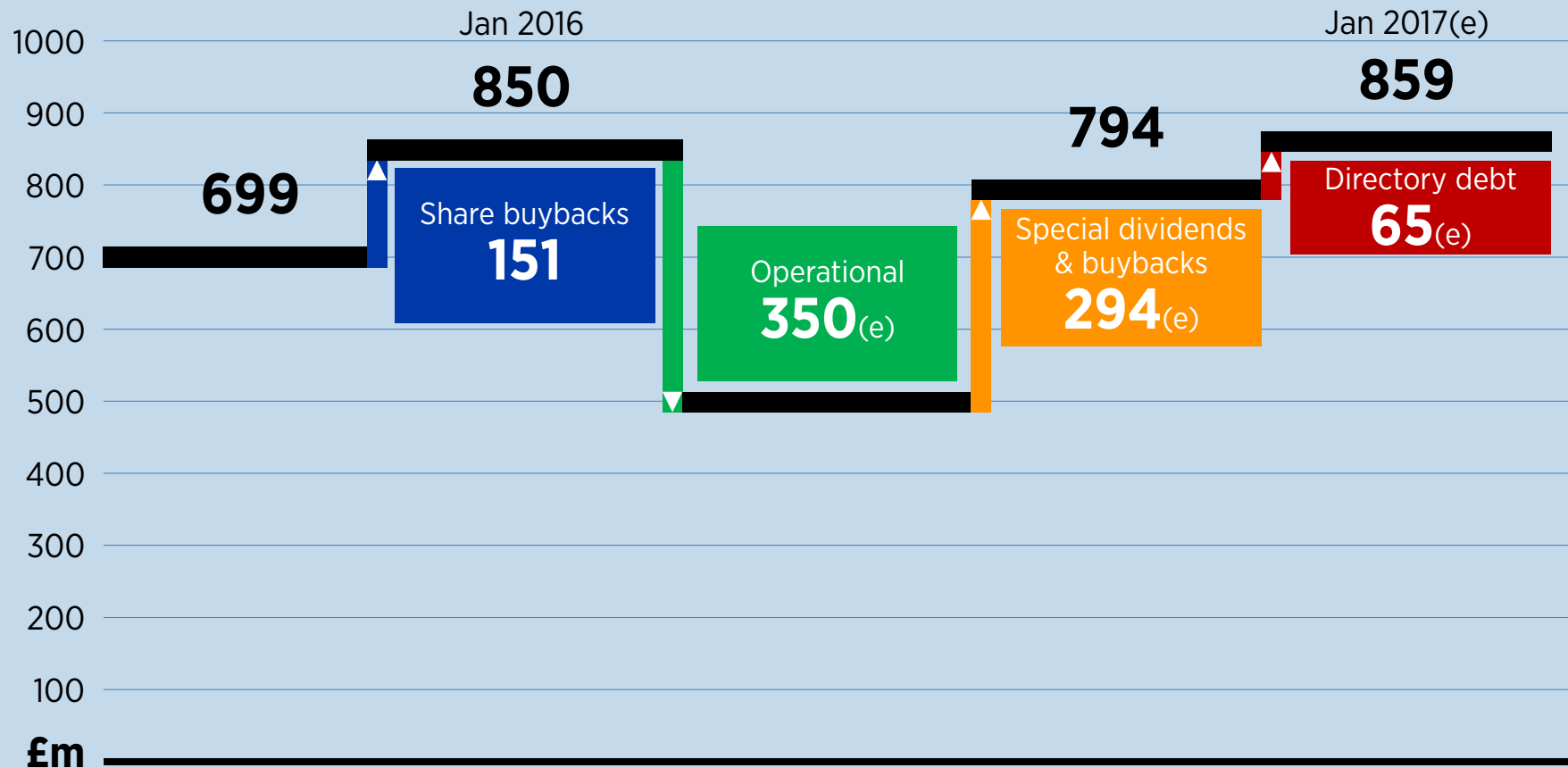
Balance Sheet

next

£m	July 2016	July 2015
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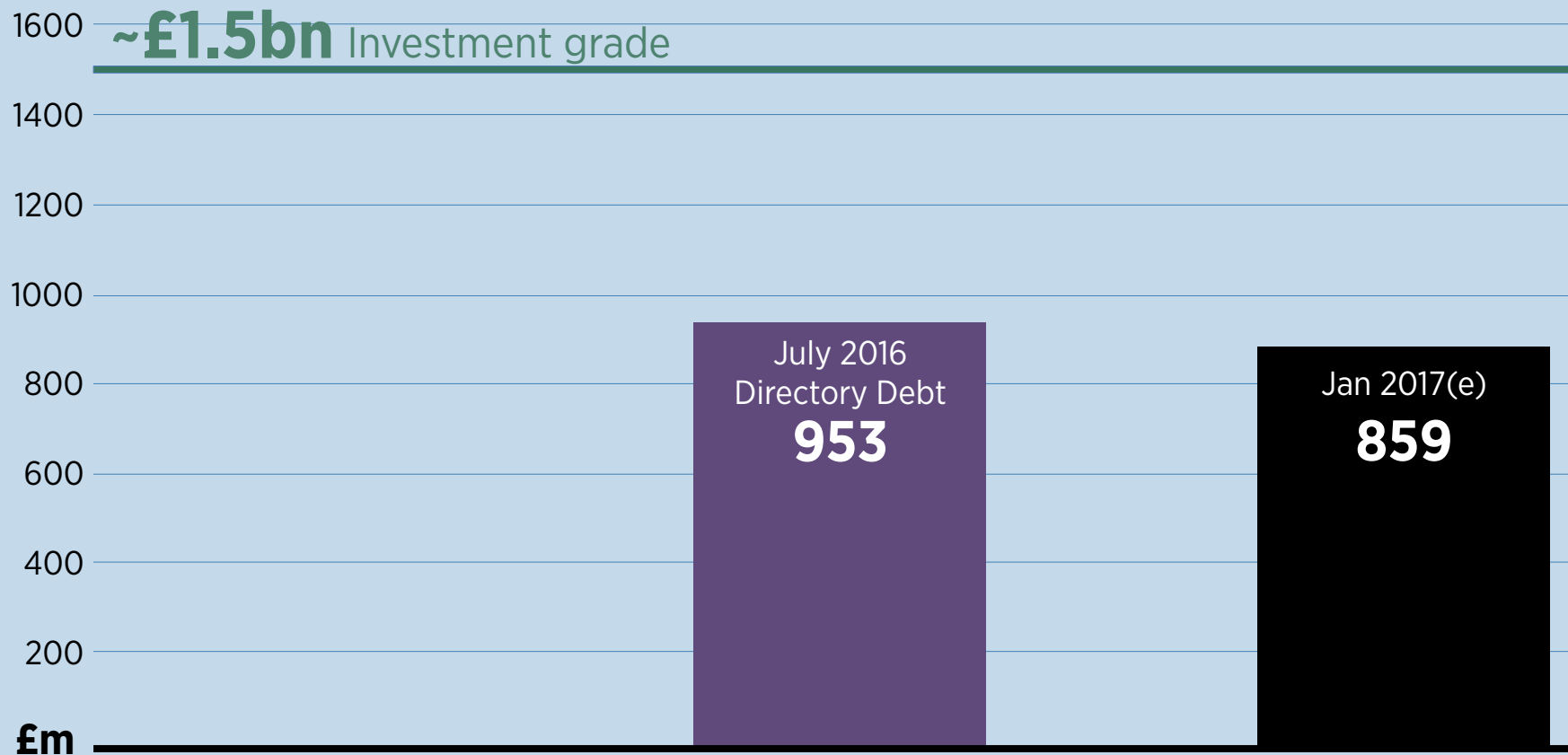
Full Year Debt and Cash Flow

next



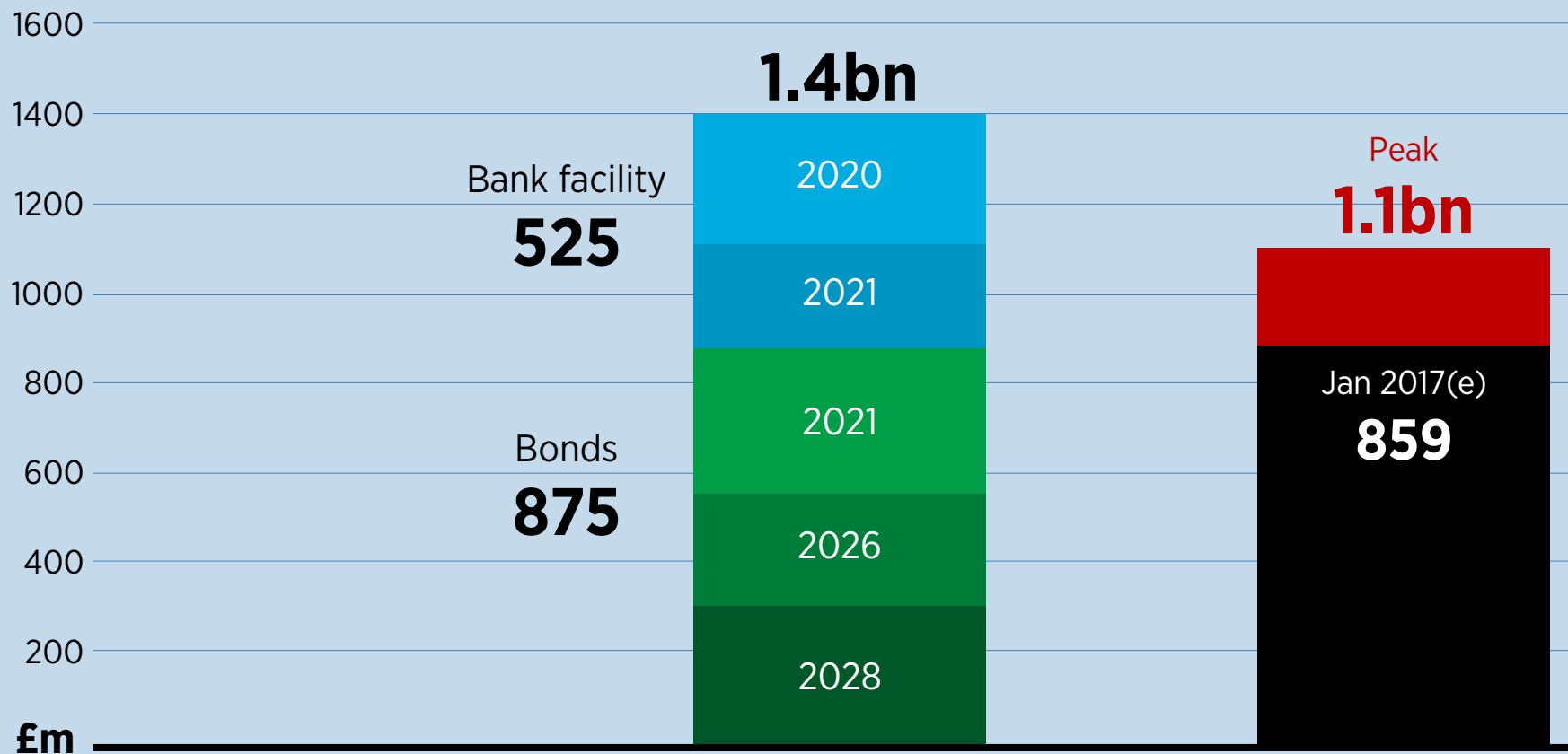
Funding Requirements

next



Funding Requirements

next



Retail



Edinburgh Straiton

Opened 26th July 2016

Retail : Sales Analysis

next

£m	July 2016	July 2015	Comparable Weeks		
Total sales	1,084	1,083	Total	+ 0.1%	- 0.7%
Operating profit	134	161	Full Price	- 3.2%	- 4.0%

Sales from new space + 2.8%

New store performance


Sales v target	Payback (months)	Store profit
+ 5%	22	22%

Forecast for stores opened or extended in the last 12 months



Retail : Profit Analysis

next

A photograph of a Next retail store exterior, showing a modern glass-fronted building with the 'next' logo prominently displayed on the upper level. The store is situated on a street corner, and the glass reflects the surrounding environment.

£m	July 2016	July 2015	
Total sales	1,084	1,083	Full Price - 3.2%
Operating profit	134	161	- 16.8%
% to sales	12.4%	14.9%	

Margin movement

Bought-in gross margin + 0.1%

Markdown - 1.8%

Achieved gross margin

- 1.7%

Sale stock **+ 37%**

Markdown sales **+ 33%**

Retail : Profit Analysis

next



£m	July 2016	July 2015	
Total sales	1,084	1,083	Full Price - 3.2%
Operating profit	134	161	- 16.8%
% to sales	12.4%	14.9%	

Margin movement

Achieved gross margin	- 1.7%
Store payroll	- 0.2%
Store occupancy	- 0.8%
Warehousing and distribution	- 0.3%
Central overheads	+ 0.5%
Margin movement	- 2.5%

Full year forecast
margin circa

15%_(e)



Directory

Directory : Sales Analysis

next

£m

July 2016

July 2015

Comparable
Weeks

Total sales

821

767

Total

+ 7.1%

+ 5.4%

Operating profit

204

184

Full Price

+5.5%

+4.9%

Full price sales analysis

Increase on last year

NEXT Directory UK

+ £1m

+ 0.1%

Label

+ £14m

+ 17.2%

Directory UK total

+ £15m

+ 2.5%

Directory : Sales Analysis

next



£m	July 2016	July 2015			Comparable Weeks
Total sales	821	767	Full Price	+5.5%	+4.9%
Operating profit	204	184			

Full price sales analysis

	Increase on last year		Customers
Directory UK total	+ £15m	+ 2.5%	+ 2.8%
Directory overseas	+ £19m	+ 20.7% *	+ 19.3%
Directory total	<u>+ £34m</u>	<u>+ 4.9%</u>	<u>+ 5.4%</u>

* Directory overseas (constant currency) +27%

Directory : Sales Analysis

next



£m	July 2016	July 2015			Comparable Weeks
Total sales	821	767	Full Price	+5.5%	+4.9%
Operating profit	204	184			

Full price sales analysis

	Increase on last year		Customers
UK credit	- £6m	- 1.1%	- 4.0%
UK cash	+ £21m	+ 23.6%	+ 18.6%
Directory UK total	+ £15m	+ 2.5%	+ 2.8%

Directory : Profit Analysis

next



£m	July 2016	July 2015	
Total sales	821	767	Full Price +5.5%
Operating profit	204	184	+ 10.9%
% to sales	24.9%	24.0%	

Margin movement

Bought-in gross margin + 0.1%

Markdown - 1.6%

Achieved gross margin - 1.5%

Sale stock **+ 14%**

Markdown sales in the first half **+ 42%**

Markdown sales as at September **+ 14%**

Directory : Profit Analysis

next



£m	July 2016	July 2015	
Total sales	821	767	Full Price +5.5%
Operating profit	204	184	+ 10.9%
% to sales	24.9%	24.0%	

Margin movement

Achieved gross margin	- 1.5%
Interest income	+ 1.2%
Warehouse and distribution	+ 0.9%
Marketing and catalogues	+ 0.3%

Margin movement **+ 0.9%**

Full year forecast
margin circa

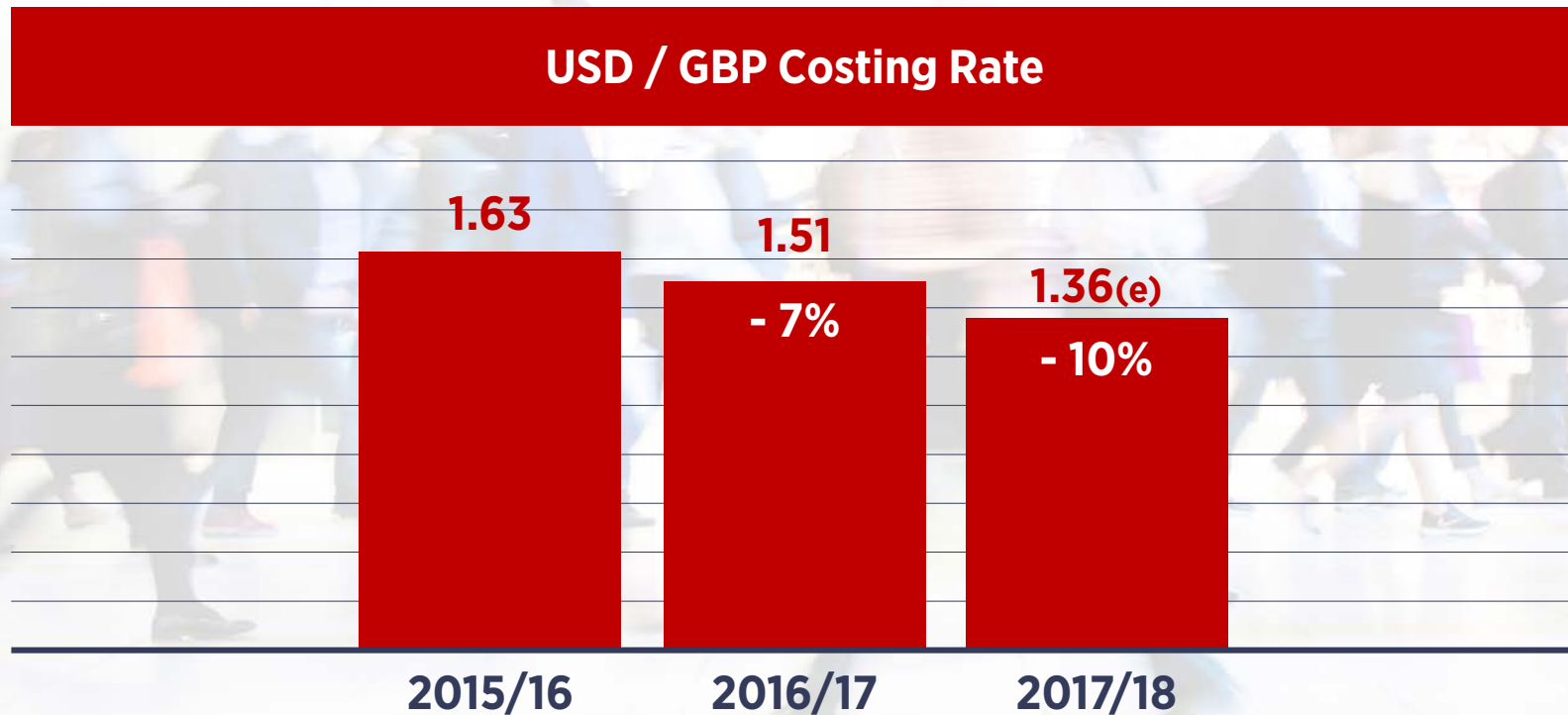
25%_(e)



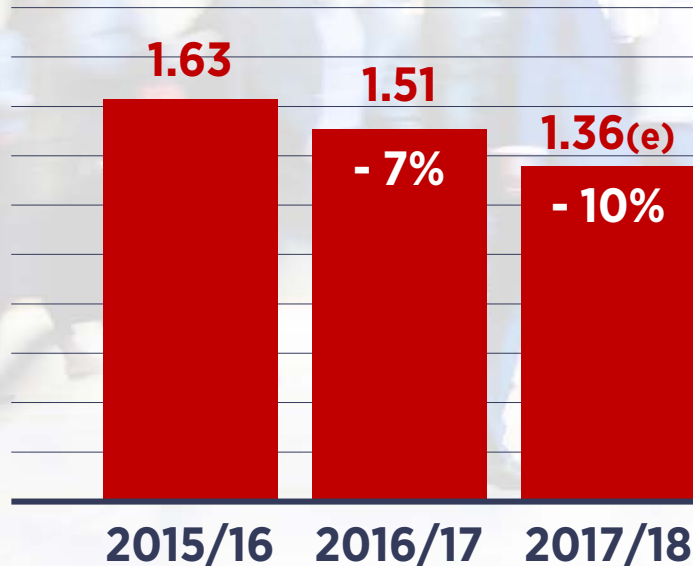
OUTLOOK

Currency

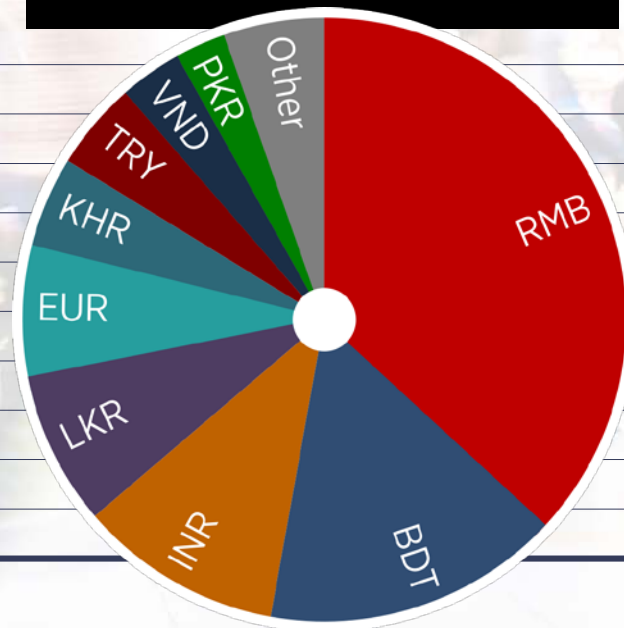
USD / GBP Costing Rate

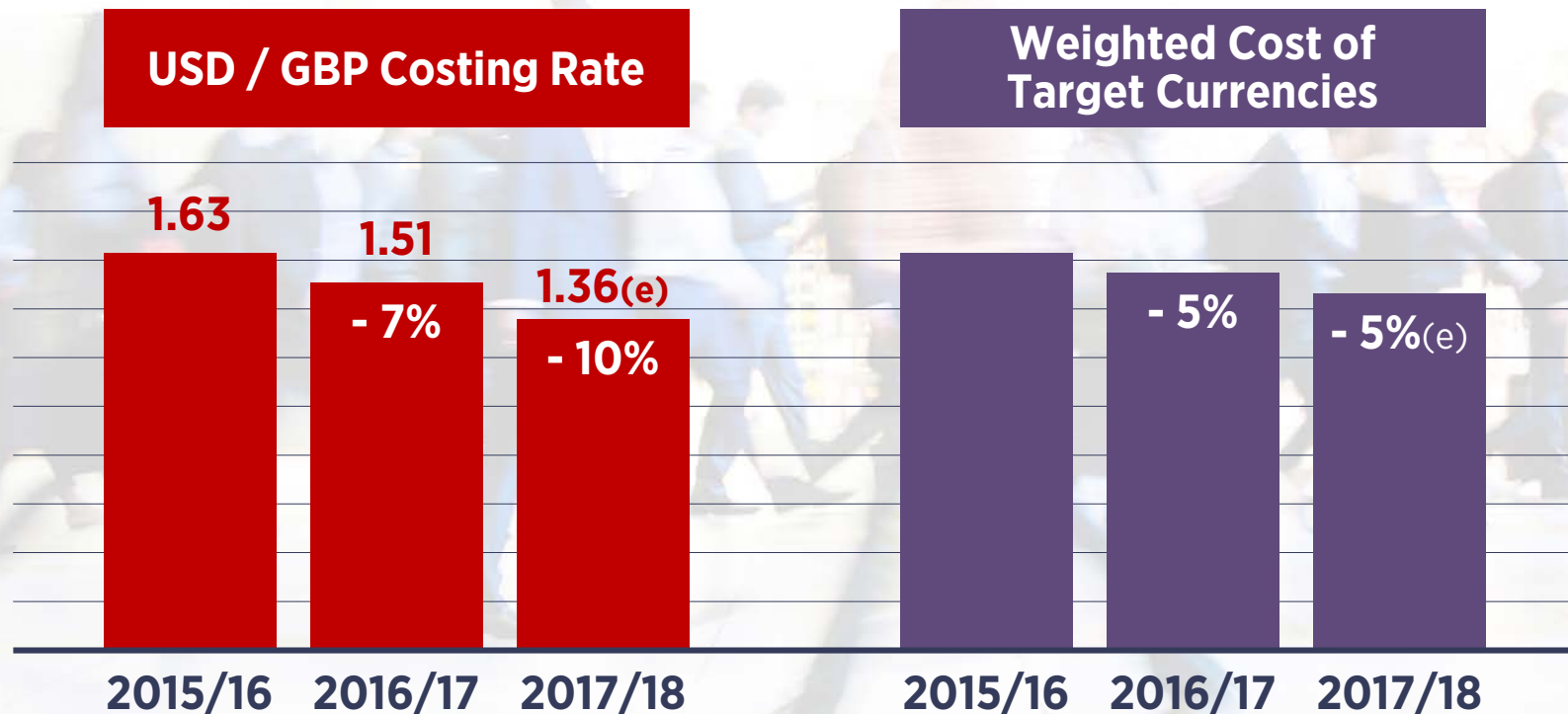


USD / GBP Costing Rate

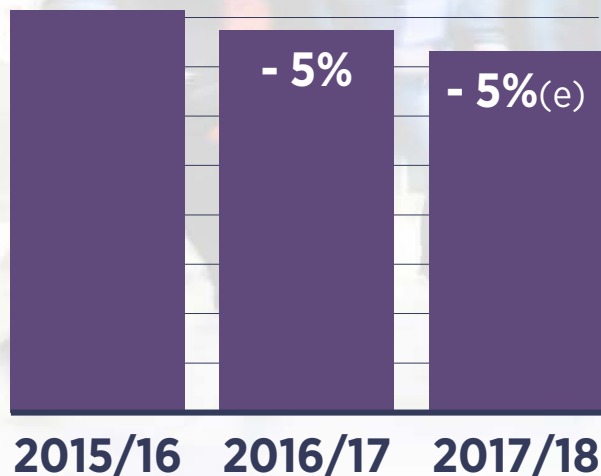


Currency Participation





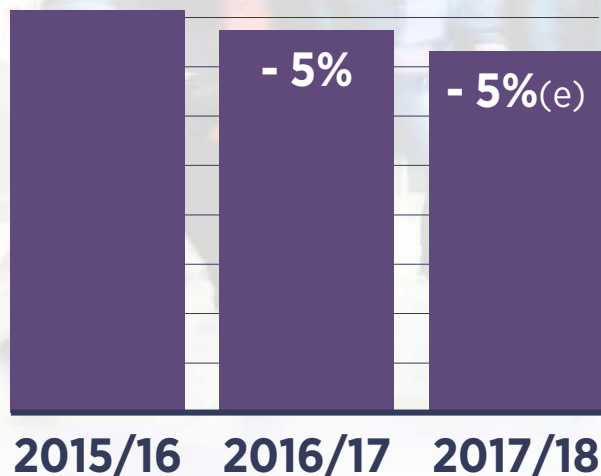
Weighted Cost of Target Currencies



Mitigation 2016

- ✓ New territories
- ✓ Improving territories
- ✓ Improving efficiency
- ✓ Commodity prices

Weighted Cost of Target Currencies

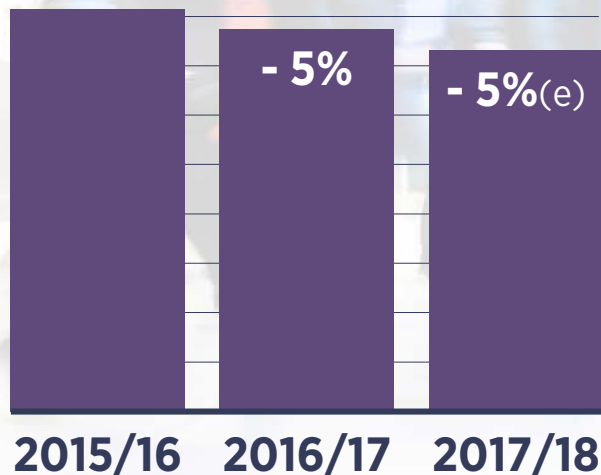


Mitigation 2017

- ✓ New territories
- ✓ Improving territories
- ✓ Improving efficiency

SS17 LFL cost prices \leq 5%?

Weighted Cost of Target Currencies



SS17 LFL cost prices \leq 5%?

Circa 10% of product is LFL

Retail selling price?

The choice in 2017...

Increase prices + 5%

or

Reduce margin - £80m

The choice in 2017...

Increase prices

+ 5%

Elasticity

~ 1.1

Likely LFL sales

- 0.5% to - 1.0%



OUTLOOK

The UK Economy

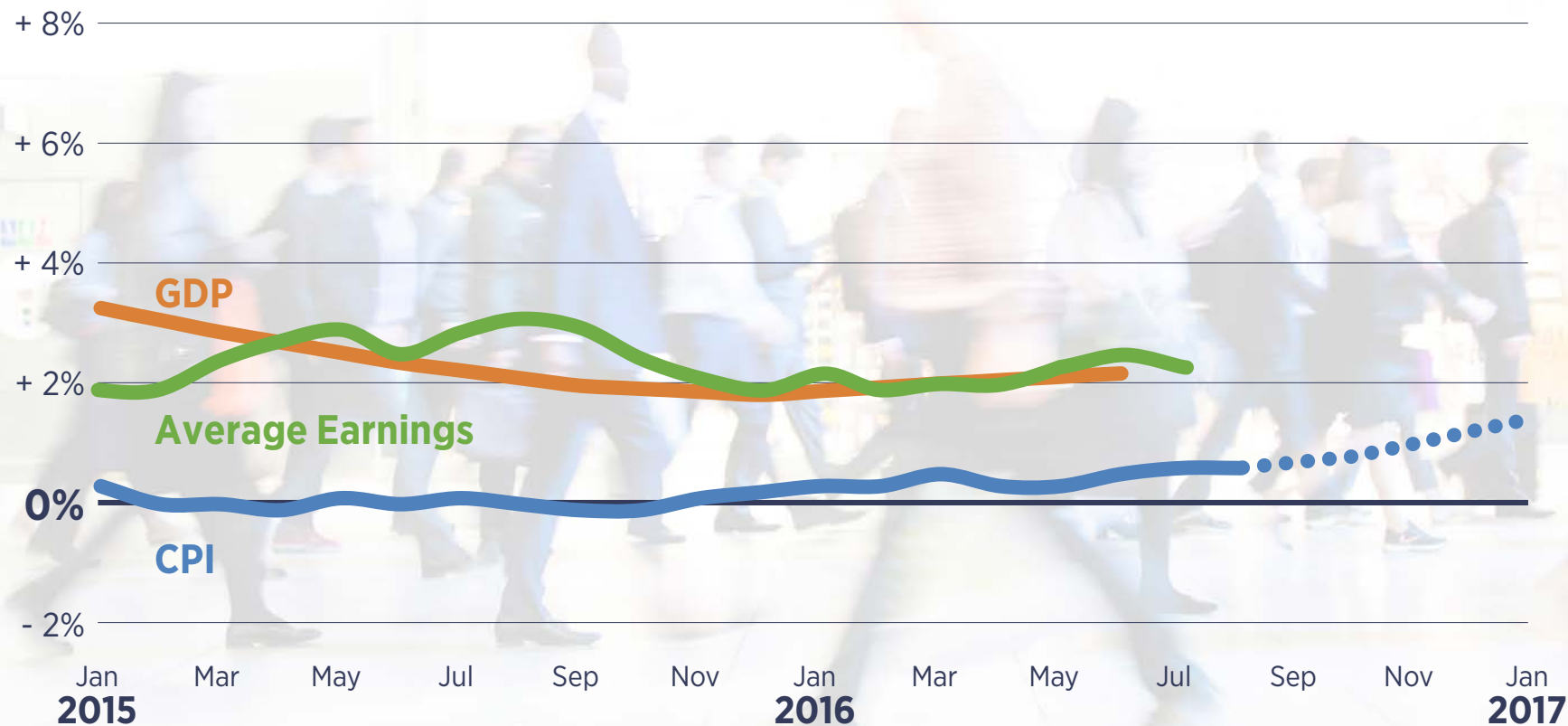
NEXT July Bounce?

next



UK GDP, Avg. Earnings & CPI Growth | Year on Year %

next

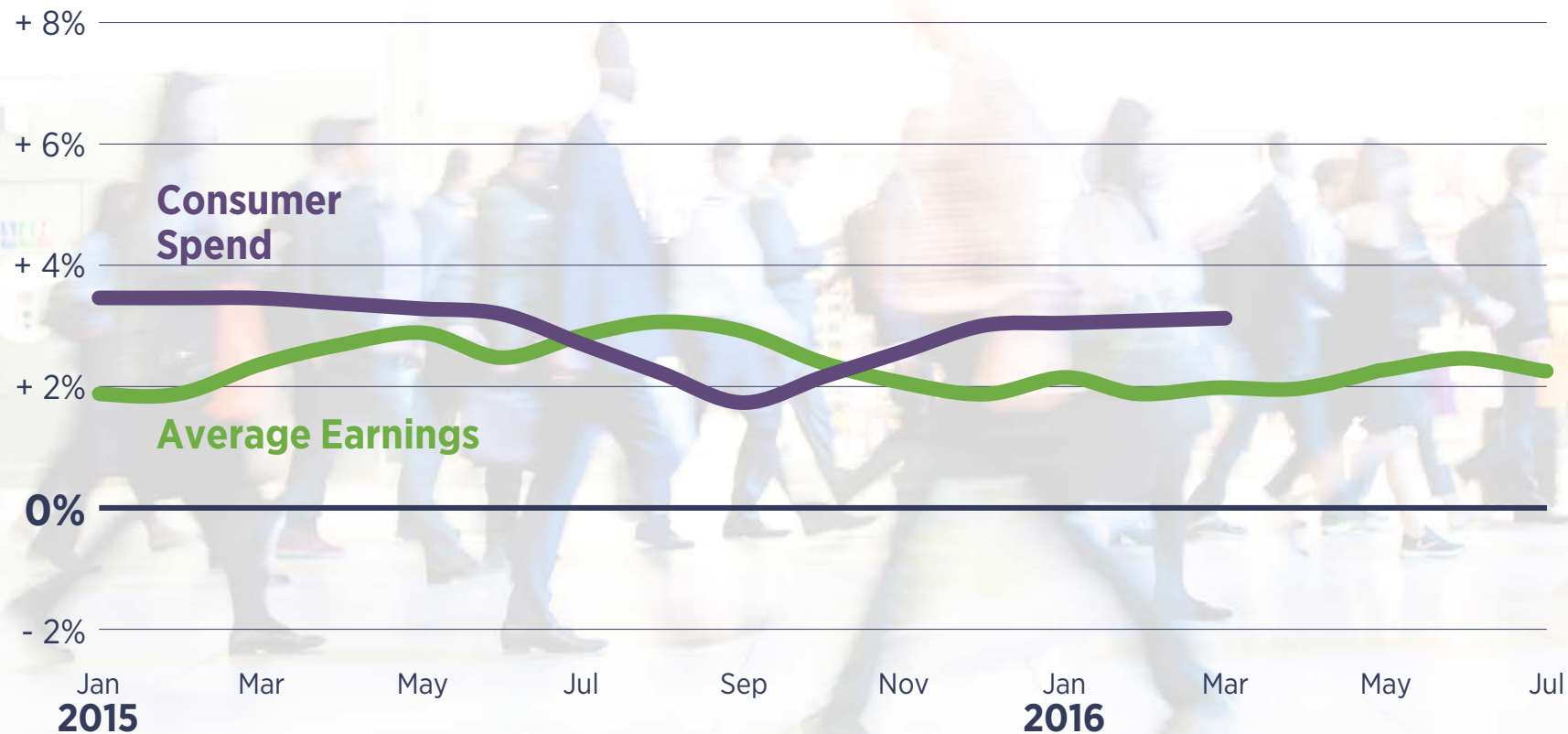


Source; ONS: CPI (Sept) / GDP (Aug) / Ave. Wkly Earnings (Sept)

BoE: CPI Forecast (Aug).....

Avg. Earnings & Consumer Spend Growth | Year on Year %

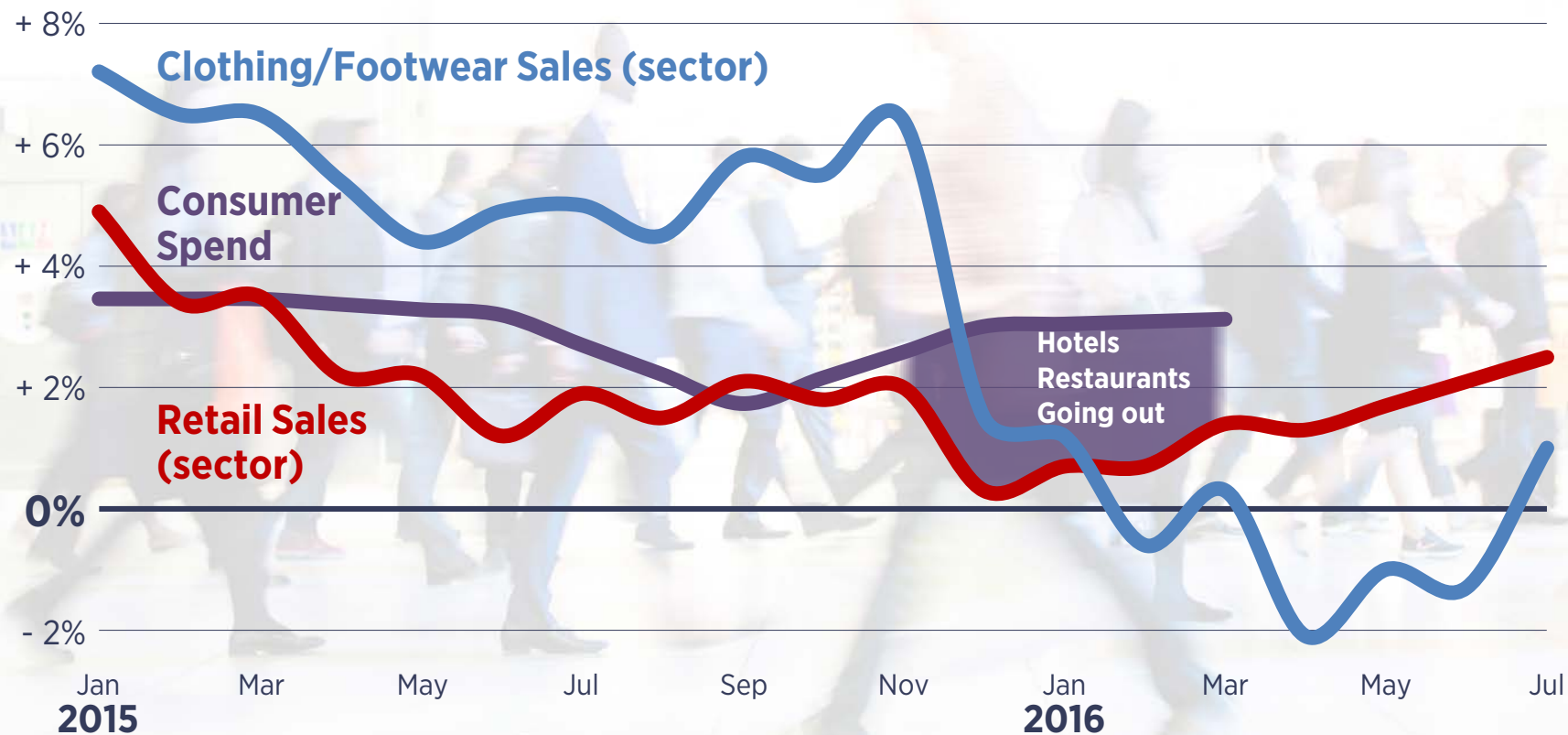
next



Source; ONS: Consumer Spend - GDP Data: Q1 National Accts. (Jun) / Avg. Wkly. Earnings (Sept)

Retail Sales & Clothing/Footwear Growth | Year on Year %

next



Source; ONS: Retail Sales Index Reference tables, 3 month average (Aug)

History

- **July anomaly**

Consumer Outlook

- **GDP remains subdued**
- **Risk to real earnings**

Clothing Outlook

- **Oct/Nov onwards – weaker comps**



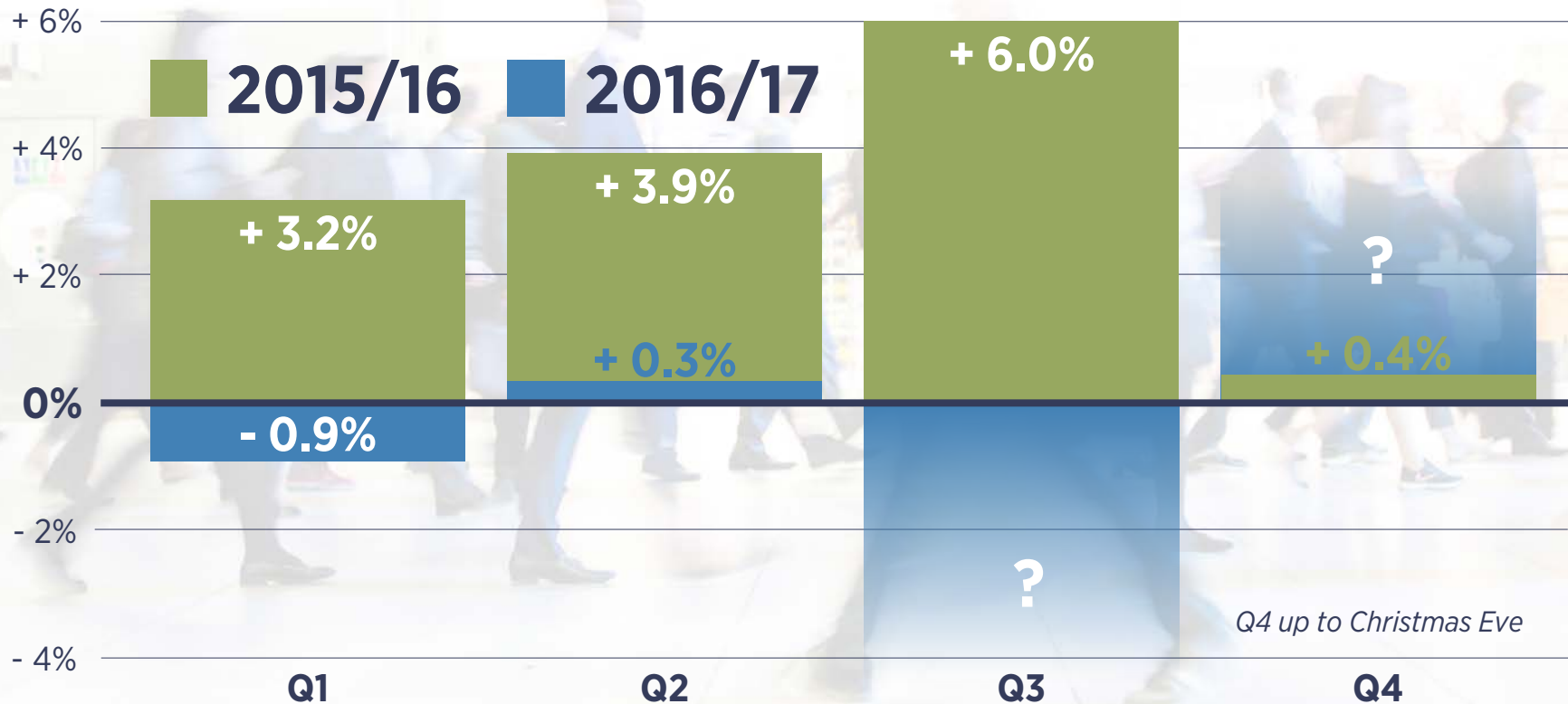
Full Year Estimate

- 2.5% to **+ 2.5%**

Full Price Sales Outlook | 2016/17(e) - 2.5% to + 2.5%

next

Full Price Sales Growth by Quarter v Previous Year



Retail Space

Improving Directory

Improving Product

Why expand into a downturn?



Store Rent Analysis

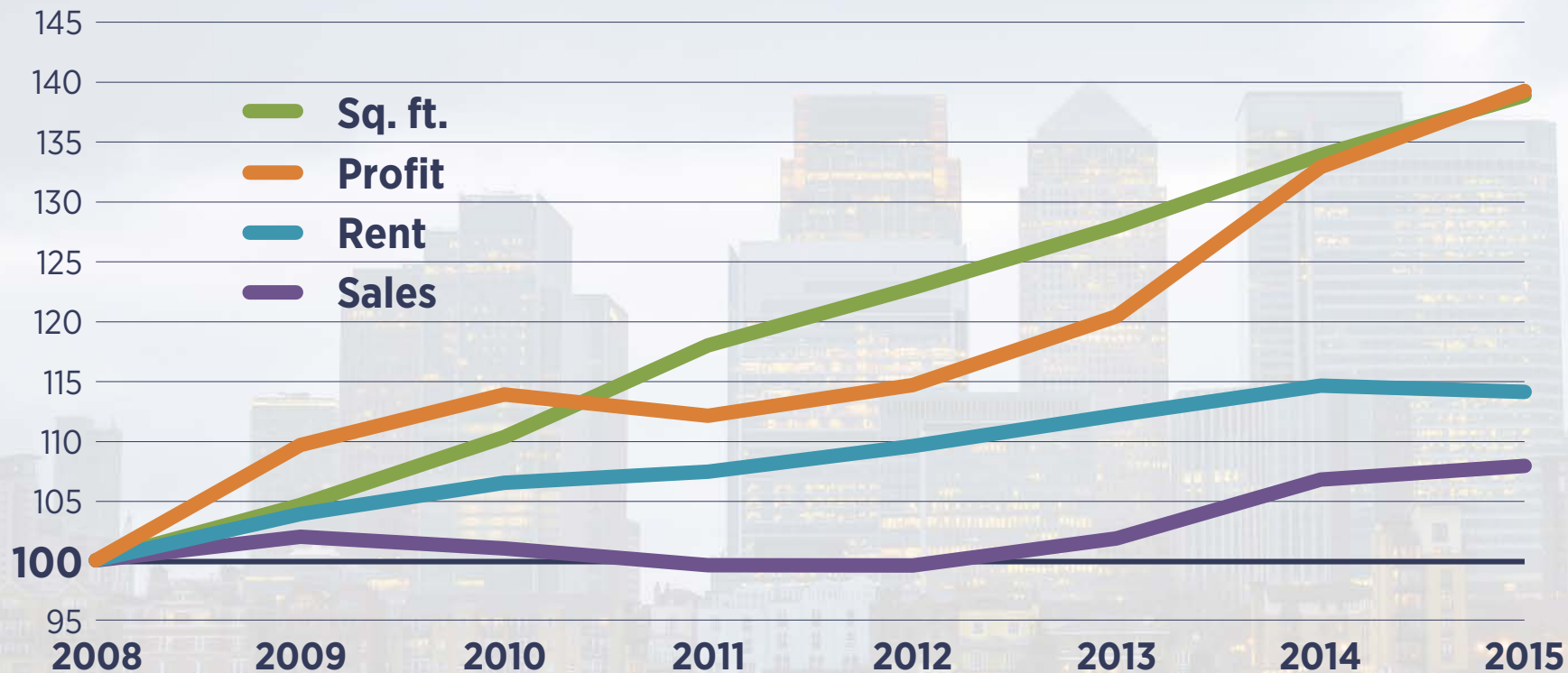
next

	Closing at Jan 2016	Opening during 2016(e)	
Sq. ft.	7.6m	610k	
Annual rent*	£173m	£9m	
Rent / Sq. ft.	£22.67	£14.40	-36%
Rent / Sales	6%	4%	

* Rent shown net of capital contribution releases and sub-let income

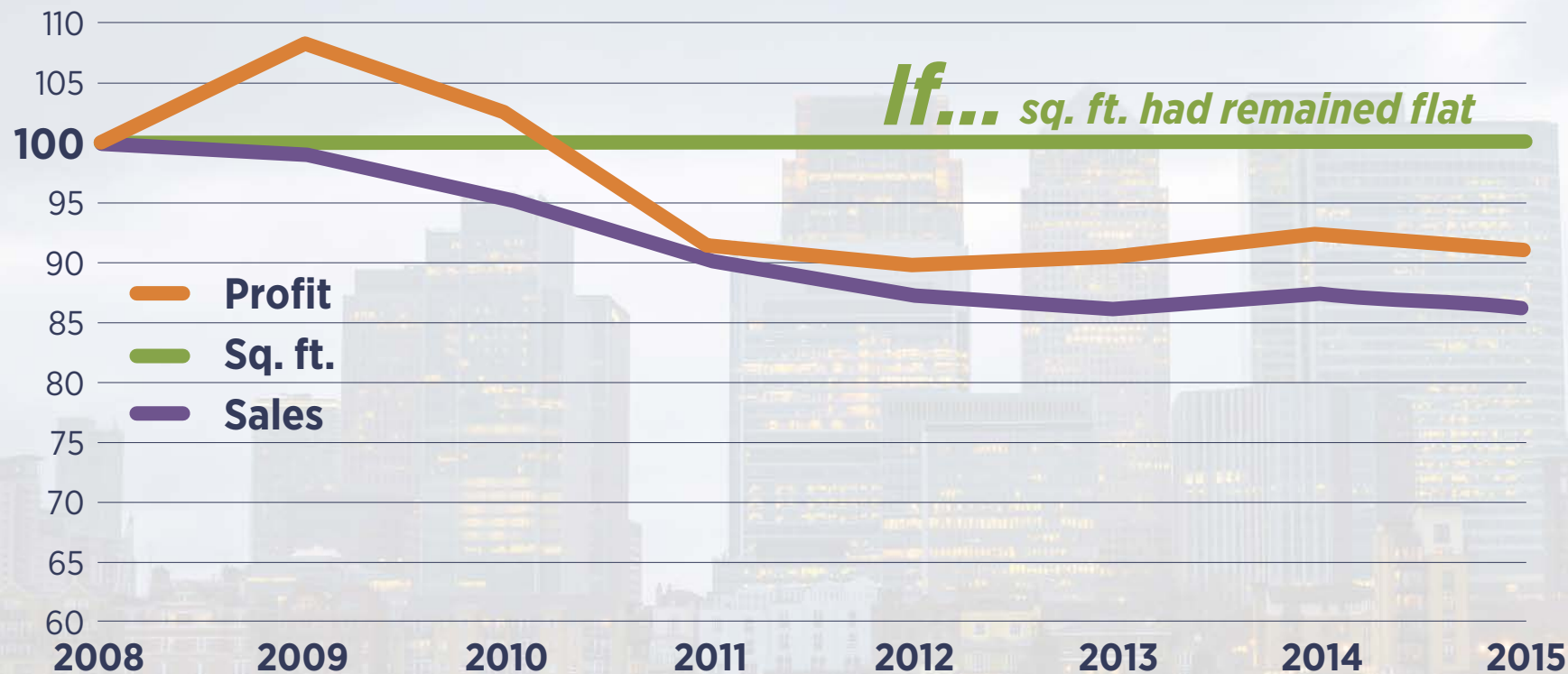
Store Performance | 2008 to 2015

next



Store Performance | 2008 to 2015

next



Store Performance | 2008 to 2015

next



Priorities for 2016/17

next

Retail Space

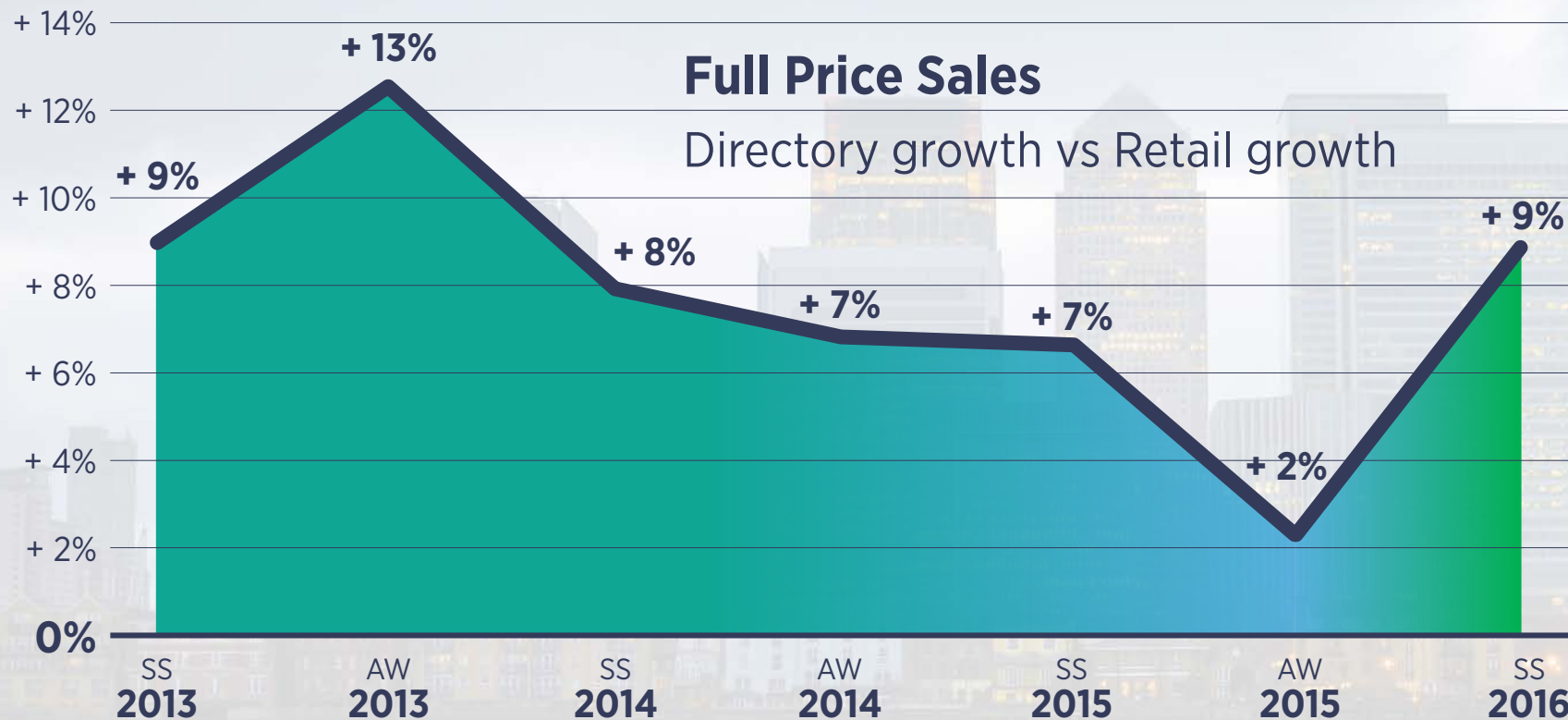
Improving Directory

Improving Product



Improving Directory Performance

next





Stock Availability



Mobile / Apps



Customer Recruitment



Online Personalisation



Catalogue Distribution



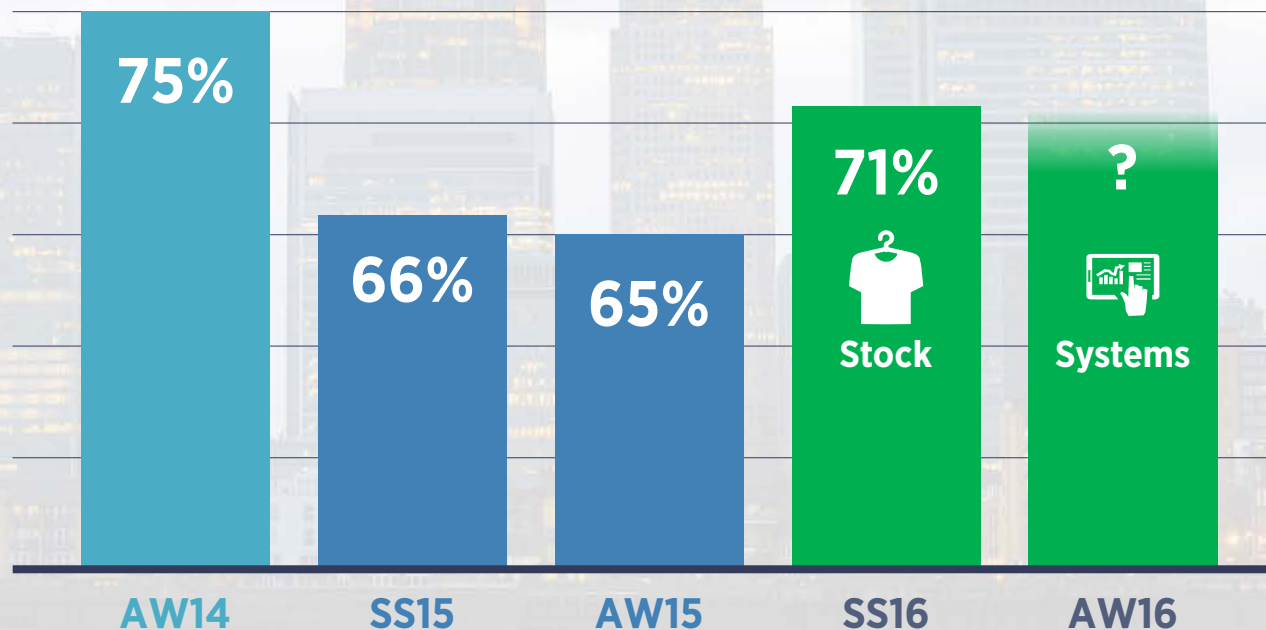
Delivery

Stock Availability

Mobile / Apps

Customer Recruitment

Stock available for next day delivery



Stock Availability

Mobile / Apps

Customer Recruitment

2016

✓ New iPhone & new iPad Apps

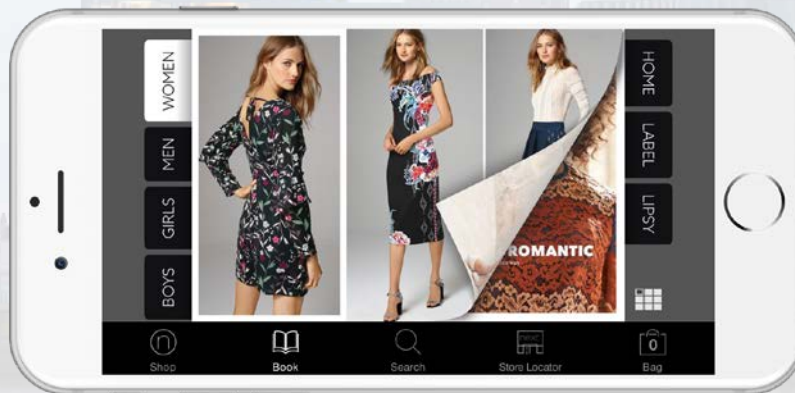
✓ UK M.Site

- Payment & Account Management
- Catalogue view

Conversion rate

Before
5%

After
6%



Stock Availability

Mobile / Apps

Customer Recruitment

2016

✓ **New iPhone & new iPad Apps**

✓ **UK M.Site**

- **Payment & Account Management**
- **Catalogue view**

2017

- **Baskets across devices**
- **Website convergence**
- **International M.site**

Stock Availability

Mobile / Apps

Customer Recruitment

2016

✓ **Display ads**

Additional UK recruitment

Additional customers **67k**

Additional spend **£3.1m**

Cost per addition **£47**

IRR **53%**

Overseas IRR < 10%

Stock Availability

Mobile / Apps

Customer Recruitment

2016

✓ **Display ads**

2017

- **Personalised ads**
- **Abandoned bags**

Priorities for 2016/17

next

Retail Space

Improving Directory

Improving Product





A Better Way of Buying



Systems



Processes



Culture

Sales & Profit Guidance



Profit Scenario | 2016/17(e)

next

If... Full Price sales are **+ 0%**

2016/17(e)
£805m

2015/16
£821m - 2%

720

740

760

780

800

820

Cost increases
- £48m

Retail LFL
- £62m

Cost savings and interest income
£70m

New space
£14m

Directory
£10m

Full year Brand full price sales

- 2.5% to **+ 2.5%**

Profit before tax

£775m to **£845m**

Growth in profit

- 5.6% to **+ 2.9%**

Ordinary dividend yield*

2.3%

Special dividend yield / buybacks*

circa 3.0%

TSR underlying (at constant PE ratio)

- 0.3% to **+ 8.2%**

* Based on a share price of £67.66, the average share price during the first month of 2016/17



next

JULY

2 0 1 6









