



next

January 2012

# Income Statement (exc Ventura)

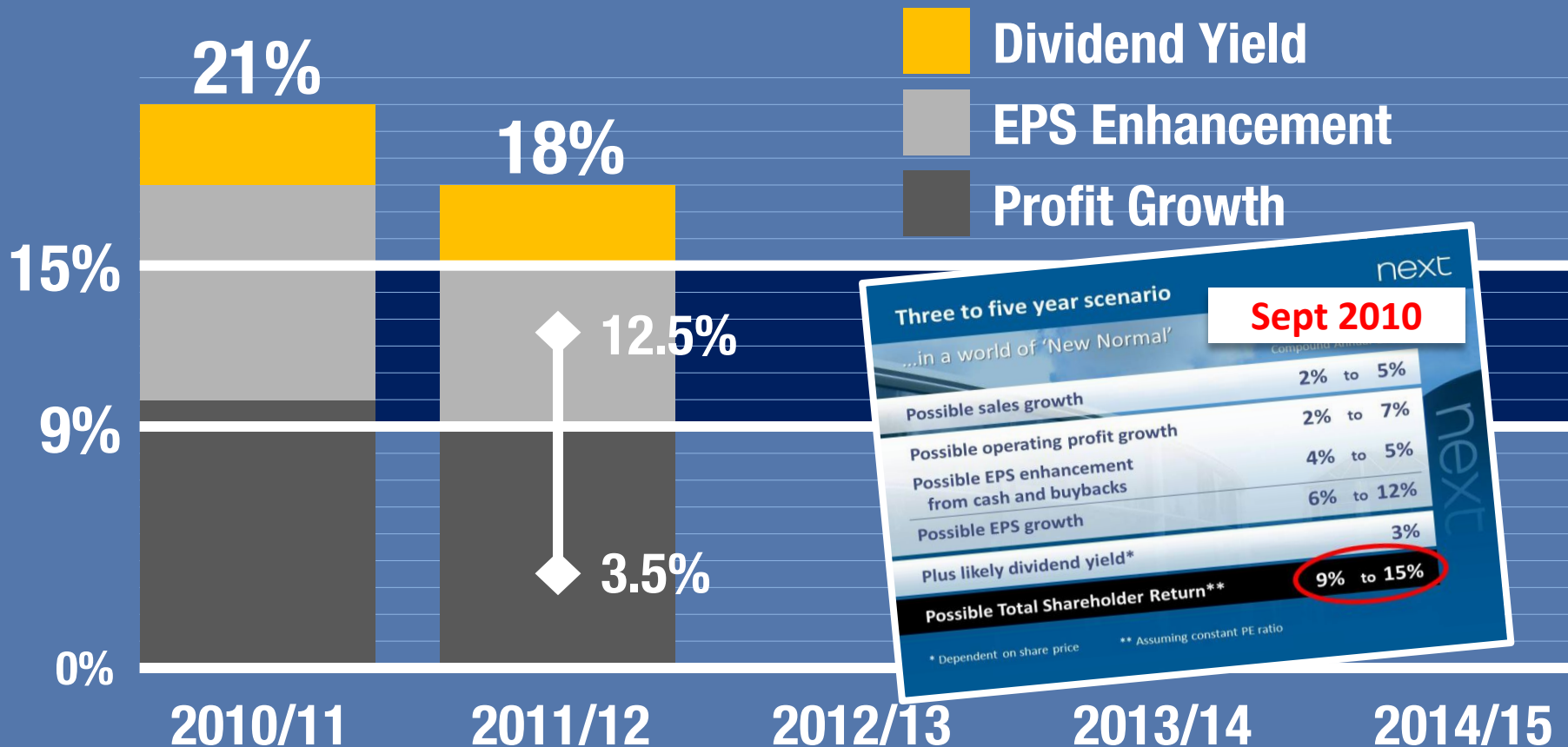
next

£m	2012	2011	VAT exc	VAT inc
Revenue	<u>3,441</u>	<u>3,298</u>	+ 4.3%	+ 5.6%
Operating profit	598	567	+ 5.6%	
Interest	<u>(28)</u>	<u>(24)</u>		
Profit before tax	570	543	+ 5.0%	
Taxation	<u>(143)</u>	<u>(150)</u>		
Profit after tax	<u>427</u>	<u>393</u>	+ 8.7%	
EPS (underlying)	255.4p	221.9p	+ 15.1%	
Dividend per share	90p	78p	+ 15.4%	

# Long Term TSR

Assuming dividend at 3% and constant PE ratio

next



# Balance Sheet

next

£m		Exc Ventura 2011	Inc Ventura 2011
	<b>2012</b>		
Fixed assets	<b>589</b>	588	599
Goodwill	<b>46</b>	47	47
Stocks	<b>372</b>	368	368
Debtors	<b>699</b>	608	645
Creditors	<b>(877)</b>	(866)	(906)
Pension surplus	<b>35</b>	56	56
Derivatives	<b>21</b>	2	2
Buyback / ESOT commitment	<b>(87)*</b>	(49)	(49)
Net debt	<b>(575)</b>	(530)	(530)
Net assets	<b><u>223</u></b>	<u>224</u>	<u>232</u>

\* Only £23m completed



# Balance Sheet

next

£m	2012	2011	
Fixed assets	589	588	
Goodwill	46	47	
Stocks	372	368	+1%
Debtors	699	608	+15%

## Directory Debtors

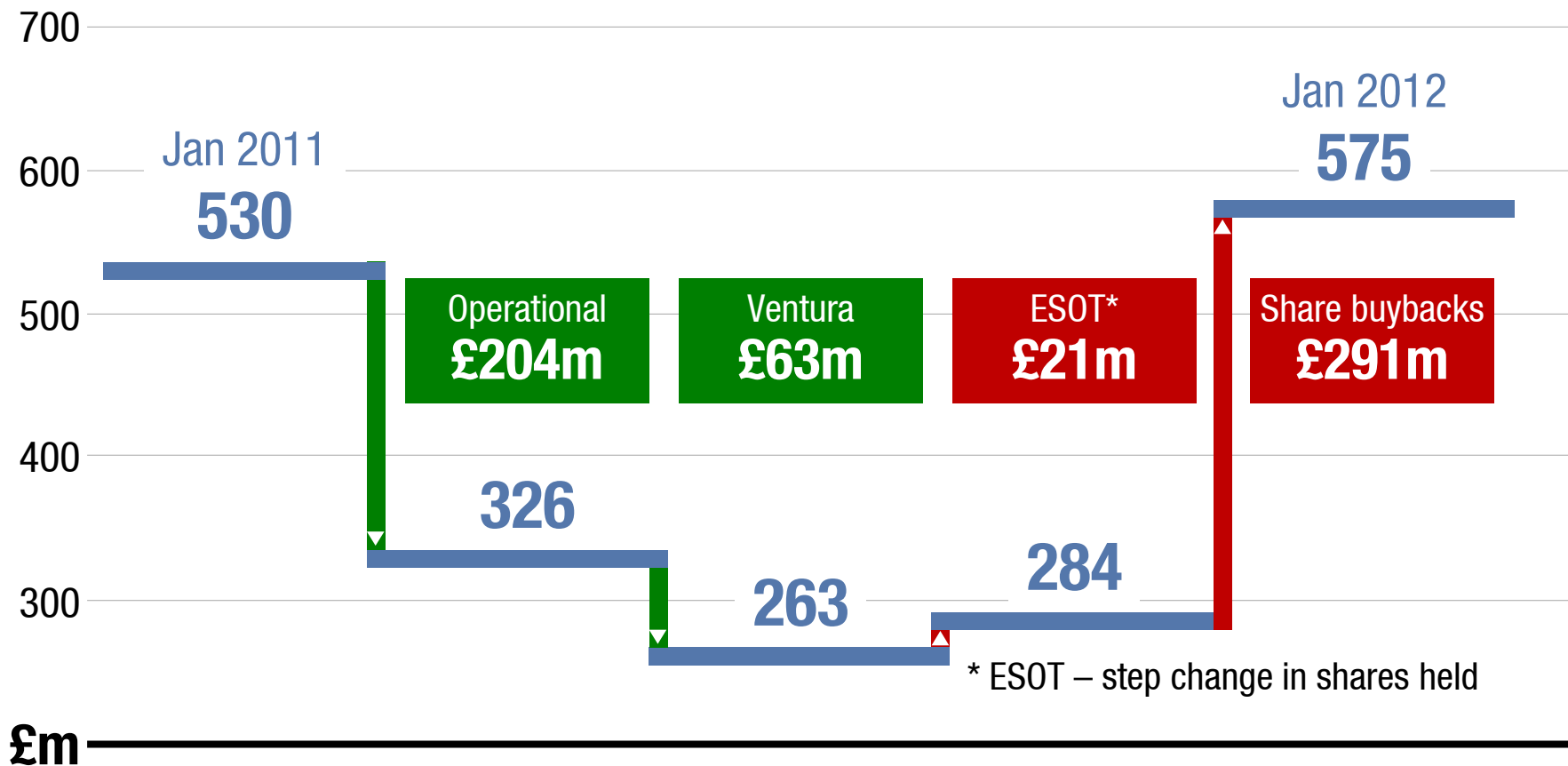


## Credit Sales Increase



# Net Debt and Cash Flow

next



# Cash Flow

next

£m	2012	2011
Profit before tax	582	551
Depreciation / impairment	128	130
Capital expenditure	(126)	(144)
Ventura sale	63	-
Working capital / other	(122)	(133)
Pension	-	(40)
Dividends paid	(135)	(130)
Tax paid	(144)	(142)
Share buybacks	(291)	(222)
Net cash flow	<u>(45)</u>	<u>(130)</u>

# Cash Flow

next

£m

2012

2011

Profit before tax

582

551

Depreciation / impairment

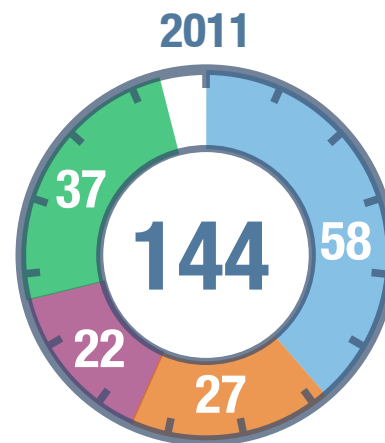
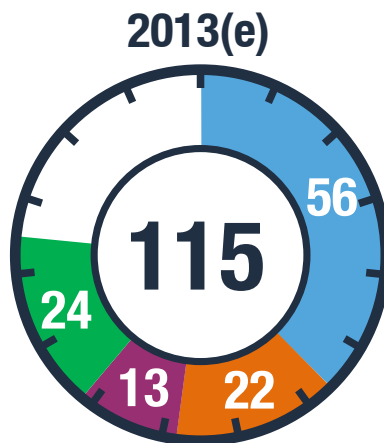
128

130

Capital expenditure

(126)

(144)



# Shares in issue

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	Gross	Net of ESOT
Jan 2011	181m	175m
Jan 2012	169m	163m
Year on year	- 6.9%	- 6.7%
Jan 2013(e)	162m	156m
Year on year	- 4.2%	- 4.1%

# Retail





A photograph of a Next retail store interior. In the foreground, a woman with long red hair is sitting on a wooden bench, looking towards the camera. Behind her, there are clothing racks with various items. In the background, a staircase is visible with directional signs for 'MENS', 'BEDROOM', 'KIDS BEDROOM', 'BATHROOM', and 'STARBUCKS'.

# Retail : Sales Analysis

next

£m	2012	2011	
<b>Revenue</b> (statutory sales)	<b>2,191.4</b>	2,222.1	- 1.4%
<b>Operating profit</b>	<b>323.7</b>	328.8	

## Sales from new space

Average space growth	6.6%
Sales growth from net space	4.3%
Return on space	65%

# Retail Space Expansion

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	Stores	Sq. Ft. 000's	
<b>Jan 2011</b>	<b>525</b>	<b>6,073</b>	
<b>New</b>	<b>12</b>	<b>177</b>	
<b>Closed</b>	<b>(15)</b>	<b>(83)</b>	
<b>Re-sites (9)</b>	<b>-</b>	<b>71</b>	
<b>Extensions (18)</b>	<b>-</b>	<b>34</b>	
<b>Home stand alone</b>	<b>14</b>	<b>203</b>	
<b>Jan 2012</b>	<b>536</b>	<b>6,475</b>	<b>+ 6.6%</b>

## New store performance

	Sales v Target	Payback (months)	Store profit
<b>Mainline</b>	+ 8%	18	22%
<b>Home</b>	+ 1%	23	19%
<b>Total</b>	<b>+ 6%</b>	<b>20</b>	<b>21%</b>

# Retail : Profit Analysis

next

£m	2012	2011	
<b>Revenue</b> (statutory sales)	<b>2,191.4</b>	2,222.1	- 1.4%
<b>Operating profit</b>	<b>323.7</b>	328.8	- 1.6%
% to revenue	<b>14.8%</b>	14.8%	

## Margin Movement

Bought in gross margin	+ 0.3%
Markdowns	+ 0.4%
Branch payroll	+ 0.3%
Occupancy	- 0.4%
Warehouse and distribution	- 0.3%
Central overheads	- 0.3%

# Directory





# Directory : Sales Analysis

next

£m	2012	2011	
<b>Revenue</b> (statutory sales)	<b>1,088.7</b>	935.5	+ 16.4%
<b>Operating profit</b>	<b>262.6</b>	221.9	

## Sales analysis

	Vat Exc
UK full price	+ 8.4%
International online	+ 2.4%
UK offers tab	+ 2.5%
Increased end of season sale	+ 3.1%
Total sales	<u>+ 16.4%</u>



# Directory : Sales Analysis

next

£m	2012	2011	
<b>Revenue</b> (statutory sales)	<b>1,088.7</b>	935.5	+ 16.4%
<b>Operating profit</b>	<b>262.6</b>	221.9	

## Sales drivers

			Contribution to customer growth
Credit	2,557	2,464	+ 3.4%
Cash	438	267	+ 6.2%
Active customers (000's)	<u>2,995</u>	<u>2,731</u>	<u>+ 9.6%</u>
Printed pages	4,180	4,084	+ 2%



# Directory : Profit Analysis

next

£m	2012	2011	
<b>Revenue</b> (statutory sales)	<b>1,088.7</b>	935.5	+ 16.4%
<b>Operating profit</b>	<b>262.6</b>	221.9	+ 18.3%
% to revenue	<b>24.1%</b>	23.7%	

## Margin movement

Bought in gross margin	+ 0.6%
Markdowns	+ 0.2%
Bad debt reduction	+ 0.4%
Service charge	– 0.9%
Warehouse & distribution	– 0.7%
Marketing & other	+ 0.8%



# Retail Overseas

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£m	2012	2011	
Wholly owned	17.6	17.4	+ 1%
Franchise income	58.7	49.9	+ 18%
Total revenue	<u>76.3</u>	<u>67.3</u>	+ 13%

Wholly owned	17.6	17.4	+ 1%
Partner sales	<u>141.4</u>	<u>129.4</u>	+ 9%
Retail sales	<u>159.0</u>	<u>146.8</u>	+ 8%
Operating profit	7.9	5.8	+ 37%



# Sourcing

next

£m	2012	2011	
Intra-group sales	511.5	505.7	+ 1%
Operating profit	21.1	26.7	- 21%

- Commission £2.3m lower
- Stock write-off £3m
- Profit forecast 2012/13(e) £25m



# Other

next

£m	2012	2011
Lipsy	1.3	1.0
Property	5.6	2.3
Unrealised FX	(1.1)	2.2
Associates	1.5	1.8
Pension credit	6.7	1.2
Group / share incentives	<u>(30.6)</u>	<u>(24.9)</u>
	<u>(16.6)</u>	<u>(16.4)</u>





# next

## The Year Ahead





# Best Guess....

## Another Challenging Year



**Consumer inflation**

**VAT effect**

**Stable input prices**



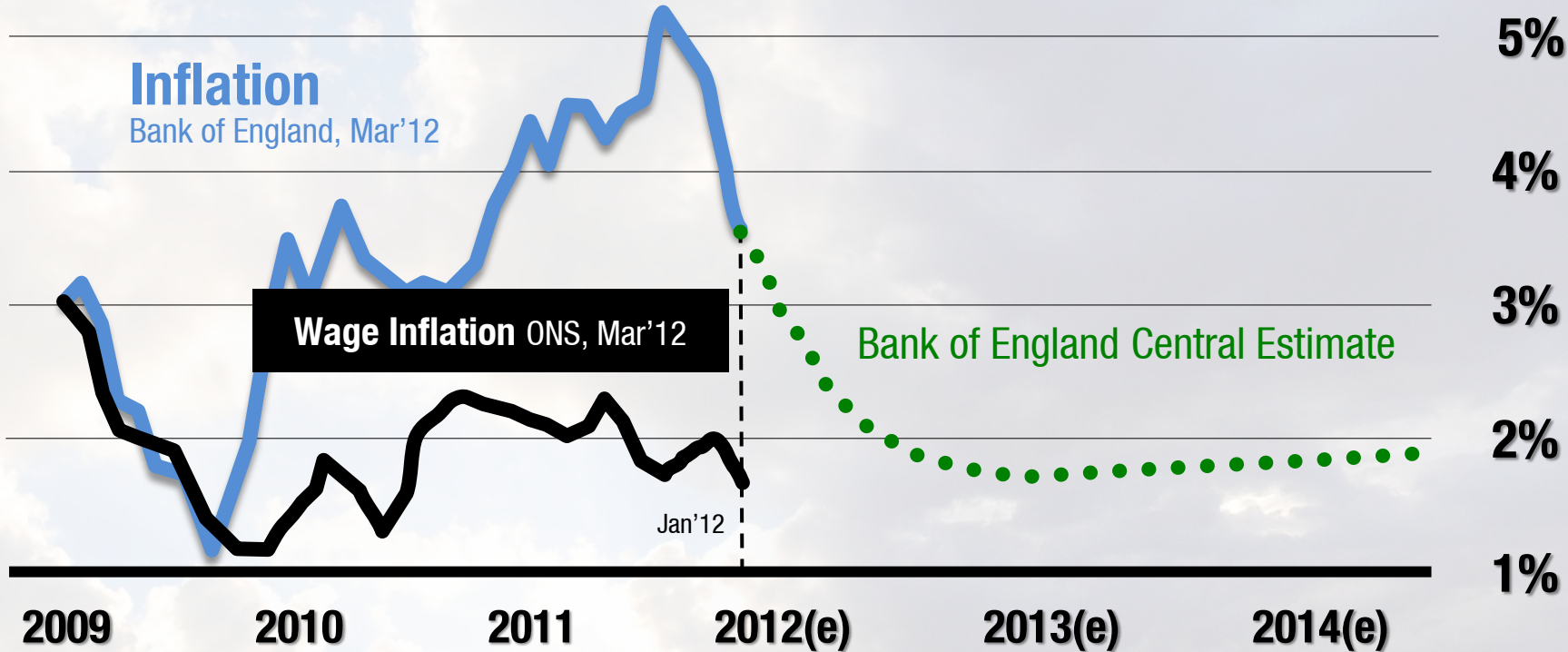
**Eurozone 'crisis'**

**Credit squeeze**

**Employment stalling?**



# Consumer inflation

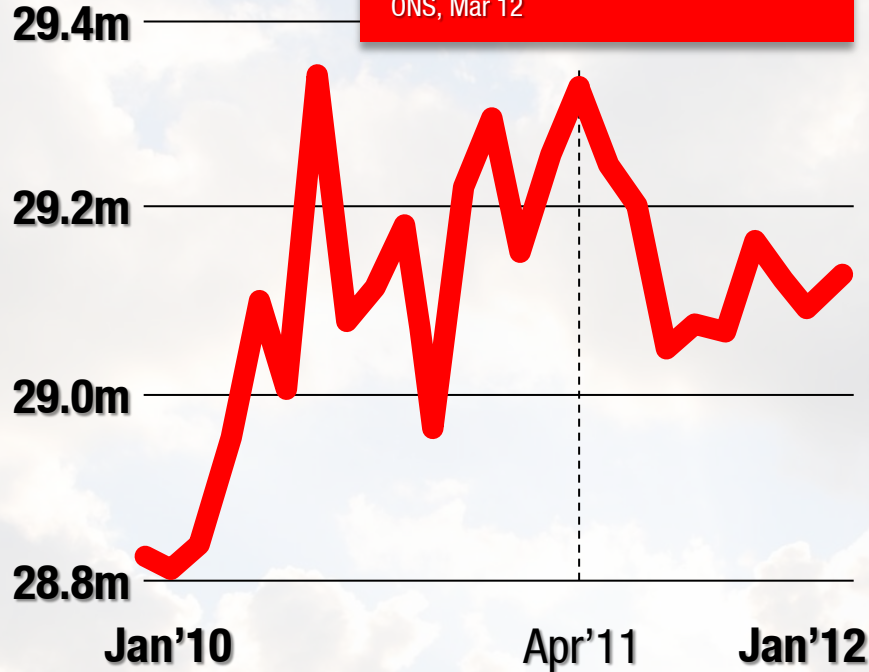




# Employment stalling?

## UK 16+ Employment

ONS, Mar 12



# Credit squeeze

## The Telegraph

Tuesday 13 March 2012

HOME NEWS SPORT **FINANCE** COMMENT BLOGS CULTURE TRAVEL LIFESTYLE FA

### Richard Branson hikes cost of credit for Virgin Money card customers

Sir Richard Branson's Virgin Money, which recently bought Northern Rock, has increased interest rates on its credit cards by almost 50pc in the latest blow to consumers already hit by rising mortgage rates.

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4 March 2012 Last updated at 00:32

438 Share f t e

### Halifax to raise standard variable rate to 3.99%

The UK's biggest mortgage lender, the Halifax, has confirmed it is raising its standard variable mortgage rate (SVR) from 1 May.

The Halifax said the rise - from 3.5% to 3.99% - was due to the higher cost of raising funds for mortgages from both savers and the financial markets.



# Managing for a Challenging Season

**1. Set Realistic Targets**

**SS12 Total Retail sales     - 3% to 0%**

**2. Control Costs**

**3. Grow Retail Space**

**Sales from new space     circa 4%**

**4. Develop Directory**

**SS12 Directory sales   + 9% to + 12%**

**5. Share Buybacks**

**SS12 Brand sales     + 1% to + 4%**

# Grow Retail Space

	Jan 12	Jan 13(e)	Jan 14(e)	
No. of projects	53	30	20	30
Sq. ft. (000s)	402	300	300	450
Annualised turnover	£103m	£70m	£65m	£95m
Home	£48m	£30m		
Retail	£55m	£40m		

# Profitable Growth

## Profitable Portfolio

Number of stores	42
------------------	----

NBC %	21%
-------	-----

Payback (months)	20
------------------	----



## Great Deals

Example

Shopfit cost	£7.2m
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Landlord contribution	£3.5m
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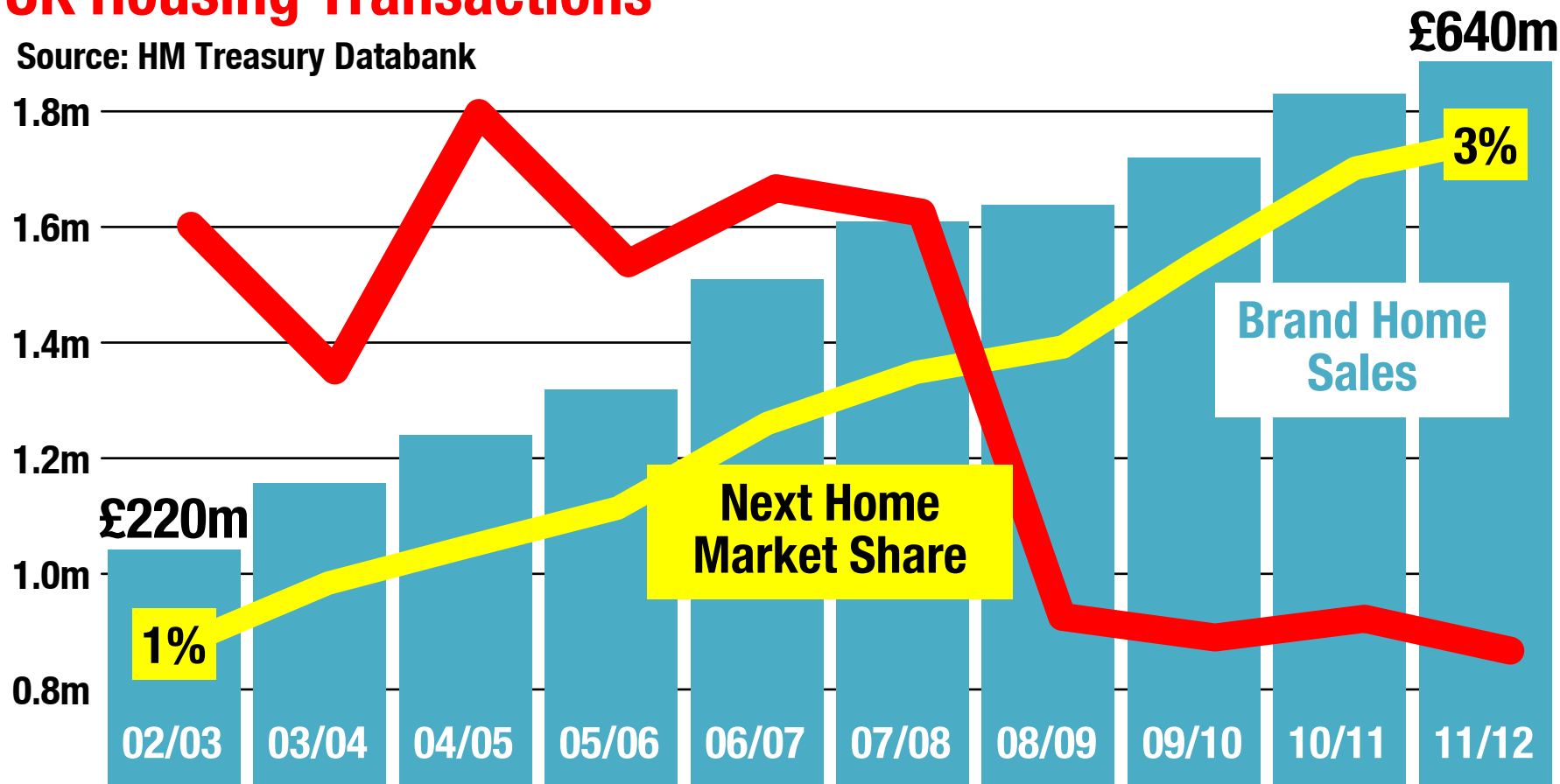
Rent per sq. ft.	£25
------------------	-----





# UK Housing Transactions

Source: HM Treasury Databank



# Home – improving the ranges

More newness

	Ph1	Ph3
SS12	45%	20%
SS11	35%	12%

Better quality



More design



Shoreham





# Shoreham-type Wish List



# Customers See One Brand

**Directory  
Returns**

**59%**  
of all returns

**£440m**

**Directory  
Collections**

**20%**  
of all parcels

**£350m**

**Directory  
Recruitment**

**20% through store**

**next**





# Customers See One Brand

## Retail store portfolio

Profitability	% of turnover
> 20%	73%
> 15%	90%
> 10%	97%
> 5%	99%
> 0%	99.7%





# Develop Directory



**UK service improvements**

**International expansion**

**Infrastructure**

# UK service improvements

Within 24 months



**Sunday  
Deliveries**



**Evening  
Deliveries**



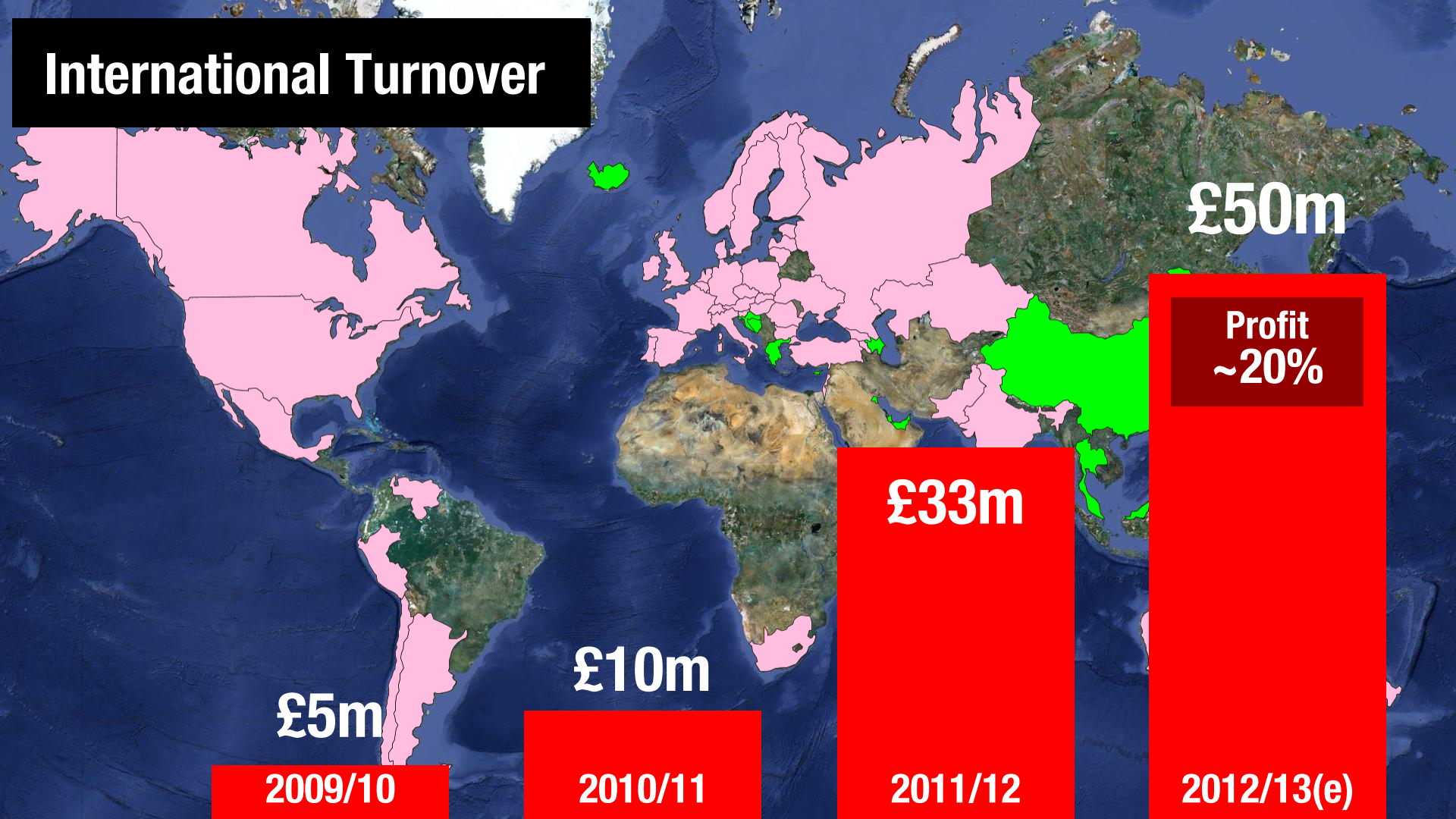
**10pm  
Cutoff**



**80% of the UK  
Same Day  
Deliveries**



# International Turnover



£5m

2009/10

£10m

2010/11

£33m

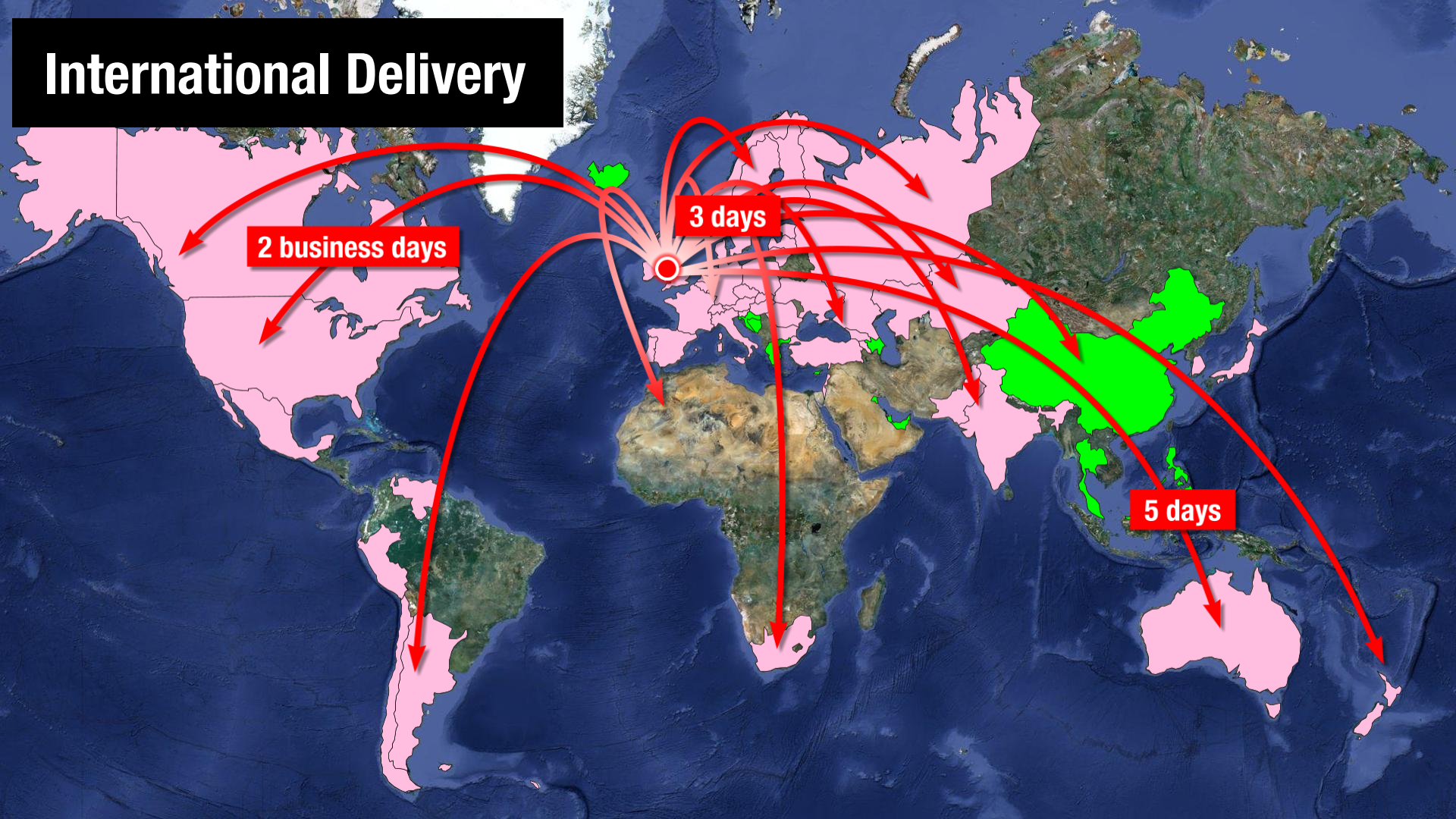
2011/12

£50m

Profit  
~20%

2012/13(e)

# International Delivery





# Warehousing & Distribution

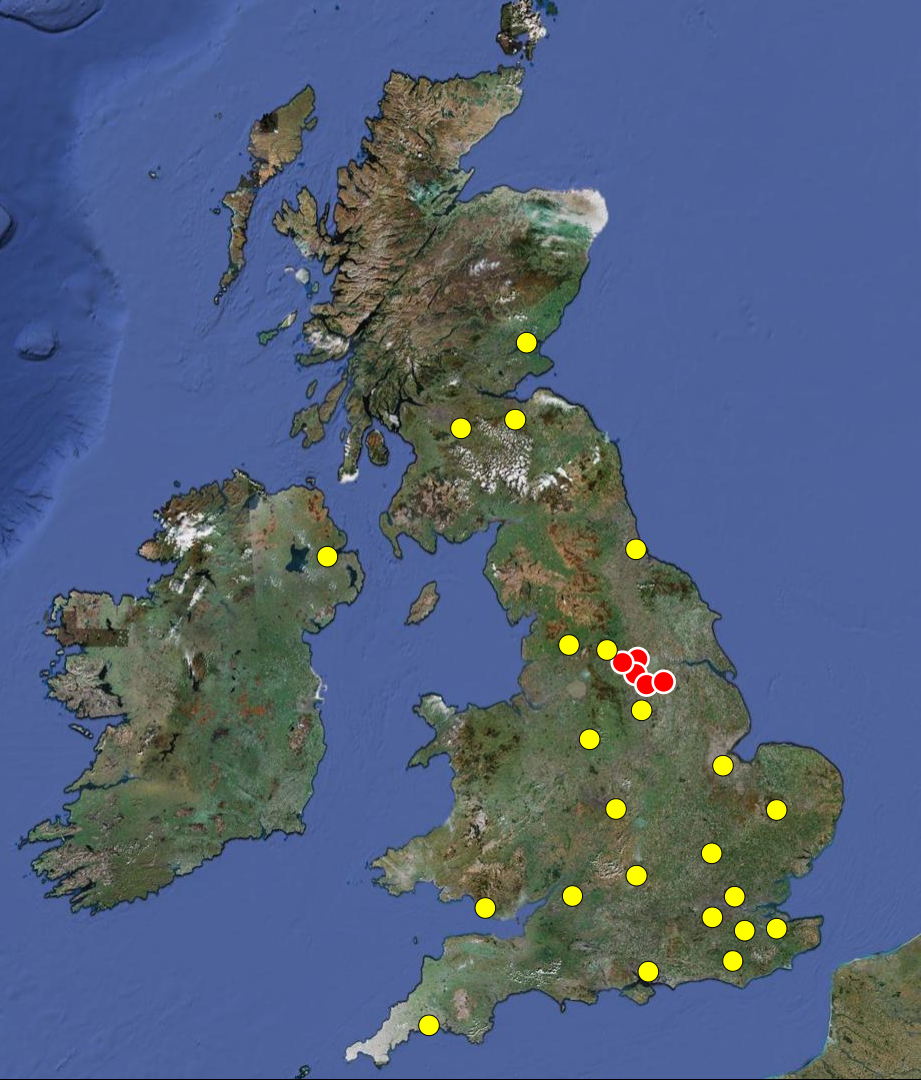
## Directory Delivery Network

 5 warehouses

 23 depots

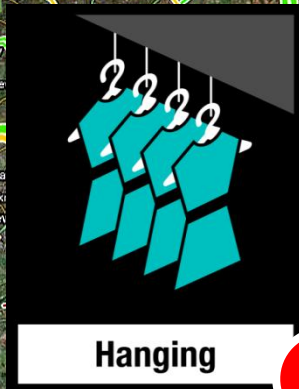
536 stores

7,500+ couriers





# Warehousing & Distribution



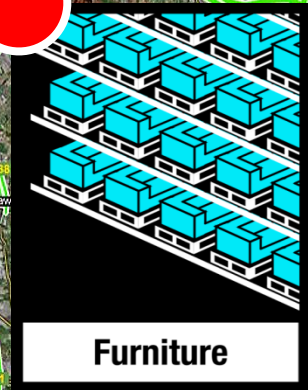
## Hanging



**Boxed**



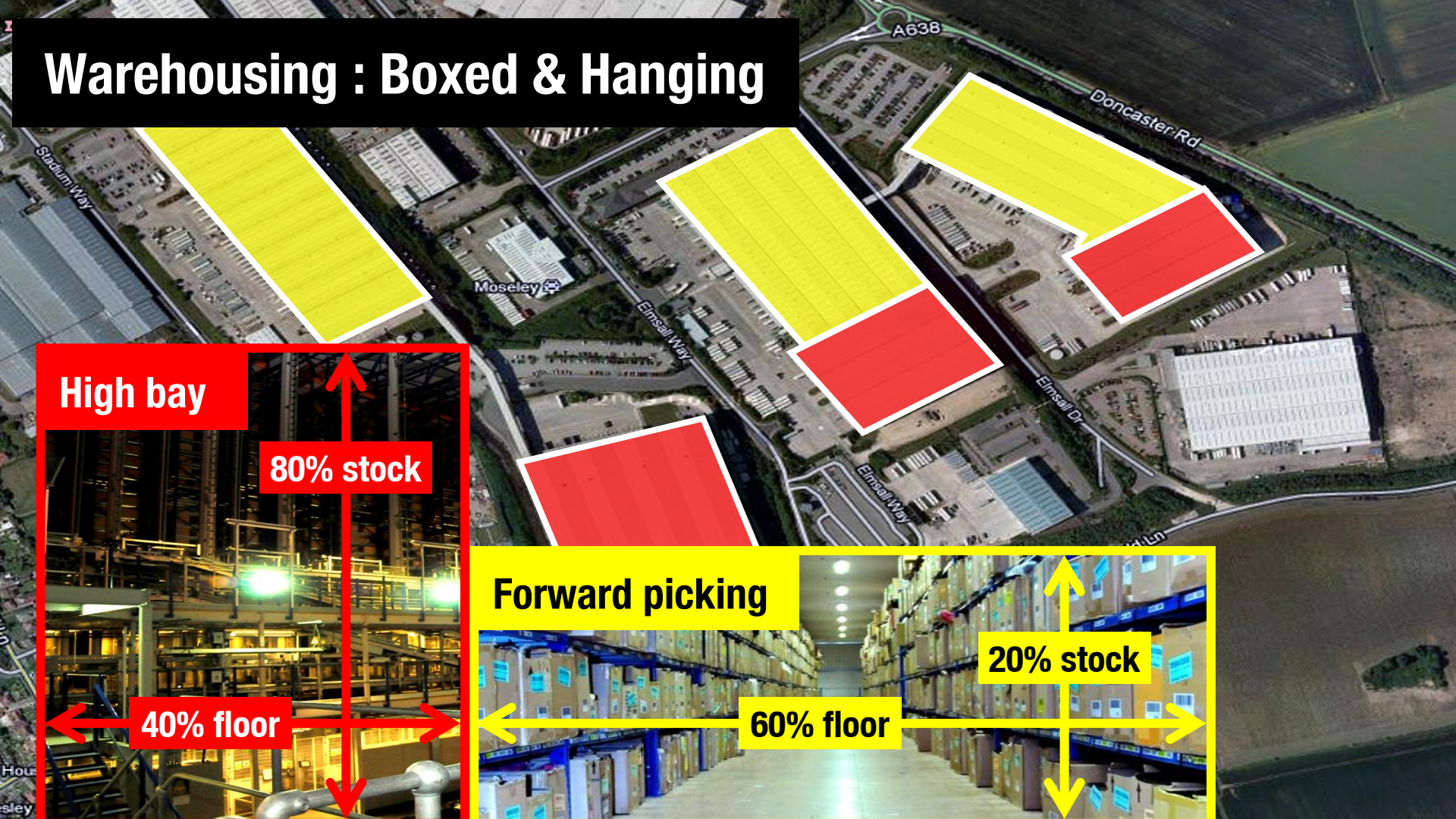
**Palletised**



**Furniture**



# Warehousing : Boxed & Hanging



**High bay**

**80% stock**

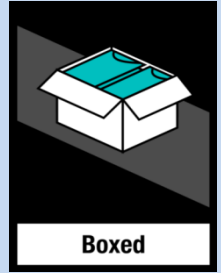
**40% floor**

**Forward picking**

**20% stock**

**60% floor**

# **Optimised** boxed picking process



**£25 million**

**AUTO  
SORTER**

**AUTO  
SORTER**

**AUTO  
SORTER**

**AUTO  
SORTER**

**Peak pick capacity 800k units/day**



# Warehousing : Returns

← 6-7 day turnaround →

**Return**  
**3-4 days**

next



**Refurbish and Put Away**  
**1 day**

next  
Returns Centre



next  
Warehouse



**Pick and Pack**  
**1 day**



**Deliver**  
**1 day**

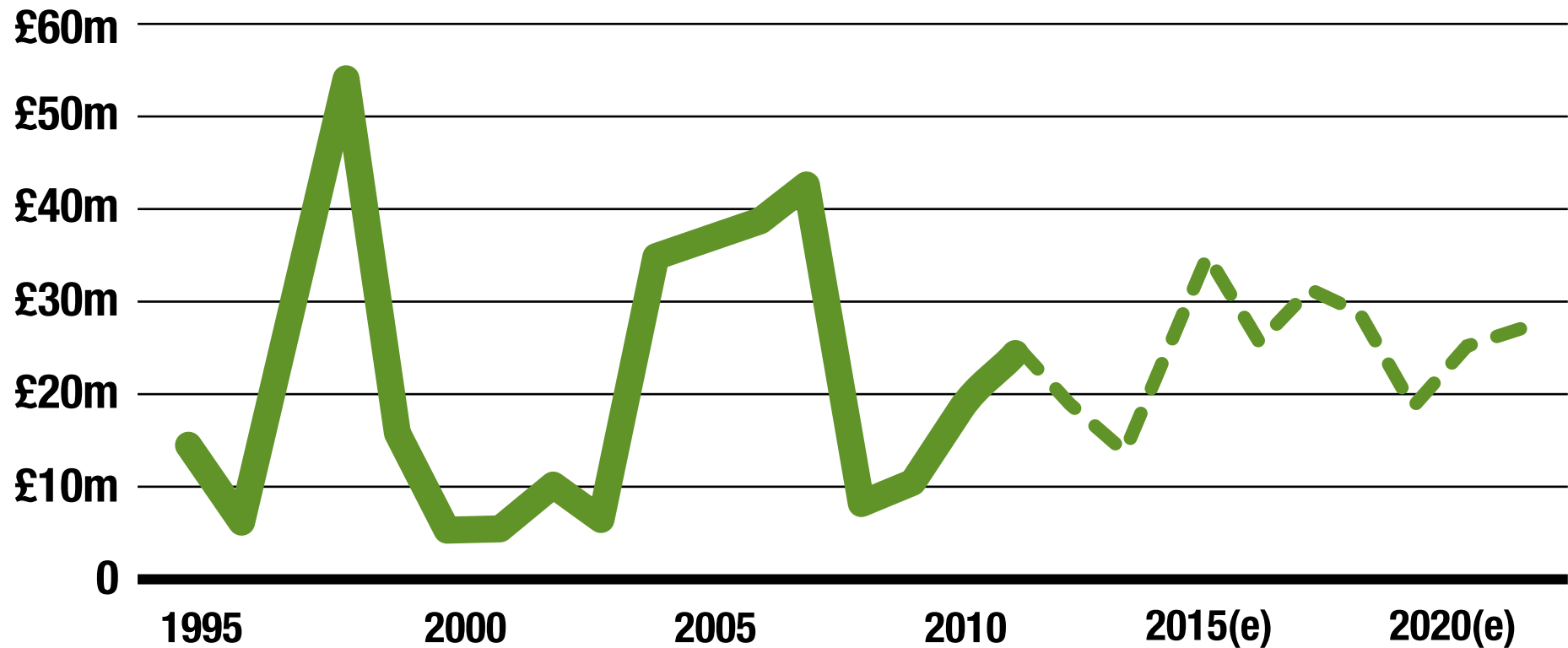
next



# Warehouse capacity

	Boxed	Hanging	Palletised	Returns	Total
Operating sq. ft.	2.3m	1.2m	2.0m	0.3m	5.8m
Storage (units)	45m	6m	27m	-	78m
Investment	£152m	£59m	£51m	£8m	£270m
% of capacity	74%	58%	43%	76%	

# Warehouse Capex 1995-2020(e)





A woman with short, dark, wavy hair is sitting on a wooden ledge, looking out a large window. She is wearing a light blue, short-sleeved blouse with a ruffled front and a pink and white striped skirt. Her right hand is resting on her lap, and her left hand is resting on the wooden ledge. The window has vertical wooden frames, and the view outside shows a bright, hazy landscape, possibly a beach or a field. The overall tone is bright and airy.

**Outlook for full year sales and profit**



# Profit Scenarios

If Brand Sales + 2.5%

2011/12  
£570m

2012/13  
£585m

RETAIL LFLs - £43m

COST INCREASES - £36m

COST SAVINGS £28m

RETAIL SPACE £32m

DIRECTORY £34m

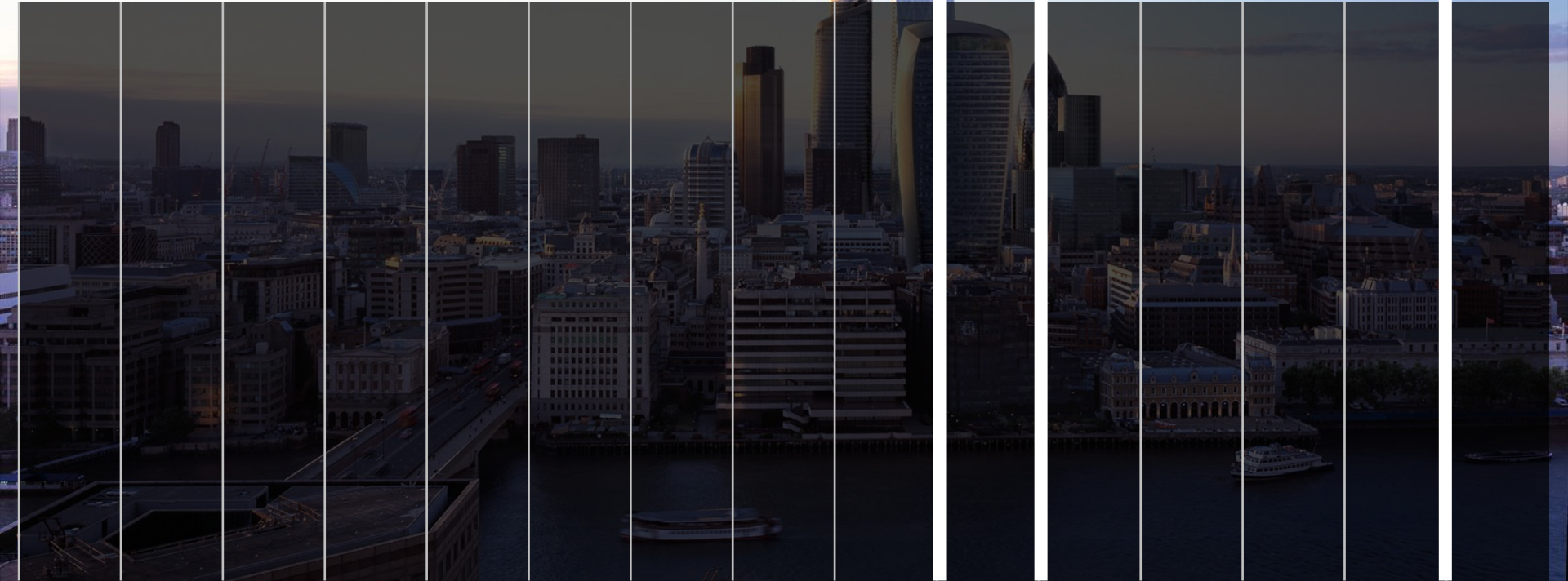
# Profit Scenarios

Brand Sales + 1% to + 4%

2011/12  
£570m

2012/13  
£560m

2012/13  
£610m



# Brand Outlook for 2012/13 - Estimate

next

If...

Full Year Brand Sales

+ 1%

to

+ 4%

Then...

Profit before tax

£560m

to

£610m

Variance to last year

- 2%

to

+ 7%

Buyback enhancement + 5%

Growth in EPS

+ 3%

to

+ 12%

Dividend yield + 3%

TSR (Assuming constant PE ratio)

+ 6%

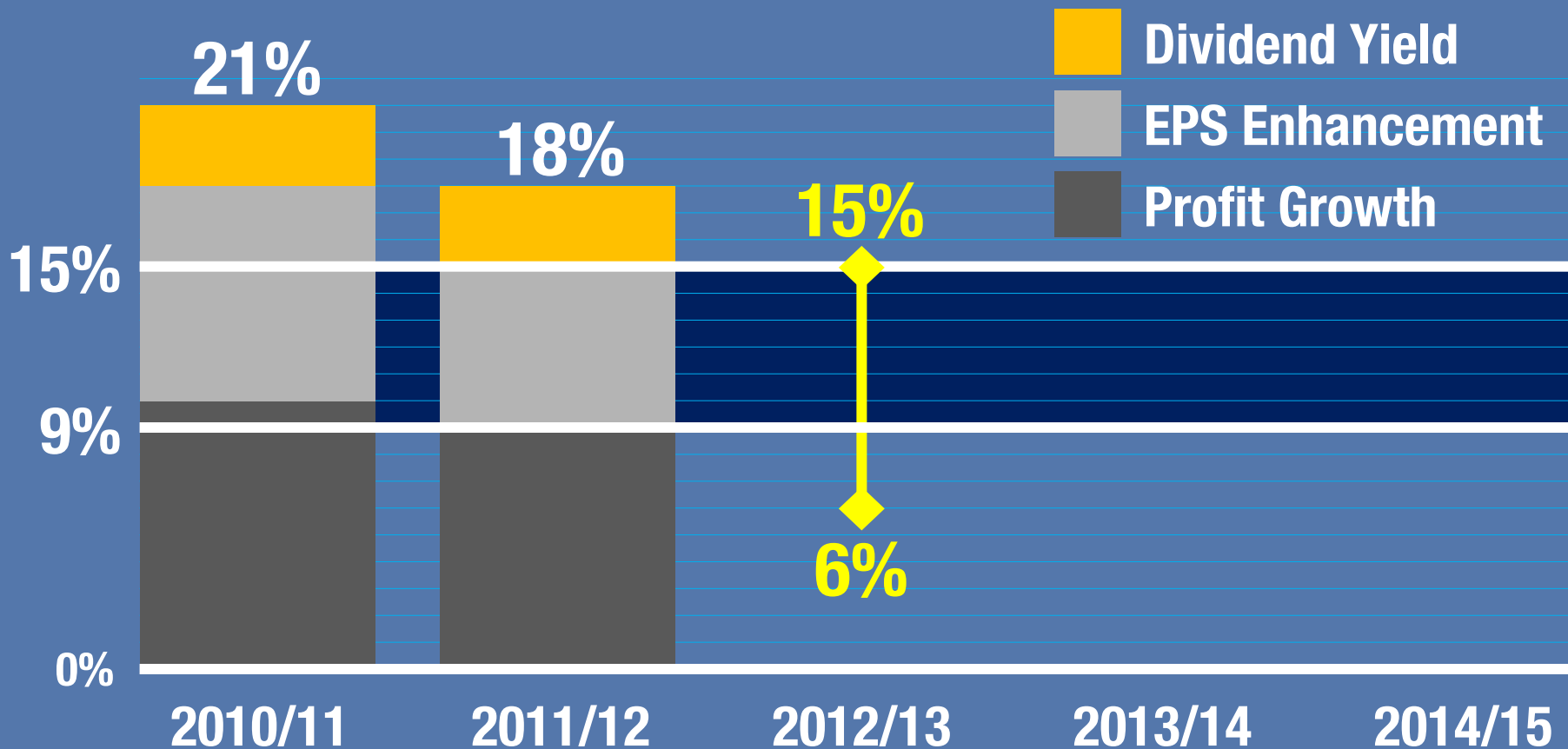
to

+ 15%

# Long Term TSR

Assuming dividend at 3% and constant PE ratio

next





A man with a beard, wearing a grey suit, a purple shirt, and a dark tie, stands in front of a large glass window. The window reflects a swimming pool and a view of mountains. The word "next" is written in a large, white, sans-serif font in the top left corner.

# next

**In summary**

**Another challenging year**

**Opportunities for growth**

**Further buybacks**

**Continued EPS growth**





next

January 2012

next





next



next







next



next



next





A woman with short, dark, wavy hair is smiling and looking upwards and to the left. She is wearing a long-sleeved sweater with horizontal stripes of red and dark blue/black, featuring a lace-like pattern in the dark stripes. She is leaning against a wall made of vertical wooden planks. The lighting is warm and golden, suggesting an indoor setting with large windows or a warm light source. The word "next" is written in a white, lowercase, sans-serif font in the upper right corner.

next

next







next



next



next







next





next

next



A woman with short, dark, wavy hair and light-colored eyes is leaning against a white wall. She is wearing a sleeveless tank top with horizontal stripes in white, yellow, and brown. Her right arm is resting on the wall, and her left arm is partially visible. The scene is lit with bright, natural light, creating strong shadows on the wall behind her. To the right, a rack of clothes, including a bright green jacket, is partially visible in the background.

next





next