

next

January 2013



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%

+ 3%

to

+ 12%

Growth in EPS

+ 6%

to

+ 15%

Dividend yield + 3%

TSR (Assuming constant PE ratio)

MARCH 2012



Sales & Profit Scenarios given March 2012

next

Sales Range

0

1

2

3

4

5

1% to 4

3.1

Profit Range

540

560

580

600

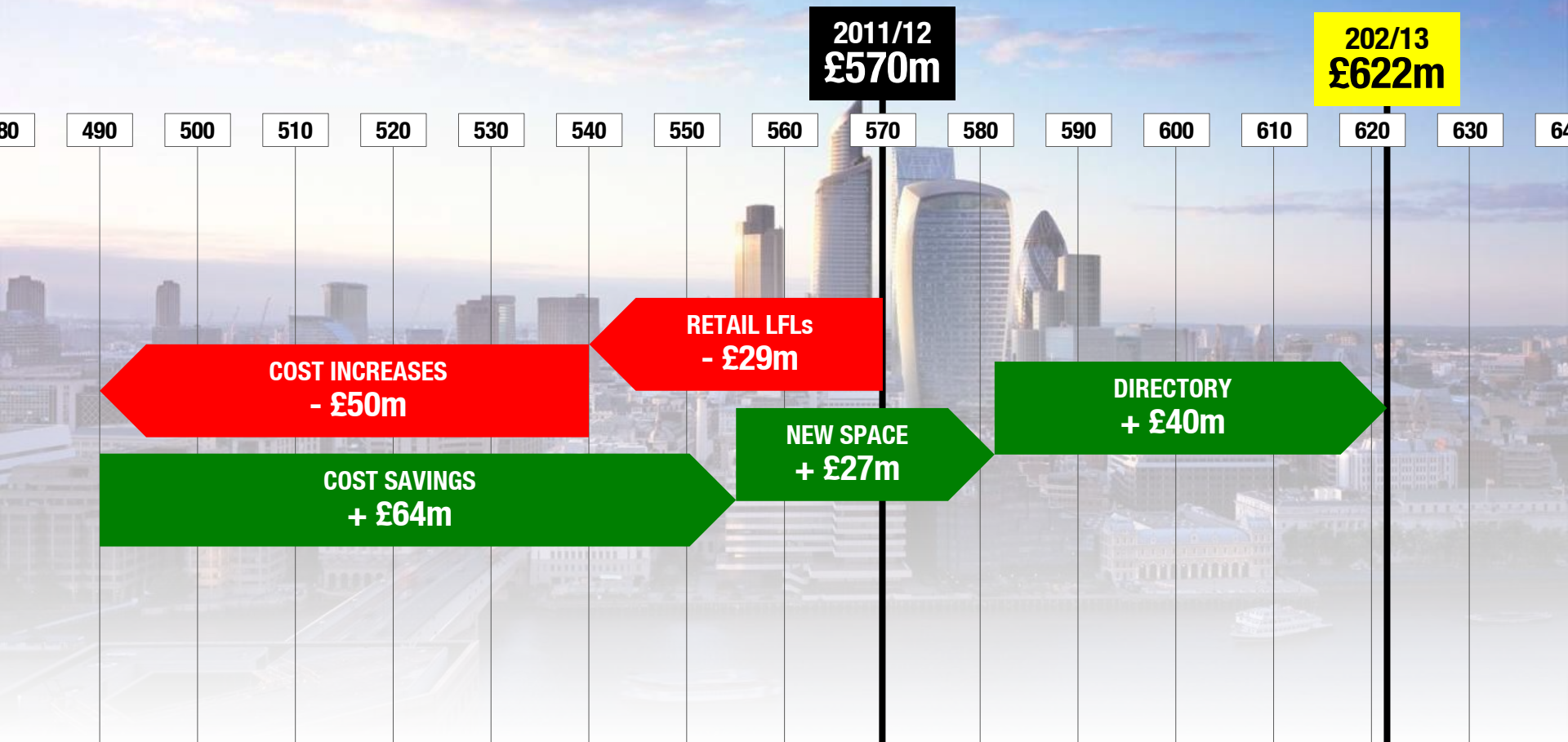
620

£560m to £610m

622

Profit Drivers

next



Income Statement

next

£m	2013	2012	
Revenue (underlying)	<u>3,548</u>	<u>3,441</u>	+ 3%
Operating profit (underlying)	650	598	
Interest	<u>(28)</u>	<u>(28)</u>	
Profit before tax (underlying)	622	570	+ 9%
Taxation	<u>(149)</u>	<u>(143)</u>	
Profit after tax (underlying)	<u>473</u>	<u>427</u>	+ 11%
EPS (underlying)	297.7p	255.4p	+ 17%
Dividend per share	105p	90p	+ 17%

Income Statement

next

£m	2013	2012	
Revenue (underlying)	3,548	3,441	+ 3%
Operating profit (underlying)	650	598	
Interest	(28)	(28)	
Profit before tax (underlying)	622	570	+ 9%
Taxation	(149)	(143)	
Profit after tax (underlying)	473	427	+ 11%
Exceptionals/Ventura	35	47	+ 17%
Total profit	508	474	+ 17%

Balance Sheet

next

£m	2013	2012
Fixed assets	545	589
Goodwill and intangibles	45	46
Stocks	332	372
Debtors	718	699
Creditors	(859)	(877)
Pension surplus	66	35
Derivatives	17	21
Buyback / ESOT commitment	(85)	(87)
Net debt	(493)	(575)
Net assets	<u>286</u>	<u>223</u>

Balance Sheet

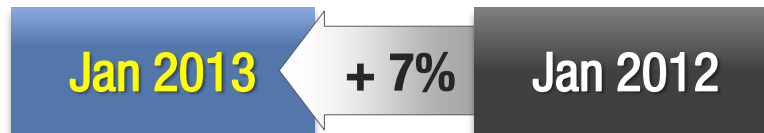
next

£m	2013	2012
Fixed assets	545	589
Goodwill and intangibles	45	46
Stocks	332	372
Debtors	718	699

Directory Debtors

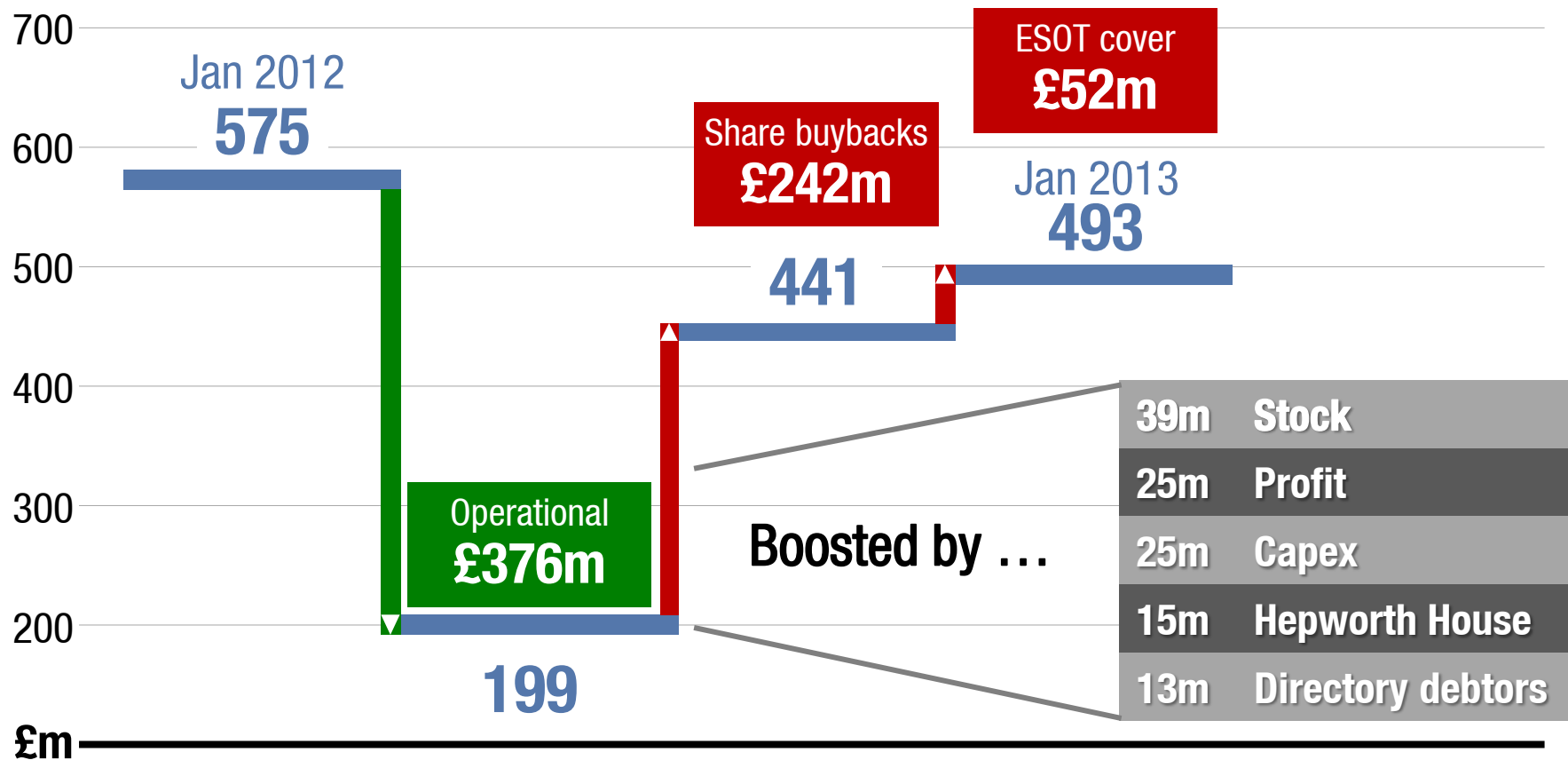


Annual Credit Sales Increase



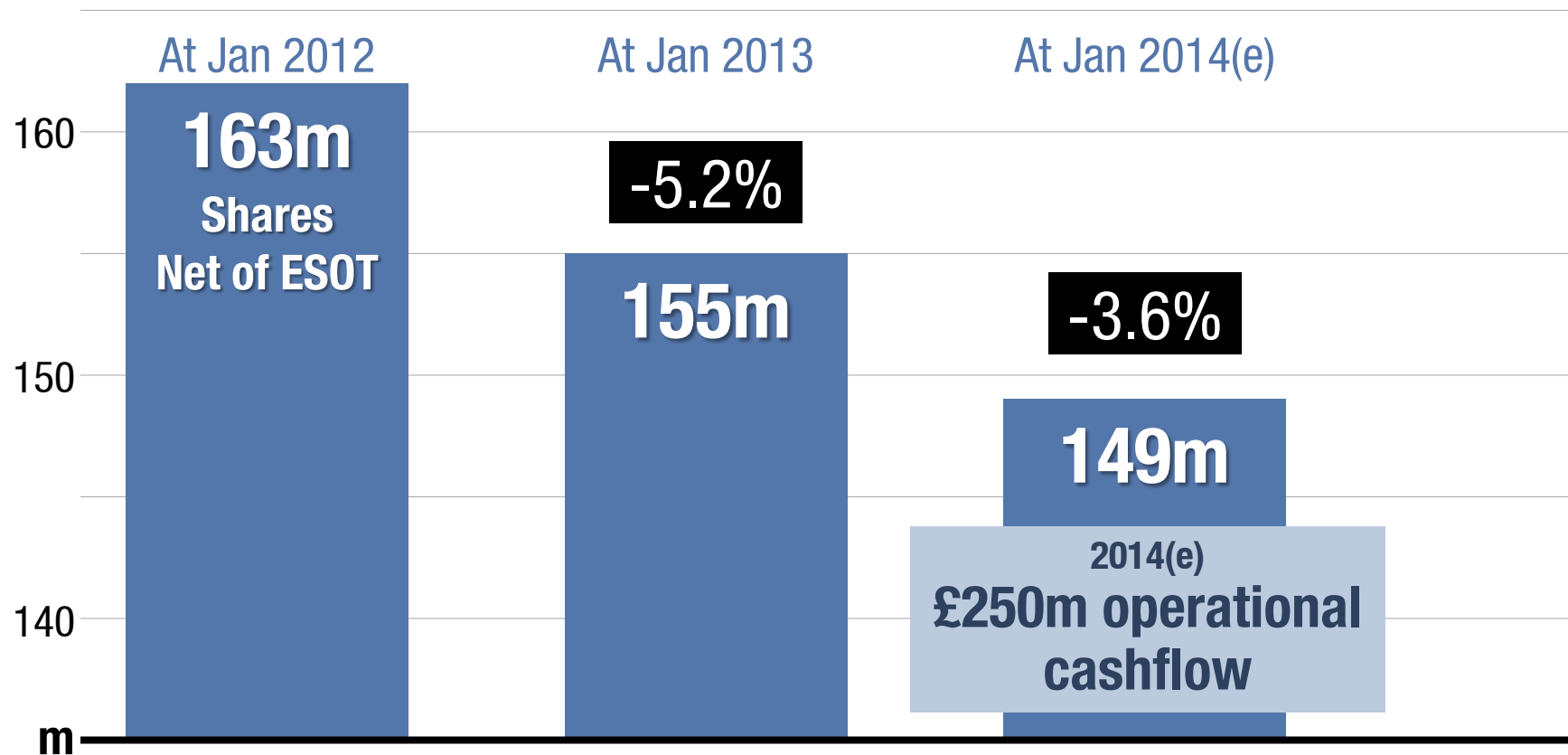
Full Year Debt, Cash Flow and Buybacks

next



Full Year Debt, Cash Flow and Buybacks

next



Cash Flow

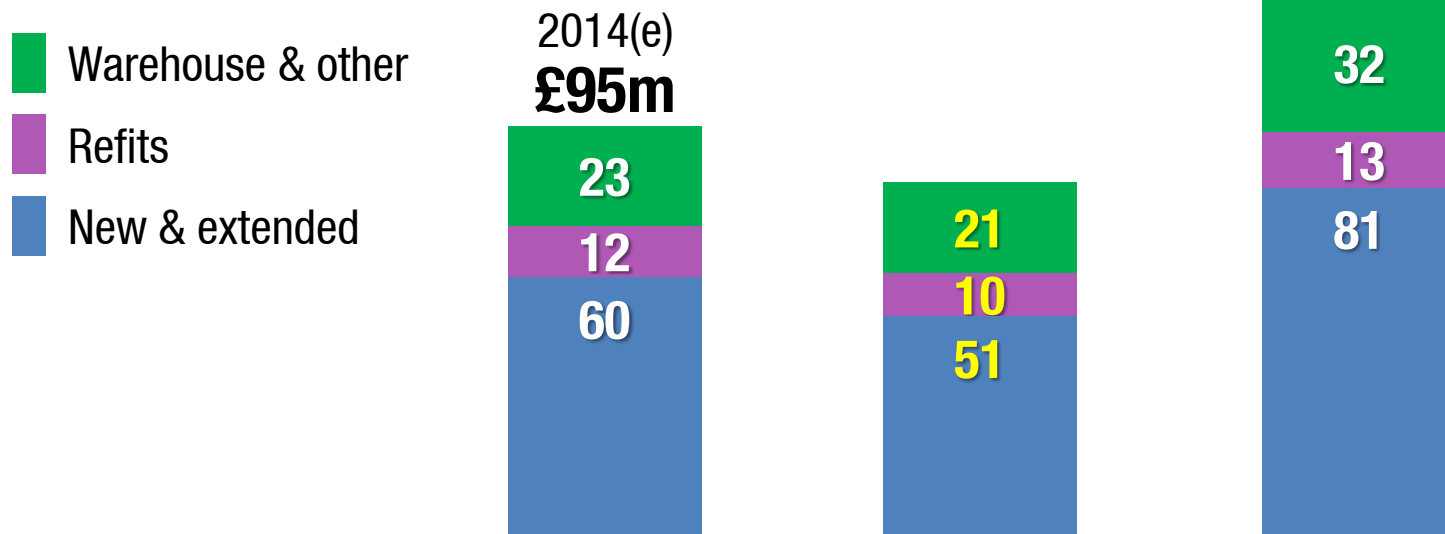
next

£m	2013	2012
Profit before tax <small>(underlying)</small>	622	570
Depreciation / disposals	127	128
Capital expenditure	(82)	(126)
Ventura sale	2	63
Working capital / other	31	(71)
Dividends paid	(148)	(135)
Tax paid	(148)	(144)
ESOT	(80)	(39)
Share buybacks	(242)	(291)
Net cash flow	<u>82</u>	<u>(45)</u>

Cash Flow

next

£m	2013	2012
Profit before tax <small>(underlying)</small>	622	570
Depreciation / disposals	127	128
Capital expenditure	(82)	(126)



Retail





Retail : Sales Analysis

next

£m	2013	2012	
Revenue (statutory sales)	2,190.9	2,191.4	0.0%
Operating profit	331.1	323.7	

Year to Christmas Eve 0.6%

Sales from new space

Average net space growth 5.1%

Sales growth from net space 3.2%

Return on space 61%

Retail : Space Expansion

next

	Stores	Sq. Ft.	
Jan 2012	536	6.5m	
New, resites (6) & extensions (9)	5	200k	
Closed	(6)	(30k)	
Home stand-alone	5	80k	
Jan 2013	540	6.7m	+ 3.9%

New store performance

	Sales v target	Payback (months)	Store profit	Company avg. store profit
Fashion	+ 9%	17	24%	23%
Home	+ 5%	22	19%	17%
Total	+ 8%	19	23%	22%



Retail : Profit Analysis

next

£m	2013	2012	
Revenue (statutory sales)	2,190.9	2,191.4	0.0%
Operating profit	331.1	323.7	+ 2.3%
% to revenue	15.1%	14.8%	

Margin Movement

Bought-in gross margin	+ 0.3%
Freight and faulty	+ 0.3%
Achieved gross margin	<u>+ 0.6%</u>



Retail : Profit Analysis

next

£m	2013	2012	
Revenue (statutory sales)	2,190.9	2,191.4	0.0%
Operating profit	331.1	323.7	+ 2.3%
% to revenue	15.1%	14.8%	

Margin Movement

Achieved gross margin	+ 0.6%
Store payroll	- 0.1%
Store occupancy	- 0.4%
Other overheads	+ 0.2%
Margin movement	<u>+ 0.3%</u>



Directory



Directory : Sales Analysis

next

£m	2013	2012	
Revenue (statutory sales)	1,192.6	1,088.7	+ 9.5%
Operating profit	302.1	262.6	

Sales analysis

Contribution to growth

UK full price	+ 5.2%
UK Clearance tab	+ 2.3%
International online	+ 2.0%
Sales growth	<u>+ 9.5%</u>



Directory : Sales Analysis

next

£m	2013	2012	
Revenue (statutory sales)	1,192.6	1,088.7	+ 9.5%
Operating profit	302.1	262.6	

Sales drivers

			Contribution to customer growth
Credit	2,663	2,557	+ 3.5%
Cash	641	438	+ 6.8%
Active customers (000's)	<u>3,304</u>	<u>2,995</u>	<u>+ 10.3%</u>



Directory : Profit Analysis

next

£m	2013	2012	
Revenue (statutory sales)	1,192.6	1,088.7	+ 9.5%
Operating profit	302.1	262.6	+ 15.1%
% to revenue	25.3%	24.1%	

Margin movement

Bought-in gross margin	+ 1.0%
Freight	+ 0.2%
Markdowns	- 0.4%
Achieved gross margin	<u>+ 0.8%</u>



Directory : Profit Analysis

next

£m	2013	2012	
Revenue (statutory sales)	1,192.6	1,088.7	+ 9.5%
Operating profit	302.1	262.6	+ 15.1%
% to revenue	25.3%	24.1%	

Margin movement

Achieved gross margin	+ 0.8%
Marketing & catalogue	+ 0.9%
Bad debt & service charge	+ 0.5%
Call Centre	+ 0.3%
Warehouse & distribution	- 1.3%
Margin movement	<u>+ 1.2%</u>



Sourcing

next

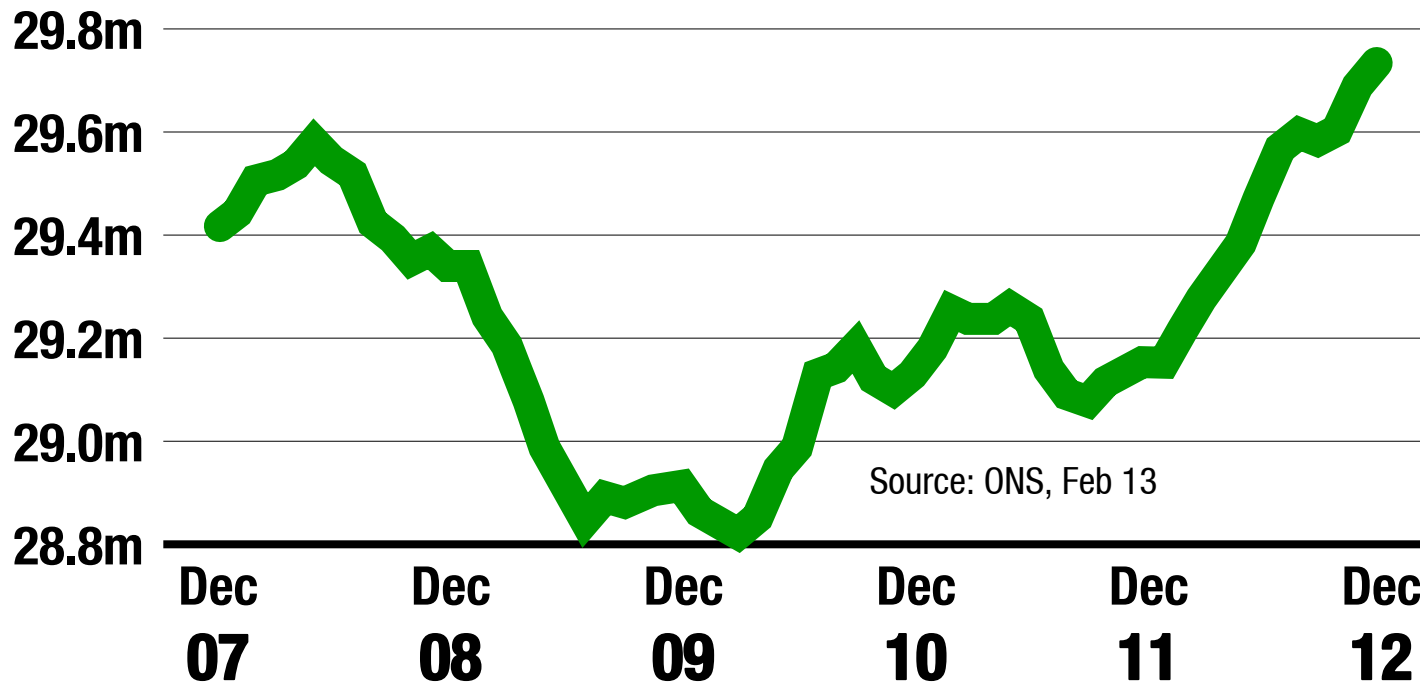
£m	2013	2012	
Intra-group sales	498.4	511.5	- 2.6%
Operating profit	30.8	21.1	+ 46.3%

	£m	
2012	21.1	
Better underlying profit	3.2	
Last year provisions	5.0	
This year provision releases	1.5	2014(e)
2013	<u>30.8</u>	<u>30.0</u>

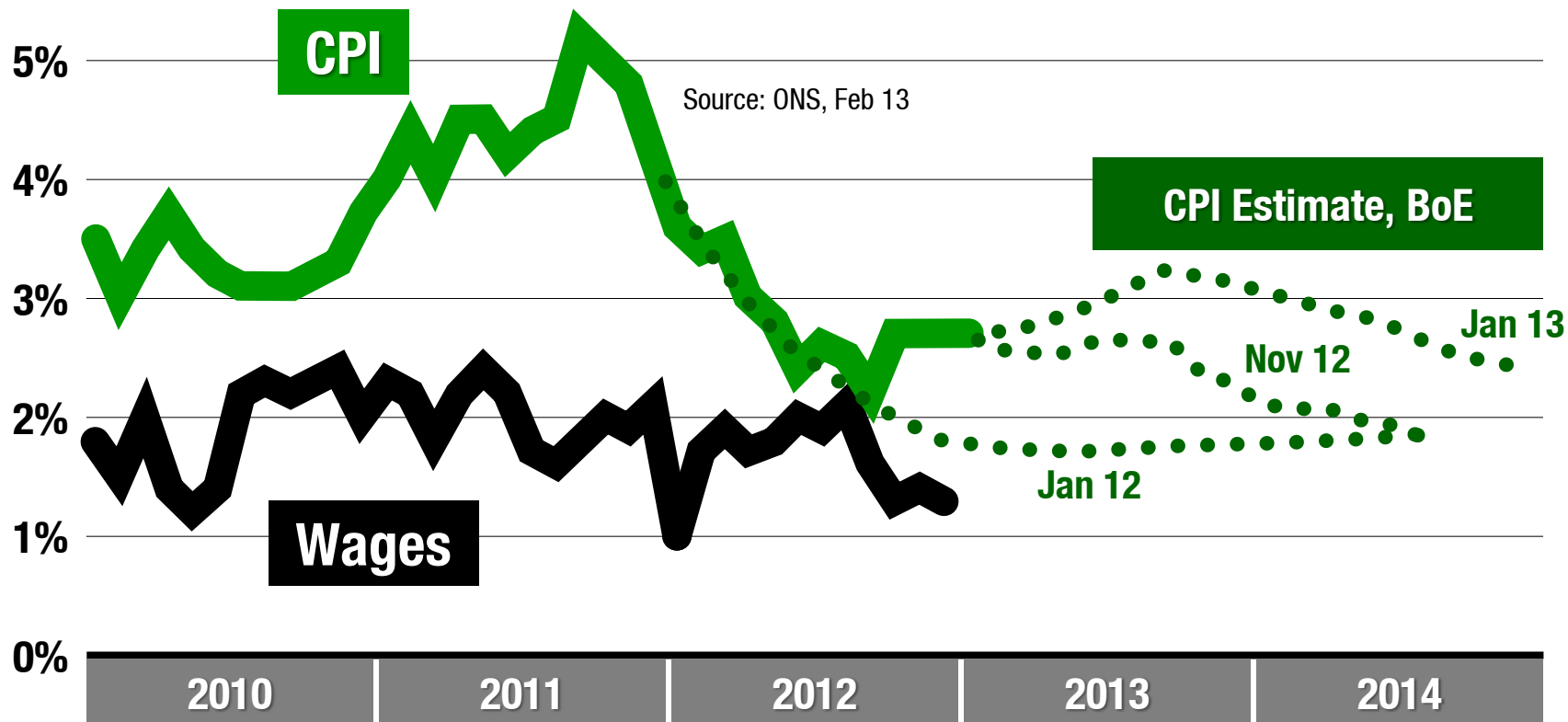


The Year Ahead

Stable employment



Real income falling





**Moving forward
in tough times**

Retail space growth

2007



2012



2007



2012



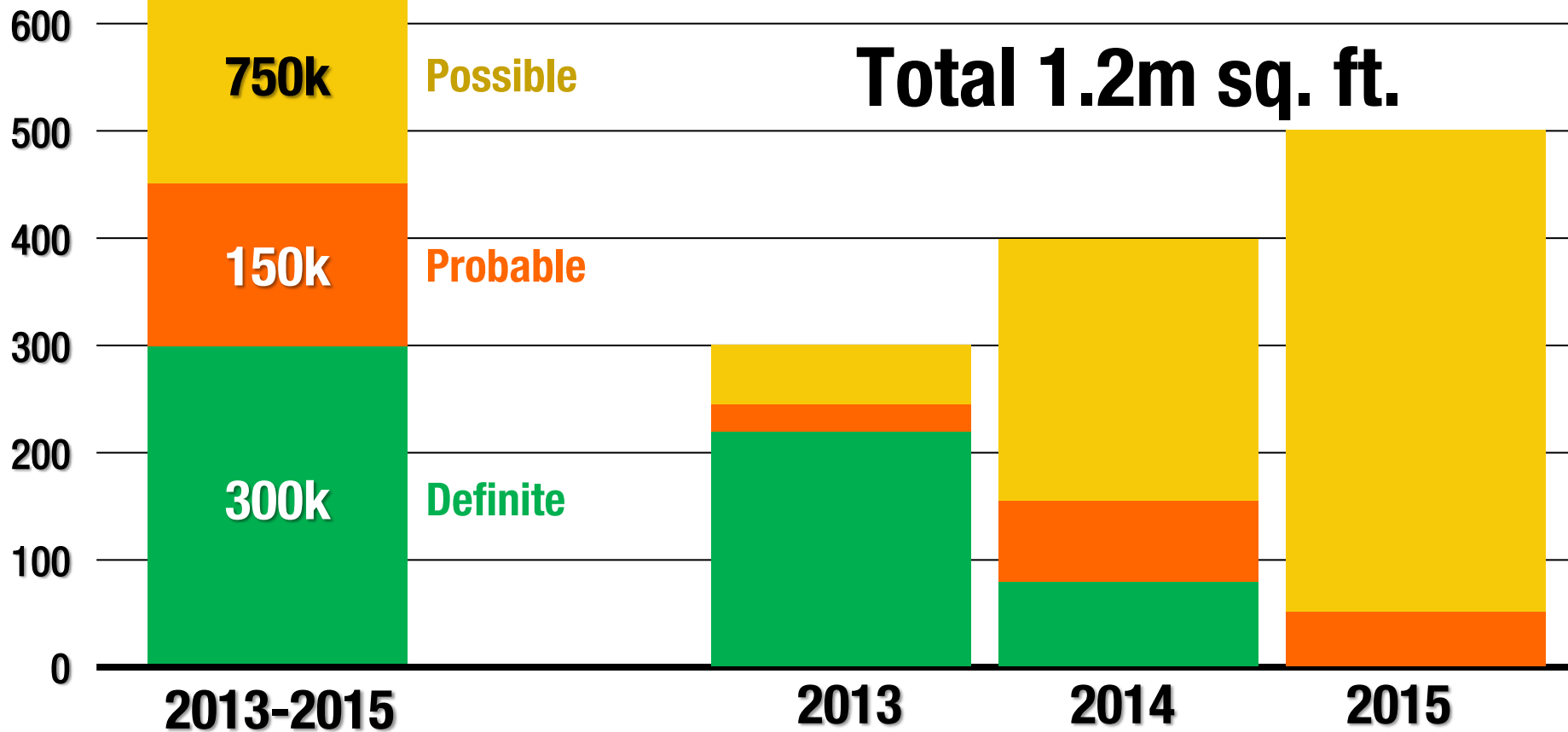
Analysis of Space 2007-2012

next



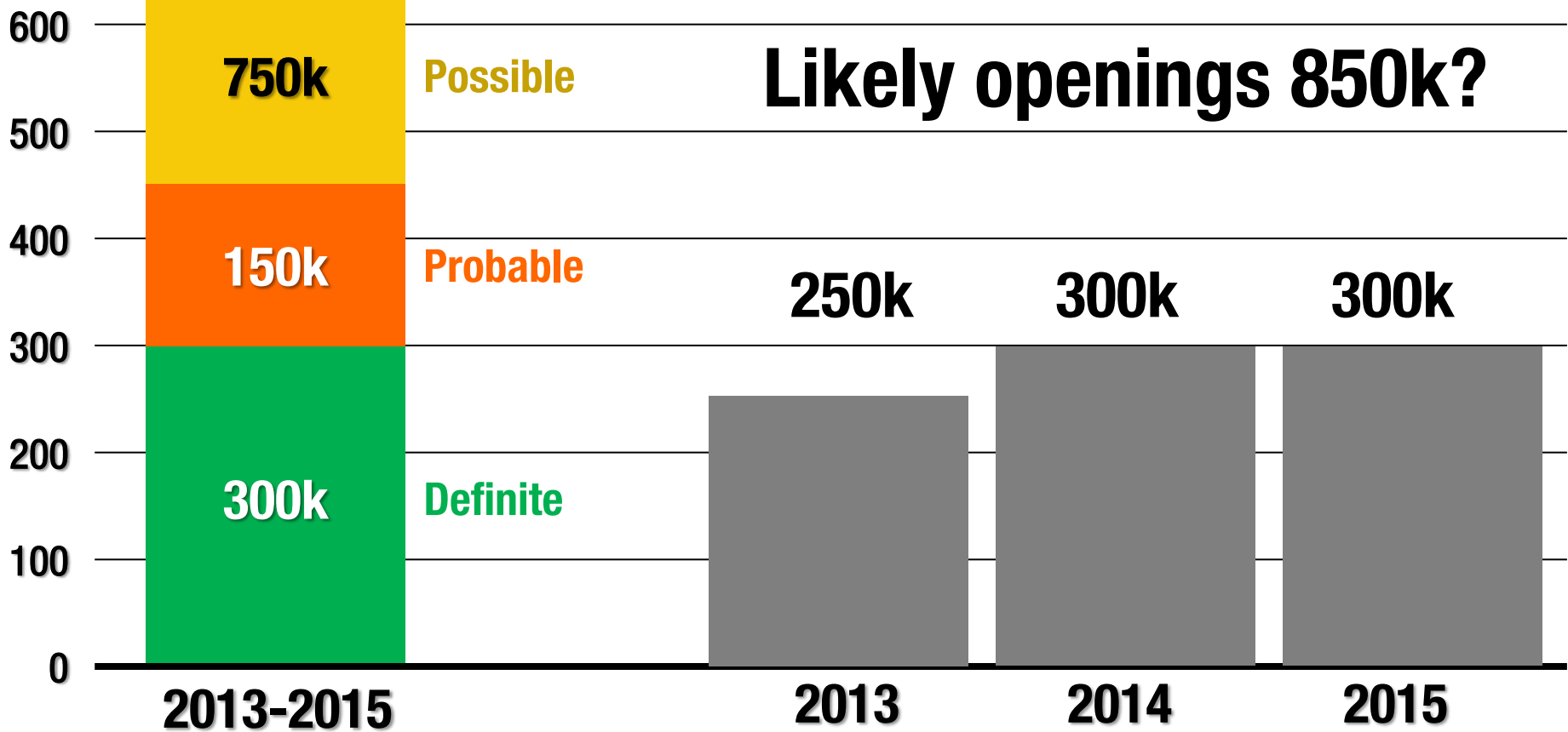
Pipeline sq. ft. 2013-15

next



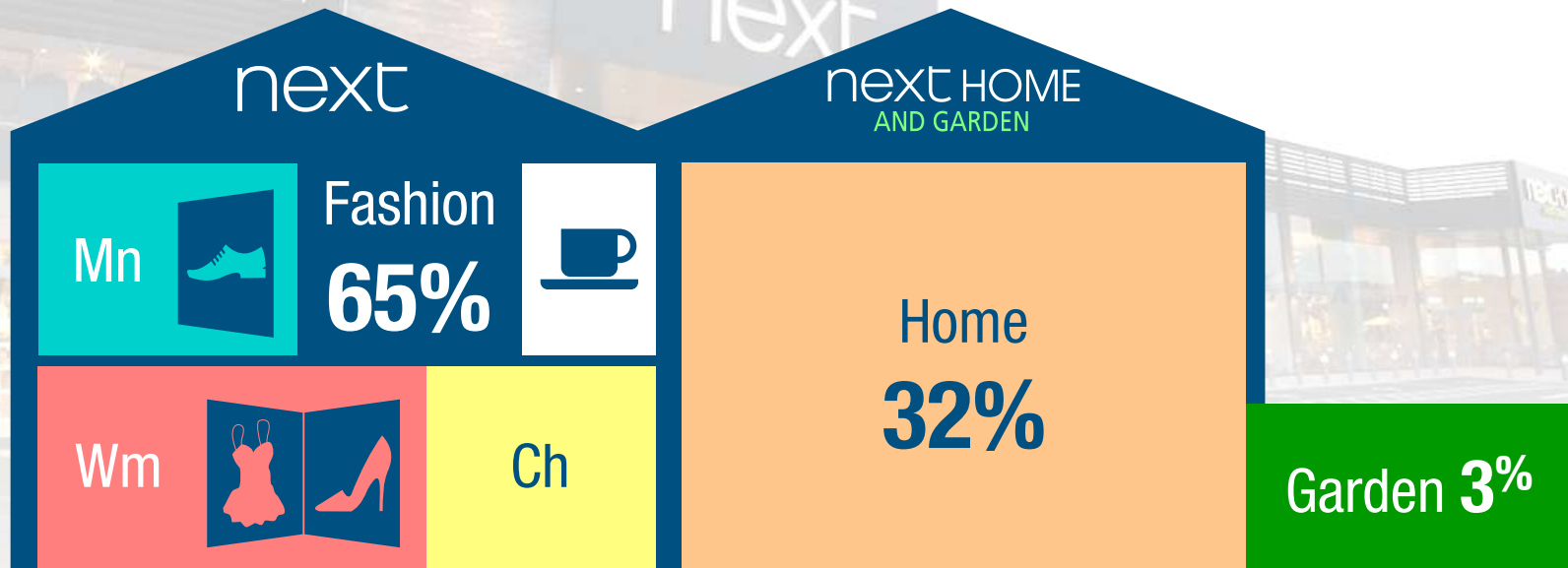
Pipeline sq. ft. 2013-15

next



Large Store Development

% sales by department



Out of town?

CONVENIENT



GOOD PARKING



A GREAT ENVIRONMENT



ARCHITECTURAL





CONVENIENT



GOOD PARKING



A GREAT ENVIRONMENT



ARCHITECTURAL



HIGH WYCOMBE

CONVENIENT



GOOD PARKING



A GREAT ENVIRONMENT



ARCHITECTURAL



HANDFORTH DEAN

CONVENIENT

GOOD PARKING

A GREAT ENVIRONMENT

ARCHITECTURAL



MAIDSTONE

CONVENIENT

GOOD PARKING

A GREAT ENVIRONMENT

ARCHITECTURAL



HEDGE END

CONVENIENT

GOOD PARKING

A GREAT ENVIRONMENT

ARCHITECTURAL



BURNLEY – OLD STORE

“It’s not all about out of town”

next

next

F. SAKU

BURNLEY – NEW SITE



BURNLEY – NEW STORE





What's the big problem?

next

Sheffield Home and Garden

Planning delays

- 125 new jobs
- £10m investment





Monday, December 10, 2012

CHIPPY MEAL FOR £3
» SEE PAGE 12 FOR FULL DETAILS

CHRISTMAS TASTE TEST
» SEE PAGE 6



Full Time

■ Planning refusal for largest Next store
■ 125 jobs would have been created
■ Council feared impact on The Moor

CITY 'CLOSING DOORS TO BUSINESS'

by **RICHARD MARSDEN**
3-Hour Reporter

THE loss of retail giant Next has accused Sheffield Council of 'closing its doors for business' as it launches an appeal against refusal of planning permission for a new homework store at Moorfoot.

The company's chief executive Lord Simon Widdison said the store, a devoted site off Moorfoot, was a devoted site off Moorfoot and would have been the largest Next store in the city and 'brought customers to Sheffield from far and wide' as well as creating 125 jobs.

But the council decided the development could risk planned investment in the city centre on The Moor and in the planned Severnside retail quarter.

Announcing its appeal, Lord

» Continues on page 8



City 'left behind' fear after retail giant row

Readers react after Next chief executive appeals over store rejection

by **ELLEN BEARDMORE**
News Reporter

Sheffield is being 'left behind' other cities after council chiefs turned down plans for an out-of-town Next store, readers of The Star claim.

Lord Simon Widdison, boss of the retail giant, accused Sheffield Council of 'closing its doors for business' when launching an appeal over the refusal of planning permission for a homework store at Moorfoot.

He said the site would have been the largest Next store in the city and created 125 jobs.

Last month the council rejected the plans, deciding the development could risk planned investment in the city centre on The Moor and in the planned Severnside retail quarter.

Some readers on The Star website branded the move 'smacking' and 'backwards'.

One wrote: 'This is precisely why Sheffield will always remain a backwater while the likes of Leeds and Manchester race ahead economically.'

Another added: 'It's truly astonishing that Sheffield Council turned down a Next and a B&M garage near Moorfoot.'

'No wonder Leeds and Manchester are doing so well while we are being left behind.'

Website poster KP But said: 'We can all understand the need to get Sheffield city centre back on the map. It's been a long time coming and we are still waiting.'

'But to deny growth in other areas of the city is ludicrous.'

Another reader said: 'No hint, now to new Next. Any guarantee that Severnside will ever be built?'

'And assuming it is, will the city centre's limited number of car parks be able to cope with the flood of potential customers?'

Council chief executive John Maberley said in The Star on Monday that 'one policy shows that, for very good reasons, we are very concerned about further expansion of out-of-town retail in the present time, to ensure we protect efforts to secure the retail development in the city centre badly needed.'

And some readers agreed with that view, as well as with the council's decision which has been backed by Sheffield South East MP Clive Barth.

Reader MJHSE said: 'I think Lord Widdison is only thinking of himself here.'

'The problem is that if Moorfoot expanded bigger than it already is, then not only will Sheffield city centre suffer more retail loss but also the nearby Rotherham

centre would suffer a lot more loss.'

'You have to think about long-term investment, not only about the short term.'

And another website reader added: 'Obviously the council is doing all it can to get the Severnside project moving and regenerate the city centre which is fair enough.'

Have your say
What do you think?
Email: letters@thestar.co.uk

Row over £10m Next store refusal

Why development should have gone ahead

FOR
Lord Simon Widdison
Chief Executive, Next

'In October I visited Sheffield and met the council and the city centre regeneration team. I was very impressed by the vision and the passion for the city centre. I was also very impressed by the vision and the passion for the city centre. I was also very impressed by the vision and the passion for the city centre.'

Lord Simon Widdison, chief executive of Next, has accused Sheffield Council of 'closing its doors for business' after the council refused planning permission for a new homework store at Moorfoot.

The company's chief executive Lord Simon Widdison said the store, a devoted site off Moorfoot, was a devoted site off Moorfoot and would have been the largest Next store in the city and 'brought customers to Sheffield from far and wide' as well as creating 125 jobs.

But the council decided the development could risk planned investment in the city centre on The Moor and in the planned Severnside retail quarter.

Announcing its appeal, Lord



**Moving forward
in tough times**

Growth online

	2012	2013
Next day to home	9pm	10pm
3 day to store	Free	Free
Next day to store	£2.99	50p
Delivered by	4pm	12.30pm

2011/12

2012/13

2013/14(e)

Countries

48

60

61

Sales

£33m

£54m

£70m to £75m

Profit

£7m

£10m

£14m to £15m

Profit %

21%

19%

20%



**Moving forward
in tough times**

Cost control

**Increases
£50m**

£17m

Cost of living and inflation

£15m

Delivery service improvements

£7m

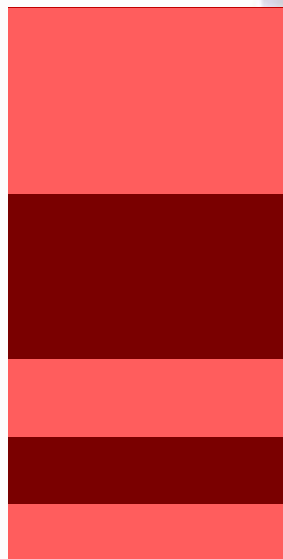
Occupancy inflation

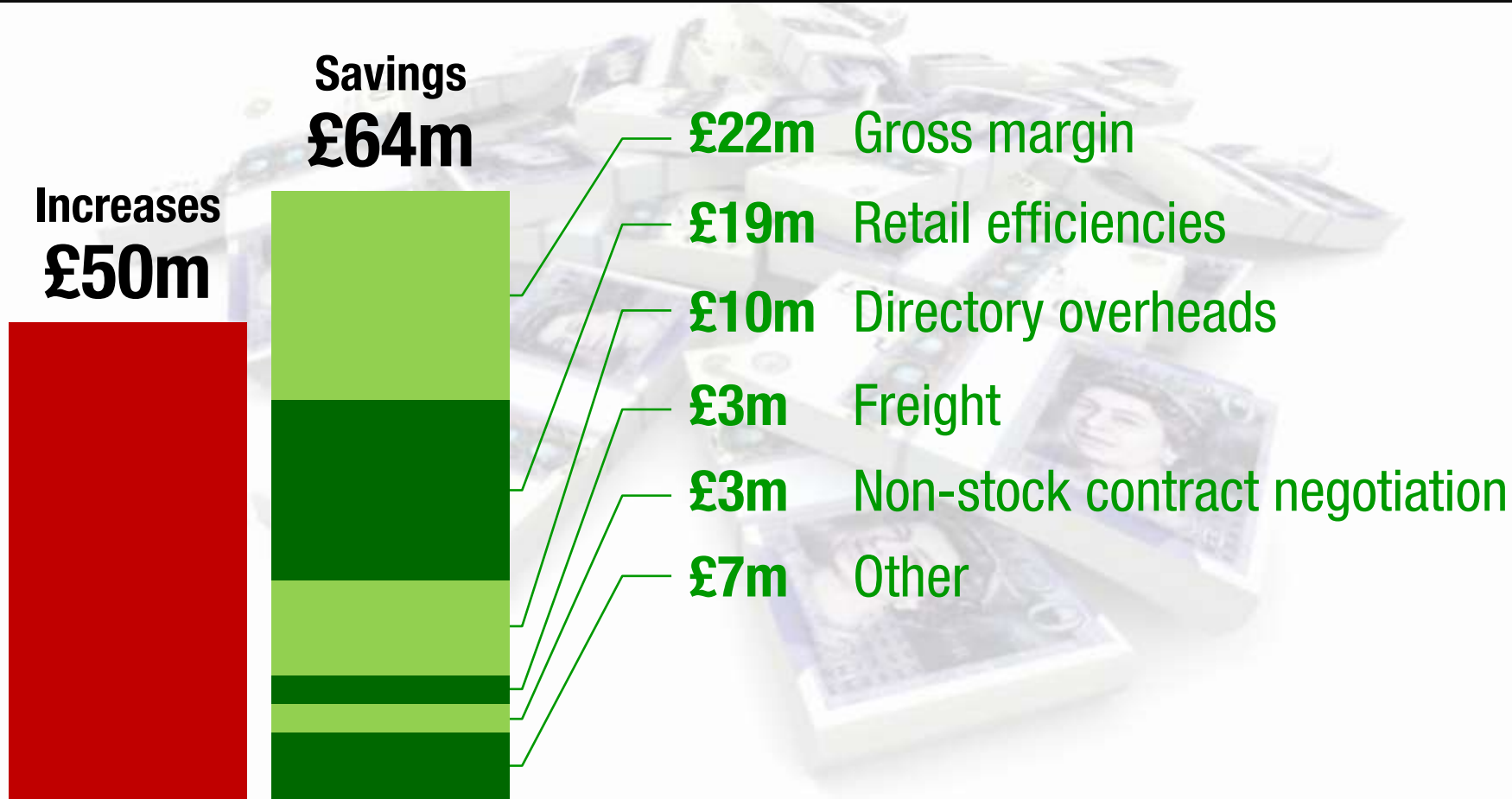
£6m

Marketing - Brand and International

£5m

Systems and other







High returns from low growth?

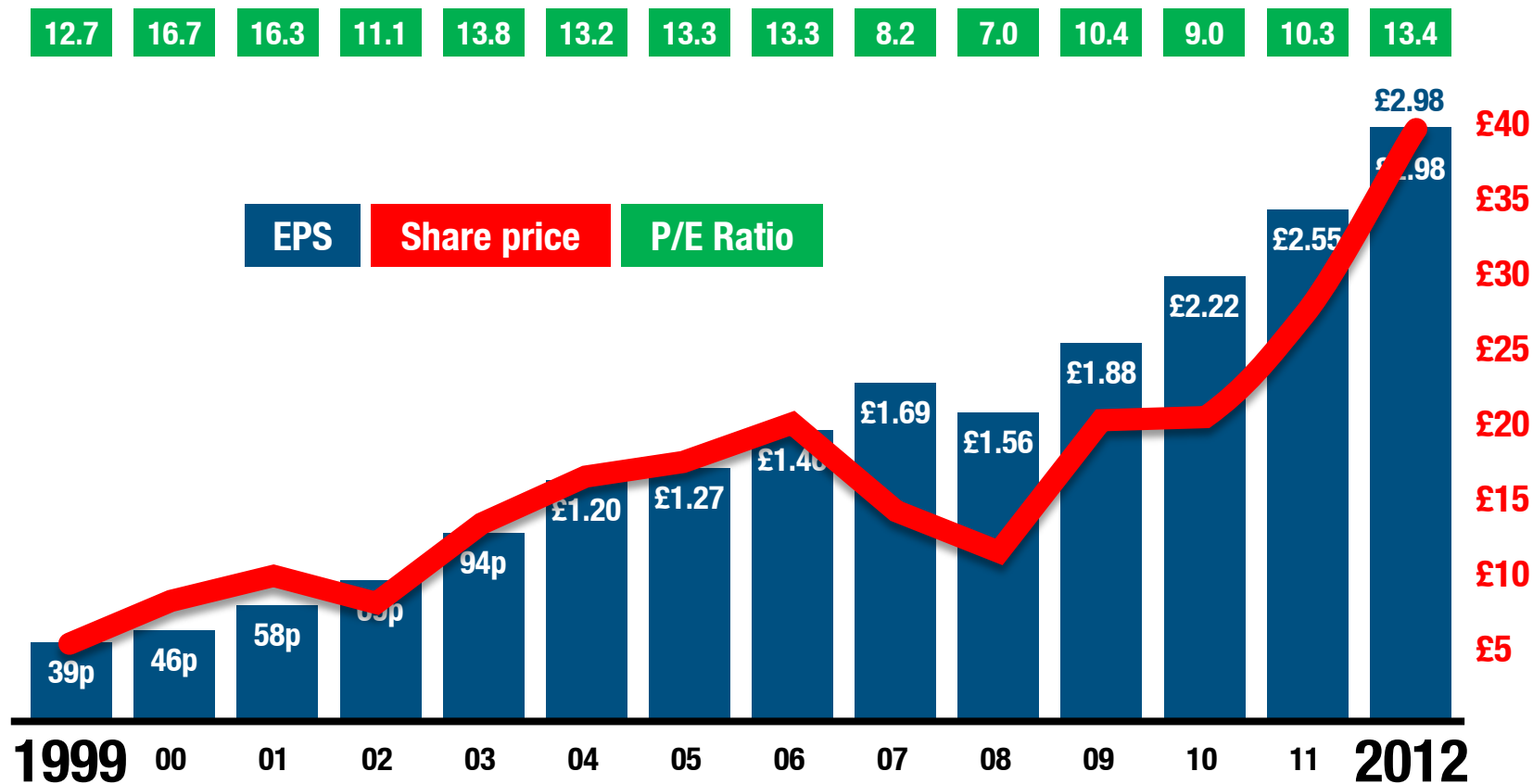
SEPTEMBER 2011

	A	B	C	D	F
1	Imaginary Company Plc				SEPTEMBER 2011
2					
3		Jan 12(e)	Year 2	Year 5	Year 10
4	PBT (£m)	550	571	638	769
6	Cash Generated (£m)	160	190	214	261
7					
8	Shares Acquired (m)	6.8	7.5	6.6	5.2
9	Shares Outstanding (m)	167	160	139	109
10					
11	EPS (£)	2.44	2.64	3.41	5.24
12					
13	Dividend Declared (£)	0.86	0.93	1.20	1.85
14	Cum Dividends Paid (£)		0.86	3.91	11.09
15	Share Price (£)	23.50	25.31	32.69	50.26
16	Total Shareholder Value (£)		26.17	36.60	61.35
17	Compound % TSR		11.4%	11.7%	11.3%
18					
19	Variables				
20	Underlying Profit Growth	4.0%			
21	PE	9.6			
22	Interest on debt	5.37%			

	A	B	C	D	F
1	Imaginary Company Plc				
2					
3		Year 1	Year 2	Year 5	Year 10
4	PBT (£m)	622	646	724	877
6	Cash Generated (£m)	250	280	315	383
7					
8	Shares Acquired (m)	6.3	6.5	5.7	4.6
9	Shares Outstanding (m)	160	154	135	109
10					
11	EPS (£)	2.98	3.24	4.13	6.20
12					
13	Dividend Declared (£)	1.05	1.14	1.45	2.18
14	Cum Dividends Paid (£)		1.05	4.75	13.33
15	Share Price (£)	40.00	43.24	55.15	82.89
16	Total Shareholder Value (£)		44.29	59.90	96.21
17	Compound % TSR		10.7%	10.6%	10.2%
18					
19	Variables				Sept 2011
20	Underlying Profit Growth	4.0%			61.35
21	PE	13.4			11.3%
22	Interest on debt	4.0%			
23					

EPS/Share Price History 1999-2012

next



Equivalent Rate of Return (ERR)

next

£250m cash



Option 1
Buybacks

$$\frac{£250m}{£6400m}$$

EPS enhancement

4%

Option 2
Alternative investment

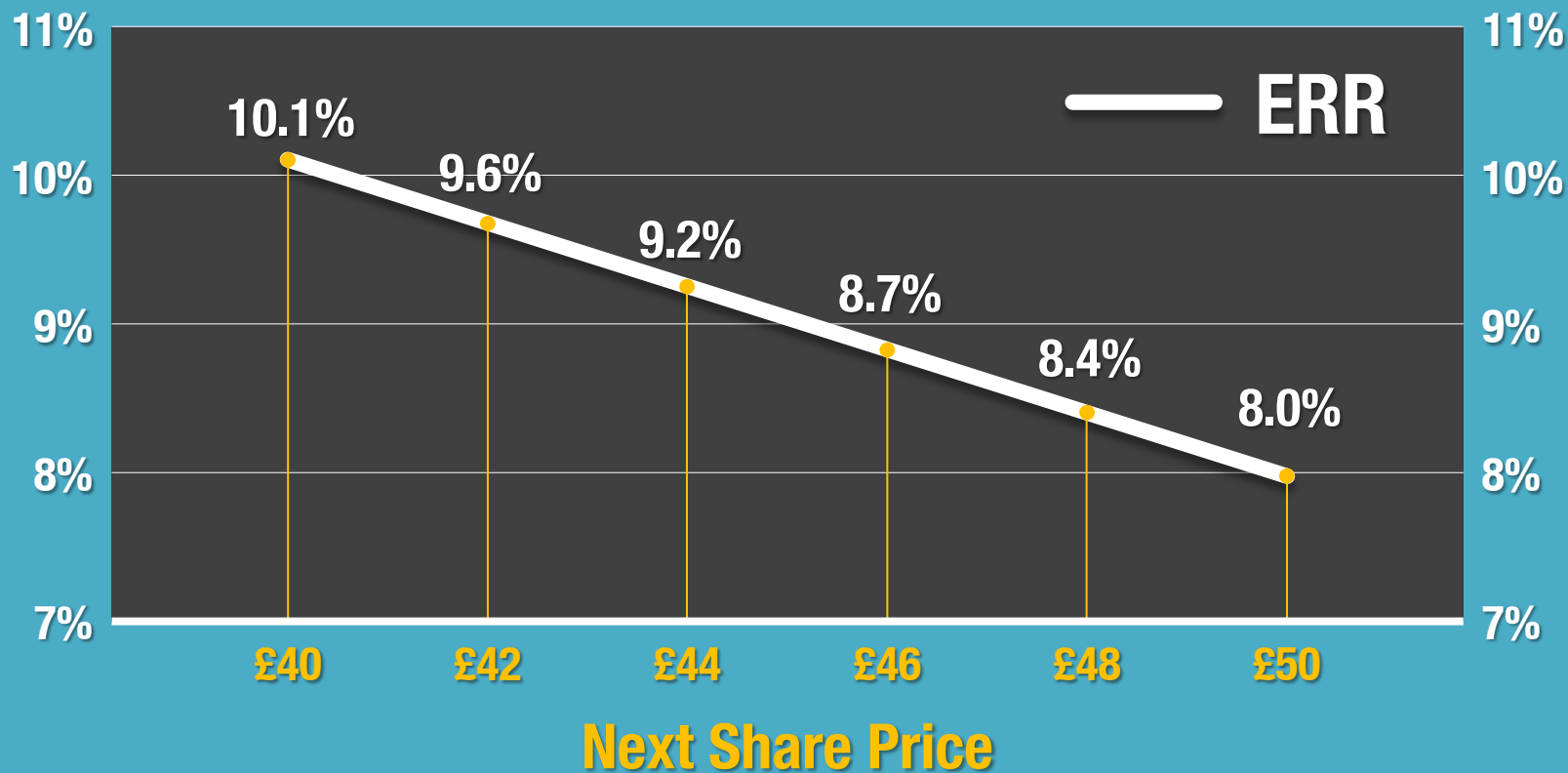
$$\frac{4\% \times £622m}{£250m} = £25m$$

Equivalent Rate of Return

10%

Equivalent Rate of Return (ERR)

next



1. Only *surplus* cash
2. Healthy ERR
3. Maintain investment grade
4. Maintain dividend growth
5. Consistency
6. Confidence in core business

Outlook for Full Year Sales and Profit



Outlook for 2013/14 - Estimate

next

If...

Full Year Brand Sales

+ 1%

to

+ 4%

Then...

Profit before tax

£615m

to

£665m

Variance to last year

- 1%

to

+ 7%

Buyback & tax enhancement ~ 5%

Growth in EPS

+ 4%

to

+ 13%

Dividend yield ~ 3%

TSR (Assuming constant PE ratio)

+ 7%

to

+ 16%



next