NEXT

# Results for the Year Ending January 2025

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# CHIEF EXECUTIVE'S REVIEW

## STRUCTURE OF THIS REPORT

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## HEADLINES

### Sales and Profit for the Year to January 2025

- NEXT full price sales[1] up **+5.8%** and total Group sales[2] (including subsidiaries) up **+8.2%**.
- NEXT Group profit before tax[3] **£1,011m**, up **+10.1%**.
- Pre-tax Earnings Per Share[4] (EPS) up **+11.6%**, enhanced by share buybacks.
- Post-tax EPS up **+9.9%**.

### Guidance for the Year to January 2026 *(for detailed guidance see page 23)*

- Full price sales in the first eight weeks of the year have been ahead of our expectations.
- We are upgrading our full price sales guidance for the first half to be up **+6.5%** (from +3.5%), resulting in sales for the full year being up **+5.0%** (from 3.5%).
- NEXT Group pre-tax profit guidance increased by +£20m to **£1,066m**, up **+5.4%**. Accounting for anticipated share buybacks, we expect post-tax EPS to be up **+8.5%.**

## SUMMARY OF SALES AND PROFIT FOR 2024/25

| Sales, profit and EPS | Jan 2025 | Jan 2024 | Var % |
|---|---|---|---|
| Total Group sales | £6,321m | £5,842m | +8.2% |
| **NEXT Group profit before tax** | **£1,011m** | **£918m** | **+10.1%** |
| NEXT Group profit after tax | £761m | £702m | +8.5% |
| **NEXT Group pre-tax Earnings Per Share** | **845.2p** | **757.2p** | **+11.6%** |
| **NEXT Group post-tax Earnings Per Share** | **636.3p** | **578.8p** | **+9.9%** |
| | | | |
| *Statutory revenue* | *£6,118m* | *£5,491m* | *+11.4%* |
| *Statutory profit before tax* | *£987m* | *£1,016m* | *- 2.8%* |

[1] NEXT full price sales include all items sold in Retail and Online plus NEXT Finance interest income, but excludes Sale events, Clearance, Total Platform commission and the sales from subsidiaries.

[2] Total Group sales are the sum of total sales (full price and markdown) from all of the Group's divisions plus revenue from subsidiaries and investments. Group sales are not statutory revenue. See page 21 for a bridge between Group sales and statutory revenue.

[3] NEXT Group profit before tax excludes: (1) the cost of brand amortisation, (2) the profit attributable to shares that we do not own in subsidiary companies, and (3) exceptional, non-cash, items. See page 22 for a bridge between NEXT Group profit and statutory profit, and Note 1 of the financial statements for details.

[4] All references to EPS in the CEO Review are 'Basic' EPS, based on 'NEXT Group profit', unless otherwise stated.

# PART TWO
# THE BIG PICTURE

## WHERE WE STAND

### *A new era?*
It is unusual for NEXT to begin a year on an optimistic note, yet that was our stance this time last year. It felt as though the Company was entering a new era: the worst of the retail-to-online structural shift appeared to be behind us, the pandemic was well and truly over, and the cost of living crisis was abating.

That cautious optimism appears, now, to have been well founded; and the Company went on to deliver growth in pre-tax EPS of more than 10%. We are as positive about the Company today as we were then, albeit in an environment where the risks to the wider UK economy are growing.

In last year's report we also set out how the business had changed, what type of business we had become, what we perceived as our core strengths, and what our priorities would be going forward. In terms of setting the Company's direction, it is as relevant today as it was then. This message was repeated and expanded on at the Half Year so will not be repeated here. Those unfamiliar with the Company may find it helpful to read the Big Picture section of our CEO Review for the Year Ending January 2024[5].

### *Building momentum*
NEXT has spent seven years changing course and is, for now, clear in its direction of travel. So in this report we will spend less time explaining our course, and focus instead on how we intend to build momentum, and navigate some of the challenges we are likely to meet along the way.

These initiatives build upon the deep structural change that we have engineered within our business over the last five years: an evolution that has allowed us to break free of historic constraints and grow on two increasingly independent fronts - **Product** (the NEXT Brand) and **Platform**…

[5] www.nextplc.co.uk/~/media/Files/N/next-plc-v4/about-next/r-and-p/2023-24/year-end-results-january2024.pdf Pages 6 - 19.

# GROWTH BEYOND HISTORIC CONSTRAINTS

Historically, the NEXT Group *only* sold NEXT products, and we did not sell NEXT products through any *other* retailers. This inevitably limited our ability to maximise the power of our brand and the reach of our platform.

### *The NEXT Brand - growing beyond the constraints of its own infrastructure*

The NEXT brand is no longer limited by the reach of its UK infrastructure and customer base. The ability to tap into overseas third-party distribution networks has allowed our international websites to grow their sales by 350% over the last ten years. The NEXT brand has also gained traction selling through overseas aggregation platforms, such as Zalando in Germany and Nordstrom in the USA. Sales through third-party platforms grew by 36% last year and now account for **30%** of our international business.

### *The NEXT Platform - growing beyond the reach of the NEXT Brand*

Today, our Online sales platform is no longer exclusively NEXT, in fact **42%** of our online sales in the UK are *not* NEXT branded products. The investment we have made in warehousing, mechanisation, distribution networks, and contact centres, along with the proprietary software that supports them, has allowed the Group to quietly build a profitable fashion and homeware aggregation platform. It has also enabled us to launch Total Platform as a comprehensive service provider for other retailers.

### *Two increasingly independent business activities*

NEXT plc now operates two increasingly distinct but complementary businesses. We pursue growth in both, where we can marshal the Company's talents and resources to profitably serve our customers.

- **A Product Development Business**
  The vast majority of this business is focused on the NEXT brand. Its objective is the design, sourcing, buying and merchandising of outstanding clothing, accessories and homeware ranges. Recently, we have begun to establish other wholly-owned brands - managed by independent teams - whose reach extends beyond the natural boundaries of the NEXT brand.

- **An Aggregation Platform**
  The Aggregation Platform aims to offer an outstanding choice of fashion and homeware products. It must be convenient, reliable, easy to use, and quick to serve. It must be supported by inspirational photography, effective digital marketing, great customer service (particularly on the rare occasions when things go wrong), and the convenience of physical stores.

  We have two ambitions here: firstly, to be our customers' **natural first choice** for clothing and homeware; secondly, to be our third-party branded partners' **most profitable** and convenient aggregation partner. An important part of this endeavour is the rigorous control of costs.

### *The shape of the business today*

The result of all this is that the business is growing on many fronts: new routes to international markets, new overseas markets, new third-party brands on the platform, new wholly-owned brands and licenses (WOBL[6]), and more. The following analysis gives a sense of the relative scale and growth of our various categories of product across all our different channels.

[6] A slightly unfortunate acronym that has stuck, we use WOBL to refer collectively to wholly-owned brands and licences. These brands include women's brands like "Love & Roses" and licences such as "Baker by Ted Baker" childrenswear.

## PARTICIPATION BY CHANNEL AND PRODUCT CATEGORY

The table below shows the percentage of our full price sales sold through each channel of our various routes to market. The sales in the table do *not* include NEXT's share of our subsidiary's sales sold outside of NEXT's stores and websites, for example, it does not include sales through Reiss or FatFace own stores and websites. It also does not include NEXT Finance interest income.

| Full price sales participation | NEXT brand | WOBL | 3rd Party Brands[7] | TOTAL |
|---|---|---|---|---|
| UK Retail | 33% | 0% | 1% | 34% |
| UK Online | 27% | 4% | 17% | 48% |
| **Total UK** | **60%** | **4%** | **18%** | **82%** |
| International NEXT websites | 10% | 1% | 2% | 13% |
| International 3rd Party Aggregators | 5% | 0% | 0% | 5% |
| **Total International** | **15%** | **1%** | **2%** | **18%** |
| **GRAND TOTAL (UK & International)** | **75%** | **5%** | **20%** | **100%** |

## GROWTH VERSUS LAST YEAR BY CHANNEL AND PRODUCT CATEGORY

The table below shows our full price sales growth by channel and category for the year ending January 2025 versus year ending January 2024. Unsurprisingly the smaller parts of the business are the ones that are growing fastest.

| Full price sales growth versus last year | NEXT brand | WOBL | 3rd Party Brands | TOTAL |
|---|---|---|---|---|
| UK Retail | - 2% | +2% | +31% | - 1% |
| UK Online | +3% | +4% | +10% | +5% |
| **Total UK** | **+0%** | **+4%** | **+11%** | **+3%** |
| International NEXT websites | +14% | +28% | +50% | +20% |
| International 3rd Party Aggregators | +29% | > 200% | > 100% | +36% |
| **Total International** | **+19%** | **+61%** | **+51%** | **+25%** |
| **GRAND TOTAL (UK & International)** | **+3%** | **+13%** | **+15%** | **+6%** |

[7] Third-party brands are all other brands, including those owned by businesses in which we own equity stakes, such as Reiss, FatFace and Joules. It also includes overseas brands where we have a stake in the UK franchise of the brand, such as Victoria's Secret and Bath & Body Works. The small quantity of third-party brands sold in our Retail stores is mainly Victoria's Secret and Bath & Body Works.

### *Managing complexity*

With so many different product categories, selling through different platforms, in many different countries, the question arises as to how we manage an increasingly complex mix of products and routes to market. Shareholders often ask: where do you want to grow the business? How do you decide where to invest your time, marketing, and capital expenditure?

As a Board we do not try to determine where or how we "want" to grow; we do not know which of our endeavours will succeed or fail. Instead, we will invest in activities if we believe they are capable of the following criteria:

- Makes a **profit margin** commensurate with its risks.
- Delivers a healthy **return on capital** invested.
- Plays to the **natural strengths** of the Group - from product design and marketing skills through to specialist warehousing, systems and stores.
- Delivers products and/or services which genuinely **create value** for our customers.

### *Follow the money*

We then follow the money: seeking to maximise the growth of successful activities and moving on quickly from those that fail. It is an approach that aims to maximise the initiatives of talented people across every part of the business, giving them the freedom they need to make decisions, a framework by which to judge success and the resources to maximise their potential. So, in many ways, our approach to managing growth is simple - no 'strategy day' required.

### *An important boundary to third-party collaborations*

Both sides of the business - Product and Platform - have one important restriction on the scope of their relationships with third-parties. We only offer products and services that we would, hand-on-heart, be proud to recommend to the right customer. Equally, we will only sell the NEXT brand through platforms that conform to our high standards of customer service.

## A 'LOCAL' AGGREGATION PLATFORM AND A 'GLOBAL' BRAND?

### *'Local' aggregation platform*

Building a great aggregation platform is all about having best in class physical infrastructure, a large and loyal customer base, and a wealth of information and insight that helps us understand our customers. To that extent, success as an aggregator is more likely to be geographically concentrated in our home markets of the UK and Ireland. Because it is in these territories that we have developed comprehensive infrastructure - stores, warehouses, contact centres, distribution depots, customer base etc.

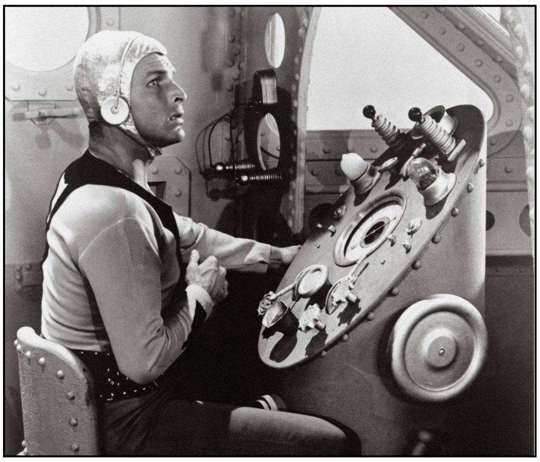
Our aim here is that NEXT's platform should be the natural first choice for customers looking to buy good quality fashion and homewares. Success will depend on three things:

- The breadth, availability and quality of our **product offer**.
- The reliability, speed, quality, cost and convenience of our **deliveries and other services**, both online and in stores. It is perhaps ironic that our stores, which receive 80% of our UK online returns, have become such an important part of our online service.
- The effectiveness with which our **marketing** is able to profitably attract people to our website and, once on the website, connect customers with the products they might want.

### *An increasingly global brand*

We are very wary of grand visions: few things date faster than a vision of the future. Yet *if* global fashion tastes do continue to converge then it is likely that, online at least, a small number of increasingly global brands will serve more and more of the world's fashion needs. Our aim is to create ranges that are strong enough for NEXT to earn its place as one of those brands.

There is a risk here: some readers might think that becoming a global brand was an objective *in itself*. For clarity, our aim is to profitably serve as many customers as we can, and selling overseas is an opportunity to further that aim. Shareholders need not worry that we will open unprofitable shops, or make bad marketing investments, in the abstract pursuit of "global" status.



*Buck Rogers circa 1940 - A warning: There are few things that date faster than a vision of the future…*

### *Execution is everything…*

We are very clear that our success is not predestined; achieving these ambitions will depend entirely on the skill with which we execute: the way we develop and deliver our product ranges and the skill with which we develop and manage our infrastructure and services. Attitude will be important, and in that context we need to talk about the importance (or lack thereof) of reaching a £1 billion profit.

## £1 BILLION - WHAT'S IN A NUMBER?

### *Talk of a billion pounds…*

There has been quite a lot of comment, both within and outside the Group, about NEXT passing the £1bn profit mark. To some it may seem an important milestone, even a cause of celebration. We do not share that view, not least because profits can go down as well as up. In fact, we think it would be a big mistake to view the Company differently just because it has passed any milestone. The pitfalls of being overly impressed with this number are worth discussing, because they go to the heart of what a business is for, and the type of business we strive to be.

### *Healthy attitudes to managing the business*

A colleague, frustrated at the cost constraints they worked within, was heard to say that: "surely, now we are making a billion, the company can buy me a new laptop". Buying that laptop may well have been a good investment, but reaching £1 billion profit does not make it *more* worthwhile. Reaching any level of profit cannot be used as an excuse for being less demanding in our approach to running the business. We can be no less rigorous in the control of costs and maintenance of margins, any less demanding in terms of return on capital or less disciplined in the way we allocate capital.

### *A corporation is not a person*

There is a profoundly important reason for this: NEXT is a company, *not a person*. If NEXT were an individual you might argue that "they" could afford it: what is a few pounds to "someone" who is making a billion a year? But NEXT is a corporation with tens of thousands of shareholders.

The median shareholder on our register, including the 12,300 employees[8] who have a stake in the Company, has 150 shares in the business, an investment worth around £15,000 pounds and paying a dividend of £350 a year - just under £30 a month. That shareholder cannot afford to pay for NEXT's unnecessary expenses. And, in fact, 150 shares materially *overstates* the average shareholding in NEXT, because pension funds are amongst our biggest shareholders, who themselves are entrusted with the savings of hundreds of thousands, if not millions, of people.

This is why NEXT's financial objective has *never* been a given amount of profit, our focus has always been the delivery of sustainable growth in earnings **per share**. This focus has allowed us to deliver a twenty-nine fold increase in EPS, from 22p to 636p, over the last thirty years.

### *And a broader message for those outside the business*

There is, perhaps, also a message here for those who might believe that "big business" is a collection of a few very rich people with "broad shoulders"; shoulders that can afford to take on the burden of paying for excessive regulation and government financing.

Corporations are in fact vast networks of collaboration; networks that connect hundreds of thousands of customers, employees and savers - few of whom individually have broad shoulders. We are not saying that businesses should not pay tax - they absolutely should. But policymakers should not allow themselves to believe that burdening 'big' business does not impact the lives of millions of 'ordinary' people: it does - consumers through higher prices, workers through fewer jobs, and savers through lower pension income.

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[8] These employees have a stake through our Employee Share Option Trust (ESOT). Other employees may hold shares on the general register or through other nominees. We run a number of employee share schemes and around 26% of our total UK and Ireland employees held options or awards in respect of 6.8m shares in NEXT at the financial year end.

## FOCUS ON PRODUCT

We are striving to increase the ambition we have for our product ranges: ambition in terms of design, quality, value and breadth of appeal. In a business report, it is hard to satisfactorily describe changes to what is an essentially creative process. There are no metrics or targets that can be helpfully used. This journey has been much less about changing processes and more about fostering the right talent, conviction and courage required to drive three objectives:

- Embracing newness.
- Improving quality.
- Broadening appeal.

**Embracing newness**

Being bolder and adopting the future trends, prints, colours, fabrics and yarns we believe in, trusting more in the talent of those who can make these difficult calls and setting less store in the history of what we have sold in the past. That is so much harder than it sounds, it is easy to revert to what you think you can be certain of - trying to adapt thinly disguised versions of last year's best-selling formulas, but there are no lasting formulas in fashion; by its nature it moves on and we need to move on with it.

**Improving quality**

Improving the quality of our fabrics, yarns, artwork, prints, embellishments and trims[9]. Going deeper into the manufacturing process to spend more time with mills, spinners and trim suppliers, establishing the best foundations for our future ranges. To this end our sourcing operation, NEXT Sourcing, has made a significant investment in its design and product development capabilities - pushing design further and earlier into the manufacturing process.

In our drive to improve quality we have inevitably focused on the middle and top end of our price architecture[10]. This has generally been very successful, and many product categories have achieved success and higher price/quality levels than we previously thought possible. But it would be a mistake to believe that the drive for better quality is all about mid and higher price points, it is just as important, if not more, to invest time and energy improving the quality of our entry price products.

**Breadth of appeal**

Maximising the diversity of our offer, ensuring we are addressing many different customer tastes. And if ranges are to achieve that breadth, they must avoid the very common mistake of delivering too many versions of very similar products.

### *Supply base*

Although these changes are mainly about attitude and people, there are some practical measures our teams are taking in terms of adapting and developing their supply base to be more responsive to new trends. In particular, working in conjunction with NEXT Sourcing, we are looking to enhance our sourcing capabilities from new and developing territories that are closer to home.

### *The results…*

Those teams that have been bold in their adoption of newness, ambitious in their aspiration for better quality and design, and rigorous at delivering those things at every level of our price architecture, have generally been hugely successful. Those who have been less ambitious and simply built on last year's best sellers have not fared as well.

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[9] Trims is the generic name given to zips, buttons, branding, rivets, piping, lining etc.

[10] Price architecture refers to the number of products we have at different price points in any product category.

# FOCUS ON INTERNATIONAL GROWTH

The growth of our international business significantly outstripped our expectations last year. We believe this success stems largely from our increasing ability to harness the continuing convergence of global fashion trends. The relative performance of our various different markets has often surprised us - we would certainly not have predicted our top ten countries in the correct order. Generally, we perform best in Northern Europe, where climate, sizing and tastes most closely align with the UK; and in the Middle East, which historically lacked well-developed local apparel brands.

The growth in our international business is not *just* about the convergence of global fashion. We have made good progress in improving three aspects of the way we trade in territories. These broadly fall under three headings:

- Improving website functionality and delivery services.
- Improving the effectiveness of our digital marketing.
- Developing third-party relationships.

## Improving Website Functionality and Service

Occasionally the writing of this report highlights opportunities of which we were not fully aware. The table below is a case in point. It demonstrates how much of our online functionality is available in the various territories in which we trade. For example, the third row shows that we offer a local returns solution in just 14 of the 83 countries in which we trade; and although those countries account for around 80% of *our* overseas sales, they only account for 45% of the world's clothing market - reflecting the very low penetration we have in some very large markets (e.g. USA and Japan).

The table shows that we deliver the most important capabilities in our biggest markets; but we can do better where we have had less natural traction. That might seem like a lot of work for little reward, but it will serve us well *if* fashion markets continue to converge. There is also a risk of a chicken-and-egg situation: if we fail to invest in the best functionality in large countries where we sell very little, we are unlikely to ever make progress.

| | Countries EU and ME (Total 42) | Countries Rest of World (Total 41) | **Total Countries (Total 83)** | **% of total NEXT Int. sales** | % World Apparel Market[11] |
|---|---|---|---|---|---|
| Local currency | 42 | 14 | **56 /** 83 | 99.8% | 70% |
| Local language address & registration | 22 | 7 | **29** / 83 | 91% | 50% |
| Local returns solution | 12 | 2 | **14** / 83 | 81% | 45% |
| Optimised product listing page | 32 | 3 | **35** / 83 | 81% | 20% |
| Appropriate local sizing convention | 33 | 0 | **33** / 83 | 81% | 15% |
| Apple Pay Express | 14 | 3 | **17** / 83 | 79% | 15% |
| Marketing expenditure >5% of sales | 22 | 9 | **31** / 83 | 54% | 25% |
| Parcel shop solution | 5 | 0 | **5** / 83 | 22% | 5% |

[11] International online market size estimates obtained from GlobalData and Statista for 2024 (total clothing, footwear and accessories). Numbers are rounded to the nearest 5%.

## International Marketing

Last year we made a bit of a breakthrough in international marketing. In countries where we could raise prices and remain competitive, we did so: we then re-invested higher margins in digital marketing. The results were very encouraging and we profitably increased international marketing expenditure by **85%**, to £44m. In the year ahead we believe we can profitably increase international digital marketing by at least **25%**, investing in new media and pushing into new territories.

### *Why not spend more?*

Some shareholders (and advertising agencies) might ask: why not increase by more than 25%? After all, our margins would allow us to increase marketing spend. But at NEXT we are very clear that marketing does not exist to fulfil our sales ambitions; it aims to make a healthy return on money invested in advertising. Each campaign has its own profitability analysis, and we aim to generate incremental profit of **£1.50** for every £1.00 spent on marketing (a 50% return). The more adverts that meet this criteria, the more we will spend. Since January we have increased our estimate for international marketing from +18% to +25%, and may well increase it further, depending on the returns our campaigns achieve.

### *High investment hurdles for marketing*

This investment hurdle might seem unnecessarily high, but high returns are necessary because it is very difficult to measure the incremental sales generated by the advert. It is an ironic truth that the more accurately we target customers most likely to buy our products, the more likely they would be to purchase them anyway. One of our key objectives for the year ahead is to improve our understanding of incrementality[12] from digital marketing at a more granular level.


[12] "Incrementality" denotes the percentage of sales an advert appears to have generated that would *not* have occurred naturally.

## European Hub Consolidation - ZEOS

Since 2015, we have serviced orders from 21 countries directly from a dedicated hub in Germany. These countries account for 90% of our business in Mainland Europe. Customer orders are fulfilled from the hub which, in turn, is replenished in bulk from the UK. Where we do not have stock available in our German hub, we can fulfil orders from the UK, albeit at a slightly higher cost and with a one day delay. We also have a sizable stock holding with our aggregation partner Zalando, this stock is held in their warehouses and only services sales on their websites.

In August of this year we aim to merge these two operations. Orders taken on NEXT's European sites and those taken on Zalando's sites, will be fulfilled from one combined stock holding. This operation will be managed by Zalando through their third-party warehousing and distribution business ZEOS. We will continue to be able to service orders taken on NEXT's European International websites from our UK stock holding if stock is not available in the ZEOS network.

### *The benefits*

In the same way Total Platform leverages NEXT's UK infrastructure for its clients, this arrangement leverages the enormous investment Zalando has made in its infrastructure in Mainland Europe. By consolidating our European stock levels in one network, we aim to achieve the following benefits:

- Improved speed of service for NEXT websites as a result of better stock availability in the EU hub.
- Improved sales on the Zalando site from increased breadth of offer.
- Reduced overall costs of serving our European websites.

### *Risks and mitigation*

We recognise that there is a risk in entrusting so much of our EU mainland business to one party. However there are three factors that mitigate the risk:

- NEXT has successfully worked with Zalando for 10 years and has first-hand experience of the high standards of their warehousing, technology and distribution networks.
- There is little risk to our existing business with Zalando as it will be, in effect, served from the same network it currently operates.
- The risk to the service on our own direct websites is mitigated by the fact that we are still able to fulfil orders directly from the UK (through other networks) in the event that stock is not available from the ZEOS network.

## A Note on Tariffs and Removal of the 'De-Minimis' Rule

The introduction of new tariffs in the USA, along with the removal of de-minimis customs thresholds[13] in the US *and* EU (the latter of which is planned for 2028), are currently anticipated to have relatively little impact on the overall Group's sales or profits.

In the **EU**, the majority (71%) of our business is currently sold by an EU domiciled subsidiary and will not be affected by the removal of the de-minimis rule. The balance is sold from a UK company and imported by the consumer; it is this latter trade that will attract additional duties in 2028. The estimated net cost of these additional EU duty liabilities is estimated to be less than £1m.

As a Group, NEXT has very little business in the **USA**. However, we and our subsidiaries are making arrangements to trade through a US entity, which we believe will eliminate the net cost of the removal of de-minimis thresholds. The volume of goods the Group imports to the US from China is negligible.

[13] The de-minimis rule allows customers to import goods below a certain value without paying duties or taxes.

## Growth - Long Haul Versus Short Haul

The table below sets out our international full price sales (including sales through third-party aggregators) into Europe and the Middle East, the territories which are closer to home, and the Rest of the World. We have achieved much less success in long haul territories - USA, Australia, Asia and South America. Although these long haul territories are now growing slightly faster than more established markets, we remain disappointed that we have not made more progress given the potential of the prize (which is indicated by the final column of the table).

| International full price sales £m | % Sales Participation | Growth versus last year | % of world apparel market |
|---|---|---|---|
| EU and Middle East | 89% | +24% | 22% |
| Rest of World | 11% | +27% | 78% |
| **Total International Online FP Sales** | **100%** | **+25%** | **100%** |

### *Reasons for lower penetration in long haul territories*

We believe that there are five reasons why we have gained less traction in long haul territories. We can do little about the first two reasons, though we believe that these headwinds are likely to ease over time. The last three reasons can be addressed, and actions are detailed in the table below. Whilst we have lots of ideas, we acknowledge that both action and progress in this area are slower than we would like. We aim to deliver considerably more progress over the next two years.

| REASON | PROPOSED ACTION |
|---|---|
| **Fashion Convergence**<br>Lower level of convergence in Asia & South America | **No action** - barrier likely to moderate over time. |
| **Affluence**<br>Less affluent markets less able to afford NEXT clothing | **No action** - barrier likely to moderate with rising global GDP and living standards. |
| **Strong Incumbents**<br>Well established local brands & retailers mean markets are harder to penetrate (USA and Canada) | **Action**: Partner with strong local incumbent retailers and licensees to leverage their infrastructure and customer bases.<br>○ Exclusive licence & franchise agreement with Myntra in **India**<br>○ Relationships with third-party aggregators being developed in **USA** (Nordstrom being the most successful to date)<br>○ Actively seeking licensing and aggregator partnerships in **Japan**, **China** and **South Korea** |
| **Long Distances**<br>Distances reduce delivery speed & increase costs | **Action:** Once local licence and aggregation partners are established, direct ship manufactured goods from the source country to the local market. Solutions in place for Myntra in India and Nordstrom in USA. |
| **Low Investment**<br>Less invested in website functionality and marketing in smaller markets | **Action:** Increasing focus on delivering the website improvements we have delivered in other markets - from local sizing through to express registration. The resulting higher conversion rates are likely to make digital marketing more financially viable. |

## FOCUS ON WAREHOUSING

### *Elmsall 3 - a big increase in capacity*

At the end of last year we opened our new highly automated Elmsall 3 "online boxed" warehouse. We have four types of warehousing - boxed items, hanging garments, palletised stock (which come in irregular boxes) and heavy furniture. Boxed items are generally folded garments that come in a standard size (60x40x30cms) cardboard box, and this type of product accounts for 80% of our sales by value.

Elmsall 3 (E3) has now added 50% to our boxed capacity. However, this new capacity only occupies half of the new building. The other half of the building has been left vacant so that we can expand into it as the business grows, giving us the opportunity to add another 50% of new capacity in a relatively short time period.

E3 has been designed to work alongside our existing two boxed warehouses (E1 and E2). The three-warehouse complex operates as one virtual warehouse, with stock flowing between all three sites. The cost of both picking and packing is lowest in E3, so we are filling the new mechanisation with as much stock as it can hold, leaving spare capacity in our legacy warehouses. In the current year we aim to save **£19m** versus last year as a result.

### *Cost per unit[14] set to fall as we grow*

The table below sets out how costs per unit (CPU) are expected to evolve as the business grows. The first column shows the situation before we opened E3, with the older warehouse complex at 100% capacity. The second column shows the current year, with E3 mechanisation filled to maximum capacity. Rows two and three show the percentage of new and old capacity used as volumes increase. The green row shows the *labour* CPU and the blue row shows *fixed overhead* CPU (both indexed to labour CPU at 100 in the year ending Jan 23). Please note the table does not account for inflation going forward.

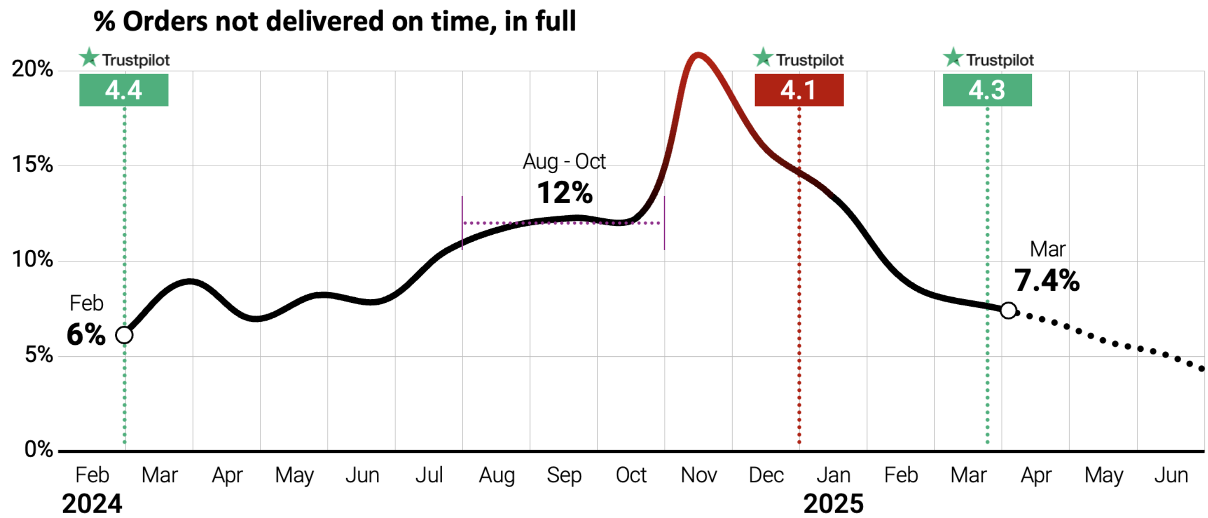
| | **Pre-E3 2022/23** | **YE 2025/26** | **Old w/h full again** | **Extra E3 automation** | **At 100% capacity** |
|---|---|---|---|---|---|
| **Daily output** (unit volume '000) | 700k | 750k | 1,050k | 1,100k | 1,400k |
| % Capacity used in **old** warehousing | 100% | 57% | 100% | 57% | 100% |
| % Capacity used in **new** warehousing | 0% | 50% | 50% | 100% | 100% |
| **Labour CPU** (indexed to 100, Jan 23) | **100** | **77** | **83** | **68** | **75** |
| **Fixed costs** (indexed to 67, Jan 23) | **67** | **101** | **74** | **83** | **71** |
| **Total CPU** (indexed to 167) | **167** | **178** | **157** | **151** | **146** |

The table is instructive as it shows that total costs per unit (before accounting for inflation) are set to decline from the current year, progressively reducing as volumes increase up to double their current levels. Even in the year we add automation into the vacant half of E3 (column 4), labour rates are forecast to fall by more than fixed costs rise. Importantly, labour costs, which are most likely to rise with inflation, diminish from two thirds of CPU to around 50% once the entire complex is full.

[14] Total CPU in boxed warehouse complex, including fixed overheads, *before* accounting for inflation.

### *Teething problems*

The new capacity came just in time for the Christmas seasonal peak, and without the new space our ability to serve customers effectively would have been severely disrupted. So it came just in time! However, there was a cost in terms of accuracy, and the percentage of orders that were delivered in full and on time reduced in the run up to Christmas, as can be seen in the chart below.




We believe that the degradation of our service over the Christmas period did not dramatically affect sales, and the vast majority of late items were delivered only one day late; but we were still very unhappy to have eroded the reputation we have with our customers for reliability.

Our software, operations and engineering teams have made considerable progress since Christmas (as shown in the chart above). Their endeavours have focused on the following main tasks:

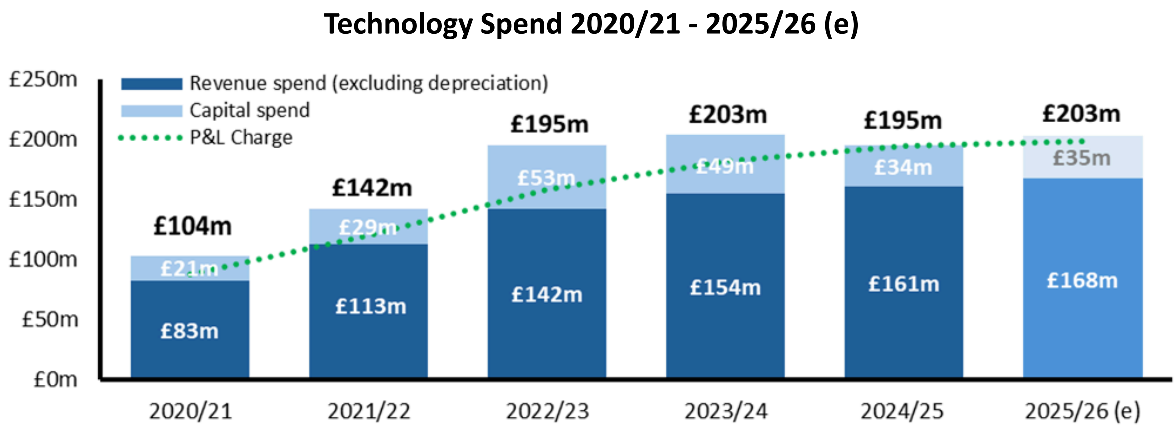
- Elimination of **software bugs** both in our own systems and in the third-party warehouse control systems.
- Enhancement to **mechanisation**, conveyors and mobile 'pouches', which will reduce mechanical stoppages and 'traffic jams'. Along with enhancing our engineering and operations teams' procedures for handling of stoppages.
- Enhanced **operational procedures** for rapid, same-day, correction of errors and failed picking, in time to ensure failed items are re-picked and delivered on time.
- Improvement of **stock balancing** across the old and new warehouses to ensure goods are picked as close as possible to their packing location.
- Improvement in the accuracy of **stock locating** procedures and systems.

Our objective is that accuracy levels show year-on-year improvement by May and deliver *materially better* accuracy than our legacy warehousing by the second half.

## FOCUS ON TECHNOLOGY

### *Step change in technology costs and investment*

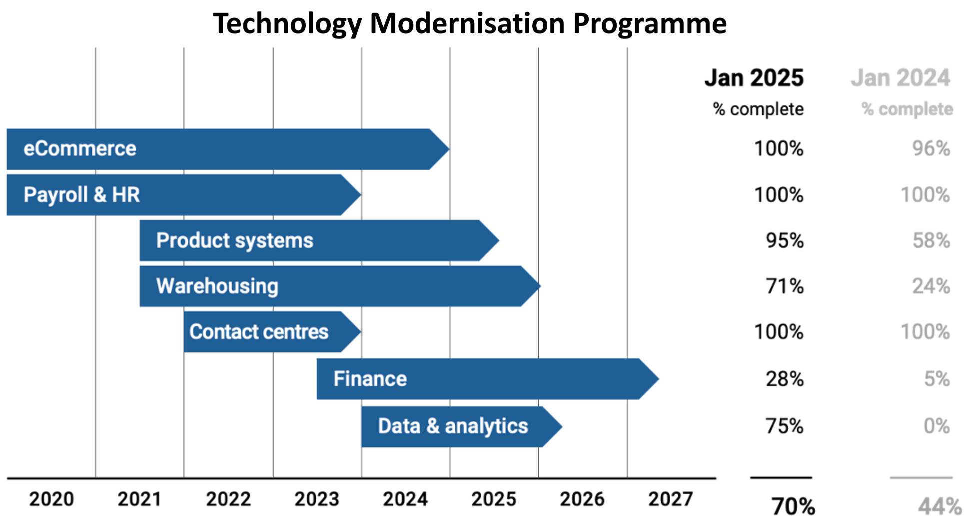
Over the last five years we have increased our annual expenditure on software technology by nearly £100m. The vast majority of NEXT's operating systems - warehouses, point of sale, website, product and data - have been written in-house. We have had to re-write and modernise the vast majority of these systems and this has accounted for much of the increase in our costs. The increased pace of website development, the development of our Total Platform business and the opening of a new large automated warehouse have further added to costs.




### *Peak technology costs?*

It is our ambition the factors listed below should allow us to both increase output and reduce costs (at least as a percentage of sales, if not in absolute terms):

- We are now 70% of the way through our modernisation programme with only one major system, Finance, less than 50% complete (see chart below).
- Modernised software should be faster to develop, and easier to maintain.
- Increasing retention rates and fewer vacancies mean that our well of experience and knowledge base is improving.
- We have started using AI tools to improve the productivity of our software development process. We are at the beginning of this journey but are confident that this software will deliver productivity and quality improvements as we move forward.



## FOCUS ON TOTAL PLATFORM

Total Platform is our business that provides comprehensive outsourcing of warehousing, logistics, website infrastructure, and customer service operations required to run an online retail business.

### *The dog that did not bark…*

On writing this document we are conscious that there is very little to report on Total Platform this year. The reason is simple: we have not found any acquisitions that match our investment criteria. As a reminder: prospective investments must be a **great brand**, with **great management**, we must be able to **add value** and the **price** must be right.

When we first conceived Total Platform, we thought that it would be a third-party logistics and software services business. As time went on, it became more of an M&A tool: a means by which we can add a huge amount of value to an acquisition that most potential buyers could not deliver. In effect, a venture capital fund with operational benefits.

### *A new service*

At first, the reason for this change of direction was that NEXT, with limited capacity for new Total Platform clients, focused on maximising the return on the time invested in on-boarding new clients - the best way to do that was to own some of the upside the client would enjoy. But there was another equally important reason: businesses in which we did not have a stake felt uneasy placing so much of their operation in the hands of one (potentially competing) business. Buying a stake in the business served to assure the client that our interests would always be aligned.

Interestingly, a significant number of potential Total Platform clients asked if we were able to provide just the warehousing and logistics element of the service. At the time we felt it would not be a good use of our limited warehouse space. Two factors have changed our minds:

- The launch of E3 means we have **plenty of capacity** for a warehousing third-party logistics business.

- To a degree, Zalando inspired us to look again at this business: in particular its advantage for clients who were already trading on the NEXT website. These clients would greatly benefit from **consolidating stock** held for their direct channels with the stock allocated to trade on the NEXT website.

It is this second point - the potential benefit to clients on our LABEL business that makes the idea particularly appealing. So, in the coming year, we plan to establish a third-party online warehousing logistics service, with the aim of launching our first client before the year-end. Of course, this business must make margins commensurate with the risks involved and a healthy return on capital - we would aim for no less than an IRR[15] of 15%.

[15] The internal rate of return (IRR) is the annual growth rate an investment and subsequent cash flow is expected to generate. It is essentially asking: what percentage would this money need to grow by each year to reach the expected future value? The higher the IRR, the greater the return being generated by the investment.

# PART THREE
# GROUP FINANCIAL PERFORMANCE AND GUIDANCE

## NOTES ON THE PRESENTATION OF SALES AND PROFIT

***Note 1 - Group sales***

By way of reminder, since the year ending January 2024, we have aligned the way we report *sales* in our subsidiaries with the way we report profits. For example, we own 74% of Joules so include 74% of their sales[16] in our top line. For completeness, full details of our rationale for this method of reporting are repeated in Appendix 2 on page 58.

***Note 2 - Brand amortisation costs***

We adopt the accounting convention used by many acquisitive companies, where we exclude *brand* amortisation (a non-cash accounting cost) from our headline profit. For completeness, full details of our rationale for this method of reporting are repeated in Appendix 3 on page 59.

Please note all other forms of amortisation are still included in our reported profit, e.g. amortisation of software.

***Note 3 - Rounding convention and casting***

Figures shown in tables throughout the CEO Review are rounded to either no decimal place or one decimal place. The accurate rounding of numbers means that sometimes tables will appear as though they do not cast down. This is not the case. Subtotals, totals and variances shown in tables are all based on the actual, unrounded figures, and no figures are adjusted for casting purposes.

[16] This figure excludes their sales through next.co.uk (100% of which are included in our Online sales), Total Platform commission and revenue from cost-plus services (which are included within Total Platform sales).

# GROUP SALES AND PROFIT SUMMARY

NEXT full price sales in the year were up **+5.8%** versus last year, and total NEXT Trading sales (including markdown) were up +5.7%. Total Group sales, which includes subsidiaries and equity investments, were up **+8.2%** due to acquisitions completed towards the end of 2023/24 (Reiss and FatFace).

## TOTAL GROUP SALES BY DIVISION

| TOTAL GROUP SALES (VAT EX.) £m | Jan 2025 | Jan 2024 | Var % |
|---|---|---|---|
| Retail | 1,849 | 1,865 | - 1% |
| Online (UK) | 2,540 | 2,429 | +5% |
| Finance | 300 | 293 | +3% |
| UK total | 4,689 | 4,586 | +2% |
| Online (International) | 930 | 731 | +27% |
| **Total NEXT Trading sales** (including markdown) | **5,620** | **5,317** | **+5.7%** |
| Total Platform | 67 | 52 | +28% |
| Franchise, Sourcing, Property & Other | 105 | 89 | +17% |
| **Total NEXT sales** | **5,791** | **5,459** | **+6.1%** |
| NEXT's share of sales from investments | 529 | 383 | +38% |
| **Total Group sales** | **6,321** | **5,842** | **+8.2%** |
| Statutory revenue | 6,118 | 5,491 | +11.4% |

### *Walk forward from Group sales to statutory revenue*

The differences between Group sales and statutory revenue are summarised in the table below. By way of reminder, within Group sales we report the Gross Transaction Value (GTV) of third-party goods sold on a commission basis. Under statutory reporting only the *commission earned* is reported as revenue, instead of reporting the full GTV.

| £m | Jan 2025 | Jan 2024 |
|---|---|---|
| **Total Group sales** | **6,321** | **5,842** |
| *less commission sales (full price and markdown, in the UK and International)* | - 648 | - 564 |
| *plus commission earned on third-party brands' sales* | +254 | +217[17] |
| *less sales from investments that are not consolidated in NEXT's accounts (Note 1)* | - 64 | - 162 |
| *plus the minority interests' share of sales in subsidiaries that are consolidated in NEXT's accounts (Joules, Reiss and FatFace)* | +158 | +77[17] |
| *plus other income (e.g. delivery charges)* | +98 | +80 |
| **Group statutory revenue** | **6,118** | **5,491** |

*Note 1*: In September 2023, Reiss changed from being non-consolidated to consolidated; this explains the large drop in the adjustment from "investments that are not consolidated in NEXT's accounts".

[17] For Jan 2024, £10.6m has been recategorised between these two lines, with no impact on total statutory sales.

## SUMMARY OF GROUP PROFIT BY DIVISION

| PROFIT £m and EPS | Jan 2025 | Jan 2024 | Var % | *Detail* |
|---|---|---|---|---|
| Retail | 237 | 245 | - 3% | *page 26* |
| Online (UK) | 457 | 421 | +8% | *page 30* |
| Finance (after funding costs) | 182 | 163 | +11% | *page 38* |
| UK total | 875 | 829 | +5.5% | |
| Online (International) | 131 | 96 | +36% | *page 35* |
| **Profit from Trading** | **1,006** | **925** | **+8.7%** | |
| Investments and Total Platform[18] | 75 | 38 | +95% | *page 41* |
| NEXT Sourcing | 31 | 27 | +15% | *page 44* |
| Central costs and Other | (75) | (55) | +36% | *page 45* |
| FX revaluations | 2 | 12 | - 81% | *page 45* |
| Recharge of interest from Finance | 50 | 48 | +5% | |
| **NEXT Operating profit** | **1,090** | **996** | **+9.4%** | |
| Lease interest | (48) | (47) | +2% | *page 46* |
| **NEXT Operating profit after lease interest** | **1,042** | **949** | **+9.8%** | |
| External interest | (31) | (31) | - 1% | |
| **NEXT Group profit before tax** | **1,011** | **918** | **+10.1%** | |
| *PBT margin* | *16.0%* | *15.7%* | | |
| Taxation | (250) | (216) | +16% | *page 46* |
| NEXT Group profit after tax | 761 | 702 | +8.5% | |
| **NEXT Group pre-tax Earnings Per Share** | **845.2p** | **757.2p** | **+11.6%** | |
| **NEXT Group post-tax Earnings Per Share** | **636.3p** | **578.8p** | **+9.9%** | |
| Statutory profit before tax | 987 | 1,016 | - 2.8% | |

### *Walk forward from our headline NEXT Group pre-tax profit to statutory pre-tax profit*

Statutory profit before tax was down versus last year, as a result of two exceptional items. Last year we had an exceptional, non-cash, gain of £109m from the acquisition of Reiss, and this year we have a one-off, non-cash charge of £15m relating to our defined benefit pension scheme. Full details of the differences between NEXT Group profit and statutory profit are set out in the table below.

| £m | Jan 2025 | Jan 2024 |
|---|---|---|
| **NEXT Group profit before tax** | **1,011** | **918** |
| *Exceptional, non-cash, accounting cost/gain* | *- 15* | *+109* |
| *Cost of brand amortisation* | *- 19* | *- 10* |
| *Profit/(losses) from minority interests in Joules, Reiss and FatFace* | *+9* | *- 1* |
| **Group statutory profit before tax** | **987** | **1,016** |

[18] Loan interest and preference share interest associated with investments are reported in the interest line of the P&L. Total profit for Investments and Total Platform *including* interest is £76.6m (Jan 2025) and £42.8m (Jan 2024). See page 46 for more detail.

# SALES AND PROFIT GUIDANCE FOR 2025/26

Full price sales in the first eight weeks of the year have been ahead of our expectations. It is early days, but we believe we have sufficient information to upgrade our sales estimates for the first half to **+6.5%** (from +3.5%), resulting in full year full price sales up **+5.0%**.

The sales upgrade adds **£72m** of sales, of which £38m comes from the UK and £34m from international. These sales are expected to generate an increase of **£20m** in NEXT Group pre-tax profit. New profit guidance for the year ahead is therefore **£1,066m**, up **+5.4%** on last year.

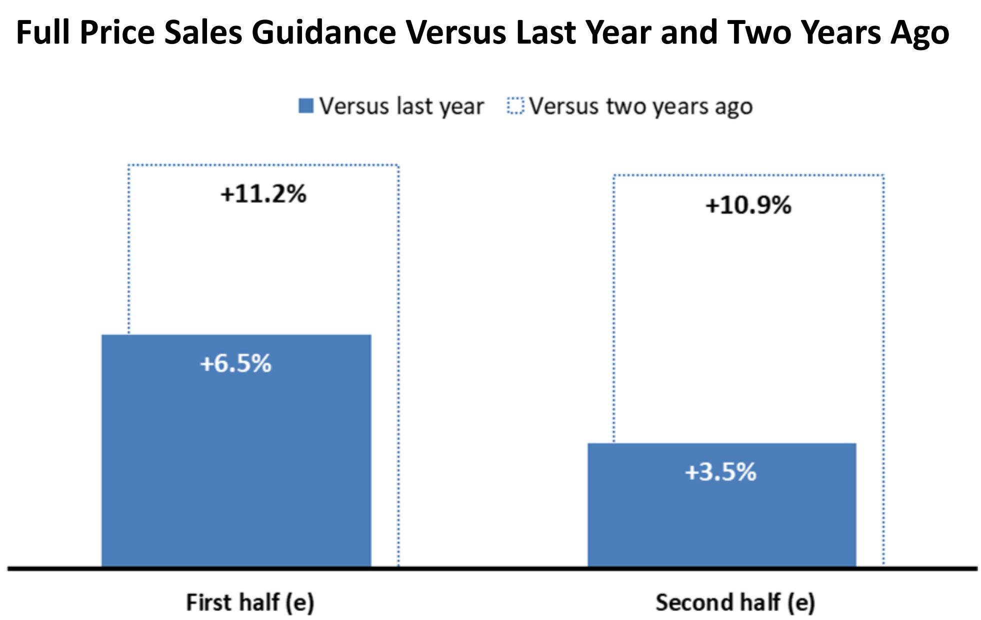
We are not upgrading our sales guidance for the second half at +3.5% for two reasons:

- Last year the second half was much stronger than the first, so the comparative numbers get tougher as we move into the second half, and
- We expect the UK tax rises in April to weaken the UK employment market and negatively impact consumer confidence as the year progresses.

The rest of this section gives more detailed guidance for sales across the year, and an updated profit walk forward between 2024/25 and 2025/26.

## GUIDANCE FOR FULL PRICE SALES

The chart below shows our guidance for the first and second half, against both last year and two years ago. The estimate for the second half might seem pessimistic, given the strong start to the year, but when compared to two years ago this forecast looks more realistic and demonstrates just how much stronger the second half of the year was relative to H1.



## Full Price Sales Guidance by Division: UK and International

The table below shows the growth we are expecting in full price sales in the first, second half and full year. The final column (in grey) gives our previous guidance for the full year numbers.

| Full price sales growth versus last year | First half (e) | Second half (e) | Full year (e) | Previous full year guidance |
|---|---|---|---|---|
| Retail | +0.5% | - 1.0% | - 0.3% | - 0.4% |
| Online UK | +5.0% | +3.7% | +4.3% | +2.7% |
| Finance interest income | +1.2% | +1.2% | +1.2% | +0.5% |
| **Total UK** | **+2.9%** | **+1.7%** | **+2.3%** | **+1.4%** |
| Online International | +22.8% | +13.1% | +18.0% | +14.0% |
| **Total full price sales** | **+6.5%** | **+3.5%** | **+5.0%** | **+3.5%** |

## GUIDANCE FOR SALES, PROFIT BEFORE TAX AND EPS

Guidance for sales, profit before tax, and EPS is summarised below. For completeness, our previous guidance is shown on the right in grey.

| | New guidance | | Previous guidance | |
|---|---|---|---|---|
| **Guidance for the full year 2025/26 (52 weeks)** | **Full year (e)** | **% Versus 2024/25** | **Full year (e)** | **% Versus 2024/25** |
| Full price sales | £5.3bn | +5.0% | £5.2bn | +3.5% |
| Total Group sales (inc. markdown & investments) | £6.6bn | +4.4% | £6.5bn | +3.2% |
| NEXT Group profit before tax | £1,066m | +5.4% | £1,046m | +3.6% |
| NEXT Group pre-tax EPS | 919.6p | +8.8% | 900.2p | +6.7% |
| NEXT Group post-tax EPS | 690.7p | +8.5% | 676.0p | +6.4% |

## Guidance For Total Group Sales

For the full year, the Company's total Group sales are expected to grow by +4.4%. This is lower than the +5.0% growth in NEXT's full price sales, as we do not expect markdown sales or sales in our subsidiaries to grow by +5.0%.

## 53rd Week

The financial year ending January 2026 is a 53-week year. The guidance above **relates to a 52-week** period in order to provide a direct comparison against previous years. All sales and profit numbers in this section are treated in the same way. The addition of week 53 will add around £20m of profit before tax which is reflected in the 53-week cash flow on page 48.

## PROFIT WALK FORWARD FROM 2024/25 to 2025/26 (e)

The table below walks forward our profit before tax from last year (ending January 2025) to our guidance for the year ending January 2026.

| | | £m |
|---|---|---|
| **NEXT Group profit before tax 2024/25** | | **1,011** |
| | | |
| **Profit from full price sales, Total Platform and subsidiaries** | | |
| Profit from +5.0% (£251m) increase in full price sales | +66 | |
| Additional profit from Total Platform Equity and Services | +1 | |
| Additional profit from NEXT Sourcing | +3 | |
| **Total profit from full price sales, Total Platform and subsidiaries** | | **+70** |
| | | |
| **Cost increases** | | |
| Wage cost inflation and National Insurance increases | - 67 | |
| Digital and brand marketing (over and above sales growth) | - 7 | |
| Packaging tax (EPR) | - 6 | |
| Technology and other | - 6 | |
| **Total cost increases** | | **- 86** |
| | | |
| **Cost savings and gross margin gains** | | |
| Warehouse, distribution and stores improved operating efficiencies | +23 | |
| Employee incentives (returning to normal levels) | +16 | |
| Bought-in gross margin improvement from price increase of circa 1% | +13 | |
| Electricity rate | +13 | |
| Prior year Total Platform startup costs for FatFace not repeating | +6 | |
| **Total cost savings and gross margin gains** | | **+71** |
| **NEXT Group profit before tax 2025/26 (e)** | | **1,066** |
| PBT versus 2024/25 (e) | | +5.4% |

# PART FOUR
# RETAIL, ONLINE, FINANCE, INVESTMENTS, TOTAL PLATFORM & OTHER BUSINESS

## NEXT RETAIL

### HEADLINES

- Full price sales down -1.1% versus last year.
- Like-for-like[19] full price sales down -1.2%.
- Total sales (including markdown sales) down -0.9%.
- Retail profit[20] £204m, down -3.2%.
- Retail margin 11.0%, down -0.3%.

### SUMMARY OF RETAIL SALES AND PROFIT

Retail sales and profit for the year are summarised in the table below.

| £m | Jan 2025 | Jan 2024 | Var % |
|---|---|---|---|
| Total sales | 1,849 | 1,865 | - 0.9% |
| Operating profit | 237 | 245 | - 3.2% |
| Lease interest charge (see note below) | (33) | (34) | - 3.3% |
| **Retail profit** | **204** | **210** | **- 3.2%** |
| Retail margin % | 11.0% | 11.3% | |

Retail profits and margins are given *after* accounting for the cost of lease interest[21]. Lease interest in Retail was down -3.3% versus last year; this is the net result of:

- A *reduction* in stores' lease interest which was down -6.5%. Lease liabilities have reduced as a result of a reduction in the weighted average term to expiry.
- An *increase* in warehouse lease interest, due to the extension in the term of the lease on our Retail warehouses.

[19] Like-for-like sales growth excludes the impact of store closures, openings and refits.
[20] All references to Retail profit and Retail margin in this section are given after deducting Retail lease interest costs.
[21] Lease interest is reported in the Interest line of the P&L. £33m is the proportion of the Group's total lease interest (£48m) attributable to the Retail business. The £15m balance is reported in our Online businesses and other Group activities.

## RETAIL MARGIN ANALYSIS

Net margin in the year was 11.0%, down -0.3% on last year. The margin impact of major cost categories is summarised below.

| **Retail net margin on total sales to January 2024** | | **11.3%** |
|---|---|---|
| **Bought-in margin** | Bought-in gross margin on NEXT product was +0.4% higher than last year, in line with our planned increase. | +0.4% |
| **Markdown** | Margin reduced due to an increase in surplus stock levels (+15%) and lower clearance rates. | - 0.8% |
| **Payroll** | Wage inflation increased payroll costs mainly as a result of the 9.8% increase in the National Living Wage. | - 1.0% |
| **Store occupancy costs** | Lower energy prices (+0.5%) and an increase in business rates refunds (+0.4%). | +0.9% |
| **Warehousing and distribution** | Inflationary cost increases (-0.2%) were offset by efficiencies and initiatives to reduce transport costs (+0.2%). | + 0.0% |
| **Central costs and staff incentives** | Lower central costs. | +0.2% |
| **Retail net margin on total sales to January 2025** | | **11.0%** |

## Guidance for Retail in the Year Ahead

In the year ahead we are budgeting for Retail full price sales, on a *like-for-like* basis, to be down -2.0%. The addition of new space is expected to add +1.7% to Retail sales, meaning that we expect Retail full price sales to be down **-0.3**% versus last year.

We expect Retail profit in the year ahead to be around £180m, with a net margin of 9.7%. The -1.3% reduction in margin is mainly due to:

- wage inflation and the increase in employer's National Insurance (-1.1%),
- the expected reduction in like-for-like sales (-0.5%), partly offset by
- price increases, operational efficiencies and cost savings (+0.3%).

## RETAIL STORE LEASE RENEWALS AND COMMITMENTS

### *Lease renewals in the year to January 2025*

In the year, we renewed 74 Retail store leases, with an average lease term of 4.1 years (weighted by value, to the earlier of the break clause or the lease end).

These new leases reduced our annualised occupancy *cash costs*[22] by -**£3.6m**. The cost reduction of -16% is lower than the reductions we have achieved in recent years. This is because 46 of the leases this year had already been renegotiated in recent years, and we did not receive further reductions from this portfolio of stores. The 28 leases which were last negotiated before 26 Jan 2019, experienced an average rent reduction of -30%.

The occupancy cost savings (in cash terms) from lease renewals are summarised in the tables below. Leases are split into two different categories: (1) traditional rent leases and (2) 'total occupancy cost' (TOC) leases, where we pay a fixed percentage of turnover to cover rent, business rates and service charge. For clarity we have shown TOC leases separately, to show the overall saving in rent, rates and service charge combined.

| **Traditional rent leases** | **No. of leases** | **Before renewal** | **After renewal** | |
|---|---|---|---|---|
| Fixed rent charge | 38 | £9.5m | £8.1m | - 14% |
| Turnover rent | 15 | £5.0m | £5.1m | +1% |
| **Total** | **53** | **£14.5m** | **£13.2m** | **- 9%** |

| **Total occupancy (TOC) leases** | | | | |
|---|---|---|---|---|
| Total occupancy lease (rents, rates and service charge) | | | £5.8m | |
| Previous rent | | £6.0m | | |
| Previous rates and service charge | | £2.2m | | |
| **Total occupancy - rent, rates and service charge** | **21** | **£8.1m** | **£5.8m** | **- 29%** |

| **TOTAL COMBINED LEASE RENEWALS** | | | | |
|---|---|---|---|---|
| **Total lease renewals** | **74** | **£22.7m** | **£19.0m** | **- 16%** |

In addition to the occupancy cost reduction of £3.6m detailed above, we received **£5.4m** from capital contributions and rent-free periods, which will be spent upgrading and maintaining our stores.

### *Outstanding lease commitments*

At the end of January 2025, our average store lease commitment (weighted by value) was 4.0 years, compared with 4.5 years at the same time last year. 96% of our store leases (by value) will expire or break within the next ten years.

### *Lease renewals in the year to January 2026*

In the year ahead, we expect to renew 76 store leases, with a reduction of around £2m (-9%) in the occupancy costs in those stores.

[22] Note that the savings given here are the actual rents payable rather than the IFRS 16 P&L charge.

# RETAIL SPACE

### *Change during the year*

During the year new store openings broadly offset closures resulting in minimal change to our overall trading space. The table below summarises the change in store numbers and square footage over the last 12 months.

| | Store numbers | NEXT Sq. ft. (k) | Concessions Sq. ft. (k) | Total Sq. ft. (k) |
|---|---|---|---|---|
| **January 2024** | **458** | **7,634** | **471** | **8,105** |
| New stores and reconfigurations | +7 | +41 | +17 | +58 |
| Mainline closures | - 5 | - 55 | +0 | - 55 |
| Clearance stores | - 3 | - 29 | +0 | - 29 |
| **January 2025** | **457** | **7,591** | **488** | **8,078** |
| Change | - 1 | - 43 | +17 | - 27 |
| Change % | - 0.2% | - 0.6% | +3.5% | - 0.3% |

### *Financial performance of new space*

Prior to this year, it had been a long time since we have opened new stores, and in our enthusiasm we were overly optimistic about what they could take. As a result, we will miss our appraised sales forecast. All the stores are cash generative, but our payback is forecast to be 3.5 years (versus a hurdle rate of 2 years). The 3.5 year payback equates to a 20% Internal Rate of Return (IRR), which does not sound too bad but, in our view, is not commensurate with the inherent risks associated with opening retail fashion shops. Needless to say, we have been more cautious in our approach when forecasting for next year.

### *New space in the year ahead*

In the year ahead, we plan to open ten new stores, and re-site six stores to new locations. In addition, two Home stores will be converted to fashion stores. These changes will result in a modest increase in trading space (+0.4%) - this will be the first time we have increased our fashion and home trading space in over five years.

| | Store numbers | NEXT Sq. ft. (k) | Concessions Sq. ft. (k) | Total Sq. ft. (k) |
|---|---|---|---|---|
| **January 2025** | **457** | **7,591** | **488** | **8,078** |
| New stores (inc. 6 resites) & reconfigurations | +10 | +136 | +14 | +151 |
| Mainline closures | - 6 | - 80 | - 2 | - 82 |
| Clearance stores | - 3 | - 36 | +0 | - 36 |
| **January 2026 (e)** | **458** | **7,611** | **501** | **8,112** |
| Change | +1 | +20 | +13 | +33 |
| Change % | +0.2% | +0.3% | +2.7% | +0.4% |

# NEXT ONLINE

We have now split our Online business into two parts: **Online UK** and **Online International** (page 35). These businesses are growing at very different rates and have different economics; for example, our International business incurs much higher logistics and duty costs as a percentage of sales. Amalgamating the two businesses has become much less meaningful than it once was, so we are no longer providing a combined commentary for *total* Online sales and profit.

# NEXT ONLINE - UK

## HEADLINES

- Full price sales up +5.4% versus last year.
- Total sales (including markdown sales) up +4.6%.
- Online UK profit (including lease interest) was £444m, up +8.0%.
- Online UK margin improved to 17.5%, up +0.6%.

## SUMMARY OF ONLINE UK SALES, PROFIT AND MARGIN

The table below summarises the sales and profit of our Online UK business (which includes NEXT branded products and our LABEL business, which sells all other non-NEXT brands).

| **Online UK (£m)** | **Jan 2025** | **Jan 2024** | **Var %** |
|---|---|---|---|
| Total sales | 2,540 | 2,429 | +4.6% |
| Operating profit | 457 | 421 | +8.4% |
| Lease interest charge | (13) | (10) | +25.4% |
| **Online UK profit** | **444** | **411** | **+8.0%** |
| Online UK margin | 17.5% | 16.9% | |

Please note that we include the cost of lease interest within Online profitability. Lease interest was up +25%, mainly due to the extension of two warehouse leases during the last year.

## FULL PRICE SALES ANALYSIS

The table below summarises the full price sales performance of the different categories of brands sold through next.co.uk. Please note, we have split the sales in our 'LABEL' business into two distinct categories: (1) wholly-owned brands and licences, and (2) third-party brands.

Sales grew across all categories, with the highest growth in third-party brands. It is worth highlighting that non-NEXT brands now account for **42%** of our Online sales in the UK.

| Full price sales £m | Jan 2025 | Jan 2024 | Var £m | Var % |
|---|---|---|---|---|
| NEXT brand | 1,304 | 1,265 | +39 | +3.1% |
| Wholly-owned brands and licences | 179 | 171 | +8 | +4.4% |
| Third-party brands | 783 | 713 | +70 | +9.8% |
| *LABEL total* | *962* | *885* | *+78* | *+8.8%* |
| **Total Online UK** | **2,266** | **2,149** | **+117** | **+5.4%** |

### *Wholly-owned brands, licences and third party brands - definitions*

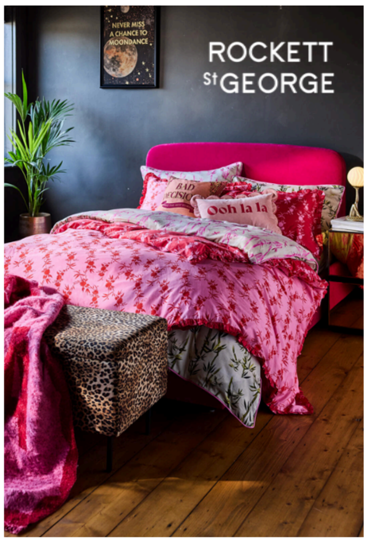
For clarity, the table below shows examples of brands that fall into each category of non-NEXT branded product. Please note that 'third-party brands' include brands such as Reiss, FatFace and Joules, in which NEXT owns an equity stake. These brands operate as independent businesses within the Group but are not wholly-owned by NEXT, so are considered as third-parties within our reporting. They account for 12% of our UK third-party brands' full price sales (which is 4% of our total UK Online business).

| Wholly-owned brands | Licences | Third-party brands |
|---|---|---|
| Lipsy<br>Love & Roses<br>Friends Like These<br>Cath Kidston | smAllsaints,<br>Baker by Ted Baker kidswear,<br>Nina Campbell,<br>Rockett St George | Nike, Adidas, Skechers<br>Reiss, River Island,<br>Pour Moi, Hush |

Under our licence agreements, a third-party brand (the licensor) supplies NEXT (the licensee) with design inspiration and branding. NEXT sources and purchases the stock, which is held at NEXT's risk, and the licensor earns a royalty on sales.







## ONLINE UK MARGIN ANALYSIS

Overall, net margin in the UK's Online business was 17.5%, up +0.6% on last year. Margins are best understood by reviewing the constituent parts of the business, which are summarised in the table below. Further margin analysis for each division is given below the table.

| Online UK division | Total sales £m | Profit £m | Margin % | Change in margin vs Jan 2024 |
|---|---|---|---|---|
| NEXT branded product | 1,449 | 290 | 20.0% | +0.1% |
| LABEL | 1,091 | 154 | 14.1% | +1.3% |
| **Total Online UK** | **2,540** | **444** | **17.5%** | **+0.6%** |

### *NEXT branded product (UK) - Margin analysis*

NEXT branded product margin of 20.0% was up +0.1% versus last year; the main margin movements are summarised below.

| **Margin on NEXT branded product sales to January 2024** | | **19.9%** |
|---|---|---|
| **Bought-in gross margin** | Bought-in gross margin on NEXT stock improved by +0.4% versus last year. | +0.4% |
| **Markdown** | Higher surplus stock (up +6%) and lower clearance rates reduced margin. | - 0.5% |
| **Warehousing and distribution** | Inflationary cost increases, mainly wages, reduced margin by -0.7%. This was more than offset by:<br>○ The net effect of our Elmsall 3 warehouse, which improved margin by +0.6% (after accounting for both increased occupancy costs and productivity savings).<br>○ Delivery/returns charge income, which grew faster than sales, improving margin by +0.2%. | +0.1% |
| **Marketing** | Digital marketing spend grew faster than sales, and reduced margin. | - 0.6% |
| **Central costs and staff incentives** | Lower central staff incentives, as they return to more normal levels, and prior year one-off costs not repeating. | +0.7% |
| **Margin on NEXT branded product sales to January 2025** | | **20.0%** |

### *LABEL (UK) - Margin Analysis*

Overall net margin of 14.1% was up 1.3% versus last year. The margin impact of major cost categories is summarised below.

| **Margin on LABEL sales to January 2024** | | **12.8%** |
|---|---|---|
| **Bought-in gross margin** | Higher margins on our wholly-owned brands and licensed products (+0.6%), and third-party brands (+0.5%). | +1.1% |
| **Markdown** | Lower clearance rates on surplus stock reduced margin. | - 0.2% |
| **Warehouse and distribution** | Inflationary cost increases, mainly wages, reduced margin by -0.4%. This was more than offset by:<br>○ The net effect of our new Elmsall 3 warehouse, which improved margin by +0.5% (after accounting for both increased occupancy costs and productivity savings).<br>○ Higher average selling prices and lower returns rates added +0.2%.<br>○ Delivery/returns charge income, which grew faster than sales, improving margin by +0.1%. | +0.4% |
| **Marketing** | Higher spend on digital marketing over sales growth reduced margin. | - 0.6% |
| **Central costs and staff incentives** | Lower staff incentives than last year and some prior year one-off costs not repeating. | +0.6% |
| **Margin on LABEL sales to January 2025** | | **14.1%** |

### *LABEL margin by business model*

The margin of each business model within LABEL is summarised below. Margin in both categories has improved, with the largest increase in our wholly-owned brands and licences, mainly due to the increase in bought-in margin, as described above.

| **Margin by category** | **Jan 2025** | **Jan 2024** |
|---|---|---|
| Third-party brands | 13.9% | 12.5% |
| Wholly-owned brands and licences | 16.8% | 14.1% |
| **Total LABEL margin** | **14.1%** | **12.8%** |

## Guidance for Online UK in the Year Ahead

In the year ahead we are forecasting for Online UK full price sales to increase by +4.3%. Based on this forecast, we expect net margin for the year to be 17.7%. Net margins by division are summarised below, along with the prior year for reference.

The improvement in our forecast margin is mainly due operational efficiencies and cost savings, which more than offset inflationary cost increases.

| Online net margins by division | Jan 2026 (e) | Jan 2025 | Change in margin vs Jan 2025 |
|---|---|---|---|
| NEXT brand (UK) | 20.3% | 20.0% | +0.3% |
| LABEL (UK) | 14.4% | 14.1% | +0.3% |
| **Online UK net margin** | **17.7%** | **17.5%** | **+0.2%** |

# NEXT ONLINE INTERNATIONAL

Our Online International business has continued to exceed our expectations, with full price sales growth of **£170m** (+25%), net profit of **£129m** (+36%), and net margin improving by +0.9% to **13.9%.**

## SUMMARY OF FINANCIAL PERFORMANCE

| £m | Jan 2025 | Jan 2024 | Var £m | Var % |
|---|---|---|---|---|
| **Total sales** | **930** | **731** | **+199** | **+27%** |
| Operating profit | 131 | 96 | +35 | +36% |
| Lease interest | (2) | (1) | - 0.5 | +39% |
| **Net profit** | **129** | **95** | **+34** | **+36%** |
| *Net margin %* | *13.9%* | *13.0%* | | |

## SALES ANALYSIS

Our Online International business includes sales of **all** brands, i.e. NEXT branded products, wholly-owned brands and licences, and third-party brands. For context, 80% of sales are NEXT branded products.

Full price sales through NEXT websites grew by +£101m (+20%). This was driven by a significant increase in digital marketing spend, resulting in *profitable* sales growth and customer acquisition. Marketing spend as a percentage of sales[23] increased from 4.7% last year to 6.9%.

Full price sales through third-party aggregators grew by +£69m (+36%) and represented 30% of International full price sales.

Markdown and Clearance sales were up +72% due to more Sale stock being held in our international hubs and third-party aggregators' warehouses. This increase meant that total sales grew by 2% more than full price sales, and were up +27%.

| £m | Jan 2025 | Jan 2024 | Var £m | Var % |
|---|---|---|---|---|
| Full price sales: NEXT websites | 600 | 499 | +101 | +20% |
| Full price sales: third-party aggregators | 261 | 191 | +69 | +36% |
| **Total full price sales** | **860** | **691** | **+170** | **+25%** |
| Markdown and Clearance sales | 70 | 41 | +29 | +72% |
| **Total sales** | **930** | **731** | **+199** | **+27%** |

### *Full price international sales by region*

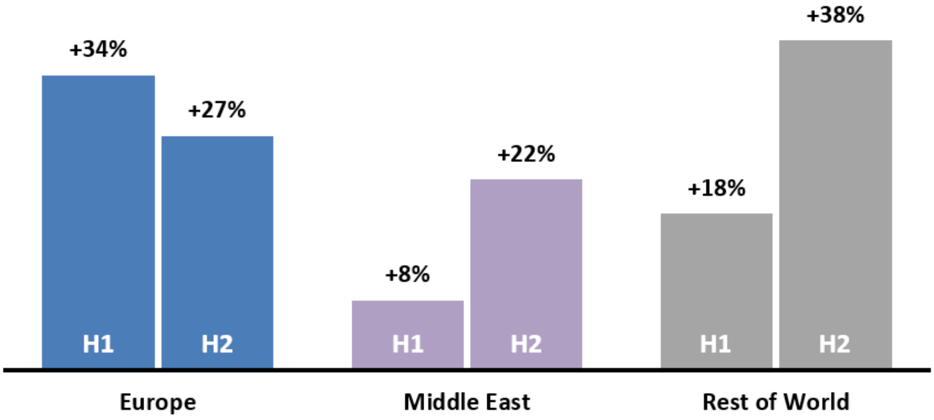
The majority of growth came from Europe and the Middle East. However, unlike the previous four years, we are now experiencing good percentage growth in the Rest of World, 'long haul' territories.

| Full price sales £m | Jan 2025 | Jan 2024 | Var £m | Var % |
|---|---|---|---|---|
| Europe | 509 | 392 | +118 | +30% |
| Middle East | 260 | 227 | +32 | +14% |
| Rest of World | 91 | 72 | +20 | +27% |
| **Total full price sales** | **860** | **691** | **+170** | **+25%** |

[23] Total sales on our own websites, including markdown sales, but excludes sales on third-party aggregator sites.

Growth notably accelerated in the second half in the Middle East and Rest of World, as shown in the table below. The acceleration in the Middle East was the result of sales in the first half being adversely impacted by the transition to our Middle East hub. Sales in the Rest of the World accelerated as the year progressed as a result of greater spending on marketing in the second half.

**Full Price Sales Growth by Region and by Half**




## ONLINE INTERNATIONAL MARGIN ANALYSIS

Margin of 13.9% was up +0.9% versus last year; the main movements are summarised below.

| | | | |
|---|---|---|---|
| **Margin on International sales to January 2024** | | | **13.0%** |
| **Bought-in gross margin** | Margin improved due to:<br>○ an increase in the underlying bought-in gross margin<br>○ price increases to fund increasing marketing spend<br>○ duty savings<br>This was partially offset by the higher participation of lower margin third-party aggregators. | <br>(+0.4%)<br>(+1.0%)<br>(+1.9%)<br><br>(- 0.3%) | +3.0% |
| **Markdown** | Higher surplus, as explained on page 35, reduced margin. | | - 0.7% |
| **Warehouse & distribution** | Margin reduced due to:<br>○ Inflationary cost increases, mainly wages<br>○ Our new hub operations in the Middle East<br>Margin improved due to:<br>○ Operational efficiencies | <br>(- 0.3%)<br>(- 0.3%)<br><br>(+0.3%) | - 0.3% |
| **Marketing** | Increased digital marketing spend in profitable international markets meant that overall spend increased by more than sales growth. | | - 1.3% |
| **Central costs & staff incentives** | Lower staff incentive costs than last year were partially offset by one-off costs. | | +0.2% |
| **Margin on International sales to January 2025** | | | **13.9%** |

## Guidance for Online International in the Year Ahead

In the year ahead we are forecasting for Online International full price sales to increase by +18%. Based on this forecast, we expect net margin for the year to be 14.8%.

# NEXT ONLINE CUSTOMER ANALYSIS

## Customer Numbers

Online customers can be split into three distinct groups:

- **UK credit customers** who pay using a NEXT credit account[24] ('nextpay' or 'pay in 3').
- **UK cash customers** who pay using credit, debit or other tender types.
- **International** customers who shop on our websites, using credit, debit or other tender types.

The average number of 'active' customers in the year was 8.6m, up +10% versus last year. We define active customers as those who have either placed an order or received an account statement in *the last 20 weeks*. The total number of customers who placed an order *in the year* was **13.7m**, up +13%.

In the past, we have only reported 'active' customer numbers. Whilst this is a good measure of the number of customers actively shopping with us, it is not an appropriate number to use when calculating average sales per customer. So in the table below, we now detail the total number of customers who **placed an order** last year, and the average sales of those customers. We will use this new measure going forward, but for reference we have still included the average number of active customers (in grey) in the table below.

For completeness, the table below also includes sales achieved through our international third-party aggregators overseas, where we do not have visibility of customer numbers.

| | Average active customers | | Customers in the year | | Sales £ per customer | | Total £m sales value | |
|---|---|---|---|---|---|---|---|---|
| | Jan 2025 | vs Jan 2024 | Jan 2025 | vs Jan 2024 | Jan 2025 | vs Jan 2024 | Jan 2025 | vs Jan 2024 |
| UK Credit | 2.9m | +2% | 3.1m | +2% | 541 | +1% | 1,662 | +3% |
| UK Cash | 3.6m | +8% | 6.5m | +7% | 135 | +1% | 879 | +9% |
| **UK Total** | **6.5m** | **+5%** | **9.6m** | **+5%** | **265** | **- 1%** | **2,540** | **+5%** |
| Int'l (NEXT websites) | 2.1m | +26% | 4.1m | +34% | 157 | - 9% | 640 | +21% |
| **Total ex. aggregators** | **8.6m** | **+10%** | **13.7m** | **+13%** | **233** | **- 4%** | **3,181** | **+8%** |
| Third-party aggregators | | | | | | | 290 | +43% |
| **Online Total** | | | | | | | **3,471** | **+10%** |

## Sales Per Customer

### *UK sales per customer*

In the UK, average sales for both credit and cash customers were up +1%. The number of cash customers (+7%) grew much faster than credit customers (+2%). On average, cash customers spend *less* than credit customers, meaning that the overall average sales per customer was down -1%.

### *International sales per customer*

Sales per customer were down by -7% in local currency, which translated into a -9% reduction in Pounds Sterling. This reduction can be attributed to the large increase in customer recruitment, as new customers typically spend less than established customers in their first year.

[24] Both NEXT credit offers are authorised & regulated by the FCA. Note, 'pay in 3' previously called 'next3step'.

# NEXT FINANCE

## HEADLINES

- Interest income was up +2.6% versus last year.
- Underlying profit (before a provision release one-off and cost of funding) was **£222m, up +5.0%**.
- Default rates, at 2.6%, were 0.6% lower than last year. This has allowed us to lower our rate of provision for bad debt on new sales, and release £10m of historical provisions.
- After accounting for the cost of funding and the release of historical bad debt provisions, total net profit was £182m, up +11.2% versus last year.

## FINANCE PROFIT & LOSS SUMMARY

| **£m** | | **Jan 2025** | **Jan 2024**[25] | **Var %** |
|---|---|---|---|---|
| *Credit sales*[26] | | *2,070* | *2,027* | *+2.1%* |
| *Average customer receivables* | *note 1* | *1,259* | *1,243* | *+1.3%* |
| *Closing customer receivables* | | *1,314* | *1,292* | *+1.7%* |
| | | | | |
| Interest income | *note 2* | 300 | 293 | +2.6% |
| Bad debt charge (underlying) | *note 3* | (28) | (32) | - 14.2% |
| Overheads | | (51) | (49) | +3.2% |
| **Underlying profit before one-offs and cost of funding** | | **222** | **211** | **+5.0%** |
| Cost of funding | *note 4* | (50) | (48) | +5.1% |
| **Net profit before bad debt one-off** | | **172** | **163** | **+5.0%** |
| Bad debt provision release | *note 3* | 10 | 0 | |
| **Profit after bad debt one-off** | | **182** | **163** | **+11.2%** |
| *ROCE (before bad debt provision release)* | | *13.6%* | *13.1%* | |

The following paragraphs give further explanation of the year-on-year variances in each line of the Finance P&L.

[25] Customer receivables and ROCE for January 2024 have been restated.
(Average receivables previously reported as £1,223m, Closing receivables £1,270m, and ROCE 13.4%).
Last year, and historically, we deducted the customer returns provisions from our net receivables balance; however, we had incorrectly included the returns on *cash* customer accounts and should have limited this to credit accounts only.

[26] Credit sales include Online sales and Retail sales paid with a NEXT credit account, plus interest income.

### *Note 1 Customer receivables*

Average customer receivables were up +1.3% versus last year due to a higher receivables balance at the start of the year, with new credit sales and customer payments broadly offsetting each other. At the year end, closing receivables were up +1.7% on last year.

### *Note 2 Interest income*

Interest income was up +2.6%. This was higher than the increase in the average customer receivables balance mainly due to the annualisation of a 1% increase in nextpay APR from the end of March 2023[27].

### *Note 3 Bad debt charge and default rates*

A reduction in default rates (see the chart below) has led us to make two changes to the bad debt charge this year:

(1) We have reduced the rate at which we provide for bad debt on credit sales, and
(2) We have released £10m of historical bad debt provisions.

#### *Bad debt charge (underlying)*

The bad debt charge of £28m was £5m less than last year due to an adjustment to the rate at which we provide for future defaults on credit sales. The rate now being used is more in line with the average rate of defaults observed over the last three years.

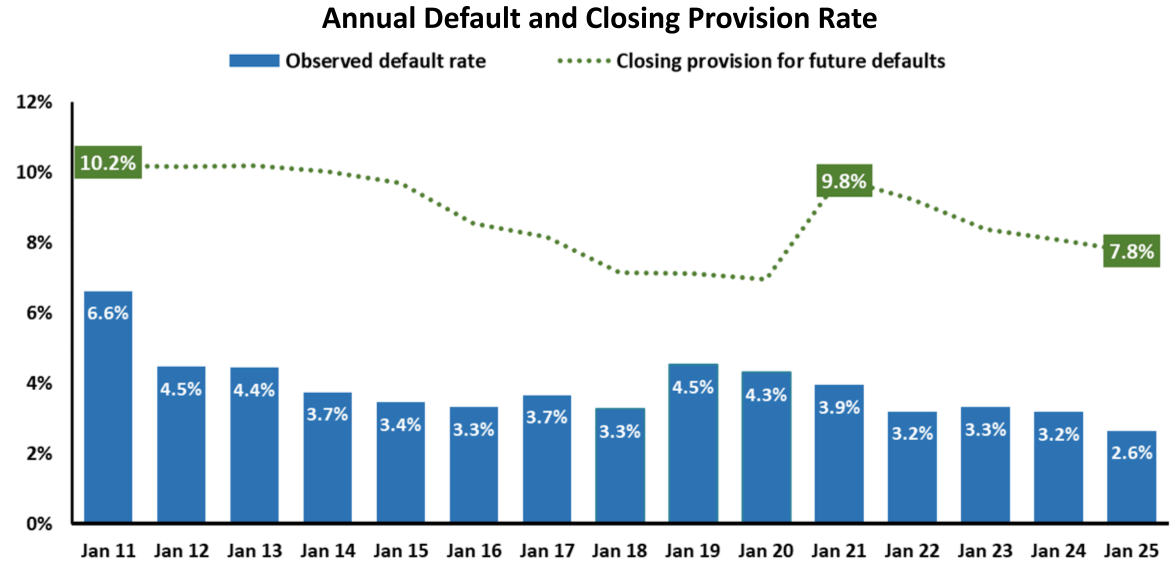
#### *Bad debt provision release (one-off)*

This year's P&L has benefitted from a **£10m** provision release, as we have not seen the deterioration in bad debt rates that we anticipated following the COVID pandemic and the subsequent economic disruption experienced in the last four years.

#### *Default rates and provision rates*

The following chart shows:

- Observed annualised default rates[28] since 2011 (blue bars).
- The closing rate of provision for future defaults (green dotted line), which remains above our current default rates and makes allowance for a material deterioration in defaults.
- The default rate for the year ending January 2025 was 2.6%, which is 0.6% lower than last year.




[27] nextpay APR increased by 1% to 24.9% for new customers recruited from January 2023 and for existing customers from the end of March 2023.
[28] Defaults are net of expected recoveries and presented as a percentage of the average customer receivables balance.

### *Note 4 Cost of Funding*

The cost of funding is an internal interest recharge from the Group, based on the assumption that 85% of customer receivables are funded by debt lent by the Group to the Finance business, with the remaining 15% being funded by the Finance business's notional equity.

The interest rate charged by the Group was 4.7%, +0.1% higher than last year. This rate reflects the Group's slightly higher underlying external interest rate on bonds and bank facilities, driven by increased rates on floating instruments. The higher interest rate and increased average receivables resulted in a £50m cost of funding.

The table below details the cost of funding recharge calculation. The Group's *actual* external interest cost is much lower due to lower average borrowings across the Group compared to the Finance business. This results in a notional profit on intercompany lending.

| **Group lending to NEXT Finance £m** | **Jan 2025** |
|---|---|
| *Average Group external borrowing (for reference)* | *806* |
| *Average NEXT Finance borrowing (@85%) (for reference)* | *1,070* |
| *Group underlying net external interest rate* | *4.7%* |
| Interest charged by Group to NEXT Finance | (50) |
| Underlying net external interest cost for Group[29] | (38) |
| **Group profit on its lending to NEXT Finance** | **12** |

## GUIDANCE FOR THE YEAR TO JANUARY 2026

In the year ahead, we anticipate that NEXT Finance will generate profits of **£177m.** We are forecasting that the customer receivables balance at the year end will be around **£1.30bn**, broadly flat versus the prior year.

[29] This figure excludes interest earned from cash on deposit. The total net external interest cost for the Group in the year was £32.2m, see page 46.

# INVESTMENTS AND TOTAL PLATFORM

## FINANCIAL SUMMARY

The combined profit from investments (including interest)[30] and Total Platform services was **£77m**, up from £43m last year. Growth in profit was driven by:

(1) the increased investment in Reiss, from 51% to 72% in September 2023, and 74% in June 2024;

(2) the acquisition of 97% of FatFace in October 2023, and its launch on TP in September 2024;

(3) lower trading losses in Joules, which broadly broke even in the year;

(4) the annualisation of clients that launched during 2023 (JoJo Maman Bébé, Joules and MADE).

| Profit £m | Jan 2025 | Jan 2024 | Var % |
|---|---|---|---|
| Investments[30] | 63.6 | 32.3 | +97% |
| Total Platform services | 13.0 | 10.5 | +24% |
| **Total profit** | **76.6** | **42.8** | **+79%** |

For the year ahead, we are forecasting profit of **£78m**.

Please note that FatFace's TP startup costs this year (£6.2m), and the impairment of JoJo Maman Bébé (£13.0m) are reported within non-recurring Group central items (see page 44), and are ***not*** included in the numbers above.

Further detail on our **investments** and **Total Platform services** business is set out below.

## INVESTMENTS

Investment profit in the year was **£63.6m**, up from £32.3m last year. This growth is driven by our increased stake in Reiss and acquisition of FatFace, along with a significant improvement in trading losses in Joules. In addition to several actions to reduce costs in Joules, full price sales mix has increased materially, resulting in a small loss of -£0.2m, compared to a loss of -£5.7m last year.

| Profit from investments £m | Jan 2025 | Jan 2024 | Var % | Ownership %[31] Jan 2025 | Ownership %[31] Jan 2024 |
|---|---|---|---|---|---|
| Reiss | 40.0 | 24.1 | +66% | 73% | 58% |
| FatFace | 13.5 | 6.5 | +108% | 97% | 28% |
| Joules | (0.2) | (5.7) | - 97% | 74% | 74% |
| Other investments | 10.2 | 7.4 | +38% | | |
| **Total investments** | **63.6** | **32.3** | **+97%** | | |

[30] Profit reported in this section includes the *interest* earned from TP investments (loan interest and, in the prior year, preference share interest), which is reported in the Interest line of the Group P&L (see page 46).
Profit from investments is stated *excluding* the cost of brand amortisation. Further details on the treatment of brand amortisation are given in Appendix 3 on page 59.

[31] This is the weighted average ownership during each year. In October 2023 we acquired 97% of FatFace. In September 2023 we increased our stake in Reiss from 51% to 72%. In June 2024, we increased our stake in Reiss from 72% to 74%, giving a weighted average of 73% in the year to January 2025.

## Return on Investments

The table below summarises our capital employed, cash returns and return on capital employed (ROCE) for 2024/25. The *total* ROCE (including TP) was 23%. The ROCE on *equity investments alone* was 20%. A full explanation of how our ROCE is calculated is given below the table.

| | Capital employed £m | | | | Cash profit pre-tax £m | | | ROCE % | |
|---|---|---|---|---|---|---|---|---|---|
| | **Invested** | **Recovered** | **TP** | **TOTAL** | **Equity** | **TP** | **TOTAL** | **Equity** | **TOTAL** |
| Note: | A | B | C | D | E | F | G | = E/(A + B) | = G/D |
| **TOTAL** | **361.7** | **(48.1)** | **31.2** | **344.8** | **63.6** | **16.5** | **80.1** | **20%** | **23%** |

**Capital employed** consists of:

(A) Capital invested[32] in equity plus debt, *less*

(B) Capital recovered, which is the cumulative post-tax profit (excluding brand amortisation costs) earned from the equity investment to January 2024; this is a proxy for cash returned as at the beginning of 2024/25. In addition, it includes the *cash cost* of TP integration costs[33] for FatFace during 2024/25.

(C) The TP capex required to provide Total Platform services.

**Cash profit before tax** consists of:

(E) Equity profit before tax (excluding brand amortisation) plus interest received, for the year to January 2025.

(F) TP profit *before* tax and depreciation for the year to January 2025.

**ROCE** is the cash profit before tax, divided into the capital employed. A ROCE is shown for the equity investment alone, and the overall investment including TP.

***Note to Analysts on subsidiaries' profit reported at Companies House***

Please note that profits previously reported by our subsidiaries, and recorded at Companies House, cannot be directly translated into their reported profit given here. This disparity is for a number of reasons:

(1) Results included in the NEXT Group accounts are *after* adjustments made to the fair value of the balance sheet at the date we acquired our stake.
(2) Results in the NEXT Group accounts will include the elimination of any intercompany trade and related profit. Such profits will correctly remain in the local entity accounts.
(3) Accounting policies in the local accounts may differ from those in the NEXT consolidated accounts. For example, Reiss accounts are prepared under UK accounting standards (not International) and therefore they, correctly, do not apply IFRS 16 lease accounting in their local accounts.
(4) The accounting period covered in the local accounts may not always align to the NEXT reporting period. For example, FatFace previously had a May year end.

These differences are common in Group situations where companies have been acquired. The underlying cash generated by the business is not impacted by this.

[32] Capital invested is weighted for our period of ownership. For Reiss, this was 51% to 22 September 2023 and 72% to June 2024, after which we increased our stake to 74%. For FatFace, we had 97% ownership from 13 October 2023.

[33] £4.2m of non-recurring *cash* costs for TP integration of FatFace, reported in Group central costs, is included in the ROCE calculation. Please note that the P&L charge of £6.2m reported on page 45 includes non-cash charges such as accelerated depreciation.

## TOTAL PLATFORM SERVICES BUSINESS

The table below sets out the sales, profits and margins for the year, along with last year.

| Total Platform services £m | Jan 2025 | Jan 2024 | Var % |
|---|---|---|---|
| *(A) Client online sales (GTV)*[34] | *194.6* | *148.5* | *+31%* |
| (B) Commission income on clients' GTV | 40.1 | 30.3 | +32% |
| (C) Income from cost-plus services inc. TEP | 18.4 | 13.3 | +39% |
| (D) Recharges for services at cost | 8.6 | 8.8 | - 2% |
| **(E) Total Platform income (accounting)** | **67.1** | **52.4** | **+28%** |
| **(F) Total Platform profit from services** | **13.0** | **10.5** | **+24%** |
| *(G) Total Platform profit as a % of income = F / E* | *19.4%* | *20.0%* | |
| *(H) Total Platform profit as a % of clients' sales = F / (A + C)* | *6.1%* | *6.5%* | |

### *Total Platform services income*

Total income in the year increased by +28% to **£67.1m**. This growth is driven by the annualisation of new clients that launched part way through last year (Joules and MADE) *plus* the addition of FatFace from late September 2024.

### *Total Platform services margins*

We analyse margins in two ways:

(1) Profit as a percentage of our income (Row G)

(2) Profit as a percentage of our clients' sales (Row H)

Profit as a percentage of our clients' sales was **6.1%** and profit as a percentage of income was **19.4%**, in line with our target margin.

[34] Note to Analysts - this figure only includes the *online* sales going through our TP websites. This differs from Note 2 of the Financial Statements, which reports revenue from subsidiaries (Reiss, Joules and FatFace only) through *all* of their outlets (retail stores, websites, third-parties and wholesale).

# OTHER BUSINESS ACTIVITIES

The profits and losses in the year from other business activities, including our other Group trading companies and non-trading activities, are summarised below along with our estimates for the year ahead. Non-recurring items that are material are shown separately. Significant changes in profit are explained below the table.

| £m | Jan 2026 (e) | Jan 2025 | Jan 2024 |
|---|---|---|---|
| NEXT Sourcing (NS) | 34.5 | 31.4 | 27.4 |
| Franchise and wholesale | 7.0 | 7.5 | 5.8 |
| Central costs and employee share schemes | (57.0) | (61.9) | (50.5) |
| Property management and provisions | (2.0) | (1.5) | 1.7 |
| **Total underlying profit/(loss)** | **(17.5)** | **(24.6)** | **(15.6)** |
| | | | |
| ***Non-recurring central items*** | | | |
| Impairment of JoJo Maman Bébé | - | (13.0) | - |
| Total Platform startup costs/write-offs | - | (6.2) | (12.3) |
| Foreign exchange | 2.4 | 2.3 | 12.3 |
| **Total non-recurring items** | **2.4** | **(17.0)** | **(0.0)** |
| **Total profit/(loss)** | **(15.1)** | **(41.6)** | **(15.6)** |

## NEXT Sourcing (NS)

The majority of NS income and costs are denominated in US Dollars (or linked currencies). The table below sets out NS's sales and profit in US Dollars and Pounds Sterling. The exchange rate used is the average market rate of exchange during the year.

NS sales were up +10% due to higher NEXT purchases, which were partly driven by orders being placed around two weeks earlier than last year due to the disruption in the Suez Canal. Overheads did not increase in line with sales, therefore profit was up +15%.

| | US Dollars $m | | | Pounds Sterling £m | | |
|---|---|---|---|---|---|---|
| | Jan 2025 | Jan 2024 | | Jan 2025 | Jan 2024 | |
| Sales (mainly inter-company) | 684.4 | 607.0 | +13% | 534.7 | 485.6 | +10% |
| **Operating profit** | **40.1** | **34.2** | **+17%** | **31.4** | **27.4** | **+15%** |
| **Net margin** | **5.9%** | **5.6%** | | **5.9%** | **5.6%** | |
| Exchange rate | | | | 1.28 | 1.25 | |

In the year ahead, we expect NS profit to be around **£34.5m**.

## Franchise and Wholesale

This year, our Franchise and Wholesale business benefited from the addition of three new revenue streams: (1) the acquisition of the Cath Kidston brand, which earns income from UK and international licences, (2) new wholesale arrangements for some of our licensed brands, and (3) new international partnerships. Profit in the year was **£7.5m**, up +28% versus last year. Sales and profit are set out in the table below. In the year ahead we expect profit to be broadly flat, around £7m.

| £m | Jan 2025 | Jan 2024 |
|---|---|---|
| Sales | 64.8 | 47.6 |
| Profit before overheads | 10.7 | 7.1 |
| Directly attributable overheads | (1.6) | (1.3) |
| **Profit before central costs** | **9.0** | **5.8** |
| Central overheads cost allocation | (1.6) | - |
| **Net profit** | **7.5** | **5.8** |

### *A note on the allocation of central overhead costs*

This year, we changed how we allocate overhead costs to our wholesale division. Previously, only *direct* overheads were included; we now allocate a share of central overheads such as management, technology and finance. By doing so, this gives a clearer picture of our true costs and margins; the impact is shown in the table above. On a like-for-like reporting basis, profit increased from £5.8m to £9.0m.

## Central Costs and Employee Share Schemes

Central costs of £61.9m were £11.4m higher than last year, mainly due to increased share option costs and legal costs. For the year ahead, we expect central costs of £57.0m.

## Total Platform Startup Costs

FatFace launched on TP in September 2024. As part of the transition to TP, the Group incurred £6.2m of non-trading costs, including redundancy costs and termination of third-party contracts no longer required under TP. Last year's costs of £12.3m related to Joules (£9.1m) and FatFace (£3.2m).

## Impairment of JoJo Maman Bébé

This year we have impaired our total investment in JoJo Maman Bébé, at a cost of £13m. We acquired the business in 2023, and it has made losses in the last two financial years. Although management is working hard to improve this position, a recovery to a profitable business in the short term is uncertain and we have therefore impaired our investment.

## Foreign Exchange (FX)

Some of our FX contracts cannot be accounted for under Hedge Accounting. Gains/losses on the valuation of contracts outstanding at the year end are set out below. Due to the volatility in the value of Sterling during 2022/23, we reported a £12.3m net gain last year. This year's gain is much lower at £2.3m, which is the reversal of a loss taken last year on 2023/24's contracts and the loss on the outstanding contracts at year end.

In the year ahead we are forecasting a gain of £2.4m. This is the reversal of the £2.4m cost taken on 2024/25 contracts in the year to January 2025.

| Foreign exchange gains/(losses) £m | Jan 2026 (e) | Jan 2025 | Jan 2024 |
|---|---|---|---|
| FX contracts placed in 2022/23 | - | - | 17.0 |
| FX contracts placed in 2023/24 | - | 4.7 | (4.7) |
| FX contracts placed in 2024/25 | 2.4 | (2.4) | - |
| **Total** | **2.4** | **2.3** | **12.3** |

# INTEREST, TAX, PENSIONS AND ESG

## INTEREST

The interest charge[35] in the P&L is made up of four categories, as set out below.

| £m | Jan 2026 (e) | Jan 2025 | Jan 2024 |
|---|---|---|---|
| Net external interest | (32.7) | (32.2) | (35.3) |
| Lease interest | (48.3) | (47.8) | (46.7) |
| Reiss Preference share interest | n/a | n/a | 3.2 |
| Total Platform loan interest income | 1.7 | 1.5 | 1.2 |
| **Total interest** | **(79.3)** | **(78.4)** | **(77.6)** |

### *Net external interest*

The net external interest charge of £32.2m was £3.1m lower than last year, due to the combination of larger cash balances and higher deposit interest rates received. This was partially offset by the higher interest rates payable on our floating rate instruments.

### *Lease interest costs*

Lease interest of £47.8m was £1.1m higher than last year, due mainly to the extension of the lease of two warehouses.

### *Reiss preference share interest*

As part of the transaction completed at the end of September 2023, which increased our stake in Reiss from 51% to 72%, a restructure in equity was agreed meaning there will be no further preference share income.

### *Total Platform loan interest income*

Loan agreements between NEXT and seven of our equity investments generated £1.5m of interest.

## TAX

Our effective tax rate (ETR) for 2024/25 was 24.7%. This is lower than the UK headline rate of 25% as set out below. For the year ahead we expect an ETR of 24.9%.

| | Jan 2026 (e) | Jan 2025 | Jan 2024 |
|---|---|---|---|
| Headline UK Corporation Tax rate | 25.0% | 25.0% | 24.0% |
| Overseas tax | - 0.3% | - 0.3% | - 0.3% |
| Equity profit, which has already been taxed | - 0.2% | - 0.2% | - 0.2% |
| Non-deductible costs | +0.4% | +0.2% | +0.1% |
| **ETR** | **24.9%** | **24.7%** | **23.6%** |

## PENSION SCHEME

On the IFRS accounting basis, the valuation of our defined benefit schemes' surplus at January 2025 was £30.8m (January 2024: £59.3m). The reduction in the plan asset surplus is due to the 'curtailment loss' which resulted from the closure of the scheme to future accrual in March 2024 and change in actuarial assumptions. Further detail is provided in Appendix 1 on page 57 and in Note 6 of the financial statements.

[35] Excludes net interest costs of Reiss, FatFace and Joules, which are reported in the equity investments' profit figures given on page 41.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

Our Corporate Responsibility Report for 2024/25 will be published on 9 April 2025 and available on www.nextplc.co.uk. The report sets out more details about our ongoing multi-year ESG projects (Carbon Reduction, Responsible Sourcing, Reducing Packaging and Waste, and Recycling and supporting our employees and communities). In addition to the longer term projects, some of our ESG highlights for 2024/25 include the following:

## Protecting Workers in our Supply Chain

### *Code of Practice audits*

In the year, our team of 53 Ethical Trade specialists carried out 2,402 factory audits, 95% of which were unannounced. The audits showed that 93% by value of all NEXT products were manufactured in factories rated category 1-3 (acceptable). Where factories are rated as category 4-6 (unacceptable) we will in the first instance work with them to try to resolve any issues identified. During the year this resulted in 33 moving to an improved rating, 39 having a remediation plan in progress and 51 being disengaged.

### *Grievance mechanisms*

Following the successful rollout of a grievance mechanism in our suppliers' factories in Pakistan, South India, Myanmar and UAE, we have continued with a broader rollout to suppliers covering Bangladesh, Sri Lanka, Cambodia, Vietnam, Turkey and Morocco. The grievance mechanism gives us additional confidence that workers in our supply chain have a route to raise concerns between the audits we conduct on the manufacturing locations. The grievance mechanism will cover 80% (by value) of the products produced in these territories.

## Responsible Sourcing

We reset our targets last year to recognise that, although significant progress has been made, we were not going to meet all the targets set in 2018 by our originally planned 2025 deadline. We continue to work hard on sourcing our main materials responsibly with notable progress this year with polyester (now 50% versus 22% in 2023/24) and man-made cellulosics (now 57% versus 37% in 2023/24).

## Zero Discharge of Hazardous Chemicals (ZDHC)

For the second year in a row, NEXT achieved the highest possible score in the ZDHC 'Brands to Zero' annual audit. The programme is an initiative across the apparel, leather and footwear industries to eliminate the use of hazardous chemicals from mills, laundries and tanneries.

# EQUAL PAY CLAIM

As explained in our Half Year Report in September, NEXT is currently subject to an equal pay claim. For ease of reference, the full details of this are repeated in Appendix 4 on page 60.

In October 2024 NEXT submitted an appeal against all findings made against us by the Employment Tribunal. A hearing will take place in the Employment Appeal Tribunal in early summer 2025. It has been agreed with the Claimant's lawyers that no compensation will be paid in respect of any claim until the outcome of the Employment Appeal Tribunal stage.

Our legal team continues to be very confident of our grounds for appeal. We expect the appeals process to take some time to conclude and therefore we do not expect a final resolution to be reached for at least a year, if not much longer.

# PART FIVE
# CASH FLOW, SHAREHOLDER RETURNS, NET DEBT & FINANCING

## CASH FLOW

In the year to January 2025, we generated **£669m** of surplus cash, before investments and distributions to shareholders. The table below sets out a summarised cash flow for the year, along with last year and our forecast for the year ahead.

Net debt (excluding lease debt) reduced by £40m to £660m. Adjusting for £34m of share buybacks brought forward from 2025/26, net debt reduced by £74m. This reduction, along with the £97m reduction in net debt last year and the planned reduction for the year ahead, will contribute towards the potential repayment of a £250m bond that matures in August 2025, should we decide not to refinance (see page 53).

For further details on individual cash flow movements please see the page references given in the table below.

| £m | | Jan 2026 (e) | Jan 2025 | Jan 2024[36] |
|---|---|---|---|---|
| **NEXT Group profit before tax** | | **1,066** | **1,011** | **918** |
| Additional profit from the 53rd week | | 20 | - | - |
| Depreciation/impairment on plant, property and equipment, and amortisation of software | | 150 | 148 | 128 |
| Capital expenditure | (see page 50) | (179) | (151) | (167) |
| Tax | | (244) | (243) | (191) |
| Employee share option trust (ESOT) | (see page 49) | (47) | (45) | (19) |
| Working capital/other | (see page 49) | (66) | (30) | 47 |
| **Trading cash flow** | | **700** | **690** | **716** |
| Customer receivables ('nextpay' and 'pay in 3') | (see page 38) | 5 | (21) | (19) |
| Property stock | | - | - | (14) |
| **Surplus cash before investments and distributions** | | **705** | **669** | **684** |
| Investments | (see page 49) | - | (11) | (161) |
| Ordinary dividends | (see page 52) | (279) | (258) | (248) |
| Share buybacks | (see page 52) | (316) | (326) | (177) |
| Share buybacks brought forward from 2025/26 | | - | (34) | - |
| **Net cash flow** | | **110** | **40** | **97** |
| **Closing net debt (excluding lease debt)** | | **(550)** | **(660)** | **(700)** |

[36] For January 2024, cash flow figures are restated by £3m for 'customer receivables' (previously (£16m)) and 'working capital/other' (previously £44m). Customer receivables now *only* relate to credit customer accounts ('nextpay' and 'pay in 3'). Changes in returns provisions for 'Cash' customer accounts are now reported as a creditor within 'working capital/other'. There is no change to the overall cash flow.

## EMPLOYEE SHARE OPTION TRUST

The net cash outflow in the year was £45m, versus £19m last year. This difference is mainly due to the high value of share options exercised by employees last year, which resulted in a higher than normal cash inflow. Last year's exercises were particularly high because the share options maturing were granted during 2020, when the option price was significantly *lower* than the share price at maturity in 2023. In the year ahead, we expect a net cash outflow of £47m, broadly in line with 2024/25.

## WORKING CAPITAL

Working capital this year was a £30m outflow. This is mainly due to: (1) the payment of staff incentives in April 2024, which related to, and were accrued, in the previous financial year; and (2) higher stock purchases (see below).

In the year ahead, we expect net cash outflow of £66m. Within this figure, is a £22m one-off cash outflow from bringing in-house the funding of interest free loans for Retail furniture sales (these were previously funded by a third-party).

### *Stock*

Disruption in the Suez Canal has extended average delivery lead times by around 17 days. This resulted in orders being placed and shipped two weeks earlier than last year. At the year end, Group stock balances were up +12.5% versus last year.

## INVESTMENTS

In the year we invested £11m in subsidiaries and associated companies. We invested £10m increasing our equity share in Reiss from 72% to 74%, and £0.8m acquiring a 16% share in Rockett St George.

Last year's expenditure of £161m related to the acquisitions of: (1) a further 21% equity stake in Reiss (£97m); (2) a 97% equity stake in FatFace[37] (£58m); and (3) the brand name and intellectual property of Cath Kidston (£9m). These investments were offset by a £3m dividend from the Victoria's Secret joint venture.

[37] The acquisition of FatFace was funded partly by cash (£58m) and partly through the issue of 745,912 NEXT plc shares (£53m).

# CAPITAL EXPENDITURE

The table below sets out our capital expenditure for this year and our forecast for the year ahead, by category of spend. For comparison, last year is also shown.

Total spend of £151m in the year to January 2025, was £10m lower than the estimate given in September, mainly due to lower expenditure in Technology and Warehousing. In the year ahead, we expect capital expenditure to increase to £179m, mainly due to a £31m increase in spend on Retail stores.

| £m | Jan 2026 (e) | Jan 2025 | Jan 2024 |
|---|---|---|---|
| Warehouse | 47 | 49 | 62 |
| Technology | 35 | 34 | 49 |
| **Total warehouse and technology** | **82** | **83** | **111** |
| Retail space expansion | 55 | 26 | 8 |
| Retail cosmetic/maintenance capex | 22 | 20 | 33 |
| **Total Retail expenditure** | **77** | **46** | **41** |
| Head office infrastructure and other | 7 | 9 | 9 |
| Other Group subsidiaries | 13 | 12 | 7 |
| **Total capital expenditure** | **179** | **151** | **167** |

### *Warehousing*

Warehousing spend of £49m included the completion of some of the automation projects in Elmsall 3, the refit of warehouse space for our returns operations and the purchase of new vehicles.

In the year ahead we expect to spend £47m. This includes further development of our returns and picking system at Elmsall 3, upgrades to existing systems at the Elmsall warehouses, and further vehicle and trailer purchases.

For further details and commentary on our Elmsall 3 warehouse, see page 16.

### *Technology*

In the year we spent £34m modernising and upgrading our systems technology (£26m on software and £8m on hardware). Expenditure by category is set out below, alongside last year for comparison.

| Technology capital expenditure by category £m | Jan 2026 (e) | Jan 2025 | Jan 2024 |
|---|---|---|---|
| Modernisation projects | 26 | 22 | 23 |
| Total Platform and third-party brands | 1 | 2 | 6 |
| Security and head office department projects | 1 | 1 | 3 |
| Small development projects | 1 | 2 | 9 |
| Hardware | 6 | 8 | 7 |
| **Total Technology capital expenditure** | **35** | **34** | **49** |

For further details on Technology costs, see page 18 in the Big Picture section.

### *Retail stores*

In the year, capital expenditure on new Retail space increased to £26m, versus £8m last year. This increase was mainly due to two new large stores, one of which (Thurrock) is planned to open during summer 2025.

Cosmetic and maintenance spend of £20m is £13m lower than last year, which included projects such as LED lighting and air conditioning and refit costs in some of our larger stores.

In the year ahead, we expect capital expenditure on new space to increase to £55m, due to the addition of ten new stores, the relocation of six existing stores and conversion of two Home stores to fashion stores (see page 29). Cosmetic and maintenance spend is forecast at £22m.

### *Head office infrastructure and other*

Capital expenditure on head office infrastructure was £9m, in line with last year. Projects include the redevelopment of some of our head office facilities and the relocation of our contact centre.

### *Other Group subsidiaries*

Capital expenditure across our subsidiaries totalled £12m. This is £5m higher than last year, due to the consolidation of Reiss and FatFace in NEXT's accounts for the full year; in the prior year only their capital spend between October and January was consolidated.

Capital expenditure in our subsidiaries relates mainly to new store openings, store refits and some central IT software development.


*Fosse Park West, Leicester*

# DIVIDENDS AND SHAREHOLDER RETURNS

The Company remains committed to returning surplus cash to shareholders if it cannot be profitably invested in our business activities. Surplus cash is defined as trading cash flow, after deducting interest, tax, capital expenditure, funding customer receivables, investments or acquisitions and ordinary dividends. Share buybacks are subject to us achieving a minimum 8% equivalent rate of return (ERR) on the purchase. As a reminder, ERR is calculated by dividing (1) anticipated NEXT Group pre-tax profits by (2) the current market capitalisation[38].

## Shareholder Returns in 2024/25

### *Ordinary dividends*

An ordinary dividend of 141p per share was paid on 1 August 2024 (with a total value of £169m) and an interim dividend of 75p per share, in respect of the year to January 2025, was paid on 3 January 2025 (with a total value of £89m).

The Board has proposed a final ordinary dividend of 158p, to be paid on 1 August 2025, taking the ordinary dividend for the year to 233p. This is subject to approval by shareholders at the Annual General Meeting to be held on 15 May 2025. Shares will trade ex-dividend from 3 July 2025 and the record date will be 4 July 2025.

### *Share buybacks*

In 2024/25 we purchased 3.8m shares at an average share price of £95.26, totalling £360m. This reduced the number of shares in issue by 2.97% since the start of this financial year. This included £34m of purchases in January 2025, when we brought forward some of the buybacks planned in respect of the 2025/26 financial year.

These buybacks represent an ERR of 8.9%; ahead of our buyback hurdle of 8%.

## Outlook for Shareholder Returns in 2025/26

### *Ordinary dividends*

Based on achieving our profit guidance of £1,066m, we currently expect to return £286m to shareholders by way of ordinary dividends. This represents 36% of our forecast post-tax profit and dividend cover of 2.8 times. As is our normal practice, we intend to pay an interim dividend in January 2026 and the final dividend in August 2026.

For clarity, the £279m cash outflow for ordinary dividends shown in the 2025/26 cash flow forecast on page 48 is the sum of: (1) the final dividend from 2024/25, which is forecast to be paid in August 2025, and (2) the interim dividend for 2025/26 forecast to be paid in January 2026.

### *Share buybacks*

We anticipate generating £426m of surplus cash in the year ahead. Our forecast assumes that we will retain £110m of this surplus cash, to enable us to comfortably finance the repayment of our 2025 £250m bond. We intend to return the balancing £316m of surplus cash to shareholders by way of share buybacks. We estimate that these buybacks, along with those in the previous year, will boost pre-tax EPS in 2025/26 by +3.4%.

The value of buybacks could vary to this forecast, in the event of: (1) further investments, which would *reduce* cash available for buybacks, or (2) potential refinancing (see page 53) which would allow us to distribute more of the surplus cash generated in the year.

[38] Market capitalisation is calculated based on shares in circulation, so excludes shares in the NEXT ESOT.

# NET DEBT, BOND AND BANK FACILITIES

Our net debt at January 2025 (excluding lease liabilities) was £660m, a reduction of £40m in the year.

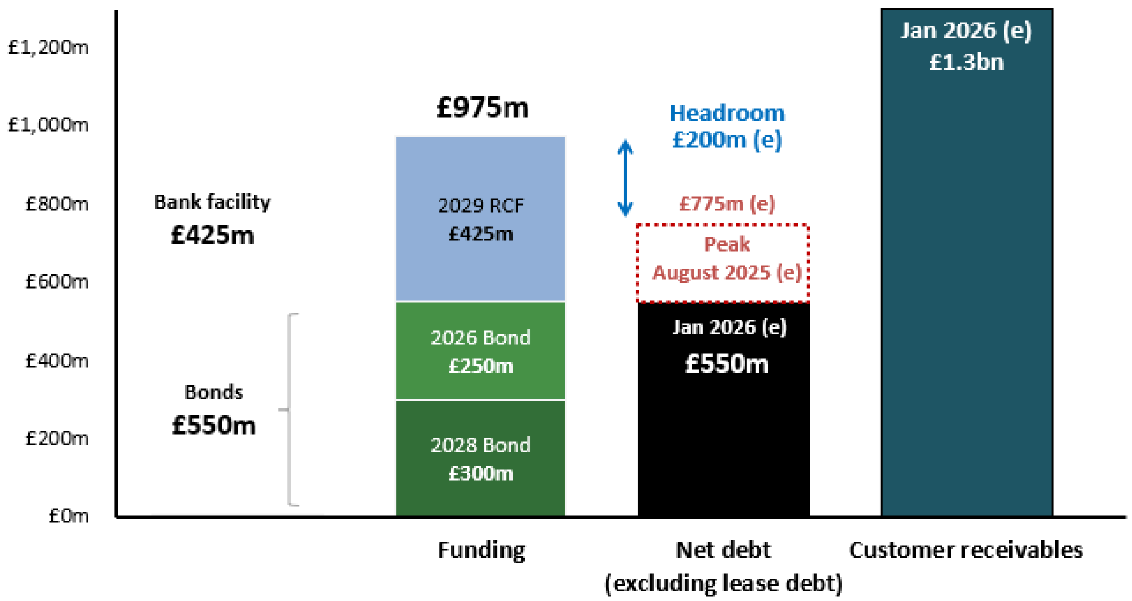
Our current facilities include a £250m bond, which matures in August 2025. We have been retaining funds over the last two years, so that we have the flexibility to repay this bond and not refinance, if long-term interest rates in the bond market remain at their current levels.

Assuming we do not refinance, at the year ending January 2026 the Group's bond and bank facilities will total £975m.

Based on our cash flow forecast for the year ahead, net debt will peak in August 2025 at around £775m, leaving headroom of £200m; comfortably within our bond and bank facilities of £975m. We estimate that we will end the year with net debt (excluding lease debt) of around £550m.

The chart below sets out the Group's bond and bank facilities and forecast for net debt. For context, our forecast for customer receivables at January 2026 is around £1.3bn, significantly higher than the value of our net debt.

**Group Financing, Net Debt and Headroom 2025/26 (e)**




## Financing Options for 2025/26

At our current level of debt, our gearing is at an historical low, and comfortably below the circa £1bn we could borrow without compromising our investment grade status. We do not intend to increase debt to that level, but we are actively considering the following options to increase our cash resources by between £100m - £250m:

- Issue new bonds in the market.
- Raising debt via a private placement.
- Increase our RCF facility.

If we are able to secure funding, at terms we think are reasonable, we would increase our share buybacks to distribute all the surplus cash we generate in the year.

# FIRST QUARTER TRADING UPDATE

Our first quarter Trading Statement will cover the thirteen weeks to Saturday 26 April 2025 and is scheduled for Thursday 8 May 2025.

**Lord Wolfson of Aspley Guise**
Chief Executive
27 March 2025

# APPENDIX 1
# RECONCILIATION TO STATUTORY RESULTS

## OVERVIEW

The financial information presented in pages 4 to 54 is used by management in assessing business performance. It is also the financial information used to inform business decisions and investment appraisals. Some of these financial metrics and performance measures are not prepared on a full IFRS statutory accounting basis. It is common for these performance measures to be called 'Alternative Performance Measures' (APMs).

An explanation of the APMs used by the business is provided in the glossary at the end of the 2024 Annual Report and Accounts available at https://www.nextplc.co.uk/.

Reconciliations between total Group sales and statutory revenue, and NEXT Group profit before tax and statutory profit before tax are given in this document on pages 21 and 22 respectively.

In this appendix we provide a reconciliation between our APMs and their statutory equivalents for (1) NEXT Group EPS and statutory EPS, (2) capital expenditure, (3) cash flow. We also provide further information on the exceptional, non-cash, pension cost.

## 1. NEXT GROUP EPS AND STATUTORY EPS

The EPS calculation on NEXT Group profit before tax, and its statutory equivalent are summarised below.

| NEXT Group profit (£m) and EPS (pence) (APM) | Jan 2025 | Jan 2024 |
|---|---|---|
| **NEXT Group profit before tax** | **1,011.4** | **918.2** |
| Tax | (249.9) | (216.4) |
| **NEXT Group profit after tax** | **761.4** | **701.8** |
| Average number of shares (millions) | 119.7 | 121.3 |
| **NEXT Group Earnings Per Share (EPS)** | **636.3p** | **578.8p** |

| Statutory profit (£m) and EPS (pence) | Jan 2025 | Jan 2024 |
|---|---|---|
| **Statutory profit before tax** | **987.0** | **1,015.8** |
| Remove non-controlling interests | (9.1) | 1.2 |
| Statutory tax attributable to NEXT | (241.8) | (214.7) |
| **Statutory profit after tax attributable to NEXT** | **736.1** | **802.3** |
| Average number of shares (millions) | 119.7 | 121.3 |
| **Basic Earnings Per Share (EPS)** | **615.1p** | **661.6p** |

The statutory tax attributable to NEXT of £241.8m is calculated as being the £243.8m tax charge in the statutory income statement less the tax on the non-controlling interests of £2.0m (this is the difference between the profit before tax of £9.1m non-controlling interest and the £7.1m shown on face of the statutory income statement which is the post-tax equivalent).

## 2. CAPITAL EXPENDITURE

Capital expenditure in the cash flow presented in the CEO Review is based on the internal operational view of capital expenditure. From a statutory viewpoint, there are some differences which are reconciled below.

| £m | Jan 2025 |
|---|---|
| Capital expenditure per CEO Review | 151 |
| Plus capital accruals | 6 |
| **Capital expenditure per statutory reporting*** | **157** |

**includes property, plant and equipment and intangible assets*

## 3. STATUTORY CASH FLOW

The cash flow statement presented in the CEO Review is consistent with that used by management in its decision making processes and internal reporting. It is this view of the cash flows, and in particular the 'Trading cash flow' line, that informs decision making on distributions. However, this approach, while used by management, is not consistent with the presentation of cash flows on a statutory basis.

In this section we provide a walk forward from Trading Cash Flow presented in the CEO Review cash flow to 'Net cash from operating activities' in the statutory cash flow. The overall total cash flow in the year is the same - the difference is limited to presentation.

The statutory cash flow is split into three main sections:

- *Operating activities:* cash flows primarily derived from our revenue-producing activities.
- *Investing activities:* cash flows that result in the recognition of an asset in the balance sheet (i.e. capex or investing in another company).
- *Financing activities:* cash flows that result from financing - issue of shares, share buybacks, issue of bonds, interest payments/receipts, dividends and leases.

| | Note | £m |
|---|---|---|
| **Trading cash flow** | 1 | **690** |
| Adjust to get to Operating profit | 2 | 64 |
| Capital expenditure | 3 | 151 |
| Purchase of shares by ESOT | 4 | 122 |
| Disposal of shares by ESOT | 4 | (77) |
| Customer receivables | 5 | (21) |
| Lease payments (net of incentives) | 6 | 165 |
| Repayment of management loan notes | 7 | 24 |
| Dividends paid to minority interests | 8 | 8 |
| Working capital and other | 9 | 7 |
| **Net cash from operating activities - per statutory cash flow** | 10 | **1,134** |

**Note 1:** As per the cash flow statement on page 48 of the CEO Review, cash from trading activities was £690m for the year to January 2025.

**Note 2:** The cash flow in the CEO Review starts with the NEXT Group profit before tax of £1,011m whereas the statutory cash flow starts at Operating Profit of £1,075m. The table below bridges between these two values.

| | £m |
|---|---|
| **NEXT Group profit before tax** | **1,011** |
| Add back interest costs (CEO Review, page 46) | 79 |
| Add back interest costs reported as part of Total Platform equity | 9 |
| Add Non Controlling interest in subsidiaries (Reiss, FatFace and Joules) | 9 |
| Less Brand amortisation | (19) |
| Less Exceptional cost on curtailment of pension scheme | (15) |
| **Operating profit** | **1,075** |

**Note 3:** Management includes the capital expenditure (capex) which it considers to be part of its trading activity and deducts this capex when calculating Trading cash flow. In the statutory cash flow, all capex is included within investing activity and hence not part of operating cash flows. Therefore the capex of £151m in the CEO Review has been added back in the bridge above.

**Note 4:** Trading cash flow is recognised after the purchase and disposal of shares in the ESOT. In contrast they are classified as financing activity in the statutory cash flow.

**Note 5:** The customer receivables cash movement relates to the 'nextpay' and 'pay in 3' receivables balance. For management purposes, movements in this balance are excluded from Trading cash flow. In contrast, this is included within operating cash flow for statutory reporting.

**Note 6:** The cash flows associated with our leases, which are predominantly store related, are considered by management to be an integral part of our trading cash flows and hence are included in the calculation of Trading cash flow. From a statutory perspective, lease cash flows are included in financing activity (as a lease is deemed a form of debt).

**Note 7:** The repayment of loan notes is a one-off item in the year and relates to deferred consideration arising on a prior year acquisition.

**Note 8:** This relates the dividends paid by Reiss and FatFace to non-controlling interests (i.e. the element paid to other shareholders).

**Note 9:** The remaining difference relates to immaterial movements on working capital and other items such as the equity profit from our investments.

**Note 10:** This value of £1,134m can be reconciled to the line "Net cash from operating activities" in the statutory cash flow statement.

## 4. EXCEPTIONAL PENSION COST (NON-CASH)

Following a consultation process with employees, the defined benefit pension scheme (which closed to new members in 2000) was closed to future service accrual. This resulted in a **non-cash,** non-recurring charge of £15m, known as a 'curtailment loss', in 2024/25. This loss arises because:

(1) Our pension liability, prior to closure, was based on the service that members had accrued *up to the date* of closure.

(2) Under a closure, the liability is based on the pension payable to date *plus* an estimate of future inflationary increases.

This loss is treated as exceptional and is *excluded* from our headline profit and EPS numbers.

# APPENDIX 2
# REPORTING OF SUBSIDIARIES' SALES AND PROFITS

**The explanation below was given in the CEO Review in March and September 2024 and is repeated here for clarity.**

### *Reporting the headline PROFITS of subsidiaries in which we have a part share*

As NEXT began to acquire new businesses the question arose as to how we report the sales and profits from companies in which we own a part share. Accounting standards require our statutory accounts to consolidate the sales and profits of companies in which we have a controlling interest, but in the case of part ownership that means that we would start to include in our headline numbers, profit that our shareholders do not "own". The answer, we believe, is to report *our share* of our subsidiaries' profits[39]; so if we own 50% of the business we will include 50% of its profits in our headline number.

**In summary: We include our share of subsidiary profits in our headline profit number for the Group.**

### *Reporting the headline SALES of subsidiaries in which we have a part share*

Prior to 2023/24 we did not include the sales of subsidiary companies in our headline sales number. Until then, that was not a problem, as they were not material. As we acquired more businesses the risk was that we overstated the headline net margins of the Group by including our share of their profits but excluded all of their sales.

To address this problem, we have adopted the same convention for sales as we have done for profits. So if we own 50% of a company we will report 50% of its profits and 50% of its sales in our headline numbers (subject to the qualification below). By maintaining the proportion of sales *and* profits in line with our ownership we give a more accurate picture of our profit and net margins.

**In summary: We include our share of subsidiary sales in our headline sales number for the Group.**

### *ISSUE: Avoiding the double counting of sales*

Historically we have always included LABEL sales within our headline sales number, whether goods are sold on a wholesale or commission basis[40] and we continue with this convention. However, a subsidiary company's sales on LABEL will also be reported within *their* sales numbers. So if we include our share of their sales in our headline sales, including their LABEL sales, we will double count our share of their LABEL sales.

To avoid this problem, we exclude subsidiaries' LABEL sales from their sales *before* accounting for our share of their sales. So if we own 50% of a subsidiary that turns over £100m, of which £20m are LABEL sales, then we add 50% of £80m (i.e. £100m - £20m) to our headline sales number. On the same logic, we also deduct the value of Total Platform commission and revenue from cost-plus services from their sales.

**In summary: We deduct subsidiary sales on LABEL and TP services before accounting for our share of their sales.**

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[39] The term subsidiaries here is used to describe businesses in which we hold equity investments, as detailed in Appendix 5 on page 61.

[40] As previously explained, the gross transaction value of LABEL items sold on commission are not *statutory* sales but are included in our headline numbers.

# APPENDIX 3
# NOTE FOR ANALYSTS ON THE TREATMENT OF BRAND AMORTISATION

**The explanation below was given in the CEO Review in March and September 2024 and is repeated here for clarity.**

As NEXT acquired new businesses, the accounting effect of amortising the value of acquired brands[41] would increasingly understate the underlying profitability of the Group. Amortisation is a non-cash accounting adjustment similar to depreciation; accounting standards require that the value of brands is amortised over their life. In the case of FatFace and Reiss we are amortising the brand over 15 and 25 years respectively. This amortisation assumes that the value of these brands will drop to zero over the amortisation period; in reality it is more likely that they will *increase* in value than fall to zero.

By way of example: If NEXT plc was acquired, at its current market value, by a shell company that issued new shares in exchange for the company's current shares then, under statutory reporting, the acquiring company would then add the brand to the balance sheet and amortise it over the 'life' of the asset. A conservative accounting approach would result in a life of, say, 25 years, which would result in an annual amortisation charge of around £415m. So, despite having exactly the same cash flow, assets and debt as the existing company, the new company's reported profit would be around 40% lower than prior to the transaction - clearly not a true representation of the company's value.

So from the year ending January 2024 onwards, we adopted the accounting convention used by many acquisitive Groups, and reported our 'headline profits' *excluding* brand amortisation costs. Prior to the year ending January 2024, brand amortisation costs were not material to the Group.

[41] Acquired brands is used to describe the brand and any other related intangible assets acquired in the business.

# APPENDIX 4

## EQUAL PAY CLAIM

**The summary below was given in our Half Year Report in September 2024, and is repeated here for reference.**

NEXT is currently subject to an equal pay claim. The claim is from a number of former and current employees in our Retail store network seeking equal pay with colleagues in our warehouses. The case revolves around the fact that a higher percentage of our sales consultants in stores are women, when compared to the warehouses where just over half (52%) the operatives are men. A decision on this matter was issued by the Employment Tribunal on 22 August 2024 which we intend to appeal.

The Tribunal rejected the majority of the claims made by the Claimants, in particular all claims of direct discrimination, and all aspects of the claims made in respect of bonus pay. The Tribunal expressed serious criticisms of the Claimants' expert evidence, and overwhelmingly accepted the evidence of NEXT's expert and fact witnesses.

In respect of the 7 (out of 18) claims on which the Claimants succeeded, it is our intention to appeal. This is the first equal pay group action in the private sector to reach a Tribunal decision of this type and raises a number of important points of legal principle.

**NEXT is proud of its reputation as a fair employer. So it is important to stress that the Tribunal was clear that there was no direct discrimination by NEXT. It was established that NEXT did not deliberately set lower pay rates and premium payments because of gender, either consciously or subconsciously.**

**Further, the Tribunal found that market forces and the need to recruit and retain staff in the warehouses were the reason for the pay gap**. Nevertheless, the Tribunal's approach to the law led it to conclude that, for some of the contractual terms, this did not justify the gap. This is the legal decision that NEXT is appealing, as an error of law.

Our legal team is very confident of our grounds for Appeal. We expect the appeals process to take some time to conclude so do not expect a final resolution to be achieved for at least a year, if not much longer.

In the possible (but unlikely) event we lose this case on appeal, there will be a financial cost to the Group and its ongoing future operating costs. However that is not our main concern; the ramifications go well beyond the profitability of the Group (which is protected by the fact that Retail is a relatively small percentage of our profits). The two concerns are as follows:

- Each of our stores is treated as a business in its own right, and must remain **individually profitable** if they are to open in the first place and continue trading at lease renewal. Inevitably some of our stores will no longer be viable if this ruling is upheld on appeal. Materially increasing store operating costs will result in more shops being closed when their leases expire, and will materially impede our ability to open new stores going forward.
- An additional concern is the effect the case would have on the **viability of our warehouse operation**. If, for many people, warehouse work is less attractive than work in stores (as the evidence before the Tribunal showed), how can a warehouse attract the number of employees it needs? On the Tribunal's approach, the warehouse cannot raise wages, as that must inevitably push up the pay of competing work in shops - a vicious circle. The Lead Claimant herself, giving evidence in open court, summed up the problem when she said that working in the warehouse "didn't seem particularly attractive" and she would only have considered it "if it had been a lot more money".

At its heart this case poses a fundamental question about the meaning of "equal value". In this case the work was assessed as being of "equal value", despite the fact it was being carried out in different workplaces, in different markets, and was of different value to the employer and attractiveness to the employee. We believe it should therefore be no surprise that they need to be paid differently.

# APPENDIX 5

## TOTAL PLATFORM CLIENTS AND EQUITY INVESTMENTS

Our Total Platform clients and investments in third-party brands are shown in the tables below.

| Client | Equity interest or investment | TP launch date | Sales channels supported |
|---|---|---|---|
| **Laura Ashley** | Licence to trade in UK and Eire | Mar 2021 | Online and retail |
| **Victoria's Secret (UK and Eire)** | 51% share in UK and Eire franchise | May 2021 | Online and retail |
| **Reiss** | 74% equity share | Feb 2022 | Online, retail and wholesale |
| **GAP** | 51% share in UK JV with GAP coalition | Aug 2022 | Online and retail |
| **JoJo Maman Bébé** | 44% share in partnership with Davidson Kempner | May 2023 | Online, retail and wholesale |
| **MADE** | 100% acquisition of brand name, domain name and intellectual property | July 2023 | Online and retail |
| **Joules** | 74% share in partnership with Tom Joule | Oct 2023 | Online, retail and wholesale |
| **FatFace** | 97% equity share | Sept 2024 | Online, retail and wholesale |

### *Other investments in brands not on Total Platform*

| Brand | Equity interest or investment |
|---|---|
| Swoon | 25% share |
| Sealskinz | 19.9% share |
| Aubin | 30.3% share |
| Cath Kidston | 100% acquisition of brand name, domain name and intellectual property |
| Rockett St George | 16% share |

# UNAUDITED CONSOLIDATED INCOME STATEMENT

| | Notes | **52 weeks to 25 January 2025 £m** | 52 weeks to 27 January 2024 £m |
|---|---|---|---|
| ***Continuing operations*** | | | |
| **Revenue (including credit account interest)** | 1,2 | **6,118.1** | 5,491.0 |
| Cost of sales | | **(3,456.5)** | (3,034.5) |
| Impairment losses on customer and other receivables | | **(19.4)** | (36.0) |
| **Gross profit** | | **2,642.2** | 2,420.5 |
| Distribution costs | | **(878.8)** | (794.1) |
| Administrative expenses | | **(670.6)** | (657.7) |
| Other gains | | **3.4** | 12.3 |
| **Trading profit** | | **1,096.2** | 981.0 |
| Share of results of associates and joint ventures | | **6.7** | 6.9 |
| Impairment in associates and joint ventures | | **(13.0)** | - |
| Curtailment loss - exceptional items | 3 | **(14.5)** | - |
| **Operating profit** | | **1,075.4** | 987.9 |
| Gain on Reiss transaction - exceptional items | 3 | **-** | 108.6 |
| Finance income | | **8.2** | 6.8 |
| Finance costs | | **(96.6)** | (87.5) |
| **Profit before taxation** | | **987.0** | 1,015.8 |
| Taxation | | **(243.8)** | (215.3) |
| **Profit for the year** | | **743.2** | 800.5 |
| | | | |
| **Profit/(loss) attributable to:** | | | |
| - Equity holders of the Parent Company | | **736.1** | 802.3 |
| - Non-controlling interests | | **7.1** | (1.8) |
| | | **743.2** | 800.5 |

| **Earnings Per Share (Note 4)** | **52 weeks to 25 January 2025** | 52 weeks to 27 January 2024 |
|---|---|---|
| Basic | **615.1p** | 661.6p |
| Diluted | **605.5p** | 655.9p |

Notes 1 to 18 are an integral part of these unaudited consolidated financial statements.

# UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Notes | **52 weeks to 25 January 2025 £m** | 52 weeks to 27 January 2024 £m |
|---|---|---|---|
| **Profit for the period** | | **743.2** | 800.5 |
| | | | |
| ***Other comprehensive income and expenses:*** | | | |
| ***Items that will not be reclassified to profit or loss*** | | | |
| Actuarial loss on defined benefit pension scheme | 6 | **(13.8)** | (103.6) |
| Tax relating to items which will not be reclassified | | **3.5** | 25.9 |
| *Subtotal items that will not be reclassified* | | **(10.3)** | (77.7) |
| ***Items that may be reclassified to profit or loss*** | | | |
| Exchange differences on translation of foreign operations | | **(2.2)** | (3.8) |
| Foreign currency and commodity cash flow hedges: | | | |
| - fair value movements | | **20.8** | 1.7 |
| Cost of hedging: | | | |
| - fair value movements | | **(0.6)** | (0.9) |
| Tax relating to items which may be reclassified | | **(5.1)** | (0.2) |
| *Subtotal items that may be reclassified* | | **12.9** | (3.2) |
| | | | |
| **Other comprehensive income/(expense) for the period** | | **2.6** | (80.9) |
| | | | |
| **Total comprehensive income for the period** | | **745.8** | 719.6 |
| | | | |
| **Total comprehensive income attributable to:** | | | |
| - Equity holders of the Parent Company | | **738.7** | 721.4 |
| - Non-controlling interests | | **7.1** | (1.8) |
| | | **745.8** | 719.6 |

# UNAUDITED CONSOLIDATED BALANCE SHEET

| | Notes | **25 January 2025 £m** | 27 January 2024 £m |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **686.4** | 687.5 |
| Intangible assets | | **735.4** | 757.2 |
| Right-of-use assets | 13 | **737.3** | 734.6 |
| Associates, joint ventures and other investments | 14 | **32.7** | 38.0 |
| Defined benefit pension asset | 6 | **30.8** | 59.3 |
| | | **2,222.6** | 2,276.6 |
| **Current assets** | | | |
| Inventories | | **865.2** | 769.0 |
| Customer and other receivables | 8 | **1,508.4** | 1,452.8 |
| Right of return asset | | **34.8** | 30.7 |
| Other financial assets | 7 | **31.8** | 6.9 |
| Current tax assets | | **9.3** | - |
| Cash and short term deposits | | **200.4** | 188.3 |
| | | **2,649.9** | 2,447.7 |
| **Total assets** | | **4,872.5** | 4,724.3 |
| **Current liabilities** | | | |
| Bank loans and overdrafts | | **(60.6)** | (58.7) |
| Corporate bonds | 10 | **(250.0)** | - |
| Trade payables and other liabilities | 9 | **(1,076.7)** | (991.8) |
| Lease liabilities | 13 | **(170.8)** | (167.8) |
| Other financial liabilities | 7 | **(8.3)** | (18.8) |
| Current tax liabilities | | **-** | (8.6) |
| | | **(1,566.4)** | (1,245.7) |
| **Non-current liabilities** | | | |
| Bank loans and overdrafts | | **-** | (29.5) |
| Corporate bonds | 10 | **(543.8)** | (790.8) |
| Provisions | | **(55.7)** | (52.4) |
| Lease liabilities | 13 | **(843.6)** | (869.9) |
| Other financial liabilities | 7 | **(39.1)** | (37.4) |
| Other liabilities | 9 | **(11.5)** | (11.7) |
| Deferred tax liabilities | | **(58.1)** | (48.1) |
| | | **(1,551.8)** | (1,839.8) |
| **Total liabilities** | | **(3,118.2)** | (3,085.5) |
| **NET ASSETS** | | **1,754.3** | 1,638.8 |
| **TOTAL EQUITY** | | **1,754.3** | 1,638.8 |

# UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Attributable to equity holders of the Parent Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital £m | Share premium account £m | Capital redemption reserve £m | ESOT reserve £m | Cash flow hedge reserve £m | Cost of hedging reserve £m | Foreign currency translation £m | Other reserves £m | Retained earnings £m | Total £m | Non-controlling interests £m | Total equity £m |
| **At 28 January 2023** | **12.9** | **0.9** | **17.0** | **(396.7)** | **(11.3)** | **0.4** | **(3.7)** | **(1,443.8)** | **2,984.8** | **1,160.5** | **4.6** | **1,165.1** |
| Profit for the period | - | - | - | - | - | - | - | - | 802.3 | **802.3** | (1.8) | **800.5** |
| Other comprehensive income/(expense) for the period | - | - | - | - | 1.3 | (0.7) | (3.8) | - | (77.7) | **(80.9)** | - | **(80.9)** |
| Total comprehensive income/(expense) for the period | - | - | - | - | 1.3 | (0.7) | (3.8) | - | 724.6 | **721.4** | (1.8) | **719.6** |
| Shares issued in the year | 0.1 | 53.3 | - | - | - | - | - | - | - | **53.4** | - | **53.4** |
| Share buybacks and commitments | (0.3) | - | 0.3 | - | - | - | - | - | (177.3) | **(177.3)** | - | **(177.3)** |
| ESOT share purchases | - | - | - | (116.3) | - | - | - | - | - | **(116.3)** | - | **(116.3)** |
| Shares issued by ESOT | - | - | - | 125.7 | - | - | - | - | (31.7) | **94.0** | - | **94.0** |
| Share option charge | - | - | - | - | - | - | - | - | 31.9 | **31.9** | - | **31.9** |
| Reclassified to cost of inventory | - | - | - | - | 7.1 | - | - | - | - | **7.1** | - | **7.1** |
| Non-controlling interest on acquisition of subsidiary | - | - | - | - | - | - | - | - | - | **-** | 124.1 | **124.1** |
| Fair value on put options | - | - | - | - | - | - | - | - | (26.1) | **(26.1)** | - | **(26.1)** |
| Tax recognised directly in equity | - | - | - | - | (1.8) | - | - | - | 13.4 | **11.6** | - | **11.6** |
| Equity dividends | - | - | - | - | - | - | - | - | (248.3) | **(248.3)** | - | **(248.3)** |
| **At 27 January 2024** | **12.7** | **54.2** | **17.3** | **(387.3)** | **(4.7)** | **(0.3)** | **(7.5)** | **(1,443.8)** | **3,271.3** | **1,511.9** | **126.9** | **1,638.8** |
| Profit for the period | - | - | - | - | - | - | - | - | 736.1 | **736.1** | 7.1 | **743.2** |
| Other comprehensive income/(expense) for the period | - | - | - | - | 15.6 | (0.5) | (2.2) | - | (10.3) | **2.6** | - | **2.6** |
| Total comprehensive income/(expense) for the period | - | - | - | - | 15.6 | (0.5) | (2.2) | - | 725.8 | **738.7** | 7.1 | **745.8** |
| Share buybacks and commitments | (0.3) | - | 0.3 | - | - | - | - | - | (360.2) | **(360.2)** | - | **(360.2)** |
| ESOT share purchases | - | - | - | (126.8) | - | - | - | - | - | **(126.8)** | - | **(126.8)** |
| Shares issued by ESOT | - | - | - | 86.4 | - | - | - | - | (16.7) | **69.7** | - | **69.7** |
| Share option charge | - | - | - | - | - | - | - | - | 40.9 | **40.9** | - | **40.9** |
| Reclassified to cost of inventory | - | - | - | - | 10.9 | 0.8 | - | - | - | **11.7** | - | **11.7** |
| Non-controlling interest on acquisition of subsidiary | - | - | - | - | - | - | - | - | 8.5 | **8.5** | (8.5) | **-** |
| Fair value on put options | - | - | - | - | - | - | - | - | (13.6) | **(13.6)** | - | **(13.6)** |
| Tax recognised directly in equity | - | - | - | - | (2.7) | (0.2) | - | - | 16.0 | **13.1** | - | **13.1** |
| Equity dividends | - | - | - | - | - | - | - | - | (257.8) | **(257.8)** | - | **(257.8)** |
| Gain on disposal of investment | - | - | - | - | - | - | - | - | 0.2 | **0.2** | - | **0.2** |
| Shares issued to non-controlling interests | - | - | - | - | - | - | - | - | - | **-** | 0.5 | **0.5** |
| Dividends paid to non-controlling interests | - | - | - | - | - | - | - | - | - | **-** | (8.0) | **(8.0)** |
| Recycled to retained earnings | - | - | - | - | - | - | - | (5.1) | 5.1 | **-** | **-** | **-** |
| **At 25 January 2025** | **12.4** | **54.2** | **17.6** | **(427.7)** | **19.1** | **(0.2)** | **(9.7)** | **(1,448.9)** | **3,419.5** | **1,636.3** | **118.0** | **1,754.3** |

# UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

| | Notes | **52 weeks to 25 January 2025 £m** | 52 weeks to 27 January 2024 £m |
|---|---|---|---|
| Cash generated from operations | 16 | **1,376.5** | 1,313.6 |
| Corporation taxes paid | | **(242.6)** | (193.3) |
| **Net cash from operating activities** | | **1,133.9** | 1,120.3 |
| **Cash flows from investing activities** | | | |
| Additions to property, plant and equipment | | **(122.9)** | (160.9) |
| Movement in capital accruals | | **(6.4)** | 23.9 |
| Payments to acquire property, plant and equipment | | **(129.3)** | (137.0) |
| Proceeds from sale of property, plant and equipment | | **2.6** | 2.0 |
| Proceeds from sale and leaseback transactions | | **-** | 3.3 |
| Purchase of intangible assets | | **(28.2)** | (51.2) |
| Amounts loaned to joint ventures and associates | | **(0.9)** | - |
| Investment in subsidiaries | | **(24.2)** | (153.2) |
| Investment in associates and joint ventures | | **(1.2)** | (0.9) |
| Dividend from jointly controlled entity | | **-** | 2.6 |
| **Net cash from investing activities** | | **(181.2)** | (334.4) |
| **Cash flows from financing activities** | | | |
| Repurchase of own shares | | **(360.2)** | (177.3) |
| Purchase of shares by ESOT | | **(126.8)** | (116.3) |
| Disposal of shares by ESOT | | **77.0** | 97.8 |
| Purchase of equity from non-controlling interests | | **(5.0)** | - |
| Issue of shares in subsidiaries to non-controlling interests | | **0.5** | - |
| Repayment of loan | | **(2.4)** | (2.5) |
| Incentives received for leases within the scope of IFRS 16 | | **1.0** | - |
| Lease payments | | **(164.6)** | (156.1) |
| Interest paid (including lease interest) | | **(93.3)** | (79.2) |
| Proceeds from sale and leaseback transactions | | **-** | 18.6 |
| Dividends paid to owners of NEXT plc | 5 | **(257.8)** | (248.3) |
| Dividends paid to non-controlling interests in subsidiaries | | **(8.0)** | - |
| **Net cash from financing activities** | | **(939.6)** | (663.3) |
| **Net increase in cash and cash equivalents** | | **13.1** | 122.6 |
| Opening cash and cash equivalents | | **124.3** | 2.7 |
| Exclude bank loans | | **33.9** | - |
| Effect of exchange rate fluctuations on cash held | | **-** | (1.0) |
| **Closing cash and cash equivalents** | 12 | **171.3** | 124.3 |

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

## Basis of preparation

The results for the financial period are for the 52 weeks to 25 January 2025 (last year 52 weeks to 27 January 2024) for NEXT plc and its subsidiaries (the "Group").

The condensed consolidated financial statements for the period ended 25 January 2025 have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The condensed consolidated financial statements are unaudited and do not constitute statutory accounts of the Company within the meaning of Section 434(3) of the Companies Act 2006. Statutory accounts for the year to 27 January 2024 have been delivered to the Registrar of Companies. The audit report for those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under 498(2) or (3) of the Companies Act 2006.

### New accounting standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the condensed consolidated financial statements are the same as those set out in the Group's annual financial statements for the 52 weeks ended 27 January 2024 other than for the interpretations and amendments noted below:

- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Non-current Liabilities with Covenants (amendments to IAS 1)
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

The application of these new interpretations and amendments did not have a material impact on the financial statements.

### Going concern

In adopting the going concern basis for preparing the financial statements, the directors have considered the business activities including the Group's principal risks and uncertainties. The Board also considered the Group's current cash position, the repayment profile of its obligations, its financial covenants and the resilience of its 12 month cash flow forecasts to a series of severe but plausible downside scenarios such as enforced store closures. Having considered these factors the Board is satisfied that the Group has adequate resources to continue in operational existence for at least 12 months from the date of approval of these Financial Statements, meet its financial covenants and therefore it is appropriate to adopt the going concern basis in preparing the consolidated financial statements for the 52 weeks ended 25 January 2025.

## 1. Segmental analysis

The Group's operating segments are determined based on the Group's internal reporting to the Chief Operating Decision Maker (CODM). The CODM has been determined to be the Group Chief Executive, with support from the Board.

The Group's reportable segments have been identified as the following:

- NEXT Online - note that within the Chief Executive's Review, this segment is split further into NEXT Online (UK) and NEXT Online (International)
- NEXT Retail
- NEXT Finance
- Total Platform which represents the sales, profit and related assets from the Total Platform business which includes Reiss, FatFace and Joules alongside our equity investments.
- Other Business Activities (all other segments) which includes the Property Management segment which holds properties and property leases which are recharged to other segments and external parties and the Franchise, Sourcing and other segment. This segment also includes Central costs, the IFRS 2 "Share-based payment" expense and unrealised gains or losses on derivatives which do not qualify for hedge accounting.

"Total NEXT Trading sales" as reported within the "Total NEXT sales excluding VAT" column represents the full customer sales value of NEXT owned product sales, third-party commission based sales and NEXT Finance interest income. The Total Platform sales represent the commission and service income on sales with our Total Platform partners. Revenue from other business activities relates primarily to sales from our Franchise, Property Management and Sourcing business. The CODM uses the Total NEXT sales as an important metric in assessing segment performance; accordingly, this is presented in this note and then reconciled to the statutory revenue.

The adjustments to arrive at statutory revenue are explained as: (i) "Revenue from acquired businesses and brands" relates to sales generated from our acquired brands, primarily Reiss, FatFace and Joules who retail through their own store portfolio and websites other than next.co.uk. (ii) "Commission sales adjustment": Where third-party branded goods are sold on a commission basis, only the commission receivable is included in statutory revenue; and (iii) Other IFRS 15 adjustments for customer delivery charges, promotional discounts, Interest Free Credit commission costs and expired gift card balances.

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

## 1. Segmental analysis (continued)

### Segment sales and revenue

| | 52 weeks to 25 January 2025 | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Total NEXT sales excluding VAT £m** | **Revenue from acquired businesses and brands £m** | **Commission sales adjustment £m** | **Other IFRS 15 adjustments £m** | **External revenue £m** | **Internal revenue £m** | **Total segment revenue £m** |
| NEXT Online | **3,470.6** | **-** | **(361.5)** | **92.1** | **3,201.2** | **-** | **3,201.2** |
| NEXT Retail | **1,848.7** | **-** | **(32.4)** | **4.9** | **1,821.2** | **1.3** | **1,822.5** |
| NEXT Finance | **300.3** | **-** | **-** | **0.7** | **301.0** | **-** | **301.0** |
| Total NEXT Trading Sales | **5,619.6** | **-** | **(393.9)** | **97.7** | **5,323.4** | **1.3** | **5,324.7** |
| Total Platform | **67.0** | **623.0** | **-** | **-** | **690.0** | **-** | **690.0** |
| Other business activities (all other segments) | **104.7** | **-** | **-** | **-** | **104.7** | **696.6** | **801.3** |
| Total NEXT Sales | **5,791.3** | **623.0** | **(393.9)** | **97.7** | **6,118.1** | **697.9** | **6,816.0** |
| Eliminations | **-** | **-** | **-** | **-** | **-** | **(697.9)** | **(697.9)** |
| **Total** | **5,791.3** | **623.0** | **(393.9)** | **97.7** | **6,118.1** | **-** | **6,118.1** |

| | 52 weeks to 27 January 2024 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Total NEXT sales excluding VAT £m | Revenue from acquired businesses and brands £m | Commission sales adjustment £m | Other IFRS 15 adjustments £m | External revenue £m | Internal revenue £m | Total segment revenue £m |
| NEXT Online | 3,159.7 | - | (334.6) | 76.3 | 2,901.4 | 10.5 | 2,911.9 |
| NEXT Retail | 1,864.9 | - | (22.5) | 1.3 | 1,843.7 | 0.9 | 1,844.6 |
| NEXT Finance | 292.7 | - | - | - | 292.7 | - | 292.7 |
| Total NEXT Trading Sales | 5,317.3 | - | (357.1) | 77.6 | 5,037.8 | 11.4 | 5,049.2 |
| Total Platform | 52.5 | 308.5 | - | 2.8 | 363.8 | - | 363.8 |
| Other business activities (all other segments) | 89.4 | - | - | - | 89.4 | 646.8 | 736.2 |
| Total NEXT Sales | 5,459.2 | 308.5 | (357.1) | 80.4 | 5,491.0 | 658.2 | 6,149.2 |
| Eliminations | - | - | - | - | - | (658.2) | (658.2) |
| **Total** | 5,459.2 | 308.5 | (357.1) | 80.4 | 5,491.0 | - | 5,491.0 |

In the Chief Executive's Review, NEXT Online is separated between NEXT Online (UK) Total NEXT sales £2,540.4m (2024: £2,428.6m) and NEXT Online (International) Total NEXT sales of £930.2m (2024: £731.1m), whereas these are aggregated within this note.

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

## 1. Segmental analysis (continued)

### Segment profit

| | **52 weeks to 25 January 2025 £m** | 52 weeks to 27 January 2024 £m |
|---|---|---|
| NEXT Online [(1)] | **587.6** | 517.1 |
| NEXT Retail | **236.8** | 244.7 |
| NEXT Finance | **181.7** | 163.4 |
| **Profit from Trading** | **1,006.1** | 925.2 |
| Total Platform [(2)] | **66.2** | 31.2 |
| Other business activities (all other segments) [(3)] | **(42.0)** | (18.8) |
| Recharge of interest [(4)] | **59.6** | 50.3 |
| Curtailment loss - exceptional items | **(14.5)** | - |
| **Operating profit** | **1,075.4** | 987.9 |
| Gain on Reiss transaction - exceptional items | **-** | 108.6 |
| Finance income | **8.2** | 6.8 |
| Finance costs | **(96.6)** | (87.5) |
| **Profit before tax** | **987.0** | 1,015.8 |

(1) **NEXT Online £587.6m** (2024: £517.1m): Within the Chief Executive's Review, the Online segment is separated between NEXT Online (UK) £456.6m (2024: £421.1m) and NEXT Online (International) £131.0m (2024: £96.0m), whereas these are aggregated within this note.

(2) **Total Platform (TP) £66.2m** (2024: £31.2m): The TP segment includes NEXT's share of profits from its investments in associates and joint ventures. It also includes the profits from our TP subsidiaries (Joules, Reiss and FatFace). It excludes the non-recurring TP implementation costs for Joules and FatFace which, as noted below, are reported within Central and Other costs.

The Total Platform segment within the Chief Executive's Review:
1) excludes the operating profit of the non-controlling interest of £10.2m (2024: profit of £2.6m);
2) excludes NEXT's share of the brand and customer relationship amortisation (both owned brands and those included within our associate and joint venture investments) of £19.0m (2024: £9.8m).

(3) **Other Business Activities (all other segments) £42.0m cost** (2024: £18.8m cost): This segment includes the following:
- **Property management cost of £1.7m** (2024: profit of £1.7m)
- **Franchise and wholesale profit of £7.5m** (2024: profit of £5.8m)
- **Sourcing profit of £31.4m** (2024: profit of £27.4m)
- **Central and other costs of £79.2m cost** (2024: £53.7m cost) comprises the following:
  a) Central costs of £23.4m (2024: £18.5m);
  b) Share option charge of £38.7m (2024: £31.9m);
  c) Unrealised foreign exchange gains of £2.3m (2024: gain of £12.3m);
  d) 100% of non-recurring TP implementation costs associated with FatFace of £6.4m (2024: £15.6m relating to Joules and FatFace). Note that the Chief Executive's Review excludes the non controlling interest element of these costs; and
  e) an impairment in our investment in JoJo Maman Bébé of £13.0m (2024: Nil).

(4) **Recharge of interest £59.6m** (2024: £50.3m): In the current year, the recharge of interest of £59.6m (2024: £50.3m) includes £9.3m (2024: £2.5m) of interest that has been reallocated to Total Platform. The remaining element is the cost of funding relating to the Finance segment.

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

## 2. Revenue

The Group's disaggregated revenue recognised under contracts with customers relates to the following categories and operating segments:

| | **52 weeks to 25 January 2025** | | | | | |
|---|---|---|---|---|---|---|
| | **Sale of goods £m** | **Credit account interest £m** | **Royalties £m** | **Rental income £m** | **Service income £m** | **Total £m** |
| **NEXT Online** | **3,201.2** | **-** | **-** | **-** | **-** | **3,201.2** |
| **NEXT Retail** | **1,821.2** | **-** | **-** | **-** | **-** | **1,821.2** |
| **NEXT Finance** | **-** | **301.0** | **-** | **-** | **-** | **301.0** |
| **Total Platform** | **679.8** | **-** | **-** | **-** | **10.2** | **690.0** |
| **Other business activities (all other segments)** | **68.4** | **-** | **14.5** | **21.8** | **-** | **104.7** |
| **Total** | **5,770.6** | **301.0** | **14.5** | **21.8** | **10.2** | **6,118.1** |

| | 52 weeks to 27 January 2024 | | | | | |
|---|---|---|---|---|---|---|
| | Sale of goods £m | Credit account interest £m | Royalties £m | Rental income £m | Service income £m | Total £m |
| NEXT Online | 2,901.4 | - | - | - | - | 2,901.4 |
| NEXT Retail | 1,843.7 | - | - | - | - | 1,843.7 |
| NEXT Finance | - | 292.7 | - | - | - | 292.7 |
| Total Platform | 346.7 | - | - | - | 17.1 | 363.8 |
| Other business activities (all other segments) | 58.1 | - | 9.8 | 21.5 | - | 89.4 |
| Total | 5,149.9 | 292.7 | 9.8 | 21.5 | 17.1 | 5,491.0 |

## 3. Exceptional items

| | **52 weeks to 25 January 2025 £m** | 52 weeks to 27 January 2024 £m |
|---|---|---|
| - Curtailment loss on pension scheme (1) | **(14.1)** | - |
| - One-off costs associated with the closure of the pension scheme (1) | **(0.4)** | - |
| - Exceptional gain on acquisition of subsidiary previously presented as a joint venture (2) | **-** | 110.1 |
| - One-off costs associated with acquisitions (3) | **-** | (1.5) |
| **Total** | **(14.5)** | 108.6 |

(1) In March 2024, the NEXT defined benefit scheme was closed to future service accrual. As a result, a curtailment loss of £14.1m was recognised in the P&L. This loss arises because:
  (a) Our pension liability for active members, prior to closure, was based on the service that members had accrued *up to the date* of closure.
  (b) Under a closure, the liability is based on the pension payable to date and an estimate of future inflationary increases.

This is a non-recurring and non-cash item. Given its nature this has been recognised within exceptional items alongside the associated costs.

(2) In the prior year, an exceptional gain was recognised on the step-acquisition of Reiss which equates to the fair value of our joint venture shareholding less the carrying value as at the date of the step-acquisition.

(3) There were one-off costs related to professional fees associated with the step-acquisition of Reiss in the prior year.

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

## 4. Earnings Per Share

| | **52 weeks to 25 January 2025** | 52 weeks to 27 January 2024 |
|---|---|---|
| Basic Earnings Per Share | **615.1p** | 661.6p |
| Diluted Earnings Per Share | **605.5p** | 655.9p |

Basic Earnings Per Share is based on the profit for the period attributable to the equity holders of the Parent Company divided by the net of the weighted average number of shares ranking for dividend less the weighted average number of shares held by the ESOT during the period.

Diluted Earnings Per Share is calculated by adjusting the weighted average number of shares used for the calculation of Basic Earnings Per Share as increased by the dilutive effect of potential ordinary shares. Dilutive shares primarily arise from employee share option schemes where the exercise price is less than the average market price of the Company's ordinary shares during the period. Their dilutive effect is calculated on the basis of the equivalent number of nil cost options. Where the option price is above the average market price, the option is not dilutive and is excluded from the diluted EPS calculation. In addition, there are put and call options over the non-controlling interest shareholding in Reiss, FatFace and Joules. The Company has the option to settle these options in NEXT plc shares and therefore are dilutive in nature. Their dilutive effect is calculated based on the potential number of shares that could be issued using an option formula as prescribed in the respective shareholder agreement.

## 5. Dividends

| **Year to 25 January 2025** | **Paid** | **Pence per share** | **Cash Flow Statement £m** | **Statement of Changes in Equity £m** |
|---|---|---|---|---|
| Final ordinary dividend for the year to Jan 2024 | **1 Aug 2024** | **141p** | **168.9** | **168.9** |
| Interim ordinary dividend for the year to Jan 2025 | **3 Jan 2025** | **75p** | **88.9** | **88.9** |
| | | | **257.8** | **257.8** |

| Year to 27 January 2024 | **Paid** | **Pence per share** | **Cash Flow Statement £m** | **Statement of Changes in Equity £m** |
|---|---|---|---|---|
| Final ordinary dividend for the year to Jan 2023 | 1 Aug 2023 | 140p | 168.4 | 168.4 |
| Interim ordinary dividend for the year to Jan 2024 | 3 Jan 2024 | 66p | 79.9 | 79.9 |
| | | | 248.3 | 248.3 |

The Trustee of the ESOT waived dividends paid in the year on shares held by the ESOT.

The Board has recommended a final dividend for the year ended 25 January 2025 of 158p per share. If approved, it will be paid on 1 August 2025 to shareholders who are on the register of members on 4 July 2025. The proposed dividend is subject to approval by shareholders at the Annual General Meeting to be held on 15 May 2025 and has not been included as a liability in the financial statements.

## 6. Defined benefit pension

The principal defined benefit pension scheme is the 2013 NEXT Group Pension Plan. The net defined benefit pension asset recognised in the Consolidated Balance Sheet is analysed as follows:

| | **2025 £m** | 2024 £m |
|---|---|---|
| Present value of benefit obligations | **(586.5)** | (609.1) |
| Fair value of plan assets | **617.3** | 668.4 |
| **Net pension asset** | **30.8** | 59.3 |

The movement in the defined benefit pension surplus in the period is as follows:

| | **52 weeks to 25 January 2025 £m** | 52 weeks to 27 January 2024 £m |
|---|---|---|
| Net surplus in schemes at the beginning of the period | **59.3** | 157.5 |
| Current service cost | **(0.6)** | (3.0) |
| Past service cost | **-** | (2.4) |
| Curtailment loss | **(14.1)** | - |
| Administration costs | **(2.6)** | (2.4) |
| Net interest | **2.4** | 7.4 |
| Employer contributions | **0.2** | 5.8 |
| SPA Plan benefits paid | **-** | - |
| Actuarial losses and returns on plan assets | **(13.8)** | (103.6) |
| **Net surplus in schemes at the end of the period** | **30.8** | 59.3 |

In January 2024, the Trustees of the 2013 Plan undertook another buy-in in respect of all remaining members of the 2013 Plan, with a premium paid of £511m. Insurance assets account for more than 90% of the overall Plan assets and provide members with enhanced security over their pension.

The main financial assumptions and actuarial valuations have been updated by independent qualified actuaries under IAS 19 "*Employee benefits*". The following financial assumptions have been used for the main scheme, the 2013 plan:

| | **2025** | 2024 |
|---|---|---|
| Discount rate | **5.55%** | 5.00% |
| Inflation - RPI | **3.10%** | 2.95% |
| Inflation - CPI | **2.85%** | 2.65% |
| Salary increases | **n/a** | n/a |
| Pension increases in payment | | |
| - RPI with a maximum of 5.0% | **2.95%** | 2.80% |
| - RPI with a maximum of 2.5% and discretionary increases | **1.95%** | 1.90% |

## 7. Other financial assets and liabilities

Other financial assets and other financial liabilities include the fair value of derivative contracts which the Group uses to manage its foreign currency and interest rate risks. All derivatives are categorised as Level 2 under the requirements of IFRS 13, as they are valued using techniques based significantly on observable market data.

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

## 8. Customer and other receivables

The following table shows the components of net receivables:

| | 2025 £m | 2024 £m |
|---|---|---|
| Gross customer receivables excluding Interest Free Credit receivable | **1,546.5** | 1,550.7 |
| Interest Free Credit receivable | **9.3** | - |
| Gross customer receivables | **1,555.8** | 1,550.7 |
| Less: refund liabilities* | **(51.5)** | (72.9) |
| Net customer receivables | **1,504.3** | 1,477.8 |
| Less: allowance for expected credit losses | **(181.6)** | (207.4) |
| | **1,322.7** | 1,270.4 |
| Other trade receivables | **47.9** | 64.9 |
| Less: allowance for doubtful debts | **(1.4)** | (2.0) |
| | **1,369.2** | 1,333.3 |

Presentation of the above, split by total receivables and allowances:

| | 2025 £m | 2024 £m |
|---|---|---|
| Net customer receivables | **1,504.3** | 1,477.8 |
| Other trade receivables | **47.9** | 64.9 |
| | **1,552.2** | 1,542.7 |
| Less: allowance for expected credit losses and doubtful debts | **(183.0)** | (209.4) |
| | **1,369.2** | 1,333.3 |
| Prepayments | **68.3** | 63.6 |
| Other debtors | **58.7** | 43.8 |
| Amounts due from associates and joint ventures | **12.2** | 12.1 |
| | **1,508.4** | 1,452.8 |

*Refund liabilities represent the potential liability the Group has to pay out associated with customer returns. In the prior year, this included a provision for credit returns of £51.1m and cash returns of £21.8m. In the current year, the provision for cash returns of £26.6m has been reclassified into other creditors. Note that the prior year has not been restated on grounds of materiality.

No interest is charged on online credit account customer receivables if the statement balance is paid in full and to terms; otherwise balances bear interest at a variable annual percentage rate of 24.9% (2024: 24.9%) at the year-end date, except for £95.6m (2024: £72.9m) of balances on the 'pay in 3' product (previously "next3step") which bears interest at 29.9% (2024: 29.9%) at the year end date.

The fair value of customer receivables and other trade receivables is approximately £1,340m (2024: £1,310m). This has been calculated based on future cash flows discounted at an appropriate rate for the risk of the debt. The fair value is within Level 3 of the fair value hierarchy.

Expected irrecoverable amounts on balances with indicators of impairment are provided for based on past default experience, adjusted for expected behaviour. Receivables which are impaired, other than by age or default, are separately identified and provided for as necessary.

The ECL allowance against other debtors and amounts due from associates and joint ventures is immaterial in the current and prior year. The maximum exposure to credit risk at the reporting date is the carrying value of each class of asset.

The impairment losses amount charged to the Income Statement of £19.4m (2024: £36.0m) differs to the bad debt charge of £17.5m (2024: £32.2m) in the NEXT Finance section of the Chief Executive's Review due to the inclusion of other trade receivables within this note not included within the Chief Executive review.

## 9. Trade payables and other liabilities

| | 2025 | | 2024 | |
|---|---|---|---|---|
| | **Current £m** | **Non-current £m** | Current £m | Non-current £m |
| Trade payables | **355.8** | **-** | 297.1 | - |
| Amounts owed to associates and joint ventures | **1.4** | **-** | 1.1 | - |
| Refund liabilities | **47.7** | **-** | 11.1 | - |
| Other taxation and social security | **123.0** | **-** | 133.4 | - |
| Deferred revenue from the sale of gift cards | **107.5** | **-** | 99.0 | - |
| Share-based payment liability | **0.2** | **0.2** | - | 0.2 |
| Other creditors and accruals | **441.1** | **11.3** | 450.1 | 11.5 |
| | **1,076.7** | **11.5** | 991.8 | 11.7 |

## 10. Corporate bonds

| | Balance Sheet value | | Nominal value | |
|---|---|---|---|---|
| | **2025 £m** | 2024 £m | **2025 £m** | 2024 £m |
| 2025 Bond | **250.0** | 250.0 | **250.0** | 250.0 |
| 2026 Bond | **243.8** | 240.8 | **250.0** | 250.0 |
| 2028 Bond | **300.0** | 300.0 | **300.0** | 300.0 |
| | **793.8** | 790.8 | **800.0** | 800.0 |

## 11. Share capital

| | **2025 Shares '000** | 2024 Shares '000 | **2025 £m** | 2024 £m |
|---|---|---|---|---|
| **Allocated, called up and fully paid** | | | | |
| Ordinary shares of 10p each | | | | |
| At the start of the year | **127,424** | 129,263 | **12.7** | 12.9 |
| Issued in the year | **-** | 746 | **-** | 0.1 |
| Purchased for cancellation in the year | **(3,781)** | (2,585) | **(0.3)** | (0.3) |
| | **123,643** | 127,424 | **12.4** | 12.7 |

The table below shows the movements in equity from share purchases and commitments during the year:

| | 2025 | | 2024 | |
|---|---|---|---|---|
| | **Shares '000** | **Cost £m** | Shares '000 | Cost £m |
| Shares issued in the year | **-** | **-** | (746) | (53.4) |
| Shares purchased for cancellation in the year | **3,781** | **360.2** | 2,585 | 177.3 |
| Amount shown in Statement of Changes in Equity | | **360.2** | | 123.9 |

Subsequent to the end of the financial year, the Group entered into an irrevocable share purchase agreement with a total commitment value of £45.0m. As at 26 March 2025, none of the commitment was outstanding.

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

## 12. Analysis of net debt

| | 27 January 2024 £m | Movements in net debt: Net cash movements £m | Fair value movements £m | IFRS 16 movements £m | **25 January 2025 £m** |
|---|---|---|---|---|---|
| Cash and short term deposits | 188.3 | 12.1 | - | - | **200.4** |
| Overdrafts and short term borrowings | (30.1) | 1.0 | - | - | **(29.1)** |
| Cash and cash equivalents | 158.2 | 13.1 | - | - | **171.3** |
| Bank loans | (33.9) | 2.4 | - | - | **(31.5)** |
| Loan notes | (24.2) | 24.2 | - | - | **-** |
| Corporate bonds | (790.8) | - | (3.0) | - | **(793.8)** |
| Fair value hedges of corporate bonds | (9.2) | - | 3.0 | - | **(6.2)** |
| **Net debt excluding leases** | (699.9) | 39.7 | - | - | **(660.2)** |
| | | | | | |
| Current lease liability | (167.8) | - | - | (3.0) | **(170.8)** |
| Non-current lease liability | (869.9) | - | - | 26.3 | **(843.6)** |
| | (1,037.7) | - | - | 23.3 | **(1,014.4)** |
| **Net debt including leases** | **(1,737.6)** | **39.7** | **-** | **23.3** | **(1,674.6)** |

**Fair value movements:** In relation to the corporate bonds, the movement of £3.0m represents the movement in the fair value adjustment arising through the application of hedge accounting. This offsets with an equal and opposite movement of £3.0m in fair value hedges on bonds.

At January 2025 there is unpaid interest accrual on the Corporate bonds of £16.0m (2024: £16.4m) recognised within accruals.

**IFRS 16:** The movement in the lease liability, including the cash flows, is explained in Note 13.

## 13. Leases

### Right-of-use assets

The right-of-use assets movement in the year is as follows:

| | **2025 £m** | 2024 £m |
|---|---|---|
| At the beginning of the year | **734.6** | 662.0 |
| Additions | **130.8** | 40.2 |
| Arising from acquisitions | **-** | 80.5 |
| Disposals | **(18.5)** | (4.9) |
| Modifications and amendments | **33.3** | 68.6 |
| Depreciation | **(144.6)** | (117.7) |
| Reversal of impairment | **1.7** | 5.9 |
| At the end of the year | **737.3** | 734.6 |

## 13. Leases (continued)

### Lease liability

The movement in the lease liability is as follows:

| | **2025 £m** | 2024 £m |
|---|---|---|
| At the beginning of the year | **(1,037.7)** | (1,023.3) |
| Additions | **(131.9)** | (40.1) |
| Arising from acquisitions | **-** | (84.7) |
| Modifications and amendments | **(32.9)** | (52.9) |
| Payments | **219.4** | 204.0 |
| Interest | **(54.8)** | (47.9) |
| Disposals | **23.1** | 6.3 |
| Foreign exchange movement | **0.4** | 0.9 |
| At the end of the year | **(1,014.4)** | (1,037.7) |

| **Lease liability** | **2025 £m** | 2024 £m |
|---|---|---|
| Less than 1 year | **(170.8)** | (167.8) |
| More than 1 year | **(843.6)** | (869.9) |
| Total | **(1,014.4)** | (1,037.7) |

## 14. Associates, Joint Ventures and Other Investments

| | **2025 £m** | 2024 £m |
|---|---|---|
| Opening balance | **38.0** | 114.6 |
| Additions | **1.2** | 0.9 |
| Retained profit | **6.7** | 6.9 |
| Interest on preference shares | **0.3** | 3.4 |
| Dividend received | **-** | (2.6) |
| Disposal of investment | **-** | (84.3) |
| Amortisation and impairment in the period | **(13.5)** | (0.9) |
| **Closing balance** | **32.7** | 38.0 |

### Current year

During the year, the carrying value of JoJo Maman Bébé was impaired by £13.0m to £nil.

### Prior year - Disposal of interest in Reiss as a Joint Venture / Acquisition of controlling interest in Reiss

In the prior year, NEXT acquired a further 21% interest in the Reiss group ("Reiss") thus increasing its existing shareholding from 51% to 72%. As NEXT gained control over Reiss' operational and financial activities, it was consolidated into the Group and therefore was presented as a disposal of our investment within this note.

Within the line "interest on preference shares" there was £3.4m relating to interest on NEXT's share of preference shares in the Reiss group's ultimate holding company. This was recognised within the Finance income line of the Income Statement. However, following the acquisition of the additional 21% in the prior year, the finance income is now eliminated upon consolidation (see Note 15 for further details on the acquisition).

## 15. Acquisition of subsidiary

### Prior period acquisitions

#### Reiss

In September 2023, the Group increased its shareholding in the Reiss group ("Reiss") from 51% to 72%. In addition, due to a change in reserved rights within the Shareholder Agreement, the Group therefore has control of Reiss. Reiss' principal activity is the design and retail of high quality women's, men's and children's fashion clothing and accessories sold exclusively under the Reiss brand in the UK and overseas. NEXT's direct shareholding is in the Reiss group's ultimate parent company, Pink Holdco Limited.

The amounts recognised in respect of the identifiable assets acquired are set out in the table below:

| | Previously reported £m | Fair Value Adjustments £m | Restated £m |
|---|---|---|---|
| Financial assets including cash | 43.3 | 5.3 | **48.6** |
| Inventory | 61.7 | - | **61.7** |
| Property, plant and equipment, software and right-of-use assets | 42.6 | (0.3) | **42.3** |
| Identifiable intangible assets | 365.9 | - | **365.9** |
| Financial liabilities including loans and lease liabilities | (135.9) | (1.4) | **(137.3)** |
| Deferred tax liabilities | (86.6) | (3.1) | **(89.7)** |
| Total identifiable assets acquired | 291.0 | 0.5 | **291.5** |
| Goodwill | 140.6 | (0.5) | **140.1** |
| Non-controlling interest in 28% of Pink Holdco Limited | (120.4) | - | **(120.4)** |
| Net assets attributable to NEXT | **311.2** | **-** | **311.2** |
| **Satisfied by:** | | | |
| Cash | 98.5 | - | **98.5** |
| Fair value of joint venture holding | 194.5 | - | **194.5** |
| Loan note and deferred consideration | 18.2 | - | **18.2** |
| Total consideration | **311.2** | **-** | **311.2** |

#### FatFace

In October 2023, the Group acquired 97% of Bridgetown Holdco Limited, the new parent company of the FatFace group, a consolidated group whose principal activity is the design and retail of lifestyle clothing, footwear and accessories in the UK, Ireland and North America.

The amounts recognised in respect of the identifiable assets acquired are set out in the table below:

| | Previously reported £m | Fair Value Adjustments £m | Restated £m |
|---|---|---|---|
| Financial assets including cash | 28.3 | - | **28.3** |
| Inventory | 48.7 | (0.9) | **47.8** |
| Property, plant and equipment, software and right-of-use assets | 59.5 | (0.5) | **59.0** |
| Identifiable intangible assets | 78.2 | - | **78.2** |
| Financial liabilities including loans and lease liabilities | (115.6) | (1.0) | **(116.6)** |
| Deferred tax liabilities | (13.1) | - | **(13.1)** |
| Total identifiable assets acquired | 86.0 | (2.4) | **83.6** |
| Goodwill | 29.3 | 2.4 | **31.7** |
| Non-controlling interest in 3% of Bridgetown Holdco Limited | (3.7) | - | **(3.7)** |
| Net assets attributable to NEXT | **111.6** | **-** | **111.6** |
| **Satisfied by:** | | | |
| Cash | 57.6 | - | **57.6** |
| Shares | 53.4 | - | **53.4** |
| Loan notes | 0.6 | - | **0.6** |
| Total consideration | **111.6** | **-** | **111.6** |

## 16. Cash generated from operations

| | **52 weeks to 25 January 2025 £m** | 52 weeks to 27 January 2024 £m |
|---|---|---|
| **Cash flows from operating activities** | | |
| Operating profit | **1,075.4** | 987.9 |
| Depreciation, impairment and (profit)/loss on disposal of property, plant and equipment | **117.9** | 95.7 |
| Depreciation, gains on lease modifications and disposals and impairment reversals on right-of-use assets | **137.9** | 111.8 |
| Amortisation and impairment of intangible assets | **55.2** | 38.5 |
| Amortisation, impairment & disposals of associates, joint ventures and other investments | **13.5** | 0.8 |
| Share option charge | **40.9** | 31.9 |
| Share of profit of associates and joint ventures | **(6.7)** | (6.9) |
| Interest received | **7.4** | 2.8 |
| Exchange movement | **(5.6)** | (15.5) |
| (Increase)/decrease in inventories and right of return asset | **(100.3)** | 15.3 |
| (Increase)/decrease in customer and other receivables | **(52.3)** | 3.7 |
| Increase in trade and other payables | **93.2** | 47.6 |
| **Cash generated from operations** | **1,376.5** | 1,313.6 |

## 17. Contingent liabilities

As reported in our January 2024 Annual Report and Accounts, NEXT is currently subject to Equal Pay claims from former and current employees in our store network. A decision on this matter was issued by the Employment Tribunal in August 2024. While NEXT was successful in its defence on the majority (eleven) of matters considered by the tribunal, there were seven matters on which it was not successful.

NEXT has carefully reviewed the findings of the Tribunal and, following advice from legal Counsel, has appealed the decision. The legal advice we have received suggests that we have good prospects of success with the appeal. As such, it remains the view of the Board that the likelihood of any payment remains possible, but not probable. Therefore, at this time, no provision has been made in the accounts pending the appeal process.

It is also important to recognise that there remains significant uncertainty in the total number of claims that may be received and the outcome from the appeals process is unknown. It is a complex case and is expected to continue to run for a number of years as important legal matters are considered and subject to further hearings.

It has been agreed between the parties that no payments should be made before the appeal process has completed. An estimate of the potential liability is not disclosed as doing so could be prejudicial to NEXT's position.

## 18. AGM

The Annual General Meeting will be held at the Leicester Marriott Hotel, Smith Way, Grove Park, Leicester LE19 1SW on Thursday 15 May 2025 at 9:00 am and details will be included in the Notice of Meeting which is to be sent to shareholders on 9 April 2025. The Annual Report and Accounts will also be sent to shareholders on 9 April 2025 and copies will be available from the Company's registered office: Desford Road, Enderby, Leicester, LE19 4AT and on our corporate website at nextplc.co.uk.

# GLOSSARY

## Alternative Performance Measures (APMs) and other non statutory finance measures

| APM Definition | Closest equivalent statutory measure | Purpose and reconciliation to closest statutory measure where applicable |
|---|---|---|
| **Average customer receivables/ debtor balance**<br>The average amount of money owed by all 'nextpay' and 'pay in 3' (previously "next3step") customers less any provision for bad debt. This represents the total balances we expect to recover, averaged across the relevant period.<br><br>This is referred to as 'customer receivables' or 'debtor' balance. | None | Average debtor balance has a strong correlation with interest income on the Finance P&L and helps drive understanding of movements in income. It also helps to evaluate the overall health of the balance sheet for the Finance business.<br><br>The average debtor balance in FY25 was £1,259m (FY24: £1,243m). The statutory accounts do not disclose the monthly debtor balance needed to calculate the average debtor balance. The year end balance is disclosed in Note 8 to the financial statements. |
| **Bad debt charge (NEXT Finance)**<br>The charge taken in relation to the performance of our NEXT Finance customer debtor book, for 'nextpay' and 'pay in 3' accounts. This consists predominantly of providing for future defaults. | Impairment losses<br><br>Note 8 | Measurement of the quality of the debtor book/customer receivables. A lower bad debt charge indicates that the quality and recoverability of the balance are higher.<br><br>The bad debt charge is the total of the in-year impairment charge, less amounts recovered. In FY25 the bad debt charge disclosed in the CEO Review, including a non-recurring release of £10m, was £18m (FY24: £32m).<br><br>In Note 8, the total Expected Credit Loss charge was £19.4m (FY24: £36.0m). The difference between this value and those used in NEXT Finance section of the CEO relate to items such as recoveries on previously written off assets and provisions on other trade receivables. |
| **Bought-in gross margin**<br>Difference between the cost of stock and the original VAT exclusive selling price, expressed as a percentage of the original VAT exclusive selling price. | None | Bought-in gross margin is a measure of the profit made on the sale of stock at full price. This is a key internal management metric for assessing category performance.<br><br>Reconciliation to the closest equivalent statutory measure not applicable as full price sales is not a statutory metric. |
| **Branch or store profitability**<br>Retail store total sales less cost of sales, payroll, controllable costs, occupancy costs and depreciation, and before allocation of central overheads. Expressed as a percentage of VAT inclusive sales. Net branch profit is a measure of the profitability on a store by store level. | None | Measurement of the Retail business profit by physical branch. It provides an indication of the performance of the store portfolio. This is based on costs which are directly attributable to the store. Therefore, it does not include costs such as central overheads which will be included in the statutory accounts.<br><br>Reconciliation to the closest equivalent statutory is measure is therefore not applicable. |
| **Cost of funding (NEXT Finance)**<br>An internal recharge of interest costs from the Group to the NEXT Finance business, in respect of funding costs for the NEXT Finance debtor balance (customer receivables).<br><br>It is calculated by applying the average Group interest rate (i.e. the external borrowing rate of the NEXT Group divided by the average NEXT Group borrowing excluding cash on deposit) to 85% of the average debtor/customer receivables balance (as we assume 85% of business funded by debt and 15% equity). | None | Used by the business to evaluate the profitability of the Finance business. There is no statutory equivalent as this is a metric specific to how the Group manages its funding and cost allocations. In the year to January 2025 this has been calculated as:<br><br>Average Group interest:<br>= External interest cost / Average debt excluding cash on deposit<br>= £37.8m / £805.7m<br>= 4.7%.<br><br>Then apply 4.7% to 85% of the Average Online customer balance of £1,259m (as we assume that 85% is funded by debt and 15% by equity). This equates to a Cost of Funding charge of £50.3m (2024: £47.8m). |

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## Alternative Performance Measures (APMs) and other non statutory finance measures

| APM Definition | Closest equivalent statutory measure | Purpose and reconciliation to closest statutory measure where applicable |
|---|---|---|
| **Credit sales**<br>VAT exclusive sales from customers who have purchased using their NEXT credit account ('nextpay' or 'pay in 3') inclusive of any interest income charges. | None | Credit sales are a direct indicator of the performance of the NEXT Finance business.<br><br>Reconciliation to closest equivalent statutory measure not applicable as the statutory accounts are split by business segment but not by the mechanism of customer payment. |
| **Full price sales**<br>Total sales excluding items sold in our Sale events, our Clearance operations, Total Platform commission and the sales from subsidiaries. Full price sales includes interest income on NEXT credit accounts. | Revenue – sale of goods | Full price sales are a direct indicator of the performance and profitability of the business, as these sales are achieved at their full margin. |
| **Interest income (NEXT Finance)**<br>The gross interest billed to 'nextpay' and 'pay in 3' customers, before any deduction for unpaid interest on bad debt. | Revenue – credit account interest | Interest income for the Finance business is a direct indicator of the performance and profitability of the Finance business.<br><br>This is presented within revenue on the face of the Income Statement and Note 2 of the financial statements as "credit account interest". |
| **Like-for-like sales**<br>Change in sales from Retail stores which have been open for at least one full year and not impacted by any transfer of trade from/to nearby store closures and openings. | None | This metric enables the performance of Retail stores to be measured on a consistent year-on-year basis and is a common term used in the retail industry.<br><br>Reconciliation to closest equivalent statutory measure is not applicable. |
| **Net debt excluding leases**<br>Comprises cash and cash equivalents, bank loans, corporate bonds, and fair value hedges of corporate bonds but excludes lease debt.<br><br>Net debt is a measure of the Group's indebtedness. | None | This measure is a good indication of the strength of the Group's liquidity and is widely used by credit rating agencies.<br><br>Net debt excluding leases is reconciled to net debt including leases in Note 12 of the financial statements. |
| **Net profit (NEXT Finance)**<br>The profit, including interest income and the bad debt charge, and after the allocation of central overheads and the cost of funding. | Profit before tax (for the Finance segment) | A measure of profitability of the Finance business.<br><br>The net profit for the Finance Business is presented in Note 1 to the financial statements. |
| **NEXT Group profit before tax** | Profit before tax | NEXT Group profit before tax differs from the statutory profit before tax for 3 reasons:<br><br>1) Amortisation on acquired brands and related acquired intangibles is removed from the NEXT Group profit before tax.<br>2) For management purposes, the non-controlling interests in Reiss, FatFace and Joules are removed from the NEXT Group profit before tax. In contrast, in line with International accounting standards, the statutory profit includes 100% of the Reiss, FatFace and Joules results.<br>3) Exceptional items, as defined in the accounting policy section of the Financial Statements, are not included in the headline "NEXT Group profit before tax".<br><br>The NEXT Group profit before tax and statutory profit before tax is reconciled in part 3 of the CEO Review. |

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## Alternative Performance Measures (APMs) and other non statutory finance measures

| APM Definition | Closest equivalent statutory measure | Purpose and reconciliation to closest statutory measure where applicable |
|---|---|---|
| NEXT Group profit after tax | Profit after tax | NEXT Group profit after tax differs from the statutory profit before tax for 2 reasons:<br><br>1) It starts with the NEXT Group profit before tax (defined above).<br>2) It then applies the tax rate to the items included in NEXT Group profit before tax.<br><br>A comparison of the NEXT Group after tax and statutory profit after tax is included in appendix 1 of the CEO Review. |
| NEXT Operating profit | Operating profit | Within the CEO Review the NEXT Operating profit is based on the same principles and adjustments (compared to statutory operating profit) as the NEXT Group profit before tax noted above.<br><br>It differs from the statutory operating profit for 4 reasons:<br><br>1) It excludes the impact of non-controlling interests.<br>2) It excludes the effect of amortisation of acquired brands and related intangible assets.<br>3) Within NEXT Operating profit, external interest costs borne by Reiss, FatFace and Joules are allocated to those businesses. This contrasts to statutory accounting where finance costs are reported below operating profit.<br>4) It excludes exceptional items reported within statutory operating profit.<br><br>Note 1 to the financial statements provides an explanation with values for how the operating profit on a statutory basis differs from the approach of the CEO. |
| NEXT Group pre-tax Earnings Per Share<br>A measure of the NEXT Group profit before tax expressed over the average number of shares. | Basic Earnings per share | Earnings per share provides a measure of how much profit has been generated for each share in issue. It is a commonly used metric for listed entities.<br><br>A comparison of how the NEXT Group pre-tax earnings per share and its closest statutory equivalent is provided in Appendix 1 of the CEO Review. |
| NEXT Group post tax Earnings Per Share<br>A measure of the NEXT Group profit after tax expressed over the average number of shares. | Basic Earnings per share | Earnings per share provides a measure of how much profit has been generated for each share in issue. It is a commonly used metric for listed entities.<br><br>A comparison of how the NEXT post tax earnings per share and its closest statutory equivalent is provided in Appendix 1 of the CEO Review. |
| NEXT Online margin<br>NEXT Operating profit for the Online business after deducting lease interest, as a percentage of the Total sales of the Online division (which in turn is included in "Total NEXT Trading sales")<br><br>Online margin is analysed further by division into UK and International.<br><br>Sometimes referred to as "NEXT Online operating margin". | None | A measure of the profitability of the Group. A commonly used metric that can be used to compare performance to other businesses. Net margin measures whether profitability is changing at a higher or lower rate relative to revenue.<br><br>The margin is based on the segmental operating profit, as disclosed in Note 1 of the financial statements, less allocation of lease interest, as a percentage of the NEXT Trading Sales for that segment. |

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## Alternative Performance Measures (APMs) and other non statutory finance measures

| APM Definition | Closest equivalent statutory measure | Purpose and reconciliation to closest statutory measure where applicable |
|---|---|---|
| **NEXT Retail margin**<br>Operating profit after deducting lease interest, as a percentage of the Total sales of the Retail division (which in turn is included in "Total NEXT Trading sales")<br><br>Sometimes referred to as "NEXT Retail operating margin". | None | A measure of the profitability of the Group. A commonly used metric that can be used to compare performance to other businesses. Net margin measures whether profitability is changing at a higher or lower rate relative to revenue.<br><br>The margin is based on the segmental operating profit, as disclosed in Note 1 of the financial statements, less allocation of lease interest, as a percentage of the NEXT Trading Sales for that segment. |
| **NEXT Trading full price sales**<br>Sometimes referred to as NEXT full price sales.<br><br>NEXT Trading full price sales include all items sold in Retail and Online plus NEXT Finance interest income, but excludes Sale events, Clearance, Total Platform commission and the sales from subsidiaries. (Sales are reported excluding VAT).<br><br>Items sold on a commission basis, through the Online LABEL business, are reported at their Gross Transaction Value, which in the statutory accounts are reported as commission sales. | Revenue – sale of goods | Full price sales are a direct indicator of the performance and profitability of the business, as these sales are achieved at their full margin. |
| **Online customers**<br>Total number of customers who have placed an online order in the last 12 months. Customers are categorised as 'Credit' or 'Cash'.<br><br>Credit customers are those who order using an Online credit account, ('nextpay' or 'pay in 3').<br><br>Cash customers are those who pay when ordering, using credit/debit cards or other tenders (includes International). | None | The number of online customers is a useful metric to establish the average spend per customer.<br><br>Reconciliation to closest equivalent statutory measure is not applicable. |
| **Return on Capital Employed – ROCE (NEXT Finance)**<br>NEXT Finance net profit (after the interest charge relating to the cost of funding), divided by the average customer receivables balance of 'nextpay' and 'pay in 3' accounts. | None | A commonly used metric that can be used to compare performance to other financial businesses.<br><br>It measures the profit (i.e. return) relative to the amount of capital employed. The higher the ROCE, the greater the return for the capital employed in the business.<br><br>The ROCE for NEXT Finance in the year to January 2025 was calculated by dividing the Operating profit for the segment (excluding a non-recurring £10.2m bad debt provision release) of £171.6m (2024: £163.4m) by the average customer receivables balance of £1,259m (2024: £1,243m). As a percentage, this is 13.6% (2024: 13.1%).<br><br>The Operating profit for the segment is disclosed in Note 1 to the financial statements. |
| **Total Group sales**<br>Total Group sales are the aggregation of Total NEXT Sales for all of the Group segments plus revenue from investments, which are reported in proportion to our equity share of our investments. For further detail see CEO Review Appendix 2. | Statutory revenue | Total Group sales are a direct indicator of the performance and profitability of the entire Group, including NEXT's share of subsidiaries and investments.<br><br>Total Group sales excluding NEXT's share of sales from investments is reconciled to Statutory revenue in Note 1 to the financial statements. |

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## Alternative Performance Measures (APMs) and other non statutory finance measures

| APM Definition | Closest equivalent statutory measure | Purpose and reconciliation to closest statutory measure where applicable |
|---|---|---|
| **Total NEXT sales**<br>Total NEXT sales are the sum of Total NEXT Trading sales (see below) plus income from our Total Platform services business and other business activities. | Statutory revenue | Total NEXT sales are a direct indicator of the performance and profitability of the segment.<br><br>Total NEXT sales are reconciled to statutory revenue in Note 1 to the financial statements. |
| **Total NEXT Trading sales**<br>Total NEXT Trading sales are the VAT exclusive sum of sales from our core trading segments of Retail, Online and Finance.<br><br>It therefore includes NEXT Trading full price sales, and the value of sales from Sale events and Clearance.<br><br>Items sold on a commission basis through the Online LABEL business are reported at their Gross Transaction Value, which in the statutory accounts are reported as commission sales. | Statutory revenue | Total NEXT Trading sales are a direct indicator of the performance and profitability of the business from the Online, Retail and Finance business.<br><br>Total NEXT Trading sales are reconciled to statutory revenue in Note 1 to the financial statements. |

This statement, the full text of the Stock Exchange announcement and the results presentation can be found on the Company's website at nextplc.co.uk. This statement has also been submitted in full unedited text to the Financial Conduct Authority's National Storage Mechanism and is available for inspection at https://data.fca.org.uk/#/nsm/nationalstoragemechanism.

To view our range of exciting, beautifully designed, excellent quality clothing and homeware go to next.co.uk.

Certain statements which appear in a number of places throughout this announcement are "forward looking statements" which are all matters that are not historical facts, including anticipated financial and operational performance, business prospects and similar matters. These forward looking statements are identifiable by words such as "aim", "anticipate", "believe", "budget", "estimate", "expect", "forecast", "intend", "plan", "project" and similar expressions. These forward looking statements reflect NEXT's current expectations concerning future events and actual results may differ materially from current expectations or historical results. Any such forward looking statements are subject to risks and uncertainties, including but not limited to those matters highlighted in the Chief Executive's review, failure by NEXT to predict accurately customer fashion preferences; decline in the demand for merchandise offered by NEXT; competitive influences; changes in level of store traffic or consumer spending habits; effectiveness of NEXT's brand awareness and marketing programmes; general economic conditions or a downturn in the retail industry; the inability of NEXT to successfully implement relocation or expansion of existing stores; insufficient consumer interest in NEXT Online; acts of war or terrorism worldwide; work stoppages, slowdowns or strikes; and changes in financial and equity markets. These forward looking statements do not amount to any representation that they will be achieved as they involve risks and uncertainties and relate to events and depend upon circumstances which may or may not occur in the future and there can be no guarantee of future performance. Undue reliance should not be placed on forward looking statements which speak only as of the date of this document. NEXT does not undertake any obligation to update publicly or revise forward looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.