NEXT

Trading Statement – 7 January 2025

HEADLINES

Christmas Trading and Full Year Guidance - Year Ending January 2025

- In the nine weeks to 28 December, full price sales[1] were up +6.0% versus last year. This number is slightly flattered by the timing of the end-of-season Sale[2]. Adjusting for this effect, underlying full price sales were up **+5.7%**, which compares to our previous guidance for the period of +3.5%.
- The over-achievement adds £27m to full price sales, and increases our full year guidance for Group profit before tax[3] by +£5m to **£1,010m**.
- Group profit before tax is now forecast to be up **+10.0%** versus last year, and pre-tax Earnings Per Share (EPS) up **+11.4%**.

Initial Guidance for the Year Ahead - Year Ending January 2026

- Full price sales growth forecast to be up **+3.5%**.
- Group profit before tax forecast to be £1,046m, up **+3.6%**.
- Share buybacks forecast to enhance EPS by +3.1%, resulting in pre-tax EPS growth of **+6.7%**.

The remainder of this statement is divided into two sections: **Part 1** focuses on the current year and **Part 2** gives guidance for sales, profit and cash flow in the year ahead.

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[1] Full price sales include all items sold in NEXT Retail, NEXT Online including third-party brands, and NEXT Finance interest income, but excludes Sale events, Clearance, Total Platform commission and subsidiaries' sales.

[2] Last year's reporting period covered the nine weeks to 30 December 2023, which included five days post-Christmas, when sales are predominantly markdown sales (26 - 30 December 2023). This year contains only *three* days of markdown dominated sales post-Christmas (26 - 28 December 2024). This slightly distorts the comparison of full price sales over these nine weeks. Full price sales in the 57 days to Christmas Eve were up +5.7% on the equivalent period last year.

[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) an exceptional, non-cash, loss relating to the closure of our defined benefit pension scheme.

PART 1: THE CURRENT YEAR

Full Price Sales Performance to 28 December 2024

The table below sets out the full price sales performance for the nine weeks to 28 December and for the year to 28 December. There are two elements of our performance worth highlighting. Firstly, growth *in the UK* was in line with the performance for the rest of the year, but Online sales growth increased at the expense of growth in our Retail stores. Secondly, and unexpectedly, our sales growth *overseas* accelerated in the run up to the holiday period.

Full price sales by division versus last year	**Q4: 9 weeks to 28 December**	**Year to 28 December**
Online NEXT UK	+3.8%	+3.6%[4]
Online LABEL UK	+9.2%	+7.5%[4]
Total Online UK	**+6.1%**	**+5.2%**
Retail	- 2.1%	- 1.1%
Total UK	**+2.5%**	**+2.5%**
Online Overseas	+31.4%	+23.9%
Total Product full price sales	**+6.3%**	**+5.8%**
NEXT Finance interest income	+0.6%	+2.7%
Total full price sales	**+6.0%**	**+5.6%**

End-of-Season Sale

Stock for the end-of-season Sale was up +13% versus last year, which was higher than our growth in full price sales. *Last year*, our surplus stock was particularly low and it has returned to more normal levels this year. Clearance rates are in line with our expectations.

Sales and Profit Guidance for the Current Year

Our sales, profit and EPS guidance for the current year is set out below along with our previous guidance. This forecast assumes that full price sales in January will be up +3.5%.

	New guidance		Previous guidance	
Guidance for the full year 2024/25	**Full year (e)**	**% Versus 2023/24**	Full year (e)	% Versus 2023/24
Full price sales	£5.05bn	+5.5%	£5.02bn	+4.9%
Total Group sales[5] (inc. markdown & investments)	£6.30bn	+7.8%	£6.27bn	+7.4%
NEXT Group profit before tax	**£1,010m**	**+10.0%**	£1,005m	+9.5%
Pre-tax EPS	**843.8p**	**+11.4%**	**839.3p**	**+10.8%**
Post-tax EPS	635.4p	+9.8%	632.4p	+9.3%

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[4] Analysts note: The overall growth for our UK online sales in Q3 was correctly stated, however the relative growth of NEXT UK and LABEL UK was incorrect. This was as a result of returns assumptions made at the time. The respective growth rates in Q3 of NEXT UK and LABEL UK of +7.8% and +8.0% should have been +5.9% and +10.8%. This has been corrected in the table.

[5] Total Group sales are the sum of total sales (full price and markdown) from all of the Group's divisions plus revenue from subsidiary companies. Subsidiaries' turnover is calculated using our share of our subsidiaries' turnover. For example, we own 74% of Joules so we include 74% of their sales in our top line.

Cash Generation, Shareholder Distributions and Net Debt

Cash generation in the year remains strong and we expect to generate £670m of surplus cash, *after* deducting interest, tax, capital expenditure and funding customer receivables, but *before* any investments and distributions to shareholders.

As per our guidance given in September, we plan to retain £75m of surplus cash, reducing net debt, to contribute towards the potential repayment of a £250m bond in August 2025.

Cash flow and shareholder distributions £m	**2024/25 (e)**
Cash generation before investments and shareholder distributions	670
Investments in third-parties	(11)
Ordinary dividends	(258)
Share buybacks	(326)
Reduction in net debt	**75**

We expect our net debt (excluding lease liabilities) to close the year at around **£625m**, which compares to £700m last year.

Share Buybacks

During the year we have purchased £302m of shares at an average share price of £95.25. Including planned buybacks for January, we expect share buybacks to total £326m for the year. These buybacks will have reduced the number of net shares[6] by 2.8% since the start of this financial year. The earnings enhancement expected from buybacks in the current year is 1.4%; this is lower than the 2.8% of shares retired in the year as a result of the timing of share buybacks.

Total Shareholder Return

The combination of growth in pre-tax profit (+10.0%) and the effect of share buybacks last year and in the current year, is expected to increase pre-tax EPS by +11.4%. The addition of the ordinary dividend yield[7], would result in a TSR (at a constant P/E ratio) of **14.2%**.

Total shareholder return - pre tax	**2024/25 (e)**
Growth in pre-tax profit	+10.0%
Enhancement from share buybacks	+1.4%
Growth in pre-tax Earnings Per Share	**+11.4%**
Ordinary dividend yield[7]	2.8%
Pre-tax Total Shareholder Return at a constant P/E ratio[8]	**14.2%**

[6] Net shares are shares in issue less the shares held in our Employee Share Ownership Trust.
[7] Based on the average share price in February 2024, which was £83.90.
[8] Total shareholder return at a constant P/E ratio is our preferred measure of the underlying value creation, because it focuses on the underlying earnings attributable to shareholders along with their participation in the dividend.

PART 2: GUIDANCE FOR THE YEAR AHEAD

GUIDANCE FOR SALES, PROFIT AND EPS 2025/26

Guidance for the full year 2025/26 (52 weeks)	Full year (e)	% Versus 2024/25
Full price sales	£5.22bn	+3.5%
Total Group sales (inc. markdown, subsidiaries and investments)	£6.50bn	+3.2%
NEXT Group profit before tax	**£1,046m**	**+3.6%**
Pre-tax EPS	900.2p	+6.7%
Post-tax EPS	**676.0p**	**+6.4%**

Full Price Sales

We have assumed that full price sales, including NEXT Finance interest income, will be up +3.5%. For clarity, these sales exclude sales in subsidiaries and investments. Full price sales growth forecast in the UK and Overseas is summarised below. The right hand column shows the equivalent numbers in the year to 28 December 2024.

Full price sales by division versus previous year	2025/26 (e)	Year to 28 Dec 2024
Total UK (Online + Retail)	+1.4%	+2.5%
Online Overseas	+14.0%	+23.9%
Total Product full price sales	**+3.7%**	**+5.8%**
NEXT Finance interest income	+0.5%	+2.7%
Total full price sales	**+3.5%**	**+5.6%**

We have been cautious in our outlook for both the UK and overseas:

- We believe that **UK** growth is likely to slow, as employer tax increases, and their potential impact on prices and employment, begin to filter through into the economy.

- We anticipate that growth **overseas** will moderate from the +24% we have achieved this year to +14% in the year ahead. In the current year, overseas sales benefited from an +85% step change in marketing expenditure, funded by some price increases. We do not believe we can *profitably* increase our overseas marketing expenditure by the same percentage next year, and expect the growth to be closer to +20%.

Total Group Sales

Total Group sales growth of +3.2% is lower than full price sales growth of +3.5%, mainly due to an expected reduction in markdown sales in our subsidiary companies.

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 forecast below.

PROFIT WALK FORWARD AND ANALYSIS

The table below aims to give shareholders an understanding of how we currently expect the economics of the business to change in the year ahead. The table walks forward from our expected profit in the current year to our profit guidance for the year ahead.

		£m
Profit before tax 2024/25 (e)		**1,010**
Profit from full price sales, Total Platform and subsidiaries		
Profit from +3.5% (£176m) increase in full price sales	+37	
Additional profit from Total Platform Equity and Services	+4	
Additional profit from Wholesale business and NEXT Sourcing	+3	
Total profit from full price sales, Total Platform and subsidiaries		**+44**
Cost increases		
Wage cost inflation and National Insurance increases	- 67	
Digital and brand marketing (over and above sales growth)	- 7	
Technology and other	- 7	
Total cost increases		**- 81**
Cost savings and gross margin gains		
Employee incentives (returning to normal levels)	+24	
Warehouse, distribution and stores improved operating efficiencies	+23	
Electricity rate	+13	
Bought-in gross margin[9] improvement from price increase of circa 1%	+13	
Total cost savings		**+73**
Profit before tax 2025/26 (e)		**1,046**
PBT versus 2024/25 (e)		+3.6%

Standing back from the numbers…

Standing back from the numbers there is one important message. We believe that the Group can deliver sales growth in the year ahead, and we can grow profits in line with sales. We believe that the unusually high £67m increase in wage costs can be offset through a combination of:

- Operational efficiencies and other cost savings, and
- A one percent increase in prices on like-for-like goods, which is unwelcome, but still lower than UK general inflation.

Further detail is given below.

[9] Bought-in gross margin is the difference between the cost of goods sold and the *full-price* selling price of the garment (i.e. margin before markdown costs).

Expected Wage Cost Increase Analysis

The largest factor in the table above is the **£67m** expected increase in the cost of wages. This change is driven by a combination of general wage inflation, the increase in the National Living Wage (NLW), the decrease in Employer National Insurance (ENI) threshold, and the increase in the ENI headline rate. The changes to ENI and NLW do not come into effect until April; the full year effect of these changes is **£73m**.

The table below shows how each of these factors affects the Company's circa £900m[10] wage bill on an annualised basis. The increase in the NLW needs to be viewed in the context of its 88% rise over the past decade (general inflation has been around 35%). This long-term increase means that any rise in the NLW today ripples through to several of the pay levels above it. For NEXT, maintaining appropriate wage differentials between the NLW and higher-responsibility (or less attractive) roles will cost almost as much as the increase in the NLW itself.

NEXT Wage Bill		***£900m***	*% wages*
Effect of 'normal' inflation at 2.0% on total wages		**+£18m**	*2.0%*
Effect of NLW on people currently earning NLW	+£11m		
Maintenance of wage differentials	+£10m		
Total effect of NLW (over and above 'normal' inflation of 2.0%)		**+£21m**	*2.3%*
Effect of ENI threshold reduction	+£20m		
Effect of 1.2% increase in ENI rate	+£6m		
Total impact of National Insurance changes		**+£26m**	*2.9%*
TOTAL NEXT WAGE COST INCREASES		**+£65m**	***7.2%***
Wage inflation in third-party services		+£8m	
TOTAL FULL YEAR IMPACT		**+£73m**	
Cost in the year ending January 2026		*+£67m*	

National Insurance Costs

One of the factors that might be surprising is the scale of the £20m cost arising from the change in ENI threshold. The table below shows the effect of the ENI changes on three levels of salaries: a £9,520 a year part-time NLW role, a £22,310 full-time NLW role, and a salary of £60,000.

The change in the ENI threshold creates a disproportionate increase in the cost of part-time work in stores. The combined effect of ENI changes and NLW will increase the cost of these roles by 13%, as demonstrated in the last row of the table.

Employee Wage	**Part-time (16 hrs/wk) £9,520**	**Full-time (37.5 hrs/wk) £22,310**	**Full-time £60,000**
Rate increase of +1.2%	+0.05%	+0.7%	+1.0%
Change in threshold	+6.5%	+2.8%	+1.0%
Impact from ENI changes	**+6.5%**	**+3.5%**	**+2.0%**
NLW increase and general wage inflation	+6.7%	+6.7%	+2.0%
Total impact of NLW & ENI as % of wages	**+13.2%**	**+10.2%**	**+4.0%**

[10] Excludes subsidiaries and NEXT Sourcing (whose employees are mainly outside the UK).

Mitigation - Prices

We intend to offset around **£13m** of wage costs through raising prices. This will require an increase of around **1%** in selling prices on like-for-like[11] garments over and above any factory gate price increases. Fortunately, we are seeing 0% inflation in factory gate prices. So although we are increasing our bought-in gross margins, we still expect our prices to rise by less than the Bank of England's target for inflation of 2%.

Consumers have continued to slightly shift their purchasing preferences, buying fewer entry-level products and more items at the middle and top end of our price architecture. To be clear, consumers are not necessarily spending more overall, but buying fewer, marginally more expensive items. We believe that this trend will continue into next year. So we expect the overall average selling price of our goods (i.e. total cash taken divided by total units sold) to increase by more than 1%, which will deliver labour cost savings across the business (as mentioned in the paragraph below).

Mitigation - Operational Cost Savings

We believe we can make operational savings of around £23m through improved working practices and other operational efficiencies in our warehouses, distribution networks and stores.

Most of the warehouse improvements come as a result of new mechanisation. However, some of the anticipated savings come from the increase in average selling prices mentioned above. Higher unit selling prices reduce the cost of handling each unit relative to its value, and in doing so reduce operational costs relative to revenues.

[11] Items that have not changed from one year to the next.

Cash Generation, Shareholder Distributions and Net Debt

In the **53 weeks** to 31 January 2026, we expect to generate around **£665m** of operating cash flow *after* deducting interest, tax, capital expenditure and funding customer receivables, but *before* any investments and distributions to shareholders. Despite the expected growth in profit, this value is forecast to be £5m lower than the prior year, primarily due to:

- £31m increase in capital expenditure, the majority of which is for new Retail store openings.
- £23m one-off cash outflow from bringing in-house the funding of interest free loans for Retail furniture (these were previously funded by a third-party).

We have assumed we will pay ordinary dividends of £276m, and return £314m to shareholders through share buybacks. We estimate that these buybacks, along with those in the current year, will enhance pre-tax EPS by +3.1%. After paying ordinary dividends and completing our planned share buybacks, we intend to retain the remaining £75m of surplus cash, further reducing our net debt.

Cash flow and shareholder distributions £m	**2025/26 (e)**
Cash generation before shareholder distributions	665
Ordinary dividends	(276)
Share buybacks	(314)
Reduction in net debt	**75**

Equity Investments

These numbers assume that we do not make any significant equity investments in the year ahead, which may not be the case. We continue to actively seek profitable opportunities that match our investment criteria. It is likely that we would fund any such acquisitions through a reduction in our share buyback programme.

Maturity of our August 2025 Bond

In August 2025, our £250m bond will mature. Within our current guidance we have assumed that we will retain £75m of surplus cash in order to settle this £250m bond from within our existing cash facilities, whilst maintaining comfortable operating cash headroom throughout the year. Subject to market conditions, we may choose to issue a new bond in 2025 which would allow us to distribute more surplus cash to shareholders. Our objective, either way, is to maintain the Company's investment grade status.

Total Shareholder Return

The combination of growth in pre-tax profit and share buybacks, is expected to increase pre-tax EPS by +6.7%. The addition of the ordinary dividend yield[12], would result in a TSR (at a constant P/E ratio) of **9.2%**.

Total shareholder return - pre tax	**2025/26 (e)**
Growth in pre-tax profit	+3.6%
Enhancement from share buybacks	+3.1%
Growth in pre-tax Earnings Per Share	**+6.7%**
Ordinary dividend yield[12]	2.5%
Pre-tax Total Shareholder Return (at a constant P/E ratio)	**9.2%**

[12] Based on a share price of £100.

FULL YEAR RESULTS ANNOUNCEMENT

We are scheduled to announce our results for the full year ending 25 January 2025 on Thursday 27 March 2025.

Forward Looking Statements

Certain statements in this Trading Update are forward looking statements. These statements may contain the words “anticipate”, “believe”, “intend”, “aim”, “expects”, “will”, or words of similar meaning. By their nature, forward looking statements involve risks, uncertainties or assumptions that could cause actual results or events to differ materially from those expressed or implied by those statements. As such, undue reliance should not be placed on forward looking statements. Except as required by applicable law or regulation, NEXT plc disclaims any obligation or undertaking to update these statements to reflect events occurring after the date these statements were published.

Date:	Embargoed until 07:00 hrs, Tuesday 7 January 2025	
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