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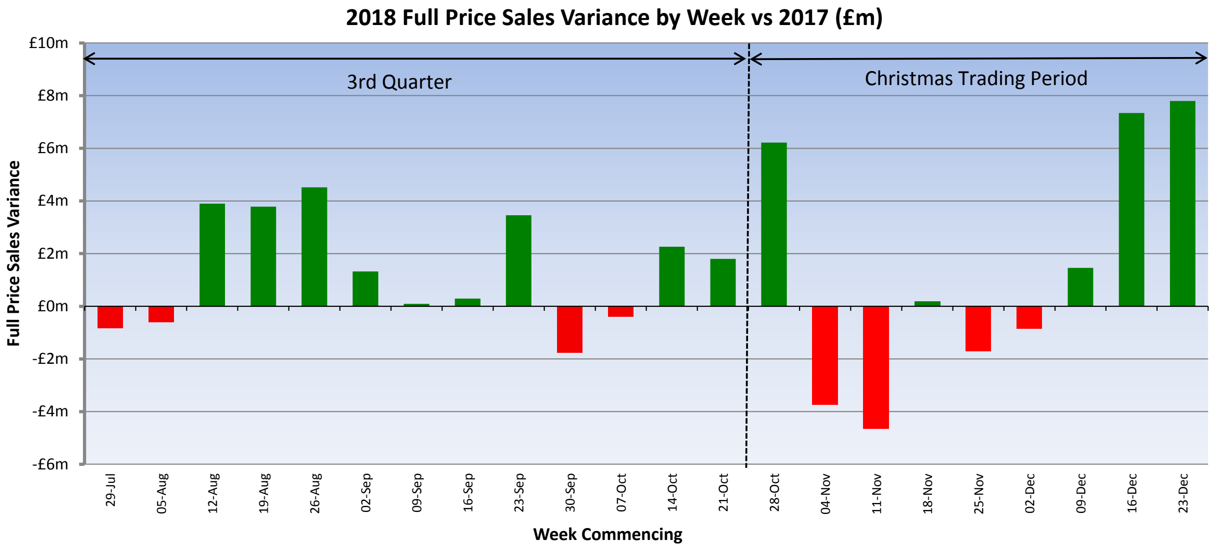
Photographs: http://www.nextplc.co.uk/media/image-gallery/campaign-images

Next plc
Trading Statement – 3 January 2019

SALES FOR THE YEAR TO 29 DECEMBER 2018

Full price sales for the Christmas trading period (between Sunday 28 October and Saturday 29 December) have been in line with the guidance we gave in September and were up +1.5% on last year. Strong sales in the three weeks prior to Christmas along with a good half-term holiday week at the end of October made up for disappointing sales in November. This is shown in the chart below which sets out our weekly sales performance for the second half of the year to date.



The table below sets out the sales performance by division for both the Christmas trading period and the year to 29 December. Whilst total full price sales were in line with our expectations, Online sales (including interest income) were £17m (+2.2%) ahead of our expectations and Retail sales were £16m (-1.7%) below.

Full price sales (VAT exclusive)	28 Oct to 29 Dec	Year to 29 Dec
Retail	- 9.2%	- 7.0%
Online	+15.2%	+14.9%
Product full price sales	**+1.0%**	**+2.6%**
Finance interest income[1]	+12.0%	+12.2%
Total full price sales including interest income	**+1.5%**	**+3.2%**
Of which sales from new space	*+0.6%*	*+0.5%*

End-of-Season Sale

Stock in our end-of-season Sale (including the stock we put into our Black Friday event) was up +3% on last year. Clearance rates are broadly in line with our expectations and are consistent with the profit guidance given in September.

FULL PRICE SALES AND PROFIT GUIDANCE FOR THE CURRENT YEAR

For the full year we expect full price sales growth of +3.2%, in line with the guidance given in September. Our central guidance for full year profit is now £723m, 0.6% lower than our previous guidance of £727m. The £4m difference is a result of two factors. Firstly, higher sales on seasonal products, such as personalised gifts and Beauty products, reduced margin by £1.5m. These areas make a healthy net margin but lower than our clothing ranges. The remaining £2.5m reduction came as a result of the increased operational costs associated with the higher Online sales.

Our full year sales and profit guidance is shown in the table below; profit may increase or decrease by up to £5m depending on sales and costs in January. Central guidance for Earnings Per Share is now 435.2p, an increase of +4.4% on the previous year.

Full year estimate to January 2019	Central guidance
Total full price sales versus 2017/18	+3.2%
Group profit before tax	£723m
Group profit before tax versus 2017/18	- 0.4%
Earnings Per Share growth versus 2017/18	**+4.4%**

OUTLOOK FOR SALES, PROFIT, CASH FLOW AND EPS IN THE YEAR AHEAD

Sales

Next year, our central guidance for full price sales growth (including interest income) is +1.7%, in line with the second half performance of the current financial year. In the year ahead, we are assuming a similar economic environment as that experienced in the second half of the current year. Within this guidance, we expect Retail sales to be down -8.5% and Online sales to be up +11%.

[1] Interest income is the gross interest billed to next**pay** customers.

Any sales forecast made in January comes with a high degree of uncertainty. This year uncertainty around the performance of the UK economy after Brexit makes forecasting particularly difficult. We have not factored into our sales estimates the potential benefits of a smooth transition or the downsides of a disorderly Brexit.

Profit, Cash Flow and EPS

At this level of sales growth, we anticipate Group profit would be £715m[2], a decline of 1% on the profit forecast for the current financial year. We anticipate that the Company will remain strongly cash generative and our forecast for capital expenditure in the year ahead remains in line with the guidance given in September. At our central guidance, we estimate surplus cash[3] generation of £300m. We intend to continue our policy of returning surplus cash to shareholders through share buybacks (subject to market conditions). We estimate that the enhancement to Earnings Per Share from £300m of share buybacks would be 4.7%[4] and at our central profit guidance, Earnings Per Share would increase again in the year ahead, by +3.6%.

Our central guidance for sales, profits and Earnings Per Share in the year ahead is set out in the table below.

Full year estimate to January 2020	**Central guidance**
Total full price sales versus 2018/19	+1.7%
Group profit before tax	£715m
Group profit before tax versus 2018/19	- 1.1%
Earnings Per Share growth versus 2018/19	+3.6%

We are scheduled to announce our results for the full year ending January 2019 on Thursday 21 March. We will issue more detailed guidance on sales, costs, profit and cash flow for the year ahead with our results in March.

[2] This profit estimate excludes the impact of the transition to IFRS16 'Leases'. Further details on the impact of IFRS16 will be provided in March when we announce our results for the full year ending January 2019.

[3] Surplus cash is cash flow after capital expenditure, interest, tax and ordinary dividends but before financing any increase in Online debtors.

[4] We have assumed that shares are repurchased evenly through the first half of the year at the average share price during the last three months (£49.99).