Date:	Embargoed until 07.00hrs, Wednesday 29 July 2020	
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next PLC

Trading Statement – 29 July 2020

HEADLINES

- Full price sales in the second quarter were down **-28%** against last year. This is much better than we expected and an improvement on the best-case scenario given in our April Trading Statement.
- Online warehouse picking and despatch capacity is now back at normal levels and UK and Eire stores are now open.
- Full year profit before tax, based on our new central sales scenario, is now estimated at **£195m**[1]**.**
- New central scenario year end net debt is forecast to reduce by c.**£460m**.

OVERVIEW

As the pandemic retreats, and we learn to operate in a socially distanced world, we are beginning to better understand both consumer demand and how the Company's finances will be affected this year. The key points are:

Sales	Warehouse capacity has come back faster than we had planned, and store sales have been more robust than anticipated. As a result, our second quarter sales have been significantly ahead of our internal plan. Online sales in the second quarter were up +9% and like-for-like sales in Retail stores, since they re-opened, were down -32%.
New Stress Test Scenarios	We have modelled three new scenarios based on full price sales for the full year being down -18%, -26% and -33%, see page 7. The central -26% scenario is in line with our internal forecast and assumes that sales in the *second half* are down -19%.
Cash	The Company's cash resources have been enhanced through a combination of asset sales and the suspension of dividends and share buybacks. These measures, along with the cash we anticipate generating from operations, mean that year end net debt is likely to fall significantly. Based on our central scenario, year end net debt will fall by c.**£460m** to £650m, which is comfortably within the Company's cash resources of £1.6bn[2] and represents 65% of the value of forecast year end next**pay** receivables of £1bn.
Profit	At our central scenario, we estimate that full year profit before tax will be **£195m**.

[1] Profit before tax is quoted on a 52-week basis. The financial information presented throughout this document does not reflect the impact of IFRS 16 Leases.

[2] Bond and bank facilities of £1.6bn do not include the Government's COVID Corporate Financing Facility (CCFF). Although our application to the CCFF was accepted, we do not expect to draw on this facility.

There is still much that remains uncertain and our central scenario cannot be accorded the same degree of confidence that our guidance would normally receive at this time of year. The duration of social distancing rules, post-lockdown consumer behaviour, earnings, unemployment, and, most importantly, whether there will be a second wave lockdown, all remain unknowable.

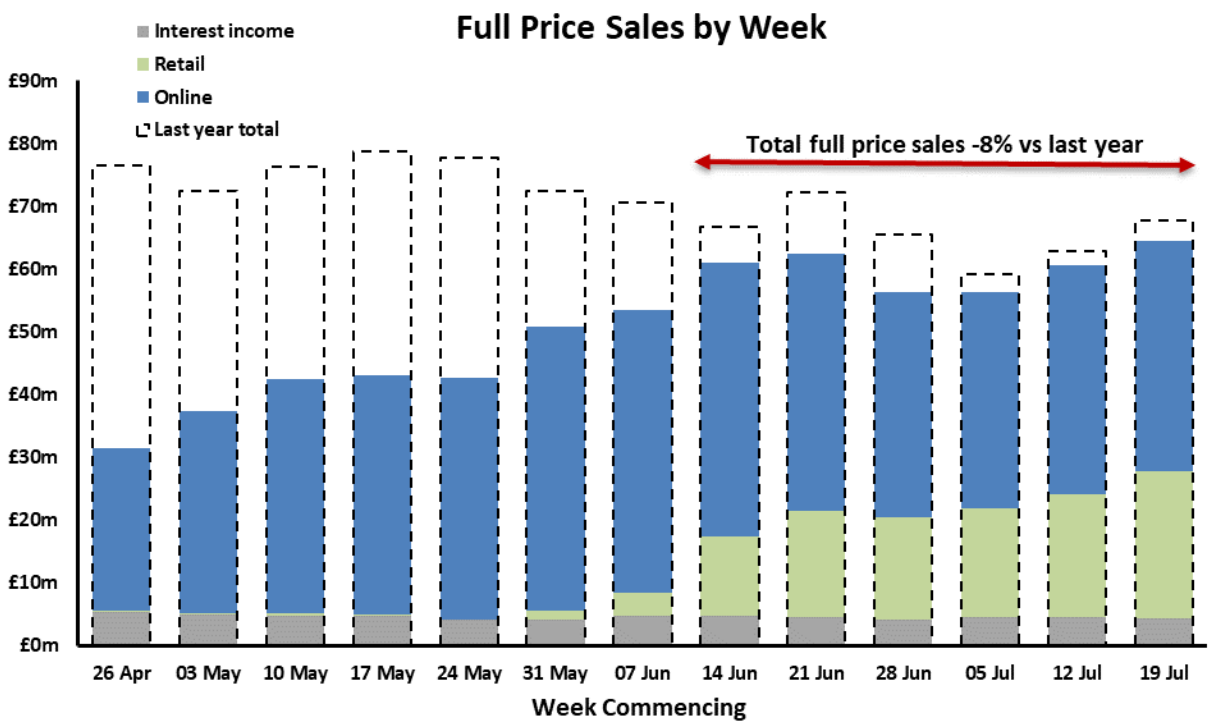
Nonetheless, our experience over the last 13 weeks has given us much greater clarity on our Online capabilities during lockdown and the state of consumer demand, and we are now more optimistic about the outlook for the full year than we were at the height of the pandemic.

SALES

Full price sales in the second quarter were down -28%; total sales (including markdown and clearance sales) were also down -28%. As would be expected, sales of Childrenswear, Home, Nightwear and Sportswear along with some adult casual clothing have done much better than the more formal parts of our adult clothing ranges associated with work, going out, overseas holidays and large social events.

Full Price Sales Analysis by Channel by Week

The chart below shows the full price sales by week. Online product sales are shown in blue, Retail in green and interest income in grey. Total full price sales for last year are shown for comparison as an underlaid white bar. As can be seen from the graph, the situation has steadily improved as lockdown has eased and in the last six weeks of the season total full price sales have been down -8%.



The table below sets out the full price sales performance by business channel and by quarter versus last year. Retail's performance in the second quarter is significantly lower than last year because stores were closed for half of this period, like-for-like full price sales in *re-opened* stores were down -32%.

Full price sales (VAT exclusive)	**First quarter to 25 April**	**Second quarter to 25 July**	**First half to 25 July**
Online	- 32%	+9%	- 11%
Retail	- 52%	- 72%	- 62%
Retail like-for-like sales since re-opening		*- 32%*	
Product full price sales	- 41%	- 29%	- 35%
Finance interest income	+2%	- 11%	- 5%
Total full price sales including interest income	**- 38%**	**- 28%**	**- 33%**

Markdown Sales

Stock was well controlled in the period. A combination of reduced stock purchases, carefully controlled cancellations and the hibernation of core lines for next year, meant that we went into the end of season Sale with only +1% more stock than last year (for further details see the Appendix on page 12).

Markdown sales[3] were down -12% and worse than the performance of full price sales in the same weeks, which were down -8%. There are two reasons for this underperformance. Firstly, in Retail we did not want to create the large queues normally associated with our end of season Sale, so we did not advertise the Sale and we started the event early on a Thursday rather than Saturday to reduce the risk of overcrowding. Secondly, we limited the stock available in our Online Sale in line with reduced picking capacities caused by social distancing.

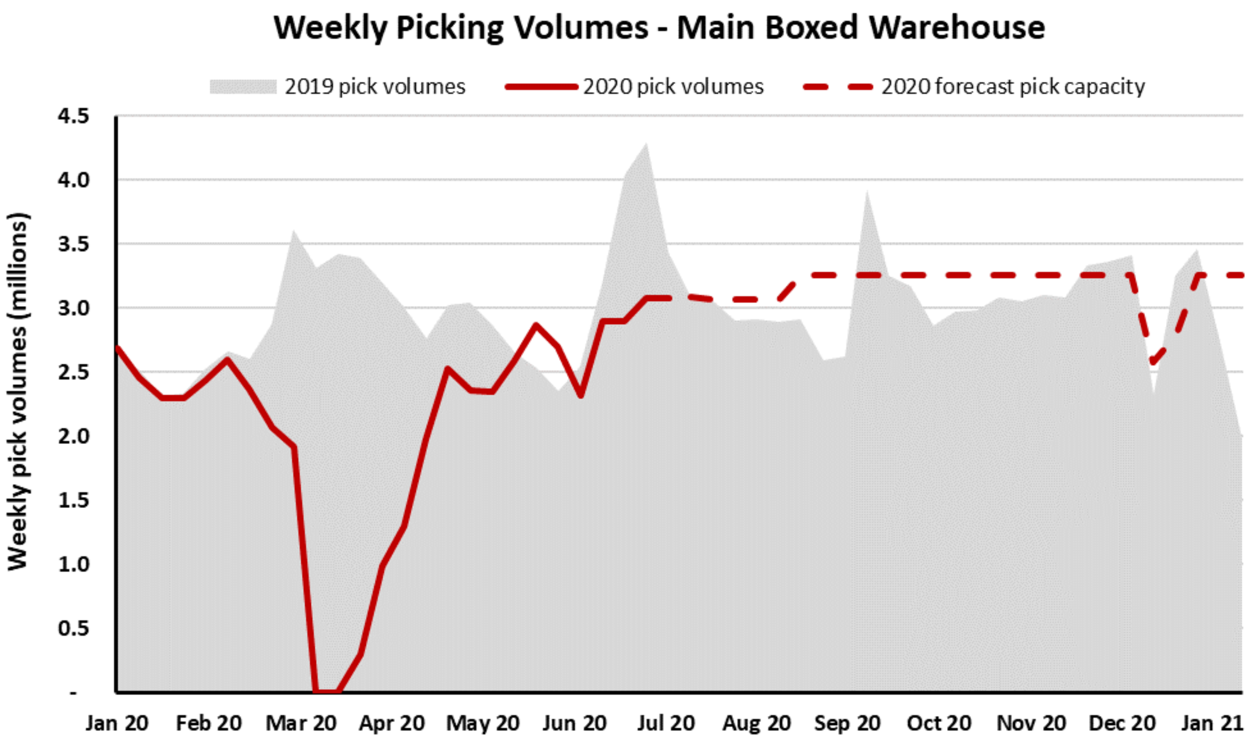
[3] Markdown sales are defined as Retail store sales plus Online orders less expected returns. Some of the stock ordered in the Online Sale will be despatched in Q3.

WAREHOUSE OPERATIONS

Online Warehouse Capacity

Over the last 13 weeks, since closing our warehouses in March, we have steadily built back our Online picking and packing capacity to operate at a level commensurate with current demand. This capacity has been achieved safely and in full compliance with Government social distancing guidelines.

The solid red line in the graph below shows the volumes of items picked this year, the dotted red line shows our forecast picking capacity for the rest of this year (assuming social distancing measures do not significantly change). For comparison, last year's picking volumes are given in the shaded grey. We anticipate that our forecast picking capacity will be higher than last year's pick volumes throughout most of the second half of this year. The only material exceptions being the sharp peaks caused by the mid-season and end of season Sale in September and January respectively.



Plans to Improve Capacity in the Second Half

That our warehouses have managed to recover and adapt so rapidly is testament to the hard work, ingenuity and commitment of our warehouse management team, our operatives, and our recognised Trade Union USDAW over the last four months. They have worked together to ensure the effective and safe operation of warehouses in very difficult and changing circumstances.

There is more that we can do, and we are taking active steps to further increase the picking capacity of our Online warehouses through the introduction of new 24-hour working shift patterns, along with greater support for warehouse activities in our stores during peak Sale periods.

The Beneficial Effect of Lower Returns Rates

During lockdown our returns rate has been significantly lower than last year; this is because the product categories that have sold well (such as Childrenswear and Homeware) have much lower returns rates than the areas that have fared badly (such as dresses and formalwear). In addition, during lockdown, customers were unable to return items through stores and relied on courier collections instead. As a result, we believe customers were more selective when placing orders and ordered items they were more likely to keep.

The reduction in returns has meant that, in the second quarter, although we despatched -17% less full price stock than last year we saw a +9% increase in full price sales. The table below demonstrates the effect on sales from lower returns.

Second quarter, full price VAT ex. (£m)	**This year**	**Last year**	**Var %**
Despatches	640	768	- 17%
Estimated returns	- 150	- 319	- 53%
Net full price sales	**490**	**449**	**+9%**
Returns rate %	*23%*	*42%*	

Service Constraints

In part, warehouse capacity has come at the expense of our delivery promise. We are currently operating an 8 pm cut off for next day delivery (rather than our normal 12 midnight cut off). This allows us to spread more work into the early hours of the morning and avoids the normal late night peak working, which requires staff densities that are not currently achievable whilst maintaining social distancing rules. As we move to new shift patterns, we believe that we can progressively move the cut off for next day delivery to later in the day. We estimate that we can achieve at least a 10 pm cut off within the next few months.

RETAIL STORE OPENINGS

Retail Sales Pre 15 June

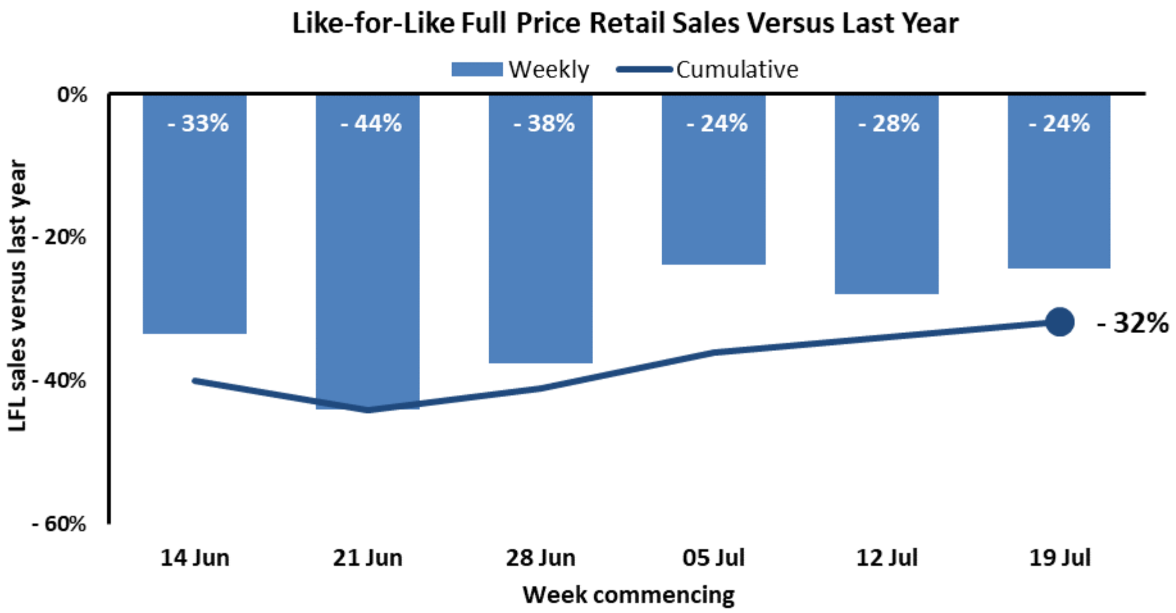
Home stores in England were permitted by the Government to open before fashion stores. Between 17 May and 14 June our 78 Home stores took £4m of sales on Home products and, on a like-for-like basis, full price sales were down -37%.

Retail Sales 15 June Onwards

We started to open our fashion stores in England on Monday 15 June and within two weeks 97% of our UK and Eire stores (by turnover) were open. The chart below sets out the store opening timeline, from 15 June. The red line shows the number of stores (left axis) and the blue bars show the percentage of the Company's Retail sales that these stores account for (right axis).

Retail Like-for-Like Sales from 15 June Onwards

Like-for-like Retail full price sales since 15 June were down -32%. The weekly and cumulative like-for-like performance is shown on the chart below. As a general rule, our out-of-town retail parks have significantly outperformed shopping centres and high street locations.



SALES, PROFIT AND CASH SCENARIOS

The aim of this section is to give shareholders a better understanding of how the Company's annual cash flow, costs and year end net debt are likely to turn out in three different sales scenarios. We have calculated an estimated central scenario, which is in line with our internal budgets. We have also modelled an upside and a downside scenario.

The scenarios are valuable in that they give a feel for how the Company might perform in very different trading environments and the underlying strength of the Company's finances. But they are a long way from pinpoint accuracy and these assumptions about sales and costs need to be treated with some caution. So many factors are unforeseeable: the progress and development of the pandemic, the treatments available, the wider economic environment along with public policy responses both in the UK and overseas, could all make a huge difference to consumer demand, our supply base and operating costs.

The steps are as follows:

1. Set out three scenarios for sales performance versus last year[4].
2. Calculate, for each scenario, the cost of lost sales less any operating cost savings and reduced next**pay** lending.
3. Add cash resources generated by suspending dividends and other corporate measures.
4. Calculate total cash flows, change in year end net debt and the implied profit before tax.

1. FULL PRICE SALES SCENARIOS

The table below sets out our revised full price sales scenarios for the second half and for the full year. The central scenario, with full price sales in the year being down -26% on last year, is in line with our internal budget and what we consider to be most likely at this time. Within that number we are assuming that Retail will be down -33% and Online sales will be down -7%.

The downside scenario, with full price sales down -33% on last year, assumes that sales in the second half perform in line with the first half. This scenario reflects a level of sales decline that seems most likely if we experience a second wave of the pandemic along with another lockdown.

The upside scenario assumes a more dramatic recovery and probably represents the top end of what is achievable with the stock that is now available for the second half.

Full price sales versus last year	**Upside scenario**	**Central scenario**	**Downside scenario**
First half	- 33%	- 33%	- 33%
Second half scenario	- 5%	- 19%	- 33%
Full year	**- 18%**	**- 26%**	**- 33%**

[4] Please note that the values shown in this section for the changes in sales, costs, and the additional measures to conserve and generate cash are all relative to last year. This is different to our April Trading Statement that compared sales, costs and cash generating measures to our original budget for this year, referred to in our April Trading Statement as our 'base case'.

2. COST OF LOST SALES, LESS SAVINGS AND REDUCED LENDING

The table below sets out the cash flow impact of lost sales after cost saving measures but without the corporate actions we have taken to conserve or generate cash (such as cancelling dividends).

Change versus last year £m (e)	Upside scenario - 18%	**Central scenario - 26%**	Downside scenario - 33%
Full price sales (VAT ex)	- 700	- 975	- 1,250
Markdown sales (VAT ex)	- 95	- 85	- 70
TOTAL LOST SALES (VAT ex)	**- 795**	**- 1,060**	**- 1,320**
Reduction in cost of stock (See Note 1)	+195	+280	+305
Reduced wages (See Note 2)	+120	+140	+165
Other operational cost savings (See Note 3)	+20	+45	+50
Reduced business rates	+80	+80	+80
Reduced Corporation Tax	+15	+40	+75
NET CASH FROM LOST SALES	**- 365**	**- 475**	**- 645**
Inflow from reduction in next**pay** lending	+155	+265	+285
NET CASH AFTER REDUCED NEXTPAY LENDING	**- 210**	**- 210**	**- 360**

Cost Scenarios and Variability to Sales

In our central scenario, we anticipate wage cost savings versus last year of £140m and other cost savings of £45m. Details of the forecast savings in the central scenario are provided in the Appendix, notes 1 to 3.

In the upside scenario, where full price sales improve by +£275m, we expect to incur £45m of additional costs which represents 16% of the additional sales. This increase would reflect additional staffing, logistics and marketing costs. However, in our downside scenario as sales reduce our ability to reduce costs further becomes harder to achieve and we would anticipate saving only £30m, 11% of the value of lost sales.

In all scenarios the wage savings do not include any benefit from the £1,000 (per retained employee) furlough bonus scheme announced by the Chancellor in July as we do not intend to apply for this scheme.

Explanation of Change in nextpay Lending

In our upside scenario we have assumed the increased sales are weighted towards Online, which increases our lending to customers and so reduces the cash inflow from next**pay** lending. In the downside scenario, we have weighted the sales reduction towards Retail and so there is a much smaller effect on next**pay** lending.

3. GENERATION OF ADDITIONAL CASH RESOURCES

The table below sets out our forecast for discretionary cash flows this year versus last year and shows the measures we have taken to generate and conserve the Company's cash resources. We have 1) halted shareholder distributions, 2) sold and leased back a warehouse complex and our Head Office, 3) reduced capital expenditure and, 4) paused share purchases for our Employee Share Option Trust (ESOT). As a result, we expect to generate a year on year cash flow benefit of +£690m after accounting for an increase in pension contributions.

For completeness, the final column of the table shows the equivalent forecast at the time of our April Trading Statement. The most significant change since April has been the ESOT loan recall, which we have reversed during the second quarter due to the Group's improved cash position.

Category	Description	Jan 21 vs Jan 20 £m (e)	April forecast var £m
Share buybacks	We spent £19m on share buybacks in early February but suspended buybacks once the scale of the crisis became apparent.	+281	+281
Dividends	Shareholder distributions have been suspended until the situation stabilises.	+214	+214
SUB TOTAL	**Total shareholder distributions**	**+495**	**+495**
Asset sales	We have sold and leased back a warehouse complex (£106m) and our Head Office in Enderby (£51m).	+157	+155
Capex	We are currently forecasting to spend £112m on capital expenditure during the year, this compares an initial plan of £145m and £139m last year. Against our plan we have cut store capex by £10m, head office by £5m and reduced warehouse capex by £18m. The warehouse capex saving was a result of lockdown delays rather than a conscious decision to reduce costs.	+27	+39
ESOT purchases	We suspended purchases of shares into our ESOT.	+27	+27
ESOT loan recall	The ESOT loan recall transaction that was completed in May was reversed in July as our cash position improved.	0	+87
Pension	The recent revaluation in our final salary pension fund in June resulted in a technical deficit of £67m. This has triggered an increase in Company contributions.	- 16	- 4
TOTAL	**Total cash flow**	**+690**	**+799**

4. TOTAL CASH FLOWS, CHANGE IN YEAR END NET DEBT AND IMPLIED PROFIT BEFORE TAX

The table below sets out the forecast net cash flows this year and the reduction in net debt at the end of the year. The last two lines give our forecasts for (52 week) profit before tax and EBITDA in each scenario. In all three scenarios we anticipate that the Company will significantly reduce year end debt and deliver a full year profit. Please note that the current year is a 53 week year and the additional week is likely to add a further +£12m of profit to our reported profit number for each scenario.

£m (e)	Upside scenario - 18%	**Central scenario - 26%**	Downside scenario - 33%
NET CASH FROM LOST SALES	- 365	**- 475**	- 645
Inflow from reduction in next**pay** lending	+155	+265	+285
NET CASH AFTER REDUCED NEXTPAY LENDING	- 210	**- 210**	- 360
Cash generated from additional measures	+690	+690	+690
CASH GENERATED VERSUS LAST YEAR	480	**480**	330
Last year increase in net debt	- 16	- 16	- 16
THIS YEAR DECREASE IN NET DEBT	464	**464**	314
IMPLIED PROFIT BEFORE TAX (52 week)	330	**195**	15
IMPLIED EBITDA (52 week)	500	365	185

Anticipated Non-Recurring Profit and Loss Items

Within our three profit scenarios there are some material items that we do not expect to be repeated. Although the values of these non-recurring items are individually significant, when combined, the net effect on profit is not material.

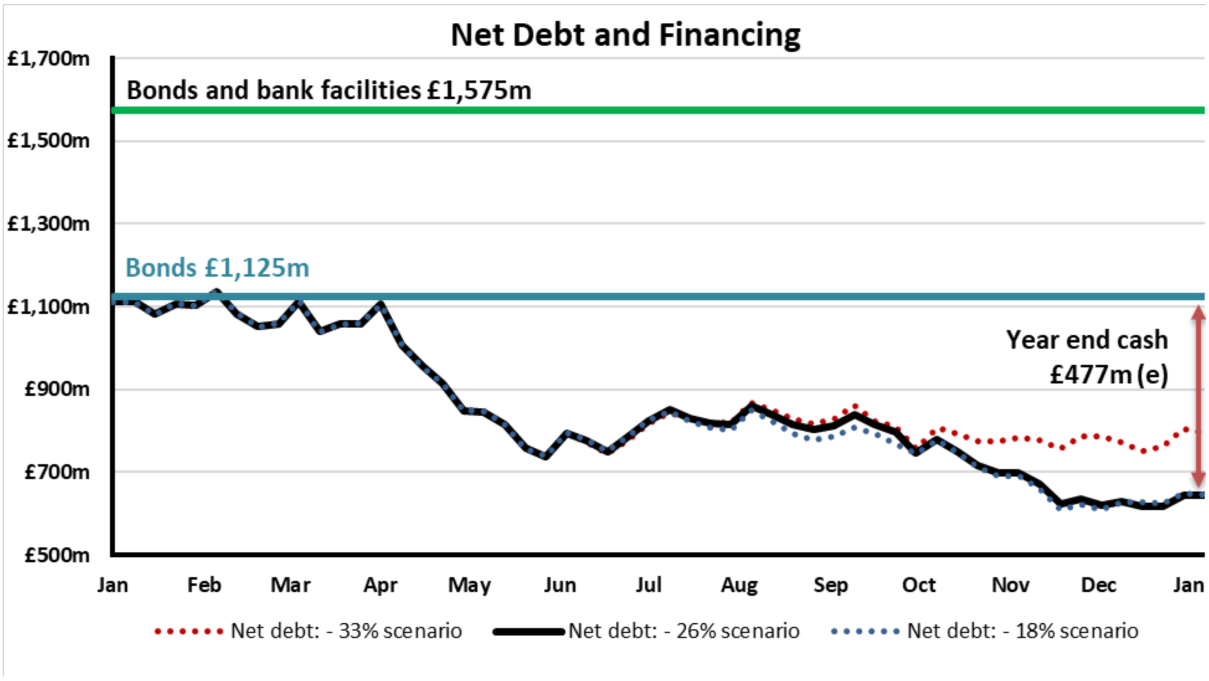
As shown in the table below, we anticipate that the profit generated from the sale and leaseback of properties (forecast at £47m) will be fully offset in the profit and loss account by the cost of store impairment and an increase in onerous lease provisions for Retail stores. In addition, based on our central scenario, we have increased our provisions for unsold stock and fabric (£50m) and we have provided for a potential increase in bad debt rates (£20m). These two costs have been offset by the £80m reduction in business rates.

£m (e)	**Central scenario profit impact**
Property profit from the sale and leaseback of properties	+47
Property provisions for store impairment and onerous leases	- 47
Stock and fabric provisions	- 50
Bad debt provisions (see note 4 on page 13)	- 20
Business rates reduction	+80
Total profit impact	**+10**

Net Debt, Financing and Headroom

Based on the three given sales scenarios, our net debt will have peaked in February at £1.15bn. In our central scenario we expect net debt to close the year at £648m, which would be a reduction of £464m in the year.

The chart below shows our weekly net debt for the first half of the year and forecast for the second half of the year. As can be seen, we expect to remain comfortably within our bond and bank facilities of £1,575m in all scenarios. Based on our central scenario, at the year end, we will have cash resources of £477m and further bank facilities of £450m, giving the Group financial headroom of over £900m.



SUMMARY

In summary, the Company is in a much better position than we anticipated three months ago: consumer demand has held up better than expected and our Online warehouses have achieved much higher capacities than we thought possible. Costs have been well controlled, and we have taken steps to ensure that our balance sheet is secure.

Whilst much of our time has been focussed on managing the business through the pandemic, we have not lost sight of the fact our sector was already experiencing far-reaching structural changes as consumers increase their expenditure Online. If anything, these changes are likely to accelerate as a result of the crisis. So, we have continued to move the business forward, actively investing in the systems, Online capacity and business ideas that we believe will be important in a post pandemic world.

INTERIM RESULTS

We are scheduled to announce our results for the first half of the year on Thursday 17 September 2020.

APPENDIX:
PROFIT SCENARIOS: STOCK AND COSTS

The following sections provide more detail on how we have managed stock purchases this year and how we expect our other costs to change this year versus last year. The figures shown relate to our central scenario where full price sales for the year are down -26% on last year. Please note the analysis below compares costs to last year, which is different to our April Trading Statement which compared costs to our original budget for this year, referred to as our 'base case'.

1. Stock Cancellations (£280m)

The table below sets out the value of stock, at retail selling value, that we have either cancelled or deducted from our original buy budget. This has saved the cost value of the stock, less compensation paid to suppliers and commission to NEXT Sourcing (our internal sourcing agent).

	£m (e)
Cancelled stock at retail selling value	450
Reduced future buy at retail selling value	630
Total reduction in stock at retail selling value	**1,080**
Cost of stock saved, less supplier compensation and NEXT sourcing commission	**280**

Stock Carried into Spring Summer 2021

In addition to cancelling stock, we have identified £150m (at retail selling value) of Spring Summer 2020 stock that can be carried forward into Spring Summer 2021. This will represent around 7% of the total Spring Summer 2021 buy. This number is much lower than we initially anticipated because we have sold more of it in the second quarter.

2. Wages (£140m)

The fall in sales has resulted in lower staffing requirements across all operations. We forecast that at our central scenario, wage costs will be -£140m lower than last year. This represents around 20% of last year's wage bill.

We initially furloughed 88% of our staff across the business, mainly as a result of the closure of our stores and warehouses. Most staff have now returned to work as the business has reopened. Around 10% of our staff currently remain on furlough, the majority of whom are in Retail stores. We anticipate that the vast majority of these staff will return to work as trade builds in the Christmas period.

3. Other Operational Cost Savings (£45m)

Based on our central scenario, we expect to reduce operational costs (excluding wage costs) by **-£45m** compared to last year.

These forecast savings can be split into three categories: (1) COVID related cost savings **(-£77m)** generated from business actions following lockdown, (2) COVID related cost increases **(+£22m)**, which have been incurred as a direct result of the pandemic, and (3) underlying operational net cost increases **(+£10m)**, which are not related to the COVID pandemic. The following table provides details on the nature of the savings and increases.

COST AREA	Cost versus last year £m (e)
COVID COST SAVINGS	
Retail and Online marketing, catalogues and photography	- 38
Store costs including service charge, repairs and maintenance, electricity, cleaning, credit card commission, bags and hangers	- 27
Distribution costs	- 8
Overseas travel costs	- 4
SUBTOTAL: COVID COST SAVINGS	**- 77**
COVID COST INCREASES	
Store and warehouse set up costs for ensuring a safe COVID environment for both staff and customers	+10
Additional storage costs in the UK	+3
Unrecovered international Online distribution surcharges	+9
SUBTOTAL: COVID COST INCREASES	**+22**
UNDERLYING OPERATIONAL COST INCREASES VERSUS LAST YEAR	
Includes increased investment in systems costs and warehouse infrastructure, offset by reductions in store rents achieved on lease renewal	**+10**
TOTAL CHANGE IN COSTS VERSUS LAST YEAR	**- 45**

4. Additional Bad Debt Provision

We have not experienced any change in the speed at which customers are paying down their accounts versus last year or observed any material change in default rates. However, we have increased our bad debt provisions by £20m to account for any defaults that may occur as furlough schemes come to an end later in the year.

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.