



**/NEXCOM**

NAVY EXCHANGE SERVICE COMMAND

NAVY EXCHANGE

NAVY LODGE

NGIS

SHIPS STORE

NCTRF

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# 2021 Annual Report

## MESSAGE FROM THE CEO

The mission of the Navy Exchange Service Command is to serve our Sailors and their families at home and abroad with key quality of life benefits, especially in times of crisis. Our Command is comprised of seven distinct business lines uniquely structured to support and sustain our Navy communities: Navy Exchange (NEX) retail stores, Navy Gateway Inns & Suites, Navy Lodge Program, Ships Store Program, Uniform Program Management Office, Navy Clothing and Textile Research Facility and Telecommunications Program Office.



**Robert J. Bianchi**  
**Rear Adm., Supply Corps, USN (Ret.)**  
**Chief Executive Officer**  
**Navy Exchange Service Command**



In 2021, as the COVID-19 pandemic was unrelenting, the NEXCOM Enterprise remained a critical resource for the U.S. Navy around the globe. Always serving the Navy's needs, whether supporting our Navy warfighters on forward operating bases in Africa, servicing deployed Sailors onboard aircraft carriers in the Pacific or caring for our military families right here at

home stateside.

We continue to place an emphasis on strengthening our core naval mission and building stronger relationships with Navy commands, resale partners and the military community, all the while remaining staunch practitioners of programs that are cost-effective, value-added and fiscally prudent. This year, the total accrued savings by Joint Buying Alliance reached a staggering \$75 million, proving financially beneficial for our military community. JBA continues to focus on leveraging the collective buying power of military resale and reducing the cost of goods with special vendor procurements for a direct to the consumer end state.



To strengthen the value of the strive to produce impactful strain. Our new NEXt Level patrons over \$17 million million in earned rewards direct savings by redeeming up bonuses and scratch-gasoline, NEX fuel sta-discount when paying with Navy Lodge Program's scratch cards rewarded \$136,000 in discounts on our Navy Lodge Program saved the Department of the Navy and Department of Defense official travelers over \$50 million. Design proposals by the NCTRF led to a \$400,000 reduction in expenses for the Navy Working Uniform Type III, a cost effective approach to assist Sailors and Officers around the Fleet.



benefit for the Navy family, we programs that help ease financial Rewards Program provided worth of recompense - \$10 and an additional \$7 million of benefits such as coupons, sign off cards. For every gallon of tions offer a 5 cents per gallon a MILITARY STAR™ Card. The permanent change of station military guests with a total of 13,500 room nights. In addition,



Throughout this past year, the NEXCOM Enterprise achieved operational success through intricate coordination and innovative courses of action. In October, our organization's portfolio grew from six to seven business lines, with the inclusion of Navy Gateway Inns & Suites, whose mission supports military travelers on temporary duty travel or temporary additional duty. Improving the quality of life of Sailors

and military families around the globe, NEXCOM's Telecommunications Program Office installed and upgraded Wi-Fi services among on-base facilities, particularly those locations overseas. In addition, most Navy Lodge rooms provide upgraded entertainment services for streaming, gaming and casting from guests' cell phones.

As we look to the future, investing in new and accessible technology for the Fleet is critical, but at the same time, also continuously assessing aging programs for their validity and legitimacy. One example, we made the business decision to retire the Afloat Personal Telecommunications

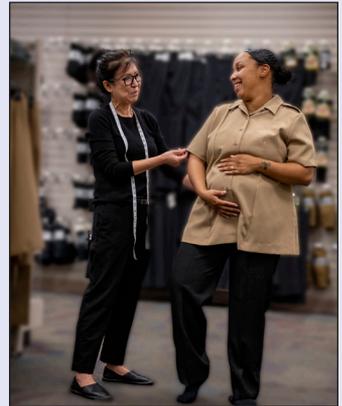




Program, which ran for 26 years, due to declining demand. Once quite the morale booster, providing Sailors with ability to make personal phone calls while deployed aboard a ship, the program lost its luster with the increased presence of 5G, cell phones and virtual calls. Nevertheless, NEXCOM is uniquely postured to ensure our afloat Sailors have the goods and

services whenever and wherever needed. Our Ships Store Program filled 850 1Q COG merchandise orders, which included snacks, beverages and health and beauty aids, across the Fleet via our overseas distribution centers.

Additionally, uniform research and development remains a driving force for our Uniform Program Management Office and NCTRF teams. This year, one of their tasks involved the implementation of the Maternity Pilot Program, which will launch in January 2022. These two business lines also partnered on the development, production and rollout of a physical training uniform, fitness suit and medical scrubs for the U.S. Public Health Service. Moreover, NCTRF completed the Navy Two-Piece Flame-Resistant Ensemble with approvals by the Chief of Naval Operations identifying it as organizational clothing and the primary at-sea uniform for afloat units.



While our focus was on supporting our deserving patrons and the U. S. Navy Fleet, we also implemented several programs to support our associates. First, we executed a Special Retirement Incentive that provided two years of credited service to retirement calculations, offered on a one time, voluntary basis to NEXCOM personnel who were already eligible for an unreduced retirement annuity. This retirement incentive allowed us to reshape our workforce and provide upward mobility opportunities to our associates. To further assist with career enhancement, mobility and training, we launched a learning management system, “LEARN,” to provide more learning opportunities and enhanced the targeted

training we offer through our Open Sesame program.

In 2021, our total annual NEX sales were \$2.3 billion with an Operating Profit of \$52.4 million. NEXCOM gives 25% of our operating cash flows to support the Navy community. In 2021, that amount totaled \$33.1 million. Our 39 Navy Lodges had an overall occupancy rate of 84%, which resulted in a Net Income of \$13.5 million. Finally, our ships stores generated \$65.7 million in total sales and \$11 million in net profit for the year.



Our successes last year are the result of the hard work of our 16,000 associates around the globe who delivered a critical quality of life benefit to Sailors and their families. As a purpose-driven Navy command, we will continue to respond to current and future Fleet and family needs.

A handwritten signature in black ink, reading 'R. Bianchi'.

**Robert J. Bianchi, CEO**



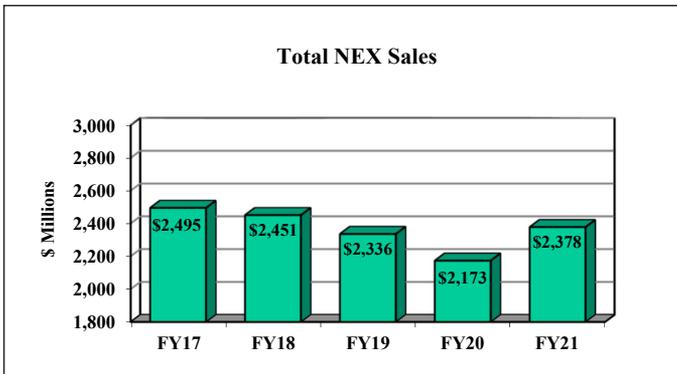
## NAVY EXCHANGE SERVICE COMMAND FISCAL YEAR 2021 FINANCIAL REVIEW

### NEX

Sales performance exceeded last year by 9.4% as customers slowly returned to brick and mortar locations as the economy rebounded from the 2-year COVID-19 pandemic. The fiscal year Operating profit was \$52.4 million. Net Loss was \$23.8 million after deducting retirement expense of \$76.2 million.

NEXCOM continues to provide savings in the form of a non-pay benefit as well as a cash dividend to the Navy's Morale, Welfare and Recreation (MWR) funds. Effective FY20, the new dividend model provides MWR with 25% of worldwide operating profit before the largely non-cash retirement and depreciation expenses. Dividends declared for FY21, including dividends paid to MWR under separate local agreements for vending and food service, totaled \$33.1 million.

The financial condition of the NEX, as reflected in the Balance Sheet and Statement of Cash Flows, remains strong. Cash flow from operations was \$108.0 million this year compared to \$168.8 million last year. NEXCOM's store modernization program continues to be funded from operating cash flow. During FY21, \$27.0 million was spent on capital expenditures.

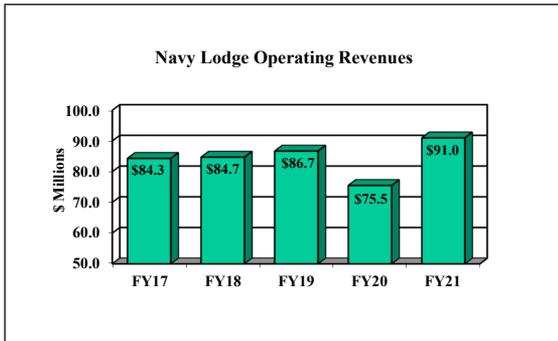


## NAVY LODGE PROGRAM

The Navy Lodge Program operates 39 Navy Lodges worldwide. The overall occupancy for 2021 rebounded significantly to 84.0% compared to the COVID-19 impacted low of 71.4% in the prior year. The average room rate increased to \$93.98 in FY21 compared to the average rate of \$91.69 in FY20.

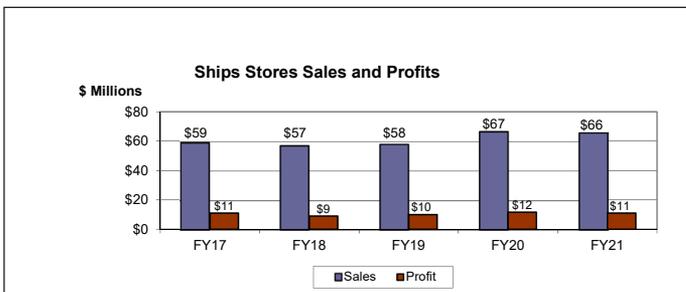
The Navy Lodge Program continues to save travel dollars while generating cash flow used for remodeling existing and building new facilities. Net income in FY21 was \$13.5 million compared to \$6.9 million in FY20 (which included a reimbursement of \$4.2 million from the Department of Defense to mitigate impacts of the COVID-19 pandemic).

Navy Lodge Program continues to be superior in guest service and very effective in leveraging operating and maintenance costs.



## SHIPS STORE PROGRAM

Ships stores are operated aboard 145 commissioned Navy ships. The program generated \$65.7 million in total sales and \$11 million in net profit for FY21. Commanding Officers use profits generated by each ships store to procure new equipment for the stores and to provide direct support to their ship's MWR programs. In FY21, ships stores generated profits of \$9.5 million for their use onboard and \$1.5 million for CNIC to use in support of Fleet ships without a ships store, such as submarines and LCSs.



## FINANCIAL SUMMARY

For the Fiscal Years ended

January 29, 2022

January 30, 2021

*In Thousands of Dollars*

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### Navy Exchange Program

#### Income Statement:

Total Sales	\$2,377,888	\$2,173,348
Income from Concessions, net	38,349	30,987
Contributed Services Revenue	77,880	75,072
Other Revenue	<u>5,645</u>	<u>2,243</u>
Total revenues	2,499,762	2,281,650
Cost of Sales	1,830,662	1,698,817
Selling, General and Administrative Expenses	556,463	580,982
Contributed Services Expense	77,880	75,072
Other Income - Net	<u>17,624</u>	<u>98,414</u>
Operating Income	<u>52,381</u>	<u>25,193</u>
Retirement Expenses	76,205	48,737
Net Income/(Loss)	<u>(\$23,824)</u>	<u>(\$23,544)</u>

#### Profit Distribution:

Dividends declared	\$32,471	\$4,076
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#### Assets, Liabilities and Net Assets:

##### Assets:

Cash & Accounts Receivable	\$336,237	\$461,594
Merchandise Inventories & Other Current Assets	389,514	399,682
Property/Equipment & Other long-term Assets	<u>800,450</u>	<u>643,406</u>
Total Assets	<u>\$1,526,201</u>	<u>\$1,504,682</u>

##### Liabilities and Net Assets:

Trade Accounts Payable & Accrued Liabilities	\$250,515	\$256,820
Other Current Liabilities	272,038	271,506
Long-term liabilities	385,280	569,310
Net Assets	<u>618,368</u>	<u>407,046</u>
Total Liabilities & Net Assets	<u>\$1,526,201</u>	<u>\$1,504,682</u>

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### Navy Lodge Program

#### Income Statement:

Operating Revenue	\$90,967	\$75,472
Contributed Services	<u>932</u>	<u>875</u>
Total Revenue	91,899	76,347
General and Administrative Expenses	<u>79,077</u>	<u>71,232</u>
Operating Income	12,822	5,115
Other Income - Net	<u>150</u>	<u>1,761</u>
Net Income	<u>\$12,972</u>	<u>\$6,876</u>

#### Assets, Liabilities and Net Assets:

##### Assets:

Cash and Other Current Assets	\$248,147	\$231,841
Property and Equipment, net	<u>107,824</u>	<u>105,536</u>
Total Assets	<u>\$355,971</u>	<u>\$337,377</u>

##### Liabilities and Net Assets:

Accounts Payable	\$8,532	\$2,910
Net Assets	<u>347,439</u>	<u>334,467</u>
Total Liabilities & Net Assets	<u>\$355,971</u>	<u>\$337,377</u>

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### Ships Stores Program

For the Fiscal Years ended

September 30, 2021

September 30, 2020

Ships Stores Sales	\$61,020	\$61,252
Vending Sales	<u>4,716</u>	<u>5,230</u>
Total Sales	<u>\$65,736</u>	<u>\$66,482</u>

Net Profit from Operations	<u>\$11,293</u>	<u>\$11,589</u>
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#### Profit Distribution:

Assessment for CNIC	\$1,479	\$1,471
Equipment for Ships Stores / Other	\$487	\$620
Profits retained for Morale, Welfare and Recreation	\$9,327	\$9,498



**NAVSUP**  
NAVAL SUPPLY SYSTEMS COMMAND

