



# 2022 ANNUAL REPORT

## MESSAGE FROM THE CEO

The Navy Exchange Service Command enables warfighter readiness and strengthens the Navy quality of life mission by providing essential products, services and hospitality for military communities worldwide. NEXCOM is uniquely positioned to effectively sustain the Fleet and military families by way of our Navy Exchange military resale stores, Navy Lodge Program, Navy Gateway Inns & Suites (NGIS), Ships Store Program, Telecommunications Program Office, Uniform Program Management Office and the Navy Clothing & Textile Research Facility.



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



This past year, the NEXCOM Enterprise experienced substantial growth in personnel and lines of effort. On Feb. 1, 2022, NEXCOM achieved Full Operational Capability of NGIS and its primary mission supporting military travelers on temporary duty. Along with acquiring all its facilities, NEXCOM welcomed nearly 2,000 more associates to our organization. With the addition of NGIS, NEXCOM is now the Navy's single provider for hospitality around the globe, whether traveling on official orders in a temporary duty status or a permanent change of station, as well offering leisure travel accommodations.

With the increase of associates and to recruit and retain the best and the brightest, a top area of focus this year rested on professional education and training. To deliver more targeted training, NEXCOM's Human Resources team rolled out its learning management system, LEARN, to all associates across the enterprise. Also, in order to help streamline and better assess and recognize associate performance, the organization's annual performance evaluation form and process was updated. In addition, to further enhance our benefits and to make NEXCOM an employer of choice, pet insurance is now offered to all regular full-time and part-time associates.



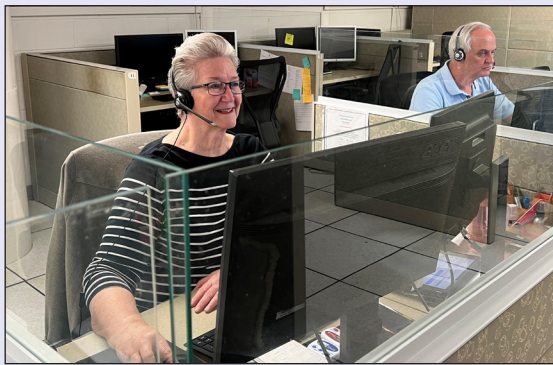
We also looked to strengthen our customer interactions and connect with our unique patron-base. To that end, our overseas Student Meal Program served more than 925,000 meals to military children at 20 Department of Defense Education Activity schools in Europe, Japan, Guam and Guantanamo Bay, Cuba. Our NEXt Level Rewards program acquired nearly 800,000 members, up 43% to last year. In addition, members saved nearly \$4 million by redeeming NEXt Level Rewards coupons. Finally, the Military Resale Joint Buying Alliance announced that since 2019 it has saved customers \$140 million by leveraging combined buying power to lower prices and cost-of-goods savings through vendor special buys.





This year we also placed a strategic emphasis on command-wide investments and resources to enhance the overall patron experience. Throughout 2022, the 'X-Store point-of-sale system' was systematically rolled out at NEX locations worldwide. Once fully implemented, X-Store will improve the overall experience and further protect customer information at checkout. Additionally, eight new Micro Markets opened on Navy installations, offering round the clock, self-service retail operations. One of those Micro Markets opened at Norfolk Naval Shipyard, Portsmouth, Virginia, in

support of the Secretary of the Navy's "Get Real, Get Better," initiative to improve the quality of life of Sailors aboard ships undergoing maintenance in shipyards. In 2022, our Micro Market at the Pearl Harbor Shipyard was the highest grossing location among the 66 open with just over \$2 million in sales, the first to hit that sales mark.



As our command continues to look toward the future, efficiency remains a driving force lending itself to operational agility and a more flexible and responsive organization, benefiting both customers and associates. NEXCOM's Department of Defense Reservation Center began taking reservations for Marine Corps lodging and NGIS, supporting military members on temporary duty and leisure travel. We also began a comprehensive review of our NGIS and Navy Lodge programs that will allow for synergies to improve operations, enhance guest experience and reduce operational costs.



Maintaining key partnerships with other Navy commands, resale partners and the military community was another primary focus area for the year. For the first time ever, NEXCOM was the lead anchor for the Naval Air Station Oceana Air Show. Our command directly contributed to the event's success and increased attendance. In addition, NEX Norfolk, Virginia, and NEXCOM's Uniform team supported U.S. Fleet Forces Command's media outreach program, known as "Sailor for a Day," helping to connect the American public

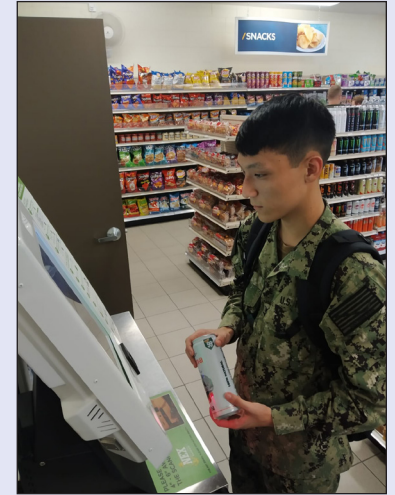
with the Navy mission. In support of the Navy's Maternity Pilot Program, NEXCOM manages the inventory of maternity uniform items, including the tailoring and mailing of the uniforms as well as cleaning and inspecting them for possible re-issue. In a related uniform effort, NCTRF held two female size standardization fit evaluations to collect data with the





ultimate objective of establishing a consistent fit for uniforms in the future. Moreover, NCTRF showcased its technical prowess and creative skills to support a Navy video entitled, "Vision 2043" that highlighted futuristic uniform concepts. Lastly, to ensure our deployed Sailors have those quality of life items they need while at sea, our Ships Store team processed 850 1Q COG orders across the Fleet, totaling over \$8.7 million.

In 2022, our total annual NEX sales were \$2.3 billion with an operating profit of \$39.2 million. NEXCOM gives 25% of our operating cash flows to support the Navy community. In 2022, that amount totaled \$29.2 million. Our 36 Navy Lodges had an overall occupancy rate of 84.4%, which resulted in a net income of \$19.0 million. Our 59 NGIS locations returned a net income of \$106 million, stemming from the overall occupancy rate of 61.4%. More importantly, our lodging facilities saved Navy and DoD official travelers over \$215 million. Finally, our ships stores generated \$57.9 million in total sales and \$9.5 million in net profit for the year.



Since 1946, NEXCOM's mission provides unrivaled support to our Navy warfighters and military families, no matter the location around the world! The command has evolved over the years, overcome challenges and achieved great success, thanks to the hard work and perseverance of each and every associate serving around the globe. Closing out on 76 years, NEXCOM remains committed to support and sustain maritime readiness by strengthening the Navy's quality of life mission.

**Robert J. Bianchi, CEO**

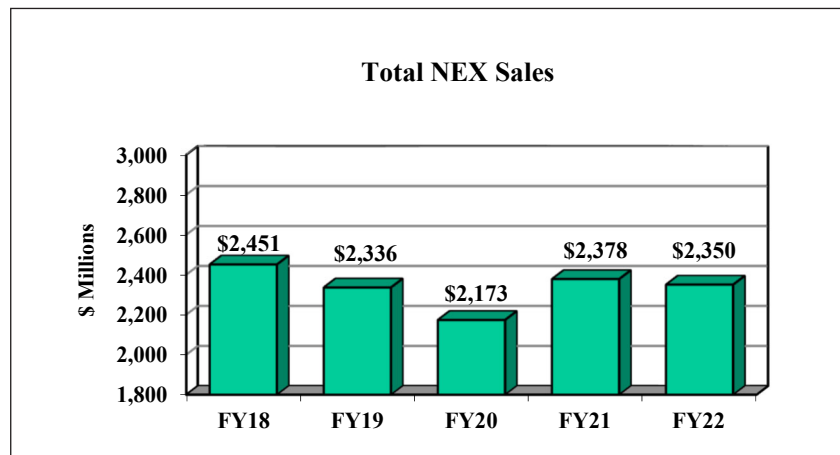
## Navy Exchange Service Command Fiscal Year 2022 Financial Review

### NEX

Sales performance continued to be challenging in a competitive retail environment with changing consumer behavior. NEXCOM achieved overall sales of \$2.3 billion, a decrease of 1.2% from last year. The fiscal year operating profit was \$39.2 million. Net profit was \$28.8 million after deducting retirement expenses of \$10.4 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. Dividends declared for FY22, including dividends paid to MWR under separate local agreements for vending and food service, totaled \$29.2 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 \$130.7 million this year compared to \$108.0 million last year. NEXCOM's store modernization program continues to be funded from operating cash flow. During FY22, \$36.9 million was spent on capital expenditures.

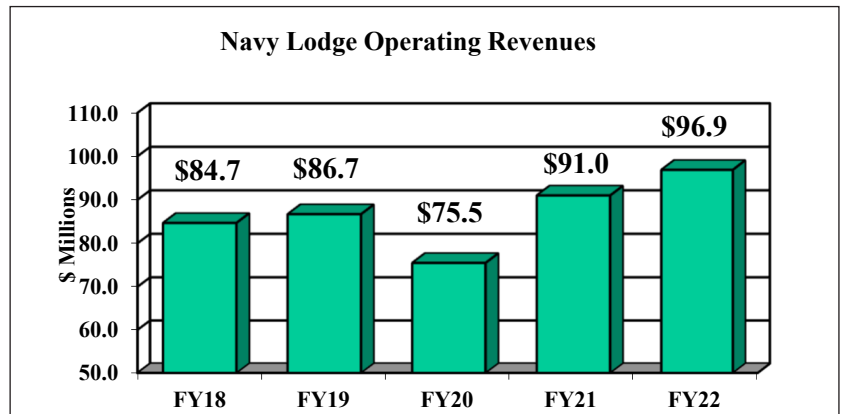


## Navy Lodge Program

The Navy Lodge Program operates 36 Navy Lodges worldwide. The overall occupancy for 2022 increased marginally to 84.4% relative to the prior year of 84.0%. The average room rate increased to \$99.43 in FY22 compared to the average rate of \$93.97 in FY21.

The Navy Lodge Program saves travel dollars while generating cash flow used for remodeling existing and building new facilities. Net income in FY22 was \$19.0 million (which included a reimbursement from the DoD of \$2.4 million related to the minimum wage increase) compared to \$13.0 million in FY21 (which also included a reimbursement of \$4.2 million from the DoD to mitigate impacts of the COVID-19 pandemic).

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

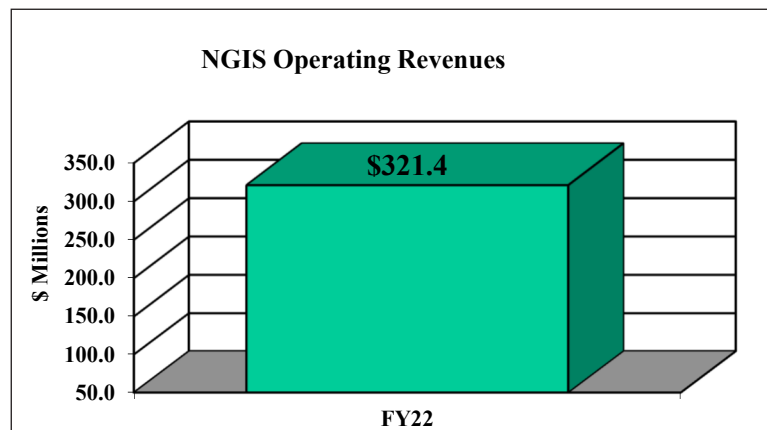


## Navy Gateway Inns & Suites

NGIS is located at 59 military installations, operating 396 buildings and 14,992 beds worldwide. FY22 revenues were \$321.4 million. Overall occupancy of 61.4% remained consistent with 2021 occupancy of 61.3%. The average daily rate increased to \$96.05 in 2022 compared to \$93.39 in 2021.

On January 4, 2021, the Office of the Under Secretary of the Navy issued a memorandum that directed the consolidation of the Navy's Permanent Change of Station lodging program, NEXCOM's Navy Lodge Program and the Department of the Navy's Temporary Duty Lodging program, NGIS, under NEXCOM. NEXCOM achieved Full Operational Capability of NGIS on Feb. 1, 2022.

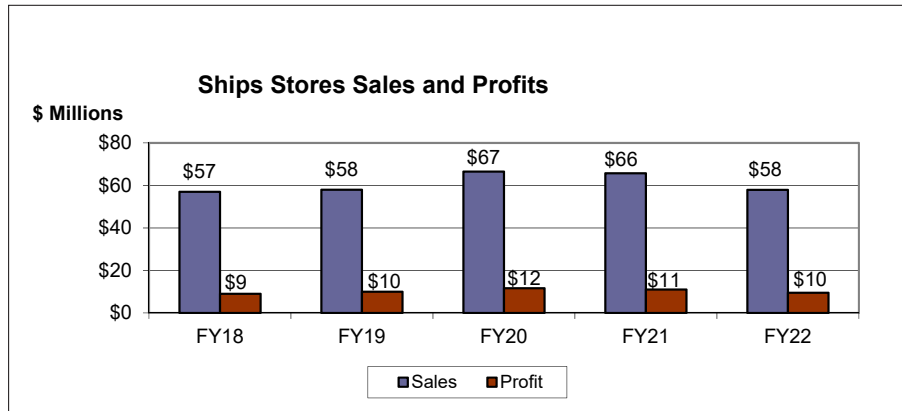
As the DoD official lodging for temporary duty and mission essential travel, NGIS continues to save over \$162 million in travel dollars. The program generated \$126 million in cash flows in 2022 compared to \$125 million in cash flows in 2021. Resources are sufficient to fund capitalization for system expansions, replacement of deteriorated facilities and cyclical renovations.





## **Ships Store Program**

Ships stores are operated aboard 145 commissioned Navy ships. The program generated \$57.9 million in total sales and \$9.5 million in net profit for FY22. Commanding Officers use profits generated by each ships store to procure new quality of life equipment for their individual ships and to provide direct support to their ship's MWR programs. In FY22, ships stores generated profits of \$8.9 million for their use and \$1.2 million for CNIC to use in support of Fleet ships without a ships store, pre-commissioned ships, military missions in the Navy's area of responsibility in foreign countries and ships such as submarines and LCSs.



## FINANCIAL SUMMARY

For the Fiscal Years ended

January 28, 2023      January 29, 2022

*In Thousands of Dollars*

<b>Navy Exchange Program</b>		
Income Statement:		
Total Sales	\$2,349,664	\$2,377,888
Income from Concessions, net	40,643	38,349
Contributed Services Revenue	81,085	77,880
Other Revenue	<u>5,445</u>	<u>5,645</u>
Total revenues	2,476,837	2,499,762
Cost of Sales	1,840,089	1,830,662
Selling, General and Administrative Expenses	566,264	556,463
Contributed Services Expense	81,085	77,880
Other Income - Net	<u>49,765</u>	<u>17,624</u>
Operating Income	<u>39,164</u>	<u>52,381</u>
Retirement Expenses	10,407	76,205
Net Income/(Loss)	<u>\$28,757</u>	<u>(\$23,824)</u>
Profit Distribution:		
Dividends declared	\$28,804	\$32,471
Assets, Liabilities and Net Assets:		
<u>Assets:</u>		
Cash & Accounts Receivable	\$759,884	\$336,237
Merchandise Inventories & Other Current Assets	398,835	389,514
Property/Equipment & Other long-term Assets	<u>1,329,235</u>	<u>800,450</u>
Total Assets	<u>\$2,487,954</u>	<u>\$1,526,201</u>
<u>Liabilities and Net Assets:</u>		
Trade Accounts Payable & Accrued Liabilities	\$328,093	\$250,515
Other Current Liabilities	330,395	272,038
Long-term liabilities	1,017,814	385,280
Net Assets	<u>811,652</u>	<u>618,368</u>
Total Liabilities & Net Assets	<u>\$2,487,954</u>	<u>\$1,526,201</u>

<b>Navy Lodge Program</b>		
Income Statement:		
Operating Revenue	\$96,853	\$90,967
Contributed Services	<u>944</u>	<u>932</u>
Total Revenue	97,797	91,899
General and Administrative Expenses	<u>84,948</u>	<u>79,077</u>
Operating Income	12,849	12,822
Other Income - Net	<u>6,137</u>	<u>150</u>
Net Income	<u>\$18,986</u>	<u>\$12,972</u>
Assets, Liabilities and Net Assets:		
<u>Assets:</u>		
Cash and Other Current Assets	\$262,942	\$248,147
Property and Equipment, net	<u>106,228</u>	<u>107,824</u>
Total Assets	<u>\$369,170</u>	<u>\$355,971</u>
<u>Liabilities and Net Assets:</u>		
Accounts Payable	\$2,745	\$8,532
Net Assets	<u>366,425</u>	<u>347,439</u>
Total Liabilities & Net Assets	<u>\$369,170</u>	<u>\$355,971</u>

<b>Navy Gateway Inns and Suites Program</b>		
Income Statement:		
Operating Revenue	\$321,420	-
Contributed Services	<u>20,792</u>	-
Total Revenue	342,212	-
General and Administrative Expenses	<u>254,584</u>	-
Operating Income	87,628	-
Other Income - Net	<u>18,784</u>	-
Net Income	<u>\$106,412</u>	-
Assets, Liabilities and Net Assets:		
<u>Assets:</u>		
Cash and Other Current Assets	\$873,778	-
Property and Equipment, net	<u>253,398</u>	-
Total Assets	<u>\$1,127,176</u>	-
<u>Liabilities and Net Assets:</u>		
Accounts Payable	\$6,282	-
Net Assets	<u>1,120,894</u>	-
Total Liabilities & Net Assets	<u>\$1,127,176</u>	-

<b>Ships Stores Program</b>		
	For the Fiscal Years ended	
	September 30, 2021	September 30, 2020
Ships Stores Sales	\$53,481	\$61,020
Vending Sales	<u>4,389</u>	<u>4,716</u>
Total Sales	<u>\$57,870</u>	<u>\$65,736</u>
Net Profit from Operations	<u>\$9,546</u>	<u>\$11,293</u>
Profit Distribution:		
Assessment for CNIC	\$1,197	\$1,479
Equipment for Ships Stores / Other	393	487
Profits retained for Morale, Welfare and Recreation	\$8,900	\$9,327





NAVAL SUPPLY SYSTEMS COMMAND