



# ANNUAL REPORT

2024



## NEXCOM ENTERPRISE

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 NEX military resale stores, Ship's Store Program, Telecommunications Program Office, Uniform Program Management Office, Navy Clothing & Textile Research Facility and the Hospitality Group that supports temporary duty, permanent change of station and leisure travel through Navy Lodges, Navy Gateway Inns & Suites and Navy Inns.



## ENTERPRISE AT A GLANCE

- 100% of earnings directly support Navy quality of life programs
- Over \$3.7 billion to Navy MWR since 1946
- NEX sales \$2.3 billion
- \$327 million in NEX savings to customers
- 91 NEX complexes, 300 locations in 14 countries and 22 states
- Nearly 100 Navy hotels with over 18,000 rooms
- Navy hotels saved the Department of the Navy and guests over \$170 million



Navy Inn Oceana, Virginia

## NEXCOM Hospitality Group

NEXCOM kicked off its ambitious transformation of more than 450 NGIS locations worldwide with the rebranding of Navy Inn Oceana, Virginia. This rebranding reinforces NEXCOM's steadfast commitment to providing exceptional hospitality to its guests. In addition, Navy Lodge, NGIS and Navy Inn locations began using the NEX private label brand Harbor Home towels in its guest rooms. This initiative allows for greater buying power and brand recognition across both business lines.

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## NEX Micro Markets

NEXCOM's commitment to enhancing quality of service led to the expansion of several convenience programs. Sixteen new NEX Micro Markets opened, bring the total to 94 across the enterprise. Of those, two stand out for being unique. The NEX Micro Market at Naval Air Station Pensacola, Florida, is the first to offer freshly made hot and cold food made by the NEX, while the NEX Micro Market at Ingalls Shipbuilding in Pascagoula, Mississippi, is the first to open at a private shipyard.



NEX Micro Market, Pensacola, Florida



## Store of the Future



NEX Oceana, Virginia

Retail saw remarkable advancements, including the debut of the 'Store of the Future' at NEX Oceana. The store offers an improved customer experience, individual zones for product lines such as Everyday Essentials, Everyday Home, Consumer Tech and Health and Wellness; smaller shops within the store that focus on a specific category such as the mattress shop and the pet shop as well as expanded retail brand shops like The Home Depot and Toys R Us. This new flexible and modular design will ensure NEXCOM meets the needs of its patrons for years to come.

## Convenience

In that same vein, 40 self-checkout cash registers were installed at NEX locations around the world. On average, these registers account for 50% of transactions and 35% of sales. As another convenience for families, the first NEX unisex haircut shop, The Hair Port, opened at NEX Pensacola, Florida, Aviation Plaza. The Hair Port offers beard trims, shampoo and conditioning and haircuts for the entire family.



NEX Little Creek, Virginia



NEX associates

## Patron Rewards

Our NEXt Level Rewards Program continues to drive strong patron loyalty, shopping frequency and savings. The program boasts more than 1.2 million members, an increase of 21% to last year. Purchases from these loyal patrons now represent 75% of total sales.

## Community Engagement

The enterprise continued to support the military members and families through community engagement events around the world. NEXCOM participated in more than 60 events supporting the U.S. Navy while building a greater sense of community. Events included the Naval Air Station Oceana Air Show; Naval Station Norfolk, Virginia, Fleet Fest; Rim of the Pacific maritime exercise in Pearl Harbor and Fleet Weeks New York and Miami, Florida, just to name a few.



Fleet Week New York City, New York



NAS Oceana, Virginia, Air Show



# Navy Uniforms



NEX Norfolk, Virginia

NEXCOM introduced the new female short-sleeved white overblouse, the first uniform item produced using modernized patterns. Moreover, the Uniform Program Management Office finalized the tasking to assess the feasibility, benefits and cost of assuming accountability, responsibility and authority for the recruit uniform issue process at Recruit Training Command Great Lakes, Illinois. In that capacity, a Uniform Reclaim Center opened at NEX Great Lakes and the management of Recruit Uniform Sorting Distribution Center was organized for attrition uniforms. In addition, the processing of Condition Code A uniform returns back into Defense Logistics Agency inventory was aligned, an initiative that covers 25 uniform items and could save the Navy over \$4 million annually.



NEX Great Lakes, Illinois

## Personal Telecommunications

NEXCOM's Telecommunications Program Office continued to support Sailor quality of life by delivering a pilot program that offers free Wi-Fi in 12 permanent party unaccompanied housing locations in Hampton Roads, Virginia. Due to its success, the pilot has been extended through September 2025. Similarly, Wi-Fi connectivity improvements were made at over 100 NEX locations and 28 base housing sites to ensure Sailors and their families stay connected.

## Ship's Store Program

NEXCOM's Ship's Store Program played a huge part in USS Dwight D. Eisenhower's (CVN 69) historic 9-month deployment. During the deployment, the carrier submitted 266 retail orders valued at \$5.6 million and the first-ever aircraft carrier Micro Market@Sea had more than 138,000 transactions and \$1.2 million in sales, offering unbelievable support to Sailors!



USS Dwight D. Eisenhower (CVN 69)

## IT Systems

NEXCOM embarked on a number of multi-year IT projects including a new Hospitality Property Management System and replacement of the current financial and procurement systems. Internally, a new payroll system, myADP, is in place, allowing associates worldwide to quickly and easily access payroll information online.



## Support to Navy



Recruit Training Center Great Lakes, Illinois

NEXCOM was proud to sponsor its first-ever Recruit Division at Recruit Training Command Great Lakes, mentoring new Sailors from the very start of their Navy careers.

As always, NEXCOM continued to provide critical quality of life support during crises such as natural disasters, military operations, humanitarian missions and hurricane response as well as supporting military exercises around the globe.



NEX Pearl Harbor, Hawaii

It is through the hard work and dedication of our 13,000 associates around the world that NEXCOM continues to provide for the well-being and every day support of our Navy communities ashore and at sea. As a result, our total annual NEX sales in 2024 were \$2.3 billion with an operating profit of \$41.5 million. NEXCOM gives 25% of our operating cash flows to support Navy quality of life. In 2024, that amount totaled \$29.8 million to Navy MWR. Our 36 Navy Lodges and 59 Navy Gateway Inns & Suites locations had an overall occupancy rate of 64% and generated a combined net income of \$177.6 million. Finally, our ship's stores generated \$68.1 million in total sales and \$10.9 million in net profit for the year. More importantly, our NEX and Navy lodging facilities saved the Navy as well as our Sailors and their families \$497.2 million during FY24.

Through innovation, adaptability and unwavering commitment, NEXCOM continues to be a steadfast resource for Sailors, their families, and the entire Navy community by enhancing operational readiness and quality of life.



NEX Northwest, Virginia



NEX Camp Blaz, Guam



Fleet Week New York City, New York



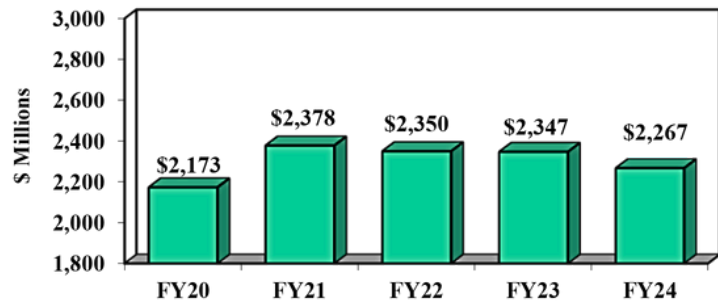


## Navy Exchange Service Command Fiscal Year 2024 Financial Review

### NEX

Sales performance decreased marginally from the prior year in a challenging and competitive retail environment. NEXCOM achieved overall sales of \$2.3 billion, a decrease of 3.0% from last year. The fiscal year Operating profit with appropriated funds was \$41.5 million. Net profit was \$24.0 million after deducting retirement expense of \$17.5 million.

Total NEX Sales



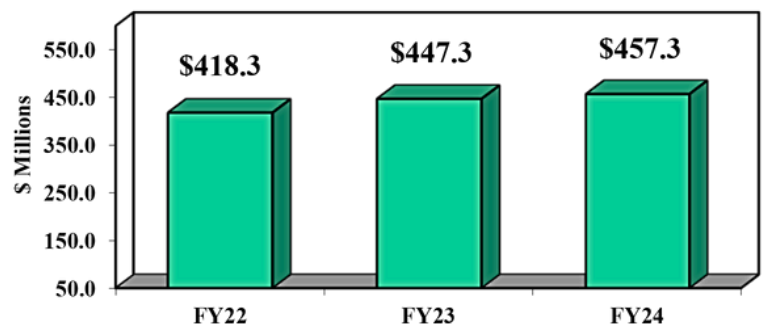
NEXCOM continues to provide savings in the form of a non-pay benefit as well as a cash dividend to the Department of the Navy's Morale, Welfare and Recreation (MWR) funds. Dividends declared for FY24, including dividends paid to MWR under separate local agreements for vending and food service, totaled \$29.8 million.

The financial condition of the NEX, as reflected in the Balance Sheet and Statement of Cash Flows, remains strong. Cash flow from operations for FY24 was \$54.6 million. NEXCOM's store modernization program continues to be funded from operating cash flow. During FY24, \$46.4 million was spent on capital expenditures.

### NEXCOM Hospitality Group

NEXCOM Hospitality Group operates a global portfolio of 95 Navy hotels worldwide consisting of 36 Navy Lodges and 59 Navy Gateway Inns and Suites/Navy Inns. In FY24, overall occupancy held steady at 64%, a slight decrease from 64.3% in FY23. The average daily rate increased to \$108.90, up from \$102.00 the prior year.

NEXCOM Hospitality Group Operating Revenues



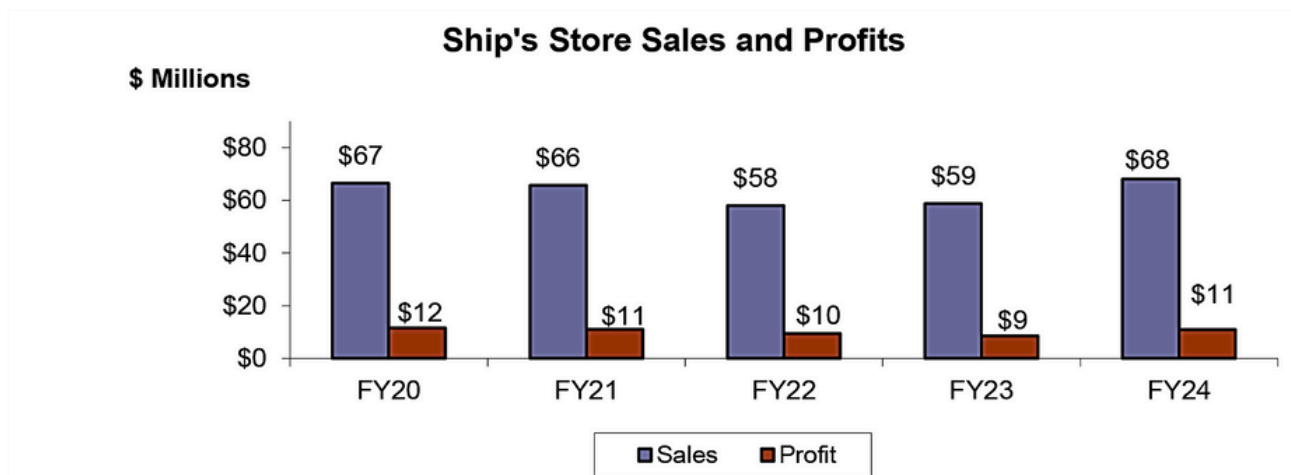
In 2024, NEXCOM Hospitality Group launched a comprehensive rebranding initiative to transition Navy Gateway Inns and Suites properties to the Navy Inn brand. This effort is currently underway and is expected to be completed by the end of 2026, further aligning the portfolio and enhancing brand clarity for guests.

NEXCOM Hospitality Group continues to deliver strong financial performance, driving value through reinvestment in its portfolio. In FY24, the group generated net income of \$177.6 million, an increase of \$25.1 million from FY23.

NEXCOM Hospitality Group remains committed to delivering exceptional guest service while operating with financial discipline. Through efficient cost management and a focus on reinvestment, it continues to provide high quality, mission-focused lodging to the Department of the Navy and official travelers worldwide.

## Ship's Store Program

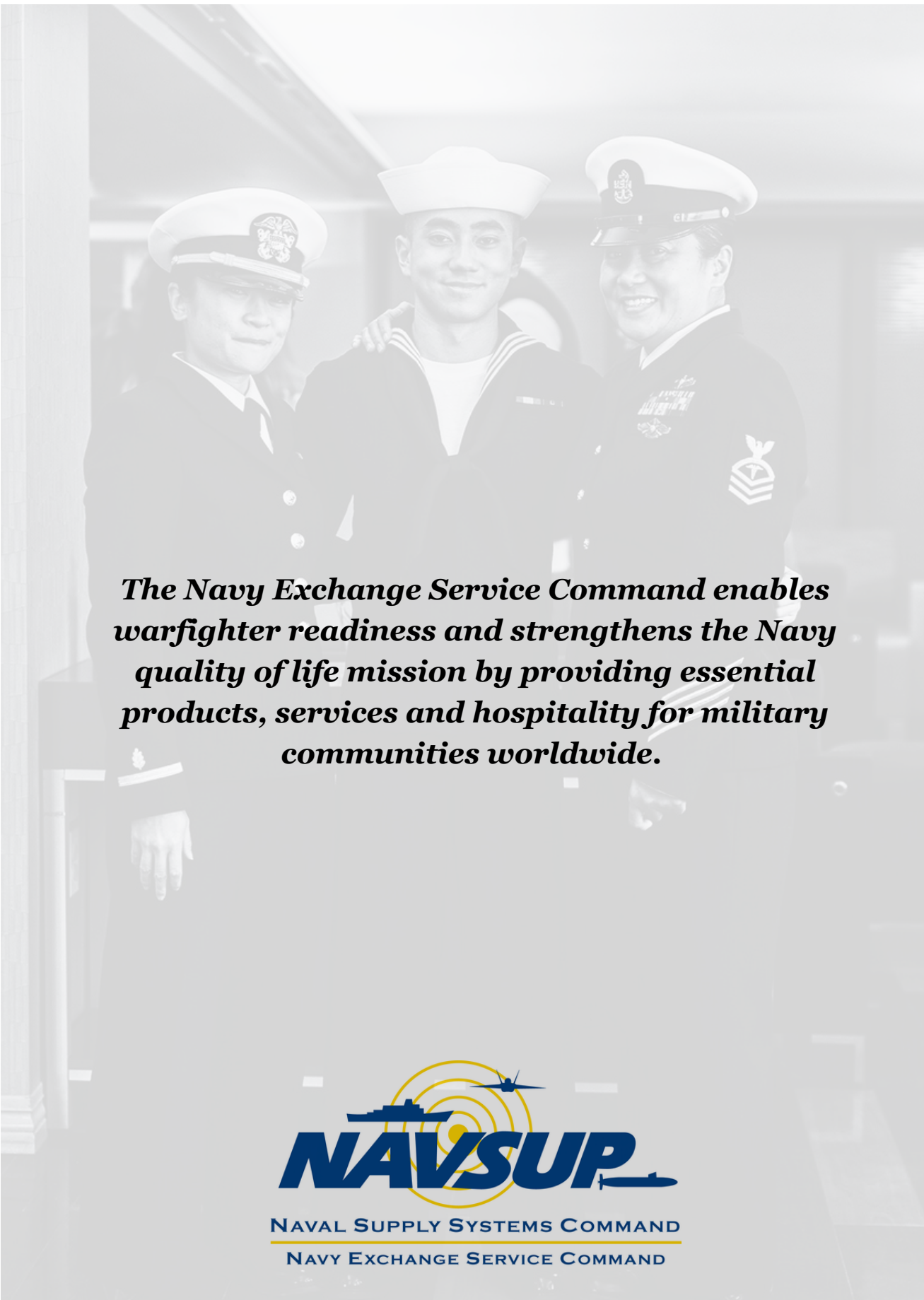
Ship's stores are operated onboard 139 commissioned Navy ships and three ashore locations. The program generated \$68.1 million in total sales and \$10.9 million in net profit. In FY24, \$1.4 million was distributed to Commander, Navy Installation Command's MWR in support of ships without a ship's store, pre-commissioned ships, military missions and ships such as submarines and Littoral Combat Ships. In FY24, ship's stores retained profits of \$8.3 million. Commanding Officers use profits generated by each ship's store to procure new quality of life equipment for their individual ships and to provide direct support to their ship's MWR programs.





# FINANCIAL SUMMARY

	For the Fiscal Years ended	
	February 1, 2025	February 3, 2024
<i>In Thousands of Dollars</i>		
<b>Navy Exchange Program</b>		
Income Statement:		
Total Sales	2,267,722	2,347,049
Income from Concessions, net	42,611	41,893
Contributed Services Revenue	88,766	85,773
Other Revenue	4,368	4,627
Total revenues	2,403,467	2,479,342
Cost of Sales	1,763,614	1,833,849
Selling, General and Administrative Expenses	547,420	552,732
Contributed Services Expense	88,766	85,773
Other Income - Net	37,828	38,276
Operating Income	41,495	45,264
Retirement Expenses	17,545	14,672
Net Income/(Loss)	23,950	30,592
Profit Distribution:		
Dividends declared	29,685	29,983
Assets, Liabilities and Net Assets:		
<u>Assets:</u>		
Cash & Accounts Receivable	881,069	819,720
Merchandise Inventories & Other Current Assets	430,047	423,872
Property/Equipment & Other long-term Assets	1,692,269	1,429,676
Total Assets	3,003,385	2,673,268
<u>Liabilities and Net Assets:</u>		
Trade Accounts Payable & Accrued Liabilities	282,817	290,928
Other Current Liabilities	488,632	433,551
Long-term liabilities	1,237,795	1,089,577
Net Assets	994,141	859,212
Total Liabilities & Net Assets	3,003,385	2,673,268
<b>NEXCOM Hospitality Group</b>		
Income Statement:		
Operating Revenue	457,347	447,299
Contributed Services	27,205	22,594
Total Revenue	484,552	469,893
General and Administrative Expenses	362,886	356,456
Operating Income	121,666	113,437
Other Income - Net	55,934	39,105
Net Income	177,600	152,542
Assets, Liabilities and Net Assets:		
<u>Assets:</u>		
Cash and Other Current Assets	1,518,553	1,327,975
Property and Equipment, net	417,274	410,791
Total Assets	1,935,827	1,738,766
<u>Liabilities and Net Assets:</u>		
Accounts Payable	55,806	99,619
Net Assets	1,880,021	1,639,147
Total Liabilities & Net Assets	1,935,827	1,738,766
<b>Ship's Store Program</b>		
	For the Fiscal Years ended	For the Fiscal Years ended
	<u>September 30, 2024</u>	<u>September 30, 2023</u>
Ship's Store Sales	63,260	54,768
Vending Sales	4,881	4,062
Total Sales	68,141	58,830
Net Profit from Operations	10,909	8,564
Profit Distribution:		
Assessment for CNIC	1,383	1,318
Equipment for Ship's Stores / Other	332	661
Profits retained for Morale, Welfare and Recreation	8,285	8,003

A grayscale photograph of three Navy personnel in uniform standing together. The person on the left is a man in a dress uniform with a peaked cap. The person in the center is a man in a sailor's uniform with a white cap. The person on the right is a woman in a dress uniform with a peaked cap. They are all smiling and looking towards the camera. The background is a blurred indoor setting.

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NAVAL SUPPLY SYSTEMS COMMAND

NAVY EXCHANGE SERVICE COMMAND