

/NEXCOM

NAVY EXCHANGE SERVICE COMMAND

ANNUAL REPORT

2025



*Retired Rear Adm. Robert J. Bianchi,
Chief Executive Officer, NEXCOM,
joins associates at the NAS Oceana
Air Show in Virginia Beach, Virginia.*

CHIEF EXECUTIVE OFFICER'S NOTE



The Navy Exchange Service Command enables warfighter readiness and strengthens the Navy's 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 the NEX military resale stores, the Ship's Store Program, the Telecommunications Program Office, the Uniform Program Management Office, the Navy Clothing & Textile Research Facility and the Hospitality Group that supports temporary duty, permanent change of station, and leisure travel through Navy Lodges and Navy Inns.

2025 was a year of transformation for NEXCOM as the enterprise focused on CEO Guidance touchpoints, creating a lasting impact "Anchored in Value" for associates, patrons and partners.

Retired Rear Adm. Robert J. Bianchi, CEO, NEXCOM, tours the Northeast Distribution Center with Deputy Assistant Secretary of War (Military Community and Family Policy) and Department of the Navy leaders in Suffolk, Virginia, highlighting NEXCOM's role in supporting Navy quality-of-life programs for warfighters and their families.

The NEXCOM Enterprise supported the Chief of Naval Operations' "Sailor First" initiative that focuses on Quality of Service for Sailors. To that end, NEXCOM opened 15 new **Micro Markets**, for a total of 109 across the enterprise.

In support of another CNO Sailor First initiative, NEXCOM, in conjunction with Commander, Navy Installations Command, expanded free and subsidized **Wi-Fi service** to single Sailors in 84% of unaccompanied housing rooms around the globe.



NEX Pensacola, Florida, Micro Market

NEXCOM opened 15 new Micro Markets,
for a total of 109 across the enterprise.

NEXCOM also worked to strengthen its commitment to providing quality products and savings to its patrons. The NEX's **"Anchored in Value"** campaign, which reshaped how stores define and deliver value, resulted in a more than 20% increase in patron touchpoints, over 2.5% increase in satisfaction and customer perceived savings rose significantly.

To further connect with its patrons, NEX Oceana in Virginia Beach, Virginia, and NEX Bethesda, Maryland, opened newly redesigned **Navy Pride® Shops**. These new shops are designed to reinforce the position of the Navy Pride assortment and brand while driving increased sales.



NEX Oceana, Virginia, Navy Pride Shop

Our **NEXCOM Hospitality Group** continued to rebrand its Navy Lodge and Navy Gateway Inns and Suites locations. During 2025, 16 Navy Gateway Inns & Suites were rebranded to “Navy Inn” and 22 Navy Lodges underwent a branding refresh, including the first overseas location at Naval Station Rota, Spain. This overall rebranding effort is expected to be completed in 2027 and once finished, will elevate the guest experience and reflect best practices to ensure our Navy hotels are the preferred lodging choice for warfighters, military travelers, and their families. This past year, Navy hotels saved the U.S. government \$184 million.

/NEXCOM HOSPITALITY GROUP



Navy Inn Rota, Spain



NEXCOM's Uniform Program Management Office continued its oversight of the Recruit Training Command's uniform inventory process. The Recruit Uniform Sorting Distribution Center identified and segregated like-new, critically-sized uniform items for reintegration into the Defense Logistics Agency RTC inventory. In addition, it managed the Uniform Reclaim Center at NEX Great Lakes as well as coordinated two reclaim uniform tent sales, one at Naval Station Norfolk, Virginia, and one at Naval Base San Diego. In total, over the past two years, the RTC reclaim initiative has achieved over \$1.5 million in sales and cost recovery, reintegrated over 102,000 uniform items back into Navy accession programs and the fleet and enabled nearly \$6 million in fleet and Navy cost avoidance.

2025 was also a turning point in our **systems modernization efforts** as a Goods-to-Person robotics contract was awarded for our Southeast Distribution Center. Once implemented, the distribution center will see labor savings, accuracy gains and scalable efficiency. NEXCOM also awarded the Logistics Systems Suite contract that will revolutionize warehouse and transportation management processes.

In addition, to ensure we remain good stewards of Sailor dollars, through quarterly audits and tighter resource management, NEXCOM exceeded its operating cost reduction goal, finishing the year 25% ahead of our reinvestment plan and reducing overhead by more than 4%.

NEXCOM couldn't accomplish its mission without the **more than 12,000 associates** located around the world. They are the heart of the enterprise. As such, NEXCOM's Human Resources launched several initiatives to ensure

associates feel valued and fulfilled. First, tools for supervisors were launched for onboarding new hires, compliance training was streamlined by 50%, and new associate satisfaction and retention baselines were established. For those associates at the end of their NEXCOM career, retirement processing times were streamlined and reduced by nearly 60%.



Navy Lodge Pensacola, Florida

Finally, as the Navy's retailer, NEXCOM participated in the Navy's 250th birthday celebrations through Navy-wide collaborations, Navy Pride® private brand merchandise, including the exclusive Legends t-shirt series and NEX selling opportunities at various celebrations related to this historic event. NEXCOM also opened its first pop-up shop at the Pentagon, which offered a wide array of Navy 250 products, including a selection of Navy Pride and U.S. Navy-licensed merchandise.

These are just a small sampling of the numerous significant accomplishments NEXCOM achieved in 2025. Even while navigating a 43-day government shutdown, the command persevered by adjusting timelines and adapting to resource constraints. Through it all, NEXCOM continued to move the enterprise forward in measurable ways. And it is that forward momentum that will propel NEXCOM into 2026.



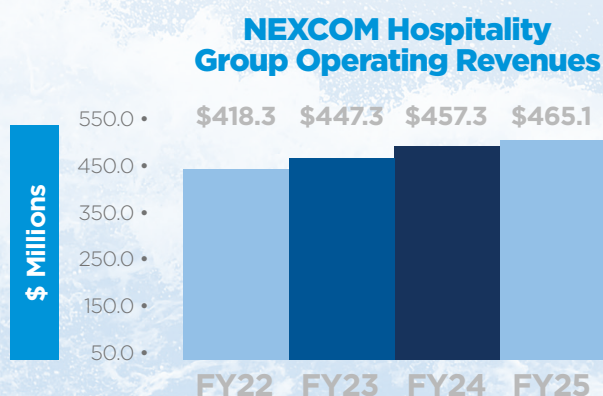
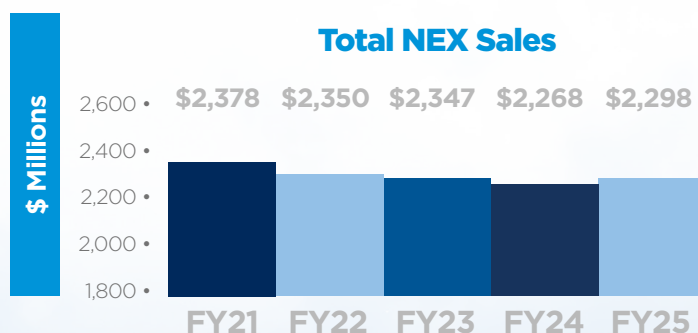
NEX Pearl Harbor 250th Birthday merchandise

NAVY EXCHANGE SERVICE COMMAND FISCAL YEAR 2025 FINANCIAL REVIEW

NEXCOM achieved overall sales of \$2.3 billion, representing a 1.3% increase over the prior fiscal year. Retail and services sales performance improved in FY25 compared with FY24, while gas sales declined. The fiscal year operating profit with appropriated funds was \$57.5 million. Net profit was \$43.9 million after deducting retirement expense of \$13.6 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 in FY20, the dividend model provides MWR with 25% of worldwide operating profit before the largely non-cash retirement and depreciation expenses. Dividends declared for FY25, including dividends paid to MWR under separate local agreements for vending and food service, totaled \$33.2 million.

The financial condition of the NEX, as reflected in the balance sheet and statement of cash flows, remains strong. Cash flow from operations for FY25 was \$102.1 million. NEXCOM's store modernization program continues to be funded from operating cash flow, with \$49.4 million spent on capital expenditures during FY25.



NEXCOM Hospitality Group

NEXCOM Hospitality Group operates a global portfolio of 95 Navy hotels worldwide consisting of 36 Navy Lodges and 59 Navy Inns. In FY25,

overall occupancy decreased slightly to 62.1% from 64.0% in FY24. The average daily rate increased to \$115.92, up from \$108.82 the prior year.

In 2025, NEXCOM Hospitality Group aggressively moved forward with a comprehensive rebranding initiative to transition Navy Gateway Inns and Suites properties to the Navy Inns brand. This effort, which began in late 2024, is expected to be completed by the end of 2026, further aligning the portfolio and enhancing brand clarity for guests.

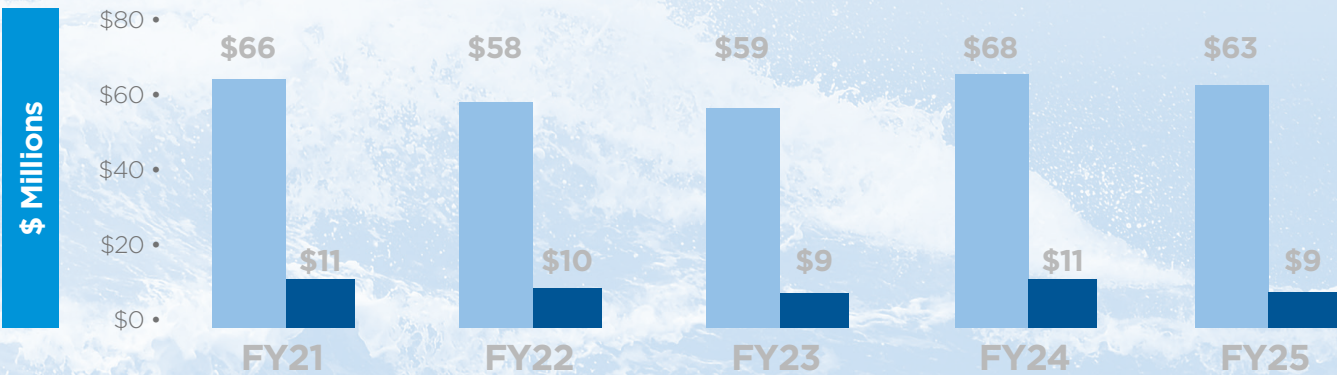
NEXCOM Hospitality Group continues to deliver strong financial performance, driving value through reinvestment in its portfolio. In FY25, despite travel bans and the government shutdown, the group generated net income of \$196.3 million, an increase of \$18.7 million from FY24. NEXCOM Hospitality Group remains committed to delivering exceptional guest service while operating with financial discipline. Through efficient cost management and a focus on reinvestment, NEXCOM Hospitality Group

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 operated onboard 139 commissioned Navy ships as well as three ashore locations. The program generated \$63.4 million in total sales and \$9.3 million in net profit for FY25. For FY25, \$1.4 million was distributed to Commander, Navy Installations Command MWR in support of ships without a ship's store, pre-commissioned ships, military missions and ships such as submarines and LCSs. In FY25, ship's stores retained profits of \$8.4 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 ships' MWR programs.

Ship's Stores Sales and Profits



FINANCIAL SUMMARY

	For the Fiscal Years ended	
	January 31, 2026	February 1, 2025
<i>In Thousands of Dollars</i>		
Navy Exchange Program		
Income Statement:		
Total Sales	2,297,832	2,267,722
Income from Concessions, net	46,838	42,611
Contributed Services Revenue	99,088	88,766
Other Revenue	4,422	4,368
Total revenues	2,448,180	2,403,467
Cost of Sales	1,769,088	1,763,614
Selling, General and Administrative Expenses	542,150	528,494
Contributed Services Expense	99,088	88,766
Other Income - Net	19,614	18,902
Operating Income	57,468	41,495
Retirement Expenses	13,571	17,545
Net Income/(Loss)	43,897	23,950
Profit Distribution:		
Dividends declared	33,209	29,685
Assets, Liabilities and Net Assets:		
<u>Assets:</u>		
Cash & Accounts Receivable	966,702	881,069
Merchandise Inventories & Other Current Assets	426,796	430,047
Property/Equipment & Other long-term Assets	1,835,792	1,692,269
Total Assets	3,229,290	3,003,385
<u>Liabilities and Net Assets:</u>		
Trade Accounts Payable & Accrued Liabilities	266,268	282,817
Other Current Liabilities	554,355	488,632
Long-term liabilities	1,320,627	1,237,795
Net Assets	1,088,040	994,141
Total Liabilities & Net Assets	3,229,290	3,003,385
Nexcom Hospitality Group		
Income Statement:		
Operating Revenue	465,075	457,347
Contributed Services	37,539	27,205
Total Revenue	502,614	484,552
General and Administrative Expenses	365,533	356,455
Operating Income	137,081	128,097
Other Income - Net	59,252	49,503
Net Income	196,333	177,600
Assets, Liabilities and Net Assets:		
<u>Assets:</u>		
Cash and Other Current Assets	1,668,229	1,518,553
Property and Equipment, net	457,139	417,274
Total Assets	2,125,368	1,935,827
<u>Liabilities and Net Assets:</u>		
Accounts Payable	52,331	55,806
Net Assets	2,073,037	1,880,021
Total Liabilities & Net Assets	2,125,368	1,935,827
Ships Stores Program		
	For the Fiscal Years ended	For the Fiscal Years ended
	September 30, 2025	September 30, 2024
Ships Stores Sales	58,645	63,260
Vending Sales	4,753	4,881
Total Sales	63,398	68,141
Net Profit from Operations	9,278	10,909
Profit Distribution:		
Assessment for CNIC	1,379	1,383
Equipment for Ships Stores / Other	729	332
Profits retained for Morale, Welfare and Recreation	8,360	8,285



NAVAL SUPPLY SYSTEMS COMMAND
NAVY EXCHANGE SERVICE COMMAND

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