

Mercurial Wolfson leads Next to strong Christmas trading

Next offered some festive cheer for the high street today, reporting a strong rise in sales and another profit uplift in guidance to the City.

Under the mercurial Simon Wolfson, Next has a habit of beating expectations.

Today was no different. In the nine weeks to December 30, full price sales were 4.8% higher than a year ago.

Full year profit guidance is upped by £20 million to £860 million. Cold weather which boosted demand for warm clothes helped, but analysts note that rivals are still likely to have struggled.

While it insists it remains “cautious in our outlook for the year ahead”, the Next figures will give a boost to the wider retail sector.

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The statement said: “Forecasting for the year ahead at this early stage comes with a high level of uncertainty.”

On inflation, it had some good news.

“We now expect the cost price inflation on like-for-like goods to peak at around 8% in the Spring Summer season. However, we expect inflation to be no more than 6% in the second half. This Autumn Winter figure is only an estimate at this stage, as we are still negotiating prices; but it does appear that cost pressures are now easing through a combination of reducing freight costs and lower factory gate (dollar) prices.”

Next shares are down 25% this year, but got a boost when trading began today, up 18 p at 588p.

In particular, the City is excited about how much cash the business will produce in the coming years.

Investec said in a note to clients: “In general, margin headwinds appear to be getting no worse and Q4 trading is encouraging. We therefore still believe that with a much-downsized Retail business, and Online showing promising longer-term growth prospects, Next could feasibly generate as much as £14.7bn of cash over 15 years.”

Charlie Huggins, Head of Equities at Wealth Club, said:

“This is another impressive performance from the bellwether of the UK High Street, reinforcing Next’s reputation as one of the best run UK retailers.

The group benefited from a cold snap in December, which has boosted demand for winter clothing, as well as the absence of pandemic restrictions, aiding store performance. Nevertheless, this shouldn’t take away from Next’s stellar execution. Many other retailers have struggled in the current environment, but Next’s proposition is clearly resonating with the UK consumer.”

This year is likely to be difficult for all consumer facing

firms as people look to stretch every penny.