Next in line for £1bn of profits as internet shopping peaks

Next boss Simon Wolfson today declared that internet retail shopping has peaked and that the future of the high street is sunny as his company headed towards annual profits of £1 billion for the first time.

While all retailers suffered from a tough summer due to bad weather – Next saw sales down 7.4% in June and 2.5% in July – they were up 5.9% in August, giving room for optimism.

The company predicts profits for 2025 of £995 million – its best ever and within a whisker of an iconic £1 billion profits, a level few UK retailers have ever matched.

Woflson, Baron Wolfson of Aspley Guise, is the son of former chairman Lord Wolfson of Sunningdale, but no shareholders think he is not chief executive on merit. The performance of the shares has been stellar under his rein.

In the first six months of the year sales rose 8% to £2.95 billion. Profits hit £432 million.

Wolfson says Next is entering a "new era" as the shift to online shopping peaks.

"Very few people are online shoppers only, most are a mixture of both," he said. Next has 450 stores and expects to add rather than cut that estate over the next few years.

The guidance for full year profits of £995 million is yet another upgrade from perhaps the best run retailer in Britain.

Critics say Wolfson under promises in order to over deliver. He insists he just calls it as he sees it. He thinks the business is going where he said it would earlier this year.

"People in business who make the same point repeatedly can be regarded as reassuringly consistent, or painfully dull – often both. Here, we have tried to get the balance right. Our March report was the most important we have written in recent years," he said.

Next shares jumped 615p to £10.970p this morning, which values the business at nearly £14 billion. They are up 83% in the last five years.

City retail analyst Nick Bubb says: "The much-awaited Next interim report is incredibly long and detailed, with a big focus on the potential for Overseas growth, but what stands out to us is the news that full-price sales over the first 6 weeks of the second half have "materially exceeded our expectations", up by 6.9%."

Clive Black at Shore Capital says Next is a "fingertip" from the £1 billion club. He added: "Next regularly updates the market and despite a challenging back drop in the UK for consumer goods including apparel, it has cleverly set expectations over a sustained period of time that means it at least meets and more often than not exceeds expectations. That sense of control, downside resilience, boosted by more often than not small beats, underpins the stockmarket's move from affection to love for Next's equity."

Zoe Gillespie, investment manager at RBC Brewin Dolphin, said: "Next continues to buck the retail trend, with profits on track to reach £1 billion annually. Although the group has highlighted potential weakness in its UK division – partially explained by poor summer weather – significant growth across its international operations is more than making up for that. There may be no further acquisitions planned for the remainder of the year, but Next is in a prime position to seize the right opportunities when they do arise. With inflation falling, consumer optimism on the rise, and an increasingly diversified offering, Next is in a very strong position – which is reflected in the tone of today's update."