Weak end-of-year sales hit Next

Next has said its annual profit will be £5m lower than previously expected because its end-of-year clearance sale has proved disappointing.

"Clearance rates in our end-of-season sale have been below our expectations," the company said. The High Street retailer said it now expected to report annual profits of between £415m and £425m ($779m-798m). Next's shares fell more than 3% following the release of the trading statement.

Next chief executive Simon Wolfson admitted that festive sales were "below where we would expect a normal Christmas to be", but said sales should still top analyst expectations.

Among areas where Next could have done better, Mr Wolfson said menswear ranges were "a little bit too similar to the previous year". Mr Wolfson also said that disappointing pre-Christmas sales were "more to do with the fact that we went in with too much stock rather than (the fact that) demand wasn't there for the stock". Next's like-for-like store sales in the five months from 3 August to 24 December were up 2.9% on a year earlier. This figure is for existing Next stores, which were unaffected by new Next store openings. Like-for-like sales growth at the 49 Next stores directly affected by new store openings in their locality was 0.5%.

Overall sales across both its retail and mail order divisions were up 12.4%, Next said. Its Next Directory mail order division saw sales rise 13.4% during the five-month period. "In terms of all the worries about their trading pre-Christmas, it's a result," said Nick Bubb, an analyst at Evolution Securities. "Profits of around £420m would be well within the comfort zone." However, one dealer, who asked not to be named, told Reuters the seasonal sales performance was "not what people had hoped for". "Christmas has been tough for the whole sector, and this is one of the best retailers," he said. Next's trading statement comes a day after House of Fraser and Woolworths disappointed investors with their figures.