14 December 2022

Watches of Switzerland Group PLC
H1 FY23 Results
for the 26 weeks to 30 October 2022 (H1 FY23)

Strong H1 performance with ongoing market share gains
Q3 trading to date in line with expectations, FY23 guidance reiterated

Brian Duffy, Chief Executive Officer, said:
"I am pleased with our strong performance in the first half of the financial year which reflects our leadership position and the strength of our longstanding brand partnerships as we continue to take market share.

"Our proven business model, international scale, bold marketing and dedication to client service truly sets us apart, and our client registration lists continue to extend as we continue to attract new clients as well as retain a loyal base of existing ones.

"We continue to expand our retail network, opening a total of 20 showrooms across the UK, US and Europe in the first half of FY23, and to invest in elevating the luxury experience for our clients through showroom refurbishments. We have an exciting and growing pipeline of new projects, and I am delighted to announce our third Watches of Switzerland multi-brand showroom in Manhattan at One Vanderbilt anchored by OMEGA and Cartier due to open in 2023.

"Trading in the Holiday period so far has been in line with our expectations and our guidance for FY23 remains unchanged. We look ahead with confidence as we continue to deliver on our Long Range Plan objectives of maintaining our leadership position in the UK, becoming the clear leader in the US, and capitalising on the growth potential in Europe."

(£million)	26 weeks ended 30 October 2022	26 weeks ended 31 October 2021	YoY change Reported rates	YoY change Constant currency[1]
Group revenue	**765**	**586**	**31%**	**23%**
UK & Europe	454	419	8%	8%
US	311	167	86%	60%
Adjusted EBITDA[1]	**104**	**83**	**26%**	
Adjusted EBITDA margin[1]	*13.6%*	*14.1%*	*(50bps)*	
Adjusted EBIT[1]	**87**	**67**	**29%**	
Adjusted EBIT margin[1]	*11.3%*	*11.5%*	*(20bps)*	
Adjusted basic EPS[1] (p)	27.8	21.8	28%	
Statutory operating profit	**93**	**72**	**28%**	
Statutory operating margin	*12.1%*	*12.3%*	*(20bps)*	
Statutory basic EPS (p)	27.2	21.6	26%	
Statutory profit before tax	**83**	**65**	**28%**	
Free cash flow[1]	56	102	(45%)	
Return On Capital Employed[1]	27.6%	23.1%	450bps	
Net (debt[1]) / cash[1]	(26)	30		

H1 FY23 Financial Highlights

- Group revenue £765 million (H1 FY22: £586 million), +23% at constant currency, +31% at reported rates
    - Continued strong demand for luxury watches and jewellery, with growth driven by increases in average selling price and volume
    - Excellent progress with showroom expansion and refurbishment programme
    - Group ecommerce sales[2] +7% on last year at reported rates
- Adjusted EBIT +29% to £87 million (H1 FY22: £67 million)
    - Adjusted EBIT margin 11.3% (H1 FY22: 11.5%, when margins benefited from £5 million of UK business rates relief)
    - We also continue to invest in US expansion and incur set up costs due to the new mono-brand boutiques in Europe
- Expansionary capital expenditure[3] of £27 million (H1 FY22: £20 million) with 20 (H1 FY22: eight) new showrooms opened and seven showrooms refurbished
- Free cashflow of £56 million (H1 FY22: £102 million) with conversion of 53% (H1 FY22: 124%) as we increased our inventory ranging ahead of the Holiday period with greater availability of some products from our brand partners compared with last year. Additionally, due to increased scale, the US business moved to a payment on account scheme for corporation tax payments creating a one-off timing difference
- Return on capital employed increased 450bps to 27.6% (H1 FY22: 23.1%)
- Net debt of £26 million as of 30 October 2022 (31 October 2021: net cash of £30 million)

H1 FY23 Operating highlights

- Continued strong momentum in the US with revenue of £311 million (H1 FY22: £167 million), +60% at constant currency, +86% at reported rates
    - Revenue growth excluding acquisitions +44% at constant currency, with newly acquired showrooms performing well
    - Further investment in showroom network with opening of six mono-brand boutiques and one new showroom acquisition, anchored by Rolex, opened in New Jersey in July
    - The first half of FY23 ended with 24 multi-brand showrooms (H1 FY22: 19) and 23 mono-brand boutiques (H1 FY22: 14)
- Strong UK performance driven by domestic clientele, with revenue of £454 million (H1 FY22: £419 million), +8% vs H1 FY22
    - Significant investment in ten new showroom openings including four mono-brand boutiques and a Watches of Switzerland multi-brand showroom at Battersea Power Station, London
    - Continued rollout of Goldsmiths Luxury concept with four showrooms refurbished in H1 FY23 and significant enhancements to our Watches of Switzerland flagship Regent Street multi-brand showroom
    - The first half of FY23 ended with 91 multi-brand showrooms (H1 FY22: 98) and 46 mono-brand boutiques (H1 FY22: 32)
- Opened four mono-brand boutiques in Europe. Early trading in line with expectations with two further mono-brand boutiques opening in H2 FY23
- Xenia, the Group's elevated Client Experience Programme, is now embedded across all showrooms, further enhancing the relationship we have with our clients
- The Watches of Switzerland Group Foundation has now donated £2.7 million to charities and continues to support disadvantaged communities in both the UK and US

Current trading and outlook

- Trading in the first six weeks of Q3 is in line with our expectations, and our FY23 guidance, as provided on 9 November, is unchanged reflecting current visibility of supply of key brands, announced pricing, and confirmed showroom refurbishments, openings, and closures and excludes uncommitted capital projects and acquisitions.

- We believe that the strength of the luxury watch and jewellery categories, the unique supply/demand dynamics of luxury watches and client registration lists, our portfolio of leading brand partnerships, and the success and agility of our model will continue to support long term sustainable sales growth. We remain confident in our Long Range Plan objectives.

- Guidance is on an organic, pre-IFRS 16 basis with H2 projected using a £/$ 1.20 exchange rate:
    - Revenue: £1.50 - £1.55 billion
    - Adjusted EBITDA %: flat to +0.5%
    - Depreciation: £33 - £35 million
    - Adjusted EBIT: £163 - £175 million
    - Total finance costs: c£5.5 million reflecting higher interest rates
    - Underlying tax rate: 21.5% – 22.0%
    - Capex: £70 - £80 million including new offices in the UK
    - Year end net cash: £35 - £45 million, with free cash conversion expected to be c.70%

  The equivalent guidance on an IFRS 16 basis is:
    - Adjusted EBIT: £178 - £190 million
    - Depreciation: £81 - £85 million
    - Total finance costs: £21 - £24 million

- The Group is exposed to movements in the £/$ exchange rate when translating the results of its US operations into Sterling. Guidance for H2 assumes a £/$ 1.20 exchange rate, with a five cent move resulting in an adjustment of c.£15 million to Group revenue and c.£2 million on Adjusted EBIT, on a pre-IFRS 16 basis.

H1 FY23 Revenue Performance by Geography

(£million)	H1 FY23 26 weeks to 30 Oct 2022	H1 FY22 26 weeks to 31 Oct 2021	H1 FY23 vs H1 FY22 Reported YoY %	 Constant currency YoY %
UK & Europe	454	419	8%	8%
US	311	167	86%	60%
Group Revenue	**765**	**586**	**31%**	**23%**

H1 FY23 Revenue Performance by Category

(£million)	H1 26 weeks to 30 Oct 2022	 26 weeks to 31 Oct 2021	 Reported YoY %
Luxury watches	667	509	31%
Luxury jewellery	56	41	38%
Other	42	36	14%
Group Revenue	**765**	**586**	**31%**

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[1] This is an Alternative Performance Measure and is shown on a pre-IFRS 16 basis. Refer to the Glossary for definition, purpose and reconciliation to statutory measures where relevant
[2] Ecommerce sales are sales which are transacted online
[3] Refer to the Glossary for definition
Certain financial data within this announcement has been rounded. Growth rates are calculated on unrounded numbers

H1 FY23 Results Presentation
A webcast conference call for analysts and investors will be held at 9.30am (UK time) today to announce the H1 FY23 results. To join the call, please use the following details:

Webcast link: https://brrmedia.news/WOS_HY
Conference call dial-in: +44 (0) 33 0551 0200
Password: Watches of Switzerland

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About the Watches of Switzerland Group

The Watches of Switzerland Group is the UK's largest luxury watch retailer, operating in the UK, US and Europe comprising five prestigious brands; Watches of Switzerland (UK and US), Mappin & Webb (UK), Goldsmiths (UK), Mayors (US) and Betteridge (US), with a complementary jewellery offering.

As at 30 October 2022, the Watches of Switzerland Group had 188 showrooms across the UK, US and Europe including 73 dedicated mono-brand boutiques in partnership with Rolex, OMEGA, TAG Heuer, Breitling, TUDOR, Audemars Piguet, Grand Seiko, BVLGARI and FOPE and has a leading presence in Heathrow Airport with representation in Terminals 2, 3, 4 and 5 as well as seven retail websites.

The Watches of Switzerland Group is proud to be the UK's largest retailer for Rolex, OMEGA, Cartier, TAG Heuer and Breitling watches.

www.thewosgroupplc.com

Disclaimer

This announcement has been prepared by Watches of Switzerland Group PLC (the 'Company'). It includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "plans", "goal", "target", "aim", "may", "will", "would", "could" or "should" or, in each case, their negative or other variations or comparable terminology. They appear in a number of places throughout this announcement and the information incorporated by reference into this announcement and may include statements regarding the intentions, beliefs or current expectations of the Company Directors or the Group concerning, amongst other things: (i) future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy and future prospects; (ii) business and management strategies, the expansion and growth of the Group's business operations; and (iii) the effects of government regulation and industry changes on the business of the Company or the Group.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future and may be beyond the Company's ability to control or predict. Forward-looking statements are not guarantees of future performance. The Group's actual results of operations, financial condition, liquidity, and the development of the industry in which it operates may differ materially from the impression created by the forward-looking statements contained in this announcement and/or the information incorporated by reference into this presentation.

Any forward-looking statements made by or on behalf of the Company or the Group speak only as of the date they are made and are based upon the knowledge and information available to the Directors on the date of this announcement, and are subject to risks relating to future events, other risks, uncertainties and assumptions relating to the Company's operations and growth strategy, and a number of factors that could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements. Undue reliance should not be placed on any forward-looking statements.

Before making any investment decision in relation to the Company you should specifically consider the factors identified in this document, in addition to the risk factors that may affect the Company or the Group's operations which are described in the 2022 Annual Report and Accounts in Risk Management and Principal Risks and Uncertainties.

Chief Executive Officer's Review

Our Group continued to reach new heights during the first half of the financial year, as we enhanced our leadership position in our existing markets of the UK and the US and made good progress with our entry into Europe. We delivered a strong increase in revenue and profitability, +31% and +28% vs H1 FY22, respectively, as we continue to deliver against our investment led growth strategy.

Luxury watches continue to benefit from a strong demand environment, with revenue +31% vs H1 FY22 with growth in the period driven by increases in average selling price and volume. Luxury jewellery revenue grew +38% vs H1 FY22 as we continue to elevate our product offer and distribution.

In the US, revenue increased 60% vs H1 FY22 at constant currency with the US now representing 41% of Group revenue. We continue to expand our US network, opening six mono-brand boutiques alongside one new showroom acquisition, anchored by Rolex, in New Jersey. We are building our team and resources, in what is now the number one market globally for Luxury Swiss watches, and remain confident in the long term growth potential of the US market.

In the UK, revenue increased 8% vs H1 FY22, driven by domestic clientele with encouraging ongoing improvement in airport business. We made significant investment in our showrooms during the period, opening ten new showrooms including five in Battersea Power Station, a standout project. We have continued with the rollout of Goldsmiths luxury concept with the reopening of four showrooms including our flagship in Meadowhall, Sheffield which now features a large dedicated Rolex room and Cartier "Espace".

Group ecommerce sales were +7% vs H1 FY22 with ongoing investment in our multi-channel strategy.

We are delighted to have launched our entry into the European market with the opening of four mono-brand boutiques in Stockholm and Copenhagen. We have recruited and trained great new teams of colleagues and early trading is in line with expectations. We are building our presence and resources in these markets and have two further mono-brand boutiques opening in H2 FY23. We believe the Scandinavian regions are under-developed for luxury watch retail and we have very good prospects for growth.

Following the successful launch of our Xenia programme last year, delivering elevated client experience based on the highest standard of hospitality, the first half of the year saw the programme embedded across all showrooms further enhancing the relationship we have with our clients.

I would like to thank our teams who continue to inspire and deliver. Their hard work and commitment continue to enable the Group to be successful.

Finally, I am very proud to report that our Foundation Trustees have now donated from the Foundation £2.7 million of the accumulated £4.5 million contributed by the Group to local charities in the UK of Food Banks, Fuel Banks, The Prince's Trust and Crisis and in the US, Habitat for Humanity and Food Banks. The Watches of Switzerland Group were also the headline sponsor for the Prince's Trust Palace to Palace Bike Ride and through our colleagues participation raised a further £100,000.

Looking ahead, we remain confident in our Long Range Plan objectives, supported by a strong pipeline of expansionary projects as we continue with our strategy of investing for growth.

Group Strategy Delivering Outstanding Results

The Group produced a strong revenue and profit performance in H1 FY23, while delivering against the strategic priorities laid out in our Long Range Plan to FY26, issued in July 2021.

Within the framework of our seven strategic priorities, we made significant progress through continued elevated levels of investment and focus on further developing our client-centric business model.

1) Grow revenue, profit and return on capital employed

During the first half of the year we made significant investment in further enhancing and building our portfolio of showrooms, both in the UK, the US and now Europe:

UK

- Five new showrooms at the new iconic Battersea Power Station in London, a Watches of Switzerland multi-brand showroom featuring a dedicated Rolex area, Cartier "Espace" and other luxury watch brands; and four mono-brand boutiques in partnership with OMEGA, TAG Heuer, Breitling and TUDOR
- Four showrooms refurbished in the Goldsmiths Luxury concept (Bluewater, Belfast, Southampton and Meadowhall)
- Significant enhancements to our Watches of Switzerland flagship Regent Street multi-brand showroom. In November 2022, we reopened our newly refurbished and expanded Watches of Switzerland multi-brand showroom at Canary Wharf

US

- Showroom acquisition, anchored by Rolex, opened in New Jersey in July 2022
- Six new mono-brand boutiques in partnership with TAG Heuer, Breitling, TUDOR and Grand Seiko

Europe

- Four new mono-brand boutiques in partnership with OMEGA and Breitling; two in Stockholm and two in Copenhagen

These showroom development projects were achieved while the Group continued to adhere to its strict capex payback metrics. We also continue to invest in our growing UK and US online and pre-owned businesses.

Future pipeline
We will continue to invest in our showroom portfolio in the UK, US and Europe with an exciting pipeline of future projects, including:

- Opening of our new Watches of Switzerland flagship showroom in the American Dream complex, New Jersey
- Continued roll out of Goldsmiths Luxury with Brent Cross and Cribbs Causeway opening in November and a further three elevated showroom formats planned for the remainder of the financial year
- One further showroom to be refurbished in the Mayors network in Florida in H2 FY23
- Expansion of the portfolio in the UK and US with a further seven mono-brand boutiques planned for H2 FY23
- Two additional showrooms in Europe; OMEGA mono-brand boutique in Stockholm and TAG Heuer mono-brand boutique in Dublin planned for H2 FY23
- New Flagship Rolex Boutique on Bond Street with around 7,000 sq ft of selling space
- Third Watches of Switzerland showroom in Manhattan at One Vanderbilt anchored by OMEGA and Cartier

2) Enhance strong brand partnerships

Our strong and long-standing relationships with the most recognised and prestigious luxury watch brands have remained a point of distinction. Many of these relationships have been forged over many years, but also include new relationships with some exciting brands. In the first half of FY23, we were delighted to attend Geneva Watch

Days 2022, an event which brought several of the world's most prestigious brands together to showcase some of the finest new introductions to the watch world.

The first half of FY23 also saw us further develop our partnerships with luxury jewellery brands. This included the hosting of High-End Jewellery events in London, Manchester and Glasgow in the UK and across several Mayors showrooms, and the newly acquired Betteridge showrooms in the US.

We are also proud to have launched Watches of Switzerland Group exclusives with TAG Heuer, Longines, Zenith, Speake Marin and Oris.

We also continue to increase our collaboration with brands on all aspects of co-operative marketing, including digital communication, events and advertising.

Our colleagues within our showrooms and Luxury Virtual Boutique are watch and jewellery experts and much of this comes from the collaboration and investment with the brands on significant training programmes.

3) Deliver an exceptional client experience

Our showrooms remain the cornerstone of our multi-channel offering. They are designed to appeal to a broad audience and make our clients feel welcome through unintimidating, inviting, browsable, modern and luxurious environments, whilst offering the greatest choice of brands and products in the world of luxury watches and jewellery.

Following the successful launch of Xenia, the Group's elevated Client Experience Programme, the first half of FY23 saw the programme embedded across all showrooms globally, further enhancing the relationship we have with our clients.

Client experiences continue to be an important part of our strategy, whether that be intimate dinners, events to celebrate product launches, or sporting events, the focus is on ensuring we give our clients exceptional experiences.

CRM and clienteling remained a core focus with over 30 guides produced in support of new product launches, trends, gift guides and specialist timepieces.

4) Drive client awareness and brand image through multimedia with bold, impactful marketing

Investment in our digital marketing channels and campaigns has continued to be a core pillar with the introduction of a lifestyle campaign to create broader awareness across YouTube, Display and Social Media as well as launching activities on Instagram Reels and TikTok to further our reach on these platforms.

During the first half of FY23, in the UK, we achieved an average monthly digital social media reach of 57 million, and a total of 2.6 billion digital impressions. In the US, we delivered 596 million impressions and had a monthly average social media reach of 11 million, in addition to generating over 10 billion PR impressions over the last 12 months.

We invested in several traditional print media and outdoor advertising campaigns, partnering with key brands, helping to create brand awareness and drive footfall to our local showrooms and celebrate new openings.

5) Leverage best in class operations

Merchandising

Our merchandising function is a key client-focused driver of product availability and access and provides a unique point of difference in the way we run our showrooms.

Our merchandising capabilities utilise a client-centric approach and best in class systems to optimise product availability, enhance showroom productivity and allow for nationwide coverage. Our advanced product trend tracking is run on SAP software which enables extensive showroom profiling, productivity and trend analyses, and sales and inventory forecasting. We are able to monitor the key attributes, such as dial colour and case size, for the variety of luxury watches we sell, providing us with detailed insight into market trends.

In the period, we focused on increasing product availability across our brands, as we anticipate strong demand over the Holiday period and bought deeper into popular product lines. We also continue to extend the level of SKUs we have for key brands for our ecommerce platform, to ensure we have the full range of products available by brand.

Retail operations

Our programme of continued investment has enabled us to further drive productivity in both the UK and the US platforms. In the UK, we continued to the rollout of Goldsmiths Luxury across four showrooms in the period. In the US, we remain focused on generating high returns from refurbishing and upgrading the remaining showrooms in the Mayors network which have not yet been modernised.

The Xenia Client Experience Programme continues to enhance our retail operations, unlocking the full potential of our sites. For example, deploying hosts within the showrooms and additional technology in-store to help support the client experience journey. We also have dedicated Operation Managers and Hospitality Teams in flagship showrooms, supporting these large and complex operations.

The Group's showroom base is largely run via fixed rent agreements, having successfully renegotiated certain contracts and transitioned from turnover rent to fixed rent agreements in FY21.

IT Systems

Our IT systems have continued to be a fundamental competitive advantage for the Group. Our systems comprise a single and shared SAP instance for ERP, ecommerce, and business intelligence. This SAP core is supported by a specialist point-of-sale and CRM front-end, served on mobile tablets across all our showrooms. Our single IT template has been deployed across the Group and can support further expansion or acquisitions as required. Our retail payment partner Adyen equips us with a fully featured, mobile and international payment platform across all sales channels, and both showrooms and ecommerce benefit from a shared inventory, shared digital assets, and click and collect capabilities.

Having now opened showrooms in Stockholm and Copenhagen, we have further proven the flexibility of our international systems template.

We continue to refresh and expand our in-store technology, ensuring showroom teams have the best technology to hand in support of every client transaction.

6) Expand multi-channel leadership

Our multi-channel business model is a key competitive advantage and underscores our ability to react with speed and agility to a rapidly evolving consumer environment whilst offering our clients an exceptional experience. We continue to invest in expanding and enhancing our platform, consisting of multi-brand showrooms, online, travel retail and mono-brand boutiques.

Multi-brand showrooms

Our multi-brand showroom network has nationwide scale in the UK and is continuing to build at pace in the US, where we have an established presence in Florida, Georgia, New York and Las Vegas and in the last year have entered the new markets of Cincinnati, Minneapolis, Plano (Dallas), Vail, Aspen, Greenwich and Marlton.

Our modern and welcoming showroom environments showcase a selection of the world's finest watches whilst inviting our clients to have an exceptional experience. Our investment programme continues to focus on elevating and upgrading the existing network as well as opening in new, strategic locations.

Online

We continue to leverage our market-leading position through omnichannel excellence.

Our competitive advantage in digital marketing continues to be driven by technically advanced Artificial Intelligence (AI)-driven automation as we strive for omnichannel marketing maturity. We continue to focus on growing our product range online to maintain the largest portfolio of luxury watch brands in the UK, expanding the dedicated ecommerce inventory to offer an even greater selection of products for next day delivery, seven days a week.

As shopping habits remain changeable, we maintain the widest array of ways to shop both online and in-store. We continue to drive showroom footfall through By Personal Appointment, alongside our centralised Luxury Watch and Jewellery Virtual Boutique. With the introduction of the new Rolex Digital Enquiry team, and continued expansion, the Virtual Boutique team has more than doubled since the beginning of FY22. Virtual Boutique is also now live on the Hallmark Claims website to provide sales and claims support to our insurance clients.

In the US, we have added the newly built Betteridge.com and a standalone Rolex Boutique website to our portfolio. These continue to develop and grow with increased investment and addition of new payment options.

To improve client experience post-purchase, we integrated with ParcelLab across all sites to streamline our post-purchase communications with clients, improving individual client experience and reducing customer service workload.

Mono-brand boutiques

We have further developed and enhanced our mono-brand boutique channel. During the first half of FY23, we opened 19 new mono-brand boutiques, bringing our global network to a total of 73 boutiques (UK: 46, US: 23, Europe: 4) as at 30 October 2022.

Our UK network saw the opening of nine new mono-brand boutiques including four in Battersea Power Station and two in Canary Wharf. In the US we opened six new mono-brand boutiques: two in Lenox Square, Atlanta, two in Copley Place, Boston and two in Boca Raton, Florida. The period also saw us enter the European market, with two showrooms in Sweden and two in Denmark.

We will continue to work closely with our brand partners to further develop and enhance our mono-brand boutique network with a strong pipeline of projects planned.

Travel retail

Travel retail in the UK continues to improve as traffic recovers and all airport showrooms have now reopened. However, since the removal of tourist VAT free shopping on Brexit, we do not believe conversion at the airports will achieve pre-Brexit levels.

7) Continue to advance the ESG agenda

Operating a responsible business that delivers enduring, sustainable value for all our stakeholders is at the heart of what we do. Last year we undertook a programme of work to build our purpose and values and thereby create a framework to help govern our commercial strategy and behaviours.

With our expertise, stunning showrooms, prestigious brand partners and rich heritage, we are uniquely positioned to WOW our clients, while, at the same time, caring for our colleagues, our communities and our planet: this is our Purpose.

With the full support of, and guidance from, our Board and ESG Committee, we have strengthened our ESG governance and developed a sustainability strategy which puts our Purpose at its core.

Highlights during the period:

- Partnership with The Slave Free Alliance to further support human rights and greater transparency across our value chain
- Strong growth in pre-owned watches as we continue to invest in our pre-owned business and repairs and aftersales service to contribute to a more circular economy
- The Watches of Switzerland Group Foundation has now made donations of £2.7 million to charities in order to continue to support disadvantaged communities in both the UK and US

Financial Review

The Group's Consolidated Income Statement is shown below which is presented including IFRS 16 'Leases' and includes exceptional items.

Income Statement – post-IFRS 16 and exceptional items (£million)	26 weeks to 30 October 2022	26 weeks to 31 October 2021	YoY variance
Revenue	**765.2**	**586.2**	**31%**
Operating profit	**92.9**	**72.3**	**28%**
Net finance cost	(10.2)	(7.6)	**(34)%**
Profit before taxation	**82.7**	**64.7**	**28%**
Taxation	(18.1)	(13.1)	(38)%
Profit for the financial period	**64.6**	**51.6**	**25%**
Basic earnings per share	**27.2p**	**21.6p**	**26%**

Management monitor and assess the business performance on a pre-IFRS 16 and exceptional items basis, which is shown below. This aligns to the reporting used to inform business decisions, investment appraisals, incentive schemes and debt covenants. A full reconciliation between the pre- and post-IFRS 16 results is shown in the Glossary.

Income Statement – pre-IFRS 16 and exceptional items (£million)	26 weeks to 30 October 2022	26 weeks to 31 October 2021	YoY variance
Revenue	**765.2**	**586.2**	**31%**
Net margin[1]	**287.6**	**220.5**	**30%**
Showroom costs	(136.3)	(100.2)	(36)%
4-Wall EBITDA[1]	**151.3**	**120.3**	**26%**
Overheads	(40.0)	(33.1)	(21)%
EBITDA	**111.3**	**87.2**	**28%**
Showroom opening and closing costs	(6.9)	(4.4)	(57)%
Adjusted EBITDA[1]	**104.4**	**82.8**	**26%**
Depreciation, amortisation and loss on disposal of fixed assets	(17.7)	(15.3)	(15)%
Segment profit (Adjusted EBIT)[1]	**86.7**	**67.5**	**29%**
Net finance costs	(2.3)	(1.8)	31%
Adjusted profit before taxation[1]	**84.4**	**65.7**	**28%**
Adjusted earnings per share[1]	**27.8p**	**21.8p**	**28%**

Revenue

Revenue by geography and category

26 weeks to 30 October 2022 (£million)	UK & Europe	US	Total	Mix
Luxury watches[3]	387.1	279.7	666.8	87%
Luxury jewellery[3]	32.1	24.3	56.4	7%
Other	34.6	7.4	42.0	6%
Total revenue	**453.8**	**311.4**	**765.2**	**100%**

26 weeks to 31 October 2021 (£million)	UK	US	Total	Mix
Luxury watches[3]	353.4	155.4	508.8	87%
Luxury jewellery[3]	32.2	8.6	40.8	7%
Other	33.0	3.6	36.6	6%
Total revenue	**418.6**	**167.6**	**586.2**	**100%**

Group revenue increased by +31% (23% on a constant currency basis) to £765.2 million.

UK & Europe revenue increased by +8% during the period through a combination of continued strong demand, investment in the showroom portfolio, new showrooms and strong clienteling activity by the Group. Consumer appetite for products remained strong and, in many instances, well above the levels that the Group is able to supply. Our showroom colleagues continued to build strong client relationships through 'Xenia', our elevated client service programme, backed up by strong digital marketing campaigns and offline marketing events to showcase product. Clients continue to have the option to choose their experience through in person appointments or online through the Virtual Boutique. Our UK ecommerce[2] business grew by 2% in the period and continues to provide an important part of the client journey whether purchasing in showrooms or online. During the period, the Group opened five showrooms at the iconic Battersea Power Station in London (one multi-brand showroom and four mono-brand boutiques) and a further five mono-brand boutiques. Four showrooms were closed giving a net increase of six in the UK. In the period, six projects were completed enhancing our existing estate to further elevate the partner brands we display in those showrooms and advance our client experience. Tourist sales remain very low, but there has been consistent performance improvement at airports. The Group also opened its first four mono-brand boutiques in Europe (two in Sweden and two in Denmark). Initial trading is in line with expectations and the impact on the Group is not material for the period.

US revenue increased by +86% (+60% on a constant currency basis) and the US business made up 41% of the Group's revenue in H1 FY23 (H1 FY22: 29%). Underlying growth (+44% excluding acquisitions at constant currency) was strong across all locations with continued consumer appetite for high demand products. Key locations in Florida (Mayors), New York and Las Vegas (Wynn resort) all delivered significant growth. This was accomplished through a quality product offering, superior client experience and backed up by strong marketing campaigns which had significant reach across offline and online channels.

During the period, the Group opened six mono-brand boutiques and completed the acquisition of one showroom in New Jersey now branded Watches of Switzerland featuring Rolex, Tudor, Cartier and a significant jewellery offering. Our US ecommerce platform has continued to grow, and sales of vintage and pre-owned luxury watches have been encouraging as we continue to leverage the Analog:Shift brand.

Group revenue from luxury watches grew by +31% and made up 87% of revenue in line with the prior year.

Group luxury jewellery revenue grew by +38%. UK jewellery sales were flat versus the prior year, as FY22 saw strong growth benefitting from post pandemic increases in weddings and social occasions. Luxury jewellery revenue in the US showed strong underlying growth and was further supported by the prior year acquisition of the Greenwich Betteridge showroom and the opening of our first BVLGARI mono-brand boutique.

Other revenue, consisting of servicing, repairs, insurance services and the sale of fashion and classic watches and other non-luxury jewellery grew by +14%.

Group ecommerce sales[2] increased +7% compared to the prior year.

Profitability

			Profitability as a % of revenue		
Income Statement – pre-IFRS 16 and exceptional items (£ million)	**26 weeks to 30 October 2022**	**26 weeks to 31 October 2021**	**26 weeks to 30 October 2022**	**26 weeks to 31 October 2021**	**YoY variance**
Net margin[1]	287.6	220.5	37.6%	37.6%	-
Showroom costs	(136.3)	(100.2)	17.8%	17.1%	(70bps)
4-Wall EBITDA[1]	151.3	120.3	19.8%	20.5%	(70bps)
EBITDA	111.3	87.2	14.5%	14.9%	(40bps)
Adjusted EBITDA[1]	104.4	82.8	13.6%	14.1%	(50bps)
Adjusted EBIT[1]	86.7	67.5	11.3%	11.5%	(20bps)

Net margin as a % of revenue was 37.6% in the period. This was in line with the prior year, reflecting a similar product mix.

Showroom costs increased by £36.1 million (+36%) from the prior year, to £136.3 million. This reflects the opening of new showrooms and the annualisation of prior year openings. Showroom costs as a percentage of revenue increased by 70 bps from 17.1% to 17.8%. The increase in showroom costs was driven by the re-introduction of UK business rates following their suspension during the pandemic (+£5.0 million versus H1 FY22). Showroom payroll costs increased by £12.1 million including the impact of new showrooms, commission on additional revenue, and annual pay rises to colleagues. Variable showroom costs increased in line with revenue, in addition to further digital marketing investment which successfully drove traffic and conversion both online and in showrooms.

Overheads increased by £6.9 million (+21%) due to additional headcount, IT costs and marketing events to support growth.

Showroom opening and closing costs include the cost of rent (pre-IFRS 16), rates and payroll prior to the opening or closing of showrooms, or during closures when refurbishments are taking place. This cost will vary annually depending on the scale of expansion in the period. Total costs for the period were £6.9 million versus £4.4 million in H1 FY22, reflecting the increased number of refurbishments and openings undertaken.

Exceptional administrative items

Exceptional items are defined by the Group as those which are significant in magnitude or are linked to one-off events which are expected to be infrequent in nature.

Exceptional items (£million)	**26 weeks to 30 October 2022**	**26 weeks to 31 October 2021**
Legal expenses on business acquisition	0.5	0.3
IPO costs	-	1.5
Total	**0.5**	**1.8**

Costs associated with the acquisition of new showrooms are treated as exceptional as they are regarded as non-trading, non-underlying costs.

IPO costs of £1.5 million in the prior period relate to IPO-linked share-based payments. The shares vested and were settled in the period, and there will be no further costs of this nature.

Adjusted EBIT and statutory operating profit

As a consequence of the items noted above, Adjusted EBIT was £86.7 million, an increase of £19.2 million (+29%) on the prior year.

After accounting for exceptional costs of £0.5 million and IFRS 16 adjustments of £6.7 million, statutory operating profit (EBIT) was £92.9 million, an increase of +28% on the prior year.

Finance costs

Net finance costs (£million)	**26 weeks to 30 October 2022**	**26 weeks to 31 October 2021**
Pre-IFRS 16 finance costs	**2.3**	**1.8**
IFRS 16 interest on lease liabilities	7.9	5.8
Total net finance costs	**10.2**	**7.6**

Interest payable on borrowings increased in the period, reflecting higher market lending rates.

The IFRS 16 interest on lease liabilities increased by £2.1 million due to recent additions to the lease portfolio.

Taxation
The pre-IFRS 16 effective tax rate for the period was 21.7%, or 21.6% before exceptional items are included. This is higher than the UK tax rate of 19.5% largely as a result of higher taxes chargeable on US profits (expected to be 25.0% including federal and state taxes). The effective tax rate reported under IFRS 16 was 21.9%, or 21.7% before exceptional items are included.

Balance Sheet

Balance Sheet (£million)	30 October 2022	1 May 2022	31 October 2021
Goodwill and intangibles	200.2	177.8	155.9
Property, plant and equipment	136.9	112.5	99.8
Right-of-use assets	352.8	293.6	256.2
Inventories	383.9	307.0	240.8
Trade and other receivables	20.6	22.3	13.9
Trade and other payables	(243.7)	(201.4)	(190.3)
Lease liabilities	(403.3)	(340.6)	(303.1)
Net (debt[1]) / cash[1]	(25.6)	(14.1)	30.0
Other	3.5	4.2	4.7
Net assets	**425.3**	**361.3**	**307.9**

Goodwill increased as a result of the US acquisition in the period, which gave rise to £18.2 million of goodwill, in addition to a £3.9 million favourable exchange impact. A further £0.7 million of computer software additions were made in the period as part of ongoing IT developments. Intangibles amortisation of £1.5 million was partly offset by a favourable exchange impact of £1.1 million.

Property, plant and equipment increased by £24.4 million in the period. Additions of £36.7 million were offset by depreciation of £15.3 million, loss on disposal of £0.5 million, and a favourable foreign exchange impact of £3.5 million.

Including software costs, which are disclosed as intangibles, capital additions (including accruals) were £37.4 million in the period (H1 FY22: £19.9 million) of which £34.8 million (H1 FY22: £19.1 million) was expansionary. Expansionary capex relates to new showrooms, relocations or major refurbishments (defined as costing over £0.25 million). In the period, the Group opened 20 new showrooms, and refurbished 7 showrooms. Investment in our portfolio is paramount to our strategy and the Group follows a disciplined payback policy when making capital investment decisions.

Right-of-use assets increased by £59.2 million in the period, to £352.8 million. Additions to the lease portfolio along with lease renewals or other lease changes were £76.6 million. This has been offset by depreciation of £24.7 million and a favourable foreign exchange impact of £7.3 million.

Lease liabilities increased by £62.7 million in the period. The portfolio changes noted above increased the lease liability by £73.9 million. Interest charged on the lease liability was £7.9 million along with a negative exchange impact of £9.5 million. Lease payments were £28.6 million, giving a lease liability balance of £403.3 million.

Inventory levels increased by £143.1 million compared to H1 FY22. The increase was driven by acquisitions (£25.8 million), new showrooms (£17.6 million) and a favourable exchange impact (£24.7 million). Like for like showroom inventory also increased, allowing the Group to represent its partner brands more favourably and increase ranging ahead of the key Holiday season. The inventory obsolescence risk remains low.

Trade and other receivables increased by £6.7 million compared to H1 FY22. The increase is reflective of growth across the business, including higher IT and insurance prepayments, trade receivables, rebate receivables, new rent deposits and an increase in prepaid property service charges as the portfolio increases in size.

Trade and other payables increased by £53.4 million compared to H1 FY22. The increase principally relates to an increase in the inventory trade payable aligned with the increased intake in the period. The increase is also as a result of higher operational liabilities in line with the business expansion.

Other includes taxation balances, defined benefit pension and capitalised finance costs.

Net debt and financing

Net debt on 30 October 2022 was £25.6 million, an increase of £11.5 million since 1 May 2022, driven by £55.6 million of free cash flow[1] offset by £27.4 million of expansionary capex, £20.6 million relating to acquisitions and £21.3 million for the purchase of own shares to satisfy management incentives.

Net debt post-IFRS 16 was £427.9 million. The value comprises the pre-IFRS net debt of £25.6 million and the £403.3 million lease liability, offset by capitalised transaction costs of £1.0 million. The balance increased by £74.6 million in the period, driven by additions to the lease portfolio.

The Group's maximum available committed facilities at 30 October 2022 were £221.7 million.

Facility	**Expiring**	**Amount (million)**
UK Term Loan – UK SONIA + CAS + 1.75% to +2.80%	June 2024	£120.0
UK Revolving Credit Facility – UK SONIA + CAS + 1.50% to +2.55%	June 2024	£50.0
US Asset Backed Facility – US LIBOR +1.25% to +1.75%	April 2023	$60.0

The main UK bank facility £170.0 million expires in June 2024. Initial supportive discussions have commenced with lenders into a new facility beyond this date. The $60.0 million US Asset Backed Loan (ABL) expires in April 2023.

£137.2 million of these facilities were drawn down at 30 October 2022. Liquidity headroom (defined as unrestricted cash plus undrawn available facilities) was £179.8 million.

Cash Flow

Cash Flow (£million)	**26 weeks to 30 October 2022**	**26 weeks to 31 October 2021**
Adjusted EBITDA[1]	**104.4**	**82.8**
Share-based payments	2.8	1.5
Working capital	(26.7)	23.4
Pension contributions	(0.3)	(0.3)
Tax	(20.2)	(3.0)
Cash generated from operating activities	**60.0**	**104.4**
Maintenance capex	(2.6)	(0.8)
Interest	(1.8)	(1.3)
Free cash flow[1]	**55.6**	**102.3**
Free cash flow conversion[1]	**53.3%**	**123.6%**
Expansionary capex	(27.4)	(19.9)
Acquisitions	(20.6)	(9.0)
Purchase of own shares	(21.3)	-
Proceeds from short term borrowings	17.5	-
Exceptional items	(0.5)	(0.3)
Cash flow	**3.3**	**73.1**

Free cash flow decreased by £46.7 million to £55.6 million in the period to 30 October 2022 and free cash flow conversion was 53.3% compared to 123.6% in the prior year.

Strong cash flow from trading (Adjusted EBITDA increased by £21.6 million), was offset by a £26.7 million adverse working capital movement, driven by the inventory increase in the period as noted above.

Expansionary capex of £27.4 million (after taking into account the associated creditors movement) was higher than the prior year due to an increase in new showroom openings and refurbishments.

2.4 million shares at £21.3 million were purchased in the period to satisfy management incentive schemes which will vest in the future periods.

Return on Capital Employed (ROCE)[1]

	26 weeks to 30 October 2022	26 weeks to 31 October 2021
ROCE[1]	27.6%	23.1%

ROCE increased by 450 bps from 23.1% to 27.6% in comparison to last year, demonstrating improved capital efficiency. This is as a consequence of Adjusted EBIT increasing by +44%, compared to the increase in average capital employed of +21%.

Showroom portfolio

As at the 30 October 2022, the Group had 188 showrooms, the movement in showroom numbers is included below:

	UK multi-brand showrooms	UK mono-brand boutiques	Total UK	US multi-brand boutiques	US mono-brand boutiques	Total US	Europe mono-brand boutiques	Total Group
1 May 2022	93	38	131	23	17	40	-	**171**
Openings	1	9	10	-	6	6	4	**20**
Acquisitions	-	-	-	1	-	1	-	**1**
Closures	(3)	(1)	(4)	-	-	-	-	**(4)**
30 October 2022	**91**	**46**	**137**	**24**	**23**	**47**	**4**	**188**

Risks and uncertainties

The Group is exposed to a number of risks and uncertainties in its business which could impact its ability to effectively execute its strategy over the remaining six months of the financial year and cause actual results to differ materially from expected and/or historical results.

The Board has reviewed the principal risks and uncertainties for the first half and the remainder of the financial year, and, after careful consideration of the current macroeconomic environment, has determined that the risks presented in the 2022 Annual Report and Accounts, described as follows, remain unchanged: Business strategy execution and development; Key suppliers and supply chain; Client experience and market risks; Colleague talent and capability; Data protection and cyber security; Business interruption; Regulatory and compliance; Economic and political; Brand and reputational damage; Financial and treasury; and Climate Change. These are detailed on pages 160 to 165 of the 2022 Annual Report and Accounts, a copy of which is available on the Watches of Switzerland Group PLC (the 'Company') website at www.thewosgroupplc.com. The expected impact of inflationary pressures and the cost of living increase are reflected within our H2 FY23 forecasts.

WATCHES OF SWITZERLAND GROUP PLC
UNAUDITED INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	26 week period ended 30 October 2022 £m	26 week period ended 31 October 2021 £m
Revenue	2,3	**765.2**	**586.2**
Cost of sales		(651.8)	(494.0)
Gross profit		**113.4**	**92.2**
Administrative expenses		(20.0)	(18.1)
Exceptional administrative expenses	4	(0.5)	(1.8)
Operating profit		**92.9**	**72.3**
Finance costs		(10.7)	(7.6)
Finance income		0.5	-
Net finance cost	5	**(10.2)**	**(7.6)**
Profit before taxation		**82.7**	**64.7**
Taxation	6	(18.1)	(13.1)
Profit for the financial period		**64.6**	**51.6**
Earnings per share			
Basic	7	**27.2p**	**21.6p**
Diluted	7	**27.0p**	**21.6p**

WATCHES OF SWITZERLAND GROUP PLC
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	26 week period ended 30 October 2022 £m	26 week period ended 31 October 2021 £m
Profit for the financial period		**64.6**	**51.6**
Other comprehensive income:			
Items that may be reclassified to profit or loss in subsequent periods			
Foreign exchange gain on translation of foreign operations		11.8	1.3
Related tax movements		(1.2)	(0.2)
		10.6	**1.1**
Items that will not be reclassified to profit or loss in subsequent periods			
Actuarial gains on defined benefit pension scheme	12	0.7	0.2
Related tax movements		(0.2)	-
		0.5	**0.2**
Other comprehensive income for the period net of tax		**11.1**	**1.3**
Total comprehensive profit for the period net of tax		**75.7**	**52.9**

WATCHES OF SWITZERLAND GROUP PLC
UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	30 October 2022 £m	1 May 2022 £m	31 October 2021 £m
Assets				
Non-current assets				
Goodwill	8	181.8	159.7	141.4
Intangible assets	8	18.4	18.1	14.5
Property, plant and equipment	9	136.9	112.5	99.8
Right-of-use assets	10	352.8	293.6	256.2
Post-employment benefit asset	12	0.3	-	-
Deferred tax assets		7.9	10.3	10.0
Trade and other receivables		2.1	2.7	2.7
		700.2	**596.9**	**524.6**
Current assets				
Inventories		383.9	307.0	240.8
Current tax asset		2.6	0.6	-
Trade and other receivables		18.5	19.6	11.2
Cash and cash equivalents	11	111.6	105.9	150.0
		516.6	**433.1**	**402.0**
Total assets		**1,216.8**	**1,030.0**	**926.6**
Liabilities				
Current liabilities				
Trade and other payables		(242.8)	(200.1)	(188.9)
Current tax liability		(0.2)	(2.0)	(0.9)
Borrowings	11	(17.2)	-	-
Lease liabilities	10	(48.4)	(46.7)	(42.5)
Provisions		(1.2)	(1.0)	(0.9)
		(309.8)	**(249.8)**	**(233.2)**
Non-current liabilities				
Trade and other payables		(0.9)	(1.3)	(1.4)
Deferred tax liabilities		(1.2)	(0.4)	-
Lease liabilities	10	(354.9)	(293.9)	(260.6)
Borrowings	11	(119.0)	(118.6)	(118.3)
Post-employment benefit obligations	12	-	(0.6)	(2.2)
Provisions		(5.7)	(4.1)	(3.0)
		(481.7)	**(418.9)**	**(385.5)**
Total liabilities		**(791.5)**	**(668.7)**	**(618.7)**
Net assets		**425.3**	**361.3**	**307.9**
Equity				
Share capital		3.0	3.0	3.0
Share premium		147.1	147.1	147.1
Merger reserve		(2.2)	(2.2)	(2.2)
Other reserves		(18.6)	(6.7)	-
Retained earnings		279.6	214.3	162.9
Foreign exchange reserve		16.4	5.8	(2.9)
Total equity		**425.3**	**361.3**	**307.9**

WATCHES OF SWITZERLAND GROUP PLC
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £m	Share premium £m	Merger reserve £m	Other reserves £m	Retained earnings £m	Foreign exchange reserve £m	Total equity attributable to owners £m
Balance at 2 May 2021	**3.0**	**147.1**	**(2.2)**	**-**	**106.4**	**(4.0)**	**250.3**
Profit for the financial period	-	-	-	-	51.6	-	51.6
Other comprehensive income	-	-	-	-	0.2	1.3	1.5
Tax relating to components of other comprehensive income	-	-	-	-	-	(0.2)	(0.2)
Total comprehensive income	-	-	-	-	51.8	1.1	52.9
Transactions with owners							
Share-based payment charge	-	-	-	-	1.6	-	1.6
Tax on items credited to equity	-	-	-	-	3.1	-	3.1
Balance at 31 October 2021	**3.0**	**147.1**	**(2.2)**	**-**	**162.9**	**(2.9)**	**307.9**
Balance at 1 May 2022	**3.0**	**147.1**	**(2.2)**	**(6.7)**	**214.3**	**5.8**	**361.3**
Profit for the financial period	-	-	-	-	64.6	-	64.6
Other comprehensive income	-	-	-	-	0.7	11.8	12.5
Tax relating to components of other comprehensive income	-	-	-	-	(0.2)	(1.2)	(1.4)
Total comprehensive income	**-**	**-**	**-**	**-**	**65.1**	**10.6**	**75.7**
Transactions with owners							
Purchase of own shares*	-	-	-	(14.5)	-	-	(14.5)
Share-based payment charge	-	-	-	-	2.8	-	2.8
Share-based payments	-	-	-	2.6	(2.6)	-	-
Balance at 30 October 2022	**3.0**	**147.1**	**(2.2)**	**(18.6)**	**279.6**	**16.4**	**425.3**

*During the period the Group purchased £14.5m of own shares to satisfy management incentives. The shares were purchased by an Employee Benefit Trust which has been set up for this purpose. The Group adopts a 'look-through' approach, which in substance, accounts for the Trust as an extension of the Parent. Own shares are recorded at cost and are deducted from equity.

WATCHES OF SWITZERLAND GROUP PLC
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	26 week period ended 30 October 2022 £m	26 week period ended 31 October 2021 £m
Cash flows from operating activities			
Profit for the period		**64.6**	**51.6**
Adjustments for:			
Depreciation of property, plant and equipment	9	15.3	13.2
Depreciation of right-of-use assets	10	24.7	19.4
Amortisation of intangible assets	8	1.5	1.2
Share-based payment charge		2.8	1.6
Finance income	5	(0.5)	-
Finance costs	5	10.7	7.6
Gain on lease disposal		-	(0.1)
Gain on lease modifications		(0.8)	(0.2)
Loss on disposal of property, plant and equipment	9	0.5	1.0
Taxation		18.1	13.1
Increase in inventories		(63.4)	(11.0)
Decrease/(increase) in debtors		0.7	(2.6)
Increase in creditors, provisions, and pensions		34.4	37.2
Cash generated from operations		**108.6**	**132.0**
Pension scheme contributions	12	(0.3)	(0.3)
Tax paid		(20.2)	(3.0)
Total net cash generated from operating activities		**88.1**	**128.7**
Cash flows from investing activities			
Purchase of property, plant and equipment		(29.3)	(19.6)
Purchase of intangible assets		(0.7)	(0.3)
Cash outflow from purchase of non-current assets		**(30.0)**	**(19.9)**
Acquisition of subsidiaries net of cash	13	(20.6)	(9.0)
Total net cash outflow from investing activities		**(50.6)**	**(28.9)**
Cash flows from financing activities			
Own shares purchased for share schemes		(21.3)	-
Proceeds from short term borrowings		17.5	-
Payment of capital element of leases	10	(20.7)	(19.5)
Payment of interest element of leases	10	(7.9)	(5.8)
Interest paid		(1.8)	(1.4)
Net cash outflow from financing activities		**(34.2)**	**(26.7)**
Net increase in cash and cash equivalents		**3.3**	**73.1**
Cash and cash equivalents at the beginning of the period		105.9	76.1
Exchange gains on cash and cash equivalents		2.4	0.8
Cash and cash equivalents at the end of period	**11**	**111.6**	**150.0**
Comprised of:			
Cash at bank and in hand		97.1	136.5
Cash in transit		14.5	13.5
Cash and cash equivalents at end of period	**11**	**111.6**	**150.0**

WATCHES OF SWITZERLAND GROUP PLC
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

1. General information and basis of preparation

Basis of preparation
The Group's condensed set of interim financial statements for the 26 weeks to 30 October 2022 (prior year: 26 weeks to 31 October 2021) were approved by the Board of Directors on 13 December 2022 and have been prepared in accordance with UK adopted International Accounting Standard 34.

The results for the 26 weeks to 30 October 2022 have been reviewed by Ernst & Young LLP and a copy of their review report is given at the end of this interim report. The condensed set of interim financial statements has not been audited by the auditor and does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. The comparative information for the half year to or as at 31 October 2021 has been reviewed by Ernst & Young LLP but has not been audited.

The financial information contained in this report is condensed and does not include all of the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's Annual Report and Accounts for the 52 weeks to 1 May 2022 which have been delivered to the Registrar of Companies. The audit report for those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under 498(2) or (3) of the Companies Act 2006.

The financial statements have been prepared on the historical cost basis except for certain financial instruments, pension assets and liabilities, and share-based payment liabilities which are measured at fair value. Where applicable, disclosures required by paragraph 16A of IAS 34 'Interim financial reporting' are given either in these interim financial statements or in the accompanying Interim Report.

The interim financial statements are presented in Pounds Sterling (£), which is the Group's presentational currency, and are shown in £millions to one decimal place. In the prior interim period the interim financial statements were shown in £'000.

Going concern
The Directors consider that the Group has, at the time of approving the Group's condensed set of interim financial statements, adequate resources to remain in operation for the foreseeable future and have therefore continued to adopt the going concern basis in preparing the consolidated information.

At the balance sheet date, the Group had a total of £221.7 million in available committed facilities, of which £137.2 million was drawn down. Net debt at this date was £25.6 million with liquidity headroom (defined as unrestricted cash plus undrawn available facilities) of £179.8 million. The main UK bank facility £170.0 million expires in June 2024. Initial supportive discussions have commenced with lenders into a new facility beyond this date. The going concern assessment is based on the UK bank facility of £170.0 million and excludes the $60.0 million US Asset Backed Loan (ABL) on expiry in April 2023.

The key covenant tests attached to the Group's facilities are a measure of net debt to EBITDA and the Fixed Charge Cover Ratio (FCCR) at each April and October period end. Covenant EBITDA is on a pre-IFRS 16 basis and excludes share based payments and the Watches of Switzerland Group PLC company costs. Net debt to EBITDA is defined as the ratio of total net debt at the reporting date to the last 12 months Adjusted EBITDA. This ratio must not exceed 3. The FCCR is the ratio of Adjusted EBITDA plus rent to the total finance charge and rent for the 12 months to the reporting date. This ratio must exceed 1.6. At 30 October 2022 the Group comfortably satisfied the covenant tests.

1. General information and basis of preparation (continued)

Going concern (continued)
In assessing whether the going concern basis of accounting is appropriate, the Directors have reviewed various trading scenarios for the period to 31 December 2023 from the date of this report. These included:

- The latest forecast approved by the Board in December 2022, which included the following key assumptions:
  - A continued strong luxury watch market in the UK and US
  - Low levels of tourism and travel in the US and UK
  - Revenue forecast supported by expected luxury watch supply
  - Increased costs such as the general market rise in payroll and energy costs

Under this forecast, which aligns to FY23 guidance as outlined in our H1 FY23 Results, the Group has significant liquidity and comfortably complies with all covenant tests to 31 December 2023.

- Reverse stress-testing of forecasts was performed to determine what level of reduced EBITDA and worst case cash outflows would result in a breach of the liquidity or covenant tests. The likelihood of this level of reduced EBITDA is considered remote
- A severe but plausible downside scenario of a 10% reduction in sales against the budget due to reduced consumer confidence and lower disposable income due to the cost of living increase. This scenario only included variable costs savings and did not include other cost mitigations which are given below
- Under this scenario, the net debt to EBITDA and the FCCR covenants would be complied with
- Should trading be worse than the outlined severe but plausible scenario, the Group has the following mitigating actions within management's control:
  - Reduction of marketing spend
  - Reduction in the level of stock purchases
  - Restructuring of the business with headcount and showroom operations savings
  - Redundancies and pay freezes
  - Reducing the level of planned capex and acquisition spend

As a result of the above analysis, including the potential severe but plausible downside scenario, the Board believes that the Group is able to adequately manage its financing and principal risks and that the Group will be able to operate within the level of its facilities and meet the required covenants for the period to 31 December 2023. For this reason, the Board considers it appropriate for the Group to adopt the going concern basis in preparing the financial statements.

Accounting policies
The accounting policies adopted in the preparation of the condensed set of interim financial statements are the same as those set out in the Group's Annual Report and Accounts for the 52 weeks ended 1 May 2022.

A number of amendments to, and the interpretation of, existing accounting standards became effective during the period, none of which have had a significant impact on the condensed interim financial statements.

Exceptional items
The Group presents as exceptional items on the face of the Consolidated Income Statement, those material items of income and expense which, because of the nature or the expected infrequency of the events giving rise to them, merit separate presentation to provide a better understanding of the elements of financial performance in the financial period, so as to assess trends in financial performance. Further details on exceptional items are given within note 4.

The presentational format of Exceptional Items has changed since the prior interim period. Exceptional items are no longer presented in a columnar format in the Condensed Consolidated Income Statement.

Alternative performance measures (APMs)
The Group has identified certain measures that it believes will assist the understanding of the performance of the business. These APMs are not defined or specified under the requirements of IFRS.

The Group believes that these APMs, which are not considered to be a substitute for, or superior to, IFRS measures, provide stakeholders with additional useful information on the underlying trends, performance and position of the Group and are consistent with how business performance is measured internally. The Alternative Performance Measures are not defined by IFRS and therefore may not be directly comparable with other companies' alternative performance measures.

1. General information and basis of preparation (continued)

Alternative performance measures (APMs) (continued)

The key APMs that the Group uses include: Net margin, Adjusted EBITDA, Adjusted EBIT and Adjusted EPS. These APMs are set out in the Glossary including explanations of how they are calculated and how they are reconciled to a statutory measure where relevant.

The Group makes certain adjustments to the statutory profit measures in order to derive many of these APMs. The Group's policy is to exclude items that are considered non-underlying and exceptional due to their size, nature or incidence, and are not considered to be part of the normal operating costs of the Group. Treatment as an adjusting item provides stakeholders with additional useful information to assess the year-on-year trading performance of the Group but should not be considered in isolation of statutory measures.

Major sources of estimation uncertainty and judgement

The preparation of consolidated financial information requires the Group to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Actual results may differ from these estimates. The critical accounting judgements and major sources of estimation uncertainty remain consistent with those presented in the Group's Annual Report and Accounts for the 52 weeks ended 1 May 2022 unless otherwise stated.

2. Segment reporting

The key Group performance measures are Adjusted Earnings Before Interest, Tax, Depreciation and Amortisation (Adjusted EBITDA) and Adjusted Earnings Before Interest and Tax (Adjusted EBIT), both shown pre-exceptional items, as detailed below. The segment reporting is disclosed on a pre-IFRS 16 basis reflecting how results are reported to the Chief Operating Decision Makers (CODMs). Both Adjusted EBITDA and Adjusted EBIT are APMs and these measures provide stakeholders with additional useful information to assess the year-on-year trading performance of the Group but should not be considered in isolation of statutory measures.

UK & Europe are reported separately to the CODM but are aggregated into one reporting segment below. This is reflective of the management structure in place in the period.

	26 week period ended 30 October 2022			
	UK & Europe £m	US £m	Corporate £m	**Total £m**
Revenue	453.8	311.4	-	**765.2**
Net margin	169.2	118.4	-	**287.6**
Less:				
Showroom costs	(78.2)	(58.1)	-	**(136.3)**
Overheads	(20.8)	(17.4)	(1.8)	**(40.0)**
Showroom opening and closing costs	(5.4)	(1.5)	-	**(6.9)**
Adjusted EBITDA	**64.8**	**41.4**	**(1.8)**	**104.4**
Depreciation, amortisation and loss on disposal of assets	(10.7)	(7.0)	-	**(17.7)**
Segment profit/(loss)*	**54.1**	**34.4**	**(1.8)**	**86.7**
IFRS 16 adjustments				**6.7**
Exceptional administrative costs (note 4)				**(0.5)**
Net other finance costs (note 5)				**(10.2)**
Profit before taxation for the financial period				**82.7**

	26 week period ended 31 October 2021			
	UK & Europe £m	US £m	Corporate £m	**Total £m**
Revenue	418.6	167.6	-	**586.2**
Net margin	155.9	64.6	-	**220.5**
Less:				
Showroom costs	(66.7)	(33.5)	-	**(100.2)**
Overheads	(19.2)	(9.3)	(4.6)	**(33.1)**
Showroom opening and closing costs	(2.7)	(1.7)	-	**(4.4)**
Adjusted EBITDA	**67.3**	**20.1**	**(4.6)**	**82.8**
Depreciation, amortisation and loss on disposal of assets	(11.6)	(3.7)	-	**(15.3)**
Segment profit/(loss)*	**55.7**	**16.4**	**(4.6)**	**67.5**
IFRS 16 adjustments				**6.6**
Exceptional administrative costs (note 4)				**(1.8)**
Net other finance costs (note 5)				**(7.6)**
Profit before taxation for the financial period				**64.7**

* Segment profit/(loss) is defined as being Earnings Before Interest, Tax, exceptional items and IFRS 16 adjustments (Adjusted EBIT).

2. Segment reporting (continued)

Entity-wide revenue disclosures

	26 week period ended 30 October 2022	26 week period ended 31 October 2021
	£m	£m
UK & Europe		
Luxury watches	387.1	353.4
Luxury jewellery	32.1	32.2
Other	34.6	33.0
Total	**453.8**	**418.6**
US		
Luxury watches	279.7	155.4
Luxury jewellery	24.3	8.6
Other	7.4	3.6
Total	**311.4**	**167.6**
Group		
Luxury watches	666.8	508.8
Luxury jewellery	56.4	40.8
Other	42.0	36.6
Total	**765.2**	**586.2**

'Other' consists of the sale of fashion and classic watches and jewellery, the sale of gifts, servicing, repairs and insurance.

Information regarding geographical areas, including revenue from external customers is disclosed above.

No single customer accounted for more than 10% of revenue in any of the financial periods noted above.

Seasonality
In the 52 week period to 1 May 2022, the Group earned total revenues of £1,238.0 million. Of these revenues, 47.4% of these were earned in the first 26 week period to 31 October 2021 and 52.6% were earned in the following 26 week period to 1 May 2022. The seasonality in the current financial year is expected to be consistent with the prior periods.

2. Segment reporting (continued)

Entity-wide non-current assets disclosures

	30 October 2022	1 May 2022
	£m	£m
UK & Europe		
Goodwill	121.6	121.6
Intangible assets	4.5	4.8
Property, plant and equipment	83.8	68.7
Right-of-use assets	224.8	191.0
Total	**434.7**	**386.1**
US		
Goodwill	60.2	38.1
Intangible assets	13.9	13.3
Property, plant and equipment	53.1	43.8
Right-of-use assets	128.0	102.6
Total	**255.2**	**197.8**
Group		
Goodwill	181.8	159.7
Intangible assets	18.4	18.1
Property, plant and equipment	136.9	112.5
Right-of-use assets	352.8	293.6
Total	**689.9**	**583.9**

3. Revenue

The Group’s disaggregated revenue recognised under contracts with customers relates to the following categories and operating segments.

	26 week period ended 30 October 2022		
	Sale of goods	Rendering of services	**Total**
	£m	£m	**£m**
UK & Europe	436.2	17.6	**453.8**
US	305.6	5.8	**311.4**
Total	**741.8**	**23.4**	**765.2**

	26 week period ended 31 October 2021		
	Sale of goods	Rendering of services	Total
	£m	£m	**£m**
UK & Europe	403.5	15.1	**418.6**
US	164.4	3.2	**167.6**
Total	**567.9**	**18.3**	**586.2**

4. Exceptional items

Exceptional items are those that in the judgement of the Directors need to be disclosed by virtue of their size, nature or incidence, in order to draw the attention of the reader and to show the underlying business performance of the Group. Such items are included within the Income Statement caption to which they relate and are separately disclosed on the face of the Interim Consolidated Income Statement.

	26 week period ended 30 October 2022	26 week period ended 31 October 2021
	£m	£m
Exceptional administrative expenses		
Professional and legal expenses on business combinations(i)	(0.5)	(0.3)
Exceptional costs in relation to Initial Public offering (IPO)(ii)		
Share-based payment in respect of the Chief Executive Officer	-	(1.5)
Total exceptional administrative costs	**(0.5)**	**(1.8)**
Total exceptional items	**(0.5)**	**(1.8)**

(i) Professional and legal expenses on business combinations
Professional and legal expenses incurred for business combinations have been expensed to the Interim Consolidated Income Statement as an exceptional cost as they are regarded as non-trading, non-underlying costs.

(ii) Exceptional items for Initial Public Offering
On 31 May 2019, prior to the IPO, the CEO was granted a one-off share option award by the principal selling shareholder, over a portion of their shareholding, in recognition of his contribution to the Company up to Admission and to ensure ongoing incentivisation and retention in his role following the IPO. This one-off award was contingent on the CEO’s continued employment until June 2021. The total charge in relation to this award was recognised over the two year period ending June 2021 and was considered exceptional as it was linked to a unique non-recurring event, being the IPO. Following exercise of the option in the prior period there are no future charges in relation to this item.

All of these costs are considered exceptional as they are linked to a unique non-recurring event and do not form part of the underlying trading of the Group.

5. Net finance costs

	26 week period ended 30 October 2022	26 week period ended 31 October 2021
	£m	£m
Finance costs		
Interest payable on long term borrowings	(2.3)	(1.1)
Interest payable on short term borrowings	(0.1)	(0.3)
Amortisation of capitalised transaction costs	(0.4)	(0.4)
Interest on lease liabilities (note 10)	(7.9)	(5.8)
	(10.7)	**(7.6)**
Finance income		
Bank interest receivable	0.1	-
Net foreign exchange gain on financing activities	0.4	-
	0.5	**-**
Net finance costs	**(10.2)**	**(7.6)**

Further detail of borrowing facilities in place is given in note 11 to these interim financial statements.

6. Taxation

The income tax expenses recognised in the results is based on management's best estimate of the full-year effective tax rate based on estimated full-year profits excluding any discrete items. The effective tax rate at the half year is 21.9% (26 week period to 31 October 2021: 20.3%). This is higher than the applicable UK corporation tax rate for the year of 19.5%, largely as a result of higher taxes chargeable on US profits (expected to be 25.0% including federal and state taxes).

7. Earnings per share (EPS)

	26 week period ended 30 October 2022	26 week period ended 31 October 2021
Basic		
EPS	27.2p	21.6p
EPS adjusted for exceptional items	27.4p	22.2p
EPS adjusted for exceptional items and pre-IFRS 16	27.8p	21.8p
Diluted		
EPS	27.0p	21.6p
EPS adjusted for exceptional items	27.2p	22.2p
EPS adjusted for exceptional items and pre-IFRS 16	27.6p	21.8p

Basic EPS is based on the profit for the period attributable to the equity holders of the parent company divided by the net of the weighted average number of shares ranking for dividend.

Diluted EPS is calculated by adjusting the weighted average number of shares used for the calculation of basic EPS as increased by the dilutive effect of potential ordinary shares.

7. Earnings per share (EPS) (continued)

The following table reflects the profit and share data used in the basic and diluted EPS calculations:

	26 week period ended 30 October 2022	26 week period ended 31 October 2021
	£m	£m
Profit after tax attributable to equity holders of the parent company	64.6	51.6
Add back:		
Exceptional administrative expenses, net of tax	0.5	1.5
Profit adjusted for exceptional items	**65.1**	**53.1**
Pre-exceptional IFRS 16 adjustments, net of tax	1.0	(1.0)
Profit adjusted for exceptional items and IFRS 16	**66.1**	**52.1**

The following table reflects the share data used in the basic and diluted EPS calculations:

	26 week period ended 30 October 2022	26 week period ended 31 October 2021
Weighted average number of shares:	'000	'000
Weighted average number of ordinary shares in issue	237,848	239,456
Weighted average shares for basic EPS	**237,848**	**239,456**
Weighted average dilutive potential shares	1,252	-
Weighted average shares for diluted EPS	**239,100**	**239,456**

8. Intangible assets

	Goodwill	Brands	Agency agreement	Computer software	**Total**
	£m	£m	£m	£m	£m
Net book value					
At 1 May 2022	159.7	11.1	1.5	5.5	**177.8**
Additions	18.2	-	-	0.7	**18.9**
Amortisation	-	(0.3)	(0.1)	(1.1)	**(1.5)**
Foreign exchange differences	3.9	0.9	0.1	0.1	**5.0**
At 30 October 2022	**181.8**	**11.7**	**1.5**	**5.2**	**200.2**

9. Property, plant and equipment

	Land and buildings	Fittings and equipment	**Total**
	£m	£m	£m
Net book value			
At 1 May 2022	0.9	111.6	**112.5**
Additions	-	36.7	**36.7**
Disposals	-	(0.5)	**(0.5)**
Depreciation	(0.1)	(15.2)	**(15.3)**
Foreign exchange differences	-	3.5	**3.5**
At 30 October 2022	**0.8**	**136.1**	**136.9**

Impairment has been considered as at 30 October 2022 in line with the current trading environment. For impairment testing purposes, the Group has determined that each showroom is a separate cash generating unit ('CGU'). Each CGU is tested for impairment at the balance sheet date if any indicators of impairment have been identified.

It has been concluded that previous impairments made remain appropriate, and asset values held at 30 October 2022 are supported by expected future cashflows.

10. Leases

Right-of-use assets

	Properties	Other	**Total**
	£m	£m	**£m**
At 1 May 2022	292.8	0.8	**293.6**
Additions	54.2	0.3	**54.5**
Acquisitions	1.9	-	**1.9**
Depreciation	(24.5)	(0.2)	**(24.7)**
Lease breaks	(0.8)	-	**(0.8)**
Rent reviews	0.1	-	**0.1**
Lease extensions	11.2	-	**11.2**
Expansions	9.9	-	**9.9**
Lease modifications	(0.2)	-	**(0.2)**
Foreign exchange differences	7.4	(0.1)	**7.3**
At 30 October 2022	**352.0**	**0.8**	**352.8**

Lease liabilities

	Properties	Other	**Total**
	£m	£m	**£m**
At 1 May 2022	(339.9)	(0.7)	**(340.6)**
Additions	(52.7)	(0.3)	**(53.0)**
Acquisitions	(1.9)	-	**(1.9)**
Interest	(7.9)	-	**(7.9)**
Lease extensions	(11.0)	-	**(11.0)**
Expansions	(9.5)	-	**(9.5)**
Lease breaks	0.9	-	**0.9**
Rent reviews	(0.1)	-	**(0.1)**
Lease surrender	0.5	-	**0.5**
Lease modifications	0.2	-	**0.2**
Payments	28.4	0.2	**28.6**
Foreign exchange differences	(9.5)	-	**(9.5)**
At 30 October 2022	**(402.5)**	**(0.8)**	**(403.3)**

11. Borrowings

	30 October 2022	1 May 2022	31 October 2021
	£m	£m	£m
Current			
Short term borrowings	(17.2)	-	-
Non-current			
Term loans	(120.0)	(120.0)	(120.0)
Associated capitalised transaction costs	1.0	1.4	1.7
Total borrowings	**(136.2)**	**(118.6)**	**(118.3)**

On 4 June 2019, the Group entered into a facility consisting of a term loan for £120.0 million and a revolving credit facility of £50.0 million. Interest on the term loan, which is fully drawn, is currently charged at SONIA plus a Credit Adjustment Swap (CAS) charge to compensate for the LIBOR change to SONIA plus 1.75% margin (PY: LIBOR plus 1.75%). The Group is charged at SONIA plus CAS plus 1.50% on the revolving credit facility if the facility was drawn down (PY: LIBOR plus 1.50%). The margin on the term loan ranges from 1.75% to 2.80% and the revolving credit facility ranges from 1.50% to 2.55% based on the leverage of the Group. The UK facility expires on 4 June 2024. Enquiries into a facility beyond this date have commenced. The term loan facility is unsecured and is cross guaranteed by subsidiary entities.

Borrowing on the US ABL facility is restricted to the lower of $60 million and the borrowing base which is determined by reference to the assets held by the US entities. As at 30 October 2022, £17.2m was drawn down on the US ABL and is presented as short term borrowings. The ABL facility expires in April 2023 and interest is currently charged at US LIBOR plus a margin of 1.25%.

At the balance sheet date, the Group had a total of £221.7 million in available committed facilities, of which £137.2 million was drawn down. Net debt at this date was £25.6 million with liquidity headroom (defined as unrestricted cash plus undrawn available facilities) of £179.8 million.

Analysis of net debt

	1 May 2022	Cash flow	Non-cash charges^	Foreign exchange	**30 October 2022**
	£m				**£m**
Cash and cash equivalents	105.9	3.3	-	2.4	**111.6**
Short term borrowings	-	(17.5)	-	0.3	**(17.2)**
Term loans	(120.0)	-	-	-	**(120.0)**
Net debt excluding capitalised transaction costs (Pre-IFRS 16)	**(14.1)**	**(14.2)**	**-**	**2.7**	**(25.6)**
Capitalised transaction costs	1.4	-	(0.4)	-	**1.0**
Net debt (Pre-IFRS 16)	**(12.7)**	**(14.2)**	**(0.4)**	**2.7**	**(24.6)**
Lease liability	(340.6)	28.6	(81.8)	(9.5)	**(403.3)**
Total net debt	**(353.3)**	**14.4**	**(82.2)**	**(6.8)**	**(427.9)**

^ Non-cash charges are principally lease liability interest charges, additions and revisions.

12. Post-employment benefit obligations

During the 26 weeks to 30 October 2022 (prior period: 26 weeks to 31 October 2021), the Group operated four (prior period: four) defined contribution pension schemes and one defined benefit scheme (prior period: one).

The movement in the defined benefit surplus/(liability) in the period is as follows:

	26 weeks to 30 October 2022	52 weeks to 1 May 2022	26 weeks to 31 October 2021
	£m	£m	£m
Net pension liability at the beginning of the period	(0.6)	(2.6)	(2.6)
Administration costs	(0.1)	(0.2)	(0.1)
Employer contributions	0.3	0.7	0.3
Actuarial gains	0.7	1.5	0.2
Net pension surplus/(liability) at the end of the period	**0.3**	**(0.6)**	**(2.2)**

The IAS 19 (accounting) valuation of the defined benefit obligation was undertaken by an external qualified actuary at 30 October 2022 using the projected unit credit method.

The scheme valuation moved from a deficit of £0.6 million at 1 May 2022 to a surplus of £0.3 million at 30 October 2022. The movement results from changes in the principal actuarial assumptions used in the valuation as follows:

	30 October 2022	1 May 2022	31 October 2021
Discount rate	4.50%	3.00%	1.90%
Rate of increase in salary	n/a	n/a	4.50%
Rate of future inflation - RPI	3.25%	3.70%	3.50%
Rate of future inflation - CPI	2.65%	3.10%	2.90%
Rate of increase in pensions in payment	3.20%	3.60%	3.40%
Proportion of employees opting for a cash commutation	100.00%	100.00%	100.00%

13. Business combinations

Bernie Robbins Jewelers, Inc.
On 22 June 2022, the Group acquired the trade and assets of one showroom from Bernie Robbins Jewelers, Inc. for a cash consideration of £21.2 million. The acquisition further advances the US expansion strategy.

The following table summarises the consideration paid for the acquisition, and the provisional fair value of assets acquired at the acquisition date:

	£m
Total cash consideration	**21.2**

	Initial assessment of values on acquisition
	£m
Inventories	**3.1**
Trade and other payables	**(0.1)**
Right-of-use assets	**1.9**
Lease liabilities	**(1.9)**
Total identifiable net assets	**3.0**
Goodwill	**18.2**
Total assets acquired	**21.2**

An amount of £0.6 million is held with a third party on retention. This will be paid by the Group within 12 months of the acquisition date.

The values stated above are the initial assessment of the fair values of assets and liabilities on acquisition. These will be finalised within the coming year.

The contribution to revenue and profit before tax, if these business combinations had occurred on the first day of the period, and since the acquisition date, are not material to the results of the Group and therefore have not been disclosed separately.

Acquisition-related costs have been charged to exceptional items in the Consolidated Income Statement for the 26 week period ended 30 October 2022, as disclosed in note 4 to these interim financial statements.

14. Related party transactions

Transactions with related undertakings
Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation.

15. Financial instruments

Categories

	30 October 2022	1 May 2022	31 October 2021
	£m	£m	£m
Financial assets – held at amortised cost			
Trade and other receivables*	13.7	16.6	10.1
Cash and cash equivalents	111.6	105.9	150.0
Total financial assets	**125.3**	**122.5**	**160.1**
Financial liabilities – held at amortised cost			
Short term borrowings	(17.2)	-	-
Term loans (net of capitalised transaction costs)	(119.0)	(118.6)	(118.3)
Trade and other payables**	(220.3)	(174.3)	(164.3)
Net financial liabilities (pre-IFRS 16)	**(356.5)**	**(292.9)**	**(282.6)**
Lease liability (IFRS 16) (note 10)	(403.3)	(340.6)	(303.1)
Total financial liabilities	**(759.8)**	**(633.5)**	**(585.7)**

* Excludes prepayments of £6.9 million (31 October 2021: £3.8 million, 1 May 2022: £5.7 million) that do not meet the definition of a financial instrument.

** Excludes customer deposits of £6.4 million (31 October 2021: £14.3 million, 1 May 2022: £12.4 million) and deferred income of £17.0 million (31 October 2021: £11.8m, 1 May 2022: £14.7m) that do not meet the definition of a financial instrument.

Fair values

The fair values of each category of the Group's financial instruments are materially the same as their carrying values in the Group's Balance Sheet. The fair value of trade and other receivables, trade and other payables, cash and cash equivalents and revolving credit facilities all approximate their carrying amount because of the limited movement in the short maturity of these instruments and limited change in prevailing interest rates since recognition.

16. Contingent liabilities

From time to time, the Group may be subject to complaints and litigation from its clients, employees, suppliers and other third parties. Such complaints and litigation may result in damages or other losses, which may not be covered by the Group's insurance policies or which may exceed any existing coverage. Regardless of the outcome, complaints and litigation could have a material adverse effect on the Group's reputation, divert the attention of the Group's management team and increase its costs.

In March 2019, class action was brought against three US subsidiaries of the Company, including Watches of Switzerland Group USA, Inc., in the U.S. District Court for the Southern District of Florida. The suit alleges violations of the FACTA legislation, which requires persons that accept credit and/or debit cards for the transaction of business to truncate all but the last five digits of the card number on printed receipts provided to consumers. Because the suit is protracted, and no specific monetary amount has been claimed, the potential liability (if any) in respect of such claim or any related claims is difficult to quantify. The Company has robustly defended itself and, at this point in time, the claim has been stayed by the Florida courts. Legal costs of defending the claim are insured subject to the policy excess.

WATCHES OF SWITZERLAND GROUP PLC
STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors confirm that, to the best of their knowledge, this condensed consolidated interim financial information has been prepared in accordance with UK adopted International Accounting Standard 34 and that the interim report includes a fair review of the information required by DTR 4.2.4R, DTR 4.2.7R and DTR 4.2.8R, namely:

- an indication of important events that have occurred during the first 26 weeks to 30 October 2022 and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining 26 weeks of the financial year; and
- material related party transactions in the first 26 weeks to 30 October 2022 and any material changes in the related party transactions described in the last annual report.

There have been no changes to the directors of Watches of Switzerland Group PLC to those listed in the Group's Annual Report and Accounts for the 52 weeks to 1 May 2022.

A list of current directors is maintained on the Group's website: www.thewosgroupplc.com.

For and by order of the Board

Brian Duffy **Chief Executive Officer**	**William Floydd** **Chief Financial Officer**

13 December 2022

INDEPENDENT REVIEW REPORT TO WATCHES OF SWITZERLAND GROUP PLC

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 30 October 2022 which comprises the Unaudited Interim Condensed Consolidated Income Statement, Unaudited Interim Condensed Consolidated Statement of Comprehensive Income, Unaudited Interim Condensed Consolidated Balance Sheet, Unaudited Interim Condensed Consolidated Statement of Changes in Equity, Unaudited Interim Condensed Consolidated Statement of Cash Flows and notes 1 to 16. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 30 October 2022 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE) issued by the Financial Reporting Council. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with UK adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusions Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of Conclusion section of this report, nothing has come to our attention to suggest that management have inappropriately adopted the going concern basis of accounting or that management have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with this ISRE, however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Ernst & Young LLP
London

13 December 2022

GLOSSARY

ALTERNATIVE PERFORMANCE MEASURES

The Directors use alternative performance measures (APMs) as they believe these measures provide additional useful information on the underlying trends, performance and position of the Group. These measures are used for performance analysis. The APMs are not defined by IFRS and therefore may not be directly comparable with other companies' APMs. These measures are not intended to be a substitute for, or superior to, IFRS measures.

The majority of the Group's APMs are on a pre-IFRS 16 basis. This aligns with the management reporting used to inform business decisions, investment appraisals, incentive schemes and banking covenants.

4-Wall EBITDA

Net margin less showroom costs.

Why used

4-Wall EBITDA is a direct measure of profitability of the showroom operations.

Reconciliation to IFRS measures

£million	H1 FY23	H1 FY22
Revenue	765.2	586.2
Cost of inventory expensed	(481.7)	(369.8)
Other	4.1	4.1
Net margin	**287.6**	**220.5**
Showroom costs	(136.3)	(100.2)
4-Wall EBITDA	**151.3**	**120.3**

Showroom costs includes rental costs on a pre-IFRS 16 basis (i.e. under IAS 17). Refer to the IFRS 16 reconciliations below for further details.

Adjusted Earnings Before Interest and Tax (Adjusted EBIT)

Operating profit before exceptional items and IFRS 16 impact.

Why used

Measure of profitability that excludes one-off exceptional costs and IFRS 16 adjustments to allow for comparability between years.

This measure was linked to management incentives in the financial year.

Reconciliation to IFRS measures

Reconciled in note 2 to the Interim Consolidated Financial Statements.

Adjusted Earnings Before Interest, Tax, Depreciation and Amortisation (Adjusted EBITDA)

EBITDA before exceptional items presented in the Group's Interim Consolidated Income Statement. Shown on a continuing basis and before the impact of IFRS 16 'Leases'.

Why used

Measure of profitability that excludes one-off exceptional and non-underlying items and IFRS 16 adjustments to allow for comparability between years.

Reconciliation to IFRS measures

Reconciled in note 2 of the Interim Consolidated Financial Statements.

Adjusted earnings per share (Adjusted EPS)

Basic earnings per share before exceptional items and IFRS 16 impact.

Why used

Measure of profitability that excludes one-off exceptional items and IFRS 16 adjustments to provide comparability between years. This measure was linked to management incentives in the financial year.

Reconciliation to IFRS measures

Reconciled within note 7 of the Interim Consolidated Financial Statements.

Adjusted profit before tax (Adjusted PBT)

Profit before tax before exceptional items and IFRS 16 impact.

Why used

Measure of profitability that excludes one-off exceptional items and IFRS 16 adjustments to provide comparability between years.

Reconciliation to IFRS measure

£million	H1 FY23	H1 FY22
Segment profit (as reconciled in note 2 of the interim financial statements)	86.7	67.5
Net finance costs (note 5)	(10.2)	(7.6)
IFRS 16 lease interest (note 5)	7.9	5.8
Adjusted profit before tax	**84.4**	**65.7**

Average selling price (ASP)

Revenue (including sales related taxes) generated in a period from sales of a product category divided by the total number of units of such products sold in such period.

Why used

Measure of sales performance.

Reconciliation to IFRS measures

Not applicable.

Constant currency basis

Results for the period had the exchange rates remained constant from the comparative period.

Why used

Measure of revenue growth that excludes the impact of foreign exchange.

Reconciliation

	(£/$ million)
H1 FY23 Group Revenue (£)	765.2
H1 FY23 US Revenue ($)	370.5
H1 FY23 US Revenue (£) @ HY23 Exchange rate	311.4
H1 FY23 US Revenue (£) @ HY22 Exchange rate	267.3
HY23 Group Revenue (£) @ Constant currency	**721.1**
H1 FY23 Exchange rate	1.189
H1 FY22 Exchange rate	1.384

Exceptional items

Items that in the judgement of the Directors need to be disclosed by virtue of their size, nature or incidence, in order to draw the attention of the reader and to show the underlying business performance of the Group.

Why used
Draws the attention of the reader and to show the items that are significant by virtue of their size, nature or incidence.

Reconciliation to IFRS measures
Disclosed in note 4 of the Interim Consolidated Financial Statements.

Net (debt)/cash

Total borrowings (excluding capitalised transaction costs) less cash and cash equivalents and excludes IFRS 16 lease liabilities.

Why used
Measures the Group's indebtedness.

Reconciliation to IFRS measures
Reconciled in note 11 of the Interim Consolidated Financial Statements.

Free cash flow

Cash flow shown on a pre-IFRS 16 basis excluding expansionary capex, acquisitions of subsidiaries, exceptional items and financing activities.

Why used
Represents the cash generated from operations including maintenance of capital assets. Demonstrates the amount of available cash flow for discretionary activities such as expansionary capex, acquisitions or returns to shareholders.

Reconciliation to IFRS measures

£million	**H1 FY23**	**H1 FY22**
Net increase in cash and cash equivalents	3.3	73.1
Net financing cash flow	34.2	26.7
Interest paid	(1.8)	(1.3)
Lease payments (IFRS 16)	(28.6)	(25.4)
Acquisition of business combinations	20.6	9.0
Exceptional costs	0.5	0.3
Expansionary capex	27.4	19.9
Free cash flow	**55.6**	**102.3**

Free cash flow conversion

Free cash flow divided by Adjusted EBITDA.

Why used
Measurement of the Group's ability to convert profit into free cash flow.

Reconciliation to IFRS measures
Free cash flow of £55.6 million divided by Adjusted EBITDA of £104.4 million shown as a percentage.

Net margin

Revenue less inventory recognised as an expense, commissions paid to the providers of interest free credit and inventory provision movements.

Why used

Measures the profit made from the sale of inventory before showroom or overhead costs.

Reconciliation to IFRS measures

Refer to 4-Wall EBITDA.

Return on Capital Employed (ROCE)

Return on capital employed (ROCE) is defined as Adjusted EBIT divided by average capital employed, calculated on a Last Twelve Months (LTM) basis. Average capital employed is total assets less current liabilities excluding IFRS 16 lease liabilities.

Why used

ROCE demonstrates the efficiency with which the Group utilises capital. ROCE is linked to management incentives.

Reconciliation to IFRS measures

Adjusted EBIT of £149.5m divided by the average capital employed, which is calculated as follows:

£million	**LTM to 30 October 2022**	**LTM to 31 October 2021**
Pre-IFRS 16 total assets	872.8	675.3
Pre-IFRS 16 current liabilities	(267.4)	(197.5)
Capital employed	605.5	477.8
Average capital employed	**541.7**	**447.8**

OTHER DEFINITIONS

Expansionary capital expenditure/capex

Expansionary capital expenditure relates to new showrooms, relocations or refurbishments greater than £250,000.

Showroom maintenance capital expenditure/capex

Capital expenditure which is not considered expansionary.

Luxury watches

Watches that have Recommended Retail Price greater than £1,000.

Luxury jewellery

Jewellery that has a Recommended Retail Price greater than £500.

IFRS 16 Adjustments

The following tables reconcile from pre-IFRS 16 balances to post-IFRS 16 balances.

H1 FY23 Income Statement

£million	Pre-IFRS 16 and exceptional items	IFRS 16 adjustments	Exceptional items	Post-IFRS 16 and exceptional items
Revenue	**765.2**	**-**	**-**	**765.2**
Net margin	**287.6**	**-**	**-**	**287.6**
Showroom costs	(136.3)	26.6	-	(109.7)
4-Wall EBITDA	**151.3**	**26.6**	**-**	**177.9**
Overheads	(40.0)	-	(0.5)	(40.5)
EBITDA	**111.3**	**26.6**	**(0.5)**	**137.4**
Showroom opening and closing costs	(6.9)	3.9	-	(3.0)
Adjusted EBITDA	**104.4**	**30.5**	**(0.5)**	**134.4**
Depreciation, amortisation and loss on disposal of fixed assets	(17.7)	(23.8)	-	(41.5)
Adjusted EBIT / Operating profit	**86.7**	**6.7**	**(0.5)**	**92.9**
Net finance costs	(2.3)	(7.9)	-	(10.2)
Adjusted profit before tax / Profit before tax	**84.4**	**(1.2)**	**(0.5)**	**82.7**
Adjusted basic Earnings per share	**27.8p**			**27.2p**

H1 FY23 Balance Sheet

£million	Pre-IFRS 16	IFRS 16 adjustments	Post-IFRS 16
Goodwill and intangibles	200.2	-	200.2
Property, plant and equipment	139.9	(3.0)	136.9
IFRS 16 right-of-use assets	-	352.8	352.8
Inventories	383.9	-	383.9
Trade and other receivables	32.6	(12.0)	20.6
Trade and other payables	(282.5)	38.8	(243.7)
IFRS 16 lease liabilities	-	(403.3)	(403.3)
Net debt	(25.6)	-	(25.6)
Other	(5.6)	9.1	3.5
Net assets	**442.9**	**(17.6)**	**425.3**

H1 FY22 Income Statement

£million	Pre-IFRS 16 and exceptional items	IFRS 16 adjustments	Exceptional items	Post-IFRS 16 and exceptional items
Revenue	**586.2**	**-**	**-**	**586.2**
Net margin	**220.5**	**-**	**-**	**220.5**
Showroom costs	(100.2)	22.3	-	(77.9)
4-Wall EBITDA	**120.3**	**22.3**	**-**	**142.6**
Overheads	(33.1)	-	(1.8)	(34.9)
EBITDA	**87.2**	**22.3**	**(1.8)**	**107.7**
Showroom opening and closing costs	(4.4)	3.4	-	(1.0)
Adjusted EBITDA	**82.8**	**25.7**	**(1.8)**	**106.7**
Depreciation, amortisation and loss on disposal of fixed assets	(15.3)	(19.1)	-	(34.4)
Adjusted EBIT / Operating profit	**67.5**	**6.6**	**(1.8)**	**72.3**
Net finance costs	(1.8)	(5.8)	-	(7.6)
Adjusted profit before tax / Profit before tax	**65.7**	**0.8**	**(1.8)**	**64.7**
Adjusted basic Earnings per share	**21.8p**			**21.6p**

H1 FY22 Balance Sheet

£million	Pre-IFRS 16	IFRS 16 adjustments	Post-IFRS 16
Goodwill and intangibles	155.9	-	155.9
Property, plant and equipment	100.6	(0.8)	99.8
IFRS 16 right-of-use assets	-	256.2	256.2
Inventories	240.8	-	240.8
Trade and other receivables	22.1	(8.2)	13.9
Trade and other payables	(219.4)	29.1	(190.3)
IFRS 16 lease liabilities	-	(303.1)	(303.1)
Net cash	30.0	-	30.0
Other	(5.8)	10.5	4.7
Net assets	**324.2**	**(16.3)**	**307.9**