



The Watches of Switzerland Group

H1 FY23 Results

December 2022

26 weeks ended 30 October 2022



WATCHES OF SWITZERLAND

Mappin & Webb

GOLDSMITHS

MAYORS

BETTERIDGE
EST 1897

Analog:Shift

MONO-BRAND
BOUTIQUES

Cautionary note regarding forward-looking statements

This presentation 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 presentation and the information incorporated by reference into this presentation 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, losses 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.

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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's or the Group's operations which are described in the 2022 Annual Report and Accounts in Risk Management and Principal Risks and Uncertainties.

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CEO Introduction and Overview

Brian Duffy, Chief Executive Officer

Xenia Client Experience

Philippa Jackson, Executive Director HR

ESG

Kesah Trowell – Head of ESG

The Watches of Switzerland Group Foundation

Ruth Benford, Executive Director Marketing

UK Projects

Craig Bolton, President UK & Europe

US Projects

David Hurley, President North America and Deputy CEO

Financials

Bill Floydd, Chief Financial Officer

Summary

Brian Duffy, Chief Executive Officer

Q&A

Brian Duffy and Bill Floydd



Strong First Half Performance With Ongoing Market Share Gains in UK and US

Group Revenue £765m, +31% at reported rates vs H1 FY22, +23% at constant currency

**Adjusted EBIT £87m: +29% vs H1 FY22
Adjusted EBIT margin 11.3%: -20bps vs H1 FY22**

ROCE 27.6%: +450bps vs H1 FY22

20 showrooms opened in H1 FY23 including five showrooms at the iconic Battersea Power Station in London

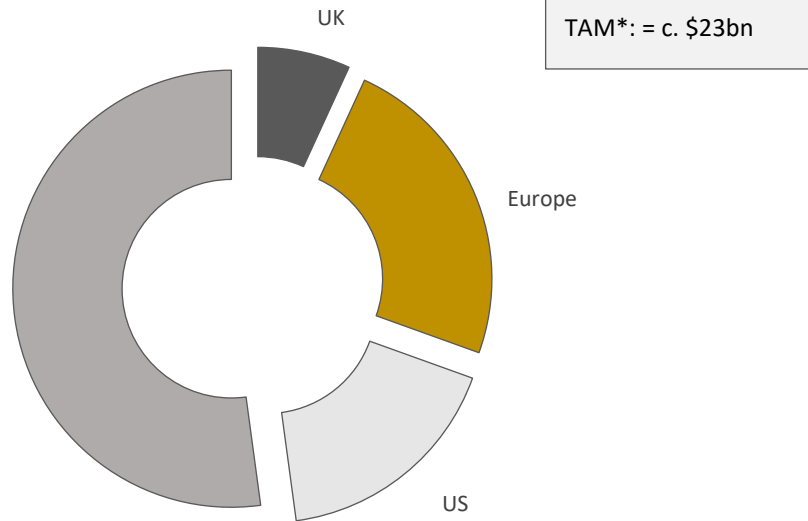
Colleagues / Engagement score / Foundation contributions

Strong momentum continues into H2, Holiday trading to date in line with expectations

All metrics shown on a pre-IFRS 16 and pre-exceptional basis

Taking share in a strong and growing market

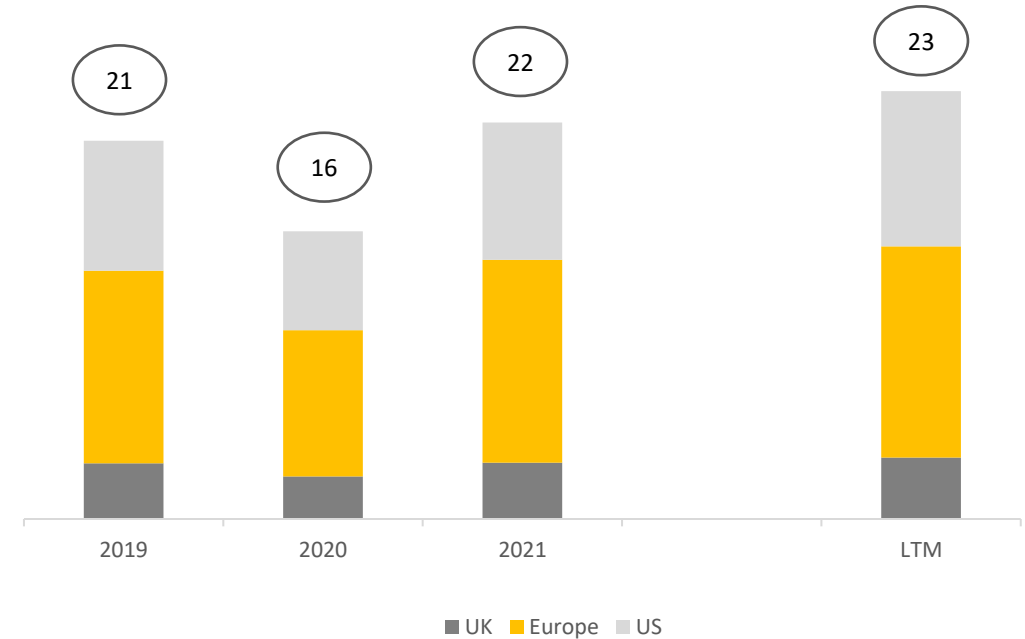
Global luxury watch market by region at retail price (LTM)



* TAM = Estimated Total Addressable Market = Major Western markets (UK, Europe, US)

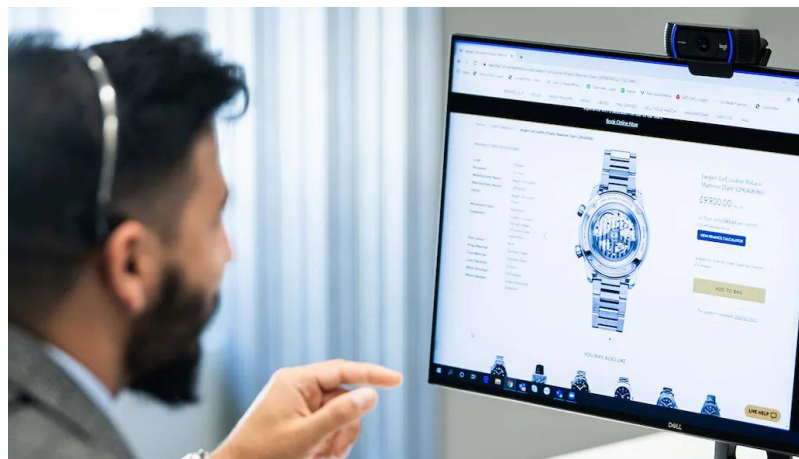
Our total addressable market is strong and growing

USD \$bn



- The Group's Total Addressable Market is calculated based on Swiss Watch Exports for UK, Europe (excl. UK), US:
 - Luxury watches only, defined as wholesale price of CHF 500+
 - Mark-up from wholesale to transfer price, mark-up from transfer price to Retail

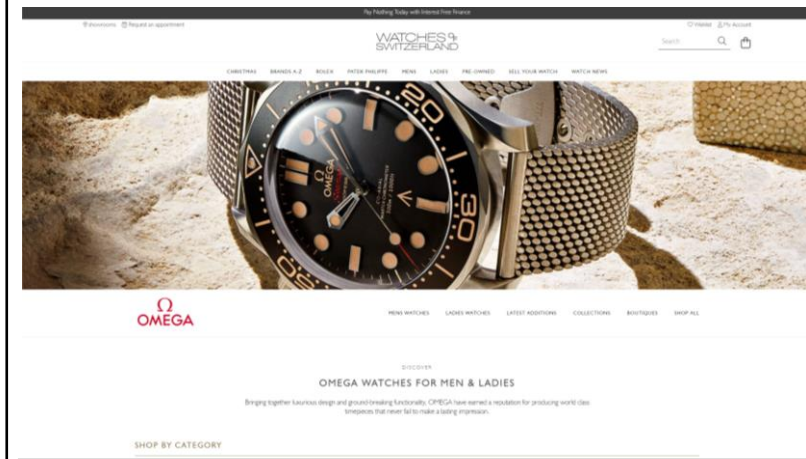
Unique model driving market share gain



VIRTUAL BOUTIQUE



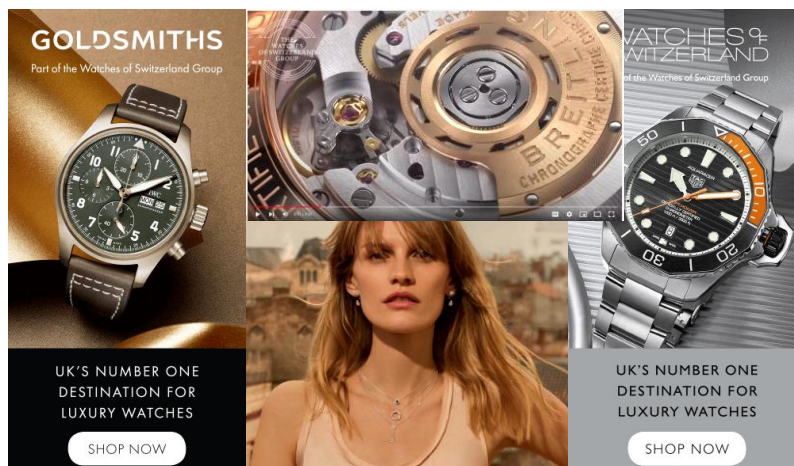
CRM



ECOMMERCE



SAP SYSTEMS



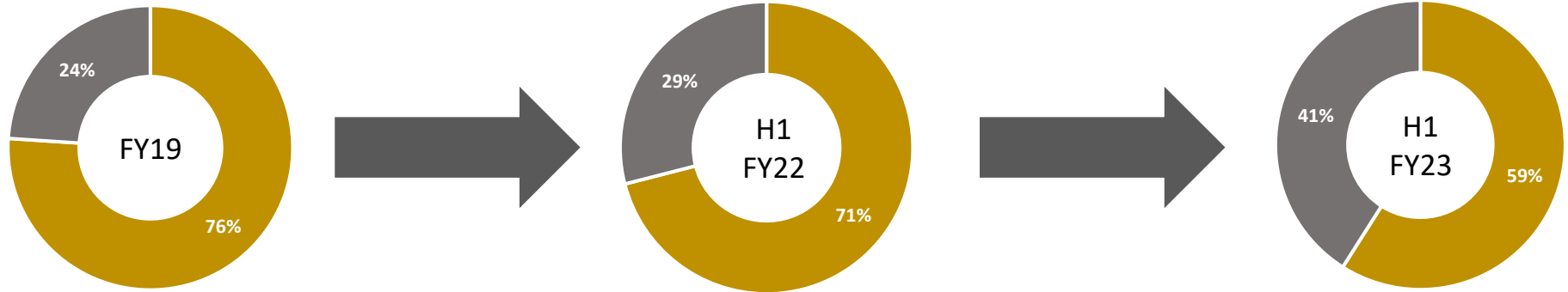
MARKETING



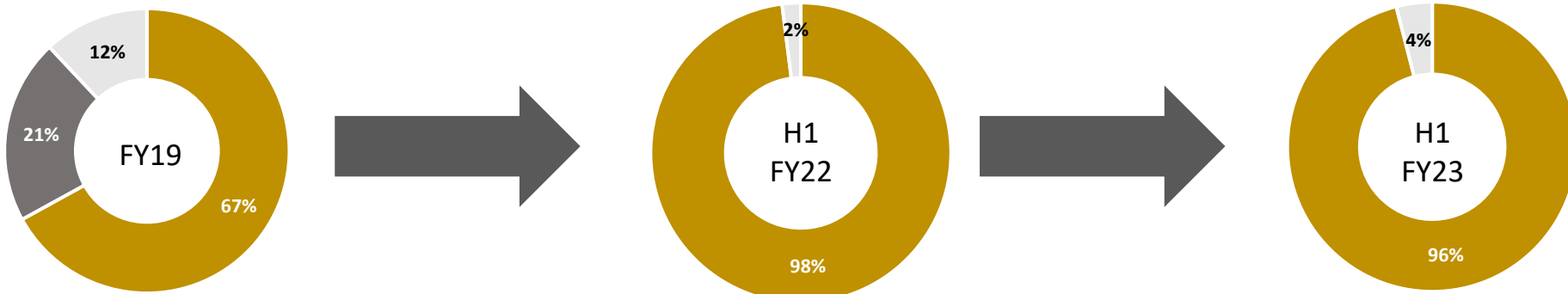
CLIENT EXPERIENCE

WOSG US share of sales growing and performance led by domestic clientele

Revenue mix by market

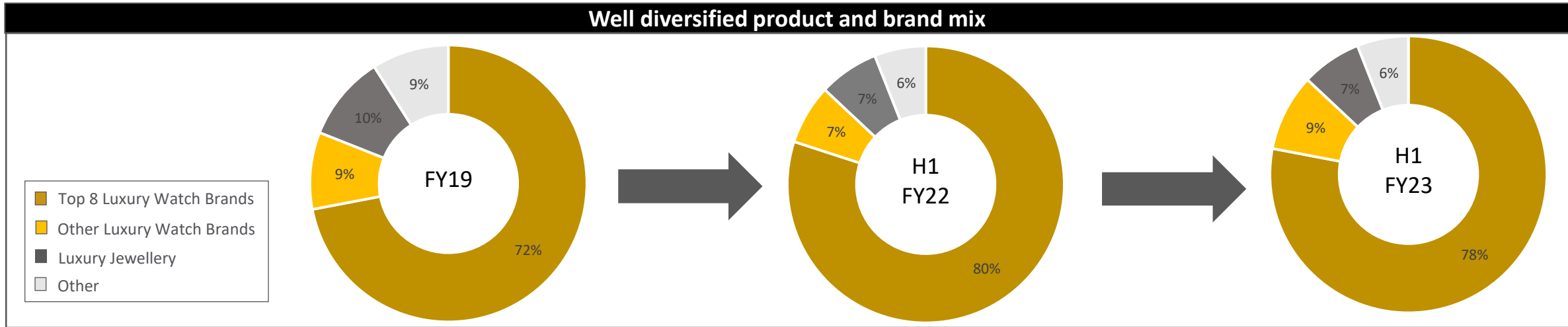


Revenue mix by customer segment



Robust and Flexible Business Model

Well diversified product and brand mix





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Xenia

Philippa Jackson – Executive Director HR



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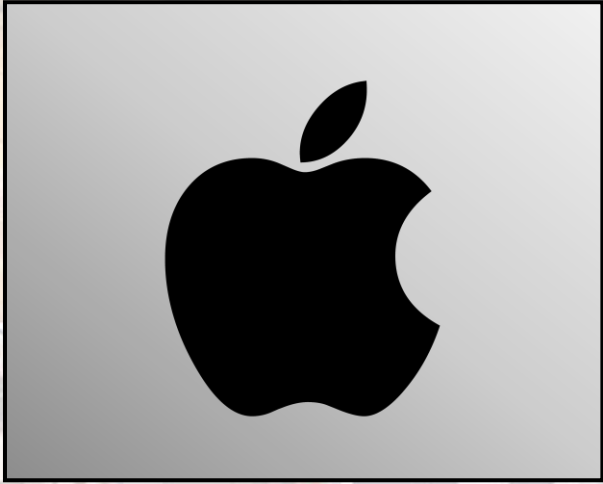
Xenia: Establishing The Benchmark for Luxury Service with the Ritz-Carlton



The Ritz-Carlton Leadership Center Expertise



Antonia Hock, former Global Head of The Ritz-Carlton Leadership Center led the project



The Ritz-Carlton led the way for Apple's retail service strategy

Global Launch of Xenia October 2021



Significant progress made so far

Client Consultation: 65% satisfied pre-Xenia – now 95%

An exceptional first impression By Appointment: 71% said yes pre-Xenia – now 94%

Xenia Mystery Shop: The WOW pillar has scored 82%

Xenia Mystery Shop: Walk in Visits – the welcome and fact finding has scored 93%

Xenia Mystery Shop: Expertise, confidence and passion demonstrated 90-95% of occasions



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ESG

Kesah Trowell – Head of ESG



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PEOPLE



PLANET



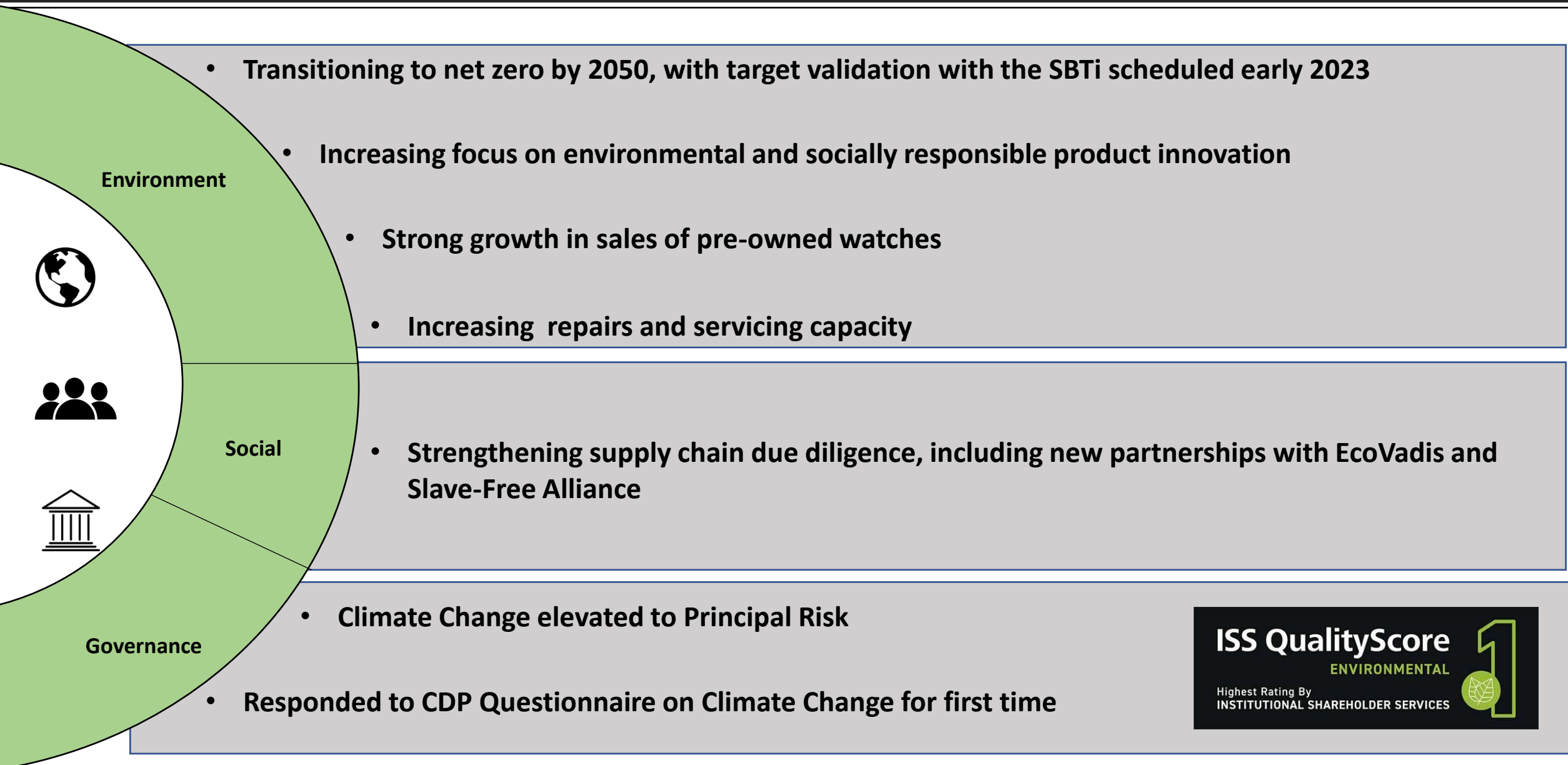
BUSINESS AMBITION FOR 1.5°C  

RESPONSIBLE SOURCING



ecovadis

We are making progress across our three ESG pillars





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Our Foundation

Ruth Benford – Executive Director Marketing



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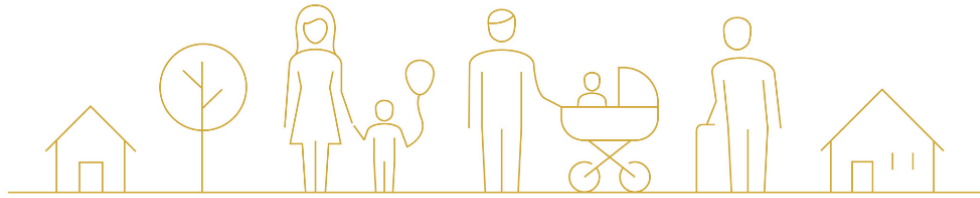
Analog:Shift

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BOUTIQUES



FOUNDATION

Helping our communities



**£4.5 million donated to
The Watches of Switzerland Group Foundation**

Over £2.7 million allocated so far

The Watches of Switzerland Group Foundation: Board of Directors



**Brian
Duffy**
Chair



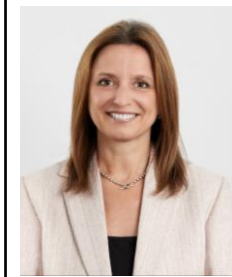
**David
Gandy**



**John
Hannah**



**Johnathan
Joseph**
"DJ Spooky"



**Ruth
Benford**



**Terence
Parris**



**Mary
Portas**

US Directors



Shirley Ingold



Lorrie Nelson

Key Partnerships

FOODBANKS UK & US



FUEL BANK FOUNDATION UK



PRINCE'S TRUST UK & US



IN PARTNERSHIP WITH
THE PRINCE'S TRUST

HABITAT FOR HUMANITY US



Habitat
for Humanity®

CRISIS UK



Prince's Trust Palace to Palace



*Thank you to each and every one of your riders who took to the Mall and rode to Windsor - their efforts are inspiring, and **they truly did cycle to change young lives***

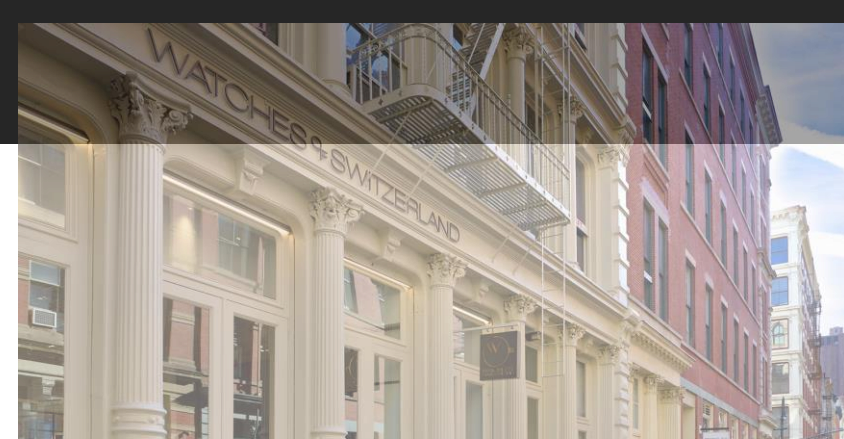
Johnathan Townsend – CEO Prince's Trust



Watches of Switzerland Group Volunteering



Over 300 hours of volunteering



The Watches of Switzerland Group

UK & Europe Projects

Craig Bolton - President UK & Europe



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MONO-BRAND BOUTIQUES

WELCOME TO
**BATTERSEA
POWER
STATION**

WATCHES of
SWITZERLAND

Cartier

ROLEX

ROLEX

ROLEX

Watches of Switzerland
Battersea Power Station
Opened October 2022



**Mono-Brand Boutiques
Battersea Power Station
Opened October 2022**



GOLDSMITHS
SINCE 1778

GOLDSMITHS
SINCE 1778

GOLDSMITHS
SINCE 1778

**Goldsmiths Meadowhall
Pre-Refurbishment**

GOLDSMITHS

ROLEX

Goldsmiths Meadowall
Post-Refurbishment



Breitling Canary Wharf



TUDOR Glasgow

UK MONO – BRAND BOUTIQUES



Longines Glasgow



OMEGA Canary Wharf

Rolex Boutique Relocation



Concept Mood Board - The Ultimate in Hospitality



Concept Mood Board - The best Rolex bar in the world





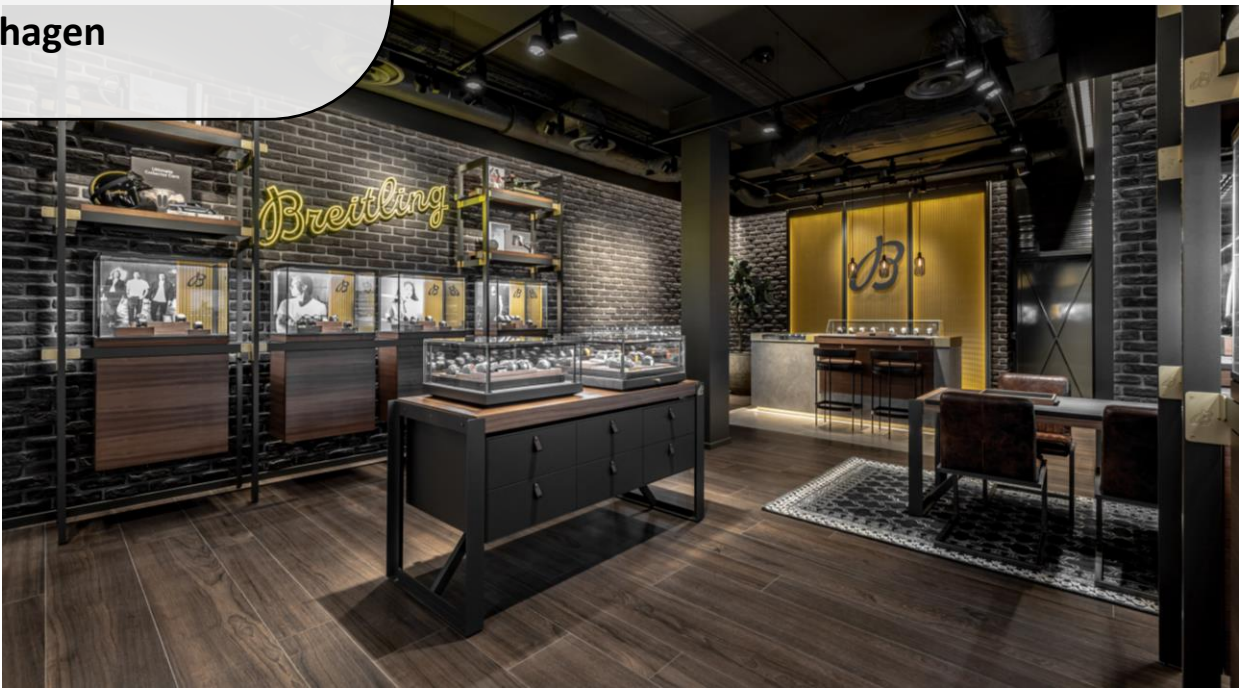
OMEGA Copenhagen Sept 2022



EUROPE MONO – BRAND BOUTIQUES
Copenhagen



Breitling Copenhagen Sept 2022





Breitling Stockholm June 2022



EUROPE MONO – BRAND BOUTIQUES
Stockholm



Breitling Mall of Scandinavia October 2022





**OMEGA Mono – Brand Boutique
Stockholm
Opened 2nd December**





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US Projects

David Hurley - President North America & Deputy CEO



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MAYORS

ITTLING

ROLEX

MAYORS

Mayors Boca Raton
Pre-Refurbishment



MAYORS

ROLEX



ROLEX

Mayors Boca Raton
Post-Refurbishment

The image shows the exterior of a Mayors store. The store has a black facade with the word "MAYORS" in large, white, illuminated letters. The entrance consists of a glass revolving door and glass display windows. The windows display various items, including a Rolex watch advertisement and a Tag Heuer advertisement. The store is located in a well-lit area with a ceiling fan and a light fixture visible above the entrance.

MAYORS

MAYORS PROGRAM STATUS

- Renovated 8 Mayors stores
- 6 remaining to be completed by 2025





One Vanderbilt – Façade View



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Financial performance & Outlook
Bill Floydd - CFO



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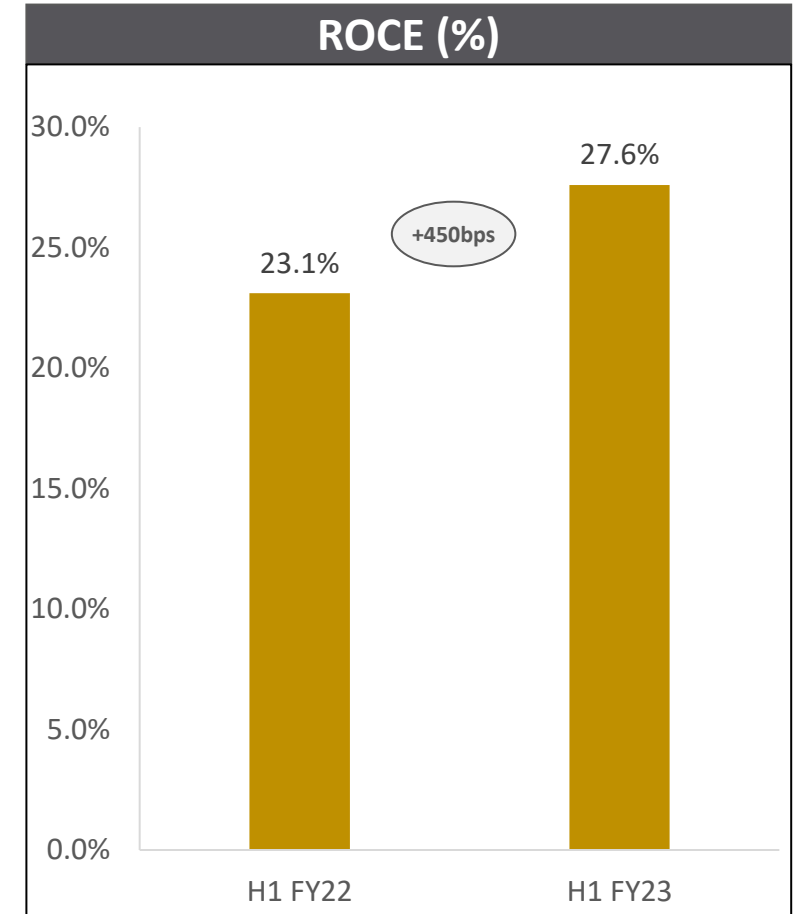
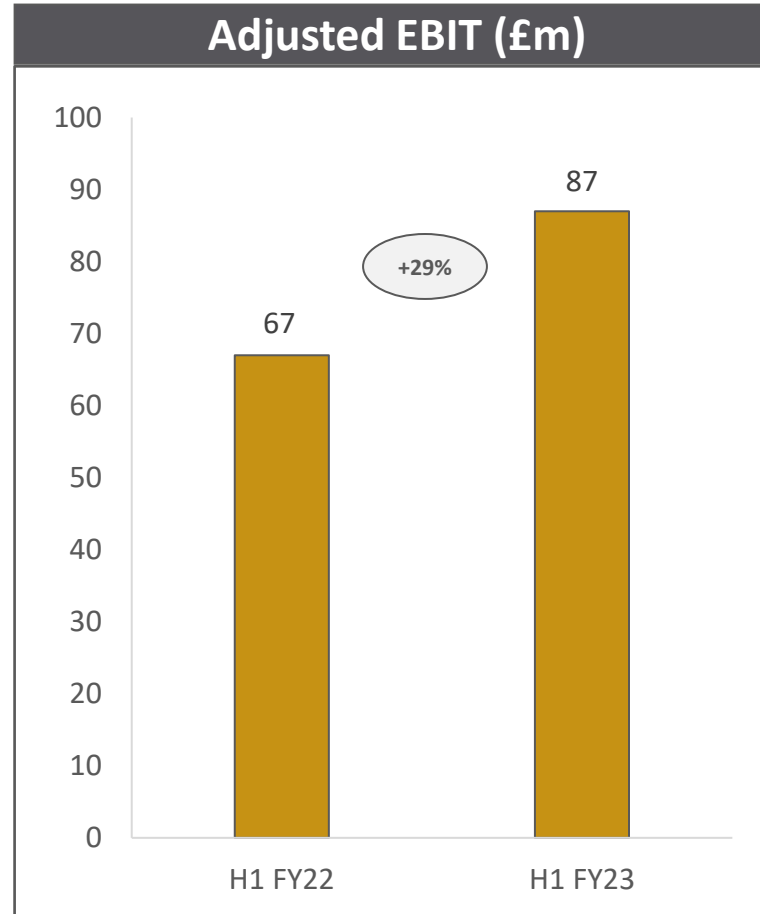
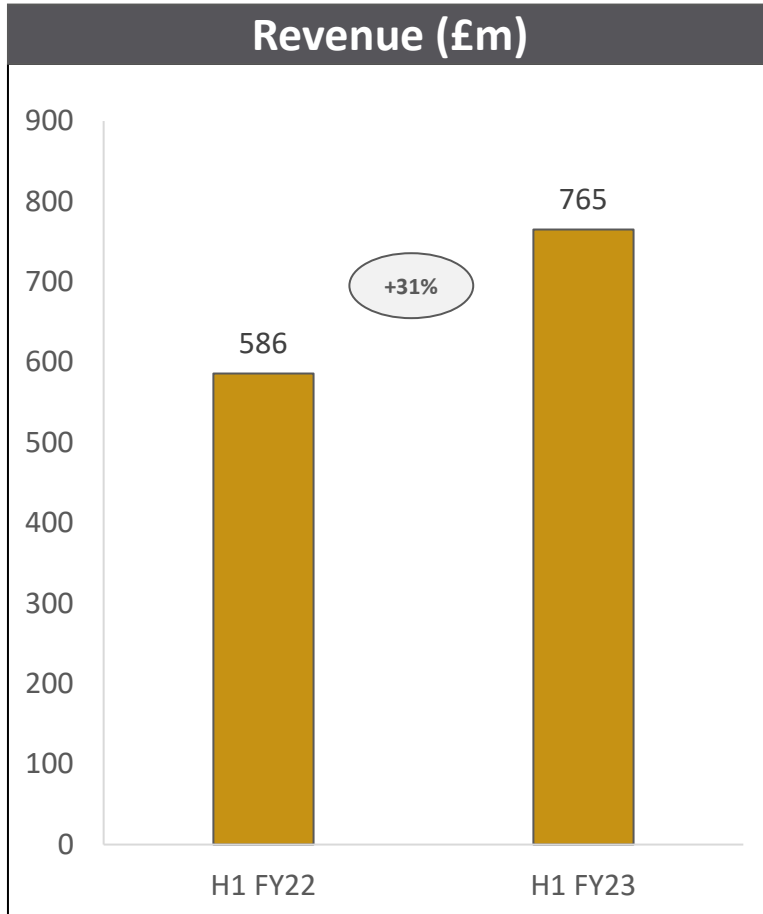
MAYORS

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MONO-BRAND
BOUTIQUES

Another period of strong profitable growth



Income statement key highlights

Income Statement (£m)	H1 FY23	H1 FY22	YoY %
Revenue	765	586	31
Net margin	288	221	30
<i>Net margin %</i>	<i>37.6%</i>	<i>37.6%</i>	<i>-</i>
Adjusted EBITDA	104	83	26
<i>Adjusted EBITDA %</i>	<i>13.6%</i>	<i>14.1%</i>	<i>(50bps)</i>
Adjusted EBIT	87	67	29
<i>Adjusted EBIT %</i>	<i>11.3%</i>	<i>11.5%</i>	<i>(20bps)</i>
Adjusted PBT	84	66	28
<i>Effective tax rate</i>	<i>21.6%</i>	<i>20.7%</i>	
Adjusted EPS	27.8p	21.8p	28

Income Statement presented pre-IFRS 16 and pre-exceptional items

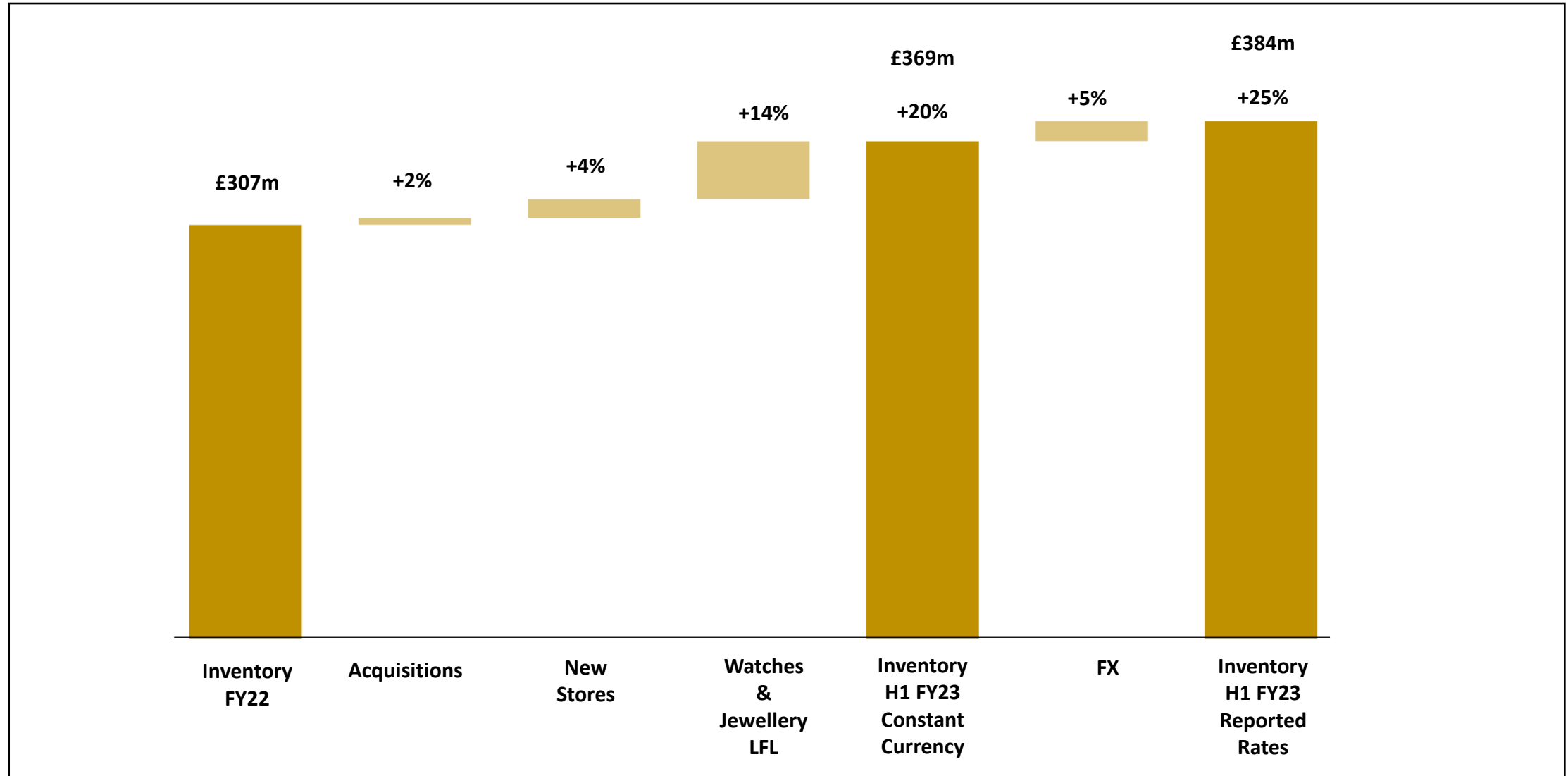
- **Revenue +31% on prior year**, up 23% in constant currency
- **Net margin % in line with last year** reflecting stable product mix
- **Adjusted EBIT +29% to £87 million**, achieving margin of 11.3%. Prior period margins benefitted from £5 million UK business rates relief
- Effective tax rate increase as a result of US scale and in year effect of UK corporation tax rate moving from 19% to 25%
- **Adjusted EPS at 27.8p** – increase of 6.0p

Balance sheet strength

Balance Sheet (£m)	H1 FY23	FY22	%
Goodwill & intangibles	200	178	12
PP&E	137	113	21
Right-of-use assets	353	294	20
Inventory	384	307	25
Receivables	21	22	(5)
Payables	(244)	(201)	(21)
Lease liabilities	(403)	(341)	(18)
Net debt	(26)	(14)	(86)
Other	3	3	-
Net assets	425	361	18

- Continued investment with **£27 million of expansionary capex** (H1 FY22: £20 million)
- **Inventory levels +£77 million (+25%)** from improved ranging, acquisitions and FX, see next slide
- **Right-of-use assets and lease liabilities** increased due to the additions to the showroom portfolio and lease renewals in the period
- **Payables +£43 million (+21%)** partially offsetting the increase in inventory levels
- **Net debt increase to £26 million from £14 million at year end**

Inventory build ahead of the Holiday period



Strong trading supporting inventory ranging, CAPEX and acquisitions

Cash flow (£m, pre-IFRS 16)	H1 FY23	H1 FY22	YoY %
Adjusted EBITDA	104	83	26
Working capital	(27)	23	
Tax	(20)	(3)	
Other	3	1	
Cash generated from operating activities	60	104	(42)
Maintenance capex	(3)	(1)	
Interest	(2)	(1)	
Other	1	-	
Free cash flow	56	102	
Free cash flow conversion	53%	124%	
Expansionary capex	(27)	(20)	
Acquisitions	(21)	(9)	
Purchase of own shares	(21)	-	
Proceeds from short term borrowing	18	-	
Other	(1)	-	
Cash flow	3	73	(95)

Free cash flow of £56 million; 53% free cash flow conversion

- Working capital outflow with increased inventory
- Increased tax in line with trading. Prior period also benefitted from utilisation of tax losses in the US
- £27 million of expansionary capex
- £21 million acquisition spend
- £21 million purchase of own shares to satisfy future employee incentive schemes
- £18 million (\$20 million) drawn down from US Asset Backed Facility to reduce FX risk

FY23 guidance reiterated

FY23 guidance (pre-IFRS 16)	
Revenue	£1.50 - £1.55 billion
Adjusted EBITDA margin	flat to +0.5%
Depreciation, amortisation, impairment and loss on disposal of fixed assets	£33 - £35 million
Total finance costs	c£5.5 million reflecting higher interest rates
Underlying tax rate	21.5% - 22.0%
Adjusted EBIT	£163 – 175 million
Capital expenditure	£70 - £80 million Includes new offices in the UK
Year end net cash	£35 - £45 million

FY23 guidance reflects:

- Visibility of supply of key brands, announced pricing, and confirmed showroom refurbishments, openings and closures
- Organic basis, no acquisitions
- Reflects movements in foreign exchange with H2 projected using a £/\$ 1.20 exchange rate
- Trading so far in Q3 inline with expectations

The equivalent guidance on an IFRS 16 basis is:

- Adjusted EBIT £178 - £190 million
- Depreciation £81 - £85 million
- Finance costs £21 - £24 million



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Summary
Brian Duffy – CEO



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MONO-BRAND BOUTIQUES

WOS model continues to drive incremental sales and market share gains

We continue with our investment led growth strategies UK/US/Europe with a strong pipeline of projects

Xenia Programme is positively impacting on client relations and sales conversions

We are attracting and retaining colleagues

The WOS Group Foundation is fully engaged and working well with chosen partners

We are progressing on our ESG commitments and programmes

We now have 188 well invested showrooms across the UK, US and Europe with over 2,800 fantastic colleagues

Current trading is in line with expectations and we continue with our prior guidance



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Q&A
Brian Duffy and Bill Floydd



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