THE WATCHES OF SWITZERLAND GROUP

WATCHES OF SWITZERLAND GROUP PLC

WATCHES OF SWITZERLAND GROUP FULL YEAR RESULTS 2021

08 JULY 2021

WATCHES OF SWITZERLAND GROUP
FULL YEAR RESULTS 2021

TRANSCRIPT

Brian Duffy: Good morning everyone, thank you for joining us and welcome to the presentation of The Watches of Switzerland Group financial results for the year ended April 2021. My name is Brian Duffy, I am the CEO of the Group. I will be presenting an update for the year and then our CFO, Anders Romberg will present the financials and our outlook for FY22. We will then have some time for your questions.

Fiscal year 21 was one of strong growth for our Group at +13.3% in constant currency despite the Covid restrictions that disrupted retail and almost every aspect of daily life.

Our US division delivered outstanding growth of 38.5% in US $ despite significant reductions in traffic. Our UK division also delivered an outstanding growth of 3.6% despite the closure of our stores for around 26 weeks of the year and very little tourist or airport business.

Adjusted EBIT came in at +38.9% which Anders will comment more on. I am very proud of our amazing team and the spirit shown during this year. We have carried strong momentum into FY22 and we are well positioned for growth. As this chart shows we are delivering on our strategic goals of revenue and profitability growth.

The mix of our business changed significantly in the year firstly geographically with the US increasing from 27.8% to 33.0% of Group sales. Luxury watches increased by 16% and therefore the share of luxury watches moved form 83.9% to 87.1%. And our domestic clients mix moved from 72.5% to 94.7% of group sales. Clear proof of the supply driven characterises of our business model.

We committed to all of our planned capital investment projects. In the UK we expanded our network with a new Watches of Switzerland store in Broadgate, London. We opened a new mono-brand boutique for Rolex in Glasgow and we opened nine other mono brand stores for TAG Heuer, Omega, Breitling and Tudor.

We expanded our Knightsbridge flagship with the opening of a Rolex room and we rebranded the 4 acquired Fraser Hart stores and we have now completed the refurbishment of both Stratford and Kingston, both ex Fraser Hart stores. Business was strong throughout our US network with refurbished stores (Mayors and Wynn) and new stores (NY) performing particularly well.

Eight new mono brands were opened in the US and are performing very well. We relaunched our E commerce platform in September 2020 and results to date are encouraging. We completed the acquisition of Analogue Shift as we look to expand in the pre-owned and vintage markets.

The Covid related disruption of store closures, home working and reduced travel, created circumstances in which all things digital became very important and our advanced technology and expertise were very advantageous. We more than doubled our online business. We opened of a 'virtual' luxury boutique manned by fully trained and experienced sales teams. Our CRM system supported really effective clientelling. A new 'By Personal Appointment' system optimised client experience and conversion. We conducted remote new product presentations to clients often with the collaboration of our brand partners

We increased our marketing activity and budget during the year and in the UK achieved fantastic impact. Recording 46mm monthly reach on social media and a staggering 3.2bn of digital impressions. And click through from our digital campaigns of 37m .In the US where our focus for Watches of Switzerland is brand awareness through many impactful collaborations we achieved an amazing 5.1bn of PR impressions. Our fantastic team have again delivered showing creativity, adaptability, enthusiasm and a love of what they do. They deserve the credit for our success.

In FY21 we initiated the Watches of Switzerland Group Foundation with a contribution of £1.5mm and a further £1.5mm planed for FY22. With this £3.0mm we will work on projects in our local community in both the UK and US. I will personally chair this Foundation. I will now pass over to Anders Romberg.

Anders Romberg: This presentation is based on a pre-IFRS16 and a 53-week basis. We are very pleased with our performance in Fiscal 21.In spite of significant headwinds, we report record sales and profits. Net sales was up 13.3% in constant currency, or 11.7% in reported. We estimate that we lost around £ 100M in the year due to disruptions - primarily in the UK. The 53rd week accounted for £17.6M. Luxury watches continued to outperform with net sales being up 16%. Luxury Jewellery – more dependent on footfall – was down by 12%.

Other – mainly services – was also impacted by lack of footfall, down 9%. Our US business – in constant currency - was up by 38.5% on LY and vs FY19 up by 64.8%, with less traffic during the year, offset by higher conversion. In the UK sales were up by 3.6% on FY21 and 3.1% on FY 19 - despite lack of tourism and heavily subdued airport traffic. The pivot to the domestic market during the year was an outstanding achievement – with domestic sales trading up 54%.

Mix towards luxury watches and mix within this segment had an adverse impact on margin. UK sales growth was driven by high-end luxury watches with higher ASP, but with reduced volume overall, while our growth in the US was more broad based with flat ASP, volume being the main driver. Our adjusted EBITDA was £105.4M, + 34.9% on LY, and our Adjusted EBITDA margin expanded 200bps vs FY20 to 11.6%. We decided to re-pay all furlough support received in the fiscal year, and we paid all our employees in full throughout the year. We also establish the Watches of Switzerland Group Foundation during the year to support needs in the communities where we operate.

As part of our Goldsmith Luxury program, we have accelerated depreciation for this segment of our portfolio. Adjusted EBIT came in at £77.6M or +38.9% on Prior year and Adjusted EPS grew by +43.4%.

Our BS is in a very good shape. During the year we continued with our capital program investing £23.1M of expansionary capital. This is below what we originally had planned. Some projects have been slightly delayed due to the pandemic and will be completed in FY22. Inventories were down 7% on LY due to timing of lockdowns. Both trade and other receivables - as well as payables- increased impacted by the timing of the lockdown in FY20. Finally – we did as a precaution take out a CLBILS facility in Q1 of £45M - which we now fully repaid and cancelled since we traded strong after the first lockdown. We closed the year with Net Debt of £43.9M vs LY £129.7M so quite pleased.

Free cash flow improved by £58.9M or +115.9% to £109.7M. Free cash flow conversion at 104.1% vs 65.4% LY. Working capital improved due to payables being normal this year end, while Last Year lower due to timing of lockdown. We continued our investment program and spent £23M of expansionary capital.

At year end our leverage was 0.4 times (Last year 1.7 times). We are comfortable to operate at a leverage of 1.5 to 2.0 times. With Net debt of £43.9M and current facilities of £197.5M we are well poised for further investments/acquisitions for further growth. Our priority for capital allocation remains to invest for growth.

All our key KPI's improved during the year. ROCE improved to 19.7%, up from 15.8% LY, due to Adjusted EBIT being up +38.9% while average capital employed increased by 11.0%. Free cash flow at £109.7M or +115.9% on prior year. Our 4-wall EBITDA at 18.3% vs 15.6% LY. This is the result of improved leverage in the US as well as channel mix in the UK. Less airside with variable rents and strong performance in e-commerce. Adjusted EBITDA of £105.4M, up 34.9% on LY.

And now to our guidance for FY22. Our guidance assumes no national lockdowns in our markets or for that matter, in Switzerland. We also base our guidance on our best view of supply. We do expect a gradual improvement in footfall, both in the UK as well as in the US. Customer demand is expected to remain buoyant throughout the year. We have not planned for any shift in consumer profile, and our tourism and airport sales will remain well below pre-pandemic levels. We are also pleased to include a further contribution to our foundation.

Net Sales is planned to grow between +16-21% excluding any impact of potential acquisitions. Sales expected to come in between £1.05 – £1.1 Bn. Adjusted EBITDA &

EBITDA margin expected to be flat to +0.5% on FY21. Depreciation expected to come in between £30 and £32M. Our underlying tax rate is projected at between 21.0% and 22.5%, as we assumed US federal tax rates to increase from Jan 22 (19-25%). Capex is projected to be between £40-£45M – with some projects originally planned in FY21 now being executed in FY22

Our Net debt – pre any acquisitions – is expected to come in at between £20and £30M. Thank you. We will now take your questions.

Operator: Thank you. If you would like to ask a question, please signal by pressing star one on your telephone keypad. If you're using a speaker phone, please make sure your mute function is turned off to allow your signal to reach our equipment. Again, that's star one to ask a question. We'll now take our first question. It comes from Erwan Rambourg of HSBC, please go ahead.

Erwan Rambourg: Hi. Good morning, gentlemen. Thank you. Just maybe three follow-ups on the guidance for the current year high teens sales growth if I take the midpoint. Can you help us understand how you see differently between the UK and the U.S., given what you know now? And if I look at high teen's growth, what would be roughly the split in terms of volume versus price versus mix? Secondly, I'm wondering if you could talk about the contribution of e-commerce to total sales. I think you mentioned that there was growth of 120%, but what does that mean in terms of the actual contribution and where do you see this going as the stores reopen? And then thirdly, looking at mono-brand boutique potential. I think you went from 22 to 39. I'm just wondering what's next in terms of run rate of opening of mono-brand boutiques. Thank you.

Brian Duffy: Thanks, Erwan. We haven't given a split, UK, U.S. In our gains clearly last year, the U.S. performed super strong at 38 and a half percent. And the UK lower because of the circumstances of stores closed and no tourism, or less tourism and airport business. So, circumstances are changing. The situation is more favourable in the UK overall. But the underlying reality is the U.S., we have really strong momentum in the U.S. from all of what we are doing through investing in our stores and the marketing activity and everything that's there. And the market has been very strong in the U.S. We also indicated in our announcement that business is strong here in the UK too, and has been since we reopened on April 12th.

Brian Duffy: E-comm? So, our e-comm business prior to the 220% that we did last year was growing at 120% a year. We have applied and assumed in our guidance that there'd be a correction this year, because clearly, we're anticipating the stores are open for the whole year. Actually e-comm is performing better than that at the moment in the UK. So it's early days, but we'll see overall, and we continue to invest and grow in an e-comm in the U.S. from a small base. Mono-brands, we haven't disclosed the number of mono-brands in the UK and U.S, but we opened eight in the U.S. We have a similar program; I would say for this year. And then the UK, we have really strong momentum in mono-brand development, some of which we'll be announcing as time goes on. So, it's a good area of consistent growth that we're looking at and have included in the gains that we've given.

Erwan Rambourg: Thank you, Brian, just maybe a follow-up on the high teens' sales growth. Is the bulk of it volume-driven, or are you seeing benefits of price increases from last year continuing this year? And is there any element of mix in the sense of our consumers trading up or is growth similar at the high end as it is at the more entry level?

Brian Duffy: Sorry, you asked that earlier and I didn't answer it. Again, looking back at last year, we had definite performances in the two markets. In the UK, the growth was largely from increasing selling price and that was from a mixture of previous price increases cutting through and mix overall. The U.S., though, it was volume that happened. There wasn't a big change in our base selling price. And there was also a very healthy mix of sales, but also pretty much occurred across a broad base of business. All of our key brands going better, nicely agility, business, growing, going nicely. We are again, given sort of detail of how we make up our expectation of those for this year.

Brian Duffy: But I think the underlying trends will continue to be there. We haven't assumed any pricing and there's no pricing element counting forward year on year. So specifically on price. We'll see. I mean, there's been that continual improvement from mix overall, but we'll, we'll see actually in this year, whether or not mix makes a follow-up contribution. Not so clear because we're going to have more broad-based business in the UK than was the case in fiscal 21.

Erwan Rambourg: Right. Thank you very much. Thank you.

Brian Duffy: Thanks, Erwan.

Operator: Our next question comes from Guido Lucarelli of Exane BNP Paribas, please go ahead.

Guido Lucarelli: Yes. Good morning. Thanks for taking my questions. The first one, on the supply side, I was wondering what the current level of the waiting list is, especially for Rolex, and if you're seeing any similar trends with the waiting list also for other brands. The second one, on the timing of the U.S. store opening, sir, for this year. I think you mentioned last time, American Dream planned to work near the end of the year ahead of the Christmas season. I was wondering if also, the other stores that you announced today, what is the timing there? And finally on the U.S. e-Commerce, you say a very good growth, but there is no numbers. So I don't know if you could help us to understand how much could be the weight and the contribution for this fiscal year. Thank you.

Brian Duffy: You know, Guido, on the supply side there's no change. We've been locked out, more of the products that we have on waiting list. The dynamics of the waiting lists haven't changed at all. We continue to add more products onto waiting lists overall. And our sense is that the supply-demand differential is actually growing somewhat with the overall level of demand that's there. We have, obviously as you know, big waiting lists on Rolex, Patek, all the new products on Pateks immediately on waiting list, along with a lot of ongoing products. You see it again with Audemar. And again, I think those three brands together, I would see that the level of demand exceeding supply is probably overall increasing. And a genuine challenge for us is just managing the customer expectation and disappointment. There's other brands or other categories or products that are on waiting lists as well. Inevitably new products, when they're announced and were very effective now as soon as products announced, getting them communicated digitally, and they're taking what we call expressions of interest.

Brian Duffy: People saying, "I want to buy that product," and values them. And we have a waiting list, for example, for Omega Snoopy or Omega James Bond watches, some of the new Cartier, [inaudible], Tag Connected. Overall, those challenges in the industry and meeting the demand that's there. And it's becoming, you know, more widespread, I would say overall. And obviously we work with all of our branded suppliers to be as clear as we can on expectations of supply. And whenever we give guidance, it's always based upon a level of communication and understanding overall supply. The second question...

Brian Duffy: Store openings. Yeah, you asked about American [inaudible]. One thing that I'm very positive of and have remained even more positive and optimistic about, American Dream project. Timing, we're working on it. Our friends at American Dream would say we should be opening before Christmas. We're still working on some detail with our brand partners and so on, whether it's before Christmas or just after, we'll see. It's not going to make a huge contribution to, the numbers overall, either way. If I had to bet today, I would probably say it's more likely to be after Christmas than before.

Brian Duffy: But at 220% of prior year in the UK, it was up to over 14% of the UK business. E-comm in the US, from a small base, but we're investing behind the business in the US. We're kind of allowing the expectation of the US consumer. Overall, we're looking to invest more in stock to support the level of demand that we're seeing.

Brian Duffy: So, I think it's sort of irresistible to see the potential of e-comm in the US as very significant. It takes time to build up your awareness, your status, and your facilities and capabilities, but we are investing in it. It's going well. We're well ahead of our expectation last year from the re-launch that we did in September, and we obviously expect reasonable goals within our numbers last year, but it will take time. It will take years to really get to the point of a significant contribution from e-comm in the US. But the potential is definitely there.

Operator: Thank you very much. Once again, if you would like to ask a question, please signal by pressing star one on your telephone keypad. Our next question comes from Corina Shooter of Goldman Sachs. Please go ahead.

Louise Singlehu: Hi there. Thank you for taking my question. I have two, please. So I know you've already talked a little bit about supply on this call, but I just wanted to specifically get your views on the impact of two things. So firstly, the increased production this year by the watch brands as we lap manufacturing closures due to the pandemic last year. And secondly, how the watch brands are potentially thinking about their regional allocations as travel starts to resume. You've clearly demonstrated over the last year that you have a very strong domestic customer base, which the watch brands have been very keen to take advantage of, but how will that work when travel resumes?

Louise Singlehu: And then the next question is on consumer behaviour in the UK post the reopening of the stores. And also, it'd be interesting to know whether the new initiatives that you introduced as a result of the pandemic, like Rolex Click & Collect and onboarding new brands to e-commerce, whether these are permanent features that will continue even when we're fully back to normal. Whenever that may be. Thank you.

Brian Duffy: Thanks, Corina. What we understand from the brands on production is that they are up to full production levels following the impact of the lockdown last year. So year-on-year on data they're producing more. There was some small impact we think of kind of COVID outbreaks and isolation and whatever that affected some production schedules more towards the end of last year. I honestly haven't heard anything of that in recent months. So, production is up, but at the same time, demand is up as well.

Brian Duffy: As you know, geographically, a huge increase in demand in mainland China, but clearly a Chinese population not traveling. They'll still have the opportunity and demand that's there, and that's to move towards a domestic market overall. Those stores are open throughout Europe, throughout the western markets. Demand in the US, as we've been experiencing and reporting, has been very strong.

Brian Duffy: So demand has moved up in line with production, I'd estimate on a global basis. We do know that brands are looking more short-term in terms of allocations, traditionally you tend to allocate months in advance and change little, but now, because of such volatility of countries opening causing whatever, then we know the brands are responding to market developments more short-term than has traditionally been the case.

Brian Duffy: I would say regions are never getting enough, but always asking for more on behalf of the region overall, including behalf of our business. And that's not changed, and I don't think it'll change in my lifetime. We'll always be looking to get more product with demand that's there.

Brian Duffy: Consumer behaviour, Click & Collect Rolexes we won't be doing any more of. That was effectively done during that period for waiting list clients when we had the product, but now obviously our stores are fully open. But there was a lot of other things that happened, that we put in place because of the lockdown, will become permanent parts of what we do.

Brian Duffy: We implemented a luxury concierge here in London of fully trained salespeople giving help and assistance on online shopping or online research. And that's been hugely positive for our clients and our business. And that will carry on. We always had an appointments business overall, but it generally was store managers calling clients or clients calling them. Reasonably informal, but in the circumstances of the last year, we implemented a new system and we're making further developments on that system, intend to get a CRM system, but it's proved very, very positive and beneficial.

Brian Duffy: We've been doing like 40% of our business in the UK during the opening period, including now, on appointments. And all around, it's very, very positive. A few reluctant, as many people are nervous to be going to a shopping centre. To know that you've got an appointment, you're going to a store, there's a desk and a salesperson waiting for you. They're ready there with the product that you're interested in. So, you'll spend little time.

Brian Duffy: And our stores, by the way, are generally safe environments because they're big, beautiful stores and we don't have crowds of people in the stores. But anyway, the appointment system is here to stay. And I think it's a great way for us to clientele and to interact with our clients. And obviously, the conversion on appointments are very, very high. The brands that came on late with us, just over a year ago, for the first time we are permanent additions to our portfolio. So, we have expanded permanently the proposition online.

Operator: We'll now take our next question. It comes from Katherine Parker of Jefferies. Please go ahead. Your line is open.

Katherine Parke: Good morning and thank you for taking my questions. My first question is on the topic of monobrands, and I wondered if you could share the penetration of monobrand sales within your total sales for fiscal year 21. And if possible, a UK/US split.

Katherine Parke: My second question is on e-commerce in the US and how your e-comm customers differ to your customers and whether you're managing to branch out to states where you're not already present. And then my second question, which I hope doesn't infringe on topics this afternoon. So just on the competitive landscape, given some recent new stores. So, the rebranding of Tourneau, and then the rollout of the TimeVallée concept from Richemont, and whether you think it's an issue in terms of consumer competition, or [inaudible]. Thank you.

Brian Duffy: Thanks Katherine. We don't get a share of a monobrand or break down in any more detail. So distribution type, our business, it's definitely business. Obviously, the sales per point of distribution much less than we do on multibrand stores. But anyway, we don't get that share. It's got good momentum. I think you know the brands that we're doing monobrands with, Omega, TAG, Breitling, and Grand Seiko.

Brian Duffy: E-comm in the US. We don't have a reading on sort of consumer behaviour. They are quite different. Maybe, almost certainly will be the same as the UK in that online you have a good business, but you have a proportion of people buying iconic product, product that they know and may well have tried on beforehand. And so makes obvious sense that they would be happy to buy that online. Slightly lower average selling price. A bit more steel, but less gold overall. And I guess that makes sense as well.

Brian Duffy: We are selling in the US to other states. We have concentrated our ... We really believe in multibrand and the concentration of presence, like we obviously have here in the UK. We have a good presence, obviously in Florida and Georgia, New York and Vegas, and we are concentrating marketing activity on those markets where we have that benefit of presence and awareness and store interaction. But in the meantime, we are getting clients and business from other states, but we'll see how that develops. Competitor activity would be honestly welcome. The investments overall that are getting made by a loss, particularly in the U.S. market where we think the market has big scope to be invested in an elevate. And we're very happy not to be doing a loan, and obviously a tunnel there and making official, rather, making the investment in the tunnel brand, overall.

Brian Duffy: We believe that a big store in New York will open towards the end of this year, but as far as I could see it's all good. There's so much to go out in the U.S. and the more that the overall market elevates and communicates the better for all of us there. And similarly, to in Bali, that's kind of a multi brand proposition, obviously from Reachmore, with systems and support and store design. We do all of that ourselves already, and I think we do a very good job in it. So it's not something that we're likely to participate in, but understand what they're doing. And again, if it's a source of investment and elevation in a market overall, then putting it on the solid of good stuff.

Kate Scadres: Morning, everyone, two questions for me. The first one is on Goldsmiths. How many Goldsmith refurbs are you planning a year, and what sort of sales uplift are you looking for? And my second question is on the airports, where are you with the renewal of the airport contracts in the U.K.?

Anders Romberg: So, the Goldsmith in total, we're talking about 24 locations, and it's spread pretty evenly over the next three years. So that's the Goldsmith refurbishment that we're doing, introducing the luxury concept. So that's about a year.

Brian Duffy: Yeah, it will be interesting to see. We, obviously, our Goldsmith stores have been invested in significantly over the last few years and look great, but we are taking them to a definite level again, here with a Goldsmith luxury concept. But we'll see whether or not the impact has been as beneficial as it has been with the refurbs that we've done in the past, but not actually assuming a little less of an uplift and a little longer there for a payback from a firm like Campex, but we'll see some significant ones happening and reasonably soon. Beautiful designs, a change to what we think the consumer clearly wants. More time, more hospitality, more leisure space and physical space already in the big emphasis on repair and service, and sort of help almost like a kind of genius bar type configuration that we can really provide support, information, and then education, if that's what it is for the client.

Brian Duffy: So we're all excited about it, and a lot of their design that we're using came from the success that we had with males in the U.S. that actually exceeded our expectation. So we'll see, and we'll look forward to reporting on it.

Brian Duffy: Airport situation has been under continual negotiation and Stella is hopefully getting to a completion reasonably soon. Undoubtedly, the fact that there was very little activity going on at the airport, it was a little less pressure to feel like concluding in a month or so, but I think it was going to be a nice step up on traffic through the airport reasonably soon as with all leisure traffic and business traffic, and terminal three has been announced to be open for a Delta and a bunch of the Belgian fleet's from the middle of this month. So, I think we'll get to a conclusion on the airport business reasonably soon.

Operator: Our next question comes from Richard Taylor of Bradcliff. Please go ahead.

Richard Taylor: Morning, can I ask two questions, please? First of all, the store you talked about in Cincinnati. Can you just talk a bit about the background to that? How long have you been looking there, and is this a sort of typical mid-size store, or could this be in a bit more bigger flagship sort of place? Secondly, on the gross margin, it was done quite a bit in the UK and up quite a bit in the U.S. Is that mainly mixed are you more sort of top end brands being sold in the UK, and when we think about your guidance for the, the current financial year of 0 and 0.5% on the EBITDA margin, how do the gross margins feed into that, please? Thank you.

Brian Duffy: So that second question is way too complicated for me, so I'll hand over to Anders first.

Anders Romberg: Thanks, Richard. So obviously this year, as you know, we've done a lot of clients telling which Brian pointed out that then our revenue this year is prominent the average selling price in the UK. So, we sold more of the high end brands in the UK, and predominantly Rolex in that category, which has a lower margin as we've been clear on the high productivity, lower margin it brought us. So, the expectation would be that we will have different mix going into this year. Clearly, we expect the other brands to come back, including jewelry obviously, which are more footfall dependent categories. So, in terms of gross margin, you're absolutely right. UK was down this year, and it was entirely due to mix. But we do expect that to normalise and come back in this fiscal year that we're in.

Anders Romberg: In terms of the guidance that we've given is obviously a combination of gross margin, as well as overhead leverage and store cost leverage. Just want to point out that part of this year's profit included the benefit of the rates of the day, which obviously slightly flattened the gross margin percentage as such. We didn't pay that back this year, as you know, and it's disclosed, we don't expect to therefore be able to analyse this year. So, if you rip that out, the leverage is not flat 2.5, it's actually better leverage because we're making up the 11 million rates on the day as well.

Richard Taylor: Makes sense. Thank you.

Brian Duffy: I personally haven't even seen the store yet because of the travel restrictions and so on, I've seen many pictures of it. It's one that came of our look at the market and where we saw underdevelopment and potential for the entry, it's a good market overall, as we analyse it. It's got a wave conurbation, a lot of affluence, a lot of corporate activity that goes on in Cincinnati, Ohio, and there's been a migration towards this, the small called the Kenwood town centre. I've, again, seen lots of images of it. It's a nice-looking mall, has LV, has Apple, has a lot of development going on there.

Brian Duffy: So, we'll be opening a watch from Switzerland store there. It will be anchored by Rolex. I think it could be a nice addition to our portfolio and we'd love it to be opening sooner, but then I think it's probably going to be after Christmas overall. But we're working on it, it's designed and it's in final stages of design and it's available. So we'll see, but I think it's a nice addition, and has been a bigger multi-brand stores or like a Rolex can make a meaningful contribution.

Richard Taylor: Thank you.

Operator: Our next question comes from Edward Alden of Morgan Stanley. Please go ahead.

Edward Alden: Yeah. Good morning guys. So, two questions from me as well, the first one on, on Tudor, according to Morgan Stanley estimates, it was basically the fastest growing Swiss watch brand over the past three years. So just wanted to know if you've experienced nice growth with the brand. And more importantly, if you have today, the same kind of supply constraint that you're experiencing with Rolex. So that would be number one, number two, on your geographic footprint. One of your main peer Boucher has been a bit bolder in terms of geographic expansion, because as you know, they have a presence across continental Europe. So, for now, are you basically sticking to the U.S. and the UK, and you think there's just enough growth coming your way in the U.S. for you to venture into new geographies. Thank you.

Brian Duffy: Thanks, Edward. Our it Tudor is a great brand, has a lot going for it, a lot of tremendous heritage credibility and the history and a great quality of product and great marketing support. Breiting's got a great position, great price point. And obviously as I think everybody would know, it's a part of the Rolex family overall.

Brian Duffy: There are supply constraints. The new product launches... The blue dial, again, was immediately on waiting lists. The black dial as well has been a problem. We've just introduced... Unfortunately, you probably have seen the bronze product that they've introduced recently. It's monobrand only. We have the only monobrand in the UK. And again, whatever has been supplied so far has gone and we get a waiting list again.

Brian Duffy: So it's not quite the same as Rolex overall, but I'm quite optimistic about supply improvements overall at Tudor. But Tudor, you know, we have a group of brands that we're really focused on for a variety of activity, strategic partner brands that have been Cartier or Breiting puts Tudor for us because we really have momentum and love what they're doing. So very positive about them.

Brian Duffy: And you're right, Boucher have been more geographically ambitious than we are if you look back over the decades. And we are, obviously, both now in the US market, and as you'll hear when we do our presentation this afternoon, a bit of long-range plan, we see opportunity in the EU market overall. And we've included some projections of successful entering the US market... The EU market, sorry, but we'll talk about this afternoon.

Edward Alden: Okay, fantastic. Thank you.

Brian Duffy: Thank you.

Operator: And our next question comes from Louise Singlehurst of Goldman Sachs.

Louise Singlehu: Hi, morning, Anders and Brian. Thank you very much for the information provided so far. I'm looking forward to this afternoon. I wondered... Brian, a question for you. I suppose the big surprise, if we think about the luxury industry in the last kind of 12, 18 months has been, you know, the appetite and the strong rebound and the recovery that we've seen. I wonder, specifically, if you can tell us about what you've seen across the cohort. Is it new customers coming in? Is it a mix of the existing customers buying more? Aid groups? You know, for a long time and many years we've talked about the younger consumers being distracted within the category, probably tempted by the smartwatch category, but there seems to be a real appetite for the traditional watch category and how you view that across your CRM database in the last 12, 18 months. Thank you.

Brian Duffy: Yeah, agreed, Louise. It's again, I don't think anybody would've predicted their build-positive market trends that have been going on with luxury overall. We particularly see it in the US, actually, and see a lot of activity in the US from the luxury sector overall, and retail. And obviously in the US, alongside that you have a decline of traditional department store business, so you might need more activity with the brands, directly developing. You have clearly the acquisition of Tiffany and investment and drive that's there. And getting good... equally, very active in the US. And weathering all that, then, luxury watches clearly have been doing very well, too, in terms of changes as more sales purchasing going on would be, I believe, which has been an ongoing trend, male and female, even more within the female consumer.

Brian Duffy: We have sold more to existing clients, inevitably, because we've done a lot more client-telling with our stores closed, so by using our database. So, by definition, we've sold more, whether or not that is reflective of demand, we don't really know because demand is strong and now that we've reopened our stores, demand is clearly there. And there's more broad-based across everything that we're doing.

Brian Duffy: But certainly, if you look back over the last year, more online business and particularly more client- telling towards a waiting list, which by definition is more to existing clients.

Brian Duffy: Age-wise has been a big part of our... Well, first of all, our analysis is that all generations... there's been no change overall in the age profile of people that are interested and when they start to become interested in luxury watches. Somewhere in the mid-twenties... The best segment from an age standpoint is 35 to 54, when people start developing the situation economically or career or celebrating special occasions and all that.

Brian Duffy: But people start buying into luxury watches from mid-twenties, and we haven't seen that change overall.

Operator: (Silence) That concludes today's question and answer session. I'd now like to hand the call back to Brian Duffy, CEO, for any closing remarks or additional comments.

Brian Duffy: Thank you. Thanks, everybody for joining us and for all of your very good questions as usual. We're obviously delighted with the year that's behind us, delighted that life is getting back to normal. We're optimistic about fiscal year '22 as we've reflected and have guidance, and so far so good.

Brian Duffy: We're going to have a lot more to talk to you about this afternoon and for the first time really ever, you know, look forward for a five-year plan. So, we'll look forward to chatting again, then. Thanks for joining us.