16 August 2022

Watches of Switzerland Group PLC
Q1 FY23 Trading Update
for the 13 weeks (Q1 FY23) to 31 July 2022

Strong start to the year with waitlists continuing to extend
Performance driven by strength of our business model and market sector conditions

Brian Duffy, Chief Executive Officer, said:
"The first quarter continued with strong momentum throughout, and we carry this positive momentum into the second quarter. Despite the well-publicised concerns about the macro-environment, demand for our products remains robust with client registration of interest lists continuing to extend.

"The luxury watch market is dynamic with exciting developments on new products and marketing across a broad range of brands.

"Within a large, diffuse and growing market, we are benefitting from our distinctive business model – namely our investment in leading store design, the strength of our brand partnerships, our international scale, our bold marketing campaigns, our advanced systems technology, and our dedication to client experience.

"We continue to focus on attracting new clients and growing market share in the UK and US. We have seen positive early results from our expansion into Europe. As we continue to invest in our multichannel model and new incremental projects, we remain confident in our long range plan.

We have an exciting and growing pipeline of new projects, and I am pleased to announce that we will relocate the current Rolex Boutique on Bond Street (900 sq ft) to a new 7,200 sq ft location on Old Bond Street in 2023. This new flagship will reflect the importance of the London market and the special relevance of London to the history of Rolex."

- **Group revenue £391 million (Q1 FY22: £297 million), +25% at constant currency, +31% at reported rates**
    - Strong performance against a particularly strong comparative in the UK with Q1 FY21 benefitting from de-stocking and pent up demand as showrooms re-opened following the COVID-19 lockdown
    - Luxury watches +32% to £342 million, representing 87% of revenue (Q1 FY22: 87%)
    - Luxury jewellery performing well +36% to £27 million
    - Continued strength in group ecommerce sales +14% vs last year at reported rates with ongoing investment in our multi-channel strategy
    - Xenia, the Group's elevated Client Experience Programme, now embedded across all showrooms further enhancing the relationship we have with our clients
    - Opening of first European mono-brand boutique in Stockholm. Early trading in line with expectations with five further showrooms opening in FY23
    - Growing pre-owned business following the successful relaunch of Analog:Shift in the US and investment in UK resource. Pricing and margins maintained

- **Further acceleration in the US with revenue of £152 million, +76% vs Q1 FY22 at constant currency, +100% at reported rates relative to Q1 FY22**
    - Revenue growth excluding acquisitions +58% at constant currency, with newly acquired stores performing well
    - Strong underlying growth driven by higher volumes, reflecting success of our model and the strength of client demand
    - New showroom acquisition, anchored by Rolex, opened in New Jersey in July
    - Opened mono-brand boutique with Breitling in Lennox Mall Atlanta, Georgia

- **Strong UK sales growth with revenue of £239 million, +8% vs Q1 FY22**
    - Performance continues to be driven by resilient domestic clientele with strength across the UK
    - Ongoing improvement in airport business as traffic recovers, with all airport showrooms now reopen
    - Store development programme continues with several projects completed in the period:
        - Significant enhancements to our Watches of Switzerland flagship Regent Street multi-brand showroom
        - Two showrooms refurbished in the Goldsmith Luxury concept: Bluewater, Kent and Victoria Square, Belfast
        - Opened a mono-brand boutique in July with TUDOR in Bristol Cribbs Causeway and at the beginning of August, a mono-brand boutique with Breitling in Meadowhall Sheffield

Outlook

- While we continue to monitor the wider macro-economic environment, we believe that the strength of the luxury watch category, with its unique supply/demand dynamics, together with the success and agility of our model will continue to support long-term sustainable strong sales growth
- Our FY23 guidance reflects current visibility of supply of key brands and confirmed showroom refurbishments, openings and closures and excludes uncommitted capital projects and acquisitions

- The Group reiterates its previous guidance for FY23 on an organic pre-IFRS 16 basis, which anticipates a potentially more challenging trading environment in the second half of FY23:
    - Revenue: £1.45 - £1.50 billion
    - Adjusted EBITDA %: flat to +0.5%
    - Depreciation: £33 - £35 million
    - Adjusted EBIT: £157 - £169 million
    - Total finance costs: c£4.5 million
    - Underlying tax rate: 21.5% – 22.0%
    - Capex: £70 - £80 million including new offices in the UK
    - Year-end net cash: £35 - £45 million

    The equivalent guidance on an IFRS 16 basis is:
    - Adjusted EBIT: £172 - £184 million
    - Depreciation: £79 - £83 million
    - Total finance costs: £18 - £21 million

- The Group is exposed to movements in the £/$ exchange rate when translating the results of its US operations into Sterling. Guidance assumes a £/$ 1.30 exchange rate, with a five cent move resulting in an adjustment of c.£25 million to full year Group revenue and c.£3 million on full year Adjusted EBIT, on a pre-IFRS 16 basis

Q1 FY23 Revenue Performance by Geography

	Q1 FY23	Q1 FY22	Q1 FY23 vs Q1 FY22	
(£m)	13 weeks to 31 July 2022	13 weeks to 1 August 2021	YoY %	Constant currency YoY %
UK and Europe	239	221	8%	n/a
US	152	76	100%	76%
Group Revenue	**391**	**297**	**31%**	**25%**

Q1 FY23 Revenue Performance by Category

	Q1 FY23	Q1 FY22	Q1 FY23 vs Q1 FY22
(£m)	13 weeks to 31 July 2022	13 weeks to 1 August 2021	YoY %
Luxury watches	342	259	32%
Luxury jewellery	27	20	36%
Other	22	18	19%
Group Revenue	**391**	**297**	**31%**

Conference call

A conference call for analysts and investors will be held at 9.00am (UK time) today. To join the call, please use the following details:

Dial-in: +44 (0) 20 3936 2999
Conference access code: 348294

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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 both the UK and US, 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 31 July 2022, the Watches of Switzerland Group had 173 showrooms across the UK and US including 58 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.

Mappin & Webb holds Royal warrants as goldsmiths, silversmiths and jeweller to Her Majesty The Queen and silversmiths to His Royal Highness The Prince of Wales. The Mappin & Webb master jeweller has been Crown Jeweller, custodian of the Crown Jewels of Her Majesty The Queen since 2012.

Disclaimer

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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 as detailed above.