

9 November 2022



**Watches of Switzerland Group PLC
Q2 FY23 Trading Update**

for the 13 weeks (Q2 FY23) and 26 weeks (H1 FY23) to 30 October 2022

**Strong broad based trading momentum through Q2
Ongoing market share gains in UK and US
FY23 guidance upgraded to reflect benefit of foreign exchange**

Brian Duffy, Chief Executive Officer, said:

“We are pleased to report another quarter of strong trading driven by broad based sales growth across our portfolio of world leading partner brands. Demand remained strong through the quarter and continues to exceed supply, with client registration lists extending as consumers respond to innovative new products, impactful marketing and elevated client service.

“The first half of the year has been a busy period of new showroom openings - including five showrooms at the iconic Battersea Power Station in London and additional mono-brand boutiques across the UK, US and now Europe - together with showroom refurbishments as we continue to invest to elevate the luxury experience for our clients.

“Our strong H1 performance underpins our full year guidance, which we have upgraded to reflect the benefit of foreign exchange movements. 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.”

H1 FY23 Highlights:

Group revenue £765 million (H1 FY22: £586 million) +23% at constant currency, +31% at reported rates

- Luxury watches +31% at reported rates to £667 million, representing 87% of revenue (H1 FY22: 87%) with growth driven by increases in average selling price and volume
- Luxury jewellery +38% at reported rates to £56 million as we continue to elevate our product offer and distribution
- Continued strong momentum in the US with revenue of £311 million (H1 FY22: £167 million), +60% at constant currency, +86% at reported rates with revenue growth excluding acquisitions +44% at constant currency
- Strong UK performance driven by domestic clientele, with revenue of £454 million (H1 FY22: £419 million), +8% vs H1 FY22
- Opened four mono-brand boutiques in Europe. Early trading in line with expectations with two further mono-brand boutiques opening in H2 FY23
- Group ecommerce sales +7% on last year at reported rates
- H1 FY23 Adjusted EBIT is expected to be £86 million to £88 million (H1 FY22: £67 million, when margins benefitted from £5 million of UK business rates relief)
- Xenia, the Group's elevated Client Experience Programme, now embedded across all showrooms and further enhancing the relationship we have with our clients
- The Watches of Switzerland Group Foundation has now approved charitable donations of £2.7 million to continue to support disadvantaged communities in both the UK and US

Q2 FY23 Highlights:

Group revenue £374 million (Q2 FY22: £289 million), +21% at constant currency, +30% at reported rates

- US revenue of £159 million, +46% at constant currency, +74% at reported rates
 - Revenue growth excluding acquisitions +30% at constant currency
- UK revenue of £215 million, +9%
 - Tourist sales remain very low, but there has been consistent performance improvement at airports throughout the quarter
- Ongoing investment in showrooms in Q2 with 9 opened in the UK, 5 in the US and 3 in Europe:
 - Five showrooms at the new iconic Battersea Power Station in London, a Watches of Switzerland showroom featuring a dedicated Rolex area, Cartier “Espace” and other luxury watch brands; and four mono-brand boutiques in partnership with OMEGA, Breitling, TAG Heuer and TUDOR
 - Continued rollout of Goldsmiths Luxury concept with the reopening of our flagship in Meadowhall, Sheffield featuring a large dedicated Rolex room and Cartier “Espace”; and West Quay, Southampton with large branded spaces for OMEGA and Breitling
 - Four additional mono-brand boutiques in the UK including two in Canary Wharf, London and the first TUDOR boutique in Scotland
 - Five US mono-brand boutique openings including TAG Heuer and Breitling boutiques in Boca Raton, Florida
 - Opened OMEGA and Breitling mono-brand boutiques in Copenhagen, Denmark and Breitling mono-brand boutique at Westfield Mall of Scandinavia, Sweden

Outlook

- While we continue to monitor the wider macro-economic environment, 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.
- Our FY23 guidance reflects current visibility of supply of key brands, announced pricing, and confirmed showroom refurbishments, openings, and closures and excludes uncommitted capital projects and acquisitions.
- Guidance is now upgraded to reflect movements in foreign exchange with H2 projected using a £/\$ 1.20 exchange rate. On a constant currency basis revenue and adjusted EBIT guidance is unchanged. Guidance is on an organic, pre-IFRS 16 basis and as previously stated, continues to anticipate the potential for more challenging market conditions in the second half:
 - Revenue: £1.50 - £1.55 billion (previous guidance £1.45 - £1.50 billion)
 - Adjusted EBITDA %: flat to +0.5% (guidance unchanged)
 - Depreciation: £33 - £35 million (guidance unchanged)
 - Adjusted EBIT: £163 - £175 million (previous guidance £157 - £169 million)
 - Total finance costs: c£5.5 million (previous guidance c.£4.5 million) reflecting higher interest rates
 - Underlying tax rate: 21.5% – 22.0% (guidance unchanged)
 - Capex: £70 - £80 million (guidance unchanged) including new offices in the UK
 - Year end net cash: £35 - £45 million (guidance unchanged)

The equivalent guidance on an IFRS 16 basis is:

- Adjusted EBIT: £178 - £190 million (previous guidance £172 - £184 million)
 - Depreciation: £81 - £85 million (previous guidance £79 - £83 million)
 - Total finance costs: £21 - £24 million (previous guidance £18 - £21 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

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

Q2 FY23 Revenue Performance by Geography

(€m)	Q2 FY23	Q2 FY22	Q2 FY23 vs Q2 FY22	
	13 weeks to 30 Oct 2022	13 weeks to 31 Oct 2021	Reported YoY %	Constant currency YoY %
UK & Europe	215	197	9%	9%
US	159	92	74%	46%
Group Revenue	374	289	30%	21%

Q2 and H1 FY23 Revenue Performance by Category

(€m)	Q2			H1		
	13 weeks to 30 Oct 2022	13 weeks to 31 Oct 2021	Reported YoY %	26 weeks to 30 Oct 2022	26 weeks to 31 Oct 2021	Reported YoY %
Luxury watches	325	250	30%	667	509	31%
Luxury jewellery	29	21	40%	56	41	38%
Other	20	18	10%	42	36	14%
Group Revenue	374	289	30%	765	586	31%

The financial information contained herein is unaudited.

Adjusted EBIT is EBIT before exceptional items shown on a pre-IFRS 16 basis.

Certain financial data within this announcement has been rounded. Growth rates are calculated on unrounded numbers.

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 (UK): 020 3936 2999

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The Group will announce its Interim results for the 26 weeks ended 30 October 2022 on 14 December 2022.

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 74 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.

<https://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 Annual Report and Accounts 2022 in Risk Management and Principal Risks and Uncertainties.