Watches of Switzerland Group plc

FY26 Trading Update

14th May 2026

Transcript

THE WATCHES OF SWITZERLAND GROUP

Operator: Good morning and welcome to the Watches of Switzerland Group's FY26 Trading Update webcast. We're joined this morning by Brian Duffy, Chief Executive Officer and Anders Romberg, Chief Financial Officer. If you would like to ask a question during today's call, please press star one on your telephone keypad. I'll now hand over to the Watches of Switzerland Group management team, Brian Duffy. Please proceed.

Brian Duffy: Thank you, Dom, and good morning, everyone. Thanks for joining our full year FY26 trading update call. A few introductory comments from me and then we'll open the line for your questions for myself and Anders. Our group sales coming in at plus 13% in constant currency plus 11% in reported. A total of £1.83 billion were ahead of the high point of our guidance and of market consensus. H2 growth trends were marginally better than H1 despite being up against tougher comps. We expect Adjusted EBIT of between £152 and £155 million also ahead of expectations.

Our team delivered great results navigating through challenges including changing import tariffs, gold price inflation, some other challenges. They really did a great job. Sales in the US of $1.24 billion were 24% up in prior year and the US is now more than 50% of Group sales. This is a major milestone for our Group achieved in just eight years since we entered that market.

The US luxury watch market is the largest and fastest growing major market globally and we continue to see the market is underdeveloped. The high-income segment in the US has benefited from significant increases in wealth due mainly to the appreciation of financial assets and the luxury watch market in the US is buying. The US luxury jewellery market is also the number one market globally and our Roberto Coin wholesale business has shown great sales progress at plus 22% in USD for the year. The Roberto Coin brand performed very well in our Mayors stores in Florida and the three new mono-brands and new website are performing in line with our expectations. Our acquisition of the Deutsch & Deutsch four stores in Texas has proceeded well and the business is performing well too.

In the UK, sales have improved in H2 and we continue to view the UK luxury market as stable. Sales for the year were plus 5% and we had a particularly stronger year for luxury jewellery.

Looking ahead to FY27, we're carrying in strong momentum and good confidence into the year. Our guidance is for sales growth of between 5% and 10% in constant currency. There is of course 52 weeks on prior year of

53. If we adjust for that, the guidance we're giving is between 7% and 12% and we're getting to a profitability and improvement of between 40 and 80 bps compared to FY26. Our growth pillars are all performing well and we have a strong pipeline of projects. In the UK and US, we look forward to another year of record growth. Many thanks to our wonderful colleagues for showing, again, their commitment and enthusiasm, excellent client service and delivering these strong results for FY26. So, with that, we'll open the line for your questions.

Q&A

Operator: Thank you. If you would like to ask a question, please press star one, on your telephone keypad. We'll take our first questions from Chris Huang from UBS. Your line is open. Please go ahead.

Chris Huang: Hello. Hi, it's Chris Huang from UBS and first of all, congratulations on the results. I have two questions. The first one mainly on the UK. I mean, the momentum of the UK market seems to be turning as you did 7% in H2 for the region. Could you perhaps help us understand better the regional expectations you baked in for the FY27 guidance? I'm asking because your comps get quite easy in H1. So, would it be fair to assume maybe some further acceleration in the UK, even into the double-digit range in H1? Secondly, on the US, we saw in H2 another very impressive half year. So, I'm just wondering here if you could help us understand the underlying drivers of the growth of this 27% in H2. How much was driven by new stores and how much by the uplift in average selling price and volumes within the existing stores, please? Thank you.

Brian Duffy: Thanks, Chris. UK market is good and we characterise it. It's stabilised in FY25, which we reported that we continue to see it as stable. We have picked up a bit of momentum. We have areas in which we're performing very well. Our Bond Street Rolex flagship store is doing extremely well, very proud of the performance and particularly the feedback from clients on that store, which really couldn't be better. So that's a great success. Ecomm business in the US and the UK is doing very well and we had a real standout performance in jewellery. And honestly, it's just a lot of the good things that we're doing across our network. We have the year two, year three of major expansions that we've done in prior years, seeing the benefit of them, seeing the benefit of them coming through. We don't split our guidance by market, so we can't tell you what the assumption was for the UK other than to say that we're carrying good momentum, and we see the market is stable, we see it as continuing to be so for the year.

There's obviously disruption around politically or wherever, but honestly, we see the circumstances that we're in today as better than they've been in the last couple of years with the amount of instability that has been overall.

US market is, on the other hand, very strong for reasons that I said, the under development of the category, watch category in particular and the very positive frame of mind of the high-income consumer combining to create good market conditions. Again, we carry into the new year experiencing those conditions. We're up against tougher comps of course and we project forward the business based upon what we're experiencing, but obviously the comps that we're up against are going to be that bit tougher. So, our advice would be not to, this is our best call for the market is the guidance that we're giving. We wouldn't get carried away beyond that at this point.

Well, obviously things get on in the world that can still affect the climate that we're doing business in, but the ASP and pricing we could get back to you on the average price for the year.

Anders Romberg: I mean, most of the pricing action that we saw as a result of the tariffs impacted this last fiscal year, FY26 predominantly. There have been a few price adjustments due to the gold price and that's the part of the segment in watches that has been somewhat impacted, but it's not been the materiality that we saw in last fiscal year.

Brian Duffy: And we never anticipate price increases. And they generally happen at the start of the calendar year, not always, but they generally happen at the start of the calendar year, but we never assume it in our numbers.

Operator: We'll move to the next questions from Adrien Duverger from Goldman Sachs. Your line is open. Please go ahead.

Adrien Duverger: Hey, good morning, Brian, Anders and Caroline. I just wanted to thank you, Caroline, for the work we've done together over the last few years and good luck in your next endeavour. Have a couple of questions if possible. The first one is if you could please comment on the momentum regarding wait listed products, both in the UK and in the US. And my second question would be with regards to the pre-owned category. So relative to your mid-term targets, how is Rolex CPO progressing? Are you now selling Rolex CPO in all of your stores, both in the UK and in the US? And is it still the second biggest brand in the group nowadays? Thank you very much.

Brian Duffy: Morning, Adrien. Thanks for your questions. The situation with regards to the mix of our business on the supply constrained sector of our business has been very steady. Again, with the demand in the US, we could be selling everything to wait list clients for those brands. Case in the UK, as we've reported, we have an element of a walk-in business and an element of stock that's available. Again, that seems to be steady. It's a very good experience all around, obviously, for our salespeople and clients. At least they have some access to products. So, a big part of our business is highly predictable because it is based upon supply and it's based upon the list that we have. We continue to add to the lists UK and US. When new products come along following Watches and Wonders, we get another wave of additions to the listing. And that happened, of course, this year with the new products that were announced in Geneva.

So, it remains very steady and a core part of our model and mix. Pre-owned is going very well. It's at least in line with what we would've expected it to be, maybe even a wee bit better. In the case of the US, we're in all of the doors for Rolex CPO. In the UK, we have a few more doors still to add that we'll do in this fiscal year. It's really just been a matter of when are we reorganising or relaying out the store and we obviously coincide with the development with that. So, we have a few doors to add yet in the UK. It's a core part of our business.

Yes. And the other thing I'd emphasise we have the Rolex Certified Pre-Owned business that's going very well and the other brand pre-owned business is also going very well. So as a category as our number two brand, if you like, from that standpoint and a great business for us, we are learning more and more as we go developing more and more relationships and obviously developing a great awareness with our clients who are coming to experience some really interesting product that we can now present. It's been a particular success in Bond Street. Again, if you've been there, we have a beautiful presentation of very interesting products to see and understand quite apart from shopping. We have clients coming to us asking to source vintage products and so on. So, it's really great space for us. Our new acquisition in Texas, Deutsch & Deutsch will be bringing Certified Pre-Owned to them as well as some other elements of a business that we can add. So, it's really good category and it's contributed well to our growth over this last couple of years, including fiscal 26.

Anders Romberg: And to add to that, the team is getting better and better at procurement and stock management. So, the health of our inventory has never been as good as it is today.

Brian Duffy: And the market, as I'm sure you track, is very stable as well from a pricing standpoint following that crazy volatility of 22 and 23.

Adrien Duverger: Thank you very much.

Operator: Thank you. As a reminder, if you would like to ask the question, please press star one. We are now taking our next questions from Kate Calvert from Investec. Your line is open. Please go ahead.

Kate Calvert: Good morning, everyone. I've just got a question on Roberto Coin. I was wondering if you could update and give a bit more detail on the four mono store trials, how they're going and performing and expectations for the year ahead and also perhaps update on progress with discussions, getting more space in some of your wholesale partners. Thanks very much.

Brian Duffy: Thanks, Kate. They're all - Roberto Coin business with us - we're very, very pleased with the integrations, the collaboration that we have with the teams in Italy, with Roberto himself and his family and the team under Peter Webster in the US that we are obviously getting to know. The four mono-brands, it's three at the moment with a forthcoming in Tampa, all going well. The website as well as Roberto DTC going very well. What's going extraordinarily well is the expansion of Roberto Coin within the Mayors group where we've installed shop-in-shops and clearly the training and really focused on the merchandising and so on. And to your last point, we're using these experiences, these projects to clearly then take them out and present to our other wholesale partners. And we've more than doubled the business in the Mayors stores from what we've done. And it's become a very important brand and even comparing well to and exceeding actually the productivity of some major brands in the store.

So, it's great. I'm off to Vegas in a couple of weeks, the biggest event of the year is the Couture JCK event takes place in Wynn where we happen to have our stores. We have a lot of meetings set up with our big department store partners and our big independent retailers. We have a programme of expansions that we're working on. Obviously, they all take time to negotiate, to get the space, to procure the furniture and everything else. So, we're on it and delighted with the results that we got last year, delighted with the fact that we continued to do well despite the fact that we had to put prices up, obviously, since it's predominantly gold, the product. And it's going to be an important part of our business and obviously makes a disproportionate contribution from a profit standpoint since we have both a wholesale and retail margin when we do this direct to consumer business and the standalone wholesale businesses are nicely profitable as well. You know that the business that we acquired was a 20% EBIT business. So yeah, very, very positive about Roberto.

Kate Calvert: Great. Thanks very much. Have fun in Vegas.

Brian Duffy: Thank you.

Operator: Thank you. We are now moving to our next questions from Richard Taylor from Barclays. Your line is open, please go ahead.

Richard Taylor: Yeah, morning. Hopefully you can hear me this time. I've got a question on the margin guidance. I know you have the Roberto Coin debtor that was talked about in the Q3 statement. So just keen to understand how much of the 40 to 80 bps uplift you're talking to is an underlying improvement versus some of that unwind. Thanks very much.

Anders Romberg: Well, we never really disclosed the absolute number for Roberto Coin, but obviously the write-off that we had to take as part of the Chapter 11 proceedings, which now is closed, by the way. We don't expect that to annualise next year, obviously. So that has a slight impact so you can make up your own number, but I think it's out there. I know most analysts have put in around £3 to £4 million for that. So that's a benefit that we'll have next year. The rest of the margin expansion is coming from operational leverage, which is historically how we've driven the profitability in this business over more than a decade actually. So, it's coming from that, the margin expansion and we expect that to contribute to the 60 bps, which is the midpoint.

Brian Duffy: And we've worked on our brand mix. It's a great thing that we have. We're a multi-brand, we're a true multi-brand retailer in the main and we're able to change the mix of our product as we go and we've had some really great success and we've kind of reorganised the mix of our brands in terms of productivity and margin impact. We continue to look at our store portfolio as well. Yeah, a few things contributing to the improvement that we're guiding to.

Richard Taylor: Got it. Thanks very much.

Operator: Thank you. As a reminder, if you would like to ask question, please signal by pressing star one on your telephone keypad. We are now taking our next questions from Piral Dadhania from RBC. Your line is open. Please go ahead.

Piral Dadhania: Great. Thank you. Morning, everybody. Congratulations on a great print. I had two quick questions, please. The first one relates to the 2027 guidance, the 5% to 10% revenue growth ambition. Could you help us understand how we should think about the price versus volume split? And then the second question relates to potential US tariffs refunds. Is there any benefit accruing to Watches of Switzerland from that, or is there any way in which you could leverage your supplier partners to help you with CapEx or Opex contributions against any potential windfall coming from that side? Thank you.

Brian Duffy: I'll take the second one first. The tariffs obviously are paid by the brands importing the product, not paid directly by us in terms of our watch brand partners. To your point, it takes the pressure off that was there from them in terms of pricing and margin. And of course, as we discuss projects with them and plans and so on with them, we're well aware that the tariff situation is much more favourable to what it was at one point in fiscal 26 and what we may have feared going forward. This specific for us is the importation of Roberto Coin product and of course we've made our applications and working on that as we speak, but we don't pay the watch tariffs directly.

Anders Romberg: In terms of pricing, obviously we've seen less aggressive pricing coming through from the brands this year than what we saw last year where brands were making up for the cost of the tariffs and the price of gold that was skyrocketing. So, in our guidance, there is a component of pricing that is rolling forward. So, for instance, a brand like Cartier took the pricing up in September of last year by 10% in the US. Obviously, that benefits us in the first half of this fiscal year. We always incorporate the pricing that we know of. We do not include any pricing that hasn't been announced by the brands. So, to answer your question, it's going to be a mix of price and volume that's going to drive our growth in the next fiscal year.

Piral Dadhania: Okay. Thank you. And sorry about the echo before.

Brian Duffy: No problem.

Operator: Thank you. That's all we have from our conference audience. I'd like to turn the conference back to the management team for any additional or closing remarks. Please go ahead, sir.

Brian Duffy: Okay. Listen, thanks again for joining the call everybody and then a particular thanks to our team for managing their way through what has really been a bit of a volatile year that we really feel has settled down through the year and carries a more stable perspective in the fiscal 27 that we're now in. But the teams have done an absolutely amazing job, but obviously very well positioned. We are now more than 50% US business. It is the best market to be in right now, long may it continue, but we're confidently getting into a year that we think is a lot more predictable than we might have experienced over the last few. And I appreciate your support and interest in our business.