Watches of Switzerland

H1 FY25 Results

5th December 2024

Transcript

Brian Duffy: Good morning, everyone and welcome to the presentation of our first half year results. You'll be hearing from myself, Brian Duffy, Group CEO, and then Anders Romberg, our Group CFO. Then we will, as usual, open up for your questions.

We are encouraged by the results and trends in the first half of fiscal year '25. Trading was in line with our expectations, and momentum in the second quarter was positive. The markets have settled following a period of volatility, and our model continues to drive outperformance and therefore market share gain. Our registration of interest list continues to grow with consistent conversion rates. Sales of Roberto Coin are strong in the US, and the integration of the business is progressing well. We're very active on developing plans for future growth of this great brand. Pre-owned, both Rolex Certified Pre-Owned and other brands, is providing accelerated growth, in line with our plans and expectations.

The integration of the recently acquired Hodinkee business is underway, and we're working on some exciting growth plans with the teams there. We have a strong pipeline of major projects impacting particularly H2, as well the projects completed during H1. The holiday season has started well, with November sales in line with our growth expectations, and we are pleased therefore to confirm our previously announced guidance for the year remains unchanged.

Our revenue mix has changed quite significantly in the past five years. As shown in the first pie charts, the share of our sales in the US has moved from 24% fiscal year '19, to 45% in H1 of FY25. Following the removal of tax-free shopping in the UK, our sales have been predominantly to domestic clients, at 94% of the total in H1 FY25, compared to 67% in FY19, as shown in the second pie charts. We're very proud of our success in the US, and the teams there under the leadership of David Hurley have done a fantastic job. Through the last fiscal year sales had grown to $870 million, from $120 million in fiscal year '18, and we are planning further impressive growth in fiscal year '25. As shown in the boxes below each year, growth has come from a number of incremental projects and acquisitions, in addition to a programme of sustained showroom investment and enhanced client experience.

This chart shows a product split, with luxury watches in total changing very little from 81% in fiscal year '19, to 82% in H1 fiscal year '25. The top eight luxury watch brands shown, represent 71% of the sales in H1 FY25, jewellery sales have increased in this time to 12% mix following the acquisition of Roberto Coin Inc. This chart shows some new information from analysis of the Watches of Switzerland Group, the client databases in the UK and the US. We show a split of sales by client frequency from clients buying only one to two watches since January, 2020, to those series collectors who have purchased more than seven watches in that period. Of course, clients may have shopped with other retailers during this time, and we do not have comparable other market statistics for this data.

However, we believe that we outperform the market on both the category one shopper, buying infrequently, representing 45% of our sales in the UK and 30%

of our sales in the US, and the category four serious collectors representing 26% of sales in the UK, and a very significant 45% of sales in the US. Some other new information for you from a survey of UK clients, which shows a clear preference of multi-brand shopping at 70%, more than two to one, compared to 30% mono-brand preference. Of these clients, 84% confirm the importance of independent advice and expertise, such as provided in our showrooms by our great colleagues.

In 2024, we celebrate 100 years of the Watches of Switzerland brand, that first opened in Ludgate in London in 1924. We are celebrating this milestone with a series of stunning exclusive timepieces from our brand partners, as shown here. We've completed some great projects this year with many more to come, including important developments with Patek Philippe, Audemars Piguet, and Rolex. In August, we opened this great expanded showroom for Patek in Greenwich, Connecticut. Clients loved the new 2,000 square foot space and many enjoyed the opening event. We are making great progress with the Audemars Piguet townhouse in Manchester, which will open in April next year. This will be the first Audemars Piguet townhouse in the UK outside of London, and our first joint venture with AP.

We have a number of great projects with Rolex, including our relocation to a much larger store in Tampa, Florida. A return to Jacksonville, Florida, to a completely new location, doubling the size of the Betteridge Vail showroom with a beautiful Alpine design, and a new Rolex agency in a relocated showroom in Plano, Texas. Then in February, we will open this amazing Rolex boutique in Lenox, Atlanta, which is a conversion of the previous Mayors store into a 3,000 square foot Rolex flagship. In March, we will open this stunning statement of a Rolex flagship in Bond Street, London. Four floors and over 6,000 square feet of retailing, including a service lounge and a dedicated pre-owned floor.

The Watches of Switzerland Group has managed the Rolex, Bond Street Boutique since the early 1970s. In the UK last month, we opened this beautiful Watches of Switzerland showroom in Fenchurch Street, London, which was a conversion from Mappin & Webb, expanding from around 1,200 square feet to over 5,800 square feet. In a relatively short period of time, Rolex Certified Pre-Owned has become an important and established part of our business, and now is our number two brand. Additionally, other pre-owned has grown significantly too. Rolex CPO is now in 19 Rolex showrooms in the US, and 24 in the UK, and other CPO is traded in 16 showrooms in the US and 30 showrooms in the UK.

Our scale systems and showroom networks all provide substantial competitive advantages in this sector. Sales are in line with our growth plan expectations. Procurement, servicing, etc., are all operating smoothly and we look forward to the implementation of in-store furniture and window displays, which will further accelerate growth. Luxury branded jewellery is a large and growing market. The market has been and continues to trend towards brand preference versus commodity. We believe that we have a significant growth potential in this category, and we have developed a number of key plans. The acquisition of

Roberto Coin in North America, a concept of dedicated luxury branded jewellery showrooms, the first of which will open in Manchester. Expanded jewellery spaces and showroom developments, a focus on Ecomm, and importantly the introduction of and expanded distribution of the international luxury brands shown here.

We love the Roberto Coin brand and we have formed a great collaborative partnership with the teams at Roberto Coin in both Vicenza and New York. There's been no disruption with wholesale partners in the US, and we are now fully active on retail store locations, retail store design, new shop-in-shop design, and a new advertising campaign. We have also initiated department store concession discussions. We already had planned space expansions for the Roberto Coin brand in Mayors, which was previously only in counter presentations. The increased sales and productivity from the elevated and larger spaces has been excellent.

Then in summer, we will open this first of a kind dedicated luxury jewellery showroom in Manchester. For many brands, this will be the first time being distributed outside of London. This includes a launch of the David Yurman brand in the UK. The David Yurman brand is a major player in the US and we're delighted to bring this great brand to our country.

Client experience is our number one focus. Our team manage a full and varied events calendar, including, for example, our recent special Mappin & Webb event at the Tower of London, with the Crown Jeweller. We are using special 3D cameras to support our virtual boutique team with the online shoppers. Conversion rates from our virtual boutique operation are excellent. Our newest business is Hodinkee, and the integration to date has gone well. We feel very positive about the prospects from adding this globally leading authority on luxury watches to our group, and the potential to develop online sales and advertising revenues.

Finally, our group has always had an active focus on all ESG matters. We have a programme of employee engagement, and we were delighted to be certified as a Great Place to Work, earlier this year. On the environment we are active on continually improving our footprint, emphasising the circularity of Swiss watches through increased servicing resources and expanding pre-owned sales. We have consistently supported our foundation and developed great partnerships around our foundation's objectives of alleviating poverty and promoting education. We have a super group of trustees who willingly give their time to the foundation. Now I'll pass over to Anders.

Anders Romberg: Thank you, Brian, and good morning everyone. I'm Anders Romberg, CFO for the Group, and I'll now take you through the financials. Our first half performance was in-line with our expectations. As planned, our first quarter was impacted by the stock builds, particularly in the US. Trading has improved sequentially in the second quarter, and early holiday trade in November has been good. Our full year guidance remains unchanged. Our first half sales were +4% to last year at constant currency. With a stronger second quarter, the UK improved sequentially from its FY24 exit rate, with sales down 4% in the first quarter and +2% in the second quarter. US was down 1% in the first quarter from anticipated stock builds, and +24% in constant currency in the second quarter, taking the first half to +11%. I'll now take you through the income statement. This is presented on a pre-IFRS 16 basis and excludes exceptional items. The reconciliations to the statutory numbers are included in the RNS. On a reported basis, sales for the half were +3%. Net margin for the half was 60 basis points down on last year, reflecting adverse product mix, due to the higher increase of pre-owned. Adjusted EBIT of £66 million, achieving a margin of 8.4%. This was 120 basis points down on prior year, due to the net margin rate decline and the de-leverage of fixed cost. Finance cost increased by £5.8 million to £7.3 million, following the drawdown of funds for the Roberto Coin acquisition. The effective tax rate was 28.4% for the half, exceeding the standard UK rate, due to higher chargeable taxes on US profits. Adjusted EPS was 18.1p, a decline of 16% on prior year.

Moving to the balance sheet, the increase in goodwill relates to our acquisitions of Roberto Coin, Hodinkee, and Ernest Jones showrooms in the last year. Our inventory increased to £477 million, an increase of 19% versus last year, reflecting the Roberto Coin and Ernest Jones showroom acquisitions. Underlying inventory terms are good. It is important to remember that there is no obsolescence risk in our inventory and very low cost of storage. Receivables is all driven by the timing of seasonal trade in Roberto Coin. Net debt was £120 million at the end of the half, and I'll take you through the key points on the next slide. Our leverage at the end of the half was 0.7x EBITDA. On the cash flow, adjusted EBITDA was £87 million. The working capital outflow of £42 million represents the seasonal build of stock for strong holiday seasons and timing of receivables or Roberto Coin. We expect the working capital build to unwind in the second half.

I'm expecting the full year free cash flow conversion to be in line with our guidance of circa 70%. We continue to invest in our showroom expansion and refurbishment programme. Our expansion plans have been more front and weighted, and we expect capital spend to be lower in the second half, reflecting full year guidance of £60-70 million. We spent £107 million on the acquisitions of Roberto Coin and Hodinkee, financed by a new $115 million term facility agreement to maintain flexibility. Today, we are reiterating our full year guidance. Guidance is based on visibility we have of supply for key brands, it reflects confirmed showrooms, refurbishments, and openings and closures, but it excludes uncommitted M&A and is based on a second half average rate of $1.26 to the pound. With that, I will hand you back to Brian. Thank you.

Brian Duffy: Thanks, Anders. And so, to summarise, the markets today have settled down, and we are gaining share in improved market conditions. We love the Roberto Coin brand. Sales are good, and we are very optimistic of future growth potential. Pre-Owned is performing as planned and growing well year-on-year. And the current and recent momentum, the visibility of product intake, and the projects that we have planned all underpin our H2 expectations. And so, our previously announced guidance remains unchanged. And just before we turn to Q&A, I mentioned our accreditation as a Great Place to Work. Here's a little video of what our colleagues think.

Video Playout

What makes The Watches of Switzerland Group a great place to work is definitely the people. I'm surrounded by driven, passionate individuals that make me do my best work every day.

My favourite thing about working here, I guess, is that, anytime I walk in, I feel like I'm walking into a family house.

What makes us a great place to work is our community, our people, and the work that we do through our foundations to support everyone around us.

Every client that I meet, that comes through the door, is from a different aspect of life or a different part of the world. And it's just engaging with that and seeing that and meeting those people, that's what I look forward to.

I've got a great boss. He really trusts in me, trusts in the rest of the team, to do the right thing and create some nice jewellery.

For me, working at The Watches of Switzerland Group is more than just a job. It's a community about growth, successes, and being together.

Operator: We will take our first question from the line of Akshay Gupta from HSBC. Please go ahead.

Akshay Gupta: Hello. Thanks for taking my question. First question is on the UK. So as for my calculation for business in the UK was still down 2% in Q2. Can you confirm that? And if that is the case, can you tell us, what were the exit rates there? Just trying to understand if the UK is back to growth already. Second question is on capital allocation. So, you've detailed the policy in the release where you've mentioned about a focus on strategic acquisitions. Can you tell us what kind of acquisitions you think would make sense from here? Could it still be in watches or you plan to continue to diversify towards jewellery? Thank you.

Brian Duffy: So, I'm not sure I caught all of the second part of your question there, but on your first part, the UK was +2% in Q2, so we can maybe, with Anders, talk offline and we can go through the numbers. But the UK was +2%, had a good improving trend with the underlying business, and good performance carried through to November, and here in the UK and in the US, holiday season has started well. And excuse me, I didn't fully catch the second part of your question, if you wouldn't mind repeating.

Akshay Gupta: Yes. So, what I was asking is about the capital allocation. So, you've detailed the policy in the release, where you mentioned about a focus on strategic acquisitions. So, I wanted to understand what kind of acquisitions you think would make sense from here. Could it still be in watches or you plan to diversify more towards jewellery?

Brian Duffy: No, we don't plan to particularly diversify towards jewellery. We obviously made the Roberto Coin acquisition. We were delighted to do so. We do think we're, and we are, hugely underrepresented in the category, so it remains a focus for us. And we have various plans in place to address that. And we think we can be bigger in jewellery, but our acquisitions to date have focused on the watch category. And that remains, for sure, our priority, retailers of that nature.

Operator: The next question comes from the line of Louise Singlehurst from Goldman Sachs. Please go ahead.

Louise Singlehurst: Hi. Morning, Brian and Anders, thank you for taking my questions. Just a couple from me please. I think, just listening to the commentary and, obviously, reading the statement this morning, obviously, the word, "optimism," much more positive tone. I think, on the call, you've been talking a bit more about the or reminding us all about the visibility of the business. This obviously sounds a much stronger position than what we've had in prior quarters this year. Can we just check on the allocation of the product, particularly going to the important Christmas trading period, is in line with expectations and the brands' expectations, in terms of both volume and value of product? And then, my second question was just thinking a little bit more about this exit rate. There's obviously a lot more positive discussion with regards to both the UK and the US Q2 versus Q1. Is that more about the aspirational consumer and that weakness dropping out of the base? Or are you actually seeing a really good underlying momentum in more higher end product, particularly focused on the UK? Thank you.

Brian Duffy: Thanks, Louise. We do have good visibility of our intake from key partners, and we have visibility, as of this year, we have units and value, so totally confident about the numbers that we've included for key brands in our forecast and expectations for the year. Exit rates, we've had an improving trend, and obviously, it's an important season November and December, leading up till Christmas. And it's been good and quite considerably better than last year. Here in the UK, in terms of the consumer mix, this time last year, the consumer group that was really reluctant to spend and really impacted by what was going on in the economy did include that aspirational consumer group regionally in the UK. They were dealing with high interest rates, the shock of high interest rates, if you like, and what it was costing them, alongside what was a pretty significant increase in the price of the product in our stores.

This year round, there's definitely a much better sentiment, I think across the market and certainly with us, and a much more propensity to spend, a greater confidence all round, and probably, not probably, is definitely the aspirational consumer in the UK that's returned and obviously, are very well represented regionally and throughout the country. The case of the US, the market demand had remained strong continually. There has been a post-election benefit as well, and we see that mainly in the high end. I think that may be where clients just holding back, which I think is very typical in the US, holding back about waiting for the outcome of the election. But since then, particularly in high ticket items, we've enjoyed some really good transactions and business. And just another thing I'd add to it all is that, throughout this whole period, the brands that we have predominantly on registration of interest lists remain, so good conversion of the lists and good healthy maintenance of the list, if you like, names getting added more than those that we've been managing to take off.

Louise Singlehurst: That's really helpful, thank you. Can I just ask one quick follow up, the Bond Street Rolex flagship that opens in spring next year, can you remind us how many doors, because if I'm correct in my memory, Rolex has reduced the number of doors in that region, is that correct? So, you've got the one big flagship, which will take, obviously, the predominant market share?

Brian Duffy: Yeah, it will be the only Rolex point of sale on Bond Street, and I think appropriately for the size and status of what's going to be an amazing flagship store. Prior to, you go back a couple of years ago, there were four agencies, two of them were ours, by the way. One of them, we had the boutique there, but we had a small boutique and one that really didn't do justice to the wonderful brand of Rolex. So that one's migrating, if you like, into this big new store with Mappin & Webb in the corner and Rolex, we have other plans for that space. Rolex come out there. And there were two other third party retailers that are no longer there. So yes, there was four points of sale, and come the opening, which will happen in March, will happen, hopefully, in the first half of March, this store will be the only place you can buy a Rolex on Bond Street.

Louise Singlehurst: Brilliant. Looks super exciting. Thanks very much.

Brian Duffy: Yep, you are welcome.

Operator: The next question comes from the line of Melania Agrippo from BNP Paribas. Please go ahead.

Melania Agrippo: Good morning, everyone. This is Melania Agrippo from BNP Paribas. I've got two questions. The first one is if you could please update on the exit from the European business, if you could remind us the timing of the exit. And the second one is on the CPO, if you could please tell us what it represents, in terms of sales in both UK and US or any colour you could give us on that. Thank you.

Brian Duffy: I'll let Anders update you on both these. I should have said actually at the start of the call I mentioned we've got David Hurley here too, President of our business in the US and if any of you have any specific questions then you should know that David's here and can answer. And we have Caroline Browne here as well, but Anders-

Anders Romberg: Yeah. So, in terms of the exit of the EU, we're progressing really nicely. So, the only two remaining points that we are still working through are in Copenhagen. The balance of it's either being closed. We closed two stores, one in Berlin and one in Stockholm with one of the brands. The other brands have been taken over by the brand owners themselves. So, the ones in Copenhagen are transitioning out. Hopefully in January, there was a landlord work that delayed that transition, otherwise that would've been done in the first half.

So, yeah. On plan and obviously good for the brand, good for us, so everybody's happy. In terms of CPO, obviously we're up over 50% in the half in our pre-owned business. We are really thrilled about the progress that we made in Rolex certified pre-owned. And we're getting better and better at managing the logistics through the service apparatus, which is really something that's key in this sector. And we're super pleased with where we are. Penetration of the pre-owned business in the first half was higher due to the stock rebuild that we had to do in the US, which adversely impacted our product margin. As we go into the second half of the year, obviously we expect the more normalised mix in our business. So, yeah. We're very pleased with it.

Brian Duffy: Yeah, I'll just add a couple of things on the pre-owned, but also doing really well with other brand pre-owned business. That Analog:Shift acquisition we made a few years back has always been great. And this year other tremendous momentum of growth with them too. So the whole pre-owned category with obviously Rolex as the rock in it is really growing extremely well. And I'd mention too, just come back to Louise's earlier question, we are going to have a whole dedicated floor in Bond Street to pre-owned. So the availability and the presentation, I think, will be fantastic.

Operator: Thank you. The next question comes from the line of Kate Calvert from Investec. Please go ahead.

Kate Calvert: Good morning, everyone. Two questions for me. Another question on pre-owned. Have you rolled out or do you plan to roll out more Rolex CPO and non-Rolex pre-owned into more doors in the second half? And what's your thoughts on rollout in the year ahead? And just coming back on mono-brand, obviously over the last year you did dial back the number of new mono-brands you're opening. Looking into next year, beyond the trials of the Roberto Coin ones, do you have plans to dial the number back up again in the States?

Brian Duffy: Yeah. Thanks, Kate. We are in all of our doors in the US with the RCPO. UK we're in probably on a weighted basis, we'll be like 75% of the doors. We're just working through with Rolex, as we do on everything, the exact timing of when we'd add. A couple of things are clearly in the works including this great destination in Bond Street and one or two other projects. So we're just working on timing with Rolex and as we gear up on training and installing materials. And that's one other factor in it too, that we may well wait for all of the branded furniture and so on to be available, before we make any further commitments. But, it's effectively 100% in the US and on a weighted basis it's 75% in the UK, plus all of our Rolex folks can access the product, whatever it is, through our systems and our web-enabled access.

Mono-brands? Yeah. We think we've done a good job and a lot of it was strategic in terms of distribution and presence around the country. And we have dialled back our mono-brand plans going forward. If some good opportunities come that really make financial sense, of course, we'll look at them. But, as a key element of our growth plans for Roberto Coin in the US and we're quite advanced on a couple of sites that will be announced when they're complete and we have definite plans. But we know that this brand will perform well in retail. As we've enhanced the presentation of Roberto Coin in the Mayors store, the response of the clients has been fantastic. We've actually got higher productivity sales per foot and much increased space. So, that's a great sign. And this brand deserves elevated presentation.

So, mono-brand stores will be a key part of the strategy. We'll be sensible about it from a financial standpoint. We'll look to as much as possible, have them adjacent to our existing stores, similar to what we've done with the Bulgari and Aventura. We'll certainly look to have them initially in malls where we already have significant presence, so that we've got supervision and cover and all the benefits and that sort of thing we bring. But, I think there's a big opportunity in mono-brands, both directly with us and we'll also be working with our partners, many of whom have very, very strong positions in regions and states of the US. We'll be working with partners to do our franchise stores.

Kate Calvert: Super, thanks very much. Good luck for Christmas.

Operator: Before we take our next question as a reminder, please press *1 if you would like to ask a question. Our next question comes from the line of Alison Lygo from Deutsche Numis. Please go ahead.

Alison Lygo: Good morning. Thanks for taking my questions. A few mostly on the US, please, if that's all right. Could you talk a bit about your expectations for Roberto Coin in half two? So did £50 million of revenue in the first half. Should we be thinking about a seasonal phasing towards H2, as we think about Christmas? Or is it a bit flatter, given the fact that a large portion of the business is wholesale? And then linked to that I guess in terms of broader jewellery in the US have you seen anything in terms of changing trends there, post-election, in that category? Just thinking about the potential for that to come back. And then, just finally in terms of the US and the watches business there, was all of the drag from that annualisation of the change in Rolex ASP year-on-year and the unusual phasing, was that in Q1, or are we still working through that? Thank you.

David Hurley: I'll answer the first part and then ... So on Roberto Coin there is slightly more planned in terms of phasing for the second half. December is obviously very,

very important for the brand. In the first half, they do a huge amount of events through September, October, November as well. The phasing of the business is slightly different to the rest of it. But, yeah. It's slightly higher number in the second half of the year. But nothing outside of what we'd already had planned in the budget. We have seen really positive sell-through across the board, both in the department stores and in the wholesale, multi-brand partners, which also gives us great confidence for the second half of the year. And we'll be continuing to be rolling out further Rolex shop-in-shops and the new multi-brands within our network that are opening up including Tampa, which opens up on Monday, Vail which will open up before the end of the year and further stores to open up through January and February. And then the second part on the ASP?

Brian Duffy: Was to do with jewellery overall in the US, which I'll comment on. The trends in jewellery are clearly towards brands. We think that's accelerated, actually. And there obviously are huge brands there that are driving the trend of Cartier, Tiffany, Bulgari and Roberto and David Yurman, all having a really positive experience as far as we can see. But certainly, Roberto has. But just a couple things I'd say on it. Although you're right in saying that most of the business is wholesale, the way the department stores are operated, is quite a decent proportion of the business is concession stock that's there. That gives a great presentation as a result. But what it also means is that we benefit directly from sell-out from a timing standpoint. We operate model stocks and as product sells, we replenish. So we are very responsive to the sell-out trend as well. And obviously jewellery is a hugely focused category in the holiday period. I'm sorry, Alison. Just remind me again. US watches, your question was or to do with the-

Alison Lygo: Yeah. Sorry. Yeah. The annualisation of that funny ASP that we got last year? Just whether we're through that? Whether that was all in Q1, or whether some in Q2, or a bit more to go into Q3, I guess.

Brian Duffy: Yeah. And think you're talking calendar quarters, if I'm understanding you correctly? It mainly impacted us in Q3 last year. Right over-

Anders Romberg: Yeah. So we're tracking towards the average selling price that we were given by the brands throughout the year. So if we get a bit higher average selling price come through one month, we rebalance down and vice versa. And so far, we're tracking right on, so no problems in that sense.

Alison Lygo: Great. That's helpful. Thank you.

Brian Duffy: The only thing I'd add to that, Alison, by the way ... The only thing I'd add to that ... Sorry to interrupt like that. The only thing I'd add is that the issue was our forecasting of the ASP last year rather than the actual, if you like. But, it mainly was a correction to Q3.

Alison Lygo: Grand. That's really helpful. Thank you.

Brian Duffy: Okey-Dokey.

Operator: The next question comes from the line of Piral Dadhania from RBC. Please go ahead.

Piral Dadhania: Okay. Thank you. Morning, everybody. So I have three questions and just a quick follow up, if I could? So the first one is could you perhaps just give an indication of how the performance of the supply-constrained, versus non-supply-constrained watch brands has been across the H1 period. Secondly, just a confirmation on the multi-brand jewellery concept that you're planning on opening, this new concept. Is that still planned for fiscal '26? I don't think that there was any mention of that in your prepared remarks, so any clarification there would be helpful. Thirdly, just on Hodinkee, I think this is the first time we've spoken to you on an earnings call since you've acquired Hodinkee. Could you perhaps just outline what your plans for the website and the captive audience there are? What perhaps the revenue opportunities and synergy opportunities might be?

And finally, just I guess an observation, which is to say that your tone appears to be quite positive, which is I'd say, in contrast to some of your luxury peers who have reported through the 3Q earning season. So maybe just a comment on where that confidence, that positivity, comes from, where some of your peers are sounding a lot more cautious on the outlook. I appreciate much of that headwind is coming from China, which isn't a factor for you. But, are you as positive perhaps on the UK outlook as you are on the US? Thank you.

Brian Duffy: Okay. Thanks for your questions. I'll comment on the last one first, because I think you did answer it yourself. But, the luxury category is very influenced by direct business in China overall. And clearly that doesn't affect us. And we are in the two, I think two best markets for watches in the US, where there's clearly growth, momentum in the market that we are delighted to be a significant part of. And here in the UK, improving consumer sentiment and market conditions that we describe as much more recognisable than what we were experiencing at this time last year, which I think was quite unprecedented. So we're clearly in the right geographies overall and we're seeing the trends. We're not responding to anything other than the trends that we are experiencing and it's why we did include a comment for everybody of the start of the holiday season as pretty much encouraging in both. You then have the added element obviously of the election being behind and generally some positive element has come out from that as well in the US. So quite a few things.

And the last one I've mentioned actually is the brands themselves, product introductions that we're seeing are much more appropriate for market conditions, again, particularly here in the UK. And some introductions are ones that we work with the brands directly. Supply overall has been very good and our buying teams, they've done a great job of getting our stores stocked with the right mix of product for what we know that a consumer wants. And again, this time last year that was a bit more difficult. Then get back to your other points, but we're not going to be specific and performance by brand. But we did comment on the fact that our registration of interest lists, which is the main tool to be honest, that we're selling key brands through, remains very healthy. We edit the list continually, we contact and a lot of this is reasonably recent, we're in regular contact with clients and either confirming their interest or if we're not getting a response, we archive their position.

So it's a very healthy list in the UK and US and we experience very good conversion. So demand for those brands remains consistently strong and well in excess of supply. The jewellery store in Manchester, we have scheduled to open in July '25. We had a bit of a delay. We have the two big stores were opening there of the AP House, which will be March, and then this jewellery showroom that will open in July. They're both listed buildings, which just means you have more processes to go through in terms of getting permits and permissions. And the jewellery one just took a little bit longer because of some internal work that the local authorities wanted to spend a bit more time on. But we're swinging hammers as we speak and pretty far ahead in the AP store and now making good progress in the jewellery store. So July, AP in March and the other one in July. Hodinkee.

David Hurley: On Hodinkee, first of all we're delighted with the acquisition. We knew Hodinkee already was incredibly well-respected by our brand partners, but the positive feedback that we had on that acquisition was great. We're also really delighted with the feedback from the Hodinkee community itself, which is incredibly important. Integration's going smoothly, going to plan, and we're fleshing out and we have a roadmap for all of the different categories of how we're going to grow that business. Number one, the limited editions that they do, which are incredible. We've got a great pipeline going forward for the next year. Advertising continues to be strong and they've got some great partnerships including a partnership with UBS that's kicked off. Insurance continues to be very, very successful for them and we know we can continue to grow that business. I think most importantly, continuing to give Hodinkee that editorial independence, that the traffic continues to be strong for Hodinkee and in the second half of this year, so later on this fiscal year we will be integrating the Hodinkee website along with Watches of Switzerland.

So it'll be effectively sharing the same platform and when you will click on the shop at that point in time you'll go directly to WatchesofSwitzerland.com where you'll have one of the world's best selections of timepieces. We're also delighted in terms of the team that James Stacey, who's been a long-term employee, has become the editor-in-chief of Hodinkee. So really great so far and looking forward to our growth plans for the next few years.

Piral Dadhania: That's great. Thank you very much for all the details.

Brian Duffy: Okay, cheers.

Operator: We have no further questions on the call so I'll now hand over to Scott for some webcast questions.

Moderator: Thanks very much for that, Jess. We've had a question from Deborah Aitken from Bloomberg. Could you unpack your 9-12% maintained guidance for constant currency revenue growth for fiscal 2025 in terms of helping us to understand the addition and timing of revenue to you within that target of new stores and timing and reminder on the outstanding investment cost outlay to the big stores?

Anders Romberg: Obviously if you go back to when we gave the guidance for the year, we indicated what expectation of Roberto Coin was. You take that out of our guidance and you'll find that the base business is projected to grow in low single digit and we're confident that based on supply visibility and the project timing that we have confirmed all the structural work is done, so we know the dates down to the day more or less. So we feel pretty good about where we are. We're also seeing this sequential improvement coming through in the UK. We can read it in the jewellery market certainly and some brands are more advanced in correcting the assortment for this market than others. And the brands that are leading the way on that have performed extremely well for us. So the others are following and they're coming through in the second half. So I feel pretty good about that actually.

And the US market, obviously the first half was impacted by the stock rebuild that we needed to do and the momentum coming out of Q2 and into November now underwrites what we put out there. In terms of capital, obviously we have spent a little bit more front-ended in this half because the structural work and so forth when we're building these stores is the heavy part of the capital. And the shop furnitures, which are now going in are a smaller portion, so capital is going to come in between £60-70 million.

Moderator: Thank you, and there's a further question from Deborah. CPO, do you have any breakdown on price points please? Which price points are driving the 50% H1 gain and which brands outside of Rolex are headlining please? And what about rolling in a three-year plan for CPO?

Anders Romberg: I'll answer the first portion on the average selling price. If you look at our certified pre-owned within Rolex, it's retailing at about a 30% premium versus the average on a new range. So clearly the consumer appetite to pay for hard-to-get products is still there. So that's the pricing model. Our margin in pre-owned has actually improved year-on-year slightly. So, I know there's been questions coming through on the volatility in the secondary market, but our overall net margin has actually gone up year-on-year in the half. So we're happy with where we are and I think our inventory composition is really good.

Brian Duffy: Yeah, what I just add to that is the important thing I think in a lot of what we do is confidence and trust. People are spending a lot of money and want to be confident and want to trust the advice that we're giving. And I think that's especially true in the world of pre-owned where you've got less protection overall in the secondary market. But that's not the case when you're shopping with us for Rolex or for the other brands that we sell. You can be entirely confident of the authenticity and the functionality of the product and you get great advice from our great clients in store. So we are introducing I think largely a new audience to pre-owned and I feel very confident about the projections. Three-year plan, yes, of course we're projecting out resources and buying teams and space and everything else, so we certainly work on that basis.

But I think we'll be talking about the pre-owned category for many years to come as clearly a growth area for us. And again, as you mentioned, Rolex is very important but we're doing very well with the other brands as well. And the scale of our buying team and finding these great products that we know that clients will love is obviously core to all of that.

Moderator: Thank you, Brian. Given the time, no further questions at the moment. So Brian, back to you for closing remarks.

Brian Duffy: Yep, thanks Scott and thanks everybody for joining. I think our headlines are being pretty consistent throughout. We are enjoying improving trends. We see greater confidence in the market, both markets UK and US. And the holiday season started well and we're obviously talking a bit later than we would've done at this time last year, but we're now in December and feeling pretty good that we've got it right in terms of the potential for this period and going well. Our projects are going well. It's a big second half for us, some massive projects in the US and obviously Bond Street here in London being hugely important to us and we'll get the best part of two months in our fiscal year out of that project. And we have visibility, improving visibility to supply overall, which clearly is a core part of our guidance and our confidence that was referred to earlier.

Huge thanks to our team, they've been through, I think if you look back over the last 24 months, they've been through tougher conditions and uncertainty and volatility, but they're back in their stride now for sure. And they're the ones that are helping us deliver the more positive tone in confidence that we have about the business. They are the best; we were delighted that they acknowledged that and getting us accreditation have been a Great Place to Work. So again, thanks for joining us and we'll look forward to updating you in the next time around. Thank you.