

17 May 2023



Watches of Switzerland Group PLC

Q4 FY23 Trading Update

for the 13 weeks (Q4 FY23) and 52 weeks (FY) to 30 April 2023

***Strong FY23 performance in line with guidance
Entering FY24 significantly ahead of Long Range Plan***

Brian Duffy, Chief Executive Officer, said:

“FY23 was another record year of revenue and profitability, with revenue growth of 25% at reported rates (+19% at constant currency) and continued EBIT margin expansion. Although, as expected, the second half of FY23 saw a more challenging trading environment, demand remains strong and continues to exceed supply, with client registration lists continuing to grow. I would like to thank all my colleagues for their continued hard work and dedication.

We have an exciting pipeline of showroom projects, and I am delighted to announce the Group has signed a letter of intent with Audemars Piguet (“AP”) confirming its intention to open an AP House in the UK in the region of St Anne’s, Manchester, via a Joint Venture partnership in Spring 2024. This is an important expansion in our partnership with Audemars Piguet which has spanned more than 50 years and we look forward to what will be a great showroom for the city of Manchester. We also announce today our plan to open a flagship TUDOR mono-brand boutique at Old Bond Street, one of the most prestigious addresses in London, in Q4 FY24.

We enter FY24 significantly ahead of where we expected to be in our Long Range Plan following two years of exceptional performance and notwithstanding the macroeconomic backdrop. Our FY24 guidance assumes revenue growth of 8 to 11% at constant currency with EBIT margin in line with prior year. We remain confident in our goals to maintain our leadership position in the UK, become the clear leader in the US, and capitalise on our growth potential in Europe.”

FY23 Highlights

- Group revenue £1,543 million, +25% at reported rates, +19% at constant currency on prior year:
 - US revenue £653 million, +52% at reported rates, +35% at constant currency
 - UK and Europe revenue £890 million, +10%
 - Luxury watch revenue +28% driven by increases in average selling price and volume, demonstrating the continued dynamism of the category
 - Luxury jewellery revenue +10%
 - Group ecommerce revenue +3% at reported rates
 - Pre-owned revenue grew strong double digits with pricing and margins maintained
- Adjusted pre-IFRS 16 EBIT expected to be between £163 million and £167 million (FY22: £130 million), delivering continued margin expansion, despite headwinds from interest free credit and product mix
 - Adjusted EBIT post-IFRS 16 expected to be between £177 million and £181 million (FY22: £144 million)
- Operating cash conversion expected to be c.70% with net cash of £16 million as at 30 April 2023 (1 May 2022: net debt £14 million), after accounting for £21m of acquisitions in the year
- Group banking facilities renewed with £225 million RCF available effective 9 May 2023 for the next five years reducing annual financing costs going forward

Q4 FY23 Highlights

- Group revenue £371 million, +22% at reported rates, +18% at constant currency
 - US revenue £173 million, +27% at reported rates, +17% at constant currency
 - UK and Europe revenue £198 million, +18% benefitting from timing of deliveries of supply constrained product
- UK showroom development programme continues with several projects completed in the quarter:
 - Continued rollout of the Goldsmiths luxury format with two showrooms expanded and refurbished in Cabot Circus, Bristol and Lakeside, West Thurrock
 - Two mono-brand boutiques opened in partnership with Breitling in Leicester and Cribbs Causeway, Bristol
- We continue our expansion into Europe, opening our sixth mono-brand boutique, with TAG Heuer in Dublin. Early trading remains in line with expectations

Outlook

- The Group has made excellent progress in the first two years of its Long Range Plan and enters FY24 significantly ahead of schedule
- FY24 guidance anticipates that the more challenging trading environment of the second half of FY23 will continue into the first half of FY24 before improving in H2
- Due to product intake timing, which supported Q4 FY23, and strong prior year comparatives, the Group expects a modest sales decline in Q1 FY24 before normalising in Q2
- FY24 guidance reflects current visibility of supply from key brands and confirmed showroom refurbishments, openings and closures, and excludes uncommitted capital projects and acquisitions
- The Group provides the following FY24 guidance on an organic pre-IFRS 16 basis, assuming a £/\$ 1.25 exchange rate:
 - Revenue: £1.65 - £1.70 billion, growth of 8 – 11% at constant currency
 - Adjusted EBIT margin %: In line with FY23
 - Total finance costs: c.£3 million
 - Underlying tax rate: 27% – 28% reflecting the increase in UK corporation tax
 - Capex: £70 - 80 million
 - Operating cash conversion: c.70% weighted towards H2 in line with the seasonal pattern

The equivalent guidance on an IFRS 16 basis is:

- Adjusted EBIT margin %: In line with FY23
- Total finance costs: £23 - £27 million
- The Group has an exciting pipeline of new showroom projects planned in FY24:
 - Watches of Switzerland multi-brand showroom in American Dream, New Jersey opening in May 2023
 - First Watches of Switzerland multi-brand showroom in Europe in the Mall of the Netherlands, The Hague opening at the end of the calendar year
 - Watches of Switzerland multi-brand showroom at One Vanderbilt, New York opening in January 2024
 - AP House in Manchester, via a Joint Venture partnership with Audemars Piguet in Spring 2024
 - Old Bond Street Rolex flagship boutique in first half of 2024
 - Expansion of the mono-brand portfolio in the UK, US and Europe including:
 - TAG Heuer mono-brand boutique in Kurfurstendamm, Berlin, Germany
 - TAG Heuer mono-brand boutique in Mall of Scandinavia, Stockholm, Sweden
 - Continued refurbishment and expansion of showroom network including:
 - Refurbishment and expansion of Mayors Dadeland, Florida opened in May 2023
 - Continued roll out of Goldsmiths luxury showroom format
 - Launch of new luxury showroom concept for Mappin & Webb
- The Group is exposed to movements in the £/\$ exchange rate when translating the results of its US operations into Sterling. The Actual average exchange rate for FY23 was 1.20. FY24 guidance assumes a £/\$ 1.25 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

- The Group plans to announce FY23 results on 13 July 2023

Q4 FY23 Revenue performance by geography

(£ million)	Q4 FY23	Q4 FY22	Q4 FY23 vs Q4 FY22		Q4 FY23 vs Q4 FY21*	
	13 weeks to 30 April 2023	13 weeks to 1 May 2022	Reported YoY %	Constant currency YoY %	2-year Reported YoY %	2-year Constant currency YoY %
UK and Europe	198	168	18%	18%	57%	57%
US	173	136	27%	17%	87%	66%
Group Revenue	371	304	22%	18%	70%	60%

*FY21 includes a 53rd week

FY23 Revenue performance by geography

(£ million)	FY23	FY22	FY23 vs FY22		FY23 vs FY21*	
	52 weeks to 30 April 2023	52 weeks to 1 May 2022	Reported YoY %	Constant currency YoY %	2-year Reported YoY %	2-year Constant currency YoY %
UK and Europe	890	810	10%	10%	47%	47%
US	653	428	52%	35%	119%	98%
Group Revenue	1,543	1,238	25%	19%	70%	63%

*FY21 includes a 53rd week

Q4 FY23 and FY23 revenue performance by category

(£ million)	Q4			FY		
	13 weeks to 30 April 2023	13 weeks to 1 May 2022	YoY %	52 weeks to 30 April 2023	52 weeks to 1 May 2022	YoY %
Luxury watches	329	258	28%	1,336	1,047	28%
Luxury jewellery	22	27	(17%)	119	109	10%
Other	20	19	1%	88	82	6%
Group Revenue	371	304	22%	1,543	1,238	25%

The financial information contained herein is unaudited.
Ecommerce revenue are sales which are transacted online.
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 access the conference call, please use the following details:

Dial-in (UK): 020 3966 7028

Dial-in (all other locations): +44 20 3966 7028

Participant access code: 637954

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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 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 April 2023, the Watches of Switzerland Group had 193 showrooms across the UK, US and Europe including 80 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.

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 2022 Annual Report and Accounts in Risk Management and Principal Risks and Uncertainties.