

Watches of Switzerland Group plc

FY26 Results

14th July 2026



Transcript

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Brian Duffy:

Good morning, everyone. Thank you for joining our presentation. We will be reasonably brief this morning focusing on FY26 results ahead of hosting a more in-depth presentation on our growth strategies this afternoon. You'll be hearing firstly from me, Brian Duffy, group CEO. I'll be taking you through some highlights for the year and performance against the growth pillars. I'll then hand over to Anders Romberg, our group CFO. He'll take you through the numbers in more detail before we open up as usual for your questions.

FY26 was a year of strong execution against what was a complex and changeable operating backdrop. The growth our teams managed to deliver while navigating headwinds from tariffs, gold pricing, margin changes, and ongoing consumer pressure in the UK, is a testament to their drive and capabilities.

So, our top line numbers. Sales for the year of £1.828 billion up 13% on last year in constant currency. The US was +24% in constant currency, which saw it become our largest revenue and profits market, and the UK was +5% on last year. Encouragingly, we saw an improving trend over the course of the year with H2 at +17% constant currency ahead of the +10% delivered in H1. Adjusted EBIT grew 6% in constant currency to £155 million and statutory PBT of £133 million was up an impressive 75% year-on-year.

Turning to our growth drivers, we will talk about these focus areas in more detail this afternoon, but for now I'd like to share some of the highlights from FY26. We invested £66 million into our showroom estate during the year, completing 13 major projects. We were also very pleased to complete the acquisition of Deutsch & Deutsch in January. This is a fantastic addition to our business, showrooms which have a well-established presence and client relationships in four Texas locations, as well as long-standing partnerships with leading watch and jewellery brands. Tad Deutsch of Deutsch & Deutsch will join us this afternoon to talk about the business and his experience of joining the Watches of Switzerland Group.

Pre-Owned continued to perform well up 22% year-on-year with good growth in both the UK and the US.

In luxury branded jewellery, Roberto Coin performed very well at +20%. We saw sales through our Mayors boutiques more than double following the upgraded shop-in-shop installations. We've had a good success with our launch of lab-grown diamonds. The product is trading really well in the UK and we have now launched in the US.

Ecommerce also had a good year in both markets with growth outpacing the overall group at +21%. We launched a new upgraded Hodinkee app during the year with a shop option through to Watches of Switzerland. Ben Clymer, founder of Hodinkee will also be joining us this afternoon to present the Hodinkee story and growth strategy.

As I mentioned earlier, looking at the geographic split of our sales, the US surpassed the UK in FY26 as our largest market by revenue, reaching 51% of group share. Our group sales remain very much domestic driven, 95% in FY26 with very little international business since VAT-free shopping was removed in the UK following Brexit implementation in 2021.

So altogether, FY26 was a record year for our group. Our revenue CAGR between FY15 and FY26 is 15.5% and we saw adjusted EBIT increase despite the volatility in the year. Our balance sheet remains healthy. Net debt reduced to £56 million during the year and our ROCE was a robust 18.0%.

Focusing on highlights from the US market, FY26 constant currency growth increased to 24% with an acceleration during H2 to 27%. Growth was broad-based led by strong underlying demand, outperformance of Roberto Coin, ecomm and Pre-Owned, our showroom investments and contribution from the acquisition of Deutsch & Deutsch. We're pleased to have carried this good momentum into the new financial year. Key projects for the year included new Watches of Switzerland in Minneapolis, two new locations in Georgia and Florida, as well as three Roberto Coin mono-brand boutiques. We've also developed our growth strategies and plans for Roberto Coin and Hodinkee, which we will discuss further this afternoon.

A bit more detail on our acquisition of Deutsch & Deutsch. We have adopted a new acquisition model here which sees the former owners, the Deutsch family retain a 12% ownership, something we believe works well from all perspectives. We're pleased to have Tad and Aladar Deutsch remaining in the leadership of the business. They're great operators and bring fantastic local knowledge of the market and long-standing client relationships. The integration has been very positive, and we are delighted to have added 60 Deutsch & Deutsch colleagues to our team.

Turning to the UK, growth in FY26 was solid at +5%, which was a good result against a somewhat subdued market backdrop. Trading improved over the course of the year, and we believe the market is now showing encouraging signs of improvement, which is great to see. We completed seven key projects during the year. Highlights include the expansion and refurbishment of Mappin & Webb in Birmingham and refurbishment of the first ever Rolex agency in the UK, Northern Goldsmiths in Newcastle. We had our first full year of trading at Rolex Old Bond Street having opened at the end of FY25. The showroom performed brilliantly ahead of plan with strong client

feedback including our very high NPS of 93%. We have taken the learnings from this great client experience and included these learnings in all of our training programmes.

With that, I'll hand over to Anders to talk through the financials in more detail.

Anders Romberg:

Thank you, Brian. FY26 delivered a record year of sales and strong momentum in the US market and a robust UK performance. Sales came in at £1.828 billion or +13% at constant currency versus last year. The sales growth was driven by the US market with growth of 25% in constant currency. Our adjusted EBIT came in at £155 million versus £150 million in FY25 or +6% in constant currency with adjusted EBIT margin of 8.5% down 60 basis points versus prior year. Our free cash flow was £162 million, and return on capital employed was 18.0%.

Onto 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 RNS. Net sales was up 13% versus last year in constant currency or 11% at reported rates driven by strong US performance. Net product margin was 70 basis points down versus last year, reflecting adverse product mix and a reduction in brand margins due to US tariffs and significant increases in gold prices.

Our adjusted EBIT was £155 million or +6% compared to last year at constant currency or +3% in reported. This gave an adjusted EBIT margin of 8.5% down 60 basis points to last year due to the net margin decline as just mentioned and a one-off debt write-off in Roberto Coin. This was partially offset by leveraging showroom costs and overheads. The effective tax rate was 26.7%, a reduction on last year driven by a one-off tax credit on Roberto Coin. Adjusted EPS came in at 45.2p, an increase of 9%.

Looking at the breakdown of sales, the US was the biggest growth driver. US retail was up 25% in constant currency with robust demand across brands and categories supported by the expansion of our showroom network. We're pleased with the performance of Roberto Coin wholesale with sales growth of 22% in constant currency. There's been a positive market response to the new products and the advertising campaign launched at the start of the year.

Within our Mayors network, Roberto Coin sales more than doubled following upgraded shop-in-shop presentations. UK and Europe sales grew by 4% with 5% UK growth excluding the closure of our European showrooms. Continued demand for luxury watches and improving momentum in luxury jewellery in the second half grow the growth. Across both markets, our ecomm business continued to do well and grew by 21% in constant currency. Our Pre-Owned business grew by 22% in the year.

Adjusted EBIT came in at £155 million or +6% on last year at constant currency. Adjusted EBIT margin was 8.5%, which was 60 basis points down to prior year due to product margin rate decline partially offset by leverage of fixed cost. The US, including Roberto Coin wholesale is the major growth area and of 51% of group sales represents 62% of adjusted EBIT. US retail had product margin contraction due to US tariffs, but this was offset by leveraging on the cost base. The year was also impacted by investments behind our ecommerce business and Hodinkee. We expect these investments to start delivering benefits in FY27 and beyond.

In the UK, product margin was impacted by adverse product mix with limited leverage on the cost base. We focused on cost control and store profitability and made good progress during the year.

Roberto Coin wholesale EBIT margin was impacted by one-off department store debtor write-off and the investment behind our marketing campaign with Dakota Johnson.

Our balance sheet is strong. In the year we spent £39 million on acquisitions made up of our purchase of Deutsch & Deutsch and the final payment for Roberto Coin. Continued capital investments in our estate to elevate the network and drive future growth remains a key component of our growth strategy. Inventory levels were up 2% with continued improvement in underlying stock terms. Average unit cost of stock increased in the year reflecting increased gold prices and US tariffs. Underlying inventory was flat year-on-year, and the increase came from the acquisition of Deutsch & Deutsch. As a reminder, inventory is a very low risk asset in our category. We closed the year with a net debt position of £57 million. Our net debt to EBITDA leverage came out at 0.3x.

We continue to be highly cash generative. Our free cash flow for the year was £162 million with a cash flow conversion of 80%. Last year was adversely impacted due to an increase in working capital as a result of change in payment terms from some of our key suppliers. In Q1, we completed the announced £25 million share buyback programme with £14 million spent during FY26. The full year net cash inflow was £38 million.

Our guidance for FY27 is based on a 52-week trading period versus 53 weeks in FY26. It's also based on visibility of supply of key brands for the calendar year of 2026. The guidance reflects confirmed showroom projects but excludes uncommitted capital projects and acquisitions. So, we're guiding towards revenue growth in constant currency of between 5% and 10%. We expect our adjusted EBIT margin percentage to expand by between 40 and 80 basis points and our capital expenditure for the year will be between £60 and £70 million.

With that, I will now hand over to Brian for some final remarks.

Brian Duffy:

Thanks Anders. So, I'll just summarise before we open up the Q&A. I'm extremely proud of the performance our teams delivered against what was a very complex and changeable operating backdrop. We made strong progress against each of our strategic pillars, and we look forward to sharing a bit more detail on those this afternoon.

We've started the new year well. Trading is encouraging in the first 10 weeks with continued strong momentum in the US and in the UK looking to have returned to more normalised growth market conditions. We confirm our previous guidance. Just before we open up to Q&A, if I could ask you to focus your questions on FY26 performance and we will be more than happy to take questions on the broader strategy this afternoon.

Operator, can we please open up to your questions?

Operator:

Thank you. Ladies and gentlemen, if you would like to ask a question, please press star one on your telephone keypad. We'll pause for a brief moment. Thank you.

We'll now take our first question from Zuzanna Pusz of UBS. Your line is open. Please go ahead.

Zuzanna Pusz:

Good morning, everyone and thank you for taking my questions. I just had two. Maybe the first question on current trading, I mean the press release sounds quite positive. You say that they're encouraging signs of improvement in the UK and it sounds like the US, the momentum is also continuing. But I'll be just curious if you could give us maybe some extra colour. I understand it's still early point in the year, but maybe just for us to understand if we are trending more towards the upper end of your outlook or anything incremental, if you could, that would be helpful.

And then secondly, just very quick question, given that the US is obviously becoming a much bigger part of your business and especially of profits, can you maybe remind us if there's any rule of thumb we should be aware of when it comes to the impact of the US dollar? I mean, I know that the outlook has been confirmed at \$1.34 rates, but just something to keep in mind in case we were to see any volatility. Thank you.

Brian Duffy:

Hi, Zuzanna. Thanks for your questions. We don't have a lot to add in current trading. The way you summarise it is right on UK performance is good and improving as it has been steadily through H2 last year, continued into the first quarter of a FY27 and the US has remained strong. We are a wee bit ahead of what we'd assumed in the guidance for the first quarter, but not

substantially enough to change anything. We're conscious it's only 10 weeks, of course. We offered some favourable intake of product, which we think is most likely timing and we'll probably see that reverse in the balance of the year up against tougher comps and there's a lot of uncertainty still out there from a macro standpoint. So clearly a lot to go, but an encouraging start we've described it as, and that's certainly how it feels. I think your second point is a good one on dollar.

Year-on-year last year reported was not as good as constant with the dollar weakness. Year-on-year, the situation's much more comparable so there won't be a loss running at a slight gain at the moment. But again, we'll see what the dollar does. But obviously our dollar denominated profits are more than half of our profitability overall. So, the exchange rate is important and a bit of favourability on that so far, but we'll wait and see how things develop for the year.

Anders Romberg: Sensitivity wise, a five-cent movement on the dollar is worth around £30 million in sales and £4.5 million in EBIT.

Zuzanna Pusz: Thank you so much. That was extremely helpful.

Operator: Thank you. We'll now take our next question from Adrien Duverger of Goldman Sachs. Your line is open. Please go ahead.

Adrien Duverger: Hey, good morning, Brian and Anders. Thank you very much for the colour you have provided so far. My first question would be on the Certified Pre-Owned business. Relative to your mid-term target, how is the Rolex CPO progressing and what are you learning in terms of customer reception? I think in the US you already have CPO in all of the stores except Deutsch & Deutsch and have the progress in the UK. So, my second question would be on your FY27 guidance, especially with regards to the adjusted EBIT margin to be up 40 to 80 bps. Could you please help us with the different building blocks in place there? Thank you very much.

Brian Duffy: Thanks Adrien. I'll take the first one on CPO and Anders can comment on EBIT trends. Going forward, we are going to be reporting CPO as a category. We've had a very good experience. Clearly Rolex Certified Pre-Owned was a major catalyst for us getting seriously into the pre-owned market, building our resources, building our capabilities, building our expertise. But the benefit alongside Rolex has been a meaningful uptake in other brands CPO. So, we'll be looking at it as a total category. It's now over 8% of our business, was less than 2% when we started out in FY19. So, it was never a big deal for us in the past, but it clearly has become that now. It's really great to see our team's expertise and confidence and everything grow. The training that we're doing with our salespeople, it's a different enough selling experience,

new versus pre-owned that really requires specialised training, which we're doing also developing marketing, window presentations, digital activities.

So, a lot going on. It's now a really meaningful part of portfolio now as an area where it's a segment where scale and resources such as we have really does give a competitive advantage. Rolex CPO in your question within every Rolex agency in the US, not yet in the UK, but it's a matter of just store design, store changes that are happening and as they happen, for example, the Rolex boutique that we're opening in Glasgow, my hometown relatively soon, then we'll introduce CPO at that point given the doubling of space that we're going to have up there. So, we will be rolling it out to other Rolex agencies. We will be expanding and we're allocating more space to Pre-Owned generally UK and US since it's really proven to be a valuable category for us.

Anders Romberg: Adrien, your question on margin, obviously we had a one-off write-off going through in FY26 as disclosed, £3.5 million of a bad debt provision that we had to take. The balance of it is going to come through operational leverage.

Operator: Thank you. Once again, as a reminder, if you would like to ask a question, please press star one on your telephone keypad. We will now move on to our next question from Piral Dadhania of RBC. Line is open. Please go ahead.

Piral Dadhania: Okay, thank you. Morning everybody. I just had one technical question if I may. So, I think that your EBIT margin was impacted negatively by the write-off of a debtor balance, which we assume to be Saks. And if our understanding is correct, the amount is in the region of about £7 million. My question is as follows, is that £7 million included as an adjusting item against your EBIT, your adjusted EBIT of £155 million? Because we can't find that in the note 4 of the release or have you included that within adjusted EBIT, which means that the underlying EBIT margin excluding that write-off would actually be roughly 40 basis points higher. Thank you.

Anders Romberg: So, thanks for the question. It's not £7 million, it's £3.5 million. Your assumption on Saks is correct, and it is included in the reported adjusted EBIT. It's not regarded as an exceptional item.

Piral Dadhania: Okay, thank you Anders. So, our number was wrong, but directionally, does that mean that if we took that out, then actually the starting point for the FY26 margin would actually be slightly higher?

Adrien Duverger: Correct.

Piral Dadhania: Thank you. Thanks a lot.

Operator: Thank you. And we will now take our next question from Kate Calvert of Investec. The 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 just talk about how much churn there's been in the network since your acquisition and how that was versus your expectation. And also, you highlighted the fact that the new collections have gone down quite well with your wholesale partners and obviously your own customers. Was there any shortage there or were you pretty happy with the stock flow that came through?

Brian Duffy: Morning Kate. There's literally been no churn in the customer base. On the contrary, I think there's been a positive reaction to us as owners in terms of the resources. Obviously, we've immediately started with investment behind the brand with the Dakota Johnson campaign. I would add that David Hurley and his team have got a great reputation in the US. We know obviously a lot of these watch and jewellery retailers through trade events and so on. And really, we had anticipated that we may have lost a couple of customers along the way just because we were a competitor and now a supplier, but honestly there's been nothing. And as we'll present this afternoon, there's actually a positive response from wholesale customers to the plan that we have for elevating the brand and expanding the space. With production, we have great interaction with the teams in Vincenza. They have added to their capacity locally with the expansion of the factory capabilities.

So, we've had no issue with supply. We don't anticipate any. Obviously, we're giving the team there the best information we can about our forecasts and potential and plans. We deal a great deal with them honestly on a weekly basis, more often than once a week we're interacting. So, we don't have any concerns about supplying the growth that we plan.

Kate Calvert: Great. Thank you very much for the colour.

Operator: Thank you. And we will now take our next question from Jon Cox of Kepler. Your line is open. Please go ahead.

Jon Cox: Yeah, good morning. Brian, I have to ask you the reports in Reuters about you guys being approached. Any comment on that at all?

Brian Duffy: No, we don't comment on speculative media reports. No.

Jon Cox: Okay. Just on Rolex, you talked about potentially you got more product than you anticipated to the start of this financial year. Just looking at the pricing, I think there were some price increases announced, but not a lot in June. With

everything that's gone on with the tariffs and gold prices coming down, just wondering what your thoughts are on pricing for the current financial year.

Brian Duffy:

Our view is, and again, we never include the speculative pricing in any of our guidance at all. Pricing normally happens in January, but it can happen at other times when various things happen like the gold pricing recently, like Brexit when it happened, exchange rate went down, there was a lot of mid-year increases, but normally it's January. The industry has a lot to deal with gold pricing, with an inflation, inflationary cost, and with a strong Swiss franc, and then the remaining tariffs in the US. They have adjusted pricing a bit more than average. If you look back at this year, the year gone by, we think there's still a bit more that they may want to do, but honestly, your guess is as really good as ours as to how the brands will feel about pricing and any pressure that they might be putting on volume.

So, we'll wait and see. We haven't included anything as usual. Our guess is maybe a wee bit more than historical average, but it really is a guess at this point.

Jon Cox:

And I wonder if you could just give us a bit of commentary or colour on brand momentum in terms of, I remember a year or so ago you talking about some of the brands that started adjusted price points because of what happened particularly in the UK and some had. And just wondering about overall, you've talked something about Cartier being good momentum and some of the other brands.

Brian Duffy:

Yeah, I think the really pleasant thing about what we're experiencing at the moment is it's really broad-based. The encouraging trends that we're seeing UK and US assembling in that sense. The new products that were introduced at Watches and Wonders we think were very smartly considered from a commercial standpoint, lot of innovation, a lot of innovation in colour and appeal and clearly a consciousness of a price point, which is very important for the UK market. One of the big benefits of being multi-brand is we can make some changes over time to our brand mix, which we've done. So, for example, a brand like Longines with us is doing very well, really good product development and an attractive price point in both markets. But honestly, other brands, Cartier continues to be very strong. OMEGA doing well with us. TUDOR doing very well. So, it's very broad-based.

Overall, we're also very encouraged by the trend that we're experiencing on Pre-Owned that we've commented on already, ecomm is making a disproportionate contribution and some brands are stronger there than they may be in store and jewellery clearly doing very well, Roberto Coin doing well, lab-grown, really making an incremental contribution. So yeah, pleased to say that it's not focused on one brand or one market. It really is broad-based, which is pretty encouraging.

Jon Cox: Great. Thank you.

Operator: Thank you. With no further questions on the line, I will now hand it back to the management team for closing remarks.

Brian Duffy: Is there any other questions that's come in online that we should..

Alison Lygo: We have one from Melania at BNP just asking about whether the two new Rolex production facilities in Switzerland are working and do we have an expectation that we might benefit from increased allocation thanks to this additional production capacity coming online?

Brian Duffy: So, the new facility that Melania is referring to, Rolex announced a couple of years ago in Bulle in Switzerland in the Jura Mountains, it is a big investment, and it's not expected to come online I don't think until late 2028/29. We don't know any more than that at this point. It's speculative what will happen on production. We know that some production will be relocated. We know that there might be a reduction in what has been for Switzerland, some excessive working hours and so on, including weekends and that sort of thing. So, we really don't know, but we do know that the building's pretty much done. It will be typically I'm sure a state-of-the-art production facility. Really look forward to seeing it, but we wouldn't and we haven't built in any expectation of what that might result in terms of production and availability at this point.

Alison Lygo: That is it from the webcast questions.

Brian Duffy: Okay. Well, thanks everybody for joining us. Hopefully see many of you this afternoon when we'll present our view of the future in more detail. FY26 was clearly a good year for us in terms of sales growth and in terms of developing our infrastructure and our portfolio of brands and stores. Our teams, really proud of what the teams have done in FY26 and the previous years with some of the changing conditions that they've had to deal with and deliver at the end of the day. Some very good numbers. Very proud and pleased that we're also able to continue to support our Foundation throughout that period. It's something that myself and our whole team feel very, very proud of. FY27, as we've been discussing, has started well, allows us to confidently confirm guidance no more than that at this point, but so far so good. And we'll look forward to updating many of you, if not all of you this afternoon.

So, thank you for joining us.