

7 November 2023



Watches of Switzerland Group PLC

Long Range Plan

World's largest luxury watch retailer outlines strategic growth plan from FY24 to FY28

Plan to more than double sales and profits by FY28

Multiple significant organic and inorganic growth opportunities across UK, US and Europe

Brian Duffy, Chief Executive Officer, said:

"I am excited to present our Long Range Plan to FY28. It represents our strategy over the next five years to capitalise on our leading market positions and the unique growth opportunities available to us as the world's largest luxury watch retailer.

"The Group is stronger than it has ever been, and we are tracking well ahead of the original plan we outlined in 2021, with a diverse pipeline of projects already scheduled for FY24, FY25 and FY26, which includes our strongest ever pipeline of committed Rolex projects. Our longstanding brand partnerships, leading multichannel capabilities, sophisticated marketing, and exceptional client service elevating the luxury experience truly sets us apart.

"Today's Long Range Plan demonstrates our confidence in more than doubling our sales and profits from FY23 to FY28, aiming to surpass the milestone of £3bn in revenue whilst driving operational leverage and accelerating new showroom projects and M&A activity.

"We are excited by the opportunity available to us in the Pre-Owned market, particularly from the new Rolex Certified Pre-Owned programme, which we expect to deliver 20% of new Rolex in the US and 10% in the UK by FY28. Analog:Shift/Non-Rolex Certified Pre-Owned is expected to deliver sales CAGR of more than 35% and 25% in the US and UK respectively.

"We also see significant growth potential in the luxury branded jewellery market and we are now perfectly positioned to apply our market leading luxury watch model and expertise in elevating luxury brands to this growing category, which we expect to comprise a substantially larger share of our total revenue as we expand our offer and leverage partnerships with US megabrands.

"We are very proud of what we have achieved in the last three years and have set ambitious though attainable goals for the Long Range Plan. The plans are built on a number of specific growth opportunities, and we are confident in our ability to deliver these objectives."

Proven track record of delivery

- **Long-term track record of sustainable profitable growth from FY15 to FY23:**
 - Revenue CAGR +19.3%
 - Adjusted EBIT CAGR +43.6%
 - Return On Capital Employed (ROCE) of 27.9%, FY15 to FY23 increasing by +21.2%

- **Unique WOSG model proven to work in all our chosen markets**
 - Firmly established leadership position as leading retailer of luxury watches in the UK
 - On track towards building leadership position in US market since entry in 2017; revenue CAGR of +40% from FY20 to FY23, making up 42% of the Group revenue in FY23
 - Positive start to growing presence in European market since entry in 2022; nine mono-brand boutiques across four countries
- **Performance significantly ahead of original Long Range Plan announced in July 2021**
 - FY24 sales c£200m ahead of the original Long Range Plan on a straight-line basis (at mid-point of guidance). Reflects CAGR growth of +23% vs +18% in the original Long Range Plan
 - Adjusted EBIT CAGR +32% vs +25% in the original Plan

Long Range Plan highlights

- **Long term targets**
 - **Group sales to more than double from FY23 base, surpassing £3bn milestone by the end of FY28**
 - UK and US growth ahead of market
 - US revenue CAGR growth 20-25%
 - UK revenue CAGR growth 8-10%
 - Europe to be 4-6% of Group sales in FY28
 - **More than doubling Adjusted EBIT from FY23 base by end of FY28, +50 to 150bps margin improvement by the end of the Plan**
 - UK and US growth plans to be key drivers
 - A sustained growth in average selling price (ASP)
 - UK and US showroom productivity improvements
 - Mix benefits as US becomes the largest portion of the Group
 - European productivity and profitability improvements
- **Expanding into new growth opportunities**
 - **Pre-Owned**
 - Global Pre-Owned watch market growing and stronger in western markets and online, representing a major growth opportunity for the Group in UK and US
 - Rolex Certified Pre-Owned provides additional growth platform. To deliver 20% of new Rolex in the US and 10% in the UK by FY28
 - Following US success, planned launch of Analog:Shift in UK
 - Analog:Shift/Non-Rolex Certified Pre-Owned expected to deliver sales CAGR of more than 35% and 25% in US and UK respectively over the life of the Plan
 - **Luxury branded jewellery**
 - Luxury branded jewellery category is dynamic with long-term double-digit growth. Our Group is currently underdeveloped in this exciting category
 - Significant opportunity to leverage WOSG's proven model in elevating luxury brands to expand offer and leverage partnerships with luxury jewellery brands
 - Opening dedicated Mappin & Webb luxury branded jewellery showroom in FY25 in Manchester which includes De Beers' first boutique outside of London
- **Leveraging existing growth opportunities**
 - The Group will continue to drive growth from existing opportunities, including:
 - Showroom upgrades across the Goldsmiths, Mappin & Webb, Watches of Switzerland, Mayors and Betteridge estates
 - Mono-brand boutique productivity enhancements
 - Ecommerce development and investment in the US and launch in Europe

- The Group will capitalise on exciting existing and new market-specific activity, including:
 - US: targeted acquisitions and new showroom projects including new Rolex boutique Plano, Texas and One Vanderbilt, New York, and targeted acquisitions
 - UK: new showroom projects including Rolex Old Bond Street boutique and Audemars Piguet Townhouse, and acquisition of 19 luxury watch showrooms from Ernest Jones
 - Europe: new showroom projects and targeted acquisitions; first Watches of Switzerland multibrand in the region, marking the Group's entry into the Netherlands; launch of ecommerce
 - Indicative range of £350m to £500m capital investment by end of FY28 to support new project and acquisition plans
- **Consistent, sustained capex to support growth plans, with strong ROCE**
 - Indicative range of cumulative capex spend from £300m to £350m by end of FY28
 - Good Return on Capital Employed driven by expanded EBITDA
 - Showroom upgrade program completed during the life of the Plan which will reduce capital intensity in later years of the Plan
 - Working capital investment in jewellery and Certified Pre-Owned to drive sales and market share
- **Cash generation and capital allocation**
 - Strong free cash flow generation to fund organic and inorganic growth from existing facilities; free cash flow conversion 65-70%
 - Investment in working capital to support sales growth
 - Priority for capital allocation remains funding business growth through investment in showroom elevation, new projects and acquisitions
 - Decisions about allocation of surplus to be taken at the appropriate time

Notes

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

Return on Capital Employed is defined as Adjusted EBIT divided by the average capital employed, calculated on a Last Twelve Month (LTM) basis. Average capital employed is total assets less current liabilities excluding IFRS 16 lease liabilities

Presentation

The CEO, Brian Duffy, and CFO, Anders Romberg, will be joined by leaders of the business to host a presentation on the Group's Long Range Plan at 2.00pm (UK time) today, which can be accessed via the following details:

Webcast link: <https://stream.brrmedia.co.uk/broadcast/6544b9a36eba92222a2e0e7>

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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 29 October 2023, the Watches of Switzerland Group had 211 showrooms across the UK, US and Europe including 97 dedicated mono-brand boutiques in partnership with Rolex, OMEGA, TAG Heuer, Breitling, TUDOR, Audemars Piguet, Longines, 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

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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 announcement.

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 and, except as required by applicable law or regulation, the Company undertakes no obligation to update these forward-looking statements. No statement in this announcement should be construed as a profit forecast or profit estimate.

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