Watches of Switzerland Group PLC
FY20 Trading and Financing Update
for the 13 and 52 weeks to 26 April 2020

Watches of Switzerland Group PLC ("the Group") today provides the following financing update and unaudited pre-close trading update for the 13 and 52 weeks ending 26 April 2020.

Highlights

- FY20 Group revenue[1] increased 5.9% to £819.3 million, ahead of recently revised guidance range
    - Strong trading during first 46 weeks to 15 March 2020 (pre lockdown) with Group revenue up 15.8%, across both UK (up 9.4%) and US (up 36.4%), driven by luxury watches up 19.3% vs prior year
- Covid-19 related closures of all stores in the UK and US has impacted momentum in final 6 weeks of the year
    - UK sales for 52 weeks to 26 April 2020 up 0.6% to £591.6 million (FY19: £588.2 million)
    - US sales for 52 weeks to 26 April 2020 up 22.9% to £227.7 million (FY19: £185.3 million)
- Ecommerce sales up 45.8% vs prior year during store lockdown period (6 weeks to 26 April 2020)
- Four acquired Fraser Hart stores converted and integrated during March, with encouraging trading until lockdown
- Reacted swiftly to Covid-19 with mitigating cost and cash management actions implemented
- Net debt[2] of £131.4 million as at 26 April 2020
- New £45.0 million facility agreement secured post year-end, further strengthening liquidity position
- FY20 Unaudited adjusted pre-IFRS16 EBITDA[3] is expected to be between £75.0 million and £78.0 million

Brian Duffy, Chief Executive Officer, said:
"The health and wellbeing of our colleagues and customers remains our priority throughout this challenging time and beyond. I am incredibly proud of the response from our teams, demonstrating unwavering resilience, teamwork and dedication.

Prior to the Covid-19 pandemic, the Group had been on track to deliver double-digit sales growth, reflecting our strong brand partnerships, favourable market conditions and accelerating momentum in the US.

Despite the current challenges, demand for luxury watches has remained strong with online sales performance ahead of our expectations. Through our longstanding partnerships with the most prestigious Swiss watch brands, we have further enhanced the online customer experience with the introduction of additional brands which we had previously only transacted in our stores.

We have also been highly proactive in identifying areas of cost savings while introducing measures to preserve cash and mitigate the impact of store closures, all whilst continuing to maintain full salary entitlement for all our colleagues. We are also pleased to have further strengthened our liquidity headroom, which means we can sustain a closure of our entire store portfolio for a prolonged period of time.

We are working hard behind the scenes to ensure that when our stores do re-open, they do so safely and in line with best practice so that our customers and colleagues will be able to shop and work confidently in a safe and healthy environment. Store openings are proceeding in Florida and Georgia in the US and to date, the experience of those colleagues and customers has been positive. As we look ahead to a post lockdown environment, we are anticipating a prolonged period of lower traffic, particularly in airports, with ecommerce, CRM and clienteling continuing to gain importance.

We remain confident the strong fundamentals that underpin the luxury watch category remain intact and will do so as we emerge from the current situation. Luxury watches continue to be a supply-driven segment with robust demand and unique value preservation characteristics. Longer term, we are well positioned to deliver on our plans to leverage our leading position in the UK and become a leader in the US luxury watch market.

I would like to reiterate my gratitude to our teams in the UK and in the US who continue to be committed, resourceful and positive throughout this challenging time."

Trading
Group revenue[1] for the year to 26 April 2020 increased by 5.9% to £819.3 million (FY19: £773.5 million), ahead of the recently guided range of £809.0 million to £812.0 million, driven by strong ecommerce sales. Performance had been strong for the first 46 weeks of the year when the lockdown of stores came into effect, with US stores closed from 19 March 2020 and UK stores closed from 23 March 2020.

<u>46 weeks to 15 March 2020</u>

Prior to the impact from the Covid-19 outbreak during the fourth quarter, the financial year had been progressing strongly. For the first 46 weeks of the year to 15 March 2020, total group revenue increased 15.8% with Like-for-like[4] ("LfL") sales up 9.3% versus the prior year period. This was driven by sales of luxury watches, which rose 19.3% during this period. The relaunched jewellery ranges generated a positive response from customers and the category performed well relative to the market.

UK sales increased 9.4% during the 46 weeks to 15 March 2020 with LfL[4] sales up 9.2% relative to the prior year period. The Group progressed its showroom elevation strategy with a total of 8 refurbished stores, including the expansion of the Rolex boutique in the 155 Regent Street flagship store during November 2019, and 2 relocated stores. The multi-channel network was further enhanced with the opening of 3 new stores, the first Watches of Switzerland store in Gatwick Airport, a new Goldsmiths store in Edinburgh Fort and the first Fope jewellery mono-brand boutique. Four Fraser Hart stores were acquired during March 2020 and were converted and integrated, with a strong initial response from customers prior to entering lockdown. Ecommerce sales rose by 15.9% for the 46 weeks to 15 March 2020.

Momentum in the US accelerated strongly during the 46 weeks to 15 March 2020 with sales up 36.4% relative to the prior year period and by 9.8% on a LfL[4] basis. During the period, the Group further elevated the network of Mayors showrooms. Three stores were moved to more strategic locations and converted to the new design concept (Merrick Park, Coral Gables; Lenox Square, Atlanta; Avalon, Atlanta) and, in addition, the Miami International Mall showroom was completely refurbished. Following the upgrades, these stores received a strong response from customers.

<u>52 weeks to 26 April 2020</u>

The final 6 weeks of the financial year to 26 April 2020 have been significantly impacted by the ongoing Covid-19 outbreak. All stores within the Group's store portfolio were closed as a result of containment measures relating to the Covid-19 outbreak adopted by governments, with US stores closing on 19 March 2020 and UK stores closing on 23 March through the end of the financial year.

During the period following the closure of stores, ecommerce has performed particularly well. Sales from this channel increased 45.8% during the last six weeks of the financial year with a further acceleration during the month of April, when sales increased by 82.8% relative to the same prior year period. In response to the closure of the bricks and mortar network, the online offering has been enhanced by the addition of several brands which the Group had previously only transacted in its stores. These additional brands will continue to be part of the online offering going forward.

The Group has generated additional revenue and cash during the period through enhanced clienteling initiatives in the UK and US, leveraging its strong customer relationships together with its sophisticated CRM tools and leading-edge systems. The Group continues to work closely with its brand partners during the lockdown period and in planning for the post lockdown business environment.

Demand for key luxury watch brands continued to exceed supply throughout the year.

Financing and cost mitigation
Net debt[2] as at 26 April 2020 was £131.4 million, which compares to the guidance provided prior to the Covid-19 pandemic of £120.0 million to £130.0 million.

Following the end of the period, the Group has further strengthened its liquidity position with new financing arrangements. The Group has entered into a new £45.0 million facility agreement as part of the government Coronavirus Large Business Interruption Loan Scheme ("CLBILS") and which has a maturity of November 2021.

The total available facilities in place as of 13 May 2020 are approximately £265.0 million. As of 13 May 2020, the Group's liquidity post refinancing is approximately £83.0 million.

The Group is confident it has sufficient financial headroom at year-end to sustain operations under a scenario of continued store closures and dampened consumer sentiment for a prolonged period. This assumes the impact to revenue continues to be partially offset by a series of mitigating actions to preserve cash.

As previously announced, in light of the Covid-19 pandemic, the Group has reacted swiftly to Covid 19 with mitigating cost and cash management actions implemented. This includes steps taken to eliminate discretionary expenditure, reduce working capital and where possible, delay capital projects. Government measures announced on business rates suspension, employee cost support and tax payment deferrals, are having a positive impact on cash planning. From 1 April 2020, the Board and selected senior executives volunteered to take a temporary 25% reduction in base pay and to defer the entirety of this base pay for the duration of store closures.

Outlook
The Group expects Adjusted pre-IFRS 16 EBITDA[3] for the full year to 26 April 2020 to be in the range of £75.0 million and £78.0 million.

In light of the impact to performance and the ongoing uncertainty from Covid-19, previously issued guidance for FY21 no longer applies. The Group is currently reviewing guidance and will most likely update the market with the FY results.

FY20 Revenue Performance by Geography

	Q4				FY			
	13 weeks to 26 April 2020 £ million	13 weeks to 28 April 2019 £ million	Total change YoY	Constant currency change YoY	52 weeks to 26 April 2020 £ million	52 weeks to 28 April 2019 £ million	Total change YoY	Constant currency change YoY
UK	90.7	129.7	-30.1%	-30.1%	591.6	588.2	0.6%	0.6%
US	42.1	49.8	-15.5%	-16.9%	227.7	185.3	22.9%	20.4%
Group Revenue	**132.8**	**179.5**	**-26.0%**	**-26.4%**	**819.3**	**773.5**	**5.9%**	**5.3%**

Note: LfL has been removed from the table above as all stores in the portfolio were closed from week 47 through to the end of the period

FY20 Revenue Performance by Category

	Q4			FY		
	13 weeks to 26 April 2020	13 weeks to 26 April 2019	Total change YoY	52 weeks to 26 April 2020 £ million	52 weeks to 28 April 2019 £ million	Total change YoY
Luxury Watches	110.9	150.2	-26.1%	686.4	631.4	8.7%
Luxury Jewellery	11.4	14.4	-20.8%	70.7	74.7	-5.4%
Fashion & Classic	4.8	6.4	-26.0%	30.6	34.6	-11.5%
Services & Other	5.7	8.5	-32.8%	31.6	32.8	-3.5%
Group Revenue	**132.8**	**179.5**	**-26.0%**	**819.3**	**773.5**	**5.9%**

[1] During FY20 the Group has reclassified certain costs and revenue, mainly to correctly reflect interest-free credit costs under IFRS 9, with no impact on net profit. As the impact is not material to the financial statements the comparatives have not been restated. The results shown above are shown prior to making this adjustment to aid comparability. These adjustments would reduce the FY20 revenue as stated by £8.8 million. If the prior year revenue was restated, revenue would have reduced by £10.7 million.
[2] Net debt is total borrowings before adjusting for capitalised transaction costs less cash and cash equivalents.
[3] Unaudited adjusted pre IFRS 16 EBITDA is EBITDA before exceptional and non-underlying items. Non-underlying items includes loss on disposal of property, plant and equipment, costs from non-trading activities and management fees. Shown on a continuing basis.
[4] Like-for-like (LfL) sales growth is the percentage increase in local currency sales from showrooms that have been trading continuously from the same selling space for at least one year. LfL excludes showrooms which have been closed during the period for refurbishment.

Conference call
A conference call for analysts and investors will be held at 8.30am today. To join the call, please use the following details:

Dial-in (UK): 020 3695 9267
Dial-in (all other locations): https://public.speakservecloud.com/dial-in-numbers/ee9d2673-7e37-4058-889c-e4a9ff59f4a7
Room number: 500492
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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 both the UK and US, comprising four prestigious brands; Goldsmiths (UK), Mappin & Webb (UK), Watches of Switzerland (UK and US) and Mayors (US), with complementary jewellery offering.

The Watches of Switzerland Group has 127 core showrooms across the UK and US (which includes 22 dedicated mono-brand stores in these two markets in partnership with Rolex, TAG Heuer, Omega and Breitling) and has a leading presence in Heathrow Airport with representation in Terminals 2, 3, 4 and 5 as well as five transactional websites.

The Watches of Switzerland Group is proud to be the UK's largest retailer for Rolex, Cartier, Omega, TAG Heuer and Breitling watches.

Mappin & Webb holds Royal warrants as goldsmiths, silversmiths and jeweller to Her Majesty The Queen and silversmiths to His Royal Highness The Prince of Wales. The Mappin & Webb master jeweller has been Crown Jeweller, custodian of the Crown Jewels of Her Majesty The Queen since 2012.

https://www.thewosgroupplc.com

Disclaimer

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Certain statements in this trading statement constitute forward-looking statements. Any statement in this document that is not a statement of historical fact including, without limitation, those regarding the Company's future plans and expectations, operations, financial performance, financial condition and business is a forward-looking statement. Such forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially. These risks and uncertainties include, among other factors, changing economic, financial, business or other market conditions. These and other factors could adversely affect the outcome and financial effects of the plans and events described in this statement. As a result you are cautioned not to place reliance on such forward-looking statements. Nothing in this statement should be construed as a profit forecast.