



# **FY20 Results, Q1FY21 Trading**

**August 2020**

**52 weeks ended 26 April 2020, 13 weeks ended 26 July 2020**

# Agenda

**CEO Update**  
Brian Duffy, CEO

**UK Update**  
Craig Bolton, Executive Director UK

**US Update**  
David Hurley, Executive VP USA

**FY20 Financial Results and FY21 Outlook**  
Anders Romberg, CFO

**Summary**  
Brian Duffy, CEO

**Q&A**







# CEO Update

Brian Duffy, CEO



# FY20: Strategy Working

**Strong Momentum Through Week 46**

**US Success**

**Market Share Gains**

**Impactful Marketing**

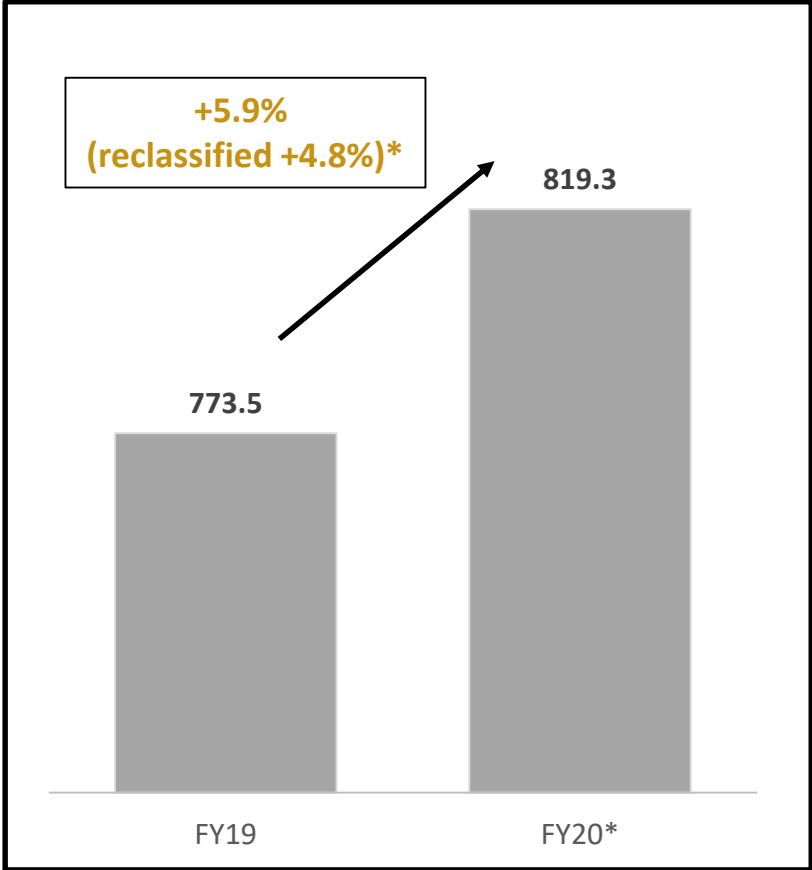
**COVID-19**



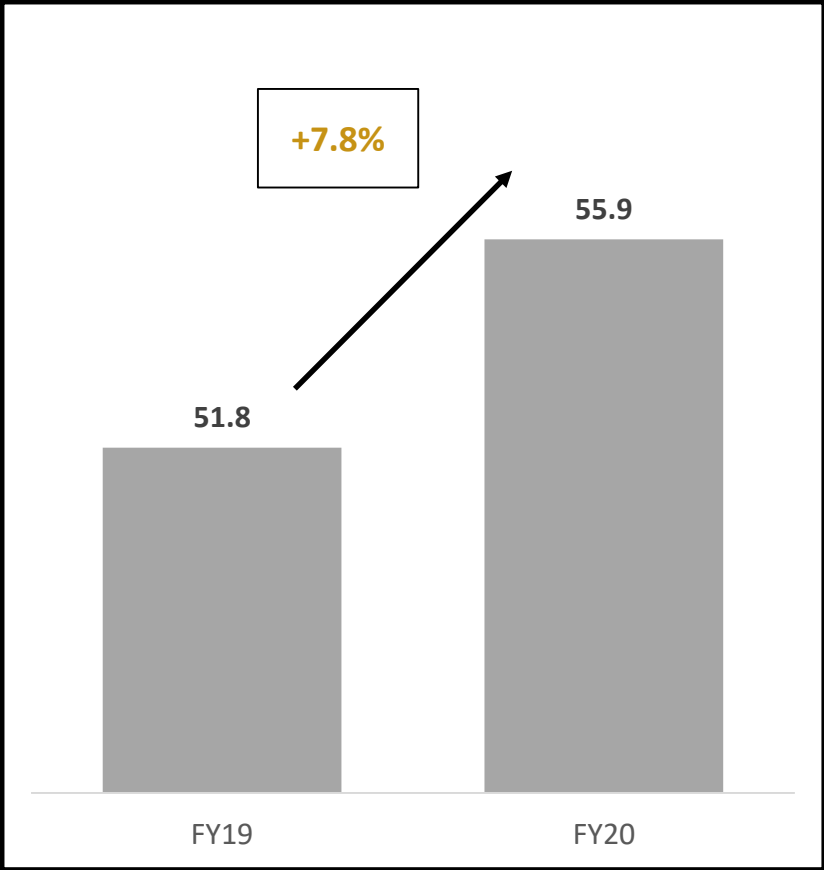
Audemars Boutique, Mayors, Lenox Square, Atlanta, Georgia

# FY20 Record Revenue, Profit and Return on Capital Employed

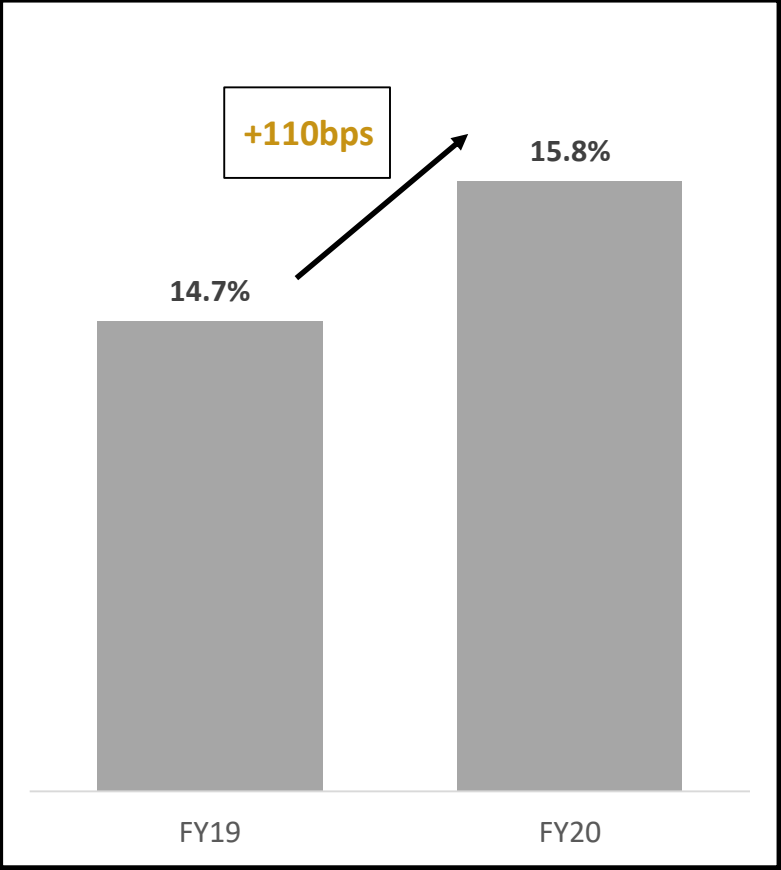
Revenue (£m)



Adjusted EBIT (£m)

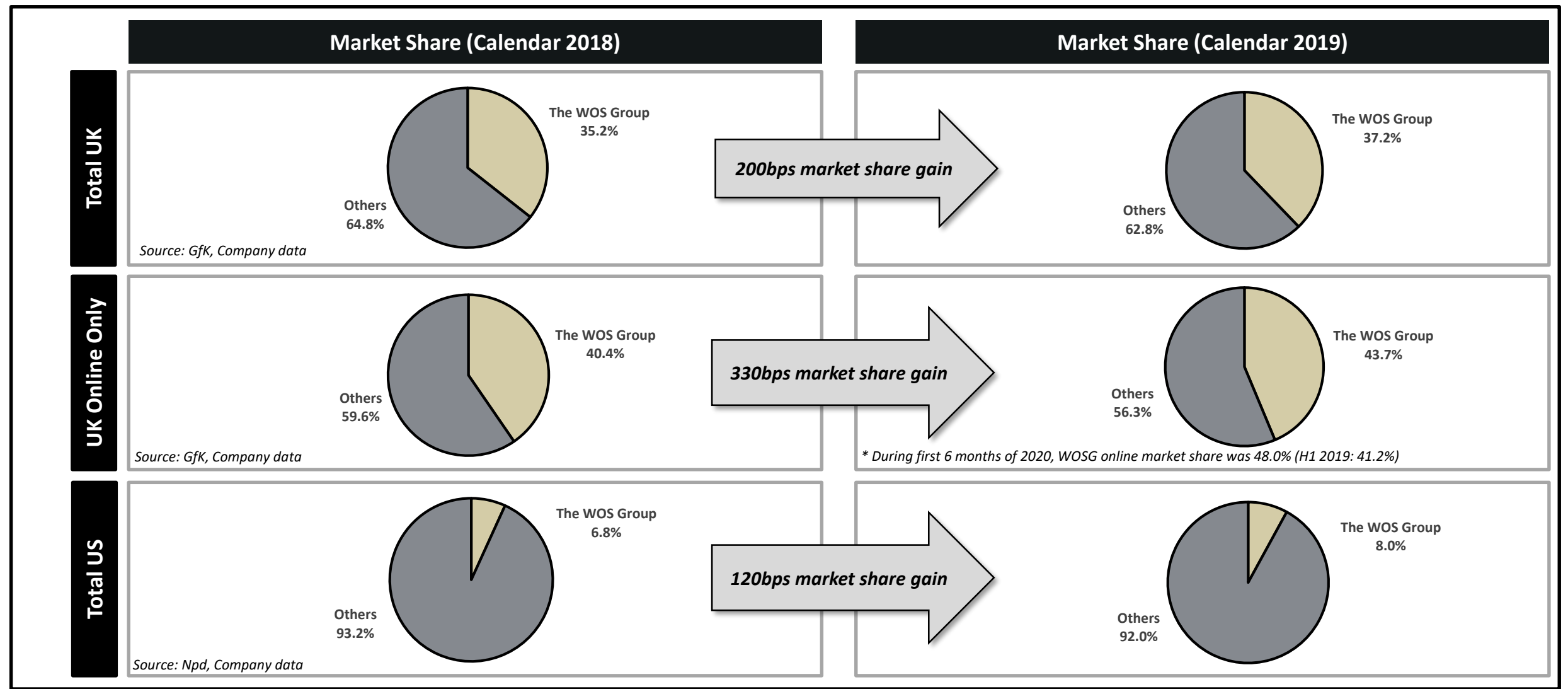


ROCE (%)



\* 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. FY20 revenue shown above is 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.

# Growing Market Share in UK, US and Ecommerce



# Resilient Performance and Flexible Operations During Lockdown

Clienteling

Ecommerce

Brand Partner Engagement

Digital

Virtual

Team Training

Team Spirit

Preparations





# Strong Q1 Trading Despite Store Closures and Reduced Traffic

	Q1 FY21			
	May 2020	June 2020	July 2020	Q1 FY21
<b>UK sales yoy %</b>	<b>(86.8)%</b>	<b>+1.4%</b>	<b>+1.1%</b>	<b>(30.1)%</b>
% traded hours <sup>1</sup>	0%	34%	78%	35%
<b>US sales yoy %</b>	<b>(72.7)%</b>	<b>(2.7)%</b>	<b>+27.0%</b>	<b>(20.4)%</b>
% traded hours <sup>1</sup>	22%	59%	64%	44%
<b>Group Revenue yoy %</b>	<b>(83.0)%</b>	<b>+0.3%</b>	<b>+7.4%</b>	<b>(27.6)%</b>
% traded hours <sup>1</sup>	10%	40%	74%	38%
<i>ecommerce sales</i> <sup>2</sup>	<i>117.8%</i>	<i>77.7%</i>	<i>46.2%</i>	<i>79.3%</i>

**Strong start to FY21**

**Lack of tourism/travel offset by strong domestic demand**

**Good cash management**

**Closing net debt of £91.2 million**

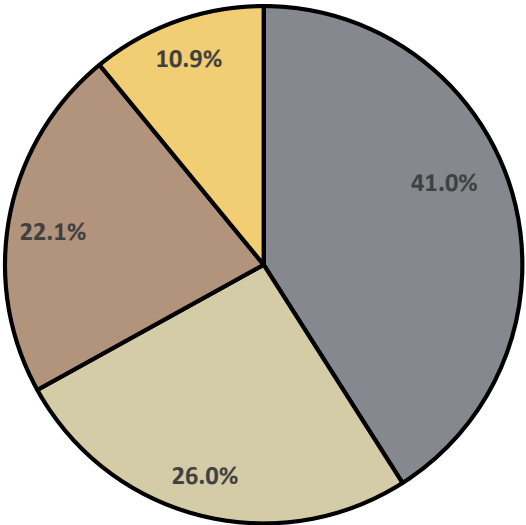
<sup>1</sup> % of potential trading hours during which the stores operated <sup>2</sup> included in UK sales and Group revenue



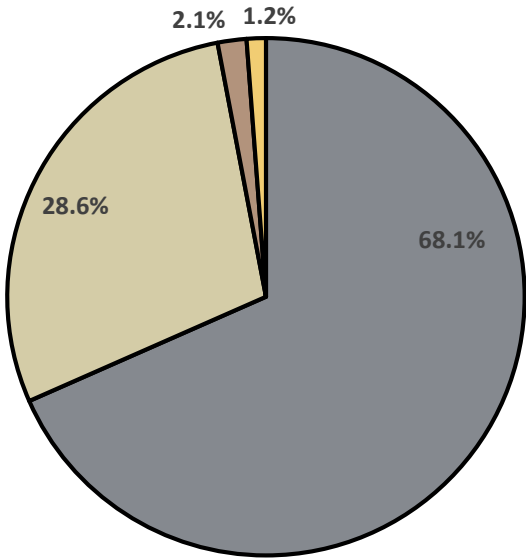
# Domestic Sales Offsetting Significant Reduction in Tourism/Airport Business

Revenue by consumer segment

Q1 FY20



Q1 FY21



Weak tourism and airport demand, offset by increased domestic demand driving shift in demographic



Domestic UK / EU



Domestic US



Tourism



Airport

# WOS Group Ideally Positioned for Accelerated Market Share Gains in FY21

**Demand Exceeding Supply for Key Brands**

**Importance of Digital / Social**

**Importance of Multi-channel**

**Increased Brand Engagement**

**Technology (CRM, Remote Selling, Appointment Management)**





# UK Update

Craig Bolton, Executive Director UK



# Optimised Commercial Response to Lockdown

UK Stores CLOSED

Immediate Focus

Assurance

Positivity



Adaptability


Focus on driving sales

Enhanced Clienteling


Online Sales




New Transactional Brands



PANERAI



JAEGE-LECOULTRE




VACHERON CONSTANTIN  
GENEVE

ROGER DUBUIS

PIAGET

GS Grand Seiko

Pre-Orders



Omega Seamaster Diver 300m  
James Bond 007 2020 Edition


£7,390.00 incl VAT

or from only £138.57 per month  
(0% APR Representative)

[VIEW FINANCE CALCULATOR](#)

Availability: Special Order: Expected Delivery 4-6 Weeks

[PRE-ORDER](#)




RECEIVE A FREE WATCHWINDER  
WHEN YOU PURCHASE THIS  
WATCH  
For more information, click here

Or register your interest to be notified when stock is available:


This product is available ONLINE ONLY

Digital Campaign




WATCHES OF SWITZERLAND  
Part of The Watches of Switzerland Group

[SHOP ONLINE  
FOR NEXT DAY DELIVERY](#)




HUBLOT

[SHOP ONLINE  
FOR NEXT DAY DELIVERY](#)



OMEGA

[SHOP  
FOR NEXT DAY DELIVERY](#)





# Increase in Conversion Offsetting Traffic Declines



UK Malls Traffic down  
c. 40-50%



London Traffic down  
c. 60-70%



Heathrow Traffic down  
c. 80%-90%



International business  
down c. 92%

\* As measured via Premier Tax Free refund levels



Increased Client  
Appointments



Increased Conversion

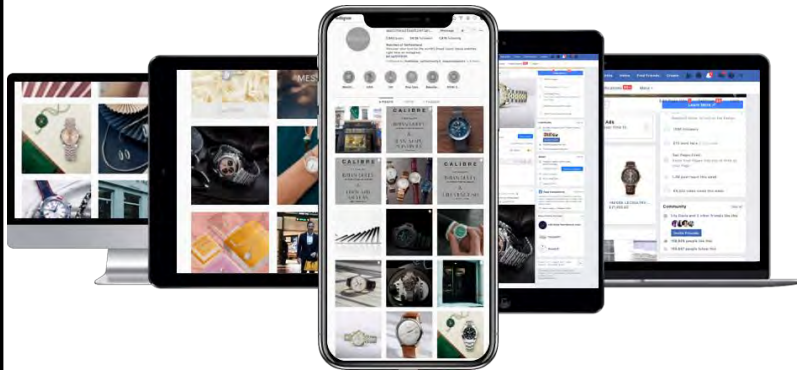


# WOS Group Technology Driving Customer Reach-Out

## CRM Outreach



## Digital Marketing



## By Personal Appointment



## BY PERSONAL APPOINTMENT



### IN-STORE

Visit us in one of our showrooms for a meeting with a dedicated member of our team.



### PHONE

Stay at home and speak to one of our showroom colleagues on the telephone.



### VIDEO

Dial in using Zoom for a face-to-face meeting from the comfort of your own home.



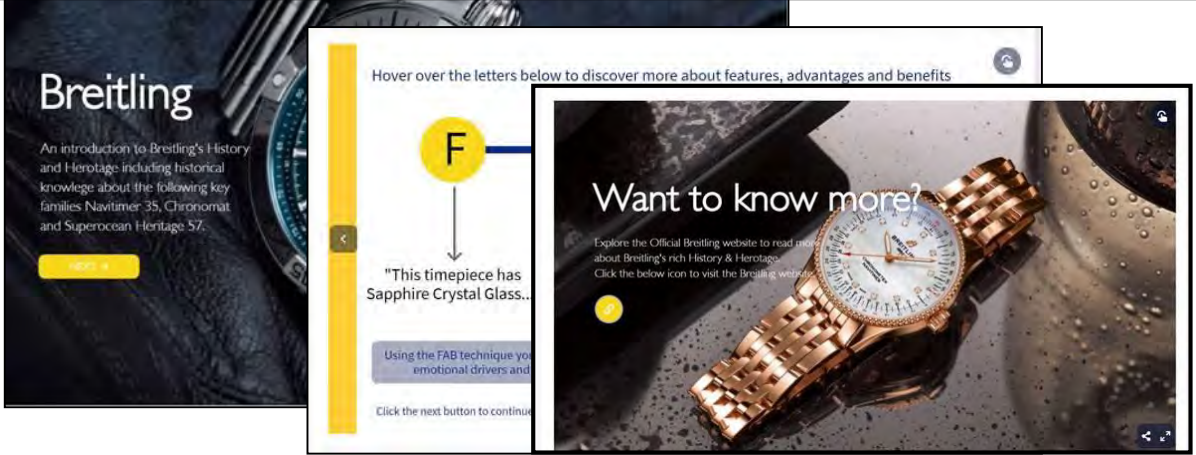


# Increased Brand Partnering On New Product Launches & Exclusives

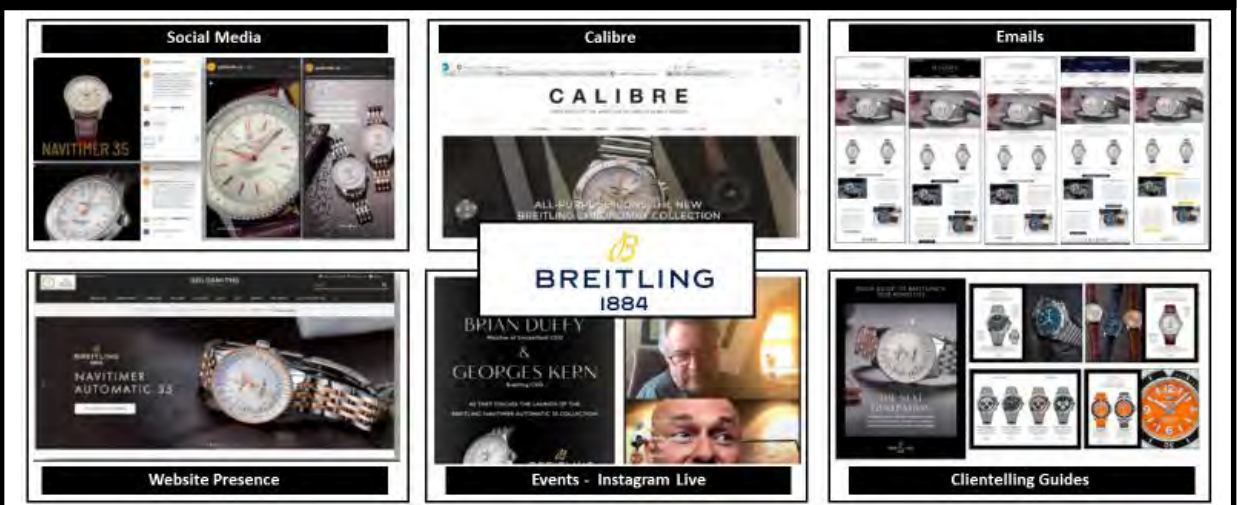
## New Product Launches from Key Brands



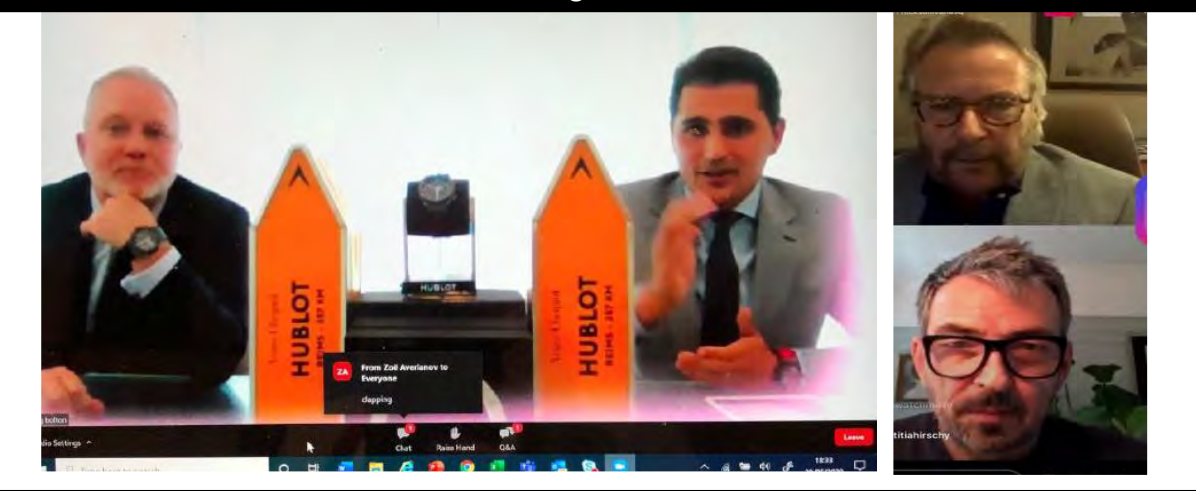
## E-learning Modules created to support all launches



## Full Marketing plan across all channels



## Launching in the Virtual World





# Development of Rolex Showrooms & Mono-Brand Boutiques

## Development of Rolex Showrooms



## Expansion of Mono-Brand Boutiques





# Successful Fraser Hart Integration with New Store Development Plans





# Rolex Mono-Brand Boutique: Glasgow





# Mappin & Webb: Cambridge





# TAG Heuer Mono-Brand Boutiques



Oxford Opened 24<sup>th</sup> June



Kingston Opened 1<sup>st</sup> July



Watford Opened 9<sup>th</sup> July



# Watches of Switzerland: Knightsbridge



Due for completion 20<sup>th</sup> November/  
Rolex Room mid September





# Watches of Switzerland: Broadgate



Due to open 27<sup>th</sup> November

  
**ROLEX**

*Cartier*

**IWC**  
SCHAFFHAUSEN

**AP**  
**AUDEMARS PIGUET**  
*Le maître de l'horlogerie depuis 1875*

  
**JAEGER-LECOULTRE**

**PANERAI**

**ULYSSE NARDIN**  


  
**TUDOR**

  
**BREITLING**  
1884

  
**HUBLOT**

  
**OMEGA**

Omega Boutique



# Tudor Mono-Brand Boutique: Westfield London





# Edinburgh St James: Omega & Breitling





# TAG Heuer Mono-Brand Boutique: Trafford Centre





# UK Division Poised for Further Market Share Growth

Significant opportunity for further market share gains



Capital programme of investment in luxury showrooms

Expand multi-channel opportunities across mono-brand boutiques, airports and new space

Focus on new product, exclusives and brand partnerships

Continued advancement in online expertise

Marketing, awareness and CRM activity

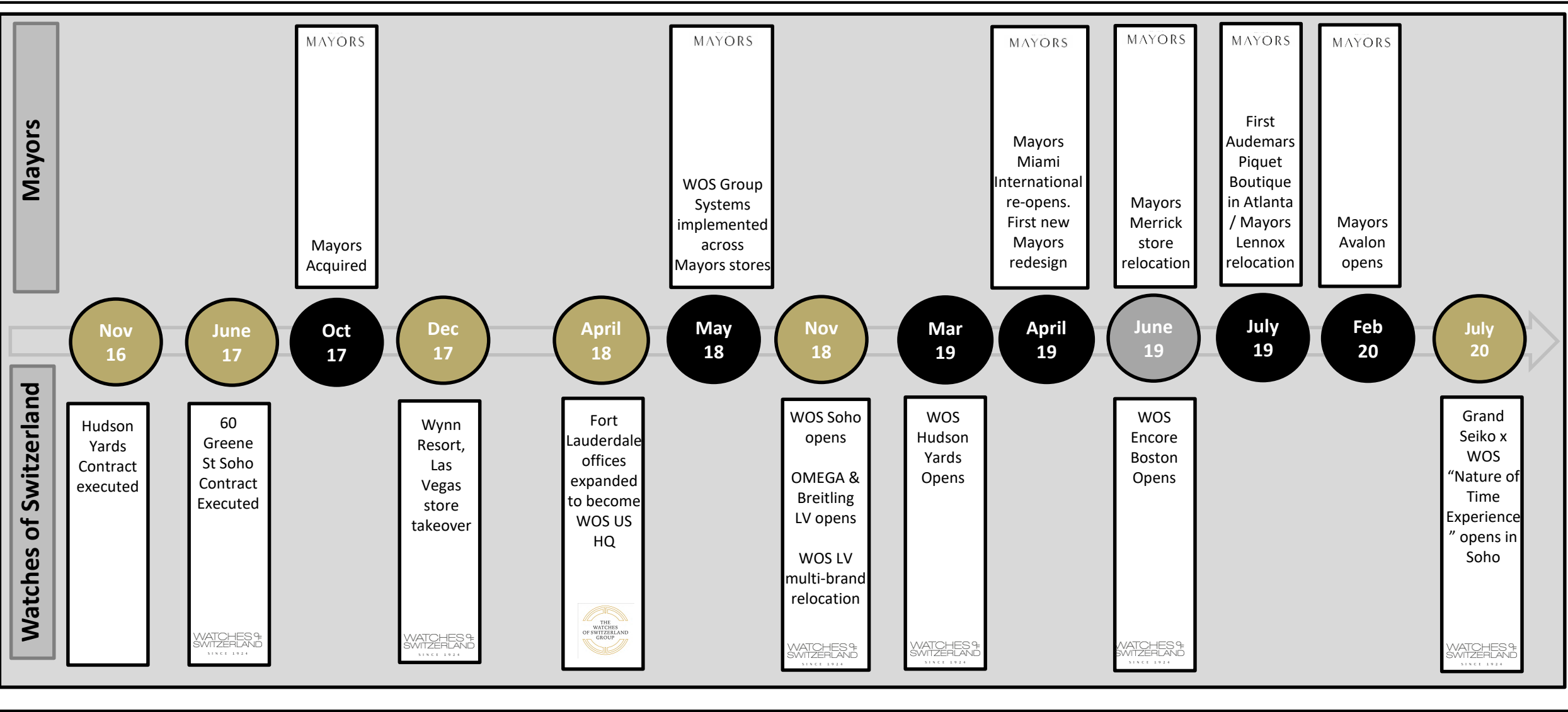


# US Update


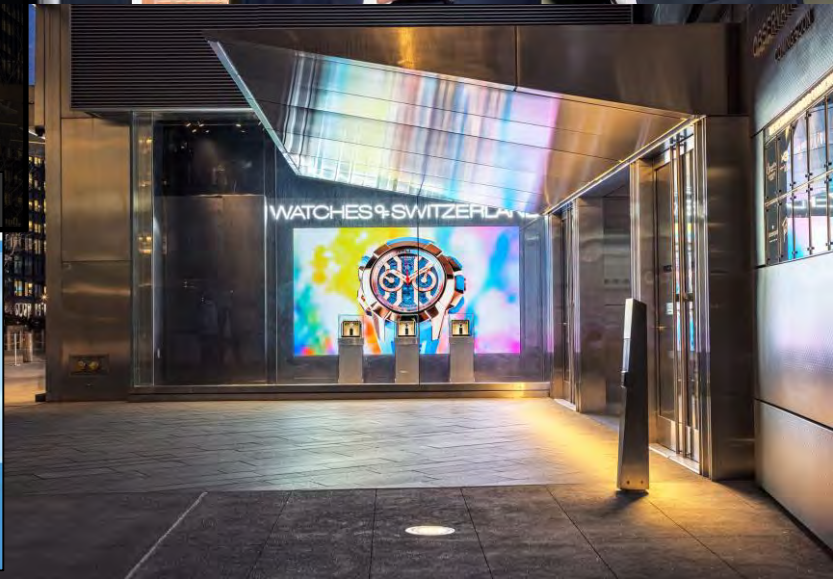







David Hurley, Executive VP USA



# Successful Development of US Store Network and Infrastructure



# Bold, Impactful Marketing Driving Brand Awareness



**FY20 Reach**

**2m Monthly Social Reach**

**Outdoor & Print 715m**

**PR 2.8bn**





# Mayors Lenox Square, Atlanta Relocation





# Mayors Merrick Park, Miami Relocation





# Mayors Avalon, Atlanta Relocation





# Positive Response to Re-Opening





# Grand Seiko x WOSG Global Launch – May 14<sup>th</sup> 2020

## Virtual Launch Event



## Zoom Launch



## Spark AR/Social Sharing



## Retail Presentation



## Calibre/Emails



## Ecommerce





# Great Press On Launch

## The New York Times

### Watch Brands Go Digital. (No, It's Not 2010.)

"Three weeks ago, I had no idea what an Instagram Live was."

By Victoria Gonselsky

June 10, 2020

"At first, I did not associate this technology with our brand — especially because our collectors always talk about the quality of our dials and finishing," said Brice Le Troadec, president of Grand Seiko Corp. of America. "But we've been trying to find creative solutions outside of what is normally done in our industry."

## Forbes

### Try The New Grand Seiko + Watches Of Switzerland On Your Wrist At Home

Carol Besler Contributor on Watches & Jewelry

## GQ

### The Grand Seiko x Watches Of Switzerland Toge Special Edition is wonderfully Japanese — yet unmistakably British

## HODINKEE

### INTRODUCING The Grand Seiko x Watches of Switzerland Group Toge Special Edition SBGM241 (Live Pics & Pricing)

A new GMT with a British Racing Green Mount Iwate dial.

## Esquire

### This New, Charmingly Old-School Grand Seiko Is Inspired by London—and the Mountains of Japan

The Toge GMT, a special collaboration with Watches of Switzerland, is now available for pre-order.

Grand Seiko worked with Facebook's Spark AR Studio software to develop an augmented reality filter.

The filter enables people to project the watch onto their wrists.

### PR activity to date:

# 871,734,906

\*Unique visitors per month, number of people who have had the opportunity to be exposed to a story online.

Paige Reddinger  
May 14, 2020, 4:10 PM EDT

Click here to read the full article.

Timeline is everything, and it turns out Grand Seiko and Watches of Switzerland were right on.

### Grand Seiko Crafts Exclusive Special Edition GMT for Watches of Switzerland

Combining the British an... has unveiled its latest special edition GMT, crafted exclusively for timepiece retailer... Bringing together the retailer's British heritage and Grand Seiko's Japanese pedigree, the resulting GMT dresses the latter's famed textured Mount Iwate dial in British Racing Green, creating a mountaineering watch akin to a luxury version of... The stainless steel Zaratsu-polished case measures in at a wrist-friendly 35.5mm, paired elegantly with silver-toned indices and hands, while the royal gold GMT hand works in tandem with the gold-toned 24-hour indicator ring on the inner dial. Powering the watch is the Japanese company's in-house Caliber 9566, carrying an impressive power reserve of 72 hours and calibrated to Grand Seiko's standard of -3 to +5 seconds per day. Complementing the apine model is a brown alligator strap with complementing green stitching.

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DIALED IN

Seiko, the Japanese giant of watchmaking at the affordable end of the spectrum, has been in business for 140 years, much of that spent in making iconic, functional pieces that remain popular and collectable like the 62MAS, its first diver released in 1965 that can—if you're very lucky—be found for under \$2,500. Modern versions of Seiko's divers, fortunately, are true to the style of their forebears, and at just a few hundred dollars, are an eminently more affordable route to owning a mechanical watch with a bit of a back story.





# Strategic Partner Brands: Mono-Brand Boutiques





# Aventura, Miami Refurbishment FY21





American Dream, New Jersey FY22



# US Market Well-Positioned for Long Term Growth

**Fragmented Market**

**No Significant Leadership**

**Initiatives to Drive Future Growth Through:**



**Refurbs**

**New Projects**

**White Space**

**E-commerce**

**Acquisitions**





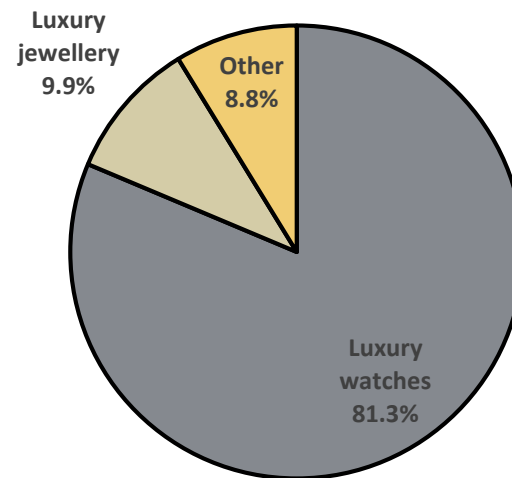
# Financial Results and FY21 Outlook

Anders Romberg, CFO

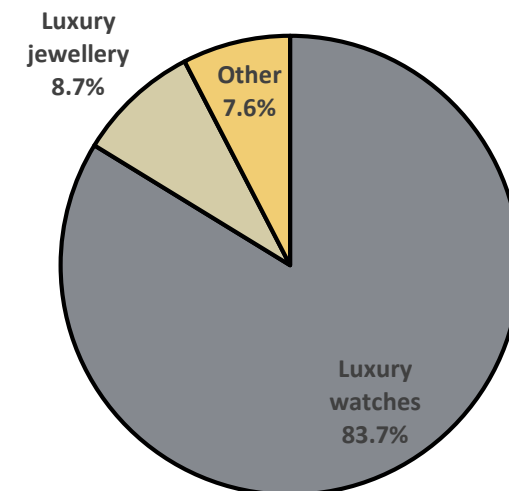
# P&L (pre-IFRS 16)

(£m)	FY20	FY19	Yoy %
Luxury watches	686.4	631.4	8.7%
Luxury jewellery	70.7	74.7	(5.4)%
Other	62.2	67.3	(7.6)%
Reclassification	(8.8)	-	-
<b>Net sales</b>	<b>810.5</b>	<b>773.5</b>	<b>4.8%</b>
<b>Net margin</b>	<b>304.7</b>	<b>290.2</b>	<b>5.0%</b>
Margin %	37.6%	37.5%	
Showroom costs	(178.2)	(172.4)	3.4%
Store costs as % of revenue	22.0%	22.3%	
<b>4-wall EBITDA</b>	<b>126.5</b>	<b>117.8</b>	<b>7.4%</b>
Margin %	15.6%	15.2%	
Overheads	(44.6)	(39.6)	12.5%
Overheads as % of revenue	5.5%	5.1%	
Opening and closing costs	(3.8)	(7.5)	(48.8)%
Other non-trading items	-	(1.9)	n/m
<b>Adjusted EBITDA</b>	<b>78.1</b>	<b>68.8</b>	<b>13.6%</b>
Margin %	9.6%	8.9%	
<b>Adjusted EBIT</b>	<b>55.9</b>	<b>51.8</b>	<b>7.8%</b>
Margin %	6.9%	6.7%	
Finance costs	(6.5)	(25.4)	(74.3)%
<b>Adjusted profit before tax</b>	<b>49.4</b>	<b>26.4</b>	<b>86.5%</b>
<b>Adjusted EPS</b>	<b>16.6</b>	<b>11.1</b>	<b>49.5%</b>

FY19 weeks 1-46



FY20 weeks 1-46



- Through week 46 FY20 sales **+15.8% driven by luxury watches +19.2% to 83.7%** of total sales (FY19: 81.6%)
- FY20 sales for 52 weeks **+5.9% to £819.3 million (+4.8% to £810.5 million reclassified<sup>1</sup>)**
- Adjusted EBITDA **+13.6% to £78.1 million, Adjusted EBIT +7.8% to £55.9 million**

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.



# Balance Sheet (pre-IFRS 16)

(£m)	26 April 20	28 April 19
<b>Non-current assets</b>		
Goodwill	136.6	109.7
Intangible assets	17.9	18.0
PPE	99.8	101.3
Other	9.9	13.3
<b>Current assets</b>		
Inventories	243.5	200.3
Trade and other receivables	15.2	35.6
Cash and cash equivalents	72.9	34.5
<b>Current liabilities</b>		
Trade and other payables	(143.6)	(137.3)
Borrowings	(82.7)	(27.2)
Other	(3.0)	(6.1)
<b>Non-current liabilities</b>		
Trade and other payables	(21.7)	(20.3)
Borrowings	(117.1)	(239.9)
Other	(10.1)	(5.3)
<b>Net assets</b>	<b>217.5</b>	<b>76.6</b>

- Goodwill increase due to Fraser Hart acquisition
- Property, plant and equipment down reflecting fixed asset additions of £22.4m offset by depreciation £15.6m, disposals £3.8m and impairment £7.1m
- Higher inventories as a result of high in-take in March 2020 of desirable luxury watches
- All stock on hand at year-end fully paid by July 2020
- Reduced receivables mainly due to reduced in-house credit programme
- Increased payables linked to inventory in-take
- During lockdown period, additional cash generated through enhanced clienteling initiatives in the UK and US
- Post IPO financing in place with liquidity position further strengthened with new arrangements post year-end
- Year-end net debt/EBITDA of 1.7x

# Refinancing

Current facilities	Expiring	Amount
UK term loan – UK LIBOR + 2.25%	June 2024	£120m
UK revolving credit facility – UK LIBOR +2.0%	June 2024	£50m
US asset back facility – US LIBOR +1.25%	April 2023	£50m
<b>Post-year end</b>		
Coronavirus Large Business Interruption Loan Scheme	November 2021	£45m
<b>Total facilities</b>		<b>£265m</b>

- As part of our IPO our debt was restructured
- Year-end net debt<sup>1</sup> was £129.7m vs. pre COVID-19 guidance of £120.0m to £130.0m:
  - strong working capital management and cost control through the lockdown period
- Since year-end, the Group has further strengthened its liquidity position:
  - new £45.0m facility agreement
  - £265m in total available facilities
- The debt facility is subject to a six-monthly financial covenant test on leverage and fixed charge cover ratio
- On 18 June 2020 the covenant tests were replaced with a minimum monthly headroom covenant of £20.0m from June 2020 to September 2021

1 Year end net debt as disclosed in our trading update of 14 May 2020 was £131.4m, the difference being restricted cash held on retention for the settlement of the consideration for the showroom acquisitions



# Cash Flow (pre-IFRS 16)

(£m)	FY20	FY19
Adjusted EBITDA	78.1	68.8
Exceptional items and non-trading	(5.0)	(7.1)
(Increase)/decrease in inventory	(35.5)	5.8
Decrease in debtors	13.6	2.4
Increase in creditors	14.5	0.1
<b>Cash generated from operations</b>	<b>65.7</b>	<b>70.0</b>
Tax paid	(7.5)	(5.0)
Pension contributions	(0.7)	(0.7)
<b>Cash generated from operating activities</b>	<b>57.5</b>	<b>64.3</b>
Capex	(28.7)	(35.5)
Acquisition	(31.1)	-
Net proceeds from IPO	147.8	-
Movement in borrowings	(96.9)	(20.3)
Interest	(11.6)	(17.3)
Carve-out of discontinued operations	-	(6.1)
<b>Net increase / (decrease) in cash</b>	<b>37.0</b>	<b>(15.0)</b>

- **Inventory:** increased in-take of desirable luxury watches pre-lockdown
  - Total inventory turns 1.9x (FY19: 2.0x)
- **Debtors:** decrease in rent prepayments, lower US in-house credit debtors
- **Creditors:** increase in stock holding at the year-end
- **Tax:** change in quarterly tax instalments
- **Capex:** continued investment in store portfolio with 5 new stores, 6 relocated stores, 9 refurbished stores
- **Acquisition:** 4 Fraser Hart stores acquired
- **Borrowings:** reflects refinancing
- **Interest:** includes £8.2m of interest relating to the bond prior to refinancing

# FY21 Guidance (pre-IFRS 16, 53-week basis)

FY21 Guidance <sup>1</sup>	
Total revenue	£840.0-£860.0m
EBITDA margin & Adjusted EBITDA margin	Flat
Depreciation, amortisation, impairment and loss on disposal of fixed assets	£21.0-£23.0m
Total finance costs	£5.3-£5.8m
Underlying tax rate	21.0-22.5%
Capital expenditure	£28.0-£32.0m
Net debt	£90.0-£110.0m

<sup>1</sup>pre-IFRS 16 adjustments and based on a 53-week period

- Encouraging trading during Q1 FY21; Group well positioned to continue delivering on its strategy
- FY21 guidance assumes:
  - continued strong luxury watch market in the UK and US
  - no further national lockdowns in UK or US
  - no disruption of production
  - no disruption from Brexit
  - continued localised disruption in both markets
  - continued buoyant domestic demand in both markets
  - limited airport traffic and foreign tourism in the UK and limited domestic tourism in the US; graduate and moderate improvement throughout the financial year
- FY21 guidance is on a 53-week basis
- Strong pipeline of store projects planned in the UK and the US as well as US ecommerce relaunch
  - American Dream (New Jersey), Battersea will now complete during FY22 rather than FY21





# Summary

Brian Duffy, CEO





Q&A

