

Watches of Switzerland Group

Q3 FY26 Trading Update

4th February 2026

Transcript



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Brian Duffy:

Good morning, everyone. Thank you for joining our Q3 FY26 trading update. This is Brian Duffy our CEO, joined by Anders, our CFO and Caroline, Group Finance and Investor Relations Director. I'll do some introductory remarks and then we'll of course open for Q&A at the end of that.

We are really pleased with our trading performance in Q3 FY26, which obviously covers the key Christmas holiday trading period. Sales were strong across the group and pretty much a continuation of the strong trends that we reported in H1. Demand for our key brands remains strong and continues to outstrip supply in both markets.

In the US, we delivered sustained broad-based growth across categories, brand and price points. This reflects the strength of our model, and the continued buoyancy of the luxury watch market in the US. Our growth projects of pre-owned, ecommerce and Roberto Coin are all performing particularly well.

We were also delighted to announce the recent acquisition of Deutsch & Deutsch. This acquisition adds to our presence in Texas with a further four Rolex-anchored showrooms. We're looking forward to realising the strategic benefits of this acquisition.

In the UK, trading has also been consistent with H1. We continue to be delighted with the performance of our Rolex Old Bond Street boutique. This flagship showroom has consistently delivered strong client engagement and is attracting a high level of new customers. The group is sharing key insights from this showroom across the wider estate to support the continued elevation of best-in-class luxury retail experience.

We've continued to make targeted investments in the business to support future growth. This has included showroom development projects, of course, a completely new US based ecomm team, marketing investment and investments behind Hodinkee. These investments are supporting improved profitability in the second half and further improved profitability in future years.

The strong trading performance in the quarter, combined with the early benefits from our ecommerce and marketing investments, good visibility for the balance of the year, and the contribution of the Deutsch & Deutsch acquisition, all gives us confidence to raise our revenue guidance for the year. We now expect to grow revenue by 9% to 11% constant currency. An increase from the previous 6% to 10% range that we guided to. EBIT margin percentage will improve in the second half of the year. For the full year is now expected to range between a -70 bps to -90 bps versus prior year. This reflects brand margin adjustments, partially offset by price increases, investment costs, and some one-off costs. Specifically, we have projected a

provision in the second half of the year relating to Roberto Coin department store debtor balance following a recent Chapter 11 filing in the US, and staff incentives reflecting our sales performance.

As noted earlier, the platform infrastructure investments into US ecommerce and marketing we have made, and Hodinkee, in the year are now largely complete and will support ecommerce sales and profitability growth in next year and beyond.

We're really pleased with our trading performance in Q3, year to date, and as forecast for the full FY26. This is particularly pleasing given the challenges that our team have faced in navigating what has been a very volatile year. And with this, we'll hand back to the operator and move on with Q&A.

- Operator: Thank you so much sir. Ladies and gentlemen, if you'd like to ask an audio question, please press star one on your telephone keypad. Just make sure that your line is not muted, to allow us to still reach your equipment. So that is star one for questions. Our first question is coming from Adrien Duverger of Goldman Sachs. Please go ahead. Your line is open.
- Adrien Duverger: Hi, good morning, Brian, Anders and Caroline, thank you very much for taking my questions. My first question would be on the product allocation, could you please comment on the outlook for inventory allocation across the different brands? Is that in line with your expectations? And secondly, if you could comment on where you see inventory currently sitting both in the UK and in the US. Then had another question which would be on the two main markets. How would you describe the consumer environment across the US and the UK? And could you please also comment on the exit rates for both of these regions? Thank you very much.
- Brian Duffy: Thanks Adrien. Obviously, we're in the period in which we get our allocations from key brands. We've had those discussions, they're not complete at this point, but we have a pretty good indication that we've clearly reflected in our four-month projection for the balance of, what now is a three-month projection for the balance of the year. So, allocations, it's a normal process. Nothing's really changed and we now have certainty. We obviously have pricing as well, knowing for what's happened at the start of the calendar year. Your second question was on inventory.
- Anders Romberg: Yeah, inventory is in good shape both in the UK as well as in the US. In the US actually we would say that we might be a bit light on certain brands because some of them were holding back on shipments waiting for the tariffs to normalise. So, there's been a little bit of a supply issue in the US in that sense, but overall, we're in a good place when it comes to our stock.

Brian Duffy: On consumer mood. Here in the UK, I think my own personal view is it is a wee bit better than it was when we last reported to you. We had the budget happening in November and your people chat about the Christmas season. What would it have been like? As it turned out for us was a good season here in the UK. I think we were really well prepared for it and we made some kind of nuance change, made a wee bit more emphasis on value, recognising that that would've been important to the consumer and I think we made some really good moves there. So, it was a good Christmas season for us overall and we continue to describe the UK as being stable, which is what we've been saying more or less for the last 18 months, and maybe as we enter this new calendar year, my sense is there is maybe a bit of an upturn, a small upturn in mid, but we'll see. It's early days yet.

US consumer is clearly very buoyant and positive and confident and spending accordingly. We saw the Bank of America credit card information for January and again very strong in our category of our luxury jewellery and watches. The consumer, they're very respondent to value of financial assets which remain very strong. Obviously, their tax situation is net-net positive as well when we talk about the more affluent consumer. And there's no question in the US that the K shaped consumer behaviour is definitely there and evident in the market. So, the consumer has been positive throughout calendar 25 and that positivity carries into 26 to date.

Anders Romberg: In terms of the exit rates that we've seen. There's no change in the momentum going through January, so it's been a good January as well.

Brian Duffy: Yep.

Adrien Duverger: Thank you very much.

Operator: Thank you, Adrien. Ladies and gentlemen, once again if you have any questions, please press star one. Our next question is coming from Chris Huang, calling from UBS. Please go ahead. Your line is open.

Chris Huang: Hello, hi, it's Chris Huang from UBS. I have two questions please. The first one on the consumer profile, you've been reporting very strong top line growth and especially in the US that seems to be just continuing to supply to the upside. Could you provide perhaps a bit more colour on the consumer profile in terms of their age, how much of a split coming from new versus existing consumers? Anything you can share on that front would be great. Secondly, on the margin guidance and the moving parts, if I look at the midpoint of your new guidance, which is around 10% sales growth, and this was at the high end of the previous guidance, but at the same time, if we look at margin expansion, the midpoint now sits 80% below the previous high end of flattish year over year. I know in the press release you commented several factors that is driving this incremental 80 bps headwind, but would

you be able to quantify each of them, if possible, and also connected to this if we should expect any further headwind into fiscal 27 please. Thank you.

Brian Duffy:

Yeah, thanks Chris. Consumer profile, I think we have reported to the market consistently that we're really encouraged by a younger demographic in the US. I think people get affluent younger is one thing, but I think there's huge interest in the world of luxury watches with the young consumers in the US and it is our experience, even at the high end of the price ranges of what we sell. Those are very active, younger consumer, very knowledgeable about the category. We obviously have now our Hodinkee media business, which again has a younger appeal overall and we can get further consumer insight there into those that really love and appreciate the wonderful world of watches. So yes, it's a really encouraging thing that younger consumers really appreciate this category, appreciate mechanical watches, appreciate that the products maintain value, that they last whatever, they're not disposable products and it's a real positive for the category.

The last thing on that is I think the influence of digital media as well clearly has a younger profile appeal to and our category lends itself very well to digital communications through advertising, through social media, through great videos in which you can talk about heritage and craftsmanship and modern techniques and celebrity ambassadors. I mean everything about this category communicates very well through your laptop or your phone. So definitely a younger consumer, trend towards more women buying into the category, which is great. Much more self-purchase. The last thing about the US to mention a big difference, there's a bigger concentration of collectors in the US than we have experienced here in the UK, so about 25% of our business in the UK. It's nearer half of our business in the US, so really positive things in the US that give us great confidence about the future of that market. It remains an underdeveloped market measured on a per capita basis and the rate of growth for the market overall and for our business is very strong. You want to comment on..

Anders Romberg:

In terms of the margin profile for the second half, it's improving, from what we saw in the first half. A couple of headwinds that came our way was obviously the Chapter 11 that Brian alluded to earlier with one of the department stores in the US. We've taken a prudent view on that and provided for it in our guidance. In addition to which we've had a great year, the team has done a fabulous piece of work throughout the whole year and that's led us to taking up our variable compensation slightly versus what we expected. In addition to which we had a product mix with pre-owned continuing to motor on really well across both markets and obviously it comes at a slightly lower product margin, even though it's cash accretive from an EBIT margin perspective, obviously you don't get the same flow through.

Brian Duffy: And there's some one-off costs there too. There has been an impact from margin. Obviously, the brands have had to respond to pretty unprecedented levels of cost inflation with the price of gold, with the strength of the Franc, the weakness of the dollar, and then you throw tariffs on top of that. So, it was a lot to navigate for the brands. I think they've been very responsible in how they've done it overall, but that has included an element of margin adjustment for us retailers. It is offset by pricing over time, but within the fiscal year it has a negative impact in this year. We think it washes through next year. And we have a one-off course like NIC of course that we've reported before in the UK.

Chris Huang: And sorry, just to follow up on that Chapter 11 of one of your partners, are you able to tell us how much of a headwind you currently baked in? So we kind of know the sensitivity to that.

Anders Romberg: No, we're not going to specifically comment on that, but it is obviously not helpful.

Chris Huang: Okay, thank you.

Operator: Thank you for your questions, Chris. We'll now go to Kate Calvert of Investec. Please go ahead.

Kate Calvert: Morning everyone. Just a quick question on your project pipeline because there wasn't any comments in the statement that I remember. Have you got any delays to your project pipelines for the current financial year or is all on track and what are your early thoughts on next year's project pipeline? Thank you.

Brian Duffy: Thanks Kate. No delays. We have our usual full programme of activities both here in the UK and the US. We obviously have our new business now with Deutsch & Deutsch separate to store projects. We have a lot going on with Hodinkee. We've opened now three stores with Roberto Coin, which look fabulous. I was in the states last week with a Roberto Coin team in source, our store in Miami, which is really great. And we have other projects there too. We have ecomm that we are moving onto a Shopify platform currently. We have Watches of Switzerland on the platform. We'll have Mayors on that platform too within the coming weeks. So yeah, hands are full. We got a lot on and yeah, no change, no delays, some really nice projects both here in the UK and the US coming up in the year ahead.

Kate Calvert: Can you give any more details on those projects in the year ahead?

Brian Duffy: Yeah, so in our Q3, we've changed the cadence of our reporting. We give a lot more information on our half year number, so we haven't gone through

what we have done historically enlisted. There's no change to what we presented and listed in the half year at this point. Big projects here in the UK, the Glasgow boutique is a big deal, that's on schedule for an opening in early summer. That activity at Heathrow we're working on. We haven't landed on an exact date for that, but we're advanced with Rolex on the design of all of that, so that's great. We're working through and we'll have completed pretty much for the end of this next fiscal year, the whole upgrade that we did to Goldsmiths, and Mappin & Webb here in the UK. So yeah, looking back to H1 is probably your best reference at this point and obviously we'll update as we complete Q4 here.

Kate Calvert: Always worth a try. Thank you very much. Thanks.

Operator: Thank you for your questions, ma'am. Ladies and gentlemen, as a final reminder, if you have any audio questions, please press star one on your telephone keypad. We'll now go to Melania Grippo of BNP Paribas. Please go ahead.

Melania Grippo: Good morning, everyone. This is Melania Grippo from BNP Paribas. I've got one question on your recent acquisition of four stores in Texas. I was wondering if you could please give us an idea of what could be the store revenue uplift after the refurbishment and integration in your group?

Brian Duffy: We can't really, well, honestly, we don't know at this point. It's a very recent acquisition. Clearly our focus in these first few weeks is securing and answering all the questions from the team that are there. They're great people. We've had really good interactions and all that's going fine. We really believe that the format that we've done here of the owners staying in their roles, running the business and staying with an equity interest in the business is a really good format for the nature of acquisition in this category of family businesses. So, we're working through all that. We would say they've done a great job of refurbishing two of the four stores. They look fabulous, but there's a lot of things that we can bring to their network, whether it's online, pre-owned and some other brand developments of that nature. So, we're working through it. We haven't clearly done budgets with them at this point yet, but we have them scheduled and yeah, we'll hopefully be able to answer that more in the future.

Melania Grippo: Thank you.

Operator: Okay. We do not have any further questions coming in at this time. I'll turn a call back over to management for any additional or closing remarks. Thank you.

Brian Duffy:

Thanks again everybody for joining the call. Huge thanks to our team for navigating through what's been an interesting and I think volatile year. We are looking forward to more stable conditions as we plan our fiscal year 27 but feel very good about where we've got to in this year. So, thank you for joining us.