

Full Year results

17 July 2019

52 weeks ended 28 April 2019 for the former group parent, Jewel UK Midco Limited

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Agenda

CEO update

Brian Duffy, CEO

FY19 financial results and FY20 outlook

Anders Romberg, CFO

Operational review, summary and outlook

Brian Duffy, CEO

Q&A



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CEO update

Brian Duffy - CEO



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Transformation and IPO a springboard for further growth

Business Highlights

- Five-year business transformation culminating in successful IPO in June
- Continued strong growth in UK market
- Expansion into US market on track
- Digital presence and capabilities driving customer engagement
- Further progress in reshaping store portfolio – £33.8m of capex in the year, delivering new showroom openings, refurbishments and expansions
- Celebrating the strength of brand relationships
- Launched key CSR relationships



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FY19 – another year of strong growth for the Group

Revenue **+22.5%** on prior year
to **£774m**

UK Like for like sales **+10.0%** for
the year

4-wall EBITDA Margin **+30bps** to
15.2%

Adjusted EBITDA **+17.6%**
to **£69m**

Expensive debt retired using proceeds of IPO

During the year the Watch Shop and Watch Lab businesses were carved out of the Group, these P&L results reflect the continuing business only



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Leading position in thriving global luxury watch market

We operate in resilient, growing luxury watch markets

- Jan-Apr 19 value growth in exports of Swiss watches >3,000 CHF **+7%**, full year 2018 value growth **+7%**
- Jan-Apr 19 volume growth **+6%**, full year 2018 volume growth **+8%**
- US second largest market worldwide, UK fifth largest market

Attractive market dynamics

- Supply driven market
- Limited / reducing incentives, seasonality and strong brand global price management
- Limited threat from online / technology

Leading position in UK market

- **35%** share of UK luxury watch market in 2018
- Outpaced market growth

Growing position in US market

- Consolidation in a fragmented market
- Replicating best practice from UK retail model
- Applying UK transformation model

Jewellery market remains competitive

- Growing branded jewellery category
- Promotional activity in commodity product

Financial results and FY20 outlook

Anders Romberg - CFO



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FY19 financial highlights

Revenue **+22.5%** on
prior year
to **£774m**

Like for Like sales
+10.0% for the year

UK luxury watch sales
+12.8% on prior year
to **£472m**

Adjusted EBITDA
+17.6%
to **£69m**

Cash from operations
+£19m to £70m

Capital roll out
programme remains
on-track

Post-IPO debt
restructure **complete**



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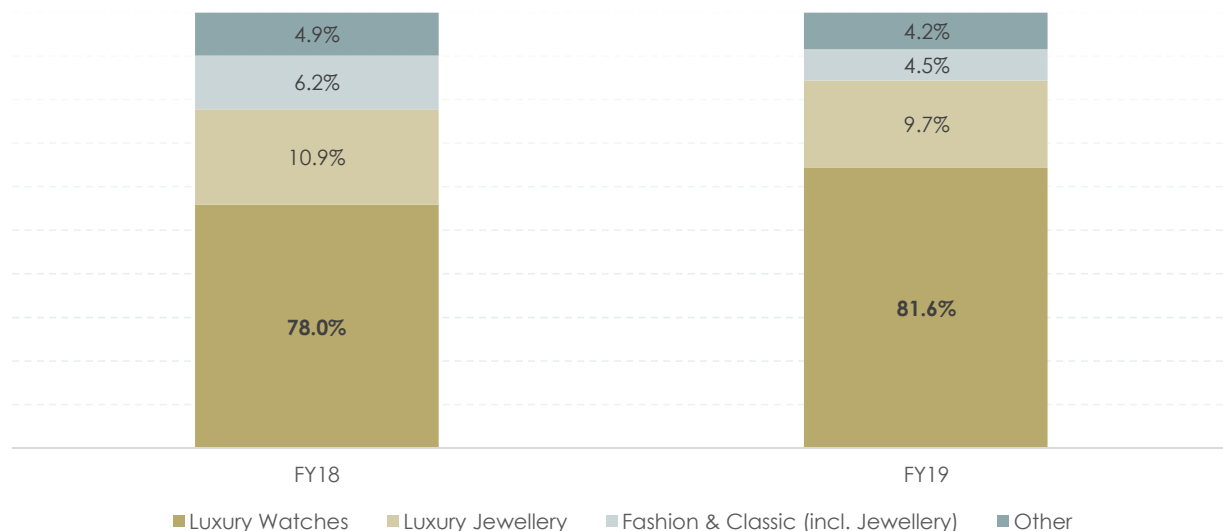
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Financial Overview

(£m)	FY 18	FY 19
Luxury Watches	492	631
Luxury Jewellery	69	75
Fashion & Classic (incl. Jewellery)	39	35
Other	31	33
Revenue	631	774
Growth %	23.9%	22.5%
LFL Growth %	4.0%	10.0%
Net Margin	240	290
Margin %	37.9%	37.5%
Store Costs	(145)	(172)
Store Costs as % of Revenue	23.0%	22.3%
4-Wall EBITDA	94	118
Margin %	14.9%	15.2%
Overheads	(29)	(40)
Overheads as % of Revenue	4.5%	5.1%
Opening and Closing Costs	(5)	(7)
Other exceptional items	(2)	(2)
Exceptionals as % of Revenue	1.1%	1.2%
Adjusted EBITDA	58	69
Margin %	9.3%	8.9%

Revenue by category



Full year revenue growth of **22.5%** and LFL revenue growth of **+10.0%**

Adjusted EBITDA growth of **17.6%**

Sales mix split towards Luxury watches continues



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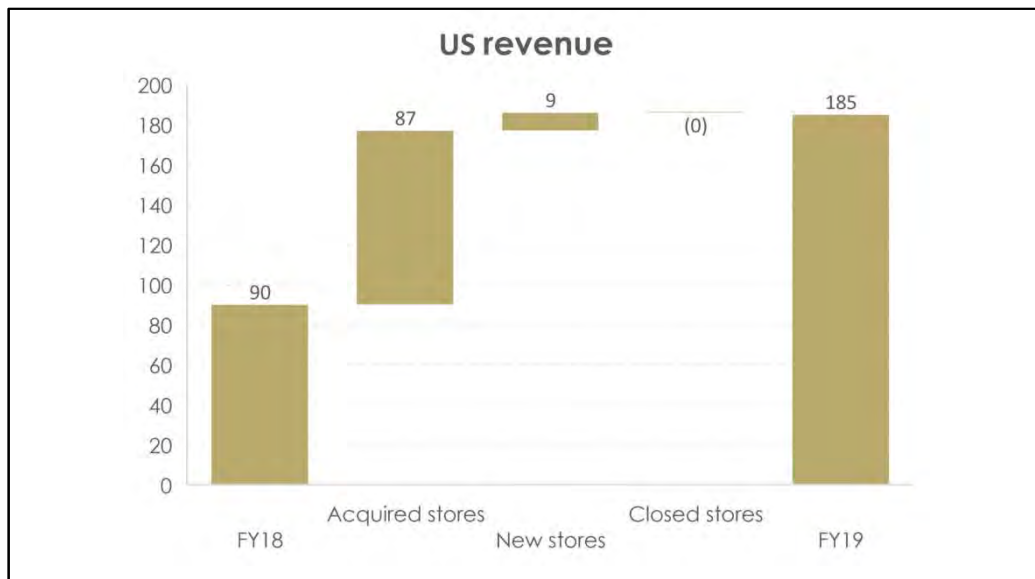
Revenue by geography



LFL growth in the UK **+10.0% (£51m)**

Overall growth **+9% (£47m)**

Luxury watches as % of total revenue **+3ppts to 80%**



Pro-forma US LFL growth is **+7% (£11m)**

Overall growth **+106% (£95m)**. In local currency, growth was **+96%**

Luxury watches as % of total revenue **+4ppts to 86%**

(Note: All US growth classified as new stores because there is no full-year comparison)

Margin

- Net margin grew in absolute terms by £51m (+21%) year on year, however in relative terms gross margin % fell by 40bps to 37.5%
- Decrease principally driven by the increase in product mix towards luxury watches and a favourable impact of pricing increases in FY18
- Partially offsetting these declines were a reduction in incentives offered on sales and the removal of certain financing options



Operating costs

(£m)	FY18	FY19
Store Costs	(145)	(172)
Store Costs as % of Revenue	23.0%	22.3%
Overheads	(29)	(40)
Overheads as % of Revenue	4.5%	5.1%
Opening and Closing Costs	(5)	(7)
Other exceptional items	(2)	(2)
Exceptionals as % of Revenue	1.1%	1.2%

Improved store efficiency, helped by closures of non-core stores, has driven a reduction in store operating costs relative to revenue.

Overheads have increased year on year due to the payment of a full bonus in FY19, the annualisation of US overheads and an increase in cost base towards IPO.

Store opening and closure costs increased in the year largely due to the acceleration of the store opening profile. Stores opened in FY19: 7, including 2 flagships (FY18: 2 new stores, 0 flagships).

Cash flow

(£m)	FY18	FY19
Adjusted EBITDA (P&L)	59	69
Exceptional and other costs	(4)	(7)
(Increase)/decrease in inventory	-	2
(Increase)/decrease in debtors	(5)	3
Increase/(decrease) in creditors	-	3
Tax paid	(3)	(5)
Pension contributions	(1)	(1)
Cash generated from operating activities	47	64
Expansionary capex	(13)	(34)
Maintenance capex	(2)	(2)
Acquisitions / disposals	(79)	(6)
Net cash flow from investing activities	(94)	(42)
Repayment of shareholder loan	(75)	-
Movement in borrowings	156	(20)
Interest paid	(14)	(17)
Net cash flow from financing activities	67	(38)
Net (decrease) / increase in cash	21	(15)

Working capital generated a net cash inflow in FY19 due to improved stock turns and debtor management.

Increase in capex in the year is largely driven by expenditure on the two US flagship stores opened in New York.

FY18 financing activity impacted by the £265m bond raising.

Capex payback

In the year we opened seven showrooms; three in the UK and four in the US as well as refurbishing and expanding a number of existing stores.

Full appraisals are performed for all projects are monitored against internal payback hurdles of 2.5 years (3 years for flagship stores) to cover net capex and stock investments.

Our current payback on net capex and stock investment for capital projects is 2.2 years



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Summary balance sheet

(£m)	April 18	April 19
Non-current assets		
Goodwill	119	110
Intangible assets	30	18
PPE	80	101
Other	15	13
Current assets		
Inventories	215	200
Trade and other receivables	23	36
Cash and cash equivalents	49	35
Current liabilities		
Trade and other payables	(134)	(137)
Borrowings	(29)	(27)
Other	(6)	(6)
Non-current liabilities		
Trade and other payables	(16)	(20)
Borrowings	(256)	(240)
Other	(5)	(5)
Net assets	85	77



Pre-IPO balance sheet

Year on year NWC investment largely flat despite >20% increase in trading

Investment in store portfolio and pay-down of debt are the significant movements during FY19



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Net debt – post IPO refinancing

(£m)	April 19	Post-refinance
Bond notes	(248)	-
Other borrowings	(27)	(38)
Term loan	-	(120)
Total borrowings	(275)	(158)
Cash and cash equivalents	35	23
Net debt	(240)	(135)
FY19 Adjusted EBITDA pre opening and closing costs	76	76
<i>Illustrative leverage</i>	<i>3.1x</i>	<i>1.8x</i>



Debt refinancing performed simultaneously with the IPO

All high-yield bond debt was repaid and replaced with £120m term loan, reducing annual interest service by c.£17m p.a.

Following IPO, our net debt was £135m



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Reaffirming our IPO Guidance

		FY20
Sales Growth	UK	Mid-single digit LfL growth
	US	Mid-single digit LfL growth
Major Property Capex	UK	£10-12m p.a.
	US	£15-17m p.a.
EBITDA Margin		Broadly stable margins. Post FY 2019, store opening and closing costs in line with longer term averages
Tax rate		Accounting tax charge expected to stabilise at around 20%
Other capex		c.£5m p.a.
WoS target to reach £1bn sales by FY 2021		



Operational review, summary and outlook

Brian Duffy - CEO



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Our strategy for sustainable profitable growth

- 1 Growing revenues and profits through our showroom portfolio and new showroom opportunities
- 2 Being a strong partner for our luxury watch brands
- 3 Delivering exceptional customer service
- 4 Continuing to develop best in class practices of merchandising, marketing and retail operations
- 5 Expanding multi-channel market leadership



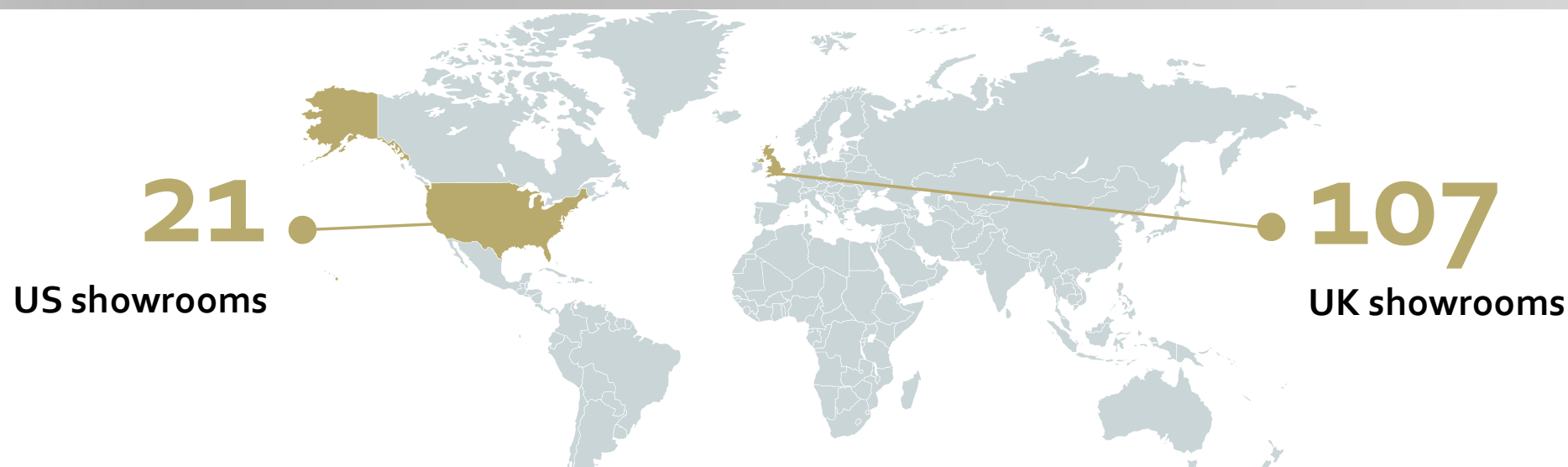
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1. Growing revenues and profits through our showroom portfolio and new showroom opportunities



Proven strategy and model

- Sales CAGR of 19.8% over last five years. EBITDA CAGR of 30.1%
- Like for like sales +10.0%
- Current payback 2.2 years

Showroom enhancement programme

- 93% of UK showrooms new or renovated
- £45m UK refurbishment investment in last five years
- Mayors & Wynn US showroom refurbishment in progress

New flagship stores

- 7 new showrooms opened in FY19, including Hudson Yards and Soho flagship stores opened in New York
- Relocation of flagship Las Vegas multi-brand showroom
- Exciting pipeline of new projects

1. Investment in and elevation of our existing showroom portfolio

Continued investment and elevation of our showroom portfolio



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1.1 Travel retail

Proven track record

- Leading retailer positions at Heathrow terminals 2, 3, 4 and 5.
- Sales at Heathrow airport + 9% to £89.1m

Unrivalled travel experience

- Excellent range and assortment
- Sophisticated logistics allow for rapid stock transfer between showrooms

Compelling growth opportunity in growing sector

- Proven track-record at Heathrow positions WoS Group well for future expansion
- Gatwick North terminal opening summer 2019
- Expanded Heathrow terminal 3 showroom to open 2020



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1.2 Expansion of mono-brand concept

13 mono-brand stores UK
(excluding airport showrooms)

4 mono-brand stores US



Showroom optimisation driving growth

- Model store concept drives good 4-wall EBITDA

Brands benefit from WoS Group scale, resources, and exposure

- Brand elevation and growth
- Shared capital costs with brands supporting payback

Exciting growth opportunity

- TAG Heuer concept accelerating - 3 stores opened in FY19
- 2 Las Vegas mono-brand boutiques opened in FY19
- 3 new TAG Heuer mono-brands to open in FY20

1. Investing in new store opportunities

Exciting pipeline of new projects

- US expansion – Boston Wynn June 2019 at the Wynn Encore Boston Harbour Resort; complete New York golden triangle with American Dream opening in 2020 at Meadowlands, New Jersey
- US refurbishment programme including Miami International, Merrick Park, Lenox Square
- UK expansion – Flagship WoS showroom at Broadgate development, open Summer 2020, Battersea Power Station Autumn 2020
- Expansion and refurbishment projects including Rolex boutique in Glasgow and 155 Regent Street, relocation of WoS Brighton



2. Being a strong partner for our luxury watch brands

Long-standing relationships

- Luxury watches 82% of sales, + 4ppts
- UK luxury watches average selling price + 10% to £3,858
- Highly motivated, knowledgeable employees
- Our scale gives us unique customer insights and sales data

Brand elevation benefits for both WoS Group and brands

- In-store positioning and luxury expertise
- Portfolio elevates WoS Group's appeal to brands
- Co-op advertising exposure



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2.1 Rolex partnership



100 years of shared values and vision

- In 2019 we are delighted to celebrate the 100 year anniversary of our partnership with Rolex, the world's leading luxury watch brand.
- To commemorate this landmark occasion we have hosted a number of celebratory events, including a gala dinner in Newcastle, UK
- To further mark the centenary we have jointly launched a limited edition Datejust with Rolex with all proceeds going to The Prince's Trust



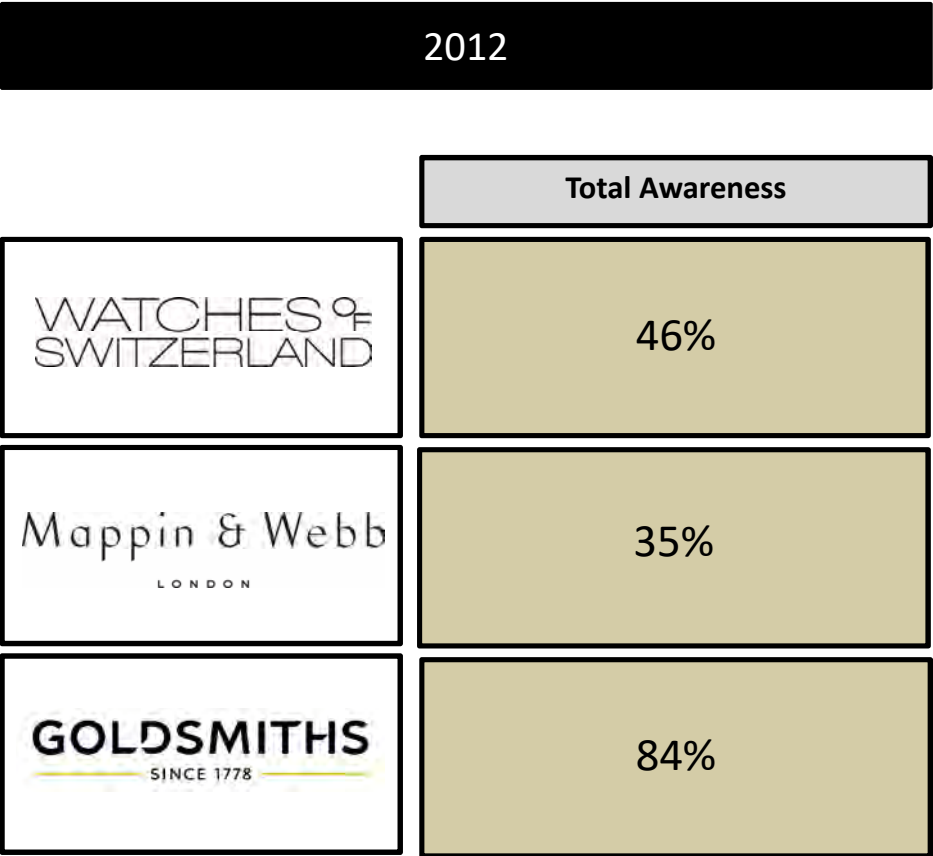
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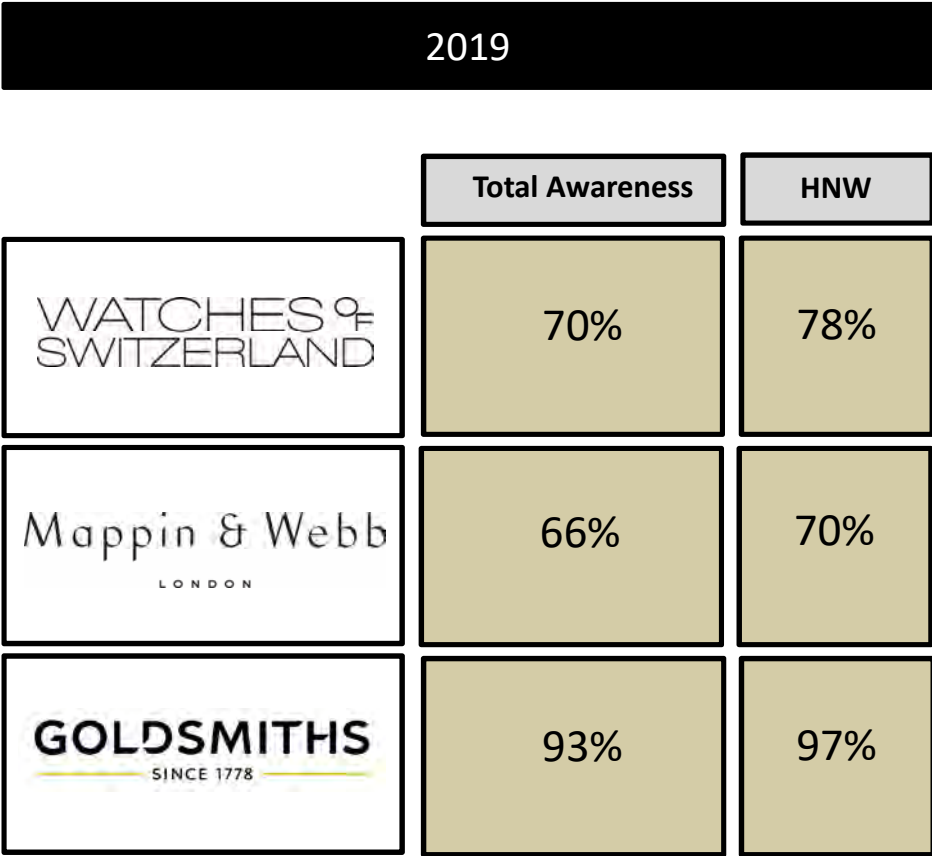
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2.2 Growing awareness of WoS



Source: Pragma Watch and Jewellery survey 2012



Source: ID Insight Consulting Consumer Brand Research for The Watches of Switzerland Group June 2019



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3. Delivering exceptional customer service

Highly trained, experienced sales colleagues delivering best in class in-store experience, supported by CRM outreach and VIP events

CRM is a key differentiator

- Store colleagues focussed on their own direct client reach to drive footfall, nurture clients and invite to events and hospitality

Staff training

- Teams undertake significant training both in house and with our brand partners
- Customer experience and store training monitored through mystery shop programme



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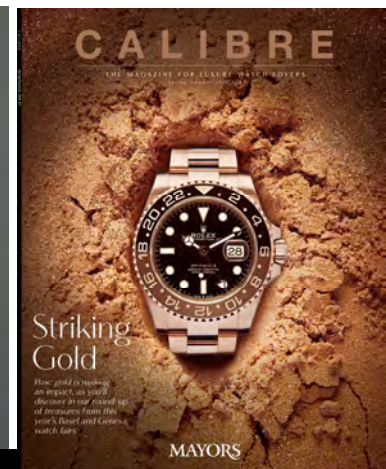
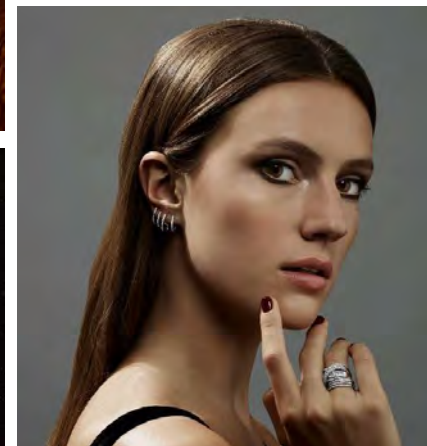
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4. Continuing to develop best in class practices of merchandising, marketing and retail operations

- Active data collection and trend analysis drives the product range, resulting in higher productivity and stock turns
- Technologically advanced and scalable systems
- High level of accountability and performance management in retail
- Focus on impactful marketing including CRM, Events, our Calibre and Loop magazines and newsletter, social media and co-op advertising



5. Expanding multi-channel market leadership

Strong growth

- E-commerce Sales +18%
- 44% CAGR in online luxury watches
- Five transactional websites in the UK and US

Highly complementary channel

- Drives traffic to stores
- Store network supports consumer confidence
- All stores have access to brands/products online

Significant opportunities ahead

- UK online market leader
- US market for authorised multi-brand retailer underdeveloped
- WoS Group well positioned to further expand UK market leadership



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People and CSR

- We are delighted to announce our Group-wide partnership with the Prince's Trust
- Colleagues from across the Group have been invited to participate in a wide-range of fund-raising activities, from charity bike rides, to providing employment skill mentoring programmes



Prince's Trust

- In addition, during FY19 we have launched our "Project Acorn" initiative
- Through this programme, the WoS Group is helping school children develop valuable vocational skills as well as providing an insight into a career in retail

Summary and outlook

FY19 has been a pivotal year for the Group

Uncertain economic environment but luxury watch demand remains strong, with WoS well-positioned within that market

Current trading in first eleven weeks post year-end is encouraging

Remain well-positioned to deliver on our strategic aims and meet Board's expectations for FY20



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