The Watches of Switzerland Group

H1 FY24 | Video Webcast

7th of December 2023

Transcript

Brian Duffy, CEO:

Good morning, everyone. Thank you for joining our webcast and call on the results of the Watches of Switzerland Group, for the half year to October 23. We have previously reported Q2 and H1 revenues to the market, and we have presented the status of the company and plans for our group with our LRP, and therefore this presentation is reasonably concise, allowing more time for Q&A. Our agenda this morning, I will present an overview of the group's performance. Andres Romberg, our CFO, will then present the financials. Then we will present a summary of our LRP headlines and numbers together, following which we will open the lines for Q&A. We are very pleased with our strong first half performance in the UK and the US. Despite a challenging economic environment, group revenue growth of 2% at constant currency, flat at reported rates. Strong US revenue growth of plus 11% in constant currency, adjusted EBITDA of £94 million was 8% down at constant currency, 10% at reported rates.

EBIT of £73 million, achieving a margin of 9.6%, which was down 170 bps versus last year, due predominantly to a reduction in net margin for product mix, and interest-free credit costs. Net cash is £16 million, compared to £26 million borrowing at H1 last year, with cash conversion of 60%, 700 bps higher than last year. We have now completed the acquisition of the luxury showrooms from Ernest Jones. These stores had a combined LTM sales of around £45 million pounds. We have successfully launched Rolex certified pre-owned in both the UK and the US. We communicated our LRP through to FY28 on the 7th of November. Our FY28 goals in the LRP represent a more than doubling of our sales and profits.

Looking here at the sales mix in more detail, the rapid growth of our US business means that US sales in the half, are now 43% of the group total, compared to fiscal year 19, total year of 24%.

We see the US market is underdeveloped, and we are very pleased with our growth and momentum in the US. Our group sales in the half were 95% to domestic clients, and this compares to 67% in fiscal year 19. International sales have been hugely impacted by the removal of VAT free shopping in the UK following Brexit. We have more than compensated for this market loss with a successful increased focus on the domestic client. I am very pleased to confirm the completion of the asset purchase of a group of 15 showrooms from Ernest Jones in the UK. This was previously reported at 19, however four mono brand stores have been sold separately. Ernest Jones is part of the Signet Group, which is predominantly a US based group focused on diamond jewellery. Ernest Jones ceased partnering with Rolex in 2012 but continued the relationship with most other luxury watch brands.

The showrooms that we are acquiring include a total of 76 luxury watch brand agencies: including Omega, Cartier, Breitling, Tudor, and TAG Heuer. These showrooms are very much in our space with great potential for growth, all in good geographical locations, complementary to our current estate with good teams, locations, and clients. The focus immediately is to rebrand the stores, leverage our group systems, implement our client service and merchandising, and of course the training and support of our new colleagues.

The pre-owned market is huge, particularly in the US and represents a major opportunity for the Watches of Switzerland Group. We have now launched Rolex CPO in the US and UK to add to our already successful Analog:Shift business in the US and UK pre-owned. We launched Rolex CPO in seven showrooms in the US in July, we are now in fourteen. And in five showrooms in the UK in September, and we are now in 10 with Metro Centre effectively launching this week

H1 has been our busiest on record for developments with new showrooms in all markets, including the transformation of a number of large turnover showrooms in the UK, which we have now reopened across November and early December to maximise trade in the holiday season. We have a healthy pipeline into fiscal year 25, including the opening of the flagship Rolex Boutique on Old Bond Street in autumn 2024. We continue to invest in our Goldsmith Luxury design with expanded and elevated showrooms, providing dedicated space for luxury watch brands, increased space for luxury jewellery brands, and new areas of hospitality and client service. In September, we completed the most significant and largest transformation for Goldsmiths in Liverpool City centre, six and a half thousand square feet across two floors of luxury watches and luxury jewellery including a 1,200 square feet Rolex room and a 500 square feet Cartier room.

We have also introduced many new jewellery brands including Pomellato and Fred. Since the half year we have opened our relocated Rolex boutique in Orlando, Florida and completed Goldsmith luxury transformations in Birmingham Bulling, Manchester Trafford Centre, and Newcastle Metro Centre. We have also successfully developed a new design for Mappin & Webb focused on a more modern contemporary look, whilst respecting the great heritage of the brand. We have opened in York, Guernsey, Glasgow, and Bluewater you can see here opens next week.

We are delighted with the success of Soho and Hudson Yards, our New York flagships. These showrooms continue to grow in sales, and we believe we can continue to grow in Manhattan and the Tri-state area. American Dream, New Jersey opened in May, anchored by Rolex. One Vanderbilt will be our next Manhattan flagship, located next to Grand Central terminal at the base of, arguably, the premium office tower in New York City. This building is host to the first Amex Centurion lounge, which spans a full floor of the building. The boutique is anchored by Cartier and Omega and will open in Q4 of this fiscal year.

Branded jewellery is a market we have highlighted to apply our winning model. Mappin and Web, Manchester, a new store concept, will open in Autumn 2024 with an impressive lineup of international luxury jewellery brands that will be regionally exclusive, and also designer brands, men’s jewellery, and Mappin & Webb jewellery.

The Mall of Netherlands, near The Hague, will be our first multi-brand location in Europe and the first entry to the market for the Watches of Switzerland brand. We have a great lineup of brands including Cartier, Omega, Breitling, Tudor, and TAG Heuer, and the showroom is due to open by October 2024.

E-Commerce continues to be a key area of focus, not just in driving sales through this channel, but supporting client journeys ahead of visiting our showrooms. Sales were down 3% at constant currency for the half, reflecting tough comparatives and a higher mix of jewellery through this channel. We continue to invest in the customer journey both online and through our virtual boutique to ensure each client gets a journey that meets their needs. I will join you again shortly, but now I will pass over to our CFO, Anders Romberg.

Anders Romberg, CFO: Thank you Brian, and good morning, everyone. I am Anders Romberg; CFO for the Group and I will now take you through the financials. This is presented on a pre-IFR 16 basis and exclude exceptional items. The reconciliation through the statutory numbers is included in the RNS. Revenue growth for the half was plus 2% on a constant currency basis, and flat on a reported basis. Growth was driven primarily through luxury watches, with the jewellery market softer. The US has continued strong growth with sales of plus 11% on a constant currency basis. In the UK and Europe sales declined by 4% with Q1 impacted by timing of supply. We are confident that we are continuing to take market share in both regions. Net margin for the half was 80 basis points down versus last year reflecting adverse product mix and impact of interest-free credit cost. Adjusted EBITDA declined by 8% on a constant currency basis or 10% on a reported basis, to £94 million.

Adjusted EBIT declined by 15% to £73 million, which I will talk you through on a subsequent slide. Financing costs decreased by £800,000 as higher market lending rates were offset by savings made as a result of the refinancing in May 23, lower level of drawdowns and increased interest income on cash balances. The effective tax rate was 29% for the half, exceeding the standard UK rate, due to higher chargeable taxes on US profits for the full year. I expect the effective tax rate to be around 27% to 28%. Adjusted EPS for the half was 21.5p, a decline of 23%. The profit reduction for the half was primarily driven by reduction in margin rate from product mix and higher interest-free credit costs. Our cost base increased from opening of new showrooms but was partially offset by management of the existing cost base. Depreciation increased by £3 million, reflecting the increase in capital, and an adverse year-on-year exchange rate impacted EBIT by £2 million.

Moving to the balance sheet, the increase in PPE results from our ongoing showroom investment programme, and the increase in right of use assets and lease liabilities due to expansion of our showroom network. Inventory increased to £400 million, 5% higher than the first half of 23, driven by an increase in number of showrooms and the increase in the unit value of our stock from pricing. This was mitigated by strong management of stock holding. It is important to remember that there is really no obsolescence in our inventory. Net cash was in line with year end at £16 million and £42 million ahead of prior year.

On the cashflow, adjusted EBITDA was £94 million. The working capital outflow of £8 million represents the inventory build for new showrooms less an associated offset in trade payables. The increase in tax payments reflects the higher rate of UK corporation tax versus last year. Free cashflow conversion of 60% was 700 basis points favourable to last year.

We continue to invest in the showroom expansion and refurbishment programme, with multiple new showrooms delivered across all regions. Our expansion plan has been more front end weighted and we expect capital spend to be lower in the second half, reflecting full year guidance of £80 million. Net cash was in line with year end at £16 million. £50 million of our lending facility was also paid down in the half, as we managed cash and interest cost tightly. Post half year, we completed the Ernest Jones transaction at a consideration of £44 million. Today we are reiterating the guidance that we gave last month when we released our Q2 trading update. Guidance is based on visibility of supply of key brands, reflects confirmed showroom openings, it excludes M&A and is based on a second half average rate of $1 and 25 cents to the pound. With that, I will hand you back to Brian.

Brian Duffy, CEO: Thanks Anders. We were delighted to share our updated Long Range Plan on the 7th of November. Our performance tracked significantly ahead of our previous LRP, and we are confident of significant growth over the next five years. This plan has been built in granular detail with key building blocks showing on the slide. All of our capital investments work delivering strong ROIs and paybacks. Looking firstly at showroom investment, this is by no means just refurbishment. These projects in most cases involve showroom expansion, will always include additional brand distribution and can often be a showroom relocation. Our cash payback, which we review ongoing is between two and three years. Investing in our showrooms as a key driver of profitable growth, and we have the clearest visibility and most exciting investment programme in our LRP. The pre-owned market represents a major opportunity for the Watches of Switzerland Group. We have now launched Rolex CPO, in the US and UK, to add to our already successful Analog:Shift and UK pre-owned businesses.

We will progressively expand distribution of our CPO to all Rolex agencies, UK and US and we will rebrand non Rolex CPO to Analog:Shift in the UK. We will increase distribution of Analog:Shift in both markets, and we will support the business with in-store presentation and marketing and develop the online sector.

Branded luxury jewellery is a significant opportunity for the Group. We have success and credibility through our growth in luxury watches. We have learned a great deal about luxury branded jewellery from recent acquisitions of Betteridge and Mayors the US, and we have decades of heritage in jewellery here in the UK. We are now ready to focus on this category. We will open a new concept store dedicated to luxury branded jewellery in the centre of Manchester. This showroom will include many brands available for the first time outside of London, including a De Beers boutique.

We will introduce prestigious luxury jewellery brands to our multi-brand luxury showrooms, in both the UK and US and online. Our new store developments all include expanded space for luxury jewellery, and lounge and hospitality areas, conducive to jewellery selling. We will support these plans with a full marketing programme of advertising, PR, and events. Online is a major growth opportunity, and our size and scale is going to help us grow ahead of the market. We will continue to add luxury watch brands along with developing the online success of Rolex certified pre-owned, and our own Analog:Shift pre-owned, as well as developing a strong luxury jewellery branded proposition. We have had great success in driving growth through acquisitions such as Mayors, Betteridge, and Wynn, and identifying new projects and opportunities in underserved markets such as Hudson Yards and Soho in New York. We believe there is significant opportunity for growth in these areas and we have projected significant investment to deliver the growth potential. I will now pass over again to Anders to give you the financial summaries of our LRP.

Anders Romberg, CFO: Thanks Brian. Overall, we entered the next five years with better visibility of projects than when we did our last five-year plan back in 21. The focus on luxury jewellery and pre-owned watches are both new versus what we included in our last plan. In the UK we expect a sales CAGR or between 8% and 10%, about 2-3% ahead of the expected market growth. This is less than what we achieved between 2020-23. During the past four years, the UK market had severe disruption, through lockdowns and loss of tax-free to overseas clients' sales. Our domestic clients in the past four years have grown at a CAGR of 21%. We have gained market share through our capital programmes and expansion of our mono brand concept while driving our e-commerce channel. In addition, we will increase our focus on pre-owned watches. Rolex certified pre-owned is off to a good start and branded jewellery, which both are mostly additive to our existing business. We also have the benefit from the Ernest Jones showroom acquisition and e-commerce growth.

The US market growth is expected to outpace the UK as it still is, in our view, underdeveloped. We anticipate the market to grow at an average between 8% and 10%. We have planned a sales CAGR or between 20% and 25% in this market so well ahead of the market growth. The market is fragmented, and consolidation is an opportunity, so acquisitions form part of our growth strategy. In addition to this, there are quite a few locations that we define as underdeveloped and should have distribution of luxury watches. So, to gain distribution you don't always have to acquire business. We have identified quite a few such locations and are discussing them with our brand partners. The pipeline of new projects is giving us good visibility over the years to come. We have seen the benefit of our capital programmes in Mayors and at the Wynn Hotel in Las Vegas, and do not expect this to change as we complete the upgrade programme over the next few years. The three Betteridge showrooms will be completed by FY26.

Rolex certified pre-owned is off to good start and we are expanding the number of points of sales. The US is by far the biggest market for jewellery, and we will be more active in this segment over the next five years. Our e-commerce is still in the early stage. There is a huge market opportunity in the US e-commerce space. We think the EU will contribute between 4% and 6% of our sales at the end of the planning period, this will include acquisitions. Over the five year we plan to spend between £300 and £350 million of showroom Capex. Our historical return on capital investment has been very good. Our payback on capital programmes has averaged out between two and four years depending on format and location. We also plan to spend between £350 and £500 million on acquisitions and new projects over the period. This could obviously go up if further opportunities were to materialise, but this is what we used in our plan.

The plan calls for more than doubling of sales and EBIT over the five years. This chart illustrates the building blocks behind our model and indicates where we see the market opportunities. Vertically shows in which market we see the opportunity in, and horizontally indicates the size of the opportunity. Capital investment into existing showrooms is a proven model with good returns. We plan to spend between £300 and £350 million in this area, which includes space expansions and or relocations. E-commerce growth is expected to continue and certified pre-owned will further drive growth in this channel. Certified pre-owned is a segment we expect to add to our underlying growth. Luxury branded jewellery is an area where we see significant growth potential and we will expand our distribution in this area. We just closed the acquisition of the Ernest Jones showrooms and this will drive further growth in the UK. In addition to this, we have planned to spend between £350 and £500 million on acquisitions and new showrooms. Our track record on acquisitions is very good with a payback of four to four and a half years. This will predominantly be in the US and EU markets. We expect improved operational leverage by between 50 and 150 basis points. With this I will now hand over to Brian for some closing remarks. Thank you.

Brian Duffy, CEO: Thank you Anders. We have confidence in our model which has driven incremental sales in the half. We continue to operate at pace, investing in our showrooms, completing the acquisition of Ernest Jones luxury showrooms, and successfully launching Rolex certified pre-owned. We look forward to a busy holiday trading period and continuing to execute on our Long Range Plan objectives. With that we will now hand over to questions.

Operator: Thank you. Ladies and gentlemen, if you would like to ask a question, please press star one on your telephone keypad. Thank you. We will now take our first question from Melania Grippo at BNP Paribas. Your line is open. Please go ahead.

Melania Grippo, BNP Paribas: Good morning, everyone. This is Melania Grippo from BNP Paribas. I have two questions. The first one is on your wait list. I was wondering if anything has changed in terms of consumer behaviour and customers signing on, in light of the CPO, especially in the stores that offer this service? And also, have you seen more customers delaying purchases lately? And then the other question is on store refurbishment, what is more or less the increased selling surface when you refurbish them? Thank you.

Brian Duffy, CEO: Hi Melania. Good morning. Thanks for your question. No big change on the waiting list. We are still adding on the registration of interest list. We continue to add names to it overall. Your point on CPO, we obviously contact customers on our CRM database and let them know the availability of CPO products and some have taken advantage of them, but actually the big business that we are doing in CPO is from working clients who are looking to buy Rolex and then get the news about the waiting times and then are interested to hear about the option of pre-owned. So, much more so than we expected. That is where the business is going and it is predominantly through stores and it's predominantly through working clients, so there's been no impact there. Anders do you want to comment on increased footage overall?

Anders Romberg, CFO: I mean obviously we have had a lot of stores under refurbishment in the first half, and that is impacted, not just the second quarter, but throughout the half. On which all of them are open. The last one actually opens today, which is a Metro Centre. We have expanded our Orlando Rolex store from 900 feet to 3,000 feet. The big Cartier box is now open in American Dream, so there is some space expansion going on, but in our category, as you know, a lot of our business is driven by supply and when we open these big stores we tend to get an incremental shot in arm from some of our key brands.

Melania Grippo, BNP Paribas: Thank you.

Operator: Thank you. And we will now move on to our next question from Jon Cox at Kepler. Your line is open. Please go ahead.

Jon Cox, Kepler: Yeah, good morning, guys. A couple of questions on my side. On the CPO, can you give any indication of the sort of revenue uplift you are getting in those stores where you have the programme, and subsequent impact on the Group as a whole? That is the first question. On the Ernest Jones acquisition you mentioned I think they have revenue of £45 million. You are obviously doing all the refurbishments. How should we think about anything dropping into this year? Because obviously you have got closures, and you are doing various things. Should we get any benefit at all, this financial year, or will it be all in the next financial year? And then just a bit of an add on, the Long Range Plan and obviously jewellery is going to be pretty important. Just wondering how discussions are going with some of the branded players. I wondered if you have had any interest post the Long Range Plan Capital Markets Day. You know people picking up the dog and bone as it were to give you a call asking what your availability is, etc. Thank you.

Brian Duffy, CEO: Thanks Jon. CPO, we haven't talked revenue about, by door, but it is very encouraging actually as said in answering Melania's question too, is ahead of what we would have expected and it's particularly coming from walk-in clients. We did say, when we presented the LRP, that we are packing, when we combine Rolex CPO and then other CPO Analog:Shift in the US CPO in the UK, when we combine those businesses and look at last year, we are kind of tracking at double more or less in both markets. But it's obviously it's in 14 stores, Rolex, CPO in the US now and 10 in the UK with the Metro opening. Today it will be in 10. So, we have a lot more distribution to go at. We are working on supply. The whole process is working reasonably well, the product going to Rolex, being authenticated and whatever getting back to us, and that is a scale up of their resource and our resource as well. So, I think it's all going pretty well.

We don't yet have any proper marketing. We don't have in-store furniture, we don't have any window displays or anything like that, literally it's just product in cabinets. So, we feel pretty bullish about Rolex CPO. We feel bullish about other brand CPO. We are clearly developing alongside the CPO and the stores and the distribution of non Rolex will be even greater. So, I am feeling good about it, and we will look forward to reporting it as in the years ahead. EJ stores, we are really delighted with how we have managed the integration. Really both Anders and I, along with Craig Bolton and the rest of our senior team spent time with our new colleagues up in Leicester over the last few weeks. They are a really great group. They really know their category well, know clients well, but obviously don't know our systems and our ways of doing things and that is what we are concentrating on.

We have rebadged, the stores rebranded them and reopened to take advantage of the Christmas season, but our expectations of the stores during this transitional phase is not all that high. We think the real benefit will be into Q4 and our big focus is obviously in fiscal year 25. It was not an area of focus for the Signet group, but obviously is a huge area of focus for us. The area of luxury watches and the stores have really big potential, but we have got to get the profile at stores right, you have got to get the training right, you have got to get the clients knowing that there's very much different products on offer, and it all takes time. So, we will get something in this fiscal year, but we are not expecting it out as something that is incremental and significant. Jewellery, to your point where we continue to negotiate and present on jewellery, we are not finished there. I think we have a great lineup of brands coming into Manchester and also into other multi-brand distribution with us, but it's ongoing. We have some other brands that we would love to develop a partnership with, and we are working on, but it really is a big deal. It has been really well received by the industry overall, and I think we have created some real excitement internally and the industry overall.

Jon Cox, Kepler: And much joy with the likes of Richemont brands or LVMH brands at all.

Brian Duffy, CEO: And Tiffany, not yet. And I say not yet, but not at all at this point. It is not really in our plan that we would expect to get the Cartier jewellery, but it is not for the want of trying as I think I have said before, but I think we have got a very strong case to say that we could represent those brands very well. But they have their own strategies which are focused on the retail in both cases, but we are good retailers too, so we will carry on chatting, but no, they are not in the plans.

Jon Cox, Kepler: Great, thank you.

Operator: Thank you. And I will now take our next question from Adrien Duverger at Goldman Sachs. Your line is open, please go ahead.

Adrien Duverger, Goldman Sachs: Hey, thank you very much for taking my question. So the first one, we spoke a lot recently and you have to confirmed your guidance for the full year 24 this morning, but I just wanted to know if we can confirm that there is no change for the Rolex allocation both for your full year 2024 and also how does this look for calendar 24? My second question would be on the Christmas season, we all know how important it is, but can we ask if you have seen any change in consumer behaviour, in appetite by price point, in traffic, in conversion rates, really any retail metrics that you can give us would be very interesting. And the third one, would just be about the performance of the American Dream Store versus your expectations. Thank you very much.

Brian Duffy, CEO: Okay, I will go in reverse order that American Dream, great. Really pleased with it despite the fact that it is been a really challenging project for the developers there to get American Dream going, you probably know its history goes on beyond 10 years and then Covid and everything else that happened. So, they really had a lot of challenges, but they have opened a wonderful shopping centre with the theme park and everything around it, and the last area to fully open and be developed was a luxury sector. They have now got it very well, at least in terms of agreements, the last set of agreements for the Kerring group coming in, but at this point it is not all open and despite that we are really doing well. The store is great, clients are responding really well, Rolex, Cartier, Pre-owned and Omega, really pleased with it. I think it's going to be and is already a great addition to a network and I think it can only get better as all the spaces get full and open.

Carry on in reverse order. Christmas, so the US first of all, very strong. You wouldn't know that there's any sort of concerns around economically in terms of what we are seeing consumer behaviour and momentum in the US. So great there, nothing further to report or things carry on positively. We think we are outperforming the market. Great response to the new things we are doing, and as mentioned earlier, we opened this big Rolex boutique in Orlando and that is obviously a great start as well. So, all good. UK, the UK for the last 12 months has I think been impacted by consumer sentiment. We have particularly seen it in jewellery. You comment the importance of the season. I just remind everybody, for us it is a little less important than the rest of retail. A lot of our business is about allocation and supply, and therefore has no seasonality to do with it at all.

But December weeks are bigger weeks than the rest of the year, so there is some seasonality in it. Along with the rest of retail, we plan for and fully expect that Christmas will be a bit later this year if you compare it to previous years when there's lots of concerns about availability and whatever, people shopping early, that's not the case this year and the way the calendar falls, there will be a full week of trading right up to Christmas Eve, with Christmas Eve on a Sunday. So pretty much as we expected that traffic has clearly thumbed up a notch in the month of December. We are here in Oxford Street, and you cannot walk in the pavement at this point by midday. So, traffic is back up again and obviously we have considered fully the Christmas season and confirming our guidance overall. With regards to allocation, really not much to add, we do not have the allocations yet for calendar 24 and we wouldn't have them until mid to late January from a Rolex and similarly from Patek. So, we really get nothing further to add on that. We got a bit of visibility obviously into January since we tend to be a rolling three months and we will get February reasonably soon.

Operator: Thank you. As a reminder ladies and gentlemen, if you would like to ask a question, please press star one on your telephone keypad. Thank you. We will now take our next question from Piral Dadhania at RBC. Your line is open, please go ahead.

Piral Dadhania, RBC: Okay, thank you. Morning. I just have one actually. Could you perhaps talk a bit more about the inventory build? I think it reached £400 million at the half year, which is up 12% on the full year number. Could you just help us understand if this is, well what the composition of that increase looks like? Is it related to jewellery product or perhaps a building inventories in by constrained watch brands?

Anders Romberg, CFO: Yeah, obviously it is up 5% on the equal period of last year and that includes opening of 19 new showrooms. So that means that the rest of the network is actually down, as a result year on year, and the average cost per unit in our stock has gone up as a result of pricing over the last couple of years and we are building a little bit more working capital in pre-owned and Rolex certified pre-owned because that obviously comes without a payable structure and needs some time for refurbishment. So those are the main components of the inventory change. Not concerned about it. I think our stock composition is really good. We have actually worked down some of the jewellery stock over the year, so we focused on that, seeing the slowdown and obviously worked that level of inventory down, as you would expect. So, we are coming into the holiday season, well stocked, not overstocked, but well stocked. So, I am very pleased with where we are.

Operator: There are no further questions in queue for audio, sending it back to Scott. Over to you.

Moderator: Thanks very much. We have had a question on the webcast from Ruben Pathmanathan from Peel Hunt. Morning, both just one from me. To what extent is CPO/Analog:Shift revenue impacted by the falling secondary market prices?

Brian Duffy, CEO: Good question and we would say not really impacted at all. We have been trying to point out to the market that that secondary market is something that we were in no way directly involved in for sure buying or selling in it. And I think pretty unaffected as well if we look, you have had the change in secondary market pricing that's happened over the last 24 months, and during that time we have continued to maintain our margin and grow our sales. So, we are really in a different market to that secondary market that is out there, and we see nothing like that degree of volatility. We didn't get involved at all, and the high-profile products that we are creating all of the excitement and attention. So, we are really running a different business model, and I think consumers buying a pre-owned product guaranteed by Rolex in some cases, and in all cases guaranteed by us from Watches of Switzerland group, that's a very different consideration than buying on that secondary market.

Anders Romberg, CFO: Just as an addition to that, we have always maintained our margin profile throughout this whole journey. So actually, margin profile is coming in in line with what we expected, so we haven't had any compression on that.

Moderator: That's great. Thanks very much. We have got no further questions currently from the webcast. So, Brian, I will hand back to you for any closing remarks.

Brian Duffy, CEO: Thanks Scott. Thanks Laura. I really don't have an awful lot to add. Obviously given our half year numbers, we already had done a trading update that we did on November 7th, and then we did the LRP since. So, we don't have a hell of a lot to add, profits were a bit better as everybody would have seen, than what we had indicated when we did the Q2 trading update, which is always good. We have obviously a big second half to deliver. We, as we always do, have it built up in granular detail. We got to do Christmas, we have got to get our allocations, we do have all of our stores reopened, which is great. We have some other incremental openings to come like Vanderbilt and so on. So, we feel good about it, teams very energised, they work very, very hard. I think I have said that already in December, but with great enthusiasm, they love it. So great job done by them, and thanks everybody for joining the call and happy Christmas to everyone.