Watches of Switzerland Group
FY24 Results

Remote Video Webcast

27th of June 2024

Transcript

Brian Duffy: Morning, everyone, and welcome to the presentation of our results for fiscal year '24. Our agenda is an update from myself for the group, then David Hurley for the US, Craig Bolton for the UK. Anders Romberg, our CFO, will go through fiscal year '24 results and fiscal year '25 guidance. I will then present an update on our '25, '28 Long Range Plan and we will then open for your questions.

The Watches of Switzerland Group operates in great product categories. The luxury watch market, which is more than 90% Swiss, is robust, resilient, with a long-term focus on product quality and innovation. Demand for Swiss luxury watches exceed supply for key brands and consumers often wait patiently for their chosen timepiece. In many cases, for years. The market was impacted by the pandemic. 2020 was impacted by lockdowns. Then two years of unusually high growth for luxury watches and jewelry. And since mid 2022, the markets have adjusted to this high growth and normalised.

Looking at this volatile period in total, the luxury watch market has been strong as seen with average growth for the UK of 6.3% compounded per annum from 2019, and that is despite the loss of tourism in the UK. And in the US average market growth has been 14.6%, evidencing the underdevelopment and potential of this market. A further significant factor in the UK in FY24 has been the impact of cumulative price increases from the brands, due mainly to the strong Swiss franc at a time of high interest rates and cost inflation. This resulted in a perceived affordability gap and a drop in volume with the aspirational consumer segment. We are encouraged that brands have responded to this development through product introductions with product affordability and product appeal.

The Watches of Switzerland model focusing on large, welcoming, luxury showrooms and great client service continues to succeed, and we gained market share in both the US and UK markets. We are very positive about the prospects for the Roberto Coin brand in North America. Market reaction to our acquisition has been very positive and we see great growth potential with existing partners and new opportunities through mono-brands and multi-brand showroom elevation.

The pre-owned sector development has been very positive for our group, and both the Rolex CPO program and other pre-owned products are exceeding our sales expectations. We have a fantastic program of major showroom projects, both in the US and UK, as David and Craig will present. And we are pleased to confirm both our guidance for fiscal year '25 and our fiscal year '20 long-term target of doubling sales and increasing profitability.

In fiscal year '24, the US division increased to 45% of group sales, and if we add the sales for Roberto Coin for calendar '23, the US sales would represent 49% of the group. The major change in customer mix of our sales since 2019 has been the loss of international tourist business in the UK due to the removal of VAT-free tourist shopping. Group sales in fiscal year '24 were 95% domestic UK/US. We continue to believe that VAT-free tourist shopping will inevitably return, but we have not included this in our future financial plans.

Fiscal '24 group sales of the top eight brands shown here continue to represent 77% of total sales. Luxury jewellery was 7% of sales in FY24, but if we include proforma Roberto Coin using calendar '23 sales, this would increase to 14%. Pre-owned has been great for our group, particularly since the launch last year of Rolex CPO. We have expanded procurement in the UK and US and we have good and improving processes with Rolex for authentication and servicing. Consumer response to the availability of highly sought-after pieces, albeit at premium prices, has been excellent. ASP for CPO is very good.

We have expanded our major watch service centres in the US in Fort Lauderdale, Florida, and in the UK in Manchester, and we have opened a further facility in Leicester. This is in response to increased servicing demand and to support the capacity for the increasing pre-owned businesses.

Luxury jewellery will play a major role in our fuller expansion plans. We feel most super positive for the growth prospects of Roberto Coin in North America, and we look forward to the opening of our new concept of a multi-brand luxury jewellery showroom in Manchester next spring. If, and as we expect, this is successful, we will expand the concept in the UK and US. This is not currently reflected in our plans.

In fiscal year '24, we stepped up our client engagement activities through increased client events, expanding our virtual boutiques, UK and US, servicing clients digitally, and we completed our exclusive partnership with American Express Centurion in the US. Our group continues to focus on our wider responsibilities towards our colleagues. We are proud to be a living wage employer in the UK and we continue to achieve high engagement scores with our more than 2,900 colleagues.

Our planned and ongoing focus for our group with internal dedicated resource, our MSCI rating is in fact AAA. And our communities, both in the UK and US, our foundation supports charities, either who work to alleviate the impacts of poverty, or educational charities such as The Prince's Trust. Cumulatively we have donated £7.5 million to the foundation since FY21. We achieved record levels of volunteering by our colleagues in FY24, and we have plans to further support volunteering programs in the future. I'll now pass over to David.

David Hurley: Thank you, Brian. We're happy with the continued growth in the US market, going from $120 million in Year 1 to just below $900 million last year. We have proven that we can acquire and integrate businesses successfully, open up highly profitable new showrooms in markets such as Cincinnati, where we had no presence, and expand into new product categories such as pre-owned. I'm very proud of our team's partnership with Rolex and Certified Pre-Owned where we were one of the founding partners. It launched early in FY24, but had been a collaborative project for most of the prior year.

And we continue to innovate in marketing and partnerships. We are delighted that AmEx Centurion selected us as their timepiece partner, given our shared goal to provide one of a kind experiences and services for clients.

We opened American Dream in May '23, anchored by Rolex, and with our largest Cartier space. This showroom has performed beyond our expectations and we believe this mall will only get stronger as the luxury area fills out. Balenciaga has just opened opposite us and the Gucci-adjacent showroom opens in the next few weeks.

Our expanded and relocated Rolex Boutique opened in Mall of Millennia in Orlando. Although we have more than doubled the size and added multiple seating areas, we still end up utilising all spaces. We will go bigger again with our third Rolex boutique in Lennox, Atlanta.

Lastly, we opened up our third multi-brand showroom in New York at the base of One Vanderbilt with a first-of-its-kind new Cartier concept. It's also anchored by Omega and the first jewellery shop-in-shops for Messika and of course for Roberto Coin.

FY25 will be our biggest year yet for showroom projects. One of the highlights will be the Patek Philippe expansion in Greenwich, Connecticut. Our first action post acquiring Betteridge was securing an additional 2,000 square feet adjacent to the current showroom. We are currently building this out to open in the fall with almost all of that space dedicated to Patek.

In FY22, we acquired Timeless jewelers in Legacy West in Plano, Texas. This year we will open up a new Watches of Switzerland showroom, adding Rolex as our anchor brand partner, alongside adding Cartier and with expanded spaces for Omega and Tudor.

So, at the start of FY25, we acquired the distribution rights for Roberto Coin in North America, something we had been working on for well over a year. Similar to our acquisition of Mayors, we are incredibly fortunate to inherit great dedicated teams with real expertise in their space. Brian and I have also enjoyed spending time with key Roberto Coin partners in North America and returning to our wholesale roots, and we plan to expand our branded jewellery category just like we expanded pre-owned through our acquisition of Analog:Shift.

The Roberto Coin brand continues to be led by its namesake founder and his family. It's located in Vicenza, and Roberto is incredibly proud of the city's history and jewellery manufacturing and his role in keeping that alive and enhancing it. At the heart of the brand's success is the product design itself, and we are delighted with our partner's positive reaction to the latest designs that were exhibited at the Couture show in Las Vegas just a few weeks ago. And of course, Roberto signs each one of these pieces with a ruby cast inside the jewel, in direct contact with the person who wears it.

We are going to continue to support the momentum and growth of Roberto Coin through mono-brands. We are already negotiating our first locations and we will be taking possession of the first spaces later this fiscal year. And we are going to support online through using our expertise to both develop robertocoin.com and developing the wholesale.com channel. Wholesale partners will continue to be the bedrock of the Roberto Coin business, and we look to elevate that presence on an ongoing basis and do the same thing in our own showrooms, something that we've been working on for the last six months.

We believe the high-end Roberto Coin collection can be a key growth category, and we are very excited about the potential in Canada, Mexico, and the Caribbean. I will support all of this through increased brand marketing. I will now hand over to Craig Bolton to discuss the UK business.

Craig Bolton: Thanks, David. I'd like to update you on the significant developments we have been delivering here in the UK. We have continued the rollout of our Goldsmiths luxury design across a number of key locations in FY24, most significant be in Metrocentre, Newcastle; Bullring, Birmingham; Trafford, Manchester; and this amazing expansion in Liverpool. The image here shows the scale of the transformation as we expanded our new showroom to 6,500 square feet across two floors anchored by significant spaces for Rolex and Cartier.

We have also continued to launch luxury jewellery brands across the Goldsmith estate with Fope, Roberto Coin, Messika, Pomellato, FRED, plus others, all taking a leading role. We will continue to roll out the Goldsmiths luxury design in FY25, including our beautiful Northern Goldsmith showroom in Newcastle, renowned for being the UK's first ever Rolex retailer back in 1919.

In November 2023, we opened and relocated the expanded showroom in Trafford Centre Manchester. Currently, our number one turnover Goldsmith showroom. This relocation allowed us to retain the previous location and build out this joint Cartier Espace and Hublot Boutique. Both brands are very different in aesthetic and are very complementary to each other. Early trading and client feedback has been excellent. Following the successful launch of our new Mappin & Webb design, we have continued this rollout in FY24. We have relocated our Mappin & Webb showroom in Bluewater Shopping Centre from a previous space of circa 2,000 square feet to this beautiful new showroom of over 5,000 square feet, accommodating a large Rolex and Cartier room, plus significant branded areas for other key luxury watch brands alongside a new fine jewellery gallery. As well as Bluewater, we have also completed projects for Mappin & Webb in York, Guernsey, and Glasgow, and plan to continue this rollout across the Mappin & Webb estate.

This continued very recently with the opening of our new Mappin & Webb showroom in Multrees Walk, Edinburgh, the luxury shopping destination in the city. The showroom is anchored with a large space for Cartier as well as branded areas for key luxury watch brands. The second floor has been designed to showcase luxury jewellery brands and our very own Mappin & Webb jewellery.

In our famous 155 showroom on Regent Street, we completed a redevelopment of the Burlington floor, culminating in the expansion and elevation of the Patek Philippe area. This new area is 1300 square feet and benefits from luxurious consultation areas, as well as a VIP space and dining room. Thierry Stern and Patek senior management visited in March and feedback was excellent. Across Watches of Switzerland, we continue to develop and expand our estate in FY24, and will continue to do so in FY25, most significantly in the expansion of the new Watches of Switzerland showroom in Fenchurch Street, London, opening November 2024.

Work continues in building the new Rolex boutique on Old Bond Street, London. Completion is planned for March 2025 for this hugely exciting project. Once complete, we will operate across four floors in circa 8,000 square feet. That will include the first dedicated Rolex certified pre-owned floor, as well as three floors dedicated to sales and hospitality, and an aftersales lounge home to six watchmakers and technicians. This boutique will be the single Rolex agency on Bond Street from what was previously four points of sale. We have also agreed with Rolex to double the size of our Rolex boutique on Buchannon Street, Glasgow. This hugely successful showroom has traded beyond expectations since opening in 2019, and now requires this expansion to allow us to service an increased number of clients as well as introduce Rolex Certified Pre-Owned in a dedicated space, and create a quality aftersales area with in-house watchmakers. This project will commence early 2025.

As previously announced, we have agreed to enter into a joint venture with Audemars Piguet to open a townhouse in King Street, Manchester, and we'll be the only point of sale in the UK for Audemars Piguet outside of London. Across 6,500 square feet, the grade two listed townhouse is being designed with the highest level of client experience in mind, offering dining facilities, VIP space, music lounge, and rooftop eventing space. The planned opening is spring 2025.

We will develop a first-of-its-kind Mappin & Webb luxury jewellery showroom in St. Anne's Square, Manchester. This grade two listed building in the heart of luxury retailing in the city will be home to the most amazing selection of luxury jewellery brands, curated across five and a half thousand square feet of branded spaces, hospitality, bespoke, and eventing space, including the first De Beers Mono Brand Boutique outside of London. All of the brands listed here will also be exclusive to Mappin & Webb in Manchester, giving us a real point of difference for our clients. The showroom is scheduled to open in spring 2025.

Following the acquisition of the 15 showrooms from Signet in November 2023, we have now fully re-badged and integrated these businesses and our new colleagues. These showrooms are very much in the space of luxury watches with great potential for growth in luxury jewellery too. All showrooms are in good geographical locations, complementary to our current estate. Showroom development commences in FY25 with the relocation and expansion of Peterborough, Milton Keynes, and Kingston. Trading is in line with expectations, with improving trends. Many thanks. I will now hand over to Anders to discuss the financials.

Anders Romberg: Thank you, Craig. FY24 was a year of market normalisation in which we continued to gain market share. Sales came in at £1.538 billion pounds or plus 2% at constant currency on FY23. Sales growth was driven by the US market, with growth of plus 11% in constant currency. Our adjusted EBIT of £135m versus £165m in FY23. Our free cash flow was £118 million pounds, with free cash flow conversion at 66%. Return on capital employed of 19.5%, a decrease of 840 basis points from FY23, reflecting the lower EBIT. Turning to the income statement in more detail, as mentioned, revenue at plus 2% in constant currency and flat in reported rates. Luxury watches at plus 3% in constant currency, with demand continuing to outstrip supply for key brands. The luxury jewellery market was tougher, but encouraging signs in branded jewellery, which outperformed within the segment. Net margin percentage declined by 80 basis points due to product mix, with luxury watches, including pre-owned, outperforming jewellery. We also had an adverse impact on the cost of interest-free credit from annualisation or higher interest rates.

Increased costs came from expansion of our showrooms estate, but the remaining cost base was well-managed. Our adjusted EBIT margin contracted 190 basis points to 8.8%, and adjusted EBIT for FY24 came in at £135 million. Our effective tax rate for the year was 30.3%, or up 890 basis point on FY23. This is due to the higher UK corporation tax rate, Europe losses with no deferred tax assets recognised, and the reduction in the share price unwound the share-based payment deferred tax assets. Adjusted EPS came in at 38p, or down 28% on prior year.

Our balance sheet is strong. Continued investment in expansion in our CapEx to elevate the network and drive future growth remains a key component of our strategy. Inventory levels were up 10%, reflecting the acquisition of Ernest Jones showrooms and investment in our pre-owned business, which is performing really strongly. Underlying inventory levels and terns remained healthy.

We closed the year with net cash of £1 million versus £16 million in FY23. Our free cash flow for the year was £118 million, with a cash flow conversion of 66%, ahead of our guidance. We continued our investment and elevation program and spent £78 million pounds in expansionary CapEx during the year. Acquisition expenditure reflects the purchase of the luxury watch showrooms from Ernest Jones. In May '23, we replaced our old facilities with a new £225 million pound revolving credit facility, increasing the liquidity headroom by £55 million pounds. To finance the Roberto Coin Inc. acquisition, the group secured a new $115m US dollar term loan. This maintains the group's liquidity and financial flexibility to support ongoing growth in the business. Net debt to EBITDA leverage, including Roberto Coin on a proforma basis, came out at 0.6 times.

There is no change to our guidance for FY25. Our guidance is based on visibility of supply of key brands and includes confirmed projects, but excludes uncommitted projects and acquisitions. Sales are expected to come in between £1.67 and £1.73 billion pounds, or plus nine to 12% in constant currency. Our adjusted EBIT margin is expected to expand between 0.2 and 0.6 percentage points on FY24. We will continue our investment program and expect to spend between £60 and £70 million of capital in the year. Our free cash conversion is planned to come in at circa 70%. Finally, the glossary includes key definitions and a summary of our reporting timetable next year. We are modifying the way we report next year, with routine updates for the half year and the full year being unchanged, alongside two qualitative commentaries during the year. We believe the amended reporting timetable will allow us to better articulate progress towards our long-range plan targets and is in the best long-term interest of the company and its shareholders. With that, I will now hand over to Brian for an update on our LRP.

Brian Duffy: Thanks, Anders. Now turning to our long-range plan, we have exciting growth plans through to fiscal year '28, a very strong program of showroom investments, luxury jewellery expansion through Roberto Coin and other initiatives, the pre-owned category, becoming an important online retailer in the US, and acquisitions and new projects in the US. Showroom investment has been core to our growth and we have the most exciting program of investments planned out in future years. In the LRP period, we will complete our upgrades and expansions of all acquired showrooms in the US, and we have some great projects coming up soon, like Legacy West in Plano, Texas, the first of the Betteridge showrooms in Vail, Colorado, a return to Jacksonville, Florida, and a fantastic new location in Tampa, Florida.

In the UK, we'll complete all upgrades of the Mappin & Webb and Goldsmiths showrooms, including the acquired Ernest Jones showrooms in the LRP period, together with new exciting mega projects. The Rolex flagship boutique in Bond Street, a doubling of the Rolex boutique in Glasgow, the first and only Audemars Piguet house outside of London, in Manchester, and the new all-luxury jewellery concept also in Manchester.

We are very excited about our potential in luxury jewellery. The market reaction to the Roberto Coin brand and products that David and I experienced directly at the JCK couture exhibition in Las Vegas was very positive. We have completed our initial growth plans and we are active in negotiations for the first mono-brand Roberto Coin boutiques. We have had initial discussion with some potential brand partners for franchise stores, and our teams are working with the Roberto Coin teams in Vicenza on marketing, store development, and digital plans. We are actively expanding and re-merchandising Roberto Coin in our Mayors showrooms.

The new luxury jewellery concept showroom, which opens in Manchester in spring 2025, is a very exciting prospect. The showroom design is spectacular. The design includes a De Beers mono-brand and the introduction of David Yurman, Pomellato, Fred, and Repossi, in addition to strong existing brands of Fope, Messika, and Roberto Coin. And there is more to come. We have not assumed the rollout of this concept in our plans, but we have high hopes of expansion. Pre-owned is going very well and ahead of our expectations. In response to the strong consumer interest, we are ramping up our capabilities in product procurement and servicing, and specialised training. We are also planning in-store and window branding, increased marketing and the development of online and digital support. Both Rolex CPO and other pre-owned will contribute more to future growth than previously planned. The online opportunity in the US is big. We are investing in this opportunity with dedicated resources, and in marketing and technology. Around 41% of group sales in the US came from businesses acquired. We have proven that we can integrate, transform, and grow acquisitions, and deliver attractive returns. The US market remains underdeveloped and there are opportunities for both acquisitions and new projects. Our LRP includes our best estimate of investment capital and growth from these opportunities. And now back to Anders.

Anders Romberg: The plan calls for more than doubling of sales and profits over the five years. The chart illustrates in the building blocks behind our model and indicates where we see the market opportunities. Vertically shows in which market we see the opportunity, and the horizontal axis indicates the size of the opportunity. It's indicative only, so please don't bring out your ruler. Capital investments into existing showrooms is a proven model with good returns. We plan to spend between £300 and £350 million pounds in this area, which includes space expansions and/or relocations. Historical paybacks have been between two and three years on these kinds of projects. E-commerce growth is expected to continue and certified pre-owned will further drive growth in this channel. There is a significant opportunity for growth in the US ecomm space.

From the initial results of Rolex CPO and other CPO since launch, we now expect CPO to outperform our initial plans. Luxury branded jewellery is an area where we see significant growth potential, particularly following the acquisition of Roberto Coin Inc. The Ernest Jones showroom acquisition will also drive further growth in the UK. We plan between £350 and £500 million spend on acquisitions and new showroom projects. We are ahead of schedule on acquisitions with the Ernest Jones and Roberto Coin Inc. acquisitions delivered, and now expect total acquisitions to be towards the top end of our guidance. Our track record of acquisitions is very good with a payback of between four and four and a half years. As mentioned, we expect improved operational leverage with EBIT margin improving between 50 and 150 basis points on FY23. We expect free cash flow conversion at circa 70%, and I will now hand back to Brian for some closing remarks.

Brian Duffy: And so we are in a positive frame of mind. Our model works. We have maintained our investment program, and we will continue to invest for high-quality growth. The luxury watch market is strong and consistently well-managed by the Swiss brands, with a focus on product quality and innovation. Demand exceeds supply for luxury watches. The pre-owned category is dynamic and growing, and we are performing very well in this segment. The luxury jewellery category offers exciting growth prospects. We plan to do in jewellery what we have done in watches. Roberto Coin is simply a fantastic brand. We have been very successful in the US and we will both acquire and add new showrooms in this underdeveloped market. Our group purpose and values are very important and we will continue with our ESG agenda. And finally, we confirm both FY guidance and our LRP goals. Thank you, and that concludes the presentation. And Anders and I will now take your questions.

Operator: If you wish to ask a question, please signal by pressing star one on your telephone keypad. If you wish to cancel your request, please press star two. Again, it is star one to ask a question. And our first question comes from Adrien Duverger from Goldman Sachs. Please go ahead.

Adrien Duverger: Hey, good morning. Thank you very much for taking my questions and congratulations on the good set of results. I just had a couple of questions. Maybe the first one on the UK. Can you please comment a bit more on what you've seen in the last couple of months? I think since the months of May, you seem to be much more confident that the market is stabilising or improving from what you said in May. So if you can please comment on that, that would be super helpful. And then maybe the second question would be on the US market. Could you please comment on your expectations in the US given this will be an election year? I think some of your peers have commented that this may delay spending, particularly on the watches and jewellery.

And maybe if I can have just a final one on the CPO. I think this is becoming a bigger part of the business, so if you could maybe comment a bit more on this. I seem to remember that your target is for CPO to be 20% of new Rolex in the US by year '28, so is that still the case? And how is sourcing and progressing and how you are tracking against the plans that you mentioned earlier? Thank you very much.

Brian Duffy: Thanks, Adrien. Obviously, we're not going to give any specifics about current trading. We did make the comment that there were signs of stabilisation in the market. I think the market did experience, in addition to the normalisation of the market that was happening globally, the UK had the particular impact of higher-than-average price increases, particularly affecting the £4 to £8,000 pound price point. Higher price increases on a product that appeals to an aspirational segment group who were obviously more affected by interest rates and so on, so it was a bit of a sticker shock as we've referred to it as. And obviously as time goes on, that shock lessens and at the same time, as we've had a good response from our brand partners to the UK market positioning, which has a bit different than the rest of Europe. And so it's benefiting the situation that we had, particularly in the back half of last year.

But we really can't give any more specifics than that. It's early days. We aren't calling for a major turnaround in macro, and we've continually said we won't call that till we see it. We've obviously got the election just round the corner and we'll see what happens to consumer attitude after that. But the US, yeah, you're right. We've heard it from everybody in the US what always happens is a bit of instability in our election year, and then things turn positive post-November when the election results are known. We've anticipated that in the numbers that we've done, and that remains our view.

But fundamentally, it is an underdeveloped market. I think that's proven beyond any doubt, and we have a lot of really exciting programs that we're working on in the US and leading to us gaining share in whatever the market conditions are. And as we did in '24 confidently, we'll do in '25 and beyond. Similar situation in the UK, that we continue to invest in it and gain share.

So it's early days and we're obviously in a new financial year, but anything that we've experienced so far has been dealt into our thinking and confirming our guidance for the year overall. CPO really has been great. I think some surprises to everybody is its much more of a store-based business and much more of a conversion of traffic coming into store and realising that they have the opportunity of buying these wonderful products, albeit most commonly at a premium pricing. But products are guaranteed by Rolex in particular, and so it's been great for us. We did say when we did the first LRP presentation in November that we thought sourcing would've been a restriction in the UK. We've been more successful in sourcing than we thought back then, so it's one of the reasons why we're even more optimistic about CPO. We are confident that we can follow the demand. The demand is clearly there.

There's more to come from marketing and in-store presentation and so on, so I think there's more to come from the point of view of stimulating even further demand. We have big projects coming up like the Rolex store in Bond Street that will have a dedicated floor. A similar dedicated space for the Rolex boutique in Glasgow. So a lot of really good stuff, and we're now more confident we can follow it from a procurement standpoint. So we are more confident and more ambitious about CPO than we indicated in November based on the experience that we've had.

Adrien Duverger: Thank you very much.

Operator: We will now take our next question from Jon Cox from Kepler. Please go ahead. Your line is open.

Jon Cox: Yeah. Good morning, guys. A couple of questions for you. I see the Rolex CPO where you are in terms of share of revenue. I'm not really talking about the long-range plan. I think you've confirmed that it is currently your second-biggest brand effectively. I think I've mentioned a figure before of 10%. I understand you've rolled back a bit on that with some of your meetings on the buy side. Yeah, just trying to get a feel for where that figure is currently in the last month or so. I imagine that's growing really quickly. Second question, the usual one. Discussions with other partners on the jewellery side of the equation. Anything going with some of the bigger names in jewellery and whatever plans you may have on that? And then thirdly, just on the VAT tax, any thoughts about when that might happen post an election in the UK? Thank you.

Brian Duffy: Just going in reverse order, the VAT tax, I think we are encouraged by the mood music from the impending Labour government of focus on growth and focus on business friendliness. And if that is your focus, when you look at the facts on the VAT free situation, our belief is you can't help but arrive at the conclusion that we should be as the rest of Europe is in offering VAT free shopping for tourists. The statistics are compelling in terms of the growth that Europe is experiencing that they're totally missing out on in the UK. And we're certainly very hopeful that the most likely new government will be much more supportive of retail. We're a huge employer, the retail sector. We have big challenges on the business rates and then we've had this other major challenge of the absence of VAT-free shopping, and it has been everywhere. There's been great press coverage and great support. There's been lobbying and everything that's gone on. And surprisingly, we thought it could well have happened by now. It obviously hasn't done. And our view is that it's inevitable, but we haven't put it into any numbers at this point. Nothing's come from the government specifically on it as part of the election campaign at this point, but hopeful. That's more or less what we could see on it.

Again, still going in reverse order. The jewellery brands. I think we've got a fantastic portfolio brands coming into Manchester. The De Beers mono brand, David Yurman's a huge brand in the US and we'll be giving really prominent space to them. Obviously also to Roberto Coin, and then you add wonderful international brands like Pomellato, for example in addition to Fope has been a fantastic brand for us. Messika really growing well. We're going to have a wonderful portfolio. We'll have some niche brands from West Coast America, some really interesting things, and Vintage. We've got a lot and a lot that we're still working on. And of course I'm never slow in knocking the door of the big brands and talking about our activity and it has got attention within the luxury jewellery world for sure. We are doing something that's new that hasn't been done before and we have a reputation for execution at the highest level, so we're working on it as the answer to that. But no specific news of the kind of brands that I think you're referring to.

CPO, we're not going to give a percentage at this point as to where we are. We doubled, more than doubled in Q4 and we gave out that stat and continue to enjoy that kind of performance. At the moment, UK and US, I mean you may follow the secondary market prices that are out there, but they've somewhere between stabilised to modest improvement in terms of market prices in the secondary market, which I think is good. We've been maintaining pricing and margin all the way through, but we pretty much see that as a positive move as well. So we will report more on CPO as we go, but we're not going to give out the percentage at this point.

Jon Cox: Okay. I want to just touch on the Roberto Coin transaction, are you seeing any signs of pushback now that you've done that deal from the bigger luxury jewellery brands, worried about that?

Brian Duffy: No. No, Jon, not at all. I think, I'll tell you what, being at JCK Couture, which is a major event in America, which has the best jewellery market in the world, just being there and getting the market response, people were just so complimentary of what a great deal this is, what a great brand it is and what a great organisation it is to deal with, all of which we had experienced and seen.

None of the big brands are going to come back and I don't think question that. Not any of the even competing brands within the store. I think it's seen as a good move for us. As I say, we have a reputation for investment, for ambition, for believing in the categories, for executing very well and it is good for everybody. What we had anticipated was maybe a bit of a reaction from some wholesale distribution and the news on that is positive and that we again met a good cross-section of the distribution in Vegas. Department stores are all totally fine and ambitious for the brand and they see it as positive that we'll be bringing investment and other resources to the business. And similarly the significant independents, many of whom we know in any event from watch relationships, but all very positive as well about the brand and what we could bring to it.

So all of the experience so far has been good on the products, on the client reaction, on the existing wholesale distribution reaction and we love the team and we love the brand, so feels great.

Jon Cox: Great, thank you.

Operator: As a reminder to ask a question, please signal by pressing star one. Now my next question comes from Richard Taylor from Barclays. Please go ahead.

Richard Taylor: Good morning. It's another question on pre-owned. What are your expectations for your market share going forward versus new and what sort of competitive advantages do you think you hold from your scale as you look to grow further in this market versus some of the other operators?

I recall at IPO for example, you talked about the benefits of selling products to customers in other branches if a product wasn't available in the customer's home store. Do you see any advantage from that at the moment and how do you think you can leverage your customer database to turn the product?

Brian Duffy: Yes to all that Richard. I think scale is important in this area. Pre-owned and procurement then on stock management. And you're right, when we were in a position of having much more stock in store, we were able to take national advantage of it with making product available and moving product around the country or around the terminals at Heathrow or whatever and beyond is already benefiting from that to some degree and will do as this business develops.

There's so many benefits have got to be yet seen and pre-owned the marketing, the in-store presentation, window displays. It's a pleasant surprise to people to come into the store and ask about Rolex and previously the only option we'd had with them is to say, well, but we will take the name and put them on our ROI list. Now we have this other option of actually you can buy it today and let's show you what's on offer.

But nothing in windows, nothing generally understood out there in the markets, so it's a bit of a surprise all around. Also in merchandising, as we improve procurement, we'll be buying into much more balanced merchandise mix and really develop the presence in store. So I think there's a lot to come and I think scale and technology are definitely relevant advantages.

Again, we don't know our share, the distribution plans with Rolex globally started with Bucherer and ourselves. It's been expanded a bit further, UK and US, but at this point we don't know share position. But yes, we are, I think, advantaged here fundamentally because of scale.

Richard Taylor: Okay, thanks very much.

Operator: Thank you. As a final reminder, to ask a question, please signal by pricing star one. We'll pause for just a moment to allow you to signal. And it appears there are currently no further questions in the phone queue, but this I'd like to hand a call back over to Amelia for any web questions. Over to Emilie.

Moderator: Thank you Sergei. It appears that we currently have no written webcast questions at the moment, so I'll hand over to you Brian for any closing remarks. Thank you.

Brian Duffy: Thanks. Thanks Emily and thanks everybody for joining. We are feeling good going into this year about the market, about our plans. I think there's a lot that we did last year in investing in our business that we'll get the benefit for and this year and years ahead.

In addition to which we have really exciting projects coming of a scale that I think is very unusual, epitomised by the Rolex boutique we'll be opening in

Bond Street and big new Rolex boutique we'll be opening in Atlanta, Georgia, AP House. I mean a lot of exciting things coming. In the LRP periods we'll have completed pretty much all of our upgrade programs, all of the acquired stores in the US, all goldsmiths, all Mappin & Webb. And I think that's again, very significant for our future. The basis that we've done our 25 guidance on. Obviously hugely influenced by the supply driven brands, but again, we have units and in addition to that we have indications of ASP, which once again we're using. So we feel like that's totally reliable. Added to that we have the momentum of CPO that we are structuring to take full advantage on, as we've just discussed. Feel great about Roberto Coin and what we're doing in luxury jewellery. We've also made step ups in terms of our infrastructure to support the growth that we are. As we reported our US business is now more or less half of a worldwide business. And we've gradually moved resources to the local market in the US and culminating with us moving into nice offices for everybody in the last few weeks, which I saw when I was last there. And finally we get everybody back together again. Everybody's been working remotely more or less since lockdown time. So that's another great step up. And along with that, we're investing in systems and their organisation to support that growing business. 24 is behind us we're into 25 and we're feeling confident about the year. We're feeling good about the market trends that are there and confident enough for us to, again, look at our LRP that we've looked at in some detail and we still believe that we can deliver on that.

Fundamental to everything obviously is our great teams throughout our organisation. They've been through a really tumultuous period from a market standpoint. They've been fantastic. They deal with whatever comes their way and optimise it. All of our stats on client service and client response are all headed in the right direction. So they're really doing a fantastic job in stores and our head offices and our thanks very much go to them.

Well, thanks for joining us and obviously we'll see you at the next call. Thank you.