



Watches of Switzerland Group PLC
Long Range Plan
for the five-year period FY22 to FY26

Accelerate strategy by strengthening UK luxury watch leadership, becoming US market leader and entering the EU market

Watches of Switzerland Group PLC (“the Group”) is today pleased to announce its long term plan covering its strategy for the five-year period from FY22 to FY26.

Brian Duffy, Chief Executive Officer, said:

“Since 2014 we have delivered a sustained track record of strong, profitable growth, consolidating our position as the UK’s leading luxury watch retailer. We have further developed our long-standing partnerships with the most prestigious luxury watch brands, invested in our stores and in leading edge systems and technology while further enhancing our bold, impactful and digital-led marketing approach. Through focused investment we have built a modern, digitally advanced multi-channel retailer and have achieved outstanding momentum in the US since our entry into the market in late 2017.

Looking ahead, we are excited to capitalise on the significant opportunity to accelerate our strategy. The UK luxury watch market continues to grow, and we continue to advance our leading position. In addition, we plan to achieve growth through further geographical diversification, becoming the clear leader in the US market, and establishing a presence in the EU with the targeted roll-out of our proven model.

Our growth projections reflect our best estimate of future supply based on our past experience of investment and expansion. The ability to grow in our category is partly determined by restricted supply of key brands and is therefore not guaranteed.”

Strong Foundation for Future Growth

- ***The Group has been significantly transformed since 2014:***
 - The arrival of new management in 2014 led to the investment in systems and digital marketing to create a technologically advanced multi-channel luxury specialist with a modern approach to retailing
 - Consistent, sustained growth has expanded our clear market leadership in luxury watches in the UK
 - Entrance into the US market in 2017 with a strong and growing base established
 - FY21 Group revenue of £905.1 million is well balanced and geographically diversified with 67.0% UK, 33.0% US
- ***As the UK’s largest luxury watch retailer, operating in both the UK and US, today we have a unique platform:***
 - *What we sell:* luxury watches account for 87.1% of Group revenue, within which the top eight brands represent 81.9% of Group revenue
 - *How we sell:* competitive advantages of longstanding brand partnerships, scalable technology, marketing, well-invested showrooms and exceptional customer service
- ***Our consistent track record of profitable growth underlines the success of our strategy:***
 - Revenue CAGR FY15 to FY22¹ +16.2%
 - EBIT CAGR FY15 to FY22¹+40.2% as we leveraged sales growth on our cost base

¹ Midpoint of FY22 guidance

- Strong cash generation with net debt reduction to £43.9m (2 May 2021)
- Significant improvement in ROCE to 19.7% in FY21 (FY15: 6.7%)

Long Range Plan Highlights

- **Our strategy for growth to FY26 is focused on the major Western markets of the UK, US and EU:**
 - Total Addressable Market for luxury watches (at retail) in these markets is approximately \$21.0 billion
 - UK market has the highest per capita retail spend by domestic customers on luxury watches; we believe the differential to other markets reflects retail investment, not customer behaviour, creating an opportunity to successfully replicate our model in other geographies and building on the success we have delivered in the US to date
- **Targeted capital investment to support growth plans over the next five years:**
 - Cumulative indicative range of capex spend: £300.0 million to £340.0 million
 - Cumulative indicative potential acquisition spend in the US and EU: £150.0 million to £200.0 million

UK - Continuing to outperform in the strongest market for luxury watches globally

- The UK luxury watch market has a well invested network of retail stores and retail sales of approximately £1.3 billion
- Between 2012 and 2019, the market grew by a CAGR of +10.0%, mainly driven by average selling price increases
- Future expected growth (2020 to 2026E): we expect the market will continue to grow at a strong rate with a CAGR of +8.0% to +10.0%, with a post COVID-19 pandemic recovery in 2021
- The Group expects to outperform the market by c. 2.0% p.a. driven by continued investment in stores, technology, digital marketing and customer experience

US - Becoming the clear leader in the second largest market for luxury watches globally

- The US market for luxury watches is fragmented and under-invested with retail sales of approximately \$4.5bn
- Between 2012 and 2019, the market grew by a CAGR of +2.0%, with most growth achieved since 2018
- Looking ahead, we believe the US will outperform the global market driven by continued investment in retail from the Group and other participants
- The Group anticipates its US revenue will grow by a CAGR of +25.0% to +30.0% (FY21 to FY26) supported by:
 - A strong pipeline of new projects including one Watches of Switzerland store in American Dream, New Jersey and one Watches of Switzerland store in Kenwood Towne Centre, Cincinnati
 - Acquisitions
 - Digital marketing becoming increasingly effective with greater scale
 - Ecommerce: over time we believe this channel will become as important to our US business as in the UK
 - Further expansion of the mono-brand boutique network

EU – Capitalising on growth potential in a market exhibiting similar characteristics to the US

- The EU luxury watch market has not grown at the same pace as the UK since 2000; the Group believes the market is under-invested and under-potentialised
- The Group sees a significant growth opportunity in the EU and plan to enter this market through acquisitions, mono-brand boutiques as well as further growth potential in travel retail, ecommerce and new developments
- The Group anticipates that the EU will contribute between 5.0% to 8.0% of Group revenue by FY26

Summary: By FY26 the Group will be more geographically diversified, with an even stronger business anchored in luxury watches

- We operate in a supply-constrained environment and our plan reflects our best estimate of future supply
- The Group is well positioned for continued strong momentum across its existing markets, the UK and the US, and to generate incremental revenue from entrance to a new market, the EU:
 - The Group expects the UK market to represent approximately 44.0% to 48.0% of Group revenue (FY21: 67.0%) with the US expanding to 47.0% to 48.0% (FY21: 33.0%) and the EU representing between 5.0% and 8.0%
 - Luxury watches are expected to grow to approximately 90.0% of Group revenue (FY21: 87.1%) with growth in the complementary luxury jewellery and after-sales servicing segments
 - Following the significant shift in sales to the domestic customer (FY21: 94.0%; FY20: 72.5%) as a result of the COVID-19 pandemic-related reduction in tourist and airport business, during the five-year planning

period, the Group does not anticipate any significant recovery in international tourism spend in the UK with sales from the domestic customer (UK, US, EU) expected to be approximately 92.0% of Group revenue in FY26

- The Group expects to generate further operational leverage driven by the US, the UK and ongoing geographical mix evolution
- The Group expects to generate strong free cash flow conversion to support growth leading to enhanced Return on Capital Employed
- Consistent, sustained capital investment and selective acquisitions to support growth
- No other material new financial information will be disclosed

Long Range Plan Conference call

A webcast conference call for analysts and investors will be held at 2.00pm (UK time) today to present this long range plan.

This will be followed by a live Q&A for analysts and investors, which can also be accessed using the following details:

United Kingdom (Local): +44 (0)330 336 9125

Participant Access Code: 3169793

Webcast link: <https://webcasting.brrmedia.co.uk/broadcast/60d30e6155a96337f0d9c113>

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About the Watches of Switzerland Group

The Watches of Switzerland Group is the UK's largest luxury watch retailer, operating in both the UK and US, comprising four prestigious brands; Watches of Switzerland (UK and US), Mappin & Webb (UK), Goldsmiths (UK) and Mayors (US), with complementary jewellery offering.

As at 2 May 2021, the Watches of Switzerland Group has 148 core stores across the UK and US (which includes 39 dedicated mono-brand stores in these two markets in partnership with Rolex, TAG Heuer, OMEGA, Breitling, Audemars Piguet, Tudor and FOPE) and has a leading presence in Heathrow Airport with representation in Terminals 2, 3, 4 and 5 as well as five transactional websites.

The Watches of Switzerland Group is proud to be the UK's largest retailer for Rolex, Cartier, OMEGA, TAG Heuer and Breitling watches.

Mappin & Webb holds Royal warrants as goldsmiths, silversmiths and jeweller to Her Majesty The Queen and silversmiths to His Royal Highness The Prince of Wales. The Mappin & Webb master jeweller has been Crown Jeweller, custodian of the Crown Jewels of Her Majesty The Queen since 2012.

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Disclaimer

Cautionary note regarding forward-looking statements

This announcement has been prepared by Watches of Switzerland Group PLC (the "Company"). It includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified

by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "plans", "goal", "target", "aim", "may", "will", "would", "could" or "should" or, in each case, their negative or other variations or comparable terminology. They appear in a number of places throughout this announcement and the information incorporated by reference into this announcement and may include statements regarding the intentions, beliefs or current expectations of the Company Directors or the Group concerning, amongst other things: (i) future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects; (ii) business and management strategies, the expansion and growth of the Group's business operations; and (iii) the effects of government regulation and industry changes on the business of the Company or the Group.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future and may be beyond the Company's ability to control or predict. Forward-looking statements are not guarantees of future performance. The Group's actual results of operations, financial condition, liquidity, and the development of the industry in which it operates may differ materially from the impression created by the forward-looking statements contained in this announcement and/or the information incorporated by reference into this presentation.

Any forward-looking statements made by or on behalf of the Company or the Group speak only as of the date they are made and are based upon the knowledge and information available to the Directors on the date of this announcement, and are subject to risks relating to future events, other risks, uncertainties and assumptions relating to the Company's operations and growth strategy, and a number of factors that could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements. Undue reliance should not be placed on any forward-looking statements.

Before making any investment decision in relation to the Company you should specifically consider the factors identified in this document, in addition to the risk factors that may affect the Company or the Group's operations which are described in the Annual Report and Accounts 2021 in Risk Management and Principal Risks and Uncertainties.