

Watches Of Switzerland Group

By Matt Franz



EAGLE POINT CAPITAL

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VALUE x VAIL

Overview

- What WOSG does
- Why it is a good business
- Why it is cheap
- Q&A

*“The biggest, the oldest
retailer of Rolex.”*



Business Overview

Valuation

- 9x earnings
- 0.8x net debt to EBITDA

Geographic Mix

- 60% UK (146 showrooms)
- 40% US (47 showrooms)

Sales Channels

- Majority multi-brand boutiques
- Increasingly mono-brand boutiques
- Online: Certified Pre-Owned

Sales Mix

- 81% watches
 - 50% Rolex
 - 10% Patek Philippe & Audemars Piguet
 - 15% Cartier, OMEGA, Breitling, TAG Heuer
- 13% jewelry
- 6% service

“Fearful Symmetry”



Replicating UK Success in the US

“The UK market has the highest per capita retail spend by domestic clients on luxury watches; we believe **the differential to other markets reflects retail investment, not consumer 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.”

America is large and highly fragmented.

Swiss watch exports per market in 2023

Markets	Mil of CHF	Variation	Part
1. USA	4,161.8	+7.0%	15.6%
2. China	2,762.5	+7.6%	10.3%
3. Hong Kong	2,356.3	+23.4%	8.8%
4. Japan	1,822.9	+7.7%	6.8%
5. United Kingdom	1,743.8	+7.6%	6.5%

Source: [Federation of the Swiss Watch Industry](#)

Brands Prefer Fewer, Better Points Of Sale



Source: [WOSG](#)

Not Your Typical Retailer

“Wait lists, we don't give out specific numbers, but it's not a percentage of annual revenue, **it's more like a multiple.** They're pretty significant, the depth of the waiting lists.”

Not Your Typical Retailer

- 60% of watch sales “supply constrained”
- Minimal working capital (~11% of sales)
- No inventory shrink, obsolescence, or discounting
- Fixed margins
 - Brand pricing flows through
- Barriers To Entry
 - Dealers have geographic monopolies
- Minimal advertising
- Loyal, repeat customers

An evolution, not revolution, of design.

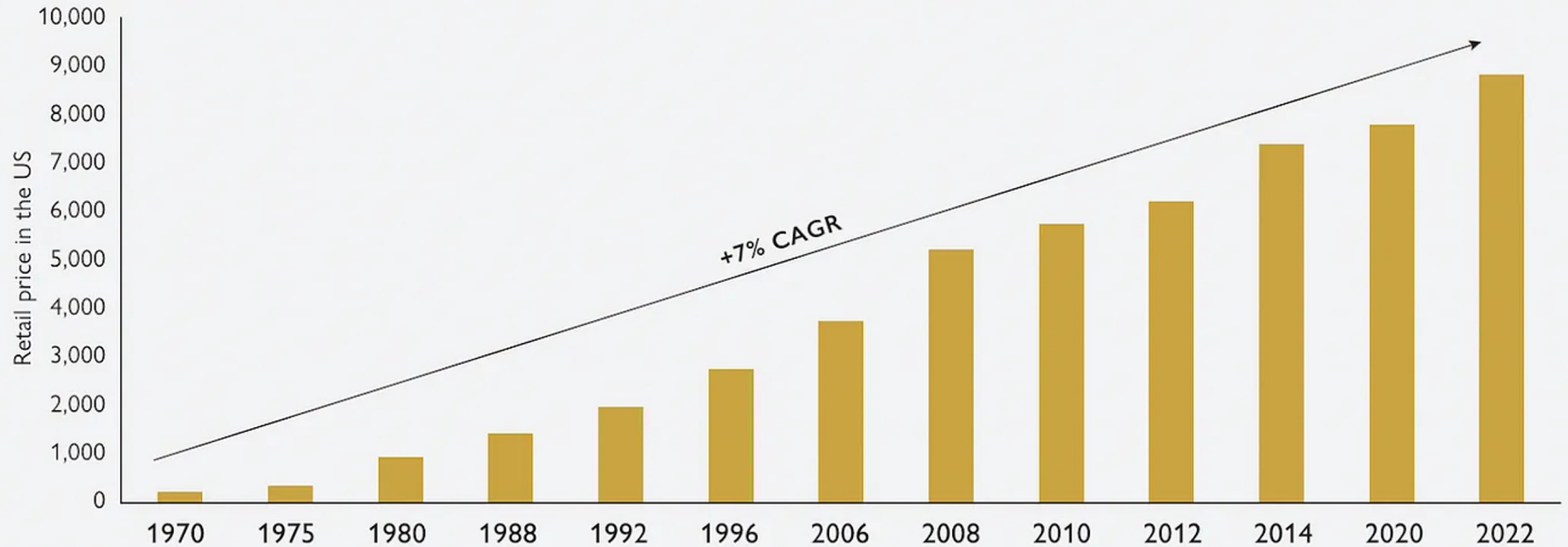
Rolex No-Date Submariner 1988-Present



Source: [Unwound](#)

Pricing Power

ROLEX SUBMARINER NO-DATE PRICE EVOLUTION SINCE 1970 (\$)



Source: STIFEL, Swiss watch industry export primer (30 August 2022)

Roberto Coin Acquisition

- May 8, 2024
- Paid 4.3x pre-tax earnings
- \$130 million, cash
 - New \$115 million term loan
- 6th largest jewellery brand in the US by retail sales
- Exclusive importer and distributor
 - US, Canada, Caribbean and Central America
- Branded jewelry taking share
 - 17% in 2019 to 27% in 2024
- Plan
 - Incremental margin on product sold through WOSG retail locations
 - New mono-brand boutiques
 - JVs with new retailers

Roberto Coin	2022	2023
Revenue	146.2	138.7
Pre-Tax Earnings	30.1	30.2

Forward Returns

- Growth
 - Reinvest ~100% of earnings
 - £300-350 million on showroom capex over 5Y
 - Payback in 2-4Y
 - £350-500 million on acquisitions over 5Y
 - Valuations: 6-8x EBITDA for watches, 4x for jewelry
 - Payback in 4-4.5 yerars
 - Double sales and EBIT over 5Y
 - Operating Leverage: 50-150 bps
- Yield
 - No dividend
 - Opportunistic repurchases to offset dilution
- Change In Multiple
 - More likely to go up than down

Why is it so cheap?

- Fear #1 – Brands will dis-intermediate its dealers
- Fear #2 – We're at the top of a watch cycle

Fear #1 – Rolex will disintermediate its dealers

“Following the choice made by Jörg Bucherer, in the **absence of direct descendants**, to sell his company’s business, Rolex has decided to acquire the watch retailer, which was until now an independent entity. This move reflects the Geneva-based brand’s desire to perpetuate the success of Bucherer and preserve the close partnership ties that have linked both companies since 1924.”

“Bucherer will keep its name and continue to **independently run** its business. The Group’s management team will remain unchanged.”

Source: [Rolex Press Release](#)

Trend Towards Mono-brand Boutiques



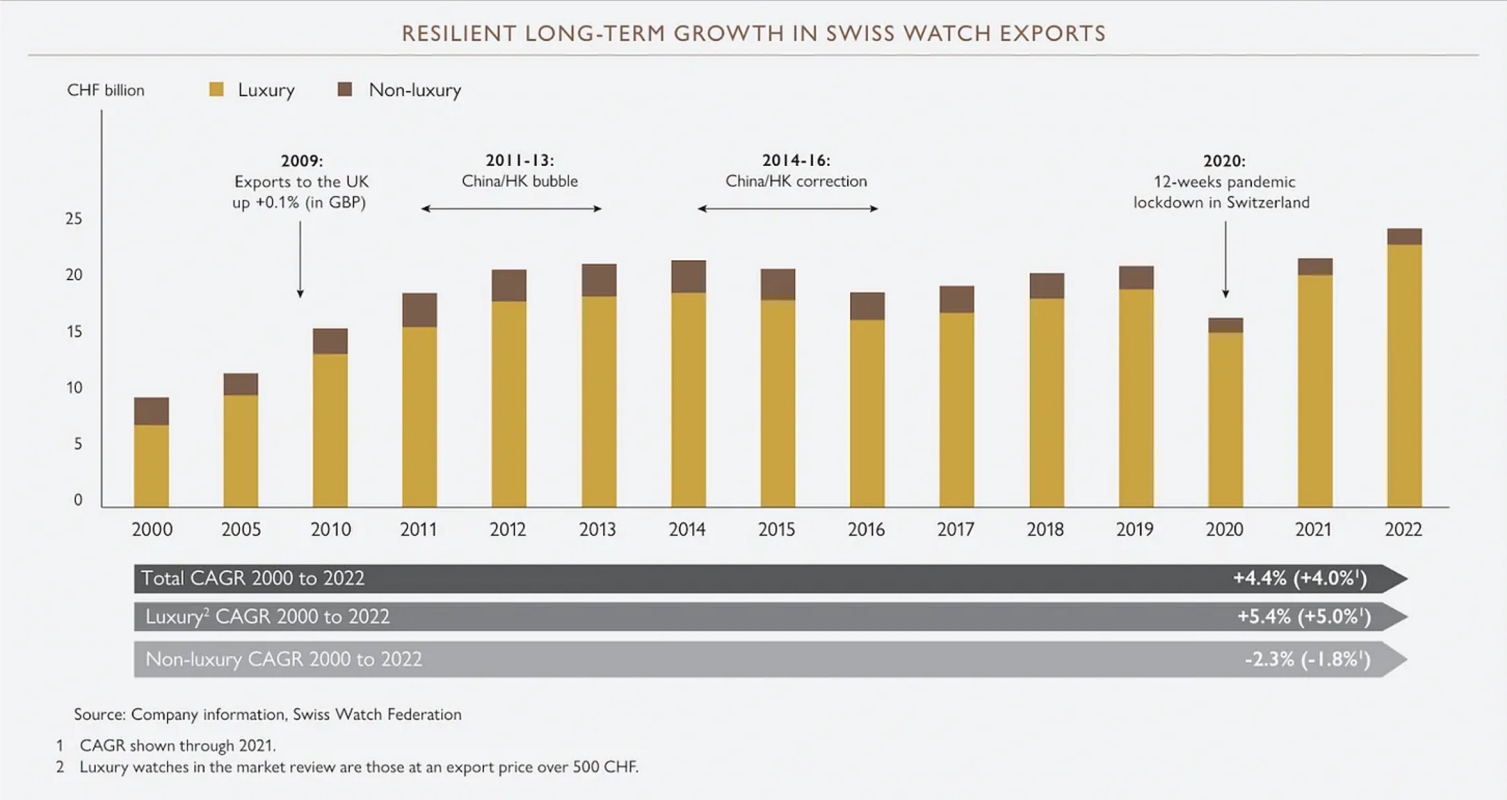
Audemars Piguet to open its first AP House with Watches of Switzerland

Watches of Switzerland Group announces it has signed a letter of intent with Audemars Piguet to open an AP House in the UK.

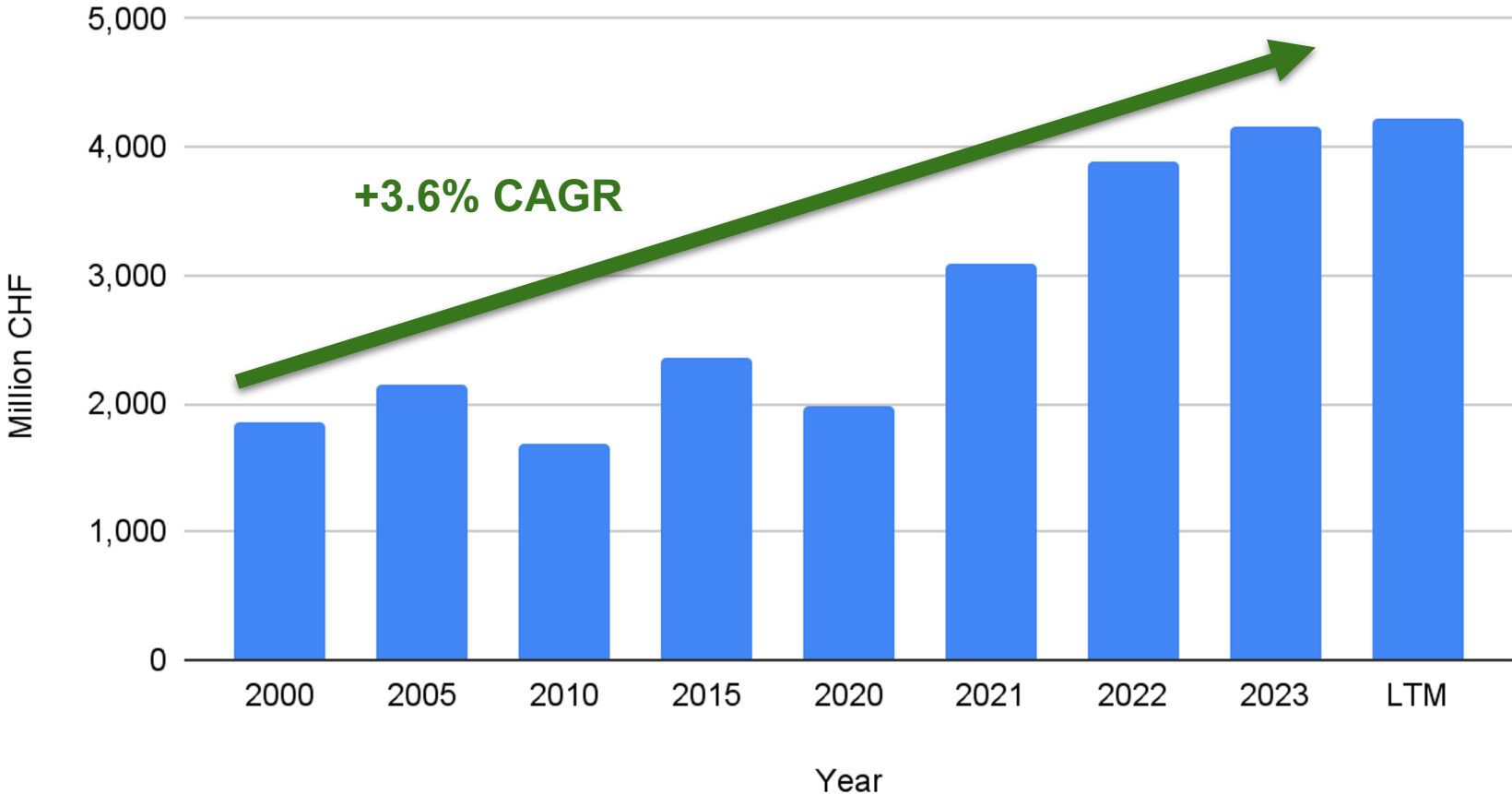
By Rob Corder May 17, 2023



Fear #2 – We’re at the top of a watch cycle



Swiss Watch Exports To The US (Million CHF)



Narrative vs Reality

Narrative	Reality
Rolex will disintermediate dealers.	Rolex says it will not. It would be a herculean task.
Richemont and Audmars Piguet are bringing distribution in house.	Both continue to sell through multi-brand and build new mono-brands with WOSG.
The watch cycle has peaked.	Multi-year waitlists.

Opportunities and Tailwinds

- Consolidate the fragmented US market
 - Acquisitions
 - Greenfield Expansion
- Brands prefer fewer, better points of sale
- Supply Growth
 - Certified pre-owned
 - Rolex and Audemars Piguet – new factories
- Pricing flow-throw
- Oligopoly of watch brands carefully control supply

Risks and Headwinds

- Strong US watch sales could moderate
 - Mix shift to non-Rolux or more steel and less precious metals
- Rolux could change its mind about operating Bucherer independently
- Brands may prefer in-house distribution
- Brands could lower dealer's fixed margins
- Jewelry requires more working capital

Thank you for your time. Questions?

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