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Time to buy

James Robertson, Jr. writes:

Four years after the pandemic-era bubble in luxury watches popped, a recovery may at last be at hand. At the intersection of underperforming luxury brands and worse-performing luxury retailers stands Watches of Switzerland Group plc (WOSG on the London Stock Exchange). *Grant's* is bullish on it.

Watches of Switzerland is a leading retailer of big-ticket timepieces and jewelry. It is an authorized dealer— "AD" is the trade expression—for the leading watchmakers, including Patek Philippe, Cartier, Omega and, most of all, Rolex. Luxury watches delivered 82% of fiscal-2025 sales. High-end jewelry (13%) and services (5%) rounded out the top line. Rolex, the brightest star in the WOSG firmament, delivered more than half of sales.

WOSG traces its roots to 1775, when Jonathan Mappin opened a silver workshop in Sheffield, England. Skipping ahead 238 years, Apollo Global Management, Inc. acquired the business in 2013 and installed Brian Duffy as CEO. Duffy oversaw the company's public listing six years later and remains at the helm today.

No shopper could easily mistake any one of WOSG's 199 showrooms (all situated in Britain and the United States) for a department store. Inside WOSG's Manhattan flagship, I found a private lounge, a cocktail bar and a Rolex GMT-Master II with a red-and-blue "Pepsi" bezel ($11,800) enthroned in a display case marked "Exhibition only."

Skeptics make two arguments against WOSG. The first is cyclical. Flashy watches are emblems of a bull market, and they quickly become unfashionable, not to mention unaffordable when the cycle turns. In 2009, the total value of watches exported by Switzerland dropped by 22.3% as bonuses dried up and margin calls multiplied. The bear market following the collapse of the Covid-era luxury-watch bubble caused prices quoted in the secondary market to tumble by 32%.

The second argument against WOSG is secular in nature. Bears contend that Watches of Switzerland will face disintermediation as watchmakers cut out the middlemen. Audemars Piguet began bypassing third-party retailers in 2018, and the majority of its watches now flow through its own boutiques. In 2023, Rolex bought Bucherer AG, WOSG's larger peer, in what critics saw as the opening shot in a broader consolidation.

Unpersuaded, we note that Swiss watch exports in February jumped by 9.2% year over year, led by a 26.8% rise in shipments to the United States. We note, too, that high-end watches are better armored against financial troubles than you may have guessed. "Luxury watch prices outperformed the S&P 500 during the 2007–09 recession," a 2023 Boston Consulting Group report relates, "and took less than two years to recover from the market crash, while many traditional financial categories and consumer products categories took longer." Perhaps short sellers and bankruptcy lawyers helped to pick up the trophy-timepiece slack.

This cycle, meanwhile, has already seen a meaningful shakeout of the so-called aspirational buyers. Gone are the meme-coin millionaires and watch flippers. Left behind are the enthusiasts, collectors and the ultra-wealthy, who may help the market weather the next storm.

As for Rolex's takeover of Bucherer, it came on the heels of a succession crisis. The late Jörg Bucherer, the third-generation owner of the Swiss retailer, having no direct descendants, decided to sell the business. Rolex stepped in to protect the 99-year partnership before a competitor could pounce. The watchmaker—rarely one to speak publicly—said it would run the stores at arm's length.

It was a point the Rolex CEO reiterated two years after the deal. While the purchase lifted the company's retail exposure, Jean-Frédéric Dufour told the audience at Dubai Watch Week in November, "we have no intention to go further than that." Solely owned by a nonprofit foundation, Rolex has spent 121 years making nothing but watches. Building a retail empire would be a radical departure.

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Watches of Switzerland is the nearest thing to a public proxy for the famously private Rolex. WOSG signed on as one of Rolex's first retail partners in a deal inked 107 years ago and stands as the largest independent Rolex dealer today. Following its consolidation of the U.K. market, WOSG says it means to widen its lead by doing the same in the fragmented U.S. market. There, too, it has the blessing of the crown.

Down 70% from its 2021 highs, WOSG trades at a ratio of enterprise value to forward Ebitda of 8:1, below specialty retailers like Williams-Sonoma (12:1) and further below luxury brands like Hermès (21:1). In the past

12 months, the company showed top-line growth of 9.6% and Ebitda margins of 14%. Embedded in today's share price is sales growth of just 1.5% and margins of 8.5% through 2029.

The business of selling high-end watches is different from selling almost anything else. The boldface Swiss brands distribute their timepieces, scarce by craft and design, on a selective basis to sanctioned retailers. Boutiques that invest more in their showrooms and in their customers' experience typically receive higher allocations. Those that cannot, or do not, receive less.

Allocations from Rolex are far and away the most sought after. Swiss watches dominate the high-end market, and Rolex dominates the Swiss market. Last year, the brand commanded a 33% share of Swiss watch exports by market value. Its next biggest competitor, Cartier, held 8.7%.

That dominance is no accident. Rolex watches kept ticking in space, on Mt. Everest and in the depths of the Mariana Trench. The independent guardian of Swiss watchmaking, Contrôle Officiel Suisse des Chronomètres, certifies all Rolex watches as being accurate to within two seconds per day. That's four seconds stricter than COSC's own standards.

"Rolex watches are sold before they come into the store," Christopher Pavese, president and chief investment officer of Broyhill Asset Management, tells me. "And, oftentimes, they're sold before WOSG has to pay for them. So there's a negative working-capital aspect to the model, which juices the returns on invested capital. And then you've got zero Amazon risk because the brands do not allow online purchases."

Rolex models, such as the Daytona ($16,900), Submariner ($18,900) and Datejust ($8,950), move so quickly that AD agreements are among the most coveted in retail.* Asked how long the waitlists for those models are today, the staff at WOSG's New York boutique wouldn't say. But they did offer a glass of champagne.

For WOSG, Plural Investing, LLC estimates, Rolex pieces generate two-thirds of the profit in a typical multi-brand store, while taking up less than a third of the square footage. The returns on the Rolex-only stores that WOSG operates are even higher.

It's no surprise, then, that Rolex AD agreements are getting even harder to come by even than the legendary Daytona model nicknamed the "Paul Newman." Rolex has culled its retail partners, shifting more timepieces to its most trusted vendors. In the United Kingdom, the number of Rolex retailers has dwindled by 28%, to 94, in the past 12 years. In the American market, over the same period, ADs have thinned by 47%, to 250.

Under Duffy, WOSG saw its U.K. market share of Rolex sales surge to about 50% today from 35% in 2014 as the watchmaker culled its dealer network. As more Rolex shipments landed at its doors, WOSG used the profits to build or refurbish ever-posher showrooms. That, in turn, led to more delivery trucks.

Watches of Switzerland entered the U.S. market in 2017 with its acquisition of Mayors Jewelers, which operated 17 stores in Florida and Georgia. Since AD agreements are nontransferable, WOSG received full approval from Rolex. And it did so again, two months ago, in receiving permission to buy Deutsch & Deutsch and its four licensed Rolex showrooms in Texas. The recent acquisition brings the WOSG U.S. showroom count to 63.

In the past five fiscal years, America's share of the WOSG top line has doubled to 48% from 24%. And there's a case to be made that the United States offers a better opportunity than the United Kingdom. Some 68% of Rolex ADs in the 50 states operate three storefronts or fewer, giving WOSG the opportunity to acquire mom-and-pop shops. At last report, net debt plus operating leases summed to 2 times trailing Ebitdar (that is, Ebitda plus rent expenses).

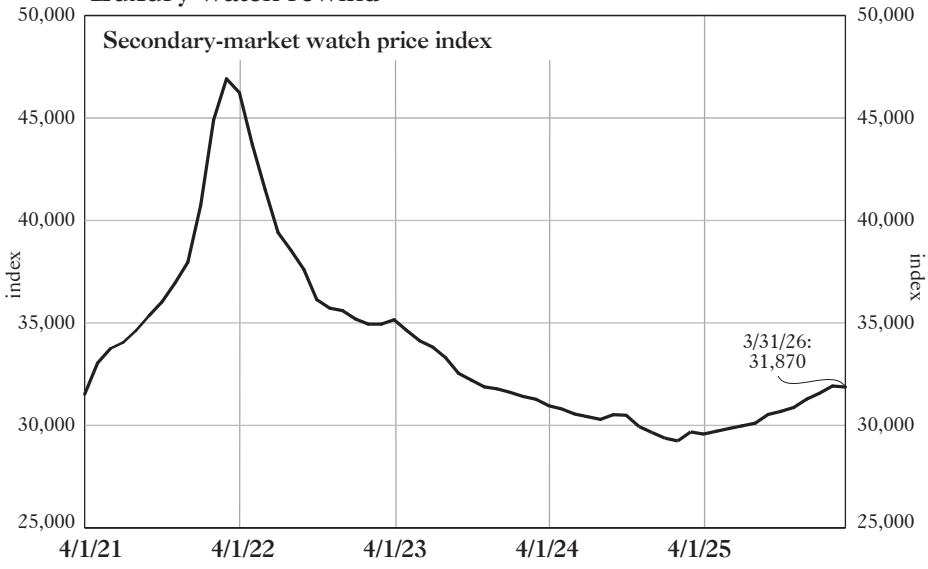
Rolex stepped into the spotlight again to help alleviate the 39% tariff rate that President Donald J. Trump imposed on Swiss exports in August of last year. Meeting Trump in November in the Oval Office, Dufour presented the American people, or rather the American *person*, with a gold-plated Rolex desk clock. A week later, the Swiss and U.S. delegations hammered out a deal that cut duties on Swiss exports to 15%.

Secondary prices suggest that the fine watch market has stabilized. After crashing by the aforementioned 32% from the 2022 highs, pre-owned prices bottomed in February 2025 and have since rebounded, according to WatchCharts. In March, watches changed hands at values 8.2% above year-ago levels.

WOSG and Rolex are now taking a cut of those second-hand sales. The watchmaker introduced the Rolex Certified Pre-Owned program in December 2022. Any watch bearing that label means Rolex has authenticated, serviced and covered it with a two-year warranty. Customers, wary of counterfeit timepieces and botched repair jobs, needed little convincing. Pre-owned Rolex watches now rank as WOSG's second-biggest seller, behind only the freshly made ones.

Swiss watches typically sell on the secondary market at premiums to the listed price. The Rolex Oyster Perpetual Milgauss model, engineered to withstand

Luxury watch rewind



source: WatchCharts

magnetic interference from particle accelerators, lists at an 42% premium to its last reported manufacturer's suggested retail price ($9,300). WOSG, now the second-largest second-hand dealer globally, is still initiating the program.

The Street is moderately bullish on WOSG shares. Of the 11 analysts on the case, six say buy and none says sell. Short interest is modest at 1.2% of the float. Insiders have been net buyers in the past 12 months, acquiring 30,000 shares at a cost of £108,442.

With green shoots in the watch market, greater clarity from Rolex on its strategy and a détente in the Swiss-American trade war, the headline risks for WOSG are beginning to fade. "I would say," Christopher Waller, founder and portfolio manager of Plural Investing, tells me, "the risks are genuinely low relative to the prospective rewards. At current valuations, this is the most attractive risk-reward alignment I've seen since I first invested in WOSG two years ago."

* Prices specifically for the Rolex models 126500, 126613LB and 126300, per WatchCharts.

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