Watches of Switzerland sales grow as timepieces become “investment assets”

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here was no sign of a slowdown in the luxury watch market, as Watches of Switzerland reported a 17% increase in revenue for the three months to 29 January, but shares fell amid slow growth in jewellery sales.

The company, which owns brands including Rolex, Patek Philippe and TagHeuer, brought in £402 million during the period. Luxury watch sales were up 22% to £340 million.

CEO Brian Duffy said recession fears and the rising cost of living have not stopped customers from buying luxury timepieces.

“There was negative sentiment around in the UK and lots of difficulties around industrial action, but our team managed to overcome that,” he told the Standard.

Duffy added that, in a time of high inflation and uncertainty around financial markets, many customers saw watches as an investment asset.

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“We call the category rational indulgence,” he said. “You don’t need a luxury watch but in buying one you’re going to have something for life. If you buy wisely, it’ll be an investment asset.

“Anyone who buys a watch has the comfort of knowing the product is going to preserve value. I think that’s the biggest influence for people buying watches.”

UK revenue was up by double digits, thanks in part to the reopening of a multi-brand Canary Wharf showroom. Overall European revenue came to £238 million.

“We’ve done a lot of investment around London as you’ve seen. We completely redid our configuration in Canary Wharf,” Duffy said. “And it’s all been doing really well even though office traffic’s not fully back.

“We also opened in Battersea recently and we love that development. It was a very good Christmas period there.”

However, shares were down by almost 10% to 907p this morning. Russ Mould, investment director at AJ Bell, said that was mostly due to weaker jewellery numbers, with sales up by just 2%.

“The market did not like the latest numbers from Watches of Switzerland – with soft jewellery sales helping to undo a lot of the progress the shares had made so far this year.

Mould added that the business may be surprised by the severe market reaction, given its sales were otherwise strong.

“The company may be taken aback at the scale of the negative reaction to what were otherwise reasonably robust third quarter numbers accompanied by reiterated guidance.”

“It suggests a degree of scepticism over its claims to be relatively insulated from weaker consumer demand thanks to a wealthier clientele and the continuing strong demand for luxury watches.”