

THE HOUR GLASS

DECADES OF SOLID PERFORMANCE, LONG-TERM STRATEGY NEEDED

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CORPORATE MONITOR LIMITED

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Written by: Royston Yang

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Table of Contents

ABOUT CORPORATE MONITOR LIMITED 2
TABLE OF CONTENTS 3
EXECUTIVE SUMMARY 5
1. INTRODUCTION 7
1.1 THG's Brands 7
2. THE LUXURY WATCH RETAIL INDUSTRY 7
2.1 The Global Watch Industry 8
2.2 The Luxury Watch Retailer 8
2.2.1 Allocation and Stores 9
2.2.2 All Growth Drivers are Dependent on the Top Brands 9
2.3 The Key Success Factors for a Retailer 10
2.3.1 Long-Term Brand Relationship is Key 10
2.3.2 Customer Base 10
2.3.3 Managing Inventory 10
2.3.4 Retail Experience 10
2.3.5 Owning Real Estate 11
2.4 SWOT Analysis 11
3. ROBUST FINANCIAL PROFILE, BUT POOR DISCLOSURE 11
3.1 Robust Revenue and Net Profit Growth 12
3.2 Improving Gross Margin 13
3.3 Consistent Free Cash Flow Generation 14
3.4 Solid Return on Equity with Negligible Debt 15
3.5 Increasing the Number of Boutiques 17
3.6 Expanding into Australia and New Zealand 17
4. DIVIDENDS: ERRATIC AND LOW PAYOUT 18
5. STANDING ABOVE THE COMPETITION 19
6. RISKS TO THE BUSINESS 20
6.1 Allocation is Beyond THG's Control 21
6.2 Top Brands May Go Direct 21
6.3 Mergers and Acquisitions are Opportunistic 21
6.4 Succession 21
6.5 Summary 22
7. CORPORATE GOVERNANCE AND REMUNERATION MATTERS 22
7.1 Poor Disclosures 23
7.2 Succession Planning 24
7.3 Remuneration Disclosures 24
8. CONCLUSION 27
APPENDICES 28
Appendix 1: The Hour Glass - History 28
Appendix 2: Brands Sold by The Hour Glass 29
Appendix 3: Dividends and Share Buyback Versus Net Profit 30

APPENDIX 4: ROLEX'S ACQUISITION OF BUCHERER 31

EXECUTIVE SUMMARY

The Hour Glass (THG) is the larger of the two multi-brand luxury watch retailers listed on the SGX. It has a long history dating back to 1979 and represents most of the luxury watch brands including the top ones like Rolex and Patek Philippe.

While there is no doubt that THG has done well over the decades, its disclosure has been poor and is getting worse. There are also developments in the luxury watch industry (almost predominantly Swiss) that pose adverse, long-term implications for the multi-brand luxury watch retail sector. THG is not immune to these risks, and to its credit, has proactively highlighted such developments through its chairman's letters. However, it has not spelled out such risks, and certainly has not articulated a strategy to deal with them.

Over a long history, it is commendable that the company managed to sustain its growth and perform better relative to its peers. THG reported steadily growing revenue and profits, along with free cash flow generation. It also reported healthy margins that are better than its peers'. Its returns on equity have been respectable, and achieved with limited (and now zero) debt. Balance sheet is healthy with arguably too much cash. That said, there is very little to fault the performance of the company, except that it could afford to pay out more dividends. Instead, dividend payout was cut from S$0.08 (per year) to S$0.06 in FY2025 despite healthy free cash flow generation and low debt levels.

The COVID-19 period provided a strong boost to the luxury watch industry, but the hangover is now being felt. The luxury watch industry is now concentrated in a few top brands such as Rolex and Patek Philippe. The top 4 brands account for 49% of the industry by value and 75% of the profit pool. At Watches of Switzerland PLC, which is one of the largest luxury watch retailers globally, Rolex now makes up over 50% of its sales. The multi-brand retailers are, in fact, not so multi-brand any more. Rolex and the other top brands (if they have not gone completely direct) now have strong power over the retailers. These top brands, mostly family-owned, keep their products coveted by under-supply, and ration the watches to retailers in an opaque exercise. THG and other retailers are dependent on such allocations from the top brands, which they leverage to sell second-tier brands.

Allocation is scarce and unpredictable, for it relies on the top brands' strategy and the relationship the retailers have. The top brands may go direct, as Audemars Piguet announced in 2019. Rolex bought a retailer Bucherer in August 2023, and may step up its go-direct efforts.

The only avenue for a retailer to grow is to acquire another retailer, which THG did in 2025 with Kennedy Watches & Jewellery, a retailer in Australia. Watches of Switzerland PLC also acquired Deutsch and Deutsch, a retailer with 4 Rolex stores in Texas. However, as there is a change of control provision, Rolex's consent is required to complete the acquisition. This is assuming that a target is available, there are no other competitors, and THG is happy with the valuation for the

acquisition. There are so many uncertainties. Over its entire history, THG only completed 4 acquisitions.

In the meantime, the trend of brand concentration is unlikely to reverse, and may in fact accelerate. The second-tier brands are already suffering declines. In 2025, 29 of the top 50 brands reportedly registered year-on-year sales declines, some in double digits. The relentless appreciation of the Swiss franc and rising manufacturing cost in Switzerland results in the need to raise prices, but only the top brands can command price increases. The hangover from the pandemic boost and the emergence of the many wearable digital watch brands are bad news for the second-tier luxury watch brands, which are forced to raise prices which the inflation-fatigued aspirational consumers are unwilling to pay. This deepens the dependence of THG and other retailers on the top brands.

Given the opaqueness in the luxury watch industry, THG is understandably constrained in its disclosure, but its disclosure is scant nonetheless. There is no operations review, and no management discussion of the business. There is not even a discussion on strategy, which, given the industry trend, is a big issue. Watches of Switzerland PLC, under the same constraints, at least provided a strategy discussion and more. It also hosts Investor Days to engage shareholders.

Succession planning is also a long-term issue that is not addressed. Given the dependence on relationships with the top brands, it is even more crucial now that THG, via the Tay Family, maintains that principal to principal relationship. Most of Rolex's retailers[1] are similarly family-owned. Michael Tay has been Group Managing Director for 11 years and has done a good job, based on THG's financial performance. Shareholders deserve to know what is the Tay family's plan to take THG forward.

There have been a number of independent retailers that chose to be acquired when the families either did not have heirs, or saw the writing on the wall. Bucherer, Deutsch and Deutsch, Kennedy Watches & Jewellers and Mansors Jewellers are recent examples.

We think it is time for THG to discuss its strategy and succession plan. It is risky to carry on “business as usual”, to be an even better partner to Rolex and Patek Philippe. The problem is, these brands may have other ideas.

[1] The notable exception is Watches of Switzerland PLC, listed in London and owned by institutional investors.

1. INTRODUCTION

Corporate Monitor Limited ("CML") is initiating research coverage on The Hour Glass ("THG" or "the Group"). THG was founded by Henry and Jannie Tay in 1979 and has grown to become one of the leading luxury watch retailers in Asia. Please see **Appendix 1** for a brief history of THG. THG has a footprint in several countries apart from Singapore. Within Asia, the Group is present in Hong Kong, Japan, Malaysia, Thailand and Vietnam. In Oceania, THG increased its presence with the purchase of properties in Australia and New Zealand, and the acquisition of Kennedy Watches & Jewellery – more on this in **Section 3.6**.

As of 5 June 2026, the Tay Family owns around 73.3% of THG, with the rest mostly held by the public.

1.1 THG's Brands

The Group prides itself on having close relationships with famous Swiss watch brands, including top brands like Rolex and Patek Philippe, cultivated over many decades. THG carries around 39 other watch brands including well-known ones such as Omega, Panerai, Tudor, and Piaget. Please refer to **Appendix 2** for a full list of THG's brands. THG is not the sole distributor for luxury watch brands and faces competition from other luxury watch retailers in Asia (see **Section 5** for THG's peers).

THG's current brand portfolio includes additions from its acquisition of Watches of Switzerland Pte Ltd (WoSPL) from the Jay Gee Melwani Group in October 2014 for S$13.3 million. WoSPL is a 50-year-old Singaporean watch chain which carries "prestige brands" of watches, helping to expand THG's collection to mid-range names such as Breitling, Longines, and Bell & Ross. This complementary acquisition also increased THG's presence in the Asia-Pacific region by adding more boutiques.

2. THE LUXURY WATCH RETAIL INDUSTRY

Luxury watch retail is fundamentally different from normal retail of everything else, for mainly two reasons. Firstly, luxury watches (almost all of them Swiss made) are generally Veblen goods, whose demand increases as its price goes up. However, after a strong boost during the COVID years, bifurcation of the Swiss watch brands is now sharp. The top-tier brands such as Rolex, Patek Philippe, Audemars Piguet (AP) and Richard Mille are still true Veblen goods, but the second-tier brands are becoming less so.

Secondly, luxury watch retailers are now reliant on the top few brands named above, because these watches are coveted and the retailers can leverage them to sell other brands. However,

whether and how much stocks they obtain of the top brands, owned by family-owned non-publicly listed Swiss companies, is totally opaque.

2.1 The Global Watch Industry

It is striking that THG's Chairman's letter in fiscal 2026[2] (FY2026) annual report detailed the evolution of the Swiss watch industry through decades, and ended with a personal thank you to Rolex, Patek Philippe, F.P. Journe and a few niche names.

For THG's shareholders who might be wondering why the Chairman barely spoke about THG's performance yet dedicated 7 pages to the watch industry, CML's read is that it is a sign that THG is uncomfortable about its reliance on the top few brands.

The Swiss watch industry has successfully traded volume for price over the last few decades, given the appreciation of Swiss franc and escalating manufacturing cost, as well as the competition, first from quartz watches and now from smart watches and all the wearables. One does not even need a watch, let alone a luxury watch, to tell time. Yet Swiss watch exports continued to climb, with fewer time pieces. Watches costing more than 50,000 Swiss Francs (export value) now accounted for 37% of export value.

The COVID years saw a rising tide that lifted all boats, as most Swiss luxury watch brands saw growth, but this has ended. Receding consumer purchasing power (given the higher inflation) and cumulative price increases have priced luxury watches beyond the reach of the aspiring consumer. Only the top brands continue to be able to increase price and remain highly sought after (true Veblen goods). The other brands suffer sales decline as they continue to increase price. In 2025, 29 of the top 50 brands reportedly registered year-on-year declines, some by double digits. By contrast, the share of the top 4 brands accounts for 49% of the market by sales value and 75% of the profit pool.

The top brands, mostly privately owned, operate with a long-term horizon. Exclusivity is how they keep their products coveted, so they under-supply the market. They care about which retailers sell their watches, the showrooms' location, size and decor, the customer service, and even the other brand portfolio the retailer carries.

2.2 The Luxury Watch Retailer

Retailers are now beholden to the top brands. Watches of Switzerland PLC (WoS), the UK-based retailer with operations in US and Europe, openly admitted that Rolex took up more than 50% of its sales. THG and Cortina do not disclose such concentration, but given the industry structure today, it may not be very different.

[2] Note: THG has a 31 March fiscal year-end. Hence, FY2026 refers to the fiscal year ending 31 March 2026.

Increasingly, brands are going direct, although for now, multi-brand luxury watch retail is still the main channel. Audemars Piguet, for example, drastically reduced its multi-brand points of sale in 2019. Rolex used to sell only through the retail channel, but started going direct after acquiring retailer Bucherer in 2023 in a deal estimated to be worth approximately[3] 3 billion Swiss Francs. The threat of this is adding to the dependency of the existing multi-brand retailers to the top brands. We will assess this risk in **Section 6**.

2.2.1 Allocation and Stores

Retailers are mere takers of watches from the top brands in a highly opaque rationing exercise, known as "allocation" in the industry. Allocation of watches is frequently tied to geography and even stores. There is no assurance that a retailer will get more allocation in the future. In fact, it is common that the top brands may cut allocation or ask retailers to close stores that no longer meet the requirements of the brands.

Allocation by the top brands is the lifeblood of the retailer. Because Rolex and Patek are sold even before they arrive, the retailer decides which customers get these watches. These are customers that also buy other watch brands. In other words, retailers rely to a large extent on Rolex and Patek to drive sales of other watches.

In fact, the retail of other watch brands is similar to the retail of normal goods. Inventory is available and retailer enjoys some negotiating power with these second-tier brands, but retailers have to bear the demand risk. A wrong decision will mean being stuck with unsold inventory which a retailer has to clear by quiet discounting, as open discounting is frowned upon.

2.2.2 All Growth Drivers are Dependent on the Top Brands

The business-as-usual growth story is to obtain more allocation from the top brands, which the retailer has little control and visibility.

Organic growth by opening new stores means more demand for allocation and hence needs to be approved by the top brands. As previously stated, they have exacting requirements on the showrooms, too.

The inorganic merger and acquisition route similarly is subject to the top brands' approval. Without it, the allocation to the acquiree is cancelled.

Of course, the retailer can drive growth by selling other watch brands. However, this is risky in an environment where the luxury watch industry is increasingly concentrated in the top brands.

[3] According to an Australian Financia Review article

2.3 The Key Success Factors for a Retailer

2.3.1 Long-Term Brand Relationship is Key

Luxury watch brands are highly selective about who they choose as authorised retailers. Brands care about which customers get their watches and the overall purchase and ownership experience. All these add up to the intangible prestige that is crucial to brand owners. Their decisions to keep or sell the watches also affect the secondary prices, which determine the desirability of the brands. Retailers' key value is their customer base.

Retailers possessing stronger relationships with top brands have an advantage. THG and Cortina have cultivated multi-decade relationships with key watch brands such as Patek Philippe and Rolex. Brands need to be assured that the retailer has a strong track record and will stay for the long haul. Multi-generational family-run[4] companies are thus favoured, as there is continuity in management.

It is, therefore, not easy for a new player to break into the luxury watch retailing sector. This confers competitive moats to the existing retailers.

2.3.2 Customer Base

A retailer needs to maintain and grow a strong base of loyal, repeat customers. By keeping detailed records of what a customer buys, coupled with an effective customer relationship management (CRM) system, the retailer can offer what the customer desires. More importantly, getting the customers to buy other brands in order to boost sales and manage inventory. A successful retailer should also provide exemplary after-sales service and maintain a CRM system that can track and personalise customers' preferences.

2.3.3 Managing Inventory

Retailers need to manage their inventory well. This is more relevant to the second-tier watch brands which have demand risks. Such management involves years of experience and astute negotiation so as to avoid being "dumped" excess inventory from these lower-tier brands. An exclusive distributorship for a brand with minimum purchase obligations can be a double-edged sword.

2.3.4 Retail Experience

Luxury watch retailers need to construct showrooms and boutiques that meet the requirements of the watch brands they represent. Sales staff need to be well-versed in product history,

[4] The notable exception is Watches of Switzerland PLC, listed in London and owned by institutional investors.

manufacturing techniques, and watch mechanics. Client service also needs to be exceptional as luxury watches have a high-net-worth and well-heeled customer base who are demanding. Watch manufacturers will send mystery shoppers into retailers' boutiques to assess if a retailer has conformed to its requirements and specifications, which can be exacting.

2.3.5 Owning Real Estate

Since prime showroom location is key to the brands, owning it reduces the risk that a retailer loses the location. It does not mean that retailers have to own all the showroom properties, as there are retailers that lease a sizable proportion of their store portfolio.

2.4 SWOT Analysis

Exhibit 1 below shows THG's SWOT analysis.

Exhibit 1: THG's SWOT Analysis

The Hour Glass - SWOT Analysis			
STRENGTHS		**WEAKNESSES**	
1	Decades-long, sticky relationships with major luxury watch brands	1	The Hour Glass cannot set its own prices - prices are dictated by the brand owners
2	Extensive knowledge of brand demand to ensure optimum sales and efficient inventory turns	2	Heavily exposed to Southeast Asia, such that a downturn in the region will significantly impact sales
3	Owns properties in key locations that can be converted into offices/boutiques in the future	3	Luxury market faces cyclicality as luxury watches are a discretionary product
4	Carries a wide range of watch brands (from luxury to aspirational) to cater to a diverse group of customers	4	Requirement to rent prime areas in upscale locations to showcase their product portfolio - translates into high lease payments for the business
OPPORTUNITIES		**THREATS**	
1	Growing wealth inflows into the Southeast Asian region, including Singapore	1	Brands may decide to go direct, establish their own boutiques, and eliminate the middleman (distributor)
2	Entries in new markets	2	New generation of adults may place more value on purchasing experiences rather than physical items
3	The rise of independent watchmakers such as F P Journe provide another avenue of growth for The Hour Glass to collaborate and establish mono-brand boutiques	3	Competition for the wrist

Source: THG's Filings; CML's Analysis

3. ROBUST FINANCIAL PROFILE, BUT POOR DISCLOSURE

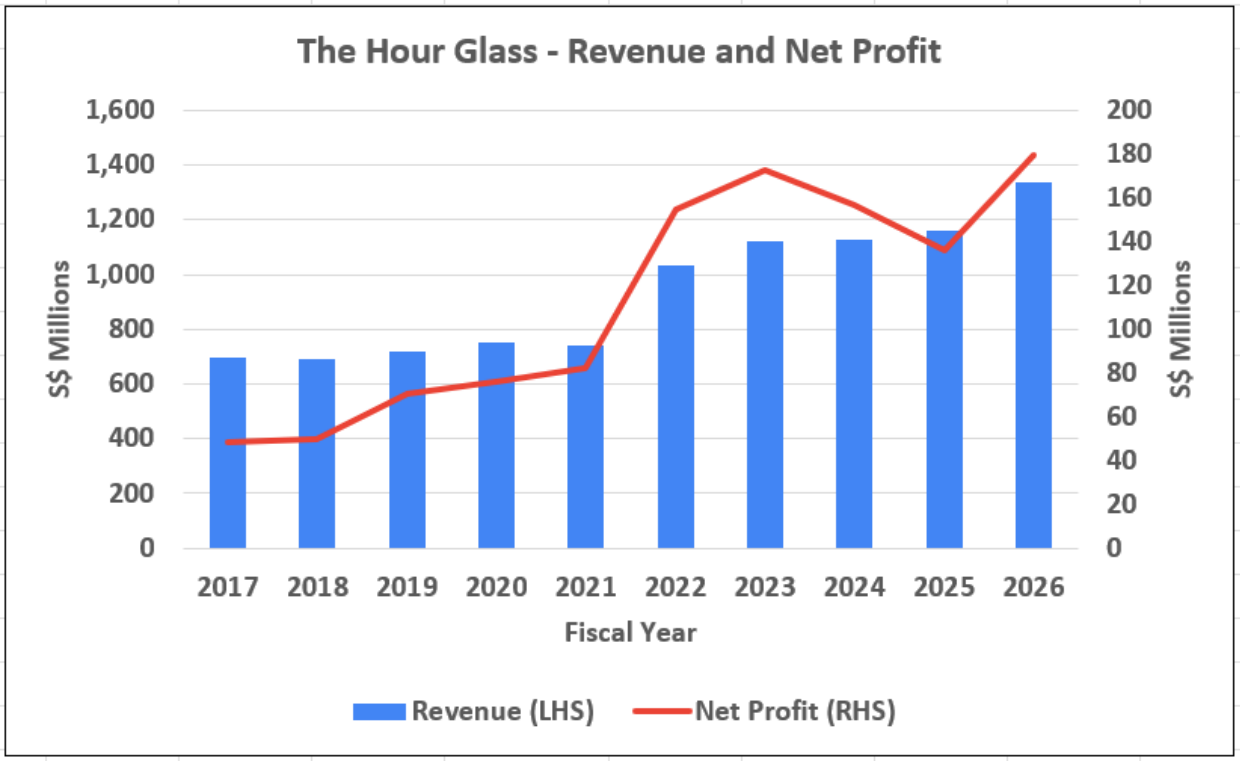
THG's business has been growing steadily. Not only have revenue and net profit been climbing, gross margin has also improved in tandem.

However, poor disclosure by THG limits CML's analysis of its performance. THG's annual reports contain no information on business strategy, operations, and explanation of financial results. It is not possible to understand exactly why revenue and profit grew, or capex decisions, just to name a few areas. In fact, the chairman's letter to shareholders in FY2026's Annual Report delved mostly into the Swiss Watch Industry trend. While this is understandable given the industry dynamics discussed in **Section 2**, THG can still disclose more. Watches of Switzerland PLC does that despite operating under the same constraints. Please see **Section 7.1** for a direct comparison of disclosures.

3.1 Robust Revenue and Net Profit Growth

THG managed to grow its top and bottom lines impressively over the years (see **Exhibit 2** below). It could be that THG received better allocation from top brands, which drove overall sales, but it did not disclose this. The Group did well through the recent COVID-19 pandemic, with net profit hitting an all-time high of S$179.4 million in FY2026, up 32% year on year. FY2026's revenue and net profit probably received an uplift from THG's acquisition of Kennedy Watches & Jewellery in Australia. However, there was no disclosure of the contribution of the acquiree's revenue and net profit. THG's geographical breakdown lumps Southeast Asia and Oceania together (the other region is "North Asia", which made up only 13% of revenue in FY2026). More details on this acquisition can be found in **Section 3.6**.

Exhibit 2: The Hour Glass's Revenue and Net Profit



Source: THG's Financial Releases

THG's share of associates profits[5] also increased steadily and helped to boost the Group's bottom line. FY2026 benefitted from a fair value gain on investment properties of S$20.3 million, but even after removing this item, net profit would still have improved by 12% year on year.

Demand for luxury watches (and indeed goods in general) surged during the pandemic as lockdowns meant that people could not spend on services such as dining or vacations. The pandemic also helped THG gain a new segment of buyers in their 20s to 40s. Before the pandemic, THG's clients were predominantly those in the 40s to 60s group. For this new group, the rise of social media (accompanied by status competition) has also triggered a "fear of missing out (FOMO)" syndrome to get the latest and higher-end watch models. However, the post-COVID hangover has kicked in, with interest rate higher for longer, while prices of all watches have gone up. It remains to be seen if this new customer segment will hold up.

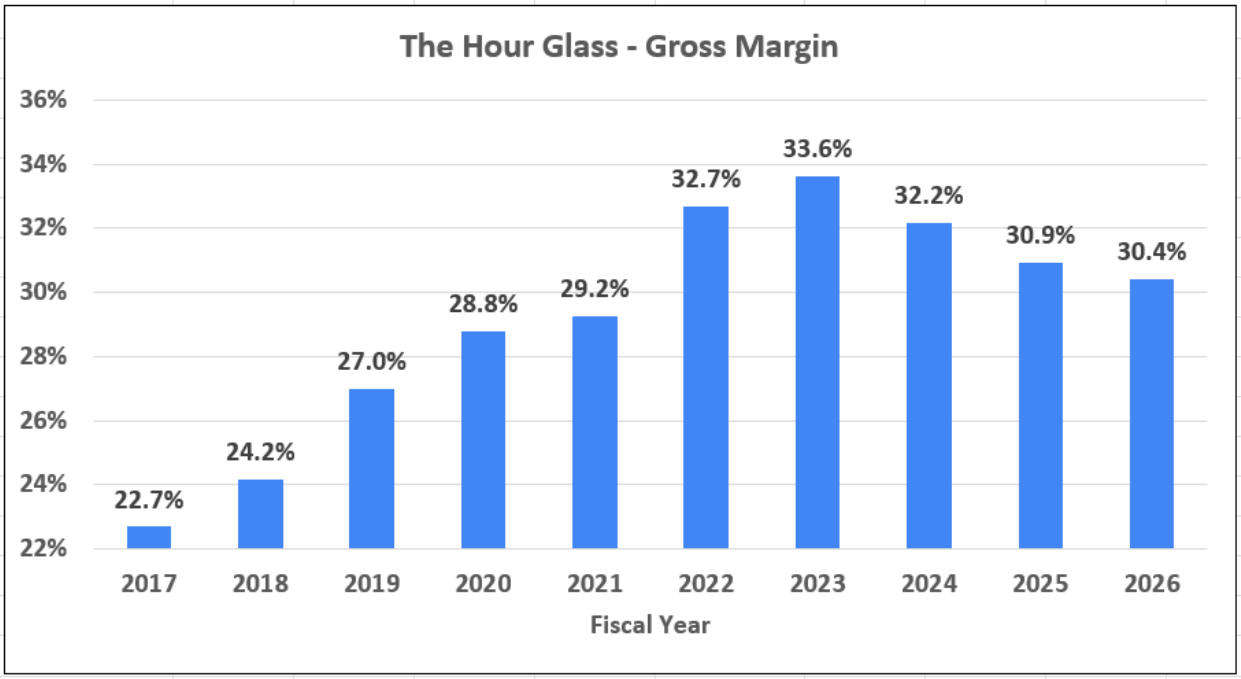
3.2 Improving Gross Margin

THG's gross margin improved significantly over the last decade, aided by structural demand growth in the luxury watch sector. The Group's gross margin started out around 23% to 24% and rose steadily to hit 29% just before the pandemic (FY2020). During the pandemic, the surge in demand for luxury watches led to a spike in THG's gross margin, pushing it to the 32% to 33%

[5] Attributed to its associates in both Thailand and Vietnam

level. The gross margin has since normalised to around 30%, but still remains elevated compared to the pre-pandemic levels of <30%. Please refer to **Exhibit 3** below.

Exhibit 3: The Hour Glass's Gross Margin



Source: THG's Financial Releases; CML's Computation

Removal of discount is a key reason for this gross margin increase. Up to a decade ago, the watch retail industry did not have fixed prices, and customers could negotiate for discounts. Although there was no overt discounting (i.e. boutiques did not openly dangle discounts), these discounts could be quietly given to regular customers to clear stock or to encourage purchase. With the surge in demand from FY2022 and the scarcity of luxury watches, THG could do away with the traditional quiet discount, which led to a jump in THG's gross margin.

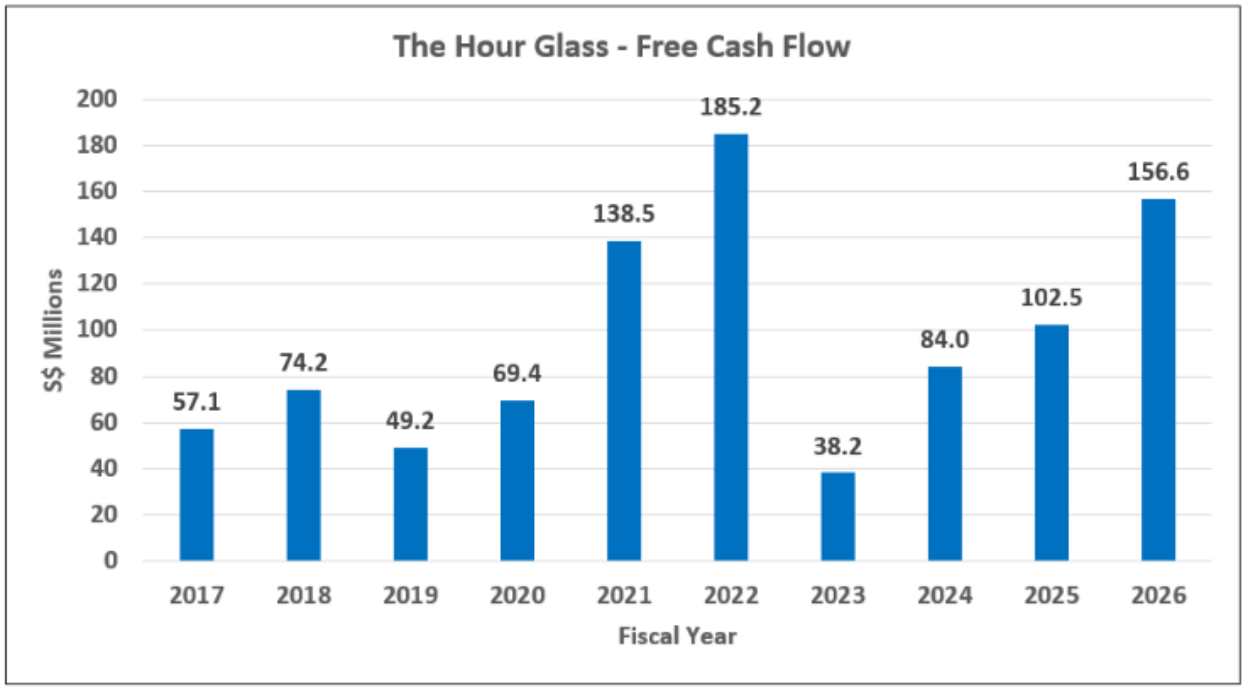
That said, management sees the 30% to 31% gross margin level to be the "new normal" which is sustainable in the long term. Discounting seems to be a thing of the past, which is why management expresses confidence in the sustainability of this gross margin.

3.3 Consistent Free Cash Flow Generation

THG generated very consistent free cash flow in the last decade, and this free cash flow[6] has been rising over the years to hit its second-highest level of S$156.6 million in FY2026. Please refer to **Exhibit 4**.

[6] As required by FRS 116 Lease Accounting, THG started to disclose lease payments in its financing cash flows from FY2020 onwards. As THG owns a wide network of boutiques on long-term leases, CML has deducted these lease payments from free cash flow to better reflect the free cash flow after accounting for lease payments. As THG also regularly receives a dividend from its associates, this dividend has also been added to the free cash flow.

Exhibit 4: The Hour Glass's Free Cash Flow Generation



Source: THG's Financial Releases

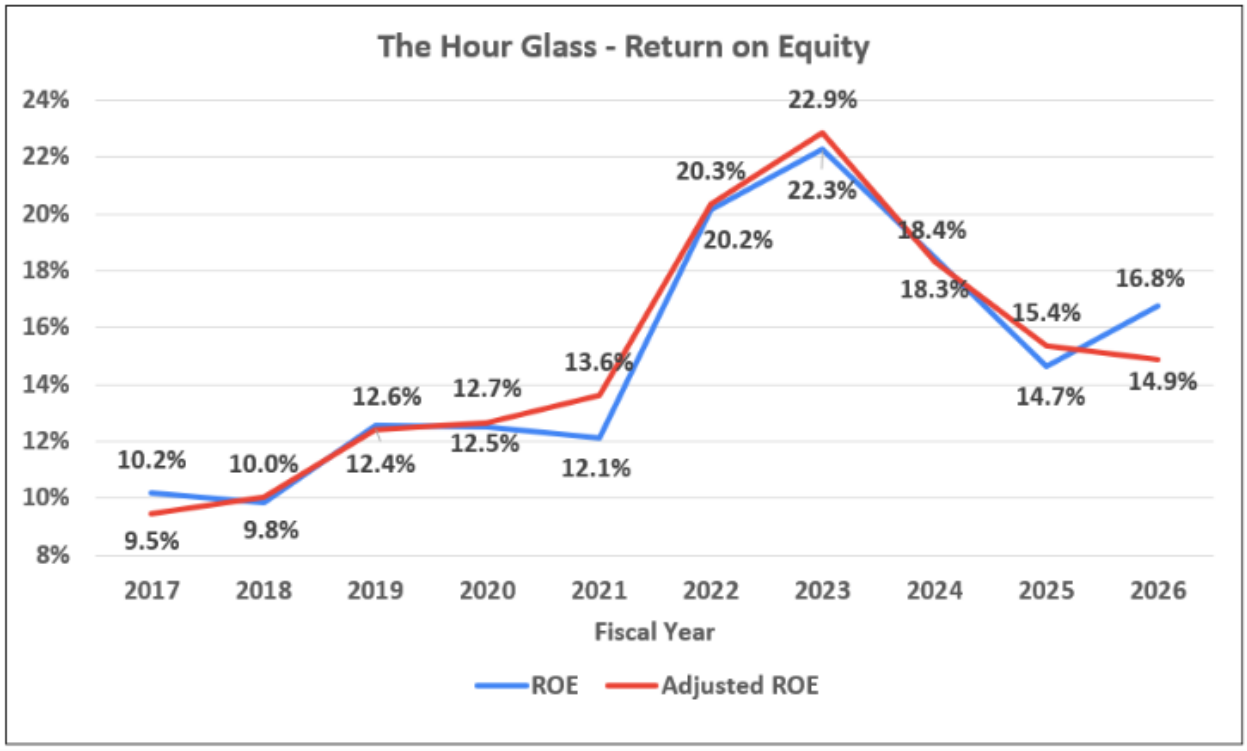
FY2023's free cash flow was low at S$38.2 million because of a S$93.5 million capex for the purchase of a prime commercial property at 171 Edward Street in Brisbane.

THG shared in its AGM minutes that historically, annual capex has been in the range of between S$15 million to S$20 million. However, CML's analysis showed that capex for the most recent 3 fiscal years was higher at an average of S$26 million per annum. To build out THG's optimal store network, management communicated in its AGM Question and Answer session that total capex from FY2026 to FY2030 (5 years) will be around S$120 million, or an average of S$24 million per year. This planned level of capex is more in line with recent capex levels, and is elevated when compared with historical norms. However, given the unpredictable timing of retail property purchases, capex and hence free cash flow can be volatile.

3.4 Solid Return on Equity with Negligible Debt

THG delivered ROE over the years averaging 15% over the last decade. As THG records a fair value gain or loss on its investment properties every fiscal year, CML calculated the adjusted ROE for the Group after excluding this line item. Please refer to **Exhibit 5**.

Exhibit 5: The Hour Glass's Return on Equity



Source: THG's Annual Reports; CML's Calculation

THG's main ROE driver is its net margin, which has exceeded 10% since 2020. However, its low asset turnover, which is typical for the luxury retail industry, was a drag on ROE. The Group's moderate debt level over the years provided it with a decent leverage multiplier which helped to boost ROE. This is confirmed by the DuPont analysis (see **Exhibit 6**). If we exclude the favourable pandemic years (FY2022 to FY2024), THG still reported a respectable average ROE of 12.7% over the last 7 fiscal years.

Exhibit 6: THG's ROE – DuPont Formula

Fiscal Year	Net Profit (SGD Mil)	Equity (SGD Mil)	ROE	Net Margin	Revenue (SGD Mil)	Total Assets (SGD Mil)	Asset Turnover	Equity (SGD Mil)	Leverage Multiplier	ROE (Check)
2017	48.7	478.5	10.2%	7.0%	696.1	599.0	1.16	478.5	1.25	10.2%
2018	49.8	507.1	9.8%	7.2%	691.6	626.1	1.10	507.1	1.23	9.8%
2019	70.4	560.2	12.6%	9.8%	720.9	649.1	1.11	560.2	1.16	12.6%
2020	76.1	607.8	12.5%	10.1%	749.5	856.6	0.87	607.8	1.41	12.5%
2021	82.5	680.0	12.1%	11.1%	742.9	970.9	0.77	680.0	1.43	12.1%
2022	154.7	767.5	20.2%	15.0%	1,033.4	1,093.2	0.95	767.5	1.42	20.2%
2023	172.4	774.0	22.3%	15.3%	1,122.9	1,055.9	1.06	774.0	1.36	22.3%
2024	156.5	848.4	18.4%	13.9%	1,129.7	1,132.3	1.00	848.4	1.33	18.4%
2025	135.8	926.7	14.7%	11.7%	1,162.9	1,179.2	0.99	926.7	1.27	14.7%
2026	179.4	1,069.7	16.8%	13.4%	1,338.2	1,442.0	0.93	1,069.7	1.35	16.8%
10-Year Average			**15.0%**	**10.5%**			**1.10**		**1.32**	

Source: CML's Computation

That said, THG's balance sheet is inefficient with investment property holdings (15.6% of total assets in FY2026), and now zero debt. As the business generates consistent free cash flow, CML believes that the business can return surplus cash and stop adding to investment properties, rather than borrow to fund growth initiatives.

3.5 Increasing the Number of Boutiques

THG has been steadily growing its number of boutiques around the region. Back in FY2013, the group had just 28 boutiques. A decade later (FY2023), this has more than doubled to 59 boutiques. Fast forward to FY2026, and THG now has 73 boutiques spread across Asia-Pacific. Most of the growth comes from Australia, New Zealand, Malaysia, and Thailand. See **Exhibit 7** (below) for THG's store count growth in the last decade.

Exhibit 7: THG's Store Network Growth

Country	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026
Singapore	16	15	16	15	17	17	21	17	19	19
Malaysia	7	8	8	7	9	10	10	13	14	16
Australia	4	3	3	3	6	7	7	8	12	12
New Zealand	0	0	0	1	1	2	2	2	2	2
Hong Kong	2	2	2	2	2	2	2	2	2	1
Japan	1	1	1	1	1	1	1	1	2	2
Thailand	6	6	8	8	8	8	10	13	14	14
Vietnam	0	1	4	6	6	2	6	12	11	7
Total	**36**	**36**	**42**	**43**	**50**	**49**	**59**	**68**	**76**	**73**

Source: THG's Annual Reports FY2017 to FY2026

That said, apart from new store openings, THG has also closed some stores over the years. For example, in Singapore, THG's standalone outlets went from 10 to 9 in FY2020 with the closure of One Raffles Place. Its network shrank further to 7 stores in FY2024 when THG closed its Ion Orchard and Parkway Parade outlets. In FY2026, it closed its Millenia Walk outlet, bringing the total Singapore standalone boutiques to 6[7]. WoSPL also saw closures in FY2024 with Tampines Mall and Nex shuttered, reducing its presence from 5 to 3. These stores may be closed to make way for new ones at better locations, or due to poor demand. THG does not explain individual store openings and closings.

3.6 Expanding into Australia and New Zealand

THG has expanded its presence in Australia and New Zealand via acquisitions. The Group scooped up Mansors Jewellers in 2020 to expand its reach into the Oceania region. Mansors Jewellers is a family-owned business started in 1953, and offers a curated selection of luxury watch brands including Rolex, Cartier and Chopard; it also operates the country's only certified Rolex service centre. Mansors was just 1 of 2 luxury watch competitors in New Zealand. THG also acquired

[7] Standalone THG boutiques stood at 6 as of 31 March 2026. Another 10 boutiques are branded boutiques that THG opened in collaboration with specific brands such as Tudor, Hublot, Grand Seiko, and Longines. The remaining 3 boutiques belonged to WoS, bringing the total Singapore number to **19** (6 + 10 + 3).

Kennedy Watches & Jewellery for A$90 million in April 2025. Kennedy Watches is a family-owned Australian retailer with 4 Rolex boutiques in Melbourne, Sydney, and Perth.

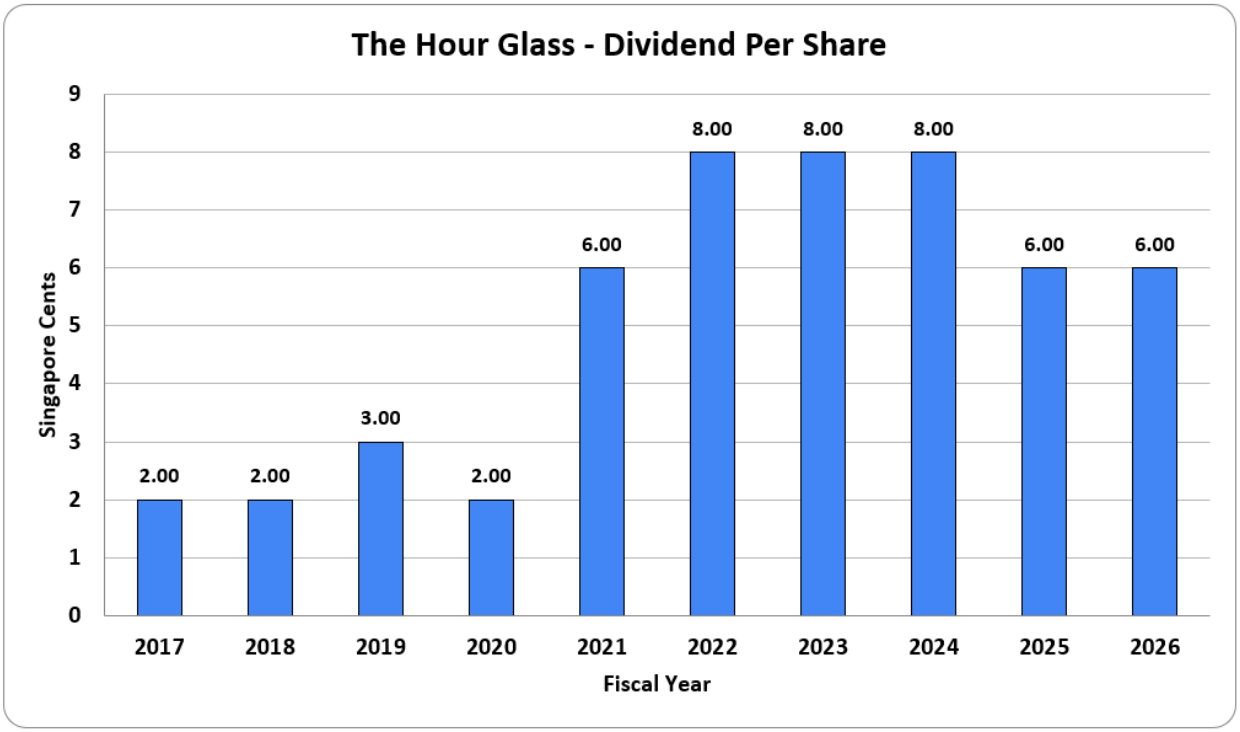
THG has also made a number of property investments in Australia and New Zealand totalling S$246 million since 2020. In FY2020, THG purchased 3 properties – 1 in Brisbane (Australia) for around S$30.3 million and 2 in Auckland (New Zealand) for approximately S$54 million. FY2021 saw another Australian property purchased for A$68 million in Melbourne. This is followed by the purchase of a prime commercial property in Brisbane in FY2023 for S$93.5 million.

THG's rationale for these purchases is for the Group to own prime real estate (which are hard to come by) that can be converted and used as boutiques in the future. While there may be a good business case for these purchases, it is arguable how much property investment is too much.

4. DIVIDENDS: ERRATIC AND LOW PAYOUT

Exhibit 8 shows THG's history of erratic dividend. There is no stated dividend policy, and there appears to be no rationale for the cuts in the 2 latest fiscal years. Dividend jumped from S$0.02 to S$0.06 per share at the onset of the pandemic, and further increased to S$0.08 per share. The surge in revenue and profits allowed the business to increase dividends, and the Group also engaged in share buybacks as a way of enhancing earnings per share. However, dividend was cut to S$0.06 per share in FY2025.

Exhibit 8: The Hour Glass's Dividend History



Source: THG's Financial Releases

Shareholders questioned the decision to lower the annual dividend during the FY2025 Annual General Meeting (AGM). Despite the growth in profit in FY2026, dividend stayed at S$0.06 per share. MD Michael Tay shared in FY2025's AGM that THG embarked on a "network redevelopment programme" since FY2024 to right-size the Group's network. However, THG's FCF in FY2026 in fact grew, and its guided capex can be comfortably funded by the operating cashflow. The low dividend thus cannot be reconciled with the network redevelopment programme, which THG provided no update on.

For FY2025, THG paid out just 29% of its profits, and justified this low payout ratio by stating that the business has "projects in the pipeline" that require capex. The payout ratio declined to just 22% for FY2026. CML believes that THG can increase its dividend payout ratio and still have a comfortable cash cushion for capex and share buybacks. The evidence? THG had S$157.5 million of cash with zero debt as of 31 March 2026, and also generated S$156.6 million of free cash flow after accounting for cash lease payments.

Erratic is an appropriate characterisation of THG's distribution practice even when share buyback is included. Adding share buyback to dividend, the ratio of total distribution to net profit has been volatile, as **Appendix 3** shows.

5. STANDING ABOVE THE COMPETITION

To its credit, THG sports stronger metrics compared to its peers in Singapore, Hong Kong, and London. However, due to the poor disclosure, CML is unable to perform more detailed analysis on the differences in the financial metrics.

Please refer to **Exhibit 9** for the comparison.

Exhibit 9: THG Vs Singapore, Regional and International Luxury Watch Companies

Company	Country	Average 3-Year Gross Margin	Average 3-Year Net Margin	Average 3-Year ROE
The Hour Glass	**Singapore**	**31.2%**	**12.6%**	**16.6%**
Luxury Watch Retailers				
Cortina Holdings	Singapore	32.6%	7.2%	14.6%
Oriental Watch Holdings	Hong Kong	31.4%	6.0%	11.8%
Emperor Watch & Jewellery	Hong Kong	29.7%	6.4%	6.3%
Watches of Switzerland PLC	United Kingdom	12.7%	4.2%	12.3%
	Average	**26.6%**	**5.9%**	**11.3%**

Inventory Days Comparison		
Number of Days	**FY2025**	**FY2026**
The Hour Glass*	146	135
Cortina Holdings*	205	188
Oriental Watch*	70	72
Watches of Switzerland PLC**	107	104
Emperor Watch & Jewellery***	295	279
*31 March fiscal year-end		
**3 May fiscal year-end		
***31 December fiscal year-end (2025 versus 2024)		

Source: Respective companies' annual reports

In terms of gross margin[8], THG was in line with most of its comparables, with gross margins hovering around 30% to 32%. THG boasted significantly higher average net margin of 12.6%[9] compared to the four comparable companies.

THG is average with inventory days between 135 to 146 days.

In addition, THG's ROE is also superior to the rest, at 16.6%. The peer group's average stood at just 11.3%.

6. RISKS TO THE BUSINESS

The single largest risk factor, although a long term one, is THG's reliance on a few top watch brands. The luxury watch industry has concentrated so much that Rolex represents more than 50% of sales for Watches of Switzerland PLC. THG is aware of the risk (given the extensive

[8] Watches of Switzerland PLC calculates gross margin differently.
[9] The effects of fair value changes in investment properties have been removed to arrive at this 3-year average.

discussion in the Chairman's letter in the FY2026 annual report), but it has not spelt out a strategy to deal with this risk.

There are a number of follow-up risk factors that stems directly from this over-reliance.

6.1 Allocation is Beyond THG's Control

The top brands can make business decisions that do not maximise profit, at least in the short and medium term, because they are unlisted and family-owned. They are not known to step up production just because their watches are coveted. In fact, this very exclusivity is driving up prices and adding to the demand, the true characteristics of Veblen goods. In the long term, this may be the best outcome for the top brands. The are also real constraints in stepping up production in Switzerland in any case.

Given this, a meaningful increase in allocation is a tough challenge for THG. This may get tougher as the top brands choose to go direct.

6.2 Top Brands May Go Direct

There have been precedents: Audemars Piguet (AP) greatly reduced its reliance on multi-brand retailers in 2019. AP's production scale is a fraction of Rolex's, so it may be easy to handle of logistics of selling directly. What is significant is that Rolex itself took the step in 2023 when it acquired Bucherer. Please refer to **Appendix 4** for more details of Rolex's acquisition of Bucherer. While Rolex still sells 90% of its watches through third party retailers like THG, there is no guarantee that Rolex will not, over time, sell more watches through its own network.

6.3 Mergers and Acquisitions are Opportunistic

THG may grow by buying another retailer, as it did with the Kennedy Watches and Jewellery acquisition in 2025. However, there is no certainty that a target is available, at the price that THG is willing to pay, and if THG is able to win the deal against other retailers. In fact, there may be a real risk that Rolex or another top brand, which has greater financial resources and strategic value, may become a competitive buyer.

Even if these challenges can be overcome, THG still needs to approval of the top brands to execute any merger and acquisition.

In the 4 decades since THG started, it has made just 4 acquisitions.

6.4 Succession

Many luxury watch retailers globally are family-owned and managed, given the importance of maintaining long term relationship with the top brands. This is true of THG, Cortina, Oriental Watch, and Emperor Watch, all listed Asia-based retailers. The only exception is Watches of Switzerland PLC, which is listed and owned by institutional investors.

THG is now managed by Michael Tay but there are no third-generation members of the Tay family within the company. There is no immediate risk, but THG shareholders deserve some clarity. There have been precedents of family-owned retailers choosing to sell themselves when succession became an issue. The recent acquisition of Deutsch and Deutsch[10] by Watches of Switzerland PLC, as well as the acquisition of Bucherer by Rolex, are cases in point.

6.5 Summary

To sum up, a multi-brand retailer like THG is not so multi-brand anymore. It is always tough for a business to be dependent on a few suppliers or customers, no matter the industry sector. THG and its peers are in that uncomfortable position.

There is no immediate risk to THG. It could be business as usual, and THG could continue to grow as it maintains its relationship with the top brands, or even gain allocation and market share should a (smaller) peer fall out of favour with the top brands.

To investors, however, there is no way to know if THG can maintain the top brand relationships, or if the top brands will accelerate their go-direct strategy. It is akin to a leap of faith, with shareholders putting their trust in the Tay family. At some point, succession will crystallise all the risks discussed above.

7. Corporate Governance and Remuneration Matters

THG is a family-run business, with Michael Tay being the second-generation successor to the founder Henry Tay. Michael first joined the Group in 1999 as re-engineering manager, and was appointed Group managing director in April 2015, a role that he holds to this day.

The Group has a total of eight (8) directors, including 2 executive directors (EDs). Of the non-executive directors, two (2) are non-independent, non-executive directors and four (4) are independent directors (IDs). The Board is sufficiently diverse in terms of capabilities and competencies, with directors having a healthy mix of industry knowledge (of the luxury watch

[10] In January 2026, Watches of Switzerland PLC purchased 88% of Deutsch & Deutsch for GBP 32 million. Deutsch & Deutsch, headquartered in Texas, USA, owns 4 Rolex agencies in South Texas and El Paso.

sector), watch manufacturing, customer-based experience, accounting and finance, real estate and property, investments and private equity, and corporate advisory.

The Board also stipulates the maximum number of other directorships (7) that its directors can hold such that competing time commitments can be practically managed. CML sees this as a good move to ensure that the directors allocate sufficient time to attend THG's board meetings and follow-up on related matters.

However, THG currently does not operate an ESOP[11], share-based, or long-term incentive (LTI) scheme. Properly designed, these can incentivise performing staff to stay loyal to the Group and ensure that they are aligned with the Group's long-term orientation.

7.1 Poor Disclosures

THG provides scant disclosures on how its business is doing. There is no operations review. There is no management discussion of the financial results. The annual report contains only Chairman's letter, Corporate Governance report, Sustainability report and the audited financials. Investors cannot analyse even the basics like why the revenue is growing (or declining) and why the gross margin is changing. There is no disclosure of store openings and closings. In other words, there is no information or analysis of THG's business performance other than the financial headlines.

The chairman letters have provided an insightful review of the economic and other forces shaping the luxury watch sector. It is useful to understand the context that THG operates under, but one needs to have a basic knowledge of the watch industry to make sense of it.

There is also no discussion of the strategy.

While CML partially understands the reticence in disclosure (given the opaque nature of the watch business as discussed in section 2), THG can do better. Watches of Switzerland PLC, operating under the same constraints, has much better disclosures. Please refer to **Exhibit 10** for a comparison of the disclosures for Watches of Switzerland PLC versus THG and Cortina.

[11] ESOP = Employee Share Option Plan.

Exhibit 10: Watches of Switzerland Disclosures Versus THG and Cortina

Attribute	Watches of Switzerland PLC	THG	Cortina	Remarks
Number of Boutiques	Yes	Insufficient	Insufficient	WoS discloses showroom numbers by region (US and UK), and also reports total showroom openings and closures by region; THG and Cortina list individual store locations at the back of their Annual Reports
FY2027 Outlook and Guidance	Yes	No	No	For revenue, operating profit growth, capex, and FCF conversion
Strategy Discussion	Yes	No	No	WoS states 6 strategic pillars for success, with each pillar featuring FY2026's progress and FY2027's priorities
Financial KPIs	Yes	No	No	Revenue, Operating Profit, Basic and Adjusted Earnings Per Share, Return on Capital Employed, Operating Cash Flow, and Average Selling Price
Non-Financial KPIs	Yes	No	No	Number of Showrooms, Colleague Engagement Survey, and ESG Targets
Management Discussion & Analysis	Yes	No	No	Explanation for revenue and profit movements for each division
Geographic Segment Reporting	Yes	Insufficient	Insufficient	WoS' disclosures contain revenue, gross profit, adjusted EBITDA and segment profit for each region; Cortina and THG only disclose revenue by region

Source: Company Annual Reports

7.2 Succession Planning

With Dr Henry Tay pushing past 82 years old in July 2026, the implicit understanding is that Michael Tay will take over. He has been successfully running the business and making strategic decisions since April 2015, and has chalked up more than 11 years of experience in managing The Hour Glass.

Succession plan beyond Michael Tay, while not urgent, is the “elephant in the room” question. CML encourages THG to formalise its succession plan or at least provide clarity on its strategic thinking on staying as a family-managed independent retailer.

7.3 Remuneration Disclosures

As detailed remuneration disclosures were only mandated for fiscal periods after 31 December 2024, FY2025 was the first fiscal year where THG disclosed the remuneration breakdown for its directors. **Exhibit 11** below shows the detailed remuneration breakdown for each of the EDs and IDs.

Exhibit 11: THG Directors' Remuneration (FY2025 and FY2026)

		Remuneration		Year-on-Year	
	Position	FY2026	FY2025	% Change	Remarks
Dr Henry Tay	Executive Chairman	2,268,000	2,033,000	11.6%	
Michael Tay	MD	4,700,000	4,334,000	8.4%	
Dr Kenny Chan	NI NE Director	44,000	51,000	-13.7%	
Kuah Boon Wee	NI NE Director	79,000	79,000	0.0%	
Lock Wai Han	I NE Director	99,000	99,000	0.0%	
Jeffry Lee	I NE Director	84,000	84,000	0.0%	
Christine Pillsbury	I NE Director	79,000	79,000	0.0%	
Chow Wai San	I NE Director	84,000	42,000	100.0%	Appointed 1 August 2024
Liew Choon Wei	I NE Director	31,000	94,000	-67.0%	Retired 28 July 2025
Total		**7,468,000**	**6,895,000**	**8.3%**	

NI NE = Non-independent, non-executive

I NE = Independent, non-executive

Source: THG's Annual Reports FY2025 and FY2026

Although THG goes on at length about having an appropriate director remuneration structure to attract, retain and motivate, the Group is short on details on the key performance indicators (KPIs) that determine this remuneration. The disclosure for executive directors and key management personnel (KMPs) state that their total remuneration has a fixed and variable component. The fixed component comprises base salary, while the variable component is linked to the pre-tax profits of the entity they are assigned to. The disclosures are lacking when it comes to specifying which qualitative and/or quantitative metrics are used to measure each director/KMP's performance, and how these KPIs translate into monetary benefits for the personnel involved.

THG's total director remuneration of S$7.5 million for FY2026 translates to 0.6% of revenue and around 4.7% of adjusted net profit (after excluding fair value gains). Cortina, THG's closest peer, pays its directors a total remuneration of S$19.1 million, more than double of what THG paid. Even if we just compare the remuneration for the EDs alone (**Exhibit 12**), both Henry and Michael Tay were paid a total of S$6.9 million versus S$18.6 million for Cortina's Anthony and Raymond Lim. Hence, THG's director remuneration is much lower when compared to Cortina's.

THG did disclose the split between salaries, bonuses, and benefits-in-kind for its 2 EDs, and it is heartening to know that bonuses made up the bulk (78% for Dr Henry Tay; 84% for Michael Tay) of their total remuneration.

Exhibit 12: THG's Executive Director Remuneration Breakdown (FY2026)

FY2026 - Executive Director Remuneration Breakdown					
	Salary	Bonus	Fees	Benefits-in-Kind	Total
	S$	S$	S$	S$	S$
Henry Tay	362,880	1,769,040	0	136,080	2,268,000
	16%	78%	0%	6%	
Michael Tay	611,000	3,948,000	0	141,000	4,700,000
	13%	84%	0%	3%	
				Total	6,968,000

Source: THG's Annual Report FY2026

The disclosure for KMPs is adequate as THG reported the total remuneration of its 3 KMPs amounting to S$2.68 million for FY2026, and also disclosed their identities, roles, and salary bands. See **Exhibit 13** for details of THG's KMPs and their remuneration bands.

Exhibit 13: KMP's Identities and Remuneration Bands (FY2026)

Key Management Personnel (KMP)			
Personnel	Norman Ho	Ho Mang Chan	John Glajz
Position	Group GM	CFO	MD

Number of KMP in Each Band	FY2026
S$1.25 million to Below S$1.5 million	1
S$500,000 to Below S$750,000	2

Source: THG's Annual Report FY2026

In past fiscal years, THG also disclosed the identities of KMPs, and the number of personnel in remuneration bands of S$250,000.

8. CONCLUSION

THG has built up a solid track record over the years, serving wealthy customers and forging long-term relationships with luxury watch brands. The Group has done well in steadily increasing its gross margin, and is also free-cash-flow generative. It boasts an average ROE of above 15%, higher than peers. THG's balance sheet, however, is inefficient with zero debt and a sizeable investment property holding. The Group should consider taking on a moderate amount of debt to fund its capex and improve its ROE.

THG's dividends have been erratic, and the S$0.06 per share dividend for FY2025 and FY2026 cannot be justified by the Group's plan to redevelop its sales network, for such capex is comfortably covered by operating cashflow (FCF has, in fact, increased).

The purchase of real estate may help to secure key locations, but competitors have done well with stores on leases. This means that capex can, in fact, be lower, further weakening the case for low dividend.

In the foreseeable future, THG's business will be steady and it may even achieve some growth, if it gets support from the top brands for more allocation and new stores. It may also make acquisitions. The price increases of the top brands will naturally lift revenues, and hopefully profit.

What is less clear is the long-term strategy, as THG becomes more dependent on the top brands, like all other retailers in the world. If the top brands go direct, or decide to allocate to other dealers, THG may see its business suffer. Since the top brands are family-owned and not listed, it is hard for THG, let alone the investors, to foresee this. THG will need a strategy to prepare for such a scenario, rather than assuming business as usual. While there is no urgency, the concentration of a few top brands is likely to continue, so a wait-and-see stance may not make much of a difference.

The related issue is succession. Most luxury watch retailers are family-owned and managed, as the relationships with top brands are personal. Bucherer was sold because of succession issues. That is the same reason for the sale of most other luxury watch retailers. Top brands like Rolex care about who own and manage the retailer. Succession of family-owned retailer is the "elephant in the room" question.

To sum up, THG has delivered value to the shareholders through decades of solid performance. Poor disclosure and erratic dividends are the areas it can improve on. For the long term, we hope THG provides more clarity on its strategy and succession plan.

APPENDICES

Appendix 1: The Hour Glass - History

The Hour Glass was founded by Dr Henry and Jannie Tay back in 1979, in partnership with Metro Holdings. The Group's first outlet was in Lucky Plaza with Rolex as a foundational partner at its new boutique. Back then, Lucky Plaza was considered the pinnacle of luxury shopping in Singapore.

Not content with just operating in Singapore, THG expanded into Kuala Lumpur, Malaysia in 1980. The Group went into the Gold Coast, Australia in 1988 and opened a boutique in Bangkok, Thailand, in 1994. More recently, in 2020, THG was appointed as an authorised retailer and opened an official Rolex service centre in Auckland, New Zealand.

The founders bought out Metro's stake in 1987 and listed the business on the Stock Exchange of Singapore (SESDAQ) in 1988. By 1992, the Group had been upgraded to the Mainboard. In 2014, THG acquired the Watches of Switzerland Pte Ltd[12], which helped to broaden its product offerings into the mid-market segment and strengthen its retail network and footprint.

[12] Not to be confused with "Watches of Switzerland Group PLC", which is a London-listed Company (Ticker is LON: WOSG) with a similar name.

Appendix 2: Brands Sold by The Hour Glass

Rolex	Patek Philippe
Akrivia	Laurent Ferrier
Breitling	Louis Erard
Bvlgari	MB&F
Cartier	Nomos Glashutte
Chopard	Omega
Daniel Roth	Panerai
De Bethune	Petermann Bedat
F.P.Journe	Piaget
Frederique Constant	Ressence
Gerald Genta	Reuge
Girard Perregaux	Sarpaneva
Grand Seiko	Sinclair Harding
Harry Winston	Sinn
Hublot	Tag Heuer
IWC Schaffhausen	Trilobe
Jaeger-LeCoutre	Tudor
JC Biver	Ulysse Nardin
Kari Voutilainen	Urwerk
Krayon	Zenith
L'epee	

Appendix 3: Dividends and Share Buyback Versus Net Profit

Fiscal Year	Net Profit Ex-Fair Value Gains	Dividend Paid	Share Buybacks	Dividends + Buybacks	Dividends + Buybacks / Net Profit Ex-FV Gains
	S$ Mil	S$ Mil	S$ Mil	S$ Mil	
2017	45.3	14.1	0.0	14.1	31.2%
2018	50.9	14.1	0.0	14.1	27.7%
2019	69.6	21.2	0.0	21.2	30.4%
2020	77.0	14.1	0.6	14.7	19.1%
2021	92.5	42.2	0.0	42.2	45.7%
2022	156.1	55.4	34.1	89.5	57.3%
2023	176.9	53.2	55.3	108.5	61.4%
2024	155.3	52.4	14.7	67.1	43.2%
2025	142.3	38.9	3.5	42.4	29.8%
2026	159.2	38.7	13.2	51.9	32.6%

Appendix 4: Rolex's Acquisition of Bucherer

On 24 August 2023, Rolex made the surprise announcement that it was acquiring Bucherer, the world's largest luxury watch retailer. While terms of the acquisition were not disclosed, Rolex revealed that Bucherer accounts for more than 100 sales outlets worldwide, of which 53 distribute the Rolex brand and 48 distribute the Tudor brand. Bucherer is a well-known Swiss watch store founded in 1888 by entrepreneur Carl-Friedrich Bucherer and his wife Luise in Lucerne, Switzerland. Since its founding, Bucherer has grown to become an important player in the global watch industry with its close partnership with Rolex since 1924. The decision to sell Bucherer to Rolex was made by Jörg Bucherer as he had no direct descendants to take over the running of the business.

Rolex was founded by Hans Wilsdorf and Alfred Davis in London in 1905. Over the years, the brand has become a symbol of opulence, craftsmanship, and innovation, with its now-famous models such as Rolex Daytona and Rolex Submariner. Rolex's commitment to excellence and quality has cemented its status as the world's leading luxury watch brand, and it continues to be highly sought-after by watch enthusiasts and collectors.

Post-acquisition, Bucherer will keep its name and continue to independently run its business, with the management team staying intact.

This acquisition has demonstrated Rolex's willingness to acquire a retailer when it saw the risk that the family-run retailer could end up being managed by outsiders.