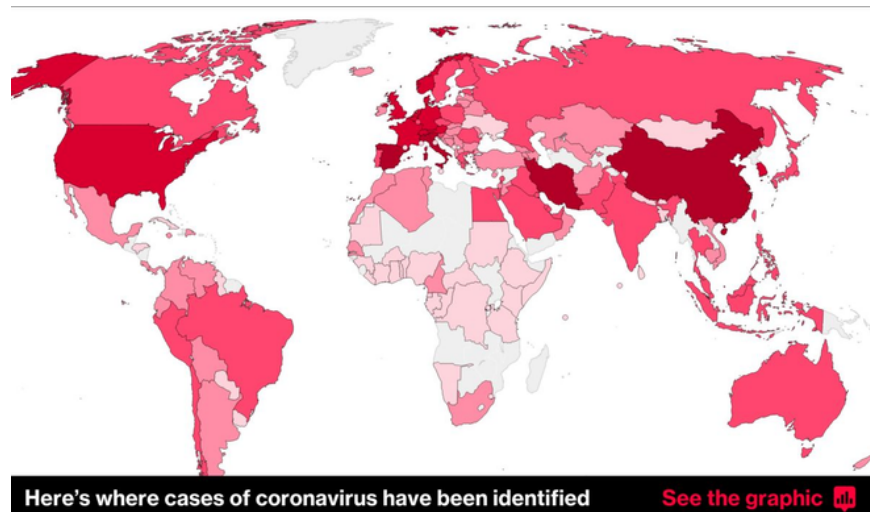


# Rolex closed all factories, ready to 'wait' for the worst fiscal year ever

The Swiss watch industry has survived many ups and downs of history, but Rolex, Omega, and Cartier are now facing a series of economic difficulties that have forced them to back down.

When the COVID-19 pandemic broke out, the industry was just adapting to the recession stemming from political protests in its largest market, Hong Kong. Now, in the context of China's economic downturn about to engulf the rest of the world, the price of Swiss francs as well as gold prices are rising, along with the situation of a series of stores to close, Costs are on the shoulders of companies like Swatch Group AG and Richemont.

Rolex has closed all factories in Switzerland for an expected period of at least 10 days, starting on Tuesday. Richemont has to offer a 49% discount on secondhand Cartier models during a week-long special promotion on its second-hand website, Watchfinder. Watch shows in Basel and Geneva were canceled. Swatch will reduce the working time of 70% of the production team in Switzerland this weekend.



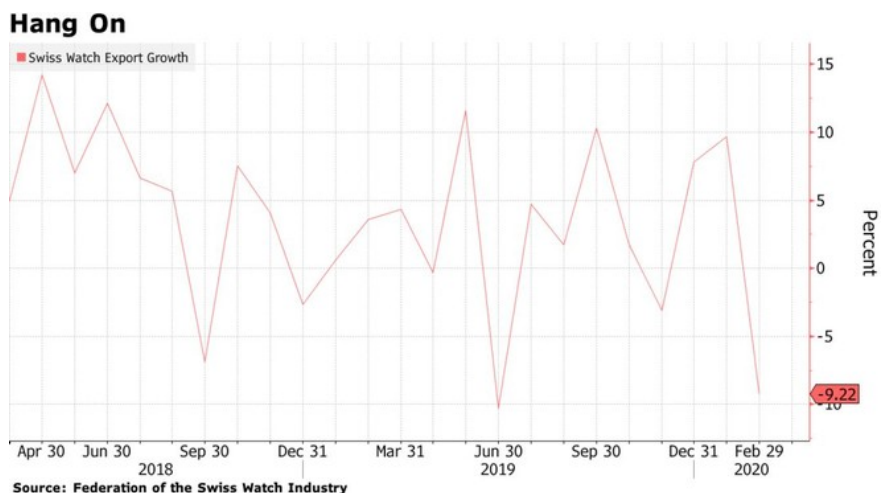
Areas identified with cases of corona virus

The first half of 2020 will probably be the worst for the luxury goods industry. It threatens Swiss watchmaking jobs, which are the lifeline of 59,000 people and account for nearly one-tenth of the nation's export value. To make matters worse, the industry is heavily dependent on the workforce living along the French border, and many of them are currently at home in isolation, or because the border between the two countries has been closed. .

Audemars Piguet on Wednesday posted a tweet saying that it would shut down Swiss watch factories and offices in many countries. Hublot also closed the factory until further notice.

" *The situation is worse than in 2008, when nothing seemed to make up for it - except a little relief from online sales,* " said Luca Solca of Sanford C. Bernstein.

The export value of Swiss watches dropped to a record over the past 8 months in February this year, with shipments to China and Hong Kong down 52% and 42%, respectively. The decline is expected to worsen in March, when the epidemic center has moved to Europe, an area where there are now more diagnosed cases than China.



## Export growth of Swiss watches

Business in Asia is now back to normal, although it will take several months for the consumer market to recover, said Swatch CEO Nick Hayek, speaking at the company's annual press conference on Thursday. At the meeting, the 90 seats that were originally reserved for reporters were now seated by 90 teddy bears, while Hayek's speech was livestreamed on the internet.

Swatch, watchmaker Breguet and Longines, and Richemont, owners of brands including Vacheron Constantin, all lost about a third of their value this year. On Thursday, Swatch shares rose 6.1% after Chairman Nayla Hayek emphasized that the company has not lost hope.



Teddy bears at the Swatch press conference

### **Continue to be optimistic**

*" 2020 will certainly be a difficult year globally. We will continue to be optimistic in the future despite all barriers, "* the female president said.

Swatch intends to spend 500 million francs (about US \$ 517 million) this year on research, new product development, production capacity enhancement, and building a sales network, despite the imminent crisis. Last year, the company built a new 220 million francs headquarters in Biel - a giant honeycomb complex designed by Japanese architect who won the Pritzker Prize Shigeru Ban.

Sales of the luxury goods industry will decline by more than 30% in the first quarter of 2020, according to estimates by Rene Weber, an analyst at Bank Vontobel AG.

*" The demand will decrease in a way we have never seen before. The main question is how long this situation will last, "* he said.

Swatch's Tissot brand just launched its first smartwatch during a webcast on Thursday, four years behind schedule. The competition from Apple Inc has blown away market demand for popular models. Swatch's plans to sell connected watches in Switzerland in June or July have become uncertain because the COVID-19 pandemic broke out in Europe. Their new watch will be compatible with Huawei's Harmony operating system.

A fund called Veraison recently invested 8 million francs in Swatch, and their CEO, Andreas Weigelt, told Finanz und Wirtschaft earlier this month that the company would make a stock purchase. Hayek said that there was no discussion between the two.

This crisis has moved smaller companies. RJ Watches SA, an independent Swiss watch manufacturer, famous for watches featuring characters like Pac-Man, filed for bankruptcy last month.

*" There will be heavy-loss companies, especially small ones, "* said Jon Cox, an analyst at Kepler Cheuvreux. *" There will be losses. "*

*Reference: Bloomberg*

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