

# Q3 2022 – AIDE MEMOIRE

Pandora Investor Relations

## Guidance

### Revenue

Full-year guidance: Pandora confirmed its financial guidance for 2022 on the 16 August and targets an organic growth of 4-6% for full year 2022. The guidance includes direct negative impacts from the war, potential headwinds on consumer demand from inflation and COVID-19. The key assumptions behind the organic growth guidance can be illustrated as below:

2022 ORGANIC GROWTH ASSUMPTIONS		
Directional and Indicative		
	4%	6%
COVID-19 & macro-economy	Low single-digit negative impact	Low single-digit negative impact
War direct impact	-1% impact	-1% impact
Pandora US	Negative mid- to high single-digit	Flat
Pandora excl. US	Low to mid teens	Low to mid teens

- In Q2, Pandora made a slight change to the underlying assumptions. Pandora changed the expectations in the high end of the guidance range, by taking *Pandora US* down from “Flat to slight positive” to “Flat” and *Pandora excl. US* up from “Low teens” to “Low to mid teens”
- Furthermore, Pandora now expects network expansion to add 2% organic growth to the year compared to previously 1-2% (before Q2 2022 reporting)
- The impact from COVID-19 has so far been centred around China and Pandora has seen a continued loss of traffic in most of the year following the COVID-19 restrictions. The impact escalated in the end of Q1 2022 and Pandora expects China to be a drag on revenue in the second half of 2022 as well
- The guidance assumes no reported revenue in Russia, Belarus and Ukraine during the remainder of 2022 impacting organic growth by -1% in 2022.
- Full year guidance for organic growth assumes -1% to +2% vs 2021 in the second half of 2022, equal to 12-16% vs 2019:

# PANDORA

- Quote: *"the lower end of the guidance is most likely to come into play only if we see a further worsening of the macroeconomic environment. Secondly, we want to highlight that in terms of growth versus 19, then the third quarter is expected to be lower than Q4. And this is also what we saw last year where the Q4 growth was 6 points higher than the third quarter"*.
- As a global brand, Pandora's financial performance is subject to changes in the macroeconomic environment, consumer behaviour as well as geopolitical unrest. The financial guidance for 2022 is subject to elevated uncertainty.

## EBIT margin

Full-year guidance: Pandora also confirmed its EBIT margin guidance of 25.0-25.5% in 2022 on 16 August:

- Where Pandora will land within the 25.0-25.5% range, will depend primarily on the revenue performance. The implied EBIT margin guidance for rest of year is 27.1-28.0% compared with 26.5% in second half of 2021
- EBIT margin landed at 20.2% in Q3 2021 and was supported by a few moving parts:
  - Government subsidies and extraordinary rent reductions totalling DKK 24 million, which Pandora will not receive again in Q3 2022.
  - Roughly 1% positive impact from temporary staff savings, which will not materialise again in Q3 2021
  - Roughly 1% positive impact from cost phasing from Q3 2021 into Q4 2021
- Taking above into consideration, plus the fact that Q4 2021 was negatively impacted by DKK 100 million in one-offs cost related to extraordinary IT write-off and an additional bonus payment, a shift in profitability between Q3 and Q4 compared to 2021 should be expected in 2022. Quote: *"But I want to highlight that due to a bit of phasing on both revenue and cost, the Q4 margin is expected to be a relatively stronger than last year. And the third quarter margin a little bit lower. And reality this is more like normal, if you look back in the past, and not just back to last year, then the seasonality we are getting into is actually just more normal for Pandora."*
- Guidance is based on foreign exchange rates per 29 July and a Silver/USD (per ounce) of 24.9:

## FOREIGN EXCHANGE AND COMMODITY ASSUMPTIONS AND IMPLICATIONS – As of July 29, 2022

	Average 2021	Average 2022	2022 Y-Y Financial Impact
USD/DKK	6.29	7.05	
THB/DKK	0.20	0.20	
GBP/DKK	8.65	8.85	
CNY/DKK	0.98	1.07	
AUD/DKK	4.72	4.99	
Silver/USD (per ounce)	21.1	24.9	
<b>REVENUE (DKK million)</b>			Approx. 1.300
<b>EBIT (DKK million)</b>			Approx. 350
<b>EBIT margin (FX)</b>			Approx. 1.0%
<b>EBIT margin (Commodities)</b>			Approx. -1.0%

Please refer to page 85 in the Pandora annual report for the sensitivity to movements in foreign exchange rates and commodity prices:

<https://pandoragroup.com/staticcontent?url=http://pandoragroup.gcs-web.com/static-files/f298ed02-3a4b-4bae-b1bf-c0598e03b450&format=pdf&title=Annual%20Report%202021>

### Other guidance parameters

- Pandora expects CAPEX to be around 6% of revenue in 2022.
- Pandora expects around 50-100 net concept store openings (including both partner and owned & operated stores) and 75-100 owned and operated other points of sales in 2022.
- The effective tax rate is expected to be 23-24%.

### Other topics

- At the Q2 2022 conference call, Pandora highlighted that they had not seen any major shifts towards a more negative consumer sentiment as a consequence of the macro environment, and that the company was trading in line with the high end of the guidance range at 2% organic growth for H2 2022. Quote: *"If a worsening macro situation will impact consumer sentiment negatively, a market like Italy could be one of the markets where we would see the impact first, given our market share and the overall economic situation in the market"*.
- 14 September 2021, Pandora hosted its Capital Markets Day unfolding the Phoenix strategy and providing financial targets towards 2023 of:
  - An organic growth CAGR of 5-7% in 2021-2023 with an absolute revenue target for 2023 of DKK 27.0-28.1 billion
  - An EBIT margin target of 25-27% in 2023
- The deliberate inventory increase during the last couple of quarters has put Pandora in a strong position and the inventory is now broadly at the right level. In Q3 2022, Pandora will increase inventory further to be ready for peak season in Q4 2022. Quote: *"We are already*

# PANDORA

*building up and producing ahead of peak season going out of the second quarter. We will continue doing that in the third quarter and then we will sell a lot of that during the fourth quarter as usual. So I think we will end with an inventory level that is in percent of revenue is higher than last year. We will.. but not at the 16.9 level that we saw going out of the second quarter.”*

- Pandora launched its lab-grown diamonds collection called *Diamonds by Pandora* in North America on 25 August 2022, following the test launch in UK. The collection is launched across 60% of the store network in US and Canada and is the first collection made from 100% recycled silver and gold.

## Notes

- Pandora will enter a silent period on 8 October 2022.
- Pandoras Interim Financial Report for Q2 2022 will be released 8 November 2022.
- Collection of Pandora’s pre-Q3 consensus will begin middle of October.