

Q4 2021 – AIDE MEMOIRE

Pandora Investor Relations

Guidance

Revenue

Full-year guidance: Pandora upgraded its guidance 1 November 2021. Organic growth was upgraded to 18-20% (vs 2019: 5-7%) from previously 16-18% (vs 2019: 3-5%). Implied Q4 guidance is 2-7% organic growth vs 2019, which equals to roughly -1 to 4% organic growth vs 2020. The guidance upgrade was driven by strong Q3 performance and an updated full year forecast.

Assumptions behind the full-year guidance

- 5% of the stores will be temporarily closed or severely impacted due to COVID-19 in Q4 2021.
- Full-year negative revenue impact of around DKK 1 billion or -6% from COVID-19 as a net result of temporarily closed/impacted stores and partial online pickup of lost revenue.
- No major negative impact on production or supply chain from COVID-19 in Q4.
- No other material COVID-19 restrictions implemented over and above what is currently in place as of today (3 November 2021 when Q3 results was released)
- The unusual growth seen in US in 9M 2021 will ease off in Q4 2021.
- China will remain a drag on total revenue growth in 2021
- Forward integration expected to add around 1% revenue in 2021.
- Headwind from foreign exchange rates of approximately -1% taking total revenue to between DKK 22.4-22.8 billion in 2021.

Quotes on the 2021 revenue guidance upgrade:

- *“Where we will be landing in this 18 to 20 percent range is not least depending on the level of US revenue here in Q4. And as usual, it should also be recalled that even though we have only nine weeks left of the year, it is nine big weeks. And those nine weeks that we have left of the year are not far from a third of the sell-out for the full year. So we are as usual, moving into peak season”*

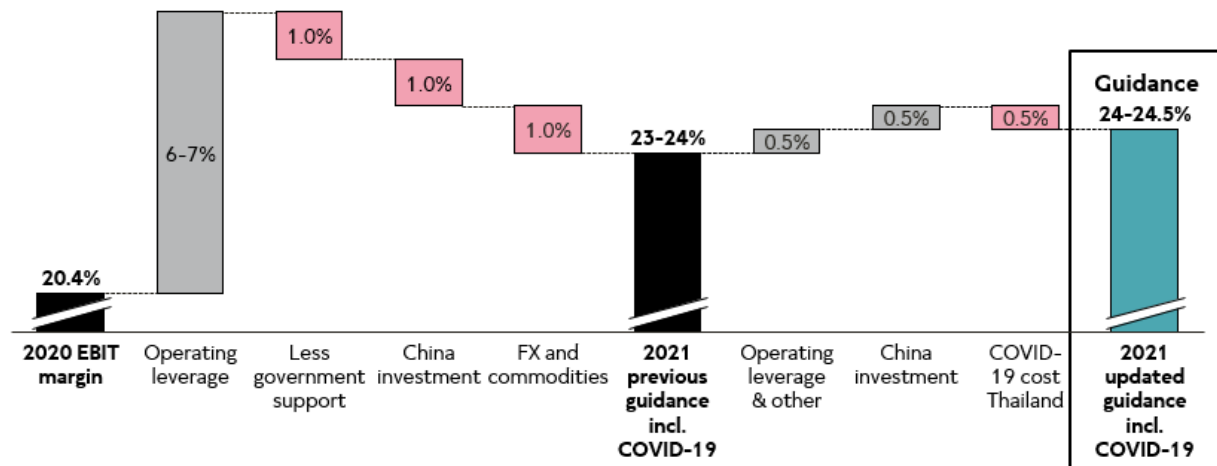
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EBIT margin

Full-year guidance: EBIT margin guidance was upgraded 1 November to 24-24.5% from previously 23-24%, as a result of operating leverage from the revised revenue guidance. The guidance assume that Pandora will invest DKK 0.1 billion in Q4 in repositioning the brand in China from previously DKK 0.2 billion in H2. The investment was limited in Q3, and Pandora might postpone the investment planned for Q4 2021 to 2022, due to the current retail environment in China following COVID-19.

EBIT margin

%-points approximations



Net profit

Full-year guidance: Foreign exchange rates are estimated to have a 1.0pp favourable impact on the guided EBIT margin. Consequently, given Pandora's hedging policy to hedge 70% of the annual cash flow from main currency exposures, there will be a negative impact from FX hedging on net profit.

Other guidance parameters

- CAPEX guidance for the year was updated and Pandora now expects CAPEX to be around DKK 0.8 billion (previously around DKK 1.0 billion)
- Additionally, Pandora expects around 50 concept store closures compared to previous expectation of 25-50 concept store closures.

Quotes on the 2021 other guidance parameters:

- *"And just to avoid misunderstandings and let me be very clear that the lower CAPEX is not a reflection of any kind of uncertainty about the strategy or similar, it's mainly a reflection of the pandemic and the natural postponement of certain investments as a consequence of that, including in Thailand."*

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Quotes on the Q3 2021 performance

- *“We’re very pleased with not just the strong numbers per say, but importantly that they have come through with high quality (...) Moments, our biggest platform and the core of Pandora grew by 11 percent. This is particularly pleasing, as we have said all along, that this platform continues to be vital and offers good growth prospects.”*
- *“From a geographical standpoint, we really have three quite different pictures. First, the US jewellery market continue to grow at an unusually high rate supported by stimulus programs. Importantly, though, Pandora continues to grow at an even higher clip - like we have done for the last couple of quarters. On that basis, we continue to believe that we are gaining market share. Secondly, Asia/Pacific has been strongly affected by COVID related issues, in particular China and Australia has dampened our group results in the quarter. Thirdly, we have recorded a very strong rebound in our key European markets, delivering an 11 percent sell-out growth in the quarter.”*

Sequential global roll-out of Pandora Brilliance – lab created Diamond collection

- Pandora initiated a test launch of Brilliance in the UK market in May with the aim to make Brilliance a new platform next to Moments by democratising diamonds
- As communicated at the Capital Markets Day, the test launch was all about getting insights:
 - Test → gain insights → adjust → scale (stop)
- Pandora has gained instrumental insights from the UK test launch, and is confident that Brilliance has the potential to become a new platform
- Pandora will therefore initiate a further sequential global roll out to start in 2022 - country details to be shared closer to launch dates

Quotes on the sequential Brilliance roll-out:

- *“Part of the reason for a test instead of an immediate global rollout was to learn and sharpen our go to market toolbox. It’s a new segment for Pandora on many aspects, and we needed to verify as well as gain important insights before considering a further geographical expansion. Based on the learnings to date, we are confident that we have generated sufficient insights for a successful rollout”*

Cash distribution

- At the Capital Markets Day 14 September, Pandora announced an increase of the ongoing DKK 500 million share buyback programme announced on 17 August. Under the revised programme, Pandora will buy back shares for an aggregate maximum amount of DKK 3.5

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billion. The revised programme is to be concluded no later than 4 February 2022. In total, this brings planned share buybacks to DKK 4 billion in the period from 5 May 2021 to 4 February 2022.

- The final DKK 5 in extraordinary dividend was distributed on 17 November. Pandora has in total distributed DKK 15 per share to its shareholders in extraordinary dividends in 2021.

Other topics

- Pandora has throughout 2021 seen very strong performance in the US with sell-out growth of 59% vs 2019 in the first nine months of 2021. The unusual strong growth in the US is expected to ease off in Q4 and Pandora recognise there is a general uncertainty around how the overall US market will develop in 2022. Pandora is confident that *"... whatever direction the overall US market will go in 2022, we believe we have enough ammunition in the plans to perform better than the overall US market - like we have done in 2021"*.
- 14 September 2021, Pandora hosted its Capital Markets Day unfolding the Phoenix strategy while providing 2023 financial targets. The 2023 financial targets are based on 2021 as the baseline. *"The 2021 baseline is impacted by two non-recurring elements. i) Negative impact due to temporary store closures due to COVID-19 and ii) positive impact from US stimulus packages. The net impact hereof on 2021 revenue and thereby the 5-7% growth target and the 25-27% EBIT margin is obviously associated with high uncertainty."*
- Pandora has taken a broad range of precautionary measures to assure a healthy inventory position going into Q4 2021. Already in Q2 1,000 additional staff was hired, while at the same time having managed to continue to increase the inventory position throughout the year. Pandora keep a close dialog and cooperation with the Thai authorities, while also closely monitoring and supporting suppliers to assure a healthy production flow. *"Our production was affected, but we managed to keep the disruption such that it did not have any significant impact on our ability to meet demand. This is a major achievement given the circumstances"*.

Notes

- Pandora will enter a silent period on 12 January 2022.
- Pandoras Interim Financial Report for Q4 2021, 2021 Annual Report and 2021 Sustainability report will be released 9 February 2022.
- Collection of Pandora's pre-Q4 consensus will begin mid-January.