

Q1 2021 – AIDE MEMOIRE

Pandora Investor Relations

Revenue

Full-year guidance: Organic growth above 8% including impact from COVID-19 (vs 2019: above -3%).

Assumptions behind the full-year guidance

- 25% of the stores will be temporarily closed during the first half of 2021.
- Underlying organic growth will be negatively impacted by around -16% in the first half (around -6% full year impact).
- For the second half of 2021, it is assumed that there are no significant store closures and that COVID-19 related store restrictions will have limited impact.
- The positive impact seen in late 2020 of reallocation of consumer spending was not larger than the negative impact from temporary store closures.
- China will remain a drag on total revenue growth in 2021 and that revenue in China for the year will be well below 2019. China remains top priority and a significant growth opportunity for Pandora
- Forward integration expected to add around 1% revenue in 2021.
- Headwind from foreign exchange rates of approximately -1% taking total revenue growth in DKK to above 8% in 2021.

Q1 performance shared in the January trading update released on 8 February and the February trading updates released on 9 March:

versus 2020	January	February	February QTD
Organic growth, %	-3%	12%	4%
Total sell-out growth, %	-8%	7%	1%
versus 2019			
Organic growth, %	0%	10%	5%
Total sell-out growth, %	-10%	-2%	-6%
Stores closed end of month, %	30%	25%	

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Quotes on performance going into 2021:

- *“While we haven't fully turned around, we clearly see that the brand is turning around.”*
- *“Our brand continues to gather momentum. There are a few key drivers behind this, like more distinct and relevant advertising, continued strong media investments, significantly smarter targeting, strong progress in merchandising and overall a much stronger organization. These things manifest themselves in higher brand interest, increased traffic and strong conversion rates, ultimately driving broadscale sell-out growth.”*
- *“Through promotional tactics and media planning, we redirected traffic by promoting the online store and omnichannel service. We increased the online capacity and saw a 50% increase in traffic online eventually delivering triple digit growth.”*
- *“Our performance in Q4 marked a material improvement and Pandora returned to positive growth despite COVID-19 lockdowns. This means that we're approaching the end of the turnaround and Pandora is preparing to shift gears from turnaround to growth.”*

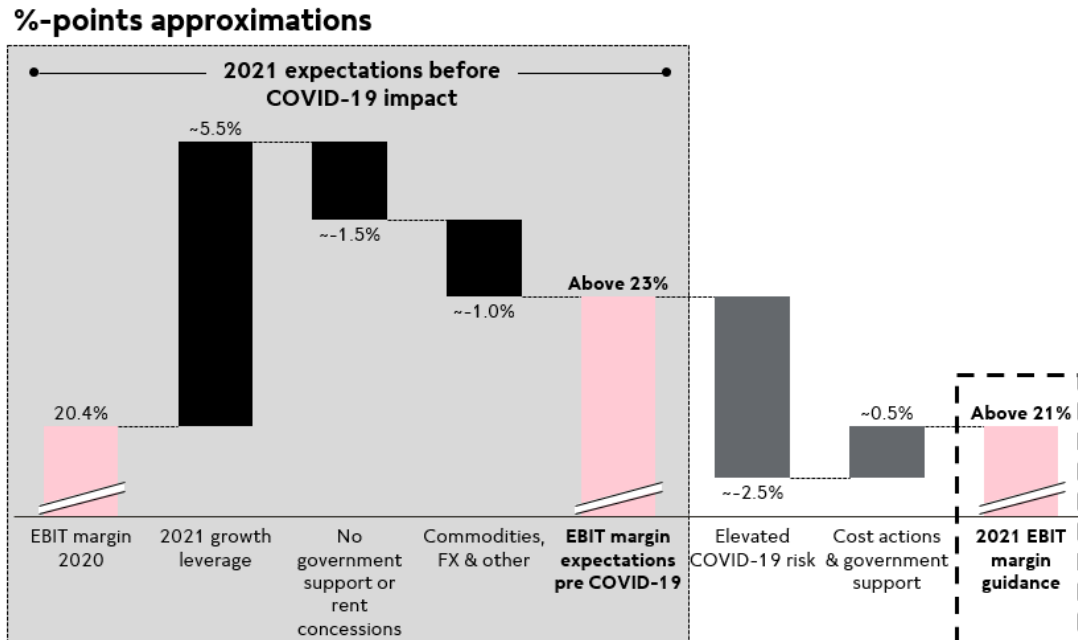
Quotes on Q1 2021 quarter-to-date performance so far:

- *“In January 2020, the impact from COVID-19 was limited as the outbreak was mainly centred around China where the first store closures were reported 22 January 2020 [...] organic growth was stronger than sell-out mainly due to phasing of sell-in related to Valentine's day to franchise partners.”*
- *“Pandora is pleased with the performance so far in 2021. Considering that 25-30% of the stores were closed during January and February, the underlying trading continues to indicate that sell-out is stabilizing or growing. Sell-out growth in the US continues to be very strong.”*

Profitability

Full-year guidance: EBIT margin excl. restructuring above 21%, including impact from COVID-19

Full year 2021 EBIT margin guidance bridge



Quotes on profitability guidance:

- *“The quarterly phasing of the EBIT-margin obviously depends on the COVID-19 development. As in prior years and in line with normal seasonality, Q4 is expected to be by far the most profitable quarter of the year.”*
- *“Pandora’s business model still has significant positive operating leverage when revenue goes up and we’ve seen that from a negative angle during the last couple of years. But it also works the other way around when revenue goes up. In the overall EBIT margin guidance, this leverage is less visible due to the expected temporary impact from the pandemic, but also from higher commodity prices.”*

Trading updates

Quote on frequency of trading updates:

- *“These are extraordinary trading updates, due to the elevated uncertainty related to COVID-19. We understand the need for additional disclosures in extraordinary times. We will therefore consider these updates for as long as a significant portion of the network is closed.”*

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New strategy

Quotes on the upcoming strategy and capital markets day:

- *"The new strategy for Pandora, will be a strategy of growth."*
- *"We will host an investor call on 4 May 2021, the day we report our Q1 results, where we will provide some initial high level insights to the new strategy."*
- *"No financial targets will be provided on May 4."*
- *"We will talk about the building blocks in the new strategy and talk about one of the initial initiatives in the strategy. "*
- *"The new strategy is more of an evolution than a revolution. We have ample growth opportunities within our core business and core markets and do not need to embark on risky new ventures to drive growth and value creation."*
- *"It is still Pandora's ambition to host a Capital Markets Day in 2021 – if and when travel and physical restrictions allows it. And at that point in time we will dig into numbers and targets."*

Cash distribution

- On the AGM 2021, the board was granted authority to pass one or more resolutions to distribute extraordinary dividends of up to a total of DKK 15.00 per share.
- The board already has the authority to initiate a share buyback at any point in time.

Quote on cash distribution from Q4 repeated at the AGM:

- *"Given the uncertainty caused by the pandemic, Pandora thinks that it is appropriate - and prudent - to await further certainty about the pandemic before initiating cash distributions."*

Other topics

- On the AGM 2021, Heine Dalsgaard and Jan Zijderveld were elected to the board, replacing Ronica Wang and Andrea Alvey.
- Working capital: *"We don't consider a negative operating working capital as sustainable and we do plan, for example, to increase inventories during 2021. [...] we can operate the company with working capital in the mid-single digit as a percent of revenue"*
- Marketing spend: *"We think that a level somewhere between 13 and 15 percent of revenue is a sufficient level to keep driving the growth of the brand. [...] it might fluctuate up or down a point depending on the year and depending on the initiative schedule etc."*
- CAPEX for the year is expected to be in the range of DKK 1.0-1.2 billion. This includes investments in Pandora's physical stores, the crafting facilities in Thailand as well as digitalisation and technology.

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- The impact of COVID-19 in 2020 resulted in markets performing inconsistently across the year. As an example, in Q4 Pandora saw two opposing factors: 1) lockdowns dragging down revenue and 2) a shift in general consumer demand away from travelling etc. towards among others gifting and jewellery. The net impacts of these effects are not possible to quantify. As such, some key markets might turn negative in the second half of 2021, as demand evens out throughout the year and the consumer wallet normalises.

Notes

- Pandora will enter a silent period on 1 April 2021
- Our Interim Financial Report for Q1 2021 will be released 4 May 2021, where we will also provide initial high level insights to the new strategy

Key performance metrics

- Total like-for-like sales-out growth: sell-out revenue from concept stores and eSTOREs across all channels that have been operated for more than 12 months. Under normal circumstances (excluding COVID-19 impact), this is our core revenue KPI.
- Sell-out growth incl. temporarily closed stores: As total like-for-like but including the negative impact from temporarily closed stores due to COVID-19 (i.e. stores which are temporarily closed due to the pandemic count as -100% like-for-like in this KPI).
- Organic growth: Growth in revenue in local currency relative to the same period last year adjusted for the acquisition/divestment of distributors and franchisee stores (the effect of converting wholesale to retail revenue and vice versa)

Illustrative bridging of key performance metrics:

Currency neutral metrics

Total like-for-like sales-out growth

- Sell-out in stores temporarily closed due to COVID-19

= Sell-out growth incl. temporarily closed stores

+ Net opening/closing of stores

+ Inventory changes in the channel

+ Other (including revenue changes in multibrand and other points of sale which is not included in Total like-for-like sales-out)

= Organic growth

+ Forward integration and M&A

= Total revenue growth in local currency

+/- FX impact

= Total reported revenue growth in DKK

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Additional comparison base versus 2019:

- Due to the impact of COVID-19 on business in 2020, Pandora also disclose sell-out growth and organic growth vs 2019. This metric is intended to provide transparency on revenue performance in 2021 against a cleaner base than 2020.
- The same definition and methodology applies for both organic growth and sell-out growth vs 2019 as for organic growth and sell-out growth vs 2020, however the base year is different