

Q2 2021 – AIDE MEMOIRE

Pandora Investor Relations

Revenue

Full-year guidance: Organic growth above 12% including impact from COVID-19 (vs 2019: above 0%). This was upgraded from previous organic growth guidance of above 8% (vs 2019: above -3%) due to a strong start to the year combined with updated expectations for the rest of 2021.

Assumptions behind the full-year guidance

- 20-25% of the stores will be temporarily closed during the first half of 2021 and 5-10% in the second half of 2021.
- Closed stores and assumed pick-up in the online business resulting from COVID-19 will impact the full year by -6%.
- 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 12% in 2021.

April performance details were disclosed in a trading update released on 7 May:

April 2021	vs 2020	vs 2019
Organic growth, %	214%	32%
Sell-out growth incl. temporarily closed stores, %	123%	7%
Year-to-date 2021	vs 2020	vs 2019
Organic growth, %	37%	5%
Sell-out growth incl. temporarily closed stores, %	36%	-2%

Quotes on the Q1 2021 guidance upgrade:

- *“First of all, we have still included a 6 percentage point impact of the pandemic on the full year revenue – and that’s the same as in the original guidance. The only difference is that*

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we now expect it to be spread across all 4 quarters of the year and not just the first two quarters as in the original guidance.”

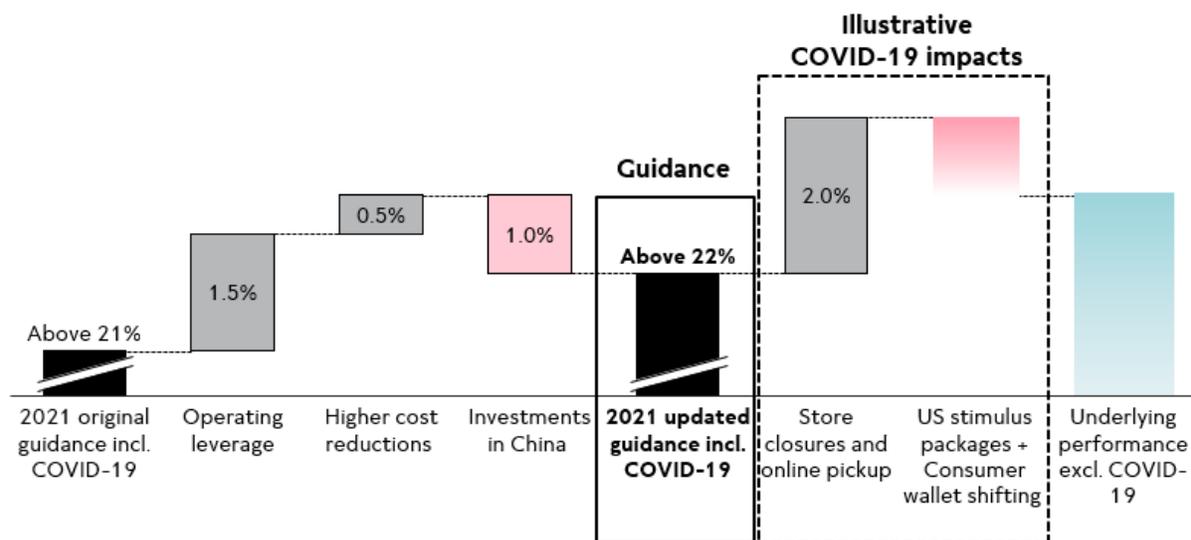
- “Another thing to call out will be that we obviously also expect that the impact from the stimulus packs that we have seen in the US will fade out as the year goes by, and that we will be in a more normal stage in the second half of the year and thereby have much less, sort of, tailwind on a group level from the US growth.”
- “The guidance corresponds to a sell-out growth vs 19 of around, let’s say, -2. And given that we have delivered -5% sell-out growth in the first quarter vs 19, then the implicit rest of year sell-out growth guidance – or the guidance floor – is therefore around -1 vs 19.”

Profitability

Full-year guidance: EBIT margin above 22%, including impact from COVID-19. This was upgraded from previous guidance of EBIT margin above 21%.

Full-year 2021 EBIT margin guidance bridge

%-points approximations



Quotes on the profitability guidance upgrade:

- “On the one hand, that’s supported by the operating leverage and it is also supported by a bit higher cost reductions than what we guided previously. On the other hand, we will be investing in supporting the strengthening of our brand in China. And, initially, this will be a drag on the bottom line, both in absolute terms and not least in terms of margin as well.”

End of trading updates

Pandora announced the cessation of monthly trading updates in a news release on 19 May 2021 as only around 10% of stores were temporarily closed. It was previously communicated that the trading updates would stop when less than 15% of stores were temporarily closed.

Phoenix Strategy

Pandora unveiled the new growth strategy, Phoenix, at the Q1 extended conference call. Financial targets and more will be revealed at the upcoming Capital Markets Day.

Quotes on the Phoenix strategy:

- *“With Phoenix we are changing our mindset from turnaround to growth. From fixing a lot of problems to a more positive and forward-looking plan. The purpose and the idea behind Pandora is still the same, but we now have a new ambition, a new objective for the Company and where we see Pandora.”*
- *“The strategy we are launching today is focused on further developing our existing core business, where we see significant opportunities to generate growth. The strategy is on one hand built on leveraging some of the unique advantages we possess – like our manufacturing capability, global distribution network and well-known brand.”*
- *“Phoenix is fundamentally about driving balanced profitable growth. We have a very good understanding of our drivers and have picked 4 growth pillars to focus on. They are:*
 - *Fuelling our brand desirability and reach*
 - *Creating consumer centric designs*
 - *Personalizing the customer experience*
 - *Growing our core markets”*

Pandora Brilliance and Pandora ME

- Pandora launched the Pandora Brilliance sustainable lab-created diamonds collection in May. The collection consists of lab-created diamonds across 5 different carat weights set in silver, yellow and white gold for a total of 35 DVs. Pandora Brilliance is initially introduced in the UK with global launch in other key markets expected in 2022.
- The Pandora ME collection is scheduled to have a global relaunch in October targeted at Generation Z, with a full-cross category proposition leveraging Pandora’s digital capabilities to reach the customer. More details about the relaunch will be revealed at the upcoming Capital Markets Day.

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Quotes on the Pandora Brilliance:

- *“Pandora Brilliance collection has been created with this in mind: lab grown diamonds captured in a pure emblematic design – a reimagined infinite symbol. So why Brilliance? With Brilliance we want to do four simple things: i) Democratize diamonds, making it affordable to a broader group of consumers. ii) Tap into the growing 500 billion DKK diamond market. iii) Signal our commitment to sustainability by launching our first carbon neutral product. And finally, iv) develop further our position in the Iconic Hallmarks ECP.”*

Cash distribution

- A DKK 500 million share buyback programme was launched on May 5 and DKK 5 extraordinary dividend was distributed on May 18, paying out a total of DKK 1 billion to shareholders.
- Pandora intends to, all else equal, continue quarterly cash distribution of DKK 1 billion in Q3 and Q4, split equally among dividends and share buyback.

Quote on cash distribution:

- *“As an extraordinary measure due to pandemic, the cash distribution will follow what we have been calling a “pay-as-you-go” approach – so, initially we are paying out 1 billion kroner during the second quarter of the year. And assuming that the pandemic situation improves, then we will expect to continue the quarterly distributions in the third and fourth quarter of the year.”*

Other topics

- At the current level of silver prices, a negative commodity impact of 2pp to the gross margin and EBIT margin is expected in 2022, compared to the guidance for 2021.
- The impact of COVID-19 in 2020 resulted in markets performing inconsistently across the year. Similarly, US consumer demand has been boosted by stimulus packages in 2021. 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.
- After the end of Q1, Pandora has successfully refinanced its DKK 7 billion (EUR 950 million) Revolving Credit Facilities at competitive terms. The margin on the loan is linked to Pandora’s sustainability targets to be carbon neutral and to use recycled metals only by 2025.
- Pandora has released the 2020 Sustainability Report.

Notes

- Pandora will enter a silent period on 5 July 2021.
- Our Interim Financial Report for Q2 2021 will be released 17 August 2021.
- Collection of Pandora's pre-Q2 consensus will begin at the end of July.
- Pandora will host a Capital Markets Day in London on 14 September 2021.