

# Q2 2022 – AIDE MEMOIRE

Pandora Investor Relations

## Guidance

### Revenue

Full-year guidance: Pandora targets an organic growth of 4-6% (previously “3-6%”) for full year 2022. This includes direct negative impacts from the war, potential headwinds on consumer demand from inflation, US stimulus as well as COVID-19. The key assumptions behind the organic growth guidance can be illustrated as below (further details follows in the section below):

2022 ORGANIC GROWTH ASSUMPTIONS		
Directional and Indicative		
	4%	6%
COVID-19 & Inflation	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 to slightly positive
Pandora Rest of world	Low teens	Low teens

- So far this year, the impact from COVID-19 has been centred around China and Pandora has seen a continued loss of traffic in China as COVID-19 restrictions escalated in the end of Q1.
- In spite of inflation and increasing interest rates, consumer demand generally remained healthy during April.
- The guidance assumes no reported revenue in Russia, Belarus and Ukraine during the remainder of 2022 impacting organic growth by -1%.
- The expectations for Pandora US remain unchanged and equal an organic growth CAGR in the low teens to high mid-teens compared to 2019.
- The guidance assumes “Low teens” (previously “High single digit”) positive growth for Rest of world, corresponding to high-single digit growth for rest of year.
- The implied guidance for rest of year equals organic growth of 0-2% corresponding to 12-15% vs 2019.

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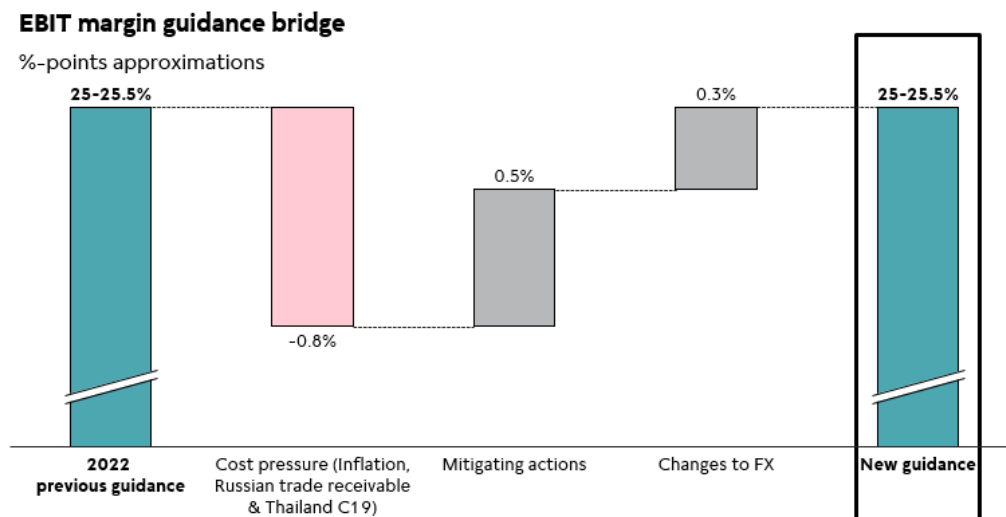
- Revenue growth in Q2 will face a tougher comparison base than Q1, due to less COVID-19 lock-downs and stimulus packages in the US.

*"[Pandora] expect the shape of the three quarters on the top line growth to be reasonably alike"* – Anders Boyer, CFO.

- As a global brand, Pandoras 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 continue to target an EBIT margin of 25.0-25.5% in 2022, despite inflationary cost pressures across the value chain and one-offs amounting to approximately DKK 200 million in total vs the original guidance. The building blocks from the original EBIT margin guidance to the current guidance are illustrated in the bridge below.



- 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 25.6-26.2%.
- Q2 2021 was affected by the helicopter money from US stimulus, which supported the EBIT margin, quote from Pandoras Interim Financial Report for Q2 2021:

*"The strong Q2 EBIT margin is supported by the unusually strong growth seen in US. The US growth is highly margin accretive as limited incremental OPEX has been required."*

- Q2 2021 was also supported by government subsidies and extraordinary rent reductions totalling DKK 70 million, which Pandora will not receive again in Q2 2022.
- Above factors significantly impacts the YoY comparison of the Q2 2022 margin.
- As in prior years and in line with normal seasonality, Q4 is expected to be the most profitable quarter of the year as per pre-pandemic levels.

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- Guidance is based on foreign exchange rates per 29 April and a Silver/USD (per ounce) of 25.1:

## FOREIGN EXCHANGE AND COMMODITY ASSUMPTIONS AND IMPLICATIONS – AS OF APRIL 29, 2022

	Average 2021	Average 2022	2022 Y-Y Financial Impact
USD/DKK	6.29	6.95	
THB/DKK	0.20	0.20	
GBP/DKK	8.65	8.88	
CNY/DKK	0.98	1.06	
AUD/DKK	4.72	5.00	
Silver/USD (per ounce)	21.1	25.1	
<b>REVENUE (DKK million)</b>			<i>Approx. 1.300</i>
<b>EBIT (DKK million)</b>			<i>Approx. 300</i>
<b>EBIT margin (FX)</b>			<i>Approx. 0.8%</i>
<b>EBIT margin (Commodities)</b>			<i>Approx. -1.0%</i>

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>

### Net profit

Full-year guidance: Foreign exchange rates are estimated to have a 0.8pp favourable impact on the guided EBIT margin vs 2021. Consequently, given Pandora's policy to hedge 70% of the annual cash flow from main currency exposures, there will be a negative impact from FX hedging on net financial expenses and thereby net profit.

### Other guidance parameters

- Pandora expects CAPEX to be around 6% of revenue in 2022.
- Additionally, Pandora expects around 50-100 net concept store openings and net 25-50. (previously "50-75") openings of other points of sales in 2022.
- The effective tax rate is expected to be 23-24%.

### Cost inflation

- Gold/Silver: Pandora hedge 70% of future 12 months use in production. Including a 2-7 months time lag from inventory, prices are locked in one year into the future. For 2022, prices are locked at around USD 25.1 oz.
- Other raw materials and energy: Apart from silver and gold, Pandora uses among others palladium and iridium. These raw materials are not hedged. Pandoras business is relatively energy light. Although the exposure to these other raw materials and energy is relatively low,

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then the magnitude of the price increases seen in 2022 means that there will be a visible impact in 2022. Below table illustrate the cost components that have been exposed to inflation and drives the DKK 200 million impact on guidance vs the original guidance.

<b>COST INCREASE FULL YEAR (DIRECTIONAL)</b>	<b>Actuals 2021</b>	<b>Estimated negative impact vs original guidance*</b>
<b>Inflationary cost impact</b>		
Energy (gas, oil & electricity)	95	25
Silver & gold	1,825	15
Other raw materials (Iridium, Copper & Palladium)	120	35
Transport cost	700	25
<b>Total inflationary impact</b>	<b>2,740</b>	<b>100</b>
<b>Other cost impacts</b>		
Provision, Russian trade receivable		55
Thailand, COVID-19 precautionary measures		45
<b>Total other impacts</b>		<b>100</b>
<b>Total cost increase</b>		<b>200</b>

- As illustrated above in the EBIT margin guidance bridge, Pandora expects to mitigate these additional cost and maintains the EBIT margin guidance.

## Other topics

- 14 September 2021, Pandora hosted its Capital Markets Day unfolding the Phoenix strategy and providing financial targets towards 2023. In connection with full year 2021 results, Pandora reconfirmed the 2021-2023 organic growth CAGR of 5-7% communicated at the Capital Markets Day, thereby raising the absolute revenue target for 2023 by DKK 1.9-2.2 billion to DKK 27.0-28.1 billion. Additionally Pandora reconfirmed a target of 25-27% EBIT margin in 2023.
- Pandora has continued its precautionary COVID-19 measures in Thailand in Q2 2022 to assure a healthy inventory position going into H2 2022. These measures were not implemented in Q2 2021. This is done to protect employees and keep production running. Pandora plan to increase inventory in 2022 to mitigate risk of stock outs and disruptions in the supply chain.

## Notes

- Pandora will enter a silent period on 16 July 2022.
- Pandoras Interim Financial Report for Q2 2022 will be released 16 Aug 2022.
- Collection of Pandora's pre-Q2 consensus will begin end of July.