Pandora

Transcript: Interim Financial Report for the third quarter/first nine months 2021

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John Bäckman, Head of IR: [00:00:00] Good morning, everyone, and welcome to the conference call for Pandora's Q3 results. I am John Bäckman from the Investor Relations Team. I'm here with our CEO Alexander Lacik and our CFO Anders Boyer and the IR team, Kristoffer Malmgren and our new member, Adam Fuglsang. There will be a Q&A session at the end of the call. As usual, please limit your questions to two at a time and get back into the queue if you have additional questions. Slide 2, please. Please pay notice to the disclaimer on Slide 2 and then turn to Slide 3. Alexander, please go ahead.

Alexander Lacik, CEO: [00:00:36] Thanks, John, and welcome everyone joining the call with us on this morning. I wanted to open this by saying that we're very pleased with not just the strong numbers per say, but importantly that they have come through with high quality. And let me highlight a few facts to support this right up front. Like we have done in the last few quarters, we are comparing our performance versus 2019 as this represents a cleaner base without COVID implications. First of all, we delivered strong 9 percent sell-out growth versus 19, this pulled through an EBIT margin above 20 percent, clearly demonstrating our operating leverage. 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.

Alexander Lacik, CEO: [00:02:18] This is particularly pleasing that it's been done with significantly less price promotions, i.e. driving full price sales - a true quality mark. Looking around us, we can definitely note that the competitive activity is picking up as market conditions stabilize. Despite this, we deliver strong growth. Our model is working. Now let's move to slide four, please. As a consequence of the strong results and an updated forecast for the rest of the year, we upgraded our financial guidance for both organic growth and EBIT margin in 2021 on the 1st of November. Organic growth is now expected to be in the 18 to 20 percent range, driven by better performance. This equals a five to seven percent organic growth rate versus 2019. Anders will give more detailed perspective on our assumptions in just a minute. EBIT margin is now expected to be in the range of 24 to 24.5 percent. This is driven by the higher expected growth rates turning into higher operating leverage. We are also continuing the distribution to our shareholders through both the ongoing share buyback program running to February and a third extraordinary dividend for 2021. Slide six, please. Before we dove into quarter three, I would like to take a step back and repeat our longer term view. At our Capital Markets Day in September, we unfolded Pandora's new growth strategy, called Phoenix. I would like to recap four key messages underpinning the direction towards 26.

Alexander Lacik, CEO: [00:03:55] First, the new strategy is an evolution rather than a revolution. Our model is working, therefore will keep on developing this rather than venturing into new and risky territory. Secondly, our objective is to drive a balanced top and bottom line growth. We want our valuation to develop in a more predictable and balanced fashion. Thirdly, we will seek to leverage our core assets, namely our strong global brand awareness, our widespread global distribution network and our industry leading manufacturing capabilities. Finally, we see a strong growth potential within our core, both in terms of staying focused on the jewellery market, as well as in countries where we are already established.

Next page, please. Here we are illustrating the investment case in more detail. There's a few key messages I'd like to pull out. First of all, to the far left, the strategy is, as I just mentioned, built on our existing core assets. That's important because we're building on a strong foundation and it drives operating leverage and EBIT margin expansion. In the middle, we list the drivers for value creation from Phoenix and our 2023 targets. The gross list of growth opportunities is rich and we don't necessarily need to land all of them in order to reach our goals. On the right part of the slide, we list more growth avenues beyond Phoenix. When we developed the strategy, it quickly became quite clear that we see more growth opportunities than what we can handle during the next few years.

Alexander Lacik, CEO: [00:05:30] Even though some of these opportunities are quite obvious, like getting a stronger foothold in India or Japan, it's simply a question of prioritization. That's, of course, a pretty good situation to be in.

Slide eight, please. When it comes to sustainability, we continue to invest in and future proof our business. In September, we announced the ambition to reduce carbon emissions across the entire value chain by 50 percent by 2030. This target has been approved by the science based target initiative. It places us, as far as we can tell, among the most climate ambitious companies in our industry. As the meeting in Glasgow is so clearly underlining these days, our society needs to show real action faster. We are determined to do our part and lead in our industry. We have a full strategic sustainability agenda as part of Phenix to become low carbon, circular and inclusive. It's not only the right thing to do. It will also future proof our business and build a position that we believe will be appreciated by consumers, employees, financial community and other important stakeholders.

Next slide, please. To drive the core is a key pillar in our strategy and our number one priority. The moment platform is our core, representing roughly 70 percent of our business. In the third quarter, we launched Moments Wearing occasions. A collection of key rings and bag holders. The collection did two things for us. First, it helped reengage existing customers with the brand by showing new, innovative ways to engage with our charms.

Alexander Lacik, CEO: [00:07:11] Secondly, it drove an incremental two percent revenue in quarter three and supported the strong Moments performance. It's very clear that we can continue to activate the platform and generate solid outcomes. The Moments platform saw sell-out growth of 11 percent in quarter three, as I just said.

Next slide, please. The second strategic priority is to fuel the Pandora brand with more concept platforms next to Moments. Pandora Brilliance is our first lab created Diamond Collection. We launched Brilliance in UK back in May. 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 from Pandora for many aspects, and we needed to verify as well as glean 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. I'm therefore happy to announce today that we will initiate a further sequential global rollout starting next year. This is an important milestone for the brand as it opens up for larger addressable market. We will not rush into this, but successfully build a proposition to serve this segment with exciting offerings. For competitive reasons, country details will only be shared closer to the launch date, so please stay tuned. Our aim is to establish Brilliance as a new platform to democratize diamonds. Diamonds are not just forever. They are also for everyone. Next slide, please.

Alexander Lacik, CEO: [00:08:46] Our largest market, US continued its outstanding performance. This was the third quarter in a row with sell-out growth above 50 percent compared to 2019. While this growth has been fueled by stimulus packs, it's important to note that the external data suggests that we are growing more than the market. Furthermore, 98 percent of revenue in the US was full price sales in quarter three as we continue to decrease promotional activity. And across our key markets, we continue to have a lower promotional level. And in Q3, you had less promo days in both physical stores and online versus 2019, as illustrated to the right on the chart. Next slide, please.

We continue to see our performance being impacted by COVID 19. China saw sequential deterioration, as we told you already in Q2. This is mainly due to COVID 19. Stores were formally open, but traffic was down 70 percent versus 2019, and around 80 percent of our stores in China were somehow impacted by COVID 19. Therefore, as we told you about at the CMD, we delayed the planned investment in repositioning the brand in China. The good news is that Pandora was the number one brand on T-mall in Fashion Jewellery. A recent development. Australia was also severely impacted by COVID 19, with roughly half of the stores temporarily closed during the quarter. Stores in Australia are now back to being almost fully open again, and I'm happy to say that that has led into positive territory after the reopening.

Alexander Lacik, CEO: [00:10:23] Next slide, please. Our key European markets saw a strong rebound as stores opened up in Q3 and delivered a sell-out growth of 11 percent versus 2019. UK, Italy and Germany all returned to positive growth, where Italy and Germany also delivered positive sell-out growth versus 2019 physical stores. France was impacted both by promo detox and COVID 19 restrictions. Overall, for the group, sell-out growth versus 2019 was 9 percent in the quarter, driven by the strong rebound in Europe and continued strong growth in the US, while, as mentioned, dragged down by China, Australia and other Asian markets that were heavily impacted by external factors, i.e. COVID 19. Next slide, please.

We've kept investing in marketing and more holistic communication. This is paying off - our brand momentum is strong. This continues to be the driving force of revenue growth, which obviously then drives EBIT margin. In terms of unaided awareness we note three points. There seems to be an industry decline during the COVID period. We can only speculate about the reasons for this, but the restrictions around physical retail and the consequent traffic declines paired with lower advertising spend are likely drivers. Secondly, there is a certain short term volatility in the quarterly metrics. However, we note a stable annual trend for Pandora. It was 36.6 in 2019 and 36.4 In 2020. Obviously, 2021 full year is not yet available. Last point, while we note the decline in the quarter, it's in line with the general trend.

Alexander Lacik, CEO: [00:12:03] Therefore, relative and leading performance remains intact. In Q3, we maintain a leading position in five of seven key markets. In terms of our global share of search. More than 30 percent of the Google searches for branded jewellery is for Pandora. We note a slight decline in the quarter, which likely is driven by lower promotional pressure, leading to less search. Net we continue to stay top of mind as well as engaging with our consumer base. It's clear that as conditions have started to normalize, we see more competitive activity. There is no doubt that the investments we've made during the pandemic will continue to cement our leading position. Next slide, please.

Our investments into Digital continue to generate strong results in the quarter. Digital plays a key role in our new strategy, both as a foundation as well as a distinct growth pillar. Our online revenue almost doubled versus 2019. In most countries, our e-store is the largest portal to the brand. So the investment in e-commerce also drives Halo onto the brand. Our new digital organization delivers constant improvements to the customer experience. Tangibly, we note that online conversion continues to improve and was up by 50 percent versus 2019. We continue to expand our omni channel features, where and when it makes sense due to COVID 19. There's a very strong consumer interest in, for instance, click and collect in the US that made up 15 percent of our US online sales in quarter three. Recently, we rolled out click and collect in France, Italy, Germany and Australia.

Alexander Lacik, CEO: [00:13:43] We now have click and collect in 95 percent of our concept stores in our key markets. Next slide, please.

Before I hand over to Anders, I want to give an update on the situation for our staff and production in Thailand. The COVID 19 outbreaks there escalated during late summer and the situation became more challenging and required significant mitigating actions. Well, first of all, the health and safety of our employees comes first, always. To protect our employees and to mitigate the risk of disruptions in the supply chain, we have taken a broad range of precautionary measures. You may recall that we hired additional staff already in Q2, as well as increasing our inventory position. We continued to increase stock levels in Q3, as well as hiring of additional temporary staff to offset the people stuck in quarantine and other issues around COVID. We are in close dialog and cooperation with the Thai authorities, and we are also closely monitoring and supporting our suppliers. 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. I'd like to sincerely thank our colleagues in Thailand for the tremendous effort and personal contributions to mitigate the risks during very challenging times. Now I'll hand it over to Anders to take us a bit more through the numbers.

Anders Boyer, CFO: [00:15:12] Thank you, Alexander. I will go to slide 18 then. And as you have heard already from Alexander, the solid revenue growth continued in the third quarter and this is also visible in a strong EBIT margin in the third quarter. So I'll just give a couple of other financial highlights here. First of all, on the gross margin. The gross margin is down 260 basis points versus third quarter of last year, but it's important to know that the underlying gross margin is in fact unchanged and remains strong. The decline that we see versus last year is driven by higher silver prices and driven by one-off costs related to fighting the pandemic in Thailand. As well that we do have a bit of one-off costs related to expense in inventory, taking over in connection with forward integration, and we didn't have any of that in the third quarter of 2020. Secondly, it's worth noting that our net working capital continues to be around zero, despite that, we are building up inventory for the peak season here in the fourth quarter, and it's also worth highlighting that our leverage is still in the very low end of the capital structure range 0.5, despite the cash returns we have made so far. The leverage is expected to tick up a little bit in the months to come due to the relatively high level of share buyback that we are running at the moment, but the level still leaves room for continued future cash distribution to our shareholders.

Anders Boyer, CFO: [00:16:54] Finally, I'll just on this slide. I just want to highlight the 48 percent return on Invested Capital, ROIC, and this is a significantly above the levels that we saw both in 2020 and 2019 and partly due to higher top line and bottom line growth, but also partly due to that the program NOW restructuring costs are now history. So next slide, please, slide 19 here, we'll have a look at the revenue development. There's two branches here, and in the top bridge we are comparing to a clean base in 19 without COVID 19 impact, and it is quite clear that the company is growing and sell-out growth, and organic growth are both 9 percent here in the third quarter. The bucket that we are calling 'normalization of selling' that includes the impact of the so-called commercial reset that we were running back in 2019, where we deliberately reduced inventories in the franchise partner channel. In the bridge below where we compare to last year 2020. Then there are some quite clear impact from COVID 19 that may require a little bit of explanation, just like back in the second quarter announcement. First of all, sell-out growth is lower than organic growth, just like we saw in the second quarter of this year as well.

Anders Boyer, CFO: [00:18:26] So the 6 percent bucket that we are calling 'normalization of sell in and Q4 stock build' that illustrates the effect the pandemic had last year because last year it lowered sell-in as uncertainty was obviously quite high and our partners were more cautious with building inventory ahead of the Q4 peak season. This year is back to normal behavior, and it drives up organic growth above sell-out by 6 point when we compare on a year over year basis. And in the same way, other points of sale were very hard hit in the third quarter of last year, but have recovered strongly this year in the third quarter of this year. And this has happened partly by moving revenue from our online business and into other point of sales, and the performance is in other point in other points of sales is not included in the sell-out KPI, and therefore that also adds 4 points of difference between sell-out and organic growth in the third quarter. And it's exactly the same effect as we saw back in in the last quarter in Q2. So next slide, please 20, slide 20 on the EBIT margin - our EBIT margin in the third quarter was 20.2 and up 3 points versus last year. And the main driver of this continued to be operating leverage. As Alexandre also mentioned, this margin expansion was delivered despite that, we received significantly less government support and less rent concessions this year. And despite that, we also incurred actually quite some extraordinary costs to mitigate the pandemic in Thailand, and that's the first two pink boxes in the waterfall on this slide. On the other hand, there's also some positive impact from phasing of operating expenses and some temporary savings from, actually quite unusual high store vacancies here in the third quarter, and a part of this is expected to reverse in the fourth quarter. Then I'll go to Slide 22 and the upgraded guidance. And first, here we are bridging from the 2020 revenue onto to the new guidance of 18 to 20 percent organic growth and then onward to the 2021 revenue in absolute numbers. 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. I would also like just to repeat our three COVID 19 assumptions for the guidance. First of all, we still assume that around five percent of the stores will be temporarily closed or severely impacted by COVID 19 in Q4.

Anders Boyer, CFO: [00:21:54] And secondly, the guidance assumes that there will be no new COVID 19 restrictions implemented, which impact consumer behavior significantly in one way or the other. And finally, the assumption is that there would be no major disruptions in the supply chain. And then finally, I just want to highlight that the new guidance of 18 to 20 percent growth versus last year corresponds to 5 to 7 percent organic growth on a two year stack. Then next slide, please. Slide 23 on the EBIT margin. And then in this EBIT margin, we are building all the way back from the EBIT margin last year through the old guidance and then on to the new guidance. And as you can see in the right part of the bridge, the increased EBIT margin guidance is driven by operating leverage, a bit lower investment in China this year and then partly offset by the cost of mitigating the pandemic in Thailand. And I would assume that this is quite quite straightforward. So on this slide, I will just mention the two other changes to the guidance parameters that we made the day before yesterday, and that includes a slightly lower CAPEX and that the net store closures ends in the low end of the previous guidance range. 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.

Anders Boyer, CFO: [00:23:42] And then we also want to repeat that the store closures that we are doing this year is just so normal ongoing optimization of the network, and it includes the deliberate delay in new store openings in China. And just repeating what we communicated at the CMD, we do see ample white space around the world and ample opportunity to expand the network in the years to come. On Slide 24, we'll have a look at what the full year guidance implies for the fourth quarter in terms of revenue growth on a two year stack versus 2019 and the guidance versus 2020 of 18 to 20 percent, growth corresponds to 5 to 7 on a two year stack, and that's the number you can see in the last black box to the right. And then the implied organic growth for specifically for Q4 is 2 to seven 7 organic growth, and that's the box in the middle. So with our guidance, we confirm that we see that Pandora is back on a growth track in Q4. This and that is despite that we have a stronger comparison based in Q4 of 2019, where the impact from program now started becoming more visible.

Anders Boyer, CFO: [00:25:06] And as you may remember, then in the third quarter of 2019, organic growth was minus 14 and then in Q4 of 19, it improved. The organic growth improved sequentially to almost flat, a minus one, to be precise. So the comparison based on a two year stack actually becomes quite much tougher, and the 2 to 7 percent implied guidance should be seen in that context. And then you may say that the implied 5 point range in Q4 is quite wide for a quarter where we are already almost in the middle of it, or at least well into the Q4. But we are giving this range due both to the uncertainty related to pandemic, as well as an elevated range of possible outcomes for the US performance in this quarter. And then slide 25 slightly last slide from me, as Alexander mentioned upfront, we are continuing the cash distribution. We have ample liquidity. We have a low leverage and we will distribute another five hundred million kroner in dividends in roughly two weeks from now. So and that will be the the third extraordinary dividend for this year. This takes the total distribution to shareholders from both dividends and buybacks to 5.5 Billion Danish kroner between May 21 and early February next year. And that's close to a 7 percent of our market cap. And with that, I'll hand it back to Alexander and slide 27, please.

Alexander Lacik, CEO: [00:26:51] Thank you, Anders. A quick summary. Our performance in Q3 was strong on both topline and EBIT, as I said, driven by moments continued strong US performance, as well as a very strong rebound back to growth in Europe. We are well prepared for the upcoming Q4 trading period. As noted, the performance to date and our view on Q4 led to an upgraded guidance which Anders just touched upon. Finally, we'll continue cash distribution to our shareholders, both via the announced share buybacks as well as the extra dividend. All in all, as always, eventful but clearly showing the strength of our operating model. And with those remarks, we're ready for the Q&A session. Operator Please get us going.

Operator: [00:27:36] Thank you. If you do wish to ask a question, please press zero one on your telephone keypad. If you wish to withdraw, your question may do so by pressing zero two to cancel. There will be a brief pause while questions are being registered. Our first question comes from Fredrik Ivarsson with ABG. Please go ahead.

Fredrik Ivarsson, ABG: [00:28:07] Thank you, operator. Good morning, gentlemen. First, a question on the implied margin guidance for Q4. We spoke about the implied growth above. I'm curious to hear about the margin guidance. I think it indicates some 28 percent. That's a 7 percent contraction from Q3 2019. So just trying to understand the bridge here. So what kind of raw material headwinds and marketing levels to assume for Q4, for instance? Maybe start there.

Anders Boyer, CFO: [00:28:40] I think that was a question for me that it's Anders here. It's yeah, it is about 6.5 points lower EBIT margin compared on a two year stack. And as you point to the majority of this is driven by external factors of being the foreign exchange and commodities or silver prices. And these external factors amounts to almost 4 to 5 points of that drag on the EBIT margin versus Q4 of 2019. So we've seen both silver prices going in the wrong direction in terms of margin and FX as well. So in total, that's, 2.5 points versus Q4 of 2019. So that's the first building block. Then we will continue having COVID 19 cost in Thailand to fight the pandemic in the Q4 of this year and that we expect that to amount to pretty much the same as in Q3. So that's another point. And then we will be, compared to Q4 of 19, investing in in China, in turning around the brand. Let's see how the pandemic develops, but that's the plan. And that could be up to another, uh, almost 1 point of drag specifically on the Q4 margin. So if you add that up, Thailand, China, silver prices and foreign exchange, you get to, 4 to 5 points of the drag compared to Q4 of 2019. And the remaining couple of points are more permanent or structural factors. And not least that we have increased marketing spending quite significantly compared to Q4 of 2019 and from memory, I'm just trying to look in my notes here. I think we spend just above 12 percent of revenue in marketing in Q4 of 19. We're not specifically disclosing what we plan to spend in Q4 of this year. But if you look at the numbers so far this year, we are closer to 15. So almost three points up compared on a two year stack. Some of that, a nice chunk of that, has been funded by the cost program that we have been running. But the investment in marketing and strengthening the organization is a slight drag on the margin versus Q4 of 2019 as well. So I hope that clarifies.

Fredrik Ivarsson, ABG: [00:31:35] Yes, it is. Thanks Anders, that's very clear. Second question for me on the key European markets. Would you mind sharing what you saw in terms of timing throughout the quarter? Did you see a peak somewhere during the quarter and then a softer exit rate? There was the momentum equally strong as you entered the fourth quarter.

Anders Boyer, CFO: [00:31:59] We will not be commenting specifically on the timing within the quarter. And it's not because there's something we don't want to say, but I think just as a principle, we don't want to comment and go into that level of granularity.

Fredrik Ivarsson, ABG: [00:32:15] Okay, fair enough. Thanks. That's my question.

Operator: [00:32:22] Our next question comes from Lars Topholm with Carnegie. Please go ahead.

Lars Topholm, Carnegie: [00:32:28] Yes, thank you. Two questions for now. So one thing that surprised me in the quarter was that Brilliance was just 2 percent of sales in the UK. And of course, I know it's a test launch, possibly with limits on volumes. But I wonder in that context if you can explain why the only 2 percent and if you can maybe comment on how you source from element six? are the long delivery times? Can you ramp up volumes quickly and will Brilliance be available in the UK in larger volumes for Q4? That was the first question. The second question goes to the US and I understand that your assumption for Q4 is a normalization of growth, which I think is very prudent. However, I think it is equally clear that the total US jewellery market remains exceptionally strong in October. So I wonder if you have any specific observation suggesting that it should normalize? And then related to that, Anders, you mentioned in your comments that when US grows strongly it is margin accretive. So if we had a scenario where the US continues to grow at the same pace as in the previous quarters, the topline effect I can easily calculate, but can you maybe comment on what that would do to your Q4 on your full year margin? Thank you.

Alexander Lacik, CEO: [00:34:08] I can talk about your first question here, at least, so as you point out, the UK Brilliance was a test market, so the primary objective was not to chase revenue, then we would have ended up with probably a slightly different number. So what we were looking for and just to kind of recap, we said the most important point for us was to figure out, you know, are people going to be willing to spend four or five hundred pounds on a transaction with us in this category or not? And I think that's the basis for the decision to expand Brilliance outside. And to your specific point on the 2 percent, in fact, we tried different things during the quarter. One of the things we were trying to figure out was can we run this platform with a lot less products available in store and then direct people online instead? And this was particularly relevant for the smaller shops. And I think what we're finding so far is that's probably not something we can do from the get go, at least. We can see a stark contrast in shops, where we have the entire assortment versus where we only had, I think we only had forty one stores in the UK where we had all thirty six DVs present. There we record anywhere between 3 and 5 percent share of a business, depending on the store and the type of audience that we serve versus a much lower number in the, let's say, the numeric bulk of our stores where we only had six DVs available. So therefore, you can say that the total number there is not really representative of what we need to be doing going forward. So these are just some of the learnings that we have kind of learned in the test launch. So I do think it's important to point out that it was a test and we did try many different things, which is maybe different from, let's say, Pandora Me, which we launched and where we know what levers to pull and how to go about it with the global rollout. So I think that just provides a little bit of context on that. And you can rest assured if it didn't have legs, I would not have been announcing today that we are going forward. So, we feel very good about the insights that we've generated so far.

Anders Boyer, CFO: [00:36:34] Yeah. And the other question Lars, on the US level of growth and potential margin impact. I think what you're indicating or asking about is right, if we end up with continued as high growth in the US as we've seen so far this year and also in the third quarter, that would lead to a margin upside for Q4 and the full year. And I think the way to think about it is the sort of the different rules of thumb that we also talked about in the past that if additional revenue comes in, obviously we get let's use round numbers 75 percent gross margin and then the EBIT margin impact on a sort of pure incremental basis on a short time horizon like we did within a quarter is an EBIT margin from, let's say, between 50 and 60 percent, depending on whether that additional revenue comes by us putting more marketing spending behind it or whether it just would just generate higher revenue on the marketing spending that we're having anyways. So and that that leads to the sort of an incremental EBIT on, let's say, 50 to 60 percent, depending on which the scenarios that we are in and thereby somewhere between 25 and 40 basis points of EBIT margin pick up for every additional 1 point of growth. That that's these are the range. So let's see and how the US plays out. We still have the big weeks ahead of us. Even though we're a third into the calendar wise into Q4, we still have some 85 percent of trading in the quarter ahead of us.

Lars Topholm, Carnegie: [00:38:30] That's very clear, and thanks for that. Just the second part of the question was when you guide for a normalization, is that based on a specific observation in October or is it just being prudent?

Anders Boyer, CFO: [00:38:45] I think we, as you've probably also seen in different market data, the US is still holding up. But given that all the big trading weeks are still ahead of us starting in week 47 onwards through Christmas. Then as I said, 85 percent of sell-out is still ahead of us.

Alexander Lacik, CEO: [00:39:13] Sorry, yeah, but and then the only other addition is obviously the stimulus checks are now gone. So, at one point, we expect this to come through somehow. But you know, when is a question mark really? And October somehow still holds up, as you noted. So yeah.

Lars Topholm, Carnegie: [00:39:33] Thank you very much for taking my question, guys.

Operator: [00:39:40] Our next question comes from Michael Rasmussen with Danske Bank. Please go ahead.

Michael Rasmussen, Danske Bank: [00:39:46] Thank you very much. Could you maybe just share a few thoughts on Black Friday and Christmas sales kind of overall, you know, if you could, could you guys benefit if other categories perhaps are out of stock, given the global supply chain issues that we have right now? You know, it's that part of the upper end of your guidance that you actually take share from other product categories and in Black Friday or Christmas sales? My second question is if you could just add a few more words on the relaunch of Pandora ME. What kind of age group are you seeing? What kind of ASPs are you seeing are getting new clients as expected and just if you could add a little bit of some of your early indications on Pandora ME?

Alexander Lacik, CEO: [00:40:41] So, you know, on your first question on, will we benefit from other people having supply chain problems? It is not currently baked into our forecast because it's purely speculative. So you know which categories and where those flows go, who the hell knows? Excuse the language. So but of course, there could be an up upside on that if that's the way it plays out. We've had the conversation with the respective countries. But you know, the feedback from the general managers are like, how am I supposed to forecast this? So we've kind of stayed clear from that. We try to focus things that we kind of see, obviously more than others. But you know, it may happen. And in that case, we will take it. If it doesn't, well, it shouldn't impact our forecast. Then on your second question. Pandora Me was launched on the very last day of the quarter. So by that nature, I will not comment on that because it sits in the Q4, you know, information which we'll talk about in February. So I'll stay away from that for now.

Michael Rasmussen, Danske Bank: [00:41:54] Ok, that's understood. Thank you Alexander.

Operator: [00:42:01] Our next question comes from Elena Mariani with Morgan Stanley. Please go ahead.

Elena Mariani, Morgan Stanley: [00:42:08] Hi, good morning, everybody. Two questions from me as well. The first one is on China, so you've been talking about postponing some of the investments into fiscal year 22? Maybe. Can you give us an update on the plan here? And how much do you plan to invest into the next fiscal year? I think that from your press release, I understood that you're going to half your planned investment between now and year end. So how should we think about fiscal year 22? And then Alexander, I think you've been quoted by the press saying that the plan to triple revenues in China over the next five years looks ambitious. Is this like, you know, something new, maybe more cautiousness on the future growth plan of Pandora in the region? So is there anything incremental versus what you have shared during the Capital Markets Day that you would like to share with us as well? And then my second question is on your EBIT margin. So basically, if I take into account your new fiscal year guidance, you're already approaching a 25 percent EBIT margin. So if I put this into the context of your 2023 guidance, which is to reach an EBIT margin of 25 to 27 percent, should we expect, you know, the upper end of this range to be more realistic, given that potentially into next year, you're going to see FX reversing you're not going to see these COVID related costs in Thailand anymore. So in essence, what could make you stay stable and at a 25 percent EBIT margin between now and 2023 because that range looks a little bit conservative to me? Thank you.

Alexander Lacik, CEO: [00:43:57] Hi Elena, China, I wish I had a crystal ball, I mean, we we came out of June and the 618 activity, you know, quite confident. I mean, we had a very good execution. We had lined up this, you know, quite hefty extra investment for the second half. And then typhoons and COVID and what have you. Have completely kind of changed the picture out there. So Q3 from that standpoint became something very different from what we had initially planned, as you can imagine. And the problem is, of course, that, you know, 70 percent lower traffic into the physical stores. It's not a particularly viable place then to start over investing in marketing because, you know, we don't we don't get the traffic coming through the doors. So I, you know, whilst we still hold on to some of the money we indicated we would spend. This is entirely dependent on whether, you know, China goes back into some kind of stable state where people are returning to the stores, as I'm sure you are familiar with, the government runs this zero tolerance policy, which means if there's one case in the city, they shut the whole city, which obviously then, you know, impairs our ability to trade. So I wish it normalizes not for our business sake, but for people's health and safety sake, first and foremost. If that happens this year, we'll spend some of the money. If this current situation drags on, we will probably we will not spend the money very clearly, then how it impacts next year. I mean, we're kind of in flight right now trying to figure out how to do this.

Alexander Lacik, CEO: [00:45:48] But you know, the idea still remains that we're keen on turning the Chinese business around. So I probably will have to come back when we are a little bit clearer ourselves on how the plans for next year might pan out, then in terms of your question on the ambitions. I think it's important to mark that word. That three X idea is an ambition. It's a reflection of the potential that we see. Can we realize this in the next five years?

Well, with the current trends, it's looking a bit more challenging than it looked yesterday, but I don't think you should kind of get too hung up on the three X number, at least not in the short to medium term span. Our views on US, if you recall from the Capital Markets Day, was a bit more pointed, and I think we're kind of on our way towards delivering those type of ambitions. China, I think, is a bit further out, to be perfectly honest. And I think that's all I have to say on China right now. I mean, there is some silver lining on this cloud as well. As I mentioned in the presentation that we see on Tmall, for instance, we are now the number one jewellery brand. So that's something pretty good, at least in the current environment. And now we are into 11/11, the pre-sale of that activity or actually in flight mode on that activity, which early days looks very promising. But more on that in February, I suppose, and there may be. Anders you can comment on the second question, yeah.

Anders Boyer, CFO: [00:47:26] Hi Elana. On the other question on the margin. I think as a concept, you're absolutely right that to the extent that 2021 EBIT margin ends higher than it will have an impact on how to think about the Capital Markets Day target of the 25 to 27 percent range, at least if it solves structural underlying improvements in the EBIT margin. And when I say that I think we should, we should remember that the upgrade of the 2021 guidance is not least due to the very high US growth that we are seeing this year. And when we have a market that's on fire like that, not least driven by also driven by the stimulus package, I think we should be careful saying whether that's just translates into a higher base that we are then building our targets on top of. I think that there might be an element of that the higher growth that we're seeing this year is not...doesn't just create a base that you then apply The Capital Markets Days on top of. And having said that, the 2021 is an unusual year in many aspects, both due to the COVID 19 impact and closed stores on the on the one hand and then the unusual high US growth on the other. And we'll have to wait a bit and see how all of that plays out. But we will, I think next data point is early when we announce the guidance for 2022, and then we will see whether that leads to any comment on the Capital Markets Day target.

Elena Mariani, Morgan Stanley: [00:49:15] That's very clear, thank you.

Operator: [00:49:21] Our next question comes from Anne-laure Bismuth with HSBC. Please go ahead.

Anne-laure Bismuth, HSBC: [00:49:29] Yes. I have two questions as well, the first one as you have comments on the US, which is holding up so far in the start of Q4. Any comment about the performance key European markets at the start of Q4 and also regarding the performance in France, which was negative. So you flagged that it was impacted by severe COVID restrictions and also detox of promotions. But regarding the restriction, it's only linked to malls and the fact that you have to show your your health pass. So is it more linked to a detox of promotional activity rather than restriction of COVID? And have you seen an improvement so far at the start of Q4? Thank you.

Alexander Lacik, CEO: [00:50:24] We will not comment on Q4. As a matter of principle, so I'll just skip that question. The French result is from what we can understand. And first of all, here's a big reduction of promotions, which obviously has an impact on traffic. But we also see that, you know, these restrictions where you have to show these passes to get into the malls is also having a dampening effect, which we saw the same thing in China last year where they did, you know, temperature checks to let you come in through the mall. So which of course, some people then said, well, then I'm not going. So those are the two main factors as far as we can see.

Operator: [00:51:15] Our next question comes from Piral Dadhania with RBC Capital Markets.

Piral Dadhania, RBC Capital Markets: [00:51:23] Yeah, hi, good morning, everyone, so I just come back to Brilliance, please. My question around that is, the timing of the mid-term revenue targets that you set, which were earlier this year at the time when you, you know, are targeting plus 5 to 7 percent organic revenue growth through to 2023. Did that include the contribution of Brilliance which only today you've confirmed you're going to be rolling out in 2022 or is the incremental Brilliance revenues that may be coming from next year potentially on top of those mid-term targets? That's my first question. And then secondly, just still sticking with Brilliance as we think about a broader rollout. Could you just help us understand the potential resource requirements from a marketing spend perspective to increase visibility of the product? And then secondly, in terms of working capital, obviously a very tight working capital ratio at the moment. But should we expect some expansion to reflect product availability in stores as you roll that out? Thank you.

Anders Boyer, CFO: [00:52:34] Hi Piral, Anders here. On the Capital Markets Day target, the 5 to 7 percent growth and Brilliance. Yes and no. The way to think about the 5 to 7 percent growth is that we have a portfolio of strategic levers that can help. Each can help us deliver on that 5 to 7 percent growth. But whether it's Brilliance that's going to contribute to that, whether it's to what extent it's ME, to what extent is the our core platform and variables as as an example Moments, China, US, that remains to be seen. But so to speak, there's many ways to Rome. One of the ways to Rome and the 5 to 7 percent target is Brilliance. But we're not depending on Brilliance succeeding in order to deliver on that 5 to 7 percent growth. So that's, I think, what we tried to communicate at the Capital Market Day, but obviously also means that if we succeed on Brilliance, on Me, in China, in US, with our core Moments platform, there's also firepower to deliver more than the 5 to 7 percent growth target. On Brilliance, on the networking capital piece, the capital impact will be directly related to what kind of a piece of our revenue it will be. If we end up that it becomes a substantial part of our revenue, I think incrementally the net working capital in that sort of Brilliance business model will be higher than the around zero that what we are at in the rest of the business. So you can kind of say, I kind of hope it will be impact our net working capital in a negative way, meaning that a higher percent of revenue, because that means that Brilliance is is becoming a notable part of our business. But exactly how that plays out. I can't be more specific about... yet we're still fine tuning the business model, but I don't think we can operate it at around 0 percent of revenue networking capital.

Piral Dadhania, RBC Capital Markets: [00:55:04] Okay, thanks, Anders. Maybe if I could just follow up. So do you have any indication of what the maturity profile would look like when you launch in a new market based on what you've learned in the UK? I think you said in your press release that you are targeting potentially up to 5 percent of revenues coming from that from that platform. What sort of time frame would you be working on to get to that type of number?

Alexander Lacik, CEO: [00:55:29] I mean, again, we're kind of speculating, I would say that I don't expect it to happen on month one. On the other hand, I'm not going to wait three years for us to get there either. If UK is any indication, we got to, let's call it 3 to 4 percentage points in the top stores in the first couple of months. So I would say, you know, give it a year or so that that's probably what I would guess looking at kind of the history here. And I think the kind of, let's say, the difficulty to estimate this has been around when we launched other items. They all kind of sit in the same price range. They sit in the kind of known collections so that customers are used to. This is a very different animal and that's why we're being, you know, a bit more careful about how we go about this so that we can adjust as we go. And then sorry, I just realized I forgot to answer a question from Lars early on when it comes to the supply situation on Brilliance, I'm getting old. So, you know, apologies for that. We have sufficient supply available. We haven't disclosed who we're working with, but we have enough supply to go for the Q4 trading that's not a concern of ours. On the other hand, you know, preparing a major country rollout or a couple of countries rollout does require a bit of time because you actually have to grow the rough and then go through the normal kind of polishing and cutting and setting process. So that's a process in and of itself. But for Q4 trading in the UK we're good.

Operator: [00:57:18] Our next question comes from Antoine Belge from Exane BNP Paribas. Please go ahead.

Antoine Belge, Exane BNP Paribas: [00:57:27] Yes, hi, good morning, it's Antoine Belge from BNP Paribas, two questions still on Brilliance, so it is possible to understand which sort of qualitative that, you know, that you looked at to take that decision to roll it over because, you know, since it's not really based just on sales because it's still a relatively low amount of your sales or any sort of, you know, other metrics that you considered, unless it's just actually one clarification on the on the rollout. So my understanding was that, yes, of course, it would still remain as a third party in terms of sourcing the stones themselves. That was my understanding was that the cap on polish would be initially done externally, but then potentially the internalized like the settings, so is that decision already taken? Or will that require maybe a certain amount of volumes? So to take the decision to also internalize the cut and polish? And my second question is on online, I think line what is positive versus the last quarter, which seems to be maybe a bit ahead of what you were guiding for. So was it a surprise for you? And also, do you expect that in Q4, we could also have a positive year on year increase from online? Also and specifically online, it seems that really in China, when stores are closed or traffic down, there is absolutely no mitigation from online. So maybe can you explain why it was that the case specifically for China?

Alexander Lacik, CEO: [00:59:15] And OK, on your first question, let's because there were a couple of questions in there. The first one is on have we decided to change the supply chain set up on Brilliance to take some parts in-house? Not yet. So there is no decision to change that. So that's point one. The second question you had at what call data. So we were looking at who is, is this customer that's buying? And we see that, you know, the going in position was that we are trying to leverage people that are already in our store. So we're speaking to let's call them Pandora customers, and that's coming through. So we see 60 to 70 percent. It depends a little bit by store, but thereabouts seems to be the existing Pandora customer age profile, not unexpected, a little bit higher than than the average. But I think the you know, the key question was around the what type of conversations we're having with our customers. What are the kind of main topics of discussion? And of course, one which we were concerned about was the price point. You know, is this a price point that's going to go down with these customers? This based on on the kind of exit interviews that we've done, both from customers that have just been in or customers that have actually purchased. This does not feature as a key barrier, which again confirmed what we learned in our concept testing ahead of the launch. Those are probably some of the main criteria. Then there's been some very important learnings around the assortment and the distribution of the assortment. As I mentioned where we see different kind of uptakes depending on what we show and where we show. Yeah, I think those would probably be the top couple of call points that we've been looking at. And then I think that.

Anders Boyer, CFO: [01:01:20] China and online pickup in China during the lockdown

Alexander Lacik, CEO: [01:01:25] Yeah. So your first question was, do we expect Q4? And I don't think we will comment on on channel mix for Q4 ahead of Q4. So what happens happens. And I think the point here to to mention is that we are quite agnostic to where the sale happens, as we've discussed a couple of times before, because, you know, if you do a channel P&L, it doesn't really matter that much whether this transaction happens online or in our physical store necessarily. And then to your question on, you're right in saying that when traffic in the physical stores goes down in China, we don't seem to get the same transfer of or migration of traffic online that we've seen pretty much everywhere else in the world. I, honest to God, don't have a good answer to why that is. I could only speculate, but I don't have any facts on why this is happening.

Antoine Belge, Exane BNP Paribas: [01:02:30] Well, thanks, thanks for your question. So far, admitting that when there is no answer to one question, that puts us in a way quite appreciated, thank you.

Operator: [01:02:47] As a reminder, if you do wish to ask a question, please press zero one on your telephone keypad. Our next question comes from Martin Brenøe with Nordea. Please go ahead. If you have your phone on mute, please unmute so you can ask your question. Our next question comes from Magnus Jensen with SEB. Please go ahead.

Magnus Jensen, SEB: [01:03:34] Thank you, guys. Thank you for taking my question. Just two quick ones from me. The first one on Pandora Me. It takes a pretty good pick up here in Q3 to 4 percent of revenue is this just because you're selling into stores ahead of the launch. And the second question is on the full price sales at full price in Q3 in the US, where you say 98 percent. Can you comment on what level this comes from? In Q3 2019, 2020? That's it for me. Thank you.

Anders Boyer, CFO: [01:04:06] Hi Magnus, it's Anders here. Yeah, at least on the on the first question on the sell in. Yeah, that's the case. And if you could see the breakdown of the 4 percent of revenue coming from Me in in Q3, you would also see that it's, I think something 70, 80 percent of that is into the franchised channel because they're buying obviously ahead of launch and then sell-out is there isn't a lot of sell out on Me in Q3 because we launched it on the very last day of the quarter.

John Bäckman, Head of IR: [01:04:44] So I take the second one. Yeah, yeah. Hi, Magnus, this is John. Just on your second question on the stronger basket, you're right at 98 percent of the of the business was at full price in the US in Q3, that's up 35 percent versus 2020. So it's healthy growth, so lower promotional days in both physical stores and online.

Magnus Jensen, SEB: [01:05:10] Ok, so what was full price sales in Q3 2020 and can you comment on number of those sales?

John Bäckman, Head of IR: [01:05:20] Yeah, 35 percent higher. This year.

Magnus Jensen, SEB: [01:05:24] Okay, thank you.

Operator: [01:05:40] Our next question comes from Deborah Atkins with Sinberg Intelligence. Please go ahead.

Deborah Atkins, Sinberg Intelligence: [01:05:48] Hello. I have a question which actually relates around your Slide 38, when I'm looking at your raw material as part of production costs. Just thinking about the type of product that's making of Pandora Me. And then also the Brilliance charge for next year and into 2023. Only fair to assume that your production would replicate similar to 2019 in terms of your breakdown, or is there something significantly changing there, especially given gold, which a couple of years ago was as far back as 10 percent of the mix? And I'm just trying to get a feel ahead of how you're managing that and where you are in your hedging for gold and then also for silver and what we can expect for silver pricing and then separate to that. How much of this rise inflationary cost behind your precious metals? Are we going to be able to see pass through with some of your new designs? So that's the first question, please. Second question is to get a little bit more of a feel of the circa 35 percent of revenue by country outside of your key country. If you could just give us an idea of some positive pointers there and any positive sell-out for some of those other countries, that would be great. Thank you.

Anders Boyer, CFO: [01:07:20] Hi Deborah, it's Anders here. Yeah, I maybe started on at least on the first one or two questions on the production cost breakdown, I think the way I would answer it, whether the the breakdown they would have on slide 38 in the investor presentation, whether that changes, it's a direct link to what kind of share of business that not least Brilliance will end up being. So again, like what I said earlier on when the question from Piral from RBC. I hope the picture of this breakdown that we have on slide 38 will change because that will mean that Brilliance have have have become a bigger part of our notable part of our business. So but let's see. On the hedging part, we are so roughly from a P&L point of view, hedged one year out on silver and gold. So we're hedging 70 percent of the next one year of production. But then if you include the time lag that comes from production and you put products into inventory and it hits the P&L, then are roughly covered one year out on silver and gold. We are not hedging diamonds yet, but that I think that if and when we get to a global rollout, it will get into becoming part of our normal hedging machine once we get there. And then on the on silver we are with the current spot price just it's going so plus minus 24 US dollars, then on a run rate basis compared to today, I think we'll have to be very precise a 90 basis points headwind as a run rate on the silver prices compared to what we saw in the third quarter of this year. In the third quarter this year, we roughly had for the full year right around the 21 US dollar silver average silver price in the P&L. And if we are at around 24 today, it's roughly 90 basis points that will step by step hit our P&L during the next year or so. And then I didn't get the last question.

Deborah Atkins, Sinberg Intelligence: [01:10:01] So I'm just sorry, just on the back of that, do you expect gifts given we're expecting yourself and everyone in the industry to have really some pressure on cost and some of that will be absorbed, but there are some one off to counter that. Are we expecting to get some price and mix positive element within 2022 from the relaunch, from some of the new products coming through to absorb those costs?

Alexander Lacik, CEO: [01:10:31] First of all, we are not looking to pass on any of these costs, as we've said, you know, repeatedly in the past. You know, we play in the mass market and we need to be very cautious with the elasticity and we'd rather kind of get more people coming to us than necessarily jacking up the prices to that effect. And then, you know, then of course, we drive efficiencies in the plants. But from a mix standpoint, I don't think we are ready to comment on next year today. So that, I think is a little bit premature.

Deborah Atkins, Sinberg Intelligence: [01:11:14] Thank you. And then and then my other question is just on the other major countries or countries that stand out for even where there's potential, where we're starting to see a return to positive sell through outside of those that you don't list, whether you could highlight some of those two things.

Anders Boyer, CFO: [01:11:37] And on the markets outside of the key markets, that's been quite some, that it's been quite hard hit by the pandemic. All of the Asian markets, also outside Australia and China, has been probably the hardest hit, and some have been in basically full lockdown for, if not all of Q3, then a big chunk of Q3 and are still in quite a lot of restrictions. Latin America still also fighting a bit with the pandemic. But we do see that as restrictions are eased in those markets, we can see that very fast in the numbers. So and obviously we have our business reviews every month. We do say, OK, this is the performance in that market in that country. What's the COVID 19 impact? And then we make our own back of the envelope assessment of, had it not been for the pandemic impact, would that market be in plus or not? And I think as a general note, I think we feel quite comfortable that the majority of our markets would be trading on the right side of growth in positive had not been for the pandemic. They will always be exceptions when you have a market, when we are operating in 100 markets, but as an average on all the smaller markets, I think once the pandemic is out of the equation at a point in time, then I think we will see that they are contributing to the top line growth in the company.

Deborah Atkins, Sinberg Intelligence: [01:13:23] Thank you. And one last one. Is it fair to assume a return to or toward, I guess, organic sales growth in the Pandora concept stores in Q4? I saw they made a very good shift again from Q2 to Q3. Do you have plans for Q4 or Q1 recovery there again? Is that partly linked to closures already? You know, you're assuming 5 percent go in towards the end of the year, though no different change in situation, would we see positive concept store in Q4?

Anders Boyer, CFO: [01:14:01] I think it's still we assume that there will still be a change in behavior because the pandemic is still sort of not gone now in Europe, we've been in sort of a fairly unrestricted for a while, but it's getting into the dark part of the year and COVID cases are going up again. I think at least for a preparedness point of view, we still assume that we will have to be able to absorb quite some level of transactions online. Also, so getting ready for that as a kind of insurance premium, if in some parts of some markets should go into lockdown again, then we have some capacity to transact more online. I think it will. We don't expect as a whole the physical stores to be back in plus. Not yet.

Deborah Atkins, Sinberg Intelligence: [01:14:59] Thank you.

Operator: [01:15:03] Our next question comes from Martin Brenøe with Nordea. Please go ahead.

Martin Brenøe, Nordea: [01:15:09] Hi. Sorry about that. But thank you for taking my question and congrats on the quarter. I'll just start out with two questions related to the Q4 guidance. Before going into the quarter, we were discussing that there might be a risk of spending going from physical goods to services in the second half of the year. Doesn't really seem to have happened in Q3 yet. So what's the assumptions for Q4 on that behalf? And also on the impact guidance? Did I understand you correctly saying that Pandora Me relaunch is not indebted to the guidance of US?

Anders Boyer, CFO: [01:15:51] Hi Martin, maybe I can take both of those questions, I think. For Q4, we are assuming that the kind of behavior that we've seen so far in the third quarter, which is I do not have a significant shift back to services, a very big change of behavior that continues into Q4. So be business as usual compared to where we are as of today. That's the that's the thinking so implied in the guidance is not a big shift one or the other way around. Pandora Me is in Q4 guidance and thereby the full year guidance. So with a certain set of assumptions, because we always had Pandora Me revenue also in the third quarter. And before that on the old platform, but it's definitely in the guidance.

Martin Brenøe, Nordea: [01:16:50] Thank you, I'll jump back into queue.

Operator: [01:17:07] Our next question comes from Carina Cheeta with Goldman Sachs. Please go ahead.

Carina Cheeta, Goldman Sachs: [01:17:12] Hi there, and thank you very much for such a clear and comprehensive call so far. And I just have a quick follow up, if you don't mind. Thanks for the context earlier that the majority of Pandora Me sales in the quarter was due to sell-in. I just have a quick question on the sell-out data. I think in the appendix, it says that the two year stack of sell-out was up 275 percent. Just given the timing of the launch. Is there anything that we should bear in mind in terms of launch differences between the 2019 launch and 2021 launch that can just help us contextualize that figure? Thank you.

Alexander Lacik, CEO: [01:17:47] I think I mean, you shouldn't read too much into Pandora Me for Q3, to be honest, the launch only really started the last day of of the quarter so that, you know, I think we will talk about Pandora Me in February when we have a full trading quarter under the belt. I think what you see there is probably more sell in to partners that you were discussing or what?

Anders Boyer, CFO: [01:18:14] Yeah, there was a sell out versus I was just thinking back on on on Q4 of 19 when exactly we launched that there. But at least from what you can see on a year over year basis versus Q4 of 2020, we had minus minus 41. But that's obviously a reflection of that partners and customers are waiting for the new thing to hit the stores, which it only did on September 30. So we've not been pushing Pandora Me up on the old platform ahead of the launch.

Operator: [01:19:00] We have no further questions, I hand back to our speakers.

Alexander Lacik, CEO: [01:19:06] Ok. I mean, we'll make the process short, thank you very much for joining us. As I said, we consider this as a high quality growth quarter. Well prepared going into Q4 and well, unless we hear from you before then. Merry Christmas and see you on the other side of the year. Thank you very much.