



# Full Year Results 2019

INVESTOR PRESENTATION

# Agenda of today

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## FULL YEAR 2019 HIGHLIGHTS

Update on Programme NOW

Programme NOW in 2020

Q4 2019 financial performance

Full year 2020 guidance

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### FORWARD-LOOKING STATEMENTS

This presentation contains forward-looking statements, which include estimates of financial performance and targets. These statements are not guarantees of future performance and involve certain risks and uncertainties. Therefore, actual future results and trends may differ materially from what is forecast in this report due to a variety of factors.

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# Programme NOW delivers strong early results



PROGRAMME NOW  
ON TRACK



IMPROVED  
PERFORMANCE IN Q4



FY 2019 RESULTS WITHIN  
GUIDANCE

# 2019 was the first year of turnaround

**Revenue**  
DKK billion

**21.9**

(-6% local currency growth)

**Organic growth**

**-8%**

(-2% in FY 2018)

**Total like-for-like**

**-8%**

(-4% in FY 2018)

**EBIT margin**  
excl. restructuring costs

**26.8%**

(28.2% in FY 2018)

# Agenda of today

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Full year 2019 highlights

## UPDATE ON PROGRAMME NOW

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# Status after year one in Programme NOW – Several milestones achieved



## Brand Relevance



Brand Relaunch on 29 August with a new visual identity, tag-line, logo and monogram



Increased media investments in top 10 markets except for China



Exciting new product launches such as Pandora ME, Harry Potter and O-carrier



New social media strategy including use of six global muses, influencers and celebrities like Shakira and Millie Bobby Brown



## Brand Access



New store concept developed and pilots rolled-out



New and improved Pandora online stores



Omnichannel being piloted in the US together with franchise partners



Network strategy revisited



## Cost Reset



DKK 675 million in 2019 with run-rate impact end of 2020 of DKK 1.4 billion



More than 120 cost saving initiatives paying off



Significant reduction of IT vendors. Plan to go from 60 to a few reducing annual IT costs by DKK 0.2 billion



## Commercial Reset



Reduction of sell-in packs



35% fewer promotional discounting days



Inventory buyback of DKK 0.7 billion

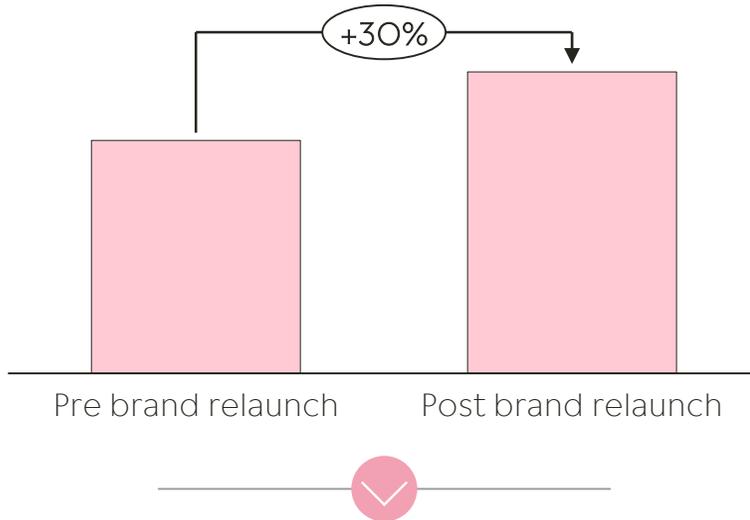


30% reduction of the product assortment

# Key brand metrics have clearly improved since the brand relaunch

## UNAIDED ADVERTISEMENT RECALL

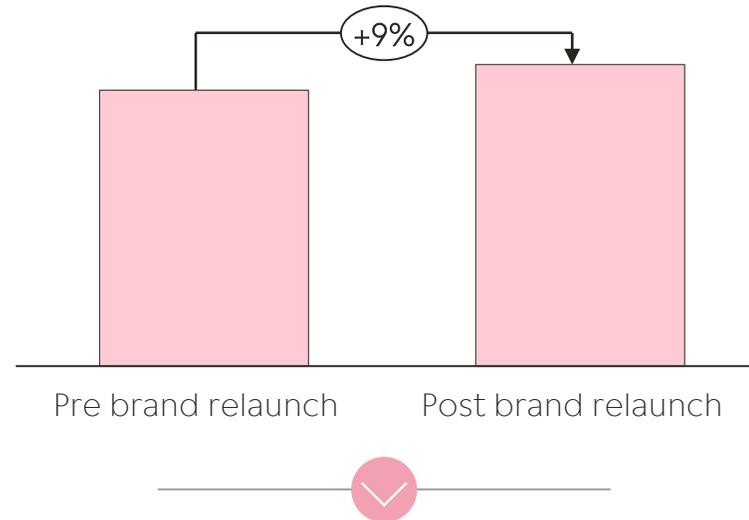
Q: Name jewellery brands that you can remember having seen an ad for in the past 3 months



- After a significant marketing push across media channels, "unaided ad recall" has increased materially for all top-7 markets

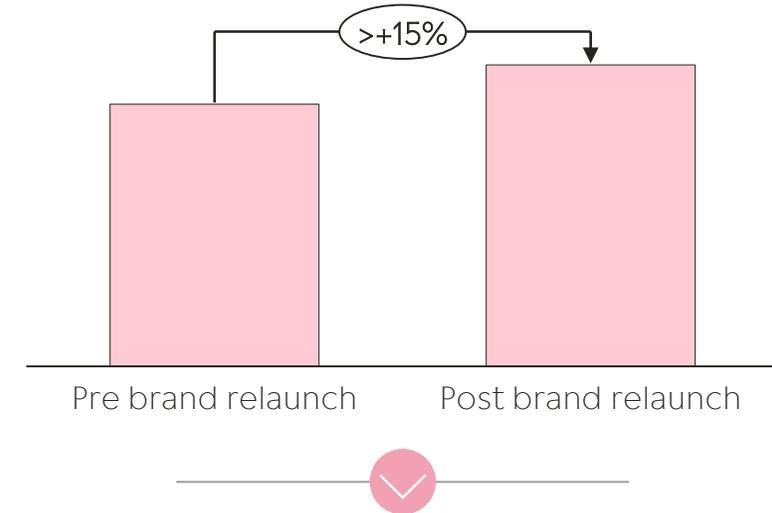
## UNAIDED BRAND AWARENESS

Q: Name jewellery brands that come to mind



- Positive indications on "unaided brand awareness" for all top-7 markets

## GOOGLE SEARCHES<sup>1</sup>



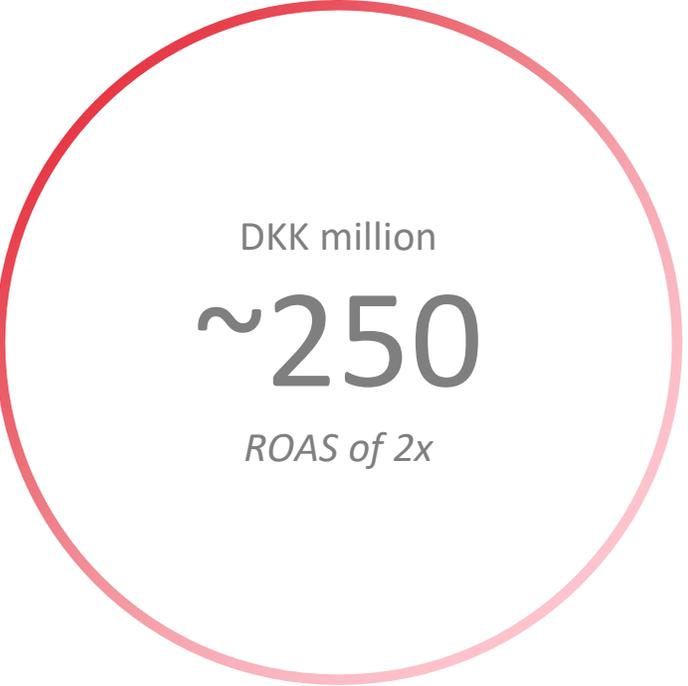
- Increased google activity across markets with especially a strong pickup in December

Source: Pandora brand tracker surveys

Note: Pre brand relaunch period is 12 months before brand relaunch. Post brand relaunch period is from September 2019 to December 2019. Google searches are measured through +20,000 key words related to Pandora. <sup>1</sup>China not included

# Increased brand engagement visible in improved traffic trends

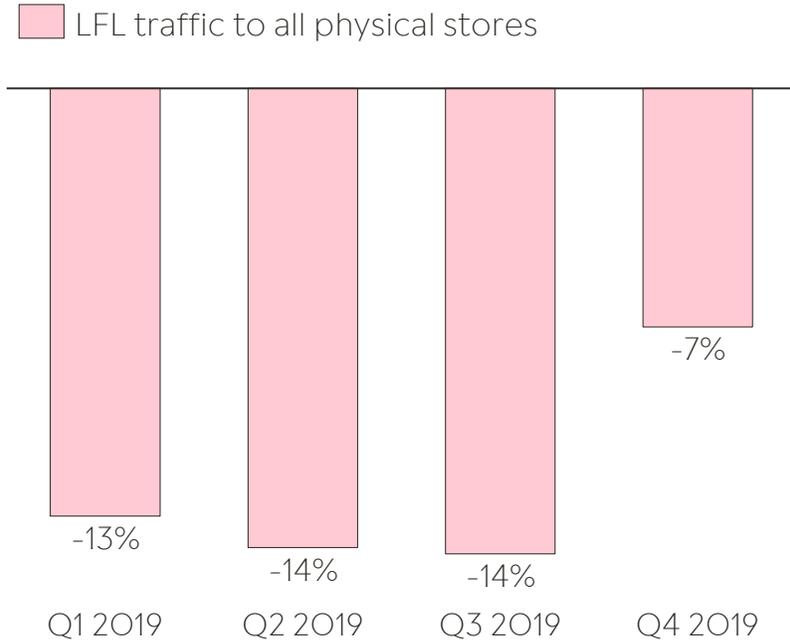
## A SIGNIFICANT PUSH OF ADDITIONAL MARKETING INVESTMENTS IN Q4...



## ... USING TESTED AND BENCHMARKED CONTENT ACROSS MEDIA CHANNELS

- Examples*
-  Significant push of the Pandora TV campaigns beginning with activating Black Friday and then the Christmas campaign "Show her that you know her" in all key markets except for China
  -  Personalised social media strategy beginning with the activation of Pandora Me. Improved focus on digital targeting and influencers to drive engagement and reach

## TRAFFIC TO PHYSICAL STORES IN KEY MARKETS IMPROVED MATERIALLY



# Programme NOW initiatives leading to a significant momentum change in key markets

## MATERIAL LIKE-FOR-LIKE IMPROVEMENT IN MOST KEY MARKETS

-  Improved performance in US
  - Sequential improvement in like-for-like to -3% compared with -9% in Q3 2019. The improvement is based on strong Black Friday performance and a solid finish to December trading

-  3 key markets in EMEA delivered positive like-for-like in Q4
  - Italy, France and Germany completely changed the trajectory in Q4 delivering positive like-for-like
  - The UK like-for-like trajectory improved
  - All markets driven by a well-executed Black Friday, strong Christmas and solid product performance

-  Disappointing performance in China hampering group performance
  - Weak performance in China as traffic into physical stores continued to deteriorate – recovery plan being developed
  - Australia had a small sequential improvement in like-for-like. Performance impacted by supply chain constraints and continued

LFL development	Q3 2019 YTD	Q4 2019	Deviation, pp	
US	-6%	-3%	+3pp	
UK	-10%	-3%	+7pp	
Italy	-15%	7%	+22pp	
France	-21%	3%	+24pp	
Germany	-9%	2%	+11pp	
China	-8%	-22%	-14pp	
Australia	-19%	-14%	+5pp	
Group*	-10%	-4%	+6pp	

\*Excluding Hong Kong SAR

# Refocusing on Pandora’s core value propositions combined with a solid product line-up have improved momentum – also for Charms

## PRODUCT LAUNCHES AMPLIFYING AFFORDABILITY & THE COLLECTABLE NATURE OF PANDORA CHARMS...

29 Aug



**O-carrier**

*Focus on wearing and collecting charms in a different way*

3 Oct



**Pandora ME**

*Focus on collectability and amplifying affordability*

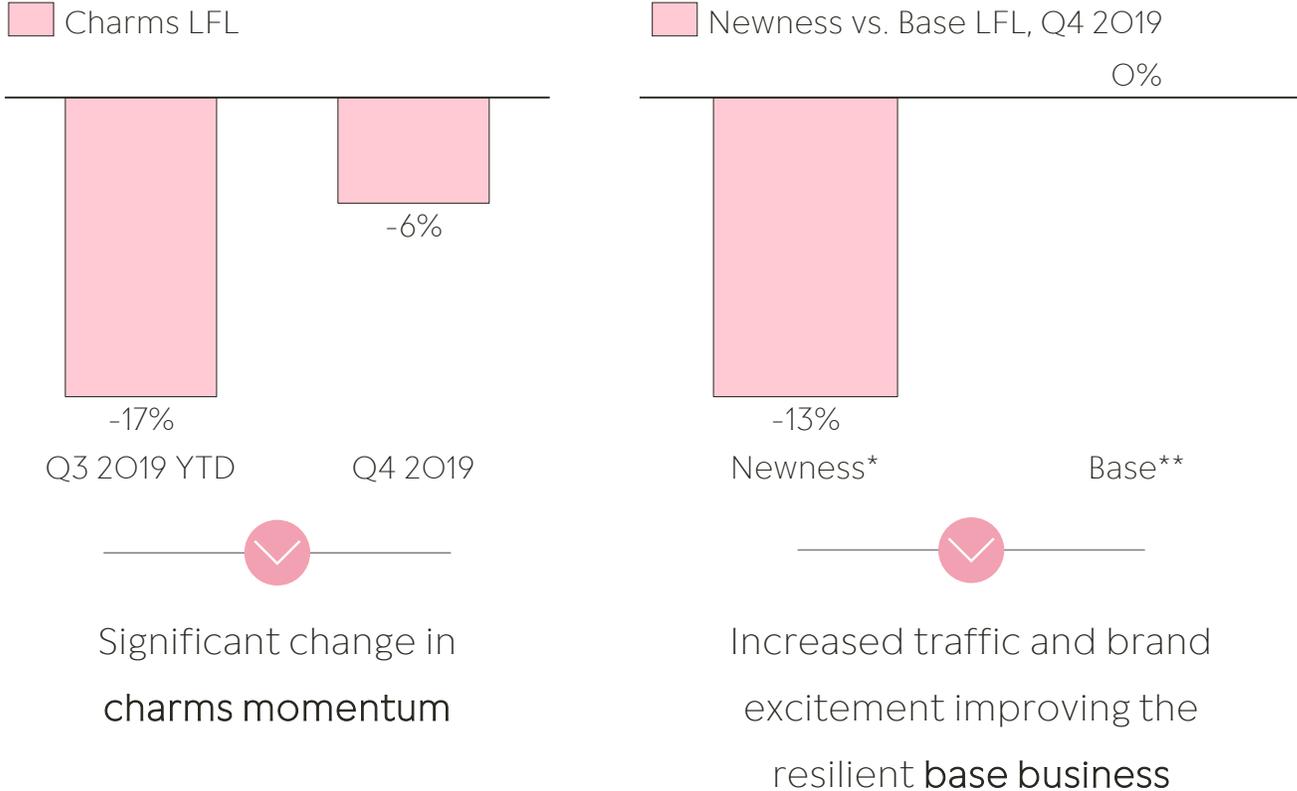
28 Nov



**Harry Potter x Pandora**

*Focus on collaborations and charms collecting*

## ...COMBINED WITH A STRONGER GO-TO MARKET AND MERCHANDISING STRATEGY HAVE POSITIVELY CHANGED THE MOMENTUM



\*Products launched within the last 12 months  
\*\* Products launched before the last 12 months

# Promotional discounting activity substantially reduced in 2019 with more to come in 2020

## GLOBAL PROMOTIONAL DISCOUNTING DAYS REDUCED BY 37% COMPARED TO Q4 2018...



Q4	-54%	-33%	-63%	-33%	-44%	-23%	-5%
FY	-53%	-48%	-50%	-27%	-26%	-5%	-18%

### 37% fewer promotional discounting days in Q4 2019

- Impact on total like-for-like was around -1pp as Black Friday and winter sale did well
  - The impact was significantly more negative in the first two months of the quarter (pre Black Friday)

### In 2019, promotional discounting days were cut by 34%

- Like-for-like impact is estimated to be around negative 2pp for the year
- US and the UK reduced the number of promotions by 10 and 8, respectively

## ...AND REDUCTION OF PROMOTIONAL DISCOUNTING ACTIVITY WILL CONTINUE IN 2020

### Further detox to continue in 2020

- Fewer promotional days in 2020 than in 2019
- The reduction will not be as material as in 2019
- Targeting roughly one quarterly event + 2 annual sales in each market. Key local trading events may come on top



Reduced promotional activity will impact *like-for-like* and *organic growth* negatively by around 1 percentage point



## Promo guardrails remain

- ♥ Protect the brand integrity
  - Rebase sales by reducing promotional discounting intensity between major gifting-retail-promotional periods
  - Amplify product launches in periods between promotions
- 🔍 Amplify specific promotional periods
  - Focus on brand-building promotions such as limited editions and celebrating special occasions

# Additional cost savings potential identified mainly in “Cost of Sales” and “Other” – 2020 run-rate target increased to DKK 1.4 billion (from DKK 1.3 billion)

COST CATEGORIES	COST INITIATIVES & IMPROVEMENTS	ANNUAL RUN RATE TARGET BY END 2020 (DKK billion)	SAVINGS ACHIEVED (RUN RATE END 2020, DKK billion)
Cost of sales	<ul style="list-style-type: none"> <li>Plating capabilities running in-house</li> <li>Efficiencies in manufacturing continue to be harvested as a result of process improvements</li> </ul>	0.35-0.4	
Retail expenses	<ul style="list-style-type: none"> <li>Continued focus on store labour efficiencies</li> <li>Lease renegotiations ongoing</li> </ul>	0.35	
Administrative expenses	<ul style="list-style-type: none"> <li>Travel spending significantly reduced over the year</li> <li>Spending on professional services also reduced</li> </ul>	0.2-0.25	
IT	<ul style="list-style-type: none"> <li>Plans for transition and transformation work in place to be carried out during 2020 with Accenture and TCS (Tata)</li> <li>Initial transition work has been completed during Q4</li> </ul>	0.2	
Other	<ul style="list-style-type: none"> <li>Simpler product portfolio driving savings across value chain</li> <li>Additional media tenders being run</li> </ul>	0.2-0.3	

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Full year 2019 highlights

Update on Programme NOW

## PROGRAMME NOW IN 2020

Q4 2019 financial performance

Full year 2020 guidance

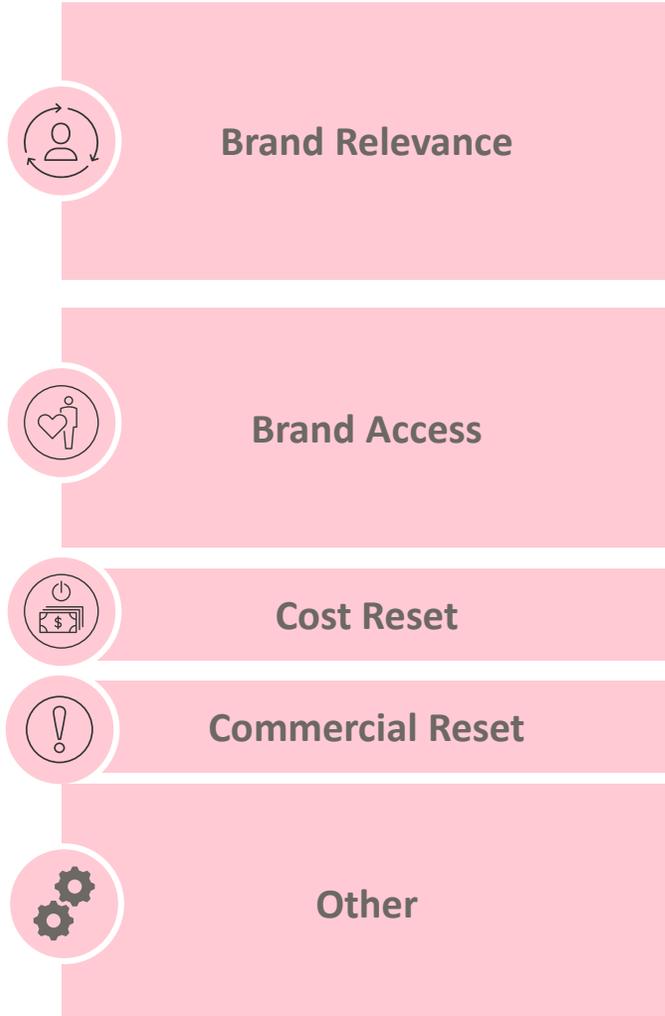


In 2020, Pandora will further accelerate commercial initiatives to drive brand relevance and brand access



# Programme NOW roadmap for 2020

## Turnaround objectives



## Key initiatives

Deep-dive

Accelerate the strong momentum of commercial initiatives
Development of a new product strategy
Execution of new go-to market and product launch calendar
Step-changing Pandora's digital capabilities
Execute on the network strategy
Roll-out omnichannel capabilities
Continued enhancement of the newly launched Online stores
Continued strong progress on cost reduction initiatives
Most completed in 2019. Further reduce promotional discount activity in 2020
Build organisational competencies and optimise processes
New ambitious sustainability targets
Win in China



Key focus remains

***Stabilisation of like-for-like and protecting industry-leading margins***

# Step-changing Pandora's digital capabilities

## BUILDING THE FOUNDATION FOR DIGITAL EXCELLENCE



Establish new Digital Hub in Copenhagen as centre of digital excellence



Employ more than 80 additional IT, Digital and data experts



Increase digital marketing spend significantly allowing for improved targeting and efficiency



*Designing, delivering and operating digital products and experiences for Pandora's global business*

## INVESTING IN ALL DIGITAL TOUCH-POINTS TO DRIVE REVENUE



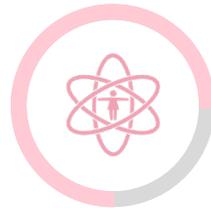
### IMPROVE PANDORA.NET

Increase conversion rate through faster and easier use. Driving complementary sales and enhancing engagement and collectability with more inspirational content and expansion of the bracelet builder function



### PERSONALISATION ACROSS TOUCH-POINTS

Make all touchpoints a personalised experience. Optimise return on marketing with data-driven and targeted promotions



### DRIVE OMNICHANNEL BEHAVIOUR

Create a strong link between concept stores and Pandora.net thereby creating a seamless integrated consumer experience across channels



### LOYALTY PROGRAMME

Scale the loyalty programme to more markets after piloting in Germany. Creating engagement, enhanced consumer-data and allowing further personalisation of offers and promotions

# Network strategy with focus on delivering best-in-class consumer experience

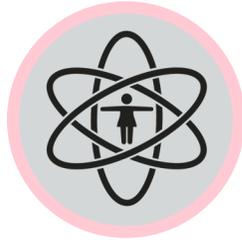
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key focus areas  
of the network  
strategy



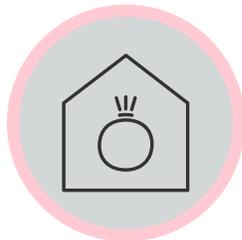
## TAKE ONLINE TO THE NEXT LEVEL

- Significant opportunities to further grow pandora.net through consumer journey enhanced features
- Online marketplaces to be opportunistically explored



## EXPAND OMNICHANNEL CAPABILITIES

- Implementation across all main online markets in 2020 as capabilities such as endless aisles and click-&-collect have proven to generate additional revenue



## CONSTANT OPTIMISATION OF THE CONCEPT STORE NETWORK

- The stores remain very profitable and account for the majority of revenue
- Continue the ongoing optimisation of the network
- Few store openings mainly in Latin America and China



## EXPLOIT OTHER SALES CHANNELS

- Selective use of high-quality multi-branded stores to attract new consumers and improve top of mind awareness and brand penetration



# Development of the concept store network



## PANDORA WILL ADOPT A SYSTEMATIC APPROACH TO THE STORE NETWORK

### PANDORA'S STORE NETWORK IS VERY HEALTHY

- The network consists of 2,770 concept stores, hereof 1,397 being O&O
- The O&O stores are highly profitable
- Low risk profile stores as leases are typically 3-5 years and with a generic store format

### STORE OPENINGS IN WHITE SPACE AREAS

- Store openings will continue in white space areas
- Greater use of shop-in-shops in relevant catchment areas - more CAPEX efficient and lower fixed costs

### SYSTEMATIC APPROACH – CONTINUED OPTIMISATION

- Relocations and closures are based on a bottom-up approach for the individual market
- Detailed catchment area analysis where relevant
- Global functional expertise and coordination added

## FRANCHISE PARTNERS REMAIN AN IMPORTANT PART OF OUR BUSINESS

1

### Working with partners

- Pandora will continue leveraging franchise partnerships as they remain an important part of the business model

2

### Ongoing assessment of stores

- Assessment of stores including potential takeovers will continue to be based on performance, operational set-up, competencies and scale to operate own stores

# Pandora sets new climate ambitions

*Pandora will be carbon neutral by 2025 and has joined the Science Based Targets initiative to reduce emissions across the value chain*

*As the world's largest jewellery maker, we are determined to reduce our climate footprint and help set an example for the wider industry*



**Carbon neutral**  
in own operations  
by 2025



**100% renewable energy**  
at our crafting facilities  
by 2020



**Committed to set a science-based target**  
to reduce emissions across  
full value chain

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Programme NOW in 2020

## Q4 2019 FINANCIAL PERFORMANCE

Full year 2020 guidance



# Material improvement in underlying performance

## Q4 2019 results

Revenue  
DKK **8.0** billion  
(-1% YoY growth in local currency)

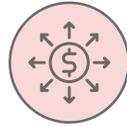
Total like-for-like  
**-4%\***  
(-7% in Q4 2018)

Organic growth  
**-1%**  
(-1% in Q4 2018)

EBIT margin excluding restructuring costs  
**35.3%**  
(32.0% in Q4 2018)

Free cash flow  
DKK **3.1** billion  
(DKK 3.0 billion in Q4 2018)

## Q4 2019 key highlights



- Organic growth significantly improved to -1% driven by improved like-for-like and stabilisation of the sell-in/sell-out ratio in the wholesale channel. Network expansion and shift of revenue from Q3 to Q4 in Italy contributed positively with more than 2pp



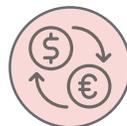
- Like-for-like improvement driven by increased media spend, improved advertisement content and a solid product line-up
- Three of the seven key markets delivered positive like-for-like in Q4. US and UK also improved performance
- Like-for-like in Online Stores was 27%



- Strong Q4 EBIT margin - 3.3pp higher than last year - supported by a continued strong gross margin, cost reductions and less deleverage effect than in previous quarters
- Cost reductions of DKK 350 million was delivered during the quarter (DKK 250 million from Programme NOW and DKK 100 million from Q2 2018 cost initiatives)



- Programme NOW restructuring costs amounted to DKK 0.5 billion of which DKK 0.2 billion impact cost of sales related to the inventory buyback programme and product assortment simplification

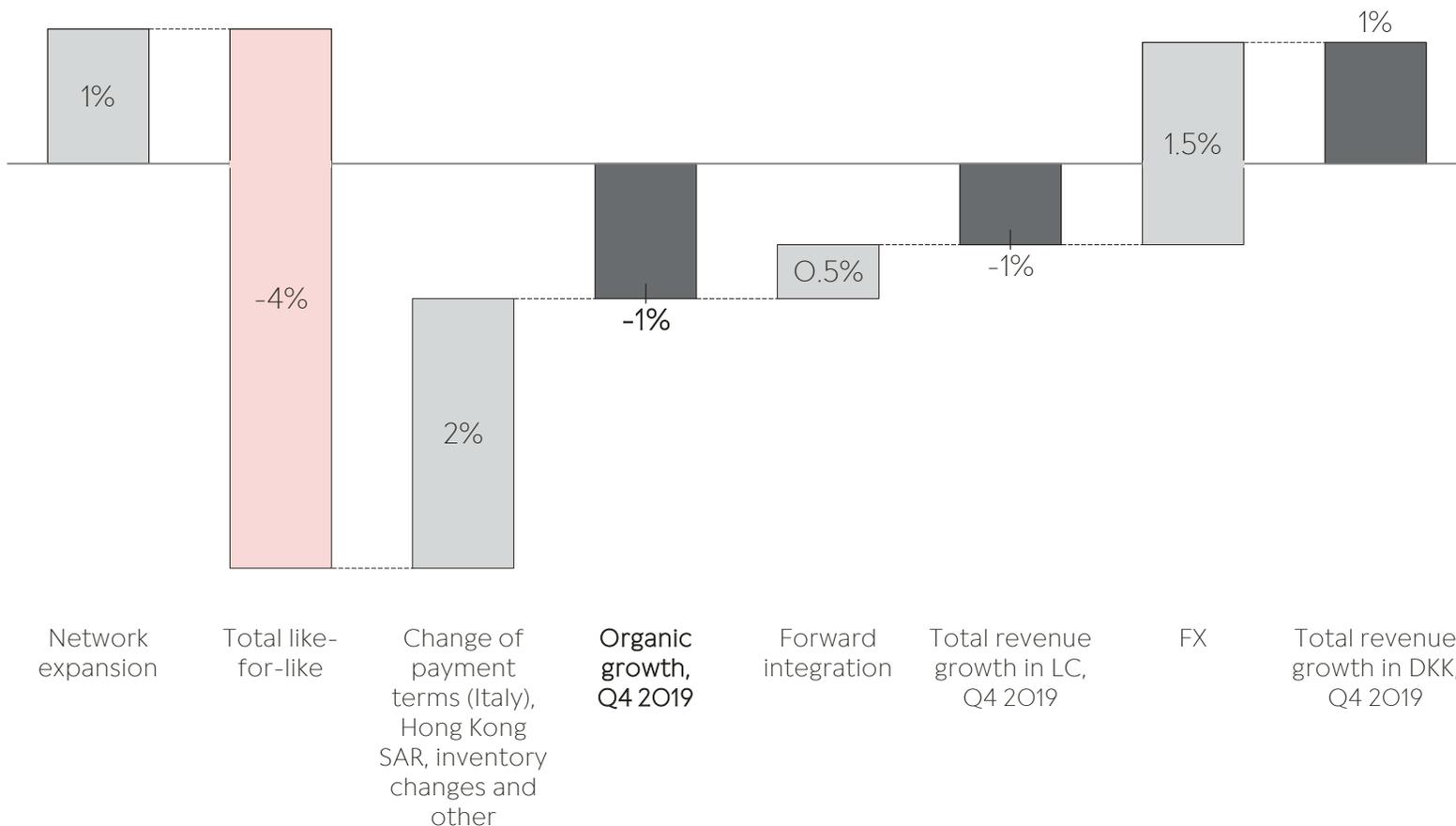


- Free cash flow remained high and cash conversion was strong at 120% (incl. lease payments) for the quarter
- Extraordinary low operating working capital level at 3.1% of revenue compared with 11.2% last year

# Organic growth almost flat as like-for-like materially improved in Q4 2019

## The brand relaunch was the catalyst for the improved performance in Q4

DKK million, %-p growth (approximately)



## Commentary

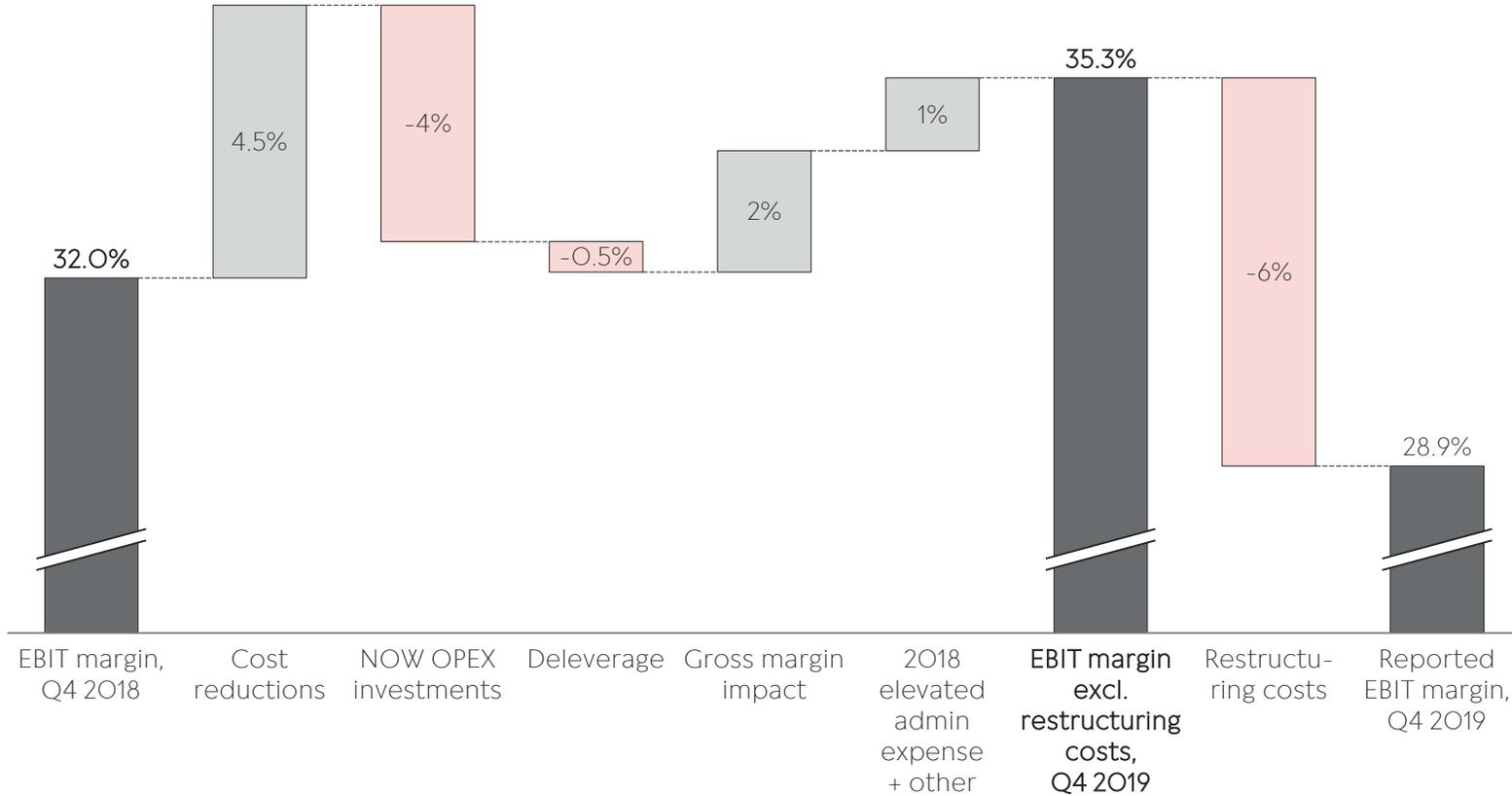
### Organic growth was -1% as total like-for-like improved

- Total like-for-like was -4% (-5% incl. Hong Kong SAR)
- Underlying improvement in most key markets offset by:
  1. Reduction of promotional discounting days
  2. Soft performance in China (-1 pp Group impact)
- Following significant reductions of inventories in the wholesale channel during Q1-Q3 2019, the sell-in/sell-out ratio in the channel stabilised in Q4 as planned
- In Q4 2019, the shift of revenue in Italy from Q3 to Q4 supported revenue by around DKK 0.1 billion
- Organic growth was positively impacted (around 1pp) by the addition of net 65 new stores since Q4 2018

# Significant EBIT margin uplift supported by strong gross margin and cost reductions

## EBIT margin excluding restructuring costs of 35.3%

%-p growth (approximately)



## Commentary

### EBIT margin of 35.3% excluding restructuring costs

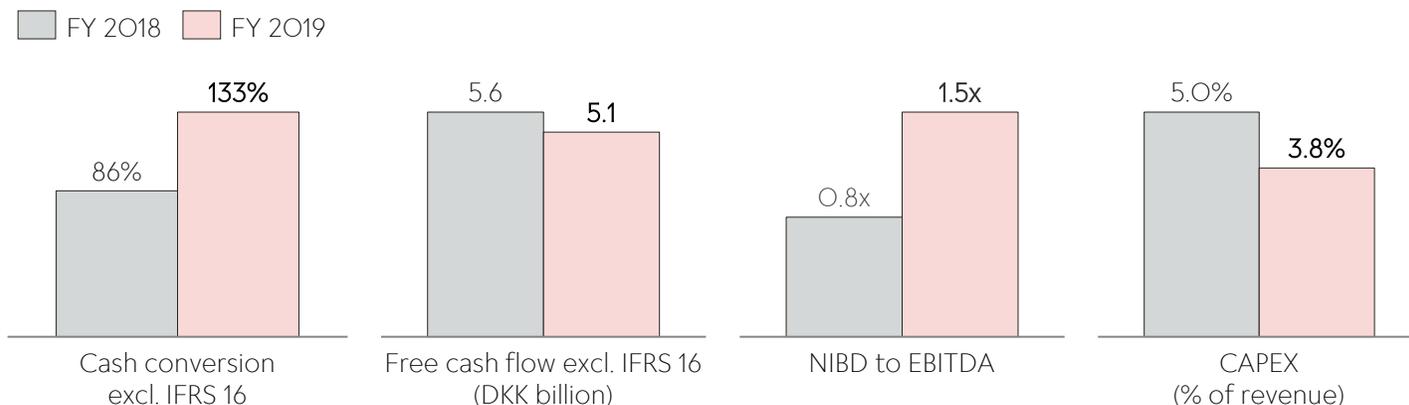
- Cost reductions impacted around 4.5pp
  - Programme NOW: Around DKK 250 million
  - Q2 2018 cost initiatives: Around DKK 100 million
- NOW OPEX investments amounted to around 4pp driven by the additional marketing spend across markets
- Gross margin supported by less forward integration (less write-down of acquired inventories), tailwind from commodities, lower standard (production) time and a higher share of own retail revenue

### Restructuring costs of DKK 0.5 billion

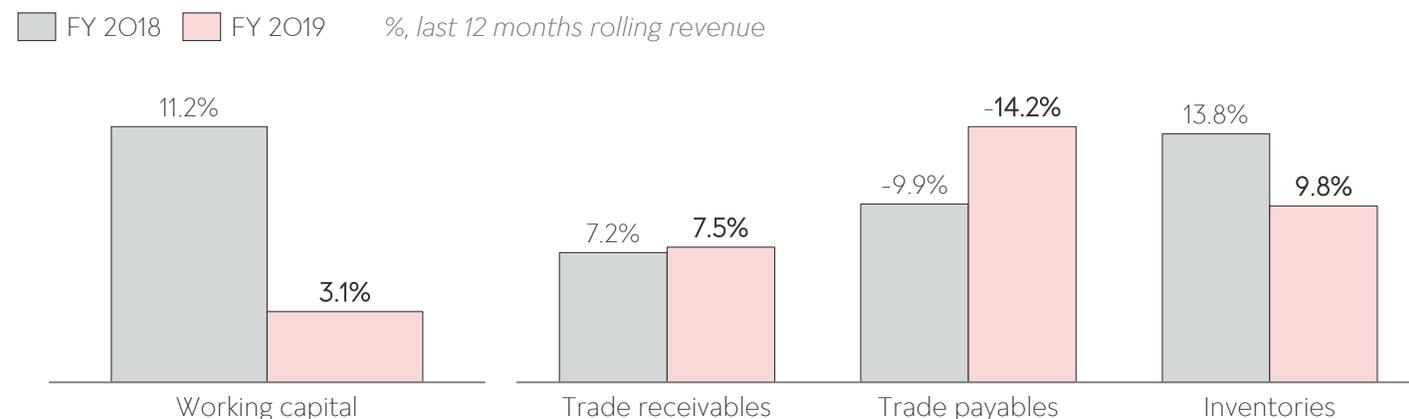
- Cost of sales was impacted by DKK 0.2 billion related to the inventory buyback and product assortment simplification
- OPEX was impacted by DKK 0.3 billion including consultancy expenses and IT transformation expenses
- Non-cash expenses amounted to DKK 0.2 billion and are mainly related to write-down of certain IT projects and product assortment simplification

# Strong free cash flow in 2019

## Strong cash conversion of 133% excluding IFRS 16



## Lowest ever recorded operating working capital ratio of 3.1%



## Commentary

Continued strong cash generation of 162% (133% excluding IFRS 16) in 2019 driven by

- **Operating working capital** reduced from 13.1% in 2017, to 11.2% last year and now a record low 3.1% driven by a material decrease in inventories and trade payables boosted by NOW restructuring costs
  - Inventory at 9.8% of revenue is not a sustainable level and will increase during 2020
  - Normalization of the trade payable level will also negatively impact 2020 cash conversion
- **CAPEX** amounted to DKK 0.8 billion for the year, which is 27% lower than last year, due to fewer store openings and lower IT CAPEX
- **The leverage ratio** increased to 1.5x reported EBITDA (adjusted for IFRS 16, NIBD to reported EBITDA would have been 1.0). This is in line with the communication in connection with the Annual Report 2018 and is due to among others the significant restructuring costs

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**FULL YEAR 2020 GUIDANCE**



# Financial guidance 2020

Organic growth

**-3% to -6%**

EBIT margin excl. restructuring costs

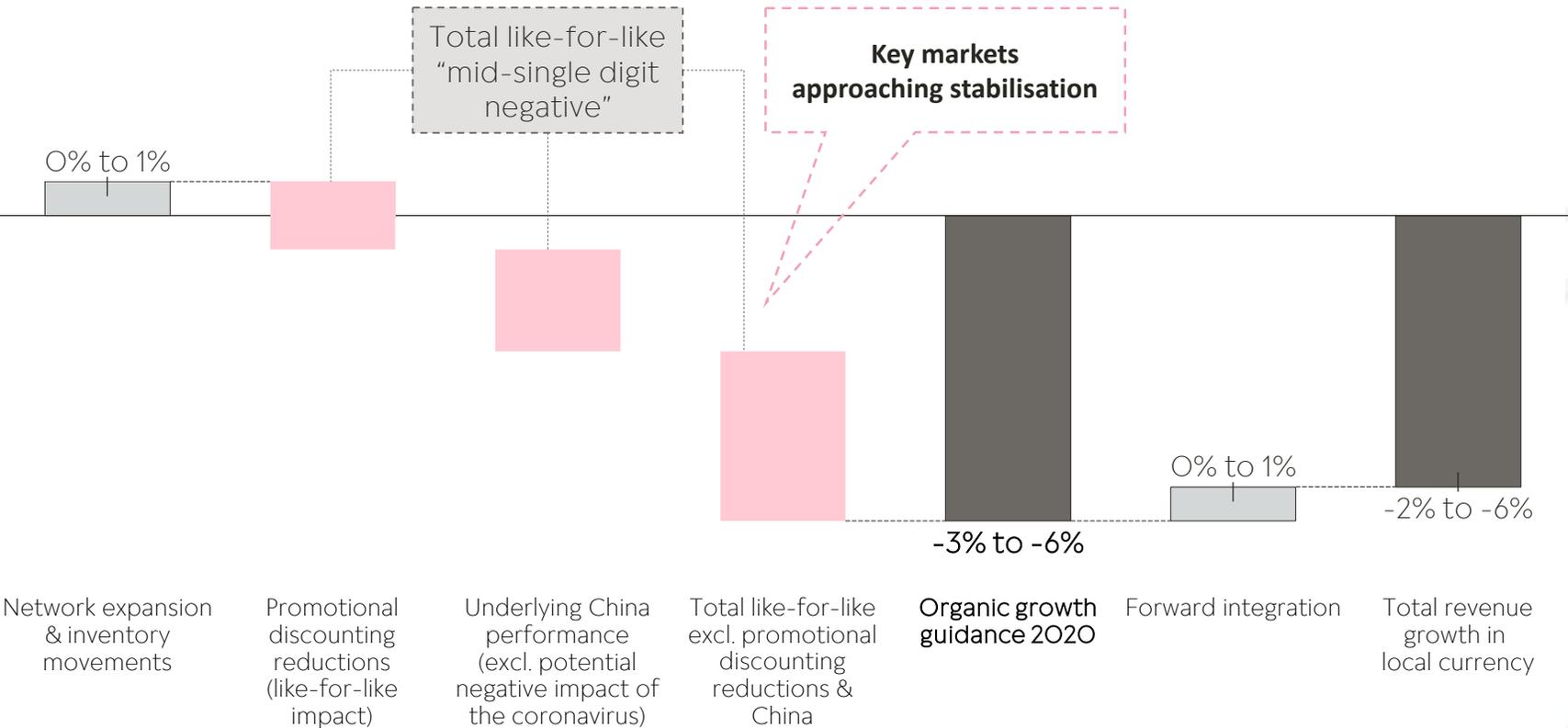
**Above 23%**



# Full year 2020 organic growth guidance bridge

Organic growth expected to be “-3% to -6%”

%-points, approximations



## Organic growth drivers

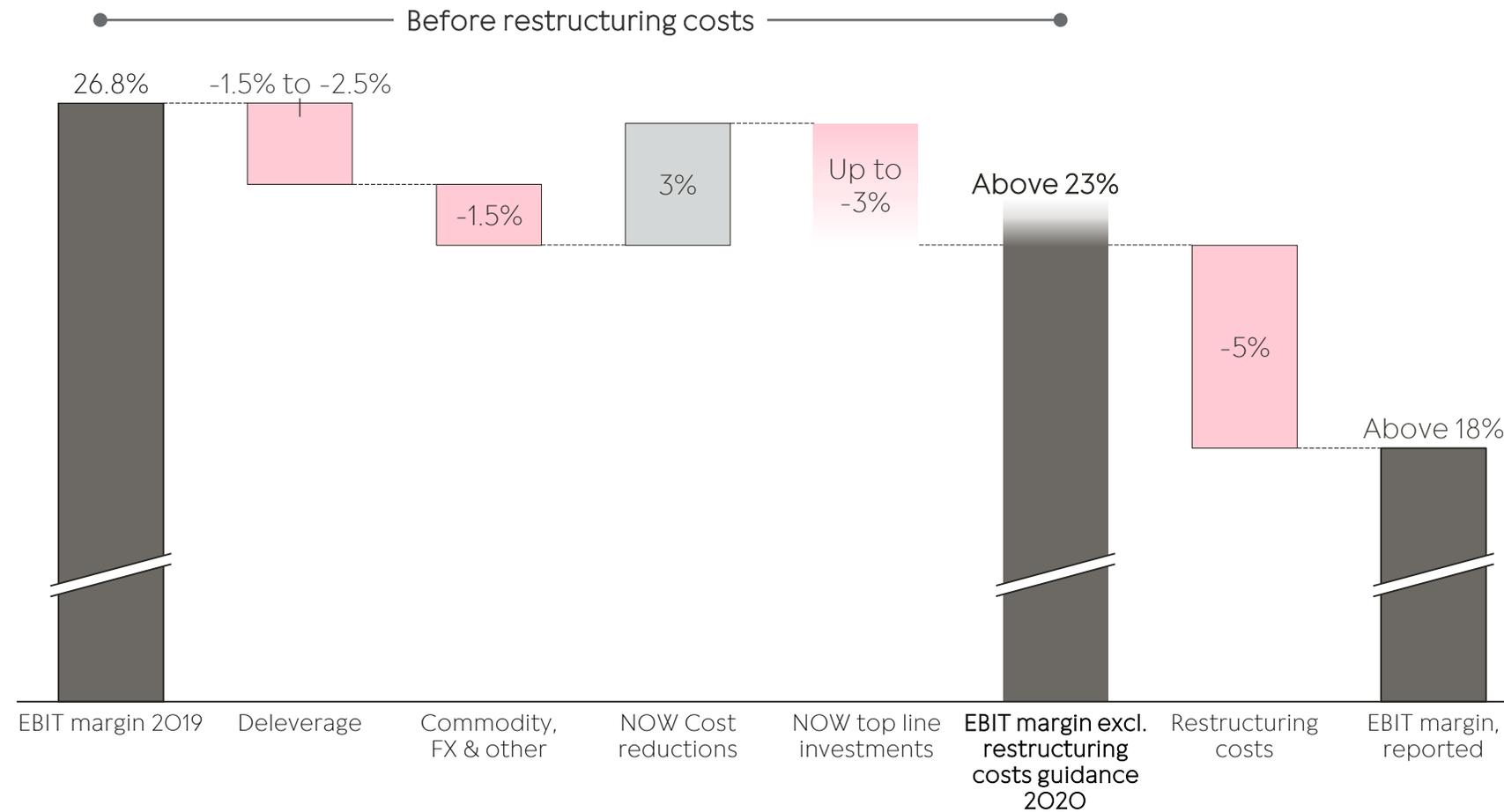
Organic growth is expected to be “-3% to -6%”

- Total like-for-like improves year-over-year in most main market and approaches stabilisation.
- Like-for-like will be negatively impacted by our decision to further decrease the promotion level and weak performance in China
- Revenue from network expansion mainly relates to run rate effect from the net 65 concept stores opened in 2019
- Forward integration impact to be between 0% to 1% in 2020

# Full year 2020 EBIT margin guidance bridge

## EBIT margin excluding restructuring costs to be “above 23%”

%-points, approximations



## EBIT margin drivers

EBIT margin excluding restructuring costs is expected to be “above 23%”

- Cost savings target increased to drive incremental 3pp margin improvement on top of 2019 savings (additional DKK 0.6 billion in 2020)
- Higher silver prices and appreciation of Thai Baht against DKK have a negative impact of around 1.5pp
- Cost reductions are re-invested in driving the top-line; up to 3pp of revenue re-invested in among others marketing

Restructuring costs to be around DKK 1.1 billion

- Restructuring costs are mainly related to the cost reduction initiatives and consultancy costs

# Pay-out of DKK 3 billion in 2020 – share buyback programme of DKK 2.1 billion

## Capital structure policy

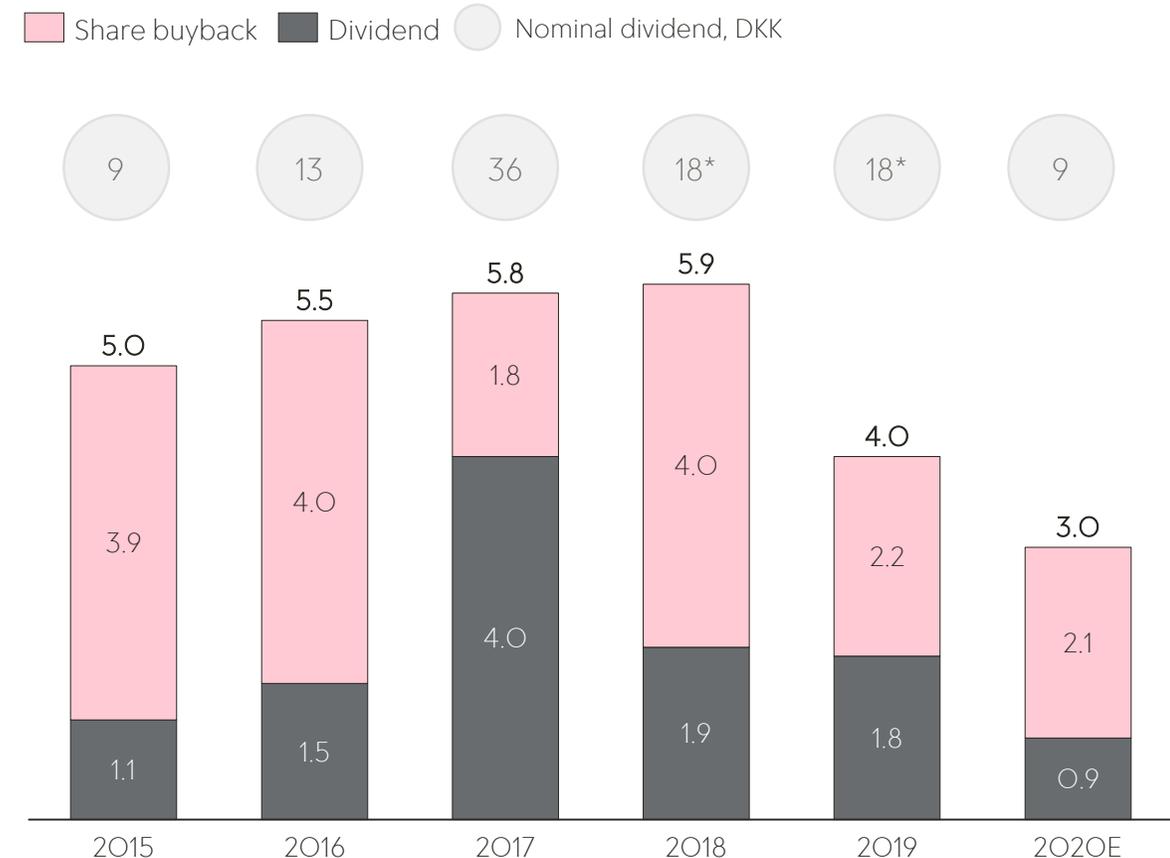
- Capital structure ratio target maintained at 0.5-1.5 x NIBD to EBITDA (0-1 x NIBD excluding IFRS 16)
- The upper end of the capital structure interval to be temporarily exceeded due to restructuring costs during the Programme NOW turnaround

## Cash distribution (proposed)

- Total cash return in 2020 of DKK 3.0 billion despite significant restructuring costs
- Share buyback programme of DKK 2.1 billion
- Ordinary dividend payment at DKK 9 per share (around DKK 0.9 billion)

<sup>1</sup>Share buyback programme will end in March 2021

## Cash distribution development since 2015 (DKK billion)



\* The dividend in 2018 and 2019 is a combination of an ordinary dividend of DKK 9 per share, and an interim dividend at half year of DKK 9 per share

# Closing remarks



**PROGRAMME NOW  
ON TRACK**



**IMPROVED LIKE-FOR-LIKE  
PERFORMANCE IN Q4**



**STABILISATION OF LIKE-FOR-LIKE  
WITHIN SIGHT**



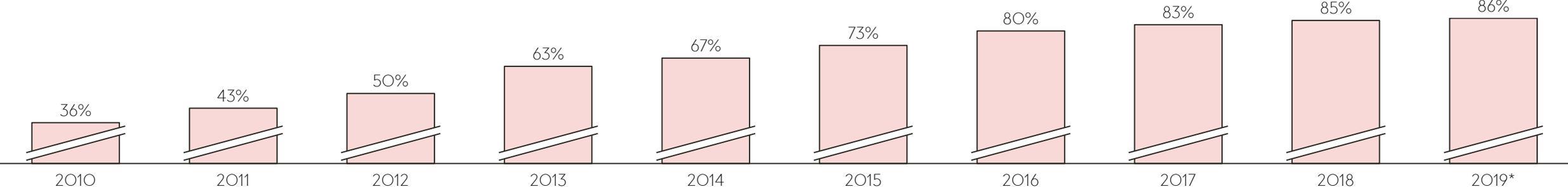
# Q&A



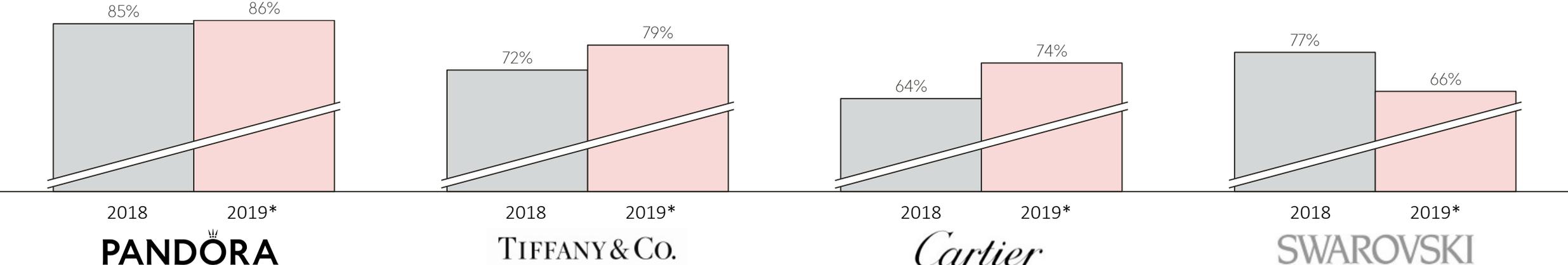
# APPENDIX

# Pandora is the world's most recognised jewellery brand

Aided brand awareness development



Aided brand awareness across selected jewellery companies

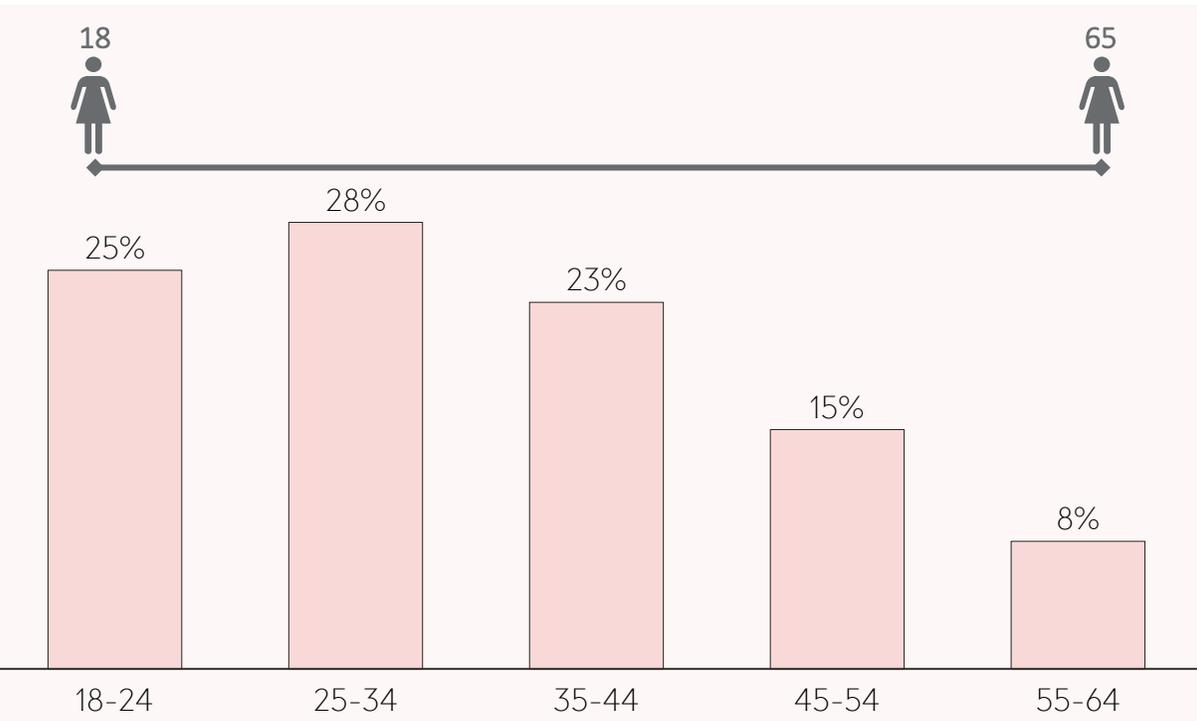


Source: Pandora Brand Tracker 2019 (n=5,874)  
 Markets include AU, CN, FR, IT, UK, US  
 \*Research methodology was changed in 2019 to focus on key markets



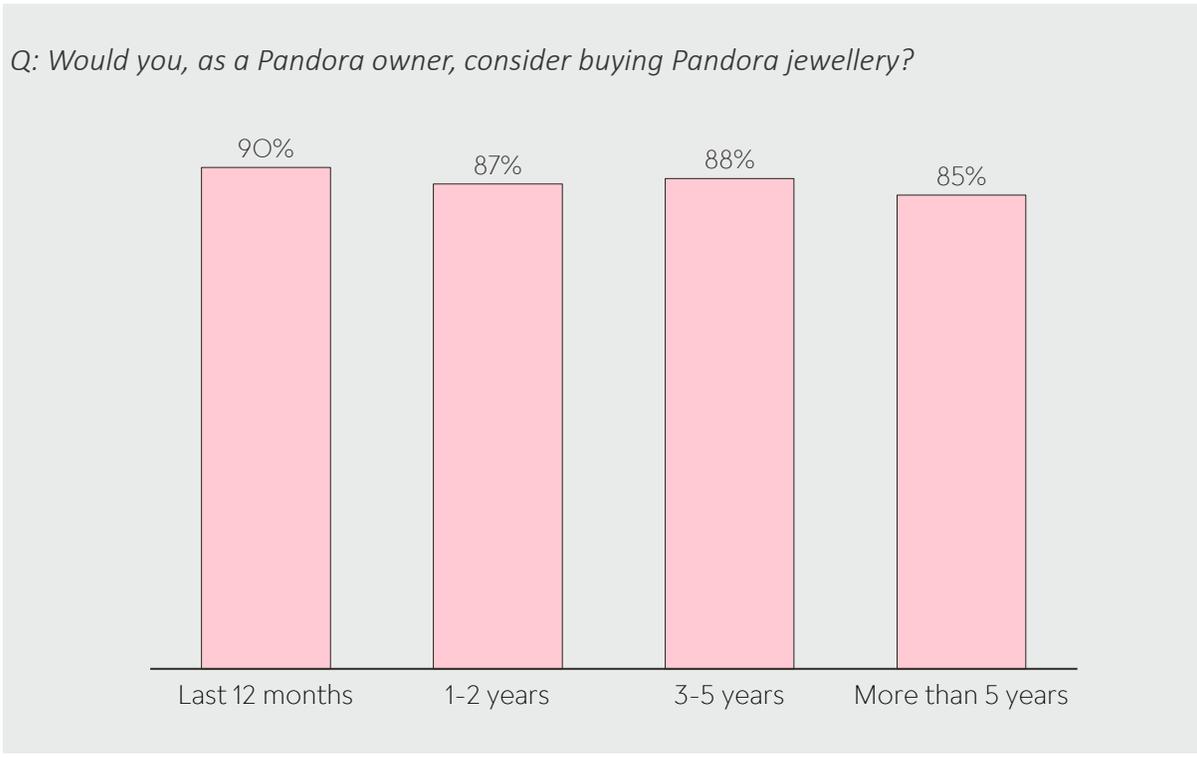
# Pandora consumers are across generations and stay loyal

Age distribution of our consumers who have purchased Pandora within the last 12 months



Source: Pandora Brand Tracker 2019 (n=957| n=1416)  
 Note: Markets include AU, CN, FR, IT, UK, US

Pandora owners highly consider to buy Pandora jewellery unrelated to time of ownership



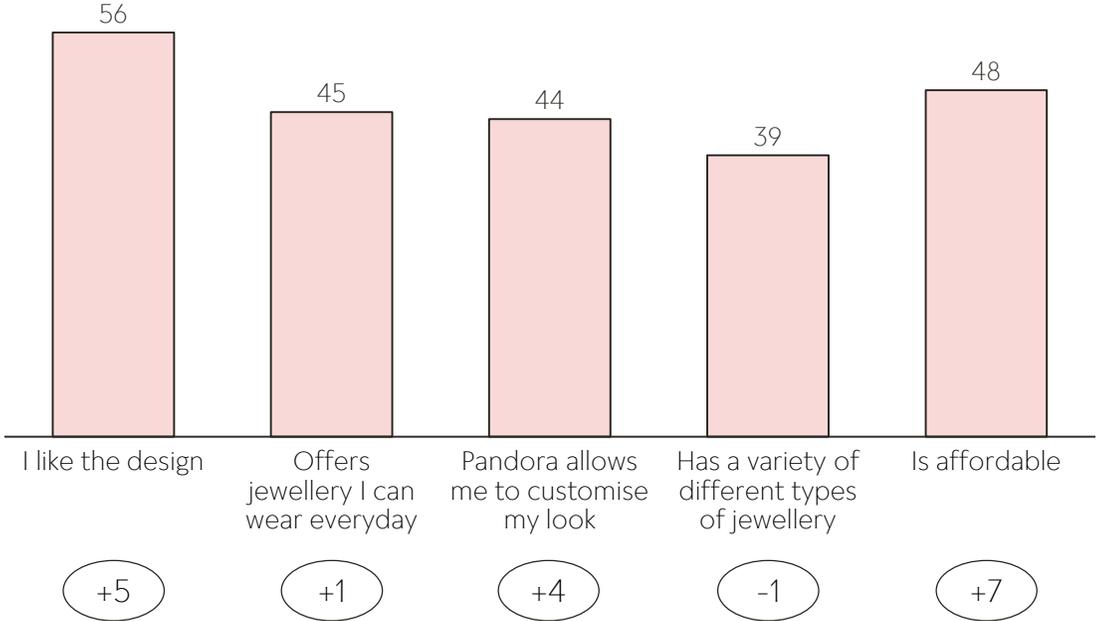
\*Survey-data allows for the possibility that share of repurchasers can be slightly higher than previous years active owner-base  
 \*\*Deviation in Awareness from funnel-slides caused by different market filters in order to compare to 2014 (excludes CN, CZ, JP, SG and AE)

# Pandora consumers have a wide-range of purchase criteria

○ Development 2017-2019, %-point

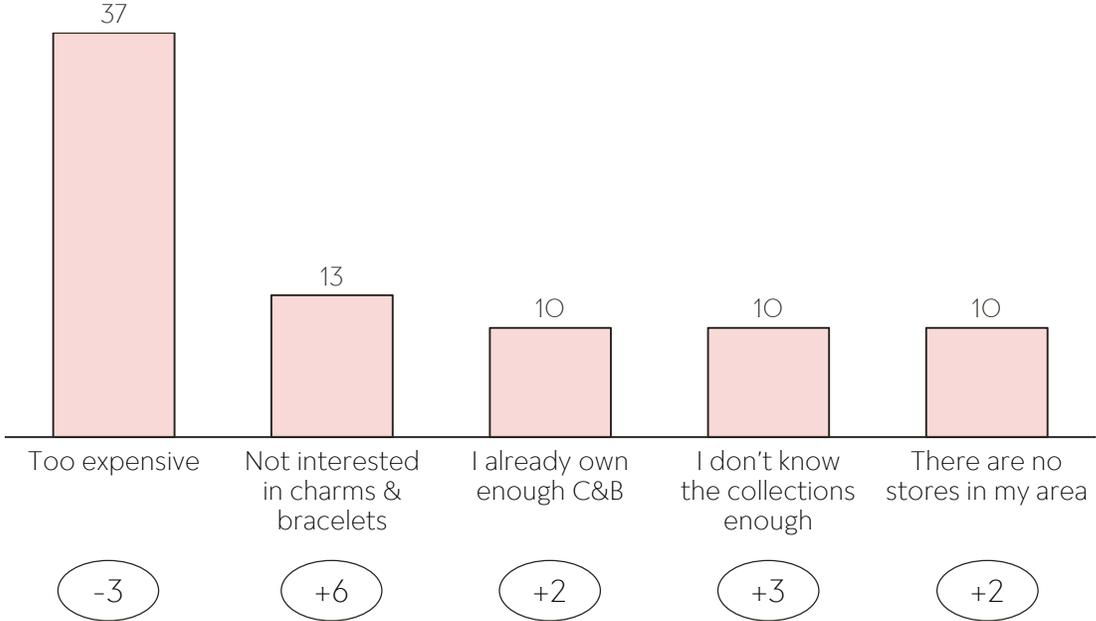
## Pandora top 5 purchase drivers

Share of Active Pandora Owners\* (n=1,092), %



## Pandora top 5 purchase barriers

Women that consider buying Pandora for themselves but haven't bought in 2019 (n=1,573), %

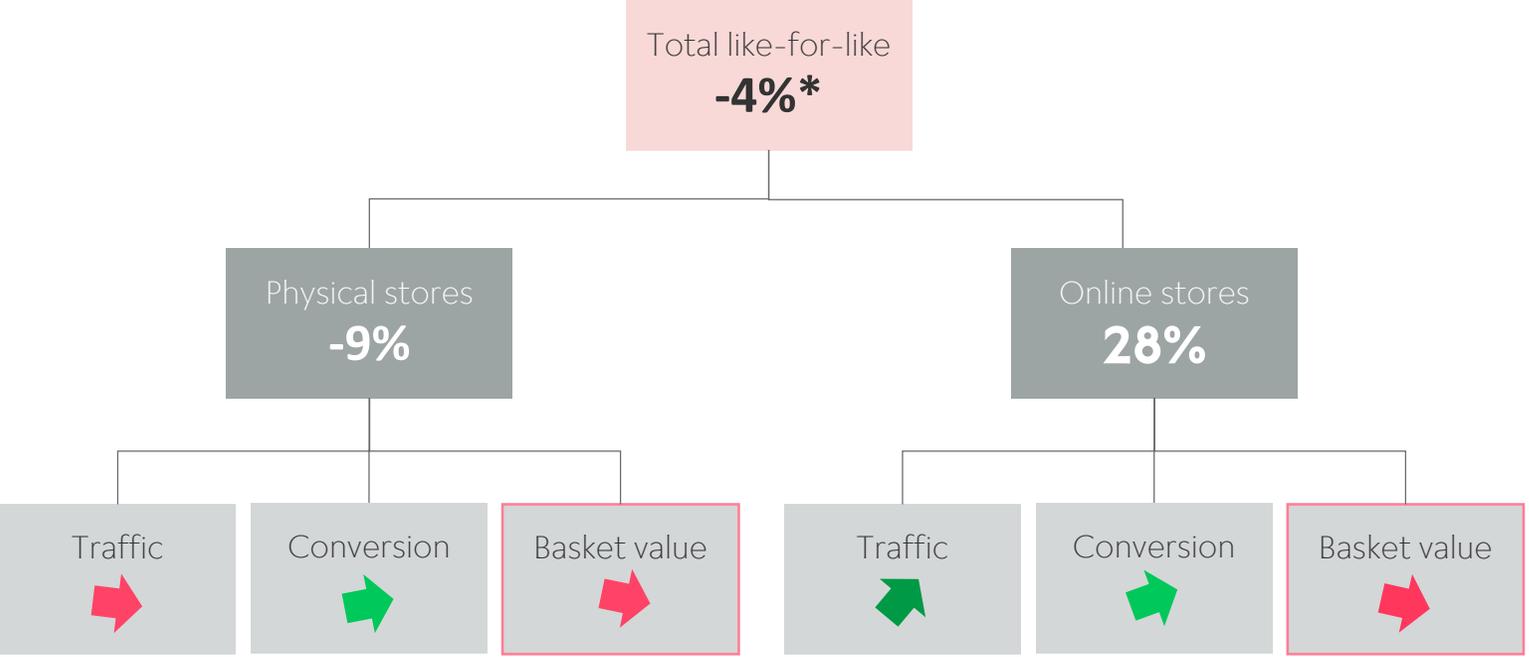


Source: Pandora Brand Tracker 2019  
 Note: Markets include AU, CN, FR, IT, UK, US

\*Active Owners include owners who have purchased past 12 months and/or received past 12 months

# Total like-for-like momentum driven by lower basket value

Total like-for-like drivers, Q4 2019

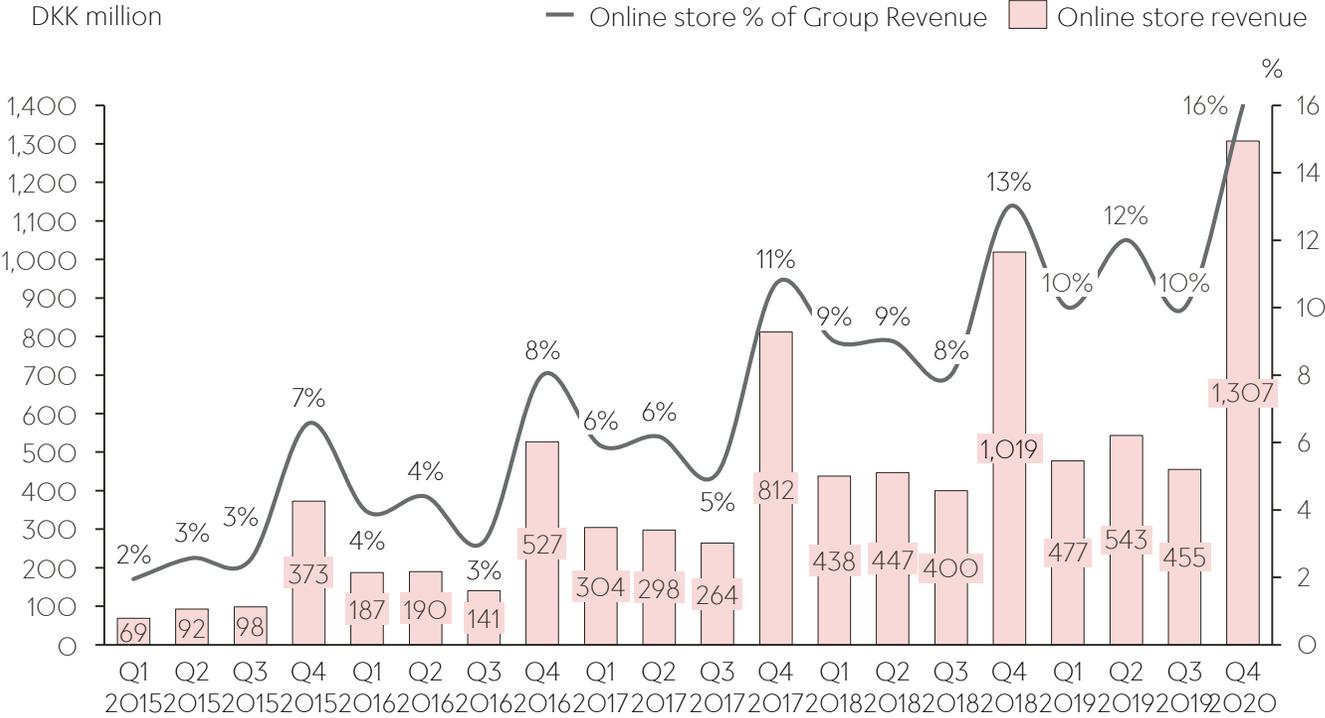


Data based on available data at the time of reporting.  
\*Excluding Hong Kong SAR



# Pandora's online business & presence

## Online store development



**28%**  
LIKE-FOR-LIKE IN  
Q4 '19

**16%**  
REVENUE SHARE OF  
GROUP REVENUE IN  
Q4 '19

**20**  
MARKETS

**SINGLE**  
DIGIT RETURN  
RATES

**STRONG**  
PROFITABILITY

## Online platforms

- Pandora online stores available in 20 markets across all regions, incl. China (own and Tmall distribution), Australia, Italy, the UK, the US etc.
- More than 320 million visits on the Pandora online stores in 2019
- More than 13 million Pandora club members worldwide
- 15.9 million Facebook followers
- 7.7 million followers on Instagram



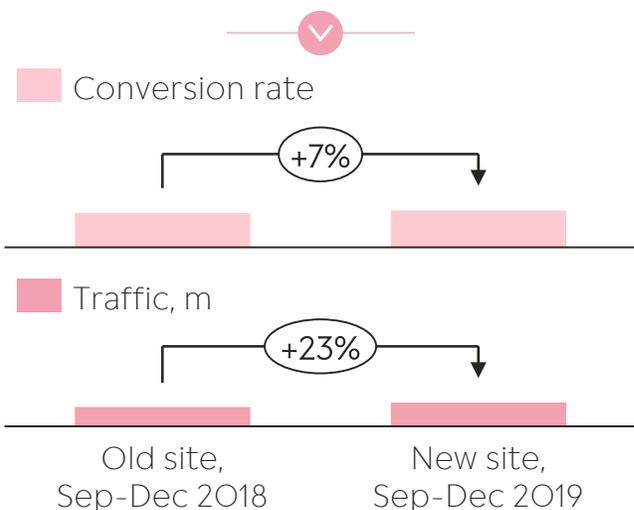
# Unleash the pandora.net growth potential through digital initiatives

## 2019 FOCUS

NEW AND IMPROVED PANDORA.NET SITE WENT LIVE 29 AUGUST 2019

Examples:

- Streamlined the customer journey
- Better and higher quality of imagery
- Content is more inspiring
- Cleaned up the base for higher speed
- Reduced site load-time by 40%



## 2020 FOCUS

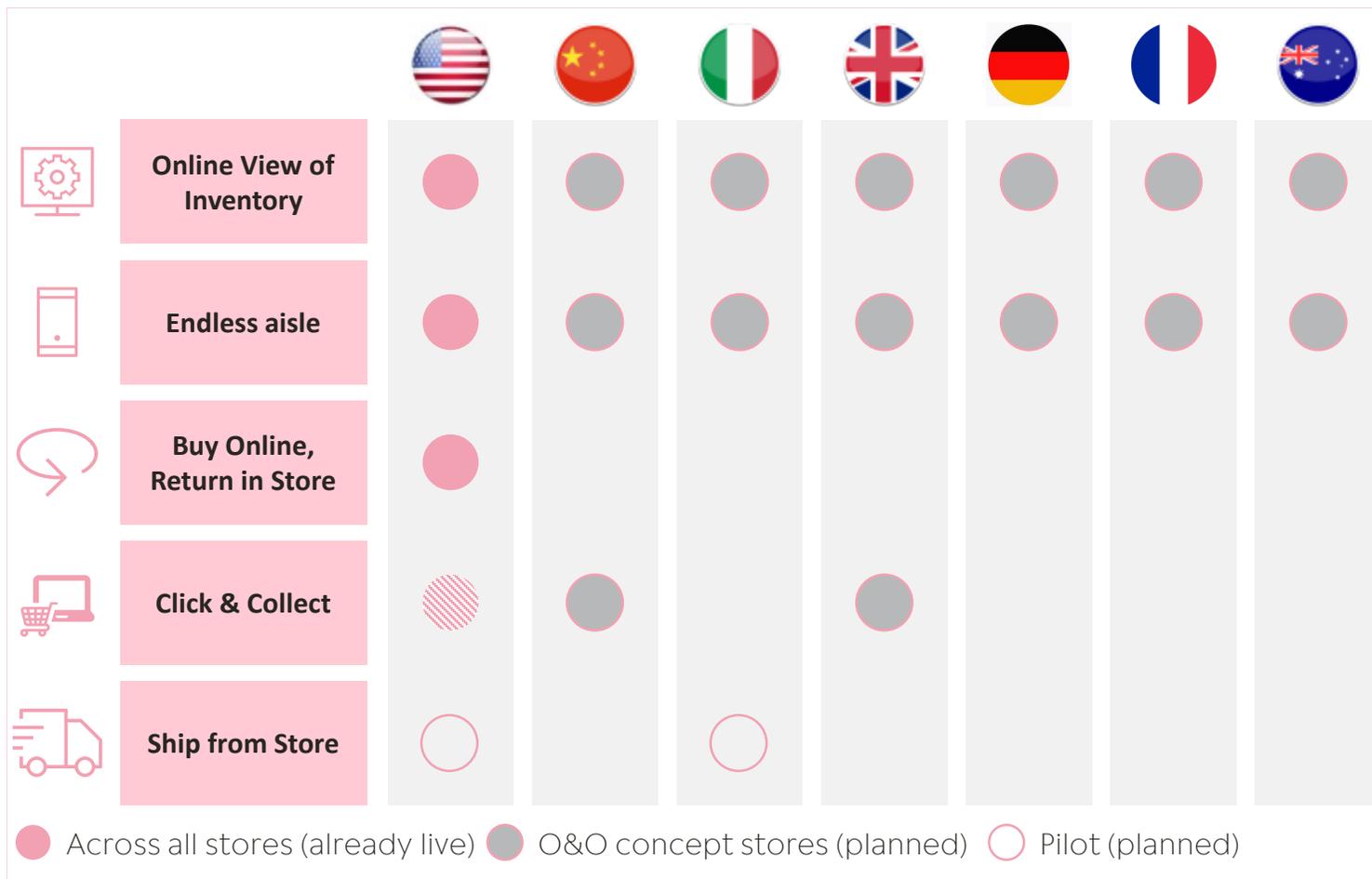
3 KEY DIGITAL STRATEGIC INITIATIVES SET TO DRIVE SUSTAINABLE LIKE-FOR-LIKE SALES THROUGH IMPROVING THE DIGITAL CUSTOMER EXPERIENCE ON PANDORA.NET

Digital strategic initiatives	Sub-initiatives (examples)	Desired outcome
1 <b>Remove barriers to shop</b>	<ul style="list-style-type: none"> <li>• Make it <b>easy to find</b> products</li> <li>• Faster loading time and speed</li> <li>• Better planning and forecasting to <b>avoid stockouts</b></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Improve customer satisfaction</i></li> <li>• <i>Increase conversion rate</i></li> </ul>
2 <b>Make pandora.net a place for inspiration</b>	<ul style="list-style-type: none"> <li>• Make <b>charms collection</b> more compelling</li> <li>• Encourage fans to visit more often through more targeted comms with dynamically created content</li> <li>• Content integration with social media (Instagram and Youtube)</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Maintain high engagement rate</i></li> <li>• <i>Increase frequency of shopping</i></li> </ul>
3 <b>Attract new consumers online</b>	<ul style="list-style-type: none"> <li>• <b>Launch online stores in new markets</b> in a profitable and sustainable way</li> <li>• <b>Use our retail footprint</b> to recruit new digital customers</li> <li>• Be accessible at <b>selected online marketplaces</b></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Grow the consumer base in current online markets</i></li> <li>• <i>Expand online presence to more markets</i></li> </ul>



# Omnichannel capabilities ready to be scaled globally

OMNICHANNEL FEATURES HAVE NOW ROLLED OUT IN US AND CHINA; 2020 FOCUS ON DEEPENING THESE AND EMEA ROLL-OUT



Objective of implementing omnichannel capabilities is to enhance the customer journey by creating a seamless link between online and physical stores

Omnichannel capabilities being prioritised

- Focus on rolling out “Online View of Inventory” and “Endless aisle” across key markets
- “Click & Collect” being trialled in the US in 4 concept stores and in Shanghai concept stores in China
  - The feature will be piloted in the UK during 2020
- Besides the roll-out of omnichannel features in US and China in 2019, a new customer service platform (US) was implemented and order management technology

# Revenue development by sales channel and by product category

## Channel development

DKK million	Q4 2019	Growth, Q4 2019 Q4/Q4, LC	Q4 2019 share of revenue	FY 2019	Growth, FY 2019 FY/FY, LC	FY 2019 share of revenue
Pandora owned retail	5,216	4%	66%	14,181	8%	65%
- of which Pandora owned concept stores	3,644	-3%	46%	10,619	5%	49%
- of which online stores	1,307	25%	16%	2,782	18%	13%
- of which other points of sale	264	27%	3%	780	22%	4%
Wholesale	2,480	-9%	31%	6,725	-24%	31%
- of which franchise concept stores	1,434	-13%	18%	3,843	-25%	18%
- of which other points of sale	1,046	-2%	13%	2,882	-22%	13%
Third-party distribution	261	-12%	3%	962	-26%	4%
<b>Total revenue</b>	<b>7,956</b>	<b>-1%</b>	<b>100%</b>	<b>21,868</b>	<b>-6%</b>	<b>100%</b>

## Product category development

DKK million	Q4 2019	Growth, Q4 2019 Q4/Q4, LC	Q4 2019 share of revenue	FY 2019	Growth, FY 2019 FY/FY, LC	Share of revenue FY 2019
Charms	4,095	-1%	51%	11,395	-8%	52%
Bracelets	1,554	-3%	20%	4,216	-6%	19%
Rings	1,125	3%	14%	3,113	-4%	14%
Earrings	563	-3%	7%	1,487	-1%	7%
Necklaces & Pendants	620	7%	8%	1,658	-	8%
<b>Total revenue</b>	<b>7,956</b>	<b>-1%</b>	<b>100%</b>	<b>21,868</b>	<b>-6%</b>	<b>100%</b>

# Regional and key markets revenue and total like-for-like overview

DKK million	Q4 2019	<i>Growth Q4/Q4, LC</i>	<i>Like-for-like Q4 2019</i>	<i>Share of revenue, Q4 2019</i>	FY 2019	<i>Growth FY/FY, LC</i>	<i>Like-for-like FY 2019</i>	<i>Share of revenue, FY 2019</i>
EMEA	4,211	3%	-1%	53%	10,740	-4%	-7%	49%
- of which the UK	1,295	2%	-3%	16%	2,861	2%	-7%	13%
- of which Italy	854	19%	7%	11%	2,272	-8%	-7%	10%
- of which France	494	2%	3%	6%	1,169	-7%	-11%	5%
- of which Germany	390	0%	2%	5%	963	-8%	-5%	4%
AMERICAS	2,539	-1%	-3%	32%	6,772	-5%	-5%	31%
- of which the US	1,792	-4%	-3%	23%	4,677	-9%	-5%	21%
ASIA PACIFIC	1,207	-12%	-17%	15%	4,356	-11%	-15%	20%
- of which Australia	439	-10%	-14%	6%	1,118	-16%	-17%	5%
- of which China	424	-18%	-22%	5%	1,970	-1%	-11%	9%
Group	7,956	-1%	-4%	100%	21,868	-6%	-8%	100%

# Store network development

Number of points of sale	Net openings		
	Q4 2019	Q4 2019 vs Q3 2019	Q4 2019 vs Q4 2018
<b>Concept stores</b>	<b>2,770</b>	<b>49</b>	<b>65</b>
- of which Pandora owned	1,379	18	57
- of which franchise owned	856	23	7
- of which third-party distribution	517	8	1
<b>Other points of sale</b>	<b>4,657</b>	<b>-72</b>	<b>-366</b>
- of which Pandora owned	207	10	24
- of which wholesale	3,812	-87	-346
- of which third-party	638	5	-44
<b>Total points of sale</b>	<b>7,427</b>	<b>-23</b>	<b>-301</b>

# Concept stores per market

	Number of concept stores Q4 2019	Number of concept stores Q3 2019	Number of concept stores Q4 2018	Growth Q4 2019 /Q3 2019	Growth Q4 2019 /Q4 2018	Number of O&O Q4 2019	Growth O&O stores Q4 2019 /Q3 2019	Growth O&O stores Q4 2019 /Q4 2018
UK	230	231	236	-1	-6	126	-1	0
Russia	184	186	201	-2	-17	0	0	0
Germany	146	148	153	-2	-7	140	-2	-5
Italy	148	148	138	0	10	107	0	14
France	122	120	120	2	2	77	2	4
Spain	87	83	84	4	3	70	1	1
Poland	52	49	50	3	2	37	0	-2
South Africa	30	30	31	0	-1	28	0	-1
Turkey	30	29	27	1	3	30	1	3
Ireland	29	28	29	1	0	24	1	0
Netherlands	26	27	26	-1	0	26	-1	0
Ukraine	29	28	24	1	5	0	0	0
Portugal	26	26	26	0	0	0	0	0
Belgium	24	25	27	-1	-3	15	0	0
Romania	23	22	22	1	1	12	0	0
United Arab Emirates	18	19	20	-1	-2	18	-1	-2
Czech Republic	19	19	19	0	0	10	0	0
Israel	17	17	17	0	0	0	0	0
Austria	14	14	15	0	-1	9	0	-1
Greece	14	14	15	0	-1	0	0	0
Denmark	12	12	14	0	-2	12	0	-2
Saudi Arabia	13	12	12	1	1	0	0	0
Sweden	10	11	12	-1	-2	10	-1	-2
Nigeria	10	10	10	0	0	0	0	0
Rest of EMEA	146	138	136	8	10	21	2	3
<b>EMEA</b>	<b>1,459</b>	<b>1,446</b>	<b>1,464</b>	<b>13</b>	<b>13</b>	<b>772</b>	<b>1</b>	<b>10</b>
US	402	396	397	6	5	158	4	4
Brazil	95	94	98	1	-3	57	1	-2
Canada	79	79	80	0	-1	23	0	0
Mexico	69	67	66	2	3	45	4	5
Caribbean	27	27	27	0	0	0	0	0
Rest of Americas	88	68	56	20	32	14	1	5
<b>Americas</b>	<b>760</b>	<b>731</b>	<b>724</b>	<b>29</b>	<b>36</b>	<b>297</b>	<b>10</b>	<b>12</b>
China	237	234	210	3	27	226	3	23
Australia	128	127	127	1	1	39	1	3
Philippines	36	36	35	0	1	0	0	0
Malaysia	31	31	31	0	0	0	0	0
Hong Kong	30	27	30	3	0	28	3	3
Thailand	20	18	17	2	3	0	0	0
New Zealand	18	18	17	0	1	9	0	1
Singapore	12	15	15	-3	-3	11	0	0
Rest of Asia Pacific	39	38	35	1	4	15	0	5
<b>Asia-Pacific</b>	<b>551</b>	<b>544</b>	<b>517</b>	<b>7</b>	<b>34</b>	<b>328</b>	<b>7</b>	<b>35</b>
<b>All markets</b>	<b>2,770</b>	<b>2,721</b>	<b>2,705</b>	<b>49</b>	<b>65</b>	<b>1,397</b>	<b>18</b>	<b>57</b>

# Profitability development

DKK million	Q4 2019 reported	Q4 2019 Restructuring costs	Q4 2019 excl. restructuring costs	Q4 2018 <sup>1</sup>
Revenue	7,956	-	7,956	7,890
Cost of sales	-1,924	-203	-1,721	-2,064
<b>Gross profit</b>	<b>6,032</b>	<b>-203</b>	<b>6,235</b>	<b>5,826</b>
<i>Gross margin</i>	75.8%	-	78.4%	73.8%
Operating expenses (incl. D&A)	-1,881	-21	-1,860	-1,846
- of which sales, distribution and marketing expenses	-1,052	-67	-985	-772
- of which administrative expenses	-797	-212	-585	-680
<b>EBIT</b>	<b>2,302</b>	<b>-503</b>	<b>2,806</b>	<b>2,528</b>
<i>EBIT margin</i>	28.9%		35.3%	32.0%

DKK million	FY 2019 reported	FY 2019 Restructuring costs	FY 2019 excl. restructuring costs	FY 2018 <sup>1</sup>
Revenue	21,868	-	21,868	22,806
Cost of sales	-5,966	-1,016	-4,950	-5,864
<b>Gross profit</b>	<b>15,903</b>	<b>-1,016</b>	<b>16,919</b>	<b>16,942</b>
<i>Gross margin</i>	72.7%		77.4%	74.3%
Operating expenses (incl. D&A)	-6,457	-198	-6,259	-6,080
- of which sales, distribution and marketing expenses	-2,847	-151	-2,696	-2,142
- of which administrative expenses	-2,770	-660	-2,110	-2,289
<b>EBIT</b>	<b>3,829</b>	<b>-2,025</b>	<b>5,854</b>	<b>6,431</b>
<i>EBIT margin</i>	17.5%		26.8%	28.2%

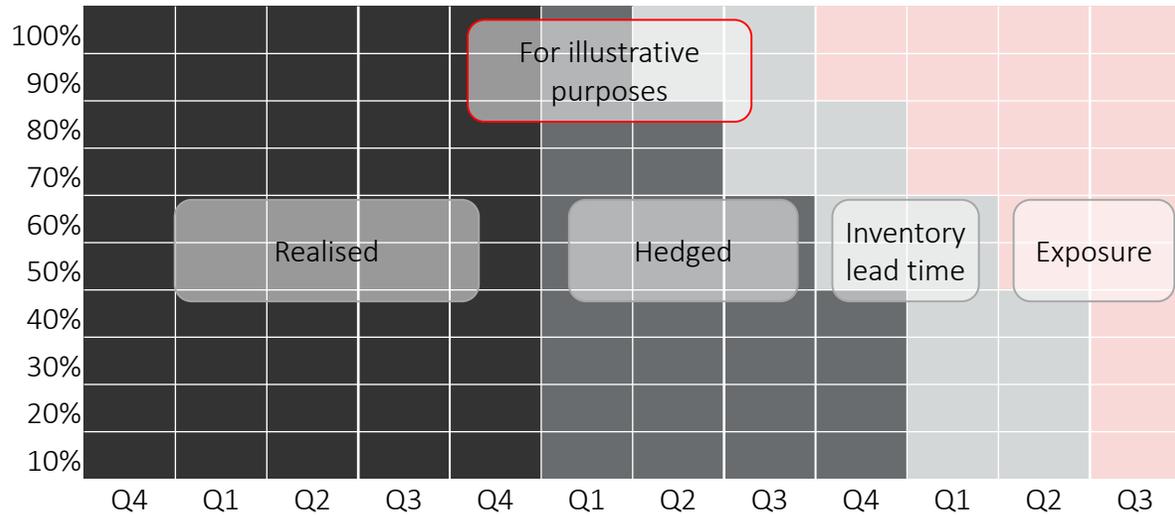
<sup>1</sup>Comparison figures have not been restated following the implementation of IFRS 16 Leases

# Working capital and cash management

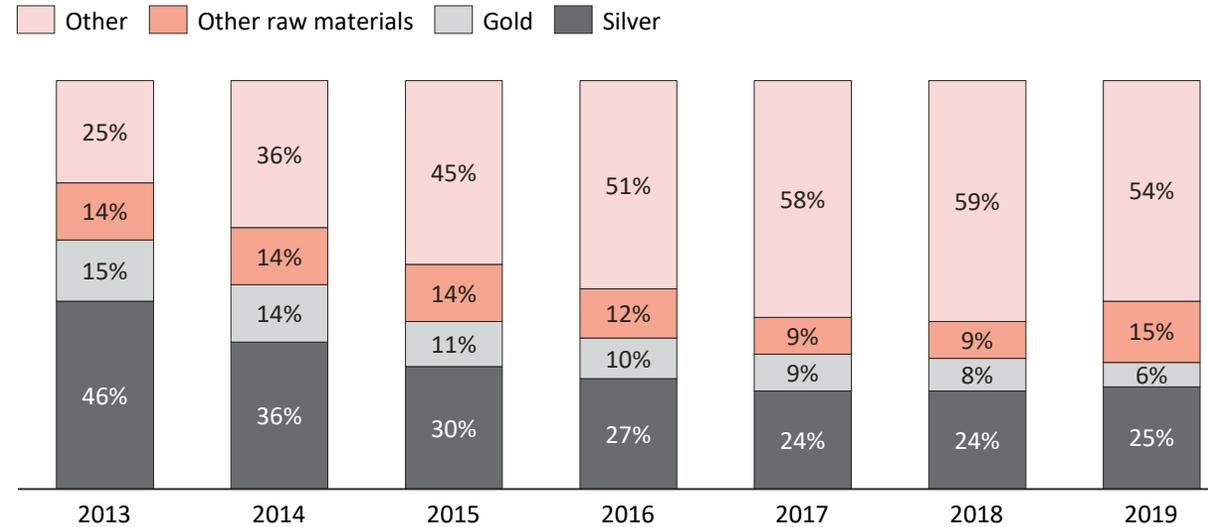
DKK million	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Inventory	2,137	2,835	2,609	3,116	3,158
- Share of revenue (last 12 months)	9.8%	13.0%	11.7%	13.9%	13.8%
Trade receivables	1,643	1,256	1,124	1,269	1,650
- Share of revenue (last 12 months)	7.5%	5.8%	5.0%	5.6%	7.2%
Trade payables	-3,095	-2,222	-1,632	-1,673	-2,253
- Share of revenue (last 12 months)	-14.2%	-10.2%	-7.3%	-7.4%	-9.9%
<b>Operating working capital</b>	<b>684</b>	<b>1,869</b>	<b>2,101</b>	<b>2,712</b>	<b>2,555</b>
- Share of revenue (last 12 months)	3.1%	8.6%	9.4%	12.1%	11.2%
Free cash flow	3,052	1,070	1,418	673	2,911
CAPEX	184	254	206	178	324
% of revenue	2.3%	5.8%	4%	4%	4%
NIBD to EBITDA (last 12 months)	1.5x	1.8x	1.4x	1.4x	0.8x
<b>Selected KPIs</b>					
Days Sales of Inventory					
- last 6 months of COGS (183 days)	109	182	201	176	168
Days Sales of Outstanding					
- last 3 months of wholesale and third party distribution revenue (90 days)	36	49	40	48	40

# Hedging policy and raw materials share of production costs

Commodity hedging policy



Raw material share of cost of goods sold



- Other in 2019 consists of ~35% labour, ~15% cost to third-party set-ups (i.e. plating) and ~50% licence, customs, remelt and minor provisions
- From 2019 inhouse plating is considered part of 'Other raw materials', having previously been part of 'Other'.

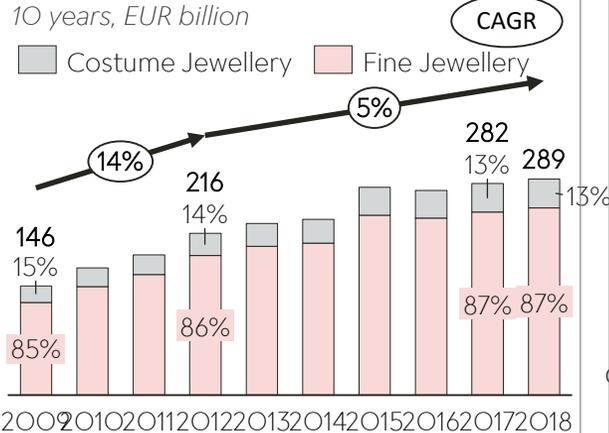
# Overview of the global jewellery market

MARKET DEVELOPMENT

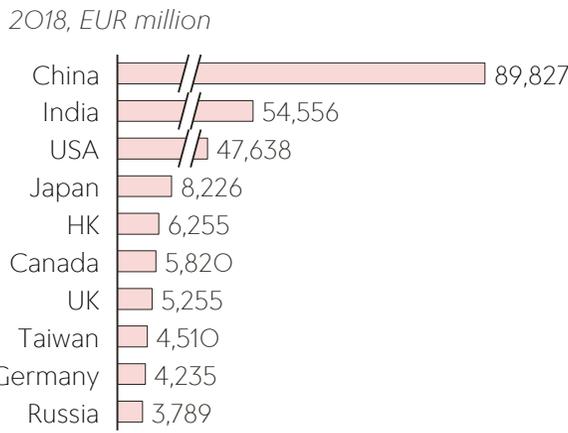
Fine jewellery market 2018- 2022



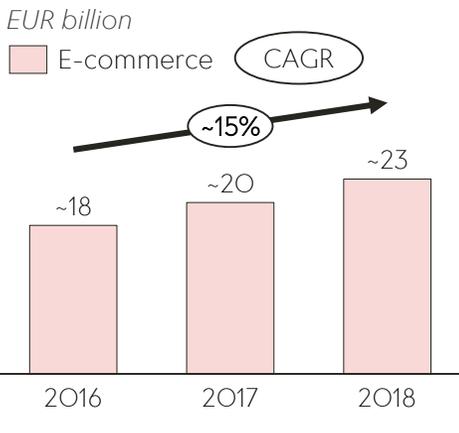
Jewellery market development



10 largest jewellery markets

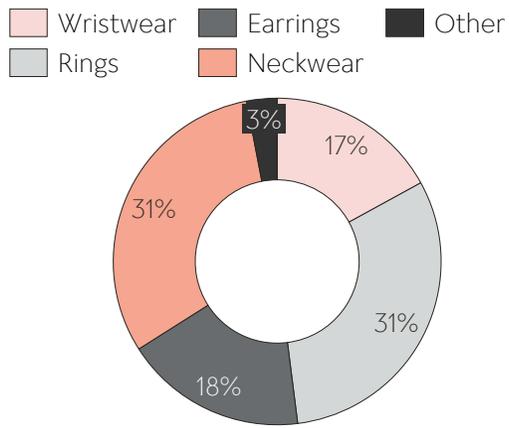


Jewellery eCOM development

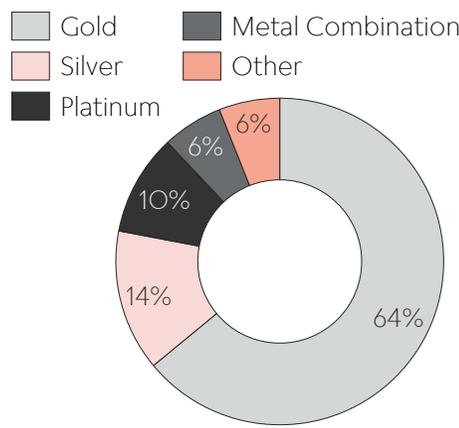


JEWELLERY DEVELOPMENT

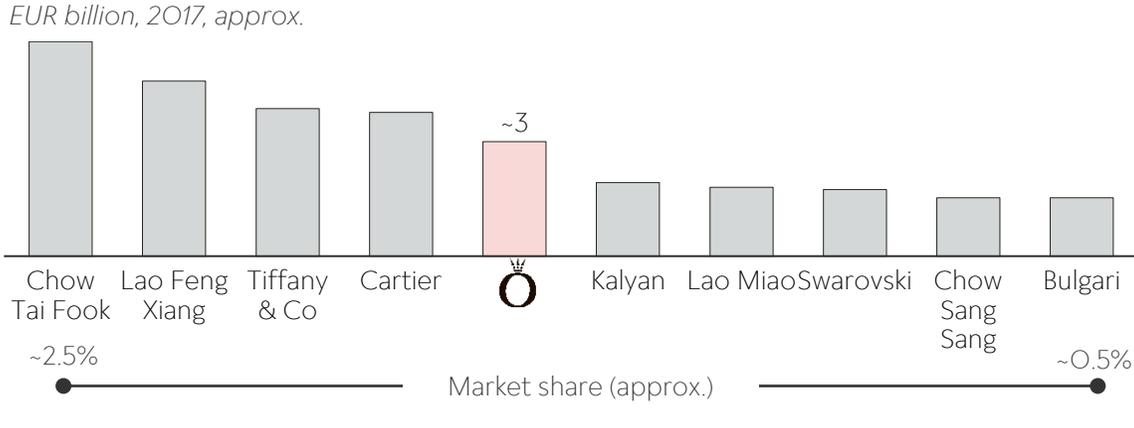
Global category share



Fine jewellery metal split (2018)



World's 10 largest jewellery brands



Source: Euromonitor

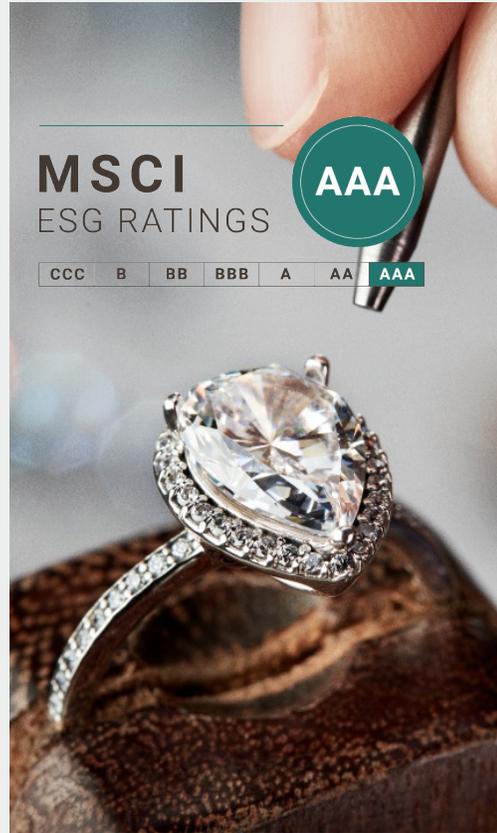
# Sustainability

We believe high-quality jewellery, superior business performance and high ethical standards go hand in hand, and we craft our jewellery with respect for resources, environment and people. We will become carbon neutral in our operations by 2025 and have committed to set Science Based Targets for reducing greenhouse gas emissions across the full value chain.

We are committed signatories of the United Nations Global Compact and certified member of the Responsible Jewellery Council since 2012.



Pandora supports the UN Sustainable Development Goals. Four goals in particular guide our strategy as this is where we can contribute the most.



**Frontrunner in ESG Investment Performance**  
For the fourth consecutive year, we received the top rating of AAA in the MSCI ESG Ratings assessment.

## Climate and environment

As the world's largest jewellery maker, we are determined to reduce our climate footprint and help set an example for the wider industry.



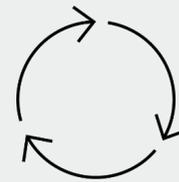
**Carbon neutral**  
in own operations  
by 2025



**100% renewable energy**  
at our crafting facilities  
by 2020



**Committed to set Science Based Targets**  
to reduce emissions  
across full value chain



**88%**  
of waste was  
recycled at our  
crafting facilities



Our two largest crafting facilities and global office are Leadership in Energy and Environmental Design (LEED) Certified.

## Sustainable products



**98%**  
recycled silver grains

**100%**  
recycled gold grains

**97%**  
of all stones are man-made



**100% certified**  
silver and gold grain suppliers



### Responsible Sourcing Programme

Pandora is committed to ensuring that our business practices, including our suppliers, live up to high social and environmental standards.

## Workplace and society



### Inclusive workspace

At Pandora, we are committed to fostering a culture of diversity and inclusion in and beyond our own operations. We will not tolerate any form of discrimination and are committed to gender diversity in our organisation. We will continue to advance our approach to diversity and inclusion.



**PANDORA** for **unicef** 

**Partnering with UNICEF to empower young people**  
Pandora and UNICEF have launched a global partnership to support the most vulnerable children, especially girls, around the world to lead healthier and safer lives and fulfil their potential. Through sale of Jewellery and other initiatives, Pandora will raise funds for UNICEF's important work.

**50/50**

gender split in our Board of Directors

**26%**

of Senior management are women and **74%** are men

# Investor Relations contact details

## Investor Relations team

**Michael Bjergby**  
 VP, Investor Relations, Tax & Treasury  
 +45 7219 5387  
 miby@pandora.net



**Christian Møller**  
 Investor Relations Officer  
 +45 7219 5361  
 chmo@pandora.net



## Share information

Trading symbol	PNDORA
Identification number/ISIN	DK0060252690
GICS	25203010
Number of shares	100,000,000
Sector	Apparel, Accessories & Luxury Goods
Share capital	100,000,000
Nominal value, DKK	1
Free float (incl. treasury shares)	100%

## ADR information

ADR trading symbol	PANDY
Programme type	Sponsored level 1 programme (J.P. Morgan)
Ratio (ADR:ORD)	4 ADRs : 1 ordinary share (4:1)
ADR ISIN	US 698 341 2031

