PANDORA

Q3 2019 – AIDE MEMOIRE

Pandora Investor Relations

Revenue

Full-year guidance: *Organic growth of -3% to -7%*

- Like-for-like[1] "could be down by up to high single-digit negative"
- The promotional activity will be reduced relatively more in Q3 than in H1
- Net concept store openings expected to be net 50 concept stores (75 previously) mainly driven by the 50 store closures announced in Q1 2019 of which some will be closed during 2019

Quotes on LFL – Q2 2019 teleconference call

"We had -10% like-for-like in the first half and therefore, we need to deliver between -8% and -3% like-for-like in the second half in order to deliver on the highest or the lowest end of our guidance respectively. And this improvement of like-for-like is all about the brand relaunch and the activities that follow after the brand relaunch later this month and including the marketing investments that we are doing"

"But we should recall that the brand relaunch only starts sort of two thirds into the third quarter so for all practical purposes, the uplift that we are looking for is something that is going into the later part of the year"

Profitability

Full-year guidance: *EBIT margin of 26-28% excluding restructuring costs*

- NOW OPEX investments increased to approximately DKK 0.8 billion from approximately DKK 0.5 billion

Quote on profitability in Q3 2019 – Q2 2019 company announcement

"Brand relaunch initiatives and a larger portion of the additional marketing spend are planned for September with limited return on these investments in Q3 2019. This will have a negative impact on the EBIT margin in Q3 2019."

[1] like-for-like definition: total sales-out growth for stores (Pandora-owned and franchisees) which have been operating for at least 12 months

Quote on profitability phasing – Q1 2019 teleconference call

"[…]the EBIT margin (excl. restructuring costs) is going to be skewed towards Q4 and both the Q2 and Q3 EBIT margin is expected to be below our Full-Year guidance."

- Three main building blocks for an uplift in EBIT-margin for Q4 2019
  1) *"First of all, in 2018, we saw a sequential decline in growth during the year and the Reverse is guided for this year for 2019"* – Q2 2019 teleconference call
  2) *"[…] our gross margin was depressed, you can call it, or declined throughout the second half of 2018 due to the increased product complexity and the negative impact from the acquisitions that we did last year. But in 2018, the gross margin declined by 240 bps in the second half of the year. In the second half of 2019, you should expect an increase of the gross margin"* – Q2 2019 teleconference call
  3) *"Q4 of last year was negatively impacted by additional provisions and consultancy expenses that dragged up the admin expenses last year and that is not expected to be the case this year"* – Q2 2019 teleconference call

Restructuring costs

<u>Full-year assumption:</u> *Up to DKK 2.0 billion (previously up to DKK 1.5 billion)*

- Increase of DKK 0.5 billion driven by product assortment simplification and expanded inventory buyback programme
- The main part of the restructuring costs related to the inventory buyback programme will be recognized in Q3 2019

Other topics

- Global PR event in LA was well-executed with a lot of social media buzz and good coverage by the media
- 2 concept stores refurbished with the new store concept in UK (Leicester and Birmingham) – more stores to follow in October and November

Quote on Brand relevance – Q2 2019 teleconference call

"We are maintaining our financial guidance. It clearly assumes a pickup in performance in Q4. [..] we have outlined the key initiatives which we will roll out in 2019 as part of the brand relaunch. This is only the start of our journey to improve our brand relevance and more will come in 2020. There is no quick fix in improving brand relevance. It is something that will build over time."