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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the PANDORA A/S Q2 Report 2017 Conference Call. Today's conference is being recorded. At this time, I would like to turn the conference over to Magnus Jensen, Head of Investor Relations. Please go ahead, sir.

Magnus Thorstholm Jensen - *Pandora A/S - Head of IR and VP*

Thank you very much, and good morning, and welcome to the teleconference for PANDORA's Q2 2017 results. My name is Magnus Jensen from the PANDORA Investor Relations team and with me I have our CEO, Anders Colding Friis; and CFO, Peter Vekslund.

As per the agenda outlined on Slide 2, Anders will present the highlight for the quarter before Peter will talk you through the Q2 numbers in more detail. Following the presentation, we will be happy to take any questions you may have.

Before I hand over to Anders, I would like to point you attention to the disclaimer on Page 3. Anders, please.

Anders Colding Friis - *Pandora A/S - President, CEO & Member of Management Board*

Thank you very much, Magnus. Good morning to everyone and thank you for listening in on the call this morning. We are pleased to have produced results in line with our expectations, delivering double-digit top line growth and continued healthy profitability. In some markets, the business environment had been more challenging than anticipated; however, in other geographies, including China, Italy and Australia, we have seen a solid and strong performance throughout the first half of the year.

Now turning to the highlights. Revenue for the quarter was DKK 4.8 billion, which is an increase of 12% compared to Q2 last year in both Danish kroner and in local currency. The growth was driven primarily by a solid performance in our owned retail business, including 10% like-for-like growth and supported by a very strong performance in Asia Pacific. The retail environment in the U.S. remains challenging, which was reflected in our performance in the U.S. for the quarter. However, we saw a significant improvement in the performance of our U.S. concept store network, which our owned retail network generated like-for-like growth of 8%. Reported revenue growth in the U.S. was flat also excluding one-offs, which included a positive impact from a reversal of a return provision of around DKK 200 million.

All 5 product categories recorded growth for the quarter. Bracelets in particular improved compared to the latest quarters with reported growth of 19%. The profitability of our business continues to be solid, however, as flagged in February, the EBITDA margin in the first half came in lower than last year and EBITDA margins for the second quarter was 33.4% compared to 37.2% last year. The reduction was mainly related to the lower gross margin as well as an uptick in administrative expenses.

Free cash flow for the quarter was DKK 556 million and is unchanged compared to last year. Cash flow came in as expected, and we'll pay out a quarterly dividend of DKK 0.09 per share later this month. In total, PANDORA will return DKK 36 per share through dividend in 2017 or around DKK 4 billion, an additional DKK 1.8 billion in share buyback.

Turning to Slide 5, we remain confident in our full year guidance for 2017 which is maintained. It is worth highlighting that we now expect a currency headwind for the full year of around 2% on revenue. In contrary, we expected a tailwind of 1 percentage point when we gave our initial guidance in connection with the full year results.

Looking at actual numbers, this amounts to a negative currency impact on revenue when comparing to our expectations back in February of around DKK 700 million. Having delivered according to plan in the first half of the year, we expect an acceleration in the second half, which is driven by a tailwind of around DKK 450 million related to store acquisitions as well as an easier comp and more newness in the product portfolio, including Disney in EMEA.

The EBITDA margin expectation is maintained at around 38%. This, obviously, indicates strong improvement in the second half of the year compared to the first 6 months. But as a highlighted both in February and May, this is [just this time]. The main driver behind the increase in the margin is largely attributed to the expected higher revenue in the second half of 2017.

Guidance on CapEx and tax is also maintained, while we upgrade the expected number of concept store openings to more than 300.

Moving onto the next slide. In addition to delivering on the numbers for the second quarter, we also made good progress on a number of our key strategic relationships to support the development of the company. We continue to develop our product offering with a focus on moving into other product categories while maintaining our market-leading position within Charms and Bracelets, and we have put in place a number of initiatives to drive development across categories, which I'll return to later in this presentation. We continue to strengthen our global store footprint with a primary focus on concept stores with a strategic intent to mainly open and do our own concept stores. Furthermore, to increase the control of our brand, we continue to take over distributors and franchisees across the regions.

During the summer, we're taking over distribution in Belgium and South Africa, and as announced this morning, we will also take over the distribution in Spain later this year. The integration of Spain will give us full control of one of the larger markets in Europe and adds around 50 PANDORA owned concept stores to the network. The price for Spain is just below 5x EBITDA, on par with Belgium and South Africa.

We are also broadening our geographic footprint and reducing our dependency on individual countries. Worth highlighting is our development in China where we increased our revenue by almost 100% and grown our store base to 134 concept stores. We now expect to open around 60 concept stores in China in 2017 compared to previous expectations of around 50.

Furthermore, we are also building our presence in Latin America following the establishment of an office in Panama earlier this year, and we expect to open around 40 stores in 2017.

Finally, in terms of strategic initiatives, we are currently focusing on improving performance in our largest market, the U.S. Initial results are positive and despite a continued challenging retail environment with mall traffic down 5%, we have significantly improved our like-for-like sales performance in PANDORA owned stores. For the quarter, we recorded like-for-like of 8% in the U.S., up from minus 3% in the first quarter.

Now please turn to the next slide, I'm going to focus a bit more on the performance in the U.S. and some of the initiatives we have implemented to improve performance. The improvement we saw in the U.S. was driven by a number of actions, which focused primarily on products and our use of promotions. As we mentioned back in May, it has become evident that we could do more to improve the newness and excitement in our product range in the U.S. market. To address this, we launched a number of products in late May, which was not initially planned. The products were well received and contributed positively to the end of the quarter.

Regarding the promotions, we continue to aim at being more relevant and timely in how we position our promotions in the quarter. We ran 2 new campaigns, including our first clearance sale at the end of the quarter as well as a Memorial Day promotion. Both were successful campaign and helped to improve performance for the quarter. It is the first time that we've offered a promotion related to Memorial Day and indeed is a good example of how we aim to leverage global and national holidays as well as cultural event.

As another example, we also ran a campaign in the quarter focusing on graduation season, which further supported the cost of sales figures recorded in the period. The new graduation Charm turned out to be one of the best-selling products in both the U.S. and in Canada.

The combination of new products and promotions also benefited the performance in our eSTORE, which again had a strong quarter.

Also with second half of the year, we've taken action to strengthen the performance in the U.S. In addition to the planned Autumn/Winter collection, which already includes more newness than was introduced in our Spring/Summer collection, we launched around 20 additional products to further drive traffic to the stores. And to further strengthen our campaign calendar, we plan to celebrate 2 new occasions in the U.S. in the third quarter of 2017, being Back to School and Labor Day.

Looking further ahead, we have identified up to 100% potential concept stores locations across high street, community centers, power centers and selected A-malls which could further enhance the U.S. network in the 3- to 5-year time frame. The opportunities are balanced across the U.S.

Now please turn to Slide #8. Product is everything and newness in our product ranges is becoming increasingly important to drive our top line. Around 50% of our group revenue was typically generated by products launched in the preceding 12 months. For example, when we launched Rose and Disney in the U.S. the collection accounted for roughly 75% of growth in new consumers in the Charms and Bracelets categories. In the last 12 months, we have launched several initiatives to strengthen our product portfolio going forward. Most importantly, we have reduced our product development process from 14 to 11 months and we intend to reduce it further to around 9 months. This allows us to adjust our designs closer to launch to better meet the end consumers' tastes.

Additionally, we have streamlined our production and improved our reaction time, which allows us if necessary to react to new market trends within a much shorter time frame. A great example of this was the 5 products we launched in May based on an opportunity which occurred during February. So basically a reaction time of less than 12 weeks.

We also include around 20 new products in the second half of the year, which was not planned at the beginning of the year, to further strengthen the newness of the upcoming product releases.

In terms of new collections, we already announced the launch of the Disney collection in EMEA in October, and we also plan to launch a new concept as part of the Spring/Summer collection in 2018. The frequency of concepts like Rose, ESSENCE and Disney will also be accelerated going forward and we plan to launch a total of 4 new concepts in the coming 3 years.

The higher frequency of new concept is something which I think are possible through the establishment of concept design team with a primary focus on developing new concepts and ideas. Additionally, we are expanding our innovation capabilities in our state-of-the-art crafting facility in

Thailand in the form of a new innovation center to be operational in 2018. With this, we are well-equipped to react and respond to trends and ensure that we always provide products that our consumers want.

With this, I'll hand over to Peter for a more detailed review on the numbers.

Peter Vekslund - *Pandora A/S - Executive VP, CFO & Member of Management Board*

Thank you, Anders, and good morning, everyone. Turning to the next slide, we will take a look at our 3 channels. Revenue growth for the quarter was mainly driven by PANDORA owned retail, which increased revenue by 37%. Growth in retail was driven by healthy like-for-like development of 10% as well as an increase in our owned and operated store network from both new stores and acquisitions. Part of the revenue increase was driven by our eSTORE, which increased by 59%. The eSTORE represented 6% of total revenue for the quarter, driven by an improvement and expansion in our digital presence, which has led to increased eSTORE traffic and a higher conversion rate.

Franchise concept store revenue increased by 6% compared to the same quarter last year and was driven mainly by the expansion of the network. Willingness of franchises to open new store concept stores remains high across markets and the last 12 months, franchisees opened net 97 concept stores. We continue to improve the quality of our network and, as a consequence, closed around 20% of all of point of sales globally during the last 12 months. As a result, revenue on this part of our wholesale channel decreased by 15%. The wholesale revenue decreased by 3%. Revenue from third-party distributors increased 17%, driven by several markets in EMEA and Asia.

Now please turn to the next slide. We are focusing on the performance in each of the 3 regions.

Starting with EMEA, the region generated revenue of DKK 2.1 billion, corresponding to an increase in local currency of 13%. Growth was driven by double-digit local currency growth in all main markets, including the U.K., Italy, France and Germany. The U.K. increased 12% for the quarter in local currency and was mainly driven by the increase in our store base as well as a good performance from the new store. Italy generated a growth of 22%, which was a result of good performance in the concept stores. Half of the revenue in Italy is generated in other point of sales and saw a slightly negative development for the quarter, mainly down to the closure of around 120 other point of sales as part of strengthening the store network. Revenue in France increased by 10%. The slowdown in growth compared to the earlier quarters was mainly driven by a weak performance in other point of sales. However, France in general, experienced a difficult quarter, which was impacted by unsuccessful promotion.

Our business in Germany continues to improve with revenue up 12% for the quarter driven by good performance in our strengthened German concept store network.

Please turn to Slide 11. Americas reported revenue of DKK 1.7 billion, a decrease of 1% in local currency. Revenue in the U.S. decreased 2% in local currency. And as Anders has mentioned, the retail environment remains challenging; nevertheless, we saw significant sequential improvement in our PANDORA owned concept store network with like-for-like up 8% compared to minus 3% in Q1 2017.

For the quarter, reported numbers in the U.S. were impacted by a number of one-offs. Revenue was positively impacted by a reversal of a return provision of around DKK 200 million due to a change in return policies in the U.S. The change was announced in Q4 last year to franchisees with the effect as of January 2017. As we plan to use clearance sales in the U.S. as a way of clearing out discontinued products, franchises are now allowed to return a lower share of products which are purchased than before. We are now seeing the initial effect of the new return policy and we have adjusted the provisions of sales returns accordingly. The positive impact on the adjustment was more or less offset by earlier flat one-offs of around DKK 190 million. These related to closures of other point of sale, sell-in to Jared in Q2 2016 and timing of shipments. Looking ahead, we expect a tailwind of around DKK 200 million on the new quarter growth rates in the U.S. in Q4 due to easy comps as a consequence the product returns in Q4 of last year.

Now turning to Slide 12.

We continue to see a strong performance in Asia Pacific. Revenue in the region was DKK 1.1 billion, up by 34% in local currency. Revenue in Australia increased 12% compared to Q2 last year and was driven by continued good momentum, supported by an addition of 10 new concept stores in the last 12 months. China, which represent 8% of revenue for the quarter, continues to be an exceptional growth market and revenue for the quarter increased 91% compared to Q2 last year. The increase was driven by the continued strong development of the brand, supported by the addition of net 67 PANDORA owned concept stores in the last 12 months. We are now in 38 cities in China, of which 13 were added in the first half of 2017.

Now please turn to Slide 13, which looks at our 5 product categories. Following a difficult Q1, with a flat performance in Charms and a negative performance in Bracelets, we are pleased to report growth for all 5 of our product categories.

Revenue from Charms increased 5% in local currency with EMEA and Asia Pacific region being the main drivers of growth. Compared to Q1, we saw an improvement in the reception of our new collections in both Mother's Day and High Summer collection, even better received than the Valentine's Day collection launched in January.

Revenue from Bracelets increased 19% and was supported by the 2 fast tracked Bracelets which contributed for more than 5% revenue from Bracelets in terms of sales ad in June in both the U.S. and the U.K.

Revenue from Rings increased 7% on top of a growth of 49% in the same quarter last year and was impacted by lower promotional activities around Rings for quarter.

Earrings and Necklaces and Pendants continue to perform well with an increase of 42% and 56%, respectively. The increase continues to be driven by enhanced focus on the 2 categories, both in terms of marketing as well as in-store focus.

Now please turn to Slide 14. Gross margin for the quarter was 73.9% compared to 75.3% last year. The decrease was mainly driven by a headwind from foreign exchange of around 1 percentage point as well as a negative impact of around 1 percentage point driven by product mix. The latter related primarily to the takeoff of the PANDORA Rose collection following the global launch last year.

I would like to stress though that gross margin varies by metal mix and individual designs but not across the 5 product categories. They always deliver more or less the same gross margin. The decrease was partially offset by the increased share of revenue from the retail channel, which had a positive impact of around 1.5 percentage point.

Finally, Q2 last year was positively impacted by around 1 percentage point related to retail duties in America.

EBITDA margin for the quarter was 33.4% compared to 37.2% in Q2 of last year. The development was driven by the decrease in gross margin as well as higher-cost related to the sales and distribution as well as admin. The increase in sales and distribution was driven by the increase in share of revenue from PANDORA owned stores. The higher admin cost was driven by increase in IT cost specifically related to our rollout of our new global ERP platform and new CRS end system and improvement in our online capabilities.

Please turn to Slide 15. Operating working capital for the quarter was 13.7% the preceding 12-month revenue, a decrease of 2.1 percentage point compared to the same time last year and a decrease by 0.5 percentage point compared to the end of Q1 2017. The decrease was mainly related to a decrease in receivables due to a higher share of revenue from PANDORA -owned stores, which carries less receivables than wholesale revenue.

Compared to Q2 last year, days sales outstanding were unchanged at 39 days.

Q2 CapEx was DKK 296 million compared to DKK 362 million in the same quarter last year. The decrease was mainly due to phasing of investments in Thailand and the total CapEx related to Thailand is still expected to be around DKK 500 million in 2017.

Our net interest-bearing debt-to-EBITDA was 0.5x, which is in line with our overall capital structure policy, unchanged compared to the same quarter last year.

With this, I will hand it back to Anders.

Anders Colding Friis - *Pandora A/S - President, CEO & Member of Management Board*

Thank you very much, Peter. So to summarize, we are pleased with the second quarter's results. We have delivered double-digit sales growth mainly driven by a strong contribution from our own retail business. Revenue from all major markets in Europe increased, Australia continues to impress and China has again proven to be an exceptional growth market. We do see challenges in the U.S. but as highlighted, we have seen an improvement in the quarter and we are rolling out a number of initiatives to strengthen our U.S. business. We are strengthening our own retail network further by taking over distribution in Belgium and South Africa and for the fourth quarter, we are taking over the distribution in Spain.

Finally, we remain on track to meet our guidance for the full year. Before taking your questions, let me just remind you that we have invited you all to participate in our Capital Markets Day, which will be held on the 13th of December 2017 on update on the number -- on a number of key priorities. Thank you very much for listening and now we'll take questions. Operator, please.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) We shall take our first question from Anne-Laure Bismuth from HSBC.

Anne-Laure Bismuth - *HSBC, Research Division - Analyst*

It's Anne-Laure Bismuth from HSBC. So I have 3 questions. The first one, what is giving you confidence in achieving the 38% EBITDA margin guidance in full year '17 given the increase in OpEx seen in Q2? My second question related to the first one is regarding the marketing to sales ratio, which increased to 9.9% in Q2. With the 20 new product launches planned by end full year '17, do you plan to increase the marketing to sale ratio from 9% to 10% in full year '17? And should we continue to expect further increase in (inaudible) OpEx in the upcoming quarters related to the rollout of the global ERP and new CRM? And my third question is about the cost associated to the improvement of PANDORA online capabilities that you're referring to. Can you give us more detail about that, please?

Anders Colding Friis - *Pandora A/S - President, CEO & Member of Management Board*

And thank you very much for your question. I think we missed your last question, it was difficult to hear, so could you repeat that, please?

Anne-Laure Bismuth - *HSBC, Research Division - Analyst*

It's about the cost associated to the improvement of PANDORA online capability that you are referring to in the press releases, you can give us more details about that or...

Anders Colding Friis - *Pandora A/S - President, CEO & Member of Management Board*

Yes. Thank you very much. I think I'll do the marketing sales ratio and actually the ratios in general, and then Peter will take the other 2. We expect to have a ratio that we talked about before, so marketing is fixed, around 9% to 10% as we previously said. And that goes, which is you can say around 9%. And then we had the other cost ratios as we talked about before are unchanged, so at 9% to 10% and the sales and distribution cost, 20% to 22%.

Peter Vekslund - *Pandora A/S - Executive VP, CFO & Member of Management Board*

Yes. And overall, the EBITDA margin for the quarter, we started the year guiding that the second half would be significantly higher than the first half, and this is how the numbers are now also play out in our reporting. In terms of the admin expenses, there is an impact from IT in this and as Anders said, we still expect that it ends up in the 9% to 10% range. Please remember that Q2 is our lowest revenue quarter in general and, therefore, the ratios are somewhat higher on (inaudible) in that quarter.

Anders Colding Friis - *Pandora A/S - President, CEO & Member of Management Board*

And maybe then the last question, one of the things that we are focusing on presently is very much to merge our 2 platforms. We had a .NET platform and a separate eSTORE, and we will merge those 2. We've been trying to find the right time to do that because we don't want to do that just before we had our big Christmas sale, so that's going to happen in March of next year.

Operator

We shall take our next question from Chiara Battistini from JPMorgan.

Chiara Battistini - *JP Morgan Chase & Co, Research Division - Co-Lead, European General Retail*

I have a few. The first one on your promotional activity in quarter 2. I was wondering if you confirm that or talk about how promotional activity changed the year-on-year, if you did more promotions in Q2 '17 versus Q2 '16? And how we should think about promotional activity going forward for this year? The second question would be can you please confirm that the reversal of the provision on the DKK 200 million had no effect on the 8% like-for-like in the U.S. Given that, that should be just on retail. And also this reversal of the provision, does that impact the all of wholesale or is it just wholesale multibranded or also wholesale concept stores? And then finally, can you quantify, please, the drag from the 800 multibranded closures in Europe? Or how many multibranded doors did you have in Q2 '16 and how many do you have now?

Anders Colding Friis - *Pandora A/S - President, CEO & Member of Management Board*

I'll do the first question and on the promotional activities. If we look, and I think this is a question which is probably mostly related towards the U.S., if we look at the number of promotional days in the U.S. for this quarter compared to the same quarter last year, it's actually 2 days less, but the promotions are, you can say, better received by the consumers and that is the focus. There's a couple of things we are doing. First and foremost, the techniques of the promotions have to work, they have done that this quarter. We also we also try to aim our promotions at times where we have consumers in the stores and that has also played out very well. If you look at the remaining part of the year, we had a strong promotional calendar. We are not expecting to have a much bigger number of promotional days. It's at the same level as we had in last year. And then, I think, Peter, he will comment on the like-for-like number.

Peter Vekslund - *Pandora A/S - Executive VP, CFO & Member of Management Board*

Yes. Thank you, Chiara. On the like-for-like number, the return provision change have absolutely no impact on the like-for-like number of 8% in the U.S. The return provision and the change in our return policies impact only our wholesale channel of both across franchise concept stores as well as other point of sales in the U.S.

Chiara Battistini - *JP Morgan Chase & Co, Research Division - Co-Lead, European General Retail*

And about the closures in Europe of the multibranded doors, the 800 closures, could you quantify what kind of impact that has had on revenue? Or at least how many doors you have now multibranded in Europe versus a year ago?

Anders Colding Friis - *Pandora A/S - President, CEO & Member of Management Board*

We can say we've closed 1,500 multibranded stores over the past year. So we have that less -- I think it's difficult to quantify exactly the numbers based on that but, of course, it has impact.

Peter Vekslund - *Pandora A/S - Executive VP, CFO & Member of Management Board*

Yes, around half of the 1,500 are in EMEA.

Chiara Battistini - *JP Morgan Chase & Co, Research Division - Co-Lead, European General Retail*

But you talk about 800 closures in Europe on your Slide 10. But you wouldn't quantify the impact on top line?

Peter Vekslund - *Pandora A/S - Executive VP, CFO & Member of Management Board*

We will leave it just referring to the number of stores going to 3,200.

Operator

We shall take our next question from Elena Mariani from Morgan Stanley.

Elena Mariani - *Morgan Stanley, Research Division - VP*

The first one is again on your guidance. I was trying to better understand the little bit the phasing Q3 versus Q4 because at the moment I think what you're implying about your guidance is that you're going to grow organically around 20% in H2 and you're going to have an EBITDA margin in excess of 40%. How should we expect Q3 to look like versus Q4? Is growth going to be much more skewed towards the fourth quarter? Or should we see a little bit more of a balanced organic growth across the 2 quarters? And still on the guidance, I think in the past you said that you are expecting to deliver growth in 2017, around 50% coming from existing stores, so like-for-like, and 50% from network expansion and upgrade. Is this still the case because I'm trying to understand how much of this growth is coming purely from store conversions, store expansion and how much is instead pure underlying? Second question is around your product launches. Could you help us understand exactly in which regions you are planning these product launches? Is it mainly the more mature markets, so U.K., U.S. or across other geographies as well? And with regards to Disney, how much do you expect that will contribute to your growth in the second half? And which target customer you have in mind in particular, because I remember that in the past you were a little bit reluctant in launching Disney in EMEA because you couldn't see a perfect fit in the customer base in here? And then one very last question, which is about the U.K. market in particular. Could you help us understand the like-for-like development in that market because you've seen an acceleration in organic growth? And I was wondering how much that was driven by stores and how much instead was pure like-for-like? Any particular, any improvement versus Q1?

Anders Colding Friis - *Pandora A/S - President, CEO & Member of Management Board*

Thank you very much for your questions, Elena. We'll try to get through them, and if we start by the guidance, I think the 50-50 is an old number, we don't really use that anymore also because it got skewed and didn't really work. If you look at the phasing over the last 2 quarters of the year, we see -- and we always do that, that the fourth quarter is going to be very, very strong. So -- and remember we had tailwind from acquisitions which will be in the area of DKK 450 million. And they will hit us with 70% in Q4 and 30% in Q3. Then in Q4, we also had the one-off in the U.S. of DKK 200 million that we won't face this year, so that means that we have an easier comp. And in general, if you look at the comps for the remaining part of the year, it will be easier, around 10% lower. So all in all, we feel very comfortable with the guidance that we have that we have. But you're right, (inaudible) ratio over the year. If you look at the EBITDA margin for the second half of the year, it will be stronger. Again, it will be particularly strong in the fourth quarter. And so that's where you would see quite a pick up and clearly that's where we get the leverage. Also the fact that we had more owned and operated stores has also supported a stronger fourth quarter. If you look at Disney, we do not give any indications of (inaudible) but as you rightly say, we have previously said that we were monitoring very, very closely whether it would be good a idea to launch Disney in Europe. We've actually done quite some extensive research to try to understand how Disney is seen across Europe and it is different. If you look at the market like Italy, they are pretty crazy with Disney and they're probably the most reluctant market when it comes to Disney and PANDORA is U.K. but even in the U.K., seen positively by consumers. So that's the reason why we have chosen to launch it. And then I think Peter ready to answer. You didn't want to answer. So why don't we get the list here and...

Elena Mariani - *Morgan Stanley, Research Division - VP*

It was more about - it was the U.K. market.

Anders Colding Friis - *Pandora A/S - President, CEO & Member of Management Board*

So we don't comment on the like-for-like numbers in other countries. We have the 2 numbers that we give, global number and also the number for the U.S. If there is one question that we didn't answer, please repeat it because I'm not sure we got all of it.

Elena Mariani - *Morgan Stanley, Research Division - VP*

Just a couple of follow-ups. So what you said about the guidance and then the split between like-for-like and network expansion, does it imply that you're expecting organic growth to be mostly, for the vast majority driven by network expansion and upgrade? And then a second follow-up on Disney. Do you think that this is what customers really want? Aren't you afraid of lowering a little bit your target customer age?

Anders Colding Friis - *Pandora A/S - President, CEO & Member of Management Board*

Good question. Let me start with the Disney question. The simple answer is no, we are really not. We looked into this. Actually, what we've seen in the period where we had Disney in the Americas and in Asia, but not in Europe, we've actually seen a lot of people coming to our stores and asking for Disney in Europe. So we think that we are giving the consumers an even better choice than we had previously. I'm not sure we can give you any more flavor on the split between the different things, but you will see that we have around DKK 600 million from acquisitions, and we also have upgraded the number of store openings to 300 this year.

Elena Mariani - *Morgan Stanley, Research Division - VP*

And one last point. So coming back to the product launches. In which region that you're planning them? Is it mostly in the U.K. and the U.S.?

Anders Colding Friis - *Pandora A/S - President, CEO & Member of Management Board*

That is correct, that was your last question. The product launches we are doing, we are doing across all geographies. So whenever we put something into the assortment of PANDORA, in the future, even Disney, it will be launched across the world, so that's also what we're doing.

Operator

We shall take our next question from Thomas Chauvet from Citi.

Thomas Vincent Chauvet - *Citigroup Inc, Research Division - Head of European Luxury Goods Equity Research and Director*

Three question, please. Firstly, on the U.S. I understand your LFL improved significantly. I'm a bit confused by some of the numbers. Sorry, I'm relatively new to the company, so apologies if it's a silly question. In Q1, you had minus 3 LFL in the U.S., you had plus 5 underlying growth ex one-off. In Q2 you have plus 8 LFL but minus 2 underlying growth. So can you explain how you got to minus 2? What happened in the wholesale channel exactly? Secondly, if we take your guidance, let's say, DKK 23.5 billion of sales the midpoint of the full year guidance and similar gross margin headwinds in H2, to get to 38% EBITDA margin, I think you need to grow total OpEx obviously below sales growth, that was the opposite in the first half, you had deleverage. Can you back come back to the previous question on how you see OpEx development in H2 and is it fair to assume OpEx leverage? And finally, you commented that the Rings had lower growth in the period as you didn't do promotion. Would you say it's more difficult to boost sales of traditional jewelry like rings or earrings without promotion than it is for Charms because maybe brand awareness on those traditional categories is still lower at PANDORA, the sales associates maybe are still learning on how to sell those categories?

Anders Colding Friis - *Pandora A/S - President, CEO & Member of Management Board*

Thank you very much for your questions. We -- when we see the like-for-like numbers in the U.S. clearly we are very happy with the fact that we had a strong number for this quarter. And if we look at what happened in the wholesale channels, we partly closed a lot of stores, and we also saw the wholesale channel being a bit more challenging. And if we look at the franchise part of it, we also -- with the development in the markets have seen some destocking. So those are reasons why the sales into the franchisees been a bit weaker. And also to the last one and then Peter will do the -- if we look at the Rings growth, we can see that the Rings are becoming a bit more a developed category. If you look at our 12 -- last 12 months sales, it's around 15%, which will actually correspond to the market level of sales of Rings, if you disregard the wedding and engagement rings. Having said that, the base development of our Ring sales is pretty good, we had a 7% growth for the quarter. And clearly it is also important whether we had any promotions or not, it's not that we are depending on it, we see some growth, we didn't see any decline in Rings, but if we don't have promotions as we had before in the quarter, clearly that has an impact on the sales. And do remember when we look at our promotions, we are still very focused on making sure that our core category is developed, so a lot of our promotional efforts are also centered around the Charms and Bracelets category. And then Peter will answer.

Peter Vekslund - *Pandora A/S - Executive VP, CFO & Member of Management Board*

The question on guidance and leverage on our OpEx base to read our guidance on revenue, we will deliver a pickup in revenue in the second half, especially in Q4. And that will drive leverage into the cost line percentage. Then overall, because we expect full year admin cost to be between 9% and 10% of revenue.

Operator

We shall take our next question from Kristian Godiksen from SEB.

Kristian Godiksen - *SEB, Research Division - Analyst*

I have a couple of questions from my side as well. Firstly, the U.S. declined 2% in local currency despite concept store network expansion and that your like-for-like was 8%. My question is, can you comment on the performance by the physical franchise stores and also the multibranded channel? My second question is, I was wondering whether you could give us some building blocks for why we should still be comfortable with your revenue, proof franchise store declining 8% year-on-year when taking the average number of concept stores? And then thirdly if you can just confirm that your EBIT and EBITDA margin came out in line with your own budget/expectations?

Anders Colding Friis - *Pandora A/S - President, CEO & Member of Management Board*

Yes. I will take the first one and then Peter will take the 2 -- second question. If we look at the concept stores in the U.S., you have to look at, let's say, we had a weaker development for those than we of course had to the like-for-like number that we saw at our own stores and the same goes for the multibranded stores.

Peter Vekslund - *Pandora A/S - Executive VP, CFO & Member of Management Board*

Yes. In terms of the calculation you do, trying to do productivity per store and so on in the franchise net overall, then of course, that is impacted by the market mix in that number. And we have had some store openings in markets with lower revenue per store. Plus when we open new stores, we take them as owned and operated. And when we acquire stores from franchisees, we also acquire the good and high revenue stores. So that is why the number down a bit. And finally on the EBITDA, that is in line with what we have communicated beginning of the year, significantly stronger in the second half than in the first half, so that is in line also with the internal guidance.

Kristian Godiksen - *SEB, Research Division - Analyst*

So also, I know that the directional is in line with what you said but is it also the headline number, is that also the same as you had expected in your budget? And then just coming back to the question #2, so if we adjust for the market mix of the countries and also the mix of that you are acquiring, the fully up and running stores, is that then an increase we should - that should be?

Anders Colding Friis - *Pandora A/S - President, CEO & Member of Management Board*

Well, let me start with this. We made a plan when we started the year, and we are creating exactly on that plan. So the first and second quarter coming exactly as we expected it, and we are happy with the 12% growth for this quarter.

Peter Vekslund - *Pandora A/S - Executive VP, CFO & Member of Management Board*

And then in terms of the revenue per franchise store, if you do that as a flat average on the global numbers, then -- I mean as we take the better stores, high revenue stores ourselves and convert also the better stores to owned and operate, that number will be impacted and most likely decline. That is a natural consequence of the strategy that we are pursuing and not a sign of the franchise store being bad. In general, in most markets, franchise and owned and operated really perform at the same level.

Kristian Godiksen - *SEB, Research Division - Analyst*

Maybe one last question. And I was wondering can you comment on the phasing of promotions versus general marketing in the second half compared to the Q2? And my question is in order to gain comfort on your like-for-like performance in Q2, especially for the U.S. but also the group.

Anders Colding Friis - *Pandora A/S - President, CEO & Member of Management Board*

I'm not sure I understand your question, Kristian, could you...

Kristian Godiksen - *SEB, Research Division - Analyst*

Yes, so what I'm trying to figure out is the mix in your total marketing spend, how much of that is promotional and how much of that is more general marketing where you don't discounting but just promote the PANDORA brand? So whether that phasing between those 2 categories, is that the same the second half compared to what you've done in Q2 given the strong performance in your like for like in both the U.S. and also the group and also gain comfort on that?

Anders Colding Friis - *Pandora A/S - President, CEO & Member of Management Board*

Yes, I can confirm that there is no change in that.

Kristian Godiksen - *SEB, Research Division - Analyst*

So second half will be the same as the one we saw in Q2?

Anders Colding Friis - *Pandora A/S - President, CEO & Member of Management Board*

So you can say Q1 we had a bit more of general marketing linked to the launch of a new campaign. The rest of the year is in line with what we normally do.

Operator

We shall take our next question from Michael Vitfell-Rasmussen

From ABG.

Michael K. Vitfell-Rasmussen - *ABG Sundal Collier Holding ASA, Research Division - Analyst*

First of all, can you add a little bit more flavor on the situation in France? Can you talk a little bit about the sales ad momentum and what actions you exactly are taking on that market right now? Secondly, I think you mentioned that there had been some destocking among your U.S. franchisees. Why did this happen? Inventories -- or were inventories too high? Or should we see some stocking up impacting the third quarter? Finally, on the U.S., can you add a little bit comment on Charms and Bracelets sales. Are they going up? Or are they going down? And if they are going down, is this worry to you?

Anders Colding Friis - *Pandora A/S - President, CEO & Member of Management Board*

Michael, thank you very much for your questions. France, if we look at that, we have to say that the revenue in the quarter and the performance in the quarter was not to our satisfaction with the 10% growth that we saw there. Clearly, the French market is impacted by the fact that we've seen terror in the market and that is a challenge for us as well as everybody else. Apart from that, we can also see that -- we mentioned the promotion, I talked about that in connection to the U.S. as well. And in the U.S., we are targeting the right promotional base where there are actually people in the stores. We had a promotion in France where we actually moved it to a wrong time where there was less consumers in the stores. And then in France, we've had a bit of a focus trying to be too aspirational so we had too much gold in the front end of our stores and we've taken that back, so just a few things. We do believe that France can and should be stronger also in the future. If we look at the U.S., we can see that there's 2 things which is affecting our numbers in the concept stores, one -- franchise concept stores. One is that clearly we have seen a weaker performance in the beginning of 2017. And that, of course, also means that our franchisees do a little bit less on replenishment. The other thing is that the change of the return policy that as we talked about in this quarter where we make sure that we don't have wrong behavior saying too much ore buying and then returning to us for remelt is also one of the things which is affecting the stock in the franchise stores in the U.S. And if you ask about the Charms and Bracelets in the U.S., it is slightly negative for the quarter.

Michael K. Vitfell-Rasmussen - *ABG Sundal Collier Holding ASA, Research Division - Analyst*

Okay, so just a follow up. First of all, on destocking, that means that the destocking, I mean, and the new return policy, we are or you are where you want to be in the U.S. right now. Or should we see this also the third quarter. And coming back to your question -- to your answer, sorry, on my first question on the Charms and Bracelets, it's not a worry to you? Or can you add a little bit more, please?

Anders Colding Friis - *Pandora A/S - President, CEO & Member of Management Board*

So if we look at -- we've actually implemented a number of things in the U.S. franchise stores. One of the things is we have given an inventory system, which helps them make sure that we have the right inventory in the stores. And I think, over time, the important thing is not to have too much stock in the stores. We want to have the relevant stock in the stores and that is to support for that which has been implemented in connection with this change in the system. If we look at the Charms and Bracelet development, clearly, we are building our new categories in the U.S. and that also has an impact on the total development of the business. So it's not something that we are really worried about, to be honest.

Operator

We shall take our next question from Lars Topholm from Carnegie.

Lars Topholm - *Carnegie Investment Bank AB, Research Division - Co-head of Research of Denmark & Financial Analyst*

A couple of question from me. First, on the reversals of DKK 200 million in the U.S., assuming a normal gross margin applies, can you just confirm that the EBIT contribution from this is DKK 150 million? And then related, I wonder that if your provision levels are lower, how does that affect growth from U.S. sales going forward? Shouldn't it become a couple of percentage points stronger when you provision less? Then another question goes on the mix between owned and operated stores and franchised stores. When you expand going forward, maybe not so much just for this year, but if you increase focus on owned and operated stores, does your own ability to execute a certain number of store openings mean we should see a lower store expansion pace going forward? Or how should we think about that? That's it for now.

Anders Colding Friis - *Pandora A/S - President, CEO & Member of Management Board*

Thank you very much for your questions, Lars. I'll do the second one and then Peter will get back to the first one. As we have mentioned, we have now a preference to open owned and operated stores and that is a compelling and very good financial part of our business strategy. We should not expect that to have an impact on the number of openings that we can do. We are in a number of markets already opening exclusively like China owned and operated stores, and we can also do that in other countries. And remember that no matter whether it's a franchise store or owned and operated stores, it still us who have to design and deliver the store for the individual market. So we have the capability of doing that.

Lars Topholm - *Carnegie Investment Bank AB, Research Division - Co-head of Research of Denmark & Financial Analyst*

And do you know anything about the mix between owned and operated and franchised stores going forward if we look at the openings?

Anders Colding Friis - *Pandora A/S - President, CEO & Member of Management Board*

I think that what I can say is that this year, we've said around 50-50, you should expect that to move even more into the level of owned and operated stores in the future.

Peter Vekslund - *Pandora A/S - Executive VP, CFO & Member of Management Board*

Lars, it's Peter. With -- on your comment or question on the EBITDA contribution of the change in the provision, and you're right, if you take out the DKK 200 million for top line and then use average cost then EBITDA impact would be around 150.

Lars Topholm - *Carnegie Investment Bank AB, Research Division - Co-head of Research of Denmark & Financial Analyst*

And then a follow-up on the -- because even you look at EBITDA margins in the Americas and I adjust both revenue and EBITDA for this reversal, then you have an EBITDA margin of 27%. And, of course, there are some other one-offs in this. But I wonder how you see that going forward? And I also wanted to -- do you see this as a margin consequence of a U.S. market that is increasingly promotional? Or how should I think about this?

Peter Vekslund - *Pandora A/S - Executive VP, CFO & Member of Management Board*

Let me do, Lars, some of the numbers. In Americas, you're right, there's a couple of one-offs in the quarter. First of all, on the gross margin being impacted by minus 2% by our stores. And there was duties in Q2 of last year for 2.5 percentage points. And then our expansion in Latin America for around 1%. So that is impacting the overall EBITDA margin. So going forward, we of course, looking at EBITDA margin and maintaining the high profitability of the company, and that also goes for the Americas. In the period where build up the Latin America organization, there will be a negative impact on the margin.

Lars Topholm - *Carnegie Investment Bank AB, Research Division - Co-head of Research of Denmark & Financial Analyst*

Okay. And then one final question on these provisions, can you foresee any other provision changes going forward? Are we going to see more reversals or the opposite? Or the 200 million it and now it's done and dealt with?

Peter Vekslund - *Pandora A/S - Executive VP, CFO & Member of Management Board*

For the provision is actually doing what's right for the business. On the return provision, we wanted to reduce the returns and get the right purchasing behavior from our partners in the U.S. And therefore, we did this change in the return policy. And then the consequence of that business decision leads also some change in accounting.

Lars Topholm - *Carnegie Investment Bank AB, Research Division - Co-head of Research of Denmark & Financial Analyst*

But that wasn't my question. My question was if you were going do other changes, something -- I mean this one you saw in Q4 but didn't tell us about anything, you didn't tell us about relating to provisions or is it now done the DKK 200 million, that's it and then we can assume the provision levels will stay where we are now?

Peter Vekslund - *Pandora A/S - Executive VP, CFO & Member of Management Board*

And all rest assured that we will continue to develop the business and then that will impact provisions also going forward. But in the near term, we don't have any numbers like that. But again, we will continue to make the right business decisions.

Anders Colding Friis - *Pandora A/S - President, CEO & Member of Management Board*

And I think what is important to know is that you can say, why do we take this provisioning now, why not earlier? We did the changes, we worked through the franchise stores over the first 2 quarters to see that we actually see the policy implementation, but also the new inventory system working for the franchisees, and we see that, and that's why we realize it now.

Peter Vekslund - *Pandora A/S - Executive VP, CFO & Member of Management Board*

One thing is implementing or announcing a policy, next thing is to get it implemented and actually get the results that you were planning for. That happened, but it took a bit of time.

Operator

We shall take our next question from Hans Gregersen from Nordea.

Hans Gregersen - *Nordea Markets, Research Division - Director of Food, Beverage & Ingredients and Sector Coordinator*

Going back to the return provisioning. How are they distributed across the 5 product categories, the first question? Secondly, you mentioned rising A&P investments in the quarter. It's only, let's say, 0.5 percentage points, it's not that significant. But if we -- when we see your O&O rising as a total share of your revenue base, I would imagine that doing the brand-building, it does not become more expensive just because you own the stores, so are there underlying stronger increase in the A&P investment brand building than the 50 bps sort of suggest? Next question, despite of your investing more in the store network? We can still see your return of invested capital holding up quite solid. How should we look at that going forward? And then finally, IT investments, I, of course, listen to your comments on your margin outlook. But the specific rise in IT investments in Q3, sorry, Q2 here, was this just a bundle of a lot of cost or will there be further significant cost in Q3? And then a total ratio in quarter 4?

Anders Colding Friis - *Pandora A/S - President, CEO & Member of Management Board*

Thank you very much for your questions, Hans. I'll talk about the marketing and then Peter, I think, will take the other questions. If we look at the marketing, we do believe that over time as we get more owned and operated clearly as a percentage of sales, we would see an opportunity if we choose to take that to actually bring the marketing level a bit down. So how it's distributed between the quarters? Within a percentage or so is not that important, but we do not expect it to move very much higher than it is today. We have said about 9% for this year and that is the number that we stick to. But as you know, as we take the full revenue from the retail side, it could actually mean that a little bit less would mean the same impact for the consumers. And we do not see that there's any further need for marketing around the stores.

Hans Gregersen - *Nordea Markets, Research Division - Director of Food, Beverage & Ingredients and Sector Coordinator*

If I may just interrupt here. I mean if you say your sales (inaudible) index 100 while O&O is 2 40, if we believe the brand building you're doing is efficient, it costs the same to do the brand-building itself, wouldn't that logically imply that over time that A&P should be going down? So in other words, you could actually spend more underlying in terms of activity on brand-building in '17 compared to '16?

Anders Colding Friis - *Pandora A/S - President, CEO & Member of Management Board*

You are absolutely right. So that is the dynamic of it. And -- but I think, for a single quarter, it's difficult to say. But if you look at it over a longer period of time, it would have a positive if you want to say, like implication for our marketing spend.

Peter Vekslund - *Pandora A/S - Executive VP, CFO & Member of Management Board*

On the sales return reserve, that is split just like the category split of the revenue for the quarter. In terms of...

Hans Gregersen - *Nordea Markets, Research Division - Director of Food, Beverage & Ingredients and Sector Coordinator*

But we -- sorry, Peter, but we cannot see this split in the U.S?

Peter Vekslund - *Pandora A/S - Executive VP, CFO & Member of Management Board*

But it's the same as the global more or less. So if you use the global distribution, then you're approximately right. In terms of return on invested capital, we do decisions on investing in owned and operated store, but again, it's still limited to CapEx, DKK 1.5 million to open an owned and operated store. And also, as you can see, the Spain acquisition, which we bought back at a healthy level of EBITDA, so less than 5 in the multiple on EBITDA. So that will be, to say, a sound capital decision. In terms of the IT spend, the IT is actually bit ending in CapEx and a bit ending in OpEx. And we do that to (inaudible). We don't see an acceleration into the second half of this. Overall, admin is still expected between 9% and 10% for the year.

Hans Gregersen - *Nordea Markets, Research Division - Director of Food, Beverage & Ingredients and Sector Coordinator*

And then Peter, sorry, final. Just got a question from an investor. When do you actually start shipping products for Christmas?

Peter Vekslund - *Pandora A/S - Executive VP, CFO & Member of Management Board*

The product for Christmas is just around the turn of Q3, Q4, so a bit will be shipped in late Q3 and some in early Q4.

Operator

We shall now take our next question from Piral Dadhania from RBC Capital Markets.

Piral Dadhania - *RBC Capital Markets, LLC, Research Division - Analyst*

Most of my questions have been answered, but if I could just follow up on the EBITDA margin guidance for the full year. Of course, that implies a significant improvement in the second half profitability. But if we just think about the PANDORA Disney launch in Europe in October, I'm just curious as to why you wouldn't accelerate your marketing spend in the third or fourth quarter to support that launch and perhaps end up with an outcome above 9% of sales for the full year to try and really drive the product into the fourth quarter? Just wanted to understand the dynamics around how marketing might evolve in the second half again. And secondly, just a slightly bigger picture. Just thinking about the maturity profile of your new store openings. I think you opened something like 70 new concept stores in the quarter. Are you seeing any change in the ramp-up or maturity profile of the new stores you're opening today versus a year or 2 years ago? Are these stores taking longer to reach maturity? And is the level of maturity, the reach in productivity higher or lower than the existing store network? Just trying to understand how the second quarter margin being below where expectations were, whether that's a function of your retail productivity or a function of your central costs being higher than expected?

Anders Colding Friis - *Pandora A/S - President, CEO & Member of Management Board*

Thank you very much for your questions. If we look at how we're going to support the launch of Disney, we are going to support it. And what you have to remember is last year, at the same time, we launched Rose, which we also supported. So you wouldn't see any change based on that. And if we look at -- we have not really seen any significant change in the maturity curve. It of course takes a bit of time to ramp up the stores, but one thing that I find is really, really important but also nice is that the ramp up of our stores in general are very fast. When we enter into a totally new market, sometimes it takes a little bit longer, but as we add stores in existing markets, ramp-up is pretty steep and good. So we haven't seen any change.

Operator

We shall take our next question from Mr. Klaus Kehl from Nykredit Markets.

Klaus Kehl

Klaus Kehl from Nykredit Markets. I have 2 questions. First of all, at least compared to my estimates, then your own retail revenues were more or less a spot on compared to my estimates. But how would you characterize wholesale business over here in Q2? Would you say it was in line with your expectations? And if there were any deviations, where would you see these deviations? Second question would be growth. You had a decent uptick in growth in the quarter. But could you comment on the growth rates throughout the quarter? Did it accelerate towards the end, for instance? And any comments that you might have in this relation if you include the effects from the new product launches in the quarter? That would be my questions.

Anders Colding Friis - *Pandora A/S - President, CEO & Member of Management Board*

Thank you very much for your questions. If we look at our wholesale business and retail business, it is good in general and in line with our expectations. As we pointed out previously, France was a bit disappointing. And also the U.S. as you see, it is a difficult market, so we also see that being weak. But the numbers in the second quarter was clearly improved compared to the first quarter.

Peter Vekslund - *Pandora A/S - Executive VP, CFO & Member of Management Board*

And we did see an improvement throughout the quarter.

Klaus Kehl

And the improvement that you saw that, was that driven by the new products?

Anders Colding Friis - *Pandora A/S - President, CEO & Member of Management Board*

Some of it, they were well received, and we launched in the last part of the quarter, so that is definitely part of it.

Klaus Kehl

Okay. And then just a follow-up question, I guess, the U.S. is to a very large extent a wholesale business, is that correct?

Peter Vekslund - *Pandora A/S - Executive VP, CFO & Member of Management Board*

That's correct. Around a quarter of the revenue in the U.S. is from the multibranded accounts. And then on top of that, the franchise.

Operator

We shall take our next question from Omar Saad from Evercore ISI.

Omar Regis Saad - *Evercore ISI, Research Division - Senior MD, Head of Softlines, Luxury and Dept Stores Team, and Fundamental Research Analyst*

I have 2 questions, if it's okay. The first one, I was wondering if you could give us some more color on new product introductions that you've talked a lot about coming later this year, in the future? Could you give us more details? Are we talking about new categories or new Charms collections? And then my second question is the performance of the franchised stores versus the owned and operated stores. Seems like that the owned stores are performing much better than the franchised stores globally, but certainly in the U.S. as well. Maybe you could talk a little bit about why you think your owned store performance is so much better than franchisee? Is it execution? Or are there other factors driving that?

Anders Colding Friis - *Pandora A/S - President, CEO & Member of Management Board*

I think it was very difficult to hear your questions, I think we have a very bad line. We got maybe -- now we'll try to at least respond to the first or the second question and the first was a little lost on us. But if you ask us how owned and operated is doing compared to our franchised stores, clearly we get the total pickup of the fact that we do 2 to 2.5x the revenue. And I would say, in general, we do at least as well in our owned and operated stores in some areas a little bit better. But otherwise, they are very comparable in the individual markets. If you look at the differences on a global level, it's more a difference which is mirroring the fact where we have owned and operated stores. The first question we didn't really understand. So...

Omar Regis Saad - *Evercore ISI, Research Division - Senior MD, Head of Softlines, Luxury and Dept Stores Team, and Fundamental Research Analyst*

The new product introductions that you talked about, maybe you can give us some more color? Is it new categories? Is it new Charms collections? Help us understand some of the innovations you have coming in, if you can give us some more color what the new lines are going to look like.

Anders Colding Friis - *Pandora A/S - President, CEO & Member of Management Board*

Got it. Thank you very much for repeating. Well, we have -- and you're talking about the 20 new products that we said that we are going to introduce. And if you look at that, it's a new bracelet, a mesh bracelet, which we actually expect consumers to not only enjoy but also love. Then we have 12 charms, which is coming in. We have 6 rings and 1 pendant, which is the total assortment that we're going to launch. And it will come in with drop 5 which means that it will be launched on the 31st of August of this year.

Operator

We shall take your next question from Francesca Di Pasquantonio from Deutsche Bank.

Francesca Di Pasquantonio - *Deutsche Bank AG, Research Division - Research Analyst*

I have 2 remaining questions, please. The first one is, I'm hearing a lot of talk about promotions which is a bit boring, I have to say. How are you looking at your ASP evolution? How are you looking at pricing strategies going forward? Second question, going back to your EBITDA, OpEx guidance for the second half. This question has been asked already, but maybe I haven't fully understood. Was the G&A cost peaking in Q2 linked to the cycle of IT investments? And are you expecting the costs associated with this to phase out gradually over the following quarters?

Anders Colding Friis - *Pandora A/S - President, CEO & Member of Management Board*

Thank you very much for your questions. I'll do the first and then Peter will get back to the second question. I totally -- we align with you and agree that you should be very careful with your promotions and make sure that you do not overdo it. I think that we are -- we don't have a lot of promotions and let's use the U.S. as an example. In the U.S. we actually had 16 promotional days in the second quarter this year compared to 18 promotional days last year. So we haven't added promotional days, but we've added more relevant promotions. I think it is important to have promotions and you can see that gaining new consumers but also developing the new categories is done very well by the promotions. But look, our pricing strategy, we don't have any plans to increase our prices. If you look at our pricing strategy, we want to have products which is starting at a level where everybody can participate, which means around EUR 19 as an entry price and then we'll go up and then of course have aspirational product, which is a lot and more expensive. If you think of this, as you also do in apparel, like a pricing diamond that we have, but we want to make sure that we are affordable to consumers to get into. And then we have the EBITDA...

Peter Vekslund - *Pandora A/S - Executive VP, CFO & Member of Management Board*

On the EBITDA guidance, again this is...

Francesca Di Pasquantonio - *Deutsche Bank AG, Research Division - Research Analyst*

Sorry, sorry, can I just interrupt. Going back to the first question, I had a follow-up. So if you look at your sales mix, would you say that the percentage of full-price sales has been stable, up or down this quarter?

Anders Colding Friis - *Pandora A/S - President, CEO & Member of Management Board*

Well, it depends a little bit on what you compare to. As our promotion in first quarter didn't work very well, the promotional part of our sales was up in this quarter. But if you compare year-to-year, it's the same.

Operator

We shall take our next question from Kristian Godiksen from SEB.

Kristian Godiksen - *SEB, Research Division - Analyst*

Kristian from SEB. Just a couple of follow-ups. So you plan to launch 4 new concepts towards 2020. Has this been accelerated due to the weak Q1? And will this concept be additional to the existing themes? Or will you phase out some of the existing concepts, such as ESSENCE, which I guess has not been the performer you had expected? And then my second question as you mentioned that you have identified 200 new concept store locations in the U.S., which you intend to open over the next 3, 5 years. Have you also identified concept stores that needs to close due to the weak retail environment and the store closings we've seen in general in the U.S.? Yes, I guess, I'll stop here.

Anders Colding Friis - *Pandora A/S - President, CEO & Member of Management Board*

Thank you, Kristian. If we look at the new concepts, it's actually part of -- I talked a little bit about that in the general introduction we had. We can see that, that is generating a lot of interest with our consumers. And we had reached kind of, we changed our product organization. So we actually have a group of people who are focusing on this and that is what is coming out of it. Clearly, when we talk about new products update, it takes some time to get it to the market. When we talk about bigger changes like concepts, it takes a bit longer, so they've been working for a while and we are very happy that we can launch the first one in the beginning of 2018. Looking really forward to that. It is something which is making sure that we can have a good offer for our consumers. If you look at the stores, ESSENCE is doing well, so we are continuing that. But of course, it's smaller than Moments. If you look at the new concept stores in the U.S., we've done a deep dive into the U.S. market to understand where we are, but also where we are not. And we have spent part of some time on that to make sure that we have the right retail footprint. Can there be a few stores that we will reallocate? Absolutely in the U.S. But in general, we have very, very strong and profitable network. So I think that the way you should think of this is the 100 stores would be an addition.

Kristian Godiksen - *SEB, Research Division - Analyst*

Okay. Just a follow-up on the themes. So this will increase the total number of SKUs or DVs when these 4 new concepts are launched, is that correct?

Anders Colding Friis - *Pandora A/S - President, CEO & Member of Management Board*

You should look at us increasing a little bit on the number of SKUs, not so much because of the concepts, as because of the fact that we are embracing the new categories as we move along.

Operator

We shall take our final question from Hans Gregersen from Nordea.

Hans Gregersen - *Nordea Markets, Research Division - Director of Food, Beverage & Ingredients and Sector Coordinator*

Just going back to the U.S. How big is the O&O revenue share for total business? And could you also explain to me when you calculate the like-for-like growth, what was the revenue base in 2016 Q2 for the 2 metrics you supply as well?

Anders Colding Friis - *Pandora A/S - President, CEO & Member of Management Board*

I think that if you look at the number of stores, the basis, it's if I remember right, Peter has number, 15%.

Hans Gregersen - *Nordea Markets, Research Division - Director of Food, Beverage & Ingredients and Sector Coordinator*

No. But I said, it's not stores, it's revenue.

Anders Colding Friis - *Pandora A/S - President, CEO & Member of Management Board*

Then -- yes.

Peter Vekslund - *Pandora A/S - Executive VP, CFO & Member of Management Board*

It will be the same, it means the same.

Operator

As there are no further questions in the queue, that will conclude today's question-and-answer session. I should now like to turn back the call over to the moderator for any closing remarks.

Anders Colding Friis - *Pandora A/S - President, CEO & Member of Management Board*

Ladies and gentlemen, thank you very much for listening to the call today and for your questions. We have delivered according to our plan for the first 6 months of the year and with an acceleration to the second quarter, and we look very much forward to providing you with further update on our progress when we announce our Q3 results in November. Have a great day.

Operator

That will conclude today's conference call. Thank you for your participation. Ladies and gentlemen, you may now disconnect.