Pandora

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Bilal Aziz, IR: [00:00:00] Good morning, everyone, and welcome to the conference call for Pandora's full year 2022 results. I'm Bilal Aziz from the Investor Relations team and I'm here joined with our CEO, Alexander Lacik and CFO Anders Boyer and the rest of the IR team. As usual, there will be a Q&A session at the end of the call. If you could kindly limit yourself to two questions at a time, that would be great.

Bilal Aziz, IR: [00:00:22] Please pay notice to disclaimer on slide two and turn to slide three. I will now turn over to Alexander.

Alexander Lacik, CEO: [00:00:29] Thanks, Bilal, and welcome everyone. Let me start by taking a step back and look at '22 as a whole. As you all know, the year was marked by heightened macroeconomic and geopolitical uncertainty. And of course, as well as the ongoing COVID-19 situation in China. Despite all of this, we still delivered at the high-end of our expectations. The organic growth ended up +7% with our sell-out growth at +4%. I believe the year very much demonstrates how we are able to navigate uncertain times thanks to the combination of our strong brand and our diverse geographical footprint. As ever, our growth continues to be highly profitable. The gross and EBIT margins expanded, and we saw some promising results from the price increase. I also want to highlight that we retained good discipline in our promotional activities. Due to the weakened macroeconomy, we faced a more competitive environment in general and a sharper promotional pressure during Q4 in particular. Underpinning the resilience is our relentless execution of the Phoenix growth strategy. A couple of key points: Our core remains in incredibly good shape, and we delivered solid sell-out growth for Moments. During '22 we expanded our store network and opened a net 88 new stores. Network expansion is a very productive growth driver, which has short payback and is a low risk opportunity in our toolbox. Of course, embedded within our strategy are our ambitious sustainability objectives, and we made good strides on this front as well. We also received some important recognitions that I will come back to in a minute. Now let's move to slide four, please.

Alexander Lacik, CEO: [00:02:21] Looking into 2023, we are confident, but we remain vigilant due to the macroeconomic uncertainty. Although we have so far only seen limited shifts in consumer behaviour and have been quite encouraged by early trading this year. However, our job is to prepare for all scenarios, and we have today issued our preliminary guidance for '23 of organic growth of -3% to plus 3% and EBIT margins around 25%. The wide revenue range accounts in the lower end for a scenario with a somewhat weaker economic backdrop than what we see today. As usual, we'll look to narrow the range and provide updates as we move through the year. Despite this uncertainty, our starting point is strong. We have a strong brand with a diverse geographical footprint, as I mentioned, a favourable margin structure and a strong cash generation. We have already taken prudent cost measures to protect profitability, and we are able to invest and accelerate. In addition to continued strong marketing and innovation efforts, we intend to accelerate our network expansion plans. A few words on current trading. It is very early days and January is a small month for us. Nonetheless, we've been encouraged by what we've seen so far with a good, broad-based pickup in sell-out growth in the first five weeks of the year. This will clearly moderate from now as it's helped a bit by easier comps in January '22 due to Omicron and a slightly earlier timing of some product launches this year. But even accounting for that, we're pleased with the underlying health of the business. We believe trends are stable versus what we witnessed on an underlying basis in Q4. Now let's move to slide six, please.

Alexander Lacik, CEO: [00:04:10] Before diving into the quarter four results in detail, I want to give a quick recap of the four pillars of our growth strategy, Phoenix and some key takeaways from last year. First, our brand momentum remains strong. We are the most recognizable jewellery brand in the world, and we will continue to invest in marketing to retain this position. We continue to test new heights for the brand strength and our recent price increase are good example of that. Secondly, we continue to elevate our core business. Moments stand strong as the engine that drives Pandora and we continue to innovate here. Our Spider-Man collection was well received, and we have plenty more to be excited about for 2023 with, for example, the new iconic studded bracelet. We also remain focused on driving new platforms, and last year we brought our Diamonds by Pandora to the world's largest diamond market, North America.

Thirdly, we are making better use of data analytics to get wiser on how to engage with consumers. One example of this is the launch of targeted marketing in the UK with SMS messages over the Christmas period. We have seen encouraging results from this. Finally, our fourth pillar is about growing our core markets and optimizing our store network. As mentioned already, we added 88 concept stores in '22, and these are already contributing positively to our performance. We're planning to increase our efforts here for '23. Please go to slide seven.

Alexander Lacik, CEO: [00:05:42] Sustainability is one of the foundational elements in our strategy. It is about future proofing the company. We see that it supports our growth ambitions and aligns our actions with our values. Our three strategic priorities are low carbon business, circular innovation and an inclusive, diverse and fair workplace. The launch of diamonds by Pandora in North America last year was a very visible mark of our ambitions to become low-carbon and circular. Our lab-created diamonds have a footprint of 5% that of a mined diamond. On top of this, it's the first collection made with 100% recycled silver and gold, a major milestone. We have recently received a couple of important recognitions for our sustainability efforts. And A score from CDP and a 'Leader' rating from Sustainalytics. I'm happy that this work is getting noted as our aim is to lead our industry on this agenda. Next slide, please.

Alexander Lacik, CEO: [00:06:41] In the fourth quarter, we've had plenty of great moments to ensure we stay top of mind for our consumers. Not least our collaborations where we continue to see great traction and we remain excited for 2023 with Disney's 100th year anniversary. You can also see how our Diamonds launch has also already started to stretch our brand. And I'll talk more about this in a second. In short, our brand momentum remains strong, and we are focused on taking this even higher. Next slide, please.

Alexander Lacik, CEO: [00:07:15] As you may remember, we implemented a 4% global price increase across the portfolio in early October. It was the first time we did something like this in a systematic way. We based it on successful testing earlier in the year. I would like to remind you that we did not change our opening price points on items of strategic importance. We believe the DNA of the brand lies in the strong value perception, and that will not change. I'm very pleased to report positive initial analyses, which indicate that this has a positive impact on profitability. Given the heightened consumer pressure on discretionary categories such as ours, we interpret these results as very promising for the brand strength and future potential. We will now be moving ahead with an annual structured review of prices to identify further opportunities. It's too early to say how much or when, but we will continue to be guided by the data and are confident we can stretch our pricing architecture further. Slide ten, please.

Alexander Lacik, CEO: [00:08:21] As mentioned, we are pleased with the resilience we have demonstrated. Although we saw pockets of macro driven weakness in some markets, the core of the group remained stable. To remind you of the numbers through '22, the first quarter was obviously inflated by the Pandemic in the comp base. The sell-out growth was +2% in the second quarter, +1% in the third quarter and basically flat in the fourth quarter, if you adjust for the fire at our distribution centre in Hamburg. And as you can see in the lower graph, the same is the case for sell-out versus 2019; in fact, sell-out versus '19 increased through those three quarters. This stability speaks to the diversified footprint we have and the fact that consumers have a special connection to, in particular the core of our business Moments. This is why Moments was and is the number one priority in the Phoenix strategy. The captive business model is unique, the many millions of installed Moments bracelets enables a strong and highly profitable recurring business stream from our charms portfolio. We not only own this model, we are demonstrating day in and day out that we are the masters of this platform. Let's move on to the next slide to take a detailed look into the growth for the fourth quarter.

Alexander Lacik, CEO: [00:09:41] Trading through the quarter was roughly flat, with November in particular being impacted by the fire. We did see consumer behaviour and trading being more in line with pre-pandemic trends where Christmas shopping happened closer to the day. So, in that respect it was more of a normal year. We ended at -1% sell-out growth, which is basically flat if you adjust for the fire, as I mentioned. As I said before, in Q4, we did see notably higher external promotional environment. We partly expected this given the macro. We remained disciplined and were tactical in our approach. We ran our promotions for slightly longer in some markets but kept the absolute promotional level consistent. We play in the mass market, so we will sometimes have to react, but it is controlled and it's surgical. In that respect, our promotional days have been back to normal so far this year. Going into the individual markets, you will see that some of our key markets declined in Q4. However, there are reasons for this so let me talk you briefly through this. Firstly, as I'm sure you remember, we flagged at the start of the year that the US business would decline in '22 due to the comping effects of the stimulus cheques back in '21. This did indeed take place, but was better than our initial expectation. Our US growth in Q4 improved sequentially to -7% as the underlying business remains solid. Secondly, our total European growth was encouraging at +2% in the fourth quarter. We did see some macro impacts, mainly in Italy and France. We flagged some of this at Q3 already and it was a continuation of that very same trend. Elsewhere, Spain was very strong and UK remained resilient despite the quite weak macro backdrop. We're generally encouraged by the performance in Europe, and in the few markets where there is broader market data, we believe we are gaining market share. We will continue to invest in marketing to consolidate our position further. China was weak. As expected, traffic was materially down due to the COVID-19 situation. Now, I know some of you may ask what we're seeing today in China. It's still very early days with a lot of uncertainty, but I've seen some clear pickup in the (inaudible) traffic across our stores in January. We will be moving ahead with our brand relaunch for China in the second half of the year, but right now, it's too early to call how China ends up finally through the year. And finally, in Rest of Pandora, we saw good, strong growth driven by many markets. Particularly Mexico stood out with +34%, which also put them at 1 billion DKK revenue mark. Next slide, please.

Alexander Lacik, CEO: [00:12:33] We launched Diamonds by Pandora in North America end of August. We did this with a selected distribution across 269 stores as well as online. We continue to see promising results with the best performing stores adding 10% of incremental sales. There is a large range on this, but we are convinced that the opportunity is vast. We believe the brand is ready to be stretched, with the category selling at 15 times the average selling price from Pandora's traditional US products. Looking ahead, we will now be scaling up our efforts and see three main opportunities. First, optimizing and adding more to our assortment - we believe a greater product range will appeal to a wider market. Secondly, improving the salesmanship from learnings in the best performing stores. And finally, continue to sequentially expand into new markets. Our move into this category aligns well with our sustainability strategy. In particular the relatively low carbon emission profile compared to mined diamonds. We grow the diamonds with 100% renewable energy and they are set in recycled silver and gold. So, for one carat ring, this brings us to carbon footprint similar to a pair of jeans and arguably it lasts a bit longer than that. In conclusion, it's a promising start for us. Growth here will not be linear, but we remain convinced of the transformative nature of this move for the brand. Next slide, please.

Alexander Lacik, CEO: [00:14:03] Now, this is a slide and I'm sure some of you are getting familiar with, but the network opportunity is very important for us, so let's have a look at it again. Our baseline for growth is strong, with a very profitable and cash generative store network. In addition to this, we see an opportunity to expand the store network in areas where we don't have a Pandora store. Today we see great untapped opportunities in making our brand more accessible in many of our core markets. Back in 2021, we carried out an extensive analysis of the real estate network in our top 40 markets. We have mapped 13,000 locations and as a starting point, we plan to open new stores in the best 600 of those in the next few years. Next slide, please.

Alexander Lacik, CEO: [00:14:51] As I mentioned already, our network expansion has become more visible in the numbers through '22. We ended up opening 88 net new concept stores and 130 owned and operated shop in shops. Combined, this contributed to 3% of our organic growth. We're now targeting an additional 50 to 100 new concept stores in '23, which would add an additional 2-3% of organic growth. Given the macroeconomic situation, we have the option to keep momentum here as access to good locations could open up. This means we'll be at least towards the high-end of the initial guidance we gave in '21 of 100 to 150 new stores over the period of '22 and '23. As always, the deals must be very attractive before we engage - we are focused on expanding our network with quality. There is a short payback of roughly one year on the CapEx investment and new lease contracts are in most cases quite flexible, and include regular break clauses, which significantly reduces our risks. Finally, we've been hard at work to develop a new store concept that we call Evoke 2.0, this will be rolled out at scale starting this year. And on that note, I hand it over to Anders for a little bit closer look at our numbers.

Anders Boyer, CFO: [00:16:14] Good afternoon, everyone. Please turn to slide 16. The key takeaway for the quarter was that the performance was in the high-end of our expectations. Not just on the top line and the bottom line, but also on some of the other KPIs such as cash conversions and earnings per share. I'll comment on revenue on EBIT on the following slide, so on this slide, I'll just pick out some of the other KPIs. On gross margin. It remained strong and it expanded at 50 basis points year over year, and that's despite 90 basis points of headwind from foreign exchange in the quarter. So, there's an underlying gross margin expansion of more than 100 basis points, and that reflects a combination of, for example, our price increases and channel mix, and it's also a testimony to our good promotional discipline in the quarter. On cash conversion. We saw, as expected, a big improvement sequentially and landed at 110% in Q4. And that number includes a decrease in the inventory level to just around 4 billion DKK as we also flagged back in the third quarter announcement. And most of you know that we decided to increase inventories during the initial part of '22. This obviously impacts the cash conversion for the full year. With this behind us now, that also means that in '23 this year, we expect cash conversions to be back to the long term sustainable level of around 70% for the full year. And then go to slide 17, please.

Anders Boyer, CFO: [00:18:01] This is the revenue bridge for the quarter. Organic growth came in at plus 4% for the quarter and on a three year stack versus '19. That's an acceleration to 17% growth up from 13% that we delivered back in the third quarter. The first building block in the revenue bridge on the slide is sell-out. The sell-out growth was negatively impacted by the fire in the European Distribution Centre by around 1%. There's no insurance compensation for the revenue loss included in the Q4 numbers, and that will be a potential income in the financial statements for '23. On top of sell-out. We saw, as already mentioned, a solid contribution of 3% from network expansion. And the network doesn't just drive top line, but also bottom line. And then go to slide 18, please.

Anders Boyer, CFO: [00:19:01] On the EBIT margin bridge, I'd just like to draw your attention to the dotted box in this bridge. And that shows that our underlying EBIT margin was up 110 basis points versus Q4 of '21. The reported EBIT margin was up even more - 280 basis points - and that was partly helped by some one-off costs that we had in Q4 back in 2021 as. And we've illustrated that in the left part of the bridge here. Then let's move on to slide 20 and the guidance for 2023.

Anders Boyer, CFO: [00:19:44] We have obviously spent more time than normal reflecting on the financial plan for '23 and our financial guidance. And let me just start by giving you a few corner posts for our thinking behind the guidance. And the first corner post is, as Alexander showed, that revenue growth has been resilient during the last three quarters, despite the growing macro headwinds. And quarterly sell-out growth has also been broadly flat both year over year and also versus '19. The second corner post is that the external data continues to show a challenging backdrop for consumers, and the general consensus that macro is going to be weak in 2023, and with some markets being in a recession. The third corner post we would like to mention is that we continue executing on the Phoenix strategy in 2023. The macro environment does not change that. We're just making a few twists in terms of priorities, and of course we also have a harder push on cost. And all of that has led us to give a relatively wide guidance on organic growth from -3% to 3%. And as you can see in the bridge, the guidance includes a flattish to mid-single digit decline in sell-out. At the midpoint of that range is obviously a slowdown compared to the last couple of quarters, and it's a slowdown compared to the underlying current trading, because the underlying current trading, as Alexander already mentioned, is in the high-end of the of this guidance range. But it's still early on in the year and we prefer to be cautious and let's see where we land the year. To put it in another way, our key message with this guidance is that first of all, that we are preparing for a difficult trading environment entirely driven by macro. We don't really see this in the numbers yet, not in Q4 and neither in the current trading. But now we have set the cost base to prepare for a difficult macro environment and thereby protecting margin in 2023. And then go to the next slide, please.

Anders Boyer, CFO: [00:22:24] The EBIT margin. We're guiding around 25% EBIT margin for this year. This may probably look a bit narrow given the range on the top line guidance. But the way we think about it is that the current macro environment requires an extra element of flexibility and quick reaction on the cost side in Pandora. In short, if macro hits harder and growth lands towards the lower end of the guidance, we will take cost actions that we believe can keep the margin around 25% despite lower top line. And if growth lands towards the upper end of the guidance, we would like to have and retain the flexibility to invest more in future growth - if we decide to do so. We have laid out the building blocks for the margin guidance on the slide here and we are happy to dive more into that if you have questions either here or in a follow up afterwards. There's just two things I would like to note. And the first is that the recent combined adverse movement of foreign exchange and commodities gives us a net 40 basis points headwind on the margin versus 2022. And the second thing is that within the guidance, we have absorbed the margin impact coming from higher than normal salary increases than we expect here in 2023. Then some of you may also ask what the current guidance means in relation to the Capital Markets Day targets that we issued back in September '21. And clearly, the world has changed significantly since we issued those targets with the weaker macroeconomic backdrop and the ongoing COVID-19 situation that we are still facing in China.

Despite that, our new EBIT margin range is just within the targeted range, that we set out back at the CMD in '21. And for the growth guidance, I want to stress that as a greater element of uncertainty, but the upper end of the new guidance would place Pandora within the CMD range despite the macro situation. Now let's see where we end up when the year has gone. Then let's go to slide 22, please.

Anders Boyer, CFO: [00:25:02] On this slide we have the other guidance parameters for the year. And Alexander has already covered the store network ambition. So, the other one to mention is the pickup in CapEx to 6% of revenue this year. And this pickup mainly reflects our investments in the store network - both the new stores as well as refurbishments - and it also reflects our new ERP platform and a number of other digital investments. And the 6% of revenue is in line with the target from the CMD back in '21. And finally, we expect the effective tax rate to be in the same range as we guided for last year, being 23-24%. And then go to the next slide, please.

Anders Boyer, CFO: [00:25:54] I'll finish off with an update on our cash distribution for the year. Our cash distribution for 2023 is a signal of confidence and a signal of strength. We have ample liquidity - we have a fairly low leverage - we will continue to generate good cash in 2023. We are therefore announcing this morning a total cash distribution to shareholders of up to 6.4 billion DKK. And at the full amount, 6.4 billion, that will be around 11% of the current market cap. And this includes a proposed dividend of 16 DKK per share. And that's in line with last year and it reflects a shift in our dividend policy from previously targeting a 2% dividend yield to now a progressive dividend per share. And on top of this, we also this morning announced that a new share buyback program of 2.4 billion DKK running until the end of June. And then with a clear ambition to get to 5 billion DKK as we move through the year. And with that, I'll hand it back to Alexander, and please go to slide 25.

Alexander Lacik, CEO: [00:27:21] Thank you, Anders. So, to conclude, we are very pleased with what we achieved in '22 - especially given the numerous challenges which emerged during the year. As I said, I believe the year reflects that Pandora can navigate uncertain times thanks to the combination of a strong brand, unique captive business model and a diverse geographical footprint. The brand has shown good resilience in a very turbulent environment. We are confident that our brand position in affordable luxury will continue to support financial performance during a potential recession, and we already taken a number of precautionary steps to protect profitability. We entered '23 with confidence, while well prepared for a range of scenarios. And our ambition is to yet again deliver a strong performance. Slide 26 Please.

Alexander Lacik, CEO: [00:28:12] Before we open up for Q&A, I would like to invite all of you for our Capital Markets Day in London on October 5th this year. And I hope to see you there for an exciting programme and a great dialog. And with that, we open up the lines for Q&A.

Operator: [00:28:30] Thank you. If you have a question for the speakers, please press five star on your telephone keypad. To withdraw your question, please press five star again. We will have a brief pause while questions are being requested. And the first question is from the line of Martin Brenø. Please go ahead. Your line will now be unmuted. Martin Brenø? We will take another one. The next question is from the line of Lars Topholm from Carnegie. Please go ahead. Your line will now be unmuted.

Lars Topholm, Carnegie: [00:29:17] Yes. A couple of questions from me. First of all, congrats with another excellent quarter. Well done. I have some questions to Q4 on also to the trends you have been seeing in January. You of course comment on current trading, but I wonder if you can put some words on the ASP, if you are seeing the consumer trading down in your product range, for example, and maybe also some colour on individual markets. And you know, I'm very fond of you guys, but for example, why isn't it a red flag that US is only 38% up versus '19 in Q4, but 56% up in Q3, that would imply some kind of slowdown. And then second question, if I may. So, on your store expansion plans of 600 new locations, I assume that is concept stores, but maybe you can elaborate a bit on what kind of expansion you see within other points of sales? And then Anders, I'm sure you have done the math, theoretically 600 new concept stores and some other points of sale, what would that add to revenue, everything else equal and how much of that has already been captured with the store expansion you already made? Thank you. Okay.

Alexander Lacik, CEO: [00:30:51] When I say current trading, I mean we could include, let's say Q4 into January. So, we have a slightly longer time horizon, you know, dinner dates, it's a rather low frequency type of category and we are not really seeing anything on the basket nor on the ASP. If I take, let's say, the global average, there might be some ups and downs between the countries, but generally speaking, there is not a major difference. I should also add that traffic actually was good in Q4 and continues into this year. The Delta is purely in some markets where we know that people are a little bit more cash strapped like Italy and France as an example. We can see that impacts a little bit to conversion rates. But that's pretty much it. So, this kind of down trading at the full level is not something that we are registering, to be honest with you. US, I mean, this one is quite difficult. I haven't thought about it like this. The way I suppose we view the US is, we saw a sequential improvement from Q3 to Q4. It went from sell-out growth from -9% to -7%. So, that would have leaked a bit more...

Lars Topholm, Carnegie: [00:32:26] But that was on a much easier comp, wasn't it?

Alexander Lacik, CEO: [00:32:32] But this is now versus '19. I'm just trying to remember back in '19. Whether that was such an easy comp for the US? I don't think so really, because the kind of the big push in the US came the following year in August, if you remember, Lars, when we actually changed a bit the marketing approach in the US. So, that's not really what I see.

Lars Topholm, Carnegie: [00:33:00] That's a fair point, actually. You were down 18 in Q3 19 and only 4 down in Q4. So, point taken. That actually answers my question.

Alexander Lacik, CEO: [00:33:12] I know you guys always divide the world up in quarters. And that's fair enough. But the underlying business in the US, I think, is given kind of the stimulus backdrop. Actually, the way I'm thinking about it is, you held up surprisingly well, and based on some market data we have, it seems like December was more of a normalized month, whatever that's supposed to mean. But I find that the business in US in general is in pretty damn good shape, given everything that's going on. So, that's probably how I would think about it. Maybe Anders you can help a little bit?

Anders Boyer, CFO: [00:33:55] Yeah. Let me do that. Thanks for the question. I'm just going back to the US, the organic growth. The drop that we see on the three year stack in '22 is actually coincidentally exactly the same as we saw from Q3 to Q4 of '21, where it went from 60 to 42, and this year round of in '22 from 56 to 38. So, 80 points drops. So, it is all the way back in the base. And in '19 after the brand relaunch in late August 19. On the network, the 600 new locations. At the Capital Markets Day, we said it would be roughly 80% concept stores, 20%

shop and shops. That was a split, I think last year, it was more evenly - actually with more shop in shops being opened. So, it might skew a bit more towards shop in shops than what we thought back at the Capital Markets Day. But still, you can think about this as an additional incremental revenue of around 4 billion DKK and give and take 1.5 billion DKK in EBIT. And so far, we've only done a third of that in round numbers, a little bit less. So, there's still quite some way to go. A lot of upsides, both for '23 and for the years to come. And then obviously, this is the first 600 locations, the best of those, but that doesn't mean that it's only the 600, but that's a limit to how much we can execute on that at a time. But even if you start digging below from store number 601 and below, so to speak, there's still a lot of opportunities, but we'll have to take it in steps.

Lars Topholm, Carnegie: [00:36:06] Thank you very much.

Operator: [00:36:15] The next question is from the line of Martin Brenøe from Nordea. Please go ahead. Your line will now be unmuted.

Martin Brenøe, Nordea: [00:36:23] Hi. Thank you so much. Do you hear me now?

Anders Boyer, CFO: [00:36:25] Yeah. Thanks, Martin.

Martin Brenøe, Nordea: [00:36:27] Okay. Thank you. First of all, congratulations with a strong ending to a difficult year. I just have a couple of questions and then I'll get back in the queue. First of all, I think that, you know, what you were alluding to, it's the EBIT margin guidance is a bit narrow. You have quite a wide top line guidance. Can you maybe help me understand a little bit the dynamics? So, just elaborate a little bit more for me, because it's difficult sort of that there are a lot of moving parts, and I think that the EBIT bridge is getting longer and longer for each year. But it sounded to me like you are already savings of the precautionary measures to sort of a recession scenario. So, you are ready for that? And then in case the credit growth is ending in the high-end, then you will invest more money. So, that's sort of the correct way to understand it? And maybe also just understanding what is the Phoenix investment, is that sort of relating to the China reopening or how should we think about that? Thank you.

Anders Boyer, CFO: [00:37:40] All right. Thanks for Martin for the questions and fair questions. I think the way to think about it is, if we ended up in the lower end of the range, let's say the -3% top line, then I think that would trigger cost actions that might not otherwise normally be triggered within a guidance range. Let's say in a normal year, we have been guiding 5-7% growth. Let's just use the Capital Markets Day range. Then it's a bit different cost dynamic. And so if we get into that negative territory on the top line level, then things like, of course we will have to take another look at staff levels. We will have to take another look at things like travel restrictions and things that would not be in play in a normal year. And that's why we are saying that might be framing the EBIT margin guidance in a different way, than we would we would normally do. On the upside, then if we ended at the plus 3% organic growth, then at least we would like to have the flexibility to invest even more if need be. It's not a given that we would do it, but we would like to have the flexibility to do it. We saw, back during the pandemic, that opportunities arose when times are difficult to invest and that might be the case here as well. That could be in the brand, in media, but it could also be in other parts of the business. So, I hope that explains a bit on our thinking. Then on the Phoenix investments that we have included here, just to mention a few - we have the... ERP sits in here, the ERP investment where we started back last summer. There's a range of other digital investment, personalization among others that we keep putting incremental money behind. We actually keep investing incremental money also on the people side, on the talent development that ends up being a bit of money as well. And then another fairly large bucket in there is incremental depreciations coming from Evoke 2.0, the new store format, that we have been investing actually very little in store refurbishment since '18. And as you know, we have been working on the new store concept for quite a while. And in the meantime, we have been holding back, and we do have a catch up need on store refurbishments and that CapEx will feed into incremental depreciation in '23. I hope that helps.

Martin Brenøe, Nordea: [00:41:12] So, it helps a lot. Thank you.

Alexander Lacik, CEO: [00:41:15] On your China question, in the current guidance, we have not included out of plan investment behind China. The reason being obviously that we are still kind of waiting for the China, you know, let's say the fog to clear in a way. And there are two aspects there which we are looking at. One is that we see that consumers actually come back into the stores, even though we, as I mentioned in my opening words, that we have seen sequential growth in (inaudible) throughout January. It still coming from rather low levels, so we need to see that actually continues to grow, and comes back a bit more to what we were used to in '19. So, that's point one. The second one is also that we have a proper line of sight of what the government is thinking about when it comes to the pandemic. So, at least so we know that they're not going to turn on a dime and close down, because then a lot of this investment would be wasted. So, that's kind of the things which we watch. Then the approach on investment, we're not going to go national in the first pass, we're going to pick a couple of major cities and double down and make sure that the model which we've been working on actually is working. And then once we're comfortable with that, then we'll probably put even more firepower behind it, but then we're into '24. As far as I'm concerned. So, maybe, you know. Q3 would be a timing that we currently have our mind on when a kind of a brand relaunch as such would happen. But again, as I said, it would be in our top five, six cities. But just to put, some colour to that. Each city there is like 20 to 25 million people. So, when you put five of them together, you're talking about half of Europe or half of Western Europe. So, it's not nothing. The current investment level that sits in the base plan for China is similar to ongoing level in any other market. But of course that's not going to be sufficient to give it an extra punch. So, that an out of plan item, which is also why we are thinking about this kind of doing a couple of cities to begin with.

Anders Boyer, CFO: [00:43:31] The last thing I forgot to mention, Martin, on the investments in Phoenix. It's a sustainability agenda. It's not massive money, but it's actually still meaningful money in that bucket of 100 basis points of Phoenix investments, not least the premium that we're paying on recycled silver.

Operator: [00:44:22] The next question is from the line of Antoine Belge from BNP. Please go ahead. Your line will now be unmuted.

Antoine Belge, BNP: [00:44:32] Hey, good morning. Two questions. First of all, coming back on the store rollout plan, is it fair to say that there is an acceleration maybe initially that puts a bit of pressure on the margins this year with maybe some stores that are yet to achieve maximum profitability? So, could that mean maybe a bit of a seasonality in terms of the quarters with whatever improvement in the margins maybe more happening in Q4? And my second question is more broadly on the different moving parts of gross margin in 2023, if you maybe with a bit of granularity. Thank you.

Anders Boyer, CFO: [00:45:29] Yeah. Hi, Antoine. Thanks for the questions here. The line is a little bit shaky. But I think we got the questions. On the store openings. I was almost tempted to see I would expect none of the 100 to 150 stores in total to be margin dilutive. That's not the plan. So, almost disregarding when they're being open, even though they might only be open by the back half of the year, which we by the way do expect that most of the stores would be in the back half of '23. They should still be as a minimum EBIT margin neutral for the company and on average definitely still margin accretive. So, it's sometimes when we speak internally and Pandora about it, I call it a CFO's dream to have this margin driver because it is quite mechanical, low risk, a lot of hard work. But with almost instantly being EBIT margin accretive after very, very short period after opening up the stores. Maybe elaborating a bit on that, then you might ask why not then go even faster? And there's two main bottlenecks, one being that we don't want to jeopardize quality, we would rather wait another year or two to get the right location in that city on that street, rather than getting second level quality and the other being organizational capacity. It is taking quite some time and effort across many parts of the Pandora value chain to open up a new store. Then on the gross margin bridge. I think you should think about the gross margin as being up this year in 2023. And that's also what we talked about back at the Q3 announcement. And since we spoke back at the third quarter announcement, we have had quite some headwind from foreign exchange and a bit from silver as well, but that's mostly hedge spot from foreign exchange. So, now on the gross margin, the net impact of those more external factors, commodities and effects, it's a net headwind this year, 60 basis points of help from silver, give and take, but then 80 basis points of headwind from foreign exchange as it looks at the current foreign exchange rates. But on the other hand, the gross margin will be driven up by the network expansion. It would also be helped by a bit lower forward integration than last year. So, the you probably remember there's a temporary hit on the gross margin when we do forward integration, that's probably going to be, I think we've said 50 basis points help on the gross margin this year. And then there will be a bit lower, non-recurring cost from hopefully we don't have any extraordinary costs related to the pandemic in Thailand. So, net net the gross margin will be up a bit here in this year. And then of course, you can also by that conclude that the OpEx ratio will be up as well. Otherwise, the bottom line EBIT margin guidance doesn't quite make sense. And it is true that we expect the OpEx ratio to be up a bit, especially in the first half of the year. Our base case is that recession is going to be a bit harder impact in the first part of the year than the second half of the year. I'm almost convinced to say, who knows? Let's see how it plays out. But that's our base assumption. And that also means that the OpEx ratio will be a bit harder hit in the beginning of the year than in the later part of the year.

Antoine Belge, BNP: [00:50:13] Thank you. That's very clear.

Operator: [00:50:19] Thank you to Mr. Belge. And while they turn a few dials in Copenhagen, we will just give you a reminder that if you have a question for the speakers, you should press five star on the telephone keypad. Do you find that the question you are having is already answered. Please go ahead and press five star again. I will just have a brief pause while they switch to another line in Copenhagen. And the next question is from the line of Thomas Chauvet from City. Please go ahead. Your line will now be unmuted.

Thomas Chauvet, City: [00:51:10] Good morning, everyone. Can you hear me? Okay, I'll go ahead. My first question on new revenue guidance last year for the '22 revenue guidance, you provided some details on the moving parts by region. And remember, there's quite a big divergence between the US, which you guided down and the rest of the world, which was up low teens. How would your '23 guidance look like if you had to split the US, Europe and the rest of Pandora? Would US and Europe be close to each other and rest of Pandora strongly? And on that rest of Pandora, which is about 30% of your business and are performing so much last year, I guess in the markets where you maybe under-penetrated. Do you feel you still have plenty of room to grow close to double digit even in those markets, whether that's Spain, Mexico, you mentioned other countries like Portugal, Holland or Scandinavia? My second question on the salary increase you mentioned in your EBIT bridge ended 100 points dilution due to a higher than normal wage inflation. Would that imply around 4 or 5% wage inflation globally? Is that a fair assumption? This year will be split differently between Thailand and the sales (inaudible) in your core markets, between the manufacturing workforce and the sales (inaudible) in your core market? And how does that compare to '22? And do you think that level of wage inflation is here to stay for a few years, which would obviously put a bit of a cap on profitability? And just to clarify one last thing. You mentioned, the change in dividend policy from 2% yield to flat to growing dividend. What is the rationale for that to allow potentially for more flexibility towards more buybacks and a lower payout ratio? Thank you.

Alexander Lacik, CEO: [00:53:21] So, let me start with the revenue guidance. I mean, last year it was an anomaly given the stimulus checks in the US, and that was the sole reason for us to pull that out given the sheer weight, the North American business has in the group. But it's certainly not something we will continue with. So, we're not guiding even by region. That's just not how we're structured. But then your question, which I think is interesting, is on the rest of Pandora, you know, the Spain's and the Mexico's and all of those guys of course, we had a really good run in Mexico, not just last year, but in fact, over the last five years, we've had a super run in Mexico. And, it looks like there's plenty of steam to go. So, we do expect a good outcome in Mexico. There might be some other countries in Latam that maybe we could kind of, look for a similar type of trajectory. Of course not, not of the same weight and size yet, but that's of interest to us. Portugal, we just took over, I think, midway through last year and then, posted quite some good numbers opposed to take over. But it wasn't without pain, let's say in the beginning, which is not unusual when you take over a whole country, to be honest. But there should be some interesting, underlying performance that we could eke out of Portugal. And that's probably true in a couple of other places as well. But that's probably as specific as I would get now. As the year goes by, we're happy to kind of share a bit more detail on those geographies. Then on the ASR piece, I mean, it is in the range that you suggest. It's different by market, essentially. But, it's probably fair to say that 4 to 5% is probably the top end or is the higher ASR, as we call it, that we've seen over the last few years. But it's also a reflection of what's going on around us. And we want to try to support our employees as much as we can. And then I leave the dividend question for the two gentlemen next to me here.

Anders Boyer, CFO: [00:55:42] Thanks for that Alexander. On the dividend policy, the 2% dividend yield policy that we've had since the Capital Markets Day, it makes very good sense in a stable environment. And since September 21st, I think the interest rates have gone up quit significantly. That was one of the reasons to set a 2% dividend yield. That was a reflection of what's the general interest level on the market. And then obviously there's been some share price volatility. So, if it had been six months ago and sitting on announcing our full year results back in the autumn last year, then the 2% dividend year would have resulted in a 8 DKK of dividend, 50% down from '21, which just doesn't make sense. So, while we would like external circumstances to be more stable, they are not. So, we think it's a better reflection of how we think about the business and we pay out a dividend, that's going to be flat to up every year. Now, with 16 DKK in '21, we are proposing the same this time around. Being that we are skewing this year the cash distribution towards share buybacks. But we think that the concept of a progressive dividend, as we've called it, or flat to increasing in absolute terms, makes more sense in in this environment.

Thomas Chauvet, City: [00:57:30] Thank you, Anders.

Operator: [00:57:36] The next question is from the line of Maria Laura from Bank of America. Please go ahead. Your line will now be unmuted.

Maria Laura, Bank of America: [00:57:46] Thank you very much for taking my question this morning. Just one question on my side. With respect to the EBIT margin guidance that you have for 2023, what are the underlying assumptions that you have both in terms of price - because during the call you mentioned that you could have incremental prices potentially coming through this year - and perhaps on an underlying basis, can you discuss the type of promotional environment that you are seeing? And what is the promotional environment assumption that you have in your EBIT margin assumption? Thank you very much.

Anders Boyer, CFO: [00:58:27] Thank you Laura for that question. The EBIT margin guidance in the bridge that we have put into the announcement, there's a bucket called 'Cost reductions and price increases 110 basis points' and sort of give and take half of that is assumed to be pricing increases, and you can probably do a little bit of math and in that assumes a very round number. So, a 1 to 1 elasticity on the price increases. That's our base assumptions of 50 basis points.

Alexander Lacik, CEO: [00:59:09] Sorry, just to be clear, it's not new price increases. These are the rollover effect of the price increase we did in October. Just to be very clear on that.

Anders Boyer, CFO: [00:59:17] Exactly. In other words, we have not factored in additional price increases into the EBIT margin guidance. And then on the promo level, we are assuming that it's probably still going to be a quite a promotional environment, but that we will remain disciplined. And on a relative basis, if you can call that detoxing compared to the outside world, we will obviously look at how the other brands are, what they are doing, but we will not go crazy. But we remain disciplined like we did in Q4 and like we've been doing in January. So, in round numbers. I think the base assumption is that it will be on unchanged, the promo level.

Maria Laura, Bank of America: [01:00:18] Thank you.

Operator: [01:00:26] The next question is from Anne-Laure Bismuth from HSBC. Please go ahead. Your line is now open. Anne-Laure Bismuth, your line is open. We will take the next one in line That is the line of Karina Nugent from Goldman Sachs. Please go ahead. Your line is now open.

Karina Nugent, Golden Sachs: [01:01:00] Brilliant. Thank you very much for taking my questions. Just two quick ones from me. So, firstly, you've seen an increase in your inventory levels as a strategic measure to increase availability. Could you help us think about what the right level of inventory is for the business, and also how you're approaching your inventory strategy this year? And then secondly, you've accelerated your store network expansion plans. Can you just give us some colour on what criteria you look at in terms of location or economics when you're opening new stores? Thank you.

Anders Boyer, CFO: [01:01:33] Thanks for the questions. If you take the midpoint of our revenue guidance for '23, so call that 0% organic growth. You should think about that in the year with inventories that are flat and maybe a touch down, depending a bit on how we think about the pandemic insurance premium that we have had in the in the inventory for a while. So, the inventories are very healthy as we stand, and we're quite happy with the level and we see that the availability that we have across our products is generally quite good. And so even though inventories at this point in time is higher than where we were one or two years back, net net it helps drive availability and good availability on our individual products drives, conversion and thereby by revenue. So, the cash conversion drag from higher inventories is behind us.

Alexander Lacik, CEO: [01:02:46] And then in terms of the location, I think if you go back to page 13 partly answers your question. So, as I mentioned there, we've looked at our top 40 markets, analysed 13,000 locations. And then you kind of boil this down. And of course, what we're looking for is, where we get the highest incrementality of putting up a store. So, if I'm in a place where I have no Pandora presence and there are plenty of those still in particular in parts of the US, as we've been discussing in the past, then that is the key driver. Other than that, I think we use normal econometric metrics when we look at where to place a store. We make an assessment on the cost of establishing the store, running the store and what type of revenue we can generate. So, there's nothing peculiar about it. But I think the point here was more that in the US we found ourselves quite under-penetrated in rather large geographies. And in the past, we've spoken to the west of the US, the south of the US. If you look at the East Coast there, we have a higher store density. But even there you could argue if you compare it to a UK or an average European country, then the density is on the low side, but we focused on where we get a bigger bank for the buck, so now we're focused on the West and the South primarily. And of course the same goes for Latin America, which was the second focus area, where it was a matter of there's no Pandora at all, where is the best location in the given kind of retail environment. China similar story, and as you know we've been a little bit more conservative of adding new stores to the China portfolio. It went a little bit low. In China you have to swim to stand still in a way. And if you miss a beat and actually your network can go backwards. So, we essentially just rightsizing it back to where we think is the right level at the current business size. But of course, once we can kind of unlock the China opportunity and like for like performance, then we believe that there's still plenty of opportunity to drive the network in China. Which was part of the 600 that we identified. So, there's no particular magic to it but we have lots of whitespace where we still think the brand has a role to play.

Karina Nugent, Golden Sachs: [01:05:24] Brilliant, Thank you.

Operator: [01:05:28] The next question is from the line of Klaus Kehl from Nykredit. Please go ahead. Your line will now be unmuted.

Klaus Kehl, Nykredit: [01:05:37] Yeah. Hello. And a question related to current trading. And to make sure that I understand what you are trying to say. But basically, you are saying that here in the beginning of January, you are seeing a flat like for like and a positive effect from network expansion, meaning that your organic growth must be in the range of 3 to 4% here in January. Is that correctly understood? And then just the follow up question to that because I would actually have expected that you would have a more negative development here in January due to the tough comps. Because if I look at your organic growth in Q1 last year, then you actually had very high organic growth. So, is that anything in the comp space for January that is making this a way to look at it wrong? That would be my question.

Anders Boyer, CFO: [01:06:48] Thanks for the question, Klaus. The way to think about it is that the pickup, we actually see the pickup in the report, sell-out growth in the first five weeks of 2023. And it's broad based, so it's not one country but across the globe. It's a fairly short period to look at five weeks, obviously, and January is not a big month, it's a little on average, a little bit below average sized month. So, as usual, we have to be careful when we look at the numbers. But that's a broad based pickup in sell-out growth for the first five weeks of the year. But it's two things to note there. One, is that there is some Omicron in the base in Jan or the first five weeks of '22. Omicron was an issue in Europe and the US as well not hard lockdowns. Most countries still had a lot of people being infected. So, there are some of that in the base, especially in the first few weeks of the year. And then this year we have launched a couple of products earlier than the new products that came into the market last year. Last year, in Q1 of '22, one of the main new products in Q1 was the Marvel collaboration that came in mid-February. Now we have launched a new iconic studded a bracelet chain in early Jan of this year and all of that impacts the numbers. So, what we're trying to do to hopefully help you is, underlying when you filter out pandemic, filter out timing of product launches, the underlying sell-out growth is in line with Q4, let's call that flat. So, what we're trying to convey is that everybody talks about macro headwind. We didn't see that in the numbers in a big way in Q4. And we don't see that yet either for the first five weeks of this year. But when you go back then and look at Q1 of last year with the significant growth numbers that you're referring to, Klaus, and that was clearly helped by the pandemic impact in Q1 of '21, where there were a lot of markets were hard lockdown. So, in that way it looks like a hard comp base, but it's not really a hard comp base from that perspective. But hopefully all of that pandemic noise behind us soon, at least when we get into the second quarter of this year maybe Q1, we only have China where there's is a bit of noise in the base from a pandemic perspective.

Klaus Kehl, Nykredit: [01:10:09] Okay. And just to be clear, that also means that you are organic growth. If we look at the organic growth, so including your network expansion, then you are tracking at 3-4% for the first five weeks. Correct?

Anders Boyer, IR: [01:10:26] If you look at the full year, then we have said 2-3% of growth from network and that keeps rolling. That would be swings within the months. But for the full year, then the organic growth will be above the sell-out. So, I think the line of thinking is right.

Klaus Kehl, Nykredit: [01:10:47] Okay. Thank you very much.

Operator: [01:10:54] The next question is from the line of Frederick Wild from Jefferies. Please go ahead. Your line is now unmuted.

Frederick Wild, Jeffries: [01:11:02] Good morning. Just a couple of ones. On the end of the guidance range. I just thought about how apocalyptic you expect that macro environment to be given the ASP increases. That implies volume down more than 5%. So, is this a sort of consumer pressure in the attitude you've seen during the financial crisis? Is it more about the things have to get to get to minus 3? And second is on the CapEx of 6%. Again, the step up is largely to use that ongoing expansion program. Given this is expected to continue and two models coming up, do you still expect the percentage of sales to drop from '24?

Anders Boyer, CFO: [01:11:59] I don't know whether you can hear us clearly, but the line is super bad. So, I can hardly hear it.

Alexander Lacik, CEO: [01:12:06] But I think the first one is, just to repeat what Anders said earlier on the call is, you know, the midpoint of the guidance is kind of what we see in experience as we sit here today. The low end of the guidance suggests that it's going to deteriorate somewhat, and the higher end of the guidance suggests that maybe the macro is a bit better or some of our programs actually yield more than what we necessarily had initially expected or a combination thereof. I mean, it's not science. I mean, we don't have the crystal ball of the macro, I wish we did. But that's kind of how we've been thinking about it. And, you know, don't try to read more into it because we haven't. So, then you can make your own theories if you want. But then actually on the CapEx question, the line was so bad, we didn't catch your question. So, could you maybe repeat that just so we make sure we answer the right question here?

Frederick Wild, Jeffries: [01:13:09] Sure. Can you hear me a little better know? So, the question is, do you still expect CapEx and potential sales to drop in 2023 and beyond given that the store expansion program is continuing apace?

Anders Boyer, CFO: [01:13:34] But it seems like you're asking whether the CapEx to drop in '24 and beyond. It's a bit too early to say. When we go back to the Capital Markets Day in '21, we said that CapEx would be elevated in '22 and '23. The long term level probably being let's call that 5% of revenue, and then we said for a couple of years we would be at the 6 to 7% level at least in '22 and '23. That might stretch a bit further into '24 because we do have some backlog of store refurbishment ahead of us. We still might have a bit of elevated CapEx while we built the new manufacturing site in Vietnam. We'll talk more about that at the Capital Markets Day. But that's nothing that has changed in the business. That doesn't mean that as an average or a longer cycle than we are at this 5% of revenue as the CapEx, sometimes it's a bit above, sometimes it's a bit below. It's been below in '18, '19, '20, '21, and now we'll have a couple of years where it's above.

Frederick Wild, Jeffries: [01:14:54] Thank you.

Operator: [01:15:00] The next question is from the line of Abhinav from Society General. Please go ahead. Your line is now unmuted.

Abhinav, Society Generel: [01:15:10] Hi. Thanks for taking my question. Just one quick one on the like for like. So, you said that for your 2023 it assumes a zero to mid-single digit like for like decline. But you said that the prices of the products have been increased by 4%. So, just to be clear, are we expecting a volume decline for 2023? Looking at that.

Alexander Lacik, CEO: [01:15:43] So, when we did the price increase, the assumption going in that the elasticity would be such that there was no revenue pickup based on the priced items. So, meaning that you structurally improved the unit PnL but not necessarily get the volume gain coming out of it. Sitting here today, it's a little bit too early to say exactly what the revenue impact is. It's not worse than our ingoing assumptions, but I think we need to sit through another couple of months because we did it in early October. Then we went straight into, you know, a fair amount of noisy months with Black Friday and Christmas shopping, etc.. So, we need to see this kind of more in a, let's say, non-promo environment to see exactly what the effect is. So, probably in the next quarterly announcement we can come back and report on what the revenue impact is on that pricing. So, as we built the budget, we kept the assumption that the elasticity is going to remain one, i.e. no revenue benefit necessarily. But we picked we put the EBIT in the bridge, as you've seen, as Anders spoke too before.

Abhinav, Society Generel: [01:17:06] Okay. Thank you.

Operator: [01:17:07] And we have a final follow up question from Lars Topholm from Carnegie. Please go ahead. Your line is now unmuted.

Lars Topholm, Carnegie: [01:17:20] Yes, just one question under refurbished stores and if you can comment on how they are performing compared to the normal stores. Thanks.

Alexander Lacik, CEO: [01:17:32] Essentially you have three types, I would say. So, one is the stuff that we forward integrate. Then you have newly established stores and then you have the stores where we put in the new Evoke concept. I don't know exactly what you have in mind but let me comment on the overall on the whole network expansion. If I kind of put that under the umbrella, they perform, at least in line with the average of our own and operated. So, I think that's point one. When you then look at the Evoke stores that we have done and they are evoke 1.0, so it's not the 2.0 that we actually going to roll. And the difference is, is more look and feel rather than the actual store operation as such in general of the stores that we have up and running for a while, they perform better than the comparative stores. Now then we can always debate what's a comparative store, is that a neighbourhood store or is that in a region of the country? But literally across all those three metrics, they seem to be more productive than what we have in the current Evolution concept, which is that kind of the typical Pandora store, you would walk into the white stores with glass and chrome, etc.. So, the Evoke 2.0, we hope to do at least as good as Evoke 1.0.

Lars Topholm, Carnegie: [01:19:07] Thanks. Thank you very much.

Operator: [01:19:13] The final question is from the line of Anne-Laure Bismuth from HSBC. Please go ahead. Your line will now be unmuted.

Anne-Laure Bismuth, HSBC: [01:19:23] Yes. Hi. Thank you for taking my questions. For me on the investment side and the fact that you are assuming that things turn out to be better than expected and you end up at the higher end of the guidance range in terms of organic growth. What is key in terms of marketing spending, given the fact that you said that you could invest even more, you would have the flexibility to invest even more so where the marketing pressure could lend in that case. The second question is what do you need in terms of organic growth? What is the minimum threshold you need in order to get operating leverage? And a final one, on the road out of Evoke, you mentioned that you are planning to scale that up. You have so many stores that you can't rule out to a concept. How much?

Alexander Lacik, CEO: [01:20:18] Okay, I'll do a sandwich. I'll take the top and the bottom and leave the middle to Anders. So, when it comes to marketing, as I've said all along, we have a range of 13 to 15% of revenue. And as I said, it depends on the year, it depends on the initiative, etc.. But that's kind of the level at which we cruise. And then, of course, we last year we did the global pitch on the media, which also rendered lower GRP costs. So, of course with a lower spend, essentially I get the same bank for the buck. Sometimes we reinvest that, sometimes we put that in our pocket. From a modelling standpoint, if that's what you're actually asking, then the 13 to 15% is the range. The only kind of, let's say, outlier to this conversation would be an additional investment in China that would that would sit on top of that 13 to 15% range if and when we decide to go in in a bigger way. But we really haven't built that into the base plan, as I mentioned. Then on the Evoke 2.0, So, what we have to do is we're going to do this in batches because what we need to do is we rolled out evoke 1.0 in a number of places last year. Now, of course, we've changed some of this furniture. We change some of the material and before we then push the button and say, you know, we're going to change 2500, 3000 stores all around the world. We need to ensure that actually the material works properly. So, we're going to roll out a few now here in the first half. And on the basis of that learning, you know, that everything from a quality standpoint holds up to what we expected. Then the kind of acceleration point happens in the back half of this year. So, right now, I think we're probably planning something like 50 odd, and should everything go well, then that number will increase as we go through the year. And remember, when we talk about the store expansion, we talk about net stores. So, it means that in some instances we shut down an Evolution store and when we then put the equivalent up that's going to be in a Evoke store. So, the actual gross number of stores is higher than the net that we keep quoting here. But we talk about the net because if you do your modelling, you put a revenue number against a net opening, not the gross number just to not to confuse things. So, yeah.

Anders Boyer, CFO: [01:23:00] And then on the question about operating leverage, I if I heard the question right, otherwise correct me at the end here, but a couple of thoughts. One, if you look at operating leverage in a bigger scheme and rolling forward and modelling for some years, then obviously there will be salary increases every year at a certain level, and typically also some inflation across the OpEx base. But if you think about a normal year, if that exists of a let's call that three points of salary increases across the globe as an average and then maybe one point of OpEx inflation on other types of OpEx, then the first three points of growth every year, 2 to 3 points of growth every year would offset that inflation. Unless you, of course, can find cost efficiencies, cost reductions that can offset the salary increases, that's the bigger part of that annual sort of automatic headwind, if I can call it that, that's one way to think about it. If we couldn't find additional cost efficiencies, then the first three points of growth. So, that would be funding the salary increases and other types of OpEx inflation, that might be in the numbers. There will be constant cost efficiencies. Obviously, we've done a lot, as you know, since '18. We still have a couple of ideas. We actually have a dedicated team that of a few people that just sits hunting and looking for ways that we can run the company more efficiently and to find cost reductions. But then remove above and having funded that automatic headwind every year, then there will be, let's call it 25 basis points of operating leverage on each point of organic growth just around that level. I think that's the number that we've talked about for a while. I hope that helps. Otherwise, I'll be happy to follow up and some more modelling questions if needed.

Operator: [01:25:36] As there are no further questions, I will hand it back to the speakers for any closing remarks.

Alexander Lacik, CEO: [01:25:41] Okay. Thank you very much. We certainly appreciate your interest in Pandora. We are passionate about it, as I hope you can note. Before I do my closing remarks, I know that you guys represent a lot of companies and I hope you do like we did to put a donation into the suffering children in Turkey and Syria. I think it's close to our heart. We have a big cooperation with UNICEF. So, that's a good destination for any funds that you may want to put to help people in need. Then on the closing remarks for the company, I think we proved last year that Pandora is very good at navigating all these uncertainties and curveballs thrown at us. We put a record year out there. Underlying the brand is very good. As I spoke to, we have a captive rather unique business model. We have a diverse geographical footprint which reduces risks. And we took a number of precautionary measures last year to shore up our cost base. So, we stand ready to, first of all, deliver our promises to our shareholders. But secondly, also having the agility to jump on any opportunities that we see in front of us. And there are always opportunities when things are rough around the edges. So, our ambition is, as it's been all along, to continue delivering a very strong performance. And on that, I once again thank you for the attention and I'll probably see you around on roadshows, etc., out there. Have a nice day. Thank you very much.

Anders Boyer, CFO: [01:27:16] Thank you.