

# Q4 2022 – AIDE MEMOIRE

Pandora Investor Relations

## Guidance

### Revenue

Full-year guidance: Pandora confirmed its financial guidance for 2022 on the 08 November and targets an organic growth of 4-6% for full year 2022. The guidance includes direct negative impacts from the war, potential headwinds on consumer demand from inflation, higher interest rates and COVID-19. The key assumptions behind the organic growth guidance can be illustrated as below:

2022 ORGANIC GROWTH ASSUMPTIONS		
Directional and Indicative		
	4%	6%
COVID-19 & macro-economy	Low single-digit negative impact	Low single-digit negative impact
War direct impact	-1% impact	-1% impact
Pandora US	Negative mid- to high single-digit	Flat
Pandora excl. US	Low to mid teens	Low to mid teens

- The guidance assumes that network expansion will drive 3% organic growth, up from 2% previously, offset by slightly lower expected sell-in to partners.
- During the year, Pandora has shared a table with the underlying guidance assumptions for 2022, see above. While Pandora still expects to land within the ranges and assumptions disclosed, the implicit Q4 2022 ranges obviously becomes quite wide. For the US specifically, the low end of the range (“negative high single digit”) no longer seems likely.
- The guidance assumes no reported revenue in Russia and Belarus during the remainder of 2022 impacting organic growth by -1% in 2022.
- Full year guidance for organic growth assumes -3% to +2% vs 2021 in Q4 2022, equal to 11-17% vs 2019:
  - Quote: “The low end of the guidance range assumes that the trading conditions will worsen during the remaining seven to eight weeks of '22. And obviously the

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*macroeconomic outlook is indeed associated with elevated uncertainty. Pandora continues to expect certain headwinds from COVID-19 in China".*

- As a global brand, Pandora's financial performance is subject to changes in the macroeconomic environment, consumer behaviour as well as geopolitical unrest.

## EBIT margin

Full-year guidance: Pandora also confirmed its EBIT margin guidance of 25.0-25.5% in 2022 on 08 November:

- Where Pandora will land within the 25.0-25.5% range, will depend primarily on the revenue performance. The implied EBIT margin guidance for Q4 2022 is 31.8-32.8%
- EBIT margin landed at 29.7% in Q4 2021 and was suppressed by a few moving parts, which is not expected to impact the Q4 2022 EBIT margin:
  - Roughly 1% negative impact from cost phasing from Q3 2021 into Q4 2021
  - A DKK 100 million in one-offs cost related to extraordinary IT write-off and an additional bonus payment
  - COVID-19 cost in Thailand of DKK 25 million and government subsidies and extraordinary rent reductions of DKK 15 million
- Guidance is based on foreign exchange rates per 30 October and a Silver/USD (per ounce) of 25.0:

### FOREIGN EXCHANGE AND COMMODITY ASSUMPTIONS AND IMPLICATIONS - As of October 30, 2022

	Average 2021	Average 2022	2022 Y-Y Financial Impact
USD/DKK	6.29	7.13	
THB/DKK	0.20	0.20	
GBP/DKK	8.65	8.75	
CNY/DKK	0.98	1.05	
AUD/DKK	4.72	4.91	
Silver/USD (per ounce)	21.1	25.0	
<b>REVENUE (DKK million)</b>			Approx. 1.300
<b>EBIT (DKK million)</b>			Approx. 300
<b>EBIT margin (FX)</b>			Approx. 0.8%
<b>EBIT margin (Commodities)</b>			Approx. -1.0%

Please refer to page 85 in the Pandora annual report for the sensitivity to movements in foreign exchange rates and commodity prices:

<https://pandoragroup.com/staticcontent?url=http://pandoragroup.gcs-web.com/static-files/f298ed02-3a4b-4bae-b1bf-c0598e03b450&format=pdf&title=Annual%20Report%202021>

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## Other guidance parameters

- Pandora expects CAPEX to be around 5% of revenue in 2022, changed from 6%, mainly due to some phasing and higher revenue driven by FX. In absolute terms CAPEX is expected to be up vs 2021 by approx. DKK 0.6 billion
- Pandora expects around 70-100 net concept store openings (including both partner and owned & operated stores) changed from previously 50-100 and 100-125 owned and operated other points of sales in 2022, changed from 75-100.
- The effective tax rate is expected to be 23-24%.

## Trading

- Year over year trading in Q4 2022 has per end of October been in line with the Q3 performance and thereby in line with the upper end of the implied guidance range for Q4 2022.
- The fourth quarter is always the biggest quarter for Pandora, and 40% of full year sell-out is normally generated in this quarter. In the weeks from Black Friday until end of year approximately 70% of Q4 2022 sell-out is generated
- Based on external data, such as weakening consumer sentiment, inflation and higher interest rates etc., the macroeconomic headwinds are growing. As per October, Pandora mainly saw signs of weakening consumer demand in Italy, where the conversion rate and units per transaction (UPT) decreased slightly.

## EDC fire update

- As communicated in company announcement 746, Pandora's European distribution center was affected by a fire on 30 October. The speed of re-establishing operations in the facility has been of essence, and the distribution center is now fully operational again.
- As per previous communication, Pandora sees some financial impact in Q4 2022, albeit within the financial guidance provided. Pandora is confident that insurance compensation will cover for the majority of the revenue/EBIT loss and any incremental costs associated with the fire. The insurance compensation will be reported in the line "Other income" as per IFRS, above EBIT. It is yet to be determined whether the insurance compensation will be reported in Q4 2022 or in 2023.

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## 2023

- 14 September 2021, Pandora hosted its Capital Markets Day unfolding the Phoenix strategy and providing financial targets towards 2023 of:
  - An organic growth CAGR of 5-7% in 2021-2023 with an absolute revenue target for 2023 of DKK 27.0-28.1 billion
  - An EBIT margin target of 25-27% in 2023
- In Q4 2022, Pandora provided the following update to 2023, quote: *"Since the targets were communicated, the geopolitical and macroeconomic situation has worsened significantly. Additionally, China continues to be impacted by COVID-19 restrictions. At this point in time, the targets remain unchanged but the outlook is obviously associated with elevated uncertainty. As mentioned above, Pandora is already taking certain pre-emptive cost measures to support the EBIT margin in 2023."*

## Other topics

- In the Q3 2022 Interim Financial Report, Pandora laid out how it is taking a number of pre-emptive measures should a recession scenario come into play, and that the company is in a strong position to manage through. Please see page 5-6 in: [Q3 2022 Interim financial report](#)
- Pandora launched its lab-grown diamonds collection called *Diamonds by Pandora* in North America on 25 August 2022, following the test launch in UK. The collection was launched across 60% of the store network in US and Canada and is the first collection made from 100% recycled silver and gold. Please see more comments shared in the [Q3 2022 Interim financial report](#) on page 4.

## Notes

- Pandora will enter a silent period on 11 January 2023.
- Pandora will release its Annual Report for 2022 on 8 February 2023
- Pandoras Interim Financial Report for Q4 2022 will be released 8 February 2023.
- Pandora will release its Sustainability Report for 2022 on 8 February 2023
- Pandora will host its Annual General Meeting 16 March 2023
- Collection of Pandora's pre-Q4 consensus will begin middle of January.