

PANDORA AMERICAS

MAY 17, 2017



PANDORA

CONTENTS

INTRODUCTION

CANADA

LATIN AMERICA

UNITED STATES

Q & A

CONTENTS

INTRODUCTION

CANADA

LATIN AMERICA

UNITED STATES

Q & A

INTRODUCTION TO SCOTT BURGER



2013-Present President, Americas
2012-2013 President, North America
2009-2012 Chief Financial Officer
2007-2009 Chief Operating Officer



2005-2007 Chief Financial Officer



2004-2005 Sr. Director, Financial Planning & Analysis
2000-2004 Director, Operations Finance



1997-2000 Implementation Manager

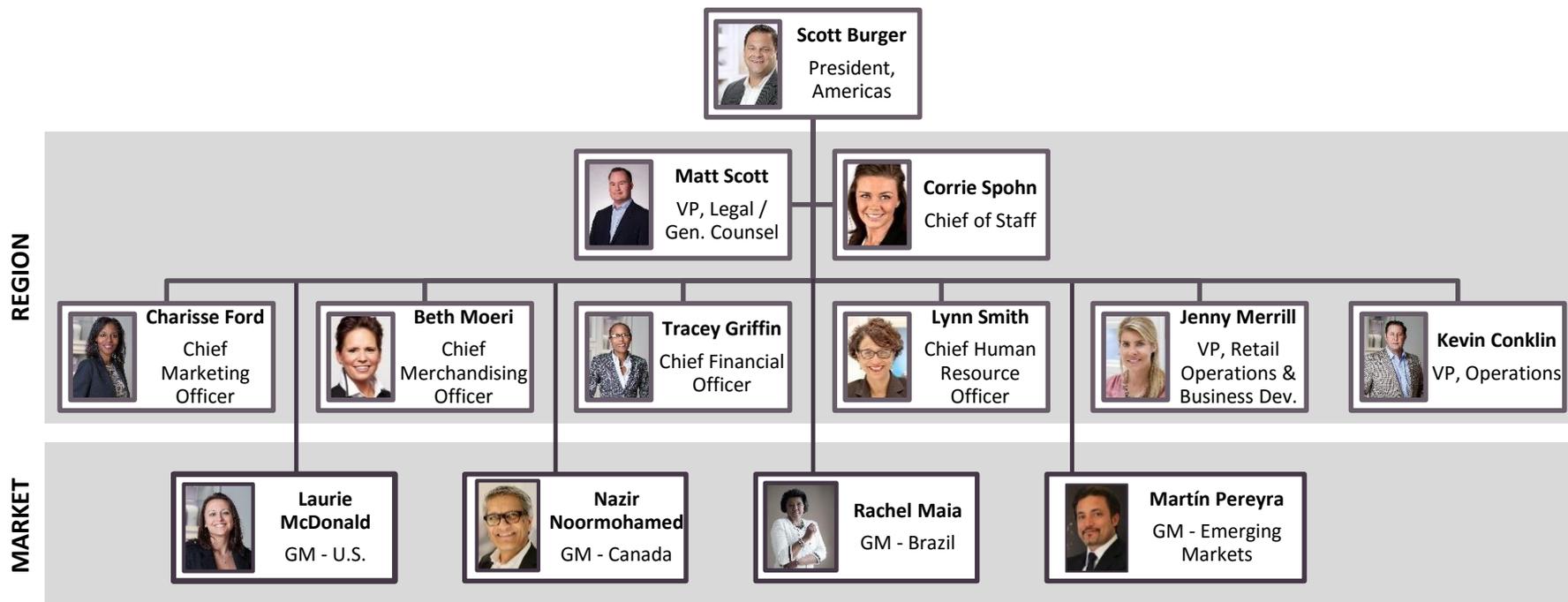


1996-1997 Investment Banking Analyst

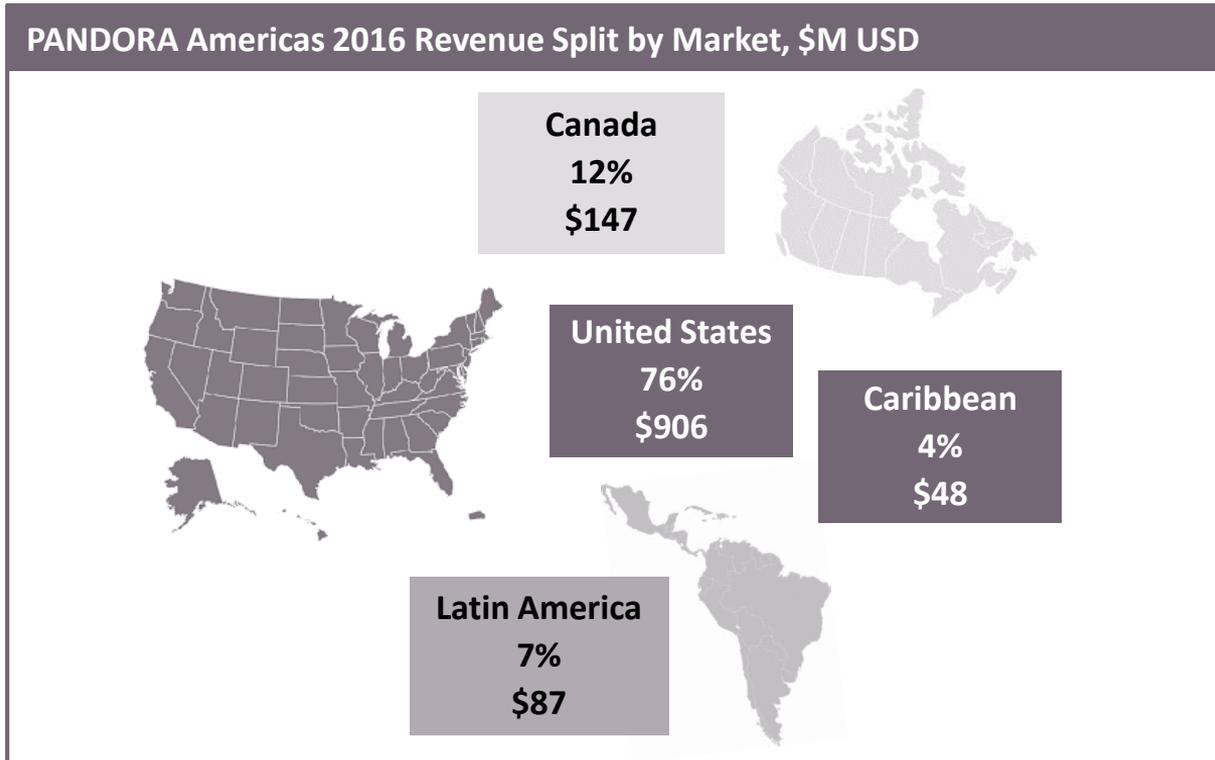


Scott lives with his wife and six children in the suburbs of Baltimore, Maryland.

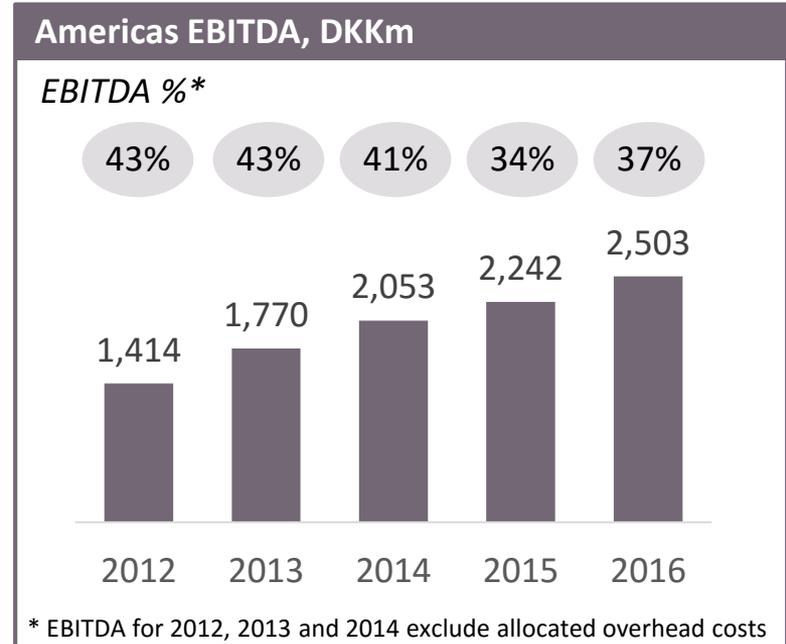
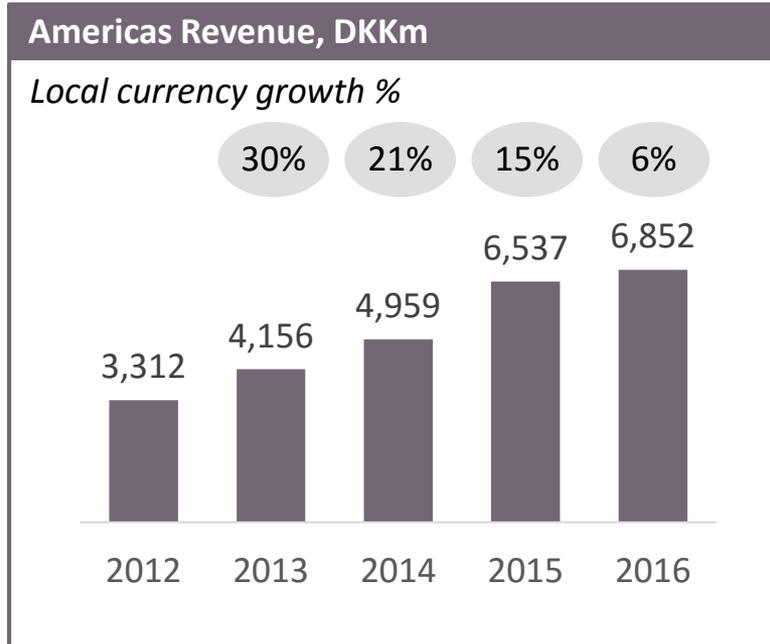
PANDORA AMERICAS IS LED BY A REGIONAL TEAM AND FOUR MARKET GENERAL MANAGERS



PANDORA AMERICAS IS COMPRISED OF A BALANCE OF DEVELOPED AND GROWTH MARKETS



PANDORA AMERICAS HAS DELIVERED CONSISTENT REVENUE GROWTH SINCE 2012



CONTENTS

INTRODUCTION

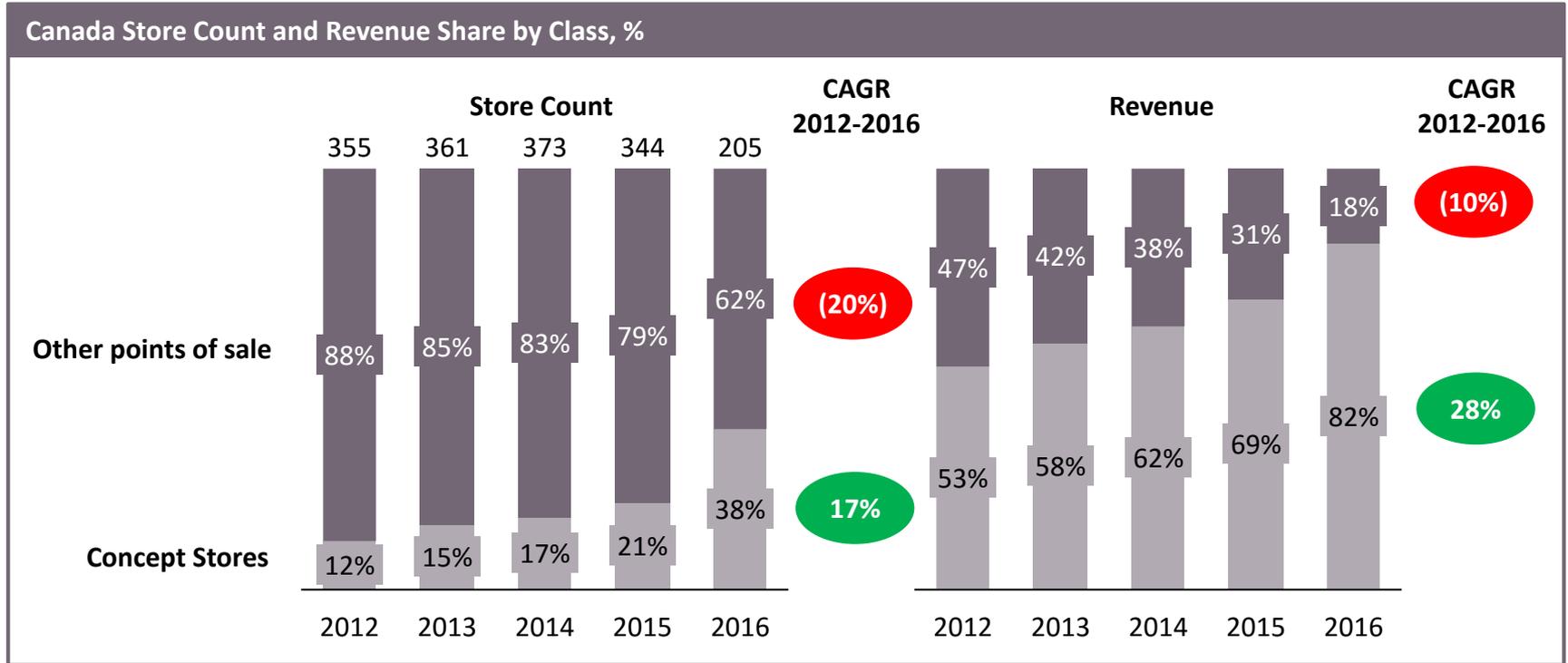
CANADA

LATIN AMERICA

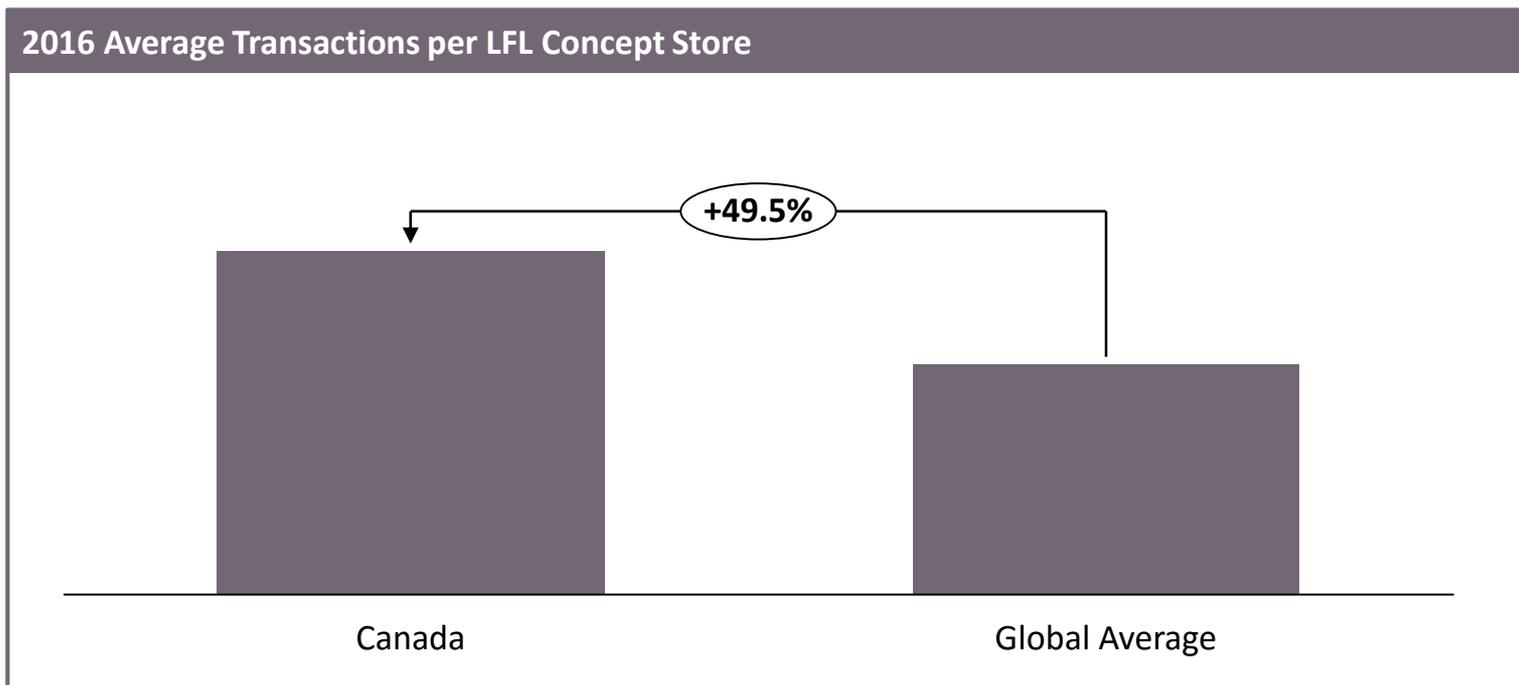
UNITED STATES

Q & A

CANADA'S NETWORK HAS BEEN SHIFTING TO CONCEPT STORES, WHICH NOW ACCOUNT FOR 82% OF TOTAL REVENUE



PANDORA CONCEPT STORES IN CANADA ARE HIGHLY PRODUCTIVE



PANDORA CANADA CHALLENGES AND OPPORTUNITIES

Challenges

- Increasingly **competitive environment**
- **Network growth** becoming limited
- **Maintain high per door productivity** as network grows

Opportunities

- **Expand owned and operated concept stores**
- Continue **branded POS expansion**, including e-store
- Continue **expansion to become a full jewelry brand**

CONTENTS

INTRODUCTION

CANADA

LATIN AMERICA

UNITED STATES

Q & A

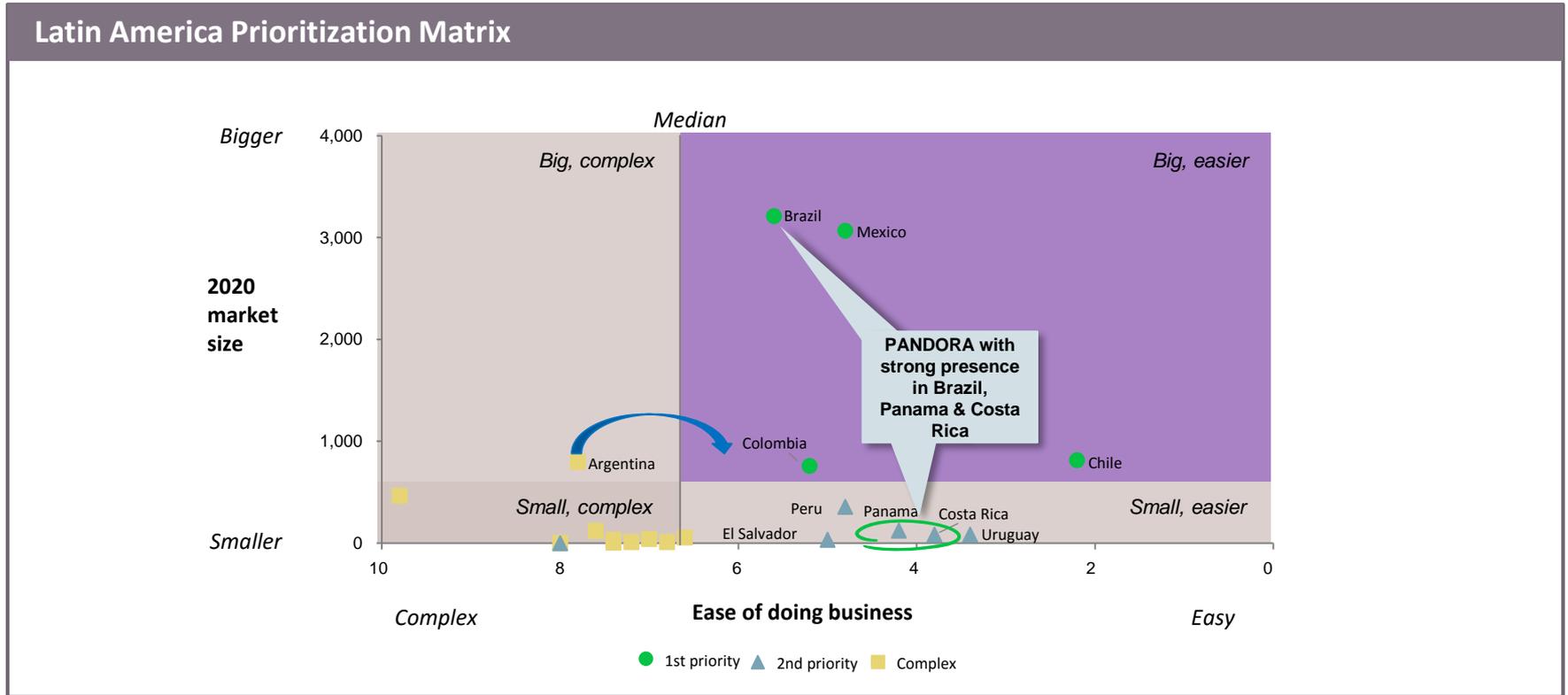
PANDORA AMERICAS IS EXPANDING IN LATIN AMERICA

- The **addressable jewelry market in Latin America is expected to be \$10B by 2020**, with 6 markets representing 90% of the market
- Results in Brazil and consumer research in Mexico suggest **the PANDORA brand is highly relevant to the Latin American consumer**
- Leveraging learnings from Brazil, **PANDORA will expand in 6 priority markets through a branded network of O&O stores and with a select number of partners**
- **As LATAM expands, PANDORA will be conscious of political and economic challenges and hire local talent** to mitigate these and other executional risks
- Next steps are to **staff an Emerging Markets (EM) team** to drive the expansion plan and **establish a physical market presence** in Panama City, Panama

LATIN AMERICA IS FORECASTED TO BE A ~\$10B JEWELRY MARKET BY 2020

	Country	Est. 2015 Market Size, \$M	Projected CAGR ¹	Estimated 2020 Market Size, \$M	
	Brazil	3,000	1.4%	3,210	 PANDORA Priority Markets
	Mexico	2,540	3.9%	3,070	
	Argentina	650	4.2%	800	
	Chile	650	4.7%	820	
	Colombia	630	3.7%	760	
	Venezuela	500	(1.2%)	470	
	Peru	260	6.3%	350	
	Ecuador	110	1.6%	120	
	Panama	90	7.2%	130	
	Costa Rica	70	4.8%	90	
	All other	220	2.3%	250	
Total Latam		~\$8.7B	2.9%	~\$10.1B	

PRIORITY MARKETS FOR PANDORA ARE BRAZIL, MEXICO, COLOMBIA, ARGENTINA, PERU, AND CHILE



15 | Source: BCG Analysis
 Note: Countries in bottom left quadrant include: Venezuela, Guyana, Ecuador, Nicaragua, Bolivia, Paraguay, Suriname, Guatemala and Honduras

WE EVALUATED LOCATIONS FOR A PANDORA OFFICE AND SELECTED PANAMA CITY, PANAMA

PANDORA Latin American office selection

After evaluating several alternatives, Panama City was selected as the ideal location:

- ✓ Exposure to Latin America market and consumers
- ✓ Strong pool of ex-pat and local talent
- ✓ High-connectivity to most Latin American markets, including Mexico
- ✓ Access to free-trade zone
- ✓ Other large multi-national companies have successfully built out Latin Americans operations from Panama, including Under Armour and Heineken



FOUR FACTORS SHOULD POSITIVELY INFLUENCE PANDORA'S SUCCESS IN LATIN AMERICA



Positive **brand perception**



Strong **other jewelry awareness**



Limited **competitive intensity**

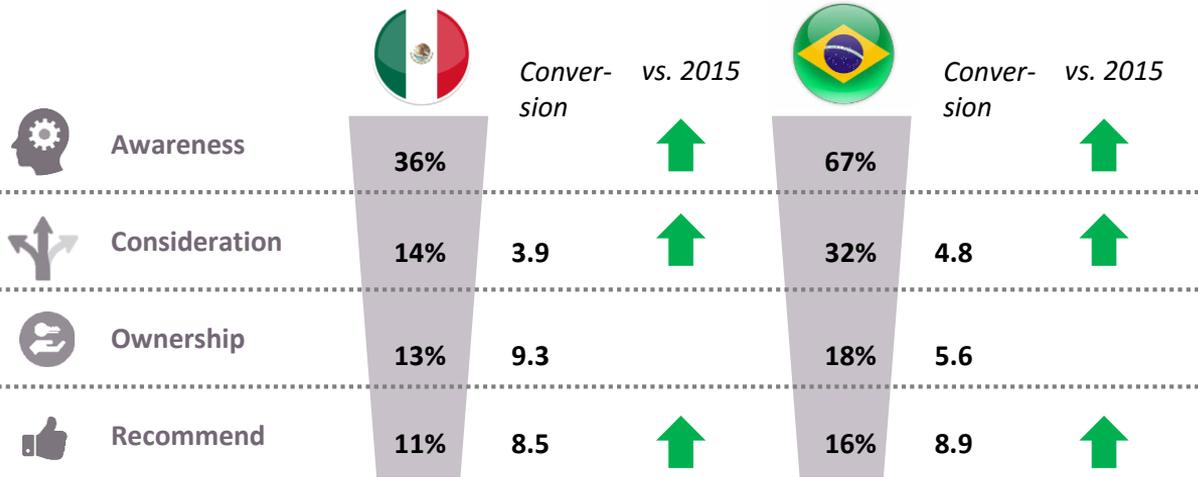


Significant **network expansion opportunity**

PANDORA IS VIEWED FAVORABLY IN MAJOR LATIN AMERICA MARKETS

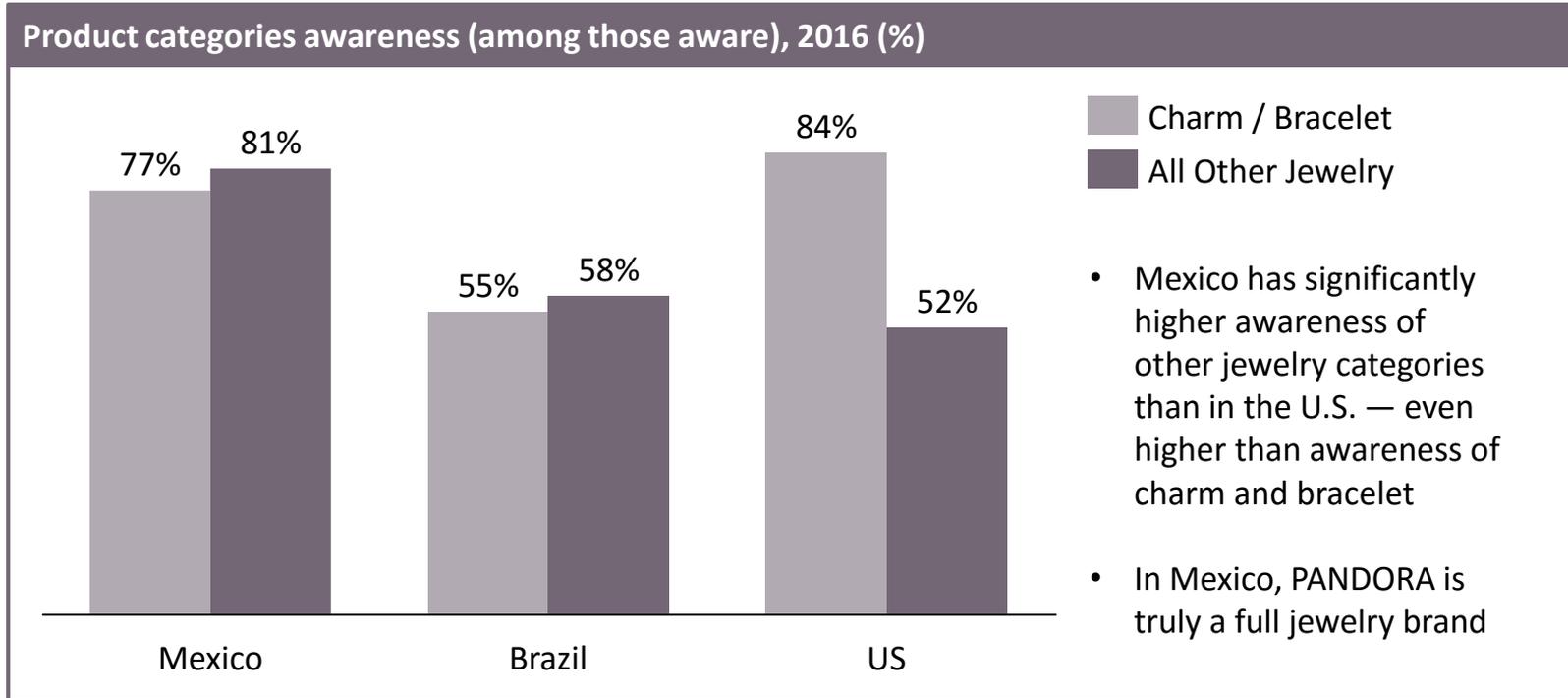
Mexico Brand Funnel Summary, Q2 2016

 Statistically significant increase



- Awareness rate is low vs. other markets: it is ~90% in the U.S.
- Among considerers, there is **strong conversion to ownership** — especially in Mexico
- The funnel has **become significantly healthier** over the past six months

THE LATIN AMERICA CONSUMER VIEWS PANDORA AS A FULL JEWELRY BRAND — UNLIKE IN THE U.S. WHERE WE ARE KNOWN FIRST FOR CHARM



THERE ARE FEW REGIONAL PLAYERS AMONG THE COMPETITORS IN LATIN AMERICAN MARKETS

	Established local competitor(s)	Established regional player(s) ¹
Brazil	VIVARA <i>Life</i> VIVARA GUERREIRO MORANA	SWAROVSKI H:stern
Mexico	Daniel Espinosa JEWELRY BIZZARRO TANE TANYA MOSS.	SWAROVSKI H:stern TOUS TIFFANY & Co.
Chile	Local players focused on higher end jewelry	SWAROVSKI TOUS
Colombia	 CANO LUIS ALBERTO CANO	TOUS SWAROVSKI
Peru	 ILARIA PERU	H:stern SWAROVSKI TOUS

21 | 1. Multiple locations – does not include players with <3 locations (e.g. Tiffany's with 1 location in many markets)
Source: Company websites, BCG Analysis

IN ADDITION TO NETWORK EXPANSION,
THERE IS SIGNIFICANT HEADROOM TO INCREASE
TRANSACTIONS IN EXISTING STORES



PANDORA LATIN AMERICA CHALLENGES AND OPPORTUNITIES

Challenges

- **Economic headwinds in Brazil** have slowed momentum and near-term outlook is uncertain

Opportunities

- **Expand owned and operated concept stores**
- Continued focus on **other jewelry growth** to leverage perception as “full jewelry brand”
- **Store productivity remains low** vs. global average, indicating awareness (traffic) and in-the-store opportunities

CONTENTS

INTRODUCTION

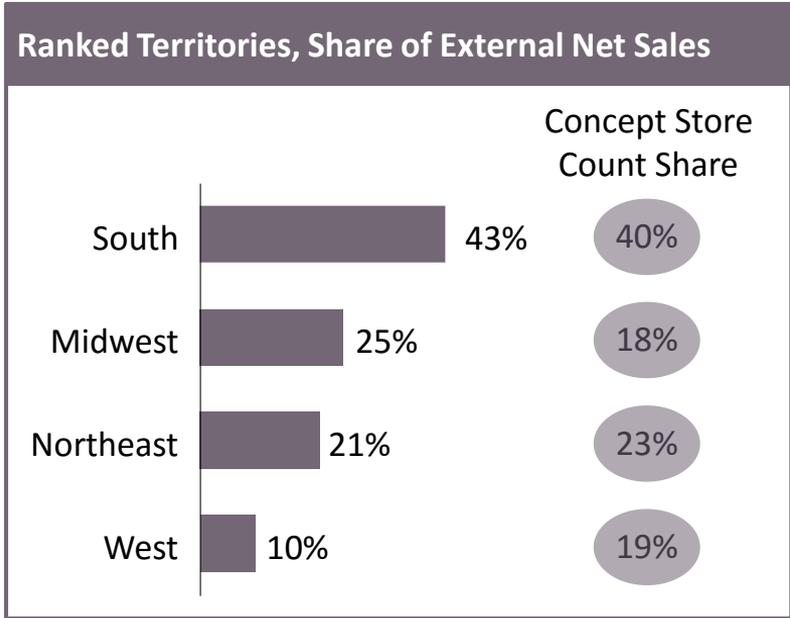
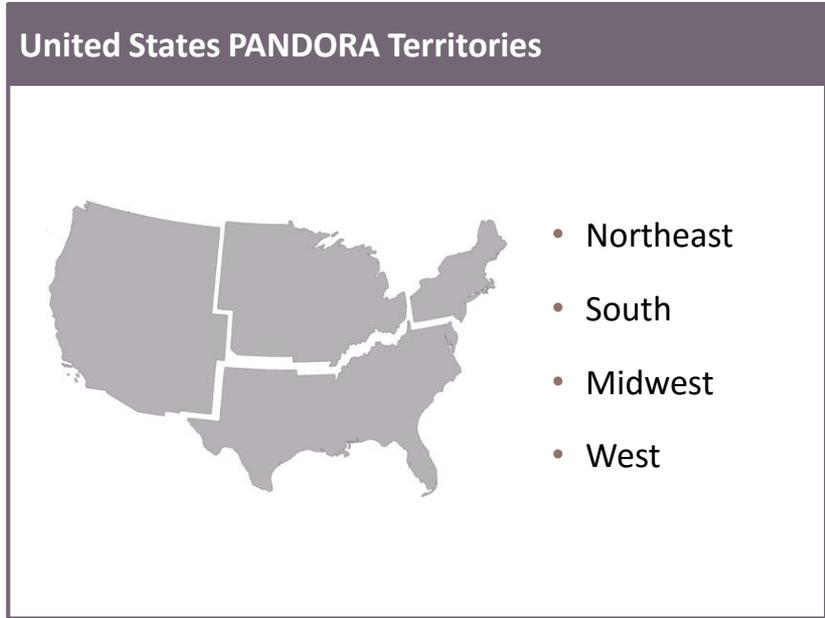
CANADA

LATIN AMERICA

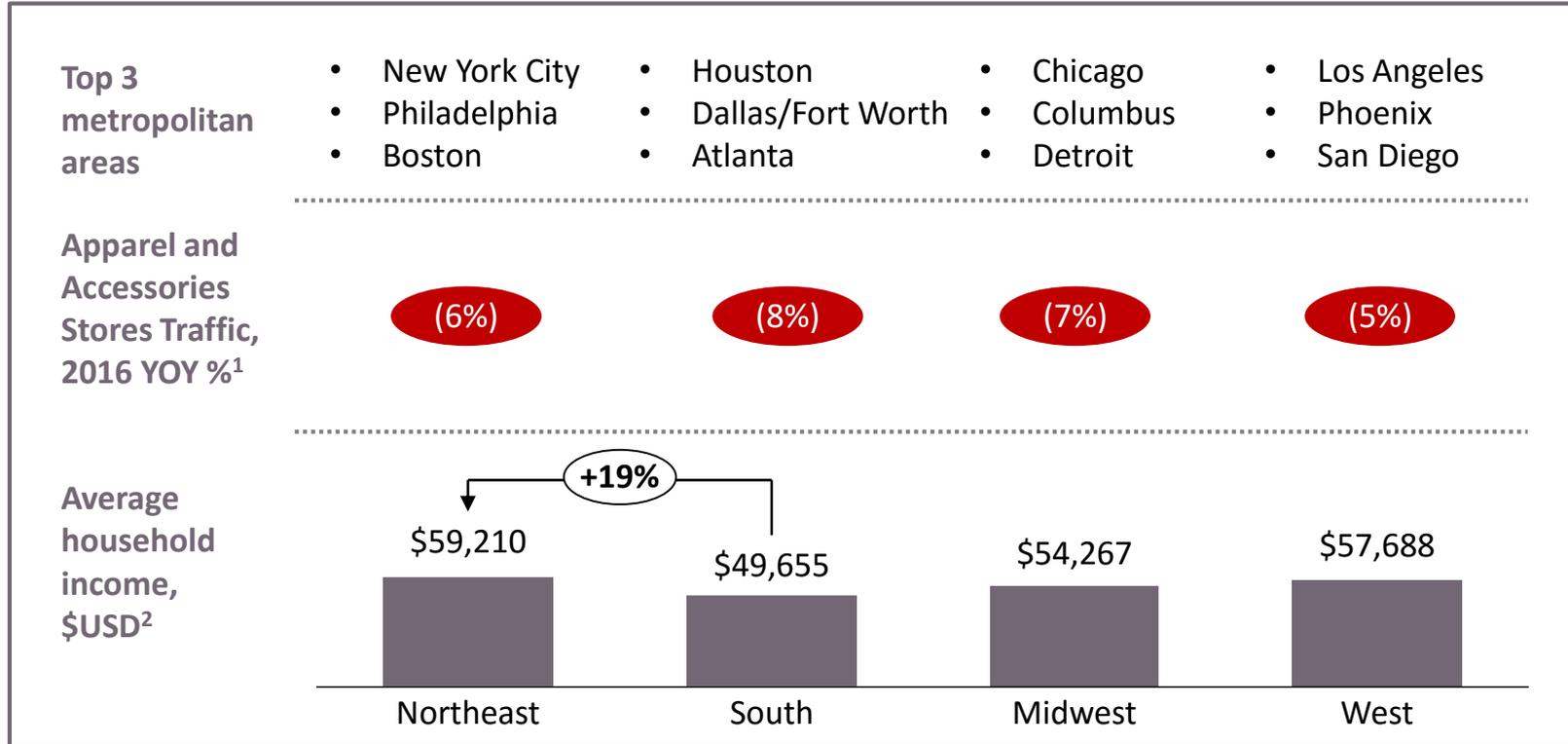
UNITED STATES

Q & A

THE UNITED STATES IS COMPROMISED OF 50 STATES AND 1 FEDERAL DISTRICT– WHICH ARE CLASSIFIED INTO 4 PANDORA TERRITORIES



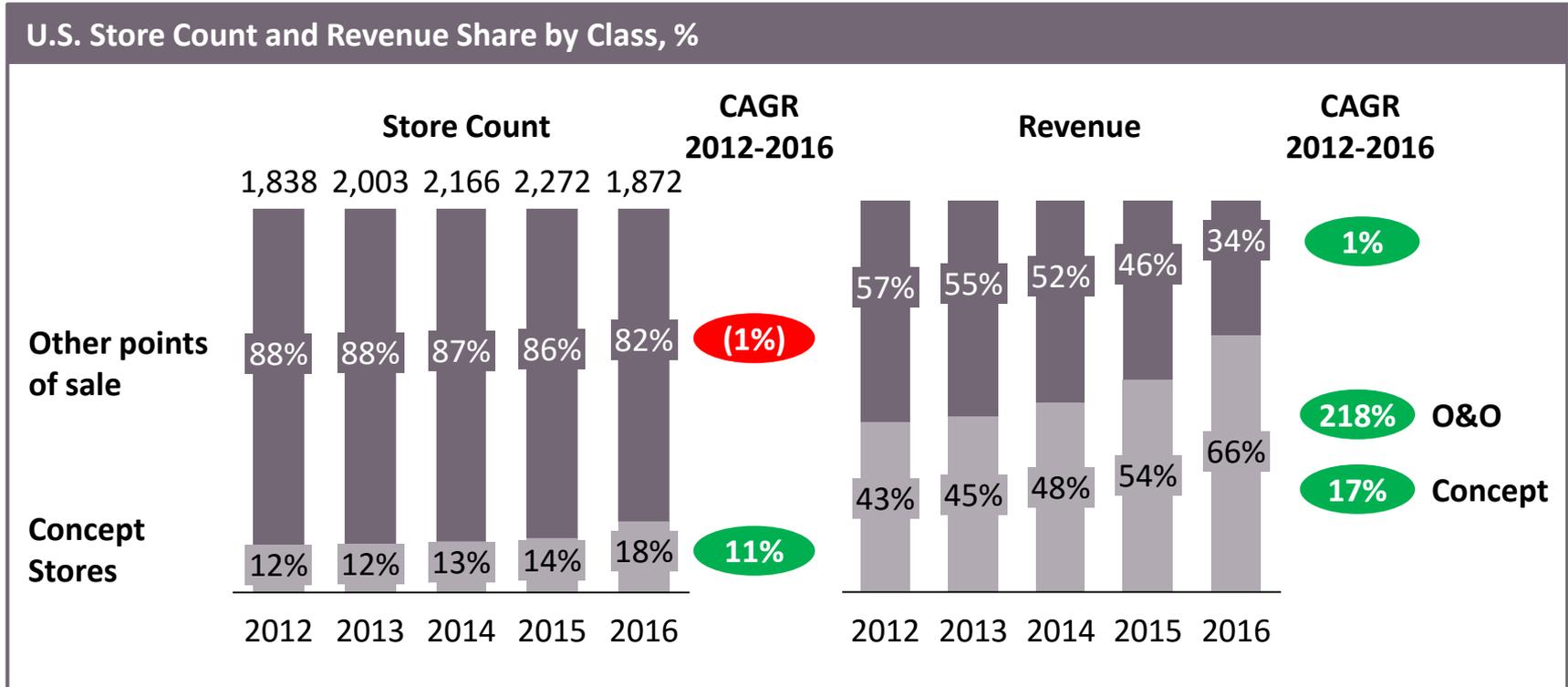
THE U.S. IS A LARGE MARKET WITH SOME REGIONAL VARIATIONS



¹ ShopperTrak, Full Year 2016

² U.S. Census data 2014

THE U.S. HAS BEEN FOCUSED ON EXPANSION OF CONCEPT STORE SHARE AND REVENUE, INCLUDING OWNED STORES



PANDORA IS FACING RETAIL HEADWINDS IN THE U.S., BUT IS WELL-POSITIONED TO RESPOND



Changes in **consumer spending**

.....



Too much **retail space**

.....



Very **promotional environment**

.....



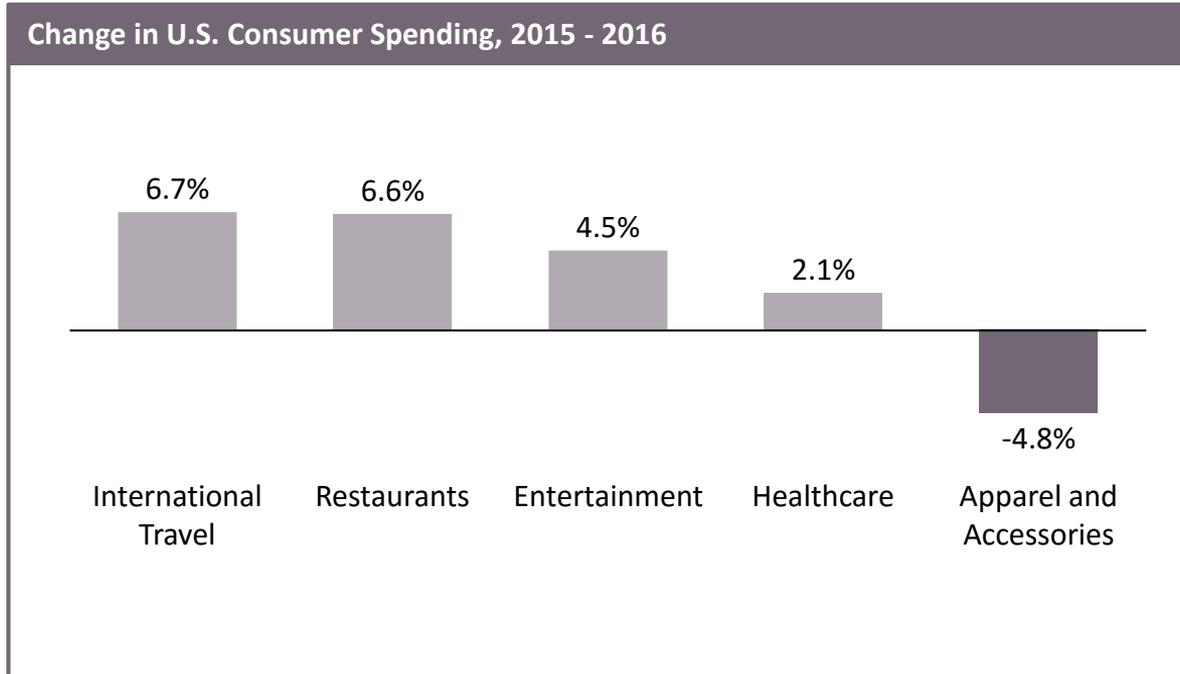
Acceleration of **e-commerce**

.....



Normalization of the **charm category**

FIRST, U.S. CONSUMERS ARE SPENDING MORE ON TRAVEL AND EXPERIENCES WHILE NEGLECTING APPAREL AND ACCESSORIES



Implications

- PANDORA's competitive set includes industries beyond jewelry — and these industries are putting a squeeze on apparel / accessories spending
- While overall U.S. economic picture is largely positive, shifting consumer mindsets on spending and value are pushing retailers to rethink old strategies

TO MAINTAIN MOMENTUM, PANDORA IS FOCUSED ON THE IN-STORE EXPERIENCE

Key Initiatives: Delivering Best-in-class In-store Experience

1

Consumer experience survey introduced

PANDORA®



Consumer survey has **garnered over 30,000 responses** in the U.S. since launch February 1, 2017.

Survey results are **integrated into daily coaching and store performance management.**

2

Updated sales process to be rolled out across network

P S C

PANDORA SELLING CONVERSATION

WELCOME · EXPLORE · CREATE · ADD · NURTURE

Updated selling process based on consumer research and survey data will roll out later this year.

In trial period YTD, new process generated **conversion lift of 2 points vs. control stores.**

3

Cleaned up network with ~600 multibrand closures in 2016



Cleaning up network supports consistent PANDORA experience in all doors.

TO FURTHER PROTECT IN-STORE EXPERIENCE, ALL JARED LOCATIONS WERE UPGRADED TO SHOP IN SHOPS IN 2016

Before remodel

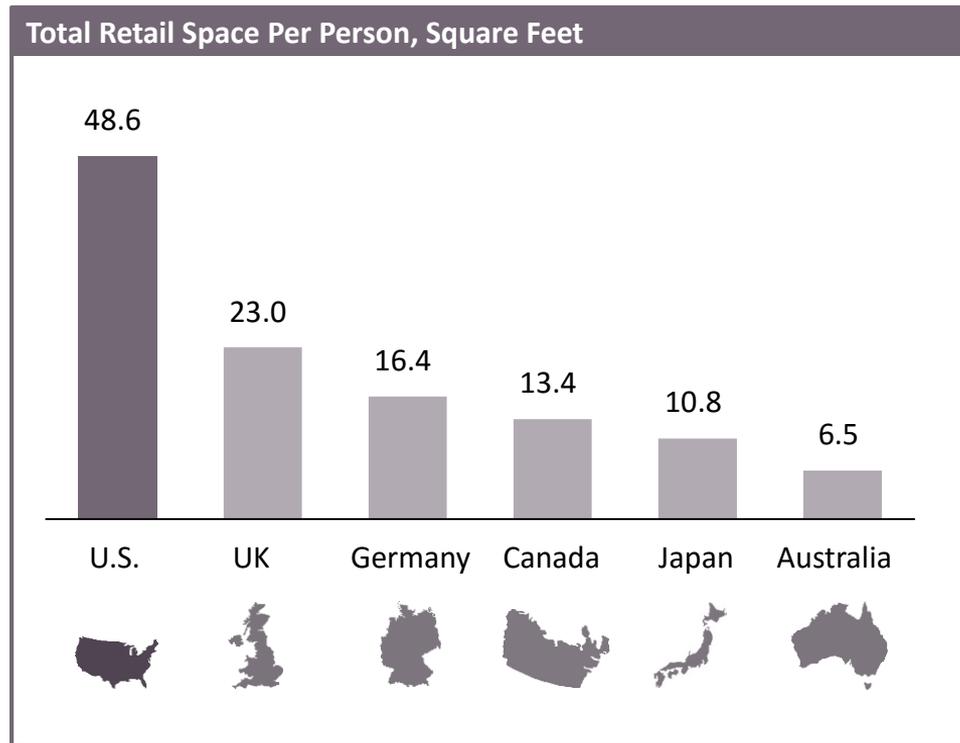


After remodel

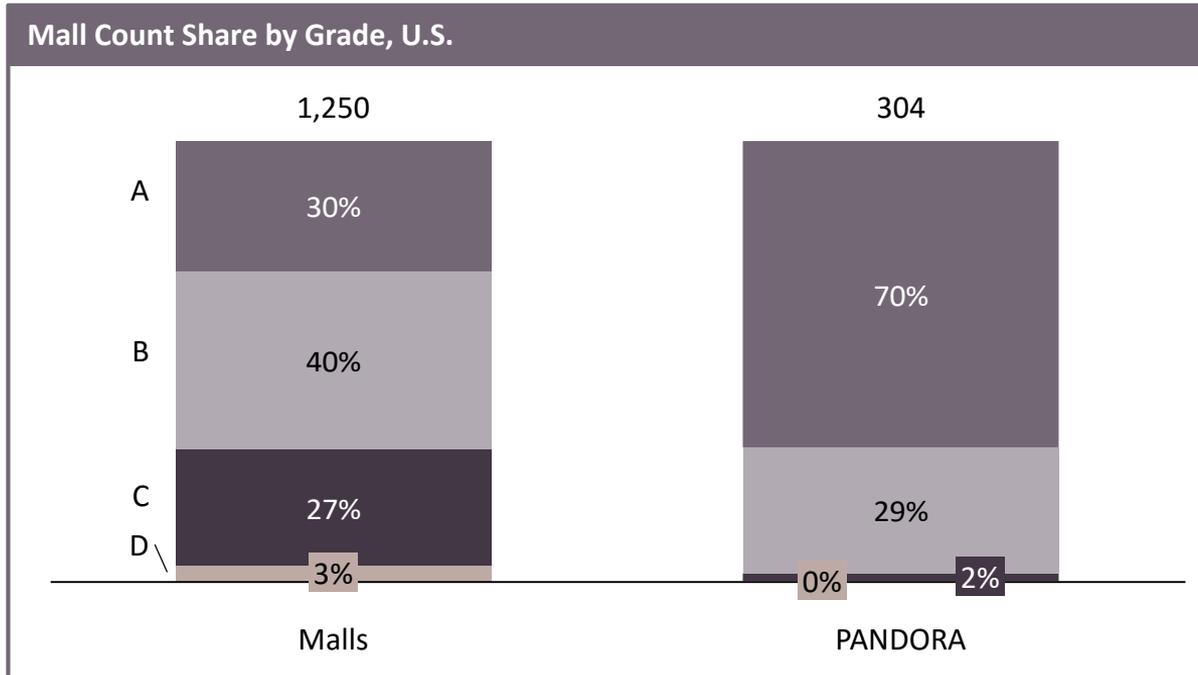


- 222 upgrades were completed in total
- Certified PANDORA Specialists in all Jared locations will use branded selling and merchandising techniques

SECOND, THE OVERALL PACE OF U.S. RETAIL STORE CLOSURES IS ACCELERATING DRIVEN BY HIGH RETAIL SPACE PER PERSON



CLOSURES, HOWEVER, ARE CONCENTRATED IN “C” AND “D” GRADE MALLS, WHERE PANDORA HAS MINIMAL PRESENCE



Implications

The nation's worst-performing malls — those classified in the industry as C-rated and D-rated (~30% of malls according to Green Street Advisors) — will be hit the hardest by the store closures. **These mall tiers have very little overlap with PANDORA's Concept Store base**

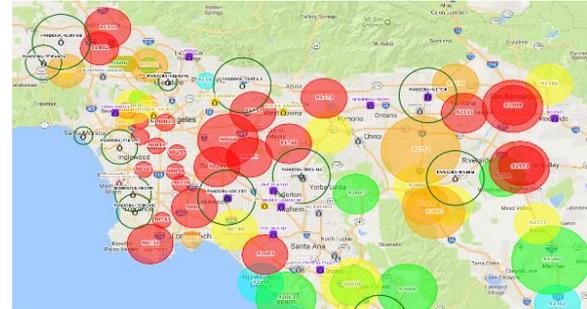
IN FACT, PANDORA HAS CONTINUED TO IDENTIFY STORE OPENING OPPORTUNITIES IN THE U.S.

PANDORA considers several factors when evaluating potential locations

- Leverages national shopping center database with over 30,000 centers
- **Consults existing unit performance scorecard to determine opportunity**
- Generates Potential New Site Report that includes:
 - **Revenue estimation based on triangulated model**
 - **Complete demographic and lifestyle segmentation data**
 - **At Risk / Cannibalization estimate of revenue impact of proposed units on existing units**

Example: Los Angeles, CA

- Analysis identified several potential concept store locations in addition to 12 current locations
- Red sections on map represent locations with largest revenue opportunities



THIRD, THE U.S. PROMOTIONAL ENVIRONMENT IS GROWING INCREASINGLY SATURATED

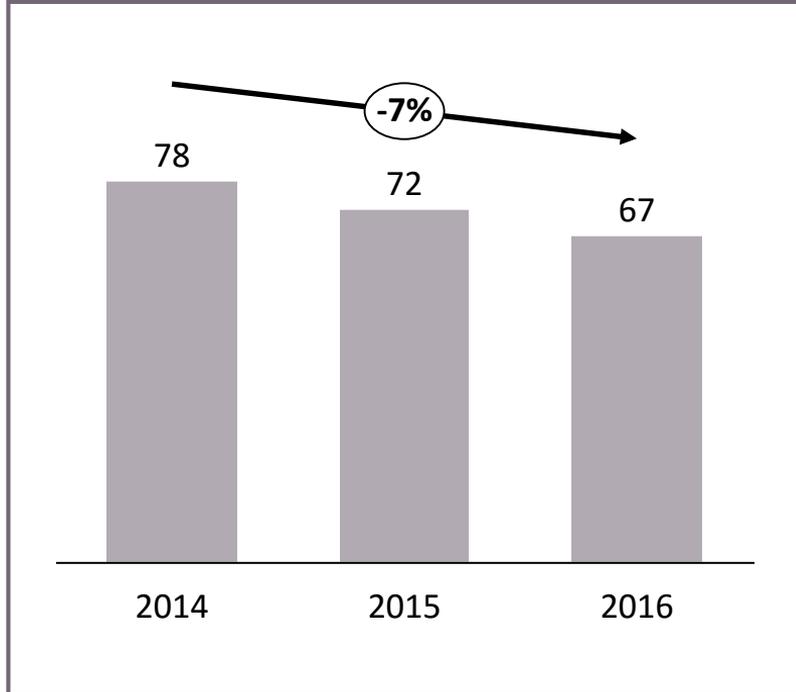
PANDORA Americas Competitor and Analogue Promotions



- 70% of U.S. consumers expect to see markdowns of 30% or more when shopping everyday
- One-third of all U.S. shoppers visiting retailers were looking for 100% of their purchases to be made on sale
- 50% of consumers assert that they only buy jewelry when there is a promotion
- Large mall retailers like Gap and J.Crew are running always-on promotions with thresholds over 50% off

IN THIS ENVIRONMENT, PANDORA HAS REDUCED PROMOTIONAL DAYS

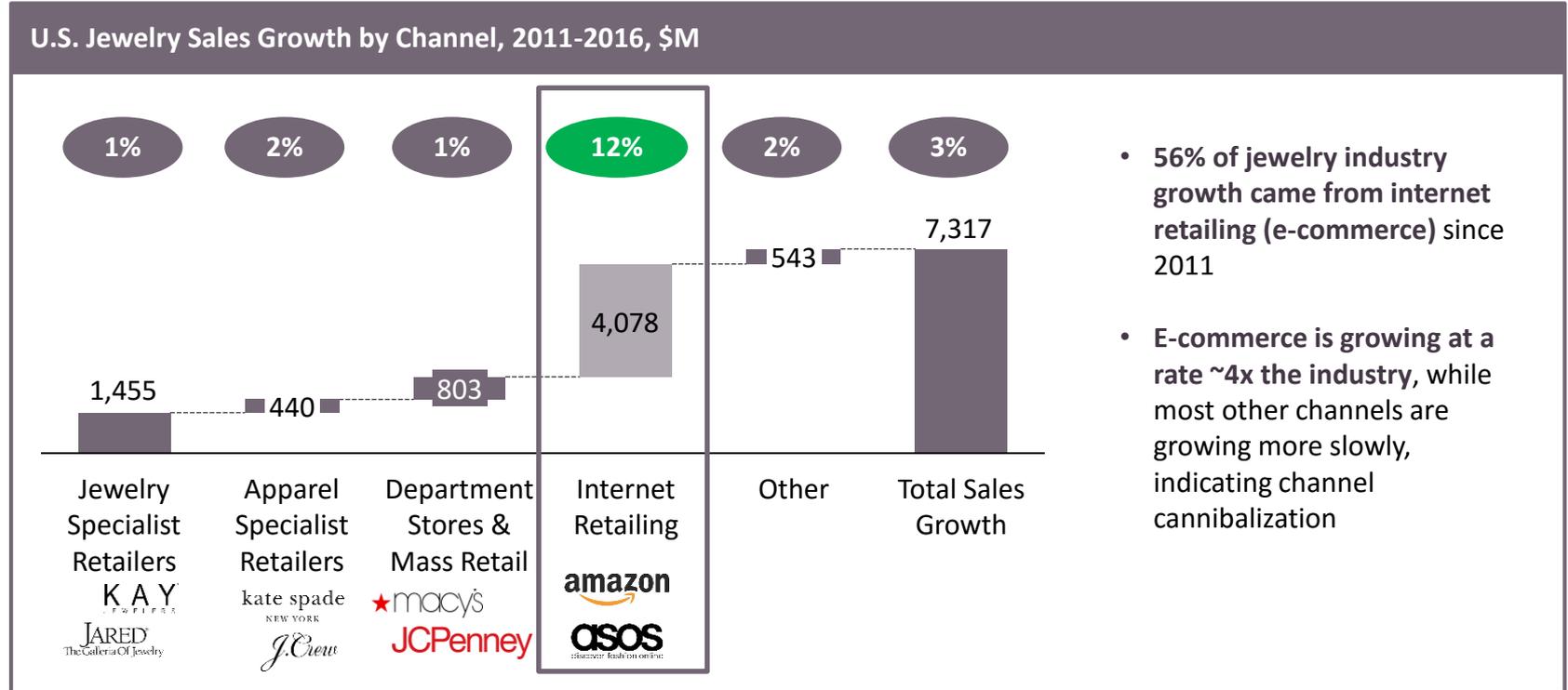
Promotional Day Count



Key Actions

- **Tested different promotional concepts** to drive consumer interest — for example, substituting annual Bracelet Event for category agnostic Save More tiered promotion
- **Accelerated pace of other jewelry growth through category-focused promotions**
- **Experimenting with targeted offers** to specific groups of consumers, including charm consumers, during full-price times instead of full-scale promotions
- **Shortened promotions** based on analysis of historical sales and traffic patterns

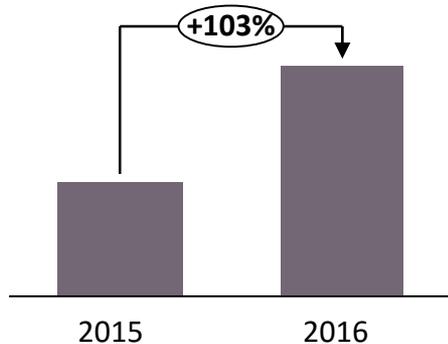
FOURTH, E-COMMERCE IS GROWING QUICKLY AND CANNIBALIZING TRADITIONAL RETAIL



FOR PANDORA, THE E-STORE REPRESENTS A GROWTH OPPORTUNITY AS IT ATTRACTS NEW AND HIGHER-SPEND CONSUMERS

e-Store LFL performance

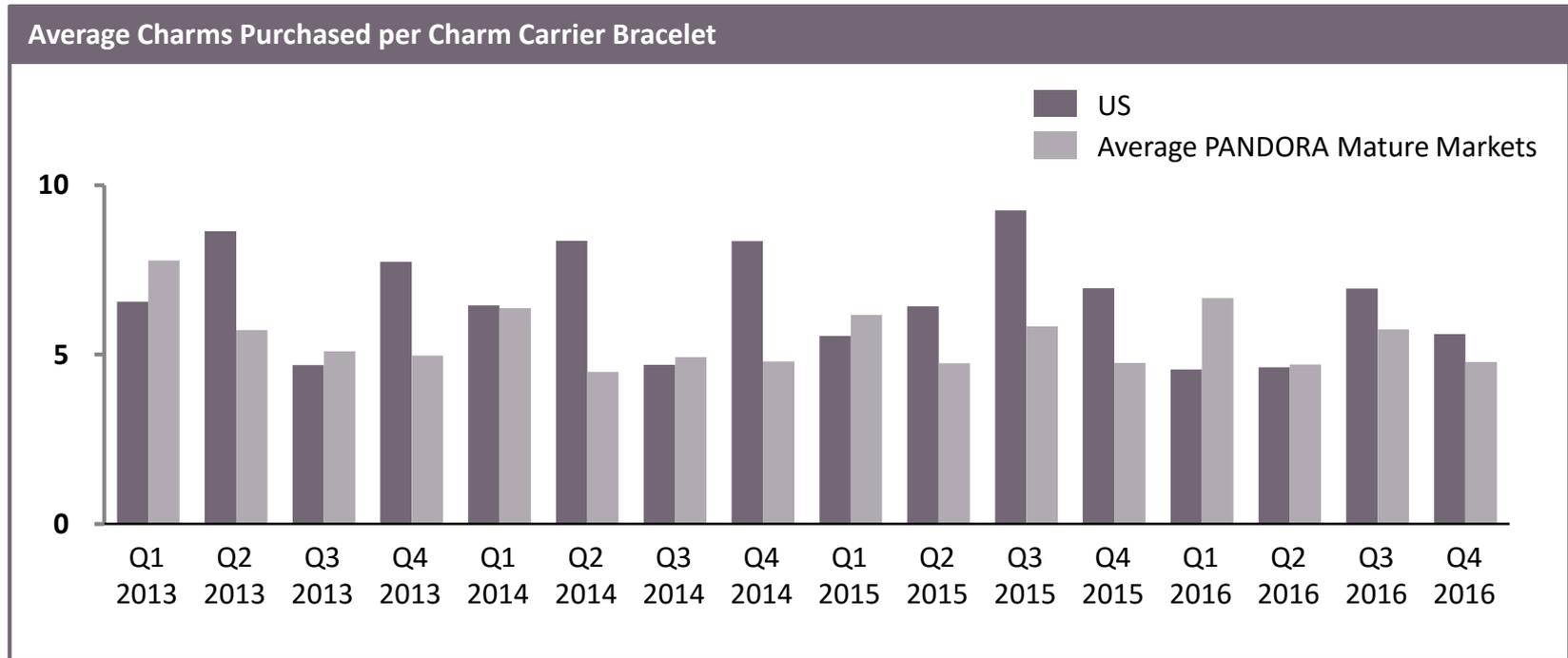
In this first year of operations, the e-Store has **more than doubled** in size



Establishing an Omnichannel will help to grow this valuable population

- ~2% of active in-store customers over the past year went on to make an e-store purchase
- The remaining ~98% of our e-store customers have been newly attracted to PANDORA without first making an in-store purchase
- When consumers do shop both channels, **they are more valuable:**
 -  Spend **21%** more in-store
 -  Have **25%** larger baskets on each trip
 -  Shop **8%** more often in-store
 -  **58%** of omnichannel shoppers purchased non-core products vs. 54% for retail-only consumers

FINALLY, U.S. HISTORICALLY SKEWED HIGHER IN CHARMS PER BRACELET, BUT WITH LESS NEWNESS IN RECENT DROPS, IS RETURNING TO GLOBAL AVERAGE



WITH LESS NEWNESS IN RECENT DROPS, PANDORA U.S. HAS TAKEN STEPS TO STABILIZE CHARM BUSINESS

Key Charm Initiatives

1

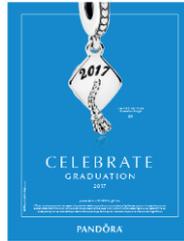
Engaging charm and bracelet campaigns



Accessorize Who You Are campaign in February used an in-store quiz to match consumers to style profiles. This generated **24% LFL growth in the U.S.** supported by **9% traffic growth**

2

Increased focus on incremental gifting occasions



Limited edition Graduation Charm was released in April and is on pace to meet 100% sell-through. Bridal charms will be released for Summer and support focus on **bridal gifting**

3

Targeted marketing approach focused on charm purchase



Initiative is targeting **high-value consumers with relevant messaging** through digital, social, and mail channels

PANDORA U.S. CHALLENGES AND OPPORTUNITIES

Challenges

- **Evolving consumer spending environment**
- **Challenged traffic environment** exacerbated by rise of e-commerce and store closings
- **Heavily promotional** retail environment
- **Less newness** in recent PANDORA drops

Opportunities

- Continued **growth in other jewelry business** — rings, earrings, and necklaces
- Continued **innovation to drive charm**
- Continued momentum as we **integrate consumer-facing initiatives**: experience survey, sales process, and upgrades / remodels
- Significant **growth potential in owned channels, O&O and e-Store**, harnessing omnichannel shopper

CONTENTS

INTRODUCTION

CANADA

LATIN AMERICA

UNITED STATES

Q & A