Pandora

Transcript:
Interim Financial Report for the third quarter of 2023

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00:00:00 Bilal Aziz, IR
Good morning, everyone and welcome to the conference call for Pandora's third quarter results for 2023. I'm Bilal Aziz from the Investor Relations team and I'm joined here by our CEO, Alexander Lacik, CFO, Anders Boyer and the remainder IR team. As usual, there will be a Q&A at the end of the call. If you could kindly limit yourself to two questions, that would be great. Please pay notice to the disclaimer on slide two and turn to slide three.

00:00:25 Bilal Aziz, IR
I will now turn over to Alexander.

00:00:28 Alexander Lacik, CEO
Good morning. Thank you, Bilal and welcome everyone. First, let me begin with some key highlights from the third quarter. We're very pleased that we're delivering a strong quarter. This once again demonstrates how the Phoenix strategy is coming together to really drive strong growth.

00:00:46 Alexander Lacik, CEO
The organic growth ended at +11% and our like-for-like accelerate to +9% in the quarter. We can clearly see that we've got good brand momentum from the various initiatives we're implementing, and we are therefore attracting new consumers into the brand. You'll notice that the like-for-like growth was broad based across our collections and most of our markets. Once again, the P&L structure remains highly attractive. Our gross margins are now reached an all time high of 79%, driven in part by our efficiency gains and pricing actions.

00:01:20 Alexander Lacik, CEO
This all still feeds into a solid EBIT margin and a very attractive cash profile. To put this all together, the Phoenix strategy is working, and we can see that directly through attracting new consumers. Our business model means we can capture all of this value to generate significant value for our shareholders. Now let's move to slide four, please. Considering the progress we've made so far this year and our outlook, we're changing our revenue guidance.

00:01:50 Alexander Lacik, CEO
We now guide organic growth at +5 to +6% compared to the previous one at +2% to +5%. Our EBIT margin guidance remains unchanged at around 25%. We are firmly on track for this despite continued investments into our business to drive future growth. Now I'll give a few

quick words on current trading. We started Q4 well.

00:02:15 Alexander Lacik, CEO
In the first six weeks, our underlying like-for-like trading is up high single digit percentage levels versus the same period last year. This is a good start. You should also keep in mind that the majority of Q4 revenue is accounted for by November and December. So, in that context it's a smaller sample size. We look ahead with confidence, but naturally would expect trends to moderate a bit as we head into the holiday season where it's typically more competitive from an external standpoint.

00:02:47 Alexander Lacik, CEO
Now let's move to slide six please. As most of you aware, last month we hosted a capital markets day in London where we laid out our plans for the next three years. Before I dive into the third quarter, I just wanted to remind you of some of the key details we shared. We highlighted that we'll be taking the Phoenix strategy to the next level as we look to change the perception of Pandora into a full jewellery brand. Tied to this, Pandora is setting up for accelerating growth ahead.

00:03:17 Alexander Lacik, CEO
Doing what we've done over the past two years is working, but we're now ready to unleash the potential their brand and think that we can take this even further. Going after these growth opportunities will mean increased investments. Despite this, we still expect to see EBIT margin expansion. The business as ever, will continue to generate a significant amount of free cash flow with the vast majority of this return back to our shareholders. These three points I've just mentioned, all will translate into mid- to high teens EPS growth into the future.

00:03:53 Alexander Lacik, CEO
So, that's the Pandora business model in a nutshell. Solid growth, high margins, highly cash generative and high earnings growth. Next slide please. Here you can see how everything I've said translates into numbers with our new three years targets. We're targeting +7% to +9% organic growth of which four to six will come from like-for-like with a range of current and new initiatives.

00:04:20 Alexander Lacik, CEO
This will be complemented with three points of network growth, which is a predictable and highly value creative revenue stream. For EBIT margins., we will look to balance out investing into the business versus driving operating leverage, but see overall margin expansion as I mentioned. Specifically, this translates into 26% to 27% EBIT margin by 2026. Finally, given the expected free cash flow generation, we expect to return between 14 and 17 billion DKK of cash back to shareholders over the next three years combined. Next slide please.

00:05:03 Alexander Lacik, CEO
Now this brings me nicely on to how we will be achieving the targets and in particular driving growth. You should all be familiar with this Phoenix wheel by now with the four strategic pillars

that built the foundation of our strategy. At the CMD, we laid out many initiatives across the four pillars and I will certainly not go through them here one by one, but instead just highlight the breadth of initiatives we have. From restaging the brand early next year to expanding into new design aesthetics and continue to drive growth across all our markets. The message is simply that we have a lot of growth opportunities across the strategic pillars.

00:05:42 Alexander Lacik, CEO
As I said, some of the initiatives are already having a positive impact. So, in that point, let's dive deeper into how we drove brand heat in the third quarter. Next slide. So, we spoke at great length a few weeks back on how our brand strategy centers on bringing more consumers into the Pandora brand. And how we would now become unmissable, Quarter three is a great example of how that comes to life.

00:06:07 Alexander Lacik, CEO
Our strong like for life growth was driven in large parts by various brand activations across the quarter, which in return drove a large increase in traffic into our stores and e-commerce. And as I've always said, once we get the traffic, the rest is far simpler as we're really good at converting. For the quarter, we were present across many big events. Our Diamonds launch campaign in New York was part of New York Fashion Week and so wide scale reach. We then were also present across other fashion events in Copenhagen and Paris to mention a few.

00:06:41 Alexander Lacik, CEO
It therefore shouldn't come as a huge surprise that these efforts are paying off in search trends and some of you may have noticed that Pandora was the most searched jewellery brand globally. And of course, we continue to dial up our desirability through engaging. our new brand ambassadors. Next slide please. Alongside all efforts in being unmissable, we had a particularly strong quarter across our social media activations. You can see on the slide some KPIs we have given, but we know how to remain culturally relevant and drive good brand heat.

00:07:16 Alexander Lacik, CEO
Some of these trends won't be repeatable every quarter, but we have a multi faceted marketing strategy that looks to drive penetration. We will continue to invest into this strategy to drive our brand heat further. Now good marketing only works when the product itself is resonating with the consumer. That leads me nicely on to the next slide. Our redefined core covers all of charms and carriers.

00:07:42 Alexander Lacik, CEO
This is our Moments platform and Pandora ME. It's imperative that we continue to develop the designs to stay relevant. I spoke earlier in the year about our new studied chain bracelet which underpins our unique captive business model in moments. This continues to do very well, and we've also complemented with other variations such as a gold plated version, which is also driving good incremental growth within our bracelets. Our base products and charms also performed very well.

00:08:11 Alexander Lacik, CEO
We simply have this scale and breadth that no one can match. Overall, this helped to drive 7% like-for-like growth for the moment's platform. Meanwhile, it's also great to see our continued efforts and focus on Pandora ME continue to drive strong results with a + 12% like-for-like growth. This was helped with a good uptake of our new product offering here. Next slide please.

00:08:37 Alexander Lacik, CEO
To fuel with more, we continue to invest in all our other platform as we truly elevate Pandora into a full jewellery brand. You can see that this year the strategy has continued to work. Timeless, which is our second biggest platform reported a very strong quarter of +21% like-for-like growth. This was relatively broad based but also boosted by various social media trends in products such as the Promise Ring. When you have beautiful products and relevant marketing buzz, then the impact can be very powerful given our reach as the biggest brand in the accessible jewellery market.

00:09:13 Alexander Lacik, CEO
For Diamonds, in late August, you will remember that we launched our expanded assortment. It's very early days, but we have been encouraged by the early signs we have seen since then. The growth in the quarter comes off a low base, but let's speak about that in a bit more detail on the next slide. As you heard a few weeks back, we remain very excited about the future of lab grown diamonds for Pandora. We believe this has potential to be transformative for the group and have given a new ambition of driving more than a billion DKK of revenues by 2026.

00:09:45 Alexander Lacik, CEO
The first step in this journey was taken in Q3 where we expanded with three new collections which feature more classical designs while still carrying a Pandora twist. This was accompanied by an exciting new star-studded marketing campaign under the banner of Diamonds For All. The campaign has seen very strong results, with our share of voice being particularly strong in the immediate aftermath of the campaign. In terms of our actual performance, since the launch, we've seen a doubling of our absolute sell-out in the US. This is a small sample size and we have plenty of work ahead, but we remain confident of the opportunity here.

00:10:25 Alexander Lacik, CEO
As a next step, within this month, we'll be launching the collection across Mexico and Brazil. Next slide please. Before I dive into the specific markets, I just also wanted to touch on the personalization growth pillar. It's clearly our job to ensure world class in store experience and complement our products with best in class services. In store and online engraving is a great example of this and we have significantly scaled up our offering here this year with 850 stores offering the service.

00:10:57 Alexander Lacik, CEO
This is already driving good incremental growth and therefore we remain excited about our rollout plans here with a total of 1450 Pandora stores offering these services by the end of next

year. Next slide please. Now let's take a closer look at the specifics of the third quarter. We delivered 11% organic growth with a strong like-for-like of +9%. This was a clear acceleration from the trends we saw in Q2.

00:11:24 Alexander Lacik, CEO
A lot of this is down to the Phoenix initiatives coming together across brand, product and in store. Now diving deeper into the performance, we believe we did see some benefit from higher than expected tourist demand over the initial summer period. We clearly don't know if these holiday patterns remain next year, but overall we are clearly very happy with the progression of our business. It's clear that the brand heat is consistently moving in the right direction and we're executing well. This can also be seen from the continued outperformance of our own and operated stores which delivered a very strong +12% like-for-like growth.

00:12:02 Alexander Lacik, CEO
As I said last time, we continue to work closely with our partners to help them narrow their performance gap. Now let's move on to the next slide to take a look at the growth in our key markets. Let's start with our biggest market, the US, which delivered a +5% like-for-like growth, a strong sequential improvement compared to Q2 where it was -4%. It's great to have a positive growth back in our largest market of the last year where we lapsed the comparatives from the stimulus checks. Like with many markets, the US benefited from our brand initiatives, driving increased traffic, whilst performance was also helped by stronger execution with better conversion rates on higher traffic.

00:12:45 Alexander Lacik, CEO
Performance of the partners improved to be slightly positive in the quarter. However, as I mentioned, there's still a big gap versus our own operated performance. So, we keep working on that. As ever., we've got a strong commercial pipeline for the holiday season that's coming up. Next slide.

00:13:03 Alexander Lacik, CEO
The performance in our key European markets also improved to +4% like-for-like versus the flat in the prior quarter. The UK continued to remain resilient despite the weak consumer backdrop. Germany continued to build on its already strong momentum to now deliver a whopping +31% like-for-like growth with strong growth across all platforms. Again, numbers like these are not repeatable every quarter, but we believe the brand still has a long way to go in Germany. In Italy, despite the still weak macro, we saw sequentially improvement to be broadly flat in like-for-like terms with better brand momentum.

00:13:42 Alexander Lacik, CEO
And I want to spend an extra second on France, which saw a notable pick-up to +5% like-for-like. Whilst there was an element of extra tourist traffic here, we have as you know been investing for some time here to elevate the brand desirability. This has included new ambassadors and driving stronger media campaigns. And we're clearly starting to see some of those positives elements play out through a higher brand equity. Next slide, please.

00:14:09 Alexander Lacik, CEO
In China, our performance was a flat like-for-like. We relaunched the brand early in the quarter in the city of Shanghai and have started to see some encouraging signs. You'll remember that Massimo shared some of these with you at the CMD, but just to highlight some data points again. Since the brand relaunch in Shanghai, we've noted a 37% increase in store traffic versus the rest of the country. There's also been positive trends on social media.

00:14:35 Alexander Lacik, CEO
However, this was offset by weaker traffic elsewhere. As we've said, this will be a journey ahead and we will continue to monitor our performance going forward. In Australia, our performance was somewhat weak at -8%, which reflects the still weak consumer sentiment and weakness in particular in the wholesale channel. Finally, in rest of Pandora, we continue to see strong growth. There was a strong double digit contribution from many markets where we continue to build out our presence.

00:15:03 Alexander Lacik, CEO
Growth in Mexico and Spain also continues to remain solid whilst we saw strong double digit growth across other countries like Turkey, Portugal and Poland to mention a few. Next slide please. You heard me earlier explain how network expansion ties into our new financial targets. With a targeted contribution of 3% CAGR over the next three years, this is low risk and highly predictable revenue stream. In this quarter, the contribution was already four points, reflecting how quickly we see good revenue growth from new stores.

00:15:38 Alexander Lacik, CEO
We are well on track for our targeted openings this year. You will also see in the slide a reminder of our vision ahead for network growth. There's so much white space opportunity ahead for us. And over the next three years, we'll be opening around 450 stores. This is through a combination of concept stores and shopping shops.

00:15:58 Alexander Lacik, CEO
Next slide, please. Finally, I know some of you had the chance to see our new EVOKE 2.0 store concept in London last month. For those of you that didn't, I just wanted to emphasize that this new store concept is a step change in how consumers will view the Pandora brand and how we execute. It serves two core purposes, the first one being to elevate the brand and secondly, to position Pandora as a full jewellery brand. We have ambitious plans to accelerate our roll out here, which you can see on this slide.

00:16:31 Alexander Lacik, CEO
For this year, we're on track to have our 40 new EVOKE stores, so I'm sure you'll keep seeing them pop up near you. So, do have a visit for yourself to experience the change. And on that note, I hand it to Anders for a closer look at the numbers.

00:16:45 Anders Boyer, CFO

Thank you, Alexander, and good morning or good afternoon, everyone. And please turn to slide 22. The key message for the quarter clearly was that we delivered a very strong top line. But on top of that, our profitability metrics also remain strong. As usual on this slide, I'll just dig into some of the other KPIs and then get to the revenue and EBIT on the following slides.

00:17:12 Anders Boyer, CFO
You already heard Alexander talk about the gross margin, but it's worth for me mentioning it once again because our gross margin did reach a new record high at 79% in the quarter. This is a continuation of the journey that we've been on for some years with a gradual increase in the gross margin. It's driven by strong underlying foundations and that's why we emphasize at the CMD that the gross margin will remain high going into the future. You can see in the table that our working capital was broadly flat in the quarter at around 9% of revenue. And within working capital, you will note that inventories were down versus last year around the 300 million DKK in absolute terms and from around 20% to 18% measured as a percent of revenue.

00:18:06 Anders Boyer, CFO
For the full year of '23 we're well on track to end the year with inventories broadly flat versus last year and thereby down as a percent of revenue given that Pandora is growing the top line and this is all in line with what we've said previously. Worth noting is also the improvement in the cash conversion in the quarter to 65% compared to 0% last year. And this difference is mainly reflecting that last year we deliberately built up inventories. And finally, just as a reminder, the increase in leverage to 1.5 turns reflects the higher shareholder distribution, which we decided to pay out in order to move up from the low end of the capital structure policy last year to around the midpoint by the end of this year. And in line with normal seasonality, our leverage peaks here in the third quarter before falling back in Q4 where we expect to end this year around 1.2 turns.

00:19:11 Anders Boyer, CFO
And then please move to the next slide. And here we'll take a closer look at the revenue performance in the quarter. Most of the building blocks in the bridge are properly self-explanatory. So, there's just two of them that I want to comment on. First of all, we saw another quarter with solid contribution of four points from network expansion and this is in line with the guidance for the full year as well.

00:19:36 Anders Boyer, CFO
The EBIT margin on this incremental growth in Q3 was north of 30% and with margins on this network expansions going even further up when we get to the peak here in Q4. Secondly, I wanted to comment on the building block that we call Sell-in & Other, the -2%. And as you probably know that this is an impact we had expected, and it already sits in the in the old guidance and there's three sources to this headwind. First of all, lower like-for-like performance among our partners leads them to operate with lower inventories. And in some cases probably too low inventories and this reduces our sell-in.

00:20:26 Anders Boyer, CFO

Secondly, we see quite low performance among partners other points of sale, for example multi brand stores and these types of stores are not included in the like-for-like KPI and therefore it drags down organic growth only. And finally, there's a number of other smaller factors such as provisions for the loyalty program that we are launching in a number of countries, the comparative from the Diamond launch last year in 2022 and reducing business with a partner in Germany. And then please go to the next slide. You may have noticed that we have redesigned this EBIT margin bridge slightly this quarter and this is all in line with what we spoke about at the Capital Market Day and reflects how we think about operating leverage and our investments into growth. On the EBIT margin, our key message is consistent with what we've said all year.

00:21:31 Anders Boyer, CFO
Profitability remains solid. All our underlying drivers are progressing as planned and we are on track to deliver around 25% margin for the full year. And as we've said since the start of the year, the EBIT margin in the first three quarters will be below 2022 and then Q4 will be above. And I'll explain the drivers of the Q4 margin uplift shortly when we get to the guidance section. But to put it in a simple way and just to repeat what we said last quarter, then as long as revenue comes in within the guidance, we will deliver on the full year EBIT margin.

00:22:12 Anders Boyer, CFO
And with that, then let's move into the guidance update on slide 26. As Alexander already mentioned, we have upgraded our revenue guidance and here's how we think about it. First of all, we've started the year better than expected. Organic growth year to date in 2023 sits at 5% and thereby at the high end of the old full year guidance. Secondly, we have seen a clear acceleration in growth in the third quarter with organic growth landing at 11 percent.

00:22:47 Anders Boyer, CFO
And on top here of current trading in Q4 has also started well with underlying like flag at high single digit levels and thereby also clearly above the old guidance. And based on those factors, we have updated the guidance for organic growth to between +5% and +6% versus previously +2% to +5%. And we know from the questions and comments that we have received from you this morning that many of you have already done the math to see that the new guidance implies like-for-likes specifically in Q4 of between +2 and +5%. And you may ask why we're guiding with +2% to +5% like-for-like in Q4 when the third quarter sits at +9% and current trading at a high single digit level. And there's four things here that we want to point out.

00:23:44 Anders Boyer, CFO
First of all, as you know, the holiday season is typically more competitive across the board. Secondly, our social media activations were particularly strong over Q3 and this is not a linear progression. Some quarters we will create more buzz than others. It's clearly our strategy to continue to drive this, but you should not think of this as a repeatable aspect every single quarter. And thirdly, I also want to add that rest of Pandora saw very strong like flight growth at +22% in the third quarter and comparatives there do get tougher as we move forward.

00:24:27 Anders Boyer, CFO
And lastly, we remain conscious of the macroeconomic situation and the macroeconomic backdrop do remain uncertain and at the low end of the guidance, we assume macro to weaken. And then go to the next slide please. Slide 27. Our EBIT margin guidance remains unchanged at around 25%. The EBIT margin so far this year is in line with our expectation and we are on track to deliver the 25% margin for the full year.

00:25:01 Anders Boyer, CFO
Now based on the year to date performance, you will be able to calculate that the guidance implies that the Q4 margin is up year over year. And in this connection, I just want to highlight a couple of pointers which may help you thinking around that uplift. First of all, we had a 100 basis point drag from the pure facing of costs during the first 3/4 of the year. And as you know, this is as expected and it will swing around in Q4 and become a tailwind. Secondly, commodities and foreign exchange will be a 60 basis point tailwind in Q4 compared to last year.

00:25:43 Anders Boyer, CFO
And that comes after having been a drag of 70 basis points during the first 3/4 of the year. So, it's also a quite big sequential shift as well. All of this means that we have good visibility on the drivers to deliver the year over year increase in the Q4 margin. Finally, as a reminder of what we said at the Capital Market Day, we will accelerate our investment in order to fuel current and future growth. And you can see that already in play here in 2023 where we have been increasing our Phoenix investments during the year as revenue growth kept going up and operating leverage allowed us to increase investments.

00:26:27 Anders Boyer, CFO
Because we want to build on the momentum that we have and invest for the future while still delivering on our EBIT margin commitment of course. And with that, I'll now hand it back to Alexander, and please go to Slide 28.

00:26:44 Alexander Lacik, CEO
So, to conclude, we are pleased with delivering yet another strong quarter. And I think it's clear beyond any doubt that the Phoenix strategy is driving this growth. We are now ready to take it to the next level and accelerate our growth as we discussed at the CMD just recently You've seen already some of the initiatives playing out as the brand heat is driving great momentum across the board. And due to this, as Anders just pointed out, we have raised the fiscal year revenue guidance and remain firmly on track to deliver EBIT margin guidance.

00:27:18 Alexander Lacik, CEO
Just before we open the Q&A on this chart that you see, you will notice that this is our new upgraded equity story. It very much encapsulates the point I mentioned earlier and the vision for the group that we laid out at the Capital Markets Day. And with those words, I think we're ready for the Q&A.

00:27:37 Operator

We. will now start the question and answer session. If you do wish to ask a question please press five star on the telephone keypad. If you wish to redraw it, you may do so by pressing five star again. There will be a brief pause while questions are being registered. The first question will be from the line of Thomas Chauvet from Citi.

00:28:07 Operator
Please go ahead. Your line now will be unmuted.

00:28:12 Thomas Chauvet, Citi
Good morning, everyone. I have two questions please. The first one, if we go back to the sequence of improvements throughout the year, your revenue guidance at the beginning of the year at the top end was +3% organic, flat like-for-like well done. Nine months later, you're at +6 organic at the top end and +4 like-for-like, so with a sequential improvement. Can you explain why your EBIT margin guidance haven't been upgraded in parallel to that kind of sequential improvement? Particularly in the fourth quarter where you've got high single digit like-for-like. So, far it's early days, but record gross margin and more favourable OpEx phasing. And my second question on Timeless, it's now become, I think this year 15% of Pandora sales. I think it contributed about +3% to group LFL in the quarter, a great sign of confidence in your ability to become a full jewellery brand as you detailed at your recent Investor Day. Could you comment on the categories driving that 20% LFL in Timeless this quarter? And are you able to allocate more space to this on your EVOKE concept to perhaps speed up the rollout of Pandora Essence and how do you think more broadly about risks of cannibalization of sales with Moments but also cross-selling opportunities? Thank you.

00:29:44 Anders Boyer, CFO
Hi, Thomas, it's Anders here. I'll try to answer the first question. The short answer is that we have been accelerating as the year has been going by. We have been accelerating investment into current and future growth and have been doing that quite deliberately. We spoke a bit about that at the capital Market Day as well. Saying that we want to make sure that we grab all of the opportunities that we have in front of us and fuel the momentum that we feel that we have. Of course you can also do the math and see that the incremental growth that we're driving this year still comes with 25% EBIT margin. But we have been bringing forward some of the investments as the year has been going by. We think that's the right trade of to go for in 2023 and actually also going into 2024 as we spoke about at the Capital Market Day. Really making sure that we have put proper power behind the growth opportunities that we have. And as you can see on the top line something seems to work with the money that we're putting to work in across the business. So, yeah, I think I'll stop there.

00:31:09 Alexander Lacik, CEO
OK. On Timeless, so let's take them a little bit, one by one. So, in terms of entry point to the brand, we can see that a lot of our rings on Timeless act as entry points in particular for slightly the younger audiences. So, a lot of people can start into the brand and then eventually we can swap them over to the Moments platform. Speeding up Essence, I mean we have a timeline for Essence.

00:31:43 Alexander Lacik, CEO
It's also a production matter especially when you're into pearls, it's not as straightforward as it is to cost silver. So, there is a timeline for Essence, but it's coming next year. So, that's all fine. Then the particular detail on Timeless, rings are driving very strong growth. I think we can maybe detail out in a separate session exactly what sits there.

00:32:10 Alexander Lacik, CEO
But in in general, I think this is a reflection of that people are now starting to appreciate that the brand is not only about Moments, essentially. And then the other thing, what has been plaguing us in the way we categorized Timeless from prior years. Remember this like let's call it capsule of what's called reflections that was actually sitting in those numbers. That business has gone from glory to nothing and has been kind of a sucking wind. Now it's such a small part of it. So, within this, we've had what we call True Essence That's actually been at a very strong growth rate over the last few years, but now it's becoming more visible in the numbers as reflections becomes smaller. So, there's a bit of a mix shift happening there. But the rings are really what's driving a lot of the growth. Part of this is also some of the stuff I touched on with social. We see on TikTok for instance that these trends just take off like crazy. I think we mentioned that already in Q2 with the sun and the moon ring as an example. There were a couple of more happening this quarter and some of this is coming into the Timeless range essentially.

00:33:34 Thomas Chauvet, Citi
Thank you.

00:33:37 Operator
Thank you, Thomas. The next question will be from the line of Ben Readman from Goldman Sachs. Please go ahead. Your line will now be unmuted.

00:33:47 Ben Readman, Goldman Sachs
Morning and thanks very much for the questions today. I just had two if that's OK. The first one was just on the trading that you're seeing into October. Initially you can talk about any differences across the geographies you might be seeing at the moment. And my second is just on the, I guess split between repeat and new customers. If you can also talk to the contribution that you saw within the last quarter between those two customer bases and what you expect or what you guys are seeing drive the new customers into your stores. Is it something new ranges or any detail there would be super helpful. Thank you.

00:34:27 Alexander Lacik, CEO
So, on October trading, it's broad based. So, there's nothing that's kind of popping up, there's not a one wonder hit. It continues to be broad based like we've seen in Q3. So, I don't think that's much more to deliberate on that at this juncture really. And let's remind ourselves that the October month, which we're talking about is 20% of the revenue base for Q4. So, just to have that back of your head. On new versus returning customers, I actually have to go into the

data. We get it in three buckets the way we classify the data. So, we have new, we have returning and then we have something that's unclassified. It roughly in the data is 1/3, is 1/3 is 1/3 and that typically is the similar trend. What you see is that the absolute volume of all three is what's gone up in the quarter. So, it's not one over driving versus the other. And as you could expect since 60 to 70% of our business still is in the core, that's also in absolutes what's driving most people through the door. It's not like, just because we advertise let's say Pandora, ME or Timeless that you will get a disproportionate amount. They kind of move together in a way. And you saw the like-for-like in the quarter on Moments was +7. In absolute terms this is where the bulk of the customers, numerically speaking, are coming through the door. So, I hope that somehow helpful.

00:36:06 Ben Readman, Goldman Sachs
Great. Thanks very much.

00:36:11 Operator
Thank you, Ben. The next question will be from the line of Michael Rasmussen from Danske Bank. Please go ahead. Your line will be unmuted.

00:36:21 Michael Rasmussen, Danske Bank
Yeah, thank you so much and well done guys on another strong quarter. Two questions from my side. First of all, did you divest number of O&O concept stores in countries like Netherlands, Belgium, Ireland, Singapore and Romania. It seems like around 70 stores is missing from the O&O concept line but they're still there on the total number. So, did you divest these to 20 franchisees and why did you do so if that's correct?
And secondly, just a few comments on the momentum in the business also going a little bit further ahead than just the holiday season here. So, you guys points to obviously comps are getting more challenging and macro uncertainty maybe also is growing a little bit. So, just looking into 2024, would it be right to assume that you might grow below the 7 to 9% guidance range and then you will see a pick up in 2025? Or how should we think on that? Thank you.

00:37:30 Alexander Lacik, CEO
So, on the first one, I mean we have not divested anything to my knowledge unless something's happened under my radar. Typically it doesn't in this business. And we're certainly not granting new franchise contract. If anything, it goes the other way when you know these contracts are up for renewal. Maybe we just need to have a double check on that number, but we haven't done anything to that nature and that's not part of our strategy at all.

00:37:57 Anders Boyer, CFO
Let's just revert to you Michael, it's Anders here, on specifically on that question just to compare notes. But the answer is as Alexander said. And then on the second question, I think I'll just go back to what we talked about at the Capital Market Day. You shouldn't think about the 7 to 9% organic growth as necessary being back end loaded. We have talked about that the EBIT margin progression towards the 26 to 27% target are faced towards the later part of the three-year target period. But it doesn't necessarily translate on the top line. If macro became

really bad, could we then have a year where we will start below that range and then pick up as macro normalizes? Yeah. Who knows? That of course could have some kind of impact. Even though we can see this year that we can deliver nice growth in a weak macro environment. I think that's important to know. But long story short, we're not guiding for '24 yet. Categorically saying that 2024 will be below that CAGR that we've set for the next three years, that's not the case.

00:39:26 Michael Rasmussen, Danske Bank
Great. Thank you very much, guys. That adds a bit of comfort.

00:39:33 Operator
Thank you, Michael. The next question will be from the line of Antione Belge from BNP, please go ahead. Your line now be unmuted.

00:39:43 Antoine Belge, BNP
Hi, it's Antoine Belge at BNP. I have got two questions. First of all, the US market, it came back to growth. I think everyone has been wondering you know how long the digestion of the comps would last. So, is it possible to have a bit of colour maybe on the parts of the US which are doing better? In terms of region and states and also the type of product that have been received well? And to what extent you're confident that it will continue from that quarter. And then my second question is about 2024. First of all I would like to understand if there would this year also be a phasing of margin like we had last year? Or you consider that now you've been rebased and there shouldn't be any major difference in terms of margin evolution years throughout the year and also in terms of current spot price? So, on the one hand, what are the impacts from raw material and FX? And on the other hand what are the impacts on gross margin and EBIT? Thank you.

00:41:24 Alexander Lacik, CEO
I can take the first question on the US. So, first I'll give you a generic answer and then maybe a somewhat more specific one. In general, when it comes to our business in a given country, there is hardly any variation to discuss when it comes to which type of products sell. The one difference, which we have seen and we've spoken about at length, is the performance of our franchise partners versus O&O. Just driven as we've many times said that they don't have enough inventory in places. And they don't have the same let's say aggressive scheduling of labour hours that we do in our O&O. Those are typically the only material differences that we see. Now in the US, this is also true what I just said. What we have seen, which speaks to my latter point, is where we have taken over franchise partners, we have seen of course a pickup in the performance when we run them. IE when we put the right inventory place, when we put the right people in place and when we put the right staffing hours in place, then we can see the movement on the like-for-like performance. So, of course what we have in our baseline is on the West Coast of the US and some of the Southern states where we have taken over you know during the prior year those franchise partners. And that's probably the only thing which right now would be a delta versus the national performance in the US in terms of performance. But this you know once we get into next year, this will cycle out of this. So, there's nothing

structural there other than that from an operational standpoint, we're just doing a better job than the prior partner there. And then maybe I'll turn it to you, Anders, to once again not speak about the '24 guidance. I don't know why you're asking because we guide in February.

00:43:28 Anders Boyer, CFO
Thanks, Antoine. Maybe starting with the last part of your question on FX and commodities impact next year. Net net with the current spot rate is almost flat, a small positive on FX. Next, this is for '24, a small positive on FX and a small negative on silver and coincidentally actually getting to zero. Building on what Alexander just said here on the on budget for '24, we're still in the planning phase. So, it's too early to talk about the margin in general, but also the quarterly phasing. But if there's something that will be sticking out on a quarterly phasing, we will say it upfront. Like when we guide for '24 like we did early this year. But as you said, we have been doing some rebasing in 2023. So, at '23 is a better starting point than for '24, then '22 from a facing perspective That's the way to think about it.

00:44:36 Antoine Belge, BNP
Thank you very much.

00:44:40 Operator
Thank you, Antoine. The next question will be from the line of Piral Dadhania from RBC. Please go ahead. You will now be unmuted.

00:44:53 Piral Dadhania, RBC
OK, thank you. Morning everybody. Firstly, well done on a good quarter. First question is just on the 2026 targets and how you see the gross margin evolving in the context of the EBIT margin guide. I know you haven't specifically guided to that at the CMD, but we look at that strong gross margin probably ends the year around 78%. I'm just wondering where that could eventually get to, whether you see upside in that over the next few years. And I guess that's in the context of Thomas's question earlier just around the fact that you keep raising the revenue guidance in 2023, but there's no leverage coming through. So, just wanted to really understand if you do the like-for-like that you say to the 2026, how much confidence do you have that the EBIT margin can expand on the operating leverage or is it going to come from other sources perhaps? And then secondly, just the point of clarification. The wholesale DSO days went up to 40 from 34 last year. However, there was a drag from a sell-in perspective on revenue growth and then also at the EBIT margin level, those are quite contradictory. So, we're just trying to understand how that works because surely if you're selling in less the wholesale in your DSO days should go down. Perhaps you could just help us understand that. And then thirdly, just on the like-for-like that you've done in the third quarter at 9%. If we exclude hyperinflationary markets and the price increases you're putting through in those, what would be the pro forma retail like-for-like on for your core business excluding any hyperinflationary market? Thank you.

00:46:34 Anders Boyer, CFO
All right. Anders here. I actually think I counted 3 questions, if I'm not mistaken, but we'll go through them anyways. On the gross margin, I think when we headed the Capital Market Day

there we are few pointers on the gross margin: Gross margins is going to stay structurally high. There's no one offs in what we're seeing in the third quarter. If you look at the gross margin bridge we have in the Company Announcement, you could actually argue that the underlying gross margin is even higher than the 79 because we still have a 90 basis points drag from forward integration. So, I think the way to think about the gross margin going forward is like what we said at the Capital Market Day. It it's going to be in the high 70s. as you can see it's high-high 70s. It's not just high 70s. Of course with an assumption about where silver prices being where they are right now. When we speak about leverage, that's actually also some leverage on the gross margin side as the company becomes bigger. There's leverage on the infrastructure in Thailand and going forward in Vietnam as well. As we said at the Capital Market Day, when you look at the bottom line where we are right now with the amount of growth opportunities we have in front of us. We want to take the opportunities that we have to fuel further top line growth. There's still very nice incremental absolute EBIT and EBIT margin on the growth that we're driving. But we are in deliberately investing in current and future growth. And again as I said with one of the questions before, I just think when you look at the third quarter numbers, we can argue that it plays out quite nicely And then at a point in time when we get further down the road and where we have invested in the amount of money we want against the growth drivers, then as we said at the Capital Market Day, there could be up to 100 to 200 basis points of EBIT margin expansion coming your way, so to speak.
Then on the DSO. The DSO calculation takes into consideration how much revenue that you have. So, that you can easily have wholesale revenue going down and then the DSO goes up all the other way. Because it's factored into how much revenue that we actually have. And we calculate it specifically on the wholesale revenue, it's not on the total Pandora revenue. If you did that, that you calculated the DSOs on the total Pandora revenue, you'll get to I think it's 15 days in Q3, but that's a little bit of an odd number. So, the number that we calculated specifically based on the revenue that we've seen in July, August and September. It is correct that the DSO is up year over year and we put in a bit of commentary on it in the Company Announcement on one of the pages. There's a couple of things that you might already have read. But one is that there's quite a big difference on the DSOs across countries. It's very low in the US. Less than 15 days because our partners pay by credit card and quite a lot higher in most other parts of the world. And there’s quite some country mix shift in the quarter given that the wholesale revenue specifically in the US is down what was it -40% in Q3. So, that explains the majority of it. And then as we also wrote in the comment, then as a way to try to kick start this too big like-for-like gap that we have between our performance in our own operated stores and the partner stores. We have in a very few selected markets or partners, we've given a payment term incentive temporarily just as a one off exception to try to get a decent level of inventories in your store. We're convinced that you will see like-for-like pick up and that being a very good investment for you. And yeah so that we've also done specifically in the third quarter, but that should be phased out when we get into, already this quarter, Q4. And then on hyperinflation. That's a Turkey thing only. We have a little bit of business in Argentina as well, but that on a group level that's very, very small. But we have very good business in Turkey, I should say. Revenue in Turkey is just around 2% of group revenue in the third quarter. And Turkey is accretive to group growth and we have 3 digit growth level in Turkey, but there's also 3 digit unit growth. So, it's real money, the growth that we've seen in Turkey. But there is some impact

from the macro and FX impacts and development in Turkey and it's just below one point of growth specifically in Q3. But we expect this to moderate already going into the fourth quarter, but specifically in Q3 it is has a certain impact on a group level.

00:53:04 Piral Dadhania, RBC
OK, that's very clear. Thank you.

00:53:09 Operator
Thank you, Piral. The next question will be from the line of Kristian Godiksen from SEB. Please go ahead, your line will be unmuted.

00:53:18 Kristian Godiksen, SEB
Thank you. I'll start with the two questions. So, as you as you mentioned yourself, you did implicit guidance on like-for-like seems conservative of these +2 to +5% compared to the to the +9% in Q3 and the obviously the high single digit in October you mentioned. You mentioned the competitiveness being stronger in November and December. I guess that was also the case last year. So, I was wondering a bit about what you'll get the full effect now from Lab-grown Diamonds where you only had one month in Q3 and you've also started to sell-in Essence I can see in Q3. So, I guess you could also have some effect from the Essence. So, the first question would be wondering on what are your assumptions for both the Lab-grown Diamonds and Essence. Then on the second question that will be also on the Lab-grown Diamonds, we've seen prices plunge for Lab-grown Diamonds. I was wondering if you could comment a bit on both on your assumptions in this 1 billion target and also on the like light target of the +4 to +6% going forward. And commentary around how have you locked in volume and prices in the future. Those are the two questions for now. Thanks.

00:54:40 Alexander Lacik, CEO
So, on the first question, I mean all of your questions sit in the guidance. You know we're not going to detail out every single product line and what revenue assumptions we are making. The answer is in the guidance. Essence is a non item because it's traded in 20 stores in Holland. So, this is not a number to really discuss. Diamonds, the only colour I can put on that, is since launch its double the run rate of the business size in the US. Which you know is a quite positive. And if we look at what happened last year we saw that it followed the trading peak, let's say, as we got into the last two months of the year, so it followed the general trend of not just Pandora, but the category. So, you should expect that's going to be the case. Then on the Diamonds pricing, this is a hairy question. Because I don't know what you're referencing when you say that the pricing has plunged. Where and what and what quality of stones are we discussing? Because I can drop the pricing if I sell different quality of the stones, just like you do on the mined diamonds by the way. So, I don't know if it is an easy answer to give, sorry.

00:56:00 Kristian Godiksen, SEB
Sorry Alexander, just to be more precise. It was more on the sourcing we've seen that production being scaled up from Lab-grown Diamonds in general. And I think across both in sizes and quality, I think prices for Lab-grown Diamonds has come down. So, just wondering on

the strategy in that regard for prices going forward. And also implementing the +4 to +6% like-for-like growth, what are your pricing strategies if prices are to come down?

00:56:35 Alexander Lacik, CEO
So, there's a couple of things. Silver is a pure commodity if you may. Diamonds, whether they're mined or lab created, is not a commodity to that degree. I can go and I can buy stuff that's not fulfilling, for instance, our sustainability criteria. Then I probably could buy, you know, something that has a different price to it. I can buy a different quality of stone. I think that the big price drop on lab created, as far as we can see, has kind of happened over the last few years. Now if we look at the technologies and the type of yields that these producers are getting. This is the biggest difference between pricing. So, as they improve their yields, they can pass some of that improvement in cost of goods on to be more competitive in the marketplace. We have very competitive rates. And of course the way my contracts are structured is, in case there's a new technology breakthrough and the pricing changes then we can follow that. But we don't expect massive differences to be honest. We are not seeing necessarily what the things that you're mentioning not in the short term necessarily. And one thing is when you buy 3 stones. When you're buying big volumes like we are, there's also something about having agreements, service agreements, volume agreements. So, that it's more, it's a more complex topic than just talking about a pure commodity like silver. That's a very different type of trade. So, it's not a black and white question or answer.

00:58:26 Kristian Godiksen, SEB
OK. Thanks a lot. Just to be sure. So, if prices were to come down then the contract stipulates that you would be able to renegotiate. But prices would follow if some kind of technological breakthrough were to happen.

00:58:46 Alexander Lacik, CEO
It's not going to have a negative impact on my gross margin. But that of course assumes all else equal. So, I think it's a more fluid situation.

00:58:59 Kristian Godiksen, SEB
OK. Thank you.

00:59:04 Operator
Thank you, Kristian. The next question will be from the line of Lars Topholm from Carnegie. Please go ahead. Your line now will be unmuted.

00:59:14 Lars Topholm, Carnegie
Thank you. Congrats with the very strong quarter. I had first a question on the momentum through the quarter because I remember at Q2 you indicated your like-for-like growth had been mid single digits the first six weeks of Q3 and then you end with +9%. So, I of course wonder what the momentum has been in the last seven weeks. And also if you, if you say +9% is sort of the run rate for Q4, does that mean you saw sort of an acceleration in the second-half of Q3 and now you're losing that momentum again?

And in that context also Lab-grown was roughly 5% of sales in the US for the quarter. I wonder what that percentage is since the relaunch, i.e.. for the past five weeks of that quarter? And then a very tiny second question, and as you mentioned that the holiday season is more competitive, that's why you factor in lower growth in your guidance. Wasn't it also more competitive last year or was this specific 2023 phenomenon that has incremental impact on you guys? Thanks.

01:00:32 Alexander Lacik, CEO
So, let me start with the first one. So, your math is correct. You know, is the momentum different? Yeah, it's higher. Otherwise you can't get to the 9 so. You know, yes. So, it's different in the back of the quarter than the others. Otherwise arithmetically it doesn't hang together. On the Lab-grown Diamonds. I have to come back to you on the detail for those last five weeks. I think the number that kind of sticks in my head, is that the run rate has doubled versus the pre launch. And that I think is the more important number, because that suggests that we are attracting more people to the franchise. And on the holiday season. No, I don't think there's anything different going into the holiday season, other than that the full year of this year the jewellery market has been in the negative space. Which means that people have more and more pressure probably on their P&L. And what we already saw last year, some desperate moves when it came to promotional pricing, they started earlier, they went deeper. And this is not just for our category. So, as we've been sitting here thinking about what could happen, we're certain it's not going to get easier in this season. So, you know it's an assumption that we're making. That it's probably going to get a little bit sharper on the price competitiveness. Just because people probably have been sucking wind. You know, there's some people that are growing in this category being us and there's some that are not. And of course, as you get to the back end of the year you have some numbers to catch. So, you know we expect that there might be a little bit more aggression in the market. You know we shall see in January if that played out or not.

01:02:11 Lars Topholm, Carnegie
Yeah, just to understand the first part, absolutely correct. So, implicitly what you're saying is in the second-half of Q3, you had double digit sell-out growth. And is it that one rate give and take continuing into Q4 or is it the slightly weaker full quarterly one rate?

01:02:34 Alexander Lacik, CEO
It's higher. But remember also that part of that growth was this kind of domestic tourism and of course we don't expect that to, let's say anniversary, into the next quarter necessarily. So, you need to make some judgments on where all of this traffic growth came from. Is it going to continue and of course that part we think that maybe is it going to soften a little bit as we get into Q4. So, it's a bit of a guesswork to be perfectly honest.

01:03:03 Lars Topholm, Carnegie
I understand that, but didn't people mainly travel in the beginning of the quarter that was summer? I mean, I assume they travel more in July than in September.

01:03:15 Alexander Lacik, CEO
If you go to Southern Europe, then you get that travel in August. So, in the Northern countries we have to take summer when the sun is out and further down they have it slightly different. So, actually you see it over both July, August and a little bit into September. That's probably what we've seen. And but remember it, this is not perfect observation. That's the only hypothesis that we have been able somehow to validate. Because what we have of course we have stores which are in, let's say, tourist areas and there we can see what happens. But where we saw the difference was in the stores that are not in the tourist area. Where we typically don't get tourists, because we can see it on the credit cards whether they're from you know local or not local. And that's where we saw this unusual trend. And therefore we had this idea of it's probably the local customer that simply is spending more money in a period where they normally for the previous years didn't. So, it's spread across more than just July.

01:04:19 Lars Topholm, Carnegie
Perfect. Thank you very much, Alexander, Congrats again.

01:04:26 Operator
Thank you, Lars. The next question will be your line of from Abhinav Sinha from Societies Generale. Please go ahead. Your line will now the unmuted.

01:04:36 Abhinav Sinha, Societe Generale
Hi, on the inventory. How should we think about the inventory for the full year 2023? And second question is on the other geographies, how are you trending in the in the quarter to date, basically in October? Thank you.

01:05:06 Anders Boyer, CFO
Hi, on the inventories We expect the inventory in absolute terms to be roughly flat year over year when we get to the end of 2023. And then given that the business is growing then that translates into a lower percent of revenue. But broadly flat measured in DKK by year end.

01:05:32 Alexander Lacik, CEO
And on the second question, I mean, we don't comment on individual countries when we're just giving a trading insight. So, you'll have to do with that the total business is doing high single digit into the first six weeks.

01:05:51 Abhinav Sinha, Societe Generale
OK, got it. Thank you.

01:05:56 Operator
Thank you, Abhinav. The next question will be a follow up from the line of Kristian from SEB. You'll now be unmuted.

01:06:05 Kristian Godiksen, SEB
Thank you. I had to limit to two start with. So, first of all, I was just wondering, you've

mentioned now in a couple of quarters the difference in performance between your stores and franchise stores, and specifically you in the US. I was just wondering what are the pipeline of potentially doing acquisitions. I guess it depends on timing of when the agreements run out. And on their inventories, do they need to buy into the Lab-grown Diamonds collections? So, is that a worry? And how to think about the operation of EVOKE. Is that something that the franchisees is doing? So, that will be the first question. And then secondly on the margin, just wondering how to think about the impact from the margin from the lower sell into wholesale. How much of that is temporarily? And I guess that should replenish when they need to replenish inventory? Thank you.

01:07:10 Anders Boyer, CFO
I can start on the on the sell-in, sell-out and forward integration. If I go back to the capital Market Day, Kristian, then we said that would be around one point of growth per year on revenue from forward integration in '24, '25, '26 and it's also one point this year in '23. And if you do a bit of math you'll probably get to that 50-ish stores per year on average. And that's how to think about it. We have been in this situation for a while. Where like-for-like in our own stores is quite a lot better than in partner stores. And that of course can make it an even more attractive business case for us to run the stores ourselves. But it doesn't change the pace that we're looking at here with around 1% per year of incremental growth.

01:08:19 Alexander Lacik, CEO
On the diamonds, as you know we have initially in the US we went with the selective distribution. So, we had select partners that jumped on it. Now we broaden that out. They own their inventories. You can't shove things down anybody's throat, but we're trying to have a sensible commercial conversation and there's strong support in Australia and the US so. So, that's no concern of ours. And when it comes to EVOKE, it really depends a little bit on what sits in the franchise contract. Because in some instances we have very old contracts which actually don't stipulate that they have to reinvest in the business. For instance, in Canada, we have a lot of franchisees that are still with the very first iteration of store concept called Big White and it's difficult for us to move them. Because purely legally they don't have to. And then it becomes more of a conversation between two business partners somehow. On the other hand, we do have people where they have it in the contract. So, then there's a there's a frequency in the contract. So, where that is, they're going to come along. So, part of the EVOKE roll out of the next three years does include franchise partners upgrading their store. The business case is good. So, that's normally not a big topic actually. And then maybe you can comment, Anders, on this on the sell-in impact on the EBIT.

01:09:47 Anders Boyer, CFO
Yeah, the last question on the sell-in impact on the margin. There's not a precise answer to that. What I would say is that it's less than half of the impact that we're seeing this year, is temporary. Depended a bit also on the multi brand side where we kind of feel that the sell-in of Pandora products has been dragged down by low performance by other brands. And of course they're a multi brand partner look at the business in a little bit different way than the concept store. Where there can be a negative spillover impact on Pandora from other brands. And how

that plays out next year? We don't really have a super good guess on that. So, I would be cautious and say maximum half and probably somewhat less than half of the sell-in impact this year is temporary.

01:10:52 Kristian Godiksen, SEB
OK, perfect. Just final question from me. I think there's been a couple of questions on the upgrade of like-for-like throughout the year and you've had your margin guidance unchanged. Is that solely due to reinvestment into future growth or has there been anything that has been a disappointment throughout the year?

01:11:17 Anders Boyer, CFO
Yes, we had a little bit more. If you look at that bucket that on the guidance that we call cost reductions, price increases and inflation. We've taken that down 20 basis points. I know we're in the in the decimals here, but 20 basis points since last quarter where we've seen a little bit more inflation headwind on some of the cost categories that we are buying. We have not been able to offset that fully with our negotiations and we've had one cost reduction project that won't have the impact this year in which we thought. That's the only one, 20 basis points.

01:12:14 Kristian Godiksen, SEB
OK, perfect. Very clear. Thanks a lot.

01:12:20 Operator
Thank you, Kristian. The next question will be a follow up from the line of Thomas from Citi. Your will line now will be unmuted.

01:12:29 Thomas Chauvet, Citi
Thank you. Just a quick follow up on Europe. If we look at the LFL in your top four European markets this year, there's much greater divergent between countries than in prior years. So, would you blame it mainly on the macro and perhaps how the macro has impacted jewellery consumption in each market? Or have you identified, perhaps now that we're close to the end of the year, that some of your own product or marketing initiative may not have resonated as well? For instance, in the UK or Italy, then say Germany, which is booming? Thank you.

01:13:09 Alexander Lacik, CEO
No, I mean as I said before, we don't see those type of differences really. I think you have to always look at the backdrop market and the brand momentum. So, UK is very much plagued by a very soft backdrop. We know we're kind of flattish in terms of our revenue performance, but we believe that is actually suggesting that we're driving market share. Italy, there's been much stronger negative in the first half. I think we're cruising at -5-ish. Now that moved somewhat more towards flattish in the quarter here. We also know that the market has been very, very soft and we're building market share. Germany as we spoke about negative market but with an enormous momentum on the brand. And France has come from behind a little bit. We've spoken about this now for many quarters. And finally, it's starting to yield some performance. Still in a in a rather soft backdrop in France. So, it kind of seems like, where the brand is a little

bit, let's say, weaker. Then it becomes a momentum question on our side, where we sit with the big market share like in the UK and Italy, it seems to be partly a factor also of what happens in the macro. So, it's a bit of a mixed bag. And that's I how I view it. We put the same initiative program in the market. We're leaning in when it comes to marketing investment in all the aforementioned markets. So, that is not the decisive factor here. I hope that somehow helps.

01:14:57 Thomas Chauvet, Citi
Thank you, Alexander.

01:15:02 Operator
Thank you, Thomas. As there are no more questions, I'll hand it back to the speakers for any closing remarks.

01:15:10 Alexander Lacik, CEO
Thank you for the attention as always. I got one interesting question from a journalist this morning. It's like: Alexander, can you walk on water? My answer was no, I can't. But I sleep really well at night.

01:15:22 Alexander Lacik, CEO
I hope you do as well and see you soon. Thank you very much.