

# PANDORA IN ASIA PACIFIC

KENNETH MADSEN  
NOVEMBER 28<sup>TH</sup> 2016



PANDORA

---

# AGENDA

1 PANDORA ASIA PACIFIC

2 CHINA

3 PACIFIC

4 JAPAN

5 OTHER MARKETS



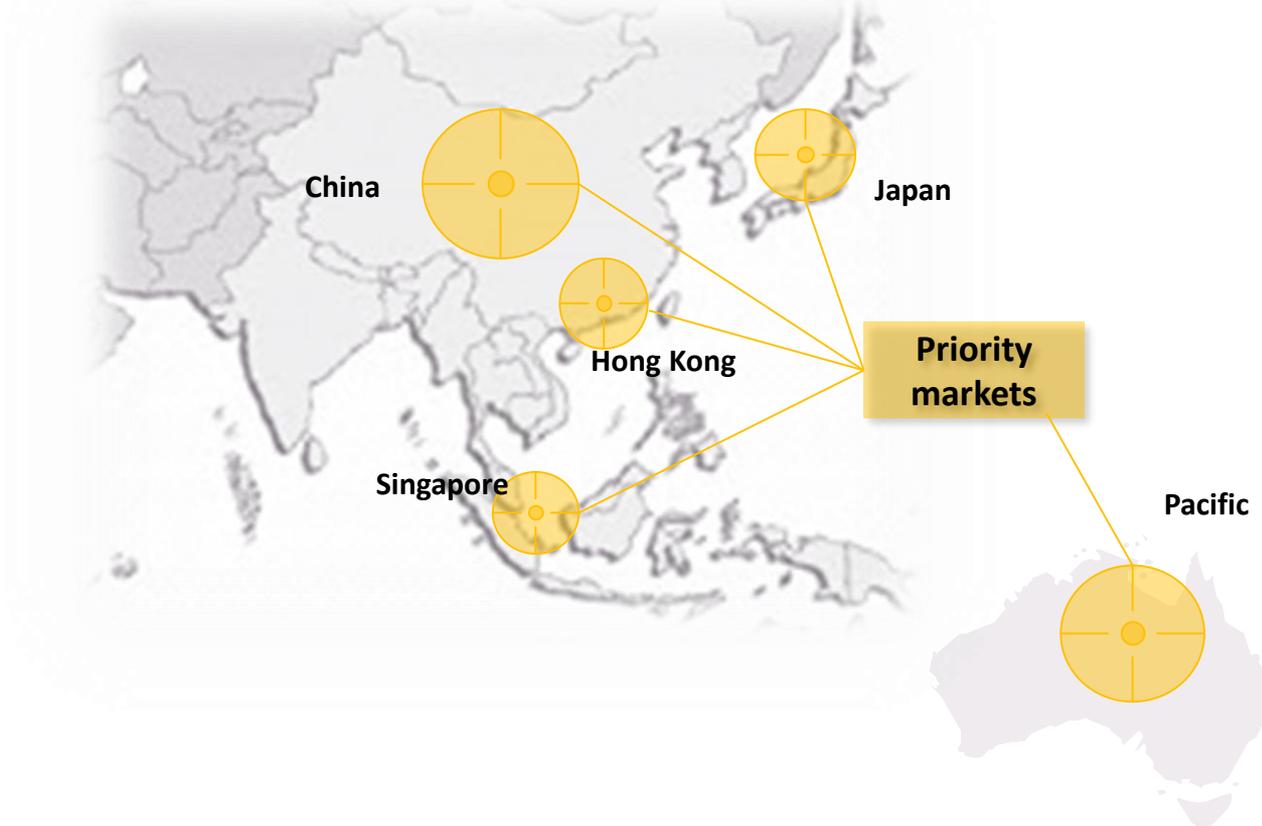
## INTRODUCTION – KENNETH MADSEN

- 2012 – President , PANDORA Asia Pacific
- 2008 - 2012 Managing Director, PANDORA Central Eastern Europe
- 2002 – 2008 Commercial Director, ECCO Shoes Central Eastern Europe & ME
- 1996 – 2002 EMI Capitol Music
- 1993 – 1996 Carlsberg Breweries



# PRIORITY MARKETS

PACIFIC , CHINA, HONG KONG, JAPAN AND SINGAPORE ARE PRIORITY MARKETS



## APAC – A FAST GROWING REGION



Established in Hong Kong 2009



Currently 122 employees in Hong Kong focused on front-end operations and back-end reporting / finance



New office in Shanghai, China July 2015

New office in Tokyo, Japan January 2015

New office in Singapore January 2016

New office in Beijing Aug 2016

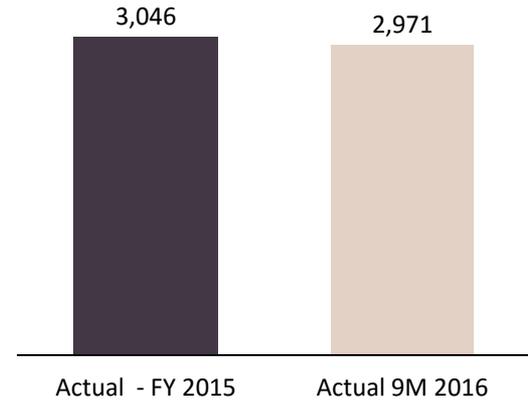


Pacific (Australia) became part of APAC since 2016

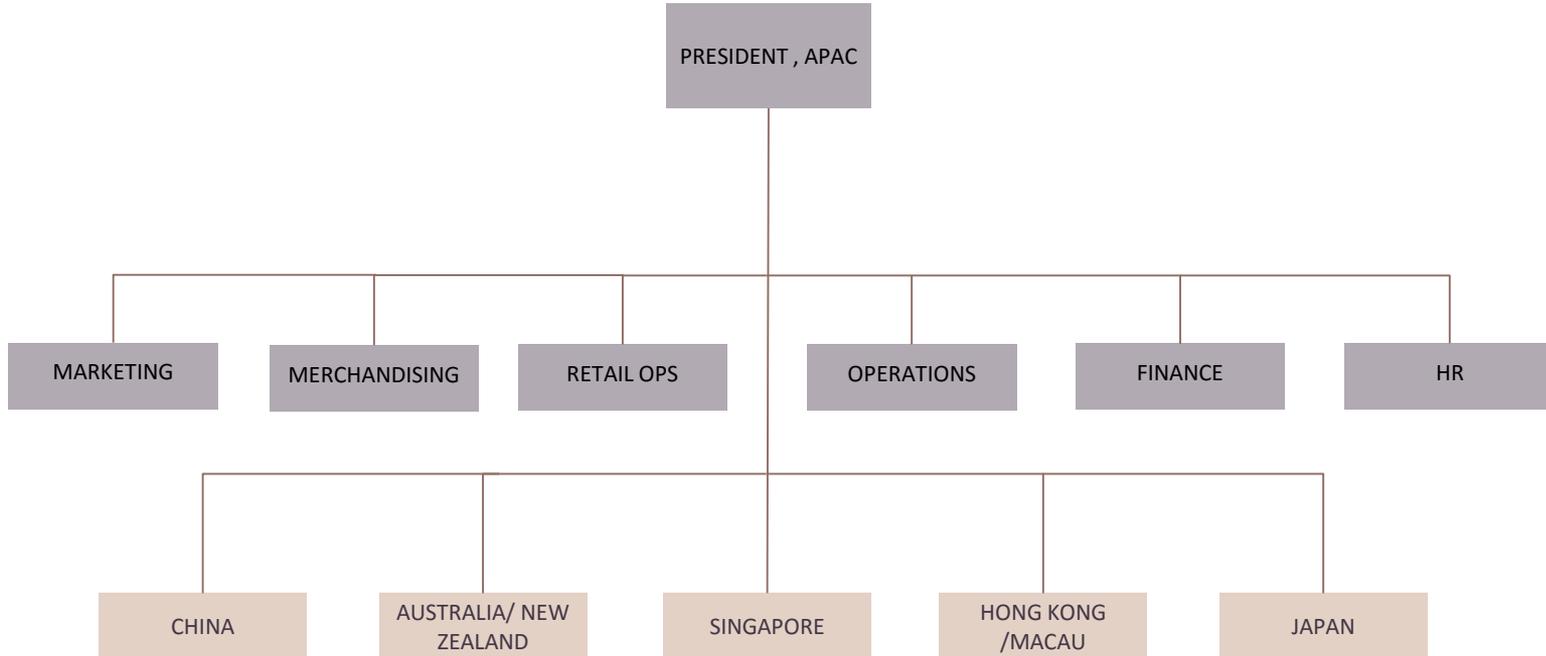


Strong revenue development in Asia Pacific with increasing brand awareness in key markets

HKD Millions



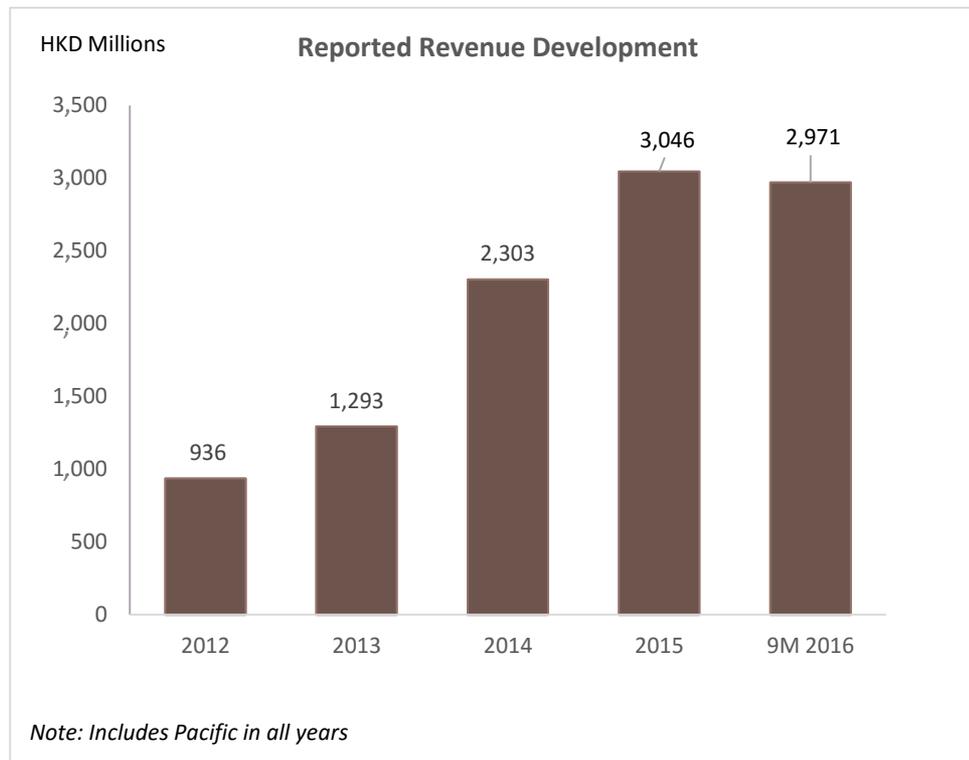
# APAC ORGANIZATION



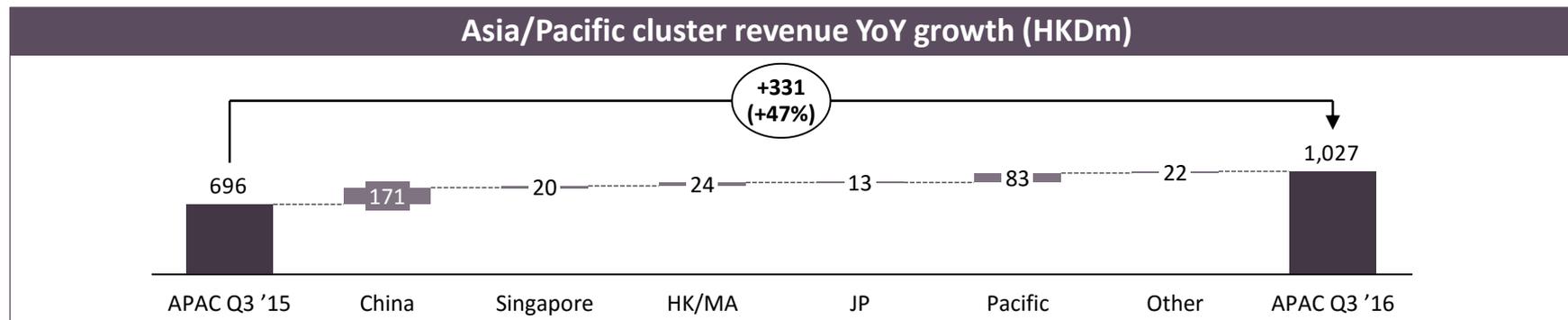


## REPORTED REVENUE DEVELOPMENT

- Significant growth in Asia Pacific in recent years
- 9M 16 delivered a strong result mainly driven by performance in China, Australia and Hong Kong/Macau
- Singapore and Japan challenging markets



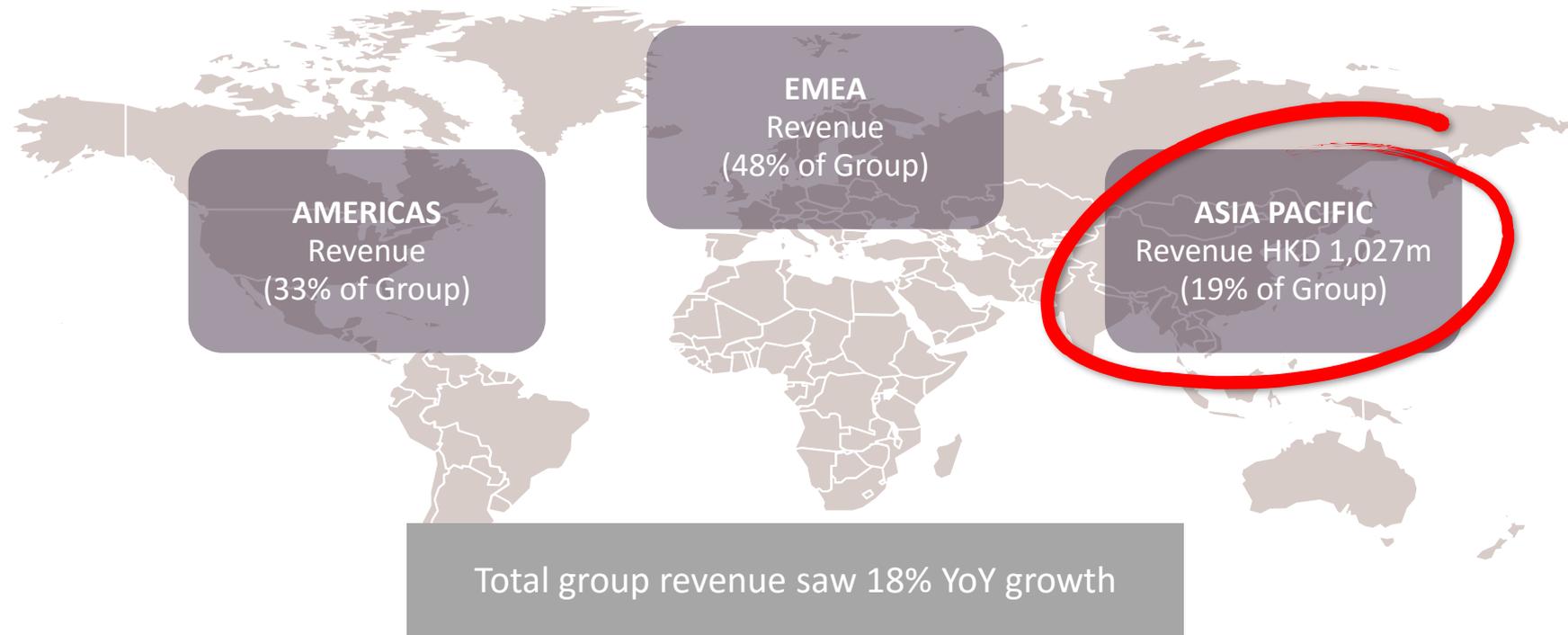
## THE STRONG GROWTH CAME MOSTLY FROM CHINA AND PACIFIC CONTRIBUTING WITH HKD 254M COMPARED TO Q3 LAST YEAR



### Many of the same trends from the previous quarters continued in Q3...

- Maintained high like-for-like in Australia, and very high like-for-like growth in China of 40%.
- Successful campaign in China around Chinese Valentine's day and high traffic to the stores drove the performance.
- Increased brand awareness in China significantly due to expanding network and increased marketing spend.
- The Australian market was driven by a strong ring campaign and higher replenishment from franchisees as the Autumn collection performed better than expected.
- Singapore still facing a challenging retail environment with fewer tourists, leading to lower store footfall

# IN Q3, WE CONTINUED THE GOOD PERFORMANCE, WHERE ASIA PACIFIC GREW 47% COMPARED TO Q3 LAST YEAR

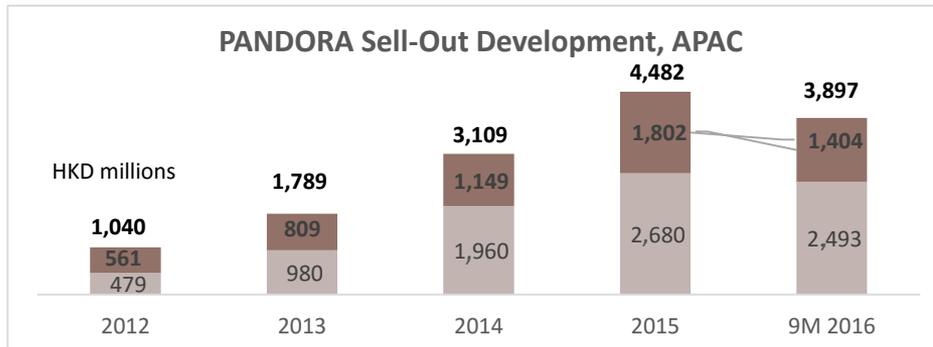
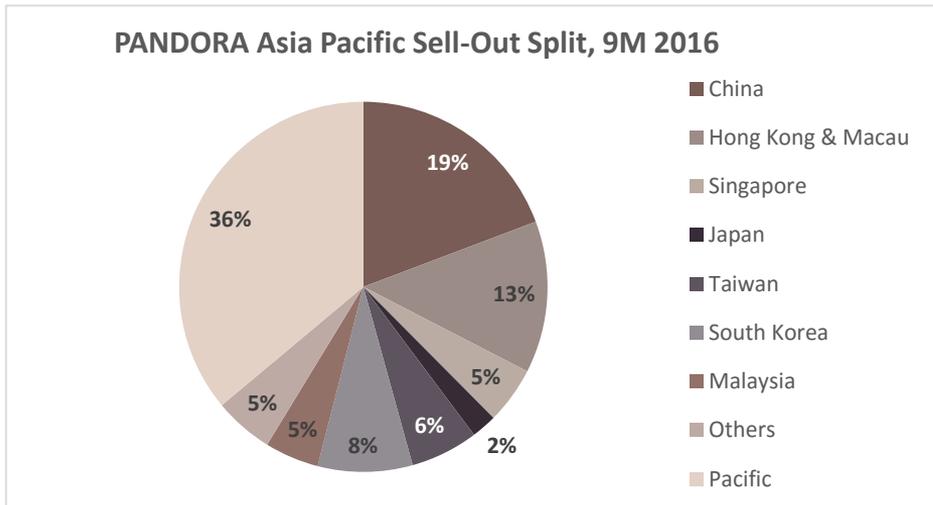




## WELL-DIVERSIFIED SELL-OUT DISTRIBUTION

- Australia is today the biggest revenue driver followed by China.
- China share of business is increasing rapidly.
- Taiwan, Malaysia and South Korea are significant wholesale markets.
- From a sell-out perspective the business across Asia is relatively balanced.
- 9M 2016 Sell-Out by channel

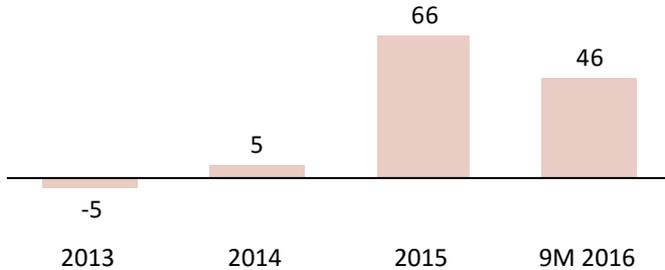
	(HK\$ millions)
O&O :	1,785
Distributor/Franchise	
Wholesales	2,112
	<hr/>
	3,897



■ Include Pacific

## APAC STORE ROLL OUT

### O&O CONCEPT STORE NET OPENINGS



- PANDORA is distributed exclusively through concept stores and shop-in-shops in Asia.
- In Australia and New Zealand we maintain a small amount of multi branded stores to serve the outlying cities.
- Still a lot of potential for new stores in most markets, mainly in China. We have opened net 28 concept stores in the first 9 months of 2016 in China\*

\*37 openings including 9 relocations



---

# AGENDA

1 PANDORA ASIA PACIFIC

2 CHINA

3 PACIFIC

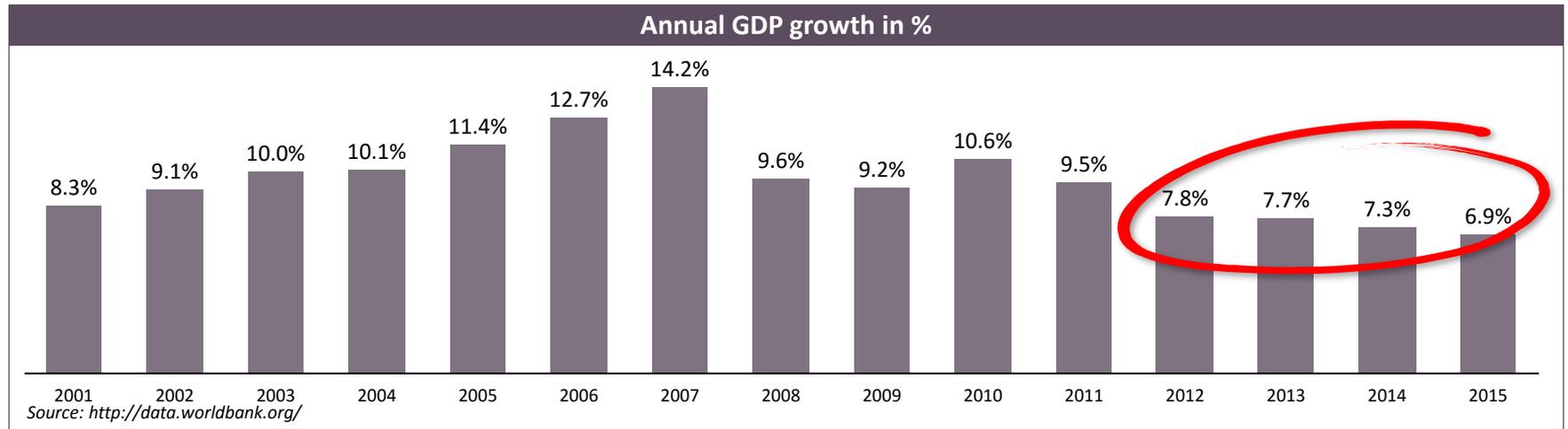
4 JAPAN

5 OTHER MARKETS



## CHINA ECONOMY IS GROWING AT SLOWEST PACE SINCE 2001...

China GDP growth is above world average and it is expected to maintain the status in the next few years. The GDP growth rate of 2015 was 6.9%, and the forecast growth rate is 6.6% for 2016.



## CHINA IS THE WORLD'S SECOND LARGEST RETAIL MARKET WITH 8.7% RETAIL SALES VOLUME GROWTH IN 2015 – EXPECTED TO SURPASS US BY 2018

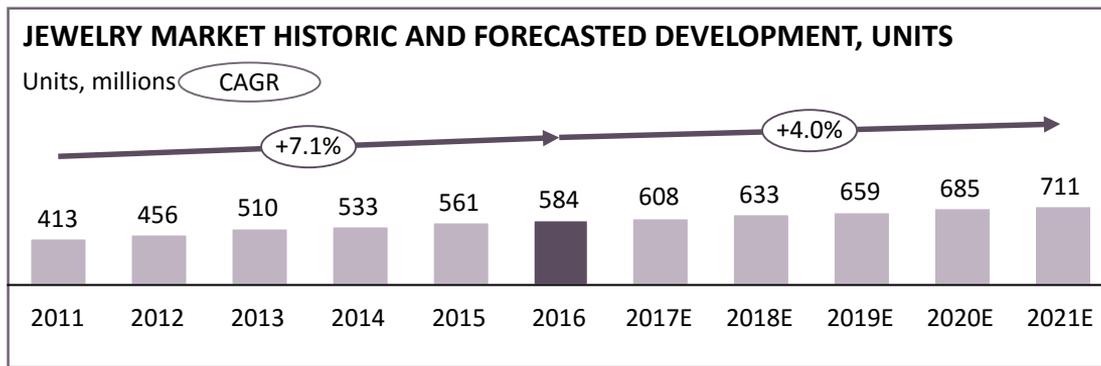
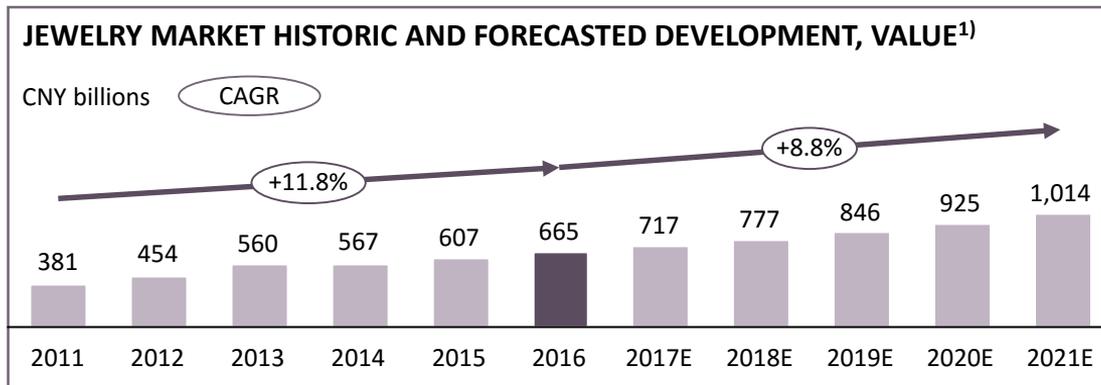
According to McKinsey's research, China accounts for over 20 % of global fashion retail sales in 2016, and will rise to over 28 percent in 5 years.



Source: Economist Intelligence Unit



## CHINA JEWELRY MARKET VALUE HAS GROWN BY 12% CAGR IN THE LAST 5 YEARS AND IS EXPECTED TO GROW BY 9% TOWARDS 2021



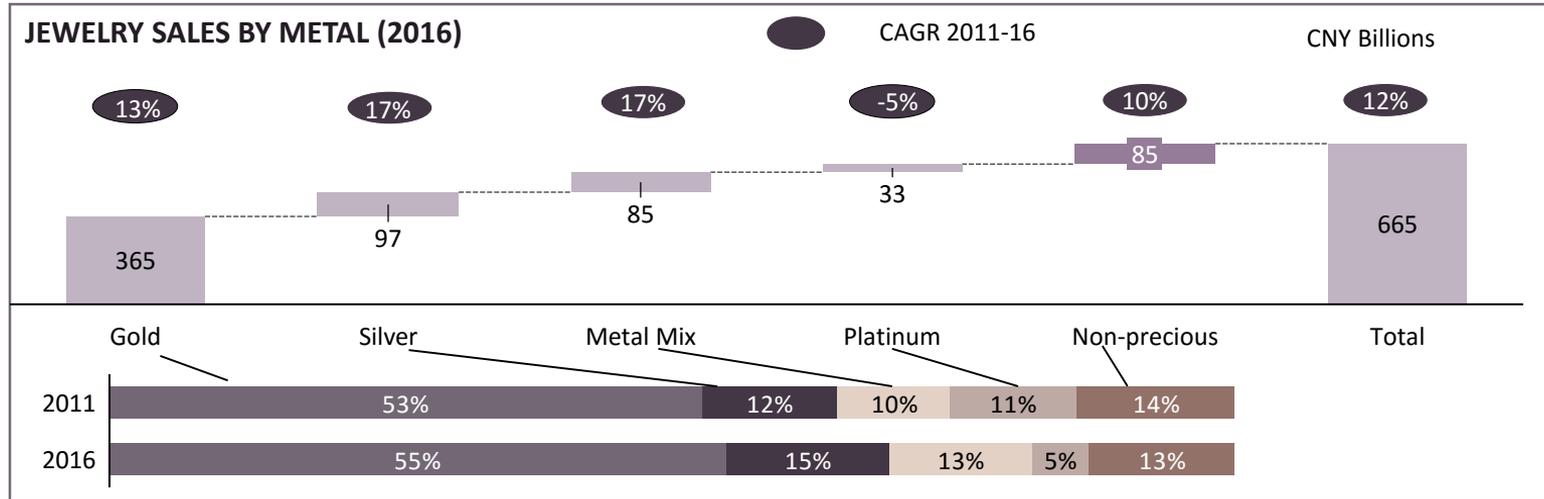
### MARKET INSIGHTS

- The jewelry market has grown with a CAGR of 12% since 2011 versus retail sales at 9%
- Towards 2021 the jewelry market is expected to grow by a CAGR 9% versus retail sales at CAGR 8%
- In the period from 2011 to 2021 the jewelry market value is expected to almost triple in value.
- The growth in units sold is lower than revenue growth suggesting that price is an important growth driver.

1) Current prices, year-on-year exchange rate



# GOLD MAKE UP 55% OF TOTAL JEWELRY MARKET VALUE, WHEREAS SILVER MAKE UP 15% AND MIXED METALS 13%



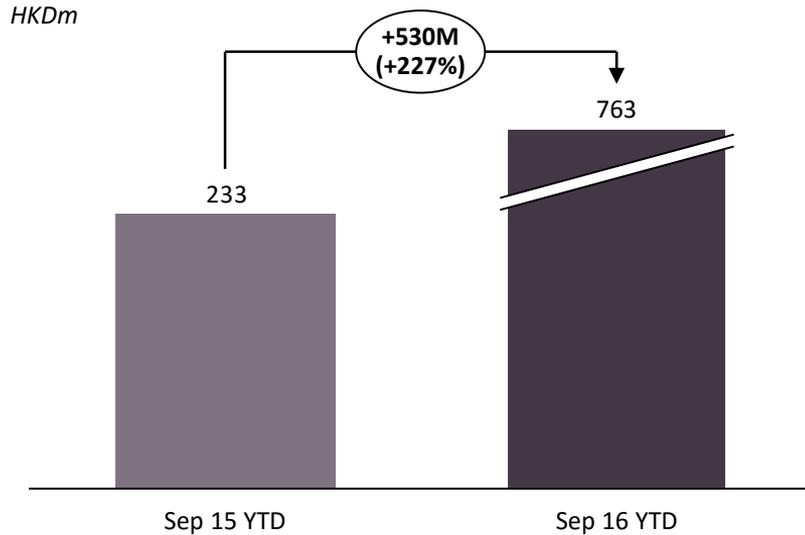
## TAKEAWAYS

- Silver is valued at CNY 97bn which corresponds to 15% of the total jewelry market by value (see note below)
- Mixed metals (two or three tone) is valued at CNY 85 BN
- Gold jewelry constitute 55% of total jewelry sales and the gold jewelry sold is predominantly 24K and 18K

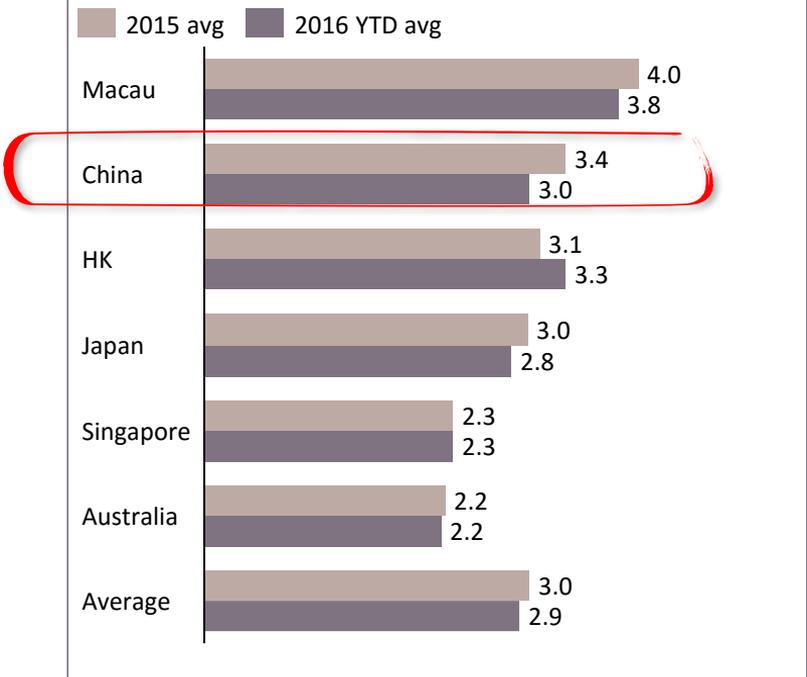
Note: In the Euromonitor database, China has a very high figure for “other non-precious metals” of which the content is unknown, while the silver figure is unreasonably low at only 1% of total market. Therefore, the value of “other non-precious metals” has been added to “silver” for China.

# CHINA HAS INCREASED REVENUE BY 227% YEAR-ON-YEAR AND CONTINUES TO HAVE STRONG LIKE-FOR-LIKE GROWTH

## Revenue development YoY



## Units per transaction



# REVENUE IN CHINA MORE THAN DOUBLE IN Q3 2016 TO 6% OF GROUP REVENUE

## CHINA OVERVIEW

### STRONG LIKE-FOR-LIKE AND BRAND AWARENESS



120% revenue increase  
40% like-for-like growth



PANDORA launched on  
Tmall on October 14<sup>th</sup>

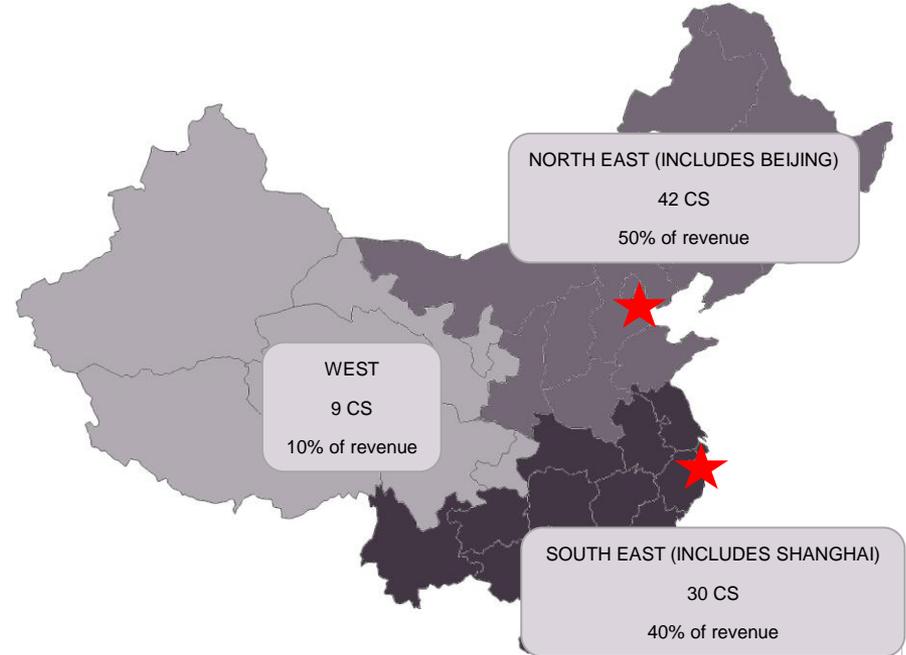


PANDORA awareness  
in key cities  
increased to 55%



Network development in Q3:  
14 new stores added  
to a total of 81 concept stores

### REGIONAL VIEW



# WE ARE CURRENTLY OPENING A LOT OF NEW CONCEPT STORES IN CHINA – AND THE POTENTIAL IS GREAT

Our focus areas for network expansion are tier 1 and tier 2 cities



Look at basic demographic information and data



Assess the infrastructure (metro system, highways etc.)



Analyse brand readiness and review the competitive landscape



Identify the quality of shopping malls (hardware brand mix, sales data etc.)

## China quick facts



23 provinces



105 cities with more than 1m people

81

Concept stores are currently live in China as of Q3 2016

~40

stores to be rolled out in total in 2016

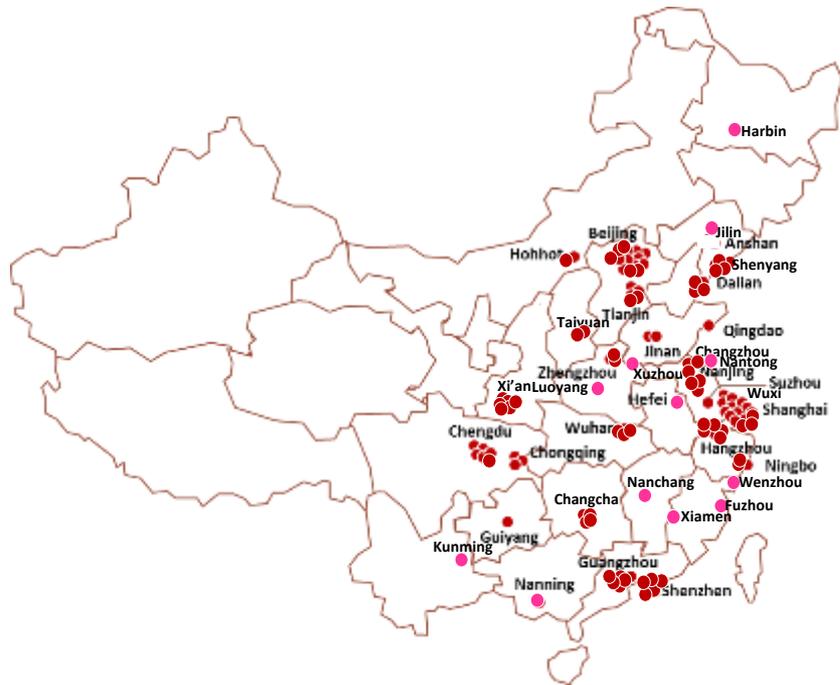
4

new cities will have at least 1 PANDORA store in 2016

~40

stores planned to open each year for 2017 and 2018

# NETWORK STRATEGY 2017 AND ONWARDS



## We plan to enter 12 new cities in 2017

- |         |         |          |
|---------|---------|----------|
| Harbin  | Xuzhou  | Wenzhou  |
| Jilin   | Hefei   | Fuzhou   |
| Nantong | Luoyang | Nanchang |
|         |         | Xiamen   |
|         |         | Nanning  |
|         |         | Kunming  |

● *New cities entering in 2017*

## PANDORA IS PERCEIVED AS A BRAND THAT IS POPULAR AND STYLISH – CONSUMERS WANT TO KNOW MORE ABOUT THE BRAND

*“Pandora products are affordable and it helps record my memorable moments and they are beautiful. Cant stop to check for new charms!”*  
Pandora Owner



*“This is a very hot brand in these two years, I see a lot of people wearing Pandora bracelet.”*  
Pandora Owner

*“It is a bit expensive for a sterling silver bracelet, and it is a bit chunky and looks a bit showy that doesn’t fit my style ”*  
Non-Pandora Owner

# PANDORA CONSUMER IN CHINA - VIDEO

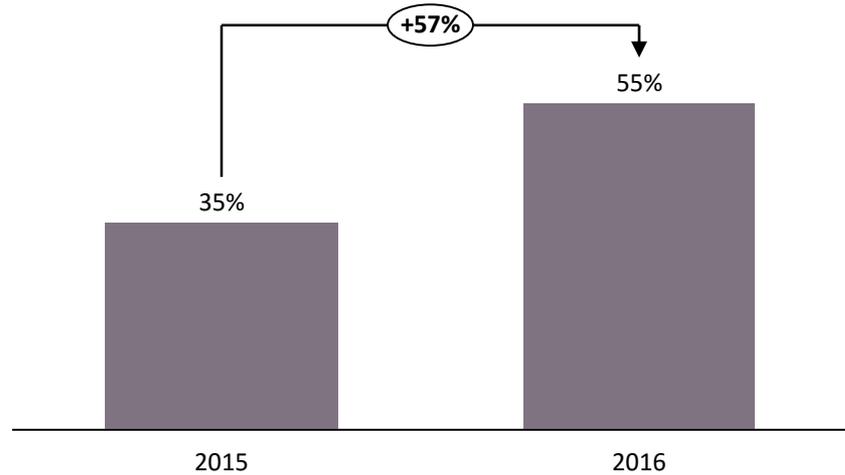
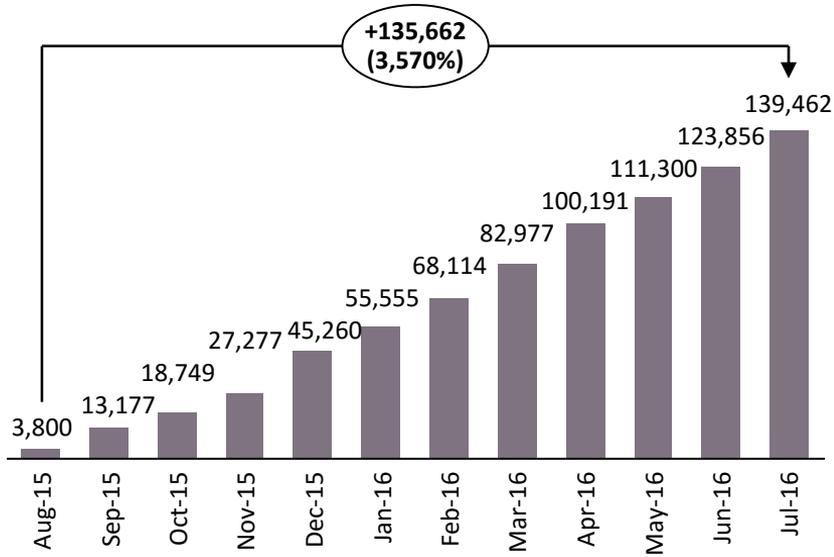
PANDORA

# PANDORA'S AWARENESS IS INCREASING

PANDORA is seen as a hot brand, and our WeChat follower increase and brand tracking report reflects that.

**WeChat follower development**

**Aided awareness**



## WHAT IS SELLING IN CHINA

China is characterized by wanting more colors, two-tone and gold. Also, we experience significant differences between provinces.

The focus still remains on charms/bracelet.



## CHINA MARKETING - VIDEO



## CHINA SUMMARY

- Economic growth is slowing down. Future growth to come from consumer spending and services. China will surpass US by 2018 being the largest retail market
- The network strategy is to open stores in tier 1, 2 & 3 cities – approx. 40 per year
- Consumers love our products and brand – brand aided awareness is 55% (35% in '15)
- Strong revenue development, high L4L. The future potential is significant
- Retail KPIs are strong and improving
- Big challenge in securing staff for our O&O stores
- IP infringements, copy products and parallel imports are all focus areas

---

# AGENDA

1 PANDORA ASIA PACIFIC

2 CHINA

3 PACIFIC

4 JAPAN

5 OTHER MARKETS



# MACRO ENVIRONMENT

## GDP

### Current trending:

- AU's GDP growth is strong by developed country standards, latest figures at 3.3%.
- Reflecting growing net exports and spending on housing
- Domestic spending activity is much weaker than GDP.

### GDP YOY, % (AU)

	2015	2016
GDP growth. %	2.5%	2.9%
CPI. %	1.5%	1.2%

### GDP YOY, % (NZ)

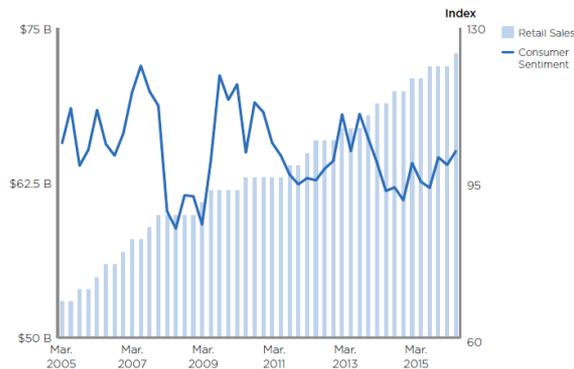
	2015	2016
GDP growth. %	2.5%	2.6%
CPI. %	0.3%	0.8%

## RETAIL

### Current trending:

- Retail trade remains weak, with volumes in Q2 edging up by only 0.4%
- Consumer sentiment has been stable over the last 6 months, up slightly (0.7%) from the average.

### Retail Sales YOY, %

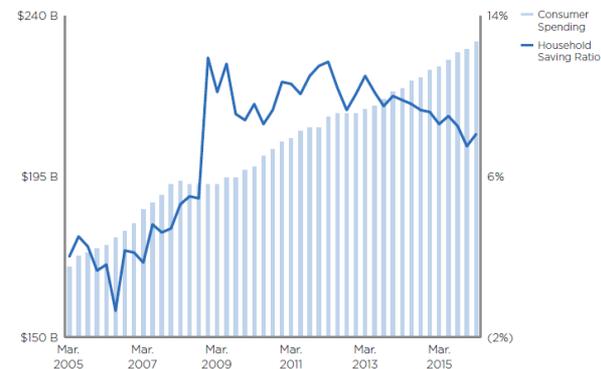


## OTHER KEY FIGURES

### Potential "topics":

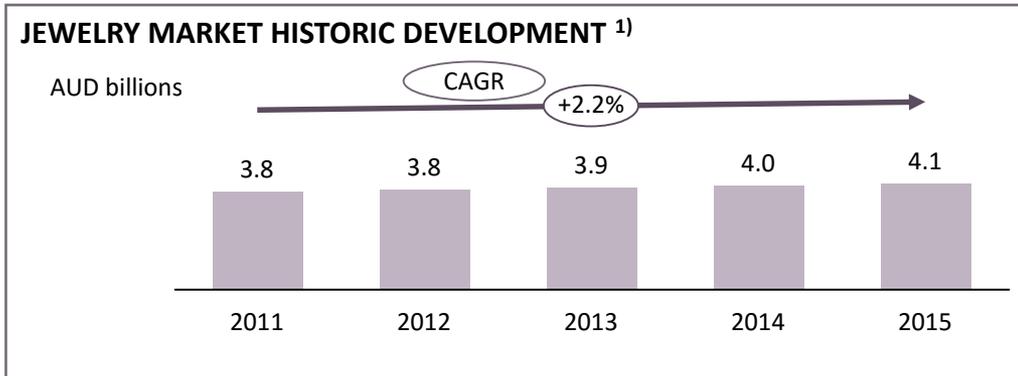
- Tourism – still strong with China expected to contribute 43% of growth and 60% in expenditure.
- Unemployment rate down at 5.6%
- Inflation down at 1.5%

### Consumer Spending YOY, %



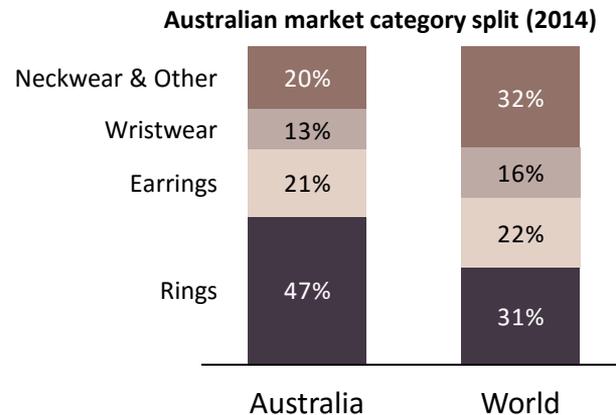
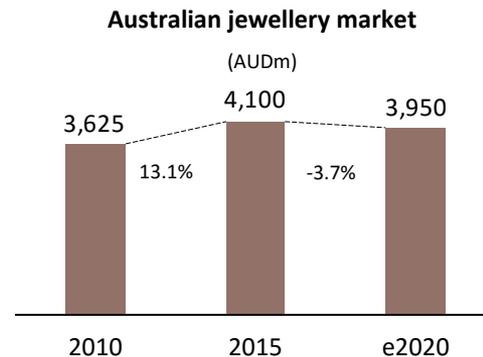


# DEVELOPED MARKET WITH SLOW AND STEADY GROWTH RINGS HAS THE HIGHEST MARKET SHARE AT 47%



- Jewelry market make up 2% of total retail
- The number of jewelry and watch specialists in Australia has increased by 5% since 2011 indicating increasing competition
- Direct competition is increasing with the entrance of Alex & Ani and the increased number of Emma & Roe stores and Swarovski franchise stores
- Rings has the largest share of jewelry with a 47% value share

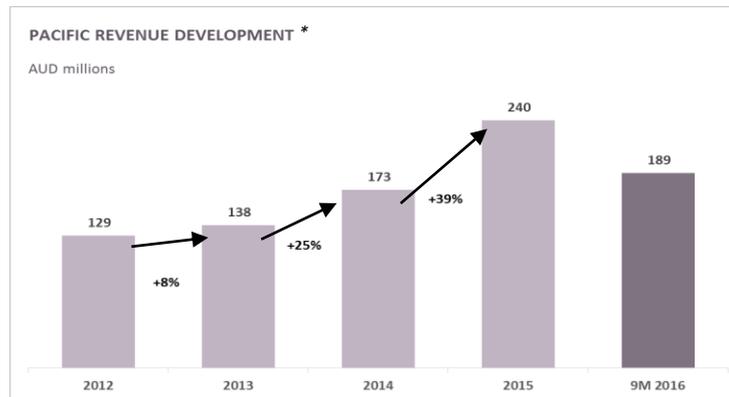
1) Current prices, year-on-year exchange rate



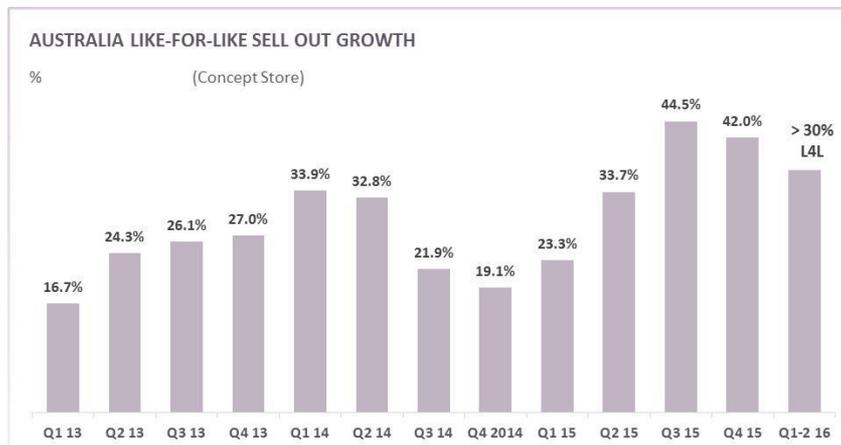
SOURCE: EUROMONITOR

## PACIFIC REVENUE DEVELOPMENT

- Consolidated revenue grew from \$129m in 2012 to \$240m in 2015 and 9M 2016 at \$189m
- The business has had 14 straight quarters of uninterrupted LFL growth of > 15%
- Despite the maturity of the market, Australia continue to deliver a strong double digit LFL growth
- Looking ahead we do expect a more normalised growth but see no reason why Pandora will not continue to grow in this priority market



\*Include Australia and New Zealand revenue



# STORE NETWORK – ALL STORES

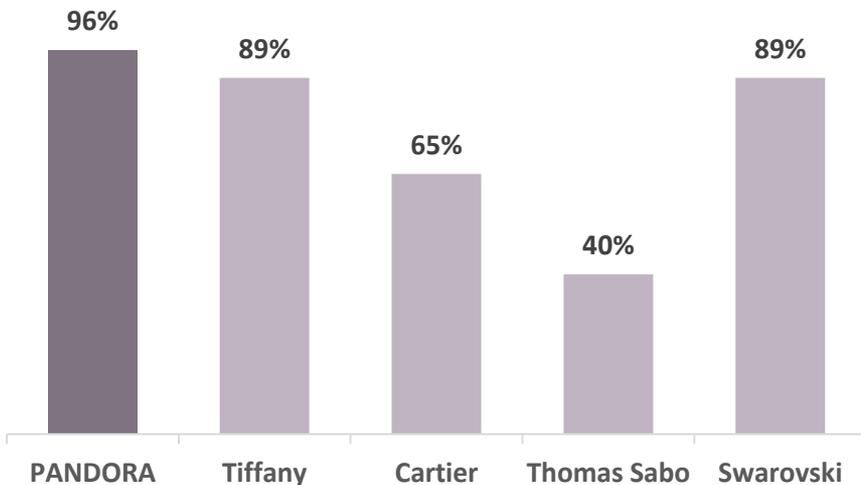


# PANDORA'S AWARENESS IS INCREASING

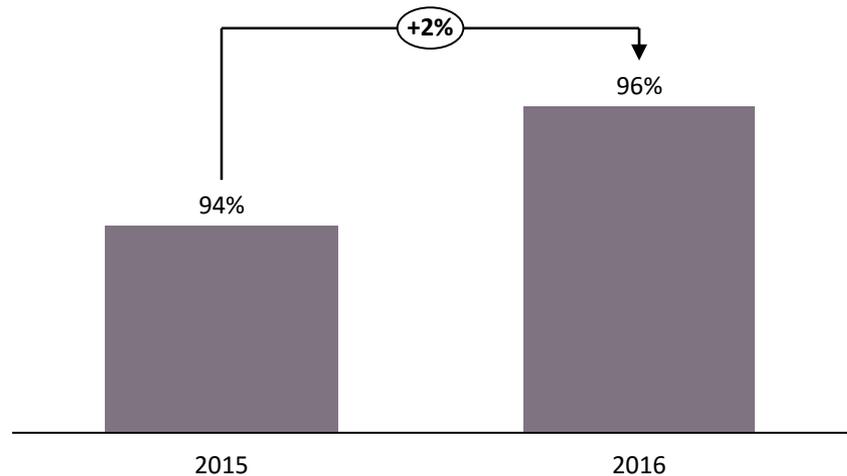
PANDORA has the strongest brand awareness among all competitors with 96% awareness for women and 80% for men

## Strongest brand awareness

AUSTRALIA AIDED AWARENESS (2016)



## PANDORA aided awareness



---

# AGENDA

1 PANDORA ASIA PACIFIC

2 CHINA

3 PACIFIC

4 JAPAN

5 OTHER MARKETS



# NETWORK STRATEGY

**Total store count: 24**

Concept store 5

Shop-in-shops 18

Disney counters 1

### Kansai:

- Osaka Takashimaya
- Kyoto Takashimaya
- Umeda Hankyu
- Nishinomiya Hankyu

### Tohoku:

- Fujisaki

### Kyushu:

- Hakata Daimaru

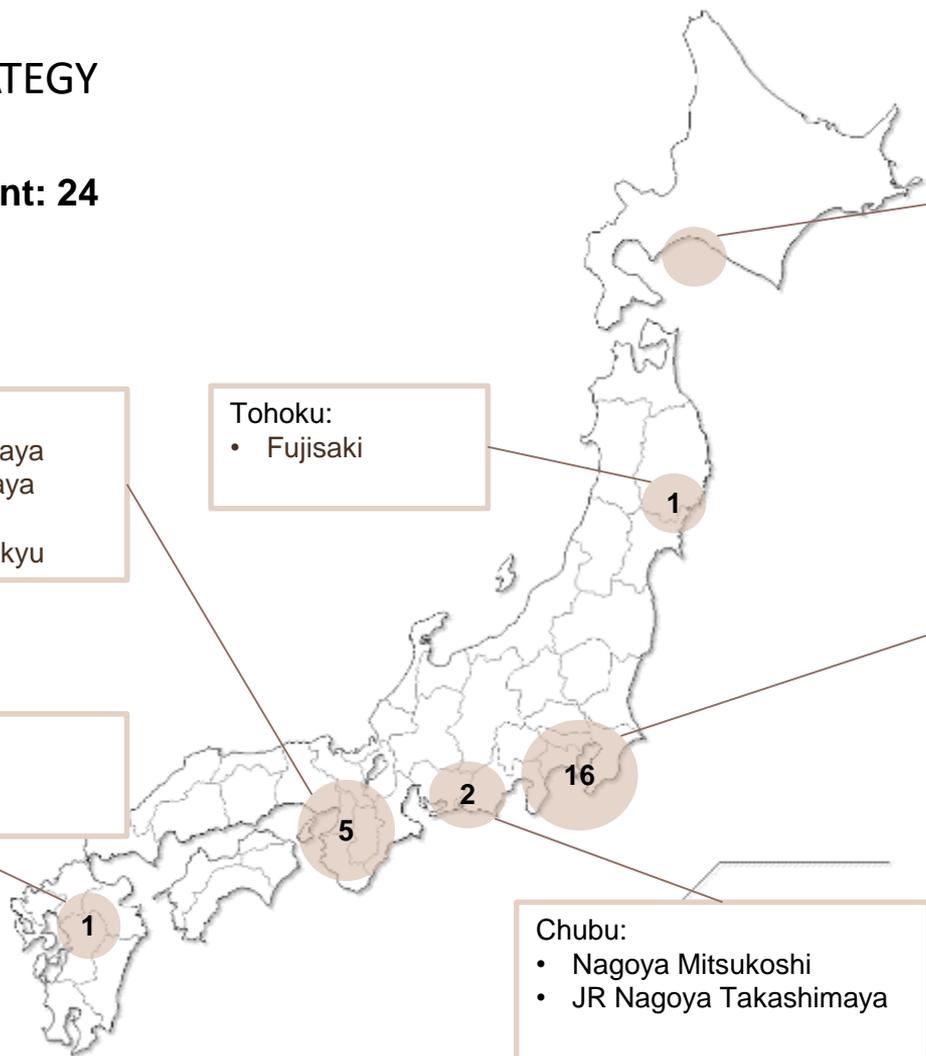
### Kanto:

- Ginza flagship store
- Omotesando
- Tokyu Plaza Ginza
- Nihonbashi Takashimaya
- Shinjuku Odakyu
- Shinjuku Takashimaya
- Ikebukuro Tobu
- Shibuya Tokyu
- Tamagawa Takashimaya
- Yokohama Landmark
- Yokohama Takashimaya
- Terrace mall
- Utsunomiya Tobu
- Hamamatsu Entetsu
- Machida Odakyu
- Tokyo Disney resort 1

### Chubu:

- Nagoya Mitsukoshi
- JR Nagoya Takashimaya

Hokkaido:



## NON-BRANDED VS. BRANDED

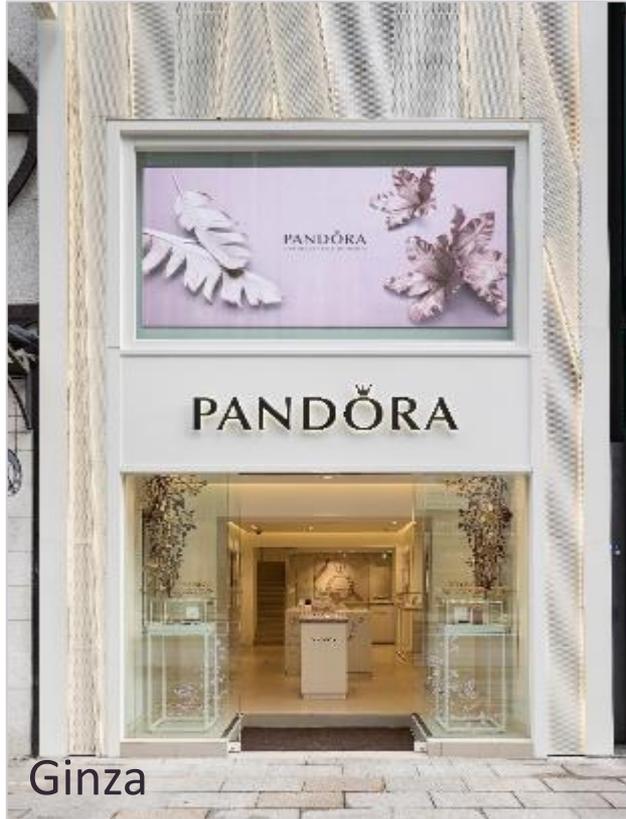


Non-branded: Shinjuku Takashimaya



Branded: Utsunomiya Tobu

# GINZA & OMOTESANDO



Ginza



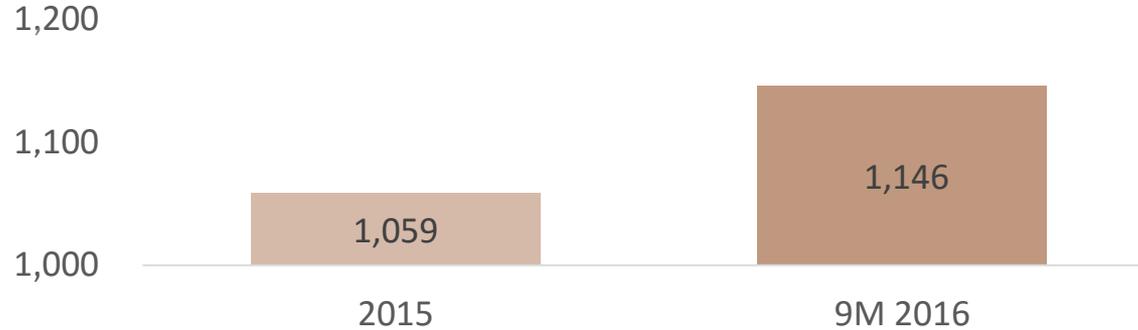
Omotesando

# STORE EVENT OMOTESANDO



## REVENUE 2016 VS.2015

JPY million



## # of stores

(excl. eSTORE &amp; Pop up)

1524

## Concept store

3

5

## Shop-in-shop

12

19

## CHALLENGES IN JAPAN

- Department stores (shop-in-shops) remain a huge part of the retail landscape.
- Lack of shopping malls increase dependency on department stores (for basic distribution).
- Department stores in Japan are both expensive and does not represent the brand well.
- Limited brand awareness and uptake of new local customers are slow.
- Key barriers to purchase are
  - a) No stores close to me
  - b) Doesn't appeal to me

---

# AGENDA

1 PANDORA ASIA PACIFIC

2 CHINA

3 PACIFIC

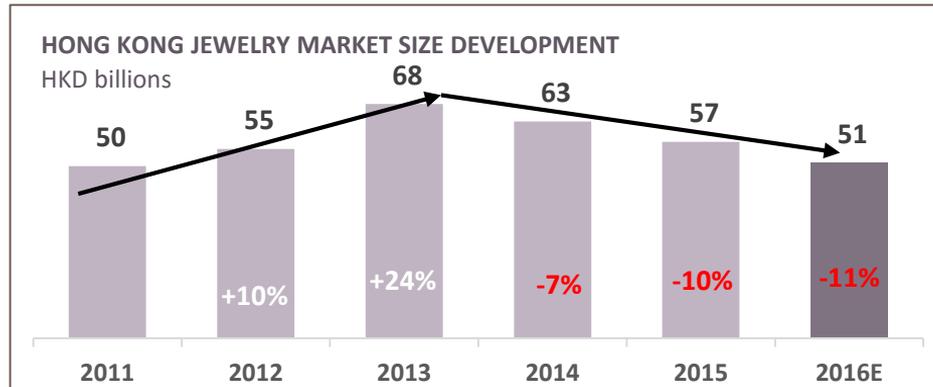
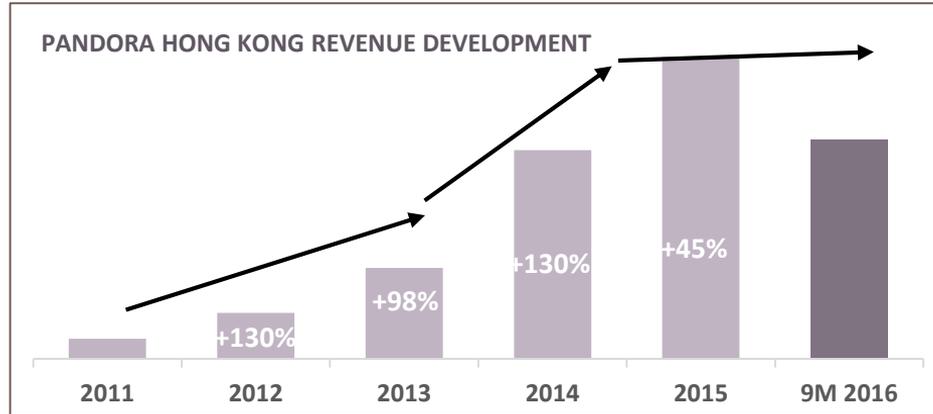
4 JAPAN

5 OTHER MARKETS





## THE JEWELRY MARKET GREW SIGNIFICANTLY BEFORE 2013 AND HAS SIGNIFICANTLY DECLINED SINCE THEN BUT PANDORA OUTPERFORMS THE MARKET



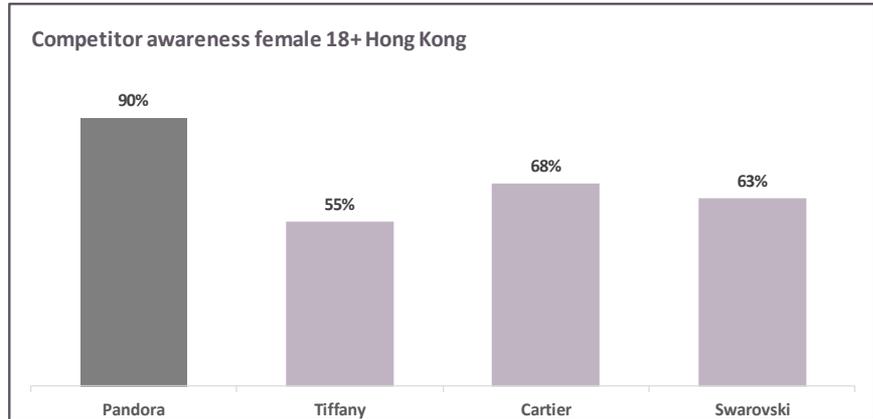
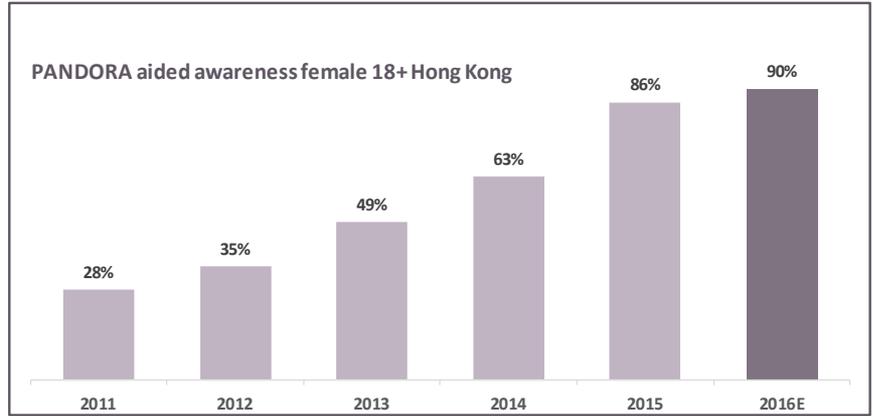
### Hong Kong Jewelry market development

- The jewelry market grew significantly between 2011 and 2013 at CAGR 17%
- From 2013 to 2016, however, it has been decreasing at CAGR -9% to end up at value close to the 2011 level
- The recent market development indicates a "back to normal" with a less heavy reliance on tourism spending

SOURCE: EUROMONITOR & PANDORA DATA

## SIGNIFICANT GROWTH IN AWARENESS

- Awareness has more than doubled from 2012 to 2016.
- PANDORA aided Awareness is now 90% from 86% in 2015, over taking Tiffany, Cartier and Swarovski.
- Male consumer is also more aware of the brand going from 63% to 71%
- Awareness of rings has grown substantially from 38% to 50%



# SOUTH KOREA - LARGEST PANDORA WHOLESALERS MARKET IN ASIA

## SOUTH KOREA OVERVIEW

STRONG TRAVEL RETAIL BUSINESS AND HIGH SHARE FROM OTHER CATEGORY

## SOUTH KOREA VIEW



### Sell out revenue:

As at Sep 2016 growth from HKD 225M in 2015 to HKD 310M with 38% increase. More than 65% sales generated from Travel Retail



PANDORA Started business in 2011



Rings' SOB accounts for 17% of total sales



Network development : 8 new stores added in 2016 to a total of 53 stores with 1 Concept Store and 52 SIS



# MALAYSIA - LARGEST PANDORA WHOLESALE MARKET SOUTHEAST ASIA

## MALAYSIA OVERVIEW

### SUSTAINABLE GROWTH IN STORE COUNT AND L4L

### MALAYSIA VIEW



#### Sell out revenue:

As at Sep YTD growth from HKD 160M in 2015 to HKD 184M with 15% increase



#### PANDORA

Started business in 2010



PANDORA awareness increased to 25%



#### Network development :

5 new stores added in 2016 to a total of 31 stores with 27 Concept Stores & 4 SIS



THANK YOU



PANDORA