Pandora

Third Quarter 2024 Results

Bilal Aziz, VP, Investor Relations & Treasury: [00:00:00] Good morning everyone, and welcome to the conference call for Pandora's third quarter 2024 results. I'm from the Investor Relations team. I'm joined here by CEO Alexander Lacik, CFO Anders Boyer and the rest of the IR team. As usual, there will be a Q&A session at the end of the call. If you could kindly limit yourself to two questions at a time, that would be great. Please pay notice to the disclaimer on slide two and turn to slide three. And I will now hand over to Alexander.

Alexander Lacik, CEO: [00:00:26] Thank you Bilal, and welcome everyone. As usual, I'll start by highlighting some of the key takeaways for the quarter. And as you can see, we've delivered another strong quarter. I put that also in the context of a consumer backdrop, which continues to remain quite challenging. But as I've always said to my colleagues, we don't pretend to control the external macro factors, but we do control how we execute on our Phoenix strategy. That means we control how we increasingly appeal to consumers as an accessible, full jewellery brand. A brand that has wide appeal across nearly all usage occasions, be it self-purchase or gifting. Our aim is to make sure we are the first brand you think of when you want any beautiful jewellery for daily use, and our numbers show that that's exactly what we're doing. You can see we delivered 7% like for like growth in the quarter. The composition of this growth speaks to our full jewellery brand mission. We drove stable growth in our core whilst fuelling this with growth in our other collections. On profitability our gross margin continues to improve, a reflection of the benefits of our fully vertically integrated business model. This also allows us to maintain very high Ebit margins, despite significantly scaling

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up investments across all elements of the Phoenix strategy. Finally, we continue to demonstrate very high return on capital, and you can see how all the KPIs lead into the end result for our shareholders. Double digit EPs growth. That's what we set out to achieve at last year's Capital Markets Day. And that's what we'll continue to strive for. Now let's move to slide four, please. Given our strong performance year to date, we are lifting our full year organic growth guidance towards the high end of our previous guidance range. This now stands at 11% to 12% versus 9 to 12% previously. This includes like for like growth of 6 to 7%, which we believe would be a great outcome with the current market backdrop. As always, we've taken a number of factors into account for the guidance where the low end still accounts for the macroeconomic uncertainty. Our Ebit margin guidance, we've left unchanged at around 25%. We will deliver this while making ongoing investments into the business. Now I'll provide a few words on current trading. We've started the quarter pretty well with our like for like growth at mid-single digits levels in October. This is in line with the underlying run rate of the business over the past four quarters. We flagged last year that in the second half of the year, our growth was helped somewhat by higher than usual social media buzz, and that we don't expect to repeat it this year. In that light, our Q3 growth and the way we've started Q4 is a good outcome, particularly when you look at it on a two year stack basis. Let's move to slide six. On this slide, you can see a quick reminder of the key major pillars of the Phoenix strategy. As I mentioned at the start, the Phoenix Strategy centres on the core mission of transforming the perception of Pandora into full jewellery brand and within that, elevating brand desirability. In that context, since last year we've been investing properly behind each pillar you see on this slide, and it's clearly working, and you can be sure that we will continue alongside this strategy going forward. That leads me nicely on to the next slide. Here we're showing some examples of our marketing efforts, which are driving Pandora forward through the restaging of the brand. Our marketing efforts will be the key unlock in transforming the perception of the brand into

full jewellery brand. The brand restaging essentially aims to achieve this by driving a core message around the brand, as opposed to only specific products. On the slide, you can see that the brand restaging continues to have a positive impact across our business. We are indeed driving higher traffic into our stores. That is despite still quite challenging jewellery markets around us. This is partially because our brand KPIs are moving forward, which includes both unaided awareness and consideration. So our extra investments in marketing are yielding very good results. As usual, we've also been active across many PR events through the quarter, such as Paris, Milan and London Fashion Weeks, which continues to drive buzz around the brand. We now go into the important holiday season where you will notice our new holiday campaign. After the successful Loves Unboxed campaign last year. Keep an eye out for that, it's live in some markets already now. Next slide please. This is a slide we've shown for the past few quarters, but it really demonstrates the success we've had so far in the brand restaging and driving growth across our many collections. Now, it's still very early days on this journey, and we believe we have a lot more we can do here. However, it's already encouraging to see the results coming through. I'll dive a bit more into the specifics of the collection shortly, but so far, the message you should take out is that our core remains healthy and robust, and the new collections are driving strong growth. This ties in exactly what the marketing strategy sets out to do. Next slide please. So let's take a closer look at the core which consists of our moments platform Pandora ME and our collaborations. Our business overall here remained healthy and drove 2% like for like growth here, we've continued to leverage our strong charms and carrier business, which is the core identity of the brand. We now look forward to the holiday season where we have an exciting product pipeline. Similar to Q2 our performance in this segment was weighed down somewhat by our performance in Collabs. This always goes through various product cycles, but even here we remain optimistic about the future. I'm sure some of you would have seen our new partnership with Netflix, and we've already announced a new

collab associated with the popular show Stranger Things. Finally, Pandora ME had another strong quarter, so it's good to see that it continues to establish itself within the core. Next slide please. Here we can see the fuel with more and how it shaped up in the quarter. You will remember that our comparatives in this segment were particularly tough from last year. As I mentioned then this was partially helped by some higher than usual social media buzz, which led some products to go viral and consequently sell out in many markets. This was mostly in the timeless collection. So in that context, like for like growth of 21% in the entire Fuel with more segment and 18% in timeless speaks for itself. It's also a reminder that our market share across many jewellery segments is still very low outside wristwear. So these are more long term structural growth opportunities that we're chasing out. On the lab grown diamond collection that plays an important strategic role not only as a collection in its own right, but also in driving home the full jewellery brand message. The halo effect I mentioned previously is important. For the quarter we continued to make progress here with 34% like for like growth. This growth did expectedly moderate as we lapped the assortment expansion from last year in August. So this will also be a feature in Q4. However, we did launch our new Micro Fine Diamonds range, which as the name suggests, is a micro sized lab grown diamond across new product designs. Early days, but this has also been well received. Next slide please. In the previous quarter I did promise a bit more detail on our performance. In essence, we have now completed the first full quarter since the launch in mid of Q2, and I'm happy to report that the collection is indeed off to a quite good start. In total, Pandora Essence already accounts for around 3% of our business. That's quite a quick ramp up and quicker than our previous collections. Pandora essence does play into 17% of the jewellery market of fluid and natural, where up until now, we've had limited presence. Tied to that we believe roughly half of the growth has been incremental, with new consumers coming into the brand for the first time, and that's a great outcome. By market and product category, we see a global and broad consumer interest in this new collection. Next slide

please. Personalisation is the fourth pillar of our strategy and yet another area where we're investing behind and seeing good returns. Engraving is a very tangible example of this. This is nice, easy and accretive business for us. We offer in-store and online engraving across many markets now, and it's driving solid incremental growth for our consumers due to its popularity. We are well on track to have at least 1450 stores offering these services by the end of this year, and aim to have coverage across nearly all of our major markets by the end of the year. Next slide please. Just before I cover the markets, I wanted to tie everything back together to the growth algorithm. We have all four Phoenix pillars work together to drive more consumers into the brand and therefore drive like for like growth in this quarter. This was a healthy 7%. But looking at that over a longer time frame of nearly five years, we've consistently delivered mid-single digit like for like growth. We think that endorses that the four pillars of Phoenix are working well for us. You'll remember that last year we entered the second chapter of Phoenix Growth Journey, targeting a 4 to 6% like for like growth until 2026 with a range of new initiatives. We are indeed making good progress on the initiatives we announced. I also think it's important to put the 7% growth in the quarter in context of last year's tough comp base, so that's why it's equally important to look at the growth on a two year stack, which is very strong at 16%. Now let's look into the markets. As usual, I'll start with our biggest market, the US, which delivered 6% like for like growth. Another strong quarter. And this is especially strong in the context of a US jewellery market that is still challenging. Similar to the previous quarter we are complementing the like for like performance with our network expansion in the US where there is ample white space. So this led to a 14% organic growth in total, which makes the total performance even better in the current backdrop. Next slide please. The performance in our key European markets is relatively healthy at 4% like for like. This was still driven by Germany with a 42% like for like growth. And this is a slight moderation of a very tough comp base. But I think you'll agree that it's still a very strong performance in its own right. We do expect the moderation to

continue in Q4 of this year. But as I've always said, this is a market. We continue to see good runway into the mid to long term. In the U.K., similar to prior quarter, the jewellery market remains challenged. So in that context, the flattish performance is still a good outcome for us. In Italy, our business still remains challenged whilst our brand metrics are moving in the right direction. We're yet to see this to translate into higher store traffic. We continue to work on and push through our full jewellery brand offering here. Finally, in France, our performance was stable. We had slightly softer traffic trends as we comped some of last year's high to normal traffic, which was boosted by the TikTok trends, etc. that I spoke about before. Next slide please. In rest of Pandora we delivered 14% like for like growth. This performance is off a tough comp base. So it's particularly strong in that context. Our growth was helped by an improvement in Mexico relative to the last quarter. Elsewhere, growth was broad based and generally quite healthy in most markets, including Iberia and Poland. We've consistently flagged that our comparative remain tough here, and that remains the case for the fourth quarter as well. So keep that in mind, please. Next slide. In China our performance is -33% like for like and it's disappointing and behind our expectations. The market backdrop is not particularly helpful. But we're also aware of the challenges we are facing as a brand at the moment in the market. And so we are considering the next step of our journey here. But we remain committed to China. Finally, in Australia, our performance did improve a bit to minus two, albeit still in negative territory. Pandora essence is off to a particularly good start in that market, but our performance was still weighed down somewhat by the partner channel. Next slide please. For our network plans, we saw another strong contribution from opening new stores of 5% in the quarter. As with the prior quarter, this is still being driven by the openings we had last year, and it's good to see the sales and earnings accretion coming through nicely. We'll continue to push ahead with our store opening plans this year in 24, with an upgraded target of 175 to 225 openings this year. Accordingly, we now expect total organic revenue contribution from network to around 5% this

year versus 4 to 5 previously next slide please. Finally, before I hand over to Anders, I wanted to give a quick word on progress on our new store concept, evoke. This is another area of ongoing Phoenix investment that I mentioned, and yet another area which is important to drive our full jewellery brand vision. Some of you visited our new flagship store in Copenhagen recently. That is somewhat of a unique example, but the same principle holds. We're on a journey to truly elevate the in-store brand experience, and this plays a huge role in the way consumers perceive us. You may ask, what does success look like in the new store concept? And there's both a soft and a hard answer. The soft answer is simply the consumer feeling when you walk into a Pandora evoke, or in some cases, like the flagship, you'll be able to feel and connect to a total branded jewellery experience with a touch of desirability. The hard answer is we expect consumers to engage more with the brand and across all of our collections over time, that should lead to higher like for like growth. So overall, we've continued to make quite good progress with our Evoque openings, which now stand at 295. We're tracking very well on our ambitions and ambitious target, I should say, by 2026. And on that note, I'll hand it over to Anders for a closer look at our numbers.

Anders Boyer, CFO: [00:14:55] Thank you Alexander, and good morning, everyone. Please turn to slide 21. Alexander already gave you a quick snapshot of the quarter at the start, but I'd like to stress his message that the third quarter was a good example of how we can compound growth in a difficult environment and deliver solid profitability at the same time, and then see this filter all the way down to drive strong growth in earnings per share. As you can also see here on this slide, our gross margin remains above 80% for the second quarter in a row. And that's despite a 40 bips headwind from commodities and foreign exchange. And obviously this means that the underlying margin drivers are indeed tracking quite well. And this trend of an underlying gross margin improvement has been a multi-year journey and testament to the structural efficiencies that we

have been driven driving out of our crafting facilities in Thailand, combined with lifting our ASPs higher step by step. And obviously channel mix helps a bit of course, here as well. I would also like to highlight that our working capital improved to around 6% of revenue, as you can see in the table. And a big part of this improvement is linked to inventories because our inventories in absolute terms are actually flat versus last year, despite the 14% increase in the top line. And this all leads to into a quite capital efficient business and support the strong return on invested capital that you can also see on the slide here. Next slide please. Now a closer look at the revenue performance in the quarter. Alexander has already covered the like for like performance and the network expansion. So I'll just speak a little to the bucket called sell in and other in the bridge here. And the pink element in the bridge was a small negative impact of around one point in the quarter. And that was as expected and as already guided last quarter. And the minus one point of growth was largely due to just normal phasing between quarters, combined with a continued weakness in the multi-brand channel. For the fourth quarter, we expect a similar drag of one point and this is already reflected in the organic growth guidance, of course. Next slide please. On the Ebit margin. Our performance played out in line with our expectations, and we are well on track for the full year margin of around 25%. We previously said that the margin here in Q3 specifically could be down up to 100 basis points. And as you can see, it ended down 40 basis points. And you should consider this 40 basis point drop as facing only. As Alexander mentioned, we keep investing behind the Phoenix strategy. Keep investing in current and future growth. And let me add a little bit more colour to this. Our marketing spend in the quarter was up 11% in absolute terms. And as you can see in our PNL, then marketing spending in percent of revenue is in line with last year. But this indirectly means that all of the leverage we are getting from the network expansion is being reinvested back into marketing, and that is a conscious choice. And the return on the media investments are good, as you can see in on the top line, and it's both driving revenue here and now and at the same time building and

strengthening the brand. On sales and distribution costs you'll see in our PNL an increase to 40% of revenue this quarter, and that's up 250 basis points from last year. The majority of this, around 160 basis points, is simply a direct link to the expansion of our own store network. And it's important to note that this increase in sales and distribution costs associated with the network is more than offset through both a higher gross margin as well as leverage on the two other opex lines. So in other words, and this is just to repeat the message that we've said a couple of times, the network expansion is EBIT margin accretive already from year one. The other main components behind the increase in sales and distribution costs in the quarter includes our investments, for example, into engraving both in the stores and online, investments into the new online platform, which is going live in the first market exactly as we speak, and also investments into our new workforce management system for the stores. And these digital tech investments accounted for around a 60 basis point increase in the opex ratio in the quarter. In Q4, you will see a smaller increase in the cost ratio than what we've seen here in the third quarter. And in Q4 the increase in the sales and distribution costs will, to a large extent, just simply reflect the network expansion. Now then, let's move into the guidance update on slide 25. As Alexander mentioned, we have narrowed our organic growth guidance to the high end of our previous guidance to now being 11 to 12%. And that's the green bar that you see in the middle of the slide here. And within this, you'll see that we have narrowed our like for like guidance to 6 to 7% versus 5 to 7% before. And that's the first grey bar. And I'm sure that most of you have figured out now that this implies a roughly 2 to 5% like for like growth here in Q4. And that is an implied slowdown, you can say, versus the 7%, like for like in Q3. And we wanted to give you a few pointers that will help frame our thinking about that. First of all, the low end of the implied guidance at 2% like for like is the same as we said last quarter. And we understand if you think it looks low relative to what we have been delivering so far. However, we are still mindful of the uncertain external environment and the geopolitical uncertainties. And

unfortunately, none of these uncertainties have diminished since last quarter. So therefore, the low end still accounts for a potential and sudden weakening of the trading environment relative to today. Secondly, the 5% like for like growth at the high end of the implied Q4 guidance would be a great outcome in our book, because you remember the last year like for like was 9% in Q4 and it was lifted by an extraordinary level of social media activity. We don't expect that to repeat this year. And we have consistently flagged that the underlying run rate of the business is around mid-single digit, like for like levels. And that's also how we started out Q4. And therefore it all ties in well to our current expectations and implied guidance for the quarter. Next slide please. Now, on the Ebit margin, we're keeping that unchanged at around 25%. And you'll notice in the bridge here that the FX and commodity headwind now stands at 50 basis points. And that compares to a drag of ten basis points initially when we made the guidance at the beginning of of the year. So that's an incremental 40 basis points of headwind that we have been able to absorb this year while investing into the business. On a year to date basis, the Ebit margin is in line with last year at 19.4%. And then you can calculate that the guidance thereby implies a Q4 margin, which is slightly up versus last year. And this is all in line with what we have been saying throughout the year. Next slide please. Now we need to spend a bit of time looking at the recent surge in silver prices and gold prices, and how that impacts our Ebit margin for 2026. The 26 to 27% Ebit margin target, which you can see here as the second black bar in the bridge, was set at the CMD in October last year. As many of you probably recall, and it was based on an assumption of a silver price of $24 per ounce. And that compares to the price of $33 a couple of days back, which is the assumption behind the slide here. So when that increase in the silver price is combined with the latest gold price and foreign exchange rates, it adds up to a headwind to our Ebit margin of 360 basis points. And that's the two pink bars that you can see in the bridge. So now let's talk a little bit about the potential mitigating actions. To offset the two pink bars. And the mitigating actions is what we're trying to illustrate with the two

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grey bars to the right in the bridge. But first of all, let me be clear about how we approach this as a leadership team. When external factors like this change, then you can choose just to accept it and then take down your target. On the other end of the spectrum, you can choose to use this external push, so to speak, as an opportunity to look broad and deep on how you operate your business. And we are taking this latter approach. This will of course take a little time. So we can't give you an answer today on how much we can mitigate, but I'll take you through our thinking as of today. First of all, there's pricing. And as mentioned back in the second quarter, a decent part of our mitigation will be covered by additional pricing. We've just increased prices by an average of 5% here in October. It's still too early to comment on the impact of that, not the least because some of our markets have only been live with the new pricing for around a couple of weeks. So we have to see how this evolves, and then we will revert with more detail at the full year announcement. You should also be aware that with the current price of silver, we will be taking further pricing action in 2025. Over and above the normal 1 to 2% of price increases that we are doing every year, we also want to reiterate that we will not be compromising our brand promise of being accessible. But equally, when we look at the current price of silver and gold, combined with the fact that our brand is in a much healthier place, then we will continue to use pricing as a tool to help overcome this commodity pressure. In addition to pricing, we have now just started a group wide cost program and in order to be able for us to go deep and brought at speed, while at the same time challenging ourselves on how we operate. We have engaged with a consultancy company for the programme. It is very early days and we will update you on the potential as we progress with the programme. However, we would like you to know that the impact of any additional cost measures is likely to be mostly visible in 2006 onwards, rather than in 2025. While we are taking a hard look at cost, we will not be compromising our growth algorithm, which has served us so well over the past five years. We will continue to press ahead with investments that will drive near-term and long term like for

like growth. Having said that, our track record on maintaining solid profitability is good, at least in our own humble opinion, and we take the current cost headwind very serious. So as it stands today, we can confirm that we expect to cover at least 140 basis points of the current headwind. And this is in line with what we said back at the second quarter announcement. And that's the first of the light grey bars to the right in this chart. On the potential to mitigate the remaining 220 basis points. And that's the last grey bar. It is too early to say, but another way to look at this bridge is that saying that without any further mitigation, then the Ebit margin in 2026 at the midpoint would be just around 24.5%, and that the way to calculate that would be the original Ebit margin target of 26 to 27, less just around 200 basis points of net commodity and FX headwind. So that means that at the midpoint, the Ebit margin in 2026 would be in line with where we are basically operating now and have been operating in the last couple of years. But again, this is without any further mitigating action on top of the 140 basis points that we have already identified. So in a way, you could call that a worst case scenario, that we just keep having an Ebit margin just around the 25 or maybe just below the 25% Ebit margin. So let me conclude by saying that it's obviously quite some margin headwind we are facing, but we are addressing it and we are addressing it forcefully. We will revert at the full year announcement with some more details on how, how much and how fast we can mitigate. And with that long voiceover to this slide here, I'll hand it back to Alexander.

Alexander Lacik, CEO: [00:30:19] Thanks, Anders. So to try to conclude on everything in a quite uncertain world, we are very successful in doing what we've done since we started the Phoenix strategy. Simply put, that's driving more consumers into the brand by driving our full jewellery brand mission. We have ample growth opportunities ahead and we keep investing behind them today already to ensure we capture more than our fair share. And if we stay true to these promises, then we will continue to drive strong EPs growth, even in a tough environment that you saw during the

third quarter to say something. Now we look ahead to the important holiday season where Pandora typically has a pretty good spot. And on that note, we will open for questions.

Operator: [00:31:08] Thank you. If you do wish to ask a question to the speakers, please press five star on your telephone keypad. If you find that your question has already been answered, you may remove yourself from the queue again by pressing five star once more. The first question is from Martin Brenø from Nordea. Please go ahead. Your line will now be unmuted.

Martin Brenø, Nordea: [00:31:32] Hi Alexander and Anders. Thank you for taking my questions. I have three quick ones, please. The first one is maybe just how we should see the gross margin and Ebit margin transpire from now to 2026. I guess you have the hedged PNL impact 50% in Q1 to Q3, which is around just shy of 25 USD. And is the rest then just at the spot price around 30 to 32. If nothing changes, that is. That would be the first question. And then secondly, on China. You have lowered your promo. Is this the first sign of a resignation in China, throwing in the towel? Or is this just a temporary setback that you are seeing? Or is it more that it's a part of you trying to mitigate the margins a little bit, as you don't get the return on the investment that you are spending. And then, just lastly, signature is clearly the biggest drag on your performance and seeing a double digit decline. Can you maybe explain to us what's going on with that? Is that a cannibalisation from essence or is there something else going on? Thank you.

Anders Boyer, CFO: [00:32:55] Yeah. Hi, Martin. I think the answer to the first question is quite simple. Yes. You're right. That will be the way to think about it, that we've hedged from a PNL perspective, 50% of the first three quarters next year on silver and gold. So that's roughly 30% of the

full year. So meaning that for the remaining 70%, you should think the current spot price of silver and gold.

Alexander Lacik, CEO: [00:33:20] Hi, Martin. On China. I mean, it's neither of the suggestions you had. It's simply trying to clean up the brand and push more sales, which is full price sale on having less, let's say dependency on promotions. So, you know, it's a bit of a tough one. When the market is tough and the brand isn't in the perfect place. But we think it's necessary to slowly, slowly start detoxing the brand and moving it towards a healthier place. On signature, it's not cannibalisation. This is simply it. It received a much lower focus within the collection structure. We had to kind of make some decisions from a merchandising standpoint and placement standpoint. So this is an expected decline, let's say. So that's it.

Martin Brenø, Nordea: [00:34:15] Thank you for taking my questions. I'll jump back in the queue.

Operator: [00:34:21] Next we have Thomas chauvet from Citi. Please go ahead. Your line will now be unmuted.

Thomas Chauvet, Citi: [00:34:27] Good morning everyone. Thanks for taking my question. The first one on your price action. Last time you increased prices above the guidance, I think was a couple of years ago with 3-4% overall impact. I recall at that time you said we need to remain affordable, so we're touching only the top end of the pyramid. You did 10% price increase on 30% of the assortment or so. And the elasticity was one. How did you apply that 5% pricing in October? Was it also just on the top of the pyramid. Was it more broad based, including touching the entry level charms? And what elasticity are you anticipating compared to last time? Obviously, considering the

subdued demand environment in most European markets or Australia. Secondly, coming back to the commodity headwinds, Anders, can you come back on why hedging was paused in March. Back then Silver price was around $24 per ounce. And your CMD assumption was $24. So why would you would you have stopped? I think you explained that last time, but I may have misunderstood. And now at $33, how are you thinking about hedging the end of ‘25 and beginning of ‘26? Understand the first three quarters will be unhedged for half. But what about beyond that? Would you resume hedging? In this perhaps more uncertain world post post-us election. And what is the incremental cost to resume hedging? I think that was perhaps one of the issues you highlighted in the in the summer. Thank you.

Alexander Lacik, CEO: [00:36:15] I can on the first one, on the pricing actions, as what we've said in the past is we're not throwing darts in, in the dark. So we have simulated all of the pricing actions that, that we're doing. So we have, you know, a certain level of confidence when we do it. And this time around, it was a bit more broad based than just the top end of the market. The assumptions we make from a financial standpoint is that we assume an elasticity of minus one if it's better. Happy days. But from a kind of prudent standpoint, the math is minus one.

Anders Boyer, CFO: [00:36:57] And then Thanks for the question, Thomas. On the one on hedging. Yeah. You're right. There'll be when the silver price started getting to high 20s back in, back in spring. I think it got to the 28 level in April or May. Then we made the decision to not do further hedging and our standard policy that we basically always or most of the time track is to hedge automatically 12 months on a monthly basis. There's two times that we have deviated from. This one was back just when the Covid broke out where we hit it a bit more and now we have been hedging a little bit, a little bit less. And then you can ask why did you do that when silver prices got

to the high 20s? One of the reasons was that we did speak with a number of different commodity experts. And I think the general feedback that we got was that this is not demand driven but more driven by speculative demand and not physical industrial demand, but driven by speculation and combined with the fact that it's quite expensive to hedge silver. If you hedge one year out, it's a 1.2 or at least at that point in time, 1.2 $1.3 per year of hedging, which felt that that when you have to pay a very high insurance premium to hedge something which is already expensive, combined with the feedback that we got from the people that we spoke with, made us do a temporary pause. Having said that, since then we have been hedging a little bit on the dips. As an example, back in very early August, there was a dip down to around $27 per ounce. We took that opportunity to hedge a bit more, and that's why you can see now that we've actually hedged half of Q1, Q2, Q3 of of next year, we will be resuming hedging. And I think we all have a desire to that, that when we go out and give our guide for 2025 in early February, that we have a decent amount of certainty on silver and gold for 2025. So I think that that's how I would phrase it.

Thomas Chavuet, Citi: [00:39:32] Thank you. And just that, that 220 Bips showed falling in Ebit margin that you showed on slide 27 on your margin bridge to 26. Is it assuming some hedging normally resumes for 26 or that kind of buy the dip tactical hedging. So I just want to understand that because your slide basically says the two key initiatives to mitigate that shortfall are price increases and the group wide cost program. So does it mean that hedging is not going to necessarily be in place for 26 on that chart?

Anders Boyer, CFO: [00:40:22] No. The way that this is built is assuming that if silver stayed at where it was when we finalised this slide at $33 per ounce and, and they maintained that and we start hedging as normal, then this would be the, the headwind that we would see, assuming that we

can't find further mitigating, mitigating actions in the months and quarters to come. So we will come back at a point in time just as normal. It is only in very unusual circumstances that we will deviate from just sort of being on the autopilot, on hedging.

Thomas Chavuet, Citi: [00:41:06] Okay. Very clear. Thank you Anders.

Operator: [00:41:12] And the next one we have is Lars Topholm from Carnegie. Please go ahead. Your line will now be unmuted.

Lars Topholm, Carnegie: [00:41:20] Just congrats with the with the solid report. A couple of questions also from my side and I'm sorry, but also about margins and mitigation. So just to understand the slide 27 correct. 140 Bips confirmed, 220 Bips missing. So the 140 Bips is that including things you have already put in place? So the 220 Bips gap assumes there is no mitigation in 2025. And in that context, when I look at the five last quarters, you have this very nice gross margin bridge in your quarterly reports. On average you've had mitigation of around 200 bips. When we look ahead without discussing specific initiatives, are there any reason we should think your ability to mitigate should be different than the five quarter average? That was my first question. And then the second question going back to pricing. So when we looked at the price increases you made in the US around 1st of October, it was actually all the low end of your product range. So I think we calculated it at 4% on average, which means it's more than 4% on the low end. So I just wonder if you can put some words on Alexander. I think you alluded to it that you don't throw darts in blinds. So how have you actually tested this? And can you comment on how it had worked in the US in October, where you now have one month of data? Thank you.

Anders Boyer, CFO: [00:43:10] Hi Lars. Thanks for those two questions on the first one, the 140 basis points that includes the impact of the 5% price increase that we've already done and on a run rate basis as a assuming that the elasticity is one, that's our baseline, then that's around 100 basis points of that 140. So you can say that the majority of the 140 basis points has already been done, but where we still need to sort of see some more months of trading to confirm what is exactly the elasticity, but assuming that it's one, then that will cover the first 100 of that. Then the remaining 40 basis points is largely pricing as well. That's a little bit of cost in it that we have already identified, but the majority will be an assumption that we will do a bit more on pricing next year on top of this 1 to 2 points that we are doing so under normal circumstances. So, so to speak. And then on the.

Lars Topholm, Carnegie: [00:44:21] In that, in that context, what about efficiency gains and what about network changes. You're still expanding your network and I assume you're still taking out efficiency gains in Thailand. So how does that play a role here. Or doesn't it play a role in the chart. Or can you no longer improve efficiency? is network expansion now a neutral suddenly.

Anders Boyer, CFO: [00:44:46] No, no, not at all. And it's a good point, but that already sits in the bridge. So when we do all of that, if I can call it business as usual, it already sits in how do we get to 26 to 27 in the original target. So yeah, that's the way to think about it.

Alexander Lacik, CEO: [00:45:06] Okay. On your, on question when we say that we are going to go with 5%, this is a weighted average from the geographical choices we make on the various collections and the various price points. That's all thrown into this modelling that we do. And, and also then what we, when we get out of it is that we try to moderate this, so we get to this minus one elasticity that we've been speaking about. The way we test this is, is a methodology we

developed ourselves and it's an online method I won't go into too much detail because we think this is actually a bit of a competitive advantage we have that we can model it, but it is you know, testing with consumers online in in real terms, and then therefore we can get enough data points to give the model some statistical validity. And, you know, I won't share more than that, but that's kind of and on the previous price increases, we pretty much landed within kind of a sensible range of what the model predicted. That's what gives us the confidence to do what we are doing.

Lars Topholm, Carnegie: [00:46:20] One very quick household question. I know it's number three, but if the dollar goes strong versus DKK, that's positive for your margins, isn't it? As far as I remember.

Anders Boyer, CFO: [00:46:31] Yeah. It's that's net positive. Of course we buy silver and gold in in US dollars as well. So that then drags it a bit the other way, but net net, a strong dollar is good for Pandora.

Lars Topholm, Carnegie: [00:46:47] Thanks for taking my questions.

Operator: [00:46:52] The next question is from Anne-Laure Bismuth from HSBC. Please go ahead. Your line will now be unmuted.

Anne-Laure Bismuth, HSBC: [00:47:01] Yes. Hi. Good morning. I have two questions, please. The first one is on pricing. Just to come back on the fact that you mentioned that you will increase prices in 2025 above again and above the regular 1 to 2%. Is it that same model that you talk about that is giving you confidence that you can raise prices again next year? What about the strength of the

brand? So is it. That is the fact that the brand is stronger, that is giving you a confidence that you can raise prices further again next year and will be the timing similar to this year. So around October. And the other question is about the customer recruitment. So with the new strategy or the brand transformation that is ongoing, are you seeing recruitment of more new customers? I recall from the past that you said that the split is between one third new, one third existing and one third unidentified. So have you seen an increase in the recruitment of new customers with this new strategy? Thank you very much.

Alexander Lacik, CEO: [00:48:05] Yeah, I mean, I think on the first question, you really answered it yourself. If I didn't have the confidence, obviously I wouldn't go. So I mean, that goes without saying, but we are now launching the pricing in October and we are reading the impacts of this. And of course, then we'll take the learnings of that. When we do our pricing testing, we test at typically at three different levels. So it's a small increase. It's a medium increase and it's a big increase. We rarely go with the big increase when we have done it in the past on certain items, which have been kind of, let's say, wrongly priced or some other pricing opportunities then there's been a few of them, but generally speaking, we would go with the low or the mid option. So we know that there's headroom left to go more. But now let's see how this one works. First on the customer recruitment these are quite slow trends. And the third that you mentioned is still holding true. So nothing new to report there.

Anne-Laure Bismuth, HSBC: [00:49:09] Thank you.

Operator: [00:49:13] And the next one we have is Grace Smalley from Morgan Stanley. Please go ahead. Your line will now be unmuted.

Grace Smalley, Morgan Stanley: [00:49:21] Hi. Good morning. Thank you for taking my questions. My first one, please, would just be on just to be very clear on the margin commentary on 2025 Ebit margins, I think previously you had mentioned like an expectation for that to be flattish. Obviously now we have an increased headwind from commodities and effects into next year. And understand that you have done the 5% pricing and you're planning to do more for next year. On the extra cost savings from the consultancy. Sounds like we should expect that more through coming through in 2026. So could you just help us with, as of everything you know today, what you would expect from 2025 Ebit margins relative to around 25%? Sorry, 25% this year. And then my second question would just be on that cost program with the consultancy that you're bringing in. I think you had already done quite a lot of work on your cost base in previous years. So could you just help us with kind of the sense of the potential buckets of cost savings that that consultancy will be charged at looking at? Thank you very much.

Anders Boyer, CFO: [00:50:28] Hi, Grace. Thanks for those two questions on the margin for next year. I'll start out by saying that it's too early to guide on next year. But you're right that we have previously when silver prices were lower, pointed you towards thinking about next year as being flat ish. But a couple of, of pointers that we can, can give even though without guiding, but then helping a little bit how to think about next year then of the 360 basis points of headwind in total, by 26, around 240 of that will hit the PNL in 2025. Again, this is before any mitigating action. 240. And one of the reasons is not all doesn't flow through to the PNL is because we have partly hedged silver and gold for the first three quarters, so that’s the first part of the equation. And then of the 140 basis points of mitigation. It will help the PNL next year. Not all of it, but a quite a decent, decent part. So I think net net at this point in time, the way to think about it would be that the Ebit margin

next year could be up to around 100 basis points down compared to where we are currently trading. And then we need to see how to what extent we can mitigate more on top of on top of that. But that's, that's the starting point how to think about it. And then on the cost program. Yeah you're right. We have trained and practised on doing similar cost programs as part of program now back in 18 19 20. And it's kind of a similar thinking setup that we are taking this this time around. As I mentioned in the prepared comments, we're taking a broad, deep view on how we do things and where, how we spend our money. It's a bit too early to talk about where and how we can save money, but obviously, given that we we're not establishing a program like this, if we had thought that there's nothing to come for. We have some ideas in the back of our mind that we want to look into. But I will give a bit more flavour to that when we get to the full year announcement.

Grace Smalley, Morgan Stanley: [00:53:24] Very clear. Thank you.

Operator: [00:53:29] The next question is from, Antoine Belge from BNP Paribas. Please go ahead. Your line will now be unmuted. Yes.

Antoine Belge, BNP Paribas Exane: [00:53:39] Hello. Hi it's Antoine at BNP Paribas Exane. Sorry to follow up on the previous question. On the margins. So thanks for saying that. You know, sort of worst case scenario would be a margin down to 24%. But then, you know, reaching the end of the 2026 guidance, which is 26%, then would mean 200 basis points, whilst you just also said that they would still be you know, 120 to go of drag in 2026. And yes, I understand that there is a bit of the 140 that that could flow through to 2026, but it seems that, you know, 200 basis points you know, gap or improvement in year on year in 2026. I mean, it sounds a bit hard to achieve. So if you could maybe elaborate a little bit on that. And the second question is on the lab grown diamonds

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performance is in a nutshell. Should I say it's a bit disappointing. I mean, is it a fair comment or is your answer going to be a bit the one you provided on the previous question on signature, i.e. that, you know, there are a lot of opportunities at Pandora and, you know, limited space, maybe in stores, etc. and then you have to make choices or the consumer made some choices. Yeah. But I found the numbers a bit light.

Anders Boyer, CFO: [00:55:09] Hi Antoine, it's Anders here on the first question. I think the answer to your question goes back to the CMD in 23, where we said that the starting point was an Ebit margin of 25. And then we will be operating at that level. But then come 2026, the way that we planned Phoenix, with the investments that we are doing, then at the back end of the strategy period, you will see operating leverage and nothing has changed on that. So had we not been looking at this commodity headwind we would be at 26 to 27% Ebit margin in 2026, because all the drivers behind that operating leverage are fully, fully intact. So that is still the plan. But I understand your question when you look at it sequentially like that, but that yeah, it goes back basically to what you have to the left of slide 27, the network expansion and the sort of operating leverage net of investments that will start being visible when we get into 2026.

Alexander Lacik, CEO: [00:56:26] Okay. On diamonds. And I'll leave it up to you to put the adjectives on the performance. But what we're doing with the micro fine is we're seeing that, the large proportion of volume of customers, they tend to come in on the lower carat sizes. So two thirds of our customers are actually buying in the, let's say, opening plus some price points rather than on the the bigger stones, which is quite understandable. You know, I appeal to the average income household, you know, they don't go and splash out 2 or $3000 for a diamond ring. But spending $3-4-500 seems to be more of a volume business. So what if you look at the like for like growth

revenue wise, it was indeed plus 35%, which is, you know, it's pretty okay in my book from a unit standpoint, it was up 48%. So we can see that there's a mix shift happening in favour of again, price points, which seem to play more in tune with my customer base. So as I said, whether you think it's disappointing I leave for you, but 35% like for like on top of last year where we literally tripled the assortment. This year there was only 13 extra DVS which is driving this. So we're quite pleased with this. It has not changed our ambition on diamonds. We have not, you know, ranged it with less space or any of the things that you suggested. So, so we're kind of still fully committed on lab grown. But as I've said all along, this is a long game for us. It's a new segment. It's a different price point. It's a slightly different purchase let's say experience than we do on charms or the other items that we have in the assortment. So we're quite pleased with this.

Antoine Belge, BNP Paribas Exane: [00:58:19] Okay, maybe a follow up, if I may. Because we've been talking a lot about the margin and not so much about the top line, for instance, going back to the capital market day objective at the time, you know, the space was, you know, was supposed to be contributing around 3%, and we're more trending at 5%. And so is it fair to assume that, you know, in 2025 and 2026, you know, it could be maybe somewhere in between around four, but like at least one point more than the three. And I remember also that during the trip in Thailand, you had mentioned that there would be other top line opportunities, maybe in multi-brand or wholesale you know, opportunities. So yeah, I mean, if you could comment maybe on those.

Anders Boyer, CFO: [00:59:09] Yeah. But it's a it's a good call out, Antoine. And you're right. But when we looked at mitigating the headwind from commodity prices we didn't want to bang it on more top line growth. We wanted to have more sort of a, I wouldn't call more solid measures behind it, but other types of measures than sort of putting the hopes on even higher top line growth, even

though network expansion is different from like for like obviously having said that, those two top line and bottom line drivers are fully intact. It is something that we are looking at both network expansion and our multi-brand network. And it's a bit too early for us still to guide on whether that's going to have an impact. But we wanted to build or try to build a plan where we can potentially mitigate without even higher top line growth. We'll talk a bit about, at least on the network side, when we do the guidance in February in a couple of months for next year.

Antoine Belge, BNP Paribas Exane: [01:00:28] Thank you very much.

Operator: [01:00:32] And the next one we have is André Thormann from Danske Bank. Please go ahead. Your line will now be unmuted.

André Thormann, Danske Bank: [01:00:40] Yes. Hello everyone, and thanks for taking my question. Just two follow ups. I realised you have spoken a lot about this, but first of all, around the hedging policy, just to be sure, when do you expect to go back to normal so to speak, on that? And then the second thing around the elasticity. And now you mentioned that it should be minus one on the elasticity. But I think in Q2 you said that it might be lower. Or yeah, basically better than expected potentially. So in this offsetting mechanism of a 140 pips, there you assume a minus one on elasticity just to be completely sure. Thank you.

Anders Boyer, CFO: [01:01:32] Hi André, It's Anders here. On the hedging. I'll be a little bit hesitant to put an exact date on when we go back to normal, if I can call it that. Also, given that we are a pretty big player in the market. But just reframing or repeating what I said earlier on, I think we would like, sitting on the Pandora side, and I think many investors and analysts as well would like

that, when we guide for 2025, we have a decent amount of certainty, i.e. a decent amount of hedging in place for 2025. So that doesn't sort of within the year become a swing, a swing factor. So that that leaves somewhere between now and what is it? Feb sixth next year when we are announcing the full year numbers. And on the elasticity, you're right. The 140 basis points is based on an elasticity of one. And then we'll see how the next couple of months plays out and see whether it's better than that or the other way around in principle. But we'll see whether that it's better, better than that, but too, too early to talk about at this point in time.

André Thormann, Danske Bank: [01:02:48] Maybe just a follow up. So didn't you at Q2 say that there was it could it could very likely be better than one?

Anders Boyer, CFO: [01:02:56] I think, given the brand metrics, I think we had a hope. Let me frame it that way, that it could be that it could be better. We had one country where we had done something earlier in the year, outside of the 5% price increase that is just done, where elasticity looked a bit better than one, and that was probably what we referred to back then. So let's see how it how it plays out for the next couple of months.

André Thormann, Danske Bank: [01:03:32] Thank you so much.

Operator: [01:03:35] The next one we have is Kristian Godiksen from SEB. Please go ahead. Your line will now be unmuted.

Kristian Godiksen, SEB: [01:03:43] Yes. Thank you. I'll also just start with the two questions. So first of all, in relation to the upcoming cost program what is your view on the same as you mentioned,

program now as a reference and as I recall, you, you aimed at saving 1.6 billion and achieved 2.4 billion. Yeah. So that would be my first question, just using that as a reference point. And then the second question is if you could you please put some more flavour on the issues you are seeing in Italy with the like for like deteriorating somewhat. And ideally, if you could isolate that obviously from, from the weak macro environment, those would be the two first questions. Thank you.

Anders Boyer, CFO: [01:04:30] Thanks for those questions. On the cost program. You're right. Yeah. The 1.6 and 2.4 from back then. And I, I think I'm also looking at Alexander here. I think when we started back then, we were, of course, both relatively new in the company, and there was more low hanging fruit to go for at that point in time. So I don't think we shouldn't put our hopes up for anything anywhere near those kind of levels, but less can do. 2.4 billion kroner was a very, very big number on a smaller revenue base at that point in time. But obviously we're not putting a structure in place with external tier one consultancy support, if we were thinking that we could find 50 million kronor or 100 million kronor, it has to be more than that in order to sort of get this big machine running that we've just kicked off Monday this week, in fact.

Alexander Lacik, CEO: [01:05:39] Yeah. And on your second question on Italy, I mean, it is mainly macro in our view. I mean, we've said this in the past, the larger the market share we have in the country, the more we fluctuate with the consumer sentiment for the category. And I think Italy is one of the places where we have the most mature of our business. And one of the largest market shares. So, this is the main there's no structural issue in Italy as such. Not that we have found any way. So it seems to be more linked to, to the general sentiment, consumer sentiment and the category development in Italy.

Kristian Godiksen, SEB: [01:06:19] Okay. Thank you. That was comforting. I'll jump back. Thanks a lot.

Operator: [01:06:25] The next one you have is Piral Dahania from RBC. Please go ahead. Your line will now be unmuted.

Piral Dadhania, RBC: [01:06:33] Okay. Thank you. Morning, everybody. So could I maybe just start on pricing as well? I just wanted to understand the sort of thinking behind the price increases. If you do a similar 5% price increase in 25 versus 24. And you have a demand elasticity of one, then you're losing one unit or one percentage point of volume for every percent of the price you take on a mid-single digit. Like for like that basically assumes that most of your revenue growth will come from pricing and ASP gains. On a you know, if we are assuming sort of where consensus is, that suggests that this becomes a bit more of a price led revenue growth story. And you're losing perhaps some of your customer base who are being, to an extent, priced out on the basis that you assume the elasticity is one. So my question is as follows. You know, are we moving towards a bit more of a margin protection story at this point for, for Pandora, with maybe slightly less emphasis on the customer base and, and the sources of revenue growth, which we, I believe at the beginning of the Phoenix strategy was predicated as much on, on volume as anything else. And just following up from that, you know, if silver prices do come down back to, you know, pre 20, 24 levels, is there a scenario in which you would roll back the price increases that you've done. Thank you.

Alexander Lacik, CEO: [01:08:09] Okay, let me try to give it a go. I mean, I think your assumption is, is on a constant customer size, then the minus one works, right? But what has been the driver of Pandora in the last, I mean, ever since I got here is to increase that, which is why we said we're not

going to you know, dial back marketing. We're not going to dial back in innovation and all the things that sit under the Phoenix umbrella. So that's then how we continue driving growth through traffic increase. So that doesn't change necessarily. Now, on your other question on, would we consider rolling it back? I, you know, let's cross that bridge when we get there. I only wish silver went back to $16 per ounce, because then we'll be having a different conversation than today. But that's probably something of a bygone era. But yeah, I mean, we need to continue to stay accessible as a brand. I'm just looking around. Recently, we've seen a couple of our competitors have also moved on their pricing. So we're not alone, you know, feeling this. So I think the whole market is, you know, fortunately, unfortunately rising due to the increase in silver price. But I think there's one thing I just wanted to mention that Andres spoke about before. So since we moved from this 23 level, based on everything we see, there is no increase in demand. So there's not more silver being used than yesterday. It's just the price has gone up on speculation. And at one point typically over economic cycle this needs to right itself. So if you take that longer view there should be some hope for the price to settle. Maybe somewhere lower than what we're currently facing. But of course that's hopes. And we're not building this company based on hopes that’s why we have this very, firm action to mitigate the exposure we see in front of us. But under normal circumstances, one would expect that there should be kind of a normalisation in the marketplace. But yeah, let's see if that happens, if we then take some action, it could also be a question of maybe we then launch ranges that are priced differently than the current one that already sit in the market that are successful. So there are there are different ways to play this instrument. So I hope that helps a little bit.

Piral Dadhania, RBC: [01:10:42] Yes. Thank you.

Operator: [01:10:46] The next question is from Dimitri Demetriou. Please go ahead. Your line will now be unmuted.

Dimitri Demetriou, Vanguard: [01:10:54] Yes. Hi. Thank you for taking my question. My first question was on the elasticity of 1% that you mentioned. I just wanted to check historically, have you experienced when you implemented price increases in the past - Have you experienced a bigger number than that?

Anders Boyer, CFO: [01:11:17] No. We I think that the long the short story of a potentially longer story is that up until 23 we didn't do a regular price increases. So the first price increase was at the back end of 2022. So we've done some. But since then, what we've done, we have seen elasticity just around the minus one level. So that's just to reiterate, we don't have ten years of history on that. And that's also one of the reasons that we are speaking about the mitigating actions and in the way that we do so, and the reason why we use minus one as the starting point.

Dimitri Demetriou, Vanguard: [01:12:10] Okay. And as you enter 2025 with these 5% increase that you implemented in in October, I understand. How does that change the price gap with your main competitors? Does it keep it relatively stable, increasing or decreasing?

Alexander Lacik, CEO: [01:12:29] So let me just come back to your first question first. Obviously the brand has strengthened significantly in the last five years. And when your brand strengthened, that obviously gives you an improved pricing power. So it's not a static game. And in particular in the Pandora situation where we have improved massively the strength of the brand. So that kind of gives us confidence. I mean, we don't have, at least not a global, direct competitors. So. to answer

your question, I would need two hours to go country by country looking at each local competitor. As I mentioned, what we've seen recently by some of the people in the market, they are also moving up on pricing. So I don't think anybody is immune to the doubling of the raw material cost. So one should expect that there's going to be movement on pricing across the markets.

Dimitri Demetriou, Vanguard: [01:13:29] Okay. And then my last question was on hedging. If you were to hedge, you know end of 2025 or beginning of 2026 based on current spot prices. Just to understand the implications on PNL. So how much of an impact would the hedging cost per se have have on your PNL.

Anders Boyer, CFO: [01:13:52] Yeah. As of today, I think the if you hedge one year out, I think it's just about $1. I'm just looking at my colleagues here, $1 per ounce. So. So yeah. So that's three, 3% hedging premium insurance premiums, so to speak, when you're hedging one year out.

Dimitri Demetriou, Vanguard: [01:14:15] Okay.

Anders Boyer, CFO: [01:14:15] Not on the revenue. Of course. Just to make that absolutely clear, it's 3% of the silver and gold consumption. Yeah. So maybe just to make sure to translate that into absolute numbers, that would be 70 million kroner per year, something like that. But remember, a lot of that sits in the base in 24 already because we were already hedged in 2024. So it's not year over year. It would not be an incremental cost.

Dimitri Demetriou, Vanguard: [01:14:49] I see that's clear. Okay. Thank you. That's all from my side.

Operator: [01:14:56] The next question is from Ben from Goldman Sachs. Please go ahead. Your line will now be unmuted.

Ben, Goldman Sachs: [01:15:03] Good morning. It's Ben from Goldman's. Good morning, Alexander and Anders. Thanks for the questions. So two, please. First one was just on Alexander, your comment that some of the competitors are moving on price. I'm interested if there's any particular regions or price points that you're seeing this, that you think this is a positive for market rationality, or are you still seeing some promotional activity out in the market? And then second would just be on October commentary. I wonder if there's any major changes to call out between the regions. Thanks very much. Thank you.

Alexander Lacik, CEO: [01:15:36] So from a promotional activity, we can probably say that Q3 has been a bit hotter than a normal quarter, if that's what you're asking. We've seen, for instance, in UK, a company from Austria, which I'm not going to mention the name of. You can fill in the blanks, but they went on a mid-season sale, for instance, which they didn't do prior year. So just kind of to give a little bit of context. So yeah, so I would say that promotional activity has probably been higher, let's say, in Q3 than year on year. I think that was the question you asked. And what is the second one by regions?

Bilal Aziz, VP, Investor Relations & Treasury: [01:16:26] Yeah, I'll take that. So on current trading by regions. Ben. Nothing really to call out. We don't go into specifics by the month anyway. But for the purpose of conversation, it's all broadly quite stable as we saw it in Q3 as a starting point. October is small. It's the smallest in the quarter. So we've got a lot ahead to look forward to.

Ben, Goldman Sachs: [01:16:50] Excellent. Thanks. And Alexander, just on the first question, I'm also just interested in the players that you've seen increase pricing as well. Is there any regions or particular price points that you've seen your competitors move higher due to the commodity prices?

Alexander Lacik, CEO: [01:17:08] I mean, this is kind of happening live as we as we speak, but where we mainly have some level of you know, tracking, is in the Western world, let's say, Europe and North America. So in some of our key markets, we have noticed that, that there's some pricing action that's been taken. Yeah.

Ben, Goldman Sachs: [01:17:32] Great. Thanks very much.

Operator: [01:17:36] Next we have a follow up from Lars Topholm from Carnegie. Please go ahead. Your line will now be unmuted.

Lars Topholm, Carnegie: [01:17:43] Yeah. You'll be happy. It has nothing to do with pricing or mitigation but essence after a good start. Just wonder if you can comment on how you see the development of this collection. Have you already planned to expand it or is it going to stay the current number of SKUs? And then a second follow up is on some of the new markets, I think, and as you mentioned after Q2, that the ambition was to open 40 to 50 stores in Japan H2 this year. Just wonder what the status is and how your Q3 performance was in Japan. And likewise, you were also in the process of signing a distributor in India. I also wonder what the status is on that. Thank you.

Alexander Lacik, CEO: [01:18:28] On essence, I mean, listen, it's it's early doors, but of course, when we when we launched it, we already had a year to plan in place on the assumption that that indeed

it would, you know, deliver what we expected. So yes, there will be something coming to expand it in next year. That was essence, right?

Anders Boyer, CFO: [01:18:53] Yeah. And then on the stores I think from memory so far in Japan, we have opened up just about ten, 13 shops and shops. The majority of those stores in Japan will be shop and shop. So 13 and then there's been four concept stores so far opened up. But so it is ongoing and the plan is the same. And there will be a decent amount of stores opened here in Q4 as well. Not just in Japan, but in general. I guess you can see that out of our guidance that there will be a relatively bigger number of stores opened in Q4 than in, in the first couple of quarters. So yeah. Japan. Japan on track. Yeah.

Alexander Lacik, CEO: [01:19:41] And then your third question on India there is nothing to report on that yet. We're still working on it.

Lars Topholm, Carnegie: [01:19:49] Okay. Excellent. Thank you.

Operator: [01:19:53] And last one in the queue with a follow up question is Kristian Godiksen from Seb. Please go ahead. Your line will now be unmuted.

Kristian Godiksen, SEB: [01:20:07] Yeah. Can you hear me now?

Alexander Lacik, CEO: [01:20:08] Yep.

Kristian Godiksen, SEB: [01:20:10] Yeah. Okay. So the two questions would be, first of all, which routes would you could you be evaluating in terms of the next steps in China. That would be the first question. And then the second question is if you could give maybe some more flavour on the reasoning for the narrowing in the gap between the like for like for the franchisees and the Pandora owned stores in, in the US and maybe also in general, give an update on the pipeline of doing forward integration and hence taking over franchise stores. Thank you.

Alexander Lacik, CEO: [01:20:42] The narrowing of the gap. I mean it's probably, you know, ongoing conversations as we've discussed in the past of them making sure to put the right amount of people in the stores, having the right level of inventory. I think those are the two main explanations. And yeah, I think that's probably it. We've had a good investment programme in terms of Media and, all of those programmes in the US this year in particular. So, so maybe they're also enjoying a little bit of, of that windfall from, from a traffic standpoint. And then in terms of...

Kristian Godiksen, SEB: [01:21:24] So Alexander, sorry. So basically just finally listening because I guess you've, you've told them that the last many quarters as well on those two, two initiatives.

Alexander Lacik, CEO: [01:21:32] But because we don't have that many tools, when you talk to the franchisees, you know, the assets that we discuss is the location is the merchandise and is the people that are serving the store and they've underinvested in that space. So we haven't done anything different honestly. So. Yeah. Okay. And then on the forward integration, I think we have a number that suggests it's a point every year, give or take. And you know when, when the contracts run out, that's kind of when, when the conversation then ends up in either left or right. So, so there's no change to that plan. We're not on an accelerated path or anything like that. You know, we're not

keen on paying goodwill, as you know. So when the contract runs out, then we have those conversations. Yeah. So steady as she goes.

Kristian Godiksen, SEB: [01:22:25] Cool and China.

Alexander Lacik, CEO: [01:22:27] China. Well, I mean, listen, in the past, I've kind of been quite clear that I don't particularly care about what happens outside our own four walls because our job is to fix the brand. In that respect, nothing has changed. We still keep down that pathway. Now, I do have to admit that the macro has been, let's call it, unhelpful in the recent quarters. Also, if you look at other companies reporting in China, I think they've had a quite, quite rough ride in the last few quarters. So that's clearly not helping us. But we, you know, we stick to, to our path in China trying to crack it in Shanghai, as I said in the past. And it still holds that there is a separation in the performance in Shanghai. Still, the absolute levels are not enough to say, let's go into to other markets in China yet. So it's it's yeah.

Kristian Godiksen, SEB: [01:23:20] It's just when you say you're currently considering the next steps on the journey, maybe just a bit confused on when that and what that potentially means then.

Alexander Lacik, CEO: [01:23:32] I mean, maybe I think you're reading a little bit too much into that, to be honest. The next step is obviously the moment we get critical mass of traffic into Shanghai. Then we are preparing now, which are the other cities that that we would consider going into? That's probably what we meant. Maybe we were a little bit unclear.

Kristian Godiksen, SEB: [01:23:52] So it's not it's not looking into potential partner or doing, you know, doing more structural changes.

Alexander Lacik, CEO: [01:23:58] No.

Kristian Godiksen, SEB: [01:23:59] Sorry?

Alexander Lacik, CEO: [01:24:10] No, the answer is no. There is no such thing. At least that was not the intention of the sentence. Maybe that was. I'm sorry if that was unclear, but it's essentially. Yeah.

Kristian Godiksen, SEB: [01:24:21] No worries. Perfect. Okay, perfect. Thanks a lot. Clear.

Bilal Aziz, VP, Investor Relations & Treasury: [01:24:30] On that note, thank you very much, everyone. On a busy day for taking time with us. Any questions, the IR team is around. Please do get in touch and have a great day.