Pandora Q1 2024

Bilal Aziz, VP, Investor Relations & Treasury: [00:00:00] Good morning, everyone, and welcome to the conference call for Pandora's first quarter 2024 results. I'm Bilal Aziz from the Investor Relations team, and I'm joined here by our 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, then that would be great. Please pay notice to the disclaimer on slide two and turn to slide three. I will now turn it over to Alexander.

Alexander Lacik, CEO: [00:00:29] Thank you, Bilal, and welcome to everyone. Let me start by highlighting some of the key messages for the quarter. First of all, we had a very strong start to the year with 18% organic growth, of which 11 comes from like for like growth. Putting this into context the jewellery markets around us remain rather tepid. So, we think this is a great achievement. It's also great to see that our investments into our strategy are consistently paying off. Some of you will remember that our brand strategy centres around changing the perception of Pandora into a full jewellery brand. Our Q1 growth comes broad based across our collections, which is exactly in line with our strategic intent of growing the core while growing even faster in the future with more segments. Meanwhile, you would have noticed that our gross margins expanded to a record high and continues to demonstrate the benefits of our vertically integrated business model. We've also flagged that, like last year, we would scale up investments to drive current as well as future growth ideas. This is taking place, but our EBIT margins expanded slightly in the quarter, reflecting the strong growth we saw. And of course, all of these KPIs feeds into our unique asset light model, where we continue to demonstrate very high returns whilst maintaining low leverage. So, in conclusion, it's been a very good start to the next part of our PHOENIX chapter. We've continued to make investments into our business and are yielding good results across the board.

Alexander Lacik, CEO: [00:02:07] Now let's move to slide four, please. Given this strong start to the year, we are raising our organic growth guidance for 2024. This now stands at 8 to 10% and includes like for like growth of 4 to 6, which is exactly in line with the mid-term CAGR target we provided at the Capital Markets Day last year. As always, we've taken a number of factors into account. We've got good momentum. But against this, the macroeconomic backdrop is still highly uncertain and it's very early in the year. In that context, we believe it will be a great achievement if we deliver on this guidance. We do acknowledge that the low end of the guidance would require a consistent worsening of the macroeconomic environment relative to where it sits today. We will, as usual, continue to update you as we move through the year. We've left EBIT margin guidance unchanged at around 25%. We'll continue to press ahead and invest in current and future growth initiatives whilst maintaining our already high margins. We can see that our investments are generating good returns, so no change here. As usual, I'll give you a few quick words on current trading. We've started Q2 well. In the first four weeks our like for like is up high single digit percentage levels versus the same period last year. This is another good sign as we continue to enjoy strong brand momentum. At this point, it's worthwhile to remind you that we also had a particularly strong trading in the second half of last year. This was partially helped by various social media activations, which we don't necessarily expect to repeat every quarter. And in that regard, as you can see from our guidance, we don't assume a straight line extrapolation of the current growth level for the rest of '24. I've mentioned previously that the underlying like for like run rate in the back half of last year was probably closer to healthy mid-single digit levels. When you overlay the current macro environment, it's important to keep that in mind. Now can we move to slide six, please?

Captivate

Alexander Lacik, CEO: [00:04:17] Here you can see the PHOENIX strategy, which we updated last year. The PHOENIX wheel has served us very well since 2021 and continues to do so today. As you can see on this slide, we have a lot of growth initiatives across our four pillars. I will speak to some of these in detail in the coming slides. But in Q1 alone, we've started the restaging of our brand, which has had an encouraging response. We have continued to drive growth across many of our diverse markets and pressed ahead on the rollout of our new store concept, Evoke 2.0. The growth pipeline is very exciting, not only for this year, but in many years to come, and we will continue to drive this hard. Let's get into the brand restaging in a bit more detail on the next slide, please.

Alexander Lacik, CEO: [00:05:06] From our Capital Markets Day last year. Some of you may remember the refreshed marketing strategy. This program, to restage the Pandora brand, started in early '24. The essence of this is to really change the perception of the brand into full jewellery brand. We've always had a wide variety of collections, but that hasn't always been the consumer perception. We're now working on changing that, and the brand restaging is and will be instrumental to this mission. We've launched a restaging with a new campaign under the big idea named Be Love. For those of you who have seen the campaign, I'm sure you will recognise that this is a new and contemporary look and feel of our Pandora brand. We're moving away from specific product centric marketing in order to drive desirability and affinity to the entire Pandora brand. This is indeed a step change, and we have and will continue to invest properly behind this and driving brand heat more generally. You can see on this slide some examples of our new campaign. We have appointed two new global ambassadors, sisters and artists Chloe and Halle Bailey. And so far it's been a great to see the good press coverage we've received. Next slide please.

Alexander Lacik, CEO: [00:06:24] Brand perceptions takes time to change. That's particularly true for low frequency category like jewellery. But as you can see from the quarter and over the past year, we believe we are firmly on the right track to transform our brand. The mission is simply to bring more consumers into the Pandora brand, who are looking for high quality, precious metal jewellery that actually means something to them and obviously at an accessible price. Once we start to dominate that element of the consumer thinking, the rest comes a bit easier. We can offer them a various range of collections to suit their needs. With that in mind, you can see on the slide how we've continued to drive growth across our collections. Driving the core whilst fuelling with more is exactly in line with our strategy. Which brings me nicely onto the next slide.

Alexander Lacik, CEO: [00:07:12] Let's start with the core. Here we leverage our strong heritage through our icons while sprinkling on pieces of innovation. We had a solid quarter in Q1 in our core, which grew at 3% like for like. Within this Moments had a good quarter at 5% like for like. With the overall performance way down somewhat by collabs, which always goes through various cycles. You can see some of the best selling products in the quarter on the slide, and we continue to see solid growth in our iconic silver bracelet. This continues to fuel growth in our carriers, which is important. Elsewhere, Pandora ME continues to contribute with yet another very strong quarter. Next slide please.

Alexander Lacik, CEO: [00:07:55] Here you can see the progress I was referring to on fuel with more. Clearly this is dominated by very strong numbers from Timeless. As per last year, this growth is relatively broad based against all product categories, and it's important to remember that the collection is resonating with consumers, not only the specific products. Timeless offers beautiful precious metal classical jewellery for all occasions, so I'm not particularly surprised that we're attracting more and more consumers into the brand through this. We continue to experience benefits from social media activations. As in previous quarters it's in particular supporting our timeless collection. In addition to meaningful impact on sales, it's also a testament that our brand resonates well with our consumers. For our lab grown diamonds, we've continued to make progress here with 87% like for like growth. This is helped by the expansion of the assortment we had last year in Q3, which we're still analysing. We still have a lot to learn and optimise here. We're convinced that we have a big role to play in the lab grown diamond market, and Pandora is the brand that can democratise this category. One benefit from our presence in lab grown diamonds is that we've seen a positive halo effect on the brand at large. We can see this clearly in North America from data, where the consideration to purchase any piece of Pandora jewellery has increased since we expanded our lab grown diamond assortment. So, there are multiple benefits in being present in this category, and it's clearly elevating our full jewellery brand promise.

Alexander Lacik, CEO: [00:09:29] Now let's discuss some of our markets. Let's start with our biggest market, the US, which delivered 9% like for like growth. Another strong quarter. As we saw in the second half of last year, the US continued to benefit from our brand initiatives, driving increased traffic. The brand halo effect has also been most pronounced in the US from introducing lab grown diamonds. Meanwhile, you will remember that the US remains a big opportunity for network expansion for us, and you can see how that drove overall organic growth at 16% in the quarter. Next slide please.

Alexander Lacik, CEO: [00:10:07] The performance in our key European markets was also strong at 9%. Like for like. This was driven in large part by Germany with exceptional 67% like for like growth. I know you will ask me what drove this, as you should. This was relatively broad based across our collections, driven by brand, which is simply increasing penetration in a big jewellery market. Of course, we do expect these trends to moderate, but you should keep in mind that the Pandora formula of increasing brand heat in low penetration markets works really well. Germany is just one example of this. In the UK and Italy, the performance continued to remain resilient despite the weak consumer backdrop. Finally, in France we delivered 2% like for like growth with some of our positive brand initiatives were somewhat offset by weakness in the partner channel with like for like in partner stores at -12%. This has been a sore point for a while in France, and we do have a plan to address this. Next slide please.

Alexander Lacik, CEO: [00:11:07] In China, our performance of -17% like for like was disappointing. Shanghai keeps performing ahead of the country, which demonstrates an effect of our actions. We can record an improved performance in Shanghai with a delta of 6 points versus the mainland. Despite actually reducing the promo pressure. Conversion rate is at a four year high, and traffic is at +9 versus a -11 for the rest of the country. Moments has a 14 point delta in performance. So, what I'm trying to say slowly, slowly we're starting to find a better model in China. In Australia. We continue to be impacted by the weak consumer sentiment, which continues to impact the partner channels. A similar trend to what we saw last year. In Q1, we delivered 2% growth in our own physical stores while like for like was -10 in the partner stores. Finally, on rest of Pandora we delivered 18% like for like growth. This was off a tough comparison base. So, it's a good performance and the growth was relatively broad based. A reminder of the diverse nature of our growth here. However, we remain mindful also here that our comparatives remain tough, and we continue to expect some element of normalisation of growth here for the rest of the year. Next slide please.

Alexander Lacik, CEO: [00:12:32] As usual, I'll provide a quick update on our network plans. We saw a strong contribution from network expansion of 5% in the quarter. This was mostly driven by the openings we had last year, and it's good to see the sales and earnings accretion coming through nicely. We will continue to push ahead with our store opening plans this year in 2024, with a total current target of 100 to 175 openings. We now expect the organic revenue contribution from network growth to be 4% for this year, versus the previous guidance of 3 to 4. Next slide please.

Alexander Lacik, CEO: [00:13:09] Finally, before I hand over to Anders, I'll provide a brief update on progress on the new store concept called Evoke 2.0. As a reminder, the Evoke 2.0 is a fundamental redesign of the classic Pandora store, with the vision of presenting us as a full jewellery brand and elevating brand desirability. We now have opened a total of 88 Evoke 2.0 stores. The latest openings and refurbs we've had in Q1 have been in the US and Italy. As we build out the new store concept more globally. We continue to see good traction here. We can clearly see that consumer consumers are engaging across our collections much more intuitively, which is perfectly in line with the strategic intent. We will continue to update you here as we move forward, but on the very small sample size of Evoke 2.0 openings we've seen so far, we can indeed see that they're accretive to like for like growth at low single digit levels in line with our expectations. And on that note, I'll hand it over to Anders for a closer look at the financials.

Anders Boyer, CFO: [00:14:15] Thank you Alexander and good morning everyone. And please turn to slide 17. In the first quarter you can see how our top line growth is feeding down through a high gross margin. And then further down in the PNL, driving some operating leverage and all the way down to an 18% growth in earnings per share. And this is indeed a good reflection of how our business model works. Let me just highlight two other KPIs on this slide, and I'll start out with the gross margin, which hit another historical record high at 79.4% in Q1. Without the one off drag in the quarter, which we have in connection with forward integration, the gross margin would actually have been above 80%. And I would like to repeat that these high gross margin levels are sustainable. We've operated around this level for some time now, and there's no positive one offs. That makes the gross margin so high here in Q1. It is just a continuation of our gross margin journey during the last years, and a reflection of a strong brand combined with a vertically integrated business model operating at a very large scale. Moving on. You can also see in the table on this slide that our working capital improved a bit from last year, and that was partly driven by good inventory management. And you can see that our inventory decreased around one percentage point of revenue compared to last year. Next slide please.

Anders Boyer, CFO: [00:15:58] Now here we will take a bit a deeper look at the revenue performance in the quarter. Alexander has actually already covered the like for like and networks. I'll just cover one other element on this slide here. And that's the one called Calendar Impact and other. Within the quarter we saw a 2.2 percentage points positive organic growth impact from other factors. And this was partly related to a calendar impact due to the fact that it is a leap year here in 2024. And that gives an extra trading day in February. This will obviously reverse out in Q1 of next year. So, please keep that in mind for your models. I'm also happy to report that in Q1, we did not see a drag on organic growth from the sell into our partner channels. That's quite encouraging, obviously, because we have seen such a drag for the past many quarters. Having said that, the environment still remains uncertain. So, let's see how this develops for the rest of the year. Next slide please.

Anders Boyer, CFO: [00:17:10] On the EBIT margin, our performance played out a bit better than our expectations. And as you might remember from back in February, we said that we expected our Q1 margins to be a bit lower than last year due to our investments in the restaging of the brand. Now, our marketing expenses were actually up almost 30% in Q1. But as you can see in the bridge here, the strong top line growth drove 130 basis points of operating leverage and offset the investments. Our EBIT margin in the quarter was temporarily impacted by a 90 basis points of headwind from forward integration. And compared to last year, that's a net 80 basis points of headwind. And that's the net of the two building blocks in this bridge showing the forward integration impact last year and this year. But without this one off impact, the underlying EBIT margin in Q1 was close to 23%. So, now let's move on to the guidance update on slide 21.

Anders Boyer, CFO: [00:18:24] As you have seen today, we started the year well with a strong Q1, and this has prompted us to increase our organic growth guidance to 8 to 10% from 6 to 9. Previously, Alexander has already given some comments about the guidance, but there's a few things we want to stress or repeat here. We clearly had a strong first quarter, and so far current trading has remained solid in the second quarter. The current trading, of course, covers a quite short period of time and this can indeed be impacted by many things. But we are happy that our underlying demand looks similar to what we've seen over the past three quarters. But we can't just extrapolate this going forward to the rest of 2024. First of all, as Alexander reminded you already, we had a particularly strong trading in the second half of last year, 2023, and that was partly helped by a number of social media activations, which we do not necessarily expect to be able to repeat every quarter. Secondly, while growth in especially the rest of Pandora and not least Germany was started off strong in '24, we do expect some normalisation of growth here. And then finally just repeating again, we are still conscious of the macroeconomic situation and the low end of our guidance accounts for a weakening of the macro economic climate relative to today. So, in summary, we have started the year well, our growth pipeline remained strong. But it is early on in the year, and obviously we will continue to update you on the guidance as we move through 2024. One final note here is that we have raised our network guidance slightly to around 4% versus 3 to 4% previously, and that simply reflects some fine tuning on the timing of the openings this year and the ramp up from last year's openings in Q4. Next slide please.

Anders Boyer, CFO: [00:20:43] We're keeping our EBIT margin guidance unchanged at around 25%. And we've laid out the building blocks for the margin guidance on this slide. And we're happy to dive into the building blocks. If you have more detailed questions. The operating leverage from the higher revenue guidance will be reinvested in growth initiatives to keep fuelling the top line, both in 2024 and going forward. And this includes, for example, continued investments in the brand, accelerated investments in building out our presence in Asia, including in the big jewellery markets in Japan and South Korea, as well as a bit of accelerated forward integration. I would also like to provide a more of a household comment to the phasing of the EBIT margin based on these additional investments that we are making. So, while you have seen that the Q1 margins were up year over year, we expect the second quarter and third quarter margins to be slightly lower versus last year and then before being slightly up again in Q4. Next slide please.

Anders Boyer, CFO: [00:21:59] Pandora has always been nothing but a wonderful cash generating machine. And we have put in two charts here illustrating that the upper chart we haven't shown before, but it shows that our payout ratio during the last 11 years on average, we have returned around 100% of our net income to shareholders since 2012. And as you can see in the lower chart, and this is just repeating what we showed last quarter, but we think it's worthwhile repeating, then a decent part of this payout has taken place as share buybacks. And since 2012, we have bought back and cancelled nearly 35% of the share capital. And in '24, we do continue this journey and pay out 5.5 billion DKK to the shareholders, or just around 6% of the market cap. Next slide please.

Anders Boyer, CFO: [00:22:58] In six weeks time on June 11th and 12th, we are hosting an analyst and investor trip at our state of the art crafting and supply facilities in Thailand. And many of you have signed up already, but we do hope that even more can join us to see our vertically integrated business model and how we are crafting jewellery at such a large scale. And please get in touch with Bilal or someone else from the IR team if you have any questions or want to join. And with that, I'll hand it back to Alexander.

Alexander Lacik, CEO: [00:23:31] Thank you Anders. So, to try to conclude, if I had to summarise everything that is leading to our success right now, it would be traffic. We're simply bringing more consumers into the brand today, which is a good endorsement of the strategy. Overall, you can see this through our overall growth and our broad based like for like growth across the collections. We clearly continue to invest heavily behind our growth initiatives whilst maintaining very strong profitability across the board. And given the start of the year and our ongoing confidence in the strategy, we've raised our organic growth guidance to now be 8 to 10% for this year as Anders just went through. And with that, I think we're ready to open the Q&A.

Operator: [00:24:18] Thank you. If you do wish to ask a question, please press five star on your telephone keypad. To withdraw your question again, please press five star again. We will have a brief pause while questions are being registered. The first question is from the line of Lars Topholm from Carnegie. Please go ahead. Your line will now be unmuted.

Lars Topholm, Carnegie: [00:24:48] First of all, congrats with an exceptionally solid quarter. Well done. I have two questions. One is on the gross margin where you are very transparent on your sensitivity to commodity prices, but that's only one of the moving parts. And we can see in this quarter there's a drag from forward integration. There's a 210 bips tailwind from efficiency gains, pricing and network. Looking at the next couple of years and knowing what you plan on forward integration, etc. What kind of potential silver cost inflation will you be able to mitigate from these other parameters? I assume the 210 bips from Q1 will not always be repeated, but I also assume these are integrated parts of the way you run your business. So, presumably there will be some tailwind from that going forward. It was the first question. The second question goes to the new Essence collection, which you told investors about on the CMD last year. You've been trialling that in Holland, and I understand you are going for a global launch in June. So, with effect in H2 this year. Can you give some details on how this collection has performed in Holland, such as share revenue, whether this revenue is cannibalisation or incremental, and maybe also some comments on what kind of marketing investment has been behind it in Holland. Thank you.

Anders Boyer, CFO: [00:26:36] Hi, Lars. And thank you for that question. I'm almost hesitant to answer in a very, very concrete way. But starting just a couple of reflections. One is that with the current spot price, at least what it looked like a couple of hours back then, the current silver price is around 100 basis points of headwind compared to where we are operating in '24. But also, roughly a headwind of around 100 basis points compared to the CMD targets. And obviously, as we all know, that can change. Then of on top of that, the sort of the annual structural headwind we will have on the gross margins of everything else equal is obviously salary increases to our colleagues in Thailand. So, setting off those two, assuming that the silver prices remain where they are is a bit of a steep curve. But you're absolutely right. We are increasing growing our own network a bit faster than the partner network. We are continuing forward integration, as you rightfully said, that's a pretty big plus in Q1. And that journey is going to continue in the years to come. And then adding the price increases. We've said that we were doing 1 to 2 points of price increases per year. That's 20 to 40 basis points on the gross margin. So, net net, everything else equal, I think what we will be pointing towards is that the underlying gross margin that you're seeing us trading at right now, just around the 80% plus minus is not too bad a way to think about the gross margin even at the current silver price level.

Lars Topholm, Carnegie: [00:28:49] So, just to be 100% clear, Anders. When you presented your long term margin target of 26 to 27%, silver was lower than where it is today. Given that increase in the silver price are the 26 to 27% jeopardised in any way?

Anders Boyer, CFO: [00:29:12] Of course, as a starting point, it gives a 100 basis points more sort of work to get there. That's a given. We made the CMD target were based on a silver price of 23.5 USD. So, that is give and take a 100 basis points of headwind on an isolated basis. But there's obviously many other factors at play in the margin, top line growth the level of network expansion foreign exchange for that matter, as well. And then potentially other specific actions we could take given that the silver price is up and that might be related to product design driving a bit different product mix, maybe even ASP increases or cost measures down through the PNL. So, I think we would answer is that it's still early days as on an isolated basis, it gives a 100 basis points ofheadwind. But we've also shown that we can manage sort of volatility before if you look back in the past. So, that's kind of the vague answer I can give you, Lars. I hope that's okay.

Lars Topholm, Carnegie: [00:30:35] Yeah. It's fine. And thank you very much. Then on new Essence.

Alexander Lacik, CEO: [00:30:40] So, on essence, as always, when we do the test market launches, we're trying to figure out the right model. So, it's rarely the matter of you plot a test and then everything works the way it does. So, you keep kind of working around and then when we kind of go to the next phase when we're looking at the global scale up, then of course, we are looking at the best component trees of the learnings that we got from Holland. So, just kind of trying to understand a little bit the methodology. Now in terms of it's a bit hard to read in in Holland because Holland was kind of on a double digit growth journey before we launched it, sustained at that and even a little bit more. So, arguably there was good incrementality coming through from the launch. Exactly how much cannibalisation, I mean, it is very difficult to assess but minimally speaking, there is, you know, on a launch that kind of sits like Essence Diamond would be a different topic. But that type of launch, I would expect that you get between 50 and 70% incrementality coming through. So, that's probably how we're thinking about it.

Lars Topholm, Carnegie: [00:32:00] But 50 to 70% Incrementality on what revenue share?

Alexander Lacik, CEO: [00:32:09] Yeah. Typically, on a thing like that because it has enough separation from the usage occasion. It has enough separation from a price value standpoint. So, you should expect that because if you have 100%, then why do it in the first place. Because then you just shifting money from left to right. So, that's of no interest. Diamond would be, in my world, close to 100% incrementality coming through. So, and even if it's not, you know, if I move somebody from buying a charm for 50 bucks and they move to 700 bucks, you know, I'll take that any day of the week. But Essence, we expect a fair amount of incrementality coming through when we entered the other markets. Yeah. And it comes within the envelope of the budget that we have for the year. So, it's kind of been baked in. One idea behind the Queen effort was to essentially provide a brand communication platform. Which is what I mentioned in my notes, rather than layering each collections on top of each other. Because once you start doing that, then all of a sudden you end up with the marketing budget that's going to exceed your revenues, which is, of course, not so attractive. So, we're trying to swap the model into having a brand layer at the top. And then we use middle and lower funnel media channels to drive the specific product news. So, it's a shift in how we try to, and that wouldn't allow us to keep within the parameters of the marketing investment that we've been speaking about in the past. So, it's a little bit of a different model.

Lars Topholm, Carnegie: [00:33:58] And the share of revenue in Holland. Would you comment on that?

Alexander Lacik, CEO: [00:34:03] I mean, it's a couple of couple of points share business. Similar to Pandora ME, if you think in that respect.

Lars Topholm, Carnegie: [00:34:16] Thank you very much, guys.

Operator: [00:34:21] The next question is from Antoine Belch from BNP. Please go ahead. Your line will now be unmuted.

Antoine Belge, BNP: [00:34:30] It's Antoine Belch from BNP. Two questions. First of all is it possible for you to give a bit more colour on the key markets within the rest of Pandora, like Mexico, Spain, etc. and in the quarter, but also how you expect them maybe to trend you know, when they get maybe to tougher comps. And my second question relates to the increase in the contribution from space for this year is it possible to have a breakdown of the regions of the new guidance? Thank you very much.

Alexander Lacik, CEO: [00:35:16] Okay. Maybe I can shed a little light on some of some of the other markets. So, we had Spain in plus 12. I have Poland plus 15. You have a Canada, which we don't talk a lot about sitting at, plus 9. Turkey sits at a, you know, very high number. But of course, part of that is price inflation. And Mexico to wrap it up was sat at the high single digit. So, that's kind of where it sits. As I said we expect some of these to moderate a touch I think the big unknown in these numbers is always Turkey because it's, you know, the other ones are a bit more in our control. Turkey of course, with this, you know, the lira jumping up and down and interest rates. That's a big uncertainty. So, we always forecast a little bit on the cautious side on that because you can't bank it simply put.

Anders Boyer, CFO: [00:36:25] On the space. As you can see, our guidance on the number of stores is unchanged. So, going from 3 to 4 to 4%. Organic growth contribution is mainly a reflection of the timing within the year when we are opening up the store. So, the store is still the same if you look at the concept stores the majority, the biggest contributor are North America, but we actually almost across the board, across markets, across the clusters that we are organised in, open up stores. But in absolute terms, the biggest contributor is North America, US and Canada southern Europe including Greece as an example. And Italy is we are opening up a number of stores as well and then not least Latin America. And now also a couple of markets in Asia for shopping shops. It's mainly a Latin America and Asia story, but not least Latin America. So, net net the big contributors is North America and Latin America. That's the two biggest parts of the world where we are opening up stores. But now, reading our company announcement and in the voice order we just gave before, we are speaking more and more about the other markets in Asia. And we are starting putting some proper money behind building a stronger footprint in that part of the world as well. We mentioned specifically Japan and South Korea. But there's a number of other markets, if you go into the fine print where you can see we've actually had during the last couple of quarters have opened up stores. Thailand being one as well.

Antoine Belge, BNP: [00:38:32] Okay. Thank you. Maybe. Just to clarify. So, is it fair to say that out of the full year guidance half of the contribution come from the US?

Anders Boyer, CFO: [00:38:48] Let me just check. It would be a little bit less than that, I think on the concept stores, from a revenue point of view, the biggest piece you can think North America, that's including Canada, but let's call it 40-ish stores out of the guidance. So, it's almost half of the midpoint of the guidance.

Antoine Belge, BNP: [00:39:16] Thank you very much.

Operator: [00:39:21] Thank you. The next question is from Thomas Joubert from Citi. Please go ahead. Your line will now be unmuted.

Thomas Chauvet, Citi: [00:39:30] And good morning. Thanks for taking my questions. The first one on the non-coms categories fuel for more. You know, very strong like for like particularly timeless at plus 43 accelerating now for three quarters in a row and I think above 20% of sales. Could you explain who that core customer is? Are they increasingly new? Are there former moments customer that are increasing their basket size or that perhaps are moving away from charms, being less interested by charms, and then who do you think gaining market share from in your key markets with Timeless. And secondly on the at 24 EBIT margin bridge guidance, you said there will not be much operating leverage because of reinvestments. You've mentioned, Anders, that the push in new markets, Japan and Korea, could you quantify those investments in Japan, Korea in monetary terms? And I was just wondering why not India? First, if I recall your presentation back in October at the CMD you showed how obviously India is much bigger share of the global jewellery market than Japan and Korea, I guess might be perhaps a bit of a product positioning in a market maybe driven by gold jewellery. Is that the problem and just are these investments in Japan and Korea on top of what you have planned for China? Or are you scaling back a little bit in China this year? Thank you.

Alexander Lacik, CEO: [00:41:15] So, on timeless. First of all, I mean, in absolute numbers when we put a 5% growth on Moments. That's going to be the bigger thrust, because of course, it comes on a larger base. The only thing which we have seen, possibly on Timeless, is that the rings in timeless, which has also been kind of heavily featured on TikTok and those type of social platforms seem to have attract a slightly younger audience. But that as much as I can say. Typically, we see that the brand kind of runs cross-generational. There are no major deviations that we have seen so far. Yeah, I think that's Timeless, really.

Anders Boyer, CFO: [00:42:07] And thanks for the question. On the margin Thomas. We are also having a lot of activity around India. The difference in timing comes from that we already have a presence in Japan with our own network and in South Korea through a partner. So, it's easier to accelerate from that starting point while India is still greenfield. We don't have any stores in India, but there's definitely also a lot of activity in our business around how do we get started in India? But too early to talk about just yet. On the investment. Give and take in round numbers, you can think about the incremental investments that we have decided to do this year, to the tune of 100 million DKK, 30 basis points margin impact. And a bit more than half of that is related to Asia ex China. So, and then mainly Japan and South Korea and the rest is related to other more global marketing activities and forward integration, accelerated forward integration. So, we have not touched the China investments. We want to make sure that we have enough fuel in the tank to get the brand into a better place, even though it's not something that's done in a day, as you can obviously see in the numbers, we're not touching the investments in China.

Thomas Chauvet, Citi: [00:43:58] Thank you, Anders.

Operator: [00:44:04] The next question is from Louise Simplehass from Goldman Sachs. Please go ahead. Your line will now be unmuted.

Louise Singlehurst, Goldman Sachs: [00:44:13] Hi. Morning, everyone. Thank you for taking my questions. You must be absolutely delighted with such a strong start to the year. A couple of quick ones. I wondered if you could help us just think about the US consumer. There's obviously quite a range of company reporting and anecdotes on the US consumer, but what you've seen in terms of obviously traffic, very strong, but any changes or performances that you'd like to call out during the quarter that you've seen traffic conversion demand by price point. And then my second question was just relating to the 8 to 10% guidance. I think you make it very clear in terms of the low end of the guidance would reflect quite a worsening of the macro environment. So, obviously that, you know, it's quite a narrow range. So, presumably the 10% would be status quo as we see today. I wonder if you could give us a little bit more colour around that. Thank you.

Alexander Lacik, CEO: [00:45:02] So on the US indeed, there are a lot of anecdotes flying around. The issue with this category in general and it's not just US, is that it's from a data standpoint, there are many different data points, and they all point in different directions. So, you have to be very careful when you interpret them. And we obviously collect as much as we can. And then what we try to understand is essentially total category trends. You're now asking a question to dissect inside the category and see, you know, how different consumer cohorts move. So, far we don't have any reliable statistics in that. So, it's more kind of looking at different data points. There are a couple of companies that report of course Signet, Brilliant Earth. There's some commentary in general on LV, you know, but they combine a hard luxury with watches and jewellery in one. Presumably a big part of that is Tiffany. So, once you start piece these things together, the view I would have is the US market has not been in a positive space for some time. There are some indications I think I can't remember who reported that suggested that maybe the higher end luxury brands are having a slightly tougher time than maybe brands that are positioned like us. So, you know, that's as much as I can say. What what's interesting, if you look, peel the onion a little bit on Pandora, it's clearly we continue to drive our growth based on traffic increase. But there's even more to that. So, if we look at the let's say the funnel, we talk about aided awareness, which of course is so high, so it becomes almost pointless to look at it once you start getting in the 80-90% range. But unaided awareness tells you something and that's grown for us in the quarter in double digit. Consideration, which is the next one is of course, I might be aware of you, but I'm not interested. Okay, that's a bummer. But actually, then consideration is the important metric that I can shift people's view that they consider you. That's also up a double digit in our case. And ahead of competition the way we register it. Penetration, is up significantly. Not just in the quarter, but actually over the last three, four years, penetration has been on a positive trajectory in the US. Our share of search is also up in double digit.

That kind of points to a higher engagement for our brands. So, if you look at all this in aggregate, it's clear that we are gaining a lot of market share. Exactly from who, I don't know. But, you know, one has to believe that other brands that sit in the same kind of value proposition as us we're probably gaining a little bit of share from these guys. There's this theory that aspirational customers are somehow trading into us. Please note that I'm not saying down. Yeah, that's probably a few of them are probably picking up a Pandora and putting into their repertoire. I think at the highest, highest end, these people, I doubt that they're coming into to Pandora. You're very welcome, by the way. But I don't think that's where it's coming from. So, I think it's from, you know, lateral share gains and some of the people that have aspirations but today don't have the discretionary power to do those purchases.

Anders Boyer, CFO: [00:48:56] And to your other question, Louise. I have a very short answer would be, yes. Your logic is right that if we continue pretty much at the pace that we've seen in Q1, then we should be ending up somewhere around the higher end of the like for like guidance or organic growth guidance. But just to give a little bit more colour or one way you could think about it looking at Q1 then like for like was 11% year over year. I'm not always a very big fan of looking at multi year like for likes, but if you look at like for like in Q1 on a two year stack, it's 11% as well. And it might make sense to look at as one of the ingredients in how to think about the year. It might make sense to look on a two year like for like given that there's such a big difference in the COMP when we get to the second half of the year. So, but if you use that two year logic getting into Q2, it could be around within this guidance around the lines of high single digit year over year, like for like then that still adds up to 11% on a two year stack. And then getting into the second half of 2024, we're meeting 9% like for like COMP on a year over year basis. And you can probably do the math that our second half, Q3 and Q4, guidance would be between zero and 3%, like for like in Q3 and Q4 on a year over year basis. And then if you convert that high end of that, of the guidance then to a two year stack, then you would get to that. The high end of the guidance means around 12%, like for like in Q3 and Q4 on a two year stack. So, long story, long, long answer. But it's a slight acceleration would be implied in Q3 and Q4, if you take that analysis, I use that analysis to dissect our guidance.

Louise Singlehurst, Goldman Sachs: [00:51:17] That's really helpful. Thank you.

Operator: [00:51:21] Next up we have Kristian Godiksen from SEB. Please go ahead. Your line will now be unmuted.

Kristian Godiksen, SEB: [00:51:29] Thank you. And also, from me congrats with another set of very strong results once again. Yeah. So, two questions. Initially. So, maybe if you could comment on the pipeline of forward integrations, you mentioned, Alexander, in the presentation that you also have a plan in France. I was wondering if you could elaborate a bit more on that. Based on the commenting on the weak partner performance. And you have also spoken about the difference in the performance in the US between your own stores and franchise stores. So, that would be the first question. And then the second question is on the EBIT margin bridge. I was just wondering on the size of the column of the operating leverage and hence also the size of the investment. Is that representative? I would have thought they would have been larger, as you also show in the Q1 margin bridge. So, obviously netting out, that I understand, but more on the size of each of the directions. Thank you.

Alexander Lacik, CEO: [00:52:35] Yeah. I mean, when it comes to the France and the answer is the same wherever in the world. We are not going to people breaking contracts. We're waiting for the contracts to run out. Or if the franchisee approaches us and wants to have a conversation on a potential takeover. So, that's essentially what's cooking in France. And then in the US, if you break down a little bit the channel performance in our O and O, we were growing by 7, store was up 22. And actually, the franchise community or wholesale was up 1 point. So, they were actually on the sunny side of things in the quarter. And it's the same story there. It's like, if and when a contract runs out, then we have the conversation. If not, then, you know, we're trying to, have a business conversation when we think they're underperforming and what and typically what drives the underperformance and we've talked about this in the past is they don't have enough inventory. They don't have the right inventory. And they are not applying staff hours, as agile as we would like them to or invest in volume terms enough staff hours to get hold of the conversion opportunities. So, there's nothing really new to the story there.

Kristian Godiksen, SEB: [00:54:10] Okay. Can I just maybe follow up this briefly? Just on the France you mentioned that you had a set of plan. What was that referring to then?

Alexander Lacik, CEO: [00:54:20] So it's the same old story as we discussed with them. We try to find incentives for them, the ones that are not running out on the contracts. We show them how much money they're leaving on the table. And yes, there is a forward integration aspect of this. Those are concretely the plans.

Anders Boyer, CFO: [00:54:41] And then, Kristian, to your other question. I think you have a fair point. The EBIT margin bridge, the grey and pink column in operating leverage, if you just size it compared to the other ones, you would probably say that looks like 15, 20 basis points. And I think in reality, the grey box and the pink box could be sort of equally both bigger but still adding to around 0%. I think that's probably also with hindsight and prompted by your question, why we could have drawn it like that and so a little bit bigger upside and equivalent downside depending on exactly how we do time investments. I'm just going back to the question before on forward integration. That is one of the sort of the variables where we might say, well, we are clearly on a journey becoming more and more owned and operated. And if there's space in the PNL, we might an option of to do it in some markets we may accelerate forward integration even more.

Kristian Godiksen, SEB: [00:55:59] Make sense. Just, I guess it's I would also assume it was more than just a little bit bigger. Because I guess in Q1, you show that the operating leverage and that was even net of investments, that was 1.3 percentage points. So, you know, are we speaking about in percentage point terms, I guess, or are we in basis points here?

Anders Boyer, CFO: [00:56:20] And the 130 basis points in Q1 also comes on the back of a significant growth outperformance. So, I'm speculating, if that happened again, then of course, the size of the grey and the pink boxes could be even bigger, but within the range of two points of organic growth, 8 to 10, then it looks like this. We could have drawn it maybe a little bit bigger, the grey and the pink box. But within that top line guidance range, I think that kind of dictates the size of the boxes in operating leverage.

Kristian Godiksen, SEB: [00:56:59] Okay. Very clear. Thank you.

Operator: [00:57:05] Next up we have Grace Smalley from Morgan Stanley. Please go ahead. Your line will now be unmuted.

Grace Smalley, Morgan Stanley: [00:57:12] Hi. Good morning. Thank you. I have two questions, please. My first one would just be on the like for like, growth. As you said in Q1 regionally was very much driven by Germany and the US and the rest of Pandora markets. I guess looking ahead, when looking at all the work that you're doing in terms of brand elevation and marketing investments, when would you expect that to start to pay off in terms of a positive inflection in like for like perhaps in some of your more mature markets such as the UK, Italy and Australia? And then my second question, Anders, I think if I heard you correctly, you said that on the cadence of EBIT margins that you'd expect them to be down in Q2 and Q3 and then up in Q4. And if that's the case, and I apologise if I missed this, could you help quantify the magnitude of margin pressure you would expect in Q2 and Q3, please? Thank you very much.

Alexander Lacik, CEO: [00:58:05] So, on your first question, I mean, the reality is that those markets are in negative territory, and we are kind of less negative. So, it's the brand revamp is already paying dividends. It's just that the market is subdued. So, it may become more visible when the market goes into a positive territory. And of course, when we have a more mature position, the incremental impact is always going to be a little bit less than when you have a big penetration opportunity like we see in Germany and the US as an example. So, I think it's already at play. Yeah.

Anders Boyer, CFO: [00:58:50] In general, there will be a little bit hesitant to be too specific on the quarters, but I think it's a fair question. It was meant as more of a household comment. So, it's not any big movements. But think about it as Q2 and Q3 could be to the tune of up to 100 basis points down year over year. That's kind of how to think about it, up to 100 basis points.

Grace Smalley, Morgan Stanley: [00:59:16] Okay. Great. Thank you both very much.

Operator: [00:59:21] Next up, we have Anne-Laura Bismuth from HSBC. Please go ahead. Your line will now be unmuted.

Anne-Laura Bismuth, HSBC: [00:59:29] Yes. Hi. Good morning. So, my first question is about the current trading. Thank you for providing an element in the press release about the fact that Q2 so far has remained healthy with a high single digit like for like, but would it be possible to have granularity by region and especially about the US? How is it performing there so far in Q2? And the second question is about this topic of recruitment of new consumers. So, with this, is it possible to quantify the impact of the Bill of campaign on the recruitment of new consumers? So, how many new consumers enter the Pandora store for the first time and maybe last one about the restaging of the brand? What are the next key steps that we could see in the upcoming months about this brand restaging? Thank you very much.

Bilal Aziz, VP, Investor Relations & Treasury: [01:00:23] Hi, Anne-Laura. Thanks for the question. I'll take the first one and then hand over to Alexander on the new consumer acquisition. Within the current trading commentary, we don't usually typically break out the regional split, but broadly just use the same splits that we have seen via Q4 and Q1. They'll be broadly similar. There are no major deviations between the regions as we start the quarter. Be mindful. April is very small. Mother's Day is ahead of us, as well as a cautionary comment. And of course, our comparatives do get tougher towards the end of the quarter as and as already mentioned. So, no real major deviations in the current trading.

Alexander Lacik, CEO: [01:01:03] Yeah. On the quantification, I mean, the campaign has been up for, what, 60 days? So, the simple answer is no, I cannot trace the specific impact of that advertising, but we see a net inflow, which is significant. And don't forget that, you know, the growth has been going on for quite some while, if I'm talking from a brand penetration standpoint. So, what Be Love has done is it seems to accelerate that traffic growth, which is kind of pushing the numbers. And then the other thing, your question on what else should you expect? I mean, the idea with this campaign is that we're not going to keep changing it. That's kind of the idea of a campaign per definition, which is what we did in the past. We kind of kept changing the messaging a little bit too much. So, this whole umbrella of Be Love is going to be there. Of course, we'll inject other aspects within that, maybe with different talents at times. But essentially this campaign is a multi-season campaign. So, you should not expect major changes. And, you know, maybe when we have the trade call in August, we can put a bit more colour on that. We're running some research, but I'm only getting that in two months, so I don't have much. The best way for me to gauge whether it's doing anything is to look at my traffic numbers. And as I said, traffic is the most important thing underpinning our growth right now. So, you have to make the assumption that it's a positive influence.

Operator: [01:02:49] And then the next question is from Martin Brenø from Nordea. Please go ahead. Your line will now be unmuted.

Martin Brenø, Nordea: [01:02:57] Hi, Alexander and Anders, thank you for taking my question. I think I need to be fast on the fingers next time you have a result coming out. But just two questions, if I may, and I'm going to take them one by one, please. So, the first question is regarding the network expansion. For this quarter, you delivered 5% network expansion, which I guess is mainly to be credited by the network expansion that you did, probably in the latter half of 2023. And you opened around 25 stores here in total in Q1. So, I'm just wondering a little bit with the Q1 last year, you actually closed stores. So, hopefully you can follow my logic when I say that incrementally from here the network expansion, I guess, as you don't expect to have the same back end loaded store expansion, if I understand you correctly, should actually only be incremental from here. And are there any flaws to that logic? That's the first question. Thank you.

Anders Boyer, CFO: [01:04:02] Hi, Martin. It's Anders. It's actually a good catch. So, to speak. But if you go back and look at the stores that were closed last year, then just from memory here, and maybe my IR colleagues can help me out if I'm saying something that's not right. But the majority of the closings were in China last year, where, unfortunately, revenue is very low compared to the rest of the world. And then on the, there was a number of shopping shops closings as well, but they were partner closings and not our own and operated stores. So, it doesn't count that much in terms of to the year over year growth that we're seeing here in Q1. So, that skews the calculation a bit. But I know that somewhere in our files, we have done a bit of math on that. And if you need more, we can either I or the IR team can help you. So, make the end meet on the math. Happy to do that.

Martin Brenø, Nordea: [01:05:13] Okay. Thank you very much. The second question. Just regarding the guidance. So, I actually expected Lars to ask this question, but I'll do it instead because I think that you're referring to some assumptions to the lower end of the guidance, where you're saying that this is expecting a material worsening of the macroeconomics. But if I do the math correctly and correct me if I'm wrong here, but the implicit organic growth for the rest of the year and the high end is 8% organic growth. And if I take sort of the network expansion, you say 4%. But to me it seems like that could also be a bit conservative. Then we are looking for sort of at best mid single digit like for like growth for the rest of the year. I guess with the Essence being rolled out Evoke being rolled out which is incremental, as we heard Alexander say, and also the store expansions and general mall marketing and in incremental markets. So, is it fair to say that's also being sort of conservative as you are riding into new areas where you don't have the same visibility to sort of the effect of the marketing that you're bringing into it. That's my question. Thank you.

Anders Boyer, CFO: [01:06:39] And it's a fair question, Martin. Your math is right. So, the implicit organic growth for the rest of the years is 5 to 8 and the 2 to 5 on like for like. So, that math is right. And again, I think from June onwards we're meeting a very different COMP base. This is very, very broad terms, but from Jan to May the COMP base last year was almost 0% like for like and then from June onwards through the rest of the year, the COMP base is 9% like for like. And that's the majority of the answer. And that's why on one of the questions just earlier on at the call, I spoke a bit about the two year like for like because implicitly when you look at the two year like for like then the top end of the guidance, we actually have an unchanged to a slight acceleration of the like for like for the rest of the year, compared to where we are now, which paints a little bit of a different picture. But let's see, it's early on in the year. We definitely have incremental growth drivers in the pipeline as we should at any point in time with what we are looking into right now. We think this is a good way to guide you on where we expect to land and the year.

Martin Brenø, Nordea: [01:08:18] But I guess that if I take your multi-year view and double down on it and say, versus 2019, sort of the last clean base before COVID, then I guess the CAGR from Q1 to Q4 is relatively insignificant. A couple of percentage points to difference over a longer period of time. So, in that sense, it there might be a two year comparison base, but on a longer term, I guess that it's actually more or less on a normal trajectory on all quarters here.

Anders Boyer, CFO: [01:08:55] I'm slightly hesitant on a two year like, for, like, but quite hesitant on a five year like for, like, to be honest, it starts getting into that. The very few in the company can remember. Okay. I was there and Alexander was there at least from Q2 of '19 onwards. And it gets a little bit blurred when you look at it on a such a long time horizon, 60 months back. Is also that we went through the program now at that point in time that impacted the individual quarters. But, hey, I know that some around the world are trying to make sense out of the numbers by looking at on a five year stack. But I think internally we are taking more of a two year approach to it as well. We think that's easier to understand.

Martin Brenø, Nordea: [01:09:51] Okay. That's very clear. Thank you so much, Alexander and Anders, for taking my questions.

Operator: [01:09:59] Last up, we have a follow up from Kristian Godiksen from SEB. Please go ahead. Your line will now be unmuted.

Kristian Godiksen, SEB: [01:10:07] Thank you. So, that was just based on the Essence, I think you mentioned that you have included a positive impact that is baked into the guidance. Now, I believe you previously have said that you have not assumed any meaningful impact. Can you please clarify that would be the first one? And then secondly, that's just a follow up question. Also, on the higher silver prices and the mitigating effects. I was just wondering if you could comment on what the yearly contribution has been on the gross margin from the increased efficiency you've been able to do in the last many years. Thank you.

Alexander Lacik, CEO: [01:10:45] So just can you repeat your first question? I wasn't sure I got that entirely correct.

Kristian Godiksen, SEB: [01:10:51] Yeah, sorry. It was just on, I think you mentioned, Alexander, that based on the commenting on the strong performance of Essence in the Netherlands then that you should also expect a positive impact in the second half for when it rolled out globally. I just seem to remember that you said you had you had previously not assumed any meaningful impact in your guidance. So, I was just wondering, if there is a change there and what is assumed in the guidance.

Alexander Lacik, CEO: [01:11:19] Sorry. I cannot recall that I've ever said anything like that. Sorry. So, there must be a misunderstanding then. Or maybe we were referencing something else.

Anders Boyer, CFO: [01:11:33] I think what we probably might have said, just fishing a little bit here, was that we've not confirmed the timing of when we would actually launch Essence, but we were a little bit vague on it, because we normally don't want to put a date on it for competitive reasons.

Kristian Godiksen, SEB: [01:11:52] Okay.

Anders Boyer, CFO: [01:11:53] And then on the silver price, if I can, if I may, then I would like to sort of point towards June 11th and 12th in Thailand where we would talk more about that. And I think we have the pleasure of you joining us there, Kristian. And so, if you can wait until June 11-12th.

Kristian Godiksen, SEB: [01:12:12] I will wait. Perfect. Thank you.

Bilal Aziz, VP, Investor Relations & Treasury: [01:12:23] Thank you very much, everyone, for dialling in today. I'll pass it to Alexander for final comments. And thank you very much from my side.

Alexander Lacik, CEO: [01:12:31] I wish you were in Copenhagen. It's a sunny day. I say this is the best recruiting element when we try to get people to come and work here. And the results are also sunny. So, we're in a good place. There's still plenty to do in the year. We have good plans. But the world is a little bit uncertain as we try to reflect in our guidance. Yeah. And I thank you for your attention. And see you soon. Thank you.

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