Pandora

Transcript:
Interim Financial Report for the first quarter of 2023

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Bilal Aziz, VP, Investor Relations & Treasury: [00:00:00] Good morning, everyone, and welcome to the conference call for Pandora's first quarter results for 2023. I'm Bilal Aziz from the Investor Relations Team and I'm joined here by our CEO, Alexander Lacik, CFO Anders Boyer, and the 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.

Bilal Aziz, VP, Investor Relations & Treasury: [00:00:22] Please pay notice to the disclaimer on slide two and turn to slide three. I will now turn over to Alexander.

Alexander Lacik, CEO : [00:00:29] Thank you, Bilal, and welcome everyone. Let me start by sharing some key highlights from our first quarter. As you all know, the macroeconomic environment continues to remain challenging, with consumers still under pressure. Despite this, we've just delivered yet another quarter, which demonstrates our resiliency. The organic growth ended at +1% with our like-for-like flat. Underpinning this is our relentless execution of the Phoenix strategy. We've seen good progress on our key strategic initiatives. Worth highlighting is the strong growth of our timeless and Pandora ME platforms. We also continued to complement this further through positive growth from our recent store openings, all of which are already accretive to both sales and EBIT. Given this value creation, we continue to see ample opportunity here for this year and beyond. You shouldn't be surprised to hear that profitability remains strong. Our gross margins continue to be rock solid and were helped by positive impact from our pricing actions taken at the end of last year. We see this as an important milestone for the brand we'll talk more about this later on. Finally, the cash profile of the business remains structurally attractive. We remain firm on our commitment to return the highest ever cash distribution back to shareholders this year.

Alexander Lacik, CEO : [00:01:54] Now let's move to slide four, please. Looking into the remainder of 2023, we remain confident of our prospects, but equally mindful of the ongoing macroeconomic uncertainty. We've started the year well and therefore have updated our organic growth guidance to -2% to +3% with the EBIT margin guidance unchanged at around 25%. The lower end of the organic growth range would require a notably weaker economic backdrop than what we see today. We appreciate that this is still a relatively wide revenue range. It's still early in the year and we will continue to update you here as we move through the year. A few words on current trading so far in Q2. We've seen our underlying trading to be broadly consistent with what we saw in Q1. And I want to remind you that we are only four weeks in. The environment remains uncertain and Q2 trading is concentrated around Mother's Day, which is still ahead of us. Nonetheless, we continue to be pleased with the underlying health of the business.

Alexander Lacik, CEO : [00:03:00] Let's move to slide six, please. Before we go into the Q1 details, let's take a step back and look at exactly what we're trying to build here at Pandora. In a nutshell, it is to be the largest and most desirable jewellery brand in the world. Underpinning this is our execution of the four growth pillars of our Phoenix strategy. This covers driving a strong brand, leading in design, expanding our reach in core markets and driving personalization. I'll take you through in detail some of our initiatives in the coming slides, but I wanted to reiterate that everything we do really stems from Phoenix.

Alexander Lacik, CEO : [00:03:40] Next slide, please. One aspect of a strong and desirable brand is to offer sharp value proposition. At the end of the last year, we successfully adjusted our prices to offset some of the inflationary pressures we like others, have experienced. To remind you a bit about the journey we've been on here, in 2019 and 2020, went through a major promotional detox of the group. That indirectly raised our prices shifting more of our business into full price. Then early last year, we appointed a specialist pricing team. They were tasked with carrying out a comprehensive pricing analysis across the group. After extensive modelling and live testing, we decided to move forward. We rolled out a global price adjustments in Q4 of last year. It's important to highlight that we protected both strategic as well as opening price points. Since then, we've seen a broadly neutral impact to group revenues and a positive impact to our margin. This has been a good journey for us. We remain mindful of the current pressure on consumers and staying true to the brand promise offering affordable jewellery. However, we certainly see further opportunities here. It's too early to say how much or when, but we will continue to be guided by the data and are confident we can stretch our pricing architecture further.

Alexander Lacik, CEO : [00:05:00] Next slide, please. It's imperative that we continue to bring relevant consumer innovation in general, but to the Moments platform in particular. In January, we launched a new design of the iconic Pandora bracelet - the Studded Chain. This has been developed by our in-house design group and is unique for Pandora. It offers a totally different texture and shine versus our previous bracelets. The design came nearly 20 years after Pandora's initial snake chain bracelet, which resonates very strongly with consumers still today. I'm happy to report that the new carrier bracelet has started very well. It has driven good incremental growth for our overall bracelets, and there is a very strong consumer pull of this new design. This demonstrates our ability to build out our Moments platform for the long-term. We know when we sell more bracelets, the consumers will come back to us for the charms. This unique captive business model is what put us at a big advantage versus the rest of the jewellery market as it secures a highly profitable and recurring revenue stream to our biggest platform. During the quarter, our base moments business continued to perform strongly. Overall growth was slightly down, but this reflected some weakness in newer charms. With the new bracelet underpinning growth, we remain confident ahead.

Alexander Lacik, CEO : [00:06:20] Next slide, please. As part of our Phoenix strategy, we continue to extend our offering as a brand across different platforms. It's good to see some encouraging results here. Pandora ME has had a strong start to the year at plus 21%. like-for-like growth. This was relatively broad based. We optimized the assortment last year and execution has improved across many countries. It's a good example of our continued investments and learnings paying off. Timeless, which is our second biggest platform, has also had a strong start to the year at plus 11% like-for-like. Again, this was broad based and helped by better execution and a strong Valentine's Day offering. I also want to highlight that Timeless acts as a powerful platform in attracting new customers into the brand. Our internal data here shows that our entry level rings are opening up new consumers for us. We can then take them through the entire brand journey and retain them for a long time. Finally, performance in Diamonds was stable and in-line with our expectations. We continue to learn a lot here and see this as a big opportunity to transform the brand. We can see from the data that the consumer appetite for a Lab grown diamond offering is certainly there. During this year, we will expand our assortment to offer more classical ranges and continue with our plans for further geographical expansion. We will also ramp up our marketing efforts here to drive greater consumer awareness.

Alexander Lacik, CEO : [00:07:43] Next slide, please. Let's have a closer look at the specifics of the quarter. Organic growth was +1% while like-for-like was flat. Underlying trading was broadly stable through the quarter. We are pleased with this continued resiliency of the group. As I'm sure you're all aware by now, the macroeconomic environment continues to be uncertain with consumers under pressure. We have seen some pockets of weakness in some of our markets, but the core of the group remains stable and has been so for four straight quarters. This stability speaks to two things. First, we continue to invest into the brand to ensure we're at the front and centre of consumers' minds. Secondly, our diversified geo-footprint remains a key pillar of strength. We believe we can continue to lift the structural penetration of the brand higher in pretty much most of our core markets still.

Alexander Lacik, CEO : [00:08:33] Let's move on to the next slide to take a detailed look into the growth for the first quarter in some of our key markets. Let's start with our biggest market, the US, which delivered -7%. like-for-like. This was in-line with the previous quarter but was impacted by some signs of greater consumer hesitancy with conversion rates slightly down. Looking at the performance a bit deeper, our performance improved sequentially in our own and operated stores, but it was offset by weaker performance in the franchise channel. We are indeed looking at ways of helping our franchise partners to improve their performance. As I mentioned previously, we will be expanding our offering in Diamonds in Q3 and also expand our rollout across more stores in the US. We are confident this will bring incremental growth later on in the year.

Alexander Lacik, CEO : [00:09:21] Next slide, please. The performance in our key European markets improved to flat. like-for-like. This was helped by a small improvement in most of the markets. Germany was very strong at plus 11% and saw solid growth across all platforms. We continue to see a long runway ahead in this market for the brand. The UK remained resilient despite the weak consumer backdrop. Italy and France saw small sequential improvement, although remain soft given the macroeconomic backdrop. In Italy, while early days were noted, slow improvements in the underlying trends.

Alexander Lacik, CEO : [00:09:57] Next slide, please. In Australia, our performance delivered -5% like-for-like which was impacted by the weak consumer sentiment. I'll touch on China in detail on the next slide, but on a high level, our performance improved through the quarter in-line with the economy reopening. We've seen a sequential improvement in traffic. I want to highlight that this is a gradual return, but it's encouraging to see the positive trends continue. And in fact, our April like-for-like growth is now positive, albeit, of course, of a rather weak base. Finally, in rest of Pandora, we continue to see strong growth driven by many markets. Mexico continued to stand out at +15% and Spain also continues to remain solid at +8%. There were also strong double digit like-for-like contributions from many other countries such as Portugal, Brazil, Turkey and Poland, to mention a few.

Alexander Lacik, CEO : [00:10:50] Next slide, please. Coming back to China, after three years of COVID related disruption, I'm happy to report that we are getting closer to the brand relaunch later this year. China has been a drag on the group like-for-like growth since 2020, and we now see an opportunity to turn the table. As we said previously, this will be more of a selected and gradual relaunch on a city by city basis. We look to see what we learn in each city and take it forward from there. We believe the brand historically has not had the correct focus. The first priority will be to reposition the brand ensure we portray the core values. This will focus on Pandora's unique proposition how to express yourself through our Moments platform. Another important aspect will be to invest sufficiently in media to drive awareness and finally meet customers in our channels with the correct sales narrative and storytelling.

One important criteria for this effort to be successful is that traffic into stores significantly steps up from where we are today, or else it becomes challenging to ensure the right return on investment.

Alexander Lacik, CEO : [00:11:55] Next slide, please. I wanted to remind you again of the significant value we create from our network expansion. We saw 3% organic growth contribution in Q1 from network additions carried out over the past year. This follows from already 3% we delivered last year. We will continue to push forward here this year as we target to open an additional 50 to 100 new concept stores and a further 50 to 100 shopping shops/kiosk. Given the macroeconomic situation, we have the option to keep momentum here as access to good locations could open up. Our mid-term ambition has been to open stores in the best 600 locations that we previously mapped in 2021. And you can see on this slide the type of financial impact that would have on our numbers. We don't think the story stops there. We continue to see further opportunity to expand the store network in areas where we don't have a Pandora store today. We'll update you later in the year on our plans to take this further.

Alexander Lacik, CEO : [00:12:58] Next slide, please. Finally, I'm happy to report that after two years of extensive testing, we opened doors last month to our brand new store concept, Evoke 2.0 in Italy. This is an important milestone in our evolution as a brand. The concept elevates the desirability of the brand allows greater consumer engagement across all of Pandora's platforms. It's effectively a total redesign internally, and I'm confident this will mark a step change in the way consumers engage with the Pandora brand. We'll be rolling out more than 40 new store concepts this year, most of them in major cities in our core markets. And on that note, I hand over to Anders for a closer look at the numbers.

Anders Boyer, CFO: [00:13:40] Thank you, Alexander, and good morning or good afternoon, everyone. Please turn to slide 18. The key takeaway from a financial perspective for the quarter was that performance was stable on the top line despite the macroeconomic situation and our profitability remains strong. I'll comment on revenue and EBIT on the following slide. So, here on slide 18, I'll just pick out some of the other KPIs. As usual, our gross margin continues to strengthen and increased 150 basis points to 77.5% in Q1. And this is a continuation of the upward trends that we've been seeing during the past few years. The gross margin the quarter includes a drag of 70 basis points from foreign exchange and commodities, but the underlying drivers continue to be strong and there's a positive impact from our pricing actions. That is also in the gross margin this quarter. As you will remember, we decided to increase inventories last year during '22. And this is why you see the working capital being higher on a year-over-year basis. On a sequential basis, our inventory levels are broadly flat and for the full year of 2023, we also expect inventories to be broadly flat in-line with what we communicated back at the full year announcement in February. Finally, I'll just mention that the slight increase in leverage net interest bearing debt to EBITDA reflects the higher shareholder distributions which we decided to pay out in order to move up from the low end of our capital structure policy range by year end to around the midpoint of the range.

Anders Boyer, CFO: [00:15:32] And then go to slide 19, please. And here we'll have a look at the revenue performance in the quarter. Organic growth came in at 1% for the quarter. But let me take you through a couple of the building blocks here in the bridge. First of all, like-for-like growth was flat in the quarter, and this was in-line with the underlying level back in Q4. And it's in-line with the high end of the guidance that we have for the full year of '23. Secondly, we saw another quarter with solid contribution of 3% of growth from network expansions. And just repeating what Alexander had also said, I'll do that again, but it doesn't just drive top line but also bottom line in our PNL. Then, as you can see in the pink bar in the bridge here, then this growth was offset by the impact from the phasing of selling of -2% and which is mainly a reversal of the positive impact we saw in Q4 of last year. And this impacts phasing impact is mainly something that we expect to see here in Q1. And that also means that we will see the network impact being more visible in the reported organic growth already here in the second quarter of the year.

Anders Boyer, CFO: [00:16:54] Then go to slide 20, please. This is the EBIT margin. EBIT margin, the conclusion is that profitability remains solid and in-line with our expectations, with all underlying drivers progressing as planned. And as a reminder of what we said in connection with the full year announcement, the EBIT margin the first quarters of the year, I expect it to be below 2022 and then Q4 will be above 2022. And then with the full year broadly in-line with last year. And that's also what we see here in Q1. In the underlying margin Q1, and that is, what we as usual have in the dotted box in the middle of the bridge, we saw positive impacts from the network expansion and the price increases. And this was then offset by the planned investments in Phoenix and the phasing of costs that we had expected this year. And the reported EBIT margin was also impacted by the sell-in phasing impact that I mentioned on the previous slides. But overall, our underlying profitability and the drivers remain unchanged and strong.

Anders Boyer, CFO: [00:18:10] Now then let's go to slide 22 and the guidance. As Alexander mentioned, we have updated our financial guidance slightly. So, let me just quickly remind you of our thinking and where we stand today. We've started the year well with a flat like-for-like and current trading remains in-line with that and thereby at the high end of our guidance. It's still early on in the year and the macroeconomic environment remains uncertain. But based on those two factors, we've decided to update slightly the financial guidance for organic growth to -2% to +3% and thereby lifting the low end of the guidance from previously -3%. And as you can see in the bridge here, the updated guidance corresponds to a like-for-like growth of between -4% and flattish for the full year. Now then the question that you may ask then is "but this then means that Pandora guides that at best, like-for-like growth remains flat and isn't there a case where like-for-like is positive in '23? And there's two points here that we would like to mention. First of all, the low end of our guidance would require a notable worsening of macro and trading conditions during the remaining part of '23. Macroeconomic uncertainty certainly is still there. It's still early on in the year. And let's see where macro environment goes in the remaining part of the year. Secondly, if we put macro conditions aside for now and then just look at our internal plans in both the short term and the longer term, then we have great confidence that we can grow Pandora at good like-for-like levels and even higher organically due to the network expansion. We already said that back at the CMD in '21 and we'll talk more about that at the CMD in October in London. In the short term, however, macro conditions that's a fact are likely to continue to weight on our like-for-like performance and that's essentially what our guidance is saying.

Anders Boyer, CFO: [00:20:34] Then please go to slide 23 and the EBIT margin guidance, it's unchanged at around 25%. We started Q1 in-line with our expectations, exactly as we said at the full year announcement, and we are on track to deliver broadly flat EBIT margin versus last year for the full year. As a reminder, the guidance this year includes an extra element of flexibility, as we've called it, and that in short, that means that if macro hits harder and growth land towards the lower end of the guidance, then we will take cost actions that can keep the margin around 25%. On the other hand, if growth lands towards the upper end of the guidance, we still have the flexibility to invest even more in future growth if we decide to do that. And that principle that we outlined at the beginning of the year that still holds. And on this slide, we have laid out the building blocks for the margin guidance again, and they are broadly unchanged versus what we presented in connection with the full year announcement back in February. And with that, I'll hand it back to Alexander and slide 24.

Alexander Lacik, CEO : [00:21:48] Thank you, Anders. So, to conclude, we are very pleased with how we started the year. I think we've proven that over the past four quarters. We know how to navigate uncertain times through our strong brand unique captive business model. As Anders said, the environment remains uncertain ahead. But we will continue with a prudent approach in managing our cost base whilst not compromising on major strategic objectives. So, we look ahead to the rest of the year with confidence.

Alexander Lacik, CEO : [00:22:17] And next slide, please. Before we open up for the Q&A, I want to make a little bit of advertising and remind you of our Capital Markets Day in London. That's coming up on October 5th. And we hope to see you all there for an exciting program and a great dialog. You won't regret coming anyway. With that said, please open up the Q&A.

Operator: [00:22:41] Thank you. If you do wish to ask a question, please press five star on your telephone keypad. To withdraw it, please press five star again. We'll have a brief pause while questions are being registered. The first question will be from the line of Grace Smalley from Morgan Stanley. Please go ahead. Your line will be unmuted.

Grace Smalley, Morgan Stanley: [00:23:13] Hi, Good morning. Thank you for taking my questions. I have three, please. Firstly, on the current trading of the flat, like-for-like that you've seen in Q2 to date. Could you elaborate more on what you're seeing by region within that? And then secondly, on pricing, I think you mentioned that you see further opportunity for price increases going forward. Could you maybe elaborate on what we should expect there? What you've seen on the price increases to date that gives you confidence that there's more opportunities for price increases in the future? And also, if we continue to see silver prices rise, would you look to use price increases as a potential margin offset going into next year? And then lastly, just on gross margin, as we look at the gross margin through the rest of the year, should we expect a similar kind of strong performance as to what we saw in Q1? Thank you very much.

Anders Boyer, CFO: [00:24:05] Hi, Grace. I can take the first and then probably the third question as well. And we'll not go too deep into the current trading by region. I think what we can say is that there's no structural shifts compared to what we've seen in Q1 overall, apart from China, where we've already mentioned that in the announcement this morning, that since late March China has been in plus compared to the double digit negative that we saw in Q1. But apart from China, there's no changes across regions in broadly speaking. And maybe I can take gross margin as we speak, I think you should expect the gross margin to keep holding up and growing year-over-year. We will continue having some tailwind on the silver prices, actually a bit more on tailwind on the silver prices as we go through the year, given that we've hedged all of the year, already. So, the 77.5% that we delivered in Q1 is a good way to think about the remaining part of the year.

Alexander Lacik, CEO : [00:25:14] And on the pricing, just take a step back. Contrary to kind of the high end luxury brands that use pricing as a revenue driver, this was not the intention when we did our pricing action and also the modelling and testing we did suggested that there would be an elasticity around the 1.0 mark, which is kind of what's bearing out. But we retain the upside on the margin side, of course. So, we are ending up with a structurally higher profitability on those items. And that's the 4% on average that we took in Q4. Going forward, and what we said is we will continue to be vigilant around the affordability aspect of our brand. So, pricing will be used mainly if not only as a means to offset cost inflation in when it's hitting us. So, there might be some scope to consider this going forward. There's nothing in the plans as we sit here today. And then on the silver price, I mean, we in a way, we hedge, the rolling 12 month hedge. So, that's a way to somehow manage this. But of course, it depends entirely on where silver price goes. If silver price goes north of $30 per ounce, I'm sure we'll have a different point of view. But right now, that's not really in the cards. I think it's mainly for other aspects of the business where we see cost price increases coming through. That's kind of the view on pricing.

Grace Smalley, Morgan Stanley: [00:26:56] Perfect. Thank you very much.

Operator: [00:27:00] Thank you, Grace. The next question will be from the line of Kristian Godiksen from SEB . Please go ahead. Your line will be unmuted.

Kristian Godiksen, SEB: [00:27:10] Thank you. I'll start with two questions. So, first of all, can you comment a bit and give some colour on the difference in performance between the retail and franchise stores you see across regions? And so, what are the underlying reasons, and could this trigger more acquisitions slash takeovers? And secondly, you mentioned that network growth continued with strong margins. Can you elaborate a bit on the margin impact from the network growth and maybe do that in time stages? So, what are the four wall margins for? Let's say, an average store that have been open for a year. Or when do the stores reach this 40% four wall margins you also mentioned? Thank you.

Alexander Lacik, CEO : [00:27:52] So I'll pick up the first one. If you go back a couple of years, then I think it's fair to say that the franchisees performed a bit better than our O&O, then a little bit closer in. I think we've kind of levelled that playing field and now it's kind of the delta is starting to spread in the other direction where our O&O in general are driving like-for-like a bit stronger than the franchise partners. So, that's kind of just to understand the performance history. The key driver right now seems to be one of two things or both, it depends a little bit on where we are in the world, but typically we can see that the level of inventory and the quality of that inventory is a little bit lower than what we see in our own stores. So, that's one aspect. And the other one is, of course, as things are a little bit tighter around the world, we can also see that the number of staff hours that we put in is more on the positive side of things, which means you secure conversion rates stronger. So, those are probably the two main drivers. And then there's a whole array of other topical things in between. But those would be the two main points. And we're trying to now work through with the franchise partners where we can and where there is room for that conversation to at least address the inventory position. Staff hours, of course, it's a discretionary decision by the franchisees. So, we're just trying to point out where we think that they're leaving money on the table. And in some cases that looks like it's meaningful money that's being left behind. But I think that's kind of the commercial view. And maybe Anders you can talk a bit about the network question.

Anders Boyer, CFO: [00:29:45] Thanks for the network question. I think that in general, the ramp up is quite fast on the bottom line. We have stores that are almost instantly at full normal run rate, some others take sort of towards a year. But across all stores, they are all as a minimum margin neutral for the group even in year one, meaning 25% or above, with some even being closer to the 40% that you mentioned already in year one. The difference in the ramp up depends on a number of factors, including what's the strength of the brand obviously in the area? Do we have a brand awareness in the area already or is opening up the store in that city on that street? Is that part of building our brand awareness? And the other important factor is can we get colleagues in the stores, store manager or the sales colleagues that know about the brand already? Are we hiring someone that coming from the outside that also has a clear link to how fast we are ramping up but slightly margin accretive to the group already in year one, which is obviously a kind of a luxury situation to be in.

Kristian Godiksen, SEB: [00:31:21] Yes, definitely. Can I just ask a follow up on that? So, when you see year one and it's just to be sure, it's the first 12 months, right? It's not the end of the year. So, it's the run rate for the first 12 months not the IN after 12 months.

Anders Boyer, CFO: [00:31:35] You're right. Exactly.

Kristian Godiksen, SEB: [00:31:37] And then I think on the stores, when you are in dialog with the franchisees on the under-performance, you didn't mention whether that could trigger any more acquisitions or takeovers.

Alexander Lacik, CEO : [00:31:51] I mean, nothing has changed in that respect. You know, in our network strategy. They are our partners. If there's a contract in place, we both adhere to it. So, there's no trigger point in the contract just because a couple of points like-for-like behind. This is it's a commercial business conversation that we're having.

Kristian Godiksen, SEB: [00:32:13] And when you when you comment like-for-like points, is it also the same for the revenue per store? Because it depends on where the base was. So, the revenue per store is also on a like-for-like basis, higher for your stores compared to franchisees stores.

Anders Boyer, CFO: [00:32:33] There's no generic answer to that. It depends very much on where we are in the world. Typically, Pandora started out as a as a franchise business. So, in some markets, our partners have the very good locations in other markets that where revenue per store is higher. So, I think actually on average the revenue per store is probably a touch higher for the partner stores than our own stores across the world. But it's for different reasons, so to speak.

Kristian Godiksen, SEB: [00:33:09] Okay. Makes sense. Thanks a lot.

Operator: [00:33:14] Thank you, Kristian. The next question will be from the line of Michael Rasmussen from Danske Bank. Please go ahead. Your line will be unmuted.

Michael Rasmussen, Danske Bank: [00:33:24] Thank you very much. Well done, navigating in very challenging waters. Two questions from my side also. So, first of all, can you just add a few more details on why you think you did so particularly well when you look to markets such as Germany, Mexico and Spain? And also, if this is the case, if you strip out I think you mentioned the easy comps on Germany. And I think also there was some store opening impacts from Mexico. Just to get a kind of thinking in terms of the underlying growth and also if this is obviously something which is going to continue. And then if you could add also some further comments on the US market. And here I'm in particular thinking about the conversion rate weakness that you have seen. Obviously understand that it's probably different across store types, but maybe if you could talk about also geographies in or states in the US, any particular areas that you see weaker or better from that sense? Thank you.

Alexander Lacik, CEO : [00:34:30] What are we doing in Germany, Mexico and Spain? I mean. So, Germany. This is now an ongoing saga. It's been running strong now for the last two plus years. We changed a bit. The model, I think we have a very strong management team in place. There's no kind of magic bullet in this. I think what's different there, what they managed to do is to put have a marketing plan which is more of a what the larger markets can afford, i.e., to be always on versus if you're small in our network, then typically you only have let's say decent marketing muscle around the key consumption periods being Valentine's, Mother's Day and Christmas, and then there's not so much activity in the periods in between. That's what we manage to do in Germany, we managed to plug that. So, there's kind of an ongoing activity. Of course, it's not all TV advertising, it's more social and other channels. But that is, I think, the key driver of what, let's say, what's different in Germany, Mexico. I think it's also been on a massive growth journey. That's both been driven by like-for-like as well as organic growth. So, nothing really new there. They just keep kind of working their way through that. Also, with decent support levels and a strong activation by the store network. Spain, in fact is one of our strongest countries in terms if I look at the brand equity. It's pretty much the same story there, we've done a very, very good job. We've cleaned up the network in the last few years. We had a fair amount of underperforming in particular multi-brand stores. We've taken over the shopping shops in Corte Inglés, which is like 20% of the business. We put our own people in there, we manage the merchandise, and we can see very, very strong response by the customers. And actually, Corte Inglés also acts as a portal into not just our brand but many brands. So, if you do well there, it kind of opens up the brand for the brand journey to continue. So, I think those are kind of the main points in those geographies. I'm not sure I understood there was a question under that, maybe you can repeat that. Sorry.

Michael Rasmussen, Danske Bank: [00:37:05] Just on the conversion rate in the US and in particular areas that you see do better or worse. And if you could just add a bit more flavour on that.

Alexander Lacik, CEO : [00:37:13] I mean in general, when we look at the US, we don't see major discrepancies on the performance. We have been a bit weaker on the West Coast when this was run by the franchise partner which we had there. So, that we've taken that back. It's not massive. It kind of follows that the awareness of the brand is a bit lower on the West Coast than what we see on the East Coast as an example. But other than that, there's no major difference. It's not like if you look at Europe and you're performing bad in Greece and great in Sweden or we don't have those types. It's more the marketing program and the go to market is a national program in the US. Conversion rates what we've seen just looking up here. So, if you look at the O&O for the quarter in the US, traffic is actually up double digit. Then the conversion rate is at a high level, but it's down a touch. So, part of that conversion rate when traffic goes up arithmetically or conversion goes down. We don't really have a good formula to understand exactly how this correlation works because in different periods of the year it behaves differently. What I see though, is that there's a delta between us and the franchisees, for instance, where our conversion is higher than they are. And that comes back to the comment I made prior on staff hours and maybe not having the right merchandise. That probably is the main part that would explain it. So, that's as much as I can kind of see. If I look at the basket size and average selling price and units per transaction, we tend to be similar between us and the franchisees. So, it's really it's a conversion game more than anything else.

Michael Rasmussen, Danske Bank: [00:39:12] Okay, great. Thanks for clarifying that, Alexander.

Operator: [00:39:18] Thank you, Michael. The next question will be from the line of Chiara Batistini from JP Morgan. Please go ahead. Your line will be unmuted.

Chiara Batistini, JP Morgan: [00:39:27] Hello. Thank you for taking my questions. The first one is on your marketing spend, which was down in Q1. And I know the base was quite high from last year, but I was wondering if you could update us on your views on marketing spend for this year and notably in context of more product launches in the second half of the year, the China brand reset. So, any updated thoughts there? The second question is on Evoke the new store concepts. I was wondering if you could share any initial KPIs or any evidence of what you've seen and experienced with this new KPI. And finally, a question how you see gifting and the resiliency of gifting. Historically, you've always mentioned that you see gifting as a more resilient segment within jewellery, but now you're talking about some pressure on conversions in the US. You've talked about in the release about trading down in the UK. So, I was wondering whether you could tell us more on how you see gifting performing right now and your outlook for gifting for the year. Thank you.

Alexander Lacik, CEO : [00:40:30] Okay. So, the marketing spend for the quarter was a touch down. But if I look at what that buys me is pretty much on par with what we got last year and the reason and the delta in between us that we've done a media tender during last year, which was very successful. So, from a consumer feeling, the brand, it's literally speaking the same. So, there's no difference there. And I can also see this in other metrics that we look at. Then for the guidance of the year, we're still in that 13% to 15% range for the full year. So, nothing there has really changed much. On the Evoke 2.0. We opened the doors last week, so I think it might be a touch earlier to comment on that specific store which was in Italy. But prior to that we have had the previous iteration of Evoke. This is now the Evoke 2.0 that we opened last week, which when you have an opportunity to see this is a little bit different in the look and feel. You know we typically performed ahead of the comparative marketplace which could be a region typically or comparable stores on that concept with a couple of points in sell-out growth. So, that's kind of what makes us quite confident that we know we have something good in our hand. And on gifting, we've done some research on this and actually we don't see a major sentiment shift from consumers in terms of gifting. It may vary a bit between the three gifting moments Valentine's, Mother's Day and Christmas. Christmas obviously being the strongest for the jewellery category. But Mother's Day, we see very much at least this. Of course, these are claimed responses from our customers, but we see that it's kind of literally on par with what we've seen prior years. So, that probably speaks again to the point of us remaining rather resilient in the moment of gifting. We're just entering Mother's Day, so I don't have any data on that. We'll talk about that when we speak in August. But our Valentine's Day performance was actually very good, which again, just kind of proves the point somehow that gifting is a point in the year where Pandora seems to excel. So, that would be the point, I'd say.

Chiara Batistini, JP Morgan: [00:43:09] Right. Thank you very much.

Operator: [00:43:13] Thank you, Chiara. The next question will be from the line of Klaus Kehl from Nykredit. Please go ahead. Your line will now be unmuted.

Klaus Kehl, Nykredit: [00:43:25] Hello. And two questions from my side. The first question is about the current trading. So, just to be just to be perfectly clear about what you're saying about the start of Q2. Is that we should expect a like-for-like in the range of 0% and then 3% growth from network expansion, meaning that you are seeing an organic growth in the range of 3% here in April. Is that the way to understand it or will there be an impact from selling again here in Q2? That's my first question. And then secondly, you have a negative like-for-like growth of 26% in China here in Q1. But you mentioned that things are starting to turn around. Could you be more specific about what you're seeing here in April? That would be my questions. Thank you.

Anders Boyer, CFO: [00:44:28] Hi, Klaus. It's Anders here. Maybe I can start with the current trading piece. You're right. So, if we close the quarter now and the second quarter now and looked at our underlying like-for-like trend, we would be at around 3% organic growth given that we have the network expansion top. So, in other words, we don't expect any significant sell in phasing either way, neither positive nor negative here in the second quarter.

Alexander Lacik, CEO : [00:44:59] And then on China. What you can say is sequentially as traffic starts increasing, that is starting to trickle through in our numbers. So, each month is a little bit better than the prior. Broadly speaking, now, of course, then between Jan and Feb, if you want to get really into the details, there was a shift where Chinese New Year felt last year. So, you would have to look at the two combined somehow. But then coming into April, we're actually in positive territory when it comes to like-for-like. So, the traffic is coming through the system somehow. But I should also mention again that it's at rather low levels still versus the pre-pandemic situation. So, we still have some ways to go before we're back into similar territory that were before the pandemic.

Klaus Kehl, Nykredit: [00:45:56] But, could you comment on the level of like-for-like growth here in April? Are we talking about a 5%, 10%, 20%? Just a ballpark figure.

Anders Boyer, CFO: [00:46:07] I think the only thing we can say, Klaus, is that if it had been 2% or 5%, I think we wouldn't have called it out. It has to be, of course, something that is a nice double digit number. But as Alexander said, that was a significant lockdowns last year. Still, even though it's an easy comparable, it's still a double digit positive number. But it all helps.

Klaus Kehl, Nykredit: [00:46:41] Thank you very much.

Operator: [00:46:45] Thank you, Klaus. The next question will be from the line of Lars Topholm from Carnegie. Please go ahead. Your line will be unmuted.

Lars Topholm, Carnegie: [00:46:56] Congrats with what I thought was a solid quarter. A couple of questions for me. One goes to your guidance for like-for-like of -4% to 0%. And I think in your comments when you present it, you said the low end of that range would require a significant deterioration in the macro climate. But I wonder, isn't that also the case for the high end? Because if your run rate is 0% now, that's the high end of your guidance range. Your comps will clearly become easier as the year goes on. And if China, even though it's a small part of sales, goes from -40%, -50%, -60% to plus double digit, that should incrementally add a couple of percent to sell-out growth. So, I just wonder how you end at 0% unless the high end also includes a deterioration in the underlying market. So, that's really my first question, trying to understand why that 0 shouldn't be a positive number. Second question goes to the overall market in particular US and UK. So, based on the intelligence you have to the extent it is relevant, how was Pandora's performance relative to the market? Was it better, was it broadly in-line or was it worse? Thanks.

Anders Boyer, CFO: [00:48:30] Hey Lars. Thank you for that question. I think that's well framed question. You are right that comps are getting easier as we move along in '23. We started to see some macro impact already in early Q3 of last year, starting out in mainly in Italy and then as moving on into the back half of '22 more countries being impacted by macro, China should go from a drag to as a minimum flat. And that's actually what the guidance assumes, that we at least stop the drag from China in the second half of the year. And you might call that as conservative, but there's clearly a chance that China could add to revenue growth in the second half of the year, given the past that we've seen the last couple of years, we don't want to bake that into the guidance. But even though it's a small share of revenue, that could be an upside. Let's see. So, in a way, I guess you're right in the way that you frame it, that in order to remain at around 0% like like-for-like then you should see a slight worsening on the impact on consumers. If we listen into what the macro experts are saying, that's kind of also how we see it saying that there is a delayed effect on higher interest rates, mortgage rates, inflation, a delayed impact before it really hits through on consumers. Again, we've been trading around this level for some time now. We're not seeing trading at this point in time below the high end of the guidance. We are at the high end of the guidance and the way we think about it is that we like to plan out the year, making sure that we have set the cost base to make sure that if it's going to be a difficult year, then we're prepared for that. If that doesn't happen, it's always easier to scale up than down. But it is early in the year. Q1 So far, so good. Let's see, Q2, April is a fairly small month in Q2, actually. It's about Mother's Day that's coming soon in the next couple of weeks. And then when we have Q2 under the belt, let's see where we are.

Lars Topholm, Carnegie: [00:51:17] That's completely understandable. But just to be perfectly clear, so everything else equal the high end of that sell-out guidance also assumes some kind of macro deterioration. So, that was how I read your answer. Is that correct?

Anders Boyer, CFO: [00:51:33] I guess that's a fair way to interpret it because we do get a bit easier comps on both macro and China in the back half of the year.

Lars Topholm, Carnegie: [00:51:44] Exactly. Thanks for that, Anders.

Alexander Lacik, CEO : [00:51:50] On the market share. So, as you know, these sources are not perfectly aligned. So, whatever I say you have to take with a grain of salt. But if you talk about the UK, for instance, we're using something called ONS and the data we get from there covers both watches and jewellery. We don't have a breakdown within that. And that's reported both in value and volume. Volume is a bit even more difficult to understand, to be honest. But if I look at the value during last year in UK, we outperformed the market pretty much for all the quarters that we have data for and that has carried into this year. So, in UK it seems like now whether it's 1% or 5%, I would not put my money on that, but it looks like we are outperforming a soft market in UK. So, that's kind of how I would view that. And in US, we have credit card data now. We also have something called BEA. And regardless of how I view that, it seems that towards the back end of last year we started gaining a bit of share and that seemed to have continued into this quarter. But again, it's holding or gaining a bit of share in a soft market. That's probably how you should view both US and UK.

Lars Topholm, Carnegie: [00:53:20] Can you give some hard numbers on the overall market in Q1? Based on those sources.

Alexander Lacik, CEO : [00:53:28] So, I'll give you the numbers. And that's why I'm careful with not quoting them, because if you're to believe Citi, then the quarter is down 19%. Bank of America would have it down 2%. And then this BEA would have it down 5.5%. So, take your pick.

Lars Topholm, Carnegie: [00:53:52] I'll take the -19%. I have a buy rating.

Alexander Lacik, CEO : [00:53:57] But that's why we're very careful with this. But in that context, you should not compare the like-for-like, you should compare the organic number because that's what they would reflect, right? So, in that context, our Q in US was down I think 3% in organic. There are about.

Anders Boyer, CFO: [00:54:22] I just want to clarifying thing on the ONS and BEA it's both the Office of National Statistics in the UK, and Bureau of Economic Analysis in the US. So, it should be broad valid data.

Lars Topholm, Carnegie: [00:54:43] Thank you very much.

Operator: [00:54:56] Thank you, Lars. The next question will be from the line of Piral Dania from RBC. Please go ahead. Your line will be unmuted.

Piral Dania, RBC: [00:55:05] Thank you. Morning, everybody. So, two questions from me. The first is on the flat retail, like-for-like and if you could maybe break it down into price, volume and mix. I understand that the pricing was around 4% taken at the end of last year. And you said that there was no sort of revenue contribution. So, the thought process that we have is volumes were probably down by a similar amount on that 1% elasticity you talked about. But then I was just wondering where the Brilliance kind of contribution comes in, because we would expect to see some positive mix effects coming through from that. And maybe nobody's asked the question so far. Maybe you could provide an update on Brilliance and how that's going. You said it's on track, but what should we expect in terms of contribution by the end of this year on a consolidated basis, if possible? And then the second question is on eyewear and ancillary categories. So, one of your key competitors at the end of last year announced an eyewear licensing agreement and it looks like they are diversifying a bit more. I was just wondering if that's an area that you would consider in the near future and whether product diversification is something that we can expect to hear about at the upcoming CMD later this year. Thank you.

Alexander Lacik, CEO : [00:56:29] So, on your first question, we really don't have a proper, let's say, a mixed model established as yet. We're looking into that. But, we'd have to take that as a separate conversation. I don't have a handy answer to that. We are not guiding on specific sides of collections, and you should not expect us to do this. We're happy to report on a like-for-like performance on the various collections and there's plenty of material that you can deep dive into. On the diversification question. Our Phoenix strategy calls for staying squarely focused on the jewellery category. So, we don't have any plans to enter that space. That said, it doesn't mean that if there is an interesting licensing opportunity for the brand, which means somebody else handles it from top to bottom, then we're not closed to that conversation. But so far, we've been very focused on staying with our own operation in the jewellery space. And so, you should not expect us to jump into any major activities outside of jewellery for the time being. And if and so then we would, of course, let the market know.

Anders Boyer, CFO: [00:57:51] I'll just add on the first question. I think directionally, your thinking is right. If you look at the mix piece, it's very stable and it's been very stable for a long time. So, we look at each of the price brackets across of what we're selling. It is quite stable. There's been a slight shift on down trading, but it's actually really small. So, for all practical purposes, I would say that the mix piece is close to 0% with the dynamics of the price increase and thereby units, as you mentioned, broadly being where we are in Q1.

Piral Dania, RBC: [00:58:40] Thank you. That's very helpful. If we think about the ambitions for Brilliance, though, do you expect it to contribute to mix over the medium term as it ramps up? I appreciate you're not giving targets on where it could get to, etcetera, but is that the ambition is that it should contribute to mix? Because it feels like the messaging has shifted a bit away from Brilliance and what that could deliver and towards more regular pricing surveys and price increases on a like-for-like basis. So, I just wanted to understand whether there is a deliberate change in the messaging that you're giving us today.

Alexander Lacik, CEO : [00:59:20] No, there is no change. I mean, what we've said for other platforms before we did Diamonds, we said that each new platform needs to reach, let's call it a critical mass within our own organization in order to get the right space in the store, the right attention from the sales associates, to get the attention from the marketing and whatnot type of communities we have in here. We put a very rough number that probably means each of those collections has to hit at least a billion DKK within a few years. And that's a very wide goal. There's no magic science, but that would suggest that there is sufficient productivity for the items so that the store people wouldn't kind of stick them in a drawer and not pay any attention to them. We haven't really put any of that thinking on the table for Diamonds. It's a new category for us. We're learning. The long term ambition is, of course, to make this something that is quite significant to Pandora. But that's a journey until we get there. And I think maybe when we get to The Capital Markets Day, we will probably put a bit more rigor around what I just said. But when we launched this could have gone in many different directions. Where we are now, we're very pleased with the performance up to this point, but we need to expand the assortment. There's plenty of things that we need to do in order to realize a much bigger business potential going forward. But in the Capital Markets Day, we will definitely put a spotlight on this because. I think it's a very relevant question.

Piral Dania, RBC: [01:01:04] Thank you very much.

Operator: [01:01:08] Thank you, Piral. The next question will be from the line of Antoine Belge from BNP. Please go ahead. Your line will be unmuted.

Antoine Belge, BNP: [01:01:18] Yes. Hi, it's Antoine Belge at BNP. So, two questions. Actually, I'd like to follow up on the lab created diamonds, especially with regards to the Evoke 2.0 format, because I think you are quite transparent in saying that in Q4, I'm going to quote you, you didn't quite crack the code in terms of how to deal that specific clientele, especially at a time when it's more about selling Moments, etcetera. So, is it possible already to share a bit of what the new format will bring in terms of selling experience, which take much more time? Second question is probably 2 in 1, I have to say, around margins. And I understand that this tender offer allowed you to lower the cost of advertising, but is it a saving that we should have for the full year on the future? Do you think that it would, in a way, be better to reinvest that savings and maintain similar advertising to sales ratio? So basically, having more for your buck? The third question within the second is about any indication about the quarterly margin into Q2. So, you had mentioned that Q1 would be lower. So, I don't know if you can already flag things that would make the margin different from last year. Thank you.

Alexander Lacik, CEO : [01:03:07] On the first question. The Evoke 2.0, and actually Evoke as a start, is not just about the Diamond experience. I'm sure you've been into our existing stores. The idea was kind of conceived when Moments was the main idea in everything that has to do with the operation, the way it's presented, etcetera. The idea behind Evoke 2.0 was to maintain that high level of productivity that we need in peak trading moments, but also to allow for more of a self-exploration, for an ability for consumers see that we offer more. So, it is not just about Diamonds. Diamonds is one of the collections, of course, in that experience. And then and if you go into the Evoke 2.0 now, you will see that we're using the walls to essentially have permanent displays for the different experience that we want to offer. So, there's an engraving station, there's a gifting station, then you have Pandora ME, there's a New station, etcetera. So, it's a way for us to physically use the space to showcase you more. When it comes to the specifics on Diamonds, I think is something which we're still learning. We've played around with different things in the US, where it has been put back in the store and had a separate table. There's a sit down area. So, I think this is something that we're still trying to work through. But what we're not trying to do, is to create a completely different experience inside Evoke. It's a Pandora experience. And Pandora will then offer you Moments over here, Pandora ME over here, and Diamonds over here. Of course, there's some different idiosyncrasies for them. But essentially it should still be a Pandora experience. I'm not trying to emulate an experience that you would have when you go into a high end luxury brand, for instance, because that is not Pandora. So, we are trying to find our own ways through this. Then on the media tender. As we've said in the guidance, the EBIT guidance is about 25%. If things go really south, then we will have to do cost activity to protect that guidance. If on the other hand, the business performs better, then that would open up some space to invest more. And that's probably in that kind of frame that we could consider reinvesting some of that. But the media tender has been so good that I actually can maintain more or less the same pressure as I had last year. My bet, though, is as markets go soft the pressure from the competitive pressure is going to reduce, if I look at the full year. Thereby relatively speaking, giving me an upper hand. So, already with that scenario, I think I can deliver more. And then if were over-accelerate on top of that, then it completely is dependent on the macro and the consumer sentiment. So, we see that kind of comes through in the numbers. And then I'll gladly hand over the last question to Anders.

Anders Boyer, CFO: [01:06:35] Thanks for that. On the question about Q2 and margins. I think the way to think about the full year on margins is that the Q1, Q2 and Q3, the EBIT margin is going to be a bit below last year, Q4 above and then we will be landing the full year around 50 basis points below last year. You can always look at numbers in many different ways, but the 50 basis points going from 25.5% delivered actual last year to around 25% this year, that's coincidentally equivalent to the net and silver price impact. So, that's one way to look at the 50 basis point change is purely the more technical part of what happens in the P&L. But Q2 specifically, think about it like in Q1 with the EBIT margin being down versus last year. I think it's important to stress that there's no structural changes. I'm not Alexander and I are not sitting looking at that A, B, C needs to happen in order for the full year EBIT margin to play out like this. It's just cost facing combined with some revenue facing on the selling in Q1, that's a Q1 specific thing. And then the quarterly impact on FX and commodities. For the full year, we have a net impact on FX and commodities of 50 basis points headwind. If you break those 50 basis points down by quarter, then there's a headwind in Q1, Q2, and Q3, and then a tailwind in Q4. So, between the first three quarters and Q4, there's more than 100 basis points swing from FX and commodities. So, that also plays in.

Antoine Belge, BNP: [01:08:44] Thank you very much.

Operator: [01:08:48] Thank you, Antoine. The next question will be from the line of Maria-Laura Adurno from Bank of America. Please go ahead. Your line will be unmuted.

Maria-Laura Adurno, Bank of America: [01:08:59] Thank you very much for taking my questions. I actually have three questions. So, the first one is, with respect to the second quarter, I know you probably cannot give us much detail, but I was just wondering if you could maybe shed some light around if you have any type of collaboration or new line or new products, such as, for example, the Marvel collection that came out in Q1 last year that you will be launching? The second thing is, with respect to China, can you please provide a little more clarity as to what you will be doing from a marketing effort standpoint in terms of getting the volumes up there? And then the third question is if you can already share any type of qualitative thoughts with respect to what we should be expecting from the Capital Markets Day in October. Thank you very much.

Alexander Lacik, CEO : [01:09:49] We don't reveal our collaborations ahead of time and sometimes it's also because that's what's written in the contract. But you know, normally I don't want to give my competition a heads up anyway. But what we are doing, and I can talk to, is I'm sure you're aware that Disney has their 100 year anniversary this year. So, each month we are coming out with one new item which has been extremely popular. So, that's what's happening. There's going to be something happening in the back half, but as I mentioned, I can't speak to that. And in China on the specifics. I think the most important discussion for today is like 2 or 3 years ago, we said were going to go with a national relaunch in China. Then midway through this kind of wait and see that we've been on, we said we're going to do the top 5 or 6 markets on the condition that traffic was similar to what it was pre-pandemic. As I mentioned before, and it's worth repeating, we are far away from that. So, right now where I'm sitting, it really doesn't make a ton of sense to spend a lot of money when the traffic just naturally isn't there. We still want to learn about the marketing program and all the other things that we're trying to execute. So, we will most likely pick one city to begin with in Q3, and if traffic then picks up faster, then we can always lob on more cities as we go. But that's probably the key point for you to take away from this call. The main strands of the relaunch is the new advertising, there's more media pressure, we've retooled the sales narrative in the shops, we refocused more to focus on the Moments story. So, we stay focused on what the core of Pandora is about. I think those are kind of the key points. Then there's a ton of detail underneath there, but that would be for the sake of this conversation. Those are the main points worth mentioning. Bilal, maybe you want to talk about the CMD.

Bilal Aziz, VP, Investor Relations & Treasury: [01:12:04] Thanks for the question. So, later on the year clearly know we have been on an evolution since we announced Phoenix in 2021, and we'll update you on progress across the key pillars that we already announced. You know, the way to think about it will be sort of an evolution going forward of the strategy, but there's clearly elements that we will be excited to talk about as well. So, hope to see you there on the 5th of October.

Maria-Laura Adurno, Bank of America: [01:12:40] Thank you.

Operator: [01:12:41] Thank you, Maria-Laura. The next question will be from the line of Freddy Wild from Jeffries. Please go ahead. Your line will be unmuted.

Freddy Wild, Jeffries: [01:12:49] Good morning, Alexander and Anders. Just one quick one from me, please. Could you please talk a little bit about your inventory composition and whether it's still full of those high runners which are easy to sell and that 22%, I think it was year-over-year inventory growth, how that the cadence of that will go through the rest of the year to get to the flat year-over-year full year picture. Thank you.

Anders Boyer, CFO: [01:13:12] Thanks for the question. I can take that one. We're very happy with our inventory composition. No flags at all to raise on that point. The way to think about it, the inventory is up year-over-year, but sequentially it's flat. So, just taking a rolling back a year and a bit, we decided to increase our inventories last year in order to drive up availability to a higher level so that consumers less often or very seldom go into a store or online and find that something is out of stock. So, we did that during last year and reached the level of inventories that we'd like in the back half of last year. But that still means that as of Q1, the year-over-year, inventories are still up, but yet just repeating almost flat sequentially. So, if we deliver at the midpoint of our revenue guidance for '23, you should expect inventories to be flat year-over-year when we get to the end of 2023. We're quite happy with the level of inventories that we're operating at.

Freddy Wild, Jeffries: [01:14:34] All right. Thank you.

Operator: [01:14:39] Thank you, Freddy. The next question will be from the line of Abhinav from Societe Generale. Please go ahead. Your line will be unmuted.

Abhinav, Societe Generale: [01:14:48] Hi. Thanks for taking my question. One question on your sales concentration. So, you said that Mother's Day, Valentine's Day and Christmas are like the most important events. I know it's difficult to point out precise numbers, but on a normalized level, how much of your annual sales will come from these three days? That's one. And second is on your sales by channel. I mean, I see that the wholesale declined a by an accelerated 20%, while your retail sales sequentially remain stable. I mean, it grew 12% in Q4, and it grew 12% this quarter. So, any colour on that? Thank you.

Anders Boyer, CFO: [01:15:59] I'll just look it up as we speak. So, maybe I can start out on the other one. The number you might be referring to might be looking at the overall revenue decline in wholesale. And that does make it look a little bit worse than what it actually is. Because we have been taking over quite a number of stores during the year from acquiring or taking over franchise partners. And that obviously means that the revenue by channel, goes out of the wholesale channel and into our own stores. But then when you filter out all of that, then going back to what Alexander said earlier today, that like-for-like performance in the wholesale channel is below what we see in our own stores. It has been like that for a while. But the gap is clearly bigger in Q1, but not to the extent when you just look at the reported revenue numbers.

Abhinav, Societe Generale: [01:17:10] Okay.

Anders Boyer, CFO: [01:17:10] And then if we look at the full year, then the revenue split and you can probably see that in the public numbers already, but it's roughly to the tune of 40% of the revenue in Q4 and then Q1, Q2 and Q3 being almost at around 20% of the full year revenue, each of Black Friday and Christmas clearly being the biggest trading event. But then when you look at Q2, where this year the bulk of Mother's Day falls in May, then the month of May is 70-80% bigger than April and thereby almost constituting a bit more than 40% of revenue for the full quarter. So, the trading events are sort of quite impactful. And in Q2 it's the Mother's Day, which is also in the top 3 or 4 for the full year in terms of revenue.

Abhinav, Societe Generale: [01:18:30] Okay. Okay. Very clear. Thanks.

Operator: [01:18:35] Thank you, Abhinav. The next question will be from the line of Thomas Chauvert from Citi. Please go ahead. Your line will be unmuted.

Thomas Chauvert, Citi: [01:18:43] Good morning. Thanks for taking my questions. Firstly, you're talking about trading down consumer behaviour towards lower price points in the UK. Assume it's trading down within Moments, but are you observing the same phenomenon within Pandora ME or Diamonds for Pandora? And then are you not seeing that pattern in France, in Germany and Italy? I was specific about the UK. I think in the press release. Secondly, Alexander, earlier this morning in the media interview, you said that the relaunch of China will be gradual rather than too many cities at the same time. Is that your OpEx investments spread across there for each to '23 in H1 '24, particularly the marketing? And are you planning to open or refit some China stores to the Evoke concept? And just a bit of clarification your margin bridge. And just in your slide 23, it says 100 basis points drag from Phoenix investment and that's as previously guided. But in the press release on page 16, the guidance for that margin bridge shows 150 basis points margin drag from Phoenix. So, is that a typo or is there an underlying increase in the Phoenix investment that would potentially impact your EBIT margin by 50 basis points? Thank you.

Alexander Lacik, CEO : [01:20:09] And the on the first question. So, what we have in UK, and this is Q1 I'm talking owned and operated, which is let's say a big chunk of the business, of course, my traffic is up double digit year-over-year. Transaction volume is up a couple of points, basket is up a few points and UPT is up, which means that the average selling price is a touch below waterline. So, in a way, you're somehow compensating a slightly lower ASP, but it's not massive. It's a few points. Slightly lower ASP with more people coming through the doors. So, this trading up or down is not significant. It's not massive. It's a similar trend on e-com. And in fact, ASP is actually up 2 points. So, it's more in the stores that there's a slight difference. But there is really not much to write home about, Thomas, if I'm honest. I wouldn't make a big deal out of it. France and Germany and Italy. No, this is not a major deal. I think what's more important is the general consumer sentiment and the macro which drives the behaviour in those markets, rather than this kind of trading down. I don't really see this as being a big point. And then in China, as we said, when we built the budget for the year, we did not assume that China would reopen. So, therefore, we had, let's say, a business as usual type of budget to hold the fort somehow and then, of course, the moment we kind of hardcoded our budget, then China somehow declared that it was going to reopen itself. So, this has been. More playing a bit by the ear. And as I said, the traffic has been slower to come back than versus where I think it needs to be. And therefore, we'll do it one city. If things change in the next 30 days, I'll accelerate it. With the type of margin profile, we have on the business, we can generate sufficient funds from within, and then we'll top it up a bit with the group support. So, I think what I'm saying is, I don't have a firm plan for China. This is going to be something that we're going to play depending on how the market evolves. So, that's just where we are. And then as we build the plan for next year, it's entirely dependent on how this relaunch has gone. And you know what the China market response has been and how the market is behaving in general. So, I think that's a bit too early to speak about today.

Anders Boyer, CFO: [01:23:31] And then on the last question, Thomas. It is super well spotted, and you are right. One of those small updates that wasn't caught just before the announcement, the 100 basis points that you have on slide 23, in the investor presentation, is the right number, not the 150 basis point. But I'm happy that you read our announcements in detail. Well spotted.

Thomas Chauvert, Citi: [01:24:03] Thank you, Anders. Glad there's no change in guidance. Thank you.

Operator: [01:24:11] Thank you, Thomas. As a reminder, please press five star to ask a question. The next question will be a follow up from the line of Kristian Godiksen from SEB. Please go ahead. Your line will be unmuted.

Kristian Godiksen, SEB: [01:24:24] Thank you. So, I'm just wondering on the ASP as well, what was the impact of the US being more promotional? You mentioned the market is still a very promotional or promotional sequentially. It doesn't change, but what was the impact from you needing to be more promotional, especially on the gifting occasions? And then secondly, you mentioned that you postpone the expansion in Thailand I'm a bit curious to hear the reasons for that, if you're still fundamentally underlying on the outlook and why this has no impact on the CapEx guidance. And then maybe just thirdly, maybe if you could comment on what are your key concerns for the rest of the of the year? Thank you.

Alexander Lacik, CEO : [01:25:16] There is no change in the quarter on the average ASP in the US. So, whilst you know the winds are blowing hard around the corners of our business, we have not gone down and responded with any change actually in the promotional strategy of the business in the US. So, that index is flat. What we've done when it comes to Thailand. There were two reasons why we needed to expand the facilities. One is from a business continuity standpoint. So, that in case something happens we have some alternatives to go to. And the other one was as part of the long range planning. We see that there's capacity that we will require. And the decision we made was to increase with one extra site in Lamphun in northern Thailand an additional larger one in Vietnam. And they were kind of sequenced. So, first Thailand and secondly, Vietnam. What we've done, we've simply reversed the order of those two things. Obviously, when we started this whole exercise, we did not expect that the macro would be the way it is. Short term, we can manage the volume increase by either moving ourselves to three shifts inside our own facilities and or work a bit more with OEMs. The short term capacity question, we think we have covered. We still are intent on continuing with Vietnam first so that we will get more volume as well as a business continuity plan. Then maybe the phasing of the CapEx. Anders, you can talk about that.

Anders Boyer, CFO: [01:27:17] On the phasing of the CapEx in the guidance for the year, it was already in there. We made this decision to postpone it last year. It's already in the budget guidance for this year. But in any case, it wouldn't have been a very big number for '23 still for Vietnam. And then I think your last question was about the key concerns.

Alexander Lacik, CEO : [01:27:48] The key concern is obviously the macro and the US macro, which is kind of Q4 carried into Q1. Is that going to continue in that vein? Is going to go up or down? I think those are the questions on everybody's mind, to be honest. China is a concern. But more from a positive angle is how fast is it going to come back? If it's slow. Then it slows down the relaunch plot. If it's faster, then of course, we will accelerate accordingly. I think those would be the two main points on my mind. Europe, as somebody already pointed out, we are facing a softer baseline in the second half. So, if everything goes to plan, I mean Europe will hold its own. So, that's less of a concern in my book. It's probably more about the US macro and the speed of the China recovery. That would be top topics in my head.

Kristian Godiksen, SEB: [01:29:01] And Alexander, if you were to focus on the ones where you have control, um, which would then be? The macro, I guess, you can't really do anything about it.

Alexander Lacik, CEO : [01:29:12] Unfortunately I can't. I can pray, but it doesn't seem to help much. In the controllables, after the pandemic, of course, we have seen that recruiting and retaining retail staff, particular in UK and US is a challenge for all of retail, not just Pandora. But of course, that's a space where one really needs to kind of double down and figure out what the employee value proposition is in order to keep recruiting people. I mean, we have a big fleet of stores. Which is constantly expanding, and making sure that we retain the good talent that we have out there. That's probably a controllable we're spending a fair. amount of energy on that topic. You can see it, when you have a store, where you have a good management of the store. We have people that have been around for a while, those doors are simply put, just more productive than the other ones that have the opposite. And we can see it if we look at the franchise example, as I said, they put a little bit less store hours in. And you know quality of staff is pretty much the same. It's a war for talent in particular in those two places. That's probably something, which is not a concern, but it's something we have to work hard to get to a decent place on.

Kristian Godiksen, SEB: [01:30:50] Okay, thanks a lot.

Operator: [01:30:54] Thank you, Christian. The next question will be from the line of Louise Singlehurst from Goldman Sachs. Please go ahead. Your line will be unmuted.

Louise Singlehurst, Goldman Sachs: [01:31:05] Hi, Good morning, Alexander and Anders. Thank you for taking my questions. I think we've got a huge amount of detail, so I'll keep it very brief. Just following up on the marketing spend, the 4% decline, I suppose, does that mean if we think back to where you were on January the 1st, that sales in the quarter were ahead of where you expected them to be? I suppose we're just trying to sense versus your expectations now at the end of the period,, and if so, which regions would you highlight? Is that more US? But obviously Europe was strong. And then the second follow up was, so if there is a little bit more cost flexibility for 2023, I know it's early days, but if there is, I suppose Alexander would be keen to hear where you'd like to prioritize the spend if you have a little bit more in the wallet to spend on priorities for 2023, where would you rank the first couple of areas? Thank you.

Alexander Lacik, CEO : [01:31:59] So on the marketing spend. As I said, if you stare just at the face value number then it's lower than prior year. But if you look at what I'm getting for my money's worth, it's pretty much the same outcome. So, it's not a big topic for me as such. Your second question I think is more interesting. If I had some more spend. There are two perspectives you would have to apply. One is strategically where should we put the money? And then there's a short term aspect. And of course, the world is never black and white. You live in the grey. But if I give you the pure answer. That would be to really deliver on the ambition we have to double our business in the US. So, I would put more money into the US. And probably I would put more marketing spending in the US. I know my awareness levels are still lower than where I ideally would like them to be. So, that is the first bucket of spend. I'd probably then hope that China traffic returns and that would be the second place I would put the money. Because we know that we are way behind when it comes to awareness of the brand. So, that's, that's the bucket. And then the third one would probably be, but this is not a practical answer, but if I had a magic wand, I would convert all of my stores into Evoke 2.0. Because when you're trying to create brand desire, it's not just about the advertising spot or what meets you when you go online. It's also the physical experience. I think what our store staff delivers is fantastic. We know we have a very competitive experience, but the stores need a refresh, there is no doubt in my mind. So, whilst we're only doing let's say 40 conversions or new stores on Evoke 2.0 this year would definitely put down the foot on the accelerator next year. And my vision would be, if we can this is a capacity question, then I'd like to convert the entire network in the next three years, because I know this drives the brand experience and the brand desire the value of the brand goes up. So, those are probably the spend buckets. As I said, the last answer is not a very practical answer, but that's where I would like to invest. In a better experience. It's going to take a little bit of time in many stores around the globe. So, we're doing a midway kind of touch up refresh if you may. But that's far from the full experience of Evoke 2.0. Then other than that, I think we're well-resourced for the key bets of the year.

Louise Singlehurst, Goldman Sachs: [01:34:53] Great. Thank you.

Speaker6: [01:34:57] Thank you, Louise. The next question will be a follow up from the line of Michael Rasmussen from Danske Bank. Please go ahead. Your line will be unmuted.

Michael Rasmussen, Danske Bank: [01:35:07] Thank you very much. Just a quick follow up from me. Anders this is probably a question for you. I noticed that your refund liabilities were down by 21% year-over-year. And looking that as a share of last 12 month sales, I believe that's the lowest number we've ever seen. Can you please explain that to me? Thank you.

Anders Boyer, CFO: [01:35:29] It's a good call out, Michael. The bigger element of that is in the US or North America, as you'd probably rather say, including Canada, where we last year have continued the journey of reducing the contractual opportunity for wholesale partners to return products. We've been on that journey for a couple of years actually and took the last step last year. So, now the structure in North America is aligned with the rest with the rest of the world. So, that's the bigger element of it. And then the way we calculate the refund liability, based on our own stores, what are consumers actually returning and then that percent of products being returned is simply going into the calculation. And we're always seeing low returns and it even comes down a little bit further in our in our own stores. But the bigger piece is the wholesale part in North America.

Michael Rasmussen, Danske Bank: [01:36:56] Great. Thank you very much, Anders.

Operator: [01:37:01] Thank you, Michael. As there are no further questions at this moment, I will hand it back to the speakers for any closing remarks.

Alexander Lacik, CEO : [01:37:09] Well, thank you. It was a lively debate today. And as I said, we're very pleased with Q1, and once again, I invite you to put October 5th in your diaries, which we'll make sure it's worth your time. And on that note, thank you very much.