PANDORA Q1 REPORT 2015
Moderator: Morten Eismark
May 12, 2015
10:00 p.m. GMT

Operator: This is conference # 31028798.

Welcome to the PANDORA Q1 report 2015 conference call. At this time, all participants are in a listen-only mode. There will be a presentation followed by a question and answer session at which time if you wish to ask a question, you will need to press star one on your telephone.

I must advise you that this conference is being recorded today, Tuesday, the 12 of May, 2015.

I would now like to hand the conference over to your speaker today, Morten Eismark, Head of Investor Relations. Please go ahead.

Morten Eismark: Thank you, and welcome to PANDORA's conference call following the release of our Q1 2015 results announced earlier today. The presentation for this call, as well as a full version of the first quarter release, is available on pandoragroup.com/investor.

My name is Morten Eismark from PANDORA Investor Relations and with me here today is CEO, Anders Colding Friis, and CFO, Peter Vekslund.

In accordance with the agenda on slide two Anders will go through a few Q1 highlights, followed by Peter who will talk you through the Q1 numbers in more detail. Finally, Anders will conclude the presentation and we'll be happy to take your questions.

Before handing over to Anders, I kindly ask you to pay close attention to the disclaimer on page 3. Anders, please.

Anders Colding Friis: Good morning, everyone. Please turn to slide four. As the new CEO of PANDORA I'm proud of the numbers we are releasing this morning.

The Company has continued the strong momentum, and in the first quarter, revenue increased DKK3.5 billion, which is an increase of 36.8 percent or 22.3 percent in local currency.

Growth for the quarter was primarily driven by an increase in the average selling price as volume growth was 5.6 percent. Revenue growth for the quarter was driven by all geographies supported by strong growth across all product categories with rings, in particular, continuing the positive trend growing 84 percent for the quarter.

The new collections, Valentine's and Spring, launched during the quarter, were received well by our consumers, and in North America we expanded our Disney Collection with 60 new products which were received equally well.

We continued to expand our branded network with focus on the concept stores and with the addition of 310 concept stores over the past 12 months, revenue from concept stores now contribute 55 percent of revenue compared 51 percent in first quarter last year. The revenue from concept stores increased 47.4 percent compared to last year.

Sales-out, which I will return to in a couple of slides, continued to be positive and we have now been able to generate positive like-for-like sales-out in all four reported markets, nine consecutive quarters.

EBITDA for the quarter was DKK1.3 billion, an increase of 39.3 percent compared to first quarter last year; and EBITDA margin was 36.8 percent compared to 36.1 percent in first quarter 2014.

The margin improvement was driven by tailwind from the gross margin of around 2 percentage points but particularly offset by increasing OpEx spend primarily related to marketing and sales and distribution costs.

Free cash flow for the quarter was DKK990 million compared to DKK1.49 billion last year where last year it included a one-off VAT repayment from Germany of approximately DKK250 million.

For the full year, primarily as a consequence of the favorable exchange rate fluctuation, we've increased our revenue guidance to more than DKK15 billion from previously guided more than DKK14 billion.

Furthermore, as a consequence of the agreement we made with the Danish tax authorities last week, we've raised the expected efficient tax rate for 2015 to 30 percent instead of 20 percent. Peter, he will later give you some more flavor on the impact on our accounts later in the presentation.

Finally, we continue to return cash to our shareholders, and during the quarter we bought back shares for almost DKK600 million, and additionally paid out dividend of DKK1.1 billion.

Please turn to slide number five. All geographic regions generated double-digit growth for the quarter, also excluding the positive tailwind from currency.

Americas, which represented 44 percent of revenue was up 34.4 percent in first quarter, or 12.8 percent in local currency. Revenue in the U.S. increased 13.2 percent in local currency to a record high DKK1.2 billion.

Growth was driven, in particular, by the rings category as well as the continued high demand for the Disney Collection. However, sales growth for the quarter was negatively impacted by unfavorable timing of shipments compared to same quarter last year.

Finally, revenue in the U.S. was positively impacted by around DKK20 million from converting wholesale revenue to retail revenue, related to the takeover of 22 stores in the Northeast USA in the third quarter of last year.

Revenue from other Americas increased 11.6 percent in local currency; Canada, which is the largest country in that region, continues to see a positive development in like-for-like sales-out growth rates. But due to phasing of revenue between quarters, revenue from Canada decreased 8 percent compared to first quarter last year. Please remember that revenue in fourth quarter of 2014 was up 64 percent in Canada.

Revenue from Brazil more than offset the negative growth in Canada, as the positive development continued in the quarter. Like-for-like growth in Brazil increased with double digits and 28 new concept stores have been opened for the last 12 months.

Revenue from Europe, which is representing 40 percent of the revenue, was up 33.2 percent for the quarter, or 28.5 percent in local currency, driven primarily by the U.K., Germany, Italy and France.

U.K. continues to perform very well, and although it is a highly penetrated market, revenue grew 41.5 percent in local currency for the quarter.

Revenue from Germany increased 24.8 percent and, as has been stated before, we continue to be in a transition phase where revenue will be volatile. As we announced in the beginning of the year as part of the (resetting) of the business in Germany we entered an agreement to assume a number of leaseholds in the country.

The process is now finalized and we've secured 77 store leases, all in very good locations. As of today we've opened PANDORA stores in roughly 20 of the locations, and during the rest of 2015, we will open owned and operated stores in the remaining 57 locations.

Momentum in France and Italy continues, and revenue from the two countries increased by around 50 percent for the quarter, driven by an improved network, and healthy like-for-like growth. For the quarter Italy was 30 percent and France 15 percent of the revenue from other Europe.

Revenue in Russia was down 75 percent for the quarter, and the concept stores in Russia continue to perform well, given the difficult financial climate in the country, with like-for-like sales-out roughly flat compared to the first quarter of last year.

However, as we in general have very large shipments to our master franchisee in Russia, timing of shipments can have a huge impact on quarterly revenue in Russia. This had a significant negative impact on revenue for the quarter, while first quarter last year was exceptionally strong. Revenue from Russia represented around 5 percent of revenue from other Europe for the quarter.

Last but not least, revenue from other Europe was positively impacted by converting third party revenue to retail revenue in the Middle East, following the acquisition of the local distributor. This contributed around DKK20 million for the quarter.

Finally, revenue from Asia-Pacific, representing 16 percent of the Group revenue, increased 55.6 percent for the quarter, including currency tailwind of around 20 percent. Most markets in the region contributed to the growth, with Australia and Hong Kong being the key drivers.

Revenue in Australia increased 28.2 percent in local currency, again driven by targeting marketing -- targeted marketing and strong in-store execution. Rings, which have been mentioned a couple of times in the past, continues to perform well, and revenue from rings increased 58 percent in Australia for the quarter.

Other Asia-Pacific increased almost 40 percent in local currency, driven by Hong Kong as well a handful of the smaller markets in the region. Hong Kong in itself saw revenue growth of more than 100 percent. Momentum in the region is maintained, and as announced we plan to increase focus in 2015 in the two largest markets in the region, China and Japan.

The expanded collaboration with Bluebell in Japan was initiated in January; however, still with limited effects on the number, and later this year in July we will set focus on the Chinese market and, together with Oracle, accelerate the store rollout as well as the marketing investment in the country.

Now please turn to slide number six. The positive like-for-like rate continues into the first quarter across all four major markets. Furthermore, looking at the four charts on the slide, you can see that the increase in all four markets is on top of a strong first quarter last year and even 2013.

The growth was again driven by relevant product portfolio, increased awareness through our marketing efforts, as well as a continuous improvement of in-store execution across all markets.

Like-for-like sales-out growth in the U.S. was 8.9 percent, and driven in particular by rings, as well as the Disney Collection. The process of refreshing the network in the Northeast continues, and at the end of the first quarter a handful of the stores acquired from Hannoush have been refitted to the new evolution concept.

The Northeast region is improving, but still like for like for the quarter was slightly negative. All other major U.S. regions grew with low double-digit like-for-like rates.

Like-for-like sales-out growth in Australia and the U.K. was again stronger than expected, and both increased with more than 20 percent for the quarter. Growth for the quarter was driven by very positive reception of our new collection, as well as continued good momentum in the rings category.

Like for like in Germany continues to be driven by our owned and operated stores, which for the quarter increased 5 percent, whereas the franchise stores continue to deliver negative growth rates.

As mentioned earlier we have embarked on opening 77 new concept stores in Germany, which means that we are almost doubling the network. This will most likely have a negative impact on the like-for-like rates, as cannibalization with a rollout of this magnitude is to be expected. Consequently you should expect the like-for-likes rates for the coming quarters in Germany to move into negative territory.

Please turn to slide seven where you can see the products, which is really what it's all about.

Our new products continue to perform well, and roughly half of our sales-in continues to be created by products launched within the last 12 months. In terms of sales-out, demand for newer products is equally strong.

During the quarter, we launched the Valentine's Day and the Spring collections, which were both well received in all markets. In North America we launched 60 new Disney products of which 10 are exclusive to the Disney parks. From April we started selling the Disney products through all our branded sales channels in North America and not only the concept stores.

The Essence Collection, which we launched late 2013, continues to show an encouraging performance and revenue increased with more than 100 percent, compared to first quarter of 2014. However, it is from low levels. The U.K., Germany, Italy and Asia Pacific are among the markets where Essence has been most successful.

Please turn to slide eight. As you saw from the release this morning we have raised our revenue guidance to more than DKK15 billion, where we previously expected more than DKK14 billion. This is primarily a result of the favorable exchange rate fluctuation we have seen since we reported in February.

Assuming unchanged exchange rates, we now expect tailwind from currencies of around 10 percent compared to the 3 percent to 5 percent which we said on the call in February.

Also CapEx guidance is increased to approximately DKK900 million, as a consequence of the currency moves. We previously guided for DKK800 million. The EBITDA margin expectation is unchanged at 37 percent.

As mentioned earlier last week, we made a settlement with the Danish tax authorities, which means that, going forward, we recognize a higher proportion of the Group's profit in Denmark. Furthermore, we pay an amount to Danish tax authorities related to the years from 2009 to 2014 of DKK995 million, covering additional taxes and interest for all six years.

As a consequence, the effective tax rate for 2015 is expected to be around 30 percent, which includes the additional tax payment related to 2009 to 2014. Excluding the payment, the effective tax rate for 2015 is expected to be around 22 percent. We now expect to open 325 new concept stores during the year, versus previously expected more than 300.

With this, I'll now hand over to Peter, who'll give you some more detail on the financials.

Peter Vekslund: Thanks a lot, Anders. Please turn to slide nine.

Strong revenue growth across all regions, led to total revenue growth of 36.8 percent, to a total of DKK3.547 billion. In local currency revenue increased by 22.3 percent.

Volume increased only 5.6 percent, as some markets was impacted by unfavorable timing of shipments compared to the same quarter last year. This was mainly related to the U.S., Canada and Russia.

It is a number that is difficult to quantify, but as the vast majority of our revenue is wholesale, we will, from time to time, be impacted by phasing of revenue between the quarters. What is important, and also evident from our strong sales-out numbers, which by the way, are primarily driven by volume, is that our business continues to be strong.

The average sales price increased from (sic) DKK169 from DKK131 in Q1 2014. This corresponds to an increase of 29 percent. Roughly half of the increase in the ASP was driven by currency.

The other half was driven by two factors, contributing equally. First an increase this year of revenue coming from more expensive products, including rings and the Disney Collection; and secondly a shift in channel mix, with more revenue now coming from our owned and operated stores. On a product-by-product basis, prices have been kept virtually unchanged.

Revenue from owned and operated stores generated revenue of DKK708 million and is now 20 percent of Group revenue, compared to 13 percent in Q1 last year.

The increase is driven by like-for-like growth, as well as the addition of 163 new owned and operated stores in the last 12 months, including 47 concept stores and 16 shop-in-shops, which has been converted from franchise stores.

The net effect of converting wholesale revenue from the franchise stores, that is now owned and operated by PANDORA, is approximately DKK60 million.

Revenue from concept stores increased 47.4 percent to almost DKK2 billion and now constitute 55 percent of revenue for the Group. The development is in line with our strategy of focusing on branded sales channels and concept stores in particular.

Please turn to slide 10. And now turning to the development of our distribution network. The total number of points of sale decreased by 272 compared to Q4 2014, to a total of 9,634 points of sale globally. The decrease was a result of our continued focus on branded stores, which has resulted in the closing of 283 unbranded stores in Q1. In the last 12 months, almost 1,000 unbranded stores has been closed.

During the quarter we added 37 new concept stores. This includes opening of net 21 new franchise stores and net 16 new O&O stores, as well as the transfer of 25 franchise stores to O&O stores. The 25 converted stores are mainly related to the Middle East and Germany.

For a breakdown of the geographic split of the concept store openings, please refer to the new appendix in our Q1 reporting, listing the movements in larger countries.

Now please turn to slide 11. Both of our core categories are continuing to perform well. Revenue from charms increased by 33.5 percent, compared to the same period last year, while revenue from silver and gold charm bracelets was up 35.3 percent.

These categories together represent 79 percent, which is a decrease from 80.9 percent a year ago, which is primarily due to the very strong performance in rings.

Rings increased by 84.1 percent for the quarter and represented 11.4 percent of total revenue, compared to 8.5 percent in Q1 last year. The revenue from rings continues to be driven by improved offering, as well as increased marketing activities focusing on rings.

Particularly Australia and the U.K. have seen a strong contribution from rings. But actually most markets are increasing their share of revenue generated from rings.

Other jewelry increased by 22.8 percent. The growth was primarily driven by revenue from earrings and necklaces, which increased 60 percent and 70 percent respectively. Other bracelets continue to perform relatively well, but was negatively impacted in the quarter by a decrease in revenue from leather bracelets.

Please turn to slide 12. Gross profit was DKK2.522 billion, compared to DKK1.791 billion in the same period last year. All resulting in a gross margin of 71.1 percent in Q1 2015, compared to 69.1 percent last year.

The 2 percentage point increase in gross margin can be broken down into four chunks. Around 3 percentage point tailwind from commodities;1 percentage point from channel mix, primarily more O&O revenue; 1 percentage point headwind from currency; and 1 percentage point from the acquisition of the 22 concept stores from Hannoush in the U.S.

Please remember that the inventory in Hannoush stores was acquired at wholesale prices, which has a short-term negative impact on margins, as we only capture the retail margin on the acquired inventory.

Excluding our hedging and the time lag effect from our inventory, the underlying gross margin in Q1 2015 would have been approximately 73 percent, based on average gold and silver market prices for the quarter. Under the same assumptions, a 10 percent deviation in quarterly average gold and silver prices would impact our gross margin by 1 percentage point.

Please turn to slide 13. Operating expenses for the quarter were DKK1.284 billion versus DKK904 million in Q1 last year, now representing 36.2 percent of revenue in Q1 versus 34.9 percent in Q1 last year. Compared with last year, OpEx for the quarter was impacted with around DKK100 million from currency moves, mainly related to the U.S. dollar, the British pound, the Australian dollar and the Thai baht.

Sales and distribution expenses were DKK599 million, an increase of 44.3 percent compared with Q1 2014, and corresponding to 16.9 percent of revenue compared to 16 percent last year. The increase was mainly driven by higher activity as well as an increased number of PANDORA owned stores.

Marketing expenses were DKK327 million compared to DKK210 million in Q1 2014, corresponding to 9.2 percent of revenue compared to 8.1 percent last year. The increase was due to an increasing marketing spend primarily within digital media.

Administrative expenses for the quarter was DKK358 million, representing 10.1 percent of revenue compared with 10.8 percent in Q1 last year. The nominal increase in administrative cost was primarily related to higher IT costs and increasing employee expenses.

Please turn to slide 14. EBITDA for Q1 2015 increased by 39.3 percent to DKK1.305 billion, resulting in an EBITDA margin of 36.8 percent compared with 36.1 percent in Q1 last year.

The EBITDA margin for Americas for the quarter was 42.3 percent and down 2 percentage point compared to the same quarter last year, despite a positive gross margin impact. The decrease was primarily due to an increase in marketing spend as well as the negative impact of approximately 2 percentage points from Hannoush, as mentioned earlier. This is the last quarter where we will see the Hannoush impact.

The EBITDA margin for Europe increased from 39.8 percent in Q1 2014 to 43.5 percent for the current quarter. The increase was primarily driven by the improved gross margin.

The EBITDA margin for the Asia Pacific region was unchanged at 50.3 percent as the improvement in the gross margin was offset by an increase in administrative expenses and marketing.

Going into Q2, the quarterly EBITDA margin could weaken a bit as we prepare for the re-launch of the Chinese market as well to continue the store expansion in Germany. However, we maintain our full-year guidance of around 37 percent.

Please turn to slide 15. For the quarter, net financial income amounted to a loss of DKK281 million compared to DKK8 million in Q1 last year. Of the DKK281 million, DKK276 million were non-cash and mostly related to large currency moves over the last 12 months; DKK230 million mainly relates to unrealized losses on intercompany loan in U.S. dollars; the remaining DKK39 million was primarily related to losses on foreign exchange and commodity contracts.

As Anders mentioned earlier, income taxes for the quarter were impacted by the agreement made with the Danish tax authorities. According to the settlement, which relates to the year 2009 to 2014, we'll pay DKK995 million covering tax payments and interest for the six years.

As we have already made accruals for DKK610 million related to this specific case, only DKK364 million will impact our income tax expenses as well as a financial loss of DKK21 million related to interests. Consequently our tax rate for the quarter is 60 percent and excluding the additional tax, the tax rate would have been 22 percent.

Regarding the payment and the cash flow effect of the DKK995 million, most of it will be paid in Q2 and the remaining part in Q4.

Finally, reported net profit decreased to DKK383 million, obviously heavily impacted by the financial loss and the additional tax expense.

Please turn to slide 16. Operating working capital at the end of Q1 2015 corresponded to 16 percent of the preceding 12 month revenue, compared with 19.3 percent at the end of Q1 last year and 16.7 percent at the end of Q4 2014.

Inventory was DKK1.925 billion at the end of Q1 2015, corresponding to 14.9 percent of the preceding 12-month revenue, compared to 14.1 percent in Q4 last year and 16.4 percent in Q1 2014.

As highlighted in Q4, inventories were at a too-low level following Christmas and we are now seeing an expected increase. Inventory levels are still relatively low and you should expect to see an increase in inventories a bit further in the coming quarters.

The relative decrease compared to Q1 2014 reflects an impact of around 15 percent from decreasing commodity prices.

Trade receivables was DKK1.093 billion at the end of Q1 2015 corresponding to 8.5 percent of the preceding 12-month revenue, compared with 9.3 percent in Q4 and Q1 2014. The decrease is primarily due to strong cash collection.

Tax receivables increased by DKK207 million compared to Q4 2014. As a formality we paid around DKK200 million to the Thai tax authorities related to a tax case to avoid paying interest on the amount. They're booked as receivables as we believe we have a strong case and expect the amount to be repaid.

In Q1 2015 PANDORA CapEx was DKK167 million, primarily related to U.S. investments in refitting the stores acquired from Hannoush, preparation for the U.S. e-store launch in this April as well as new headquarters. Also CapEx was impacted by the addition of 17 owned and operated stores in Germany.

Finally we had a net cash positive position at the end of the quarter by DKK330 million corresponding to minus 0.1 of our net interest bearing debt to EBITDA, compared to minus 0.2 at the end of Q1 2014.

And with this, I'd like to hand back to Anders to conclude the presentation.

Anders Colding Friis: Thank you, Peter. So in summary for the first quarter we saw revenue increase 37 percent. We continued the rollout of stores with the addition of 37 new concept stores during the quarter. Gross margin was 71.1 percent. EBITDA margin 36.8 percent. The free cash flow was DKK990 million. Revenue guidance we upgraded to more than DKK15 billion, and share buyback of up to DKK3.9 billion in 2015 is on track.

So this concludes our presentation. And Pete and I would like to open up for any questions that you might have.

Operator: Thank you. As a reminder, if you would like to ask a question, please press star and one on your telephone and wait for your name to be announced. If you wish to cancel that request, please press the hash key.

Your first question comes from the line of Lars Topholm of Carnegie. Please ask your question.

Lars Topholm: A couple of questions here. First of all, this phasing between quarters in Canada and Russia. I think I can roughly calculate the effect to around DKK140 million your Q1 revenue had been higher if there had been no phasing issue. But can you confirm that number and can you comment a bit on the effect from the U.S.?

Likewise, Anders, you mentioned the 5.6 percent volume growth was sales-in and that sales-out was mainly volume-driven. What was the sales-out volume growth compared to Q4?

And then a final question, if I may, and that's relating to the tax settlement last week, which came as a surprise to me. I know there were discussions but not in the magnitude of DKK1 billion. So I just wonder what is the Company's policy of disclosing such issues and do you have any other issues of significant potential impact that are not clearly explained in the accounts which might affect us going forward? Thank you.

Anders Colding Friis: Maybe I should take the two first and then Peter can talk about the tax settlement.

If we look at the phasing of the quarters, I think that what we can say is that we have a development which is reflecting the fact that the business is a combination of a wholesale and a retail business.

So some quarters we have a stronger sell-in for the part of the sales we have wholesale, and what we have, as you rightly picked up, we have also commented on the fact that in Canada and in Russia we have seen a phasing difference so we had more sales-in than the last quarter of 2014 and that then, of course, affects our figures in the beginning of 2015. I don't think we can go more into detail on this.

If we look at the 5.6 percent volume growth, it's a little bit a question which goes in the same direction. We can see the volume growth which is a combination of sales, wholesale sales to our distributors and our franchisees and then sales-out from our own stores.

And I'll just point you to the fact that if you look at our sales-out, we have very nice development in our like-for-like growth and that is really what is the thing which supports the development of the Company. And then I'll leave to Peter to talk about the tax settlement.

Peter Vekslund: Yes. As to the tax settlement, we have in our annual report disclosed that we do have tax risks and as an international Company operating in many countries, you'll always have ongoing tax investigations and discussions with the various tax authorities.

Also, we have had discussions with the Danish tax authorities and then last week that ended with a settlement. But I can inform you that we have no other cases at a similar magnitude for the time being.

Lars Topholm: If I can just continue on the U.S. phasing part, which you mentioned in the report; so the way to think of it, can I look at the increase in the number of concept stores year on year of 14 percent, then add the 9 percent like-for-like sales growth and then the 25 percent currency effect. Then I get 44 percent revenue growth without different phasing.

Now you report 38 percent, so can I assume that U.S. revenue growth would have been -- or U.S. revenue would have been 6 percent higher without these phasing issues? Is that a relevant way to try to quantify this?

Peter Vekslund: Yes, Lars, I'm not sure I follow all your calculations as we speak. What we focus on in the U.S. is that we had a pretty strong quarter on the like-for-like sales-out and we cannot comment on all the details in your calculations. It's not…

Lars Topholm: No, but you have to -- we have to understand your numbers and see to what extent this phasing has a big impact or a small impact. And if the number of stores is 14 percent up, like-for-like growth is 9 percent up and currency is 25 percent up, adding that together gives 44 percent growth and you report 38 percent growth. So my question is simply if the gap, i.e., 6 percent is what we have lost from phasing with more sales-in in Q4 and less sales-in in Q1.

Peter Vekslund: Lars, this is not an exact science to do these calculations. And remember that in the US, we have quite some wholesale revenue to our franchise partners in the US. We just recently started acquiring O&O stores in the U.S.

Lars Topholm: So your reported growth should have been even higher without this phasing. Is that what you indicate?

Peter Vekslund: I'm not sure we get closer to these numbers.

Lars Topholm: OK, that's fair enough. Thank you very much.

Operator: Your next question comes from the line of Chiara Battistini from JPMorgan. Please go ahead.

Chiara Battistini: Just a couple of questions from me, please. First on the full-year guidance that has been upgraded for sales, I was just wondering whether, or at least to clarify, whether this has been just raised for the ForEx assumptions being much better, like 10 percent, which was 3 percent to 5 percent. So excluding the number of increased openings and also excluding any impact on the launch of the U.S. e-comm that has been announced a month ago?

And then on Russia, if you could give us more color on what we should expect in terms of sell-in in the coming quarters, i.e., if we're going to see a pick up on sell-in in the coming quarters or we should continue to see a depressed sell-in number.

Anders Colding Friis: The first one was regarding the -- maybe you take it, Peter, if you got it.

Peter Vekslund: Let me -- the first one you asked about our guidance and we increased our guidance from 14 percent to 15 percent and that is primarily related to foreign exchange. We previously guided 3 percent to 5 percent and now we expect around 10 percent for the full year.

On e-comm in the US, you're right, we launched our e-store in April. It's still early days. The website is up and running but we are not ready to quantify the impact on that.

On Russia, it's still a risky market. We are happy about the sales-out, which is approximately flat in the concept stores in Russia. And the shipments, when we fill up 170 concept stores via one distributor, will fluctuate between the quarters.

Chiara Battistini: Thank you. And just maybe a couple of clarifications. First on Russia, we structure it a bit within the quarters with such magnitude as we've seen in quarter 1 or a more moderate magnitude than we have seen?

And then on the full-year guidance, just to clarify, so that doesn't include the upgrade of the guidance, it doesn't include any impact from the recently launched U.S. e-commerce?

Peter Vekslund: Our guidance for the full year, of course, includes all the components that we are aware of as of today, including the U.S. e-store.

Just on Russia, just to follow up, we had negative growth in Q1 of 75 percent. That we do not expect to continue for the full year.

Anders Colding Friis: I think that maybe adding on that, I think that what we should look at and we also said that in the presentation, what is important is that if we look at the sales-out, which is the like-for-like sales in Russia, it is only slightly negative, so it's pretty close to flat. I think that's the very important thing to focus on.

Chiara Battistini: Great, perfect. Thank you very much.

Operator: Your next question comes from the line of Patrik Setterberg of Nordea. Please go ahead.

Patrik Setterberg: So I have two questions. The first question is relating to your guidance upgrade on the number of concept stores for 2015. You choose to upgrade by at least 25 stores. Could you tell us where do you plan to open these additional stores?

Anders Colding Friis: We can say that that will be spread throughout the network we already have. So it's not in a particular place, it's just spread out over our different regions.

Patrik Setterberg: OK. And then my second question is relating to the quarterly development in the number of shop-in-shops you have. You're decreasing the number of sales points by seven stores in the quarter. Should we expect that you will continue to reduce the number of shop-in-shop selling points, or is this just a single quarter where decrease is likely?

Anders Colding Friis: I don't you should put anything into this. I think that what we do is that when we look at the placement of new concept stores, which is our preferred stores, then there might be shop-in-shops in the vicinity of those concept stores and we will obviously close those.

I think what you have to look at also going forward is that it depends very much on the markets and where we have the expansion. In some markets you have a lot of department stores; in other markets you have a lot of malls. And if you have department stores you would see more shop-in-shops. If we had countries where we have more malls, you'd see more concept stores. So it really depends on what market we are talking about.

Patrik Setterberg: OK, thank you, very clear answers. Thank you.

Operator: Your next question comes from the line of Michael Rasmussen of ABG. Please go ahead.

Michael Rasmussen: Hi. Thank you. Three questions, please. First of all, Anders, I know it's early days for you at PANDORA but we are obviously all very, very eager to get to know you. So, what is your thinking so far at PANDORA, and maybe if you can share a few thoughts about some of the focus areas you've succeeded in in your old job with STG.

My second question being on the U.S. e-commerce, if you can just talk a little bit about the traffic and the volumes you've seen in the start-up period versus when you launched in the U.K. some years ago.

And finally in terms of rings, now 11 percent of revenues, if you could just repeat what the share of revenues is in Australia, and is this really the level we should see on a Group basis going forward?

Anders Colding Friis: I think I'll at least start with the first question, which is my thinking so far. I think that what is really important is when you join a company like PANDORA, it is a privilege to see the development of the business. And therefore if we look at the strategic direction for the Company, it is really very much, continue the good work.

There's always things where we can look at tweaks and do things better, and as we represent, in PANDORA, the full chain from designing the jewelry, manufacturing them and through to the stores where we sell them, there is, of course, things which can be done throughout the full chain.

I personally think that there's a lot of opportunities, and if you want a small reflection compared to my old job, I think that what I'm looking at here is that everywhere we look in PANDORA, we look at quite a number of opportunities. And compared to where I worked before in tobacco, I think that's a privilege that I enjoy very much.

If I should talk about the U.S. and the e-commerce, we are very early days, so it is impossible for us to comment on this at this time. But, we've started and we are there, and we will follow that, of course, in the future and see how it develops.

On the question of the rings, 11 percent of our volume, I think that's a very nice figure and also more than 80 percent growth we had in the first quarter compared to last year. It shows that there are a good development in the rings, and we also believe that there's more leverage in that category, and that's why we continuously focus.

You had a specific question on Australia, and I can tell you that in Australia, rings were a little bit more than 20 percent of our revenues; the same in the U.K., and in the U.S. it's close to 10 percent. So it's really around the world and in all the regions we are seeing some very, very nice development in the rings.

Michael Rasmussen: Thank you very much.

Operator: Your next question comes from the line of Kristian Godiksen of SEB. Please go ahead.

Kristian Godiksen: So three questions if I may. So, first of all, I would also very much like to know the impact on the growth from the phasing. So, I calculate that like-for-like growth adjusting from the mix effect from your O&O stores, then adjusting for this, then your like-for-like growth is only 1.7 percent, and this makes me nervous, to be honest. So I would very much like to have some flavor on the magnitude of this impact.

Secondly, I would like to hear about your pace on overtaking and opening new stores in Germany going forward. So you have opened eight new O&O stores from the new leaseholds out of the 77, so which pace should we expect in the coming quarters?

And then thirdly, if you could comment on the impact on the EBITDA margin in your guidance from FX. Thank you.

Anders Colding Friis: Maybe I'll just take the opening of the stores in Germany, and then I think Peter, he would be very, very happy to take the other two questions.

If we look at the pace, we are already well into the process. I think that -- I actually visit our people in Hamburg a few weeks ago to see how the progress was and I think the approach that they've taken is very encouraging.

What we look at is that we are going to phase the openings over the full year so the last stores will be opened by November. And what you can see is that we're going to have that as a spread throughout the year, so I think that's the way that you can look at that.

And then Peter.

Peter Vekslund: Yes, in terms of the EBITDA margin and the impact from currency, I can take you through the components. The EBITDA margin has an upside of 2 percentage points from the gross margin, and then there's a negative of 0.5 percentage point from currency, and another 0.5 percentage point related to additional OpEx spend.

Included in the 2 percent upside on the gross margin is 1 percentage point negative on currencies, so in total you could say that the EBITDA margin is negatively impacted by 1.5 percentage point.

On the phasing, again I'm not sure I can follow all the detailed calculations; just saying that negative by 75 percent in Russia in Q1 and minus 8 percent in Canada in the quarter indicate that there is some phasing which we do not expect to be negative in the coming quarters.

Anders Colding Friis: But you can't really compare that to the like-for-like sales. I think that's very important because that's really sales-out from all concept stores, some of them owned and operated and others franchise stores.

Kristian Godiksen: Yes, thank you. But just a quick follow up. What I've done is just that you implicitly say that your like for like in local currency was 8.9 percent because you said 40 percent of your local currency was driven from like for like, so that's the 8.9 percent. And then you also say that around 25 percent of the increase in ASP was due to the mix effect of higher share of O&O stores. So that's 7.3 percent.

What I would like to know is what is your underlying growth if you had not had that positive effect from opening O&O stores? And that's -- you can say that's the delta and that's only 1.7 percent and that's the growth figure that makes me nervous.

Peter Vekslund: Again, Kristian, I'm not sure I follow all the calculations, but please be aware that the ASP channel mix impacts both the like for like and the network growth.

Kristian Godiksen: OK. Thank you very much, gentlemen.

Operator: Your next question comes from the line of Frans Hoyer of Jyske Bank. Please go ahead.

Frans Hoyer: I'm quite impressed with the sales development in the U.K. Could you try and analyze the sales growth? Was it 41 percent in local currency? I'm keen on hearing about the performance in rings in the U.K. and the online performance. And from that, I guess, I can deduct what's happening in the rest of the business in the U.K.

Anders Colding Friis: I think that we've talked a little bit about the rings already in the UK. Around 20 percent of our sales-out are rings and, as I said before, that's a very encouraging number.

I think if we look at the online business in the UK, it's around 10 percent of our revenue and this is very good, very strong. If we look at the customers in the online business it's predominantly men like you and me where we do not enjoy the browsing part of the shopping experience as much. We enjoy going online.

Frans Hoyer: And have these ratios changed since last year? Or is it pretty stable that rings -- surely rings must have increased to 20 percent from a low (technical difficulty) and likewise for online sales?

Anders Colding Friis: I think that if we look at Q4, it was around 15 percent. So it has increased from 15 percent to 20 percent. And I don't know whether we have anything on the online but I think that's been pretty stable, as far as I know.

Frans Hoyer: Could you also comment on what your view of the Essence Collection is? Is it actually a concept that can be a leg to stand on in the charms and bracelets business alongside the Moments Collection? Or is it something else, in your judgment, from what you see now?

Anders Colding Friis: I think the Essence Collection plays a very good and important role in our portfolio. We can see that we, in that context, actually cater to a slightly different kind of consumers, which actually means that with the Essence Collection we grasp more. You get a little bit of an idea of what kinds of consumers with the countries where it sells a lot, which is, as we mentioned before, Germany, France, Italy, also the Far East. So I think it plays a very important role and is a distinct concept, which is also recognized by the consumers as distinct.

Peter Vekslund: And maybe just to add some numbers. The revenue increased by 100 percent on same quarter last year and in some markets it's around 5 percent. So it's a concept and we have a meaningful business out of that.

Frans Hoyer: And finally a question on that tax receivable of DKK259 million in the balance sheet at the end of the quarter. Did that have any effect on the P&L in the quarter?

Peter Vekslund: No, it's a prepayment, so it's only cash out and then receivable.

Frans Hoyer: Good. Thank you very much.

Operator: Once again, if you would like to ask a question, it’s star and one on your telephone and the hash key to cancel that request.

Your next question comes from the line of Anne-Laure Jamain from HSBC. Please go ahead.

Anne-Laure Jamain: I have several questions regarding the online. So it's 10 percent of the sales in the UK. Do you confirm the target of 10 percent of the total Group sales mentioned by Allan Leighton previously?

Regarding the U.S., what was the impact of the Disney Collection in Q1? And I would like to know what is the percentage of rings sales in other European countries.

And the last one, sorry. How many stores did you buy back in the U.K. on April 1? Thank you very much.

Anders Colding Friis: I can start a little bit. I think that we've given you the picture on online stores in the UK. We will have an aspiration to move towards that level but we don't have, to be honest, internally, a clear goal of exactly a number there. I think that we should take it as far as we can.

I think what is important to recognize when we talk about online is that we're also talking about an omni-channel approach, which means that we want our retail stores to work well together with online. And, as you know, you'd research online and you might buy in store and vice versa.

But I think that the online business and the fact that we're getting online in more countries is definitely something which is going to support our business.

If we look at the U.S. and the Disney products and the Disney Collection, it's been doing very well and we are very happy with it. We also find that it's a nice supplement to our portfolio. But we do not give any figures on the exact sales on that.

And maybe you, Peter, will take…

Peter Vekslund: Yes, you had a question about the four stores that we acquired on April 1 in the U.K. And they are four pretty good performing stores, among some of the best in the U.K. And, basically, the franchise partner of those four stores wanted to exit and retire and, therefore, we stepped in and acquired those stores. And the details are outlined in our Q1 report at the very back end.

Anne-Laure Jamain: Thank you. And on the percentage of sales of rings in Italy, France and other European countries, please?

Peter Vekslund: In terms of ring shares, we disclose the U.S., Australia and the U.K. And then the Group figure, which is 11.4 percent in the quarter. We're not providing details on other countries or markets.

Anne-Laure Jamain: Thank you.

Operator: Your next question comes from the line of Jesper Christiansen of ABN. Please go ahead.

Jesper Christiansen: A couple of questions from my side on the volume development. Is it possible that you could elaborate a bit on your volume development for the four markets where you're also giving like-for-like growth figures?

Anders Colding Friis: The short answer is no.

Jesper Christiansen: That was short and precise. Just a bit of speculation from my side then. You see a sales cost development of 4.6 percent but you are increasing your number of branded sales points with around 10 percent and you're also increasing, I guess, increasing sales of Disney products and rings and so on. So sales volume of 4.6 percent could indicate that you're actually in volume terms selling less and less charms, especially out of the North America. Do you have any comments on that?

Anders Colding Friis: The 4.6 percent, is that the (multiple speakers)

Peter Vekslund: Five point six percent.

Jesper Christiansen: Yes, it was 5.6 percent. I was just me saying it wrong.

Anders Colding Friis: OK. So just on the volume, which -- it increase 5.6 percent; that is the sales-in volume in Q1. And, as we stated previously, this is one-half currency and then one-half split between somewhat more expensive products, like the Disney and the rings, where customers they buy instead of two simple silver charms of $20, they buy maybe one slightly more expensive of $40 or $50. Or instead of two charms they buy one ring.

So that's what's impacting the ASP. And then, of course, the increase in our O&O share.

Again, what we focus on is that the sales-out, which we have pretty detailed information on in our concept stores globally, both owned and operated and franchise stores, that the sales-out growth, which is not impacted by currency, is very positive in the four key markets that we disclose.

Also there's a table on the product mix in the presentation for this call on page 11, and there you can see that the charms category is growing 33.5 percent in the quarter.

Jesper Christiansen: Thank you.

Operator: There are no further questions at this time. Please continue.

Morten Eismark: Thank you very much for joining us today, a pleasure. And thank you for your questions. Have a great day.

Operator: That does conclude our conference for today. Thank you all for participating and you may now all disconnect.

END