

14 MAY 2014

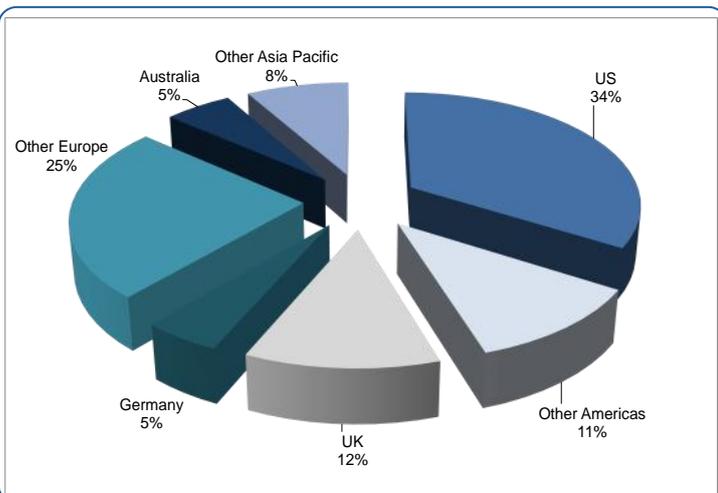
GLOBAL IDEAS

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Pandora: 1Q14 results

Danish jeweller, Pandora, which manufactures its jewellery in Thailand, released 1Q14 results yesterday (13 May) which saw group revenue increasing 29.5% YoY (or 34% in local currency terms) to DKK2,592mn (DKK5.4264=\$1). The company delivered EPS of DKK5.50 (+60% YoY) vs *Bloomberg* consensus of DKK4.80 – a healthy 15% beat relative to expectations. In terms of store sales, like-for-like (LfL) growth in 1Q was robust for all the main geographies with the Americas increasing by 10.7% (16.2% increase in local currency), Europe up 49.2% (48.3% increase in local currency) and Asia Pacific growing 54.3% YoY (71.9% increase in local currency). According to *Thomson Reuters* data, the US is Pandora's biggest market, accounting for more than a third of its revenue in FY13, followed by the UK and Australia.

Pandora revenue by geography, 1Q14:



Source: Company data, Anchor Capital

The company's gross margin increased to 69.1% in 1Q14, compared with a gross margin of 65.6% in 1Q13, while EBITDA increased by 45.7% to DKK937mn (\$172.7mn) for the quarter, corresponding to an EBITDA margin of 36.1% vs an EBITDA margin of 32.1% in 1Q13. EBIT was DKK887mn (\$163mn), for the quarter, a YoY increase of 48.1%, corresponding to an EBIT margin of 34.2%, compared with an EBIT margin of 29.9% in the same period of 2013. Net profit came in at DKK704mn vs a net profit of DKK438mn in 1Q13. Free cash flow was DKK1,049mn in

the quarter under review (including an extraordinary VAT repayment in Germany of DKK259m), compared with DKK406mn in 1Q13. During the quarter, the company bought back 902,530 of its own shares at a total value of DKK317mn as part of its ongoing DKK2.4bn share buyback programme. The company says it has about 10,000 points of sale - as well as selling through other retailers, while it has more than 1,000 concept stores globally (where only Pandora jewellery is sold).

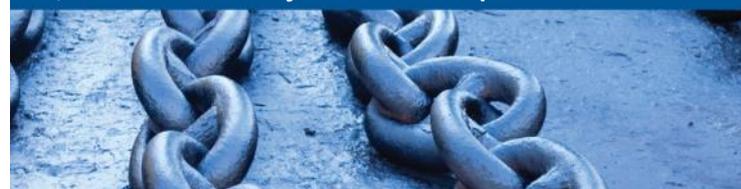
Looking ahead, the company raised its annual revenue forecast after yesterday's results beat analysts' estimates and on the back of its presence in newer markets, including Russia., sending its shares to an all-time high (up 8.1% on the day to close at DKK392.10). Pandora also raised its target for new store openings this year to more than 225 from over 175. Revenue and margin trends were all strong and with guidance being upgraded it looks to us that the business could comfortably exceed the DKK22/share, FY14 consensus estimate (+29% YoY). The results were also further evidence that the company's strategy shift was paying off, after sales rose by a third in 2013 to about DKK9bn. We highlight that the share is trading at a 12M forward P/E of less than 15x despite yesterday's share price gains.

Sean Ashton



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Contacts

Anchor Capital reception 011 591 0677
Investment/ Sales mnyoung@anchorcapital.co.za
Brokerage/ Trading fswart@anchorcapital.co.za

Trading Desk 012 665 3461
General Enquiries info@anchorcapital.co.za
Newsletter Enquiries newsletters@anchorcapital.co.za



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