Dr Martens

Q3 Results

27th January 2022

Transcript

Kenny Wilson: Good morning and welcome everyone and thank you for joining our Q3 trading statement conference call. I'm joined this morning in the room by Jon Mortimore, our Chief Financial Officer, and also Bethany Barnes who heads up our Investor Relations department. So, if you've any got further questions following this call, please do reach out to Bethany directly for clarification. So, before we open it up for a Q&A this morning, I just wanted to take the opportunity to share my perspectives on our third quarter.

Kenny Wilson: Overall, I'm really pleased with our Q3 performance. This is our largest trading quarter, and I'm particularly pleased with our direct to consumer results up 33% year on year to 64% of our revenue mix. Growing direct to consumer is a key part of our long-term DOCS strategy, as I think most of you are aware, and the success we continue to have on our website and in our own stores shows that this strategy is working and gives me significant confidence in the future growth and direction of the business.

Kenny Wilson: Our Q3 results with revenue up 15% constant currency are against a continued tough backdrop with our supply chain teams in particular having to navigate continuing long lead times and operational complexity, and also our retail teams faced renewed COVID restrictions across the world in December. Despite all of the challenges that we've had to deal with this year, we remain confident in achieving market expectations and doing exactly what we said we were going to do at the time of our IPO. This is a great result and testament to our DOCS strategy, to the phenomenal brand that we have, and also the passion of our people.

Kenny Wilson: To just give you a little bit more colour and detail on our Q3 performance, ecommerce growth was strong up 16% versus last year and 85% up on a two year view. In Q3, ecommerce represented 39% of our revenues and is now at 30% year to date and this gives us significant confidence around our medium term, 40% mix target for ecommerce.

Kenny Wilson: Our retail revenue accelerated on the prior quarter, up 16% on a two-year view and double the rate we recorded in the second quarter with conversion remaining very strong everywhere. Given the emergence of Omicron and the renewed restrictions, December was a little bit weaker than October and November, but as with previous periods of COVID disruption, we saw strong ecommerce performance.

Kenny Wilson: Turning my attention to wholesale, as we've previously told you, our largest manufacturing area, which is South Vietnam, was closed for around three months over the summer and South Vietnam is about a third of our overall production. We took the decision, as we've told you before, to enter the current financial year with relatively high inventory levels. However, the Vietnam closures, coupled with extended shipping times that we've been facing, mean that we have had constrained inventory levels during the third quarter. Against this backdrop and reminding ourselves of the fact that our third quarter is our key direct to consumer trading period, we took the decision to prioritise the inventory that we had towards direct to consumer, and that has resulted in wholesale being down 14%. However, the vast majority of Q4 wholesale pairs have been manufactured and they're in transit by sea to our distribution centres and then we'll ship them onto our wholesale customers.

Kenny Wilson: Turning my attention to the regional performance, by region EMEA was strong with good growth across all channels. We don't report by individual country as you know, but I will pull out Italy, which we converted to a directly owned and operated country at the start of the financial year as being a particularly strong performer. We now have three stores in Italy with Milan opening in December, and we're really pleased with the progress that we're making in the Italian market.

Kenny Wilson: America's direct to consumer performance was very good and the wholesale dynamic, as I've just described, moderated the overall regional performance as we expected, and America is obviously our biggest wholesale market so is the most impacted by the shipment timing.

Kenny Wilson: Asia Pacific was weaker with our revenue down. The biggest impact here was seen in our distributor markets, namely Australia, and specifically our third party operated stores in China as the impact of renewed COVID restrictions and concerns were felt in these two markets.

Kenny Wilson: So, if we look to our full year outturn having completed Q3 and being well through January, when we spoke back in December, we said we had two big jobs to do as the Dr. Marten's brand to deliver this year. The first was to have a direct to consumer peak trading period. And the second big job was to manufacture the pairs for the fourth quarter, get those pairs onto boats and get them over to our distribution centres so we could ship them to our wholesale customers.

Kenny Wilson: As we sit here today talking with you, we've achieved the first. We've delivered a strong direct to consumer third quarter, and we are on track to deliver the second i.e. we have manufactured the wholesale pairs we need, and those pairs are on boats en route to our individual markets. So overall, as we sit here today, our strategy is delivering results, our long-term custodian mindset continues to guide our decision making, and I have never been more enthused to lead the Dr. Marten's brand forward into the future. With that, I'm going to hand back to the operator and Jon, and I are happy to take questions from the floor.

Operator: Thank you. Ladies and gentlemen, if you wish to ask a question at this time, please signal by pressing star one on your telephone keypad. Please ensure that the mute function on your telephone is switched off to allow your signal to reach our equipment. Again, to ask a question over the telephone, please signal by pressing star one on your telephone keypad. We will pause for just a moment to allow everyone an opportunity to signal for questions. We will take our first question today from Richard Taylor from Barclays. Please go ahead.

Richard Taylor: Morning. I guess you've talked a lot on the call about the inventory cycle and so on. Just looking for a bit more commentary on the degree to which the weakness in wholesale was entirely driven by the absence of inventory and you prioritising that for other channels or whether it was a demand issue for consumers. So, any update on brand heat demand versus supply would be welcome. Thanks very much.

Kenny Wilson: Great. Thank you very much, Richard. I can start and Jon can add in where appropriate. Unequivocally, the weakness in wholesale in the third quarter is 100% down to lack of inventory. This really dates back to what we talked about in December where obviously we lost the production from Vietnam for three months with those factories being closed. We knew that we wouldn't have all the pairs that we needed to meet consumer demand in the third quarter. And we took the decision as a management team to prioritise those pairs towards our direct to consumer channels, which are obviously the most profitable channels for us. The pairs that we need now are on boats. We know that. We know exactly where they're going and they're heading over. The great news is the demand is still there for the brand from the wholesale channel. So, we've not received any significant cancellations for stock and the wholesale customers know that Dr. Martens is a brand that's performing really well right now, which I think our DTC numbers show. So, they're ready to take that stock.

Jon Mortimore: And for our top 20 wholesale accounts in America and also EMEA, we see weekly in market inventory and sell through data for those wholesale accounts which has remained strong.

Richard Taylor: And just a follow up on the inventory, I think you're at three months from producing a boot to actually being in the distribution centres. Any update in terms of whether that's got better or worse since you last updated the market in December, please.

Jon Mortimore: I think what we said in December was all of the inventory needs to be made and on boats by about now and as Kenny said that is the case. Our assumption is it'll take, this is mainly for the US, from Asia to the US, it's 90 to 95 days, which was the shipment times we were seeing before Christmas. That underpins our confidence in landing for the fourth quarter. What we are seeing is a slow improvement in those days. We don't assuming any step change and our forecast do not assume an improvement from the 90 - 95 days, but the mood music is slowly getting better.

Kenny Wilson: So, we believe Richard that we've taken a conservative assumption, i.e. we've taken the worst that we've seen over the last couple of months and as Jon's just said, the reality is slightly better than that.

Richard Taylor: Okay. Thanks very much.

Jon Mortimore: Thank you.

Operator: Thank you. We'll go to our next question now from David Roux from Bank of America. Please go ahead.

David Roux: Good day, Kenny and Jon. So, I've got three questions from my side. I'm just going to ask the first and then the last two I'll ask together, I hope that's okay.

David Roux: Firstly, on the shipment impact for 3Q, can you remind me, was there any specific guidance on the net sales impact from shipment delays for 3Q? And then just following on from that, perhaps what was the actual net impact from shipment delays in 3Q given the fact that you also saw the benefit of some shipments being delayed and rolled over from 2Q?

Jon Mortimore: Thank you for that question. We are not going to give that level of detail. However, what we did say back in December was, we referenced that we did have scarcity of inventory in the third quarter and therefore would target our DTC channels in the third quarter, because that's seasonally the peak holiday trading period, and we said we would then target wholesale restocking into the fourth quarter. So, DTC quarter Q3, that's when we make the money for DTC, and wholesale catch up in Q4, we communicated that to our larger wholesale customers. We also communicated the fact that now we've made everything, it's on boats, and the product will land through the fourth quarter. And one of the benefits of having high levels of continuity products, about 80% of products is continuity, you can buy a pair of 1460 black boots any month of the year.

David Roux: Great, thank you very much. And then just my last few questions. So, I think if we take a step back, shares are now trading at 14 times P/E, for a business growing top line at mid teens, according to your targets. Given where the shares are and I think the fact that it's below the IPO price, it seems like it's either a pricing or demand problem for the product or perhaps there is no longer confidence in the long term targets. Can you tell me whether there is a demand problem or if your confidence is at all being tested in those medium term targets from the IPO?

Kenny Wilson: I can be unequivocal in that, which is, there is no demand issue for the Dr. Marten's brand. To use your phrase, if you stand right back, revenues and direct to consumer grew 33% in Q3 and were 50% up on a two year stack. We gave numbers at the IPO where we said we would grow this brand by high teens growth this year. We will grow high teens growth even with the headwind of our largest manufacturing country, Vietnam, being closed for just over three months. So, I think from our perspective as management, we don't control the share price, what we control is performance, and we will deliver exactly what we said we would do 12 months ago. And we feel very confident as we look at the guidance we've given for the outlying years. The Dr. Marten's brand is strong with huge potential around the world.

Jon Mortimore: And to build, we guided in the outer years as a medium term, mid teens revenue growth and on a journey to a 30% EBITDA margin and we have remained confident in those guidance numbers.

David Roux: Thanks. And just last question. As it stands today, can you remind me, does Dr. Martens have approval for share buybacks from the board and what are your thoughts around this just considering where shares are trading and also the fact the balance sheet has the headroom?

Jon Mortimore: The whole question about capital allocation is one that the company will look at at the appropriate time. At this moment in time carrying larger amount of cash on the balance sheet as we come out of COVID I think it is a sensible thing to do. Also, what we didn't see this year because of Vietnam manufacturing, but we did guide about at the year end, we have a typical intra year cash swing from opening balance sheet to the half year of about half a turn of EBITDA. That is something we'd expect to see going forward. If we are a highly generative cash company at the appropriate time, we will look at all options for that cash.

Kenny Wilson: I think the only thing I'd add to that is as Jon said, we will look at this with the board, but our number one priority is to invest in organic growth projects within the company. There's an enormous total addressable market for the Dr. Marten's brand and we have key projects that we want to invest in and that's what we'll update on at the full year.

David Roux: Very clear. Thank you.

Jon Mortimore: Thank you very much.

Operator: Thank you. Our next question now comes from Ed Aubin from Morgan Stanley. Please go ahead.

Ed Aubin: Hi, good morning. So my first question, sorry to come back on the third quarter, but I guess maybe the gross pattern is a bit more backend loaded than expected by some, right? Because you just printed +21 and you say you're comfortable with around 55% increase to your stack in Q4. Was that exactly in line with what you were expecting when you reported the first half result back in December or was there a change in the exit rate in December in your sales?

Ed Aubin: The second question is on the price increase. So, I think you've said over the past few months that you're quite comfortable it would be relatively easy for you to pass on the price increase, based on the studies you've done and the reaction of wholesalers so far. There's been, as I'm sure you've seen over the past few weeks, few months, a number of worries about the purchasing power of consumers in the US, in the UK, and so on and supposedly relatively imminent with the utility bills and so on. I know it's a difficult question to answer, because you're not macro economists, but are you still as comfortable that these price increase will be passed on easily as of July, if my memory is correct. Thank you.

Jon Mortimore: Thanks. I'll take the first question and Kenny will do the second one. With regards to Q3 / Q4 performance. It is exactly in line with what we anticipated was going to happen. We prioritised pairs to DTC in the third quarter, we saw 33% growth. We will be prioritising pairs to wholesale in the fourth quarter. Wholesale by definition is a lumpy business. So, you can't do a trend from Q3 into Q4 in wholesale. It just doesn't make sense, particularly when you've had supply chain challenges. The key for wholesale delivery is to ask the question, "Have you made the pairs?" "Yes, we have." "Are they in transit?" "Yes, they are." "Do those transit times assume a sensible period?" "Yes, they do, no improvement." That's the key for wholesale.

Jon Mortimore: The other one, if you look at trends, you can do trends for DTC, Q4 for DTC is a very quiet quarter. So plus and minus a bit here or there for DTC won't make much difference. Q4 is purely about wholesale delivery. We've made the pairs, the pairs are on boats, the lead times are sensible.

Kenny Wilson: If I pick up on the second question, Ed, which is around the price increases. First of all you're right, I'm definitely not an economist, but what do we know? We know that we have done the vast majority, but not of the selling yet for autumn/ winter '22, and you are correct, the price increases take effect from July. Sitting here today, we feel very good about the way that those price increases have been received by the wholesale trade in our two biggest markets, because that's what really matters in north America and in EMEA and overall, we feel extremely good about the decisions we've taken. They're backed up by consumer research and the wholesale trade believe that these are the right things to do for a brand that has strong demand in an environment of higher consumer inflation.

Ed Aubin: Okay. Thank you.

Ed Aubin: Thank you.

Operator: Thank you. Our next question now comes from Karina Shooter from Goldman Sachs. Please go ahead.

Karina Shooter: Hi, Kenny, Jon, Bethany, thank you very much for taking the time this morning. I have two questions. So, the first one, just in terms of an update on the capacity situation in Vietnam, I remember back in December that you said it was back at around 80%, is that still the same today? And as we see increasing COVID cases around the world and more restrictions, particularly in China, are there any other projection constraints that you are seeing that could arise on your global production base more broadly?

Karina Shooter: And then the second question is just with regards to the promotional environment in Q3, one would assume that that would be lower given the inventory constraints that you saw in the period, but just want to double check that with you. Thank you.

Kenny Wilson: Thank you Karina. I can take the first one on production. So, the first thing to say is for this financial year, the pairs that we need are made already and they're on boats, as Jon's just said in answering Ed's question. So, anything I'm about to say has no impact on this financial year. In terms of our capacity in Vietnam specifically, we're still about the 80% mark. All of our factories globally are open. The Tet holiday happens in Vietnam at the end of this coming week so we would've had a break in production anyway, and we believe that post the Tet holiday, the capacity will build back into the nineties. That's what the factory owners are telling us. So, we feel good about that situation.

Kenny Wilson: In terms of China, we have no restrictions at the moment in terms of our production, everything is at normal levels, pre-COVID levels. So, there are absolutely no issues there. We have no production issues as we sit here today in any market in the world.

I think the bit that we don't know is that we don't know what will happen with Omicron in Southeast Asia. So that's the big unknown. Fundamentally though, we are always in a position that we can make more pairs in spring and summer than the business actually needs, and clearly with uncertainty, we will make as many pairs as we possibly can right now. So, the short answer would've been no production issues.

Jon Mortimore: On your second question in relation to promotional environment, we did very few promotions in the third quarter. There are multiple reasons behind that. The core reason, our strategy is to not promote our core icons. At end of a season, you would clear, but that's not promotional activity. So, we do not promote core icons. If you recall back to the first half on the revenue bridge, we showed we generated an extra 13 million pounds in the first half from an improved, full price mix. Part of that was in relation to having less clearance activity year on year and part of it was less promotional activity year on year, and those trends continued through the third quarter. And also, if you stand back, when you have scarcity of supply, you focus on full price sales. That is exactly what we've done and seeing a lot of other brands report, that's exactly what everyone else has been doing. There's no need to promote when you have scarcity supply. And anyway, our strategy is not to promote our core icons.

Karina Shooter: Very clear, thank you.

Operator: Thank you. We have a question now from Doriana Russo from HSBC.

Doriana Russo: I just wanted to come back to the promotion and the expected seasonality in the business. If I remember correctly, last year your rate of full price sales was incredibly high because of the pandemic. What shall we expect for this year, given the inventory constraint that you are still facing? And my second question is on Asia. You pointed out that the distributor led markets in China and Australia have been weak. Can you give us a little bit more colour on Japan, please, and also on the activities that you might be doing in China, which is one of the priority markets which has the top opportunity for revenue in the longer term?

Kenny Wilson: Okay. Why don't I start, Doriana and Jon can build. In terms of your question around promotions. Effectively, if we take our direct to consumer business, I think we've quoted this number historically, where we said about 90% of our sales are at full price and 10% is markdown down. We've got two factors going on, one is there's been scarcity of product and that basically means when you've got scarcity of product, you don't need to take any promotions. We do have some seasonal products which have arrived late and obviously those seasonal products, at some point, will need to be marked down. But the reality is this is a continuity carry-over long-term business. So, the 90%, 10%, we think that will broadly be the same again this year.

Kenny Wilson: In terms of Asia Pacific, we've not gone into all of the detail market by market. We did see during the third quarter, when the national lockdown eased in the Japanese market, that we really saw an immediate pickup in Japan retail sales and that Japan tightened down again in December, which made things a little bit more difficult. I'll let Jon talk to the Australia and China piece. But overall, I think the thing to remember is that in the short to medium term, the largest growth of the Dr. Martens brand will come from the Americas and EMEA regions.

Jon Mortimore: I think with regard to Omicron or the impact of COVID in terms of China and Australia, whilst we don't get the sort of key data that we get for European markets, it's more the concern around how those countries are actually individually managing COVID. And we did see weakness in our third party retail stores, distributor led retail stores in China and similarly in Australia, where we sell through a distributor, we saw weakness in that distributor's wholesale stores and also that distributor's branded Dr. Marten’s stores. It's just in line with, I think, what we've seen for a while.

Jon Mortimore: With regard to China, your second part of the question, just remind everyone that China, whilst it is a long term opportunity, China today only represents 4% of revenues. We've made good progress in China. If you go looking back over the past few years or so, Derek, the regional president, joining September 19 with an experience and heritage of working in China. We're building a team in China; we've gone from 9 to 25 people at the end of the last financial year and further people have been added since then. And at the first half, we talked about recruiting our new general manager for China, Olga. Who has a great track record in that market. With our new GM in place, you can expect we'll looking at how we can build on implementing the DOCS strategy in China, which we haven't formally implemented to date, but it's too soon to talk about anything about that at this moment in time.

Doriana Russo: Can you give us a sense of whether your direct channel in China did better than the overall country?

Jon Mortimore: We're not giving that level of detail. China was predominantly driven by a weaker distributor market, which is the distributors of retail, as was Australia.

Operator: Thank you. We'll go to our next question now from John Stevenson from Peel Hunt.

John Stevenson: Hi, couple of questions. I don't know, again, if you want to go into this detail, but just looking at the US market, I think the ratio of wholesale to retail used to be about two to one. I don't know if you can comment on how... Obviously it suggests DTC is particularly strong. Can you give a more detail on the DTC in the States, or maybe some of the flags in terms of just showing progress over Q3? Second question. Just in terms of current availability in stock levels. I get that you can obviously rebuild over summer, and I get that the Q4 orders for wholesalers are on the water, but where are you now in terms of current stock level, current availability? Are you still basically chasing manufacturing into spring, or are you sort of comfortable with where you are, and being able to produce more over summer?

Kenny Wilson: So why don't I start? On the USA market, as you point out, it is our biggest wholesale market in the world and obviously the decisions we took to prioritise inventory impacted the United States more. The direct to consumer performance in the United States was very strong in the third quarter and particularly strong in the period between Thanksgiving to Christmas. So overall we feel very good about underlying demand in the USA. As Jon also said, we get both sell through and in market inventory from our top 20 accounts in the United States and inventories are low. I mean, that's the reality of the situation. The demand is there for the brand, but the inventories are low.

Kenny Wilson: If we look at your question around current availability, are we still chasing production? Yes, is the honest answer. I mean, we had the loss of three months of supply from Vietnam. I think we've used the inventory that we've had as well as we possibly could have done and we've prioritised that inventory to our highest margin channels, but there is no doubt that the demand for the Dr. Marten's brand is greater than the availability that we've had. If you look at the first half of the year, as I said earlier, we have got the capacity to make more pairs than normal demand, so we will start to rebuild our inventories as we move forward. But yes, short answer is demand has outstripped supply in this instance.

John Stevenson: Okay, brilliant. I mean, I guess the flip side of that is when do you reckon, you'll be able to meet demand levels? Are we talking kind of autumn time?

Kenny Wilson: I think it kind of links to a question we had earlier from Karina, which is all factories are now open, and we're making as many pairs as we can. The great thing is that these are continuity products. The reality is, it's very difficult for me to answer that question because we don't know what we don't know right now, but if all things go well and there are no major Omicron incidents, yes, in the second half of the year, we'll be more close to the situation we want to be in.

Jon Mortimore: But based on what we know now, we remain confident in the expectations for next year.

John Stevenson: Okay, now it's very clear. Thank you.

Kenny Wilson: Thank you very much.

Operator: Thank you. We'll go to a question now from Piral Dadhania from RBC. Please go ahead.

Piral Dadhania: Morning, everybody. Thank you for taking the questions. I just wanted to start by asking, as you've prioritised wholesale, for your fiscal Q4, is the DTC channel fully stocked? So, are you still able to meet demand, as and when it arrives? I appreciate it's not the biggest quarter. So just want to make sure that there's no switching in the other direction away from DTC in Q4, as we saw in Q3. That's my first question.

Piral Dadhania: The second is, do you have any view, based on how the second half will play out, as to what the channel mix might look like by year end? Is there a chance that DTC is actually a bit higher than where us, and maybe you, were expecting, come December or even before that? And on the back of that, is there then potential for a slightly better gross margin outcome, just based on the higher retail mix? And finally, I just wanted to ask if you have any visibility on what any potential distributor market conversions you might be doing in 2022? Thank you.

Kenny Wilson: Okay. Thank you for the questions. I'll probably take one and three and Jon will take question two. To answer your question about the fourth quarter, are we fully stocked in direct to consumer? I wouldn't say we're fully stocked. Are we well stocked? Yes. Our EMEA business, our Asia-Pacific business, and our Americas business, have good inventories available for our websites and for retail. It's a relatively small quarter for direct to consumer. We have the product available to meet our numbers. So overall, we feel good about that. And then, when Jon talked about the fact that we've prioritised pairs for wholesale, those are to meet commitments to our customers. And with what we've got on boats, we're confident that we will be able to meet those commitments. So overall, it's not like you're going to see some massive swing in that direct to consumer will underperform because we prioritised pairs to wholesale. We're entering the fourth quarter with decent inventories in our DTC business.

Jon Mortimore: Following on from that, would we see any material change to where average consensus is for DTC mix for the full year? Not really, no, it's going to be there or thereabouts, Piral. Take one as an example, so e-comm mix, after nine months, 30% revenue mix, in line with last year. And last year, for the full year, was 30% e-comm mix. And we've guided to about 30% e-comm mix for the full year this year, for a number of months now. So, we're going to be there or thereabouts, I don't see any material upside. Similarly, the pairs will land for wholesale, so I don't see any material downside either.

Kenny Wilson: On your third question, which was around distributor market conversions. As we look to FY23, we're not planning new conversions next year. I think, as we've said before, that the conversion strategy where we implement DOCS in a country is a multi-year effect. So, we've seen that with Germany, where it just keeps improving, year on year. Obviously, we took Italy back in the second half of this financial year. So autumn, winter '21, we'll get that second year of growth in the Italian market as we continue to push on DOCS implementation. I think we've said before also, that we've taken back Spain and the Nordics, but we haven't really pushed those in the way that we've put time, effort, energy, and resources into the Italian market, as an example. So, I think that's probably the biggest difference you'll see. Germany and Italy will continue to move forward and build the brand. We'll put more effort on Spain and the Nordics in financial year '23 than we have done since we took those markets back.

Piral Dadhania: Okay. Thank you.

Kenny Wilson: Thank you.

Operator: Thank you. As a reminder, ladies and gentlemen, to ask a question over the telephone, please signal by pressing star one on your telephone keypad. We'll now go to our next question from Kate Calvert from Investec. Please go ahead.

Kate Calvert: Morning, everyone. Just one from me. When you were proactively managing this business through COVID and the shipping issues over the last quarter/Q2, were there any projects which had to go on the back burner, in terms of manufacturing, supply chain? Any inefficiencies, which you'll be able to go after in the year ahead, which you hadn't been able to do in the last year?

Kenny Wilson: I think my view would be the only thing that we would probably have got after that we haven't, would be optimisation of country to origin, to country of sale. Because when we were losing pairs in Vietnam, obviously, we moved some pairs to China. And we know for certain markets, like China to Japan, there's reasonably high duty on that. Whereas Vietnam to Japan, is a zero duty route. So, we prioritised enabling growth and getting the pairs we needed, over duty optimisation. So, for sure, at the point where we've caught up and we've got all the pairs we need, then we can start to look at that duty optimisation opportunity.

Kate Calvert: I have a second question. On Europe, how much of the growth in Europe was driven by the conversion markets of Italy and Germany? Or, to put it another way, can you give us a bit more colour on what was happening outside of those markets?

Kenny Wilson: Our growth was very broad-based in Europe. So, our oldest and most established home market, the UK, grew strongly. Germany grew strongly. The conversion market of Italy grew strongly. And it was, as we said in the statement, it was also multi-channel as well. We saw good channel growth as well. So it was pretty broad-based our growth. I called out Italy specifically earlier, because of the fact that it is larger than the average. But we had very broad-based growth.

Jon Mortimore: The thing with Italy as well is, there's been a lot of questions we've had around how is the conversion going because of the multi-year opportunity that a successful conversion gives us? So, we're calling out that we're very pleased with the conversion opportunity. And we're tracking exactly in line with where Germany would expect us to be.

Kate Calvert: All right. Thanks so much.

Operator: Thank you. As we have no further questions at this time, I'd now like to hand the call over to your chief executive officer, Kenny Wilson, for any additional or closing remarks.

Kenny Wilson: I'd just like to say, thank you very much for everyone who asked us a question. And also, to everyone who's attended the call, for your interest in the Dr. Marten's brand. As we said at the beginning, we've had a good quarter, driven by very strong e-commerce and retail performance. And we're very confident that we will achieve market guidance, as we outlined in our statement. Thank you very much.