

Dr Martens  
First Half Results FY22  
9<sup>th</sup> December 2021



Transcript

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Kenny Wilson: Hi there. Good morning in the room and good morning, if you are watching on screen. I'm Kenny Wilson, the CEO of Dr. Martens. And I would like to welcome you to our first half results review. I'll be joined today as usual by Jon Mortimore, our CFO, and we also have other representatives of our global leadership team in the room here today. We've got Geert Peters, our chief Operator Officer and Emily Reichwald, our Chief Legal Counsel. We've also got Bethany Barnes, our Head of IR, if we don't cover off all of the questions in the room today, then please feel free to contact Bethany afterwards.

Kenny Wilson: In terms of what we're going to cover today, I'm going to give a short introduction to the first half of the year. Then Jon is going to pick up and he's going to walk us through our financials. And then I'll come back and do a first half strategic review of the business.

Kenny Wilson: If we stand right back from the first half, Dr. Martens has had a very strong first half to its financial year. We continue to deliver against our DOCS Strategy. And this is really focused on building brand equity for the long term. Our revenue was up 24% on a constant currency basis. And this was driven by very strong performance in our direct to consumer business. So that is drmartens.com and our Dr. Martens stores. We saw continued growth in digital, and as stores reopened, throughout the half, we saw strengthening of performance. And what that meant overall was that our direct to consumer mix is actually up by six points to 40% of overall revenues. This is exactly in line with our strategy. Conversion markets are also a very important part of our DOCS approach. We successfully converted both Italy and Iberia in the first half of the year.

Kenny Wilson: As Jon will show, we don't really get the full benefit of this in the first half, but we will get the benefit on a full year basis. Also, probably even more importantly, the true

benefit comes with the multi-year effect of our conversion strategy. And we're seeing that with our German market, which we converted a number of years ago.

Kenny Wilson: Overall, if we look at our first half performance and the trading that we've seen since the period end, this means that we are confident in achieving market expectations for the full year, despite all of the uncertainty that we see globally.

Kenny Wilson: I make no apologies for showing this slide, I do in every presentation I make. And that's because the custodian mindset is absolutely how we run Dr. Martens on a day to day basis. We always focus on brand value, and we always focus on the long term. We never take shortcuts in this business. I could give you hundreds of examples of how we've used the custodian mindset to guide the business in the first half, but I'm just going to give a few.

Kenny Wilson: In the first half, we accelerated payment to our key suppliers as they were impacted by COVID-19. When their workforce was sent home, we wanted to ensure that it could be looked after. We increased the marketing investment behind the Dr. Martens brand. We continue to open stores in the pandemic and invest in our long term distribution network to control the brand and the business. And finally, we continue to invest in brand protection to look after the intellectual property of the business.

Kenny Wilson: Before I hand over to Jon, I just wanted to remind you all of our DOCS strategy. This is what we operate against, and this is the guiding light of the Dr. Martens brand. I'll cover off our progress against DOCS in more detail in our strategic review by just a couple of comments.

Kenny Wilson: On D, direct to consumer acceleration, we grew DTC by six points. In terms of operational excellence, our supply chain coped. It was agile against significant challenges of COVID-19 in Asia Pacific. On consumer connection, we continue to reach more consumers and sell more pairs. And then in terms of sustainable global growth, we grew, but always with a long term approach. Those are the headlines. With that, I'm going to hand over to my partner in crime, Jon, who's going to walk you through the financials.

Jon Mortimore: Thanks Kenny, and good morning, everyone. And welcome to this hybrid world that we currently live in. Our first half performance was strong. On a constant currency

basis revenue grew by 24%. It was volume led with our own retail growing faster than wholesale, increasing DTC mix by six percentage points to 40%. Bang in line with the DOCS Strategy. We believe we've managed the global supply chain challenges relatively well to date, with the only material impact being £20million of wholesale shipments delayed from Q2 into the second half.

Jon Mortimore: Cash generation was strong, and we'll be paying our first dividend in February. Finally, we are confident in achieving market expectations and consensus for the full year with the base assumption of no material countrywide lockdowns.

Jon Mortimore: The first half performance was in line with our expectations and was broadly influenced by three main factors. Global recovery from COVID, positive for demand, but negative for supply. Exchange headwinds, which if current exchange rates were to broadly remain as they are, will lessen through the second half.

Jon Mortimore: And also, a return to business as usual trading patterns and activity, which had associated increased discretionary spend, for example, travel, training, IT development, and particularly marketing. And was also compounded through the first half by the annualisation of PLC related costs from the second half of last year. It's worth noting, our second half margins are typically stronger than the first half, due to the seasonality of DTC trading being stronger in H2. With DTC having higher gross margin percentages than wholesale. I'll return to the EBITDA margin story in a little bit.

Jon Mortimore: Given last year was heavily impacted by COVID lockdowns, direct comparison is not on its own, a good indicator of underlying performance. And a better indicator is comparison to the six month period ending the 30 September 2019, or as we've called it last year minus one. Ecommerce is more than double last year minus one, and also up 10% compared to last year, which indicates continued strength of performance through this channel, particularly as all stores are pretty much open through the period this year.

Jon Mortimore: Retail steadily improved and was up 2% versus last year minus one and double last year. Wholesale was up 33% compared to last year minus one. And if the £20million delayed shipments were included in the first half, wholesale would've been approximately 10 percentage points better than reported.

Jon Mortimore: Our full year margin expectations are unchanged, and we'd reiterate our medium term journey to a 30% margin. The first half margin story has two main elements and then some complicated noise, which will mostly annualise or lessen through the second half. First, as I previously mentioned, the first half is typically a lower DTC trading period than second half, such that margins in H2 are typically stronger than H1. For example, in FY20, H2 margins were stronger than H1 margins by plus 4.4 points. And in FY21, H2 margins were stronger than H1 by plus 3.2 points.

Jon Mortimore: Secondly, the improved DTC mix compared to last year, seen in the first half, of plus 6.6 points, is expected to continue and strengthen a little through the second half. Finally, the complicated noise as I've called it. This is all OPEX related and a combination of spending patterns returning to typical business as usual levels post lockdown last year. As I've said travel, training, IT development, and again, marketing. In addition, we have also the annualisation of PLC related costs. Whilst we have experienced some inflationary costs which are expected to continue through the second half, the majority of return to business as usual spending and PLC related costs will lessen and annualise in the second half.

Jon Mortimore: Q2 was stronger than Q1. Good growth from all channels compared to last year minus one. Ecommerce was up 94% in Q2 from exceptionally high plus 155% in the first quarter. Retail strengthened from -6% to +8% as stores reopened and performed strengthened. And wholesale experience good improvement but has remained bumpy in terms of shipments. Staying with retail, all stores in the US were opened for the period but operated at 75% in-store customer capacity and have only very recently moved back to a more typical 100% capacity.

Jon Mortimore: UK stores opened through the end of April and are experiencing good recovery, with London lagging non-London stores, and the latter having more like-for-like positive weeks of trading than negative. Continental Europe stores opened through May and June and are following similar recovery patterns to the UK experience. Though very recently, we've seen a little more volatility in Europe due to the worsening COVID situation.

Jon Mortimore: In Japan, which is our largest retail market in Asia Pacific, our stores have recently begun to recover at an improving rate, following the lifting of the state of emergency

on the 1st of October. In all instances, traffic still lags last year minus one, but is following an improving trend, with in-store conversion very strong.

Jon Mortimore: Revenue growth followed the DOCS strategy and economic model, mainly volume led with 77% of the increase from selling more pairs of boots, shoes, and sandals. This was supported by improved channel mix with DTC up six percentage points to 40% and I'll return to the margin benefit for this in a second. The other point I want to make is in relation to full price sales. In the period we returned to pre-COVID more typical proportion of full price sales at around 90% of mix. In the prior year, during the first half lockdown, in conjunction with our larger wholesale partners, we agreed not to ship certain seasonal styles and managed the clearance of those styles through our own websites. This was done to support our wholesale partners and also maintain brand control. This was a one-off in the prior year and is not expected to continue.

Jon Mortimore: Here we look at the gross margin story. Gross margins improved by 2.8 percentage points to 61.3%. Two main drivers. Firstly, stronger DTC mix drove 2.5 percentage points of improvement in gross margin. And if you recall DTC channels, retail and ecommerce, make four times the gross margin of wholesale. Secondly, net COGS or cost of goods per pair, declined marginally by 0.4 percentage points, despite higher inflation and a near doubling of freight costs per pair, supply chain efficiencies nearly offset the full extra cost. Note, freight costs now represent approximately 4-5% of COGS per pair. We expect this pattern seen so far to continue through to the third quarter, the seasonally much smaller Q4 representing the beginning of the Spring/Summer 22 season, having slightly higher inflation cost per pair, part offset by slowly reducing freight costs and further supply chain savings, as we move out of peak.

Jon Mortimore: A little bit history is worth sharing for context. Whilst no one has a crystal ball and can predict exactly what would happen to the world as it came out the other side of lockdown. We knew it would not be linear, would be bumpy and would be unpredictable. We focused on being flexible, fast to react, staying very close to the coal-face and took decisions quickly. We also understood no one had done this before, and therefore it'd be prudent to hold higher levels of inventory than old school "optimal" would suggest.

Jon Mortimore: This inventory was held in our region country DCs, being close to market and able to support speed of decision making and maximise flexibility. This last decision was made easier for us given the high mix of continuity product we sell. In addition, decisions we took a couple of years before COVID to increase the geographic spread of supply across a number of countries in Asia, and also have multiple sources of supply for all key components paid dividends, as it gave us some flexibility to move manufacture across the region when some of our factories were forced to close down for a period.

Jon Mortimore: As we began to see the supply chain challenges emerge, we quickly prioritised inventory to our own DTC channels in our priority markets. Finally, the partnership approach, and also close relationship we have with our suppliers resulted in a large share of factory brain space and priority allocation of labor, as some of our factories return to work post lockdown. The result of all this has so far, been the only material impact on results being the £20million delay to wholesale shipments from Q2 into the second half. Though, beneath the surface, our supply chain teams have been working exceptionally hard.

Jon Mortimore: As you can see, Americas was the primary driver of first half growth at plus 57% constant currency. EMEA was up 12% constant currency with growth impacted by the timing of store openings through Q1 and early Q2. And also, the timing of shipments into new conversion markets as we moved from a distributor basis, where we tend to ship in the first quarter, to a direct control basis, where shipments tend to be Q2 and Q3. I anticipate EMEA growth will strengthen through the second half. Asia Pacific grew 4% constant currency as COVID trading restrictions impacted the larger markets in that region through the half. Standing back, this pattern is what I expect to see across the medium term, our growth driven by our larger Western markets.

Jon Mortimore: EMEA had good growth across all channels. In the period, we successfully converted both Italy and Iberia, Spain and Portugal, to a fully owned subsidiary markets. To underpin success, we have given higher focus to the Italian opportunity with Iberia to follow a slower profile, recognising we can't do everything at once.

Jon Mortimore: A few key facts for Italy. The distributors sold into approximately 1100 accounts. We've closed 700, opened 100, selling to around about 500 accounts. Similar to

Germany, this results in better product placement, merchandising and breadth of assortment. We recently opened our second store in Verona with very encouraging early trading. Retail to support ecommerce and showcase the brand and product range. Across the period, as expected, volume declined by 38%, due to the timing of shipments I've previously explained. But more excitingly revenues were up 10% constant currency. You can see here the economics of in-market margin capture in action. We are very pleased with both conversions in the period and are confident we are set up to unlock the multi-year growth opportunity and follow a similar growth curve to the Germany experience.

Jon Mortimore: Americas have seen very strong growth across all channels. Good ecommerce, very strong retail and good wholesale. Like most other brands, the US has experienced the most challenging supply chain delays, exacerbated by length of delays at port. Here, approximately £15million of revenue, that should have shipped in Q2, will now be shipped in H2. In the US, we opened a third DC on a 3PL basis in Los Angeles early in the period to underpin future growth with particular emphasis on ecommerce picking.

Jon Mortimore: In Asia Pacific, Japan is our largest market and is mainly retail led. During the period, Japan operated under a state of emergency, limiting opening hours and in store capacity. This was only lifted at the beginning of October. Since then, retail trading has been steadily recovering and following similar early trends to the UK and the US. China, which represents approximately 4% of global revenues, was also impacted to a small degree by COVID related trading restrictions, particularly in the malls where our third party stores are located and also, in and around Beijing.

Jon Mortimore: We've continued to invest in Asia Pacific region with investments in people, process and systems. Our global ERP solution, which supports both EMEA, and Americas will go live in Hong Kong over the next few weeks, with Japan, South Korea and China to follow across the next 12 to 18 months.

Jon Mortimore: Before exceptional items occurred in the prior year, profit before tax was up 37% and earnings per share were up 45%. In line with our guided progressive dividend policy, which has a payout range of between 25% to 35% of earnings, we will pay our first dividend in early February. This has been calculated at the beginning of that range of 25% of half year earnings.



Jon Mortimore: Operating cash generation from EBITDA was good. In line with our supplier partnership approach, we accelerated payments to certain factories who were closed due to COVID to help support their liquidity. If you recall, in the prior year, we did not cancel any purchase orders at a time when a number of companies were canceling their orders. In return, we benefited from a temporary extension of payment terms. Adjusting for these items, cash conversion of EBITDA was 60% in the half. We have previously guided operating cash conversion of EBITDA at between 65% to 75% and remain happy with that full year range.

Jon Mortimore: The cash position at 30 September was broadly level with the opening cash position balance sheet of £113million. This was unusually high and was primarily due to COVID impact on supply chain timing of inbound shipments, both factory closures and difficulties in matching boats to containers.

On average, we pay our suppliers on 60 day terms with start date when goods leave port. As a result of delayed leaving dates, the peak payments have been pushed from Q2 into Q3. This is not expected to continue into next year, and I anticipate the timing of cash swing to return to more typical patterns and guidance of a cash swing of around a £100million from the opening balance sheet to 30 September remains. To be clear, this is an intra-year cash swing with full year guidance of leverage, including IFRS 16 leases, of around one times, remaining unchanged.

Jon Mortimore: Finally, for me, outlook. Current trading is good. Ecommerce is in line with H1 trends. Retail in aggregate has strengthened in all of our priority markets. The only exception is continental Europe, where very recent trading is increasingly volatile due to the varied COVID-related restrictions. Wholesale shipments, particularly to the US are seeing a slow and gradual improvement.

Jon Mortimore: We are confident in achieving market expectations for our first full year as a listed company. This is assuming that through the second half, we do not experience material countrywide lockdowns on either demand or supply side for a significant period of time. For FY23 and beyond, we reiterate guidance previously given. We have a volume-led strategy - sell more pairs of boots, shoes, and sandals to more people through our own channels in our seven priority markets. The economic model assumes across the medium term, price funds inflation. To this end, we will

be increasing our prices in EMEA and Americas from autumn-winter 22 season. Kenny will return to this topic during his presentation. Thank you.

Kenny Wilson: Great. Thanks very much, Jon. What am I going to cover in our first half review? First of all, I'm going to talk about our DOCS strategy in some detail, then I'm going to talk about our product strategy, which is all about icons and innovation, and the "and" is really important here, because our strategy is to grow our icons globally, and then build beyond the icons. We've got many people who haven't bought their first pair of Dr. Martens yet with a lot of white space opportunity. We know that they will access the brand first in icons. Then for those people who've already bought into DOCS. We'll show you product innovation that builds beyond that.

Kenny Wilson: Thirdly, our approach is digital first and direct to consumer first. That's where we place our emphasis, but we do want to support this with high quality wholesale, which builds the brand globally.

I'm not going to walk through all the detail of our DOCS strategy, because I know we shared it with you many times, but this is tried and tested and it's working. It's a very consistent approach now that we've been using for multiple years, and DOCS is working for us in every market where we've implemented it. It's our guiding light, and we work extremely hard to make sure that all of our colleagues across the business really understand DOCS, and they also understand how that they contribute to D, O, C or S.

Jon has talked with you a little bit about supply chain under O, operational excellence, and where I'm going to focus my time then will be on the D, the C, and the S. Firstly though, before I go into the strategy, I want to talk about the team which delivers this strategy, our global leadership team.

Kenny Wilson: I've always said that the team that gets you from A to B is not the team that then moves you from B to C. However, what we have with our global leadership team is we've got a group of seasoned industry executives, and we've got that really nice balance now between people who've been with DOCS for a number of years like Jon and myself, and some people who also bring in a fresh perspective. I'm going to talk about the new additions to the team this year. I'm going to start with Adam Meek. Adam joined us officially on the first of December as our new Chief Product Officer. Adam has taken over from Darren Campbell. The two of them did a full

handover during the middle of November to the end of the month and the first week in December, and Darren departed last week.

Kenny Wilson: Adam joins us from Canada Goose, where he recently headed up their new footwear line, and prior to that, he was senior vice president of product for Sperry. He understands a brand with iconic product. Prior to that, he has footwear experience predominantly from Nike.

Kenny Wilson: The second new addition to the team is Jennifer Somer. Jen joined us in the middle November as our new Americas president. She also is a seasoned apparel and footwear executive. Her most recent job was at Deckers for the last six years, where Jen was global general manager of the UGG brand.

Kenny Wilson: And then finally, when we did our full year results around about June, we told you about Sue Gannon. Sue joined us as our new Chief Human Resources Officer in June, and she joined us from Netflix.

Kenny Wilson: S: Sustainable global growth. Jon talked about the fact that we've got seven key priority markets and strategically, this is where the team prioritise their time and prioritise the resources of the business. This is where we've got the biggest growth opportunity for Dr. Martens and this is where we want to win.

Kenny Wilson: As we've said before, in the short to medium term, our growth will come from our Americas region and our EMEA region. If I talk briefly about all three; Americas, as you've just heard from Jon, had a very good first half. However, if we look more broadly, looking forward, we see that Americas has a huge opportunity for direct to consumer acceleration in the years ahead. That will be supported by strong wholesale growth.

Kenny Wilson: From EMEA, there's four markets that we really focus on. Always the most important of those will be the UK. Dr. Martens is a British brand, and we have to show up absolutely at our best in the UK. This is our home market and positioning is incredibly important. In the UK and France, as we look forward, we'll be driving growth through direct to consumer acceleration, again, supported by quality wholesale. For Germany and Italy, those are all about the multi-year opportunity that conversion affords us, and I'll come back and talk about conversion markets.

Kenny Wilson: Finally, in the Asia-Pacific region, this is our smallest region right now. Long-term, this is big opportunity for Dr. Martens. Japan is currently our biggest market in Asia-Pacific. Beyond the end of the period, we've actually started to see Japan recover as the country has opened up from the state of emergency and vaccination has improved, and we see real and significant opportunities for growth with our direct to consumer business in Japan.

Kenny Wilson: In China, as we've told you before, we've not implemented the full DOCS strategy yet. We trade on Tmall and we trade through franchise stores. However, we've appointed a new in-country general manager, Olga Wu, and Olga's role will be to help us to build the foundations for the full implementation of DOCS in the years ahead. Just to give you a little bit of an indication of Olga's background, again, she's from our industry. She has 12 years at Timberland, three of those as Timberland's country general manager for China.

Kenny Wilson: So, moving into consumer connection and starting with our product strategy. We've told you before that 50% of the people who know we make boots, don't know we make shoes at all. What an incredible opportunity. 50% of the people who know we make boots don't know we make shoes.

Kenny Wilson: Last year, we celebrated 60 years of our iconic boot, the 1460, and this year, it was the opportunity to celebrate 60 years of the 1461, which is our 3-eye shoe, our second most important icon. Strategically though, this was really about getting the focus on the shoe business and building awareness with consumers. The great news is that with the focus the regions have put on this, we've grown pairs of the 1461 by 44% globally in the first half of this year. The way that we've done that is really through product innovation and marketing. I'm not going to walk through all of the examples on the slide there, but you see our ice soles in the 1461, you see some great collaborations that we did with CLOT and with Atmos. You see kids 1461s in white, and obviously the classic black smooth. From a strategic standpoint, what this is really about is keeping the icons fresh for consumers.

Kenny Wilson: I've talked a little bit about our icons. Let's talk about product innovation. We had hoped that more of you would've been able to be in the room, obviously with changing guidelines that's not the case. I don't know if the cameraman can focus in

there on my left and your right to actually show some of our product innovation, but we launched two very big programs this year, important programs for the brand in 2021 - Quad Neoteric and Tarian. They both launched after the half year, but I'm very pleased to say that they're off to a great start. Quad Neoteric is our next generation of Fusion products. Fusion are the amped up Dr. Martens, the ones with the platform soles. The new Quad Neoteric program has still got that towering look, but the difference here is it's very light. Consumers can get a new two-piece sole and very soft upper. It's for the person who wants to buy into that quad look, but in a much lighter and softer way, but it's still got all that classic DOCS DNA.

Kenny Wilson: Then Tarian is our newest innovation in our casual business, and this is really designed to appeal to the sneaker-wearing male. It's a reworked version of an original 1460 and casual. It's kind of like a rugged utility boot, and again, it's still got that core DOCS DNA, because what's important to us is, you should be able to see someone across the street and go, "Oh, that's a pair of Dr. Martens."

Kenny Wilson: These are just two great examples of our product innovation, but fundamentally what we're trying to achieve is continued focus on our icons and building out through product innovation.

Kenny Wilson: The last thing I wanted to talk about in terms of product is sandals. Sandals is a relatively small part of Dr Martens business today, but it's a huge growth opportunity. In the first half of this year, we're up 45%. Whilst we're number one in boots in most markets in the world, we're actually outside the top 10 in sandals. There's a real opportunity to grow awareness. Clearly the market leader at the moment is Birkenstock.

Kenny Wilson: Building our sandals business enables us also to generate more revenue in the first half of the year, which has historically been the smaller first half for Dr. Martens. As you can see from the photos on the screen, we're driving innovation and product here, and the idea is all about DOCS sandals with attitude. Once again, we want to have that point of differentiation in our product relative to the competitors. To build brand heat in this category, we've also executed strong collaborations in the first half with brands like Suicoke, the Japanese sandal experts, and X-Girl. As we look forward in the years ahead, this is a category that you will start to see Dr. Martens really build out its business.

Kenny Wilson: Staying with consumer connection, but moving on to marketing, as Jon shared, our marketing investment in the brand continues to increase by 50 basis points per annum and will do going into the future. In the first half of this year, because it's an unusual first half, our marketing spend was actually up 72%. One of our key marketing activities is our Tough As You initiative. We launched this a number of years ago now as a marketing campaign, but it's actually evolved. It's now a way of empowering and inspiring underrepresented and emerging creatives. It ties really nicely with our DE&I strategy.

Kenny Wilson: We've launched a Tough As You year-long mentorship program in all of our regions and really what this is about, it's about enlisting the support that we can do as a brand from big names. People like Grammy-nominated singer songwriter, Mahalia, who's from the Leicestershire area, for those of you who know. Ivor Novello nominated rapper, Kojey Radical. Through this mentorship program, what we're really doing is, we are looking to provide creative opportunities for young artists. Our role as a brand is to amplify these underrepresented communities.

What I'd say is, watch this space in terms of how we're going to take this project forward, and Jon and I will continue to update on this in the months ahead.

Kenny Wilson: Still on marketing, the brand is also highly active on social media, where we've got really high engagement rates to our competitors. We're not the brand with the biggest followers, but when people get into Dr. Martens, they're really highly engaged as part of our community. I'm not going to go into detail on all of the four examples here. The first on the left, as you look at it, is a partnership that we did with Lazy Oaf to launch a collaboration with them on Instagram, where we developed an augmented reality lens.

Kenny Wilson: The second example is from work we've been doing with the Nova Twins. This is about giving a voice to underrepresented people of colour talent in music

Kenny Wilson: I think the most interesting examples there are numbers three and four, which are on TikTok, which is a platform we really got into this year, which is very important for a youth audience. Really what we focused on here, the first where you see the pair of boots, this is building on the Learn on TikTok trend. The example here is, "How to lace up your Dr. Martens to get different looks from your DOCS just by changing out the laces." We've also had real success with, "Taking care of your Dr. Martens."

Also, one of the unique properties of the brand, which is around, "Breaking in your DOCS."

Kenny Wilson: The last example is about how we've brought the Tough As You campaign that I just talked about onto TikTok. Here, we partnered with Blaine from the Mystery Jets there, and Blaine was actually someone who featured in our very first Tough As You campaign. He's a disabled artist himself. He worked with us to highlight accessible music venues for deaf and disabled audiences. Inspiringly, this received more than 750,000 views and incredibly positive engagement. It shows what's inspiring to the DOCS community.

Kenny Wilson: Still within consumer connection is sustainability. This is a really crucial element of our strategy, and not just because it's the right thing to do, but also, we know that sustainability really matters to the people of Dr. Martens, and it really matters to our consumers. We announced our first sustainability report with our year-end results. Over the last few months, what we've been working on is building really detailed roadmaps, identifying the metrics and the KPIs to track our progress on what we shared with you at the year end.

Kenny Wilson: Also, as part of our net zero commitment by 2030 pledge, we've committed to a 1.5 degree celsius trajectory with a science-based targets initiative. By aligning our net zero strategy to a warming limit of 1.5 degree celsius, we can do our little bit as a brand to the most severe impacts of climate change.

Kenny Wilson: Now, for me, personally, the bit that's really inspiring is the innovative development work that we're doing against our most ambitious target. That is to make all of our products from sustainable materials by 2040. We said before, we don't know how to do that right now, but at our last sustainability steering committee last week, we saw some really innovative work that teams have been going through. We saw Dr. Martens made out of mushroom leather, which was just amazing. They look very different obviously to current DOCS. We saw Dr. Martens made out of recycled leather, and there's people in our teams now wear-trialling those. From a sustainability standpoint though, the current Dr. Martens product, one of the great things about it is, it's incredibly durable. If you look after a pair of DMs, they can last you more than 10 years. The challenge for these new materials, like a mushroom

leather or a recycled leather, is how we actually make those as sustainable as the existing Dr. Martens.

Kenny Wilson:

So finally, within consumer connection, I want to provide an update on our pricing plans as we look forward, and Jon mentioned this at the end of his presentation. So, if I take you back a little way, back in 2018, the year I joined the business, we did a piece of pricing work globally with a strategic partner, and really, what came out of that study was that we were under-pricing Docs, and we were able to increase the prices. In that modelling, they said, we might actually lose a tiny little bit of volume. It was kind of less than 2%. Now, the reality of what happened was we increased our prices, and alongside of that, we actually grew volume, as we know. So with the same consultancy, we re-did this work in summer, in our seven most important priority markets around the world.

Kenny Wilson:

What that demonstrated is that brand value is higher than current pricing. It all suggested that this time with the same modelling that we will be able to raise price, without any loss in volume. So therefore, we're very confident in putting through price increases for autumn/winter '22. To give you an example of how those price increases are going to flow through. If we take the 1460, our most important product, in the United States, we'll be raising consumer price prices by \$20. In the UK, we'll be raising by £10. In Europe, we'll be raising by €10. Obviously, our pricing architecture will raise accordingly. So, in the US, if we put the 1460 up 20 bucks, we'll move all boots up 20 bucks. We actually just did a recent small-scale test over the holiday in the USA where we increased the price on Jadon, which is our number one product in fusion, and once again, our volumes actually went up. So, we are very confident about our price increases. In terms of Asia Pacific, it's the only market where prices will remain unchanged next year. And that's because the prices in Asia are already significantly higher than the Western world. So as an example, with price increases that we'll put through in the United States, Japan will still be 28% above the USA.

Kenny Wilson:

So, moving from consumer connection onto direct-to-consumer acceleration, digital remains our most important channel. This is a digital first strategy supported by stores. Our ecommerce performance remains very strong, on a two year basis, and it's driven fundamentally by three key factors. The first of those is investment in platforms. We continue to invest in developing the hybris platform, which we run in



our Western markets on both EMEA and Americas. Next year, we will look to bring Japan onto the hybris platform.

Kenny Wilson: We'll continue to invest in our digital teams. So, we've told you before, that we have a central technology team, which builds out the sites, and we've got digital trading teams market by market. We've increased digital headcount this year by 20% year on year. And we will continue to invest in calibre people in digital, and we will also increase the number of people in the digital side of our business. Then finally, we're working to continually improve our sites. So, we've launched a much more agile way of working this year in both our EMEA region and our Americas region. And we've increased significantly, the number of A-B tests that we perform. This is a bit like the marginal gains concept that GB Cycling talked about. When you take all these little small improvements that you make on the site, they actually add up to quite significant improvements in conversion. The most startling one for me personally, when we were in the steering group on this, is just making a small change in our search bar to, "What can we help you find?" actually, improved our conversion.

Kenny Wilson: Moving on to retail, we've said repeatedly, we don't want to be retailers at Dr Martens. However, we're very clear that the right stores in the right global cities help to support our websites. So, we are committed to opening stores. As Jon said earlier, we've had a really encouraging start to retail reopening globally. One of the things we know is that trying on a pair of Dr Martens is a very tactile experience and having the opportunity to meet our store teams and hear them talk to you about the product is super important. We actually learned some really important lessons during the pandemic. So, when we locked down last year, our sales were really strong online. But when the stores reopened, we noticed that we actually started to sell a lot more softer leather products again. And it's really obvious that people go into stores, they try the product on. They say, "Oh, I want to buy these." So that gives us opportunities to broaden out the assortments in store, but it also tells us that we've still got more work to do, to communicate more effectively on our websites.

Kenny Wilson: Throughout the pandemic we've continued to open the right stores in the right locations. On a full year basis this year we'll open 20 to 25 stores. Ironically, one of the benefits of what's happened in the last 18 months during the pandemic is that we've actually been able to secure some great retail locations that we couldn't

before, because of the changing economics. So if you look on the right hand side of the slide, you'll see Munich, we've opened two stores in Munich in the last six months. The reality is we couldn't get into Munich before. An example from the Americas, you see Texas North Park, bottom left in Dallas. Again, that was a centre we weren't previously able to access.

Kenny Wilson:

Conversion markets - it's something that both Jon and I have talked about, because it's a really important part of our strategy. First and foremost, this is about brand control. This is about controlling our own destiny and really building the equity of the Dr Martens brand. Also, as Jon said, though, it gives us big financial benefit, and I'm really happy with the progress we're making in Italy, in Spain. Having had the opportunity to be in both Milan and Rome, very recently. Some of the things that we've done, we've reset wholesale in both markets. So, Italy is now trading in less than half the doors the distributor was trading from. Spain is trading from 20% of the doors that the distributor is trading from. So, we've cleaned up those markets and we've focused on the right doors that we want to be in, and we'll grow the business on a full year basis.

Kenny Wilson:

We started to invest in retail, which is an important part of the DOCS strategy. So, in Italy, we've already opened two stores in Rome and in Verona. On December 22nd, we'll open our first door in Milan. In Spain, we've opened one store so far in Barcelona. The results are incredibly encouraging, and therefore, we will roll out more stores in the Spanish market. Jon mentioned the fact that we also broadened our product assortment. So, to give you some idea of scale versus what the Italian distributor did, we're selling almost five times the breadth of product. Probably, even more importantly for me, we have reduced our dependency on the 1460s, significantly in that market. A distributor tends to sell a lot of the easiest things. So, we're selling 20% less 1460s than the distributor. Overall, we're also investing in the brand, so our marketing investment, especially in Italy, is really starting to push the brand forward. The last thing I'd say here is the success of Germany makes us extremely confident that this is a multi-year play for Dr Martens, and Italy and Iberia are on track.

Kenny Wilson:

Finally, moving to S, sustainable global growth. I just wanted to mention briefly quality wholesale. This strategy for Dr Martens in wholesale is extremely clear. This is about working with fewer partners, fewer doors, but the right doors. With the right

partners, what we want to do is also to build branded space. As you're aware, the United States is our biggest wholesale market. So, I'm just going to give you some examples here from the USA, but these are equally applicable to our EMEA region, which also has a sizeable wholesale business. So, on the left of the slide, you see Journeys. This is just an average Journeys that I've picked out, not the best one, for example, in New York. What you really see is implementation of branded space, use of our iconic colours in black and yellow. And what this does is it wins space for the Dr. Martens brand all year round, and it signals our brand to consumers.

Kenny Wilson:

In the middle you have Bodega in LA. This is an opinion leading store – “amp” or “energy”, whatever different industries call it. What we're trying to do with our amp accounts right now is to broaden out the product assortment, get more of our Made In England product, more of our collaborations, more of our archive. And then finally, the last example is from Nordstrom, one of our key accounts in the United States. This is a partnership that we did with them in their New York store, where we claimed a space, which is called centre stage. You basically walk into the store and it's the first thing that hits you, and consumers were able to buy from an enlarged Dr. Martens popup space on that ground floor. We launched it on the 15th October, and we launched it with a New York City band called Sunflower Bean, where they came, they played live, as you see in the pictures there, and Nordstrom beamed that via social media to their consumers, and we did the same on DM social channels. So just a little bit of a flavour there of what we're trying to do to upgrade our presence of the brand across our wholesale partners.

Kenny Wilson:

So, bringing it all together. As Jon said, we are confident in our numbers for the balance of this year. But I think, probably equally more importantly, we're confident in our future. We're confident that the DOCS strategy is not delivering just now, but the things that we are putting in place will ensure that the Dr. Martens brand will continue to deliver in the years ahead. In the first six months of this year, our revenue is up 24% in constant currency, driven by the strong direct-to-consumer performance, which is on strategy. We're doing exactly what we said we would do.

Kenny Wilson:

We've proven that we can convert key markets. We've taken back Italy. We've taken back Iberia. These markets along with others, like Germany and the Nordics will provide multi-year growth for the Dr. Martens brand. So overall, we think we've had a strong first half, and we're very confident in achieving market expectations for the

full year, despite all of the challenges that are out there. With that, I will shut up, and Jon, and I are happy to take questions from within the room and also on the WebEx.

Kate Calvert: Morning, everyone, I'm Kate Calvert here from Investec. A couple of questions on the supply chain to kick off with. First of all, could you give some more colour on the learnings you've taken away from the supply chain issues in the first half? And is there anything different you're going to do, going forward as a result? And a sort of related question on the supply chain is, with Vietnam being closed for three months in lead times, are you anticipating any issues with stock in FY23 at any point?

Kenny Wilson: So why don't I kick it off, Kate? And we've also got Geert, our Chief Operating Officer, in the room. So, Jon and I can relieve ourselves of the duty given he's closer to the detail, but I think in terms of some of the learnings that we've had from this year, for sure, the fact that our product collection is focused on 75% to 80% continuity has been a massive advantage, because our product is non-seasonal. I think one of the other learnings is, about agility and flexibility. Geert set the supply chain over the last three and a half years where we diversified the countries in which we produced Dr. Martens. So therefore, like most brands, we were heavily impacted by the closures in Vietnam - but we were able to switch into other markets, which has been phenomenal, but I'll throw it over to Geert, given he actually does the job.

Geert Peters: Building on what you said, Kenny. I mean, the first element that would come to mind is a diversification. So, the fact that we have factories across multiple countries, most of our suppliers have factories across two countries, which again helps from a risk mitigation and flexibility point of view. We also have our top 15 to top 20 products sourced across multiple, multiple factories. So again, if something would happen with one factory, we can still have continuity of supply, because we source it in at least four or five other factories. So, diversification is definitely a key learning. We were already building on that strategy prior to COVID. We will obviously continue to build on that and go even beyond.

Geert Peters: The second element I would call out is the supplier relationship. We have already long-lasting, and long-term relationships with our suppliers. But what we noticed once COVID hit, we went from quarterly supplier conferences where we meet top-to-top, and we went to monthly and even every two weeks, because we felt an open dialog communication and understanding from both sides, it was really, really key.

The fact that we were able, as Jon explained, to tell suppliers, we were not going to cancel POs. I mean, I could see an immense relief for the suppliers, because they saw continuity of their cash flow. At the same time, they helped us with extended payment terms. Then this year, we saw the reverse when they had to close, we were able to help them. So again, that very intense, close long-term relationship is something that is great that we were already building on that, but that's something we will continue to build on going forward.

Geert Peters: Also referring to the point that Kenny made on sustainability. We clearly know what we want to do. But in order to get there, we know we rely on our partners and our suppliers to get there. So again, having close relationships with suppliers that are long-term focused, and at the same time, continue to focus on diversification from the supply base, both tier one, which are the factories that make our product, but also tier two, the component suppliers. So making sure that we have tanneries for our top leathers that are not single source, but dual or triple source, the same on our outsoles. So, building that network that is agile, responsive, allows us to scale fast, and again, operate depending on what's happening. We can go left, or right, very quickly. That has clearly paid off. But we know we need to do more going forward to be even more ready for whatever might hit us in the future.

Jon Mortimore: So just a couple little builds. Firstly, I think key learning is "old school" levels of optimal efficiency for inventory - we are learning what they are. It's going to be higher going forwards, because that gives you flexibility to react. Then just, secondly, in terms of our forecasts, our estimates for this year, as I've said, our current estimates for the second half of the year are based on the assumption of no major lockdowns, current lead times remain, they don't need to improve. So what we are currently seeing just keeps going and we're confident in our expectations.

Kenny Wilson: Another question in the room please.

Ben Hunt: Morning, Ben Hunt from Investec. The 20 bucks on the boots. The price you're adding to them, which is probably going to be quite good for the margins. How does that compare historically? Clearly there's going to be a bit of inflation in the market, anyway. What's your rough intuitive feeling to how that's going to compare versus peers in the market?

Jon Mortimore: Well, Kenny can comment versus the market. As Kenny said earlier on, though, we carried out research on consumer propensity to pay and what they thought Dr. Martens were worth. So, the increase of \$20 was bang in line with what people were prepared to pay for Dr. Martens, or thought Dr. Martens' cost. So from a perception, point of view, perception is \$20 higher, taking the US example. Historically, the last price increase we put through in the US would've been spring/summer '19, which is about 10 bucks, before that I think it was about 18 months, before we add another 10 bucks. So again, previously, it's been 10 bucks, but not for a couple of years, but it's based on the propensity to pay.

Kenny Wilson: Relative to the competition, because obviously most brands have gone out now and communicated their prices for autumn/winter '22. Some people are raising prices by 10 bucks. The stronger brands are raising prices by this sort of level, by 20 bucks. I think the really encouraging thing is we've had no pushback from our wholesale partners. As I mentioned earlier, we executed a trial this holiday season where we took our most popular fusion product Jadon, and we raised the prices. Both ourselves and our wholesale partners actually saw increased sell through. So, to Jon's point, the research gave us real confidence, because the consumer actually thinks they're paying more for Dr. Martens than they actually are. So, there's more brand value there than we're currently charging on pricing. So, we do feel confident about this.

Ben Hunt: All right. Great. Then just secondly, on the step up in marketing, which is more a function of business back to usual, but if you could give us any colour on where the sort of focus of it's been from the top of a funnel down to the bottom, really? It'll be interesting.

Kenny Wilson: We've got two big goals in marketing. So, the first is building awareness of the Dr. Martens brand. So, if you take the market we've been in the longest, the UK, we've got 93% brand awareness. So, most people here in the UK know Dr. Martens. But if you go to Germany, that number is in the 60s. So, there's a job to do to build knowledge of just Dr. Martens. The second thing that we need to build is product range awareness. So, it was quite surprising to us that when we found out that stat I quoted earlier, 50% of the people who know you make boots don't even know you make shoes. So, we ran a campaign where we focused on six of our most iconic products to build range awareness.

Kenny Wilson: And then the other thing is, when people buy brands, they buy two things. They're buying the product itself, but they're buying the intangibles. So, if you take something like our Tough As You campaign, that's all about communicating what Dr. Martens stands for and what it believes in, and the initiative around Tough As You where we're empowering young creatives. People are really engaging with that in our communities. So, our marketing is a combination of build awareness, build product range, build brand equity.

Karina Shooter: Hi there, thank you for the presentation. It's Karina Shooter from Goldman Sachs. I have two questions. So firstly, building on the earlier supply chain question, could you just give us an update on where Vietnam production is at the moment? And also, the situation at the US ports? I know in the update, you said you expected it to continue, but are you seeing any easing? And secondly, thank you for the update in terms of the global leadership team and particularly Adam joining as CPO. Could you give us an update on your search for the other roles that are ongoing at the moment, including the CMO role that you split into after Darren's departure? Thank you.

Kenny Wilson: Yeah, no problem. So, in terms of Vietnam, we're in a steadily improving situation. So, Geert gives us an update every day on how we're doing, but all of our factories are open in Vietnam, and they're back now at 80% of capacity. And the reason why they're not back at 100% of capacity is the fact that many workers went back up to the north. I didn't realise before all this; Vietnam is actually a really long country. So, people went up to the north and a lot of them haven't come back to the south yet. But we think post the Vietnamese holiday that that will further improve. So, it's an improving situation in Vietnam. I think it's been widely reported in terms of the Biden administration, putting pressure on the ports in the United States. And again, we see an improving situation through US ports. If you want more detail, I'm sure we can build on that.

Kenny Wilson: In terms of the global leadership team, Adam joined us as Chief Product Officer, and we're really pleased with that appointment. We're also really pleased with the handover between Darren and Adam. So that's been seamless. In terms of the Chief Marketing Officer, there's no real news to report at this stage. I mean, we've said all along that we want quality individuals on our global leadership team, and we haven't

yet found the person that is the right person to be the CMO of the Dr. Marten's brand.

Kenny Wilson: I've shown today some great examples of the work that's being done in the marketing arena. We've really got some strong people, both within our central marketing team here in London, but the vice presidents of marketing in the three regions. And I've given them my commitment that we'll only hire a CMO when they're an absolute A-player like the rest of the global leadership team. In terms of other positions, we're not looking for any other leadership appointment. So, the only one outstanding now is the CMO because everything else is fully complete.

Dorianna Russo: Good morning, everyone. I'd like to go back to China for a second. You outlined the fact that the country still under disruption from the pandemic. Is there anything else that you can tell us from the current situation that you see? And what you expect in the second half in terms of this? And what have you got in the pipeline in terms of building up brand awareness and applying all the marketing tools that you have shown us during this presentation?

Dorianna Russo: Second question is on your capital allocation. There is a sense that the leverage is coming very fast, but yet the dividend payout seems to be quite small. What do you have in terms of use of cash planned for, if not for FY22, but definitely for FY23? And my last question is on second half margins, there's a certain confidence that margins in the second half will improve. What can go wrong, if anything, that could actually disrupt this outlook that you have given us today? Thank you.

Kenny Wilson: Thank you, Dorianna. So, on China, we're not giving out any country-specific detail on any markets, not just China. I think probably the most important thing that I would say is the appointment of Olga Wu as our new general manager in the Chinese business. We felt that in order to make the decisions that we're going to need to make around a full implementation of DOCS, which obviously involves building out our web presence, building out company-owned stores, those types of things, further investment in marketing. We wanted a really seasoned general manager of the sort of level of our global leadership team. So, as I said earlier, Olga's got considerable experience from Timberland, China, and we believe that we've now got someone with the seniority of presence day to day in that country who can look at



exactly how we are going to implement the DOCS strategy there. So, there'll be more to follow on that in terms of the update.

Kenny Wilson: Do you want to take the two financial questions, Jon?

Jon Mortimore: I'll do the financial. If I do the margin one first Dorianna. The H2 margin story. I think in terms of the story I've told, if you look back typically over the past couple of years, and pretty much forever, the second half of the year is stronger DTC. Where DTC has got four times the gross margin to wholesale. And last year, H2 was three points stronger, H2 versus H1 the year before four points. So, there is a natural improvement in margin in H2 versus H1 because the seasonal nature of our business.

Jon Mortimore: Secondly, there is a pile of complicated noise around OPEX. I described the PLC costs annualise out, the return to business usual costs slowly normalise through the second half. So, in terms of, rather than what could go wrong, what do you need to take a view on to come up with your full-year expectation? It would be around the continued improvement in DTC mix, the plus six points, does that continue or not? And also, one's view on inflation. In terms of what can go on and what could go right, they're the two you can take a view on. But we are confident in the expectations as they currently stand in relation to H2.

Jon Mortimore: Regarding your capital allocation and leverage question. The first point I'd make is the business, in a typical year, we'd have £100 million roughly cash swing at the half year. So, I think the way to look at leverage is rather than at a point in time at the year end, which is when we typically have our strongest cash balance, just from natural timing, it's what's the average leverage through the year is probably a better indicator of financial strength. On capital allocation, we said through the IPO process, and again at the year end, our primary use of cash is invested in the business to grow the business. After that, we have said our dividend policy is a progressive dividend policy with a range of 25 to 35% payout. And then after that, we'll need to wait and see where we end up. But again, similar to the inventory question, I think in the post-COVID world for a while anyway, having surplus cash or a "non-optimal" balance sheet is a good thing when it comes to inventory, when it comes to cash, because we don't know.

Arianna: Can I just clarify, is Olga Wu an addition to the current leadership structure in Asia or is she a replacement?

Kenny Wilson: She is an upgrade on the old country manager we had. So, we went from a country manager in China to a full general manager, much higher level. So, replacement in that sense. And she reports into Derek Chan, who is the president of Asia Pacific.

Operator : As a reminder, if you wish to ask a telephone question, please signal by pressing \*1 on your telephone keypad. We will take our next question from Ed Aubin of Morgan Stanley. Please go ahead.

Ed Aubin: Hi guys. So, three quick ones, I think, for me. The first one, sorry, on current trading. Given that in Q3 you're going to benefit from the timing shift from the supply chain, you have Japan reopening, you have the change in distribution in Southern Europe, wouldn't it be logical to assume that kind of an underlying two-year stack basis you're going to see further sequential acceleration in top line growth, I guess that Q3 is in the bag already. So, you should have a good view.

Ed Aubin: The second question is on OPEX. So, you had a top line beat in H1, and little flow through to the bottom line. And based on your guidance, it looks like it's going to be the same for the full year. Jon, if you could please elaborate a little bit more on the kind of cost inflation, OPEX inflation on wage, rent, digital, shipping. What's kind of the biggest Delta in percentage? And the biggest impact, and you kind of alluded to that, but what's kind of permanent and what's kind of temporary to the extent you can know?

Ed Aubin: And sorry, last question for Kenny. At the time of the IPO, on the brand heat at the time of the IPO, the big debate about was about cyclical, and so on, and so forth, because you went through up and downs in the past. What's your confidence level that the brand heat is stronger than ever today? I don't know if you can share with us some metrics you tracked, for example, on digital, or maybe some anecdotal conversation with wholesalers, which maybe want more of your product than you give them to sell. Thank you.

Jon Mortimore: If I take the first, if I start on the current trading question. What we said, in terms of current trading by channel.. Current trading for retail is continuing to improve and that's on a last year minus one stack. I would envisage that that should, all things

being equal, continue to improve. That obviously won't continue to improve forever. I think the key watch out that would take a little bit of the froth off is maybe continental Europe. And to keep an eye on the COVID situation there, because our recent performance in the last few weeks has been bumpy, as I said.

Jon Mortimore: With regard to ecommerce, we are trading in line with the first half, positive. On a two-year view, things are up significantly. I think it's, what, nearly double. One would see that probably continue through the second half. There's no reason why not, which is what we said. Wholesale is a tricky one, because it is notoriously bumpy. And shipments, even before a pandemic, are lumpy and bumpy on a quarterly basis. So, all I can say is, I think we're happy with full-year guidance and full-year market expectations for the full year, for this year.

Jon Mortimore: In relation to OPEX and inflation. The largest inflation we've seen is in freight costs, whereas I said, freight costs per pair have more than doubled. We've virtually offset the vast majority of that, if not all of that, with supply chain efficiencies. Freight will continue to be high, we anticipate, through Christmas and probably through to post-Chinese New Year when things should begin to soften as demand just normalises. But they'll still remain high, I think, for a while yet.

Jon Mortimore: With regard to OPEX inflation, yes, we are seeing OPEX inflation. You can look at government data for all of our key markets, see what inflation's running at. And that's what we're roughly seeing. I think that underlying OPEX inflation is going to be around for a while yet. That's why one of the reasons that we are moving our prices up in the autumn-winter season next year.

Kenny Wilson: On your third question around historically the brand being cyclical. I mean I think that we said at IPO and we still believe this to be correct, that the Dr. Marten's brand has always been strong. Maybe some of the decisions that were taken to manage the brand weren't the best. Hence why we had such a cyclical pattern over the number of years.

Kenny Wilson: In terms of your question around confidence level. We're very confident as we look forward. At the year end, we will give you an update on our latest brand study. We haven't got all the numbers in yet. We do a very big study across all of our markets once a year. So, by the time we get to our full-year results, we'll be able to give you

the detail on that. We do do sort of dips into some of the markets during the year and all of the indications there are positive.

Kenny Wilson: To your point on wholesale. I know you guys check in with retailers yourselves. We're getting extremely good reactions to our autumn-winter '22 range, which is obviously a big part of financial year '23. So, we're very confident in the medium-term guidance we've given that we'll have the order base there. Obviously direct to consumer will be what it will be. The direct to consumer trends continue to strengthen, so that gives us confidence there. And then in terms of people searching for Dr. Marten's globally, the numbers there continue to look strong. And probably the other important leading indicator is if we look at the number of new consumers signing up on our database globally, that continues to grow as well. So, all of the indicators mean that we remain confident in our medium-term guidance, that the brand demand is there for the business.

Ed Aubin: Glad to hear, thank you.

Operator : At this time, we have not received any further telephone questions. I will now hand the conference back to Mr. Kenny Wilson for any additional or closing remarks.

Kenny Wilson: So, no further remarks from us other than to say, we've done what we said we would do. We've delivered against our DOCS strategy. We've had a strong first half of the year, and we remain confident that we will meet market expectations exactly as we said that we would do back at the time of our IPO. Thanks so much for joining us today, whether in the room in real life, or on the screen, we really appreciate it. Thank you very much.