THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

19 January 2023

Dr. Martens plc

Trading statement for the three months ended 31 December 2022

"Demand for Dr. Martens remained resilient through challenging conditions during our peak trading period of Q3. However, due to a combination of significant operational issues creating a bottleneck at our new LA distribution centre and weaker than anticipated US DTC trading, in part due to unseasonably warm weather, we now expect full year revenue growth of 11-13% on an actual currency basis and full year EBITDA to be between £250m and £260m."
Kenny Wilson, Chief Executive Officer

Q3 Results – at a glance

	Q3		YTD	
	Reported	**CC**	**Reported**	**CC**
Revenue	£335.9m		£754.5m	
v LY	9%	3%	12%	5%
Channel v LY				
- Ecommerce	5%	-	6%	-
- Retail	21%	16%	29%	23%
- DTC	11%	6%	15%	10%
- Wholesale	7%	(1)%	8%	-
DTC mix	65%		53%	
- Pts v LY (%)	1pt		2pts	

Q3 revenue was below our expectations due to slower than anticipated Direct-to-Consumer (DTC) growth in America and the impact from significant operational issues at our new LA distribution centre (DC).

- Q3 total revenue grew 9% (3% constant currency (CC)) driven by robust DTC trading which grew 11% (6% CC). EMEA and APAC were in line with expectations, however America growth was slower than expected
- Q3 performance was led by very strong retail growth of 21% (16% CC) resulting in DTC revenue mix of 65%, 1%pt over last year. In EMEA, retail growth in December was 50% (48% CC)
- Year-to-date (YTD), total revenue grew 12% (5% CC) also driven by DTC and in particular retail, which grew 29% (23% CC), leading to DTC mix of 53%, up 2%pts over last year

Very recently, we identified significant operational issues at our new LA DC. We estimate that the impact of lost wholesale revenue and incurred costs, as a result of these issues, will together reduce FY23 EBITDA by £16-25m, depending upon the pace at which we resolve the issues and normalise operations at the DC.

- A bottleneck at the LA DC was created by a combination of people and process issues: -
  - Inventory was transferred from our Portland DC to our new 3PL DC in LA faster than was planned originally
  - We accepted requests from some US wholesalers to store direct shipments at our LA DC
  - Inbound shipping times from our factories to our LA DC improved significantly resulting in inventory arriving more quickly than anticipated
- This bottleneck is significantly impacting throughput, limiting our capacity to meet wholesale demand and our Q4 shipment forecasts
- The plans to resolve the issues at the LA DC are: -

  - We have opened three temporary warehouses close to the LA DC
  - We will start a third shift at the LA DC by the end of January
  - We will accelerate an existing plan to reconfigure our east coast DC so it can ship wholesale orders
- The most experienced members of the EMEA and global supply chain teams are now in LA to ensure these plans are implemented successfully

In FY23, we estimate that the bottleneck will reduce wholesale revenue by £15-25m and EBITDA by £16-25m, including £8-11m of supply chain costs. We expect there will be knock-on effects from the FY23 disruption in FY24 but we anticipate these should normalise in H124.

Channel performance

- DTC had a very strong December with growth of 20% (16% CC), led by retail and supported by good double digit growth from ecommerce. As reported previously though, October and November experienced variable trading which led to aggregate DTC growth of 5% (-1% CC) in those months. As expected, the benefit of a weaker base in EMEA led to a strong performance. In America, trading improved in December but the benefit of improved availability wasn't as expected in DTC and therefore we weren't able to offset the softer October and November performance, which was due partly to unseasonably warm weather. During the quarter, we opened nine net new stores and we are on track to open 30 net new stores in the year along with the transfer of 14 franchise stores in Japan.
- Wholesale shipments were in line with expectations through October and November. The bottleneck at the LA DC impacted wholesale shipments towards the end of December.

Regional performance

- In EMEA, Q3 revenue grew 8% (7% CC) with DTC growth building positively through the quarter to a very strong December. This momentum was led by an excellent retail performance with 50% (48% CC) growth in December and ecommerce up marginally.
- America grew 16% (1% CC) in Q3. The improved availability had a positive impact on trading but it was slower to come through than expected in DTC. Overall, DTC trading in December was good and led by ecommerce although December's improvement didn't offset the weather-related weaker DTC trading in the preceding two months. Prior to the LA DC bottleneck, wholesale availability was much better than in the prior year which was reflected in December wholesaler sales to their customers being up 32%, demonstrating the continued strength of the brand.
- In APAC, Q3 revenue declined 4% (-4% CC) due to China, where a combination of COVID infections and the orderly managing down of distributor inventory impacted revenue negatively.

Outlook

Given the slower pick-up from better availability in US DTC in Q3 and the LA DC bottleneck continuing to limit our ability to meet demand in America, we believe FY23 revenue growth for the full year on an actual currency basis will now be 11-13% (4-6% CC). Combining the profit impact of lower than expected revenue in both DTC and wholesale in America and costs associated with resolving the bottleneck, we now estimate FY23 EBITDA will be between £250m and £260m.

The knock-on effect from the LA DC issues and a more uncertain economic environment are likely to impact FY24 revenue growth. In addition, we have been reviewing the strategic and economic benefits of continuing to sell into pure play wholesale ecommerce accounts (etailers), particularly in EMEA, and as a result, we have therefore decided to reduce volume into these accounts in FY24. Over time, the benefit will be to underpin DTC mix expansion but in FY24, revenue growth will be impacted. These factors together lead us to believe FY24 revenue growth will be mid to high single digits on a constant currency basis.

Group revenue	Q1		Q2		Q3		FY23 YTD	
Group revenue	**£154.1m**		**£264.5m**		**£335.9m**		**£754.5m**	
Change yoy actual (Act)	5%		19%		9%		12%	
Change yoy constant (CC)	(1)%		11%		3%		5%	
Channel (yoy change)	**Act**	**CC**	**Act**	**CC**	**Act**	**CC**	**Act**	**CC**
Ecommerce	6%	2%	8%	1%	5%	-	6%	-
Retail	54%	49%	28%	22%	21%	16%	29%	23%
DTC	26%	21%	18%	11%	11%	6%	15%	10%
Wholesale	(11)%	(16)%	20%	12%	7%	(1)%	8%	-
DTC mix	51%		38%		65%		53%	
- Pts v LY (%)	9pts		-		1pt		2pts	
Region (yoy change)	Act	CC	Act	CC	Act	CC	Act	CC
EMEA	6%	6%	7%	7%	8%	7%	7%	7%
America	10%	-	31%	13%	16%	1%	19%	4%
APAC	(14)%	(15)%	28%	23%	(4)%	(4)%	4%	2%

Enquiries

Investors and analysts

Mark Blythman, Interim Director of Investor Relations	Mark.Blythman@drmartens.com	+44 7570 871207
Beth Callum, Senior Investor Relations Analyst	Beth.callum@drmartens.com	+44 203 995 2644

Press

Maitland	+44 207 379 5151
Clinton Manning	+44 7711 972662
Joanna Davidson	+44 7827 254567
Gill Hammond, Director of Communications	+44 7384 214248

Investor and analyst conference call

Kenny Wilson, CEO, and Jon Mortimore, CFO, will host a conference call with Q&A for analysts and investors at 0800 GMT. This can be accessed via https://www.drmartensplc.com/.

About Dr. Martens

Dr. Martens is an iconic British brand founded in 1960 in Northamptonshire. Produced originally for workers looking for tough, durable boots, the brand was quickly adopted by diverse youth subcultures and associated musical movements. Dr. Martens has since transcended its working-class roots while still celebrating its proud heritage and, six decades later, "Docs" or "DM's" are worn by people around the world who use them as a symbol of empowerment and their own individual attitude. The Company listed on the main market of the London Stock Exchange on 29 January 2021 (DOCS.L) and is a constituent of the FTSE 250 index.

This announcement contains inside information. The person responsible for arranging the release of this announcement on behalf of the Company is Emily Reichwald, Company Secretary.