Dr. Martens

Kenny Wilson:
So, hi everyone and welcome. First of all, thank you for joining our conversion markets spotlight, both if you're here in the room in real life here in Camden, the spiritual home of the brand, or if you're joining us on the webcast. So, our agenda for today, I'm going to give a short introduction to conversion, then Jon is going to come up and give you a financial recap and just highlight some of the important statistics. Then, Lorenzo, who's our president of Europe, is going to take us through our conversion market strategy, and then introduce some of his team. So, Natalie, who heads up retail is going to walk us through our own retail expansion and our conversion market, Mike, who heads up wholesale is going to talk about our wholesale strategy, then we're going to give you an overview of one market. So, bring it all together into the Italian experience so far, I'll do a very, very short one, slide wrap up. And then we'll open to the floor first here for a Q&A, and then we'll open up on the webcast.

So, who are the people you're going to meet today? Obviously, you've met me before, both live and on-screen. You've met Jon, our CFO before and then you're going to be introduced to Lorenzo who is our president of EMEA, Mike Stopforth, who's at the front here, who's our EMEA head of sales, Natalie Schneider, who heads up EMEA retail, and then you were going to be meeting Giorgio Trevisan, who is the head of our Italian market. Unfortunately, Giorgio has had an unexpected family bereavement, just yesterday. So, he can't join us today. But obviously, as you see, our EMEA president is Lorenzo Moretti, so clearly, he is very Italian, as you're going to hear in a moment.

He does have an Italian dad, though. So, Lorenzo, though, has been closely involved, obviously, as have Mike and Natalie in that market conversion. If there are reflective thinkers about afterwards, you know, feel free to follow up with Mark with any clarifying questions. And there are also other members of our global leadership team, our EMEA leadership team, and our finance leadership team in the room. So, for those of you who are physically here, you'll have a chance afterwards with drinks to ask them any questions also about what you've heard today.

So, very familiar slide for the Dr. Martens presentation, the custodian mindset. And, you know, we're really focused as a business on growing brand value in the long term. Ending a distributor agreement and running a country ourselves, which is what we call the conversion market, is a key example of our long-term custodian approach. It enables us to implement the tried and tested Doc strategy, most importantly, it enables us to take control of our plans. And as you'll hear it unlocks significant growth potential over time.

So, we showed this slide in our full-year presentation, so it's more there as a reminder. And for the EMEA region, the multiyear benefit of the conversion market strategy will be the primary driver of growth in the years ahead for the European business. And that will be alongside continued growth in the U.K., which obviously from a brand equity standpoint, remains a very important business for us.

So, these are the basic principles of how we take back a market. So, firstly, we take a market back at the end of a contract. And this enables us to deliver a smooth, amicable and clean transition. So that's at the end of a contract. We start the process about a year ahead of contracts expiring. And Lorenzo is going to show you today in the example of Italy, exactly how that works. And the level of pre planning that goes into doing this is really high. In Europe today, when we have a distributor who runs the market, we still run the E-commerce site, and we have the ability to open our own stores. However, it's only when we officially take a market back that we can unlock the full potential of the DOCS strategy, which is what we're going to illustrate for you. The top priority when we convert a market is to recruit the right leader, which is a pity why we couldn't show you in action today. And then after we recruit the leader, we then build out the team. And then as Mike's going to talk to, we reset the wholesale account base. And what that does is it sets out a marker of how Dr. Martens is going to manage a country very differently to the way that our distribution partners have managed to set it right.

So, before we dive into the detail of this, why do we convert a market in the first place? What's the reason why Dr. Martens is doing conversions? Well, the first reason is it allows us to control the brand. I've said we're a brand first company. It allows us to invest in a market and really engage directly with our consumer base. It allows us to clean up the market and the team will show you what that means, and it allows us to expand our product range in front of the consumer. Secondly, these European markets that we're talking about today, are well below their true potential. They've got very small per capita consumption. And we have enormous opportunity for growth in all of these categories. And thirdly, through taking out the distributor margin, and most crucially, growing the direct-to-consumer business in these countries. We drive significant medium-term profitability across a number of years. And Jon is going to go into some detail on how we do that.

For those of you who've seen numerous Dr. Martens presentations, I am not going to walk you through again, our tried and tested DOCS strategy. But the real compelling point of a conversion is it allows us to take DOCS and implement it properly in a marketplace. So, it means that we can focus on our direct-to-consumer channels, we can really focus on building a dialogue with consumers. And we can work with the right wholesale accounts, who will work with us and who will build our brands.

So, this very simple timeline gives you a view of where we actually are on the journey of conversion. Over the last few years, we've converted a number of markets in the EMEA region. Back in June 2019, we converted our first market which was Germany, then in May of 2020, we converted the Nordics. And then in the June of 2021, we converted Italy and Iberia. Look at this slide, we've got Germany and Italy both circled. And the reason we've done that is because these are the two markets where we've really focused our attention first as a business. Over time, we will obviously also focus our attention on Iberia and the Nordics. Then on the right-hand side, got a question we always get asked by investors, which is you see our remaining distributor markets globally, so not just for EMEA. And at this point in time, we've made no decision about the future status of any of these markets.

This is another slide that we showed at our year end results. There's also a little bit of addition here with some extra data versus what we showed you at year-end. This demonstrates the potential that we have in our EMEA business. We focused on Germany over the last few years, and we have doubled per capita consumption in the last two years in a pandemic. And that's all because of the implementation of the DOCS strategy. You're going to hear from the team today that we will continue to focus on Germany, because there's a lot of growth still ahead of us in that market. But we will also build per capita consumption in Italy. Also, the other conversion markets. So, this is the new data point like Spain in the Nordics which afford us real opportunities for growth. Spain is only two pairs per 1000, and the Nordics are at five pairs per 1000. They are real opportunities for tangible growth ahead of us.

So, the last slide before I hand over to Jon. I just wanted to bring to life what conversion really does for us, in terms of how we present the Dr. Martens brand at wholesale. On the left, you see a wholesale account in Germany before the conversion. So, this is a real-life photo where Mike and I did a visit, back a number of years ago. The product range is tiny. And there's a tiny little show card also, which is what talks to the brands. On the right-hand side, you see just two examples that you'll see more later in the presentation of examples in German wholesale post-conversion. The brand impact here is completely different. This is all about building the Dr. Martens brand.

So, with that, I'm going to hand you over to Jon, he's going to walk you through the financial implications. And I look forward to coming back at the end where we'll take questions for the whole presentation. Thanks.

Jon Mortimore:
Thanks, Kenny. And good afternoon, everybody. A number of you have seen this slide before. It was my favorite slide during the IPO process. I'm going to let you into a secret, I've got a new favorite slide, which I'll share in a bit. But stay on this one starting for now. It's all about the economics of the business. The economics are boots, shoes and sandals, which drive our profitability, drives our strategy, and it drives these results, our margin expansion. You take the 1460 boot and it's a similar pattern for all products across all geographies pretty much. This is also before the recent price increases.

In our own DTC channels, our own retail, only income, we sell for £150, we make after-sales tax about £124 per pair. Same pair, through wholesale, we generate £50 revenue per pair. So, DTC is two and a half times more revenue per pair than in wholesale. Costs about £25 per pair to make. So, DTC gross profit per pair is £100, wholesale gross profit per pair is £25. DTC is four times more profitable to us than wholesale. And we control the brand, we control the marketing, we control the customer relationship, we control the product assortment, and we control the price. Wholesale is also approximately £10 higher revenue per pair than the distributor, and this £10 represents the in-market margin capture that fully funds all our investment needs to set up a subsidiary following conversion.

As we said conversion markets represent a multiyear growth opportunity for us not just the year one in market margin capture but more excitingly, the ability to fully implement our Doc strategies and take advantage of the significant whitespace growth opportunity that Kenny explained using his per capita per pairs sold analysis in reference to the bar chart. Of course, the last three years, revenue from conversion markets increasing 16 percent of the revenue mix in the EMEA which was made in Germany to 37 percent revenue mix last year, which is represented by Germany and the Nordics, Italy, Spain and Portugal. In each period, primary focus markets of Germany and Italy have significantly outperformed the EMEA growth average. The only exception was last year where -- in Germany where growth is only 25 percent, 20-25 percent, due to much lower recovery in retail resulting from COVID restrictions. If Germany had followed passenger restrictions being lifted similar to that of the U.K., retail recovery would have been significantly stronger. And Germany would have another third year of material outperformance. For Italy, full year growth last year was 62 percent, with the second-half growth of 122 percent. Spain and Portugal last year grew 38 percent across the full year and the second half revenues would treble that of a second half in the prior year. The latter market, as Kenny explained, being without too much focus. The size and power of this opportunity is immense.

The majority of new stores in EMEA will be in the conversion markets. Last year we opened 13 new stores in the EMEA, and I expect a similar number of new stores for the next few years each year. To date, we've opened four new stores, two in Italy, in Turin and a second in Rome, one in Nice and one in Stratford in London. As we said before, new stores are important to drive brand and product awareness, and also E-commerce traffic, as Kenny explained at our full year announcement a few weeks ago with the Texas example, Lorenzo also has some examples of this in Italy. It's also worth remembering all of our stores, once mature, are highly profitable, with an average return on sales, including rents at mid-30 percent.

As Kenny said, we only take back a market at the end of a distributor contract, there's minimal if any transaction costs, we may decide to purchase inventory to maintain brand control and minimize clearance risk, we may not, it depends. The new store metrics that we target have not changed through COVID and apart from early lockdown period in 2020, we've continued to open stores. We use existing traffic data, or existing traffic data as of now to model our financial returns. Traffic has not yet recovered to pre pandemic levels, and I think we all agree it will recover to pre pandemic levels, it's just a matter of when. Therefore, when we do see traffic fully recovered, we will have a cohort of very profitable stores that beat -- significantly beat these metrics. Also, being one of the few brands who have been opening stores through the last couple of years, we have gained access to some pretty special locations that previously we could not have afforded. Natalie will take you through a little -- talk a little more about this and show some of those stores in her section.

My new favorite slide. As Kenny and I have said, conversion markets are multiyear growth opportunities. This is twofold. Firstly, it's the whitespace growth opportunity, think per capita consumption. Secondly, it's DTC first. Think brand control and four times gross profit opportunities. When we talk about multiyear growth opportunities through implementing our Doc strategy, these are the two main drivers, Doc's volume led white space growth, Doc's DTC first, think four times profit. In FY '22, Germany had a DTC revenue mix of 33 percent, and Italy had a DTC revenue mix of 22 percent being 16 points and 27 points below the company average, respectively. It's worth recalling that Japan post franchise store transfer will have a DTC mix of approximately 75 percent. At the year-end, a few weeks ago, we tidied up our guidance to say that our DTC mix target of 60 percent in the medium term was more of a milestone, and we put the words "at least" ahead of it. We also said EBITDA margin of 30 percent was also a milestone rather than a target, and we put the words "at least" ahead of that, too. The conversion market multiyear growth opportunity, along with the DTC opportunity in the U.S. are the two main drivers of a confidence in future growth across the medium term.

So, in summary, for me, DTC is four times more profitable than wholesale. We have whitespace growth opportunity, DTC mix for Germany and Italy are low with significant upside potential. Thanks, Lorenzo.

Lorenzo Moretti:
Thank you, Jon. And good afternoon, everybody. As Kenny explained, yes, an Italian father.

[laughter]

But very much a Scottish mother. I'm Lorenzo Moretti, I'm the president for EMEA. A bit of background, I've got 30 years' experience building brands in Asia, Americas and in Europe. And most recently I was a GM of Nike DIRECT and EMEA. I ran football EMEA for them. And then before joining Dr. Martens, I was the chief executive of Office shoes. I started in March '20 and it's been an incredible two and quarter years, we were just waking up to COVID at that point. And the last few months have been super special. Seeing our consumers and employees back together, listening to live music, going to festivals, being in our stores, working in our offices. We've all missed this. And I love seeing the brand show up in so many creative arenas. In the last few weeks, I've been fortunate enough to get to festivals in Milan and London, have visited our retail colleagues in Cologne in Barcelona and Torino. And then the week before last, a number of us actually went to Paris Fashion Week. We met journalists, influencers, wholesale partners, and our store teams. The streets were full of young people again and more importantly, full of Docs, boots, shoes, and sandals. And it was truly great to see.

So, I have a great team. [It's diverse in many ways. We represent seven nationalities. And you'll hear from three of those nationalities and people as Kenny said, today. We've got a great blend of capabilities. We've got members who have grown in the brand such as Tom, with seven-year service, some of whom moved into the role from other regions, such as Peter, who joined from APAC, and those that we acquired in more recently to give us a set and specific acceleration, such as Matt who's sat at the front here, our finance director who joined from Burberry last year, and Lynn, who is our digital director, who joined five months ago from Booth Number Seven. Each has a part to play in maximizing the potential of our brand and EMEA. We have a clear strat plan, our EMEA version of Docs. And a major part of this is the ongoing development of our conversion markets.

So, as you'll hear from Mike, as a brand, we are motivated in a very different way to distributors. And we look at conversion as a multiple year plan of investing to grow the brand in a diverse and sustainable way. Critical, as Kenny said, is the recruitment at the right time of dedicated customer-facing in-market teams, who we both coach and learn from the best way to adopt the Doc strategy into their marketplace. This local team is supported by regional and channel specialists like Mike and Natalie, to ensure that they learn fast from our other markets. The reset of wholesale is always necessary, we take the time to understand deeply the account base, divest from non-brand right partners, and grow with partners who will enhance our position in the marketplace. And over time, continue to elevate our position with targeted assignments for the right consumers in the right place. Again, Mike will talk more to this later.

But at the centre of this is a combination of the benefit of best class, best in class retail stores, supporting our digital expansion to dm.com. Financially, this is underpinned by two things. First of all, the lucrative year one benefit of the conversion that Jon explains, coupled with the multiple year benefit of landing Docs into the marketplace. All channels grow, but with DTC growing faster than wholesale and our profitable brand beacons giving a halo effect onto our digital business allowing us to invest further into the end expansion. As awareness grows of the brand, and we invest further in elevation, we introduce more products and categories to the market. And the virtuous cycle continues. Boots, shoes, and sandals. Confidence in this is based on the learnings of us as a team and how we landed Germany particularly but then how important it is to have a great project management team and great communication in the process of that takeover. We now know that we should recruit early a winning team, that we can be more aggressive in the removal of non-brand lucrative wholesale. These learnings and others have driven our approach to the way we're landing in Italy and Iberia with a very low execution risk because we've built the muscle memory from doing it time and time again.

So, we've talked before about brand expansion and consumer rights assortments and that we're motivated in different ways from our distributors. They understandably go for safer options. More focused on boots, rather than shoes and sandals. Over the years, we've gone about proving that we can profitably diversify assortments while growing all categories. As you can see in Germany, while original shrunk as a percentage to sales, it continues to grow in volumes in 2019. Originals grew in this model. Other categories of our business have grown even faster, as we've got -- as we introduced them into the marketplace, and then elevated the position of our own and our partner's point of sale and storytelling, again, giving us multiple year benefit of establishing new products in the market, whilst not shrinking what was already there before, in our own DTC, and also in best-in-class wholesale partners.

The increase in brand marketing is targeted across a number of formats and channels. We use consumer segmentation data to talk to our target consumers with the most inspiring content for them using their media of choice. This includes physical out of home, digital media, streaming providers, our own social platforms, as well as partnerships with our wholesale partners, all emanating from the brand beacons of our stores and feeding to and from dm.com. All of this drives awareness with our targeted segments across Germany. The awareness to purchase funnel is improving. But we're clear, we still got so much opportunity to get Germany just to the global level, let alone the level of say our markets here in the U.K.

Like other brands, in an increasingly digital world, we recognize that each market has key cities that influence youth culture more than others. In Germany, we have four, Berlin, Munich, Hamburg, and Cologne. By focusing our efforts here, we not only impact those cities, but we recognize we impact the whole of the Doc region. Last autumn, we took the opportunity and focus driving awareness, in Munich, specifically. Why? Well, you'll hear from Natalie, we took the opportunity of the reduced rental prices during COVID and opened two new stores in a key city that we've been unable to open in before. With this as a catalyst, we used our autumn launch campaign to take over the city across multiple channels, a real 360-degree approach. The only thing that would have been ideal, but was missing, was events. If we could have, we would have done live music events, and we would have brought the brand to life in an only-DM way.

That said, it still worked. These are actually the numbers for Bavaria, in which obviously Munich is a key city, which beat the already strong growth in Germany awareness and familiarity, by 7 percent in awareness and 6 percent on familiarity. By being focused on the key city, we can invest in the places that matter most for youth culture. As Germany grows, our investment in marketing increases. And this year alongside Munich we plan to land our 360 plan, in Berlin and Cologne as well, this autumn. Also adding in what we missed last year, this in real life opportunity of being with our consumers, and their moment of freedom, the moment of rebellious self-expression. When we are celebrating getting back to festivals, live music and pride celebrations, across our key cities. For example, this weekend in Cologne, we staged an incredible street party outside our store to celebrate Cologne pride.

Finally, you've heard this in talks a number of times by Kenny and Jon, E-com boosted by our stores. It was said by Kenny and Jon before, but this illustrates that you'd see that when that we actually opened a Rome store -- or before we opened a Rome store, actually, the traffic to our website from Milan was higher than Rome. When we opened our Rome store actually Rome overtook Milan. Then when we opened our first store in Milan, Milan overtook Rome, but Rome also grew on a like for like basis. And we've seen the same thing come to life in multiple cities, in Munich, in Nice, and Barcelona, where opening stores has dramatically increased the digital traffic from that city to our website. We just opened our second store in Rome. And we're super interested to see what the data of that will tell us because we recognize that this is a different catchment, we expect to see the same thing.

So, we have a great model and a tried and tested approach. We've used the model and the learnings from Germany to keep that learning growing and get after a new market faster. Combine this with the importance of recruiting an early team -- early, a winning team, and then as a result of that, we're super confident in delivering a multiple year plan with no execution risk.

Now I'm going to hand over to Natalie. Thank you.

Natalie Schneider:
Hello, everyone. And thank you, Lorenzo. I'm happy to meet you all. I'm Natalie Schneider, head of retail for EMEA. I joined Doc Marten four years ago, before that I spent 14 years at Levi Strauss working with Kenny and for Paul Mason. In retail, wholesale and general manager position based in Iraq. And after that two years other European countries. And then four years at past regions for global resale director positions. As you can hear with my accent, I'm French. I'm based in Paris, and I'm traveling a lot working and traveling to all the markets where we operate within EMEA. So, today I'm going to speak about retail and the way we operate when we look at conventional markets.

Let me start by explaining the criteria we are taking into account when we enter a market. The first pillar is to consider that the store is more than physical retail and the place where we trade, it's really the real expression of the brand at the local level. So, as a consumer. What does it mean? It means that when we look at the city, we are really looking at street location first, because we really want to be the brands, and we are looking at three locations where most likely our consumers are likely to go on those streets. Second big thing, E-com demand. And it goes in two ways. Before we start, we really look at the bigger the demand, the more likely our consumer experience of coming to our store. So, really ranking the city in terms of e-commerce. [We also consider is the fact of footwear, footwear means larger back of house. So, the way we operate is larger store than traditional retail, between 130 and 200 square meters space. We operate locations with a minimum of one window, super important. And as Jon was mentioning, the financial criteria are quite strict. And I could say back up two years, and it is at a 25 percent minimum. And from a risk perspective, we always negotiate a five-year break to reduce the risk.

How do we prioritize the approach to store opening? Super important. Once we know which market we want to converge, we are working on establishing a list of priority risks based on what we call a tiered approach. The tier approach is based on several criteria. As you can see behind me, local information and population data, E-com ranking, as I was mentioning, presence of other leading brand target in the youth consumer, very interesting information for us. And also, last but not least, the local insights of markets of the team in the market because they know the market better than us. And we established then a tier one and tier two city list. And focusing on tier one is crucially important for us. As we want to go and be the brand in the market. So, this is why, the reason why we typically won't open a tier two city until we have reached a minimum of 70 percent of the targeted cities in the market. You can see the example of Germany behind me. Within total certain cities. Sometimes we have more stores. And you can see the progression of tier-one versus a tier two in that market as an example.

In retail, our employees are really our true ambassadors. And this is I would say, ongoing focus for us. As I was mentioning earlier, we are the brand as I say to my team. A store is not only a physical place where we trade, it's the expression of the brand at the local level for the local consumers. What does it mean? Impactful display, larger product offer that we are able to present, and the store team will be able to inspire the consumer to discover new products and get more storytelling about our brands. Our sales team engage the consumers throughout the journey by allowing them to discover new products, the feature and benefits, and that makes a big difference. Get advice on styling when they need. Get advice on how to take care of our products also. Since COVID-19, we are also ordering live events to the consumer like the pride last week, as Lorenzo was mentioning, for the advanced personalization events, and other engaging consumer activities in our store.

We are training our team on a consistent basis to allow them really to get more knowledge about products, about the brand, and be able to really have that storytelling approach with the consumer, that makes a difference. Selling standards and we have what we call the non-negotiables and also best staffing coverage, we have been employing the right tools whenever needed. The objective first release, improving the conversion on a consistent basis. We want the best consumer experience. One way to measure is the second measure. We want operational capability. And we want also to drive efficiency and productivity.

Let me now take you through example of three stores that we have opened. And there is a story behind each of them. And I guess it shows the store we have opened, there is a story because it takes some time. For Hamburg, we've been looking since, I would say, we have taken more than three years to find a location. We knew we wanted to open in Hamburg in front of the TCP. We knew which street, we knew which location we had in mind and this is the one. We look at it initially. And we say no, we don't take it. Too expensive. That's just what we believe, we cannot have a return. COVID was really a good opportunity for us because we were able to go back in on the market, negotiate hard and get what we wanted to have initially. And this is the store we have opened and really super proud of it.

Munich, different story. It's really the heart of Doc Martens, where the brand started. We've been looking for a location for more than three years. Different story here. We work hand in hand with Mike in wholesale. He was a firm believer that having a Doc Martens in that city would benefit the brand overall in partner with us. And last but not least, Barcelona, one store we opened last September, probably because it's just on the Spanish market that are now trading very strong since the beginning. So, three examples of really taking the time and do the things properly.

Just to conclude, as you could understand, and hear hopefully, store is more than physical presence, it supports really the brand building in the country. As you could hear, it's not about locating anywhere but finding the right location at the right price, being long term focused on brand specific as Kenny was mentioning. We are building profitable brand because every store was in the mid-30s, as Jon was mentioning, it's also a two-way working with digital. We look at the consumer demands, but we help also to drive the consumer demand once we open the store in the city. Hopefully get strong financial returns. I hope you have a better understanding of the way we approach a market, with retail, looking at conversion market. And now I will hand over to Mike. Thank you.

Mike Stopforth:
Okay. Thanks, Natalie. Good afternoon, everyone. My name is Mike I head up sales for Dr. Martens in the region. I've been here for coming on four years. In fact, Natalie and I started a few weeks apart. Before here I was at Timberland's, based in Switzerland's HQ. And prior to that I was at Pentland Group, based in London, working across a number of brands, including Ellesse and Boxfresh. And I'm really happy to be up here talking you through some of our considerations. And also, value-added obviously, as we convert a market from a third party operated territory into a wholly owned subsidiary.

So, Lorenzo's touched on a couple of these. And in the context of wholesale specifically, there's some big differences in how operationally we go to market and manage a brand. And before I go into these, I think personally one of the big ones and I think a real key factor in this is time horizon. So, a distributor would often be working, as I mentioned earlier to an end of term agreement. So, within that they want to maximize the commercial opportunity at every point. Whereas we look at it through the lens and as Kenny and Lorenzo both said of a brand custodian mindset. So, not only do we consider brand custodian but also the marketplace. So, that only not applies to wholesale, but also retail and our own stores as well.

Looking at some of the list here, so the first one minimal brand investment, so by the very nature, a distributor would manage multiple brands. And therefore, it's very difficult to put the spotlight on one brand, or in fact, the investment to give it that above market growth. Whereas we would go into a market, and we would consider all things that would elevate the brand and the proposition from the people we hire, to how we sell, to who we sell to, and of course, how we physically show up in retail, which I'm going to show a bit later on.

Next part is the product. So, distributors by their very nature would also buy a disproportionate amount of core and carryover product, this product would usually have the fastest sell through and carry over by its very nature, you can literally carry over from season to season. So, the investment is pretty safe, there's no real risk to it, where our aim as the brand is to come into a market and show consumers as much product is possible, again, in the right places and at the right time. As a general pattern, as we've come into a market, we've pretty much doubled the number of product codes available in the market over the first couple of seasons. And we've continued to do that as we've gone through. As you can see here, we've expanded that product range.

And lastly but certainly not least, it's about working with the right level of accounts. So, this is super important and has come up a couple of times today. A distributor, again, managing multiple brands would have a really wide account base. Here at DM's, we operate what we call Project EV. So, it's a continuous review of our accounts, and the E and the V stand for equity and volume. So, ensure our sales team will assess accounts based not only on financial return, but also the brand value they give to us. So, ultimately, every account would have to have a clear purpose. And as a result of this, we're now working with fewer and better strategic partners.

Table on the slide here shows the number of accounts we inherited when we converted the market. And then the number of accounts we opened as we went into ourselves. As you can see here, Germany, nearly 40 percent of the accounts we closed when we went in. So, super important. Italy close to 70 percent and then Iberia even higher, as we've taken learnings along the way. You'll also notice that we opened accounts. So, in some cases, a distributor may not have been able to open with them might not have been appropriate. So, it's important as well that we start to add accounts at the top of the pyramid which I'm going to talk about soon.

So, one of the first things we do when we go into a market, if we lay some physical foundations for the business, and the people who are home for the brand, this is where we can immerse our partners in the product in our marketing. And you can see some great examples here, Stockholm, Dusseldorf, Barcelona. We've also just got keys to the Copenhagen showroom as well, which is fantastic and super exciting. And I know Lorenzo is going to talk about this a little later on, in regards to Italy
A big differentiator, actually, when we do take over market as a team. So, we have done a fantastic job in bringing in a whole load of A-players, particularly in wholesale. And these are the guys that bring the strategy to life every day. So, I can't emphasize how important team has been and bringing these strategies to life.

Okay, so once we have the team, and we've reassessed the distribution, our focus shifts to ensuring that we get the right product in the right place to the right consumer. So, what we use is a fairly simple distribution matrix. And that maps, as I say, customer, consumer type, and then the product, illustrate services reviews, Germany, some real live accounts in the marketplace. And it's also worth noting that this distribution matrix helps us decide what allocation of product we put into each tier, which I'll talk a bit about now.

So, at the top, we have Amp, and these are generally concept stores, contemporary boutiques, often independent stores, where there's a really cool curated brand mix product. These accounts help us elevate the brand and get us right at the cutting edge. Moving across the matrix here, this is a type of account you would find archived products, our made in England product, our collaboration products, like the 1461 ATMOS here. Next, we have IGNITE. So, these accounts tend to focus on the most relevant brands and products. The store examples given here are some of the best department stores in Germany. IGNITE, you would find our most progressive new styles, often our Fusion products, the Neoteric here, and it's also worth saying Neoteric, we limited the assortment and the availability here. It's all about IGNITE and seed and products at this year. And then finally, we have yellow stitch, which mainly consists of multi-brands, and footwear specialty chains. These tend to serve consumers who just want access to brands and everything they represent. In yellow stitch, we have products like the 1460, BLACK SMOOTH, our 2976 product that will be known globally, and therefore this has the biggest reach and also the biggest scale and volume when we look at accounts.

So, why do we use a distribution matrix? So, three key points for me the first one, especially in the context of conversion market, is it enables us to level up a market and also level up across Europe. So, we have a set level of quality accounts that we know we're working with. Secondly, and within my team, we often say segment to grow. So, personally, I'm a firm believer segmentation is not about limiting sales, in fact, it enables us to differentiate and grow sales in the areas you want, albeit that we do allocate volumes to ensure that we grow faster in our retail channels. And then finally, it's about product lifecycle. So, by putting different tiers here, we get to understand, do we drop it down from the tier? Do we grow the volume on it? Or do we not? So, it helps us with that lifecycle management.

So, bringing this all to life in the German market. Firstly, we have Amp. And I wouldn't say all these accounts, which are fantastic accounts, none of them we dealt with, with the distributor. And we had a real focus on key cities here often accounts with a strong physical and digital presence. And we've got phenomenal product within our collaborations,you know, we collaborate with some of the best brands and designers in the world. And these are the best of the best in terms of retailers. And they're able to help us get that message out and validate our brand with a really, really core consumer group for us. Secondly, IGNITE. So, some examples here. And this is a really good demonstration of how we've managed to launch new products into the market, particularly in store. These accounts are a great platform for new initiatives to get current consumers but also new ones into the brand. And it's where wholesale can really add a lot of value by amplifying the message. Especially important in conversion markets, where previously it may have been core and carryover product that consumers were used to seeing, they now walk into some of the best stores, and they see this from us. And then finally, yellow stitch. So, this is where we can invest in the Dr. Martens brand, and I suppose really reinforce the strength of our iconic product. And whilst this might not be as dynamic as Amp and IGNITE, it's the real bedrock of the brand. And the partnerships we have, and the scale of these accounts really do help us with awareness across the market, particularly as we go through a conversion.

Okay, so hopefully the short presentation has given you a bit of insight into how we manage wholesale, particularly in terms of conversion markets. And if there's three messages I want to leave you with, they're all centered around the value we get long term if we get this right. So, firstly, elevated brand presentation, second, extended and manage product and third, fewer but better strategic partners. I'm going to hand you over to Lorenzo who's going to take you through Italy and how we brought that to life here.

Lorenzo Moretti:
Thank you, Mike.
As Kenny mentioned, sadly, Giorgio can't be with us today. And it's a shame because he would have loved to present it to you. This is his work. And he would have done it better than me. He's lived it. I've experienced it, but he's absolutely lived it. And also, you would have had the opportunity to see the incredible level of talent that we are hiding at market level. He'd be one example, but we could point you to the markets to show you others. But let me tell you a bit about Giorgio. Consumers, team, family, and football. Those are the things that matter the most and not necessarily in that order.

He wasn't unknown to us before he joined. In fact, he was handpicked. We knew that he could do this job. Kenny and Paul knew him during his 11 years at Levi's, where he was a sales director. As a country manager of Le Coq Sportif, he spent five years. And during that time, he successfully converted them from being the distributor, to an owned and operated marketplace. So, he's done this before. He was then the head of retail for Western Europe for Super Dry. So, he knows DTC. And culturally, he gets working for British Brands, which we all know is good as well. So, he's been a really great hire.

This is the time map for our experience in Italy today. Giorgio started back in January 2020, a full 18 months before we could contractually start delivering any product directly into the Italian market, and a full 12 months before we can sell in our autumn, winter '21 range. So, why so long? As we learned, we need to hire well, we need to hire early to understand the market and to make the shifts needed to deliver the key milestones and effective conversion. Those key milestones are namely searching and opening our office and showroom in Milano. You saw a picture earlier on and I'll show you another one later on. It's the heart of our brand in Italy. Secondly, building a local team and capability in conjunction with regional team. But bear in mind, this was during COVID, our ability to actually get in there was limited. So, you really helped bring on board a PR agency, how the sales organization, which is both a mix of our own team, but also agents that help us sell into the marketplace, HR and office management, credit, marketing, and then retail.

As Mike said, a big part is assessing and understanding the marketplace and who we're going to cut and who we're going to put in. We had 1100 accounts, we brought that down to 400. And then using that equity and volume model, Mike said we added in 100 more, taking us to 500 accounts. We launched retail supported by Natalie and our regional team we set up the country retail business unit, we search for the right locations, and despite COVID opening the first of our five stores in Rome in December '20. Fully complaint with Italian fiscal and legal requirements, which those of you that have opened a store in Italy know is no small feat. We also really drove the landing of the brands. In autumn '21, we launched our first marketing campaign. And then we took our place in the Italian music scene with their Tough as You Festival, which I'll talk a little bit more about later on.

We've continued to elevate the proposition. And both physically and physically, the brand is showing up in an incredible way. Our DTC has opened our fifth store just a few weeks ago. As I said, it's in Rome. And it's off to an incredible start. But also, as Mike has talked to, and I'll show you photos later, we have continued to elevate wholesale to that fewer, deeper, stronger partnerships approach, with the best partners in the ground. Our number one wholesale partner is actually partners who our distributor did not sell to at all. And then let me highlight the number that I know he's superbly proud of, and that yellow shows a 122 percent growth that we had in the second half of last year. And let's be clear, we're just getting started. This is a picture showing the great team we put together in Milano, along with a couple of colleagues that work in London, but are focused primarily, or specifically, on that marketplace. There is a mixture of people that we've worked with before. Giorgio has also worked with this before such as Raffaella, who heads up HR. And also, we've recruited some amazing people from the marketplace from market leading brands, such as Letizia, who heads up marketing, who joined us from VF.

Docs. So, you've seen our Global Docs plan many times. At DM, we have a mantra of adopt, adapt, and only if you have to, invent so that we get the real benefits of scale and collaboration. And it's true here as well. Docs works. It's simple and our teams get it and most to the point, they can repeat it to their teams. So, we have a global version, we have a regional version, in EMEA, and here is the Italian version. The strategy is the same, but the execution is prioritized based on what is needed to win in the marketplace. I will highlight a couple of things on here. Retail expansion, being one as Jon showed us before, we're currently only 22 percent DTC mix in Italy. So, there's massive room for expansion within this point. And then the second is the point in product get relevant products in the right place for Italian consumers.

We made a lot of efforts to increase range awareness, but we know we are on a journey on shoes and sandals in particular, our boots are exceptionally well known within the marketplace. So, we're going to have a look at how we've applied the Doc strategy in Italy. So, using localization to drive E-commerce. As we've spoken about already today, E-commerce is vital in our plans as we manage a marketplace directly. Italian digital penetration on a whole is relatively low, but it is growing rapidly. We use a global platform, we leverage regional specialty knowledge and best practice, and then we use local data and a country website trading team to drive the localization needed to win in the marketplace. This allows us to give consumers the best localized visual experience to the brand in Italy and all eight of our EMEA countries specific websites was leveraging all in the central stance that we hold here in Camden.

In this slide, we have just a few examples of how we've done this in Italy. The first one is enhancing localized payment methods. As you can see on the left, we've included Klarna Pay in 3 as an option to consumers. And again, we did a lot of testing on this with other payment options as well. This got us the ability to capture a younger consumer who's often paying for cash on delivery within Italy. The second, we run an agile squad structure in EMEA, constantly using data led AB testing, to make effective changes to the way we run our website, the way we look, the way they feel, the colors we use, the visuals, the wording, all of this is tested to optimize the consumer experience and ultimately drive conversion. And then finally, example on the right is using E-commerce to drive consumer insights, such as the email-me-when-back-in-stock option. This provides valuable data about missed sales. It also then helps us on future buys. But then it drives to help a little conversion when the product does come back in as we were able to bring that consumer back onto the website and converting for the product that they wanted. The weekly data analysis of digital retail and wholesale in combination is a great local tool. It really helps us better understand the consumer, and then push products that are successful and don't come into retail and vice versa. This was impossible before with the distributor because they did not have one common view of the consumer.

Following up on DTC and really what Natalie's already talked to is profitable brand beacons. So, far as I said we've opened five stores in Italy with more in the pipeline. They're all trading really well. And customer feedback has been exceptional. In Roma, the store is on Rio El Costal, it's the main shopping street of the capital. I'm sure many of you have walked along it. It's perfectly located in the center of the pedestrianized area. In Verona, a growing tourist destination particularly now COVID restrictions are freeing up and we're seeing that in our traffic. It's a city with very high spending power. It's also a cultural capital for music. We're located on the iconic Via Martini, which links the world-famous Arena di Verona with the balcony of Romeo and Juliet, you must go. In Milano, we opened in Via Torino, which is the perfect spot for Dr. Martens. It's considered to be Milan’s version of Camden in London, and in Torino Via Garibaldi is very much the same story, the crew, edgy, but really high traffic areas. We've taken an approach using the methodologies that Natalie explained to build a growing fleet. The balance is commerce and brand and also enhances our digital footprint. As mentioned before, Porta Di Roma is our first store in an Italian shopping mall, where we can take advantage of extremely high football especially in summer and winter when outside weather and also promote us tourist traffic is not always good for shopping in the High Street. Yesterday in Rome, it was 40 degrees. So, it serves a very, very different catchment area, a very different consumer pool and we're off there to a really great start. From an employee perspective, our people, it's what makes us great. And of course, as Nathalie talked about, our stores would be nothing without our incredible retail teams. We really see them as the superpower of our brand. They bring the brand to life and engages and inspires our consumers.

And another great story, we've actually been repatriating Italians who have moved from the U.K. and France, working at our DM stores, back to manage the store in Milan and also the store in Torino. And internally, we've been able to promote the assistant manager of our Roma store to be the store manager of Porte di Roma. Alongside retail, we have a great team in the office in Milano, which actually shows the combination of our Milan head office team, along with all of the sales agents. So, that's not -- we don't employ all of those people, just so we're clear. We still run a pretty good, tight cost structure, as Jon keeps me in line with. So, they run wholesale accounts, they run retail, they run marketing, HR, and the support functions. We look after them, and they are truly the genesis of the brand. They will be the investment that we put in now to make sure that that brand keeps growing with the right people, in decades to come. Important to mention that since we started the business in Italy, not a single employee has left the business, neither in the office or in the stores. It's a great testament to Giorgio and his leadership. But also, we've recruited well and we have extremely high employee engagement in the marketplace.

Talking about the consumer -- having that combination of art and science is superbly important to understand the consumer. We've got a great team with deep experience and knowledge, and we balance that with our data. This allows us to know and serve customers in the local marketplace. A survey that we did last year shows that the Italian market would skew slightly more female -- at 59 percent -- than males -- at 41 percent, whereas globally, we're around 50/50. As we do everywhere, we've had a really good spread across all age groups, albeit in Italy, we have a slightly younger Italian marketplace. So, slightly younger, slightly more female -- massive potential for future years. Italian consumers are very loyal and have a very high intent to repurchase. This is also being fueled by range awareness as we expand this in the marketplace.

Talking of which, I spoke already about how we successfully expanded the product mix in Germany. This gave us confidence to be more aggressive with this, and we've approached a very successful experience so far in Italy. As you can clearly see from the chart -- hopefully -- we've progressively moved from a market dominated by the 1460 and a few other models to a much wider and more balanced product assortment, launching to the Italian consumers models and even product categories that they didn't see before. For example, sandals, not in the market. Kids, very few within the market. Also to mention are the Pascal Flat Virginia, which is a soft leather 1460 boot. This wasn't selected by a distributor before, even though it’s actually within our global Top 10 style.

The figures on the left also speak to the widening of the product range compared to autumn 2020. Even through revenue in the 1460 black smooth has grown, our dependence on the style has significantly declined, as we've added oxygen to replace more styles into the marketplace and start our segment to grow that Mike talked about. This is giving consumers much more choice, but that choice is differentiated depending on which retailer they go to.

The final figures here show the number of products closely reach 50 percent and 80 percent of the selling. Again, you can see real expansion within that. Really, this points to the diversification that you see within the brand already, within the first 18 months. And you will continue to see that over the coming years.

Also, you can see we've done a variety of marketing activities, and I'll talk a little bit more about that in a minute. But the Tough as You festival held in Milan last October stands out for me. I was fortunate enough to go to one of the days. It was a live music festival, the first after more than a year -- this was actually the first music festival held in Italy after COVID where people were allowed to stand. It had an incredible reach, both physically there, but also emanating out both from our own channels, our PR channels, and our office -- and you know, a really great articulation of our brand and what we stand for. Some of the stats I'd call out -- you know, both days were sold out. 79 percent of attendees were 15 to 29 years of age. But also, the gender mix was really balanced, with an audience split between men, women, and non-binary, again, pointing to the diversity that we have as a brand.

Oh, driving awareness into reality. Pictured here is the Autumn Winter campaign that we've targeted within our key city of Milano. The team has been hard at work building their network, investing in the brand -- our PR, our outreach partnerships, the elevation of great execution of wholesale, the visibility of our retail expansion, and the benefit that all this has on our digital ecosystem to convert consumers to DM.com. All of this is seen by our target consumers, and we've significantly increased brand awareness familiarity, up 6 percent and 7 percent as a result of all of these. And this is, again, in Year 1.

Mike talked -- and I talked a little bit -- about Germany. You know, we really have seen a massive transformation within our wholesale base within Italy as we convert the market. And I think the photos in this slide really show it for all it’s worth. The image on the left is an example of the end-market presentation of some of our retailers before we took over Italy. As you can see, there's very limited brand storytelling, little care taken over our products, and very limited assortment. If you contrast this to some of our wholesale accounts following conversion, as shown on the right, you can see how different the brand presentation and consumer experience is. And actually, one of these is the same shop. So, La Rinascente, as you know, it's the biggest, it's the best, and the coolest shopping department store in the center of Milano.

We also have, in Bari, Banana Moon, who is one of our new wholesale partners that we partnered with in Italy. And both of those are what we call a “shop-in-shop” concept, where we have invested our own money in landing the brand in a way that we think is accretive, and we will have that for many years to come. We now have four shop-in-shops at this -- in La Rinascente. We've got a few more signed up that will be opened before the fall.

In a short time, the face of the brand has changed dramatically, with a much better account base. With a custodian mindset, we've decided to cut 7 out of what was the top 10 accounts that our distributors sold to. And in fact, our number one account, DW Labs, is not an account that we used to sell to before under the distributor. And we're not finished yet. This will continue to be an elevation story for many years to come.

So, to close, these are the key points of our Italian journey so far. We've began early to understand the market and land a fantastic winning team. We've confidently cut and improved our wholesale account base. We started the implementation of Docs, and the strategy is off to a great start, opening stores, driving elevated awareness, and building out our digital ecosystem. We did all of this during a pandemic, and we are very confident that we're just getting started and look forward to delivering the multi-year benefit of our conversion market strategy. Thanks, and I'll hand over to Kenny, who is going to close us out.

Kenny Wilson:
What was our goal? Our goal was to really give more color to something that Jon and I have been talking about since the company went public, which was conversion market strategy.

And you know, what we've tried to demonstrate today is, this is a tried-and-tested approach. We've done this now multiple times. It's got very low execution risk. And the big unlock, as you've heard from the team, is the fact that we can actually go into a market that's being run in an average way by a distributor, and we can implement the Doc strategy. And as Lorenzo had said, the Doc strategy has worked for us everywhere, but depending on where the brand is, country by country, we can tailor it to deliver in that specific market.

So, these are the three messages that we really want to leave you with, which is -- this is about control of the brand in a multi-year approach. When we go in and we take a market back from a distributor, we take control of the brand, which is the most important thing. We control our brand. We think long-term, and we're able to invest behind Dr. Martens in that country.

So, what that means, as we've demonstrated today via Germany, when we do that, we see significant growth in per capita consumption, and we can look ahead, and we can see multi-year opportunity for Dr. Martens in all of the primary European territories. Anywhere I'd ever worked before Dr. Martens -- it's really unusual that you have one market, the U.K, that is so much bigger than every other market. Normally, the five big European communities are not that far apart. And the great thing here is that gives us a phenomenal opportunity to be able to build the brand out across Europe.

And then, as Jon has demonstrated with his old favorite chart and his new favorite chart, there is a clear opportunity here to drive profitability, because our direct consumer shares are relatively low in most of the European territories versus our global average. We have the opportunity to grow direct-to-consumer in all of these conversion markets. And as Jon has said also, we make four times the gross margin selling product in direct-to-consumer versus wholesale.

So, that is it, in terms of us talking at you. What we're going to do now is we're going to open this up to a Q&A. We're going to take questions first from people from the room. And then, after we've exhausted those questions, we're going to go to questions from people that are watching on the WebEx or listening on the call.

If you could just say who you are and where you're from, it'll be helpful.

John Stevenson, Peel Hunt:
I'll start with the easy one. The obvious question, I guess, is the opportunity for Tier 1 and 2 openings over the medium-term in EMEA. Can you just set out a sort of scale of kind of store opening penetration you think would work, you know, for the market as a whole? And second question -- I appreciate this is all about EMEA today, but obviously you've just taken control of Japan. I wouldn’t mind if you could make a comment on a couple of headlines, in terms of the progress over there.

Kenny Wilson:
So, I'll just give a kind of headline answer on Tier 1, Tier 2. I'll let Lorenzo and Natalie build on the specifics, and then I can take Japan. You know, what we've said is, we believe, over the five-year horizon, that we can double the number of Dr. Martens stores globally. I think what we said at year-end was that, in the short-term, our biggest growth opportunity, you know, is going to be the United States, because it's an enormous country where we've got relatively low amounts of stores. But Germany, Italy, Spain are big opportunities. And Lorenzo and Nathalie could talk about that.

Lorenzo Moretti:
Yeah. So, in Germany, we’re actually now in all but one of the Tier 1 cities, and we've got plans to get that ticked off in this year. And we've still got a number of Tier 1s to get into in Italy. And actually, as you saw, in Rome, we got our second store opened, and we will look at the potential of adding in second stores into places like Milan as well.

We've opened our first store in Barcelona. Off to a great start. And we have still got to open our first store in Madrid, which will happen later on this summer. And we see those as cities with multiple opportunities.

Kenny Wilson:
So, I think, as Nathalie mentioned -- and then I think one of the key things about Dr. Martens is, you know, we're very clear on the purpose of stores. The stores are there to build the brand. The stores are there to help us drag to order online. And you know, we don't rush at this. So, you know, Nathalie gave the example of Hamburg. Well, we looked at it for three years. So, clearly, to your question, there are more Tier 1 than Tier 2 opportunities for us in Europe. We'll continue to use the model of "We only expand to Tier 2 when we've done 70 percent of Tier 1." And we'll go to the right location.

In terms of your question around Japan, you know, we've gotten an operating subsidiary in Japan already. So, Japan is not a conversion market. Japan is somewhere where we already own 25-odd shops today. We have our own website. We have our own wholesale presence. What we're doing, at the end of this year is, we are transferring half of the franchise stores -- which is the circa 31 franchise stores in Japan -- we are transferring those back from being franchise stores, owned and operated. What that will do by the end of this year is it will mean that 75 percent of all of our revenue in Japan is true direct-to-consumer. And obviously, we'll get those profitability benefits there that Jon talked about. So, Japan is slightly different than a straight conversion.

Kate Calvert, Investec:
Just a question on France, which is obviously a market you've owned for quite a while. Have you taken any learnings from the conversion markets in Germany and digitally and sort of retrospectively applied it for France?

Kenny Wilson:
I think the first thing I'd say is we haven't put the same management focus and attention on France that we have done on Germany and Italy. But clearly, there's some learnings that we can take from the conversion markets. I think, also, you know, we're in a situation where there's a different distribution infrastructure in the French market than there is, say, in the German market. But Lorenzo and Nathalie were there last week or the week before and they got a really look at this, as to how we can take those conversion learnings and apply it to France. I'll let them kind of build on that answer.

Lorenzo Moretti:
Yeah. What Kenny is referring to is that unlike Germany, or Italy, or in the U.K. -- so, let's take the U.K., where you've got really great omni-channels, multi-brand proven retailers -- there actually isn't one in France. So, getting a mass-scale entry into the brand utilizing wholesale has been more challenging there. You've got digital players, but you don't have physical ones. And we really want to have great physical players so that people can come in and actually feel the product in the marketplace.

And so, what we've got is a market where DTC mix is actually really high, our penetration is relatively strong, but we still believe there are some ways that we can learn from what we've done in Germany -- and actually, we're now seeing in Italy -- to get ourselves a better vehicle to get products in front of consumers that otherwise they wouldn't see, particularly outside of the key cities, in places like Paris, where, honestly, you know, we're seeing -- we would be seeing an elevation of what it was maybe five or six years ago, certainly not to the level that you've seen within a U.K. wholesale distributor [inaudible]. So, we've got a bit of work to do. We've now got the time to do that and the mindspace to do that. It's been great to be able to get back in and physically see it for ourselves. And we've outlined a plan. Nathalie Schneider:
I mean, it goes to show that this market has potential to do more. And I think we are working on it.

Karina Nugent, Goldman Sachs:
So, on one of the earlier slides, you listed out the current distributor markets that contracts are expiring. And we hear you loud and clear that no decisions have been made yet. But could you help us just think about the factors that you consider at the end of a contract, as to whether you want to buy them back or not? Just in terms of priorities, clearly, you've put less emphasis on, you know, the Nordics and Iberia, because they are smaller markets than France, then Germany, and Italy. Is the priority to ramp up those first before taking on other smaller markets? And how do you think about that? And then, thirdly, on one of the Germany slides, I think it had "About You," as a wholesale partner from the list. Could you help us think about how you think about wholesale e-commerce when you take the market in-house -- because we all know about physical wholesale, but e-commerce might be handy to know about as well. Thank you.

Kenny Wilson:
The first thing we look at is scale of the opportunities. So, size of the prize. What are we going to get back for the effort that we're going to put in? So, when we look at a market -- well, the first thing we actually think about is, "When is the contract going to expire?" Because that prompts the decision. And we've said we want to do smooth, amicable transitions. I've seen in other businesses, I've been in hostile takebacks, and they're interesting to do. And they clearly have a different risk profile. And you know, a lot has happened in the market. So, we've decided as a company that we allow the contract to run with the distributor. And you know, we gave the list there of when some of those are going to expire. And then we make the call.

The first thing we look at is size of the prize. So, clearly, there is -- you know, in the big European market -- Germany is the biggest economy -- it was a fairly decision to make. We said, "Right, we want that market back under control." The same thing with Italy, another big economy. Nordics -- to your point, the contracts that expired, we thought we could take it back, take the in-market margin -- but there's only so many things you can do simultaneously. So, therefore, the decision, even before Lorenzo joined, was that we said, "Right. We're going to direct our efforts to Germany first, Italy. We'll get to the Nordics at some point."

But the good news is we have control now. And that's what we'll look at as we'll go -- as we go forward. We'll look at scale of the opportunity, complexity, and you know, also how far away it is as well, things like that. You know, you've got markets in there like Australia, for example. It's a long way away, both from Camden, but also even from our regional office. It's a big country. So, it's a number of factors that go into thinking about that.

I'll give you a very generic answer on wholesale e-com, and then I'll throw some specifics over to Lorenzo and Mike. I mean, our priority is DrMartens.com. I mean, I think we're very clear across the business that -- you know, what are we trying to do? You know, we've always said that this is a digital-first strategy, and it is. And -- you know, you've heard, even from Nathalie and the retail team, today what we're trying to do. We use our stores to drive people online over time. Most people buy their first pair of Dr. Martens when they're 15 through 25. And where do they go? They go online.

So, our goal is to build DM.com first and foremost. And then, Lorenzo can talk about why we use wholesale in our market.

Lorenzo Moretti:
Yeah. So, I will pass it over to Mike, but it's very important that we understand which consumer each retailer is actually speaking to, and that we align that with the right product range within that space. So, we see wholesale, really, as a consumer acquisition tool, where, if you are -- you know, if you are a 15-year-old consumer, and you're going to shop for boots, you're going to shop for Dr. Martens, where are you going to? And it's about how we map that out and make sure that we understand that, and then proportionately apply the right sort of assortment as well as the right volume into that account. And then there's the ones that, you know, we clearly don't think are brand-appropriate, at least from a marketplace perspective. And as we've shown over time, we've divested from a number of those. So, it's about control of the management of a particular digital account. But we also want to be sure that it’s clear that we want to acquire consumers for their shopping as well, and over time, know that DM.com is at the center of how they do it. Mike?

Mike Stopforth:
Yeah. I think the only point I'd add -- and maybe to elaborate on Lorenzo's point -- is wholesale obviously allows us to grow the marketplace, for new consumers to see the business, and the brand, and our value as a great partner -- a really great retailer. But -- and I think like I said in my presentation, you know, we're very clear on the assortment we put into these guys. We're very clear on the allocation that we give to these guys, all within the wider marketplace perspective.

Jon Mortimore:
I think the only thing I would add, on maybe the Nordics and Spain, is we converted those markets. We've cleaned up those markets. We've landed in those markets.
We launched the Nordics website last year, specifically for Sweden and for Denmark. We have already a Spanish website. We've opened up our first store in Spain, and plan to open more. So, it's not that we sat on our hands and doing nothing in those markets. But just from a leadership time, focus, and investment perspective, we know that our bigger markets should be active first.

David Roux, BofA:
With taking back more of your volume under your control and also the strong growth in e-com -- how are you thinking about the need to invest further into your DTCs? And then, my second

question also relates to the profitability of DTC. The gross margin profitability uplift is quite clear. Could you talk a bit more about the EBIT margin differential versus wholesale and distributor?
Jon Mortimore:
In terms of investing in DTC, we seem to have perfected opening up DCs through the pandemic, virtually.

So, in EMEA, we have our own DC under leasehold arrangements in the U.K. We have a 3PL DC in Netherlands. And we have doubled the size over the last couple of years. With the same retail operator, we've gone from a site that was big to another site last summer that's actually even bigger. So, we believe we've got the right-sized DC in Netherlands. In the U.S., we had our own DC under the leasehold arrangement in Portland. We opened up two years ago, 18 months ago, a DC in New Jersey. Last summer, we opened up a DC on the West Coast, in LA, and that DC on the West Coast, we're about to double in size as well, as we come out of Portland, because the lease expires at the year end. And in APAC we've got a DC in each of the countries we operate in.

So, we believe we've got enough DCs. Our strategy is 3PL. So, it's easier to grow volume. So, we believe we've gotten to our capacity. The relationships we have two or three different retail operators means we can expand and also keep them all on their toes.

Regarding your second point, gross profit between D2C and e-com are shared. I've said, then, D2C is the most profitable channel. It's e-com first, then it's wholesale, then it's retail. Then you can put retail and e-com together. We haven't given out any more detail than that.

Darragh Horgan: Hengistbury Partners
. I was intrigued by the photos you showed of the Rinascente, and just how awful it was before, and how much better it looked afterwards. And it struck me that when you talked about the digital-first strategy and how, when you open a store, it drives Web traffic -- that -- you know, presumably, there's a whole lot of brand activation that's done at the same time. And I wondered if you can just aggregate, you know, how much is the store opening versus the brand activation -- and whether, then, there is an argument for saying, "Well, actually, you know, we can get into other territories more cheaply by doing what we did with the Rinascente, and having brand activation around that, and drive the Web traffic in?" And that hits your digital-first strategy in a perhaps more efficient way.

Jon Mortimore:
The honest answer is we can't dis-aggregate it. But I think we've got a very strong belief that it's a part of "and," you know? I think -- you know, Nathalie gave the example earlier of, you know, a wholesale partner in Munich selling the store to us because he believed that it would drive the pilot of the brand in wholesale and online in that city. That's my experience from other brands I've worked with, which is you land a company-owned store in a city. Everyone benefits.
But clearly, there's no doubt that, if I'm a consumer and I'm walking into the wholesale store in Milan, in La Rinascente, and Dr. Marten, all of a sudden, has gone from a crap little fixture to, you know, a beautiful shop-ins-shop -- yeah, that's going to raise the awareness of the brand as well in that city. And then, hope -- we hope, over time, that they buy a pair there, and they go on

and buy the second or the third pair on DM.com. And the honest answer is we can't dis-aggregate the impact. But we do believe in the power that retail plays in building the brand in these cities.

You look at the shop-in-shops looks fantastic. They're still limited space compared to our own stores. The product awareness you get from your own store is significantly greater than just the shop-in-shop. That's point number one.
Talking about the two channels will disappear. See, I think DTC is one channel, e-com and retail together, with the full product offering, whereas as wholesale -- good wholesale is fantastic, but it will never have the full product offering that we have in our own stores. And if you look at the Italy brand awareness being higher than Germany, the opportunity for Italy isn’t more consumers; it’s actually product awareness --

rather than just brand awareness. So, stores play a massive part. And they are profitable in their own right. So, actually -- in my head, I don't think it's about profitability; it's what is the best thing to drive the brand, to drive long-term value that’s truly incredible profitable also? So, from a bricks-and-mortar point of view, they make a hell of a lot of money.

Darragh Horgan, Hengistbury Partners:
Understood. If you can just help us with the quantum of investment that's required for shop-in-shops and whether that gets shared with partners -- you know, the uplift in inventory required or what else is --

Jon Mortimore:
Yeah. It's about 30,000 to actually get a shop-in-shop.
That goes through marketing expense. That's all-in numbers. And one of the things we've used around the world is -- these shop-in-shops. We're building them out. If you think about what Mike talked about, he said we want to work with fewer people, but better people. We want to control the space and the sort of investment that Lorenzo is talking about, sometimes we invest it in full, but often we’ve got partners who will 50/50 with us, and they’ll say, you know, “We will update the plans in our store, too,” and we do a 50/50. I mean, it’s -- the payback is just so short, it’s incredible. Yeah. I think that’s it.

Mike Stopforth:
I’d just say, as well, to build on that point, the conditions that you mentioned. You know, why would they build to markets? That it gives us, often, a full-year exposure, as well. So, as we start to build out sandals, shoes, et cetera, we have permanent fixtures there, and also an agreement with the retailers that they would carry X number of shoes, as well. So, to Jon’s point, it gives that new product piece in the market. So, really valuable.

Renny Shao, Bernstein:
You did say that you’re going to customize your DOCS strategy country by country based on the local consumer. I was wondering if you can walk us through some examples of adaptation that you’ve done to your traditional, I don’t know, marketing, or, let’s say, approach, across different countries, just to give an idea what sort of adaptability you have. And, secondly, you also talked about the whole safe strategy, making sure that Dr. Martens is well, you know, alongside other

brands. What sort of other brands do you look to be close with, and why? Because, in the current consumer, sort of, cultural environment, you seem to be quite excited about your brand, just like you were about a year ago. So, I wonder what sets you apart, you think, in the eye of consumers that would not make you worried that perhaps people would walk away from you.

Jon Mortimore:
There are multiple questions in there, so I'll take a headline on, you know, how do we customize Docs, and I'll let Lorenzo pick up on the wholesale. You know, I'll give you one of the reasons why we feel confident in our performance. And, yes, I think what's important, to be clear, is we don't customize DOCS. The strategy is the same everywhere, and the investment pieces fit the same everywhere. What's different is the starting point. So, if you take a market like Italy, you know, what did we encounter when we officially opened? We encountered a marketplace where they sold to a lot of doors, as you saw in both Mike and Lorenzo's presentation, but a very, very small number of products. So, those products were very visible when we walked down and had a look.

In Germany, it was slightly different. You know, in Germany, there was a lot less presence in some of the key cities. We were in doors, but it was nigh on invisible. So, therefore, you know, the strategy's still the same. Both in Germany and Italy, we implemented DOCS. But we were starting from a very different place. In Italy, it was about, get rid of a bunch of bad doors, elevate the brand, and broaden the product assortment. In Germany, it was marginally different.

Why do we feel good about, you know, where we are right now? I mean, I think what we continue to predict consumer business to be very strong. As we said at the year end, you know, our order group is very strong with the right wholesale partners going forward. But, from a consumer standpoint, people's incomes will be screwy. That is -- there is no doubt on that, you know, but you make an investment in a pair of Dr. Martens. You are buying a product that is going to be as relevant five years from now as it is today. An incredibly high-quality product. If you look after it, you can wear it a very long time, which is important. So, we believe people will make an investment in our product, and for that we'll get, you know, an incredibly durable product, and also a product that people will feel as good about wearing in five years as they do today. You want to build on the wholesale part?

Lorenzo Moretti:
Yeah, but mostly, I'd say I think you actually covered it. We differentiate some of our marketing, and I think Jon actually touched on one point, that, in Germany, we're still very much driving awareness. And, so, it's very much media-led across all the channels and media to actually get the brand known and out there, whereas in Italy, because the brand awareness is high and it's about product awareness, we really provide product placement, so you think P.R. more, to get the breadth of assortment visible to the consumer on people's feet. So, that's one way that, you know, just to sort of try and emulate exactly how we've gone after each market with the -- with the differentiated approach.

The other thing is, we're limiting product, as you heard Mike talk about before. We could not get enough sandals this summer to satisfy our own needs, and you can see that rolls out in wholesale, as you speak to that part, which I'm sure many of you already have.

And there’s just, now, more occasion for us to be wearing Dr. Martens. And, as I was talking to you in my introduction, basically seeing people wearing those -- our product in different ways in those different occasions. They just have not been able to do that in the last couple of years. So, actually, we’re excited about that.

Melwin Mehta, Sterling Investments:
What a lineup of accomplished people that you have put together. Superb. I have two questions. One is on the distributors. When you sign these -- I mean, from ‘22 to ‘25, as they kind of come into expiry, how long do you give people to extend those relationships? How long would they be for three years, five years, 10 years? And, in connection, second question on the distribution is that you’ve shown us these lovely photographs of before and after. Have you shown those distributors those photographs? Because they need to see them, really?

Kenny Wilson:
The answer to the second question, have we shown them the photographs, no. Did we explain why we were taking the market back? Yes. Mike and I had a very long conversation with the Italian distributor a few years ago explaining why we were taking that market back, and Lorenzo’s gone on and done that in Spain. But the short answer is, no, we haven’t gone back to them. I think -- I’m a person for looking forward. At the end of the day, they helped the brand get where it needs to be, but the world is different now in terms of what we expect and the standards of how we’re to build a brand of this caliber. And, therefore, we’ll get you from A to B. There’s no getting you from B to C. And, you know, that’s why, you know -- thank you for the compliment, and I have seen -- yeah, we’ve put some really good people in place. We’ve done this before. People have done this before at other locations, and it always helps to let -- it’s easier to do something that you’ve done somewhere else.

In terms of the how long point -- and most of the contracts are three to five years. I’m looking at Emily, here, as general counsel. And, you know, so -- but we’ve got flexibility on that in terms of when we sit down with people and, you know, what’s amenable to them, what’s amenable to us, if we go for an extension. But, if you were modeling out, I think three to five is correct.

In terms of the consumer behavior -- especially you saying that you are a kind of dotcom first -- can you share some insights in terms of the -- have you seen the buy now, pay later button being clicked more often? Are you seeing a change of consumer behavior in terms of moving up or down the price point? And have you seen the age of the customer get younger or older?

Kenny Wilson:
On the buy now, pay later, the -- one of -- the only place to take Klarna, buy now, pay later, is Germany. The rest of the Klarna card we talk about is buy in installments, because what we do see is buy now, pay later, does encourage multiple purchases and larger returns, which -- there’s some in the German market. But that’s why we have not taken that card anywhere else and won’t. Whereas the buy in installments has complete -- I think, more normal types of patterns, because it requires a payment up front. But these are -- these are very different.

Jon Mortimore:

Yeah, but on the consumer, the data that we shared at year end was on our last brand study that we did. At that point, there was no fundamental shift that we're seeing in consumers. As we've said many times, in most of our major markets around the world, six out of our top seven, you know, they -- the people who all appear in Dr. Martens broadly represent the population. And, again, as we said before -- and this continues to be true -- most people buy their first pair of Docs when they're in that 15 to 25 range. So, there's -- at the moment, there's no change.

Renny Shao, Bernstein:
How do you manage price consistency across your different wholesale accounts, between online and offline? For your shop in shop concept, is that for concession, your department store? And what's your digital distribution strategy? Say, are you going for e-concession with all those marketable brands like phones? And do you supply your inventory on farfetch.com, and do your wholesale partners also supply on farfetch.com?

Jon Mortimore:
So, on your first question, I think it's really, really, really important to point out that we're talking about European environment, here, and it is illegal and uncompetitive to control price in a European environment. So, you cannot, under any circumstances, try to control price. We would not. What we do is we give a recommended retail price to our wholesale partners. That recommended retail price, we tell that in our direct-to-consumer channel. But, in Europe, it is an absolute no-no to try and control price. In North America, it's a different situation. There, we have a manufacturer's advertised price, oh, let's say, on a specific number of product codes, which you can enforce and you expect your partners to follow. But, in Europe, there is no discussion about managing price because you can't. The recommended retail price, if you're a retailer and you choose to sell at specific prices, that's absolutely your decision.

Lorenzo Moretti:
Yeah. So, I'll take the ones around concessions. So, currently, we don't operate any concessions. So, the shop-in-shops you saw, in simple terms, is both supplying furniture and fixtures into the store, and then we sell on a wholesale model. So, if the product sells through quick enough, and we have the stock, we would replenish that again on a wholesale price. Second question around, did you hold concessions? No, we don't have any currently.

Then, you asked around Farfetch, as well. I believe we do have some product on Farfetch through Browns, who we work with, with our Browns account. But it's not -- third-party marketplaces are something that we don't actually have very many of. We tend to sell to a wholesale account, and, then they send -- hand to seller on directly though, because of the allocations and the volumes that we manage with them.
We have no plans for e-concessions in the foreseeable future. Our growth strategy will be predicated on docmartens.com, Doc Martens stores, and then, a well-managed wholesale account based.

Richard Taylor:
Hello. Sorry to stop everyone going for the drinks. Just a very quick one on the remaining distributors. The contracts expiring in '20 to '25, perhaps you can give me just sort of two or three about which you're most excited, and if you can also scale them versus some of the

markets you're in at the moment? I appreciate they're probably going to be smaller, but any thoughts around that would be great. And, then, secondly, are there any contracts that expire beyond 2025 that are noteworthy in terms of size? Thanks very much.

Kenny Wilson:
There are no other distributors. The second part of your question, there's no other distributors beyond 2025. So, you've got all the distribution agreement listed out here. In terms of the ones I'm most excited about -- this doesn't mean that they're markets we're going to take back. I look at Australia right now. I'm super excited about how well the brand is being managed in Australia. They've got a number of Dr. Martens sandals in stores, which is very different to what we showed you for Europe. The brand just looks brilliant, and growing really nicely, so I'm super excited about that market. Lorenzo and Mike might want to talk about, you know, Poland, –where the brand looks great. But I wouldn't correlate our excitement with, necessarily, that we're going to take these markets back.

Lorenzo Moretti:
Yeah. I think Central/Eastern Europe centers around our Polish distributor. It's another fantastic market. We've got some great retailers out there and the brand is being managed really, really well.

Mike Stopforth:
I'd only say that we've got a really good distributor in that area, yeah. And it goes back, I think, to your question about sharing images. I mean, we share back some of the ones, maybe, with other partners. They're very good.
Kenny Wilson:
Because we're not going to tell you the answer about where we are, and clearly, we -- it wouldn't be right, also, because these involve other people's businesses. But there are some really good businesses in that list. And, then, as they come up for renewal, we will evaluate them. But you've got -- we've given you the -- in the spirit of transparency, we've given the full list of all of our distributors there.