H1 FY27 Results Presentation - Transcript

09:30 GMT

12 November 2026

Ije Nwokorie, Chief Executive Officer:

Good morning, and welcome to our half year results for FY27. We are live from Camden, and I'm joined by Giles Wilson, our CFO. In a minute, Giles will take you through the financial performance for the half, and I will then return with an update on our strategy.

Our central message today is straightforward. While we are disappointed with our first half performance, we are executing the strategy as planned. The major programs are now landing, and we are focused on delivering a second half weighted plan with big trading weeks just ahead of us.

We are delivering the transformation we committed to while continuing to take decisions for the long-term health of the brand and the business. Our H1 decline was driven primarily by Boots, exacerbated by historically hot weather. Europe and especially the UK were most affected.

We expected the half to be relatively weaker. Marketing investment activity was deliberately weighted to With Bouncing Soles, which launched at the end of the half. At the same time, we embedded a new operating model and a new e-commerce platform. And our new sandals program comes in later in the second half.

Strong gross margin, tight cost controls, and overall financial management have limited the impact on the sales decline on profits. This remains an H2 weighted business, and we are focused on the big trading weeks ahead.

I will now hand over to Giles to take you through the financial results.

Giles Wilson, Chief Financial Officer:

Thank you, Ije, and good morning, everyone. I will take you through the first half financial performance, starting with a short explanation of the changes to our reporting structure before covering the usual financial slides.

For reference, here are the reporting changes we announced on the 7th of October. In addition, we have also reclassified retail outbound freight costs from operating expenses to cost of goods sold. The H1 FY27 impact is £2.2 million pounds, or equivalent to a 70 basis point reduction in the prior year gross margin. This is a presentational change only, and does not affect the total adjusted EBIT.

I will now take you through the half year results. Group revenue was £290.4 million on a reported basis, and £292.4 million on a constant currency basis, down 9.2% year on year on a constant currency basis.

The DTC to B2B revenue mix in the half was 54%:46%. This reflects both softer DTC trading in a number of markets, and the overall resilience of our wholesale business. It is worth noting there are some small timing differences in wholesale with shipments and sales that happened in H1 last year moving to H2 this year.

Despite the revenue decline, gross margin increased, which I will cover in a couple of slides. And we also continued our tight control of operating costs. Adjusted EBIT was a loss of £2.8 million on a reported basis, and £2.2 million on a constant currency basis, compared with a profit of £3.1 million last year.

Adjusted profit before tax was a loss of £13.7 million reported, and £13.1 million on a constant currency basis. We have declared an interim dividend of 0.85 pence in line with policy, for a formulaic one third of the final dividend to be the following years interim dividend. Net bank debt was £158.9 million at the half, broadly flat on last year. As usual, the September position reflects the seasonal investment in working capital, ahead of our peak trading period. I will cover this more in detail later.

So, the key message is that while the top line was challenging, margin resilience and cost discipline limited the impact on the bottom line.

Turning to revenue, the bridge takes us from the £322 million in H1 FY26, to £292.4 million in H1 FY27. On a constant currency basis, a reduction of £29.6 million. The key message is that the decline was driven by European performance, specifically the UK and the large European markets included in other managed markets.

This has been predominantly DTC-led, with B2B resilient through the period. As I will show in a couple of slides, the shortfall revenue has been nearly all Boots performance, which, though not fully quantifiable, was undoubtedly significantly impacted by the very hot summer across Europe, and to a lesser extent, the US. The US performance went slightly backwards, driven by B2B timing of certain shipments, which will happen in H2.

We saw a resilient performance in DACH and Japan, and included in other managed markets is South Korea, which saw revenue growth double digit year-on-year, another strong performance. The drag in other managed markets was driven by Italy and France - again, a particularly weak performance in countries which suffered extreme heat over the second quarter.

As I said on the previous slide, the revenue shortfall is nearly all in Boots. This slide clearly shows the drop in product sold, with Boots volume dropping from 2.6 million pairs in FY25 to 1.9 million pairs this year. Shoes have grown from 1.4 million to 1.8 million pairs, and sandals have been pretty resilient at 0.5 million pairs.

In the half, shoes grew 1% off the back of a 24% comp last year, and sandals grew 5% year on year. Not reflected on this slide, but it's important to mention that across all product categories, revenue per pair was up year on year, demonstrating continued

price and mixed discipline. So as we enter the second half, and the weather changes in the Northern Hemisphere, the priority is to stabilise Boots while continuing to build momentum in shoes.

As Ije will touch on later, we have a good sandals proposition for Spring-Summer 27, which will help underpin the Wholesale Order Book. Ije will return to the product actions later in the presentation.

Moving to gross margin, the performance was good despite the lower revenue base. Reported gross margin was 65.4%. For a like-for-like comparison, the H1 FY26 margin is rebased from 65.3% to 64.6% for the Retail Outbound Freight Classification I explained earlier. From that comparable 64.6% base, there are three main movements. First, Channel Mix was a headwind of approximately 30 basis points, reflecting the higher proportion of B2B revenue in the half.

Second, average price contributed approximately 80 basis points. The main factor here was higher quality US wholesale business, and this was supported by pricing and discipline promotional activity. And third, cost of goods contributed approximately 30 basis points, reflecting good cost control and lower US tariffs year-on-year.

This delivers an increase of 80 basis points in the gross margin and overall demonstrates the resilience of the model. Even in a difficult trading environment, we protected margins through disciplined pricing, promotional control, and active cost management.

Turning to the EBIT bridge, adjusted EBIT moved from a profit of £3.1 million last year to a loss of £2.2 million on a constant currency basis. Lower volume reduced gross profit by £21.8 million. There was a price and mix benefit of £2.7 million, and a gross margin percentage benefit of £2.3 million, leaving total gross margin impact of £16.8 million.

Other operating costs provided a £13 million year-on-year benefit. This now reflects the full benefits of previous cost action plans, including the benefits of our Global Technology Centre, the simplified operating model, and the cost actions taken during 2025. Marketing costs, as I set out the full year, increased by £3 million, with particular investment in our new ‘With Bouncing Soles’ campaign, which Ije will give you more details on later. We started to pull back on performance marketing and focus more on top of funnel as we look to focus on brand awareness.

Marketing activity in the half itself was lower year-on-year ahead of the ‘With Bouncing Soles’ campaign right at the end of the half. As we have slowed our store openings, and actually during the period closed stores, we see the benefit of our depreciation charge coming through.

Exceptional credit of £5.5 million includes the funds received from selling the US IEEPA tariffs claim, which we previously wrote off in exceptionals last year, partly offset by other smaller exceptional costs.

Overall, the margin improvement and the cost discipline has mainly offset the effects of lower volumes, with the planned investment into the 'With Bouncing Soles' campaign as a cost in the half. Though not on this page, the movement in PBT is less due to the lower interest charge from a reduced year-on-year debt position throughout the period. Returning to top-line growth remains key to delivering operational leverage and our medium-term margin ambitions.

Finally, turning to the balance sheet and net debt. Net bank debt, the beige-coloured bars, at the half was £158.9 million, broadly flat on the year, as we return the group to more normal cash flows following the deleverage of the balance sheet and the reduction in inventory levels. The small increase in debt year-on-year reflects the employee benefit trust share purchase in the period of circa £7 million.

The increase from year-end of £69.7 million net bank debt is absolutely seasonal, as we build inventory purchases in advance of our peak period, and therefore, the better comparison for net debt purposes is the H1 position last year, shown here on the right. Cash generation in the half was a negative £66.2 million. The bridge shows the seasonal working capital build, the lease payments, interest and tax, capital expenditure, and dividends, partly offset by the EBITDA generated.

On a covenant calculation basis, net debt to EBITDA was 2.2 times, well within our banking covenant of three times. The average lease term to break was 2.4 years, which continues to give us significant flexibility in managing the store portfolio and is a slight reduction on last year. Including lease liabilities, total net debt was £310.8 million.

The IFRS 16 lease debt has increased slightly, reflecting our new head office lease, which we entered into during the period. Our balance sheet remains in a healthy place following two years of disciplined focus on cash generation and inventory reduction. We will, of course, remain focused on cash generation, disciplined investment, and maintaining a strong balance sheet.

With that, I shall hand back to Ije.

Ije Nwokorie, Chief Executive Officer:

Thank you, Giles. Let me now come back to the strategy, the progress we've made in the half, and the work still ahead of us.

As we've shared before, we are moving Dr. Martens from a channel-first, DTC-first mindset, to a genuinely consumer-first mindset. The old model was primarily about building direct-to-consumer distribution. The new model starts with the consumer, understanding who they are, what they want, and being present wherever they choose to discover and buy the brand. This means earning the right to serve each wearer across our own channels, and through the right wholesale and distribution partners.

The execution of the strategy has three phases, and they overlap. FY25 was about stabilising a business that had been in decline by addressing costs, inventory, and balance sheet.

FY26 and 27 are focused on the much harder work of transforming the business, putting the consumer at its centre, reducing our dependence on any one product category, channel, or market, lowering our reliance on discounting, and simplifying how we operate. In some areas, including wholesale and brand investment, we are entering the scale phase. In other areas, particularly DTC and Boots, that pivot is still underway. We have always said this would take time and progress would not be linear. We are making deliberate choices now to create sustainable growth.

Our ambition remains the same, to make Dr. Martens the world's most desired premium footwear brand. We are confident in our ability to do that.

Our strategy is anchored in four levers for growth, engaging more consumers, driving a more relevant product offering, creating the right market and distribution model in each market, and simplifying the organisation. I'll update you on each of those levers and show what we've delivered in the first half, as well as some hints as to what we're going to do next.

We, of course, have set very clear priorities in each of those levers for FY27. For consumers, we are focusing on improving full price mix in the UK and DACH. This was always weighted to the second half, so trading in the months ahead is key to achieving this objective.

For product, our new Sandals program goes live in Spring-Summer 27. Early wholesale response has been encouraging. For markets, the first wave of brand centres is now open. I will say a bit more about that in a moment. And for the organisation, we are unlocking the benefits of the new operating model and strengthening the leadership capability needed to drive growth.

So let me take you through each of these levers in a bit more detail. And I'll start with the consumer lever. Our aim is to lead with product, grounded in comfort, craft, confidence, and to build a clearer, more consistent, and more premium expression of the Dr. Martens brand around the world. On September 22nd, we launched our refreshed global brand platform ‘With Bouncing Soles’.

These three words have been stitched into every Dr. Martens heel loop right here since 1960. They connect our craftsmanship, our archive, the attitude of the brand, and the comfort of our products. This is an important milestone in our consumer-first strategy. It gives us an authentic and globally resonant expression designed to deepen our relationship with existing wearers, reach new consumers, and build greater desire for our products. That last point is important, and I'll come to it in a minute.

I'm going to play a short film to highlight some of how this has shown up around the world. [FILM PLAYS]

For the first time, we are working with globally recognised talent, including Chloë Sevigny, Jordan Stephens, and Naomi Watanabe, and a host of local talents amplifying the campaign in their markets. Each talent brings their own craft, cultural relevance, and the independent spirit that's always been associated with Dr. Martens.

But these are not celebrity endorsements. They are genuine creative partnerships that present our brand in a more modern, yet authentic and relevant way. 'With Bouncing Soles', is a distinctive multi-year brand platform that we will build on over time, ensuring it remains relevant wherever people encounter it.

The launch has had real global scale. From Paris and Milan to Hong Kong, Tokyo, London, and New York, supporting over 30 events in 17 cities. This is the largest and most coherent global marketing activity we have ever done.

And our partners have been involved. They've embraced this platform and are carrying it into their consumer experience. This is Citadium in Paris. One example, they're combining our campaign imagery with a dedicated Dr. Martens product presentation.

Here is ABC-Mart in Japan, the country's biggest footwear retailer, putting our brand right at the entrance into their consumers' experience. And we love how Naomi Watanabe, who is Japanese, is at the front and centre of that storytelling.

In the US, we work with some great retailers and they've also partnered with us. You can see Journeys, Urban Outfitters, and Zappos.

'With Bouncing Soles' allows us to leverage our brand well, show up powerfully and consistently in places that consumers have always trusted for premium footwear. And we should be careful about overstating 30-day reads, but the initial response is encouraging. We are seeing stronger visibility and engagement in both out of home and social media.

But this isn't simply about spending money on marketing. We are using this platform to build desire for our products and deepen our relationship with our consumers. So it's great to see the growth in our crazy horse range of icons. These are the products that are at the centre of that campaign. And ultimately, it's about the consumer. And we've seen growth in our proportion of craft curators. That's the more loyal, high-spending consumer segment that cares about comfort, cares about craft, and the consumer segment that we are focused on. So it's a good start and we'll continue to build on this brand platform for seasons to come.

Related, but also in its own way, is the launch of our new global e-commerce experience. New sites started rolling out in August through September. We knew a platform change of this scale will create some short-term disruption as it bedded in, as search engines figured it out, as our existing consumers understood the new journeys.

So our focus has been on establishing a stable platform in the run-up to peak and to create a much stronger, long-term foundation for growth. As you can see, the new experience brings the brand, the product, craft, culture together in one globally connected destination. It's faster, smarter, more premium than what we had before, and makes it easier for our consumers to discover and shop for our products while enabling personalisation and more relevant local marketing that our General Managers can drive real relevance in their markets. It will play a central role in how we continue to engage new consumers around the world.

Now let me turn to the product lever, where performance in the half, as we've said earlier, was mixed by category, with weakness in Boots dominating our H1 picture. The strategic objective, of course, is to reduce our reliance on just one category, in this case, Boots, without losing sight of the need to continue to invest in our core offering.

To be clear, we are committed to rebuilding our Boots business. I will say more about our plans at the full year. In the meantime, as we said we would, we're continuing to reinforce our icons, expanding the range of occasions for which consumers choose to wear Dr. Martens, and building meaningful growth in shoes, sandals, and with time, bags.

So Boots remained the most significant headwind. Revenue in this category has been declining for some time, and with this historically hot summer, declined 20% on last year.

Shoes grew 1% against a tough comparator, with Mary Jane and Buzz performing really well. Sandals grew 5%. That performance, that resilient performance, gives us confidence as we prepare to launch the new sandals program later on in this second half.

Bags declined overall because of DTC headwinds, but B2B grew strongly, albeit from a small base. As we've said before, bags and accessories are a long-term opportunity for us, and expanding wholesale distribution that we're focusing on now is essential to unlocking that area for us.

Across all categories, higher price point products and Made in England continued to outperform. That supports our premium positioning, while resilience in sandals shows the breadth of price points in which we can be relevant in.

So we have work to do in Boots. This product that you can see on the left drove the bulk of the decline, but it is, of course, our biggest Boots offering. But it's worth saying weakness in Boots is not universal. In H1, Crazy Horse boots were up 30%. This is one of them here. With the 1460 Crazy Horse, up 84%. And Made In England boots pairs were up 20%. New product families such as Lowell, and you can see in this picture the Chukka, and Buzz, and you see in this picture the Buzz Hi, also saw good growth. But those successes are too small to offset pressure on the core black smooth lines. The consumer is still looking for more variety, more comfort, more craft in our Boots offering. We are acting on that through the medium term, and as I said, we will share more of that in our full year.

So we expect Boots to remain a headwind for the rest of FY27. Near-term growth will need to come from newness and other product categories while we rebuild the core Boots offering. So that's products.

Now let me talk about the market lever, where we continue to make pleasing progress. Our objective is to build the right distribution for each market. Stronger Wholesale partners, a differentiated capital light expansion.

In May we shared with you our tiered retail strategy, moving away from a one-size-fits-all retail model. Physical retail is important. It is the best place for our consumers to experience our products and understand our iconic brand.

So we're delivering a better, more differentiated estate where each format has a clear role in the marketplace. We said that in FY27, we will roll out brand centres, that's the second from the left format, in key cities around the world. So let me tell you a bit about how we are doing with that.

Our re-imagined Le Marais Brand Centre in Paris was the first of a new wave, launched just at the beginning of this second half. You can see the before and after pictures on the slide for yourself. It is a cleaner, more elevated, more open environment that still feels 100% Docs, designed to bring consumers closer to the product, to bring them closer to craftsmanship, and to our brand stories.

It goes beyond transactions and creates a stronger place of assembly for our wearers. We have also re-opened Herald Square in New York, and that's our first brand centre in the US and a major opportunity in one of maybe the world's highest footfall locations. The store presents the brand more clearly, including a strong service area, an elevated icon wall, and a Made In England and bags area for extra emphasis on those products.

And just last week, we opened in Munich Sendlinger. The before and after pictures give you a real sense of how we're now inviting you in right off the street to come in and find out more and experience much more of what this brand has to offer. And I think you can see that really for yourself in these pictures.

And tomorrow, you're the first to hear this, we will open in Century City, Los Angeles. If you know this location, you'll know how amazing it is as a destination. And we can't wait to see how Angelinos and their guests experienced our brand in this location.

So it's early, we're literally in some cases days in, but the initial consumer response to these new upgraded stores is encouraging. In these stores, average transaction value is showing significant growth against comparable local stores, our stores in the local area. We also see in a stronger mix of bags and accessories.

So far, they're doing exactly what they're designed to do. And we'll continue to track performance carefully as we scale to other cities. Across these locations, the plan is simple, stronger product presentation, more visible craft and service, the consumer wants that, and a fuller expression of the brand.

We are creating stores that help our consumers discover more of what we have to offer and go deeper with us over time. This is at the heart of our value creation thesis.

And as we've said before, a bit of an update on what we're doing through our capital light models. We have signed with Trend Marketing as our new distributor in Canada to simplify the way we serve the consumer in that market. In Latin America, our partner has opened a second store in Santiago, taking the region to three stores. And ecommerce is now live in Argentina and Mexico, following Chile going live at the back end of the last financial year.

There is more work to do in some of the existing partner markets, particularly Australia, but the model allows us to enter and grow markets with disciplined capital deployment.

So finally, let me talk about the organisational level. Our goal has been to simplify the operating model, and you can see some of the benefits of that in Giles' presentation. Optimise the cost base, build a culture of excellence, care, teamwork, and accountability. We are embarking on a necessary transformation to build a consumer-first organisation. H1 has therefore been about bedding that model in and building the capabilities, particularly around leadership, needed for the next phase.

And speaking of leadership, we have strengthened our leadership capability around very specific areas that the business needs to be truly consumer-first. I'm excited that Justin Lee has joined us as the General Manager for South Korea, bringing deep local but also global experience from Nespresso, Samsung, Unilever. Kate Vacovec, Katie Morton, and Nadia Svensson add, respectively, commercial finance, consumer, and merchandise leadership to work in partnership with our General Managers. These are capabilities our market leaders and General Managers have not always had consistently alongside them.

Isadora Versiani joins us from Marc Jacobs to lead product design. And in partnership with Nadia, she strengthens that connection between consumer insight, merchandising, and the product we create. Of course, their impact will take time to come through, but we now have the world-class leadership capability required to deliver growth.

So let me recap what we've delivered in the first half. We launched ‘With Bouncing Soles’, we launched our new ecommerce platform, and we opened the first wave of our brand centres. We strengthened the leadership team and the in-market capability. We deepened wholesale relationships and introduced our new Spring/Summer Sandals range to our partners, and that response has been encouraging. And as we are transforming the business, whilst at the same time maintaining strong financial discipline.

These are substantial developments. They have been delivered to plan, and together they create a strong platform for growth.

But we still have work to do, and I want to be very clear and transparent about that. First of all, Boots. Our newer and focused product lines are working, but the core remains under pressure, and recovery will take time. We're very focused on this internally, and I will talk a lot more about that in our full-year results at the end of the financial year.

Secondly, DTC. We are making the right long-term changes to our Direct-to-Consumer model, but the new ecommerce platform, the retail estate, and the full-price model require continued attention and disciplined execution. These actions, and taking these actions, are, of course, at the heart of the strategy that we've been sharing with you and executing.

Our medium-term financial objectives remain unchanged. We are targeting profitable growth above the relevant footwear market, operational leverage that supports a mid-to-high-teens EBIT margin, and strong cash conversion.

We know these objectives require a return to overall revenue growth. The work underway across consumer and product, marketplace, and organisation is designed to create that growth on a high-quality and resilient basis. That's the transformation we're leading. We will deliver it through the talent, commitment, and passion of our people, and I'm grateful for their commitment and work through a time of significant change.

So let me make some closing remarks, and I'll end where I started. H1 revenue was disappointing. Results were affected by an unusually hot weather, which impacted primarily Boots in an ongoing, tough consumer backdrop.

There is more work to do, particularly in Boots and DTC. We are not minimising these challenges, but we are executing this strategy and doing what we said we will do. We are managing margins and costs with discipline, and the business remains weighted towards the second half.

We are focused on the key trading weeks ahead as they determine our success for the full year. Our conviction in the medium-term objectives and our belief in the opportunity for Dr. Martens are as strong as ever. Thank you.

We will now hand over to the operator, and Giles and I will take your questions.

Pedro Anton, Goldman Sachs:

I have two questions for you and thank you for taking my question. I think firstly on the boots category a bit more generally, clearly as you communicated, weather has been quite unhelpful for this category. But I was wondering if you could comment a bit more on what else are you seeing in terms of inventory levels and on the competitive landscape, if you have seen any change on the back of that weakness? And then my second question has to do with promotional activity as we go into the second half. I remember very clearly last year you stated that you still wanted to give customers a chance to buy on sale while also staying committed to maintaining and

increasing full price sales. So I was wondering whether your approach this year is going to change relative to last year? Thank you very much.

Ije Nwokorie, Chief Executive Officer:

I'll split this way. I'll take the competitive environment, and I'll talk to you about the promotional activity. But Giles, do you want to start off with Boots inventory?

Giles Wilson, Chief Financial Officer:

Yes, I think the very simple answer is we're very happy or very comfortable with the levels of inventory following the last two years of bringing inventory levels down. We constantly review it. We constantly make sure it is right. And there is nothing there that we would be concerned about. It's the levels we would expect. And in terms of the competitive space, as you can imagine, just because everybody categorises them differently it's not that easy to figure out what's happening everywhere else. But we do know that the Boots category is under pressure generally.

Ije Nwokorie, Chief Executive Officer:

And some of that is just the fashion cycle, etc. And of course, as you also said, Pedro, the hot summer. So what we're focused on is what we make.

And as I said, we do know that when we've introduced lightweight, when we've introduced something that is fresh, soft leather, that that works well with the consumer. So we're really focused on making sure that we really look at the whole portfolio of our Boots offering and in order to put us in a strong competitive space for Boots, while making sure that we're not as dependent on Boots as a business.

In terms of the promotional backdrop for the season coming, maybe a couple of points to make there. Absolutely, as you said, we do believe that at certain times, particularly for our loyal consumers, it is great to reward them with a bit of a deal. Now, having a high gross margin product makes that possible and to still deliver really good quality revenue. But also, as you mentioned, it is our goal to make sure that full price revenue remains and continues to be the bulk of our business.

And our strategic objective for the UK and DACH is very much second half loaded. Final point I want to make about the big shopping season is that it's not just about promotions. It's also about giving consumers great things that they love. And so while over Black Friday, you might see us do things in specific product lines, we'll also have a really strong gifting offering. We'll also bring in new full price products, some of which you can only get directly from us. So the whole package around Black Friday, around the gifting season and what happens post-Christmas isn't just about promotions. It's about really curating a wonderful set of offerings for our consumers.

John Stevenson, Peel Hunt:

A couple of questions, please. First one just on the UK versus DACH. I mean, the UK and DACH, I guess, have been two of the more challenging markets over the past couple of years. But DACH seems to have stabilised more versus the UK. I don't know if you could talk a little bit about the reasons behind that and what you've been doing?

Secondly, I guess it's another way of asking the same question, but obviously around Boots. I'm interested in how Boots were performing before September. And obviously the new boot styles are performing well. How much do you think really is down to uniqueness in the product file versus external factors when you're looking at sort of the overall boot performance? And finally, just on UK wholesale partners, I noticed you've got a couple of new sort of big headline wholesale partners in the UK. Can you talk about how this has been changing?

Ije Nwokorie, Chief Executive Officer:

I'll take those and I'm going to wrap your third question into your first one because it's part of what's going on there. The DACH recovery is wholesale driven and we continue to invest in our DTC offering - I told you a bit about Munich. And, the team there has been able to move quickly with relationships that they've built with Wholesale, which were beginning to yield fruit in FY26 and they've just continued that progress in a really strong way. So that's the difference.

We haven't had that happen yet in the UK. If you like, we are a step behind. And to your third question, that's why you're beginning to see the leadership in the UK really begin to think in a fresh way with this strategy around distribution. That's why you're seeing that show up in more places that consumers buy instead of maybe some of the traditional channels that Dr. Martens had been in for, in some cases, decades. Not that we're pulling out of those places, but the team is asking themselves fresh questions with this strategy, which is why you're seeing us show up in more places. And it's early days for all of those. Some of them are literally weeks old, but again, we're really encouraged by that performance.

In all our markets, expect those leaders, because they all have a clear brief on this, to think strategically and in fresh ways about where our product shows up. So again, to summarise that point, we're ahead in that wholesale journey in DACH compared to the UK, but the UK team are squarely focused on that, and we expect to see that start yielding benefits quite soon.

In terms of Boots, it's a great question, John, and it's often difficult to pull apart what's newness, what's weather. The weather impacted all Boots. I think that's the headline here, but because we hate focusing on things that are not within our control, we are saying to ourselves, having said that, we will continue to focus on our Boots offering, and some of the newer things we do show us that even in a tough environment, with both weather and consumer sentiment not being where it needs to be, we still have the opportunity to win, and that's what we're focused on doing over time.

Kate Calvert, Investec:

Just three questions for me. The first question is, could you talk about, well, you talked about, actually, in your presentation about active cost management and what was important in the first half. So how much of the first half cost reduction was of a temporary nature, or just come back as sales come back, and how much was structural? And what are your thoughts going into the second half?

And then on the gross margin, could you just sort of categorise your thoughts on the headwinds and tailwinds in the second half? And then my final question is not just on the US, is what is the feedback from your wholesale partners on the product that's coming through? And I'm wondering, how much has the mix of their buy changed year on year? Are they buying less into Boots as well, more into the shoe category?

Giles Wilson, Chief Financial Officer:

So in regards to active cost management, of course, there's a degree of costs that are variable. Which obviously relate to things like delivery costs or royalties, et cetera. So yes, there is a part of that. There is a good chunk of it that is fixed cost reduction from the past. I won't exactly split it out, but it is a decent proportion of the savings year on year. As we go into the second half, we will see that slightly mitigate a bit. There has been the benefit of what we've been going through - the operating model changes. You saw the five people that Ije referenced as example. We are now bringing those new people on board. So they will obviously both bring upside in terms of the work we're doing, but also we'll bring some cost.

In terms of your gross margin, we benefited in the first half from a couple of things, which will carry on into the second half, but slow down. The first obviously was we saw price increases in the US. They went up on the 1st of January this year, but obviously we will then not comp those in the fourth quarter. We have a slightly lesser tariff impact in the second half, but overall I expect gross margin to remain pretty resilient as we manage through the year and you should see the similar sort of shape to it as you saw in the first half.

Ije Nwokorie, Chief Executive Officer:

In terms of US wholesale mix and what our partners are buying, the first thing, as I mentioned, Kate, we're encouraged by the response to our Spring/Summer offering and particularly that new sandals line. So that's really encouraging.

And if you look at where the order book is more developed at the moment, it's Spring/Summer. So you're going see, in any case, more shoes and sandals in there rather than Boots, but it's not the same story for each partner. And I think that's maybe the big point to make here, that some of our partners who are more Boots focused are still Boots focused, but generally speaking, expect that there is some shift in what our partners are buying as we've reinforced our sandals and our shoes offering, expect that there is some shift to that.

But the more significant shift, particularly in US wholesale and wholesale as a whole is the quality of what they're buying in terms of this is full price product. This is product that the consumer is looking for. And that's what we're much more excited about as opposed to which line of product they're buying.

Adam Tomlinson, Berenberg:

So just a couple, please. One was just on the fashion cycle. So you mentioned for boots, we're probably in the less favourable part of that cycle at the moment. And I was just wondering in your experience, whether you have a view on how that might play out, potentially what needs to happen for that cycle to come back into a more favourable part. So that's just the first question on that. I appreciate it's difficult, but just any thoughts might be helpful.

And then the second question was around, with the weather impact, how are you thinking about, with potentially warmer summers sort of here to stay, how are you thinking about that evolution of the product mix and category? And I think you mentioned, expect some exciting things to happen in sandals next year. So without sort of giving too much away, just a little bit of colour around that would be interesting as well, please.

Ije Nwokorie, Chief Executive Officer:

Yeah, thanks, Adam. I will not pretend that I can predict every fashion cycle. And so I will probably not quite swerve, but not be too prescriptive about when I think, and let me be clear about this, when I think sort of that black, more if you like chunky military look comes back in boots. Because to make the point again, there are lots of boots that we have that are doing well, they're just not as big a part of the core. And that's why the strategy is to de-risk any one product or particularly silhouette of product being the thing that drives our year.

We're doing well in tall boots, it's worth saying, and we're certainly doing well in soft leather boots. And it's really about making sure that we can continue to be relevant even when fashion cycles move around. That's the brand we're building.

And that sort of speaks to the second question as well around weather, Adam. We want to make sure that if there's a hot summer, that the consumer, not only that we have the right product for the consumer in that time, but that the consumer knows about the product. That's what 'With Bouncing Soles' is about, that's why it's a multi-year strategy.

'With Bouncing Soles' - we can use it to sell a Mary Jane shoe, but we can also use it to talk about a 1460 boots. And so really making sure that the consumer understands that breadth and therefore that we can merchant the right product at the right time. Having local market leadership helps that because they can make the right call about the assortment for their markets. Working strategically with our wholesale partners also helps manage that because they will make the right assortment for their consumer. And so again, at the heart of the strategy, Adam, is to make sure that even

weather is not a reason for the business to underperform. We have some work to do with that, and particularly in Boots, but that's the work we're focused on.

Ije Nwokorie, Chief Executive Officer:

Thank you everybody for joining us today. I don't have a lot more to say apart from to re-emphasise the things I've said earlier. It was a disappointing first half, but we are focused on making the transformational changes that this business needs and on executing the strategy that we've laid out.

And right now we are focused on the key trading weeks that are right ahead of us. So we will update you on those towards the end of January. Thank you very much for coming on.

This concludes today's call. Thank you for joining.