16 April 2024

## Dr. Martens plc

## FY24 in line with expectations and update on FY25 outlook

**FY24 results**

Dr. Martens Plc (the Company) will announce its FY24 results on 30th May, with results expected to be in line with guidance and consensus expectations.

As expected, we saw a pick-up in Direct to Consumer ("DTC") in Q4, to high single-digit year-on-year growth, compared with a 3% decline in Q3 (all on constant currency terms). This was as a result of good growth across EMEA, a flat outcome in the USA and a very strong result in APAC, led by Japan. Q4 Group wholesale performed in line with our expectations.

**FY25 planning assumptions**

As we start the new financial year, the Board is taking a prudent view and would like to share with investors our planning assumptions:

- USA wholesale revenue is anticipated to be double-digit down year-on-year. We have recently finalised the Autumn/Winter order book, which makes up the majority of the second half of USA wholesale, and this is significantly down year-on-year. If wholesale customers become more optimistic, we could see in-season re-orders, however these are hard to predict. Given the nature of wholesale orders, the full benefit of any restock always has a lag into the following season. The decline in wholesale has a significant impact on profitability, with a base assumption being in the region of a £20m PBT impact year-on-year, assuming no meaningful in-season re-orders.
- We are seeing single-digit inflation in our cost base, and also intend to invest in retaining and incentivising talent throughout the organisation; together these equate to a year-on-year PBT headwind in the region of £35m. As previously communicated, we do not anticipate increasing prices further this year, and therefore in FY25 we are unable to offset cost inflation as we have in prior years.
- Given the ongoing challenging performance of our USA wholesale business, we expect to continue to require the additional inventory storage facilities in this market through FY25, and therefore the majority of the £15m of additional costs incurred in FY24 are expected to repeat in FY25.
- As previously communicated, we have a number of important investment projects underway, incurring operating costs in addition to capital expenditure, including our new Supply and Demand Planning system and Customer Data Platform. These projects are progressing well and will deliver benefits in outer years. We also continue to invest in brand marketing to drive future growth.

There is a wide range of potential outcomes for FY25 given that we have only recently started the year. However, we have assumed that revenue declines by single-digit percentage year-on-year and at the PBT level we could see a worst-case scenario of PBT of around one-third of the FY24 level. There are also scenarios where the profit outturn could be significantly better than this, with the key factor being if USA performance is stronger than our planning assumptions as we progress through the year. We will also look to drive cost savings wherever possible, whilst protecting our brand and future growth opportunities. Against this backdrop, we are focused on cash generation and have already significantly reduced purchases from the supply chain, which will underpin the strength of the balance sheet.

Our business is always second half weighted, however this year, given the phasing of USA wholesale and costs, this will particularly be the case.

**Kenny Wilson, CEO, said,** *"The FY25 outlook is challenging, and the whole organisation is focused on our action plan to reignite boots demand, particularly in the USA, our largest market. The nature of USA wholesale is that when customers gain confidence in the market we will see a significant improvement in our business performance, but we are not assuming that this occurs in FY25.*

*"We have built an operating cost base in anticipation of a larger business, however with revenues weaker we are currently seeing significant deleverage through to earnings. Against this backdrop, we will be laser-focused on driving cost efficiencies where possible. We also have a number of ongoing investment projects which will deliver results in outer years. We continue to believe in our DTC-first strategy and the considerable headroom for growth. Our brand remains strong, and we have a compelling product pipeline. These all give us confidence as we look beyond this transition year into future years."*

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## About Dr. Martens

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