

Dr. Martens First Half Results FY26

20th November 2025

Transcript



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Ije Nwokorie:

Welcome everybody in the room, some of you are here, but we also have people joining us remotely, so we welcome you all. We're joined obviously by Giles Wilson, our CFO. Our chair, Paul Mason, is also in the room. And I think everybody knows Bethany Barnes, our Director of Investor Relations and Corporate Communications. If there are questions after the meeting, please do make contact.

We've been busy. So, before we get into today's agenda, I want to share with you some of the great products our teams and partners have been hard at work on introducing our consumers to in this video.

(VT)

Like I said, we've been busy and I'm proud of what our people have been up to in the first half of the year. So, let's get into it. I know you will have seen the statement this morning and so Giles and I will cover three things. I'll share a brief introduction, just frame a bit of what we're up to and then Giles will pull out some of the key themes from our performance in the first half and then I'll give you an update on the strategy that we introduced to you back in June.

So, I'm pleased to report as we say on the slide that we are on track with the execution of the strategy and on track with our guidance for the year. I will go into each one of the four levers later on. But I also want to be clear that we still have some challenges that we're addressing particularly with boots and sandals and with EMEA direct to consumer. Yet overall we're doing what we said we would do with good cash generation and cost control, driving good financial progress and as I will keep telling you, I'm laser focused on execution and the work we've done today gives me confidence that we'll deliver our Full Year Results as planned. Giles will go into more detail now on how we've performed in the half.

Giles Wilson:

Thank you Ije and good morning, everyone. I'm here today to talk through our first half results and I'm pleased to report good progress in all our key metrics. But before I go into any detail, I felt it's important to share with you how we are making decisions and how we're running the business. We are focusing on making the right decisions for the long term while making sure we control our costs and our financials in the short term as evidenced through our cost action plan last year and our significant reduction in our leverage position. This means we have FY27 and beyond at the front of our minds when we're making those decisions and the actions we are taking. A really good example of this is in our H1 Results, which has seen a focus on improving our full price sales and reducing markdown volume, especially in the periods outside more normal promotional events, therefore making markdown directly related to those promotional events or as a tactical way to reward existing consumers and drive new customer acquisition. This

principle has also guided our approach to US tariff actions and to make sure we make optimal decisions for FY27 and beyond. We have worked closely with our wholesale and our supply chain partners in the timing of those actions.

So turning to our key financials and as I introduced last year, I will focus on constant currency comparison as this reflects the true underlying performance of the business. Just before I go into any detail and to flag at the outset, as you know at the year-end we changed the definition of adjusting items to include impairment of financial assets and the H1 FY25 has therefore been re-presented accordingly.

So turning to the financials, our revenue performance shows a small growth year on year up £2.7 million to £327.3 million and crucially revenue quality was better as we focused on full price sales and a reduction in our markdown sales. The impact of better quality of revenue and focus on our costs can be seen in our profit lines, especially in operating profit which swings by £6.5 million from a loss last year to a £3.4 million profit this year after accounting for interest. Our profit before tax is still a loss in H1, but a significant improvement on H1 last year. And as I'll explain in more detail, this is after accounting for a tariff headwind and demand generation timing headwind as well.

Our dividend is declared at 0.85p which as a reminder is formulaic for the half of being one third of the prior year full dividend. Finally, I talked to you in June about the focus we've had on reducing net debt and we've continued to strengthen the balance sheet in H1 with net bank debt down by £33 million. As a reminder, our net debt tends to peak around now as we build the inventory ahead of the peak selling period. With our continued focus on profitability and the strengthening of the balance sheet, this sets us up for sustainable success in FY27 and beyond.

So turning to the revenue, this bridge sets out the movement in sales by region and channel year on year starting with Americas, we see the business now return to growth across both DTC and wholesale following our return to growth in DTC in H2 last year. That has continued in the first half of this year with particularly strong performance in our retail stores, offset by our planned reduction in markdown volume in our ecommerce channel delivering an overall £4.8 million year on year increase in DTC. Following the focus on reducing inventory levels in our wholesale partners last year, we are now starting to see wholesale partner orders improving, delivering an increase of £2.4 million and we're also seeing further confidence in the Spring Summer order book, particularly amongst our larger wholesale customers.

Turning to EMEA, as highlighted at the AGM Trading Statement, EMEA across DTC has been more challenging and that, together with our focus on reducing markdown volume, saw reduction year on year of £5.9 million in DTC. However this was generally much better quality revenue.

Wholesale in EMEA as explained at the full year was stronger year on year and that, together with a more normal level of wholesale shipments in H1, saw an increase in wholesale revenue.

Finally APAC DTC saw continued year on year growth with a particular standout performance in South Korea retail and full price ecommerce across the entire region. Again, like other regions we saw a significant reduction in mark down ecommerce in sales, especially in China and South Korea and therefore overall a £1.2 million increase in DTC and better quality revenue. The wholesale revenue is in line with our expectations with some small changes in shipment dates year on year.

So, overall our regional and channel performance was in line with our expectations though we're disappointed in the overall DTC revenue in EMEA, this was partly due to our own decisions to reduce markdown volume and the well-publicised weak EMEA consumer environment. We are really pleased with the continued DTC growth in Americas, the overall performance in APAC and the overall better performance in our wholesale sales delivering on our strategic objective to reduce reliance on markdown sales.

As we set out in the statement this morning, our gross margin has improved year on year and I felt it was worth explaining it a little bit more in detail. As always, there are lots of moving parts in gross margin. However, what this chart shows is the consistent resilience of our gross margin rate. So, a slight headwind from our channel mix was fully offset by the average selling price. The average selling price was a combination of much better full price sales offset slightly with the strong shoes performance where the average selling price is slightly less. We saw a strong COGS performance with freight savings negotiated by our supply chain teams being one of the biggest components and it is also worth noting that this includes the H1 US tariff impact as well and I shall speak a little bit more about that on the next slide.

So, turning to the underlying EBIT bridge and as I set out on the first slide we see adjusted EBIT from a loss turning back into a profit increasing by £6.4 million to a £3.4 million profit. And actually, if you add the two headwinds of tariffs, the fourth box and the timing of demand generation, the sixth box, that figure increases to £9 million profit in the period, a year on year growth of £12 million.

The slide sets out the key moving parts; £5.3 million gross margin increase driven by £5 million from strong average selling price and better cost of

goods, particularly freight costs, £3 million from the increase year on year in volume offset by our £2.7 million of US tariff costs. We have continued to tightly control our costs. Within the £2 million benefit from non-demand generating opex is the benefit of the cost action plan last year partly offset by inflation, the full year impact of more stores being opened and paying our retail bonuses as retail stores performed better. Demand generation opex drove a £2.9 million increase driven by the timing of our key stories campaign being in September this year versus October last year. This will vary year on year depending on when the right time to support key campaigns is. Year on year benefit in depreciation and other items. And finally, £3.1 million of adjusting items which includes the lease impairment reviews following the accounting policy change and the carryover adjusting items from prior year for incentives and our global technology centre.

Before I move on to the next slide, I just want to come back to tariffs. As we set out in our statement, the focus has been to mitigate the effects of FY27 and beyond and we are pleased to say the action we are taking will do that. Those actions are continued tight cost control, flexible product sourcing and targeted adjustment to our US pricing policy. These have started and will now phase in through to the end of the financial year. We have worked through these actions thoroughly both internally and with our customers and suppliers. The intention has always been to think of the longer-term impacts and make sure the actions we take are with that in mind. The net effect of all that work is that we see about half the high single-digit millions tariff headwind in FY26 being offset this year and most importantly the tariff impact for FY27 and beyond being fully offset.

So finally turning to cashflow and our net debt, I'm really pleased to continue to report our significant reduction year on year in net debt, both in terms of net bank debt reducing by £33 million to £154 million and total debt including leases reducing by £46 million to £302 million. As a reminder, our business builds up the inventory levels in advance of peak and the September net debt position tends to be the highest in the year. As we go through the peak period, the net debt will start to reduce. It is worth noting that including in our H1 FY26 results is around £4 million of tariff costs in inventory and this will grow to nearer £10 million at the year end.

The bridge sets out the cash flows from the FY25 year-end position, the first four boxes show the underlying operating cashflow outflow of £44 million, made up of £36 million of cash inflow from EBITDA being invested into working capital as we build stock levels and then the spend on lease payments of £28 million and interest in tax payments of £13 million. Capex accounts for £6 million and our dividends in the year of £8.2 million. Finally, our net debt to EBITDA finished at 2.1x, well below our bank covenant of 3x, and an improvement year on year. We will continue to see those leverage ratios improve as we head towards the year end. Our guidance remains for

net debt of a year of around £200 million including leases. So, to summarise before I hand back to Ije, looking forward into the second half, we are pleased with our performance in the first half setting ourselves well up for our key peak period. We continue to see positive performance in our Americas DTC business and our order books across the business for SS26 are looking healthy. So, with that I shall pass back to Ije.

Ije Nwokorie:

Thank you Giles. So now let me give you some colour on how in the first half we executed the strategy that we outlined in June. So you'll remember this slide and after stabilising the business last year, this is a year of pivot in the business towards the new strategy. The great news by the way that underpins this is that the brand is strong, the team is passionately committed and we are already seeing results from our work. Importantly, the work we've done in this half has also set us up for the second half and particularly these big trading weeks that we have ahead of us in the next few weeks and have provided a foundation for growth in the outer years. But we are in this period of pivot in the business.

And what's that pivot about? That pivot is about moving from a channel first mindset that was primarily about building out DTC to much more of a consumer mindset, giving people more ways and more reasons to buy more of our products and making sure the business is in a situation where no one market or channel or product or consumer segment presents an outsized risk to our success.

We have a brand that resonates around the world and it's a privilege traveling around the world and seeing consumers and partners and our ambition therefore is to become the world's most desired premium footwear brand. As you can imagine, it's a motivating ambition and one that the entire team is united around.

So, in June we shared our four levers for growth. They are engaging more consumers, driving more purchase locations, curating market-right distribution and simplifying our operating model. So, consumer, product, markets and organisation.

And we also gave you a set of FY26 specific objectives in which we are going to use to make sure that we're on track and that we advise you to use to also keep an eye on what we're doing. We said in consumer we would reduce reliance on discounted pairs. We said in product that we would drive those new product families that we've introduced to you and I'll talk about a bit later, Zebzag, Buzz, Lowell. They allow us to give the consumer a different way to think about the brand and different purchase occasions. In markets, we guided that we would open with capital light distribution in some new markets and in organisation we said we will make concrete steps to simplify our operating model.

So let me now share the progress we're making in each of these areas. And as you would expect, I'm going to start with the consumer. As I said in FY26 we are focused on reducing the reliance on discounts and I'm pleased to say that we are making good progress on both wholesale, which we paid particular attention to and DTC. Working closely with our American wholesale partners and under the leadership of Paul Zadoff, our new President in the Americas, we've achieved a good shift from discounting both in the current season, Autumn/Winter '25 and in the order book as we look forward to Spring/Summer '26. And as Giles said, we're really happy with that growth that we have in the order book in the Americas because that's the first time we've been able to say that in a while. And similarly in our DTC, the shift is having a clear impact.

DTC full price revenue is up 6% year on year. The mix of full price to clearance is up 5% and we are 10% up in the percentage of new consumers coming to full price versus discounts. That's particularly important because if you remember, the objective is to engage more consumers and we're engaging more of them at that full price basis which is really critical for us. If you look at that graph on the right, while our full price to discount profile will go up and down in different times of the year, we will continue to make sure that we are offering the consumer the right thing at the right time and we will continue to manage this as we go through peak. So, for example, expect in the weeks ahead that we will participate in Black Friday and cyber and we'll do some discounts.

We'll reward the consumer with that. We will deal with seasonal product that we want to move quickly, but we will do that in very specific seasons and then return to that focus on full price. I'll also say that our customer data platform is helping in this effort because it allows us to directly target consumers based on their buying behaviour. So now for instance, when we are targeting a consumer who has a high propensity to buy full price, we'll not be targeting them with a seasonal discount message because we know that they are motivated by that full price offering. And I've got to say this is still, and I'll talk a bit about CDP later on, early days of this work and a lot more to benefit from as we go forward.

The push for full price along with our focus on comfort, on craft and on quality is supporting overall momentum. And you can particularly see this in America's DTC where retail revenue in the first half was up 15.7% driven by increased footfall. The consumer is coming in to really engage with that product we've been putting before them. In America's ecommerce, while revenue is only marginally up, full price revenue is up 20% offsetting a significant headwind as we've reduced, and we knew we would get this, as we reduced clearance revenue, so we'll share more on that reduction in discount revenue across channels and our work to attract new wearers at full price when we report the full year in May. I do want to emphasise

particularly with the US numbers that we are showing growth on weaker comps and this is still work in progress. There is more work to do and significantly more growth to go after in that market.

So that's consumer. Let's talk about product. On product we said we will drive more wearing occasions and this year that we will drive growth in those distinct family products: Zebzag, Lowell and Buzz. So, as you saw in the statement, we have had a successful half with shoes. Pairs are up 20% in DTC and 33% overall. And a big part of this success has come from us being able to give the consumer different reasons and different ways to buy, playing into those product families and the different wearing occasions and of course leveraging the individual customer profiles to give them what is really right for that individual. We talked to you at full year about our success with our more style focused Buzz family. We're pleased that that momentum has continued. That's the product to my left with the Buzz Shoe being the best performing new shoe of the half.

Another product family that we haven't talked to you much about, but if you want to see it in real life, John is wearing a pair today, is the Lowell. The Lowell is more crafted and more elevated than the Buzz and we introduced that just a year ago. We haven't really backed it with marketing and it has already risen to be one of the top five shoes for us in EMEA. But let me just say it's not just about the new product families. Our iconic 1461 Shoe has continued to perform well in Asia. It is our bestselling product. I'll share a bit more about the work we've done in South Korea and a little case study about how this product has done really well there. And it may be a product we don't speak about a lot, but one that's been in the line since 1992 is our Mary Jane and this is the number three bestselling product in the Americas and a big part of the success we are seeing there.

Let me make one important point, I said this at the full year, but this is important to keep making this ability to give the consumer more choice. We are matching that with a reduction in SKUs, so this is not about the proliferation of SKUs and in fact in Autumn/Winter '25, what we're in right now, we have 45% less SKUs than we did in Autumn/Winter '23. This is about discipline, curation of choice for the consumer as opposed to proliferation of product SKUs.

We've talked a lot about the Adrian and I think the Adrian Tassel loafer and the success of shoes has really been driven a lot by Adrian, as Giles mentioned earlier, this is a product that's been in the line since 1980. It is our second biggest selling product. So I present shoes to make the point that the brand is not just strong, it is relevant across more silhouettes than we've really leveraged in the past. And knowing different consumers allows us to play the right product to the right consumer and we are really focused on making sure that that curated breadth is put to work for the brand.

What I don't want you to think though is that boots are not important to us. Boots are important and this is an area that, while we have work to do as we continued that decline in the half, we are committed to boots and it's worth saying that the decline has moderated and has been impacted by, as Giles said earlier, our planned reduction in discounting. Boots matter to us and the 1460 Black Smooth, the boot that everybody knows, remains our top selling product and we're making progress in the category as a whole with an increased percentage in full price mix. That's really important to us this year and we're achieving that in Boots as well. I also like to say we're pleased with the performance that we've had in some of those, again, going back to the product families, some of the newer products that we've introduced to the line, let me give you some examples here.

The Kasey High Boot was new to the line last year and is the third bestselling product in the line in DTC in the half. And so remember the 1460 Black Smooth is the first, the Adrian Loafer and then it's the Kasey Hi. The Buzz Hi, the green one you see back there, has been built on the success of the Buzz Shoe that we've talked about and that we launched in February. The Buzz Hi was the bestselling new product at launch in EMEA DTC this year. And as part of our focus on comfort this autumn, we introduced the Zebzag Laceless Boot. Zebzag is a family that we've built around being lightweight and casual. We've done Mules, we've done Sandals, and now we've introduced a really comfort-led easy-on boot called the Zebzag Boot, you probably saw some activation around this, especially if you're in London. And while it's too early to quantify commercial success in this, we're really happy with how that's gone and how it's raised comfort as a topic for this brand.

And then two weeks ago we brought to market a new innovation that's built off the 1460 Boot.

(VT)

The 1460 Rain Boot is the first fully waterproof Wellington boot utilising our signature heat-sealed construction. That's how the bottom is joined to the top and our air cushion sole. It is built for comfort and we are getting great feedback on that already. It really captures the essence of what Dr. Martens is about - comfort, innovation, craftsmanship, functionality without losing the bold attitude of Docs that our consumers love. This is a whole new wearing occasion for the brand, a real proof point of our strategy of increasing wearing occasions. It's an easy sell for existing customers. It is a silhouette that they love, they understand what the brand is about, but it's also a compelling product for new wearers of the brand. It's been fun visiting our stores and talking to consumers about it. We see people who came to store with somebody else and never knew we did this and all of a sudden they're getting it on their feet.

We've used our customer data platform to customise marketing messages based on customer profiles. Some people are built more for style and so you pitch a style message and for some other people it's comfort and function and we're able to do that as well to those people. It ticks all those boxes and we've brought it to life in a really immersive way. These are some pictures on screen. For example, a takeover of our store in Brooklyn, which was all merchandised just for the 1460 Rain Boot and the wealth of press and social media coverage on this has been absolutely stunning. So we're thrilled how the launch has gone. I expect those of you in festival season in the summer to be wearing a pair of these and we'll keep updating you on progress.

So now we've talked about consumer, we've talked about product, let's talk about markets. And the markets lever is really about making sure that in each market we have the right distribution, working in partnership with wholesalers and distributors to get the right product in front of the right consumer in the places that that consumer naturally wants to buy. And in FY26 we've told you we'll focus on opening capital-light models with our partners and I'm pleased to share now the progress that we've made. Much of this has been announced, but it's worth just encapsulating on one place.

In the first half we've announced new distribution partnerships in LATAM and in the UAE. The LATAM agreement is with Crosby and they'll drive our reach in Mexico, Argentina, Paraguay and Chile. And this will include both wholesale and mono-branded Dr. Martens stores run by them. We now have two mono-branded stores launched already, with Buenos Aires opening in August and Santiago at the start of October.

In the UAE we've partnered with Beside who will launch and then grow the brand's presence in UAE initially through wholesale with mono-branded stores planned very soon and excitingly products started arriving with that partner just last week.

In the Philippines where we already have a great partner, we are accelerating that expansion on the back of this strategy. They have already opened two stores but they've now opened a third store, again in Manila. That's actually the picture that is here and there are more planned. I also want to say even though we've talked about capital light models, this is not just about the deployment of capital, it's also about working with experienced and trusted local partners who have experience with global brands and who have deep market expertise and operating know-how. Working with them ensures our brand shows up in the right way for those consumers while still being a hundred percent Docs. And these are the first agreements of many that we'll announce in the quarters and years to come. And that is largely about new markets.

It's worth saying the same principle applies to our existing markets. In Italy, we have 14 direct to consumer stores and we've been making good headway since we started building that strategy up. Now we're expanding through a combination of our own DTC, but also partner stores with the first franchise store opening in Pompei in October 2025 with a great local partner and we're really pleased with how that's gone. And as you can see from that image, it's a really great Dr. Martens experience. We have more stores planned for the future.

We're taking a similar approach in China where we've opened recently in the half new stores in Chengdu, in Chongqing and in Hangzhou. So, this is an exciting growth lever for us and it's worth saying these capital light models are a good example of our ability to create value in partnership with great businesses around the world. As I shared in June, we're excited about the scale, commitment, resources that our partners bring to our brand, whether it's through franchise stores or in deep marketing partnerships with our wholesale partners.

The images here are just a spectrum of some of the wonderful activations that our partners put out when we launched the Zebzag Laceless Boot that I mentioned earlier. I'd highlight Zalando in Germany who took over their brand hub and held their biggest event there to date. And La Rinascente in Italy, which included the takeover of a metro station in Milan that you see in the bottom right corner there. These close partnerships along with the work we've done with them over the years to rightsize inventory are some of the driving reasons behind healthy order books for Spring/Summer '26 and curating this market right distribution with our partners is key to value creation for everybody. Few things take up more of my time than this and we'll keep you posted on how we keep going forward.

And so finally let me talk about the organisational layer, which is really about simplifying how we operate and focusing squarely on consumer. And here we are beginning to reap early benefits of systems that we've previously talked to you about, but that we've now really focused on executing, implementing and embedding into the organisation in the half and getting our global technology centre in India up and running.

I'll start with the customer data platform. The customer data platform is making it really simple for our marketing and commercial teams to reach the right consumer with the right proposition. I think I've given a few examples of that already today. So, the focus to date has been on optimising the consumer journey. That's how the consumer navigates through from social to a site to find the product. They're looking, driving repeat purchases and making sure that we're efficient and when we do do a discount that we're not cannibalising full price sales. And then we've also used it for our product launches really tailoring the marketing such as in the 1460 Rain Boot example

that I gave you earlier. So again, early days part of our business, but you can see how that really simplifies the way our teams can deliver value to each individual consumer.

Our supply and demand system, as we told you, went live in the Summer as planned and is already delivering greater visibility and accuracy between demand signals on one hand and supply orders on the other hand, you can imagine what that does for the efficiency of the business. For instance, our teams have started utilising statistical modelling of past sales data based on this platform to identify patterns, trends and seasonality, which then are used to predict future demand on a two-year rolling basis. That's new capability that really simplifies the way we think about things and operate.

And then finally, while not due to be fully operational until FY27, our global technology centre (and the image in the background is the global technology centre in India) is now up and running. And by bringing engineering in-house, which is what this does for us, we have already become much quicker in delivering optimised customer journeys, allowing, for example, our retail teams to recognise a consumer and offer a more tailored store experience such as an in-store pickup or a promotion for that individual consumer. So, this is a muscle that we will keep developing. How do we simplify the organisation, how do we equip our teams to make it easier for them to really deliver to individual consumers because again, that's what the pivot is about, being much more consumer-first minded.

So that's the work we've been doing and the results we're beginning to see in consumer. We're driving more full price in both wholesale and DTC. In product, we're growing those product families and alongside the icons, they're giving our consumers more reasons and more occasions to buy. In markets, we're working closely with partners, whether that's capital light models or deep marketing and product partnerships with major wholesale partners and in organisation we're using technology to simplify how we work and how we serve our consumers better.

So to wrap up, let me use one specific market to illustrate how this strategy all comes together. Just so you get a picture of it. South Korea is still a small market for us and a proof of how we can grow in new markets. It's also a critical market, South Korea because as you probably know it really influences cultural trends around the world. So, how's our strategy playing out here? In consumer, with that strategy we've grown full price 64% and we've increased full price mix of revenue by 25%, year on year. In product, we've leaned into that market's specific demand for the 1461 shoe, which is really where that product is in more demand than any other market in the world and really allowed our team to push that while also significantly building new equity around the Lowell Shoe. So we know if you like the major product, we're also able to start creating an affinity around a product

behind that so that we're not at risk of just one product family. The Lowell as we've started doing that is up 90%, H1 vs H1 last year as we've done that. We're building exciting partnerships like this one in the picture shown here, which is with Musinsa who built out a major two-week installation for the 1461 shoe and Giles and I were privileged to be in South Korea in the middle of those two weeks and it's just a stunning experience delivered entirely by a partner.

And finally by simplifying around the consumer, really making the consumer the top of mind, it's allowed the South Korea team to be liberated and deliver what works for their market while aligning a hundred percent to a brand. These are great experiences of Dr. Marten' but they're right for the South Korea market. As a result, revenue in South Korea is up 30% year on year in the first half. This is a growth market for us and we're excited to see how the consumer focus is helping them connect with more wearers and the learns we can take from there to apply to other markets.

So I hope that gives you a good sense of the progress we're making. We're focused on executing on the Levers for Growth. We're seeing early results, but this is work in progress and there's still key areas to address. We've set ourselves up well to deliver the plans in the second half and along with our partners, we feel good about our plans for these big trading weeks that are ahead of us.

And I have to emphasise there is significant opportunity ahead. That opportunity as you remember, comes through the headroom that we still have to grow in our 15 top markets. We are only 0.7% of £180 billion relevant market in just those 15 countries. And we're in many places where the brand is still attractive and desired. We're going after that. You've already heard us talk about Mexico and UAE and other places and in our existing markets, as you've seen with the USA or South Korea, we're also going after opportunities to grow there. So these early results and the significant headroom give us confidence in our medium-term value creation thesis to grow profitably and faster than our peer set. The operational leverage that delivers high to mid-teens EBIT margin and the continued underpinning of strong cash generation. This will create significant returns for shareholders and that's why Giles, the team and I are laser focused on the execution of the strategy. There's a lot of work ahead, yes, but the brand has never been stronger or more relevant and the green shoots are promising. So we're going after it. Thank you.

We will take questions now and we'll take questions in the room. First, please say your name and what organisation you are from and then we'll go to questions via the operator.

I think we're going to go John first. Okay, thank you.

John Stevenson:

Thank you. John Stevenson at Peel Hunt. A couple of questions to get us going please. On the product side, you mentioned areas to focus on and mentioned sandals and boots. Can you talk about what the plans are for next year in terms of how you think you can address sandals and what sort of innovation or how we're going to develop that? Secondly on EMEA, I don't know if we can have a bit of a dive into the region in terms of trading. I mean clearly the UK has been challenging. Can you talk about an overview of where the weakness in EMEA is coming from and what your thoughts are from here going into the second half and a very, very quick one, what's the price change agreed for factory pricing for the year ahead?

Ije Nwokorie:

I will take the first two and I'll pass on the question on pricing. Yeah, it's interesting. I have for simplicity, lobbied boots and sandals together, but I want to be clear that there are two different problem statements and I'm confident about our boots plan. We have more work to do in sandals and I think sandals is a place where we need to drive more innovation and we really have that work to do ahead of us. And I think that will take us time, to be very honest with you, that will take us a couple of seasons to get that right, but the team are working on it. I told you around innovation that we're working on lightweight, we're working on really making sure that our sandals proposition stands on its own and isn't just on the back of other things. But we're not starting from a standing start. We've had sandals in the line since the eighties. Some of our top selling products in the season have actually come from America. For example, we have a sandal called Dunnet Flower, which even two weeks ago was one of the top sellers in America in November. And so, we have a strong sandal offering so we know what works. We now have to do the work to build that out over the next two, three seasons. But it's work in progress and it's an area of focus.

With EMEA, the slight evolution on our analysis since the first quarter is that the UK isn't particularly the challenge anymore. That really was the case in the April to June quarter. But since then actually we've seen traffic return to stores and I would say that the EMEA challenge is an EMEA wide challenge. Of course there are variances from market to market, but it's really about a consumer who is out shopping but being a lot more considered, a lot more browsing and research happening. And they're doing two things largely. They are either looking for a deal and so the market is promotionally led, but as we all know, there's a bottom that you get and the market will have to fight back from just being promotionally led. But actually more interestingly there is also a flight to quality. There's a bit of a trade down from luxury into premium into craft and quality. And there's a bit of a considered purchase, which means I'm not just buying anything, I'm buying, I'm treating this purchase as an investment, I might actually spend a bit more as I'm getting the quality. And we see that come through in our more expensive products are actually doing quite well, whether it's the weekender bag at over €300 or whether it's something like the Kasey Boot, which is one of our more

expensive boots. So this is a consumer who is considered, there's nothing wrong with that and a brand that has quality, this has opportunities. And so that's what we're going after. We can't of course control broader macro and economic issues and the ways in which the consumer thinks, but we feel we have enough levers we planned into the headwind on discounts. We're not going to over chase that. We'll participate where we need to participate. That will remain a headwind for the rest of the financial year. But we still think we have opportunities to make sure that we are competitive in the market.

Giles Wilson: So your factory pricing, looking ahead, I mean we don't guide specifically on factory pricing. I'm comfortable with the numbers, there's nothing there with the exception of tariffs, it's obviously a cost that we've given you views on, but overall we have good relationship with our suppliers, long-term relationships with our suppliers. And actually some of the work that we've been doing specifically around tariffs has been working with them about where we source some of our American purchase orders from. So I think we don't normally guide on it, but there's nothing in there that I would be saying this particularly to pull out.

John Stevenson: Thank you.

Anne Critchlow: Thanks. It's Anne Critchlow from Berenberg. Got two questions please. First of all on the US in terms of the perception of pricing power in the US, how confident are you that you can put through these price rises? Do you think they'll strengthen the brand or do you think you'll encounter some resistance? And then secondly on EMEA, how confident are you that you can drive engagement and turn that sales trend around and how important are the CDP capabilities within that?

Ije Nwokorie: I will grab both of those but add anything, Giles, if there's anything I miss out. As I shared and we've travelled a lot together. We were in a Boston store earlier in the year, we're not seeing any resistance in America to our higher prices. In fact, we have some anecdotal evidence that the price position in some products, some specific products might be on the low side and we have opportunity. It's worth saying we haven't taken price in America for three years. And so the market, we have headroom to still remain competitive, but we will be surgical about this. This is not a blanket price raise. We will look at individual products, we will understand how they're benchmarked, understand how the consumer sees them and that's how we will apply pricing. So to your question, do you see any resistance? Never take the consumer for granted, but this is strengthening our premium position to have the right prices.

Giles Wilson: I think it's worth also adding. We look at those prices on a global basis. So we look at how does that feature in a product not just in the US but where does

it turn up in other countries. So it's part of our pricing policy to look at this and, as Ije said, we haven't taken pricing for three years in the US so there's actually, there's a lot more detail that goes behind that work that goes in and we'll be much more confident about where they come through.

Ije Nwokorie:

In EMEA. I think I'm going to make a similar statement that you never take the consumer for granted. We do think that less clearance will remain a headwind for the rest of the year, but we've planned for that. That's baked into our plans. That's not any new risk. We like the fact that the consumer is in the store. So that gives us the opportunity to make sure that we deliver that value that they're looking for because the footfall in the store is absolutely fine and online we continue to make sure that we are using the CDP to your point to really manage that experience so that the consumer finds the thing not just that they're looking for but that the thing that is right for them based on their profile. This is trading work Anne. And so there are no grand strategies. It's really understanding each consumer, really understanding each literally down to each individual store. But we've got great people in our stores who really know how to trade and we're giving them great product to work with. So we're confident that we will hit our plans for EMEA. Thanks.

Kate Calvert:

Morning Kate Calvert from Investec, just two for me. First of all, just on the franchise model, apart from Italy, where else in Europe are you thinking of using this model and are you thinking of using it in the US? And my second question on the US, you talked about at the FY results, about the opportunity to elevate the brand and work with more premium wholesale partners. Have you made any progress in Autumn/Winter on this or is this all to come next year and beyond?

Ije Nwokorie:

Yeah, good questions. I'll take both of them. I don't want to get ahead of myself on markets where we will do the franchise model. It's worth saying we have it already. It's a big part of our business in Japan. It's a significant part of our business in China and a significant part of our business in Italy. So we have those examples. We will look at it as we look at retail strategy going forward. So I don't want to open or close any markets to it, but those are the three places where we are active. And as we deliver on that and as we build it out, we will share that information with you.

We're really happy with what we've been able to do with Nordstrom in the last year. And I'm not going to guide on their numbers, but we've had that premiumization and some of the product at the more expensive area. Some of the work and the success we've had with the Adrian Loafer has been in partnership with Nordstrom. So that's an example of a premium brand where we've done that. We've also done some really great work just recently with Kith, which is that in the market Kith is really that sort of that pinnacle retailer and some of our more refined elevated product, something we call

Rejena, these are not huge volumes, but they really position the brand in that pinnacle space. And so those are two examples and Paul and the team are hard at work building that out. Thanks Kate.

Operator: We'll take questions from Alison Lygo from Deutsche Numis, please go ahead.

Alison Lygo: Good morning and thanks for taking my questions. Two for me please. First one is about the US and the profitability there in the operating cost base. Margins in the US has kind of reached flat-ish now in the first half and expect there'll be positive in the second half with the seasonal weighting, but still very much dragging on the group. Just wondering what your outlook for regional margins there is, what you think can be done there or is this just a case of growing back into the cost base? And then the second one is really on the product that your wholesale partners are buying into. So you talked about plans to get partners buying into a broader assortment. You've talked about a healthier order book. I'm wondering if you could add a bit more colour around that in terms of the range of products that wholesale partners are now buying into and really how the regions are kind of comparing in terms of whether one's more ahead of the others. Thank you.

Giles Wilson: Thanks Alison. Yeah, so on US margin, I think there's a couple of things we need to just pull apart for the first half. Firstly, obviously the US margin has got the US tariffs in, so you will have that as a bit of a headwind in the half year. And obviously you rightfully say the first half is obviously the smaller the half. You'll have noticed that Ije put up on the screen that we saw our retail stores revenue grow >15% year on year. So we're seeing much better performance across our retail stores and as we set ourselves up into peak, we feel much more confident there.

And then thirdly, the growth in the wholesale. I think that's the other key part here. We've obviously had a couple of years where wholesale, particularly in the US was where we came off and we're sitting here much more confident about our Spring/Summer order book as we go forward. So I think it's a bit of both. In all honesty, it's about us growing back into the volume, particular in the wholesale, getting better return from our retail stores as we're doing. But also as you're well aware, we have been looking at our store network and we have closed or provided for stores and we are doing that. We've been quite clinical now about what each store needs to produce and have actually, I think at the half year or the full year, we did actually put a few stores as impaired. So we will expect to see that margin now begin to really improve and get back to the levels that you've seen in the past.

Ije Nwokorie: And on the second question, Alison, which is a great question. Thank you. What we're seeing is our wholesale partners are buying into a broader range,

but I want to be clear what's the right range varies from wholesale partner to wholesale partners. What Journeys wants is going to be very different from what Nordstrom wants. It's going to be very different, it's not just one it is what's right for their consumer. And so having really built out the strategy and particularly in the US demonstrated that return to growth based on the strategy and DTC, of course the wholesale partners are now very interested in a broader range of product, but there isn't a particular regional split on that, that's going to be different from wholesale partner to wholesale partner based on who their consumer base is, who their buyer is, how they sell. But it's a broad spectrum across particularly we've seen a huge growth in shoes and the assortment of shoes and across those new range of products. So it's broader than it's been before. You've got those new product families in it, you've got a bit more shoes than in the past, but that's a general statement. It's going to vary from wholesale partner to wholesale partner.

Alison Lygo: Thank you. That's helpful.

Operator: Thank you, there are currently no further questions over the phone, with this I'd like to hand back over to Ije for closing remarks.

Ije Nwokorie: Thank you all very much. I believe the statement is clear and know it has been a pleasure to share with you some of the highlights from the execution of the strategy. The statement remains the same. We're happy with progress to date, but there's still work to be done. And when we look at the long-term opportunity, the headwinds in the market, the strength of the brand, the fundamental economics, we're really excited with how we're going to create value for shareholders in the future. So thank you very much.