EDITED TRANSCRIPT

Dr Martens H1 Results 2022

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PRESENTATION

Kenny Wilson – *Dr Martens – CEO*
Hi, good morning everyone, and thank you for joining us today, both in person here in the room and on the webcast for our first half results for FY23. I'm Kenny, the CEO of Dr Martens, and I'll be joined as usual today by Jon, our Chief Financial Officer. Also in attendance from Dr Martens today is Emily, our company secretary. If you've got any questions in the coming weeks following this presentation then please reach out to Mark Blythman and Beth Callum from our investor relations team.

So, our agenda for today, I'm going to take us through the key takeaways from our first half and then Jon is going to take us through a detailed financial review. Then I'm going to come back and talk through our strategic performance and why I feel confident that our future growth will continue, despite the economic headwinds that we see ahead of us, and then at the end we'll have a Q and A, both for people here in the room and on the call.

So, the key takeaways from our first half; Brand equity and long term brand health is our top priority at Dr Martens. Sales follow equity. Later I'll share some numbers with you from our quarterly global brand survey, which shows that the Dr Martens brand is stronger than it's ever been before.

Secondly, our DOCS strategy continues to deliver for us. As per our DTC first approach, our growth in the first half is DTC led with first half revenues in our own channels up by 21%. Our strategy has always been that price will offset inflation. Our pricing plans for autumn winter 23 next year are now in place and the recent pricing study that we've just done demonstrates that consumers see our products delivering strong value for money.

We continue to invest for long term brand value and growth. Given the vast untapped potential that still lies ahead of Dr Martens around the world, we will update on our investment plans today. Overall, we remain confident in the performance and future growth of the business and our brand, and today we're increasing our interim dividend by 28% year on year to reflect our confidence.

For those of you who've followed Dr Martens since our IPO, which was nearly two years ago, this is going to be a very familiar slide. It's the custodian mindset and this is how we lead Dr Martens. Right now, in what's a difficult economic environment, it could be very easy to think short term, to be a much more promotional business, to sell to the wrong customers and to drive short term volume but at Dr Martens, we never take short cuts. We will continue to take long term decisions to drive sustainable growth and to build brand health over time.

As you will see later in this presentation, in the first half we've invested in stores, we've invested in marketing, we've invested in people, we've invested in technology and also inventory, at the peak time of the year, to support the medium-term growth of the business. We believe passionately that the best brands think brand first and they focus

on long term brand health, and that's what you're going to hear from us today. With that, I'm going to hand over to Jon, who's going to take us through the financial review.

Jon Mortimore – *Dr Martens – CFO*
Thanks Kenny. Good morning everyone. I'll walk you through the story of our first half, touch on implications for the second half and the full year as well. The results in our first half year, ending 30th September 22, were solid and were led by a very strong DTC performance, which had revenues up 21%. We have a balanced global economic footprint with only 15% of revenue from the UK, which results in a natural US dollar hedge at the global level.

The COVID-19 challenges in our supply chain are now resolved. Remember last year, three factories in South Vietnam were closed from July to September, affecting about a third of our volumes and this was compounded by significantly extended lead times from factories in Asia to our DCs. As anticipated, we've now caught up and restocked the business.

We can carry high levels of inventory because a significant proportion of our product is continuity in nature - boots, shoes and sandals that are always in the line. In addition, given four or five pairs we sell tend to be black, we have minimal markdowns. We are able to plan for growth by strong availability without a P&L risk. Finally, we have a strong balance sheet with spot leverage of 1.2x and average leverage of 1x.

On an actual currency basis, underlying revenues grew by 18% with total revenue up 13%. Total revenue is £419 million. Within a financial year, wholesale shipments are non-linear, or lumpy. This is particularly so in our first half, as this represents the peak wholesale shipping period, such that volumes falling one side or another, of an arbitrary accounting date, are not unexpected or unusual.

In the current period, approximately £10 million of wholesale revenue representing 0.2 million pairs, that was pretty much picked, packed and ready for dispatch, was shipped in early October rather than September.

The EBITDA value of this will be around £4 million. For the first half only, I've introduced the concept of underlying revenue and pairs. In the prior year, we ceased supply to Russia, following the invasion of Ukraine, and in the autumn of last year, we took the decision not to renew a number of distribution agreements in South America, taking the opportunity to increase our focus on the USA.

On a full year basis, the financial impact of this is not material, representing only around 1% of revenues last year, and has a marginal impact on EBITDA. However at the half year, to properly understand performance, it is better to exclude these items. For clarity, this does not affect DTC. Gross margins expanded by 0.3 percentage points, mainly DTC mix shift, held back by the timing of price increases versus inflation. I'll return to this topic presently.

We continue to invest for growth in the period with OPEX increasing by 23%, mainly marketing, new stores and tech. EBITDA was level with last year at £89 million with growth impacted by the timing of wholesale shipments across the accounting cut off period and our decision to continue to focus on the DOCS strategy investment thesis.

First half growth was led by DTC which grew by 21%, on an actual currency basis, and 15% on a constant currency basis. The DTC channels have continued their steady recovery from COVID-19 restrictions in prior years. We are keeping a very close eye on how both physical retail and ecommerce are evolving post the pandemic, as consumers become much more adept at shopping both channels and seamlessly moving between the two. It is better to view these channels together.

Through the first half, consumers have continued to rediscover the delights of visiting shops, over the functional ease and speed of ecommerce. We believe we will return to pre-pandemic trends with ecommerce growth being stronger than retail growth. However, while we are still in a recovery phase, it is likely retail will grow more strongly than ecommerce. The strong retail growth was led by continued good like for like traffic recovery in EMEA and America with traffic recovery at a more conservative pace in Japan.

At September 30th, all of our stores, once mature, were profitable and the average EBITDA return on sales, including rent, so old school, was at pre-pandemic levels of profitability of around mid-30%. In the first half, we opened 21 new stores and closed five stores at the lease break date. Of the five stores closed, three represented relocations, which represent more of a move to a better located, larger unit. For example, in Dublin we moved to a larger unit on Grafton Street.

We are on track to open a further 13 to 15 locations in the second half, resulting in full year new stores gross of 34 to 36, less the five stores closed, and should end up with a net figure in the middle of the guidance range. In addition, we are also on track with the franchise store transfer in Japan and will be transferring 14 stores from franchise to our own stores at the back end of Q4 of this financial year. These will be in addition to the owned stores I just mentioned.

We grew underlying wholesale by 15% on an actual currency basis, which was up 8% on a constant currency basis. We were particularly pleased because this was from 13% fewer accounts as we continue to focus on quality over volume. We continue to review wholesale in-market inventory and rate of sell through. Availability is significantly better than in prior year and the order book was in excess of our full year estimates. The excess of order book over estimate gives us the financial headroom to cancel future orders, should we want to.

Underlying revenue grew by 18% and following the DOCS strategy, was underpinned by volume. Pairs grew by 6 %. Secondly, DTC grew faster than wholesale with mix expansion of 3 percentage points and thirdly, we continue to focus on full price sales with price increases to fund inflation across the year. We have benefited from approximately 6 percentage points of growth from the strength of the US dollar versus the pound and euro, and I'll return to the workings of our natural hedge in a few minutes.

At the beginning of this financial year, our guidance assumed we would not benefit nor be negatively impacted by exchange. Since this time, the US dollar has materially appreciated. While the EBITDA is not impacted by this appreciation, revenue has benefited.

We increased prices in EMEA by around 7%. Think £10 or €10 on a 1460 boot and by 13% in America, Think $20 on a 1460 boot. We chose not to take price increases in Asia Pacific, as we wanted to narrow the pricing corridor between our markets. These price increases were implemented from the autumn winter season, which began in July. Average inflation across the six months was 6% with the largest driver being cost of goods or COGS. For the full financial year, the annualisation effect of the price increases will fully fund the locked-in inflation of 6%.

Turning to full price mix within DTC, the full price mix was 90%. The continuity nature of our product range means we have minimal markdown risk with markdowns only in relation to seasonal products. Given the strong margin structure we have, markdowns tend to be above cost. In the period, we benefited from lower markdowns on clearance lines. In effect, while we discounted seasonal products to clear, we achieved this with lower discounts than the prior year. We'll continue to target around 90% full price mix on average, however I do not anticipate we will benefit from even lower discounts on clearance products going forwards.

Gross margins were up by 0.3 percentage points to 61.6%. DTC grew faster than wholesale, worth 1.1 percentage points. The timing effect of price increases versus COGS inflation was a negative 1.3 percentage points but will be fully offset across the full year, and full price mix was worth 0.5 percentage points.

As a reminder, the typical trading patterns of our business mean stronger margin DTC revenues represent a higher mix of business in the second half than the first. For example, DTC mix in FY21 was 34% of the first half and 50% in the second half, and last year it was 40% in the first half and 56% in the second half.

The stronger gross margins associated with DTC then drives higher profitability in EBITDA margins, H2 versus H1. Here you can see in the first half of FY21 the EBITDA margin was 27.1% and the second half, 30%, and then last year first half was 24% and the second half, 32.4%. As expected in the first half this year, EBITDA margin was lower. Positive DTC mix, worth 1.1 points. The timing impact of price net inflation on COGS was -1.3 points. Marketing investment in line with strategy was up 4.5 percentage points and finally, investment in DTC cost us 2.1 percentage points.

The 2.1 percentage point investment in DTC mainly reflects three areas of targeted investment. Firstly, new stores. All stores, once mature, are profitable with average return on sales of mid-30%. It takes around two years for a new store to achieve these typical returns. A new store has a target payback on capex of no longer than two years and typically a store takes around six months to achieve breakeven EBITDA. Therefore, when we open a new store, there is a period of negative short-term impact on the EBITDA and EBITDA margin. This is more prevalent in a period of step increase in new store openings. Using the base last year, we opened 13 stores. The half year this year, we opened 21 stores, so nearly double year on year.

Second is people. In the half, we continued to improve the quality of the people in the business as we scale. In particular, we focus on ecommerce, retail support, marketing and product.

Third is IT. We successfully implemented our global ERP solution in Japan and now, using last year's numbers, 95% plus of our global revenues are on a single cloud based platform. We also implemented a new order management system in the UK to give us the foundation to trial click and collect and return to store in the UK from the fourth quarter of our current financial year. Kenny will build further on the theme of investing for future growth.

We have a balanced global brand and a balanced global economic footprint. America is our biggest market and has the largest DTC opportunity with a DTC mix lower than the group average and only 46 stores at the balance sheet date.

The UK is our second market. It is important for the brand, being our home market, and while it is expected to grow, that growth will likely be slower than the average, resulting in reduced economic influence. Japan is our third market and cements this position after the transfer of 14 franchise stores. Following this transfer, we'll have a DTC mix here of approximately 80%, which we expect to grow towards 90% over time. Given the very strong margin structure of DTC, and Japan's pricing being our highest globally, Japan is our strongest EBITDA margin business and will be the APAC growth engine for the next few years.

In EMEA, growth was led by DTC, which grew by 22%. Regional DTC mix increased by 5 percentage points and was led by Germany and Italy, which both expanded by 8 percentage points. While ecommerce grew in the period, retail growth was a lot stronger with growth rates broadly following group averages. Like for like retail traffic recovery was strong and only part offset by an instore conversion decline. The instore conversion decline was part due to maths of higher traffic and part due to a high proportion of customers being in browse mode, rather than purchase mode.

Trading was strong in London and larger cities in continental Europe with UK provincial stores and stores outside larger cities experiencing slower growth than expected. In the period, we opened seven new stores and closed three stores to end the half with 83. In the UK, we had 33 stores, down from 35, with 50 in continental Europe, up from 45 at 31st March. Of the three stores closed, two represented relocations, being Dublin and London Stratford. Underlying wholesale revenue was slightly lower than the prior year and all due to timing of the £10 million of revenue that fell in October rather than September.

In America, underlying revenue grew by 31% on an actual currency basis and 15% on a constant currency basis. We had good growth from all channels with DTC up 26% in actual currency, 11% constant currency, and underlying wholesale up 35% on actual currency basis, 19% constant currency. Both ecommerce and retail grew in the period with growth slightly stronger than the global average, particularly in the first quarter. Growth was led by retail traffic recovery being similar to EMEA recovery profile and story.

Across the period, DTC growth was weaker than expected in the back end of Q2, part strong prior year base, part later than optimum delivery of sandals and shoes, and part weakening consumer environment. In the period we opened six new stores, compared to three in the prior year, including two in Texas and one each in Chicago, LA and San Francisco. We also relocated the store in Minneapolis. We are on track to roughly double the number of new store openings in the USA across the full year.

We took a decision to proactively build inventory and improve availability in American DTC. This was twofold. First, America was the most impacted region in the prior year from COVID related supply delays, both factory shutdown and also extended sailing times. Second, we have historically had weak availability from December, as DTC has been stronger than we have anticipated. In effect, we have historically underestimated demand in this market. Given our low levels of markdown, we can take this investment inventory with low risk. The nature of our product allows us to plan for growth.

In Asia Pacific, revenue grew by 9% on actual currency and 6% on a constant currency basis. Growth was led by Japan, which grew DTC by 17%, expanding DTC mix by 2 percentage points. As I mentioned previously, retail recovery in Japan was traffic led, similar to EMEA and America, but at a more conservative pace. As is typical of ecommerce in Japan, penetration is lower than the western world. From a low base, our ecommerce trading had strong growth. We opened three new stores, to 25 owned stores, and, including the 14 transferring franchised stores, we will operate from at least 39 stores in Japan by the year end. Similar to America, we took the decision to invest in inventory to drive availability in Japan.

In China, our own ecommerce trading was severely impacted by lockdowns in Shanghai earlier in Q1. Shanghai is where our DC is located and during this lockdown period, we were unable to shift any products. In the half, this resulted in ecommerce revenue declining double digit. We have four owned stores in Shanghai and we are now trialling the full DOCS strategy. DTC first with own retail supporting ecommerce. Having reviewed the strategic and economic effectiveness of the legacy distributor contract, we will not now renew this contract at the end of the term in the summer of next year.

Regional EBITDA grew by 22%, reflecting the increased influence and superior margin structure of our Japanese business. EBITDA was level in the half, therefore the higher depreciation and amortisation costs from previous investments in stores and IT systems resulted in profit before tax declining by 5% to £58 million. Net finance expense was up a smudge compared to the prior year.

While we expect to see higher interest charges on our debt, these are expected to be broadly funded by higher interest receivable on cash. For net financing costs, guidance is maintained at around £15 million across the financial year. Tax charge was 22.8% in the period and is expected to be in line with full year guidance of around 21% of PBT by year end.

We recognise there are economic challenges ahead, however we believe we are well positioned for future growth. As a result, we have increased the dividend per share by 28%, to 1.56p. This represents a pay-out ratio of 35% of earnings and is at the top end of the guidance we gave at IPO.

As I said earlier, we have a balanced global brand and a balanced global economic footprint. One of the many benefits of this is we have a natural hedge against movement in the US dollar, both up or down, in pounds and euros. I'll walk

you through this example which looks at the impact of a 10% appreciation in the US dollar on prior year figures. This hedge works because the America and EMEA regions are broadly of a similar size and also, approximately 95% of our COGS are paid for in US dollars.

So, from left to right, US dollar on translation is worth 10% more, resulting in more pounds in revenue, being £38 million higher, and more pounds in EBITDA being £12 million higher. InEMEA, the US dollar cost of inventory purchases is 10% higher, resulting in EMEA EBITDA being £13 million lower. On the right hand side you can see, at group level, EBITDA is roughly a similar number. However, higher revenue has diluted EBITDA margin by 1.3 percentage points in this example. As a result of our balanced global economic footprint, group EBITDA is not impacted by importing inflation due to currency change. We are not a UK domestic business.

We typically generate all our cash in the second half of the financial year with a cash outflow of around a half turn of EBITDA in the first half. As I have explained, we took a decision to increase inventory to drive better availability in America and Japan through the second half of this year. In addition, inventory purchases were unusually low in the first half of last year due to the factory closures for three months, which resulted in much lower levels of inventory being available to buy.

Capex represented 4.6% of revenue with full year guidance at top end of the range of around 4.5%. At 30th September 22, we had £133 million of cash with average leverage measured as average 12 month cash, to recognise the cash swing, H1 versus H2. Net of bank debt and leases, divided by LTM EBITDA of around 1x and similar to the average leverage, calculated at 30th March, the balance sheet date last year.

As anticipated, all our factories are open and operating at target capacity with lead times almost caught up. In the half, we opened larger 3PL DCs in the Netherlands and Los Angeles to support more efficient ecommerce pick and pack, and also support a larger retail store network.

We typically fix factory prices six to nine months prior to the season and have now fixed prices for autumn winter 23 season, which is from July 23 through to December 23, at plus 6% versus the prior year. We now have visibility of our largest cost for the next 14 months after previously fixing autumn winter 22 and spring summer 23. The increase is an aggregate of a number of moving parts but mainly due to leather, which is the largest item of cost, increasing low single digits, and also sea freight also being slightly lower. We have continued to reduce our exposure to manufacturing in China and for autumn winter 23, only 5% of production will be located there.

Given the high proportion of continuity product we sell and our track record of strong full price DTC mix, we have minimal markdown risk. As I said, we've taken the decision to invest in higher inventory to drive stronger availability, particularly in America and Japan. It's also worth remembering inventory at P6 last year was unusually low due to COVID-19 impact, factory shutdowns and extended lead times.

At the balance sheet date, inventory was just over double the prior year at £261 million. This would represent a lookback calculated stock turn of 1.3 times and lookback weeks cover calculation of around 40 weeks. If you think about it though, inventory at September represents volume for future sales during peak trading and a lookback calculation will overestimate weeks cover for a growing business.

In the prior year, inventory was low. We had 20 weeks lookback cover and. excluding sailing time on a boat, only around seven to ten weeks' cover, because you can't sell boots if they're on a boat. It's not really surprising to see we had weak availability through the second half of last year. Regarding quality of inventory, at 30th September 22, 84% is continuity products and four out of five pairs were black. Through the first half of this year, as I've said, 90% of DTC revenue was sold at full price. The quality of our inventory is very strong. We have rebuilt our inventory for growth and we'll have better availability than prior year.

We maintain our capital allocation philosophy, as discussed at the year end. We're an old school, highly cash generative business. First call on cash is investment in DOCS and growth. Think, better availability. The second is dividends. We're now at the top end of the IPO dividend target of 35% of earnings pay out. Finally, excess cash will be returned to shareholders when average leverage, as described, is consistently below 1x. At 30th September, this measure was one times and similar to the calculation at 30th March 22.

Trading since September for DTC has been variable on a week to week basis and has been slower than originally expected. We attribute this to the weaker consumer environment, particularly in the US. Our peak trading weeks are ahead of us and availability is much stronger than the prior year. We have maintained full year revenue guidance at high-teens growth, however for clarity, this is an actual currency basis. We have a weak base and to achieve this growth for DTC, we have two principle assumptions.

Firstly, in EMEA, from November, we will benefit from the weak base in the prior year due to increasingly tight COVID restrictions. If you think about last year, though we've all forgotten it, we were in lockdown this time last year, particularly in London. Very recently, we are seeing data points supporting this assumption, particularly in London, Germany, Netherlands and Ireland, where sales have recently popped. Secondly, in America and Japan, we will benefit from much stronger availability from late November. In wholesale, the 10 million revenue timing has been shipped and our order book is stronger than the full year estimate.

Through the first half, we decided to continue investing in future growth, as set out in the DOCS strategy, namely, brand marketing, DTC, including new stores, targeted people and tech. We have also decided to continue this investment thesis through the second half and will not be making short term cuts to achieve short term profit that would put our long-term growth prospects at risk. We will also not promote or discount our icons to drive top line revenue.

In addition, while our natural currency hedge protects EBITDA at cash margin level, an appreciation of the US dollar does dilute the EBITDA margin. As we decide to hold investment spend, changes in revenue will impact the EBITDA at the gross margin amount with minimal direct OPEX flex.

For example, a 1% increase or decrease in last year's revenue would impact the EBITDA margin by approximately 65 basis points. This is at last year's gross margin percentage, which has a roughly 49/51% DTC wholesale mix split, and 100% DTC driven change will have a higher impact, because of the higher margin structure. Given these factors for EBITDA, I expect margins to be lower than last year, with a range of between 100 to 250 basis points.

For FY24 and beyond, we maintain guidance at mid-teens revenue growth, with DTC mix of at least 60% of revenue and ecommerce, at least 40%. As a leading indicator, think Japan. The EBITDA margins will be at least 30% or a little bit more, across the medium term, thank you.

Kenny Wilson – *Dr Martens – CEO*
Great, thank you Jon. I'm now going to walk us through the major elements of our DOCS strategy and provide some more detail on the key points, which give us real confidence in the future growth of Dr Martens. This is our tried and tested DOCS strategy and we review it on an annual basis to assure we align with market conditions. However, I think the key point here is that DOCS has been unchanged now for five years because the overall strategic direction of the company is working.

The D is all about direct to consumer first. This about increasing our own stores, about growing our ecommerce business, developing omnichannel capabilities, as Jon's talked to, and building a profitable repair and resale business

over time. The O is about organisational and operational excellence. This is about investing in our people, investing in the resilience of our supply chain and building out our technology.

The C is consumer connection, which for me is our most important pillar. This is about our product, it's about our marketing and it's about driving sustainability through durability and innovation, and the S is all about supporting brand expansion through B2B, the wholesale business. Here, we want to partner with fewer, but better, wholesale accounts, so we can reach more consumers globally, and we want to convert targeted distributor markets to own subsidiaries so that we can implement the full DOCS strategy.

Jon talked about investment. We will continue to invest in the DOCS strategy and in long-term brand health, despite the headwinds. We believe strongly that those brands that continue to invest in difficult times are the ones which will win in the long term. The custodian mindset in action. In the first half of 2023 we've invested in 21 new stores. These are profitable brand beacons, which in their own right, add to the brand, but they also support our ecommerce business, and we will deliver on our full year guidance, 25 to 35 stores this year, and a similar number as we look ahead to next year.

In terms of marketing, we've increased our marketing spend this year by 50 basis points and we will continue to increase investment by 50 basis points per annum. On people, we've really targeted our headcount investment this year, to support our direct to consumer business, but also our growing markets. Think about markets like Italy, Germany and Japan, which I'll talk about later.

In technology, we've invested in an ERP solution in Japan and in the European business we've invested to support omnichannel initiatives, which will deliver for us next year and will support the medium term growth of the direct to consumer business.

In terms of inventory, we rebuilt our inventories from a difficult situation last year, especially in America and Japan, where we were significantly under stocked in Q3 and Q4. Given 84% of our inventory is continuity, this is a low risk investment, which as Jon said, has got minimal markdown risk.

We can make these types of investments because we've got a strong brand, we've got continuity product which is iconic, we've got vast untapped potential for growth for small market shares, and we've got a very strong balance sheet, as Jon has described.

As I said earlier, my number one priority is the brand. Strong brand equity is a leading indicator for sales and profit growth. We've just completed our latest quarterly study, our July study, and that shows that we've maintained global awareness year on year and we've grown familiarity, so top of mind awareness, by 4 percentage points versus last year, meaning DOCS is known by more consumers than ever before.

Our last 24 month purchases are up 1 percentage point to 8%, which reflects the growth we've seen in pairs but it also shows the opportunity that still lies ahead. There are many consumers who still have to buy their first pair of Dr Martens. I think the best statistic though is we're ranked number one in boots for unprompted awareness around the world, but we do rank lower in shoes and sandals, which is a great growth opportunity for us, which I'll talk to. We've a larger study with consumers, which we carry out across October and November. We haven't got the results yet on that, but we will report on this at our year end.

Our product strategy is unchanged. It is led by our timeless, iconic products with the 1460 boot at the absolute centre. Originals and Fusion, which are our two most important categories, make up 85% of our revenue, and these are our most profitable products but they're also our most brand distinctive products. Sandals is now 8% of our revenue on

an LTM basis, up from 6% at year end, and collaborations are at 3%, when they were at 1% at year end, as we continue to focus on driving brand heat and brand equity.

I want to call out a couple of areas in the product collection. The first is one of the fastest growing parts of our business, which is platforms. This is a business that Dr Martens absolutely owns. Our product approach is always icons and innovation and in platform, at the centre of the image there, you see the icon product, which is Jadon, which actually is going to be ten years' old next year. Around the Jadon, we innovate with boots like Audrick, Jarrick and Jetta, and in the shoes category with the iconic 1461 quad and the 8053 quad. All of these products drive distinctive DOCS DNA.

Sandals is DM's fastest growing category and this is a real medium-term opportunity for the business. We grew 43% in sandals in the first half. I think Dr Martens is relatively unique in that consumers see us as having authority across the footwear category, boots, shoes and now sandals. While we rank number one in boots, we're number 15 in sandals. This presents us with a real opportunity which we will take advantage of going forward. In the photos here, you see examples of both our sandals and our mules, but once again, all are very clearly Dr Martens products, badged with our DNA.

To support our products, we've got strong compelling marketing campaigns. In the spring of this year, we focused on a campaign called All Access Summer. This was around raising awareness of our shoe and sandals product ranges with consumers. This was the first summer since 2019, where consumers could get back out to festivals and gigs, and Dr Martens were there across the world. Since running this campaign, we've seen an increase in consumer awareness in both shoes and sandals in our recent brand study and we're going to build on this next year as we increase the importance of both of these categories, alongside our strength in boots.

In September, we switched our focus back to the core and we continued with our unpolished campaign, globally, which supports our original icons. For those of you in the room, you can see the products around here and elements of the campaign. We supported the 1460, the 1461, the 2976 and Jadon, the iconic platform, and here we also highlighted one of the iconic futures of Dr Martens, which is the yellow stitch. We're going to continue to support icons through the key holiday period and we'll specifically market our winter boots as the weather turns colder, over the next five to six weeks of peak trading.

We said many times before that we take a consumer led approach to our pricing, and we just completed, in the last few weeks, a detailed price study, which we ran in all of our key markets, from July through to the middle of October 2022. The key headline from that study demonstrates that consumers continue to see Dr Martens products as good value for money, given their quality, their timeless style and appeal, and the durability of the brand. Consequently, we have taken the decision that we will increase prices in all three of our regions from July 2023, which is the beginning of our autumn winter 23 season, and this will offset the COGs inflation of 6% Jon talked to.

The study took a long-term view on consumers' views of pricing and we believe that our pricing headroom will increase further as we continue to invest behind the Dr Martens brand and our DOCS strategy. Therefore, we are reiterating our strategy that price will offset inflation for the Dr Martens brand.

Moving on, I want to talk just briefly about our three regions. For EMEA, the conversion markets continue to drive a multiyear opportunity for us, as we expand our direct consumer business. The UK is our most penetrated market but it's still growing, and growing nicely, and as Jon said. It only represents 15% of our group revenue now. We're highly diversified.

The United States is our biggest and fastest-growing market. It also represents the largest direct consumer opportunity for the company given we have a lower DTC share there. As we were significantly understocked in the United States at the key holiday period last year in both DTC and wholesale, we have invested in inventory this year and also

increased marketing in the United States to support USA potential over the peak trading period, but also more importantly, over the medium term.

In terms of Asia Pacific, Japan is now 40% of all APAC revenue. We've got excellent brand health. The franchise transfer of 14 stores is progressing well and everything is on hand to make that happen within the year, as we outlined. China's a very small market for us with 1% of global revenues. However, we are starting, as we hinted at six months ago, to trail the DOCS strategy in China and we now have four company owned stores in Shanghai, which have obviously been impacted by the open and close of the zero COVID policy in the Chinese market.

So, just going into each region a little bit more. Firstly, in Europe, DTC growth is a real opportunity for us in our conversion market. If you look at the first half, for us as a company, direct to consumer mix grew globally by 3 percentage points, from 40 to 43. However, if you look at Germany and Italy, the mix expanded by 8 percentage points, as we opened stores in key cities. You see some examples there on the slide and, alongside that, we saw resultant uplifts in ecommerce business where we opened the stores.

I think the exciting part here really is that these DTC shares are still well below the group average so we'll continue to expand these markets as we move forward and take some of the white space that lies ahead of Dr Martens in continental Europe. Just as a reminder, DTC growth gives us increased brand control and also very strong financial returns.

Moving on to the United States, this is our largest DTC opportunity. In the first half, we opened six new stores in the United States and we will open slightly more than that in the second half of this year. At the full year, we gave an example of Texas, which is one of our focus states. Today, I really want to focus on LA as an example, and probably more broadly, the greater LA area, which is a more established market for Dr Martens.

Recently, we've expanded our store presence in greater LA, and we've moved from eight to ten stores, opening in both Brea and Santa Anita, which are suburbs of LA. Anyone who's been to LA though, knows it takes a long time to drive even a very short distance, hence the reason why we're now at ten stores already. But even in a more established city like Los Angeles, what we see when we open stores is the ecommerce sessions grow. So, in Brea, sessions grew by 142% in that zip code, and in Santa Anita, by 62% since we opened the stores.

This is exactly the same effect that we showed you in Texas and it's exactly the same as we've seen in all parts of the world. Our stores are profitable brand beacons with great returns but more importantly, they drive consumers to our website.

Also, if you look at the brand stats from the Los Angeles area, you see a real big brand effect. Familiarity is up by 23 percentage points in Los Angeles, versus last year. Ever purchased is up by 10% percentage points versus last year. So, just showing the effect as we build out the Dr Martens brand of what we can really accomplish and over the medium term, we will continue to expand our store presence in the United States to deliver the 100 to 120 stores we've talked about previously.

Moving to Asia, I really want to focus on Japan today, which is now our third most important market globally. In the first half, we opened three new stores in and around the Tokyo area. We're making really good progress on the transfer of the 14 franchise stores to company ownership by end of FY23, which will give us greater brand control in the important Japanese market and will improve further the profitability of Japan, even though it's already our most profitable market.

For next year, more than 80% of our revenues in Japan will be direct to consumer and, as Jon said, this really gives a future vision of the direction in which we are taking the company, DTC first. This year in Japan, we've invested in

Microsoft Dynamics 365, we've invested in increased headcount ahead of this DTC growth and we've increased our marketing investment. Brand sentiment in the Japanese market is extremely strong.

On wholesale, our strategy is really simple. It's focused on ensuring that we drive greater control on how the Dr Martens brand is sold in a wholesale environment. We're focused on elevating brand presence. On the slide you see an example of a shop in shop there and we're driving out more shop in shops around the world. We're expanding and managing the product assortment better and we're working with fewer but better strategic wholesale partners.

What that strategy has delivered in the first half of this year is 15% wholesale growth from 13% fewer accounts. Every account is becoming more productive and therefore wants to treat the Dr Martens brand with the respect that it deserves.

For the second half, our orderbook in wholesale more than covers the guidance which Jon gave. So, we're in a strong position that we can manage our cancellations effectively. Over the medium term, we will continue to focus on the right strategic partners with the focus on bricks and mortar retailers. So, we're really focused in wholesale, on bricks and mortar retailers, and we will support fewer customers with a focus on brand expansion.

Right, last but not least, a short update on sustainability. From a product perspective, we've been working with third parties to trial alternative materials to leather and PVC, which is where the brand has its biggest impact. So far, the trials here have been really encouraging and the next step now is to achieve Dr Martens levels of durability and mass production. Obviously, these alternative materials have to be as durable as the product that we already have, which is incredibly sustainable. We've significantly reduced the levels of single use plastic in the packaging of our boots and shoes in the first half and we will continue to focus on this as we go forward.

And then I've said this before, but I think that repair and resale will be an important part of Dr Martens' future. We've extended the trial of reconditioned DM's on DePop in the UK and we're also looking into similar trials of selling repaired and reconditioned DOCS in the USA next year. Our role is to play a much more active role in the second-hand market for Dr Martens given the incredible durability of our product.

So, in conclusion, most importantly our brand is stronger than ever. The DOCS strategy continues to deliver for us with direct to consumer being the fastest growing part of our business. We are investing for long-term brand health, even in difficult economic times, because that's what the best brands do, and our pricing headroom will allow us to offset inflation in the go forward and as Jon said, we've increased our interim dividend, showing our confidence in the future growth of the brand and the company. So, with that, we're going to open it up for questions. If we can take questions first from people here in the room and then from those on webcast. Also, if you could just let us know your name and the organisation you represent and thank you very much to all of you for giving Jon and I your attention. We appreciate it.

Karina Nugent– *Goldman Sachs*
Thank you very much for taking my questions. It's Karina Nugent from Goldman Sachs. I would like to just drill in a little bit in terms of your cost structures, specifically OPEX. Thank you very much for giving us the bridges, they were very helpful, but in terms of your OPEX structure, can you just help us think about the drivers of that and then operational leverage both on the upside and the downside? And following on from that, you have changed your margin guidance for the full year. Can you talk us through what's changed since you gave that initial guidance in July? Presumably those investments you're making with regards to technology and the new stores were known back in July. And then finally, there is quite a wide range in terms of that -100 to -250 bps. Can you help us think about what growth assumptions you're embedding for the full year to reach that low end of that guidance range? Thank you.

Jon Mortimore – *Dr Martens – CFO*
So, OPEX structure. The largest cost we have in OPEX is people, not surprisingly, and mainly people in stores. After that, you are looking at DC costs, the costs of the distribution centres themselves and picking costs. In terms of what it's the highest picking cost it is ecommerce single pick, then it's retail, then it's wholesale. And then after that you're into marketing spend, which we've said we've increased by 50 bps. These are biggest OPEX costs.

We've continued to open new stores, in line with what we thought, and as I said, you open up a new store, it takes about six months for it to break even EBITDA. It makes money across a 12 month period and then gets to full returns across a two year period window to reach maturity.

So, obviously doubling number of stores year on year, roughly in the first half, you increase the amount of cost in a store, in the new opening period, year on year, which puts the cost base up. We've put 50 bps on marketing spend, and we have invested in people and in tech, as we described.

In terms of what's changed in the guidance, that's probably linked to the EBITDA margin points. I think it's fair to say that, particularly in the back end of the second quarter, DTC growth was lower than we expected. There's a number of reasons. I think the principle emerging reason is one of a weakening consumer environment, mainly in the US. It's not all in the US, but mainly in the US.

I think also, if you go through what's been going on much more recently, in terms of current trading and the variable week on week trading performance we described, we didn't want to write this, but it's been warm. And while October was a fantastic month for sandals for a very small base for boots, we had a much lower growth than we expected. It's been too warm. We need to see when the weather changes, how things pop.

So, I think it's mainly the top line that was a bit slower than we anticipated, which is a higher margin DTC, which meant the investment structure stays pretty much put. So, it just drops, and you think about the full year's example, 1% of last year's revenue, at last year's average gross margin would drop to about 65 basis points impact at EBITDA, and that's from an average gross margin split, and DTC is obviously more profitable than the average.

Kenny Wilson – *Dr Martens – CEO*
I guess the only other thing that's impacted the EBITDA percent, on a full year basis, is the strengthening of the dollar, in Jon's example, that has reasonably profound impact also.

Kate Calvert – *Investec*
Morning, Kate Calvert here from Investec. A couple from me. In the presentation, you did mention wholesale cancellation rates quite a few times. So, have you actually seen any change in behaviour yet on wholesale cancellations? Second question, have you got any early thoughts on how you're going to tackle China and when you might start to get going there? And the third one is, your opening plans for next year in the States, which states will you actually be focusing on with your opening plans?

Kenny Wilson – *Dr Martens – CEO*
Okay, I can take a first stab, Kate. The question on wholesale. We haven't seen increased cancellations thus far this year, so they're broadly in line with where they'd been over the last two years. As Jon said, with an uncertain economic environment, we've provided for higher cancellations between now and year end. We don't know if that will come through and actually what we're seeing in the last few weeks, just as the weather's turned, both in Europe and the United States, we're seeing good wholesale performance.

What we have to remember though is we had a weak base last year because this was the period when we didn't deliver a lot of product in, so the numbers are starting to look really good, but we don't want to get overly optimistic. So, we haven't seen higher cancellations thus far, but we've provided just in case.

In terms of China, we've made the decision that we want to get after the DOCS strategy there but the cities are so big. What we're going to do is we're going to focus our efforts first on Shanghai and then we'll look at Shanghai and Hangzhou, as a cluster, given how close they are. So, we've opened four stores in Shanghai. Given everything that's happened there with COVID this year, we're quite pleased that we haven't opened too many, too quickly. What we've seen is strong conversions in those stores, higher than we were able to achieve with our franchise partner, but it's just too early because of the ongoing open up, close down situation.

In terms of the United States, where will we focus? Well, we're going to continue to focus on Texas. We talked about Texas before. We were going to continue to build out Texas. We've going to focus on the Midwest. We started opening stores this year and we're going to build out the Midwest cluster, and then I'm actually going out to Florida in a couple of weeks, because we're looking to build out Florida as well. So, those would be my headlines. I don't know if you want to add anything.

Jon Mortimore – *Dr Martens – CFO*
Just to build on the first two. On the wholesale cancellation, the reason I want to talk about that is we're absolutely paranoid about not stopping the trade. So, I'd rather have an estimate that is lower than orderbook, so that we always exit each year with the right size of inventory in market and we monitor that on a weekly basis with inventory and sell through of th top 20 wholesale customers in each of our regions, so we're just paranoid about not making that error.

And just on China. Shanghai and Hangzhou, we take those two locations together. They've got a population size of a medium sized European country. It's about 50 odd million people. So, if you think about it in that context, rather than two cities, it is quite a big city conurbation of people to go after.

Edouard Aubin – *Morgan Stanley*
Yes, hi, good morning. Edouard Aubin from Morgan Stanley. So, Jon, you talked about OPEX growth. Could you please just come back on the inflation you are seeing in terms of wages and rents today, and what you're expecting over the next few months. That would be helpful, number one. Number two, related to that in terms of the EBITDA margin. In the statement today, you reiterate that you are keeping your EBITDA margin medium term guidance of around 30%.

So, obviously it's not going to be that number this year. I know it's a bit premature, and there are many uncertainties in terms of the macroenvironment and so on, but could that be achieved as early as next year? And then lastly, sorry, on the competitive landscape, are you seeing any increase in discounting activities from some of your peers and

competitors, and to what extent that can or could impact yourselves, given that you want to remain disciplined in terms of full price sell ratio.

Jon Mortimore – *Dr Martens – CFO*
Okay, if I do the first two, Kenny will pick up the third one. On OPEX growth, the biggest cost is cost of goods. That's fixed at 6% the next 14 months. We're happy with that, through to September 23. The average wage inflation we've seen this year has been about four, between 3% to 6% across the world. So, average about four. That's what we paid for the current financial year. Obviously, next financial year we need to see, but again, being a global business, UK inflation is what, just shy of 11, the US is just shy of eight. In Asia Pacific they're small single digits. We've got this blended rate across the world. It's not all UK centric.

In terms of rents. Actually rents we're still discovering that when we're renewing leases in Europe we are still going along the lines of "we'll renew your lease but we want to pay lower rent." If someone doesn't want to receive lower rent we're happy to walk and we're still getting lower rents coming through. So, rent, we're still seeing rent deflation actually.

EBITDA margins an interesting one. The reason we are still confident of the journey to 30% and maybe a little bit more, it's all to do with the DTC mix drop. So, as at the full year last year, with 49% DTC. Take the annual number, and you've seen, we said we've got a target of 60% plus. We've seen Japan will be 80% going into next year, as a leading north star indicator. We've seen the presentation today, how small DTC mixes are in the European conversion market opportunity, headroom to drive there.

And because of the margin structure of DTC, which you think, in the example I've given the pricing of the boot, DTC is about 2.5 times more revenue per pair per boot and about four times the gross margin. That's the key underlying economic driver of our DTC mix shift. So, your view on how far and how fast we drive the DTC mix shift will drive that underlying margin improvement.

In terms of pace, the one thing that will move in our favour would be if the dollar were to depreciate against the pound because that bridge would then work the other way around, but park that because that's not under our control. What is under our control is focusing on DTC first.

Kenny Wilson – *Dr Martens – CEO*
And then your final question was about what do we think's going to happen in the competitive landscape. We're expecting quite a promotional environment in the next five weeks. We're expecting that more for the apparel companies than we are for footwear though.

However, I think for Dr Martens, number one, we've got a brand that people want, and second, we think it's really important to build brand trust with consumers. So, you will never see, while the two of us are here, Dr Martens marking down core iconic product in core colours because we think it's absolutely the wrong thing to do. We think it's short term thinking and what it does is it boosts short term sales and then gets people in a spiral when they start to annualise numbers. It just erodes brand trust.

So, will Dr Martens participate this weekend, over this Black Friday, Cyber Monday? Yes, you might find a seasonal colour of a boot or a shoe, so we'll have some offers there but if somebody wants to buy 1460 in black, they'll be paying full price and they'll be paying full price for as long as I'm here.

Doriana Russo – *HSBC*
Good morning, Doriana Russo HSBC. I've got quite a few questions to ask, if I may. First of all, if you could go back to the current trading comments and give us a little bit more of colour on what is actually happening right now, meaning, in November. Whether you're seeing any changes and whether the slowdown in DTC that was mentioned in the release is particularly due to weather in the US, or anything else? What have you seen in Europe? For example, have you seen any boosts from tourists coming back? A lot of companies mentioning US customers actually coming to Europe to buy, rather than buying in the US. So, that's my first question.

The second question is on inventory levels. You talked about restocking the market, vis a vis last year. Fair enough, but is there a risk that perhaps your wholesalers might start to discount in the future? What sort of control or, I don't know, penalties might you have built in your relationships in order to avoid brand awareness coming from the wholesalers, rather than DTC?

And I've got one more question on the impact of USD on EBITDA. I noticed that in the presentation you didn't mention, you didn't call out the impact of current currencies versus actual currency on EBITDA. So, I wonder if you can give us a sense of what was the impact on EBITDA margin from USD strength in actual terms? I see that you've mentioned an example, but if you could correlate that to the actual numbers, I think that would be very helpful.

Kenny Wilson – *Dr Martens – CEO*
I'll take the first two, Doriana, and I'll let Jon answer the question on currency. So, we're midway through November, obviously not giving out specifics on November today, but I can give you some colour, what we're seeing.

Your point on weather is a very pertinent one. We don't like to moan about the weather, and that's why we didn't put in all the statements, but the reality is, depending which website you believe, October in America and Europe was either the warmest on record, or in the top three. So, clearly, when you run a boots brand, you want it to be cold, and as the weather has started to turn, those of us who live here in London have seen it in the last few weeks, we're seeing a resultant step up in trade. I think that's for sure.

Jon talked about two big assumptions in the presentation about what's going to happen in the next five to six weeks. The first was about the weak base in Europe this time last year. We were either facing lockdowns or restrictions in Europe and we have seen the business move forward quite significantly, London especially, Germany especially. Netherlands has been strong. Italy's coming through.

So, we feel really good about what we're seeing in the European environment. In North America, which was the market which weakened a little bit for us in the second quarter, that one, it's been so warm that it's only again, in the last few weeks, that we've really started to see the pickup coming. I've only been with the business 4.5 years, but Jon reminds me that it was back in October 2017That we faced the same thing, with a light winter, and it came through nicely. So, the business is in the right place, which bridges into your second question around inventory. We just had nowhere near enough product this time last year because of what happened in the supply chain. We've restocked for success and the reason we've bet on that is we've got a strong brand and we're in the fortunate position that we've got continuity product. So, if it doesn't come through to exactly where we expect, what happens? We've got a little bit too much cash invested in inventory.

Interestingly, in the United States, what we're starting to see is that the wholesale customers that didn't have enough inventory last year, and their figures, to use Jon's expression, have popped quite quickly. We won't really see the low inventory effect in DTC until post-Thanksgiving, because that's when it really hit us last year and then in terms of your question around what can wholesale do?

Obviously, in the United States, we've got a manufacturers advertised price policy. So, the price is fixed. In a European environment that's illegal so the wholesale partner is allowed to sell at whatever price they choose to do, but the most important thing is, we've not oversold into the trade, and as Jon said, we have left ourselves in a position where we could take significantly more cancellations than we did last year and we'd still meet the wholesale guidance that we've given in the high-teens guidance.

So, we feel very confident that we're managing for the long term in the wholesale trade. We're not overselling into the trade and we're actively telling our sales people, watch the sell throughs. Jon and I look at it on a weekly basis, for the top ten accounts. So, I've got absolutely no worries that we are overselling into the trade.

Jon Mortimore – *Dr Martens – CFO*
Yes, we're paranoid about wholesaling market inventory. The last thing we want to do is overstock and leave it there, because you're right, they'll discount. That's why we've got a higher orderbook than the forecast. So, if we need to bring stuff back and return to wholesalers, we will do, rather than them promoting it. We'd rather bring it back.

On your last point on the constant currency or actual currency, on the actual EBITDA for the first half, it would broadly follow the example, Doriana. The difference between constant currency and actual currency, at EBITDA, is not material. It's pretty much the same number. It is material obviously on a revenue basis, which is why we've given it, but when you go through the way the natural hedge works, it's not material at the EBITDA for reported number.

Percent margin is yes, because it is a percent margin, because it's from that example, you've got more revenue from the US on translation, which drops at the margin, but the pound notes don't change.

Piral Dadhania – *RBC*
Hi, good morning. Piral Dadhania from RBC. Two questions. One is on your conversion markets in Europe, and the other one is on China. Could you just give us a flavour of how your conversion markets in Italy, Spain and Portugal,

which I think were all done last summer, are performing, and maybe break out what the EMEA DTC revenue growth in the first half would be if you strip out the benefit of the conversion markets.

And then secondly, on China, you've said that you're going to terminate your franchisee agreement with your distributor. I think it was Power Jump, from IPO. I think they operate something like 70 stores in that market, so what's the plan for those stores? Are you going to take those on, or will your distributor shut those down and you'll just operate the ones that you currently have?

Kenny Wilson – *Dr Martens – CEO*
Okay, we'll start with the conversion markets. We're not giving out the detailed numbers, market by market. What I can tell you though is, you mentioned Italy, Spain and Portugal. Italy is performing very strongly. The stores that we've opened in the Italian market are doing extremely well, which gives us real confidence that we can expand the stores network, and we've seen exactly the same effect in Italy that we've seen in other countries. So, we told you before that Milan and Rome, as we open those stores, it's helped ecommerce. We've seen the same thing in Turin in Verona. So, right now we've got a team looking actively at new store locations in the Italian market.

Spain, we opened the first store in Barcelona. It was super successful. We followed it up with a store in Madrid, which has been even more successful. We opened in Valencia recently. It's too early to say how that's going. Obviously that's a big city but we believe we can have multiple stores in both Barcelona and Madrid. We're actually opening the fourth store today in Spain, in San Sebastian. So, the Spanish numbers are extremely encouraging in terms of what we're seeing. In term of Portugal, we've done nothing yet. The real focus has been Germany, Italy and starting out in Spain.

In terms of China, we've agreed with Power Jump that we are going to terminate the contract as of next year. We're still working through all the details of that right now but I would envisage that a large number of those franchise stores will close. Potentially some of the stores, a bit like we've done in Japan, where we've transferred stores back, that could be a potential avenue, but there's no decision. We're still in negotiation on how we're going to work that through but if you're thinking about the medium term, I'd think about direct to consumer business, focused first of all in Shanghai and Hangzhou, and then over time, building out from there. That's what I would think about.

Jon Mortimore – *Dr Martens – CFO*
Just to build on the first one. Obviously, as you said, strong growth in EMEA was led by the conversion markets. All other countries grew but at a slower pace and the biggest country is the UK. The UK grew for the first half but at a slower pace than the average, but all countries in the EMEA grew.

Kenny Wilson – *Dr Martens – CEO*
I think we can take questions online if anyone has one.

Conference Call Operator
We don't currently have any questions on the telephone line. I'll come back to the room.

Kenny Wilson – *Dr Martens – CEO*
Doriana?

Doriana Russo – *HSBC*
Sorry, just a follow up question on your capital allocation. The dividend increase was quite strong, relative to the underlying, and obviously an indication that you feel like you're getting closer to that average level of 1x net debt to EBITDA, before you're prepared to give more money back. If that was the case in next year, would you pursue a special dividend or have you got any other return form in mind?

Jon Mortimore – *Dr Martens – CFO*
You're absolutely right. When we have continuously less than 1x, that is when we're into excess cash, and as long as an excess cash is not needed for the business, it's not dividends, we're at the top end of the range, then we will be distributing that to the shareholders. How the mechanics of that would work through, we have not made that decision yet, apart from when we are consistently below that 1x, we will be sending excess cash back to shareholders, mechanics to be determined.

Kenny Wilson – *Dr Martens – CEO*
We've got a question on the phone. Go ahead.

Conference Call Operator
Thank you, we have a question from Richard Taylor from Barclays. Richard, please proceed.

Richard Taylor – *Barclays*
Yes, morning all. A few questions, please. The first one is on your perspective on brand strength, please. I can see your stats on brand familiarity being up, but I'm keen to know why that's the same as intent to purchase and just what else you do internally to monitor the brand strength and the business. Really trying to get a handle on how much of this is macro versus how much might be to do with the brand.

And another question is also on your revenue guidance for the out years. I'm guessing you're speaking to the wholesale accounts fairly soon about how much you expect them to replenish next year. Can you just talk us through your confidence and how you can grow mid teens next year. Maybe if the environment is soft, that could be the case for your wholesale accounts as well, so why do you think you can grow strongly next year, if indeed the macro is a bit tougher at the moment? Thank you.

Kenny Wilson – *Dr Martens – CEO*
Thanks, Richard. The first one on brand strength. We don't give out every measure that we track. We track a full basket of measures. The study that I quoted from this morning, which was done in July, is a smaller sample size than the one that is done across October and November, which is 70% bigger, and that's the one that we'll quote to the year end, but basically, overall, the measures moved forward on the global average everywhere. All countries moved forward.

The reason I gave awareness, familiarity and last 24 months' purchased, is because they were exactly the same ones we gave at year end. So, familiarity, which brands are you familiar with, and have you heard from recently, up four points. We think that's a really strong indicator, because it says Dr Martens is more top of mind. The last 24 months purchased, again, continues to rise over the same period last year, so again, that's a good sign that more people are buying DOCS, and then on the unprompted awareness question around boots, the number one boot brand around the world is Dr Martens.

So, I think what we're seeing is, overall, that the brand is in a strong position with consumers. We track a lot of softer equity measures around how rebellious do you see Dr Martens and other questions like that, and again, the soft equity measures are also positive. So, we believe, to the best of our knowledge, that the brand is strong, and yes, there are economic headwinds out there, but it's not a brand strength problem.

Jon Mortimore – *Dr Martens – CFO*
In terms of how do you get mid-teens, in the out years, I think we know price increases will give us 6% across the full year next year and that's based on a consumer survey, similar to this year, and that we've done in prior years, with minimal volume loss. Over the past three or four years, we've grown volume by ten on average. This half we've grown by six. Take a number that's close to six than ten. That's the volume slowdown for the economic environment and then it's your assumption on DTC mix. Last year we grew by three. So, we take those three numbers we've given you, six, six and three, you get to a number that's roughly mid-teens, with a lower volume growth. It's never that simple, Richard, but if you stand right, right, right back, probably the biggest variable for next year is what's your volume assumption? And we've grown 6% through the first half.

Kenny Wilson – *Dr Martens – CEO*
And to your question which was the other part of that question on revenue build, you're right, we're going out to sell autumn winter 23 in the weeks ahead. We've had pre-line meetings with most of our big customers already, around the world, and as normal, as we've done over the last few years, we generally don't give people the volume they want anyway. So, we try and constrain the number of pairs that we sell into the wholesale market, because overall, our goal is to grow DTC faster, and as Jon said, we want to grow DTC mix. So, in terms of the assumptions that we're building into that mid-teens guidance for wholesale growth, I think we feel really good about it, we'll once again be working with fewer partners and we will be working with people who want to give us more managed space. So, I think we feel good about the wholesale number that's in the medium term growth.

Richard Taylor – *Barclays*
Thank you, and just as a follow up to that. You talk a lot about long term focus, custodian mindset. In relation to the 6% price increase proposed for next year, can you just talk us through your thoughts there as well, whether it's talking to the wholesale accounts that you just highlighted, or thinking about your own channels. Why is that the right number? Why didn't you accept slightly less, accepting as an inflationary environment? How confident are you that you can push that through in a tougher macro, notwithstanding your desires to protect profit as well.

Kenny Wilson – *Dr Martens – CEO*
Yes, we did a pricing study across July to October, so pretty recent stuff with consumers in our seven most important markets, where we look at, as we increase price, when's the point where they say, no, I wouldn't be buying into Dr Martens anymore, and it's the same study we've done twice previously. And when we've done it twice previously, we've implemented the price increases and lost zero volume.

All of the modelling that we've done would suggest that, at a maximum, by putting through the price increases we plan to put through, we might lose 1% of pairs. If that were to happen, we're okay with that, because as we just said a moment ago, we would deviate pairs to the higher gross margin DTC channels and that's the right thing to do because it enables us to control the brand and it enables us to improve the economic model.

So, consumers around the world see that there is more value in the Dr Martens brand than we are currently charging. Last year, well, the year we're in now, we didn't take any price increases in Asia Pacific, because we wanted to close the global pricing corridor. The strength of the US dollar means that we closed the global pricing corridor and we've got quite a lot of headroom and we're not taking all of that headroom.

The reason we're not taking all of the headroom is that we believe the macroeconomic environment will be difficult for the next 12 months. We've always said that our strategy is that price funds inflation. Consumers are under pressure, so we're going to take enough pricing around the world to cover inflation but we're not taking all the pricing that the study would suggest that we could take.

Richard Taylor – *Barclays*
Got it, thanks very much.

Kenny Wilson – *Dr Martens – CEO*
Thanks, Richard.

Edouard Aubin – *Morgan Stanley*
Just a small follow up on South America. So, I know it's relatively small in terms of sales in the context of the group, and you gave the figure, right, £10 million, and I think in here it was marginal in terms of profit contribution, but are you just no longer distributed now in South America and what are the plans for the medium to long term there?

Kenny Wilson – *Dr Martens – CEO*
So, if you want to buy a pair of Dr Martens and you live in Argentina right now, you can buy online. We have a border free site. It's serviced from our United States business where you can buy but it was really as Jon said, it was just a focus question. You look at the size of the opportunity we've got in North America and we're already investing a lot of operating expenses into the business and we want to invest those operating expenses in the most focused way. So, for the US business, or the Americas business as it was, we wanted to invest those in the United States of America.

So, given that short term the business wasn't making a lot of money, we decided that the right thing to do was to focus on the USA, for all of our investment against the USA, service that business digitally from our US distribution centres. Do I believe over time that the brand will go back into Latin America? Yes, but right now the priority is to build out the United States of America.

I think that is it. Mark is giving me the thumbs up from the back of the room. Thank you everybody for your questions and your time today. We really appreciate it. Have a good day.