

Dr. Martens plc Strategy Update

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Transcript



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Ije Nwokorie:

Good morning, everybody and welcome. I'm joined by Giles Wilson. I think you all know Bethany from IR and our chair, Paul Mason. We'll all be around afterwards for a bit of a meet and greet as well. You've seen our RNS and hopefully our FY25 results presentation where Giles walked through the year's figures. Today I'm going to share where we're headed as a business and our strategic focus. We'll take questions on both the strategy and FY25 at the end of this but as my first time doing this, let me introduce myself.

I came to Britain nearly 30 years ago and Britain captivated me, caught my attention. There was a time of political change. If you think about what was happening 30 years ago, there was such cultural energy, whether it was pop or high art, there was so much going on, but it was the world of business that really made me think differently and how different and unique this country is.

If you think about that unique British ability to create huge businesses that also had a human touch, that combination of math and magic, it's easy now to think about ice cream in the sky but when Virgin Atlantic, did choc ice in the sky, it was a really unique thing that a company did. There was a bank and it was called First Direct, and it hired cabbies and hairdressers because they knew how to talk to each other and that mattered to a bank. The mobile phone company was called Orange, nothing with Telephone in it and it said to you, the 'future is bright'. That really got me excited about what kind of career I could build. So I pursued a career that was, if you like, at that intersection of math and magic. I spent years leading the global brand consultancy Wolff Olins, helping boards figure out how to make sense of this world of the internet that had put so much power into the hands of consumers. How do you grow? How do you make yourself relevant in that kind of world?

Then I joined Apple, a company that is famed for lots of things, but when you're in it, it's that obsession with execution. My job there was to open up stores and e-commerce sites in new cities and new countries around the world. We spent every day obsessed about executing so that we could attract more people to the brand, get more people to adopt the products and make better use of them in their lives.

Then in 2021, I was invited by Paul and the board to join the board. And two things attracted me to that opportunity in particular. The first was a personal one, as I said, I came here from New York City, but I was a poor student in New York in 1992 when I bought my first Dr .Martens and they were a used pair that I bought on 125th Street in Harlem. They were beaten up, but I wore those things to everything and I wore them with everything. And so the opportunity to be with that brand, that in those cold New York days of this frankly African student in New York, that meant so much to me. The second is that it represented that same idea of math and magic, this ability that

British companies still have to have that glint in their eye, but still be globally relevant and matter to people, not just here in Britain but all around the world. And so since I've become CEO, that's been my focus. How do we take that unique idea that is embedded in Dr. Martens and make it relevant to people wherever they are in the world? And what we're sharing today is our plan to do that.

The strategy update we're going to talk about is designed to deliver profitable, sustainable growth over time. We will capitalise on more growth opportunities by broadening our horizon so that no single market channel product or consumer segment presents an outsized risk to the business. We'll build on proven strengths and successes. We are not embarking on untested pivots or radical reinventions here. We'll remain focused on demonstrable execution. What you hear from me will always be grounded in what we've done, not what we hope to do.

So today, I'll cover three areas and you can see them on this slide, the strengths that underpin our belief in the future, the strategic shifts that we're making to broaden our opportunities and reduce risk, and the specific levers we're pulling to achieve sustainable growth.

So let me begin by talking about these strengths because they give us confidence and belief in our ability to grow. And I'll talk about three in particular.

I'll talk about the Dr. Martens brand. That won't surprise you, but there are some ways we have to think about this that really give us confidence. I'll talk about our operations and I'll talk about the financial fundamentals of the business.

Dr. Martens has strong intangible brand equity - things that you kind of understand, but how do you put your hands around them? So deep emotional connection, high awareness and meaningful cultural relevance. But the brand also has tangible strengths, and tangible strengths are important to understand because these are the things in which you can understand how you leverage them for growth. And I want to pick out four specific ones. One is a broad relevance across footwear types. We are more than just a boots brand. The shoe I'm wearing is a Dr. Martens shoe that has been in the line since 1980 and that provides immunity from fashion trends. Brands can be relevant, but individual products can ebb and flow, and so being able to have a wider range of products really makes a difference to this brand.

The second one I want to talk about is the demographic reach. Our consumer base broadly reflects the population. Sometimes people think it's a Gen Z thing, but it broadly reflects the population across age, gender, and culture

and that gives us huge stable markets to participate in. Third one I want to talk about is price and our ability to command price ranges across premium the segment from a £100 at one end to £300 on the other end. That bag over there is called the Weekender bag which was £300. Then the final one is consumer segment. We have the highest net promoter score in our competitive set. That means consumers who've bought into us like what they get from us.

Over the past five months, I've spent a lot of time with our biggest wholesale partners around the world because they give you a really different insight. They see lots of brands and they can tell you things that you don't know. Their commitment to and confidence in the Dr. Martens brand remains high. You can read for yourself the words of Mimi Vaughn, the CEO of Genesco, the 1200 door retail conglomerate that includes Journeys in America and Schuh here in the UK or of Daniel Agostinelli, the CEO of Accent Group. That's the dominant footwear retailer and distributor in Australia and New Zealand. For both, embedded in those statements are the fact that Dr. Martens plays a unique and critical role for their consumers and for their business. And despite the challenges of the last few years, and there have been challenges, without exception, every partner that I've met see Dr. Martens playing that unique and critical role in their future growth. Their belief reinforces our confidence in our ability to create significant value together and we like working together to create value with these kinds of organisations.

So that's the brand. Second thing I want to talk about is the strength of our operations. And I'm going to talk about three things here. I'm going to talk about the supply chain. I'm going to talk about sustainability, which is an operating advantage and I'm going to talk about technology.

The global supply chain has been transformed in the last six years. Six years ago it was fragmented by region with orders issued to the same supplier from different parts of the business. Today it's a truly global supply chain that gives us resilience and responsiveness coordinated across 10 distribution centres. We've moved from 50% manufacturing back then in China, to zero footwear made in China. We have robust partnerships concentrated in Vietnam, Laos, Thailand, and emerging capacity in Pakistan. And we still make 2000 pairs of footwear in the UK every week. These partnerships allow us to plan ahead and keep costs stable with good control over supply inputs and high materials traceability. Quality control is world-class in our supply chain and it's a real pride considering the importance of quality and craft to our consumer. The strength of the supply chain means we can make and deliver a world leading product to consumers in almost every corner of the planet. It's a critical strength for us to grow from.

Secondly, I want to say a few words on sustainability. This is an area that matters to our consumers and I think importantly for you to hear, it matters to our employees as well and it's something that we have real credentials to win on. I was just talking about quality and durability as we were talking about the supply chain and I also talked about material traceability. This has always been something that Dr. Martens has stood for. So we've worked hard on traceability and I'm going to spend a few seconds talking about our circularity offerings. So Rewair, our authorised version of the thing I did on 125th Street so many years ago of used boots. Repair, which extends the wear of loved footwear. I was in a store recently and a lady came in and she had boots she bought in 1998, but the soles had cracked, but she loves them, so she's getting them resoled through our repair offering. And then trade-in, which allows you to get a great deal on your next pair by recycling your old one. We've also launched product with recycled leather called Genix Nappa. We know these offerings bring in new wearers and drive deeper engagement with them. So for us, sustainability is a focus that yes, it's good for the planet and yes, our wearers like it, but it's also great for the growth of our business.

The final operational element I want to talk about is technology because after significant investments over the past decade and the last 18 months under a new leader, our technology platform now delivers a modern responsive architecture. 95% of our business is on one ERP, which gives us great visibility on how the business is doing at any moment in time. And two new systems will modernise our operations and help drive sustainable growth, both of them are highlighted in yellow here. The first, we have now fully implemented our customer data platform. This underpins customer-centric operations because it allows us to create the most value with each individual consumer. Our teams are already reaping early benefits of this. At the end of the first half of this financial year, we'll be fully operational with our supply and demand planning system. This will bring more predictability to what product we need to have, where, at any given time and therefore de-risk the chances of either excess inventory or insufficient inventory at any time. As we've talked about in today's results earlier, we've also opened our global technology centre in India, which gives us access to a pool of world-class technology talent to continue to make technology a strategic asset for our business.

The final thing I want to talk about here is the financial fundamentals of this business because that too is a strength of the business. I'll talk a bit later about the large addressable market that we play in. We have a high gross margin for our products at 65%. I've been interviewing people recently and when we talk about that, that is a really big deal. The strong cash generation that comes from this with cash conversion of around 90% over the last five years. And then the robust balance sheet, something we focused on even more in the last year with net bank debt as you would've seen almost halving through FY25. These are great strengths for us to build on.

I just want to say one last thing in the arena of strengths, all of these strengths are a great platform for our people and they actually are the real superpower of this business to do their life's best work, whether it's our retail teams in our offices, in the factories or in the distribution centres. As you would've heard last week two recognised industry heavy hitters have joined my leadership team, Paul Zadoff to lead North America and Carla Murphy to replace me as a Chief Brand Officer. And with that, the leadership team is now complete. That too gives us a platform for moving forward and it's a real privilege to lead this team.

So that's what I wanted to say on strengths, but now let me talk about shifts because there are things we need to do better and things we need to do differently, and I want to be transparent about those.

Our previous strategy was called 'DOCS', the D in there stood for 'DTC first' and for a good while, DOCS served this business really well. DOCS capitalised on an unmet demand for our core boots offering. It drove historic growth, it built awareness and kept the brand focused, in both product and distribution and I want to put a pin on that point, on this focus on product and distribution, because often, when a brand needs to return to growth, when you have the kind of challenge that we're facing, you're having to do it from a place where the brand has deviated too far from its core and been too undisciplined with its distribution. You're having to reign all that back in at the same time you're trying to grow. DOCS ensured that we didn't have that problem because of its focus on boots and its focus on DTC first.

It is clear that from around FY23, as the market shifted away from black boots at that same level of the size of that trend, that the continued DTC-first approach was no longer viable. The cost base became too expensive. Inventory levels grew. We failed to attract and retain new consumers and so we became dependent on clearance channels to drive revenue, albeit with lower profitability. I would say that DOCS strength in focus became its weakness.

Just to say a bit more about that, that narrow focus failed to respond to this different and evolving market condition that we found ourselves in. A narrow focus on DTC meant we failed to reach new consumers and eventually that led to that high cost model. A narrow focus on boots failed to capitalise on the breadth of our offering. Again, products that consumers have loved for decades across shoes and sandals in particular, but also even some new boot forms, which meant that we didn't play to our strengths, especially as again, that trend for black boots trailed off. And all of that resulted in a narrow focus on style conscious consumers, which we love, but they're not the only consumers out there and it meant we lost pace with other more loyal long-term customer groups who've always bought us for things like craft and comfort and quality. In a bit, I'll talk about how we are sensibly broadening

our focus in distribution, in product and in consumer focus, reducing risks while making better use of capital and making sure that we don't overstretch the brand. But let me end my quick analysis of DOCS by saying this, that channel first strategy, that DTC strategy, worked as long as the consumer knew exactly what they wanted, but like most channel first strategies, it lacked the flexibility to evolve as the broader market opportunity changed.

So, we will shift from a channel first strategy to a consumer first strategy. Now that could be jargon and so I want to be super clear about what we mean in practical executional terms. For us, consumer first means having clear consumer benefits and reasons to buy, not just relying on the brand as a halo. Our Buzz launch recently is a great example of this, but you'll hear me and you'll get bored of me talking about comfort and craft and confidence because those are the reasons people buy footwear. Consumer first means distribution that meets the consumers where they shop, leveraging DTC and B2B in concert as is right for each market and each consumer segment. Consumer first means data-driven consumer understanding to serve each individual wearer better and we now have the technology systems to be able to build that proposition.

So that takes me to the final section of this, which is therefore what levers. So we've talked about what strengths we need to build from, what's the shift we need to do the channel first to consumer first. Now let me talk about the levers we will pull to drive growth.

Before I get into that, let me just talk a bit about the ambition that underpins all of that and that is anchoring the work we do every day. And it is this ambition that you see on screen - to be the world's most desired premium footwear brand. This brand can achieve that. We define premium footwear as casual footwear price between £100 and £350 and we're excluding specialist segments like sports, performance and utility focused categories. It's a vibrant competitive space with some fantastic players, brands that I really admire what they're doing, but us and our partners believe that we're uniquely positioned to win in that. So, our goal is to simply be the brand that people desire the most in this category, because ultimately desire drives purchase and that's really what we're going to focus on. Being consumer first therefore means understanding what people want, offering the products that meet those desires and showing up where they love to discover, shop and engage with both the product and the brand. And this ambition to be the most desired premium footwear brand is shaping everything we'll do and will shape how we'll think about these levers going forward.

So let me talk to you about those levers and you would've seen headlines on this in the RNS. It's consumer first, it's then the products to serve those consumers, it's the markets we sell them in and it's the organisation that

we're leading to execute on this. We're already executing with early results and we will focus obsessively on them in the quarters and years ahead.

So let me now take you through each lever one by one. Let's start as we would, with the consumer. Here, our goal is simple, to engage more consumers and we'll do this in three ways as you can see on the slide. As I've just mentioned, our marketing will attract more consumers by focusing on the things that matter to consumers. Comfort, craft, confidence. We know this works. Even in a slower boots market, we had good success last year with a soft leather option of our black 1460 boots. We called it Ambassador. And we marketed and pushed those soft and comfort credentials and guess what? That product performed really well for us.

The second thing we will do is deliver an intelligent omnichannel experience that allows us to give each consumer what is most relevant for them. Again, the technology infrastructure is now in place through our customer data platform to ramp up this strategy. So for example, we're already delivering a different product experience on our ecommerce platforms based on consumer preferences. We're developing an understanding of how different consumers move from one product to another. If you're looking at one product, we'll merchandise different things than if it was me because our preferences are different. We're only at the start of this journey, but the investments are made and our teams are focused on delivering value from this.

Then the third one here talks about how we will think of the end of the transaction i.e. the purchase not as the end of the consumer journey, but frankly as a beginning of a consumer relationship with the brand and we'll use loyalty and e-commerce propositions that allow us to add value to that relationship over time.

And just as an illustration, I'll go back to what we said about sustainability and why we think sustainability is a strategic advantage. We know for example that our Rewair proposition, again, that's that offering where you can buy refurbished boots, we know it attracts new customers to the brand. We know that our trade-in proposition where you can bring an old boot in and we take it from any brand here in London, you can take an old boot in and you get a discount on the next one. We know that it shortens time between purchases. All those things are great for our brand and again, our customer data platform and our ability to manage supply and demand better set us up to build long-term advantages in this area and as we execute on these, we'll come back and tell you how we're doing on each of these three points.

Before we leave the consumer conversation, I just wanted to deep dive a bit on how we are thinking about broadening the consumer base. We segment

our consumers on three broad segments based on why they buy from Dr. Martens. And let me say before I get into that, these segments, they're not demographic - generally it's not young people do this and old people do this. We see these behaviours across different genders and age ranges and demographics, but there are three behaviours we segment people on. Those who buy based on trends, we call them 'style seekers'. They're drawn to what's new and what's fashionable. Then those who care deeply about product quality, we call them 'craft curators', they value craftsmanship, comfort and long-lasting materials. And then finally, there's those who buy as a form of individual self-expression. We call them 'alternative individuals'. They are motivated by uniqueness and authenticity. All three groups have historically bought from Dr. Martens and continue to buy from Dr. Martens, but you can see here how those trends have changed over time because during the peak black boot trend, our product market and merchandising efforts in retrospect focused too heavily on the style seeker. That narrow approach meant we missed opportunities with other equally important groups.

So we've since started broadening our approach to our marketing to better reflect all groups and in particular what the craft curator values - comfort, quality and craftsmanship. Because while this group might be smaller than the style seeker, they tend to be more loyal, making them an ideal foundation for sustainable profitable growth over time. That said, we're not turning our back on style seekers. They remain important to our future, our ability to bring exciting new products to market like Buzz that I'll talk a bit about later. We'll continue to engage and excite these people and I'll talk a bit about how we're elevating our icons because when we do that, we attract that alternative individual as well. So the story here is broadening to make sure we're speaking to all consumer groups. We have a particular opportunity with the craft curator, but we are not letting go of that style seeker. But again, the style seeker as your main focus means that you're having to chase, because next year they'll follow the other trend and they may or may not come back to your brand and that's the thing we are de-risking right now.

I'll talk a bit more about what the shift means in terms of branding. You'll recognise this sort of brand and this is how our marketing story was told in that period and the label for it was 'rebellious self-expression'. It was this tough as you, really street, edgy way of communicating the brand, but in the end it was too narrow. And while it might've excited a few, we now know that it alienated others and it's actually not baked into the history of the brand. And one of the other great things about this brand is you can visit the families and the factories and you can really understand what this brand is truly about.

So we're moving something that is much more true to the heart of the brand. In the base of the boots in the heel loop for 65 years has been this phrase stitched in 'with bouncing soles' and it really speaks to the truth of the optimism, individualism and joy that Dr. Martens has always been about. It's still edgy, it's that joyful way of storytelling that's already making a difference. It's also easier for our partners to adopt because if you imagine that previous and many partners will go, well, I can't tell your brand story with that. This with, the focus on the product and the focus on the craft is really attractive to our partners. So the idea of 'with bouncing souls' anchors us on heritage and what's always been true about our brand and our product, it allows us to speak to comfort and craft and confidence and it opens up the aperture of the brand to more people. And I think even internally I would like to share that it's brought a lot of energy and creativity to the organisation as a whole.

You can see these are current windows for our Adrian loafer, which is the shoe I'm actually wearing today, which is our key story this month in our stores. And so you begin to see this come to life and you'll see that freshness, that brightness, that focus on the product that we find is much more attractive to our consumers.

The second lever we want to talk about is our product lever. And here our goal is to drive more purchase locations, give people more reasons to buy more products. But let me set something up first, strong brands like Dr. Martens transcend trends. Throughout all these trends, we go out and we talk to consumers and the brand is strong because of people's enduring connection to the brand. But individual products come in and out of fashion, which is why a brand like Dr. Martens that is relevant across footwear, needs to have an offer and present more reasons to buy to the consumer because if I'm not interested in this this year, I might be interested in that.

It is important to emphasise here though, as we broaden those purchase occasions, this is not a plan for SKU and option proliferation. I want to be very clear about that. Indeed we are reducing SKUs and reducing options. This is about focus on the products that we know our consumers want. Cutting the tail that came from too many variants of too few options and making sure that our product families each conveys a clear and distinct proposition to the consumer. We're already doing work on reducing those SKUs. So in autumn winter '25, which is the season that starts in July, we will have 45% less SKUs than we did in autumn winter '22, and we'll have 59% less boot SKUs. We'll have a more compelling boot proposition to the consumer, but less of a long tail of options, so this is about really being efficient. We're making it easier for our wearers to navigate our options by reducing the number of similar options before them and giving them genuine choice by showing the breadth of wearing occasions that Dr. Martens can deliver. And it is encouraging to see our partners now with that lens shifting

their buy from just one or two products, a black boots and maybe a black shoe to a broader assortment of products from Dr. Martens, whether that's boots, shoes, sandals or bags.

On the slide you'll see four parts to this evolution that I just want to quickly touch on. The first one is really anchored on the power of our icons, the power of our brand is anchored on those iconic core boots and shoes. The 1460, the 1461, the Adrian Loafer and the Chelsea Boot. Later this year we will launch a new innovation of the 1460 boot. I'm not going to give it away, but you'll know when you see it. And we will introduce our crafted credentials and we did introduce earlier this year our craft credentials with our 65th anniversary 'Love Letter Boots'. This is a limited edition where we made only a few and it sold at £460. And again, people loved this product from us.

Examples like this do an amazing job of positioning Dr. Martens strongly as a premium footwear brand and I want to emphasise our icons are not just boots. The 1461 shoe is just as iconic as a 1460 boot and it's historically our bestselling item in some markets, especially in Asia. The bestselling product right now for Dr. Martens in the last two months is this shoe, the Adrian Loafer that we've had in the range since 1980. We manage these icons carefully, and have refreshed and elevated how they're presented, but we can't make the icons do all the work otherwise they actually lose their iconic status. An icon is not a cash cow and icon really is a product that has a unique status in the brand. And the great news therefore is that we've already started building out other product families of boots, shoes, sandals and accessories that bring different wearers in and do different things in our wearers wardrobes than our icons. The recent launch of the Buzz family, and again I'll share a bit more on that later, was a particular success. Our Zebzag family is growing well, giving the consumer much more lightweight options from Dr. Martens. We've also soft launched a new crafted line that we call Lowell. We didn't make a lot of these last year, we did it really to see how that product will perform and it performed really well, so it is now part of our wholesale order book in the seasons to come.

So that's the second thing we're doing, really positioning a new set of product families that the consumer finds from us. They're all very distinctly Dr. Martens, you can see a few of them here, no question that they're Dr. Martens, but they're bringing a new freshness to the brand.

The third thing I want to talk about that we're doing here is we're accelerating extension into our sandals and bags. We have credibility in sandals and bags. The Dunnet Flower is from our archive. This product goes back to the 80s and so it belongs, and consumers lobbied us to reintroduce this product and so we did and they've rewarded us well for reintroducing that product. So we will accelerate our work in sandals and also in bags. I've

talked earlier about the Weekender bag that we sold at £300 that has done very well. They will both grow as important products that we offer our consumers. And then the final point I want to make is around the work that our R&D material and design teams are pursuing in comfort, lightweight and sustainability. Three areas that we have real opportunities to win in and that we know our consumers care about. So expect us to share more as we execute on these, on what we're doing in those three areas. Again, comfort, lightweight and sustainability. So that's the product lever.

Now I want to talk a bit about markets and the shift from channel first to consumer first really is what gives us this impetus to curate distribution for what works in each market. The phrase we've used here is 'curate' market right distribution. One of my important conclusions on the previous DOCS strategy was that it meant we took our eye off B2B execution, particularly in the US. Our team still did a good job and did good work, but much of the execution focus was on DTC, and we ended up in many of our relationships in a season by season transactional approach, perversely without any long-term strategic partnership. What your partners end up buying then is the product that they understand, not the product that you're trying to build together. That meant we were still in that black boots world that the market had moved on from. That's a big reason for the significant decline you will see over the last few years, particularly in US wholesale compared, for example, to our DTC business.

The good news is, as I said earlier, that these relationships never frayed and we found open doors for a much more long-term conversation with our partners. The result is cleaner inventories at their end, which really opens us up to grow again and a higher quality order book as we look ahead with a wider selection and a wider assortment of products across boots, shoes, sandals and bags. So we have started rebuilding these businesses together and we'll do so season after season, year after year. These are multi-year plans that we're developing with our partners and they're really exciting to do. And excitingly, Paul Zadoff, who's joined to run our Americas business is an expert in doing just that. So, we're excited about the growth of that business in the US and also in the rest of the world.

So there are three things that we're focused on here in order to curate that market right distribution. First, as I've just been saying it is really building those multi-year product and marketing partnerships with the world's best multi-brand footwear retailers. That includes having exclusive versions for them. That includes working together on collaborations. That includes deep marketing partnerships. For example, you might've seen recently that to launch our sandals season, we didn't do that ourselves. It was a partnership with Office and they invited influencers, gave people a really great experience of Dr. Martens. We've done that with a partner. So building those long-term partnerships is the first aspect of this lever.

Secondly, we are focused on differentiating our retail stores. Our teams in our stores are up there with the very best I've seen anywhere. They're a welcoming cohort of product experts that help every wearer find the right product for them. So, we're elevating the space that we give them to do that but it's not by spending, it's not a big store refresh, we're just elevating the presentation of our products to drive traffic. Working on experiences that you can only get in our stores, customisation, offerings like ReWair that I talked about earlier and trade-in. Those are unique Dr. Martens propositions that drive people to our stores. We'll continue our discipline and Giles and I are very committed to this, of making sure that all stores continue to make the right financial contribution.

The final aspect of this is we are actively working on plans to enter new markets with capital light distribution models. If we're not focused on just DTC as a way to go into a market, it suddenly opens up the aperture of what we can do. So in the spirit of sharing what we've achieved rather than what we expect to happen, I will not preview any of these markets today, but we are committing to doing at least one and as we do those, I will come back and share what we've done and how it's going.

Let me say a bit more about the markets we participate in, which gives us the confidence that we can really grow the marketplace. In the 15 biggest markets we operate in, we have less than 1% to be exact, we have 0.7% of £180 billion market and there are many other markets that we're not even participating in. Markets where premium footwear and our brand are in high demand. Adding in those markets makes that a total relevant market of £272 billion. It's not just the size of these markets. The majority of profits in the market sit in that a £100+ segment that we play in. So, we like the size of the market and we like our ability to drive sustainable profitable growth in it. But to win in it, you have to think with a consumer first mindset so you get it right in each market because no two markets are created the same.

That's why we're really trying to be very clear with ourselves that understanding that distribution isn't about one channel competing with another, it's about understanding the role that they all play. Each of retail, online, franchises, wholesales, distributors play a different role and can work in concert, not in competition with each other. For example, wholesale is a great way to build brand awareness for those who don't know you very well. Retail is a great way for you to build great engagement for those who do know you and looking to learn more. Of course, as you move to the right of this, your capital gets lighter, but then the danger is the loss of brand control. So we commit when we do this - to only work with world-class partners like Accent who share our long-term perspective for the brand. This is about long-term commitments together. We will not chase distribution and we'll only partner those kinds of brand first partners.

To give you a sense of how we think about that from a market-to-market point of view, just a simple framework because there's no perfect model and each market is different. The way you show up in the market is really defined by two big things, your maturity in that market, which kind of drives how much do you need to invest in it and the level of fragmentation of that market, which drives what your partnership model is. At the bottom left, you can think of a market like Indonesia where we have low awareness and a lot of fragmentation, so a distributor who then works the market makes a ton of sense. Top left is Australia - equally fragmented but with a stronger brand presence and so we have that distributor and franchise model where they help us run Dr. Martens stores, because the brand has that relevance but they take that cost on. At the top right, we have a market like Japan where we are both mature and the market isn't as fragmented and so that's an 80% DTC market for us and that works really well for us. In the bottom right is a market like the USA where, despite the size of our business there, we still have a ton of open space to build awareness and so we will be more wholesale led and a big part of the next three to five years is about building back that wholesale business in America. The point is that there is no one size fits all for distribution. The consumer first mindset means really understanding each market and getting distribution right for each market.

More specifically, we see significant opportunity in B2B in the years ahead. This slide shows on the vertical, the various distribution tiers, mostly defined by price from value and mass through to premium and pinnacle, which is sort of an extended premium and luxury. And while this data is about online distribution measured by number of SKUs times number of websites in the US and UK, it is a fair distribution, a fair representation of what distribution looks like in those two markets and what ours looks like compared to the five other brands that we benchmark ourselves. Premium footwear brands that we benchmark ourselves against. And you can see across every tier of distribution we have significant headroom to go after and we'll particularly focus on the premium and pinnacle levels where the majority of the profit sits, while still playing sensibly in value and mass. There's still business for us there, but I'll say this again, ours will be a sustainable approach built methodically over time.

This is not just about distribution is as I said earlier, it's about how do you show up in the market, how do you build brand presence in the market with great partners, local partners who know how to reach consumers in those markets and in the quarters ahead expect us to use this word 'curate' - to curate each market to fit the way consumers shop with always a particular focus on growing B2B and executing capital light distribution strategies. So that's markets, the chunkiest bit of my presentation.

Finally, I want to talk about organisation and here our simple objective is to simplify our operating model. We will simplify the way we work so that every

function is focused on creating value for our consumers, working with efficiency, scale and speed. I've already talked about the global technology centre. That's an example of how we're doing this.

We're focusing everybody in the business on a consumer first mindset. For example, evolving ways of working so that marketing teams now know how to take advantage of our customer data platform that's different from the way they worked a few years ago. Second point, we are building a culture that optimises the cost base to focus on things that matter the most. Cost discipline is something that we're making sure everybody in the business is aware of. It has to be a part of our culture too. We are custodians and one of the things custodians do, they look after the pennies, but nothing matters more than continuing to build a culture of excellence, care and accountability. This is not work that requires investment in systems or operations, it's the daily work of aligning everybody in the business around what we're trying to do together around execution. And I continue to be blown away by the passion, the talent and commitment of our people. And we have a potent mix of people who spent decades – we have somebody who's been there for 53 years - and newcomers who are bringing fresh perspective from some of the world's most innovative organisations. And I said it before but I'll say it again, it's a pleasure to lead the team.

I've talked about Buzz a few times and I just want to double click on it almost by way of summary because it is our test. It is our biggest case study in FY24. Of all the levers I just talked about, in the January to March quarter, we launched Buzz, a new product family built off of our archive. Buzz is both therefore entirely new, not done before, but recognisably Dr. Martens, it quickly became our top selling product globally for those months. And it's the first time anybody can remember - I asked Paul this, and he can't remember where the top seller wasn't black boots. Buzz is a proof point on each of the levers that I've talked about today. It's broadened the consumer engagement. 56% of Buzz purchases were new to the brand. That's huge. The product allows us to really speak to different wearing occasions as the marketing delivered. It's a more casual yet crafted proposition. And again, as I said, it was the bestselling product in the quarter. In the market term, it really was a partnership with our key wholesale partners in wholesale. Their initial allocation sold out in two weeks. This is something that was supposed to last the season leading to additional purchases in the pipeline going forward, which is also the power of these product families is that they're not just a seasonal product that you do once and throw away. We will build over time. And so a wholesaler who missed an opportunity in February or March goes, Hey, I want to be involved in the next round of this in your October November placing of it. And then organisation. We focused the entire organisation, every single region, every single function, putting the whole weight of the company around delivering this, which is what great execution

has to be - that you're not fragmenting your efforts, you're putting everybody focused on one goal.

You'll see more innovation like Buzz and excitement from things like Buzz in the quarters to come. You'll hear more from us about two other product families in the year to come. You'll hear us talk about Lowell and you'll hear us talk about Zebzag when we speak in the future. And you'll see us continue to expand this same playbook that we've taken to market here. So that in a way summarises what we mean in practice by the levers, consumer, product, markets and organisation.

So a few final slides from me and then I'll be able to get a drink of water. As I said, we are already acting on this. We've stabilised the business and are now beginning to get early wins like Buzz, while we pivot the whole business towards the opportunities ahead of us. Everything you've heard from me today is based on progress. We're already demonstrating – this isn't some theoretical view of the future. So as we move into FY27 and 28, we will scale for the growth that we know that this brand offers us and that the market is there for.

And so maybe to close, I'll say a few things. We're excited about this opportunity over the medium term and you would've seen in our RNS, we expect to grow profitably ahead of the market, with operational leverage beginning to turn and we see mid to high teens EBIT margin percentage and that will continue to be underpinned by strong cash generation.

But I've always said, and I'll keep saying, it's all about execution. It's all about what are you doing tomorrow? It's all about what you do in the quarter ahead. And so here's what we are committing in terms of this strategy. Let's get that to move forward for FY26 and that you can hold us to account on. We're committing to reduced off-price wholesale business. We're committed to pairs growth in those new product families that I've talked about. We're committed to opening at least one new market and we will let you know when we do that, with a capital light structure. And we're committed to a simplification of our operating model.

And I know I speak for the rest of the leadership team as a whole, when I say we are committed to creating value for shareholders, I want you to hear that from me. Because it's a simple case that the Dr. Martens brand remains strong. Our platform is in place without the need for any significant new investments. Our financial fundamentals are attractive, really attractive, and the market opportunity remains significant. I'm clear about the scale of the challenge. There is a challenge that we have to do a lot of work to get there, to getting this business back where it needs to be, especially against the backdrop of what's become an even more unpredictable market. No names to be named and no tariffs to be talked about, but I'm equally clear that we

have the right foundations, strategy and team in place to execute on creating sustainable profitable value over time. Thank you. Giles and I are now happy to take any questions you have. We'll take questions in the room first and then once we're done with that we'll take a few questions from the webcast. I'd really appreciate it because, I'm horrible with names, if you can start with your name and the firm, that would be really great. Thank you.

John Stevenson:

Hi, morning, John Stevenson at Peel Hunt. A couple of questions to get us going please. On the partnerships, do you feel like you've got the right partners for each market? It sounds like in the US there might be a bit of work to do in terms of building out that partnership base again. And how do you change the messaging to those partners? How do you get them to buy the right products rather than all black boots? Is there a difference in how you come to market, how that product launch plan looks? If we look at the year ahead, is there going to be a difference in terms of how you come to market with those partners, how you get them to buy in and the type of marketing support you're going to give them? And the second question is on the product itself, I guess if we looked at historical sales, you had around 80% I think sort of black boots all delivered by icons - at some point in the future, what does a sales mix look like? Do collabs? Is it more than simply brand heat? Do we start to deliver some of these products to actually drive sales as well as sort of brand heat?

Ije Nwokorie:

Okay, so do we need new partners, how do you work with those new partners and share. I can handle all of those Giles. I'll answer them in a slightly different order in which you asked them. Our business in FY25 was about 57% boots. So we're not at 80% boots. 25% of what we sold last year was shoes. Shoes grew 15%. People know about our shoes. As I said, the Adrian, which I have on today, that's this product here, is our top selling shoe around the world. This and this [points to Adrian and 1460s shoe] are the top selling things in Asia and in many countries in Asia, we sell more shoes than we do boots. And so we're not struggling with that storytelling for our consumers and for people who know our brand, we have to do a better job of presenting it. As I've learned, what you present is what the consumer buys.

You have to be able to curate the story and help them work through it. But because these are all recognisably docs, there isn't a question of do we have equity in those. We have a ton of equity in shoes, growing equity in sandals and surprisingly high equity in bags and accessories. So there's no real challenge there at all in terms of building that. But, you have to be clear, and maybe I'll use this to segue into how I'm going to go in the opposite order of your questions, you have to be clear to the market what product you want to talk to me about right now. So as I said in June, the real lead of our story around the world is going to be the Adrian Loafer, because based on our insights, based on what consumers are telling us, but based on our marketing

is loaded up to do that. And so immediately we start seeing great performance in that footwear.

And that is a segue to how do you work with the wholesale partners. It's about having a multi-year plan, being really clear about when your products are landing, being very clear about what marketing investments you're making, being upfront at planning ahead with them. And they might look at something and say, Hey, we'd really like to participate in that, that works for our consumer, but we might want one thing being different. And you work with them to do that. You stay within your parameters, but you work really closely with them. So I made this a priority. So in the conversations I've had, there was no blockage here. This wasn't partners thinking, you haven't given us what we want. They really want to understand our multi-year plan and then they participate in it. If you just offer them a portfolio of products, they're going to buy what they know. But if you tell them what you are backing with investment and what your timeframes are, they participate in all sectors, not just in footwear.

And so finally to your first question, yes, I do think there are opportunities for other doors in America. We certainly, I showed you that tiering. We certainly think in the pinnacle area that we need to be better represented particularly in key cities. But that's not to say we don't love the partners that we have. We have some amazing partners. I talked to you earlier about Genesco and I think our business with Genesco is exciting and we're going to grow that together. So we like what we have. It's not that we need to get rid of what we have. We've got some great wholesale partners. But as you think about growth in this business, as you think about those parts of the country that are maybe 150 miles from either of the coast and who are the big players in there, we have a lot of opportunity to go to grow into.

John Stevenson: Can you see that when you're looking at spring summer 26 I guess is the process through summer, can you see that shift in buying activity?

Ije Nworie: We can see it in Autumn winner 25. We can see it in autumn Winter 25. That order book is looking a much higher quality order book, a much broader assortment of products. We tell them what our key products are that we're going to back by month literally. And that's what tends to be supported. So that really works well.

Anne Critchlow: Thanks. It's Anne Critchlow from Berenberg. I've got three questions please. Do you have a particular year for in mind for the target for mid to high teens EBIT margin please? And then the second question is about full price participation. So did that fall in FY25 and if so, where would you like to get to? And then finally on the customer data platform and personalization, what does that look like to the customer now and where would you like to get to on that?

Ije Nwokorie: Great questions. I'm going to pass the first two to you and I'll take the third one.

Giles Wilson: Oh finally! Thanks Anne. I think what we've said in terms of the medium term, I think you'll gather the medium term is in the sort three to five year range. It's fair to say that we've done a lot of detailed work and building up the model, but all the way down through the P&L. So we've not just looked at the revenue, we're looking all the way down our costs, we're looking about where we can manage. And I think it's also sometimes worth, sometimes looking back a little bit. So in our peak, if we go up to pairs, we did 14 and a half million pairs, we've just done 10 and a half million pairs this year. So what we're trying to do is rebuild those pairs through sensible growth. But within those 10 and a half million pairs that we've sold this year, we've also seen some significant destocking in the market in our own wholesalers as Ije was just referencing. And that's quite a key point because obviously we've sold less in than they've sold out, so they're in a much better place to then start to buy through. So I'm not going to put an exact year on it. What I'm trying to say is I think we'd like to build sustainable growth and sustainable margins that are there for the long term.

In terms of full price, obviously you've seen the chart in the presentation, we've seen a growth in discounting. We want to tail that back down. Obviously, and Ije will say this better than me, discounting plays a part in the business. There are moments in the year when we should be doing it. So actually having a target on the amount I think is not necessarily right? It's more about the occasions of when those happen. So your Black Fridays or your Christmas sales, those sort of things. So I think it's more about the fact we want to grow the full price and be less reliant upon the discounting and not having discounting as what people expecting from us.

Ije Nwokorie: Just to add to that. So, for example, a trade in experience will show up as a discount, but I love that trade-in experience because it brought that purchase. So I'm happy to do that and as Giles said, there are moments in the commercial calendar when you do want to treat your customers and say, Hey, we have this moment to do that.

And then finally, and I'll use this as a segue to your CDP point, for certain consumers who you know that that's the motivation, you can do that. One of the things that CDP has helped us understand is really what the lifetime value is for people based on the level of discount. And we know that over a certain amount, a discount is just almost a loss leader and we shouldn't be doing it because that consumer is really just there for that and that you are not really acquiring a consumer. So there's no point in doing that, but there are those ones - student discounts or really great Black Friday event - that recruits that customer and keeps them. So that's some of the stuff that CDP is helping us do in terms of what it looks like for the consumer today. It's really just a bit

more of a personalised journey, less of what you don't want and more of what you want to see as you go into a product page. What's merchandised around that? That's the primary thing that consumer will see. The other thing they'll see today is a lot less marketing. A lot less marketing because again, we're not sending everything to everybody. We're sending relevant things to relevant people over time. And as I said, I'm not one that's going to talk too much about the future. I'm going to talk about what we've executed on, but it isn't difficult for you to begin to imagine how different cohorts of consumers have different kind of loyalty schemes and value propositions based on their behaviour and based on what matters to them.

Kate Calvert: Thank you. Morning, Kate Calvert from Investec. I suppose the first obvious question is on cash generation. You've done a great job in terms of generating cash this year and massively strengthened the balance sheet. So what do we need to think about, when you might think about returning cash to shareholders? What is your sort of thinking on that? And I suppose the second question is on your store portfolio, you've closed quite a few stores this year. Has your thinking on the store portfolio and how the network might ultimately look changed much, as you've gone through this process of repositioning and going into more detail, what sort of rate of growth should we think about going forward in terms of openings?

Giles Wilson: Yes, we are really pleased with the cash generation this year. I'm particularly pleased with getting our inventory levels back in a much healthier position both here and in the market in our wholesalers. It's fair to say that, and I think I've said this before and I'll say it again, I'm going to be very embarrassed to have too much cash on the balance sheet as we go in uncertain times. So I think it's fair to say that we are in a position, we're a highly cash generative business and we will do that. There's certainly nothing in the plans for the foreseeable, but the Board always discuss it. We always talk about the options that we can do. We always look to progressively move the dividend on where it allows. But I think for the short term it's about focusing on where we can invest that money internally. But most importantly, also, as I said, I'm going to be embarrassed having the same question next year and we're sat on cash.

In terms of the stores you'll have seen that we have done, we've done a bit more of a review this year. There's been a bit of a focus to look through some of the stores that have changed post COVID. A number of the stores that you are seeing in the impairment really were stores that traffic's not returned. This doesn't mean that there's a sudden retail shift, it's just that you have to recognise that the consumer's going somewhere else. And we've done a good sort of review this year. We'll constantly do that review and it's what accounting standards requires us to do. And you will see we've opened and closed, we've opened 17 and closed 17. That's actually a bit of timing.

We've actually signed off a few more, but actually trying to find the right stores is also a challenge. We've got a few where we definitely wanted to open more this year, but we couldn't find the right terms and things. And I think the final thing is, and you've heard Ije say, I think our stores are unique to us. Our people particularly are amazing in the stores. We think there is more we can do with them and we will continue to look at that. So I think the guidance is in there, what we've said in the detailed guidance is a sensible guidance. But we're not just going to open a store. We'll open it when the financials make sense.

Richard Taylor: Thank you. It's Richard Taylor from Barclays. Got three questions please. Just on the stores, again, on the impairment of 16, are those stores still open or are they some of the closed stores? Secondly, how do you land it mid to late teens EBIT margin, obviously it's a lot higher than the market's going for this year, which is just into a double digit I think. But I gather if you grow faster than the markets and if wholesalers reorder, operational gearing is probably inevitable. But can you bridge that for us please? And maybe do you have a DTC wholesale split in mind if you reach that target? And then finally, net debt guide, £200 million I think inc. leases looks like around £150 million of leases this year. So is that net debt of around £50 million excluding leases for FY26?

Ije Nwokorie: I'll let you take those. I might say a few things on the DTC / wholesale mix.

Giles Wilson: So the stores, generally most of them are still open and generating some form of cash. It's the accounting requirements. It's fair to say that a number of those probably will run to the end of their leases and we'll look at them at the time, but one or two of them have closed and one or two of them will probably come to a natural end on their leases. So I think it's a constant review. We have 237 stores in the business. This is 16 stores and some years you might find that we go up and we go down, but it's really about the financial discipline we put against them. And actually, a lot of those stores were, as I said, related really to the post COVID world. I mean, Ije gives an example of one, I think the other day in Seattle where this was a vibrant city, a vibrant street before Covid, and post Covid Post we are the last street store left.

In terms of how you bridge, I mean it is really the operational gearing. I mean if you think about the fact that you bring volume in on a high margin business of 65% margin, obviously there's a slight difference between the three different channels. We are doing a huge amount of holding costs strong. We've been very disciplined. We've also grew the business, if you remember I talked about the 14 point a half million pairs. This business has been built as a cost base for a bigger business. So actually the operational leverage will be pretty quick because ultimately we don't need to suddenly go and take on new DCs or new retail stores or new, even new, to a point, back office staff.

But we've also instilled through the organisation, obviously we did the cost savings last year, but also part of that has been about how have we changed the cost culture mindset within the business. And that's a constant thing you do. How do you make people think about every penny and how we spend every penny? So it's really the operational leverage. You nailed it in there. You put the maths on the top, it does come through. We will at some point have to put more cost in. I mean, and that would be a great thing to do. That means that we're growing the business beyond where we are. But if you think about the fact we were at 14 and a half million pairs three years ago we're 10 and a half million pairs now. There's a natural growth that's going to come.

Net debt, broadly, yes. I mean broadly leases £150 million. The rest is bank debt. And we are looking and at some point we would look, we'll be in a position that we will be in net cash.

What you have got to also remember is that March is the best point of the year for us. Well, best of the two reported periods. We will start spending money now as we go through and build our stocks ready for the busy period. Why we got the really good leverage this year is we slowed down those purchases. We sold more than we bought. And that basically, as you saw on the charts, I showed earlier. You saw that come through and that's the real power of the fact that we had that ability to just scale back our purchases. But obviously there's a point now we're going to have to start scaling up our purchases and that will then mean a little bit of cash as well.

Ije Nwokorie:

And I think all I want to say on DTC versus wholesalers that, as I said, we've got to look at this at a market by market approach, as opposed to hamstringing ourselves by setting some kind of overall objective for the business. I think you really have, I've learned this, you really have to be responsive in the market. I think we'll have more, I think wholesale as a percentage will grow in the US, I think it will continue to shrink in Japan and in South Korea, but it's a market by market. Now I can kind of do the maths and start to tot that up. And if I look at our objective of entering a few more markets with a capital light, that's not going to be DTC. But I think philosophically we want to grow both and I'm less obsessed with what the split is, as long as we're managing gross margin correctly. I'm managing that through the P&L than setting some kind of target that DTC needs to be X and B2B needs to be Y.

Piral Dadhania:

Thank you. It's Piral Dadhania from RBC. I just have one on gross margin. Giles, if we read the situation correctly, you should have a fairly favourable gross margin set up in fiscal 26, weaker dollar, lower freight costs, better for price realisation and so on. I think the sourcing environment in Asia is also quite favourable. Could you just help us understand, as you think about the PBT guidance you've given this morning, how the leverage will flow through from a COGS versus OPEX perspective?

Giles Wilson: So there's two elements. Firstly, what I would say is the favourability in terms of the FX will take time because obviously we have an averaging effect of the stock that goes in. So as you buy into stock, you're using it, it'll take time to come through. So it's not just FY26. The margin is made up of a number of factors. There isn't just one point. We make less gross margin on wholesale. So depending on the mix, that's probably, and obviously there's also is a slight shift in product, albeit they're still very profitable in both shoes and sandals. The actual gross margins are very slightly lower as well. So you mix all that together, you end up, our aim is to make sure we protect all parts of the P&L to get that leverage through. I think you'll see a little bit of shift as you move up a bit more on the wholesale. You'll see a little bit of benefits as you say, for COGS slightly. I think we do very well in managing COGS. I think Geert and the team have done a fantastic job of managing the costs there. And I think we all continue to do that going forward. So it's a mix of a lot of parts and then it comes through, but our aim is to make sure we manage that all the way through to the bottom. And then as you rightly say, we get the operational effect.

Piral Dadhania: Sorry, maybe just do another, as you get to a mid to teens EBIT margin, what type of gross margin do you expect on that type of operating margin?

Giles Wilson: That's a very good question. Again, I'm not sure I'm going to go quite into that detail, But if you look back and you look forward, gross margin has been broadly about the same for a long time. I don't see it suddenly going up or down by major shifts. I think it's broadly going to be in that level and it will move depending on the product mix and the channel mix more than anything.

Ije Nwokorie: Thank you. I think we can move to those on the webcast. If there are any questions on the webcast, same principles, please say your name and where you're coming from. Even more important, we can't see your face. We'll take some questions.

Operator: There are currently no questions over the phone.

Ije Nwokorie: Okay, so I think I've been let off for good behaviour!

Thank you for your time and attention today. We're going to hang around here for a bit. I really appreciate it. I'm looking forward, personally, I'm looking forward to building a relationship. I know some of you, I don't know all of you. I'm looking forward to building relationships with you in the quarters ahead. And we will, as I said, we are committed to sharing progress on this strategy. It will always be about what we're doing and what we've done, versus what we are hoping to do. But I look forward to having those conversations with you, as I said in the quarters and months ahead. Thank you very much.