Dr. Martens plc

A CREDIT ANALYSIS

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Subject: FY26 results, 52 weeks ended 29 March 2026

Information cut-off: the AGM trading statement of 15 July 2026

Issuer: Dr. Martens plc (LSE: DOCS)

Date: November 2026

Written as an independent analytical exercise. I hold no position in the securities of Dr. Martens plc and have had no contact with the company. All figures are drawn from the company's published statements, cited in full, and every derived figure is identified as mine in the text.

Recommendation

> I would lend senior to the November 2028 maturity and I would not lend beyond it on the current evidence. The balance sheet is strong enough that the credit survives a severe downside, and on my own scenarios it takes a group revenue decline of around 20% to reach the covenant. What is unproven is the business, and specifically Europe, where the company's own channel is shrinking at close to ten per cent and the disclosure needed to judge whether that is deliberate is not provided.

A note on what this is. At reported leverage of 1.4 times against a 3.0 times test, this is bank risk priced at bank levels, not a private credit opportunity, and no fund lending at a double digit hurdle would own it at the margin a syndicate will accept. This report is therefore a credit opinion on the issuer rather than a recommendation to underwrite a transaction, and the terms set out below are the protections I would want rather than a view on price, which I cannot form without market data I do not have.

The terms I would want follow from the analysis rather than from convention. I would hold the tenor at November 2028 and treat the second extension option, which if it survives exercise of the first would run to November 2029 subject to lender approval, as lender leverage to be priced at the time rather than as committed tenor. I would not rely on the single leverage covenant for monitoring, because on the arithmetic below it only engages after the commercial problem has been visible for several reporting periods. In its place I would require EMEA full price mix and inventory weeks of cover semi annually as information undertakings, which cost the borrower nothing and are the two series that would show deterioration first. Given a payout of 103% of earnings against a stated policy of 25% to 35%, I would size the distribution basket against the stated policy. And I would want the facility agreement's definitions of covenant EBITDA and covenant net debt before treating the headroom as settled, for reasons set out in the note on page 4.

What happened in FY26

Dr. Martens is a British footwear brand selling through its own stores and website and through third party wholesale accounts across EMEA, the Americas and APAC. FY26 covered the period in which it worked through the consequences of over distribution into United States wholesale and the inventory build that followed. Results were published on 19 May 2026 (Dr. Martens plc, 2026a).

Almost every measure a credit committee looks at improved, and at group level almost every measure of the underlying business got worse. Reported profit before tax rose from £8.8m to £32.7m and adjusted profit before tax from £34.1m to £55.0m. EBITDA rose 9.4% to £128.0m. Operating expenses fell 5.1%, or £19.4m, to £359.0m. Revenue fell 2.9% to £764.9m and the company sold 10.2m pairs against 10.5m.

Three things qualify that picture.

The first is that the adjusted measures carry £22.3m of adjustments to EBIT. Of that, £19.0m sits within EBITDA, being exceptional costs of £12.1m and investment in transformation of £6.9m, and the remaining £3.3m net is a £4.2m impairment less a £0.9m currency gain, both of which fall below EBITDA in the company's bridge. So operating expenses of £359.0m are stated before £19.0m of real cash cost. Reported EBIT, which absorbs all of it, rose from £37.0m to £57.0m.

The second concerns the gross margin, where part of the reported improvement turns on classification rather than trading.

> **Part of the 120 basis point margin expansion reflects where the tariff charge was booked rather than trading, but the size of that effect cannot be established.** Following the US Supreme Court judgment, the company recognised £9.9m of previously incurred IEEPA related US tariffs as an operating expense within adjusting items, stating that this treatment "removes the impact of these tariffs from underlying cost of sales and inventory balances and ensures comparability of underlying year-on-year performance" (Dr. Martens plc, 2026a). Import duty would ordinarily form part of the cost of purchase under IAS 2 and reach the income statement through cost of sales, so reported gross profit of £506.0m is stated before a cost that in the normal course would have sat inside it. Charging the full £9.9m to FY26 cost of sales gives a margin of 64.9% against 65.0% in FY25, turning a reported expansion of 120 basis points into minus 11.
>
> That figure is the most adverse construction available and not a bound, because two disclosed facts pull against it and neither can be quantified from the statement. First, the tariffs were imposed in February and April 2025 and the charge covers previously incurred costs, so some portion belongs to FY25; but on a consistent restatement that portion has to be charged to FY25 as well as removed from FY26, which raises rather than lowers the restated FY26 expansion. At a 25% FY25 attribution the movement is plus 53 basis points, and at 50% it is plus 116, essentially the reported figure. Second, duty attaching to goods still unsold at the year end would have capitalised into the £160.8m of closing inventory rather than reaching FY26 cost of sales at all, and at 32 weeks of cover that share is not small.
>
> The honest conclusion is narrower than it first appears. The classification does flatter reported gross margin, the direction is not in doubt, and a reader should not take the 120 basis points at face value. But the magnitude is indeterminate on the disclosure, and a consistent restatement could leave most of the expansion intact. Establishing the period split and the amount that reached cost of sales is a question for the company rather than a finding I can assert, and it is the first one I would put to them.

The third is that the balance sheet improvement came substantially from selling down stock. Inventory fell from £187.4m to £160.8m and weeks of cover from 35 to 32, releasing £23.5m of cash after £62.7m the year before. Working capital contributed an inflow of £19.8m against £84.3m in FY25. Operating cash flow fell from £189.8m to £141.1m as that source diminished, and with cover at 32 weeks there is little further release available. FY27 cash generation has to come from trading while absorbing capital expenditure of around £30m against £11.9m. Management nonetheless guides to further strong profit before tax growth in FY27 on operational leverage, while flagging that execution of the retail strategy represents a short term revenue headwind (Dr. Martens plc, 2026a). I expect cash generation to fall again even if that profit guidance is met.

Revenue by region, and what currency is hiding

The group revenue line is the most misleading number in these results. It mixes three regions doing different things and is reported through a translation that moves them in opposite directions. EMEA is the largest region at £377.5m, followed by the Americas at £278.4m and APAC at £109.0m, and the three sum to group revenue in both years.

Currency inverts the ranking of the regions

Revenue growth FY26 against FY25. Reported in black, constant currency in yellow.

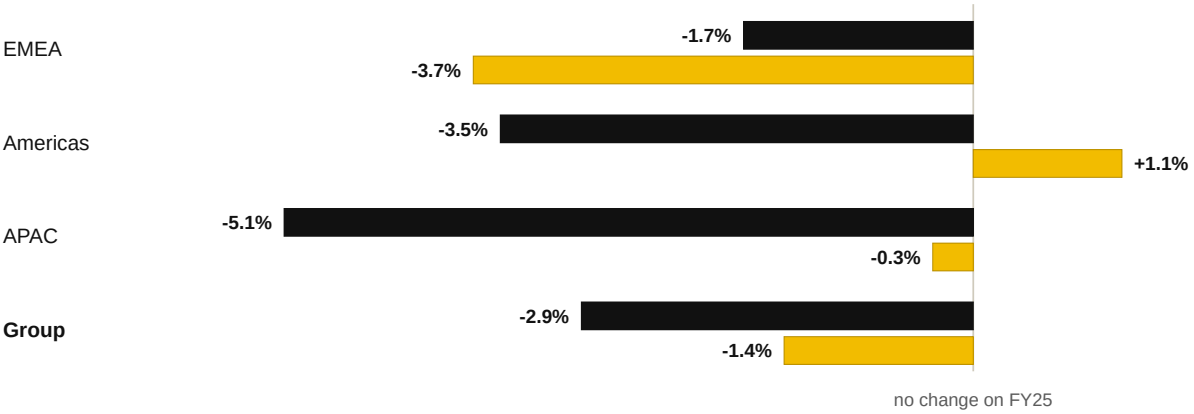


Fig 1. Revenue growth by region, FY26 against FY25, reported and in constant currency. Source: Dr. Martens plc FY26 Results Statement; all eight values are as reported by the company.

On a constant currency basis the group declined 1.4% rather than 2.9%, so about half the headline decline is translation. More importantly the ranking inverts. The Americas is the worst performer as reported at minus 3.5% and the only region that grew underlying at plus 1.1%. APAC looks weakest at minus 5.1% and is close to flat at minus 0.3%. EMEA looks most resilient at minus 1.7% and is in fact the weakest at minus 3.7%, because translation worked in its favour while it worked against the other two.

Underneath the regional totals the channel detail points the same way. In the Americas, direct to consumer grew 1.1% in constant currency, retail grew 8.2% on higher footfall, and wholesale grew 1.2% with the company noting good growth in both the AW25 and SS26 order books. In EMEA, direct to consumer fell 9.9% in constant currency and ecommerce 11.5%, while wholesale grew 7.6%. The company's own explanation of the margin movement makes the same distinction, crediting the increase in full price mix across the US and APAC and describing EMEA as a promotional market.

There is a caveat on constant currency that cuts the other way, and it belongs here rather than in a separate risk. Constant currency is the right lens for judging the business and the wrong lens for judging the covenant. The term loan is £250.0m of sterling debt and the leverage test is struck in sterling, so if sterling strengthens, reported earnings fall while the debt does not, and leverage deteriorates for reasons that have nothing to do with trading. Management discloses revenue sensitivities of about £3.0m per percentage point on the US dollar, £2.5m on the euro and £0.5m on the yen. A five point adverse dollar move is roughly £15m of revenue, and on the drop through assumed below that is around £7m of EBITDA, or about 0.07 times of leverage. That is not large at current headroom, but it is the mechanism by which a currency move becomes a covenant problem, and it is absent from the company's own stress testing.

Credit metrics

METRIC TRADING	FY25	FY26	MOVEMENT
Revenue	£787.6m	£764.9m	Down 2.9%, down 1.4% CC
Pairs sold	10.5m	10.2m	Down 2.5%

METRIC	FY25	FY26	MOVEMENT
Gross profit	£511.7m	£506.0m	Down 1.1%
Gross margin (as reported)	65.0%	66.2%	Up 120bps
Gross margin, full tariff in COGS *(my calculation)*	65.0%	64.9%	Most adverse case, see p.2
Operating expenses	£378.4m	£359.0m	Down 5.1%
Adjustments to EBIT	£23.7m	£22.3m	Incl. £9.9m US tariffs
EBITDA	**£117.0m**	**£128.0m**	**Up 9.4%**
Adjusted EBITDA *(my calculation)*	**£133.3m**	**£147.0m**	**Up 10.3%**
Reported EBIT	£37.0m	£57.0m	Up £20.0m
Adjusted EBIT	£60.7m	£79.3m	Up 30.6%
Adjusted profit before tax	£34.1m	£55.0m	Up 61.3%
Reported profit before tax	£8.8m	£32.7m	Up 271.6%
Tax charge and effective rate	£4.3m, 48.9%	£8.9m, 27.2%	FY27 guided c.27%
LEVERAGE AND COVERAGE			
Net bank debt	£94.1m	£69.7m	Down £24.4m
Lease liabilities	£155.4m	£143.8m	Down £11.6m
Net debt including leases	**£249.5m**	**£213.5m**	**Down £36.0m**
Total net leverage (as reported)	1.8x	1.4x	Covenant below 3.0x
Net debt to adjusted EBITDA *(my calculation)*	1.87x	1.45x	See note below
Net bank interest	£21.1m	£17.7m	Down £3.4m
Total net finance costs	£28.2m	£24.3m	FY27 guided c.£24m
EBITDA to net bank interest *(my calculation)*	5.5x	7.2x	Improved
EBITDA to total net finance costs *(my calculation)*	4.1x	5.3x	Improved
CASH AND CAPITAL ALLOCATION			
Cash	£155.9m	£180.3m	Up £24.4m
Inventory	£187.4m	£160.8m	Down £26.6m
Inventory weeks of cover	35	32	Down 3 weeks
Operating cash flow	£189.8m	£141.1m	Down £48.7m
Capital expenditure	£18.7m	£11.9m	FY27 guided c.£30m
Capex as % of revenue (as reported)	2.4%	1.6%	Down 80bps
Dividend per share	2.55p	2.55p	Held flat
Dividends paid in cash	£9.5m	£24.6m	Up £15.1m
Payout ratio (as reported)	547%	103%	Policy is 25% to 35%

Source: Dr. Martens plc FY26 Results Statement, except where marked as my calculation. The payout ratio is computed by the company on declared dividends of 2.55p against reported earnings, and does not reconcile to the cash dividends paid in the row above, which differ because of the timing

of interim and final payments.

> **Which EBITDA the 1.4 times is measured against.** The reported leverage figure is not struck on the EBITDA in the highlights, and the difference determines how much headroom is real. Net debt including leases of £213.5m over reported EBITDA of £128.0m is 1.67 times, not 1.4 times. The reconciling item is the £19.0m of adjusting items that sit within EBITDA. Adding those back gives adjusted EBITDA of £147.0m, which can be derived independently as gross profit of £506.0m less operating expenses of £359.0m, and which ties to adjusted EBIT of £79.3m once depreciation and amortisation of £68.4m and other gains of £0.7m are taken into account. On that measure leverage is 1.45 times. The same exercise on FY25 gives £133.3m and 1.87 times against a reported 1.8 times. The small residual in both years indicates at least one further defined add back. The company does not use the term adjusted EBITDA and the statement contains no glossary, so the £147.0m is my construction, not a disclosure. Note that the £4.2m impairment sits below EBITDA in the company's bridge and must not be added back again. The practical point is that the covenant is tested against earnings about £19m larger than the headline, that the add backs are disclosed rather than hidden, and that in FY26 they included a £9.9m tariff charge.

Testing the credit: a downside case

The company's reverse stress test shows that revenue growth would have to run 18 percentage points below the base plan before covenants are breached in March 2027, and 42 percentage points below the market growth plan before cash reduces to minus £50m, with the directors assessing both scenarios as remote (Dr. Martens plc, 2026a). That is the borrower's own downside, and a lender should not rely on it. The scenarios below are mine.

The assumptions are deliberately simple and are stated so they can be argued with. Lost revenue drops through to EBITDA at 49.7%, being the 66.2% gross margin with a quarter of the lost gross profit recovered through flexed operating expenses, which is conservative for a business with a large fixed store and head office base. Net debt is held at the guided £200m including leases only in the first row, where trading is flat and the company's deleveraging plan can be assumed to hold; every declining scenario holds net debt at the FY26 level of £213.5m, because a year in which revenue falls is not a year in which the guided reduction is delivered. Leverage is struck on adjusted EBITDA, consistent with the note above. The first row takes the net debt half of guidance and not the earnings half, which guides to further profit growth, so it is a flat trading case rather than the company's plan.

SCENARIO	REVENUE	ADJ. EBITDA	NET DEBT	LEVERAGE
FY26 actual	£764.9m	£147.0m	£213.5m	1.45x
Flat trading, net debt as guided	**£764.9m**	**£147.0m**	**£200.0m**	**1.36x**
EMEA declines 10%	£727.1m	£128.3m	£213.5m	1.66x
EMEA declines 15%	£708.3m	£118.9m	£213.5m	1.80x
Group declines 10%, no deleveraging	£688.4m	£109.0m	£213.5m	1.96x
Group declines 20%, no deleveraging	£611.9m	£71.0m	£213.5m	3.01x

Fig 2. My scenarios, not the company's. Revenue declines are applied to the FY26 regional revenues; EBITDA is flexed at 49.7% drop through; net debt is as stated. The covenant is a total net leverage test of below 3.0 times.

Two conclusions follow. The first is that the credit is robust to the risk this report is most concerned about. EMEA falling ten per cent, which would be a serious deterioration in the largest region, takes leverage to 1.66 times against a 3.0 times test. Even a group wide decline of ten per cent with no deleveraging at all leaves leverage below 2.0 times. On these assumptions it takes a group revenue decline of about 20%, or a fall in adjusted

EBITDA of just over half, to reach the covenant. That lands close to the company's disclosed 18 percentage point figure, which is useful corroboration arrived at independently rather than borrowed.

The second is that this is also an indictment of the covenant as a monitoring tool. A test that only engages after a fifth of group revenue has gone will have been breached long after a lender would have wanted to act, which is why the protections I would want are information undertakings rather than a tighter ratio.

The cash position is considerably less comfortable than the leverage, and the headline operating cash flow figure is the reason it gets overlooked. The company defines operating cash flow as EBITDA less the change in working capital, share based payments and capital expenditure, so the £141.1m is struck after capex but before lease payments, interest, tax and the dividend (Dr. Martens plc, 2026c). The full bridge is below.

CASH BRIDGE	FY26 REPORTED	FY27 ILLUSTRATIVE
EBITDA	£128.0m	£128.0m
Change in working capital	£19.8m	nil
Share based payments	£5.2m	£5.2m
Capital expenditure	(£11.9m)	(£30.0m)
Operating cash flow	**£141.1m**	**£103.2m**
Net bank interest paid	(£17.2m)	(£17.2m)
Lease principal	(£49.3m)	(£49.3m)
Lease interest	(£6.3m)	(£6.3m)
Taxation	(£10.9m)	(£10.9m)
Share buyback	(£6.7m)	nil
Pension past service credit	£0.6m	nil
Dividends paid	(£24.6m)	(£24.6m)
Net cash inflow	**£26.7m**	**(£5.1m)**

Fig 3. The FY26 column follows the Finance review cash flow table, with the £55.6m lease line split into its statutory components of £49.3m principal and £6.3m interest as shown in the consolidated statement of cash flows. The FY27 column is mine: it holds EBITDA, interest, lease payments, tax, share based payments and the dividend at FY26 levels, sets the working capital contribution to nil because weeks of cover are back to 32, takes capex at the guided c.£30m, and assumes no buyback. Net cash inflow is not the same as the movement in cash: cash rose £24.4m in FY26, the £2.3m difference being translation.

Three things follow. The first is that FY26 generated £26.7m of net cash after everything, not £141.1m, and £19.8m of what it did generate was working capital release. The second is that lease principal of £49.3m is the largest single cash item below operating cash flow, twice the dividend, and it did not move year on year; add the £6.3m of lease interest and the lease obligation absorbs £55.6m a year, which is more than the group's entire capital expenditure programme even at the guided level. The third is that on flat earnings, no working capital help and the guided capex, FY27 is roughly cash neutral to slightly negative while holding the dividend.

Reading that against the company's own guidance is instructive. Management guides net bank debt to around £50m from £69.7m. The term loan is a bullet with no repayment before 2028 and there were no borrowing movements in FY26, so on the face of it that reduction has to come from building roughly £20m of cash. Moving from minus £5m on the illustrative column to plus £20m is a swing of about £25m.

Most of that gap can be closed without any trading growth at all. If none of the £19.0m of adjusting items inside EBITDA repeat, and the £9.9m tariff charge in particular does not, then reported EBITDA rises to around the £147.0m adjusted level on flat trading, leaving roughly £6m to find from trading or from a further working capital release. Put that way the guidance is achievable rather than heroic, but it is also not conservative: it assumes the exceptional costs genuinely were exceptional, which for a tariff position the company describes as unresolved is an assumption rather than a fact.

One cross-check supports the guidance hanging together. Net debt of around £200m including leases alongside net bank debt of around £50m implies lease liabilities of about £150m against £143.8m today, a rise of some £6m. That is consistent with the London head office move the company has flagged within its capital expenditure, which would add a lease rather than reduce one. The guidance is internally coherent; what it rests on is the adjusting items not recurring.

Turnaround or harvest

The results support two readings. For the Americas the disclosure settles it. Full price direct to consumer revenue in the USA grew 14% with full price mix up 9 percentage points, off price USA wholesale pairs fell 31%, the FY25 comparative contained a single large off price wholesale deal the company says made minimal profit contribution, and the region grew 1.1% in constant currency. That is a deliberate withdrawal from low quality revenue rather than a loss of demand.

For EMEA it does not. The own channel is falling 9.9% in constant currency with ecommerce down 11.5%, wholesale is growing 7.6% into the gap, and the company describes the region as promotional while crediting full price discipline elsewhere. There is no EMEA full price mix disclosed, so the European decline cannot be sized the way the American one can. It is worth noting that the company chose to publish the metric for the region where it flatters and not for the region where it would not, which is itself informative.

Two things weigh against the benign reading and should be stated rather than left out.

The first is ecommerce. Group ecommerce fell 7.3% in constant currency, 8.9% as reported, and EMEA ecommerce 11.5% in constant currency. The company attributes part of the Americas ecommerce decline to planned reductions in clearance, which is consistent with the withdrawal story, but no such explanation is offered for Europe. A brand's own website is the channel it controls most completely, and an eleven per cent decline there in the largest region is the most direct evidence available of demand erosion rather than deliberate pruning.

The second is that the off price bridge cannot be built from what is disclosed. Group pairs fell about 0.3m. If the 31% fall in off price USA wholesale pairs removed more than that, the rest of the business grew volume and the withdrawal story holds. If it removed less, there is unexplained demand loss. The company does not disclose the off price pairs base, so the calculation cannot be done, and I would not claim the volume decline is substantially deliberate when the arithmetic that would show it is unavailable. What can be said is that the direction of the US evidence supports the withdrawal story and that the European evidence does not yet support anything.

What has happened since the balance sheet date

The AGM trading statement of 15 July 2026 contains no figures, which limits what can be drawn from it, but its direction is consistent with the regional split above. Trading was described as in line with expectations and FY27 guidance was left unchanged. The USA was said to continue to grow with wholesale particularly encouraging, and

Japan and South Korea to be performing well. Europe was described as performing as expected against a challenging consumer backdrop, which is the softest of the three characterisations (Dr. Martens plc, 2026b).

One of the four stated FY27 priorities bears directly on this analysis: to drive full price revenue mix in the UK and DACH. That is the company applying to Europe the approach that has worked in the USA, which suggests management reads the European position much as this report does. It also means the European full price question should become answerable in the FY27 disclosure, and interim results for the 26 weeks to late September 2026 are expected later in November 2026.

Where this sits against comparable credits

Two things have to be said before any comparison. Dr. Martens has no public credit rating that I could find, and its debt is a bank club facility rather than traded paper, so there is no market price for it and nothing here should be read as a view on its spread. What can be done is to place it against two rated footwear peers using, wherever possible, figures the companies themselves publish rather than second hand accounts of agency opinions.

ISSUER	RATING	COMPANY REPORTED NET LEVERAGE	S&P ADJUSTED	DEBT
Dr. Martens FY26, 29 Mar 2026	**None found**	**1.4x incl. leases, net of cash**	**Not rated**	**£250m bank term loan to Nov 2028, floating**
Birkenstock Q3 FY26, 30 Jun 2026	BB+, outlook negative	1.8x incl. leases, from 1.5x at 30 Sep 2025; FY26 guidance 1.6x to 1.7x	2.1x 2025, c.3.0x 2026, c.2.5x 2027 (forecast)	€900m 4.500% senior unsecured notes due Jun 2033
Golden Goose GG12 S.p.A.	BB-	Not published	3.1x 2025 rising to c.4.4x 2026 (forecast, cash not netted)	€530m senior secured notes and €350m secured FRNs due 2033, €175m RCF

Fig 4. Sources: Dr. Martens FY26 Results Statement; Birkenstock Q3 FY26 earnings release and its Form 6-K of 22 June 2026 reporting the notes issue; Milbank LLP announcement of 29 June 2026 for the Golden Goose financing structure; S&P ratings as reported in trade press, since I have not seen the agency reports. Birkenstock's net leverage is its own reported measure and its net debt does include lease liabilities: the components disclosed in its earnings release, being loans and borrowings of €1,683.3m plus lease liabilities of €237.3m less cash of €693.6m, reconcile exactly to the reported €1,227.0m. The two leverage measures are therefore struck on the same basis as to leases, though at different dates.

Two bases have to be kept apart, and the table separates them because mixing them is the easiest way to reach a flattering answer. On what each company itself publishes, Dr. Martens at 1.4 times sits below Birkenstock at 1.8 times, and both include lease liabilities. On S&P's adjusted basis Birkenstock is around 3.0 times in 2026 against Golden Goose at around 4.4 times, a gap of roughly 1.4 turns rather than the 2.6 turns a mixed comparison would suggest. Dr. Martens has no agency figure at all, so it appears in the second column only as not rated.

The agency basis runs roughly 1.7 times the company basis for Birkenstock, which is a useful calibration: it is the size of haircut an agency applies to a company's own presentation, and the same order of adjustment would likely apply to Dr. Martens. Two further differences matter. The agency figures for both peers are forward projections rather than reported results, while the Dr. Martens figure is an FY26 actual. And S&P does not net balance sheet cash for Golden Goose, whereas the Dr. Martens 1.4 times nets £180.3m. The dates differ too, with Birkenstock measured at 30 June 2026 against a Dr. Martens year end of 29 March that this report elsewhere identifies as a seasonal high for cash.

A gross comparison is more conservative and worth stating, because Dr. Martens' 1.4 times nets £180.3m of cash. Gross debt of the £250.0m term loan plus £143.8m of leases over adjusted EBITDA of £147.0m is 2.7 times, or 3.1 times on reported EBITDA. The £147.0m denominator is my own add back and is more generous than an agency would be likely to allow, since it adds back £6.9m of transformation spend that does not obviously look one off.

The one genuine pricing anchor available is Birkenstock's. In June 2026 it issued €900m of senior unsecured notes due 2033 carrying a 4.500% coupon, as a BB+ credit then running at 1.8 times net leverage. Of the proceeds, €428.5m redeemed 5.25% notes due 2029 and the balance was incremental, principally to fund share repurchases, which is why its leverage rose and its outlook went to negative. The reoffer yield is not disclosed in the filing, so 4.500% is a coupon rather than a clearing yield. Dr. Martens is less levered on its own published measure, carries a much shorter maturity, has no disclosed security package and borrows floating off SONIA against a fixed coupon, so the two are not substitutes, and I could not establish the final coupon on the Golden Goose tranches from a primary source. The honest conclusion is that 4.5% is a reference point rather than a comparable, and that forming a view on what Dr. Martens should pay would need facility pricing I do not have.

The last point is qualitative and matters more than the ratios. Birkenstock's leverage is rising because it is buying back stock from a position of growth; Dr. Martens' is falling because it is shrinking the business to repair the balance sheet. A rating agency weighs the business risk profile against the financial one, and here the financial profile is the stronger half. That asymmetry runs through this whole report.

Liquidity and capital structure

The structure is simple, which from a lender's perspective is a virtue. A term loan of £250.0m sits fully drawn alongside a revolving credit facility of £126.5m at the year end, of which £122.7m was undrawn. The £3.8m difference is not broken out, and a lender would want to know whether it is ancillary facilities and letters of credit or cash drawings. Both facilities were refinanced in November 2024 for an initial three year term to 14 November 2027, with two one year extension options subject to lender approval. One has been exercised, taking both to 14 November 2028 with effect from 1 May 2026. The statement does not say whether the second option survives exercise of the first; if it does, the horizon could run to November 2029 at the lenders' discretion, and that inference is mine.

Both facilities price off the floating SONIA benchmark rate (Dr. Martens plc, 2025b), so the group's bank interest cost moves with rates. The margin is not disclosed in either the results statement or the readable part of the annual report. That floating exposure is worth noting alongside the FY27 guidance of net finance costs of around £24m, which is flat against FY26 despite the company also guiding net bank debt down by roughly £20m, and which therefore implies either higher rates or lower interest income on a smaller cash balance.

Cash of £180.3m against the drawn term loan gives net bank debt of £69.7m, and adding lease liabilities of £143.8m gives net debt of £213.5m, both consistent with the reported figures. Lease liabilities are included in covenant net debt but are obligations to landlords rather than to the lending group, and the statement does not address their relative ranking.

On 30 March 2026, immediately after the year end, the company cancelled £26.5m of commitments under the revolving facility, reducing it to £100.0m. A company worried about liquidity does not reduce its undrawn facility, and the cancellation saves commitment fees. It also changes the liquidity figure most readers will carry away. At the balance sheet date, cash of £180.3m plus the undrawn £122.7m gave £303.0m. After the cancellation the same calculation gives £276.5m, so the year end figure overstates the facility actually available by £26.5m.

One caveat on all of this. A 29 March year end is close to the seasonal low for inventory and the high for cash in a footwear business that builds for autumn and winter, so year end cash of £180.3m says little about the intra year trough, and peak borrowing is not disclosed. The cancellation of revolving capacity is the event that most requires a peak funding analysis to judge, and that analysis cannot be done from this statement. The going concern note states that the Group continues to have satisfactory liquidity and covenant headroom throughout the period under review.

Risks and open questions

These are the risks I consider most serious, in order, each with the question I would put to management.

Europe

EMEA is the largest region, declined 3.7% in constant currency, and is seeing its own channel fall 9.9% while wholesale grows 7.6% into the gap. No European full price mix is disclosed. This is the exposure I would size the position against. *Question: what is the full price and promotional split within the EMEA decline, and is the discount withdrawal applied in the US being applied in Europe?*

Margin quality

Part of the 120 basis point expansion reflects the tariff charge sitting below gross profit rather than trading, as set out on page 2, and the size of that effect cannot be established from the disclosure. *Question: how much of the £9.9m reached FY26 cost of sales rather than capitalising into closing inventory, and what proportion of the charge relates to FY25?*

United States tariffs

FY26 carried a £9.9m exceptional charge for IEEPA related US tariffs following the US Supreme Court judgment. The USA is the group's largest single market, sitting within an Americas region of £278.4m, though USA only revenue is not separately disclosed. The charge is 17% of FY26 reported EBIT of £57.0m. Any future refunds would be exceptional income, which means the position is unresolved, and no quantified forward mitigation is given. This is the clearest identified threat to the one region currently working. *Question: what is the FY27 tariff exposure, and what mitigation is in place?*

Cash generation

Two years of destocking released £62.7m and £23.5m. At 32 weeks of cover that source is largely exhausted, and FY27 absorbs around £30m of capex against £11.9m. *Question: what is the lease principal repayment profile, and what is peak intra year borrowing?*

Capital allocation

Payout was 103% of earnings against a policy of 25% to 35%, with £24.6m of cash paid while capex ran at 1.6% of revenue. The dividend per share was held flat at 2.55p in both years, so the fall from 547% to 103% is earnings recovery rather than a dividend cut, which is a point in management's favour. The criticism is the level, not the direction. *Question: does the payout return to the stated band in FY27, and what is the £30m of capex actually for, given that the estate is guided broadly flat for two years?*

Covenant definitions

The 1.4 times figure cannot be reproduced from reported EBITDA and the definitions are not disclosed. *Question: what are the covenant EBITDA and covenant net debt definitions, the margin ratchet, and the add back caps?*

Conclusion

As a lender I would be comfortable here, and as an equity holder I would want more evidence. That split is the point of this credit.

The balance sheet is genuinely strong. Net bank debt of £69.7m, cash of £180.3m, leverage of 1.45 times on my own measure against a 3.0 times test, cover of 5.3 times on total net finance costs, and nothing to refinance until November 2028. My own scenarios show the credit surviving a ten per cent group revenue decline at under 2.0 times, and requiring roughly a 20% decline to reach the covenant. The company guides to further deleveraging in FY27.

What the accounts do not show is a brand returning to growth. The Americas case is real and evidenced in full price mix. The European case is not made: the own channel is shrinking at close to ten per cent, ecommerce faster than that, the growth is coming through the lower margin channel that caused the original problem, and the single disclosure that would settle it is withheld. The margin expansion that would otherwise support the turnaround reading does not survive the tariff reclassification.

So I would lend to the 2028 maturity, where the balance sheet does the work and the open question has time to resolve, and I would not extend beyond it until Europe is evidenced rather than asserted. The number to watch is not pairs sold at group level, which is annual, rounded and too blunt. It is EMEA constant currency own channel revenue. If that stabilises alongside the higher capital expenditure, this is a turnaround running a year behind in Europe. If it keeps falling while wholesale grows into the gap, the business is repeating in its home market the mistake it has just finished correcting in the United States.

Basis of preparation

Figures are from the Dr. Martens plc FY26 Results Statement (published 19 May 2026) and the AGM trading statement of 15 July 2026, both cited below. Figures identified in the text as my calculation are: adjusted EBITDA of £147.0m and £133.3m and the leverage of 1.45 and 1.87 times derived from them; the restated gross margin of 64.9%; interest cover of 7.2 and 5.5 times on bank interest and 5.3 and 4.1 times on total finance costs; total liquidity of £303.0m and £276.5m; all scenarios in fig 2; the FY27 illustrative column in fig 3 and the inferences drawn from it about what the net bank debt guidance implies; the gross leverage of 2.7 and 3.1 times in fig 4; the two sided restatement of gross margin under different attributions of the tariff charge between FY26 and FY25, and the observation that duty on unsold goods would have capitalised into inventory rather than reaching FY26 cost of sales; and the observation that translation accounts for about 1.5 percentage points of the group revenue decline. Each of the three figures that are most mine rather than the company's, being adjusted EBITDA, the leverage derived from it and the restated gross margin, has been derived by at least two independent routes that agree. The FY26 column of fig 3 follows the Annual Report's Finance review cash flow table, which also supplied the definition of operating cash flow, with the lease line split into the £49.3m principal and £6.3m interest reported separately in the consolidated statement of cash flows. Peer ratings and leverage in fig 4 are from press reports of S&P rating actions, not from the agency reports. The company does not publish an adjusted EBITDA figure and this statement contains no APM glossary. I have not seen the facility agreement. Neither the covenant EBITDA nor the covenant net debt definition is disclosed in the results statement, and I was unable to retrieve the annual report's glossary of alternative performance measures or its notes to the financial statements, so the definitions remain unverified and the 1.4 times is quoted as reported rather than derived. For the same reason I have not been able to confirm whether any contingent liabilities are disclosed. Interim results for the 26 weeks to late September 2026 are expected later in November 2026 and had not been published at the time of writing.

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