



Domino's Pizza Enterprises Ltd Financial Results For the six months ended December 2019

Global Food sales of \$1.58b (+10.6%)
Half Year EBITDA¹ \$151.0m (+10.0%)

Highlights

- Network sales: up +10.6% to \$1.58b
- Online sales: +18.8% to \$1.11b
- EBITDA: up +10.0% to \$151.0m
- Free Cash flow: up +59.3% to \$58.2m
- International EBITDA \$86.2m, 57.1% of Group EBITDA

- Japan: Excellent H1 organic store openings and higher sales (+12.2% to ¥25.7b) driving brand penetration to new and existing customers, lifted EBITDA +10.6%, to ¥2.8b
- Europe: Positive sales momentum in all countries, with particularly strong performance in Germany, growing regional sales +9.4%, to €382.8m and increased EBITDA by +15.6%, to €29.4m
- ANZ: Strong delivery growth grew sales +3.5% to \$613.2m; ongoing level of corporate store ownership, to deliver long-term network improvement, weighed on EBITDA growth +1.7% to \$71.4m

Domino's Pizza Enterprises Ltd (ASX:DMP) has increased global food sales by \$151.3m to \$1.58b (+10.6% on the prior year, +4.1% on a Same Store Sales basis), and delivered Half Year EBITDA of \$151.0m (+10.0%).

Domino's is now on track to pass \$3b in global food sales this Financial Year, with the Company's International Operations delivering particularly strong sales and profitability growth in Europe, offsetting short-term domestic headwinds.

Online and delivery sales continued to be the largest contributors to growth in all markets. Online sales grew +18.8% to \$1.1b, reaching, and retaining, new customers. This includes inside third-party order aggregator platforms, where Domino's is successfully competing with other restaurants on product quality, price, and speed of service.

The International Operations performance was supported by a record number of new store openings in International and strong store openings across the Group (+85 stores, +3.3%² of the network) led by Japan (+42 stores). France equalled the prior full year opening rate with +12 new stores openings, contributing to +37 new stores opened in Europe.

In the first half Domino's opened its 400th store in France, its first store in Luxembourg, and today operates 2,607 stores in nine countries.

Group CEO and Managing Director Don Meij said Management were pleased with the Company's performance, made possible by the commitment of franchisees, team members and corporate employees in all markets.

"We closed the last decade with more than 780 stores and \$700m in total network sales. We ended this decade with almost 2,600 stores, \$3b in sales this year, and confidence the strategy that has delivered this performance will allow us to more than double our store count and network sales in the next decade.

¹ EBITDA is defined as EBITDA excluding non-recurring costs and impact relating to adoption of AASB 16 from H1 20

² Gross organic store openings, excluding closures



Domino's Pizza Enterprises Limited
1/485 Kingsford Smith Drive
Hamilton, QLD, Australia 4007
ACN: 010 489 326
www.dominos.com.au

"This half particularly reinforced to us the importance of value to today's consumer – high quality food, at an affordable price, served quickly and safely. Where we have delivered on this expectation, we have seen strong, profitable growth for our franchisees and business.

"Across all of our markets, we have experienced CEOs, management teams and franchisees in place that are aligned on our strategy that will deliver us the growth for the next decade.

"Together we will work to reach our customers wherever they are, whether by opening stores closer to their homes, or by being the top ranked result inside their preferred search engine or third-party order aggregator.

"The future of our business, and the wider Quick Service Restaurant (QSR) industry, is delivered food ordered online – we have the expertise and are building the store footprint to capture this opportunity. Our medium-term outlook of opening 7-9% new stores each year in the next three to five years remains unchanged.

"Our store growth is coming from internal candidates, existing store managers and franchisees, who will expand their businesses with strong like-for-like sales. We believe we can lead the broader QSR industry with same store sales growth of between 3% and 6% over the same medium-term horizon.

The average number of stores per franchisee increased at a group level, with the average franchisee now operating 2.2 stores.

"Our focus is fixed firmly on the long-term, and we are demonstrating we will make decisions for our business that are for the long-term benefit of our customers, franchisee business partners, investors, and our communities.

"Our decision to provide targeted, short-term support to our franchisees in France to strengthen our partnership is already delivering results, with stronger sales, higher organic store openings and improved operational execution.

"As part of our efforts to improve the quality of our network, we are operating a higher number of corporate stores in Australia. This is for the long-term benefit of our business and we are committed to helping internal candidates, with the passion and capability to deliver results, rebrand these stores.

"Our net CAPEX in the short term has increased by 6.0% half-on-half, to \$49.1m, within our medium-term outlook of \$60m - \$100m per annum. As we've previously shown, including recently in Japan, this CAPEX will return as we improve and sell down those stores, allowing us to recycle these funds into new growth opportunities.

"Our digital development has always shown this long-term focus and will continue, with new initiatives that resonate with our customers underway, including our first loyalty program, Domino's Rewards, which is already rolling out in the Netherlands.

"In the months ahead, we are challenging every area of our business to deliver continued improvement based on our strengths; market leading service delivering high-quality and affordable meals that bring our customers closer.

"We look forward to delivering on these strengths."

Japan – Sales +12.2% to ¥25.7b (+6.1% SSS), 42 new stores, EBITDA ¥2.8b (+10.6%)

President and CEO Josh Kilimnik said the strong performance was a result of continued execution against Management's metropolitan fortressing strategy, which has not only lifted profitability but also reduced reliance on the narrow Christmas trading window.

"Of 42 organic new stores, 40 were fortressing territories to get closer to customers, reducing delivery times, increasing sales and lowering costs to our stores," Mr Kilimnik said.



Domino's Pizza Enterprises Limited
1/485 Kingsford Smith Drive
Hamilton, QLD, Australia 4007
ACN: 010 489 326
www.dominos.com.au

"At the same time, sales growth is powering more marketing, on television and in digital channels, which is building momentum by increasing awareness of our market-leading offering.

"To continue to build on this momentum will require ongoing focus on our product and technology offerings, and operational execution through Project 3TEN that has already reduced average delivery times."

Europe – Sales +9.4% to €382.8m (+5.0% SSS), 37 new stores, EBITDA €29.4m (+15.6%)

Europe CEO Andrew Rennie said the improved performance in Europe was a team effort, reflecting the positive impact of decisions made in the prior Financial Year by experienced leadership delivering on their strategy.

"We believed that targeted support last Financial Year in France, while a headwind in the short-term, would deliver better alignment with our franchisee base in this important country, and we are seeing that positive response through higher sales and store openings," Mr Rennie said.

"Similarly, the focus on a single brand in Germany, made possible because of the hard work in converting acquired Hallo Pizza stores to Domino's, have allowed for our first national television campaigns, driving sales. Germany has led the region, with notably strong Same Store Sales growth, as a direct result of these efforts.

"In the Benelux, our decision to invest in internal growth is delivering strong sales and organic store growth, which we expect to continue into the second half, particularly in Belgium as we start our very first television campaigns.

"Across this region Management is not only pleased with our performance, but confident in the future opportunity – it's up to us to use the platform we now have in place to continue to innovate through our digital platforms and menu, driving sales growth and more store openings."

Australia/New Zealand – Sales +3.5% to \$613.2m (+3.0% SSS), 6 new stores, EBITDA \$71.4m (+1.7%)

Australia/New Zealand CEO Nick Knight said Management was pleased with recent trading, which reflected operational and pricing decisions in the market.

"We shared last year our Same Store Sales growth was affected by incremental increases to our value range, that did not resonate with high-frequency, carry-out customers," Mr Knight said. "We have listened to our customers and returned our value range to \$5 nationally from mid-December, which has brought these customers back to our stores.

"Prior to the return of this \$5 value layer on our menu, carry-out sales were negative, offsetting very strong delivery growth through our 'Any Large Pizza \$15 Delivered'. This delivery offering is engaging new and existing customers who want simplicity and value, with delivery the largest contributor to growth this half.

"That delivery growth, through our own platforms, is in addition to delivery growth via third-party aggregators. We remain of the view our competitors are the restaurants our customers may choose, not the platforms they may choose to order through – as they always have been.

"Targeted advertising of these important layers on our menu is delivering very positive results; with the return of our \$5 value range in mid-December and continued growth in deliveries, sales for the first seven weeks of this half have exceeded expectations and we are working hard to build on this momentum. We are cautiously optimistic sales this half will be at the upper end of our medium-term outlook.

"Our efforts to improve the quality of our franchisee network are proceeding well. The stores we are now operating are seeing improved sales and profitability growth, and we expect this to continue when high-quality franchisees are operating these businesses. Ongoing sales growth will determine the pace of refranchising of these stores, and we anticipate it may take 18-24 months to return to a historic level of corporate store ownership.



Domino's Pizza Enterprises Limited
1/485 Kingsford Smith Drive
Hamilton, QLD, Australia 4007
ACN: 010 489 326
www.dominos.com.au

FY 20 Trading and Outlook: SSS +6.3%, +11 new stores

Management is very pleased with positive Same Store Sales growth in all markets, which reflects ongoing strength in Europe and Japan, and materially improved trading in Australia/New Zealand. SSS growth in the first trading weeks of H2 20 is +6.3%, and for the Financial Year to Date +4.6%. Network sales are +10.7% higher for the Financial Year to Date³ reflecting organic new stores typically open towards the end of each half.

In the first weeks of H2 20, +11 organic new stores have opened for trading, with significant store openings planned this Half.

The Company intends to build out the opportunity available in its existing markets, which have a population greater than the United States, and a GDP greater than China. Further, Management remains active in examining additional Domino's markets where they would add value to our business.

The Company will pay shareholders an interim dividend of 66.7 cents per share (100% franked). This is to be paid on 13 March 2020, with a record date of 26 February 2020.

Domino's Pizza Enterprises Limited (DMP) is Domino's largest franchisee outside of the USA. It holds the master franchise rights to the Domino's brand and network in Australia, New Zealand, Belgium, France, The Netherlands, Japan, Germany, Luxembourg and Denmark. Today, DMP has a network of more than 2,600 stores. For more information, visit www.dominosinvestors.com.au

This release has been authorised for release by the Board of Directors.

For further information contact:

Rhiannon Frater, DMP Communications Manager M: 0447 795 353 | E: media@dominos.com.au

Nathan Scholz, DMP Head of Investor Relations: M: 0419 243 517 | E: investor.relations@dominos.com.au

³ Compared to prior corresponding period