



ASX/MEDIA ANNOUNCEMENT

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Menu enhancements drive positive sales growth in all Domino's markets

Domino's Pizza Enterprises Limited (**ASX: DMP**) today announced customer-focused initiatives including menu enhancements and technology innovations had delivered positive sales growth in all markets for the Year to Date.

Group Same Store Sales increased +5.03% on the previous corresponding period (pcp) for the first 17 weeks of trading of FY18, and the Company has reaffirmed underlying NPAT¹ growth² to be in the region of 20% for the Full Year.

At Domino's Annual General Meeting, held today in Brisbane, the Company also unveiled **Domino's Pizza Checker – Checked by DRU AI** – the biggest customer-focused quality innovation ever.

Group CEO and Managing Director Don Meij said customer-focused initiatives in all markets had delivered Same Store Sales (SSS) growth at, or above, forecast levels – and new innovations in the pipeline, including Domino's Pizza Checker, would continue that approach.

"The growth in Same Store Sales, on the back of corresponding years of strong sales, demonstrates the importance of continuing to invest in our strategy, high quality food, and reducing customer friction at every point," Mr Meij said.

"Our technology development isn't for development's sake, each project seeks to answer the question; 'how can we make this experience easier, more convenient, and more engaging for our customers?' – and customers are responding positively."

Following the largest like-for-like sales increase in the Company's history in October 2016, the Australia/New Zealand region delivered an additional +4.45% SSS growth on the pcp for the Financial Year to date.

"As a company, we never believe 'we have arrived', we always work to improve, looking to our own performance to see where we can do better.

"Our ongoing efforts following record-setting sales demonstrates that commitment."

In Japan, Same Store Sales Growth was +0.12% pcp for the first 17 weeks, and in Europe +8.48%.

"We highlighted at the Full Year results that we have rectified some issues in Europe that impacted growth in the past Financial Year.

"Accordingly, we are upgrading our Same Store Sales growth guidance for Europe to +6-8% (up from +5-7%) for the Full Year."

The Company highlighted profit growth would be appreciably lower in the First Half, predominantly due to the rollover of last year's exceptional SSS growth in ANZ and foreign exchange weakness in Japan and New Zealand.

"In Australia/New Zealand we are forecasting Same Store Sales growth of +7-9% for the Full Year, and expect growth in the Second Half to be approximately twice that recorded in this First Half.

¹ Underlying Net Profit After Tax after minority interest – excluded financing costs associated with the share buy-back and non-recurring costs related to Hallo Pizza acquisition, IR audit costs in Australia, and Legal costs related to IP protection

² Compared to FY17 underlying results



“Similarly, where we have provided guidance of +0-2% Same Store Sales Growth in Japan for the Full Year, we expect this to be predominantly reflected in the Second Half.

“We are reaffirming our guidance for Same Store Sales growth for both Australia/New Zealand (+7-9% and Japan +0-2%).”

Mr Meij said that in Financial Year 2018 the Company would focus in all markets on **digital innovation, menu enhancements, and Project 3/10** – with the continued goal of serving a freshly made pizza in three minutes, and safely delivering it in 10.

“In my more than 30 years in this business, I have never been more excited about the year we have in front of us.”

Australia/New Zealand

Domino's will be launching new menus before the end of the year, featuring new ingredients, including new dessert offerings – building on the successful launch of Thickshakes following the 2016 AGM.

The new menu will include an Authentic “New Yorker” range – five 16” pizzas that are based on customer feedback, including Big Cheese and Big Pepperoni and Sausage – super cheesy and with slices so big customers can fold them.

Following successful launches of new innovations including Domino's Anywhere, and PayPal Bill Split this Financial Year, Domino's in Australia/New Zealand will trial Hot Lockers in selected stores, aimed at time-poor customers, and expand deliveries using DRU Drone by Flirtey, in the next phase of the partnership with industry-leader Flirtey.

Mr Meij unveiled Domino's Pizza Checker, in partnership with Dragontail Systems, to help ensure pizzas meet Domino's high standards at all times, even during the busiest periods.

“We strive for pizza perfection so when we hear our customers say their pizza wasn't topped correctly or it was burnt we worked hard to deliver a technology solution to help team solve an everyday problem.

“With all the best intent, we know that while our stores strive for only the best in execution, the reality of a busy store can mean pizzas go out from time to time below the high standards we set ourselves and the quality our customers deserve.

“Pizza Checker helps team members hand make pizzas correctly every time - cooked and cut to perfection, correctly topped with only the highest quality, freshest ingredients consistently.

“We will look to roll this out in other markets, and have the exclusive global rights to do so under a 12-month agreement, with the ability to extend this exclusivity in our markets.”

Mr Meij said technology innovations had allowed the company to test new meal options for release this Financial Year.

“Project 3/10 has given us the confidence to introduce 20 minute delivery guarantees, and even 15 minute guarantees in some stores – this in turn allows us to explore new meal options for time-poor customers, and we look forward to unveiling those this year.”

Japan

Domino's is in the final stages of customer testing of the OneDigital online ordering platform, leveraging online ordering innovations learned in Australia/New Zealand and Europe.

The Company will also add significant menu enhancements, targeting single consumers and new occasions, with new products and simplified pricing.

“We have introduced a three-minute oven in Japan, a first for Domino's anywhere in the world, and will target an aggressive roll-out of this exciting technology, which is already delivering higher levels of customer satisfaction,” Mr Meij said.



Domino's Pizza Enterprises purchased the minority interest in Domino's Pizza Japan on October 27, and is now the 100% owner of the business.

Domino's Pizza Japan President and CEO Scott Oelkers will retire from his role after 30 years with Domino's, and will leave the business at the end of the calendar year.

Experienced Domino's executive Josh Kilimnik will return to Domino's Pizza Enterprises, where he started his career 25 years ago, to take up the role. Mr Kilimnik is currently Domino's (DPZ) Vice President – Middle East, Africa, Central Asia, and Eastern Europe.

Europe

Mr Meij said Domino's expected to introduce significant menu, and technology, innovations in Europe this Financial Year.

"We will commence testing and roll-out of GPS Driver Tracker in Belgium and Germany in FY18, which allows us to increase our focus on store operations as part of Project 3/10."

Domino's Pizza France will enable its first 30 stores with GPS Driver Tracker this Financial Year.

"The extensive experience we have with this technology, and the service enhancements it allows us to bring to customers, gives us confidence that customers will love these initiatives when we introduce them in Europe.

"It makes the ordering and delivery experience not only faster, but more convenient and more engaging for our customers.

"Similarly, we will be introducing innovations including gift cards in the Netherlands, ahead of the holiday season, and expand our autonomous deliveries by DRU, in partnership with Starship."

"We are excited about the potential for our business in Europe – we expect to become the pizza market leader in Belgium this Financial Year, and to become the largest quick service restaurant business by store count in the Netherlands in the same period.

"But we can't rest there; we will be investing in significant menu enhancements in Europe this year, building on our learnings from the record-breaking Taste the Colour launch in Australia/New Zealand last year."

Domino's will launch new Taste the Colour menus in Germany and France this year, add Garlic Bread and Cheesy Garlic Bread to the menu in Germany, and relaunch two of its best-selling pizzas in France.

In the Netherlands and Belgium, Domino's will target the lunch menu with new sandwiches, and has lifted the number of stores open for lunch from 10% to 50% (targeting a 100% lunch-time opening).

Thickshake trials in the Netherlands and Belgium have been positive, and the Company will look to roll-out Thickshake machines to more stores following the trial completion.

"These announcements are significant menu enhancements, which we are confident will lead to increased customer counts, and Same Store Sales growth in Europe – but there is more to come.

"We are in the testing phase of exciting new menu options, planned to launch in the Second Half, and look forward to introducing them to our customers."

Domino's announced in October it had entered into a binding agreement to acquire the Hallo Pizza chain in Germany.

The acquisition will increase Domino's German store count from 209 to between 300 and 340 stores, and will see European store count pass 1000 stores within the next 18 months.



Domino's forecasts between 90 and 130 Hallo Pizza stores will convert to Domino's stores, with between **20 and 40 of those conversions to be completed this Financial Year**.

"This acquisition strengthens our market-leading position in Germany, and we expect it will drive meaningful operating leverage," Mr Meij said.

Domino's German stores will undertake the largest television and advertising campaign in its history this Financial Year, made possible by the single brand following the conversion of all former Joey's Pizza stores.

Store count

Domino's commenced the Financial Year with 2,135 stores, and has **opened 32 organic new stores in the Financial Year to Date**.

The Company has reaffirmed it intends to **open between 180 and 200 new organic new stores** in FY18 – in addition to the 170 stores added with the Hallo Pizza acquisition.

Industrial relations – Australia

Negotiations for a new Enterprise Bargaining Agreement are well advanced and the Company expects a new agreement to be implemented before the termination of its existing agreement on January 24.

Domino's forecasts increased wages under the new agreement will account for up to 2% of average franchisee sales, before our strategic initiatives are implemented, and has been preparing franchisees for this increase as negotiations have continued.

Over the past 18 months, Domino's has already increased our team members' take-home pay in good faith in advance of the new EBA.

"We look forward to finalising this process; with the initiatives we have underway, and with the steps we have already taken, we are extremely confident our locally-owned stores will continue to build strong sales and profitability."

Other updates

Domino's also updated shareholders that the Court of Appeal in France had upheld a decision in favour of Domino's Pizza France, in legal action with Speed Rabbit.

It is not known at this time whether SRP will file an appeal from this decision.

The Company also announced it has bought back 1.97 million shares, for an aggregate \$87.1 million, as part of an on-market buy-back announced in August.

The buy-back announced was to remain in place for up to 12 months, to August 2018, and the Company may continue to buy-back shares – the number and timing of which will be dependent on Domino's share price and market conditions.

For more information visit www.dominos.com.au.

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