



ASX/MEDIA ANNOUNCEMENT

14 August 2018

Domino's reports record profit and increases dividend on higher sales

Domino's Pizza Enterprises Ltd (ASX:DMP) has reported a record Full Year Net Profit After Tax (NPAT¹) of \$136.2m, +15.0% higher than the previous Financial Year (FY), and lifted its full year dividend +15.5% to 107.8 cents per share, based on growing sales in all markets.

With the Company adding almost six stores a week in FY18; building 145 new stores and acquiring 163 stores from other brands, total sales grew +11.7% to \$2.59 billion.

When compared to the same stores in the previous year (Same Store Sales), sales in all markets were positive in Australia (+4.5%), Europe (+5.7%) and Japan (+0.9%), after compounding successive years of high growth.

Group cash flow was substantially stronger in FY18, with free cash flow before acquisitions increasing +125.8%² to \$120.6m, underlying earnings per share (EPS) growth of +14.4% for the year, and compound annual EPS growth of 27.2% over the past three years.

Group CEO and Managing Director Don Meij said the Company was pleased to be delivering on its multi-market strategy.

"Less than four years ago we surpassed \$1 billion in sales, and this year Group Network Sales reached \$2.59 billion – this continues to be a fast growth business," Mr Meij said.

"We delivered positive growth in all markets but after consecutive years of significant and compounding growth, our bar for success is even higher."

Key aspects of Domino's performance for the Financial Year included:

- Positive sales growth in all markets, in total and on a comparative, Same Store Sales, basis;
- Online sales growing strongly, +19.4%, or \$269.5m, to 63.9% of total Group sales. A record of 2 million pizzas and sides were sold in Australia in one week;
- A record proportion of Australia/New Zealand franchisees and store managers investing in their businesses;
- Australian sales performance affected by uncertainty prior to the introduction of modern award wages, now successfully implemented; and
- Lower than forecast sales in France, affected by increased food costs.

"The results of this year reinforce our confidence in our business; strong store metrics with increasing profitability mean internal Franchisees are opening new stores and building their businesses," Mr Meij said.

"One of the significant achievements this year was the transition of our Australian employees to the Modern Fast Food Industry Award. Even with some uncertainty prior to moving to the Award, that affected store performance and operations, our franchisees profitability is in line with the previous year.

"We are proud of our franchisees having implemented this significant change, which means our team members are paid rates among the highest in our industry, including penalty rates and mileage allowances, which they deserve.

"Globally, we believe ongoing growth over the longer term is achievable and expect to grow our business, and our share of the pizza and wider fast food markets, with compounding growth in the range of 3-6%³ – higher than our competitors.

"We believe this is achievable given the growth we've achieved in the Europe market already - 230% in the past three years alone.

¹ Adjusted for share buy-back

² On the prior corresponding period (pcp)

³ Same Store Sales



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"We believe there is significant upside by continuing to capture a significant share of the growing takeaway retail food ordered online, what we call the 'Internet of Food'⁴, which is worth more than \$1.7 billion in Australia alone.

"Our stores have embraced Project 3-10⁵, delivering hotter, fresher meals, and lifting customer satisfaction and repurchase. Our stores are sharing their lessons and challenging each other to improve their operations, setting records in multiple markets for the lowest average delivery times for a week.

"This also means we need more kitchens, closer to our customers, to satisfy existing and future customer demand, and we reaffirm our long-term store count forecasts, after surpassing the forecasts we set seven years ago.

"We believe this is achievable because franchisees recognise the financial success of their peers who have opened more stores in their existing territories. This means that in FY19 we expect to build between 225 and 250 stores, the strongest year in our Company's history," Mr Meij said.

Domino's also remains active in pursuing suitable Domino's acquisitions, including other pizza businesses.

"With the long-term store targets that we believe are achievable, we forecast continued growth, in the short and medium term, on a same store and network basis, and will work every day to achieve this.

"This work is supported by our ongoing investment in technology, which helps our team members be more efficient and makes the ordering experience better for our customers," Mr Meij said.

Australia/New Zealand – Network sales +7.7% to \$1,117.1m (+4.5% SSS), 50 new stores opened

Australia/New Zealand CEO Nick Knight said Franchisees had demonstrated their resilience in accomplishing one of the most significant changes to employment conditions, with the entire Australian workforce now on the Modern Fast Food Award.

"Franchisees, supported by our operations team and new tools, including our intelligent rostering system Tanda, were able to implement this change and keep profitability in line with the prior corresponding period (pcp)," Mr Knight said.

"Our focus on new products, digital innovation including Domino's Pizza Checker, and Project 3-10, will give us a significant competitive advantage as competitors take this major step to a level playing field."

The Fair Work Ombudsman continues to investigate two corporate stores, and one franchisee, and has concluded its other investigations. No significant issues have been found in any of the finalised investigations.

Europe – Network sales +16.9% to €642.1m (+5.7% SSS), 68 new stores opened, 163 Hallo Pizza stores

Europe CEO Andrew Rennie said: "Across Europe we are performing as a whole in line with our expectations. While we experienced some challenges in France, we are confident our management, led by a new CEO who is himself a France market veteran, have the experience and strategy to improve performance."

Mr Rennie said the integration of Hallo Pizza was progressing well - 130 stores had committed to convert to Domino's (surpassing original expectations of 115 stores at point of acquisition), 19 stores have already converted and these stores are trading above expectations.

Through a joint arrangement with DPG, Domino's has secured the Master Franchise Agreement for Luxembourg, completing the Benelux. The first stores in Luxembourg will open in FY19, with a future outlook of 10-15 stores.

⁴ NAB Online Retail Spend Index (NORSI), year ending June 2018
<https://business.nab.com.au/wp-content/uploads/2018/08/NORSI-JUN-2018.pdf>

⁵ Project 3/10 – a target of providing a carry-out order in 3 minutes and a delivery order in 10 minutes, from the time of order.



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Japan – Network sales +3.2% to ¥41,402.6m (+0.9% SSS), 27 new stores opened

President and CEO Josh Kilimnik said same store sales were improving, with significant growth in new customers.

“We have the right team in place, supported by our OneDigital online platform, implementing new marketing initiatives and focussing on what makes Domino’s different – our high quality products and the speed of our service.”

FY19 Group Trading Update

Domino’s store openings and sales were positive in the first trading weeks of FY19. In the first six weeks, 12 new stores have been opened. During the first 5 weeks of trade, Group same store sales were +4.4%. Australian stores have reported +3.9% SSS (compounding +7.2% in the pcp), Europe +1.6% (compounding +8.8% pcp), and Japan has recorded outstanding SSS growth at +12.0% (following -1.2% pcp).

The Company will pay shareholders a dividend of 49.7c cents per share (75% franked). This will provide shareholders a full year dividend of 107.8 cents per share, up 15.5% on the final dividend paid in the pcp. This is to be paid on 5 September 2018 with a record date of 21 August 2018.

FY19 Guidance

Same Store Sales Growth – Group:	+3-6%
New organic store additions – Group:	+225-250 new stores
EBIT ⁶ – Group:	\$227-247 million
Net CAPEX ⁷ – Group:	\$60-70m

3-5 Year Outlook

Annual Same Store Sales Growth – Group:	+3-6%
Annual Store Growth – Group:	+7-9%
Annual Net CAPEX ⁸ – Group:	\$60-70m

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 and Luxembourg. Today, DMP has a network of more than 2,400 stores. For more information, visit www.dominosinvestors.com.au

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⁶ Excluding non-recurring costs

⁷ Excluding acquisitions

⁸ Excluding acquisitions