



ASX/MEDIA ANNOUNCEMENT

20 February 2019

Domino's delivers earnings increase on double-digit global sales growth

Domino's Pizza Enterprises Ltd (ASX:DMP) global food sales lifted +14.6% to \$1.43 billion for the Half Year ending 30 December 2018, driving a +12.1% lift in EBIT¹ to \$108.3m.

Domino's overseas markets contributed more than half of the Company's EBITDA² with \$71m EBITDA² contribution from Europe and Japan.

In line with the Company's vision of *Leading the Internet of Food in Every Neighbourhood*, online sales increased +16.5%, +\$132.2 million higher than the prior corresponding period.

Domino's online platforms processed 32.4 million orders in the Half, more than two orders every second.

Global Network Sales growth, +3.3% higher on a Same Store Sales basis, reflected strong performances from Japan, Germany, Benelux³ and New Zealand, with softer performance in Australia, and lower than expected performance in France.

The Company reached significant store milestones in the Half Year – surpassing 1,000 Domino's branded stores in Europe, 700 stores in Australia and 300 Domino's branded stores in Germany, opening 77 organic new stores and converting 72 Hallo Pizza stores.

Announcing the results today, Domino's Group CEO & Managing Director Don Meij said the result reiterated the importance of the Company taking a long-term view in building a multinational business.

"Europe and Japan account for more than 70% of our revenue and, more than half of our EBITDA⁽¹⁾ – a testament to the depth of expertise from our team members and store managers, franchisees, and our country CEOs," Mr Meij said.

"With a population base in our current overseas markets more than 12 times Australia, our global business provides not only a significant runway for future growth, but also a natural hedge against short term conditions affecting any single country, or region.

"Management is pleased with the performance in the Half but we, like every Domino's team member, look to improve our performance every day."

Key aspects of Domino's performance this Half Year included:

- A strong underlying operating cash flow⁴ up +26.2% with an excellent cash conversion rate and significant repayment of store loans by franchisees in Japan
- ANZ: Domino's grew market share in the pizza and fast food categories and the business performed very strongly in New Zealand. However, management had expectations to do better, falling short of internal targets
- Japan: A standout performance: new management initiatives have materially grown unit economics; trading performance was strong throughout the half and EBITDA was +34.3% on the prior corresponding period
- Europe: Benelux operations continue to lead their industry, conversion of acquired Hallo Pizza stores in Germany have exceeded expectations, however France held back overall growth

"Our growth relies every day on hard work at a store level to meet and exceed our customers' expectations" Mr Meij said.

¹ Underlying Increase in Earnings Before Interest and Taxation compared to the prior corresponding period

² Underlying Earnings before Interest, Taxation, Depreciation and Amortisation

³ Belgium, Netherlands, Luxembourg

⁴ Before interest and Tax



ASX/MEDIA ANNOUNCEMENT

20 February 2019

“The fundamentals that have allowed us to build strong positions in each country will be unchanged as we expand our business; providing value to our customers.”

“This means delivering high-quality products at affordable prices, an ordering experience that is simple and rewarding, and meals that are prepared and delivered fast and safe.”

“It is why every market is focused on executing Project 3TEN⁵, why we continue to invest in a digital platform that is market-leading, and why we are taking the next step in QSR technology with the introduction of Pizza Checker to our Australian stores.”

“We will continue to deliver on this focus in the months ahead.”

Australia/New Zealand – Network Sales +6.2% to \$592.5m (+3.5% SSS), 13 new stores opened

Australia/New Zealand CEO Nick Knight said domestic growth, while outperforming peers, did not reach management expectations.

“We’ve come through an unprecedented cost headwind and have been able to do so because of the close work with our franchisees and customers – with new products and technology to make stores more efficient, and to give our customers great value,” Mr Knight said

“Growth has been very strong in New Zealand and in Australia, where growth in fast food has been slowing, we’ve continued to grow our market share.

“We expected higher sales growth and a performance better than we delivered, and we will be redoubling our efforts to do both in the months ahead.”

Europe – Network Sales +17.4% to €349.9m⁶ (+2.3% SSS), 33 new stores opened

Europe CEO Andrew Rennie said the region performed well, leading the Group in new store openings and revenue growth.

“Total Network Sales were very strong in Europe this Half, again, underlining our confidence in the opportunities available to us in this market,” Mr Rennie said.

“We are pleased with the overall performance in Europe: Our operations in Belgium and the Netherlands have been first-class; with the conversion of Hallo Pizza in Germany to a single national brand well ahead of schedule, we are looking forward to operational and marketing benefits there; however in France there have been one-off investments needed to improve performance.”

Japan – Network Sales +9.0% to ¥22,936m⁷ (+4.8% SSS), 31 new stores opened

Japan President and CEO Josh Kilimnik said operations had exceeded expectations, with strong sales growth and profitability increases.

“Since acquiring the Minority Interest in Japan we have reviewed every aspect of our operations and have re-tested the assumptions that supported our decision making – today you can see the results,” Mr Kilimnik said.

“Our franchisees, store managers, and customers, share the same passion for value as in every other market – which is why we have lifted our focus on Project 3TEN and launched new products such as the New Yorker range, to give great products and service at an affordable price.”

⁵ Project 3TEN: targeting three-minute carry-out orders and 10-minute deliveries, from the time of the customer’s order

⁶ Growth in local currency, equivalent in AUD is +23.7%

⁷ Growth in local currency, equivalent in AUD is +16.9%



ASX/MEDIA ANNOUNCEMENT

20 February 2019

Group H2 19 Trading and Guidance update

Domino's sales have been positive in the first seven trading weeks of H2 19, at +4.0% on a Same Store Sales basis, compounding +6.9% in the prior corresponding period. In the first seven weeks of H2 19, 13 new organic stores have been constructed and opened for trading.

Management expects Same Store Sales for the Full Year to be within guidance, at the mid-to-lower end of the +3-6% range. As a result, EBIT is expected to be at the lower end of guidance of \$227m-\$247m.

As communicated at the AGM, Domino's anticipated store openings to be skewed to the second half, and to the end of each half and this remains the case. New store builds are now expected to be slightly lower than originally guided – in the range of +200-+215 organic new stores – which remains within of the Company's store growth outlook of +7-9% growth each year.

As a result of renewed confidence in Japan and updated modelling in Belgium, Domino's has upgraded its Group future store outlook to 4,900 (+250 stores) by 2025-2028.

In addition to our strong organic growth, the Company remains active in pursuing suitable Domino's acquisitions.

Net Capex is expected to be within guidance of \$60-70m, including the benefit from the continued sell-down of the Franchisee loan book.

The Company will pay shareholders an interim dividend of 62.7 cents per share (75% franked). This is to be paid on 14 March, with a record date of 27 February.

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 2,450 stores. For more information, visit www.dominosinvestors.com.au

Tracy Llewelyn, DMP Head of Communications: M: 0408 771 024 | E: media@dominos.com.au

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