



## ASX/MEDIA ANNOUNCEMENT

21 August 2019

# **Domino's delivers global sales of \$2.90b (+11.9%) Full Year EBIT<sup>1</sup> \$220.8m (+7.2%)**

### **Highlights**

- Network sales: up +11.9% to \$2.9b
- Online sales: +18.2% to \$1.9b
- EBITDA<sup>2</sup>: up +8.9% to \$282.4m
- Cash flow: up +132.4% to \$84.9m
- International EBITDA \$154.5m vs ANZ EBITDA \$127.9m
- Japan: Very strong response to new initiatives increased sales +13.6%, to ¥47,025.8m, largely from new customers, with strong unit economics boosting EBITDA +32.1%, to ¥5.8bn
- Europe: All markets had positive SSS, lifting network sales +11.0%, to €712.9m. Short-term incentives to lift store economics in France delivered underlying EBITDA growth of +5.5%, to €51.4m
- ANZ: Market share grew on increased sales (+4.6%, to \$1,169.0m), however there was some margin compression, largely due to short term corporate store increase, lowering EBITDA -4.0%

Domino's Pizza Enterprises Ltd (ASX:DMP) has increased global food sales by \$308.4m to \$2.9bn (+11.9% on the prior year, +3.6% on a Same Store Sales basis), and delivered a Full Year EBIT of \$220.8m (up +7.2%).

This year Domino's continued to grow market share in all regions, with online sales particularly strong. Digital sales have shown little to no effect from aggregators, increasing +18.2% on the prior year to \$1.94b, now accounting for 67.1% of all sales.

Domino's online platforms processed more than 66 million orders this year, more than two orders every second.

Domino's Japan stores led a strengthened performance from the Company's International operations, which now contribute more earnings<sup>2</sup> to the Group than Australia/New Zealand operations, accounting for 54.7% of Group underlying EBITDA of \$282.4m (+8.9%).

Domino's Japan earnings increased 32.1% to ¥5.8bn after customers responded very strongly to market-leading operational performance, new menu strategies and marketing initiatives.

Domino's Pizza Enterprises today has 2531 stores in eight countries on three continents. This year the company passed the milestones of 1,000 Domino's branded stores in Europe (including 300 in Germany), 700 in Australia, 600 in Japan and, in the coming weeks, Domino's will open its 400<sup>th</sup> store in France.

Group CEO and Managing Director Don Meij said management were confident in the Company's strategy and future opportunities.

"We believe there is significant future potential in our existing Domino's businesses – our combined markets have a population greater than the USA, and a GDP greater than China<sup>3</sup>, and we intend to build out this opportunity."

<sup>1</sup> EBIT – underlying basis

<sup>2</sup> EBITDA – underlying basis

<sup>3</sup> United Nations Statistics Division - <http://data.un.org/Default.aspx>



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Domino's opened an additional +179 new stores, the equivalent of one every two days, +7.5% of the network, and completed the conversion of the Hallo Pizza chain in Germany.

Mr Meij said the Company's performance reflected the efforts of more than 50,000 team members and franchisees worldwide who were committed to improving the customer experience every day.

"We continue to take a long-term view to building our business, fortressing our existing markets and working with our franchisees to open more stores closer to our customers and expanding into new markets," Mr Meij said.

"We made a strategic, long-term decision 13 years ago to expand internationally through our first acquisition in Europe and we remain active in examining additional Domino's markets where they would add value to our business.

"Our international operations today account for more than half of our earnings, and they will be the largest driver of our future growth.

"The performance from Japan and Europe was very strong this year, growing sales by \$256.6m. To put that growth in perspective, when our business listed, total sales from Australia and New Zealand were \$306.1m.

"Our franchisees are the key to our future growth – as they fortress their local markets they unlock additional sales and lower their operating costs. We are very pleased to see a growing number of franchisees with more than three stores – as they grow, we grow.

"Where necessary, we have made strategic, short-term decisions this year to provide additional, targeted support to franchisees where local trading conditions required. We believe this is the right thing to do as part of our ongoing focus on improved store economics in all markets, benefiting both the Company and our locally-owned franchisees.

"Domestically our margins, and as a result our EBITDA, were compressed because, in line with this focus, we increased the number of corporate stores (as a percentage of our network) as underperforming franchisees have left the business.

"I am pleased with the performance of our Group as a whole. We will continue to deliver an experience our customers value – high quality food, at affordable prices, ordered through a world-class digital experience, and delivered fast through the efforts of Project 3TEN.

"We intend to continue to build and leverage our scale, with a store footprint that puts us at the centre of more neighbourhoods."

### **Japan – Sales +13.6% to ¥47,025.8m (+8.4% SSS), 81 new stores, EBITDA ¥5.8b (+32.1%)**

President and CEO Josh Kilimnik said a new focus in Japan had changed the Company's outlook for the country.

"We have successfully demonstrated that a focus on Domino's strengths – high quality food, a true barbell menu strategy, market-leading digital operations and a relentless focus on Project 3TEN – are all very well received by our customers, as in other markets," Mr Kilimnik said.

"The positive sales growth has flowed through to substantially improved unit economics and improved profitability.

"Our sales growth has come from new customers. Every team member in Japan shares the enthusiasm of our other markets for continued improvement, and in growing customer frequency and the pizza category."

### **Europe – Sales +11.0% to €712.9m (+3.1% SSS), 77 new stores, EBITDA €51.4m (+5.5%)**

Europe CEO Andrew Rennie said there had been significant progress this year in building out the business, led by positive sales growth in all countries and a record number of organic store openings.



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"The Benelux delivered another tremendous performance, Germany is now benefitting from a single focus on Domino's with the completion of the conversion of Hallo Pizza stores, and new leadership is delivering a much-improved result in France in the Second Half.

"A team effort has delivered some very strong results in a big year for Europe. Sales increased 11% with online sales an impressive 24% higher than the prior year, we've opened 77 new stores, successfully integrated the Hallo Pizza business, acquired two new countries (Luxembourg and Denmark), and have a solid pipeline of new store openings across the continent.

"With the unwinding of those short-term incentives in France, and the positive trend in sales growth over the past four months, we are looking forward to delivering an even stronger result this Financial Year.

### **Australia/New Zealand – Sales +4.6% to \$1,169.0m (+2.4% SSS), 21 new stores, EBITDA \$127.9m (-4.0%)**

Australia/New Zealand CEO Nick Knight said domestic growth was softer than anticipated, and management was focused on delivering improved performance led by higher sales.

"We made strategic decisions this year that delivered a short-term headwind, which we are confident are for the medium- and long-term benefit of our hard-working franchisees, helping their continued growth," Mr Knight said.

"Through Operations 360, we have identified some of those franchisees who have demonstrated they no longer had the passion or capability to execute successfully as we grow. We have seen 22 under-performing franchisees exit the system, in some cases as a result of our compliance regime identifying deliberate underpayments of team members.

"We are confident in the progress of our strategic initiatives, including our investment in technology and new marketing campaigns. Our world-first DOM Pizza Checker is already helping to deliver meaningful improvements to the quality of our pizzas, which customers recognise."

### **Corporate Social Responsibility**

Across three continents, Domino's Pizza Enterprises Ltd and our franchisees provide employment for more than 50,000 team members, and investment in local communities.

We have added measurable targets, including increasing the use of electric vehicles (including bicycles) in our delivery fleet, and to work towards removing artificial colourings, flavourings and preservatives from our menu.

More is available in our annual report at [www.investors.dominos.com.au](http://www.investors.dominos.com.au), including case studies reflecting the work we are doing to support our team members, and local communities.

The board and management recognise it is increasingly important to communicate this work to our communities and our shareholders. This Financial Year Domino's intends to work with our communities to develop measurable targets in the areas important to them.

### **FY 20 Trading and Outlook: SSS +4.7%, 9 new stores**

Same Store Sales growth at a Group level is showing positive momentum. Growth in the Second Half was 60bps higher than in the First Half, and much of this momentum was in the last quarter of the year. This positive momentum has continued into the first trading weeks of FY20, with Same Store Sales lifting +4.7% - this was particularly pleasing given this compounded +4.4% growth in the prior corresponding period.

In the first weeks of FY20, 9 organic new stores have been constructed and opened for trading.

As outlined in 2018, Domino's Pizza Enterprises will no longer provide 12 months guidance, instead providing a longer-term outlook (3-5 years) on sales and store count growth. This outlook is for Same Store Sales growth of 3-6% annually at a group level, and store count growth of 7-9% annually at a group level.



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Domino's intends to invest in the growth of the network, including through opening more corporate stores in Japan, and providing short-term loans on commercial terms to experienced young managers and franchisees expanding their business. Accordingly, the company's view is net capex will expand in the next three to five years to between \$60m and \$100m annually, largely through Capex which recycles as franchisees pay down these loans and corporate stores are franchised.

The Company will pay shareholders a final dividend of 52.8 cents per share (100% franked). This is to be paid on 12 September 2019, with a record date of 28 August 2019.

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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 2,500 stores. For more information, visit [www.dominosinvestors.com.au](http://www.dominosinvestors.com.au)

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