



19 August, 2020

Domino's Pizza Enterprises Limited
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Domino's Delivers Global Sales of \$3.27b (+12.8%) Record Full Year EBITDA¹ \$303.0m (+7.3%)

Highlights

- Network sales: up +12.8% to \$3.27b
- Online sales: +21.4% to \$2.36b
- EBIT: up +3.6% to \$228.7m
- Free Cash flow: up +90.7% to \$161.9m
- International EBITDA \$186.7m vs ANZ EBITDA \$116.3m
- Japan: A record performance across multiple metrics; attracting new customers and increasing order frequency. Sales increased +25.9%, to ¥59.2b, increasing EBITDA +29.9%, to ¥7.5b
- Europe: Short term closure in France, and support for franchisees reduced EBITDA -1.5% to €50.6m. Network sales grew +5.1%, to €749.1m, with Germany delivering leading sales growth.
- ANZ: Increased safety and franchisee investments protected the network but reduced EBITDA -5.8% to \$129.4m. Sales growth (+4.1%, to \$1,217.4m) markedly lifted towards end of H2.

The Board and Management of Domino's Pizza Enterprises Ltd (ASX:DMP) have thanked franchisees and team members for their dedication, commitment and safety focus since the start of COVID-19.

The past six months has been an extraordinary period in Domino's history, in which the company has purchased more than 15 million items of PPE and other safety materials, donated more than 220,000 pizzas to those in need, advertised more than 13,000 new jobs, and seen 0 franchisees exit the business due to the pandemic.

Group CEO and Managing Director Don Meij said the Company had made record investments in people, franchisees and local communities while still delivering a record profit.

"No-one in the Domino's family has been untouched by COVID-19; all of us know a family affected by this virus, through losing their job, their health, or their life," Mr Meij said.

"We invested \$14.1m into supporting stores, have kept our people safe and welcomed a record number of new team members to our business; it is possible for Domino's both to do good, and to do well.

"It has been a privilege to be able to trade during this time, to be trusted by customers to provide them a hot, freshly prepared meal so they can stay safely at home: We are doing everything possible to live up to that privilege."

While the speed of change from COVID-19 was unforeseen, Domino's long-term strategy anticipated a global shift to food ordered online and delivered – this decade-long investment was essential to meeting the recent challenge.

Domino's delivery experts developed and pioneered Zero Contact Delivery in all markets to serve customers staying safely at home. The growth in delivery increased global food sales to more than \$3 billion for the first time (\$3.27b, +12.8%)².

Domino's digital sales (+21.4% to \$2.36b) continued to outpace total sales growth, to serve 72.1% of total sales for the Full Year. At the same time, Domino's opened +163 new stores, including +78 in Europe and +75 in Japan.

¹ EBITDA – underlying basis

² Network sales +9.2% constant currency, +5.8% SSS



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"Customers want high quality meals, delivered fast, ordered online, for an affordable price – COVID-19 has not changed these dynamics," Mr Meij said.

"This requires a world-class digital platform and even more stores, built closer to customers.

"Most importantly, this requires a world-class team: our franchisees and our team members have shown they put people first, they are safety-focused, and they have adapted and innovated to find new ways to serve.

"Simply put – we would not have been able to serve our communities without our team, the store footprint we have built, and the investments we have made in an online ordering platform that has handled record traffic.

"These have been the keys to meeting rapid changes in customer ordering patterns, and will remain the keys to our future, for the duration of COVID-19 and beyond."

In the initial stages of COVID-19, the Company provided five updates to investors, including a CEO Webcast, regarding the short-term changes in customer behaviour to which it had responded. Mr Meij said Management's focus was now firmly on 'Living with COVID-19'.

"We cannot forecast how long this pandemic will last, nor how it will impact sales or costs in the short term. But we do know it was the right decision to support our stores and our franchisees where needed, that our success relies on offering market-leading service and value, and being sufficiently flexible to make operational changes that reflect local conditions.

"While there is uncertainty in the broader economy we have certainty in our team and our offering – we intend to use this period to strengthen our business by investing in more marketing and opening more stores, by investing in our people and in our technology offerings.

"What delivered us to now, allows us to build a confident future.

"Just as the strategy we have implemented over the past decade has helped us serve our communities during these past few months, the investments we make now will ensure we can serve more communities in the decade ahead.

"Our new Car Park Delivery service is a perfect example of our agile, customer-focused approach during this time.

"I am delighted that our operations and digital teams have been able to fast track the launch of this industry-first innovation in Australia and in New Zealand, with testing underway in Europe – the initial feedback from customers has been overwhelmingly positive and we believe it will add an important layer to our business in the next 12 months."

Japan – Sales +25.9% to ¥59,215.9m (+18.4% SSS), 75 new stores, EBITDA ¥7.5b (+29.9%)

The success of a new strategy for this market, implemented over the past two years, has lifted expectations for the potential for Domino's Pizza Japan – Management has lifted the long-term outlook to 1500 stores (+500)³.

Japan opened an additional 75 new stores this year and is expected to surpass Australia by store count this Half.

President and CEO Josh Kilimnik said management's short-term focus was on building on increased demand, with COVID-19 bringing forward previously forecast growth in both carry-out and delivery.

"Because of the clear plan we've applied to broaden our offering beyond peak holiday periods to more every-day meals, we have been able to grow the pizza category with both new customers, and increased ordering frequency from existing customers.

³ By 2030-2032



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"When serving a new customer, it is vital their first experience is positive and we were pleased our online ordering system, enhanced store penetration, and market-leading delivery times have impressed customers.

"With high levels of satisfaction from new and existing customers, management believes it is within the control of our people to retain many of our recent gains and deliver future growth."

Europe – Sales +5.1% to €749.1m (+2.8% SSS), 78 new stores, EBITDA €50.6m (-1.5%)

Higher levels of COVID-19 in Europe, compared to other regions Domino's serves, affected H2 results and offset a strong performance in H1 (EBITDA +15.6%, SSS +5%).

Europe CEO Andre Ten Wolde said the effects of COVID-19, while challenging for the short-term, had reinforced the importance of management's long-term focus on growth.

"A larger store network allows us to invest in a united response to this pandemic, to protect our people and strengthen our brand through increased advertising. Now is the time for us to accelerate our growth.

"Our markets experienced different levels of societal restrictions and affected sales growth accordingly. From France, where our stores closed temporarily, to the Benelux where lower Carry-Out sales offset delivery growth, to Germany where we had strong sales growth built on a single, national brand.

"We have the right product, value offering, and team members to confront this challenge and we're pleased with the improving trend over the past quarter.

"We opened a record number of new stores this year (+78), and absent COVID-19 would have delivered more. Now our franchisees have a deeper understanding of 'Living with COVID', we're looking forward to another record year for new stores."

Australia/New Zealand – Sales +4.1% to \$1,217.4m (+5.1% SSS), 10 new stores, EBITDA \$129.4m (-5.8%)

Australia/New Zealand CEO Nick Knight said the performance of the ANZ region demonstrated the importance of franchising to the resilience of the business.

"We have developed, tested and implemented new methods of operating – from Zero Contact Delivery right through to Car Park Delivery – in record timeframes, all to ensure we can serve our customers safely," Mr Knight said.

"Having a network of experienced, people-focused franchisees has been critical to our trading so far, and will be as long as we are living with COVID-19: for the Full Year, industry data⁴ shows we grew 3.5x our nearest pizza competitor in spend."

Domino's ANZ operations were affected by a short-term market closure in New Zealand, and changes in customer behaviour that had an uneven effect across stores.

"We decided early to invest to put people first and to ensure our franchisees could trade through this period; we provided financial support to some franchisees and paid for additional sanitiser and protective equipment so there could be no barrier to safety.

"These were the right decisions and we will not hesitate to repeat them throughout this pandemic; we know this both could have a short-term effect on our profits, and is the right thing to do for our people and the long-term success of our business."

⁴ Source: The NPD Group /CREST®, year ending June 2020



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Corporate Social Responsibility

Domino's Pizza Enterprises Ltd is privileged to continue to serve our customers during COVID-19, and our stores have been determined to give back to our communities.

In all regions, local stores have launched programs to provide hot, fresh meals to emergency services workers and those on the frontline of COVID-19, including seniors and those whose businesses closed.

This approach has been consistent with stores serving communities during natural disasters, including the Australian bushfires this year where stores donated more than 5600, and we donated more than \$175,000 to bushfire relief.

Meaningful progress has also been made this year to reduce energy usage in stores and in our supply chain, including increasing the number of electric vehicles in our fleet.

More information is available in our annual report: <https://investors.dominos.com.au/annual-reports>

FY 21 Trading and Outlook: Network Sales Growth +18.5% (SSS +11.0%), 24 new stores

Mr Meij said the performance across the Group had shown pleasing progress, with sales performance materially lifting in the last three months of FY20.

SSS growth of 11.0% compounded +4.7% growth in the prior corresponding period, and +24 new stores compared favourably to +9 stores opened during the same period last year.

"In ordinary times, I would be delighted with double digit SSS, and network sales approaching 20%. But these are not ordinary times," Mr Meij said.

"While I am very pleased with our performance so far, the nature of COVID-19 is we know governments could require a temporary restriction, or a market closure, at very short notice.

"We are going to do everything we can, with the experienced teams we have, to add new customers and increase frequency. But the effect of societal restrictions is not entirely within our control.

"What is in our control is how we respond to our environment, and customer expectations. The performance of our people during COVID-19 underpins our confidence in the long-term future of our business – 5500 stores by 2033.

"Our franchisees will be the driving force of this expansion; their operational and financial results this Half ensures they are positioned for growth."

Domino's reaffirmed the Company's medium-term outlook (3-5 years) for sales (+3-6% SSS) and network growth (+7-9% organic new store openings annually).

The Company will pay shareholders a final dividend of 52.6 cents per share (100% franked). This is to be paid on 10 September 2020, with a record date of 26 August 2020.

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

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 2,680 stores. For more information, visit <https://investors.dominos.com.au>

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