

Domino's Pizza Enterprises Limited 1/485 Kingsford Smith Drive Hamilton, QLD, Australia 4007 ACN: 010 489 326 www.dominos.com.au

## 17 February 2021

# Domino's Pizza Enterprises Ltd Financial Results For the six months ended December 2020

Global Food sales of \$1.84b (+16.5%) | Half Year EBIT<sup>1</sup> \$153.0m (+32.3%)

### **Highlights**

Network sales: +16.5% to \$1.84b
Online sales: +25.4% to \$1.42b
EBITDA: +23.8% to \$218.7m

• EBIT: +32.3% to \$153.0m (International EBIT: +55.7% to \$99.9m: 65.3% of Group EBIT)

Underlying NPAT (after Minority Interest): +32.8% to \$96.2m

Free Cash flow: up +50.3% to \$124.4m

- Japan: Management and franchisees have accelerated new store openings (+68) and sales (+42.6% to ¥36.7b) through new customers and higher frequency, lifting EBIT +112.3%, to ¥4.2b
- **Europe**: Regional sales (+13.8%, to €435.7m), reflected local COVID conditions and management response. Positive in all countries led by notable growth in Germany. EBIT grew +18.2%, to €27.2m
- **ANZ:** Experienced franchisees grew sales (+5.7% to \$648.0m) and expanded their businesses with new stores and refranchising of corporate stores. Improved margins lifted EBIT +9.8% to \$63.7m

With the COVID-19 pandemic continuing to impact the communities that Domino's serves, the Board and Management of Domino's Pizza Enterprises Ltd (ASX:DMP) recognise the ongoing efforts of franchisees and team members across nine countries, as they continue to prioritise the safety and wellbeing of customers, team members, and the community.

Domino's today announced global food sales for the Half Year increased by \$260.8m to \$1.84b (+16.5% on the prior year, +8.5% on a Same Store Sales basis), and delivered Half Year EBITDA of \$218.7m (+23.8%).

Group CEO and Managing Director Don Meij said he was very pleased with the Company's performance, which largely reflected experienced management and franchisees executing on a long-term strategy rather than one-off costs or short-term sales attributable to COVID-19.

"The performance this half predominantly reflects the benefits from investing in, and strengthening, our franchisee base and expanding our store footprint on a global scale, and the efforts of tens of thousands of our people executing against our strategy."

Domino's opened 131 organic new stores, 5.0% of the network, with significant contributions from Japan (+68 new stores), France (+19 new stores) and Germany (+15 stores). Germany surpassed its previous Full Year record for organic new stores (+13 new stores) in the First Half.

"Despite the unique challenges of this time, store openings have accelerated with an average of five new stores opening each week, which reflects the confidence Domino's, and our franchisees, share in our future. We intend to significantly outperform this strong result in the Second Half."

<sup>&</sup>lt;sup>1</sup> H121 underlying costs compared to H120 underlying, including AASB16, excluding significant charges



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Mr Meij noted that COVID-19 conditions, community responses and accordingly sales remained mixed across the Company's portfolio of nine countries.

"Network sales growth in all countries was positive, with particularly strong growth in Japan and Germany where local teams met the twin challenges of delivering exceptional service levels and serving record customer numbers.

"Our view is COVID-19 has brought forward long-term demand for delivered food, ordered online, in all markets. At the same time, carry-out orders remain challenged in most markets, as specific customer segments (including CBD office lunches) have changed their ordering behaviour.

"This has affected individual countries differently – in some markets the growth in delivery sales has more than offset the changes in carry-out customers, in others Same Store Sales growth remains lower than expectations in the short-term.

"There is no doubt that Japan and Germany have exceeded already high expectations for heightened order volumes, with additional COVID-specific growth. But this was only possible because of the leadership and expertise of our teams in preparing and training for this growth.

"Equally some markets such as the Benelux, which were carry-out focused prior to COVID-19, have been challenged, and we recognise the efforts of our marketing teams and stores in adjusting their efforts to grow sales despite these changes.

"With new customers, including those trialling delivery for the first time, our goal is to retain them through excellent product, service and image: we are seeing encouraging signs of repurchasing.

"Prior to this pandemic affecting our communities, management's view was the strategy that had delivered our performance over the past decade would deliver growth for the next decade.

"COVID-19 has not changed this view – high quality food at an affordable price, served quickly and safely, benefits both our franchisees and our customers – and our recent performance reinforces it.

"Importantly, franchisee profitability remains strong -+20.8% across the group, and at records in multiple markets<sup>2</sup> – and franchisee appetite for reinvestment and expansion is as high as ever.

"92.5% of the new franchised stores opened were by existing franchisees or store managers.

"Throughout COVID-19 we will continue to put people first; providing safety equipment, supporting franchisees where needed and giving generously to our communities. I am proud we have the resources to invest in our people without receiving any government support this Financial Year.

"This approach has extended to the prior financial year; I am pleased Domino's was able to recently return \$792,000 of JobKeeper support received in FY20 to Australian taxpayers, with our sincere thanks.

"It is the ongoing efforts of our people that gives management confidence Domino's Pizza Enterprises Ltd will be an even stronger, more sustainable, and resilient business post COVID-19."

#### Japan - Sales +42.6% to ¥36.7b (+36.4% SSS), 68 new stores, EBIT ¥4.2b (+112.3%)

President and CEO Josh Kilimnik said the exceptional financial results relied on exceptional operations, as team members delivered on a proven strategic plan.

"Our team members have redefined what Domino's High Volume Mentality (HVM) means for this market, consistently serving record customer numbers with delivery times among the world's best and safety always front of mind.

<sup>&</sup>lt;sup>2</sup> Franchisee Company EBITDA is calculated on the basis of multiplying Group weighted average store EBITDA by Group weighted average number of stores per franchisee. Franchisee stores EBITDA growth over the same period was +15.1%



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"Two years ago, we walked investors through our plans to grow the Japanese business; our metropolitan fortressing strategy and new menu and pricing initiatives that would allow us to reach more customers for more occasions. The past six months have seen the fruits of this approach.

"With +68 new stores opened in H1, more than a third of our stores now trading were not open at that time. A team effort across the board, from marketing and digital development, through to our procurement and partnerships team, has underpinned this rapid growth.

"Our franchisees have backed this approach in expanding their businesses; franchisees now operate almost half of our stores, surpassing the Company's initial long-term goals.

"Our business is leveraged to this growth – franchisees and Domino's Pizza Enterprises Ltd alike have benefited from record store profitability.

"We believe COVID-19 has brought forward demand that management had anticipated would flow from an expanded store footprint and growing Same Store Sales.

"Domino's Japan achieved some weeks and months of unexpected, additional, demand during the time the Country entered a nationwide State of Emergency (April 2020).

"That said, our product, service and image for these new customers was industry-leading and we intend to work hard to retain as many of them as possible in the months ahead.

"We have no intention of slowing our plans to open more kitchens, closer to customers, and expect our business to be significantly more substantial after this pandemic than when we entered it."

#### Europe – Sales +13.8% to €435.7m (+6.4% SSS), 50 new stores, EBIT €27.2m (+18.2%)

Europe CEO Andre ten Wolde said the strong performance from local operations was despite some of the highest levels of COVID-19 in the Company, affecting all communities.

"Most importantly, I am proud of every Domino's team member in Europe, throughout these rapidly changing conditions, for their commitment to protect the safety of their colleagues and customers.

"In each country, we have experienced a trend away from carry-out orders, and an increase in delivery. In some markets that, prior to COVID-19, had higher levels of carry-out, the increase in delivery has not always offset this effect on carry-out.

"By comparison Germany, which had a higher mix of delivery orders prior to COVID-19, has fast forwarded our expected 'Age of Delivery'.

"Our German franchisees are now moving into the third phase of integration into the Domino's business, increasing the number of organic new stores, designed to cater for larger volumes.

"Increased marketing, including more television in Germany, France and Belgium, is winning new customers.

"Franchisee profitability remains high, a record in some countries, and franchisee engagement with our strategy has delivered a record number of new store openings (+50) and a pipeline of franchisees ready to expand their businesses.

"We have invested in building out our development teams, particularly in France and Germany, to resource this demand, and plan to increase our store opening cadence.

"Our strategy is working and our brand is strong, including in our newest stores in Denmark where we are seeing a positive response to our efforts to rebuild our relationship with our communities.

"No member of the Domino's European team considers our business to be a beneficiary of COVID-19, with all witnessing first-hand the effects of the pandemic.



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"We do recognise that operating during these times is a privilege, let alone having the opportunity to grow our business serving more customers in more stores."

# Australia/New Zealand – Sales +5.7% to \$648.0m (+5.1% SSS), 13 new stores, EBIT \$63.7m (+9.8%)

Australia/New Zealand CEO Nick Knight said the stronger performance for the region reflected the ongoing improvement in the quality of the franchisee network, who had risen to the challenge of serving more customers under rapidly changing trading conditions.

Delivery growth in Australia and New Zealand remained strong, while carry-out sales continued to be affected in some markets where local restrictions temporarily limited customer movements.

"Our long-term focus has been on high-quality meals delivered fast, and safely, and through COVID-19 we have been able to meet increasing demand for deliveries from new and existing customers."

Mr Knight said the positive results, without accepting government support, showed Domino's expertise in delivery and efforts to return carry-out customers including through Car Park Delivery.

"Our franchisees and their store managers have shown the benefit of their deep experience in store operations and customer service – serving an increased number of delivery customers while always prioritising the safety of customers and team members," Mr Knight said.

"I am pleased that the efforts of our franchisees are being rewarded, with higher levels of customer satisfaction, increased sales, and record levels of franchisee profitability.

"With increased maturity in our franchise base and improved unit economics, we can see the benefits of Operations 360<sup>3</sup> coming to fruition.

"Our internal franchisees – the most sophisticated investors – are demonstrating their confidence in Domino's by expanding their businesses, opening new stores and taking on additional existing stores.

"We intend to continue the efforts of Operations 360, which have had a meaningful effect on the quality of our franchise base and will see more corporate stores refranchised into the hands of these experienced pizza people."

#### "Domino's for Good" - Environment, Social and Governance

A Domino's value is "We do the right thing, because it's the right thing to do" and the Company's decision to return government support in Australia, was an example of this approach.

The Company is pleased to welcome the first Chief ESG Officer, Marika Stegmeijer, to the Global Leadership team.

Mr Meij said Domino's was committed to continuous improvement through its "Domino's for Good" program, which would include setting measurable goals in areas of importance to customers, local communities and shareholders.

This includes programs to reduce the amount of plastic and cardboard, saving more than 265 tonnes of paper each year in Europe, and expanding community giving programs, including a three-year partnership with Lifeline supported by a \$750,000 donation.

<sup>&</sup>lt;sup>3</sup> Operations 360: a set of business intelligence and benchmarks to enhance Domino's store operations, transparency and profitability for franchisees



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#### FY21 Trading Update and Outlook: SSS +10.1%, +11 new stores

Domino's has reported a pleasing start to the Second Half, with Network Sales +20.9% higher (+10.1% on a Same Store Sales basis).

"We continue to experience uncertain times, but have confidence the clear principles that have delivered Domino's success, before and during COVID-19, will guide this next phase.

"Our team's agile response to changing conditions has lifted our expectations for Full Year performance to be even higher than our already positive, medium-term outlook," Mr Meij said.

"With a strong balance sheet and franchisee profitability, we intend to accelerate expansion."

Management remains active in seeking additional Domino's territories where they deliver value.

"We have a single-minded focus, clear strategy and long-term decision-making mindset that will deliver value for our franchisees and customers well into the future."

The Company will pay shareholders an interim dividend of 88.4 cents per share (50% franked). This is to be paid on 11 March 2021, with a record date of 24 February 2021.

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

#### **END**

For further information, contact Nathan Scholz, Head of Investor Relations at investor.relations@dominos.com.au or on +614 1924 3517.

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 2,800 stores. For more information, visit www.dominosinvestors.com.au

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