



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

22 February 2023

## Domino's Pizza Enterprises Ltd Financial Results For the 6 months ended December 2022

### DOMINO'S INCREASES STORE NETWORK +11.1% POSITIONED TO DELIVER GROWTH BY FOCUSING ON CUSTOMER VALUE

Global Food sales of \$1.97b (+1.2%)<sup>1</sup>

#### Highlights

- Online sales: -4.5% to \$1.53b (noting lower aggregator sales and a shift from delivery to carry-out)
- EBIT<sup>2</sup>: -21.3% to \$113.9m
- Underlying NPAT (after Minority Interest): -21.5% to \$71.7m
- 357 new stores added (+79 organic, +278 acquired), +11.1% of the network
- **Asia/Pacific:** Acquired 11<sup>th</sup> and 12<sup>th</sup> new markets (+278 stores) with ASEAN acquisition (Malaysia and Singapore). Reinvestment in the ANZ franchisee base has delivered network expansion. Our Asian business is materially stronger than pre-COVID. EBIT was lower, including due to operating a higher number of immature corporate stores in Japan.
- **Europe:** European operations faced significant geopolitical disruption, and the highest levels of inflation across the group. Sales were +1.3% higher in local currency, however earnings were materially lower due to lower sales in corporate stores, decreased food volume through Domino's commissaries, combined with a delay in passing through increased food costs

Domino's Pizza Enterprises Ltd (ASX.DMP) intends to return to higher same store sales and earnings in the second half, by delivering increased choice and value for new and existing customers.

Over the past three years, Domino's has added three new markets and 1,140 new stores (+44%) – management is confident this increased scale will deliver benefits with increasing customer counts.

The pizza company plans to rebalance the 'Value Equation' – delivering product + service + image at an affordable price, after some customers responded to higher delivery prices by reducing how frequently they order.

The Company remains on track to deliver significant network expansion this year through new store openings and the completion of the acquisition of three new markets in South-East Asia, but noted the challenges of responding to inflation while also delivering value for customers and margin for franchisees.

Domino's today reported global food sales were -4.0% lower (+1.2% excluding the effect of foreign exchange), and -0.6% in Same Store Sales (SSS). Earnings<sup>2</sup> were -21.3% lower at \$113.9m. Margins were affected by lower than anticipated sales, and the flow-on effect on corporate stores and warehouse earnings.

Group CEO & Managing Director Don Meij said management recognised the Company's response to combating inflation had not been optimal in the first half of FY23, but were confident in Domino's strategy, and people, to grow order volumes, total sales, and earnings.

"At Domino's we talk about the 'Value Equation' and are completely obsessed with getting this right, which in turn will deliver for our customers, our franchisees and our shareholders," Mr Meij said

<sup>1</sup> Excluding foreign exchange headwind of c. \$105m vs H122. NPAT FX translation headwind c. \$5m vs H122

<sup>2</sup> Earnings before Interest and taxation: H123 underlying compared to H122 underlying, excluding significant charges



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

"We haven't always had the balance right for some customer groups, largely in delivery, as we responded to inflation to protect our franchisees' businesses – we are working hard to correct that for all stakeholders.

"In the initial stages of inflation, our expectation was that we could offset increased input costs by providing customers 'more for more' rather than passing price through – an approach deep in our DNA.

"Given the challenging conditions and the effect on our franchisees we felt it was necessary to lift prices, including applying some surcharges. This was successful in protecting franchisee profitability, however given the speed of the change it was difficult to forecast the effect on customer repurchasing rates, especially where customers order less frequently such as Japan or Germany.

"It meant while we saw an initial benefit to franchisees' unit economics, specific customer groupings, particularly in delivery, reduced their ordering frequency which resulted in December trading being significantly below our expectations.

"Our data shows very clearly that our store operations are at a high standard, with customer satisfaction and delivery times remaining strong. Equally our digital offering, including our new app, is performing very well. Where we need to do more work is pricing and getting the Value Equation right."

Domino's sales were positive in December. However, they were not as strong as anticipated and the effect of higher prices, reducing customer repurchasing, continued into January.

Domino's broad approach to responding to inflation remains unchanged – offering customers choice through targeted menu price increases, balanced with inflation crushing offers and App-only specials that provide something for more price conscious customers.

"We have also been testing 'Flexible Vouchers' since December in Australia/New Zealand and are now rolling these out to other markets.

"In short – these online vouchers allow us to give customers the option and transparency to adjust their order, and price, to meet their specific meal preferences.

"Customers who want a different selection of side items, or would prefer only a can of soft drink rather than a bottle, can save money and choose the exact options they want.

"Fortunately, the customer demand globally for freshly prepared, affordable out-of-home meals, remains strong. This gives us confidence that the power to overcome these short-term challenges is within our control and we will continue to work to get the balance right

**ANZ:** EBIT grew +5.2% to \$63.4 million, with network sales marginally lower (-0.3%) on Network sales of \$687.3 million. Reinvestment in the franchise base has delivered network expansion, with 23 new stores opened in the Half, versus 23 in the prior Full Year. Corporate stores have increased as some franchisees exited the business due to underperformance; enhanced unit economics is key to refranchising these stores.

**ASIA:** Sales in Asia increased +3.0% on a constant currency basis, rebuilding following the lifting of the State of Emergency in the prior comparable period. The Asian business is materially stronger vs pre-COVID and will strengthen as a significant portion of the store network matures. The newly acquired markets (Malaysia and Singapore) are performing at expectations, with management intending to apply High Volume Mentality to store operations.

**EUROPE:** Our European operations have been more affected by inflation than the APAC region, largely due to higher levels of inflation affecting larger markets including Germany and France. Passing through input costs has seen a decline in customer counts across multiple markets, particularly in delivery. Nonetheless, delivery orders remain elevated vs pre-COVID, and management are working to rebalance the Value Equation for customers and franchisees.

#### **"DOMINO'S FOR GOOD" – ENVIRONMENT, SOCIAL AND GOVERNANCE (ESG)**

"The Company's ESG program, Domino's for Good, continued to make significant progress in H1.



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

Domino's has reconfirmed its commitment to take action on reducing greenhouse gas emissions according to science-based targets, which focus on the company's main impact areas: Sustainable Stores & Operations, Responsible Sourcing and Sustainable Product Innovation.

Domino's published an update through the Sustainability Report in H1, showcasing Domino's progress on initiatives across the ESG priorities, including on gender diversity, animal welfare and removing artificial colours and flavours from the menu.

"Domino's is a company committed not only to doing well, but doing good, and we aren't losing sight of the importance of contributing to a better community, and environment, in every neighbourhood in which we serve our customers," Mr Meij said.

### **FY23 TRADING UPDATE AND OUTLOOK: NETWORK SALES +4.2% (SSS -2.2%), +15 NEW STORES**

Sales growth in the second half has been less than anticipated, with management continuing to work with franchisees to balance the Value Equation for customers.

Marketing and operations teams are working with franchisees to deliver on product + service + image. This includes new product launches planned in H2 in all markets, and an app-first approach to customer ordering that is showing a positive response for Customer Lifetime Value, and new customer acquisition.

Domino's anticipates Same Store Sales growth will be below the medium term outlook of +3-6% growth, as a result of most-recent tumultuous trading conditions.

New store openings are still expected to be strong in FY23, but may be below the medium term outlook of +8-10%, depending on franchisee sentiment.

Based on the strength of the Company's operations at a store level and the performance of its digital platforms, Domino's management is confident in the ability to return to positive Same Store Sales growth once it is able to balance the value equation for customers.

"The newest product, pricing and voucher initiatives we are testing and implementing are showing promise, but it is too early for us to be definitive on the outlook for their performance.

"What gives us confidence is the world-class team Domino's and our franchisees employee – in our stores and in our corporate roles.

"We are confident in the power of our people to navigate these extraordinary times, and are proud of their efforts to respond and lift our performance.

"This is an ongoing process, and we appreciate the support from both our new and loyal customers."

The Company will pay shareholders an interim dividend of 67.4 cents per share (60% franked). This is proposed to be paid on 16 March, with a record date of 01 March.

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

END

For further information, contact Nathan Scholz, Group Chief Corporate Affairs Officer, at [investor.relations@dominos.com.au](mailto:investor.relations@dominos.com.au).

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, Denmark, Taiwan, Malaysia and Singapore. Today, DMP has a network of ~3,700 stores. For more information, visit [www.dominosinvestors.com.au](http://www.dominosinvestors.com.au)

Rhiannon Frater, DMP Chief Corporate Affairs, ANZ | M: 0401 323 440 | E: [media@dominos.com.au](mailto:media@dominos.com.au)  
Nathan Scholz, DMP Group Chief Corporate Affairs Officer: | M: 0419 243 517 | E: [investor.relations@dominos.com.au](mailto:investor.relations@dominos.com.au)