

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

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The Manager

Market Announcements Office

Australian Securities Exchange

4th Floor, 20 Bridge Street

SYDNEY NSW 2000

Dear Sir

Investor Call Transcript

Please find attached the transcript for the investor call held on the 25th of January, 2024.

This notice has been authorised for release by Group CEO & Managing Director, Don Meij.

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For further information, contact Nathan Scholz, Head of Investor Relations at investor.relations@dominos.com.au or on +61-419-243-517.

JANUARY 25, 2024 / DMP.AX - Domino's Pizza Enterprises Ltd Investor Call

CORPORATE PARTICIPANTS

Nathan Scholz Domino's Pizza Enterprises Ltd - Head of Investor & Government Relations

Donald Jeffrey Meij Domino's Pizza Enterprises Ltd - MD, Group CEO & Director

PRESENTATION

Nathan Scholz - Domino's Pizza Enterprises Ltd - Head of Investor & Government Relations

Morning all. I can just see the attendees starting to populate now. So I'll just start give it just a few moments until all of those attendees have joined on our web call. For those seeking to ask questions if you can just add them into the Q&A button. And I'll be able to answer those when we get to the Q&A session, which will be shortly. Okay.

I can see all of our attendees are in there. For those I haven't met, my name is Nathan Scholz, I'm the Chief Communications and Investor Relations Officer for Domino's Pizza Enterprises. I'm joined this morning by our group, CEO and Managing Director, Mr. Don Meij.

As you would be aware, we've published a trading update last night, which is that Domino's H1 preliminary NPBT is expected to be between \$87 million and \$90 million. This is below the prior corresponding period, but higher than the preceding half, which was H223. The preliminary results of the 26 weeks ending 31 of December 2023 is based on underlying earnings and remains subject to audit review and finalization.

With that, I will hand over to our Group CEO and Managing Director, Don Mei for some introductory comments before we go to Q&A.

Donald Jeffrey Meij - Domino's Pizza Enterprises Ltd - MD, Group CEO & Director

Yes, thank you Nathan and thank you for the huge interest that's come on the call today. You know clearly, it's quite humbling to sit in front of you and to be able to share the disappointing results in part of our business today and it really shows a roller coaster.

I'm currently in Australia, and we just announced our new internally, a new charity. We're just taking photos with Tony Hawk talking about some of the things that we're doing in the Australian business and then the reality that there's elements of our business that are clearly disappointing and hence why we did an update yesterday. And I'm looking forward to answering all of your questions as best I possibly can.

Thank you Nathan.

QUESTIONS AND ANSWERS

Nathan Scholz - Domino's Pizza Enterprises Ltd - Head of Investor & Government Relations

Okay. Thank you, Don. I'll just start with some of the questions that we've received this morning. And just to highlight, I've spoken or had inquiries from a number of investors and analysts this morning and taking their feedback, which is why we're hosting this call this morning.

Don I guess one of the first questions I would have is in relation to the timing of the announcement as to why yesterday and why specifically last night?

Donald Jeffrey Meij - Domino's Pizza Enterprises Ltd - MD, Group CEO & Director

Yeah, we needed to make sure that we did complete an adequate analysis so that we could give sufficient certainty when you're doing an announcement as it is. Yeah, we need to make sure we did the proper work and then get that others as efficiently as we could and as quickly as we could.



JANUARY 25, 2024 / DMP.AX - Domino's Pizza Enterprises Ltd Investor Call

Nathan Scholz - Domino's Pizza Enterprises Ltd - Head of Investor & Government Relations

Okay, thank you. And can you provide some commentary regarding the balance sheet at the moment?

Donald Jeffrey Meij - Domino's Pizza Enterprises Ltd - MD, Group CEO & Director

Yeah. So one of things I want to really make very clear is that we have full support of our eight banks at this point in time, and they've given us that reassurance. And we're still quite confident that we have a strong balance sheet and that we're going to continue to trade well within those EBITDA models.

Nathan Scholz - Domino's Pizza Enterprises Ltd - Head of Investor & Government Relations

Moving on, obviously from the results, same-store sales H124 in Asia were negative 8.9% and it was the only market that hadn't delivered network sales growth versus H223. Could you provide some commentary on what's going on in Asia and where the issues are?

Donald Jeffrey Meij - Domino's Pizza Enterprises Ltd - MD, Group CEO & Director

Yeah, there's two elements there. One of them largely has been Japan. And at this point in time, Japan still isn't trading at the performance that we would like. We're really disappointed with the results. We did have a strong week in the Christmas week and year, but the trading around that is where we are today and the results that we've talked about.

But also like to highlight that it's well-publicized that American brands in Asia and I largely talk to Malaysia in this case, I've been affected by what's happening in the Middle East right now. And so that's playing a piece as well from a Malaysian perspective.

Nathan Scholz - Domino's Pizza Enterprises Ltd - Head of Investor & Government Relations

Okay. Diving into more questions from Craig Wolford, the time frame for Domino's, what is the timeframe to see reductions in COGS across the business? So the most recent comments at the AGM that we said, we would see modest benefits for franchisees. What will we see more in FY25?

Donald Jeffrey Meij - Domino's Pizza Enterprises Ltd - MD, Group CEO & Director

Yes. So when we look at all of the inflation that we were taking in food and in the 22 period, that's come well off now in some parts of our business where we are trading in USD for some of our commodities, whilst the commodity may be coming down. And sometimes we still have some currency taking some of the benefit out of that.

But when we look at the actual input costs in places like Australia and New Zealand as an example, we're seeing food cost is running better than it has in recent history. In fact, what's really interesting to with productivity that's coming from some of the sales growth where we're getting sales, where processing labor costs come in, despite the fact that we've had inflation and labor, we're the opposite.

We're seeing the opposite to be true. Obviously, when we're not getting the leverage of sales and that's where what we're doing in Australia and New Zealand and what's working in Japan, Germany and Singapore and places like that where I'm mentioning and we're trying to get into Japan and France largely.



Okay. A question from Tom Keith. What was the cause of the weak same-store sales growth performance across November and the first three weeks in December, in Asia at December, sales outside of Christmas, down 25% to 30% in Japan?

Donald Jeffrey Meij - Domino's Pizza Enterprises Ltd - MD, Group CEO & Director

Yeah look we'll give a further update when we get into February with all the details around that sort of stuff. But largely, it's been executional that we just didn't execute to what we thought we could do. And in some learnings it's one of the reasons that we set up the centres of expertise.

Now if you reflect back on project foundation, the core foundation is to -- we've become inefficient in the way that we've been operating in businesses as we expanded relatively quickly around the world.

So as to bring efficiency, but it was also to bring back the reality that Australia was the Petri dish, it was a petri dish for most of their life until recent years, things like one digital and much of our innovation came out of the A&Z business. I mean then where it can be applied globally and we are.

And today you remember that approximately 80% of our sales and our digital. Most of our consumers purchase today through an iPhone or an Android product, an Apple product, or an Android product. And then they're mostly buying through global digital networks.

Things like TikTok, things like Meta, things like Google, things like Uber and takeaway out of the Netherlands and so on even grab it. And we've kind of many of these multinational businesses are global businesses using the same algorithms and the centres of expertise do they have done an exceptional job.

All of the same drivers that are in Australia and New Zealand are the same drivers in Germany. And we're doing very well in Germany by just by the nature of timing because it was a smaller market. We've seen success in Singapore as we roll out our technology. It's not material.

So that's why we haven't made a big deal out of Singapore. But the reality is it's showing what can happen. Now we need to get those centres of expertise to be fully implemented with these learnings throughout Japan and Europe.

We talked about the modest performance right now because some of that is already starting to work, but we still haven't got all that in at this point and still time to see that takes place and works.

Nathan Scholz - Domino's Pizza Enterprises Ltd - Head of Investor & Government Relations

Staying on Japan for a while, but a number of questions on that. The question in terms of what are the key initiatives in place in China and Japan? I think you've already just covered that, but has there been a misstep on pricing? And what can you pinpoint as being the key issues that are currently being rectified there?

Donald Jeffrey Meij - Domino's Pizza Enterprises Ltd - MD, Group CEO & Director

Yeah, I suppose the best analysis is the same. What's working in the markets that are firing and firing quite well is that one is being product lead, and we talked about this a lot at the AGM and at the full year that when we get dozens byproducts, right, we get the margins right and they flow straight through.

Things like I'm talking to Australian shareholders mostly I imagine. So when I talk about my Domino's box, that's very, very rarely discounted. If it's priced right, it's high margin. When we talk about melts, they're priced, right? They're high margin. They're very, very rarely added into a discount.

So first of all, getting that product right, building out a product menu and testing that takes longer, especially in markets with longer bicycles as parts of Asia. Second thing is our mission is to be the dominant sustainable delivery QSR in every market and areas that we need to dominate in include the aggregators and some of the biggest delivery likes for customers that we can access. And we're doing some of the biggest parts of that growth in Germany and Australia, New Zealand coming out of the aggregators.

And then also triggering that using our digital assets right to get maximum conversion, get the right media mix. So that in where we're spending our funds for those that are observing Australia, where we put a lot of money out of television and we're applying a lot of those monies against these global digital assets.

Now they are global algorithms, but they still have to be tweaked because on one hand, you've got the media buy on the other end, you've got the offer and then the third things in creative, creative is local and offer is often local. And so that's what we've still got a customized dosing to maximize the yield in these results. And because you got longer bicycles, it just takes longer to work those through.

But what we've illustrated in Germany strain zone, we have our pricing right where you know where the fastest growth pizza company in those markets where above QSR growth in those markets for both customer count and for ticket. So we're showing strong margin growth and franchise partners are enjoying much stronger profitability than they have in recent years.

And we now need to replicate that largely in Japan and France, but for our business.

Nathan Scholz - Domino's Pizza Enterprises Ltd - Head of Investor & Government Relations

You just mentioned, in terms of Japan and France, how much of the underperformance in Japan, Malaysia and France is due to poor execution of strategic direction versus the industry-wide factors?

Donald Jeffrey Meij - Domino's Pizza Enterprises Ltd - MD, Group CEO & Director

In one of the realities of Japan is that we have if we look at last year, we have seen that our category has shrunk in the last 12 months, but it's still a large category. So we have been running against some headwinds. That was last year falling into now is that going to roll with more structural headwinds in Japan.

We don't know that yet. We don't have the answers to that. Put that aside, it's a large market. It's a large delivery market. And so when we have just over 1,000 stores, we can still access that and get great growth. So we still need more time to go through further product and to execute against these digital items.

In the case of France, yes, it's been a lot more executional in that. We've got new management in the area and it's very clear we haven't had success in France. That's the one area of our business that we really showed any bright lights. So I'm not going to over-promise. We didn't over promise at the full year or at the AGM on France. It's still work in progress and we have a lot of work to do.

Nathan Scholz - Domino's Pizza Enterprises Ltd - Head of Investor & Government Relations

Remaining on Japan, can we clarify our comment that Japan SSS flat for the half post-Christmas, do we mean including January? And yes, that is correct. So the January this half not to date now has been flat for Japan. Question then is what has happened since Christmas in Japan to bring SSS growth back to flat from that negative trend and is this sustainable?

Yeah. Look, it's a mixture of factors. Some of its softer comps versus last year. Some of it is that we are seeing, for example, it's very early days. So please take this in the context of the question that you're asking. These are short windows of time, but that were same things like aggregated growth in some of our digital performance.

And we've started to launch new product, but there's lots of learning. We're still in, as I mentioned earlier, there's one thing to get the media right and have the centres of expertise working on those interest level algorithms and the digital side, still getting the creative execution and the offer, right? We still need more time to prove that out.

Nathan Scholz - Domino's Pizza Enterprises Ltd - Head of Investor & Government Relations

Just had a few questions regarding our commentary in the trading update that any previous guidance, FY24 performance to factor otherwise is no longer in effect. And the question has been whether that refers to the three to five-year outlook. I'm just confirming that this is in relation, not that three-to-five-year outlook at this stage. We're looking at the on the short-term announcement.

Donald Jeffrey Meij - Domino's Pizza Enterprises Ltd - MD, Group CEO & Director

Yeah, there was some commentary that we made around at the full year and at the AGM, and that could be considered as zero guidance. And so we're just removing some of those comments. Specifically they referred to that, you know that with Japan. But no, the three to five-year outlook are outlooks not guidance and at this point in time to still be reviewed on a constantly reviewed, they still stand.

Nathan Scholz - Domino's Pizza Enterprises Ltd - Head of Investor & Government Relations

Now you've mentioned quite a lot about aggregators, have the uber eats volume cannibalised direct orders through the apple web and markets where it's been introduced?

Donald Jeffrey Meij - Domino's Pizza Enterprises Ltd - MD, Group CEO & Director

Now it's been almost full net add in Australia and New Zealand where we're applying as what's really interesting and I want to highlight is that there is a very small player in Germany, for example. So Germany having really strong aggregated growth without the new uber deal, it has the new uber deal, but that it's not the largest driver liferando, which is still teisburg or Takeaway.com out of the Netherlands is still the leading platform in that market and where we're seeing the biggest part of our growth.

And so that's an example where it's not only just that one particular global platform, but it's also what we're doing with the creative and the offer and understand those algorithms and gone after it. So we think that there's a lot of the similar learning which we can apply throughout the business.

Nathan Scholz - Domino's Pizza Enterprises Ltd - Head of Investor & Government Relations

And the number of questions on the strategy in Japan and the expansion plans, have you acquired too many regions in Asia too soon? And would you divest any more markets?

Donald Jeffrey Meij - Domino's Pizza Enterprises Ltd - MD, Group CEO & Director

Yeah, like hindsight is a wonderful thing and one would argue that taking on the most recent, most four markets when we stumbled in Japan and we've still got delay in France was that important timing. I don't think that they're -- that the wrong decisions for the long term.

But in the near term, yes, there have been obviously further management attention. One would argue that. So therefore, that's destruction against some of the core for the return. And I think that's a fair criticism in the near term. In the long term, the markets that we should own that are appropriate for our regions, but yet in the near term, yet we didn't time them so well.

Nathan Scholz - Domino's Pizza Enterprises Ltd - Head of Investor & Government Relations

Would you consider more restructuring or store closures in Asia given the softer sales?

Donald Jeffrey Meij - Domino's Pizza Enterprises Ltd - MD, Group CEO & Director

Be very marginal. These are areas we should be and it's really and our own macro performance, which in a rising tides, lifts, or boats. It would be a decent business structurally where they should be. And so at this point in time and for all the knowledge we have today is that the stores should exist and we just need to lift the performance overall of the business.

Nathan Scholz - Domino's Pizza Enterprises Ltd - Head of Investor & Government Relations

Two different questions in terms of store openings since two different people, firstly was will we now consider pausing corporate store growth in Japan and the second one is why not release the pressure on store targets, given DMP still in a turnaround phase in number of geographies, your franchisee profitability still some way away from target even in Australia. One, of course, the store rollout abandon the long-term targets and get profitability restored before reassessing.

Donald Jeffrey Meij - Domino's Pizza Enterprises Ltd - MD, Group CEO & Director

Yeah, so let me make it really clear, and you can see that in the numbers we're not aggressively chasing the store growth in this window. We made it very clear when we announced Project foundation that this was a moment to fix the core to energize the core and to become more efficient and that we would not be aggressively chasing store growth and hence why we gave a much lower direction on what would happen in this 12 months.

So the stores you see opening up happening from existing franchisees by and large, we were opening our stores all that we may still have had a legacy site that could have been a two year construction or something like that.

So there's very few parts of our business where we are aggressively chasing store openings. And so by now, to answer your question, that is what's actually happening in the business right now. Now with the Australian, New Zealand business performance in the German performance, Singapore performance as examples, and there's other parts of the business that are early signs of recovery, then yeah, if we continue that for the next six months from then that would my assumption is that will flow into reopening more slots.

The demand in Australia and New Zealand has been strong in recent months because when you can imagine, we share averages and when you see the top end of our performance than where those the core Australian business is far healthier than it's been in a number of years, and that's leading to demand to out to either acquire other franchise partners or to buy some of our existing store network and open a few stores as well.

Nathan Scholz - Domino's Pizza Enterprises Ltd - Head of Investor & Government Relations

Is the business too difficult to manage now that you have 12 markets? Are you better of exiting smaller markets and focusing on Japan and France where which is where the big opportunities lie?

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Donald Jeffrey Meij - Domino's Pizza Enterprises Ltd - MD, Group CEO & Director

So these are the questions that we've been out over many years. And these are many of the smaller markets are hosted by a larger market. So when we -- a lot of what we learn and do in the Japanese business, what we can apply to Taiwan.

So at this point in time, I don't think so because, of course, that's an open question based on performance. But at this point in time. I don't think that's what we should be doing. We still have high talent in Andre and Josh, and to be a and many other key people in our business and Michael Gillespie.

And we need to give some time for our new project foundation as we call it internally to roll through our business and get the benefits of these centres of expertise. Now if we were sitting here with longer periods of time and they weren't delivering that might be a different question for a different time.

Bookmark Nathan. You're on mute there. My apologies.

Nathan Scholz - Domino's Pizza Enterprises Ltd - Head of Investor & Government Relations

Or there's a donation to our new charity that's going to cost me. Down the way you're describing some of these issues across markets. It sounds like market differences effectively create dis-synergies, and that is one solution doesn't fit all, but you're constantly hoping it does. And perhaps if you could answer that and I know you've mentioned some about Singapore as well.

Donald Jeffrey Meij - Domino's Pizza Enterprises Ltd - MD, Group CEO & Director

Yeah. So there's more things that were similar in them. We're differentiated in. So I'm not sure I'm giving that impression, but from a -- so just imagine, we started the rollout of Project foundation in the last half in Australia and New Zealand.

So we needed it before we exported these models. We need to prove that they were working. We needed to get the results on the board. As we got the results on the board, noting that Europe was definitely lagged behind that because we have to go through some regulatory processes, which we're still finishing off in largely for us, but still also the rest of Europe.

So that by its nature, we couldn't even implement if we wanted to some of these centres of expertise because there were restructurings that were required and I won't get into a legal technicality on this call about that. But that needed to us needed to take time to do that.

So a mixture of first of all, we had to implement, build that knowledge, and actually prove it out and then export and that's what we're in the process of what are some of the differences. And this is a good question. Creative. It might be inspired. So there's some inspiring things.

The My Domino's box has launched by different names in almost every market now. Products like melts is launched in -- is launching in many of our markets. There are -- we are launched in Australia right now; we're currently selling our new signature cheese. That's an APAC product and Is now inspiring production in Europe.

That's a tastier, stretcher and already marginally better for the planet and soon will be a lot better for the planet product. So those are products that's global, but then when it's interpreted and there are tastes that are different. And sometimes the way menus worked the opposite different, but the offer testing and analysis is similar with different windows. So I would argue that there's more things that are the same, but you still need to have that time and market to work through these processes and these tools.

Just moving to capital management for a moment, has there been any significant working capital or other cash flow one-offs to drive the \$770 million net debt outcome?

Donald Jeffrey Meij - Domino's Pizza Enterprises Ltd - MD, Group CEO & Director

Yeah, there are. There is little bits and pieces of timings that often happens at the end of the financial year with the times of our largely in places like Asia and so on. So there is little, there are parts of it that is that, but that could happen in June just as likely.

So yes, that happens from time to time in our business. We're very confident with our balance sheet and we have the full support. Richard's been in constant communication and our banks are showing their full support, all eight banks.

Nathan Scholz - Domino's Pizza Enterprises Ltd - Head of Investor & Government Relations

In terms of capital management, do we consider removing the dividend and focus on share buybacks given the current share price levels? And also would we consider keeping the DRP in place permanently?

Donald Jeffrey Meij - Domino's Pizza Enterprises Ltd - MD, Group CEO & Director

Yeah, look the DRP permanently is a long time. I don't think that's the question. But the DRP is up for consideration. That's probably the only conversation that's taking place in the businesses around the near term DRP. But you know we're creating value and yeah, I think that with our plans that we have in place as long as we execute against those, and I know that that's in question on a day like today.

But yeah, I'm pretty confident with where we're heading with our balance sheet at this point in time that we shouldn't have to do that. Share buybacks to be material in that it hasn't been a conversation at this point in time.

Nathan Scholz - Domino's Pizza Enterprises Ltd - Head of Investor & Government Relations

Moving to Europe briefly, there's the German business benefiting in the second half from the reinstatement of a restaurant service VAT which was increased from 7% to 19%.

Donald Jeffrey Meij - Domino's Pizza Enterprises Ltd - MD, Group CEO & Director

Not, not as yet. So not that's still to flow. So no, in the windows that we're talking about the German performance, the German performance we are referring to last half. And as we sit here today, and that's a more recent conversations taking place in that market now, the team has done an exceptional job and they've done an exceptional job on product. We talked a lot.

One of the things that's different to Australia and Germany is that we are much more immature chain business. Chain businesses are not as large in Germany. So we're one of the first really leading scalable chains of this size and therefore, our campaigns have lasted longer. And the Donna Kebab campaign, new product was highly profitable and high growth and that's inspired more work in that same vein.

And then what's happening with their digital performance, aggregated performance almost identical to what we've seen in Australia. Some of the platforms are different.

Can we expand into what's exactly not working in France and given it's been a challenging market for some time now?

Donald Jeffrey Meij - Domino's Pizza Enterprises Ltd - MD, Group CEO & Director

Yeah look, one of the things that is driving our business today where it's -- where we're thriving is delivering growth and we need to be a lot stronger on our focus on delivery growth. We need to be a lot stronger on our product innovation.

There are two leading elements and then the third one is implement these digital platforms and learnings in France. So the centres of expertise now have larger influence than we've had in the past. In fact, right now or the in the last few weeks and still today, we've had our senior Executives of the centres of expertise based in Europe, largely France, working through this implementation as we speak. And why now it's because we're still being — it's taken us this long to work through the regulatory process of the restructuring foundation.

Nathan Scholz - Domino's Pizza Enterprises Ltd - Head of Investor & Government Relations

I'm still a number of questions in terms of the future of some of the markets that have got currently negative comps. Would we consider exiting Japan? And also would we consider changing the 2000 store target for Japan?

Donald Jeffrey Meij - Domino's Pizza Enterprises Ltd - MD, Group CEO & Director

We constantly will evaluate the numbers as they and that will and if there's a change, the structural change, then we would update the market. No, there's been no conversation about exiting Japan. It's we're very proud to have that in our portfolio, and we think it's going to be a long, high performer for our business. We need to execute better than we have been in recent times.

Nathan Scholz - Domino's Pizza Enterprises Ltd - Head of Investor & Government Relations

Can we talk briefly in terms of the savings initiatives that have been in place? How much of the cost out benefit was realized? And we've said obviously that we are well progressed on that programme. Yeah and we expecting the full amount to be realized in the FY24 year.

Donald Jeffrey Meij - Domino's Pizza Enterprises Ltd - MD, Group CEO & Director

Yeah, remember, we gave two years. So the first phase is literally being restructure and in some cases, some of our peers have left the business. And so we've gone through that phase. And that's almost completely finished. It's been finished in Australia, Zealand now for a number of months. So we get the full benefits of that into the second half and in the second year, it's the rollout of shared services, we've appointed our head of shared services now in Malaysia, we're underway with Krakow in Poland.

And so now it just needs time to recruit and train for these new shared services in these parts of the business, and that's for the second year. But yes, we expect to meet our targets and we're well developed on year one and expect to meet those.

Nathan Scholz - Domino's Pizza Enterprises Ltd - Head of Investor & Government Relations

And obviously, we'll provide a detailed update on the savings initiatives at the half year later in February. Can we comment some on franchisee profitability? How are we seeing franchisee help by market? A key concern is Japan franchisees and are you seeing less willingness to take on stores and how does that compare across the regions? Can you provide any color on that?

Yeah. From a macro perspective, and I'll give more color at the half year announcement. But from a macro perspective, if you're seeing same-store sales that are negative chances and that's hurting our business and our franchise partners.

We've been sharing that mutually and that we in some cases have had to support our franchise partners where our business is now showing strong same-store sales growth, then we're pulling back from the amount of support that we need to do, and that's where you get that decoupling and you get that better leveraging our margins. So that's the two dynamics.

And with that, as I highlighted earlier, you see a higher demand than for store growth, which initially may be buying out some existing franchisees who may have struggled in the recent period and have lost faith in our business and some of our corporate stores, as we shared in growth in the whole charges that we announced to the market that we were going to be discounting some of our store, we've been doing that in the second half and we've been selling some of our stores.

But where we're where our essential services underperforming, you can pretty well like that to underperformance in our for our franchise partners and for ourselves and vice versa.

Nathan Scholz - Domino's Pizza Enterprises Ltd - Head of Investor & Government Relations

Okay. In terms of guidance that we've advised that when removing de facto guidance on or any other guidance in the market in November, the trading update was that our earnings were expected to be materially higher than H2. So the question has been raised from two people that the earnings would be higher than the preceding half in H1 and give us a sense of what we're expecting in November. And also, does this mean that we think full year will be higher or lower than the previous year?

Donald Jeffrey Meij - Domino's Pizza Enterprises Ltd - MD, Group CEO & Director

So we're not giving guidance. And but you can see from the results that they largely are. So the actual results you're seeing today that they are higher materially higher than H2. And but we're not giving guidance for the second half, and that's what we've highlighted.

And but we will give more information and we'll have seven weeks of trade, and we'll have updates on what other numbers around Foundation, more specific same-store sales or the other sort of things we franchise, profitability disclosure, all that stuff so that will help to bring the picture together, but we're not giving guidance at this point in time.

Nathan Scholz - Domino's Pizza Enterprises Ltd - Head of Investor & Government Relations

I've also had some questions in terms of a regional breakdown of EBIT in terms of which markets were higher or lower than the PCP and versus the second half of 23. But obviously, we'll provide a regional breakdown as we traditionally do at the half ring.

Donald Jeffrey Meij - Domino's Pizza Enterprises Ltd - MD, Group CEO & Director

Yeah, yeah, because we used to organically fund awards and sounds are subject to change in any individual business unit.

Nathan Scholz - Domino's Pizza Enterprises Ltd - Head of Investor & Government Relations

Talking more about the broader strategy the business that DMP has historically been a global leader in QSR. But since COVID database performance has lagged based on peers. What do you put that down to as a capital allocation, regional exposure, execution or other?

You'd have to say execution because we are once again leading in Australia, New Zealand business and then a German business, not material, but in the Singapore business. We're leading their numbers that we have a better than the averages for the category and they're then the highest in the pizza category in the strong numbers. This is both customer count and in ticket.

So we're delivering them. So we are leading again. And so what we need to do is we need to be able to illustrate that we can do that in the markets that we're not leading in at the moment. There are some different cycles of what some of the other Qs have flowed through compared to ourselves in Japan specifically, that's not the case for France specifically. But yeah, we're once again leading in Australia, New Zealand, and Germany, and we need to do that in the rest of the business.

Nathan Scholz - Domino's Pizza Enterprises Ltd - Head of Investor & Government Relations

A couple of questions on the food costs. Is there any incremental freight cost benefit coming from the annualization of the new cheese contract? Or is that fully reflected in the first half of 24. How material is the COGS benefit from the new cheese contract? And what are the headwinds in terms of food prices are we seeing?

Donald Jeffrey Meij - Domino's Pizza Enterprises Ltd - MD, Group CEO & Director

Yeah so that was largely in the last few months of the second half that we were able to see that there was some timing differences just by the amount of stock that we hold in some of the Asian markets for food security that it took longer to flow through. But yeah that's already been realized in the existing numbers for the tail of the last half and into this year.

Nathan Scholz - Domino's Pizza Enterprises Ltd - Head of Investor & Government Relations

How do we think about extrapolating the Japan performance in FY25 and beyond? Is this a structural issue in Japan or is it solvable?

Donald Jeffrey Meij - Domino's Pizza Enterprises Ltd - MD, Group CEO & Director

I don't want to give guidance at this point. And as I said, I want to be only give better granularity in more detail because in with more disclosure, I think we can point to better data points. So if you can bear with me for another four weeks, we look forward to giving you more granular updates, clearly around Japan and Asia.

Nathan Scholz - Domino's Pizza Enterprises Ltd - Head of Investor & Government Relations

What's the probability of the Malaysia, Singapore Cambodia, reaching those earn-out hurdles that we announced when we acquired the business and how they trended since the acquisition?

Donald Jeffrey Meij - Domino's Pizza Enterprises Ltd - MD, Group CEO & Director

Yeah. So they're not likely at this point on current performance. We're quite happy with the growth in Cambodia and Singapore. But unfortunately, at a smaller parts and as I mentioned, we have been externally influenced by global matters out of the Middle East in Malaysia, largely in the Malaysia market. And that's more recent that's happened in more or less the last quarter and continuing today. And that's well publicized or American brands and by some of our larger global competitors.

What is driving the weak performance in France? And can you confirm that same-store sales growth is negative as per our trading update that is confirm that France's same store sales in the first half was negative. So what can A&Z work well in markets like Japan, where there's not a pizza culture in France, which has been challenged for quite some time.

Donald Jeffrey Meij - Domino's Pizza Enterprises Ltd - MD, Group CEO & Director

Look it's quite simple execution in France and I can't say that enough that we need to do better. And that's the truth of today is that we've underperformed for long periods of time that isn't good enough in France. The markets there in other categories of QSR, their strong performance. And we haven't performed against that when we're in the very early phases of some of our centres of expertise. We can see green shoots, but it needs more time. I don't want to over-promise and under-deliver on France because we haven't had a good track record to date.

Nathan Scholz - Domino's Pizza Enterprises Ltd - Head of Investor & Government Relations

In terms of profit on sale of stores, obviously, we'll give an update on the half year trading. The question has been how much profit from store sales was there on the level granularity at this stage?

Donald Jeffrey Meij - Domino's Pizza Enterprises Ltd - MD, Group CEO & Director

No.

Nathan Scholz - Domino's Pizza Enterprises Ltd - Head of Investor & Government Relations

On the cost initiatives, similarly, can we confirm what proportion of the \$33 million to \$40 million EBIT savings was realized in the first half. Will give a detailed breakdown on that at the half year. Do we think the business over expanded during COVID in Japan and distinctive base reset base expectations by in-store expectations or sales per store targets?

Donald Jeffrey Meij - Domino's Pizza Enterprises Ltd - MD, Group CEO & Director

Yeah, look in the near term that is potentially one of the outcomes that we did put out to the Bolsa hard and we've got some growing pains with the and with experience in management in the local market.

So that's a fair comment that we did grow extremely hard and extremely fast and yet that we've got a bit of a hangover in what we're doing. And unfortunately, due to the longer by size in Japan cycles we need to it just takes longer as we test and learn test and learn, It's not as quick as other parts of their business.

Nathan Scholz - Domino's Pizza Enterprises Ltd - Head of Investor & Government Relations

Can auto count grow as much as DMP would hope due or are there concerns about those MP slash GLP-1? Is this causing any sluggishness in same store sales growth?

Donald Jeffrey Meij - Domino's Pizza Enterprises Ltd - MD, Group CEO & Director

The Australian, New Zealand business and German businesses allowed that. I don't know what the data is on how much is impeach rolled? I mean these are detailed things that what we're showing is that what we focus on what we can control, we're getting great results.

One of the things that we have been doing in the transient business. And we talked about this at the full year and IGM is portion sizes. And you can see that we've been targeting snacking. We talked very clearly about that and with products like melts, the My Domino's box, and we continue to focus on that. And we think that's where a lot of consumers are whether that's Ozempic lead by Govi and all of those products or not. That's what we're doing and that's where we're getting some good traction.

Nathan Scholz - Domino's Pizza Enterprises Ltd - Head of Investor & Government Relations

On the broader business where you see the technology advantage versus competitors now? And how does that compare to five years ago?

Donald Jeffrey Meij - Domino's Pizza Enterprises Ltd - MD, Group CEO & Director

Yes. From the specific, yeah, there's no question that's been neutralized to where we were a number of years back. And most of our large QSR competitors have now come up and complies to what we have. It's still really important. We still constantly impressed by what you can do with conversion and execution. That's a lot of the detail I'd be testing constantly.

So it's still a huge amount of energy and investment in the business because it doesn't matter and it is material. And so we're still investing heavily in it, but many of our competitors and therefore up to that and so what we're saying today is that we've continued to see the growth from pizza category is through the inspired products through delivery.

We still think that we have a competitive edge in delivery that we execute. When you look at our delivery times, when you look at everything we do is designed to be delivered many of the QSRs that are delivering today, their foods are not designed to be delivered, they're designed to be in restaurants and On the Go in the cars and so on.

Our meals, everything we focused on when you look at our food triangle is that first and foremost, it must be designed to be delivered using our new design to deliver D-BOX roll out a much stronger box. When you see the melts packaging that's coming. It's a deliberate tactic. We could have even gone for a cheaper handheld package or a softball box like many of our QSR competitors that would have cost us less, but then it wouldn't have delivered. And we are where the assets and delivered that needs to be sustainable.

Things like what we're doing with the corrugated cardboard's as an example. But as we talk about all of the sort of things you would imagine water uses deforestation, safety, profitability to sustainability, our franchise partner.

So when we launch new products that they're far more sustainable. And then the third factor is the Pizza Ness, designed to be delivered crispy chips was a success as we highlighted at the AGM and repeat results. And coming into this, I want to be delivered each. So that's an example. And that's how we differentiating today. We think that there's still a significant advantage in delivery and food that is more sustainable and designed to be delivered. That's got a pizza twist.

Encouraging results, strong results in six years in Australia, New Zealand business and in some of the solid results we've had in the last decade.

Nathan Scholz - Domino's Pizza Enterprises Ltd - Head of Investor & Government Relations

On franchisee partner profitability, what level of franchisee profitability is required to get the store rollout back to the 7% to 9% range? And how does that level compare to the current run rate? And can you comment in terms of whether a franchisee profitability is above the previous figure that we provided, which was \$93,500 we provided that for the 12 months to March 23?

We still consolidating all of that ready for that window. So I won't. I won't give any extra disclosure on that today. But on the two biggest drivers, essential sales deleverage from that and in our food and labor management. So when we're seeing -- as we're seeing in Germany, Australia, New Zealand, and we've got to start digital projects in the other markets is in rolling out these inspired products, not Madonna's box already inspiring at their price points.

We don't need to be discounting. I've seen some conversation this morning that there was more promotional activity in the last half, not from a pricing discounting point of view, product point of view, if that's whatever reference was, yes, we've had very strong product rollout in the markets that we're getting great success and that's why that gives us hope in the other parts of the businesses is that that's working that these products are executing that got great margins.

Our franchise partners love them. We've got to keep an eye on complexity. So we also have a winding out other parts of our product in a menu. Everything has a job on the menu. You've seen in Australia, New Zealand business and that we've been trading earlier and longer. In parts of our business as well because we're mapping that out with my box and with products like nuts, and we highlighted at the AGM that we have more of those products to come.

I'm talking about what's working in the business right now and what gives us confidence and some of this isn't in our underperforming businesses today, but we intended to do Asian version and European versions of some of that.

Nathan Scholz - Domino's Pizza Enterprises Ltd - Head of Investor & Government Relations

There's a question that sounded from your commentary as if you're more optimistic on the outlook for Japan compared to France. Is that a reasonable takeaway?

Donald Jeffrey Meij - Domino's Pizza Enterprises Ltd - MD, Group CEO & Director

We're not giving any guidance or anything today. I think we're in a mode where we've underperformed and I don't want to over-promise. We need to bring better results to the market. It's been executional. Management is in charge of execution. We need equipment in those specific businesses. And our track record in France has underperformed over a longer period time if you want use as a reference, then yes, that's a fair reference because Japan has had even outside of COVID has had some good periods of growth.

So the business today is far more profitable than the business that we acquired. It does more orders on the average store than what we acquired. So it's a better business and we acquired and we're proud of that element. But we're not proud about the performance in recent couple of years.

Nathan Scholz - Domino's Pizza Enterprises Ltd - Head of Investor & Government Relations

You mentioned just Japan and France. Just then do you expect key management changes in either of those markets?

Donald Jeffrey Meij - Domino's Pizza Enterprises Ltd - MD, Group CEO & Director

At this stage, there's still some strength in strengthening that we need to do from foundation. So we are recruiting at the moment for a new CMO in France. So yes, there will be some management that we need to build bench strength around what we have today. And as part of restructuring that we've gone through this whole new process, they will be heavily supported by the centres of expertise, which of BiDil by-and-large globally running out of Brisbane with local implementation. But influenced and out of the petri dish, which is strained business, which is how we operated most of our history and gave us great success around the world.

Is the Domino's brand impaired in France? The duration of underperformance for several strategies and management teams indicates it's not resonating with customers.

Donald Jeffrey Meij - Domino's Pizza Enterprises Ltd - MD, Group CEO & Director

There are still strong performances within the business. And that would say that that's not the case that we believe is still the largest pizza company and the second largest by store count Phosphate Company in France.

So from where we arrived, as we were the third or fourth, depending on how you measure this pizza company with a 1,000-store count when we arrived in France and today, we are the largest by a significant margin. We just haven't executed as well the demands there.

It's very clearly there. We haven't risen to that demand with our own execution.

Nathan Scholz - Domino's Pizza Enterprises Ltd - Head of Investor & Government Relations

What do you think about DPCs comments on China and India will headline store growth going forward after international rollout, which is 250 in established markets per annum this will be well below what's required to hit your long-term targets in established markets?

Donald Jeffrey Meij - Domino's Pizza Enterprises Ltd - MD, Group CEO & Director

We're really trying not to comment on our listed peers, including the very large populous markets. So one could draw upon that, but that we decided that's not in our place to comment on the other publicly listed entities.

Nathan Scholz - Domino's Pizza Enterprises Ltd - Head of Investor & Government Relations

How much rigor has been brought into capital allocation decisions. Do you feel that ROIC hurdles need to be lifted? And what should a reasonable incremental growth be for a franchise business such as your own? Should it be 30 plus percent?

Donald Jeffrey Meij - Domino's Pizza Enterprises Ltd - MD, Group CEO & Director

No guidance in this area, and we need to get back to what our shareholders. So we're in that business. And I see no reason with the margins on what would make it very clear. I'm not giving guidance today. But when I look at what we're doing in the Australia-New Zealand business in Germany, I am not giving guidance so I don't want to refer to that make it very, very clear. But yet the work isn't satisfactory for what we should be doing.

Nathan Scholz - Domino's Pizza Enterprises Ltd - Head of Investor & Government Relations

Is it fair to say that the acquisition of additional markets is currently off the table?

Donald Jeffrey Meij - Domino's Pizza Enterprises Ltd - MD, Group CEO & Director

In the near term, yes, it is off the table in the near term yeah.

How timely is internal reporting? Does this need to be reviewed, given the recent downgrades in recent years, you have the tools to adjust quickly. Historically, you have a company owned stores, but it doesn't appear so for Japan, in the first half.

Donald Jeffrey Meij - Domino's Pizza Enterprises Ltd - MD, Group CEO & Director

Sorry, Nathan. I was still lagging my mind there. What was that question? Please repeat it.

Nathan Scholz - Domino's Pizza Enterprises Ltd - Head of Investor & Government Relations

The question is how timely is management reporting? Do you have still have the ability to respond quickly because it doesn't appear so in Japan in the first half?

Donald Jeffrey Meij - Domino's Pizza Enterprises Ltd - MD, Group CEO & Director

We do have an ability to respond quickly, but the customer bicycle is not fast. So you can get false positives and false negatives in short windows of time. In these the needs that some of these Asian markets like Australia, Japan, and Taiwan specifically.

So our internal reporting on is daily weekly. I mean, we've even got media mix models now that where we're getting out of Japan, it's just started on a monthly basis that we haven't done before so our knowledge base is stronger than it's ever been.

But as we illustrated around our hiccups in 2022 that you need longer bicycles to make sure that you see what you're testing and learning against when you get dramatic changes in the marketplace that response time to take a bit longer in those markets.

Nathan Scholz - Domino's Pizza Enterprises Ltd - Head of Investor & Government Relations

Okay. I'm conscious of the time done. We'll be wrapping up shortly. Big companies said that CapEx was low. What areas of CapEx would cut in the first half of 24?

Donald Jeffrey Meij - Domino's Pizza Enterprises Ltd - MD, Group CEO & Director

We highlighted this at the when we made the announcement that there was some adjustments to our store openings. There are some adjustments to some of our digital spends in the business still spending significantly, but there was some adjustments there, took the trends that we've been moving up. So there's two that come to mind of that question, but we'll be breaking that out in more detail at the half year.

Nathan Scholz - Domino's Pizza Enterprises Ltd - Head of Investor & Government Relations

Are there any key parts of the business example, Japan or France that management feel is still perplexing that is you don't have a full grasp of the key drivers? And if so, how do you get clarity?

Donald Jeffrey Meij - Domino's Pizza Enterprises Ltd - MD, Group CEO & Director

You don't think it is fair to say that some of the external influences seeing some of those trend lines and keeping a clear enough window. So we only more recently were able to get data from the market of just what happened to our category in the pizza delivery category for the full year 2023 and so.

Yes, getting some of that information and constantly working to automation is really important for us because those things fully do have an impact on what we're saying and how we're thinking the business will operate.

Nathan Scholz - Domino's Pizza Enterprises Ltd - Head of Investor & Government Relations

Okay. We are going to have to wrap it up. I note that in 45 minutes has added more than one question of minute, and I hope we've covered the full breadth. We have had a few questions in terms of the trading update for the past three weeks or four weeks in a number of our regional markets. And obviously, we'll give a more detailed trading update of the first eight or nine weeks of trading when we get to the half year update.

Maybe Don, if you can finish with a comment, you've obviously said that the results this morning a disappointing and not ones you would want to be delivering. Is there a -- maybe a last message you wanted to pass on to the smaller mom and dad shareholders who would be watching this morning?

Donald Jeffrey Meij - Domino's Pizza Enterprises Ltd - MD, Group CEO & Director

Yeah, where we disappointed has been an executional area of our business. And so I want to make that clear. And so therefore, ultimately, I held responsible for that as the Head of Management. Just like when we've had good times, I guess this is a team effort and in good times I get undue credit when it's a team effort especially when there's been high performance parts of the business where those individuals in the CEO's and teams deserve more of the credit.

And right now when things are going bad, I take full responsibility that these are executional issues that we're accountable to and we need to deliver upon. I am proud of all of this of the results we're getting out of Australia, New Zealand and Germany and Singapore. And those teams have worked exceptionally well and doing well by our franchise partners and by the communities and delivering for shareholders. And I just want to also acknowledge those teams are doing as they deserve and amongst this result, occurred at the beginning as well for their execution.

Nathan Scholz - Domino's Pizza Enterprises Ltd - Head of Investor & Government Relations

Okay. So Don, thank you for your time this morning, and thank you for all the attendees for all of your questions. And as I said, I think we've covered the Board's why the key issues that people have put in front of us.

A recording of this presentation will be up on our website and also the date for our half-year results is also on our website as well. And we look forward to providing more detailed analysis and conducting a number of one-on-one briefings at that time.

So thank you all very much for today. We'll end the call today. Thank you.

Donald Jeffrey Meij - Domino's Pizza Enterprises Ltd - MD, Group CEO & Director

Thank you, everybody.

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