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Domino's Upgrades Outlook For FY17

Domino's Pizza Enterprises Limited (**ASX: DMP**) today upgraded its Full Year 2017 (FY17) profit forecast and growth outlook, underpinned by increasing same store sales results and improving margins.

The Company upgraded EBITDA growth to be in the region of +30% (up from +25%) compared to the previous underlying result. It also reconfirmed underlying NPAT growth at +30%, following same store sales results at or above expected levels in all seven regions.

Group CEO and Managing Director Don Meij said the upgraded results, including lifts in medium- and long-term growth outlooks, showed the Company's strategy was delivering results in all markets.

"We are very pleased with the sales performance, even higher than expected, as a direct result of our *Taste the Colour* menu launch in Australia and New Zealand," Mr Meij said.

"Our new menu, combined with the ongoing technology improvements we are rolling out to make it easier and more rewarding to order from Domino's, demonstrate why we have grown our share to 38% of the Quick Service Restaurant Pizza sector¹."

After a record improvement in Australia and New Zealand same store sales in FY16, Domino's today reported same store sales increases in the first 16 weeks of +17.66% on the previous corresponding period (pcp).²

"In October, our Australian stores delivered the largest like-for-like growth for the country in the Company's history."

Mr Meij said for the first 16 weeks of FY17, the European region reported same store sales increases of +3.77%, while Japan's same store sales were -0.59% down on the pcp, in line with expectations.

"The conversion of Joey's Pizza stores in Germany have exceeded our initial plans and we will now see all stores fully converted by December 8th, six months ahead of schedule.

"The Pizza Sprint stores which have converted have exceeded our expectations with many of these franchisees seeking additional stores, we expect the clear majority of Pizza Sprint stores to be converted by the end of FY17."

"These results give us confidence to upgrade our guidance for ANZ same store sales, with +12-14% growth expected this year (up from +10-12%) and reaffirm our Europe (+5-7%) and Japan (0-+2%) same store sales guidance.

"In addition to growth in existing stores, we are opening new stores in all regions and expect store openings to be at the higher end of our guidance of between 175 and 195 stores.

"An increasing number of our customers' orders are being placed through our websites, in all of our regions.

"This financial year we are seeing very strong digital growth, with digital sales growth outpacing offline growth, with year-on-year growth in digital sales of +36.9% in Australia/New Zealand, +38.1% in Europe, and +24% in Japan."

¹ The NPD Group/CREST © AU, Spend - Year End September 2016

² To October 23, 2016



The Company also upgraded its forecasts for EBITDA margins for both the Europe and Australia/New Zealand regions, reflecting the benefits of greater scale and efficiencies. The world's most automated Domino's commissary, in France, expected to achieve annualised savings of €2m a year, has now opened.

"We have brought forward and lifted our forecasts for EBITDA margins in these regions, to 25% within five years in Europe and 45% in Australia/New Zealand within six years," Mr Meij said.

"Aligned with this forecast, we have upgraded our forecast for the Netherlands from 300 to 400 stores, lifting our long-term forecast for stores in Europe to 2,600 stores by 2025, and our long-term group forecast to 4,650 stores."

"Our strategy is seeing higher sales across our network, strong same store sales growth, improving margins and higher profitability for our franchisees – a very positive result on all fronts.

"This year we will continue to execute this strategy; investing in technology to improve our customers' experience, opening new stores to capitalise on market opportunities, and improving same store sales by adding new flavours and product offerings.

"I was pleased to announce today we are adding Thickshakes and premium ice-cream desserts, including unique Sundaes, to our Australian and New Zealand stores, with a full roll-out in Australia by 1 July 2017.

"Our test markets showed customers enjoyed these new products as both desserts and additional snacking options; we intend to capture 10% of this market across both countries, which is estimated at \$700 million in Australia alone.

"This follows the September launch of our *Taste the Colour* menu, which is performing even better than we expected. Our customers are hungry for the 21 new ingredients, pizzas, sides and desserts we are bringing to the table.

"We are excited about launching the next two phases of this menu, including premium dipping sauces and new seafood products. This is about democratising five-star food."

Mr Meij announced enterprise agreement negotiations were expected to conclude in the second half of the financial year.

"As these negotiations have taken some time, longer than we anticipated, largely as a result of significant disruption in the industrial relations environment, we voluntarily increased the rates paid to our drivers by +9% early this year, in addition to a +2.4% federal wage increase.

"In the interim, we budgeted, and intend to, voluntarily increase our wages for the majority of our team members in January.

"With the productivity and sales initiatives we have underway, we are extremely confident that we will not only finalise this process but continue to flourish with strong sales and profit growth."

Mr Meij said technology would continue to be a focus for the Full Year.

"With our Australian partner Flirtey, our DRU Drone by Flirtey has started comprehensive testing and trials in New Zealand, as demonstrations in full compliance with Part 101 of the Civil Aviation Regulations.

"We are preparing for the launch of the world's first pizza-by-drone delivery service.

"Customers are hungry for the *Internet of Food*[™], increasingly turning to technology to order delivery and carry-out orders. Our goal is to be at the forefront of this trend through innovations such as our Zero Click app, On-Time Cooking and DRU, announced in FY16.

"This included our popular Offers App, which we have updated to make it easier to use and to allow food visuals and video to help showcase our products.



“In FY17 we will continue this work, using technology to make every step, from ordering and cooking, through to receiving your order (whether by delivery or picking up in store) even more seamless than before.

“We will be unveiling the next stages of this ambitious technology roadmap at the next of our Abacus Technology Series, in February.”

The Abacus Technology Series showcases Domino’s digital developments and first-to-market technology.

“I am very excited about the initiatives we will be announcing to customers and shareholders at our next Abacus, with a focus on artificial intelligence projects underway.

“At our very first Abacus event, we focused on time as the enemy of food and launched Project 3-10, designed to have orders ready for pick-up in three minutes, and delivered in 10 minutes.

“I am pleased we have made progress towards this goal; our stores are seeing pick-up times of less than six minutes, down from 12 to 15 minutes.

“This not only enhances customer happiness, but increasingly means Domino’s is the meal choice for time poor families and professionals looking for quality options.

“We will have 250 of our stores in Australia and New Zealand Project 3-10 ready this financial year, with 102 stores operational with advanced, high-speed ovens, as of today.”

Mr Meij said the positive results reinforced the Company’s plans to increase the store network and technology offerings in Europe and Japan.

“We expect record organic store growth in Europe in FY17; we have recently opened our 300th store in France and our 200th store in the Netherlands.

“EBITDA margins are ahead of target, store conversions from our acquisitions are on track, and even more customer-focused initiatives are on the way.

“Our market leading GPS Driver Tracker will be introduced in the Netherlands in the coming year, where we have just launched Order Anywhere functionality, and SMS ordering will be launched in Belgium.

“We are building an incredible business in Japan; we ended the financial year with 453 stores operational in this market, up from 259 just three years ago.

“This financial year we will open our 500th store in Japan and, before the end of 2016, will relocate an extra nine stores to more carry-out friendly locations. We will also have another 29 of our Japanese stores as franchised locations.”

Today, DMP has a network of 2,022 stores across seven markets – Australia, New Zealand, Belgium, France, the Netherlands, Japan and Germany.

For more information visit www.dominos.com.au or download the FY16 Annual Report via the App store or Google Play. To keep up to date with shareholder information please visit www.dominosinvestors.com.au

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