

# HALF YEAR RESULTS

Period Ending 1<sup>st</sup> January 2017



**SLOW**

WHERE IT MATTERS

**FAST**

WHERE IT COUNTS

AUSTRALIA • NEW ZEALAND • BELGIUM • FRANCE • THE NETHERLANDS • JAPAN • GERMANY



# PRESENTERS

**Don Meij**

Group CEO & Managing Director

**Richard Coney**

Group CFO

**Nick Knight**

Australia & New Zealand CEO

**Andrew Rennie**

Europe CEO





# RESULTS HIGHLIGHTS

**GROUP SSS%**

**+9.4%**

**EBITDA<sup>(1)</sup>**

**+33.6%**

**NPAT<sup>(1)</sup>**

**+30.8%**

**EPS<sup>(1)</sup>**

**+28.6%**

**DIVIDEND (CPS)**

**+39.5%**

**FREE CASH FLOW (\$m)**

**\$8.7m**

**RETURN ON CAPITAL EMPLOYED**

**21.6%**

**RETURN ON EQUITY**

**29.6%**

(1) H1 17 Underlying comparison to H1 16 Underlying, including acquisitions from the date of DPE ownership – see slides 9 and 10 for a breakdown of significant charges



# GROUP HIGHLIGHTS

	H1 15 Statutory \$ mil	H1 16 Underlying <sup>(1)</sup> \$ mil	H1 17 Underlying <sup>(2)</sup> \$ mil	+ / (-) H1 16 Underlying %
Network Sales	715.4	919.6	1,166.1	26.8%
Revenue	343.6	445.3	539.4	21.1%
<b>EBITDA</b>	<b>60.0</b>	<b>87.0</b>	<b>116.2</b>	<b>33.6%</b>
Depreciation & Amortisation	(13.1)	(16.6)	(22.3)	34.0%
<b>EBIT</b>	<b>47.0</b>	<b>70.4</b>	<b>93.9</b>	<b>33.5%</b>
<i>EBIT Margin</i>	<i>13.7%</i>	<i>15.8%</i>	<i>17.4%</i>	
Interest	(1.2)	(1.3)	(2.4)	94.0%
<b>NPBT</b>	<b>45.7</b>	<b>69.1</b>	<b>91.5</b>	<b>32.4%</b>
Tax Expense	(14.7)	(20.1)	(27.6)	37.3%
<b>NPAT before Minority Interest</b>	<b>31.1</b>	<b>49.0</b>	<b>63.9</b>	<b>30.3%</b>
Minority Interest	(1.9)	(3.4)	(4.2)	24.6%
<b>NPAT</b>	<b>29.1</b>	<b>45.6</b>	<b>59.7</b>	<b>30.8%</b>

## Performance Indicators

EPS (basic)	33.8 cps	52.4 cps	67.4 cps	28.6%
Dividend per Share	24.6 cps	34.7 cps	48.4 cps	39.5%
Same Store Sales %	8.6%	10.3%	9.4%	

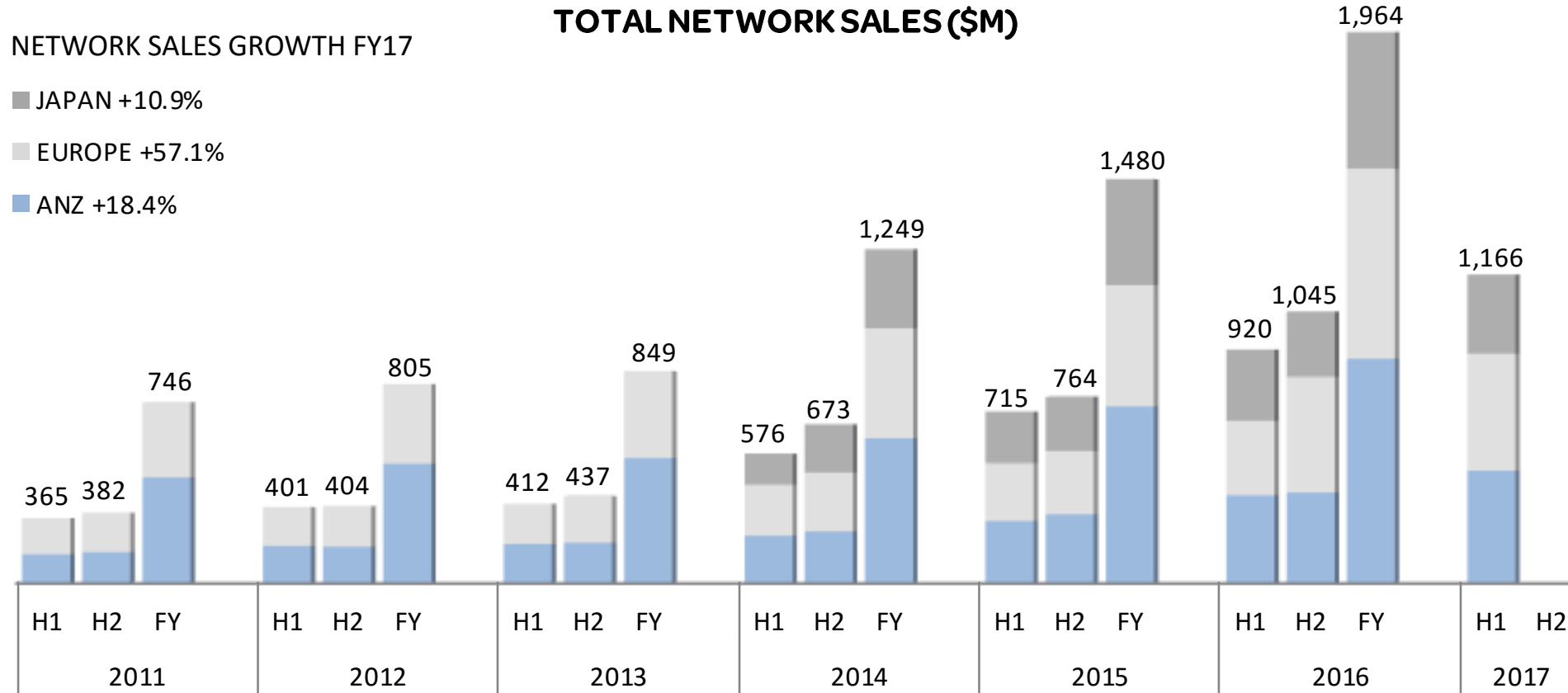
(1) H1 16 benefitted from an additional trading week vs. H1 17

(2) Significant charges detailed on slide 9

- Network sales up 26.8%, +\$246.6m, to \$1,166.1m
- Revenue up 21.1%, +\$94.1m, to \$539.4m
- EBITDA up 33.6%, +\$29.2m, to \$116.2m
- NPAT (after Minority Interest) up 30.8%, +\$14.0m, to \$59.7m
- EPS 67.4c, up 28.6% (statutory EPS up 13.7%)
- Interim dividend 48.4 cps (50% franked), up 39.5% on H1 16, based on 70% payout ratio
- H1 17 contained 26 weeks of trading, compared with 27 weeks in H1 16
- As highlighted in FY16 and at the AGM, there is a material impact on Japan SSS and profits arising from the 27<sup>th</sup> week falling into H2 17. This affects comparatives to H1 16



# NETWORK SALES GROWTH



- Strong Group SSS: 9.4%, excellent ANZ SSS: 17.4% and stable EU SSS: 3.1%
- Japan SSS: -4.7%. However, the 27<sup>th</sup> week holiday trading period flowed into the 2<sup>nd</sup> half this year vs. 1<sup>st</sup> half in the previous year. Adjusting for this SSS was -1.8%. Additionally, in the first 6 weeks of trading, H2 17 SSS is 12.7%



# NETWORK STORE COUNT

	H1 15	H1 16	H1 17
<b>Australia/NZ stores</b>			
Franchised stores	579	622	666
Corporate stores	67	59	72
<b>Aus/NZ Network Stores</b>	<b>646</b>	<b>681</b>	<b>738</b>
<i>Stadium outlets incl in above</i>	17	17	15
<b>Net Stores added in period</b>	<b>34</b>	<b>11</b>	<b>24</b>

<b>European stores</b>			
Franchised stores	383	423	771
Corporate stores	39	44	67
<b>European Network Stores</b>	<b>422</b>	<b>467</b>	<b>838</b>
<b>Net Stores added in period</b>	<b>21</b>	<b>15</b>	<b>22</b>

<b>Japan stores</b>			
Franchised stores	85	119	160
Corporate stores	269	313	312
<b>Japanese Network Stores</b>	<b>354</b>	<b>432</b>	<b>472</b>
<b>Net Stores added in period</b>	<b>34</b>	<b>48</b>	<b>19</b>

<b>Consolidated number of stores</b>			
Franchised stores	1,047	1,164	1,597
Corporate stores	375	416	451
<b>Total Network Stores</b>	<b>1,422</b>	<b>1,580</b>	<b>2,048</b>
Corporate store %	26%	26%	22%
<b>Net Stores added in period</b>	<b>89</b>	<b>74</b>	<b>65</b>

<b>Europe as % of Total Stores</b>	30%	30%	41%
<b>Japan as % of Total Stores</b>	25%	27%	23%

- **76 stores added to the network in H1 17**

- 27 new stores opened in ANZ<sup>(1)</sup>

- 30 new stores opened in Europe<sup>(2)</sup>:

- Record organic new store growth in the first half
    - All Joey's stores now fully converted to Domino's
    - Sprint store conversions progressing well

- 19 new stores opened in Japan:

- A concentrated push to franchise existing stores has slightly slowed new store growth

- Japan's franchise stores now comprise 34% of its network, up from 29% at the end of FY16

(1) There were 3 store closures in ANZ, including two stadium category stores

(2) There were 8 store closures in Europe, as a result of planned store conflicts relating to our acquisitions





# FINANCIALS



# GEOGRAPHIC SUMMARY

	H1 15 Statutory	H1 16 Underlying <sup>(1)</sup>	H1 17 Underlying	+ / (-) H1 16 Underlying
	\$ mil	\$ mil	\$ mil	%
<b>REVENUE</b>				
Australia/NZ	102.2	128.0	150.1	17.2%
Europe	87.0	109.2	164.2	50.3%
Japan	154.3	208.0	225.1	8.2%
<b>Total Revenue</b>	<b>343.6</b>	<b>445.3</b>	<b>539.4</b>	<b>21.1%</b>
<b>EBITDA</b>				
Australia/NZ	35.1	44.5	55.2	23.9%
Europe	7.2	15.0	29.9	99.7%
Japan	17.8	27.5	31.1	13.2%
<b>Total EBITDA</b>	<b>60.0</b>	<b>87.0</b>	<b>116.2</b>	<b>33.6%</b>
<b>EBITDA MARGIN %</b>				
Australia/NZ	34.3%	34.8%	36.8%	
Europe	8.3%	13.7%	18.2%	
Japan	11.5%	13.2%	13.8%	
<b>Total EBITDA Margin %</b>	<b>17.5%</b>	<b>19.5%</b>	<b>21.5%</b>	
New Zealand average FX	1.10	1.10	1.05	
Europe average FX	0.69	0.66	0.69	
Japan average FX	96.93	88.20	79.75	

- The Group recorded excellent underlying EBITDA growth of 33.6%. Group EBITDA margin continues to rise, up 2% from H1 16 and 4% since H1 15
- ANZ again delivered outstanding EBITDA growth of 23.9%, whilst increasing margins
- Underlying EBITDA growth was exceptional in Europe at 99.7%. EBITDA margin continues to accelerate, moving from 13.7% to 18.2%
- Strong two year EBITDA growth of 75.3% in Japan, benefitting from a stronger Yen. EBITDA margin also continues to increase. This was despite profits being impacted by the timing of the holiday trading period
- We continue to remain on target and committed to achieving EBITDA margins of:
  - 45% in ANZ within 6 years
  - 25% in Europe and 20% in Japan, within 5 years

(1) H1 16 benefitted from an additional trading week vs. H1 17 and H1 15, as a result of timing of the half-year ends





# SIGNIFICANT CHARGES

## One-off Costs in H1 17

	\$'000
Germany - Conversion and Integration	16,237
Pizza Sprint - Conversion and Integration	2,317
French Commissary Relocation	1,091
<b>TOTAL NPBT IMPACT</b>	<b>19,645</b>

- Conversion and integration costs:
  - Including restructuring and rebranding 195 Joey's and Pizza Sprint stores to Domino's
  - All Joey's stores in Germany have been converted to Domino's
- French Commissary relocation costs:
  - Relating to redundancy, make-good and write-off of equipment
- The majority of one-off costs have now been incurred



# STATUTORY TO UNDERLYING RECONCILIATION

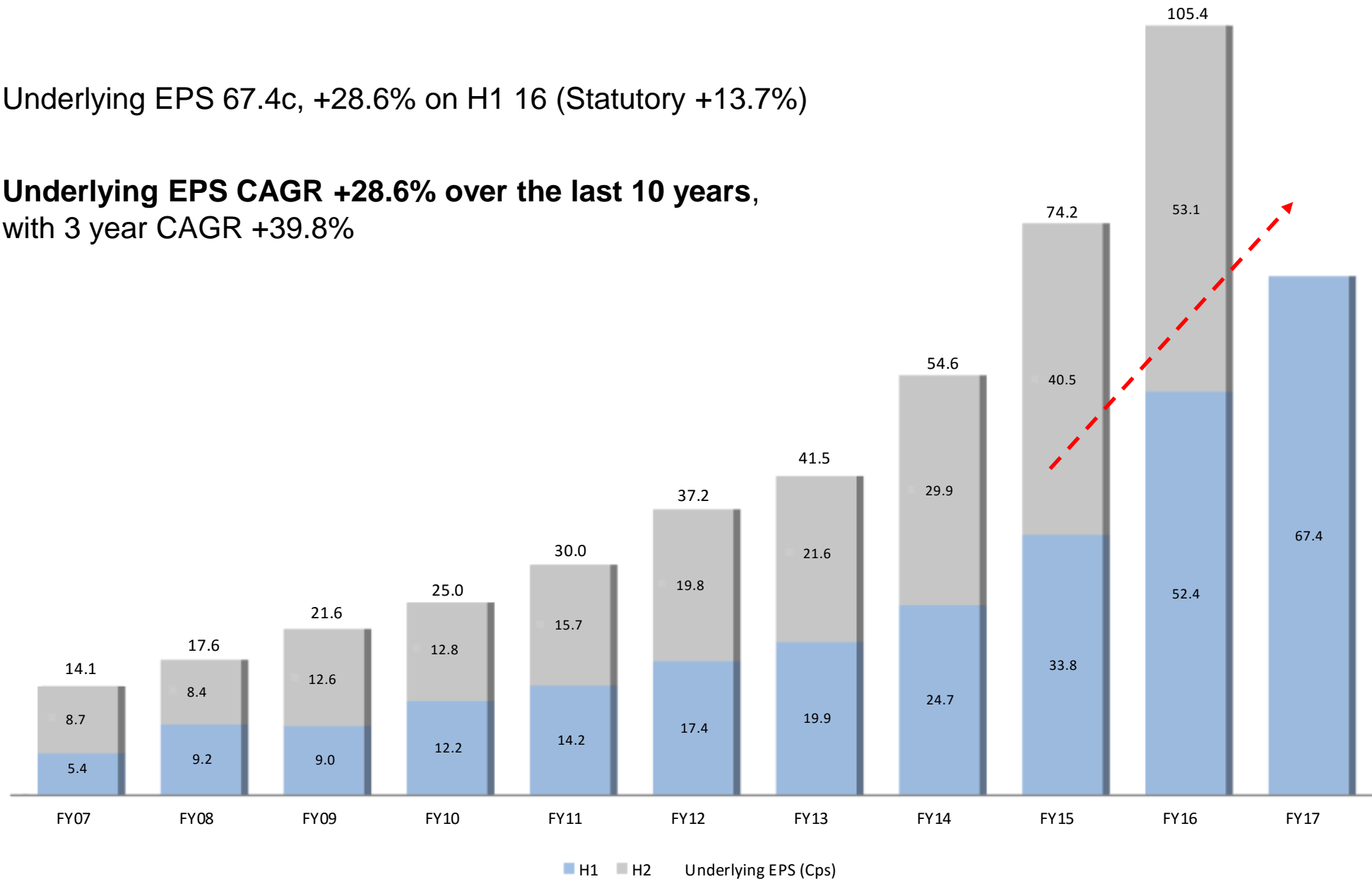
	H1 16 Statutory	Significant Charges	H1 16 Underlying	H1 17 Statutory	Significant Charges	H1 17 Underlying
	\$ mil		\$ mil	\$ mil	\$ mil	\$ mil
Network Sales	919.6		919.6	1,166.1		1,166.1
Revenue	445.3		445.3	539.4		539.4
<b>EBITDA</b>	<b>84.3</b>	<b>2.7</b>	<b>87.0</b>	<b>98.1</b>	<b>18.0</b>	<b>116.2</b>
Depreciation & Amortisation	(16.6)	0.0	(16.6)	(23.9)	1.6	(22.3)
<b>EBIT</b>	<b>67.7</b>	<b>2.7</b>	<b>70.4</b>	<b>74.3</b>	<b>19.6</b>	<b>93.9</b>
<i>EBIT Margin</i>	<i>15.2%</i>		<i>15.8%</i>	<i>13.8%</i>		<i>17.4%</i>
Interest	(1.3)		(1.3)	(2.4)		(2.4)
<b>NPBT</b>	<b>66.4</b>	<b>2.7</b>	<b>69.1</b>	<b>71.8</b>	<b>19.6</b>	<b>91.5</b>
Tax Expense	(19.7)	(0.4)	(20.1)	(21.2)	(6.4)	(27.6)
<b>NPAT before Minority Interest</b>	<b>46.7</b>	<b>2.3</b>	<b>49.0</b>	<b>50.6</b>	<b>13.3</b>	<b>63.9</b>
Minority Interest	(3.4)	0.0	(3.4)	(0.5)	(3.7)	(4.2)
<b>NPAT</b>	<b>43.3</b>	<b>2.3</b>	<b>45.6</b>	<b>50.0</b>	<b>9.6</b>	<b>59.7</b>
<i>Performance Indicators</i>						
EPS (basic)	49.8 cps		52.4 cps	56.6 cps		67.4 cps
Dividend per Share	34.7 cps		34.7 cps	48.4 cps		48.4 cps
Same Store Sales %	10.3%		10.3%	9.4%		9.4%

- Further details regarding H1 17 significant charges are outlined in the preceding slide
- H1 16 significant charges are outlined in the H1 16 Market Presentation



# UNDERLYING EARNINGS PER SHARE

- Underlying EPS 67.4c, +28.6% on H1 16 (Statutory +13.7%)
- **Underlying EPS CAGR +28.6% over the last 10 years,**  
with 3 year CAGR +39.8%







# CASH FLOW

	H116	H117
	\$ mil	\$ mil
Net Profit After Tax before Minority Interest	46.7	50.6
Profit on sale of non-current assets	(4.6)	(8.5)
Depreciation & amortisation	16.6	23.9
Change in working capital	(5.9)	(15.7)
Movement in current and deferred tax	2.0	(3.8)
Other	0.5	2.8
<b>Operating cash flow</b>	<b>55.3</b>	<b>49.3</b>
Capital expenditure	(60.7)	(57.8)
Proceeds from sale of PP&E & intangibles	15.9	12.3
Loans repaid by/(to) franchisees	2.1	5.0
<b>Net cash used in investing activities</b>	<b>(42.6)</b>	<b>(40.5)</b>
<b>Free cash flow</b>	<b>12.7</b>	<b>8.7</b>
Dividends paid	(23.6)	(34.1)
Debt movement (excluding minority interests)	18.4	14.8
Proceeds from shares issued	7.9	16.4
<b>Net cash generated from financing activities</b>	<b>2.7</b>	<b>(2.8)</b>
<b>Increase in cash &amp; equivalents held</b>	<b>15.3</b>	<b>5.9</b>

- Continuing strong operating cash flows, despite the non-recurring impact of European conversion costs of \$18.0m and additional working capital requirements:
  - Additional inventories in Japan held for the peak holiday period after New Year's Day
  - Extra equipment inventories held in ANZ for the Project 3/10 oven rollout
  - Timing of December supplier payments and marketing fund spending for each region
- Net capital expenditure & investments broadly in line with guidance
- Debt movement due to Euro borrowings for acquisition conversion costs, partially offset by a reduction in the short term working capital facility in Japan



# BALANCE SHEET

	FY16 <sup>(1)</sup>	H117	+ / (-) FY 16
	\$ mil	\$ mil	\$ mil
Cash & equivalents	60.3	67.4	7.0
Trade & Other Receivables	72.1	77.6	5.5
Inventories	16.7	23.3	6.6
Other Current Assets	35.1	44.3	9.2
<b>Current Assets</b>	<b>184.2</b>	<b>212.6</b>	<b>28.4</b>
Property, plant & equipment	188.1	186.8	(1.3)
Goodwill & other intangible assets	698.1	673.9	(24.3)
Other Non-current Assets	57.6	59.7	2.1
<b>Non-current Assets</b>	<b>943.8</b>	<b>920.4</b>	<b>(23.4)</b>
<b>Total Assets</b>	<b>1,128.0</b>	<b>1,133.0</b>	<b>5.0</b>
Trade & Other Payables	147.0	147.9	0.9
Borrowings	36.3	25.5	(10.7)
Other Current Liabilities	83.0	80.9	(2.1)
<b>Current Liabilities</b>	<b>266.2</b>	<b>254.3</b>	<b>(12.0)</b>
Borrowings	285.5	307.3	21.8
Other Non-current Liabilities	181.7	171.1	(10.7)
<b>Non-current Liabilities</b>	<b>467.2</b>	<b>478.4</b>	<b>11.2</b>
<b>Total Liabilities</b>	<b>733.5</b>	<b>732.7</b>	<b>(0.8)</b>
<b>Net Assets</b>	<b>394.5</b>	<b>400.3</b>	<b>5.8</b>
Issued Capital & Reserves	259.7	249.5	(10.2)
Retained Earnings	134.8	150.8	16.0
<b>Equity</b>	<b>394.5</b>	<b>400.3</b>	<b>5.8</b>

- Additional cash as well as increased inventories, receivables and other assets relating to timing of the December period end and Japan holiday season
- Goodwill reduction mainly due to Japan FX translation, with a weaker JPY vs AUD
- Total borrowings increased by \$11.1m, mainly due to additional Euro borrowings for acquisition conversion costs
- Net debt marginally increased from \$261.5m to \$265.5m

(1) FY16 Balance Sheet restated as a result of finalisation of Pizza Sprint acquisition



# KEY FINANCIAL RATIOS

	FY 16 Underlying	H117 Underlying
Net Debt to Equity	66.3%	66.3%
Net Debt	\$261.5m	\$265.5m
Interest Coverage	43.5x	38.4x
Return on Equity <sup>(1)</sup>	27.9%	29.6%
Return on Capital Employed <sup>(1)</sup>	19.9%	21.6%

- Gearing increased at the end of FY16 as a result of Pizza Sprint and German acquisitions
- Interest Coverage has decreased due to the additional interest cost associated with acquisition borrowings
- Return on Equity and Return on Capital Employed have both improved as a result of continued strong profit growth

(1) FY16 ROE and ROCE restated using statutory Balance Sheet methodology





**AUSTRALIA AND NEW ZEALAND**





# HIGHLIGHTS AND ACHIEVEMENTS ANZ

- **Unprecedented SSS** and **organic new store openings** in H1 17
- Launched '**Taste the Colour**' which was Domino's **biggest menu launch** since 2009, with improvements to popular pizzas, as well as introducing new pizzas, sides, ingredients and desserts
- As a result of Project 3/10 and the relentless passion of our Franchisees, **delivery times are faster than ever**. So far we have 123 stores now 3/10 enabled
- Digital growth continues apace. Initiatives such as **On-time cooking** demonstrate Domino's ability to delight customers and drive competitive advantage
- The combination of the above helped **increase SSS to the highest in our history** for the month of October
- Our share of online retail sales continues to grow. We now represent 2.8% of this space<sup>(1)</sup>, up 0.4% from Dec 2015

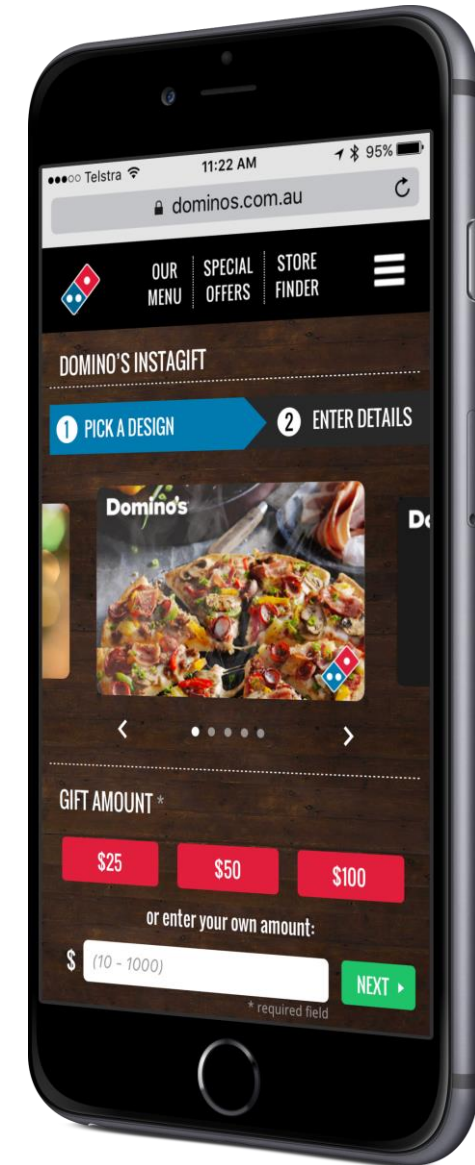


(1) Source: NAB Online Retail Sales Index In-Depth Report – December 2016



# HIGHLIGHTS AND ACHIEVEMENTS ANZ

- **World's first commercial delivery of pizza by Drone** to a customer's house in New Zealand, using DRU Drone by Flirtey
- **New Zealand opened its 100th store** in Meadowbank, Auckland, during July
- **ANZ opened 27 new organic stores**
- Domino's continues to invest in its team members, with the launch of **Tanda**, our new intelligent rostering system
- Launched **MyDomino's App**, a handy one-stop portal for Franchisees and team members
- Continued investment and rollout of our revolutionary **E-Bikes** across the network
- Introduced '**InstaGift**' digital gift card before the busy Christmas period

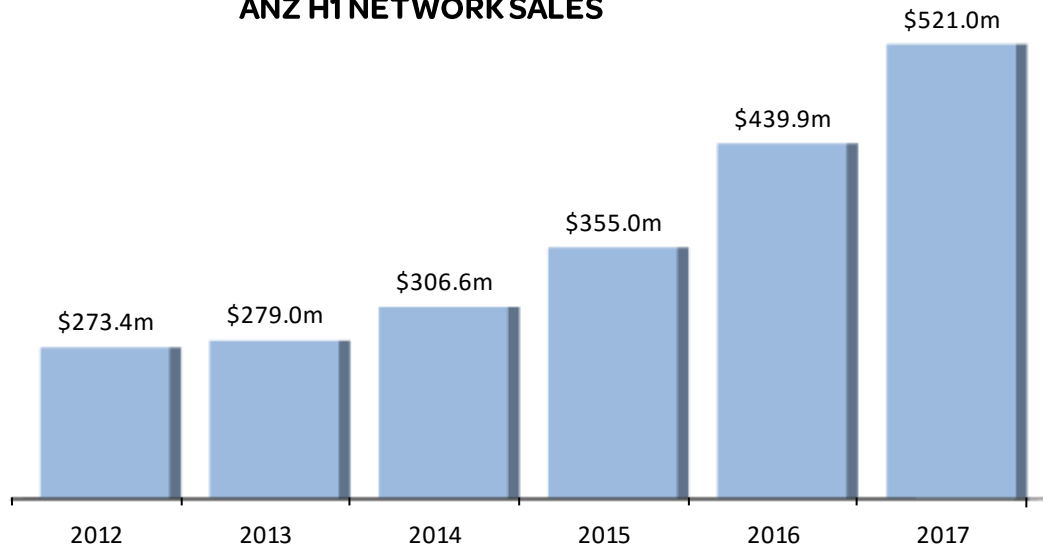




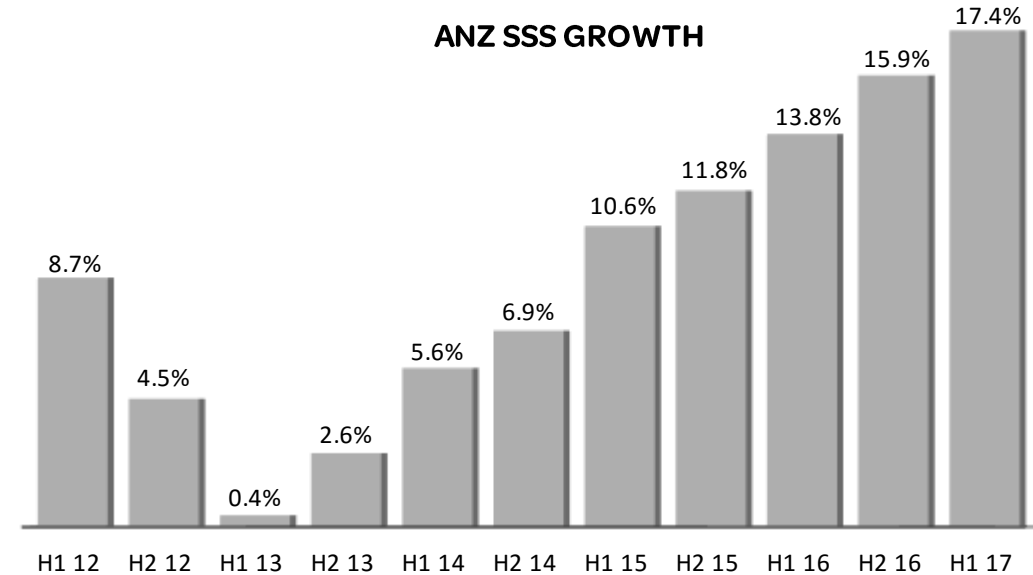


# NETWORK SALES ANZ

ANZ H1 NETWORK SALES



ANZ SSS GROWTH



- Extraordinary double digit SSS growth in ANZ
- H1 17 total sales up 18.4%, +\$81.1m, as a result of a strong new store pipeline and continued compounding growth from existing stores
- An independent market research data company confirmed that our biggest competitor had negative traffic in the quarter ending Dec 16



# LOOKING FORWARD ANZ

- **Thickshakes** and premium ice-cream desserts were added to our menu, with a full rollout scheduled by June
- **Bolognese Garlic Baguette** is the latest addition to our menu and is already proving to be a big hit with our customers
- **New food products** are currently in test, with rollout scheduled to begin in the second half of 2017
- Further development of DRU, with him set to embody a bigger, more holistic **Artificial Intelligence**, enhancing the customer experience
- We plan to open an additional **35+ new stores** across ANZ in the second half of FY17
- Along with our philosophy of “**slow where it matters, fast where it counts**”, Domino’s continues to speed up delivery times via Project 3/10 initiatives





# FRANCHISEE PROFITABILITY

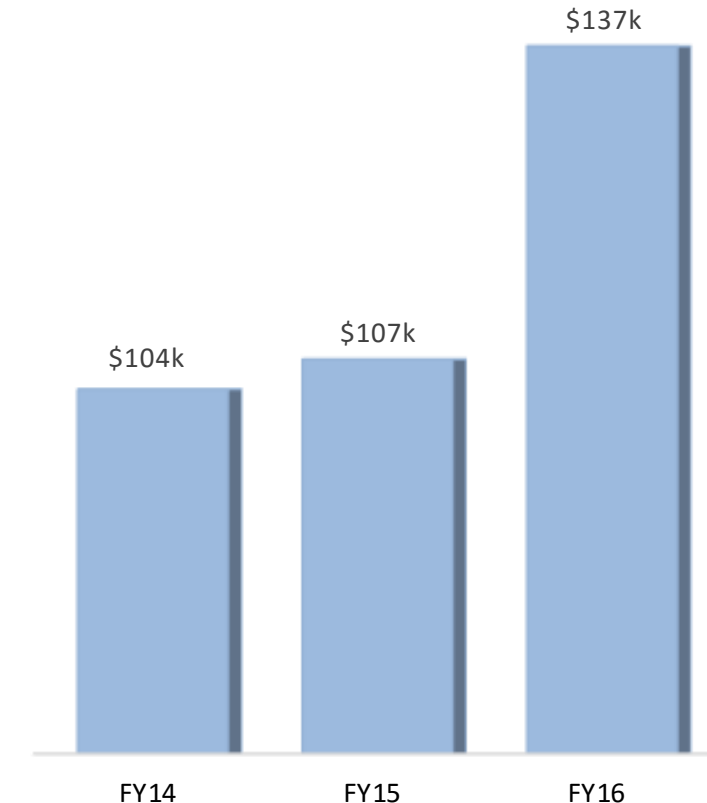
## ➤ Record profitability:

- Franchisees have been sharing in the profitability of our business. Over the past two years, Australia same store EBITDA has increased by 31.7%, with current store payback of 3-5 years
- After paying all staff and management wages, the average Franchisee EBITDA is forecast to be the range of \$245k - \$257k in FY17, based on owning just under 2 stores<sup>(1)</sup>. EBITDA per store is forecast to be in the range of \$138k - \$145k in FY17

## ➤ Further information:

- The breakeven point of a Domino's store will vary, according to many structural factors. In some Regional towns, the breakeven point is as low as \$10k - \$12k of sales per week
- The majority of stores have a break even point of \$15k - \$21k of sales per week
- When a customer buys a \$5 pizza, on average, they spend a total of \$17.75 on their order. Note that \$5 pizzas are profitable in their own right
- In FY16, 21<sup>(2)</sup> stores were unprofitable and received assistance

Average AU EBITDA (Same Store)



(1) Average of 1.8 stores per Franchisee

(2) FY16 same store Franchisee profitability, as reported on 1<sup>st</sup> Oct 2016





# FRANCHISEE PROFITABILITY

## ➤ Looking forward:

- Management are confident that we have prepared and are delivering on proven & planned solutions, which will more than offset the impact of the Modern Award
- As a result, Management continues to forecast further record profitability for Franchisees in FY17
- Evidence of our strong profitability is demonstrated by the fact that 87% of our new stores in H1 17 were opened by existing Franchisees expanding their current network, or store managers
- We expect this trend to continue, as our Franchisees migrate to additional multi-unit ownership.
- Over the next 4-5 years, we are targeting an average of 5 stores per Franchisee





# INDUSTRIAL RELATIONS

- **Domino's has a zero tolerance policy to unethical behavior**, including under-payment of wages, or under-reporting of sales. We expect the highest standards from our Franchisees
- **Ongoing Proactive Compliance Program:**
  - Domino's has a dedicated auditing and compliance department, which investigates Franchisees' employment law obligations
  - Audits are undertaken by an independent and external 3rd party
  - We received our first query of Employment Visa fraud last week and are investigating the matter further
  - **Over the past three years**, our proactive audit and compliance program has:
    - Conducted 456 store spot checks
    - Completed 102 store audits (via 3<sup>rd</sup> party audit process), with 42 ongoing, recovering \$4.2m in underpaid wages and superannuation from Franchisees. This is a total of 0.8% of the labour costs in our franchise network<sup>(1)</sup>
    - Investigated 88 individual complaints, with 25 ongoing, recovering an additional \$257k in wages and superannuation
    - Domino's has removed four Franchisees from our system, operating seven stores
    - After conducting IR compliance audits, an additional 22 Franchisees chose to exit
    - This represents 10 Franchised stores per annum over a 3 year period, which equates to 1.7% of the system
    - The findings of the compliance program demonstrate no correlation between store profitability and under-payment of wages
  - The actions of the minority do not reflect the majority

(1) Total labour costs are derived from the average labour percentage as submitted by our Franchisees



# ENTERPRISE BARGAINING AGREEMENT

- Negotiations have slowed for the following reasons:
  - The Coles decision in 2016 changed the way the “Better Off Overall Test” was applied
  - Therefore, the majority of work performed during the initial negotiations became redundant
  - The Fair Work Commission are yet to hand down their decision on Sunday penalty rates
- In recognition of the importance of our employees to our business and customers, Domino’s has made 2 voluntary increases to worker entitlements in the past 6 months
- Further delays to negotiations are not envisaged, but should this occur, Domino’s may provide an additional voluntary increase. We expect the agreement to be finalised by mid-2017
- At this point, we **forecast that labour as a percent of sales will increase by 1-2% as a result of modernisation, before our strategic initiatives are implemented**
- We are confident these initiatives such as: Tanda, Project 3/10, Thickshakes, new product offerings and pricing strategies will not only cover these labour increases, but exceed them. We therefore forecast another record profit year for Franchisees
- Furthermore, we believe that Domino’s is one of the best positioned retailers working through this process. Market share gains may be possible, as modernisation places additional pressure on competitors



@ Retrait des commandes internet Easy order



EUROPE



Domino's



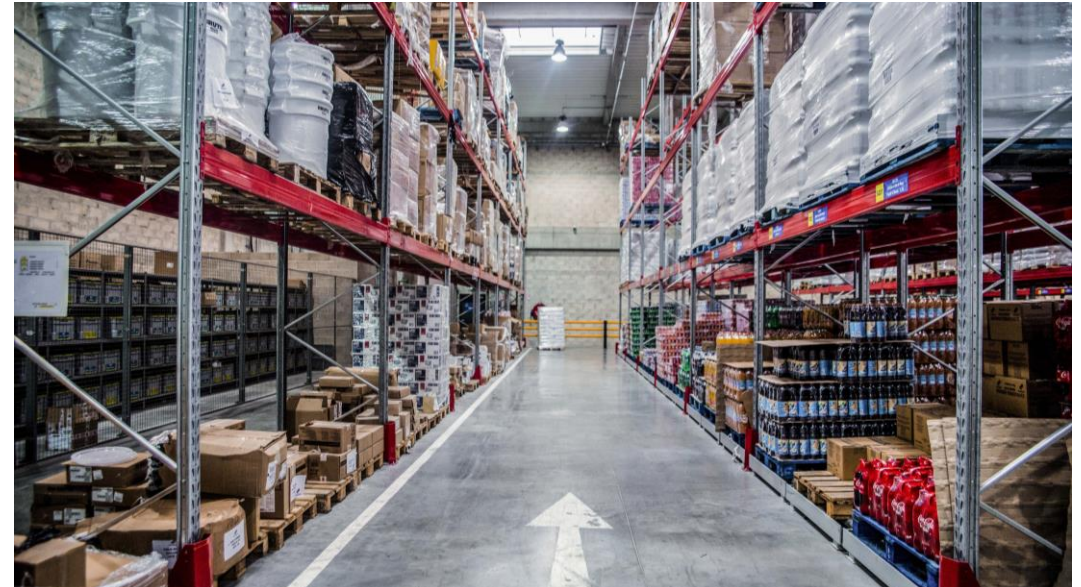




# HIGHLIGHTS AND ACHIEVEMENTS EUROPE

## France:

- The new Commissary and Head Office are now open. We expect logistics and labour synergies in the second half of the year
- PULSE will be 100% rolled-out in the next 4 weeks
- The pizza Sprint conversion is expected to be finalised by end of FY17
- Domino's France is leveraging its partnership with "Domino's football Ligue 2" via bespoke online games, encouraging fan base transfer to Domino's database
- Domino's opened a new traditional "Bistro" store. This store will enable piloting of new products, training and further innovation
- 50% of the French network has been refreshed to the new "City" and "Urban" images. By the end of 2017, 70% of the network will have been refreshed





# HIGHLIGHTS AND ACHIEVEMENTS EUROPE

## Germany:

- All Joey's stores in Germany were converted to Domino's, six months ahead of schedule
- Domino's Germany opened a total of 213 stores
- 2,000<sup>th</sup> Domino's Europe store opened in Hamburg
- Germany are focusing on establishing a high volume mentality and testing: TV, radio, outdoor signage and new products

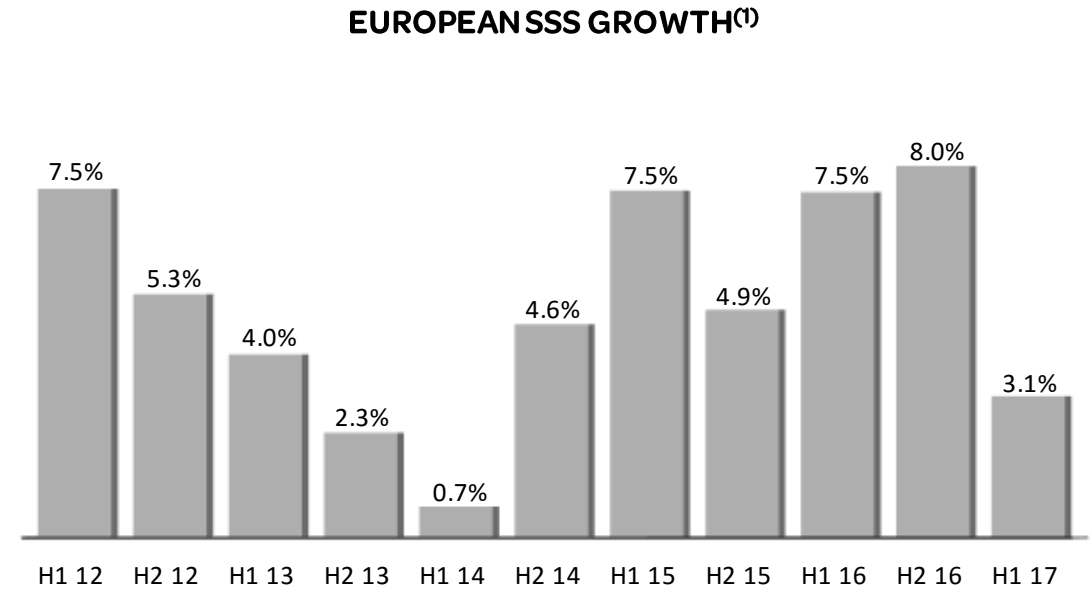
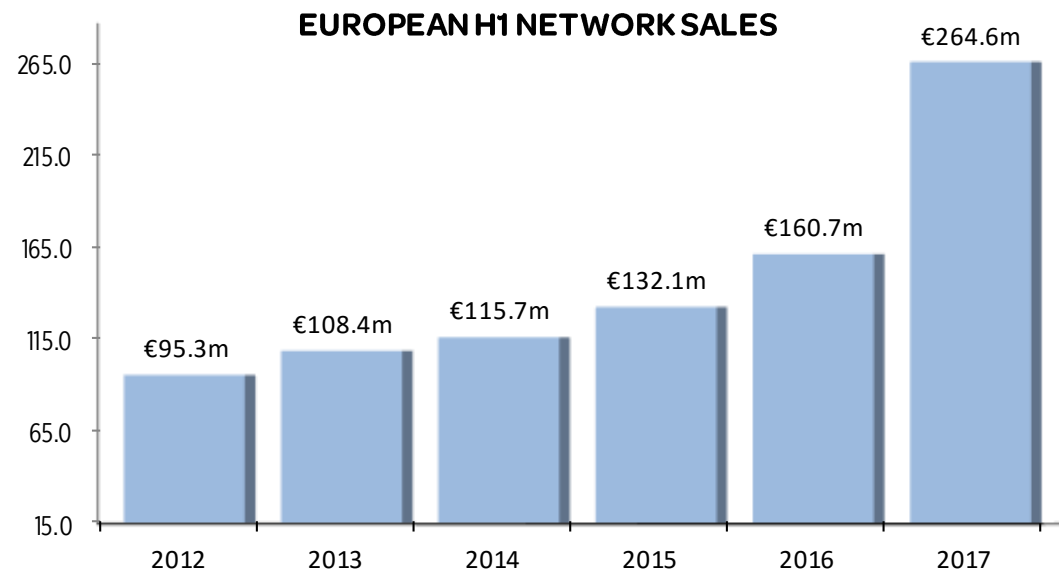
## Netherlands/Belgium:

- The Netherlands was once again the standout performer in Europe, now into its third year of double digit growth
- The Netherlands/Belgium network exceeded 250 stores
- 200<sup>th</sup> store opened in Netherlands
- Netherlands – 2<sup>nd</sup> largest QSR by sales and store count





# NETWORK SALES EUROPE



- H1 17 Sales up 64.7%, +€103.9m, as a result of stable SSS growth, new store openings and acquisitions
- SSS are a little tougher in the first half, due to a long hot summer, a small destabilising effect from PULSE rollout and customisation of OneDigital
- H2 17 is expected to be much stronger, with forecast of 5-7% still on track

(1) Including acquisitions from the date of DPE ownership





# LOOKING FORWARD EUROPE

## Overall Europe:

- Sales and profits on track for a record year
- Organic new store openings are also on track for a record year

## France

- PULSE rollout scheduled to be complete in March 2017
- Launch of GPS Driver Tracker in FY18
- Launch of:
  - **MyPizz' (Pizza Chef):** An App to introduce new customers to the brand and our digital experience, lift online sales and act as a point of difference to competitors
  - **Quick Order + availability on Apple and Android watch:** Improving the customer online ordering experience. Allowing ordering in a few simple clicks and within 20 seconds
  - **Offers App:** New channel in France to drive online sales
  - **New Digital Marketing:** More attractive offers for our French customers, aiming to increase online sales and double the click rate





# LOOKING FORWARD EUROPE

## Germany:

- TV, Online and oOh! national campaign starting in Germany. This is already having a positive impact on sales
- Introduction of additional new chicken products to the menu and enhancement of the pasta range
- Similar to France, Germany will be launching: Pizza Chef, Quick Order + availability on Apple and Android watch, Offers App and New Digital Marketing
- GPS Driver Tracker is currently planned for FY18
- Digital sales growth is exceeding expectations

## The Netherlands and Belgium:

- GPS Driver Tracker launch in the Netherlands will be a big step towards achieving Project 3/10
- 40% of deliveries in the Netherlands are now via E-Bike
- The Netherlands and Belgium will launch Offers App in H2 17
- 50<sup>th</sup> store in Belgium to open in FY17







# Domino's



## JAPAN





# HIGHLIGHTS AND ACHIEVEMENTS JAPAN

- December sales exceeded last year's outstanding record, including a record sales day on Christmas Eve
- 42 stores set new monthly sales records in December; 35 stores set new weekly records, with 305 stores setting new daily records
- Makuhari store broke a 25-year-old DPJ monthly sales record of ¥31.8m
- December TVCM recorded the highest favorability rating ever, according to the CM Research Institute (*an independent research institute that evaluates television commercials*)
- The value of winter Consumer Generated Media hit more than ¥444m, which was largely attributed to the "Reindeer" PR campaign<sup>(1)</sup>



(1) Source: CM databank review Dec 2016



# HIGHLIGHTS AND ACHIEVEMENTS JAPAN

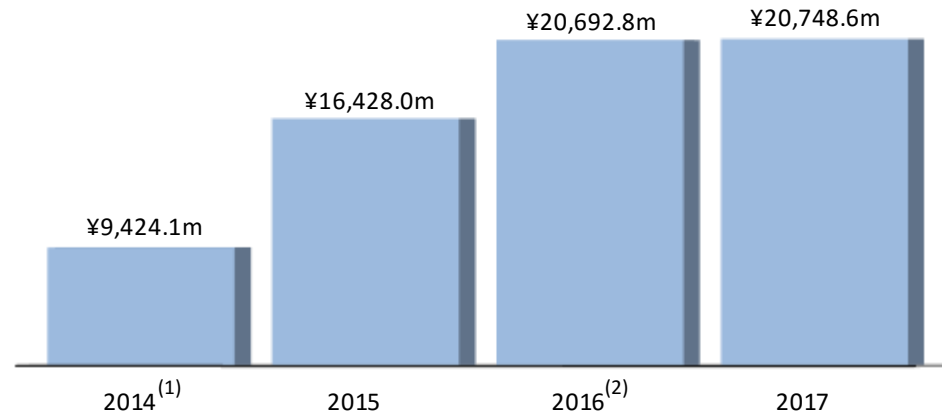
- Constructed 19 new stores in 6 months, ending H1 17 with 472 stores
- We now have 160 franchised stores, including 36 Can Do! Partners stores, comprising 34% of the system
- Relocated 9 stores to carry out friendly locations, along with remodeling 4 stores
- Growing carry out sales: 50% of network sales, versus 46% last year
- More than 60% of stores are now Mugen 3.0 design (which features a brighter image, larger dine-in space and face-to-face transparent make-lines)
- Opened stores in two new markets: Ishikawa and Fukui



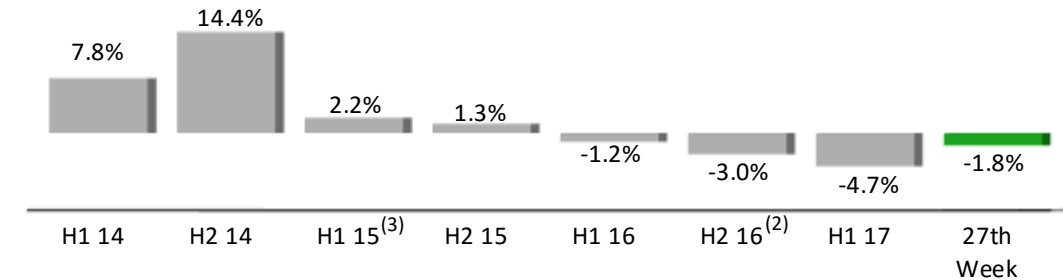


# NETWORK SALES JAPAN

## JAPAN H1 NETWORK SALES



## JAPAN SSS GROWTH



- Record sales in the first half of the year, despite rolling an additional week from H1 16
- December YTD SSS were -4.7% on a 26 week basis. Sales were materially higher over comparative 27 week period
  - On a 27 week basis, Dec YTD increased 2.9%, from -4.7% to -1.8%, due to timing of New Year's Day holidays
- Management are forecasting strong sales growth for the full year

(1) From the date of DPE ownership

(2) Due to the timing of half year end, H1 16 benefitted from New Year's Day trading. H1 16 also contained an additional trading week

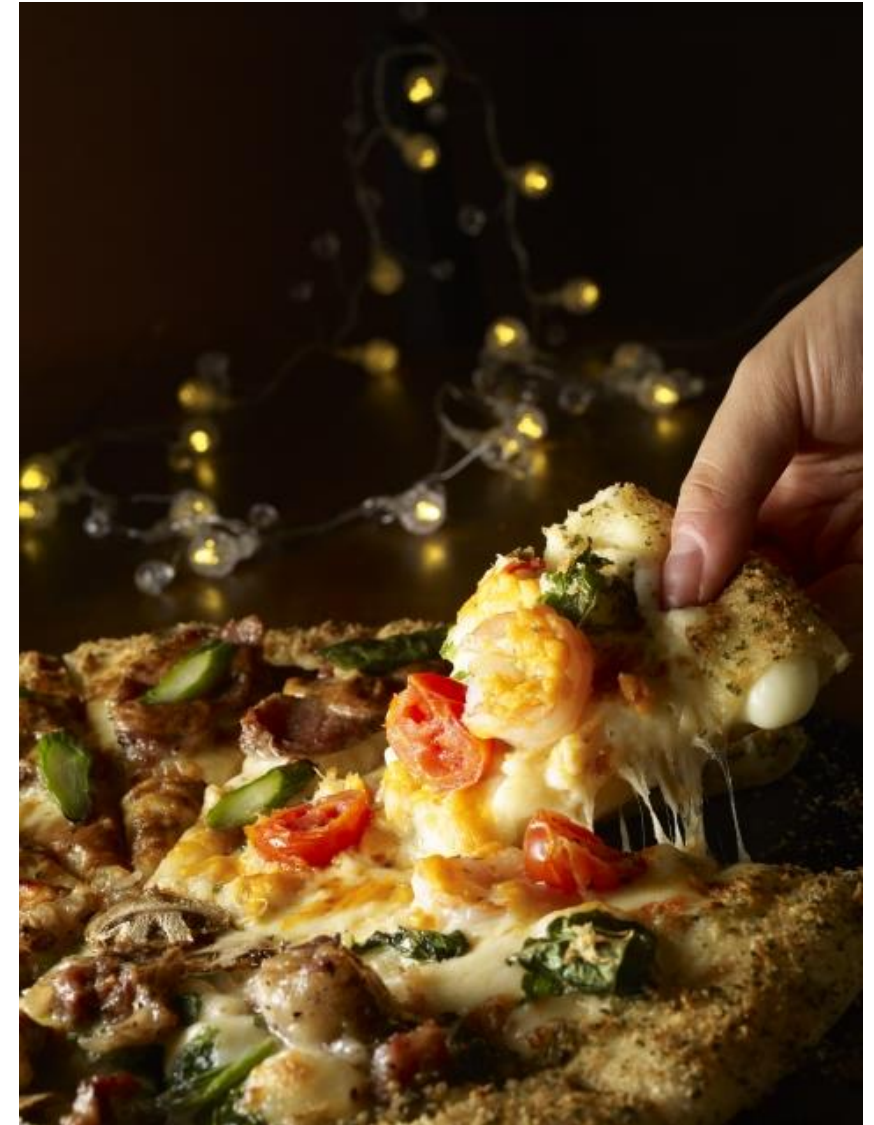
(3) SSS calc. realigned to Group policy from H1 15 onwards





# LOOKING FORWARD JAPAN

- Japan will reach 500 stores by August
- Completion of PULSE rollout by February 2017
- Launch of OneDigital in H2 2017
- Beginning to implement Project 3/10
- Relocation of 8 stores to carry out friendly locations in the second half
- Continued growth of franchise stores, with a target of 37% franchised by the end of FY17
- Continued build out into new markets, such as Aichi and Gifu Prefectures







**DIGITAL**



# DIGITAL ANZ

- ANZ online sales grew 32% over comparative periods
- Zero Click App launch, enabling customers to order a pizza without even touching a button
- New Offers App with enhanced moving imagery and video content, to really showcase the quality of our products
- New Stickers App – first QSR in Australia to launch our iOS 10 Sticker App in Apple’s iMessage App Store
- Domino’s InstaGift launch – the perfect instant gift
- DRU Drone by Flirtey made the world’s first commercial delivery of pizza by Drone to a customer’s house, in New Zealand
- Continuous online improvements:
  - Targeted upsell system to ensure more suitable offers are presented to the customer
  - Implemented technology to capture and win back customers that attempt to leave an online order
  - Cut down customer information required to start an order





# DIGITAL EUROPE

Within the next 4 weeks, 100% of stores in Europe will be using PULSE and OneDigital

## France:

- France online sales grew 31% over comparative periods
- Record online ordering, with the weekly average now regularly exceeding 50%. 60% targeted over the next 12 months
- Launching many of ANZ's digital tools in next 6 months, such as: Offers App, Pizza Chef and Smartwatch integration
- Addition of Star Ratings on Customer Website to be completed by June, helping to provide meaningful feedback to Domino's
- GPS Driver Tracker to launch in France in next 12 months







# DIGITAL EUROPE

## Germany:

- Online sales in Germany are growing at an incredible rate and are targeted to be +60% in the next 6 months
- Delivered a complete online system for Germany (in under 3 months)
- Launched Pizza Tracker and Pizza Chef, with several further digital tools to be launched in the coming months

## Netherlands and Belgium:

- Netherlands/Belgium online sales grew 38% over comparative periods
- Order Anywhere was launched in the Netherlands and launching in Belgium within the next 6 months
- 'How-to' videos now on home page of dominos.nl
- GPS Driver Tracker in Netherlands to launch in March

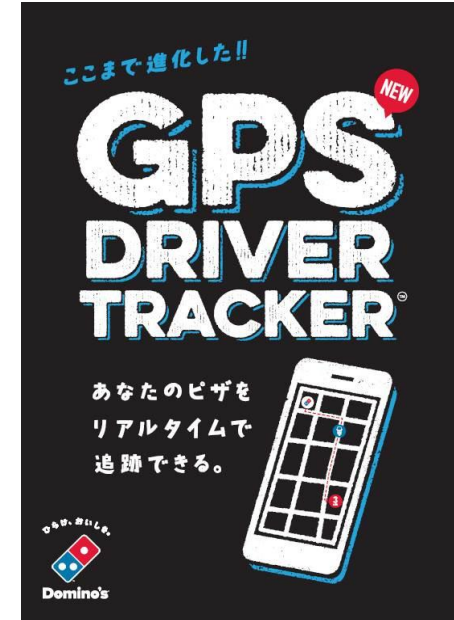




# DIGITAL JAPAN

## Japan

- Our highest digital sales recorded, with digital sales growing 19% during H1 17
- Finalised development of PULSE for use in Japan
- Continued development of OneDigital for use in Japan
- Launched VePanel, an application to recover customer abandonment onsite
- Launched Android Pay
- Certified amongst Google Japan's top accounts





# DIGITAL OUTLOOK

- Migrating entire online system to a global, diverse and stable platform, reducing risk of system failure
- Continuing to deliver convenient digital payment solutions, with the introduction of Apple Pay and Android Pay in-app and in-store
- Continuous refinement of the customer experience through testing, prototyping and optimising multiple elements of the digital experience
- Working with partners, including social media and search, on trialling and implementing new, more targeted, marketing platforms
- Our next Abacus event, on 1<sup>st</sup> March<sup>(1)</sup>, will showcase our pioneering technologies, including our move to being first to market in terms of Artificial Intelligence



(1) We will also showcase a new customer offering, an industry first, and provide an update on our technology projects underway





**FOOD INNOVATION**





# FOOD INNOVATION ANZ

- Continued on our journey to Supreme Quality with 96% of our menu items now free from preservatives, artificial colours and artificial flavours

## Innovative 'Taste the Colour' products launched to the market :

- BBQ Lamb and Bacon Pizza
- Buttermilk Chicken Kickers
- Bolognese Garlic Baguette
- Caramel Fudge Pie
- Cookie Brownie
- Chicken Carbonara Pizza
- Chicken Fajita Pizza
- Choc Chip Cookie
- Creamy Prawn and Hollandaise Pizza
- Korean Spiced Sticky Wings
- Lamb Tzatziki Pizza
- Mac'n'Cheese Croquettes
- New BBQ Meatlovers Pizza
- New Cheesy Garlic Pizza
- New Firebreather Pizza
- New Simply Cheese Pizza
- New Supreme Pizza
- New Vegorama Pizza
- Poutine
- Spicy Battered Prawns
- Spicy Battered Fish
- Thickshakes
- Triple Choc
- Truffle Mayonnaise





# FOOD INNOVATION EUROPE

Domino's Europe continued to focus on 'better for you' products and on core enhancements to ingredients

## France:

- A new pizza in Les Signatures range: Signature Raclette & Jambon de Savoie: light fresh cream, mozzarella, raclette of Savoie, ham of Savoie, with crunchy pickles
- 2 new desserts:
  - Choco Bread (pizza dough sticks with a chocolate hazelnut sauce)
  - Cookie Brown (black chocolate cake with crispy chocolate chip cookie)

## Germany:

- Developed a whole new menu for Domino's Germany
- New Cheeseburger Pizza
- New Chicken Range
- Introduction of 18 pc. pizza rolls box
- New recipe for Cinnamon Rolls







# FOOD INNOVATION EUROPE

## Netherlands/Belgium:

- Recently added another National Development Chef to the Netherlands, to assist with innovation
- Launched Cheeseburger Pizza, Pick'n mix sides, Quattro Gusto and Burger Pizza range
- Following successful trials in 3 Netherlands stores and 3 Belgium stores, 'Fast Lane' will rollout in FY17, helping to grow online pick up
- VIP store openings – giving away free pizza to loyal customers







# FOOD INNOVATION JAPAN

- Launched Chef's Quattro in the winter promotion window
- Featured Mille Crêpes and Roasted Chicken as Christmas seasonal side items
- Launched *Quattro Fiesta* in the summer media window, featuring Tex-Mex and Honey Mustard Canadian Bacon quadrants
- Assembled four fan favorites into "Quattro Classics" during the autumn campaign window







Netherlands  
Germany  
Belgium  
France

Japan

# OUTLOOK



Australia

NZ

**DECEMBER 2016**  
**2,048 STORES**

**JUNE 2025**  
**4,650 STORES**



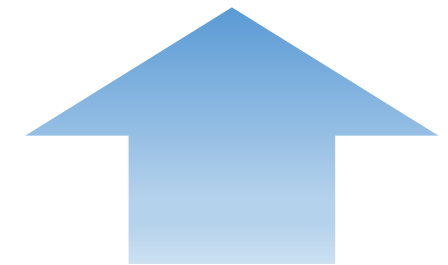
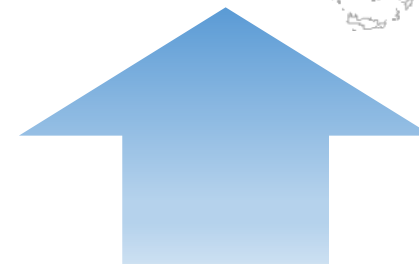
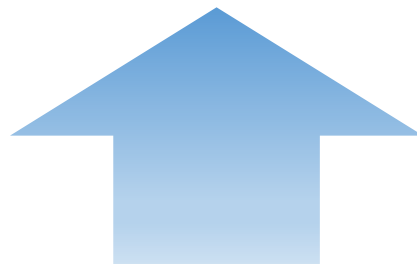


# FUTURE OUTLOOK - GROUP STORE COUNT

POTENTIAL  
TO 2025



H1 17  
STORE COUNT



- Reaffirming Group future outlook of 4,650 stores by 2025
- DPE continues to look at ways to accelerate growth through network expansion, leveraging innovation and acquisitions



# FY17 GROUP GUIDANCE

	<b>Aug-16 FY17 GUIDANCE</b>	<b>Nov-16 FY17 GUIDANCE</b>	<b>LATEST FY17 GUIDANCE</b>
<b>SSS%</b>			
<b>ANZ</b>	10-12%	12-14%	14-16%
<b>EUROPE<sup>(1)</sup></b>	5-7%	5-7%	5-7%
<b>JAPAN</b>	0-2%	0-2%	0-2%
<b>NEW STORE ADDITIONS</b>	175-195	175-195	175-195
<b>EBITDA GROWTH<sup>(1)</sup></b>	in the region of +25%	in the region of +30%	in the region of +32.5%
<b>NPAT GROWTH<sup>(1)</sup></b>	in the region of +30%	in the region of +30%	in the region of +32.5%
<b>NET CAPEX</b>	\$85-95m	\$85-95m	\$85-95m

(1) H1 17 Underlying comparison to H1 16 Underlying, including acquisitions from the date of DPE ownership



# H2 17 TRADING UPDATE

## Trading update:

02 Jan 17 - 12 Feb 17

	<b>ANZ</b>	<b>EUROPE</b>	<b>JAPAN</b>	<b>GROUP</b>
<b>H2 17 SSS%</b>	15.4%	2.7%	12.7%	11.2%
<b>New Store Openings</b>	3	7	0	10

- Excellent Group SSS
- ANZ SSS continues to go from strength-to-strength. This is as a result of Franchisees' continued commitment and focus towards activities and initiatives that management have put in place. ANZ will open 35+ new stores in the second half
- Europe SSS starts H2 17 at a stable level, with expectation that sales will accelerate in the second half, achieving full year SSS of 5-7%. Store openings are on track for a record year
- Japan SSS is very high as a result of timing of New Year's Day holiday period. Japan will open 28 new stores by August. Management maintains its full year SSS and profit guidance





# SUMMARY



# CONCLUSION

- The ANZ and European markets have recorded another strong first half
- Japan is trading within expectations, taking into consideration the timing of trading periods
- OneDigital is now in all markets, with the exception of Japan, who receive it in H2 17
- There is continued significant focus on enhancing our core technology, whilst we develop and implement the next generation of digital technologies
- Our strong product pipelines, persistent commitment to supreme quality and innovation will also help drive growth
- Group wide, Domino's sales and profits will accelerate in the second half, including through the conversion of European acquisitions
- Margins will continue to increase, particularly in Europe, as we leverage our larger network and reap the benefits from automation and efficiencies



# CONCLUSION

- Management are confident record franchisee profitability will continue post Modern Award in Australia, based on the strategy and initiatives that we have in place
- ANZ SSS% is upgraded to 14-16%, with Europe and Japan unchanged
- As stated at our AGM, Management remains focussed and on track to achieving EBITDA margins of
  - 45% in ANZ within 6 years
  - 25% in Europe and 20% in Japan, within 5 years
- As a consequence of the tremendous sales and profit growth across our system, we are upgrading our underlying EBITDA and NPAT guidance to be in the region of +32.5%





# DISCLAIMER AND IMPORTANT INFORMATION

- Domino's Pizza Enterprises Limited (Domino's) advises that the information in this presentation contains forward looking statements which may be subject to significant uncertainties outside of Domino's control
- Domino's does not undertake any obligation to provide recipients of this presentation with further information to either update this presentation or correct any inaccuracies
- While due care has been taken in preparing these statements, no representation or warranty is made or given as to the accuracy, reliability or completeness of forecasts or the assumptions on which they are based
- Actual future events may vary from these forecasts and you are advised not to place undue reliance on any forward looking statement
- A number of figures in the tables and charts in this presentation pack have been rounded to one decimal place. Percentages (%) and variances have been calculated on actual figures

## **Statutory Profit and Underlying Profit**

- Statutory profit is prepared in accordance with the Corporations Act 2001 and Australian Accounting Standards, which comply with International Financial Reporting Standards (IFRS)
- Underlying profit is the Statutory profit contained in Appendix 4D of the Domino's H1 17 Financial Report, adjusted for significant items specific to the period. Comparisons to prior periods in financial statements are generally made on an underlying basis, rather than statutory. Where highlighted in this document, statutory results have been adjusted for significant items (as shown in previous Market Presentations).