



Domino's Pizza Enterprises Limited
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www.dominos.com.au

18 August 2021

Domino's Pizza Enterprises Ltd Financial Results For the 12 months ended June 2021

Global Food sales of \$3.74b (+14.6%)
Full Year EBIT¹ \$293.0m (+27.2%)

Highlights

- Network sales: up +14.6% to \$3.74b
- Online sales: +21.5% to \$2.93b
- Underlying EBIT: +27.2% to \$293.0m
- International EBIT: +41.4% to \$199.5m, 68.1% of Group EBIT
- Free Cash flow: up +40.2% to \$216.2m
- Dividend payout ratio to be increased to 80% (up from 70%)

- 285 new stores opened (+10.7%)
- 3-5 Year Outlook for new store openings increased to +9-12% (up from +7-9%)
- 3-5 Year Outlook for Net CAPEX increased to \$100-150m (up from \$60-100m), as we assist Franchisees with store expansions

- Japan: Management and franchisees have accelerated new store openings (+126) and Network Sales (+30.9% to ¥77.5b) through new customers and higher frequency, lifting EBIT +52.8%, to ¥8.8b
- Europe: Network Sales (+23.0%, to €921.5m), reflected local COVID conditions and management response. Positive in all countries led by notable growth in Germany. EU EBIT grew +48.3%, to €55.2m
- ANZ: Experienced franchisees grew Network Sales (+6.5% to \$1,296.4m) and expanded their businesses with new stores and refranchising of corporate stores. Improved margins lifted EBIT +14.1% to \$116.8m

Domino's Pizza Enterprises Ltd (ASX:DMP) has paid tribute to more than 88,000 team members for their continued efforts in navigating changing local COVID-19 conditions, with the pandemic continuing to affect operations in the Company's nine markets.

Domino's today announced global food sales across the network increased by \$476.5m to \$3.74b (+14.6% on the prior year, +9.3% on a Same Store Sales basis) with Full Year EBIT of \$293.0m (+27.2%).

In the Second Half, food sales increased +12.8% to \$1.9b (+10.2% on a Same Store Sales basis).

Group CEO and Managing Director Don Meij thanked team members for their resilience, for putting the safety of customers and colleagues first, and for making rapid changes to store operations in response to local restrictions and, in some cases lockdowns.

"Stores in each market are responding to local conditions – societal restrictions remain in place in most markets, which continue to affect carry-out sales while delivery orders remain strong," Mr Meij said.

"We recognise our business is privileged to continue to serve our communities during this time. For our team to lift their efforts to serve more customers (particularly through delivery) and to open a record 285 stores, is a remarkable achievement that deserves recognition.

New stores openings (+285, +10.7%) surpassed Domino's 3-5 year outlook (+7-9%), with positive contributions from all markets, led by Japan setting a record of 126 new stores – the first time a DMP market surpassed 100 stores in a calendar year.

1) Underlying EBIT



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"We remain of the view Domino's performance throughout COVID is a direct result of our long-term investments and strategy; fortressing our markets, digital delivery, 3TEN and indeed franchising itself.

"We invested in the future of the German market with two acquisitions, and the results of a unified, national brand and a regional approach to store development are clear in the record store openings (+40) and shared profit for Domino's and our franchisees.

"Similarly in France, we made targeted investments in our Franchisees in FY19/20, and in store development teams, delivering strong year-on-year growth in new store openings (+38 in FY21).

"And in Japan, we invested in supporting our most experienced store managers to become franchisees and, more recently, to ensure freight costs did not disadvantage regional areas – the results have surpassed expectations with 126 new stores opened.

"In every market, our fortressing strategy demonstrates that more stores allow for increased marketing investment and increased customer demand, needing more stores to meet this demand.

"The results this year highlight the importance of franchisee profitability, particularly returns on new stores, to our growth. It builds a stronger business for all – as it always has.

"We will apply this growth-focus to Australia/New Zealand through Project Ignite, a multi-million program to build out our store network, positioning us for existing and future delivery demand.

"These investments give us the confidence to increase our outlook for new store openings for the next 3-5 years to +9-12% (up from +7-9%).

"We also intend to fortress our digital offerings, investing in our online platforms and our ability to develop insights into the data we collect, to ensure we can create the most efficient stores for our franchisees and the most rewarding experience for customers.

"Importantly, we will take these steps with a values-driven approach – we have made strides in our Domino's for Good ESG approach, including starting our footprint assessment, the first step in setting science-based targets for emissions reductions.

"We expect Domino's Pizza Enterprises Ltd to deliver significant profit increases over the medium term, driven by new store openings and network sales growth.

"Our business has the track record, cash flow and expanded debt facilities to deliver on our strategy.

"We intend to reinvest in long-term growth, benefiting franchisees and shareholders alike.

"Today's results are the dividend of our previous long-term investment in our business. The results of tomorrow will flow from our reinvestment decisions today.

"We are very pleased with the results we have achieved over the past 12 months, and excited about the opportunity we have to deliver over the months and years ahead."

Asia – Sales +30.9% to ¥77.5b (+21.8% SSS), 126 new stores, EBIT ¥8.8b (+52.8%)

President and CEO Josh Kilimnik said the results in Japan were a result of a long-term strategy and world-class execution.

"Our store managers and franchisees (now more than 50% of our network) have demonstrated that High Volume Mentality is a Domino's Japan mentality," Mr Kilimnik said.

"Our teams have expanded our footprint and won market share by delivering for our customers – with meals that are high quality, delivered in world's best times, at a price point that delivers value.

"COVID-19 brought new customers to trial our meals and service, but it is our team members that have earned their trust and will keep them returning.

"The results this year were only possible because of our long-term investment decisions: in two years we have added 200 stores to our business, expanded our franchisee base, and changed the way we deliver value for our customers – this has set the stage for our next phase of growth.

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"Our teams have completely changed the vision for pizza, and our business, in Japan – franchisees are expanding into new territories and we will invest with them to ensure they can accelerate their growth."

Domino's Pizza Enterprises Ltd has now secured foreign investment approval for the acquisition of its 10th market – Taiwan, with the transaction expected to conclude by the start of September, 2021.

"This will immediately add 157 new stores to our business, with a long-term market potential of more than 400 stores and we can't wait to welcome our newest team members to the DMP family.

"We believe there is a tremendous opportunity in this market, to apply the lessons of Australia/New Zealand, Europe and Japan, to complement their local expertise with additional resources and investments, to deliver for our franchisees and our customers."

Europe – Sales +23.0% to €921.5m (+12.1% SSS), 129 new stores, EBIT €55.2m (+48.3%)

Europe CEO Andre ten Wolde said he was proud of the work of every franchisee and team member in Europe, who had implemented a long-term plan despite some of the most challenging COVID-19 conditions in the DMP network.

"Australian audiences may appreciate how challenging the conditions have been in our markets for more than 12 months, including curfews that prohibited carry-out during dinner periods in France, and societal restrictions in Benelux – we are clear it has been a privilege to trade," Mr ten Wolde said.

"To not only survive, but to grow during this time – to open a record number of stores during pervasive restrictions, to service rapid uptake of delivery, is a tribute to every franchisee and team member."

"It's notable that the two biggest engines of our future growth – Germany and France – have set new records for store openings this year.

"This was a direct result of our decision to invest in franchisee partnerships and incentives in France, and to reach scale through our initial acquisitions and store conversions in Germany, allowing us to start from a unified national brand.

"We are focused on building out these significant opportunities with our franchisees and managers, who have demonstrated their heightened appetite to open stores and expand their businesses.

"Conditions remain uncertain in Europe, but we are absolutely certain of the quality of our people and their desire to do even better this year."

Australia/New Zealand – Sales +6.5% to \$1,296.4m (+4.5% SSS), 30 new stores, EBIT \$116.8m (+14.1%)

Australia/New Zealand CEO Nick Knight said the domestic business had grown through COVID-19 because of a strategic shift in the franchisee base.

"It would be easy to say that Domino's was destined to grow throughout this time – that is incorrect," Mr Knight said.

"Our recent performance owes credit for our decision to invest in Operations 360 and to operate a larger number of corporate stores, with higher costs, where former franchisees no longer had the passion or capability to excel in this business.

"Make no mistake – trading conditions have been challenging and we see this continuing into FY22 – but we have seen a lift in operational performance and a resulting improvement in franchisee profitability, because our refranchising and new stores have come from within.

"We will reinvest to ensure we take the next step to build out our opportunity markets – more stores reduces the last mile of delivery, giving customers a better experience, franchisees improved unit economics, and Domino's a fortified presence in the QSR industry.

"Just as Operations 360 improved our franchisee cohort, our multi-million-dollar investment in Project Ignite will ensure those passionate to grow their business have the financial capacity to match.

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"I am very excited about the new generation of Domino's multi-unit franchisees that have developed within our business and am proud our business can build a platform for their future."

FY22 Trading Update and Outlook: Sales +7.7% (+2.7% SSS), +26 new stores

- 3-5 Year Outlook for new store openings increased to +9-12% (up from +7-9%)
- 3-5 Year Outlook for Net CAPEX increased to \$100-150m (up from \$60-100m), as we assist Franchisees with store expansions
- Dividend payout ratio to be increased to 80% of NPAT (after minority interest), up from 70%

FY22 has started with a solid base – with 2,974 stores (including 26 opened this FY) delivering +7.7% network sales growth (+2.7% on a Same Store basis).

Domino's is demonstrating sustained growth by retaining customers from the initial peaks of the pandemic, with a two-year cumulative Same Store Sales growth of 13.7%.

COVID-19 societal restrictions continue to affect our markets: the largest effect continues to be on carry-out, which faces headwinds where lockdowns and curfews occur. Pleasingly, digital delivery growth continues to perform strongly in all markets.

Domino's Pizza Enterprises has demonstrated the business can deliver significant growth while investing in the future.

Franchisees and teams have proven their ability to navigate rapid changes in customer expectations throughout COVID and DMP reaffirms the 3-5 year outlook for Same Store Sales at +3-6%.

After delivering above-outlook new store openings in FY21, and with investments planned in store development and franchisee growth, Management expects new store openings in the medium term to continue at pace – lifting the 3-5 year outlook for new stores to +9-12%.

A review of our modelling has increased our expectations for Benelux (+200 stores) and Japan (+500 stores), and now expects to operate 6,650 stores by 2033. Management remains active in pursuing suitable acquisitions, through its One Brand, One Focus strategy, and foresees significant upside, beyond 2033, in our existing businesses, particularly Europe and Asia.

The Company has expanded its debt facilities, at lower margins, ensuring sufficient resources for strategic acquisitions.

The board has determined it will increase its payout ratio from 70% to 80% in recognition of this new phase in the Domino's growth, and the expected free cash flow this will return.

The Company will pay shareholders a final dividend of 85.1 cents per share (70% franked). This is to be paid on 9 September 2021, with a record date of 25 August 2021.

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

~END

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

Domino's Pizza Enterprises Limited (DMP) is Domino's largest franchisee outside of the USA. It holds the master franchise rights to the Domino's brand and network in Australia, New Zealand, Belgium, France, The Netherlands, Japan, Germany, Luxembourg and Denmark. Today, DMP has a network of more than 2,970 stores. For more information, visit www.dominosinvestors.com.au

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