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24 August 2022

The Manager

Market Announcements Office

Australian Securities Exchange

4<sup>th</sup> Floor, 20 Bridge Street

SYDNEY NSW 2000

Dear Sir

**Market presentation about Acquisition of Three Asian Markets**

Please find attached for immediate release the market presentation about Acquisition of Three Asian Markets.

For further information, contact Nathan Scholz, Head of Investor & Government Relations at [investor.relations@dominos.com.au](mailto:investor.relations@dominos.com.au) or on +61-419-243-517.

Authorised for lodgement by the Board.

**Craig Ryan**

**Company Secretary**

**END**

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# ACQUISITION OF DOMINO'S PIZZA MALAYSIA, SINGAPORE & CAMBODIA

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**24 AUGUST 2022**

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AUSTRALIA

NEW ZEALAND

BELGIUM

FRANCE

NETHERLANDS

JAPAN

GERMANY

LUXEMBOURG

DENMARK

TAIWAN



## TRANSACTION HIGHLIGHTS



# KEY HIGHLIGHTS

- ✓ Acquisition of Domino's Pizza businesses in Malaysia, Singapore and Cambodia, the 2<sup>nd</sup> largest pizza chain in each market, with 287 corporate-owned stores, for an initial price of 660 million Malaysian ringgit (equivalent to A\$214m)
- ✓ Long term market growth with store count potential of 600+ stores across the three territories
- ✓ Extends 'twin-region' focus, leveraging DPE's regional infrastructure, and drawing on learnings from Japan and Taiwan acquisitions and growth
- ✓ South-East Asia represents a logical and substantial long-term growth region for DPE, now with significant scale, and further potential for expansion
- ✓ Significant synergy benefits expected from the introduction of DPE's digital, operational, franchising and marketing expertise to grow unit sales and unit economics, accelerating store expansion
- ✓ Experienced local leadership teams have been retained, who are excited to be part of driving growth in a post-COVID environment
- ✓ 5% EPS accretive on a pro forma FY22 (June) basis before synergies and one-off integration, reorganisation and transaction costs

The acquisition of these three markets significantly enhances DPE's footprint in Asia and provides a platform for further organic and acquisitive growth in the region

# FINANCIAL SUMMARY

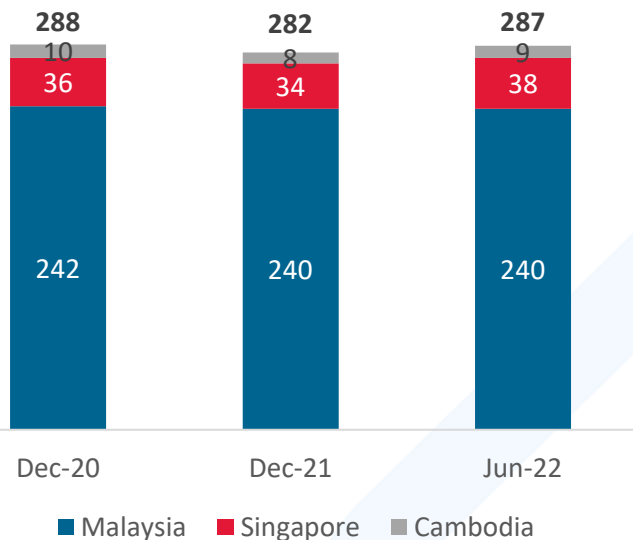
- DPE has entered into binding agreements with Mikenwill (M) Sdn Bhd, Impress Foods Pte Ltd and Dato' Ting Yew Tong to acquire 100% of the Domino's Pizza business in Malaysia, Singapore and Cambodia for an initial purchase price of 660m Malaysian ringgit (equivalent to A\$214m)<sup>(1)</sup> on a cash and debt free basis
- Under current ownership, the regions delivered Network Sales of approximately 551m Malaysian ringgit (equivalent to A\$178m)<sup>(1)</sup> and normalised earnings before interest, tax, depreciation and amortisation (pre IFRS-16) of 65m Malaysian ringgit<sup>(2)</sup> in the year to 30 June 2022 (equivalent to A\$21m)<sup>(1)</sup>
- Total consideration may include an earn out of up to 440m Malaysian ringgit (equivalent to A\$142m)<sup>(1)</sup> paid over the next two to three years, determined by capitalising earnings at an 11x adjusted EBITDA pre-IFRS16 multiple, which has allowed the acquisition to be accelerated
- Transaction to be funded through cash and debt facilities – net debt on FY22 proforma basis to increase from A\$570.7m<sup>(3)</sup> to c. A\$785m at closing, increasing the net leverage ratio on an underlying FY22 proforma basis from 1.7x to 2.2x
- Transaction is scheduled to complete towards the end of the first half of FY23, subject to the satisfaction of conditions precedent and local regulatory approvals. Due to the different regulatory and procedural requirements in each of the territories, transaction documentation contemplates that the acquisition of Malaysian and Singapore territories may conclude prior to completion of the acquisition of the smaller Cambodian business
- Transaction is 5% EPS accretive on a pro forma normalised June 2022 basis before synergies and one-off integration, reorganisation and transaction costs<sup>(3)</sup>

Note: (1) Assumes FX of 3.09 MYR to AUD; (2) Source: Malaysia management. Normalised EBITDA reflects adjustments for COVID-19 support schemes, non-operating expenses and certain other changes to determine underlying operating performance based on unaudited management accounts. Excludes any changes arising from DPE ownership; (3) Net Debt as per Banking Covenant Ratios from DPE FY22 Market Presentation Announcement;

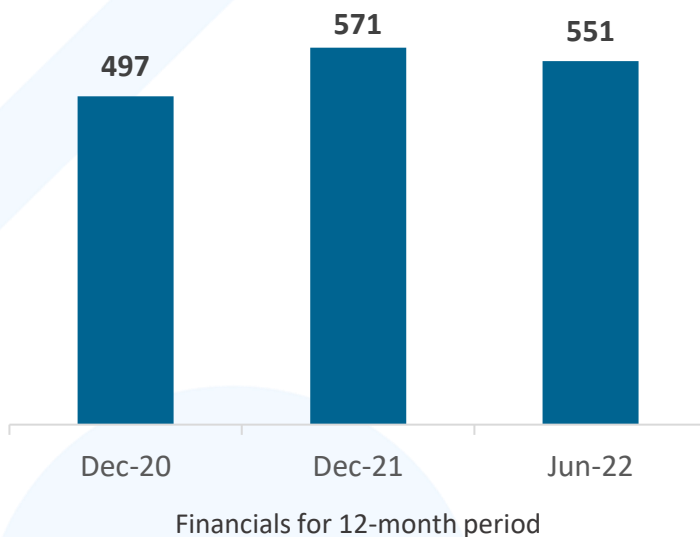
# ACQUIRED GROUP OVERVIEW

- Established in Malaysia in 1997 and has grown to become the second largest pizza chain in Malaysia, Singapore and Cambodia by number of stores
- The three territories currently comprise 287 corporate-owned stores, with 240 stores in Malaysia, 38 stores in Singapore and 9 stores in Cambodia. Store count growth slowed during COVID-19
- Generated 65m Malaysian ringgit of EBITDA pre-IFRS16 in year to 30 June 2022<sup>(1)</sup>. Near term forward EBITDA pre-IFRS16 expected to be lower as the business integrates with DPE and adopts new systems, coupled with managing inflationary impacts
- Approximately 3,400 employees excluding contractors

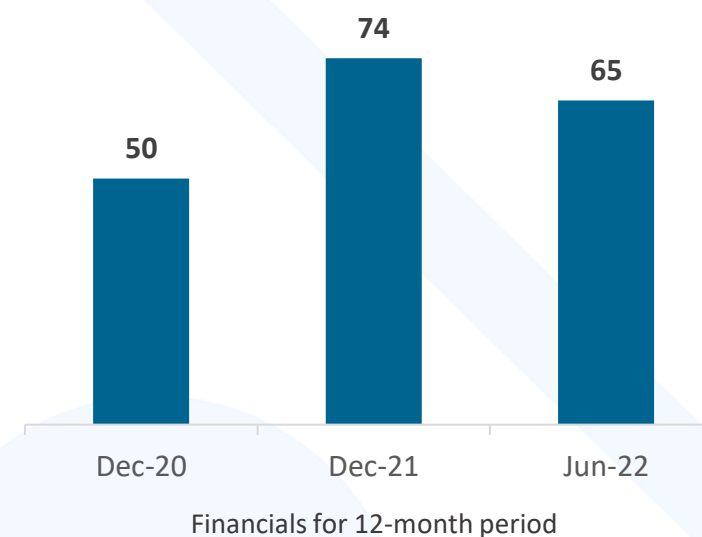
STORE COUNT (#)



SALES REVENUE (MYR M)<sup>(1)</sup>



EBITDA PRE-IFRS16 (MYR M)<sup>(1)</sup>



Note: (1) Source: Malaysia Management. Normalised EBITDA reflects adjustments for COVID-19 support schemes, non-operating expenses and certain other changes to determine underlying operating performance based on unaudited management accounts. Excludes any changes arising from DPE ownership



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# DOMINO'S PIZZA MALAYSIA, SINGAPORE & CAMBODIA

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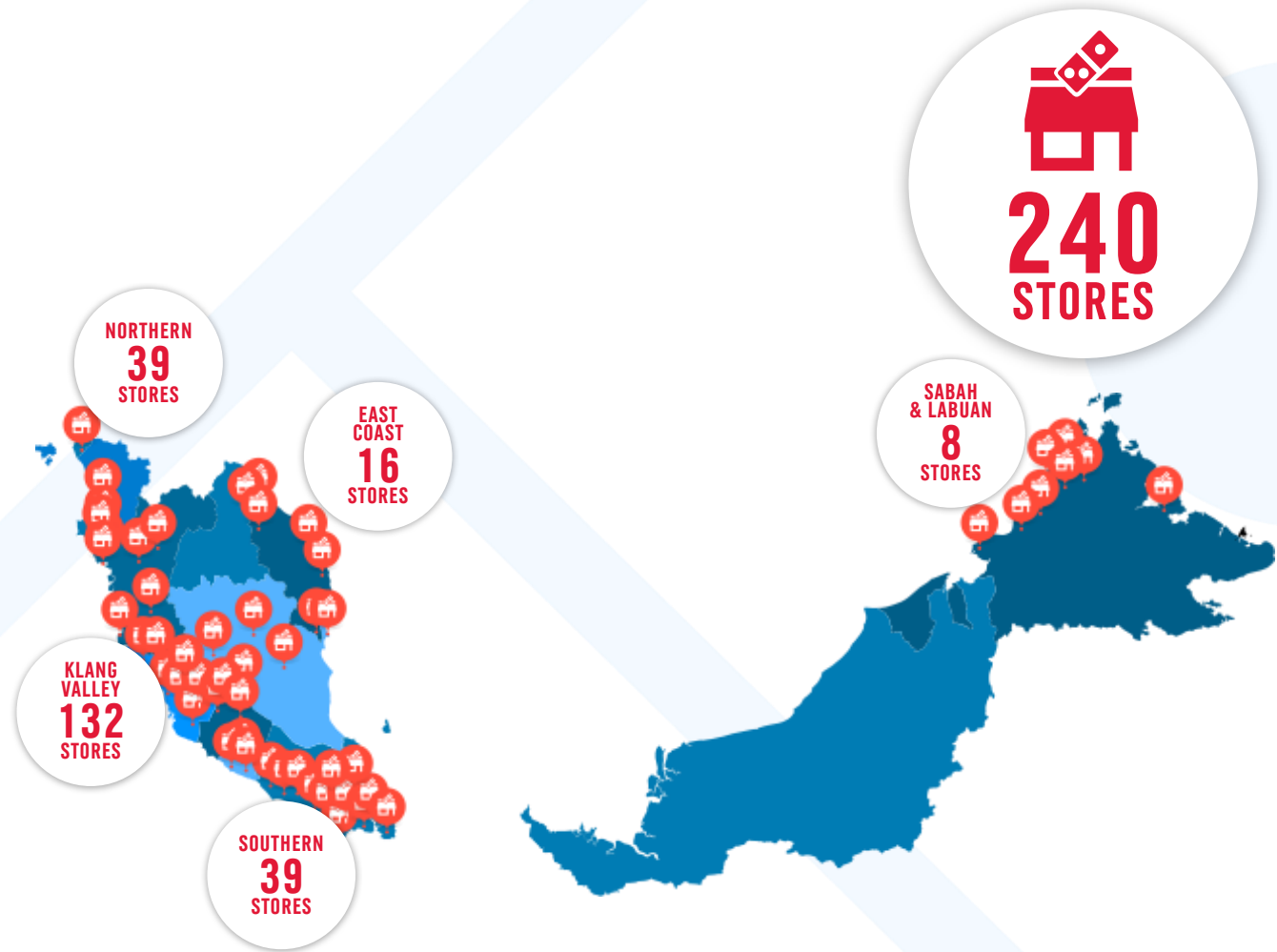


# DOMINO'S PIZZA MALAYSIA

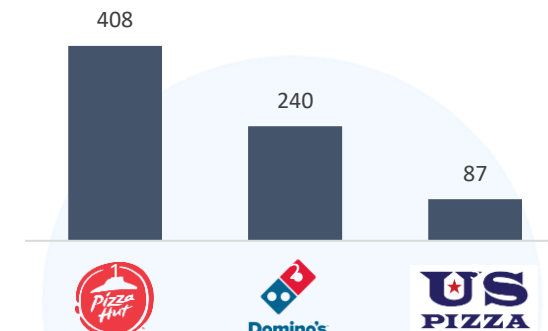
- Pizza market in Malaysia consists of approximately 1,100 stores<sup>(1)</sup>
  - c. 565 limited-service restaurants
  - c. 470 chained stores
  - c. 95 independent operators
- Stores are predominantly located in West Malaysia. Stores are concentrated in the Klang Valley, an urban area that is centred in Kuala Lumpur, and includes its adjoining cities and towns in the state of Selangor
- Average household counts in serviced territories are currently over 20k
- Store rollouts are expected to occur via greenfield developments in some of the regional areas, store fortressing (particularly in the Klang Valley) and entering undeveloped markets in East Malaysia
- Under DPE, will establish franchise operations

## COUNTRY COMPARISON

	AUSTRALIA	TAIWAN	MALAYSIA
Population <sup>(2)</sup>	25.7m	23.6m	32.8m
GDP / capita <sup>(2)</sup>	US\$59.9k	US\$36.0k	US\$11.4k



KEY PIZZA MARKET PLAYERS (BY STORE COUNT)<sup>(3)</sup>



Note: (1) Euromonitor data (March 2022); (2) World Bank; IMF; (3) Management estimates



# Domino's® DOMINO'S PIZZA MALAYSIA

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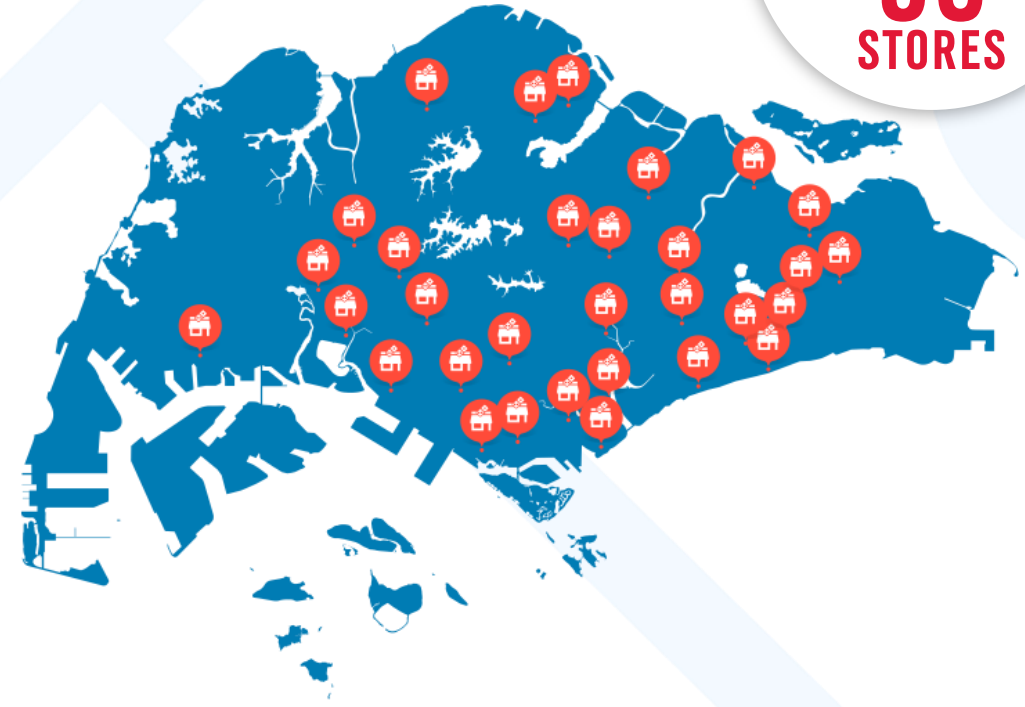
# Domino's DOMINO'S PIZZA MALAYSIA



# DOMINO'S PIZZA SINGAPORE

- Pizza market in Singapore consists of approximately 255 stores<sup>(1)</sup>
  - c. 130 limited-service restaurants
  - c. 105 chained stores
  - c. 20 independent operators
- Domino's stores are located across the island. Average household counts per store are over 50k
- Both greenfield and fortressing development opportunities
- DPE management expects Singapore to remain a corporate store market

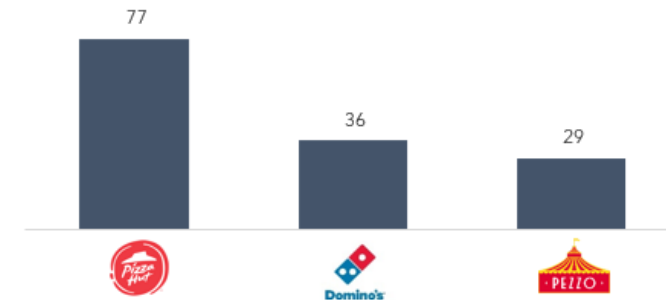
**38  
STORES**



## COUNTRY COMPARISON

	AUSTRALIA	TAIWAN	SINGAPORE
Population <sup>(2)</sup>	25.7m	23.6m	5.5m
GDP / capita <sup>(2)</sup>	US\$59.9k	US\$36.0k	US\$72.8k

KEY PIZZA MARKET PLAYERS (BY STORE COUNT)<sup>(3)</sup>



Note: (1) Euromonitor data (March 2022); (2) World Bank; IMF; (3) Management estimates



# Domino's DOMINO'S PIZZA SINGAPORE

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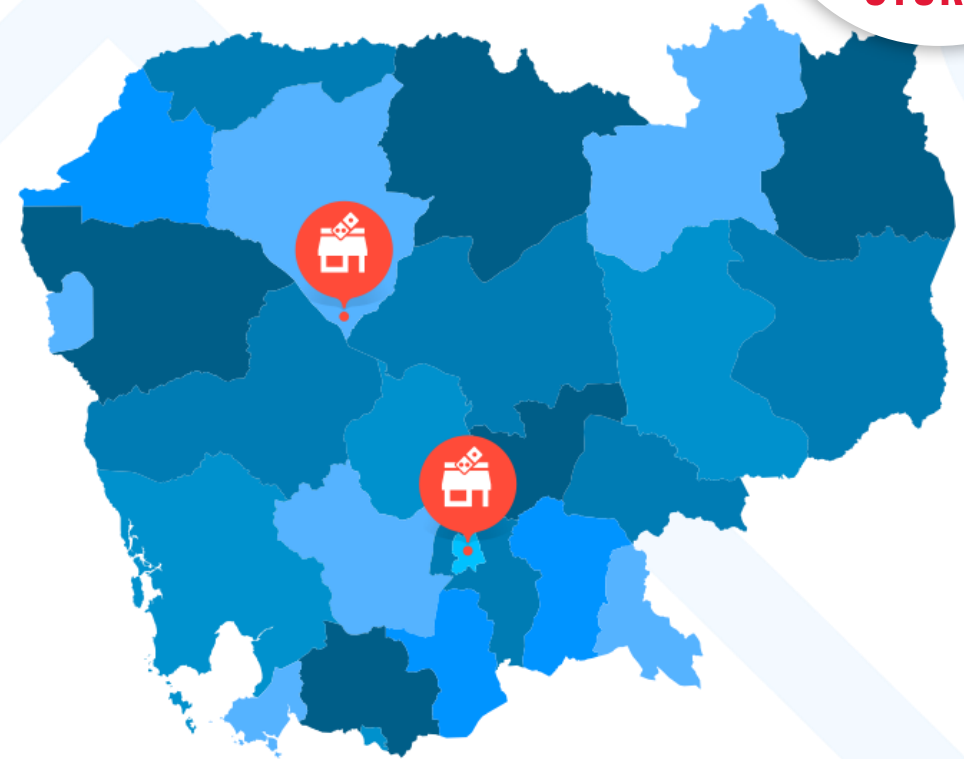


# DOMINO'S PIZZA CAMBODIA

- Cambodia is an early-stage market, with the first store opening in 2014
- All but one store is located in the capital of Phnom Penh. One store is located in Siem Reap, the second largest city in Cambodia and home to the Angkor temples
- Support services are to be maintained on a transitional basis from a local partner
- As an emerging market, DPE will carefully look at growth to main store level efficiencies and profitability



**9**  
**STORES**



## COUNTRY COMPARISON

	AUSTRALIA	TAIWAN	CAMBODIA
Population <sup>(1)</sup>	25.7m	23.6m	16.9m
GDP / capita <sup>(1)</sup>	US\$59.9k	US\$36.0k	US\$1.6k



# Domino's DOMINO'S PIZZA CAMBODIA



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## IMPACT ON DPE



# MANAGEMENT

- The acquired businesses will report to Mr Josh Kilimnik, DPE CEO APAC
- Existing leadership teams will be retained, many of which have long tenure with Domino's Pizza
- Mr Kilimnik will be supported by ongoing arrangements with Mr Ba U Shan-Ting, a 22-year pizza veteran and existing Group CEO of the acquired businesses, and relocation of DPE's head of Belgium, Mr Ringo Joannes



**JOSH KILIMNIK**  
DPE CEO APAC

- Joined DPE in 1992
- DPE APAC CEO since 2021



**BA U SHAN-TING**  
EXISTING CEO OF DOMINO'S MALAYSIA, SINGAPORE, CAMBODIA

- Working in pizza industry since 2000
- CEO since 2007
- DPE intends to retain as a consultant for 12-24 months
- Post acquisition, will be focusing on Franchising Setup, Shared Services and Overhead Integration



**RINGO JOANNES**  
NEW CEO OF DOMINO'S MALAYSIA, SINGAPORE, CAMBODIA

- Domino's franchisee, and executive since 1997
- Previously CEO of Belgium and Luxembourg
- Focus on applying DPE expertise to the business, and integration

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# FINANCIAL IMPACT ON DPE

- Initial purchase price of 660m Malaysian ringgit (equivalent to A\$214m)<sup>(1)</sup> on a cash and debt free basis
- Transaction is 5% EPS accretive on a pro forma June 2022 basis before synergies and one-off integration, reorganisation and transaction costs
- Transaction costs of approximately A\$4m
- Non-recurring costs anticipated of A\$3-5m over the first 3 years, relating to the integration of businesses with Domino's. Existing stores are Domino's branded, with asset base of good quality. As such there are no additional conversion costs anticipated

	DPE GROUP 3 JULY 2022 UNDERLYING	DOMINO'S MALAYSIA, SINGAPORE AND CAMBODIA 30 JUNE 2022	PRO FORMA ADJUSTMENTS <sup>(4)</sup>	DPE GROUP 30 JUNE 2022 PRO FORMA	CHANGE %
Stores (#)	3,387	287		3,674	8%
Network sales A\$m	3,918	178		4,096	5%
EBITDA (pre IFRS-16) A\$m <sup>(2)</sup>	340	21		361	6%
NPAT A\$m	164.6	9.7	(1.5)	172.9	5%
Net Debt A\$m	571 <sup>(3)</sup>		214	785	
Net Leverage Ratio (x)	1.7x			2.2x	

Note: (1) Assumes FX of 3.09 MYR to AUD; (2) Normalised EBITDA reflects adjustments for COVID-19 support schemes, non-operating expenses and certain other changes to determine underlying operating performance based on unaudited management accounts; (3) Net Debt as per Banking Covenant Ratios from DPE FY22 Market Presentation Announcement; (4) Pro-forma adjustment includes interest expense



# STRATEGIC PLAN FOR GROWTH

- Business plan leverages DPE's experiences entering new markets globally, including learnings from Japan and recent acquisition of the Taiwan territory

## TEST AND LEARN (0-1 YEARS)

- Leverage learnings and regional expertise
- Test initiatives to better understand the local market and paradigms for growth
- Adapt DPE's initiatives for execution across the region

## INTEGRATE AND INVEST (0-18 MONTHS)

- Leverage existing systems, many of which are familiar to DPE, and integrate with the DPE approach
- Add market proven technology, particularly in digital, and operational innovations
- Optimise supply chain where applicable, whilst recognising the critical requirement of local customs and requirements
- Implement infrastructure to nurture franchisees
- Develop robust store rollout plan, capitalising on greenfield opportunities as well as carve-outs

## GROWTH (1-5+ YEARS)

- Focus on initiatives to expand store footprint, develop franchise system and increase sales momentum
- Increase scale of advertising
- Fully leverage DPE's global operations and expertise, particularly in digital
- Franchising opportunity in Malaysia (subject to regulatory approval)
- Group shared services opportunities
- Demonstrating DPE leadership in Domino's in the Asian region

# SYNERGIES AVAILABLE TO DPE

Introduction of DPE digital platforms

Deploying DPE NextGen platforms (One Digital) to deliver an enhanced customer experience, increase order conversions and improve customer retention

Leverage sophisticated marketing

Increase and reorientation of marketing spend, including to more effectively utilise media channels such as TV and Local Store Marketing

Adopt High Volume Mentality

Look to improve sales volume through adopting DPE's HVM culture

Accelerate store rollout and build franchise system

Introduction of franchising to accelerate network growth and recycle capital

Margin expansion

Enhanced unit economics through improved store efficiencies

New product innovation

Refinement of menu, ensuring reflects preferences of local consumers

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# EARN OUT ARRANGEMENTS

- Earn out of up to 440m Malaysian ringgit may be paid after years two or three
  - Pre-determined pricing formula broadly based on capitalising earnings at 11x adjusted EBITDA multiple (pre-IFRS16)
  - Earnings adjustments inter alia eliminate unusual and non-recurring items, asset write-offs or revaluations, one-off profit or loss on asset disposals and after the inclusion of DPE management charges
  - Operates over two-year average adjusted EBITDA for the prior financial years ended FY24 or FY25 respectively, following receipt of a pricing notice from the vendors

# DPI APPROVAL AND EXTENSION OF MFAS

- Domino's Pizza, Inc. (DPI) is fully supportive of the transaction
- Domino's Pizza International Inc., a wholly-owned subsidiary of DPI, has provided commitments to enter into a new master franchise agreements for each of Malaysia, Singapore and Cambodia
- Each market will have a term of 15 years with an option to extend for a further 10 years at DPE's election

DPI ROYALTY PAYMENT AGREEMENT (% OF NETWORK SALES)		
COUNTRY	ROYALTIES PAID (EXISTING STORES)	ROYALTIES PAID (NEW STORES)
Malaysia	4.0%	4.0% for the first 30 stores 3.0% thereafter, commencing with 271 <sup>st</sup> store
Singapore	4.0%	3.0%
Cambodia	4.5%	3.0%

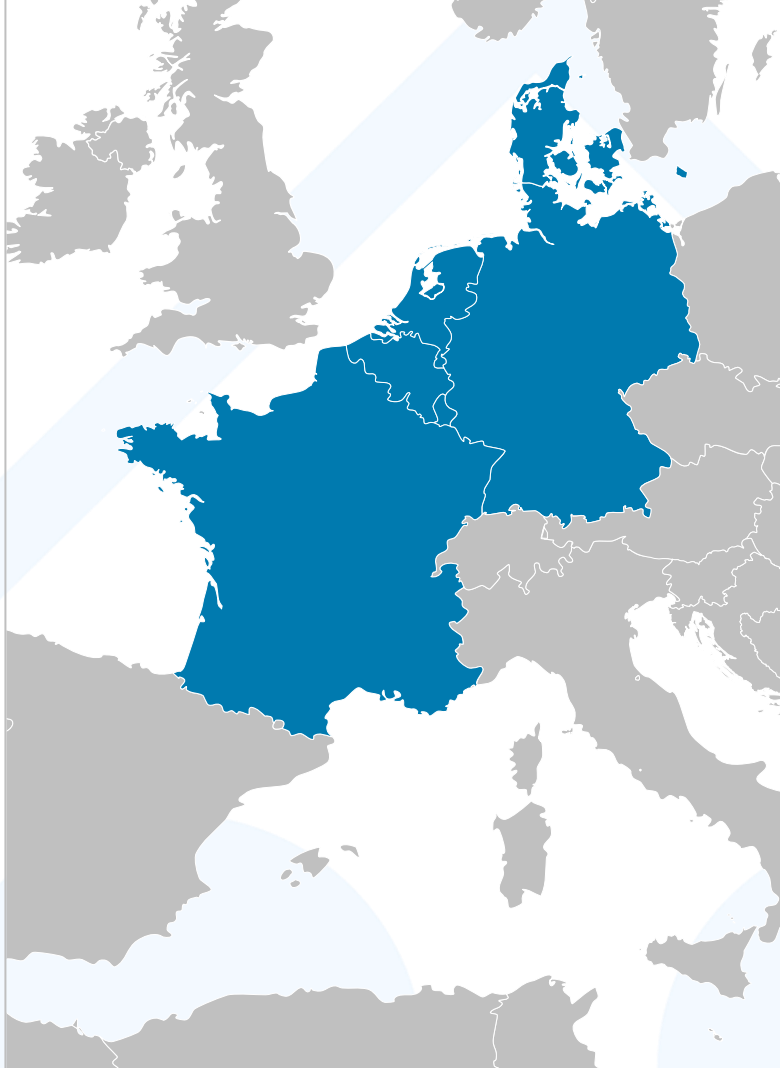


# UPGRADED STORE OUTLOOK

- APAC store milestone upgraded by +600 stores, from 3,600 to 4,200 by 2033

- Updated DPE Group outlook now reaches 7,250 stores by 2033

**EUROPE MILESTONE**  
**3,050 STORES BY 2033**



**APAC MILESTONE**  
**4,200 STORES BY 2033**

