



Domino's Pizza Enterprises Limited
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21 August 2024

Domino's Pizza Enterprises Ltd Financial Results For the 12 months ended June 2024

DOMINO'S INVESTS IN STORE PROFITABILITY FOR LONG-TERM GROWTH EBIT¹ +3% AND FRANCHISE PARTNER PROFITABILITY +6.7%

FY 24 Highlights

- Network sales +4.6% to \$4.19b | Same Store Sales +1.5%
- Online sales: +7.5% to \$3.37b
- EBIT: +3.0% to \$207.7m¹

Domino's Pizza Enterprises Ltd (ASX:DMP) has successfully delivered on a \$50 million savings program, allowing for reinvestment into the profitability of stores and franchise partners, at the same time as delivering earnings growth at expanded margins.

Last year the Company announced a wide-ranging strategic review to deliver cost savings, improved efficiencies and a foundation for future growth, and today Domino's confirmed the benefits were flowing through to better profitability for stores, improved returns for franchise partners, and more value for customers.

Average franchised store profitability in FY24 improved by +6.7% to \$97,400, from growing same store sales, and a reduction in store operating costs.

Group CEO & Managing Director Don Meij said the results were an important inflection point. After working through the peaks of inflation and reducing their cost base, franchise partners would be able to leverage additional sales to deliver a step-change in profitability.

"The work we have done to deliver savings to the store network – to reduce costs in stores, and importantly in adding new, inspired products to the menu – has been crucial not only for our franchise partners, but also for customers as they increasingly choose Domino's for the great value we offer for more meal occasions."

Global sales were +4.6% higher for the full year at \$4.19 billion, with online sales growing +7.5% to \$3.37 billion, 80.4% of total sales. This delivered earnings +3.0% higher than the prior year at \$207.7m underlying EBIT.

Domino's 898 stores in Australia/New Zealand delivered underlying EBIT of \$124.1 million (+10.4%), a record result for these markets, with Europe's growing underlying EBIT +33.8% to \$70.7m from 1,380 stores.

"Our performance in Australia/New Zealand and in Europe demonstrates our global strategy, with local nuances to reflect the preferences of customers, can grow market share and sales," Mr Meij said.

"Australia/New Zealand delivered the best Same Store Sales growth (+7.9%) in the past seven years, while Germany grew customers and total share of a growing pizza market through inspired products such as the Chicken Doner pizza.

"Today's results show we have successfully reinvested into our network, growing profitability at a store level and also for our shareholders."

The Asian business was affected by external factors, including geopolitical tensions affecting Malaysia.

Underlying EBIT was -28.7% to \$42.9m (-25.0% to \$45.1m excluding the effect of foreign exchange movements).

¹ Earnings Before Interest and Tax (Underlying)



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"There are promising signs in H2 24 from our extensive work in Japan on pricing and our menu, including growth in our delivered meals, and growth in the number of customers served.

"Importantly, we also grew franchise partner profitability by reaching more customers, including single meal occasions. Japan franchise profitability in the second half was more than double H2 23, through less discounting.

"We are seeing pleasing results from new pricing trials which are intended to unlock more customers. In a low-frequency market such as this, a slight increase in order counts will meaningfully change store profitability.

"In France, local management have a plan for applying our global strategy with a French approach, with building alignment with our franchise partners key to our success.

"The French market, though profitable, has underperformed in recent years and our intention is to grow the business by reaching more customers, including through aggregator platforms such as Uber.

"There are positive signs across our business, but more work to do in order to achieve our group franchise partner profitability target of \$130,000 per store, which we believe will re-accelerate store expansion from existing franchise partners and store managers."

H1 25 TRADING UPDATE²: SAME STORE SALES -1.3% SSS

FY25 sales are slightly below expectations, largely due to timing issues as some larger markets compound highly successful limited time promotional campaigns or one-off events.

Australia/New Zealand continues to perform positively, with higher SSS through higher ticket than the prior corresponding period, in which this market had a one-off customer lift through the Matildas' performance in the FIFA Women's World Cup finals.

European sales are affected by German performance in the prior corresponding year, in which Domino's achieved record sales with their highly success Doner Kebab promotion.

Benelux SSS year-to-date is positive, while France still requires more traction with its turnaround program in this Half, including an increase in marketing spend planned for the 2nd Quarter.

In Asia, Japan sales are negative this Half, however the underlying performance of franchise stores remains stronger than at the same time last year, with more profitable orders through fewer discounts.

Malaysian sales continue to be affected by geopolitical issues, and are expected to be negative until the 2nd Quarter of FY25.

Singapore and Taiwan are achieving positive SSS year-to-date.

Mr Meij said the short-term Same Store Sales underperformance did not reflect on the broader company strategy, which is delivering improvements at a store level for franchise partners.

"Our results released today show in the most recent Financial Year, and in the most recent Half, our global strategy is reaching more customers on more occasions across the Group – this is growing earnings for our franchise partners and, in turn, for our shareholders.

"We know the keys to earning an increased share of the enormous market for delivered food and quick service restaurants in all of our markets: serving high quality meals to our customers, with compelling value for all occasions, and by maximising our media spend – including reaching more customers through aggregators.

"At the same time, we can reduce costs for franchise partners further, through menu development, expanding our use of 3rd party delivery options to serve additional day-parts, and our proprietary technology to reduce in-store labour costs.

² First 7 weeks of trading



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"Combined, we believe we have the right foundations in place for our franchise partners to get the maximum benefit from additional sales."

FY25 OUTLOOK

Domino's announced in July that store openings in FY25 would be flat to slightly positive, with gross store openings at ~3% of the network, offset by targeted store closures to improve profitability in France and Japan.

The Company advised shareholders Same Store Sales of 3-6% were achievable in this Financial Year, reliant on an improved performance in Japan and France versus FY24.

Domino's management believes the long-term outlooks for its markets (7,100 stores, ~1.9X the current network) remain appropriate, given the additional upside possible in large markets such as Germany. However, as advised in July, a return to +7-9% store growth will not be achieved in FY25 or FY26 and would rely on continued improvements in franchise partner profitability.

"There is more work to be done, but we have made important steps, benefiting our customers, franchise partners and shareholders. We thank all three for their continued support."

The Company will pay shareholders an interim dividend of 50.4 cents per share (unfranked). The dividend will be subject to the Company Dividend Reinvestment Plan (**DRP**) and will be fully underwritten. The dividend will have a record date of 27 August, and a payment date of 25 September.

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

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