

2 November, 2022

Domino's Annual General Meeting and Trading update

Highlights

In Financial Year 2022, Domino's Pizza Enterprises Ltd recorded:

- Network sales of \$3,918.0m, up 4.6% (+35.2% vs pre-COVID)¹
- Online sales of \$3,059.6m, up 4.4% (+57.5% vs pre-COVID)
- Underlying EBIT of \$262.9m, down -10.5% (+19.1% vs pre-COVID)
- + 294 organic new store expansion (+10.0% of the network)
- +156 acquired stores in the 10th market, Taiwan

Domino's for Good – Environment, Social & Governance (ESG)

- Domino's has completed its baseline assessment for carbon emissions
- A second Sustainability Report has been published today

FY23 Trading update and outlook

- Network Sales -1.8%², SSS -1.0% YTD (+1.6% October)
- +41 stores added
- After a challenging Q1 as expected, sales have improved in October and are forecast to end FY22 within the medium-term outlook of +3-6%
- Earnings will be challenged by the difficult start to the year as Domino's offset inflation: excluding FX headwinds, management expects to deliver NPAT growth in FY23
- Domino's intends to set a new record for network expansion this Financial Year, with organic growth and three newly acquired markets to beat the FY16 record of 484 stores

Domino's Pizza Enterprises Ltd (ASX:DMP) expects to deliver record network expansion this year, with the successful integration of three new markets in South-East Asia and the opening of hundreds of new stores across Europe and the Asia-Pacific.

Speaking at the Annual General meeting in Brisbane today, Group CEO and Managing Director Don Meij acknowledged the current inflationary environment was challenging, but the Company expected to grow by delivering value for customers with reduced spending power.

"We understand inflation, particularly high energy prices in Europe, are making customers consider every purchase – our answer to this is delivering a high-quality product at an affordable price," Mr Meij said.

"Customers have options, as they always have, and we believe we have an unrivalled ability to provide them choice and value; from inflation-busting offers for those looking for a meal for one, through to bundled offers for families and friends."

Mr Meij outlined to shareholders the Company's strategy to deliver value for customers, with Domino's Pizza Enterprises Ltd and franchisees contributing in partnership.

"Delivering value for customers is about more than just price, it means delivering product, service and image at a reasonable price. That means, in addition to focusing on service and operational metrics, Domino's is investing in world-class technology and new menu offerings.

¹ vs pre-COVID: FY2019 vs FY2022

² FY23 Network Sales includes an FX headwind of -6.5%. Excluding FX Network Sales growth is +4.7%



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“Our franchisees are focused on the careful preparation of each order and fast, safe delivery. Together we can earn additional Customer Lifetime Value, matched with extraordinary offers to attract new customers to stores.”

Domino's new mobile ordering app, which rolled out from June, is performing well and contributing a greater proportion of the Company's online sales.

Digital orders, including aggregators, account for 78.1% of network sales, more than \$3 billion in FY22.

The new app, developed for iOS and Android, is now processing 32.3% of Domino's total digital sales, increasing from 20.9% a year ago, demonstrating Domino's digital expertise.

“Not only is our new app more convenient for customers and a more enjoyable ordering experience, but it provides us a platform to build customer lifetime value through a better offering for customers – from app-only promotional offers, to new customer-focused initiatives that will roll-out in the months ahead.

“Our new online ordering platform and mobile app were significant investments for Domino's – but investments that will return the benefits for customers, franchisees, and Domino's.”

Domino's for Good – Environmental, Social & Governance (ESG)

Domino's Pizza Enterprises Ltd has made meaningful progress in the Company's ESG program – Domino's for Good – in Financial Year 2022.

Domino's today published the Company's second Sustainability Report, which outlined this progress.

This included Domino's submitting Science Based Targets and completing its first carbon footprint baseline measurement.

The baseline measurement found Domino's total footprint is estimated to be 1.45 million metric tonnes of CO2 equivalent. The results are largely Scope 3 emissions (indirect emissions generated within Domino's value chain). These represent 97% of the Company's total carbon footprint, with dairy and other animal-based proteins the biggest contributors.

“We intend to work with our world-class partners to identify ways in which they can reduce their emissions, to the benefit of our business, our communities and our environment,” Mr Meij said.

The Company also announced it is approaching its target of 40% female leadership across all regions, had made strong advances when it comes to animal welfare, and was delivering a menu in Europe 100% free from artificial colours and flavours.

In Australia, Domino's was recently recognised as the highest ranked Quick Service Restaurant by World Animal Protection, recognising the Company's commitment to provide plant-based alternatives as a menu option, and signing up to the Compassion in World Farming Better Chicken Commitment.

“Domino's is a business focused on the long-term, with a clear understanding of our responsibility towards present and future generations,” Mr Meij said.

“We intend to live up to that responsibility.”



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FY23 Trading Update – Sales -1.8%³ (-1.0% SSS), October SSS (+1.6%), +41 new stores

Domino's sales momentum has improved in all markets from the start of the 2nd Quarter, as anticipated, as the Company begins to cycle the ending of COVID-lockdowns.

Asia-Pacific

Australia/New Zealand continues to trade positively, with the new mobile app bringing customers to Domino's own platforms, and the Company focused on fast, safe delivery.

Within the positive sales trend, Domino's has seen some softening in delivery and an increase in carry-out, due to value-focused customers' choices and an increase in more normalised pre-COVID occasions, including carry-out meals ordered during lunch times or after work in the CBD.

Domino's menu is priced to offer value and margins for customers and franchisees regardless of the service channel.

The Japan sales trend is significantly improved compared to the negative first Quarter. Noting the market in October started to cycle weaker sales following the lifting of the State of Emergency in the prior corresponding period (pcp).

Within October we have had very strong results in individual weeks with new promotions that offer customers great value, lifting sales volumes and unit economics.

Taiwan continues to cycle extraordinary COVID-period sales in the pcp, but the underlying health of the business is very strong, we have franchisees eager to expand, and comparable sales are anticipated to improve once the market cycles the extraordinary-COVID related sales.

The improved momentum across the region follows the introduction of menu and pricing initiatives that have earned franchisees additional ticket and inflation-offsetting margins, while continuing to give customers strong relative value compared to competitors.

This includes the Hunger Savers offer in ANZ and the Nippon Support deal in Japan, at the same time as menu and bundle prices have been increased, and service fees have been implemented in multiple markets.

Europe

European markets have experienced strong Same Store Sales, with all markets positive in October compared to the prior year.

Germany, which has faced the most significant inflationary pressures with energy prices affected by conflict in Ukraine, has delivered positive same store sales growth after passing through material pricing increases, including some additional service fees.

France is also showing positive sales momentum, and management expects additional sales growth can be secured by taking additional share within aggregator platforms, where competitors have experienced labour challenges.

The Netherlands continues to perform well, with positive sales compounding positive sales in the prior October.



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Domino's Danish business is showing significant improvement since starting a new promotional campaign, with Group-leading Same Store Sales growth.

The stronger brand performance is allowing Domino's to earn additional menu price from customers.

Group Outlook

Domino's anticipates inflationary headwinds to continue into the 2023 calendar year; primarily raw ingredients, energy prices in Europe, and labour costs in some markets.

Although some commodity prices have declined on global spot prices, currency effects mean stores are not expected to reduce their cost of goods in the next half.

Nonetheless, Domino's Pizza Enterprises Ltd expects menu, pricing and service initiatives will allow stores to offset these inflationary pressures. The current approach provides the opportunity to balance additional ticket and extraordinary value when customers are choosing their next meal.

Domino's expects earnings to be materially lower in H1, due to one trading week fewer than the pcp and headwinds, including adverse currency movements. Domino's expects to deliver Full Year NPAT growth excluding ~\$7m fX headwinds.

The pipeline for new stores remains strong. Although Europe will lag APAC for new store openings in the first half, this was forecast at the Full Year results update in August.

Domino's continues to expect store openings will increase in H2, provided franchisees continue to observe an improved performance in offsetting inflation.

"We expect to have a record year of network expansion this year, beating the FY16 record of +484 stores when we acquired the German business," Mr Meij said.

"With the integration of the Malaysia, Singapore and Cambodian businesses into our network later this month – with their +287 corporate stores – and organic new stores openings, we are laying the groundwork for the post-inflation world.

"Some of our smaller competitors are under pressure in our markets, as they do not benefit from the same strategy and purchasing power, which means there is an increasing opportunity for smaller in-fill acquisition opportunities in our existing markets, in addition to possible market share gain."

Domino's Pizza Enterprises Ltd's 3-5 year outlook remains unchanged: +3-6% Same Store Sales growth at a Group level, +8-10% new store openings and net Capex of \$100-150m.

"This is a challenging short-term outlook for our business, but our confidence in the medium- to long-term is built on strong unit economics, allowing an expansion of our network to the benefit of customers, franchisees and shareholders.

"We intend to build out that future."

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

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