



## ASX/MEDIA ANNOUNCEMENT

16 August 2016

### Domino's Serves Up Record NPAT Growth of 43.6% in a Year of Significant Organic Growth, Acquisitions and First-to-Market Innovation

In what has been another record year for Domino's Pizza Enterprises Limited (**ASX: DMP**), the Company has reported Network Sales of \$1,964.1m, up 32.7% on the prior corresponding period (**PCP**) and record underlying Net Profit After Tax (NPAT) of \$92.0m, up 43.6% PCP, exceeding Group guidance.

The results come from significant organic growth yielding strong Same Store Sales (**SSS**), leveraging sophisticated digital platforms while adding 484 stores to the Group.

The Group achieved double digital SSS of 10.9%, with Australia and New Zealand (**ANZ**) recording its second consecutive year of double digit SSS of 14.8%, while Europe reported strong Europe SSS of 8.2%.

Group revenue for Financial Year 2016 (**FY16**) increased by 32.4% to \$930.2m, while the Company reported another year of excellent underlying EBITDA growth of \$180.0m, up 40.9% compared to the PCP.

These results have been consistent across the business with record Franchisee same store profitability in Europe and ANZ.

The Company will pay shareholders a dividend of 38.8 cents per share (70% franked). Added to the interim dividend of 34.7 cents per share, this will bring the full year dividend to 73.5 cents per share, up 41.9% on the final dividend paid in the PCP. This is to be paid on Wednesday 7 September 2016 with a record date of Tuesday 23 August 2016.

#### Australia and New Zealand (ANZ)

FY16 saw Domino's ANZ record outstanding underlying EBITDA growth of 28.0% as a result of launching a range of disruptive digital initiatives such as the market-first 'Project 3/10', '15/20 Minute Service Guarantees', 'SMS ordering' and 'On Time Cooking' (opt-in geo-location technology).

Other market-first initiatives included the global launch of the world's first autonomous delivery vehicle, Domino's Robotic Unit (**DRU**), as well as 'Smart Watch' ordering in Australia, all contributing towards strong ANZ online sales growth of 33% Year on Year (**YoY**).

Further highlights in this market include the opening of 49 new stores, the continued roll out of e-bikes, with over 600 now operating in stores, and the successful launch of the 'More Than Just Pizza' campaign with food innovation again playing a major role in the results.

Domino's continues to outpace the market in terms of growth, taking market share from other Quick Service Restaurant (**QSR**) not just pizza.<sup>1</sup>

"We are focused on improving technology, pushing safer, more efficient delivery, whilst investing in world class ordering platforms. A huge driver of this is our 'Project 3/10' and our 'Slow Where It Matters, Fast Where It Counts' philosophy, which have enabled stores to deliver in 10-12 minutes and reduce pick-up times to between 5-6 minutes," said Group CEO and Managing Director Don Meij.

"We expect 'Project 3/10' to continue to be a significant sales stimulus over the next 3-5 years, with 10-minute delivery attracting drive-thru customers from our largest competitors."

<sup>1</sup> The NPD Group/CREST © AU, Spend - Year End June 2016

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### Europe

Europe has again delivered exceptional underlying EBITDA growth of 122.8%, as a result of record organic growth and strong SSS of 8.2%.

Network Sales growth and record digital growth was supported by the 'PULSE Point of Sale' system (**POS**) rollout, as well as the rollout of 'OneDigital', DMP's group online ordering platform.

The European market added a record number of 366 additional stores; made up of 64 organic new stores, 12 Domino's Germany stores and 290 Joey's and Pizza Sprint stores acquired.

One third of deliveries across Belgium and the Netherlands are now completed using e-bikes, while our partnership with the Mayor of Paris will result in all deliveries in Paris using electric vehicles within the next two years.

Belgium led the way with online sales growth of 125% YoY, followed by similarly impressive results in France and the Netherlands with 69% YoY and 44% YoY respectively.

"This growth was largely attributed to 'OneDigital' driving online sales and improved convenience and usability. Other contributors included the introduction of Domino's Live Pizza Tracker via the Apple Watch and new online payment methods available to customers."

Mr Meij also confirmed the important role local produce and food innovation played in Europe's strong FY16 results.

"Europe's Development Chef introduced exciting, culturally relevant products to the menus in each market. These included local specialties such as Bitterballen and Beignets in Belgium and the Netherlands and the successful new 'Les Signatures' range in France."

### FY16 Acquisition Activity – Domino's Germany, Joey's Pizza and Pizza Sprint

The past 12 months saw DMP add over 300 stores to its network through successfully completing acquisitions of the Joey's Pizza (in conjunction with Domino's Pizza Group plc) and Pizza Sprint businesses, as well as acquisition of Domino's Pizza Germany stores. The Company is now the market leader in Germany.

The first Joey's Pizza store conversion was completed in Boblingen (southern Germany) in May. Due to its aggressive conversion strategy, DMP is already seeing converted stores exceed management expectations as 'OneDigital', 'Live Pizza Tracker' and other proven-technology is rolled into converted stores.

Converted Pizza Sprint stores are also delivering substantial increases in SSS and online ordering has trebled the previous Pizza Sprint average.

### Japan

DMP Japan achieved strong EBITDA growth of 25.5%, driven by the increase in the size of the Network (a record 69 new stores opened), improving economies of scale, increasing Franchise store count and FX translation due to the stronger Yen vs AUD.

In FY16 Japan SSS were -2.1% in a challenging economic environment, outperforming the competition and leveraging new technology including: 'GPS Driver Tracker' (**GPSDT**), PULSE POS and 'OneDigital'.

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A total of 34 stores were also relocated to carry-out friendly locations, resulting in the highest carry-out sales percentage in the market's history (45% in FY16).

Japan finished FY16 with 453 stores, along the way celebrating the 400<sup>th</sup> store opening and expansion into five new markets; Sendai, Shiga, Tokushima, Toyama and Yamanashi. Franchise stores now make up 29% of the Network.

A total of 73 stores were also converted to the 'Mugen 3.0' design, which features a brighter image, larger dine-in space, and face-to-face transparent make-lines.

Mr Meij said, "Japan made a number of changes and improvements to its menu in FY16, including: the first ever upgrade to hand-tossed dough, a new pan pizza, an expanded chicken range and the winter campaign product, Quattro Rich."

### Looking Forward – DMP Group

In ANZ, the Company will focus on its core offering, food, with the broadest menu expansion since 2008. This will deliver a modern, new menu range inspired by top quality ingredients including new pizzas, sides and desserts.

This food-centric focus will also include the launch of two new food categories added to the Domino's menu, to cater for all food occasions and appealing to a broader demographic of customers.

The launch of digital platforms such as 'Zero Click' will see Domino's take customer convenience to a new level. Enhancements to DRU will further develop capabilities using artificial intelligence to reduce friction points and transform the customer experience.

"We will continue to target the drive-thru customer with 'Project 3/10' which offers customers faster, safer delivery and world class ordering platforms," Mr Meij said.

"We are already seeing some incredible early results in stores with the goal to have more than 300 stores enabled to achieve 'Project 3/10' in FY17."

Mr Meij said the Company was increasing its future store count in the ANZ market from 900 to **1,200** to take advantage of the huge market opportunities.

"Due to the extraordinary growth being experienced in ANZ, the returns from investment in our program of digital initiatives and the capacity restraints in some areas of the region, we are confident that ANZ has the capacity for 1,200 stores, up from our previous guidance of 900 stores."

In Europe, GPSDT is on schedule to be fully rolled out in the Netherlands at the end of the first half of FY17. PULSE POS and 'OneDigital' will be live in France by the end of H1 17.

The new Paris commissary is set to open in France in October and is expected to be the most automated Domino's commissary in the world, with annualised savings in the region of €2m.

Conversions of Joey's Pizza stores and Pizza Sprint stores are progressing ahead of schedule (with an additional 48 stores converted during the first five weeks of FY17, taking the total to 89).

With ongoing investment and development in the conversions of acquired stores, it's planned that all former Joey's Pizza stores be converted to Domino's by H1 17 and it is expected that all Pizza Sprint stores be converted to Domino's by the end of FY17.

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“Due to the strong momentum and scale we are achieving in Europe, along with the efficiencies of our new commissary and digital platforms, we are bringing forward guidance that we will hit a 20% EBITDA margin within two years. This is four years ahead of when we originally thought,” Mr Meij said.

In Japan, store expansion, along with strong food innovation, investment in technology and transparent and engaging store designs, will underpin the future growth and outlook of this market.

The Japanese market will celebrate its 500<sup>th</sup> store opening in FY17 and ‘OneDigital’ will begin the rollout phase, with an expected completion date of October.

“The PULSE POS rollout is also expected to be fully complete in August, ending the fastest rollout of PULSE in any country worldwide.”

Mr Meij also confirmed the Company’s commitment to an artificial preservative free menu across the Group has been a huge focus and will remain a priority in FY17.

“We are well ahead of our original timeline to deliver an artificial preservative-free menu in our journey for supreme quality and a menu that’s better for our customers.”

### **FY17 Group Guidance & Trading Update**

Continued momentum from FY16 has seen DMP deliver the Company’s strongest start to a new year in Group store openings and Group SSS.

ANZ SSS growth is being driven by new digital technology, Europe SSS growth remains extremely strong and Japan SSS remains challenged in the current economic environment.

### **FY17 NPAT & EBITDA Guidance**

As a result of confidence in DMP’s current strategy, the Company is offering FY17 guidance of NPAT growth to be in the region of **+30%** and EBITDA growth to be in the region of **+25%**.

### **FY17 SSS Guidance**

- SSS Guidance for ANZ 10-12%
- SSS Guidance for Europe 5-7%
- SSS Guidance Japan 0-2%

DMP is also set to open between 175-195 new stores across the Group.

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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 and Germany. Today, DMP has a network of over 2,000 stores. For more information, visit [www.dominosinvestors.com.au](http://www.dominosinvestors.com.au)

**DMP Group CEO & Managing Director Don Meij (pronounced May) will be available for interviews on Tuesday 16 August 2016. For further information, interviews or images please contact:**

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