

1 November, 2023

Domino's Annual General Meeting and Trading update

FY24 Trading update and outlook

- Network Sales +12.7%, Same Store Sales (SSS) +2.7% YTD
- SSS by region: ANZ +7.0%, Asia -6.8%, Europe +3.8%
- +42 stores added

Australian consumers are choosing higher quality pizzas as they seek an affordable treat in the face of cost of living pressures, in a trend Domino's has coined "treatflation".

At Domino's Pizza Enterprises Ltd's (ASX:DMP) Annual General Meeting, held today, Group CEO & Managing Director Don Meij told shareholders the Australian/New Zealand business was delivering its strongest performance since inflation pressures started to hurt households 18 months ago.

Domino's reported it lost some value-focused delivery customers in the past Financial Year after pricing changes, designed to offset inflation, did not resonate with customers.

Mr Meij said with the removal of a delivery service fee, the launch of inspired new products, and a new global partnership with Uber, Australia's largest pizza company is now serving even more customers.

Domino's has promised a range of new products to be launched over the next 12 months would continue the trend, including a new premium range to launch imminently, and a new product targeting the 'snacking occasion', which represents one of the largest parts of the Australian quick service restaurant market.

"We acknowledge we made some missteps in execution last financial year, but our strategy remains unchanged: we offer customers great value, which means high quality products, delivered quickly and safely, at an affordable price," Mr Meij said.

"The important trend we are noticing is customers seeking value does not mean our lowest-priced pizzas. Our Premium and Traditional range pizzas, including our BBQ Meatlovers (a staple for many customers), and recently launched The Lot (our most topped pizza yet), are some of our best-selling products on our menu.

"This "treatflation" trend matches what we saw during the Global Financial Crisis (GFC), where customers are still looking for affordable ways to treat themselves even as the cost of living goes up.

"During the GFC we successfully launched a range of premium pizzas and our iconic lava cakes, which remain incredibly successful to this day. With customers facing these same financial pressures in 2023, we knew we needed to develop a suite of products that met this demand.

"Our My Domino's Box, as one example, provides terrific value when compared to other quick service restaurant offerings, with many customers choosing to include a dessert, such as the lava cake, as their indulgence for the day.

"We know the new products we will be launching soon will delight our customers, and our franchisee partners, and we are focused on ensuring every meal is carefully prepared, while still being safely delivered hot and fresh in industry-beating times.

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"With the fundamentals of our business strong – we are relentless in chasing every profitable order, and customers will see us available at more times (including recent extensions of our trading hours) and in more places, including being highly visible to more customers through our new global partnership with Uber."

Domino's told shareholders the Company expects earnings in FY24 to be significantly higher than the prior Financial Year, largely through a strategic program to restructure the business.

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

Domino's today published its Sustainability Report, outlining important steps the Company is taking towards its goal of 'A Better Slice for Everyone'.

The Company recently became the first quick service restaurant chain to have its science-based environmental targets validated based on the latest scientific guidance on Forest, Land and Agriculture.

This validation means an independent organisation, the Science Based Targets initiative, has reviewed Domino's targets and confirmed the pathway to reach them meets internationally recognised scientific standards.

In the past Financial Year, the Company also launched the Domino's Dairy Initiative, to drive an ethical and sustainable dairy supply chain, and raised ethical standards on modern slavery across the supplier network in Australia and New Zealand.

FY24 Trading Update – Network Sales +12.7% (+2.7% SSS), +42 new stores

Domino's today provided a trading update for the Financial Year to Date, with sales +12.7% higher than the prior year.

Mr Meij said Domino's focus on growing sales by reaching more customers, through inspired new products, new meal occasions, and a focus on improved product quality at a store level, was delivering results.

Same store sales were positive year-to-date in 10 of the Company's 12 markets, excluding Japan and Taiwan, the latter cycling large sales last year when the local community were still facing COVID restrictions.

Domino's Japan recently celebrated opening its 1000th store in the market, cementing its position as the largest pizza chain in the country.

Domino's acknowledged there was more work to do to lift sales in these markets, with the Company planning to deliver higher sales in the important Christmas trading period.

"We are very pleased with how our initiatives are winning with customers in almost all of our markets, as shown through very strong sales growth in ANZ, Germany and the BENELUX¹.

"We know our customers love our menu and our high quality ingredients, and our franchisee partners and their teams are committed to continuously delivering.

"When we deliver higher quality products, our customers reward our stores with higher sales – recognising the meals we serve are exceptional value."

¹ BENELUX: Belgium, Netherlands and Luxembourg



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Group Outlook

Domino's is on track to deliver against a range of strategic initiatives to restructure the business, reduce costs, and reinvest in rebuilding franchisee partner profitability.

Mr Meij acknowledged the changes had been challenging for team members in support offices around the world and thanked those who had left the business for their service.

"The decisions we have made are difficult, but management is confident they are the right ones for our long-term future.

"We are building a stronger, more sustainable future for our franchisee partners and for Domino's Pizza Enterprises Ltd."

Earnings in the First Half of FY24 are expected to be materially higher than the prior Half Year (H2 FY23), with year-over-year growth for the Financial Year to be delivered in the Second Half.

Domino's has previously announced new store openings would be below the Company's medium-term outlook this year, as store profitability recovers from the inflationary period lows.

"We are focused on rebuilding franchisee partner profitability," Mr Meij said.

"Through the plans we are implementing, our franchisee partners will earn the rewards of their hard work, and we have no doubt shareholders will benefit in turn.

"We are already seeing positive improvements to franchisee partner profitability, which is increasing their appetite to open new stores.

"Our long-term outlook of 7,100 stores by 2033 remains unchanged.

"We have the foundations in place to deliver for our customers, franchisee partners and our shareholders, as we work towards becoming the dominant, sustainable delivery quick service restaurant in each of our markets by 2030."

~ENDS

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

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