

24 January, 2024

TRADING UPDATE

Domino's Pizza Enterprises Ltd has released a trading update in advance of the Half Year Results (February 21, 2024).

- Domino's is delivering on a wide-ranging program to optimise the business, with material savings, improved efficiency, and reinvestment into improving Franchisee Partner economics
- Strong sales growth in Germany/Australia/New Zealand, and a positive operational performance in Europe have been offset by negative H1 Same Store Sales in Japan, Taiwan, Malaysia and France, which are weighing on the broader business
- Management is focused on growing weekly orders and franchisee margins, based on successes in ANZ and Germany, and is moving quickly to apply similar approaches in all markets

Domino's **H1 preliminary NPBT is expected to be between \$87-90m¹**. This is below H1 23 (\$104.8m), but higher than the preceding Half (H2 23, \$74.4m). The preliminary result for the 26 weeks ending 31 December 2023 is based on underlying earnings and remains subject to audit review and finalisation.

H1 24	Same-Store Sales	Network Sales	Network Sales Growth H1 24 vs. H1 23	Network Sales Growth H1 24 vs. H2 23
Asia	-8.9%	\$539m	+5.8%	-1.0%
ANZ	+8.2%	\$743m	+8.1%	+11.1%
Europe	+0.6%	\$857m	+11.5%	+3.8%
Group	+1.3%	\$2,139m	+8.8%	+4.9%

Earnings update: With Japan recording negative Network Sales year-to-date, and the weight of corporate stores in this important market, H1 earnings in Asia will be below the prior year².

This has impacted the Group's H1 24 preliminary NPBT to be between \$87-90m¹, which is below the prior corresponding half (H1 23), but above the preceding half (H2 23).

Trading

Australia/New Zealand: Australia/New Zealand has delivered its best sales performance in six years³ (since the Taste the Colour launch), with a calendar of new products including the Smokehouse range, My Domino's Box, and the new Meltzz snacking option.

Domino's finished 2023 as the fastest growing pizza company in Australia – with marketing reaching new customers through non-traditional media, as well as through the global partnership with Uber.

Delivery orders have fully recovered following pricing missteps in response to inflationary pressures, helping to rebuild franchisee profitability.

Asia: The Company advised in its update to the market (1 November 2023) that the Christmas trading period would be an important factor for H1 results, and management expected to deliver a turnaround in sales performance in Japan.

The Christmas trading week in Japan delivered higher Same Store Sales than the prior corresponding period, but they were not sufficient to deliver positive Network Sales for December.

¹ The preliminary result for the 26 weeks ending 31 December 2023 is based on underlying earnings, excluding significant charges, and remains subject to audit review and finalisation.

² New Year's Day fell in H2 24, compared to H1 23. The difference in timing is a headwind on H1 Asian earnings

³ H1 17 – ANZ SSS +17.4%

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Japan Same Store Sales (Half Year to Date) have recovered to flat following the Christmas period.

In the newer Asian markets strong sales growth in Singapore, and improving sales momentum in Taiwan, have been offset by a recent softening in trading in Malaysia.

Europe: Domino's European operations have delivered significantly higher earnings in H1 versus the prior corresponding period, due to the savings initiatives being implemented (including the closure of the Danish market) and a recovery in earnings in Germany, which had been most affected by inflation.

Ongoing underperformance in France offset some of the improvements in other areas of the European business.

Domino's looks forward to providing further details on the first half performance at its interim results presentation in February.

Net Debt and Capital Management

The Group's Net Debt⁴ has decreased by \$68.7m to \$770.0m at H1 24 due to the benefit of savings initiatives and tighter management of capital expenditure, as announced in August.

The company is operating with a comfortable margin below its banking covenant thresholds.

Outlook

Group CEO & Managing Director Don Meij said management has a clear plan for growing sales and reducing costs, although progress in growing sales in some markets was slower than anticipated.

"Across the Group we are focused on delivering inspiring, NEW products that are great value.

"We are also very Mission Focused on becoming 'The Dominant Sustainable Delivery QSR in every market by 2030', and delivery growth has been the biggest engine room in most markets.

"This has been led by Australia/New Zealand where customers are rewarding us with more frequent orders and a higher ticket and, as a result, the business improvement has been fastest. Many of the same approaches are showing positive signs in Europe.

"Our Franchisee partners in ANZ and Europe are improving average unit economics but there is more work to do, and this will remain an ongoing focus in all markets into the 2025 Financial Year.

With improvements still required in H2 to grow order volumes, Domino's advises any previous guidance for FY24 performance, de facto or otherwise, is no longer in effect.

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

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For further information, contact Nathan Scholz, Head of Investor Relations at investor.relations@dominos.com.au or on +614 1924 3517.

⁴ As defined under the Group's covenant reporting requirements, which includes finance leases recognised and measured under legacy leasing standard.