



Domino's Pizza Enterprises Limited
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Business update and FY25 outlook

Domino's Pizza Enterprises Ltd (ASX.DMP) announced in June 2023 a wide-ranging strategic review to deliver cost savings, improved efficiencies and a foundation for future growth.

The Company provided an update on its performance at Investor Strategy Days in April and May 2024¹, including efforts underway to improve unit economics and franchise profitability.

Management advised specific works were underway in Japan and France, using insights from DPE's Centres of Expertise and external partners, to identify improvements for these markets.

As these works have now been completed, the Company is able to provide an outlook for these businesses.

Japan

Domino's Japan opened +403 stores FY20-FY23, a 67% expansion pre- and post-COVID. The Company advised in April this resulted in a larger weighting of immature stores, in underpenetrated markets.

Following this period, working media was challenged through a combination of higher media costs and lower advertising funds from the deceleration of sales, amid changing post-COVID consumer behaviour.

Accordingly, in April, Domino's advised it has been reviewing and testing marketing spend and considering the ongoing viability of some stores.

A comprehensive review of store locations has now been completed and a complete review of marketing and pricing is underway. A new Chief Marketing Officer has been appointed and will start in H1 25.

Domino's will close up to 80² low volume stores following this review. These closures will be partially offset by the opening of 20+ new stores in higher potential locations. It should also be noted that the majority of delivery customers previously serviced by the closed stores will be serviced by neighbouring stores, improving their unit economics, and also minimising the total sales impact for the market.

The aggregate contribution of these low volume stores is loss-making and the closures will have a positive impact on earnings, which will be reinvested into additional marketing and advertising to reach more customers and lift order counts in this low-frequency market.

Management expects a return to positive Same Store Sales in Japan in FY25, with core margin improvements excluding one-off investments in marketing, to deliver long-term benefits to the entire network, and FX headwinds.³

France

Domino's France outlined in May plans to apply proven global strategies, with local nuance, in this important market. A focus of these efforts included aligning stores on best practice systems, to improve operations and customer satisfaction.

¹ <https://investors.dominos.com.au/presentations>

² Stores identified for closure include some franchised stores, with the total dependent on the level of acceptance by franchise partners to close/relocate stores. Store closures are expected to be completed in H1.

³ The current depreciation of the Yen:AUD will affect the translation of earnings to AUD.



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To continue this focus, Domino's France anticipates targeting a net 10-20 store reduction in FY25 (with 20-30 store closures offset by 10 store openings).⁴

As in Japan, it is expected the majority of delivery orders from these stores will be serviced by neighbouring stores, with the earnings improvements to benefit Domino's France FY25 EBIT.

Group Outlook

Near-term (FY25)

With ongoing positive performance from Australia/New Zealand, Germany and Singapore, and recent performance improvement in Belgium, Netherlands and Luxembourg, Domino's Pizza Enterprises anticipates gross store openings will be ~3% of the network.⁵

After the store closures outlined above, and the typical level of store closures year-to-year, store growth is expected to be flat to slightly positive in FY25, stepping up to 3-4% (net growth) in FY26.

Medium-term (3-5 year outlook)

Both FY25 and FY26 store openings are below the 3-5 year outlook of +7-9% new store openings. The timeline for returning to the medium term outlook for store growth will be determined by continuing improvements in franchise profitability – a key focus of Domino's in all markets.

The Same Store Sales outlook of 3-6% across the group is unchanged.

Long-term (2033+)

Management continues to believe the long-term outlooks for its markets (7100 stores, ~1.9X current network) remains appropriate, particularly given the additional upside possible in large markets such as Germany.

These long-term outlooks are conservative, modelled on significantly lower store penetration than established markets, even where countries have larger existing pizza markets.

However, Domino's previously advised the timing of achieving the long-term outlook was under review. Given the lower levels of store openings in FY24-FY26, the previous timeline of 2033 will not be achieved.

Management is focused near-term on building franchise partner profitability and reducing average store payback, to facilitate higher, sustainable organic store growth to reach the long-term outlook.

The Company will release Full Year Results on August 21st.

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

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For further information, contact Nathan Scholz, (Investor Relations): investor.relations@dominos.com.au or on +614 1924 3517.

⁴ Store closures are expected to be completed in H1.

⁵ Gross store openings prior to closures outlined in this ASX announcement.