

Interim Results for the 26 weeks ended 29 June 2014



The Team

David Wild

Chief Executive Officer

Sean Wilkins

Chief Financial Officer



Highlights of H1 2014

- 11.3% UK LFL
- UK on-line accounting for 69.7% of delivered sales (63.3% in 2013)
- UK and Ireland operating margin improved by 51 bps
- ROI steady at 3.2% LFL
- Good growth in Q2 for Switzerland drove H1 to 2.9%
- Germany re-engineering in progress
- Strong cash generation and share buyback resumed



Sean Wilkins

Chief Financial Officer



Financial highlights for H1 2014

- UK & ROI system sales up 15.0% to £365.6m
- Group system sales up 14.9% to £375.0m
- Group operating profit* up 10.2% to £24.7m
- Cashflow before financing more than doubled to £26.9m
- Interim dividend up 10% at 7.81p

** Pre-exceptionals*



Group Profit and Loss (Pre-exceptionals)

	26 weeks ended 29 June 2014 £'000	26 weeks ended 30 June 2013 £'000	% increase
System sales	374,965	326,498	14.9
Operating profit	24,731	22,432	10.2
Net interest	<u>(233)</u>	<u>(184)</u>	<u>26.6</u>
Profit before tax	24,498	22,248	10.1
Taxation	<u>(5,621)</u>	<u>(5,615)</u>	<u>0.1</u>
Profit after tax	<u>18,877</u>	<u>16,633</u>	13.5
Earnings per share:			
- Basic	11.6p	10.8p	7.4
- Diluted	11.5p	10.7p	7.5
Dividends per share:			
- Pence	7.81p	7.10p	10.0
- Cover	1.49x	1.51x	-

SOLID GROWTH FOR FIRST HALF OF THE YEAR



Profit and Loss (Pre-exceptionals, Germany and Switzerland)

HEALTH OF THE UK & ROI CORE BUSINESS

	26 weeks ended 29 June 2014 £'m	26 weeks ended 30 June 2013 £'m	% change
LFL Sales	+10.5%	+6.4%	-
System Sales - £'m	365.6	317.9	15.0%
Operating Profit - £'m	29.8	25.9	15.3%
Operating Profit % *	21.7%	21.2%	

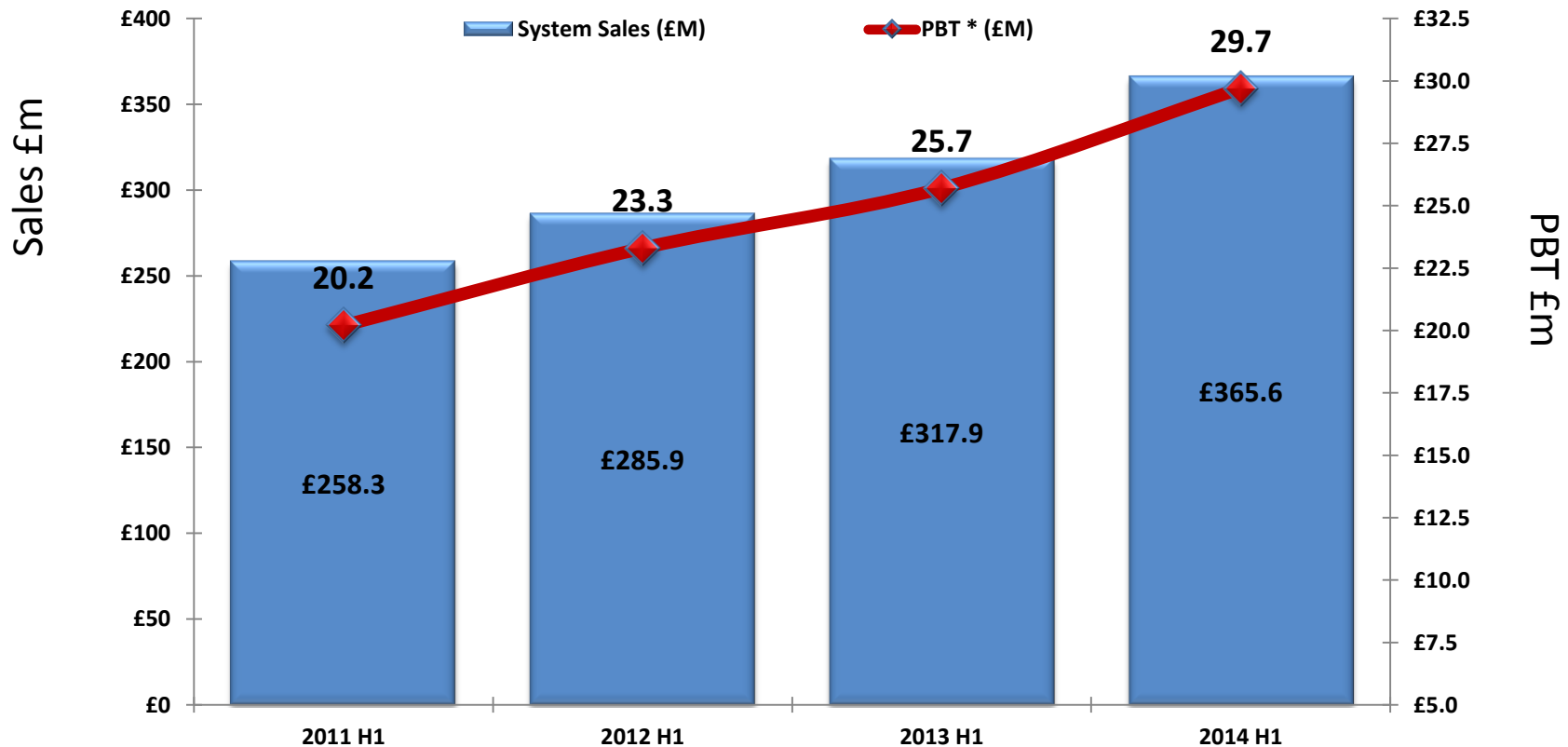
SOUND UNDERLYING OPERATIONAL GEARING

* Operating profit/statutory revenue



H1 2014 System Sales and PBT* Growth

- UK and ROI LFL sales up 10.5%, profits up 15.4%



* Pre-exceptionals, Germany and Switzerland



Profit and Loss - Germany

	26 weeks ended 29 June 2014	26 weeks ended 30 June 2013	% change
LFL Sales (€)	-1.7%	+23.8%	-
System Sales - £'m	4.7	3.9	20.4%
Operating Loss - £'m	(4.7)	(3.2)	(48.8)%
<i>Adjusting items - £'m</i>			
<i>Accounts receivable provision</i>	1.8		
<i>Restructure & reorganisation</i>	0.3		
<i>Transition of corporate stores</i>	0.2		
Underlying Operating Loss- £'m	(2.4)	(3.2)	25%



Profit and Loss - Switzerland

	26 weeks ended 29 June 2014	26 weeks ended 30 June 2013	% change
LFL Sales (CHF)	+2.9%	+7.8%	-
System Sales - £'m	4.7	4.7	-
Operating Loss- £'m	(0.4)	(0.3)	(15.6)%
<i>Adjusting items - £'m</i>			
<i>Pre-opening/relocation costs</i>	0.2		
Underlying Operating Loss- £'m	(0.2)	(0.3)	33.3%



Balance Sheet

Current Assets:	At 29 June 2014 £'000	At 30 June 2013 £'000		At 29 June 2014 £'000	At 30 June 2013 £'000
Inventories	4,568	7,328	Non-current assets	93,142	103,880
Receivables	31,448	38,269	Current assets	<u>80,885</u>	<u>71,978</u>
Investment in finance leases	1,063	3,573	Total assets	<u>174,027</u>	<u>175,858</u>
Prepaid lease charges	195	257			
Cash	<u>43,611</u>	<u>22,551</u>	Current liabilities	(67,636)	(60,676)
	<u>80,885</u>	<u>71,978</u>	Non-current liabilities	<u>(39,835)</u>	<u>(46,877)</u>
Current Liabilities:			Total Liabilities	<u>(107,471)</u>	<u>(107,553)</u>
Trade and other payables	(43,175)	(36,979)			
Deferred income	(283)	(176)	Net Assets	<u>66,556</u>	<u>68,305</u>
Financial liabilities	(16,112)	(16,687)			
Deferred consideration	(1,590)	(1,089)			
Tax liabilities	(4,716)	(5,048)			
Provisions	<u>(1,760)</u>	<u>(697)</u>			
	<u>(67,636)</u>	<u>(60,676)</u>			



Cash Flow Statement

	26 weeks ended 29 June 2014 £'000	26 weeks ended 30 June 2013 £'000
Cash generated from operations	31,623	19,112
Taxation paid	<u>(2,970)</u>	<u>(3,630)</u>
Net cash generated by operating activities	28,653	15,482
Net cash used by investing activities	<u>(1,735)</u>	<u>(4,147)</u>
Cash inflow before financing	26,918	11,335
Financing activities	<u>(14,844)</u>	<u>(10,500)</u>
Net (decrease)/increase in cash	12,074	835
Opening cash balance	31,597	21,975
Foreign exchange loss on cash and cash equivalents	<u>(60)</u>	<u>(259)</u>
Cash as at 29 June 2014	<u>43,611</u>	<u>22,551</u>



Analysis of Borrowings

	At 29 June 2014 £'000	At 30 June 2013 £'000
Cash at Bank	43,611	22,551
Revolving Credit Facilities	<u>(29,797)</u>	<u>(29,789)</u>
Net Cash	13,814	(7,238)
DP Capital	(2,458)	(2,796)
Term/EBT loan	(15,000)	(13,000)
Finance leases	<u>(93)</u>	<u>(221)</u>
Adjusted Net Debt*	<u>(3,734)</u>	<u>(23,255)</u>
Adjusted Net Debt*/EBITDA**	0.1	0.4

* Excludes non-recourse loans, and Germany minority interest shareholder loan

** Pre-exceptionals



Capital Expenditure 2014

	Actual	Forecast	Total
	H1	H2	
	£m	£m	
Maintenance	1.9	3.6	5.5
Expansionary	1.0	3.2	4.2
Total Capex	2.9	6.8	9.7



The UK Franchisee Model

	26 weeks ended 29 June 2014	26 weeks ended 30 June 2013	% increase
Average sales (AWUS)	£17,468	£ 15,701	+11.3%
Total sales	£454,171	£408,236	
EBITDA %	13.1%	12.5%	
EBITDA	£59,670	£51,065	+16.9%

£8,605



David Wild

Chief Executive Officer

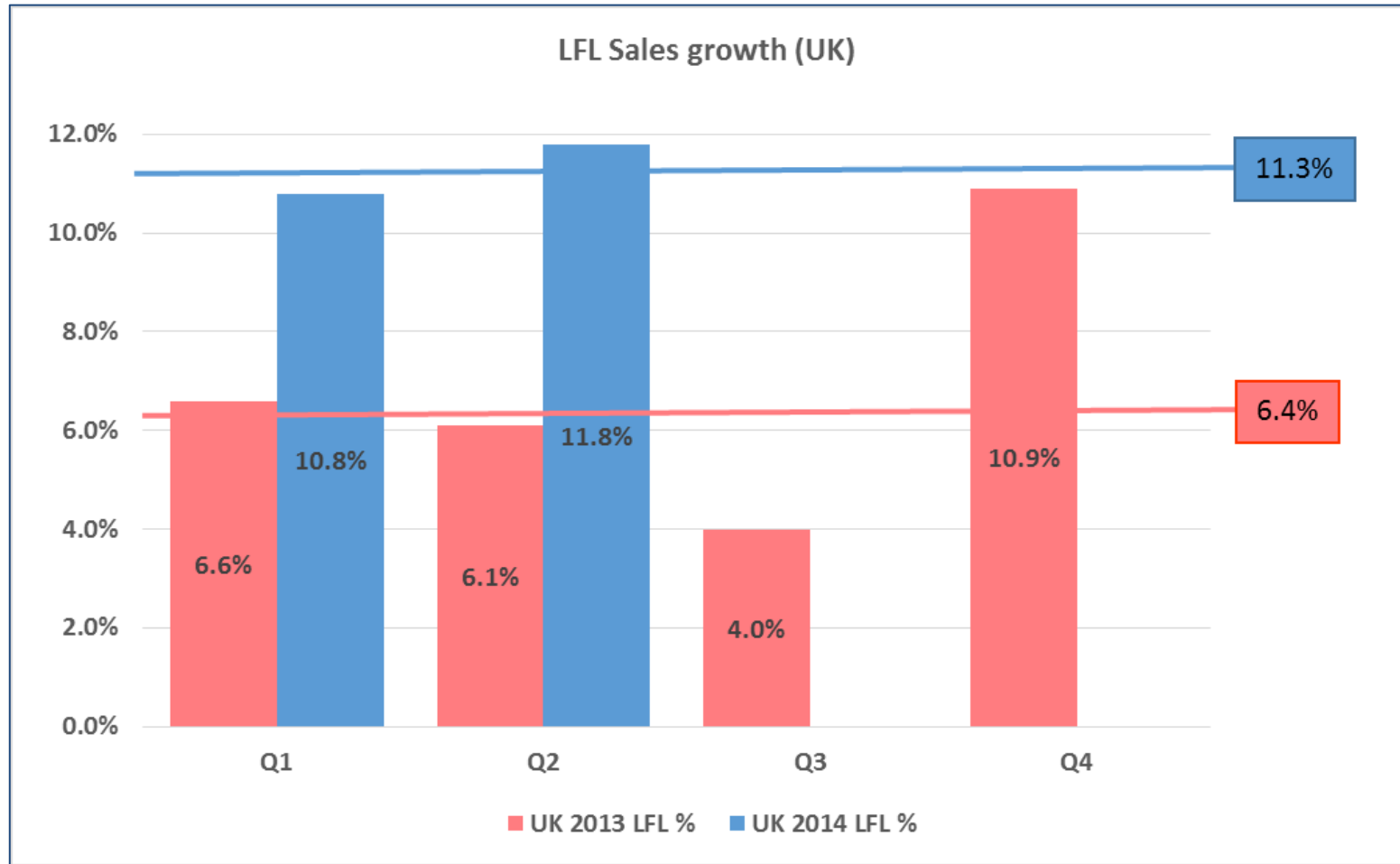


Key issues for 2014

- Building on UK success with customers
- Overhead management within Domino's
- Execution of German plan
- Continued recovery in ROI



UK: Strong start to 2014, however, tough comps in H2

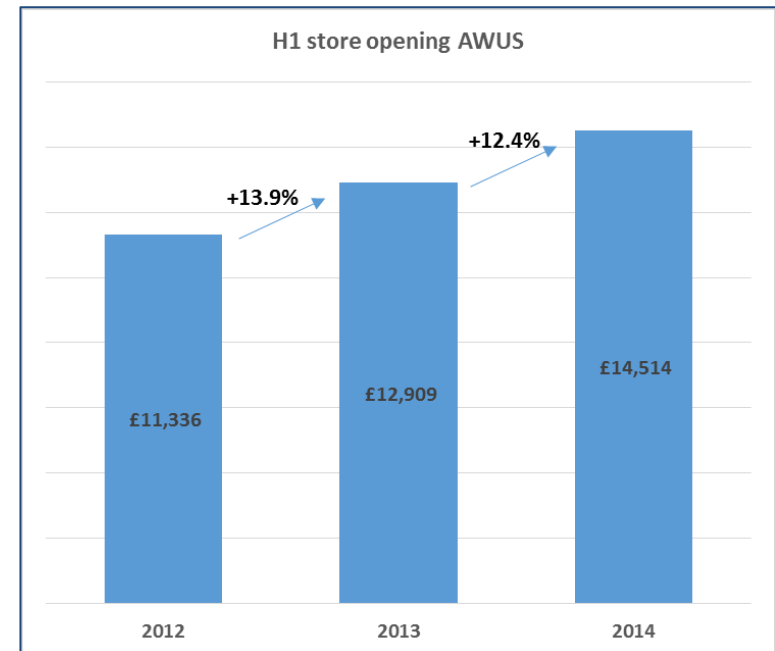
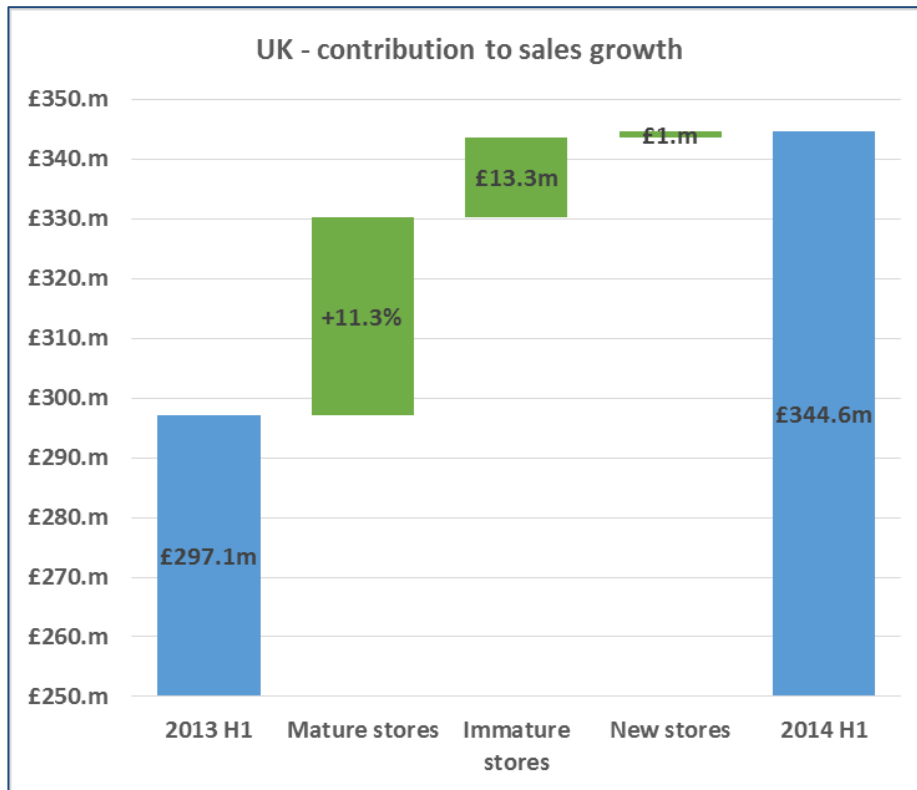


* 2014 Mature store group opened on or before 30th December 2012



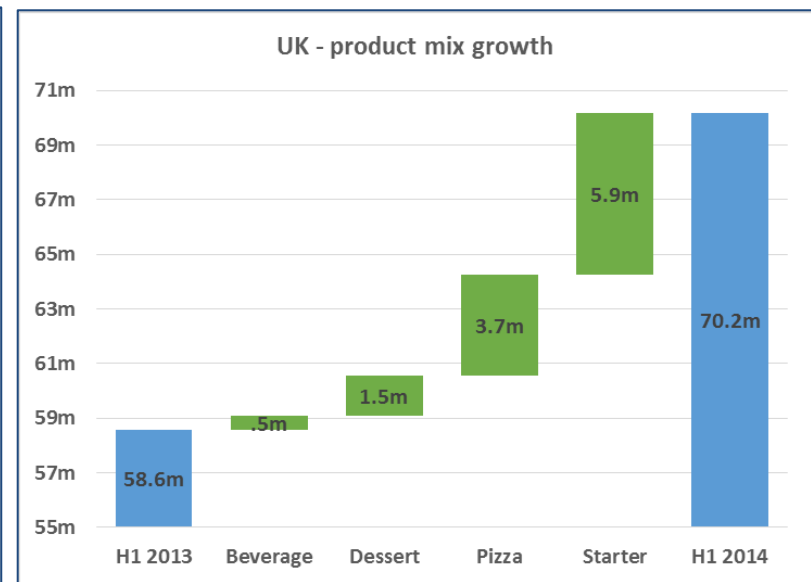
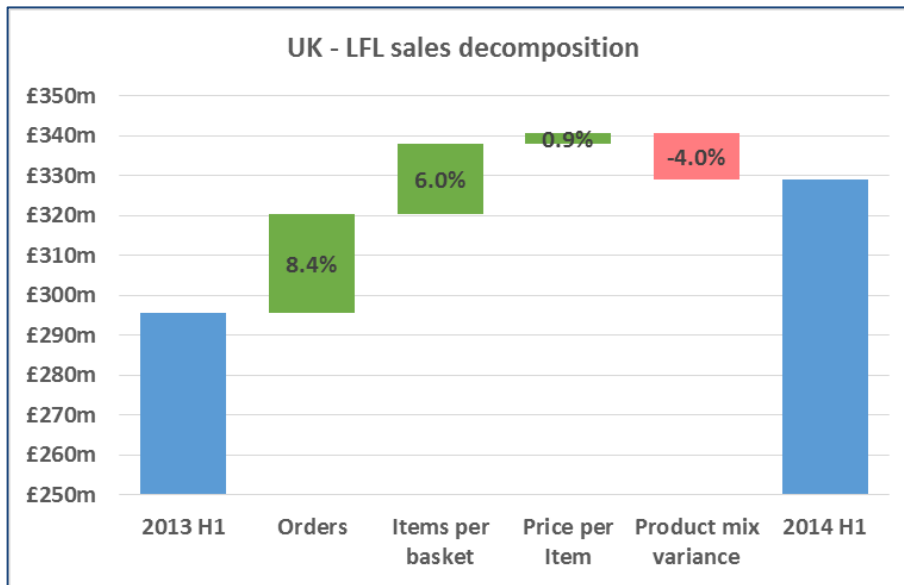
UK: Total sales have grown by +16.0% year on year

- Strong results from New and Immature stores
- 28% growth in Immature store AWUS vs. 2012 cohort in 2013 H1
- New stores have opened on a higher AWUS than in previous years
 - 8 traditional store openings in H1 and 5 further openings in July



Sales driven by both orders and basket size

- Strong order count has been driven by marketing activity, the Winter Survival deal in Q1 was particularly successful
- Bundle deals have encouraged customers to add sides and desserts to their baskets, driving add-on volumes by a third



Delivering Greatness from Dominos

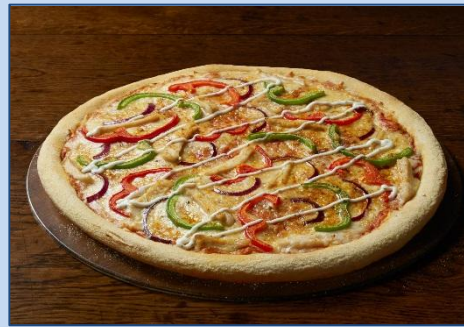
Quality



'Greatness' TV Campaign launched in September 2013

Research shows improvement in brand affinity metrics

Innovation



We have seen successes with the Mega Meltz and the Carnivale ranges.

Added new sides to the menu through nachos and fajita wedges.

Great Value



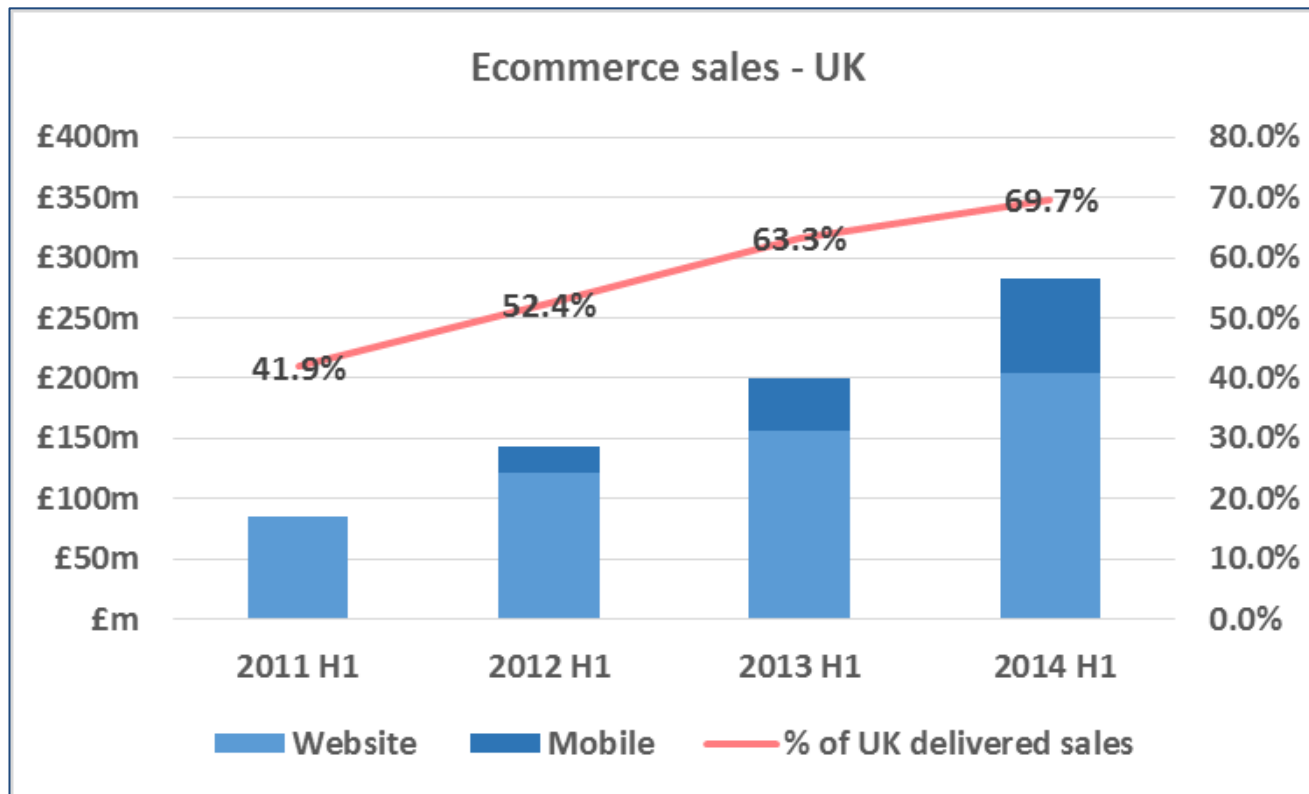
Improving value for money through well structured bundle offers.

Research has shown significant moves in offering relevant deals (+8%pt) and value for money (+3%pt)



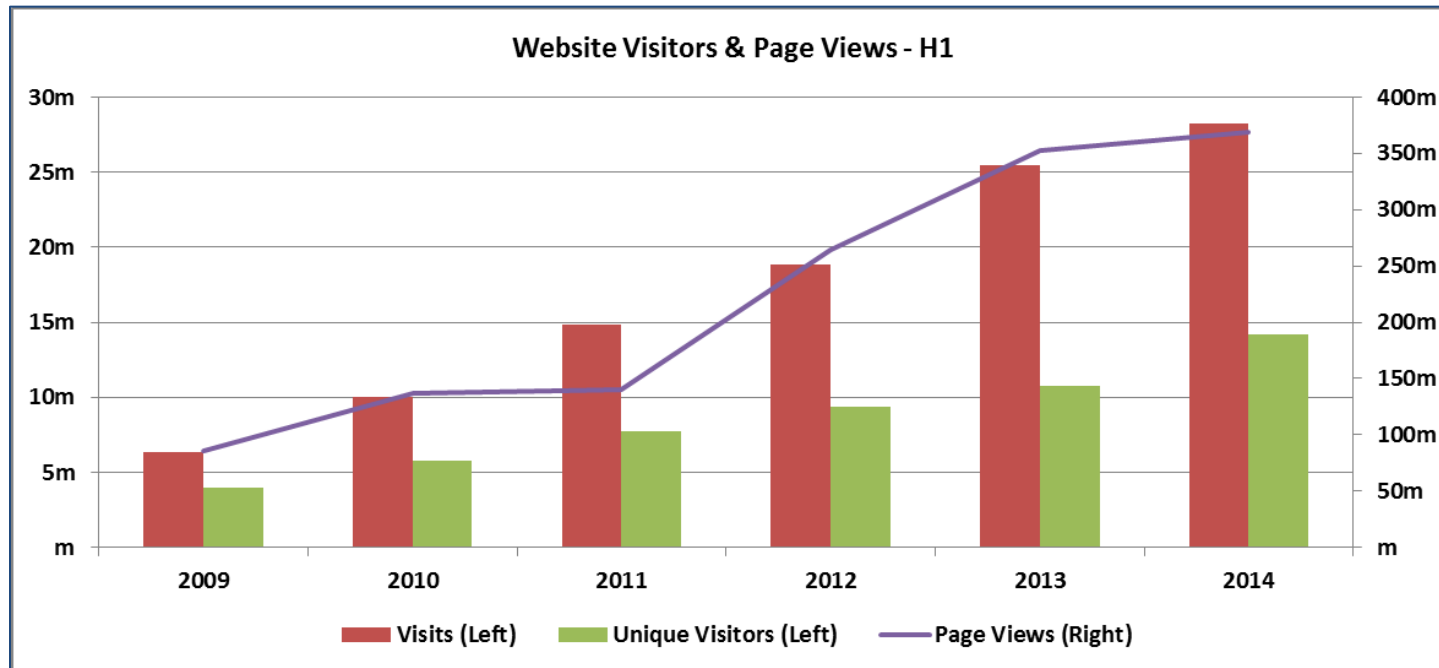
We are a true ecommerce business

- Ecommerce is now at 69.7% of delivered sales, with 38.3% of online sales coming from mobile devices
 - In some regions, mobile now accounts for half of all online transactions

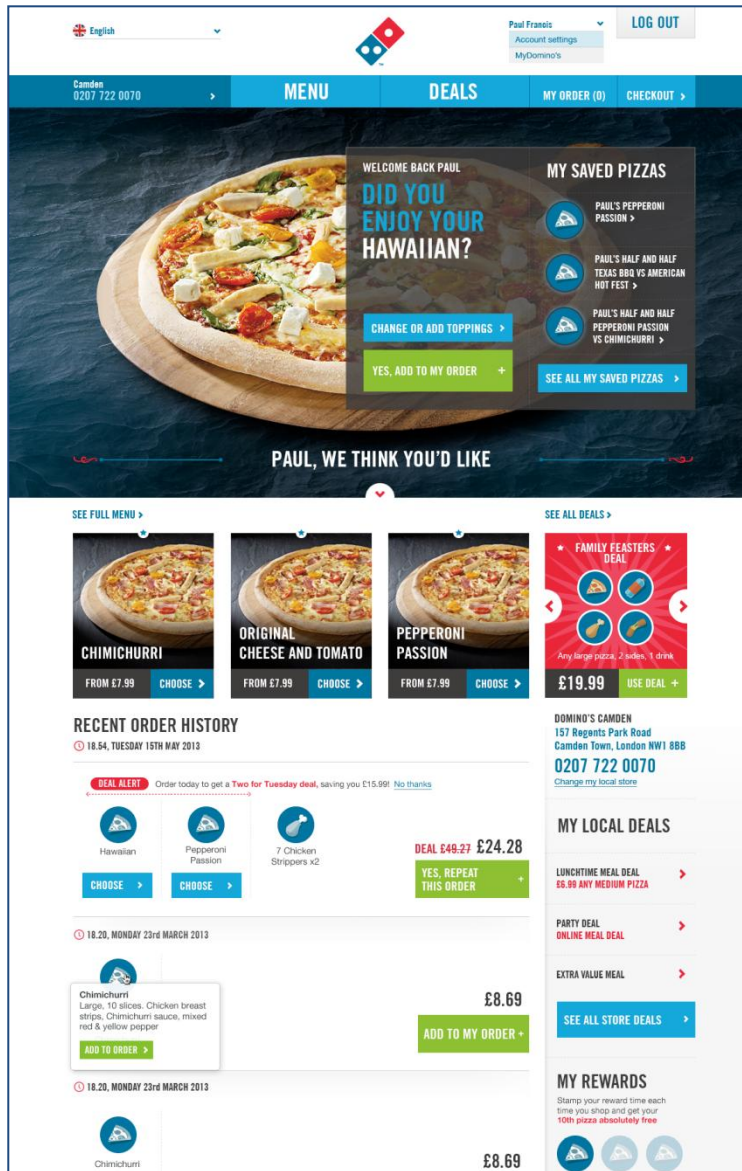


Continued innovation in digital

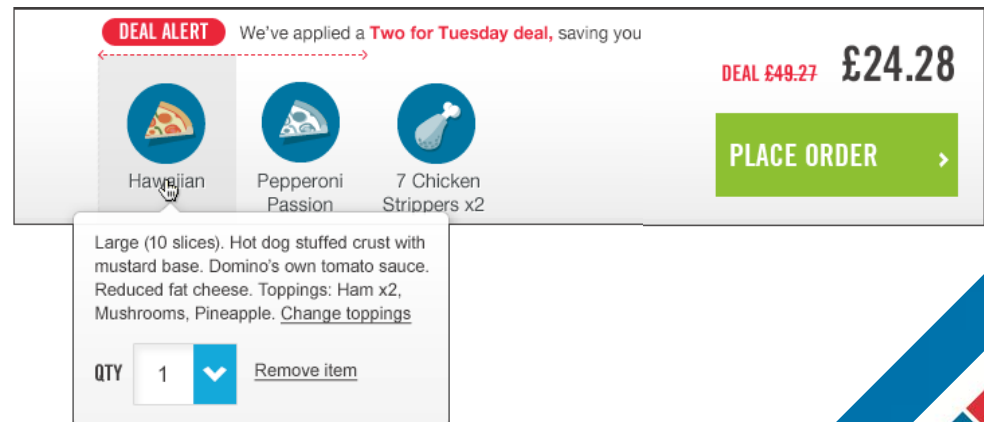
- 2.3m new App users during H1, taking total to over 5.5m
- 121 email programme driving a more direct relationship with customers
 - Nearly 55m emails sent YTD
- 11.1% growth in customer visits, generating nearly 370m page views



New website being rolled out across UK and ROI



- Communicating quality
 - Great food photography
- Improved experience
 - Personalised landing pages, previously saved orders and personalised offers.
- Increased value perceptions
 - Transparency of discount amount.
 - Deals automatically applied to basket



Engaging online customers through social media

- Over 946k Facebook fans
- Driving engagement and awareness through social
 - Melting Man - 18.6m Twitter reach
 - Edibox April Fools – 3.5m social reach
 - Topical content - #Pizzaonatrain – trended for 2 hours globally/3 hours in UK
 - O2 Priority partnership - driving lunchtime sales on Mondays
 - Target Multi Screen with DomiGoals
 - Award winning X Factor app to return in H2



UK/ROI Supply Chain - 2014

Maintain operational gearing through:

- Focus on improving production efficiency
- Distribution efficiencies
- Improved procurement



Food Cost Outlook for remainder of 2014

H1 2014 Performance

- Franchisee food and packaging basket increased 3.4% year on year over H1
 - Record high cheese prices at the end of 2013 carried over into H1 2014
- Strong volume growth has enabled negotiated volume rebates from suppliers
 - £2m in annualised savings passed onto franchisees through reduced food costs on dough and cheese from April / May 2014

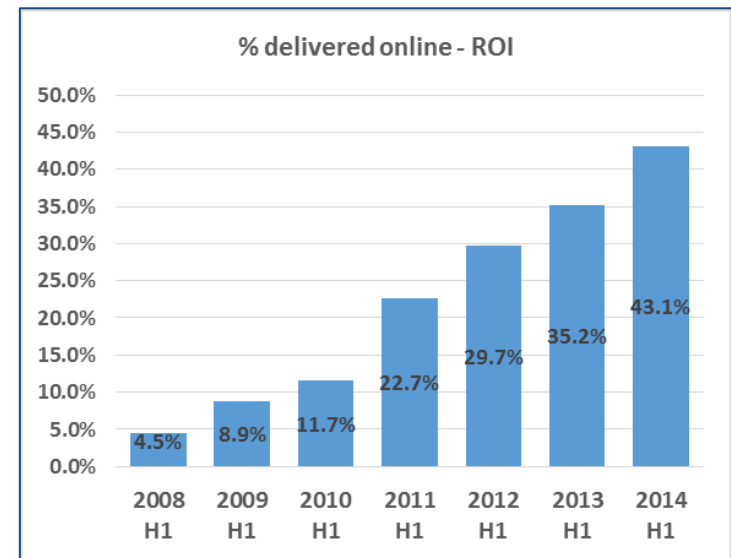
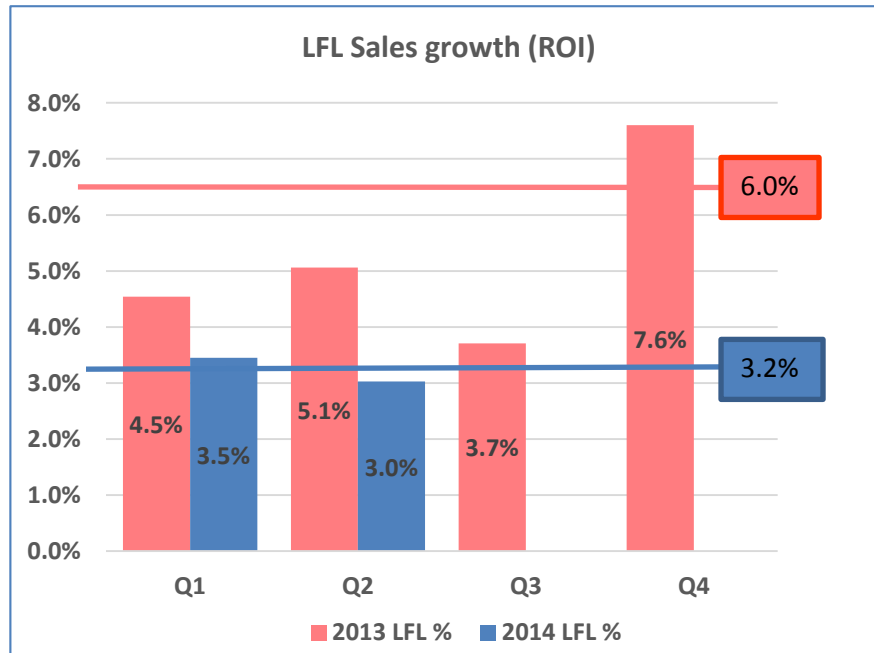
Outlook for H2 2014

- Entire basket locked in except cheese – annual price inflation forecast to drop to 1-1.5% vs. 2013
 - Cheese price decreases due to improved milk production and improved global dairy commodity stocks
 - Cheese is c.25% of pizza cost
 - Decreases on meat proteins e.g. Beef driven by reduced feed costs



ROI: Sustained recovery

- Sales in ROI grew +3.2% driven by strong performances in Dublin stores
 - Dublin stores are +5.1% for H1
- Online continues to grow in ROI, with over 40% of delivered orders now through online channels. Sales through mobile devices account for half of online orders



Domino's in Germany – Lessons and plan

Corporate owned network

Too rapid expansion

Lack of full control

Over sized stores

Excessive overhead

Weak ecommerce platform

Undercut independent competitors

Over ambitious path to break-even

Franchise operation

5 store openings in 2014

Buyout of minority shareholder and local finance team recruited

150m² template

Reduction in Support Centre numbers

New ecommerce platform

Premium pricing with aggressive promotion

Focus on store level economic



Germany performance

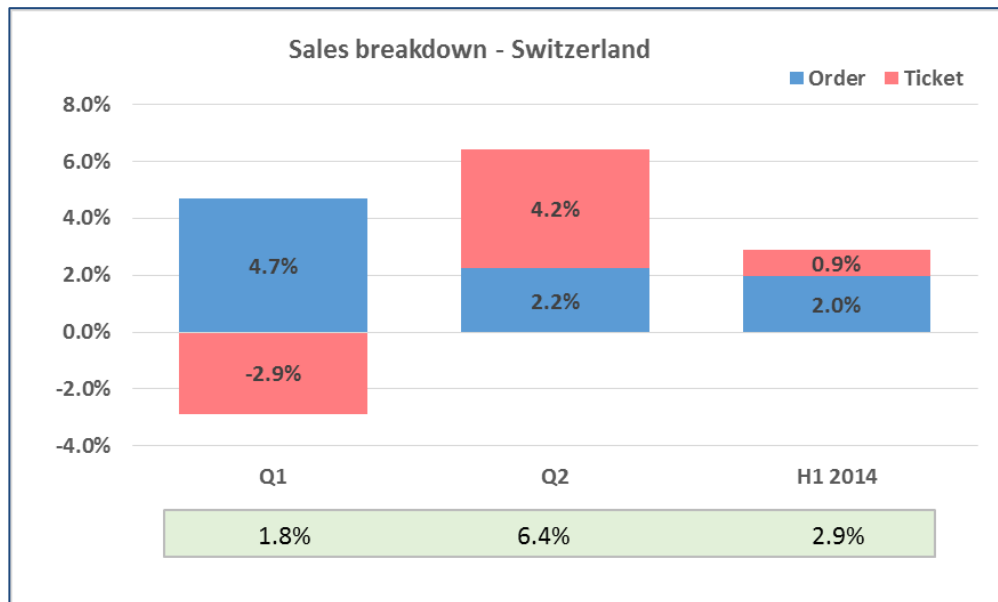
- -1.7% like-for-like for H1
- Continued re-engineering of Operating Framework
- Reduction in local marketing spend
- Rationalisation of overhead
- Minimal capex
- 3 new stores; 4 closures
- Food cost reductions
- Balance of corporate and franchise stores
- Clean-up of accounting issues



Still focussed on store level economics

Switzerland: Accelerating like-for-like growth

- Strong Q2 performance driven by store investment
- Sales driven by order growth (+2.0% year on year)
- 4 new stores plan in H2
- 3 relocations planned in H2
- Strengthened management team



2014 outlook

- Maintain sales momentum – tougher like-for-like comps in H2
- On track to open 40-50 stores
- Hold gross margin – food cost reductions passed to franchisees
- Control overheads
- One-off transition costs worsen German guidance
- Switzerland Q4 breakeven



Summary

- Strong first half in UK
- Online and promotions fuelling growth
- Store openings performing well – on track for 40-50 in UK
- Supply Chain and overheads under control
- Solid result in ROI
- Germany re-engineering leading to subdued sales
- Switzerland improving through H1
- Strong cash generation – buyback resumed



Q & A



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Analysis of UK and ROI Turnover

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Analysis of Switzerland Operating Profit

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Diluted Earnings Per Share

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Dividends Per Share



Analysis of Group Turnover

	26 weeks ended 29 June 2014 £'000	26 weeks ended 30 June 2013 £'000	Variance £'000	Variance %
Royalties	20,611	17,977	2,634	14.7
Store sales	6,015	6,788	(773)	(11.4)
Franchise/TST/FDP fees	127	217	(90)	(41.2)
Supply Chain Centre sales	109,314	94,628	14,686	15.5
Property sales	8,923	8,358	565	6.8
Computer sales	1,212	3,033	(1,821)	(60.0)
Other sales	1,569	1,440	129	9.0
Inter-company sales	<u>(1,023)</u>	<u>(1,453)</u>	<u>430</u>	<u>(29.6)</u>
Total sales	<u>146,748</u>	<u>130,988</u>	<u>15,760</u>	<u>12.0</u>



Analysis of UK & ROI Turnover

	26 weeks ended 29 June 2014 £'000	26 weeks ended 30 June 2013 £'000	Variance £'000	Variance %
Royalties	20,107	17,480	2,627	15.0
Store sales	69	-	69	n/m
Franchise/TST/FDP fees	103	153	(50)	(32.8)
Supply Chain Centre sales	106,469	92,319	14,150	15.3
Property sales	8,923	8,358	565	6.8
Computer sales	1,212	3,033	(1,821)	(60.0)
Other sales	1,127	1,187	(60)	(5.1)
Inter-company sales	<u>(388)</u>	<u>(346)</u>	<u>(42)</u>	<u>(12.7)</u>
Total sales	<u>137,622</u>	<u>122,184</u>	<u>15,438</u>	<u>12.6</u>



Analysis of Germany Turnover

	26 weeks ended 29 June 2014 £'000	26 weeks ended 30 June 2013 £'000	Variance £'000	Variance %
Royalties	222	214	8	3.7
Store sales	1,223	2,084	(861)	(41.3)
Franchise/TST/FDP fees	25	64	(39)	(60.9)
Supply Chain Centre sales	1,681	1,290	391	30.3
Property sales	-	-	-	n/m
Computer sales	-	-	-	n/m
Other sales	442	248	194	78.2
Inter-company sales	<u>(354)</u>	<u>(824)</u>	<u>470</u>	<u>57.0</u>
Total sales	<u>3,239</u>	<u>3,076</u>	<u>163</u>	<u>5.3</u>



Analysis of Switzerland Turnover

	26 weeks ended 29 June 2014 £'000	26 weeks ended 30 June 2013 £'000	Variance £'000	Variance %
Royalties	282	283	(1)	(0.4)
Store sales	4,723	4,704	19	0.4
Franchise/TST/FDP fees	-	-	-	n/m
Supply Chain Centre sales	1,164	1,024	140	13.6
Property sales	-	-	-	n/m
Computer sales	-	-	-	n/m
Other sales	-	-	-	n/m
Inter-company sales	<u>(282)</u>	<u>(283)</u>	<u>1</u>	<u>0.4</u>
Total sales	<u>5,887</u>	<u>5,728</u>	<u>159</u>	<u>2.8</u>



Analysis of Group Operating Profit*

	26 weeks ended 29 June 2014 £'000	26 weeks ended 30 June 2013 £'000	Variance £'000	Variance %
Net Royalty	10,228	8,897	1,331	15.0
Supply Chain Centre Margin	30,692	26,443	4,249	16.1
Realty	119	393	(274)	(69.7)
Subsidiaries	289	4	285	n/m
Net Overheads	(11,886)	(10,216)	(1,670)	(16.4)
Associates	<u>389</u>	<u>343</u>	<u>46</u>	<u>13.4</u>
UK & ROI Operating Profit	29,381	25,864	3,517	13.6
German Segment Results	(4,714)	(3,168)	(1,546)	(48.8)
Switzerland Segment Results	<u>(386)</u>	<u>(264)</u>	<u>(122)</u>	<u>(46.2)</u>
Group Operating Profit	<u>24,731</u>	<u>22,432</u>	<u>2,299</u>	<u>10.2</u>

* Pre-exceptionals



Analysis of UK & ROI Operating Profit*

	26 weeks ended 29 June 2014 £'000	26 weeks ended 30 June 2013 £'000	Variance £'000	Variance %
Net Royalty	10,228	8,897	1,331	15.0
Supply Chain Centre Margin	30,692	26,443	4,249	16.1
Realty	119	393	(274)	(69.7)
Subsidiaries	289	4	285	n/m
Net Overheads	(11,886)	(10,216)	(1,670)	(16.4)
Associates	389	343	46	13.4
<u>UK & ROI Operating Profit</u>	<u>29,381</u>	<u>25,864</u>	<u>3,517</u>	<u>13.6</u>

* Pre-exceptionals



Analysis of Germany Operating Profit*

	26 weeks ended 29 June 2014 £'000	26 weeks ended 30 June 2013 £'000	Variance £'000	Variance %
Net Royalty	101	97	4	4.1
Supply Chain Centre Margin	81	(3)	84	n/m
Corporate Stores	(501)	(1,012)	511	n/m
Net Overheads	(4,393)	(2,248)	(2,145)	(95.4)
<u>German Operating Profit</u>	<u>(4,714)</u>	<u>(3,168)</u>	<u>(1,546)</u>	<u>(48.8)</u>

* Pre-exceptionals



Analysis of Swiss Operating Profit*

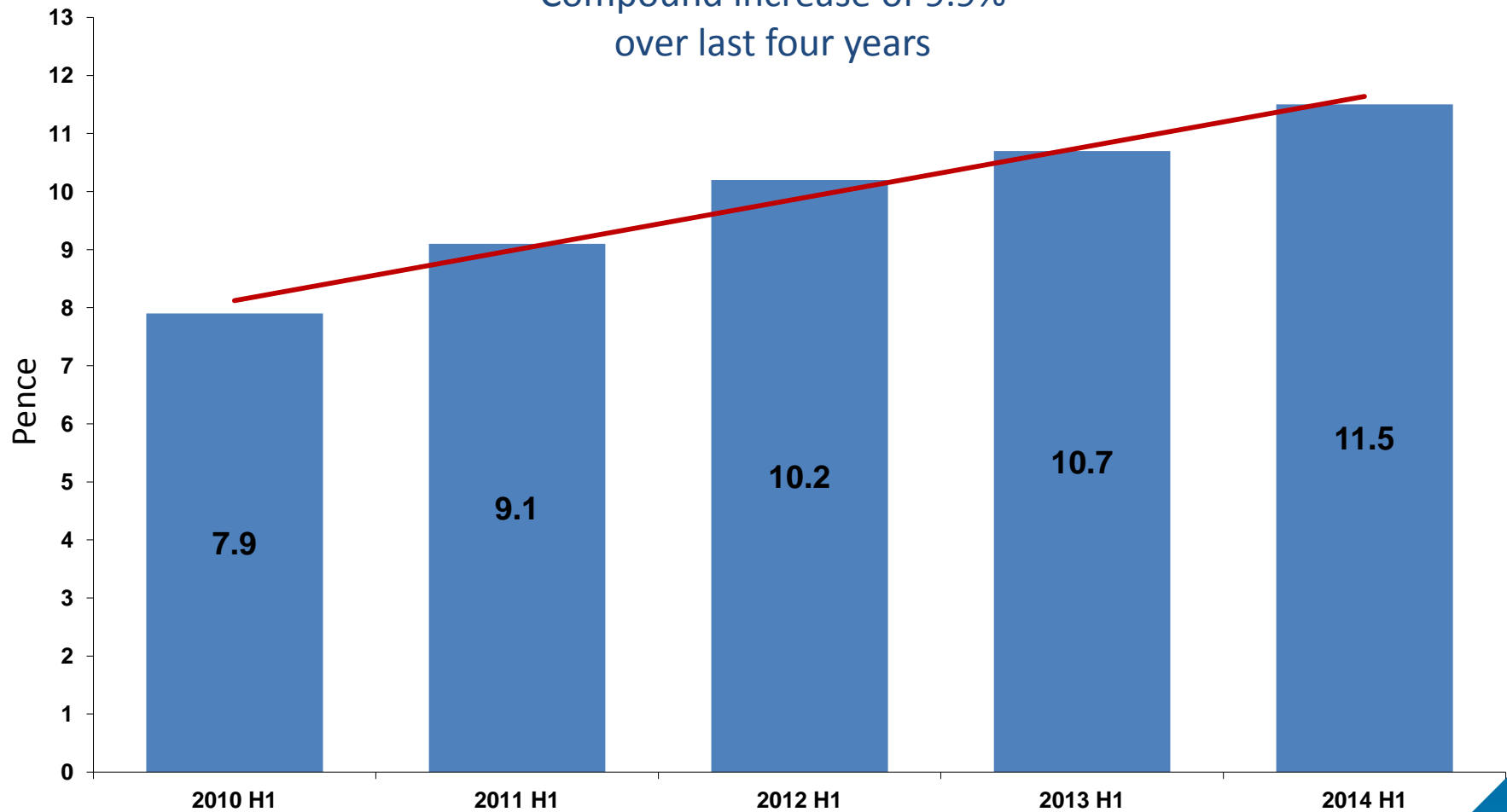
	26 weeks ended 29 June 2014 £'000	26 weeks ended 30 June 2013 £'000	Variance £'000	Variance %
Supply Chain Centre Margin	77	9	68	755.6
Corporate Stores	3	355	(352)	n/m
Net Overheads	(466)	(628)	162	25.6
<u>Swiss Operating Profit</u>	<u>(386)</u>	<u>(264)</u>	<u>(122)</u>	<u>(46.2)</u>

* Pre-exceptionals



Diluted Earnings Per Share *

Compound increase of 9.9%
over last four years



* Pre-exceptionals

■ Diluted earnings per share — Linear (Diluted earnings per share)



Dividends Per Share

