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## Domino's Pizza Group Plc

### AGM trading update

Domino's Pizza Group Plc ("Domino's" or "the Group") considers regular shareholder communication important, particularly in light of the current unprecedented circumstances. The Group is providing an update on trading and the actions being taken as a result of Covid-19, to coincide with the company's Annual General Meeting taking place later today.

#### **Dominic Paul, CEO said,**

*"I joined the Group at a time of unprecedented trading conditions and have spent my first few weeks as CEO becoming fully immersed in the business. I have been hugely impressed by the hard work, dedication and agility of our colleagues and our franchisee partners to keep Domino's delivering, and I would like to say a big thank you to the entire team.*

*"Throughout this crisis we have focused on looking after our people and working together with our franchisee partners to safely serve our customers and help our communities. I am proud of the performance of our system during this period, and that the vast majority of our stores have remained open. I am looking forward to giving a more detailed update on our performance and sharing my first impressions of the business at our first half results presentation in August."*

#### **UK & Ireland**

	31 Dec 2019 to 22 March 2020	23 March 2020 to 14 June 2020	31 Dec 2019 to 14 June 2020
<b>UK</b>			
LFL inc. splits	2.3%	5.1%	3.7%
LFL exc. splits	3.5%	6.1%	4.8%
<b>Ireland</b>			
LFL inc. splits	(2.5%)	(9.2%)	(5.9%)
LFL exc. splits	(1.0%)	(7.9%)	(4.5%)

In the UK, LFL sales growth has been strong during the first half of the year to date. Trading in the period prior to the lockdown was robust, driven by increased order count. At the start of the lockdown period we moved quickly to ensure the business continued to trade safely, including stopping customer collections. For context, in 2019, collection accounted for 21% of sales and 31% of orders. We saw our sales performance from delivery grow rapidly with an increase in order count and a growth in items per order and therefore average ticket. This increase in sales from delivery more than offset the lack of sales from collection, however total order count has declined during the period. We have also seen a change in

consumer purchasing behaviour and average basket composition, with a higher proportion of sides and desserts, which, whilst aiding our sales performance, has impacted our margins.

Our business in Ireland, which is a much smaller part of the Group, has seen a weaker performance, against a strong comparative last year. We believe that wider consumer spending weakness due to the Covid-19 lockdown has been more pronounced in Ireland.

Our determination to keep serving our customers, and to help them stay at home, has resulted in record levels of customer satisfaction over recent weeks, in both the UK and Ireland.

We have made significant changes to our operations in our core UK & Ireland business to ensure we could continue to trade whilst protecting colleagues and customers:

- Throughout the period of lockdown we have served customers with entirely Contact Free Delivery and have ceased in-store collection. As the lockdown begins to ease, we are now seeing a gradual re-introduction of contact free collection across the system, although we expect this to take some time to recover to prior levels.
- Working together with our franchisees, we have rationalised our menu offering, in order to ensure safe in-store operations for colleagues.
- Our supply chain has maintained full availability to stores throughout the period. We have rolled out and embedded measures to protect our supply chain centres, our distribution network and our supply chain centre colleagues, which have resulted in significant incremental costs for the business. These include re-routing all store deliveries to stop two-person deliveries, ensuring all stores are closed during restocking, changing our supply chain shift patterns and paying salary premiums.
- We have supported our franchisee partners, including changing payment terms so that cash passes through the system quicker, and incurring the costs of items necessary to ensure safe operations such as Contact Free Delivery boxes and face masks.
- We have supported the amazing work of key workers in our communities through the funding of a key worker pizza giveaway.

These significant and necessary changes have meant that we have incurred considerable additional costs across our operations during the lockdown period, which have more than offset the benefits from the increased sales we have achieved. We therefore expect that EBITDA for the first half of the year will be slightly lower year on year.

At this time, we cannot be certain how long the changes we have made to our operations, and the associated costs will continue, as this will be determined by the wider Covid-19 backdrop. These unprecedented times also continue to provide an uncertain trading backdrop. As such, we remain unable to provide guidance for the full year.

#### **Discontinued Activities - directly operated international businesses**

On 22 May we were pleased to announce that, following shareholder approval, we completed the sale of Domino's Norway. This transaction strengthens the Group's prospects as the Norwegian business had incurred operating losses for a number of years and represented a recurring cash outflow for the Group. In addition, as part of the sale, the Company is now the owner of the entire issued share capital of Domino's Sweden.

We have seen a mixed sales performance across our three remaining directly operated international businesses (Sweden, Switzerland and Iceland) during the Covid-19 period. Sales have been particularly impacted in Switzerland, driven by the temporary closure of a number of stores. We are working hard to mitigate the impact of our discontinued international businesses on Group cash flow.

**Financial calendar**

Our next announcement will be our first half results on 11<sup>th</sup> August 2020.

**For further information, please contact:**

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**About Domino's Pizza Group**

Domino's Pizza Group plc is the UK's leading pizza brand and a major player in the Irish market. We hold the master franchise agreement to own, operate and franchise Domino's stores in the UK, the Republic of Ireland, Switzerland, Sweden, Iceland and Liechtenstein. In addition, we have associate investments in the holders of the Domino's master franchise agreements in Germany and Luxembourg.