

This announcement contains Inside Information

## Domino's Pizza Group PLC ("DPG") - Trading statement

### Continued market share gains and strong start to Q4

### Domino's will roll out on Just Eat in the UK and Ireland following very successful trial

### £20m share buyback announced

### Further shareholder returns expected in FY23 following German disposal

#### Strategic highlights

- Continued to gain UK takeaway market share<sup>1</sup>, which rose to 7.2% in Q3 22<sup>2</sup> from 6.4% in Q3 21<sup>2</sup>
- Domino's to be rolled out on Just Eat nationally following a very successful trial
  - Trial has delivered incremental orders and customers
  - Full roll out expected to be completed by the end of 2022
- Put option exercised over German associate investment
  - Cash proceeds of c.£80m - £90m<sup>3</sup> expected to be received in H1 23 and to be flowed through the capital allocation framework
- As a result of strong recent momentum and confidence in the future, new £20m share buyback programme, effective immediately, in line with capital allocation framework and commitment to distribute surplus capital to shareholders
- 21 new stores opened this year, a further c.70 stores to be opened by the end of FY23

#### Q3 trading highlights

- Q3 22 like-for-like system sales (excluding splits and the change in the VAT rate) +2.4% (+0.9% in Q2 22)
- Q3 22 total system sales +19.6% compared with the same period in 2019
- Total orders year-to-date +0.7%, Q3 22 total orders down 1.9% due to a tough comparator
  - Delivery down 12.7% driven by a tough comparator
  - Collections up 28.1%, reflecting strategic focus on this channel, 5.1ppts above 2019 levels
- FY22 EBITDA expected to be in the range of £125m - £135m,<sup>4</sup> in line with current market expectations

#### Current trading

- Strong start to Q4 22<sup>2</sup> with like-for-like system sales (excluding splits and the change in the VAT rate) +10.4% in the first 6 weeks and total orders +2.6%
- Performance driven by strong national value campaigns, operational service excellence, growth in collections and the initial incremental benefit of being on the Just Eat platform

#### Elias Diaz Sese, Interim Chief Executive Officer, said:

*"We continued to take market share and grew underlying sales in the quarter, despite the tough comparator. I'm pleased that we have made a strong start to our important final quarter. This has been driven by a focus on service by our franchise partners, our focus on digital, strong national value campaigns, collections growth and the initial benefit of being on the Just Eat platform. We're looking forward to our busiest weeks of the year with the men's football World Cup and the festive season to come."*

*"I am delighted to announce two important strategic milestones for our business. First, we have decided to roll out Domino's on Just Eat across the UK and Ireland following a very successful trial which delivered incremental customers and orders. I'd like to thank our franchise partners for all their hard work to make this a success. Secondly, we have exercised our option to sell our investment in Germany, which will allow us to be solely focused on accelerating our strategy in the UK and Ireland and delivering further cash returns to shareholders."*

*"Having been on the Board for the past three years, and as a shareholder, I am very confident the current strategy is the right one and I am committed to execute it at pace. I've spent my first month travelling and meeting with our franchise partners, suppliers and colleagues, and I'd like to thank Dominic Paul and David Surdeau for their support during the handover, and for their tremendous contribution to Domino's during their time with us."*

*"As we look ahead to next year, we are well placed to succeed, with our franchise partners' focus on service, alongside enhancing our digital capabilities, offering our customers strong national value campaigns, and growing our collection business. Combined with the benefit of recent new store openings and the Just Eat platform roll-out, further product innovation and continued alignment with our franchise partners, we remain confident that our resilient, asset-light business model will deliver market share gains, further financial and strategic progress, and increased returns for our shareholders."*

### **Domino's will roll out on Just Eat in the UK and Ireland**

In May 2022 we started a trial with Just Eat in 136 stores to assess whether we can reach an incremental customer base while delivering a similar contribution for our business. Early results were encouraging so the trial was extended to nearly one third of the store estate. Following continued success of the extended trial, which has delivered incremental orders and customers, we have now taken the decision to fully roll out on the Just Eat platform in the UK and Ireland and have recently accelerated the roll-out. As at 10 November 2022 1,061 stores are now live, and we expect the roll out to be complete by the end of FY22. Our team worked collaboratively with our franchise partners on the trial and subsequent roll-out and we look forward to the benefits of being on the Just Eat platform and the tailwind to growth in FY23.

### **Put option on German associate exercised with expected cash proceeds of £80m - £90m<sup>3</sup>**

We exercised our put option over our German associate investment. We had a put option exercisable from 1 January 2021 to 31 December 2023 and the majority shareholders, Domino's Pizza Enterprises Limited, had a call option exercisable from 1 January 2023. We believe that exercising our put option and disposing of our interest in the associate will yield total cash receipts of £80m - £90m<sup>3</sup> and will generate profit on disposal of between £40m - £50m. We expect to receive the cash proceeds in H1 23 and will flow the profits through our capital allocation framework. From the date of the put option exercise, the share of profits from our German associate will no longer be recorded by the Group.

### **Further shareholder returns with new £20m share buyback**

Following strong recent momentum and confidence in the future, we are announcing a further £20m share buyback with immediate effect.

We have a highly cash-generative, asset-light business model and in March 2021 we launched a clear capital allocation framework. Our first priority is to invest in the business to drive long-term organic growth. We will continue to maximise shareholder returns through a sustainable and progressive dividend policy and to operate a disciplined approach to assessing additional growth opportunities. Finally, operating within a target leverage range of 1.5x – 2.5x net debt to underlying EBITDA, we aim to maximise returns with an annual allocation of surplus cash to shareholders.

Since DPG launched the capital allocation framework in March 2021, £266m will have been returned to shareholders through dividends and share buybacks.

### **Investment in growth**

As a result of the growth investment framework agreed with our franchise partners, DPG committed to invest an additional £20m. DPG has recently started investment projects to develop and implement two new cloud-based IT systems, an eCommerce platform and an Enterprise Resource Planning ("ERP") system.

These projects will enable us to capture growth in the future, drive further efficiencies and will impact the FY22 results as follows:

- eCommerce platform – c.£1.5m of costs which had previously been expected to be capitalised in FY22 will now be expensed. In addition, an impairment of £1.5m will be taken over assets which will no longer be useful following the implementation of the eCommerce platform
- ERP – c.£3m of costs which had previously been expected to be capitalised in FY22 will now be expensed. Furthermore, the introduction of the ERP system will result in a further c.£0.5m of accelerated depreciation in FY22

### Q3 trading performance

Our franchise partners' focus on service, our focus on digital, strong national value campaigns, collections growth and the initial incremental benefit of being on the Just Eat platform have resulted in DPG's share of the UK takeaway market increasing from 6.4% in Q3 21 to 7.2% in Q3 22.

- Q3 22 like-for-like system sales (excluding the change in the VAT rate) +2.4% (0.9% in Q2 22)
- Q3 22 total system sales +19.6% compared with the same period in 2019
- Total orders year-to-date +0.7%, Q3 22 total orders down 1.9% due to a tough comparator
- Delivery down 12.7% driven by a tough comparator
- Collections up 28.1%, 5.1ppts above 2019 levels reflecting strategic focus on this channel

System sales represent all sales made by both franchised and corporate stores to consumers in the UK & Ireland. Like-for-like system sales excluding split stores and the change in the VAT rate, increased by 2.4% or by 1.3% including splits. The VAT rate for Q3 22 was 20%, compared with 5% in Q3 21. Total system sales were down 8.3% compared with Q3 FY21. The increase in the VAT rate in the period compared with the same period last year drove this decline. Like-for-like system sales across UK & Ireland declined by 9.3%, excluding split stores, or by 10.2% including splits, again driven by the increase in VAT. Compared with Q3 FY19, system sales were 19.6% higher.

	Q3 22	Q3 21	Change	YTD 22 <sup>2</sup>	YTD 21 <sup>2</sup>	Change
System sales	£344.7m	£375.8m	(8.3)%	£1055.1m	£1,128.1m	(6.5)%
LFL system sales growth exc.splits) <sup>4</sup>	(9.3)%	+8.8%		(7.4)%	+15.6%	
VAT rate	20%	5%	-	-	-	-
<b>LFL system sales growth ex VAT (exc.splits)<sup>4</sup></b>	<b>+2.4%</b>	<b>+6.4%</b>		<b>+2.4%</b>	<b>+5.8%</b>	

As expected, total orders were lower in July due to the tough comparator with the knockout stages of the Men's Euro football tournament and were muted in August given the 'staycation' impact from the previous year. September was a stronger trading month, and this momentum has continued into Q4.

Delivery orders declined 12.7% in the quarter due to a tough comparator last year. Collections performed well and increased 28.1% in the quarter, driven by our strong value message and our continued strategic focus on this channel.

<u>UK &amp; ROI</u>	LFL inc. splits (YOY Growth)			Total (All Stores)	
	Sales	Volume	Price	Orders (m)	YOY Order Growth
<b>Total</b>					
Q1	(3.6)%	(1.4)%	(2.2)%	17.5m	5.5%
Q2	(11.4)%	(5.8)%	(5.6)%	16.9m	(1.3)%
Q3	(10.2)%	(6.5)%	(3.7)%	16.9m	(1.9)%
YTD	(8.4)%	(4.6)%	(3.8)%	51.3m	0.7%
<b>Delivery only</b>					
Q1	(8.4)%	(7.5)%	(0.9)%	12.7m	(4.4)%
Q2	(16.0)%	(12.4)%	(3.6)%	11.6m	(12.1)%
Q3	(14.7)%	(13.0)%	(1.7)%	11.0m	(12.7)%
YTD	(13.0)%	(10.9)%	(2.1)%	35.3m	(9.7)%
<b>Collection only</b>					
Q1	25.3%	30.5%	(5.2)%	4.8m	45.4%
Q2	12.4%	22.8%	(10.4)%	5.3m	34.7%
Q3	9.3%	17.2%	(7.9)%	5.8m	28.1%
YTD	15.0%	22.9%	(8.0)%	16.0m	35.2%

Domino's is a digital business and we have continued to enhance our digital capabilities: 90% of system sales are through digital channels and the app now accounts for 45.7% of system sales, an increase of 3.7ppts compared with the same period last year. In the same period in FY19 the app accounted for 34.8% of system sales. We now have 5.6m active app customers, an increase of 5% over the last 6 months. App customers have a higher lifetime value than other customers, primarily due to higher ordering frequency. We continue to see opportunities to drive further app penetration amongst our customer base and deliver increased levels of personalisation to our customers.

### **New store openings**

We have made good progress with our new store openings and as at 10 November 2022 we have opened 21 stores this year with 13 different franchise partners. Franchise partner appetite to open new stores remains strong and we are building a good pipeline following the growth investment framework we agreed with our franchise partners. Planning consents are taking longer than previously, and we now expect to open around 40 new stores in 2022 with a strong opening programme in Q1 23. We expect to open 50 new stores in FY23 and remain on track to open 200 stores in the medium term.

### **Current trading and outlook**

In the first six weeks of Q4 like-for-like system sales excluding split stores and VAT have increased by 10.4% driven by our franchise partners' focus on service, our focus on digital, strong national value campaigns, collections growth and the initial incremental benefit of being on the Just Eat platform.

We expect underlying EBITDA to be in the range of £125m to £135m, in line with current market expectations<sup>5</sup>, after the investments we are making related to the growth investment framework we agreed with our franchise partners, including the additional project costs outlined above. Excluding the impact of the additional investment project costs outlined above, underlying EPS is also expected to be in line with current market expectations.<sup>6</sup>

As during prior periods and in line with our agreement, we pass through food cost inflation to our franchise partners on a lagged basis. Due to the rapidly changing inflationary environment this year, we began passing through these increases during the first half of the year and will continue to pass these through in the second half of this year and into FY23. We have proactively hedged our gas and power requirements until the end of September 2024 and fuel for our fleet has been hedged until the end of June 2023.

As we look ahead to FY23, we are well placed to succeed, with our franchise partners' focus on service, alongside enhancing our digital capabilities, offering our customers strong national value campaigns, and growing our collection business. Combined with the benefit of recent new store openings and the Just Eat platform roll-out, further product innovation and continued alignment with our franchise partners, we remain confident that our resilient, asset-light business model will deliver market share gains, further financial and strategic progress, and increased returns for our shareholders.

### **FY22 Guidance**

For the current financial year:

- Underlying EBITDA to be in the range of £125m to £135m
- Underlying depreciation & amortisation and impairment expected to be c.£22m
- Underlying interest (excluding foreign exchange movements) in the range of £9m to £11m
- Estimated underlying effective tax rate of c.17% for the full year
- Capital investment of c.£21m which now reflects the updated treatment of project costs
- Net Debt at year-end around c.£255m

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018, as amended (together, "MAR").

The person responsible for making this notification is Adrian Bushnell, Company Secretary.

**For further information, please contact:**

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A conference call for investors and analysts will be held at 09:30 GMT today.

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**Notes**

1. Kantar Worldpanel, bespoke market definition. Covers period 11 July 2022 to 1 October 2022
2. Q3 FY22 is 13 weeks to 25 September 2022, Q3 FY21 is 13 weeks to 26 September 2021  
Q4 FY22 is 13 weeks to 25 December 2022, Q4 FY21 is 13 weeks to 26 December 2021  
YTD FY22 is 39 weeks to 25 September 2022, YTD FY21 is 39 weeks to 26 September 2021
3. Comprises cash proceeds for the sale of equity of £70m - £80m and the repayment of a £9m loan
4. Like-for-like excluding splits system sales performance is calculated for UK & Ireland against the comparable period in the prior year for mature stores which were not in territories split in the year or comparable period
5. Current range of analyst forecasts for underlying EBITDA £126.0m - £136.7m
6. Current range of analyst forecasts for underlying EPS 18.7p – 20.8p

**Investment in Germany**

The Group has a 33.3% investment in Daytona JV Limited ('Daytona'), a UK incorporated company which owns the Master Franchise Agreement and trading operations of Domino's Germany. The remaining shareholding is owned by Daytona Holdco Limited, a UK incorporated company, which is wholly owned by Domino's Pizza Enterprises Ltd, based in Australia. The investment is treated as an associate investment by the Group, and as at 30 June 2022 the book value of the investment was £30.8m. During the year ended 26 December 2021, the Group recognised a share of profit of £5.0m from the associate investment. The Group's interest is subject to a put and call option. The put option is exercisable from 1 January 2021, and the call option is exercisable from 1 January 2023. From the date of the put option exercise, the share of profits will no longer be recorded by the Group. The consideration payable under the option is based on an enterprise value of the operation determined by an EBITDA multiple of the preceding calendar year, subject to adjustments for one-off items, working capital, debt levels and calculated for the share of equity held, as agreed at the time of entry into the joint venture.

**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 and the Republic of Ireland, and have associate investments in Germany and Luxembourg. As of 10 November 2022, we had 1,247 stores in the UK and Ireland.