

DOMINO'S PIZZA GROUP PLC

Resolution with franchisees heralds new era of collaboration and accelerated growth

Domino's Pizza Group plc ("DPG" or "the Company") is pleased to announce that it has reached resolution (the "Resolution") with its franchisees to unlock the significant latent potential of the Domino's system and accelerate both near-term and long-term growth.

DPG believes the Resolution is a great outcome for all stakeholders: both DPG and franchisees' long-term growth and profitability stand to improve with increased system sales and more new store openings, customers will benefit from further strengthened innovation and service, employees in the system will benefit from further recruitment and a more collaborative and growth-oriented environment, and shareholders will benefit from enhanced value creation.

Despite a long history of strong performance, the Board recognises that in recent years DPG has lagged comparable Domino's businesses around the world. This Resolution unlocks an issue which has held the Company back and means DPG and its franchisees can begin a new era of collaboration in which the system can realise its full potential.

The Resolution was reached between the Domino's Franchisee Association ("DFA") and DPG, and has received overwhelming support with franchisees representing over 99% of UK stores voting in favour of the Resolution.

Following the launch of a new strategy and capital allocation framework in March the Company has made significant strategic progress this year and is building strong momentum. We have made excellent digital progress with our new App, launched our 'Domin-Oh-Hoo-Hoo' integrated media campaign, opened a new supply chain centre, exited international markets, and continued to recruit top talent to the Company. All this has been done in the midst of a challenging operating environment. We are now delighted to finish the year with a great Resolution with our franchisees.

Terms of the Resolution

Under the Resolution, and consistent with our strategic growth plan, DPG will make strategic investments in the system to improve capabilities and drive system sales growth primarily through order count. Specifically, the Company has committed to:

- One-time capital investment of approximately £20m, spread over three years, in digital acceleration, personalisation, ecommerce app development and in-store innovation to enhance the customer experience and drive top-line growth;
- Increased marketing investment to support new national campaigns and promotions;
- An enhanced food rebate mechanism for franchisees to encourage order growth, which is conditional on franchisees meeting new store opening targets and order count thresholds; and

- An improved new store incentive scheme to reward, encourage and accelerate new store openings.

In return for DPG's investments, franchisees have agreed to the following important commitments, which also aim to drive system sales growth through increased order count:

- A commitment to an enhanced schedule of new store openings, equating to at least 45 new stores to be opened per annum over the next three years, significantly ahead of levels achieved in previous years;
- A commitment to participate in new national promotional deals focused on both delivery and collection, in contrast to a lack of national advertising and promotions in recent years;
- An agreement to prioritise, test, and roll-out new technology and product innovation (such as GPS tracking) and to test new store formats, which would bring the DPG system in-line with peer companies; and
- Support for changes by DPG aimed at driving efficiency across the system.

The Resolution will run for an initial period of three years from 3 January 2022.

Financial Guidance

DPG expects results for FY21 to be in line with expectations.

In FY22, DPG expects an acceleration in system sales growth (excluding the benefit of the reduced rate of VAT), largely driven by increased store openings and an acceleration in LFL growth due to the operating and capital investments associated with the Resolution. Despite the investments associated with the Resolution, the Company expects FY22 underlying EBITDA¹ and EPS² to be in line with current market expectations. Furthermore, both DPG and its franchisees are now positioned to drive higher system sales and profitability, through the medium and longer-term.

The Company is also increasing its medium-term expectations and now expects to achieve at least the upper end of the previously announced targets of £1.6bn - £1.9bn of system sales and exceed the medium-term target of 200 new stores. DPG can now drive growth by capitalising on deeper collaboration and significant opportunities such as increasing collection, leveraging national advertising campaigns, increasing menu innovation, reducing delivery times, improving digital innovation, and enhancing its value orientation. The operating environment remains challenging however we have shown throughout the pandemic that the strength of our delivery business, brand and vertically integrated business model can operate successfully and deliver strong results.

DPG's one-time capital expenditure related to the Resolution will equate to approximately £20m over three years, which will result in a temporary increase in depreciation over the next few years, normalising thereafter. In FY22, we anticipate investments in the business to be weighted toward the first half of the year.

DPG has a highly cash generative, asset-light business model which is underpinned by 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 and distributing an annual allocation of surplus cash through share buybacks. In FY21 we have returned £136m of surplus capital to shareholders via dividends and share buybacks and will update the market with guidance for the FY22 dividend and buyback programme at the full year results in March 2022.

Dominic Paul, Chief Executive Officer, said:

“This is an important moment for Domino’s, and I’m delighted we have reached what is truly a great resolution with our franchisees.

“We saw first-hand through the pandemic how, when we work together, we win together. I firmly believe that the resolution we have reached is a good one for franchisees, our people, and our shareholders. It means that our interests are aligned, and we are now in an even stronger position to execute our strategic plan. Our franchisees are truly world-class, and we are looking forward to accelerating our growth together.

“Our business continues to perform strongly, and we are looking to the future with confidence. Combined with our new strategic plan which is focused on accelerating our growth in both delivery and collection, the resolution we are announcing today can unleash the power of the Domino’s brand, and enable us to deliver long-term, sustainable growth which will benefit all our stakeholders.”

Mark Millar, DFA Chairman, said:

“This framework for growth is the result of many months of discussions, and the DFA and its members are pleased to have reached an agreement that brings Domino’s and its franchisees closer together and enables us to focus on a future that delivers growth for all. The DFA represents the overwhelming majority of franchisees and what unites all of us is our belief in, and passion for, the Domino’s brand.

“We are excited about the opportunities ahead and look forward to working closely with the management team at Domino’s to deliver the full potential of the brand.”

1. Underlying EBITDA is defined as underlying earnings before tax, interest, depreciation and amortisation
2. Underlying EPS is defined as underlying basic earnings per share

Analyst and Investor call

A call for investors and analysts will be held at 9am (GMT) today. The call can be accessed via the [registration link](#) and will also be available on the Results, Reports and Presentations page of our corporate website.

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulations (EU) No. 596/2014 ("MAR") and is disclosed in accordance with DPG's obligations under Article 17 of MAR.

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

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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 and the Republic of Ireland. We also have an associate investment in Germany and Luxembourg.