

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

Continued sales growth and strong strategic progress

Good start to Q4; continue to expect FY23 underlying EBITDA of £132m - £138m

Highlights

- Continued momentum with Q3 23¹ like-for-like system sales (exc. splits)² up 3.7%, in an uncertain market, as we maintained our focus on providing customers with a compelling value proposition
- Q3 23 total system sales up 5.5% reflecting acceleration in new store openings
- Total orders of 16.7m, down 1.2% in Q3 23. YTD³ total orders +1.5%:
 - Q3 23 collection orders continued to grow and were up 8.4%
 - Q3 23 delivery orders down 6.3% due to softer demand in the wider delivery market
- Total orders have returned to growth in Q4 23⁴, +1.2%, with an improved trajectory in delivery orders, despite a tough comparison with the strong prior year performance
- New store openings well ahead of plan with 45 year to date, vs. 21 at the same point in FY22. As a result, we now expect to open at least 60 new stores in FY23
 - New store openings trading ahead of expectations
 - 2024 pipeline continues to grow with over 45 stores now in development vs. 25 in August 2023
- Significant digital progress
 - 8.7m active app customers⁵, a 55% increase vs. Q3 22
 - App orders as a % of online orders was 79.4% vs. 53.1% in Q3 22
- Uber Eats trial will start in some stores in early FY24
- £70m share buyback began on 29 August with £40m repurchased to date and is expected to be substantially complete by end of the year
- The Board continues to expect FY23 underlying EBITDA⁶ in the range of £132m - £138m

Andrew Rennie, Chief Executive Officer, said:

"Having been in the business for 100 days and spent that time travelling around the UK and Ireland visiting franchisees, suppliers and colleagues I'm even more excited about the opportunities ahead for Domino's and our outstanding franchisees. I look forward to providing an initial outline on these growth opportunities for the business on 11 December."

"Our franchisees are performing well in an uncertain market, and we are all benefitting from an aligned system. We remain focused on giving our customers great tasting food, exceptional service and great value, every single time. Together, our store openings are ahead of plan and trading well, collections are continuing to grow, our digital strategy is powering ahead, and we are bringing exciting menu innovation to our customers focused on different parts of the day."

"We've continued to make great strategic progress to drive sustainable growth. As we look into next year, we see inflation stabilising and our focus will be on continued customer and order growth, as well as franchisee profitability. We remain confident that our resilient, asset-light business model will deliver further financial and strategic progress, and increased returns for our shareholders."

Q3 strategic progress

We have continued to make strong progress with our new store openings following the rebuilding of the pipeline. We have now opened 45 new stores this year with 20 different franchise partners compared to 21 at this time in FY22 from 13 different franchise partners. These stores are in quality locations and are trading ahead of expectations, with particular strength in new territories with smaller address counts, giving an opportunity to accelerate our growth. We now expect to open at least 60 new stores in FY23, compared to 35 new stores in FY22. Importantly, we already have over 45 stores in development for FY24 and will enter the year with a far stronger pipeline than in FY23.

The Domino's app is the key driver of our digital growth strategy because app customers yield higher sales and have a higher average order frequency than those who only use the website. In Q3, app orders as a percentage of online orders were 79.4%, an increase of 26.3ppts vs. Q3 22. App downloads were 73% higher vs. Q3 22 and the number of active app customers reached 8.7m, an increase of 55% compared to Q3 22.

Alignment with our franchise partners has allowed us to offer our customers compelling value in FY23. In Q3 we continued our 50% off app deal which also contributed to the growth in app customers. Our franchise partners made further improvements in service to our customers with average delivery times improving by one minute compared to the same quarter last year. We also completed the full roll-out of GPS across the entire store estate providing efficiencies to each store and an accurate delivery time for customers.

We have launched a number of new trials aimed at increasing the menu choice available to customers at different parts of the day to drive incremental sales. Our store trials for 'Domishakes,' wraps and 'Italianos' across multiple franchise groups continue to perform ahead of expectations, highlighting opportunities for future growth.

Domino's has now been rolled out on the Just Eat platform for three full quarters and it continues to be a driver of sales growth, bringing in incremental customers and orders. Following Domino's Pizza Inc.'s global agreement with Uber Eats, DPG will start a trial in some stores in early FY24.

The work on our two important technology projects is progressing well. The ecommerce platform is on track and is expected to complete by the end of FY23. The ERP system remains on track for launch in H1 24. There is no change to our previous guidance on the investment required for these projects.

Q3 trading performance

Like-for-like system sales, excluding splits, grew by 3.7% and total system sales were £363.7m, up 5.5% on the third quarter of last year.

	Q3 23 ¹	Q3 22 ¹	Change	YTD 23 ³	YTD 22 ³	Change
System sales	£363.7m	£344.7m	+5.5%	£1,130.1m	£1,055.1m	+7.1%
LFL system sales growth exc. splits)	+3.7%	(9.3)%		+5.5%	(7.4)%	
LFL system sales growth ex VAT (exc.splits)⁷	+3.7%	+2.4%		+7.7%	+2.4%	

Total orders in Q3 were down 1.2% to 16.7m. Growth in collections remained strong in Q3 and were up 8.4%. We continue to see a good opportunity to grow collections over the coming years as they remain lower as a percentage of total orders than other Domino's systems globally. Delivery orders were down 6.3% in Q3 reflecting softer demand in the wider delivery market. Year to date, total orders are up 1.5% driven by the growth of collections.

UK & ROI	LFL inc. splits (YOY Growth)			Total (All Stores)	
	Sales	Volume	Price	Orders (m)	YOY Order Growth
Total					
Q1	3.5%	(7.2)%	10.7%	18.0m	2.8%
Q2	7.3%	(6.0)%	13.2%	17.4m	2.8%
Q3	2.4%	(7.5)%	9.9%	16.7m	(1.2)%
YTD	4.4%	(6.8)%	11.2%	52.1m	1.5%
Delivery only					
Q1	(0.9)%	(12.3)%	11.4%	12.1m	(4.9)%
Q2	2.9%	(9.8)%	12.7%	11.1m	(3.9)%
Q3	(1.1)%	(10.3)%	9.2%	10.3m	(6.3)%
YTD	0.3%	(10.8)%	11.1%	33.5m	(5.0)%
Collection only					
Q1	22.5%	12.4%	10.1%	5.9m	23.0%
Q2	24.0%	6.6%	17.4%	6.3m	17.3%
Q3	14.3%	0.4%	13.8%	6.3m	8.4%
YTD	20.1%	6.2%	13.8%	18.5m	15.8%

Capital allocation

We have a highly cash-generative, asset-light business model with a clear capital allocation framework. Since launching the framework in March 2021, we have announced £398m of returns to shareholders, through £142m in dividends and £256m in share buybacks.

The £20m share buyback announced in May 2023 was completed on 25 August 2023. We have repurchased £40m of the £70m share buyback announced in August 2023 and the programme is expected to be substantially complete by the end of FY23.

Current trading, outlook and guidance

Total orders have returned to growth in Q4, +1.2%⁴, despite the strong prior year comparator. While the market and consumer backdrop remains uncertain, we are making strong strategic progress, and we continue to expect to deliver FY23 underlying EBITDA in a range of £132m – £138m.

We remain focused on accelerating our execution, through five key areas of focus which we outlined at the start of the year: franchise partner profitability, value for money, digital, convenience, and technology platform projects. Our asset-light business model and value proposition mean we are well placed to succeed in an uncertain trading environment, and we remain confident that we will make further financial and strategic progress and deliver increased returns for our shareholders.

Notes

1. Q3 23 is 13 weeks to 24 September 2023. Q2 22 is 13 weeks to 25 September 2022.
2. Like-for-like (excluding splits) system sales performance is calculated for UK & Ireland against a comparable 52-week period in the prior period for mature stores which were not in territories split in the current period or comparable period. Mature stores are defined as those opened prior to 26th December 2021.
3. YTD 23 is the 39 weeks to 24 September 2023. YTD 22 is the 39 weeks to 25 September 2022.
4. First 4 weeks of Q4 23
5. Customers who have placed an app order in the last 12 months.
6. Underlying is defined as statutory performance excluding discontinued operations, and items classified as non-underlying which includes significant non-recurring items or items directly related to merger and acquisition activity and related instruments as set out in note 4 to the financial information in the H1 23 results statement. For H1 23, Underlying excludes the £40.6m profit on disposal of the German associate.
7. Q1 22 had a lower rate of VAT which is therefore included in the YTD comparator. An adjustment for the change in VAT rates described for system sales relates to the impact of changes in the VAT applied on hot takeaway food where the VAT inclusive price to customers did not change. The VAT rate in the UK decreased from 20% to 5% on 15 July 2020, increased to 12.5% on 1 October 2021 and reverted back to 20% on 1 April 2022. System sales are consistently reported on an exclusive of VAT basis. However, where the inclusive of VAT price of an order remained the same on a total basis to the customer, over the period of reduced VAT the exclusive of VAT price reported in system sales increased. This leads to an increase in system sales from 15 July 2020 through to 31 September 2021 when the VAT rate was reduced from 20% to 5%. From 1 October 2021, the rate increased from 5% to 12.5%. Where the inclusive of VAT price of an order remained the same on a total basis, this leads to a decrease in system sales compared to the period from 15 July 2020 and an increase in system sales compared to the period before 15 July 2020. With the increase in VAT from 1 April 2022 back up to 20%, where the inclusive of VAT price remained the same to the consumer, there has been a negative impact on system sales compared to the period from 15 July 2020 – 30 September 2021 and 1 October 21 – 31 March 2022, as the exclusive of VAT price of an order decreased.

As an example, for an order where the inclusive of VAT price is £27:

- From 15 July 2020 to 31 September 2021, during the period where VAT was 5%, the reported system sale would be £25.71
- From 1 October 2021 to 31 March 2022, during the period where VAT was 12.5%, the reported system sale would be £24.00
- From 1 April 2022 onwards, where the VAT rate is 20%, the reported system sale would be £22.50

In Ireland, the VAT rate for hot takeaway food reduced from 13.5% to 9% on 1 November 2020 and reverted to 13.5% on 1 September 2023.

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. As of 9 November 2023, we had 1,304 stores in the UK and Ireland.