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This announcement contains Inside Information

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

Record Q1 orders and app customers driving growth in sales and continued market share gains

Encouraging start to Q2 and new £20m share buyback announced

Highlights

- Continued momentum with like-for-like system sales (excluding the change in the VAT rate)¹ up 10.7%
- Robust order count in Q1 for DPG with 18.0m orders, up 2.8%
 - Collection orders up 23.0%, with delivery orders continuing to improve on the previous three quarters, down 4.9%
- Encouraging start to Q2 with like-for-like system sales (excluding the change in the VAT rate)¹ up 10.9% and orders up 5.9% in the first 4 weeks in challenging consumer and inflationary environment
- Excellent digital progress continues
 - 6.8m active app customers², a 27% increase vs. Q1 22³
 - App orders as a % of online orders was 64.3% vs. 48.5% in Q1 22
- Continued gains in UK takeaway market share⁴, 7.8% in Q1 23³, up from 6.4% in Q1 22, in a challenging market
- Material improvement in average delivery time as a result of our franchise partners' focus on service
- Acceleration in new store openings with 15 year to date, vs. nine in the same period in FY22
- New store pipeline is now c.75% larger than the comparable pipeline in FY22, more than 30 different franchisees have stores in development
- One-time investments in ecommerce and ERP projects on track with the associated opex and capex investments in these projects largely complete by end of FY23
- As a result of strong momentum, continued successful execution of the strategy and confidence in the business, new £20m share buyback programme, effective immediately
- The Board has continued confidence in meeting the guidance provided at the FY22 results in March

Elias Diaz Sese, Interim Chief Executive Officer, said:

"We have delivered record first quarter sales and orders thanks to the immense hard work of our franchise partners and colleagues in executing our strategy and our relentless focus on giving customers the best possible quality, value and service. Whilst this year has started well for Domino's, there continues to be uncertainty in the economic environment with household budgets likely to remain under increasing pressure. However, we continue to be excited about the many opportunities we see for Domino's in 2023 and beyond as we continue to work towards our purpose of delivering a better future through food people love."

“We are well placed to succeed as we accelerate the execution of our strategy. We are focused on improving our franchise partners’ profitability and we have made good progress in investing in the business and driving operational efficiencies. Our digital strategy continues at pace, and we continue to offer our customers strong national value campaigns, which are particularly important as they continue to feel pressures on their household budgets. We are continuing to grow our collection business and are aligned with our franchise partners who are making great progress with their focus on service. Combined with the benefit of new store openings, the Just Eat platform roll-out and further product innovation, 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.”

Q1 trading performance

Our trading in the first quarter was driven by our key areas of focus for FY23; giving customers’ value for money through compelling national value campaigns and our franchise partners’ focus on service; our digital acceleration, the continued incremental benefit of being on the Just Eat platform and new store openings. Excluding the impact of the increase in the VAT rate, like-for-like system sales, excluding splits, grew by 10.7%. We have made an encouraging start to Q2 with like-for-like system sales (excluding the change in the VAT rate) up 10.9% in a challenging consumer and inflationary environment.

Total system sales were £386.6m, up 5.6% on the first quarter of last year. Like-for-like system sales, excluding splits, were up 4.4%, reflecting the lower rate of VAT in the comparative quarter.

	Q1 23	Q1 22	Change
System sales	£386.6m	£365.9m	+5.6%
LFL system sales growth (exc.splits)	+4.4%	(2.4)%	+6.8pppts
VAT rate	20%	12.5%	-
LFL system sales growth ex VAT (exc.splits)	+10.7%	+3.9%	+6.8pppts

Total Q1 23 orders grew 2.8% to 18.0m. This was despite a strong comparative quarter, where orders grew 5.5% in Q1 22 driven by the recovery of collections post Covid restrictions in Q1 21.

	First 10 weeks Q1 23	Q1 23	First 4 weeks Q2 23	FY 23 YTD
Total orders growth	+2.5%	+2.8%	+5.9%	3.5%

Growth in collections continued in Q1 and were up 23.0%. Collection represents the most efficient labour channel, with delivery effectively outsourced to the customer. This is particularly important in an environment where there are pressures on labour availability and wage inflation. The trajectory of delivery orders continues to improve and were down 4.9% in the quarter, an improvement on the previous three quarters.

Q1 strategic progress

Alignment with our franchise partners has enabled us to offer customers compelling value such as the 'Price Slice' deal with £8, £10, £12 deals for small, medium and large pizzas. This was a strong contributor to our performance in the quarter. Our franchise partners have worked tirelessly to deliver improved service to our customers, and this has resulted in average delivery times improving by 2 minutes compared to the same quarter last year.

Our digital progress continues to accelerate. Orders generated through our app grew 27.7% in Q1, and app orders as a percentage of online orders were 64.3%, an increase of 15.8ppts on Q1 22. App downloads were 66% higher and active app customers were 6.8m, an increase of 27% compared to Q1 22. New customers to Domino's whose first order was on the app increased 58% compared to Q1 22.

Q1 23 was our first full quarter of enjoying the benefit of being fully rolled out on the Just Eat platform. We are now focused on continuing to drive incremental orders and, in FY23, look forward to a full year benefit of being on the platform.

We have rebuilt our new store opening pipeline with our franchise partners and have opened 15 new stores in FY 23 with 9 different franchise partners, compared to 9 new stores in the same period in FY22. We currently have 6 stores under construction and over 35 with approved planning permission. Our pipeline is c.75% larger than the comparable pipeline in FY22, more than 30 different franchisees have stores in development and we continue to expect new store openings in FY23 to increase the total store estate by mid-single digits percentage points.

This year we have made good progress with our technology projects to deliver a new ecommerce platform and ERP system. The projects are on track and the one-time investment in these projects will be largely complete by the end of FY23. Operating expenditure in 2023 is elevated by c.£9m of one-time spend related to these projects which will not repeat in 2024. Capital expenditure in 2023 is similarly elevated by c.£5m of one-time spend which also not repeat in 2024.

Further shareholder returns with new £20m share buyback

Our strong momentum, continued successful execution of the strategy, combined with confidence in the business, means we are announcing a new £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 the launch of the capital allocation framework in March 2021, DPG has returned £315m to shareholders through dividends and share buybacks, including the FY22 final dividend and the new £20m buyback.

German associate

Completion of the disposal of our German associate will occur in June 2023 and at that point the proceeds generated will be flowed through our capital allocation framework.

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:

Domino's Pizza Group plc:

Will MacLaren, Head of Investor Relations - 07443 192 118

Brunswick:

Tim Danaher, Emily Gainsford - 020 7404 5959

Financial calendar

Domino's Pizza Group plc will publish its half year results on 1 August 2023.

Notes

¹ 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 remains in place. The Irish government also confirmed that the temporary VAT rate reduction to 9% in the tourism and hospitality sectors will not be extended, meaning the VAT rate will revert to 13.5% from 1 September 2023.

² Customers who have placed an app order in the last 12 months

³ Q1 FY23 is 13 weeks to 26 March 2023, Q1 22 is 13 weeks to 27 March 2022

⁴ Kantar Worldpanel, bespoke market definition. Covers period 26 December 2022 to 19 March 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, and have associate investments in Germany and Luxembourg. As of 4 May 2023, we had 1,274 stores in the UK and Ireland.