



LEI: 213800Q6ZKHAOV48JL75
15 October 2020

**Domino's Pizza Group Plc
Q3 Trading Statement**

STRONG Q3 PERFORMANCE; CONFIDENT IN FULL YEAR OUTLOOK

	13 wks to 27 Sept 2020	13 wks to 29 Sept 2019	% change	39 wks to 27 Sept 2020	39 wks to 29 Sept 2019	% change
UK & ROI system sales (£m)	£342.1m	£288.2m	18.7%	£971.0m	£884.2m	9.8%
UK & ROI LFL (exc. splits) sales growth	17.5%	2.9%		8.6%	3.6%	

Q3 highlights:

- Strong UK & ROI performance, with system sales up 18.7% and LFL sales exc. splits up 17.5%
 - UK system sales up 19.6%; LFL sales exc. splits up 18.3% (17.3% inc. splits)
 - ROI system sales up 3.1% in local currency; LFL sales exc. splits up 2.0% (1.5% inc. splits; both local currency)
- The UK VAT rate changed from 20% to 5% on 15th July which helped franchisees mitigate costs and enabled savings to be passed on to our customers. Since the rate change, VAT has benefited reported UK system sales and like-for-like growth
- Encouraging UK & ROI delivery performance continued, with orders up 11.8% and items per order and product mix both encouraging
- Pleased with the performance of collection, from 0.7m orders in Q2 to 3.2m in Q3, as we reopened collection across the majority of our estate
- Created 5,000 new jobs and over 1,000 work placements in support of the UK Government's Kickstart scheme
- Exceptional digital performance, with UK online sales up 35.6% and ROI online sales up 18.0%. Online now accounts for 95.1% of delivery sales in the UK

Dominic Paul, Chief Executive Officer, said:

"I am pleased to report a strong performance in Q3. Delivery orders were up 11.8% and we also benefitted from the reopening of our collection business. I am delighted by the agility the Group and our franchisees have demonstrated in order to maintain our momentum. We welcome the UK government's reduction to VAT in mid-July which helped franchisees mitigate costs and gave them the opportunity to pass savings on to customers.

"Working closely with our franchisees we continue to do everything we can to keep our people and customers safe, including wearing masks, the use of perspex screens, contact free delivery and collection and continued menu rationalisation. It is a privilege to stay open and serve our local communities, and we are confident that we have operational plans in place to adapt to different levels of lockdown that may arise in the coming months. I would like to say a huge thank you to the Domino's teams across our system for their dedication and hard work.

"We continue to work on a long-term strategic plan for the business. At the heart of our future plans is realignment with our franchisee partners and we are having detailed discussions to agree a sustainable way forward, although we continue to expect that these discussions will take some time. Despite the ongoing uncertain backdrop, we expect to report full year Underlying Group PBT in the range of £93m to £98m, in line with market consensus."

UK & ROI trading performance

UK & ROI system sales were up 18.7% to £342.1m. UK system sales were up 19.6%, with the UK accounting for 95.1% of total UK & ROI system sales. UK like-for-like growth, excluding stores in split territories, was 18.3%, and 17.3% including splits.

On 15th July the UK government changed the rate of VAT on hot takeaway food from 20% to 5%. This change both helped franchisees mitigate costs and enabled them to pass savings on to our customers. For the weeks following the rate change, the VAT reduction benefitted UK reported system sales and like-for-like sales growth, however it has limited direct benefit to our profitability.

In ROI, there was no VAT rate change for hot food, and therefore the reported like-for-like growth is unaffected. ROI system sales were up 3.1% in local currency and 3.6% on a reported basis. ROI like-for-like sales, in local currency, excluding stores in split territories, were up 2.0%, and up 1.5% including splits.

We saw a benefit from staycations and the return of live sport on television during the period, although we also saw a headwind as competitors reopened following the national lockdown and, in September, we saw weaker demand in university areas. We were pleased to reopen our collection business, and collection orders were around 60% of the prior year level. We do not expect our collection business to fully recover to prior levels until normal consumer behaviour returns.

The table below, provided to show the patterns of trading across the business, gives details on our performance during the period. On an including splits basis, UK & ROI orders were down 6.0%, with 11.8% growth in delivery orders more than offset by a 41.5% decline in collection orders. Items per order continued to see significant growth, and the product mix impact was also positive. Average item price was up 12.6%, affected by the VAT change which skews these figures.

	LFL including splits yoy growth					Total (all stores)	
	Sales	Orders	Items per order	Product mix	Average item price*	Orders (m)	Growth yoy
Total							
Q1	2.2%	(0.6%)	1.4%	0.5%	0.9%	17.5m	1.8%
Q2	4.2%	(13.3%)	18.6%	(2.2%)	1.0%	15.1m	(11.3%)
Q3	16.5%	(7.8%)	10.4%	1.2%	12.6%	15.7m	(6.0%)
Delivery only							
Q1	3.9%	0.4%	1.3%	0.9%	1.3%	12.4m	2.5%
Q2	30.1%	19.6%	7.6%	4.6%	(1.7%)	14.4m	22.4%
Q3	28.7%	9.6%	3.7%	4.5%	10.9%	12.4m	11.8%
Collection only							
Q1	(4.2%)	(3.0%)	0.0%	0.0%	(1.2%)	5.1m	0.0%
Q2	(93.8%)	(87.8%)	(7.4%)	8.3%	(6.9%)	0.7m	(87.2%)
Q3	(25.6%)	(42.9%)	11.8%	(3.8%)	9.3%	3.2m	(41.5%)

*Figures affected by the VAT change

Five new stores opened in the UK during Q3, of which all were franchised, and there was one planned closure. For the 39 weeks to 29th September, there have been 13 stores opened in the UK (by ten different franchisees) and no stores opened in ROI. In total the store estate at the end of Q3 was 1,197 (UK: 1,143, ROI: 54)

The Covid-19 lockdown has accelerated our transformation to a digital business, in terms of how we operate, how we communicate with our customers, and how customers interact with us. Online sales growth continued to be very strong at 35.6% for the UK and 18.0% for ROI. In the UK, online now accounts for 95.1% of delivery sales. We have also seen the

proportion of collection sales coming from online increase significantly since reopening this part of our business, with UK & ROI online accounting for 68.6% of collection sales in Q3, compared to 45.8% in FY 2019.

Our supply chain operations have maintained their very high service levels to stores, with 99.9% availability and accuracy. Construction on our new facility in Scotland is on track. We continue to expect approximately £2m of Covid-19 related costs in our supply chain in the second half, which allows us to maintain social distancing through our operations.

Following a successful trial, we were delighted to launch our new vegan friendly pizzas nationally in September, the Vegan Vegi Supreme and Vegan Margherita, which come with our new Vegan Garlic & Herb Dip. This launch follows over a year of development to ensure the freshly made vegan dough replicates the unmistakable Domino's taste millions of fans know and love, together with Domino's very own vegan cheese alternative. Customer response to our new vegan pizzas has been very encouraging.

Franchisee relationship and strategic plan

We continue to work on a detailed long-term strategic plan for the business. At the heart of this is realignment with our franchisee partners and we are having detailed discussions on a sustainable way forward, although we continue to expect that these discussions will take some time.

We are keen to establish a framework which would drive growth of the overall size of the system, sales and profits for both our business and for franchisees. We would expect that the key elements of such a framework would include enhanced incentives for both order volume and new store growth, capital investment by us in technology and supply chain operations to support growth, together with investment to upgrade some of our internal capabilities. We will of course only agree a framework which is in the long-term interests of our shareholders, our franchisees and all other stakeholders.

Outlook

Assuming no other significant change to our operations and incorporating the previously guided £2m of Covid-19 related costs in the second half, we currently expect to report full year Underlying Group PBT in the range of £93m to £98m, in line with market consensus.

International (discontinued operations)

Our directly operated international businesses remain held for sale, and we are actively marketing them for disposal. International system sales were up 4.0% year on year in local currency and down 5.2% year on year on a reported basis in Q3, with profit performance in line with our expectations.

Next scheduled announcement

Our next scheduled announcement will be our full year results in March 2021.

For further information, please contact:

Domino's Pizza Group plc:

Bethany Barnes, Head of Investor Relations - 07387 015695

Brunswick:

Tim Danaher, Samantha Chiene - 020 7404 5959

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. We also have an associate investment in Germany and Luxembourg.