

A photograph of three young people (two women and one man) smiling and eating pizza outdoors. The woman in the center is holding a slice of pizza. They are gathered around a red Domino's pizza box. The background is a blurred green outdoor setting.

INVESTOR SEMINAR

January 2019



Domino's[®]

THE OFFICIAL FOOD OF **EVERYTHING**

Q4 UPDATE, FY 18 OUT-TURN AND INITIAL 2019 OUTLOOK

- Continued strong trading in the UK & ROI
 - 59 openings across the two markets
- International disappointing
 - Sales development in several markets
 - Business integration issues in Norway
 - Underlying PBT now expected to be at the lower end of the range
- Completion of additional £25m buyback in coming weeks
- Further growth in 2019
 - UK & ROI LFL and new/immature stores
 - Store opening pipeline similar to same time last year
 - Investment in management and infrastructure for International units to support growth: break-even result expected

THE PURPOSE OF TODAY

1. Brief investors on the nature of the franchise business model and the attractions of Domino's to franchisees in the UK
2. Illustrate the forecast growth of the UK delivered food market
3. Explain how Domino's will take its share of that growth
4. Hear first impressions from Scott Bush
5. Answer three common misconceptions:
 - “The UK store base is near maturity”
 - “Franchisees aren't making a return from new investment”
 - “Aggregators will erode Domino's market position”

AGENDA

- 1 The investment proposition
- 2 The Domino's franchise model
- 3 The UK market and growth potential
- 4 Ops Director interview
- 5 Q&A

THE INVESTMENT PROPOSITION



INVESTMENT CASE: MARKETS

Food delivery: rapid growth

- Convenience, home entertainment and value
- Increased industry marketing spend and new digital models
- 2018-2022 UK CAGR 8%*

Pizza: popular and profitable

- The #1 delivered food: made fresh, infinite choice
- Travels well and universally enjoyed
- Excellent economics through ticket and margin

International: additional growth

- Newer markets with big demand for pizza
- Underserved by international brands
- >100m addressable population

INVESTMENT CASE: OUR BUSINESS MODEL

Integrated business model

- End-to-end control of customer experience
- Vertical integration of food manufacture, distribution and sale captures all the margin

Virtuous circle of scale, brand and growth

- >1,100 stores in UK, deep presence
- Brand recognition, service and quality drive sales
- Sales growth drives higher marketing investment
- Scope for 500 more UK stores and sustained LFL growth

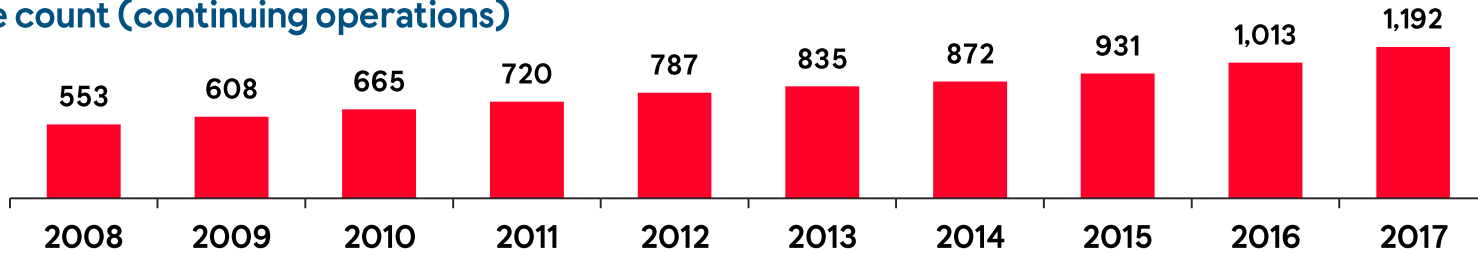
Low capital, high returns

- Shared investment with franchisees
- DPG funds supply chain; franchisees fund stores; IT investment shared
- High ROIC in UK&ROI

Leading to strong track record of growth in sales, profits and returns to shareholders

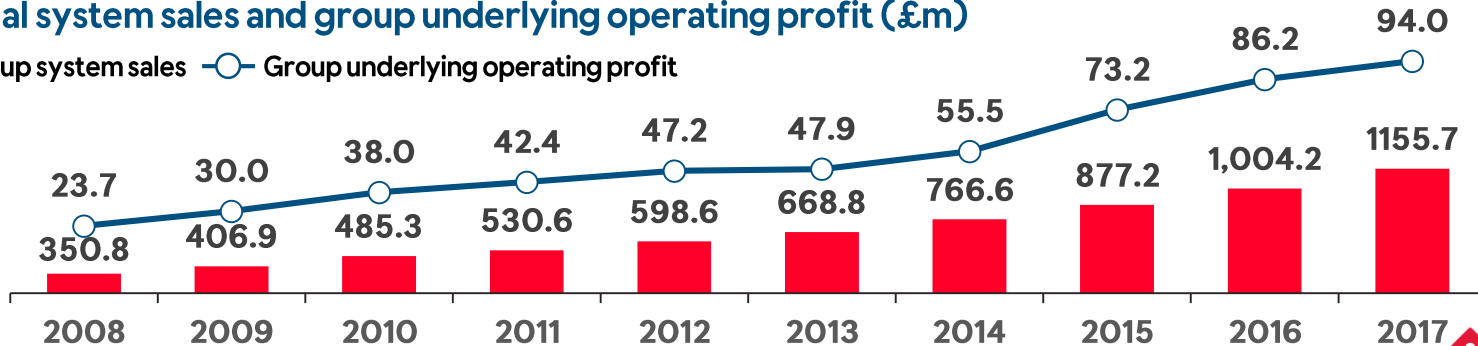
GROUP 10 YEAR HISTORY: STRONG & CONSISTENT GROWTH

Store count (continuing operations)



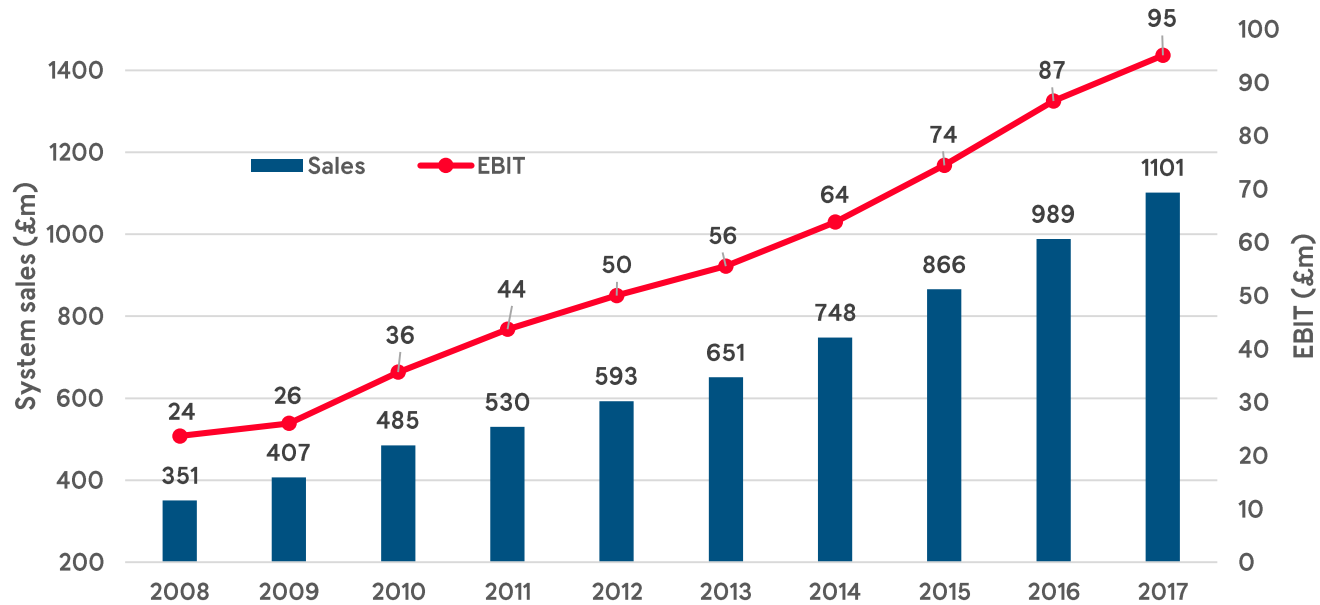
Annual system sales and group underlying operating profit (£m)

■ Group system sales ○ Group underlying operating profit



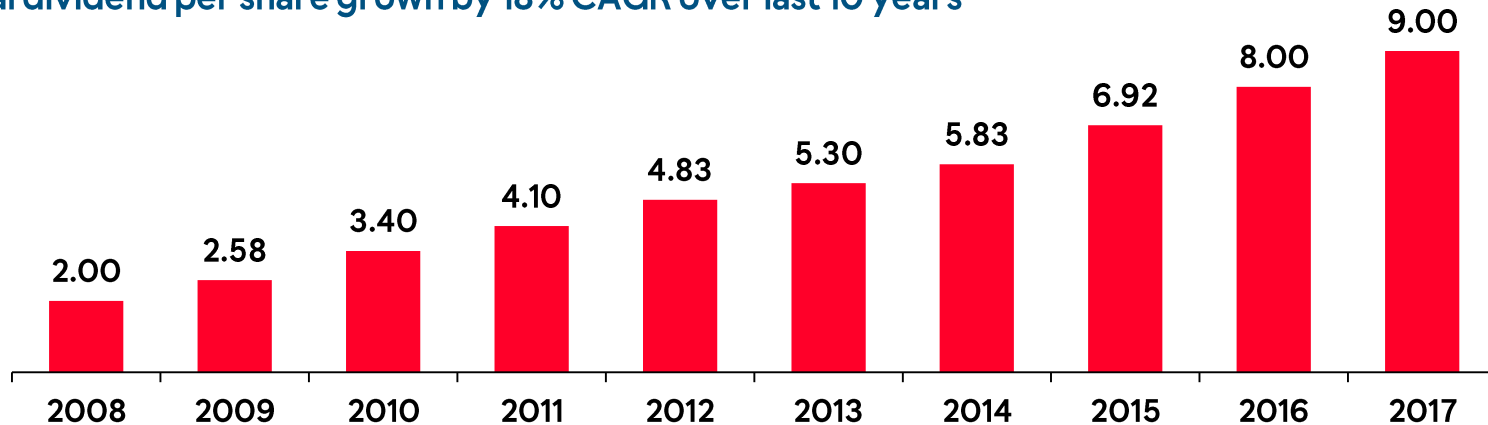
Note: System sales and Group underlying operating profit include German operations until 2014. 2015 onwards excludes Germany. The 53-week period in 2012 is underlying

DRIVEN BY UK & ROI PERFORMANCE

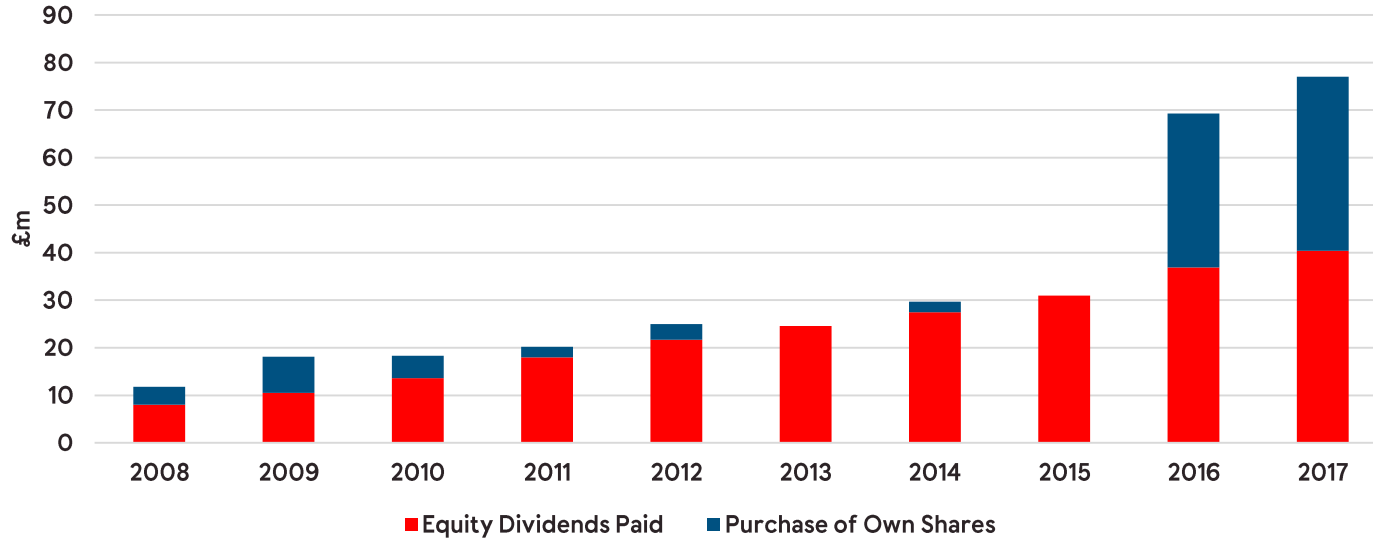


SIGNIFICANT & GROWING CASH RETURNS

Annual dividend per share grown by 18% CAGR over last 10 years



10 YEAR CASH RETURNS OF £325M



- 10 year cumulative total cash returns equate to £325m or >100% of 2008 market cap.
- Nearly £100m more in 2018

THE DOMINO'S FRANCHISE MODEL



WHAT IS A RESTAURANT FRANCHISOR?

What it does

- Controls and promotes the brand
- Invests in and runs the supply chain
- Identifies and works with entrepreneurs who open and run restaurants
- Makes money from selling supplies to these entrepreneurs
- Charges royalty fee

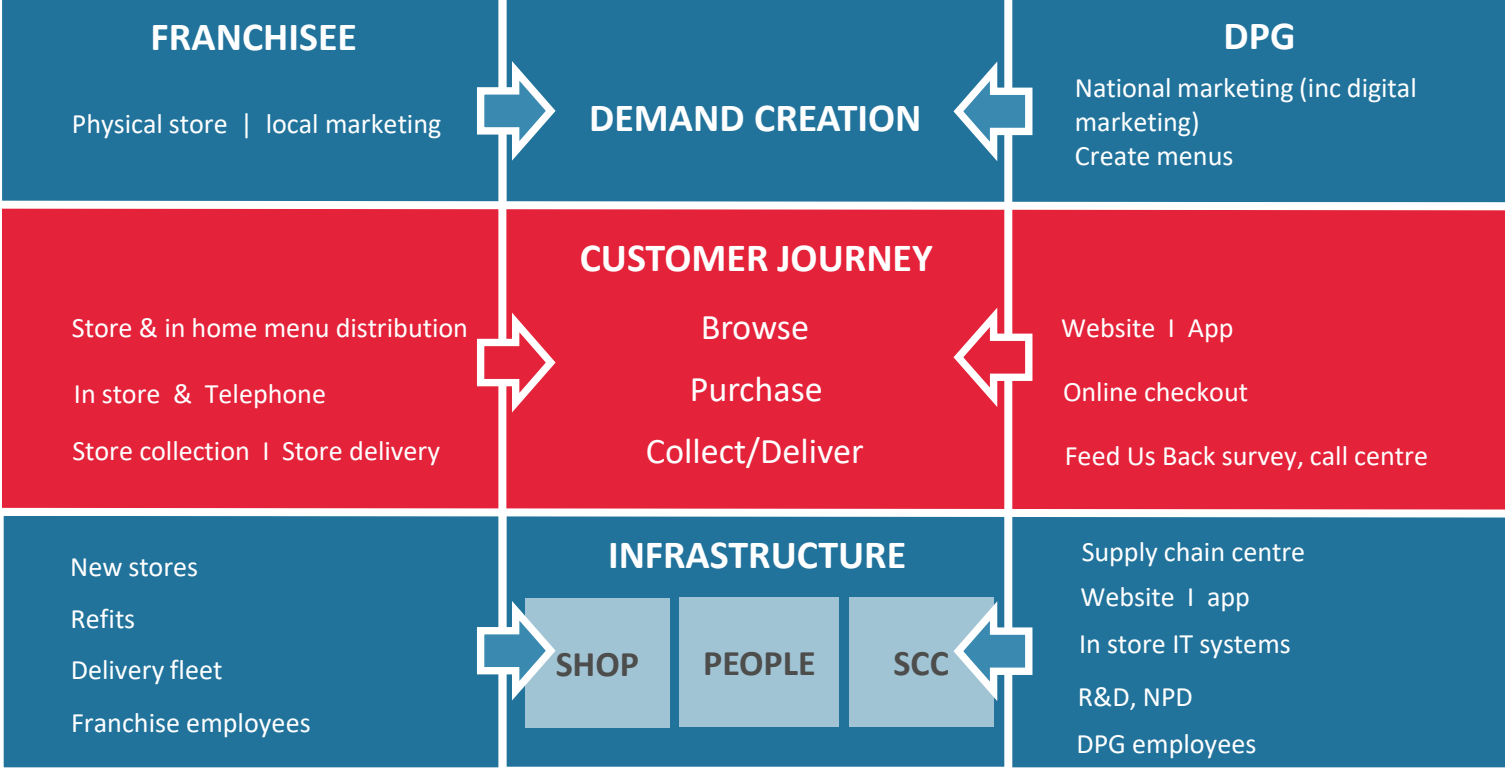
What it doesn't do

- Directly operate many restaurants
- Set retail pricing
- Make money from selling pizza to customers

THE FRANCHISOR FINANCIAL MODEL

	Standard restaurant model	Franchisor
Capital intensity	Medium	Low
Value drivers	Price and volume	Volume
Margin	Retail	Wholesale
Operating leverage	High fixed cost	High variable cost
ROIC	Good/volatile	Excellent/stable

WHO DOES WHAT IN THE DOMINO'S SYSTEM



OUR AGREEMENT WITH DPI – THE MFA

Key terms

- 10 years, perpetual renewal
- Royalty fee 300bps less 30bp discount
 - Discount conditional on meeting store growth plan
- 350 new stores in last renewal
 - Minimum 1,346 by 2026
- DPI regularly conduct inspections

Consequences

- Stable environment for long term investment
- Strong alignment on growth
- Brand is protected and enhanced with global benefits

Excellent, constructive and longstanding relationship with DPZ/DPI

FRANCHISEES' AGREEMENTS WITH US – THE SFA

Key terms

- 10 year term
- Royalty currently 5.5%, uncapped
 - 20% of any increase goes to DPI, under the MFA
- NAF up to 5%, (currently 4%); E-commerce fee up to 1% (currently 0.75%) but any surplus goes to NAF
- Store opening fee £15k plus £5k LSM
- v2 (80% of agreements) forbids own commissary development or selling on to other franchisees
- Brand and standards – DPI checklist
- Area development agreements – co-operation over expansion plans

Consequences

- Franchisees access a leading global brand on fair terms, with security of renewal
- Growing brand marketing fund creates virtuous circle
- DPG cannot profit from e-comm fee
- DPG's commissary investments are protected
- Clear long term alignment

SYSTEM PROFIT DRIVERS

DPG – COST PLUS

- We sell supplies to franchisees on lowest cost provider terms, but **prices rise and fall with the market**
- Prices mainly driven by **supply side** factors: eg weather, exchange rates
- **Volume** is the key driver of growth and profit for DPG

Franchisees – RETAIL MINUS

- Franchisees **set retail prices** and market promotions
- Prices mainly driven by **demand side** factors: consumer confidence, wage growth, competitor activity
- **Price changes drop through to the bottom line** but affect volume

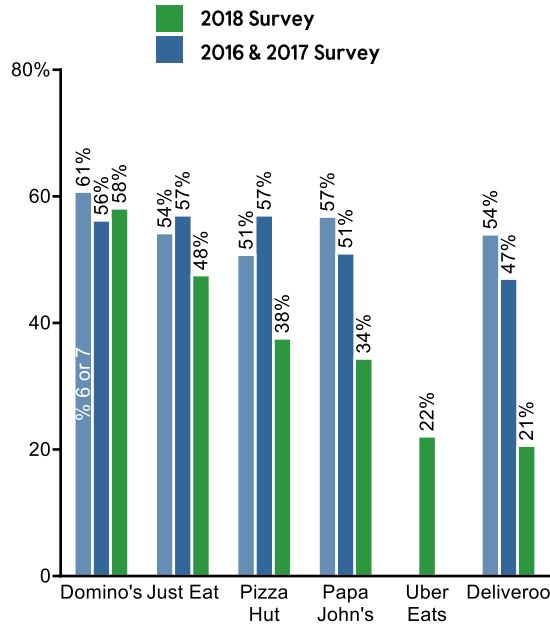
The cost of pricing freedom is margin volatility, because of the disconnect between input cost drivers and retail price drivers

WHY BE A DOMINO'S FRANCHISEE?

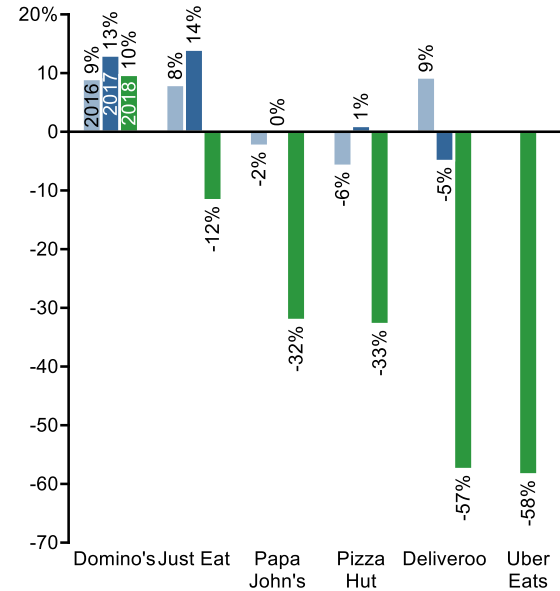
- Leading brand
- Superior business model
- World class supply chain
- Highly profitable system
- Strong and defensive store economics
- Growth opportunity

CUSTOMERS RATE OUR BRAND VERY HIGHLY

Overall satisfaction

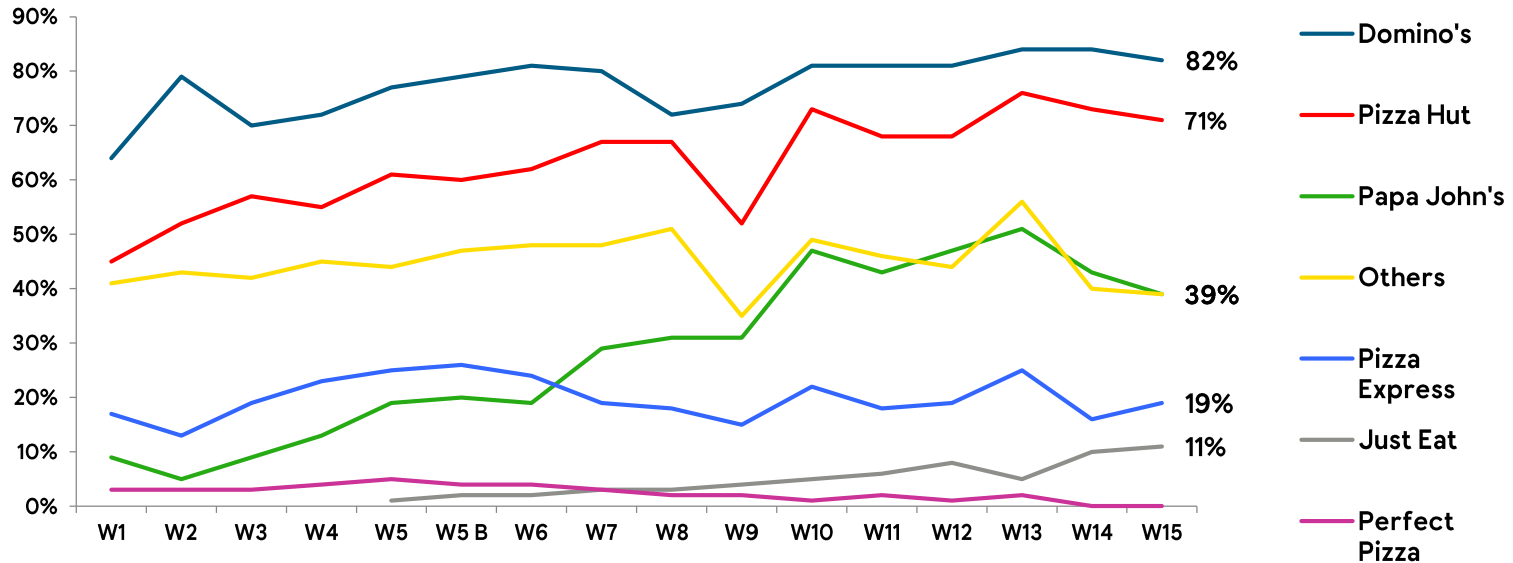


NPS

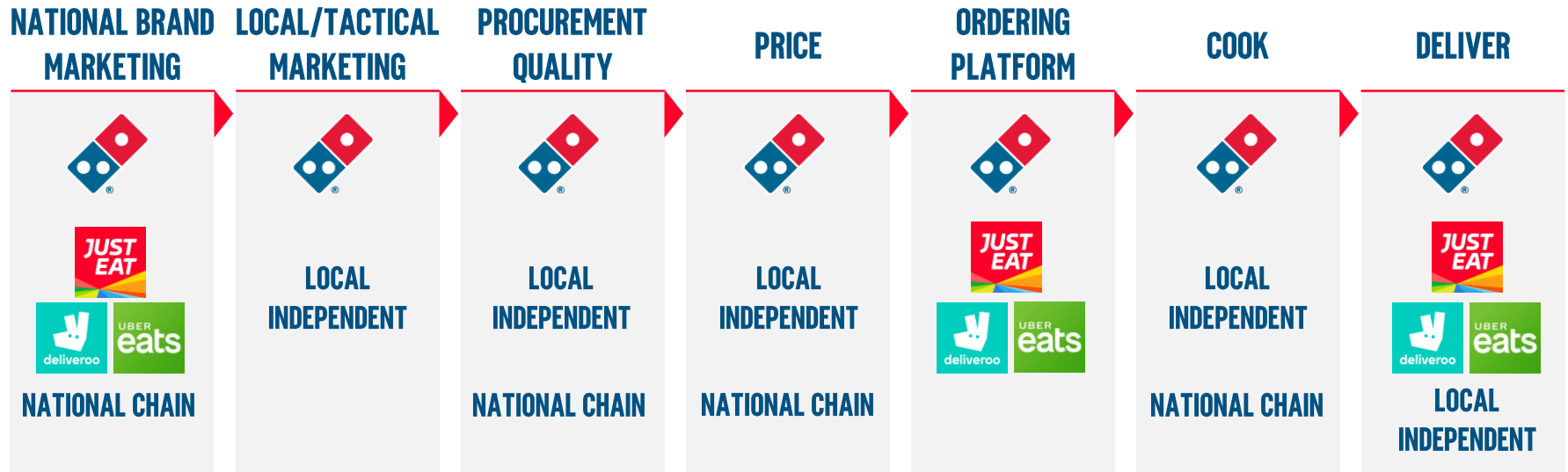


CLEAR NUMBER ONE FOR BRAND AWARENESS

All Mentions – Spontaneous Recall



BUSINESS MODEL: CONTROL OF THE END-TO-END CUSTOMER EXPERIENCE IS A KEY DIFFERENTIATOR

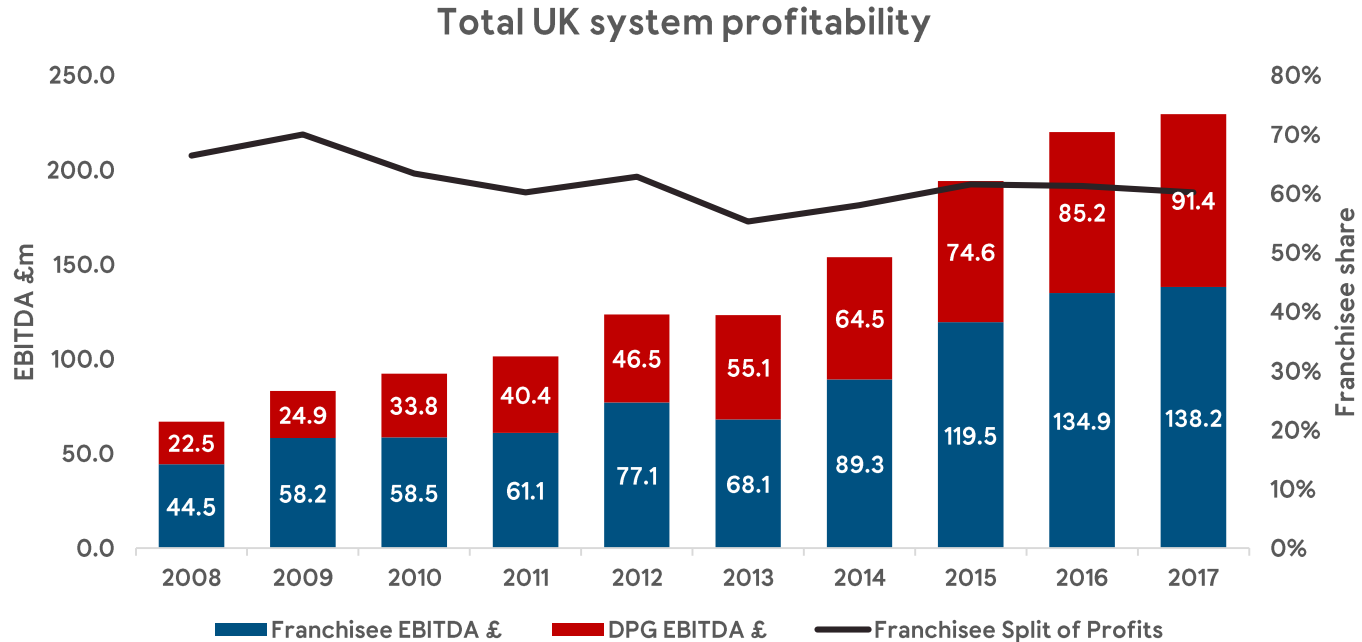


WORLD CLASS SUPPLY CHAIN



- £38m investment in Warrington
- 1,400 store capacity across two sites
- 3-4 deliveries per store per week: 99.9% accuracy
- Increased efficiency consistently shared with franchisees

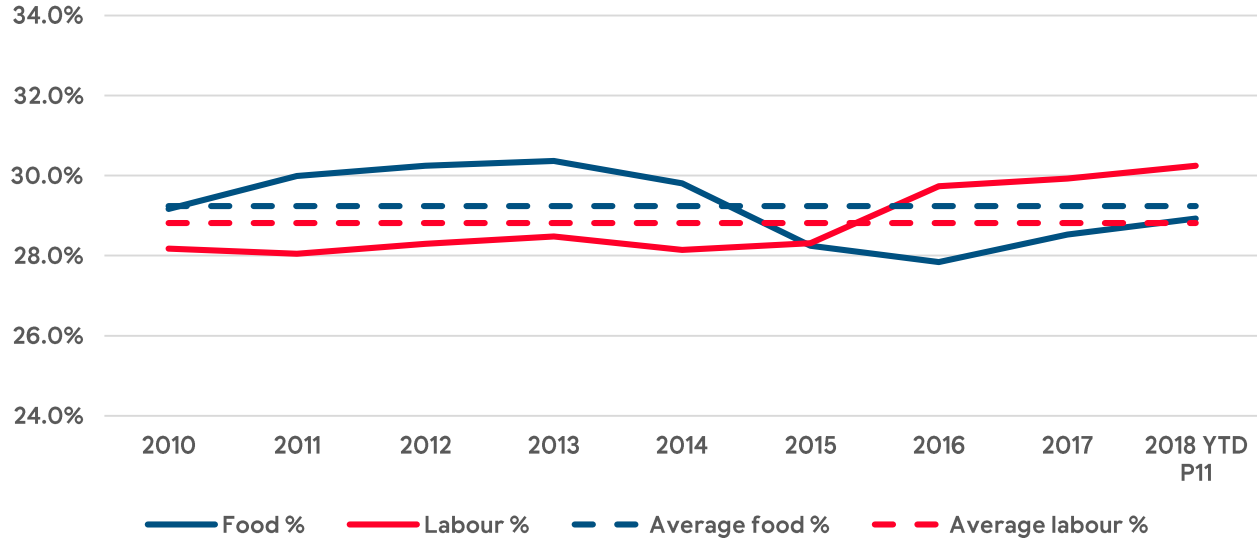
HIGHLY PROFITABLE SYSTEM



STRONG STORE ECONOMICS (1) – PRO FORMA P&L

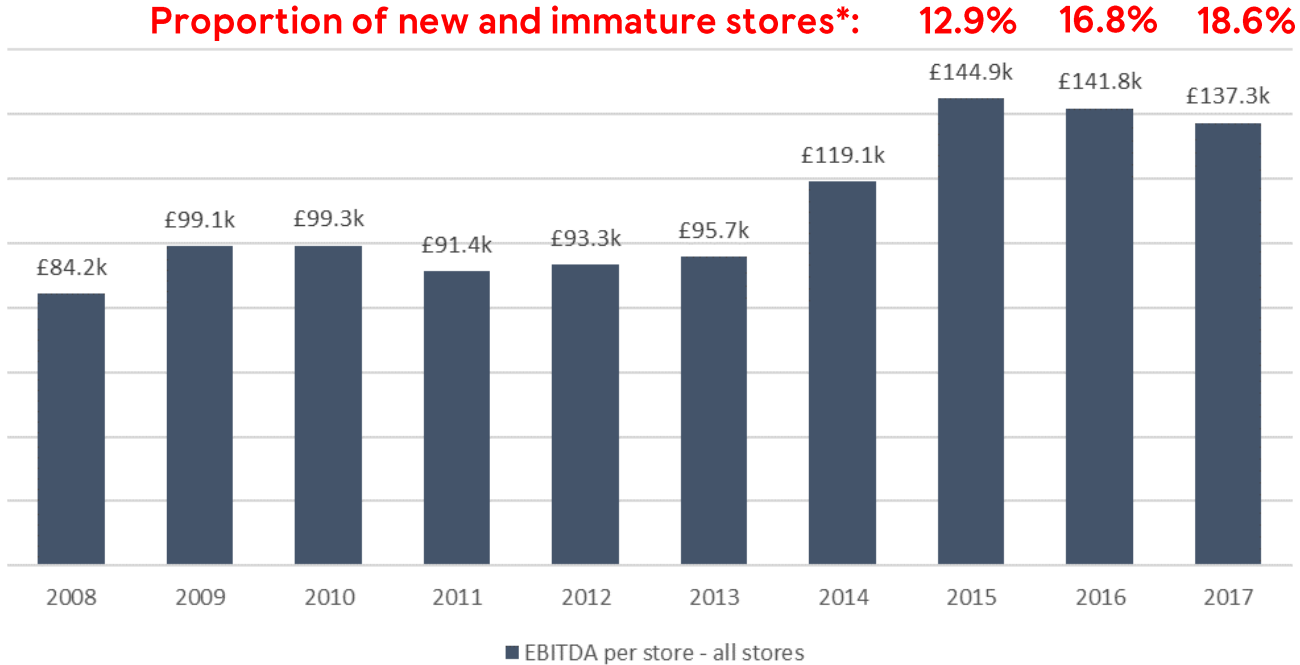
	£ or % of sales	Notes
AWUS	c. £20,000	Average across all stores
Food	28-30%	Cyclical
Labour	28-30%	Upward pressure currently; 50% variable
Mileage	c.4%	Variable
Royalty	5.5%	SFA; variable
NAF	4%	SFA; variable
Local marketing	3-4%	Can range 2-6%
Occupancy	c.5%	Fixed
Other opex	c.6%	Mostly fixed: includes e-commerce fee

FLUCTUATION IN LABOUR AND FOOD OVER TIME



- Food and labour fluctuate between 28-30%
- Current pressures are labour-related

STRONG STORE ECONOMICS (2) – EVOLUTION OVER TIME



* Top 10 franchisees



STRONG STORE ECONOMICS (3) – PAYBACK AND VALUE

	Virgin territory	Split territory	Split store with bank financing
Franchisee capital	£300-350k	£300-350k	£100-120k
Total donor stores EBITDA loss - temporary	-	£100-200k	£100-200k
Mature store EBITDA	£120-150k	£120-150k	£120-150k
Payback	3-4 years	5-6 years	3-4 years
Capital value	c. £1m	c. £1m	c. £1m

All figures are approximate and for illustration only

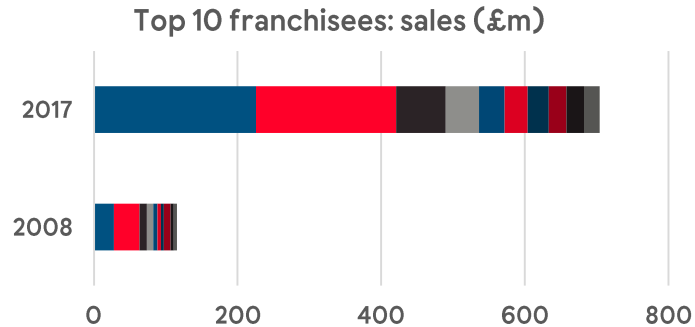
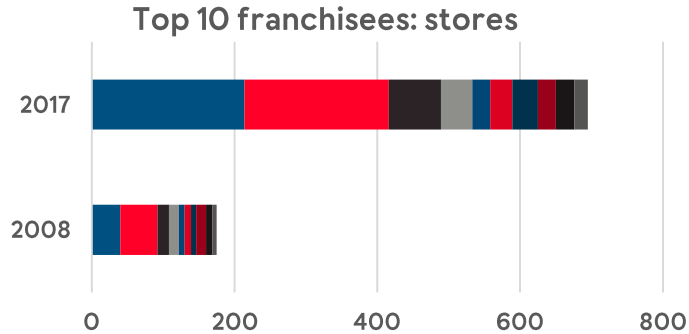
DPG SUPPORTS FRANCHISEES IN NUMEROUS WAYS

- **Scale/purchasing** – every franchisee enjoys the procurement scale benefits of >1,100 stores across the UK
- **Supply chain** – 3-4 deliveries into each store, per week; 99.9% accuracy; fresh dough
- **IT platform investment** - £10m investment in new e-commerce and app platforms, to be funded by DPG
- **Food promotions** – Regular discounts and rebates attached to specific promos and volume targets
- **Property** – access to a the tools and expertise of DPG’s property team, and the combined analysis of >1,100 store openings
- **Store opening incentives** – worth on average £75k per new store in a split territory
- **Brand** – comfortably the leading delivered food brand in the UK

THE DOMINO'S STORE MODEL IS CAPITAL-LIGHT AND DEFENSIVE

- Domino's offers a compelling combination of reasonable upfront costs and attractive EBITDA
- Other branded pizza outlets much less profitable
- Some big QSRs are more profitable but have significant opening costs
- Other formats can have much longer paybacks
- Lower fixed property costs:
 - Built for delivery – small footprint
 - Not prime – lower rent per sq ft and business rates
- Variable labour costs:
 - No waiting staff required
 - Costs flexed with delivery
- Much more responsive to changes in demand:
 - Prices and promotions set locally
 - 80% digital penetration – new promotions marketed instantly

HOW HAVE FRANCHISEES PROGRESSED OVER TIME?



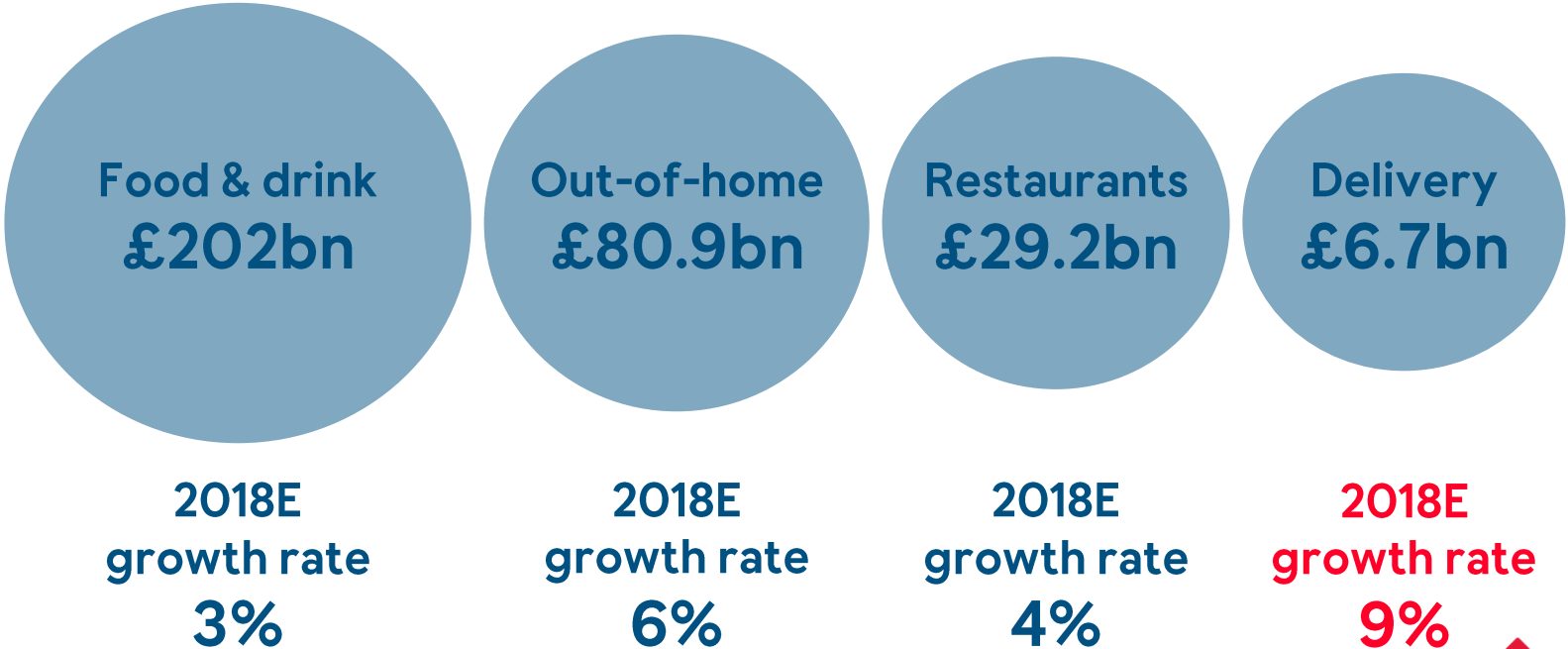
- Top 10 franchisees' store base up 4x in last 10 years; sales up 6x
 - Average EBITDA per store for the system up >60% over that time
- Combined asset values of >£800m at current multiples
- A significant value creation and employment success story for the UK market

SUMMARY

- Globally successful brand
- High return franchise model
- Structure of agreements aligns all parties
- Profitable, cash generative stores and continued good returns on new investment
- Differentiated and defensive economic model

UK GROWTH POTENTIAL

UK DELIVERED FOOD MARKET IS WORTH £6.7BN TODAY



Foodservice Delivery Report,
MCA, November 2017



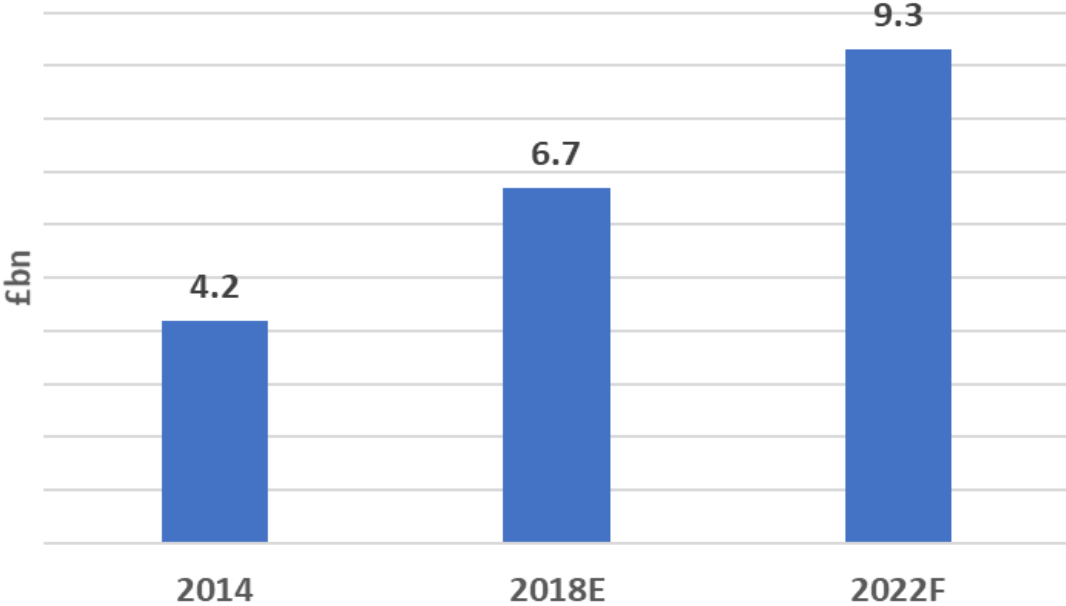
MULTIPLE DRIVERS OF LONG TERM GROWTH

	Inputs	Drivers	Commentary	Forecast effect on Delivery
(A)	No. of H'holds	<i>Growth in population</i>	<ul style="list-style-type: none"> Population is expected to grow at a similar rate as in the past according to UK government forecasts 	
		Penetration of Delivery	<i>Cohort maturity</i>	<ul style="list-style-type: none"> Increasing propensity for delivery as younger cohorts mature
<i>Variety offered by aggregators</i>	<ul style="list-style-type: none"> Aggregators are offering restaurant delivery options that have not historically been available for delivery 			
<i>Marketing spend</i>	<ul style="list-style-type: none"> Aggregators are spending substantial sums on category development, though that is likely to taper going forward 			
(C)	Frequency of Order	<i>Increased share of digital ordering</i>	<ul style="list-style-type: none"> Frequency of ordering delivery typically increases on migration to digital 	
		<i>Long-term trend to convenience</i>	<ul style="list-style-type: none"> Persistent long-term trend towards convenience that is supportive of increasing delivery frequency 	
(D)	Spend / Order	<i>Ticket/price</i>	<ul style="list-style-type: none"> In line with food inflation 	

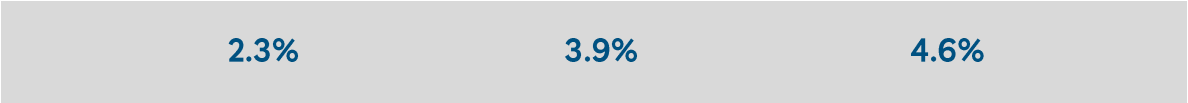
SIZING THE MARKET & ITS GROWTH

Inputs	Historic			Forecast	CAGR
	2014	2017	2018E	2022F	('18E-'22F)
(A) No. of Households (M)	27.2	28.0	28.3	29.3	0.9%
×					
(B) Penetration of Ordering Delivery	51%	55%	56%	58%	1.3%
×					
(C) Monthly Frequency of Ordering Delivery*	1.45	1.81	1.90	2.26	4.4%
×					
(D) Average Spend per Order	£17.3	£18.5	£18.8	£20.0	1.7%

UK DELIVERY MARKET FORECAST TO GROW AT 8% CAGR



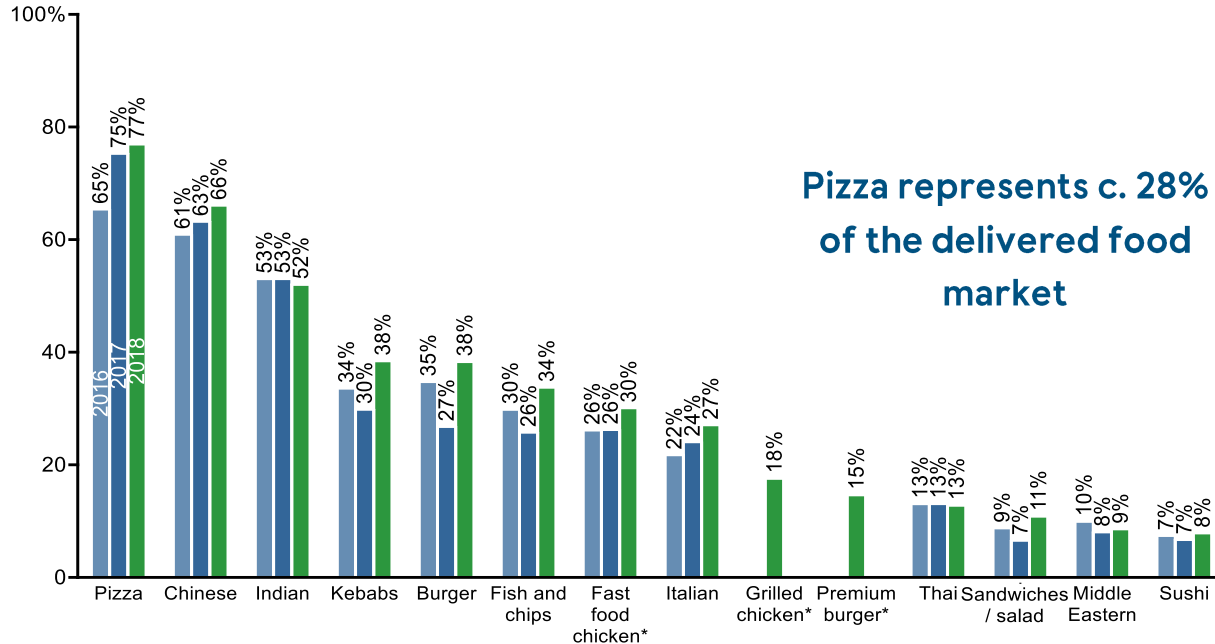
% of in and out of home food & drink spend



Source: EY-Parthenon Analysis

PIZZA REMAINS THE CLEAR FAVOURITE

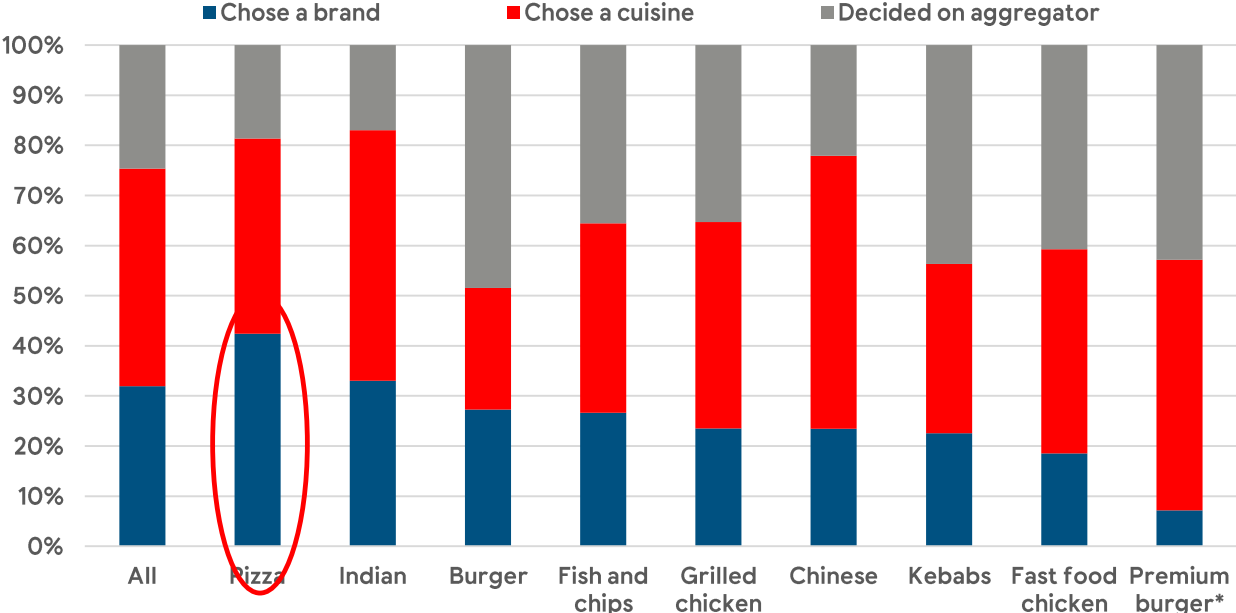
Q: What cuisines do you order through delivery?
2016, 2017, 2018 Survey Respondents



Note: *Grilled chicken, *Premium burger and *Fast food chicken were new categories in 2018. Previous years Fast food chicken were selected 'Chicken' *Grilled chicken includes Nando's and Chicken Shop. *Premium burger includes Five Guys, GBK and Honest Burger
Source: EY-Parthenon Consumer Survey n=3,061

STRENGTH OF PIZZA BRANDS INFLUENCES CUSTOMERS' PURCHASING PROCESS

Q: After deciding you wanted delivery, what did you do first? Please refer to the last time you ordered delivery



Source: EY-Parthenon Consumer Survey n=3,061

WHY IS PIZZA ENDURINGLY POPULAR?

For customers:

Made fresh to order

Infinitely customizable

Travels well and retains heat

Eat with hands, out of the box

Great value, especially for groups



For pizza restaurants:

Easy to make from a limited number of ingredients

Simple to transport quickly

High % margin

Often ordered by groups/families – high ticket

UK GROWTH AVENUES

LFL growth

Capacity utilisation

Technology

New channels

New stores

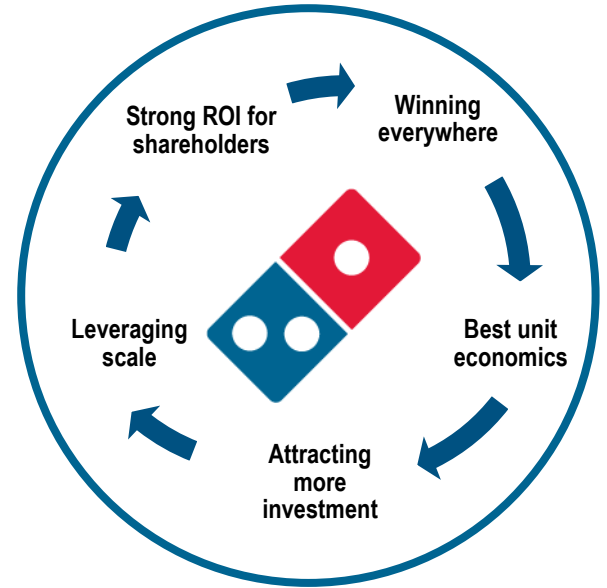
Virgin territory

Hybrids

Splits

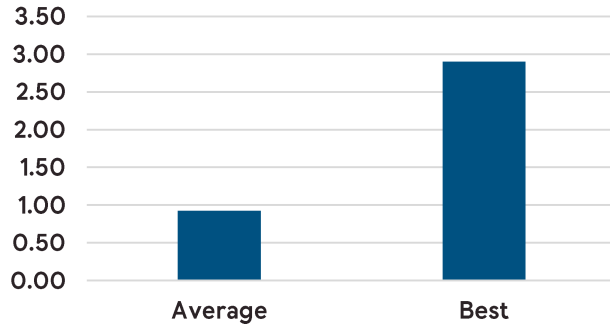
DOMINANT #1 CREATES A VIRTUOUS CYCLE

- Winning in every neighbourhood and market
- Driving the best unit and franchisee economics
- Attracting more investment from our franchisees
- Leveraging our scale at the enterprise level
- Generating best-in-class returns for our shareholders



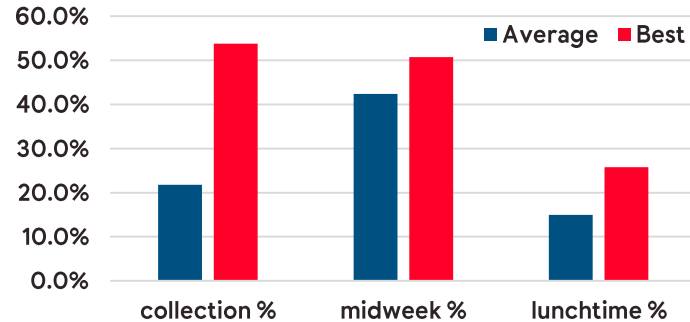
LFL – SIGNIFICANT CAPACITY TO GROW

ASPA: 2018 mature stores



- Huge range of ASPA – 19p to £2.90
- All stores up to average: **+£220m**
- All stores up to max: **+>£2bn**

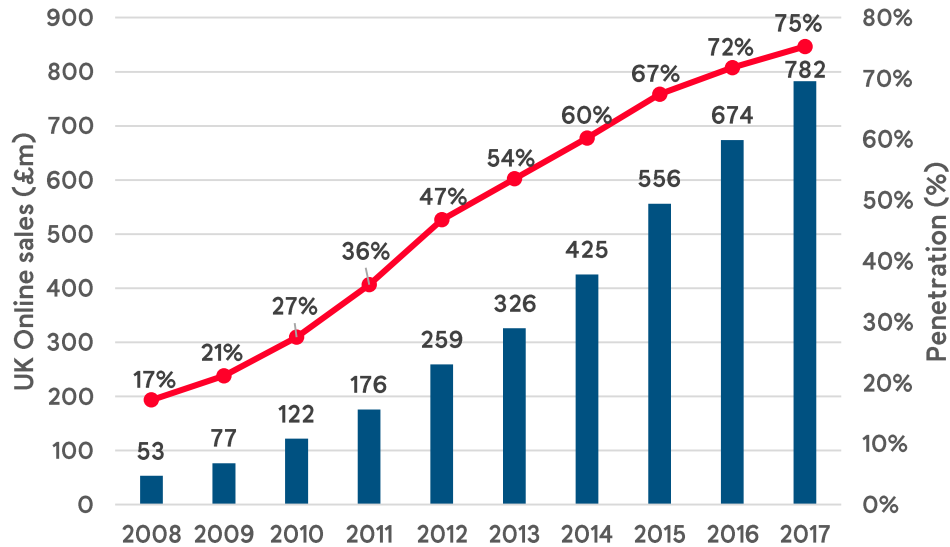
Collection, midweek and lunchtime



- Ovens are a production line with high marginal contribution
- Collection drives incremental business at limited marginal labour cost
- Significant slack in the system to support strong volume growth

1. ASPA stands for Average Sales Per Address per week

DRIVING LFL - A TECHNOLOGY LEADER



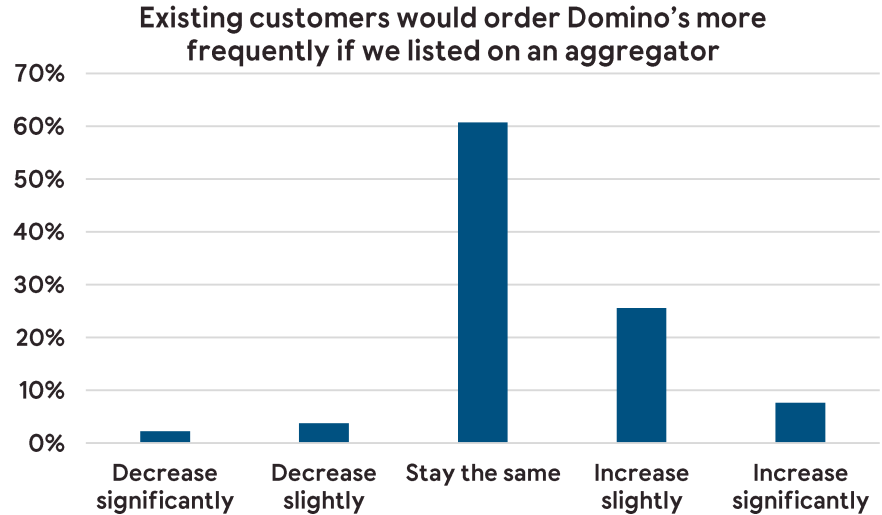
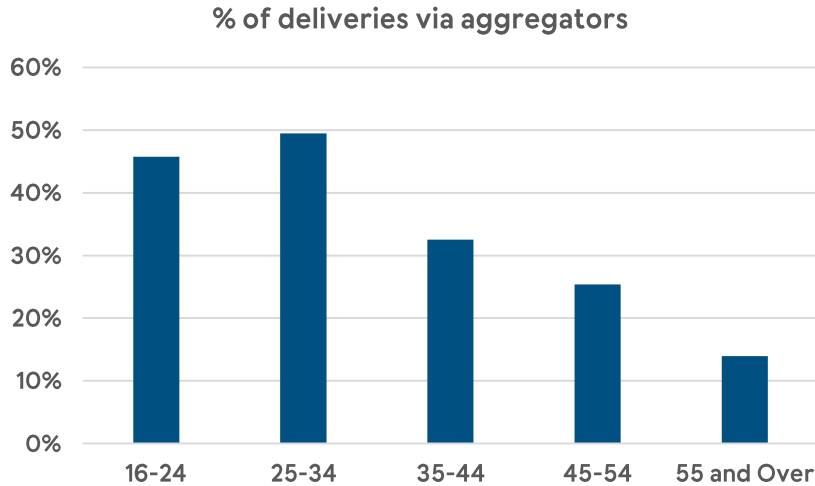
- DPG is one of the most successful “bricks-to-clicks” stories in the UK
- >85% penetration of delivery sales
- GPS rolling out
- Next steps:
 - £10m investment in ecommerce and app platforms
 - Huge opportunity in CRM and data: 38% of customers, <10% of sales, order 1-3x/year

DRIVING LFL – MENU AND OFFERS

- Aim to keep menu simple and not too long
- Maintain newness through limited term offer pizzas
 - Meatfielder (World Cup) – peak mix 7%
 - Cheeseburger – peak mix 9%
 - Both supported by very strong social media campaigns
- Offers continue to target £20 price point, collection and midweek



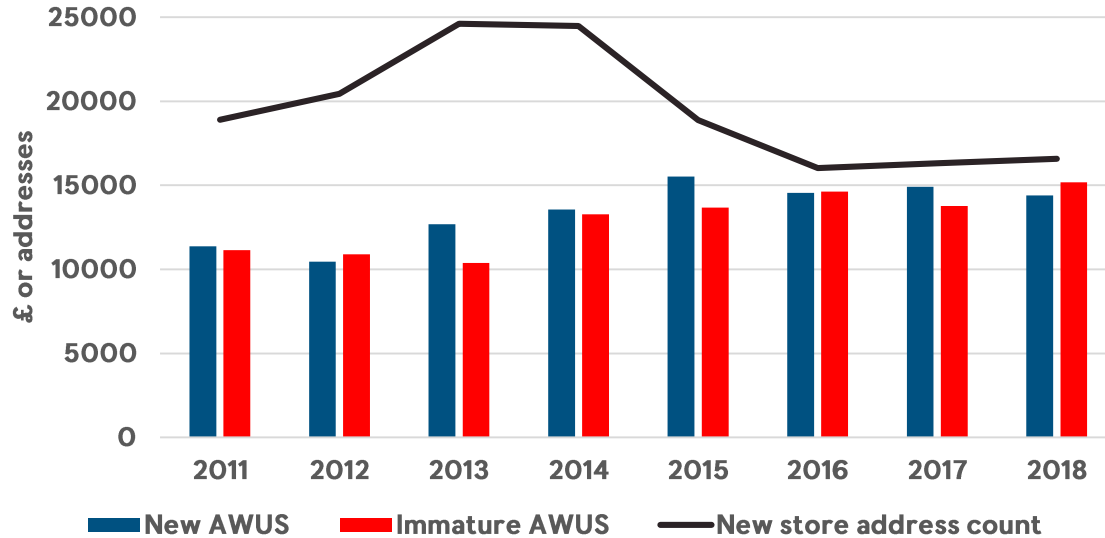
DRIVING LFL – NEW CHANNELS



- Younger generations are bigger users of aggregator apps
- Existing customers would buy more from us if we were on an aggregator
- 20 store trial: 38% of customers are new, net cash margin per order similar to direct
- Extending trial to >100 stores over next few months; new value proposition



CONFIDENCE IN 1,600 STORE POTENTIAL



- New/immature AWUS shows limited correlation to address count
- New stores ARE smaller but ASPA is higher
- Material increase in new/immature AWUS over last seven years
- Very low failure rate

SMALLER ADDRESS CATCHMENTS WORKING VERY WELL

	Somerset town	Welsh town	UK average (2017)
Opened:	Dec 2015	Sept 2014	
AWUS (£)	15,464	23,197	20,626
Address count	9,260	10,840	25,322
ASPA (£)	1.67	2.14	0.81
Collection % sales	43%	51%	21%
Labour cost % sales	24.7%	22.1%	29.7%
Nearby competition	None	McDs, KFC, Subway	

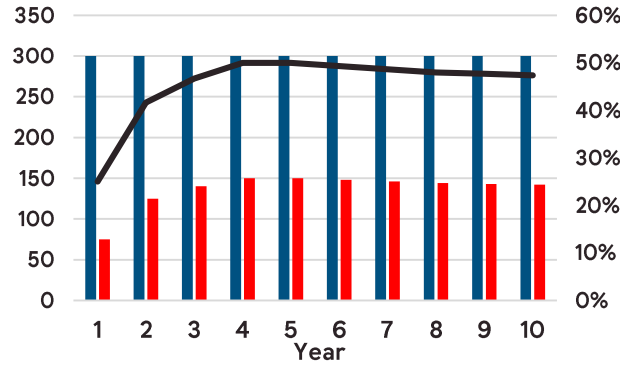
- Smaller towns are characterised by:
 - High collection %, driving significant labour efficiency
 - Limited branded competition, driving higher market share
- Towns are growing:
 - Govt targeting 300,000 new homes p.a.
- The delivered food market is growing:
 - Areas not viable today, will be in the future

HYBRIDS AND SPLITS – BENEFITS FOR ALL STAKEHOLDERS

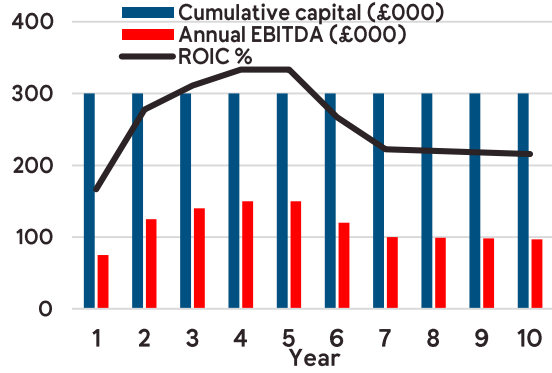
	IMPROVES SERVICE TO CUSTOMERS	REACHES NEW CUSTOMERS FOR DELIVERY	INCREASED COLLECTION POTENTIAL	LABOUR & MARKETING EFFICIENCY	GROWS SYSTEM SALES AND ASPA ¹	FORTRESS STRATEGY
CUSTOMERS						
FRANCHISEES/DPG						

SPLITTING IS AN ECONOMICALLY RATIONAL CHOICE

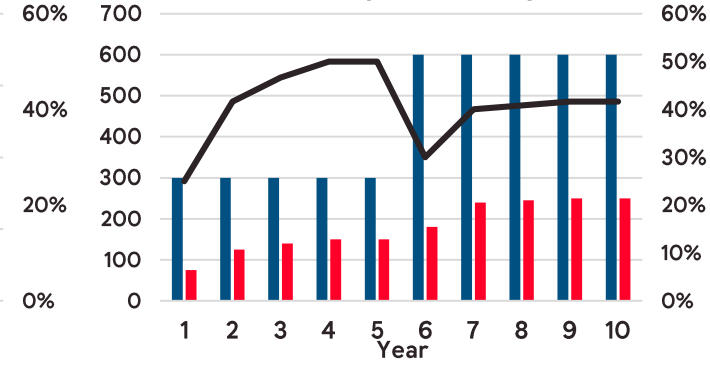
One store, no competitor entry



One store, competitor from year 5



Second store in year 5, no competitor entry



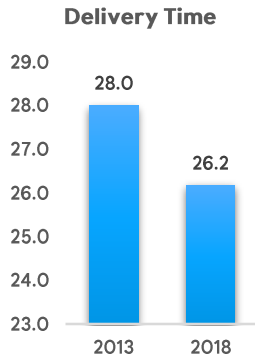
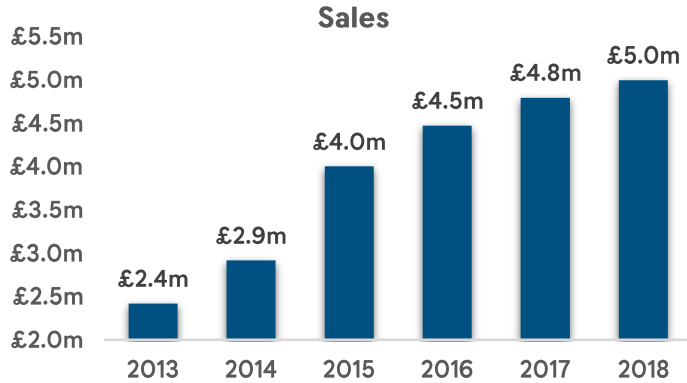
- In a perfect world, a store could make steady state EBITDA and ROIC at maturity...

- ...but high returns attract competition
- Significant risk of value loss from not fortressing

- Splitting increases EBITDA, protects ROIC longer term, and significantly enhances capital value

All figures are approximate and for illustration only

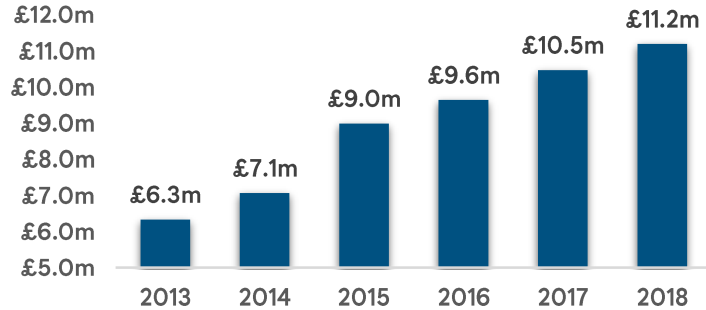
EXETER



- Exeter increased from one to three stores 2014-2015
- 2018 sales +106.5% vs 2013
- ASPA improved by 59.4%
- Significant service improvements in the area, mainly from reduced leg time

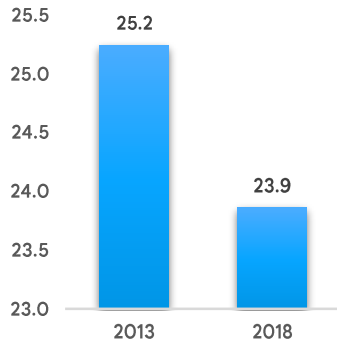
NOTTINGHAM

Sales

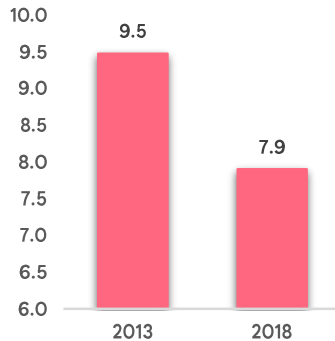


- Nottingham increased from 6 to 10 stores 2013-2015
- 2018 sales +76.8% vs 2013
- ASPA improved by 51.3%
- Significant service improvements in the area, mainly from reduced leg time

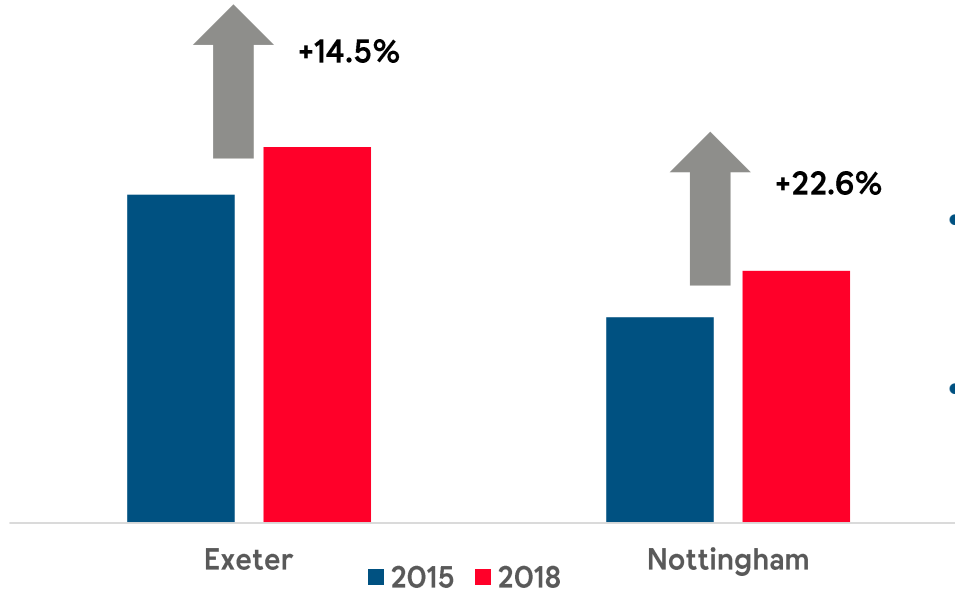
Delivery Time



Leg Time



SIGNIFICANT FORTRESSING EFFECT ON AWUS



- AWUS per store in fortress towns significantly outperforms the UK as a whole, post splits
- Much harder for competitors to make inroads

SUMMARY

- UK delivered food market set to grow at 8% CAGR to 2022
- Domino's has plenty of room to grow – LFL and new stores
- Technology has been and will be a differentiator
- Aggregators can help us reach new customers
- Fortress towns preserve returns for franchisees – stronger for longer

OPS DIRECTOR INTERVIEW



THREE COMMON MISCONCEPTIONS

MISCONCEPTION: THE UK STORE BASE IS NEAR MATURITY

- New stores: higher ASPA offsetting lower address counts – AWUS consistently c. £15,000
- Market share opportunities remain: Pizza Hut was a net closer of stores in 2018
- Delivered food market is growing at 8%; 300k new houses a year; more and more catchments will be viable

MISCONCEPTION: FRANCHISEES AREN'T MAKING A RETURN FROM NEW INVESTMENT

- Recent high rate of openings has diluted average profitability – c.19% of top 10 franchisee stores were new/immature in 2017; just a short term issue
- Returns remain market-leading by any absolute measure
- Broad-based growth: c. 30 different franchisees are opening new stores each year

MISCONCEPTION: AGGREGATORS WILL ERODE DOMINO'S MARKET POSITION

- Customers who want pizza are more likely to choose their restaurant first than for any other cuisine
- Aggregators are another acquisition channel – opportunity to target a younger cohort
- No-one in the market can compete with Domino's end-to-end customer proposition

MANAGEMENT Q&A

APPENDICES

BREXIT EXPOSURE AND RISK MITIGATION

51% UK sourced, 36% from EU, and 13% from Rest of World. **

Share of COGS (£) Sourcing

Procurement Category	% of 2018 COGS	Sourced From (%)				Temperature Regime (% of Procurement Category)				
		UK	EU (Non UK)	Thailand	Other	Ambient Food	Chilled Food	Frozen food	Non perishable	Packaging
Cheese	28.0%	100%				0%	92%	8%	0%	0%
Chicken	17.0%		23%	77%		0%	0%	100%	0%	0%
Other Meat	13.5%		100%			0%	67%	33%	0%	0%
Paper	10.4%	100%				0%	0%	0%	3%	97%
DPG Dough	6.2%	60%	40%			0%	100%	0%	0%	0%
Dips	5.8%	100%				100%	0%	0%	0%	0%
Veg	8.0%	20%	80%			20%	50%	29%	0%	0%
Sauce	5.0%		100%			100%	0%	0%	0%	0%
Other	1.7%	50%	50%			62%	34%	0%	4%	0%
Desserts	2.6%	10%	90%			14%	0%	86%	0%	0%
Other Dough	1.5%		100%			19%	5%	76%	0%	0%
Fish	0.2%				100%	100%	0%	0%	0%	0%
Total	100.0%	51%	36%	13%	0%					

Planned Stockholding

2018 COGS £m (UK & ROI)	% COGS	Ave Stockholding 2018 and underlying for March 19		Planned Stockholding for March 19	
		wks cover	stockholding	wks cover	stockholding £m
UK	51%	1.5	2.6	1.5	2.6
EU	36%	1.5	1.9	4.5	5.6
ROW	13%	1.5	0.7	12.4	5.7
Total		1.5	5.2	4.0	13.9

Risk Mitigation Activities

- **Additional Chicken secured to mitigate potential quota limits or border delays. Additional £5m (c.12 weeks cover) to be purchased Jan-March, which will be held in UK.**
- **Remaining stock holding of imported products to be increased from c.1.5 weeks to 4.5 weeks. Additional c.£4.3m, to be stored at sites where possible and selected suppliers where necessary. Penrith to be held open for storage.**
- **Exploring opportunities to switch a number of meat lines from chilled to frozen.**

FORWARD-LOOKING STATEMENTS CAUTION

This presentation, our annual results, our interim results, our Annual Report and the Domino's Pizza website may contain certain "forward-looking statements" with respect to Domino's Pizza Group plc and the Group's financial condition, results of operations and business, and certain of Domino's Pizza Group plc's and the Group's plans, strategy, objectives, goals and expectations with respect to these items and the economies and markets in which Domino's Pizza Group plc operates.

Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as "anticipates", "aims", "due", "could", "may", "should", "expects", "believes", "intends", "plans", "targets", "goal" or "estimates". By their very nature, forward-looking statements are inherently unpredictable, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Many of these assumptions, risks and uncertainties relate to factors that are beyond the Group's ability to control or estimate precisely. There are a number of such factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, changes in the economies and markets in which the Group operates; changes in the legal, regulatory and competition frameworks in which the Group operates; changes in the markets from which the Group raises finance; changes in interest and exchange rates; the impact of legal or other proceedings against, or which affect, the Group; changes in accounting practices and interpretation of accounting standards under IFRS; and changes in our principal risks and uncertainties.

Any written or verbal forward-looking statements made in this presentation, our annual results, our interim results, our Annual Report or the Domino's website, or made subsequently, which are attributable to Domino's Pizza Group plc or any other member of the Group or persons acting on their behalf are expressly qualified in their entirety by the factors referred to above. Each forward-looking statement speaks only as of the date of these annual results, our interim results or our Annual Report, or on the date the forward-looking statement is made. Domino's Pizza Group plc does not intend to update any forward-looking statements.

