Dominos Q3 Conference Call

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Q3 Trading Statement Update

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Introduction

Thank you very much. Thanks, everybody, for joining the call this morning for our Q3 statement update. I am joined by Edward Jamieson, our CFO, and Will MacLaren, our head of IR. I am just going to give a brief overview and statement of the release that we sent out this morning. Then we will do Q&A, the normal drill.

Highlights

First of all, as you can see, we have really got great momentum in the business which really reflects all the hard work of our franchisees and our 38,000-odd team members really focusing on customers, focusing on customer service, focusing on value for our customers. And the good thing is that the customers are rewarding us with their patronage, and we are accelerating growth in delivery orders and return to positive like-for-like sales.

The positive trading momentum has continued into Q4, as you will see because I am sure some people thought that maybe the euros had an effect on the Q3 results, but it was only a couple of weeks' worth. That had a very small impact, to be fair.

Total orders up 3.5%

Q3 total orders were up 3.5%, great strengthening in delivery orders of 6.6%, which I am really proud about. And if you think about the fact that our franchisees really started going after delivery service after our rally back in May, and ever since then they have really been focused on making sure that our customers get amazing service. So they have done a fantastic job.

Collection orders are down a little bit. There is also a little bit of that is coming through from some customers moving across to delivery because of the value we are offering. However, we remain focused on collection, and we think that we will grow that again. Again, that is not a big step-up post the COVID year. So we do not think there is an issue there. We think that is actually still an opportunity.

Total systems sales up 3.0%

Total system sales up 3%, a big step-up from the first half. And as we said back at the start of the year, there was going to be a year of two halves. First half was going to be tougher, second half going to be much easier. That certainly has been the case. It has played through. Like-for-like up 0.7%. The reason that is not up more is because we are consistently offering greater value to our customers, consistent value, particularly to our delivery customers. Therefore, we are getting more order count growth, which is what we want. We want to bank customers this year because we know with what is coming towards next year is that there will have to be a bit of price taken. However, we have actually been able to bank the customers before that is happened, unlike a lot of others. So we are very proud of that.

We are focused on growing our like-for-likes in a sustainable way. And I think that is the key word is sustainable here, driven by order count growth, not pricing, meaning lower ticket prices for customers and sustainable like-for-like sales growth driven by volume. So real growth, real core growth.

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Execution of key initiatives continues to drive momentum

Execution of key initiatives, we are really focused on value. We want Value for our customers. Our "weeknight steal" £8, £10, £12, our £4 lunch are just a few of those offers. And you have got to back that up with great service because I have always said that no matter what price you sell the pizza for, if it arrives cold and late, it is really irrelevant what you pay for the product. And our franchisees really are doing great work. And if you look at last week, which is typically one of the toughest weeks from a delivery point of view, with Halloween, etc., the franchisees absolutely whacked it out of the park again with service. I am so proud of what they have done.

I was just talking to the team this morning, we are now at 9.5 million apps. Really got to make sure that we focus on getting to a goal of 10 million app customers in the next three to six months. And I think that is important because that becomes our own media channel as well. Not only our own channel for ordering, but also being able to communicate with customers at no cost. So I think that is also a really, really powerful bit of infrastructure we have there inside our own ecosystem.

34 new store openings. This is probably one area I am a little bit annoyed at. We have certainly had some challenges. Some of them are landlord-related, sometimes they are utility-related, but it is the world we live in, unfortunately. The good news is we are still going to do somewhere between 50 and 60. We have got a bunch of stores that are under construction now, and it does not change our outlook on our store target. We will hit our 1,400th store next year, which, I think, is a huge milestone, when you think about the size of our business in the UK, and it is going to be in our 40th year. You look at the success this brand has enjoyed for 40 years, consistently growing. I keep coming back to that word, sustainable and consistency, and we really want to set the business up for that next 30, 40 years of growth as well.

Positive trading momentum

The positive trading momentum has also continued. I think that is also important in Q4, with 5.8% in the first five weeks. We are really proud of that, that it is not just we are talking about a quarter here, we are talking about momentum that runs through the whole half.

Full-year expectations are unchanged

All this means our full-year expectations are unchanged. We have had constructive discussions with our franchisees with the MoU, where we feel like we are getting close there. So we will update you as more comes to hand. However, certainly, the discussions are in a good place.

It is an uncertain environment. There is no doubt that there are lots of different macro things coming our way, but I really feel that we are probably one of the best-placed brands to deal with these macro changes, a) because a business that has been 40 years, has been through many of these things before. I, personally, have been through these types of challenges before in many other countries, and I think we are given where the franchise profitability is, which is up again on last year, even after rolling over the large national living wage increase this year, which actually was greater than the one that is coming next year. So we do have the ability to roll these things quite convincingly and still grow customer count. So I feel very good about that. We continue to assess additional value, enhancing opportunities, build a larger, more cash generative business which delivers strong and consistent returns. And I look forward to

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updating shareholders for our future strategic progress in the full-year unless we have anything else to update between now and then.

With that, I would like to throw the Q&A. I am sure there are a few questions out there, so over to the floor.

Q&A

Douglas Jack (Peel Hunt): Yes, good morning. Just a couple of questions from me at the moment, if that is all right.

The first one is just in terms of the budget and, well, I suppose Two parts to it. The minimum wage, living wage increase and the employer's NI, obviously will not affect you as much as it will affect the franchisees, but are there any views about how it might affect them versus their competition going forward from April next year? That was the first one.

And the second one is just on costs, other costs you have, and in particular cheese price, and what we are looking at in terms of that environment at the moment. Thank you.

Andrew Rennie: Yes, thanks. Thanks, Douglas. Yes. Look, we do not think of it as it only hurts the franchisees or us. We think of it as we are as one family. So whatever hurts them hurts us as well. So we think of it as one solution. The good thing is, as I said before, our franchisees are incredible, right? They have been through this many, many times. Most of them have been around decades. And the good news is that we had to roll over the national living wage this year. It was actually a greater number than what it is next year. So we have been able to successfully do that, and still improve franchisee profits by five to eight grand by the end of this year, we believe. So there is good evidence there that we know how to do this, and we have done an environment where we have actually taken less price, and we have actually driven more customer growth. So that is the first big tick is that we have done this successfully this year.

Next year, obviously, is a bit more challenging. Why? Because we do not have the rebasing of food that we had this year, which helped that process. We do have cheese going up next year. There are some other things slightly coming down, but it is a net increase next year for sure. The reason why I feel good about it is we have so many levers we can pull within our toolbox, if you like, particularly through our digital environment, particularly through the way that we can talk to customers through collection, through lunch, through delivery. And I think the trick will be to stay consistent with our messaging. I cannot disclose all the things we are working on, but I can assure you the team have already got a few different scenarios of things that we will do. We will be discussing those with the franchisees in the next few days, and few weeks, and we have got plenty of time to organise ourselves for that.

You are correct in the fact that I think we are better-placed than our competition to deal with, simply because of the volumes that we have, the profitability that we have, the balance sheet that we have compared to our competition. So I think we will be a net beneficiary. I also think that the customer, based on my previous experience in other parts of the world, is that the core customer of ours will have more money in their pockets, and we typically see that flow through to us in terms of sales. So I think this is an opportunity to run at it and be counterintuitive to what others will do. Hence, because I have seen these mistakes made before, so I feel like we are well-placed. Are we taking it lightly? No, we are taking it very seriously. However, I can

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assure you that our franchisees are equally as focused as we are, as working as one team to knock this out of the park again next year, like we have this year. Hope that answers your questions, Doug?

Douglas Jack: No, that is perfect. Thank you very much.

Andrew Rennie: Welcome.

Wayne Brown (Panmure Liberum): Hi, it is Wayne, over here. Can you just talk me through, you mentioned obviously that you are offering better value and that is a key driver of the growth? And obviously the headline prices in the quarter, I think, were up 2%. Can you just bring that up to life for us a little bit more as to what do you mean by offering better value? And is this part and parcel of the franchisees partaking in more promotions, more marketing, or is it more to do with the mix of the products that people are buying? If you can just bring that to life for us a little bit more, it would be really helpful.

And then just lastly on, let us call it the demise of Papa John's, or let us call it the market dislocation in some of your competitors, the budget is clearly an important inflection point in 2025, which may necessitate franchisees to push prices, etc. However, can you just give us your view as to considering how weak your competitors are, what is your big picture view of what could happen next year from a market share perspective? Because clearly, this could potentially drive a greater wedge between you and your competitors. Thanks.

Andrew Rennie: Yes, sure. Thanks, Wayne. So, first of all, I think headline prices, 2% of their customers buy on our headline prices on our menu pricing. So it is really quite irrelevant. What actually matters is what customers are buying in actuality. And the actuality is our things like our "weeknight steal", our £8, £10, £12 or £4 lunches and a bunch of other deals, etc., that particularly through the app, we can offer to our customers, franchisees continue consistently to recognise and honour those and support those. Support those through their own local marketing, yes, and also through top-line marketing from the national level. And that consistency of that message has just continued to play through and customers are telling us now that they are seeing this as better value than they have seen since 2020. And I think that grows. Consistency is so important here because as you know, our customers are only buying on average once a quarter. So what we talk about and think about every single day for them is like, I thought about that 13 weeks ago, 12 weeks ago. So the support from franchisees on making sure that we support those everyday high-quality offers are important and that is what has been working. So that is the first point.

Next point is, you are right. I think pretty well everyone will have to take some price next year. There is no doubt about that. I think the lazy ones will take all of it in price, and that will hurt them. That is what I have seen in the past. They will have severe order count declines, and I think we will be the beneficiary of that. We think we can be smart on that. We will take some pricing for sure, but I think we will be elegant and smart around that because there are so many different levers we can go with, and we think that will place us well for order count growth, albeit it may be slightly small. It may not be, may not be because others will be pushing them towards us, but certainly the key underlying part of all this is great service. Because what will happen is people will start cutting back on staff, cutting back on delivery drivers. Service times will go out to 30, 40, 50 minutes, cold pizzas or products just in general. We are too disciplined to do that. And again, that will push people back towards us.

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And in other countries I have been in where brands did this, when this happened, those brands ceased to exist three or four years later. So I would not be surprised if that happens, particularly when they are coming from such a low base of sales per store and a very low base of profitability. It will be very difficult, but I am more focused on what we do and making sure that we get our franchisee profitability, maintaining it at least, which will be a combination. There are about 12 different levers that we will be pulling to achieve that. So I feel pretty confident about that.

Did I miss any other points? Nothing? That covered them? Thanks, Wayne.

Wayne Brown: No, that is. That is great. Thank you very much. Good update today.

Andrew Rennie: Thank you.

Hai Huynh (UBS): Hi, thanks for taking my question. My first one is on store openings.

Can you go a bit into more detail on why the store openings is lower this year? Is this also for the whole market? And when you saw say you reach 1,400 by FY25, are you indicating towards the end FY25 or somewhere within H1, Q2, something like that for 1,400 stores?

Second question is just a bit more colour on the loyalty programme and rollout. So a digital site, are you still expecting to roll out loyalty programme in FY25? And again timing on that, is it beginning of the year, end of the year? And any more colour on Uber Eats rollout contribution so far? Thank you.

Andrew Rennie: Okay, so there are three questions there.

So first of all, your question around store opening. So look, there is a myriad of things. There is no one reason, right? We have got sometimes landlords just not leaning in, in terms of like the building might be falling down. And I will give you an example. We have got a roof falling down and one of the sites we are opening that is supposed to open in a few weeks time, and he would like us to pay for it, and he wants us to take for a full liability for the apartments above the store. Now, we are not stupid, and we do not need to take stores for the sake of it. So we walked away from that site. Another one where there is an issue with the plumbing, like severe issues. It is going to take six months to fix. You could not pick that until you got in and started busting the floor up. Another one where we are waiting for electricity and gas to be connected, and it is slow planning. So sometimes these things can typically take three months and all of a sudden, they are short of staff and they take six months. So they are the sort of things that happen to us. Unfortunately, I have seen this in every country in the world that I have worked in. Again, it does not change our long-term view.

We have opened 12 stores in one day in the UK before. So these things can swing around pretty quickly, but we feel good about picking those back up next year.

And your point around next year about when do we open the 1,400th store? Look, I do not have that in front of me. It is sometime next year. Again, because of the planning environment, something that could be planned to open Q2 today, may fall into Q3 next year. What I can say is the pipeline looks very good for next year. It is actually very healthy. We actually have quite a new team in place who are doing a fantastic job. One of the best teams I have seen, actually. And they are really gathering a body of steam for next year. So already the outlook for 25 looks very healthy, which is why I feel so confident about the 1,400th store. However, I cannot tell you which quarter we will open in.

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On loyalty, yes, look, so far, I am really happy with the results. The learning that we are getting, every week we are learning something new. Still early days, that is why it is a test phase. We do feel like we will go to a bigger version of it next year for sure. Exactly when, again, I cannot tell you. It is some stage next year, but it is more likely to be in the earlier half rather than the back half. However, that could be Q2, towards the end of Q2. So let us take midyear just to be conservative, but we are very encouraged by the numbers we have seen so far. That is for sure. Early days, but positive.

Edward Jamieson: And then Uber Eats rollout.

Andrew Rennie: Uber Eats going really well, really happy with the relationship there. Franchisees are embracing it. It is a win-win for both sides. So yes, we feel really good about it and feel like it is contributing. It is still when you put it all together, I mean Uber is still talking single-digit-type numbers, where it is not a major part of our business. We still drive our own apps, still drive people to our own network. That still is the best ecosystem for us, but it is a nice addition. So we see that it is an add-on, particularly in certain places.

So I think hopefully that answers your questions, Hai.

Hai Huynh: Yes, got it. Thank you very much.

Richard Taylor (Barclays Capital): Yes. Morning, team. Can I just understand better please what is going with like-for-like pricing? You show that the price is +2% overall year-on-year. However, that is a total number, is it not? So just trying to square the circle between the around 4% order growth and like-for-likes of about 1%, depending on whether we reported or comparable numbers. So that is the first question.

The second question, clearly encouraging to see volumes up year-on-year, but can you help us Understand whether they are up on a like-for-like basis? Again, there has been space growth, and just to understand how pleased you are with that performance, with the context of a tougher macro backdrop, but also in terms of where you would like the business to be overall. Thank you.

Edward Jamieson: Sure. Richard, let me comment on those. We are not breaking out our like-for-like volumes today. That is a change that we made earlier on this year. However, what I would point out is, look, you can see that volume is back in growth on the total sales basis, and that is because we are focused on sustainably driving total sales and like-for-likes through volume. And if you think about it, that applies on a sort of mature estate as much on new stores. So in terms of the focus around like-for-likes, I think the overall indicators, patterns that you see in the total system sales, you think about them similarly for like-for-likes.

Andrew Rennie: And if you look at our ticket, it is slightly down. And that is because, again, we are providing better value to customers, which is why they are coming more often or more people are coming. So we are really focused on that order count growth, rather than just putting the price up, which is actually masking declining order counts. So that is important to us.

Does that answer your question, Richard?

Richard Taylor: Yes, I am just trying to work out the overall impact of falling prices in some of the commodity items and what is happening on pricing, because I realise that if prices are coming down for the franchisees, then it is all about volumes, clearly. However, just trying to understand how much this is you focusing on volume versus maybe a more promotional environment driving people to put lower like-for-like prices through. That is really what I am trying to understand better.

Andrew Rennie: Yes, well, I think maybe you are overthinking it. At the end of the day, we just want more customers to order from us more often. And that is what they are doing. And yes, they might be spending a bit less because we are offering a better delivery deal. £8, £10, £12, people are accessing that more than what they say were a year ago. Which means, ipso facto, that they may be spending less on that ticket, but they are coming more often. And all I want, I want customers to come more often, or I want new customers to come to us that have not been coming to us in the past. And in the environment where commodities have come down, we have been able to do that, and do that in a profitable way, particularly for our franchisees.

Next year, the environment is different. You have got commodities slowly going upwards, you have got labour going upwards. So therefore it is going to be a different environment. However, we put ourselves in a great position to manage that for next year.

And to answer your question, how do we feel about it? I feel bloody good about it. At the end of the day, an environment where people are showing like-for-like. However, actually when you look underneath the cover there is actually no order count growth, it is all pricing. So it is actually masking the fact that less people are coming to their business. We have got the opposite, we have got more people coming to our business, which is fantastic because you cannot make more profits from customers you do not have.

So I feel very good about it. I am really proud of what the franchisees have done. And do not forget service plays a big part in this. Franchisees have really worked hard to make sure they are giving great service. I know to you guys a minute of your time, big bloody deal. However, when you are doing over 50 million deliveries a year, saving a minute, which actually has come down two or three minutes over the last couple of years, is actually massive because every minute has an impact on customer repurchase intent, which has been shown globally. So that is not easy to do. We really feel proud about the numbers we run. Compared to others in the market, we are not talking a few minutes better than others, we are talking 10, 20 minutes better than others. So it is another reason why the moat around our business continues to get bigger. And I think with the budget that actually may lead into our favour because of our system and our structure we have, and therefore our moat may get bigger, which is what I have seen in the past.'

So I hope that answers your question, Richard. If it does, then let us take it offline and have a more one-on-one if you would like. I am happy to go deeper if you like.

Richard Taylor: That is great. Thanks for the colour.

Andrew Rennie: Welcome.

Richard Stuber (Deutsche Bank): Hi, good morning. Just one question for me now.

In terms of your collection business, I think you are slightly down in the third quarter. Could you say when you plan to return that collection to growth? And do you see the collection as a more competitive market than delivery, I guess, given the alternative value offerings from competitors like McDonald's and Greggs? Thank you.

Andrew Rennie: Yes, thanks, Richard from Deutsche Numis. I would say that there are a couple of reasons, Richard. One is we have not purposely gone harder in chasing collection. We

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think that we are, again, just being sustainable there and consistent in the messaging has been good for us. A portion of that are those customers coming into delivery, which we are happy about. So we have no problem with that. Is it a competitive environment in that collection value space? Yes, definitely. There is no doubt it is, but I do not think we have necessarily lost there. I think it is because we are not really putting massive focus or marketing dollars or aggressive pricing to try and get the customers across at this stage. If we wanted to, and we may do a bit more of that next year, maybe one of the levers that we pull out to help balance the ledger with labour costs, it is not hard to do. I have been there, done that before, many, many times. That is not a big issue.

However, I expect that probably by H2 next year, you will see collection in the positive area. And I would like to think that we can keep deliveries in the positive as well. The idea is having both positive because 90% of the time they are a different customer. There is about a 10% overlap, and I think you are seeing part of that 10% overlap has moved from collection to delivery because we have been offering that better delivery value than the past, which is why some of those collection customers have elected, and no wonder, with the weather in this country, elected to go into delivery, which I fully get it, and we like. So we are happy with that.

Richard Stuber: Great, thank you.

Andrew Rennie: Thanks, Richard.

Ross Broadfoot (RBC Capital): Morning, everyone. A couple of questions from me.

Great to see the strong order growth in delivery. Can you comment on the extent to which that was driven by new customers? And second question, commentary on the new stores, I think implies a slightly greater focus on virgin stores rather than split. So what should we read into that? Thank you.

Andrew Rennie: Yes, thanks, Ross. Two good questions, actually. Look, I would say based on the last numbers I saw, it does fluctuate around a fair bit. However, there is a fair chunk of a balance of increased frequency and returning customers and a balance of new customers. So it is a good healthy amount of both, and we are seeing reduction in churn. So therefore, because of the better delivery service, less people are churning, so they make me very, very happy. They are the sort of metrics I look at regularly. So that is that part there.

And virgins and split, not too much to read into it, except for two things. One is virgins have great ROIs. They are very profitable very quickly. So franchisees do like going there. The other one is just availability of spaces. You cannot underestimate how hard it is to get an R1 in the right location rather than just taking any location. We are very specific about where we go. So quite often it is availability at the right location. I mean, some of our franchisees have waited five, six years for the right location to come along. And when it comes, you grab it. However, it is a waiting game to get to the right location. What I can say is the stores they are opening, extremely happy with the sales. I mean, some of the stores, we had a store open on Monday night, did £11,000 on a Monday night. I mean, quite incredible for a brand-new store. So the quality of the openings have been very high. Again, franchisees really doing a great job there. And our own corporate network and our own corporate stores in Ireland, etc., doing an exceptional job as well. So we are really seeing some fantastic numbers. And Shorecal is doing really well. And our influence over there will probably have a record organic opening in Ireland this year across the island of Ireland, which we will be able to report in March. However, yes, I feel really confident about what is happening over there as well. So I think that answers your question.

Ross Broadfoot: Brilliant. Thanks, guys.

Andrew Rennie: Thanks, Ross.

Look, thanks for everyone for putting the time into coming out to chat to us. We really appreciate it. I am proud of where we are. Look, we are in a long game here. For me, I do not like to think about quarter by quarter. What I would like to think about is the next two years, six years, ten years to be fair. And it looks good, right? There is no mistake why this business has been around 40 years, and we are going to make sure we are around at least another 40. So, yes, it has been a team effort. And the franchisees and 38,000 team members do an incredible job every day with their delivery time that underpins the rest of it.

However, I am feeling great about the fact that customers are voting with their feet. That is most importantly. Not that we are just taxing them more with more costs, but they are coming because they want to come to us for the great value, the great service.

So thank you very much and look forward to seeing you all again in March, if I do not reach out before for some great reason. Thank you.

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