Domino's Pizza Enterprises Limited
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Hamilton, QLD, Australia 4007
ACN: 010 489 326
www.dominos.com.au

7 February, 2025

TRADING UPDATE

- **H1 25 underlying NPBT expected to be between $84m and $86m[1], within our guidance range.**
- **Comprehensive strategy review underway** including delivering a value creation plan and market review to enhance performance, with key focus areas including Japan and France.
- **Domino's will close 205 loss-making stores[2] (172 in Japan)** to sharpen market focus and improve profitability, including $15.5m in estimated annualised savings from store closures and accelerated refranchising, with a one-off cost of in the region of $97m (~$37.4m cash component).
- **Net Debt** increased by $15m to $705.1m at H1, with an underlying reduction in net debt of $31.4m, offset by $46.4m in FX translations. Comfortably below banking covenant thresholds.
- **Dividend:** Domino's presently intends to determine a 55.5 cent per share interim dividend (unfranked), subject to a fully underwritten DRP.
- **H1 Group Same Store Sales (SSS) of -0.6% | H2 SSS (first five weeks) +4.3%[3].**

Business Review: Strengthening the Foundations for Sustainable Growth

Domino's Pizza Enterprises Ltd (ASX: DMP) today announced the first outcomes of a detailed operational and financial review to create a simpler and better Domino's: improving profitability, strengthening franchise partnerships, and positioning the business for long-term sustainable growth and improved shareholder returns.

Group CEO & Managing Director Mark van Dyck said: "When I started in this role three months ago I said we would move decisively to reshape our business for long-term success. Where change is required, we are acting quickly and transparently. Our priority remains clear—creating value for customers, franchise partners, and shareholders."

This Group-wide review focuses on two key areas across all markets to build on the growing global demand for QSR, QSR pizza and Domino's market-leading position.

1. **Cost efficiency:** Simplifying the store network and the cost base, identifying opportunities to buy better, and spend better, in areas including food, packaging and technology, with $18.6m of annualised network savings identified to date.
2. **Strategic growth:** Developing a value creation plan, including refined market strategy, to drive sustainable long-term value across Domino's global portfolio.

Domino's intends to use the benefits of these initiatives to reinvest in the franchise partner network, however the size of the total savings pool, and the appropriate division with the franchise partner network, is still to be determined.

Decisive Actions in Japan: Resetting for Profitable Growth

Following a detailed operational and financial review, Domino's intends to close 172 stores in Japan (58 franchised, 114 corporate) to focus on prefectures where the company can leverage scale, brand strength, and operational efficiencies.

[1] The preliminary result for the 26 weeks ending 29 December 2024 is based on underlying earnings and remains subject to audit review and finalisation
[2] The closures will largely occur in Q4, with full savings to be realised during Financial Year 2026 and beyond
[3] Asia is currently benefitting from sales tailwinds due to the timing of seasonal celebrations

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- These closures are expected to generate $10-12m annualised EBIT uplift while incurring one-off restructuring costs of $61.8m.
- Many of these stores were opened during the COVID-19 sales surge but have since struggled with declining post-pandemic demand and higher input costs.
- Stores selected for closure have low weekly order volumes and limited ability to reach profitable weekly order counts in the near term.
- Domino's has identified these stores in either sub-scale prefectures, such as Iwate, unable to benefit from Domino's scale advantages, (including supply chain efficiencies and marketing reach), or were opened prematurely.
- Domino's will focus on profitable order growth in prefectures where the Company has a competitive advantage.

Mr van Dyck said Japan remains a high-potential market and Domino's will balance performance and growth by adopting a more focused and disciplined strategy.

"Japan is an attractive market for Quick Service Restaurants and pizza, with significant long-term upside for Domino's.

"Some of our COVID-period expansion resulted in stores that simply weren't optimal based on our current customer proposition and removing them will strengthen our network.

"We are committed to being disciplined in expansion—prioritising locations in high density prefectures where we can drive incremental, profitable growth.

"To reach our potential, we are taking decisive action. We are also refining our value proposition and improving our pricing strategy to position existing and new stores for sustainable success."

The company will provide a further update on its Japan strategy at an Investor Day in H2 FY25.

Earnings and Same-Store Sales (SSS) Performance

Group underlying NPBT expected to be between **$84m and $86m**, within our guidance range. The store optimisation and associated one-off costs will result in a statutory loss for H1.

Region	H1 25 Same-Store Sales	Network Sales	Network Sales Growth on pcp (H1 25 vs. H1 24)	Network Sales Growth on sequential half (H1 25 vs. H2 24)
Asia	-4.2%	-$45.4m	-8.4%	+0.7%
ANZ	+0.6%	+$3.5m	+0.5%	+4.6%
Europe	+0.6%	-$20.0m	-2.3%	-0.9%
Group	**-0.6%**	**-$61.9m**	**-2.9%**	**+1.4%**

- **Europe** same store sales (SSS) were positive**,** with Germany recovering from weakness earlier in the half to end H1 at -0.01%, Benelux delivering strong growth, but France lower. French franchise partners have committed to an additional 1% marketing contribution in CY25.
- **ANZ** has continued to deliver positive results, with new product launches reaching customers on new occasions, including the launch of Domino's Giant Doughnuts, which added additional sales and customers.
- **Asia** SSS were mixed: Japan SSS were lower in H1 but delivered a strong result in the important Christmas trading period, Singapore and Taiwan delivered >10% growth, and Malaysia's exit rate for the Half was positive after cycling external headwinds.
- Group FX translation headwind on Network Sales is $28.6m, and store closures during FY24 accounted for a further Network sales decline of $33.8m.

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Financial Position and Capital Management

- Net debt increased by $15.0m to $705.1m, with an underlying reduction in net debt of $31.4m offset by $46.4m in foreign exchange translations due to the weaker Australian dollar.
- The Group's Net Leverage Ratio ('NLR') was less than 2.5x for H1 25, within covenant threshold of <3.0x.
- The one-off restructuring costs will not impact the Group's covenants, as these costs are considered extraordinary in nature and are excluded from EBITDA when determining the Group's NLR.

Dividend

- Domino's presently intends to determine a H1 FY25 interim dividend of 55.5 cents per share unfranked (maintaining prior year dividend)
- The dividend is proposed to be fully underwritten under the Domino's Dividend Reinvestment Plan (DRP).

Outlook and Path Forward

- A review of savings initiatives through simplifying the cost base is continuing. As that progresses, the appropriate proportion of reinvestment to the franchise system will be determined, as well as the anticipated earnings benefit to DMP.
- H2 FY25 trading has started positively, with SSS +4.3% across the Group in the first five weeks.
- The Japan turnaround strategy is underway with a focus on sustainable long-term market positioning.
- Further updates will be provided at an Investor Day in H2 FY 2025.
- Domino's remains focused on strengthening franchisee partnerships, delivering customer value, and driving profitable long-term growth and shareholder returns.

APPENDIX

Cost Efficiencies Identified so far	FY25 Network Benefit	Annualised Network Benefit (recurring)	FY25 Non-Recurring Costs
Store Optimisation[4]	$2.5m	$15.5m	$97.2m
Cost Efficiencies	$12.4m	$18.6m	To be determined
Total	**$14.9m**	**$34.1m**	

Note: Benefits and related Non-Recurring Costs of savings initiatives are still to be determined as work, including identifying opportunities to buy-better and spend-better, is still ongoing. Domino's will determine how best to reinvest in the franchise partner network to improve unit economics and deliver growth, once the work is completed and the size of the savings are quantified.

Further details on the trading performance, outlook and interim dividend will be provided at Domino's H1 FY25 results scheduled for 25 February 2025, and remain subject to finalisation and the audit review process.

This release has been authorised for release by the Board of Directors.

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For further information, contact Nathan Scholz, Head of Investor Relations
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[4] Including closure of 205 Corporate and Franchised stores, impairment of 51 licensed Franchised stores and impairment of 19 Corporate stores. DMP estimates there will be a Network Sales headwind of up to $100m from these store closures, however a proportion of these Network Sales will be captured by neighboring stores