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Domino's reports 38.8% increase in Net Profit After Tax following acquisition of Domino's Pizza Japan

It has been a period of solid growth and integration for Domino's Pizza Enterprises Limited (DMP) and the results are evident, with Australia's favourite pizza maker reporting a $20.2 million half year Underlying[1] Net Profit After Tax, up 38.8% on the corresponding period last year.

Result Highlights

During the reporting period, Domino's opened a record 60 new stores across the Group, including the 600th Australasian store.

Domino's Group CEO and Managing Director Don Meij said the solid financial results, only four months after the acquisition of the 75% shareholding in Domino's Pizza Japan (DPJ), continue to deliver shareholder value.

"It's been a positive half year period for us and it's great to see the results of further integrating Domino's Pizza Japan into the network. In December alone, we saw a record sales month in this market of ¥3.6billion, up from a previous record of ¥2.9billion. We are also extremely excited to report that we have surpassed Pizza Hut in total network sales to become number two in the Japanese market," Mr Meij said.

DPJ's Underlying[1] EBITDA exceeded Company expectations, adding $11.2million to the Group, up 25.5% on the same four-month period last year. Same Store Sales (SSS) growth of 7.8% for the period under DMP ownership has been equally impressive, assisted by a return to television advertising in the Tokyo and Osaka regions for the first time since 2006. DPJ has also added 21 new stores to its network since its acquisition by DMP, contributing to a record store growth of 28 for the half year.

Japan isn't the only success story Domino's delivered in the solid financial results. Australia and New Zealand achieved significant sales growth, aided by the rollout of 25 new stores (our highest first half organic store growth since H1 06) and strong SSS growth of 5.6% for the half. This, coupled with improved corporate store margins, has resulted in impressive EBITDA growth of 21.3%.

"As a result of the market not meeting expectations, we have gone through a significant restructure in the European markets with a new senior management team in place including Andrew Rennie in the role of CEO Europe (and France), together with Jean-Marc Dayan as Chairman Domino's Pizza France," Mr Meij said.

Developments in Digital

Digital innovation continues to be a core focus for the Company with Domino's reporting close to 60% of total sales now coming from online in Australia, with over 50% of those sales from mobile devices.

"During this reporting period, we rolled out a new digital platform in Australia and New Zealand which was the biggest change to online ordering since it was launched in 2006. We have also implemented the global online ordering and point-of-sale systems in The Netherlands.

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[1] Underlying profit is the Statutory profit contained in Appendix 4D of the Domino's FY14 Half Year Financial Report adjusted for significant items specific to the period. The charges include such things as professional fees and other costs directly attributable to the Japanese acquisition and restructure of the European management team.

"It's really important we get the right infrastructure to help facilitate expected online sales growth and with this in mind, we have commenced the rollout of the global online ordering and point-of-sale systems in France and Belgium.

"We are the first QSR in Australia and one of the first globally to utilise Snapchat for commercial activity as well as grow on other social media platforms including Twitter and Vine. In addition, we are the first Australian company to participate in Google's "Full Value of Mobile" study, and only the second globally."

Financial Summary

The Company will pay shareholders an interim fully-franked dividend of 17.7 cents per share, up 14.2% on the dividend paid in the prior comparative period.

The interim dividend will be paid on Tuesday 11 March 2014 with a record date of Monday 24 February 2014.

	H1 14 Statutory	Significant Charges[1]	H1 14 Underlying[1]	H1 13 Statutory	+ / (-)
Store count	1,290		1,290	934	
Total Network Sales	$576.2m		$576.2m	$411.8m	39.9%
Same Store Sales	4.6%		4.6%	1.5%	
Revenue	$265.4m		$265.4m	$140.8m	88.5%
EBITDA*	$38.7m	$3.8m	$42.5m	$26.5m	60.5%
NPBT*	$27.8m	$3.8m	$31.6m	$20.2m	56.5%
NPAT after Minority Interest*	**$17.5m**	**$2.7m**	**$20.2m**	**$14.5m**	**38.8%**
EPS*	**21.6c**		**25.0c**	**20.8c**	**20.3%**
Interim Dividend (per share)	**17.7c**		**17.7c**	**15.5c**	**14.2%**

**Figures in the above table have been rounded to one decimal. Percentages (%) have been calculated on actual figures.*

Looking Ahead

In Europe, Andrew Rennie has commenced in the role as CEO Europe with a clear mandate to accelerate store, sales and profit growth in the region.

We expect the second half of the year in the French market to improve following the implementation of key initiatives including an increase in national marketing spend, increased investment in digital and a restructured marketing team.

Another initiative in Europe is the increasing of trading hours in The Netherlands to include lunch.

The Company plans to celebrate its 400th European store opening in the coming year.
In the second half of the year we have another 25 organic store openings planned in Australia/New Zealand, and a continued focus on our corporate store sell-down.

In Japan, an upgrade of our electronic direct mail systems will provide significant improvements. In addition, we will continue to relocate stores to higher-profile locations and commence the rollout of a unique new-store image, both initiatives serving to improve and drive carryout sales.

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The launch of the internal franchisee financing program in Japan occurred in December, and we expect that it will help to accelerate our store rollout plan. The 300th Japanese store is expected to open in April.

Scrip Consideration for New Store Initiative

In accordance with Listing Rule 3.10.3, the Company advises that it has agreed to issue shares having a value of approximately $380,000 to a business partner as part of an initiative to open new stores.

The Company anticipates that the shares will be issued in March, subject to the signing of definitive agreements. The shares will be issued at the market price on the day prior to issue and will not raise any cash as it represents the Company's contribution towards the commercial arrangements. Shareholder approval is not required for the proposed issue of shares and the Company does not intend to seek such approval.

The shares will be escrowed for up to 5 years, subject to exceptions, and if the value of the shares at the end of the escrow period is less than the original issue value after adjusting for exchange rates, the Company has agreed to issue an additional number of shares so that the total value of the shares is at least the original issues value after adjustments.

Guidance Update

As a result of the pleasing start to the year, combined with the initiatives that are expected to impact the second half, we are upgrading our EBITDA growth guidance for Japan to be in the region of 25% for the full year.

After solid first half profits we are re-confirming our EBITDA guidance for ANZ/Europe of growth in the region of 15% for the full year.

We are optimistic that our new store pipeline in all regions will deliver store growth in line with our strategic goals and as a result we are upgrading our future outlook for group store count to 2,750 stores.

Today, DMP has a network of 1,290 stores, including 610 in Australia and New Zealand, 393 across France, Belgium and The Netherlands and 287 in Japan.

~ENDS

Domino's Group CEO Don Meij will be available for telephone interviews on Wednesday 12 February 2014 between 9.30am – 12noon (Sydney time).

For further information, interviews or images please contact:
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