



Media Announcement - ASX

14 October 2015

## Domino's Pizza Enterprises Limited to acquire Pizza Sprint in France

### Highlights

- Domino's Pizza Enterprises Limited ("DPE") has entered into a binding agreement to acquire the "Pizza Sprint" chain of 89 pizza stores in France
- The acquisition will bring the total number of stores for DPE in France to approximately 330 and provide significant benefits to the efficiency of DPE's franchise system and logistics in the French market
- As a result of the acquisition, DPE is revising its future store count forecast in Europe from 1350 to 1500 stores
- Initial cash consideration of €31.5 million, with a further €3.5 million in cash in instalments, based on the satisfaction of certain criteria
- Immediately EPS accretive on a pro-forma basis by approximately 4%, with the business to be acquired generating EBITDA of approximately €3.5 million in its 2015 financial year
- The acquisition is expected to close in January 2016, subject to the satisfaction of conditions precedent

### Overview

DPE today announces that it has executed a share sale agreement with the owner, Mr Franck Guegan and Food Court Finance SRL, to acquire the Pizza Sprint chain of pizza stores in France for approximately €35 million.

Pizza Sprint is a leading chain of 89 pizza stores in the west of France, comprising 12 corporate stores and 77 franchise stores, with a format that has proven to be suitable in both major cities and smaller population centres.

The Pizza Sprint business to be acquired delivered network sales of approximately €30.4m and achieved earnings before interest, tax, depreciation and amortisation (EBITDA) of the order of €3.5 million in its most recent financial year ended 31 March 2015, inclusive of normalisation adjustments<sup>1</sup>.

It is expected that the store count for DPE in France will increase to approximately 330 stores, with an additional 80 net stores arising from the acquisition<sup>2</sup>, and further reinforce DPE's position as the largest pizza chain in the French market.

The additional stores are all in close proximity to DPE's commissary in Vertou in the west of France, complementing DPE's existing store network, and are well-placed to maximise efficiencies in logistics and distribution.

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<sup>1</sup> Normalisation adjustments of €0.7 million comprise the removal of vendor salaries and certain general and administrative costs which are not applicable under DPE ownership

<sup>2</sup> DPE expects a small number of stores from either the existing store network or Pizza Sprint will be rationalised over time due to the proximity between stores in some locations

Commenting on the acquisition, Andrew Rennie, DPE's CEO Europe, said that:

*"The acquisition of Pizza Sprint will build a sizeable and complementary store presence for DPE in the west of France, provide insights on store formats which suit trading in regional towns and add 20% to our national marketing budget, delivering benefits across the enlarged store network."*

The transaction is scheduled to complete in January 2016 and DPE will work with the vendors and franchisees towards conversion of the Pizza Sprint stores to Domino's Pizza stores from that time until the end of the 2017 calendar year.

The owner of Pizza Sprint, Mr Franck Guegan, said:

*"We are pleased that the Pizza Sprint business will be passed to such a pre-eminent pizza chain operator in DPE and are delighted that our franchisees will be able to access DPE's global expertise in product, procurement and digital offerings which will benefit our customers."*

The acquisition is part of DPE's strategy to pursue opportunities for growth, whether driven by innovation, organic store rollout or through acquisitions.

DPE Managing Director and CEO, Don Meij states:

*"Pizza Sprint is a small but important acquisition which allows DPE to capitalise on the forward momentum we have been able to achieve in our European business, particularly in the last few years. We continuously look for opportunities to grow, both within our existing business and through further acquisitions."*

### **Acquisition consideration and funding**

Consideration for the purchase price is all cash. The purchase price comprises an initial payment of €31.5 million on completion, with up to a further €3.5 million payable progressively over 18 months, conditional on certain criteria being satisfied. DPE expects that the full consideration will ultimately be payable.

The acquisition of Pizza Sprint will be funded by a combination of existing and additional DPE Group debt facilities.

The transaction is approximately 4% earnings per share ("EPS") accretive on a FY15 pro-forma basis. Due to the expected timing of completion in January 2016, the transaction is mildly accretive to EPS on a basis consistent with FY16 guidance excluding transaction costs.

### **Master Franchisor approval**

The transaction has received the full support of Domino's Pizza, Inc.

### **Outlook**

As a result of the acquisition of Pizza Sprint, DPE revises its guidance for new store openings in FY16 to between 260 and 280 stores, up from its previous guidance range of 180 to 200 stores.

Additionally, in light of the solid performance of the business in Europe recently, which is further enhanced through the acquisition of Pizza Sprint in France, DPE is upgrading its Europe long term store count guidance from 1350 to 1500 stores.

DPE will provide information on its year to date performance at its AGM on 4 November 2015.

**~ ENDS**

**Craig Ryan- Company Secretary**

DA Partners and Flagstaff Partners acted as financial advisers to DPE. AyacheSalama and Thomson Geer acted as legal advisers.

**For investor enquiries regarding the transaction, please contact:**

Richard Coney – Group Chief Financial Officer, Domino's Pizza Enterprises  
T: +61 7 3633 3332 | E: richard.coney@dominos.com.au

**For further information or interviews please contact:**

Tracy Stephenson – Communications Manager, Domino's Pizza Enterprises  
T: +61 7 3326 5430 | M: 0408 771 024 | E: tracy.stephenson@dominos.com.au