



**7 October 2016**

In addition to providing the Annual Report, in 2016 Domino's Pizza Enterprises Limited is also making available to its shareholders a separate commentary on the results in an electronic and interactive form, as a website.

Our fully functional website can be accessed at the link below:

<http://dominosinvestors.com.au/annualreport2016>

A PDF version of the commentary follows.

**Craig Ryan**  
**Company Secretary**



# **SLOW** WHERE IT MATTERS **FAST** WHERE IT COUNTS

Domino's Pizza Enterprises Limited's (DPE's) 'Slow Where It Matters, Fast Where It Counts' philosophy is a huge driver for innovative development and operational excellence in DPE's stores across the global network.

It means we are slow in taking the time to make delicious pizza, spending time with customers and providing excellent service – and fast in the improved hustle and service times, crunching delivery times and streamlining our operations. We are focused on safer, more efficient delivery, whilst investing in world class ordering platforms. A huge driver of this is 'Project 3/10' which has already enabled some of our stores to deliver in 10-12 minutes and reduce pick-up times to 5-6 minutes.

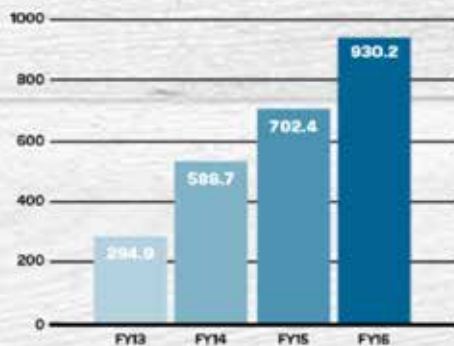
The focus on 'Slow Where It Matters, Fast Where It Counts' will continue to grow sales, with the 10-minute delivery of hot, fresh pizza attracting customers of drive-thru restaurants.

This philosophy has underpinned a great deal of the success and growth experienced in FY16 and will continue to play a significant role in the growth of the business across all seven markets in the next 12 months and beyond.



# GREAT RESULTS KEY STATS 2016

## REVENUE

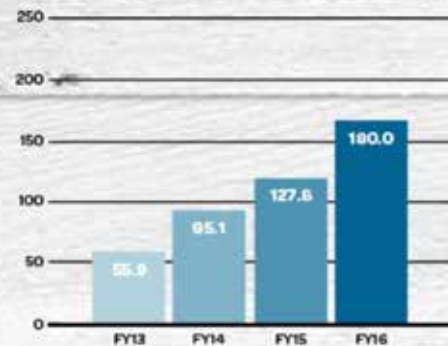


UP **32.4%**

Underlying Revenue

*Group*  
**SAME STORE SALES**  
*increased to*  
**10.9%**

## EBITDA



UP **40.9%**

Underlying EBITDA

CHAIRMAN'S MESSAGE

# JACK COWIN

*Domino's Pizza Enterprises Limited has achieved remarkable growth over the past couple of years and we continuously strive for innovation, efficiency and operational excellence.*

On behalf of the Board, I am pleased to report that it has been another record year for DPE (ASX: DMP). The Company recently reported FY16 Network Sales of \$1,964.1m, an increase of 32.7% on the same period last year. There was also record underlying Net Profit After Tax (NPAT) of \$92.0m, up 43.6% on last year and exceeding Group guidance.

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CEO REPORT

# DON MEIJ

*It has been another great year of innovation and incredible growth at Domino's Pizza Enterprises Limited.*

In FY16, we have been able to lift underlying Net Profit After Tax (NPAT) by 43.6% to \$92m and we have been able to increase EBITDA by 40.9% to \$180m. We have been able to achieve this because we have been able to grow Group Same Store Sales (SSS) by 10.9%. We also added an extra 484 stores to the business across the seven markets. If we take a closer look at our individual markets.

[Play Don's Report](#)

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## GREAT RESULTS MARKETS

### HIGHLIGHTS & ACHIEVEMENTS

AUSTRALIA / NEW ZEALAND



### HIGHLIGHTS & ACHIEVEMENTS

EUROPE



### HIGHLIGHTS & ACHIEVEMENTS

JAPAN



### CHOCOLATE FOR CHARITY

As part of the Domino's Give for Good program, a recently new initiative, Chocolate for Charity has also been created.

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### DIVERSITY AT DOMINO'S

At DPE, we value, respect and leverage the unique contributions of people with diverse backgrounds, experiences and perspectives.

[+ Read More](#)



### PARTNERS FOUNDATION

At DPE we know that our team members are the heart of our business.

[+ Read More](#)

## GIVE FOR GOOD

*At DPE, we understand that there is more to business than just improving our bottom-line.*

Of course we are focused on building a great brand but we also believe that it is our duty to try and improve the communities we operate in and the people around us as well. Which is why in 2016 we launched our Give for Good program.

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# JACK COWIN



Domino's Pizza Enterprises Limited (DPE) / The Company has achieved remarkable growth over the past couple of years and we continuously strive for innovation, efficiency and operational excellence. On behalf of the Board, I am pleased to report that it has been another record year for DPE (ASX: DMP). The Company recently reported FY16 Network Sales of \$1,964.1m, an increase of 32.7% on the same period last year, and record underlying Net Profit After Tax (NPAT) of \$92.0m, up 43.6% on last year and exceeding Group guidance.

In FY16 the company's revenue increased by 32.4% to \$930.2m, largely driven by organic growth, acquisitions and first-to-market innovation. The Group reported excellent underlying EBITDA growth of \$180.0m, up 40.9% compared to last year.

The strong results were driven by double digit Same Store Sales of 10.9%, with Australia and New Zealand recording its second consecutive year of double digit Same Store Sales of 14.8% while Europe reported strong Same Store Sales of 8.2%.

The Company paid shareholders a final dividend of 38.8 cents per share (70% franked). Added to the interim dividend of 34.7 cents per share, this brought the full year dividend to 73.5 cents per share, up 41.9% on the final dividend paid last year.

As well as opening 49 new stores, FY16 saw the Australia and New Zealand (ANZ) market record outstanding underlying EBITDA growth of 28.0%. This was the result of launching a range of disruptive digital initiatives such as the market-first 'Project 3/10', '15/20 Minute Service Guarantees', 'On-Time Cooking' and the global launch of the world's first autonomous delivery vehicle DRU, Domino's Robotic Unit. This all contributed towards strong ANZ online sales growth of 33% year-on-year.

With record organic growth and strong Same Store Sales, Europe again delivered exceptional underlying EBITDA growth of 122.8%. Network sales growth and record digital growth was supported by the PULSE Point Of Sale (POS) system rollout as well as the rollout of 'OneDigital', DMP's group online ordering platform. The European market also added a record number of 366 additional stores. Belgium led the way with online sales growth of 125% compared to the last financial year, followed by similarly impressive results in France and the Netherlands with 69% and 44% respectively. A new French commissary, which will be fully operational in October, will be the most automated DPE commissary in the world.

The Japan market achieved strong EBITDA growth of 25.5%, driven by the increase of the size of the network, with a record 69 new stores opened. This, in turn, improved economies of scale and increased franchise store count. In a challenging economic environment, Japan outperformed the competition with the Company significantly investing in a number of significant technology pieces including GPS Driver Tracker, PULSE POS and 'OneDigital'.

The Company continues to look at ways to accelerate growth through network expansion, leveraging innovation and acquisitions. FY16 saw the successful acquisitions of Domino's Germany, Joey's Pizza (in conjunction with Domino's Pizza Group plc) and Pizza Sprint businesses, adding about 300 stores to the Network. The Domino's brand is now the market leader in Germany, with significant growth potential as we introduce our digital platforms and innovative ordering solutions that have proven results in our other markets.

People right across the world are taking notice of the technology and innovation we are developing right here in Australia.

As we look to the year ahead, we remain committed to our customers, keeping abreast of changes and innovations and continuing to ignite ideas for our business and for our customers that push the boundaries of what is possible.

We thank you for your ongoing support and look forward to continuing to explore what's possible and taking you on the journey with us.

**JACK COWIN**  
NON-EXECUTIVE CHAIRMAN

## CHAIRMAN'S MESSAGE

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### GIVE FOR GOOD



It has been another great year of innovation and incredible growth at Domino's Pizza Enterprises Limited. In FY16, we have been able to lift underlying Net Profit After Tax (NPAT) by 43.6% to \$92m and increase EBITDA by 40.9% to \$180m. We have been able to achieve this because we have been able to grow Group Same Store Sales (SSS) by 10.9%. We also added an extra 484 stores to the business across the seven markets. If we take a closer look at our individual markets:

## ANZ

In Australia and New Zealand (ANZ), we have had another incredible year where our underlying EBITDA was up 28%. This was achieved because we grew our SSS by a huge 14.8%. We also added another 49 new stores to the system organically. We cannot open stores fast enough to keep up with the incredible sales growth that we are achieving in this market. ANZ online sales also grew an astonishing 33% throughout the year. This is all due to the innovative pieces of technology we are creating and exporting to the rest of our businesses. The most significant platform we were able to create in the last year was our GPS Driver Tracker which helped us to develop our new 15/20 minute service guarantees where customers can pay a small fee to ensure their pizza is delivered in 15 or 20 minutes. This technology also led to our On-Time Cooking platform which uses geolocation technology to ensure pick up customers always receive fresher, hotter pizza straight from the oven. It's this sort of technology, along with other new food products that we launched throughout the year that were the big drivers of growth and will continue to be the big drivers into the future.

## EUROPE

This year we celebrated our 10th anniversary in Europe with some extraordinary results. Our underlying EBITDA increased by an incredible 122.8%. Our SSS were up 8.2% and our revenue was up 47.5%. We also added 366 stores to the network in Europe through a record 64 organic new stores and 302 stores through acquisitions. All of the existing markets grew and we also added Germany to the business in FY16. The German market is the fifth largest pizza market in the world. This really has been a big year for online ordering in Europe. The Dutch business was up 44% in online sales. France was up 69% and the Belgium business was up over 125% for the year. Our third year of online ordering in the Netherlands market has just seen extraordinary profit growth. The Belgium business is now rolling into its second year of online ordering, hence why it increased by 125%. We've now begun the roll out of our global Online Ordering platform in France, hence why they were up 69%. Online ordering will continue to be the key driver of the Domino's business in Europe.

## JAPAN

It was another solid year in Japan as well. Underlying EBITDA was up 25.5%. We added a record 69 organic new stores and grew our network sales by 14.8% and as guided, our SSS were -2%. All of this strong growth has meant that in FY16, we announced that we are now the market leader in Japan. In just three short years, we've gone from being the third largest player in the market to the leading player by sales. That's quite an extraordinary amount of growth and I really want to congratulate team Japan on achieving that significant milestone.

In 2016, we started to implement some really significant technology changes, including our GPS Driver Tracker as well as our PULSE Point of Sale (POS) platform in the Japan market.



## LOOKING FORWARD

In FY17, we will continue to roll out Project 3/10 throughout ANZ where our ultimate aim is to be able to have a pick up order ready in 3 minutes and a delivered order at the customer's house in and around 10 minutes. We know that time is the enemy of food however Project 3/10 means we are able to compress this time so our customers can receive fresher hotter pizza every time.

Our 'Slow Where It Matters, Fast Where It Counts' philosophy really is a significant part of going forward. Slow Where It Matters means we ensure we make our customer's pizzas correctly, that we drive safely on the roads and that we spend the right amount of time with our customers at their door. Fast Where It Counts is where we have really made some big inroads. We are now rolling out a faster oven. Right now, those ovens take approximately 7 minutes 15 seconds to cook a pizza however soon, we will be able to reduce this cook time to 4 minutes and 5 seconds. Ultimately, these ovens will be able to cook pizzas in around 3 minutes which is incredible. In FY17, we will be going to market with the biggest menu relaunch since 2008. We are a food company at heart. It's our great food that keeps our customers coming back time and time again. We are so proud we've been upgrading our ingredients and bringing really tasty wholesome new ingredients to our customers. Our biggest menu launch since 2009 Taste the Colour will see upgrades to the majority of our pizzas with new ingredients as well as new pizzas, new side items and new desserts.

We have opened so many new store over the past couple of years and with all of this extraordinary growth. I'm really proud in this reporting season to be able to share that the number of stores we predict we will open in ANZ in the next six years has now been upgraded from 900 to 1200 stores. For many of our shareholders, the question is how do you achieve those numbers? I'd really like to highlight that while we're still big in pizza as we have 32% of the pizza market, we're still quite small in fast food generally as we only have 2.8% of the fast food market in Australia. We believe pizza and the other food groups that we'll be adding to the menu will help us continue our fantastic growth.

Europe is a business that will someday outpace our ANZ business. In the European countries that we operate, there are over 175 million consumers who eat significantly more pizza compared to our ANZ market. We are soon to open a Commissary in Paris which is the most automated Commissary in the entire Domino's system.

We aim to have converted all of the German stores over to Domino's around Christmas and the Sprint stores in France sometime in the second half which is an extraordinary feat. I am so proud of the fact that our EBITDA margin will be within the region of 20% in two years' time. That's within four years of what we had previously guided. Congratulations to the fantastic work being done by our team in Europe!

In Japan, we are currently laying the foundations for our further growth. In FY17, we will open our 500th store in Japan. We will also see the full rollout of OneDigital so we can leverage all of the great technology we have created. Between the new store openings and all of the new technology, we really think we will have a strong FY17 and FY18. Japan will have opened 850 stores by 2022. It really is an impressive market inside our business.

I would like to thank everybody who has been such a big part of the results throughout DPE around the world. Firstly, to our team members who really are some of the best team members in the entire fast food industry. They work tirelessly to make sure that we can leverage all of this incredible technology and all of these big ideas. Our managers, our leaders and our franchisees are also investing and making all of this growth and innovation possible. When you think of how disruptive Domino's is, it would not be possible without our franchisees embracing those changes. I would also like to thank our board members for their support in our big ideas and the investments that we continue to make and of course, I'd like to thank our shareholders. It is all of your trust in us that inspires us on a daily basis to keep making sure that we've got solid growth in the near term but also solid growth for many years to come.

**DON MEIJ**  
CEO & MANAGING DIRECTOR

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## GIVE FOR GOOD

# HIGHLIGHTS & ACHIEVEMENTS



## AUSTRALIA & NEW ZEALAND

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The Australian and New Zealand (ANZ) market saw some incredible results in FY16 recording outstanding Same Store Sales growth of 14.8%, driven largely by the success of both digital and product innovation.

Throughout the year, a total of 49 new stores opened across Australia and New Zealand, taking the total number of stores to over 700 in this market.

Further to this, a number of stores have reduced their delivery areas to improve customer service, as well as split delivery areas to make way for new stores. When a franchisee splits a store, it is an opportunity for them to grow their business by reducing their delivery areas, improving service times and increasing positive customer feedback by splitting the territory and opening a second Domino's store. This ensures our team of Delivery Experts are able to perform more deliveries, while being committed to our 'Slow Where It Matters, Fast Where It Counts' philosophy.



## 600TH AUSTRALIAN STORE

DPE opened its 600th Australian store in East Bundaberg in May. Reaching this milestone is a testament to the passionate team members and even more so to the passionate customers. The group as a whole is now at over 2,000 stores over the seven markets.

## THE WORLD'S FIRST SUB 10-MINUTE DELIVERY STORE – PALM BEACH

Implementing the Company's 'Slow Where It Matters, Fast Where It Counts' philosophy, the Domino's Palm Beach store in Queensland was the first store in the world to have an average delivery time of under 10 minutes. The Palm Beach team is passionate and dedicated to achieving a common goal of making sure customers receive fresh, hot pizza delivered safely and efficiently.

In FY16 we also celebrated the 600th Australian store opening in East Bundaberg, and refurbished a significant number of our stores to ensure each store remains current, fresh and relevant in the eyes of customers. A total of 92% of stores throughout the ANZ market have now been refurbished to the 'Next Generation Entice Image' refurbishment.



# DIGITAL INNOVATION

DPE prides itself for being first to market when it comes to digital technology and innovation. In the past financial year, the Australian Development Digital team delivered a record number of more than 80 digital projects and updates across the Group, all focussed on offering customers with an improved experience and stores with improved efficiencies. Having seen record online growth for each market, DPE has pushed the boundaries of what can be achieved in this space.

This focus has led to year-on-year online sales growth of 33% achieved in the ANZ market.

Read more about some of our digital highlights and achievements from the past 12 months in this market.

## DLAB

In February, the Company launched a dedicated innovation space set to encourage out-of-the-box thinking both internally, to benefit DPE customers, and externally to support start-ups, entrepreneurs and disruptive thinkers.

Named the "DLAB", the innovation space is designed to solve business problems and disrupt and revolutionise the industry.

For more information about DLAB, visit [thedlab.co](http://thedlab.co)



## DRU

Earlier this year, we unveiled our newest team member to join the delivery team – DRU (Domino's Robotic Unit), growing the delivery capabilities of our teams and our stores. The idea for DRU came from our internal innovation sessions and was developed within the DLAB, shortly after its global launch.

DRU is the world's first autonomous delivery vehicle. With sleek refined lines combined with a friendly persona and lighting to help customers identify and interact with it, DRU is a world first in the space of commercial autonomous delivery. He is a four-wheeled vehicle with compartments built to keep the customer's pizza piping hot whilst travelling on the footpath at a safe speed from the store to the door.

DRU symbolised the first step for DPE in the Artificial Intelligence (AI) space and is currently engaged in customer trials as we work hard to make enhancements and further develop DRU's capabilities.



## PROJECT 3/10

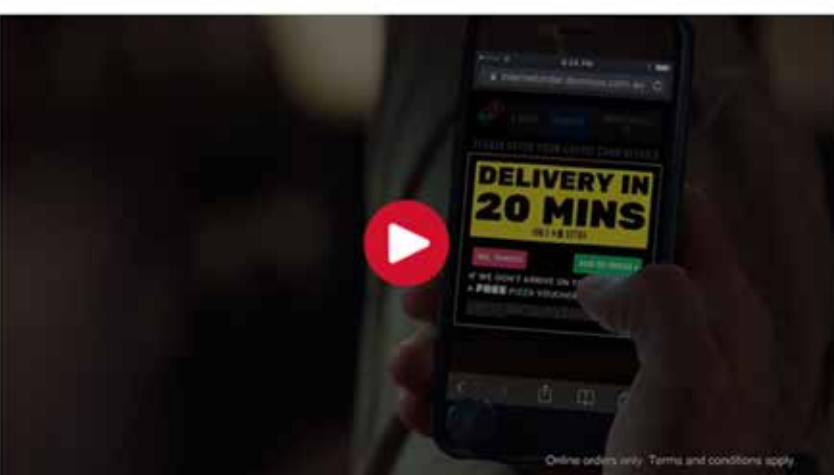
DPE's GPS Driver Tracker started as a driver safety initiative but the insights it provided the Company extend further than just the delivery side of the business. It opened the pizza lid to the Company's new philosophy of, 'Slow Where It Matters, Fast Where It Counts.'

A key focus of this philosophy is the introduction of Project 3/10 – a goal of getting a pick up order complete in three minutes and a delivery in under 10.

This project was inspired by smarter ovens designed by DPE, speeding up the cooking process through the improved use of convection heat without having to modify any ingredients.

With these new ovens, cook time has been reduced from seven minutes down to four, with the goal of three minutes not too far away.

This has allowed DPE to introduce 15 and 20 Minute Service Guarantees, utilising new technology and algorithms to offer customers faster and safer deliveries.



## SMS ORDERING

In December, we introduced a new level of convenience for customers with SMS ordering, allowing customers to place their last order or their "Fast Favourite" in just a few seconds, by texting the word "pizza" or sending the pizza emoji.



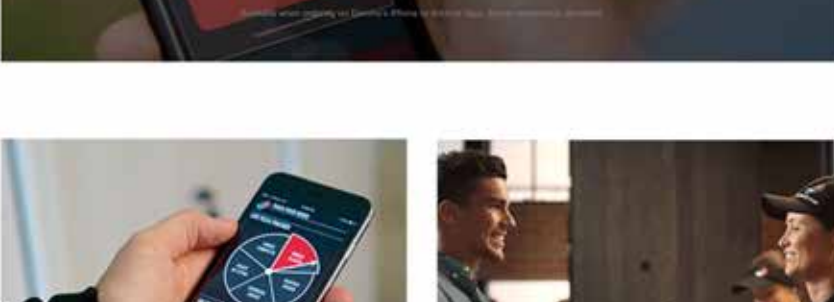
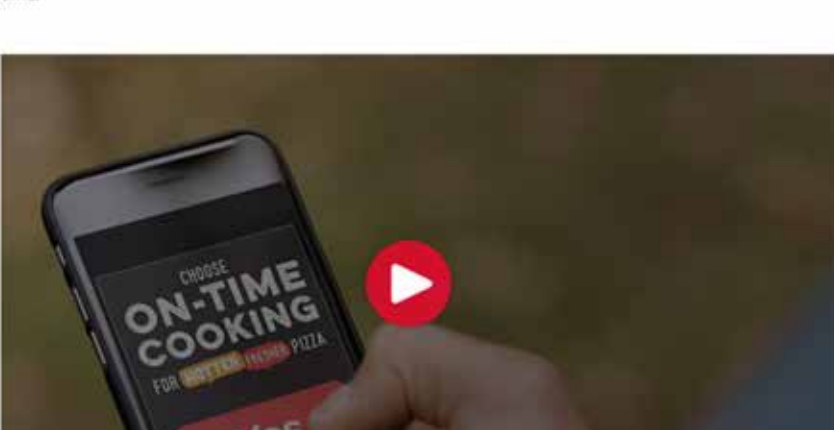
## ABACUS

In June 2016, DPE revealed its inaugural Abacus Tech Series event to showcase the Company's digital development and first-to-market technology to media, shareholder and industry thoughtleaders. Challenging the status quo as just a pizza Company, DPE has been leading the industry with innovations of late including the world's first autonomous delivery vehicle, DRU (Domino's Robotic Unit), SMS Ordering and the DLAB which is an innovation hub, to name a few. The Abacus event, hosted twice yearly, is a great way to showcase the journey the Company is on and the technology they are releasing.



## ON-TIME COOKING

In June 2016, DPE announced its On-Time Cooking feature which uses geolocation technology to ensure pick up customers always receive fresher, hotter pizza straight from the oven. The opt in service ensures the cooking process does not begin until after the customer has entered the Cook Zone (a dynamically updated virtual zone around the store that represents the current store lead time) and also let the mobile app know how they are getting to the store, whether it be by car, on a bike or walking. On-Time Cooking means that regardless of being held up or stuck in traffic, pick up customers receive hotter, fresher pizza right out of the oven, every time.



## AUSTRALIA & NEW ZEALAND

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# FOOD INNOVATION



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In FY16, the product development team worked hard on adding more choices to DPE's menu by introducing a number of popular new sides including Chicken Lollipops, Chipotle Chicken Kickers and the limited time only, Decadent White Chocolate Mousse with Caramel Popcorn.

Further to this, the team worked hard to improve the signature Cheesy Garlic Bread by adding 50% extra cheese which helped enhance the delicious taste for the customer and was received extremely well in market.



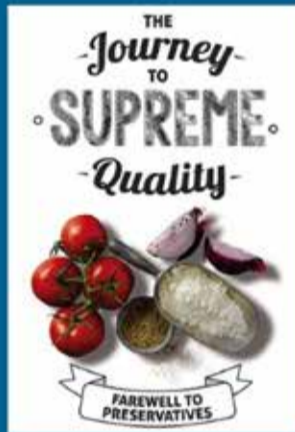
In FY16 we returned on focus to developing products specific to targeted markets. The 'Melbourne range' includes four new and improved pizzas, designed specifically for the people of Victoria. After completing extensive research of the Melbourne foodie culture, DPE's Global Development Chef Stefaan Codron and his team developed the range which includes The Lot, Chicken Tandoori, Veggie Supreme and Capriciosa.

With seafood being such a staple of Australian diets, the team also brought back the popular prawn pizza range which is full of fantastic, unique flavours and very popular in Australia's summer season.

## OUR PRESERVATIVE FREE JOURNEY

DPE is committed to providing customers with supreme quality and as such, is working tirelessly towards creating a menu that's better for customers and that's preservative free, artificial free and colour free. This has been a major initiative for us and we know it's not something that can be achieved overnight - it takes commitment from the entire team as well as our suppliers and business partners. We are committed to providing customers with the same great taste they know and love and we are ahead of schedule on this exciting journey.

We have already taken significant steps in this journey with a number of our products already preservative free, artificial free and colour free including our chicken sides, all of our desserts as well as a number of other key Domino's products.



# LOOKING FORWARD

FY17 marks an exciting year of growth and innovation for the business in each of its seven markets. It will be another huge year of projects for the digital team with first to market innovations and completion of all Domino's markets to 'OneDigital' set for the end of FY17.



We plan to open another 65 new stores in the Australia and New Zealand market in FY17. This will see us plan and prepare for growth in the areas of store designs, job opportunities, food innovation and digital development.

Longer term in ANZ, our store outlook has been upgraded by 300 stores to 1200 due to the strength of the category in market share, strong sales performance and store expansion goals. This will be made possible by leveraging our online and innovation capabilities through a number of significant projects.

We will continue to take on the drive-thru market and other categories by rolling out Project 3/10 with safer, more efficient deliveries, whilst investing in world class ordering platforms and new payment methods. Commitment to this project will see the Company enable more than 150 stores by H1 17 and more than 300 by FY17. We expect our focus on this area of the business will see 10-12 minute delivery and 5-6 minute carry out continue to be a significant driver of sales over the next 3-5 years.



Zero Click Ordering will be launched this financial year and will allow the customer to order a pizza without even touching a button. Setting new benchmarks in the industry, Zero Click Ordering is set to be the easiest way to order a pizza in Australia. On top of this, Apple Pay and Android Pay payment methods will be delivered in Australia by FY17.

The second phase of On-Time Cooking in the ANZ will continue to put the customer's order first and challenge the notion that "Time is the Enemy of Food". The longer a pizza sits on a rack, waiting to be delivered, the more it deteriorates and quality is compromised.



## DRU DRONE - SOARING TO NEW HEIGHTS

More recently, Domino's announced a partnership with the global leader in drone deliveries, Flirtey to launch the first commercial drone delivery service in the world, DRU DRONE working in consultation with the aviation authorities.

The use of drones as a delivery method is designed to work alongside DPE's current delivery methods and will be fully integrated into online ordering and GPS systems.

The reach that a drone offers is far greater than other current options which are restricted by traffic, roads and sheer distance. DPE will look at the results of the trial to determine where drones are implemented further.

DRU DRONE is the next stage of the Company's expansion into the Artificial Intelligence space and gives us the ability to learn and adopt new technologies for customers to order from. The successful partnership commenced with a pizza delivery by drone in Auckland, New Zealand and we look forward to connecting people with pizza via drone deliveries from selected Domino's New Zealand stores with flights to customer homes as we continue to expand our knowledge and customer offering in the space of Artificial Intelligence.



We will continue to push the boundaries of what's possible in the digital space to offer our customers more convenience in the ordering space and give DPE a bigger slice of the Quick Service Restaurant market.

The Company's biggest menu launch since 2008 will be unveiled in FY17 and will be rolled out in three phases. The 'Taste the Colour' menu launch will see us focus on celebrating our fresh, top quality ingredients and bring the colour of our ingredients to life. We are continuing to improve the quality of our products using natural, colourful ingredients and continuing to remove significant amounts of fat from our products. This latest launch will further enhance the taste of customer favourites such as the BBQ Meatlovers and Supreme Pizzas as well as introduce fantastic new pizzas, sides and desserts. With the introduction of 21 fresh new ingredients, Domino's new pizzas include Lamb Tzatziki, BBQ Lamb and Bacon and a Creamy Chicken Carbonara Pizza. New sides will also make their way onto the menu including Korean Spiced Sticky Wings and Mac n Cheese Croquettes and the delicious new desserts including a Caramel Fudge Pie, Cookie Brownie and Triple Choc.



On top of this, we will be introducing two new food categories in the second half of the year, to drive more occasions. These will be launched in Australia initially and then rolled out to other markets at a later date.

Another huge project for the food development team will be delivering a menu which is better for our customers and one which is free of artificial colours, artificial flavours and preservatives. We are on track to deliver this commitment in FY17 and are proud of the progress we are making in this space.

Although increases in labour costs are expected in Australia in the second half of 2017, we are prepared for this increase and we are confident that the initiatives we have built up in the business will mean that Franchisee profitability will continue to grow, despite these increases.

The momentum in this market is showing no signs of slowing and we are excited, optimistic and energised by the growth strategy to continue to give DPE a bigger slice of the ANZ market.



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# HIGHLIGHTS & ACHIEVEMENTS



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## THE NETHERLANDS AND BELGIUM

We have had a huge year of growth in terms of store openings in both Belgium and the Netherlands, opening a combined 37 new stores and recording the highest Same Store Sales growth in our European markets.

We're achieving this through introducing digital innovations, to increase efficiency and streamline processes, and plenty of store growth.

We introduced a new, upgraded store design, featuring heavy usage of natural materials and an improved, casual sit-down atmosphere. All new stores were fitted with digital menu screens above the counter, reinforcing a modern brand image and stimulating inspirational upselling.



A third of deliveries across Belgium and the Netherlands are now completed by our innovative new E-bikes with some stores already using E-bikes for 100% of their deliveries.

Domino's also achieved the best rated pizza chain in the Netherlands on all 10 quality aspects, as confirmed by the new independent GfK study\* and was awarded the second highest Quick Service Restaurant ("QSR") rating for brand recognition.

(\*Gesellschaft für Konsumforschung (2016) Pick Up & Delivery Channel insights Report, March 2016, The Netherlands: GfK Dungen)



## E-BIKES

E-bikes are transforming our delivery business! Not only are they nearly silent which is better for noise pollution, they are environmentally friendly. DPE is part of the local communities in which we operate and we see E-bikes as pedalling this important philosophy. They are more cost efficient to own, run and maintain than traditional vehicles and they can also be more time efficient through access to bike paths and footpaths. Not to mention our staff love to get out and about, pedalling pizzas to customers.

## FRANCE

France had a huge year. The Company completed the successful acquisition of leading pizza chain Pizza Sprint in the west of France. The Pizza Sprint acquisition added a further 89 stores to the Company's network.

Significant organic growth in the market also saw the opening of 32 new stores in this market, including three new store concept designs: City, Urban and Bistro.

This past year, we made a major commitment to the Mayor of Paris to ensure all of our Delivery Fleet vehicles in Paris will be electric by 2018. For franchisees, E-bikes and scooters help to improve delivery times.

Domino's France developed an ongoing partnership with League 2, the second most watched football league in France, with 58% of French football fans following it\*. This was an important step for the Company as it enabled the brand to establish itself permanently in the minds of the people of France. This partnership helped to strengthen our national brand awareness and increased our local visibility.

\*Ipsos - Baromètre d'image des clubs professionnels de football Saison 2014 - 2015



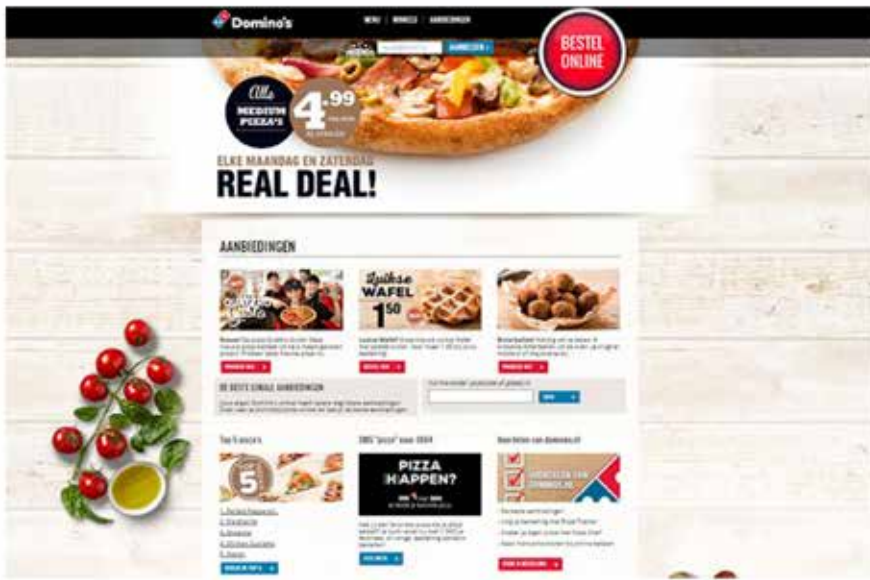
## GERMANY

The acquisition of Joey's Pizza (in conjunction with Domino's Pizza Group plc) was completed in February and the conversion of those stores to Domino's commenced in April. The very first German DPE Domino's opened in Böblingen (south of Germany) in May. By adding Joey's Pizza to Domino's, the Company gained market leadership in Germany and grew by more than 200 stores. Currently, OneDigital, Live Pizza Tracker, Apps and other DPE innovations are being rolled out in Germany.

Due to its aggressive conversion strategy, DPE is already seeing converted stores exceed management expectations.



# DIGITAL INNOVATION



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## THE NETHERLANDS AND BELGIUM

Domino's Belgium and the Netherlands have continued with record new store openings. The Netherlands and Belgium – The sentence now reads 'The Netherlands market has enjoyed year-on-year digital growth of 44% and 125% for Belgium.

Recently, we launched the Group's new online ordering and website platforms in these markets which also contributed to the sales growth increase in these markets. In addition to this, we reinforced and strengthened the internal digital team's capabilities and capacity, leading to cost savings and greater effectiveness of digital programs and media.

We started online-only Mega Weeks in both markets which also contributed to record digital sales. With the help of OneDigital, the Netherlands continues to lead the way in online ordering, helping to achieve a weekly record result of 92% for delivered online sales.

Other highlights include increasing our presence in the wearable technology space by introducing DPE's Live Pizza Tracker via the Apple Watch in both markets.

Online payment methods were expanded to include Paypal and Bancontact/Mr Cash, the number one debit-transaction method in Belgium.

Leveraging learnings in other markets, we introduced and road tested Priority Ordering and GPS Driver Tracker in a number of corporate stores, preparing for national roll out in the next financial year.

We also introduced an innovative 'Pizzalab' cross-media campaign, resulting in record social and digital interactions, including over 200,000 visits to the campaign site and over 10,000 customers submitting personalised recipes.

## FRANCE

It has been equally as busy in France in terms of digital innovations and delivering improved solutions for customers and as a result, the market saw strong year-on-year online sales growth of 69%.

OneDigital will continue to roll out, improving convenience and usability for customers. OneDigital has also helped to drive online sales in France with some stores able to achieve over 70% of sales online.

We launched two new exclusively digital promotions to increase our average ticket by developing sales in delivery menus online. One of the promotions was Football Night, an exclusive partnership with beIN Sports TV network. The other promotion was Movie Night, which was an exclusive partnership with 20th Century Fox Home Entertainment.

Another big project for the France digital team is the WebToPrint platform which allows stores to order and personalise all promotional point of sale material.



## GERMANY

In Germany we launched a completely new ordering website and PULSE POS webshop including the DPE Live Pizza Tracker and a new app for Smartwatch, Smartphone and Tablet.

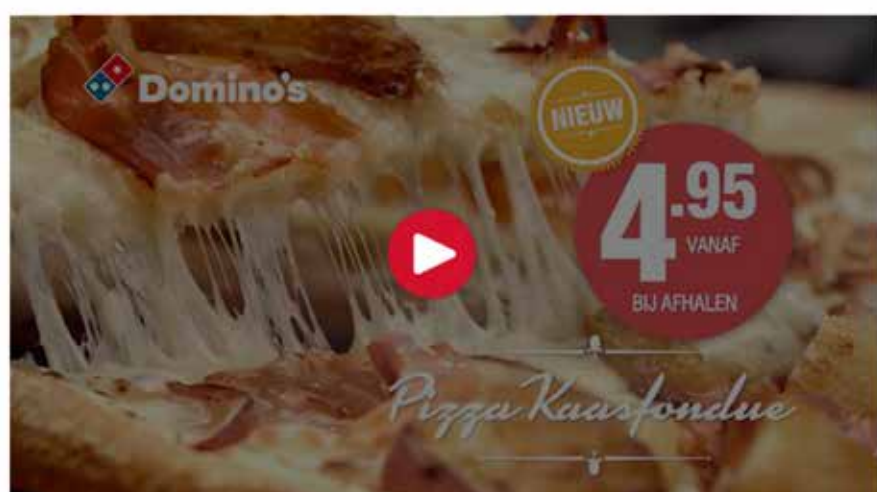
We continued to expand the one digital platform and commenced the roll out of the new online ordering system in Germany which has been successful thus far and has an expected completion date of December 2016.

We continue to leverage the learnings of Australia and New Zealand and our other European markets to ensure we are rolling out and executing DPE's digital platforms as the conversion process takes place.



# FOOD INNOVATION

It has been another exciting year for product innovation across the European markets. We have introduced new quality products which are specific to each market, with the help and market insights of our European Development Chef. All of our European markets are close to finishing the 100% preservative and additive free journey with the completion to take place in all markets over the next 12 months.



## THE NETHERLANDS AND BELGIUM

Domino's Belgium and the Netherlands have continued leveraging scale of benefits and record new store openings. The Netherlands market has enjoyed year-on-year digital growth of 44% whereas Belgium has seen a massive year-on-year digital growth of 125%.

Recently, we launched the Group's new online ordering and website platforms in these markets which also contributed to the sales growth increase in these markets. In addition to this, we reinforced and strengthened the internal digital team's capabilities and capacity, leading to cost savings and greater effectiveness of digital programs and media.

Helping to further shift sales online, we started online-only Mega Weeks in both markets which also contributed to record digital sales. With the help of OneDigital, the Netherlands continues to lead the way in online ordering, helping to achieve a weekly record result of 92% for delivered online sales.

Other highlights include increasing our presence in the wearable technology space by introducing DPE's Live Pizza Tracker via the Apple Watch in both markets.

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## FRANCE

A third pizza range was added to the Domino's France menu. This range, called Les Signatures, offers a combination of original flavours in a bold rectangular format while maintaining the quality that DPE is known for. The new range combines many new original flavours with tasty signature flavours including the Fig-Goat, the Ox-Pepperoni, the Scottish Salmon and the Bacon Flavour Truffle Sauce.

We also now source our cheese from a specific region in France which has helped to enhance the flavours of our pizzas. Other new additions to the menu include the popular Cheesy Bread Pizza and the Mexicaines Pizza range.



## GERMANY

Domino's Germany has offered customers a new and improved menu. This menu includes the Cheeseburger Pizza, the Chili Chicken Burger Pizza and the popular Pizza Extravaganza. Some of the well-known Domino's pizza recipes are also on the menu.

In addition, we offer a variety of sides like Chicken Strippers and Chicken Wings, Potato Wedges and a variety of desserts including Domino's decadent Lava Cake.



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DPE expects the European markets to achieve record organic new store growth in the next financial year and the EBITDA margin growth is expected to continue to accelerate.

A number of significant milestones in the 12 months ahead for this market include celebrating the opening of the 300th store in France and the 50th store in Belgium in FY17.

We will be launching various best in class technology across Europe, including rolling out GPS Driver Tracker to the Netherlands by the first half of 2017 and 15 and 20 Minute Service Guarantee to customers. This will improve the delivery service to customers, increase transparency for operations and continue to increase market share across the region.

Same Store Sales momentum continues to grow in all our European countries with DPE now the market leader in Germany. Significant growth potential is expected as we introduce DPE platforms and innovation ordering solutions that have proven results on our other markets.

As DPE continues on its journey to provide customers hotter, healthier, faster, fresher and more colourful food and we anticipate expanding and revolutionising the menu even further in FY17. This includes tapping into European food trends, further improving the quality of toppings such as replacing the turkey topping with a Parma Ham and adding Prosciutto Frugo. We will also look at upgrading our sides and bring elements of Taste the Colour menu from ANZ into Europe.

Working on delivering customers a preservative free, colour free and artificial free menu that's healthier and better for them will also be a focus in this market.



## NEW FRENCH COMMISSARY

France has opened a new commissary (dough ball production and ingredient distribution facility) which will be fully operational from October 2016.

DPE is committed to being at the forefront of technology, this commissary will see annualised savings in the region of €2m.

The commissary will use a world first robotic dough placement system and robotic stacking system, making it the most automated Domino's commissary in the world. Other technology utilised in the commissary will include automated tray washing and a pick to light system which gives 80% efficiency gains.

## ACQUISITIONS

It is expected that the next 12 months will see Domino's Germany, Joey's Pizza and Pizza Sprint stores contribute significantly to DPE growth and results in our European markets.

Momentum will continue to build as Pizza Sprint stores transition to and implement DPE proven technology and systems including the PULSE POS and leveraging DPE technology and scale benefits.

PULSE POS and OneDigital will be fully rolled out in the French market by H1 17. The Company expects that all Joey's Pizza stores in Germany will be fully converted to Domino's by H1 17 including PULSE POS and OneDigital while Pizza Sprint stores in France will be fully converted to Domino's by March 2017.

One Digital, Live Pizza Tracker, Apps and other DPE innovation are currently being rolled out in Germany and it is expected that efficiencies from these digital platforms will continue to build on the strength of the brand and further accelerate entry into regions where DPE is less penetrated.

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We opened our 400th Domino's Pizza Japan store just prior to our 30th anniversary in September and finished the year at a huge 453 stores.

We are increasing store counts in new markets and opened stores in five new markets in the last financial year; Sendai, Shiga, Tokushima, Toyama and Yamanashi. We relocated 34 stores to carry-out friendly locations and remodelled six stores in the new year. As a result, the Japan market also saw the highest carry out sales on record this year.

As a Company, a huge total of 69 new stores opened in just 12 months and 38 of these stores were financed through our Can Do! Partners franchising program which has been set up to help franchisees to purchase their stores.

We launched the new 'Mugen 3.0' store design in the first half of the year, which features a face-to-face transparent make-line to improve our customer's instore experience. This new store design is now installed in 73 of our stores, with more to transition over in the next financial year.

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# DIGITAL INNOVATION

The Domino's Japan market achieved impressive year-on-year digital growth of 31%.

The team worked tirelessly on the roll out of the new PULSE POS system in all of the 449 stores and work is close to completion on delivering OneDigital to the market.

GPS Driver Tracker is now live and running in all Japan stores, offering customers transparency over their deliveries.



We also launched the Buy One, Get One Free button online in February to encourage carry-out consumers to order online and this successfully boosted the overall OLO percentage.

The new online ordering platform on 'LINE' went live in September. LINE is Japan's largest social networking service which contributed to the Company gaining new consumers as well as to increasing online ordering percentage.

Domino's Japan was named as the number one Company for 'Social Media Contribution to Sales Increase', as a result of the digital marketing initiatives being highly recognised in the market by Nikkei Digital Marketing.

Press Release: (<http://corporate.nikkeibp.co.jp/info/newsrelease/20160222.shtml>)



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# FOOD INNOVATION



Domino's Japan saw the first ever upgrade on the hand-tossed dough which launched in the Japan Summer and was designed specifically to cater for Japanese tastes.

Pan Pizza launched in Japan in October and the campaign product 'Quattro Rich Winter' featuring the new dough hit the highest sales on record.

Domino's Japan is almost entirely artificial, preservative and colouring free, continuing to focus on taste and high quality ingredients.



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Japan has a busy 12 months ahead with the opening of its 500th store planned for this financial year and the relocation of a further nine stores to carry out friendly locations planned for the first half of the year. This focus will also present further expansion opportunities into new regional markets in the first half of FY17 and see Domino's gain further momentum in this market.

Continued commitment to the growth of the Japan market, will see us implement a number of the proven and popular digital platforms from the ANZ market into Japan. This includes the fastest ever country rollout of the PULSE Point of Sale system.

OneDigital will begin its phase in launch, with a target rollout completion date of October and it is expected that benefits from these IT platforms will gain momentum throughout the 12 months.

We will also complete the installation of a new telephone system designed to maximise phone call answering efficacy at store level.

GPS Driver Tracker will continue to provide customers with more transparency over their ordering process, differentiating Domino's from its competitors and setting the benchmark for Quick Service Restaurants in this market.

Japan will also introduce another five Can Do! Partners stores, and 10 new franchised stores as well as pursuing further expansion opportunities into new regional markets in the first half of this year. A continued focus on the sophisticated Mugen store designs and refurbishments will put Domino's stores in Japan front and centre.



We will continue to invest in food development with a dynamic and changing menu and capitalise on emerging food trends popular in this market. With Domino's Japan almost entirely artificial preservative and colour free, we will continue to invest on delivering customers tasty, high quality ingredients.

Our solid foundation in this market, along with the significant investment in sophisticated digital platforms and store growth, has Management confident and enthusiastic about future growth and performance of Domino's Japan. It will be a big 12 months of leveraging innovation and continuing to set Domino's apart from competitors in the market.



GIVE FOR GOOD

# GIVE FOR GOOD



We understand that there is more to business than just improving our bottom-line. Of course we are focussed on building a great brand but we also believe that it is our duty to try and improve the communities we operate in and the people around us as well. This is why in 2016 we launched our Give for Good program.

DPE operates stores in every state and territory in Australia, from the big cities to the small towns. We are a truly national Australian company, and through our franchisees and our employees we believe in giving where we can when communities or individuals are doing it tough.

Our giving philosophy focuses on four key areas where we aim to develop sustainable best practices and innovative ideas to make a difference:

- Education & Youth Initiatives;
- Disaster Relief;
- Food & Sustainability; and
- Leadership & Entrepreneur.

In FY16 DPE established a partnership with the Foundation for Rural and Regional Renewal (FRRR) to support rural, regional and remote communities in the Company's four key areas - Education & Youth Initiatives; Disaster Relief; Food & Sustainability; and Leadership & Entrepreneurship - all of which are areas FRRR regularly provides support to communities.

The first projects to be funded through the partnership will help a community in NSW affected by storms and flash-flooding in 2015, while another will enable the expansion of a program addressing racism in country areas.

While pizza is our passion, people are equally as important to us and we are proud to contribute to ethical, responsible and sustainable business practices through Domino's Give Program in rural, regional and remote Australian communities.

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**GIVE FOR GOOD**

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**CHOCOLATE FOR CHARITY**

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**DIVERSITY AT DOMINO'S**

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**PARTNERS FOUNDATION**

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GIVE FOR GOOD

# CHOCOLATE FOR CHARITY



As part of the Domino's Give for Good program, a new initiative, Chocolate for Charity has also been created. Chocolate for Charity allows our customers to make a charitable donation to a worthy cause with 20 cents from every Domino's signature Belgian Choc Lava Cake sold donated to a worthy charity, initiative or cause across Australia.

Our business is strengthened by supporting worthy charities that align with our core giving philosophy.

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GIVE FOR GOOD

# DIVERSITY AT DOMINO'S



At DPE, we value, respect and leverage the unique contributions of people with diverse backgrounds, experiences and perspectives.

Over the past 12 months DPE has made further developments in the space of diversity and inclusion. DPE undertook a number of initiatives to support Diversity and Inclusion including:

- Undertaking a gender pay gap analysis (completed in FY16). The results showed that there is not a significant gender pay gap in operational store based roles;
- Facilitating a women's mentoring program as a pilot with nine managers undertaking the 12-week program; and
- Conducting an unconscious bias workshop for management groups across the business.



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GIVE FOR GOOD

# PARTNERS FOUNDATION



At DPE we know that our team members are the heart of our business. We truly believe in our mantra of People Powered Pizza and we know we couldn't be the number one pizza company without the hustle and passion of our staff, from our in store team members on the make line to our delivery experts out on the road. The Partners Foundation is a Domino's internal non-profit organisation established to assist team members in time of special need or tragedy as a result of natural disasters, unexpected afflictions and other emergencies.

Since its inception, the Partners Foundation has helped many Domino's team members and their families with financial, emotional, intermediary and advisory assistance throughout Australia.

We look forward to being able to continue to offer support to our team members as we grow our fundraising initiatives over the next 12 months.

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**GIVE FOR GOOD**

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