



# Domino's Pizza Enterprises Ltd AGM 2007

## Chairman's Address

7 November 2007

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### **(SLIDE ONE)**

In the past year, Domino's Pizza, through its operationally-focused management, has continued to implement its business strategies across Australia, New Zealand, France, Belgium and the Netherlands to drive store and sales growth.

### **(SLIDE TWO)**

In this dynamic new era, Domino's Pizza added a record 225 new stores across the five territories in the financial year, including 155 from the European acquisition on 3 July 2006.

This is a 51% increase in store count over the prior year, bringing the total group store count to 663 stores as at 1 July 2007.

The Company also changed its name from Domino's Pizza Australia New Zealand Ltd to Domino's Pizza Enterprises Ltd in December 2006, in recognition of the expansion of the Company's international operations.

### **(SLIDE THREE)**

I would now like to mention some of the financial highlights of the Company's performance during 2006-07 financial year.

- Domino's Pizza same store sales grew 3%, including a 13.98% increase in European same store sales
- Revenue climbed 33.1% to \$230.1 million, largely due to the European acquisition
- New Zealand delivered a strong result +80% EBITDA over the prior year
- Europe delivered a maiden operating profit (EBITDA) of \$500,000 in the second half – significantly ahead of guidance.

I'll make further comments on particular markets shortly.

### **(SLIDE FOUR)**

#### ***Dividends***

Importantly, the Company was pleased to announce the payment to shareholders of a final fully-franked dividend of 6.8 cents per share in September 2007.

The full-year dividend for 2006-07 totalled 10.9 cents per share, the same full-year dividend that was paid in 2005-06.



Domino's Pizza's Dividend Reinvestment Plan remains activated and underwritten.

**(SLIDE FIVE)**

While Managing Director Don Meij will provide a detailed overview of the year's operational performance, I would like to comment on some notable events which have occurred during the financial year in the various markets.

**Europe**

In the first 12 months following the acquisition of the European territories on 3 July 2006, the company has already made important progress.

The market has generated \$145.8m of the \$518.9m Group Network Sales. As mentioned earlier, this represents a 13.98% increase in same store sales growth for 2006-07.

In that time, the Company opened 41 new stores through a combination of organic growth and conversions.

The European market continues to be headed by an experienced team including former senior team members from Australia and local managers.

**(SLIDE SIX)**

**ANZ**

The Company faced various challenges in its Australian operations during the financial year, especially the first half.

The most significant of these challenges were weaker promotions, reduced margins and the performance of the Company's newest market, Victoria.

Initiatives designed to overcome these challenges were adopted in the second half of the year, with their benefits now being realised in the current year.

The EBITDA for the Australian business increased by 29.2% in the second half over first half, bringing full year ahead of guidance given at the half year.

The New Zealand market continued to be a strong performer for the Company in the financial year with significant growth in both store numbers and same store sales.

**(SLIDE SEVEN)**

**2007-08**

Importantly, we are currently on track to deliver the results for 2007-08 as forecast in our 2006-07 Annual Results announcement.



In 2007-08 the Directors expect the Company's growth to continue with new store openings, same store sales increases and innovation through new technology, menu items and advertising.

The cornerstone of the Company's success will continue to be its ability to leverage a network of both corporate and franchised stores, backed by the power and proprietary systems of a global brand.

In conclusion, I would like to once again thank management and staff on executing the Company's expansion plans and delivering solid, profitable growth. I would also like to thank our shareholders for their support.

I now ask Managing Director and Chief Executive Officer Don Meij to present an overview of the Company's operational performance in 2006-07 and provide an insight into the Company's current trading.



# Annual General Meeting 2007

## Chairman's address

Ross Adler, Chairman

AUSTRALIA NEW ZEALAND FRANCE BELGIUM NETHERLANDS



## HIGHLIGHTS – STORE EXPANSION

In 2006/07 Domino's Pizza Enterprises Ltd:

- Added 225 stores (including 155 European stores following 3 July 2006 acquisition)
- 51% increase in store count over prior year
- Group store count total = 663 stores
- Changed its name from Domino's Pizza Australia New Zealand Ltd to Domino's Pizza Enterprises Ltd.





## FINANCIAL HIGHLIGHTS

- Domino's Pizza same store sales grew 3%, including a 13.98% increase in European same store sales
- Revenue climbed 33.1% to \$230.1 million, largely due to the European acquisition
- New Zealand delivered a strong result +80% EBITDA over the prior year
- Europe delivered a maiden operating profit (EBITDA) of \$500,000 in the second half – significantly ahead of guidance.

	F/Y 05 *	F/Y 06	F/Y 07	+ / (-) F/Y 06
	\$ mil	\$ mil	\$ mil	%
<b>Network Sales</b>	306.1	359.4	518.9	44.4%
<b>Same Store Sales %</b>	4.0%	4.3%	3.0%	
<b>Revenue</b>	133.4	172.9	230.1	33.1%
<b>EBITDA (pre share issue costs)</b>	17.8	24.7	22.0	-10.9%
<b>NPBT (pre share issue costs)</b>	10.5	17.2	12.3	-28.5%
<b>NPAT (pre share issue costs)</b>	7.2	13.0	9.1	-30.0%
<b>NPAT (post share issue costs)</b>	6.4	13.0	9.1	-30.0%



# FINANCIAL HIGHLIGHTS

## Dividends

- Domino's Pizza paid a final fully-franked dividend of 6.8 cents per share (interim dividend paid 4.1 cents) to our shareholders in September 2007
- The full-year dividend for 2006-07 totalled 10.9 cents per share, the same full-year dividend that was paid in 2005-06
- Dividend Reinvestment Plan remains activated and underwritten.





# EUROPE

- The market has generated \$145.8m of the \$518.9m Group Network Sales. As mentioned earlier, this represents a 13.98% increase in same store sales growth for 2006-07
- In that time, the Company opened 41 new stores through a combination of organic growth and conversions
- The European market continues to be headed by an experienced team including former senior team members from Australia and local managers.





## ANZ

- The Company faced various challenges in its Australian operations during the financial year, especially the first half
- The most significant of these challenges were weaker promotions, reduced margins and the performance of the Company's newest market, Victoria
- Initiatives designed to overcome these challenges were adopted in the second half of the year, with their benefits now being realised in the current year
- The EBITDA for the Australian business increased by 29.2% in the second half over first half, bringing full year ahead of guidance given at the half year
- The New Zealand market continued to be a strong performer for the Company in the financial year with significant growth in both store numbers and same store sales.



## LOOKING AHEAD - 2008

- Importantly, we are currently on track to deliver the results forecast in our 2006-07 Annual Results announcement
- In 2007-08 the Directors expect the Company's growth to continue with new store openings, same store sales increases and innovation through new technology, menu items and advertising
- The cornerstone of the Company's success is its ability to leverage a network of both corporate and franchised stores, backed by the power and proprietary systems of a global brand





# Domino's Pizza Enterprises Ltd AGM 2007

## Managing Director's Address

7 November 2007

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### ***(SLIDE ONE)***

Thank you Mr Chairman.

Ladies and Gentlemen, it is my privilege to address you once again as Managing Director for Domino's Pizza Enterprises Ltd.

2006-07 has been another year of solid store and revenue growth for Domino's Pizza.

### ***(SLIDE TWO)***

Today, I would like to highlight three key areas of interest regarding Domino's Pizza, before looking ahead to what's in-store for 2007-08. These include:

- Operational achievements
- Current trading
- Commodities.

### ***(SLIDE THREE)***

The operational achievements have occurred in three fundamental areas:

- Rising above the challenges
- Our expanding network in Europe and ANZ
- Delivering innovation.

### ***(SLIDE FOUR)***

#### **RISING ABOVE THE CHALLENGES**

The Chairman has already mentioned some of the challenges we faced in the Australian markets during the year and the measures that have been implemented to address them. Other challenges ongoing to the business include:

- Labour costs – these place pressure on our corporate stores with wage increases and a current low unemployment environment
- Labour shortages - particularly in relation to delivery drivers, resulting in weaker delivery numbers
- Commodity prices - I will talk in more detail about this shortly.



Some of the initiatives being put in place in response to these challenges include a reduction in overhead costs, further investment in team member development and an increased focus on our takeaway business.

**(SLIDE FIVE)**

## **OUR EXPANDING NETWORK**

As the Chairman discussed in his address, Domino's Pizza added an additional 225 stores to its network in 2006-07, giving the Company a total of 663 stores at financial year end. Today, there are 677 stores in the network.

The addition of 225 stores last financial year was an outstanding result, but I would like to highlight this was also a unique result fuelled by key European acquisitions. We also purchased and re-branded two additional European pizza chains, Al Capone's and Alvollo, in January 2007.

We are on track to have at least 723 stores open by 30 June 2008.

Domino's Pizza began decreasing its proportion of corporate stores from 30% to around 15-20% in ANZ in the 2006-07 financial year. Approximately 20 stores are expected to be sold to franchisees in 2007-08.

**(SLIDE SIX)**

## **DELIVERING INNOVATION**

Innovation remains one of the Company's key business drivers. In 2006-07 we delivered innovation through a number of areas including:

- The PULSE point-of-sale (POS) system
- Internet ordering system
- Internal "Store Wars" measurement program
- New Domino's Service & Supply in-house department
- Successful innovative promotions in the second half
- New brand position and image



**(SLIDE SEVEN)**

## **DELIVERING INNOVATION (cont)**

### **PULSE**

PULSE is now in 454 (96%) of all ANZ stores, and is another example of how we are using technology to work smarter. PULSE makes it easier to give our customers the best service possible and improves operational efficiencies by giving managers access to timely data.

Roll out of a similar POS system in our European stores has commenced with installation in all stores expected to be completed in around three years.

PULSE currently provides for internet ordering to be available in 391 (82.8%) of ANZ stores and continues to grow. A recent upgrade to the internet ordering system improved speed and reliability and provided a faster payment and order processing. This has resulted in a significant increase in internet sales.

Connecting our stores through PULSE has also enabled us to launch our internal "Store Wars" measurement program, where individual stores can track their performance and compete live against other stores to increase their sales. We believe this is a major tool for driving our business in 2007-08 in ANZ.

**(SLIDE EIGHT)**

## **DELIVERING INNOVATION (cont)**

### **Domino's Service & Supply**

The new Domino's Services & Supply (DSS) is in full swing with a new warehouse at Hendra in Brisbane and improved online ordering system.

Operating from one central location has generated greater synergies, business efficiencies, improved logistic advantages and better quality control.

This department is now marginally profitable.

**(SLIDE NINE)**

## **CURRENT TRADING**

I would now like to elaborate on current trading conditions for Domino's Pizza as we move towards the half year mark:

- At the present stage both sales and profits are ahead of expectations, however it is too early to make any change to our year end guidance. We expect to be able to provide updated guidance closer to the end of the first half of our financial year.
- As a result management remains optimistic but not complacent with eight months of trading still ahead



- Promotional activity for Australia and New Zealand is well developed for 2008, especially with new product development.

### **(SLIDE TEN)**

#### **COMMODITIES**

As we make our pizzas with fresh, quality ingredients the prices of various commodities are obviously of importance to our overall margins.

The prices of various commodities used in ANZ will increase from January 2008. At this stage, Domino's Pizza believes it has put strategies in place that will largely negate earnings impacts from the commodity increases.

Europe has already largely taken its commodity price rises for this financial year. As a result of the strategies that Domino's Pizza has implemented, the impact of these price rises has been minimised. Profits and sales continue to be ahead of the Company's expectations.

### **(SLIDE ELEVEN)**

#### **THE YEAR AHEAD**

In the year ahead, Domino's Pizza will continue to focus on:

- Store expansions across all markets
- Innovative stores, menus and marketing
- Technology making it easier to serve customers
- Management actively seeking improvements in operations and efficiencies.

### **(SLIDE TWELVE)**

#### **THE YEAR AHEAD (cont)**

##### **Key initiatives**

There are a number of key initiatives the Company has embarked on to maintain our growth and returns to shareholders in 2007-08.

These include:

- Opening an addition 60 stores across Europe and ANZ including European organic store growth which is going well and currently ahead of schedule
- Promotional activity for ANZ which is well-developed for 2008 with a strong product development pipeline to be supported by the new brand positioning of The Domino's Effect



- France moving into TV advertising in early 2008, positioning Domino's Pizza as the third largest fast food advertiser in France (behind the two Burger chains)
- Online ordering which continues to grow with new upgrades planned throughout the year, in ANZ
- The "Store Wars" program being used within the business to drive the competitive nature of franchisees, operational staff and store managers to enhance sales among franchisees and team members
- Image 2020 continues to roll out in ANZ and Europe including new packaging, uniforms and store design.

### ***(SLIDE THIRTEEN)***

#### ***Conclusion***

In conclusion, Domino's Pizza experienced a number of challenges in Australia in 2006-07. However, management has made a number of initiatives which should see core fundamental profit earnings improve materially in 2007-08.

With the decrease of mix in corporate stores will see DPE requiring less capital in expansion compared to historical record.

We expect to strengthen our brand in all five countries, with reinforced TV exposure in France, a growing TV presence in the Netherlands, and a strong product development pipeline and new brand campaign in ANZ.

The opening of an additional 60 stores across all markets will also see our store presence strengthened.

Europe is already profitable and international growth is set to become significant part of our business over the next three years.

Ladies and Gentlemen, Domino's Pizza has entered the 2008 fiscal year in a strong financial and operational position and is poised for further growth.

I would like to commend our dedicated Leadership Team, Board Members, franchisees and staff for their achievements over the past year and thank our shareholders for your continued support.

I look forward to continuing our journey of sales growth and international expansion in the year ahead.

Thank you.



## Managing Director's address

Don Meij, MD & CEO

AUSTRALIA NEW ZEALAND FRANCE BELGIUM NETHERLANDS



## KEY AREAS OF INTEREST

- Operational achievements
- Current trading
- Commodities.



## OPERATIONAL ACHIEVEMENTS

The operational achievements have occurred in three fundamental areas:

- Rising above the challenges
- Our expanding network in Europe and ANZ
- Delivering innovation.



## RISING ABOVE THE CHALLENGES

- Labour costs – these place pressure on our corporate stores with wage increases and a current low unemployment environment
- Labour shortages - particularly in relation to delivery drivers, resulting in weaker delivery numbers
- Commodity prices - I will talk in more detail about this shortly
- Some of the initiatives being put in place in response to these challenges include a reduction in overhead costs, further investment in team member development and an increased focus on our takeaway business.





## OUR EXPANDING NETWORK

- Added 225 stores (including 155 European stores following 3 July 2006 acquisition), bringing the store count to 663 stores
- We also purchased and re-branded two additional European pizza chains, Al Capone's and Alvolo, in January 2007
- Today group store count total = 674 stores
- On track to have at least 723 stores operating in Europe and ANZ by June 2008
- Domino's Pizza begun decreasing proportion of corporate stores from 30% to around 15-20% in ANZ.





## DELIVERING INNOVATION

Innovation remains one of the Company's key business drivers. In 2006-07 we delivered innovation through a number of areas including:

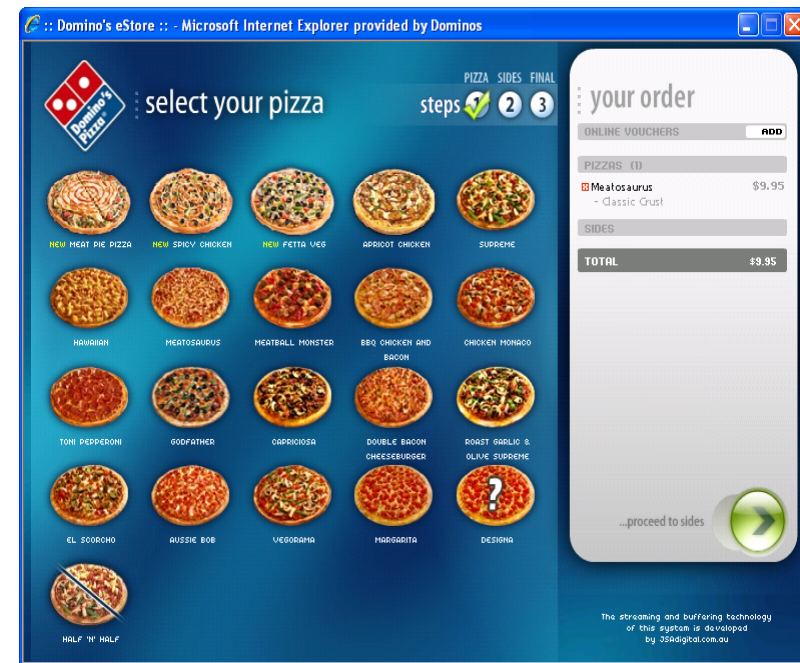
- The PULSE point-of-sale (POS) system
- Internet ordering system
- Internal "Store Wars" measurement program
- New Domino's Service & Supply in-house department
- Successful innovative promotions in the second half
- New brand position and image.



## DELIVERING INNOVATION (cont)

### PULSE

- Pulse POS system now in 454 (96%) of all ANZ stores
- Roll out of a similar system expected in our European stores in next three years
- Internet ordering system available in 391 (82.8%) of ANZ stores
- Internal “Store Wars” measurement program is a major tool for driving our business in 2007-08.





## DELIVERING INNOVATION (cont)

### Domino's Service & Supply

- The new Domino's Services & Supply (DS&S) is in full swing with a new warehouse at Hendra in Brisbane and improved online ordering system
- Operating from one central location has generated greater synergies, business efficiencies, improved logistic advantages and better quality control
- This department is now marginally profitable.





## CURRENT TRADING

- At the present stage both sales and profits are ahead of expectations, however it is too early to make any change to our year end guidance. We expect to be able to provide updated guidance closer to the end of the first half of our financial year.
- As a result management remains optimistic but not complacent with eight months of trading still ahead
- Promotional activity for Australia and New Zealand is well developed for 2008, especially with new product development.





## COMMODITIES

### ANZ

- The prices of various commodities used in ANZ will increase from January 2008
- At this stage, Domino's Pizza believes it has put strategies in place that will largely negate earnings impacts from the commodity increases.

### Europe

- Europe has already largely taken its commodity price rises for this financial year
- As a result of the strategies that Domino's Pizza has implemented, the impact of these price rises has been minimised
- Profits and sales continue to be ahead of the Company's expectations.



## THE YEAR AHEAD

In the year ahead, Domino's Pizza will continue to focus on:

- Store expansions across all markets
- Innovative stores, menus and marketing
- Technology making it easier to serve customers
- Management actively seeking improvements in operations and efficiencies.





## THE YEAR AHEAD (cont)

### Key initiatives

- Opening an addition 60 stores across Europe and ANZ including European organic store growth
- Promotional activity for ANZ which is well-developed for 2008 with a strong product development pipeline to be supported by the new brand positioning of The Domino's Effect™
- France moving into TV advertising in early 2008, positioning Domino's Pizza as the third largest fast food advertiser in France (behind the two Burger chains)
- Online ordering
- The "Store Wars" program being used within the business to drive the competitive nature of franchisees, operational staff and store managers to enhance sales
- Image 2020 continues to roll out in ANZ including new packaging, uniforms and store design.



## CONCLUSION

- A variety of challenges in Australia in 2007. However, management have made a number of initiatives which should see core fundamental profit earnings improve materially in 2008
- With the decrease of mix in corporate stores will see DPE requiring less capital in expansion compared to historical record
- Looking to strengthen the brand in all five countries, reinforced with maiden TV exposure in France, a growing TV presence in the Netherlands, and new brand campaign in ANZ
- Europe already profitable and international growth set to become significant part of DPE business, over the next three years.

