



Domino's Pizza Enterprises Limited Full Year Results to 29 June 2008

DOMINO'S PIZZA ENTERPRISES LIMITED australia new zealand france belgium netherlands



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EXECUTIVE TEAM

Don Meij

*Chief Executive Officer/
Managing Director*

Andrew Rennie

Chief Executive Officer France/Belgium

Richard Coney

Group Chief Financial Officer



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AGENDA

1. Highlights
2. Results Detail
3. European Review
4. Outlook & Conclusion





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HIGHLIGHTS



RESULT HIGHLIGHTS

- NPAT up 30% to \$11.8m (post \$0.4m non-recurring costs)
- Strong Network Sales growth +13.9% over FY07
- Solid Group SSS growth +6.8% over FY07
- Company revenue unchanged as a result of Corporate store sell down
- Strong organic store growth with addition of 78 stores
- Europe tracking ahead of expectations with EBITDA of A\$3.1m, 449% on FY07
- Full year proposed dividend 6.8 cents, DRP remains active and underwritten
- Net Debt reduced to A\$15.9m (post Pinky's Pizza acquisition and Europe investments), gearing down to 16.7% (Net Debt to Capitalisation)

	F/Y 06	F/Y 07	F/Y 08	+ / (-) FY 07
	\$ mil	\$ mil	\$ mil	%
Network Sales	359.4	518.9	591.2	13.9%
Same Store Sales %	4.3%	3.0%	6.8%	
Revenue	172.9	230.1	229.6	-0.2%
EBITDA	24.7	22.0	25.3	15.0%
NPBT	17.2	12.3	17.0	38.4%
NPAT	13.0	9.1	11.8 ⁽¹⁾	30.0%
EPS (basic)	21.7	14.8	18.4	24.3%

⁽¹⁾ post \$0.4m non-recurring costs



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ANZ HIGHLIGHTS

- New Zealand strongest performer in the ANZ group for SSS
- Successful launch of Big Taste Range with 7 Meats Pizza a strong success
- Online ordering now over 12% of sales in Australia
- Launched new telephone number 1300 DOMINOS
- Started growing Domino's 2Go in stadiums
- Food as a percentage of sales running at historical low, due to initiatives taken to negate commodity increases





EUROPE HIGHLIGHTS

- Strong organic growth of stores
- SSS strong at +13.36%
- Netherlands is now averaging 19.2% of its orders online and growing
- Successful launch of TV advertising and 4 digit telephone number in France
- Food cost running at historical lows; recently seen reduction in major commodities of wheat and cheese
- Second commissary now operating in Vertou France; lifted capacity to 350 stores



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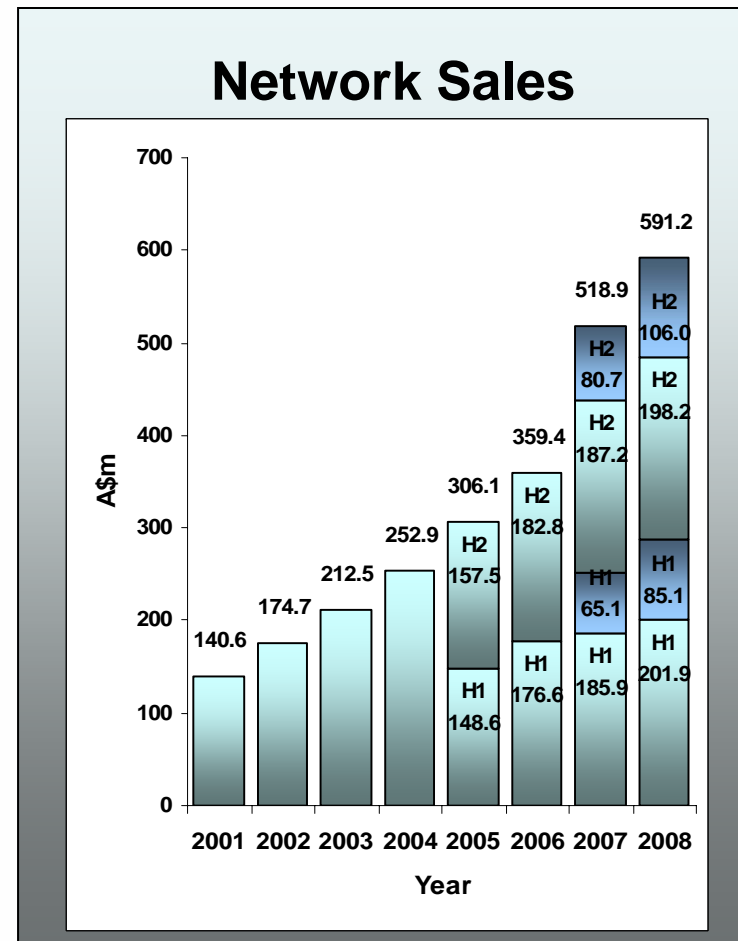
RESULTS DETAIL



NETWORK STORE & SALES GROWTH

Network Store Count

	Actual at June 2007	Actual at June 2008
Australia	402	433
New Zealand	65	71
ANZ Stadium stores	0	5
Number of Aus/NZ stores	467	509
France/Belgium	121	148
Netherlands	75	84
Number of Europe stores	196	232
Total number of stores	663	741



Aus/NZ

Europe



NETWORK STORE & SALES GROWTH

- Additional 78 new stores (including 5 Stadium stores)
- Corporate store sell down moving slower than planned at this stage
- Still approximately 20 Corporate stores left in portfolio to sell

	F/Y 06	F/Y 07	F/Y 08
Network Sales (\$ mil)	359.4	518.9	591.2
Number of Aus/NZ stores			
Franchised stores	301	343	402
Corporate stores	137	124	107
Aus/NZ network stores	438	467	509
Corporate store %	31%	27%	21%
Stores added in period	51	29	42
Number of European stores			
Franchised stores	0	190	227
Corporate stores	0	6	5
European network stores	0	196	232
Corporate store %	0%	3%	2%
Stores added in period	0	196	36
Consolidated number of stores			
Franchised stores	301	533	629
Corporate stores	137	130	112
Total network stores	438	663	741
Corporate store %	31%	20%	15%
Stores added in period	51	225	78



REVENUE AND EBITDA

- ANZ Revenue and EBITDA reflect the movement of Corporate stores into Franchise stores (Profits +6% on FY07 at NPBT level)
- Europe achieved strong EBITDA and Revenue growth

	F/Y 06	F/Y 07	F/Y 08	+ / (-) F/Y 07
	\$ mil	\$ mil	\$ mil	%
REVENUE				
Total Australia/NZ	172.9	180.4	160.7	-10.9%
Europe	0.0	49.7	68.9	38.6%
Total Revenue	172.9	230.1	229.6	-0.2%
EBITDA				
Total Australia/NZ	24.7	22.9	22.2	-3.1%
Europe	0.0	(0.9)	3.1	448.9%
Total EBITDA	24.7	22.0	25.3	15.2%
EBITDA MARGIN %				
Total Australia/NZ	14.3%	12.7%	13.8%	
Europe	N/A	N/A	4.6%	
Total EBITDA Margin %	14.3%	9.6%	11.0%	



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CORPORATE

2007/08

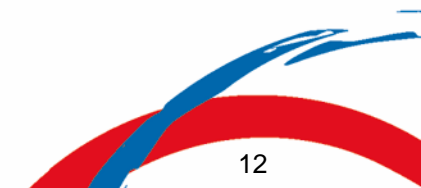
- EBITDA margins in line with expectations, affected by restructuring and reduction in Corporate store numbers

Going Forward

- Corporate expected to reduce in the quantum of dollars as Franchise increases in line with sell down of stores



	F/Y 06	F/Y 07	F/Y 08	+ / (-) F/Y 07
	\$ mil	\$ mil	\$ mil	%
Revenue	125.8	137.9	109.5	-20.6%
EBITDA	13.0	11.3	7.8	-31.0%
EBITDA Margin %	10.3%	8.2%	7.1%	-13.1%





FRANCHISE

2007/08

- Significant Margin improvement when Distribution Revenue is removed as a historical comparison - record 43.7% (benefiting from reduced store construction)

Going Forward

- Benefiting from the sale of Corporate stores moving into this area
- Return on Capital Employed improves by switching from Corporate stores

	F/Y 06 \$ mil	F/Y 07 \$ mil	F/Y 08 \$ mil	+ / (-) F/Y 07 %
Revenue - Aus/NZ excl Distribution	40.4	42.2	39.7	-5.9%
Revenue - Distribution	N/A	N/A	11.5	N/A
Revenue - Aus/NZ incl Distribution	40.4	42.2	51.2	21.3%
Revenue - Europe	N/A	43.1	60.5	40.4%
EBITDA - Aus/NZ	14.0	12.3	17.3	41.0%
EBITDA - Europe	N/A	(0.9)	2.8	411.1%
EBITDA Margin % - Aus/NZ excl Distribution	34.7%	29.1%	43.7%	
EBITDA Margin % - Aus/NZ incl Distribution	34.7%	29.1%	33.9%	
EBITDA Margin % - Europe	N/A	N/A	4.6%	



CORPORATE DEVELOPMENT & UNALLOCATED

Corporate Development

- As forecast, Corporate Development profit lower
- Closure and write-off of a test mall concept – impact A\$0.3m



Other / Unallocated (G&A)

- Trending lower with the reduction of Corporate stores

	F/Y 06	F/Y 07	F/Y 08	+ / (-) F/Y 07
	\$ mil	\$ mil	\$ mil	%
EBITDA				
Corporate Development	2.4	3.2	0.7	-78.1%
Other / Unallocated	(4.7)	(3.9)	(3.3)	-15.4%



PROFIT & LOSS

- Financing costs down 27.4% to A\$2.1m as a result of debt reduction
- Tax result for FY08 is 30.5% compared to FY07 26.1%, FY06 24.1%
- Earnings per share (basic) 18.4 cents +24.3%
- Interest cover improved to 9.0 times

	F/Y 06 \$ mil	F/Y 07 \$ mil	F/Y 08 \$ mil	+ /(-) F/Y 07 %
Revenue	172.9	230.1	229.6	-0.2%
EBITDA	24.7	22.0	25.3	15.2%
Depreciation & Amortisation	6.0	6.8	6.2	-8.8%
EBIT	18.7	15.2	19.1	25.9%
EBIT Margin	10.8%	6.6%	8.3%	
Interest	1.5	2.9	2.1	-26.8%
NPBT	17.2	12.3	17.0	38.4%
NPAT	13.0	9.1	11.8	30.0%
Performance Indicators				
Interest Coverage (times)	12.5	5.3	9.0	
EPS (basic)	21.7	14.8	18.4	

Average exchange rate for New Zealand

1.1675

Average exchange rate for Europe

0.6103



CASH FLOW

- Cash from Operations up 166% from A\$7.0m to A\$18.6m
- ANZ generated Free Cash flow A\$18.8m
- Investing in Europe further A\$8.7m
- Net Debt reduced by A\$10.0m

	F/Y 2007			F/Y 2008		
	Aust/NZ \$'000	Europe \$'000	Group \$'000	Aust/NZ \$'000	Europe \$'000	Group \$'000
Cash flows from operating activities						
Receipts from customers	199,694	47,804	247,498	181,217	75,939	257,156
Payments to suppliers and employees	(181,016)	(51,291)	(232,307)	(156,966)	(77,968)	(234,934)
Interest received	496	78	574	731	159	890
Interest and other costs of finance paid	(2,805)	(68)	(2,873)	(2,064)	(23)	(2,087)
Income taxes paid	(5,916)	-	(5,916)	(2,380)	(52)	(2,432)
Net cash provided by operating activities	10,453	(3,477)	6,976	20,538	(1,945)	18,593
Cash flows from investing activities						
Payment for intangibles	(685)	(1,646)	(2,331)	(780)	(382)	(1,162)
Payment for property, plant and equipment	(10,029)	(721)	(10,750)	(3,812)	(4,791)	(8,603)
Proceeds from sale of PP&E & intangibles	25,323	1,170	26,493	16,536	1,442	17,978
Loans to Franchisees	(532)	(1,483)	(2,015)	(5,427)	(1,702)	(7,129)
Payments for investment and business operations	(28,684)	(5,720)	(34,404)	(8,304)	(1,335)	(9,639)
Other	-	-	-	-	-	-
Net cash used in investing activities	(14,607)	(8,400)	(23,007)	(1,787)	(6,768)	(8,555)
Cash after investing (free cash flow)	(4,154)	(11,877)	(16,031)	18,751	(8,713)	10,038
Cash flows from financing activities						
Proceeds from issue of equity securities	5,311	-	5,311	3,915	-	3,915
Proceeds from borrowings	30,277	-	30,277	11,000	-	11,000
Repayment of borrowings	(26,860)	(277)	(27,137)	(16,579)	(54)	(16,633)
Dividends paid	(3,260)	-	(3,260)	(3,915)	-	(3,915)
New cash provided by/(used) in financing activities	5,468	(277)	5,191	(5,579)	(54)	(5,633)
Net increase/(decrease) in cash held	1,314	(12,154)	(10,840)	13,172	(8,767)	4,405



BALANCE SHEET

- Increase in Other Financial Assets, A\$7.2m in Franchisee loans (ANZ \$5.5m relating to Corporate store sell down); A\$2.0m in financial guarantees
- Borrowings - A\$5.4m decrease in borrowings (plus FX movement on Euro loan A\$0.5m)
- Increase in Other Liabilities – A\$2.0m in financial guarantees (refer offset above)
- Increase in Issued Capital A\$6.9m relates to capital issued through DRP

Prior Year Adjustment

- European pre-acquisition adjustment (Note 2 Financial Statements) – debtors reduced by A\$2.8m (€1.7m) as a result of a correction to the fair value of the European acquisition

	F/Y 2007	F/Y 2008 +/- (-)	F/Y 2007
	\$ mil	\$ mil	\$ mil
Current assets			
Cash assets	7.9	12.6	4.8
Trade & other receivables	23.1	24.7	1.6
Other financial assets	0.4	0.6	0.2
Inventories	5.0	3.5	(1.5)
Current tax asset	0.4	0.0	(0.4)
Other	3.4	6.1	2.7
Assets classified as held for sale	2.3	2.4	0.1
Total current assets	42.5	49.9	7.4
Non-current assets			
Other financial assets	7.2	16.4	9.2
Property, plant and equipment	33.5	30.4	(3.1)
Goodwill	42.0	41.1	(0.9)
Deferred tax assets	4.4	2.4	(2.0)
Other intangible assets	1.0	1.7	0.8
Other	1.1	0.2	(0.9)
Total non-current assets	89.1	92.3	3.1
Total assets	131.6	142.2	10.5
Current liabilities			
Trade & other payables	26.9	27.9	1.0
Borrowings	0.2	0.1	(0.1)
Other financial liabilities	0.1	0.2	0.1
Current tax payables	0.0	0.5	0.5
Provisions	1.7	2.1	0.4
Total current liabilities	28.9	30.8	1.8
Non-current liabilities			
Borrowings	33.4	28.4	(4.9)
Provisions	0.4	0.4	(0.0)
Deferred tax liabilities	0.4	0.0	(0.4)
Other	1.2	3.3	2.1
Total non-current liabilities	35.5	32.1	(3.3)
Total liabilities	64.4	62.9	(1.4)
Net assets	67.2	79.3	12.0
Equity			
Issued capital	48.7	55.6	6.9
Reserves	(0.1)	0.2	0.3
Retained earnings	18.6	23.4	4.8
Total equity	67.2	79.3	12.0
Return on Invested Capital **	16.2%	17.7%	
Spot exchange rate for New Zealand		1.2622	
Spot exchange rate for Europe		0.6103	

** Calculation based on average opening & closing invested capital and EBIT



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EUROPEAN REVIEW



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EUROPE

- Strong organic growth of stores
- SSS strong at +13.36%
- Netherlands is now averaging 19.2% of its orders online and growing
- Food cost running at historical lows; recently seen reduction in major commodities of wheat and cheese
- Second commissary now operating in Vertou France; lifted capacity to 350 stores
- Includes non-recurring costs of \$0.3m





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EUROPE (Cont)

- Successful launch of TV in France. Not only solid sales growth, but has also lifted the profile of Domino's, increasing interest in areas like Franchising. Immediately became the third biggest fast food TV advertiser in France
- Launched a 4 digit telephone number in France 3959
- More than half the stores in France are now image upgraded

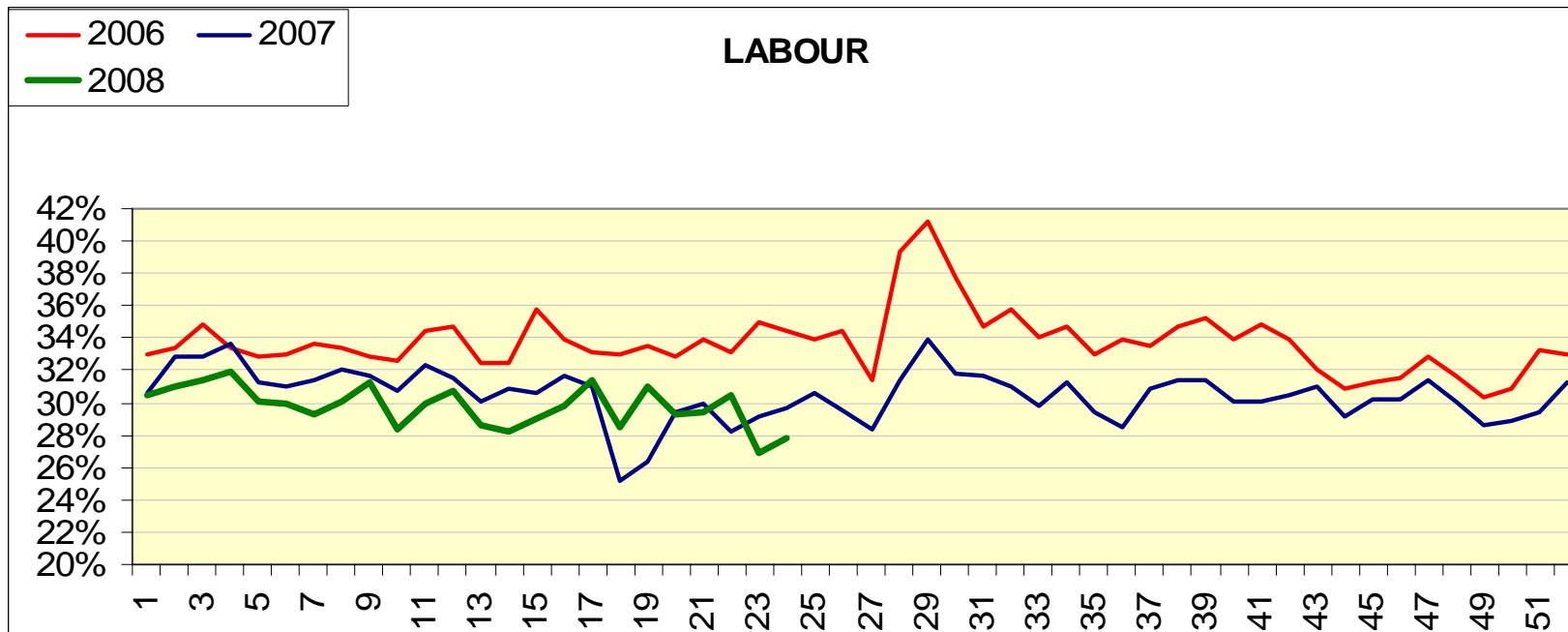




SNAPSHOT OF STORE MARGINS IN FRANCE

In an attempt to give some insight into the progress being made in Europe, we have decided to micro a number of areas of the French business for reference:

- Labour has decreased 2 - 4% since our arrival

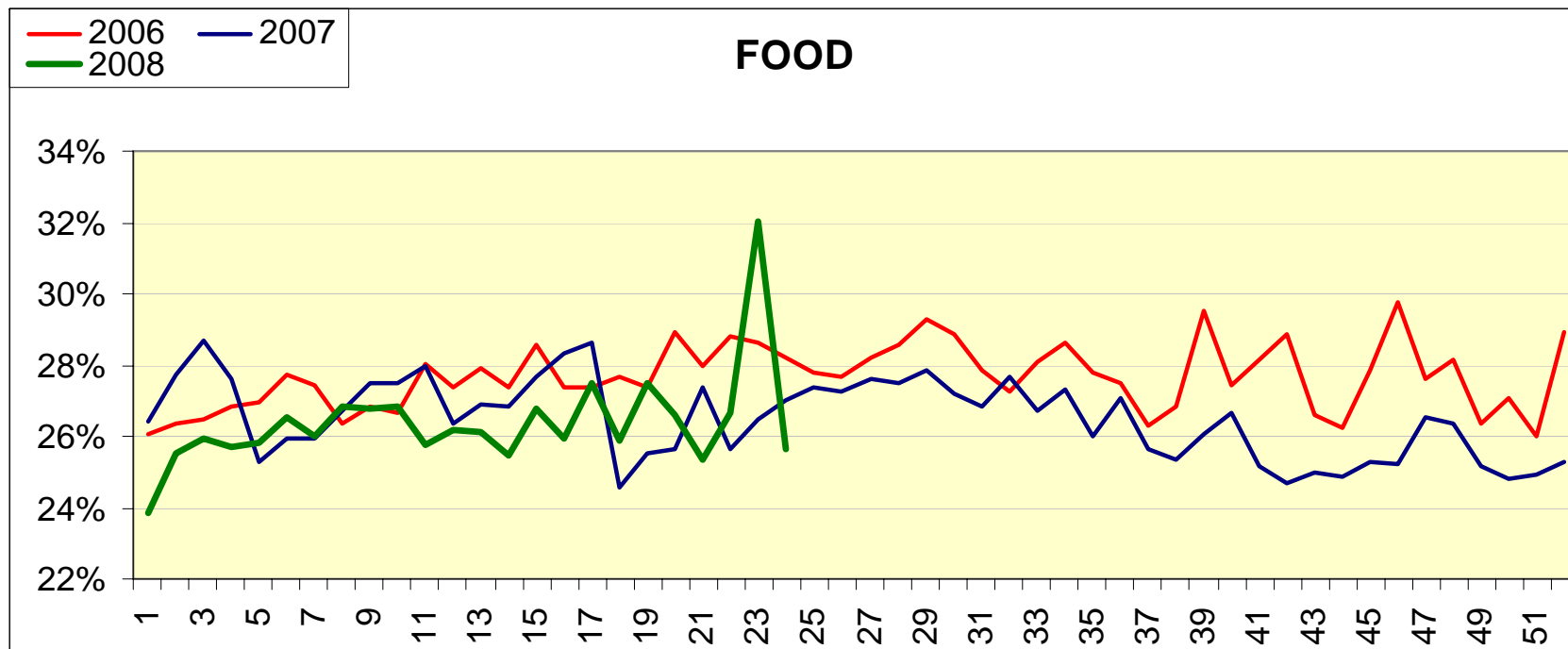


•Source – Weekly Point of Sale System data submitted by Franchisees

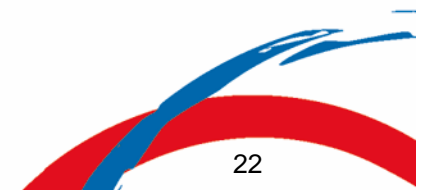


SNAPSHOT OF FRANCE STORE HEALTH

- Food costs is 1% lower than 2006



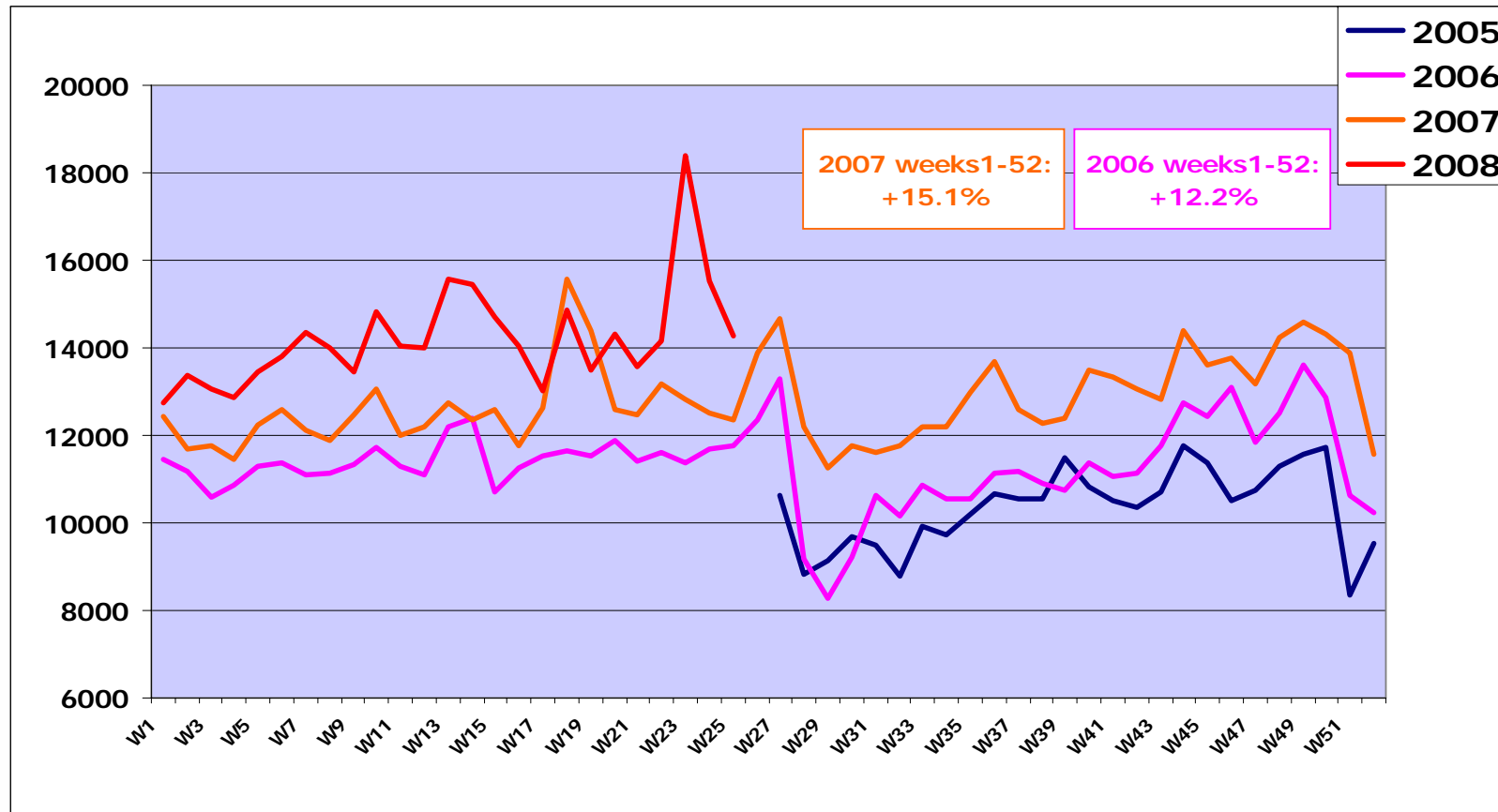
•Source – Weekly Point of Sale System data submitted by Franchisees





LIKE FOR LIKE STORE AWUS

(Average Weekly Unit Sales, store >1 year old, excludes new stores)



•Source – Weekly Point of Sale System data submitted by Franchisees





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OUTLOOK



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LOOKING FORWARD – ANZ

- Focusing further this year on core pizza as driver of product pipeline
- Continued push for online sales as a key driver
- Driving internal benefits of all stores being on one platform in PULSE
- With access to drivers improving slightly, a lift in focus back on delivery
- Pinky's Pizza integration costs of \$1.2m as highlighted at time of acquisition





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LOOKING FORWARD – ANZ

Management aware of:

- Still seeing challenges with wage inflation, at least in the first half
- Global banking policies have changed; more restrictive lending policies from banks will put pressure on store growth targets
- Melbourne market still immature and pressuring ANZ earnings
- Foreign exchange conversions putting some pressure on earnings from New Zealand (2008 average exchange rate of 1.17 versus current exchange rate of approx. 1.23)





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LOOKING FORWARD – EUROPE

- Continued activity on TV in France and The Netherlands
- Launching a new online site for internet ordering in all 3 countries
- France will go to online ordering for the first time in this next 6 months
- Planning underway for a new 250 store Dutch commissary to open within 12-15 months replacing current Dutch commissary that is old and inefficient
- Expecting strong SSS growth to continue in Europe
- Intensifying our focus on Pizza College training





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LOOKING FORWARD – EUROPE

Management aware of:

- Like ANZ, global banking policies have changed; more restrictive lending policies from banks will put pressure on store growth targets





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CONCLUSION

- Strong SSS growth in ANZ and Europe in 2007-08, contributed to significantly improved earnings
- Transition from 150 Corporate stores to approximately 80 Corporate stores in ANZ is translating to better returns as expected at a NPAT level
- Despite higher tax payments than in previous years, we have delivered on the higher end of market guidance
- A challenging labour market in ANZ is impacting store margins, especially magnified in immature stores
- Pizza expected to be more resilient in economic downturns, however Management is cautious with store growth forecasts due to change in banking environment for Franchisees
- Strong sales growth expected to continue in Europe, both from new stores and existing store base
- FY09 Guidance – NPAT growth of 10%-15% (including non-recurring Pinky's Pizza integration costs \$1.2m)